

## THE STATS

● Directors' & officers' (D&O) liability insurance has enjoyed something of a surge in recent years. Originally viewed as a product for larger, usually multi-national, companies, the cover is now seen as an attractive and useful option for smaller companies.

There are a number of factors that can be credited with building the product's profile in the UK.

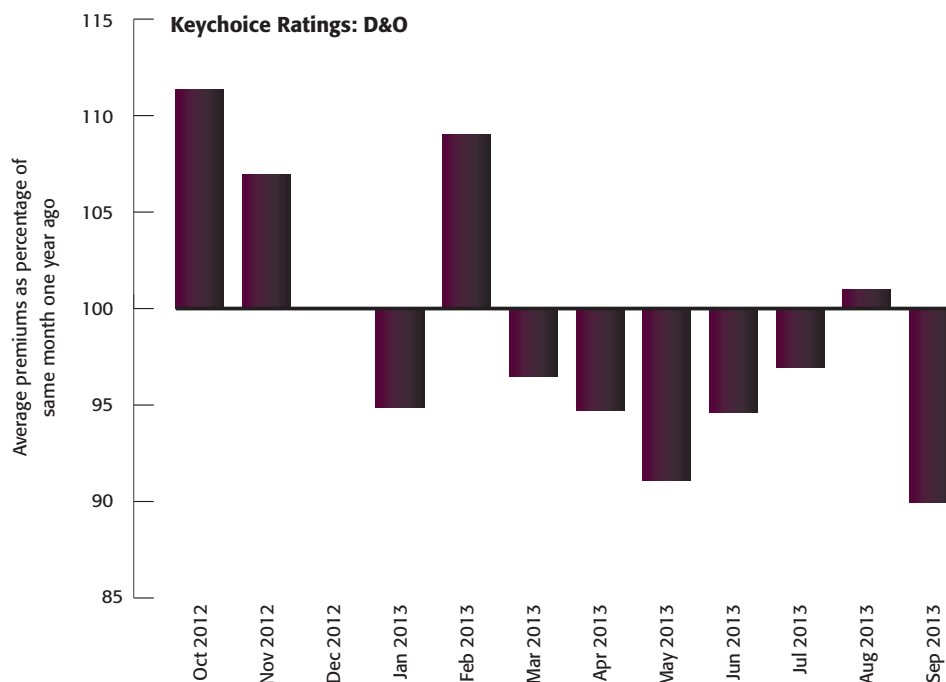
The *Corporate Manslaughter Act 2010*, the *Health and Safety (Offences) Act 2008* and numerous other employment law changes have given companies reason to examine the protection they have in place.

However, industry figures have noted that the product is not sold well, with a lack of understanding and expertise stunting growth in this market.

This may go some way to explaining the up and down nature of D&O premiums over the past year.

As the Keychoice Ratings show, average premiums have fluctuated quite dramatically between October 2012 and September 2013, although if one had to pinpoint a directional trend, prices have dropped over the twelve months.

In the last three months of 2012, prices dropped by 11% to flatline at the same level they had been in December of the previous year. This reduction in premium continued into January 2013, when prices dropped to 95% of what they had been a year before. However, before market observers could get too comfortable, prices spiked in February, jumping by 14%.



This was followed by five months of premiums firmly below the level they had registered in 2012, as prices marched down by 18%, bottoming out in May. In August they even saw a slight year-on-year rise.

However, this was far from the start of market hardening, as evidenced by the fact that September saw D&O premiums once again plummet. This dip saw prices wind up

at less than 90% of the previous year's rate.

It is not difficult to surmise that the D&O sector is a very uncertain one. It is less easy to decide whether uncertainty is creating these oscillating premium levels, or whether the unpredictable pricing is unnerving would-be customers. Either way, some confidence and clarity in the market would be welcomed by all involved.

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

Rank 2012	Rank 2011	AMB	Company Name	Rating	Ultimate Parent	GWP (£000s)	Underwriting Result* (£000s)	Combined Ratio (%)	Loss Ratio (%)
1	1	87416	AIG Europe	A	American International Group	731,285	58,397	109.7	71.9
2	2	87674	XL Insurance Company	A	XL Group	616,350	-29,404	114.5	75.3
3	4	86126	QBE Insurance (Europe)	A	QBE Insurance Group	548,769	-37,031	N/A	N/A
4	3	86485	ACE European Group	A+	ACE	534,676	62,816	79.9	59.1
5	5	86257	Royal & Sun Alliance Insurance	NR	RSA Insurance Group	456,245	-57,291	116.8	76.8
6	7	86524	Aviva Insurance	A <sup>1</sup>	AVIVA	419,961	-68,196	115.7	90.3
7	6	85012	National Farmers Union Mutual Ins Soc	NR	National Farmers Union Mutual Ins Soc	413,491	-53,589	114.3	90.1
8	8	86373	Allianz Insurance	NR	Allianz SE	367,713	-43,713	112.9	74.6
9	9	85630	Chubb Insurance Company of Europe SE	A++	The Chubb Corporation	331,576	2,364	95.5	60.1
10	10	87425	Liberty Mutual Insurance Europe	A	Liberty Mutual Holding Company	280,774	-24,790	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 liability 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 liability insurance business (reporting category 270). <sup>1</sup>Rating relates to AMB 78733 Aviva Insurance Limited.

Ratings as of October 14, 2013. Source: A.M. Best's Financial Suite - Best's Statement File - UK