# June P&C Rates —
# Holding Pattern Continues

MarketScout CEO Richard Kerr said June rates didn't look all that bad. Rate increases are declining overall but they're still on the plus side. "The commercial market continues to adjust downward as a result of improved underwriting results and an abundance of capacity. In the aggregate, rates are still up slightly but the trend for rate moderation continues."

Last week ***Weekly Industry News*** published statistics from the Property Casualty Insurers Association of America (PCI) and the ISO on first quarter of 2014 results. The conclusions show a kind of a good news then bad news scenario and we find the industry is now entrenched in a rate and income holding pattern.

Commenting on the report, Dr. Robert Hartwig — president of the Insurance Information Institute (I.I.I.) — said he and other insurance experts are not concerned. "Despite an unusually costly winter, rising non-cat losses, and persistently low interest rates, the industry posted another profitable quarter aided by capital gains and reserve releases. Premium growth, while still modest, is now experiencing its longest sustained period of gains in a decade. Fundamentally, the P/C insurance industry remains quite strong financially, with capital adequacy ratios remaining high relative to long-term historical averages."

The PCI-ISO report showed first quarter net income falling to $13.8 billion from $14.3 billion a year ago. Underwriting result deterioration is to blame. Profits — as measured by the return on average surplus — dropped as well. They fell by 1.2% to 8.4% from 9.6% in the first quarter of 2013.

Profit for all of 2013 was 10.3%.

Written premiums landed at $121.4 billion in the first quarter. That's up 3.6% from last year. Net earned premiums rose 4.3% to $117.9 billion.

Moving back to the bad news part of the report. Net income after taxes fell $2.3 billion in the first quarter from $4.5 billion a year ago to land at $2.2 billion. That's not a big concern and the report calls the drop "slight." The combined ratio fell to 97.3% in the first quarter from 94.9% in the first quarter a year ago.

On the positive return on investment gained $1.3 billion to $14.1 billion in the quarter and that offsets the decline in underwriting net gains.

Here's a look at how June — the end of the second quarter of 2014 — looked to MarketScout:

- Commercial property — up 3%
- BOP — rose 3%
- General liability — increased 3%
- Commercial auto — up 3%

- Professional liability — rose 2%

- Business interruption — up 1%
- Inland Marine — rose 1%
- Umbrella / excess — increased 1%
- Workers' compensation — up 1%
- D&O liability — rose 1%
- EPLI — jumped 1%
- Fiduciary — up 1%
- Crime — rose 1%
- Surety — up 1%

By Account Size

- Small accounts — up to $25,000 — up 3%
- Medium accounts — $25,001 to $250,000 — rose 3%
- Large accounts — $250,001 to $1 million — up 1%
- Jumbo accounts — over $1 million — stayed even

By Industry Class

- Manufacturing — up 2%
- Contracting — increased 3%
- Service — rose 2%
- Habitational — up 2%
- Public Entity — increased 1%
- Transportation — rose 3%
- Energy — jumped 2%