

## Recession's End Will Put P-C On The Right Course, Says Hartwig

by *NationalUnderwriter.com*

ORLANDO, FLA.—"Property-casualty insurers will emerge from the recession with a distaste for equity investments and a renewed focus on underwriting, a leading insurance economist advised an industry group here.

Robert P. Hartwig, president of the Insurance Information Institute, made his predictions last week at the Annual Issues Symposium of National Council on Compensation Insurance.

"Insurers will have to return to their underwriting roots," said Mr. Hartwig. As to whether the recession is ending, he assured his audience that the answer to that question is "unequivocally, yes."

However, in his talk on trends, challenges and opportunities for p-c insurers, he cautioned his listeners that they face "a very slow, sluggish recovery," warning to expect to see it referred to in the media as a "jobless recovery."

Mr. Hartwig said that post-recovery, the p-c industry will have shrunk by about 3 percent in dollar terms and by 8 percent on an inflation-adjusted basis.

According to a slide with his presentation, falling prices, weak exposure growth, increasing government intervention in private insurance and reinsurance markets, large retentions and alternative forms of risk transfer have siphoned away premium, and there will be fewer competitors after a mini-consolidation wave.

But the benefits will be clear from risk-based underwriting, pricing and low leveraging of operations, he added.

Mr. Hartwig advised that the p-c industry will emerge with its risk management focus more intact, predicting carriers will get back to basics with an aversion to stocks.

The chastened and "de-risked" p-c industry will face the same or even higher losses, and will have to work harder to match risk to price, he added.

Concerning regulation, he said that the industry is in the waning months of an exclusive state-based system, suggesting there is a real possibility of a dual state-federal regulatory authority.

Once the "federal nose is under the tent, anything is possible," Mr. Hartwig warned.

Among threats the industry faces, Mr. Hartwig said he foresees "regulatory overreach" with creeping restrictions and efforts to halt credit scoring and predictive modeling. "Be prepared to wage battles for underwriting criteria," he warned.

He said insurers could also expect efforts to address social and economic inequities through insurance, as well as "creeping socialization and partial nationalization of the insurance system."

The economist also warned that a new wave of litigation could be expected with erosion of tort reforms.

Discussing profitability, Mr. Hartwig noted that it is not affected by the party affiliation of any president, pointing out that the industry's return on equity since 1950 has been 8 percent with Democrats and 7.89 percent under Republicans.

Looking at combined ratio results since 2001, Mr. Hartwig advised his audience that the workers' comp sector is the softest of all commercial lines.

Among trends that will impact comp insurers, he said, are the worker health issues resulting from the obesity epidemic--with most obese workers filing twice as many claims as healthy-weight workers.

He noted the effect of an aging work force, which sees fatal injury rates higher among the 65-plus group. He also reported that highway accidents are the leading cause of occupational death, with distracted driving likely to become more of a problem with the proliferation of portable electronic gadgets.

Â© Copyright

```
var dt = new Date();
var my_time=dt.getFullYear();
document.write(my_time);
```

2009 National Underwriter Property & Casualty. A Summit Business Media publication. All Rights Reserved.

*Recession's End Will Put P-C On The Right Course, Says Hartwig by NationalUnderwriter.com*