# 2020 MARKET REVIEW AND FORECAST

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**About the Cover Image**

Visitors to Carteret County will recognize the unique diamond pattern of the Cape Lookout Lighthouse, the only one of its kind in the nation. Cape Lookout Light was originally constructed in 1859 as a 163-foot, red brick tower. The distinctive black and white design was added in 1873.

# Executive Summary

***Nobody told me there'd be days like these, John Lennon sang in 1984. Strange days indeed.***

The property and casualty market in 2020 will behave differently than anything we've seen before. Everything is changing, from the platforms upon which we do business, to the behavior of the consumers who dictate how business gets done. These changes are not new news. Digital innovations, the impact of mergers and acquisitions, the emergence of millennial consumers as commercial insurance decision makers—all have long been writing on the insurance industry's wall.

Faced with unprecedented structural change and a cyclical supply and demand model that can no longer support the industry's growth and long-term goals, the insurance market today is commanding a path toward greater profitability. Insurers are hardening their positions across several lines of coverage on the front end, and conserving capacity in the underwriting process on the back end.

In insurance-speak, that translates to higher rates and fewer market options. Insurance carriers, almost across the board, are calling for increases of five to 15 percent in all property lines, most casualty lines, and a few specialty lines. Before you grab your checkbook and pen, keep in mind that the biggest influencer of insurance rates is you, the consumer.

Sentinel's 2020 Insurance Market Review and Forecast contends that the year ahead will be a transformative one for insurance buyers and sellers. On the sell side, a continued tightening of market conditions will free up insurers to invest in the long overdue development of digital products and value-add partnerships. These and other innovations in service delivery will be critical to maintaining a competitive edge in a marketplace soon to be built around a millennial customer who values data analytics more than a handshake.

For many commercial insurance buyers, what happens in 2020 will be largely determined by the role of risk within their organization. Those that invest in risk as part of an overarching organizational strategy will fare far better in the more restrictive market that 2020 is very likely to be. So, too, will those who maintain good hiring practices in this time of historic low unemployment, as unqualified workers undermine risk management at every level. There's much that can be done prior to renewal to stave off rate increases across certain lines, including conducting in-depth loss analysis, maintaining focus on loss control measures, and researching alternative markets and risk financing well in advance of the renewal period.

A lot will change about the insurance industry over the next several years. Automation, analytics and artificial intelligence will create customized insurance products that, ironically, will be delivered impersonally to consumers who may never see or speak to a broker. That trend will primarily affect personal insurance consumers, but look for big data analytics to transform the way commercial consumers interact with, and even optimize, risk.

For all that's exciting about the insights posed by big data, technology will never be able to do the hard work of the sword and shield. Risk advisors need not worry that they will be automated out of a job in the insurance industry of tomorrow. Data intel will merely be another arrow in Sentinel Risk Advisor's quiver.

In fact, look for the role of the risk consultant to take on even greater relevance, as an onslaught of new products and markets collide with competing intelligence trends and an increasingly complex risk climate. Your risk advisor is, and will remain, one of the greatest differentiators in your success.

For all the changes and volatility ahead, there has never been a better time to be an insurance consumer. Evolutions in service and strategy will change the way your business interacts with risk and derives value from insurance. Technology will give your firm greater control over losses, enable more customized insurance solutions, and add depth and complexity to risk management efforts at every level.

Sentinel's best advice for 2020 is this:

1. Embrace change in the risk and insurance marketplace.
2. Evolve the organization's capacity to address emerging risks.
3. Engrain risk management at every level, from operations to finance to development.
4. Expect more from every relationship along the risk and insurance service platform.
5. Empower every employee to own their role as a risk manager within the organization.

## 2019 Market Review

The U.S. property and casualty insurance market is a $34 billion industry with plenty of surplus cash, lackluster investment earnings and a real problem with deteriorating loss trends.

Overall, the market performed slightly worse in 2019 than it did the previous year; net income, underwriting gains and premium growth were all down in the fourth quarter. The combined ratio, the industry's primary profitability metric, was also slightly worse last year, falling a full percentage point to 97.3 percent from the prior year.

It was a better year in terms of catastrophic losses, as 2019 was relatively calm weather wise, compared to the devastation in 2017 and 2018. As such, the industry's healthy $802 billion surplus is a bright spot in what was otherwise a not-so-great year for insurance buyers and sellers.

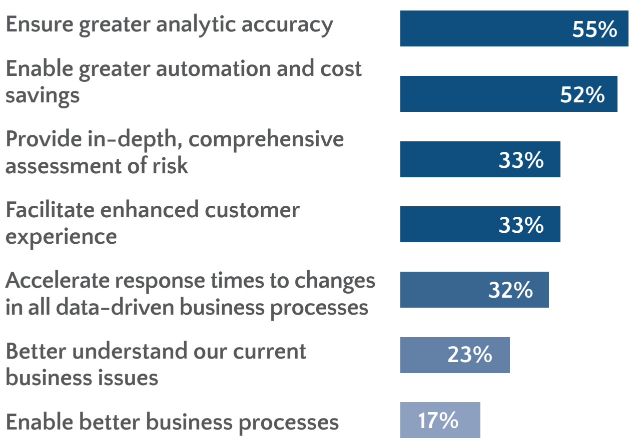
**Combined Ratio: A measure of insurer profitability, calculated simply by taking the sum of claim-related losses and general business costs and then dividing that sum by the earned premiums over the period. A ratio less than 100 percent indicates an underwriting profit.**

Insurance carriers saw a 12 percent drop in net written premiums in 2019, falling from 13.2 percent to just 1 percent. And underwriters earned less on those premiums, from taking in $6 billion in 2018 to just $5.4 billion a year later.

Insurers began course correcting in second quarter 2019, with most raising rates in the 6 percent range to regain profitability. Expect that trend to continue, at least through first quarter 2020, along several property and casualty lines and in one specialty line, in particular: directors and officers (D&O).

We'll cover the problematic trend behind loss severity in auto, umbrella and D&O in the 2020 Emerging Trends for Specialty Lines section of this report.

### Problem-Solving Data Analytics




**Accuracy first, automation and savings a close second.** Results of a 2018 Earnix survey reveals insurance executives are looking to data analytics to deliver fast, accurate results that enable better pricing models.

### Property/Casualty Insurance Industry Income Analysis, 2014-2018

$ billions

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Net premiums written | $497.0 | $514.4 | $528.3 | $552.6 | $612.6 |
| Percent change | 4.2% | 3.5% | 2.7% | 4.6% | 10.8% |
| Premiums earned | $487.9 | $506.0 | $523.5 | $540.6 | $594.1 |
| Losses incurred | 277.7 | 290.7 | 317.9 | 347.6 | 360.9 |
| Loss adjustment expenses incurred | 57.3 | 59.6 | 60.3 | 62.7 | 63.3 |
| Other underwriting expenses | 138.3 | 144.3 | 147.6 | 151.0 | 167.0 |
| Policyholder dividends | 2.4 | 2.5 | 2.3 | 2.6 | 3.0 |
| Net underwriting gain/loss | 12.2 | 8.9 | -4.7 | -23.3 | -0.1 |
| Net investment income | 46.4 | 47.2 | 46.6 | 48.9 | 55.3 |
| Miscellaneous income/loss | -2.7 | 1.5 | 1.1 | -5.2 | 1.4 |
| Operating income | 55.9 | 57.7 | 43.0 | 20.3 | 56.6 |
| Realized capital gain | 10.3 | 9.4 | 7.3 | 15.1 | 10.4 |
| Federal and foreign income tax | 10.3 | 10.2 | 7.4 | -0.6 | 7.0 |
| Net income after taxes | 55.9 | 56.8 | 42.9 | 36.1 | 60.0 |

Data in this chart exclude state funds and other residual market insurers and may not agree with similar data shown elsewhere from different sources.
Source: ISO®, a Verisk Analytics® business

# 2020 Insurance Market Highlights

Market conditions in 2020 will favor insurance sellers, as insurers conserve capacity and stick to their guns with rate increases in at least 10, and as many as 16, lines of coverage.

### 2020 Forecasted Rate Increases

| 5-10% | 10-15% | >15% |
|---|---|---|
| Property | Auto (good loss history) | Auto (poor loss history) |
| General/ product liability | Umbrella | CAT property |
| Crime | Excess | D&O (public/IPO) |
| Cyber | Management liability | |
| D&O (private/ nonprofit) | | |

- Insurance buyers will continue to have the upper hand in rate negotiations with carriers, provided their risk management house is in order and negotiations are led by an effective risk advisor and broker.

- Industry leaders will move toward innovation with investments in big data analytics, Insurtechs, digital service platforms, and other products and partnerships aimed at a new generation of consumers.

- Innovation is a disruptive force for any industry, but insurance is more buttoned up than most. Expect more market flux as P&C insurers and brokers develop new business models to generate the growth that traditional business development no longer can.

- In professional lines of coverage, look for more significant upward pressure on pricing and self-insured retentions.

- Loss severity in auto, umbrella and general liability is due in large part to "social inflation," the theory that societal factors are prompting more lawsuits, larger settlements, and bigger class action awards.

- Data analytic applications, including Blockchain, will transform the underwriting process for complex risks with longtail losses, such as cyber.

- Commercial auto rates continue to rise with no end in sight, even for companies with good driver safety programs. The good news on claim severity is that it's been so bad, for so long, that insurers are switching gears, investing in driver safety *technologies* as opposed to driver safety *behaviors*—effectively putting tech in the driver's seat.

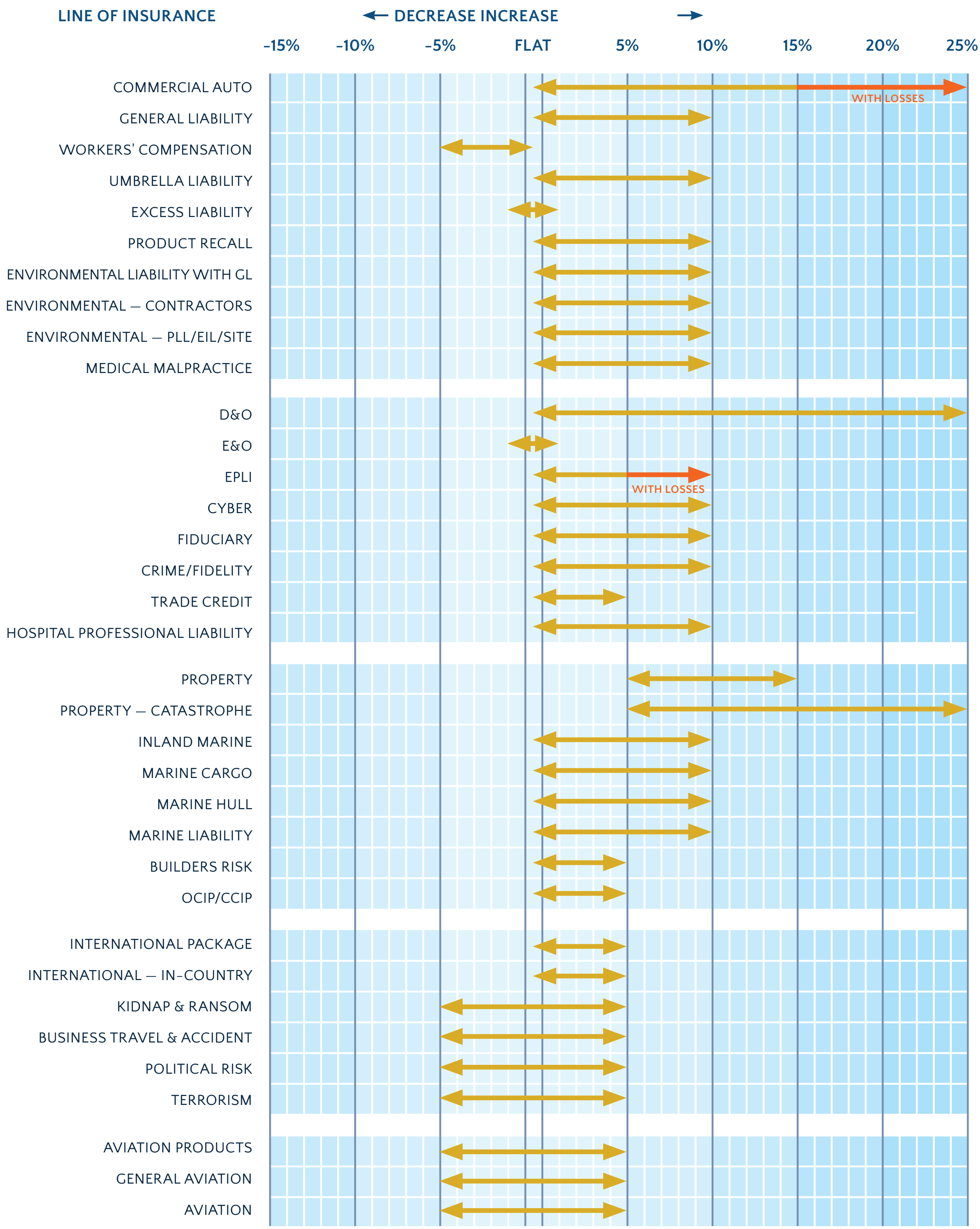
- Traditionally high-risk industries, including construction and transportation, are turning to smart devices to improve jobsite safety and control losses. The development of so-called Internet of Things (IoT) devices, which collect and transmit real-time operations data, has the potential to reduce insurance premiums, boost productivity and improve profitability.

- When surveyed, business leaders around the globe said the greatest risk they will face in 2020 is growing economic instability, followed by cybersecurity, business interruption caused by technology failure, and reputational threats.

- In an insurance marketplace where volatility is the new normalcy, the best, and in fact, probably the only, way to effectively manage risk is at the enterprise level. Make 2020 the year your organization gives the impetus and ownership of risk management to every employee in the company.

**Enterprise Risk Management (ERM): A process of coordinated risk management that places a greater emphasis on cooperation among departments to manage the organization's full range of risks as a whole.**

## 2020 RATE FORECAST



## What's Next in P&C Insurance


There's a saying in the insurance industry: what gets measured gets managed. The problem with the emerging risks facing insurance executives today is the lack of historical data, legislative and regulatory clarity; information that is crucial not only to the underwriting process, but to enterprise risk management, as well. The industry is counting on data analytics to close the information gap.

The results of a 2019 insurance innovation survey from CB Insights shows where each of 14 major data applications are with regard to research, development and deployment.

## *Directors & Officers (D&O)*

Trends are often hard to see coming until, one day, they bring about enough pain to get everyone's attention. Commercial auto has been feeling the sting of social inflation, the trend once dubbed the "culture of fault," for nearly a decade. Now, other liability lines, particularly directors & officers (D&O), are feeling the burn of a growing societal shift toward aggressive accountability in the legal system.

In short: American juries are more likely today to award large D&O settlements due to a growing distrust of corporations and their leaders; shareholders are more likely to sue publicly held companies for decisions leading to losses; employment practice lawsuits are more likely to spill over to the D&O policy, as the feet of individual executives and board members are held to the proverbial fire; and public and private boards alike are increasingly being held responsible for event-based failures and damages, especially with regard to cybersecurity and data breaches.

To be clear, the social inflation we are seeing today in the U.S. is not born of the same 'healthy mistrust' of conglomerates and institutions that we, as Americans, are born to. Lawsuits are increasingly targeting medium-sized businesses, even entrepreneurial and start-up ventures. Plaintiff attorneys have become very good at the "they should have known better" argument, and juries today are more easily swayed as to whom, exactly, constitutes *they*.

In the 2019 report, "Emerging Multinational Management Liability Risks," global insurer Chubb examined the social inflation trend and its impact on D&O insurers and insureds, who analysts predict will see unprecedented rate increases in the coming year. Privately held firms and nonprofits will maintain access to market capacity, with rate increases in the 5-25 percent range, while publicly held companies will see increases of at least 18 and as high as 50 percent, with diminishing access to markets.

The report states: "Significant regulatory reform, the growing willingness of courts and regulators to hold individuals

accountable, an increasingly active and engaged shareholder pool, and a heightened compensation culture, have all led to D&Os facing a constantly evolving set of exposures—including regulatory fines, criminal sanctions, civil liabilities, and shareholder claims."

An upcoming U.S. Supreme Court ruling could further impact D&O rates, the availability of capacity and underwriting terms, in instances where a jury finds that an insured benefitted from "ill-gotten gains" at the expense of shareholders. The litigation stems from a case brought by the Securities and Exchange Commission but has broad implications for exposures typically not covered by a D&O policy.

Insureds are not powerless in this problematic culture of fault, fortunately. Carriers that specialize in the D&O space have indicated a willingness to waive significant rate hikes for new clients that can demonstrate financial health and wellness. Talk to your Sentinel Risk Advisors broker about your firm's D&O exposures, determine your current carrier's appetite for the risks you face today as well as emerging risks, and explore marketing options to secure the best possible rates and coverage with carriers who specialize in D&O and are willing to compete for your business.

## *Cyber*

American businesses were nearly one-third more likely to experience a data breach last year than they were five years ago, yet most were no more prepared in 2019 to respond to a cyber attack, much less recover from one, than in 2014. While business leaders today are more aware of cyber threats in theory, most small-to-midsize firms have not put strategic risk management into practice at the top level of the organization, opening the door to an increase in data breaches that smaller firms are often underinsured against.

According to cybersecurity reports from the Ponemon Institute, the Pew Research Center and others, 2019 was the year that data breaches began to disproportionally affect small businesses, with 60 percent of the breaches reported in the last year affecting companies with fewer than 500 employees. That's a troubling statistic for two reasons.

First, small-to-midsize firms are less able to recover from the staggering costs of a data breach, which in 2019 averaged 8.19 million in the U.S. It's taking longer to identify and contain data breaches, which only adds to the financial pain. And second, smaller firms are more likely to either not have cyber liability coverage at all, or to have minimal coverage policies that were not designed to protect against some of today's more complex cyber threats.

The cyber liability insurance market is rapidly evolving in an effort to improve a product that most in the industry agree is too broad, with too many gaps, overlaps and exclusions in coverage. 2020 will bring modest rate increases in the five-to-10 percent range, along with growing pains, but good and necessary ones, as the cyber market looks to data analytics to improve underwriting and expand product offerings. Verisk, a data analytics provider, recently debuted an insurtech tool to give cyber underwriters what they've been missing all this time—solid data upon which to assess real risks and their actual costs.

### STEPS TO BECOME CYBER RESILIENT

1. **Manage and protect network and information systems.**
   Identify and assess data security risks. Upgrade and improve IT defense systems as necessary. Develop network security protocols and train employees to be consistent. Be stingy with regard to network access and build in safety redundancies. Encrypt company and client data.

2. **Identify and detect.**
   Test network security, defenses and access regularly, with vulnerability scans and penetration testing.

3. **Respond and recover.**
   Develop a business continuity plan that enables quick detection of a data breach, swift response time, and the appropriate course of action to keep operations on track.

4. **Govern and assure.**
   Develop an enterprise risk management (ERM) program that places the impetus for cybersecurity at the executive level. Complete a detailed annual risk assessment and internal audit of data security measures, applications, systems, personnel and programs.

*Source: itgovernance.eu*

Better underwriting should go a long way to addressing gaps in coverage on standard and package policies, many of which do not cover the costliest part of a cyber claim: business interruption and customer turnover. There are some things cyber policies may never do well, such as protect against social engineering, the cause of one in every five data breaches today. More than 70 percent of data breaches are the result of some kind of criminal activity, and while cyber insurers have developed solid programs for standard variety hacking and ransomware incidents, they've been reluctant to insure against criminal acts that required the assistance of a duped employee.

The good news for insureds is that the property and casualty market is getting better all the time at coverage specificity and multi-policy layering. Development of stand-alone cyber policies are leveraging strengths in two other lines of coverage: directors and officers (D&O), and crime. The latter, as it turns out, is often a better market for social engineering claims, just as the purchase of a D&O policy not only protects company executives in the event of a lawsuit, but also allows for better limits and retentions on the cyber policy.

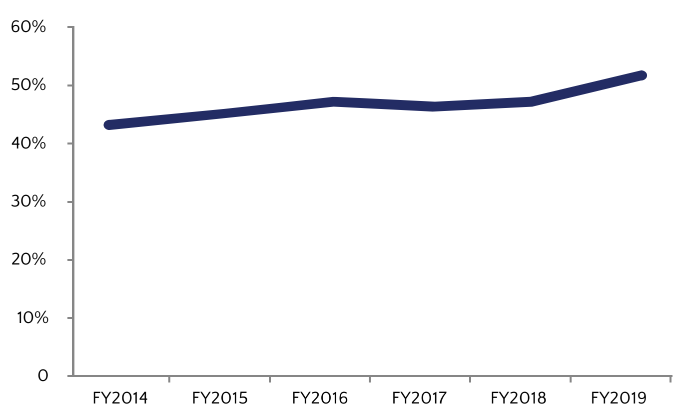
**Data encryption is the single most effective mitigation strategy for any business, reducing the cost of a data breach an average of $360,000.**

*Source: Ponemon Institute, 2019 Cost of a Data Breach*.

From clever manipulation of technology vulnerabilities to ever new and creative means of capitalizing on human errors, today's cyber criminals are essentially too smart to head off at every pass. Rather, there is a growing realization among insurers and risk managers that the best risk management strategy is to worry less about prevention and focus more on preparation. This approach, known as cyber resilience, is quickly becoming the cyber security strategy of choice. Cyber resiliency tactics essentially prepare an organization to resume normal business operations in an ever-shortening time frame. The idea being that the more cyber resilient your organization is, the less time, money, and customers a data breach will cost. Over time, this approach could make inroads on reducing both the severity and frequency of cyber attacks. As one cybersecurity expert put it, "cyber resiliency robs cyber criminals of their ability to gut punch, and without that, they eventually become irrelevant."

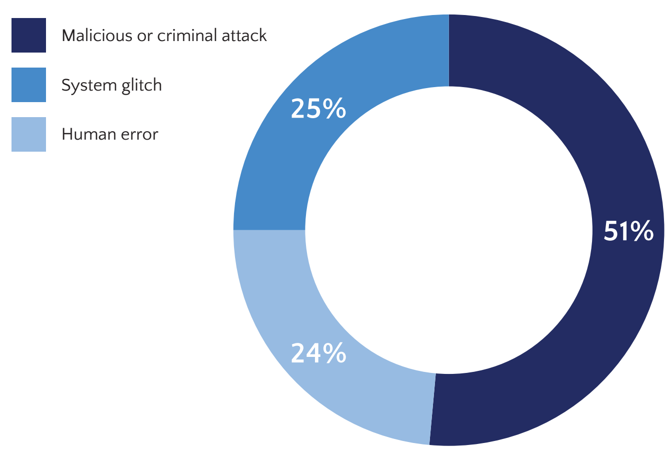
## Growth in Malicious or Criminal Attacks as Root Cause of Breaches

Malicious Attacks Share of all Breaches




Malicious attacks continued to increase. According to this chart, since the 2014 study, the share of breaches caused by malicious and criminal attacks has grown from 42 percent to 51 percent. In other words, between the 2014 and 2019 studies, the share of breaches caused by malicious and criminal attacks grew by 21 percent.

## Data Breach Root Causes




Malicious or criminal attacks caused the most data breaches. This chart shows the main root causes of data breaches on a consolidated basis for organizations in all countries. 51 percent of incidents involved a malicious or criminal attack, 25 percent involved system glitches, including both IT and business process failures, and 24 percent were due to negligent employees or contracors (human error).

*Ponemon Institute, 2019 Cost of a Data Breach Report*

## *Workplace Violence / Active Assailant*

Acts of violence are carried out at workplaces across the U.S. at a staggering rate every year. In fact, nearly 2 million Americans fell victim to abuse, injury, trauma or death in 2019. The enormity of that fact bears repeating: Two million American workers, and the businesses that employ them, were impacted by workplace violence in the last year alone.

With the rise in both the number and severity of these incidents, it's no surprise that demand for active assailant insurance is rising, as well. According to McGowan, an industry leader, the number of new policies has increased tenfold in just two years, spurred on by the shooting at Marjory Stoneman Douglas high school in Parkland, Florida in February 2018.

Active assailant policies for school districts are markedly different from those underwritten for commerical clients, whose risks extend to business disruption, loss of consumer attraction and damage to brand and reputation, in addition to death benefits, legal liability and funeral expenses. Workplace violence policies do not cover property damage, as the property liability policy picks that up, but other exclusions do apply, including acts of terrorism and casualties above a certain threshold limit.

Some insurers only offer policies that cover guests visiting the site at the time of the attack, and not employees, though those polices are falling out of favor and carriers, in a bid to remain competetive, are signaling a williness to expand coverage.

It is important to understand the risks associated with workplace violence and to begin putting measures into place to protect your employees, company assets, brand and reputation. Active assailant insurance is one of the newest product lines on the property and casualty maket, and it's safe to say the coverage is still finding its footing in the marketplace. Capacity is robust, rates are stable, and coverage is cost effective for businesses of all sizes.

Call your Sentinel advisor to discuss your organization's risk relative to workplace violence, and to receive a free quote. In the meantime, here is what Sentinel wants you to understand about the costs and benefits of workplace violence insurance.

### 11 THINGS TO KNOW ABOUT WORKPLACE VIOLENCE INSURANCE

1. More than $100 billion is lost to workplace violence each year; most of that is from uninsured claims.
2. Workplace violence insurance policies, also called active shooter and active assailant, is a type of gap coverage used to supplement general liability policies.
3. Traditional property and casualty insurance policies very rarely cover acts of violence, active shooters, or terrorism in the workplace.
4. Only a handful of insurance carriers currently offer workplace violence coverage, but look for that number to grow in 2020 as a result of demand.
5. These policies vary widely with regard to exclusions, terms and conditions. Be wary of narrowly written policies that exclude certain types of violent acts, the use of vehicles, and limited coverage of employees.
6. Comprehensive policies will cover everything from the human costs associated with injured people, to the intangible costs of restoring business operations and reputational damage.
7. Workplace violence policies should cover all employees, including employees traveling offsite and those working remotely.
8. Other coverage terms can and should be tailored to meet your organization's needs and budget. In other words, a workplace violence policy might look quite different for a professional services company than for a manufacturer or retailer.
9. Coverage limits can range from $1 million to $100 million on both primary and excess liability. Premiums start at around $1,800 annually.
10. Evaluating and comparing coverages is key to developing an effective workplace violence program, and that includes reviewing general liability policies for gaps and overlaps in coverage.
11. Implementing onsite security measures and conducting employee drills and training will not only make your employees better equipped to handle a workplace attack, it could also secure you better rates and terms on your insurance policy.

*Source: itgovernance.eu*

# 2020 Forecast for Specific Lines of Insurance

## Property

*Increases of 5-15 percent*

Globally, at least, commercial property pricing has increased every month since 2017. Commercial property buyers here at home may have fared slightly better in 2018, but 2020 will bring rate hikes to nearly everyone's threshold. Insurers are confused by the rate increases; after all, wasn't 2019 a relatively calm year for natural and manmade disasters?

Catastrophic losses topped $49.5 billion in the U.S. in 2018, yet most Sentinel clients experienced flat to low, single digit increases. Logic would seem to follow that calmer weather in 2019 means an intact surplus, good market capacity and no rate increase for those with good loss histories in 2020. But alas, today's insurance market is playing by a different set of rules. Insurers are taking a hard position in an attempt to regain profitability after many years of lackluster investment performance, increased regulation, and tax reform that limits the amount of losses they can now write off.

## Automobile

*Increases of 10-15 percent; >25 for fleets with poor loss histories*

The U.S. commercial auto insurance industry has not been profitable since 2010, despite significant year-over-year rate increases. Beset by years of inadequate pricing, dwindling reserves, deteriorating loss frequency and severity, commercial auto is finally ready in 2020 to talk about something other than raising rates. Though, to be clear, most buyers will see rate increases in 2020.

The auto insurance industry's big news is not so much news, as a change in perspective relative to loss severity. Commercial auto claims have been so bad for so long, that insurers are switching gears, investing in driver safety technologies as opposed to driver safety behaviors—effectively putting tech in the driver's seat. The industry's larger players are joining forces at the intersection of technology, manufacturing, and insurance, developing smart devices that make cars safer to drive and humans less prone to, well, human error.

It will take a few years to determine what impact driver safety technology is having on the insurance industry as a whole, and rates in general. Until then, Sentinel is advising clients to continue investing in driver safety programs, as that remains for the time being the single best risk management tool heading into 2020.

## Environmental

*Flat to increases of 10 percent*

The environmental line is facing some challenges in 2020, as it tries to adapt to emerging risks posed by climate change, internal chaos on underwriting and claims teams due to several mergers and acquisitions, and the inherent difficulty of underwriting a very long-tail risk with an annual insurance policy. The market is looking for creative ways to compete for new business and renewals, including multi-year policies, captives and other shared risk solutions that spread risk over multiple layers of coverage.

## Errors & Omissions (E&O)

*Rates to remain flat*

We first reported on issues facing the professional liability (E&O) market in 2016, as underwriters began seeing their product line shrink due to competition from cyber. We don't appear to be much closer to reconciling the overlaps in traditional E&O policies and the more in-demand cyber offering, which has evolved among some carriers to include basic E&O coverage, negating the need for a stand-alone professional liability policy.

Emerging trends in the E&O space center around liability issues involving new tech devices that are being implemented for the sake of efficiency before they've been properly vetted. Do plan to sit down with your risk advisor and take a hard look at what you expect from your professional liability (errors & omissions) coverage with regard to cyber and vendor contracts. This is one line of coverage, in particular, that can be impacted by your company's ability to show carriers that detailed risk mitigation efforts are in place.

## Employment Practices Liability (EPLI)

*Rates flat to increases of 10 percent*

When the #metoo movement hit in 2017, insurers said behind the scenes that they were more concerned about the lawsuits that sexual harassment cases could inspire, verses the #metoo lawsuits themselves. It turns out they were half right, as the gender political movement did cause a rise in the number of pay equity and gender equality lawsuits. It also led to a slew of sexual harassment lawsuits, which, two-plus years later, shows no signs of slowing down.

Employers today are more likely than ever to be sued for workplace practices in the following order: harassment, employment discrimination and employee misclassification. According to Westlaw, a legal research service by Thomson Reuters, plaintiffs win 51 percent of the time when employment practices liability claims go to trial.

In 2020, insureds can expect continued firming in the market, more lawsuits, larger legal awards and an uptick in risk transfer contracts and expenditures related to the increased use of independent contractors.

### Workers' Compensation

*Rates flat to reductions of -5 percent in North and South Carolina*

Underwriting terms and capacity remain strong in the workers' compensation line, despite nearly every state in the nation reporting reduced or flat rates in 2019. There is concern that inflation in the medical space is outpacing the market's ability to maintain its margins, but for 2020 at least, employers will enjoy ample access to a reasonably priced compensation plan that in North Carolina, earns high marks for its return to work program.

## Emerging Risks 2020: Climate Change and Cannabis

Though cyber remains the top threat facing the global insurance industry, a recent study by the American Property Casualty Insurance Association (APCIA) reveals cannabis and climate change among the fastest growing risks here at home.

Catastrophic losses from both natural and man-made disasters have been increasing in frequency and severity for more than a decade, reaching all-time highs in 2017 and 2018. Insurers paid out a majority of 2018's $165 billion in CAT losses to American insureds, leading to a squeeze on property market conditions in 2019 that will only get tighter and more restrictive through 2020.

In the table below, reinsurance giant Swiss Re looks at CAT losses over time, revealing a troubling trend that they contend is directly tied to global warming.

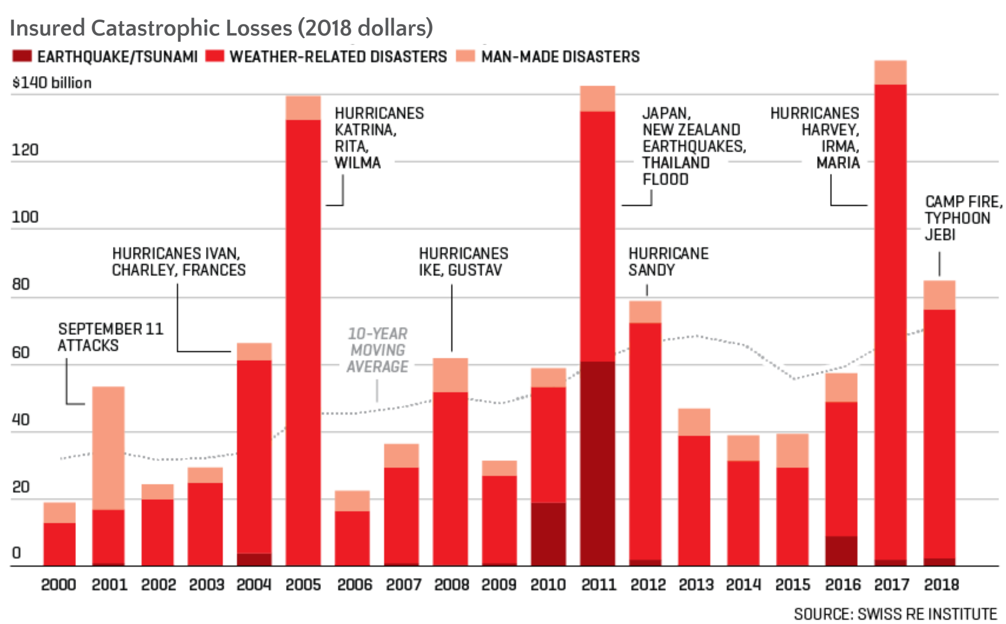
Recreational marijuana remains illegal here in the Carolinas, yet cannabis poses a substantial risk to employers and employees in today's murky legal and regulatory environment.

With cannabis now fully legal in one-fifth of the country and permissible for medical use in a majority of states, the implications for managing risk and insuring losses relative to workplace safety, workers' compensation and employment practices for states with no laws on the books, like North Carolina, are significant.

According to the Insurance Information Institute, North Carolina is one of 20 states which has chosen not to address off-duty medicinal use of cannabis in the legislative or regulatory arena.

### Rising Seas and Costs

Huricanes and other weather events linked to climate change have helped fuel an oinous increase in losses from natural disasters.

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