

Intense competition helps keep P/C market soft

by National-Underwriter

Onset of a hard market for the property-casualty insurance industry has been delayed by record 2006 and 2007 surpluses, few impediments to new entrants, and competition with American International Group, a brokerage study found.

A report by Willis, a "Spring Update" to an earlier report titled "Marketplace Realities and Risk Management Solutions," said signs pointing to a coming hard market include a nosedive in investment income, devastation in the financial markets, a prolonged soft market, climbing reinsurance costs and an active natural catastrophe season.

"But a funny thing happened on the way to the hard market," the report stated. It noted that while rates are firming, "the rate increases many of us have expected are not here."

Record surpluses in 2006 and 2007 are partly responsible, according to the report. "Although net income slipped badly in 2008, the industry remains well capitalized," Willis said.

Additionally, the report stated there are few marketplace barriers for new entrants, and with the uncertainty of most investments, insurance is an appealing place to commit capital. "The financial crisis has, in fact, underscored how stable insurance company capital actually is."

Companies are also competing hard for AIG business, according to the report, even though competition for market share typically fades when insurers look to underwriting as a way to make up for poor investment results.

The report said, "The extraordinary circumstances surrounding the world's leading insurance market, AIG, is a major reason this pattern has not been followed."

It added that insurers "seem overly focused, sometimes intensely so, on the possibility of wresting business away from the market leader."

Willis attributed the focus to many in the industry seeing a "fundamental marketplace shift in the works, and they want to make the most of the opportunity."

Smaller companies, Willis said, may see opportunities as buyers "grow more interested in diversification," creating competition many in the industry did not expect.

The quest for diversification may encourage competition in the short run, the report said, but ultimately "we see the potential for a change in the way buyers and sellers interact in the insurance marketplace."

The report noted, "Hard market or soft, we believe that buyers are more than ever looking beyond price and investigating the strength behind the foundation beneath the insurers they may want to buy from."

NU Online News Service, April 21, 9:11 a.m. EDT

Onset of a hard market for the property-casualty insurance industry has been delayed by record 2006 and 2007 surpluses, few impediments to new entrants, and competition with American International Group, a brokerage study found.

A report by Willis, a "Spring Update" to an earlier report titled "Marketplace Realities and Risk Management Solutions," said signs pointing to a coming hard market include a nosedive in investment income, devastation in the financial markets, a prolonged soft market, climbing reinsurance costs and an active natural catastrophe season.

"But a funny thing happened on the way to the hard market," the report stated. It noted that while rates are firming, "the rate increases many of us have expected are not here."

Record surpluses in 2006 and 2007 are partly responsible, according to the report. "Although net income slipped badly in 2008, the industry remains well capitalized," Willis said.

Additionally, the report stated there are few marketplace barriers for new entrants, and with the uncertainty of most investments, insurance is an appealing place to commit capital. "The financial crisis has, in fact, underscored how stable insurance company capital actually is."

Companies are also competing hard for AIG business, according to the report, even though competition for market share typically fades when insurers look to underwriting as a way to make up for poor investment

results.

The report said, "The extraordinary circumstances surrounding the world's leading insurance market, AIG, is a major reason this pattern has not been followed."

It added that insurers "seem overly focused, sometimes intensely so, on the possibility of wresting business away from the market leader."

Willis attributed the focus to many in the industry seeing a "fundamental marketplace shift in the works, and they want to make the most of the opportunity."

Smaller companies, Willis said, may see opportunities as buyers "grow more interested in diversification," creating competition many in the industry did not expect.

The quest for diversification may encourage competition in the short run, the report said, but ultimately "we see the potential for a change in the way buyers and sellers interact in the insurance marketplace."

The report noted, "Hard market or soft, we believe that buyers are more than ever looking beyond price and investigating the strength behind" the foundation beneath "the insurers they may want to buy from."

© Copyright

```
var dt = new Date();  
var my_time=dt.getFullYear();  
document.write(my_time);
```

2009 National Underwriter Property & Casualty.

Intense competition helps keep P/C market soft by National-Underwriter