



# Technical Release Notes Summary Only – Version 16.0

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The following is a summary only. For additional information regarding the V16.0 Update, please consult:

1. The Technical Release Notes, V16.0 Detailed – this is a **12-page** detailed description of the changes within the updates, the data sources and methodologies.
2. The Technical Release Notes, V16.0 Appendices – this is a **53-page** reference document containing updates to data-source items like the SIC / NAICS codes, ZIP Codes, etc.

## Who to contact for more information

Please contact Client Services at [ms@marketstance.com](mailto:ms@marketstance.com) / 888-777-2587 or your Regional Relationship Director if you have any questions or service needs. We value your business, and thank you for your continued support.



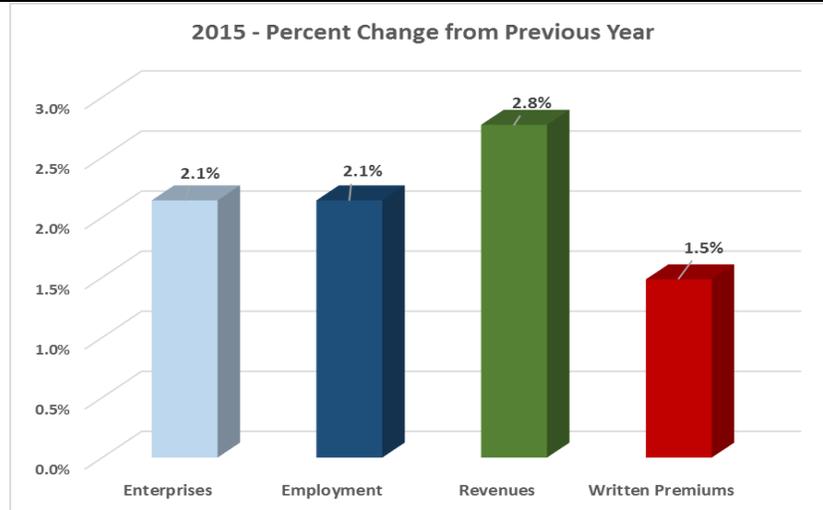
## Update Summary

Update to estimates for 2015

MarketStance commercial and personal lines products have been updated to reflect 2015 calendar year estimates.

## Changes in Commercial Lines estimates

**Exhibit 1: Percent change in version 16.0's 2015 estimates from the version 15.2 estimates for 2014**



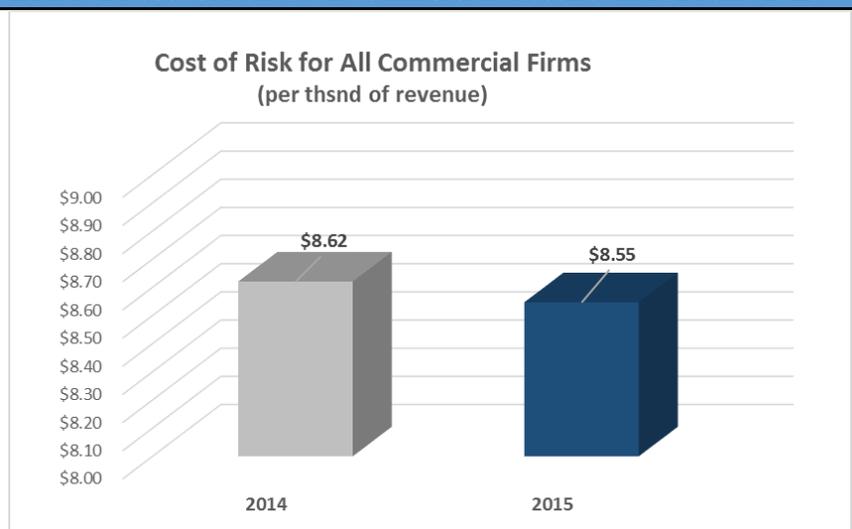
Source: MarketStance Commercial Insight HQ Basis Data V16.0 (Development Data, CY 2015).

Between 2014 and 2015, business revenues in the commercial lines market are estimated to have grown by 2.8% -- about  $\frac{3}{4}$  of a percentage point more than the rate of employment growth. In contrast, written premiums in those lines of business tracked in Commercial Insights grew by only about 1.5% as pricing in many lines of business remained weak.



### Changes in Commercial cost of risk

**Exhibit 2 : Cost of risk for all commercial accounts in 2014 and 2015**

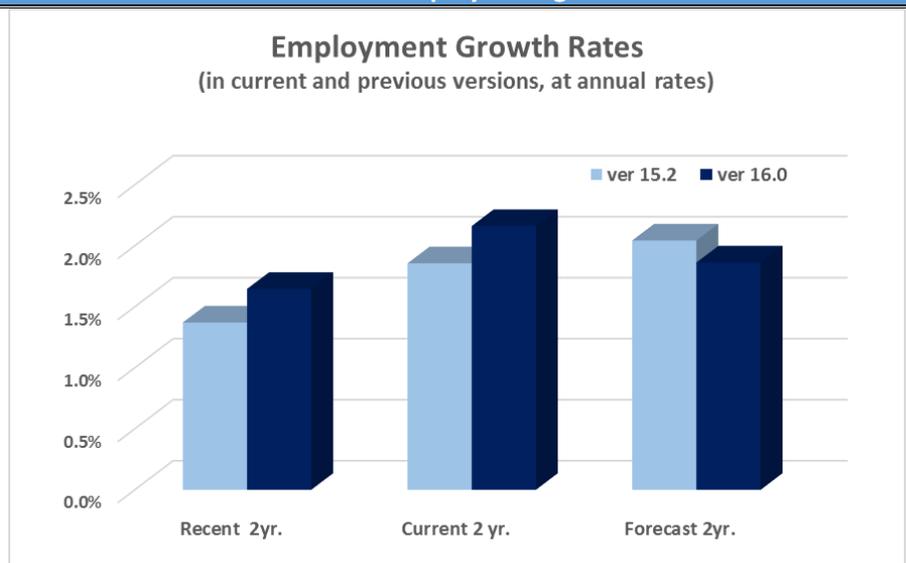


Source: MarketStance Commercial Insight HQ Basis Data V16.0 (Development Data, CY 2015).

Reflecting this weak pricing environment, the cost of risk borne by commercial market accounts as a whole decreased slightly in 2015 to \$8.57 from 2014’s \$8.62 per thousand dollars of revenue.

### Commercial Market Growth Outlook

**Exhibit 3 : Current and forecast employment growth.**



Source: MarketStance Commercial Insight HQ Basis Data V16.0 (Development Data, CY 2015).

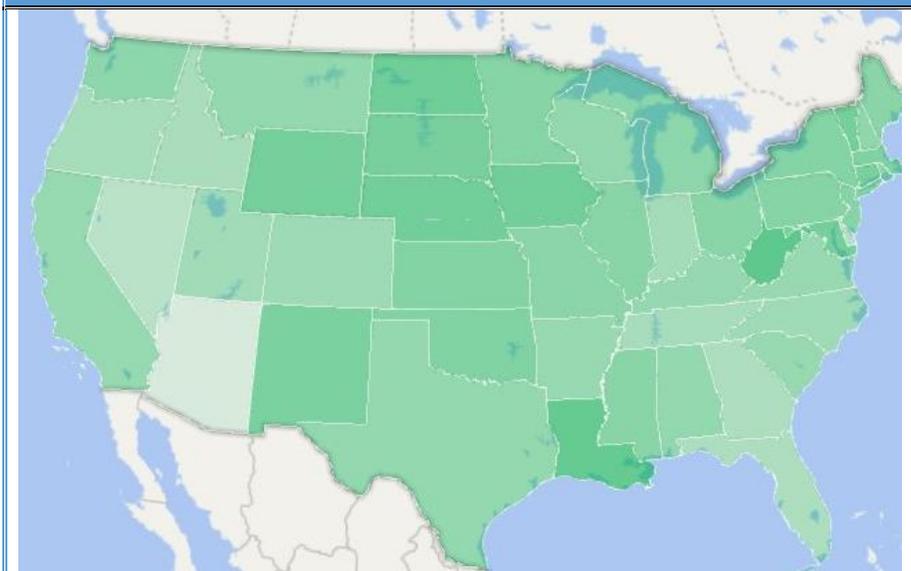
The outlook for economic growth has changed somewhat since the forecast for version 15.2 was made. As shown in Exhibit 3, employment growth – a good proxy for commercial lines exposure growth -- has increased to 2.2% per year for the 2016-17 period relative to the rate previously forecast in version 15.2 (for the 2015-16 period). However, the annual average employment growth rate forecast for the 2018-19 period has declined a bit (to 1.8% annually) from that previously forecast in version 15.2 (for the 2017-18

period).



## State-specific Change in Outlook

**Exhibit 4: Change in economic growth outlook by state**



Much of the change in the national aggregate forecast is directly attributable to changes in growth outlook for certain states. For example, employment growth in both Nevada and Arizona now is forecast to decelerate by almost a percentage point (pale green) as we move to the 2018-19 period. In contrast, employment growth in Louisiana and West Virginia now is forecast to pick up a bit (dark green) as we approach the second half of our 4-year forecast horizon.

Source: MarketStance Commercial Insight HQ Basis Data V16.0.

**Legend:**

- light green – weakened outlook
- medium green – unchanged outlook
- dark green – strengthened outlook

## Changes in Estimation Methodology

Version 16.0 incorporates several major changes:

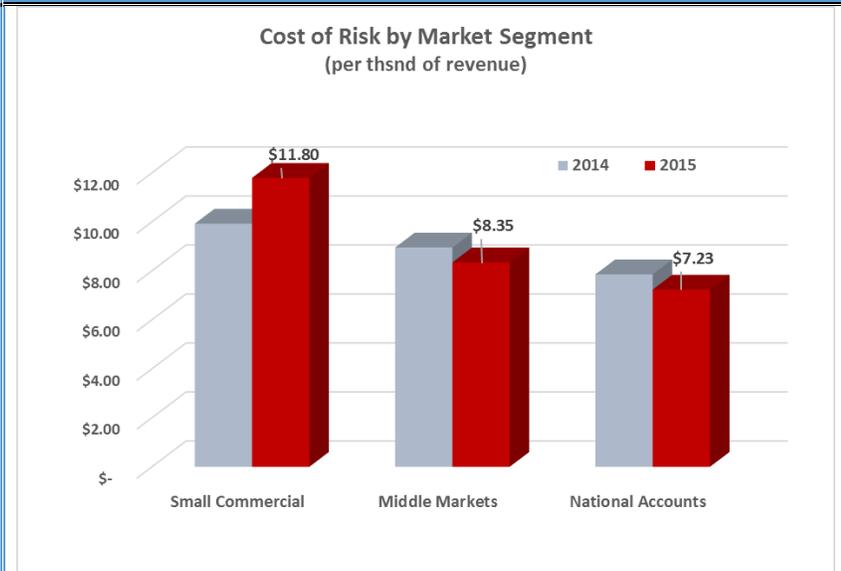
- A new firm linkage technology to permit the roll-up from operating locations to major subsidiaries and in turn to enterprise-wide firm headquarters. These changes permit more accurate sizing and business classification of today's complex, multi-industry firms.
- The introduction of more detailed firm sizing classifications which double the number of firm size "buckets" used in estimating insurable exposures and written premiums. Although version 16.0 estimates benefit greatly from the introduction of these more detailed buckets, client access to the "micro" size buckets through our MicroStrategy interface will become available during Q1'17 through an interim release before V16.1.

These and other methodology changes are covered in depth in the V16.0 Technical Release Notes, Detailed.



Impact of Methodology Changes

**Exhibit 5 : Cost of risk by commercial account segment in 2015**



Source: MarketStance Commercial Insight HQ Basis Data V16.0 (Development Data, CY 2015).

The new firm sizing in version 16.0 has enabled more accurate estimation:

- On the small end, of policy minimum premiums
- On the large end, of the insurance cost savings available to very large firms.

These improved estimates are reflected in the substantial variation in cost of risk between the three market size segments that is now visible in version 16.0 data.

Insights on the impact of these and other methodology improvements are provided in depth in the V16.0 Technical Release Notes, Detailed.

Who to contact for more information:

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