



Technical Release Notes – Version 13.1

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Executive Summary

We made a string of improvements for Commercial Insight V13.1, introducing a new sales projection and forecast model, a major update for our Agency Broker Database product, and six new measures for our company-basis Special Liability Advisor clients:

Sales forecasts

New historical sales projection and forecast models were incorporated, drawing on new sources of data published by the U.S. Bureau of Economic Analysis and Census Bureau (p. 3).

Liability lines improvements

The new sales projection and forecast models enabled more accurate estimates of general liability, product liability, and umbrella/excess liability premiums, particularly in the volatile construction, manufacturing, and utilities areas, where price and productivity trends of the post-recession period have substantially altered the distribution of liability premiums (pp. 3-4).

Covered companies

We added estimates of covered companies for Special Liability Advisor clients and made minor revisions to the lines covered in that product, so as to be more consistent with industry practice (pp. 5-6).

Agency Broker Data

We sourced over one million web pages for our Agency Broker Database, refreshing and expanding license, appointment, and premium volume estimates for agencies located in 24 states (pp.7-8).

Who to contact for more information

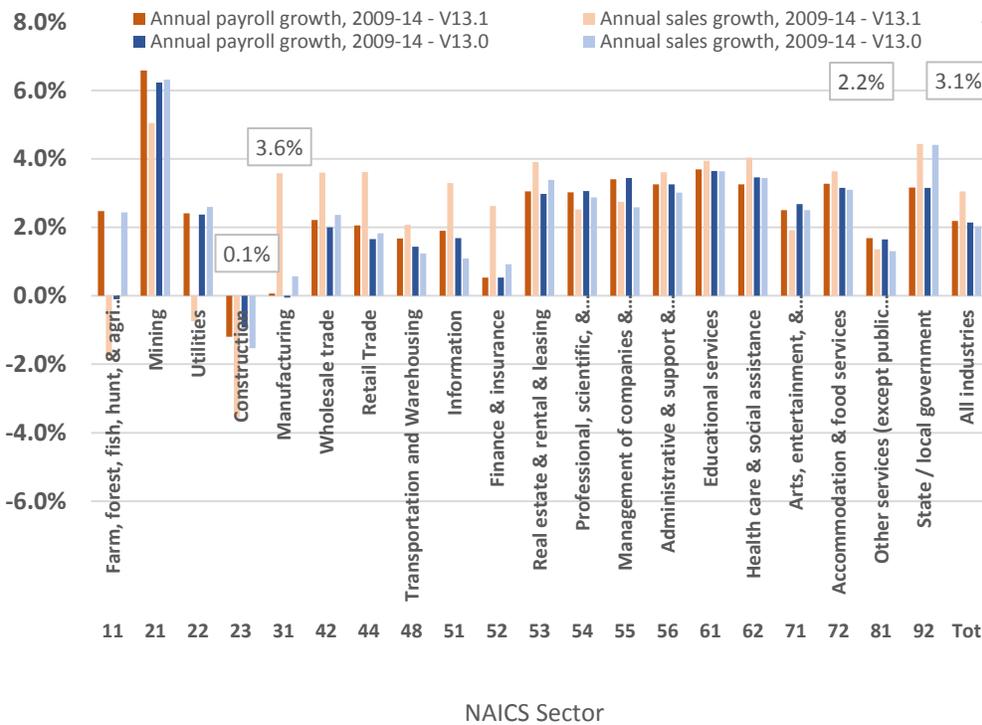
Please contact our Client Services department at ms@marketstance.com / 888-777-2587 or your Regional Relationship Director if you have any questions or service needs. We value your business, and thank you for your continued support.



Improved liability exposure and premium estimates

Commercial Insight V13.1 features a major upgrade to MarketStance sales estimates, enabled by our development team’s expanded use of U.S. Bureau of Economic Analysis (BEA) data, the governmental body charged with estimating the size of the gross domestic product. Among its other data products, BEA publishes annual series estimating industry gross output and payrolls.

Figure 1: Growth in sales and payroll by NAICS sector, 2009-14, by version



Using these series our team developed a model that tracks and projects the relative rates of growth of sales and payroll, and benchmarked our earliest historical sales estimates for V13.1 (2008) to values projected directly from the 2007 Statistics of U.S. Business series for all County Business

Source: MarketStance Commercial Insight Hybrid data, V13.0 (November 2013)/V13.1 (February 2014)

Patterns covered industries.

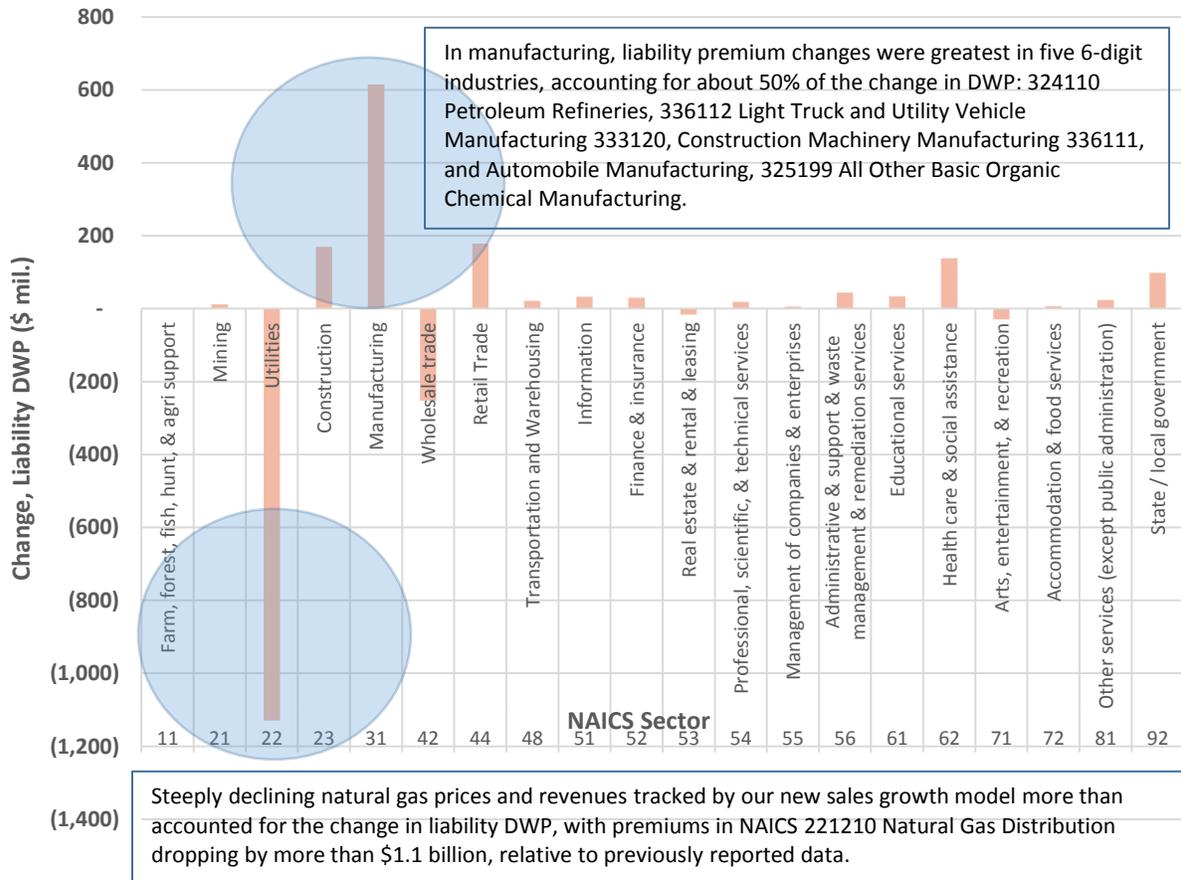
Both steps break new ground for Commercial Insight products. The team’s efforts have made the distribution of liability premiums measurably more accurate, while at the same time bringing to light several features of the prolonged post-recession period in V13.1 data:

- Overall sales growth (+3.1%) has exceeded payroll growth (+2.2%) by 0.9 percent on an annual basis, as opposed to growing at nearly identical rates, as had been the case in our V13.0 estimates.
- From the bottom of the recession in 2009, construction revenue fell substantially more than payroll – and more than twice the rate we had previously reported (Figure 1).
- Revenue growth in manufacturing, wholesale trade, retail trade, and information has averaged 3.3-3.6 percent, while payrolls have been stagnant in manufacturing, and growing at about 2 percent in the trade and information sectors (Figure 1).
- In terms of relative impact on liability written and alternative market premiums, the manufacturing and utilities sectors stand out (Figure 2).



- Sales have been growing much faster than payrolls in most NAICS sectors, with the exception of extractive sectors: agriculture (NAICS 11), mining (NAICS 21) and utilities (NAICS 22).

Figure 2: Change in liability lines direct written premiums by sector, V13.1 vs. V13.0 (\$ mil.)



Source: MarketStance Commercial Insight Hybrid data, V13.0 (November 2013)/V13.1 (February 2014). Sum of BOP, general, umbrella/excess liability premiums.

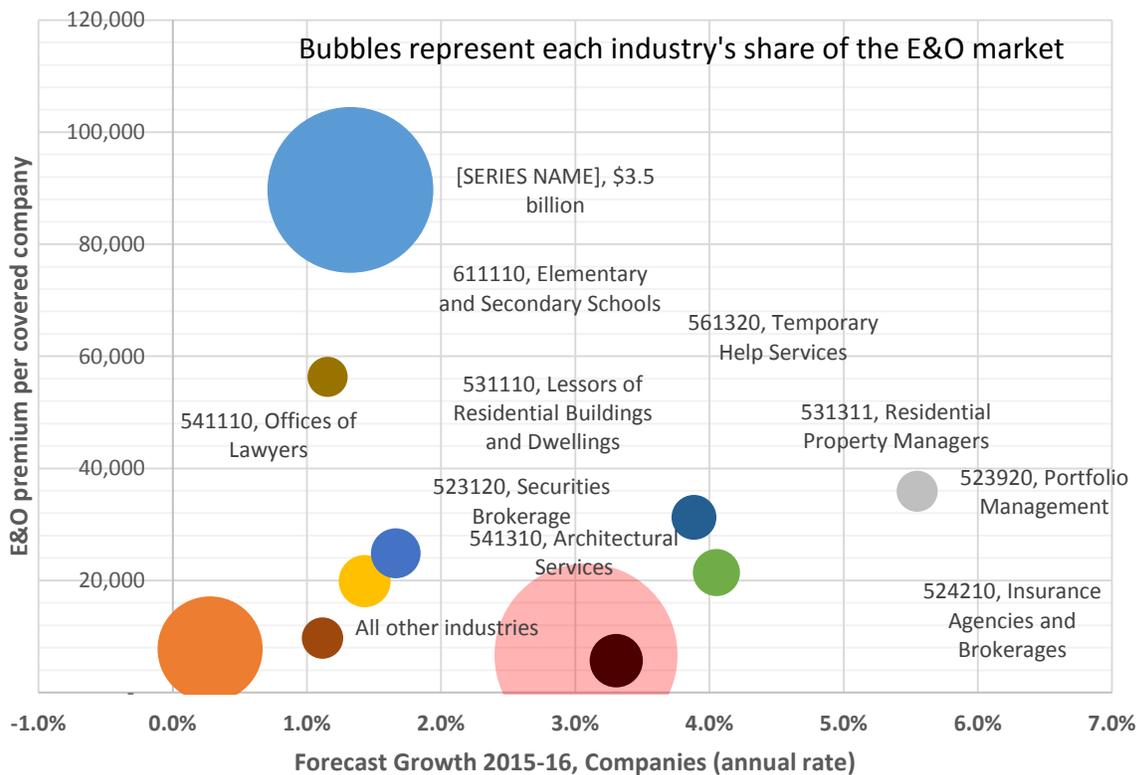


New covered companies estimates for Special Liability Advisor subscribers

Special Liability Advisor subscribers for company-basis databases now receive our estimates of covered companies for the D&O, E&O, employment practices, fiduciary, umbrella/excess, and medical professional liability lines. Subscribers to operating location and hybrid-basis databases will continue to receive estimates of covered operating locations.

This marks a significant improvement in conducting accurate opportunity analysis and segmentation. Where prior reports of covered operating locations suited some purposes, some of the most liability intensive classes of business look substantially different relative to each other, because of the very different size profiles of companies in the market.

Figure 3: Premiums per company, forecast growth of companies, and E&O share, top-10 NAICS classes of business



Source: MarketStance Commercial Insight Special Liability Advisor data, company basis, V13.1 (February 2014)

For example, Figure 3 contrasts the large average premium size and sub-par forecast growth of companies classified in the \$3.5 billion Engineering Services and (private) Elementary and Secondary Schools NAICS industries with the smaller accounts and faster growth rates in some of the rest of the E&O marketplace.

Companies in the Temporary Help Services, Residential Property Managers, and Portfolio Management classes are expected to grow by 3.9 percent or more during 2015-16, and represent average or above-average premium opportunities relative to the rest of the 174 NAICS classes of business that we track in our E&O market estimates.



Revised measure names—Special Liability Advisor

While our development team introduced the new covered company measures, our production team revised the measure names in the Special Liability Advisor, making them more consistent with industry naming conventions and more true to the nature of our estimates.

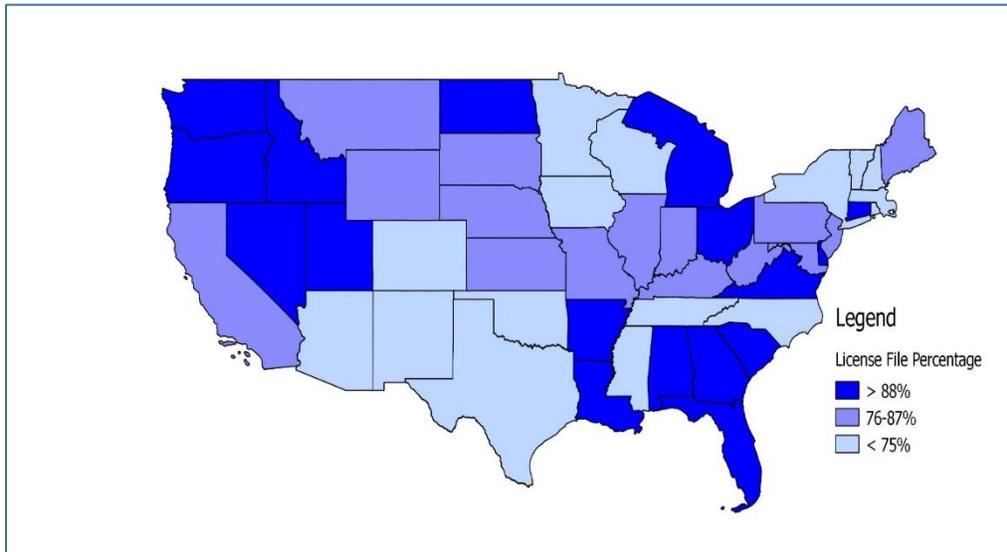
Figure 4: Measure name revisions in V13.1

Basis	V13.1 measure name	V13.0 measure name
Company	Med Prof Liability Premium (\$000)	Med Mal Liability Premium Here (\$000)
	Umbrella/Excess Liability Premium (\$000)	Umbrella Liability Premium (\$000)
	Med Prof Covered Companies	Med Mal Covered Operating Locations
	Umbrella/Excess Covered Companies	Umbrella Covered Operating Locations
	D&O Covered Companies	D&O Covered Operating Locations
	E&O/Prof Liab Covered Companies	E&O Covered Operating Locations
	EPLI Covered Companies	EPLI Covered Operating Locations
	Fiduciary Covered Companies	Fiduciary Covered Operating Locations
Hybrid	Med Prof Liability Premium Here (\$000)	Med Mal Liability Premium Here (\$000)
	Umbrella/Excess Liability Premium Here (\$000)	Umbrella Liability Premium Here (\$000)
	Med Prof Covered Operating Locations Here	Med Mal Covered Operating Locations Here
	Umbrella/Excess Covered Operating Locations Here	Umbrella Covered Operating Locations Here
Operating Location	Med Prof Liability Premium (\$000)	Med Mal Liability Premium (\$000)
	Umbrella/Excess Liability Premium (\$000)	Umbrella Liability Premium (\$000)
	Med Prof Covered Operating Locations	Med Mal Covered Operating Locations
	Umbrella/Excess Covered Operating Locations	Umbrella Covered Operating Locations



Agency Broker Database—over one million web pages sourced

Figure 5: Pct. of ABD records supported by an active DOI license file, by state



Source: MarketStance Agency Broker Database, V13.1 (February 2014)

Our Agency Broker Database (ABD) development team rolled out a number of improvements for V13.1, refreshing and expanding license and carrier appointment data for 24

states, including California, Florida, Massachusetts, and Ohio. The team sourced over one million web pages during this update cycle.

The ABD merges license and appointment data published by state departments of insurance, market opportunity by line and exposure growth data from MarketStance Commercial Insight county & ZIP Code databases, and business records from Dun and Bradstreet and other sources, making it the premier source for distribution analysis in the industry.

Increases in the percent of agencies with carrier appointments

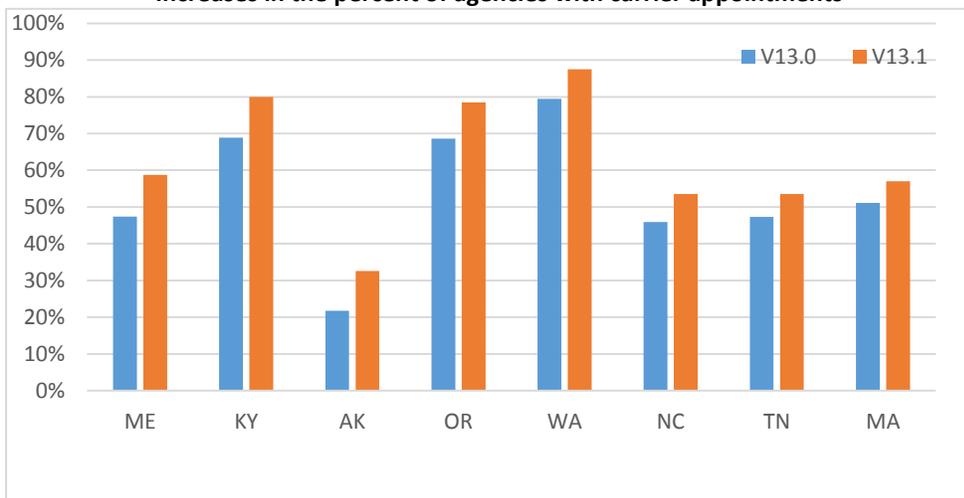


Figure 6: Percent of agencies and brokers with appointments—greatest gains

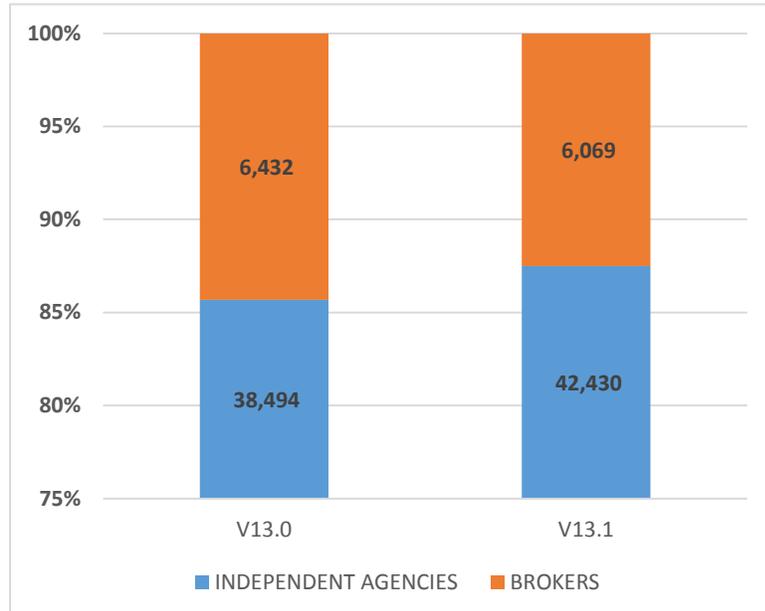
Our team extracts, standardizes, and validates the records we publish in the database, producing the most

complete and accurate single source for listings of independent agencies and brokers, with estimates of their commercial lines trading areas, commercial & total premium volumes, and trading area growth – so you do not have to.



The ABD has proven repeatedly to be an invaluable resource for carriers plagued by incomplete, inaccurate, or outdated data in internal databases. The poor quality of internal data and lack of understanding of existing appointments by underwriting carrier and trading area by line of business and class have made distribution analysis and planning difficult or impossible for many carriers.

Figure 7: Number of independent agencies and brokers covered



Spurred by more complete use of the life/health appointments made by carriers, this update makes the ABD even more valuable by strengthening coverage in states where coverage had been thinner in the past (Figure 6), and adding nearly 3,600 independent agencies and brokers (Figure 7).

Source: MarketStance Agency Broker Database, V13.0/V13.1 (February 2014)

Who to contact for more information

Please contact our Client Services department at 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.