

GIRO XXX 2003 Convention

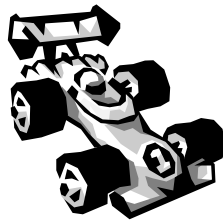
14-17 October 2003
City Hall, Cardiff



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European Motor

- q Market summaries
 - q Products
 - q Distribution
 - q Size
 - q Profitability
- q Current issues



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Market – Products (UK)

- q Two Basic Product Systems
 - q Comprehensive / Non-comprehensive
 - q TPL / Own Damage / Fire & Theft sold separately
- q Sale of add-ons increasing
- q Increasing number of rating factors



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Distribution

Method	UK	Germany	France	Spain	Italy	Ireland
Broker	50%	10%	15%	25%	5%	25%
Tied Agents	15%	70%	75%	65%	85%	50%
Direct	20%	5%		5%	5%	
Banks / Other	15%	15%	10%	5%	5%	25%

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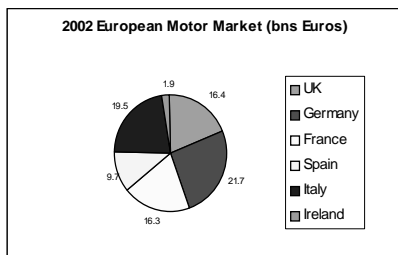
Distribution

- q UK heavily broker & direct
- q Direct increasing in all other countries
- q Continentals dominated by tied agents

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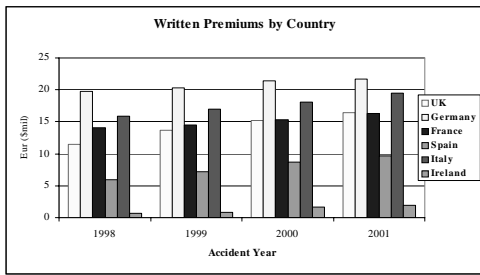
Market Statistics



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Market Statistics - Premium Growth 1998-2002



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Market Statistics - Premium Growth 1998-2002

Country	GWP 1998	GWP 2002	Growth 1998-2002	Annual Growth
UK	10.4	16.4	58%	12%
Germany	19.9	21.7	9%	2%
France	13.9	16.3	17%	4%
Spain	4.4	9.7	120%	22%
Italy	14.4	19.5	36%	8%
Ireland	1.0	1.7	80%	16%

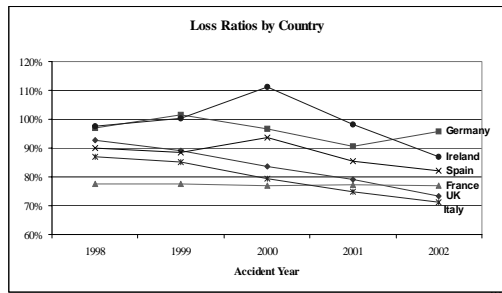
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Market Statistics – Gross Written Premium

- Italy has surprisingly high written premium
- Ireland and Spain high growth
- UK and Italy have shown significant growth
- France and Germany are flat
- How does this feed into loss ratios?

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Market Statistics - Loss Ratios 1998 to 2002



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Market Statistics - Loss Ratios 1998-2002

Country	Loss Ratio 1998	Loss Ratio 2002	Effective Rate Increase	Average Annual Rate Increase
UK	93%	73%	26%	6%
Germany	97%	96%	1%	0%
France	78%	77%	1%	0%
Spain	90%	82%	10%	2%
Italy	87%	71%	22%	5%
Ireland	98%	87%	12%	3%

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Market Statistics – Loss Ratios

- Italy and UK show biggest improvement in loss ratios
- Ireland and Spain loss ratios are surprisingly high given premium increases
- France and Germany are flat mirroring premium

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Market Concentration

Country	Top 5	Top 10
UK	51%	73%
Germany	30%	45%
France	43%	64%
Spain	45%	65%
Italy	32%	50%
Ireland	77%	99%

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Market Concentration

- q Germany least concentrated and poor performance
 - q Irish loss ratio surprisingly high given market concentration
 - q France very stable
 - q No significant cross-border trade
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Current Issues – Europe-wide

- q Historic lack of profitability
- q Improving road safety
- q New markets ?
- q Claims process improvement
- q Harmonisation
- q Reduced investment income



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Current Issues

q United Kingdom

- q Increasing social inflation
- q Claw-back of state costs
- q Maintaining profitability



q Germany

- q Possible anti-selection between old and new rating systems
- q Limited data for new rating factors
- q Loss-leading

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Current Issues

q France

- q Low churn rate
- q Companies declining risks rather than raising premiums

q Spain

- q Problems with motor-cycles
- q Scope for improving road infra-structure and safety
- q Maintaining profitability



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Current Issues

q Italy

- q Market rates starting to soften
- q Claims frequency has reduced
- q Penalty points system introduced July 2003

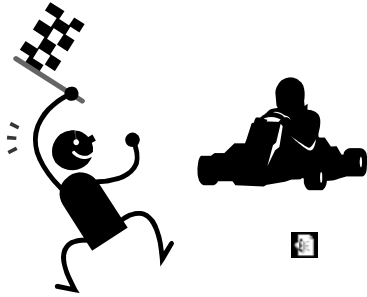
q Ireland

- q Penalty points system introduced Nov 2002
- q Historically high claim inflation but steps to control
- q Political reform



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Finish !!!



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