

WEL Broker News Market Report

August 17th, 2009 Number 5



Dear John,

In April, I bid each of you: EGBAR. I apologize for not writing our Market Report since then. While we've been working hard, I promise we have also been having fun while working -- why not, right?

However, four long months later a lousy economy, continually depressed rates and a desperate trucking industry require us to remain resolute. This is the most important time in decades to "spread" the blessings of life with a stellar attitude. While it is not so important to work smarter than your competition when everyone is enjoying record profits, today is the best time in memory to put your best foot forward. So, my friends: smile, be thankful and [EGBAR!](#) Everything is **Going to Be All Right!**

Our "Perfect Storm" Continues

Soft Market Enters 5th Year with Significant Reduction in Insurance Demand Driven by a Deep Recession

As we examine the state of the property and casualty insurance industry, reported events in the first quarter 2009 provide a dismal set of financial records. In addition, each of you could give a report for the second quarter which would note further premium reductions and a continuation of economic tensions. Hang on, maybe your TARP is in the mail.

The Industry reported an annualized statutory **rate of return on average surplus of negative 1.2 percent** during the first quarter of 2009, down from positive 6.6 percent during the first quarter of 2008 and positive 0.5 percent for all of 2008.

Industry **profitability was negative** during the first three months of the year by a continuation during the quarter of 2008's broad, rapid and steep deterioration in financial markets which last year contributed to a 96.2 percent plunge in property/casualty insurance industry profits and a 12 percent decrease in policyholder surplus.

Net written premiums during the quarter fell 3.6 percent (\$4.0 billion) the biggest quarterly drop since ISO began recording quarterly changes in premium growth. This follows declines of 1.4 percent and 1.0 percent in 2008 and 2007, respectively.

Surplus fell an additional 4.2 percent (\$19 billion) during the first quarter from year-end 2008. The 16.2 percent (\$84.7 billion) erosion in policyholder surplus since the beginning of the crisis affirms the need to quickly improve underwriting performance in order to generate risk appropriate rates of return sufficient to attract and retain capital in the industry. The industry results were released by ISO and the Property Casualty Insurers Association of America (PCI).

The first **quarter's combined ratio was 102.2** compared to 99.9 during the same quarter in 2008 and 105.1 for all of last year.

One of the few breaks insurers caught during the quarter came from notably lower catastrophe losses, which fell by 17.1 percent to \$2.9 billion from \$3.5 billion in the year earlier period, according to ISO's PCS unit. As the year continues that trend is holding. The last time a named Atlantic Hurricane had not been assigned by mid August was 1992 - - Andrew on August 16th.

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Bev - The Voice of WEL

Thank you for your trust in our firm and for your business. Call us today.

Sincerely,



John H, Love
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