

Insurance Times: Berkshire Life gets a new 'guardian' to help it grow
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Merger with giant Guardian frees Berkshire Life to grow by exploring new products, including possibly LTC, specialty and workplace products

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PITTSFIELD, Mass. — After a century and a half of independence, Massachusetts' Berkshire Life begins the 21st century reborn in a much different way — as a wholly -owned subsidiary of a big New York company. But the Pittsfield, Mass. institution still hopes to grow a niche market for itself, with big plans to expand its disability income insurance offerings — an arguably risky product line in recent years.

Guardian's Disability

The growth plan is part of the merger deal between the two companies closed at the end of June: Berkshire gave Guardian its life insurance business but in return will become Guardian's sole provider of disability income insurance. "It's a great opportunity because we've got probably less than 10 companies that offer the quality disability income coverage that professionals need, and the owners of (small) businesses need," said John Bergstrom, Berkshire Life's senior vice president and chief marketing officer.

The move comes at a time when disability income insurance hasn't exactly evolved into a booming market. Disability income insurance grew in the late 1980s and through the 1990s after many companies chased the medical/dental market and wanted to increase their share.

Companies began to offer either simplified underwriting, guaranteed issues or discounted premium, Bergstrom said. But instead, as managed care took hold, a lot of doctors found themselves making less money and there was less of an economic incentive to return to work if they became disabled.

Losses mounted, and "about 80 percent of companies offering individual disability income coverage got out of the business," Bergstrom said, adding that companies like Minnesota Life Insurance are "still ... exiting the business."

So if everyone is exiting, why should Berkshire jump in?

"We luckily escaped the difficulties of the late 1980s and early 1990s and we were able to continue to offer the product," Bergstrom said.

He added that Berkshire carried a loss ratio of about 60 percent of premium through that period, which is considered "very good" compared to an industry average of that time of just over a 100 percent loss ratio.

Berkshire's loss ratio now, he said, is "a little bit less than 60 percent."

Growth Areas

Positive loss ratios aside, Bergstrom said Berkshire sees a number of growth areas for its disability income coverage. "There's an awful lot of penetration in medical and dental markets," he said, but the company sees growth potential in other professions like architects, accountants, attorneys, business owners and executives.

"They may have group coverage but don't (necessarily) have individual coverage, which typically offers more protection," Bergstrom said.

Berkshire's disability coverage will have the Berkshire name attached along with a Guardian label. All other Berkshire policyholders are now officially Guardian policyholders, though their policies will continue to be serviced out of Pittsfield, as well as annuities and disability insurance.

Bergstrom also talked about a number of other issues relating to the merger. Among them:

- Agents. The merger and Berkshire/Guardian's shifting of business won't affect agents that much, Bergstrom said, adding that agents have offered generally positive responses to the whole deal.

"They're very comfortable with the Guardian brand," he said.

- Merger strength. Bergstrom said Berkshire has a greater ability to develop new products thanks to a merger with the much-larger Guardian.

"Not that we couldn't do these things before," he said. "I guess we could do more of them now."

- Product expansion. Berkshire Life is gearing up to expand its product offerings.

The company is developing an income coverage for the multi-life case marketplace, as well as a work site marketplace

product, where employees at manufacturing firms would be offered disability income coverage to supplement group coverage voluntarily.

Berkshire Life is developing a product to cover people who work from home, beginning in September.

“In the past it was hard to get quality disability income insurance if you worked out of the home,” Bergstrom said.

In addition, the company is creating a product to insure people so they can still contribute to 401K plans if they become disabled something Bergstrom called “a retirement completion type” of policy

- Possible future plans. Berkshire Life is looking into creating specialty life and health products, such as working in the “high end corporate market, targeting Fortune 1000 companies for ... corporate owned life insurance (COLI).

Along those lines, company is also considering establishing long-term care coverage and work site products for life, disability insurance and dental.

- Claims trends. Claims trends in the disability income line seem to be relatively stable, Bergstrom said, though he adds there isn't detailed information available because companies don't share it.

“But I wouldn't say there are any abhorrent claims behavior happening now in most of the segments,” he said, “but that's a very general comment.”