



Willis Towers Watson

Asbestos and
environmental update – what have we learned

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November 13, 2018

Agenda

Sandy

Key considerations in evaluating asbestos and environmental liabilities

- Asbestos claim statistics, disease incidence and claiming rates
- Asbestos bankruptcies and trusts
- Environmental claims amidst EPA/administration changes

Rachel

US Insurance Industry Experience and Litigation Update

- U.S. P&C insurance industry loss experience
- Key issues affecting the litigation environment
- Emerging issues

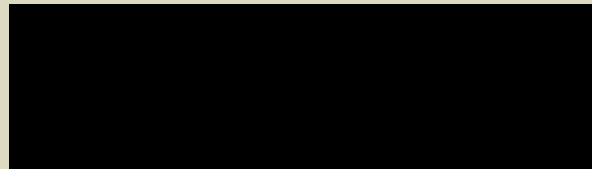
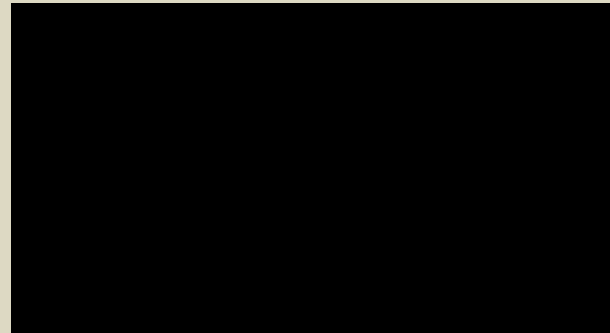
Rita

Actuaries and Claims Collaboration

- Ground-up modeling approach
- Allocation of claims to insurance coverage
- Important claim issues to consider

Asbestos

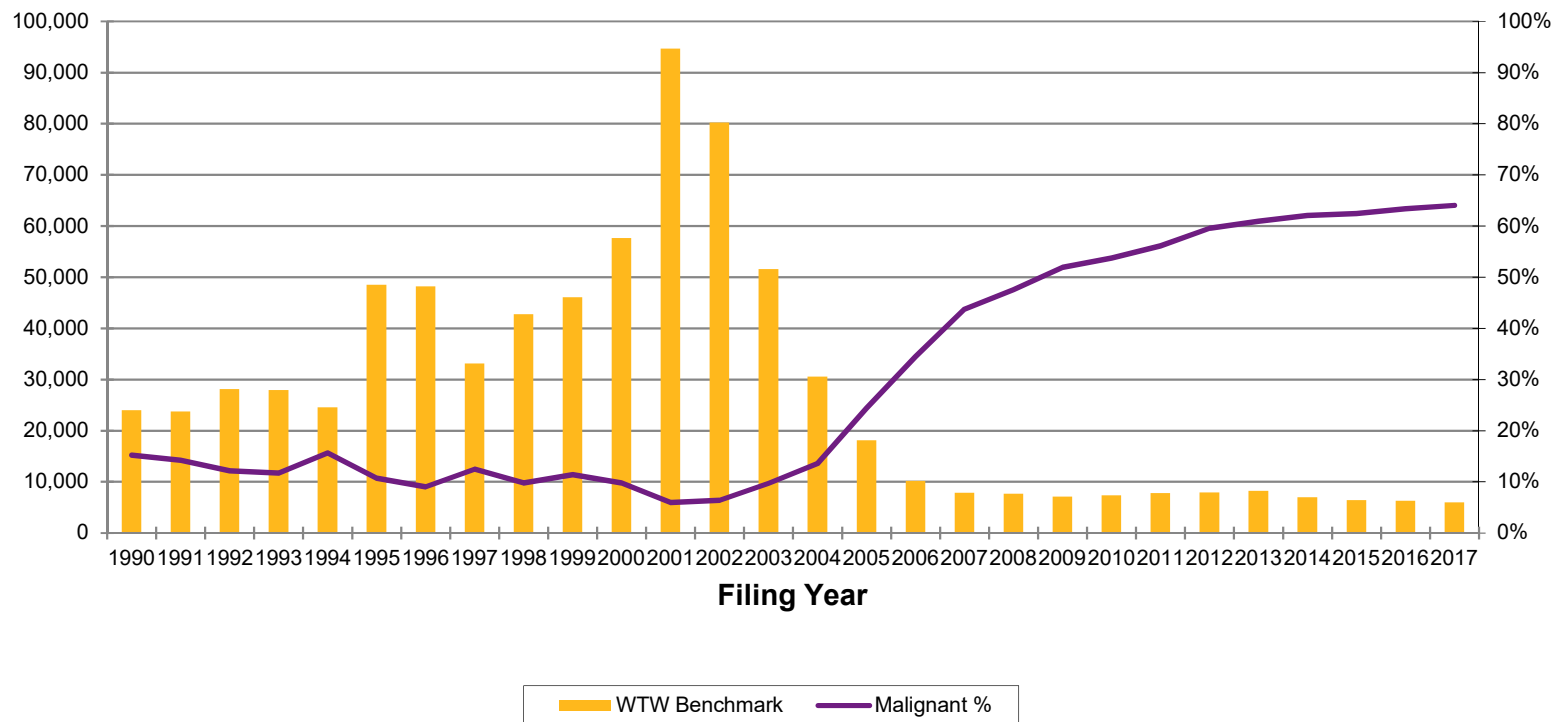
Claim statistics



Asbestos claim filings over the years

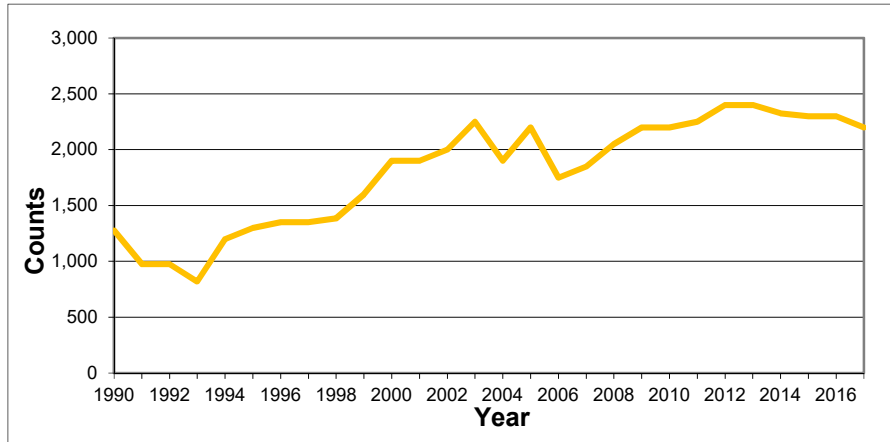
- Rate of new claim filings is down, but composition has changed
 - Currently >60% of new claims are malignant, compared to <10% in 2000-03

Willis Towers Watson Benchmark Claim Filings

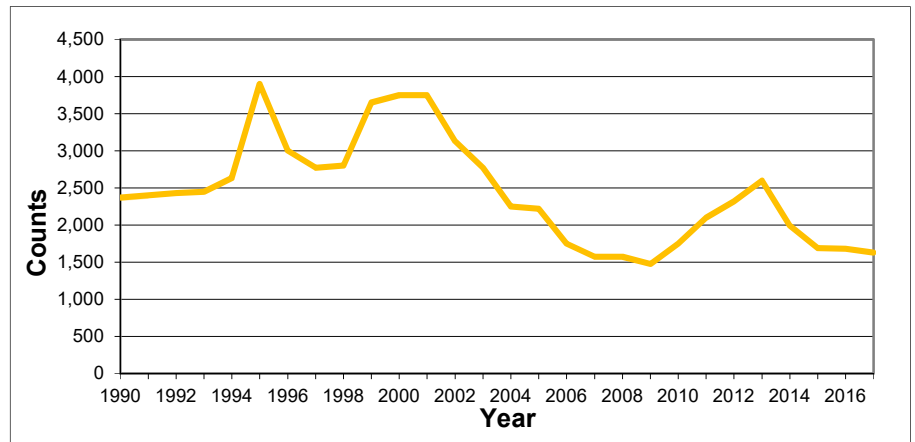


Asbestos claim filing trends vary by disease

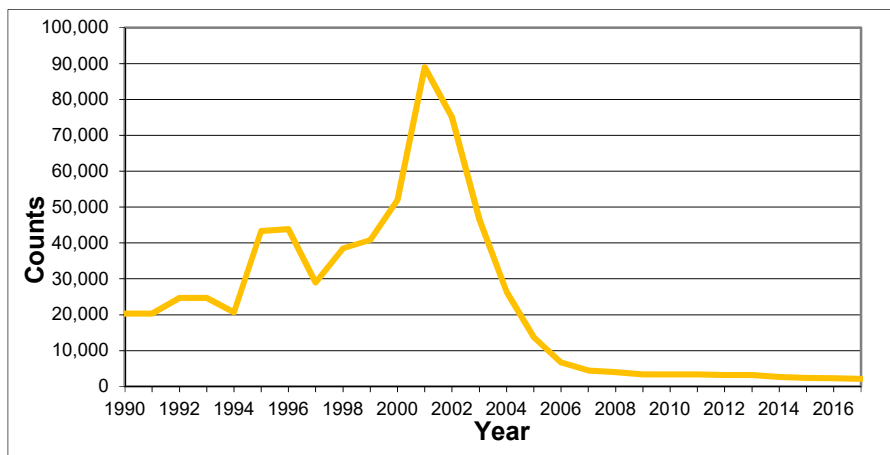
Mesothelioma



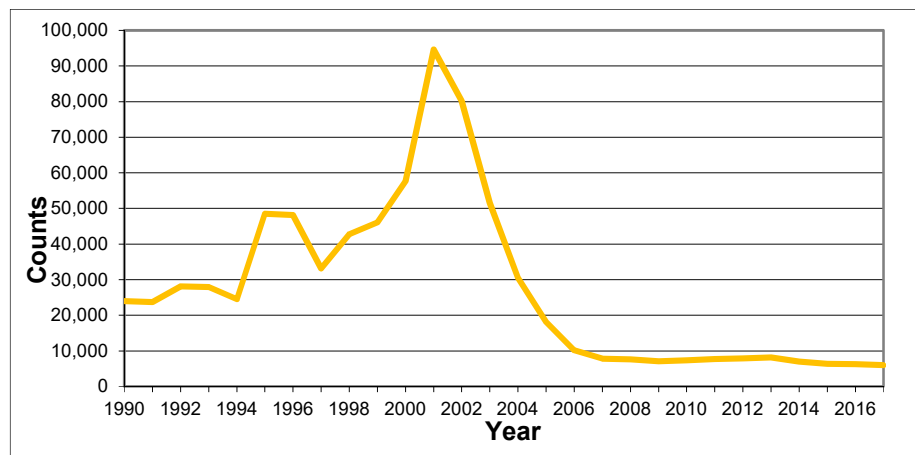
Cancer



Nonmalignant

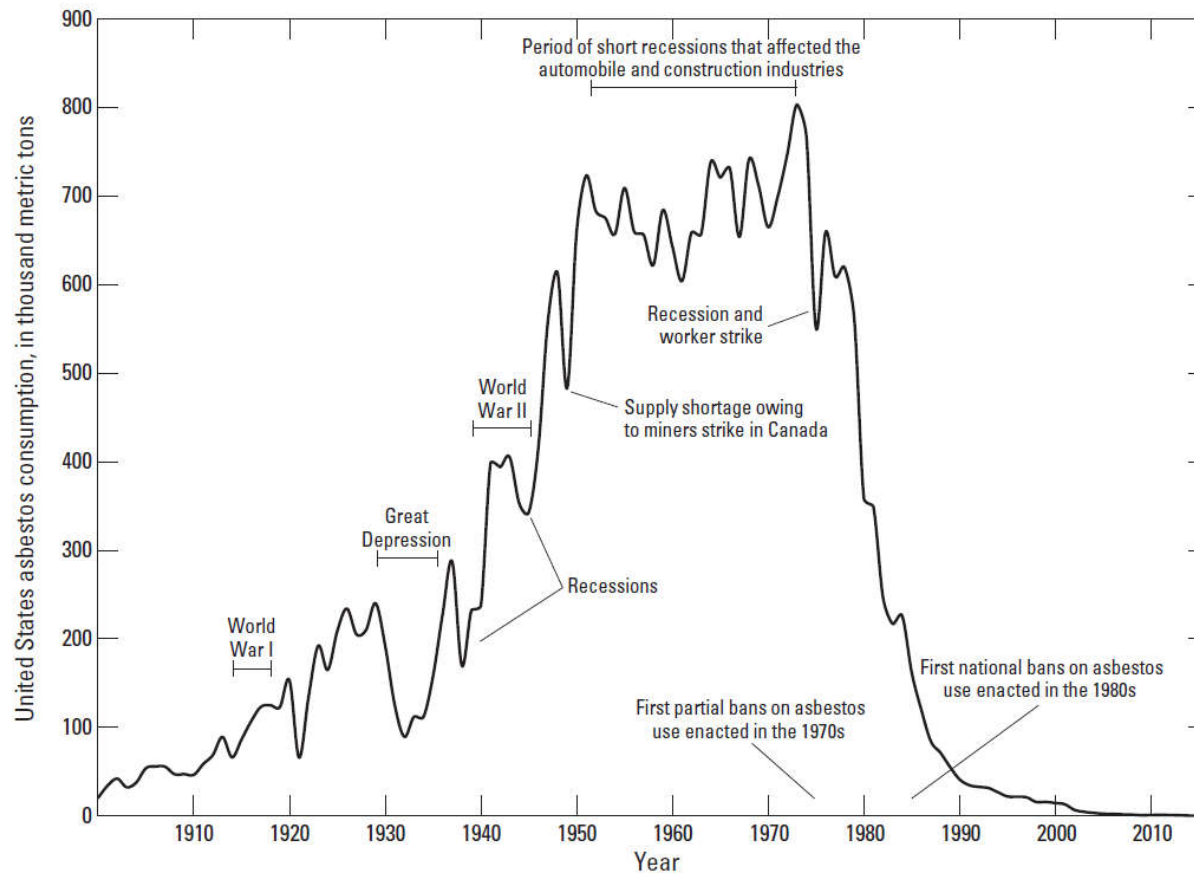


Total



Asbestos consumption in the United States

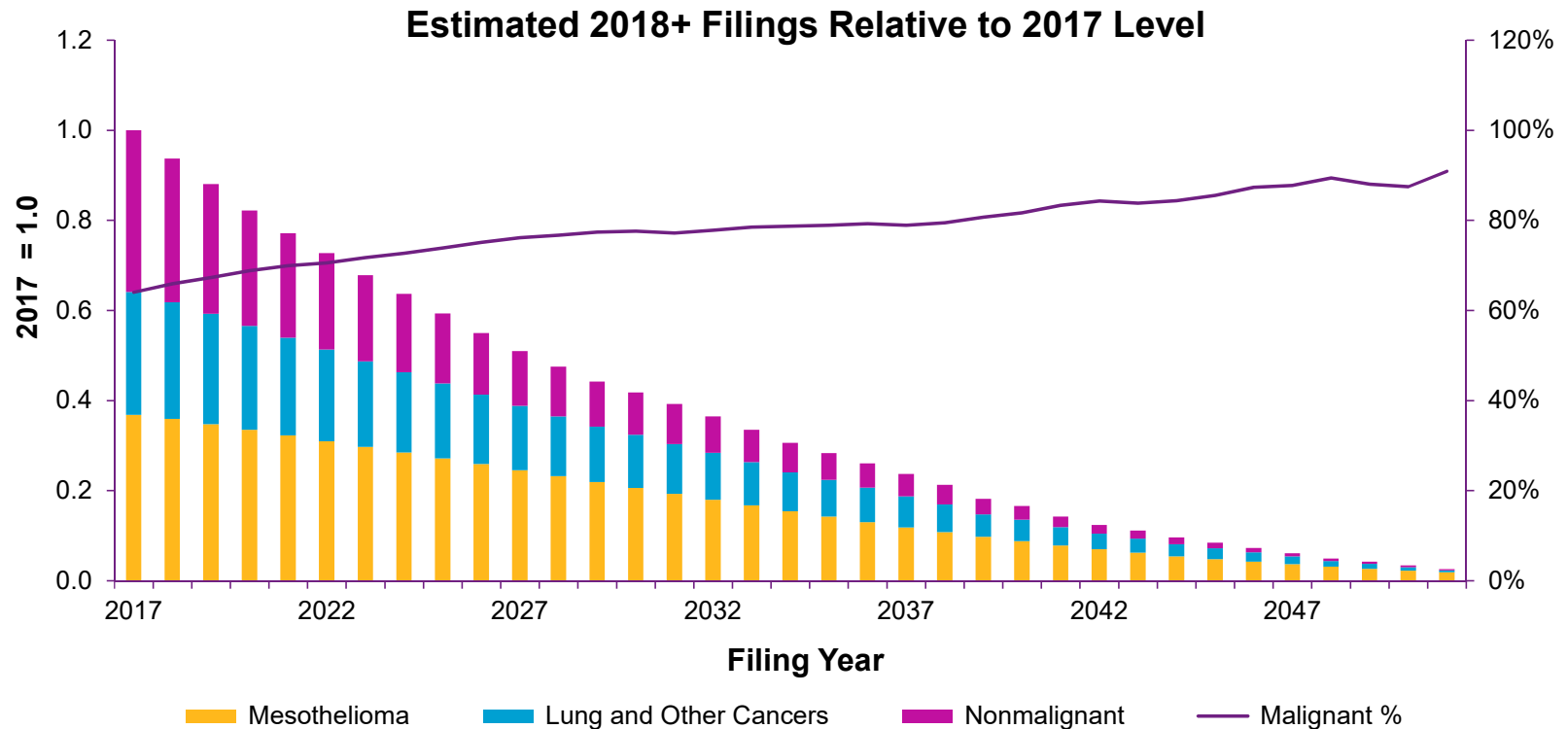
- Sharp reduction to asbestos usage beginning in the early 1970s
- Majority of asbestos cases are from exposures decades ago
- Expect to be past the peak of claim filings



Source: United States Geological Survey, 2016 Minerals Yearbook
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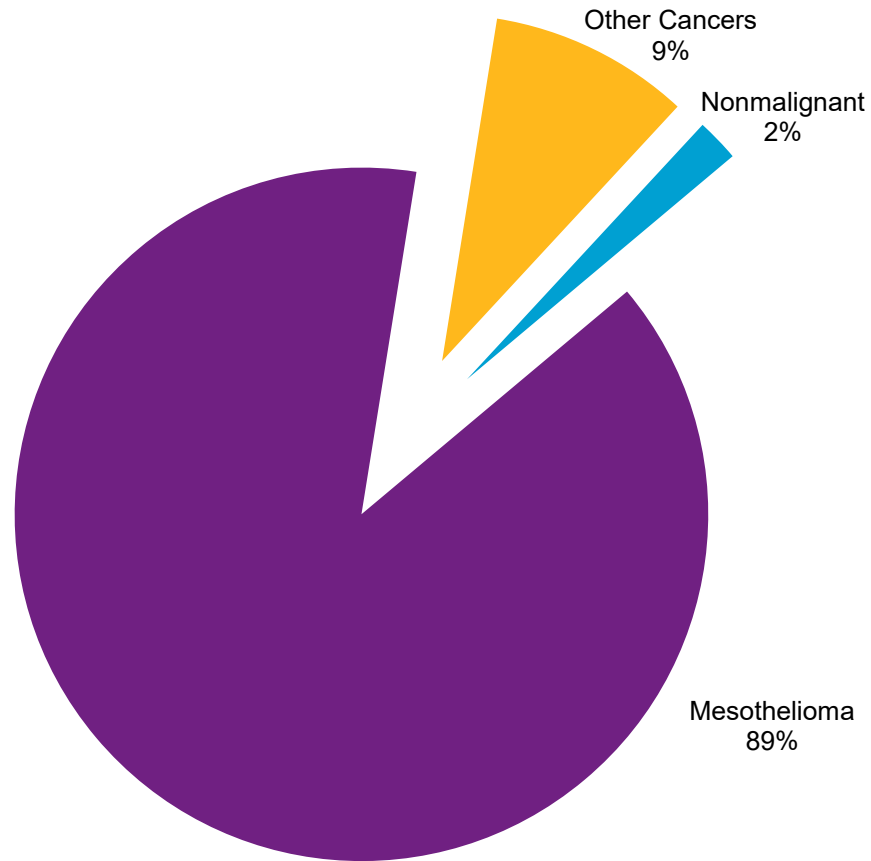
Projected future asbestos claim filings

- 34,000 new mesothelioma claims in 2018 & subsequent
 - Half in the next nine years



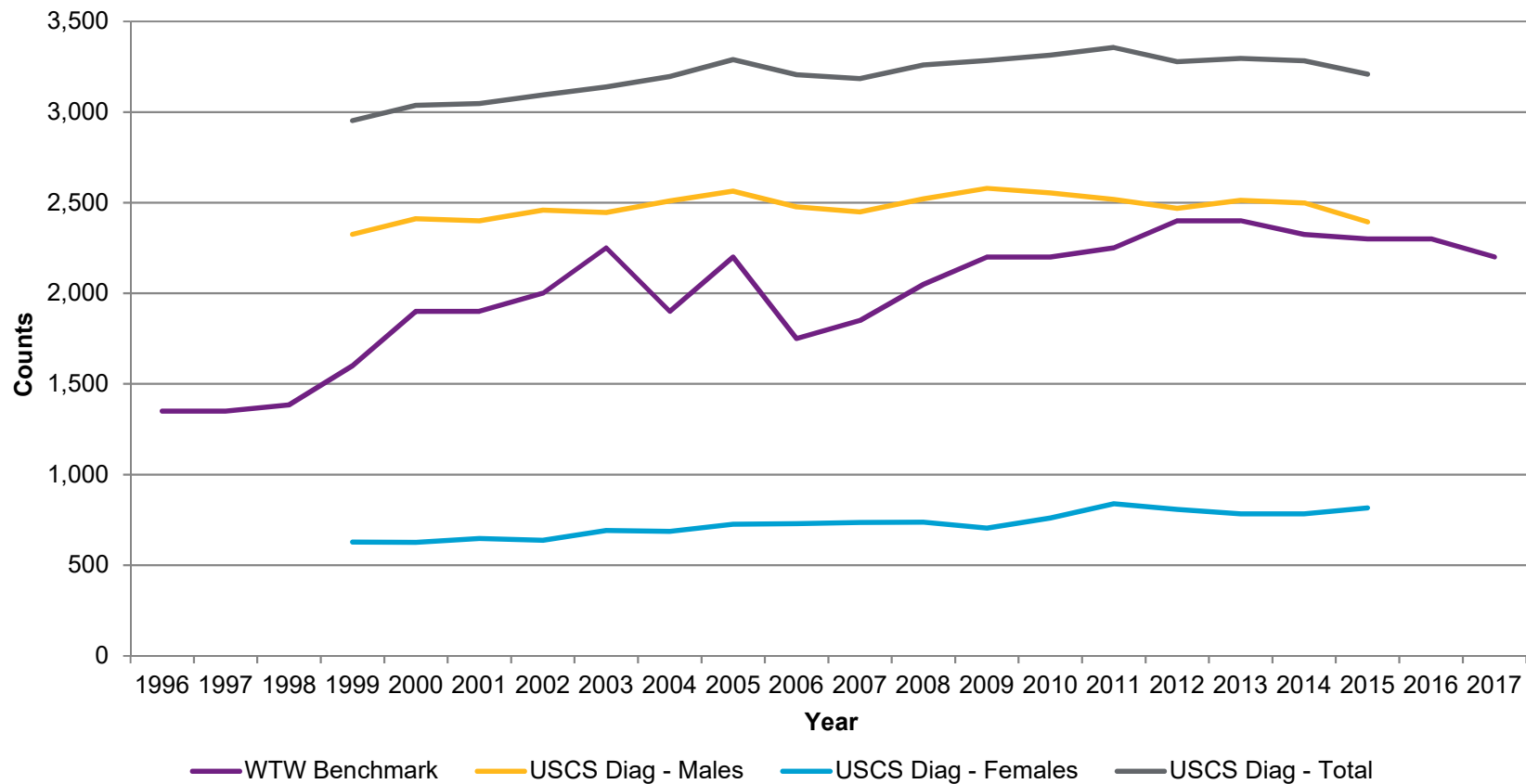
Mesothelioma claims are the driver of future litigation costs

Projected Split of 2018 + Indemnity Payments for Typical Defendant



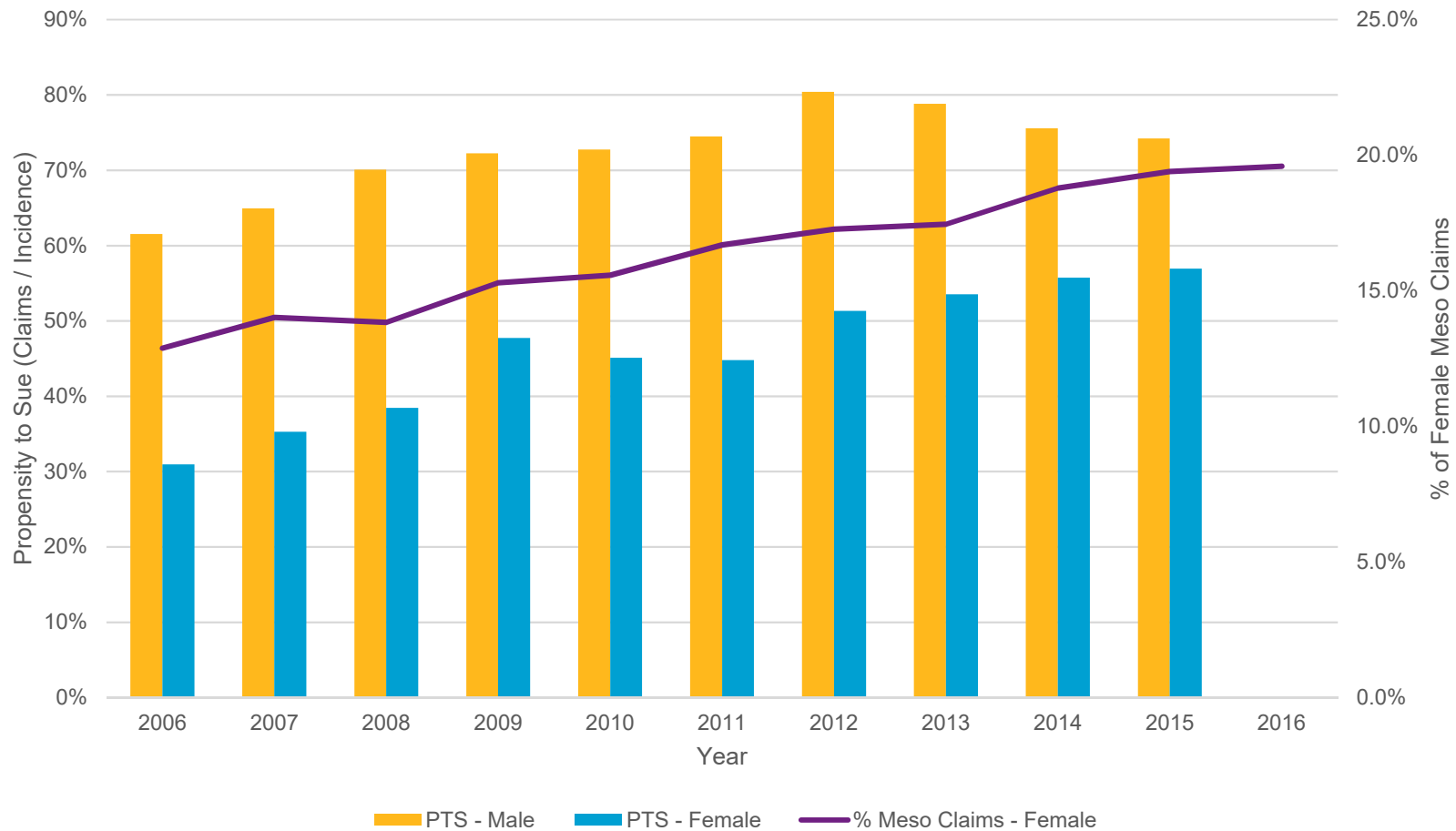
Mesothelioma incidence and claim counts

- Annual incidence (= diagnosis) counts have been nearly flat
 - Males generally decreasing and females generally increasing since 2009
- Claim filing counts have fluctuated due non-epidemiological factors
 - Increasing slightly since 2009 followed by small decreases after 2012



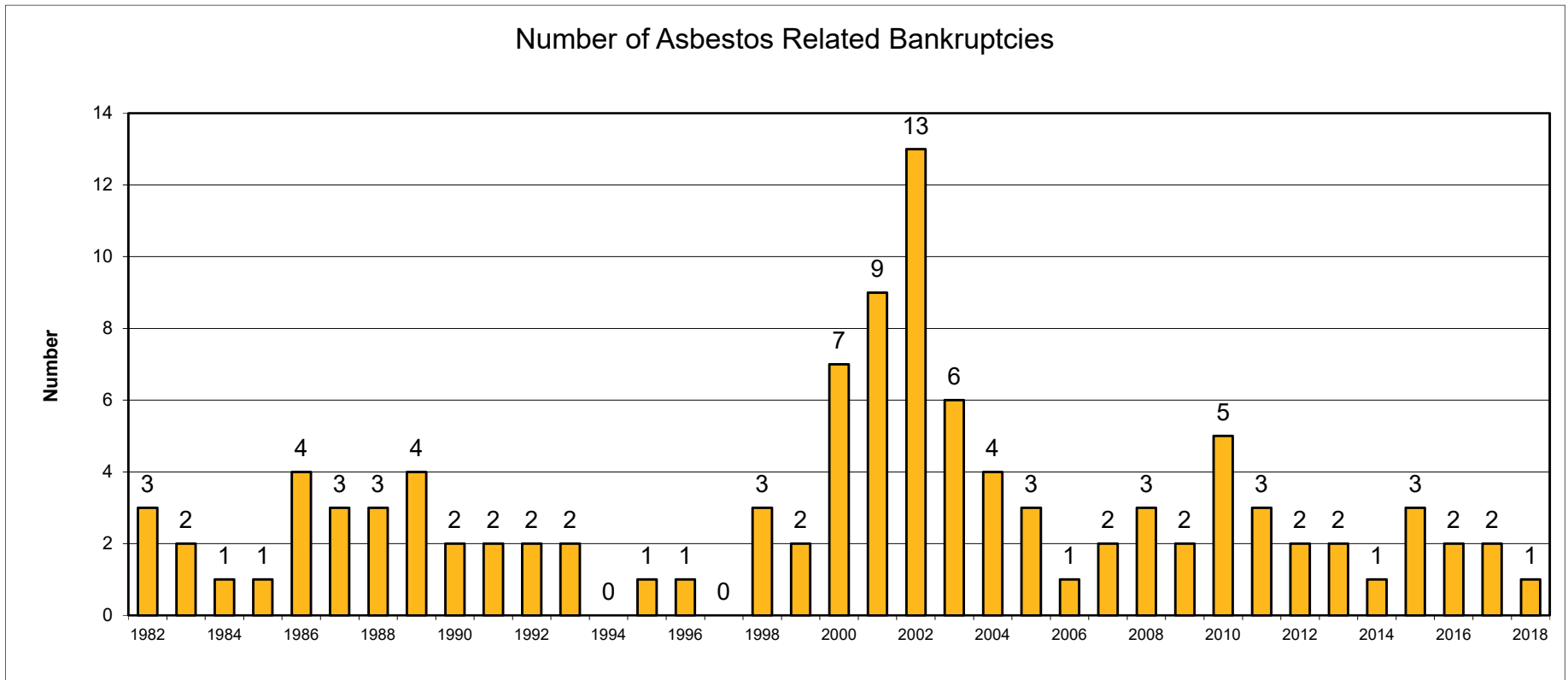
Mesothelioma experience by gender

- Proportion of female meso claims has increased over time, approaching 20% in recent years
- For males - propensity to sue (PTS) over 75% in recent years so limited room for additional increases
- For females - PTS near 55% in recent years so there is more room for additional PTS increases

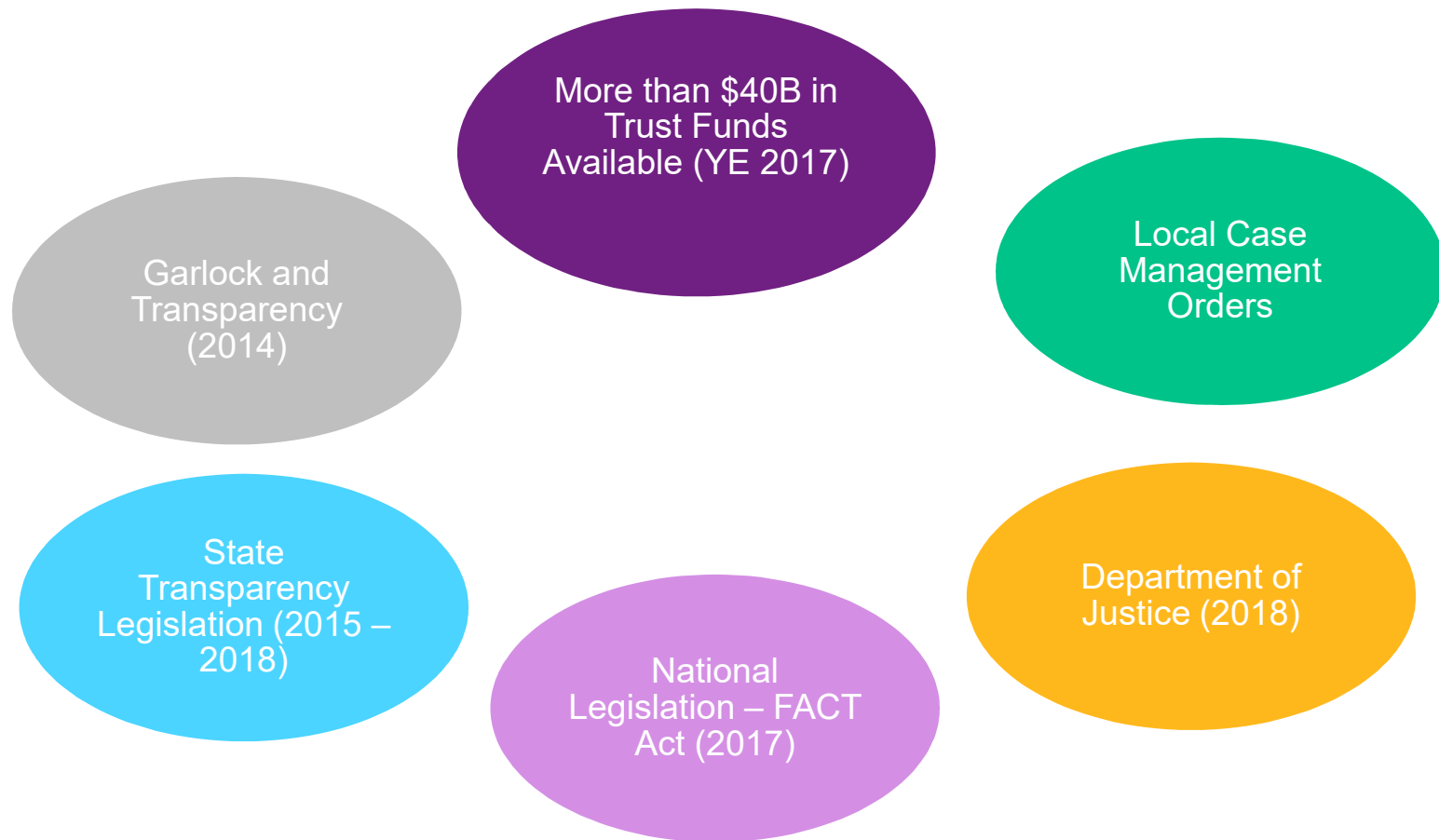


Over 100 asbestos-related bankruptcies through September 2018

- The rate of annual bankruptcy filings slowed after 2002

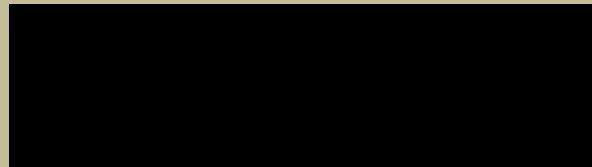
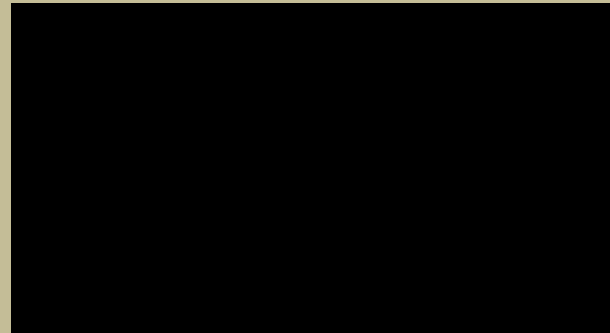


Bankruptcy Trust Impact on Filings

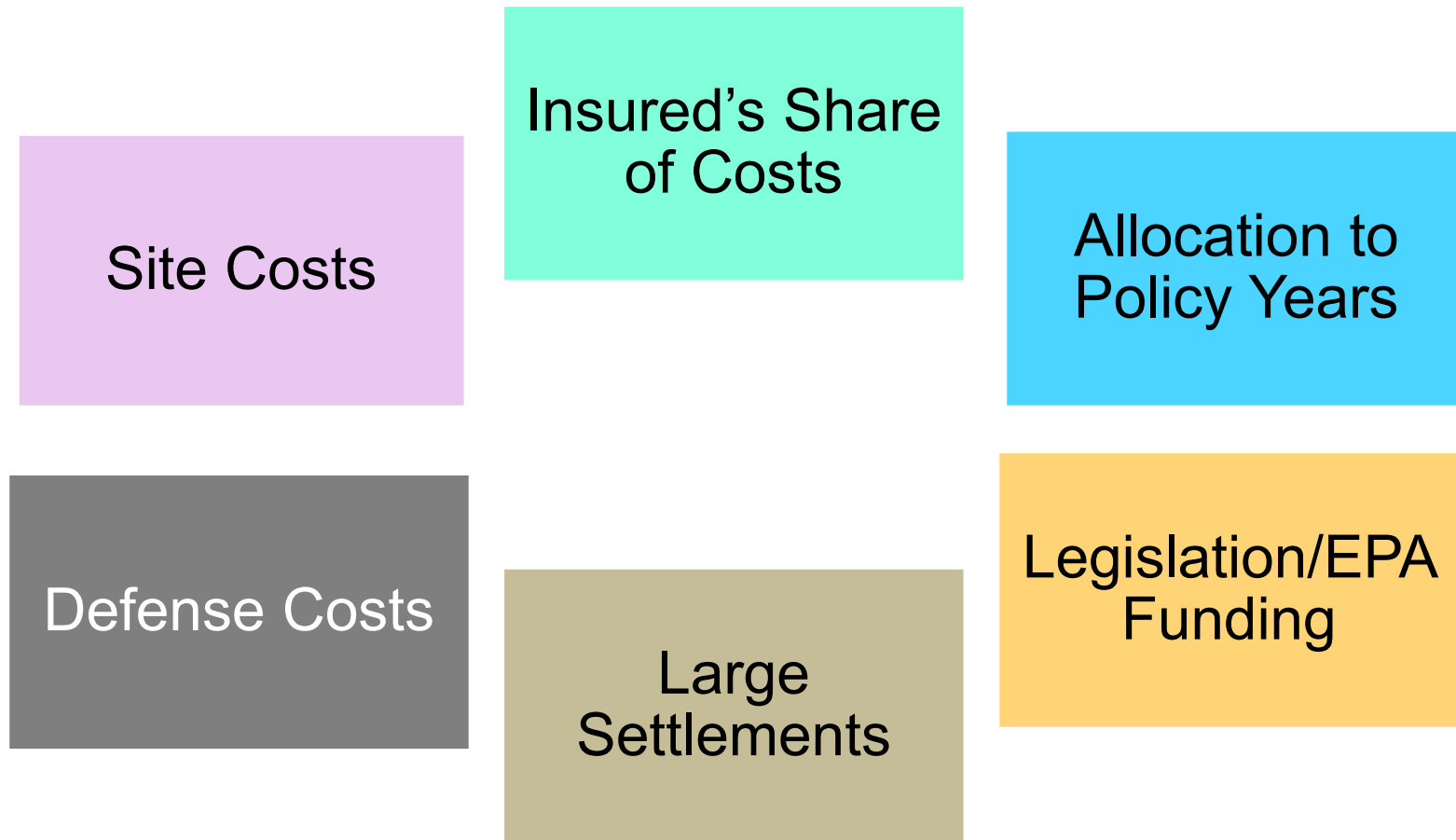


Environmental:

Key considerations in evaluating liabilities
and current EPA developments



Key considerations in evaluating environmental liabilities



Environmental: Superfund Task Force

Goals

Expedite clean-up and remediation –
14 Mega-sites targeted for immediate action

Encouraging private investment

Reinvigorating responsible party clean-up and reuse

Promoting redevelopment and community revitalization

Engaging partners and stakeholders

Environmental: EPA and the Trump Administration

Positive Movements... but there are challenges...

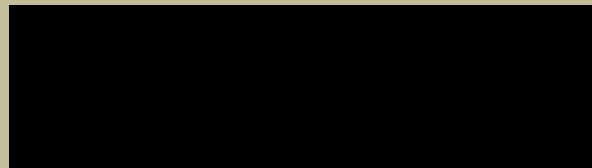
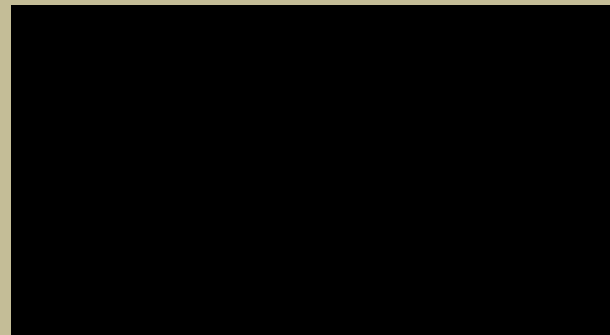
Upside

- Recently appointed EPA Administrator Andrew Wheeler continues to make Superfund a top priority
- EPA FY 2019 budget says that the agency would “accelerate the pace of cleanups” and make an additional 102 Superfund sites and 1,368 brownfield sites “ready for anticipated use” by September 30, 2019 .. Less than a year from now
- Superfund was spared from a significant funding cut in the FY 2019 budget which may indicate a strong focus on this program
- In 2017, seven contaminated sites were eliminated (only two sites were removed the previous year)

- FY 2018 budget cut Superfund by 30%
- FY 2019 budget is a 6% cut from the last year of the Obama Administration
- FY 2019 proposed budget slashed staffing by 20% ... while Superfund funding was spared, many say that the EPA is ignoring the environmental justice enforcement component which receives no funding under the new proposal
- Associated Press (AP) reports that construction work hyped by EPA under Scott Pruitt’s leadership (removing soil or drilling wells to suck out contaminated groundwater) was completed years before

Downside

Appendix



Willis Towers Watson A&E and legacy business services

- Estimation of Liabilities
 - Ground-up exposure-based analyses for (re)insurers using Willis Towers Watson's proprietary asbestos and environmental models
 - Reflect actual insurance limits exposed to A&E claims
 - Ground-up losses based on account specific parameterization or use of Willis Towers Watson benchmarks (e.g., asbestos defendants by asbestos tier and environmental database of PRPs and waste sites)
 - Aggregate projections for insurers and reinsurers
 - E.g., multiples of paid losses, ratios of IBNR-to-case reserves, market share
 - More rigorous individual account analyses for insurers or corporate asbestos defendants
 - Gross liabilities by disease and major jurisdiction; useful tool for monitoring actual versus expected experience
 - Alternative allocation analyses
 - Commutation analyses
 - Cessions and uncollectible provisions
- Methodology reviews
- Benchmarking services
- Risk transfer assistance

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