

THE STATS

● Steady and unspectacular would appear to be the nature of combined liability premium rises over the last 12 months.

Barring a few blips over the past year, brokers will have breathed a sigh of relief as stable rate rises came through the books despite the well-documented difficulties of the commercial market.

The average rate rise for the period was an understated 3.1%, still a long way off where most brokers and insurers would ideally like the market to shift.

Both employers' and public liability claims have been on the increase – a tell-tale sign of the challenging economic times.

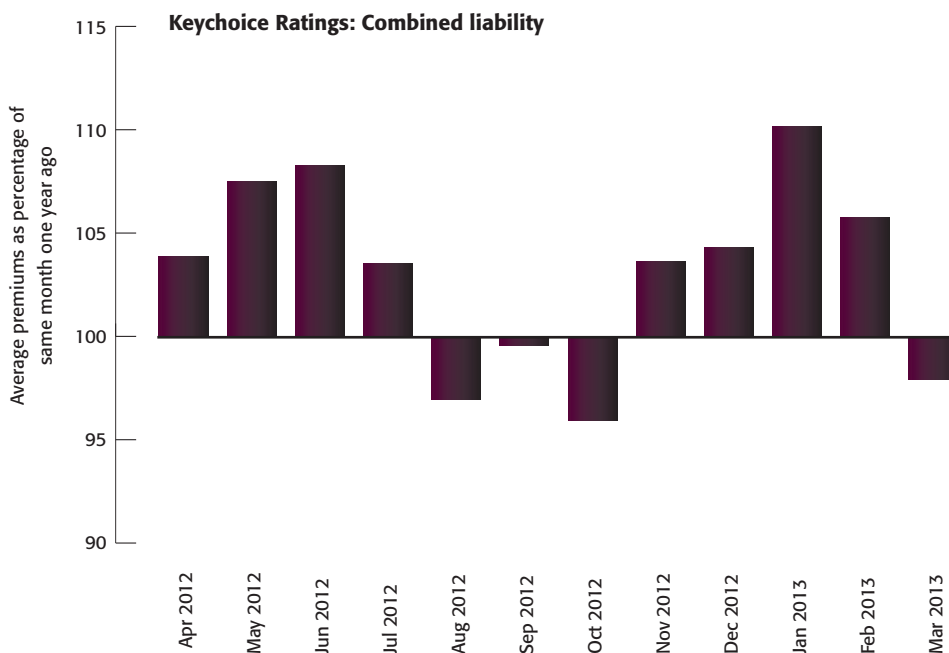
Redundancy and personal injury claims have been most noticeable and the market has been forced to respond, albeit marginally, in a bid to cover itself from these potential losses.

Yet even minimal combined liability rate rises will have been tough for businesses fighting to stand still in the challenging financial environment.

So, while brokers will have been buoyed by the slight rises, they will also have had to explain to their commercial clients why premiums have risen.

Looking ahead to the next 12 months, a stronger underlying rate push is certainly needed to boost the coffers of brokers and insurers alike. However, the over-riding market expectation is that, in fact, more of the same is on the cards.

Minor rate rises have been predicted and with many commercial clients still struggling



amid the tough climate, noteworthy and sustained economic growth would be welcomed by both brokers and businesses.

Returning to the last 12 month's statistics and the period from April to July recorded successive rate rises, with May and June posting increases of 7.5% and 8.3% respectively.

However, a three-month slump ensued, partly explained by September, which is widely recognised as a popular renewal month.

Nevertheless, premium growth returned once more from November onwards until February, with January in particular recording a double-digit 10.1% rate jump.

Following this period, combined liability optimism will have been knocked by March registering a disappointing drop of 2.1%. Yet, once again, March is also acknowledged as a common renewal month, which may temper fears that any sustained period of rate decline could be on the cards.

A.M. Best Company: Top 10 commercial lines financial loss insurers in the UK

| Rank 2011 | Rank 2010 | AMB | Company Name | Rating | Ultimate Parent | GWP (£000s) | Underwriting Result* (£000s) | Combined Ratio (%) | Loss Ratio (%) |
|-----------|-----------|-------|--------------------------------------|--------|-----------------------|-------------|------------------------------|--------------------|----------------|
| 1 | 3 | 86485 | ACE European Group | A+ | ACE | 146,373 | 33,562 | 24.8 | -20.0 |
| 2 | 2 | 87416 | AIG Europe | A | AIG | 127,722 | 10,483 | 70.1 | 42.6 |
| 3 | 4 | 84806 | Aspen Insurance UK | A | Aspen | 101,570 | -570 | 116.6 | 34.5 |
| 4 | 5 | 87312 | HCC International Insurance Company | NR | HCC | 71,419 | 14,647 | 78.3 | 45.1 |
| 5 | 6 | 85630 | Chubb Insurance Company of Europe SE | A++ | The Chubb Corporation | 53,513 | 690 | 101.3 | 73.1 |
| 6 | 7 | 87425 | Liberty Mutual Insurance Europe | A | Liberty Mutual | 50,843 | -12,696 | N/A | N/A |
| 7 | 8 | 87216 | Ambac Assurance UK | NR | Ambac Financial Group | 39,943 | -14,339 | 131.4 | 113.9 |
| 8 | 10 | 86126 | QBE Insurance (Europe) | A | QBE Insurance Group | 36,101 | 3,785 | N/A | N/A |
| 9 | 9 | 87466 | Motors Insurance Company | NR | Ally Financial | 21,078 | 4,863 | 79.9 | 77.9 |
| 10 | 14 | 85173 | Markel International Insurance | A | Markel Corporation | 14,192 | -650 | N/A | N/A |

* Underwriting result excludes investment income. Note: Some ratio figures are not available (N/A) because more than 1% of these companies' commercial lines financial loss insurance business is accounted for on an underwriting year basis, for which earned premiums is not disclosed on the FSA return. Figures in above table are based on FSA returns of financial year 2011 for commercial lines financial loss insurance business lines (reporting category 280). Euler Hermes UK plc which was ranked 1 in 2010 transferred its business to its European parent company and no longer files an FSA return. Ratings as of April 4, 2013. Source: A.M. Best's Financial Suite - Best's Statement File - UK