STANDARD & POOR'S RATING SERVICES CONFERENCE

Top CEOS optimistic over industry growth

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NEW YORK — Some of the leading lights of insurance from The Hartford, AIG and Prudential took an optimistic view of their industry at a Standard & Poor's Ratings Services conference last week, though their tone was more guarded on the subject of federal legislation to mitigate asbestos exposures.

"The insurance industry has a much better outlook for growth in the next three to four years than most industries," said Ramani Ayer, CEO of The Hartford Financial Services Group Inc. in a statement characteristic of the panel's ebullience.

Topping the list of rallying themes was the current environment of rapid price increases in property/casualty business. Alongside Ayer, Maurice R. Greenberg, CEO of American International Group Inc. (AIG), praised average premium-rate increases of 15%.

"The environment continues to be very strong," he said.

Market acceptance of the so-called hard market also plays into the equation.

"Companies are getting the message there's a need for higher rates, and the industry is doing a much better job of explaining that," said Ayer.

Arthur F. Ryan, CEO of Prudential Financial Inc., completed a triumvirate of high-profile industry leaders who initiated proceedings at the conference.

On the whole, the trio was unconcerned by the proliferation of self-insurance arrangements by large corporations or groups of related companies. Greenberg argued insurers have more expertise in coming to grips with searing litigation activity, the main instigator of insurance industry losses.

"Why would a self-insurance group handle the tort system any better than we do?" he said.

In the life insurance sector, meanwhile, the panelists appear largely unfazed by interest rates at 45-year lows, which are compressing margins in fixed-annuity business.

"You don't have to be a victim of low interest rates if you know how to manage your business," said Greenberg, who points out AIG has been aggressive in cutting the guarantees it gives to policyholders and introducing new products. He also cheered insurance regulators in some 40 states that have lowered the mandatory minimum for these guarantees on fixed annuities.

But enthusiasm was more muted regarding prospects for federal legislation that would cap asbestos liabilities.

"I see no more than a one-in-four chance of getting something done," said Ayer.

The chances are better for more generalized class-action reform, he argued.

Even if legislative action can leap the political hurdles ahead of it, the industry would have to supply $45 billion of the fund, according to Ayer, compared with its current asbestos reserves of $28 billion.

"It will be stretched to meet the demands of funding," Ayer said. ❐