

NEWS ANALYSIS FRANCE

Renewal season finds rate cuts for majority of French lines

Lack of major claims spurs rate reductions

By Rick Mitchell

[PARIS]—Rates for large corporate business continued their sharp slide for most lines during France's January 2008 renewal season, when about 70% to 80% of French companies renewed their programs, according to risk managers, insurers and brokers.

These experts said a scarcity of large claims, combined with fierce competition and strong insurer profits, spurred average rate cuts of between 10% and 25%. Many said property rates had not yet bottomed out and some see lower deductibles in the future.

While some attendees at the Monte Carlo reinsurance conference in the fall had predicted the market would harden, there has been little sign of such a trend, according to Renaud de Pressigny, client and product manager at Paris-based broker Marsh France, a division of New York-based Marsh Inc.

"Contrary to what certain insurers have been predicting, we continue to see major price cuts," said Michel Yahi, outgoing president of the Association pour le Management des Risques et des Assurances de l'Entreprise, and also Paris-based group insurance manager for banking group Société Générale.

Overcapacity has been generated by increased supply, but the insurable base has not expanded by the same token, said Marsh's Mr. De Pressigny.

"MAFRE S.A. entered France two or three years ago, but hardly wrote any business. In 2007, it hired a new underwriter and started writing new business. Existing carriers, such as XL Insurance (part of Hamilton, Bermuda-based XL Capital Ltd.), opened underwriting desks for new lines. Tokio Marine European Insurance Ltd.—a unit of Tokyo-based Millea Holdings Inc.—had really focused on Japanese accounts in

France, and was mostly a co-insurance follower on large property accounts. It is now leading accounts on property.

"More and more Lloyd's of London syndicates—such as those managed by Catlin Group Ltd.—have moved into France because only the largest and most difficult risks would cross the channel to London otherwise," Mr. De Pressigny said.

Philippe Maraux, deputy director of Paris-based Aon Assurances Risques Services, a unit of Aon Corp., cited rate cuts that were on average 10% to 20%, "depending on what they achieved in previous years, with some exceptional cases running 40% to 50%. This year there was maybe a little leveling off. But that is because last year the cuts were so big."

Cautious

Jeff Moghrabi, Paris-based country manager for ACE European Group Ltd., cited average reductions of 10% to 25%, depending on circumstances, risks, and line of business.

Anne-Marie Fournier, AMRAE vice-president, and risk manager at retail group PPR, was more cautious. Insurers are likely to have different approaches, that depend on each account's merits—so bad loss ratio accounts could face more restrictive conditions or price increases, she said.

Buyers with terrorism exposure outside of France also saw reductions at the Jan. 1 renewal, sources say.

France's co-insurance and reinsurance pool for domestic terrorism risks, the Gestion de l'Assurance et de

la Réassurance des Risques d'Attentats et Actes de Terrorisme covers domestic risks; prices are non-negotiable. However, "we have more and more competition in the private market (for coverage outside of France), which a few years ago we did not have," said Mr. Maraux.

Mr. De Pressigny cited a downward trend of 10% for non-GAREAT terrorism coverage written in London.

Jean-Paul Rignault, chief executive officer of AXA Corporate Solutions, a unit of AXA S.A., said that his company had pulled out of some co-insured business because it believed the prices determined by the lead insurer were not adequate.

"I clearly think we are going too far in the soft-market cycle. As a lead underwriter, we saw quotes which in our opinion would be leading to a technical loss. [Consequently], we significantly reduced the underwriting of new business," he said.

Price cuts for casualty business were more modest than those seen for property lines, according to experts.

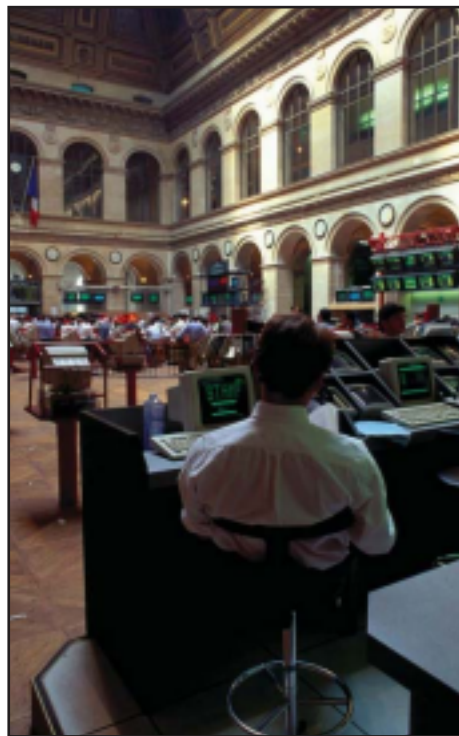
For property, strong loss prevention and high deductibles have, over the years, significantly reduced losses, explained Paolo Crestani, director of markets and placements at Paris-based broker Gras Savoye.

"Whereas for liability, where loss prevention is harder to implement with high success, claims still appear with frequency, and so price cuts were more modest, he said.

Allianz S.E.'s Paris-based sub-

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PHILIPPE MARAUX



Big French companies that trade on Euronext's Bourse de Paris did well from the renewals

siary Assurances Générales de France's reported average cuts of around 5% to 10%. "However, we note increases on certain accounts that had more claims," a spokesman said. Robert Leblanc, co-president of the broker group Chambre Syndicale des Courtiers d'Assurances, said pharmaceutical liability insurance prices were stable, as prices and exclusions for this line largely are controlled by global reinsurers.

Errors and omissions business also saw rate reductions at the Jan. 1 renewal, sources reported.

"Unlike in the United Kingdom and United States, where errors and omissions is separate and standalone, on the French market you can find coverage for E&O within general liability programs. Specific E&O would more or less follow casualty trends, around minus 10%. For financial institutions, reductions have been about 5% to 10%," said Mr. De Pressigny.

"There is new capacity on the E&O market," noted Mr. Leblanc. Mr.

Crestani cited a recent deal in which a French broker took an account worth tens of millions of euros of premium from a major U.S. broker.

That he said, could lead to competitive pressure when the business is placed elsewhere by the French broker.

Pressure

The recent subprime mortgage crisis in the United States has not yet had any discernable effect on insurers that write directors and officers insurance business in France, sources say. And that line of business has also seen rate reductions at the Jan. 1 renewal, experts say.

"Directors and officers is the first line of business with proven impact because of the sub-prime crisis," said Mr. Crestani. "Still, it does not yet seem to be a problem for carriers," he added.

"On commercial directors and officers it is extremely competitive and we are seeing [rate] reductions of 10%, even 25%," said Mr. Moghrabi.



Michel Yahi, outgoing president of the Association pour le Management des Risques et des Assurances de l'Entreprise, and also Paris-based group insurance manager for Société Générale

FRENCH RISK MANAGERS COMPLAIN OF 'LACK OF VISIBILITY ON LIABILITY'

[PARIS]—As companies face liability risks when they develop new products, services, production and distribution methods, they can sometimes find that insurers leave them in the lurch, a prominent French risk manager complained recently.

"As risk takers, we want the certainty that liability coverage will be there if we need it. Unfortunately, the reality is that the insurer is often an additional brake on progress, an extra risk to worry about," said Rémi Pendarès-Issaurat, president of the civil liability commission of the Association pour le Management des Risques et des Assurances de l'Entreprise.

Mr. Pendarès-Issaurat, also risk manager at Paris-based ACCOR S.A. spoke during a panel discussion titled "Liability insurance at the service of risk takers," part of the annual conference of the Fédération Française des Sociétés d'Assurance, in December.

The panel of insurance, reinsurance and legal experts agreed that new risks linked to technology, serial exposures in an evolving world economy, and new societal expectations posed complex problems. But they offered diverging assessments of insurers' performance in addressing these new liability risks.

"All-risk policies are disappearing, and in their place we have more and more separate policies piling up—environmental impairment liability, general liability, and so on," said Mr. Pendarès-Issaurat. "It becomes increasingly difficult to understand

technical explanations and caps on coverage, and more and more exclusions. As a result, the insurance contract becomes another insecurity for the customer," he said.

The insurers and reinsurers on the panel strove to explain their point of view. François Vilnet, president of the reinsurer group the Association des Professionnels de la Réassurance en France said: "There is a lack of visibility on liability."

"Liability risks are often underestimated and can often be out of proportion to the size of the enterprise taking the risk," added Mr. Vilnet, deputy head of global business development for Pembroke, Bermuda-based Partner Reinsurance Co. Ltd. Pierre-Yves Laffargue, director of AXA France IARD, a division of AXA S.A., said multinationals also face international differences of notions of liability. He said that when companies use far-flung suppliers, in China for example, companies and insurers may not know their exposure.

Claude Goasguen, a parliamentary deputy from Paris and the conference panel host, said that class action proposals being considered in France would pose new risks to businesses.

"Soaring premiums for medical risks, in which lawsuits are filed over the smallest problem," are a sign of new costs to society, he said.

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