



CASUALTY INSIGHTS
CONFERENCE



Welcome to the 2015 Casualty Insights Conference!



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Opening Remarks



Bill Keogh
CEO
Advisen





Leading the way to smarter and more efficient risk and insurance communities, Advisen delivers:

- the **right** information into
- the **right** hands at
- the **right** time

to *power* performance.



Thank you to our Sponsors





Co-Chair Remarks



Joe Cellura

President of North American Casualty
Allied World



Tim DeSett

EVP & Risk Practice Leader
Lockton

Keynote Address



Peter D. Hancock
President and CEO
AIG



Advisen & Aspen Casualty Market Research Survey Findings



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Casualty Market Research Survey Findings

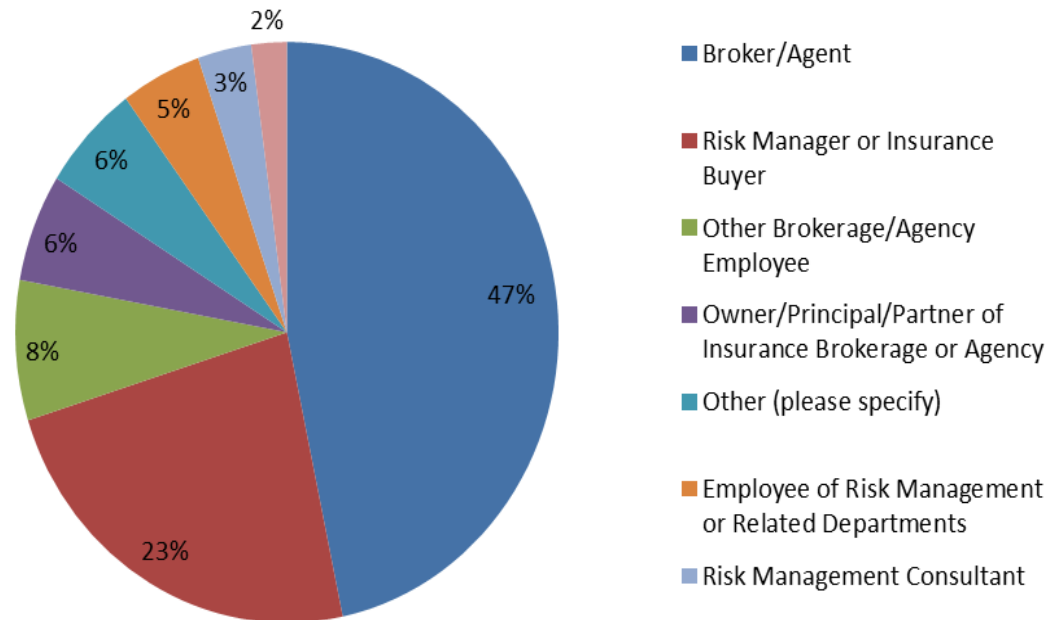


Roxanne Mitchell,
EVP, Chief Casualty Officer
Aspen Insurance

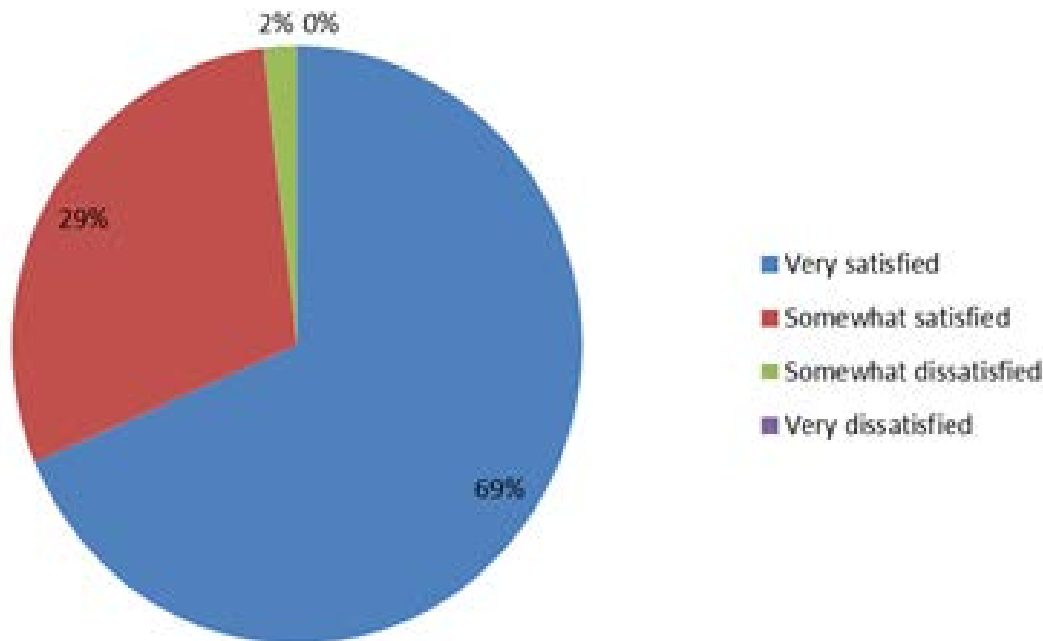


How Casualty Insurance Purchase / Placement Impacts Overall Risk Management Strategies

Advisen and Aspen partnered on a survey designed to gain insight into how the purchase and placement of casualty insurance impacts a company's overall risk management strategy.



Considering price, capacity, and breadth of coverage, how satisfied are you overall with your current casualty program?



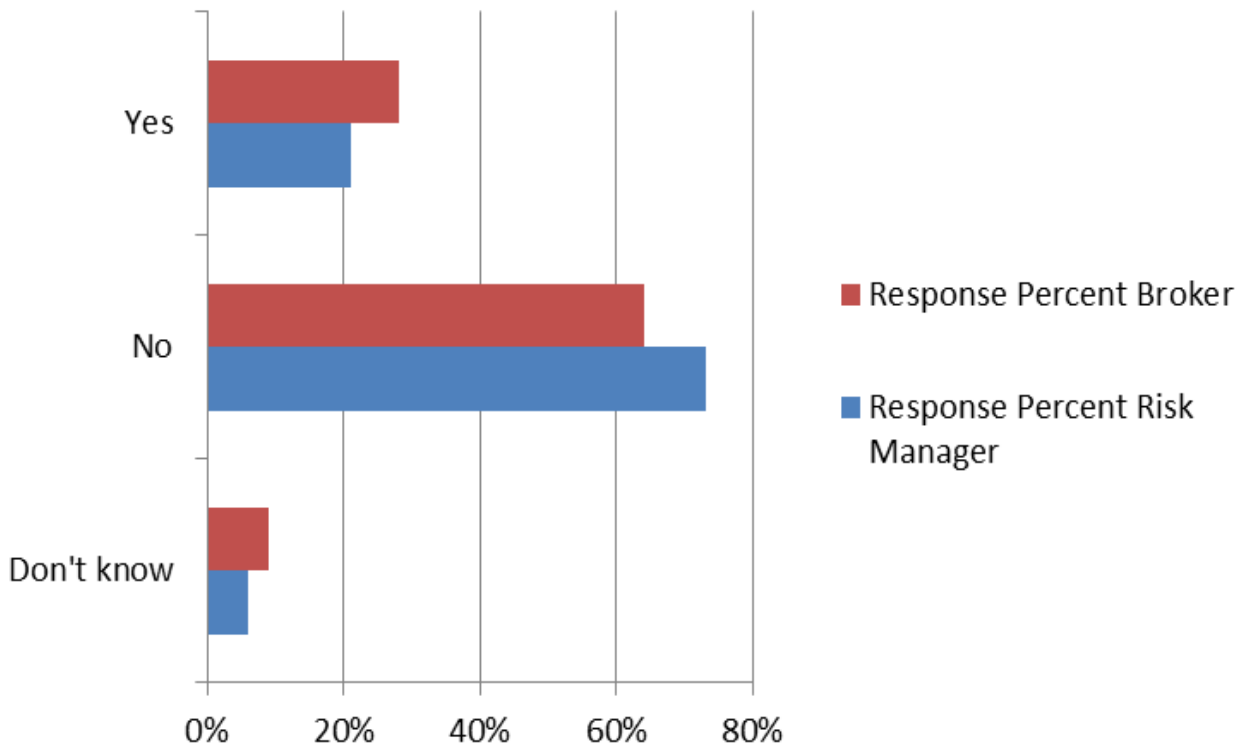
Key Takeaways:

One may assume a factor for an insured's level of satisfaction rests on their experience with a large or complex claim, however, we found this is not the case.

Do you (or your clients) have any casualty exposures for which you are unable to find adequate or affordable capacity?

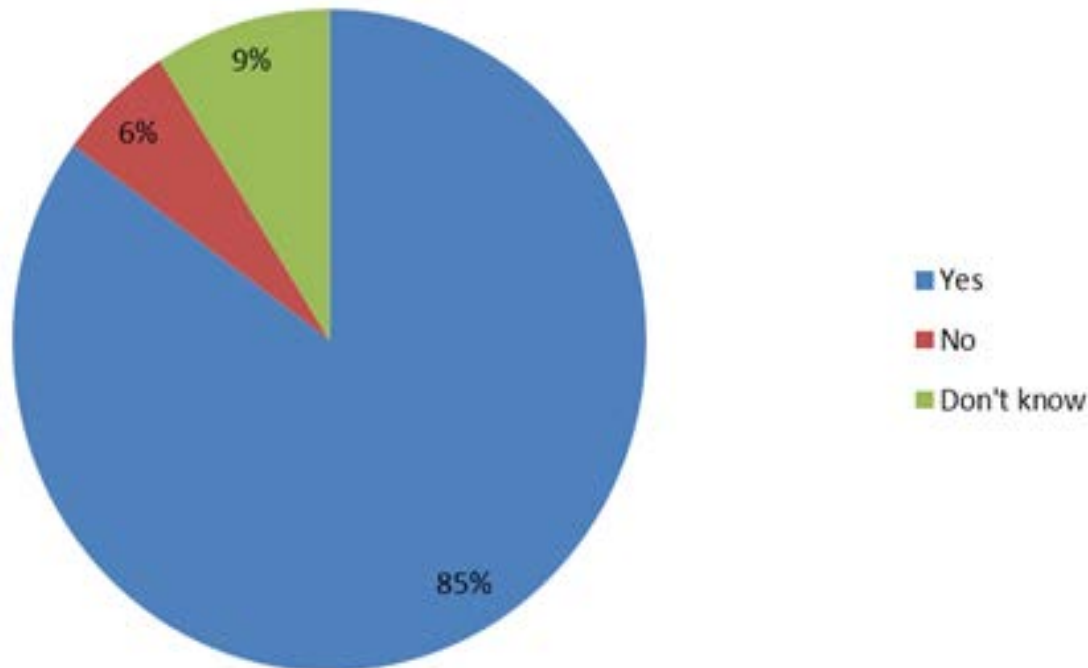
Key Takeaways:

Larger companies are more likely than smaller companies to create a captive with 37 percent of companies with revenues in excess of \$1 billion utilizing a captive for parts of their casualty program compared with just 11 percent of companies with revenues below \$1 billion.





Are you satisfied that your global casualty program achieves your risk management objectives?



Survey Responses:

“Insurers need to better understand local requirements as well as the need for better data.”

“Need more subject matter experts on local country tax implications & allocation methods.”

“For the most part yes, however we have employees in other countries working and traveling that always presents challenges.”

Comments from Risk Managers

“Relationships are key to casualty programs.”

“We enjoy long-term relationships with both our insurance companies and our broker. There have, of course, been bumps in the road; but when all parties value the relationship, it makes it easier to work through problems.”

“As the insurance buyer for my organization, I find myself doing all the work involved in tracking and analyzing the risk then hand it to the broker for the final close. I know there is a benefit for having a broker, but if the market for the exposure is limited and the same carrier is the only candidate then broker fees are not justified. But the carrier won’t deal directly with clients.”

“Some carriers seem intent on passing on double digit increases due to negative experience with overall book even though we and other industry insureds are not having claims. No claims history should matter for something.”



Comments from Brokers

“Carriers are using data today better than they ever have. They are more prepared and are doing the analysis of each deal, resulting in better conversations and more understanding from the client.”

“Clients like tailored affordable coverage. They appreciate long term relationships fostered in communication and for the most part are reasonable when it comes to their insurance program.”

“Insurers continue to lose business to alternative risk financing programs. When captives continue to grow in soft and stable casualty markets it’s a sign insurers aren’t responding with meaningful products and services. As the trend continues they will increasingly relegate themselves to being a commodity for risk capacity only.”



Conclusions

Complete survey findings are in your inbox or available on www.advisenltd.com

Have comments or additional questions? Continue the discussion with Roxanne at the Aspen table and pick up a copy of the research paper



Join the conversation! Follow **Aspen Insurance** on LinkedIn



Casualty Market Metrics



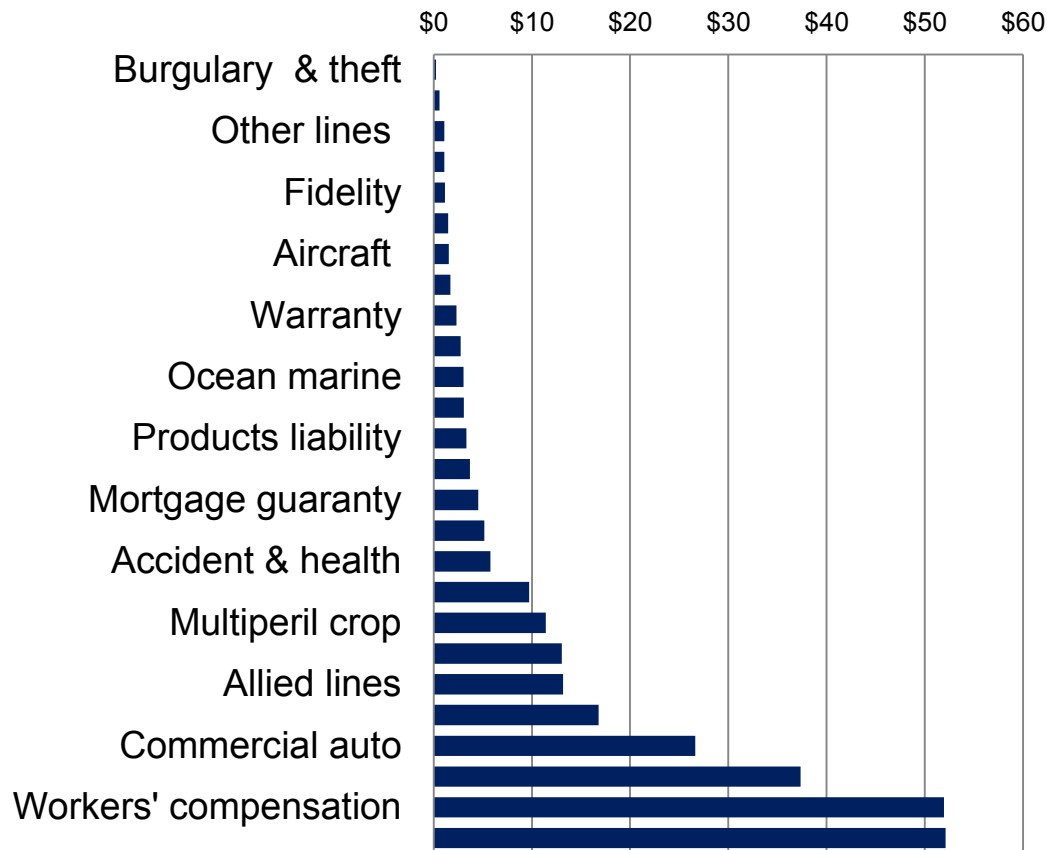
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Casualty Market Metrics



David Bradford
President, Research & Editorial division
Advisen

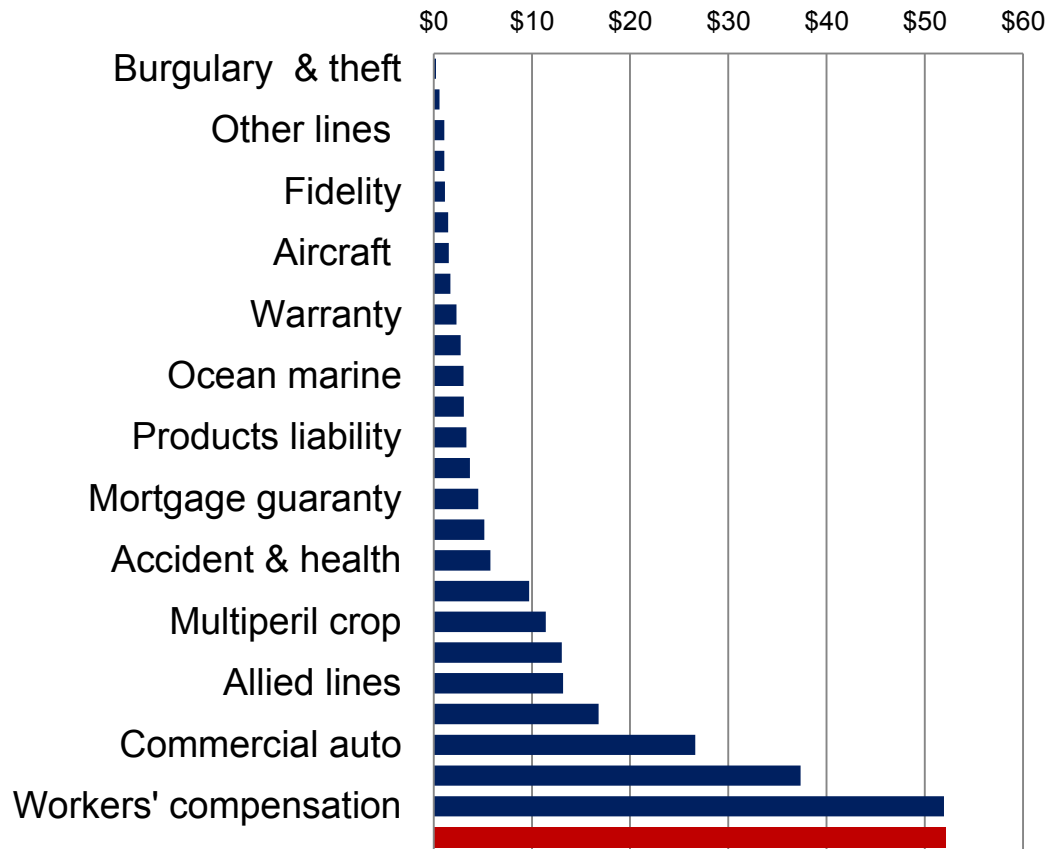
U.S. Commercial P&C Market



**\$275 billion
DWP
(2013)**

Source: III, SNL Financial

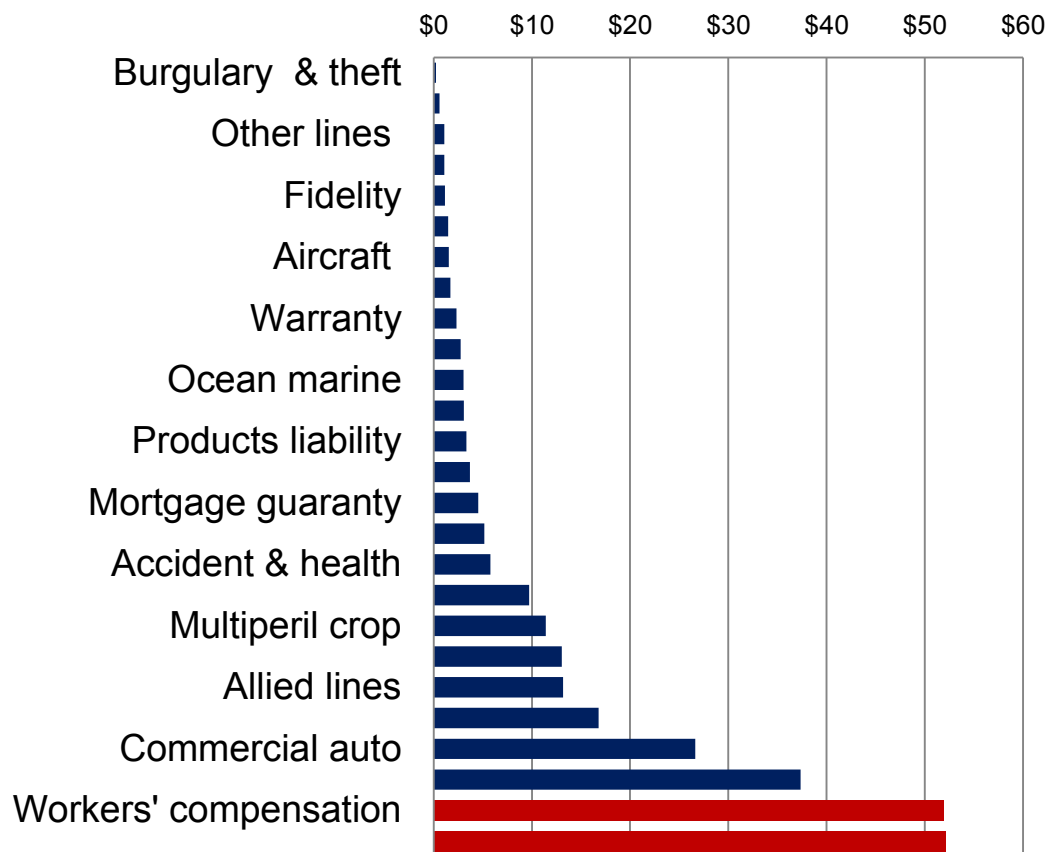
U.S. Commercial P&C Market



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U.S. Commercial P&C Market

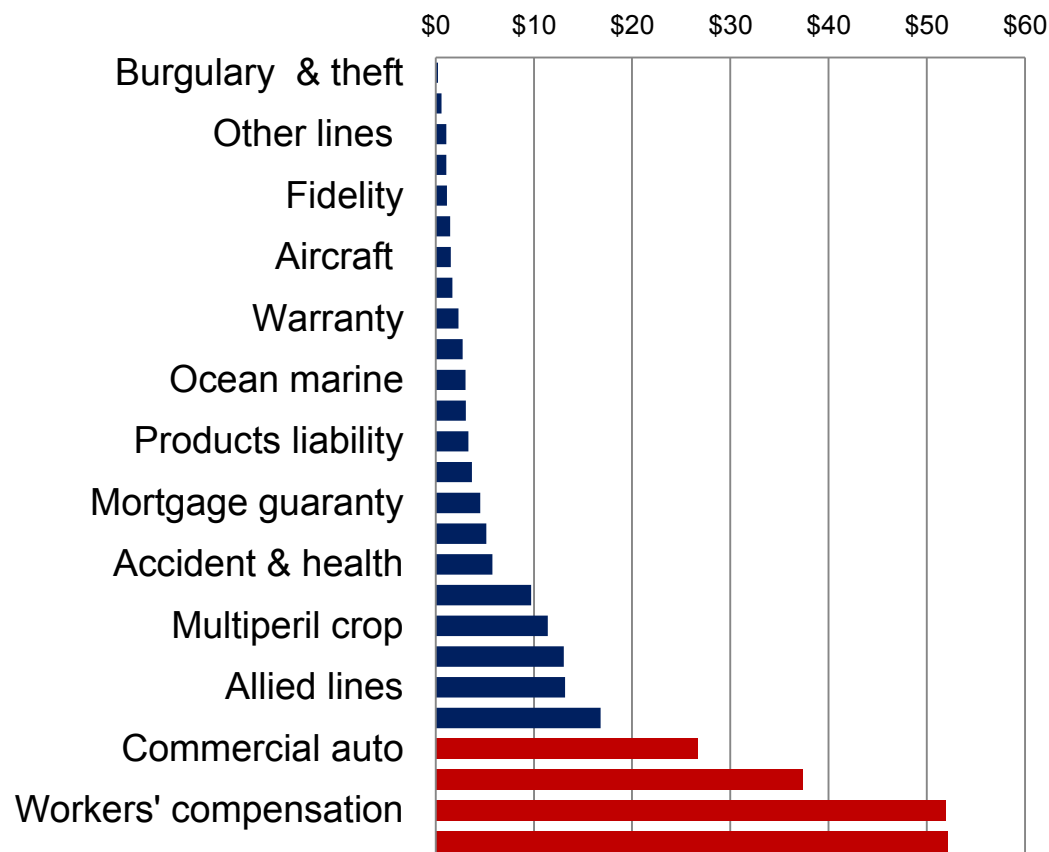


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U.S. Commercial P&C Market

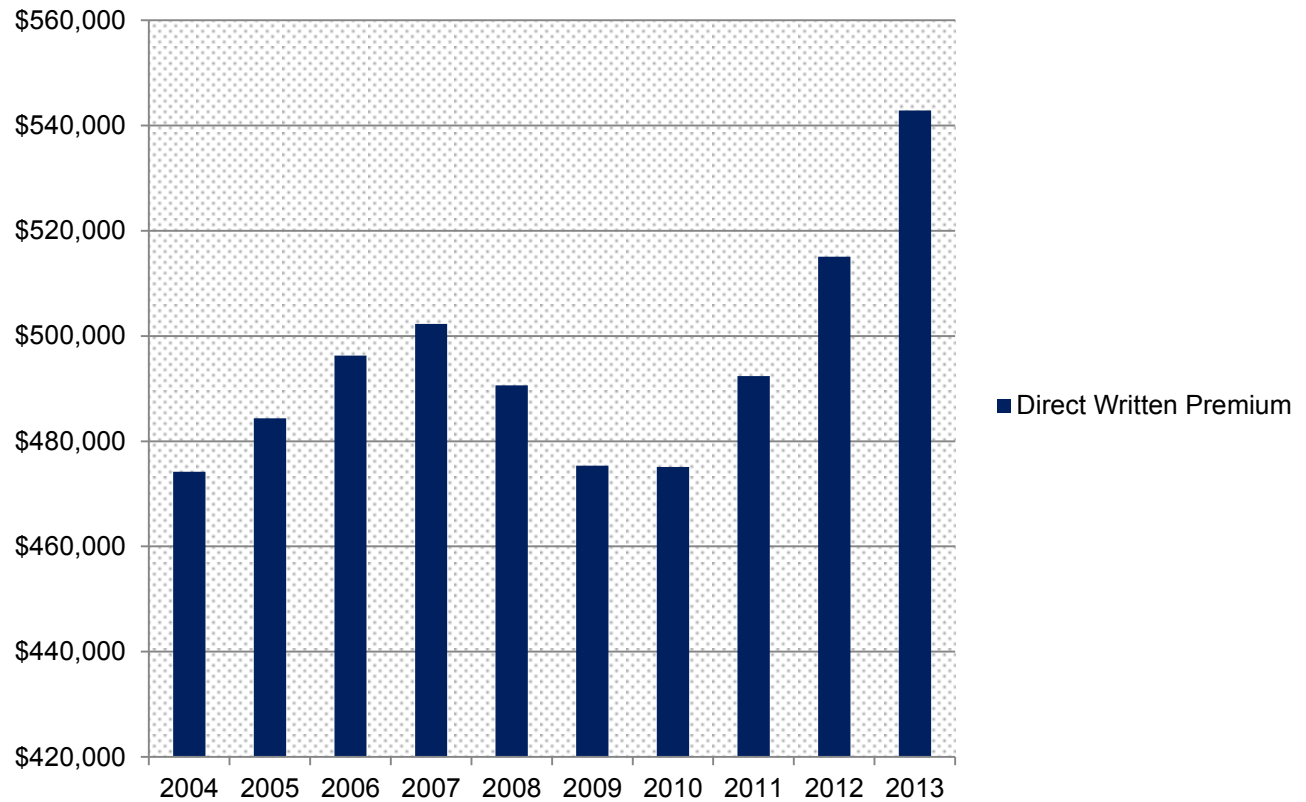


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U.S. P&C Market

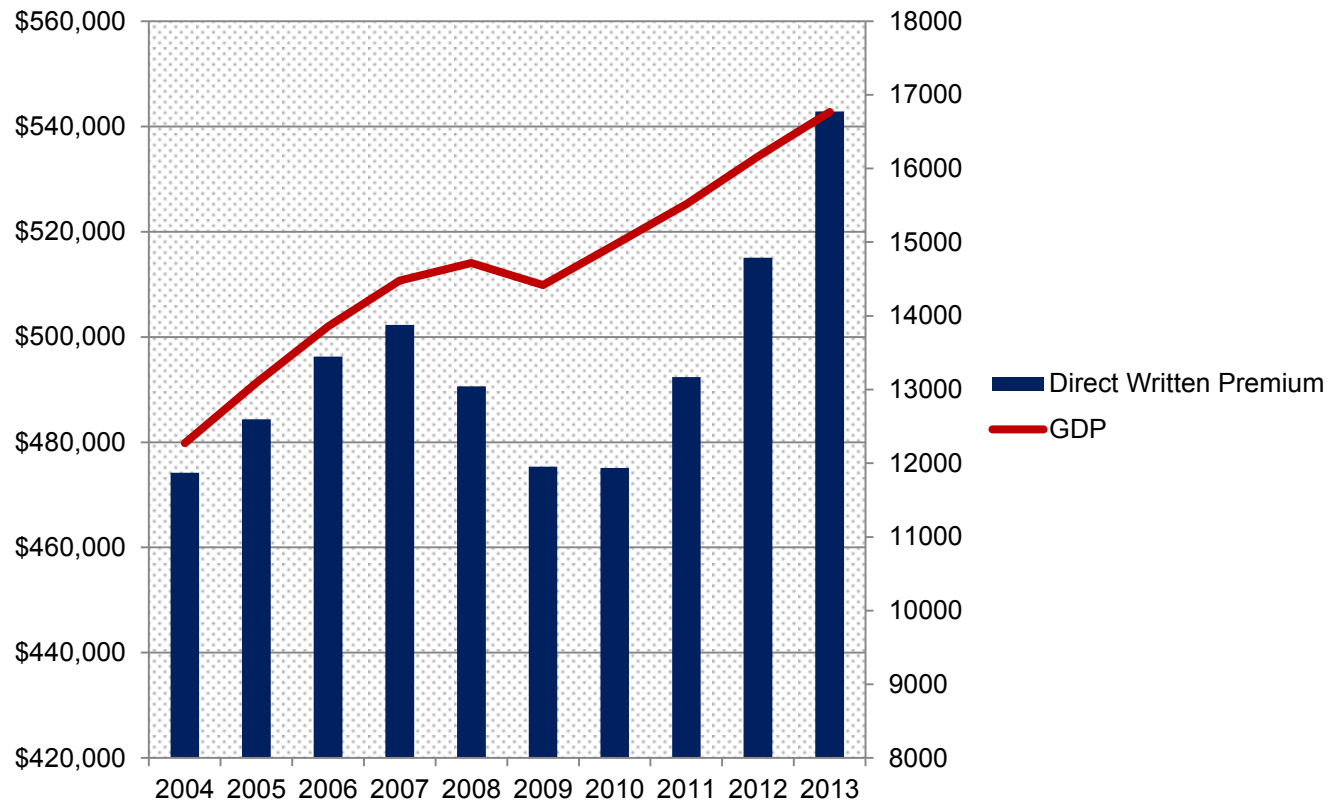
(\$ millions)



Source: NAIC

U.S. P&C Market

(\$ millions)



Source: NAIC, U.S. BEA

U.S. P&C Market

U.S. Property & Casualty Premium by Line of Business		
Line of Business	2012	2013
Workers' compensation	51,951,041,593	55,719,690,895
Allied lines	12,606,688,555	13,349,691,960
Federal flood	2,876,015,507	3,078,500,389
Farm	14,613,306,861	15,084,480,622
Homeowners multiple peril	77,854,316,384	82,660,181,703
Commercial multi peril	35,947,768,015	37,721,168,598
Mortgage guaranty	4,300,615,164	4,546,543,732
Ocean & Inland Marine	18,270,857,223	19,947,274,865
Financial guaranty	722,768,689	608,444,024
Medical professional liability	10,019,190,943	9,784,645,857
Fire	12,729,292,339	13,098,155,584
Accident & Health	6,031,285,543	5,943,310,369
Products liability	3,085,747,844	3,321,275,989
Automobile	197,382,643,831	207,309,113,843
Aircraft (all perils)	1,682,562,116	1,550,680,659
Fidelity	1,140,580,323	1,171,257,946
Surety	5,007,345,606	5,214,468,817
Burglary and theft	231,452,684	246,775,411
Boiler and machinery	1,428,349,646	1,466,336,006
Credit	2,056,777,995	1,695,022,129
Other	52,869,684,488	57,058,714,234
Earthquake	2,263,465,729	2,280,047,235
Total	515,071,756,643	542,855,780,420

*Source: National Association of Insurance Commissioners
(Premiums from Property Annual Statements plus State Funds)*

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7.3%

U.S. P&C Market

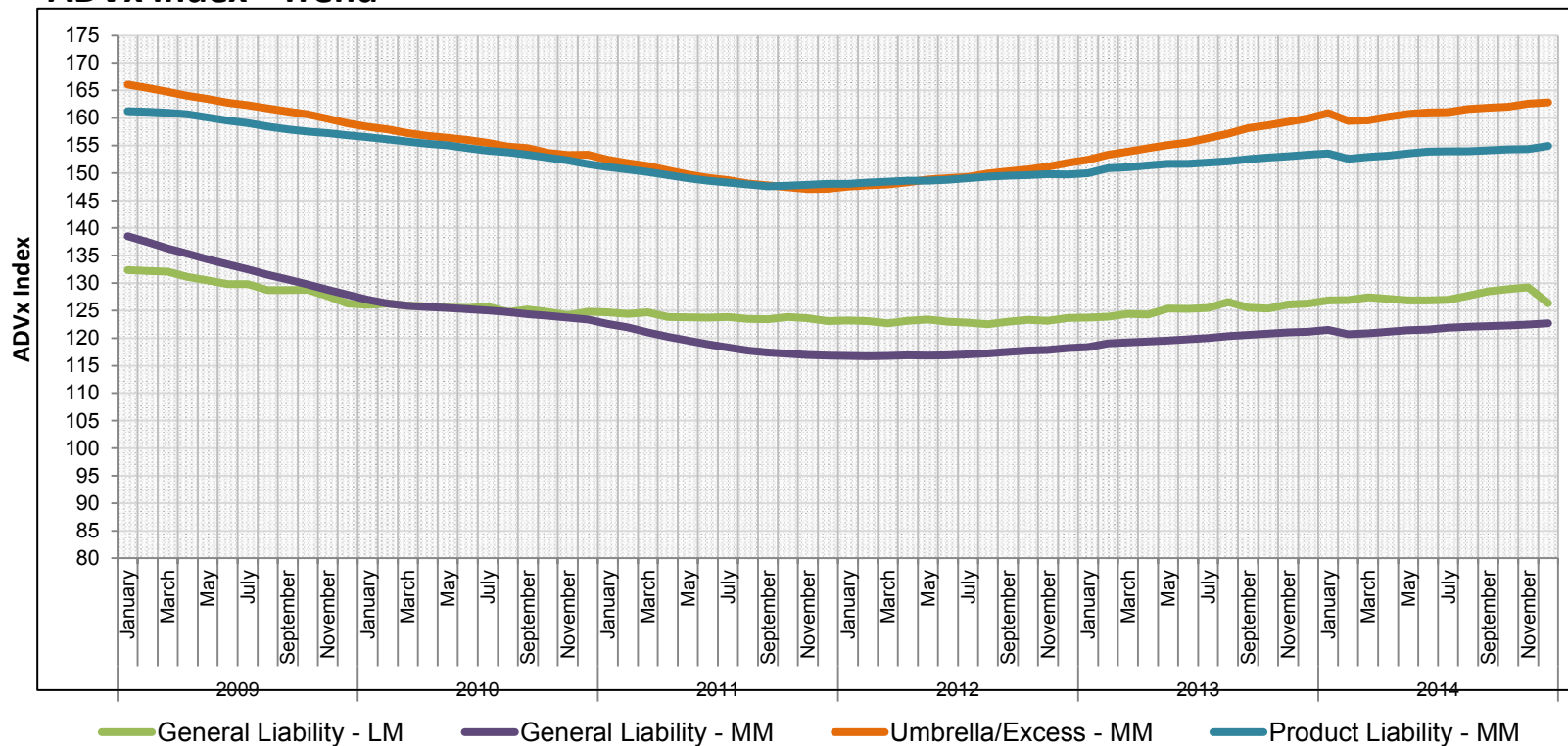
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7.9%!

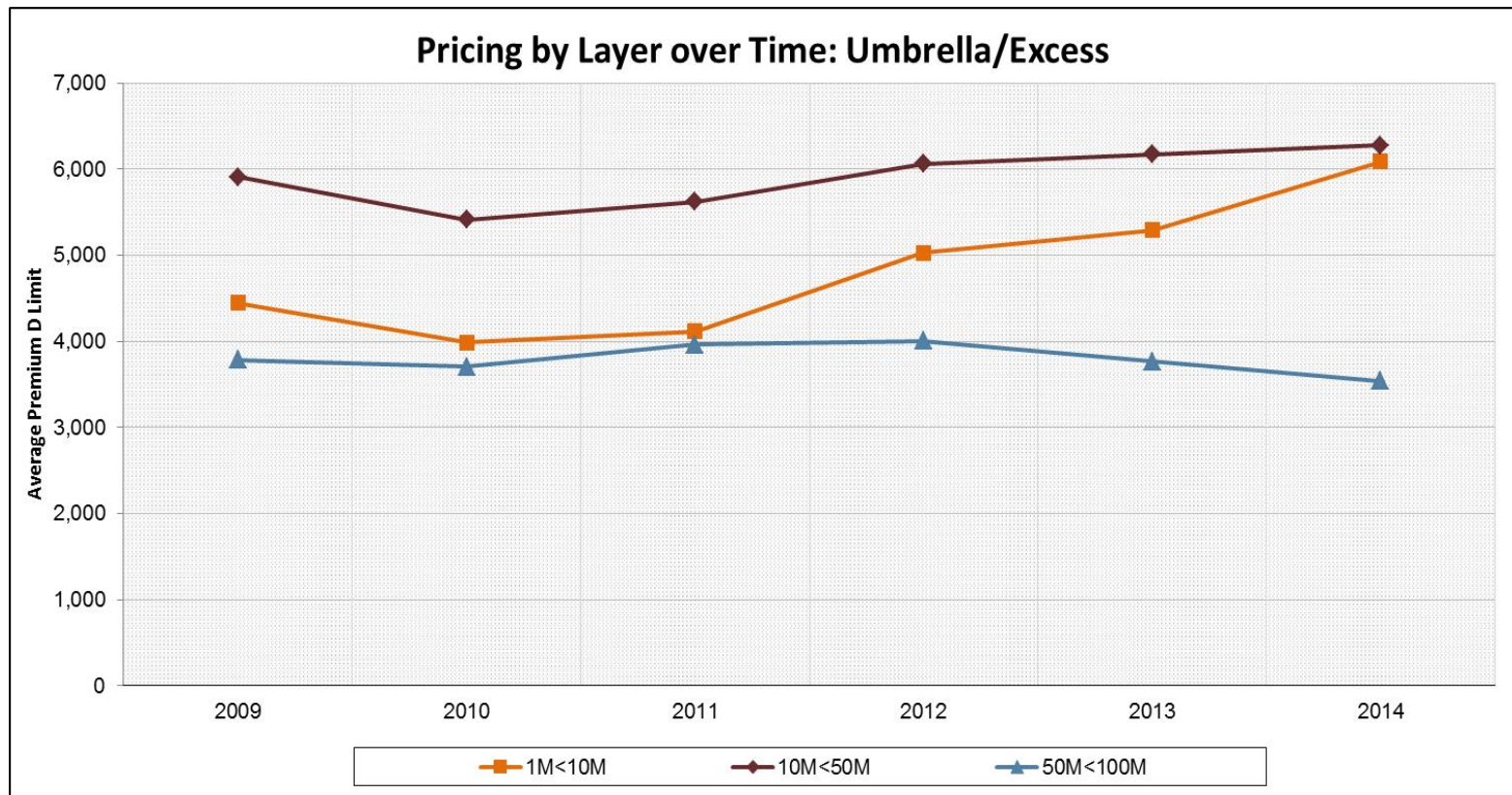
U.S. P&C Market Casualty Pricing

ADVx Index - Trend



Source: Advisen

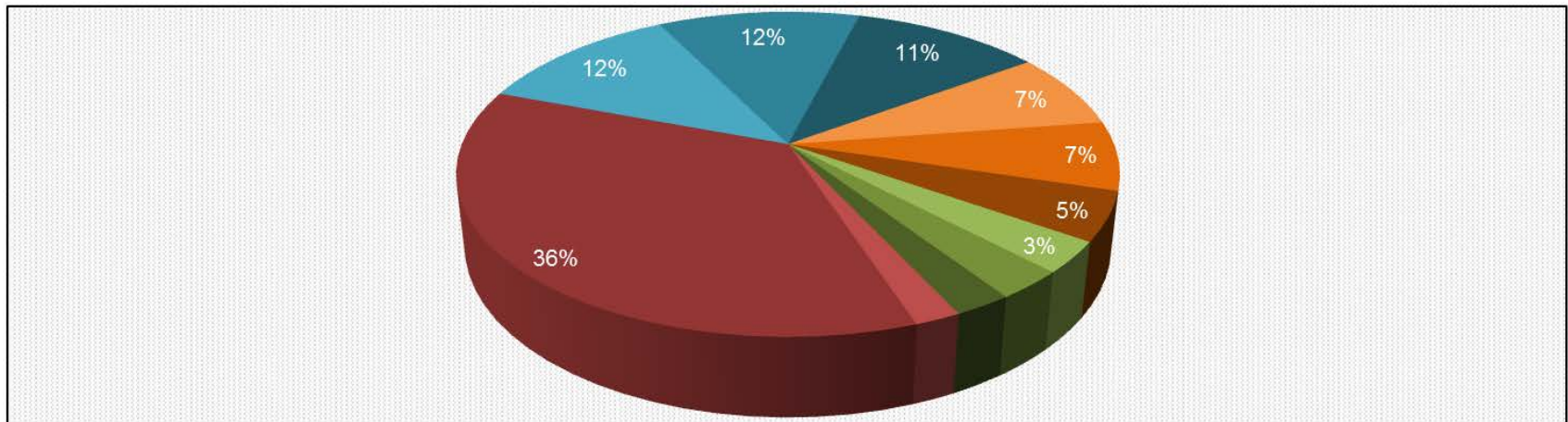
U.S. P&C Market Casualty Pricing



Source: Advisen

Casualty Insurers

General Liability Market Share: US Admitted Carriers

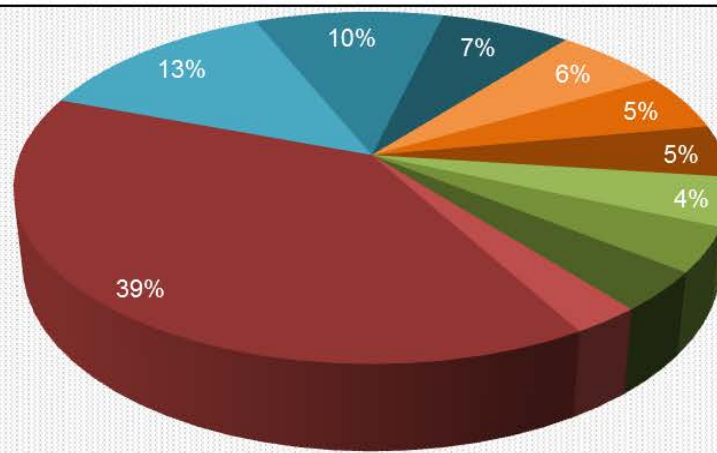


■ The Travelers Companies, Inc	■ Liberty Mutual Holding Company, Inc	■ Zurich Insurance Group Ltd
■ The Chubb Corporation	■ AIG	■ ACE Limited
■ The Hartford Financial Services Group, Inc.	■ CNA Financial Corporation	■ Arch Capital Group Ltd.
■ Starr International Company, Inc	■ Rest of Market	

Source: Advisen

Casualty Insurers

Umbrella/Excess Market Share: US Admitted Carriers

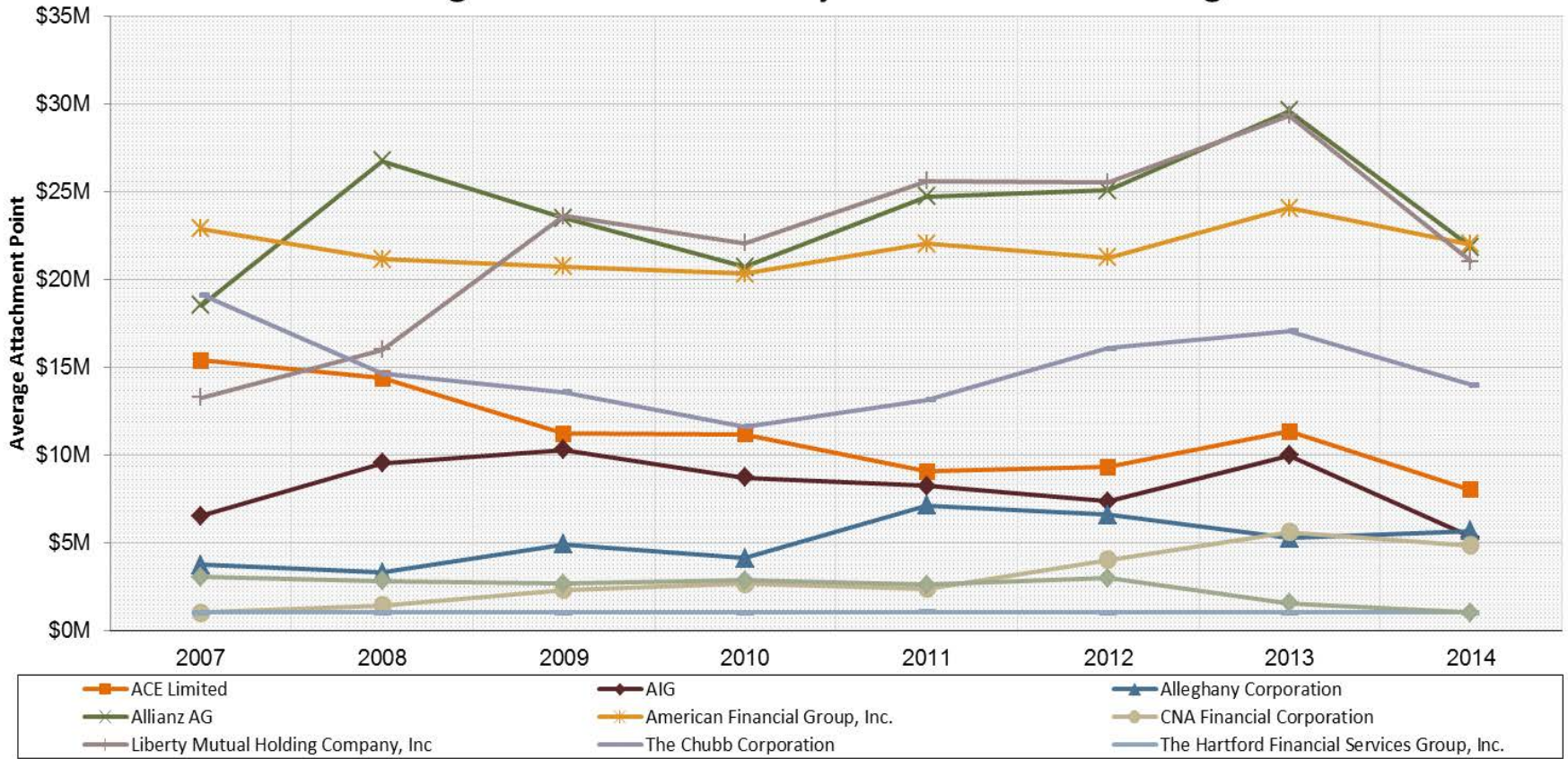


- AIG
- ACE Limited
- Zurich Insurance Group Ltd
- The Travelers Companies, Inc
- Liberty Mutual Holding Company, Inc
- American Financial Group, Inc.
- Starr International Company, Inc
- The Chubb Corporation
- Alleghany Corporation
- XL Group plc
- Rest of Market

Source: Advisen

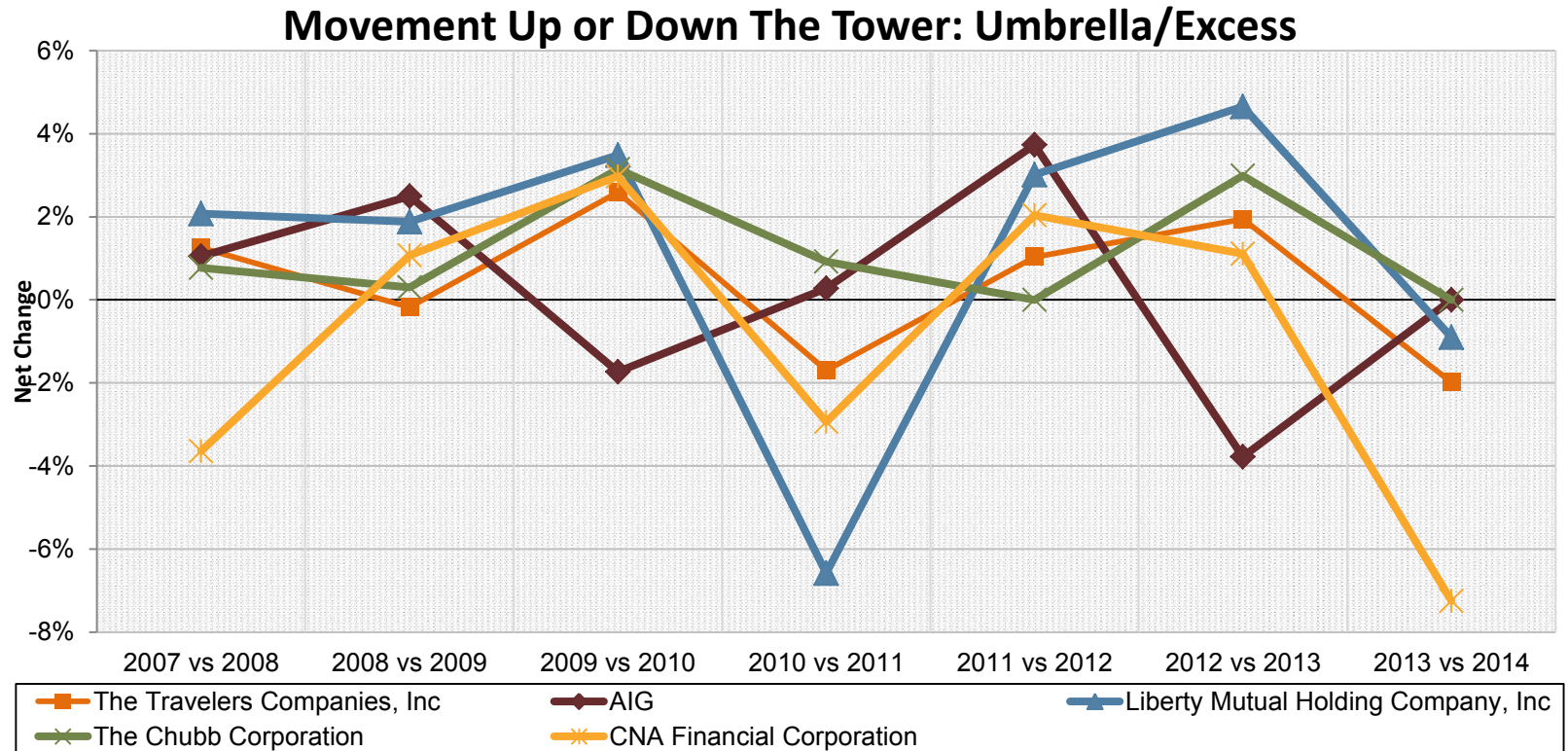
Casualty Insurers

Average Attachment Point by Carrier: Manufacturing



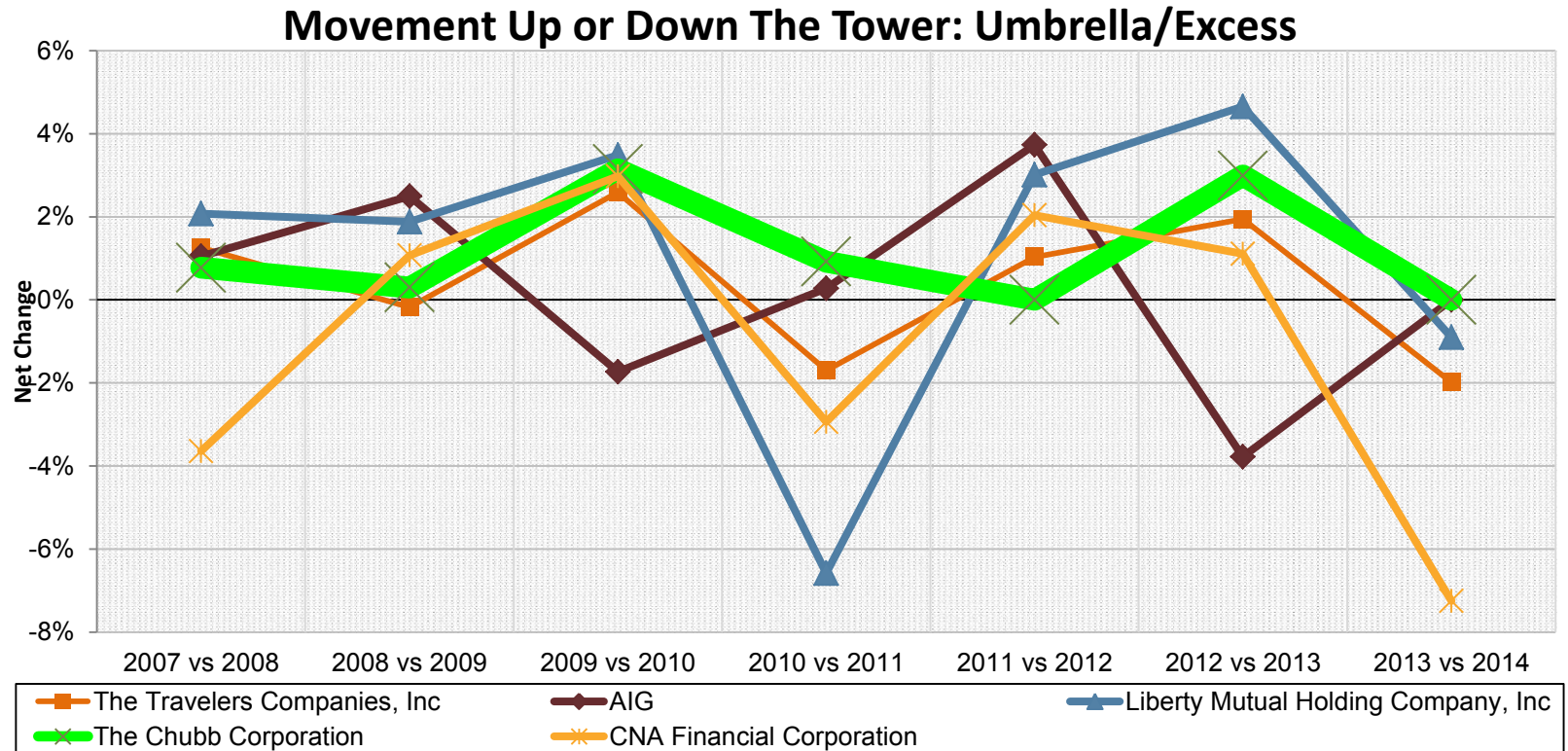
Source: Advisen

Casualty Insurers



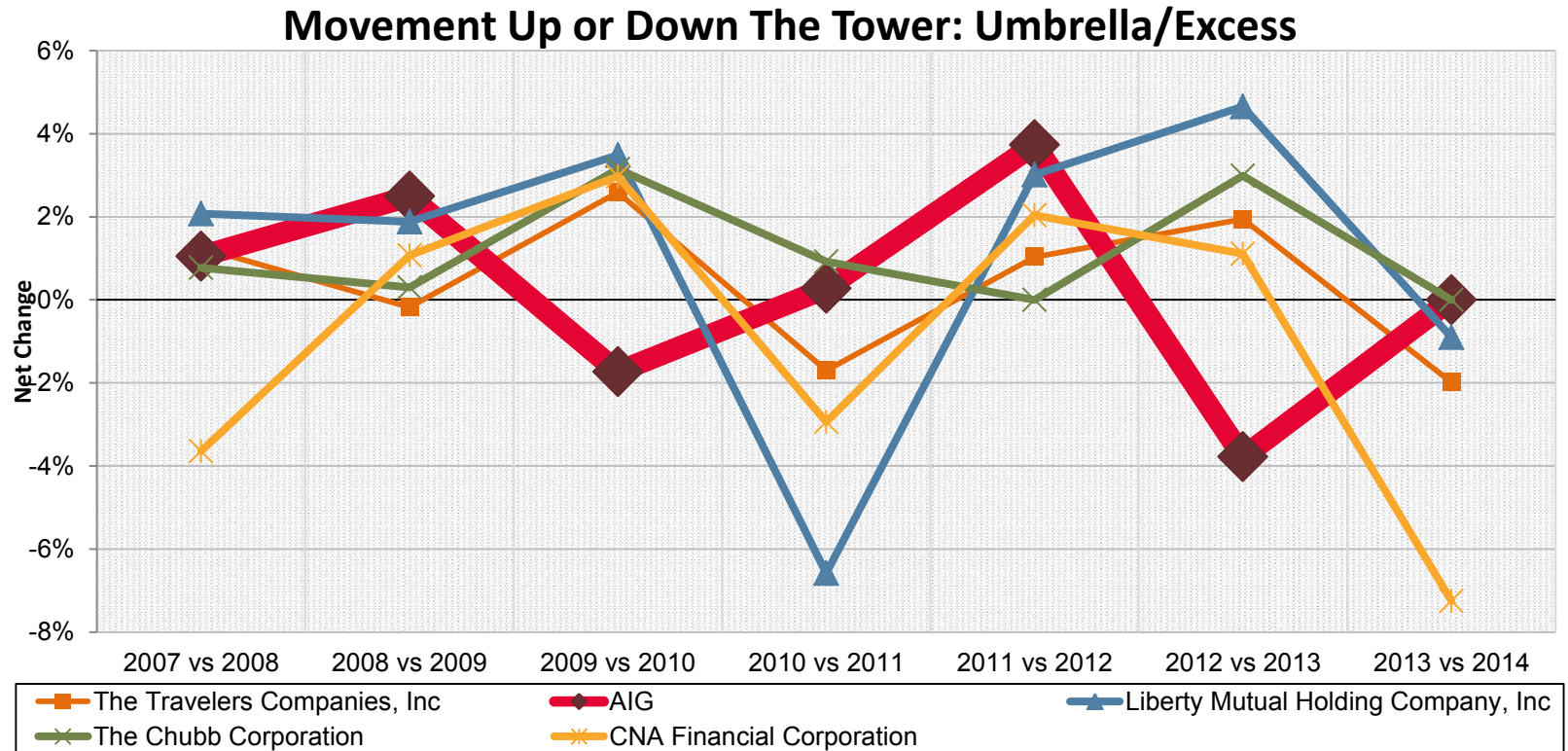
Source: Advisen

Casualty Insurers



Source: Advisen

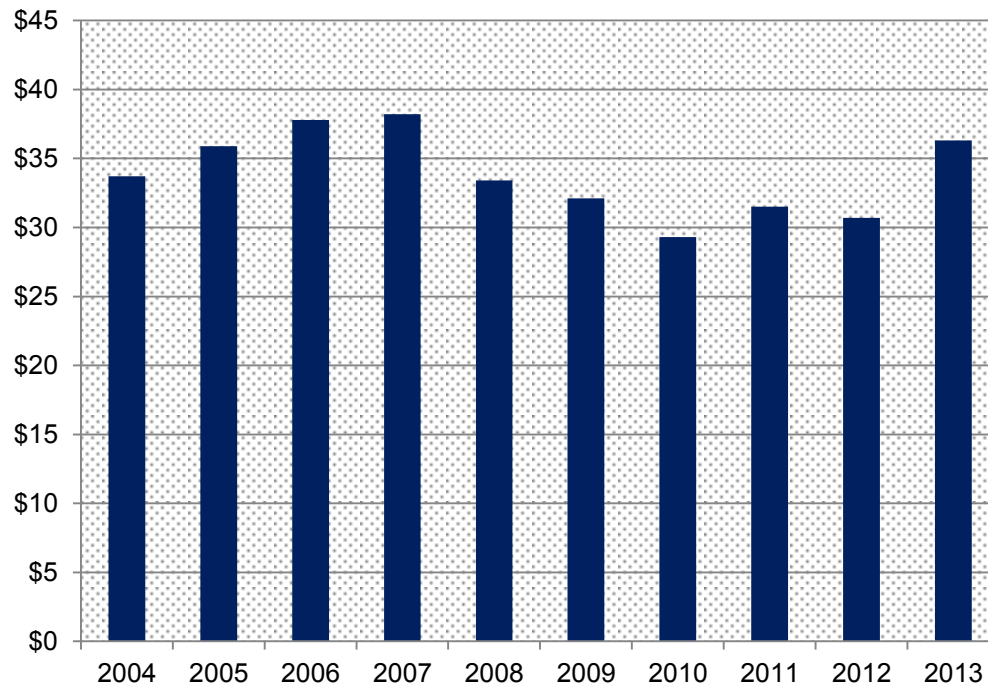
Casualty Insurers



Source: Advisen

E&S Market

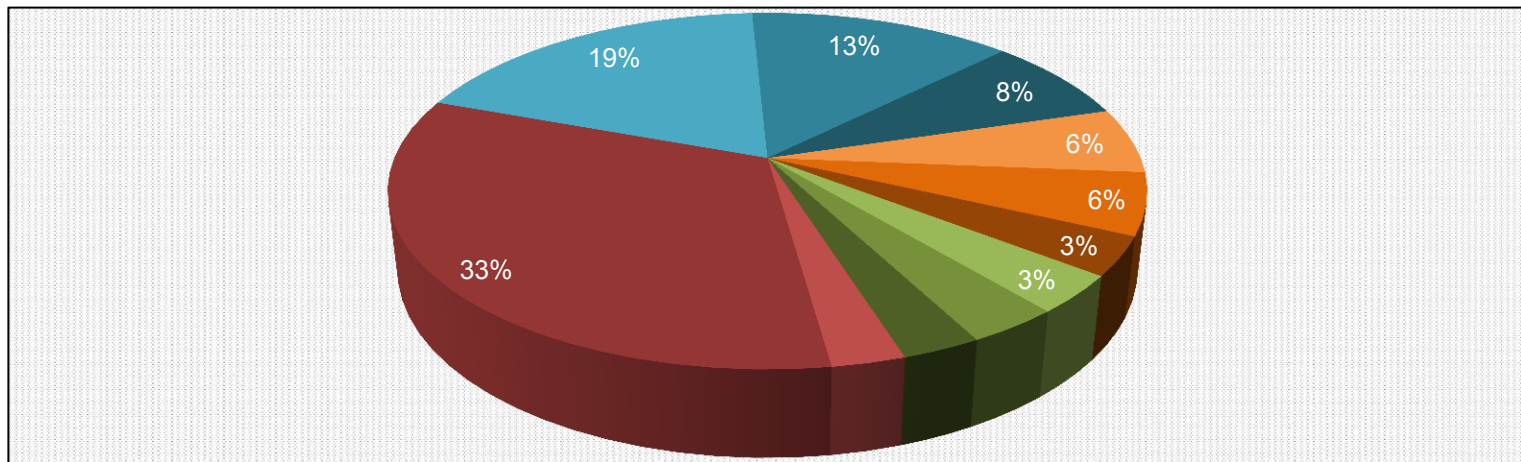
Surplus Lines Written Premium
(\$ billions)



Source III, Business Insurance

E&S Market

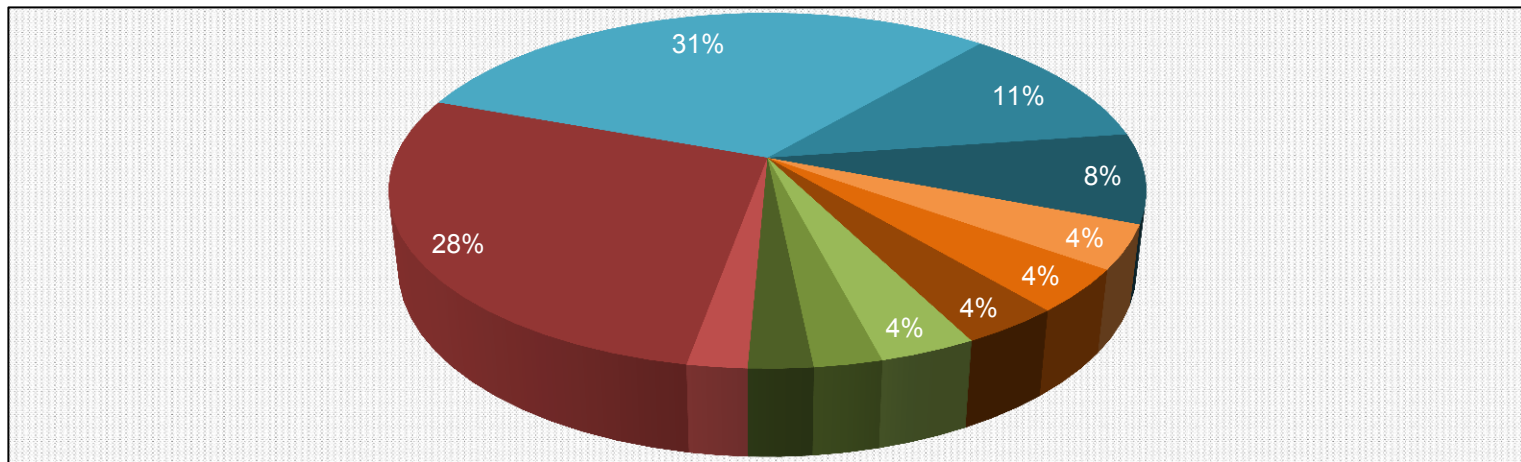
General Liability Market Share: Excess & Surplus Line Carriers



- | | | |
|--------------------------------------|--|---------------------------------------|
| ■ AIG | ■ W.R. Berkley Corporation | ■ Nationwide Mutual Insurance Company |
| ■ Fairfax Financial Holdings Limited | ■ Swiss Re | ■ CNA Financial Corporation |
| ■ The Navigators Group, Inc. | ■ Liberty Mutual Holding Company, Inc. | ■ Alleghany Corporation |
| ■ James River Group, Inc. | ■ Rest of Market | |

E&S Market

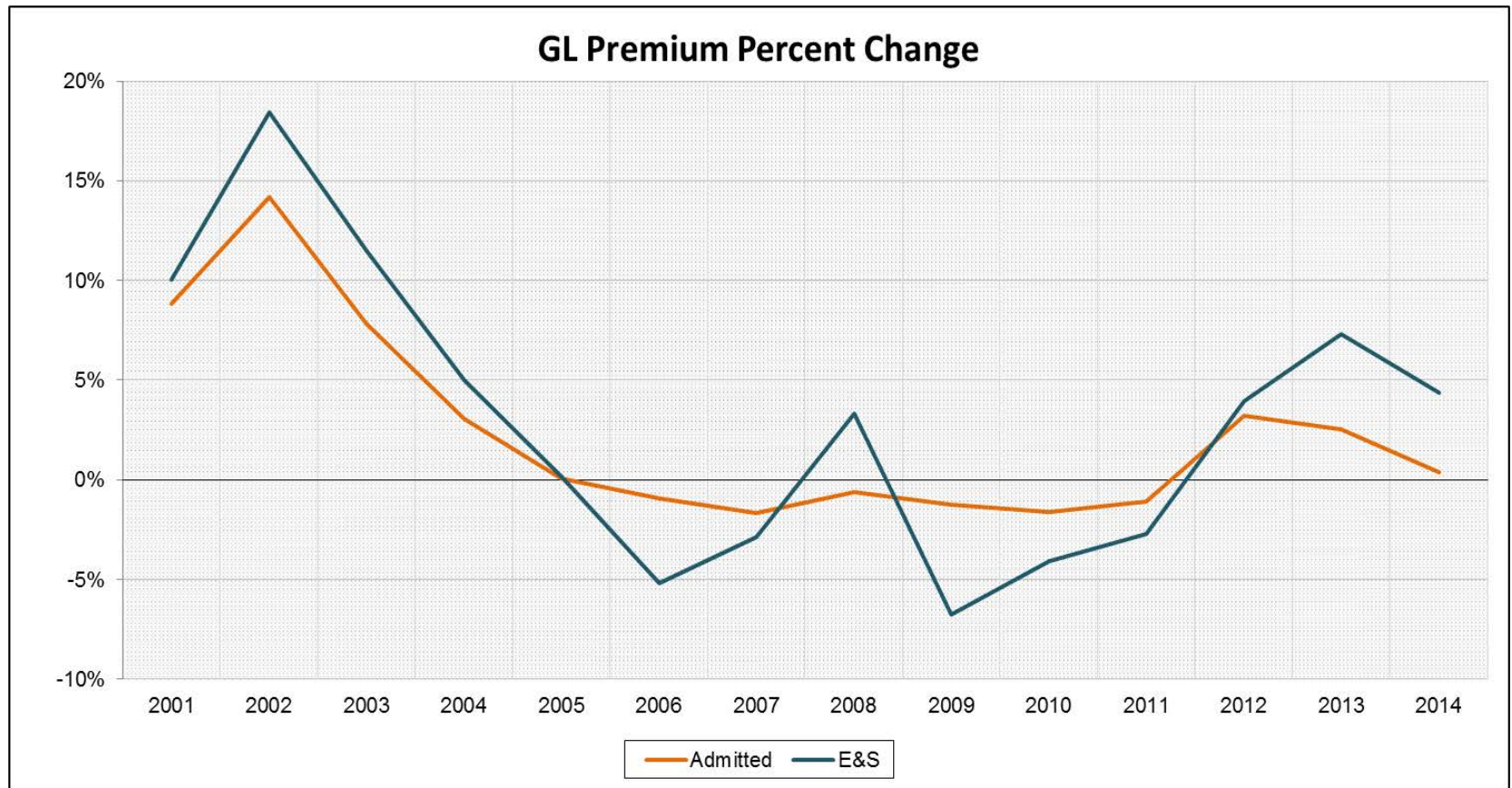
Umbrella/Excess Market Share: Excess & Surplus Line Carriers



- | | | |
|---------------------------------------|-----------------------------|---------------------------------|
| ■ AIG | ■ W.R. Berkley Corporation | ■ AXIS Capital Holdings Limited |
| ■ Allied World Assurance Company | ■ ACE Limited | ■ Ironshore, Inc. |
| ■ Nationwide Mutual Insurance Company | ■ CNA Financial Corporation | ■ Allianz AG |
| ■ Endurance Specialty Holdings Ltd. | ■ Rest of Market | |



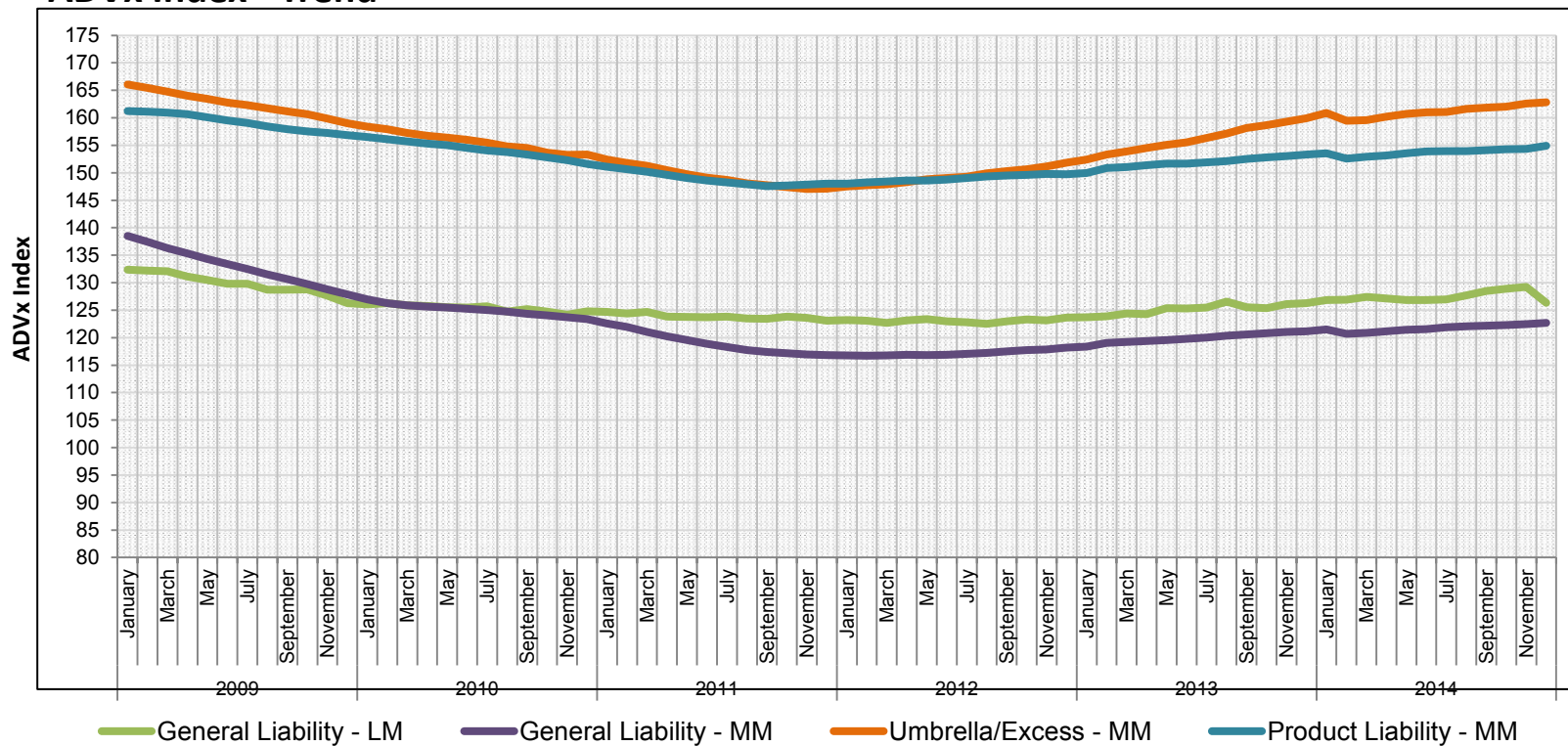
E&S Market



Source: Advisen

Casualty Pricing

ADVx Index - Trend



Source: Advisen

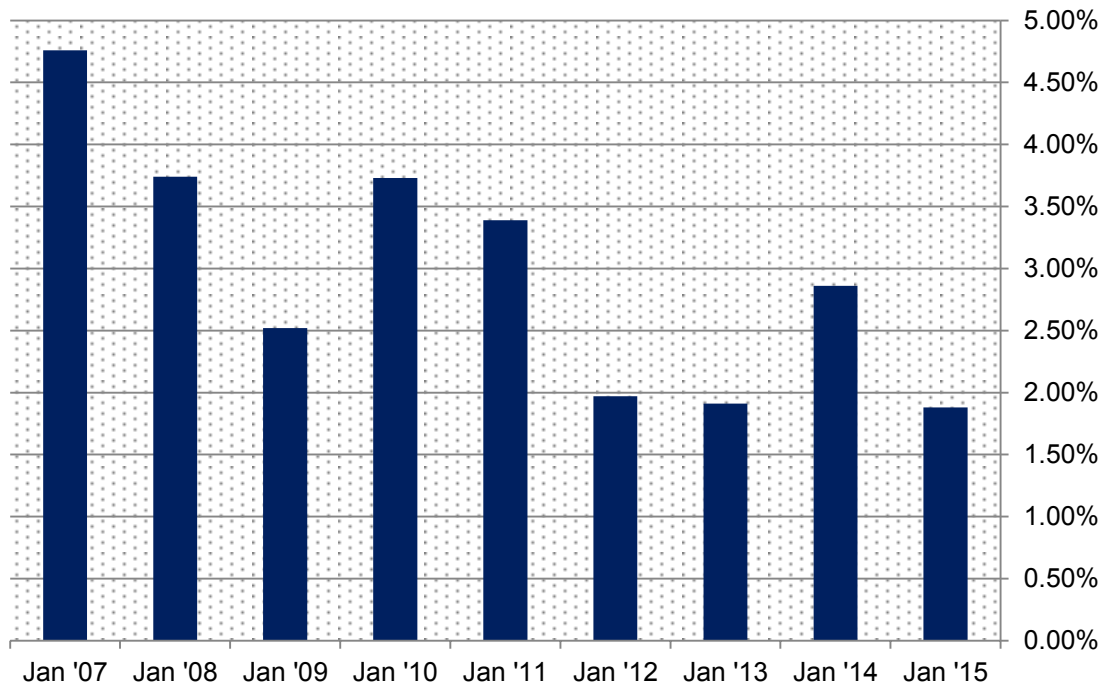
What's in store?



Source: Advisen

What's in store?

10-Year Treasury Rate





What's in store?

- Low interest rate will keep pressure on underwriting results, but...
- The market is overcapitalized and competitive: rates will trend down



The Risk Manager's Perspective



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The Risk Manager's Perspective - Merger & Acquisition Casualty Considerations



Stephen Kempsey
Managing Director, US, Casualty Practice Leader, Marsh
Moderator



The Risk Manager's Perspective - Merger & Acquisition Casualty Considerations

- **Stephen Kempsey**, Managing Director, US Casualty Practice Leader, Marsh (Moderator)
- **Thomas Kim**, Director & Global Risk Manager, KKR Capstone
- **Audrey Rampinelli**, Vice President, Risk Management, Loews Corporation
- **Susan Reinhard**, Senior Director of Claims & Risk Management, EMCOR Group, Inc.



The Risk Manager's Perspective - Merger & Acquisition Casualty Considerations





Morning Break

Coming up next in this room:
“Coverage Matters”

Coming up next in the other room:
“Drones: The Risk from Above”



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CASUALTY INSIGHTS CONFERENCE



Coverage Matters



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Coverage Matters



Stephen Hackenburg
Chief Broking Officer, National Casualty, Aon Risk Solutions
Moderator

Coverage Matters

- **Stephen Hackenburg**, Chief Broking Officer, National Casualty, Aon Risk Solutions (Moderator)
- **David Bresnahan**, Executive Vice President, Berkshire Hathaway
- **Paul Fauty**, Global Head of Liability and Workers' Injury, Zurich
- **Mike Merlo**, EVP and Chief Counsel, Aon (Bermuda) Ltd.
- **Robley Moor**, Managing Director, Head of North America Casualty, Swiss Re Corporate Solutions
- **Andrew Nadolna**, Global Head of Casualty Claims, Commercial Insurance, AIG
- **Danielle Roth**, Director - Risk Management & Insurance, Verizon Communications



Coverage Matters





Conference Luncheon

Coming up next in this room:
“Workers’ Compensation”

Coming up next in the other room:
“Excess and Surplus Lines”



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Workers' Compensation



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Workers' Compensation



Christopher Flatt
Workers' Compensation COE Leader, Marsh
Moderator



Workers' Compensation

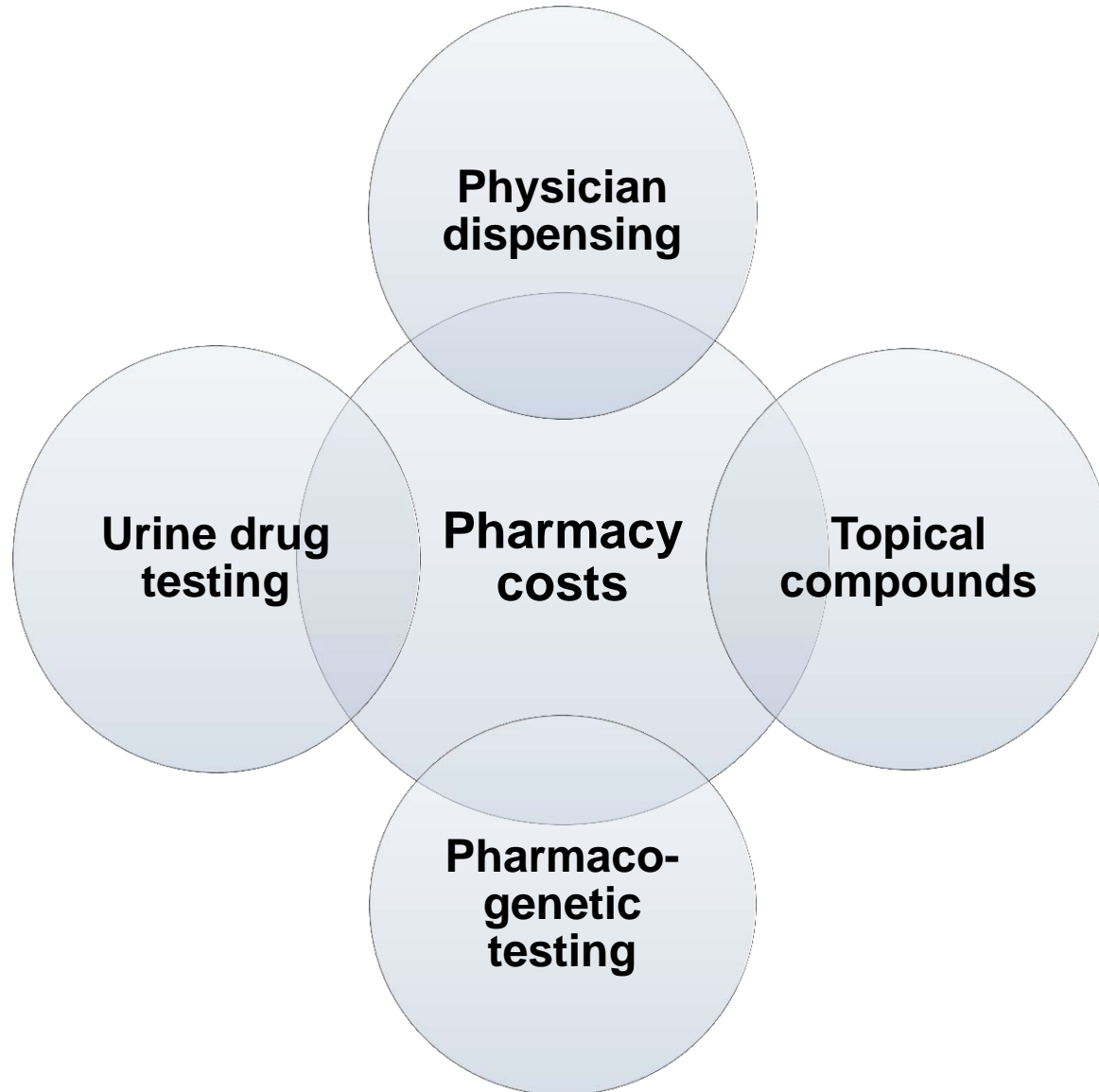
- **Christopher Flatt**, Workers' Compensation COE Leader, Marsh (Moderator)
- **David Heppen**, Managing Director, Marsh Global Analytics
- **Dr. Marcos Iglesias**, Vice President and Medical Director, The Hartford
- **Max Koonce**, Senior Director of Risk Management, Wal-Mart
- **Mark Walls**, Vice President Communications & Strategic Analysis, Safety National

Marcos A Iglesias MD
Vice President, Medical Director
March 26, 2015

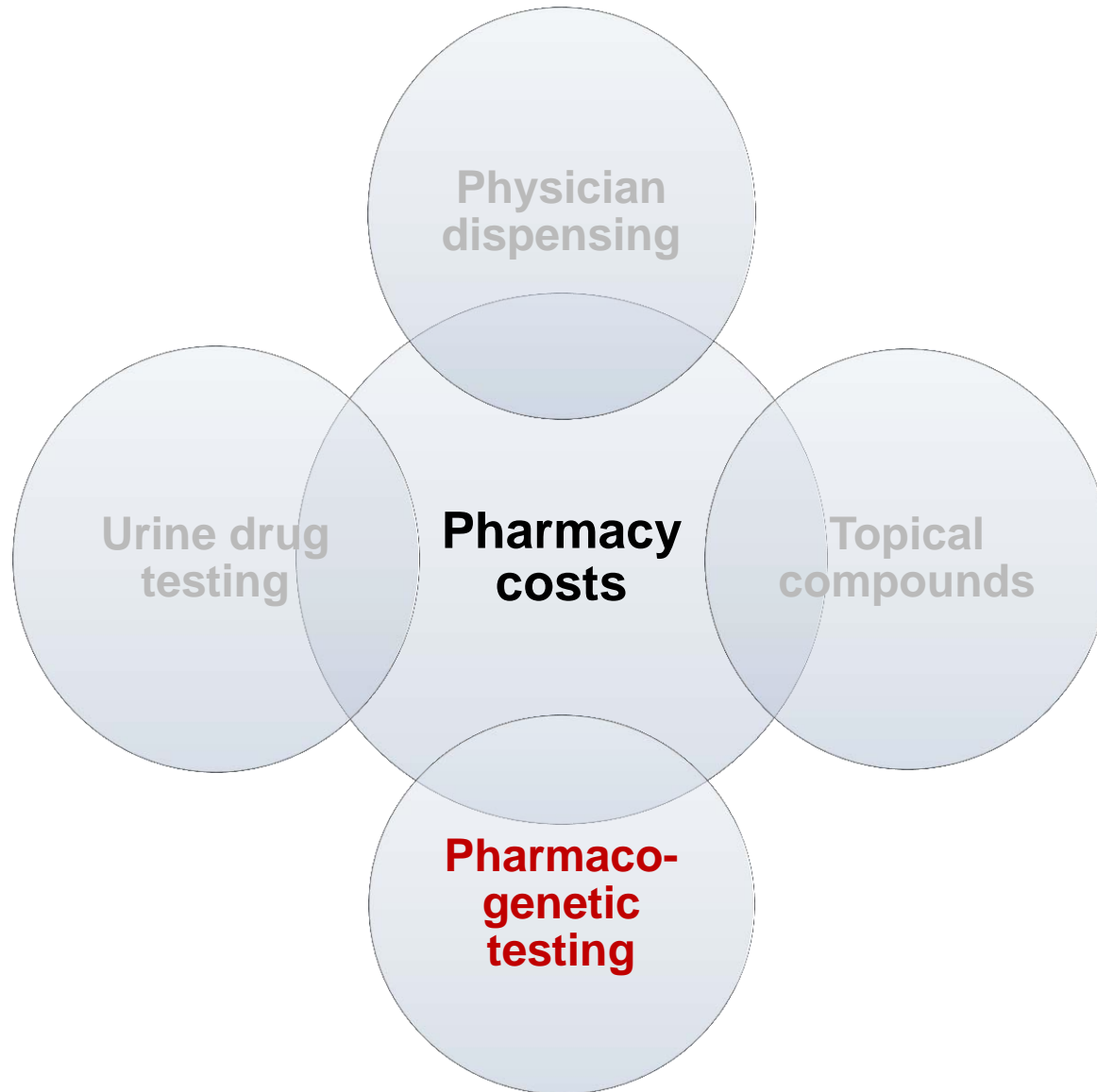
Pharmacy cost drivers in WC



Pharmacy cost drivers



Pharmacy cost drivers



Theory

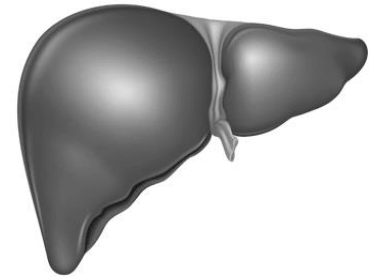
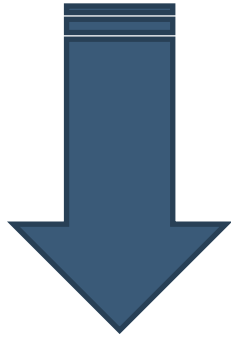


- Take a cell from the body
- Analyze its genotype
- Predict the body's response to medications
- Choose the most appropriate drug
 - Most effective
 - Least adverse drug effects

“helps clinicians tailor and optimize medication therapy according to a patient's genetic profile”
[Millennium Health]

Cytochrome P450

- Increased enzyme activity → rapid metabolism



- Little enzyme activity → slow metabolism

Paucity of clinical evidence



- Vuilleumier et al. (2012): “Translating pharmacogenetics to clinical practice has been particularly challenging in the context of pain, due to the complexity of this multi-faceted phenotype and the overall subjective nature of pain perception and response to analgesia.”
- Nielsen et al. (2014): “Studies have shown promising results regarding pharmacogenetics as a diagnostic tool for predicting the individual response to a given opioid in the experimental settings; however, in the clinic, it is a more complicated task to accomplish.”

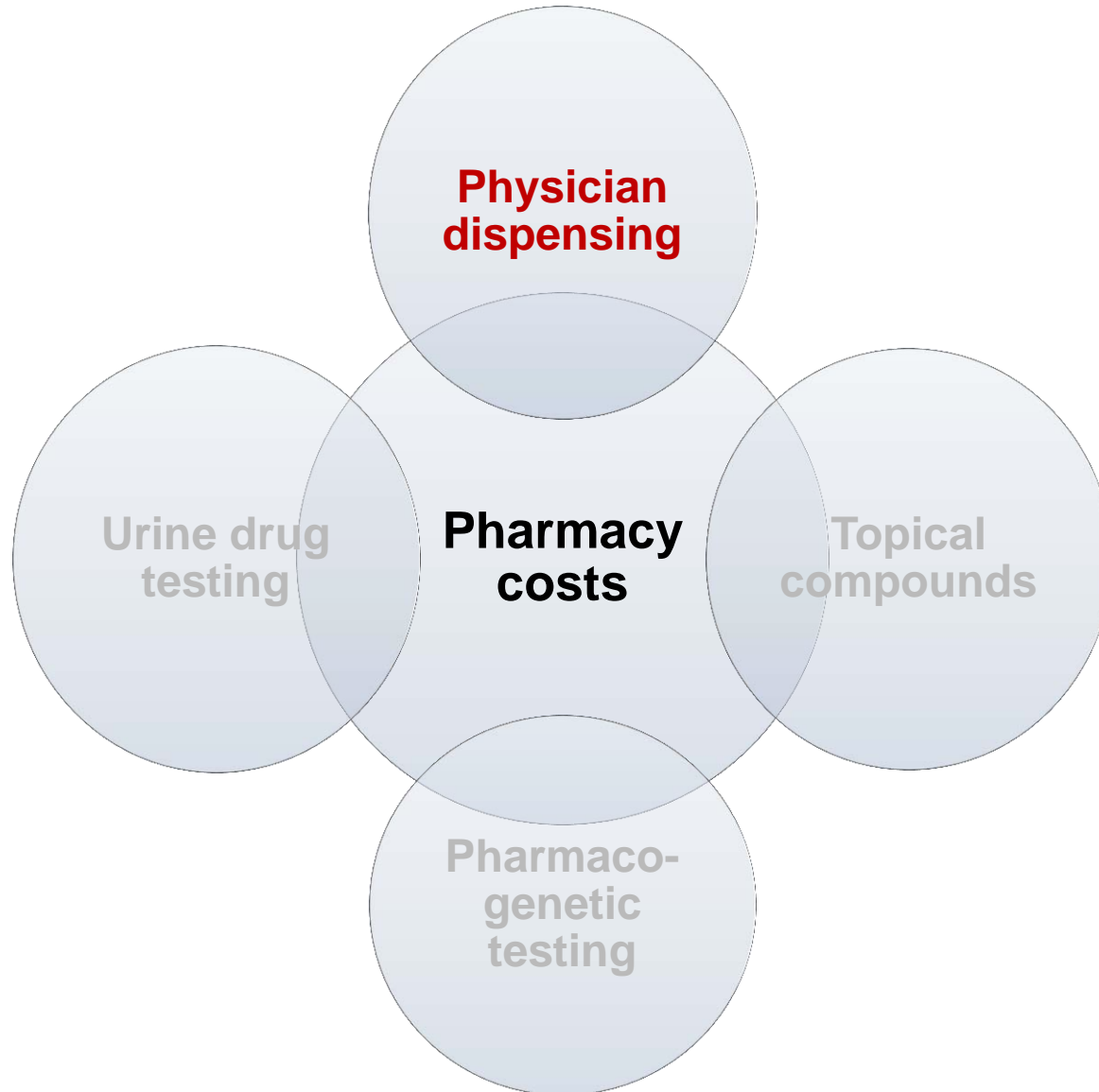
- “The field of pharmacogenomics is still in its infancy. Its use is currently quite limited, but new approaches are under study in clinical trials. In the future, pharmacogenomics will allow the development of tailored drugs to treat a wide range of health problems, including cardiovascular disease, Alzheimer disease, cancer, HIV/AIDS, and asthma. (March 15, 2015)

Many factors involved in pain



- Genetics
- Age
- Gender
- Weight
- Fat composition
- Muscle composition
- Drug
- Dose
- Diet
- Drug-drug interactions
- Comorbid conditions
- Exercise
- Lifestyle
- Psychological influences

Pharmacy cost drivers



Costs



- 60-300% higher cost than same medications purchased at pharmacy
- 28% of drug costs (NCCI, 2009)
- In some states represent 40-50% of drug costs
- Drove California (2007) and Florida (2011) to limit reimbursement for physician dispensed medications



WCRI, 2012

California



- 17% higher medical costs
- 13% higher indemnity costs
- 9% higher lost-time days



CWCI, 2013

Illinois



- 39% higher medical cost
- 27% higher indemnity cost
- 34% higher lost-time days

- Physician dispensed opioid in first 90 days
 - 78% higher medical cost
 - 57% higher indemnity cost
 - 85% higher lost-time days

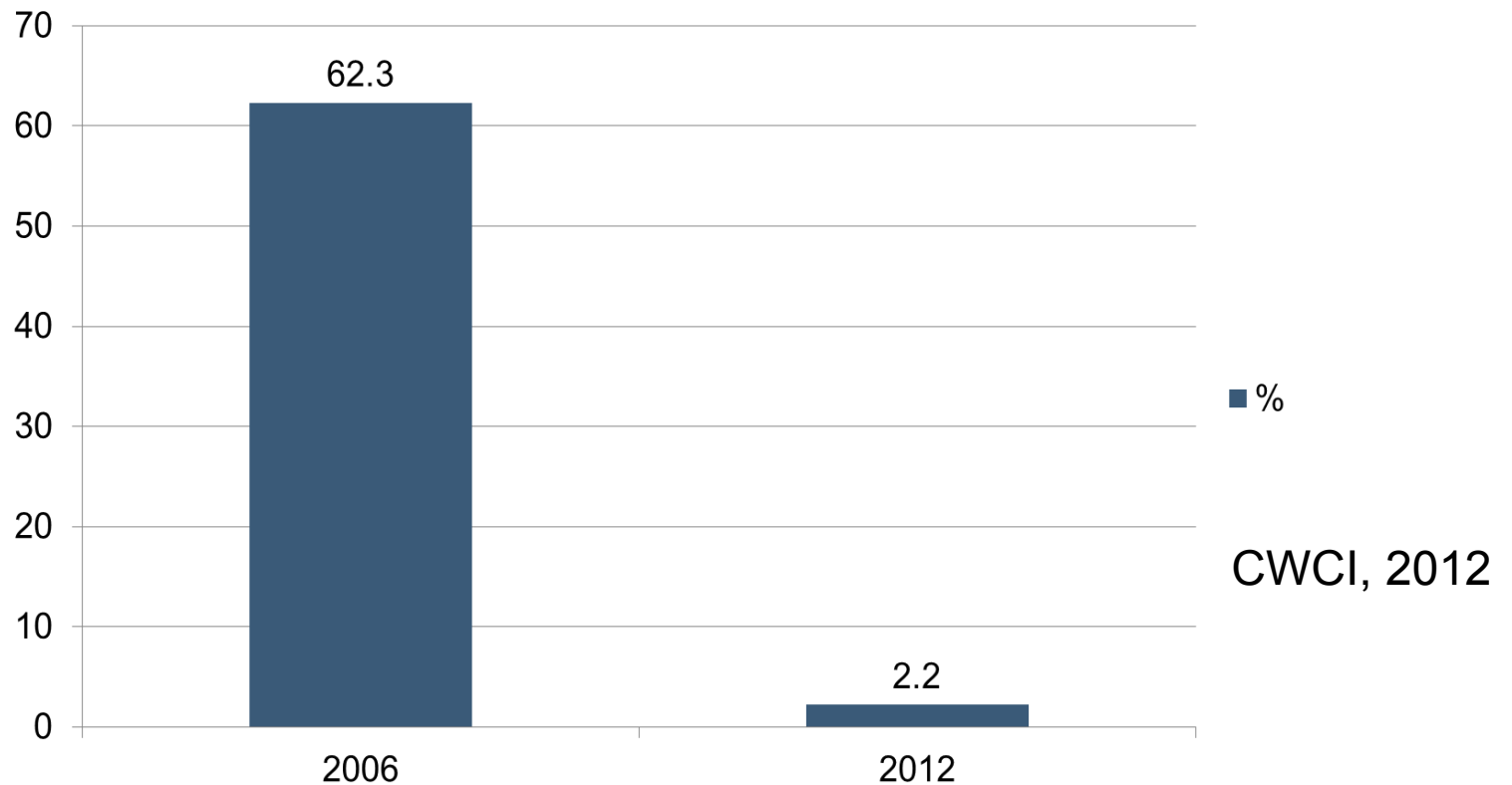


White et al. *JOEM*, 2014

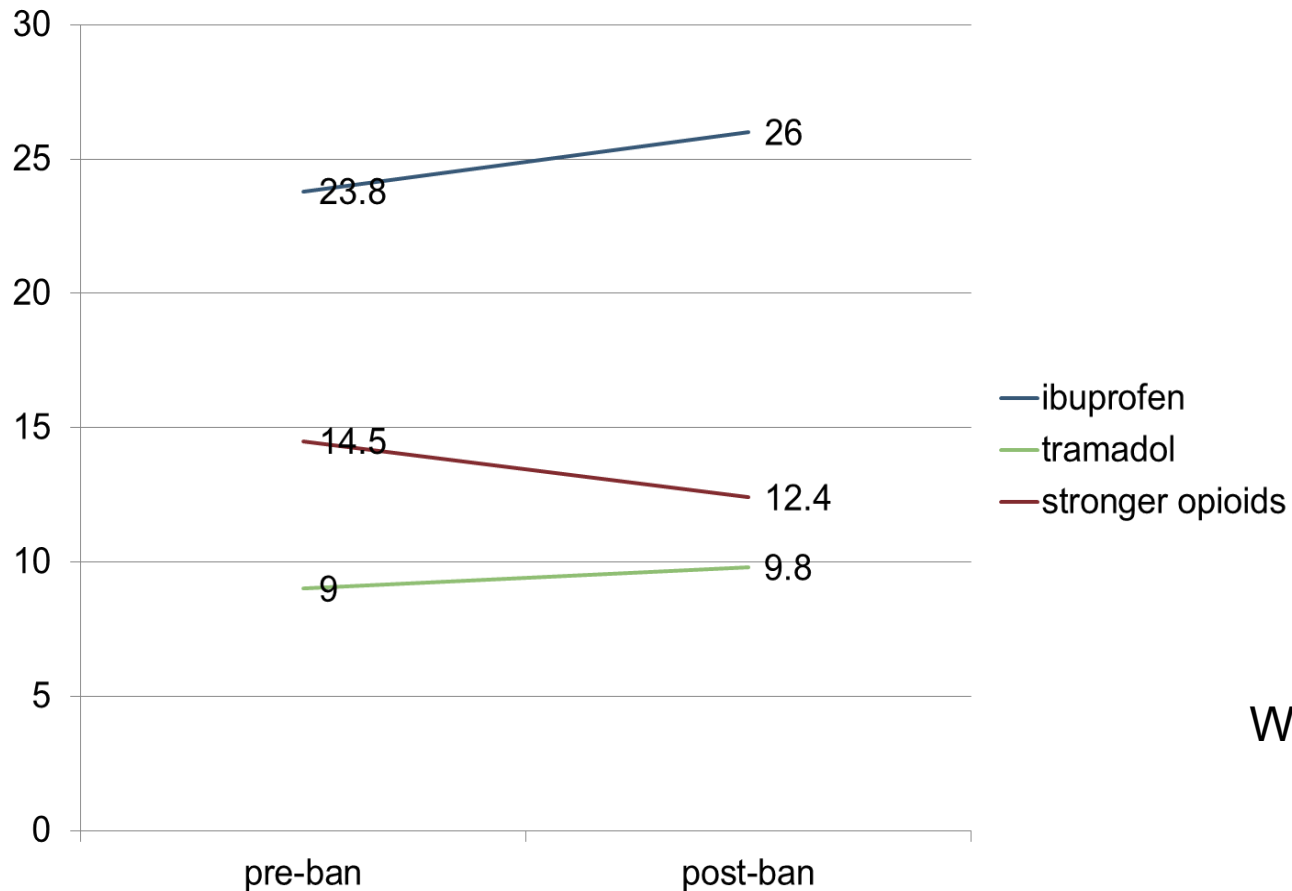
California



- Revised reimbursement
- Volume of physician dispensed drugs decreased by 96%



- Banned physician dispensing of Schedule II and III drugs (includes most opioids)



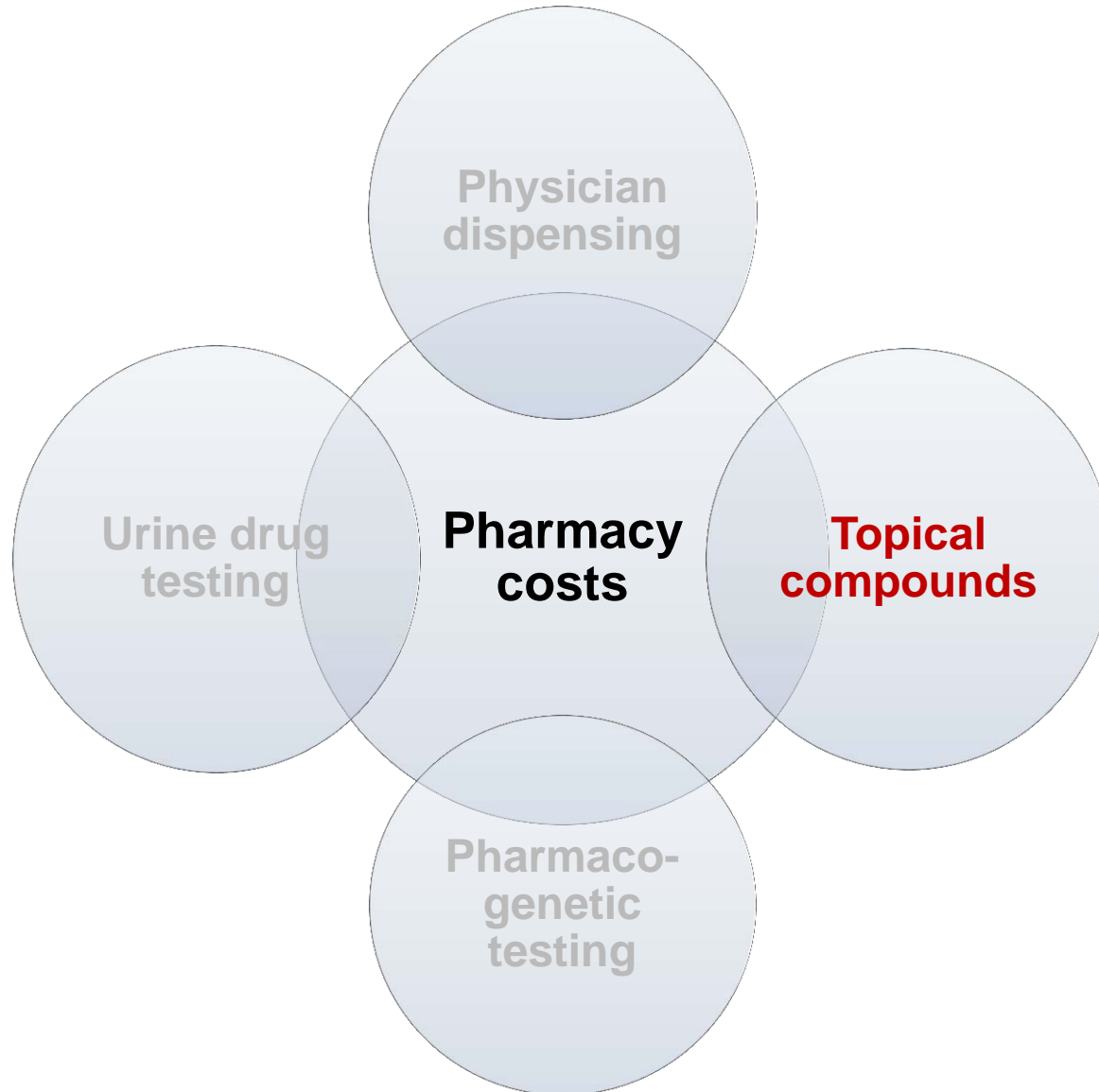
WCRI, 2013

“When prices are reduced by regulation, the regulated parties sometimes find new ways to retain the high revenues they had prior to the reforms.” (WCRI, 2015)

- New dosages
- Example: cyclobenzaprine
 - 5 mg, 10 mg
 - 7.5 mg

Are Physician Dispensing Reforms Sustainable?, WCRI, 2015.

Pharmacy cost drivers



Topical compounds



- Prescribed compounding of multiple ingredients
- Generally for treating musculoskeletal pain
- Often dispensed by physicians to injured workers

- Very little scientific evidence for efficacy and safety

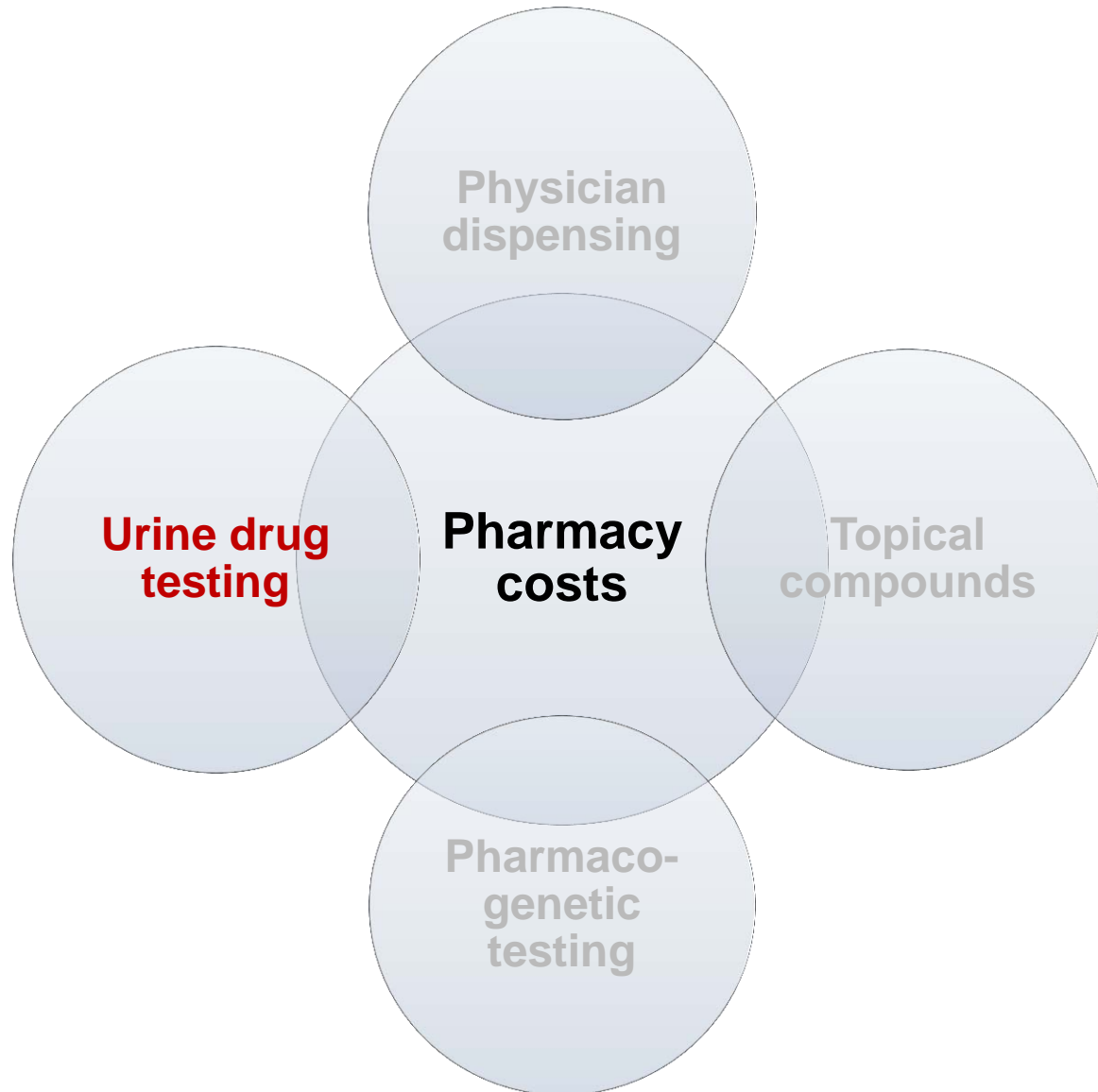
- Average cost: \$1,229 (Express Scripts, 2014)

Common ingredients



- **NSAID**
 - **Diclofenac**
 - **Ketoprofen**
 - **Indomethacin**
 - Flurbiprofen
 - **Methyl salicylate**
- **Counterirritants**
 - **Capsaicin**
 - **Menthol**
 - Camphor
 - Wasabi
- **Antiepileptics**
 - **Gabapentin**
- **Muscle relaxants**
 - **Cyclobenzaprine**
 - Baclofen
 - Orphenadrine
- **Antidepressants**
 - Amitriptyline
 - Imipramine
- **Anesthetics**
 - **Lidocaine**
 - Bupivacaine
- **Opioids**
 - **Tramadol**
- **NMDA RAs**
 - **Ketamine**
 - Amantadine
 - **Dextromethorphan**
- **Others**
 - Guaifenesin
 - Clonidine

Pharmacy cost drivers



Urine drug testing



- Testing urine for presence of
 - expected (prescribed) and
 - unexpected controlled substances
- Recommended by most professional societies and practice guidelines
- Very little evidence that it helps

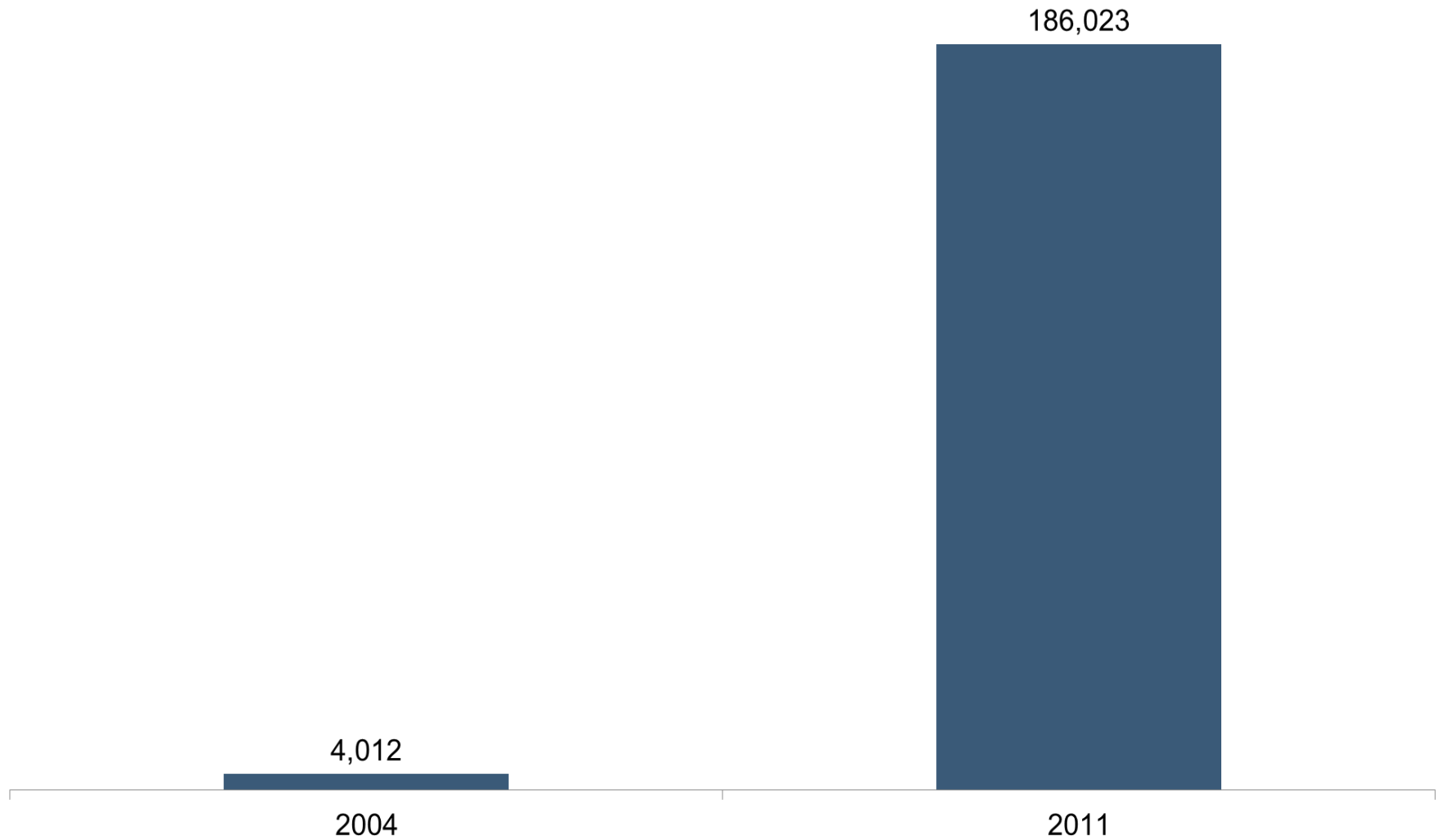
Sample study



- 67.2% of UDT were inconsistent
 - 66.6% showed non-prescribed medication
 - 46.8% did not show prescribed medication
 - 14.9% showed illegal drug

Helios, 2014.

Drug testing visits in California





Workers' Compensation





Afternoon Break

Coming up next in this room:
“Cyber Insurance and Casualty”



Cyber Insurance and Casualty



@Advisen



Cyber Insurance and Casualty



Joe Cellura
President of North American Casualty, Allied World
Moderator



Cyber Insurance and Casualty

- **Joe Cellura**, President of North American Casualty, Allied World (Moderator)
- **Ron Beiderman**, Vice President, Commercial Lines Coverage Products, ISO
- **Jerry Gallivan**, Claim Manager, Business Torts Claim, Travelers
- **Josh Gold**, Insurance Coverage Attorney, Anderson Kill
- **Michael Tanenbaum**, Senior Vice President, Professional Risk, ACE



Cyber Insurance and Casualty





CASUALTY INSIGHTS CONFERENCE



The View from the Top



The View from the Top



Tony DeFelice
Managing Director of National Casualty, Aon
Moderator



The View from the Top

- **Tony DeFelice**, Managing Director of National Casualty, Aon (Moderator)
- **Mark Butler**, President of National Insurance Operations, Liberty Mutual
- **John Doyle**, Executive Vice President and Chief Executive Officer, Commercial Insurance, AIG
- **Chris Maleno**, Senior VP and Division President, ACE
- **Andrew Marcell**, CEO of US Operations, Guy Carpenter
- **Glenn Spencer**, Executive Vice President, Chief Operating Officer, Lockton



The View from the Top





Closing Remarks & Reception

