

# Wholesalers as Partners When Navigating Market Changes



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By John Wood

We are all painfully aware of the impact of the deep recession our country has been mired in for the past year, and it appears that recovery will take some time. The tightening of credit and decline in consumer confidence and spending have closed businesses, stalled many new business ventures, and forced existing businesses to put expansion plans on hold. The result has been a reduction in demand for commercial insurance products and services.

The severity of this recession and the reduced demand has also had the effect of masking the hard market that most of us expected by now. These trends were revealed by the National Association of Professional Surplus Lines Offices (NAPSLO) survey conducted in May of its members, primarily wholesale brokers and surplus lines carriers.

Although there has been a decline in premiums, the majority of survey respondents reported that they had not seen a decline in capacity or a tightening of terms along most specialty lines. Respondents did say they were seeing an increase in submission activity and a decline in renewal retention along several lines — signs that agents, on behalf of their insureds, are shopping for the lowest rates.

In today's unprecedented economic environment, we may see a more gradual hardening than we have in recent cycles. As the NAPSLO survey pointed out, many expect that the eventual hardening of specialty lines could happen sooner if there is either a shift in our economy and/or a major catastrophic event in 2009.

When the economy improves and consumer confidence increases — and we are starting to see some encouraging signs — businesses will begin taking risks again. Entrepreneurs will open new restaurants, construction will begin on new plants and facilities, and all the related services for those ventures will create risks for which the standard markets may not have the appetite. There will always be market cycles and

there will always be risks that don't fit into the appetite of the standard markets.

How can you make sure you are ready for the changing market cycle so you don't miss out on business that can enhance your revenue stream?

One of the themes I have advanced during the past year while I've had the honor to serve as president of NAPSLO is

the value of long term relationships between retail agents and wholesalers. By developing these relationships, especially in uncertain economic times, agents can gain the quickest access to the markets they need.

Long-term relationships between agents and wholesalers really matter, because often by the time an agent calls us they have already exhausted their routine options, and they need to meet their customer's needs quickly and proficiently. In the long term, solid relationships with wholesalers can prove to enhance an agent's revenue stream and provide a solution for the customer's puzzle. Wholesale brokers are experts at navigating market shifts and can offer per-

spectives to make informed decisions during times of economic uncertainty. Their expertise is in specific specialty markets, helping solve problems and place new and difficult risks.

Their broad perspective on specific specialty lines and industries gives valuable knowledge about markets you don't work with every day. By seeing a critical mass of business in niche areas, wholesalers have real-time market knowledge on capacity, pricing, risk appetites, terms and program design.

What this means is that you get the latest market knowledge, better solutions for you and for your customer, and quick and easy access to the markets needed. And I should remind you that history has shown, in hard or soft markets, wholesalers and surplus lines carriers emerge strong and solvent. In fact, the E&S industry has outperformed the standard markets in recent years and has ample capacity to meet all your specialty lines needs.

I have concluded that it doesn't pay to live and die by the hard and soft market cycles. The market is the market, and I believe it can be different every day. This is just another reason why leading retail agents need a relationship with an experienced wholesale broker who can access needed markets and coverage. This special relationship is important today and into the future. ■

Wood is president of Specialty Risk Associates Inc., a managing general agency and specialty lines insurance broker with offices in Shreveport and Baton Rouge, La., Ridgeland, Miss., and Grapevine, Texas. He is also president of the National Association of Surplus Lines Offices, a national trade association representing the specialty lines insurance industry, including surplus lines.

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