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WEB EXCLUSIVES

Three ways to position yourself for a changing market

BOBBY OWENS

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With everyone looking ahead to what seems to be an inevitable hardening of the market later this year or in 2010, it's a good time for agents and brokers to take stock of their customers, markets and appetite for risks. In other words, are your customers ready for the hard market? Have you established sound relationships with your most important markets? And are you ready to write new or unfamiliar risks that could help you expand your book of business?

First, consider that your customers may not understand insurance market cycles, especially the unique conditions we see today. Clearly, underwriting and investment losses have cut capacity, but the dramatic price run-ups across all lines that are typical of a hard market could be masked by the recession and the resulting decrease in demand for new policies. So unless catastrophic events trigger sudden market changes, we may very well see a more gradual hardening than we have seen in recent cycles.

You need to educate your customers in a soft market, explaining how market cycles work and how they should plan for them. If your customers have been saving money in the soft market, I encourage you to tell them to put some of those savings away because you'll be back to ask for it when the market hardens and rates increase.

In other words, you should serve as the eyes and ears for your insureds, so they are prepared for what's coming down the road. You can also do this by monitoring your carriers for downgrades and other signs of weakening. Stay vigilant for changes in a company's financial condition and make recommendations to your customers.

Feed your markets

Second, you need to feed your markets. In a soft market, you may have picked up new markets where you can place your customers' business. But are you giving business to those markets consistently? If not, that may be a mistake because when the market hardens and capacity is restricted, carriers may write less business and be forced to choose fewer partners than they are working with.

In a hard market, carriers are going to allocate their capacity to those agents who are their real partners and who have been feeding them business during the soft market cycle. Remember, our business is based on relationships, and we tend to do business with partners we like and who give us business on a consistent basis.

Consider unfamiliar risks

Third, you should capitalize on tough-to-place or emerging risks, even if you are unfamiliar with them. In today's economy, there are fewer new businesses starting and fewer established businesses expanding. That means you may need to look outside your comfort zone for new business opportunities, and wholesale brokers are the ones who can help you understand and place these specialty accounts.

Develop good relationships with your wholesale brokers so you learn about their specialties, the markets they work with and all the products they actually sell. This is especially important as the market hardens and you need to find new markets. For example, if you are using a wholesaler to access difficult property coverage, that same wholesaler may have plenty of capacity for professional liability, casualty or another line that perhaps you do not work with on a regular basis.

In fact, tough risks that you are most inclined to pass by may offer the greatest opportunities. For example, the newly signed economic stimulus bill is designed to generate a lot of new turnkey construction projects that will build bridges, roads and other projects, and put people back to work. We all hope this is good news for our economy, but remember that it will also present opportunities to write new business in the construction industry. These are the kinds of opportunities where wholesalers have the knowledge, expertise and experience to structure good deals and find the right markets.

When presented with specialty risks, some retailers may choose to place business directly, but that can be time

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consuming and unproductive. When new or tough-to-place risks come along, you shouldn't worry about chasing down markets you don't know for risks you don't understand. That's where wholesalers excel. Utilize their expertise.

In my business, I am already seeing an increase in submissions, agents shopping accounts more often and other signs that the market is slowly hardening. If you have not done so already, make sure your insureds understand and plan ahead for the hard market, remember to feed your most important markets, and make sure you are taking advantage of all new and emerging risks by utilizing your wholesaler partners. Through these three simple steps you can position yourself to succeed no matter what the market cycle.

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Bobby Owens is area president of the Lexington, Ky., office of Risk Placement Services, Inc. (RPS), one of the fastest growing property and casualty wholesale brokers in the country.

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5/8/2009 8:05:57 AM
Kevin McDonald

Considering Unfamiliar Risks

Just a word of caution, echoing, I think, a recent article in Agent and Broker on E&O. Agents need to carefully consider the unfamiliar risks before jumping in. Often, an agent will not have the expertise to handle unfamiliar risks and will need to develop some skills and knowledge. Will there be enough future opportunities in the new risk class to justify the time spent on acquiring new expertise? Nobody has extra time; what will be the cost of diverting time from other prospecting or customer development activities?



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