Restoring Stability: Re-imagining your Casualty Insurance during COVID-19 and Afterward

Willis Towers Watson Webcast

June 16, 2020
Today’s agenda

Measuring the impact of COVID-19 on your insurable exposures

Negotiating a new program

Foreign Voluntary Workers Compensation (FVWC)

Workers compensation claim considerations and employee health & safety

Questions and answers
Today’s speakers

Joe Peiser
Global Head of Broking

Jon Drummond
Head of Casualty Broking, North America

Meg Schlosser
Global Core Analytics team

Diana Diffendarfer
Global Services & Solutions Leader

Tom Ryan
Senior Principal, Integrated Casualty Consulting

David Barry
National Director of Casualty Risk Control
Driving a Successful Casualty Renewal

### Understand Your Risk
- Risk Quantification
- Exposure Analysis
- Communicate details behind risk control initiatives

### Process Management
- Ensure Adequate Time
- Leverage Technology to Meet with your Markets
- Recognize a good deal before it's too late

### Lead the Market
- Know the market pressure points
- Prioritize objectives – e.g. collateral vs. premium
- Manage your first impression

3 Elements which will influence your casualty renewal
Reimagine your casualty program using analytics

**Ingredients for empowerment**
- Data
- Real time analysis
- Risk tolerance
- Technology and computing power

**Reactive Decisions**
- Subjective risk decisions for retention and limits

**Proactive Decisions**
- Better understanding of insurable risks
- Informed (ROI) decisions around retention and limits

**Strategic Decisions**
- Informed (ROI) decisions across insurable P&C Risk
- Optimize risk versus return across broader risk space
- Embed risk analytics into business processes

**Descriptive**
- “Price” purchases of insurance

**Predictive**
- Better understanding of insurable risks
- Informed (ROI) decisions around retention and limits

**Prescriptive**
- Informed (ROI) decisions across insurable P&C Risk
- Optimize risk versus return across broader risk space
- Embed risk analytics into business processes
Dynamic Casualty Forecast

A dynamic and actuarially sound view of your holistic casualty risk, blending your own loss history with industry factors customized to your industry, geographic and hazard risk profile.

Multiple alternative sets of forecasting analyses designed to drive retention selection or assess efficacy of guaranteed cost programs, evaluate both per occurrence and aggregate retention structures.

Engages all levels of your organization with best-in-class visualizations of risk and cost, promoting financially driven decision support.

Presents pricing indications, enabling you to compare against multiple market premium quotations.

To reflect COVID-19 trends, we adjust exposure, hazard groups, frequency and severity rates, selected years, and retentions.

Number of Claims per Year

We use industry experience tailored to your exposure profile as well as your own experience to estimate how many claims you can expect per 12 month policy period. Your number of claims can vary from year to year. You can expect to have approximately 105 claims in the next policy period, but there is a 5% chance you will have more than 131 claims.
Collateral Quantified

Provides a powerful market-facing negotiation tool with a proven record of collateral reduction, leveraging a segmented comparison of each collateral element. Integrates client-specific and industry loss development to calculate historical and prospective liabilities.

Presents a forward looking, four-year collateral projection allowing for stress testing of future business case elements, including:

- Credit evaluation
- Retention level changes
- Exposure changes such as M&A

To reflect COVID-19 trends, analyze the costs of changing carriers and identify severe adjustments made by carriers to better arm brokers to negotiate with carriers.
Casualty Renewal Pressure Points

Audit / Min. Earned Premium

- Address within your renewal negotiations
- Sympathy has faded; accommodations for exposure reductions or high min. earned premiums not often supported
- Tie in future policies / audit to yield results

Collateral

- Uncertainty of the economy has invited scrutiny on highly impacted industries
- Surety and alternative forms of security are supported, but not at the same levels
- Push to re-evaluate current year loss pick, emphasize positive trends associated with COVID-19

Foreign Voluntary Workers Compensation

- Protection of employees abroad

CD exclusions

- Commonplace in umbrella regardless of exposure, and frequent in primary when there is exposure
- A blanket CD exclusion can be broader than intended – push back
- Attempt to secure indemnity coverage and negotiate treatment of ALAE

Umbrella & Excess

- Attachment points remain pressured and capacity is constrained
- Incumbent capacity is often the best capacity
- Recognize a good deal before it is too late
- Rate relativity and excess structuring will not be the same. Race to $25M
Casualty Renewal Pressure Points
Structural Concerns

Prior

<table>
<thead>
<tr>
<th>Underlying Limits</th>
<th>Retention</th>
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</thead>
<tbody>
<tr>
<td>Foreign GL $5M</td>
<td>GC $50K</td>
</tr>
<tr>
<td>US AL $2M</td>
<td>$50K</td>
</tr>
<tr>
<td>US GL $5M/$10M</td>
<td>$250K</td>
</tr>
<tr>
<td>CN GL $7M/$15M</td>
<td>$500K</td>
</tr>
<tr>
<td>US EL $1M</td>
<td></td>
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</tbody>
</table>

- $750M p/o $75M 4th Excess
- $50M p/o $75M 6th Excess
- $25M x/r $100M - 3rd Excess
- $50M x/r $50M - 2nd Excess
- $25M x/r $25M - 1st Excess
- $25M Lead Umbrella $1,490,000

Today

- Total Capacity Contraction
- More quota share layers
- Rate Relativity
- Short Limit Excess Capacity
- Lead Umbrella Limit / Premium
- Underlying Limits / Retentions

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<tr>
<td>US EL $1M</td>
<td></td>
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</tbody>
</table>

- $20M p/o $100M 6th Excess
- $15M p/o $100M 6th Excess
- $25M p/o $100M 6th Excess
- $25M x/r $75M - 3rd Excess
- $15M p/o $40M x/r $35M 4th Excess
- $10M x/r $40M x/r $35M 4th Excess
- $20M p/o $40M x/r $35M 4th Excess
- $10M x/r $40M x/r $35M 4th Excess
- $10M x/r $25M - 2nd Excess
- $10M x/r $25M - 2nd Excess
- $18M x/r $10M - 1st Excess
- $10M Lead Umbrella $1,375,000

- 70% RR
- 60% RR
- 45% RR
- 22% RR

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International Casualty

Arranged together to provide global coverage

Global umbrella
Worldwide

US casualty
GL/WC/Auto

Program Retention

International Casualty
GL/FVWC/XS Auto
Difference in Limits/Conditions

US Coverage Territory

Brazil  UK  Mexico  China

International Coverage Territory

Global Coverage Territory

Primary Layers differ by coverage territory
## Foreign Voluntary Workers Compensation

### Sources of workers compensation

<table>
<thead>
<tr>
<th>Employees</th>
<th>US Nationals</th>
<th>US WC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US Nationals, traveling short timelines</td>
<td>US WC, adding FVWC endorsement</td>
</tr>
<tr>
<td></td>
<td>US Nationals, traveling longer timelines</td>
<td>Above <strong>PLUS</strong> FVWC Policy</td>
</tr>
<tr>
<td></td>
<td>Third Country Nationals</td>
<td>FVWC Policy</td>
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<tr>
<td></td>
<td>Local Nationals</td>
<td>State-managed Social Security Plans</td>
</tr>
</tbody>
</table>
### Key Differences between FVWC Endorsement & FVWC Policy

<table>
<thead>
<tr>
<th>Coverage / Issue</th>
<th>US WC / FVWC End’t</th>
<th>FVWC Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizations with business operations &amp; staff working or traveling outside the US</td>
<td>US Hires only</td>
<td>US Nationals, Local Nationals &amp; 3rd Country Nationals</td>
</tr>
<tr>
<td>Endemic Disease</td>
<td>US Hires Only</td>
<td>US Nationals, Local Nationals &amp; 3rd Country Nationals</td>
</tr>
<tr>
<td>Deductible</td>
<td>Per policy covered</td>
<td>Follows coverage, often Nil</td>
</tr>
<tr>
<td>Claims</td>
<td>US Adjusters</td>
<td>Accustomed to International</td>
</tr>
<tr>
<td>Excess Repatriation</td>
<td>Not covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Reverse Trip Travel</td>
<td>Not covered</td>
<td>Covered</td>
</tr>
<tr>
<td>Emergency Travel Assistance Services</td>
<td>Not covered</td>
<td>Covered</td>
</tr>
</tbody>
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## Workers Compensation Post-COVID-19 Safety & Claim Considerations

<table>
<thead>
<tr>
<th>Employees Working from Home</th>
<th>Claim strategies for workers compensation renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delayed Claim Closure</td>
<td></td>
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<tr>
<td>Courts Closed</td>
<td></td>
</tr>
<tr>
<td>Telemedicine / Telehealth</td>
<td></td>
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<tr>
<td>Claims Reopening</td>
<td></td>
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<tr>
<td>Workforce Reductions / Layoffs / Furloughs</td>
<td></td>
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</table>
Using a Playbook Approach

Underwriters will be looking for a strategic approach for protecting the health & safety of employees at their worksite includes protocols, policies, communications, and signage.
What role should testing play in your workplace safety?

<table>
<thead>
<tr>
<th>COVID-19 Screening</th>
<th>COVID-19 Testing</th>
<th>Contact Tracing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quickly and effectively identify and separate infected individuals, ideally before entry to the workplace.</td>
<td>Molecular and antibody tests are available to detect active infection or previous exposure of COVID-19.</td>
<td>Identify individuals who may have come in contact with an individual known to be infected with COVID-19.</td>
</tr>
</tbody>
</table>

- How should our approaches differ between initial workplace reopening's vs. ongoing operations?
- How should approaches differ in regions that are “hot spots” for the virus?
- How can local health provider testing capabilities be leveraged?
- What tests should be considered at diagnosis? To validate return to workplace?
We recently published a testing and screening guide for employers

- Review of PCR, IgM and IgG testing
- Decision tree’s to assist employers in developing and implementing a testing and/or screening program
- Vendor/supplier testing or screening
- Legal aspects of testing and screening
Important to have a plan in place to provide H&S support to work from home staff...and share your strategy with carrier loss control & underwriters.
Questions

Upcoming events:

June 24: Re-imagining your FINEX Insurance
June 26: Discussion on Race
June 30: Distressed Organizations
July 9: Dealing with a Difficult Umbrella Market

Register for future events and access past recordings on willistowerswatson.com
Each applicable policy of insurance must be reviewed to determine the extent, if any, of coverage for COVID-19. Coverage may vary depending on the jurisdiction and circumstances. For global client programs it is critical to consider all local operations and how policies may or may not include COVID-19 coverage. The information contained herein is not intended to constitute legal or other professional advice and should not be relied upon in lieu of consultation with your own legal and/or other professional advisors. Some of the information in this publication may be compiled by third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such information. We assume no duty in contract, tort, or otherwise in connection with this publication and expressly disclaim, to the fullest extent permitted by law, any liability in connection with this publication. Willis Towers Watson offers insurance-related services through its appropriately licensed entities in each jurisdiction in which it operates. Willis Towers Watson does not undertake to update the information included herein after the date of publication. Accordingly, readers should be aware that certain content may have changed since the date of this publication. Please reach out to the author or your Willis Towers Watson contact for more information.