



# 2019 RISK MANAGEMENT WORKSHOP



## Commercial Insurance Industry: State of the Union

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# Agenda

- Expected P&C Rate Changes for 2019
- 2017 Underwriting Loss
- Issues to Watch in 2019
- Combined ratio
- Impact of rate changes on loss sensitive plans

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# Insurance market realities - Willis (Executive Summary 2019)

## Property & casualty Industry

- A. Auto - 6-12 % Increase
- B. Management Liability, Including EPLI - Flat - 5% Increase
- C. General Liability - Flat- 4% Increase
- D. Umbrella - 5-10% Increase
- E. Work Comp -10% to +10% Increase
- F. Cyber – 5-10% Increase

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# How Bad Was P/C Insurers' Underwriting Loss in 2017?

- The U.S. property/casualty industry recorded a net underwriting loss of \$23.5 billion for year-end 2017, according to preliminary results from A.M. Best. That was \$18 billion bigger than the underwriting loss in 2016.
- The 2017 underwriting loss was mainly due to an estimated \$52.9 billion paid out for catastrophes, more than double what P/C insurers handled the previous year, according to the A.M. Bests.
- The industry's combined ratio for the year came in at 103.8, a three-point deterioration versus what it was in 2016. The 103.8 ratio was the worst of the last five years.
- A.M. Best estimates that the catastrophe losses account for 10.0 points on the P/C industry's combined ratio, up from an estimated 4.9 catastrophe points in the prior year.

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# Workers' Comp issues to watch in 2019 per Insurance thoughts in leadership 01/11/19

1. Need better medical cost controls especially with lower opioid use
2. 2018 elections included 8 new governors which will elect 8 new insurance commissioners and legislative judges this affecting future WC rates
3. Value based care including wellness and telemedicine will also be used with WC to lower costs similar to EB

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# Workers' Comp issues to watch in 2019 per Insurance thoughts in leadership 01/11/19

4. Larger severity cases due to improved plaintiff law firms
5. Impaired workforce due to medical marijuana
6. Better and more timely & accurate claims data/analytics to better manage risks
7. Training & reducing workplace violence

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# NCCI Annual Issues Symposium 06/18/18

A. Need to continue reducing opioid use. In 2013 it was 55% and in 2016 it decreased to 45%

B. Controlling use of medical marijuana

C. Push for legislative reform in key states to lower WC costs

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# Predictions for WC on 01/02/19

- A. Unemployment rate is under 4%
- B. Instability in White House
- C. Divided Congress
- D. Uncertain economic outlook
- E. WC rates have to increase to cover costs and since other lines are increasing at higher amounts - WC may need to be account underwritten

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# Predictions for WC on 01/02/19

F. Natural disasters & cyber/security events, economic downturn

G. Slow down in WC M&A

H. PBM decreased costs required to stay profitable

I. Control medical facility costs for treatments

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# What's Keeping WC Execs up at Night?

## NCCI 01/15/19

Focus on top 5 challenges:

1. Adapt to changing workplace (i.e. remote workers, sharing economy, etc.)
2. Maintaining profitability with WC since over last 17 years have dropped net 30 pts and last year over 10%. No more room due to undeveloped losses.
3. Determine appropriate medical care for treatment
4. Economic outlook and political Instability
5. Needed legislative reform in key states

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# Conditions Favorable

Conditions currently favorable, fell 5% overall in Q3 2018

Favorable Pricing Driven in Part

- Positive Developments
- Decline in average loss ratios
- Decline in lost time claims
- Slowing of pace in claim severity
- Combined ratios lowest in 50 years

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# Combined Ratio – Target Low 90s

## Fixed Expense – Average 30%

- Reinsurance Costs
- TPA Costs
- Underwriting Profit
- Commission

## Developed Losses

- Average 65% - 75%
- Target 60%

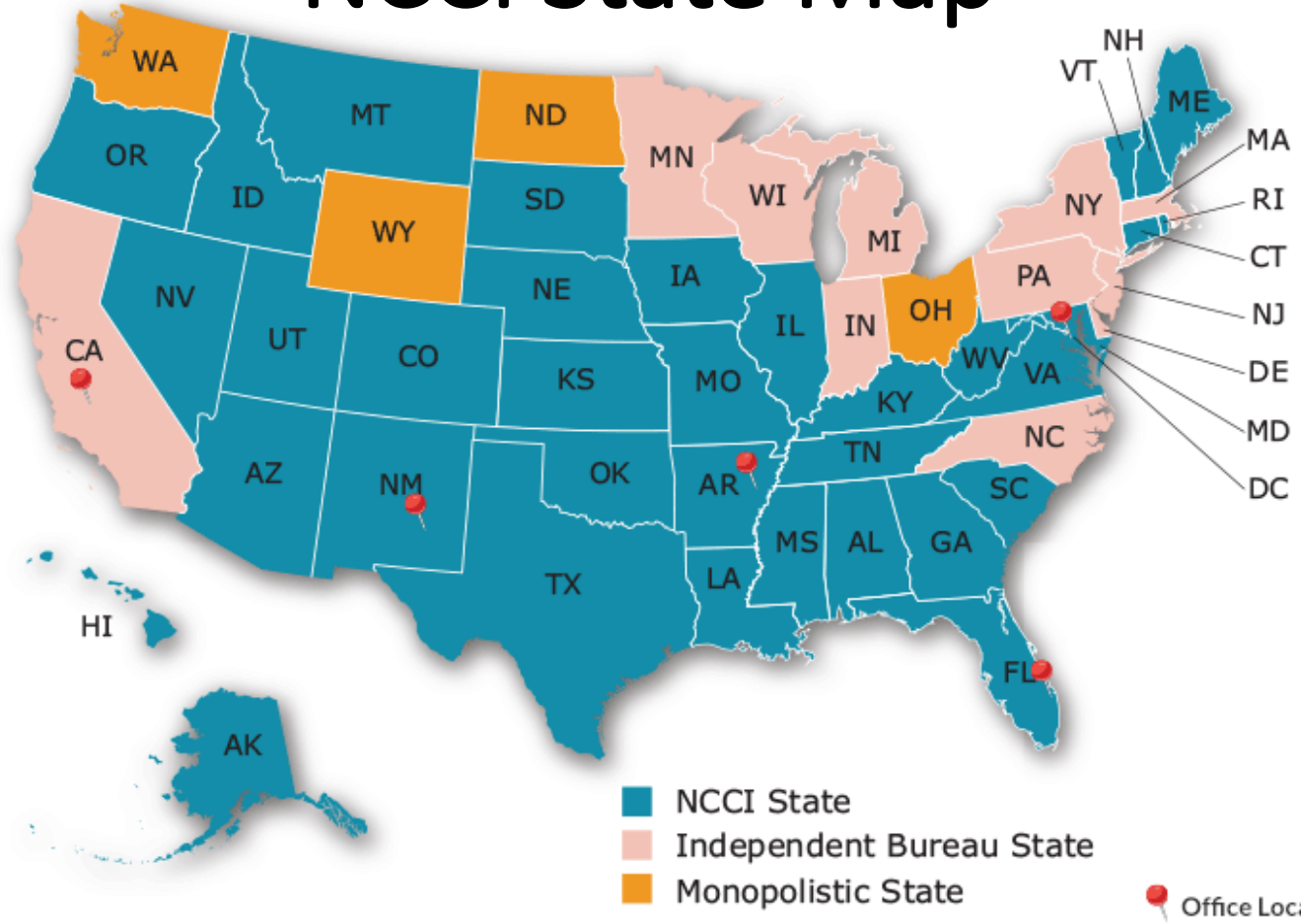
Fixed (30%) + Developed Losses (60%) = 90% of Premium

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# NCCI State Map



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# Overview of Largest WC Carriers

Those who write PEOs via large deductibles

1. AIG
2. Chubb
3. Zurich

Those who write PEOs via Small Deductible and GC

1. AmTrust
2. HIIG
3. ProSight
4. State National/Chubb

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# Overview of Largest WC Carriers

## Other Markets

1. Seabright
2. Sunz
3. Markel
4. Berkshire Hathaway
5. Competitive State Funds (CA, TX & NY)

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