

MarketScout Points To Possible End Of Soft Market

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The end of the soft market may be near, as underwriting results are weakening and outside economic factors are weighing on insurers, according to an electronic insurance exchange.

Dallas, Texas-based MarketScout's latest Market Barometer analysis found that while rates still declined, and the market is still considered soft, the June composite rate of decline moderated 21 percent compared to June 2007, according to Richard Kerr, founder and MarketScout chief executive officer.

Overall, the average property-casualty premium rates declined 11 percent in June, compared to a 14 percent decline in June 2007, according to MarketScout. "This is the largest year on year rate moderation in the last three years," MarketScout said.

"If July continues in a similar pattern, we may be nearing the bottom of the soft market," according to Mr. Kerr.

The reason for this, he said, is "Underwriting results are weakening and the issues some very large insurers are facing will have an impact on the market as a whole. The current climate is still soft, but underwriters cannot control many of the financial issues facing some insurers. These outside financial influences are starting to make the market a bit nervous, thus the moderating of rate reductions."

According to the MarketScout Barometer, commercial property led all property-casualty insurance coverage classes with rates declining 15 percent in June. Commercial property led the way in MarketScout's May report, during which the class saw rates decrease by 14 percent.

General liability rate decreases, which were also reported at 14 percent in May, were 12 percent, MarketScout said.

Directors and officers liability saw the most modest decrease, with rates declining 6 percent, the same figure reported in May by MarketScout. Professional liability, which also declined 6 percent in May, dropped 7 percent in June.

With respect to industry classes, manufacturing, service, and habitational saw rate declines of 12 percent, while rates for energy dropped 9 percent. Contracting, public entity, and transportation all declined 10 percent.

MarketScout has tracked the U.S. property-casualty insurance market since 2001. MarketScout said that its Market Barometer findings further supported by surveys conducted by The National Alliance for Insurance Education and Research.