

STATE OF THE INSURANCE MARKET

The so-called 'Soft Market' appears to be drawing to a close. What's next?

In my recent article in the July/August edition of Canadian Insurance magazine, I discussed the current state of the insurance market and its impact on Risk Managers generally;

HARD INSURANCE MARKETS

Hard markets are typified by dramatically increasing premiums along with reductions in coverage and insurance companies pulling back on the risks they are willing to underwrite, particularly in hard-to-insure industries.

Every hard market event has a different trigger, but generally it will occur at the bottom of a soft market cycle where premiums are so depressed relative to investment income and loss experience that insurers are compelled to increase premiums to regain profitability. Since every insurance company's risk composition is different, the point at which they start to increase premiums varies from insurer to insurer. Hard markets are usually shorter in duration than soft markets.

SOFT INSURANCE MARKETS

In a soft market the opposite occurs: insurance premiums decline, new and unique coverages are introduced and a multitude of new and existing insurance carriers compete for your business.

Premiums tend to decline in a gradual fashion depending on the loss experience of the insurance industry as a whole, the insurer in question, and their return on investments.

WHAT DOES THE FUTURE HOLD?

We are currently in a transitional market, where the rate reductions seen over the past years have dropped to such an extent that the claims being paid out and the operating expenses are out of balance. Insurers look to their 'Combined Ratio' percentage, a benchmark of successful corporate underwriting performance, in determining rates, risk, losses, and managing expenses. Being below 100% is considered successful, and being over the benchmark typically indicates rate increases will follow to adjust the ratio.

Many insurers are currently at 100% or over, meaning competition from new insurance companies is the driving force in rates currently.

HKMB HUB'S CLIENT EXPERIENCE

Hard or soft market, insurance companies still treat each risk as an individual exposure. Proper framing of your risk control, business best practices, claims history and methods in managing your *Total Cost of Risk* are levers HKMB HUB use to ensure our clients get the most comprehensive program available – as only Canada's largest insurance broker can.

Lou Fisch CIP CRM

Partner
416-597-4009
lou.fisch@hubinternational.com

Kim Hampson CAIB CRM

Account Manager
416-597-4629
kim.hampson@hubinternational.com

