

Insight from the CEO

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Summer 2001

One can only hope what has happened in our industry over the last several months will have some positive effects. We have been counseling you over the last several years that the abandonment of sound underwriting principles for premium volume will eventually have the effect of writing yourself out of business.

EXPENSIVE LESSON

Ray Hrdlicka was the first proponent of the call center approach to writing bail, and now he is the first to fulfill our prophecy. The lack of due diligence and the greed by some carriers allowed him to continue long after he should have. By the time Hrdlicka left Ranger he was already technically bankrupt, which is evident by Ranger's present lawsuit against him for a massive amount of losses and unreported powers.

AIG proved to be as ignorant as a lot of others who have ventured into this business without doing the proper homework, or having the proper internal procedures to monitor the business. I don't feel sorry for them, they are big boys, and with the kind of profits they make this will not do them much harm financially.

As usual, however, it is the industry that will get the black eye. New companies should be very apprehensive about entering into this industry, and insurance departments should do a better job of monitoring the controls placed on MGA's by their carriers. These would be positive things, but time will soon put them on the back burner again. Let's hope that some of these new carriers will wake up and start looking into how these so called super retailers are operating. I would be surprised if they took their head out of the sand long enough to look past their present cash intake.

I remember well being approached by Hrdlicka and his then carrier's representative asking that we have our agents refer all their so-called "bad bonds" to him because they specialized in "putting" this type of bond together. The carrier representative obviously was not playing with his money or he would have canceled him on the spot instead of encouraging him. He probably contributed to his later demise at this company.

SO LONG TO AN INDUSTRY GIANT

In reading the trade papers on the demise of Amwest, I felt as if I was reading about Allied Fidelity. Allied went bankrupt in 1986. Here were two perfectly good bail companies who failed because they delved into lines of insurance where they had no expertise. The desire to be something other than just a "bail company" came with a heavy price. Dick Savage, founder of Amwest, had always been sort of an icon for me, evolving from a bail agency to his own surety company, as did Bill Roe founder of Allied, only to let his successors screw it up. Greed will get you every time.

A California General Agent along with a number of his agents and employees were arrested and jailed earlier this year and charged with a number of insurance code violations stemming from their allegedly paying inmates to steer clients their way.

Why would you enter into an illegal enterprise such as paying jail inmates for bond leads and then keep written records of it? Then on top of it post an illegal bond to get yourself out of jail. It reminds me of the movie "Dumb and Dumber". Just about the time we get the proponents of the Pre-Trial Release programs backed into a corner, we shoot ourselves in the foot and feed them more ammunition. D. Allan Henry will be having a field day with all of this for awhile. We continue to be our own worst enemy.

We are allowed to remain in business to assist in the reduction of jail over-crowding and to see that defendants appear in court when required. For the most part the majority of the individuals in this business do their jobs, but unfortunately those are not the people who get all the publicity. It's the quick buck artists who always seem to get the notoriety. They are generally the ones who also have teams of "bounty hunters" running around creating additional liabilities because they didn't do their job correctly in the first place. If you collect your premiums and collateralize your risk, you minimize your loss and maximize your ability to locate a missing defendant and everyone becomes a winner. It's not what you bring in the door that's important, but what you keep from going out. That is known as profit.

LEGISLATIVE FRONT

There were several pieces of legislation passed this year. Of note, Ohio passed legislation which completely overhauled the existing bail laws, which had gone untouched for a number of years. For the most part it's a good law that may require a few tweaks here and there. A good job was done by bail

association members who were instrumental in its passage. Texas amended the Texas Occupations Code (formerly known as the Bail Bond Act) to include, in part, an increase of the license deposit to a minimum of \$50,000 in all bail bond board counties and requiring each agent to have a minimum of one year of continuous work experience in the bail bond business and to have completed at least eight hours of continuing legal education in criminal law course or bail bonding law. These changes have raised the bar for those who want to do business in the Lone Star State.

The Federal Bail Bill pertaining to bounty hunters and civil liability is stirring once again. From what I've seen of the rewritten bill it's in a form that's tolerable. We will continue to monitor this bill closely and provide input where needed.