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Property and casualty insurance marketplace: 2010 commercial insurance rates to remain flat

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The good news for businesses in 2010 is that commercial insurance premiums will continue to decline somewhat, or at least hold steady for at least 12 months.

Rates for most lines of commercial property and casualty coverage have in fact been dropping since about 2006, creating one the longest "soft" markets in recent memory, allowing business owners to purchase relatively abundant coverage at lower and lower rates. It is still a buyer's market.

Paradoxically, the conventional indicators suggest prices should be going up sharply. In 2008, for example, insurers saw a 92% drop in after-tax profits, thanks in part to $25 billion in losses from hurricanes Ike and Gustav. And in the first half of 2009, insurer's net income plunged 59% with policyholder surplus down $56 billion compared to 2008.

Numbers like these would typically cause underwriters to tighten coverage and raise prices decisively. However, due to the economic crisis, sales are weak, businesses are bankrupt, properties are shuttered, payrolls are falling; all of which have forced insurers to cut prices just to maintain market share.

What to expect

To the insurance buyer, this means competitive buying conditions exist at a time when they likely need it the most.

Look for flat or even slightly lower rates in 2010 for most lines of coverage. Don't expect higher prices for another year or so.

There are exceptions, however. Prices will be higher for businesses with poor loss histories, companies without effective loss control or risk management programs. If you're exposed to natural catastrophes, you can also expect rate increases.

Also, real estate companies and financial institutions are experiencing rate increases for management liability insurance (directors and officers liability). Claim activity from subprime related lawsuits is the driver.

The insurance industry in general is stable and operating normally. Insurers with conservative investment portfolios and disciplined underwriting are solvent and have done so by practicing what they preach: risk management. These companies are able to pay claims, secure new and renewal business and expand product offerings.

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