



# News Release

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## For Immediate Release

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## **New NAPCO Report Identifies Key Catastrophe Property Insurance Market Trends**

**Despite ample capacity, profits are under pressure and pricing is trending higher, according to the bi-annual State of the Market report**

**Iselin, N.J.—November 16, 2011—** While the catastrophe property market continues to transition away from soft market conditions, ample capacity is giving insurers limited pricing power and the lethargic economy is likely to keep insurance demand weak, according to a new State of the Market report by NAPCO LLC, a wholesale broker specializing in catastrophe property coverage.

The bi-annual report, which combines insights from top brokers with an analysis of recent catastrophe property market statistics, also assesses the terrorism insurance market 10 years since the September 11 terrorist attacks. The full report can be found at:

<http://www.napcollc.com/articles/NAPCOInsuranceInsights-TheStateOfTheMarket-2011-Nov.pdf>

“The industry has weathered a tough year, and though it has plenty of capital to pay claims, profitability has been deteriorating,” said David Pagoumian, CEO of NAPCO LLC. “Insurers are under even greater pressure to make a profit on underwriting as investment yields, which have been shrinking for years, reach historic low levels.”

The report provides detail on key catastrophe property trends:

- **Risk Models:** Changes to the RMS hurricane model had an impact on pricing in the property catastrophe market similar to a \$20 billion to \$25 billion catastrophe loss.
- **Reinsurance:** In spite of this year’s heavy catastrophe losses – second only to 2005 in catastrophe losses – the reinsurance industry is still well capitalized. Treaty renewals at January 1 are likely to be up in a range of about 10%.
- **Pricing:** Prices for property catastrophe insurance range from flat to 15% higher, with some increases even greater as some insurers scale back capacity. Catastrophe models are increasingly establishing benchmark pricing for the industry, with variations contingent upon each insurer’s aggregate catastrophe exposure.
- **Capacity:** Although rates have been moving higher for most accounts, the industry still has plenty of capacity and that has helped keep rates from increasing too sharply.
- **Excess Layers:** Rate increases on excess layers have been much smaller than the increases on primary layers, helping to keep overall program costs down.

The report also provided an update on the terrorism market, which this year marked 10 years since the September 11 attack. The \$32.5 billion loss (\$40 billion in 2010 dollars) has been exceeded only by Hurricane Katrina, a \$46 billion insured loss in 2010 dollars and changed the way the industry covers terrorism.

While underwriting capacity for standalone terrorism insurance is plentiful and prices have been stable, demand for standalone terrorism insurance coverage has been low and may reflect complacency in the absence of any significant attacks following September 11.

Finally, the report notes that because insurers have grown more cautious about the use of their capital, insurance buyers and retail brokers will face an increasingly challenging property catastrophe market. The report provides several recommendations for succeeding in this market, from reducing their reliance on one insurer to providing proper reporting of asset values.

#### **About NAPCO**

NAPCO ([www.napcollc.com](http://www.napcollc.com)) is a leading wholesale broker of commercial property and casualty insurance coverage. The company provides retail agents and brokers with an efficient, single-source independent marketing arm for difficult placements that have significant property and casualty exposure. NAPCO utilizes in-depth research and sophisticated risk modeling to implement coverage and cost-effective programs for its clients. Headquartered in Iselin, N.J., NAPCO provides access to the global insurance market, including major and specialty domestic carriers, excess and surplus lines markets, reinsurers and international providers of capacity.

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