P&C National Underwriter

BREAKING NEWS

High Capacity, Low Demand Feed Soft Commercial Lines Mkt. In 2Q

By CAROLINE MCDONALD

Published 7/21/2010

Subscribe to Property & Casualty

Return To Article

NU Online News Service, June 21, 4:05 p.m. EDT

Commercial lines premiums remained under pressure in the 2010 second quarter due to abundant capacity and lower demand, according to the RIMS Benchmark Survey administered by Advisen Ltd.

Risk managers reported decreases in average renewal premiums of between 2.5- and 3.8 percent for property, general liability, directors & officers liability, and workers' compensation insurance, the survey found.

David K. Bradford, Advisen executive vice president and editor-in-chief of the survey, said the soft market is still going strong, insurance capacity remains abundant in most lines, and as a result of the recession, demand for that capacity has fallen.

"We had been hearing anecdotally in the marketplace that there was actually a little bit of acceleration in softening," Mr. Bradford told NU Online News Service. "The numbers bear that out to some degree, especially in property, which has been more or less flat for the last few quarters."

Overall, he continued, "it's pretty much the same story we have been seeing. It's a soft market and it's not showing any signs of turning in the near future."

Mr. Bradford observed that softening goes across most lines of business.

But while risk managers are looking at another good year for purchasing insurance, "that could change with one big storm—it's predicted to be a pretty feisty year," Mr. Bradford said. "Barring that, it looks like it will be continued erosion in premiums for most of the year."

Asked if risk managers are locking in multiyear contracts to take advantage of the continued softening, Mr. Bradford said, "I don't see the market going there quite yet, but historically that's one of the things that happen at this point."

According to the survey:

• Workers' compensation saw the largest decrease in average renewal premium during the quarter, falling 3.8 percent.

• The average property premium was 3.5 percent lower.

• General liability dropped 2.5 percent.

• The average D&O premium, buoyed by rate increases in the financial institution sector in 2008 and 2009, fell throughout the first half of 2010, sliding 3.5 percent in the second quarter.

Robert Cartwright, loss prevention manager for Bridgestone Americas Holding Inc. and a member of the RIMS board of directors, said in a statement: “Forecasts for the 2010 hurricane season are ominous, and a Gulf Coast hurricane could be especially disastrous because of the oil spill. If catastrophe losses soak up enough capacity, prices could increase for all lines, not just property insurance.”