THE STATS

● The commercial property owners market is awash with capacity.

Over the past 12 months rates have, on average, been 1.33% lower than the same month the previous year.

And if recent rate performance is anything to go by, unfortunately for brokers, rates could be set to fall even further throughout the second half of 2013.

Propelling the growth of this extra capacity has been the pressure faced by many insurers on their liability books. In essence, losses in this difficult area have led many to write more commercial property risks in a bid to offset the issues faced on the liability side.

Currently, commercial property is benefitting from a fairly benign claims environment and loss ratios have stacked up more healthily when compared to liability.

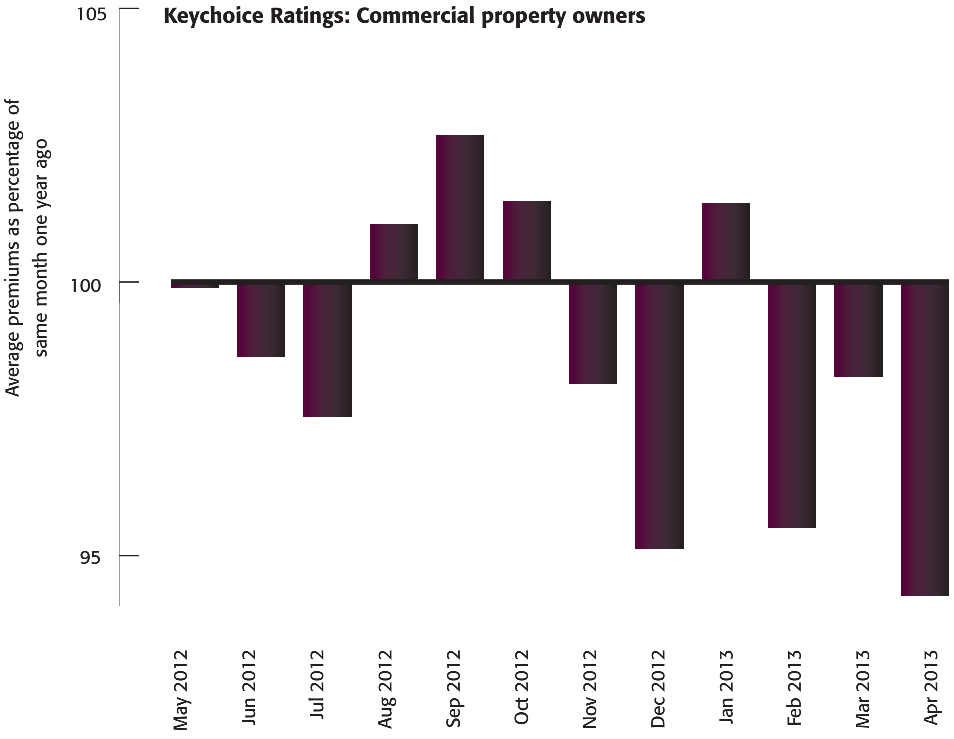
The year to date has lacked any significant events which would shock the commercial property market into producing any notable rate rises.

Although the UK endured a long winter, with an untypically cold spring time, when viewed in the context of previous years there was a lack of widespread flooding or extreme snowfall incidents.

This all led to a comparatively low claims experience on the property front. Looking ahead to the next 12 months, it would take a major event to shift rates back upwards.

Indeed, market predictions are for more of the same for commercial property. Rates are forecast to remain stable with brokers doing well to witness just a small uplift in premiums. Certainly, the market expects that a further influx of capacity and a lack of pressure will continue to be the norm.

Meanwhile, looking at the statistics in greater detail, and the three months from May to July last year were characterised by ever-increasing premium drops, albeit on a relatively small scale. The period of August through to October provided a brief rally as rates were all up before winter heralded another premium decline. Despite a minor rally at the start of 2013, the statistics demonstrate that rate falls set in for the rest of this calendar year recorded so far. Each month registered premium drops, with February (-4.49%) and April (-5.57%) particularly large when compared with the 12-month average.



A.M. Best Company: Top 10 total commercial property insurers in the UK

Rank 2011	Rank 2010	AMB	Company Name	Rating	Ultimate Parent	GWP (£000s)	Underwriting Result* (£000s)	Combined Ratio (%)	Loss Ratio (%)
1	1	86257	RSA	NR	RSA Insurance Group	910,214	-22,967	110.9	59.8
2	2	86513	FM	A+	Factory Mutual Insurance	870,852	13,847	99.7	64.3
3	3	86524	Aviva	A[1]	Aviva	785,835	-10,489	100.2	53.2
4	4	86485	ACE European Group	A+	ACE	565,119	-83,962	164.8	130.9
5	9	86126	QBE Insurance (Europe)	A	QBE Insurance Group	382,407	-9,358	N/A	N/A
6	8	86160	Great Lakes Reinsurance (UK)	A+	Munich Reinsurance	363,331	4,424	N/A	N/A
7	5	86373	Allianz	A+	Allianz SE[2]	346,309	1,219	100.5	46.8
8	7	92588	Axa UK	NR	Axa S.A.[2]	345,747	453	100.7	46.7
9	6	87674	XL	A	XL Group	297,962	-2,122	103.1	63.3
10	10	87648	UK Insurance	NR	Royal Bank of Scotland Group	249,156	-31,272	115.1	57.4

* Underwriting result excludes investment income. Note: Some ratio figures are not available (N/A) because more than 1% of these companies' commercial lines property 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 2012 for total commercial lines property insurance business (reporting category 260). [1]Rating relates to AMB 78773 Aviva Insurance. [2]Allianz and Axa UK show an underwriting profit but a combined ratio of over 100% due to expenses being reported in this year but allocated to prior years.
Ratings as of 21 May, 2013. Source: A.M. Best's Financial Suite - Best's Statement File - UK