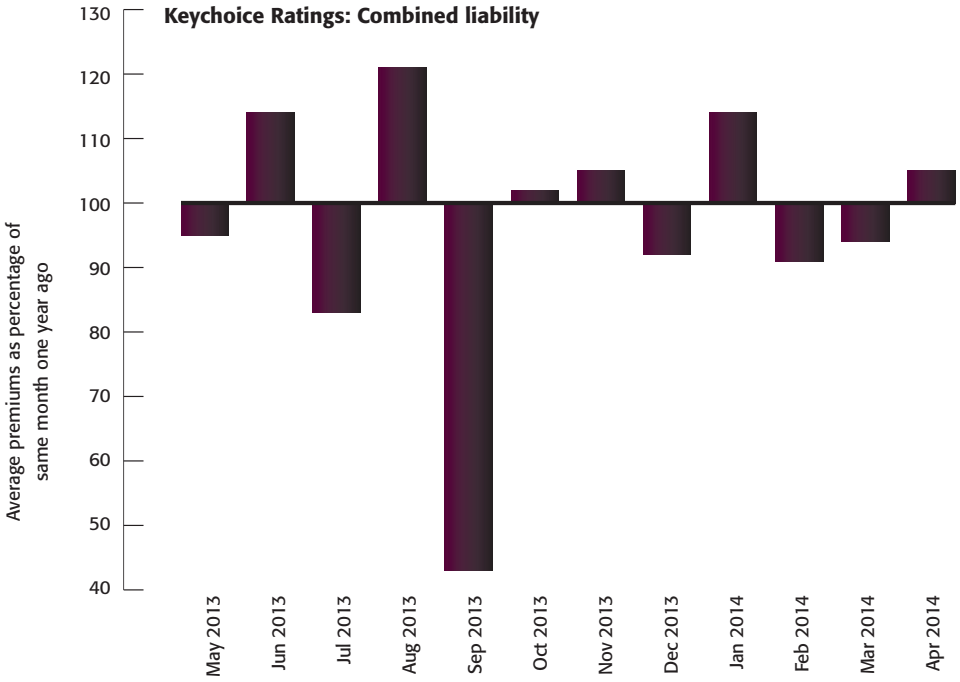
THE STATS

● The combined liability market has not had a steady year, if the Keychoice Ratings are anything to go by. A glance at the graph shows that the trajectory of premiums in the sector has failed to follow any general trend for more than two months at a time.

Between May and September 2013, average premiums dipped below the previous year's level then jumped back over the line on a monthly basis, hitting extremes in August and September. In August, premiums were 121% of their value in August 2012. At the time, improvements in the combined liability market on the whole were attributed to an increase in employers' liability claims. And in the second quarter of 2013 overall, the Acturis Premium Index showed that average premiums had increased by 13% compared to where they were in the same period of 2012. While there were those who saw this as a sign that the combined liability space was set for further positive numbers, other market figures warned that rates needed to increase by a much larger amount in order to compensate for the losses hitting the sector. Matthew Reed, then managing director of Axa commercial intermediary, cautioned that rates would have to climb by around 25% if the sector was to become profitable. And he took a pessimistic view of this coming to pass, stating that "the claims farming industry has moved onto employment liability".

Indeed, in September 2013, premiums plunged to just 43% of their value the preceding year.



There is always a danger of reading too much into one month in isolation. And following the jump from one extreme to another, the autumn of 2013 saw the market enjoying a relatively smooth environment. Prices hovered at just above 100% of the previous year's levels in October and November. This changed in December with rates going down to 92% of their 2012 value. A spike in January, up to 114%, was quickly followed by two months of lowered premiums.

Evidently, the combined liability market is a very confused one. Depending on the time of year, industry figures have issued warnings or heralded a new, hardened market. Going by these stats, it would be very difficult to make a prediction about which of these is the more appropriate stance to take.

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

Rank 2013	Rank 2012	AMB	Company Name	Rating	Ultimate Parent	GWP (£000s)	Underwriting Result* (£000s)	Combined Ratio (%)	Loss Ratio (%)
1	2	87416	AIG Europe	A	American International Group	207,781	27,965	123.7	112.3
2	1	86485	Ace European Group	A++	Ace	152,457	-37,245	171.1	133.1
3	3	87312	HCC International Insurance Company	NR	HCC Insurance Holdings,	83,493	8,314	90.9	46.3
4	4	87425	Liberty Mutual Insurance Europe	A	Liberty Mutual Holding Company	68,956	14,991	N/A	N/A
5	5	85630	Chubb Insurance Company of Europe SE	A++	The Chubb Corporation	50,746	-12,393	133.4	103.4
6	7	86126	QBE Insurance (Europe)	A	QBE Insurance Group	40,803	2,848	N/A	N/A
7	9	87466	Motors Insurance Company	NR	AmTrust Financial Services	26,126	4,458	79.9	77.5
8	6	84806	Aspen Insurance UK	A	Aspen Insurance Holdings	24,578	1,987	258.3	-96.8
9	11	78390	Lancashire Insurance Company (UK)	A	Lancashire Holdings	24,096	129	27.3	12.5
10	8	87216	Ambac Assurance UK	NR	Ambac Financial Group	18,123	30,189	80.7	39.1

* 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 PRA return. Figures in above table are based on PRA returns of financial year 2013 for commercial lines financial loss insurance business lines (reporting category 280).
Ratings as of June 5, 2014. Source: A.M. Best's Financial Suite - Best's Statement File - UK ©