P&C National Underwriter

BREAKING NEWS

U.S. P&C Stuck In 'Moderating But Continuing' Soft Market

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Premium rates in June remained soft, but continued to show some signs of easing off the worst of the declines with decreases in the low single digits, according to MarketScout.

The Dallas-based electronic insurance exchange's monthly barometer showed June overall premium rates at negative 3 percent for the second month in a row—a vast improvement over last year's negative 6 percent.

"Halfway through 2010, it appears the U.S. property and casualty market is stuck in a moderating, but continuing soft market," said Richard Kerr, founder and chief executive officer of MarketScout, in a statement. "A good measurement of market position for the balance of this year will be the composite rate for July as it is the second largest renewal month each year."

Mr. Kerr noted that the two largest market segments—commercial property and general liability—had market decreases of 4 percent. Commercial property declines remained the same on a month-to-month basis, while general liability moderated a bit from May's 5 percent decrease.

Other lines, Mr. Kerr said, remained at the same level as May or shifted by one percentage point.

"Crime coverages actually increased 1 percent, perhaps because of increased losses [that] may have developed throughout the economic downturn," Mr. Kerr suggested.

Crime moved from flat in May to up 1 percent.

Among other lines, umbrella/excess, commercial auto and workers' compensation went from negative 3 percent in May to negative 2 percent in June, and fiduciary went from negative 1 percent in May to negative 2 percent in June.

Examining account size, only large accounts remained unchanged on a month-to-month basis at negative 4 percent. Small accounts went from negative 2 percent in May to negative 3 percent in June, and medium accounts were down 2 percent in June from 3 percent in May.

Rounding out account size, jumbo accounts of more than $1 million in premium went from negative 5 percent in May to negative 4 percent last month.

In an analyst's note on the MarketScout report, Meyer Shields of Stifel Nicolaus said the outlook for commercial lines insurance is viewed as "mostly negative," but he is bullish about personal lines insurers.

Explaining the more positive outlook for personal lines, he said rates are rising above inflation and the bigger insurers in the personal lines market will be using economy of scale to gain more business. Profits for these insurers have also not been "unduly boosted" by reserve changes.

He also said the insurance brokers—Aon, Marsh and Willis—should begin to see improvements as the recession eases and soft market pressures begin to diminish, translating into organic growth at the firms.