



The National Wildfire Suppression Association 2018 Annual Meeting

Current Trends in the Property & Casualty Insurance Marketplace

Fun Facts

Odds you will die in one year by the following causes of death:

- Hit by Lightning = 1 in 12,754,282
- Earthquake = 1 in 3,707,640
- Airplane Crash = 1 in 773,925
- Motor Vehicle Accident = 1 in 9,008

Auto Rates

According to the National Association of Insurance Commissioners data:

- Between 2006 and 2010 the insurance industry's average loss ratio was 95%. This means insurance companies made 5 cents on every dollar they collected.
- In 2016 the commercial insurance industry's loss ratio increased to 110% and personal insurance increased to 106%. This means for every dollar the insurance company collects in premium they are paying out an additional 10 cents on commercial Auto and 6 cents on personal Auto.
- Insurance companies are not in the business to lose money. Rates are going up, and will continue to go up, to offset the increase in paid losses.

Why the increase in insurance claims?

- Economy has been stronger which means more people are driving, resulting in more auto claims.
- According to the Federal Highway Administration, 2016 was the fastest growth in over a decade for miles driven on the public road system.
- In 2015 - 2016 driving fatalities increased across the nation by 13.2%.
- Medical Costs have increased dramatically.
- From 2015 - 2017 the cost of Insurance Claims has risen significantly.
 - Auto Bodily Injury Claims +14.1%
 - Auto Property Damage Claims +14%

*Statistics provided by the Insurance Information Institute, National Association of Insurance Commissioners, and Federal Highway Administration

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Auto Rates

- Cost to repair a vehicle has increased with new technology.
 - In 2014 the average cost to repair a bumper was \$1,225.
 - In 2016 the average cost to repair a bumper was \$2,818.
 - In 2018 the average cost to repair a bumper is expected to exceed \$4,100.
- Legalized Marijuana Use
 - Colorado - Increase in collision claims +14%
 - Washington - Increase in collision claims +6.2%
 - Oregon - Increase in collision claims +4.5%
- Distracted Drivers
 - Includes cell phone usage - talking, texting, navigation, etc.
- Each day in the United States, approximately 9 people are killed and more than 1,000 injured in crashes that are reported to involve distracted drivers.
- Liberty Mutual Insurance Company - 17% rate increase in their Auto book of business nationwide.

*Statistics provided by the Insurance Information Institute, National Association of Insurance Commissioners, and Federal Highway Administration

Current Trends in the Property & Casualty Insurance Marketplace

General Liability Exposures

Forestry Class Code (43822) – Trees felled and chipped or left lying by the insured will be considered Forestry. Excludes logging as defined below and includes “some” wildland firefighting. “Some” is loosely defined as 30% or less of total payroll.

Logging Class Code (97111) – Trees felled and hauled to mills are considered logging. Loggers Broad Form Property Damage endorsement available with this class code. We can show this on an “if any” basis if Forestry accounts need the endorsement.

Current Liberty Mutual's Pre-Qualification Requirements for Newly Created Spin-Off Entities:

- Must be a familial relationship.
- Domiciled in OR, WA, ID, MT, or AK.
- New spin off owner experience:
 - Same structure, operations and controls as prior organization.
 - Experienced management and supervision in the field of operations the entity will be performing.

New Prospect Reforestation Clients:

- Domiciled in OR, WA, ID, MT, or AK. The majority of work must be performed in these states, as well.
- Must be in business a minimum of 3 years, and provide prior carriers loss history.
- Need verification of contractual requirements and controls, including BLM or State Forest service type work and travel expectations, and subcontractor risk transfer.
- No 15 passenger vans or meets Liberty Mutual's requirements for them.

If wildland firefighting is your sole operation Liberty Mutual will not consider the account.

WildPRO – program includes exposures related to engines, tenders, hand crews, camp administration, contract catering and other support services:

- Matches well with Liberty Mutual's Logging program.
- Loggers Broad Form Property Damage endorsement not available.
- You can access either direct or through k.p.d. insurance.

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Umbrella/Excess Capacity

- Liberty Mutual will offer up to \$2M for Umbrella or Excess coverage.
- WildPRO will offer up to \$2M for Umbrella or Excess coverage.
- Carriers, including Endurance American Insurance Company, will offer limits over Liberty Mutual and WildPRO.

Current Trends in the Property & Casualty Insurance Marketplace

Loggers Broad Form Property Damage

Coverage includes:

- Fire suppression expenses incurred by others.
- Property damage to timberlands owned by others and in your care, custody and control.
- Additional Insured endorsements available if required by written contract.

Issues:

- Liberty Mutual's LBFPD endorsement only includes OR, WA, ID, MT, and AK.
- Must additionally attach CG 79 00 07 87 to include other states coverage for LBRPD with the Forestry Services class code.

Emerging Trends in the Insurance Industry

Claims Examples

Employment Practices Liability:

- An airline pilot claimed derogatory statements were posted by co-workers on the company's intranet. The airline denied responsibility, arguing that the harassment occurred outside the physical workplace. Although employers are not required to monitor all private communication between employees, they do have a duty to stop harassment in settings related to the workplace if they have reason to know about it. The pilot sued and the court decided the employer was liable. Total defense and settlement costs exceeded \$600,000.
- An employee (plaintiff) alleged she had her employment terminated because she testified on behalf of another co-worker who brought a separate action against the company. The plaintiff alleged this was a violation of her employment contract, which provided that she could only be terminated for good cause. Plaintiff asserted cause of action for wrongful termination, breach of contract, and retaliation. Total defense and settlement exceeded \$120,000.

Network Security/Cyber Liability:

- A Human Resources recruiter accidentally attached the wrong file when sending an email to four job applicants. The file included HR demographic data consisting of 43,000 former employee names, addresses, and Social Security Numbers. Costs incurred for regulatory investigation, defense, and settlement exceed \$200,000.
- A national construction company used a third-party cloud service provider to store their customers' personal information. The cloud provider suffered a major data breach, compromising the Personal Identifiable Information (PII) belonging to thousands of the construction company's customers. As the owner of the data, the construction company had a legal obligation to provide an adequate and timely notice to the affected individuals. As the construction company did not have a document retention procedure and stored far more data than was required, the company was obligated to notify over 10,000 customers, offer credit monitoring services for a least one year, and pay defense costs associated with defending the regulatory investigation. Total costs exceeded \$700,000.

Pollution:

- Logging company failed to use proper erosion control, leading to excess mud and sediment in wetlands and streams. The state's Attorney General's office imposed a total of \$100,000 in restoration costs plus fines.
- A cutting company was ordered to pay a \$350,000 civil penalty to the state and another \$150,000 in restitution to the owner of a property where they illegally dumped stumps and logs, as well as construction and demolition waste.