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Risk Managers at Renewal: Flat Is the New 'Win'

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Two common themes emerge when talking with risk managers in the process of renewing their insurance programs for 2014: In terms of rates, staying flat is the new "win," and effective loss-prevention programs and careful management of exposures in 2013 aided significantly in maintaining (and in a few cases, lowering) rates when it came time to go to market.

"My programs have either been flat to minimally increased, and terms and conditions have broadened a little," says Mike Liebowitz, director of risk management and insurance at New York University and NU P&C advisory board member. His renewals are within previous historical parameters for all of NYU's lines of coverage, and he sees no abnormal spiking or changes in terms of conditions.

"We haven't seen any withdrawals in coverage either; even for workers' compensation in New York City, which is a very difficult placement. But we only saw a single-digit increase. But we also saw it last year, and the year before that."

NYU saw no reductions this year in rates. "We did see flat renewals, which is already a win," Liebowitz says. "I wouldn't expect to see huge increases because we have good control of our claims, good claims handling and relationships with our insurers. There's a lot of earned premium in those relationships."

Gary Pearce, vice president of risk management for workforce-solutions firm Kelly Services Inc. and NU P&C advisory board member, says he saw high-single-digit reduction in Kelly's medical liability program, but rates for its property program, financial lines and executive coverages have been essentially flat.

"We've been fortunate for a few years in having very steady pricing," says Pearce. "We've been consistent in our exposures, and haven't given underwriters reason to look for a price increase."

Kelly's rates for executive cover are low compared to overall increases seen in directors and officers protection, a segment in which Phil Norton, national managing director for the management liability practice at Arthur J. Gallagher & Co., says he's seeing a boost. For executives at financial institutions, such as advisors, it's become a more challenging marketplace, he notes, with rate increases of 7% to 10%. On the commercial side, renewals are flatter due to increased capacity and market competition. Overall, he sees an average increase of about 3% in D&O cover.

Carriers, he says, are now looking to expand and grow their businesses in this line more than in the past few years, a phenomenon he calls "reinvigorated capacity," referring to carriers that are seeking higher rates with increased vigor, now that they've managed to tame their loss ratios.

In the public sector, those who have locked in multi-year deals for their programs have seen savings of as much as 6% in overall premium. Others, who participate in risk-retention pools, like Sarah Perry, risk manager for the city of Columbia, Mo. and NU P&C advisory board member, saw flat rates in key areas such as general liability, and mostly minimal increases except for such lines as property and excess workers' comp.

Indeed, workers' comp continues to be a cost driver if not a challenge for some RMs. Bryan Schwartz, risk manager for heavy-construction company American Infrastructure Inc., says he was aware his carrier was looking for increases in WC this time around. "Fortunately our loss history has been solid with no cat losses, so I expect we will be at a mostly flat renewal after some tough negotiation with our broker and the carriers," he says.

In the end, adds Schwartz, "I think if you have a good loss history and can show underwriters that you continue to

invest in safety best practices, you can keep rates flat even in this environment. Some of it does depend on the rest of the underwriter's book of business in that industry segment.”

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