

BUSINESS INSURANCE.

Price increases to slow in 2022: Fitch

Posted On: Jan. 11, 2022 2:21 PM CST

Matthew Lerner

The property/casualty insurance sector remains well-capitalized but will see rate increases slow in 2022, Fitch Ratings Inc. said Tuesday.

The fundamental sector outlook for U.S. property/casualty is neutral for 2022, Fitch said, adding that insurers have been aided by strength in equities to partly offset the continuing low-yield environment.

Rate increases have averaged 10% for the past seven quarters through the end of third-quarter 2021, which saw an 8.9% increase.

The increases were most pronounced in underperforming segments, including commercial property, auto and liability. Fitch expects “the magnitude of rate increases are anticipated to decline, but remain positive through 2022.”

While the pace of the upward pricing movement is “tempering,” enough momentum remains for the industry combined ratio to moderately improve to an estimated 97% in 2022.

The low interest rates continued to limit growth, “but positive investment gains from equity market appreciation further boosted net earnings and moved industry policyholders’ surplus to another record level,” by the end of the third quarter.

The property/casualty industry capital position has improved over the last two years and policyholders’ surplus has increased by over 30% since the end of 2018 to \$988 billion on Sept. 30, 2021, enabling it to service losses.

“The industry’s and individual insurers’ capital strength provides support against large loss events or a combination of adverse instances that can derive from catastrophes, economic and investment market turmoil, and adverse claims experience,” Fitch said.

The ratings agency said it believes that “a broader negative change in industry outlooks and company ratings would most likely require a confluence of large adverse events, such as catastrophes, investment losses, pricing errors, reserve deficiencies or another pandemic that reduce capital levels in a short time.”

