

PRIME INSURANCE COMPANY &
PRIME PROPERTY CASUALTY INSURANCE INC



Q2 & Q3 2021

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State of the Market

2nd & 3rd Quarters 2021

Prime thrives in all market conditions

Message from the President, Chairman & CEO, Rick J. Lindsey



Rick J. Lindsey

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The “state of the market” that Prime Insurance companies are experiencing in 2021 seems markedly different – and better – than that of many firms in the industry.

We’ve seen several insurance industries’ “state of the market” reports, with many references to how tough the market is – “some of the hardest market conditions most of us have ever seen.” We’re seeing more and more exclusions, especially with regards to COVID-19, other communicable diseases, bad weather events, wildfires, and cyber-attacks, including ransomware.

More firms say they are “de-risking” their books of business, becoming more conservative, and seeking “selective” growth opportunities. Some carriers are retreating altogether from some markets.

By contrast, Prime has never cancelled a class of business and never intends to. While many others in our industry seem to take solace — and make excuses — in repeating how challenging the last couple of years have been, our Prime companies have accepted and met these challenges head on and enjoyed record new levels of production and expansion, including employee growth.

Our numbers tell the story: In 2020, Prime Insurance Company reported a combined ratio of 72.1 on net earned premium of \$100.8 million, and Prime Property & Casualty Inc reported a combined ratio of 68.0 on \$68.6 million in net earned premium. By contrast, Prime’s peer average combined ratio is 103%. A combined ratio of 100% is break even. Above 100% demonstrates poor performance. Lower than 100% is excellent performance. **Prime regularly places in the top 1% of all insurance companies in key financial metrics.** P&C industry average loss ratio for 2020 is 70.2%, the expense ratio is 27.3% and the combined ratio is 98.7%.

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PIC
COMBINED RATIO

72.1%

PPCI
COMBINED RATIO

68%

INDUSTRY
AVERAGE

98.7%



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Rather than fearing world events, we have found that our steadfast approach to Underwriting, Claims and Risk Management produces success in all market conditions.

Industry Q2 2021 numbers have shown positive numbers about new capital. However, no amount of new capital will resolve fundamental weaknesses — lack of disciplined underwriting, including less than adequate pricing, poor claims handling, and use of overly broad forms (such as defense outside, aggregate deductibles, etc.)

Our Underwriting strategy is simple with a few key critical guidelines such as not competing with “stupid” on pricing and terms, providing products and services that actually work in today’s highly litigious environment, over-run with nuclear verdicts and consequently heading in the wrong direction for the insurance industry and insureds.

Carriers continue to offer highly inclusive coverage, high limits for low premium. This approach is not sustainable and leads to carriers quickly entering and exiting the marketplace. There is a lack of discipline in underwriting, understanding of exposures and claims management.

Prime has cracked the code on remaining profitable while insuring high-risk businesses that other companies avoid. It is simply executing first-class business practices such as getting the little things right; knowing and collaborating with the customer in a real partnership;

fighting for the customer; training, enabling and motivating capable employees to perform well; and creating a business culture of excellence and pride.

With these partnerships and trusted relationships, Prime helps clients operate safer, better businesses, which improves their bottom line and gives Prime a favorable loss ratio. The client avoids claims and Prime is financially successful.

Instead of cancelling insureds when they have losses, often through no fault of their own, we set out to help them. They have learned to trust Prime as a reliable long-term partner, especially when they receive an exaggerated claim or a frivolous lawsuit calling for a robust defense.

Our robust claims defense strategy enables us to tackle head on today’s aggressive plaintiff bar and nuclear verdicts that have caused underwriting unprofitability for so many carriers.

During this time, we have found opportunities everywhere, from small personal lines to complex commercial and captive self-insurance partnerships. They all present opportunities for the right team players with partnerships that are based on a strategy and a plan that the team executes at the right time while not folding to frivolous litigation attacks.

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We are seeing trends in general market limitations and exclusions, such as:

- Property: Limited and restricted capacity particularly with wildfire and coastal risks
- Commercial auto: Exclude new commercial drivers and/or international drivers (CDL)
- Communicable disease
- Contact sports: concussions
- Migrant camp/temporary facilities

Additionally, we are seeing submissions for several emerging risks, such as:

- Temporary facilities including medical treatment for migrant families and children
- Trucking schools for licensed commercial drivers (CDL)
- Cannabis-related
- Kratom-related
- Cryptocurrency businesses
- Influx of SPACs (special purpose acquisition company) looking for D&O coverage
- Trucking
- High-value homeowners in CA and FL

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In summary, our view of the market is that, as always, there are new challenges, but if met with professionalism, problem-solving and a proven strategy, there can be high rewards for those who care about providing true insurance solutions and partnerships.

The “state of the market” may be hard – but that’s an environment in which we flourish.



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Rick J. Lindsey is President, CEO and Chairman of Prime Insurance Company, an excess and surplus lines insurance specialty insurance company. Prime is rated A (Excellent) by A.M. Best and offers specialty solutions throughout the United States, U. S. Virgin Islands and Guam.*

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