

# Industry Price Monitoring Surveys

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# Agenda

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- Major Marketplace Surveys
- CIAB
- MarketScout
- Towers Perrin
- Advisen
- Comparison of Survey Results
- CLIPS
  - Data collected
  - Guidance on data submission
  - Breakouts
  - Antitrust considerations
  - Overall results

## Current Major Marketplace Surveys

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- CIAB - Commercial P/C Market Index Survey
- MarketScout - Market Barometer
- Towers Perrin – CLIPS
- Advisen - ADVx

# CIAB - Commercial P/C Market Index Survey

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- Quarterly survey of broker perception
- Includes history back to 1999
- Collects data by region, account size, and line
- Council members annually place 80% of all commercial P/C premiums
- Requests quantitative and qualitative data

Source: CIAB website

## MarketScout - Market Barometer

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- Monthly survey based on business that flows through exchange
- Includes history back to 2001
- Calculations based on account size, business sector, and line
- Electronic insurance exchange composed of 35,000 member agency network with over 50 “A” rated carriers participating
- Little information about how results derived

Source: MarketScout website

## Towers Perrin – CLIPS

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- Proprietary quarterly survey of data collected directly from insurance carriers
- Includes history back to 2003
- Collects data by region, account size and line
- Currently 33 participating insurance companies
- Only aggregate price changes and qualitative statements by line available publicly

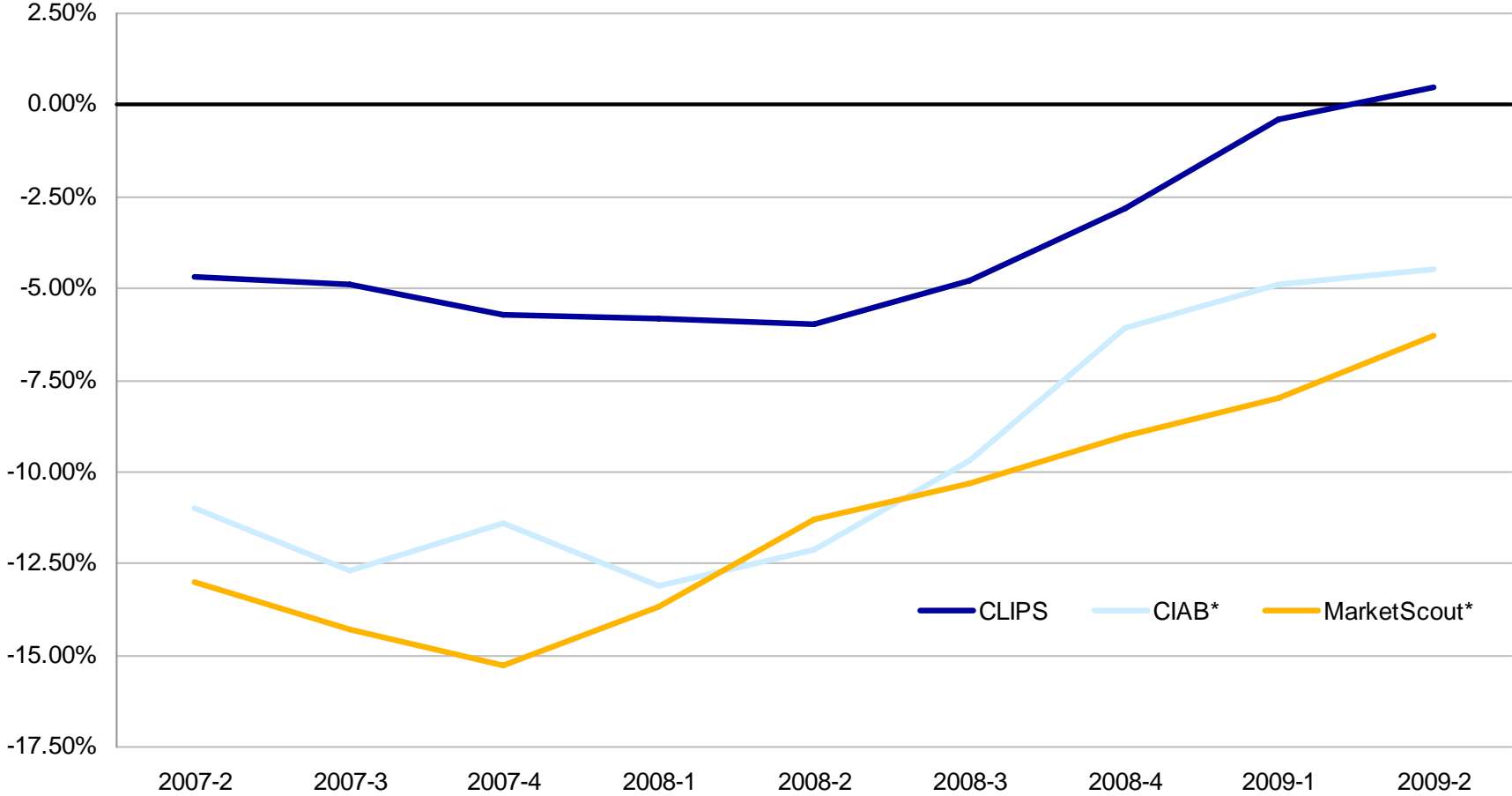
## Advisen - ADVx

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- Collects policy renewal data from retail and wholesale insurance brokers and risk managers
- Includes history back to 2004
- Tracks renewal price changes across Commercial Property, Workers' Compensation, General Liability and D&O

# Aggregate Price Change Results By Survey

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



\* Based on Towers Perrin analysis of publicly available data by CIAB and MarketScout.



## CLIPS - Data Collected

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- By Quarter

- Direct Written Premium on voluntary business gross of ceded reinsurance consistent with basis of price change calculations
- Quarter over same quarter one year prior price change net of changes in terms and conditions (T&C), rate and rating plan changes, including the effects of new business if possible

- By Year

- Estimated change in accident year loss costs per unit of exposure

# CLIPS - Guidelines For Submitting Price Change Data

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- Guidelines left to companies internal definitions that are consistent with our conceptual definition
  - Describe the perfect price change
    - Conceptually, the price change is equivalent to the ratio between
      - (a) the aggregate premium for the current quarter's book of business, reflecting current coverage terms and current exposures, rated at current rates and other rating plan elements; and
      - (b) the same book reflecting current coverage terms and current exposures, but rated at last year's rates and other rating plan elements

## CLIPS - Guidelines (cont'd)

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- The price change should reflect all pricing elements: manual rates, increased limits factors, deductible credits, individual risk rating plan values, schedule rating, competitive and/or underwriting judgment adjustments
- Recognize that methods will vary somewhat based on data, systems, and resources
- We do not check the submitted data, we only review for reasonableness and ask questions about outliers
- Ask that they give us high-level details about submission such as “Only renewal business included” etc.

## CLIPS - Guidelines (cont'd)

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- Sophistication of data companies provide to us varies widely
  - Less – change in written renewal premium excluding accounts with large exposure change, or judgmental adjustment for exposure change
  - More – new and renewal business, tracking amount of discount given on new business, capturing effect of changes in T&C in monitoring system

# CLIPS - Breakouts

Small Commercial*	Middle Market Commercial	Large Account Commercial	Specialty Commercial Lines
Workers compensation	Workers compensation	Workers compensation	Professional liability
Auto liability	■ First Dollar	■ First dollar	■ Medical
Auto physical damage	■ LDD and Excess	■ LDD and excess	■ Lawyers
Package CMP/BOP	Auto liability	Commercial auto	■ Architects and engineers
Commercial property	Auto physical damage	■ First dollar	■ Other
General/products liability	Package CMP/BOP	■ LDD and excess	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	■ Contract
	Excess/umbrella liability	Excess/umbrella liability	■ Other

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

\*By region.

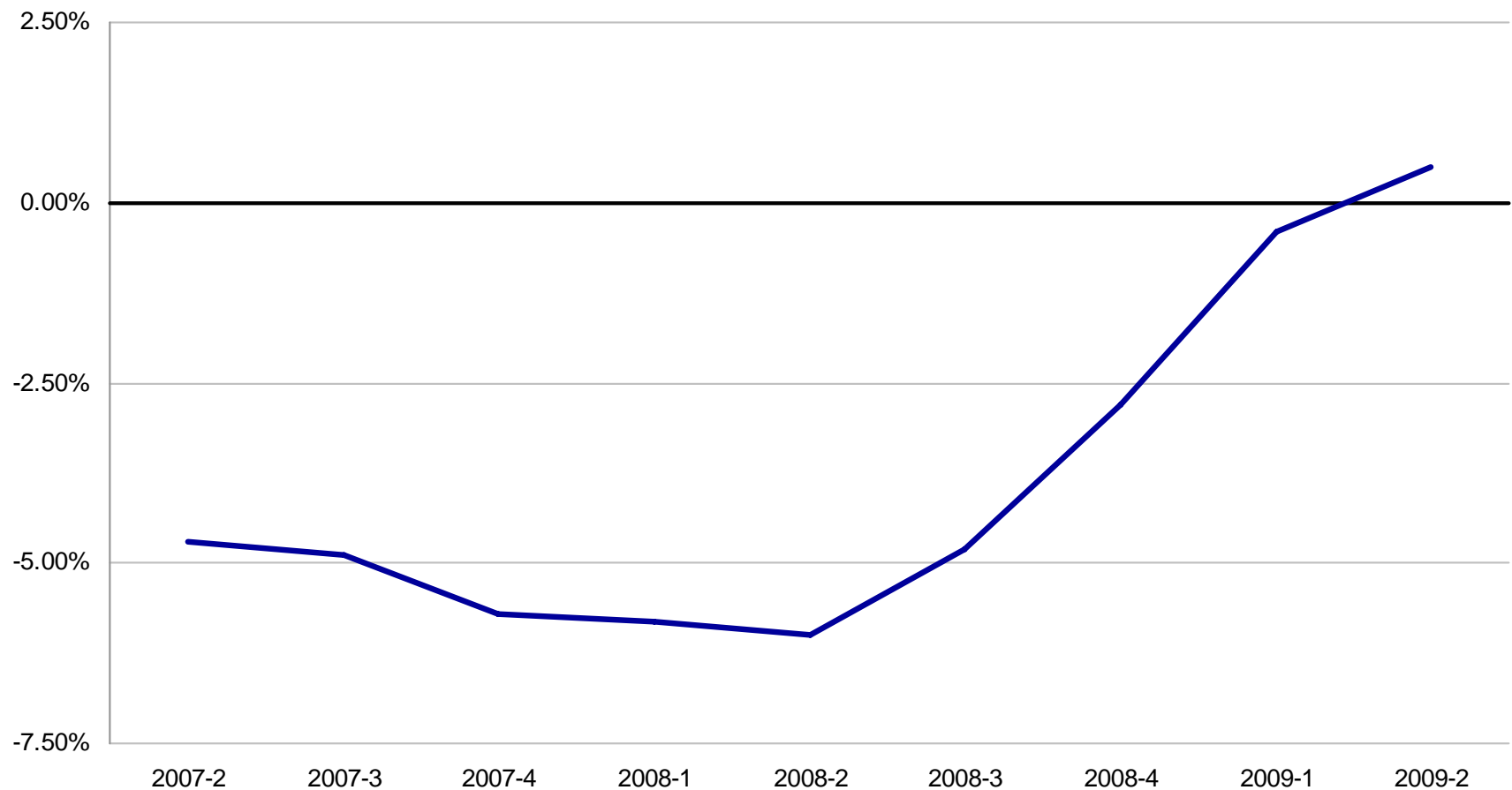
## CLIPS - Antitrust Considerations

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- Towers Perrin cannot report back statistics unless at least 5 companies contribute data to that statistic
- No company's data can contribute more than 25% weight to any statistic
- Results must be somewhat "stale"

# CLIPS - Aggregate Price Change

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



## CLIPS - Price Change Details

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- Price changes for Large Accounts, Mid-Market Accounts and Specialty Lines are all indicating price increases in aggregate
  - Largely Driven by Property and D&O
- Small Commercial still indicating modest price decreases



# Questions ?

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