


*The IM Brief:*  
Insurance Market trends in 500 words or less.  
January 2012



 **INSURANCE WHACK-A-MOLE**

Reinsurance treaties are the opening salvo of the insurance year. It has been said that as go **treaty renewals**, so goes the insurance market.

This adage is convenient but not entirely accurate. The market no longer moves as a whole. Rather, it is reminiscent of a game of whack-a-mole, with rates that rise and fall in a piecemeal, segmented fashion.

January reinsurance renewals indicate that while the market overall remains healthy, certain pockets – particularly CAT contracts – are experiencing pricing pressure.



2011 was a bad year for CAT exposures. Insured losses in the United States alone may top \$35 Billion for the year. On the heels of the protracted soft market, and without investment returns to offset losses, insurers are pushing CAT rate. The Frame Habitational market is a [recent example of this market movement](#).

**WHAT DOES THIS MEAN FOR RETAIL AGENTS AND BROKERS?**

We predict increased focus on risk profile overall, with particular emphasis for CAT exposures. Much attention will be paid to insurance values and the terms and conditions relevant to them. For example, underwriters may be less likely to remove an occurrence limit of liability endorsement to reduce their overall exposure. Similarly, underwriters may non-renew certain risks or introduce double digit increases.

Admitted markets may turn away previously acceptable risks, making E&S markets more crowded. Capacity remains adequate, but it will be important to ensure that risks are not stereotyped. The quality and quantity of submission information will be paramount to distressed risk placements.

Preferred Brokerage has significant experience with markets that are changing and we would be pleased to discuss upcoming market trends and their impact to your clients. Contact us today to learn more.

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