



## Rates 2: Getting Better Will Keep Getting Better

Several reports — including one from the Council of Insurance Agents & Brokers (CIAB) — show insurance rates leveling off and maybe even softening a bit. While few dispute that there are always some concerns about rates, William R. Berkley of W.R. Berkley Corporation poohs the notion that rates are leveling off.

In the second quarter of 2013 his firm saw rate increases averaging 6.5% on renewed policies. He also doesn't see anything getting in the way of continued rate hikes for the rest of 2013 and into next year. "We don't think pricing momentum has changed or gone down. We don't see any changing in pricing momentum at this point in time," he told shareholders.

Berkley does have statistics that gives him bragging rights:

- 2nd quarter income — \$166 million.
- 2nd quarter income a year ago — \$109 million.
- The 2nd quarter of 2013 combined ratio — 96.6.
- It was 98.2 in the same period in 2012.

Gross premiums rose 13% to \$1.6 billion in the second quarter and much of the jump is due to rate increases.

Berkley says for some reason brokers are deliberately trying to force rates down. He calls it self interest and notes his firm will likely see 7% to 8% rate increases by the end of 2013.

Fitch Ratings is certainly happy with what it sees in the property/casualty sector. Based on the results of several firms, Fitch thinks the outlook for 2013 will see better ending operating results than 2012 because of improved pricing across all product lines.

The conclusions of Fitch are based on earnings reports from The Travelers Companies, Platinum Underwriters Holdings, W.R. Berkley Corporation and Ace Ltd. All saw strong second quarter earnings and year-to-date looks great, too.

Improved pricing across all lines is the reason.

Fitch says premium rates will improve throughout 2013. The height of the increases, however, is predicted to fall because we're early in the hurricane season and catastrophe losses impact earnings.

Fitch — like others tracking rates — did note premium rate increases continue in most commercial and personal lines products. It looks for slight diminishing in the future. Strong capital levels and increased capacity are the reason.

A.M. Best is impressed with improving combined ratios. For the whole industry the combined ratio was 94.7 in the first quarter compared to 97.4 in the first quarter of 2012. Premium increases and loss declines are the crux of A.M. Best's reasoning. The company looked at the combined ratios of the five insurers with the most written premiums.

All but Liberty Mutual — who wrote the most business — saw combined ratio improvements. Liberty Mutual's combined ratio in the first quarter was 109.1.

- Travelers Group — 88.7 for 2013 compared to 92.8 in 2012
- AIG — 97.8 in 2013 compared to 110.8 for 2012
- The Hartford Insurance Group — 92.9 for quarter one and 93.8 for 2012
- Zurich Financial Services — 89.9 in 2013 and 97.4 in quarter one of 2012

Personal lines — says A.M. Best — did well, too. Net income rose from \$4.9 billion in the first quarter of 2012 to \$5.3 billion in the same time period of 2013.