

P-C Prices Still Falling For Start Of 2009, With No Sharp Turnaround Expected

by National-Underwriter

While there has been much talk about how the commercial insurance market is finally poised to harden, there is little evidence of any turnaround in the latest "Market Barometer" survey, which indicated that rates for January declined an average of 9 percent—the same level as the in last two months of 2008.

While the composite rate index level seen in the latest pricing barometer signals that the depth of price-cutting may have bottomed out, the market as a whole has certainly not reversed direction, observed Richard Kerr, chief executive officer of MarketScout, the Dallas-based electronic insurance exchange that puts together the monthly survey.

"Insurance executives are forecasting and closely monitoring the prospects for much needed rate increases in 2009," he noted. But Mr. Kerr said the recession presents a daunting challenge, with the health of the U.S. and world economy playing a large role in the fortunes of insurance companies and brokers.

"Lower payrolls and receipts are resulting in lower premiums and severe pressure on expense rates," he said. "Insurers and brokers are faced with diminished premium bases before they even consider the terms of renewal or rates."

Mr. Kerr noted that if a firm's exposure base is down 20 percent, and it renews 90 percent of its customers, it only captures a true premium renewal rate of 72 percent.

"The resulting lower retention puts incredible pressure on new business initiatives in order to maintain premium volume, all while insureds are trying to save even greater amounts of money across the board," he said.

As a result, he predicted, "more insureds will take bids in 2009, and insurance companies will be forced to participate in the process. While we expect upward movement in prices, we don't expect dramatic swings in the near term."

By coverage class, MarketScout reported that January rates declined on average by:

• 10 percent for businessowners policies.

• 9 percent for commercial property and general liability.

• 8 percent for commercial auto and crime.

• 7 percent for business interruption, umbrella/excess, workers' compensation, professional liability, employment practices liability and fiduciary liability.

• 6 percent for inland marine and surety.

• 5 percent for directors and officers.

Reductions by account size were found to be sharpest for large accounts (from \$250,001 to \$1 million in premiums), which were down 10 percent. Medium-size accounts (from \$25,001 to \$250,000) were down 9 percent, while small accounts were down 8 percent.

By industry class, MarketScout found manufacturing and service industries to be down 10 percent; contracting, 9 percent; habitation, 8 percent; public entities, 7 percent; and transportation and energy, 5 percent.

Copyright © 2009 by National Underwriter Property & Casualty Magazine.

P-C Prices Still Falling For Start Of 2009, With No Sharp Turnaround Expected by National-Underwriter