

by National-Underwriter

Despite a multitude of challenges posed to the U.S. insurance industry, the commercial insurance marketplace proved resilient in 2008, remaining stable—albeit somewhat less competitive—across nearly all lines of coverage, according to a report released by insurance broker Marsh.

The industry faced challenges from the deepening global economic crisis, the impact of financial marketplace conditions on certain insurers, and significant property catastrophe losses, said Marsh.

The firm noted that worsening loss experience and rising carrier combined ratios began affecting market conditions in some lines at year-end and these trends are continuing into 2009.

The report found signs of a hardening U.S. commercial property-casualty insurance market. However, the report concluded that the insurance cycle may evolve differently than any past hard market over the last 50 years due to unknowns surrounding the length and depth of the recession and the potential for occurrence of a major insured catastrophe.

Marsh's 137-page "Insurance Market Report 2009" is based on more than 36,000 commercial insurance policy renewals during the fourth quarter of 2008 by 6,700 commercial insurance buyers.

The report examines trends and key developments affecting pricing, terms and conditions in all major commercial lines of coverage, as well as in 14 specific industry sectors.

In the current market environment, Marsh said it is advising businesses purchasing insurance to stay abreast of market conditions and consider the following measures:

- Monitor insurer financials, including related ratings agency decisions.

- Build strong relationships with key insurers so any adverse impact is limited.

- Continue to build strong loss control programs with respect to physical protection and operational and contractual standards.

- Build preventive measures that can help strengthen a firm's resilience in a hard market.

Among specific coverage lines, Marsh reported that commercial property insurance rates generally flattened in 2008, accelerating a shift away from the soft market conditions of the prior two years.

In 2009, businesses with little to no natural catastrophe-related exposures—including those unaffected by recent storms and other catastrophic events—may continue to see more favorable market conditions, according to Marsh.

The firm also reported that standalone property terrorism insurance rates remained competitive in 2008. According to Marsh's report, in some instances, these broader policies saw more aggressive pricing than more restrictive terrorism coverage embedded in property programs, particularly for businesses with significant natural catastrophe exposures or locations in central business districts.

Regarding other major commercial insurance lines the report said:

- Primary casualty insurance conditions began changing in 2008, with many firms experiencing flat renewals or smaller rate decreases than in prior years.

- Directors and officers liability insurance generally remained competitive in 2008. However, financial institutions and real estate companies with subprime exposures and related litigation tightened.

- Employment practices liability insurance rates continued to soften in 2008, but at a slower pace.

- Despite four years of strong financial results, sureties are focusing on avoiding losses they anticipate will accompany the global economic recession. Rates are stable and the outlook is for flat or modest increases, but capacity is an issue.

Marsh's "Insurance Market Report 2009" may be downloaded free at [www.marsh.com](http://www.marsh.com). Copyright © 2009 by National Underwriter Property & Casualty Magazine.