

## **ADVx Premium Index Tracks Softening Market**

ADVx is now updated through December 31, 2009. Talking to insurance buyers about their program relative to market trends? Explaining insurance trends to a Board of Directors or senior management? Advisen's Premium Indices, ADVx, easily illustrate insurance market trends and have been updated with Q4 2009 data. The Composite index, a weighted average of the Property, General Liability, Workers Compensation and D&O indices, indicates the extent that commercial insurance rates have softened.

ADVx tracks quarterly average changes in renewal premiums. Index values are relative to pricing as of the fourth quarter of 2000 (=100 on the index). The current composite index value of 118.54 means that average commercial insurance prices are 18.54% higher than they were in the fourth quarter of 2000, but well below the peak index value of 149.92 in the fourth quarter of 2003. The "% change" values are annualized quarterly change values, meaning the implied annual rate of change in renewal pricing based on the most recent quarterly change.

Commercial property & casualty insurance pricing is notoriously cyclical. Typically, a comparatively short period of rapidly escalating rates, often in the wake of a major catastrophic event, is followed by a longer period of slowly eroding rate levels. Premiums skyrocketed between 2001 and the end of 2003, more than doubling in some lines of insurance, such as directors & officers liability and fiduciary liability. However, since the beginning of 2004, rate levels have deteriorated, and the P&C market is now deep into the soft phase of the cycle. Certain lines, such as General Liability, are now at 2000 levels.

"Risk transfer decisions need to be viewed within the context of the broader market, and ADVx is the place to start," explained Aaron Shapiro, Advisen's Risk Management Practice Director. "Risk Managers and their broker partners need to present their senior corporate executives with a point of comparison when analyzing TCOR [Total Cost of Risk] decisions. Before you get down to your industry and your peers, ADVx allows you to begin with the broadest perspective of the overall trend of US insurance premiums."

To view the detail of ADVx, click on the ADVx icon at the top of the Advisen.com menu. Download the ADVx data into neat pdf documents or move the data to Excel to incorporate in your own presentation. The data that supports ADVx is a subset of Advisen's Program Benchmarking library containing over 1,300,000 programs of

insurance stored electronically. Advisen's Benchmarking archive represents over 325,000 insureds.

**ADVISEN SUPPORT**

If you have any questions about ADVx or if you think there is a way for us to help with an upcoming P&C renewal, please let us know via [support@advisen.com](mailto:support@advisen.com) We want to help make your 2010 a success.