

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

Talking to insurance buyers who don't follow the markets tick-by-tick? 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 Q3 2009 data. The Composite index, a weighted average of the Property, General Liability, Workers Compensation and Directors & Officers 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 119.45 means that average commercial insurance prices are 19.45% 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.

"Your insurance decisions need to be viewed within the context of the broader market, and ADVx helps you see that," explained Aaron Shapiro, Advisen's Risk Management Practice Director. "When I talk to Risk Managers and their broker partners, I always point out the 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 1,250,000 programs of

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

#### **RELATED BRIEF**

Advisen's new 8 page briefing, "Planning for 2010: The Recession Will Keep Commercial Insurance Premiums Under Pressure," examines the forces driving the commercial insurance pricing cycle and the impact of the recession on premiums. It outlines the most likely economic scenario for 2010, which leads to slowly rising premiums in 2011, but also explores circumstances that could trigger a new round of cutthroat pricing competition. The briefing is available from the Advisen Corner,

[http://corner.advisen.com/reports\\_topical\\_planning\\_2010\\_home.html](http://corner.advisen.com/reports_topical_planning_2010_home.html)

#### **RELATED WEBINAR**

On Thursday, October 22 at 11am EDT, join Lexington's David Bresnahan, Marsh's Brian Elowe and Swett & Crawford's Bob Greenebaum along with Advisen's Dave Bradford and Jim Blinn for a free one hour webinar about the State of the Market and 2010 Outlook. This webinar will brief buyers as well as brokers and carriers, on market trends and important developments in advance of year-end renewals. Building on the issues raised in the briefing Planning for 2010, the panelist will discuss topics such as changes in insurance buying strategies as a result of the recession, whether new capacity is likely to enter the market in 2010, admitted versus non-admitted markets and the potential impact of regulatory reform. To register for this free one hour Advisen webinar, go to

<https://www1.gotomeeting.com/register/715733816>

Contact Advisen at [support@advisen.com](mailto:support@advisen.com) with any questions.