PRESENTATION TO:

PORT OF EVERETT

Property & Casualty Insurance Program Overview

PRESENTED BY:

ALLIANT INSURANCE SERVICES, INC.

March 10, 2020

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About Alliant

FOUNDED IN
1925

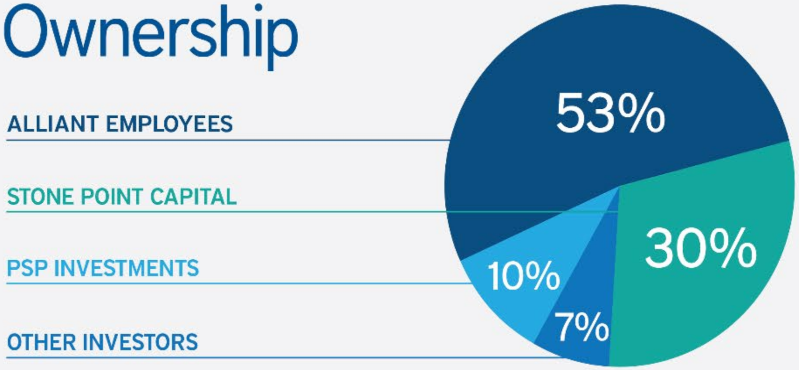
Nationwide distribution from 110+ offices

$17.2
BILLION
in premium

9th
Largest in U.S.

$1.6
BILLION
in revenue

Ownership



4,000+
employees

Entrepreneurial,
client-focused culture

Alliant Seattle: Port Specialists

- Port of Everett’s Service Team has been actively involved in “Port issues” for 25 years.
- In 1995, eight ports came together to purchase insurance. Everett was a founding member. This group now includes Seattle, Tacoma, and the Northwest Seaport Alliance.
- Alliant Valued Added Services:
  - Risk Control / Consulting
  - Claims Consulting / Advocacy
  - Property Appraisal Services
  - Semi-Annual Risk Management Meetings
  - Strong staff knowledge of Port issues
- Strong relationships with major “Port” insurance companies
- Pacific Northwest Port Association: This is a purchasing group of 12 ports. Alliant aggressively uses the buying power of this group to the member’s advantage.

Alliant works with every major Port on the West Coast.

Alliant

Key Port Clients

Port of Tacoma

Port of Seattle

Port of Everett

Washington State Department of Enterprise Services

Port of Oakland

The Port of Los Angeles

The Northwest Seaport Alliance
Gateway to Solutions

Port of Port Angeles

Port of Portland
Possibility. In every direction.

Port of Bellingham
Washington State

The Port of Hueneme
Oxnard Harbor District

Port of Vancouver USA

City and Borough of Juneau

Port of Bremerton Washington

Port of Anacortes
Est. 1926

The Port of Long Beach

Port of Grays Harbor
On Washington's Pacific Coast

Port of Longview

Alliant

Insurance Market Conditions: Outlook for Second Quarter 2020

Commercial Insurance Market Conditions are Challenging

Liability

- Alarming increase in the frequency and severity of large claims
  - “Social Inflation” & perception of “Deep Pockets” within the Public Sector
- WA State Venue – very limited tort protections/immunities
- Market withdrawal / Capacity Reductions

Property

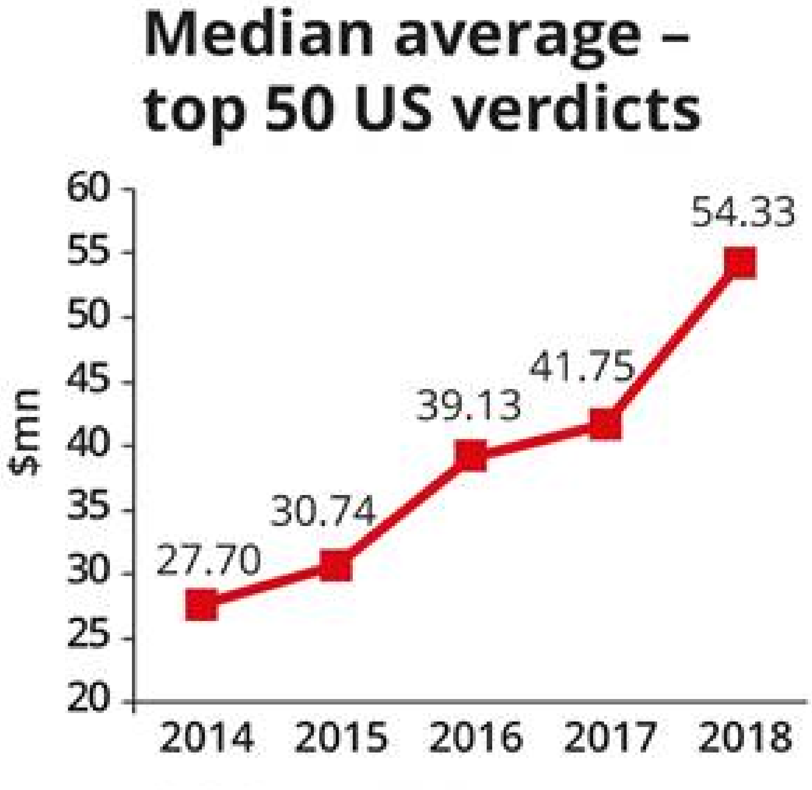
- Years of Declining Rates
- Record Catastrophic Loss Activity
- Market withdrawal / Capacity Reductions

Marine

- The marine market has sharply contracted:
  - Over 50% of the market capacity has withdrawn:
    - Allianz has ceased writing all marine in North America
    - London market <u>must</u> be able to demonstrate to Lloyds that they have a plan that ensures they are profitable/sustainable
    - With the loss of capacity, rates have risen dramatically
- Underwriters must write to sustainability: 50-60% or less loss ratio

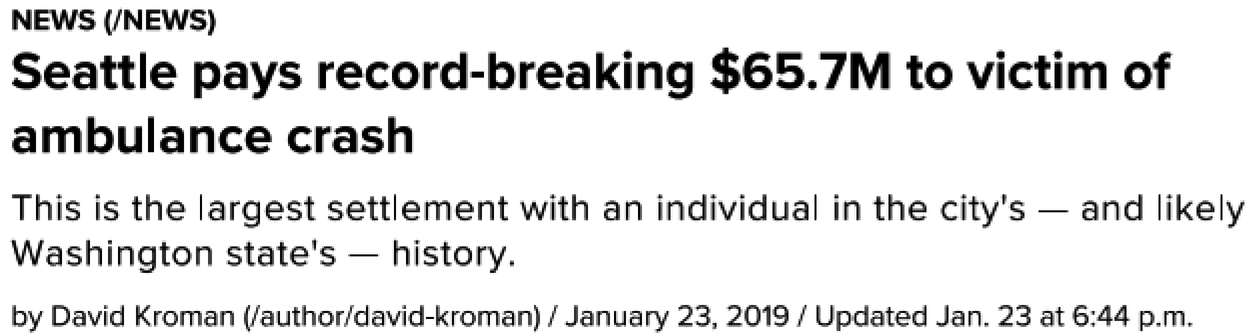
Liability Market

Facing its own Obstacles



Source: Shaub, Ahmuty, Citrin & Spratt

Trending Headlines

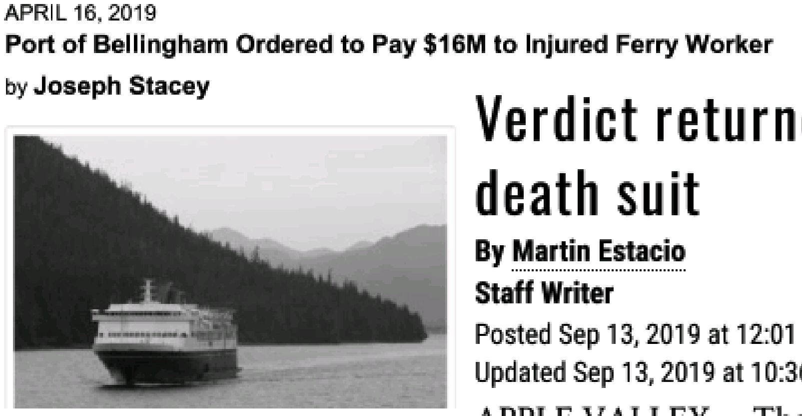


NEWS (/NEWS)

Seattle pays record-breaking $65.7M to victim of ambulance crash

This is the largest settlement with an individual in the city's — and likely Washington state's — history.

by David Kroman (/author/david-kroman) / January 23, 2019 / Updated Jan. 23 at 6:44 p.m.



APRIL 16, 2019

Port of Bellingham Ordered to Pay $16M to Injured Ferry Worker

by **Joseph Stacey**

Verdict returned in Apple Valley teen's wrongful death suit

By Martin Estacio

Staff Writer

Posted Sep 13, 2019 at 12:01 AM

Updated Sep 13, 2019 at 10:36 PM

APPLE VALLEY — The parents of a teenager struck and killed by a vehicle near a high school in 2016 were awarded $60 million by a jury which found the town at fault for maintaining dangerous conditions on public property.

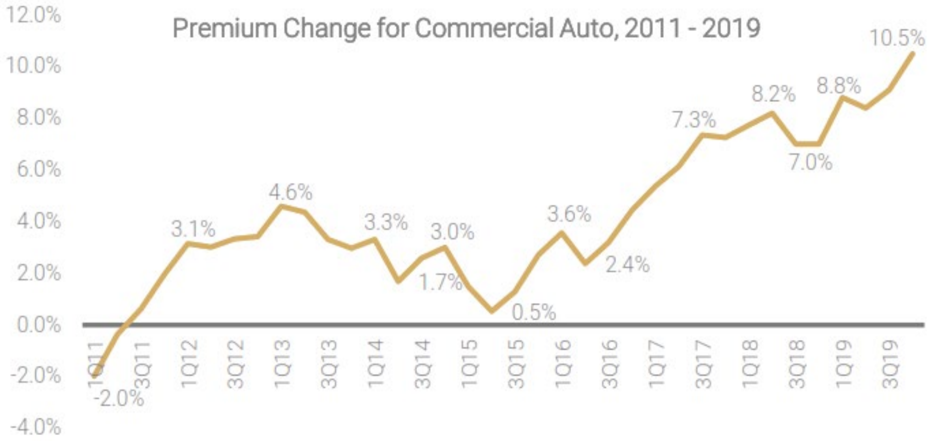
npr DONATE

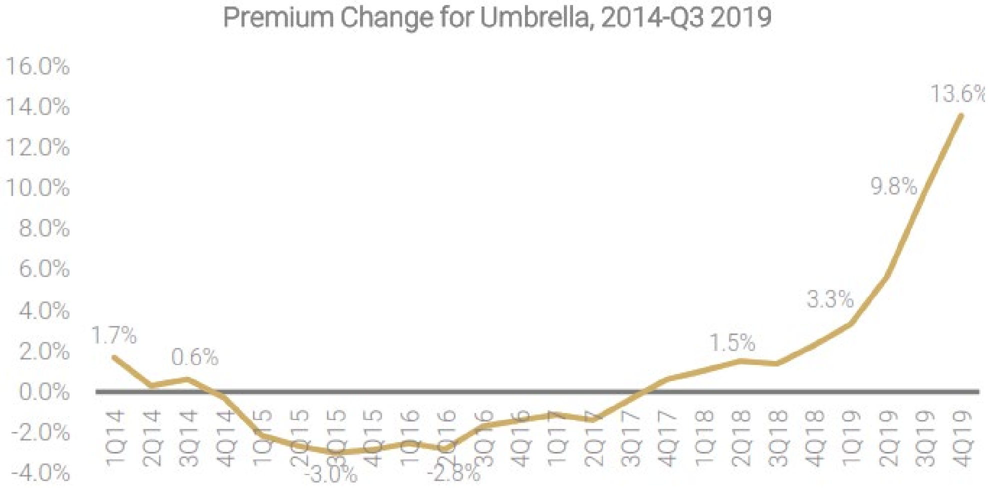
LAW

MGM Resorts To Pay Up To $800 Million In Las Vegas Shooting Settlement

October 3, 2019 · 12:57 PM ET

Historical Industry Premium Changes


Premium Change for Commercial Auto, 2011 - 2019


Premium Change for Umbrella, 2014-Q3 2019

Source: Council of Insurance Agents & Brokers, Q4 2019 Index

Property Renewal Impacts from Market Deterioration

Hard Market

- Broadly speaking, rates are up between 10% to as much as 50+% on Earthquake and other Natural Catastrophe exposed accounts
- Widespread impact across all major industry segments
- Reinsurance has become more costly
- Capacity Restrained due to shifts in underwriting appetites at major Insurers: FM Global, AIG, Travelers, Zurich, Swiss Re, London, etc.

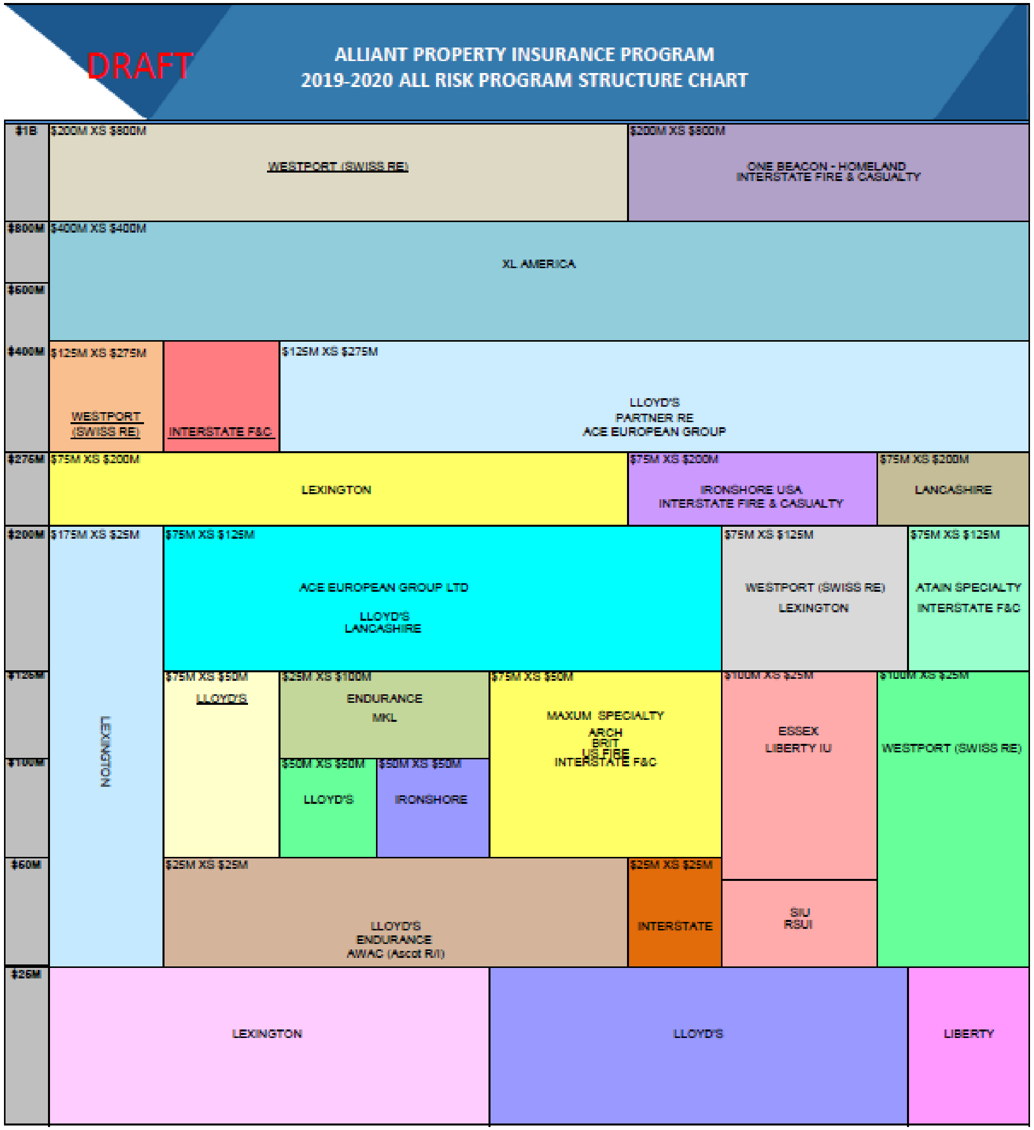
Alliant

Alliant Property Insurance Program (APIP)

- APIP encompasses total insurable values of over $500 billion
- The placement is marketed worldwide, including: United States, London, Bermuda and European capacity
- Diverse panel of “A” Rated Insurers
- Comprehensive. Manuscript Coverage Form
- Coverage and limits for Port of Everett will be maintained
- We are advising our clients with no loss activity to budget +20%. Loss impacted accounts should prepare for upwards of +30%.

In challenging markets, the program’s clout helps to buffer premium increases and keep key coverages intact.

Alliant Property Insurance Program (APIP)



DRAFT

ALLIANT PROPERTY INSURANCE PROGRAM
2019-2020 ALL RISK PROGRAM STRUCTURE CHART

$1B

$200M XS $800M
WESTPORT (SWISS RE)

$200M XS $800M
ONE BEACON - HOMELAND
INTERSTATE FIRE & CASUALTY

$800M

$400M XS $400M
XL AMERICA

$600M

$400M

$125M XS $275M
WESTPORT
(SWISS RE)

INTERSTATE F&C

$125M XS $275M
LLOYD'S
PARTNER RE
ACE EUROPEAN GROUP

$275M

$75M XS $200M
LEXINGTON

$75M XS $200M
IRONSHORE USA
INTERSTATE FIRE & CASUALTY

$75M XS $200M
LANCASHIRE

$200M

$175M XS $25M
LEXINGTON

$75M XS $125M
ACE EUROPEAN GROUP LTD
LLOYD'S
LANCASHIRE

$75M XS $125M
WESTPORT (SWISS RE)
LEXINGTON

$75M XS $125M
ATAIN SPECIALTY
INTERSTATE F&C

$125M

$75M XS $50M
LLOYD'S

$25M XS $100M
ENDURANCE
MKL

$75M XS $50M
MAXUM SPECIALTY
ARCH
BRIT
US FIRE
INTERSTATE F&C

$100M XS $25M
ESSEX
LIBERTY IU

$100M XS $25M
WESTPORT (SWISS RE)

$100M

$50M XS $50M
LLOYD'S

$50M XS $50M
IRONSHORE

$50M

$25M XS $25M
LLOYD'S
ENDURANCE
AWAC (Ascot R/I)

$25M XS $25M
INTERSTATE

SIU
RSUI

$25M

LEXINGTON

LLOYD'S

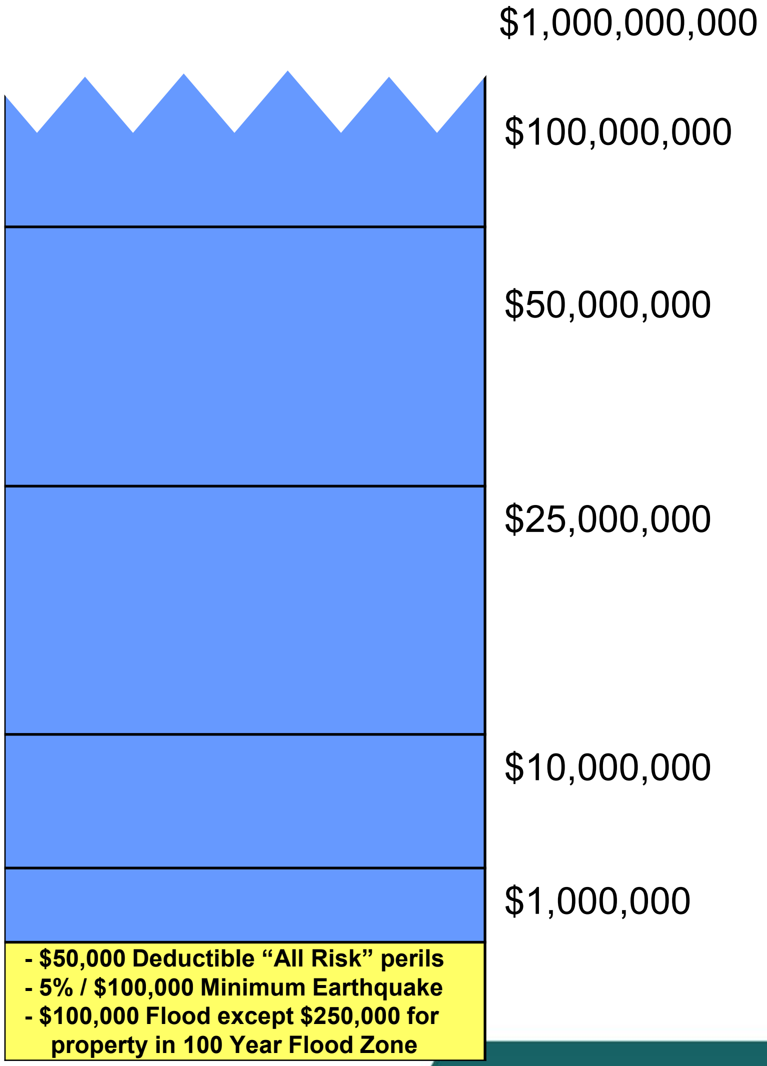
LIBERTY

Port of Everett
2019 - 2020 Property Program

Port of Everett Property Values: $351,756,409

All Risk Blanket Limits for Each Port

- $100,000,000 Business Interruption, Rental Income and Tax Interruption
- $100,000,000 Per Occurrence Terrorism Coverage Certified & Non Certified Acts (T3 Lloyds Form)
- $100,000,000 Equipment Breakdown
- $ 50,000,000 **Earthquake and $50,000,000 Flood Dedicated entirely to the Port of Everett**
- $ 50,000,000 Extra Expense
- $ 50,000,000 Errors & Omissions
- $ 25,000,000 Blanket Builders Risk
- $ 25,000,000 Miscellaneous Unnamed Locations
- $ 25,000,000 Automatic Acquisition Coverage
- $ 1,000,000 Dredging and Removal of Wreck (Non-Owned Vessels)
- $ 500,000 Communicable Disease Business Interruption, Extra Expense, Crisis Response Coverage



- **$50,000 Deductible "All Risk" perils**
- **5% / $100,000 Minimum Earthquake**
- **$100,000 Flood except $250,000 for property in 100 Year Flood Zone**

Communicable Disease Coverage*

- This is unusual coverage to have as part of your Property policy. It is normally uninsurable due to the unpredictability of the potential loss
- Current coverage:
    - $500,000 limit per entity / $10,000,000 aggregate for all members of the property program
    - All Risk deductible applies ($50,000 deductible)
    - Coverage provides Business Interruption, Extra Expense and Crisis Response Coverage costs due to partial or total suspension of your business operations
    - An order by an authorized independent governmental agency that results in the partial or total closure of your business must be received in order to trigger coverage.

*Appendix 2 for actual wording

Port of Everett
Total Insured Values / Premium History

Total Insured Values / Premium History								
Term	**2012-2013**	**2013-2014**	**2014-2015**	**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**	**2019-2020**
Total Insured Values	$244,349,700	$250,525,767	$278,412,294	$291,087,867	$315,203,035	$317,738,194	$328,121,679	$351,756,409 (1)
Property/ Boiler & Machinery Premium	$419,336	$427,231	$451,219	$451,721	$510,629	$510,502	$576,529	$704,511
Rate	.172	.171	.162	.155	.162	.161	.176	.200
Losses	$0	$0	$0	$1,041,963.00	$406,977.26	$380,918.38	$600,000.00	$0 (2)

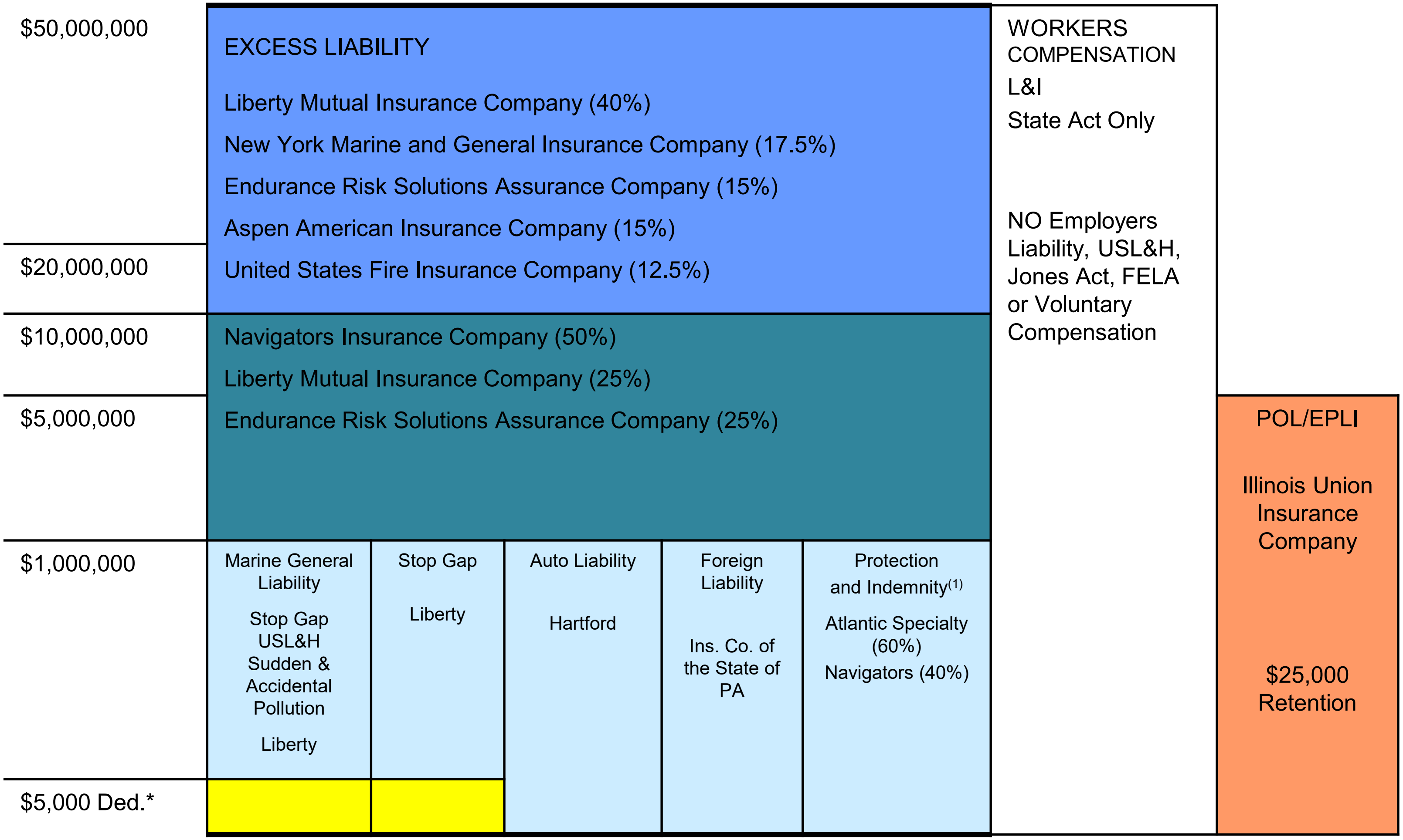
(1) Values have increased by 44% since 2012..

(2) Loss Ratio:	Total Premium Paid:	$3,541,049.00
	Total Losses:	$2,429,858.64
	Loss Ratio:	68.6%

Network Security/Privacy Liability

Area of Coverage	Limits
Company:	**Lloyds of London – Beazley Syndicate (A, XV)**
Third Party Liability:	
Information Security & Privacy Liability	$2,000,000 Annual Aggregate (Aggregate for all coverages combined, including claims expenses)
Breach Response Costs	$1,000,000 Annual Aggregate ($500,000 if Beazley Vendor Services are NOT used)
Claims Expenses and Penalties for Regulatory Defense & Penalties	$2,000,000 Annual Aggregate
Payment Card Liabilities & Costs	$2,000,000 Annual Aggregate
Website Media Content Liability	$2,000,000 Annual Aggregate
First Party Computer Security:	
Cyber Extortion Loss	$2,000,000 Aggregate Sublimit
Data Protection Loss and Business Interruption Loss	$2,000,000 Aggregate Sublimit
First Party Business Interruption Sublimits Resulting from System Failure	$2,000,000 Forensic Expense $750,000 Dependent B.I. $500,000 Aggregate
Retention	$50,000/8 Hour waiting period for First Party Claims
Premium	Included in Property

2019 – 2020 Liability Insurance Program
Port of Everett



$50,000,000

$20,000,000

$10,000,000

$5,000,000

$1,000,000

$5,000 Ded.*

EXCESS LIABILITY

Liberty Mutual Insurance Company (40%)

New York Marine and General Insurance Company (17.5%)

Endurance Risk Solutions Assurance Company (15%)

Aspen American Insurance Company (15%)

United States Fire Insurance Company (12.5%)

Navigators Insurance Company (50%)

Liberty Mutual Insurance Company (25%)

Endurance Risk Solutions Assurance Company (25%)

Marine General Liability Stop Gap USL&H Sudden & Accidental Pollution Liberty	Stop Gap Liberty	Auto Liability Hartford	Foreign Liability Ins. Co. of the State of PA	Protection and Indemnity(1) Atlantic Specialty (60%) Navigators (40%)

WORKERS COMPENSATION

L&I

State Act Only

NO Employers Liability, USL&H, Jones Act, FELA or Voluntary Compensation

POL/EPLI

Illinois Union Insurance Company

$25,000 Retention

*First Dollar Defense Costs

Key Liability Enhancements

- Blended Marine and Non-Marine Coverage Form: One deductible in the event of a claim
- **First Dollar Defense (deductible applies to Indemnity Only)**
- Includes Sudden & Accidental Pollution Coverage
- Removal of Non-Owned Wrecks: Major exposure for marinas
- Terrorism Coverage for certified and non-certified acts
- Strong, A+ rated insurers that understand Port exposures
- Value-Added Services: Risk Control, Knowledgeable Claims Services, Risk Management Services, Contract Review and Analysis

Public Officials / Employment Practices Liability

Area of Coverage	Limits
Company:	Illinois Union Insurance Company (ACE) – 100%
Limit of Liability: **Public Officials Liability** **Employment Practices Liability**	$5,000,000 Maximum Policy Aggregate $5,000,000 $5,000,000
Retention: **Public Officials Liability** **Employment Practices Liability**	 $25,000 $25,000
Non-Monetary Coverage – Defense Only	$1,000,000 Sublimit
Crisis Management	$50,000 All Events
Privacy and/or Network Security Liability **Identity Theft Expense*** ***Excess over separate Cyber**	$1,000,000 Privacy Liability $ 250,000 Data Breach $ 250,000 Regulatory Proceeding $5,000,000 Aggregate $ 25,000 Retention / $0 Data Breach Fund
Retroactive Date	None
Defense Expenses:	Modified Outside the Limit
Other Conditions:	• Punitive damages with a most favorable venue • Back-pay and forward-pay • 90 Day free Mini-Tail • Non-cancelable policy, except for non-payment of premium • Consent to Settle Clause of 70/30
Premium:	**$22,655**

Port of Everett
Liability Premium History

Line of Coverage	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20
Primary Liability	$ 45,890 *	$ 56,984 *	$ 59,962 *	$ 59,812 *	$ 59,812 *	$ 59,812 *	$ 60,540 *	$ 65,076 *
Excess Liability	$ 24,301 *	$ 25,046 *	$ 25,046 *	$ 25,046 *	$ 26,743 *	$ 26,743 *	$ 27,162 *	$ 29,466 *
Auto	$ 18,190 *	$ 18,190 *	$ 18,375 *	$ 20,140 *	$ 20,750 *	$ 25,806 *	$ 25,605 *	$ 27,060 *
Public Officials Liability	$ 22,270 *	$ 24,417 *	$ 23,827 *	$ 23,827 *	$ 21,956 *	$ 21,950 *	$ 21,934 *	$ 22,655 *
Skiff Program	$ 3,801	$ 3,726	$ 3,726	$ 3,726	$ 4,938	$ 4,938	$ 4,985	$ 5,076
Foreign Liability	$ 606	$ 606	$ 606	$ 516	$ 516	$ 516	$ 1,248 (1)	Included
Total	**$115,058**	**$128,969**	**$131,542**	**$133,067**	**$134,715**	**$139,765**	**$141,474**	**$149,333**

* Includes Terrorism
(1) Three Year Pre-Paid Policy

Conclusion

- Ports are unique in the insurance marketplace:
  - Diverse exposures
  - Marine exposures
  - Public Entity coverage issues
- The insurance market for ports is narrow. We have strong relationships with Port insurance companies
- Navigating the market:
  1. Start the renewal process early
  2. Retain flexibility: Deductibles/coverages/timing
- Alliant has developed customized coverage forms to address specific port needs
- Alliant Insurance Services has 25+ years of port industry experience

CLAIMS HISTORY

PEPIP
Pacific Northwest Ports Association
Loss Run Summary

Pacific Northwest Ports Association - Valuation Date: 12/31/2019 With Updates from Phil Miller as of 02/28/2020. VDH

2006-2007 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
No Loss													
						Totals	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

2007-2008 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
No Loss						**Totals**	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

2008-2009 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
19	02.018589.N	Port of Everett	01/11/09	Flooding	FL	Everett, WA	$ 100,000.00	C	$ 100,000.00	$ -	$ -	$ -	$ -
19	02.017681.N	Port of Everett	08/09/08	Property Damage	AR	Everett, WA	$ 25,000.00	C	$ 25,000.00	$ -	$ -	$ -	$ -
						Totals	**$ 125,000.00**		**$ 125,000.00**	**$ -**	**$ -**	**$ -**	**$ -**

2009-2010 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
19	02.020727.N	Port of Everett	01/12/10	Fire	AR	Everett, WA	$ 88,626.33	C	$ 25,000.00	$ 63,626.33	$ -	$ -	$ 63,626.33
						Totals	**$ 88,626.33**		**$ 25,000.00**	**$ 63,626.33**	**$ -**	**$ -**	**$ 63,626.33**

2010-2011 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
No Loss						**Totals**	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

2011-2012 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
18	02.026593.N	Port of Everett	01/26/12	Storm Damages	AR	Everett, WA	$ 71,965.78	C	$ 25,000.00	$ 46,965.78	$ -	$ -	$ 46,965.78
						Totals	**$ 71,965.78**		**$ 25,000.00**	**$ 46,965.78**	**$ -**	**$ -**	**$ 46,965.78**

2012-2013 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
No Loss						**Totals**	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

PEPIP
Pacific Northwest Ports Association
Loss Run Summary

2013-2014 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
8	02.031239.N	Port of Everett	08/27/13	Rain	AR	Everett, WA	$ 25,000.00	C	$ 25,000.00	$ -	$ -	$ -	$ -
						Totals	**$ 25,000.00**		**$ 25,000.00**	**$ -**	**$ -**	**$ -**	**$ -**

2014-2015 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
No Loss						**Totals**	**$ -**		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

2015-2016 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
8	02.037932.A	Port of Everett	11/17/15	CAT No. 99 - Storm Damage	AR	Everett, WA	$ 991,963.03	C	$ 50,000.00	$ 941,963.03	$ -	$ -	$ 941,963.03
8	02.038865.S	Port of Everett	03/10/16	Tide and Wind damages to pier	AR	Jetty Island, Everett, WA	$ 50,000.00	C	$ 50,000.00	$ -	$ -	$ -	$ -
						Totals	**$ 1,041,963.03**		**$ 100,000.00**	**$ 941,963.03**	**$ -**	**$ -**	**$ 941,963.03**

2016-2017 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
8	02.041444.S	Port of Everett	01/21/17	Fire damage to dock	AR	Everett, WA	$ 306,977.26	C	$ 50,000.00	$ 256,977.26	$ -	$ -	$ 256,977.26
8	02.041585.G	Port of Everett	02/09/17	Storm Damage to roof	AR	Everett, WA	$ 50,000.00	C	$ 50,000.00	$ -	$ -	$ -	$ -
8	02.042301.A	Port of Everett	05/05/17	Crane Failure	AR	Mukilteo, WA	$ 50,000.00	C	$ 50,000.00	$ -	$ -	$ -	$ -
						Totals	**$ 406,977.26**		**$ 150,000.00**	**$ 256,977.26**	**$ -**	**$ -**	**$ 256,977.26**

2017-2018 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
8	02.042835.S	Port of Everett	07/09/17	Marina fire - damage to dock	AR	Everett, WA	$ 330,918.38	O	$ 100,000.00	$ 230,918.38	$ -	$ -	$ 230,918.38
8	02.047486.S	Port of Everett	04/01/18	Damage to sewer line	AR	Everett, WA	$ 50,000.00	C	$ 50,000.00	$ -	$ -	$ -	$ -
						Totals	**$ 380,918.38**		**$ 150,000.00**	**$ 230,918.38**	**$ -**	**$ -**	**$ 230,918.38**

2018-2019 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
32	02.047517.S	Port of Everett	10/01/18	Dike erosion	AR	Everett, WA	$ 50,000.00	C	$ 50,000.00	$ -	$ -	$ -	$ -
32	02.047328.S	Port of Everett	10/08/18	Fire on G-Dock	AR	Everett, WA	$ 550,000.00	O	$ 50,000.00	$ 200,000.00	$ 300,000.00	$ -	$ 500,000.00
						Totals	**$ 600,000.00**		**$ 100,000.00**	**$ 200,000.00**	**$ 300,000.00**	**$ -**	**$ 500,000.00**

PEPIP
Pacific Northwest Ports Association
Loss Run Summary

2019-2020 Loss Run Summary PORT OF EVERETT

DEC	Claim #	Member	DOL	Loss Peril	Deductible Code	Location	Whole Loss	Status	Deductible	Prior Loss Paid	Current Loss Reserve	Payments made this month	Total Incurred
32	02.050876.A	Port of Everett	11/02/19	Sewer Backup	AR	Everett, WA	$ 50,000.00	C	$ 50,000.00	$ -	$ -	$ -	$ -
						Totals	**$ 50,000.00**		**$ 50,000.00**	**$ -**	**$ -**	**$ -**	**$ -**
						TOTAL INCURRED							$ 2,040,450.78

CORONAVIRUS

ENDORSEMENT NO. 4

This endorsement, effective 12:01 A.M., 07/01/2019

Issued to: Public Entity Property Insurance Program (PEPIP) Master Policy Form 15

COMMUNICABLE DISEASE COVERAGE ENDORSEMENT (BROAD FORM)

This endorsement modifies insurance provided by this Policy:

NOTICE: THE SUBLIMITS OF INSURANCE PROVIDED HEREIN ARE SUBJECT TO AND INCLUDED WITHIN POLICY LIMIT OF LIABILITY.

SCHEDULE

Communicable Disease: $500,000 Per Occurrence and annual aggregate per named insured subject to an aggregate of $10,000,000 for Declarations 1-5, 11-14, 18-30, and 32-34 combined.

The following Additional Coverage is added to Section III, B. Extension of Coverage, item 4. Contingent **Time Element Coverage**:

COMMUNICABLE DISEASE COVERAGE:

Subject to the Annual Aggregate for Communicable Disease, we will pay actual **business income** loss sustained by you and **communicable disease extra expense** and **crisis response expenses** incurred by you, during the **period of indemnity** due to an **order of an authorized governmental agency** during the policy period that results in a partial or total suspension of your business operations at your location.

The following additional definitions apply to this Additional Coverage and supersede any similar definitions of this Policy to the contrary:

1. **Crisis response expenses** means reasonable and necessary expenses incurred:

   a. For public relations to restore the reputation and stature of your **location**, and

   b. To assist you to recover money from any governmental program or agency for **communicable disease extra expense** incurred by your **location**.

2. **Communicable disease extra expense** means reasonable and necessary extra expenses to:

   a. Cleanup, remove and dispose of any property at your **location** that is contaminated by the presence of a communicable disease, and

   b. Restore your **location** to its original condition,

Coronavirus:

What you Need to Know

February 25, 2020

The developing news about the coronavirus (2019-nCoV) outbreak can be concerning.

What is Coronavirus?

According to CDC: Coronavirus disease 2019 (COVID-19) is a respiratory illness that can spread from person to person. The virus that causes COVID-19 is a novel coronavirus that was first identified during an investigation into an outbreak in Wuhan, China. Risk of infection is dependent on exposure. Close contacts of people who are infected are at greater risk of exposure, for example health care workers and close contacts of people who are infected with the virus that causes COVID-19. CDC continues to closely monitor the situation. For more information please visit: https://www.cdc.gov/coronavirus/2019-ncov/index.html

What to Do

The best response is to be ready before a crisis hits. Along with the safety of employees and the effects on businesses operations during an outbreak, it is important to consider your company's current insurance policies and to review the protections provided by them, including property, business interruption, workers' compensation and liability insurance, employee benefits among others.

Employers with employees who travel frequently may want to consider putting in place a communicable disease policy that addresses working from home, leaves of absence, and return to work. Employers with employees that can work remotely should consider advising/requiring employees to verify their laptops, devices, and remote systems are functioning properly so they can perform the essential functions of their job at home.

> **If you have questions about your policies please contact your Alliant broker and they will be able to assist you.**

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Pandemics: Preparing and Protecting Your Business

Business Continuity

Every business should fully understand the ways in which a pandemic might affect their operations and the types of insurance that may protect them.

Business Continuity

Although many organizations may have a business continuity plan in place, they are typically set up for loss of buildings, computer networks and other equipment, which are not affected by a pandemic. Since a pandemic affects the employees who use these systems and their ability to perform their jobs, it is critical to plan for the potential impact a disaster may have on employees.

The Occupational Safety and Health Administration (OSHA) recommends that workplaces consider the following impacts on their business operations:

How a Severe Pandemic Influenza Could Affect Workplaces

Unlike natural disasters or terrorist events, an influenza pandemic is widespread, affecting multiple areas of the United States and other countries at the same time. A pandemic is an extended event, with multiple waves of outbreaks in the same geographic area; each outbreak can last from 6 to 8 weeks. Waves of outbreaks may occur over a year or more. Your workplace will likely experience:

- **Absenteeism:** A pandemic can affect as many as 40 percent of the workforce during periods of peak influenza illness. Employees could be absent because they are sick, must care for sick family members or for children if schools or day care centers are closed, are afraid to come to work, or the employer might not be notified that the employee has died.
- **Change in patterns of commerce:** During a pandemic, consumer demand for items related to infection control is likely to increase dramatically, while consumer interest in other goods may decline.

Consumers may also change the ways in which they shop as a result of the pandemic. Consumers may try to shop at off-peak hours to reduce contact with other people, show increased interest in home delivery services, or prefer other options, such as drive-through service, to reduce person-to-person contact.

- **Interrupted supply/delivery:** Shipments of items from those geographic areas severely affected by the pandemic may be delayed or cancelled.

Business Operations Checklist During a Pandemic

As an employer, you have an important role in protecting employee health and safety, and limiting the impact of an influenza pandemic. It is important to work with community planners to integrate your pandemic plan into local and state planning, particularly if your operations are part of the nation's critical infrastructure or key resources. Integration with local community planners will allow you to access resources and information promptly to maintain operations and keep your employees safe.

- Review company travel policies, hygiene and medical screening policies, and policies on anti-viral medications and health care support, including providing anti-bacterial sanitizer, masks, and other materials.
- Identify possible social-distancing and other means to minimize exposure and spread of illness within the work place.
- Review methods for providing ongoing information about both the pandemic threat and the status of the business to employees at work and at home.
- In cities and other major population centers, make sure the plans allow for staff to work at home where possible and appropriate.
- Consider any vital processes that must be maintained at a central location in a pandemic, such as call centers, health services, and services vital to the vulnerable.
- Review the structure necessary to manage the crisis effectively. This includes how to implement multiple business continuity plans, cope with significant increases in the number of employees working from home and substantial changes to the marketplace and the supply chain.
- Make sure crisis management and business continuity management plans include pandemic scenarios and exercise the plans where possible.
- A crisis management plan that includes tailored elements for pandemic, including policies for business travel, locating staff, social-distancing and medical screening and an extensive awareness and communications plan and process.
- An alternative workforce or work-at-home policy and plan in the event that a large portion of the workforce is or may be impacted by pandemic.
- A strategy for taking special precautions to assess the health of the workforce and potentially turn back infected workers who report for work.
- A process for dealing with emotional impacts of such events as death on the individual's family members and on the workforce in general

- A process for orderly shut-down or reduced service delivery based on reductions of customer demand, labor force, raw material supply, or energy resources.
- Continuity procedures for core functions that must be kept running.
- A structure and process for working collaboratively with third-party suppliers to maintain critical flows of supplies, business services, and product.

> **For more information contact your Alliant representative.**

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PROPERTY MARKET

MARKETS

Insurers Drive Up Prices for U.S. Businesses

Large catastrophe losses and low interest rates force insurers' hand after years of no increases

Hurricane Maria did heavy damage when it swept through Puerto Rico in September 2017.

PHOTO: MARIO TAMA/GETTY IMAGES

By Nicole Friedman and Leslie Scism

Feb. 11, 2020 5:30 am ET

U.S. companies are paying more for insurance, a reversal after years of flat or declining rates for property and liability policies.

Insurers have raised prices aggressively in the past year on companies of all sizes across the country. And they have warned price hikes are likely to continue.

The turnabout underscores a challenging landscape for U.S. insurers following several years of large catastrophe losses and continued low interest rates, which have weighed on their investment returns.

Pretax operating income for the U.S. property-casualty insurance industry fell by 8% from 2014 to 2018, even as revenue from insurance premiums grew, according to ratings firm A.M. Best. Excluding investments and other income, the industry lost money from underwriting in 2016, 2017 and 2018.

A retreat from some accounts and lines of business by two major insurance players, American International Group Inc. and Lloyd's of London, has also helped drive prices higher, according to brokers and underwriters.

Texas Roadhouse Inc. was hit with price increases of more than 20% for some of its coverage.

> "This is the first year we've seen where it really didn't matter what your loss history was," said Patrick Sterling, who oversees risk management for the restaurant chain.

"You've had no losses? You're still seeing the increases," he said. "And that certainly creates some frustration."

Prices on nearly every type of insurance are rising, according to insurers and brokers. An exception is workers' compensation, which is highly regulated by states. Excluding workers' compensation, rates for property-casualty insurance sold to businesses rose 6.7% from a year earlier on average in the first three quarters of 2019, on track for the highest annual increase since 2003, according to brokerage Willis Towers Watson.

The Children's Shelter, a nonprofit in San Antonio that works with foster children and children who have been abused, expected its insurance costs this year to rise from last year's $176,000 because the organization grew. But when it received a renewal quote of $750,000, "my mouth hit the ground," Chief Executive Annette Rodriguez said.

"We started having real conversations about, 'This is a deal breaker. We cannot maintain insurance premiums at this level,'" she said. The organization ended up buying coverage from a nonprofit insurer specializing in nonprofits for $315,000.

In an earnings call last week, Chubb Ltd. Chief Executive Evan Greenberg listed rate increases ranging from 3% to 33% across its various products globally. Increases averaged 8% for U.S. commercial buyers. Some of Chubb's biggest hikes were for property, excess-casualty and management-liability insurance for large U.S. corporations.

SHARE YOUR THOUGHTS

Has your company been affected by rising insurance rates? How so? Join the conversation below.

"There's nothing that I see that tells me the momentum will slow," Mr. Greenberg said. "If anything, it's picked up."

Insurance is a cyclical industry. During periods without catastrophic claims, insurers compete for customers by lowering prices. Following large natural disasters or other big losses, they typically raise prices or reduce exposure to certain risks.

The current price increases are partly due to hurricanes, wildfires and other catastrophes in 2017 and 2018 that cost the global industry more than $200 billion.

Even following these big events, insurers are well-capitalized and aren't in danger of running out of money to pay claims. But insurers' profits are being squeezed by low interest rates, which reduce income from the premiums they invest until needed to cover claims. They also face rising prices for their own insurance, so-called reinsurance.

"You keep hoping things are going to get better," said Bret Ahnell, executive vice president at FM Global, a specialist in property insurance.

Prices charged by FM Global declined steadily between 2003 and mid-2018 before starting to move higher. Industrywide, "people just finally said, 'We can't operate under these conditions anymore,'" Mr. Ahnell said.

Insurers say they are also paying more for noncatastrophe claims. Property losses from building fires and mechanical breakdowns have mounted, said Joseph Peiser, global head of broking at Willis Towers Watson.

Some insurers have responded by reducing the maximum coverage they will provide in a policy, he said. "Insurance companies are not willing to take a significant bet on any one company," he said.

In recent months, insurers have cited "social inflation" as a cause of increased liability-insurance claims. Industry executives say there is a greater tendency to sue insurers and for juries to hand out higher awards.

Houston experienced heavy flooding from Hurricane Harvey in August 2017.
PHOTO: WIN MCNAMEE/GETTY IMAGES

While insurers are used to lawsuits over big insurance policies, “what we’re seeing now is the attorney participation spreading into...small accounts,” said Travelers Cos . Chief Executive Alan Schnitzer on a January earnings call.

Joanne Doroshow, executive director of the Center for Justice & Democracy at New York Law School, disputed that insurers need to raise prices to address lawsuits or large jury payouts.

“There exists no litigation data whatsoever to support the notion that claims are spiking,” she said.

Dual turnaround efforts by AIG and Lloyd's have also been a catalyst for price increases.

AIG has spent several years improving profit margins that suffered in the aftermath of its 2008 federal bailout, including reducing its commercial premium volume.

In 2016, AIG's net premiums written declined by more than 17% to about $17 billion as the company began to overhaul its book of business.

Since then, the new leadership's moves include shrinking policy sizes by tens of billions of dollars in the aggregate, AIG President Peter Zaffino told investors in December. "The market has to absorb that," he said.

Write to Nicole Friedman at nicole.friedman@wsj.com and Leslie Scism at leslie.scism@wsj.com

BUSINESS INSURANCE.

Property insurance market hardening set to continue

Posted On: Jan. 7, 2020 8:04 AM CST

Claire Wilkinson

Commercial property policyholders will see ongoing price increases and cuts in capacity through 2020, as insurers maintain discipline, making for a difficult market, industry experts say.

Jan. 1 renewals saw rate increases across the board in property, though the level of increase varied by geographic location, catastrophe exposure and loss history by individual account, they say.

"It's definitely a challenging marketplace for property," said Brian Dove, USI Insurance Services LLC's national real estate practice leader, based in Dallas.

"Every account is really, and in some cases fortunately, judged on their own merit. I have seen renewals as low as 5% rate increase, but I've also seen renewals with 400% to 500% rate increases," he said.

The level of increase is driven by where the insured property is located, "what kind of losses they've had and what kind of catastrophe losses they've had, in addition to attritional losses," Mr. Dove said.

"We're seeing double-digit rate increases across the portfolio," but the level of rate increase varies, said Michele Sansone, president of the North America property insurance business for Axa XL, a unit of Axa SA in New York. "Every account is different," she said.

"When we're looking at rate increases, we're looking at everything, not just pure rate, so we're looking at terms, deductibles, sublimits, coverage changes, we're looking at all of those changes," Ms. Sansone said.

"Just getting to what we think is adequate rate level is really the goal and then if your account got loss-activity, that's obviously going to impact it also," she said.

There's not expected to be much pricing relief for the market in the first half of 2020, according to Rick Miller, Boston-based U.S. property practice leader at Aon PLC's commercial risk solutions business.

"It depends on an account where it fell in terms of how much rate the market would have got last year, or in some cases the previous year. We are looking at some accounts that are probably going to see their third rate increase," he said.

While the industry overall remains well-capitalized, for some of the tougher occupancy classes, it's "very difficult to get to the levels of capacity that many of these accounts have previously enjoyed," Mr. Miller said, adding: "There is definitely some shortage (of capacity)."

Tougher occupancy classes of property include residential real estate, hospitality, and metals, foundry and any kind of molten exposure, as well as accounts with forest or woodworking type exposures, he said.

"Insurers are putting out less limit than they have in prior years and on a general basis cutting back 20% to 50% in their limits than before. The more difficult the occupancy, the more you see a limit pullback," said Gary Marchitello, chairperson of Willis Towers Watson PLC's North American property team in New York.

Insurance buyers are having to use more insurers to fill out programs, he said.

"If you had six to eight participants on a large program, that would have at least doubled. You have to scour the market, the North American markets, Bermuda and London, and even the Asian markets to get more programs filled out," Mr. Marchitello said. "There isn't a capital issue – it really comes down to rate adequacy, by and large, and premiums not covering losses. There's no capital shortage, but there's no doubt insurers are reducing line size."

Property insurers are retreating in some catastrophe-exposed areas, said Jeff Ellington, vice president, business development, of Atlas Insurance Management, based in Charlotte, North Carolina. Atlas is not a participant in the standard commercial market on a direct basis, he said.

"The capacity in certain high-risk areas is drying up somewhat, with certain carriers pulling out. Terms at renewal are not as favorable," Mr. Ellington said.

"Carriers are strictly following their disciplined underwriting guidelines as well as the modeling to determine how much capacity they can put out for catastrophe-exposed accounts," Mr. Dove said.

"It doesn't mean you can't get the capacity you need, it's just you're going to have to engage multiple carriers and likely to pay more to get that capacity," he said.

"We expect many of the major property catastrophe insurers to curtail their 2020 writings in California brush and East and Gulf Coast wind areas," Richard Kerr, CEO of online insurance exchange MarketScout Corp., said in a report released Monday.

"Naturally, this will result in higher rates to insureds," Mr. Kerr said in a statement.

Terms and conditions, and wordings, also continue to narrow, especially for catastrophe-exposed property accounts, experts say.

In places where there is more catastrophe exposure, risk managers are being forced to take more risk, said Kristen Peed, director of corporate risk management at CBIZ Inc. in Cleveland.

"They're not going to be given the opportunity to continue to take lower deductibles. Carriers are going to force the higher deductibles onto them as a risk-sharing mechanism," she said.

In areas outside of catastrophe zones, "risk managers will have the opportunity to see some savings on their premiums especially if they're in highly protected risks, if they've got good construction and they're not on the first floor," she said.

"If they are not cat-exposed, this might be an opportunity for them to see if they can take on additional potential risk, by taking a higher deductible and mitigating some of those increases through that deductible or self-insured retention," Ms. Peed said.

Insurers are also cutting back in areas where property coverage has expanded, such as cyber and contingent business interruption.

"Not only have we given back rate in the last five-to-seven years, we've given expanded coverage, coverage we didn't even realize like cyber, unnamed contingent business interruption, where the market is just a victim to… it's really stupidity, to be honest," Ms. Sansone said.

"We've given way more broad coverage than we were comfortable with. For unnamed CBI and cyber we have no way to underwrite and manage our accumulations so getting those out of traditional property policies is what we're trying to do," she said.

The "wholesale pullback" in cyber coverage has been the most dramatic, said Mr. Marchitello.

"It's not a time when you can expand coverage and broaden wordings. Certainly you're seeing more conservatism out there in policy language," he said.

Captives are being utilized more frequently by risk managers as a place to shift property risks, some experts say.

In general, more clients with captive insurers are looking to self-insure more layers, in property and across the board, Mr. Ellington said.

"Because of the tightening or hardening of the property market, they are looking to do more of that, particularly with flood and earthquake and windstorm…It's already been forced on them as far as percentage deductibles going up," he said.

In the ongoing challenging market, "it's incumbent on buyers and their representatives to understand the risk story," Mr. Miller said.

"The advice that we give our clients is understand what you are facing, understand your risk picture. If you need better data and information it's going to benefit you in the long run if you have that," he said.

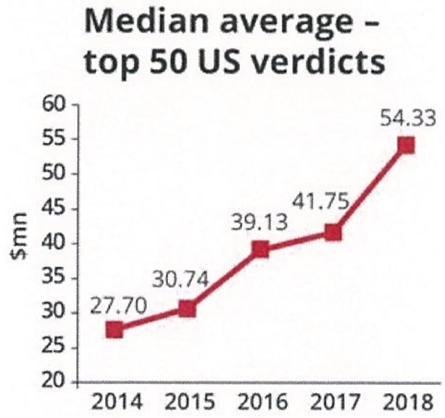
"We don't wait until renewal time. We have a continuous relationship with our underwriters and our markets throughout the year and touch base with them several times a year," Ms. Peed said.

"By having those relationships, you can help protect your own company's insurance program and keep abreast of what is going on at particular carriers as well," she said.

Casualty Market

Suggested variables impacting severity of loss:

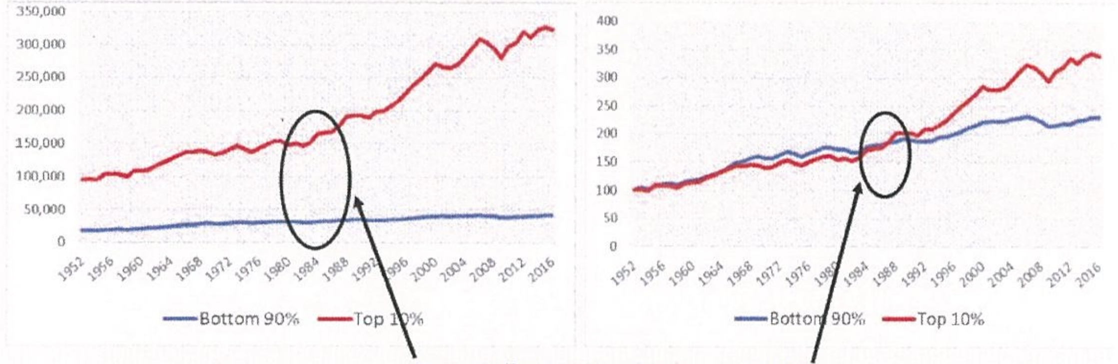
- "Defendant Mistrust": Plaintiff counsel are arguing that public entities are putting budgetary considerations over citizen safety.
- "Litigation Financing": There is a growing trend for third parties to "invest in" (finance) plaintiffs' lawsuits, underwriting expensive experts, etc. making it much easier for plaintiffs to "hang in there" to the end;
- "Social Inflation": Where the news of large verdicts travel via regular and social media which may influence what a jury's notion of what a reasonable verdict might be;
- "Anchoring" or setting the bar: Where the plaintiff's lawyer argues for $20 million and the jury might award $10 million to split the difference, regardless of what the facts call for.



Source: Shaub, Ahmuty, Citrin & Spratt

Alliant

Income for the top 10% has been outdistancing the other 90% since the mid-1980s



Income levels: Top 10% vs remaining 90%

Same data: Index basis

Note inflection point in mid-1980s

Source: *Distributional National Accounts: Methods and Estimates for the United States*, Picketty, Saez, Zucman.
Data available at: http://Gabriel-Zucman.eu/usdina/, Assured Research

THE INSURANCE Insider

14 January 2020 **Issue: 790**

Clients go underinsured as limits slashed in excess casualty

Pricing continued to rise at 1 January amid a capacity squeeze and social inflation

Bernard Goyder

Key points

- Effective available capacity has fallen, leaving some clients that bought $1bn+ short of cover
- National accounts rates are rising by at least 25 percent, and as much as 100 percent for lead umbrella layers and challenged placements.
- Commercial-auto-exposed placements are up by 100-300 percent
- Some towers have shown pricing inversion
- Middle-market rates up 10-25 percent on average

Brokers struggled to place large-limit excess casualty towers over the 1 January renewal as the liability market hardening accelerated, sources told *The Insurance Insider*.

In some cases, risk managers scaled the amount of limit they bought on renewal, as effective available capacity per risk fell below the $1bn+ levels previously bought by the biggest buyers.

Other clients have chosen to scale back purchasing due to the punitive rate rises imposed.

There has also been evidence of premiums on high excess layers exceeding those paid on lower layers, with this phenomenon often a predictor of further hardening as the lower layers play catch-up.

The excess casualty market has been rattled by rising jury awards and negative claims trends caused by exposure to the opioid crisis, historic sexual abuse claims and construction liability losses from the last decade.

Carriers are moving to correct more than a decade of soft casualty pricing by dialling back limits offered and pushing hard on pricing. The rate momentum that started in Q1 2019 as AIG remediated its book has picked up pace throughout the year, and this trend of acceleration showed no sign of abating in a renewal characterised by significant hardening.

For the largest "national accounts" business, rates have risen substantially, with sources talking about Fortune 500 clients having to pay in the region of 50 percent more for cover, and lead umbrella and distressed large accounts up as much as 100 percent. Non-loss-hit accounts with no commercial auto exposure were able to weather the renewal with rate increases of around 25 percent.

Where there was excess commercial auto exposure, many accounts recorded rate rises of 100 percent or more, with some accounts quadrupling.

Sources emphasised that the most spectacular increases in pricing were focused on national accounts business, with middle-market clients escaping with more modest increases.

Beyond commercial auto, wildfire liability and habitational cover were among the most challenging risks.

Mid-market and smaller-sized risks have had more modest pricing changes with rises of 10-25 percent common, and outlying accounts that had no rate increase.

Continued on **p2**

INSIDE

"There is still the occasional contractor in Iowa coming in flat," said an underwriter, stressing the high dispersal of outcomes.

"Instead of charging $600,000 for $25mn cover, we are now asking for $750,000 in premium for $5mn of cover," another underwriter noted – as an example of how rate rises in the hundreds of percent impact buyers.

In response to such pricing increases, risk managers are dialling back the level of cover they buy on the largest accounts, with a customer who previously bought $1bn now settling for $750mn in one example.

For some of the largest buyers seeking cover of $1bn or more, it has not been possible to place more than $700mn-$800mn at market pricing due to reductions in line sizes deployed.

This phenomenon was dramatised in August by Pacific Gas and Electric Company's decision to walk away from the market with only limited cover in place for the upcoming wildfire season, owing to what it considered uneconomic pricing.

Carrier retreats

Strategic decisions taken by global carriers are starting to have a decisive impact on the US casualty market.

AIG has been the most vocal about its policy of cutting excess casualty line sizes, with other carriers taking similar steps, including Allianz Global Corporate & Specialty (AGCS) and Liberty Mutual's Ironshore.

In a Q3 earnings call in November, AIG CFO Mark Lyons said Lexington had cut "casualty total limits by an impressive 58 percent in the quarter, while simultaneously increasing or achieving an average rate increase in excess of 30 percent".

Others, such as Swiss Re Corporate Solutions (CorSo), have abandoned the US excess casualty market altogether.

Another underwriter noted that "profound corrections" were coming from accounts written a year ago by retreating carriers.

The largest rate rises have been in accounts previously underwritten by carriers that have cut appetite for excess casualty or pulled out entirely.

Brokers placing $100mn towers must find capacity from seven or eight insurers – rather than the four or five that would have written the same tower just a year ago – as line sizes have been slashed.

"We won't put up big limits," said one underwriter.

Brokers complained they have had to do triple the work required at 1 January last year, but wholesale intermediaries are reaping the benefits of a hardening market, as submissions rise and pricing increases push top lines higher.

AIG's decision to reduce its participation, combined with CorSo's departure from the US excess casualty insurance altogether, are still causing widespread disruption to the business line.

Clients previously underwritten by Swiss Re's primary unit are being quoted substantial rate hikes, as the decision to pull out entirely is viewed as a critical judgement on the quality of the carrier's excess liability book.

"The unfavorable development on other liability reflects large man-made losses across all regions, especially in North America within general liability (GL) lines," CorSo said in its 2018 annual report. The same reporting line accounted for half the unit's $208mn adverse development in 2017.

Continued on **p3**

Excess casualty risk appetite at select market players

Insurer	Risk appetite/advertised limit
Aegis Mutual	$50mn limit
AGCS	Appetite has shrunk
AIG	Has jettisoned its large-limits strategy
Axa XL	Understood that appetite has shrunk, official limit remains $50mn
Axis	$25mn limit
BHSI	$25mn limit
Chubb	$50mn limit
CNA	$50mn limit
Liberty	Ironshore/LSM appetite understood to have shrunk
Markel	$25mn limit
Sompo International	Limits cut from $50mn to $25mn
Swiss Re Corporate Solutions	Pulled out
The Hartford	$25mn limit
Travelers	$25mn limit
WR Berkley	$10mn limit
Zurich North America	$25mn limit

Source: Company websites, marketing material, *The Insurance Insider*

Other European insurers pulling back casualty limits include Zurich North America and AGCS. The shrinkage of AGCS' US casualty book coincides with the arrival of Allianz insider Joachim Müller as its new CEO on 1 December. AGCS has cut back its appetite for excess casualty risk as part of a broader re-underwriting process taking place across the business.

Bermuda appears to be something of a last international market standing, as London has dialled back its exposure to the line of business substantially.

Aegis, Axa XL and Apollo were among the Lloyd's syndicates still writing excess casualty cover at 1 January. In energy liability, Liberty Mutual took the decision to pull out of the line of business on the retirement of John Henderson, a leading figure in the market.

In Bermuda, every market in excess casualty has become more cautious about how it deploys limit, with the likes of Sompo International and Ironshore reducing typical line sizes.

Some insurers are still offering large limits. A spokesperson for CNA confirmed the carrier was offering $50mn in capacity, along with Chubb and the energy mutual Aegis.

And despite market speculation that Axa XL's appetite for excess casualty had shrunk, a spokesperson for Axa XL reiterated the carrier's limit of $50mn, explaining: "Axa XL has not reduced excess capacity. How much capacity Axa XL extends is decided on a risk-by-risk basis."

The rest of the market, including Travelers, AIG, Axis and Berkshire Hathaway Specialty Insurance tend to cap their line size at $25mn. Participations are now also becoming ventilated, with carriers looking to deploy limits that are divided between lower-attaching and more remote-risk layers.

Casualty towers bound in recent weeks continued a trend established earlier in 2019, with placements making up of a patchwork of $5mn layers.

Driving forces

A combination of factors is driving the hard market in US excess casualty.

The jump in pricing has been driven by social inflation, prior years' losses and a shortage of capacity. Rising jury awards and the opioid crisis are both blamed for the escalation in claims severity over the past few years, with severity rising substantially.

Standout losses have included the Mandalay Bay shooting, which is set to be one of the costliest single events in the history of the casualty market, when a $751mn full-limit loss on the MGM policy is combined with other claims for concert promoter Live Nation and other parties.

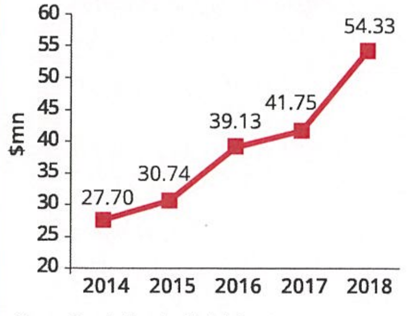
Mass-shooting claims have made underwriters wary of any high-profile brands with a large number of stores. Litigation going through the courts in Texas will test whether companies such as Walmart hold liability when a mass shooting takes place on their premises. This could eventually lead to claims on the retailer's GL policy after the El Paso shooting last year.

In response to a changing risk landscape, terms and conditions have tightened, with common exclusions now including sexual abuse and opioid-related litigation.

In an early example of re-underwriting, it is understood that, in 2018, one of Walmart's insurers excluded from its coverage liability related to any sales of opioids by the retailer's in-store pharmacies.

Continued on p4

Median average – top 50 US verdicts



Source: Shaub, Ahmuty, Citrin & Spratt

Sources have said they have paid claims in the last year at the very highest excess layers – events that were in many cases priced at a one-in-500-year probability.

Commercial auto exposure has been the most consistent driver of rises at 1 January 2020.

A broking source described any account trying to renew a GL policy that includes fleet exposure as "trouble".

"Excess auto is the most difficult risk to place at the moment," he added.

Another broker said commercial auto exposure was causing "chaos" in the London market.

Juries have awarded hundreds of millions of dollars to families of those killed by trucks. In August, one so-called nuclear verdict that shook the market was an award of $280mn by jury in Atlanta, Georgia to the family of Judy Madere, a Louisiana woman killed by a truck carrying steel. The award totalled a $100mn excess casualty tower bought by the insured, Schnitzer Steel.

As Michael Hudzik, head of US and Canadian casualty reinsurance at Swiss Re explained in an interview before Christmas: "I think that people in our industry are not surprised by this [type of claim] anymore and it's kind of become the norm, which is kind of scary because we thought that that was these were going to be some one-off types of situations."

Even for relatively complex insureds, with an array of potential litigation risks, such as chemicals manufactures, it is commercial auto exposure that is driving rate rises.

"There is no safe point of attachment anymore" said one underwriter.

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