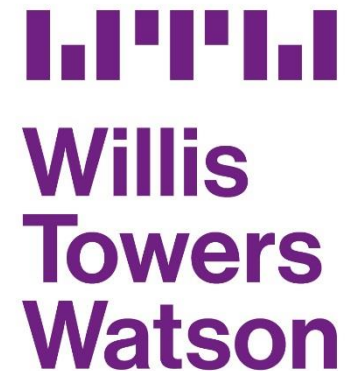


ASHA Annual Meeting 2019 | Risk Management Roundtable Session

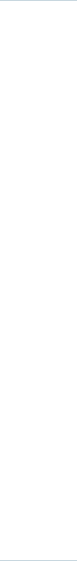
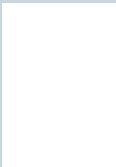
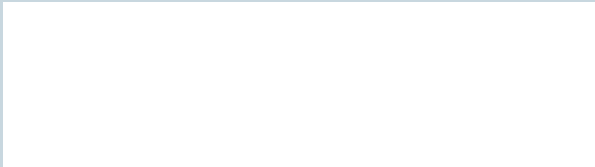
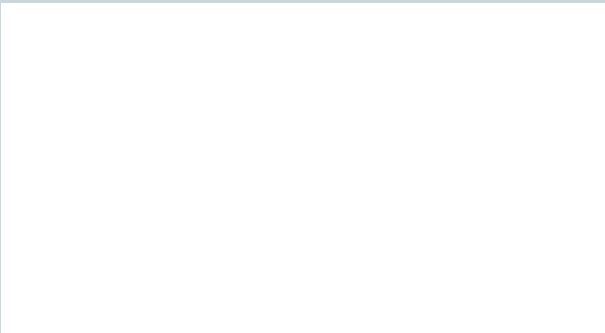
John Atkinson of Willis Towers Watson & Mike Ferreria of Propel Insurance



Agenda

- Market Update, Trends and Drivers
- Focus on 3 Key lines under pressure
 - Property
 - GLPL
 - Automobile
- Claim Trends in Senior Living (CNA Claim Study)

Market Update



Property Overview

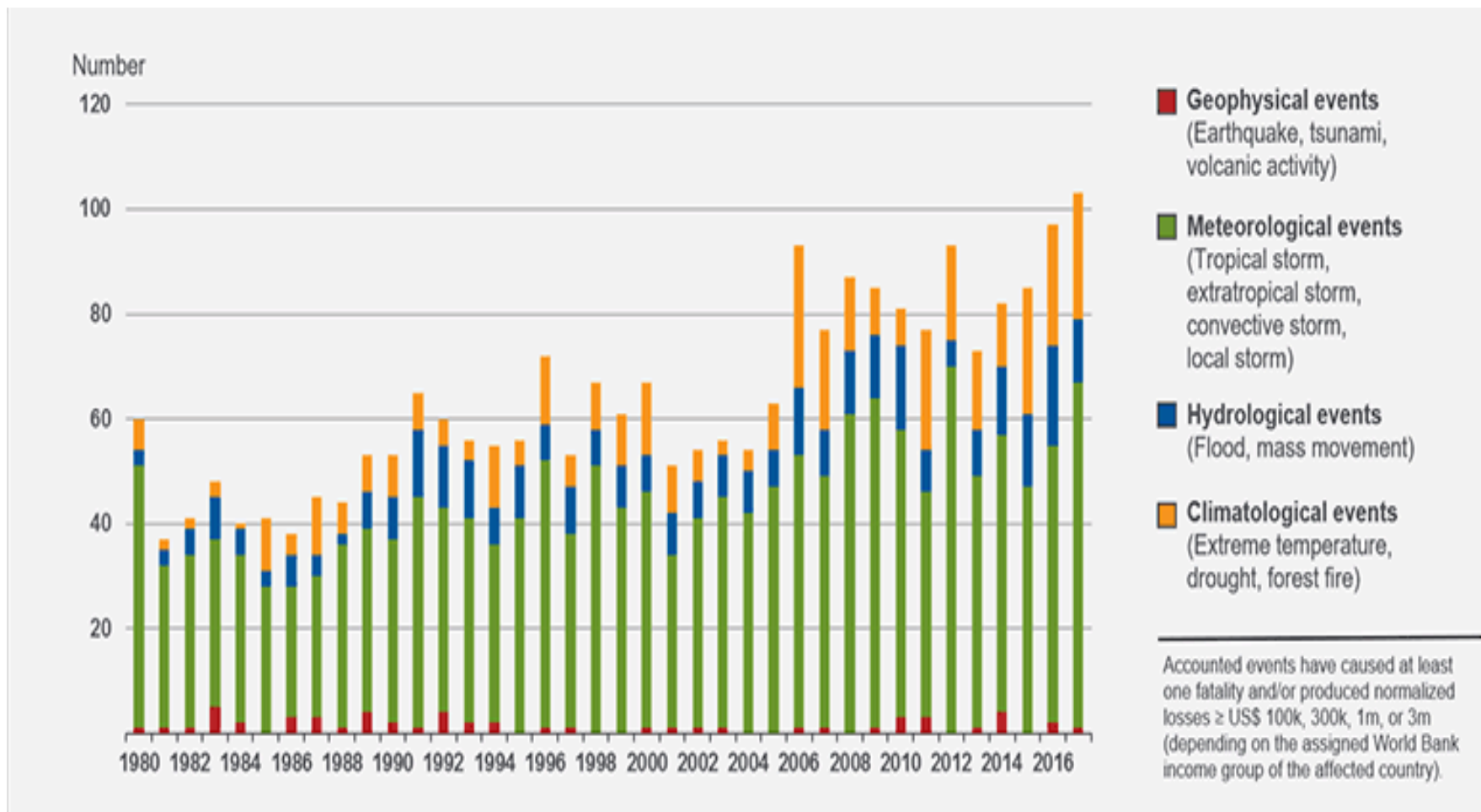
- Number of events are up considerably :
 - Named Storm events more severe in recent years
 - Convective Storm frequency up significantly -severe storm, hail, tornado and lightening
 - Carrier Response are tighter terms, increased deductibles and retentions, per location deductibles
 - Especially prevalent in wind hail prone areas
 - Nonphysical damage coverage concerns- Extra Expense and Expediting Expenses

- Additional Factors impacting market
 - Carrier impatience with consistent loss trends
 - London markets refocused on rate and terms
 - Domestic market disruption with AIG/Lexington reorganization
 - Profitability on class of businesses impacting appetite- (higher increases with fewer options)
 - Multifamily
 - Senior Living
 - Hospitality

- Rate Impact
 - Flat to 10% (Higher for accounts with losses and/or Cat Exposed.

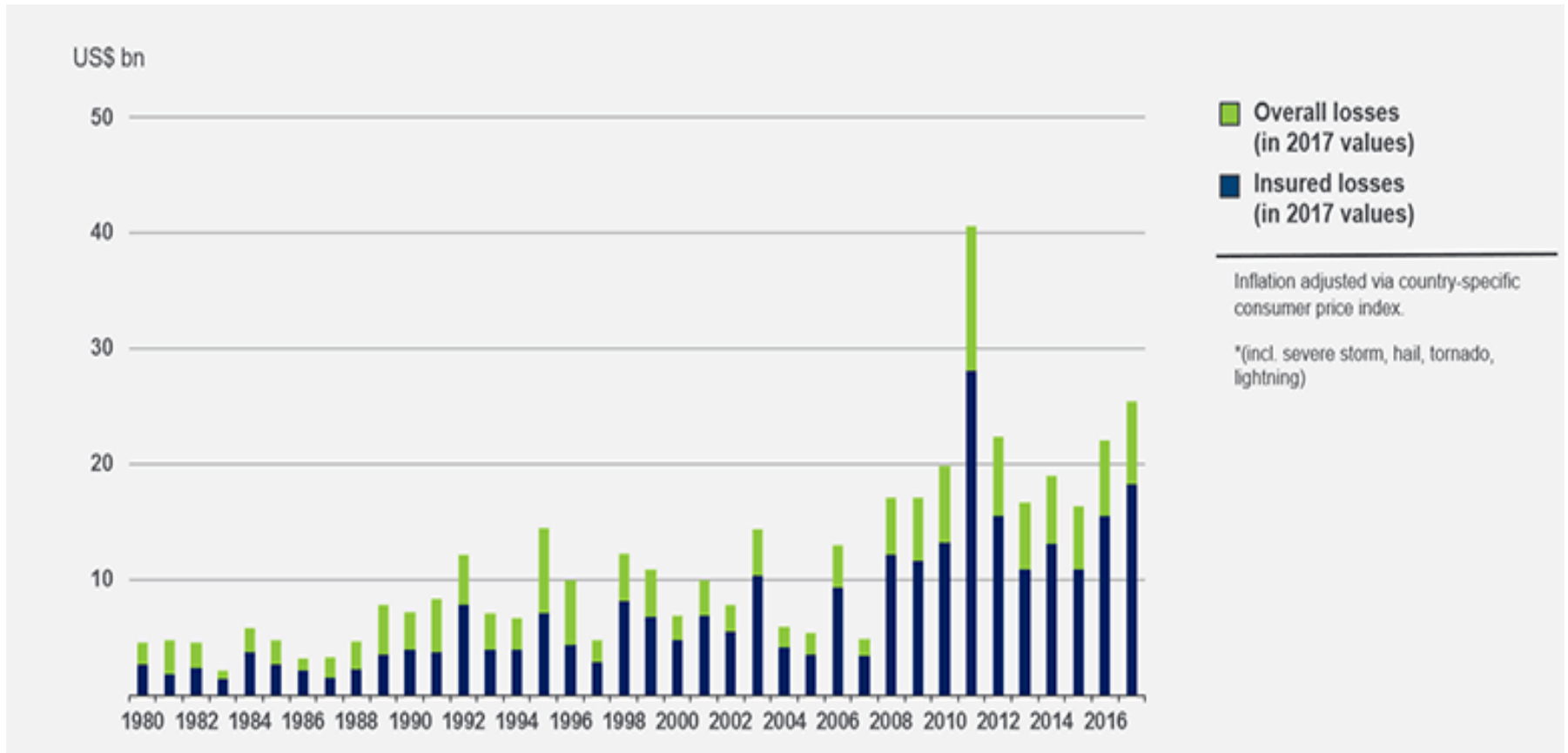
Property Loss Trends

Number of relevant events by peril



Source: © 2018 Munich Re, Geo Risks Research, NatCatSERVICE. As of January 2018.

Convective Storm Events in the US 1990-2017



Source: © 2018 Munich Re, Geo Risks Research, NatCatSERVICE. As of January 2018

Emerging Issues – Litigation Trends

GLPL Claims Trends

- Increasing claim frequency and severity trends are putting pressure on the underwriting community, driving rate, increasing retentions and adding scrutiny to the overall underwriting process.
- The 10th edition of the CNA Aging Services Claim Report provides a deeper dive into data and workplace challenges for senior living operators.
- Key Statistics found in the report:
 - Resident Falls continue to be a leading risk exposure in aging services settings accounting for 42.7% of all claims in this report and 49.4% of all AL claims
 - 66% of falls are unwitnessed
 - 64 % of claimants are repeaters
 - Pressure ulcers accounted for 18.6% of all claims
 - Assisted Living fall related claims are more costly, on average then fall-related claims in other segments (AL \$224,000 vs Skilled 187,774)
 - Highest severity claims are elopements
 - Nearly 2/3 of fall related claims assert failure to monitor
 - Death is the outcome in nearly half of fall related claims
 - Dementia is a factor in 62.8% of all fall related claims
 - Of the 15 most costly claims, 14 occurred in for profit communities
- High turnover seems highly correlated to deteriorating GLPL claims and overall operating performance

General and Professional Liability Overview

Market Update

- Market conditions have changed over the last 18-24 months
- Claims frequency and severity are increasing 7%-10% Annually
 - Limited ROI due to historically low prices in previous years
 - Significant emergence from 15-16 years
 - Tough legal venues are driving underwriting– CA, FL, IL (Cook County), KY, NJ, TN, and WV-
 - Carriers using data to drive venue performance down to zip codes
- Many insurers seeking rate stabilization and tightening terms/conditions on LTC Senior Living business (Think higher retentions)
 - Higher per-claim/occurrence retentions, increasing/eliminating aggregate deductibles
- LTC market landscape is shifting: explore all options
 - Exits: GuideOne, Hiscox London, AIG, One Beacon, Markel US (Thomco) RLI
 - Rate Action &/or Restructuring/T&C Changes: OneBeacon, CNA, Sapphire Blue/London, Church Mutual
 - Bermuda Markets- Excess and limited primary capacity
 - Entrants/expansions: SwissRe, MMIC
 - Consolidations: ACE/Chubb, Ironshore/Liberty Mutual, XL Catlin, Sompo/Endurance

Rate Impact:

- Flat to +5% (Best Accounts-Favorable Venues Only)
- 20%+ (difficult venues, adverse loss history, carrier profitability)
- Rate increases in addition to any claims made to occurrence steps

Emerging Issues – Litigation Trends

Class Action Lawsuits

- Five class action lawsuits have been filed against assisted living providers in California and Florida since 2013; two cases have settled for approximately \$20 Million
- Common causes of action have been plead in the five actions:
 - Violation of the Consumer's Legal Remedies Act (CA Civil Code §1750 et seq.)
 - Elder Financial Abuse (CA Welfare & Institutions Code §15610.30)
 - Unlawful, Unfair and Fraudulent Business Practices (CA Business & Professions Code §§ 17200 et seq.); Florida Deceptive and Unfair Trade Practices Act (Sections 501.201 et seq., Florida Statutes)
 - Unruh Civil Rights Act (CA Civil Code § 51 et seq.)
- Common factual ***allegations***:
 - Defendant AL provider has engaged in a scheme to defraud residents and family members by falsely representing in its admission contract and marketing materials that:
 - Each resident will be provided the care services that the resident needs as determined by the resident assessment conducted by the AL provider
 - The amount of care needed by a resident will be translated into a specific number of care points for which the resident will be charged on a monthly basis
 - The budget for staffing at the community is related to the aggregated care points generated by the resident assessment and the AL provider will ensure that the community has at all times sufficient numbers of trained staff to deliver the amount and type of resident care identified in the assessment
 - Defendant AL provider actually conceals and fails to disclose that as a matter of corporate policy, facility staffing per shift is set based on pre-determined labor budgets calculated to return desired profit margins and does not alter the number of staff or hours per community or shift regardless of changes in occupancy or resident needs as determined by assessments

Automobile

Why Auto Rates are on the RISE?

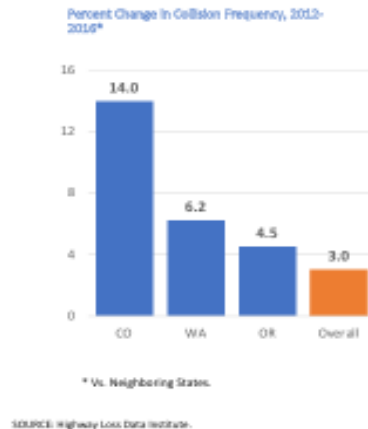
Road Safety



Automobile

Baked Driving?

Legal Sales Lead to More Accidents

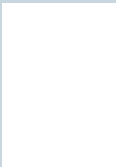
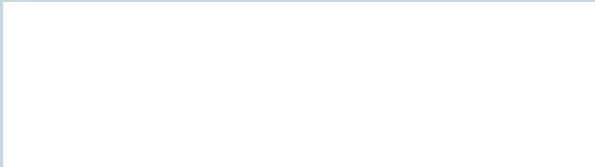
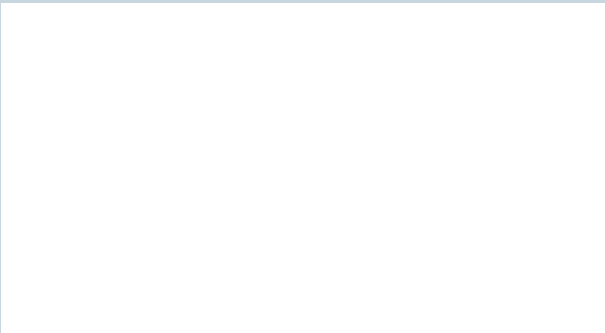


- ▲ Look at 'Real World' Crashes
- ▲ All Measures Statistically Significant
- ▲ 'Overall' Measure a Good Proxy for What Will Happen in Any State
- ▲ Auto Accidents are 6% of WC claims; 12% of Losses

Automobile

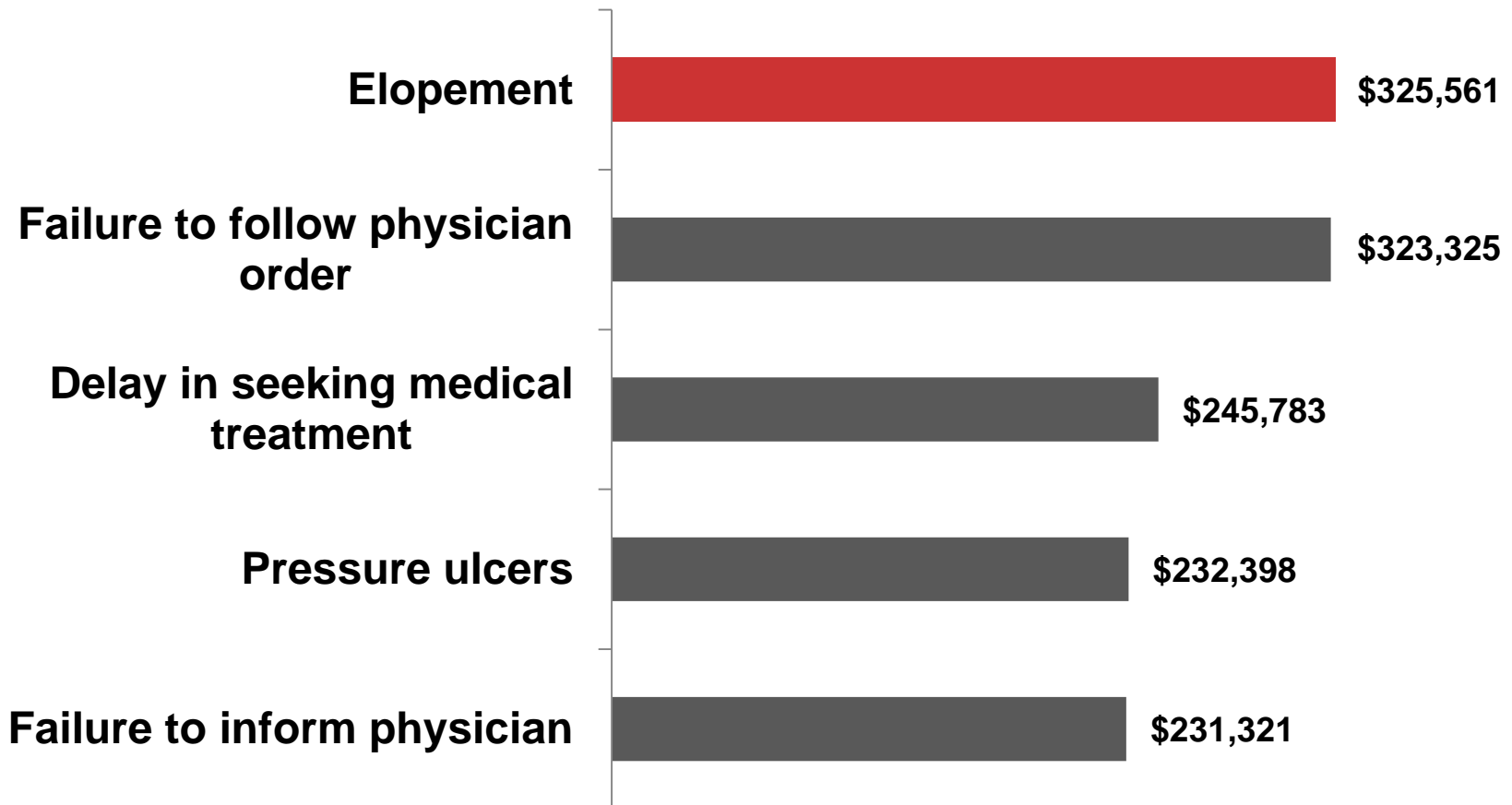
- Underwriting Profitability Concerns:
 - Six straight years of underwriting losses and loss ratios well above 100%
 - 2007 Loss Ratio 94%
 - 2016 Loss Ratio 112%
 - Commercial Auto loss ration 15% worse than the balance of commercial lines
 - Written premium volume in commercial auto has expanded faster than in other market segments over the past two years; the 7.7% rise in commercial auto premium pricing in 2018 is highest in many years
- Rate Impact
 - Flat to 10% (Higher for accounts with losses and/or Cat Exposed.

Claim Trends in Senior Living



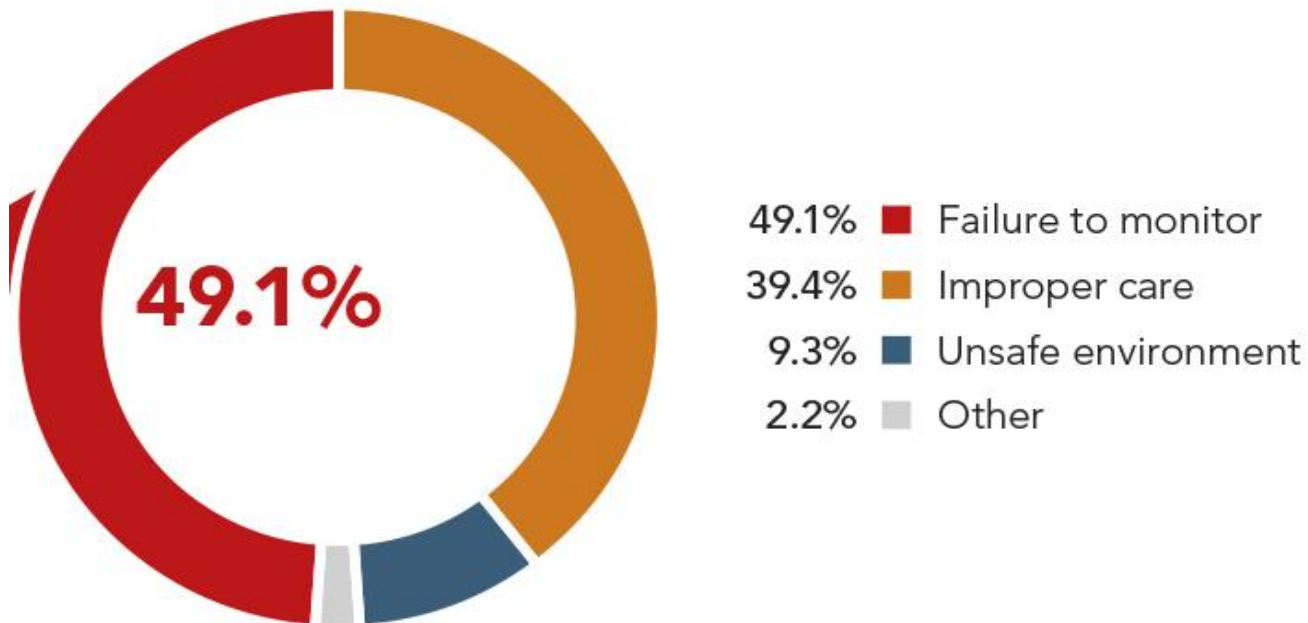
Insurance Underwriting

Highest Average Total Paid *Allegation* in Closed Claims



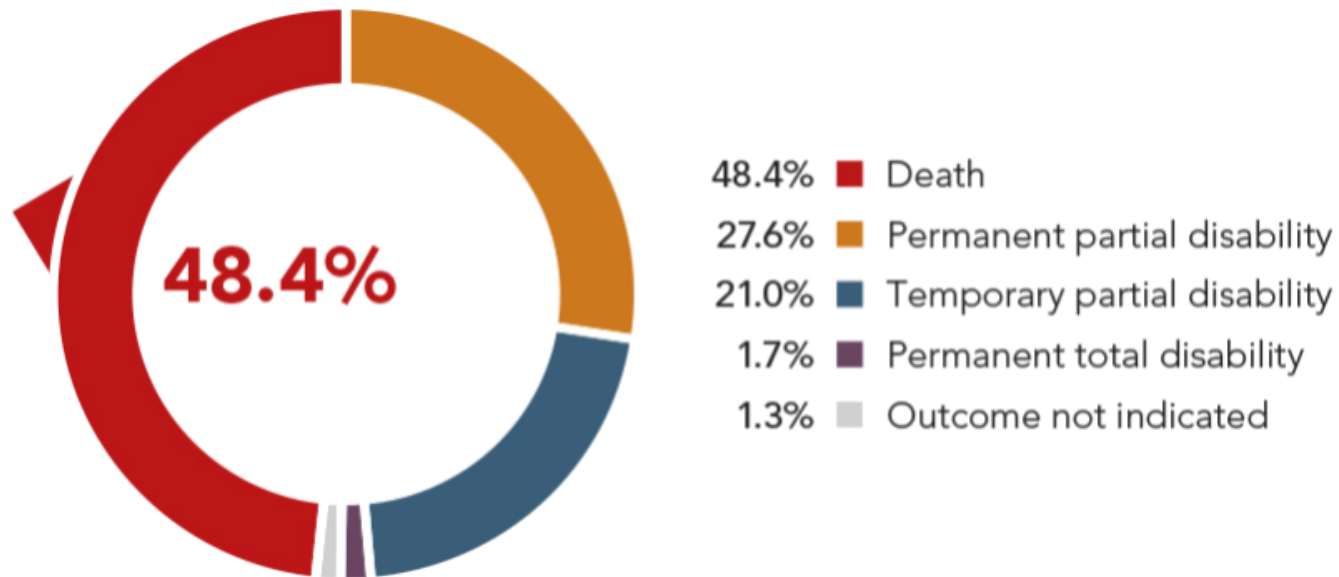
Insurance Underwriting

Resident Falls - Frequency by Allegation (Percentage of 1,117 Closed Claims)



Insurance Underwriting

Resident Falls – Frequency by Outcome of Injury (Percentage 601 Closed Claims)



Death is the most common outcome for fall-related claims.