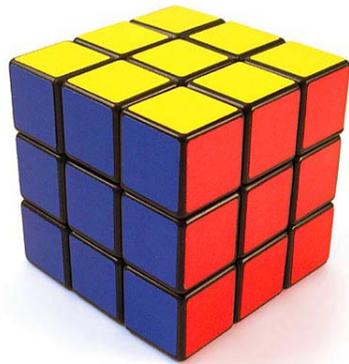


The shape of things to come

The Broker's View

Teresa McAuliffe



LUG Conference September 2008



Credits

- ABI Statistics September 2007
- Datamonitor – UK Employers' Liability Insurance Insurance 2008
- HSE – RIDDOR statistics
- Erno Rubik
- Nassim Nicholas Taleb
- Clients and colleagues at Aon



The shape of things to come

In 2008 the market is expected to remain relatively flat . .

In 2009, insurers will have more power to increase rates due to competition relaxing within the market as insurers switch their strategy from competing for market share to increasing profitability which will require greater underwriting discipline.

This will lead to an estimated increase of 6.6%.

In 2011 and 2012 the market will continue to grow, albeit at a slower pace with GWP estimated to reach a total of £2,326bn.

But . . .

The employers' liability market is expected to remain unprofitable between 2007 and 2012 due to strong claims inflation which will outstrip overall growth in GWP during this period. . . claims inflation is expected to reach 8% by 2012 as the effects of claims indexation and NHS claw-back materialise within the market.

Datamonitor April 2008

UK Employers' Liability Insurance 2008



The shape of things to come

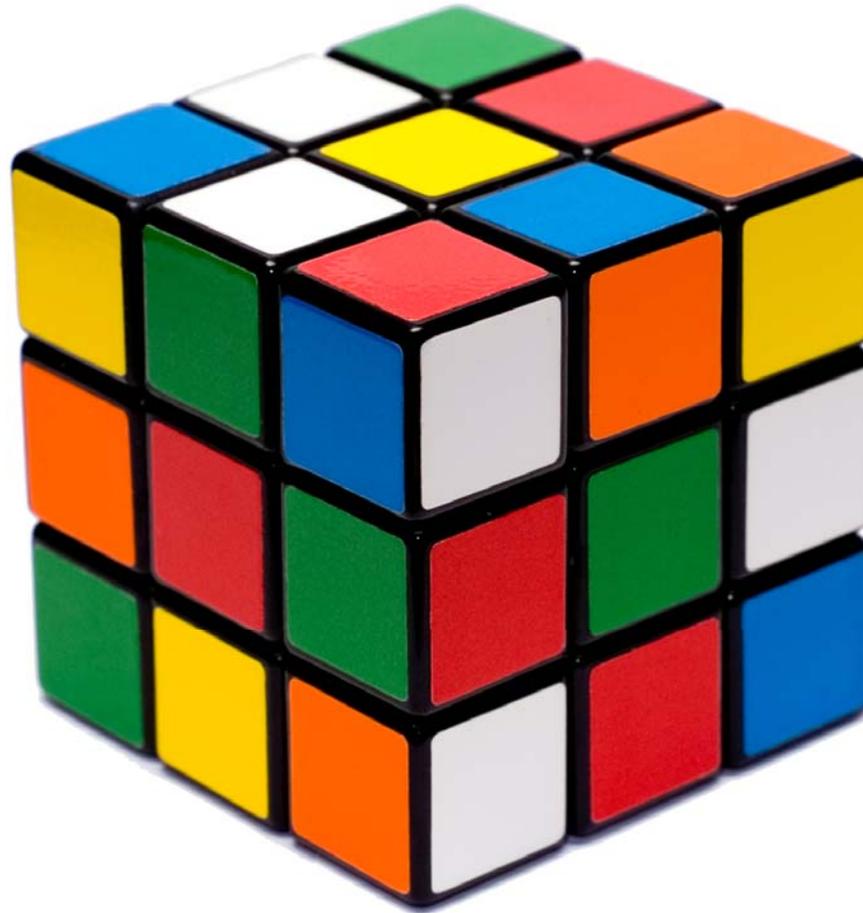
The market is expected to experience severe unprofitability throughout the forecasting period and will record the highest level of unprofitability in 2012, indicated by a combined ratio of 135.8%

Datamonitor April 2008

UK Employers' Liability Insurance 2008



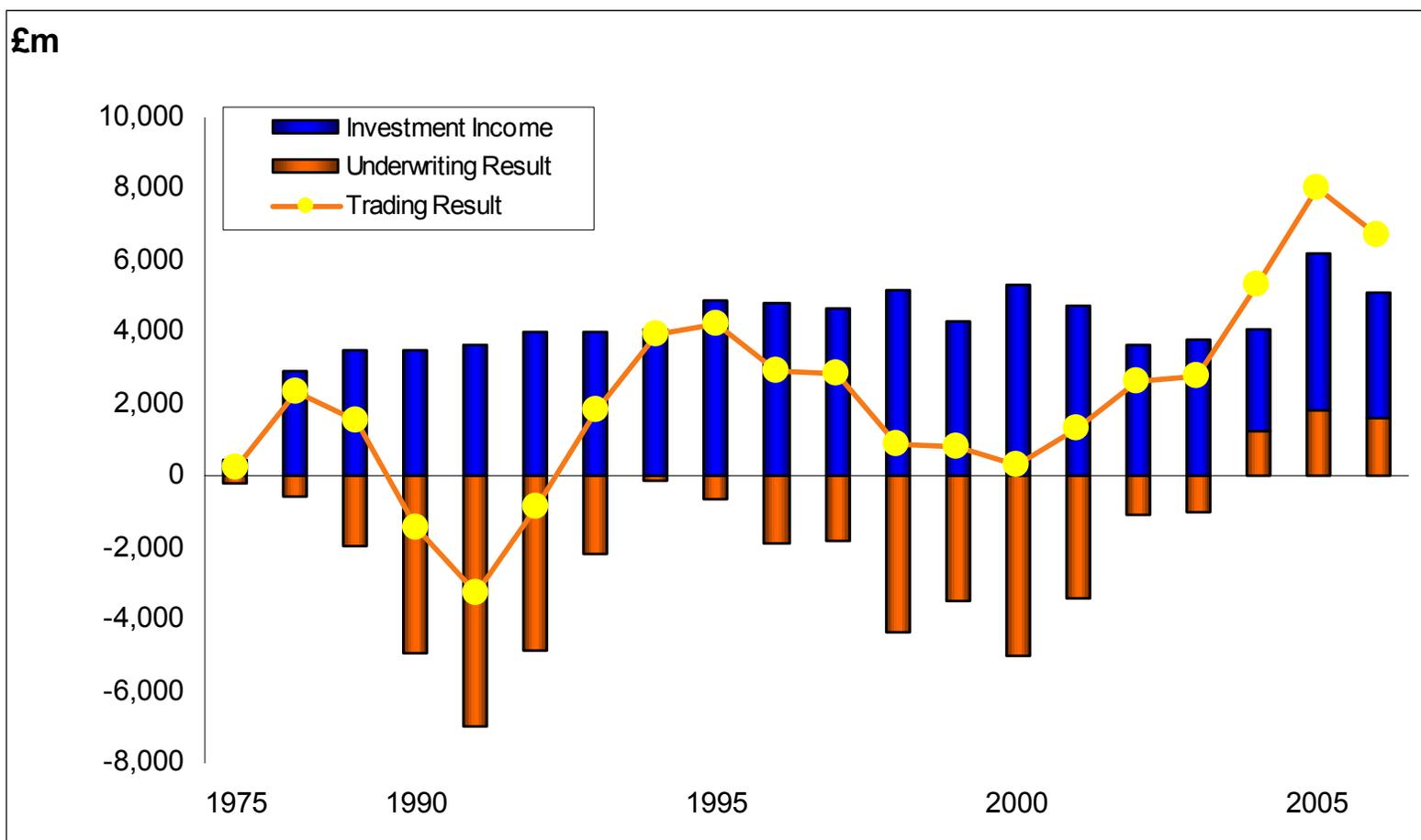
The shape of things to come



The shape of things to come



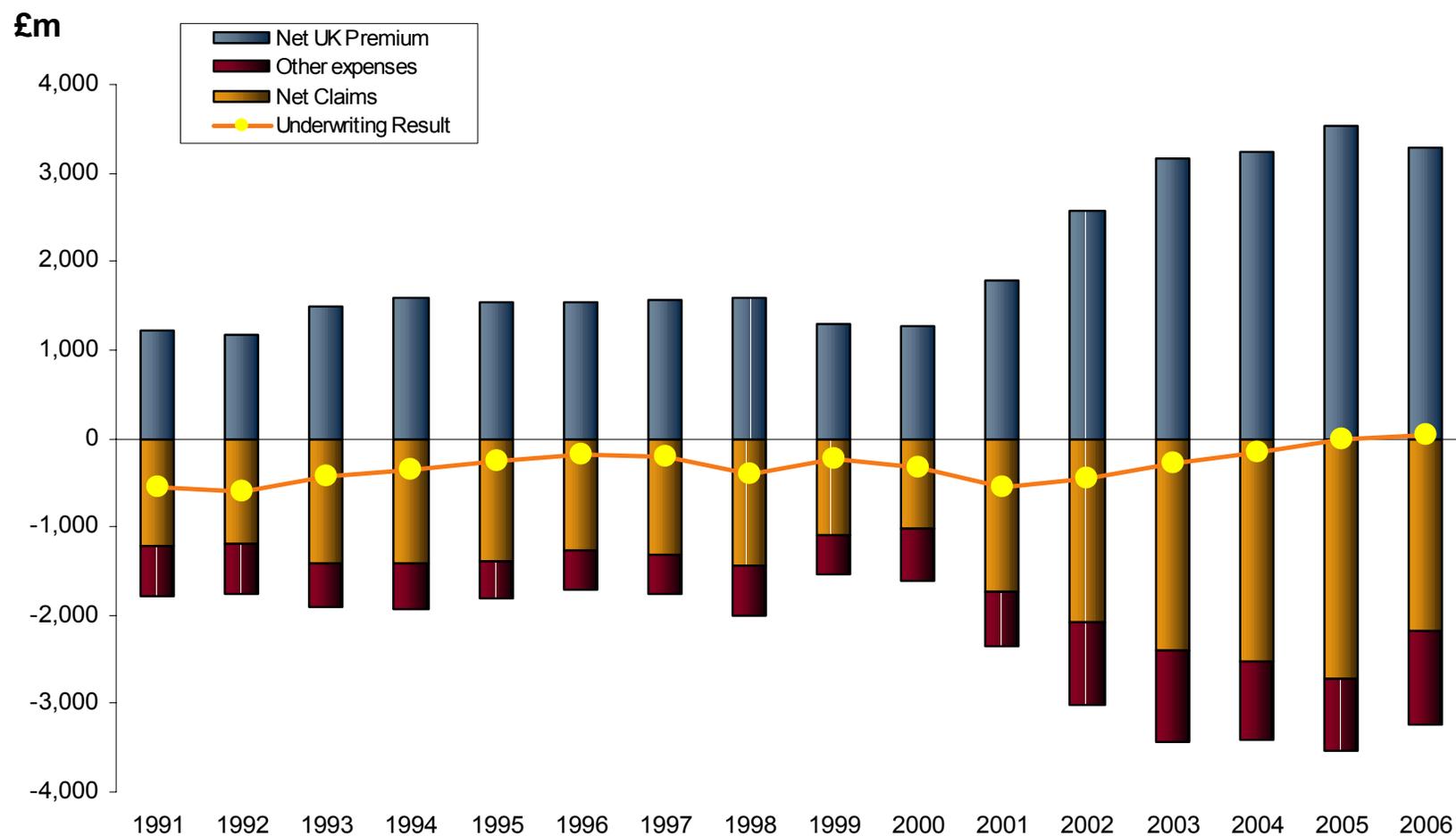
Results



Source: ABI Statistics September 2007



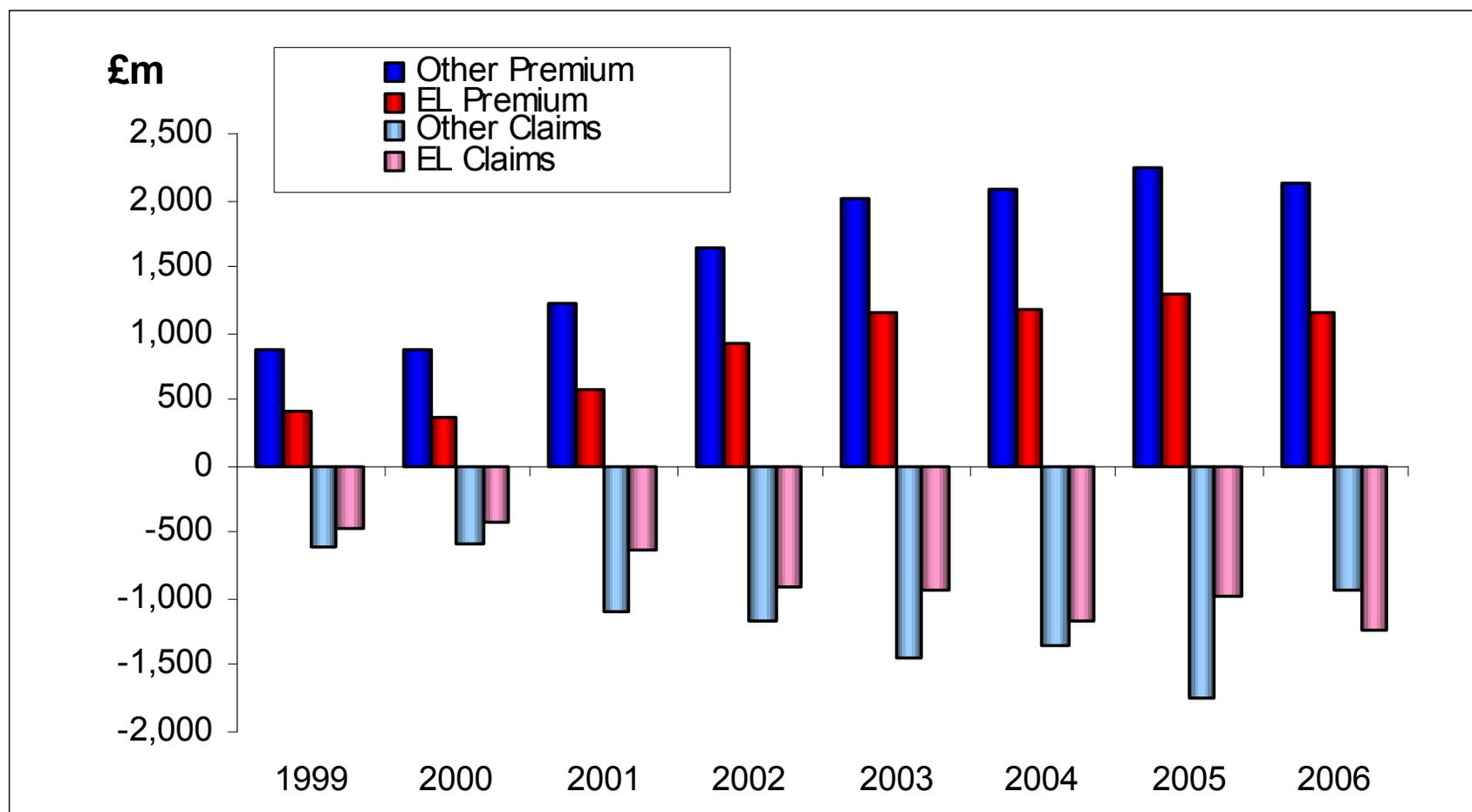
Liability underwriting result



Source: ABI Statistics September 2007



EL : Other Liability



Source: ABI Statistics September 2007

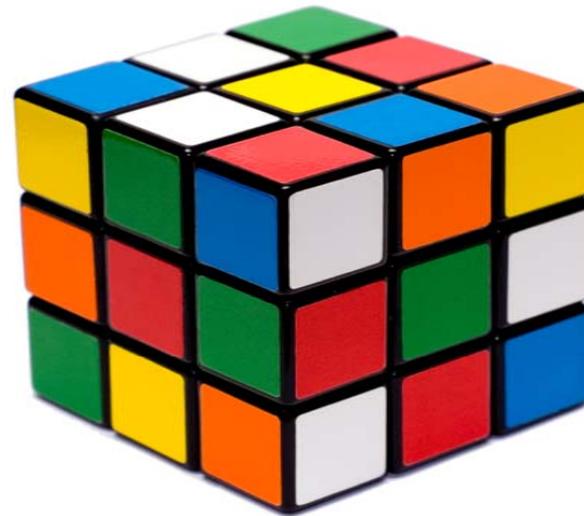


EL Trigger Litigation



Shape shifters?

- Manufacturing imports from China and the Far East
- Nano-technology
- Obesity
- Cyber liability
- Occupational disease
- Asbestos
- NHS claw-back
- Claims indexation



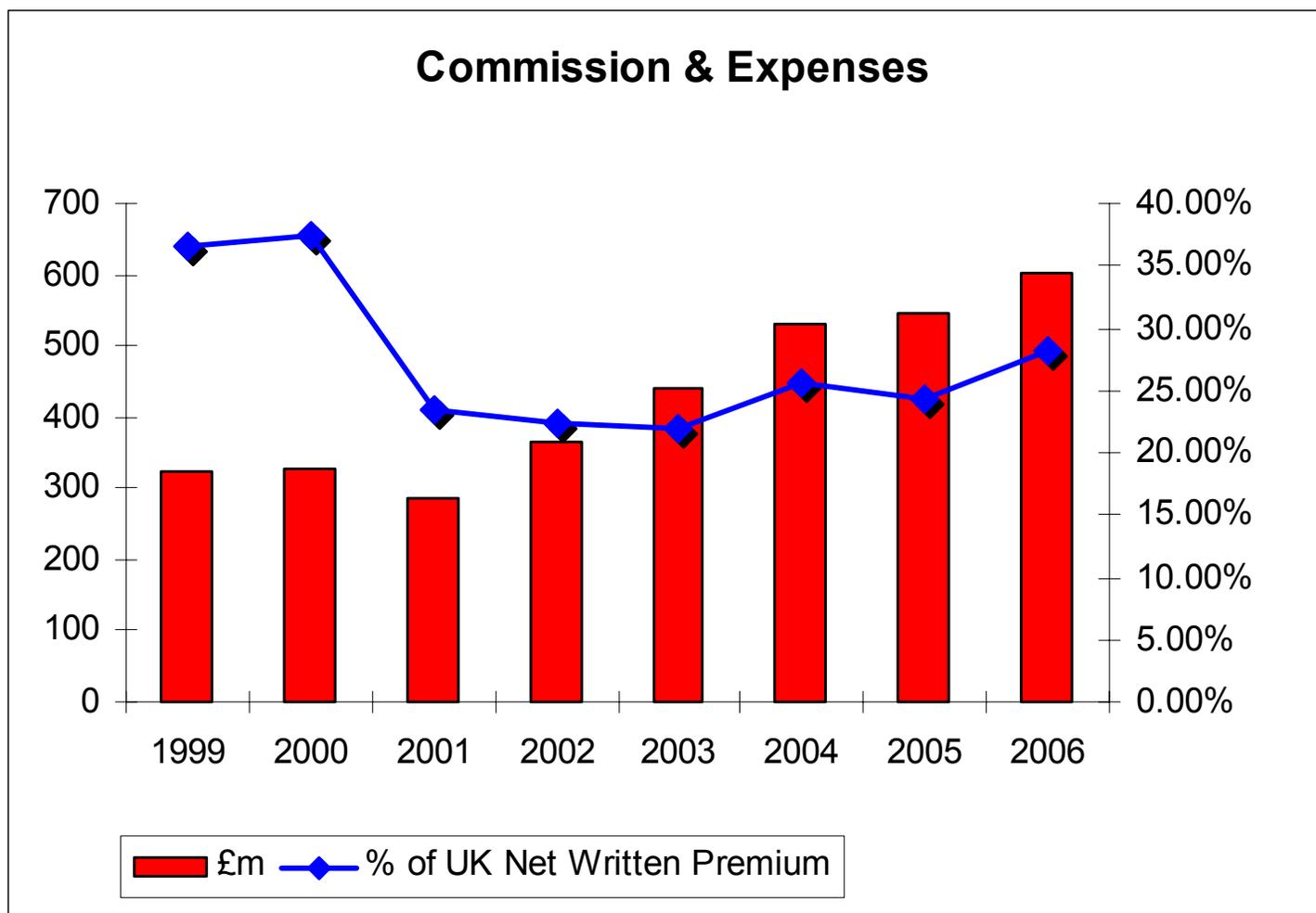
Commission levels

Insurance chiefs
denounce
commissions that top
30%

Post Magazine 7 August 2008



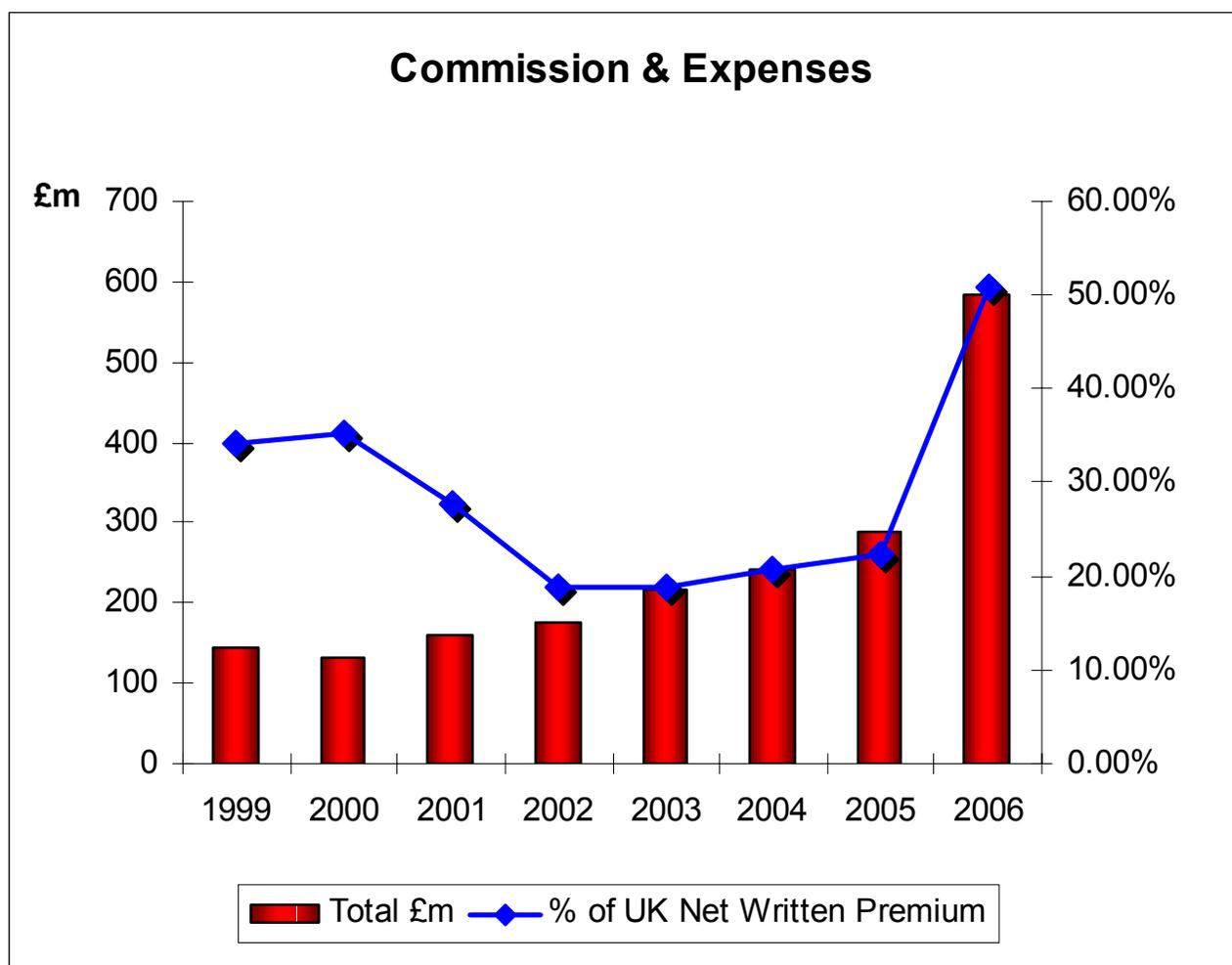
Other Liability



Source: ABI Statistics September 2007



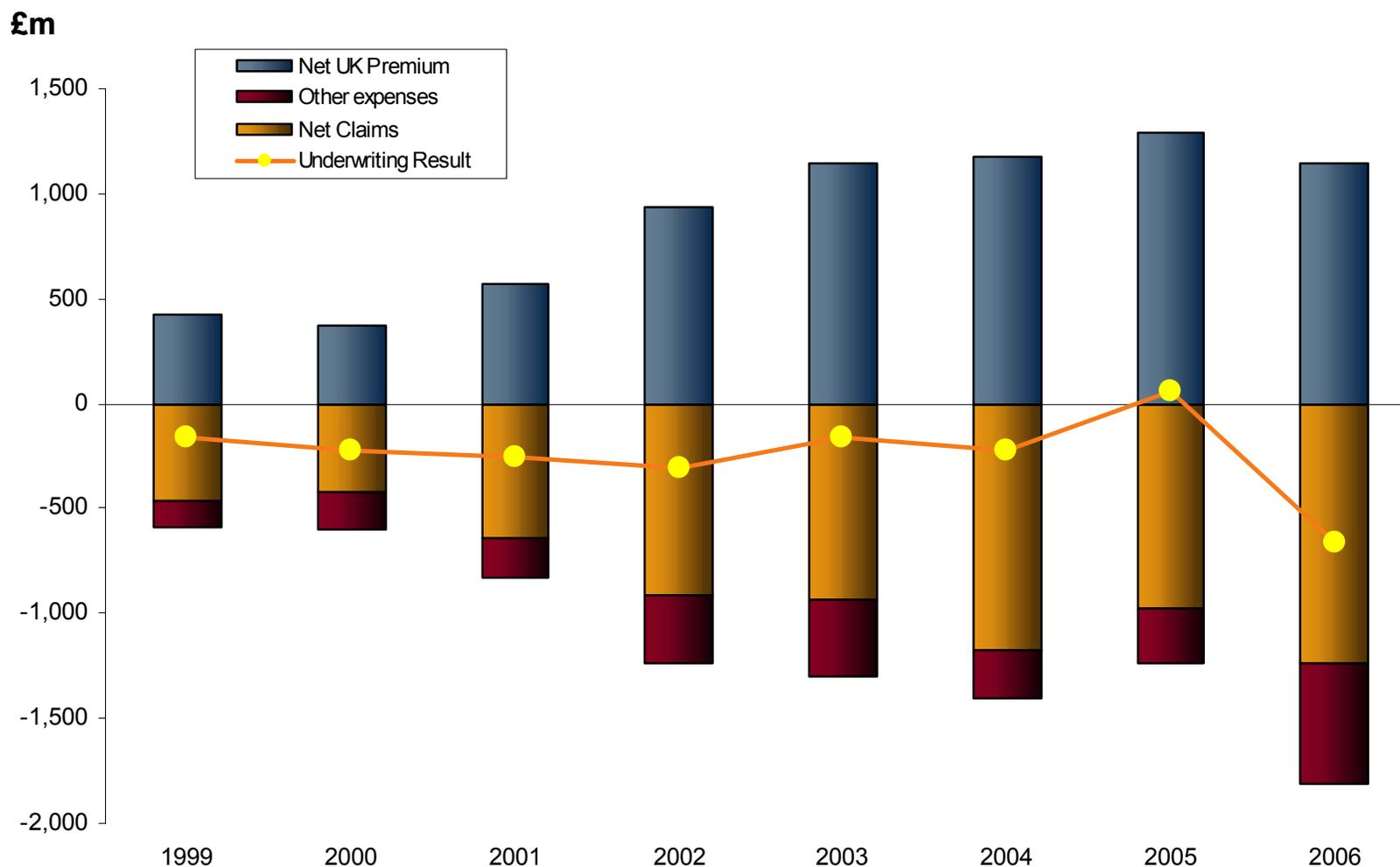
Employers' Liability



Source: ABI Statistics September 2007



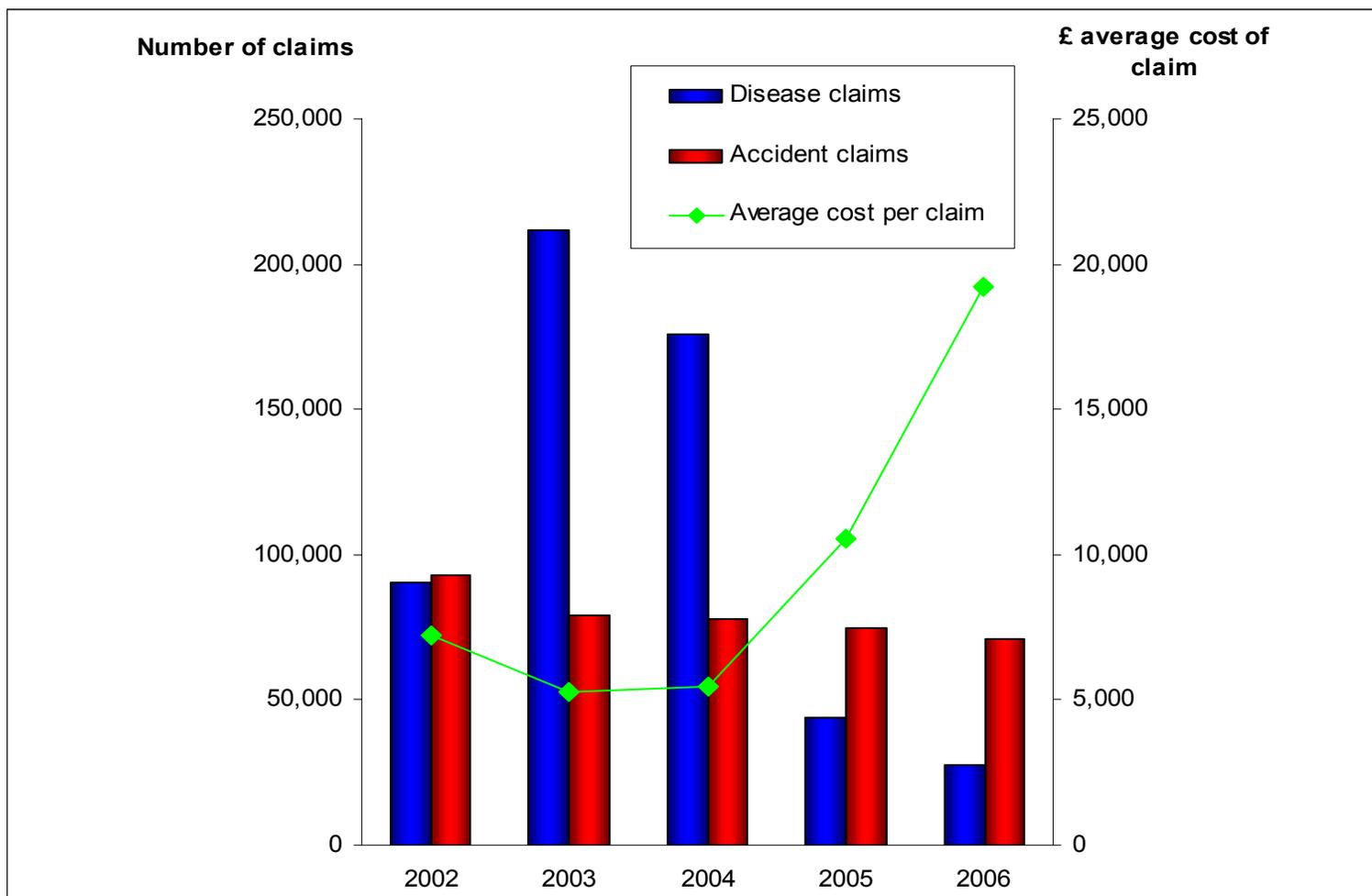
Employers' Liability results



Source: ABI Statistics September 2007



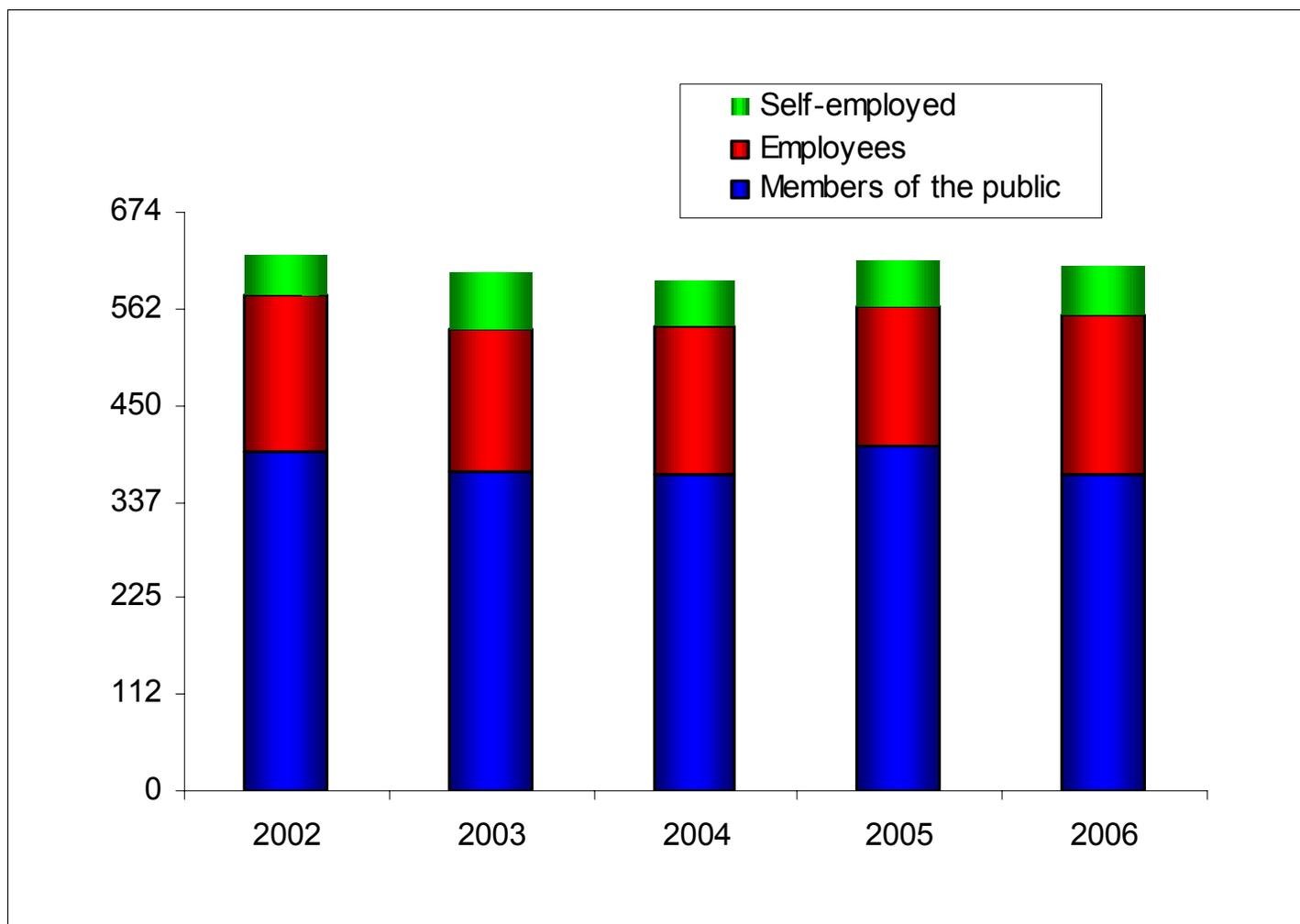
Employers' Liability claims



Source RIDDOR statistics - HSE



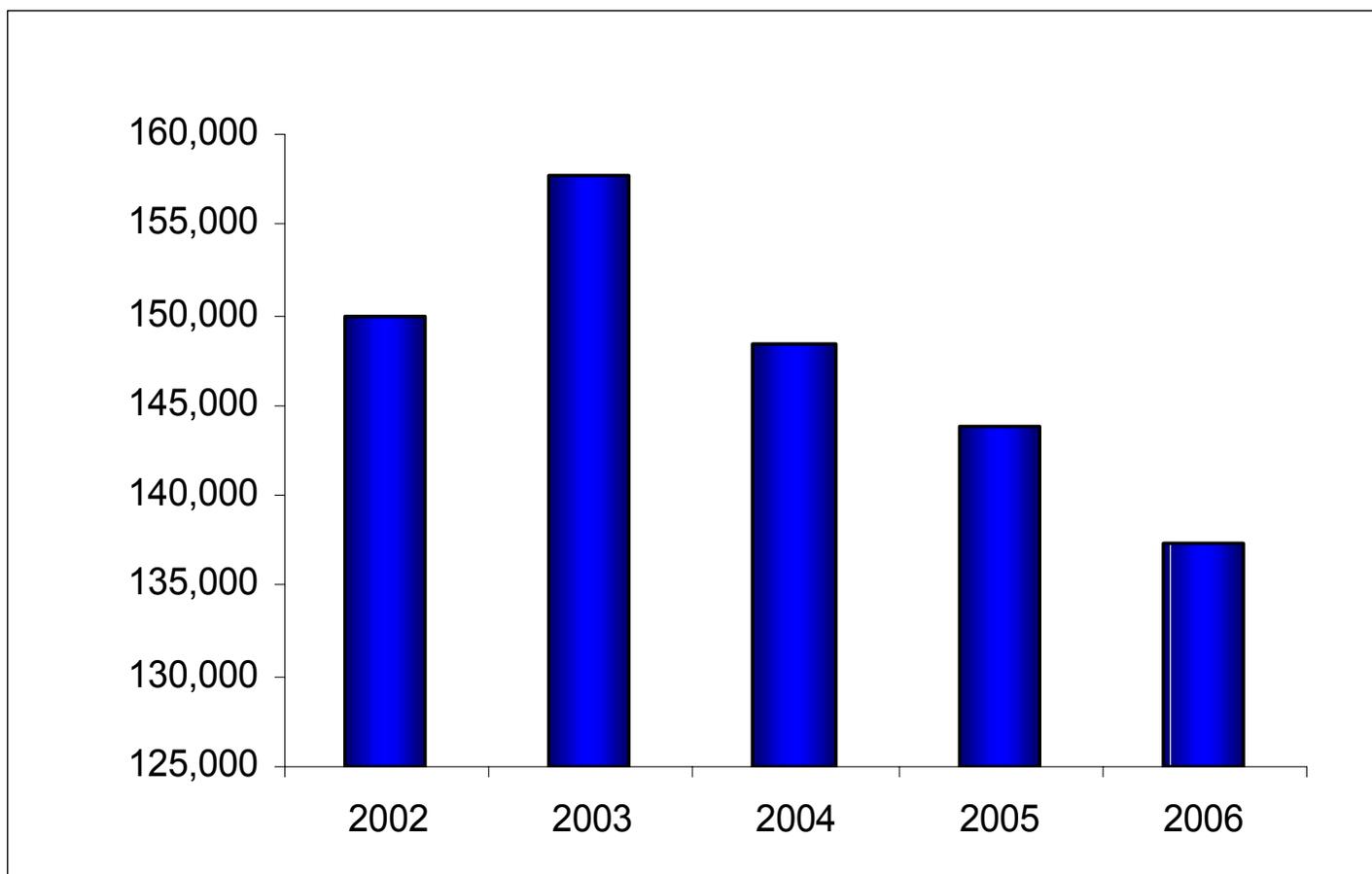
Workplace fatalities



Source RIDDOR statistics - HSE



Workplace injuries

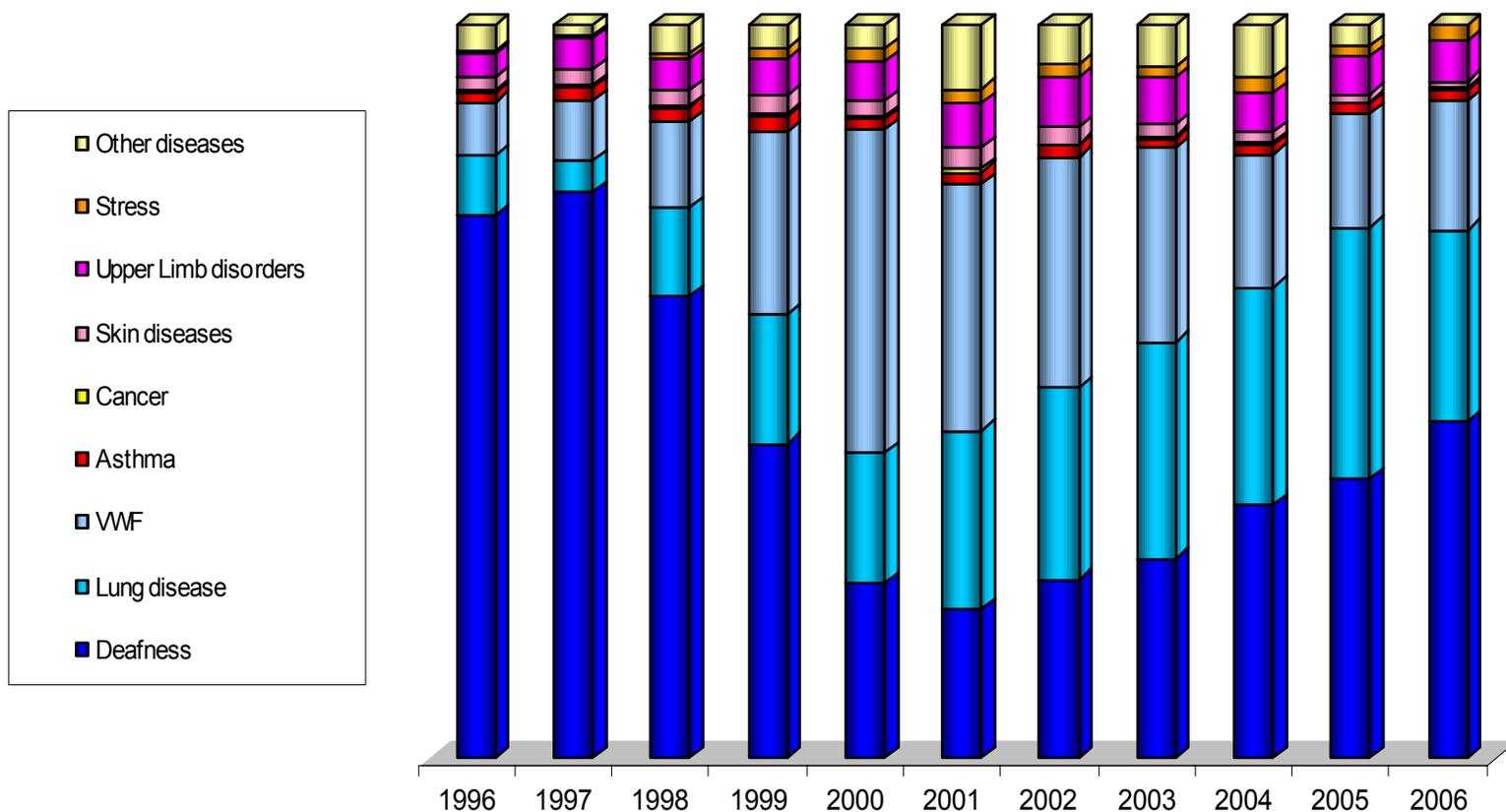


Source RIDDOR statistics - HSE



Disease claims numbers

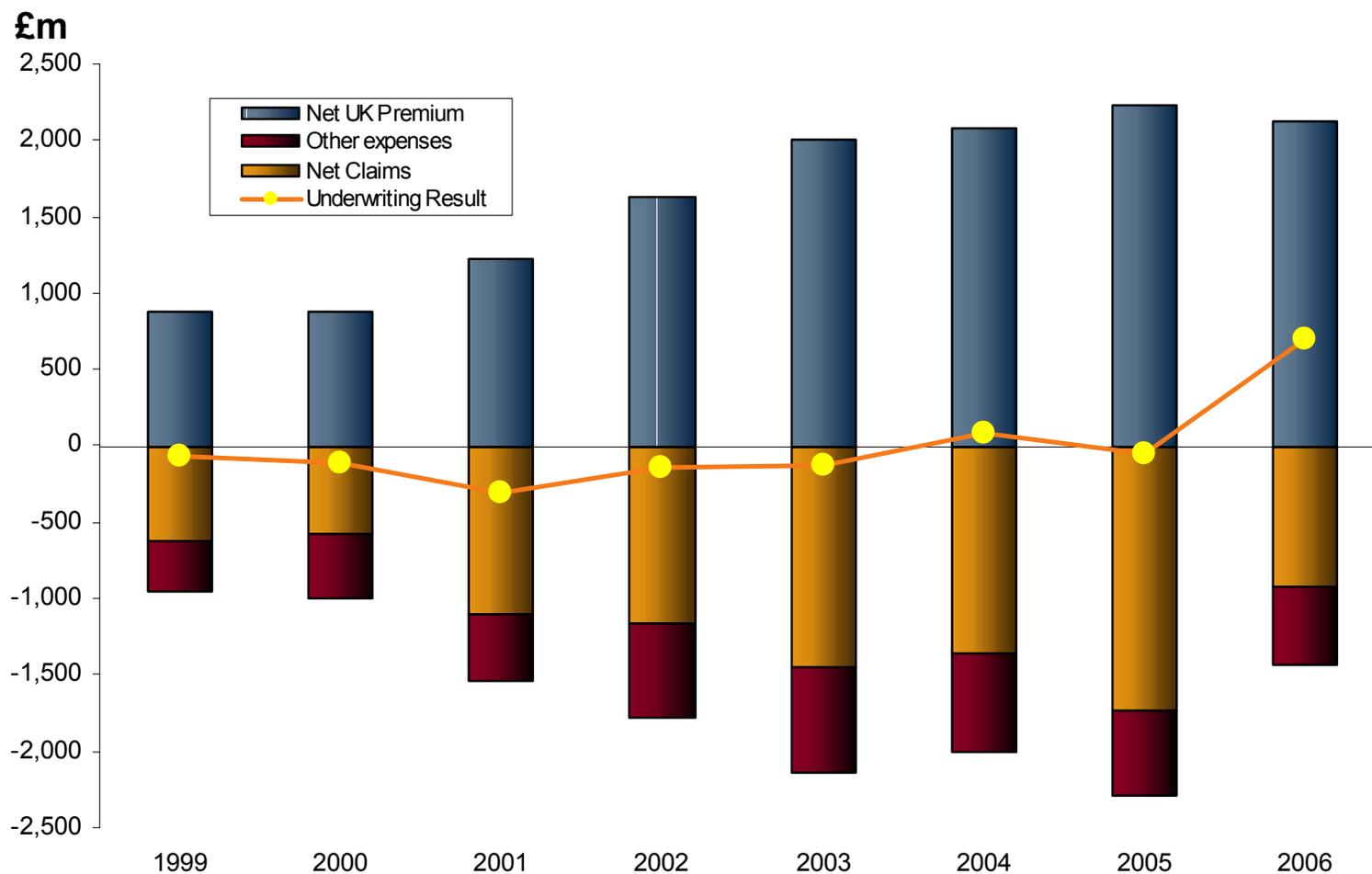
Percentage of disease claims by type



Source: ABI Statistics September 2007



Other Liability

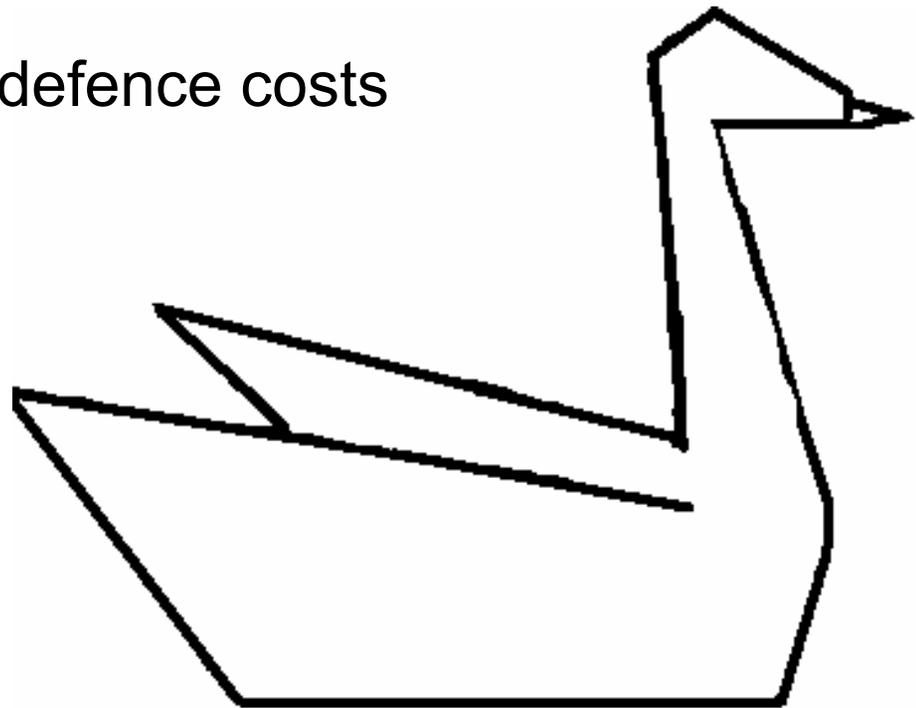


Source: ABI Statistics September 2007

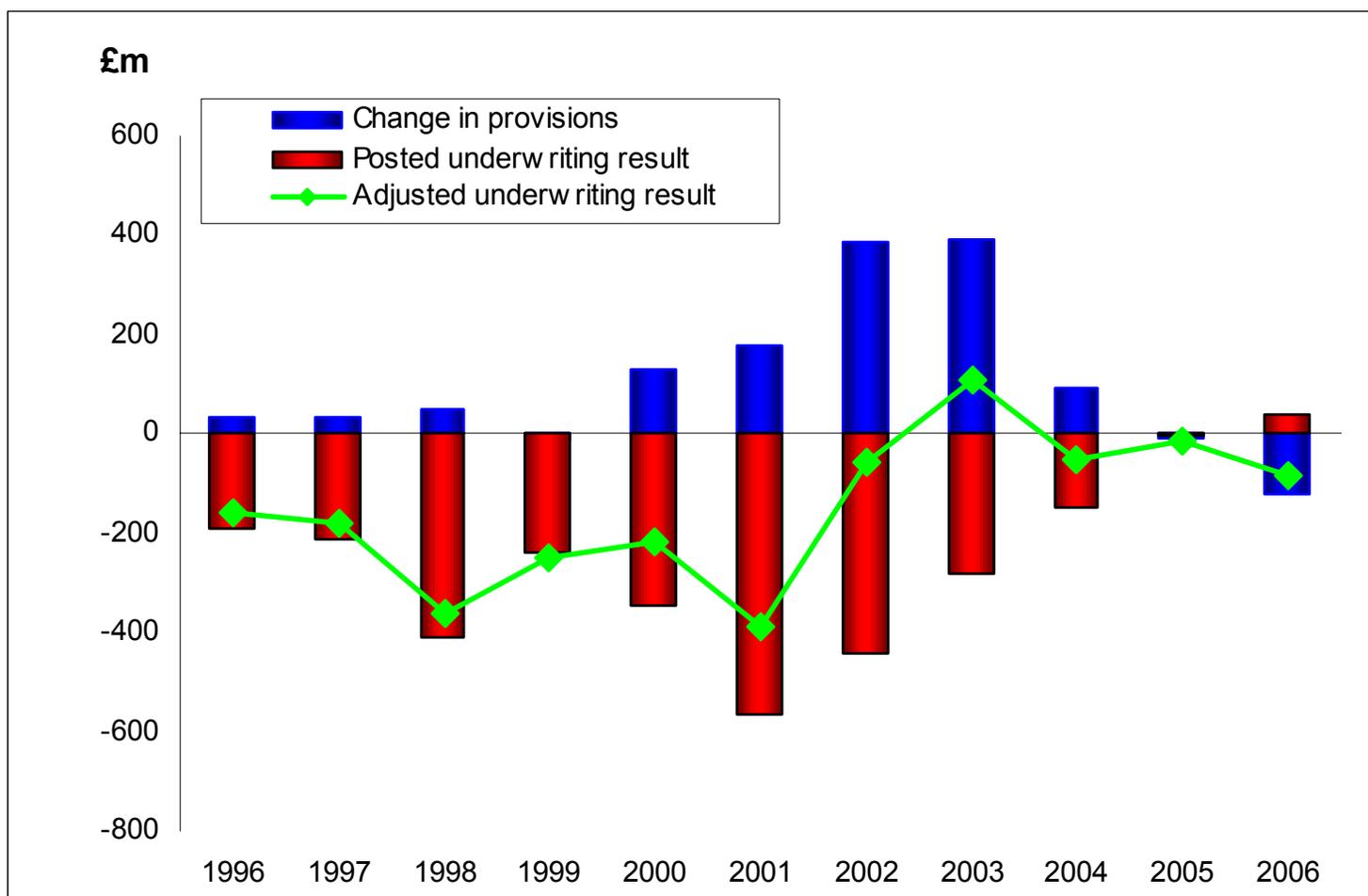


Cover

- Asbestos exclusions
- Corporate Manslaughter defence costs
- Pollution
- Terrorism
- Financial Loss



Change in provisions



Source: ABI Statistics September 2007



The shape of things to come

