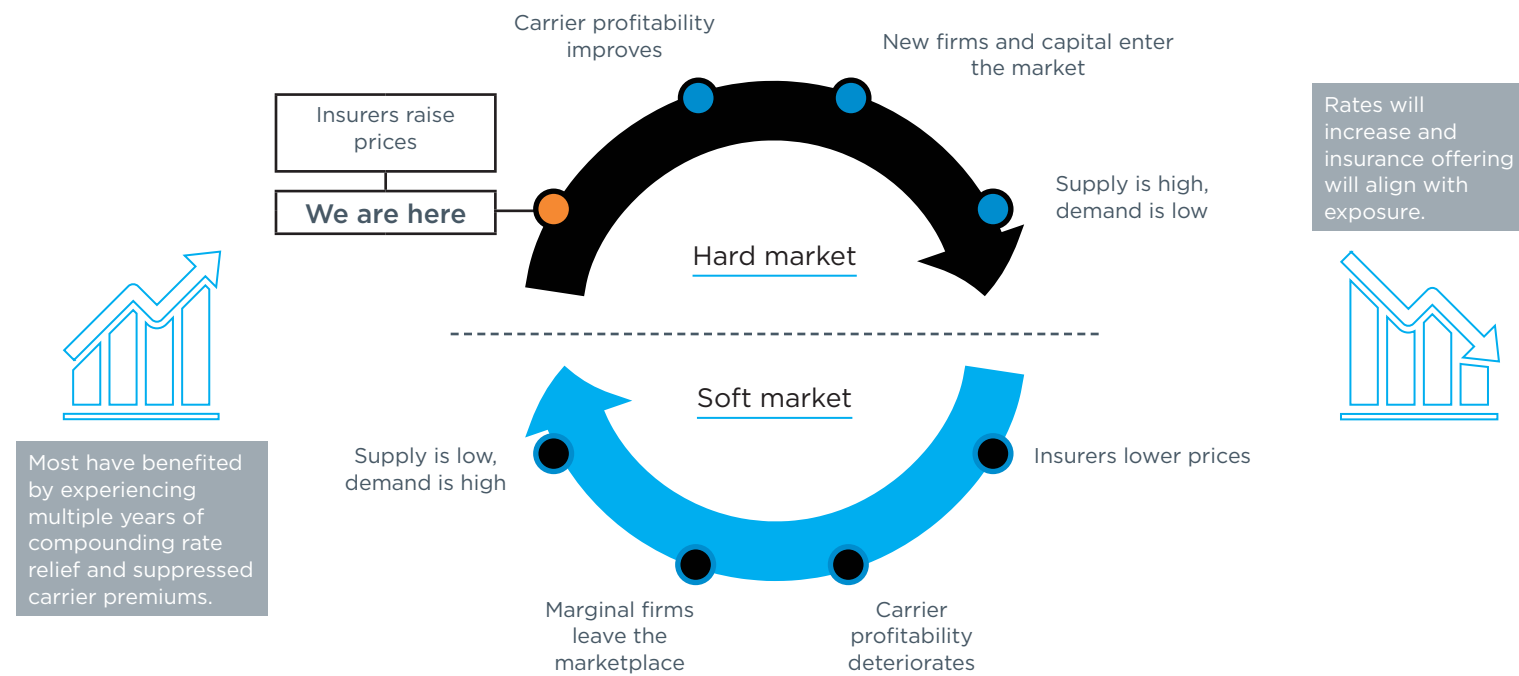


REDUCING COSTS JUST GOT A LOT HARDER!

RAPID CHANGES IN THE PROPERTY AND CASUALTY MARKETPLACE DEMAND A FRESH APPROACH

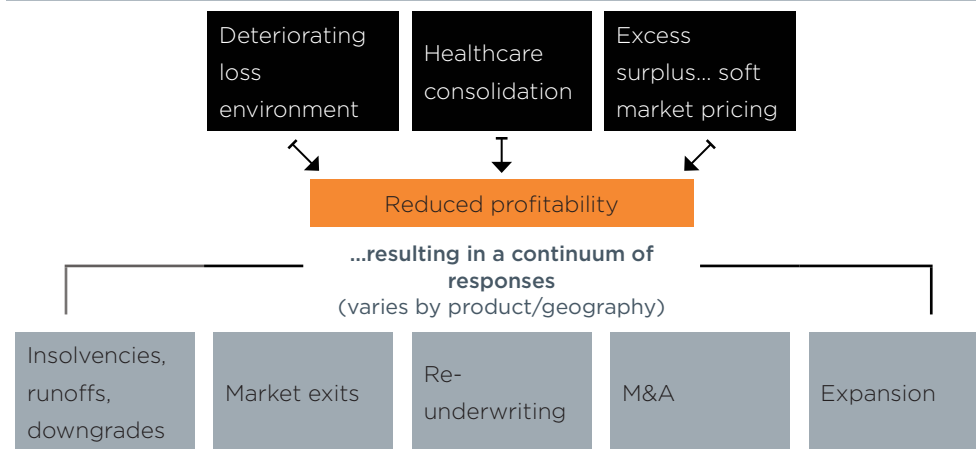
Transitioning market



Key drivers

- Increased loss severity as respects Auto Liability, Property, Healthcare Professional Liability, and Umbrella/ Excess
- Shifting legal/regulatory environment
- Third-party litigation funding
- Increased frequency of nuclear verdicts
- 10+ years declining rates and persistently low return on equity
- Sharply reduced capacity
- New emphasis on profitability

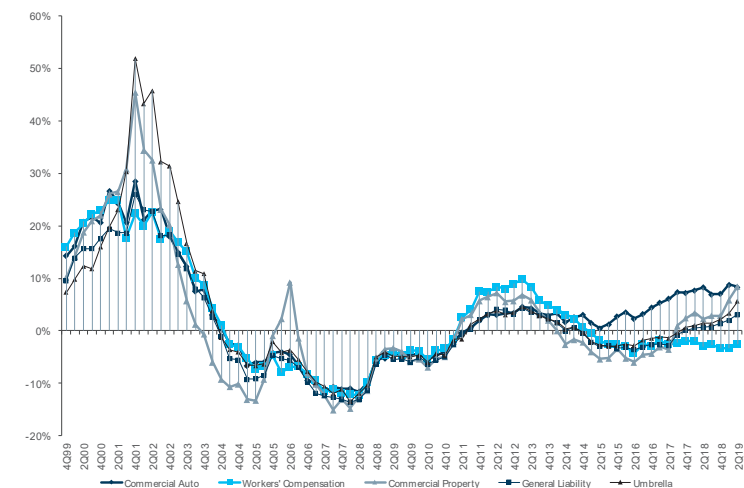
An increasingly challenging HCL market



Market update

CHALLENGING. That is the best way to describe the current state of the property and casualty market in the US. While many are characterizing this as a hard market, the current increases aren't to the level of those exhibited during the hard market conditions in the early 2000s. But for many companies, it may still feel like a hard market because they have experienced significant rate increases, reduced capacity, and changes in terms and conditions. Some have also seen long-term partnerships change as markets modify their portfolios to match their new capital deployment strategies.

AVERAGE COMMERCIAL RATE INCREASES BY LINE



Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

These dynamics are driven by decreased carrier profitability that is the result of years of declining rates, a persistent low interest rate environment, rising claim severity and increased frequency of severity, large natural catastrophe losses, and emerging risks. The tightening isn't a result of reduced market capacity but rather carriers refining how they deploy their capital. Political instability and uncertainty of future economic growth is putting additional pressure on the P&C marketplace.

Underwriting discipline has a renewed focus, and carriers are looking closely at each client's unique risk characteristics to determine pricing, retentions, limits and terms. The net effect is increased variability in outcomes. Underwriters are asking for more information, reviewing the adequacy of each client's risk management and controls, and evaluating executive management's commitment to mitigating loss.

Challenging doesn't mean unmanageable! We are actively engaged with our clients to help position them for the best possible renewal outcomes. Our approach includes:

- Preplanning, with a focus on our client's risk tolerance, current program design, and overall carrier capital deployment strategies.
- Leveraging analytics, as well as qualitative factors, to appropriately differentiate our clients.
- Exploring alternate risk finance strategies and less traditional program structures.
- Assessing market options.

In this edition of the Lockton Market Update, we will discuss the current landscape for each line of business and share ideas about how to manage through the challenging market conditions.

How can I obtain better outcomes using Vizient Insurance Services?

What CFO's and Risk Managers should be asking their brokers

- What factors are driving the rapid market changes?
- What are our most significant underwriting challenges and why?
- How have we performed from a historical loss perspective?
- What should I expect from my incumbent markets?
- What tools are available to evaluate risk / reward tradeoff from a cost of capital perspective
- Where are the inefficiencies / opportunities in my current program?
- What is the basis for our current retentions and limits? Are these still appropriate?

How Vizient Insurance Services can help

Vizient can help it's members prepare for and thrive in a hardening insurance market. We have negotiated coverage terms with select carriers who are focused on the healthcare space. We have also harnessed the risk management and healthcare resources of Lockton Companies to provide broad support.

Our teams are focused on identifying loss drivers, closing coverage gaps and optimizing the financial efficiency of retentions and limits. We can also support Members with one off projects around Enterprise Risk Management, Captive Consulting and Construction Services.

Member advantages are numerous

- Dedicated healthcare resources who understand your business and emerging issues
- Programs and services can be accessed regardless of brokerage relationship
- Policies contain unique features such as "no claim" bonus, broadening extensions and access to continuing education
- Members have access to sophisticated financial modeling tools and improved analytics at no additional cost
- Increased stability by leveraging the volume of the group
- Products can be accessed on a one off basis

Lockton Healthcare industry expertise

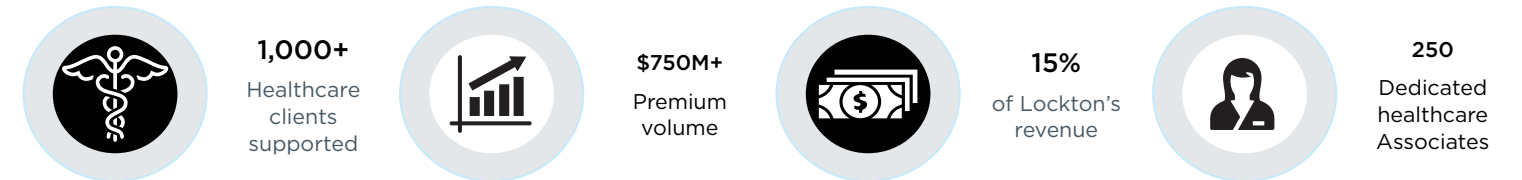


A community of insurance
HEALTHCARE PROFESSIONALS

Dedicated global healthcare team with professionals positioned throughout the US, London, Bermuda, Singapore, and Australia

The Vizient Healthcare team resides within Lockton Midwest. The team includes 25 dedicated resources with expertise in account management, brokerage, claims advocacy and risk control.

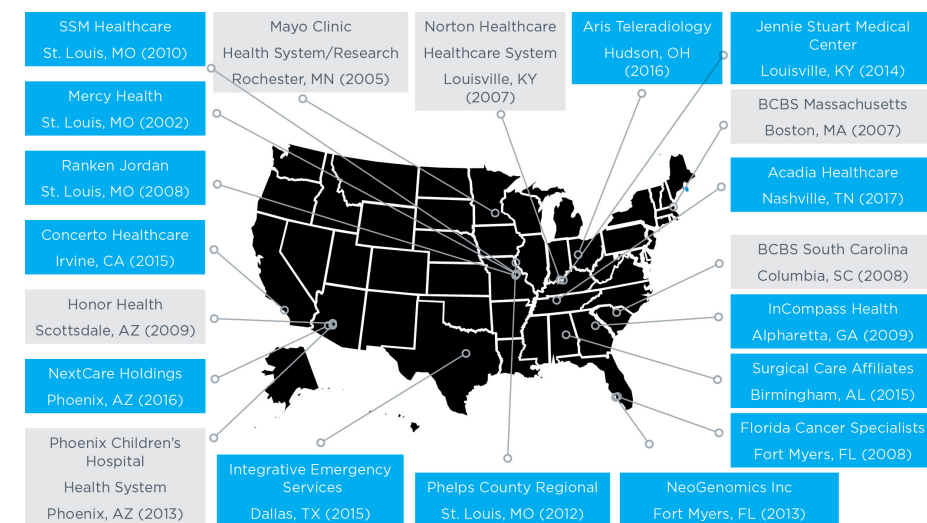
In addition to our Series led Healthcare Practice team, we have the ability to call upon national and global resources when needed. **Our primary objective is to become a strategic partner to our clients;** and to do so, we stay immersed in all aspects of the healthcare industry.



Lockton Healthcare Network® services and resources

- Actuarial analysis
- Captive/RRG consultation
- Clinical risk management
- Enterprise risk management
- Environmental compliance consulting
- Internal policy and procedure review
- The Joint Commission and regulatory program evaluation
- Patient compensation fund expertise
- Alternative risk finance strategies
- Contractual risk transfer/assumed liability review/solutions
- Mergers and acquisitions pre-close diligence and post-close structure/assimilation
- Post-injury and claims management
- Safety training (bloodborne pathogen, hazard communication, back injury)
- Stop-loss analysis

NATIONAL SAMPLING OF CURRENT LOCKTON HEALTHCARE CLIENTS



This list reflects a sampling of clients serviced by the Midwest Series.