

H1 Report 2012

Insurance Times presents our comprehensive, at-a-glance guide to the first-half reporting season, featuring results from UK insurers, global groups, listed Lloyd's underwriters and global brokers. By Ben Dyson

1 UK insurers

On the whole, the UK general insurance market has performed well. However, this has largely been driven by personal lines, with commercial lines again dragging down the overall UK results. While there are some early indications of commercial rate rises, not many are pinning their hopes on them.

Notes:
1. Includes Ireland and health business.
2. Converted from euros at the relevant exchange rates on 30 June 2012 and 2011.
3. Converted from US dollars at the relevant exchange rates on 30 June 2012 and 2011.

Direct Line Group	AXA ^{1,2}	RSA	Zurich ³	Legal & General	Ageas	Groupama Insurances
Combined ratio	Combined ratio	Combined ratio	Combined ratio	Combined ratio	Combined ratio	Combined ratio
102% -1% 2011	100% +0.1% 2011	99.9% +2.2% 2011	99.5% +1.1% 2011	99% +6% 2011	98.8% -2.4% 2011	98.8% -0.4% 2011
Operating profit	Operating profit	Operating profit	Operating profit	Operating profit	Operating profit	Operating profit
£219m +6.3% 2011	£99.1m +1.2% 2011	N/A	£53.2m -26.0% 2011	£8m -52.9% 2011	£56.1m +139.7% 2011	N/A
Rate movement	Rate movement	Rate movement	Rate movement	Rate movement	Rate movement	Rate movement
"Broadly stable"	Personal lines +5.7% Commercial lines +4%	Personal motor +4% Personal home +5% Commercial motor +9% Commercial liability +6% Commercial property +3%	Personal lines rates rises boosted GWP +15% Commercial lines rate rises boosted GWP +3%	N/A	Commercial lines: "It is very difficult to find signs of rating improvement." Personal motor: "There is no doubt that rates have slowed down. There was probably a bit of a reduction in rates in the second quarter compared with the first."	Commercial lines: "The rating environment in UK commercial lines is disappointing." Personal motor: "We are seeing evidence that the 'bad old days' might be back. Prices are starting to creep down, even though costs continue to rise."

What they say
"We are starting to see all the hard work we have put into pricing, risk and claims come through in the performance." Direct Line Group chief executive Paul Geddes

What we say
The company has been turned around and is prepared for separation from RBS.

What they say
"The profitability of our direct motor book has been the core disappointment over the past two years." AXA UK and Ireland chief executive Paul Evans

What we say
AXA's Swiftcover brand was growing, but poor profitability forced it to cut back.

What they say
"Profitability in commercial business is not where it needs to be." RSA UK and western Europe chief executive Adrian Brown

What we say
RSA's personal lines business did well, but the commercial lines performance sunk its UK COR below many of its peers.

What they say
"Zurich is back in the motor space with a competitive offering." Zurich UK personal lines managing director Karl Bedlow

What we say
Stripping out the effects of weather claims and one-off costs, Zurich's personal lines overhaul is bearing fruit.

What they say
"The business is profitably growing. Even though there was an unusual weather event in June, we're feeling positive." L&G broker and intermediary director Mark Holweger

What we say
Profit was halved because of the floods. However, L&G is looking to diversify.

What they say
"We're very pleased with the first six months. We are continuing to build on the changes made last year." Ageas UK chief executive Barry Smith

What we say
After a motor-induced blip in 2010, Ageas has become a solid, consistent performer.

What they say
"Some rumours about the performance of our business have been speculative at best." Groupama Insurances chief executive François-Xavier Boisseau

What we say
A solid company let down by its parent's rating.

The Co-operative	Aviva
Combined ratio	Combined ratio
98.4% -14.1% 2011	97% +1% 2011
Operating profit	Operating profit
£30.3m +345.6% 2011	£226m -6.6% 2011
Rate movement	Rate movement
N/A	Personal home +3% Commercial motor +6% Commercial liability +3% Commercial property +2%

What they say
"I'm pleased with the COR of 98.4%. It compares well with our competitors." Co-op general insurance director David Neave

What we say
Strong rating action in brokered motor business has restored profitability – and doesn't appear to have hurt broker relations.

What they say
"We want to turn around businesses that are not generating the profitability we desire." Aviva UK general insurance chief executive Robin Spencer

What we say
Not the greatest year for the group so far, but its UK GI business holds steady.

LV=	Allianz	Admiral	Lloyds Bank
Combined ratio	Combined ratio	Combined ratio	Combined ratio
97% -1.1% 2011	96.8% +0.7% 2011	88.9% -1.5% 2011	80% +7% 2011
Operating profit	Operating profit	Operating profit	Operating profit
£53m +1.9% 2011	£75.3m -2.8% 2011	£183.3m 9% 2011	£158m -30.1% 2011
Rate movement	Rate movement	Rate movement	Rate movement
Commercial: "We are seeing signs that rates are starting to harden. There is still some way to go – the market needs rate increases of 15% to 20% to get back to a healthy state."	N/A	Personal motor -3%	N/A

What they say
"The first half saw continued growth but not at the rate of the last two or three years." LV= general insurance managing director John O'Roarke

What we say
LV= still has a lot to prove in the general insurance market, but so far, so good.

What they say
"The combined ratio of 96.8% is very good and compares favourably with what other people have announced." Allianz Insurance chief executive Andrew Torrance

What we say
The most consistent performer in the market; the first half of 2012 upheld that reputation.

What they say
"A record half year – £172m in [group] profits – virtually equivalent to everything we made in 2007 and a 61% return on capital." Admiral chief executive Henry Engelhardt

What we say
Consistently outperforms the market, but concerns remain over its ancillary income.

What they say
"Our strategy is to protect and grow our home insurance business while expanding its role in other markets." Company statement

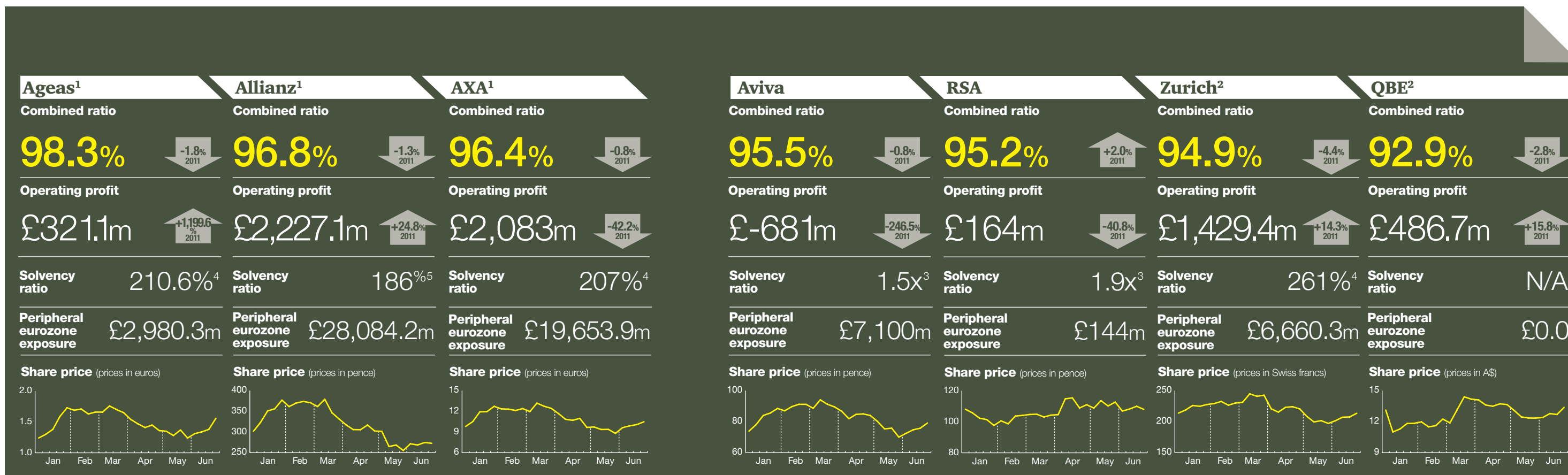
What we say
The general insurance business was hit by weather claims, but it continues to maintain underwriting profitability.



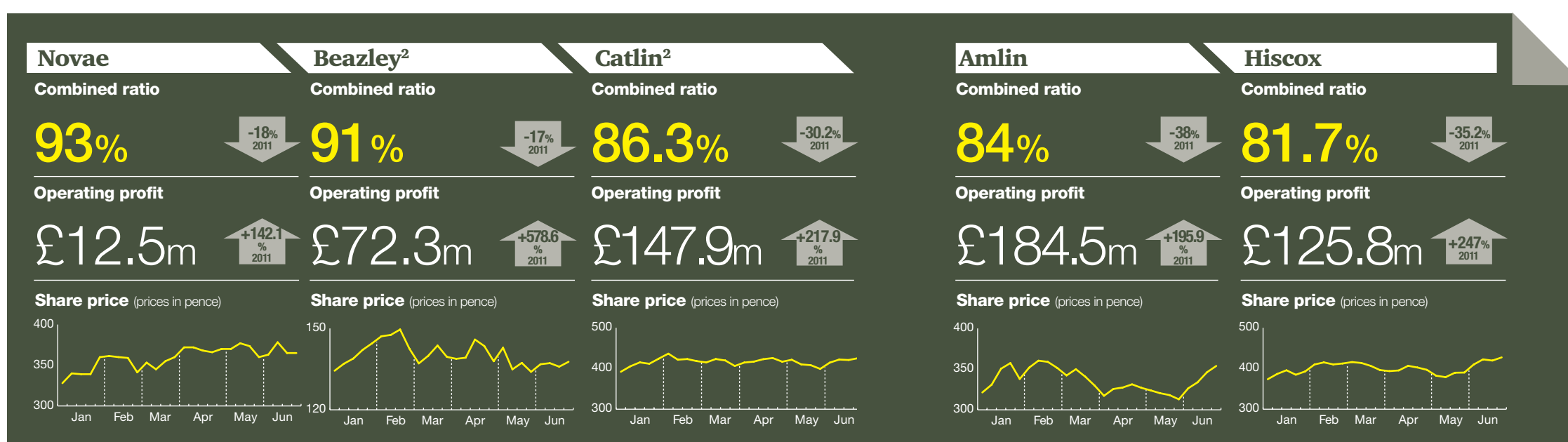
H1 Report 2012

2 Global insurers

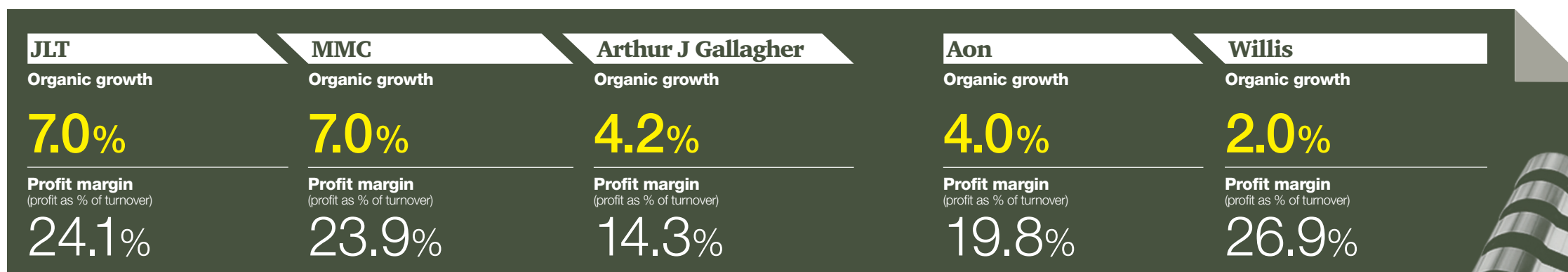
International insurance groups have been spared the natural catastrophe burden they were forced to shoulder in the first half of 2011, and so have turned in a comfortably profitable set of numbers. Uncertainty remains, however, with peripheral eurozone debt exposure continuing to be a concern for some.



3 Lloyd's insurers



4 Global brokers



Notes: 1. Converted from euros at the relevant exchange rates on 30 June 2012 and 2011
 2. Converted from US dollars at the relevant exchange rates on 30 June 2012 and 2011
 3. EU Insurance Groups Directive coverage ratio
 4. According to Solvency I
 5. According to the EU Financial Conglomerates Directive

SOURCE: COMPANY RESULTS, INSURANCE TIMES CALCULATIONS

