BUSINESS INSURANCE: Insurers look for new approaches

With premiums flat or declining, services, building loyalty count

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Article published - February 4, 2008

NORTH BAY - Analysts project insurance prices in 2008 will be stuck in neutral, reaching the end of a typical cycle before improving.

The downward pricing trend for property and casualty insurance appears to be approaching the turning point, according to MarketScout's industry tracking reports, although prices are expected to stay in the trough through the year.

Industry leaders did report some landmark numbers last year, however, and brokers are reacting to the soft market with new approaches and products.

"Nothing really dramatic is happening in insurance these days," said ABO Insurance Managing Director Mark Stokes. "But that's always the story in a soft market.... As brokers, we have to do things to distinguish ourselves from the pack."

Though the industry is not expected to have any overt dramas in 2008, one analysis projects some historic numbers.

Every year, the Insurance Information Institution gathers a panel of Wall Street stock analysts and insurance professionals who prepare an industry report for the year by lookin at numbers from the past four quarters next to factors expected to affect the market in the new year.

Underwriters had one of the best performance experiences in recent past in 2007, with the ratio of losses compared with premiums at 93.8 percent, according to the report. And property/casualty insurers' stocks were up an average 7.1 percent last year.

On the opposite side of the spectrum, premium growth was at a record low last year, and the institute's report projects a negative growth this year for the first time since 1943 despite the continued profitability of the insurance business, which took in an estimated $27 billion last year, according to MarketScout.

Generally, premium growth cycles parallel pricing, and in the past, up-to-down movement occurs in five-to-six-year cycles. If this year follows historical precedent and market indicators, 2009 could be the first slow rise. Experts expect a slight deterioration in loss and expense ratios that could reach more than 97 percent, which also supports the possibility of an upward swing in the market.

The study attributed the continued price declines to a lack of major catastrophic losses - such as hurricanes or major earthquakes - a weakening economy and increasing interest in alternative forms of risk transfer, such as self-insurance groups, captives and catastrophic bonds.