2016... THE YEAR AHEAD

IRONWOOD

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INSURANCE SERVICES, LLC

3715 Northside Parkway NW | Suite 1-500 | Atlanta, GA 30327 | ironwoodins.com

As we move into 2016, Ironwood is prepared better than ever to provide our clients with professional council on all of their risk and insurance needs.

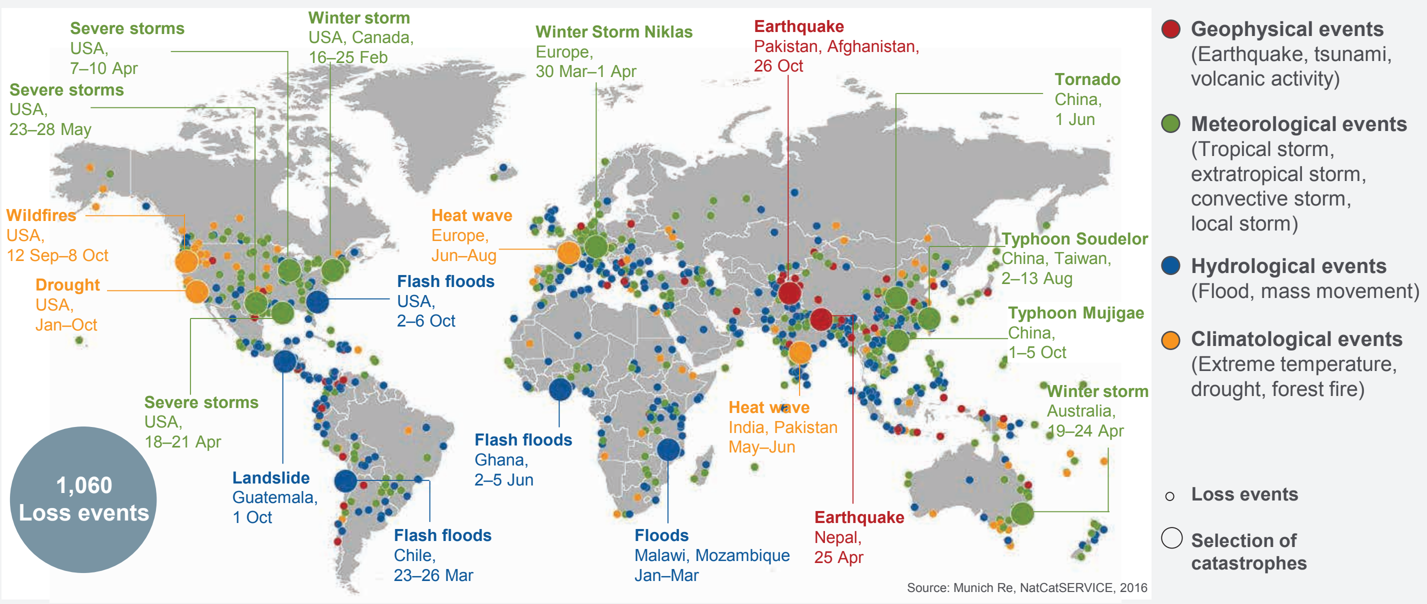
Before we address the outlook for 2016, a look back will provide you with the context to prepare for what lies ahead.

In 2015, the insurance marketplace began with “softening” market conditions with price reductions across most lines of business. By the end of the first quarter, several key lines of coverage were experiencing significant improvements in renewal rates and terms. This was led by the Property marketplace which continued to show price reductions with as much as double digit rate decreases on large, well-protected risks, through the end of 2015. This was being fueled by a continuing increase in capacity and the lack of significant catastrophic losses.

While 2015 had its share of catastrophes (CAT) losses worldwide, the sum of these events did not result in insured losses significant enough to impact overall pricing and terms for property lines. Domestically, CAT losses were wide spread including historic flooding in Texas, South Carolina, Missouri and Illinois; significant tornadoes in the Dallas, TX area and severe winter weather in the last days of the year.

Globally, year-end flooding in the United Kingdom will likely result in insured losses exceeding $1.5 billion alone. The largest single CAT loss of 2015 was the explosion in August at the Port of Tianjin, China, which was a man-made event. This loss alone is expected to result in insured claims of at least $2 billion, according to Swiss Re.

WORLD NATURAL CATASTROPHE LOSSES, 2015



Preliminary data indicates that CAT losses will result in over $32 billion of insured losses globally, well below the 10 year average of $55 billion.

TOP FIVE LARGEST NATURAL CATASTROPHES OF 2015 BY INSURED LOSSES				
Date	**Region**	**Event**	**Fatalities**	**Insured losses US$ m**
2/16 - 2/25/2015	USA, Canada	Winter storm	40	$2,100*
5/23 - 5/28/2015	USA	Severe storms	32	$1,400*
4/7 - 4/10/2015	USA	Severe storms	3	$1,200*
3/30 - 4/1/2015	Europe	Winter Storm Nikias	11	$1,000
9/12 - 10/8/2015	USA	Wildfires	4	$960*

** Data based on information from PCS.*
Source: © 2016 Munich Re, Geo Risks Research, NatCatSERVICE. As of January 2016.

COSTLIEST NATURAL CATASTROPHES SINCE 1980			
Year	**Event**	**Region**	**Insured loss US$m** *(in original values)*
2005	Hurricane Katrina	USA	$60,500
2011	EQ, tsunami	Japan	$40,000
2012	Hurricane Sandy	USA, Caribbean	$29,500
2008	Hurricane Ike	USA, Caribbean	$18,500
1992	Hurricane Andrew	USA	$17,000
2011	EQ Christchurch	New Zealand	$16,500
2011	Floods	Thailand	$16,000
1994	EQ Northridge	USA	$15,300
2005	Hurricane Wilma	USA, Caribbean	$12,500
2012	Drought	USA	$12,000

Source: © 2016 Munich Re, Geo Risks Research, NatCatSERVICE. As of January 2016.

While the Casualty market remained competitive, renewal rates did not show the same significant reductions as the Property market. Workers' Compensation results continued to improve. The overriding issue in the Casualty market is Commercial Automobile. Underwriters have continued to show deteriorating results in this line of business. Rate increases on poorly performing risks have done little to improve underwriting results. This coupled with increased technology in automobiles has only served to increase underwriting concerns over losses resulting from distracted drivers.

Due to the increase in available underwriting capacity, the Excess Casualty market followed the pricing of Primary Casualty lines which resulted in lower pricing.

Financial Products tracked with the general marketplace with lower pricing reflected in much of the market. Cyber Liability continues to dominate the headlines for this group of business with cyber hacks and attacks becoming an almost weekly occurrence. High profile attacks on Target, Home Depot, Anthem, Ashley Madison and other public and private entities have driven more businesses to recognize the need, not only for increased cyber security measures but to transfer the risk through the insurance market place. Even with these widely publicized incidences, Cyber coverage remains readily available at reasonable price levels; however, rates started firming toward the end of 2015.

Overall, domestic Property & Casualty insurers' results improved, including an estimated increase in net income of $5 billion based on no change in Net Written Premium. Early results show a combined ratio of 97.6%.

Mergers and acquisitions also grabbed the headlines in 2015. XL's acquisition of Catlin, Tokio Marine' purchase of HCC and ACE's acquisition of Chubb led the way. We expect this trend will continue into 2016.

A Look Ahead...

Property

For the first quarter and foreseeable future we anticipate more of the same with regards to rate reductions, lower deductibles and improved terms. As long as CAT losses remain below average, we see no significant changes in the market. The January reinsurance market supported this position as their treaties renewed with terms matching overall property market conditions. As the result of increased reinsurance capacity and lower pricing, many carriers increased their use of reinsurance by increasing their treaty limits as well as lowering their retentions.

It is too early to tell what, if any impact, the recent east coast blizzards will have on the market. Losses will be well into the billions; however, we do not feel it will shift the market primarily based on the factors already discussed.

We continue to expect the admitted markets to broaden their appetite and compete more directly with the non-admitted marketplace.

We expect coastal wind and California earthquake capacity to continue to be available to insureds at lower rates. AmRisc, Windward, Swiss RE E&S, Everest, Everest E&S, LIU, Ariel and Westchester continue to be most competitive in primary or lead layers on large placements.

Certain areas will continue to be a challenge in the market due to poor underwriting results and some carriers unwilling to underwrite certain types of risk, such as habitational exposures. To that end CIBA has begun changing their criteria for habitational accounts resulting in significant pricing increases or non-renewals. Other markets have stepped in to provide competitive terms for the higher quality risks including IFG, Lloyd's, Seneca, Great American and Everest.

Additionally, we expect the market to continue to closely evaluate non-coastal wind and increase deductibles and/or limit their exposure in areas such as Oklahoma, Texas and other Midwestern states.

Executive Liability/Financial Products

The headlines in 2015 focused on Cyber Liability coverage. As previously mentioned, several high profile losses have driven the demand for this coverage. Currently the market is providing over $300,000,000 in underwriting capacity and that should increase in 2016.

Some industry projections of 15% rate increases on Cyber Risks are common among most classes of business with point of sale risks seeing increases of up to 150%. We believe with the increase in underwriting capacity, the rate changes will moderate from these projections but we do foresee a continued firming of rates. We also expect to see an interest in buying higher limits as insureds become more aware of their risk to privacy losses. As claims activity increases we expect Boards of Directors will dictate this coverage be purchased for the first time or limits increased.

A common area concerning businesses are fraudulent emails or requests for payments by criminals that have hacked into a customer's email account. Currently, most insurance carriers have denied such claims under both Crime and Cyber polices. Claims of this nature are being referred to as "Social Engineering" losses. Several carriers are now offering limited coverage under Crime policies for an additional premium. We believe that this coverage will continue to expand as brokers and clients continue to demand higher limits for this coverage.

The Director's and Officer's Liability market will continue to provide buyers with broad coverage forms, low retentions and stable pricing. Better risks will see pricing improvements where as "high hazard" risks will see higher rates.

Primary and Excess Casualty

As we head into 2016, the Casualty marketplace remains a "buyer's market." Rates should continue to decline, albeit at a slower pace than we have seen over the past couple of years. There continues to be an abundance of capacity which has created a competitive market, despite low investment returns and rate reductions.

Rates in general will show single digit reductions for quality risks with good loss experience. Carriers are continuing to show more underwriting discipline by utilizing predictive modeling and analytics to support their positions. The clients who have a firm grasp on their claims and pre-loss prevention and post-loss mitigation are poised to see the most competitive pricing, terms and conditions from the market.

2016… THE YEAR AHEAD

Casualty

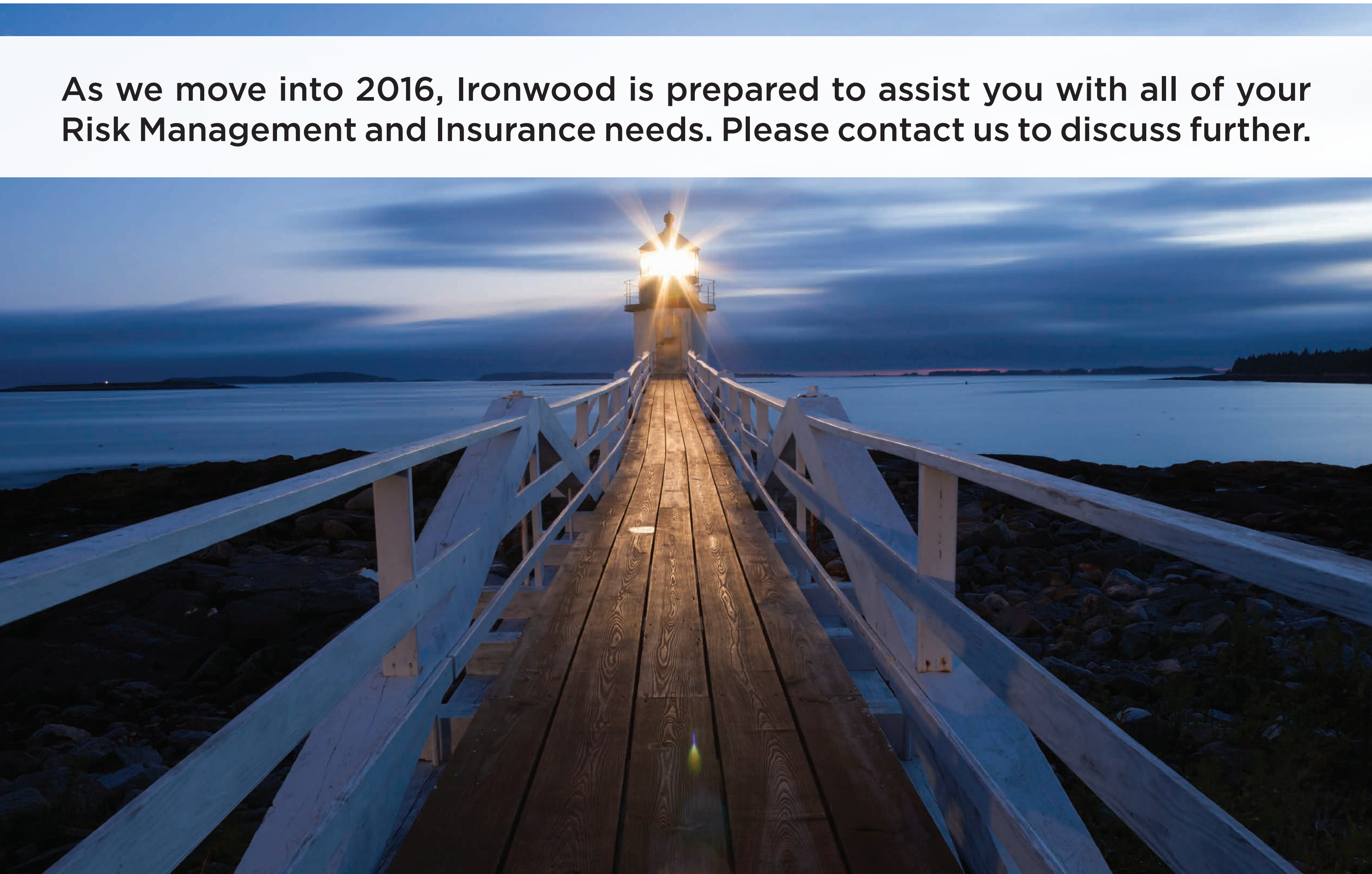
Workers' Compensation will remain the driver on most Casualty risks; however, Automobile Liability coverage will continue receiving more attention across the industry due to poor loss experience over the last couple of years. For clients with larger fleets, we anticipate there to be some upward pressure on primary and excess rates. With that being said, increased capacity in the marketplace should keep carriers honest and should result in favorable outcomes for insureds. Many carriers are offering multi-year rate guarantees in order to keep accounts out of the market and secure renewal terms early in the process.

We believe the standard market will continue to expand its appetite and compete directly with the E&S market on risks considered to have higher exposure to loss. Travelers, CNA and Harford have become more aggressive on middle market risks with higher exposure to product liability losses. It appears this trend will continue into 2016.

Umbrella/Excess Coverage

The Umbrella and Excess market remains strong and we continue to see an increase in capital entering the marketplace. This has allowed rates to remain on a downward trajectory. As Excess pricing in the higher layers near minimum premiums, clients should consider adding additional limits to optimize their programs.

As we move into 2016, Ironwood is prepared to assist you with all of your Risk Management and Insurance needs. Please contact us to discuss further.



NOTES

Ironwood Products & Services

Employee Benefits and Employer Services

- Integrated Strategic Approach
- Ongoing Strategy and Stewardship Reporting
- Compliance and PPACA Consulting
- Claims Advocacy and Medical Concierge
- Customized Employee Communications
- Human Resource Consulting
- Mergers and Acquisitions Support
- Corporate Wellness Strategy and Execution
- Payroll Processing Technology and Support
- Private Exchange and Defined Contribution

Commercial Property and Casualty

- Commercial Property
- Commercial and General Liability
- Products Liability
- Commercial Automobile
- Workers Compensation
- Umbrella/Excess
- Inland and Ocean Marine
- Builders Risk
- Surety Bonds
- Large Deductible and Self Insured Programs
- International Brokerage and Program Management
- Group Captives
- Environmental Insurance
- Professional Liability
- Directors and Officers and Crime Employment Practices Liability
- Cyber Liability
- Product Recall and Contamination Coverage
- Political Risk
- Patent Infringement

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Ironwood Insurance Services, LLC
3715 Northside Parkway NW | Suite 1-500 | Atlanta, GA 30327 | 404.503.9100 | ironwoodins.com