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Breaking News

MarketScout: Soft Market Reaching End

BY MARK E. RUQUET
NU Online News Service, Nov. 7, 10:45
a.m. EST

The soft market is nearing its end as price decreases begin to show signs of moderation and the financial turmoil begins to take a toll on insurance company earnings, according to the chief executive of electronic insurance exchange MarketScout.

Richard Kerr, CEO of Dallas-based MarketScout, said: "For the last several months rate decreases have continued; however, the decreases are moderating. The financial markets have experienced a meltdown, several major insurers are in serious trouble, underwriting results are slipping, and investment income is anemic at best. As a result, the soft market is winding down."

Leading up to the current situation, "for 42 consecutive months—from July 2001 to February 2005—the composite [property-casualty] rate increased every month," he said. "Beginning in March 2005, rates started to drop and the current soft market began."

According to MarketScout's monthly market barometer, based on its electronic insurance exchange data, average p-c rates decreased 9 percent for October, a one-point reduction from last month's 10 percent decrease.

Jumbo accounts of over \$1 million in premium saw more decreases. Rates that



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dropped 7 percent in September were down 8 percent in October. Small accounts (up to \$25,000 in premium) remained unchanged with decreases of 8 percent.

Medium accounts (\$25,001-\$250,000 in premium) and large accounts (\$250,000-\$1 million in premium) saw decreases slow to 10 percent for October, compared with 11 percent in September.

Coverage classes appeared to give clearer indication of market direction.

MarketScout reported that while general liability decreases rose from 10 percent in September to 11 percent and workers' compensation remained flat at 6 percent on a month-to-month basis, all other lines showed the pace of decreases moderating by one or two points.

Price decreases for commercial property, business owners policy, commercial auto, professional liability and fiduciary slowed by one point.

Business interruption, inland marine, umbrella—excess, directors and officers liability, employment practices liability insurance, crime and surety all saw their decreases moderate by two points.

Commercial property decreases moderated from 12 percent in September to 11 percent in October.

Surety, which saw a 7 percent rate decrease in September, for October saw only a 5 percent decrease.

When the numbers were broken down by industry class, habitational (9 percent decrease) and transportation (8 percent decrease) were flat on a month-to-month comparative bases.

The other five classes of business—manufacturing, contracting, service, public entity and energy—moderated by one point.

Among the five, the service industry had the largest decrease of 11 percent in October. Manufacturing and public entity followed with a decrease of 9 percent. Contracting had a 7 percent rate reduction, and energy a decrease of 6 percent.

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