

Northeast Ohio RIMS October 12, 2010

Casualty Update

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Casualty Discussion Points

Primary Casualty:

Pricing

Points to ponder

Markets

Umbrella/Excess Casualty:

Pricing

Points to Ponder

Markets

Capacity

What Else:

Product Recall

Primary Casualty - Pricing

Reading the waves for October

- Very different than last year and last quarter
- Exposures leveling: flat ~ +3.0%
- CA WC seeing price hardening and other states increasing
- National Carriers trying to get rate of +10% but not getting it
- Targeting flat premiums for larger accounts
- Large auto fleets need to brace for carriers to TRY to push rate: reinsurance market hardening for this exposure
- Competition plentiful – regional insurers driving more aggressive pricing
- Middle market accounts in the Midwest still seeing tremendous rate reductions

Note: Overall Commercial Insurance Rates Decreased 6.4% on Average through Q2-10 * CIAB News Release July 19, 2010

Primary Casualty – Points to Ponder

- **Consider lower deductibles/retentions to reduce uncertainty and collateral**
- **Read and negotiate your program agreements before you pay your premiums: Collateral Remains Key Issue for Clients**
- **Increased market emphasis of combined GL/Environmental Products: Products and incidental environmental!!**
- **Consider buy-outs to close out liabilities while carriers are hungry for premium**

Primary Casualty – Markets

- **Ace, Arch and Zurich not quite as aggressive as some others**
- **Chartis – Is the honeymoon over?**
- **CNA – Staffing up for growth**
- **Hartford – Sleeping giant awakes**
- **Safety National – Expanding breadth and scope into liability**
- **Sentry – Moving beyond traditional geographic scope**
- **Travelers & Discover Re – Picking their spots and industries**
- **XL – Will their new leadership change their approach?**
- **Liberty Mutual – Will their new structure really make a difference?**

Is consolidation such as Old Republic/PMA only the beginning?

Umbrella/Excess Casualty – Pricing

- **Leads trying to sell rate – targets 10% BUT competition trying to gain market share**
- **Excess capacity in mid-excess and upper layers continues to drive rates down (20%-40% DECREASES on some accounts)**
- **Trend expected to continue for desirable classes and accounts with clean loss history**
- **Willingness to move from incumbent carrier will further drive rate decreases**
- **Certain classes of business and exposures will be limited (chemicals, medical/automotive products, healthcare)**

Umbrella/Excess Casualty – Points to Ponder

Expect to answer detailed questions about end use of products and partnerships

“Enhanced” overages have crept back into many base forms (i.e. Professional Liability?)

Claim Handling - Not all Carriers are created equal when it comes to catastrophic claim handling!

Punitive Damage Coverage – Many options exists with Most Favored Venue (MFV) increasing in popularity.

Auto Buffer – consider securing an auto liability buffer for fleets above 500.

Multi Year Commitments are available, particularly from incumbents who don't want to loose you.

Umbrella/Excess Casualty – Markets

Expanding Appetites and/or New Capacity:

- Allied
- Ironshore
- Torus
- Endurance
- Altera
- CV Starr (and related Companies)
- Swiss Re

Traditional Players that can't be ignored:

- Chartis & Lexington
- Zurich
- Ace
- Travelers
- XL
- Chubb
- Berkshire

Umbrella/Excess Casualty – Capacity

- **Arguably at all time high**
- **Not all capacity will write all classes, attachment or offer the same terms and conditions**
- **Theoretical capacity is excess of \$1.8B**
- **Realistic Capacity when considering Carriers management of aggregation and other factors \$1.25B**

Product Recall

- **Primary vs. Excess**
- **USA vs. Rest of the World**
- **Food and Beverage vs. Automotive/Consumer Products**

Summary: Points to Ponder

- **When are claims manifested and paid for long tail lines of insurance?**
 - Worker's Compensation: 1 - 30+ years
 - Auto Liability: 1 – 5 years (avg.)
 - General Liability including Products Liability 1- 20+ years
- **Coverage triggers and claims reporting**
 - Occurrence (when event is occurs)
 - Claims Made (when the claim is known)
 - Occurrence Reported (when the occurrence is reported)

Looking Back to 1989

Top 10 US Commercial Casualty Insurers:

- **Aetna**
- **Cigna**
- Chubb
- **Continental**
- Hartford
- **The Home**
- **Kemper**
- Liberty
- Travelers
- **St. Paul**

** Alphabetically

Casualty: Drivers for Success

- **Provide Meaningful Data/Information of your Business and create Submissions that differentiate your organization**
- **Invest in Actuarial to support your conclusions**
- **Meet your Underwriters, face to face meetings with Carriers go a long way**
- **Be flexible and consider options outside your current pattern (deductibles, emerging carriers and overages)**
- **Evaluate your coverage triggers**
- **Not all Carriers are created equal when it comes to catastrophic claim handling!**
- **Value relationships while retaining market competition for your Program**

Closing & Questions

Thank you