European Motor

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

Market – Products (UK)

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

<table>
<thead>
<tr>
<th>Method</th>
<th>UK</th>
<th>Germany</th>
<th>France</th>
<th>Spain</th>
<th>Italy</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broker</td>
<td>50%</td>
<td>10%</td>
<td>15%</td>
<td>25%</td>
<td>5%</td>
<td>25%</td>
</tr>
<tr>
<td>Tied Agents</td>
<td>15%</td>
<td>70%</td>
<td>75%</td>
<td>65%</td>
<td>85%</td>
<td>50%</td>
</tr>
<tr>
<td>Direct</td>
<td>20%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Banks / Other</td>
<td>15%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
<td>25%</td>
</tr>
</tbody>
</table>

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

Market Statistics

2002 European Motor Market (bns Euros)

- UK
- Germany
- France
- Spain
- Italy
- Ireland

**Written Premiums by Country**

- **UK**: 10.4, 15.4, 16.4, 16.5
- **Germany**: 19.9, 21.7, 22.7, 23.5
- **France**: 13.9, 16.3, 18.3, 19.5
- **Spain**: 4.4, 9.7, 15.2, 21.7
- **Italy**: 14.4, 19.5, 36.4, 41.7
- **Ireland**: 1.0, 1.7, 80.0, 166.0

**Annual Growth**

- **UK**: 12%
- **Germany**: 2%
- **France**: 4%
- **Spain**: 22%
- **Italy**: 8%
- **Ireland**: 16%

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?

Loss Ratios by Country

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>UK</th>
<th>Germany</th>
<th>France</th>
<th>Spain</th>
<th>Italy</th>
<th>Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>100%</td>
<td>110%</td>
</tr>
<tr>
<td>1999</td>
<td>70%</td>
<td>80%</td>
<td>90%</td>
<td>95%</td>
<td>100%</td>
<td>110%</td>
</tr>
<tr>
<td>2000</td>
<td>80%</td>
<td>90%</td>
<td>95%</td>
<td>90%</td>
<td>100%</td>
<td>110%</td>
</tr>
<tr>
<td>2001</td>
<td>90%</td>
<td>100%</td>
<td>95%</td>
<td>85%</td>
<td>100%</td>
<td>110%</td>
</tr>
<tr>
<td>2002</td>
<td>100%</td>
<td>110%</td>
<td>95%</td>
<td>80%</td>
<td>100%</td>
<td>110%</td>
</tr>
</tbody>
</table>


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

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
Market Concentration

<table>
<thead>
<tr>
<th>Country</th>
<th>Top 5</th>
<th>Top 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>51%</td>
<td>73%</td>
</tr>
<tr>
<td>Germany</td>
<td>30%</td>
<td>45%</td>
</tr>
<tr>
<td>France</td>
<td>43%</td>
<td>64%</td>
</tr>
<tr>
<td>Spain</td>
<td>45%</td>
<td>65%</td>
</tr>
<tr>
<td>Italy</td>
<td>32%</td>
<td>50%</td>
</tr>
<tr>
<td>Ireland</td>
<td>77%</td>
<td>99%</td>
</tr>
</tbody>
</table>

Market Concentration

- Germany least concentrated and poor performance
- Irish loss ratio surprisingly high given market concentration
- France very stable
- No significant cross-border trade

Current Issues – Europe-wide

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

United Kingdom
- Increasing social inflation
- Claw-back of state costs
- Maintaining profitability

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

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

Spain
- Problems with motor-cycles
- Scope for improving road infrastructure and safety
- Maintaining profitability

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

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