A NEW HOT TAMALE?

For several years, automobile liability has been tagged as the most challenging casualty line. But in 2018 a new issue emerges as insurers ramp up the dialogue around poor underwriting results in general liability (GL). They’ll note that general liability combined ratios have incrementally increased above 100% for three straight years due to inadequate pricing, escalating legal expenses, unfavorable jury verdicts, and unforeseen losses from emerging risks. GL has a longer “tail” than automobile liability; therefore its experience will continue to be burdened by inflation. Insurers generally will no longer offset automobile liability rate increases with GL reductions.

TELEMATICS DATA RAZZLES BUT IS OPEN TO INTERPRETATION

As automobile liability loss experience has continued to deteriorate due to a high frequency of severe losses, many insurers have deployed telematics equipment to optimize loss control efforts — for example, identifying opportunities for specific training and policy changes. Users have also used data from telematics to realize efficiencies in fleet logistics. As insurers continue to offset challenging results through rate increases, appetite refinement, underwriting scrutiny, higher retentions, purchasing of reinsurance, and compressed limits when appropriate, insureds have been gathering, analyzing, and attempting to use telematics data to improve their results and mitigate any renewal impacts. However, it’s been difficult for insurers to fully harness and act upon the massive amounts of data they’ve collected. We expect significant improvements in these technologies and insurers’ analytics capabilities to result in more actionable items. Combined with newer active collision avoidance technologies, organizations with best-in-class safety programs will be able to further differentiate their risks.

THE US CASUALTY MARKET IN 2018: OUR TOP 10 LIST

1. A NEW HOT TAMALE?
2. TELEMATICS DATA RAZZLES BUT IS OPEN TO INTERPRETATION

Each year, Marsh’s US Casualty Practice identifies key trends expected to shape the insurance marketplace in the year ahead. Whether or not any of these hit your sweet spot, the following ten trends could affect your company in 2018.
TECHNOLOGY STARBURSTS THROUGH TO IMPACT WORKERS’ COMPENSATION

In 2018, technology’s role in workers’ compensation safety, claims handling, and treatment will expand rapidly. Wearable devices from the health care space are emerging in workers’ comp, impacting costs through injury prevention and case management as they capture data, and provide feedback about the wearer, even recording what they are seeing and hearing. Some of this data will help enhance organizations’ comprehensive safety programs. Telemedicine, too, is making inroads in workers’ comp. Many injuries (for example, cuts/lacerations, contusions, and burns) might be efficiently treated by telemedicine, reducing lost time traveling to/from a doctor’s office. Still to come, such innovations as exoskeletons, robotics, stem cell treatments, nanotechnology/implants, and virtual ergonomics.

MILLENNIALS — NO LONGER THE JUNIOR MINTS – START TO CHANGE THE INDUSTRY

Millennials now outnumber all other working generations, according to the Pew Research Center. Their influence extends from corporate dress codes to telecommuting to prioritization of goals. Traditional relationships between workers and organizations have changed, requiring companies to revisit employee retention strategies, think more deeply about the role of contractors, and challenge company cultures. As millennials begin to take the helm of insurance purchasing, we are at the start of a risk-averse buying trend — millennials tend to be personally risk averse — and greater expectations of efficiency, transparency, and product enhancements. And there will be more changes as their influence — including on the gig-economy — grows, affecting all areas of employment, including workers’ compensation. Look for changes in the insurance landscape and insurance products as expectations begin to include industry solutions, low touch underwriting in the small commercial segment, and instantaneous online quoting.

BESPOKE PREDICTIVE MODELS ARE BETTER THAN THE AVERAGE, BAR NONE

Many providers — brokers, TPAs, carriers — use predictive modeling as early intervention to identify potentially costly claims. Much of this work is done behind the scenes, using “book of business” information to shape the criteria and determine the red flags. This won’t be good enough in 2018, which will see greater customization of the models to an insured’s claim experience, and criteria for flagging these claims early. After all, is your return to work program exactly the same as everyone else’s? Additionally, we will see more companies use existing modeling capabilities to project an ultimate claim value, allowing a methodical way to help verify claim reserves and settlement approaches.

CASUALTY MARKET TAKE ONE: GOOD & PLENTY REASONS FOR OPTIMISM

Hurricanes Harvey, Irma and Maria, the Mexican earthquakes, and other disasters will be etched in underwriters’ minds entering 2018. However, initial messaging from insurers that the 2017 catastrophe losses would lead to broad-based rate increases in casualty lines of coverage will likely prove overblown. Abundant capacity, alternative capital, corporate tax reform, increased economic growth, interest rates increasing, and the entry/re-entry of some markets in the space will result in the casualty marketplace remaining competitive.
Although casualty markets are generally competitive, there are some exceptions. California’s wildfires mean that utilities, vegetation management firms, and entities that attach to electric poles can expect difficulty with excess liability programs. Construction, real estate, and hospitality are also entering the wildfire crosshairs. Opioids will also become more of an issue in courts and casualty markets, which have seen numerous lawsuits seeking reimbursement for financial losses sustained over time treating addicts. Some insurers have put opioid exclusions in place on certain classes of business, and more may do so.

Meanwhile, October’s shooting tragedy in Las Vegas will increase underwriting scrutiny on event venues as insured losses make their way through the legal system. And transportation-heavy risks and energy risks will continue to be challenged.

Out with the Old, In with the Nougat

Historically, casualty underwriters’ concerns centered on bodily injury and property damage risks and losses, for which they have voluminous data. Personal injury and advertising injury coverages, on the other hand, were often “thrown in” as a cost of doing business. But technology growth means underwriters must price risks they’ve never contemplated. For example, in a self-driving vehicle collision, how is liability isolated? Is it the auto manufacturer’s product defect? Software errors? Malicious hacking? Markets are increasingly concerned with potential personal injury and advertising injury claims — especially invasion of privacy — as the Internet of Things leads the way in connectivity. There will be many new questions, and a greater need to differentiate one’s risk.

Insurtech Gets Smarties and Looks for Niches

Chief digital officer roles at insurers and brokers will continue to evolve as closer relationships between established insurance enterprises and insurtech firms take hold in 2018. The nascent movement will find quick success by concentrating less on changing the whole insurance experience, with its many barriers to entry, and zeroing in on back-office operations to gain an initial foothold. The commercial insurance business will benefit as these firms focus their skills to develop APIs and targeted services to solve efficiency problems, including data management, customer service, and over-reliance on manual processing.

Make Your Own Sundae

Rates remain depressed from historic levels, and a buyer’s market seems likely to persist for the foreseeable future. That means it will be increasingly difficult for brokers and insurers to merely compete on price. Look for brokers to differentiate themselves by developing innovative products with insurers. These products will enhance clients’ success, improve the customer experience, and provide better coverage, structures, and services for specific industries and segments. Some of the enhancements that could be coming to buyers will likely offer contract certainty, clarity of which policy would apply to a claim, bespoke loss prevention, and industry-focused claims services. If you don’t see something you like, ask for it — you’re no longer limited to just chocolate, vanilla, or strawberry.
Marsh will continue to monitor these and other trends that could affect your casualty insurance programs in 2018. As always, it’s a treat working with our clients, and we welcome your feedback on these topics.

For more information, contact your Marsh representative or:

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