

BEST'S REVIEW

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Chugging Along

Liberty International Underwriters drills down to find underserved niche markets.

About 15 months ago, as the global economic crisis was tightening its hold, Liberty International Underwriters chose to lay a new set of tracks.

The specialty lines writer for Liberty Mutual Group began crafting cover for smaller railroad systems designated as Class 2 and Class 3, capitalizing on what LIU Senior Vice President Robert Lala viewed as a unique opportunity within an underserved niche.

"We actually brought on board experts from two different carriers and we started from scratch," Lala said. "There's an example of a unique class of business which I believe in all likelihood will probably remain in the specialty lines."

The line now exemplifies how specialty writers are contending with, and responding to, a healthy presence of admitted carriers in the ever-changing world of excess/surplus lines space.

Lala said the difficulty is that one company's new business line is another's renewal, particularly in the United States where organic growth is limited. He said significant levels of capacity are fueling competition and creating problems for carriers, specialty writers and brokers, who



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—Robert Lala,
Liberty International Underwriters

face diminishing commissions amid dropping premium levels.

LIU has held relatively steady; its 2009 net written premium dropped 1.3% to \$2.54 billion compared to the prior year. Lala said LIU wants to maintain a stable and steady position for its client base in terms of pricing.

The vulnerability of individual specialty lines can hinge on an admitted carrier's preference for a particular area, whether it's habitational risks or maybe construction. He said specialty writers can gain an edge, since many have less bureaucracy when it comes to the decision-making process. "We're just more nimble and that enables you to respond more quickly when things come in and to make a decision on whether it's something we want to pursue or not," Lala said.

As for developing trends that may hold potential, Lala anticipates that liability coverage for discontinued

products may become more prevalent as companies merge and eliminate aspects of acquired assets. He also expects that as construction picks up, opportunities for construction wrap-up projects may increase.

"We've begun to see some of that," Lala said. "Some of the quoting we've done, they will ask us to hold the quotes open depending on funding. So that's going to be an area that we'll start to see more activity in as well." **BR**

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Excerpted from "What's Next?" by Al Slavin