



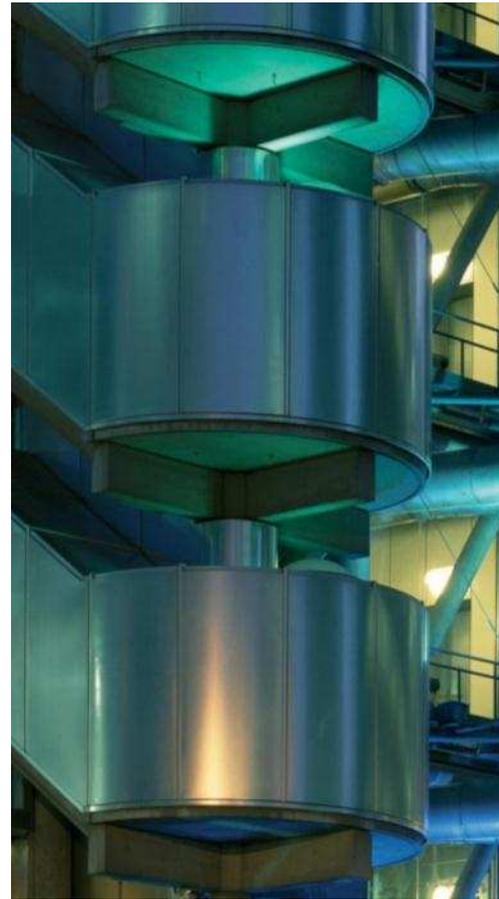
UK EMPLOYERS LIABILITY UNDERWRITING PERFORMANCE REVIEW 2015

Liability Underwriters Group Conference

Caroline Dunn

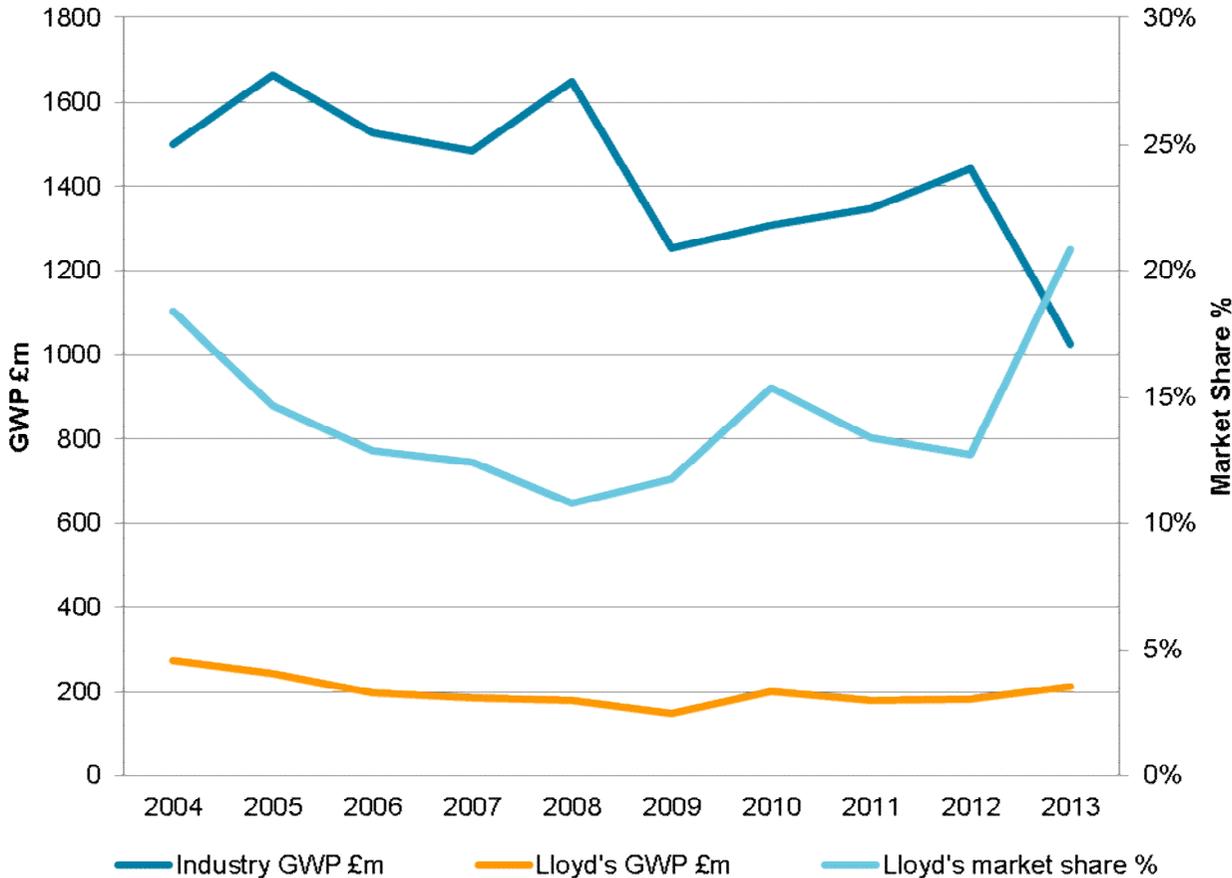
AGENDA

- ▶ Why do a review of UK EL?
- ▶ Performance vs plan
- ▶ Findings
- ▶ Conclusion
- ▶ Recommendations
- ▶ Questions



WHY DO A REVIEW OF UK EL?

UK EL MARKET SIZE OVER TIME



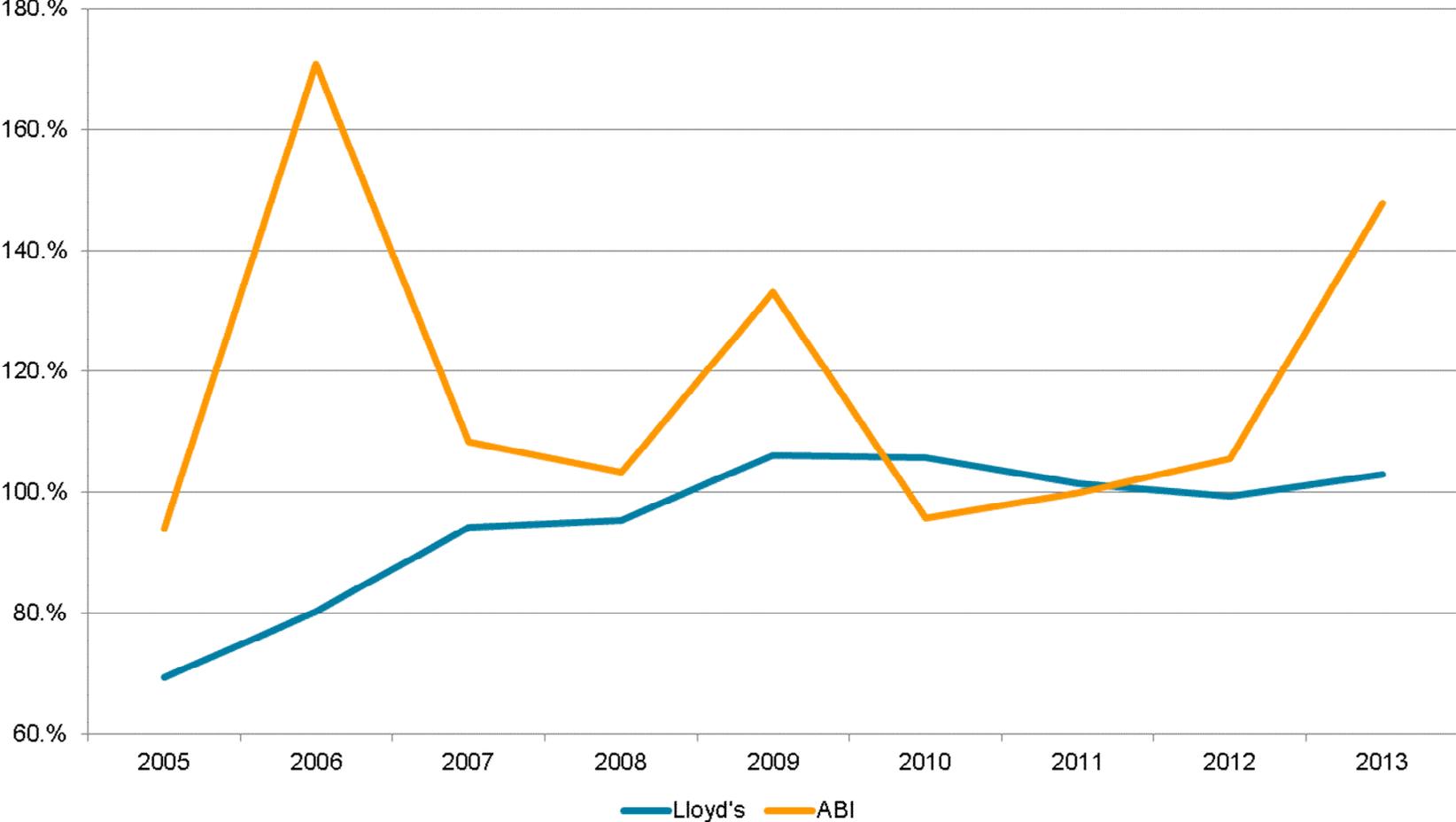
Source: ABI Liability incoming and outgoing; Table 2 UK Revenue account; Employers Liability
Lloyds data warehouse

► **Lloyd's is growing income AND market share**



UK EL MARKET PROFITABILITY

Gross Combined Ratio



ABI, TPD & QMR @ Q4 2014

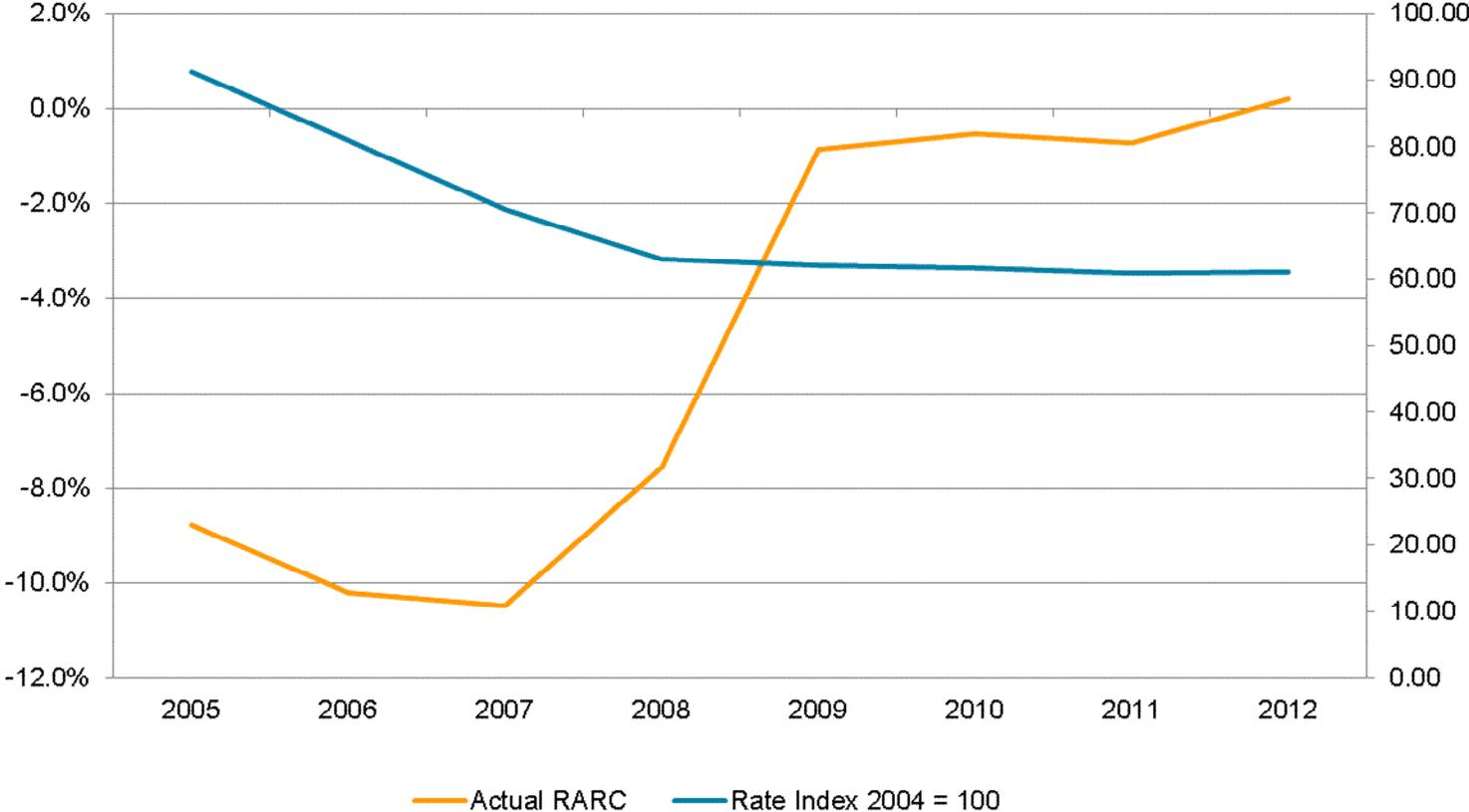
▶ in a market that is losing money



LLOYD'S UK EL MARKET RATE CHANGE

Rate Change (Index 2004 = 100)

UK Employers Liability RARC 2005 - 2014



► where the rating environment is challenging



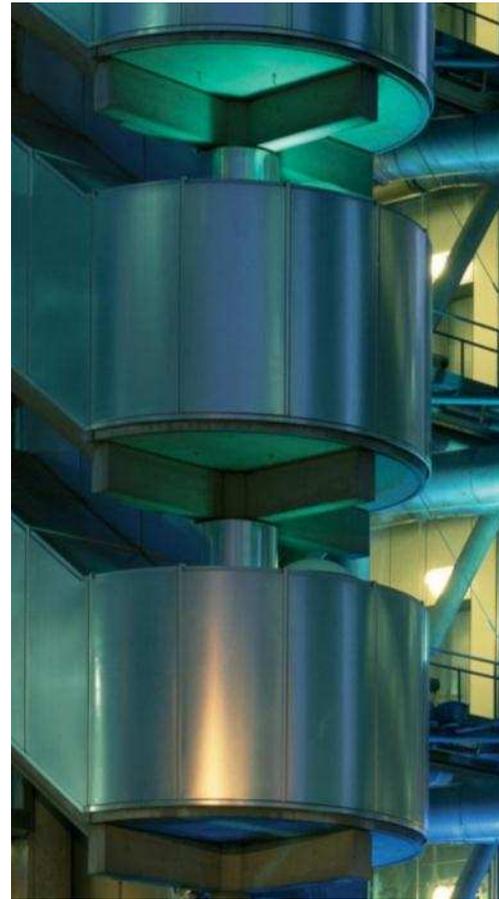
WHY DO A REVIEW OF UK EL?

- ▶ Performance in Lloyd's
- ▶ Wider market performance
- ▶ Growth
- ▶ Falling rates



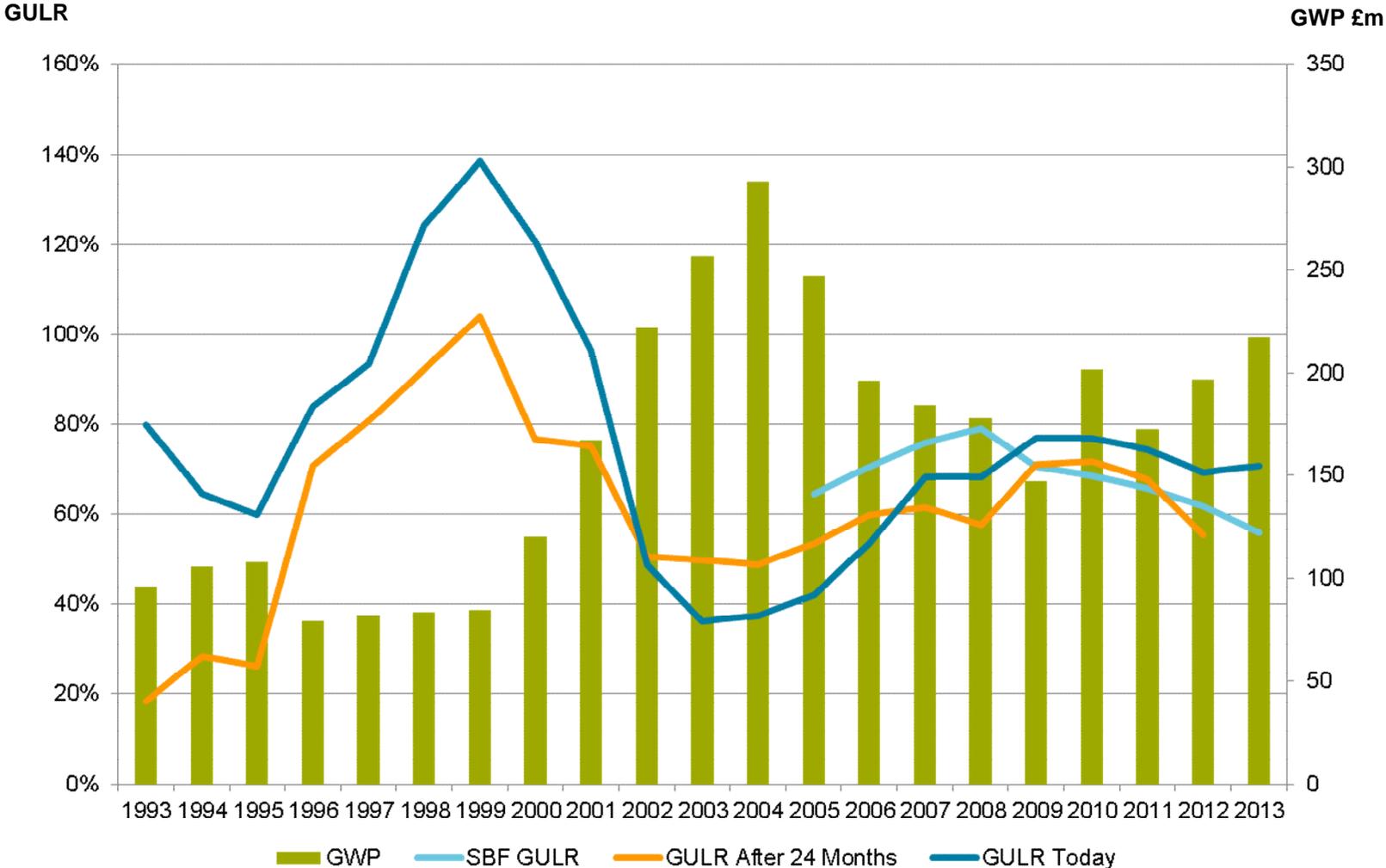
SCOPE





PERFORMANCE VS PLAN

CROSS CYCLE PERFORMANCE

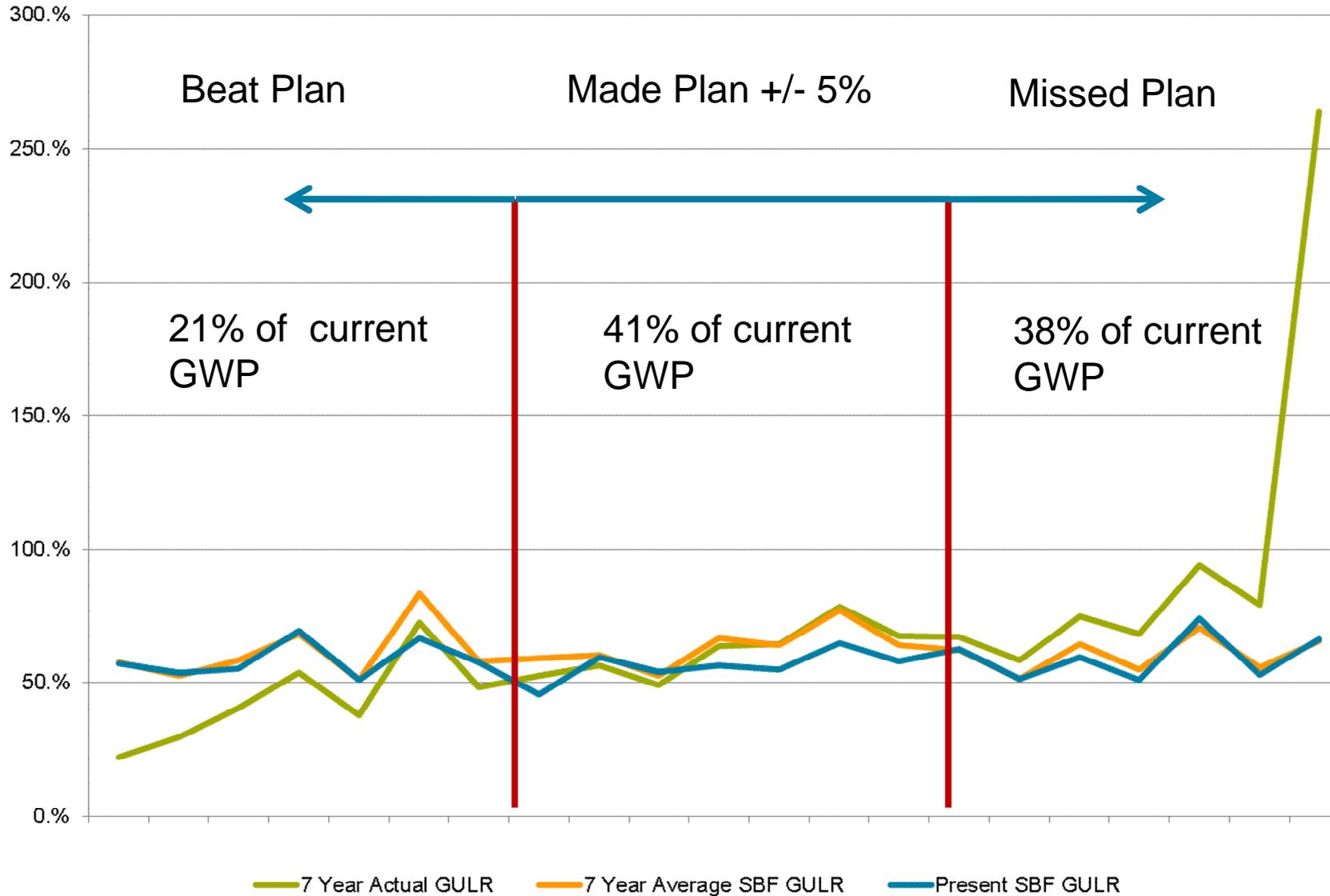


GNULR/GNP TPD (1993-2009) & QMR (2010-2014) correct at Q4 2014 (WC 1993-2004 W3 2004-2012)
 GNP for UK EL calculated using risk code W3 (2004-2012) and 65% of WC premium (1993-2003)

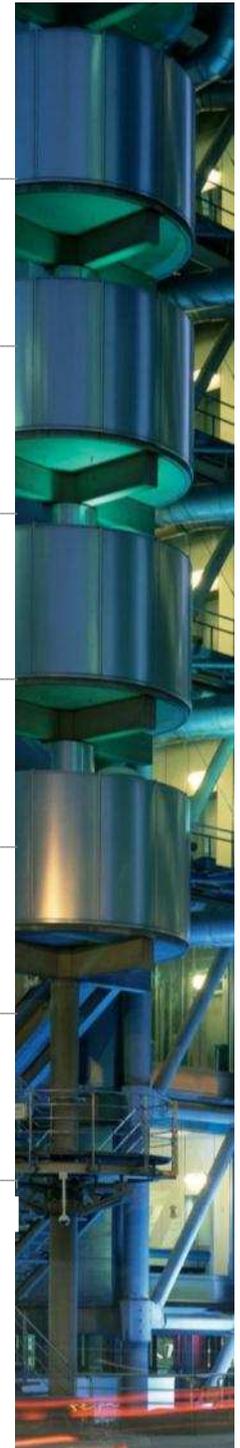
► **The market has not hit planned loss ratios since 2008**



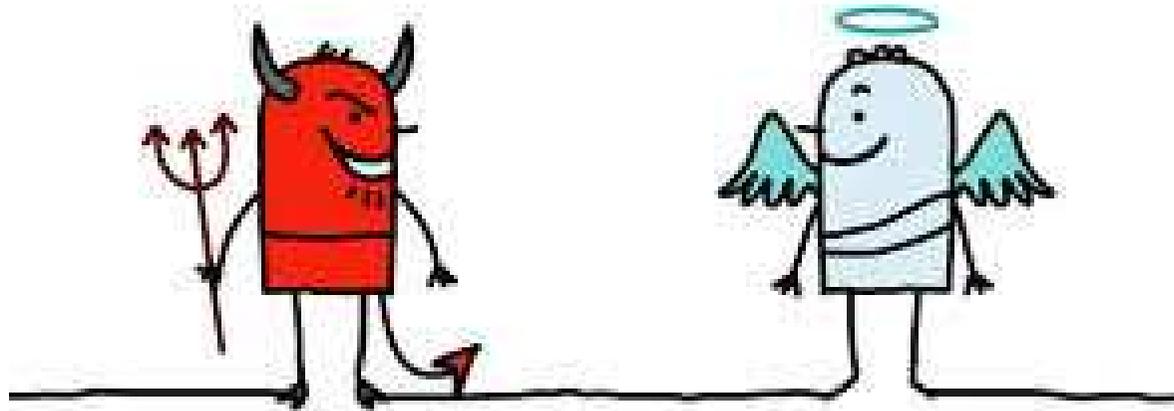
PERFORMANCE VS PLAN



► **38% of the market missed their plan by more than 5%**



FEATURES OF A GOOD UNDERWRITER...

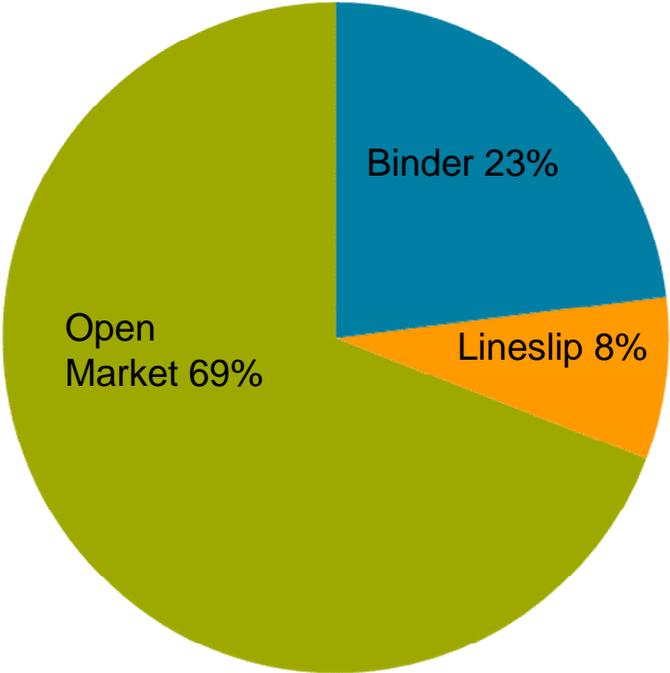




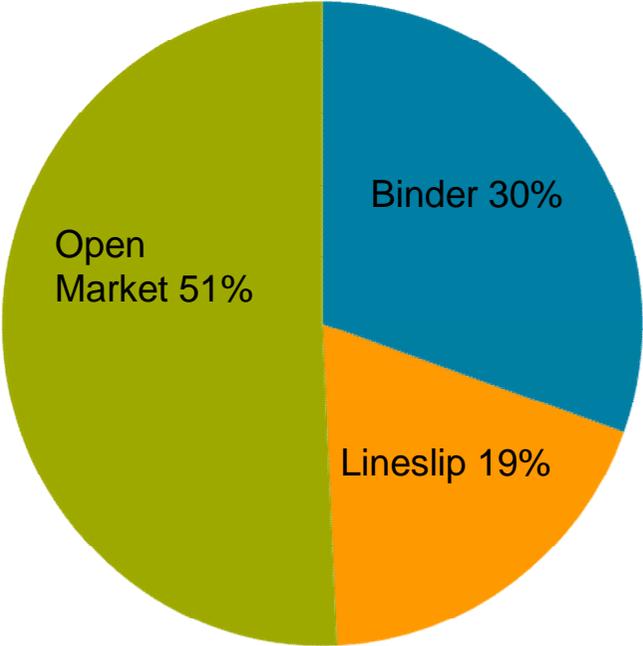
FINDINGS

DISTRIBUTION

2009 Distribution Channels



2014 Distribution Channels



PMDR @ Q4 2014

► Acquisition costs are increasing



DISEASE

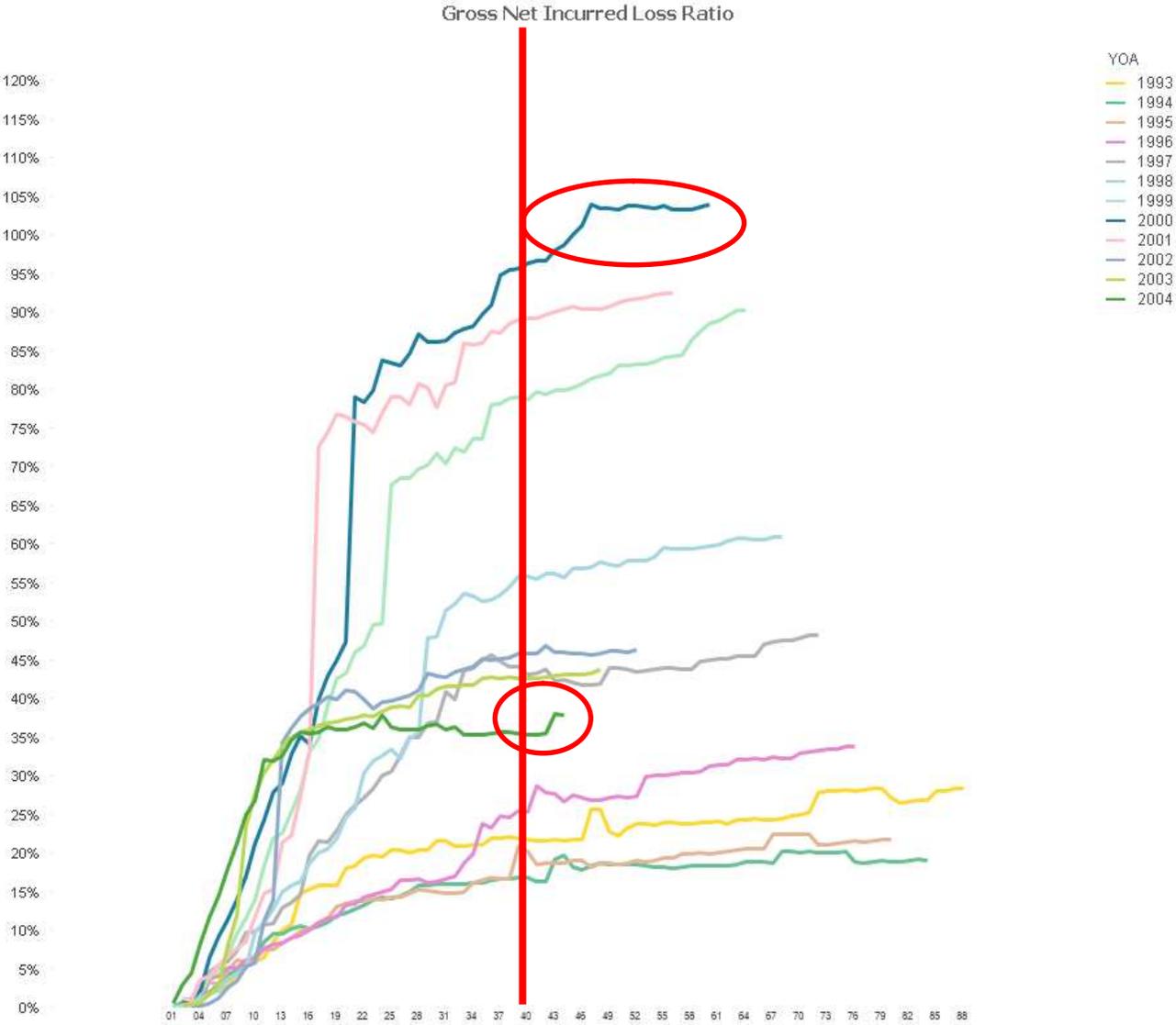


- ▶ Frequency driven by claimant solicitor activity
- ▶ What next?

- ▶ **Concerns about future frequency and severity**



LOSS RATIOS 93 – 04 YOA (WC)



▶ **BUT loss ratio's in 93-04 YOA are drifting out**

GQD @ Q4 2014



PRICING



- ▶ **Small cases are priced using historic rating models**



OTHER THEMATIC ISSUES

- ▶ Risk Selection
- ▶ LASPO / MOJ
- ▶ Mesothelioma levy
- ▶ PPOs
- ▶ **Thematic issues generally well understood**



CONCLUSIONS

- ▶ UK EL market is losing money
- ▶ Loss ratio performance vs plan needs to be improved
- ▶ Increased pressure due to distribution and admin costs
- ▶ Disease is a market issue that needs more focus
- ▶ Concerns over IBNR levels in back years
- ▶ Pricing models for small cases could be improved
- ▶ Other thematic issues generally well understood



RECOMMENDATIONS

- ▶ Improvements to the accuracy of planning loss ratios
- ▶ Improvements in the sophistication of pricing models:
 - using actuarial input
 - additional rating factors
 - disease
- ▶ Improvements in monitoring disease losses
- ▶ Review of reserving for disease claims



Questions?



