

Association of Plumbing, Heating, Cooling Contractors of Oklahoma
Federated Insurance Annual Summary
August 18, 2014

Federated Insurance values the relationship we have with Association of Plumbing, Heating, Cooling Contractors of Oklahoma. We feel it is important to update you on an annual basis on Federated's insurance and risk management programs to help your members.

Federated and the Insurance Industry – The insurance industry has shown its first year of profitability since 2007. A number of factors contributed to these results: a better pricing environment for insurers, an improving economy, and increased attention to underwriting by insurers. While the industry has shown a profit, there are still underlying challenges. A primary challenge for insurers is their ability to earn adequate levels of investment returns with their investable capital. Interest rates remain at historically low levels. While the equity markets have done well, most insurers invest a very high percentage of their surplus and reserve monies in high quality, long term bonds. Because of the low investment returns in these investment vehicles, policyholders can continue to expect insurers to remain diligent in their underwriting process. Federated was not unlike the industry in terms of profitability, and was very pleased with its results. The company posted a 98.9% loss ratio for the year. While the results were certainly satisfying to Federated, the company will continue to remain diligent to improve on the success of 2013.

Federated was once again awarded an A+ (Superior) ranking by A.M. Best for year-end 2012 (2013 results have not yet been posted). Notably, Federated was included in the short list of just 9.1% of all U.S. P&C insurers to achieve an A+ (Superior) rating from A.M. Best. In addition, Federated was once again recognized as a "Ward's 50 Top Performer" for 2012. We are proud of the recognition from both organizations regarding the financial success of the company and will continue to focus on maintaining financial strength for the benefit of our clients and employees.

Patient Protection and Affordable Care Act (ACA) – The Patient Protection and Affordable Care Act has had an impact on every person in the United States. Most notably, small businesses (firms with less than 50 employees) will begin to see many changes as the ACA law is now in place. Federated remains committed to providing our clients with the necessary products and services to meet the requirements of the law. Federated has invested significantly into a new private marketplace (private exchange), as well as in the development of a new health claims system. Federated has also developed ACA-compatible plans that meet specified criteria, as determined by law. Federated has chosen not to participate in any public exchanges. Federated Insurance's group health product will only be available for sale to the small and large business marketplace through a Federated Marketing Representative (products are not available in the individual health insurance market). Rest assured, if there are any additional changes to the law, Federated will provide the appropriate communication to you to share with your members.

Federated Employment Practices Network (FEPN) – Federated has rolled out a new human resource (HR) solutions network to help clients navigate difficult HR issues. Whether it is workplace harassment, discrimination, or other issues as it relates to the workplace, the Federated Employment Practices Network may be able to offer a solution. With this new program, Federated is able to offer our Employment Related Practices Liability policyholders access to pre-paid, unlimited, state-specific, expert legal advice through Enquiron®. Clients will have the ability to secure advice through a network of attorneys based on the attorney/client relationship. There is no limit as to the number of times a client can access the network of

attorneys for legal advice as it relates to employment-related issues. Clients without a Federated Employment Related Practices Liability policy will still have access to FEPN's resources; however, the client will not have access to the pre-paid legal services.

What's New in Risk Management? Annually, Federated likes to provide our association partners at least a couple of risk management "reminders" to assist their members in preventing claims.

Fire Prevention Week occurs in October every year. Federated clients were provided flyers as a reminder to take time at least once a year to inspect their business for potential fire hazards. Many fire-related claims are preventable; remind your association members the importance of remaining diligent with basic fire safety.

In addition, it is important to review the motor vehicle reports (MVRs) of all employees that drive on behalf of the business each year. Clients that practice this process of ordering, reviewing, and establishing (and enforcing) written standards for acceptable driving behavior for their employees are able to better control vehicle and driving-related claims. Written standards need to be communicated to all employees every year to remind them that their driving responsibilities are important to the company as well as a requirement for their job responsibility.

Program Update

- Accounts – 35 (Nationally we insure 1,757 PHCC Contractors)
- Premium - \$1,014,788 (Nationally we have over \$43million in premium with PHCC Contractors)
- Premium Retention – 71.7%
- Total 2013 Financial Support – \$7,527
- Total Financial Support Over Last Five Years – Over \$85,000

Federated appreciates and values the relationship we have with PHCC of Oklahoma. Please let me know if you have any questions regarding the information provided.

Sincerely,



Michael Cox, Account Executive
Association Risk Management Services
Federated Insurance Companies