



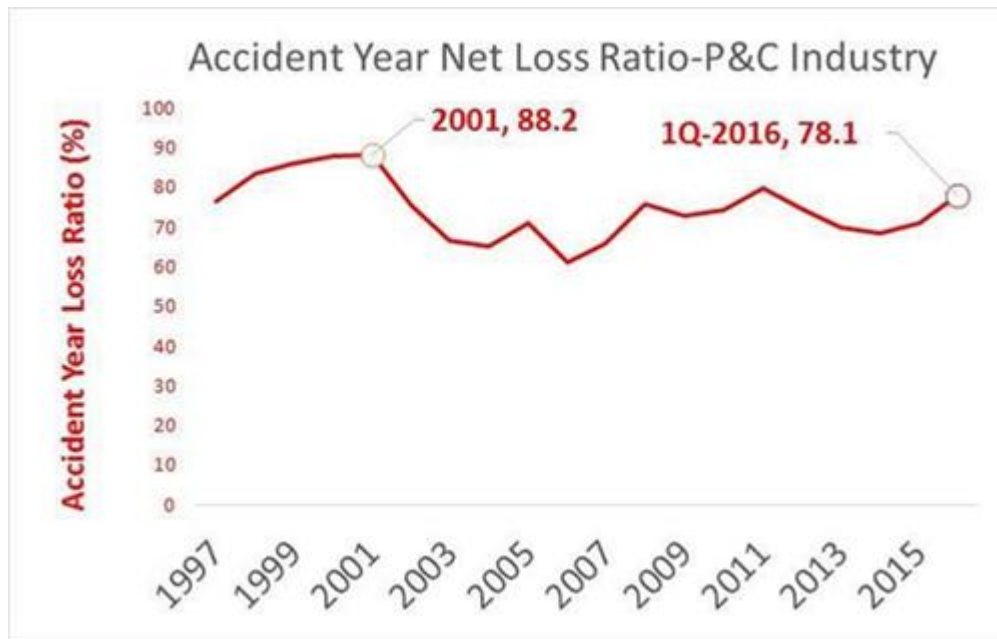
STUDENT OF THE INDUSTRY PARTING SHOT

Accident Year Loss Ratio: The Cool Kids at Insurance School

By Paul Buse, President of Big I Advantage®

Recently I received the 1Q results for our fair industry as summarized by ALIRT Insurance Research. "1Q" being finance-speak for the first quarter of the year. I was jarred by the accident year combined ratio: One-O-Six (106%). The folks at ALIRT use a basket of insurers they follow closely to make these quick assessments as we go through the year. At Big I Advantage® we use ALIRT to help us track both the insurers we are appointed with and the industry in general. Oh, they attributed the results to "very high catastrophe losses from severe thunderstorm and convective weather events in March especially." **Convective Events** are also known as big thunderstorms and resulting hail and tornados.

Anyway, losing 6 cents on each premium dollar when interest rates are low is sure to get the attention of insurer CEOs. To give you some sense of 106, I stripped out the approximate 28% expense ratio to get to the 78.1% accident year loss ratio. Then I juxtaposed the Accident Year Loss Ratio equivalent to that 106 "combined" with industry accident year loss data back to 1997. As you can see even our first quarter of 2017 is still 10 points below the industry results in 2001 but it's above most years in recent past and, of course, a quarter doesn't make a year.



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Source: Schedule P for 1997 to 2016 Accident Year Loss Ratios and ALIRT Insurance Research for 1Q 2017 estimate

Why are Accident Year Loss Ratios the "cool kids" at insurance school? Because they tell you the grittier version of the story than what you often get...unfiltered from generalizations from parental-like accountants. There is no including distracting loss reserve changes from past years in these. Unlike Calendar Year Loss Ratios, Accident Year Loss Ratios are closer to the "feeling" of a year with losses matched most closely to the premiums during the same time period. If you want the full ALIRT report for 1Q, [email me](#) and I'll send it your way.

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