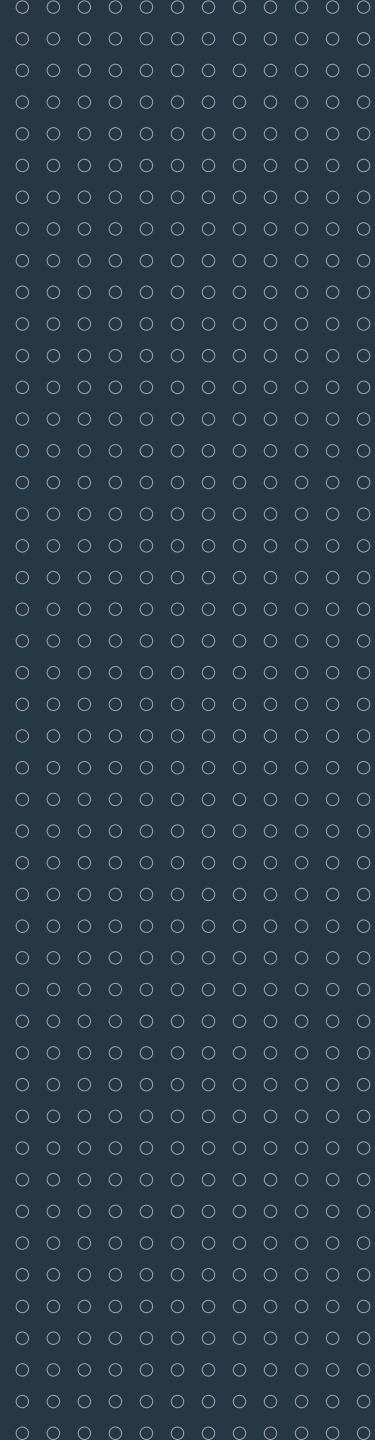


# HUB

Risk & Insurance | Employee Benefits | Retirement & Private Wealth

# Addressing Emerging Trends and Challenges in Risk Management

A Strategic Plan That Can Affect Your Insurance Cost



# The HUB Mid-South Team



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## **Blake Dickens**

EVP, HUB International Mid-South

10+ Years Insurance and Risk Management Experience

NAXSA Insurance Program Manager & Chairman of the NAXSA Insurance Committee



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## **Shannon Crawford, CSP, CHST**

VP, Risk Services

20+ Years Safety and Risk Management Experience

South Region Construction Leader, Authorized OSHA Trainer (Construction & General Industry); Construction, Manufacturing, Transportation safety and regulatory compliance.

## Risk Management:

*Risk management* is the continuing process to identify, analyze, evaluate, and treat loss exposures and monitor risk control and financial resources to mitigate the adverse effects of loss.

*Enterprise Risk Management*, expands the province of risk management to define risk as anything that can prevent the company from achieving its objectives.

**Insurance is the most common form of Risk Management in any Organization**

- Premiums increased for the 17th consecutive quarter in Q4 2021, with respondents reporting an average premium increase across all account sizes of 8.7%.
- Prices increased for all lines of business, including Workers' Compensation.
- Increasing economic activity Post Covid is translating into increasing claim events. Severity is increasing at a higher rate than frequency

## Insurance Industry Today

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- Cyber had yet another record increase in Q4 2021, at 34.3%--the first time since the post-9/11 hard market where a line of business had an increase of over 30%.
  - Multi-Factor Authentication is Now Required for an Insurance Quote
- There is an Overall Decrease in Capacity from the Insurance Carriers along with tighter terms and underwriting guidelines

## PREMIUM PRICING

Respondents reported an average increase in premiums of 8.7% for all account sizes in Q4 2021, the 17<sup>th</sup> consecutive quarter of increased premiums.

### AVERAGE COMMERCIAL PRICING INCREASES

	By Account Size			AVERAGE
	SMALL	MEDIUM	LARGE	
Fourth Quarter 2021	6.3%	10.6%	9.2%	8.7%
Third Quarter 2021	6.2%	10.1%	10.4%	8.9%
Second Quarter 2021	6.2%	9.4%	9.3%	8.3%
First Quarter 2020	6.3%	10.9%	12.9%	10.0%
Fourth Quarter 2020	6.7%	11.7%	13.7%	10.7%
High	20.8%	31.7%	33.0%	28.5%
<i>High Date</i>	4Q01	4Q01	4Q01	
Low	-10.0%	-15.0%	-15.9%	-13.6%
<i>Low Date</i>	1Q08	3Q07	3Q07	

Source:  
The Council of Insurance Agents & Brokers

# Insurance Industry Today



## BY-LINE FOURTH QUARTER 2021 RATE CHANGES RANGED FROM 0.3% TO +15.0%

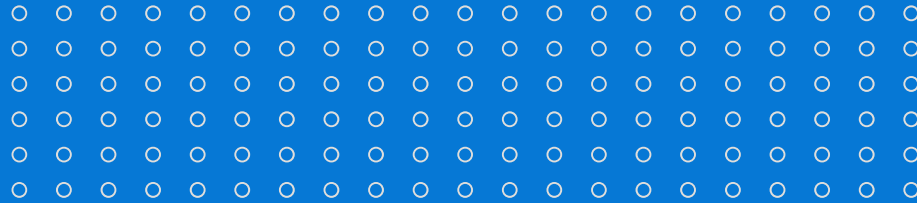
	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Fourth Quarter 2021	8.0%	0.3%	10.5%	6.4%	15.0%	8.1%
Third Quarter 2021	7.4%	-0.3%	10.3%	6.3%	16.9%	8.1%
Second Quarter 2021	6.8%	0.3%	9.9%	6.0%	17.4%	8.1%
First Quarter 2020	9.0%	1.0%	12.0%	6.2%	19.7%	9.6%
Fourth Quarter 2020	9.1%	0.4%	12.9%	7.3%	21.3%	10.2%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

**Source:**

The Council of Insurance Agents & Brokers

How can you manage your Risk to help protect your  
People, Property and Profitability?

# 1



## Risk Transfer

Contractual shifting of pure risk from one party to another



## Risk Transfer:

*A risk management and control strategy that involves the contractual shifting of a pure risk from one party to another.*

### Trends and Challenges:

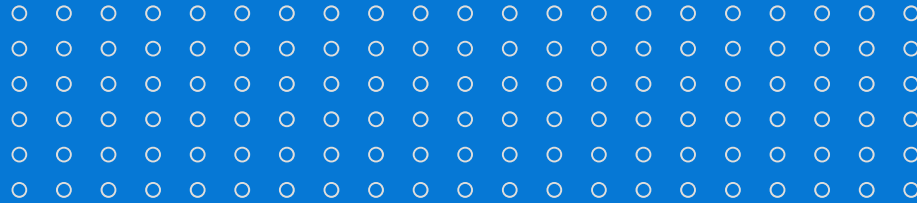
- Helps Paint a Picture for Underwriter
- General Liability is the Insurance Companies Biggest Fear
- Osha Helps
- Know your Contracts – Not just rental agreements

# Risk Transfer - Tools

- Certificates of Insurance
- Subcontractor Agreements
- Rental Agreements
- Additional Insured
- Prequalification



# 2



## Auto

Trends, Challenges and Tools



## Trends and Challenges:

*8% Rate increase in Q4 2021 – 17 Quarters in a row of Increase*

### Factors Driving Increases:

- Increasing Economic Activity
- Distracted Driving – Phone Use
- Inflation – Cost & Time to Repair Vehicles
- Hiring Procedures & Labor Shortage
- Litigation

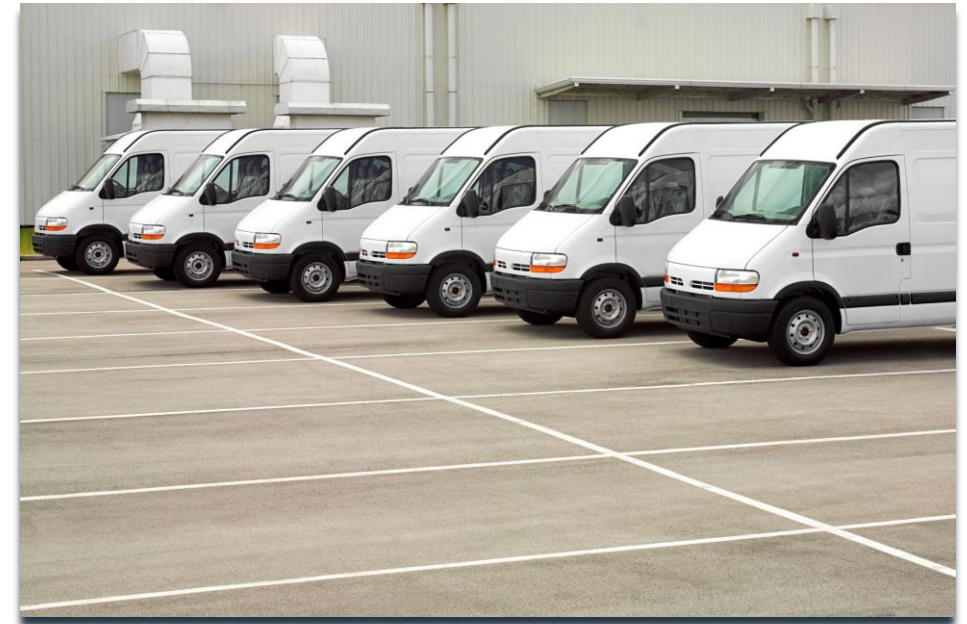
## Trends and Challenges:

- Litigation is #1
  - Claims over \$500,000 grew 60% from 2015 to 2019
  - 40% of Liability Claims now have Attorney Involvement
  - Attorney Involvement increases resolve times from 165 days to 576 days on average
  - Total Losses are 17.1 TIMES Higher with Attorney Involvement, While the Average Cost of Adjudicating a Claim was 52.8 TIMES Higher

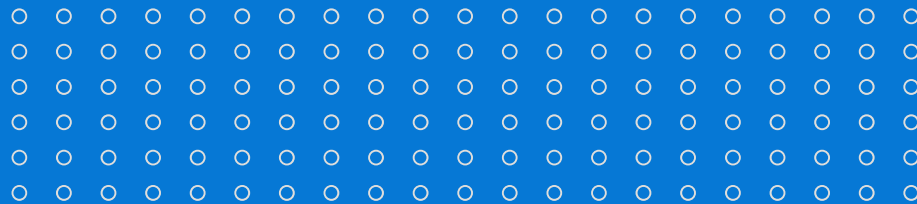
# Auto – Risk Management Tools



- Driver Screening
- MVR Checks
- Vehicle Inspections
- Training
- Vehicle Monitoring Devices



# 3



## Workers Compensation

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## Trends & Challenges

- *Workers Compensation Rates have remained flat*
- *In Most States, Reform has Caused Rates to Decrease Over Last Decade = Attorney's Don't Focus Here*
- *Changing/Shifting Workforce*
- *Increasing Complexity of Claims*
- *Rising Medical Costs*
- *Covid-19*

## The More You Know:

*Knowledge of How Workers Comp Experience Mod is Developed Will Drive Your Habits & Drive Premium Down*

Rating Effective Date: 06/01/2022      Production Date: 01/25/2022      State: INTERSTATE									
State	Wt	SRP	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
MS	.10	0	16,262	24,356	8,094	0	35,400	0	0
TN	.11	0	26,429	44,198	17,769	11,500	25,050	30,000	18,500
(A) Wt	(B)	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses	
.11		42,691	68,554	25,863	11,500	28,727	30,000	18,500	
			Primary Losses	Stabilizing Value		Ratable Excess		Totals	
Actual	(I)	18,500	C * (1 - A) + G 66,722		(A) * (F) 1,265		(J)	86,487	
Expected	(E)	25,863	C * (1 - A) + G 66,722		(A) * (C) 4,696		(K)	97,281	
			ARAP	FLARAP	SARAP	MAARAP		Exp Mod	
Factors		1.00						(J) / (K) .89	

REVISED RATING  
THE ARAP FACTOR SHOWN IS FOR THOSE STATES CONTAINED ON THIS RATING THAT HAVE APPROVED THE ARAP PROGRAM AND IS CALCULATED BASED ON THE STATE WITH THE HIGHEST APPROVED MAXIMUM ARAP SURCHARGE. THE MAXIMUM ARAP SURCHARGE MAY VARY BY STATE.

Here's My Mod, How Did I get Here

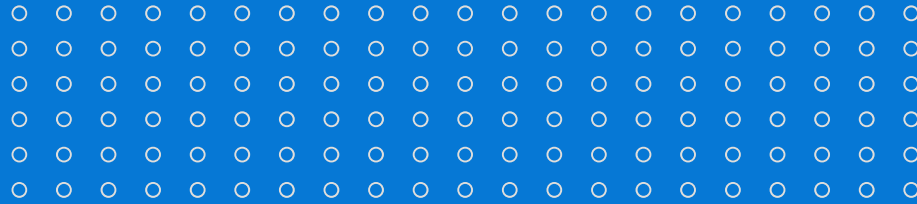
# Workers Compensation – Risk Management Tools



- Assessments
- Analytics
- Regulatory Compliance
- Programs
- Training
- Enforcement
- Return-to-Work



# 4



## Property

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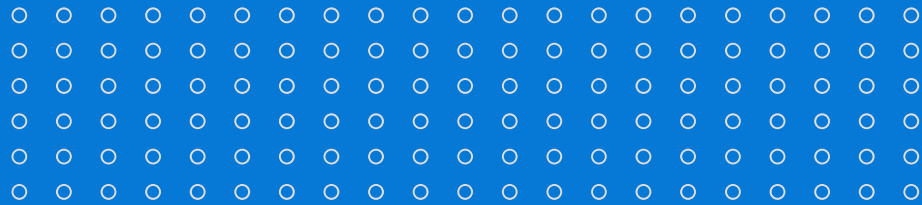
## Trends & Challenges

- Extreme Weather Events - \$145 Billion of Damage 2021
- Inflation – 17.5% year over year increase 2020 to 2021
- Aging Buildings
- Tightening Underwriting Guidelines
- Carrier Capacity

- Site Assessments
- Maintenance
- Security



# 4



## Nuclear Verdicts

Don't be a Litigation Target



## Nuclear Verdicts:

A nuclear verdict is defined as an exceptionally high jury award that surpasses what should be a reasonable or rational amount.

## Social Inflation:

The trend of rising insurance costs due to increased litigation, plaintiff-friendly judgements and higher jury awards.

## Trends & Challenges

- Verdicts of More Than \$1,000,000 Increased Nearly 1000% from 2010 to 2019
- Litigation Funding – 3<sup>rd</sup> party investors provide funding
- The Reptile Strategy
- Corporate Mistrust
- Leading to Higher Insurance Rates

## Don't Be a Litigation Target

- Take Charge of Your Risk Management and Safety Programs
- Implement, Track, & Keep Good Records
- Create a Culture of Care, Safety and Training Towards Your Employees and Community... **AND BE ABLE TO PROVE IT IN THE EVENT OF AN INCIDENT**
- A Plan without Implementation is Worse Than No Plan At All

# Risk Control Capabilities



Assessments and Evaluations	Employee and Management Training	Learning Management System
<ul style="list-style-type: none"><li>○ Safety Program Design and Development</li><li>○ Regulatory Compliance</li><li>○ Driver Safety</li><li>○ Safety Audits and Inspections</li><li>○ Property and Liability Exposure</li><li>○ Ergonomics and Productivity Improvement</li></ul>	<ul style="list-style-type: none"><li>○ OSHA Regulatory Compliance</li><li>○ Employee Injury Prevention</li><li>○ Fleet Safety</li><li>○ Drug Free Workplace</li><li>○ Harassment Prevention</li><li>○ Workplace Violence</li><li>○ HUB Webinars</li><li>○ OSHA 10- and 30-hour Courses</li></ul>	<ul style="list-style-type: none"><li>○ Risk Management Center: Comprehensive Risk Management, Employee Safety and Compliance Platform</li><li>○ Online Training Library</li><li>○ Incident Tracking</li><li>○ Certificate of Insurance Management</li><li>○ HR &amp; Benefits Database</li><li>○ Employee Training Management</li></ul>

# Risk Control Capabilities



Onsite Consultation and Services	Client Advocacy	Specialty Services
<ul style="list-style-type: none"><li>○ Mock OSHA Inspections</li><li>○ Assist with Accident Investigations</li><li>○ Ergonomic Evaluations</li><li>○ Property Inspections</li><li>○ Construction Jobsite Inspections</li><li>○ Employee and Management Training</li></ul>	<ul style="list-style-type: none"><li>○ Risk Analysis and Action Plan</li><li>○ Participation in Renewal Meetings</li><li>○ Participation in Safety Committee Meetings</li><li>○ Providing Regulatory Content</li><li>○ Working with Carriers - assisting clients with addressing outstanding carrier recs</li></ul>	<ul style="list-style-type: none"><li>○ CAT Modeling</li><li>○ Compliance – Strategic Client Solutions</li><li>○ Workforce Absence Management</li><li>○ Business Continuity Management</li><li>○ Fleet Risk Management</li><li>○ Cyber Risk Management</li></ul>

# Thank you.