Insurance Rates — Holding Steady

Two reports and a negative shout out from A.M. Best.

MarketScout's January insurance rate composite is done. Commercial rates are holding their own and personal lines fell a bit. Richard Kerr — MarketScout's CEO — said January's commercial rates are up overall 3% from December to January.

Personal lines rose 2%.

"Rates for five coverage classes declined 1 percent as compared to one year ago. No coverage classifications had a rate increase. By account size, half the accounts measured enjoyed premium reductions of 1 percent. By industry class, four out of seven were down 1 percent. If we were to post rate changes by fractional increments, you would see the actual increase at 2.55 percent, so the moderation trend continues, " Kerr said.

Here are the details:

Commercial Property — up 2%
Business Interruption — rose 2%
BOP — Increased 3%
Inland Marine — Jumped 1%
General Liability — Rose 3%
Umbrella/excess — Increased 3%
Commercial Auto — Jumped 4%
Workers' Compensation — Up 4%
Professional Liability — Increased 2%
D&O — Up 2%
EPLI — Rose 1%
Fiduciary — Up 1%
Crime — Increased 1%
Surety — Up 1%

By account size:

Small accounts — up to $25,000 — rose 4%
Medium accounts — $25,001 to $250,000 — up 3%
Large accounts — $250,000 to $1 million — rose 2%
Jumbo accounts — $1 million and up — increased 1%

Personal Lines rates:

Homeowners valued under $1 million— up 2%
Homeowners over $1 million value — rose 4%
Auto — increased 2%
Personal articles— up 2%

Kerr put the January persona lines rates in perspective. “2013 was a good year for personal lines insurers. We expect continued aggressive pricing, but that will be geographically modified as appropriate. Coastal homeowners continue to enjoy competitive rates because of the lack of windstorm activity in 2013, despite Superstorm Sandy.”

The bottom-line is insurance rates are still rising. At least in the U.S. Not so with the rest of the world says ***Marsh’s Global Insurance Market Quarterly Briefing***. Competition in Latin America and Asia show rates falling.

Latin America’s competitive market saw rates fall 10% in the fourth quarter of 2013. In the Asia-Pacific rates dropped 5%. Capacity is the reason. “Rates for catastrophe-exposed property risks in Japan remained largely stable through 2013, albeit still at levels 30% to 50% higher than before the 2011 Tohoku earthquake,” Marsh said.

Casualty insurance around the world saw a slight decrease.

Meanwhile, A.M. Best put a bit of a damper on continued good rating news in the U.S. The ratings firm released a report last week titled ***P/C Segment's Net Income Estimated to Be Up Nearly 60% in 2013***.

The report shows what most other reports for the last year have demonstrated. Rates rose and underwriting profits are up. In spite of that, A.M. Best is leaving the negative rating for insurers in effect. “While market conditions have improved in recent years, A.M. Best believes the improvement in underwriting results will not be sufficient to surmount the current return dynamics in fixed-income markets.”

Surplus growth and interest rates are also part of the negative rating equation.