

## STUDENT OF THE INDUSTRY PARTING SHOT

It's the Premiums, Stupid!

By Paul Buse, President of Big I Advantage®

Remember James Carville's famous note that became the centerpiece of the Bill Clinton 1982 presidential campaign? "It's the economy, stupid!" Well, for the P&C insurance industry (and especially in this time of low interest rates) insurers know all too well, "As go the premiums so go profits." Below is a chart on one line of business that shows this clearly. This line of business is Other Liability-Claims Made and results for the past decade and half (15 years) are below for premiums and losses. You can see that as premiums are higher, loss ratios are lower. The correlation is inverse but it is significant 74%.



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Source: Industry Data from ALIRT Insurance Research, Windsor, CT

Extra Credit: With the help of industry tracker ALIRT Insurance Research, we track every insurer that has any direct written premium in the NAIC's product line of 17.2. That is, 17.2 is Other Liability-Claims Made and 17.1 is Other Liability-Occurrence. For every premium dollar of "occurrence-based" business there is \$.50 in "Claims Made." There about twice as many writing insurers active in 17.1 (Occurrence) than 17.2 (Claims Made). ALIRT provides us this data as a part of watching all the insurer financials with whom we are appointed with or use on Big "I" Markets. The coverage "Sub-types" under 17.1 and 17.2 are (alphabetically): Commercial General Liability, Completed Operations, Comprehensive Personal Liability, Contractual Liability, Cyber Liability, Directors & Officers Liability, Elevators and Escalators Liability, Employee Benefit Liability, Employers Liability, Employment Practices Liability, Environmental Pollution Liability, Excess Stop Loss (Not Workers' Compensation), Fire Legal Liability, Kidnap & Ransom Liability, Liquor Liability, Nuclear Energy Liability, Personal Injury Liability, Premises and Operations (OL&T and M&C), Professional Errors and Omissions Liability, Provider Excess Stop Loss (Medical), Umbrella and Excess (Commercial), Umbrella and Excess (Personal), and Veterinarians. It does not include medical malpractice insurance (LOB 11) nor does it include Products Liability (LOB 18).

*The product and eligibility may have been revised or discontinued since the original article was written. Review the Information page for each product on Big "I" Markets for current content and instructions.*