



The 2010 Insurance Market

What I need to know and what I need to start worrying about

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Innovative Insurance Solutions



Rate Predictions

Rates will decline for Property & Casualty Insurance, except:



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You May See An Increase

- Products Liability Insurance and Products Recall Insurance for automobiles that accelerate when they should not, and have brakes that occasionally do not stop
- Directors & Officers Liability Insurance - If one or more of your Directors and/or Officers needs to join the Board Of Directors Meeting via Conference Call from his/her Jail Cell in a Federal Prison



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2009 Year In Review



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- The Insurance Industry is the only major part of the financial services industry that has actually performed well throughout the economic crisis
- Claims obligations have been met throughout the crisis
- 700 Financial Services Companies received Federal Bailouts
- 4 were insurance companies
- \$336 Billion Bailout by the Federal Government
- \$ 82 Billion for Insurance Companies, but 90% of the total was for financial services and banking related activities
- One Really Big Hiccup

Investment Income

- Low Interest Rates
- Poor Performance in the Stock Market
- \$5.4 Billion drop in investment income for the Property & Casualty Insurance Industry in 2009
- \$2.7 Billion Decrease projected for 2010



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Underwriting

- \$1.5 Billion projected underwriting loss in 2009
- \$19.7 Billion actual loss for 2008
- \$14.4 Billion in 2010 Projection
- Net Income
 - 2009 \$22.9 Billion
 - 2008 \$ 4.4 Billion



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2010 Market

- Weak Economy will continue a reduced demand for insurance
- Capacity exceeds demand – Insurers will continue a soft market trend
- Low Investment Yields will force insurers to focus on underwriting profitability
- Stricter Underwriting and greater emphasis on claims management



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The Wildcard

- Catastrophe Losses
- One major catastrophe changes everything and you can ignore the rest of the presentation



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What Should I Worry About

- Letters of Credit and other Financial Guarantees
- Existing Collateral – Will we ever get our money back



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What Should I Worry About

- Environmental
 - More vigorous enforcement of existing environmental laws and potential new regulatory pressure from the current political administration
 - Research Studies revealing more chemical substances in the air, water, and soil as causative agents for bodily injury
 - Climate Change (It used to be called Global Warming, but it has been freezing in Florida for the last two months) as an emerging risk for all business



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What Should I Worry About

- Employee Dishonesty - Employees tend to Borrow More money from the Employer in an economic crisis. They tend to keep cash and other property of the employer at home for safekeeping.



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What Should I Worry About

- Employment Practices Liability
 - 2009 second highest level of workplace discrimination suits filed with the EEOC
 - 2009 93,277
 - 2008 95,402
 - Record EEOC Lawsuits for
 - Unlawful Harassment
 - Title VII Violations
 - Largest Increase :
 - ADA increased by 10% to 21,451
 - Religious Discrimination increased by 3% to 3386



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What Should I Worry About

- Employment Practices
 - Most frequently filed charges – discrimination, sex and retaliation
 - On the Increase
 - Wage and Hour Litigation
 - Meal & Rest Breaks
 - Why
 - Workplace is more diverse
 - Employees better educated about EEOC
 - The Economy



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What Should I Worry About

- Workers Compensation Claims Management
 - Aggressive Claims Management
 - Partnership with Insurer/TPA
 - Knowledge of Trends in Workers Comp Claims
 - Compound Drugs \$\$\$\$
 - Verify Surgeons doing Surgery \$\$\$\$
 - Excessive Charges
 - Like the Jet Stream Workers Comp Fraud tends to move from California to the East Coast



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What Should I Worry About

- Recent Court Cases
- Workers Comp and Occupational Disease – St. Louis Circuit Court and Eastern District Court on Appeal denies motion of death from asbestos exposure at pipe plant to be covered by Workers Comp.
- Medical Malpractice - Illinois Supreme Court on February 4, 2010 in Lebron v Gotleib Memorial Hospital that statutory caps on non economic damage is unconstitutional
- International Paper - \$5,200,000 Auto Liability for an employee getting in an accident while talking on a cell phone discussing business
- Multitude of other cell phone suits – employee in their own car on their own time discussing company business



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And Finally Worry About This

- Cyber Attacks – A Global Problem
- TRIA – Government Funding?
- Your Mother-In-Law coming to live with you



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