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NO END IN SIGHT FOR SOFT MARKET CONDITIONS

by **Cecilia Harris**

It has been predicted that the soft market currently curbing industry profit is settling in for the long haul, with nose-diving premiums putting pressure on insurers to perform more than ever.

Marsh has released its 2015 Insurance Market Mid-Year Update predicting current drivers of the soft market to continue despite insurers anticipating a break in slow pace.

"There appears no end in sight to the soft market conditions, driven by the combination of new capital, surplus capacity and the lack of catastrophes," the report states.

"For the third consecutive year H1 natural disaster losses were below the recent 10-year H1 average (US$12 billion versus US$27 billion).

"This benign loss environment is the major contributor to insurers' strong profitability and, ultimately, the favourable market conditions for buyers."

The report states that although strong competition between insurers is lowering premiums, consumers appear to be pocketing savings rather than increasing cover.

"Despite premium reductions averaging 10%-20%, there has been no significant change in insurers' existing client base as client retention continues to be a primary focus and new business is proving difficult for insurers to win," the report states.

> "The first thing brokers need to do is focus on identifying the top 20% clients in their portfolio."

The surge in M&A activity is expected to continue, with insurers looking for growth opportunities.

"We fully expect the M&A activity to continue in the global market," the report states.

However, it is also expected that big buys, such as the recent ACE acquisition of Chubb, will likely spur competition as rivals seek opportunities to outplay during merger.

Marsh's market update comes in the wake of the latest *Pendulum* report from Finity and Deutsche Bank, which predicts a sustained downturn for the general insurance industry over the next three years.

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Corporate Eye Consulting Principal Clifton Warren says brokers can navigate the industry-wide slump by being clever with how they manage their existing client base.

"The first thing brokers need to do is focus on identifying the top 20% clients in their portfolio," Warren says.

"Brokers need to make sure they are doing everything they can for these clients, and not leaving the door open for anyone else. We are all guilty of not letting our clients know everything that we are capable of doing for them."

"I think becoming an expert in three-to-five niche markets will also generate business for brokers, and also help them when the market cycle changes," Warren adds.

Warren will be presenting 'Effective cross-selling and growth planning for a soft market' at the upcoming NIBA Convention in Melbourne this September.

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