

# MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

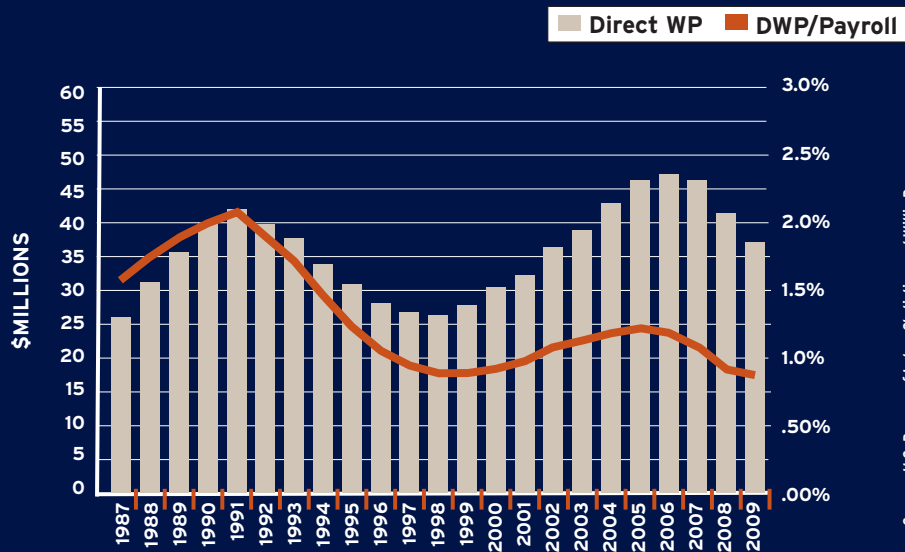
## WORKERS' COMPENSATION

- **The soft Workers' Compensation market is expected to continue into 2011.** Payroll is the key driver for Workers' Compensation premium and as employment stabilizes so should rates.
- Last year, many carriers struggled to secure rate increases on their renewal book to offset the impact of payroll reductions. Workers' Compensation combined ratios have reached 110%. **This year, several states are filing for rate increases.** California, Florida and New York lead the list.
- Carriers are still aggressively competing for financially strong accounts.
- **Guaranteed cost options are available to almost any employer.**
- Even though the credit market has improved over the past 18 months, **collateral requirements remain a challenge** for many insureds, often prohibiting them from taking full advantage of market conditions.
- With rates low, there are fewer dollars to squeeze out of the premiums, leaving employers to focus on **loss costs, claim expenses and medical cost containment** as means to further lower Workers' Compensation costs.

### WORKERS' COMPENSATION PREMIUM AND PRICE

#### PRICE PREDICTIONS

Flat to -5% in Q1,  
Flat by Q4 2011



Source: U.S. Bureau of Labor Statistics and Willis Re

#### INDUSTRY HIGHLIGHTS

- **Health Care** - Carriers are expanding their appetite for health care exposures.
- **Construction** - With construction work still down, carriers that have historically written construction risks are feeling more pressure on the top line growth as construction risks tend to generate more premium per dollar of payroll than other industries.

#### CONTACT

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