

Soft Markets...Blessing or a Curse?

When tow jockey's and auction services entered the repossession business, your life as a professional reposessor became more difficult overnight. Tow companies that were used to receiving \$85 a tow all of sudden were "making bank" when they would repossess a car for \$225. This influx of companies not usually in your line of business created what we in the insurance world call a "soft market".

For us insurance folks, soft markets are conditions where carriers are more likely to write business and enter markets that they are not currently involved with. Soft Markets typically artificially lower prices as providers and carriers in new markets attempt to "buy the business" with extremely low pricing that is not reflective of the true risk. What these new carriers and agents don't think about at the time of quoting is that while they may be able to get a cheaper price for insurance, the number and nature of claims doesn't change. Let's look at the math/Exhibit A:

BubbaLee's Toes & Repoze

Soft Market Policy Premium w/ Cheaparse Ins Co.: \$4500

Oops! Wrecked My Dang Truck: \$15,000

BubbaLee's Loss Ratio: 333% (the carrier paid out more than 3x what BubbaLee paid in)

BubbaLee's Renewal Quote: Non-Renewal or... a nicely written letter that explains Cheaparse Insurance Company is no longer writing companies in the repossession business.

Non-Renewed

Soft Markets are when you start to get solicitations from numerous agents talking about how they've been in the business 20+ years and have never seen a **CRAZY** market like this one. Well, before you buy in to their hype, ask yourself if they've been in the business 20+ years, why are they just now reaching out to you? And if you're receiving insurance solicitations that make you feel like you're listening to a slimy used car salesman or to a late night infomercial in between episodes of Operation Repo or RepoMan Stealing For A Living; think if is the type of agent you want to be associated with? You've worked hard over the years to put forth a professional image... shouldn't your insurance provider be representative of you?

The thing about soft markets is that eventually they come to an end. Catastrophic losses like the earthquake in Japan, the oil spill in the Gulf, or the incredibly active storm and hurricane seasons we've been seeing of late, can quickly make a soft market turn hard. Even without an event of great magnitude like these the soft market eventually hardens because prices simply can't go any lower and still sustain both the losses and profitability. Which do you think an insurance company will choose? When carriers stop making money, they re-evaluate their presence in the markets they are in and begin to withdraw from the ones that are no longer profitable, refer back to Exhibit A.

So to relate the situation back to a childhood story we all probably remember

Would you rather have the house made of straw? Or the one made of brick? You make the call!



When you're ready to make that call, call on Recovery Specialist Insurance Group. For 22 years RSIG has been underwriting repossession risk ONLY, so we know your industry. Call us at 703.365.0199, visit us on the web at www.rsig.com or find us on Facebook or LinkedIn.