

S&P explains its negative outlook for P&C industry

InsuranceTimes, April 1, 2003, Vol. XXIII, No. 6

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Losses stemming from asbestos and environmental liability and directors and officers liability business, uncollectible reinsurance, backlash from abuses of surety contracts, terrorism, deteriorating asset quality, and a struggling economy are among the factors standing in the way of property and casualty insurers' ability to capitalize on an unprecedented strong pricing environment, according to Steve Dreyer, Standard & Poor's.

Speaking at a symposium sponsored by The Council of Insurance Agents & Brokers, Dreyer said S&P maintains a negative outlook on the sector but that the outlook would be reviewed again at mid-year.

"If we can expect strong prices continuing well into 2004 and moderation in the negative factors, we might be inclined to revise the outlook to stable," Dreyer added.

He noted that for each of the past two years, Standard & Poor's property/casualty rating downgrades have outnumbered upgrades by a margin of 20 to one. This year is shaping up to be less severe, but Standard & Poor's negative outlook signals that downgrades will continue to outnumber upgrades. □