



The Hard Market is Ending

Recent insurance price trends showing that **rate increases in commercial property insurance have slowed to a standstill and in some cases are starting to drop. This signals an end to the “hard market” of sharp rate increases, less competition and cutbacks in coverage that commercial insurance buyers have faced over the last two years.** In the first six months of 2003, insurers have seen their net income after taxes jump from \$4.4 billion a year ago to \$14.5 billion now. Their retained earnings (called “surplus”) rose by \$28.1 billion. Commercial lines insurers also saw their loss ratios – the portion of premium dollars used to pay claims -- fall from 97 percent at the second quarter of 2002 to 62 percent a year later, according to the Insurance Services Office.

	<u>2001</u>	<u>2Q-02</u>	<u>3Q-02</u>	<u>4Q-02</u>	<u>1Q-03</u>	<u>2Q-03</u>	<u>3Q-03</u>
OVERALL RESULTS							
Small Comm. Accounts	+21%	+20%	+15%	+08%	+11%	+07%	+04%
Mid-size Comm. Accounts	+32%	+27%	+22%	+19%	+14%	+08%	+05%
Large Comm. Accounts	+36%	+34%	+25%	+21	+15%	+08%	+04%
SPECIFIC LINES							
Business Interruption	+30%	+21%	+16%	+13%	+09%	+05%	+03%
Construction	+46%	+44%	+30%	+34%	+22%	+17%	+13%
Commercial Cars	+28%	+27%	+18%	+18%	+15%	+11%	+06%
Property	+47%	+42%	+24%	+21%	+12%	+06%	+01%
General Liability	+27%	+24%	+18%	+19%	+14%	+11%	+07%
Umbrella Liability	+56%	+52%	+36%	+34%	+26%	+18%	+11%
Workers' Compensation	+24%	+26%	+19%	+21%	+17%	+15%	+10%
D&O			+35%	+32%	+29%	+21%	+16%
Employment Practices			+19%	+32%	+19%	+17%	+12%
Medical Malpractice			+61%	+63%	+54%	+48%	+28%
Surety Bonds			+14%	+18%	+18%	+13%	+06%
Terrorism				+63%	+13%	+06%	+02%

Source:

Consumer Federation of America, *Insurer Profits Shoot Up as “Hard Market” of Soaring Commercial Insurance Rates Comes to an End* (Nov. 3, 2003), at <http://www.consumerfed.org/110303hardmarket.pdf> (analyzing the survey of market conditions by Council of Insurance Agents and Brokers).

Although Med Mal is still up, it is likely that the hard market will end within 2 quarters, even for this line.