



National News

## **MarketScout: Market Stable, for Now**

November 11, 2005

MarketScout continues to expand its market research capabilities by collecting market data from its 51,000 retail agent user base on a national composite basis.

In cooperation with The National Alliance for Insurance Education and Research, MarketScout will soon be able to collect data for measuring market conditions on both a regional and national basis. Market conditions are compiled by coverage class, industry segment and account size.

In October 2005, the composite rate for all lines of property and casualty coverage was down 4%, a slight market correction from the preceding month but still a noticeable composite premium reduction from the 2% increase in October 2004. The total market differential for the last 12 months has been 8%, with a gradual market softening from rate increases of 2% in October 2004 to a rate decrease of 6% in August 2005.

After Hurricanes Rita, Katrina and Wilma hit the U.S. mainland, the market began a measured correcting pace as premium reductions have subsided, particularly in property business. The market appears to be headed towards an overall rate increase sometime in the summer of 2006.

Richard Kerr, chairman and CEO of MarketScout commented, "As mentioned in several prior reports, we are not experiencing wild fluctuations as were seen in the hardening market of 2002 and early 2003. Indeed, many insurers and brokers anticipated the recent hurricane activity would result in an abrupt overall market correction. However, our research indicates only a slight overall softening in the composite rate, with a reduction from 5% in September 2005 to 4% in October 2005. Barring another catastrophe, we expect the market to continue its slow corrective pace until January 2006, when treaty renewals will impact the market as a whole and selected lines of coverage will increase across the board."

In October 2005, rate increases were assessed in flood, quake and coastal property coverages. The much promoted "total market turn" has not arrived, much to the dismay of the large insurers promoting this proposition. Rates did firm up in Habitational, Transportation, and Energy and to a very slight degree, Public Entity business.

October 2005 general trends were as follows:

#### By Coverage/Class

Commercial Property Up 2%  
Business Income Up 2%  
Inland Marine Down 3%  
General Liability Down 7%  
Umbrella/Excess Down 7%  
Commercial Auto Down 1%  
Workers' Compensation Down 6%  
Professional Liability Flat  
D&O Liability Up 1%  
EPLI Down 2%  
Fiduciary Down 3%

#### By Account/Size

Small Accounts Down 5%  
Up to \$25,000

Medium Accounts Down 6%  
\$25,001 - \$250,000

Large Accounts Down 7%  
\$250,000 - \$1,000,000

Jumbo Accounts Down 10%  
Over \$1,000,000

#### By Industry/Class

Manufacturing Down 6%  
Contracting Down 1%  
Service Down 7%  
Habitational Up 4%  
Public Entity Up 2%  
Transportation Up 3%  
Energy Up 9%

The findings of MarketScout's ([www.marketscout.com](http://www.marketscout.com)) barometer are further supported by surveys conducted by The National Alliance for Insurance Education and Research. These surveys were conducted during CIC and CRM institutes held across the United States in October 2005.