

## **Insurers Discuss State of the Industry at Federation of European Risk Management Associations (FERMA) Forum**

Article By:

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On Monday, FERMA presented a risk manager panel focused on buyer concerns and the need for improvement in the insurance industry. While the panelists gave the insurers above average marks, there were still several areas of concern. This morning executives from Lloyd's, XL Group, Zurich, AIG and Allianz were given an opportunity to respond.

One of the concerns expressed by risk managers in Monday's panel was the seeming inability of insurers to adapt and evolve in order to meet their clients' needs. Mike McGavick, CEO of XL Group, agreed with their concern. "Our record of innovation in this industry is poor," he said. "If we aren't thinking anew about this rapidly changing world of risk, we will miss the boat, we will not move society forward, and you will find other ways to solve problems."

"We have a lot to do on process innovation to make this industry more efficient," added Thomas Hurlimann, CEO, global corporate of Zurich Insurance Company.

Another concern raised with the insurers was the perception that they are unwilling to pay claims. The insurers again saw this as a valid criticism. "I looked at the scores from the session yesterday, 5/10 for willingness to pay claims, and that's all your buying here, actually, the promise to pay," said Dr. Richard Ward, CEO of Lloyd's. "Surely we can do better than that."

Axel Theis, CEO of Allianz Global Corporate and Specialty, agreed. "In the past we haven't given claims the platform that we should have."

Part of the difficulty in getting claims paid has been attributed to the complex language used in policies. This issue was addressed by the morning's panelists as well. Peter Hancock, executive vice president and CEO of AIG acknowledged that policy language was an issue. "Policy certainty and wording is clearly a long term objective, and I think the London market's done a terrific job of eliminating ambiguity, but the U.S. has a long way to go to match that."

McGavick took a different approach. "Because claims rise in unexpected ways, they don't always fit neatly with what was discussed. As a result we have to work through it." He went on to advise risk managers to "choose your insurer in part based on their attitude toward claims as opposed to the expectation that there will never be a conflict."

This was the second panel in a three-part series presented at the FERMA Forum in Maastricht, Netherlands. The broker panel was held Tuesday afternoon.

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