

■ SURVEYS CLASH

Might Softening Market Be Firmer Than It Appears?

BY DANIEL HAYS AND MARK E. RUQUET

PRICE DECLINES for commercial insurance may not be nearly as steep as the double-digit cuts being reported in a variety of industry surveys, according to study by Towers Perrin based on first-hand data from carriers.

The Stamford, Conn.-based consulting firm said it believes it has better data to support its report on quarterly "Commercial Lines Insurance Pricing and Profitability" trends—its CLIPS survey—which found that average prices for all lines of coverage combined decreased only 4-to-5 percent between 2006 and 2007.

Survey data for the third quarter of 2007 indicated an average price cut of about 5 percent, with large accounts and specialty insureds experiencing the largest decreases—nearly 9 percent, on average.

By comparison, MarketScout—an online insurance marketplace—reported a 13.15 percent overall drop for 2007 in its "Market Barometer" survey, while the quarterly survey by the Council of Insurance Agents and Brokers found an average price decline in the fourth quarter of 2007 of 12 percent—slightly improved from the 13.3 percent drop experienced in the third quarter.

The Washington-based CIAB's fourth-quarter "Commercial Property-Casualty Market Survey" also includes anecdotal evidence suggesting that some carriers are beginning to abandon underwriting discipline in pursuit of market share.

CIAB said a number of the 120 brokers who responded to the survey said some carriers are beginning to write lines of business they have not touched in years, while other brokers pointed to loosening terms

and conditions in the face of increased competition.

But Jeanne Hollister, managing principal and practice leader for U.S. property-casualty insurance at Towers Perrin, said she believed CLIPS is a better barometer than most surveys, because the data comes out of commercial lines insurance companies' price-monitoring systems.

"My understanding is we've got the only report that has as its source the companies themselves who are underwriting the business," she said.

The firm does not say exactly how many insurers contribute to CLIPS. It describes participants as a cross-section of U.S. p-c insurers that include the majority of both the top-10 commercial lines companies and the top-25 U.S. insurance groups. The full report is provided only to participating companies.

Ms. Hollister said CLIPS results have consistently indicated a less dramatic decrease in commercial insurance prices than other industry pricing surveys, noting that agent/broker surveys reported price decreases

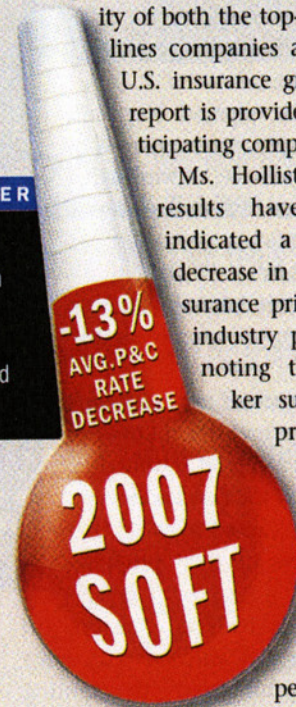
in excess of 10 percent in the third quarter of 2007, compared with the CLIPS' findings of 5 percent.

"Given the insurance industry's aggregate reported premiums for the first nine months of 2007, it seems unlikely that price decreases were as dramatic as those reported in other surveys," according to Ms. Hollister.

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MARKET BAROMETER

While MarketScout's Market Barometer found rates down 13 percent on average last year, Towers Perrin says the decline might only be around 5 percent.



components of MMC," said Mr. Shields.

"We suspect this news takes some of the M&A speculation out of MMC shares, as it is unlikely Mr. Duperreault came aboard to split up the company," Mr. Small agreed.

MMC has been in crisis since 2004, when its key insurance brokerage unit—Marsh Inc.—was entangled in a scandal over its placement practices. That led to the resignation of MMC's CEO at the time, Jeffrey Greenberg, and resulted in the firm agreeing to give up lucrative contingent commissions that investigators said served as kickbacks in a price-fixing scheme.

Mr. Cherkasky took over Mr. Greenberg's post, negotiating a settlement with New York's attorney general at the time (now governor), Eliot Spitzer. The two had worked together as prosecutors earlier in their careers.

The brokerage's struggle to recover hit a low point last September when Marsh CEO Brian Storms was forced out of his post due to disappointing results during his tenure. To replace him, Mr. Cherkasky named Daniel S. Glaser—who began his career at Marsh, before moving on to senior positions at Willis and AIG.

MMC Chairman Stephen R. Hardis hailed the new CEO's arrival. "Throughout his career, including 10 years as a CEO, Brian Duperreault has proven his ability to produce results and create shareholder value. We are delighted to welcome him to MMC," he said in a statement.

"I am honored to become the CEO of MMC, a company that comprises several of the world's greatest brands in risk and insurance services and consulting," said Mr. Duperreault, in the same company statement. "I look forward to working with the company's talented executives."

He added that MMC is "an institution with unrivaled resources and capabilities. My mission is to capitalize on the strength of MMC's operating companies to deliver value to clients, employees and shareholders."

From 1994 to 2004, Mr. Duperreault served as CEO of ACE Ltd., the Bermuda-based insurer MMC helped found in 1985. He served as ACE chairman from 2004 to

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