

Global Casualty—International

Market Update Spring 2010



Contact



Tony Hardy
Managing Director
London, U.K.

Telephone: +44 (0)20 7933 2893
E-mail: tony.hardy@uk.lockton.com

The insurance market across all regions and classes is generally still competitive, with no real signs of a hardening market. New business is particularly keenly priced as markets look to retain market share under increasing pressure from new capacity.

U.S. Risks

The market continues to be led by Lexington with their innovative approach to underwriting held together by a close-knit team. Torus, a relatively new entrant as a lead market, prides itself on its willingness and ability to offer a wide range of products, including loss corridors, lead umbrellas, excess placements, and covers for latency risks with known losses.

There are rumours of market consolidation—either by merger or take-over—but no confirmed activity.

Stuart Rae and Peter Harris have left Aspen, and as yet have not reappeared elsewhere.

U.K. Risks

Aviva has re-emerged as a liability market offering new capacity to an already-saturated market, which should only prolong the soft market conditions. The exception is in U.K. Motor Fleet, where there is evidence of a firming-up of prices and reduced appetite for nonconventional programmes.

Long-Term Agreements (LTAs) are still widely available with fixed premiums for 24 months.

U.K. Employers Liability premiums remain flat, but recent large claims awards may have an effect on pricing.

The Ministry of Justice Reforms, which come into effect on 6 April 2010, will not have the wholesale effect anticipated on U.K. casualty. The main impact is to change the claims process for third-party motor claims to encourage prompt settlement and penalise claimants that fail to adhere to timelines, enabling insurers to gain more control over the level of third-party costs. It is too early to say what impact (if any) these reforms will have on pricing, but clients will be expected to demonstrate they have robust procedures in place to promptly report claims.

International Risks

There is no real change in capacity, other than Arch starting to write primary (non-U.S. domiciled) business following the appointment of Mike Lay.

There have been no major claims, but there has been a steady increase in the number of attritional losses, which is putting insurer's margins under pressure. This has not as yet resulted in any corrective pricing action as no-one is willing to unilaterally increase prices for fear of losing business.

The Israeli, South African, and Australian domestic markets still remain extremely competitive, with business generally only coming to London where increased capacity is required.

Product Recall Risks

There has been an increase in available capacity and expertise with up to \$200,000,000 now available. The exception to this is for durable consumer products and industrial products, where the increased level of outsourcing to Asia and the recent high-profile Toyota recall has dampened insurer's appetites. Zurich has recently launched a product safety and recall offering.

The total market revenue for this class of business is still a relatively modest \$500 million, meaning that a catastrophic loss could affect capacity and pricing. However, it has still grown significantly over the last decade, meaning that such a catastrophic loss is less likely to destabilize the entire class.

The two key emerging issues are:

- ❖ The supply chain coming under closer scrutiny from regulatory bodies, which could lead to more precautionary recalls without evidence of actual bodily injury.
- ❖ The growth in contractual remedies being forced on suppliers.

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