CPCU SOCIETY
INSURING YOUR SUCCESS

Personal Lines Interest Group

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Personally Speaking

Message from the Chair — 2009 Events and Challenges

by Richard T. Lang, CPCU, AIM

Richard T. Lang, CPCU, AIM, is a senior examiner/team advisor with Bear River Mutual Insurance Company, where he is responsible for complex liability automobile and homeowner injury losses. He reviews staff files, manages litigation file discussions and provides training. Lang has worked on various projects involving underwriting and claim management systems. In addition, he has performed peer reviews for insurance trade publications. Lang has held several committee positions with the CPCU Society's Utah Chapter, and currently is serving a three-year term as chair of the Personal Lines Interest Group.

I hope you all made it through 2008 with a sense of accomplishment and greeted the first quarter of 2009 with new hope and vigor. Your Personal Lines Interest Group Committee has been busy working on some terrific programs for the 2009 CPCU Society Annual Meeting and Seminars in Denver, Colo., Aug. 29–Sept. 1.

Kellie H. Green, CPCU, MBA, is heading a team that will discuss emerging trends in personal lines from the perspectives of different departments, such as claims, underwriting and agents/marketing. **Jeffrey C. Schultz, CPCU,** and **Daniel L. Blodgett, CPCU, AIM, AIS,** are working with the Underwriting Interest Group and Accenture on a seminar about embracing technology in underwriting. **David M. Halstead Jr., CPCU, ARM,** and **Roger French, CPCU, CIC, AU, ARM,** are developing a networking breakfast at which important information concerning personal preparedness for catastrophes will be presented. We are also exploring some topics for future webinars. I invite you to visit the Personal Lines Interest Group's Web site for updates as more information becomes available concerning these and other programs.

While the economy is struggling to recover from the substantial downfall in 2008, I urge you to continue being active in the CPCU Society and your respective communities. Please mark your calendars and plan to attend the courses and seminars at the CPCU Society Leadership Summit in Phoenix, Ariz., April 21–25, and the 65th Annual Meeting and Seminars in Denver. I look forward to seeing you there!

Circle of Excellence Recognition Program

In addition to these events, it also is time to be thinking about the 2009 Circle of Excellence Program. We would like to continue earning "Gold" and encourage

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you to share with us your contributions in promoting the Personal Lines Interest Group and the CPCU Society.

Activities eligible for consideration should meet the general criteria of adding value and recognizing contribution to Personal Lines Interest Group membership and/or CPCU Society membership at large as well as promoting the visibility of the CPCU Society and/or the CPCU designation. Please e-mail brief descriptions and copies of your presentations, articles or handouts to us at cpcuplig@gmail.com so that we may determine whether they qualify for inclusion in the submission.

Some examples of activities eligible for consideration include:

- Participating in, or conducting, a symposium or workshop at which the Personal Lines Interest Group was acknowledged.
- Being a formal, or informal, champion within your company or organization by promoting the CPCU designation.
- Developing a CPCU turnkey program.
- Teaching classes or developing seminars/workshops. (Please provide the title, dates and location/times.)
- Preparing or participating in developing a research project sponsored by a chapter, interest group or the CPCU Society.
- Sponsoring, developing or participating in an activity that promotes the Personal Lines Interest Group to new designees or the CPCU Society membership at large.
- Sponsoring, developing or participating in an outreach program or e-mail/letter campaign to promote diversity in the CPCU Society, chapter or Personal Lines Interest Group.
- Promoting the CPCU designation by mentoring, coaching or assisting potential candidates.
- Participating in, or conducting, any other activity where the CPCU Society, the CPCU designation or the Personal Lines Interest Group was promoted or recognized.

In addition to hearing about your potential Circle of Excellence activities, we would also like to hear about — and formally acknowledge — your professional accomplishments or promotions. Please e-mail a brief description to cpcuplig@gmail.com. You may be featured in a future newsletter and/or spotlighted on the Personal Lines Interest Group Web site.

I thank you for your support and wish each of you success in a challenging, but hopefully rewarding, year. ■

Note from the Editor

by Daniel L. Blodgett, CPCU, AIM, AIS

Daniel L. Blodgett, CPCU, AIM, AIS, is a project manager in the Systems Department of State Farm's Home Office in Bloomington, Ill. He started with State Farm in 1990, holding positions such as auto underwriter and supervisor in the State Farm Payment Plan. Blodgett is on the board of directors of the CPCU Society's Central Illinois Chapter, and is past president of the Society's Southwestern Michigan Chapter and past chair of the Personal Lines Interest Group.

Greetings all! So many news reports cite the troubled times; however, I sincerely hope 2009 is off to a great start for you at work and at home. If it's starting off on the wrong foot, just hold on to the fact that change happens and can bring new opportunities. Let's stay positive.

Speaking of change, here in mid-America winter melts into spring about this time of year. I'll use the change in seasons as my opportunity to illustrate the transition of my role from chair to editor. As my first run at this position, I offer the following for our second issue in 2009:

- The thoughts and insights of our chair, **Richard T. Lang, CPCU, AIM,** about the Personal Lines Interest Group's plans in 2009.
- Helpful homeowners insurance tips provided by **Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP,** to pass along to clients as either a reminder for the experienced homeowner or strong advice for the new homeowner.
- Fifteen ways to win more business in 2009 — surely tips we can all use with our own personal and professional growth — offered by **John R. Graham,** president of Graham Communications.
- An excellent article by *National Underwriter's* Editor-In-Chief **Sam Friedman.** Friedman penned this article on a presentation given by **Brian Duperreault,** president and chief executive officer of Marsh & McLennan Companies Inc. (MMC), at the annual joint luncheon meeting of the CPCU Society's New York Chapter and the Association of Professional Insurance Women (APIW).

Most Wanted … Please!

Remember those writing assignments you had in school? Well, contributing articles to the Personal Lines Interest Group newsletter is ***not*** like that at all. It's fun and helps fellow CPCUs grow and learn. Besides, it will really help me impress the editorial staff at Malvern!

So, please send me your ideas and/or articles for our newsletter. All submissions are welcome. (I will need reprint permission for anything protected by copyright.) And I'd also like to have a print-quality photo and a bio (if we don't have them already) to accompany any articles.

Please e-mail your submission to me at dan.blodgett.cqsx@statefarm.com.

Until next time. ■

Sound Homeowners Insurance Purchasing Tips … And More

by Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP

Robin K. Olson, CPCU, CRIS, ARM, AAM, ARP, is director of training and education for the International Risk Management Institute (IRMI) and editor of IRMI's *Personal Lines Pilot*. He contributes articles on personal risk management and auto risk management to the Expert Commentary section of IRMI.com. Olson also serves as an adjunct professor at the University of North Texas, where he teaches risk management classes. Before joining IRMI in 1998, he was an underwriting manager for two national insurance companies, where his experience encompassed both personal and commercial lines.

In some parts of the country, consumers continue to face substantial increases in their homeowners insurance premiums, particularly in coastal areas subject to hurricanes and windstorms. Other consumers are experiencing reduced coverage, moving from all-risks coverage for their dwelling to named perils coverage. Still others receive nonrenewal notices due to minor losses, such as water damage claims. The following are some insurance purchasing tips to pass on to your clients that may help them save premium dollars and reduce losses on their homeowners policy:

General Considerations

- A policy deductible should be increased to the highest one that the consumer can afford, even if the premium savings do not appear to justify it. This will decrease the homeowners premium and increase the likelihood that the insured's loss history will be excellent because minor losses will be paid by the homeowner — not the insurer. A loss-free record over time saves premium dollars. For example, a client with a $250 deductible on his/her homeowners policy should consider increasing it to $500 or $1,000.
- A homeowner should consider purchasing a monitored burglar alarm. Alarms have proven successful in reducing burglaries. In addition, most insurers provide premium discounts to consumers with these alarms, some as high as 20 percent.
- The residence should be maintained in optimum condition. Repairs should be performed as soon as possible. For example, loose or missing roof shingles should be repaired or replaced immediately. A home in excellent condition is much less likely to experience a loss.
- A customer planning to buy a home should be advised that many insurance companies offer new home discounts. Some insurers offer the highest discounts, such as 20 percent, on brand-new homes and gradually lower discounts over several years as the home ages. Also, some insurance companies are now offering discounts to a homeowner 50 years or older.
- If your client is looking to purchase a home, provide him/her with a copy of a Comprehensive Loss Underwriting Exchange (C.L.U.E.®) report on the home being considered. Generated from a database of insurance losses compiled by a high percentage of insurance companies, this report provides a list of prior losses for a particular home. A client should be wary of purchasing a home with prior foundation, water or mold losses.
- Smoke alarms should be installed and maintained throughout the house. It is best if the alarms are interconnected, so that if one goes off, they all go off. The smoke alarms should be tested once a month and should be approved by Underwriters Laboratories Inc. (UL) or other recognized testing laboratories. Most insurance companies provide discounts for homes with operating smoke alarms.

Confirm Proper Dwelling Limits

Is the amount of property insurance on your client's home correct? What is the appropriate amount of coverage for your client's home? To begin with, it should be insured for at least 80 percent of its replacement cost when covered under a standard homeowners policy. Replacement cost refers to the amount necessary to repair or replace damaged building parts with items of like kind and quality. Some insurance companies even require 90 percent or higher figures when the guaranteed replacement cost option is offered. With this option, the policy pays the full cost of replacing the home, without any depreciation and often without a maximum reconstruction payment. (This gives the insured added protection if there is a sudden jump in construction costs due to a major shortage of certain building materials. Construction costs often "surge" following large catastrophes, such as hurricanes.) Note that guaranteed replacement cost coverage approaches can vary by state and are not available in every state.

Many homes are either underinsured or over-insured. For example, some homes insured for long periods of time with one insurer may have inadequate limits of insurance due to increased building costs. In many cases, homes have been remodeled and improved, and this information has not been conveyed to the insurance agent or company, resulting in severe underinsured home values. If the home is underinsured, the insured not only has inadequate protection for total losses, but may also lack full protection for smaller losses.

Sometimes homes are mistakenly insured for their market value. However, market value is normally not indicative of the home's replacement cost. For example, market value also reflects the cost of the foundation and the nondestructible land value, both of which normally survive intact if the house burns to the ground and has to be rebuilt. (Note, however, that many reconstruction experts argue that the foundation should be replaced for certain total losses, such as from fire.)

In addition, some homes may be insured improperly to meet mortgage company requirements. Some mortgage companies require the amount of insurance be at least equal to the mortgage balance on the house. The mortgage balance is also not reflective of the home's replacement cost, which is often considerably more (but can also be less). Insurance companies and agents often struggle to properly educate mortgage companies about these distinctions, but there is nothing to prevent the insuring of the home to actual replacement cost if that is indeed greater than the mortgage balance. The problem occurs when the mortgage balance is greater than the replacement cost, which will result in the purchase of a higher limit than needed.

The bottom line is that an agent/broker should work closely with the insurer and the insured to determine the correct replacement cost and resulting insurance limit for the home. Most insurers use sophisticated replacement cost estimating packages that can fairly accurately determine the replacement cost value of the home. Factors that these programs use to determine this figure include the following:

- Square footage of the home, including its configuration.
- Construction costs in the community.
- Exterior wall construction type, including frame, stucco, brick or brick veneer.
- Style of home.
- Number of bathrooms and bedrooms.
- Roof type.
- Attached garages, fireplaces, built-in cabinets and other special features such as hardwood floors.

The more advanced replacement cost estimating programs require detailed information to improve the valuation estimate. For example, a rectangular-shaped home with 1,800 square feet will have a much lower replacement cost than a similar-sized home with an "L" shape. In other words, the better cost estimating programs require information about the number of corners in the home. The more detailed information that an insurer asks about the home, the more confidence can be placed in the recommended limit of insurance.

As a final note, you should be aware of increasing building supply and labor costs. Work with your insureds and insurers regarding the advisability of adding an "inflation guard" endorsement to your client's homeowners policy or the availability of guaranteed replacement cost coverage to help assure that the home is properly protected.

Thoroughly Explore Those Auto Insurance Discounts

One way to keep your client's personal auto insurance premiums affordable is to assure that he or she receives all available auto insurance discounts. The following are discounts you should explore with your insurers. Some may not be available in all states and from all insurers, but it doesn't hurt to ask. These discounts may significantly affect the insurance premium.

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- **Defensive driving discount** — this discount is typically 10 percent under coverages such as liability, medical payments and collision coverage. Defensive driving courses can cost as little as $20, and take as few as five or six hours to complete. However, the discount normally applies for three years. For example, if the client's auto insurance premium is $100 per month, the premium is $3,600 for three years. If liability, collision, and medical payments or personal injury protection coverage constitute 85 percent of this $3,600 premium, the resulting premium subject to this discount is $3,060. In this scenario, the actual premium savings would be $306 (10 percent of $3,060) for that three-year period. To get the true savings, you must deduct the cost of the defensive driving class. If the cost is $26, the savings in this example would be reduced to $280. If your insured spent six hours taking the class, he or she would earn $47 per hour in savings — not an unproductive way to spend a Saturday!

- **Good student discount** — statistics show that good students tend to be more reliable and mature than students with marginal grades, leading to better driving decisions. Therefore, many states allow a 5 to 10 percent discount if the student driver makes good grades, usually an overall "A" or "B" average in high school or college. If the student has to pay (or help pay) his or her own automobile insurance, this will be another motivator to make good grades.
- **Home/car discount** — many insurers offer discounts of 10 percent to policyholders who carry both homeowners and personal automobile insurance from the same company. This can lower the costs on both policies.
- **Auto safety features** — most insurers recognize that owners with cars containing safety features may have fewer accidents and reduced injuries. Many insurers encourage drivers to purchase cars with antilock brakes by giving small discounts for this safety feature. Other insurers give discounts for vehicles with airbags and daytime running lights.
- **Auto club and professional organizations** — some insurance companies offer auto insurance discounts if the insured is a member of AAA or similar organizations.
- **Multicar** — many insurance companies provide generous discounts (up to 15 percent) if the insured has multiple cars on the policy. This reduces the insurer's administrative costs, on a per-vehicle basis, in issuing the policy.
- **Long-term customer** — more insurers are offering discounts of 5 to 10 percent if the customer stays with them at least five years.
- **Claims-free customer** — if your client has been insured with the same insurer for at least three years and has not experienced any losses, inquire about a claims-free customer discount. These discounts help insurers retain customers with excellent driving records. ■

Fifteen Ways to Win More Business in 2009

by John R. Graham

John R. Graham is president of Graham Communications, a marketing services and sales consulting firm. He is the author of *The New Magnet Marketing* and *Break the Rules Selling,* as well as an upcoming book on sales. His articles appear in business and trade publications, and he speaks at company and association meetings. He can be contacted at 40 Oval Road, Quincy, MA 02170; phone (617) 328-0069; or e-mail j_graham@grahamcomm.com. The company's Web site is www.grahamcomm.com.

Editor's note: This article is reprinted with the permission of Graham Communications. It first appeared in the February 2009 issue of the Agent & Broker Interest Group newsletter.

How fast things change these days! It seems like just yesterday Starbucks was pouring it on opening new stores. Then, before you could down that luscious latte, they're closing them.

Up until a few minutes ago, baby boomers were getting ready to retire. Now they're trying to hang on to their jobs as their retirement savings evaporate. Last year, we worried about our competitors; now we're concerned about our own company.

All this is enough to make us wonder what 2009 will be like. Some businesses are worried about getting through the storm, while others are considering new possibilities.

The year ahead will be demanding and not always friendly. However, it can be a good year for those willing to make the right effort. Here are 15 marketing and sales concepts that can drive success in the year ahead:

(1) **Get your customers thinking about possibilities.**
Disney got it right with its "Celebrate" promotion. They didn't attempt to lure visitors by pouring on the discounts. Their mission was to capture the imagination with thoughts of celebrations — Birthdays, True love, Triumphs, Reunions and, yes, Your First Visit.

Rather than telling us to buy, buy, buy, the "Celebrate" eBulletin involved visitors in creating a memorable experience. With excitement driving interest, it was Disney at its best — and marketing at its best, too.

(2) **Demonstrate strength.**
The most serious mistake a company can make in the present economic environment is *weakness*. It was a lack of consumer confidence in General Motors, Ford and Chrysler that drove customers away, not just gas guzzling trucks and SUVs. No one wants to do business with a company that they perceive as weak or shaky — or about to go out of business.

Don't let your company be perceived as a bad bet to do business with. Make sure you're visible, demonstrate strength and let it be known that there will be a tomorrow for your customers.

(3) **Craft a clear and compelling message and stay with it.**
General Motors has major problems, but the Cadillac division gets the message right for its CTS-V '09 sedan. In fact, it's truly memorable: "When you turn on your car, does it return the favor?" That will pull in the customers — perhaps those who may, for the first time, begin rethinking their admiration for "the ultimate driving machine."

(4) **Think performance.**
There's no room for excuses. Good intentions are gone. It's results that count. Unfortunately, it appears that a substantial portion of the workforce — including top executives — didn't read the memo.

Twenty-five percent of employees spend about one-quarter of their work time doing "personal stuff" online, according to network security consultant VOCO. At that rate, the cost to American business is more than $200 billion a year.

Add in text messaging, and it paints a troublesome workplace picture, one that explains why productivity continues to drop.

Both companies and workers must now pass the even more demanding performance test.

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Fifteen Ways to Win More Business in 2009

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(5) Avoid creating a stream of e-mail "sales pitches."
My 2005 Honda Element is terrific, but why did Honda wait until an economic turndown to let me know the importance of regular maintenance? They need the business is the answer, although they attempt to couch the copy in terms of helping me. Customers recognize such thinly veiled sales pitches. That's when they start looking for someone who can really help them.

(6) Stop the happy talk.
If there was ever a time to get serious, it's now. People are worried, so put away all the happy-go-lucky, "everything's great" stuff. No one wants to hear it.

The only time customers are happy today is when they see that we make their agendas our top priority.

(7) Act like you understand the situation.
When someone inquired about a particular salesperson, the business owner said, "I don't know what we're going to do. He spends his time on the golf course." In good times, that may be the place to be several times a week, but not now. If we aren't spending every possible moment helping customers, we're not doing the job.

(8) Get knowledgeable.
Spend less time on ESPN and more on Bloomberg.com and the *Wall Street Journal*. We all need to understand the larger picture, not just our own product or service. Frankly, most of the salespeople we see are so blinded by their own objectives, they don't have a clue as to what their customers are facing or the problems they need to solve. They are only interested in selling something. That's a formula for failure today.

(9) Do what the customer wants.
It's time to clear our minds of such nonsense as "It's our policy" or "I am not sure we can do that." Today, it's all about working with customers to make sure we make doing business with us as easy for them as possible. Ask customers what they want ... then give it to them. Of course, there will be exceptions, but they should not be allowed to be the rule.

(10 Build your database.
One of the major weaknesses in most businesses is contact information that's sloppy, inaccurate, incomplete, and non-existent or poorly managed.

No business can dare minimize the value of a contact information system as a competitive advantage. Yet, *most* fail to recognize that building a proper database is the only way to cultivate prospects and communicate effectively with customers. If we don't know who and where they are, we can't market to them.

(11) Stop pushing and start pulling.
If you try pushing customers to buy in this economic situation, you're dead. They won't stand for it.

Buying decisions will take longer than they are now — many times much longer. Try to change that rhythm and you're done. Once you understand the customer's particular buying process, spend time figuring out how to fit into it, not change it.

(12) Change can be disastrous.
For 20 years, "It's Everywhere You Want to Be" powered VISA's marketing. Compelling and memorable, it powered VISA's marketing. Then along came marketers who wanted to make their mark and ushered in "Life Takes Visa," a wimpish tagline if there ever was one.

Don't do things just because they're different, even if the CEO suggests it. There's no room for mistakes and there's no room for whim and personal preference. It's easy to lose your way. Just ask VISA.

(13) Professionalize your communications.
The weakest link between a company and its customers is its communications. For the most part, the letters, e-mails, memos, newsletters, and reports are so poorly written, confusing and incomplete that they damage customer relationships. Many don't make any sense at all. This is where differentiation and branding begins. When communication is done well, it pleases customers and increases loyalty.

Take a lesson from Microsoft, when you complete a call for support, the person assisting you always concludes with this question: "Is there anything else I can help you with?" They don't assume communication is complete until the customer is satisfied and actually says, "No."

(14) Have a plan and stay on it.
Most annual business plans are little more than window dressing and are quickly shelved. Everyone knows they're a useless exercise, except those who put employees through the annual painful exercise.

The annual business plan fails to deal with what's needed to make it work: *a process to assure follow through*. This is why the weekly "Staff Meeting" should be transformed into the weekly "Business Meeting" with a focus on one question: "Who's doing what to whom and when?" That makes a difference because it's accountability with teeth.

(15) **Plant the seeds of tomorrow.** Too many salespeople view prospecting as nothing more than lining up the next sale. That's a fallacy.

In reality, prospecting is a process in which customers make the decision to do business with you. Few buyers move quickly today. Many won't make a decision until their backs are against the wall.

This means that no one ever knows when a "no" will become a "yes." It happens when it's least expected. When that happens, the business goes to whoever is there. It could be you, but it may be your competitor.

If we think longer term and stay close to prospects, as well as customers, it will be a good tomorrow.

So, here they are — 15 ideas for making the most out of 2009. These are legs that strengthen your sales and marketing tools. They're practical and can help us get our arms around the issues that will make a difference. ■

Are You Embracing Technology in Underwriting? We Are!

by Jeffrey C. Schultz, CPCU

Jeffrey C. Schultz, CPCU, is the product operations senior manager, contract strategy and execution, for Allstate Insurance Company in Northbrook, Ill. Schultz earned his CPCU designation in 2007. He can be reached at jschultz@allstate.com.

Exciting news from the Personal Lines Interest Group — we are partnering with the CPCU Society's Underwriting Interest Group and Accenture, a global management consulting, technology services and outsourcing company, to present a seminar at the 2009 Annual Meeting and Seminars in Denver, Colo., Aug. 29–Sept. 1, 2009.

The program, titled "Embracing Technology in Underwriting," will summarize the results of the most recent CPCU Society/Accenture survey, which was administered to members of the Personal Lines and the Underwriting Interest Groups. The survey asked us to delve into our thoughts of what is around the next corner for underwriting and technology. In Denver, Accenture executives will provide a recap of the survey results and offer opinions based on their research.

Daniel L. Blodgett, CPCU, AIM, AIS, and I are working with our associates in the Underwriting Interest Group to also recruit personal lines and commercial underwriting executives for the seminar. These presenters will share the benefits they've seen, and challenges they've faced, in their respective companies' growing use of technology in underwriting.

If you will be in Denver for the Annual Meeting, please plan to attend this seminar to hear what your colleagues throughout the industry see as the future of technology in underwriting. There's a good chance you will hear about the opportunities and challenges of integrating technology into underwriting functions, both from personal and commercial lines' perspectives. ■

Bad Economy Will Negate Hard Market, Duperreault Warns

by Sam Friedman

Sam Friedman is the editor-in-chief of the property and casualty edition of *National Underwriter (NU),* in charge of day-to-day news operations, including the assignment, editing and placement of stories and graphic support. He also is responsible for the editorial and op-ed pages, and runs the regular op-ed column "A View From The Press Box." Friedman has served as a panel member and moderator at industry conferences, and has appeared on national television and radio programs to discuss insurance industry issues. He is a member of the Society of Professional Journalists, the Deadline Club and the New York Financial Writers Association.

Editor's note: This article is reprinted with the permission of *National Underwriter.* It appeared on the National Underwriter P&C Online News Service Web site (www.propertyandcasualtyinsurancenews.com) on Jan. 9, 2009.

The property-casualty industry is entering an "invisible hard market," with the bottom-line benefits of rising prices undermined by disappearing exposures in a contracting economy, the head of Marsh & McLennan Companies said.

"We are in the beginning stages of a hardening market, but countervailing economic forces are turning this into our first 'invisible' hard market," advised Brian Duperreault, MMC's president and chief executive officer.

Mr. Duperreault, in his speech here before the annual joint meeting of the Association of Professional Insurance Women and the New York Chapter of CPCU, noted, "When our market turns, it usually happens very clearly," and, "Normally, when we stand in the doorway of a hardening market, we know it."

But other factors are at work, he added, combining to undermine any positive impact on the bottom line. Thus, he coined the phrase "invisible hard market," explaining, "We cannot see its normally positive effects for the industry."

With available risks to insure on a steep decline, he said, "that means no dramatic change in the top line — which, combined with falling investment income, means no dramatic impact on the bottom line, either." As a result, he observed, "the instant gratification that usually comes from a hard market won't be available this time around."

Still, for the moment at least, "[insurance] supply has gone down more swiftly than demand," due to "staggering investment losses" for many carriers, he observed, forcing insurers to raise prices to compensate.

He said the reinsurance sector is leading the charge into a harder market, reporting that for Jan. 1 renewals, rates are 10 percent higher for national accounts and up 15 percent for regional risks, on average. The higher cost of reinsurance will put additional pressure on primary carriers to raise their own prices to keep pace, he added.

Warning that p-c insurers are navigating in "unchartered waters," Mr. Duperreault said that "while we may be entering a harder market, we must continue to operate as if we're still in a soft market. That means vigorous expense control, claims management and underwriting discipline."

Predicting that the positive effects of a hardening market for insurers "will become visible eventually," he said a significant catalyst will be needed — such as a "reinvigorated economy or a rebounding investment market."

He also warned, however, that a major disaster loss could change the p-c landscape in a hurry, prompting a much harder market and stiffer rate hikes virtually overnight.

"The p-c industry remains well-capitalized, despite the huge hits we've taken on the investment side, but our cushion is far thinner," noted Mr. Duperreault. With capital very hard to come by after the huge financial losses absorbed by hedge funds and other private equity investors, it will be hard to expand capacity if a significant disaster strikes, "leaving us vulnerable to a major catastrophic event," he explained.

In assessing disaster exposures, Mr. Duperreault chided the industry for what he characterized as an "overreliance on modeling," warning that "models have limits. They must be supplemented by common sense and good judgment based on your long experience in risk control."

He said insurers ignore "the risk of ruin" at their own peril.

However, despite the fact that it "looks like 2009 will be another tumultuous year for the insurance industry, the investment markets and the economy," the good news is that "the much-maligned p-c industry has weathered this storm. We've come through in far better shape than banking has."

Indeed, he lauded the insurance industry for its more responsible approach to risk. "As insurers, we think more about holding risk than trading it" — as opposed to banks, which packaged reckless subprime loans and passed them off to investors in what turned out to be toxic securities.

"We are professional gamblers," he said, "but at least we know the odds on most bets we make."

Conceding that "we're in for some very tough times," he told the packed house to "thank God you still have a job and work in an industry that's basically okay and well-capitalized and which generally did not have to run to the Fed's window for money."

Outside of a handful of carriers — mostly on the life insurance side — that are scurrying to tap federal funds from the Troubled Asset Relief Program, he said "we work in an industry that's needed, relevant and which stood the test of time." ■

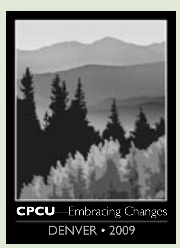
The
Personal Lines Interest Group
presents

Emerging Trends in Personal Lines Insurance — Underwriting, Claims and Marketing

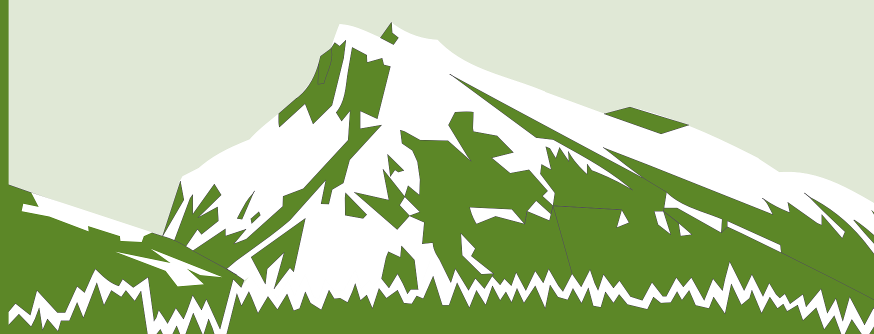
Sunday, Aug. 30, 2009 • 9:30–11:30 a.m.
65th Annual Meeting and Seminars
Denver, Colo.

Industry experts in each of three areas — underwriting, claims and marketing — will offer insights on the changes, challenges, trends and opportunities of the marketplace and how the insurance industry is responding to them.

Filed for continuing education (CE) credits, it is important that every personal lines insurance professional attend this highly informative session. And invite your CPCU and nonCPCU colleagues and friends to join you!



Visit www.cpcusociety.org for more Annual Meeting and Seminars details.



CPCU SOCIETY INSURING YOUR SUCCESS

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Personally Speaking

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