

Chronology of events which have led to the current “Hard” Commercial Insurance Marketplace

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- **1998, 1999, 2000 and First Half of 2001** – Period of 13 consecutive losing quarters for the Reinsurance Marketplace. Despite continuous posturing commercial insurance pricing is either flat or less than flat. Reinsurance Marketplace can't break out of the cycle.
- **Third Quarter 2001 - prior to September 11, 2001** – carriers very vocal about 5%-10% increases for January 1, 2002 due to the Reinsurance Marketplace's losses.
- **September 11, 2001** – worst single property damage claim on any date in U. S. History, worst single automobile insurance claim in U. S. History, worst single workers compensation claim on any date in U. S. History, worst single life and disability claim on any date in U. S. History. Expected losses: \$70 Billion. Losses to date: \$59.5 Billion.
- **November 1, 2001** – price increases sensitive to September 11th begins. 25% to 50% increases on Community Associations with no problematic areas, those with problematic areas increasing 40% and up.
- **January 1, 2002** – unprofitable individual accounts begin losing their coverage.
- **April 1, 2002** – unprofitable classes of business being dropped. Carriers disappearing.
- **January 1, 2003** – some pricing relief, increases for community association with no problematic areas ranging from 10% to 40%. Pricing ceiling may have been reached. Underwriting standards tighten, list of problematic areas grows. Increases for those in problematic areas 50% and up. Carriers correcting undervalued accounts.
- **Current and Future** – Return on investments are dismal, interest rates are low. Pricing must continue to reflect actual exposure. There is less competition. Common Reinsurance with European Market less interested in North American business. Reinsurance market still has not turned a profitable quarter, 2003 at a combined loss ratio of 122% (most still as a result of large liability losses), and can't break out of the cycle.

Problematic Areas for Insurance on Community Associations

- Areas with geographic problems (Earthquake, Flood, Designated Brush Area)
- Areas with liberal court systems or state regulatory difficulties.
- High building values (Over \$50 Million blanket limits is a real problem)
- Large lakes, especially with man made earthen dams.
- Diving Boards/Water Slides
- Lifeguards not present at beach/pool.
- Motor Boating and Water Skiing
- Association sponsored athletic teams.
- Transportation – vans and buses.
- Liquor and Restaurant Exposures
- Armed Security
- Umbrella Limits over \$25 Million
- Directors & Officers Liability Incidents
- Poor Claims History – Frequency now very much in the equation.
- Unresolved loss control recommendations.