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AIG eyes 'double-digit' property rate hikes as CEO says pricing 'isn't any good'

By Tim Zawacki

American International Group Inc. gained traction during the third quarter in its efforts to raise rates for commercial property business, and executives said they are targeting "double-digit" risk-adjusted hikes.

"We definitely see the sign of a market change here," President and CEO Brian Duperreault said during a conference call.

Property pricing has "all the ingredients for a significant improvement." In addition to what he characterized as "unsustainable" current pricing, Duperreault said the market has been "living off" of the profits that resulted from several years of benign catastrophe activity and, due to recent storms, no longer exist. Additionally, he called into question whether catastrophe models are "hitting the mark" relative to the level of exposure the industry maintains to certain events.

AIG General Insurance CEO Peter Zaffino said the company has been "overcommunicating" with distributors regarding its reasons for pursuing property rate increases, including for non-catastrophe-exposed business.

"The [catastrophes] have been a catalyst for pushing rate, but the accident years have underperformed with a lot of rate pressure from the better part of the last four years," Zaffino said. He noted that the rate increases that AIG began to push during the third quarter have been holding, but he cautioned that it is "early" and that the seasonality in the book means that it may a "little bit of time" for the process to play out.

Duperreault, when asked by an analyst to compare how the current pricing situation compares to previous periods, said hard markets "tend to be localized" and end in different ways, but they usually share a common starting point.

"It starts with the fact that the pricing, [at] whatever level, isn't any good," he said. "And we certainly have that aspect."

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