

New York (Oct. 20) – Economists have declared the Great Recession over, but its lingering effects will continue to chip away at commercial property & casualty premiums through 2010. According to a new Advisen Ltd. briefing, the damaged economy will keep rates from rising while at the same time sales, payroll and other measures of exposure used to calculate premiums may fall further. The cumulative effect will be another year of lower written premiums – a boon for insurance buyers, but a painful and potentially damaging situation for some insurers and, especially, brokers.

“The recession may have ended, but recovery has not yet begun in any meaningful way,” said Dave Bradford, an Advisen executive vice president and the author of the briefing. “Because of the economic slowdown, there is less to insure, and written premiums are taking a beating as a result. Factor in soft market pricing and 2010 looks like it will be another tough year for carriers and brokers.”

Average premiums have been falling steadily since 2004 in some lines of insurance, a result of a global glut of insurance capacity. Rate levels in lines such as general liability and commercial directors & officers liability (D&O) are expected to erode further before reaching the bottom of the pricing cycle. The average general liability premium has surrendered all the gains of the 2001-2003 hard market, and is now at 2000 level. The average workers’ compensation premium is close behind.

“We had expected to see rate levels begin to creep up in 2010, but the continuing impact of the recession means that meaningful rate increases are now unlikely until at least 2011,” said Bradford. “Certain narrow market segments such as financial institution D&O have seen premiums rise, but most of the commercial insurance marketplace is mired in the soft market, and is likely to remain there through 2010.”

Lower rates in tandem with a shrinking economy has resulted in a drop in written premium reported by US insurers through the first half of 2009, and further decreases are expected. Workers compensation insurance has been especially hard hit because of skyrocketing unemployment. Unemployment figures are forecast to rise further in 2010.

Advisen’s 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.

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>.

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