

Litigation Management

Thoughts following the 3rd Travelers Earnings miss

Travelers, a bell-weather stock, surprised the market with a miss on their earnings for the 3rd quarter. As a result, their stock was down 8% on Monday last week. The biggest factor that was blamed for the miss was increasing expenses and losses from the tort environment. Particular focus in the earnings call was on their Commercial Auto and Excess Casualty books of business. There were a number of interesting comments from Chairman and CEO Alan Schnitzer during his prepared remarks, including:

*“As I shared at an industry conference last month, GL and commercial auto were **impacted again this quarter by a tort environment that is deteriorated beyond our elevated expectations.**”*

*“...during 2018, the **observed average paid claim costs shifted significantly compared to the prior years**, as well as throughout the year. This view of industry data for other commercial liability coverages is not yet available for 2018, but **we believe that the more aggressive tort environment is to one degree or another impacting those as well.**”*

*“Developing a stable view of ultimate losses in this case is made difficult by the **magnitude of the shift in the data**, combined with the fact the long tail nature of the exposure and the **lengthening of the claim development pattern**, which is difficult to assess as it emerges. At the heart of the issue is a higher and **more aggressive level of attorney involvement on claims.**”*

That last quote is very revealing about the plaintiff's bar. It suggests a number of things are going on:

1. The increasing provision of litigation financing by Wall Street is allowing the plaintiff's bar to bring more suits against insurers as well as invest more time in pursuing those cases.
2. An increasing use of technology by the plaintiff's bar to select potential targets, manage the costs of pursuing claims and mining litigation data for target rich jurisdictions and classes of business.
3. The plaintiff's bar understand that the legal environment is more conducive to larger jury awards / settlements.

Gramercy Risk Management provides litigation management services to insurers. A combination of hands-on involvement in defending claims in litigation, managing panel counsel and utilizing litigation management software help us achieve lower litigation expense and better claims costs for our clients. It also gives our clients a significant advantage in data to combat the plaintiff's bar. The Travelers announcement would suggest there has never been a better time for insurers to re-examine their litigation management protocols.