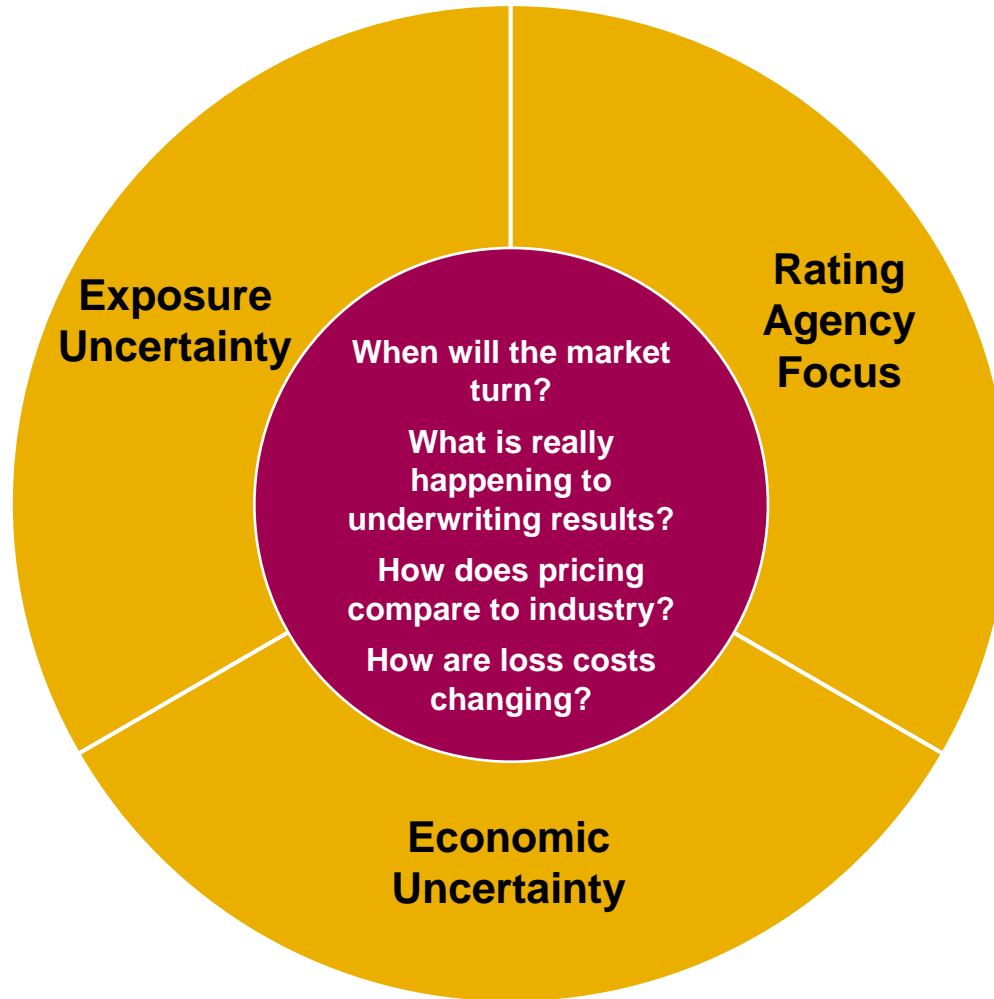


# Surveying Commercial Insurance

## Pricing and Profitability

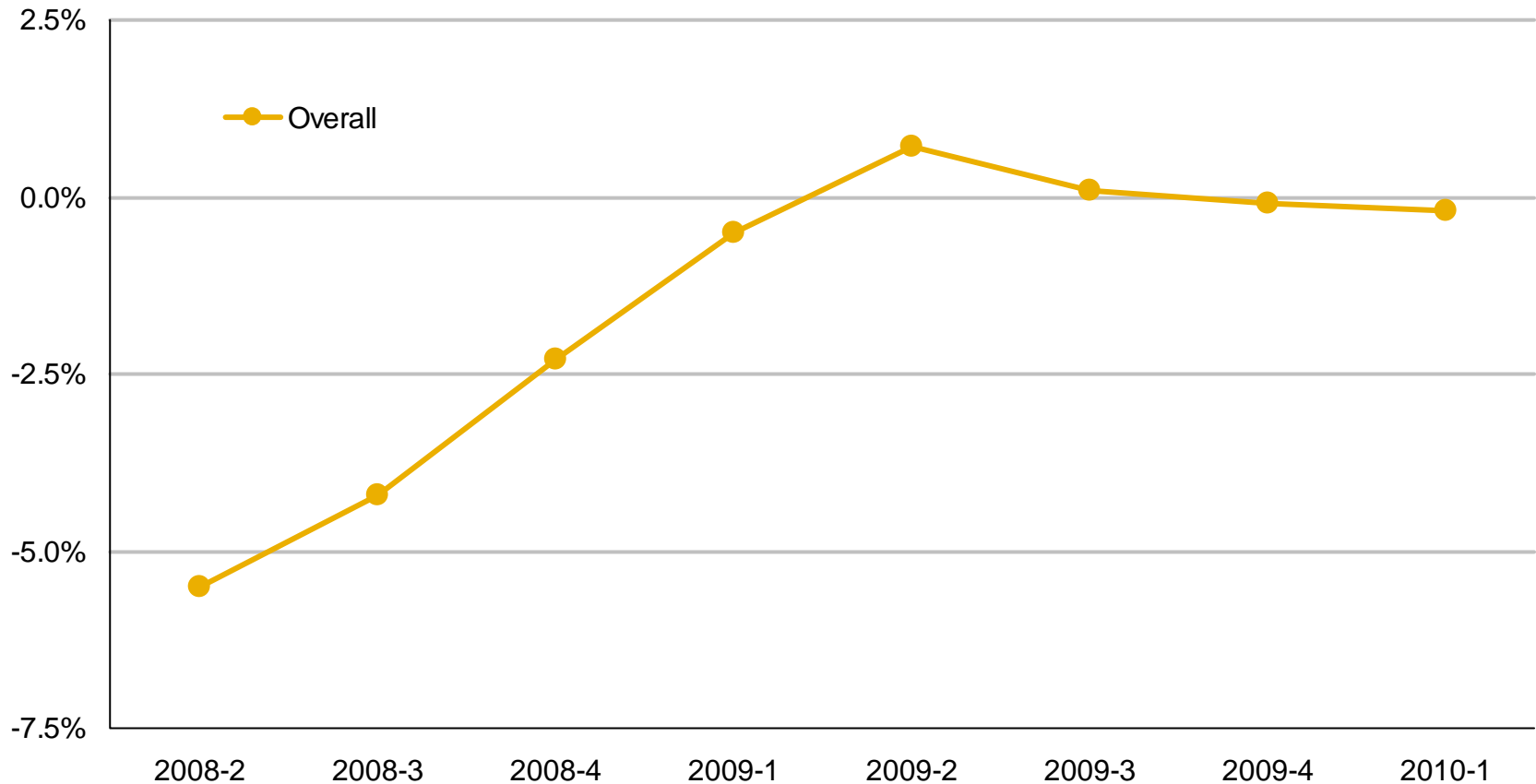
2010 Q1 Update

# Now more than ever, price monitoring is key



# U.S. commercial insurance pricing has been weakening for several quarters, but showing signs of stabilization

## Year-Over-Year Price Level Change

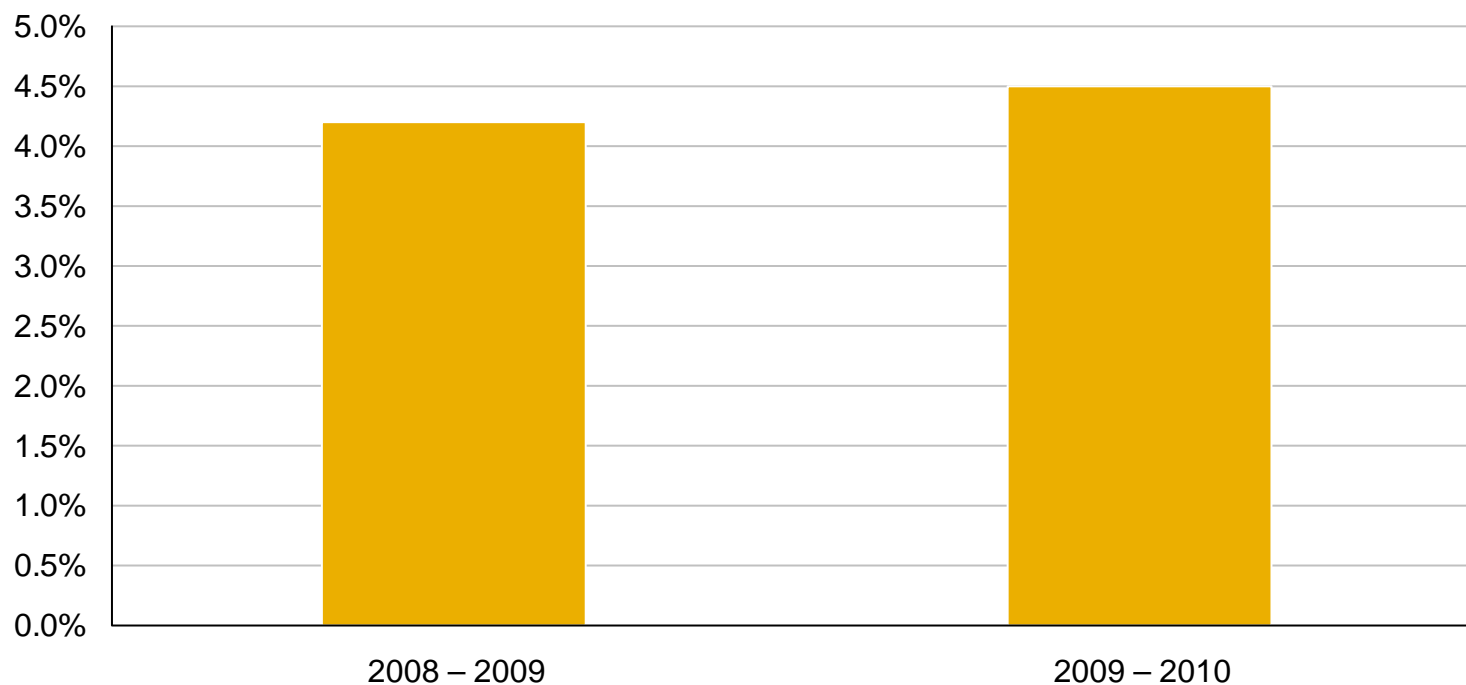


Source: 2010 Q1 CLIPS.

[towerswatson.com](http://towerswatson.com)

# The effect of stabilizing prices and improved claim cost inflation is relatively modest loss ratio deterioration in YTD 2010

## Change in Earned Loss Ratios



Source: 2010 Q1 CLIPS.

[towerswatson.com](http://towerswatson.com)

## In this context, reliable information on how your company compares to the marketplace is crucial

- CLIPS is Towers Watson's U.S. commercial lines pricing and profitability survey
- Information comes directly from carriers
- Data-based
- Free
- Confidential
- Only participants receive the detailed survey results

# CLIPS gives participants more and better historical information on pricing and profitability

- We collect information from participating companies each quarter
  - Estimated price changes by quarter for the last two years
    - Year-over-year percentage changes
    - Including the effects of coverage changes as well as rates
    - Including new business if available
  - Estimated increases in loss costs by year for the last two years
- We deliver customized summary results back to the participants



**Submitted data are reviewed for reasonableness and consistency but not audited**

# CLIPS information is collected and reported at line of business and account size level

Small Commercial*	Middle Market Commercial	Large Account Commercial	Specialty Commercial Lines
Workers' compensation	Workers' compensation	Workers' compensation	Professional liability
Auto liability	<ul style="list-style-type: none"> <li>• First dollar</li> </ul>	<ul style="list-style-type: none"> <li>• First dollar</li> </ul>	<ul style="list-style-type: none"> <li>• Medical</li> </ul>
Auto physical damage	<ul style="list-style-type: none"> <li>• LDD and excess</li> </ul>	<ul style="list-style-type: none"> <li>• LDD and excess</li> </ul>	<ul style="list-style-type: none"> <li>• Lawyers</li> </ul>
Package CMP/BOP	Auto liability	Commercial auto	<ul style="list-style-type: none"> <li>• Architects and engineers</li> </ul>
Commercial property	Auto physical damage	<ul style="list-style-type: none"> <li>• First dollar</li> </ul>	<ul style="list-style-type: none"> <li>• Other</li> </ul>
General/products liability	Package CMP/BOP	<ul style="list-style-type: none"> <li>• LDD and excess</li> </ul>	Directors and officers liability
Excess/umbrella liability	Commercial property	Commercial property	Employment practices liability
	Business interruption	Business interruption	Surety bonds
	General/products liability	General/products liability	<ul style="list-style-type: none"> <li>• Contract</li> </ul>
	Excess/umbrella liability	Excess/umbrella liability	<ul style="list-style-type: none"> <li>• Other</li> </ul>

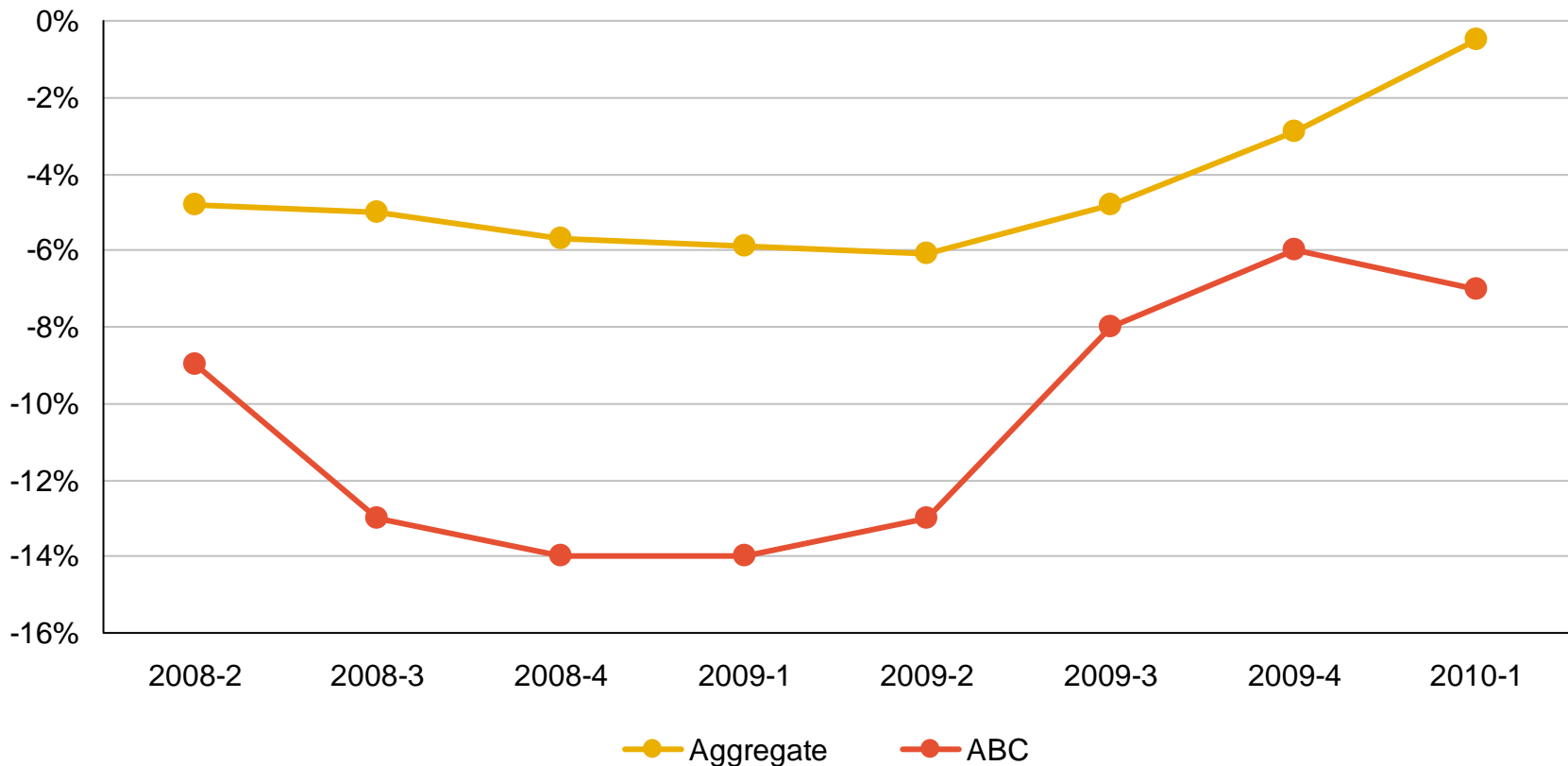
**The segmentation is periodically revised based on feedback from participants**

\*By region.

[towerswatson.com](http://towerswatson.com)

# Case study: Benchmarking pricing levels across time

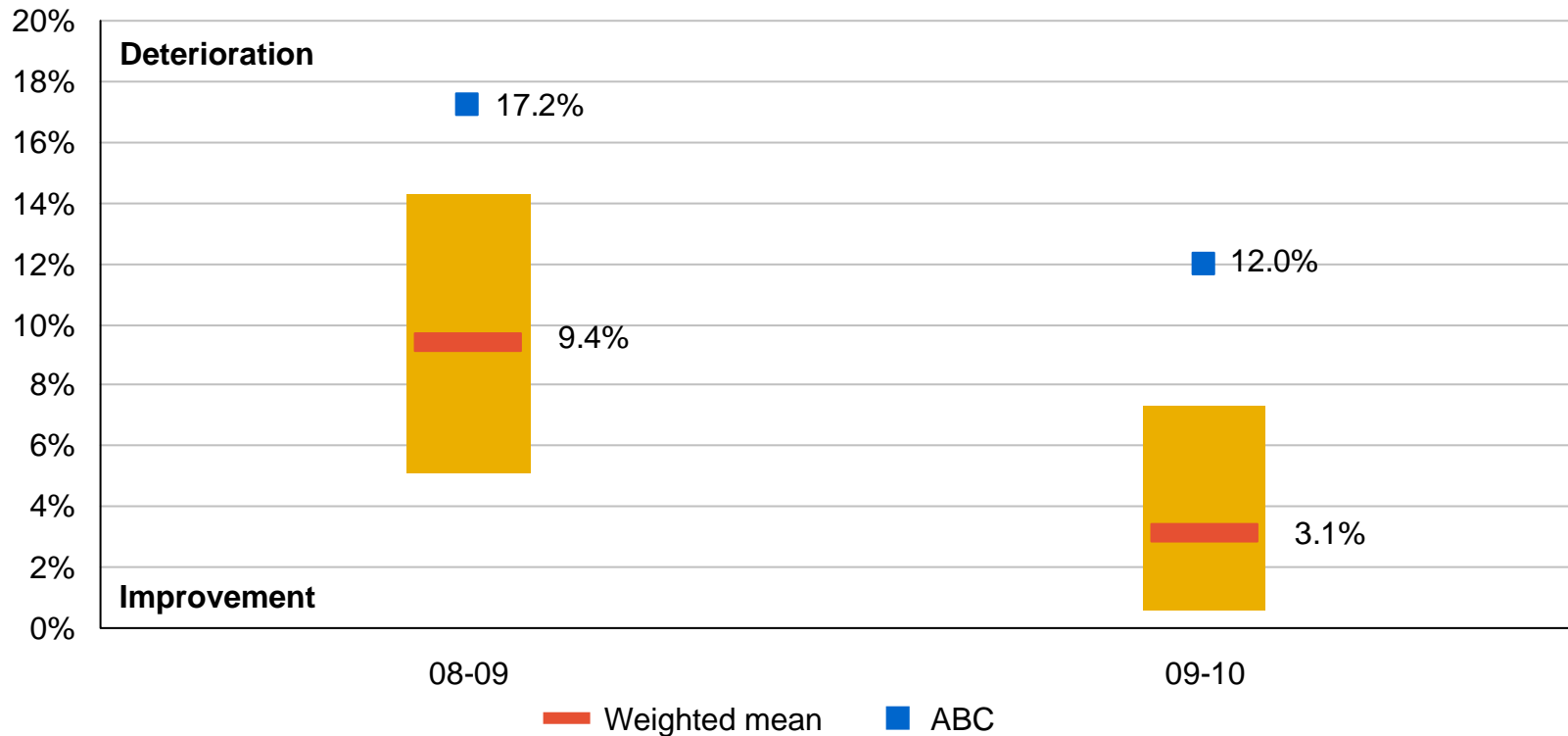
## Change in Price Level vs. Same Quarter One Year Prior



**Differential between ABC and industry has been significant**

# Case study: Monitoring profitability

## Change in Earned Loss Ratios



- Highlights 2010 change in profitability for ABC versus industry
  - Pricing?
  - Loss levels?

## Case study: Validating reserving assumptions

AY	Seed	ABC Change	ABC Indicated Loss Ratio	CLIPS Change	CLIPS Indicated Loss Ratio
2008	50%				
2009		1.172	58.6%	1.042	52.1%
2010		1.120	65.6%	1.045	52.3%

# Investment analysts use CLIPS to take the pulse of the industry

***“...Towers Perrin’s survey takes the commercial lines writers’ view (what they have done with pricing and how that impacts profitability). We think the Towers Perrin survey will be a better benchmark for investors (and management).”***

— Insurance industry investment analyst, quoting CLIPS results shortly after launch

# Current participants — and their shareholders — benefit from insights from CLIPS

***“...We continue to focus on balancing price and retention in this competitive market...Of the various commercial lines industry pricing surveys, we favor the Towers Perrin CLIPS survey because of its data collection methodology...”***

— Participating company CFO, Quarterly Earnings Conference Call

## How to find out more



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