All of the lines of business comprising the political, accident & contingency (PAC) division performed well in 2018, generating an improved combined ratio for the division of 90% (2017: 101%) on premiums that grew by 11% to $238.7m (2017: $214.3m). Many of the lines of business in which we specialise, including political risks, terrorism and contingency, are historic areas of focus for the London market and we continue to write the bulk of our business in London. However we also have local teams in the US, Europe and Singapore to access business we would not normally see in London, including the fast growing market for supplemental health insurance solutions for company employees in the US.

Our political risks team had a good year with premium growth of 11% and a far more benign claims environment than we had witnessed in 2017. Only about a third of political risk accounts are renewable so we depend on brokers to bring our teams a steady flow of new business. However, as political tensions rise in many parts of the world, we expect demand for cover to remain strong. Our practice is to reserve prudently for claims, and if the claims do not fully materialise this enables us to make reserve releases in later years: in 2018 we were able to release funds no longer required to meet political risks and trade credit claims on the 2016 and prior underwriting years.
The terrorism market continued to see premium rates decline in 2018, but at a slower rate than in previous years, due to the relative rarity of attacks that result in widespread physical damage. The potential for such attacks of course continues to exist but in recent years terrorists have sadly tended to target people more than property. Attacks of any kind can have a chilling effect on local businesses and we have accordingly been offering loss of attraction cover to companies that may find their business affected by a nearby incident.

Terrorism, or the threat thereof, is also a peril covered by our contingency team, which offers broad cancellation cover for events of widely varying sizes, including some of the world’s largest sports and entertainment events. The team had a good year with premium growth of 25%. Our London team, the largest and most experienced in the market, focuses predominantly on large scale events whereas our US underwriters also underwrite a large volume of smaller risks.

In April 2018 in the US we launched a new version of our WeatherGuard policy for weather-related event cancellation risks, offering each policyholder a fully personalised digital policy that can be consulted on a phone. The easy to use digital policy, which also offers automatic claims payment in the event that the insured weather peril occurs, has been very well received by brokers and clients.

The final major component of our business – life, accident and health risks – also performed strongly in 2018. We continued to reshape our London book with a focus on improving the balance in the portfolio. We have been adding underwriting talent to our London team, which now numbers seven, including two underwriters focused on sports disability insurance.

The focus of our US team is purely on accident and health business, and specifically on supplemental health cover for the employees of companies seeking additional protection over and above that provided by high deductible benefit plans. Under the leadership of Brian Thompson, we made excellent progress in carving out a niche for Beazley in this growing market in 2018.