

Breaking News

Rate Declines Persisting For All Lines, Says MarketScout

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Property-casualty insurance premium rate reductions may be moderating, but declines continue for all lines of business, according to the monthly market barometer issued by MarketScout.

Overall p-c composite rates declined 10 percent in August, the Dallas-based online insurance exchange reported. This figure compares to an overall 11 percent decline in June and July MarketScout reported previously.

The firm said workers' compensation rates moderated the most, coming in at a reduction of 5 percent compared to 7 percent in July.

Small and large accounts declined 10 percent during the month, while medium size accounts (\$25,001 to \$250,000 in premium) were down 11 percent. Jumbo accounts of over \$1 million in premium were down 9 percent.

The account sizes were one percentage point less than July except for small accounts, which remained unchanged on a month-to-month comparison.

By industry class, manufacturing, service and habitational shared reductions of 11 percent each, while public entity insurance rates were down 10 percent during the month. Contracting and transportation both were down 9 percent, while energy had an 8 percent reduction.

Comparing the results to last month, manufacturing moderated the most, dropping two points from July. Service and energy both declined one point from July to August, while the others sectors remained unchanged.

Richard Kerr, chairman and chief executive officer of MarketScout, said in a statement that additional research indicated that rates from the business owners policies (BOP) for the small accounts segment "declined 14 percent as compared to an average 10 percent decline for all other types of small accounts (under \$25,000 premium)."

"BOPs are very competitive due to the large number of insurers in the space and the ease of access to SEMCI (single entry, multiple company interface) quoting engines," he pointed out.

"These online software programs are a powerful way for agents to quickly canvass the market. However, some believe it is a strong driver of price reductions. Others feel it is a useful tool to determine an insurer's appetite," said Mr. Kerr.

"The aggregators who utilize SEMCI software appear to provide positive results for their insurers," he explained. "The question is, how do results from the aggregators differ from business secured directly from appointed agents? In the future, most retail agents will gain increased access to SEMCI software and multiple insurers. So the results from directly appointed agents should ultimately be similar to those produced by aggregators.

"For now, BOP business appears to be experiencing the most aggressive rate cutting of all lines of coverage," he observed. "It will be interesting to track BOP underwriting results in the years to come."