

Property and Casualty solutions for

# Wells Fargo Auto Dealers Group

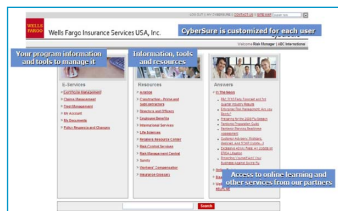
## About Wells Fargo

- ▶ \$1.6 billion annual revenue
- ▶ 6,600+ insurance professionals
- ▶ \$15.5 billion premium volume
- ▶ Relationships with 5000+ carriers
- ▶ Headquartered in Chicago, IL
- ▶ 5th largest U.S. insurance broker
- ▶ 5th largest broker worldwide
- ▶ International capabilities
- ▶ Backed by Wells Fargo Bank

## CyberSure®

A no-cost, interactive Risk Management and Human Resources information system available to all Employee Benefits customers.

- Health and Welfare Benefits Tools
- CyberWave
- HR AnswerSource
- Legislative Updates
- Employee Benefits Virtual Events with HRCI credit
- My Documents
- Survey Benchmarking
- Summit Online Safety Training



## Wells Fargo Service Vision

We work in partnership with clients to reduce their total cost of risk. We serve as a critical link between our clients and the insurance marketplace.

### Risk Control & Claims Management

*An integrated approach*  
Loss control and claims management work as one cohesive approach for proactive service to address your entire risk spectrum.

### Marketing philosophies/strategies

- Use analytics for program design before we approach markets.
- We set pricing and coverage targets putting the underwriter in position to defend alternative viewpoints.
- We ensure risk management strategies are taken to mitigate exposures and manage challenging claim situations.

**The core of our vision-based strategy is offering clients the products and services they need, when they're needed — helping them succeed financially. We use technology to personalize service and connect with our customers.**

### Insurance program optimization

- Understand district's risk tolerance
- Assistance in determining appropriate retention levels, cost of risk
- Evaluation of modification factor
- Use benchmarking and peer review
- Review/negotiation of collateral requirements

### Claims services

- Coverage denial analysis
- Appeal strategy and carrier negotiations assistance
- Large exposure claim guidance
- Second opinions
- Review of contract language relative to claims

### Safety/Loss Control

- Risk assessments and audits
- Safety and risk control training
- Emergency planning and business continuity
- Carrier/3<sup>rd</sup> party oversight for loss control services

## Property & Casualty Coverage

### Casualty

- General Liability
- Directors' & Officers' Liability
- Automobile Liability
- Umbrella Liability
- Pollution Liability
- Underground Storage Tank Liability
- Foreign Liability

### Property

- Buildings
- Contents
- Violent Acts Expense
- Property Away from Premises
- Outdoor Property
- Equipment
- Ordinance or Law
- Business Income/Extra Expense
- Equipment Breakdown

### Open Lot Coverage

- Weather Aggregates
- Flooded and Non-Flooded Inventory
- Multiple Deductible Options

### Workers' Compensation

**Exclusive** Representative of CADA Workers' Compensation Safety Program with Pinnacol Assurance

## World's 10 largest insurance brokers

Based off of 2011 brokerage revenues

Rank	Company	2011 brokerage revenues
1	Marsh & McLennan Cos., Inc.	\$ 11,519,000,000
2	Aon P.L.C.	\$ 11,228,000,000
3	Willis Group Holdings P.L.C.	\$ 3,414,000,000
4	Arthur J. Gallagher & Co.	\$ 2,091,700,000
5	Wells Fargo Insurance Services USA, Inc. <sup>1</sup>	\$ 1,626,869,000
6	Jardine Lloyd Thompson Group P.L.C. <sup>2</sup>	\$ 1,266,671,620
7	Brown & Brown, Inc.	\$ 1,112,104,659
8	BB&T Insurance Services, Inc.	\$ 1,104,126,900
9	Lockton Cos. L.L.C. <sup>3</sup>	\$ 904,403,000
10	Hub International Ltd.	\$ 878,321,552

Data source: July 16, 2012 Business Insurance

<sup>1</sup> 2011 revenues include Wells Fargo Insurance Services USA, Inc., Wells Fargo Insurance Services of West Virginia, Inc., Wells Fargo Insurance, Inc., and Rural Community Insurance Services

<sup>2</sup> British pound-£1.6609

<sup>3</sup> FISCAL year ending April 30.

## Team resources

### Wells Fargo Insurance CADA Team

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Products and services are offered through Wells Fargo Insurance Services USA, Inc., and Wells Fargo Insurance Services of West Virginia, Inc., non-bank insurance agency affiliates of Wells Fargo & Company.

Products and services are underwritten by unaffiliated insurance companies except crop and flood insurance, which may be underwritten by an affiliate, Rural Community Insurance Company. Some services require additional fees and may be offered directly through third-party providers. Banking and insurance decisions are made independently and do not influence each other.

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Together we'll go far



## Pinnacle Assurance

### 6 pricing tiers depending on:

- Experience Modification
- 3 Year Loss Ratio
- Premium size
- Safety program in place
- Timely claims reporting
- Medical vs. Indemnity Claims

### Schedule Rating — based on:

- Recent loss
- Frequency/Severity
- Loss Prevention efforts
- Timely reporting
- Claims management

## 2014 Pinnacle Workers' Compensation rates — All Tiers

**Class code 8380 - Service/Repair:**  
Increased +13.20%

**Class code 8748 - Salesperson:**  
Increased +11.05%

**Class code 8810 - Office:**  
Increased +12.02%

**Class code 8393 - Auto Body Repair:** decreased -2.29%

### What impacts your premium

- NCCI Experience Modification
- Rates offered
- Discounts and surcharges
  - Cost Containment (-5%)
  - Association Discount (-4%)
  - Loss History

## Workers Compensation Outside of CADA:

- Pinnacle
- Berkshire Hathaway
- RTW
- Amtrust
- Republic Indemnity
- Employers Compensation

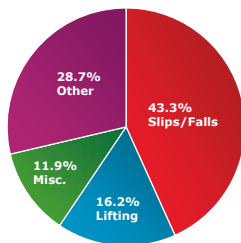
## CADA Exclusive Workers Compensation Program

### Workers' compensation 101

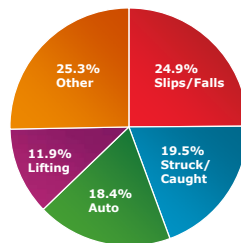
Auto Dealer issues	
<b>What is workers' compensation?</b>	<ul style="list-style-type: none"> <li>▪ No-Fault System</li> <li>▪ Benefit for the employee</li> <li>▪ Medical and Lost Wage Benefits</li> <li>▪ For injuries "arising out of and in the scope of employment"</li> </ul>
<b>Benefits available</b>	<ul style="list-style-type: none"> <li>▪ Medical expenses</li> <li>▪ 2/3 of lost wages</li> <li>▪ Permanent Impairment settlements</li> <li>▪ Occupational Disease</li> <li>▪ Death Benefits</li> </ul>
<b>Reporting claims</b>	<ul style="list-style-type: none"> <li>▪ Employer's Duty to Report:                             <ul style="list-style-type: none"> <li>▪ If employer has some knowledge an accident might have occurred</li> <li>▪ Even if you disagree if it is work related</li> </ul> </li> <li>▪ Employee Duty to Report:                             <ul style="list-style-type: none"> <li>▪ Must be reported by employee in writing within four (4) days</li> </ul> </li> </ul>
<b>What is workers' compensation fraud?</b>	<ul style="list-style-type: none"> <li>▪ Injured worker get paid by workers' compensation as well as another job: "double dipping"</li> <li>▪ Malingering: injured worker unnecessarily prolongs treatment</li> <li>▪ Filing of and treatment for false claims</li> </ul>
<b>Red flags and warning signs</b>	<ul style="list-style-type: none"> <li>▪ Monday Morning Claims</li> <li>▪ Length of employment prior to injury very short</li> <li>▪ History of claims</li> <li>▪ No witnesses</li> <li>▪ Late reporting</li> <li>▪ Treatment refusal</li> <li>▪ Tip-off from other employees</li> <li>▪ Unusually familiar with insurance terms and procedures</li> </ul>
<b>Take action</b>	<ul style="list-style-type: none"> <li>▪ Identify hazards</li> <li>▪ Report claims</li> <li>▪ Manage the injured worker back to the job they were hired to do</li> <li>▪ Treat all employees with respect and dignity</li> <li>▪ Document and keep accurate records</li> </ul>

### Claims for Auto Dealers 2013

Cost by injury cause



Frequency by injury cause



### It all adds up

Description	Dealer A	Dealer B
<b>Tier rating</b>	(Preferred plus)	(Non-standard)
<b>Experience modification</b>	-25% (.75 mod)	+50% (1.50 mod)
<b>Deductible</b>	\$500	\$0
<b>Provider discount</b>	-2.5%	0%
<b>Association discount</b>	-4%	0%
<b>Cost containment certification</b>	-5%	0%
<b>Schedule rating</b>	-10%	+10%
<b>Premium discount</b>	-8.6%	-8.6%
<b>Total</b>	\$104,212	\$317,281

### Frequency vs. severity

#### Prevent the preventable injuries

One loss: \$113,000  
Impact on E-mod = .15

8 claims × \$2,500 = .16  
(\$20,000 total)

#### Why?

For every **3,000** near misses, there are **300** minor incidents, **30** major injuries, and **1** fatality.

### Important changes in experience ratings

A 1.00 mod is like getting a "C" grade. It is the average expectation of claims frequency and severity. Your district may be doing better or worse. How do you compare to your peer districts?

#### NCCI has changed the split point of primary and excess losses starting in 2013:

<b>2013</b>	the first \$10,000 of every claim is considered a primary loss
<b>2014</b>	the first \$13,500 of every claim is considered a primary loss
<b>2015</b>	the first \$15,000 of every claim is considered a primary loss

#### What does this mean for you?

The number of large claims your district had in 2010, 2011, and 2012, will negatively impact your experience rating.

### Prevention is key

#### What districts do before a claim can drastically reduce costs:

- Pre-employment screenings
- Hire the right person for the right job
- Safety is everyone's job
  - Addressing hazards and preventing additional claims
- Safety training

#### Cost Containment — 6 steps:

- Safety policy statement
- Safety committee or coordinator
- Enforced safety rules
- Consistent safety training
- Medical provider relationship
- Claims management
  - Committed Return to Work Program

### Once the claim happens, mitigating costs

#### Benefits of Return to Work Program:

- Transitions employees to full duty
- Keeps employees productive
- If refused — benefits can be terminated
- Can avoid attorney involvement
- Fosters goodwill
- Longer an employee off work, more costly the claim and greater chance they will not return at all

#### Good Claims Management Program:

- Instruct employees on injury reporting procedures
- Investigate claims to determine real cause and future prevention; not to assess fault
- Keep open lines of communication
  - Claims adjuster
  - Injured worker
  - Treating physician