

MARSH INSIGHTS: BENCHMARKING TRENDS

U.S. PROPERTY RATES, FOURTH QUARTER (TO DATE)



PROPERTY PURCHASING PATTERNS - FOURTH QUARTER (TO DATE)

Almost a half of all U.S. property renewals in the fourth quarter (to date) experienced rate increases, according to the latest data from Marsh's Global Benchmarking Portal. Twenty-nine percent of clients renewed with increases between 1 percent and 10 percent; 19 percent received increases above 11 percent at renewal. Additionally, 18 percent of all renewals in the fourth quarter (to date) renewed with no change in pricing and 34 percent of all renewals secured rate reductions.

The property insurance market has been hit with a number of significant catastrophe (CAT) events this year: Total insured losses exceed \$70 billion for the first three quarters alone. As a result, insurers are seeking to increase pricing on many accounts, notably those with recent losses or poor loss histories, or for accounts with moderate to significant CAT exposures. Most of the insureds that received rate reductions at renewal have little or no CAT exposure or losses.

Some insureds have elected to increase deductibles, reduce limits, or otherwise alter terms and conditions in an effort to control rising property insurance costs (these accounts have been excluded from the charts to the right). Insureds with CAT exposure or adverse loss experience can consider alternative program structures to try to mitigate pricing increases by creating smaller layers to foster competition. It is also critical to evaluate the limits purchased via pre-modeling as over buying CAT limits can prove costly. Insureds should take caution, however, not to under insure their CAT exposures in an effort to drive down cost.

PERCENTAGE OF ACCOUNTS WITH RATE CHANGES



**Renewals with increased deductibles or reduced limits are excluded.*

PERCENTAGE OF RENEWAL BY RATE CHANGE

	2011 Q4TD
Reduction over 20%	5%
Reduction: 11% - 20%	8%
Reduction: 1% - 10%	21%
No change	18%
Increase: 1% - 10%	29%
Increase: 11% - 20%	11%
Increase over 20%	8%

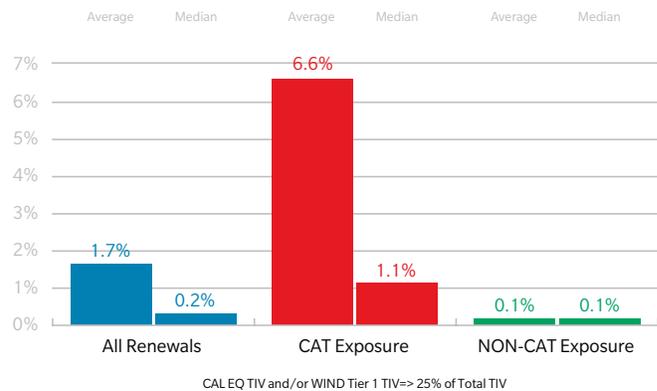
**Renewals with increased deductibles or reduced limits are excluded.*

PROPERTY RATE MONITOR - FOURTH QUARTER (TO DATE)

In the fourth quarter (to date), renewal rates for all property clients increased 1.7 percent on average. The median rate of increase equaled 0.2 percent. Property clients with moderate CAT exposures—defined as 25 percent or more of their total insurable value in California earthquake or Wind Tier-1 zones—saw their rates increase an average of 6.6 percent, with a median of 1.1 percent. Insureds with little or no CAT exposures experienced nearly flat renewal rates in the fourth quarter (to date).

The data points to a transitioning property insurance market. While the market is not classified as “hard,” it is increasingly difficult to achieve cost savings and more insureds are faced with modest increases at renewal. Marsh recommends all companies begin the renewal process early; consider alternative program structures, insurers, and global markets; and—most importantly—submit complete, accurate data to underwriters. Your Marsh property broker is available to discuss your company’s unique property exposures and design an appropriate property program to fit your needs.

RATE CHANGES BY EXPOSURE TYPE



Publisher’s Note: Marsh Insights: Benchmarking Trends is a monthly newsletter covering purchasing behavior and pricing trends on four groups of coverages: property, casualty, financial and professional, and environmental. Each month we highlight a key trend or dynamic piece of data for a select coverage and analyze its potential effect on the insurance marketplace. The real-time data is sourced from Marsh’s Global Benchmarking Portal.

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