



NewsLetter

From The Surplus Line Association of Oregon

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Happy New 2012!

SLAOR News:



Financial - It just keeps coming!! Premium for the month of November was \$19.8 million, a 49.6% increase over November 2010. The YTD premium is still a loss but at a -4.7% is manageable. I'm hearing from everyone that E&S business is in the process of turning around. It looks like 4th quarter 2011 may be when the catastrophes caught up with the market.

A 41.7 % increase in new and renewal policies for the month is amazing. More important are the eleven-month figures. New and renewal placements now exceed a growth of 7.6 % for the year to date. We budgeted for a continued soft market and anticipated a 10% reduction for 2011. Clearly we will exceed expectations for the year.

Financials for the year show income up \$32k from budget and expenses up \$20k - a positive improvement of \$12k for the year.

Operations

Annual luncheon was good but sparsely attended. We need to explore means to increase the attendance next year.

New officers were elected for the year 2012: Nancy Schultz, President; Tom Sawyer, Vice President; Dianna Del Collo, Secretary / Treasurer and Jim Heisler - new Board Member replacing Jeff Langfeldt.

Beginning January 1st, changes in Oregon laws:

- (1) Special rules for qualifying as an "exempt commercial purchaser" in Oregon go into effect.
- (2) A new Oregon fire marshal tax applies, 0.3 %, due on all premiums and fees in addition to 2.0 % premium tax on all premiums and fees,
- (3) Oregon will collect a tax on all premium and fees in a transaction where Oregon is the "Home State", even on portions of the premiums associated with risks outside the state of Oregon.



BOB HOPE ~ May 29, 1903 - July 27, 2003

ON HIS FAMILY'S EARLY POVERTY

"Four of us slept in the one bed. When it got cold, mother threw on another brother."

ON HIS SIX BROTHERS

"That's how I learned to dance. Waiting for the bathroom."

ON HIS EARLY FAILURES

"I would not have had anything to eat if it wasn't for the stuff the audience threw at me."

ON GOING TO HEAVEN

"I've done benefits for ALL religions. I'd hate to blow the hereafter on a technicality."

National News:



Businesses And Households Employing Independent Contractors – Beware

The IRS is becoming more aggressive in enforcement of employment classification and is scrutinizing the distinctions between employees and independent contractors with an increasing level of focus. The question of whether a worker is an independent contractor or employee for federal income and employment tax purposes is a complex one. It is intensely factual, and the stakes are high. As you may know, if a worker is an employee, the employer must withhold federal income and payroll taxes, pay the employer's share of FICA taxes on the wages plus FUTA tax, and often provide the worker with fringe benefits it makes available to other employees. There may be state tax obligations as well. However, these obligations do not apply to independent contractors and the business's only tax reporting obligation is to send the independent contractor a Form 1099-MISC for the year showing what he or she was paid (if it amounts to \$600 or more).

Despite the favorable tax advantages, using independent contractors can be risky for many businesses. It is a complex issue whose determination hinges on the facts and circumstances of each case and one that the Internal Revenue Service closely monitors. Improper classification can generate significant penalties and financial hardship for the unwary business owner, particularly if it involves a large number of misclassified workers over a period of several years.

Rest assured, the IRS will aggressively pursue collection activities against firms that inappropriately classify employees as independent contractors, and consequently fail to remit payroll taxes as required by law. As payroll taxes are deemed trust fund taxes, civil penalties may apply to those responsible for collection and remittance. Therefore, it is essential to understand the factors the IRS uses to accurately classify workers. Discuss this issue with your insurance and legal advisers.

Five tips for a woman....



1. It is important that a man helps you around the house and has a job.
2. It is important that a man makes you laugh.
3. It is important to find a man you can count on and doesn't lie to you.
4. It is important that a man loves you and spoils you.
5. It is important that these four men don't know each other.

The Marketplace:



Reinsurer Losses Increase

U.S. property/casualty reinsurers' combined ratio worsened to 108.8% during the first nine months of this year compared with 96.6% during the same period last year, according to a survey of nineteen U.S. reinsurers released Monday by the Reinsurance Assn. of America.

The combined ratio in the first three quarters is attributable to a 79.8% loss ratio and an expense ratio of 29%, the Washington-based trade group said.

Catastrophes a factor

Reinsurers have experienced substantial losses due to a series of catastrophes so far this year, particularly in the first half.

The nineteen reinsurers wrote more than \$20.5 billion in net premiums during the first three quarters, a 12.3% increase compared with the same period of 2010, the RAA said in a statement.

Policyholder surplus fell to \$104.9 billion during the nine-month period from \$107.5 billion at the end of the first half, but remained higher than the \$103.9 billion during the first nine months of 2010.

The nineteen participating reinsurers' net income sank 29.7% year over year to \$4.4 billion during the first nine months of 2011.

(cont.)

The Marketplace (cont.):



Commercial insurance prices rise for second quarter in a row: Analysis December 13, 2011 - 1:30pm

Towers Watson & Co reports aggregate U.S. commercial insurance prices increased 2% in the third quarter of this year compared with the same period last year, according to the Towers Watson & Co.'s Commercial Lines Insurance Pricing Survey, released Tuesday.

It was the second straight quarter that all standard commercial lines showed an uptick in pricing, according to Towers Watson, which said in September that commercial insurance prices rose nearly 1.5% in the second quarter of this year compared with the same period last year.

Loss costs remain an issue

But the increases are not large enough to keep up with loss costs, which the survey data indicate have increased 4% so far this year from a year earlier.

“Combined with the effect of earning premiums written in prior quarters at close to flat rates, this loss cost trend translates to a 4% loss ratio deterioration estimate for the first three quarters of 2011,” the New York-based consultant said in a statement announcing the survey results. “This indication is, however, somewhat more favorable than the estimated 5% level of deterioration for the full accident-year 2010 loss ratio over 2009.”

Workers compensation and commercial property experienced the greatest price increases in the third quarter. Workers comp prices rose by 1% to 6% while commercial property prices ranged from no increase to 4% more.

The survey was based on the responses of thirty-nine insurance companies.

Property/casualty insurer profits to rise in 2012: Fitch

Fitch Ratings Inc. reports healthier premium growth and improved underwriting results should boost U.S. property/casualty insurers' profits in 2012.

In its “2012 Outlook: Property/Casualty Insurance” report released Thursday, Fitch assigned the industry a “stable” outlook. The New York-based rating agency said the industry's capital position remains strong and that most insurers have sufficient capital to manage through “significant future adversity.”

The report noted that weak underwriting performance and low rates of return on investment promoted “a sharp decline in 2011 profitability” for the industry. But Fitch said it expects the property/casualty industry's profitability to improve significantly next year.

U.S. property insurance rates continue to rise in fourth quarter: Marsh December 2, 2011 - 10:12am

Marsh survey indicates nearly half of all U.S. property insurance renewals in the fourth quarter to date have experienced rate increases, according to data from a benchmarking survey released Friday.

Marsh's “Benchmarking Trends—U.S. Property Rates, 4th Quarter (to date, December 2011)” found that 29% of clients renewed with increases between 1% and 10%, while 11% received increases between 11% to 20% at renewal, and 8% were hit with increases of more than 20%.

(cont.)

Time it takes to sail 220 yards at 1 nautical mile per hour = knotfurlong

16.5 feet in the Twilight Zone = 1 Rod Sterling

Half of a large intestine = 1 semicolon

1,000,000 aches = 1 megahurt

Basic unit of laryngitis = 1 hoarsepower



The Marketplace (*cont.*):



**Most commercial property/casualty line reserves redundant: Moody's
December 20, 2011 - 2:45pm**

Moody's Investors Service said in a report issued Tuesday that commercial property/casualty line reserves are redundant overall, but reserves for the latest accident years are deficient.

Moody's said there is an overall redundancy of \$3 billion to \$4 billion, or 1% to 2% of carried reserves, for non-asbestos, standard core commercial property/casualty lines as of year-end 2010.

However, there are significant differences for various accident years, Moody's said. "There are continued redundancies for (accident years) 2004-2007, although those redundancies have declined over time as reserves have been released," says the report. "We also believe that there is a moderate overall reserve deficiency for (accident year) 2009-2010 in standard commercial lines."

Some reserves should be strengthened

The New York-based rating agency said it believes that "some insurers will need to strengthen reserves" for the 2009-2010 accident year for commercial liability lines "as it becomes more apparent over time that prices charged were inadequate.

"Since reserve positions for older accident years are more certain, we expect that companies will continue to harvest reserves from earlier accident years but may be slower to recognize deficiencies in the less seasoned years," Moody's said in the report.

Declining property/casualty market ending: RIMS survey November 15, 2011 - 12:35pm

Third-quarter premium increases in three of four lines tracked in a regular benchmark survey for the Risk & Insurance Management Society Inc. suggests an end to eight years of declining commercial property/casualty insurance prices.

Of the lines tracked in the RIMS survey, only directors and officers liability showed a premium decrease in the third quarter, declining 1.9%. Average premiums increased 1.2% at renewal in general liability, 1.6% in property and 2.1% in workers compensation, RIMS said Tuesday.

"Average premiums may be showing modest increases, but it seems pricing generally is still quite favorable in most lines," Frederick J. Savage, director of risk management at San Ramon, Calif.-based Chevron Corp. and a member of the RIMS board of directors, said in a statement announcing the survey results.

He added that it would take a large catastrophe or series of catastrophes to trigger a market hardening like that prompted by stock market downturns in the early 2000s and the Sept. 11, 2001, terrorist attacks.

'Not surprising'

"Indications have been strong over the past couple of quarters that the market was near bottom, so it's not surprising to see premiums drifting upward a bit now," Dave Bradford, president of Advisen Ltd.'s research and editorial division and editor-in-chief of the survey conducted for New York-based RIMS, said in the statement.

Mr. Bradford added that "sharply higher rates like we saw in 2001 are nowhere in sight," with the market remaining "quite competitive."

Mr. Savage advised risk managers to "budget for somewhat higher insurance costs," but also said abundant capacity in the market should dampen rate increases.

Catastrophe News:



WSJ(12/16) Disaster Losses Highest Ever (From THE WALL STREET JOURNAL)

Insurers, governments, business and private citizens face an estimated record \$350 billion bill to pay for the unprecedented damage wreaked by disasters that plagued the globe this year.

Japan's powerful tsunami, earthquakes in New Zealand, floods in Thailand and a series of severe tornadoes in the U.S. contributed to the costliest year for catastrophes on record, according to a new estimate from reinsurance company Swiss Re AG.

However, insurance and reinsurance companies are likely to shoulder only about \$108 billion of the losses in 2011, though the tally could creep higher, Swiss Re said on Thursday.

The insurance industry's share would have been greater except for the relatively low amount of earthquake and tsunami coverage in Japan, where many businesses and homeowners spurn coverage they see as too expensive.

MUNICH—2011 was the costliest year on record for insured natural catastrophe losses, according to analysis by Munich Reinsurance Co.

Insured losses from natural catastrophes totaled about \$105 billion, surpassing the previous record of \$101 billion in 2005, Munich Re said Wednesday.

Earthquakes in Japan and New Zealand accounted for about two-thirds of the total losses last year, Munich Re said.

Insured losses from the Japan earthquake and tsunami could reach \$40 billion, Munich Re said, while insured losses from the Christchurch, New Zealand, quake were about \$13 billion.

90% of the 820 natural catastrophe loss events recorded in 2011 were weather related, but about half of the insured losses stemmed from geophysical events including large earthquakes, it said.

Global economic losses from natural catastrophes totaled about \$380 billion, according to Munich Re. About 70% of those economic losses occurred in Asia, the research found.

George Carlin's Reflections on Life by George Carlin:

*I'm not into working out. My philosophy is no pain, no pain.
I'm in shape. Round is a shape.
I'm desperately trying to figure out why Kamikaze pilots wore helmets.
Do illiterate people get the full effect of alphabet soup?
I've always wanted to be somebody, but I should have been more specific.*



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