ProgramBusiness.com
From Neilson Marketing Services

P&C Insurance Industry Posts Underwriting Loss of $2.3 Billion in H1: A.M. Best

Source: Canadian Underwriter

Posted on 19 Sep 2016 by Neilson

The U.S. property and casualty insurance industry posted an underwriting loss of approximately US$2.3 billion and a 3.5% decline year-over-year in net investment income through the first six months of 2016, said a new A.M. Best Company special report released on Friday.

Oldwick, N.J.-based A.M. Best said that the impact of catastrophes, lower favorable loss reserve development and challenging market conditions continue to pressure insurers, according to the *Best's Special Report*, titled, *Property/Casualty Industry Performance Declines in Second Quarter of 2016 as Pressure Continues on Underwriting and Investment Results*.

The report said that realized capital gains declined 43.3% from their level for the first two quarters of 2015, to US$4.6 billion from US$8.1 billion. Taxes were down by 14.6%, which provided a modest benefit to net income, the ratings firm added in a statement. Overall, however, the industry's net income fell 29%, to US$21.5 billion through June 30, 2016, from US$30.2 billion last year. Additionally, the industry's combined ratio through first-half 2016 deteriorated to 100% from 97.8% for the same period in 2015.

Pre-tax operating income fell 22.2% for the six-month period to US$20.7 billion. Pre-tax return on revenue of 8.2% marks a sharp drop from 10.9% through the first half of 2015, and represents the lowest level of return on revenue at this point in a year since 9.3% in 2012, the statement said.

Despite the decline in net income, policyholders' surplus grew modestly, up 1.3% year-to-date in 2016 and up 1.5% from its level at June 30, 2015. While the industry's accumulated unrealized gain position declined again, the drop was 81.1% less than in the prior year, at -US$1.6 billion.

A.M. Best said that net premiums written growth remained positive for the industry, up 3.3% year-to-date, down from 4% through the first two quarters of 2015. Premium growth remained stronger than expected through this period, driven by continuing solid growth in personal lines. "While commercial lines continue to show signs of pricing pressure, with premiums down in key property lines, other liability and commercial auto liability premiums are growing faster than the industry average rate," the statement said.

The industry's direct premiums written (DPW) grew 3.8% from its prior-year level through June 30, 2016. Among the major lines of insurance, auto physical damage and private passenger auto liability saw the largest increases in DPW year-over-year, of 7.6% and 6.4%, respectively.