



State of the Market Update

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Workers' Compensation

"Soul" Remedy

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P/C Industry Net Combined Ratio

Private Carriers

Line of Business	2015 (%)	2016p (%)	Difference From 2015
Personal Auto	105	106	1
Homeowners	92	93	1
Other Liability (Incl Prod Liab)	103	111	8
Workers Compensation	94	94	0
Commercial Multiple Peril	95	102	7
Fire & Allied Lines (Incl EQ)	86	90	4
Commercial Auto	109	111	2
All Other Lines	84	87	3
Total P/C Industry	98	101	3

State of the Workers Compensation Market

Written
premium has
been
increasing

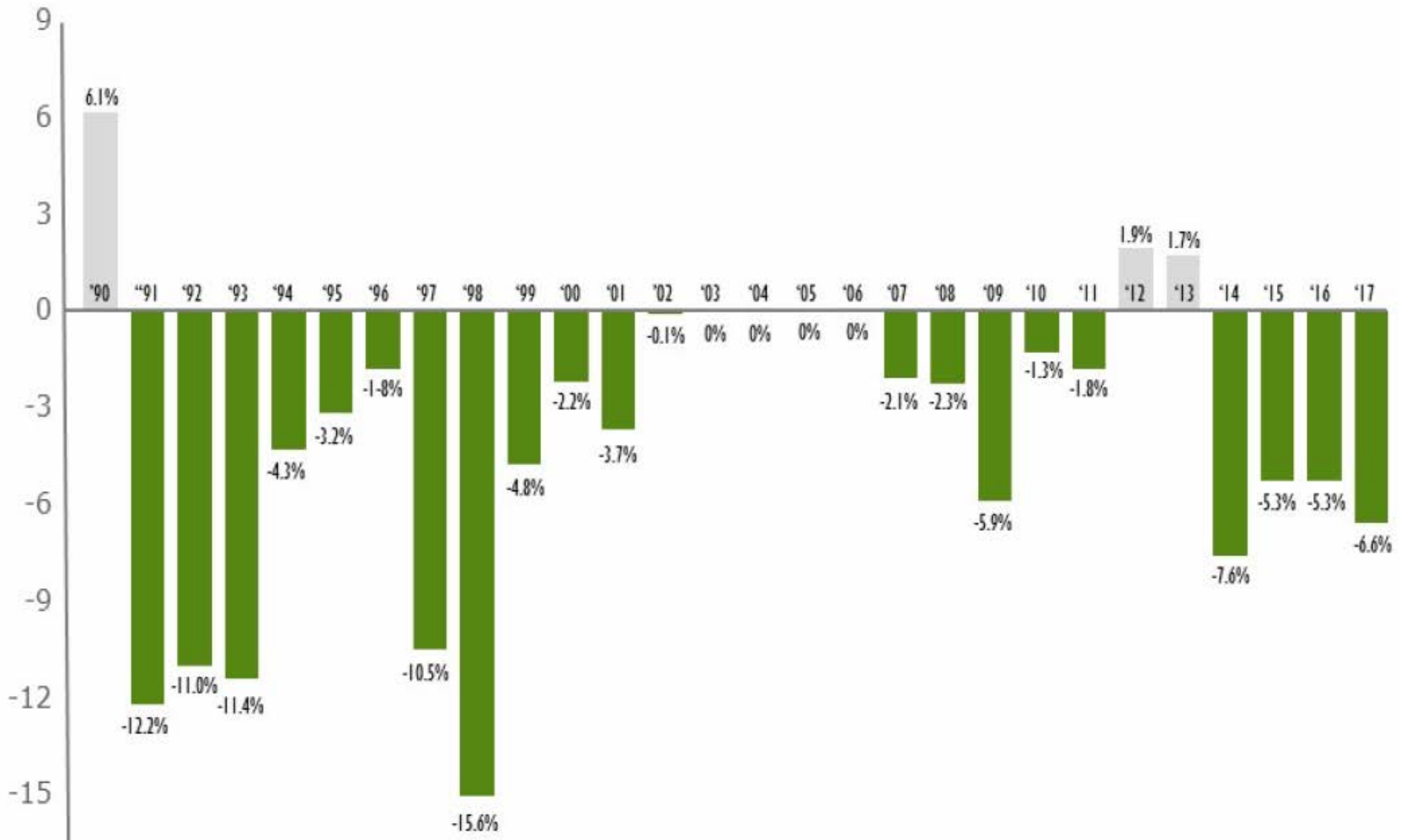
Accident Year
combined
ratios have
decreased in
recent years

Lost-time
frequency
continues to
decline

Average
severity
changes have
moderated

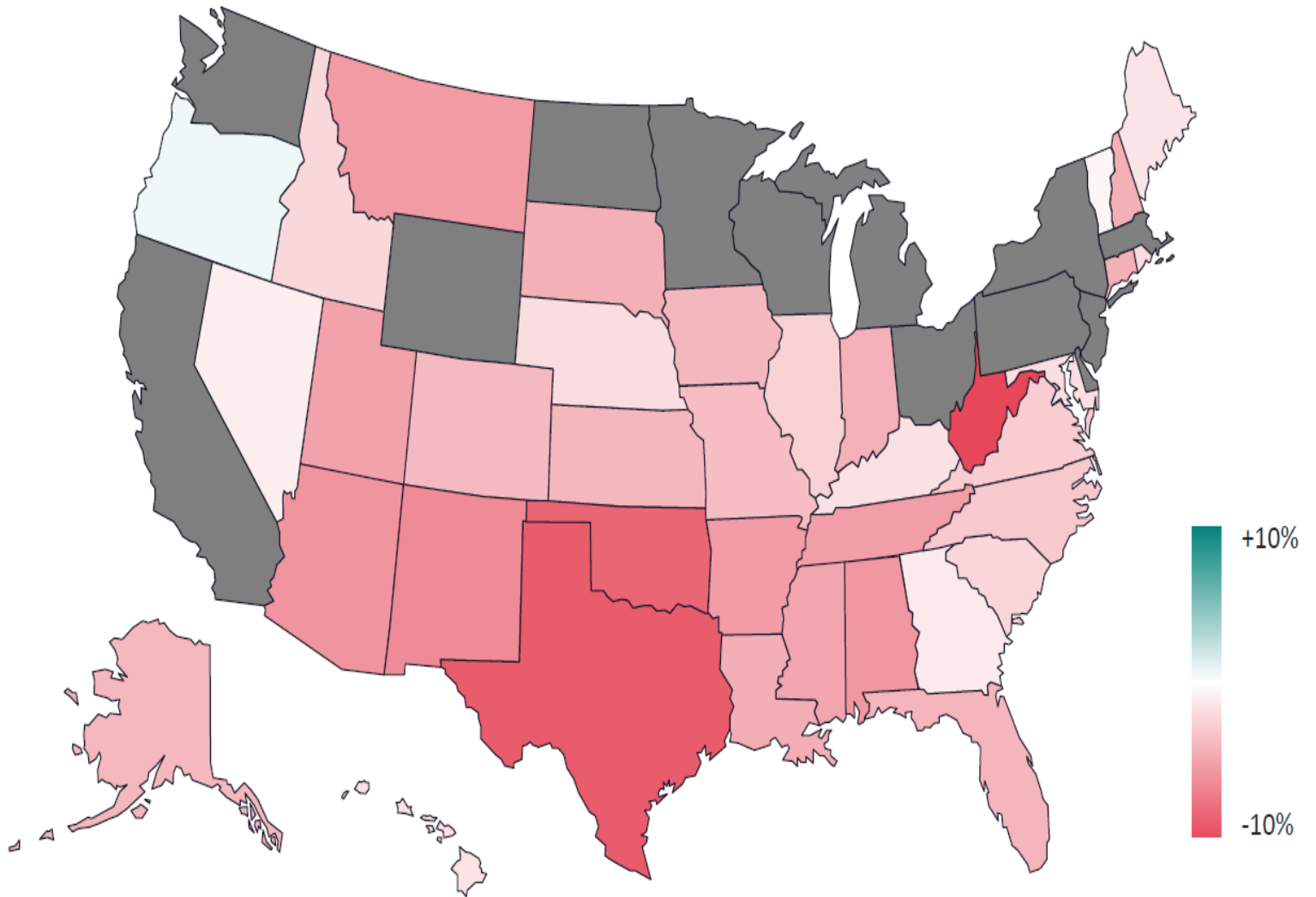
Pure premium rate changes

1990-2017



WC Lost-Time Claim Frequency

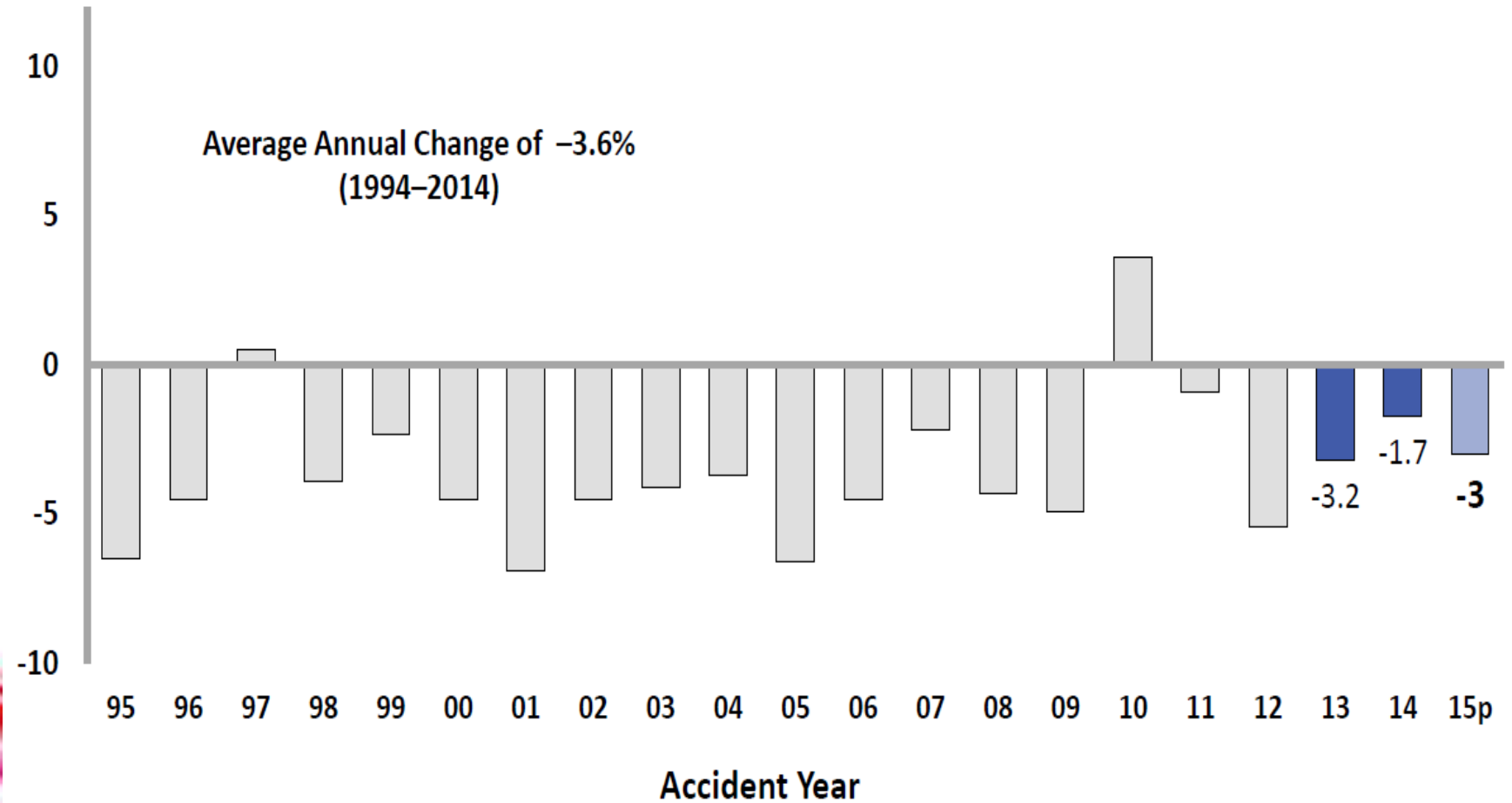
Average Annual Change 2011–2015



Countrywide Workers Compensation Lost-Time Claim Frequency

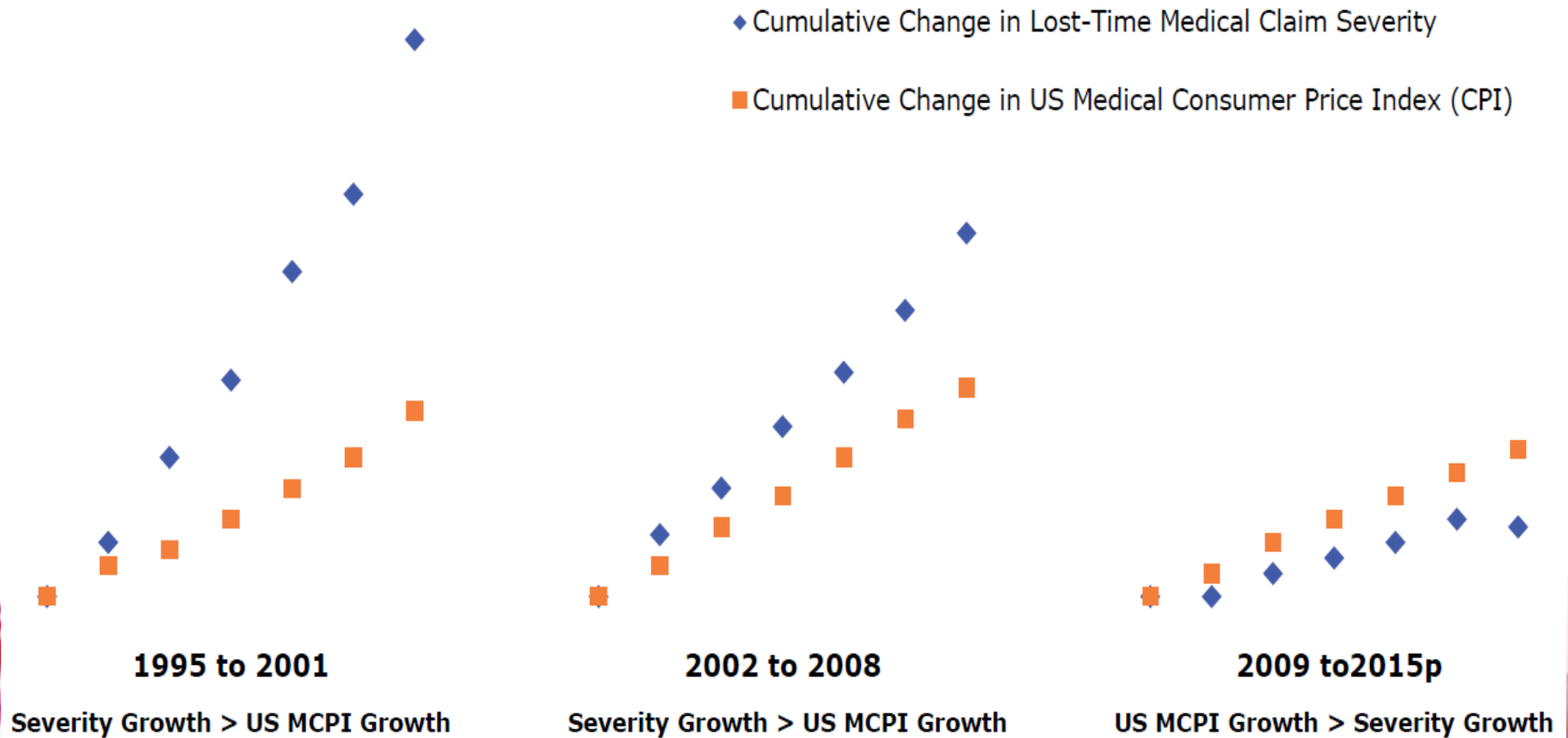
Change in Lost-Time Claims per \$1M Pure Premium
Private Carriers and State Funds

Percent



Countrywide Relative Growth Rates Medical Severity vs. Medical Care Inflation

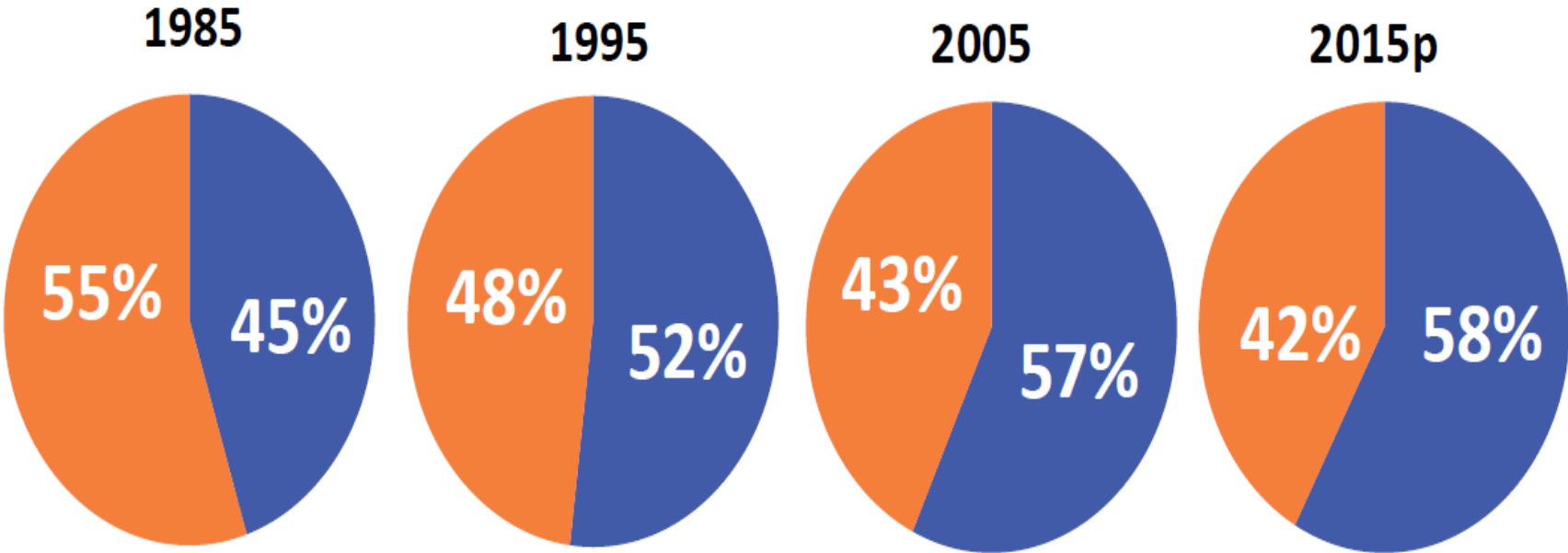
Private Carriers and State Funds—NCCI States



Indemnity/Medical Split Over Time

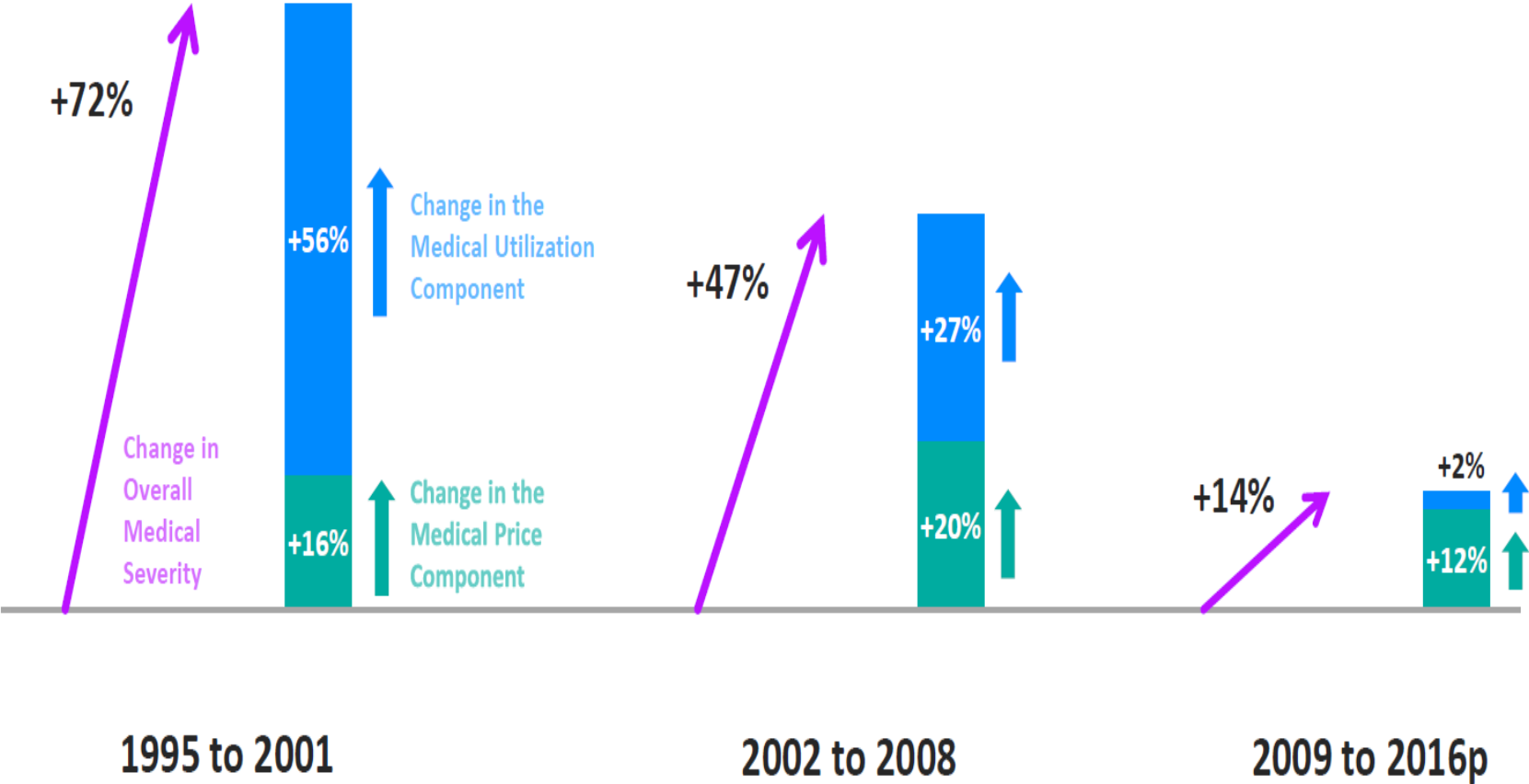
Private Carriers and State Fund—NCCI States

Indemnity Medical

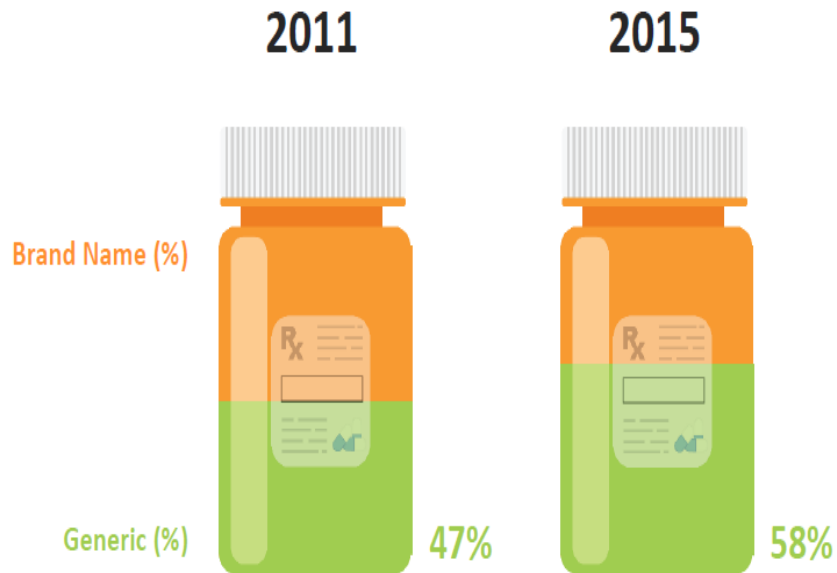


Changes in Medical Lost-Time Claim Severity by Component

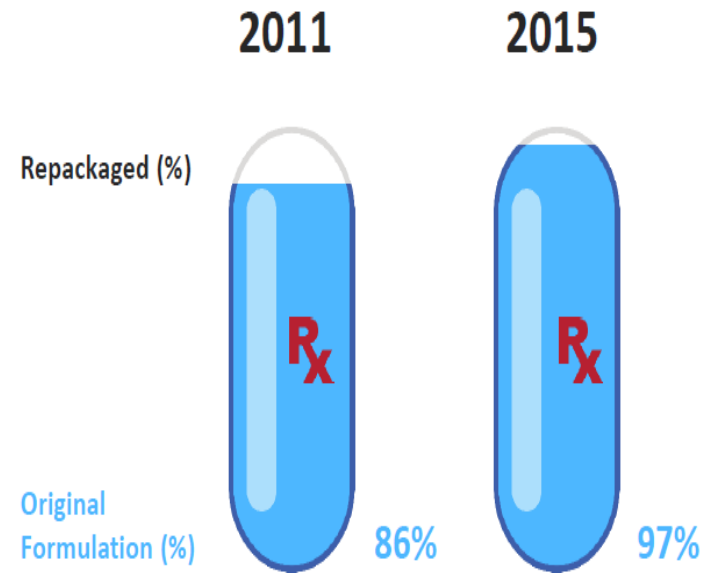
Private Carriers and State Funds—NCCI States



Prescription Drugs—Changes Over Time



Generic equivalents now represent the majority of payments for drugs prescribed in workers compensation.



Repackaged drugs represent a very small proportion of overall drug payments.

Carrier/TPA Outcome Management

- Pressing Providers
- Telemedicine
- Drug Control
 - Opioids
 - Generics/Repackaging Control
- Return to Work

Gig / Jetsons / McGiver / Millenials

- Platform Companies
 - Uber/Lyft/Postmates/Grubhub/etc/etc
- Autonomous Vehicles
- Wearable Technology
- Those young people

Directors & Officers and Employment Practices Liability

Risking Your Assets

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State of the Market: D&O

Market Report

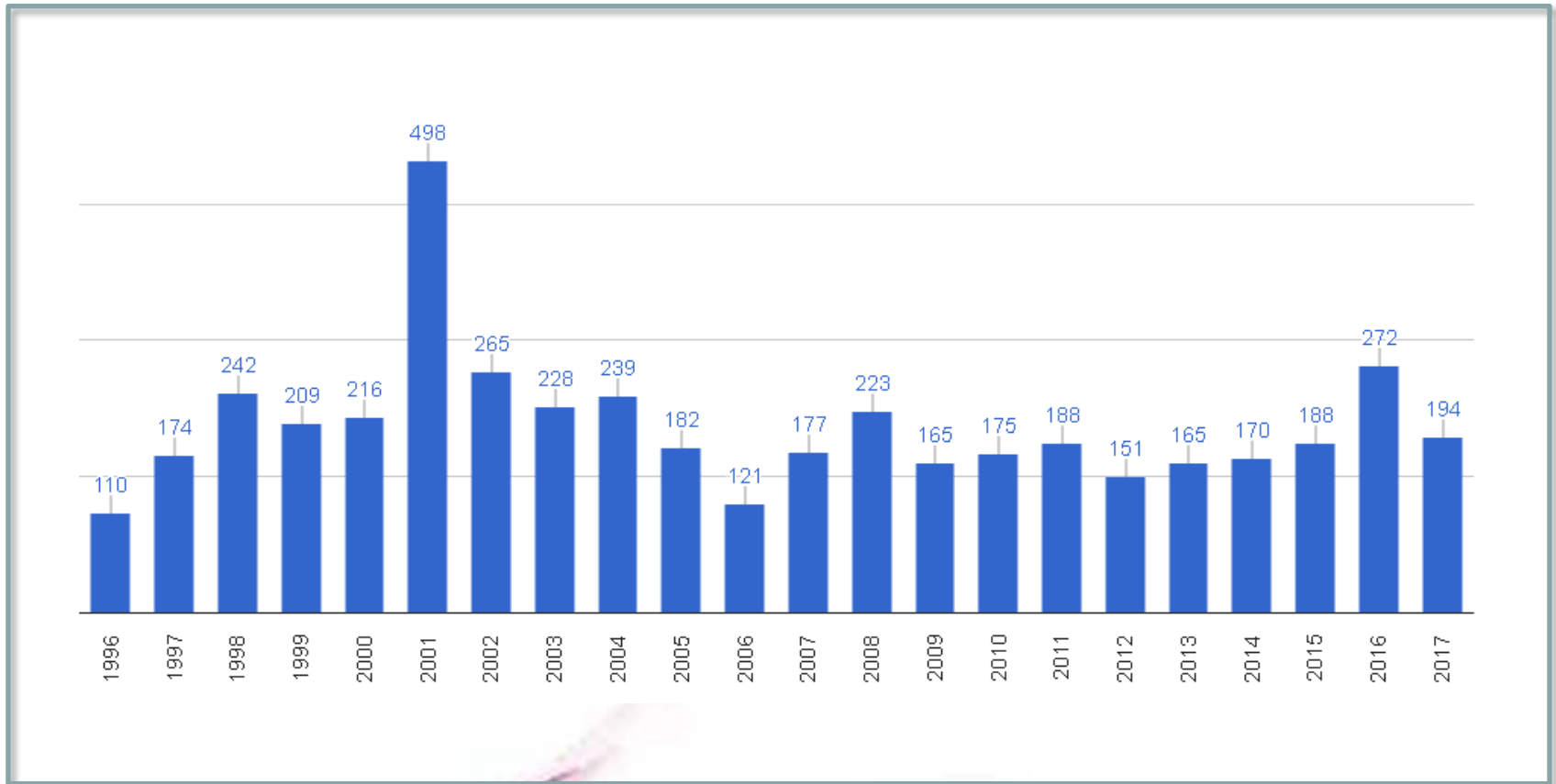
- Primary rates remained relatively stable throughout 2016 with renewal pricing declining or flat across most industry segments (in the absence of material changes in risk)
- Multi-national carriers continue to be limited with some new entrants who have broad international capabilities, though newer to the D&O arena
- The excess marketplace continues to remain competitive with increased interest from excess markets seeking market share driving down rates. Many programs have already maximized on this phenomenon, but additional savings may still be available
- Regulatory exposure continues to be a concern of underwriters stemming from an increase in Dodd-Frank whistleblower actions and aggressive investigations by the DOJ and FTC into mergers and acquisitions.

State of the Market: D&O

D&O Claims

- Record number of securities class actions filings in 2016
 - 212 federal filings vs. 182 10-year average (excluding merger objection claims)
 - Higher portion of public companies sued: 201 cases filed against base of 8,884 public companies in 1997, compared to 212 cases filed against base of 5,743 public companies
- Increase in federal M&A objection lawsuits – and impact of *Trulia*, *Walgreen* and *Vodafone* cases
- Industry focus: highest portion of SCAs filed (28%) against Health Technology and Services
- SCA settlements have stabilized
 - Excluding aberrational settlements, avg. 2016 settlement was \$43m (compared to \$42m 10-year adjusted avg.)
 - Median 2016 settlement: \$9.1m (compared to \$9.5m 10-year adjusted avg.)
- Dodd-Frank whistleblower program steaming ahead – SEC awarded \$111m to 34 whistleblowers in 2016
- UNKNOWN: Impact of election on courts and regulatory agencies

Securities Litigation Filings: 1996-2017 YTD



Source: Stanford Securities Class Action Clearinghouse/Cornerstone Research, accessed June 7, 2017

State of the Market: EPL

Market Report

- There continues to be an abundance of capacity in the Employment Practices Liability (EPL) marketplace in 2017.
- Underwriters continue to be cautious of their approach to risks with California-based employees, as the state remains a high frequency and severity jurisdiction. Notwithstanding this concern, however, most Insureds with concentrated headcount in California saw their EPL retentions and premiums “right sized” in 2014 and 2015. Thus, barring other material changes, those organizations saw somewhat flat renewal results, as well.
- Depending on jurisdiction, companies with little/no material changes in risk are averaging flat to 5% decreases on EPL renewals

State of the Market: EPL

EPL Claims

- EEOC activity continued to climb in 2016. Last year alone saw a 2% year-over-year uptick in total EEOC charges filed.
- Retaliation claims were the most frequently filed EEOC claim in 2016. While employer vigilance is key to preventing discrimination and harassment in the workplace, attention must also be paid to the controls in place to properly address employee claims of retaliation.
- Wage and Hour litigation remains a concern for many organizations.

EEOC Filings: Oregon

	FY 2014	FY 2015	FY 2016
Disability	84	96	137
Retaliation (All)	100	95	125
Sex	73	68	90
Age	51	45	78
Retaliation (Title VII)	77	69	76
Race	40	53	45
National Origin	16	21	31
Religion	11	16	16
Color	10	8	11
GINA*	2	1	4
Equal Pay Act	3	3	1
TOTAL CHARGES	210	218	289
% of US total charges	0.2%	0.2%	0.3%

Sample of D&O and EPL Insurers

- AIG
- Allianz
- AmTrust
- Arch
- ArgoPro
- AWAC (Allied World)
- Axis
- Beazley
- BerkleyPro
- Berkshire Hathaway
- Chubb (ACE)
- CNA
- Endurance
- Everest Re
- Freedom Specialty
- Great American
- Hartford
- HCC (Tokio Marine)
- Hiscox
- Hudson
- Ironshore
- Liberty
- Lloyds of London
(Various Syndicates)
- Markel
- Monitor
- Navigators
- Old Republic
- One Beacon
- Philadelphia
- QBE
- RLI
- RSUI
- Scottsdale (E-Risk)
- Starr
- Swiss Re
- Torus
- Travelers
- USLI
- XL
- Zurich



Property & Casualty and Cyber Liability

Even 10 Minutes Can Get You Into Trouble

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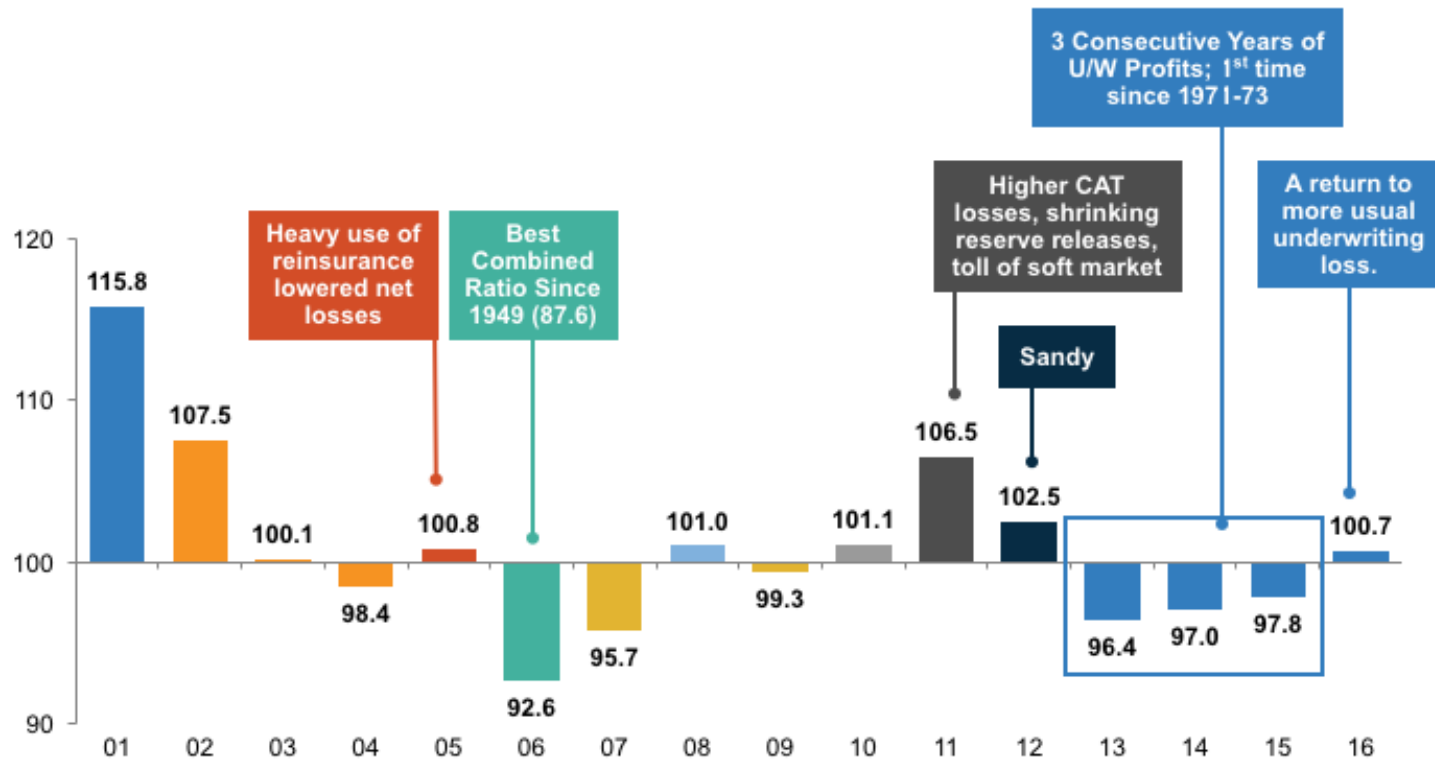
Overall Market Status

- Generally soft market through 2017 (and beyond)
- Consolidation of insurers and brokers
- Strong underwriting results
- Reinsurer profitability
- Strong investment results
- Continued over capacity
- No major catastrophes



Underwriting Results

P/C Insurance Industry Combined Ratio, 2001-2016*



*Excludes Mortgage & Financial Guaranty insurers 2008-2014.

Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012=103.2; 2013= 96.1; 2014= 97.0.

Sources: A.M. Best; ISO, a Verisk Analytics company; I.I.I.



Property Market Outlook

2017 Renewal Cycle

- Lots of Capacity
- Profitable UW Results
- PNW EQ Soft

Topical Issues

- Emphasis on insuring to value
- Data quality and individual risk underwriting
- Opportunity for lower deductibles

2018 Forecast

- “One CAT away from hardening”
- Expect market to stay soft

Non-CAT: 0% to -5%
CAT: 0% to -7.5%

Casualty Market Outlook

2017 Renewal Cycle

- Pricing still soft
- Large fleets hardening
- Umbrella pricing down

Topical Issues

- Guaranteed cost options available
- Collateral alternatives more accepted
- Continued poor auto loss experience

2018 Forecast

- Clean business continued price decreases

Primary GL: 0% to -5%
Excess: 0% to -10%
Auto: +5% to -5%

Cyber Market Outlook

2017 Renewal Cycle

- Less growth in capacity
- Underwriting sophistication

Topical Issues

- WannaCry and other headline-grabbing events
- Business email compromise (aka Social Engineering) coverage
- Ransomware evolution

2018 Forecast

- Tighter underwriting
- Pricing may stabilize with continued loss activity

Cyber: 0% to -5%

Questions?



Thank You!