

Economic and Insurance Market Conditions: An Overview and Outlook in the Age of Uncertainty

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Economics 2012: The World Is Changing

2012 is the first year since 2005 where economic perceptions and reality in the US will be positive

***Potentially significant benefits for P/C insurers
and the energy sector***

Economic Outlook for 2012

- Economic growth will continue 2012/13, albeit modestly and unevenly
 - No double dip recession
 - Economy remains more resilient than most pundits presume
 - All robust / credible economic recovery scenarios rely heavily on development of domestic energy sector
- Consumer confidence could ebb, but won't collapse
- Consumer spending / investment will continue to expand modestly
- Consumer and business lending continue to expand modestly
- Business bankruptcies fall, new business formations grow
- Housing market remains weak, but some improvement expected by 2013
- Inflation remains tame

Economic Outlook for 2012

- Private sector hiring remains consistently positive but anemic
 - Unemployment is about 8% by year's end
- Sovereign debt, Euro currency / economy, muni bond “crises” overblown
- European recession is milder than commonly presumed
- Soft landing in China
- Threat from oil price shock, Middle East turmoil has subsided
- Interest rates remain low by historical standards; fear & Fed factors
- Stock and bond market stability has given way to fear trading
- Congress & President agree on tax cut extensions before year-end

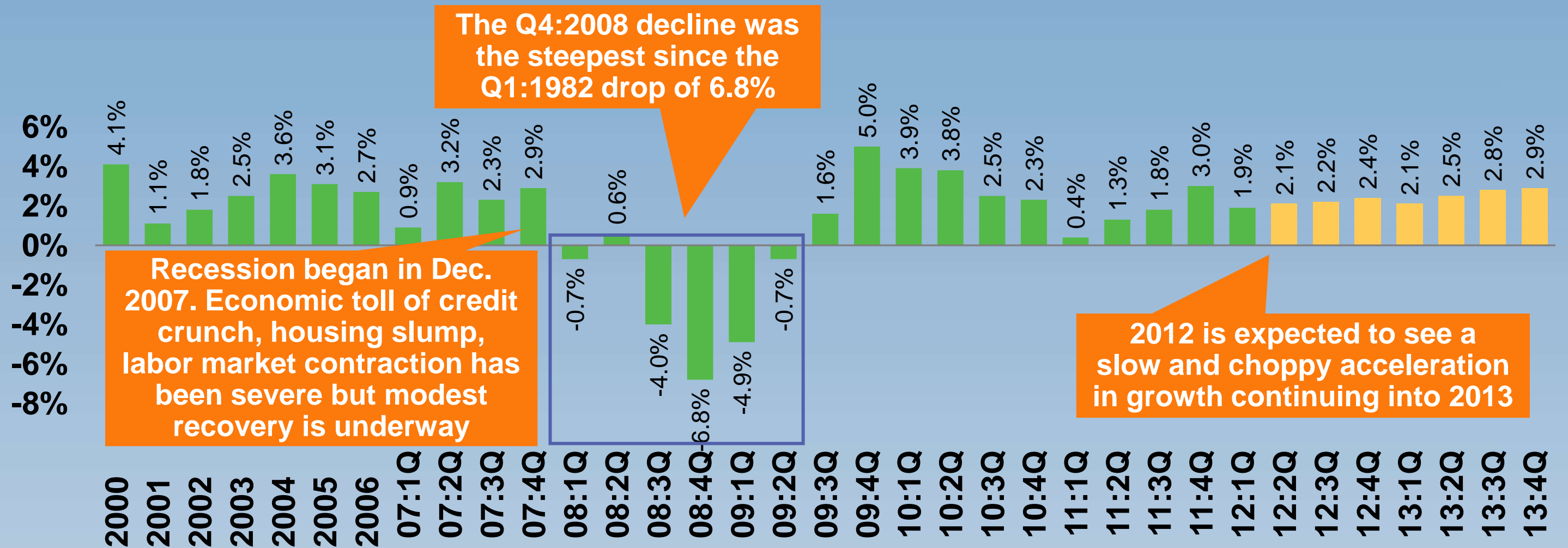
Insurance Industry Predictions for 2012

- P/C insurance exposures grow modestly
 - Personal and commercial exposure growth is certain in 2012; strongest since 2004/5
 - But restoration of destroyed exposure will take until mid-decade
- P/C industry growth in 2012 will be strongest since 2005
 - Growth likely to exceed A.M. Best projection of +3.8% for 2012
 - No traditional “hard market” emerges in 2012
- Underwriting fundamentals deteriorate modestly
 - Some pressure from claim frequency, in some severity in key lines
- Increasing private sector hiring will drive payrolls / WC exposures
 - Wage growth is also positive and could modestly accelerate
 - WC will prove to be tough to fix from an underwriting perspective
- Industry capacity hits new record highs in 2012 (barring mega-CAT)

The Strength of the US Economy Will Influence Insurer Growth Opportunities & Energy Demand

The energy sector is necessarily at the core of any economic recovery scenario

US Real GDP Growth*

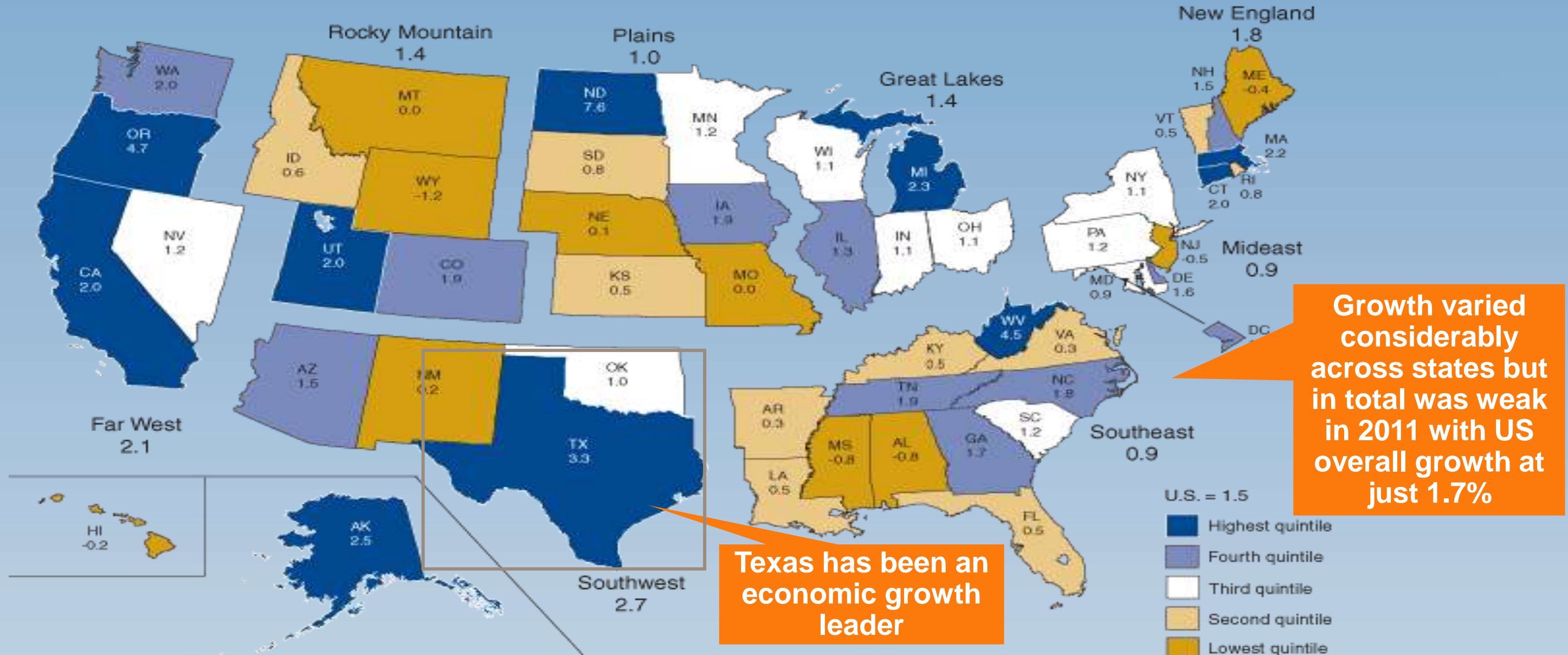


Demand for insurance continues to be impacted by sluggish economic conditions, but the benefits of even slow growth will compound and gradually benefit the economy broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.
 Source: US Department of Commerce, Blue Economic Indicators 6/12; Insurance Information Institute.

Percent Change in Real GDP

by State, 2011



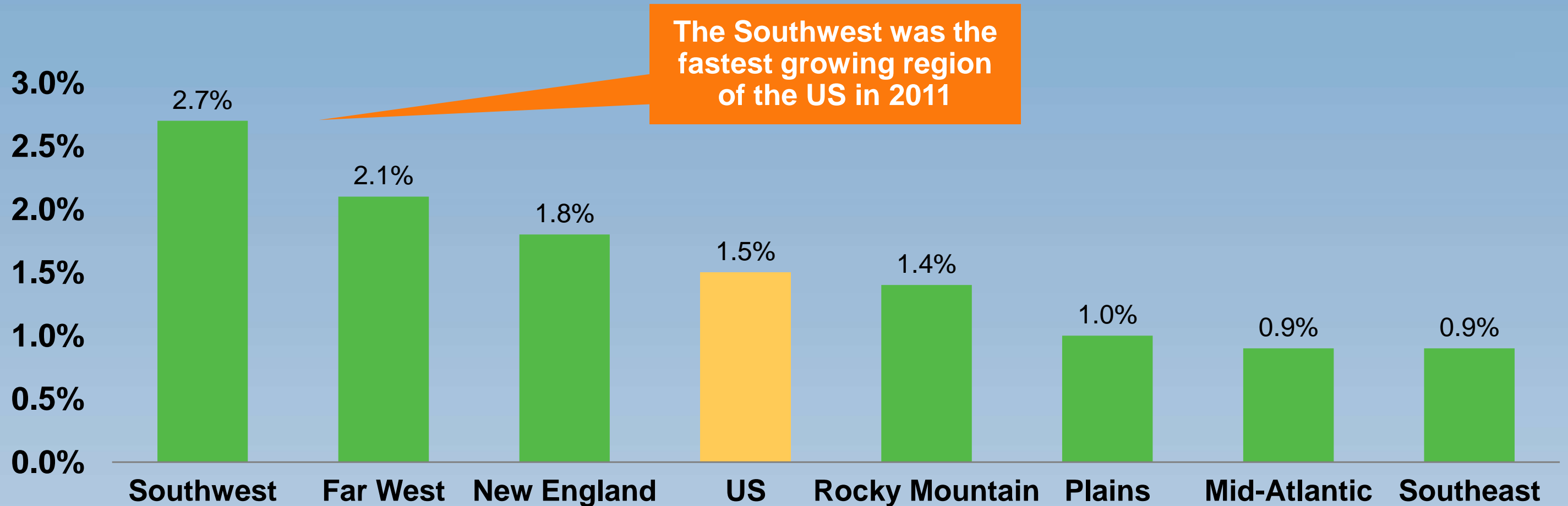
Growth varied considerably across states but in total was weak in 2011 with US overall growth at just 1.7%

Texas has been an economic growth leader

Source: Bureau of Economic Analysis at http://www.bea.gov/newsreleases/regional/gdp_state/gsp_glance.htm; Insurance Information Institute.

Real GDP Growth by Region, 2011

Percentage Change



States in the Southwest grew three times faster than states in the Mid-Atlantic or Southeast, impacting relative insurance and energy demand

Source: Bureau of Economic Analysis at http://www.bea.gov/newsreleases/regional/gdp_state/gsp_glance.htm; Insurance Information Institute.

Global Financial and Economic Instability

Is the global economy about to sink into the abyss?

Concern About Economies All Over the World, Especially Europe but Also Including China



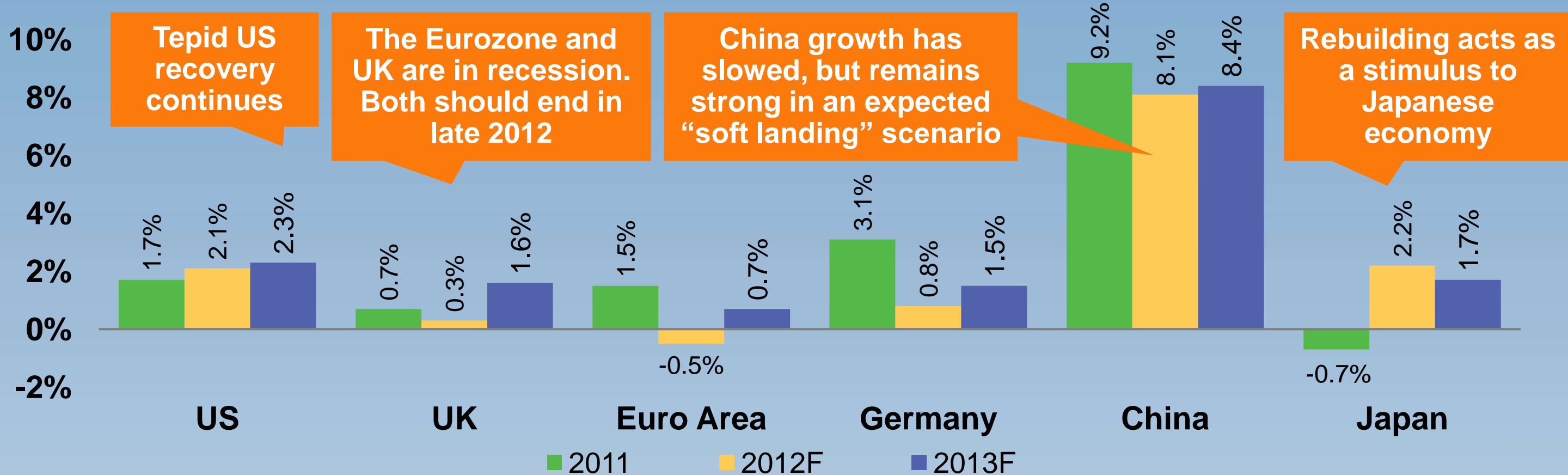
The Economist.
May 31 - June 6,
2012 Issue



The Economist.
June 8 - June 15,
2012 Issue

Real GDP Growth Forecasts: Major Economies

2011-2013F

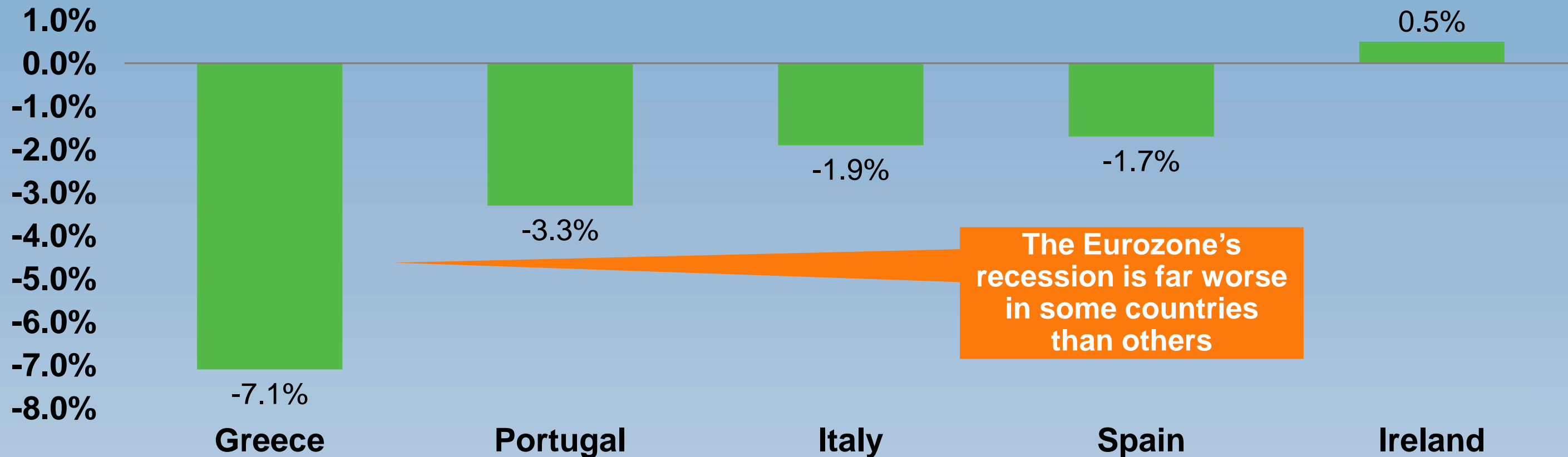


Growth prospects vary widely by region: brightening in the US, mild recession in the Eurozone, a "soft landing" in china and india, reconstruction stimulus in Japan and modest growth in America's largest trading partners—Canada and Mexico

Sources: Blue Chip Economic Indicators (6/2012 issue); Insurance Information Institute

When PIIGS Fly: The Eurozone's Weak Periphery

Percentage Change

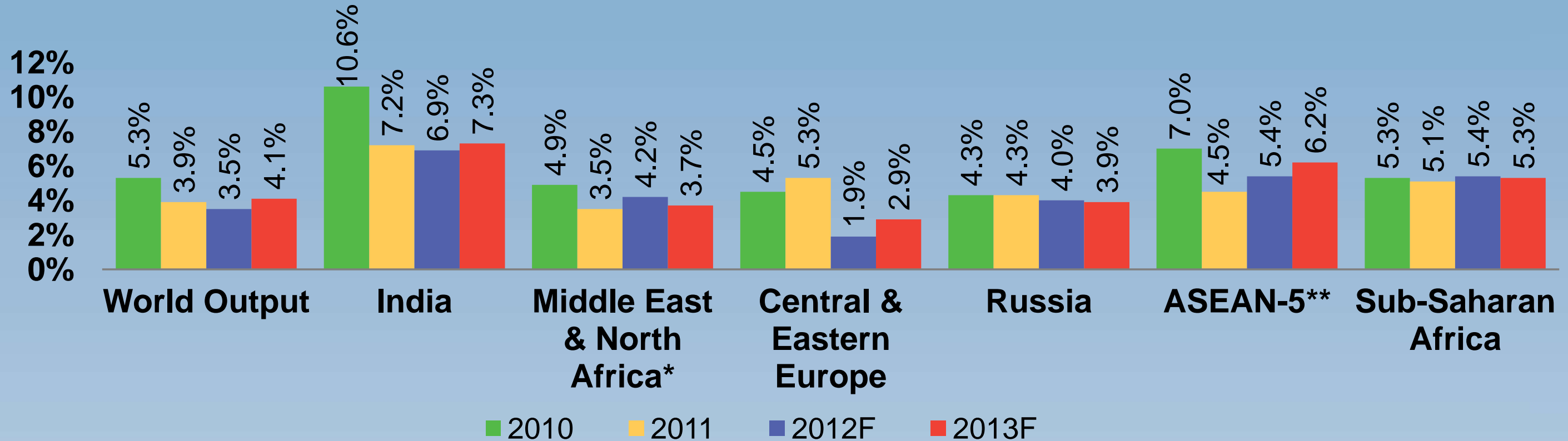


States in the Southwest grew three times faster than states in the Mid-Atlantic or Southeast, impacting relative insurance and energy demand

Sources: IMF World Economic Outlook (April 2012) for Ireland, Portugal; The Economist (June 30, 2012) for Greece, Italy, Spain; Insurance Information Institute.

Real GDP Growth Forecasts: Emerging Market

Regions: 2010-2013F

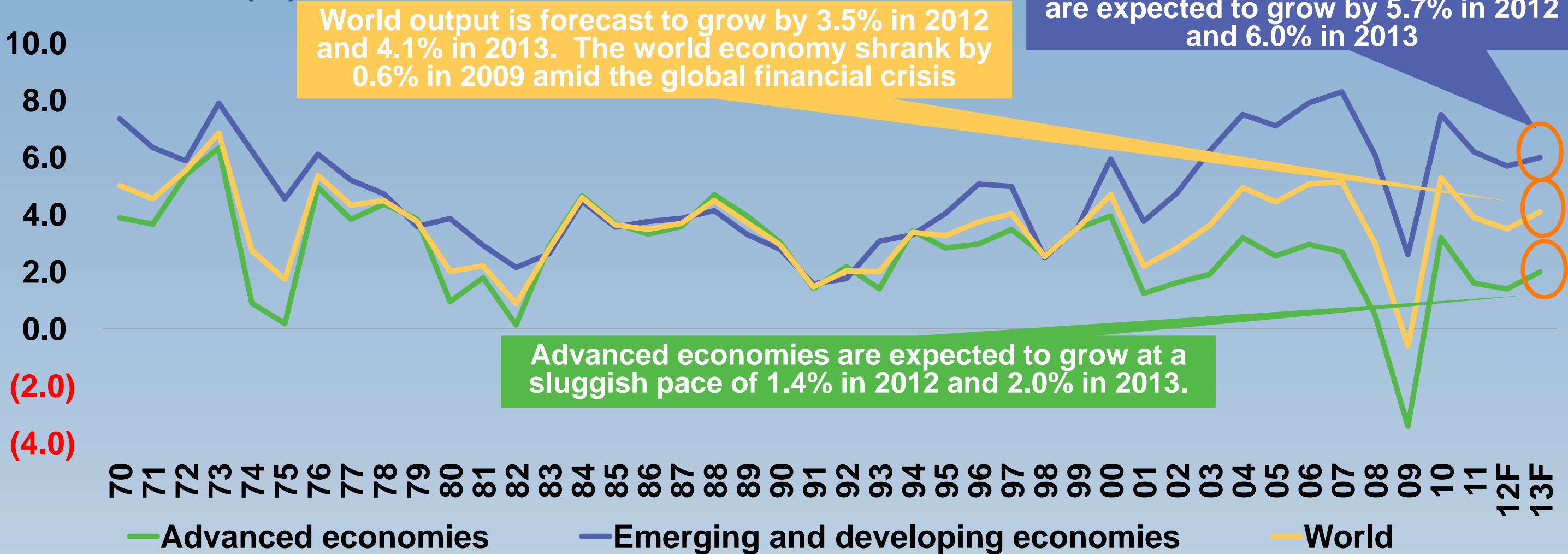


Growth prospects vary widely by region: all regions slowed in 2011 as economic recovery encountered many challenges. IMF outlook for 2012 is mixed with broader, more robust growth in 2013 predicted.

*Excludes Libya in 2011. **Indonesia, Malaysia, Thailand, Philippines and Vietnam
Sources: IMF World Economic Outlook (April 2012); Insurance Information Institute.

GDP Growth: Advanced & Emerging Economies vs. World, 1970-2013F

GDP Growth (%)



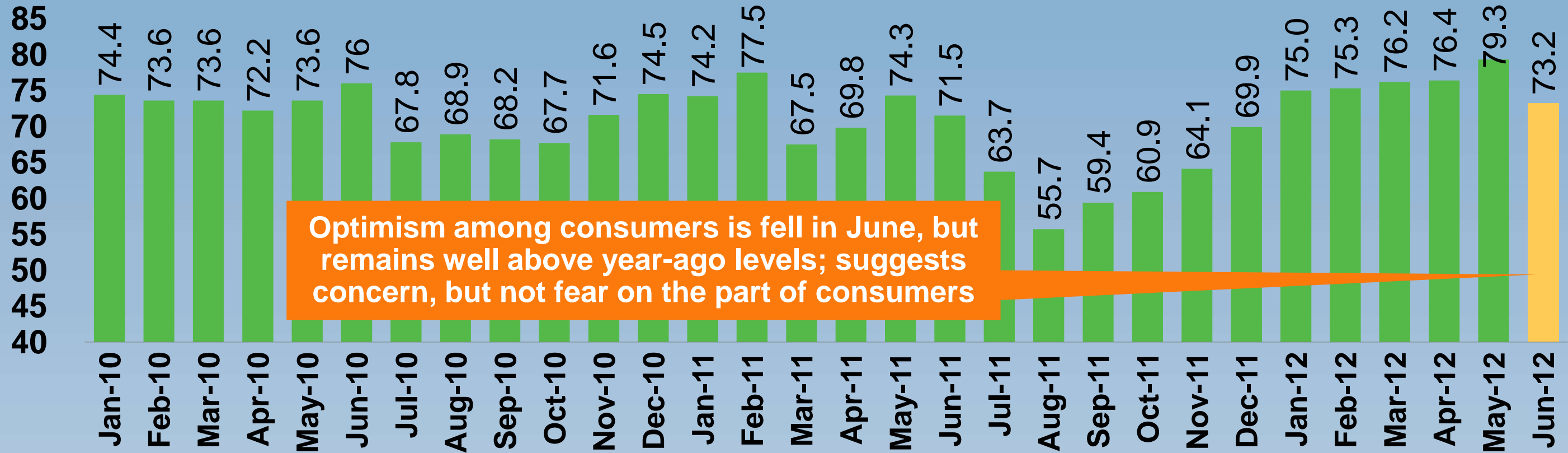
Source: International Monetary Fund, World Economic Outlook Update, Apr. 2012; Insurance Information Institute.

Pillars of Strength in the US Economy

**Insurance and energy demand will grow unevenly
across various economic sectors**

Consumer Sentiment Survey (1966 = 100)

January 2010 through June 2012

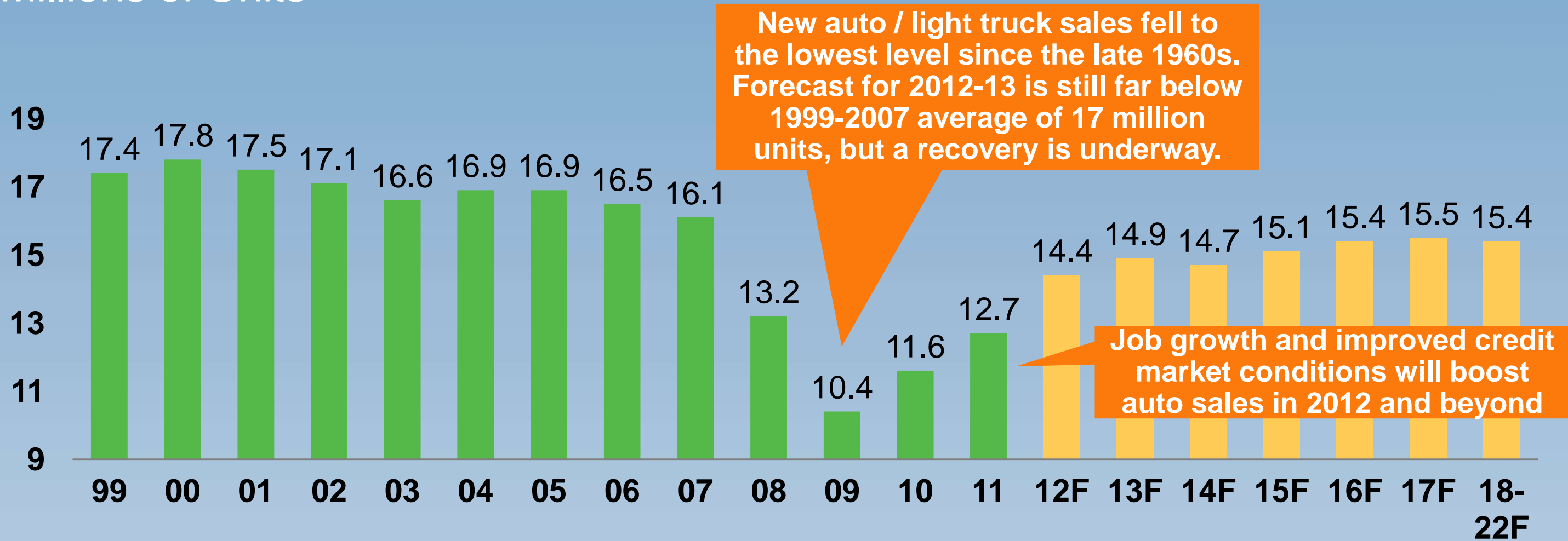


Consumer spending drives 70% of the US economy. In recent years confidence was battered by high unemployment, falling home prices and financial market turmoil; political uncertainty remains a threat

Source: University of Michigan; Insurance Information Institute

Auto/Light Truck Sales, 1999-2022F

Millions of Units

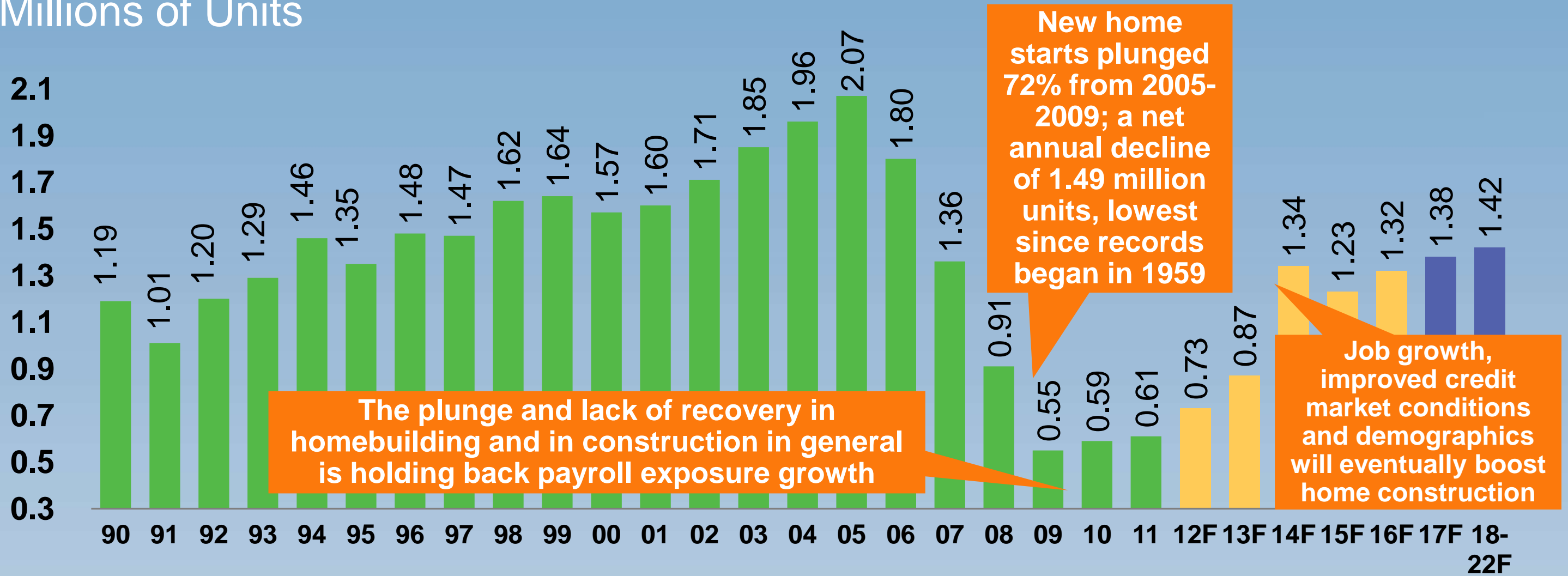


Auto / light truck sales will continue to recover from the 2009 low point, bolstering the auto insurer growth and the manufacturing sector

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (10/11 and 6/12); Insurance Information Institute.

New Private Housing Starts, 1990-2022F

Millions of Units

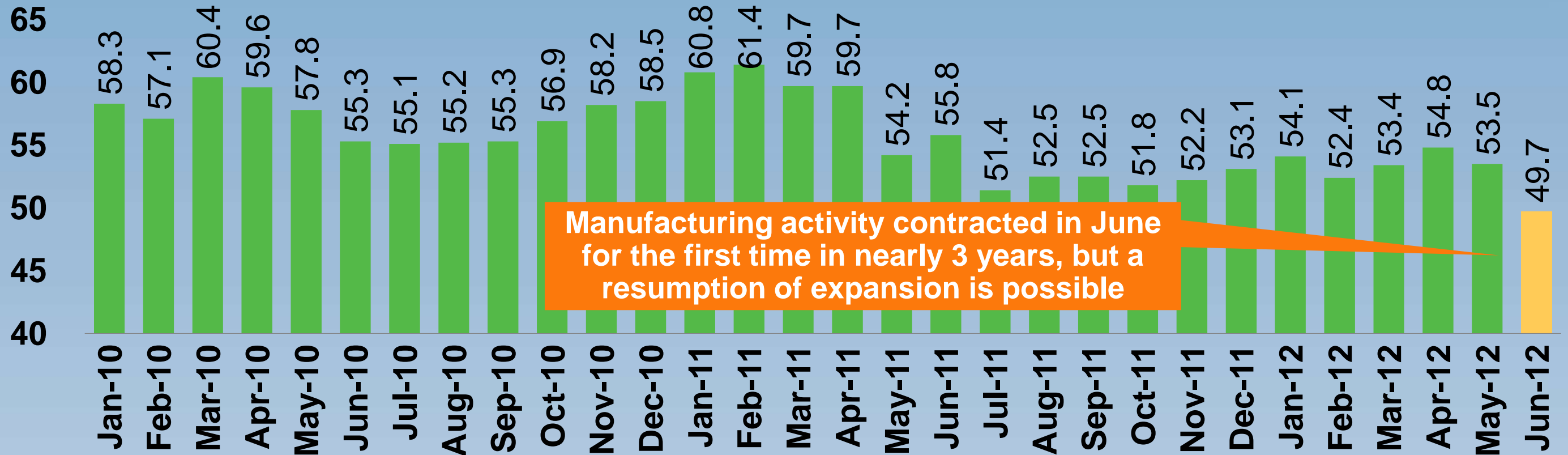


Little exposure growth likely for homeowners insurers until at least 2014 also affects commercial insurers with construction risk exposure, surety

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (10/11 and 6/12); Insurance Information Institute.

ISM Manufacturing Index

(Values > 50 Indicate Expansion)



Manufacturing activity contracted in June for the first time in nearly 3 years, but a resumption of expansion is possible

The manufacturing sector expanded for 34 consecutive months until June 2012 and added jobs. The question is whether this will continue.

Source: Institute for Supply Management at <http://www.ism.ws/ismreport/mfgrob.cfm>; Insurance Information Institute.

Dollar Value* of Manufacturers' Shipments Monthly, January 1992-May 2012

\$ Millions

\$500,000

\$400,000

\$300,000

\$200,000



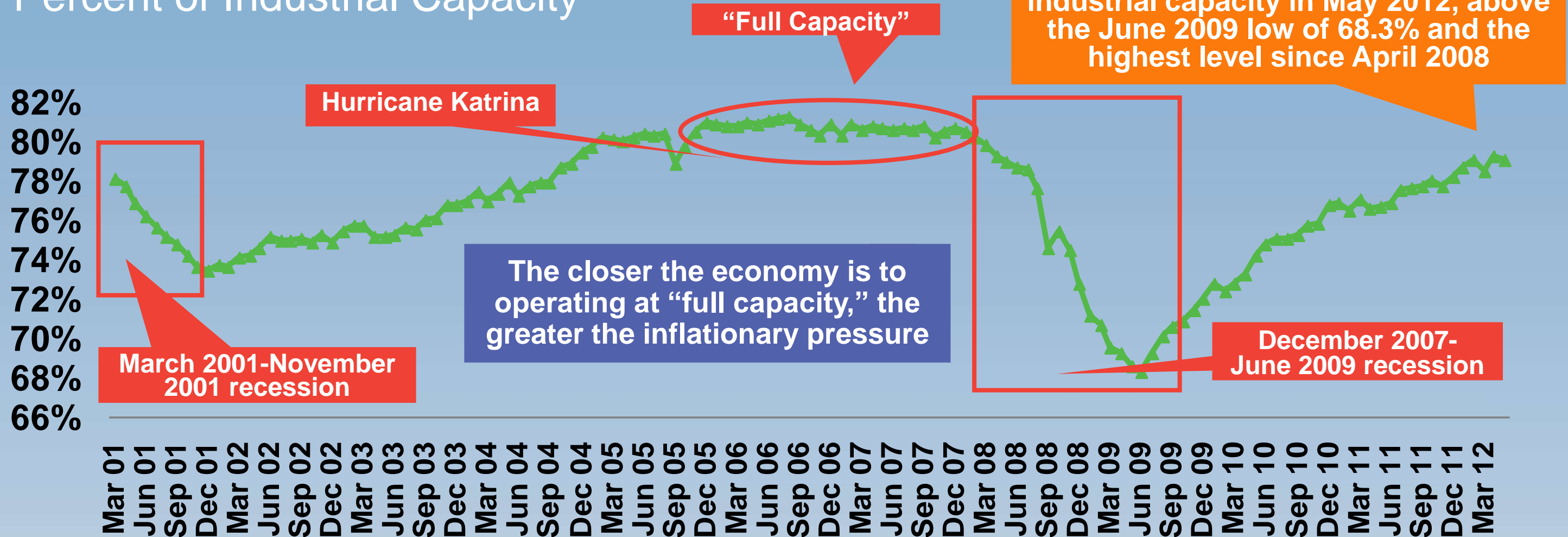
Monthly shipments are nearly back to peak (in July 2008, 8 months into the recession). Trough in May 2009. Growth from trough to March 2012 was 31%. Manufacturing is an energy intensive activity and growth leads to gains in many commercial exposures: WC, commercial auto, marine, property and various liability coverages.

*seasonally adjusted

Source: U.S. Census Bureau, Full Report on Manufacturers' Shipments, Inventories, and Orders, <http://www.census.gov/manufacturing/m3/>

Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

Percent of Industrial Capacity

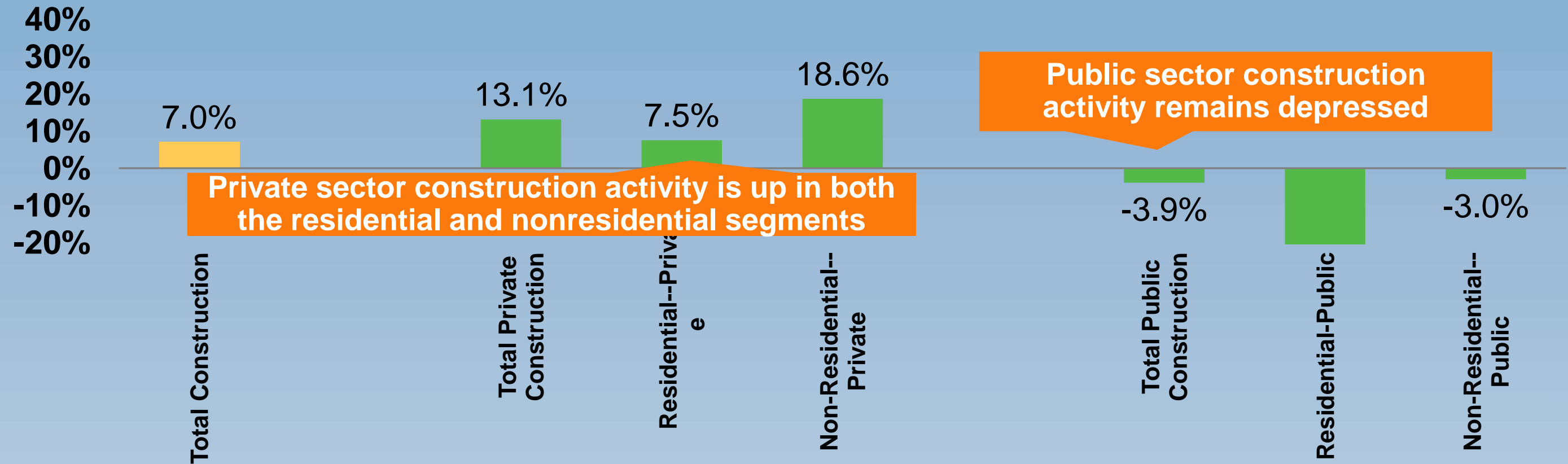


Source: Federal Reserve Board statistical releases at <http://www.federalreserve.gov/releases/g17/Current/default.htm>.

Value of Construction Put in Place

May 2012 vs. May 2011*

Growth (%)



Overall construction activity is up, but growth is entirely in the private sector as state / local government budget woes continue

*seasonally adjusted

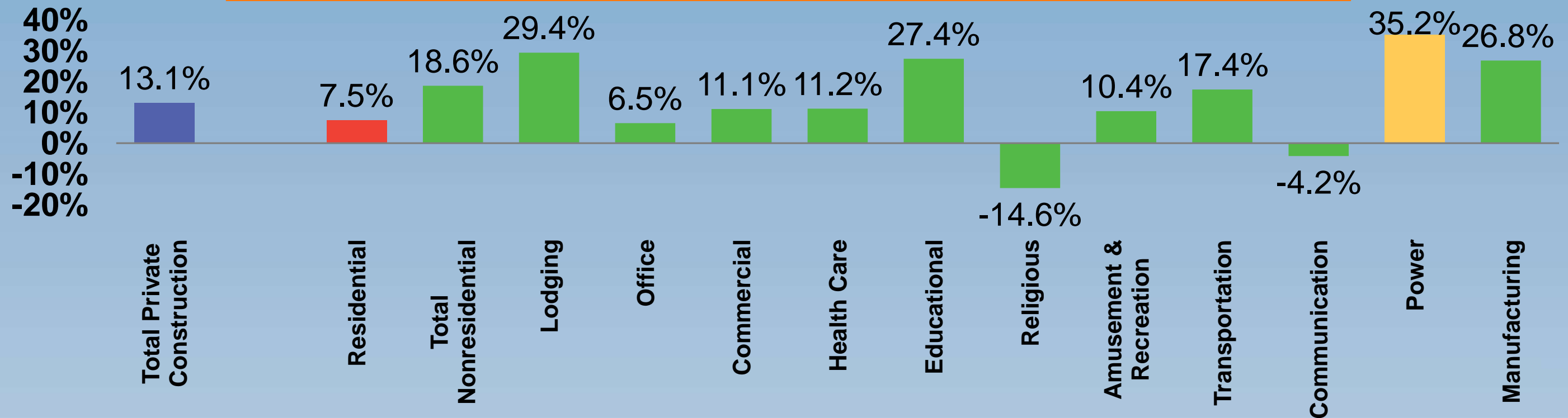
Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html>; Insurance Information Institute.

Value of Private Construction Put in Place, by Segment

May 2012 vs. May 2011*

Growth (%)

Led by the power industry, private sector construction activity is up by double digits in many segments after plunging during the “Great Recession”



Private construction activity is up in most segments, including residential construction but led by power

*seasonally adjusted

Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html>; Insurance Information Institute.

12 Industries for the Next 10 Years: Insurance Solutions Needed

Health Care

Health Sciences

Energy (Traditional)

Alternative Energy

Petrochemical

Agriculture

Natural Resources

Technology (incl. Biotechnology)

Light Manufacturing

Inourced Manufacturing

Export-Oriented Industries

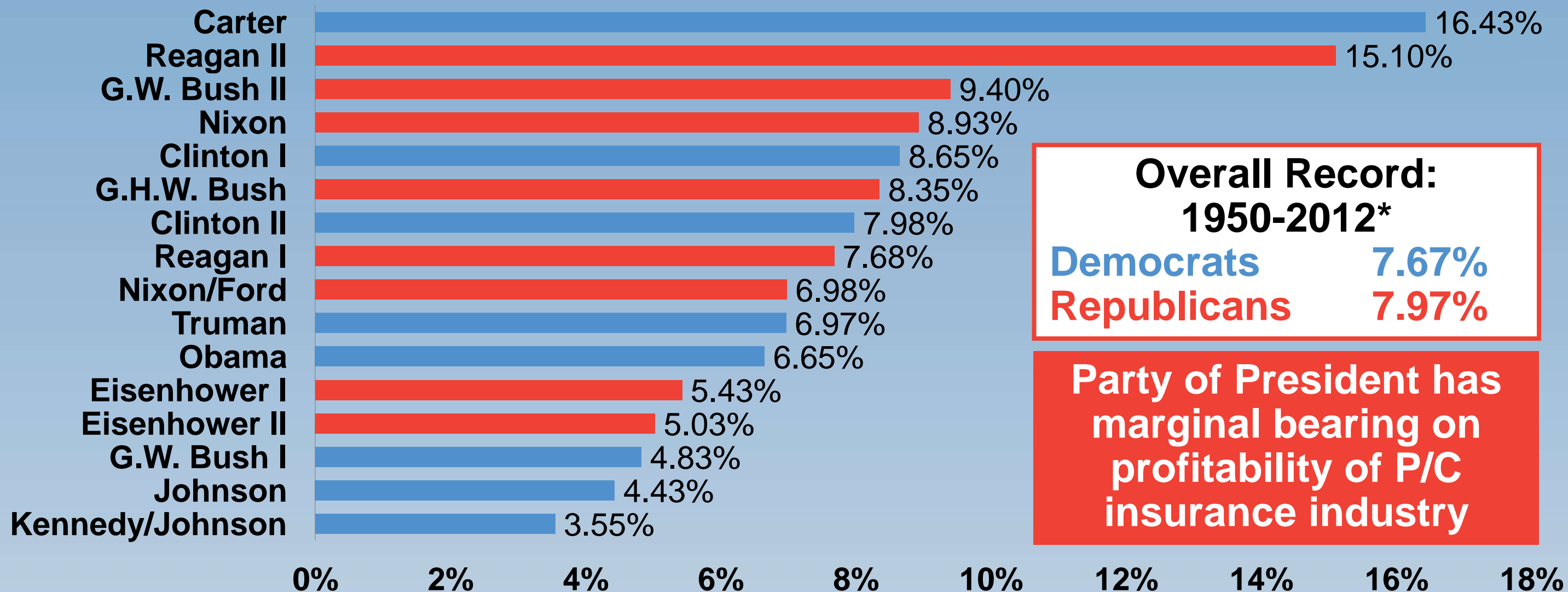
Shipping (Rail, Marine, Trucking)

Many industries are poised for growth, though insurers' ability to capitalize on these industries varies widely

Presidential Politics & the P/C Insurance Industry

How is profitability affected by the President's political party?

P/C Insurance Industry ROE by Presidential Administration, 1950-2012*



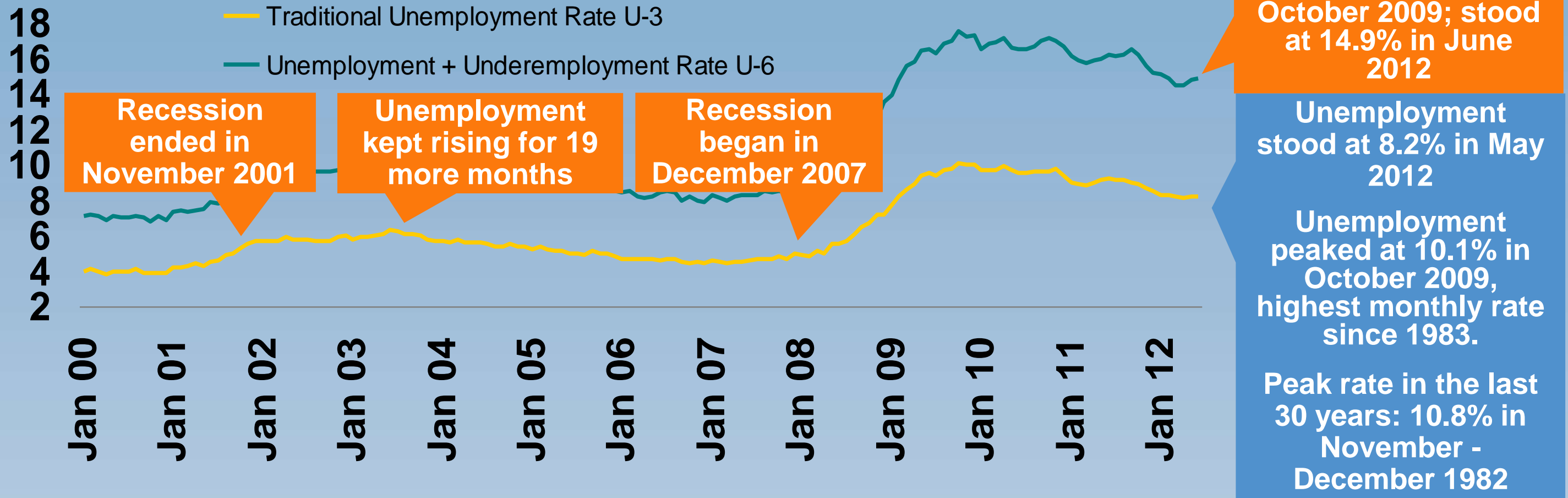
*Truman administration ROE of 6.97% based on 3 years only, 1950-52; ROEs for the years 2008 forward exclude mortgage and financial guaranty segments. Estimated ROE for 2012 = 7.0%. Source: Insurance Information Institute

Labor Market Trends

**Massive job losses sapped the economy
and commercial / personal lines exposure,
but trend is improving**

Unemployment and Underemployment Rates

January 2000 through June 2012, Seasonally Adjusted (%)

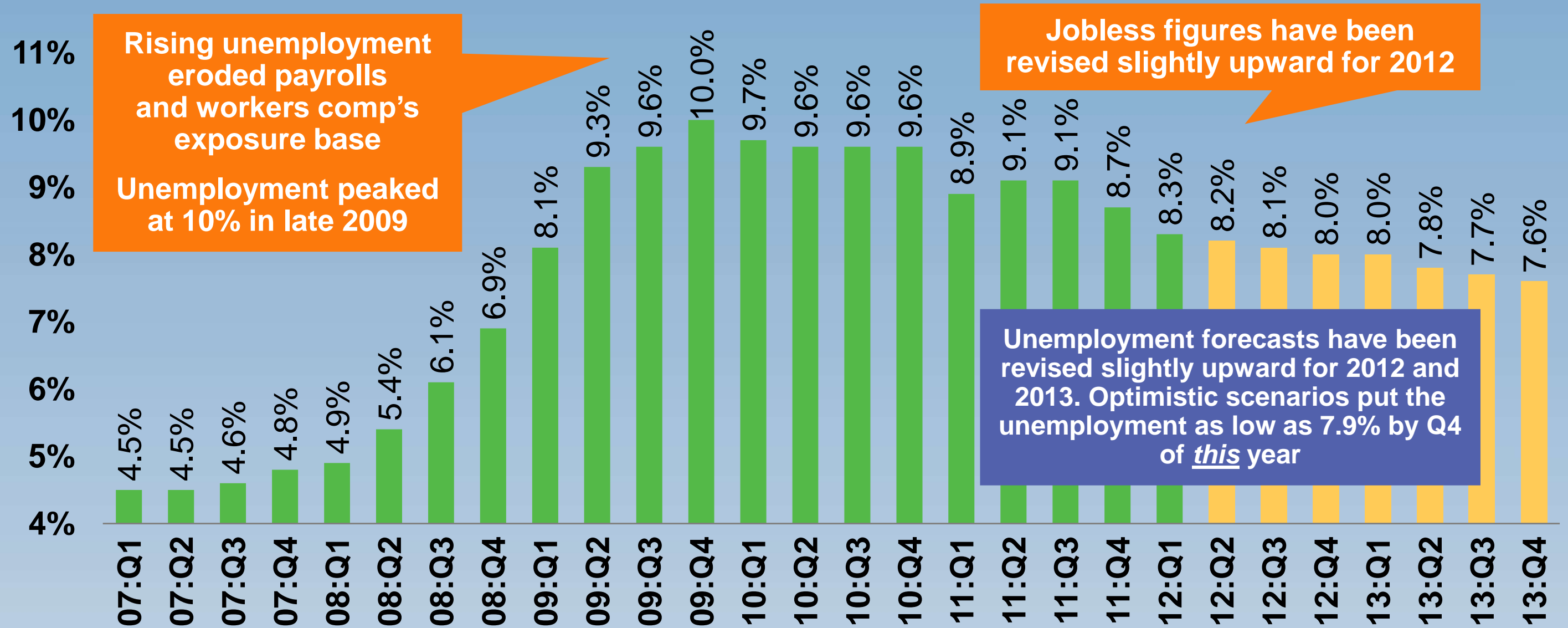


Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is now clearly improving

Source: US Bureau of Labor Statistics: <http://www.bls.gov/ces/home.htm>; Insurance Information Institute

US Unemployment Rate Forecast

2007 to 2013F*

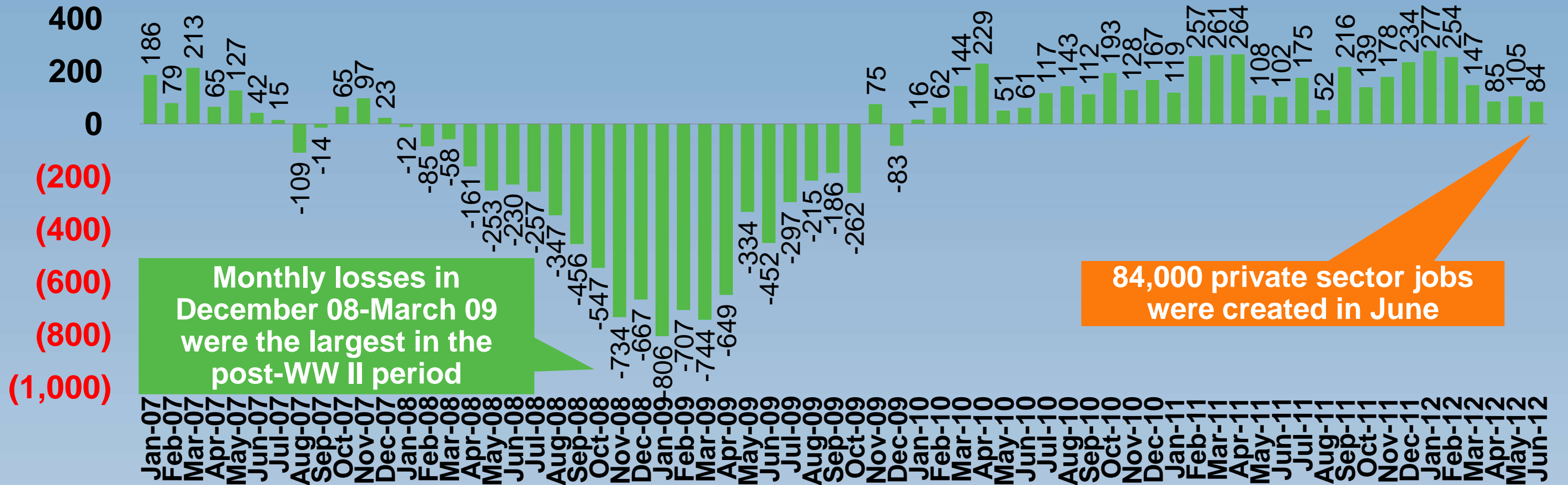


* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (6/12 edition); Insurance Information Institute.

Monthly Change in Private Employment

January 2008 through June 2012 (Thousands of Jobs)



Monthly losses in December 08-March 09 were the largest in the post-WW II period

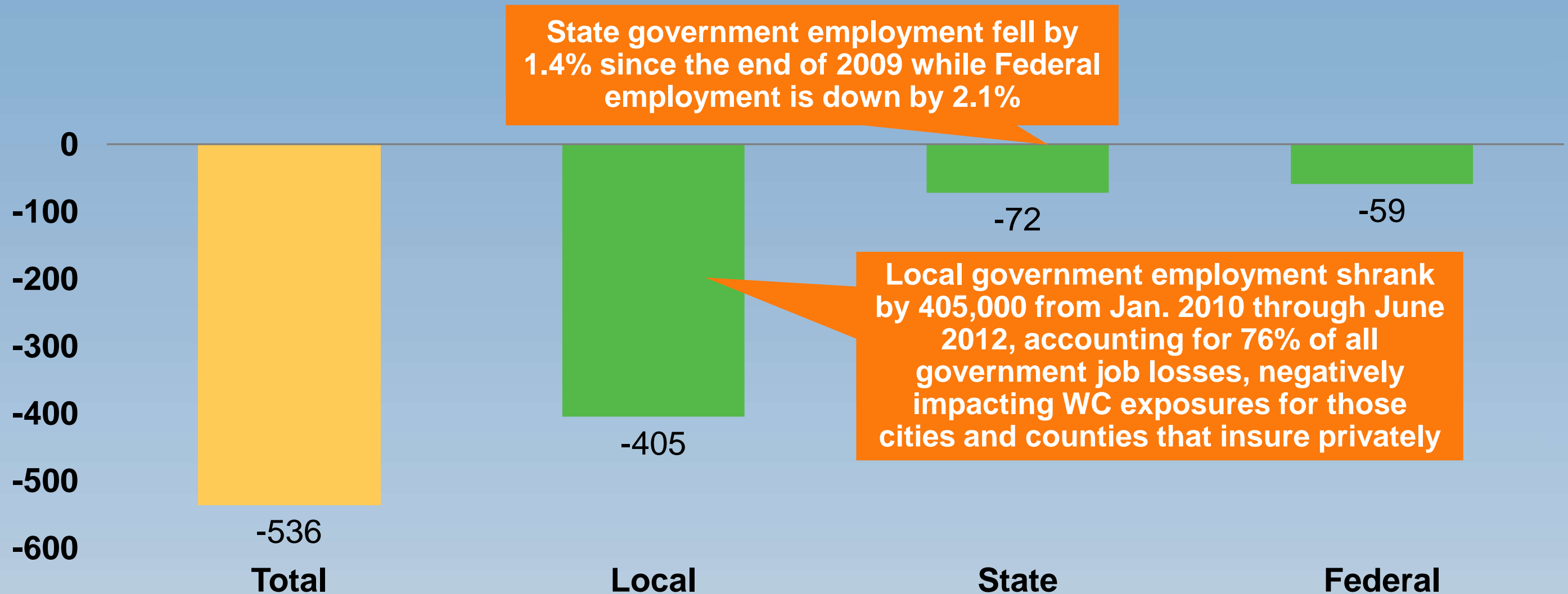
84,000 private sector jobs were created in June

Private employers added 4.48 million jobs since January 2010 after having shed 4.66 million jobs in 2009 and 3.81 million in 2008 (state and local governments have shed hundreds of thousands of jobs)

Source: US Bureau of Labor Statistics: <http://www.bls.gov/ces/home.htm>; Insurance Information Institute

Net Change in Government Employment

January 2010 through June 2012* (Thousands of Jobs)

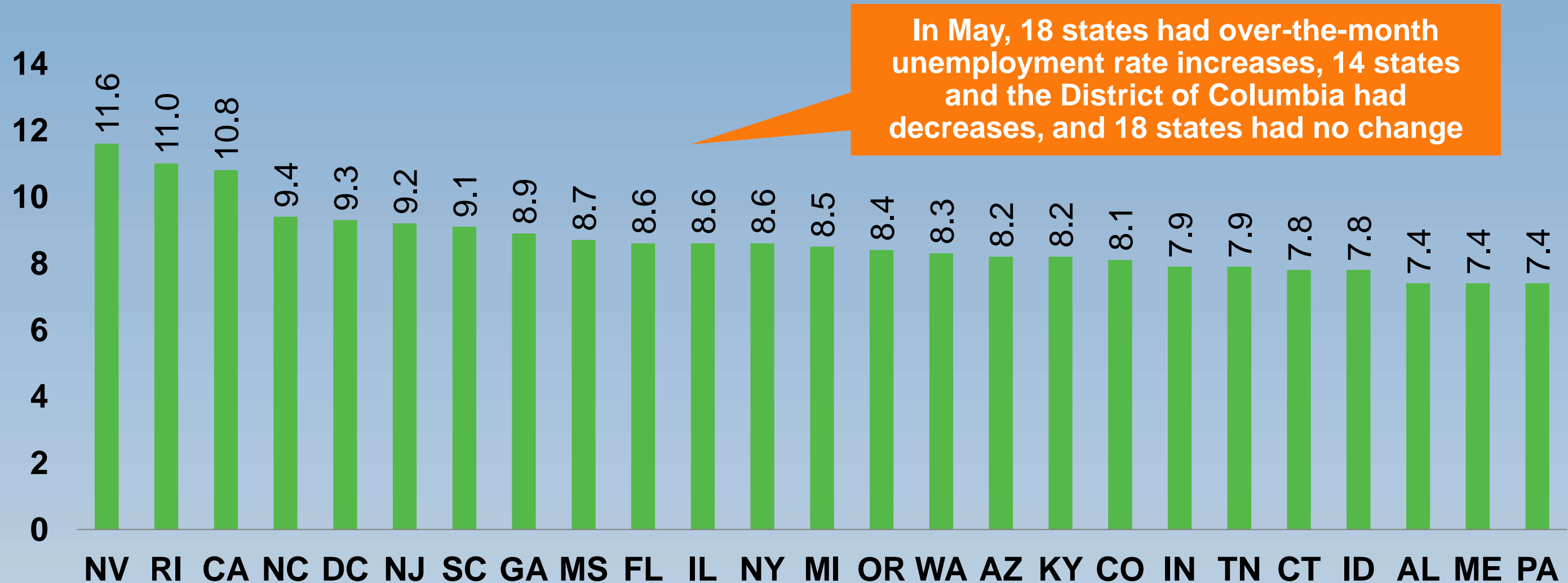


*Cumulative change from prior month; base employment date is December 2009.

Source: US Bureau of Labor Statistics <http://www.bls.gov/data/#employment>; Insurance Information Institute

Highest Unemployment Rates by State, May 2012

Unemployment Rate (%)

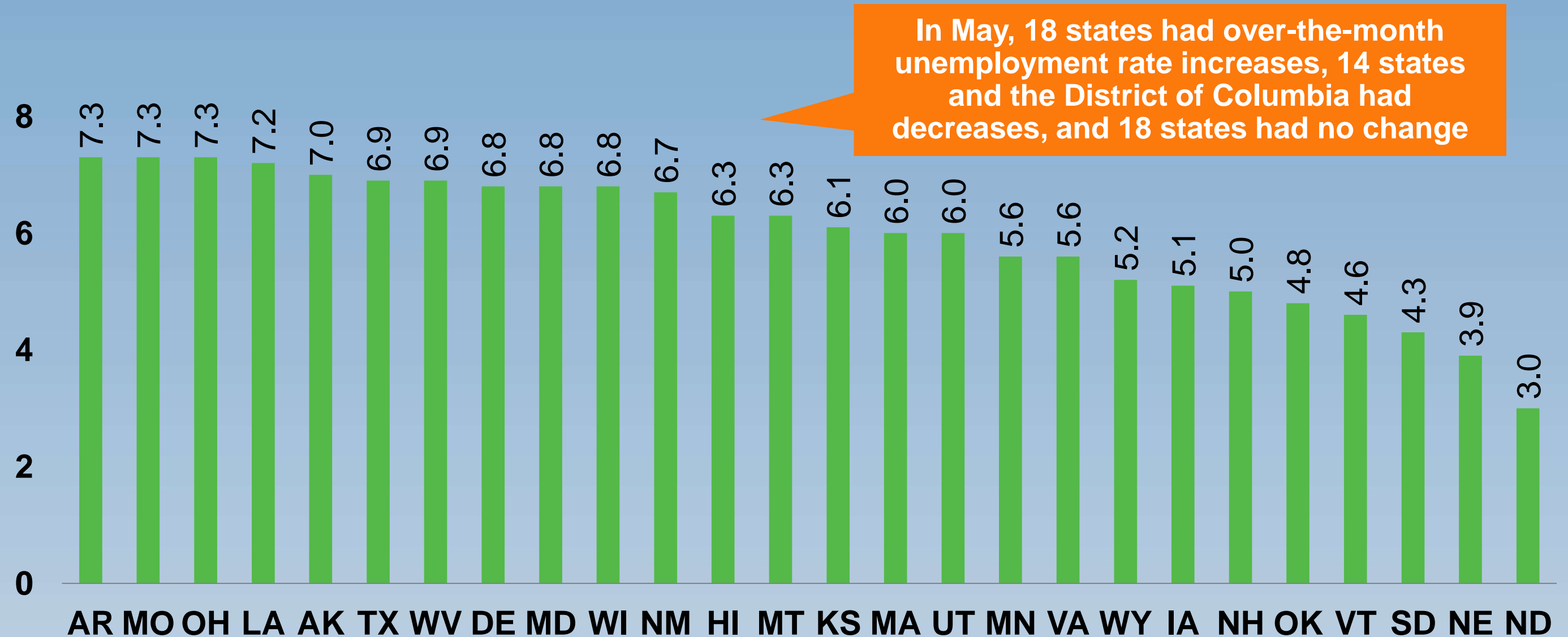


*Provisional figures for May 2012, seasonally adjusted.

Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Lowest Unemployment Rates by State, May 2012

Unemployment Rate (%)



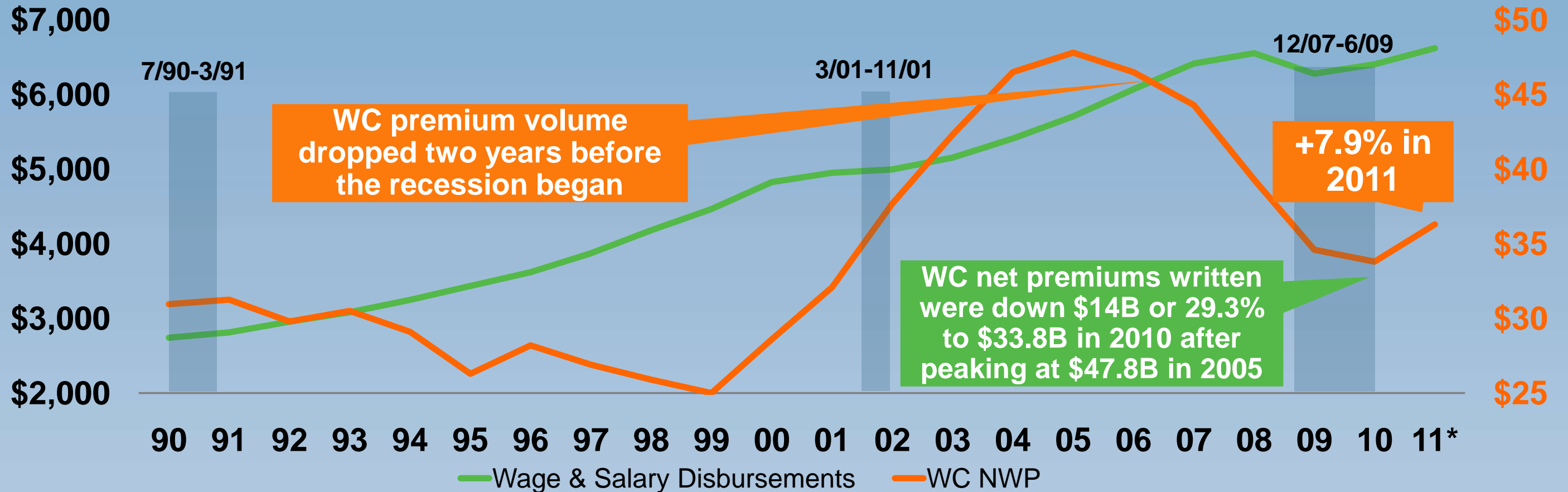
*Provisional figures for May 2012, seasonally adjusted.

Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Payroll vs. Workers Comp Net Written Premiums 1990-2011

Payroll Base* (USD Billions)

WC NWP (USD Billions)



Continued payroll growth and rate increases suggest WC NWP will grow again in 2012; +7.9% growth in 2011 was the first gain since 2005

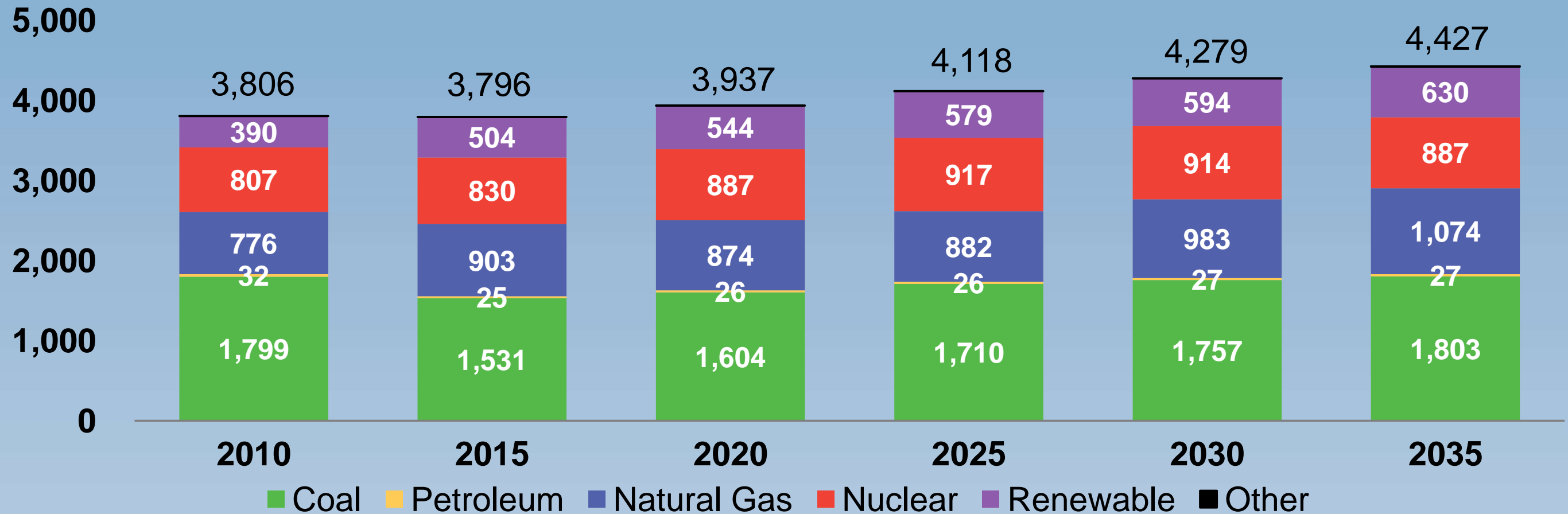
*Private employment; Shaded areas indicate recessions. Payroll and WC premiums for 2011 is I.I.I. estimate
Sources: NBER (recessions); Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR>; NCCI; I.I.I.

Demand for Electricity in the US Will Continue Rise Despite Sluggish Economy

Demand for energy insurance products will rise and adapt to meet changing needs

US Electric Power Generation by Fuel Source

2010-2035F (Billions of Kilowatt Hours)

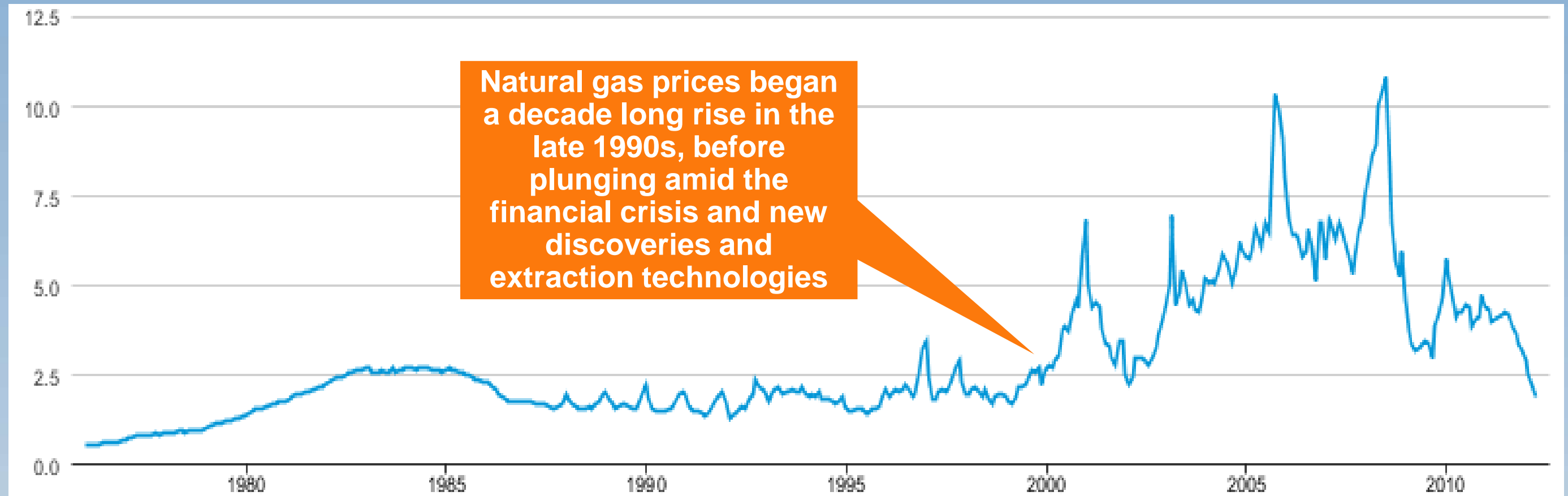


Demand for electricity is expected to grow at a 0.6% annual rate through 2035. Renewables and natural gas will account for an increasing share of fuel source.

Source: US Energy Information Administration, Annual Energy Outlook 2012, Appendix A7.

US Natural Gas Wellhead Price, 1976-2012*

Dollars per 1,000 Cubic Ft.

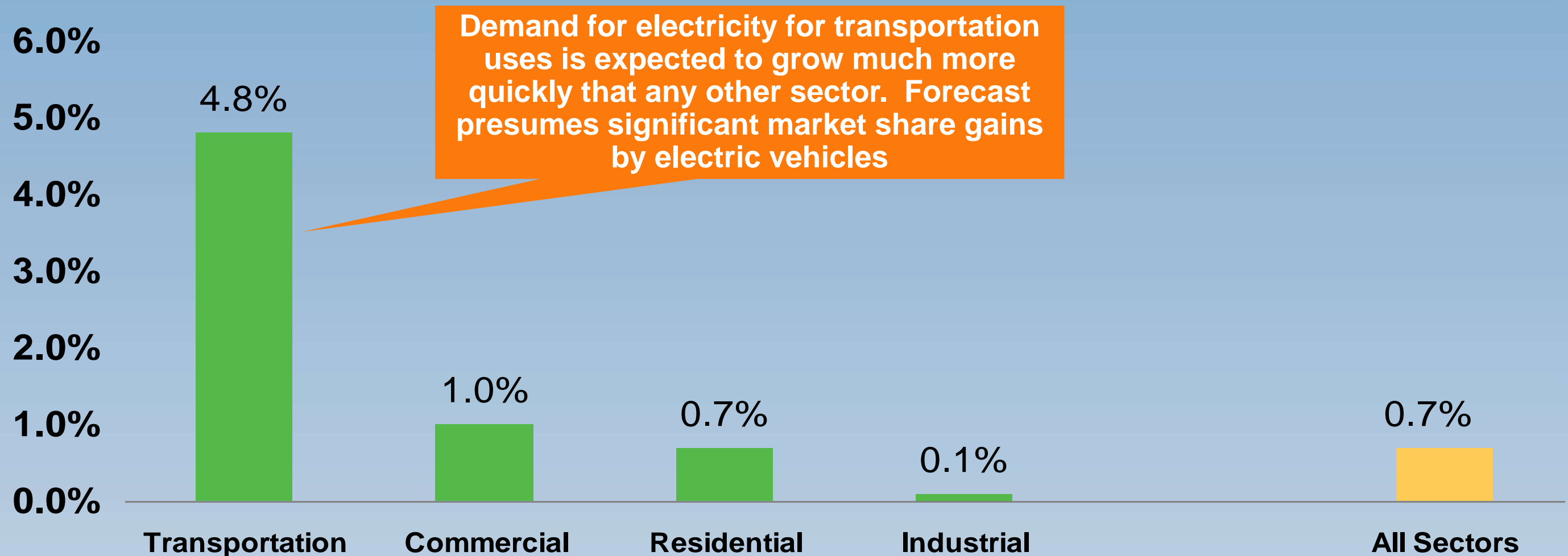


*Through April 2012

Source: US Energy Information Administration, <http://www.eia.gov/todayinenergy/detail.cfm?id=7090>; Insurance Information Institute.

Average Annual Growth in Electricity Sales by Sector, 2010-2035

Billions of Kwh



Source: US Energy Information Administration, Annual Energy Outlook 2012.

Cumulative Additions to Electricity Generating Capacity, 2015-2035P

Gigawatts

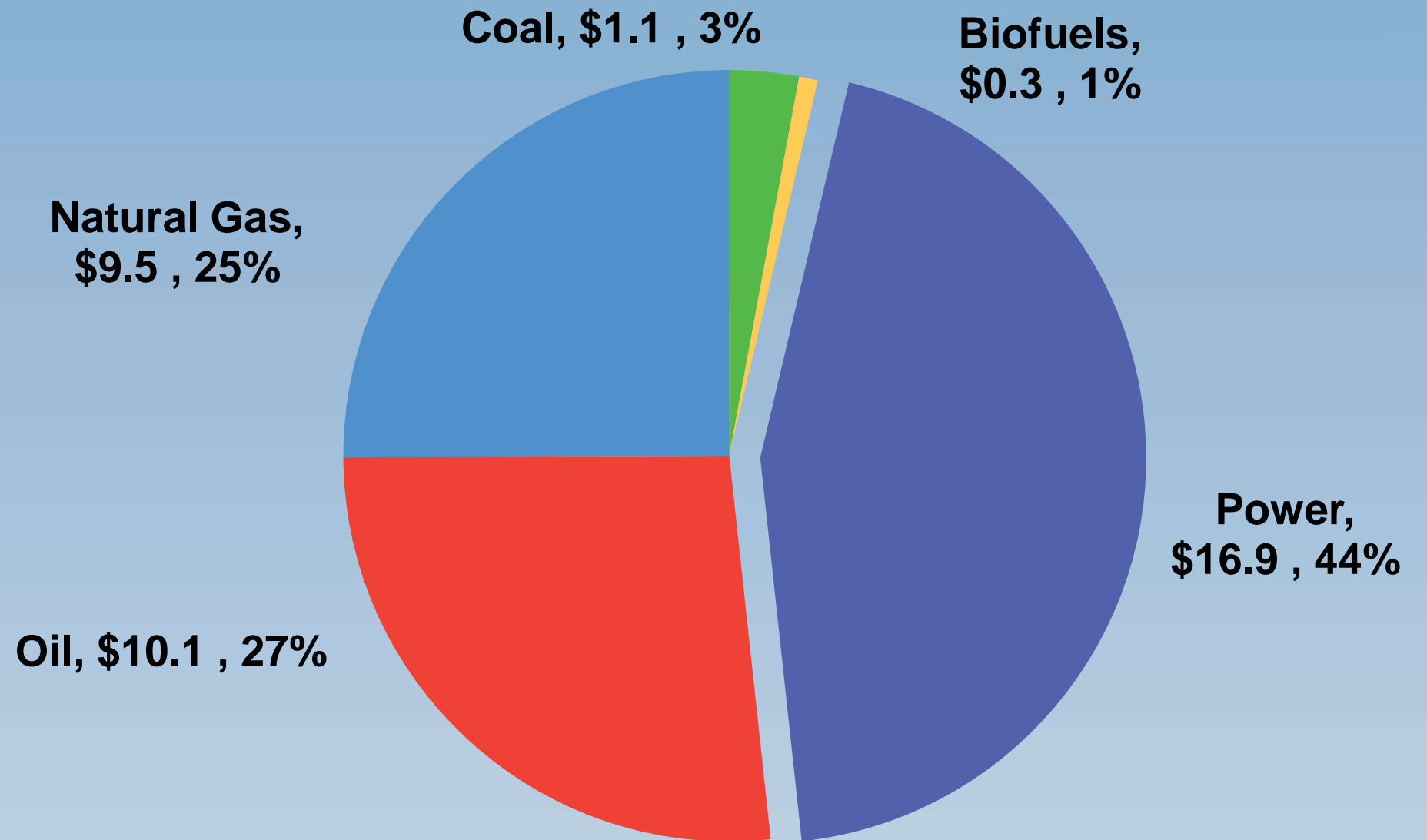


Source: US Energy Information Administration, Annual Energy Outlook 2012, Appendix A9.

Cumulative Projected Investment in Global Energy Infrastructure, 2011-2035

USD Trillion

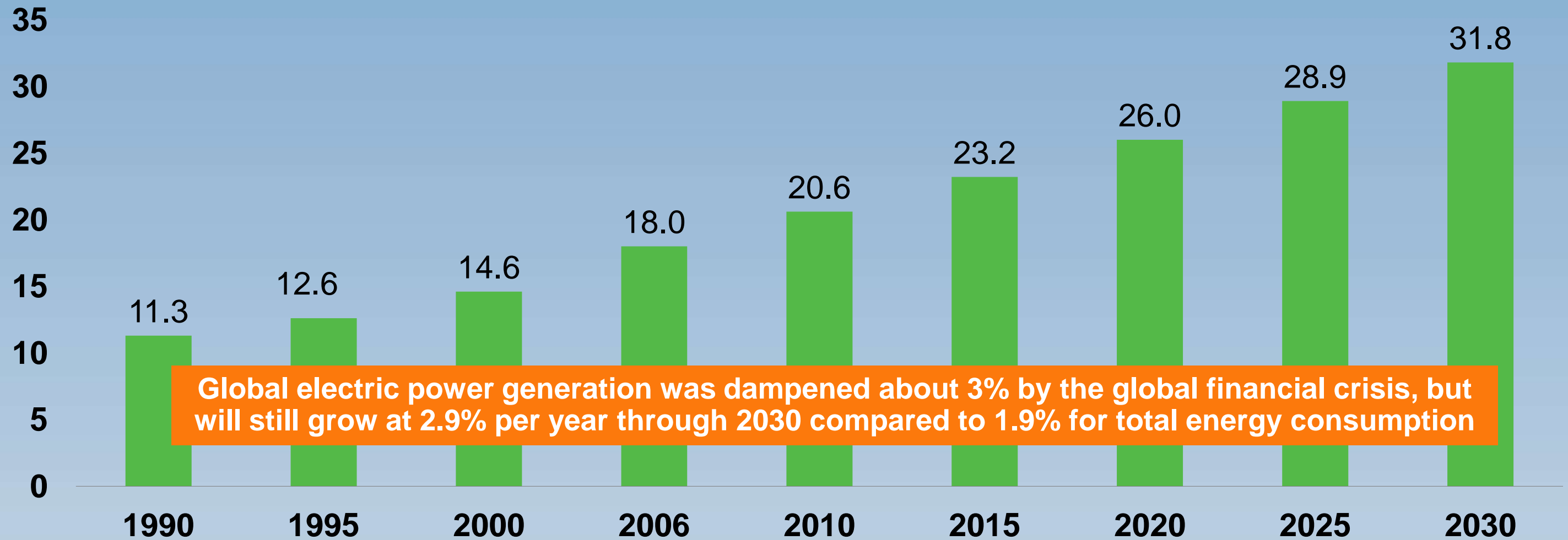
Projected energy infrastructure investment through 2035 total \$38 trillion; Implies substantial incurrence of risk



Source: International Energy Agency, World Energy Outlook 2011.

World Net Effective Electric Power Generation, 1990-2030P

Trillions of Kilowatt Hours



Global electric power generation was dampened about 3% by the global financial crisis, but will still grow at 2.9% per year through 2030 compared to 1.9% for total energy consumption

Source: Energy Information Administration, International Energy Outlook, Insurance Information Institute

P/C Insurance Industry Financial Overview

**Profit recovery was set back in 2011
by high catastrophe loss & other factors**

2012 is looking better (so far)

P/C Net Income After Taxes 1991-2012:Q1

(USD Millions)

\$80,000

\$70,000

\$60,000

\$50,000

\$40,000

\$30,000

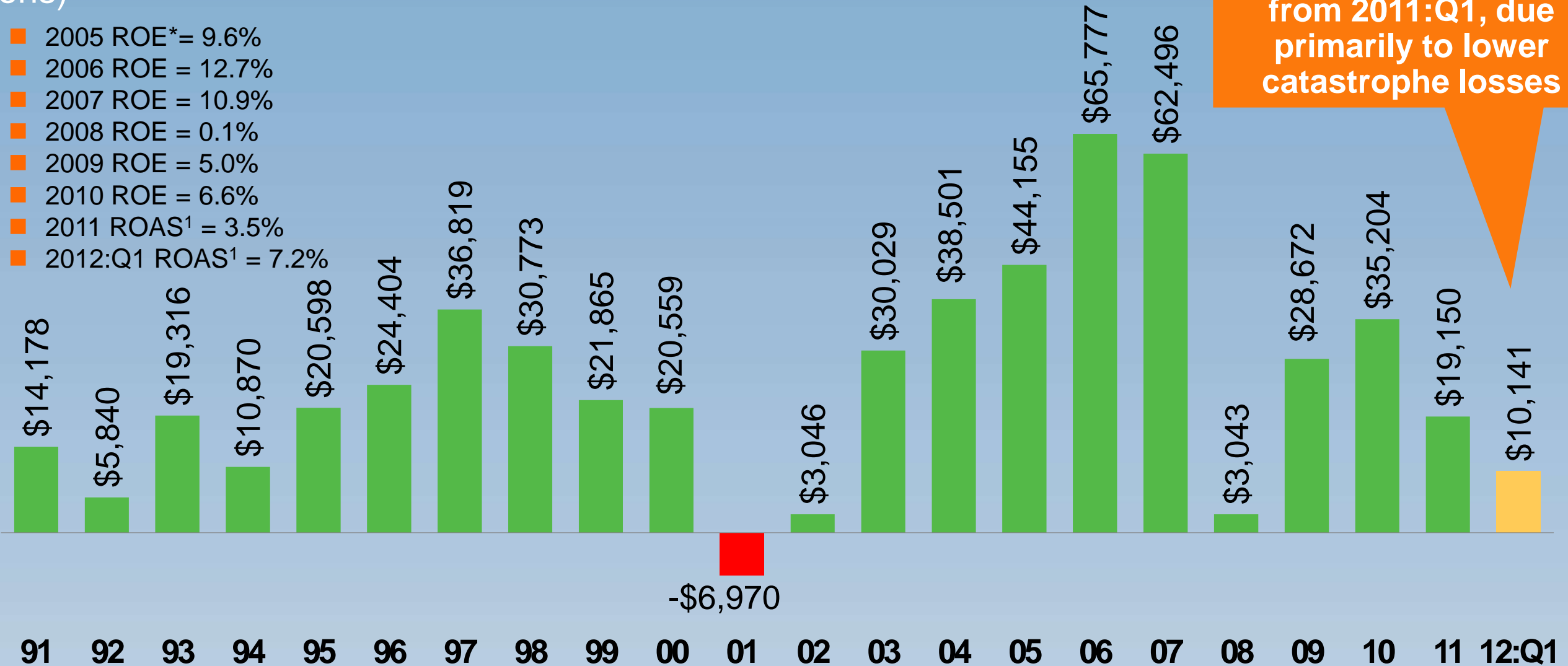
\$20,000

\$10,000

\$0

-\$10,000

- 2005 ROE* = 9.6%
- 2006 ROE = 12.7%
- 2007 ROE = 10.9%
- 2008 ROE = 0.1%
- 2009 ROE = 5.0%
- 2010 ROE = 6.6%
- 2011 ROAS¹ = 3.5%
- 2012:Q1 ROAS¹ = 7.2%



P-C Industry 2012:Q1 profits were up 29% from 2011:Q1, due primarily to lower catastrophe losses

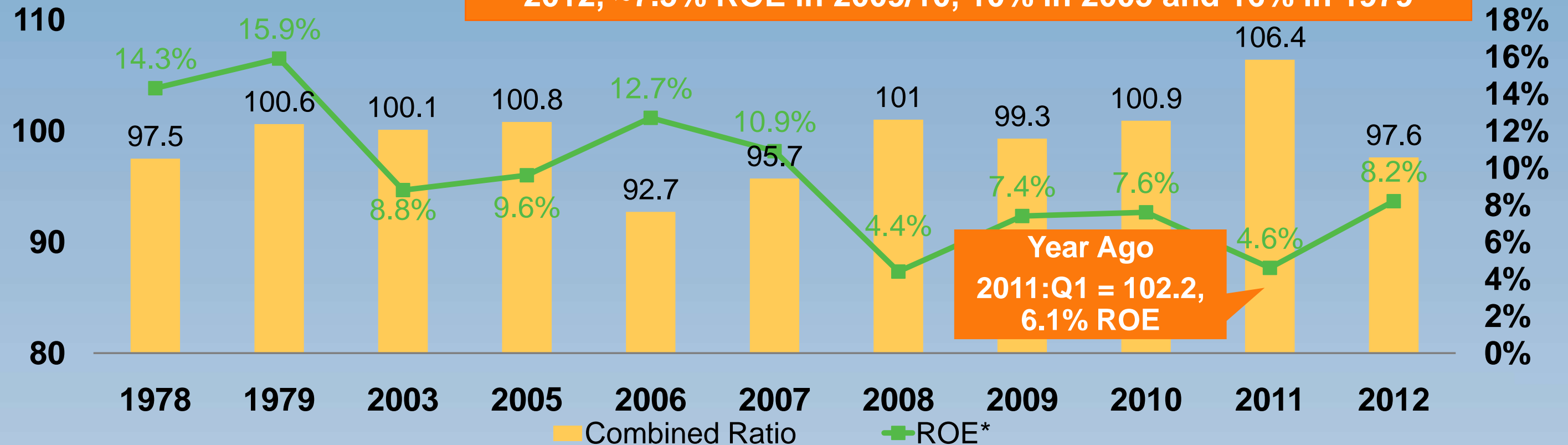
* ROE figures are GAAP; ¹Return on avg. surplus. Excluding mortgage & financial guaranty insurers yields a 8.2% ROAS for 2012:Q1, 4.6% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

Sources: A.M. Best, ISO, Insurance Information Institute

A 100 Combined Ratio Isn't What It Once Was: Investment Impact on ROEs

Combined Ratio / ROE

A combined ratio of about 100 generates an ROE of ~6.7% in 2012, ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979



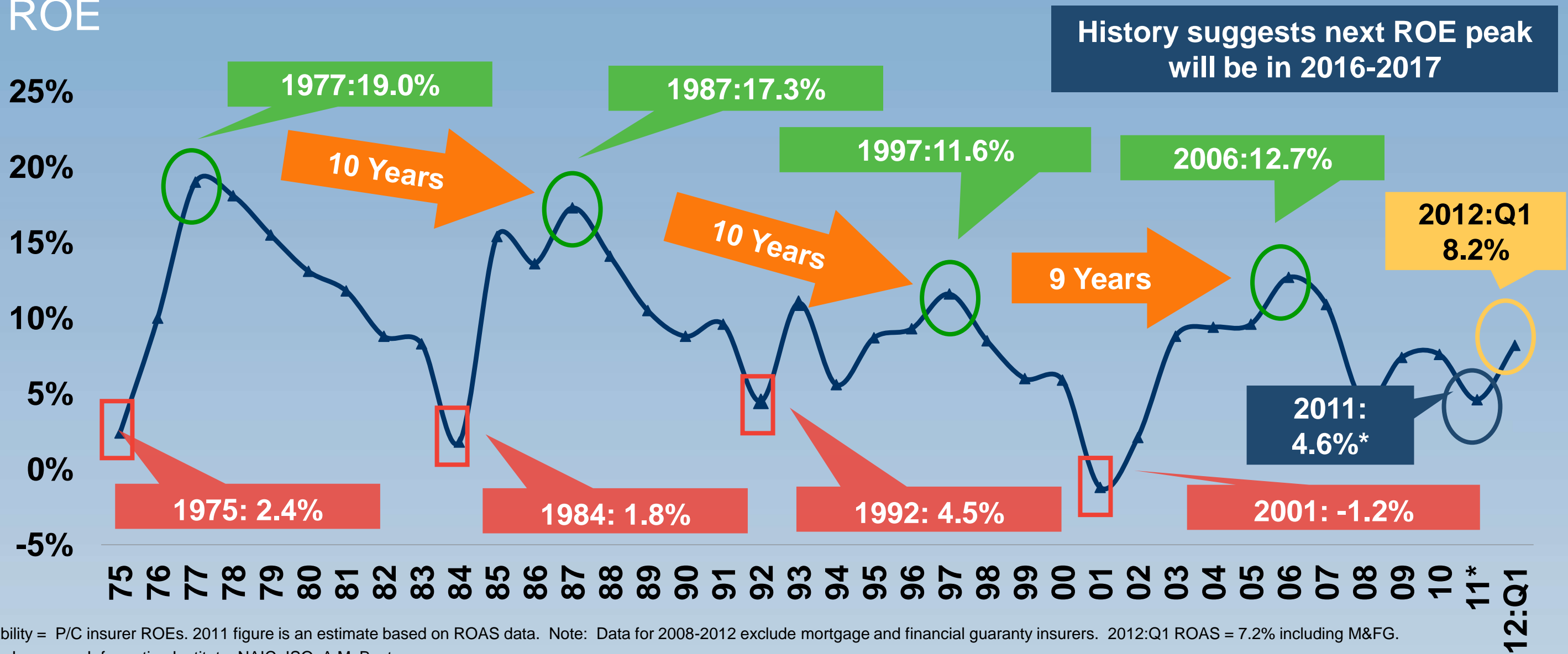
Combined ratios must be lower in today's depressed investment environment to generate risk appropriate ROEs

* 2008 - 2012 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2012:Q1 combined ratio including M&FG insurers is 99.0, ROAS = 7.2%; 2011 combined ratio including M&FG insurers is 108.2, ROAS = 3.5%.

Source: Insurance Information Institute from A.M. Best and ISO data.

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975-2012:Q1*

ROE



*Profitability = P/C insurer ROEs. 2011 figure is an estimate based on ROAS data. Note: Data for 2008-2012 exclude mortgage and financial guaranty insurers. 2012:Q1 ROAS = 7.2% including M&FG.

Source: Insurance Information Institute; NAIC, ISO, A.M. Best.

12:Q1

The BIG Question: When Will the Market Turn?

**Are catastrophes and other factors pressuring
insurance markets?**

Criteria Necessary for a “Market Turn”

All Four Criteria Must Be Met

Criteria	Status	Comments
Sustained period of large underwriting losses	<i>Early stage, inevitable</i>	<ul style="list-style-type: none"> • Apart from 2011 CAT losses, overall p/c underwriting losses remain modest • Combined ratios (ex-CATs) still in low 100s (vs. 110+ at onset of last hard market); CR= 97.6 in Q1:2012 (ex-M&FG) • Prior-year reserve releases continue to reduce underwriting losses, boost ROEs, though more modestly
Material decline in surplus / capacity	<i>Entered 2011 at record high; only small decline</i>	<ul style="list-style-type: none"> • Surplus hit a record \$570.7 billion as of 3/31/12 • Fell just 1.6% in 2011 due to CATs • Will likely see new records later in 2012 • Little excess capacity remains in reinsurance markets • Modest growth in demand for insurance is insufficient to absorb much excess capacity
Tight reinsurance market	<i>Somewhat in place</i>	<ul style="list-style-type: none"> • Much of the global “excess capacity” was eroded by CATs • Higher prices in Asia / Pacific • Modestly higher pricing for US risks
Renewed underwriting & pricing discipline	<i>Some firming esp. in property, WC</i>	<ul style="list-style-type: none"> • Commercial lines pricing trends have turned from negative to flat and now positive, esp. property & WC; • Competition remains intense as many seek to maintain market share

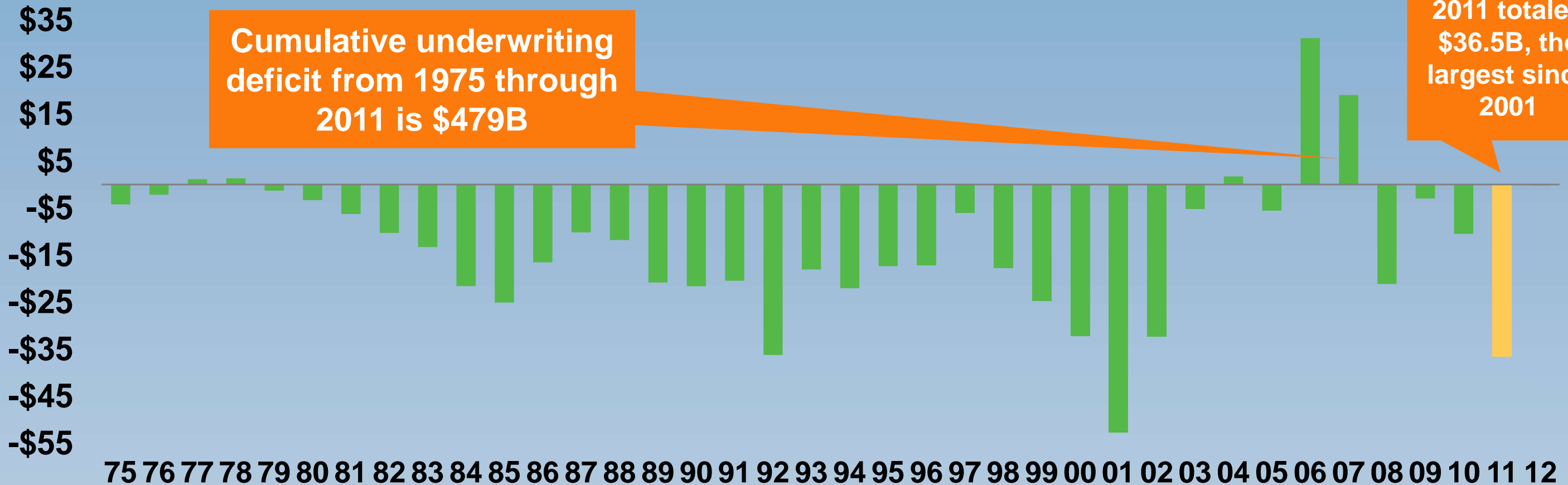
Sources: Barclays Capital; Insurance Information Institute.

Underwriting

Have underwriting losses been large enough for long enough to turn the market?

Underwriting Gain (Loss) 1975-2012:Q1

(USD Billions)

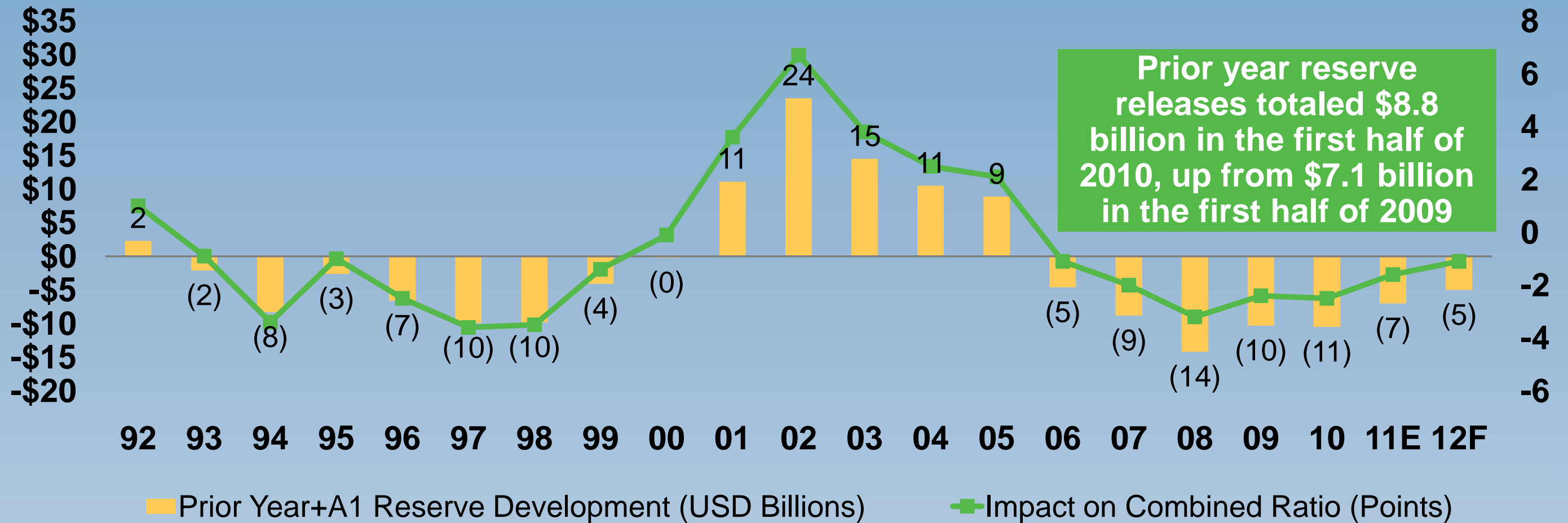


Large underwriting losses are NOT sustainable in current investment environment

* Includes mortgage and financial guaranty insurers in all years

Sources: A.M. Best, ISO; Insurance Information Institute.

P/C Reserve Development, 1992-2013F



Prior year reserve releases totaled \$8.8 billion in the first half of 2010, up from \$7.1 billion in the first half of 2009

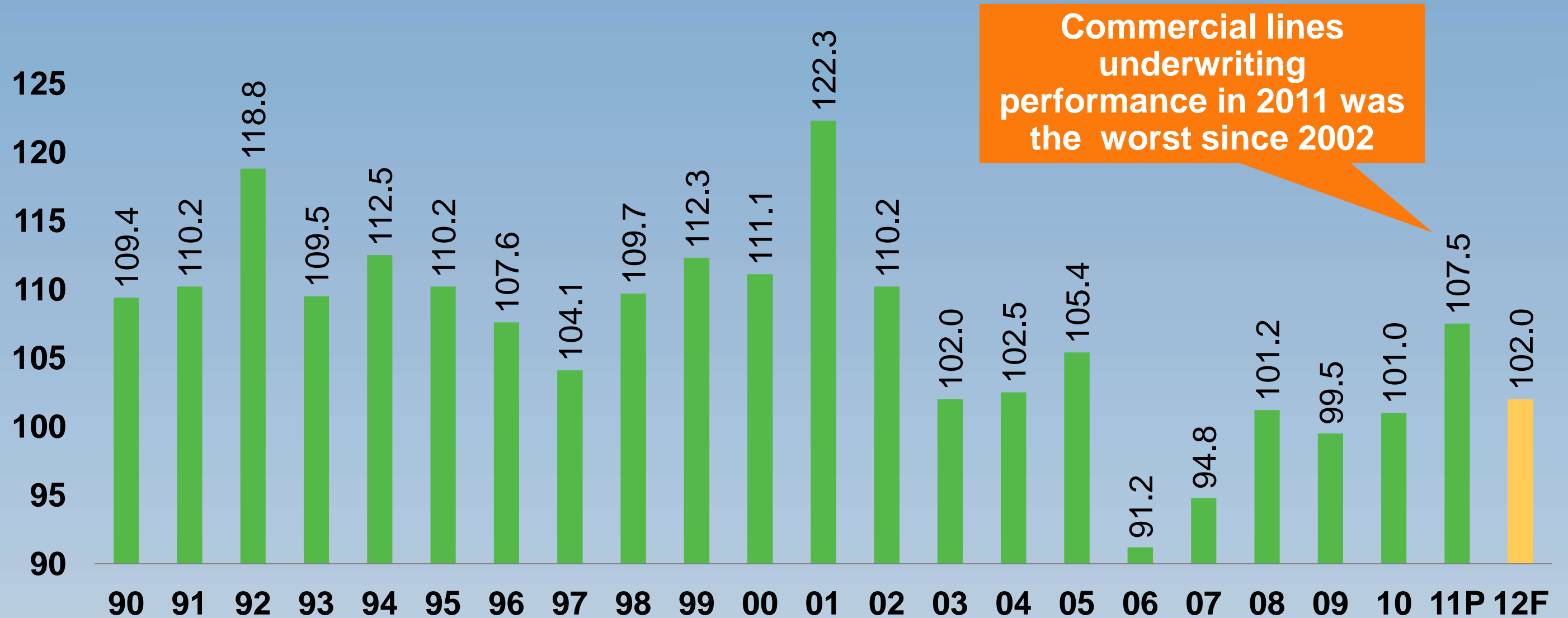
Reserve releases remained strong in 2010 but tapered off in 2011. Releases are expected to further diminish in 2012 and 2103.

Note: 2005 reserve development excludes a \$6 billion loss portfolio transfer between American Re and Munich Re. Including this transaction, total prior year adverse development in 2005 was \$7 billion. The data from 2000 and subsequent years excludes development from financial guaranty and mortgage insurance.

Sources: Barclays Capital; A.M. Best.

Performance by Segment

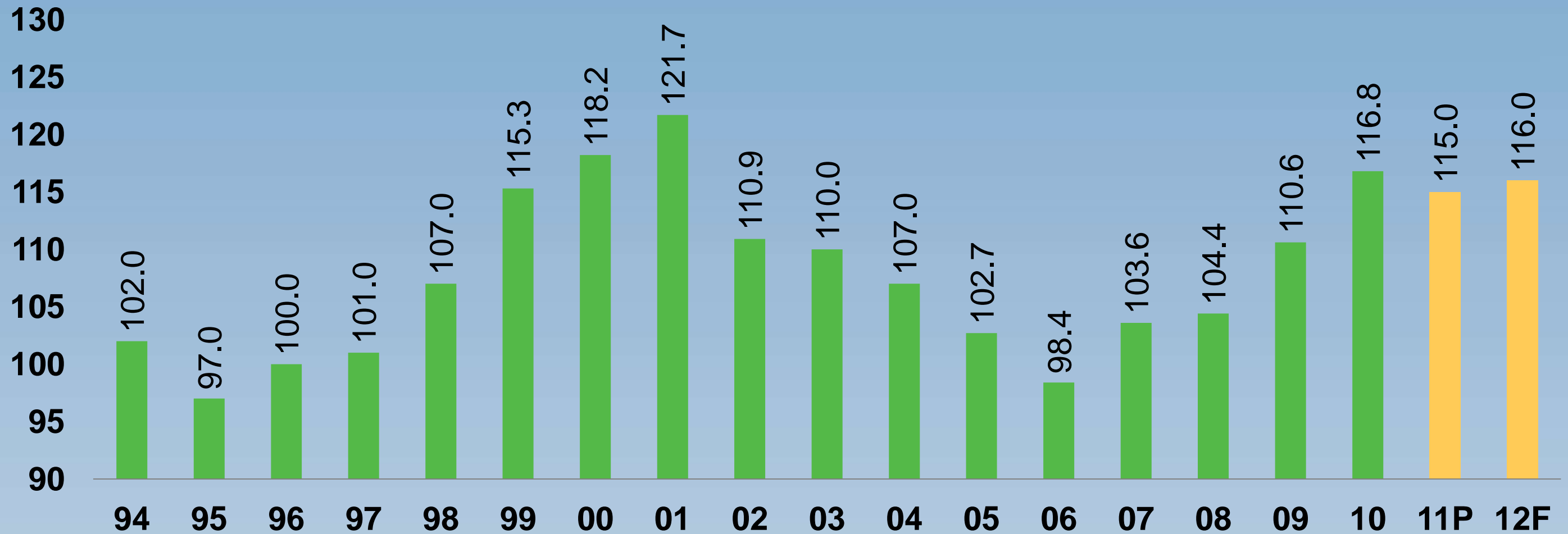
Commercial Lines Combined Ratio, 1990-2012F*



*2007-2012 figures exclude mortgage and financial guaranty segments.

Source: A.M. Best; Insurance Information Institute

Workers' Compensation Combined Ratio: 1994-2012F



Workers' comp underwriting results are deteriorating markedly and the worst they have been in a decade

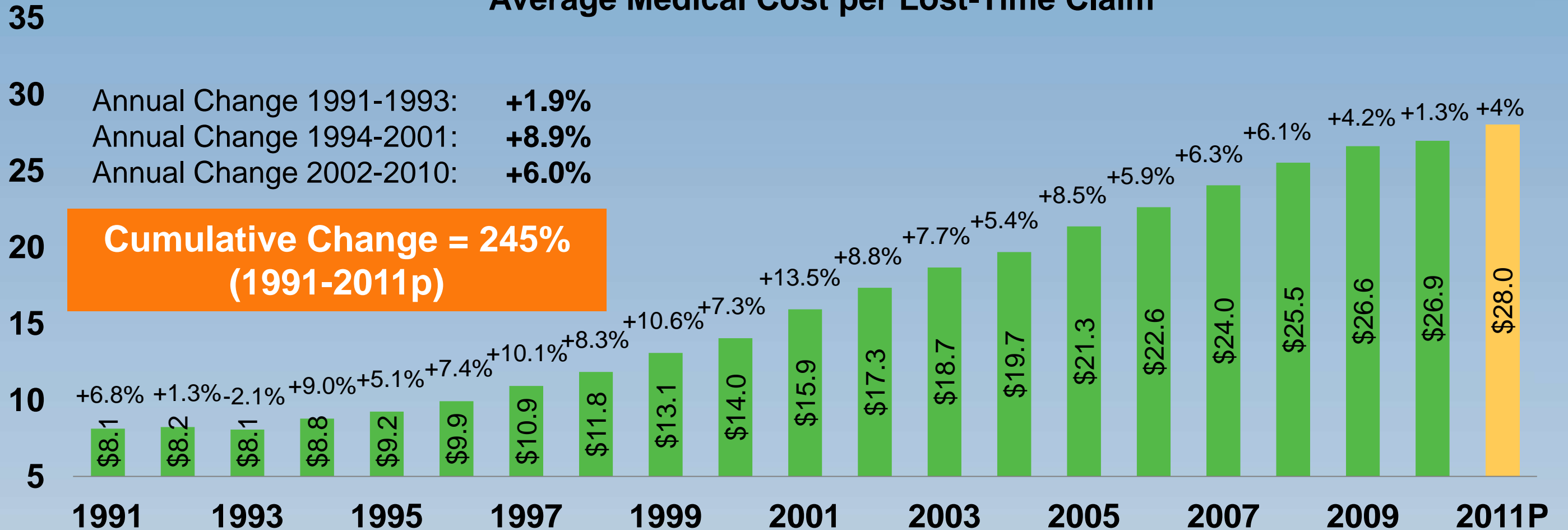
Sources: A.M. Best (1994-2010 all carriers); NCCI for 2011 (private carriers only); 2012 (all carriers) Insurance Information Institute.

Workers' Compensation Medical Severity

Moderate Increase in 2011

Medical Claim Cost (USD Thousands)

Average Medical Cost per Lost-Time Claim



1991-2010: Based on data through 12/31/2010, developed to ultimate; 2011p: Preliminary based on data valued as of 12/31/2011

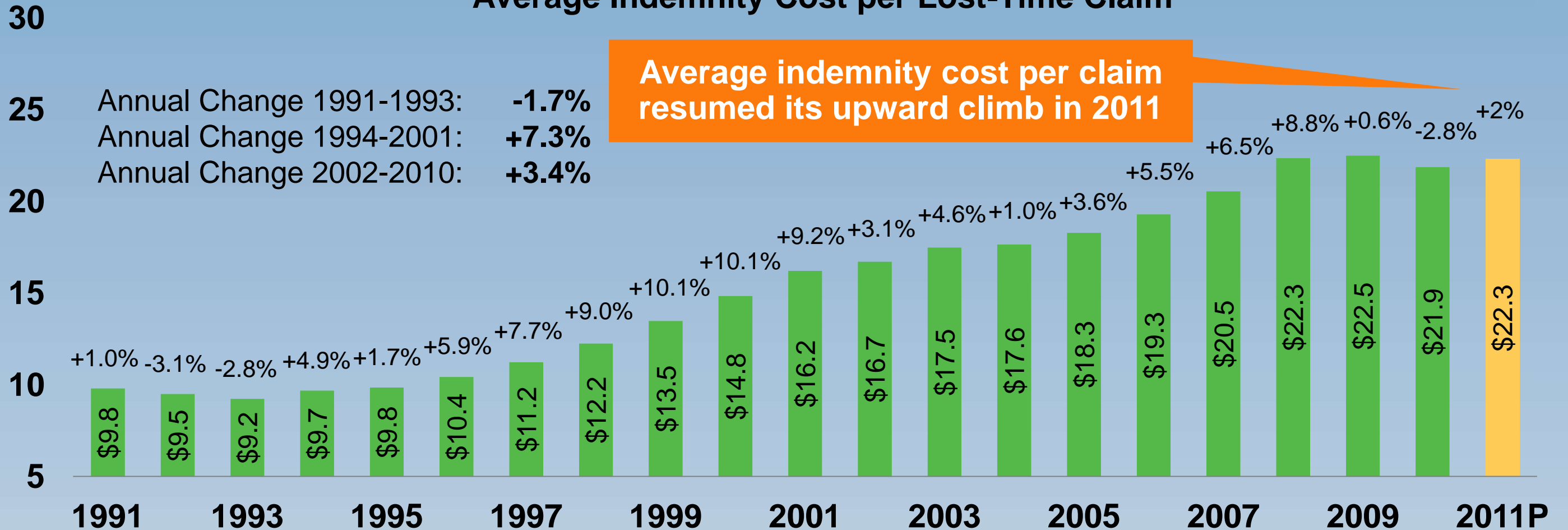
Based on the states where NCCI provides ratemaking services; excludes high deductible policies

Workers' Comp Indemnity Claim Costs

Modest Increase in 2011

Indemnity Claim Cost (USD Thousands)

Average Indemnity Cost per Lost-Time Claim



1991-2010: Based on data through 12/31/2010, developed to ultimate; 2010p: Preliminary based on data valued as of 12/31/2011

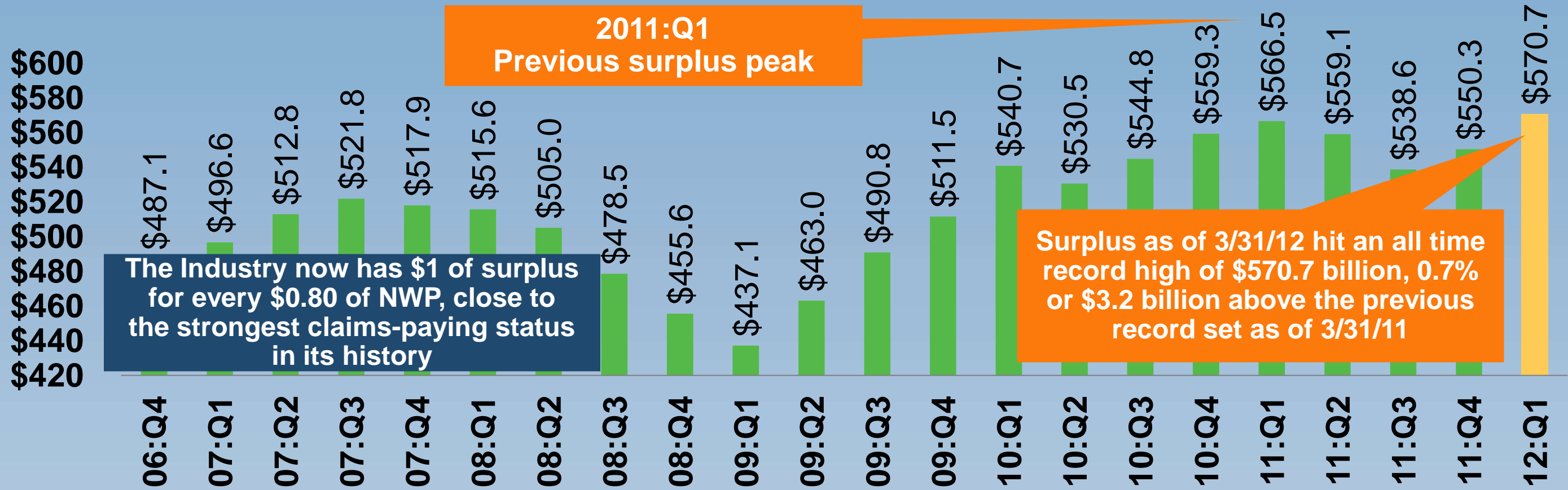
Based on the states where NCCI provides ratemaking services; excludes high deductible policies

Surplus / Capital / Capacity

**Have large global losses reduced capacity
in the industry, setting the stage for a market turn?**

Policyholder Surplus

2006:Q4-2012:Q1 (USD Billions)



The Industry now has \$1 of surplus for every \$0.80 of NWP, close to the strongest claims-paying status in its history

Surplus as of 3/31/12 hit an all time record high of \$570.7 billion, 0.7% or \$3.2 billion above the previous record set as of 3/31/11

2011:Q1
Previous surplus peak

Quarterly surplus changes since 2011:Q1 peak

- 11:Q2: **-\$7.4B (-1.0%)**
- 11:Q3: **-\$27.9B (-4.6%)**
- 11:Q4: **-\$16.2B (-2.5%)**
- 12:Q1: **+\$3.2B (+0.7%)**

*Includes \$22.5 billion of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business in early 2010

Sources: ISO, A.M. Best.

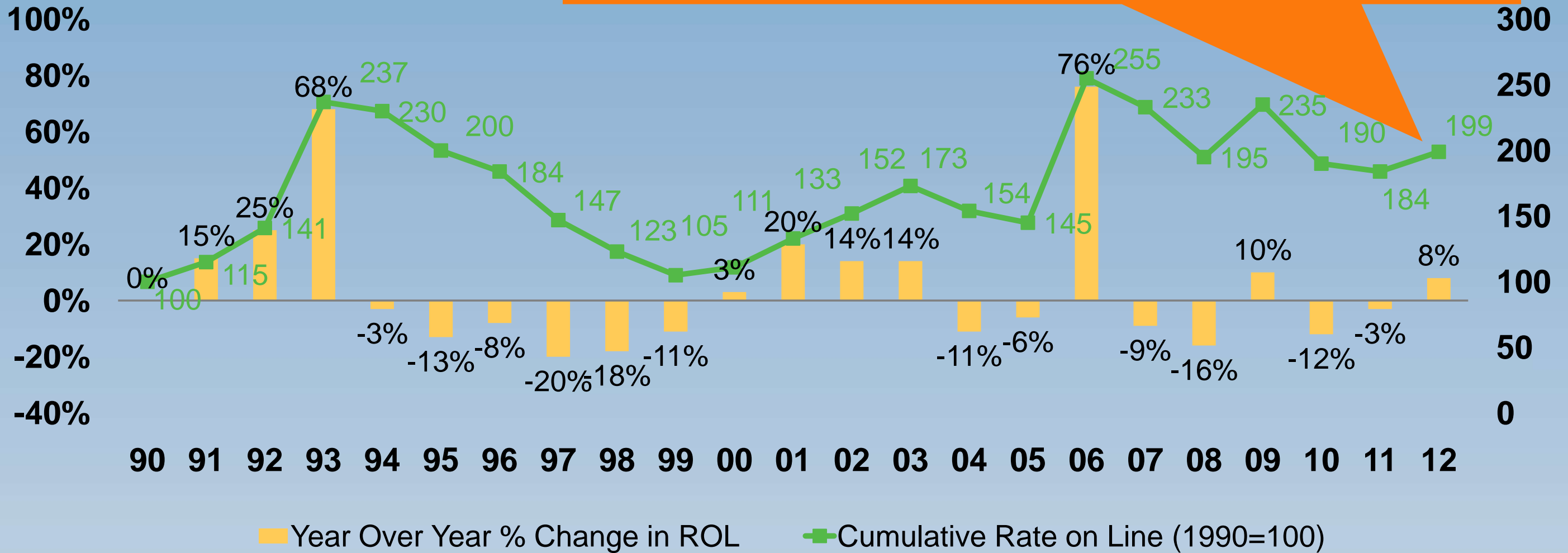
Reinsurance Market Conditions

**Record global catastrophes activity
is pressuring pricing**

Global Property Catastrophe Rate on Line Index

1990-2012 (as of January 1)

Property-CAT reinsurance pricing is up about 8% as of 1/1/12—modest relative to the level CAT losses



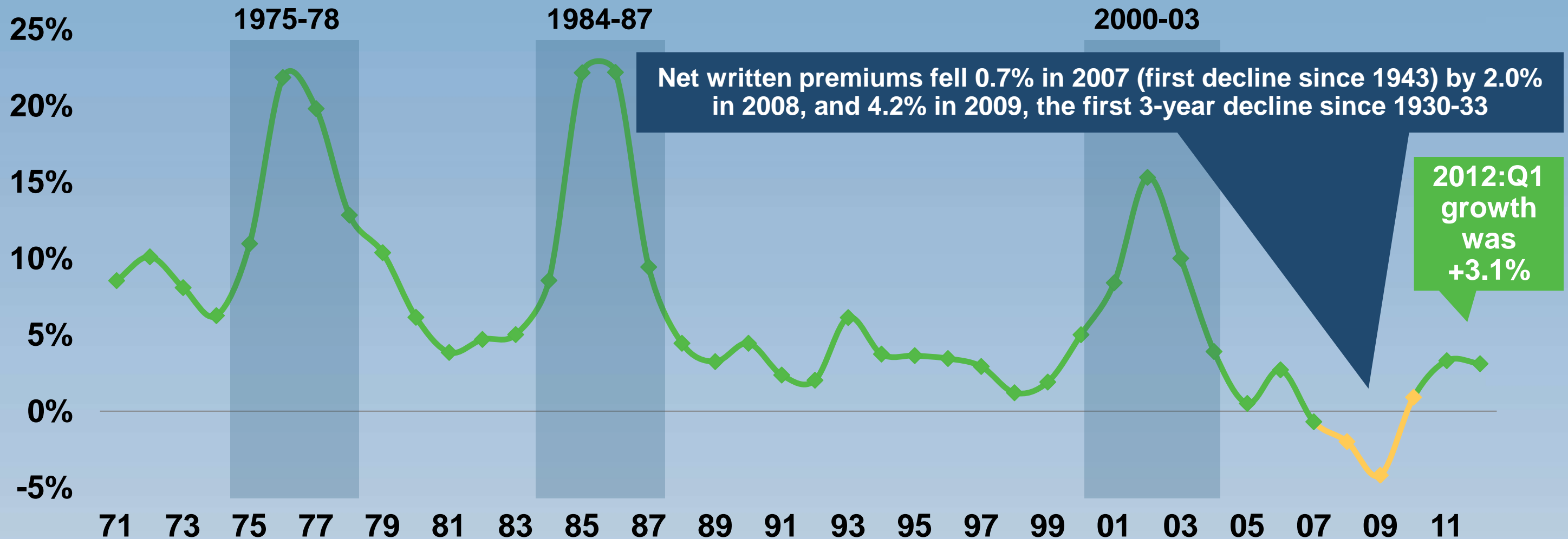
Sources: Guy Carpenter; Insurance Information Institute.

Renewed Pricing Discipline

**Is there evidence of a broad
and sustained shift in pricing?**

Premium Growth Is Up Modestly: More in 2012?

(Percent)

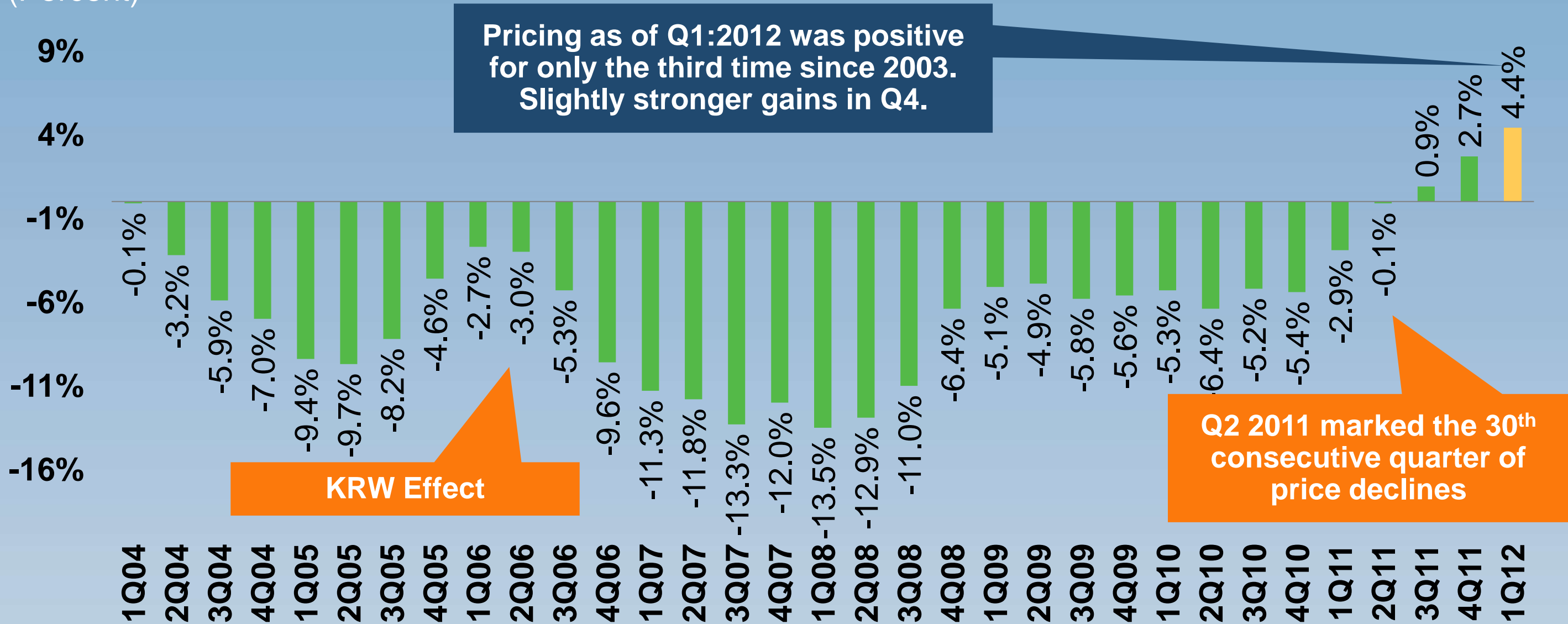


Shaded areas denote "hard market" periods

Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

Average Commercial Rate Change, All Lines

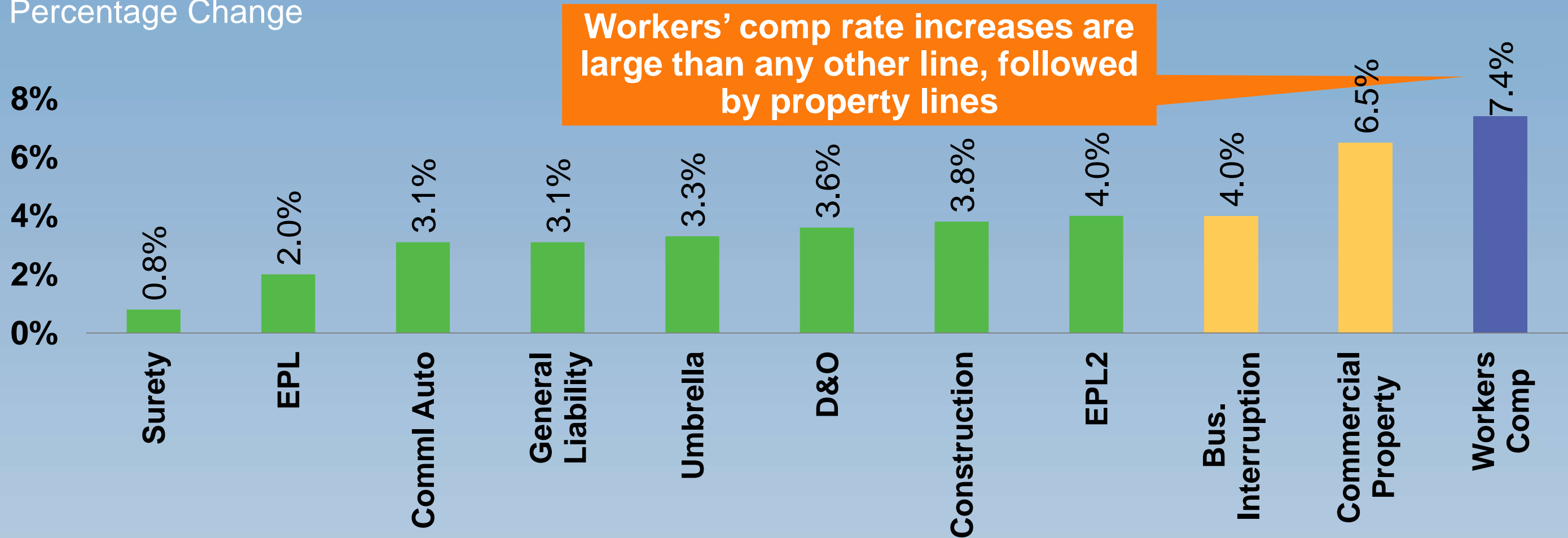
(Percent)



Source: Council of Insurance Agents & Brokers (1Q04-4Q11); Insurance Information Institute

Change in Commercial Rate Renewals, by Line 2012:Q1

Percentage Change



Major commercial lines renewed uniformly upward in Q1:2012 for only the third time since 2003; property lines & workers' comp leading the way

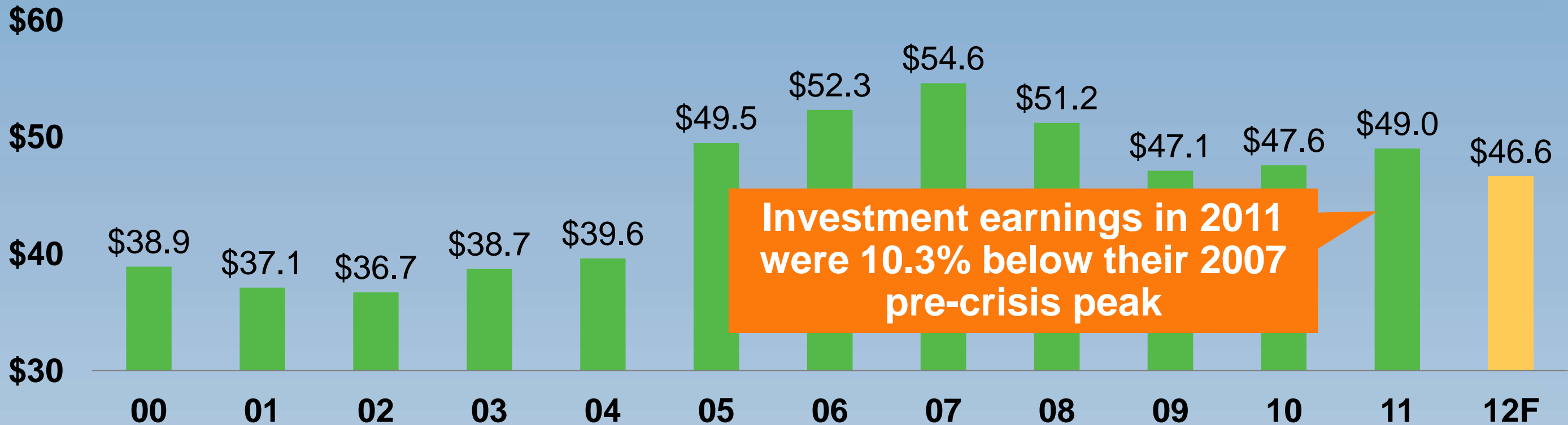
Source: Council of Insurance Agents and Brokers; Insurance Information Institute.

Investments: The New Reality

Investment performance is a key driver of profitability.
Does it influence underwriting or cyclicality?

Property/Casualty Insurance Industry Investment Income: 2000-2012F¹

(USD Billions)



Investment earnings in 2011 were 10.3% below their 2007 pre-crisis peak

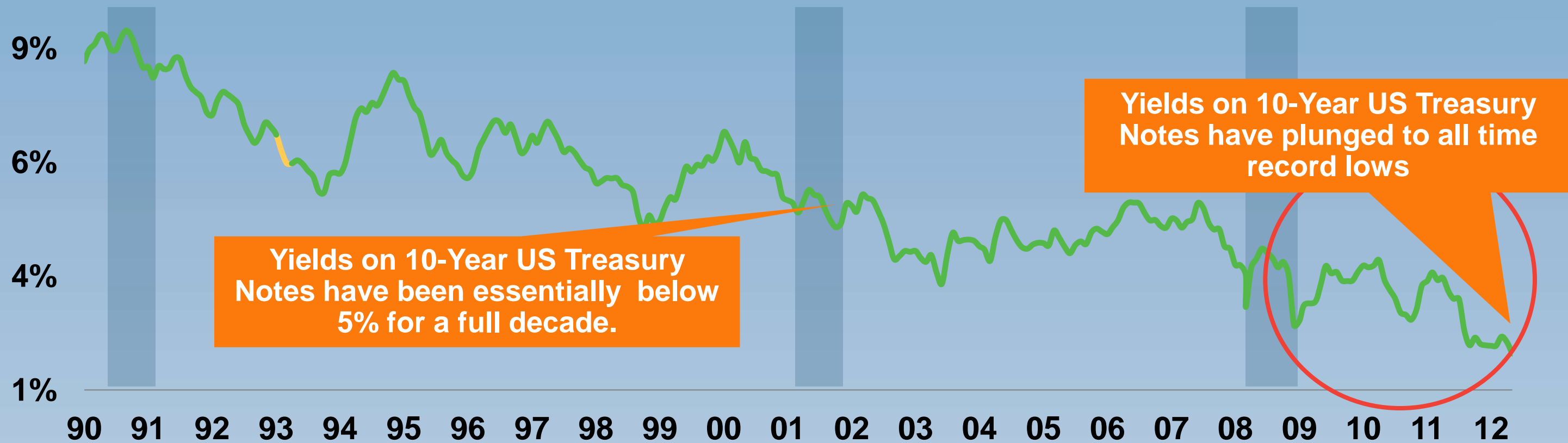
Investment income in 2011 was surprisingly strong, though investment income is likely to weaken in 2012 due to persistently low interest rates

¹ Investment gains consist primarily of interest and stock dividends.

*2012F is based on annualized Q1:2012 actual figure of \$11.656 billion.

Sources: ISO; Conning Research & Consulting; Insurance Information Institute.

US 10-Year Treasury Note Yields: A Long Downward Trend, 1990-2012*



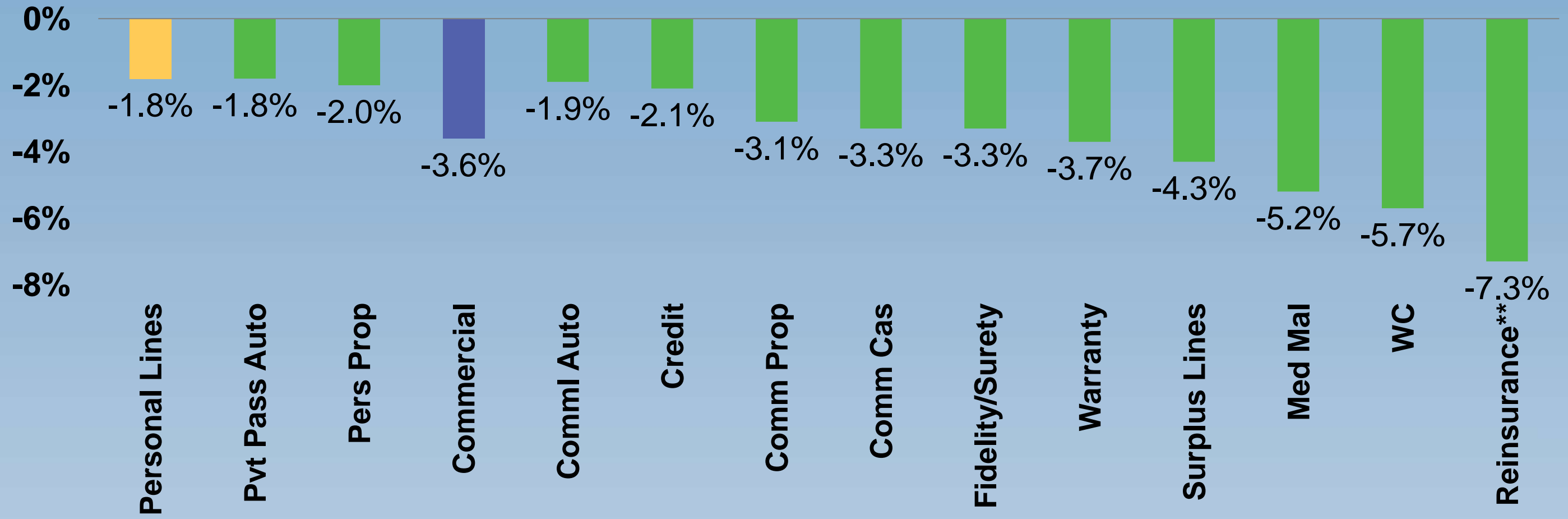
Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come

*Monthly, through June 2012. Note: Recessions indicated by gray shaded columns.

Sources: Federal Reserve Bank at <http://www.federalreserve.gov/releases/h15/data.htm>.

National Bureau of Economic Research (recession dates); Insurance Information Institutes.

Reduction in Combined Ratio Necessary to Offset 1% Decline in Investment Yield to Maintain Constant ROE, by Line*



Lower investment earnings place a greater burden on underwriting and pricing discipline

*Based on 2008 invested assets and earned premiums

**US domestic reinsurance only

Source: A.M. Best; Insurance Information Institute.

US Insured Catastrophe Loss Update

**2012 catastrophe losses were close to “average”
in the first half of 2012**

2011 was the fifth most expensive year on record

The Past Year Has Not Been Kind to Insurers or Utilities



Hurricane Irene:
Aug. 27-29, 2011

Insured losses: \$4.3 billion
Customers w/o power:
5 million



Derecho:
June 29, 2012

Insured losses: ~\$1+ billion
Customers w/o power:
3.7 million

“Snowtober” Blizzard:
Oct. 29, 2011

Insured losses:
~\$1 billion
Customers w/o power:
2.7 million



Source: Insurance Information Institute research.

US Catastrophe Loss Summary

First Half 2012

- \$9.3 billion in *insured* losses in the US arising from 90 CAT events
 - Down 62% from \$24.4 billion in 2011:H1; loss is close to long-term average
 - Represents 80%+ of global total
 - Mild winter helped keep first half losses down
 - Thunderstorm (includes tornado, hail and wind damage) accounted for \$8.8 billion or 95% of first half insured losses and represents the third most expensive spring thunderstorm ever
- \$14.6 billion in *economic* losses in the US
 - Down from approximately \$75 billion in 2011:H1
- Mild winter helped keep first half insured losses down
 - Lack of heavy precipitation limited spring flood but exacerbated drought conditions

Source: Munich Re; Insurance Information Institute.

US Catastrophe Loss Summary

First Half 2012

- Severe droughts now impacting Central and Southwest parts of US
 - Two major wildfires in Colorado in June caused record damage in the state from the peril (\$450 million in insured losses)
 - Largest wildfire in New Mexico history occurred in May
 - Insured crop losses could be high in 2012
- Active early hurricane season
 - Tropical Storms Beryl and Debby caused minor wind damage and extensive flooding in Florida

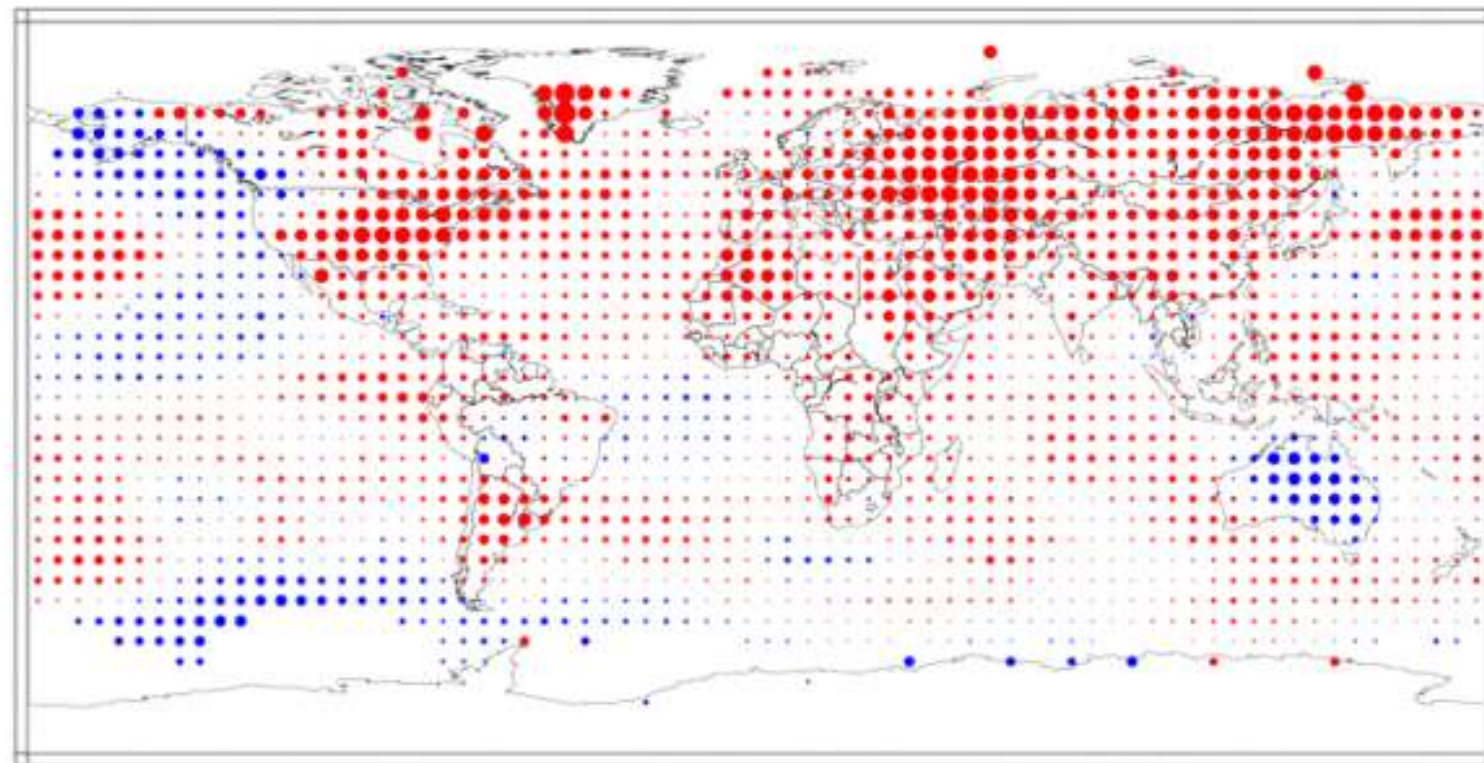
Source: Munich Re; Insurance Information Institute.

Global Temperature Anomalies, May 2012

Temperature Anomalies May 2012

(with respect to a 1971-2000 base period)

National Climatic Data Center/NESDIS/NOAA



-5C -4C -3C -2C -1C 0C 1C 2C 3C 4C 5C

Degrees Celsius

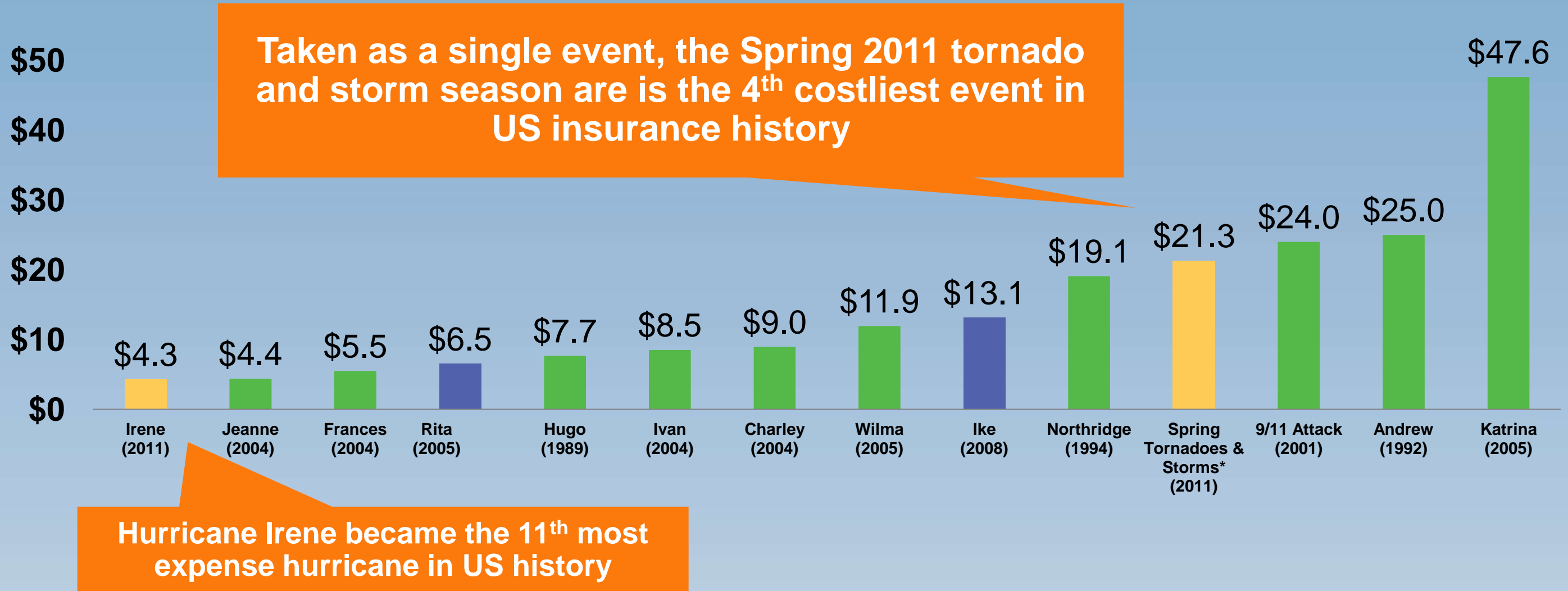


**Northern hemisphere
land and ocean
temperature for May 2012
was the all-time warmest
on record, at 0.85 degrees
C (1.53 degrees F)
above average**

Source: NOAA

Top 14 Most Costly Disasters in US History

(Insured Losses, 2011 USD Billions)



*Losses will actually be broken down into several "events" as determined by PCS. Includes losses for the period April 1 – June 30.
Sources: PCS; Insurance Information Institute inflation adjustments.

Natural Disaster Losses in the United States

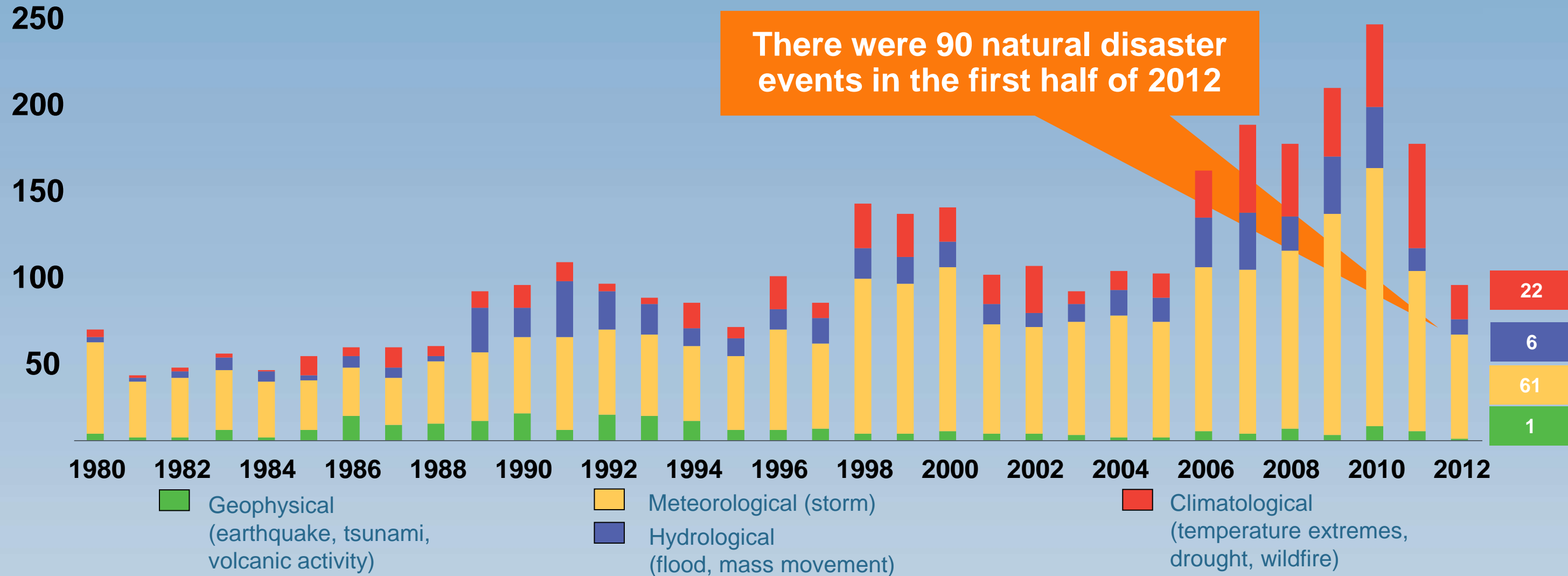
First Half 2012

As of July 1, 2012	Number of Events	Fatalities	Estimated Overall Losses (US \$m)	Estimated Insured Losses (US \$m)
Severe Thunderstorm	56	69	13,550	8,760
Winter Storm	3	3	80	38
Flood	6	0	12	Minor
Earthquake	1	0	0	0
Tropical Cyclone	2	1	100	50
Wildfire	22	6	875	500
Totals	90	79	14,617	9,348

Source: MR NatCatSERVICE

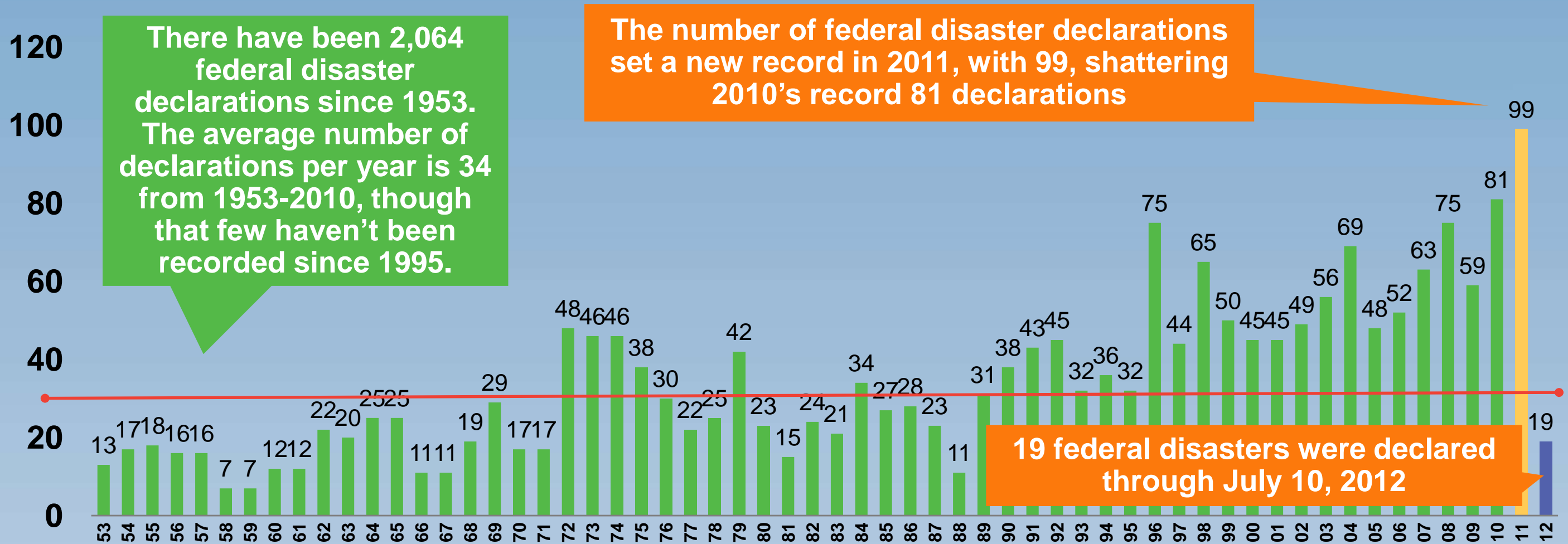
Natural Disasters in the United States

Number of Events (Annual Totals 1980-2011 and First Half 2012)



Source: MR NatCatSERVICE

Number of Federal Disaster Declarations, 1953-2012*



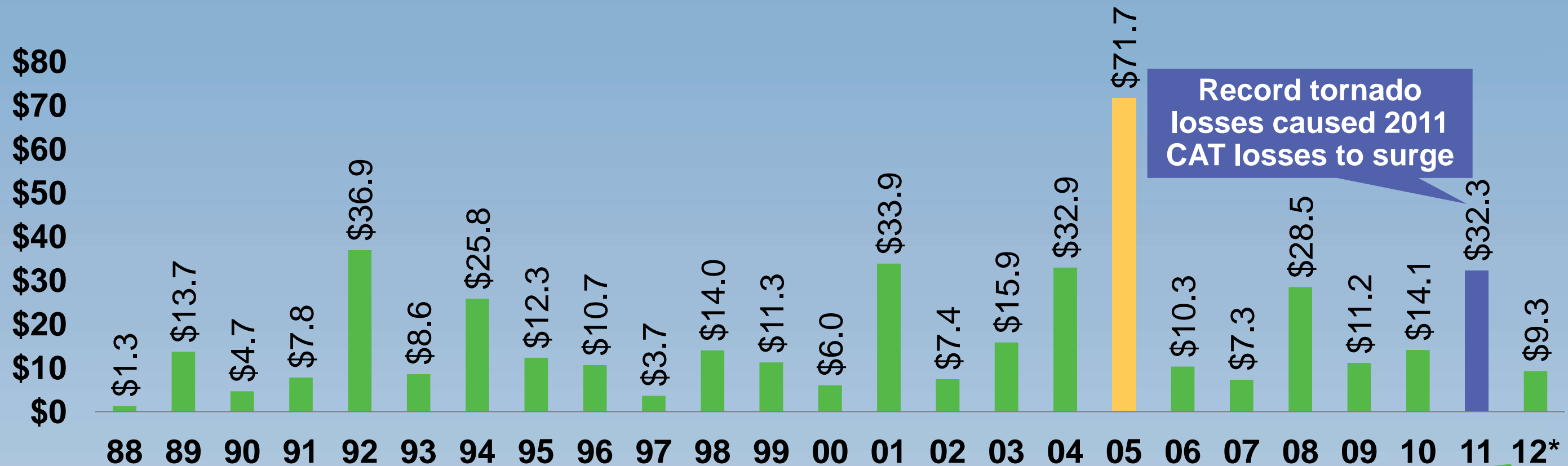
The number of Federal Disaster Declarations is rising and set new records in 2010 and 2011

*Through July 10, 2012.

Source: Federal Emergency Management Administration: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

US Insured Catastrophe Losses

(USD Billions, 2011)



US CAT losses in 2011 were the 5th highest in US history on an inflation-adjusted basis

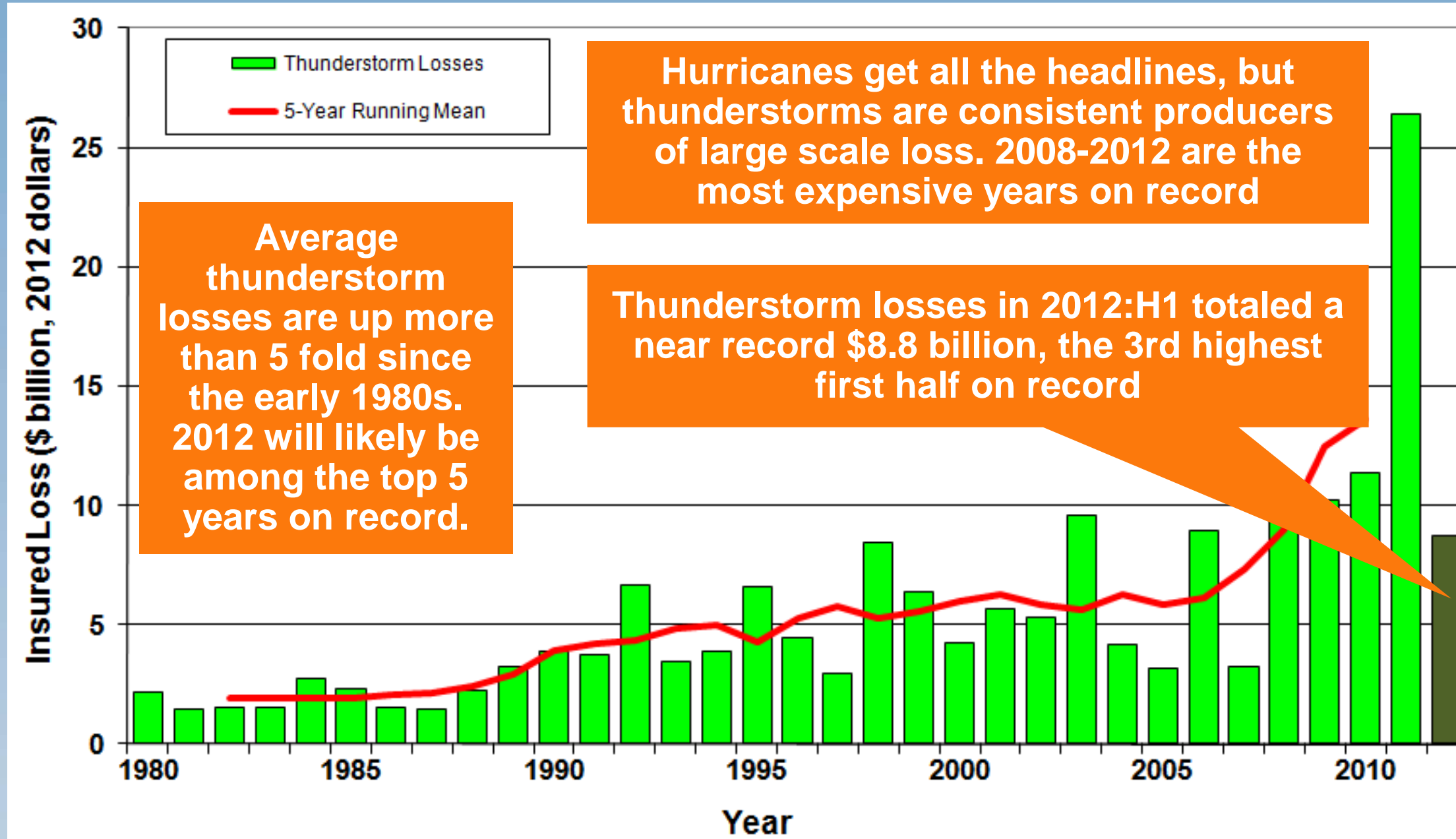
H1 2012 CAT losses were down \$15.1 billion or 62% from \$24.4 billion in H1 2011

*Munich Re figure for H1 2012.

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.

US Thunderstorm Loss Trends, 1980-2012:H1

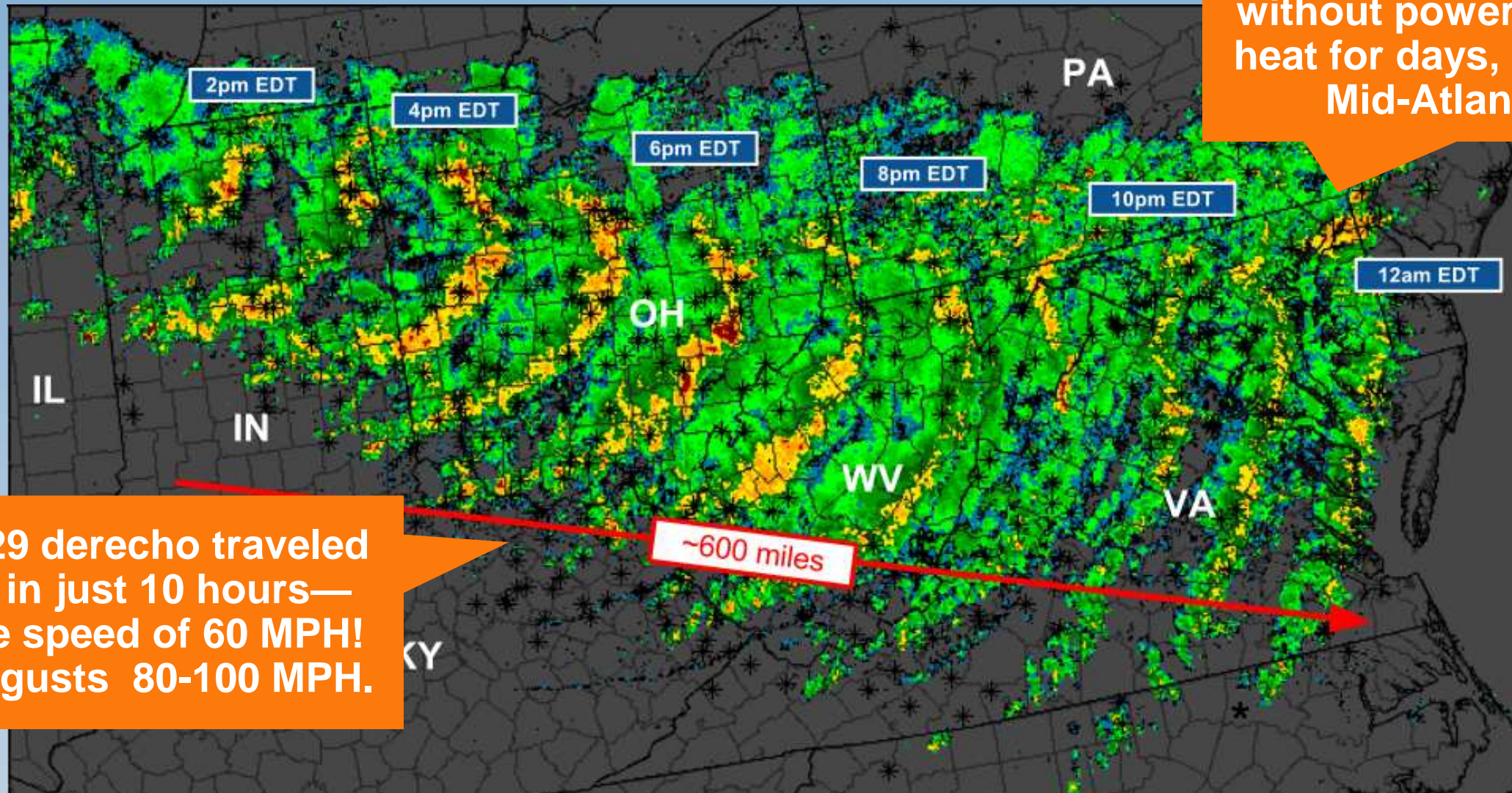


Source: Property Claims Service, MR NatCatSERVICE

June 29, 2012 Derecho: Traveled 600 Miles from Midwest to Mid-Atlantic

10-hour Radar Composite (2pm-Midnight)

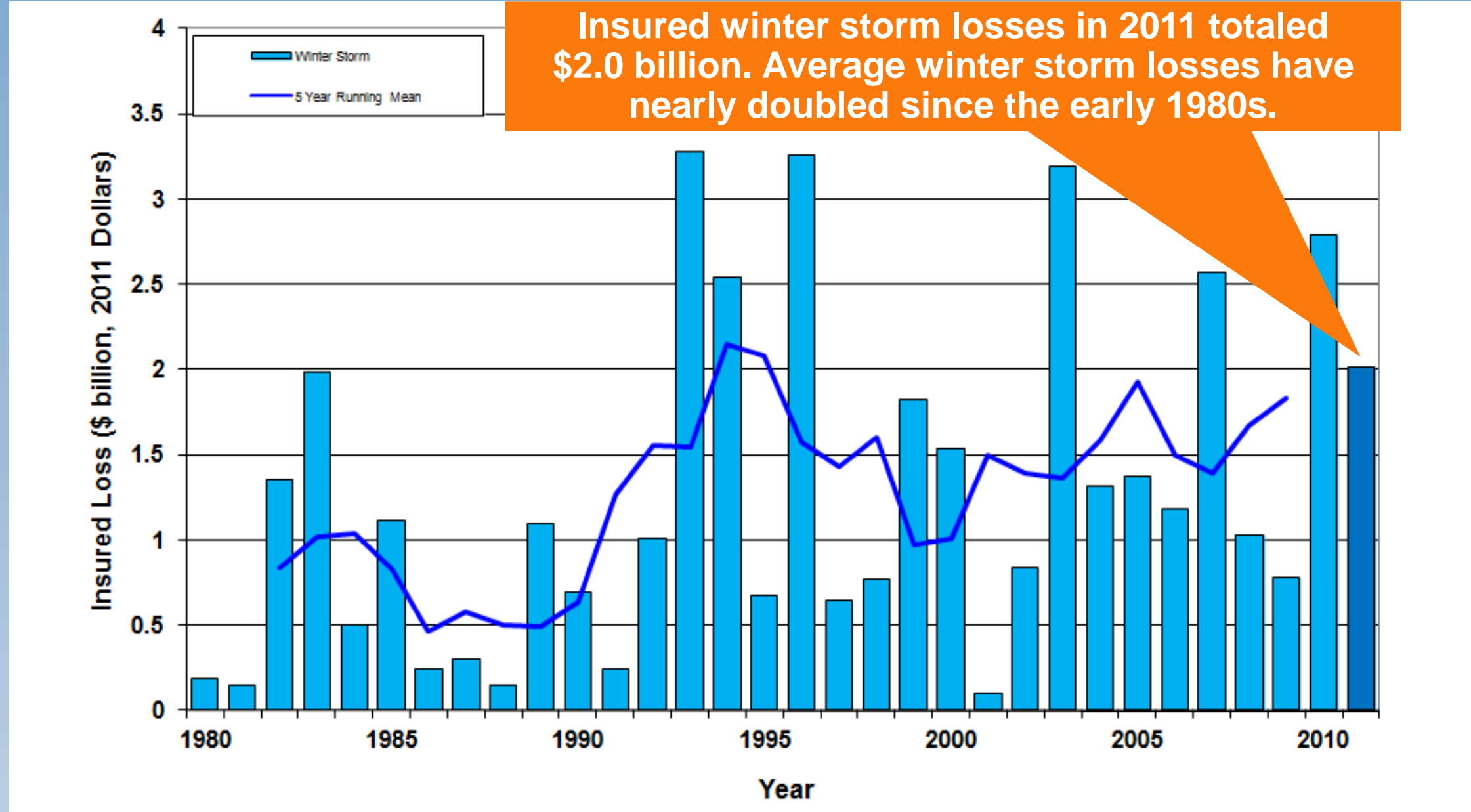
Millions of people were without power in sweltering heat for days, particularly in Mid-Atlantic states



The June 29 derecho traveled 600 miles in just 10 hours—an average speed of 60 MPH! Peak wind gusts 80-100 MPH.

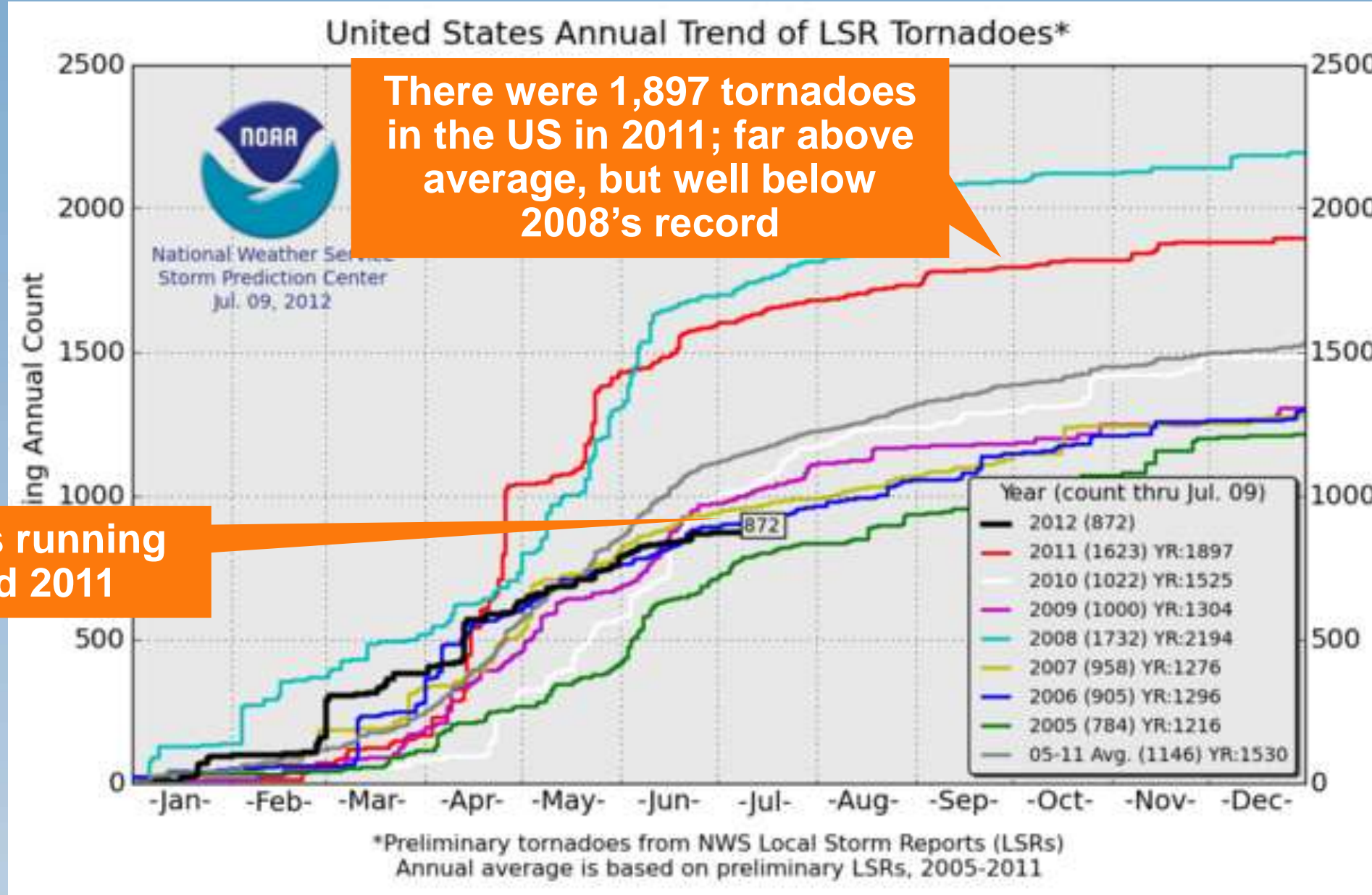
Source: National Weather Service: <http://www.spc.noaa.gov/wcm/2012/20120629-derecho.png>

US Winter Storm Loss Trends



Source: Property Claims Service, MR NatCatSERVICE

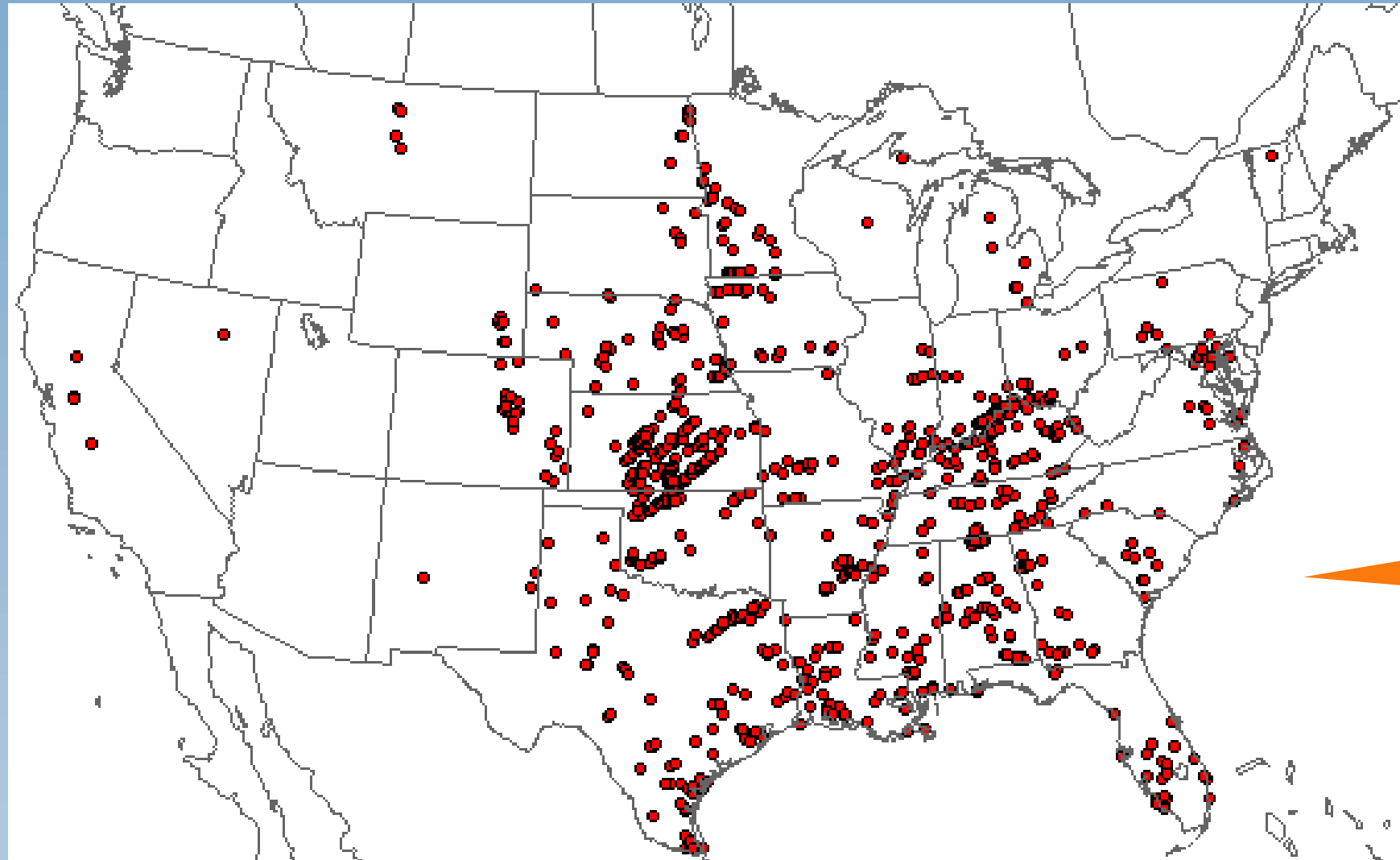
US Tornado Count, 2005-2012*



*Through July 9, 2012.

Source: <http://www.spc.noaa.gov/wcm/>

Location of Tornadoes in the US, 2012*



874 tornadoes
killed 68 people
through July 4



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

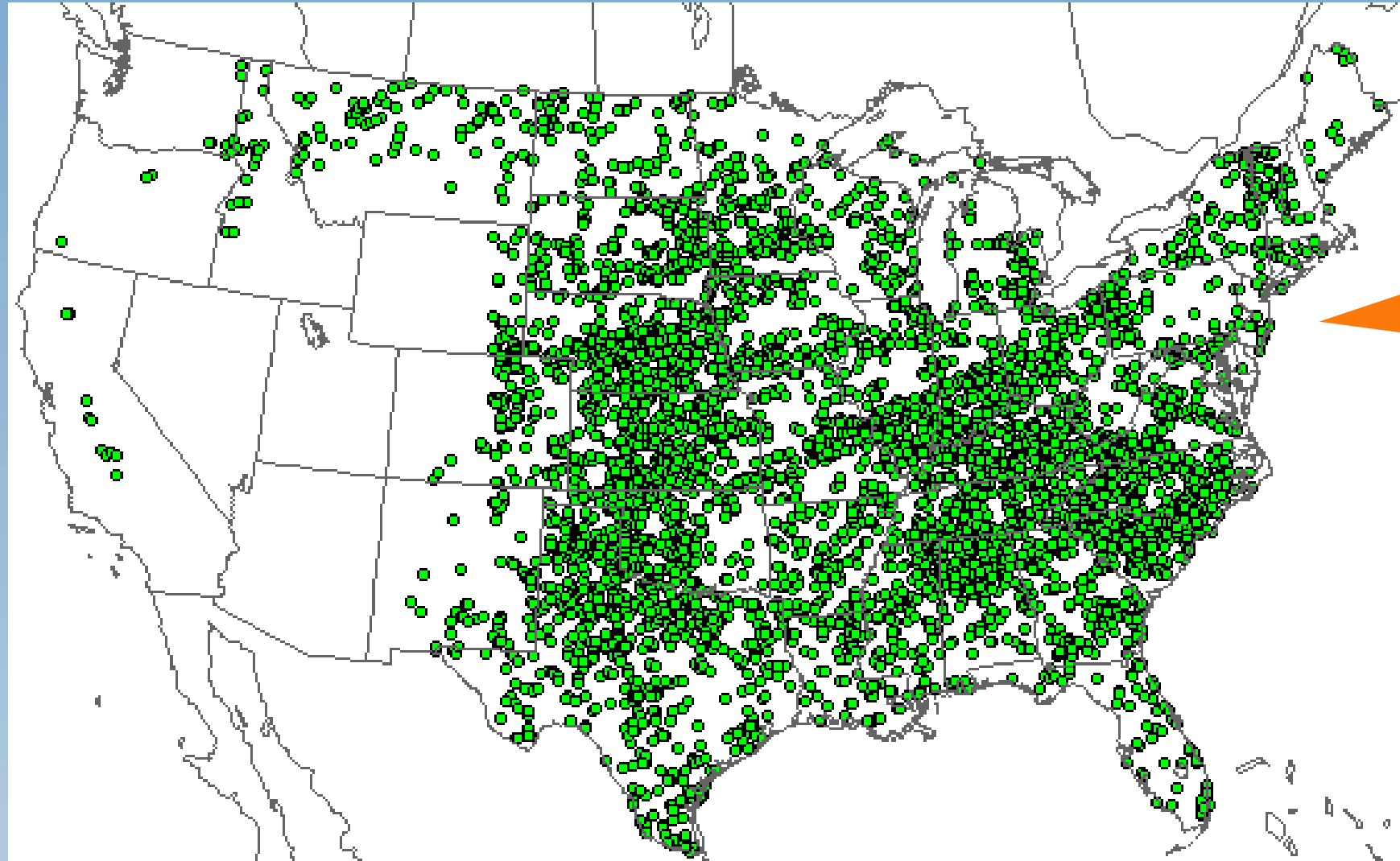
Tornado Reports
January 01, 2012 - July 04, 2012

Updated: Wednesday July 04, 2012 08:52 CT

*Through July 4, 2012.

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html

Location of Large Hail Reports in the US, 2012*



There were 5,452 “large hail” reports through July 4, 2012, causing extensive damage to homes, businesses and vehicles



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

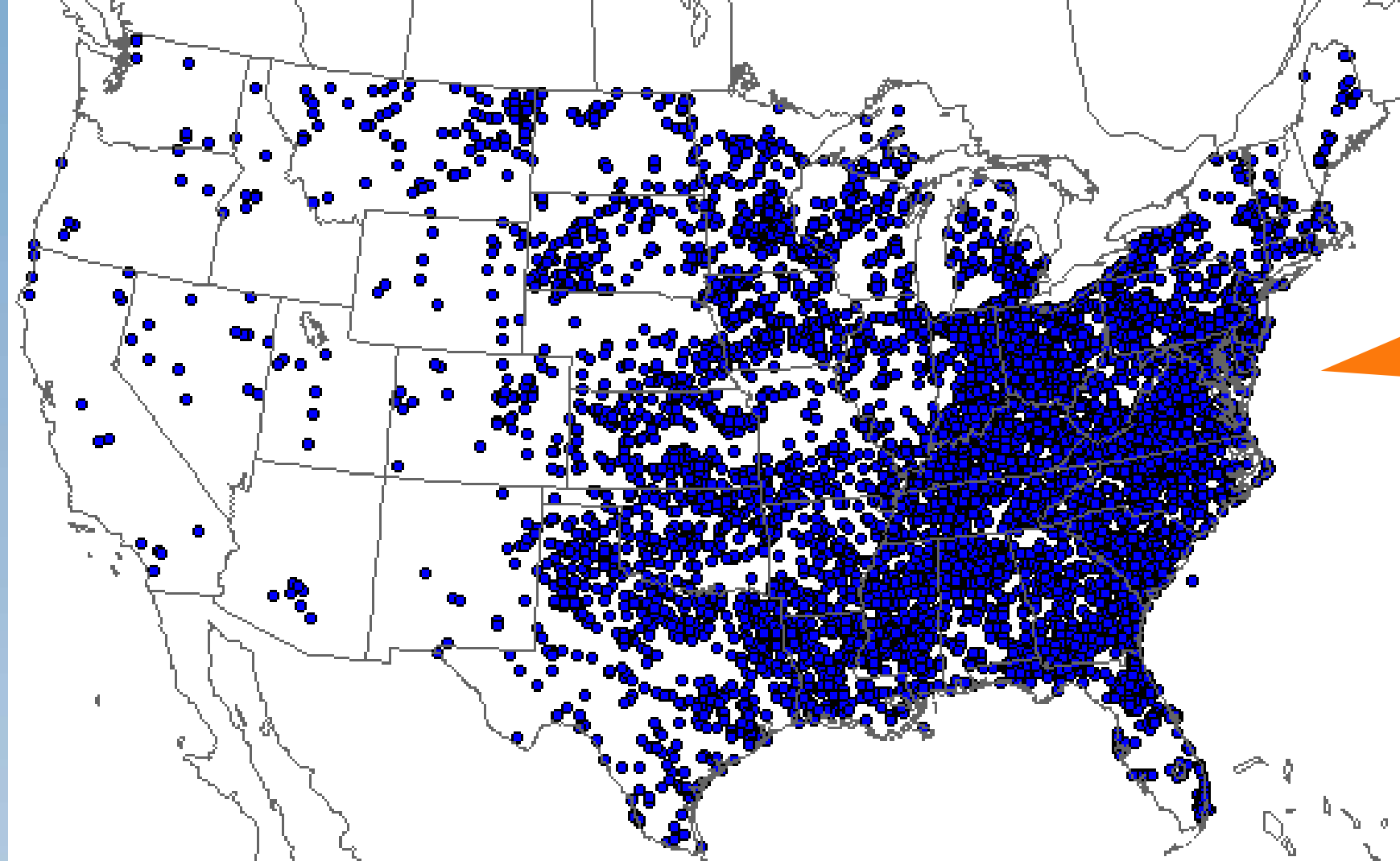
Hail Reports
January 01, 2012 - July 04, 2012

Updated: Wednesday July 04, 2012 08:52 CT

*Through July 4, 2012.

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html

Location of Wind Damage Reports in the US, 2012*



There were 6,851 “wind damage” reports through July 4, causing extensive damage to homes and businesses



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

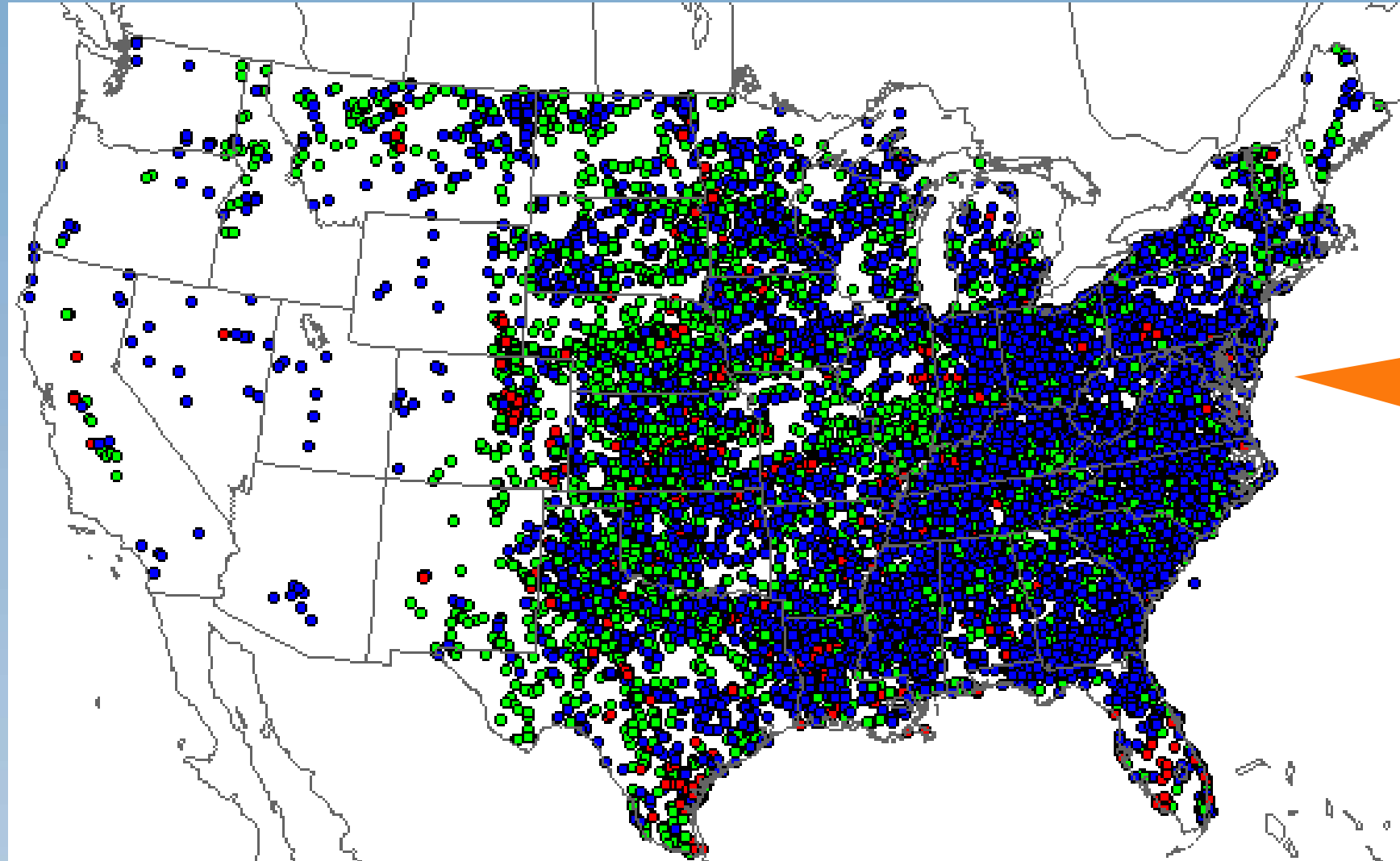
Wind Reports
January 01, 2012 - July 04, 2012

Updated: Wednesday July 04, 2012 08:52 CT

*Through July 4, 2012.

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html

Severe Weather Reports, 2012*



There were already 13,177 severe weather reports through July 4; including 874 tornadoes; 5,452 “large hail” reports and 6,851 high wind events



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

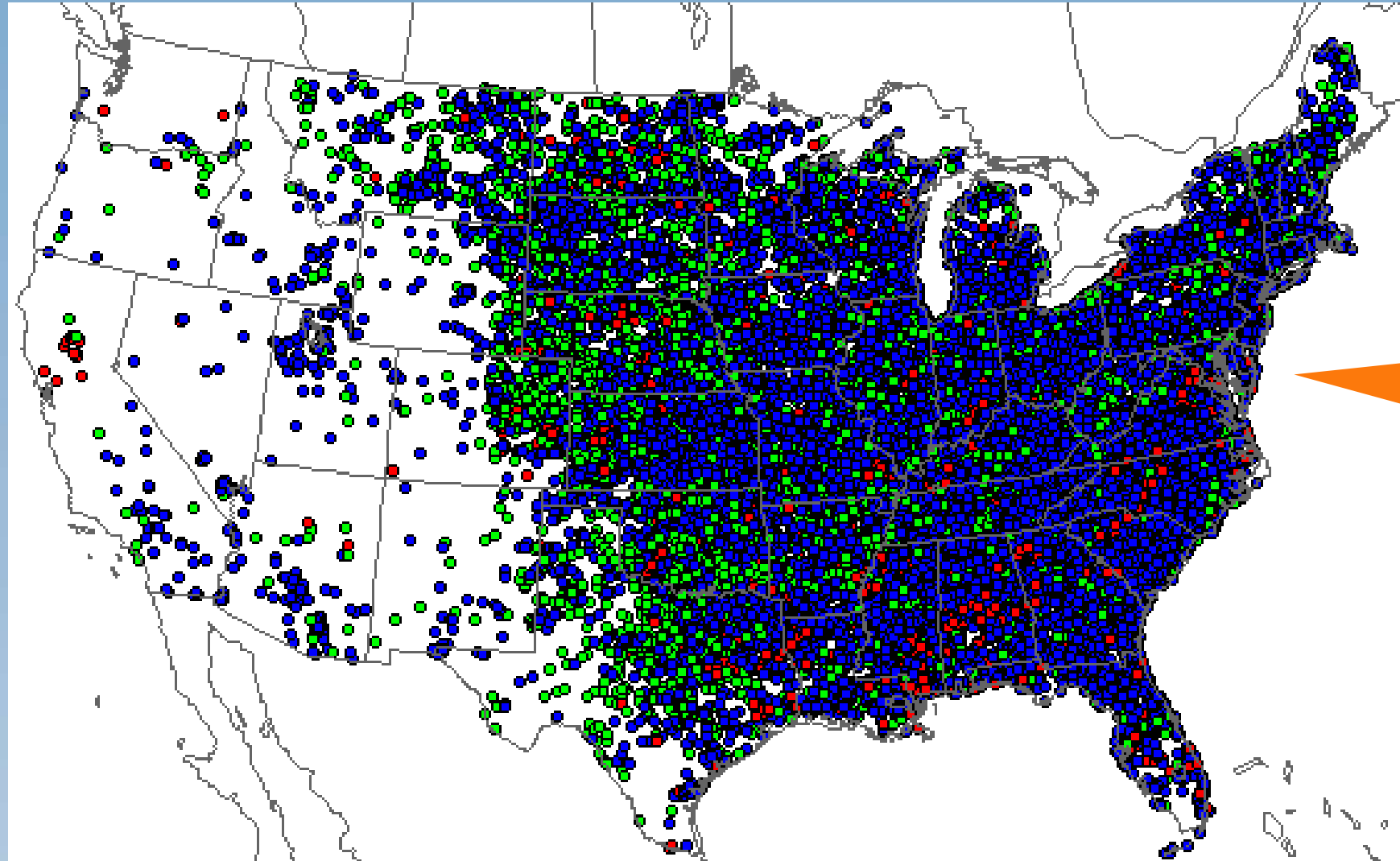
Severe Weather Reports
January 01, 2012 - July 04, 2012

Updated: Wednesday July 04, 2012 08:52 CT

*Through July 4, 2012.

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2012_annual_summary.html

Severe Weather Reports, 2011



There were 29,996 severe weather reports in 2011; including 1,894 tornadoes; 9,417 "large hail" reports and 18,685 high wind events



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Severe Weather Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html

Insurance Information Institute Online:

www.iii.org

***Thank you for your time
and your attention!***

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