

Publication Date: 03/05/2010
Source: BestWire Services

CEOs See Pressure to Increase Rates in 2010

Property/casualty insurance rates could and should see some upward pressure on pricing in 2010, a panel of insurance company leaders said at the Independent Insurance Agents & Brokers of America's annual Legislative Conference.

Despite some improvement in personal lines and a possible uptick in casualty lines in the second half of 2010, "growth is still not there," Safeco President Michael Hughes told the Big I audience. While calendar year 2009 data is still to come, "you'll probably see pressure to get rates up," he said.

Gradual rate hikes, as opposed to wide fluctuations, are better for consumers and for insurers, said CNA Chairman and Chief Executive Officer Thomas F. Motamed.

With underlying costs rising, rates should be rising as well, said Michael E. LaRocco, president and CEO of Fireman's Fund. "We've got to begin to show some discipline," he said.

In a recent conference call, Liberty Mutual Group President and CEO Edmund F. Kelly said the company is "surprised and shocked at the lack of discipline and credit terms" in the commercial market (BestWire, March 2, 2010). Liberty Mutual completed its acquisition of Safeco Corp. in September 2008.

According to a recent A.M. Best Special Report, operating results for the U.S. property/casualty industry recovered in 2009, with fewer catastrophe losses, improved underwriting results and a rebound in financial markets (BestWire, Feb. 22, 2010). "Though the industry's results are likely to be pressured in 2010, rating actions are not expected to move profoundly in one direction and will be driven primarily by individual companies' operations," the report concluded.

Hartford Chairman and CEO Liam McGee reiterated property/casualty insurers' objections to being included under the purview of any future federal systemic risk regulator. But McGee joined most of the panelists in saying insurance regulation in the United States needs to be modernized, with or without an optional federal charter.

While Fireman's Fund and its parent company, Allianz, have favored optional federal charter proposals, the important considerations are creating a more efficient system with less bureaucracy and a faster speed to market, LaRocco said. "It doesn't matter how you change it," he said.

For the second time in as many sessions, the U.S. House of Representatives approved a version of the National Association of Registered Agents and Brokers Reform Act, legislation that would establish licensing reciprocity for producers who work in multiple states. The legislation would set up a national portal for licensing, establishing reciprocity for producers through a nonprofit entity. It's designed to allow states to retain their regulatory authority over marketplace activity and consumer protection (BestWire, March 4, 2010).

(By Sean P. Carr, Washington Correspondent: sean.carr@ambest.com)
(c) 2010 A.M. Best Company, Inc.