

# MOODY'S

Insurance Solutions

## PFAS underwriting case study



## A BREAKTHROUGH IN HOW (RE)INSURERS CAN RESPOND TO NEW MASS LITIGATION

Is it possible to confidently take an offensive approach to underwriting and grow a casualty portfolio in the face of a large-scale and expanding mass litigation event? Until recently, the answer has been an emphatic “no.” The insurance industry has historically responded to mass torts with broad-brush exclusions and a casualty insurance product of diminishing value for its customers.

However, with trusted data and analytics that are now available through Praedicat’s Moody’s CoMeta platform, Moody’s customers can dynamically track active and developing litigation, forecast the range of future litigation paths down to specific industries and companies, and develop targeted underwriting strategies that provide continued coverage where appropriate.

For Moody’s clients, this has resulted in millions of dollars in new or renewed business that would have otherwise been lost due to insufficient coverage through broad exclusions and nonrenewals



## PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS): THE NEXT ASBESTOS AND BEYOND

In 2023, litigation over PFAS (“forever chemicals”) continued its march toward assuming the mantle of the “next asbestos.” There were over 2,500 new cases filed in US courts, representing over one-third of all cases filed since 2020. By the end of 2023, 29 state attorneys general had brought suits against PFAS defendants, up from 14 in prior years, suggesting that PFAS might not be just the “next asbestos” but the “next opioids” as well.

Given the looming specter of widening PFAS litigation, many management teams across the insurance industry are actively considering broad PFAS exclusions within both admitted and non-admitted casualty market segments.



# MOODY'S CUSTOMERS ARE TAKING A MORE EFFECTIVE APPROACH TO MANAGING "EMERGING LITIGATION" EVENTS LIKE PFAS

There remain wide-ranging views and understanding not just of the risk of future PFAS litigation but of the breadth and details of today's active litigation. Winners in today's market will take advantage of the information asymmetry and harness Moody's data and analytics to identify those companies and industries where PFAS coverage can still be confidently offered, where exclusions are necessary, and the middle ground where terms and conditions can be altered to match risk appetite.

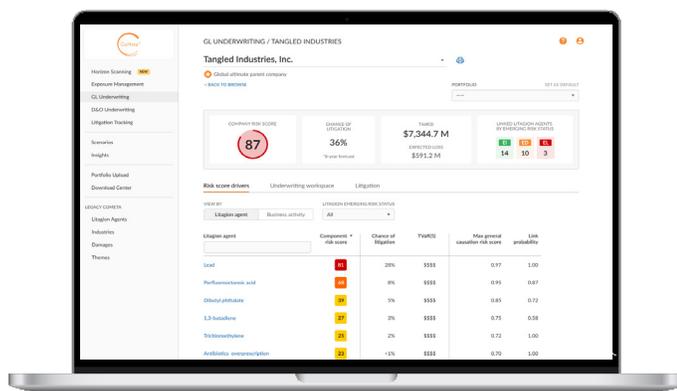
One Moody's customer developed the following simple referral program to provide a prudent and flexible PFAS underwriting strategy across the organization. Its approach to underwriting PFAS-exposed risks is guided by a combination of Moody's forward-looking modeled PFAS loss estimates for companies and up-to-date information on how the active PFAS litigation is unfolding.

The customer flags all renewal accounts and new business submissions that Moody's identifies as having PFAS exposures based on Moody's analyst and algorithmic reviews of the companies and their business activities. This information is shared with underwriters.

Underwriters use Moody's underwriting workflow to identify if flagged companies have been named in active PFAS litigation; operate in an industry in which other companies have been named in PFAS litigation; or incur significant modeled losses to the contemplated policy layer.

If PFAS-related losses do not contribute significantly to the policy layer loss and the insureds and similar companies have not been named in PFAS-related lawsuits, the underwriter may proceed with binding the risk.

If PFAS-related losses exceed a specified threshold or there is relevant active litigation, the account must be referred for further review and a final decision.



By implementing this analytics-informed referral process, the customer was able to generate millions of dollars of new business premium and retain its long-term insureds while avoiding adding to its PFAS accumulations.

New litigation events continue to emerge with growing frequency, and Moody's dynamic emerging-risk platform provides a repeatable and surgical game plan for insurers to come out on top in today's market. Write the good business, decline the bad business, and harness trusted data and analytics to inform decision-making and support better broker and client risk dialogue.