

# Market, asbestos, technology dominate IIABA issues panel

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LAS VEGAS — The property and casualty insurance business will continue to feel pressure from general market conditions, the growing threat of asbestos liabilities and continued regulatory and legislative initiatives, said a group of CEOs during a panel discussion at the Independent Insurance Agents & Brokers of America's (IIABA) Convention & InfoXchange.

"We're going to see this hard market continue for a while longer," said John Amore, CEO of Zurich North America. "Pricing continues to be going up on all of the casualty lines of business, and going up fairly significantly on some of the specialty lines coverages, like excess, D&O and umbrella."

Amore said property pricing seemed to have peaked in the second quarter, and some fallback on pricing has occurred.

Jeff Post, president and CEO of Fireman's Fund Insurance Co., described it a little differently.

"We're going from a hard market to a confused market," he said.

Post said that for the better risks, rates seem to be close to adequate, but that other balance-sheet factors must be addressed. Citing prior-year effects of asbestos, workers' comp rate inadequacy, low interest rates and the market exit of firms like Kemper and Royal & SunAlliance, Post said, "There's a real question about where the market is going to go next."

Personal lines issues did not escape the panelists' radar. Cathy Rein, president and CEO of MetLife Auto & Home, said a shift must occur in the homeowners market, including a change in how customers view their coverage.

"We need to get people to understand that a homeowners policy is not a maintenance policy. This is really risk insurance," said Rein.

Dan Carmichael, Ohio Casualty Group president and CEO, had cause for optimism in the market.

"We're getting the benefits of insurance scoring and tiering of rates, but we're also getting good rate increases," he said. "We've had cooperation from the insurance regulators and also from the policyholders. We've seen a number of cases where people, when they go through the insurance scoring process, find their rates up 60, 70, 80 percent, and they renew with us, because there are not a lot of opportunities elsewhere."

Credit scoring has played a major role in helping insurers more precisely price personal lines policies.

Glenn Renwick, president and CEO of Progressive Insurance, said, "Any time you can find a segmentation variable that gives you some field of new science, it's incredibly exciting. Credit does that. There's no question as to the validity of credit in trying to explain some of the randomness. I would say it has a strong future. But we have to be very transparent, and tell consumers the things that are good about it."

## Asbestos Concerns

Panelists felt strongly that one of the major market factors that could affect independent agency customers is asbestos.

"In the '80s and '90s, asbestos lawsuit defendants were large corporations, and there were only about 300 of them," Zurich's Amore said. "Today, there are several thousand defendants already, and they are much smaller organizations that are more likely to be serviced by independent agents."

Ohio Casualty's Carmichael pointed out that of the U.S. Commerce Department's 82 industrial codes, firms in 44 have been involved somehow in asbestos.

Fireman's Fund's Post was even more pointed in sounding the alarm. "Why should independent agents care?" he asked. "Because asbestos is actually taking away all of your markets. The amount of reserve increase and the amount of uncertainty that insurance companies face from policies issued in the '40s, '50s, '60s and '70s are causing a lot of people to cease doing business, and taking their capital away."

Post called for agents to support asbestos reform initiatives. "The bottom line is, if we don't get the problem solved and get the liability platform in this country fixed, you're going to continue to see companies withdraw from this business, because they just can't make money at it," he said.

## Technology Challenges

Panelists spoke candidly about the future of technology for independent agencies. Ohio Casualty's Carmichael encouraged agents to get their carriers to adopt single-entry, multi-company interface (SEMCI) functionality. "The industry has not adopted SEMCI, and I hate to say it, but I don't think that they will, unless you guys put some more pressure on them," he said. He drew applause when he said his firm was committed to offering real-time interface through the agency's system, not his company Web site.

## Independent Agency Value

MetLife Auto & Home's Rein told attendees that her company's customers were driving her firm's growth in the independent agency system.

"We get the message, loud and clear, from our customers that they want to do business with an independent agent," she said.

Amore, from Zurich, pointed out that in today's complex market, customers want and need the unbiased opinion that only an independent agent can deliver.

Fireman's Fund's Post advised independent agents to play to their strengths. "Always remember, you guys are selling a service, and when you're selling a service that has value, people will come," he said. "The world is getting more complicated. That means the service you are selling becomes more valuable every day." □