Q & A: Insurance Information Institute’s Robert P. Hartwig

Robert Hartwig

Robert P. Hartwig, president and CEO of the Insurance Information Institute (III), has been one of my most valued sources for facts and opinions about this often misunderstood industry.

Hartwig is leaving in August to become a faculty member and co-director of the University of South Carolina’s Moore School of Risk and Uncertainty Management Center. Hartwig, who has a Ph.D. in economics, also has a Chartered Property Casualty Underwriter designation.

Hailing from Oxford, Mass., which he describes as a one-traffic-light town during his youth, Hartwig has an impressive resume that includes key positions at Swiss Re, the National Council on Compensation Insurance (NCCI) and the U.S. Consumer Product Safety Commission. Hartwig joined III as its chief economist in 1998 and became president in 2007.

As a reporter, I first interviewed Bob while he was working at the NCCI 20 years ago. My first truly Hartwig experience, however, took place when he sent me a 75-page “Drink From My Firehose” presentation as a basis for interview questions. As I was drowning from the waterfall of information, Bob helped me work through the pertinent material for an article.

True to his ever-helpful and insightful nature, Bob shared a few moments to talk about his views on the insurance industry, why he is joining the ranks of academia and more . . . .

Question: In the midst of traveling 150,000 miles annually, offering presentations and answering media calls, what do you do in your personal life?

Answer: I am an avid traveler and love seeing new places and experiencing different cultures. My job at the III has allowed me to travel all around the world, but I usually don’t have a chance to soak up any of the local experience. On a recent business trip to Germany, for example, I was on the ground for a total of seven hours. On a trip to Beijing, I was there for a total of 14 hours. In my next career I hope to be able stay awhile!

After I arrive in South Carolina, I intend to get back into piloting airplanes. Ironically, because I was traveling so much for the III, there was no longer any time to fly on my own.

Question: What do you miss the most about flying airplanes?

Answer: Flying airplanes is not only exhilarating but it commands 100 percent of your attention. You think about nothing else other than flying the aircraft. It gives me an adrenaline rush and at the same time allows me to forget about everything else!

Question: Why did you go into insurance?

Answer: I've always been a numbers person and have had a lifelong fascination with statistics. I had a great opportunity back in 1993 after finishing my Ph.D. to work in the actuarial group at NCCI. It was the total immersion method of learning insurance but I wound up loving it.

Question: What has been your most fulfilling role so far in your career?

Answer: I love defending the industry against its critics — be it the media or on Capitol Hill. I enjoy the challenge. The insurance industry has a noble and necessary mission, but one that too often misunderstood or deliberately mischaracterized.

I've also love being a part of the industry in the aftermath of major disasters. With my office being in lower Manhattan, I had a real-time front row seat to the devastation and horror of the 9/11 attacks and was very proud of how this industry helped New York City and the country overall recover from those attacks. The industry truly fulfills its role as the nation's "economic first responder." The same is true after numerous other devastating events, including Hurricane Katrina and Superstorm Sandy.

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Question: As you think about the insurance industry during your career, what is going well?

Answer: Despite opinions to the contrary, I think the industry has adjusted fairly well to rapidly changing nature of risks in the global economy.

My nearly 25 years in the industry began shortly after Hurricane Andrew in 1992, which became the most costly natural global at that time. The industry has adapted well to not only more frequently and costly natural catastrophes, but also the new risks of the 21st century.

Insurers are also rapidly ascending very steep learning curves for new risks such as cyber, supply chain, intellectual property, the "sharing economy" and the "internet of things." It's a brave new world, but all signs point to industry seizing opportunities and providing the risk management solutions that businesses and people need for the decades ahead.

Question: Where does the industry still need improvement and where do you have concerns?

Answer: While the industry is moving in the right direction in terms of offering underwriting and risk management solutions for the 21st century, advances in technology and data analytics potentially threaten to disintermediate the industry from its life's blood—the flow of information from customers and producers to the insurer.

Any interruption of this flow would also threaten insurers' role as the analytics engine that supports the pricing and underwriting of risk. Insurers have the edge, but need to beware of potential usurpers seeking to upend the insurance industry's value chain.

Question: Thanks for being such a reliable source for insurance information. I hope you will still accept media calls.

Answer: I'm looking forward to working with media in my new role in addition to continued interaction with the many stakeholders of this vital industry.

(Note: Starting Aug. 8, III's new top leader will be Sean Kevelighan. To learn more, click here.)

Personal Auto Pricing Since Great Recession

Many changes have taken place since the Great Recession, forever altering the personal automobile insurance pricing cycle. My latest *Actuarial Review* article, which is already attracting positive feedback, takes an in-depth look into what has affected personal auto insurance premiums since 2008.

The article, called, "The New Cycle of Pricing Personal Auto" covers several pertinent factors including:

- The relationship between frequency and employment.
- The curious sudden accident uptick in frequency by miles driven in the 4th quarter of 2014.
- The gradual increase in costs per claim (severity).
- A marked increase in driver distractions not just from cell phones but infotainment systems.
- A growth of driving while under the influence of marijuana and accident increase in states where use is legal.
- Auto manufacturers' safety features reducing the frequency and severity of accidents.
- Big data and predictive modeling transitioning from a unique pricing strategy to a common insurance business practice.
- Low interest rates.

I am unaware of any other article that comprehensively looks into the auto insurance pricing cycle since the Great Recession. Thanks to James Lynch from the Insurance Information Institute for his assistance. Enjoy!

What do you think has most affected the auto insurance pricing cycle?

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