

# WEL Broker News Market Report

January 2nd, 2009 Number 1



**Dear John,**

If only you had a dime for every time anyone has asked "When will the market tighten?" In 2009 we will relay opinion of Industry leaders as to the direction of the current pricing cycle in Special emails entitled **WEL Broker News Market Report**.

Our prediction? When prices change -- they will do so quickly and significantly. When? Well, let's let some real experts frame the issue first.

## **Advisen Predicts Hardening of Commercial Insurance in Late 2009**

December 31, 2008

The commercial insurance market cycle is close to its bottom and general commercial insurance prices will begin increasing by the fourth quarter of 2009 or the first quarter of 2010, according to a consultant to the global commercial insurance industry. "In years past, insurance companies recouped underwriting losses with investment income, but in 2008 the combination underwriting losses and material investment losses means a five-year soft market is coming to an end," said David K. Bradford, Advisen executive vice president and chief knowledge officer.

The report says that while the global recession may delay the return of hard market conditions by keeping demand for insurance down, once the hard market sets in, it is likely to last longer than in past cycles. Advisen said the continuing freeze in credit markets will have an effect on the coming hard market.

"In previous hard markets, price increases attracted new capital investment to the market, and the increase in insurance supply led to short hard market cycles," Bradford said. "In the current economic environment, where credit markets are essentially frozen, capital to create new insurance and reinsurance capacity may be in short supply. With capital scarce, the coming hard market could be longer in duration than those of the past several decades."

The full report is available from Advisen at: [www.advisen.com](http://www.advisen.com). It covers the impact on pricing of many factors including the AIG crisis, the global economic crisis, and how buyers of commercial insurance are reacting to the market changes.

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