

“Irresponsible” three are keeping rates down

05 June 2009

The US insurance industry is staying in a soft market because of three “irresponsible” insurers who MarketScout, an online insurance exchange, has branded “the terrible trio”.

The US insurance industry is staying in a soft market because of three “irresponsible” insurers who MarketScout, an online insurance exchange, has branded “the terrible trio”.

Economic indicators dictate that the industry should be experiencing rising premium rates but that has not been the case. And MarketScout believes three companies are to blame as they desperately try to hang onto business, but it did not say specifically which firms.

Richard Kerr, chief executive officer of MarketScout, said: “There are still three large, admitted, publicly-traded insurers clamouring for premium, seemingly at any rate and continuing to prolong the soft market.

“Historically, the end of the soft market is punctuated with last-gasp deep rate reductions by a few desperate insurers, signalling either the end of the soft market or the end of an irresponsible insurer. Either way, once these irresponsible underwriters are reined in we should be on the way to rate increases. Until that occurs, the soft market will continue.

“We project the turn will come by year-end because all but the terrible trio are making appropriate underwriting decisions. Even the E&S [excess and surplus lines] market is refusing to chase rates down, sitting on the sideline as the terrible trio slash each other to bits. Our guess is prudent insurers are waiting to pick up the fallout when the terrible trio have their day of reckoning.”

MarketScout corroborates its data by working with The National Alliance for Insurance Education and Research to conduct in-person surveys.

The rates by coverage class in May were:

Commercial property: -5%

Business interruption: -5%

BOP: -6%

Inland marine: -5%

General liability: -6%

Umbrella/excess: -6%

Commercial auto: - 4%

Workers’ compensation: - 7%

Professional liability: -5%

D&O liability: -4%

EPLI: -4%

Fiduciary: -3%

Crime: -5%

Surety: -5%