

The Americas: lands of opportunity

From pioneering times to the modern day



David Duclos
Chief Operating Officer, XL Insurance

THE UNITED STATES has often been called the “Land of Opportunity”. Over the centuries, immigrants have flocked to its shores seeking opportunities to own land, practice religion freely, move up the socioeconomic ladder and, to this day, conduct business.

While emerging economies in Asia, Latin America, Eastern Europe and other parts of the world are indeed offering growth opportunities for the global insurance industry, the US is still the largest and fastest growing commercial insurance market and very much a place of opportunity for well qualified and financially secure insurers.

In general, and throughout its history, growth in the insurance industry has been fueled by increasing levels of income and wealth within the markets it serves. Areas which show high growth in gross domestic product

(GDP) are those areas which generally purchase the most insurance. While premium volumes continue to grow in emerging markets such as China, premiums per capita are still quite low compared to those in developed countries. With a per capita GDP of \$43,500 in 2006, the US is the largest economy in the world (*CIA World Fact Book*), and therefore, remains well positioned to continue attracting the largest portion of global insurance dollars.

Aside from the advantages of this wealth, US businesses operate in a significantly more litigious society than many other parts of the world. In a wealthy economy, minor incidents tend to result in more costly claims.

Recent events have also prompted US businesses to seek appropriate coverage to protect their assets from some

very specific, sometimes new, risks. Natural and man-made catastrophes, for instance, have highlighted the advantages of having business interruption coverage, as well as contingent business interruption coverages, to keep a business financially secure even when operations or supplies have been halted. Similarly, corporate scandals and the subsequent passage of Sarbanes-Oxley legislation have increased the demand for insurance for corporate directors and officers in both public and private companies. This requirement for increased transparency has resulted in businesses’ desire to address their potential liabilities more aggressively on many levels. To allay shareholders’ concerns and help protect the balance sheet from environmental liabilities, for example, environmental insurance is being used more frequently as a risk management strategy.

From protecting intellectual property to minimizing exposure to cyber risks or environmental liability, the global insurance market continues to face a demand for protection against emerging business risks. Growth in a strong, mature market like the US requires its own set of strategies. For XL Insurance, as an example, continued success and growth in the US insurance market will depend on investing the right resources to support the changing needs of US risk managers and brokers by expanding product capability, enhancing customer service and establishing an even greater presence in key business markets.

While the US is certainly not the sole target for XL Insurance's growth, it is a strong starting point to fuel its regional growth throughout the Americas. With close proximity to client support in key business hubs and industry expertise, Canada and Latin America are also emerging as important growth areas for XL Insurance.

To enhance customer service, continued focus on industry specific risks will also drive success in the Americas. Any given industry — construction, manufacturing, aviation, energy, and real estate, to name a few — has its own specific risks and trends. Maintaining or increasing market share throughout the Americas will require insurers to deliver industry-focused risk management solutions supported by extensive industry expertise and knowledge, not only in the underwriting of policies but also in the prevention of risks up front and the claims administration.

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Meeting market needs

While the US is by no means an emerging market, there is plenty of room for XL Insurance to grow in the region, according to Dennis Kane, COO for the Americas. In the mature, but expanding US commercial insurance market and neighboring Canadian market, growth opportunity will be driven by demands for:

QUALITY PROPERTY CAPACITY: *While the 2005 hurricane season may have shaken the property market momentarily, insurers have worked hard to prepare themselves to meet the demand for property coverage — even in areas prone to natural catastrophes. “Disciplined underwriting, client loss prevention, education and improved catastrophe modeling leaves XL Insurance well equipped to handle the issues that the industry has previously faced,” says Dennis.*

DIRECTORS & OFFICERS LIABILITY: *Concerned with Sarbanes-Oxley, securities litigation, poor financial performance and practices such as stock option back dating, executives need personal liability protection. “Executives carry a heavy fiduciary and legal responsibility to shareholders,” explains Dennis. “To entice the most qualified executives to sit on their boards, companies see value in offering strong personal asset protection such as broad A-side coverage.” US companies are not alone, according to Cindy Guyatt, XL Insurance’s Country Manager for Canada, who notes: “The personal demands and potential financial risks to company executives in Canada make top quality D&O coverage very desirable.”*

SPECIALTY ERRORS & OMISSIONS COVERAGE: *The US economy is a service-based economy and those providing services — lawyers, real estate agents, consultants, communications professionals — need tailored professional liability protection and risk management assistance.*

ENVIRONMENTAL INSURANCE: *Environmental cleanups can carry a hefty price tag. Standard Commercial General Liability (CGL) policies offer very limited or no pollution coverage. Many businesses have found themselves facing the high cost of environmental exposures uninsured. “Over the last two decades, businesses have grown more aware of potential environmental exposures and added pollution coverage to their insurance portfolio,” says Dennis, adding that contract or lender requirements in property transactions are also resulting in more demand for environmental insurance.*

INDUSTRY-SPECIFIC RISK MANAGEMENT EXPERTISE: *“From the construction industry to the upstream and downstream energy specific industries, customers have a wide range of risk management concerns,” says Dennis. “XL Insurance has a significant global presence in both construction and energy and we see new opportunities emerging in the US and Canadian markets as both countries prepare to face the increased future demand for energy and the technology and infrastructure necessary to meet these demands.”*




Dennis Kane
Chief Operating Officer, Americas

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Lands of opportunity, continued

Not all risk is attractive to all insurers. They may not be equipped to handle it and at various times in the past, have shown that they are not afraid to walk away from difficult risks. Industry knowledge and expertise is what also qualifies insurers, like XL Insurance, to take on business's large, more complex risks. In a business world that is unquestionably more challenging to navigate, the demand for the highest levels of risk management expertise is not likely to diminish.

Rather than face these risks unprotected, businesses in the US, Canada and Latin America may come to rely more heavily on insurers who continue to commit time and resources to understanding and addressing complex, industry-specific risks.

For XL Insurance, the Americas are, in fact, the lands of opportunity. 

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