THE STATS

● Despite the earnest efforts of market players to talk rates up, professional indemnity (PI) premiums have continued to flatter to deceive over the past 12 months.

Despite some encouraging spurts of growth during a handful of months, the overall trend remains one of falling premiums.

The reality is that there is still rampant overcapacity and this problem looks set to be further exacerbated with a tranche of new PI entrants expected to try and muscle in next year.

A number of insurers and Lloyd's syndicates are predicted to seize this extra capacity and, while they may please brokers looking for new offerings and services, it will not be music to the ears of those desperate to see premiums begin to rise.

A few providers have already cited the clarification made this year by the Solicitors Regulation Authority with regards to membership and funding of the Assigned Risk Pool (ARP) as being the motivation behind their move.

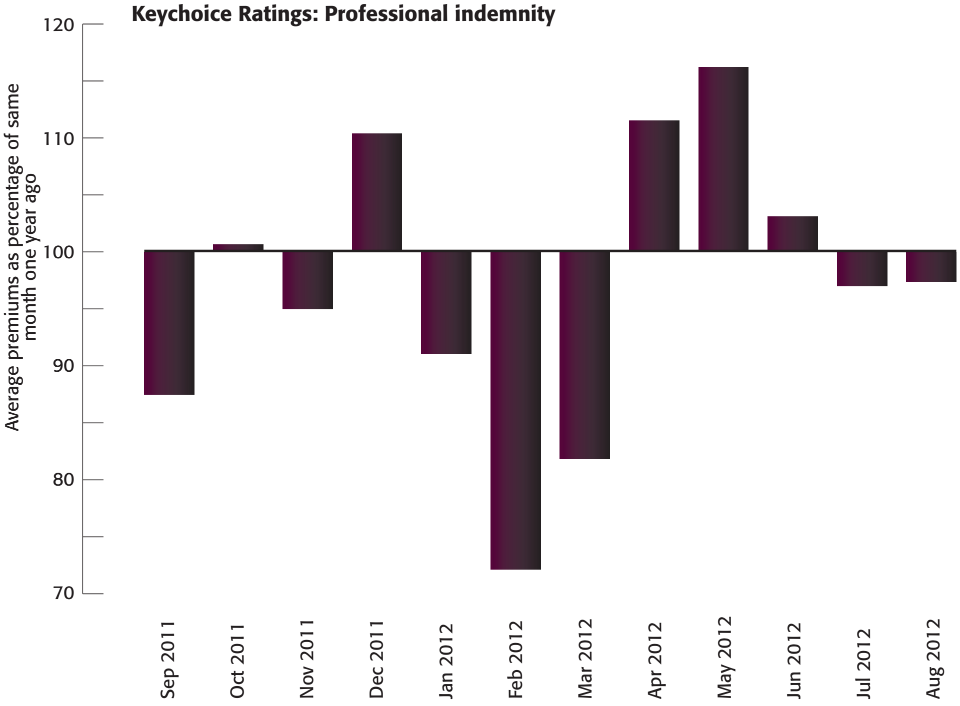
Insurers will soon be free of the burden of contributing to the costs of the ARP and one niche general insurer has already confirmed it intends to write business in time for the next renewal season.

As for the last 12 months, although premiums did edge up on several occasions, one market source pessimistically described it as merely moving 'from soft to soft'.

Breaking down the past year's rate changes, September 2011 saw premiums 13% down on the same period of 2010. A phase of inconsistency then began with October seeing a 0.63% rise in premiums, which was followed by a 5% decrease for November. Yet the festive period heralded a brief respite for brokers with a 10% premium rise for December, compared to the same month in 2010.

The start of the year soon brought the market crashing back down to earth with 9%, 28% and 19% drops in January, February and March respectively, as underwriters quoted aggressively to secure new-year business.

As spring approached, the outlook began to appear marginally brighter. Indeed, looking now at the graph, it shows a series of rises. But inconsistencies remain, with July and August both posting 3% premium falls. With an eye on the next 12 months, it would appear to be a case of 'as you were', which will further frustrate the soothsayers in the market.



A.M. Best Company: Top 10 total UK personal financial loss insurers

Rank 2011	Rank 2010	AMB	Company Name	Rating	Ultimate Parent	GWP (£000s)	Underwriting Result* (£000s)	Combined Ratio (%)	Loss Ratio (%)
1	1	90661	British Gas Insurance	NR	Centrica	1,028,622	74,351	93.7	54.3
2	5	87648	UK Insurance	NR	Royal Bank of Scotland Group	444,257	26,273	77.7	30.2
3	2	86373	Allianz Insurance	A+	Allianz SE	344,100	32,265	88.9	61.4
4	4 [1]	86524	Aviva Insurance	A [2]	Aviva	298,413	-1,659	106.1	17.5
5	3	85812	Financial Insurance Company	NR	Genworth Financial	291,293	-8,201	75.5	16.3
6	8	86257	Royal & Sun Alliance Insurance	A	RSA Insurance Group	274,478	30,574	85.9	59.6
7	7	87319	Domestic and General Insurance	NR	Domestic & General Group	181,817	26,404	84.8	42.5
8	15	87802	Pinnacle Insurance	NR	BNP Paribas SA	140,261	-6,985	103.9	26.4
9	13	87310	DAS Legal Expenses Insurance Company	NR	Munich Reinsurance Company	135,299	-2,209	110.2	63.3
10	19	87308	Metlife Insurance	NR	MetLife	110,801	4,402	95.1	14.2

* Underwriting result excludes investment income. Figures in above table are based on FSA returns of financial year 2011 for total personal lines financial loss insurance business (reporting category 180).
[1] 2010 ranking relates to Aviva International Insurance Ltd which transferred its portfolio into Aviva Insurance Limited. [2] Rating relates to AMB 78773 Aviva Insurance Limited.
Ratings as of 5 September 2012.
Source: A.M. Best's Financial Suite - Best's Statement File - UK