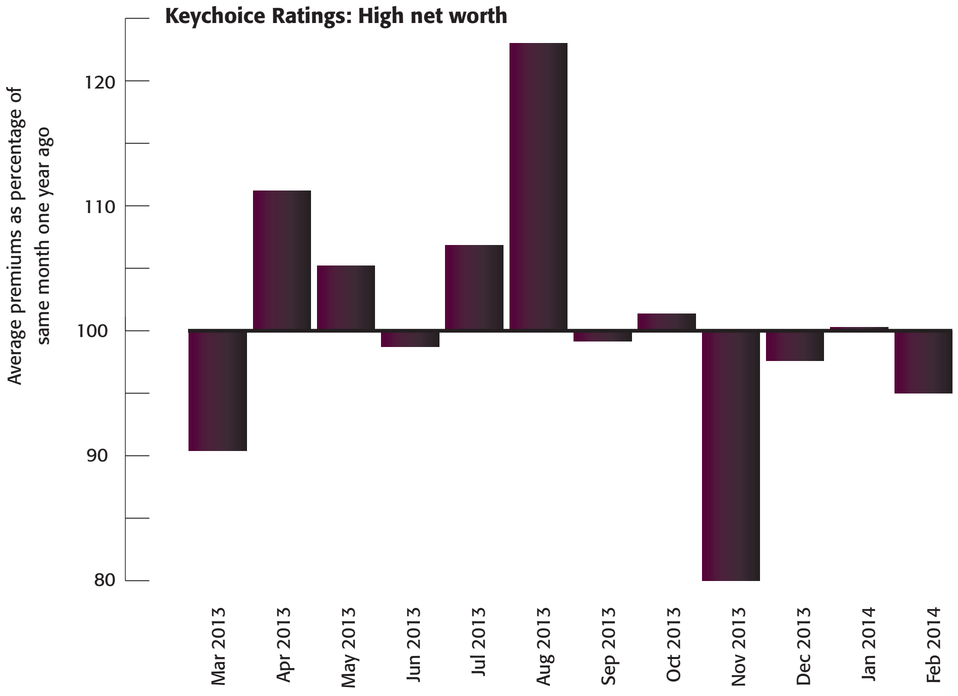
## THE STATS

● It is very difficult to trace a pattern when it comes to the Keychoice premium ratings for high net worth (HNW) insurance over the past 12 months. Starting in March 2013, when the average HNW premium was 90.4% of the level it was at the same point in 2012, prices seem to have gone all over the place since. In August of last year, average premiums shot up to 123% of their 2012 value, they then hovered around the 100% mark until November when the average plummeted down to 80% of the previous year's value for the same month.

The movement of this market has been described by one broker as "absolutely bizarre". In an increasingly competitive marketplace, prices are routinely being slashed – sometimes by up to 50% – by the newer entrants who are eager to make a name for themselves. The source ascribed the huge dip right before Christmas to insurers scrambling to put as much business as possible on the book before the year end. As the broker said: "Everyone seems to think that HNW pays." That is why it is so attractive to so many companies. However, dropping prices only leads to major problems when the claims start to roll in – and the value of these claims is growing all the time.

In the last year, the majority of payouts were attributable to water damage. However, this arose mainly from the storms and not floods. The HNW client pool, particularly at the wealthier end of the spectrum are accumulating more and more possessions. And some of these possessions are much more risky than others. Take for example, fully-integrated audio systems. All it takes is a single drop of water to "wreak havoc", as one broker put it, on thousands of pounds worth of equipment.

With claims regularly coming in at upwards of £30,000, prices will have to come up – the only other option would be to get tougher on said claims. That is not an easy thing to do if you want to retain a good reputation as an insurer for HNW clients. Many of the big name insurers chasing business in this space have deep pockets and it could be years before the money starts running out and more sensible pricing decisions become necessary. However the broker that *Insurance Age* spoke to described the current state of the HNW worth market as "completely unsustainable", so at some point in the future it is likely that the Keychoice ratings will show a marked upward trend.




**A.M. Best Company: Top 10 total property and casualty 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 | 86524 | Aviva Insurance | A [1] | Aviva | 4,739,618 | 985 | 98.6 | 67.0 |
| 2 | 2 | 86257 | Royal & Sun Alliance Insurance | NR | RSA Insurance Group | 3,973,409 | -58,547 | 102.9 | 68.9 |
| 3 | 3 | 87648 | UK Insurance | NR | Direct Line Insurance Group | 3,402,078 | -174,704 | 107.1 | 66.0 |
| 4 | 4 | 92588 | Axa Insurance UK | NR | Axa S.A. | 3,152,747 | -137,098 | 107.6 | 74.8 |
| 5 | 6 | 87416 | AIG Europe | A | American International Group, | 2,317,878 | -5,135 | 111.2 | 77.1 |
| 6 | 7 | 86485 | Ace European Group | A+ | Ace | 2,239,502 | 31,398 | 101.3 | 61.9 |
| 7 | 5 | 84804 | Bupa Insurance | NR | British United Provident Association | 2,130,395 | 78,698 | 98.4 | 75.6 |
| 8 | 8 | 86160 | Great Lakes Reinsurance (UK) | A+ | Munich Reinsurance Company | 2,071,436 | 28,302 | N/A | N/A |
| 9 | 9 | 86373 | Allianz Insurance | NR | Allianz SE | 1,807,749 | 52,013 | 96.6 | 63.3 |
| 10 | 10 | 86126 | QBE Insurance (Europe) | A | QBE Insurance Group | 1,418,901 | -79,344 | 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' property and casualty 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 property and casualty insurance business (reporting category 002). [1] Rating relates to AMB# 78773 Aviva Insurance Limited.
Ratings as of March 5, 2014. Source: A.M. Best's Financial Suite - Best's Statement File - UK