

A Profitable Year, But Underwriting Discipline Key, Insurance Execs Reveal At P/C Joint Industry Forum

Premium Growth a Positive Sign Amid Ongoing Economic Recovery

JANUARY 13, 2011

INSURANCE INFORMATION INSTITUTE

New York Press Office: (212) 346-5500; media@iii.org

NEW YORK, January 13, 2011 — The property/casualty insurance industry turned a corner and will show a profitable year for 2010, but underwriting discipline will be more important than ever in 2011, said chief executive officers (CEOs) participating in the *View from the Inside Looking Out*, a panel discussion at the 15th annual **Property/Casualty Joint Industry Forum**, held here.

“2010 was an acceptable year, a good year,” said Liam McGee, chairman, president & CEO, The Hartford Financial Services Group, Inc, but cautioned, “You can’t avoid the fact that in those good numbers you’ve got a release of prior year reserves and returns that are not the kind you want over trend.”

“This year is one where underwriting discipline and managing costs are going to be more important than ever because we can’t allow the results of 2010 to delude us into thinking they are better than the true underlying numbers suggest,” McGee added.

Anthony J. Kuczinski, president & CEO, Munich Reinsurance America, Inc, noted that on a calendar year basis, the P/C industry had a very decent 2010. “When you compare us to the banking industry, we had success. But you can’t just look at calendar year results. If you look at the underwriting performance and fundamentals on an accident year basis, they continue to worry me. But for release of prior year reserves to help calendar year results, but for a relatively calm cat year, we would have been in a worse position,” he said.

Kristian P. Moor, president & CEO Chartis Inc, noted that there are a number of positives in 2010’s results that the industry will not be able to carry through into 2011. “Investment portfolios won’t perform the same, accident year results are much worse than calendar year results and the return on equity for the industry is pretty poor. These are all things people need to pay attention to as we go into 2011,” he said.

CEO panelists agreed that while the P/C industry is still recovering from the effects of the economic downturn, there are some positive signs for premium growth going into 2011.

Ross Buchmueller, president & CEO, PURE Risk Management, noted that cash flows are better, people are paying their bills faster, and delinquencies are fewer, all of which point to an economic recovery. “A favorable trend, maybe a hangover from the recession, is that the consumer is far smarter and certainly more active in seeking smarter solutions. This is a positive sign,” he said.

Jack Salzwedel, president & COO, American Family Insurance, pointed out that while the recession is impacting exposure growth in terms of fewer autos and homes being insured, those exposures are also changing. “Customers are re-engineering their products, taking higher deductibles. That has an impact on frequency and severity,” he said.

Kuczinski added that true exposure growth would take longer as the P/C industry is still feeling the effects of the economic turnaround. "Even if it's begun to bottom out we are not going to see true exposure growth, which would mean we have recovered from the recessionary environment, until late 2011, 2012."

Moderated by Charles M. Chamness, president & CEO, National Association of Mutual Insurance Companies (NAMIC), the session offered insights into the way insurance company CEOs view operational issues and challenges facing the P/C industry in 2011 and beyond.

The ***Property/Casualty Insurance Joint Industry Forum*** was created to provide leaders from the widest spectrum of the industry with an opportunity to meet with each other in discussion of topics of general interest. Participants included nearly 250 representatives from property and casualty insurance and reinsurance companies and organizations. Of these, roughly 40 percent responded to the survey.

The sponsoring organizations of the Forum represent a wide spectrum of insurance interests and audiences. They include: ACORD, American Insurance Association, the Association of Bermuda Insurers and Reinsurers, The Geneva Association, Institute for Business & Home Safety, Insurance Information Institute, Insurance Institute for Highway Safety, International Insurance Society, ISO, National Association of Mutual Insurance Companies, National Council on Compensation Insurance, National Insurance Crime Bureau, Property Casualty Insurers Association of America, Property Loss Research Bureau, Reinsurance Association of America and The Institutes.

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INSURANCE INFORMATION INSTITUTE, 110 WILLIAM STREET, NEW YORK, NY 10038, (212) 346-5500