PFAS

Underwriting Case Study

Praedicat

A breakthrough in how re/insurers can respond to new mass litigation

Is it possible to confidently take an offensive approach to underwriting and growing a casualty portfolio in the face of a large scale and expanding mass litigation event? Until recently, the answer has been an emphatic "no." The insurance industry has historically responded to mass torts with broad-brush exclusions and a casualty insurance product of diminishing value for its customers.

However, with trusted data and analytics that are now available through Praedicat's CoMeta© platform, **Praedicat clients can dynamically track active and developing litigation, forecast the range of future litigation paths down to specific industries and companies, and develop targeted underwriting strategies** that enable continued coverage where appropriate.

For Praedicat clients, this has resulted in millions of dollars in new or renewed business that would have otherwise been lost due to insufficient coverage through broad exclusions and non-renewals.

PFAS: the next asbestos and beyond

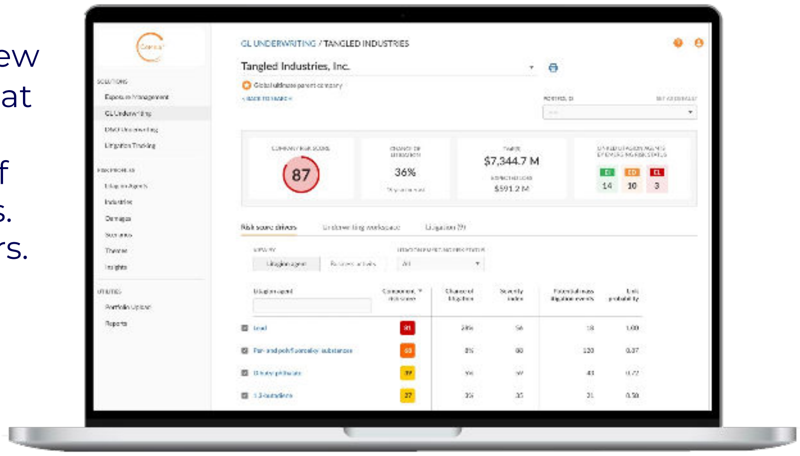
In 2023, litigation over PFAS ("forever") chemicals continued its march toward assuming the mantle of the "next asbestos." There were over 2,500 new cases filed in US courts, representing over one-third of all cases filed since 2020. By the end of 2023, 29 state attorneys general had brought suits against PFAS defendants, up from 14 in prior years, suggesting that **PFAS might be, not just the "next asbestos", but the "next opioids" as well.**

Given the looming specter of widening PFAS litigation, many management teams across the insurance industry are actively considering broad PFAS exclusions within both admitted and non-admitted casualty market segments.

Praedicat clients are taking a more effective approach to managing "emerging litigation" events like PFAS

There remain wide-ranging views and understanding, not just of the risk of future PFAS litigation, but of the breadth and details of the active litigation today. **Winners in today's market will take advantage of the information asymmetry and harness Praedicat's data and analytics to identify those companies and industries where PFAS coverage can still be confidently offered, where exclusions are necessary, and the middle ground where terms and conditions can be altered to match risk appetite.**

One Praedicat client developed the following simple referral program to ensure a prudent and scalable PFAS underwriting strategy across the organization. Their approach to underwriting PFAS-exposed risks is guided by a combination of Praedicat's forward-looking modeled PFAS loss estimates for companies and up-to-date information on how the active PFAS litigation is unfolding.



- The client flags all renewal accounts and new business submissions identified by Praedicat as having PFAS exposures based on Praedicat analyst and algorithmic review of the companies and their business activities. This information is shared with underwriters.
- Underwriters use Praedicat's underwriting workflow to identify if flagged companies a) have been named in active PFAS litigation, b) operate in an industry where other companies have been named PFAS c) incur significant modeled losses to the contemplated policy layer.
- If PFAS-related losses do not contribute significantly to the policy layer loss and the insureds and similar companies have not been named in PFAS-related lawsuits, the underwriter may proceed with binding the risk.
- If PFAS-related losses exceed a specified threshold and/or there is relevant active litigation, the account must be referred for further review and a final decision.

By implementing this analytics-informed referral process, **the client was able to generate millions of dollars of new business premium and retain insureds with longstanding relationships to the client while avoiding adding to their PFAS accumulations.**

New litigation events continue to emerge with growing frequency, and Praedicat's dynamic emerging risk platform provides a repeatable and surgical gameplan for insurers to win in today's market. Write the good business, decline the bad business, and harness trusted data and analytics to inform decision-making and support better broker and client risk dialogue.