

# THE BROKER

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## The 1980's — Decade Of The Crunch

By STEPHEN L. HORN II, CPCU

President, Western Association Of Insurance Brokers

*(The following is the text of a speech given by Stephen Horn II, CPCU, president of the Western Association of Insurance Brokers at the Sheraton-Palace hotel in San Francisco on February 5 for the installation of officers of the Western Association of Insurance Brokers.)*

When I began to plan my remarks for today, I considered a number of topics but I was unavoidably drawn to just one — the place of the independent insurance producer in the 1980's. I asked myself if the decade just begun would resolve old difficulties or face us with new problems. My response is that I am afraid we are in for a real crunch.

Jim Meenaghan of the Fireman's Fund has just written an excellent article on some aspects of this subject. It is in the January *Broker* magazine which is at your seats, and I recommend it to you. Since his thoughts support my own, let me begin by briefly summarizing his view of competition in the 1980's and then conclude with my own thoughts about where we must concentrate our efforts in the next 10 years.

Mr. Meenagahn describes the influx of new capital into the property and casualty insurance marketplace and how this new capacity is greatly increasing the supply of insurance. Competition for available premium dollars is being intensified by the life companies seeking personal lines, the direct writers expanding their interest in commercial lines, by captives, the New York Reinsurance Exchange, more "names" at Lloyd's, and by the off-shore carriers.

### Other Alternatives

At the same time as new risk bearers are entering the marketplace, there may be an overall reduction in demand for protection as policyholders turn from insurance to other risk management alternatives.

The keen competition is holding down premium levels in a buyer's market where supply is running ahead of demand. Some might think that the red ink in the 1979 company financial statements soon will temper the price cutting, but I think we are in for at least another year or two when premiums will remain at current levels or even decline.

This excess capacity in the market is



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great for our clients, but to the insurance producer it means that there

will be no instant bail-out from a surge of inflated commissions like we experienced in the 1970s. There will be no substitute for sound management.

While income from existing clients remains fairly static, each and every one of our accounts will come under fire from aggressive, talented competitors. We will be pressured from one side by the public brokers who must now sustain their growth with new production of smaller accounts, and from the other side by local agencies who were once only interested in life insurance or personal lines. Regardless of our individual abilities, some accounts will move for broader coverage, a promise of better service, or lower price.

New business will be hard to come by without an aggressive, risk management oriented sales program, and we will need

## Bruce D. Baker Is WAIB Broker Of The Year

SAN FRANCISCO — Bruce D. Baker, of Sweet and Baker Insurance Brokers, San Francisco, was named "Broker of the Year" by the Western Association of



Baker

Insurance Brokers in recognition of his many contributions to the insurance industry in 1979.

Mr. Baker was presented with an award plaque at the annual WAIB installation luncheon at the Sheraton-Palace hotel here.

William D. Bolton, WAIB immediate past president, in making the presentation, said:

"It is my pleasure to present the

Broker of the Year award to the member of the Western Association of Insurance Brokers who has made outstanding contributions to the insurance industry in 1979 and in previous years in working to encourage individual self-improvement through continuing education and upgraded standards.

### Training Program

"Our broker of the year is a past president of the Association whose many accomplishments during his term of office included the formation of the highly successful series of entry-level programs to train new employees of brokers and agents in the fundamentals of insurance, a program begun jointly with the Insurance Educational Association and which he served until this year as WAIB board representative."