



# President's Report

**Insurance Information Institute  
Board of Directors Meeting  
January 11, 2011  
New York, NY**

**Robert P. Hartwig, Ph.D., CPCU, President & Economist**

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## ■ Overview of 2011 Key I.I.I. Strategic Initiatives

### ➤ Education and Research

- Policymakers: Federal Insurance Office, State and Federal Legislators, Government Agencies, State Regulators
- Personal Lines: Homeowners Education, No-Fault Auto, Catastrophic Risk Exposure and Property Residual Markets
- Commercial Lines: Tort Liability System, Terrorism, Exposure and Economic Growth, WC
- Event Driven Topics: TBD as events unfold (in 2010: Deepwater, Chile, Financial Markets...)

### ➤ Web and Social Media Outreach

### ➤ Countering Industry Critics and Attacks on the Industry

### ➤ 10<sup>th</sup> Anniversary of 9/11

## ■ The Media Environment and Insurance

## ■ Public Opinion Survey

- Favorability Ratings, Consumer Concerns

## ■ Industry Financial Overview and Analysis

## ■ New Products and Services

## ■ For Your Support of I.I.I.

- ◆ I.I.I. celebrated its 50<sup>th</sup> anniversary in 2010
- ◆ I.I.I. is an invaluable industry resource, is financially strong with a growing membership



## ■ 2010 Saw a Another Record Volume of Member Requests for I.I.I. Resources

## ■ Record Number of Requests for:

- ◆ Custom data, information, research reports, etc.
- ◆ Presentations for I.I.I. members (requiring record travel)
  - Boards, senior staff, producers, clients/customers
  - Testimony, legislator/regulator briefings
- ◆ Webinars for your staff on key issues
- ◆ Information downloads from I.I.I. web sites



# 2010 Recap

- **2010 Was a Busy, Productive and Successful Year for I.I.I.**
- **Successfully Executed 2010 Strategic Initiatives, Several of Which Will Be Continued into 2011**
- **Large, Unanticipated Events Drove I.I.I.'s Agenda at Times (e.g., Deepwater Horizon)**
- **Expanded Reach, Dissemination and Appreciation of I.I.I. Products & Services**
- **Expanded Membership**



# Overview of 2011 Key I.I.I. Strategic Initiatives

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- Personal Lines: Homeowners Education, No-Fault Auto, Catastrophic Risk Exposure and Property Residual Markets
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- Event Driven Topics: TBD as events unfold (in 2010: Deepwater, Chile, Financial Market Volatility)

- **Market Condition Analysis and Education**
  - Media, Policymakers, Regulators, Industry
  - Global Scope
- **Web/Social Media Outreach and Managing the Changing Media Environment**
- **Countering Industry Critics and Attacks on the Industry**
- **10<sup>th</sup> Anniversary of 9/11 Attack**
  - Will be one of the biggest media stories of 2011 with insurance implications





# Education and Research

**Key Strategic Initiative for 2011  
Is At the Very Core of  
I.I.I.'s Mission**



# Policymaker Education

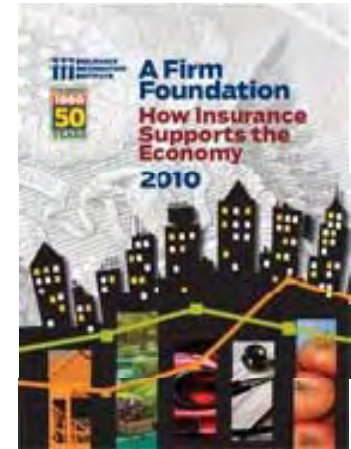
**I.I.I. Resources Are Tapped for a  
Wide and Expanding Variety of  
Federal and State Issues**

# 2011 Strategic Initiatives

## Policymakers Education – Key Issues

### Key issues for 2011 are likely to include:

- Education of a new crop of insurance regulators following high turnover from the 2010 election season (FL, MI, TX)
- Implementation of the Dodd-Frank, and what it means for regulators as well as P/C and life insurers
- Creation of the Federal Insurance Office (FIO) within the U.S. Treasury Department; FIO will likely come to I.I.I. for information and analysis (*it already has*)
- Federal Stability Oversight Council and the definition of systemic risk (e.g., size, *reaction after major cat*)
- After-market auto parts; municipal accident response fees (state legislatures); challenges to underwriting criteria



# 2011 Strategic Initiatives

## Policymakers Education

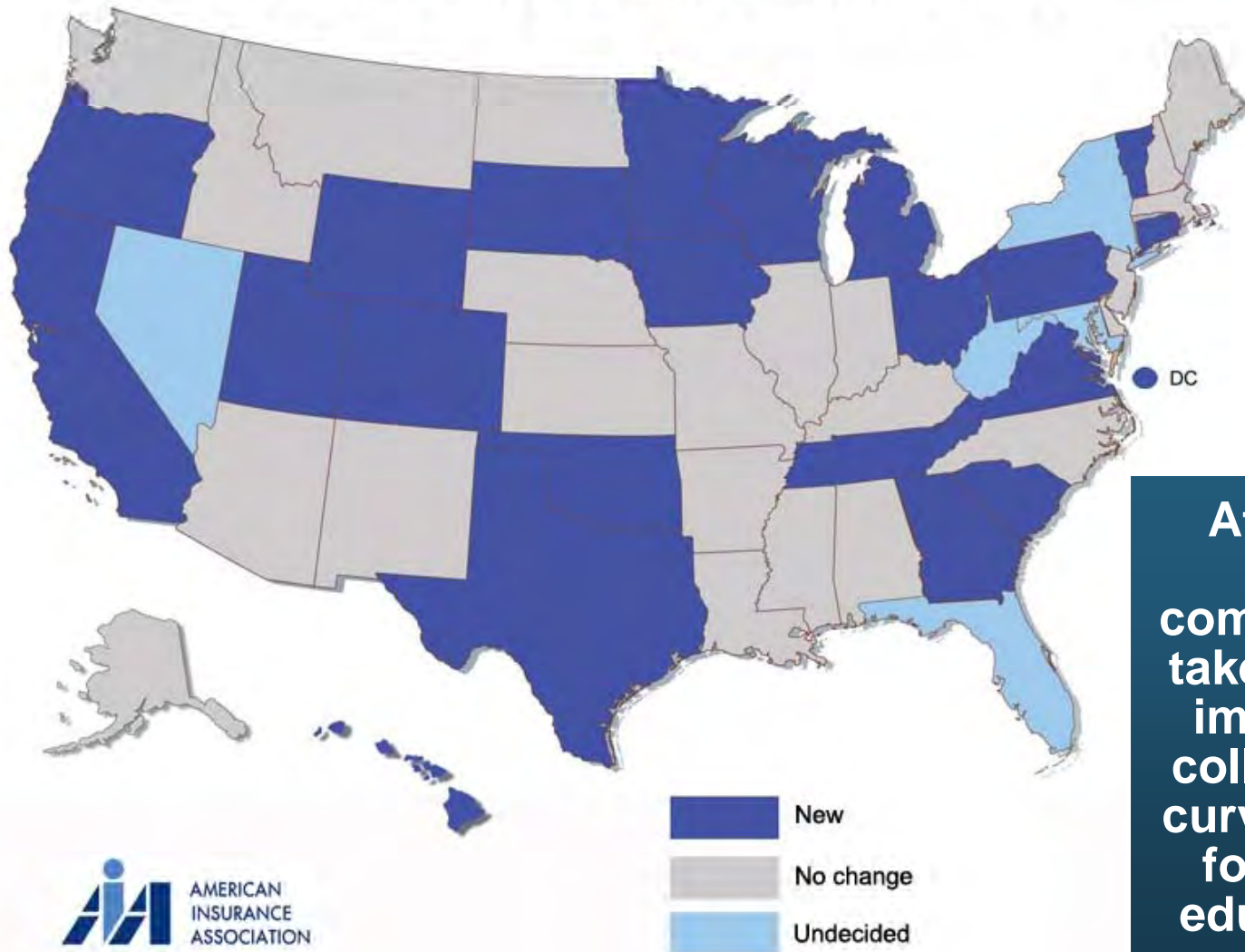
### I.I.I. Is a Key and Trusted Source for Government Agencies; Sampling of Agencies Requesting I.I.I. Information in 2010:

- Board of Governors of the Federal Reserve System
- Congressional Research Service, Library of Congress
- Department of Commerce
- Department of Health and Human Services
- Financial Accounting Standards Board
- Government Accountability Office
- International Trade Commission
- NAIC Individual State Departments
- National Association of State Treasurers
- National Institute of Standards
- NOAA
- ***President's Oil Spill Commission***
- State Legislatures
- State Insurance Departments
- U.S. Department of Housing and Urban Development
- ***U.S. House Committee on Transportation and Infrastructure***
- U.S. Securities and Exchange Commission
- U.S. Senate Committee on Banking, Housing and Urban Affairs
- U.S. Treasury Department
- World Bank

**I.I.I. Likely to Become a Major Information Resource for New Federal Insurance Office & Financial Stability Oversight Council**

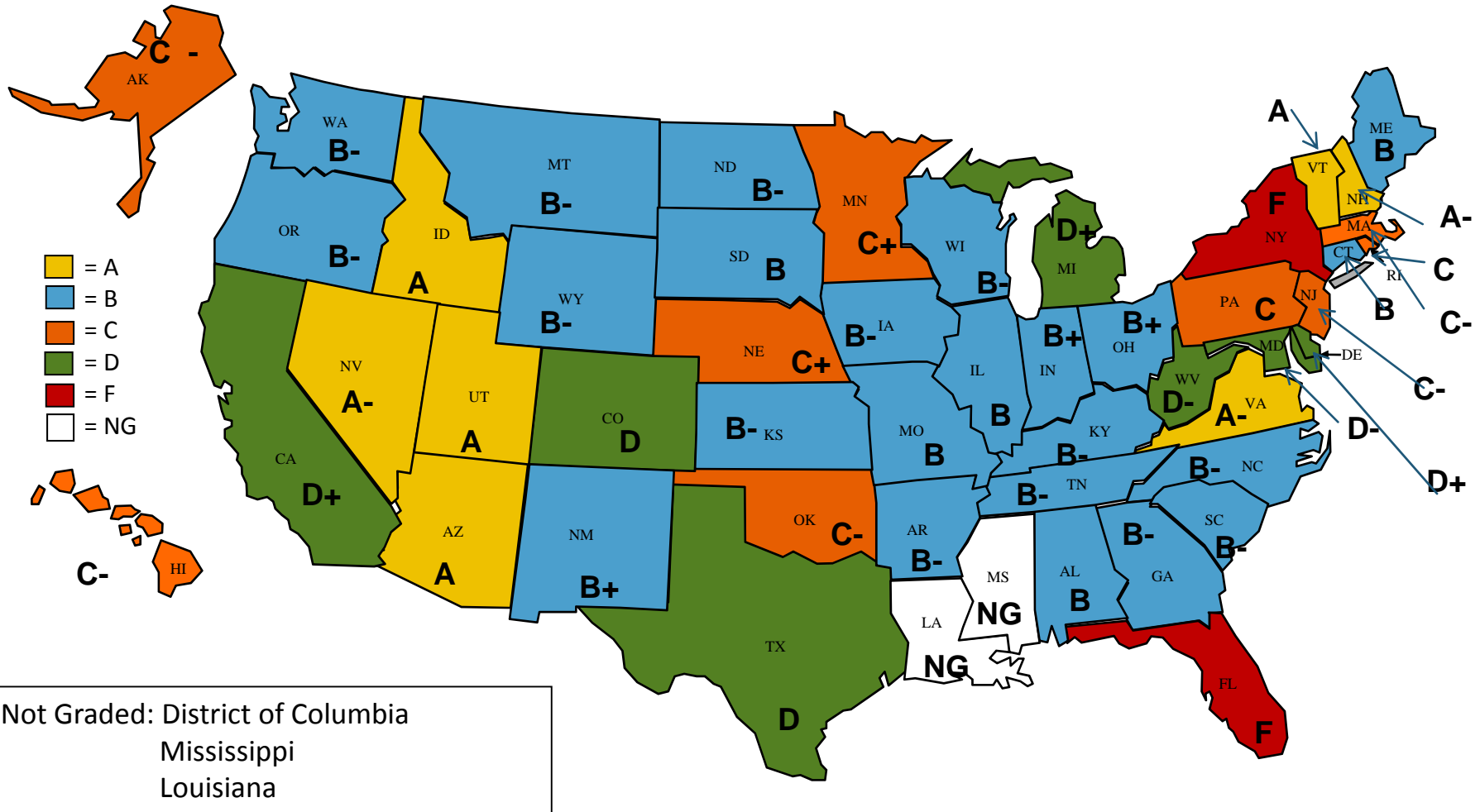
# Turnover Among Insurance Regulators is Very High in 2011

## 2011 Insurance Commissioners Chart



At least 22 new insurance commissioners will take office in 2011, implying a steep collective learning curve and the need for a significant educational effort

# 2010 Property and Casualty Insurance Report Card



### ■ Federal Insurance Office

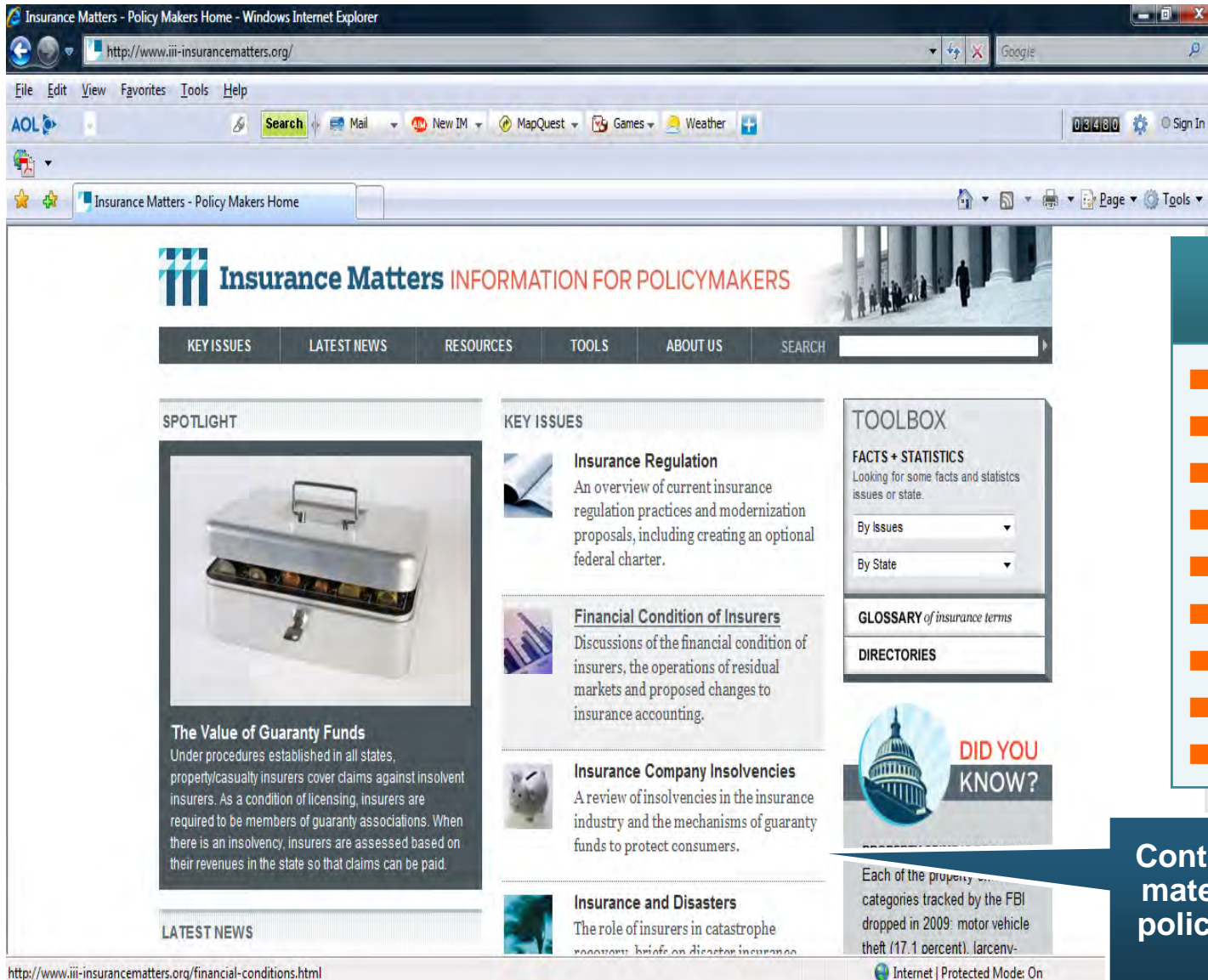
- ◆ Separate office in Treasury to provide the Administration with expertise on life and P/C insurance (except crop insurance)
- ◆ Functions include data collection/analysis, systemic risk monitoring, administering TRIP, monitoring affordability/availability in underserved communities, recommending insurers for fed systemic risk supervision, advising on insurance policy issues, and coordinating development of federal policy on international prudential insurance issues
- ◆ FIO prohibited from acting as insurance regulator
- ◆ Preempting authority exists on international issues, but is very narrow

### ■ Insurance Regulation Study

- ◆ Due within 18 months of enactment
- ◆ Examines effectiveness of insurance regulation defined by 6 principles
- ◆ Also studies consequences of FDIC resolution authority of insurers and federal consumer protection regulation

# 2011 Strategic Initiatives

## Policymakers Education – Website



The screenshot shows the Insurance Matters website in a Windows Internet Explorer browser window. The address bar displays <http://www.iii-insurancematters.org/>. The browser's menu bar includes File, Edit, View, Favorites, Tools, and Help. The toolbar contains various utility icons like AOL, Search, Mail, New IM, MapQuest, Games, Weather, and a clock showing 03:48:00. The website header features the Insurance Matters logo and the tagline "INFORMATION FOR POLICYMAKERS". A navigation menu includes links for KEY ISSUES, LATEST NEWS, RESOURCES, TOOLS, ABOUT US, and a search box. The main content area is divided into several sections: "SPOTLIGHT" with an image of a briefcase and the article "The Value of Guaranty Funds"; "KEY ISSUES" with links to "Insurance Regulation", "Financial Condition of Insurers", "Insurance Company Insolvencies", and "Insurance and Disasters"; "TOOLBOX" with "FACTS + STATISTICS" (including dropdowns for "By Issues" and "By State") and a "GLOSSARY of insurance terms"; and "DIRECTORIES". A "DID YOU KNOW?" section features an image of the US Capitol and text about property categories tracked by the FBI. The browser's status bar at the bottom shows "Internet | Protected Mode: On".

### User Highlights

- Tailored
- Focused
- Current
- Clear and Concise
- Factual
- Searchable
- Exportable
- Multimedia Content
- Accessible

Content is arranged so that material most important to policymakers is just one or two clicks away



# 2011 Strategic Initiatives

## Policymakers Education – Deepwater Horizon Testimony



**LIVE WEBCAST**

**Next Live Webcast**  
To Be Announced

*For Video of Previous Hearings  
Visit that Hearing's Web Page*

**WATCH NOW >>**

**Resources**

- T & I Agenda
- Comparison Chart 108th & 109th to 110th & 111th Congresses
- Hearings Comparison Since 2001
- Bills Comparison Since 2001
- Legislative Summary of the 110th
- Minority Site

**Updates**

Click on the icons below to follow the T&I

**HEARINGS**

**JUNE 9, 2010 10:30AM**

**Liability and Financial Responsibility for Oil Spills under the Oil Pollution Act of 1990 and Related Statutes**

2167 Rayburn House Office Building

**PURPOSE OF THE HEARING**

The Committee on Transportation and Infrastructure convened on Wednesday, June 9, 2010, at 10:30 a.m., in room 2167 of the Rayburn House Office Building to receive testimony regarding the liability requirements for oil spills imposed by the Oil Pollution Act of 1990 (OPA) (P.L. 101-380) and related statutes on offshore facilities and vessels operating in U.S. waters. The Committee also considered the potential impact of the liability claims arising from the loss of the Deepwater Horizon mobile offshore drilling unit (MODU) in the Gulf of Mexico and the subsequent oil spill from the Macondo well site on the offshore industry.

Given the complexity of the Deepwater Horizon/Macondo incident and the size of the potential damages arising from this spill (which far exceed current liability limits applied to offshore facilities), the Committee will assess whether the current liability limits for offshore facilities and vessels should be raised and whether the amount of financial responsibility offshore facilities and vessels are required to demonstrate for liabilities associated with oil spills should also be



Akamai Technologies

Dr. Hartwig  
Committee on Transportation & Infrastructure

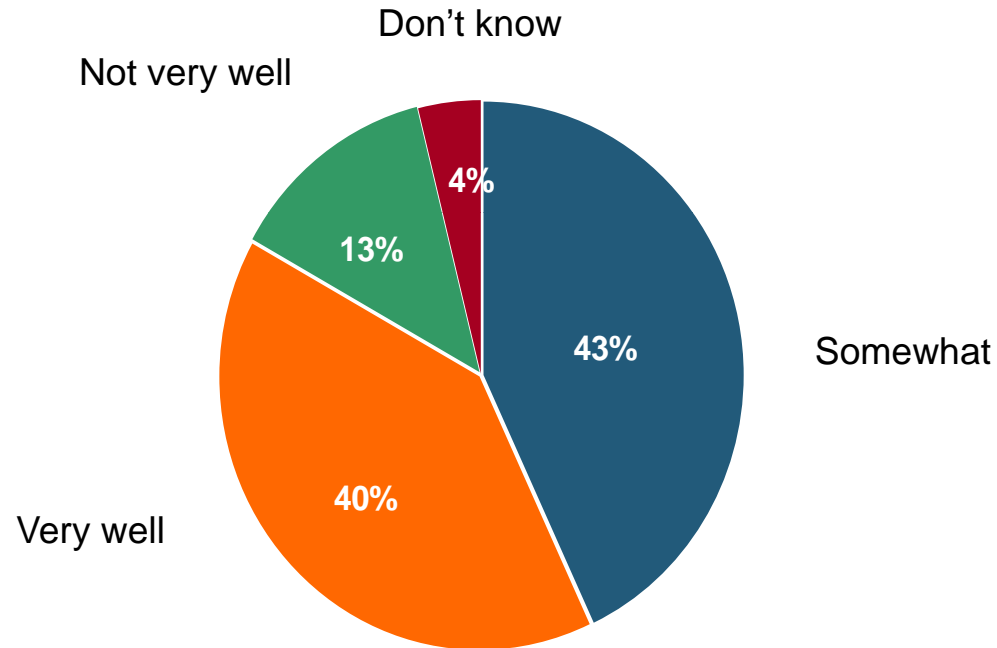
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# **Personal Lines Strategic Initiatives**

**Homeowners Education  
Auto No-Fault  
Catastrophe Risk Exposure  
Property Residual Markets**

# Homeowners Education

Q. How Well Do You Understand The Coverage In Your Homeowners Insurance Policy?<sup>1</sup>

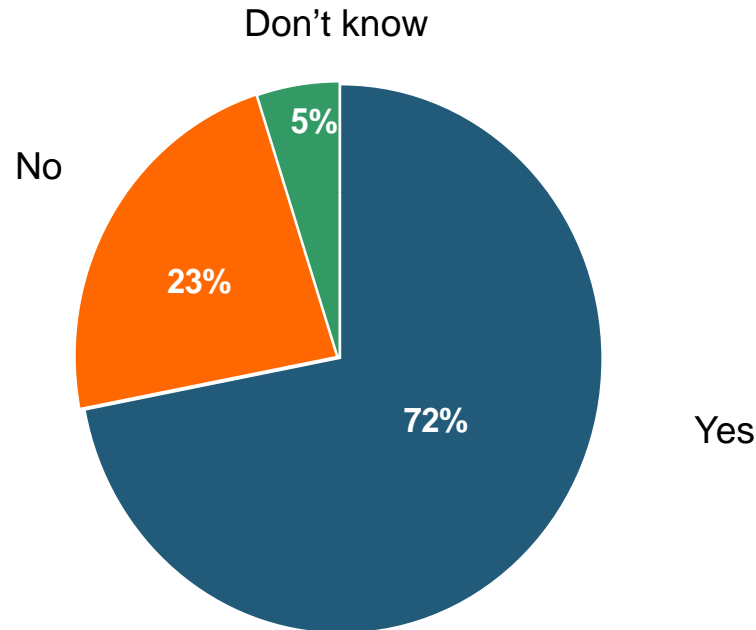


**Most Americans Say They Understand Their Home Insurance Policy**

<sup>1</sup>Asked of those who have homeowners insurance.  
Source: Insurance Information Institute Annual *Pulse* Survey.

# Homeowners Education

**Q. Do You Think Your Insurance Agent or Insurance Company Representative Adequately Explained The Coverage In The Homeowners Insurance Policy You Brought?<sup>1</sup>**



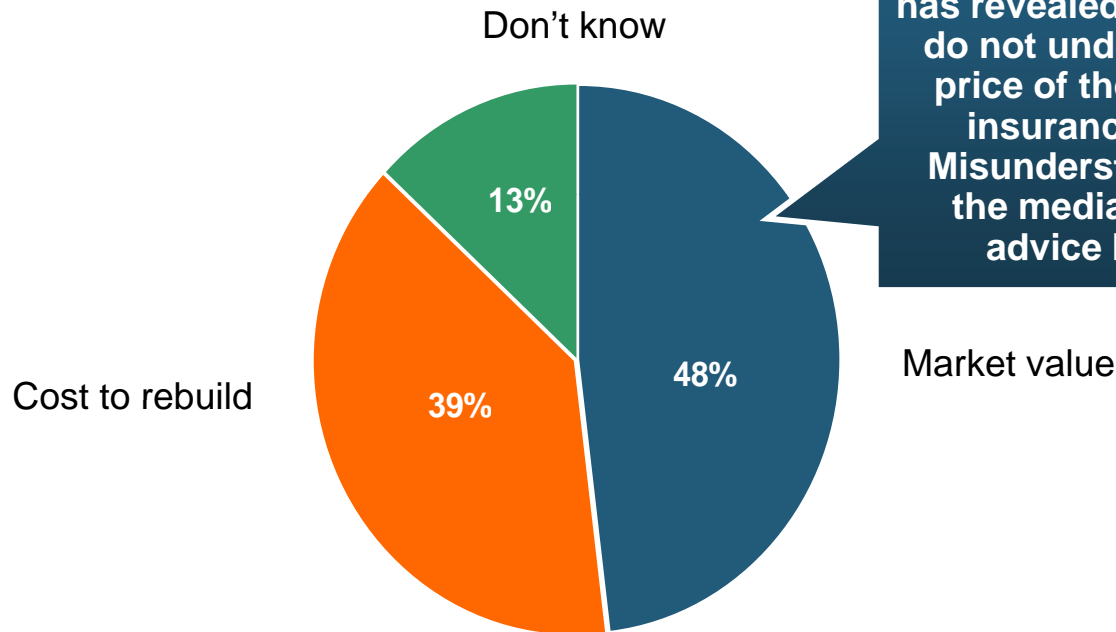
**About 20 Percent of Americans Think That The Coverage In Their Home Insurance Policies Was Not Explained Adequately By Their Insurance Agent or Company**

<sup>1</sup>Asked of those who have homeowners insurance.

Source: Insurance Information Institute Annual *Pulse* Survey.

# Homeowners Education

Q. Do you think your homeowners insurance premium is based on the cost to rebuild your home or on the market value of your home?<sup>1</sup>



The collapse in housing prices has revealed that many people do not understand what the price of their homeowners insurance is based on. Misunderstanding exists in the media too—with bad advice being offered

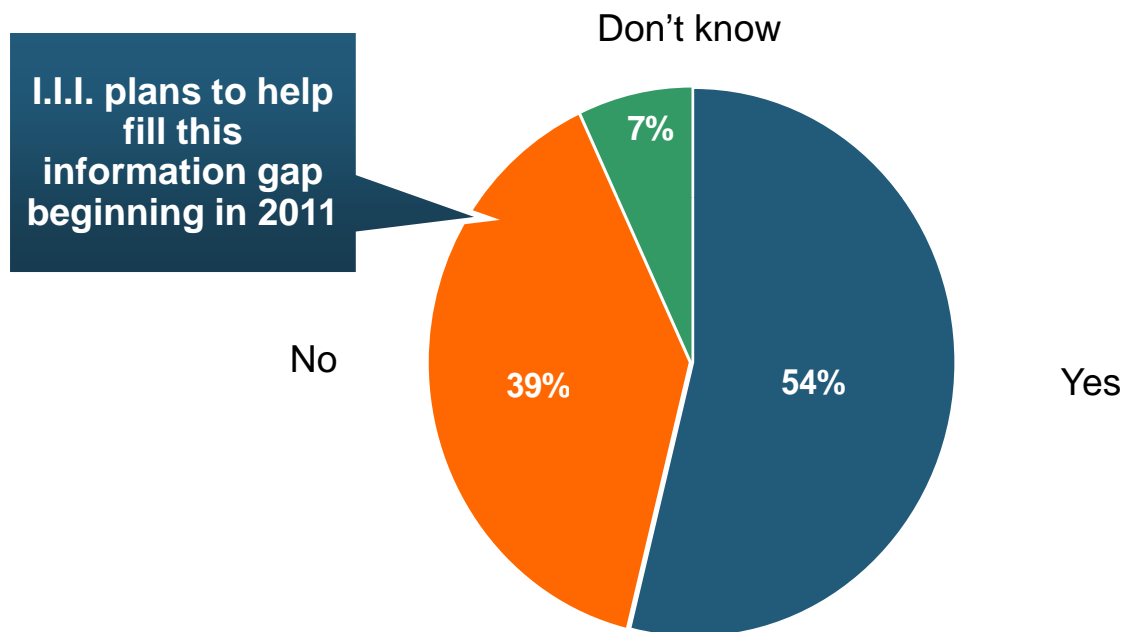
**When Asked What The Homeowners Insurance Premium Is Based On, Almost Half Of Respondents Answered Incorrectly**

<sup>1</sup>Asked of those who have homeowners insurance.

Source: Insurance Information Institute Annual *Pulse* Survey.

# Homeowners Education

Q. Do You Think There Is Enough Publicly Available Information That Explains How A Homeowners Insurance Policy Works?<sup>1</sup>

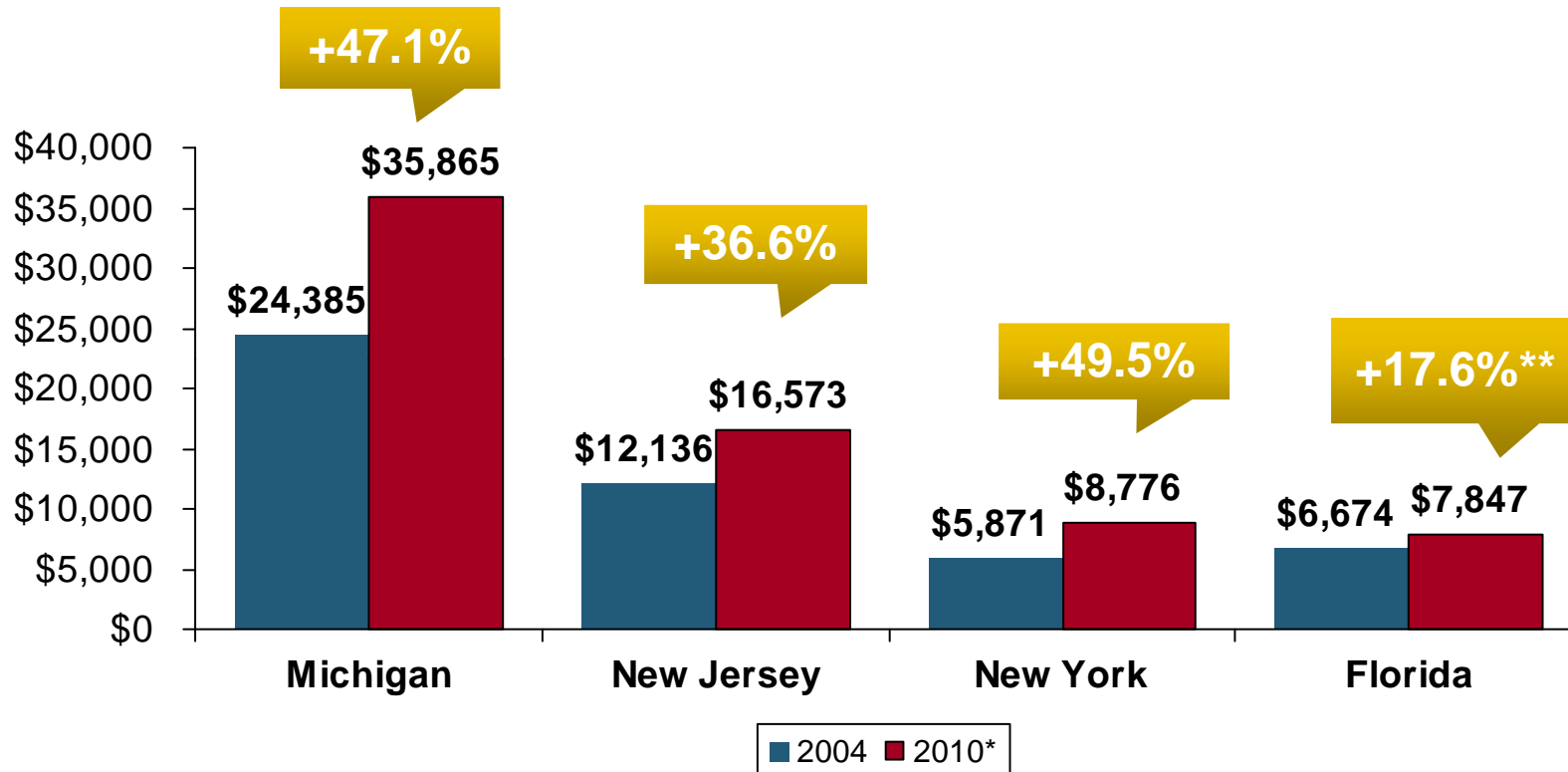


**Nearly 40 Percent Of The Public Say There is Not Enough Information Available To Explain How Home Insurance Policies Work**

<sup>1</sup>Asked of those who have homeowners insurance.

Source: Insurance Information Institute Annual *Pulse* Survey.

# Increase in No-Fault Claim Severity: 2004-2010\*



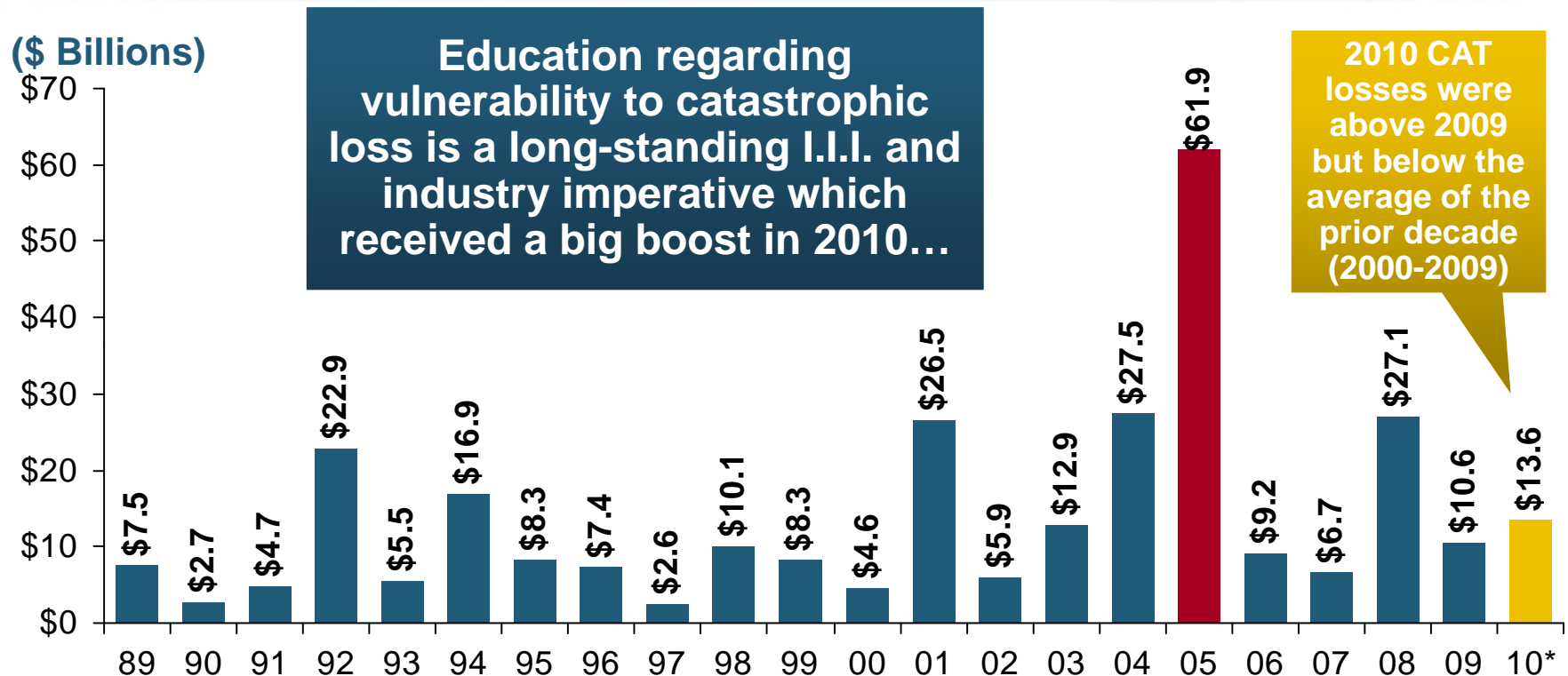
The no-fault systems in MI, NJ, NY and FL are under stress due to rising fraud and abuse which will ultimately lead to higher premiums for drivers

\*2010 figure is for the 4 quarters ending 2010:Q3.

\*\*Since 2006 the increase in Florida was 23.7% (average severity that year was \$6,344).

Sources: Insurance Information Institute research from ISO/PCI *Fast Track* data.

# US Insured Catastrophe Losses



**2010 CAT Losses Were Close to “Average”**  
**Figures Do Not Include an Estimate of Deepwater Horizon Loss**

\*Estimate from Munich Re.

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

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



# 2011 Strategic Initiatives

## Property Insurance: Catastrophe Loss Reduction

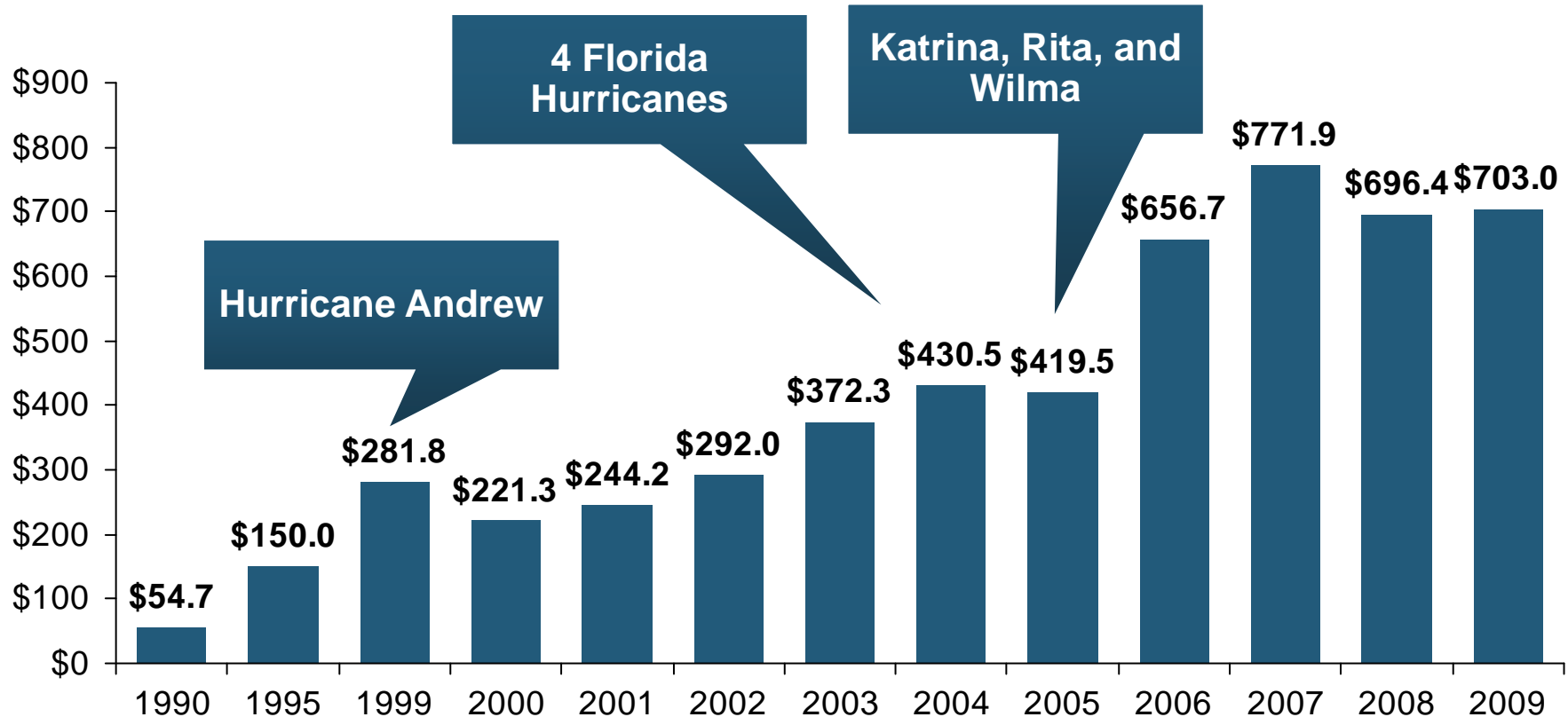
### Cat Loss Reduction

- The opening of the IBHS Research Facility in Oct. 2010 provided the industry with a unique and enduring opportunity to showcase its efforts to reduce property loss against a wide range of hazards under scientifically controlled conditions
- The I.I.I. has a long standing relationship with IBHS to help promote property loss reduction (an Julie Rochman is a former I.I.I. employee)
- The entire industry will benefit not only from the science but the positive media and goodwill generated from the new facility



# U.S. Residual Market Exposure Remains Near Record Highs

(\$ Billions)



**In the 20-year Period From 1990 and 2009, Total Exposure to Loss in the Residual Market (FAIR & Beach/Windstorm) Plans Has Surged from \$54.7B in 1990 to \$703.0B in 2008**



# Commercial Lines Initiatives

**Tort Liability System**

**Terrorism**

**Commercial Exposure & Growth**

**Workers Compensation**

### Emerging Tort Threat

- No tort reform (or protection of recent reforms) is forthcoming from the current Congress or Administration
- Erosion of recent reforms is a certainty (already happening)
- Innumerable legislative initiatives will create opportunities to undermine existing reforms and develop new theories and channels of liability
- Torts twice the overall rate of inflation
- Influence personal and commercial lines, esp. auto liability
- Historically *extremely* costly to p/c insurance industry
- Leads to reserve deficiency, rate pressure

***Bottom Line:* Tort “crisis” is on the horizon and will be recognized as such by 2012–2014**

# 2011 Strategic Initiatives

## Tort Reform – Trial Bar Priorities



- Reverse U.S. Supreme Court decisions on pleadings
- Eliminate pre-dispute arbitration
- Erode federal preemption
- Expand securities litigation
- Pass Foreign Manufactures Legal Accountability Act
- Grant enforcement authorities to state
- Confirm pro-trial lawyer judges – “Federalize Madison County”
- Roll back existing legal reforms

# 2011 Strategic Initiatives

## Tort Reform – Trial Lawyer Poll: Which Areas Offer the Greatest Potential Benefit?

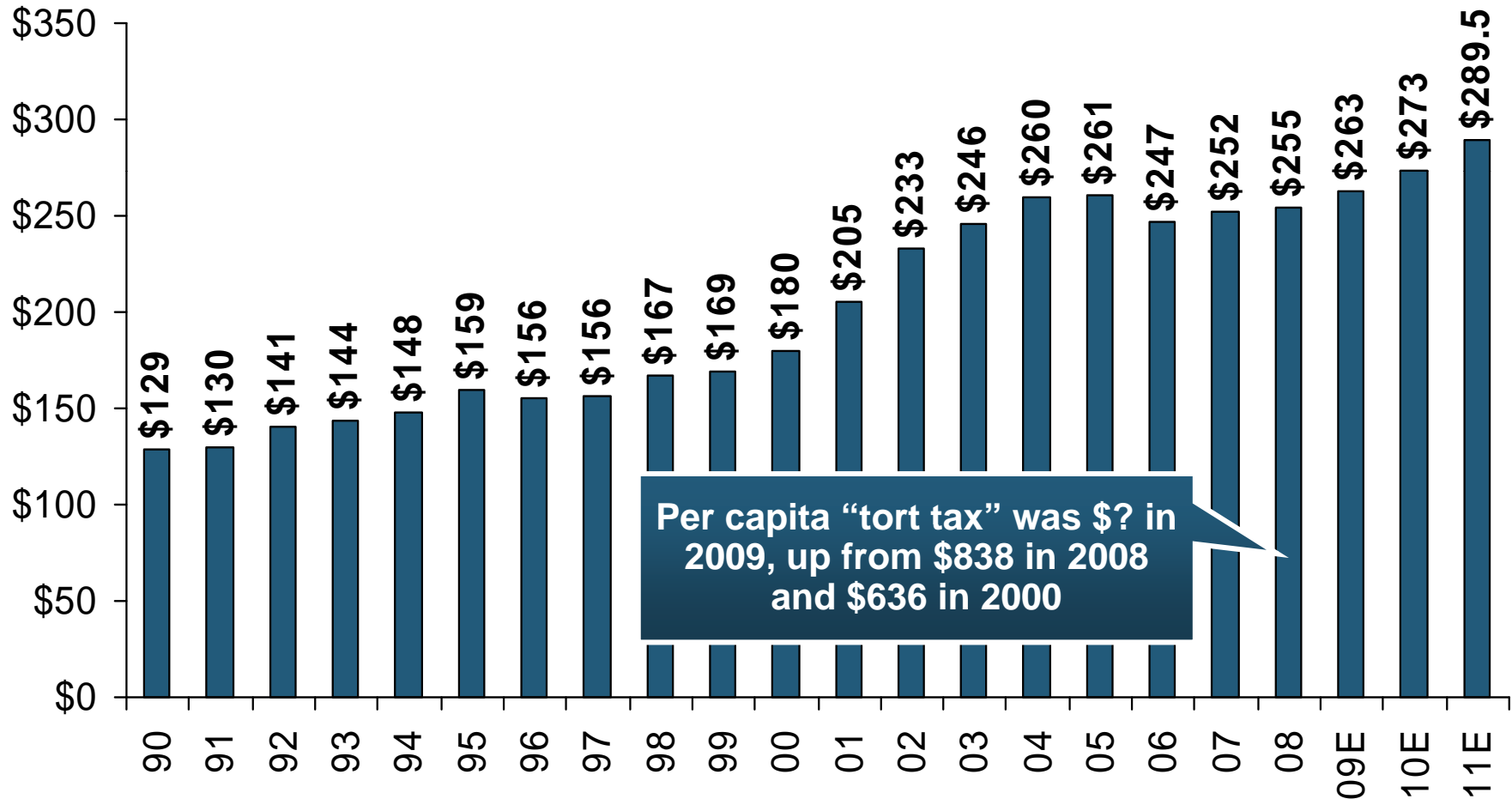
Top Categories	Percentage
Environmental	14%
Insurance coverage	13%
Mortgage fraud	12%
Nursing home/seniors issues	11%
Bad-faith against insurance companies	10%

*41 different practice areas were included as categories*

# 2011 Strategic Initiatives

## Tort Reform – Cost of U.S. Tort System (\$Billions)

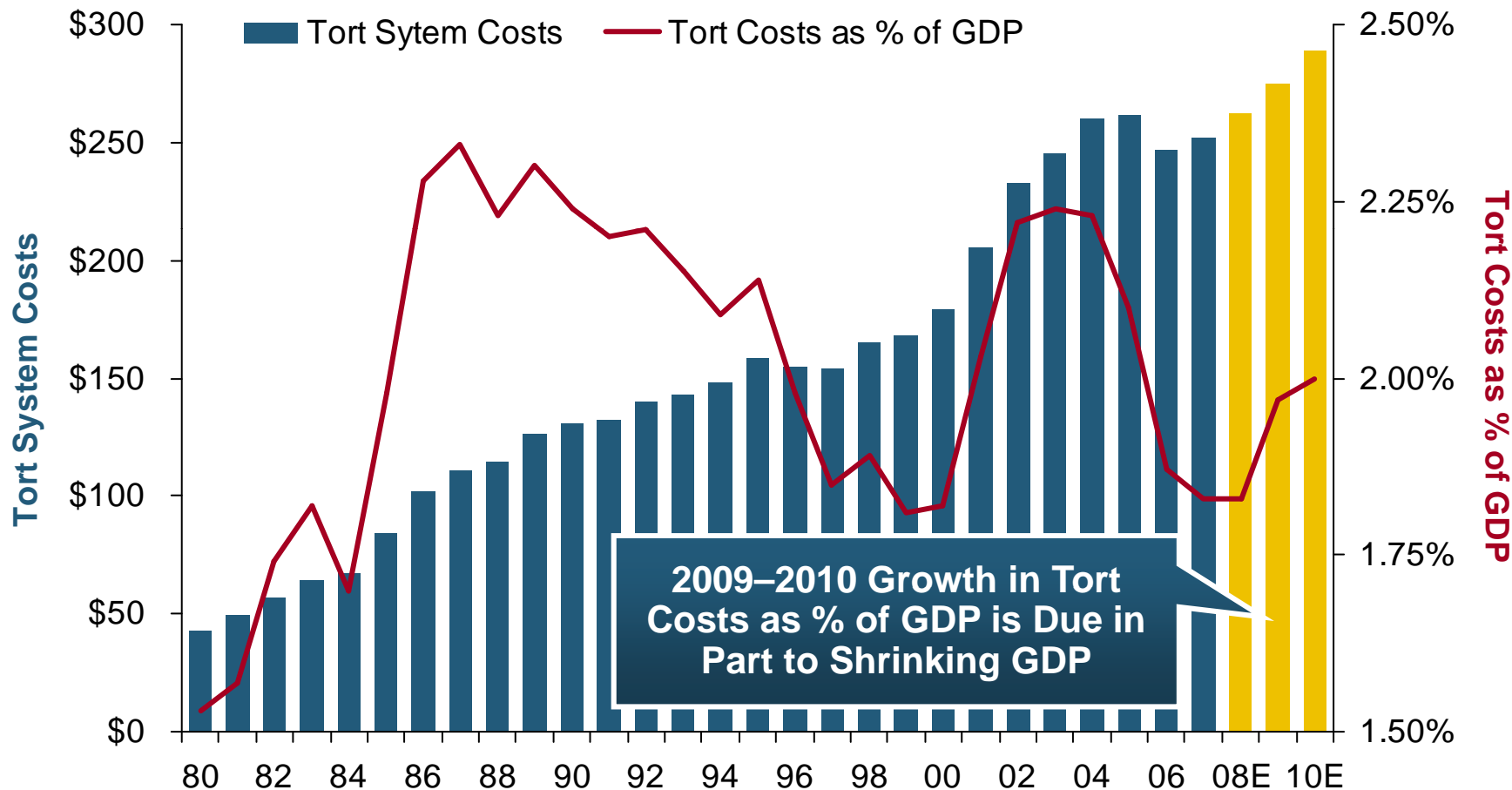
Tort costs consumed 1.79% of GDP in 2008, down from 2.24% in 2003



# 2011 Strategic Initiatives

## Tort Reform – Over the Last Three Decades, Total Tort Costs\* as a % of GDP Appear Somewhat Cyclical

(\$ Billions)



\* Excludes the tobacco settlement, medical malpractice

Sources: Tillinghast-Towers Perrin, *2008 Update on US Tort Cost Trends*, Appendix 1A; I.I.I. calculations/estimates for 2009 and 2010



# 2011 Strategic Initiatives

## I.I.I. Recognized for Its Long-Standing Commitment to Identify Abuses in the Tort System



### TORT INFLATION 2010: STABILITY TODAY, BUT FOR HOW LONG?

June 2010

2011 tort  
paper is  
already in  
early stage  
of research

### Recognition for I.I.I.'s Work

- The US Chamber of Commerce Institute for Legal Reform presented the I.I.I.'s president, Robert Hartwig, it's 2010 Research Award in recognition of recent research in the area of drivers of tort costs
- The ILR also recognized I.I.I.'s work in a diverse array areas tort areas, including:
  - Asbestos
  - Auto No-Fault
  - Bad Faith
  - Catastrophe Litigation
  - Climate Change
  - Deepwater Horizon
  - Medical Malpractice
  - Obesity
  - Terrorism

# 2011 Strategic Initiatives

## Tort Reform – Business Leaders Ranking of Liability Systems in 2009\*

### Best States

1. Delaware
2. North Dakota
3. Nebraska
4. Indiana
5. Iowa
6. Virginia
7. Utah
8. Colorado
9. Massachusetts
10. South Dakota

#### New in 2009

- North Dakota
- Massachusetts
- South Dakota

#### Drop-offs

- Maine
- Vermont
- Kansas

Midwest/West has mix of good and bad states.

### Worst States

41. New Mexico
42. Florida
43. Montana
44. Arkansas
45. Illinois
46. California
47. Alabama
48. Mississippi
49. Louisiana
50. West Virginia

#### Newly Notorious

- New Mexico
- Montana
- Arkansas

#### Rising Above

- **Texas**
- South Carolina
- Hawaii

# 2011 Strategic Initiatives

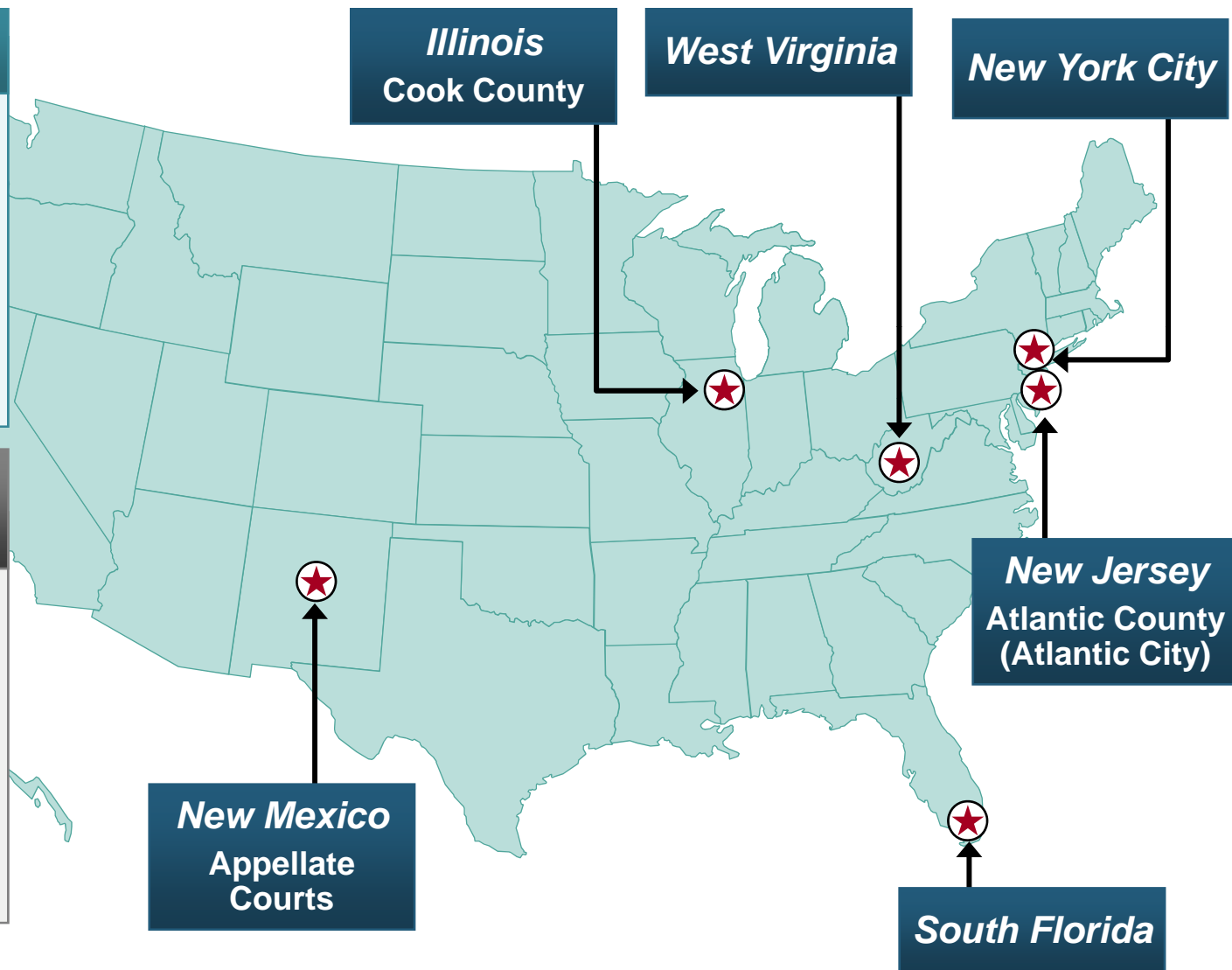
## Tort Reform – The Nation’s Judicial Hellholes: 2010

### Watch List

- California
- Alabama
- Madison County, IL
- Jefferson County, MS
- Texas Gulf Coast
- Rio Grande Valley, TX

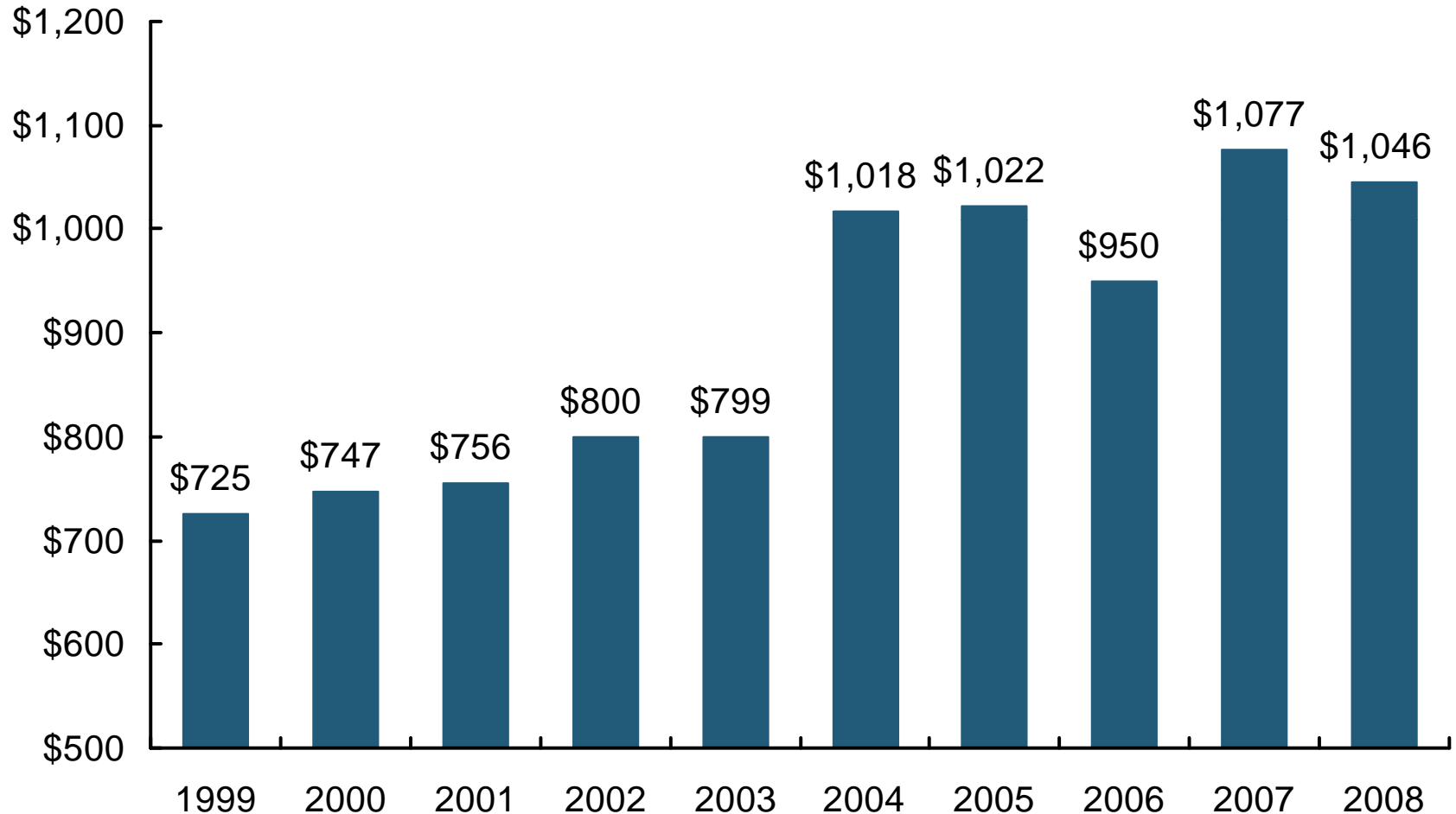
### Dishonorable Mention

- AR Supreme Court
- MN Supreme Court
- ND Supreme Court
- PA Governor
- MA Supreme Judicial Court
- Sacramento County



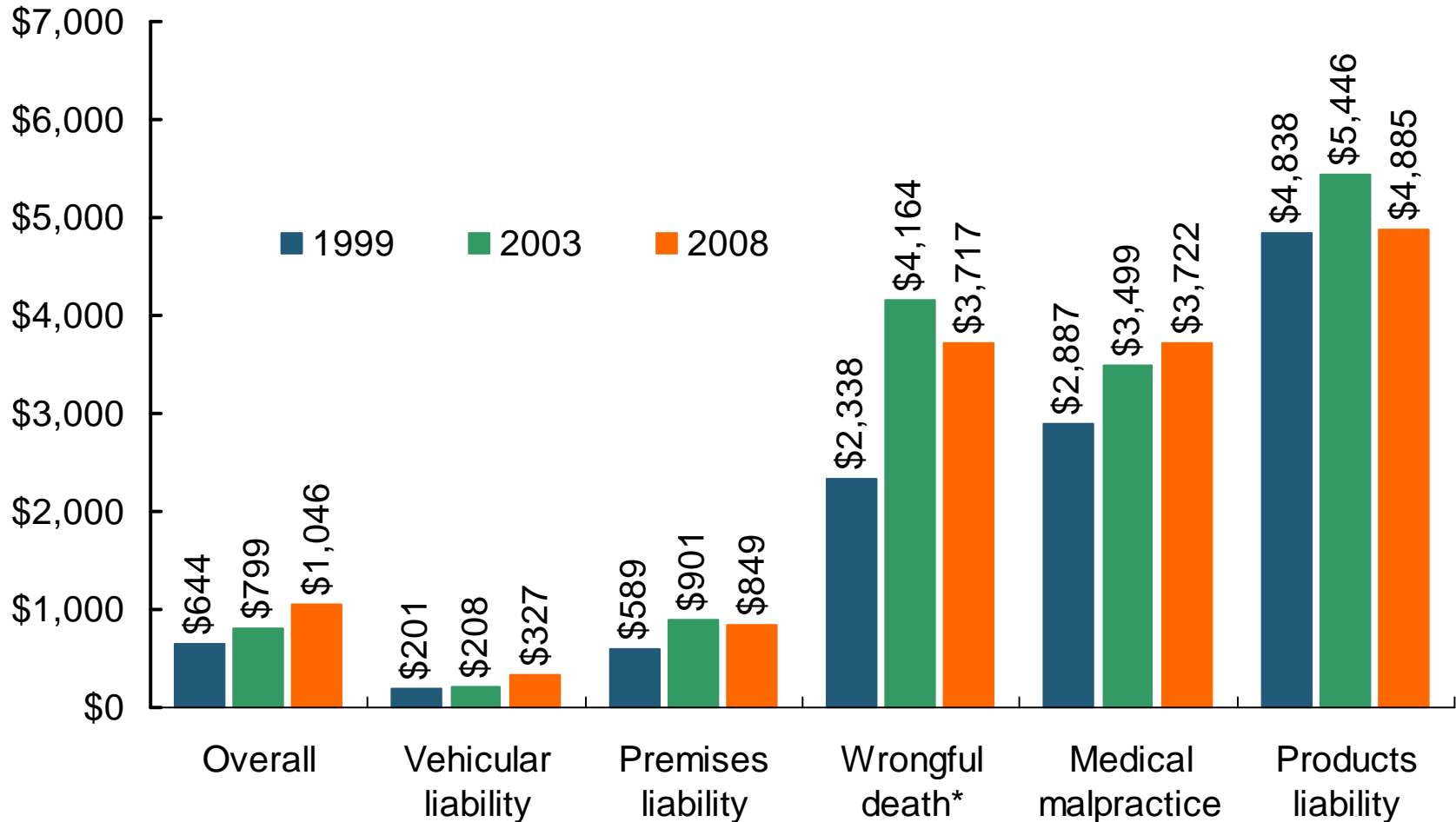
# 2011 Strategic Initiatives

## Tort Reform – Average Jury Awards 1999 - 2008



# 2011 Strategic Initiatives

## Tort Reform – Average Jury Awards 1999 vs. 2003 and 2008

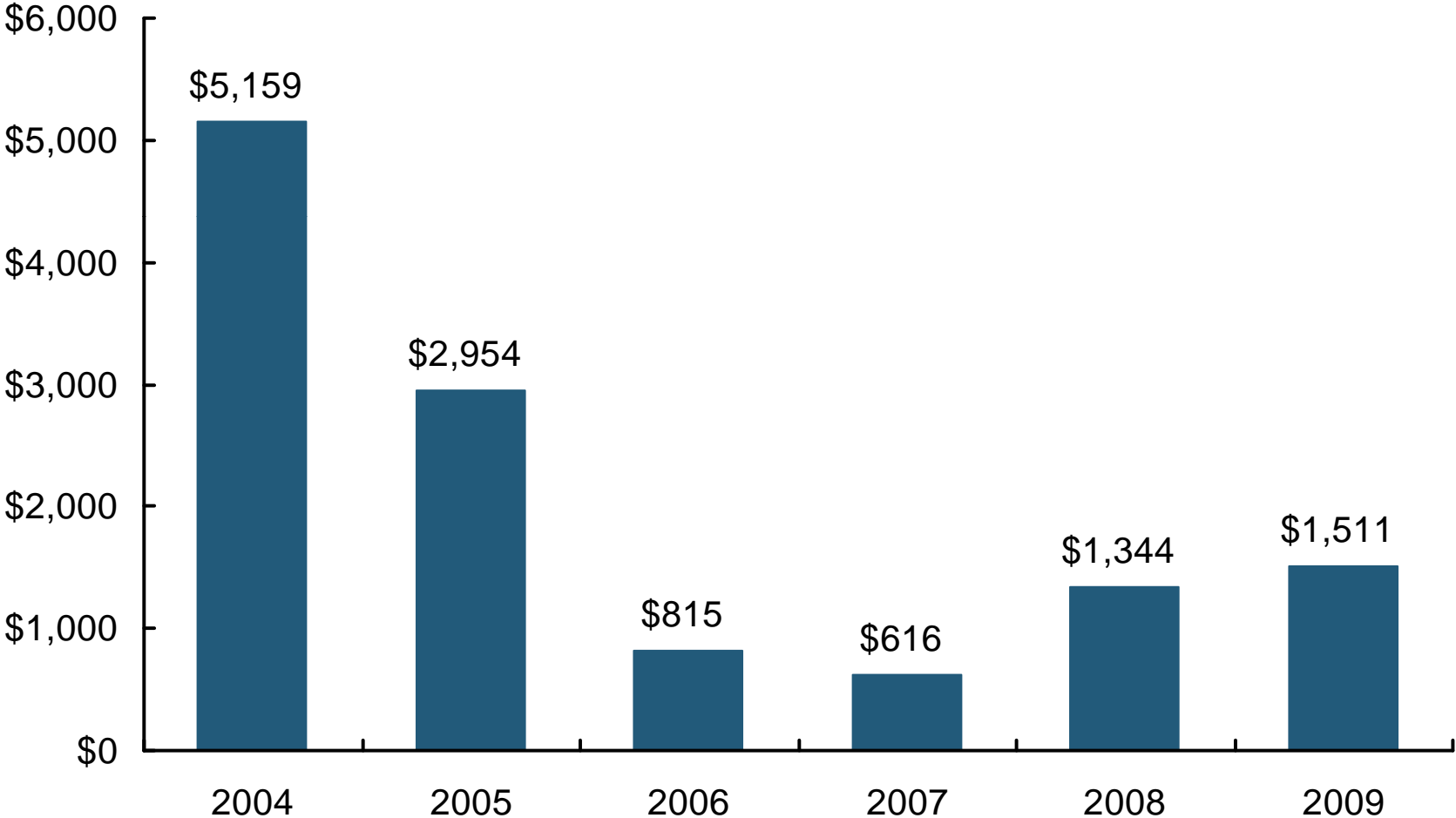


\*Award trends in wrongful deaths of adult males.

Source: Jury Verdict Research; Insurance Information Institute.

# 2011 Strategic Initiatives

## Tort Reform – Sum of Top 10 Jury Awards 2004-2009



Source: Insurance Information Institute from Lawyers USA, January 2005, 2006, 2007, 2008, 2009 and 2010.

# 2011 Strategic Initiatives

## Tort Reform – 2009 Top Ten Jury Verdicts

Value	Issue	State
\$370 Million	Defamation	California
\$330 Million	Personal Injury (Drunk driving case)	Florida
\$300 Million	Personal Injury (Tobacco verdict)	Florida
\$89 Million	Personal Injury (Drunk driving case)	Missouri
\$78.75 Million	Personal Injury (Prempro)	New Jersey
\$77.4 Million	Medical Malpractice	New York
\$71 Million	Conversion and Breach of Fiduciary Duty	Texas
\$70 Million	Workers Comp Case	Texas
\$65 Million	Personal Injury	Florida
\$60 Million	Medical Malpractice	New York

# 2011 Strategic Initiatives

## Tort Reform – 2008 Top Ten Jury Verdicts

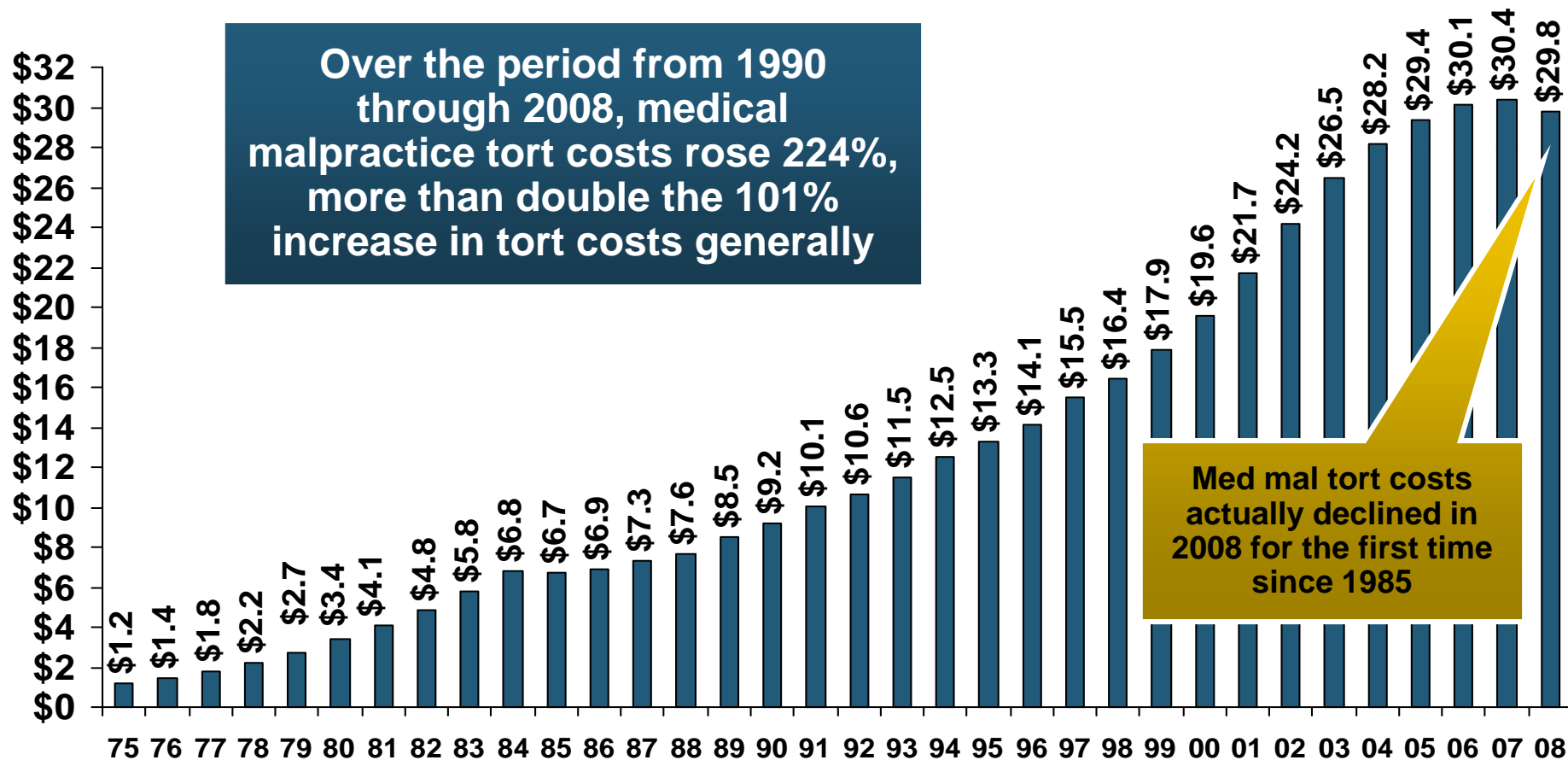
Value	Issue	State
\$388 Million	Fraud, Intentional Infliction of Emotional Distress	Nevada
\$316 Million	Breach of Contract	Georgia
\$188 Million	Defamation	New York
\$85 Million	Premises Liability	Pennsylvania
\$84 Million	Negligence, Personal Injury	Texas
\$66 Million	Breach of Fiduciary Duty	Oklahoma
\$60 Million	Insurance Bad Faith	Nevada
\$55 Million	Negligence	California
\$54 Million	Wrongful Death	Georgia
\$48 Million	Negligence	Indiana



# 2011 Strategic Initiatives

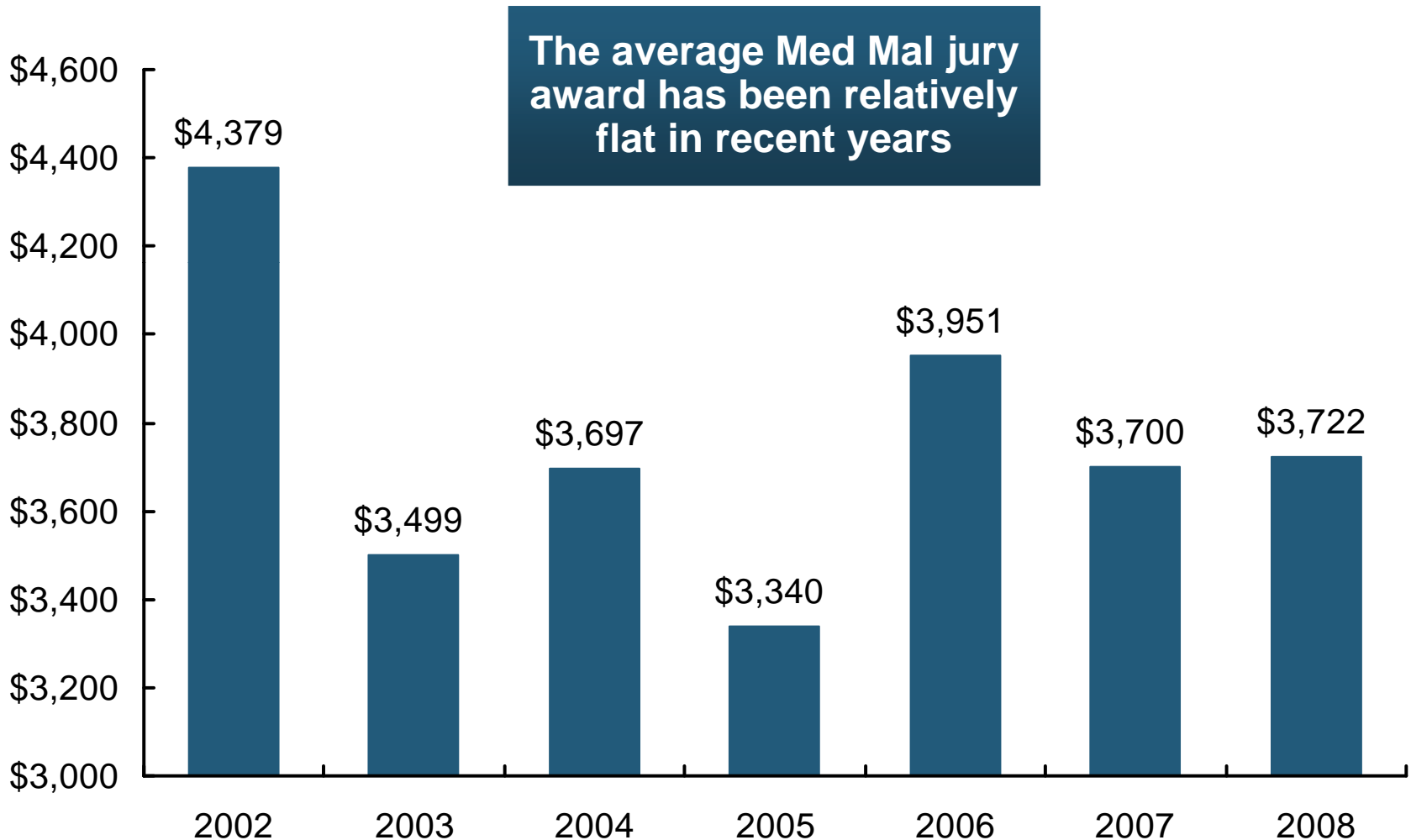
## Tort Reform – Medical Malpractice Tort Cost: Growth Continues, Though Modestly

(\$ Billions)



# 2011 Strategic Initiatives

## Tort Reform – Average Medical Malpractice Jury Award: 2002 - 2008



# 2011 Strategic Initiatives

## Tort Reform

# 2011 Strategic Initiatives

## Terrorism Risk: A Reemergent Threat

## TERRORISM RISK: A REEMERGENT THREAT

Impacts for Property/Casualty Insurers

April 2010

### Terrorism

- I.I.I. decided in 2009 to revisit the issue of terrorism risk in the context of insurance in 2010, despite the fact that expiration of the current Terrorism Risk Insurance Program does not occur until 12/31/14.
- The industry's activity in this area is normally tied to TRIA expiration.
- The decision to look at this issue was based on an assessment that terrorism risk was likely to rise in 2010—and it did—as well as the Administration's comments questioning the need for the program.
- Significant attention will be focused on the issue of terrorism in 2011 and the 10<sup>th</sup> anniversary of the 9/11 attacks.
- I.I.I. will expand its research and media efforts in 2011, in cooperation with the advocacy trades, to educate policymakers, insurance buyers and other key stakeholders important to the P/Cinsurance industry.

# 2011 Strategic Initiatives: Workers Compensation

## ■ 2011 is the 100<sup>th</sup> Anniversary of the First Modern Workers Comp Law

- Strong success story
- Long-term reduction in occupational injury and fatality rates is, in part, attributable to risk-based pricing and insurer loss reduction programs

## ■ At the Same Time, Workers Comp Results Are Deteriorating, Premium Volume Down Dramatically

- Economy, soft market have taken their toll

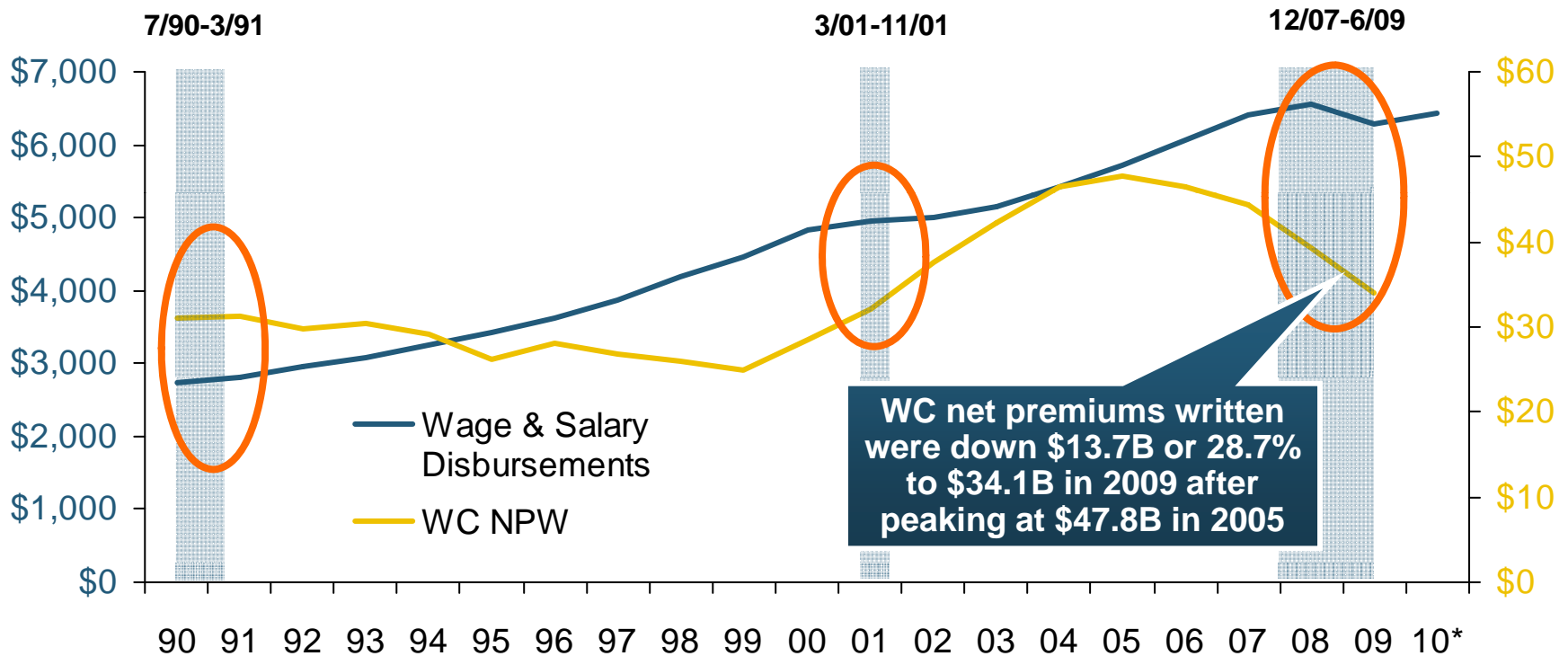
## ■ Exposure/Growth Issues

- In the wake of the “Great Recession” where was the greatest damage done and how might WC grow in the future?

# 2011 Overview

## Wage and Salary Disbursements (Payroll Base) vs. Workers Comp Net Written Premiums

Wage and Salary Disbursement (Private Employment) vs. WC NWP (\$ Billions)



**Weakening payrolls have eroded \$2B+ in workers comp premiums; nearly 29% of NPW has been eroded away by the soft market and weak economy**

\* Average Wage and Salary data as of 7/1/2010. Shaded areas indicate recessions.

\*\*Estimated "official" end of recession June 2009.

Source: US Bureau of Economic Analysis; Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR>; I.I.I. Fact Books



# **P/C Insurance Industry Market Conditions**

***Analysis, Messaging and  
Communication***

# Market Conditions: Analysis, Messaging and Communications

## Market Conditions

## Issues Impacting the Cost and/or Availability of Insurance

- **Ongoing Global Financial Market Instability**
  - ◆ Crisis du Jour: Munis, Sovereign debt,
  - ◆ Solvency and security of industry
  - ◆ Industry financial performance
- **Underwriting Performance**
- **Inflation/Medical Cost Pressure**
- **Growth**
- **Fraud and Abuse**
- **International Issues**

Interpreting and explaining what insurance is and how it works is a huge part of what I.I.I. does on a daily basis—in real time—24/7/365





# Strategic Initiative: Web and Social Media

**I.I.I.'s Largest Capital and  
Human Resource Investment**

# 2011 Strategic Initiatives

## Social Media Outreach – Some General Facts + Statistics

- In March 2010 it was reported that Facebook was the most visited website in the U.S., having more visits than Google for the first time with 500+ million users worldwide
- YouTube gets a greater level of search traffic than Yahoo, and is the go-to site for research among young people.
- 1 in every 3 online Americans is a “conversationalist” someone who updates their status on a social networking site such as Facebook or posts updates on Twitter at least once weekly (*Forrester Research*)
  - They can and do discuss insurance
- 31 million U.S. Internet users will write blogs in 2010, more than 104 million will read them. (*eMarketer*, April 2010)
- 2010 was the first year in which more advertising dollars were spent online than in print

### L2 Think Tank Report Results

- 81 percent of “high-achieving and high-earning” Gen Y adults use Facebook every day, nearly twice the number who watch TV or read newspaper content.
- 63 percent use social media to engage with brands and more than 50 percent say that Facebook, blogs and brand videos affect their opinions about products.
- 24 hours prior to being polled, 56 percent of respondents had watched a video on YouTube; 19 percent on Hulu and 13 percent on a mobile device.

### Why Is It Important to Reach Out to Gen Y?

- Generation Y (born 1977-1994; average age: 27) represents the largest consumer group in U.S. history.
- Estimated at 70 million to 85 million strong or roughly 25% of the U.S. population, Gen Y is larger than the Baby Boomer generation.
- Gen Y’s annual spending power exceeds \$200 billion. They also influence another \$50 billion in purchases.
- Gen Y is just beginning their household formation years; a key time for making insurance-related decisions.

# Social Media Outreach

## Another Communications Outlet

- Aside from subscribing to RSS feeds, and following our content on the I.I.I. website, our social media feeds provide another possible matrix of communication with consumers, the media and member companies
- New ways to spread the message:
  - Following Twitter feeds and retweeting posts of interest to specific audiences
  - Liking and commenting on organization Facebook pages
  - Linking to and commenting on blogs
  - Embedding and distributing YouTube videos

# 2011 Strategic Initiatives

## Social Media Outreach – Top Twitter Followers

### **@iiiorg:**

**@III\_Research:** In addition to member insurance companies, followers include trade press (Business Insurance, FC&S Bulletin, Risk & Insurance, Reactions) and trade organizations (ACLI, CIAB, PCI, Financial Services Roundtable, IBHS, LIMRA, NAMIC, Insurance Bureau of Canada,)

### **@ElianneGo:**

**@InsuringFLA:** Chad Hemenway, National Underwriter, Florida Underwriter (Joan Collier, editor), Palm Beach Post, Florida Chamber of Commerce, Nirvi Shah, Miami Herald, Julie Patel, South Florida Sun Sentinel, Jeff Harrington, St. Petersburg Times, Alexis Muellner, Tampa Bay Business Journal (editor), TCPalm (Nadia Vanderhoof), Kevin Lyons (Bankrate.com), FLInsureDigest Maddux Business, Nancy Howe (Maddux Business), Bea Garcia (formerly of Miami Herald)





### **@IIIindustryblog:**

### **@Bob\_Hartwig:**

### **@JeanneSalvatore:**









### **@LWorters:**

		
<p><b>Facebook:</b> Follow the I.I.I. on Facebook and become a fan to stay connected on breaking news and current insurance topics. Post comments, share opinions and stories.</p>	<p><b>YouTube:</b> Watch online videos covering a wide range of insurance topics in the extensive I.I.I. video library. Post comments and embed videos to your company's website or blog.</p>	<p><b>Terms + Conditions blog:</b> Claire Wilkinson's insurance industry blog provides timely information and discussion on contemporary insurance topics.</p>
<p><a href="http://www.facebook.com/InsuranceInformationInstitute">http://www.facebook.com/InsuranceInformationInstitute</a></p>	<p><a href="http://www.youtube.com/user/iiivideo">http://www.youtube.com/user/iiivideo</a></p>	<p><a href="http://www.iii.org/insuranceindustryblog/">http://www.iii.org/insuranceindustryblog/</a></p>

		
<p><b>I.I.I. Insurance Matters website:</b> A site to help public policymakers better understand the unique role played by insurers in managing risk.</p>	<p><b>Insuring Florida website:</b> An informative site focusing on insurance matters specific to Florida. Includes Lynne McChristian's "StraightTalk" blog.</p>	<p><b>Twitter:</b> Follow one or all of the I.I.I. feeds to get timely information in your specific area of interest</p>
<p><a href="http://www.iii-insurancematters.org">http://www.iii-insurancematters.org</a></p>	<p><a href="http://www.insuringflorida.org/">http://www.insuringflorida.org/</a></p>	<p> <a href="http://www.twitter.com/IIIOrg">http://www.twitter.com/IIIOrg</a></p>

## Social Media Users/Traffic

- Facebook: +/- 300 likes
- Twitter: +3700 followers
- YouTube: 392,224 total views
- T&C Blog: 4,045 page views in August 2010
- Insuring Florida blog: 159 page views in August 2010

	<p><a href="http://www.twitter.com/IIIOrg">http://www.twitter.com/IIIOrg</a></p>
	<p><a href="http://twitter.com/Bob_Hartwig">http://twitter.com/Bob_Hartwig</a></p>
	<p><a href="http://twitter.com/JeanneSalvatore">http://twitter.com/JeanneSalvatore</a></p>
	<p><a href="http://twitter.com/LWorters">http://twitter.com/LWorters</a></p>
	<p><a href="http://twitter.com/ElianneGo">http://twitter.com/ElianneGo</a></p>
	<p><a href="http://twitter.com/III_Research">http://twitter.com/III_Research</a></p>
	<p><a href="http://twitter.com/InsuringFLA">http://twitter.com/InsuringFLA</a></p>
	<p><a href="http://twitter.com/IIIindustryblog">http://twitter.com/IIIindustryblog</a></p>

# TERMS + CONDITIONS

INSURANCE INDUSTRY BLOG



Claire Wilkinson

## Global Natural Catastrophes: Rising Tally

TUESDAY, SEPTEMBER 28, 2010

Posted by Claire under [Catastrophes](#), [Climate Change](#)  
[Comments](#)

Floods in Central Europe, wildfires in Russia and flooding in Pakistan contributed to the second highest number of natural catastrophe events on record for the first nine months of the year since 1980, according to latest data from Munich Re.

A total of 725 weather-related events resulted in insured losses of \$18 billion and overall losses of more than \$65 billion in the period from January to September 2010, Munich Re said.

Some 21,000 people lost their lives, 1,760 in Pakistan alone, where up to one-fifth of the country was flooded for several weeks.

Munich Re makes the point that in the course of the last three decades there has been a marked increase in the number of weather-related events.

For example, its global database reveals there has been a more than threefold increase in loss-related floods since 1980 and more than double the number of windstorm natural catastrophes, with particularly heavy losses as a result of Atlantic hurricanes.

Note: despite producing 13 named storms, the 2010 Atlantic hurricane season has been relatively benign to date, thanks to the favorable courses pursued by the hurricanes.

In a [press release](#), Munich Re says the rise in natural catastrophe losses is primarily due to socio-economic factors, but it also emphasizes to the probability of a link between weather extremes and climate change.

“In many countries, populations are rising, and more and more people moving into exposed areas. At the same time, greater prosperity is leading to higher property values. Nevertheless, it would seem that the only plausible explanation for the rise in weather-related catastrophes is climate change.”

Still, an article in [National Underwriter](#) cites a recent report from the Institute for Environmental Studies at Vrije University in the Netherlands indicating that increases in economic and insured losses in recent decades can be tied to increasing exposures and value of capital at risk, rather than climate change.

For related information, check out I.I.I. facts and stats on [global catastrophes](#) and an I.I.I. update on [climate change and insurance issues](#).

### CATEGORIES:

- [Alternative Risk Transfer \(ART\)](#) (17)
- [Asbestos Liability](#) (1)
- [Auto Trends](#) (38)
- [Aviation](#) (14)
- [Business Risk](#) (105)
- [Catastrophes](#) (177)
- [Climate Change](#) (39)
- [Coastal Property](#) (14)
- [Corporate Social Responsibility](#) (13)
- [Customer Satisfaction](#) (24)
- [Deepwater Horizon](#) (15)
- [Diversity](#) (10)
- [Education](#) (23)
- [Emerging Risks](#) (110)
- [Environment](#) (29)
- [Flood Insurance](#) (42)
- [Health & Safety](#) (69)
- [Hurricanes](#) (13)
- [Industry Awards & Events](#) (21)
- [Industry Financials](#) (48)
- [Insurance Fraud](#) (1)
- [Insurers and the Economy](#) (124)
- [Legal Environment](#) (93)
- [Life Insurance](#) (2)
- [Marine](#) (2)
- [Market Conditions](#) (86)
- [Medical Malpractice](#) (1)
- [Recreation and Sports](#) (1)
- [Regulation](#) (68)
- [Reinsurance](#) (5)
- [Retirement Security](#) (5)
- [Specialty Coverage](#) (15)
- [Sports](#) (8)
- [Technology](#) (59)
- [Terrorism Risk](#) (5)

### SEARCH:


# Social Media Outreach: Facebook



The screenshot shows the Facebook profile for the Insurance Information Institute. The page features a blue header with the Facebook logo and navigation links. The main content area includes a post about distracted driving, an event listing, and a photo of a presentation. The left sidebar contains the page's profile picture, mission statement, location information, and insights. A dark blue callout box on the right highlights key statistics.

**Insurance Information Institute**

What's on your mind?

Attach:  Share

**Insurance Information Institute** Top reason to keep your hands on the steering wheel: distracted driving-related crashes killed 5,474 people and injured another 448,000 across the United States in 2009.

**Distracted Driving: An Epidemic?** » Insurance Industry Blog  
www.ii.org  
Next time you're driving and you take your hands off the steering wheel to reach for your coffee, or cell phone, or GPS unit, consider this: distracted driving-related crashes killed 5,474 people and injured another 448,000 across the United States in 2009.

September 24 at 10:47am · Comment · Like · Share · Promote · Flag

**Insurance Information Institute**

**Events and Engagements of I.I.I.**  
September 21 at 3:45pm · Comment · Like · Share

Bob Hartwig likes this.

Write a comment...

**Insurance Information Institute** Dr. Hartwig presenting to APIW. He presents practically every week on a variety of insurance topics around the country. To view his presentation from this engagement, check out:  
[www.ii.org/presentations/APIW-091410/](http://www.ii.org/presentations/APIW-091410/)

September 21 at 9:55am · Comment · Like · Share

**Insurance Information Institute** Dr. Hartwig laughing with Catherine A. Kalaydjian, Chief Claims Officer of Endurance.

Chat (0)

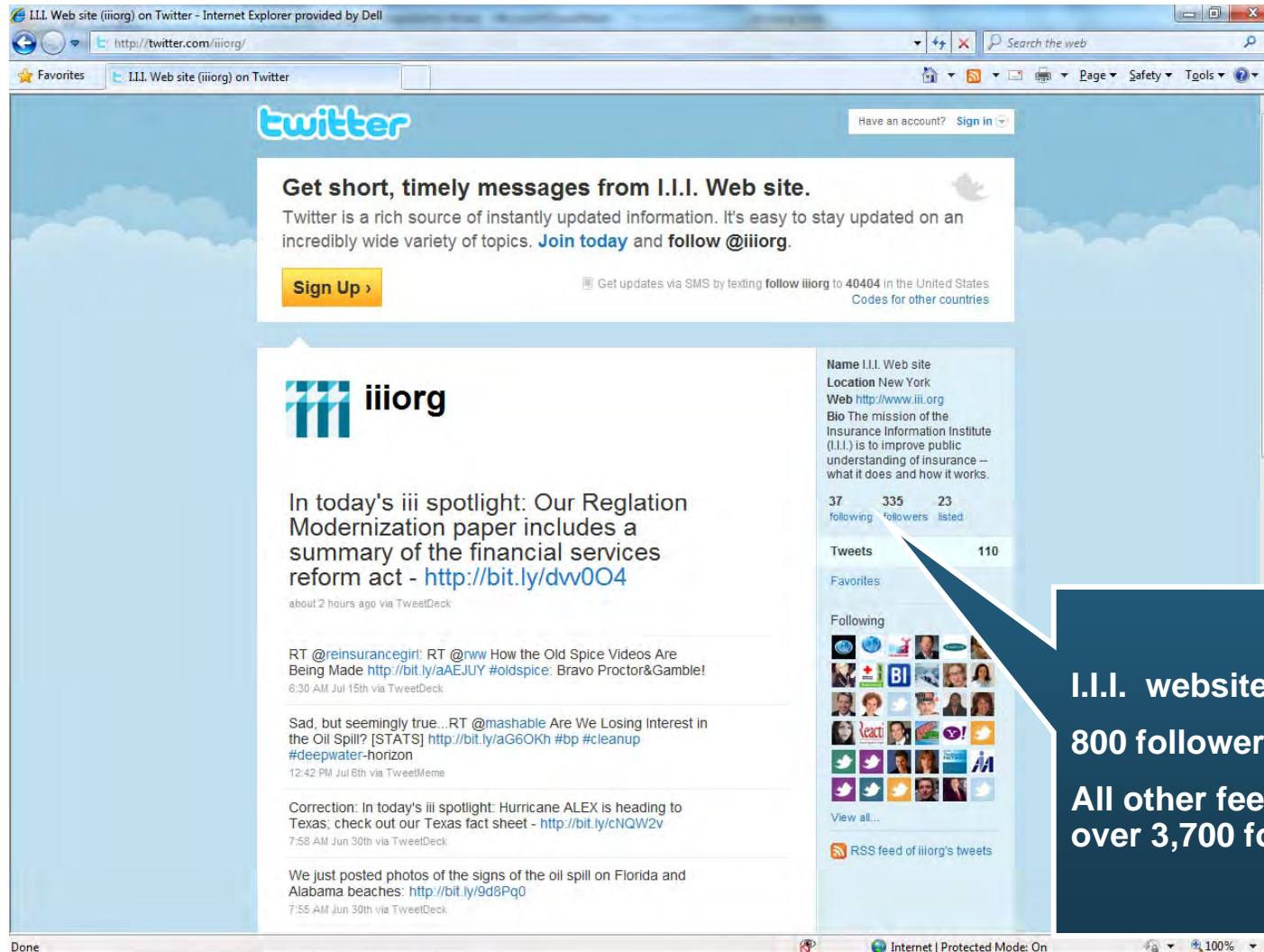
Waiting for http://www.facebook.com/InsuranceInformationInstitute...

Internet | Protected Mode: On

**I.I.I. Facebook Page**  
**Over 300 people Like**  
**this page**  
**Over 190 links to I.I.I.**  
**content posted**



# Social Media Outreach: Twitter




III Web site (iiiorg) on Twitter - Internet Explorer provided by Dell  
http://twitter.com/iiiorg/

twitter

Have an account? [Sign in](#)

**Get short, timely messages from I.I.I. Web site.**  
Twitter is a rich source of instantly updated information. It's easy to stay updated on an incredibly wide variety of topics. [Join today](#) and [follow @iiiorg](#).

[Sign Up >](#)  Get updates via SMS by texting [follow iiiorg](#) to 40404 in the United States  
Codes for other countries

 **iiiorg**

**Name** I.I.I. Web site  
**Location** New York  
**Web** <http://www.iii.org>  
**Bio** The mission of the Insurance Information Institute (I.I.I.) is to improve public understanding of insurance -- what it does and how it works.

37 following 335 followers 23 listed

**Tweets** 110

**Favorites**

**Following**

[View all...](#)

[RSS feed of iiiorg's tweets](#)

In today's iii spotlight: Our Regulation Modernization paper includes a summary of the financial services reform act - <http://bit.ly/dw004>  
about 2 hours ago via TweetDeck

RT @reinsurancegirl: RT @rww How the Old Spice Videos Are Being Made <http://bit.ly/aAEJUY> #oldspice: Bravo Proctor&Gamble!  
6:30 AM Jul 15th via TweetDeck

Sad, but seemingly true...RT @mashable Are We Losing Interest in the Oil Spill? [STATS] <http://bit.ly/aG6OKh> #bp #cleanup #deepwater-horizon  
12:42 PM Jul 6th via TweetMeme

Correction: In today's iii spotlight: Hurricane ALEX is heading to Texas; check out our Texas fact sheet - <http://bit.ly/cNQW2v>  
7:58 AM Jun 30th via TweetDeck

We just posted photos of the signs of the oil spill on Florida and Alabama beaches: <http://bit.ly/9d8Pq0>  
7:55 AM Jun 30th via TweetDeck

I.I.I. website Twitter page  
800 followers  
All other feeds combined:  
over 3,700 followers

# Social Media Outreach: YouTube



The screenshot shows the YouTube channel page for 'iiivideo'. The main video player displays a man in a green shirt working on a wall. Below the player, the video title is '5 Years After Katrina: Lessons Learned' with 5 views. The video description states: 'Hurricane Katrina was a powerful storm that packed some powerful lessons. While hurricanes are not preventable, the Insurance Information Institute says there are 4 important steps you can take to protect yourself and your property.' To the right, a sidebar lists other videos: 'How Lightning Strikes' (156 views), 'Informed Citizen: Homeowners' (24 views), 'Test Your Insurance IQ: Trees and' (4 views), 'Avoiding Insurance Mistakes: Five Tips' (3 views), and 'Personal Stories: The Hodas Discuss' (1 view). At the bottom, the 'Recent Activity' section shows 'iiivideo uploaded a new video (1 week ago)'.

**I.I.I. Video Channel**  
**Over 125 I.I.I. videos**  
**posted on YouTube**  
**Most viewed: "Road**  
**Rage" (181,142 views)**

# “Point of Use” Podcasts



File Edit Controls View Store Advanced Help

iTunes

information institute Search iTunes Store

Podcasts Video Podcasts News & Politics Insurance Information Institute Podcast Sign In

## Insurance Information Institute Podcast

**webcast@multivu.com**  
 Category: News & Politics  
 Language: English  
 Free

**WEBSITE**   
**REPORT A CONCERN**   
**TELL A FRIEND**

**LISTENERS ALSO SUBSCRIBED TO**

- Insurance Marketing Mavericks Podcast
- Insurance Insight
- International Insurance
- LexisNexis® Insurance Legal News Podcast
- This Week in Business Insurance

**PODCAST DESCRIPTION**  
 Insurance Information Institute Podcast

**CUSTOMER REVIEWS**  
 Be the first to write a review

Name	Time	Artist	Release Date	Description	Price
1 How to File An Insurance Claim P...		webcast@multivu.com	7/14/2008	When Disaster Strikes, Do You Know What ...	Free <input type="button" value="GET EPISODE"/>
2 When Disaster Strikes, Do You K...		webcast@multivu.com	7/7/2008	Imagine this. A big storm comes through in t...	Free <input type="button" value="GET EPISODE"/>



# Media Environment

## Insurance in the News and in the Public Eye in 2010

### Traditional Media:

- I.I.I. was featured in more than 1,500 print publications during 2010
- With its VNRs the I.I.I. reached a total TV news audience of nearly 1 million

### New Media:

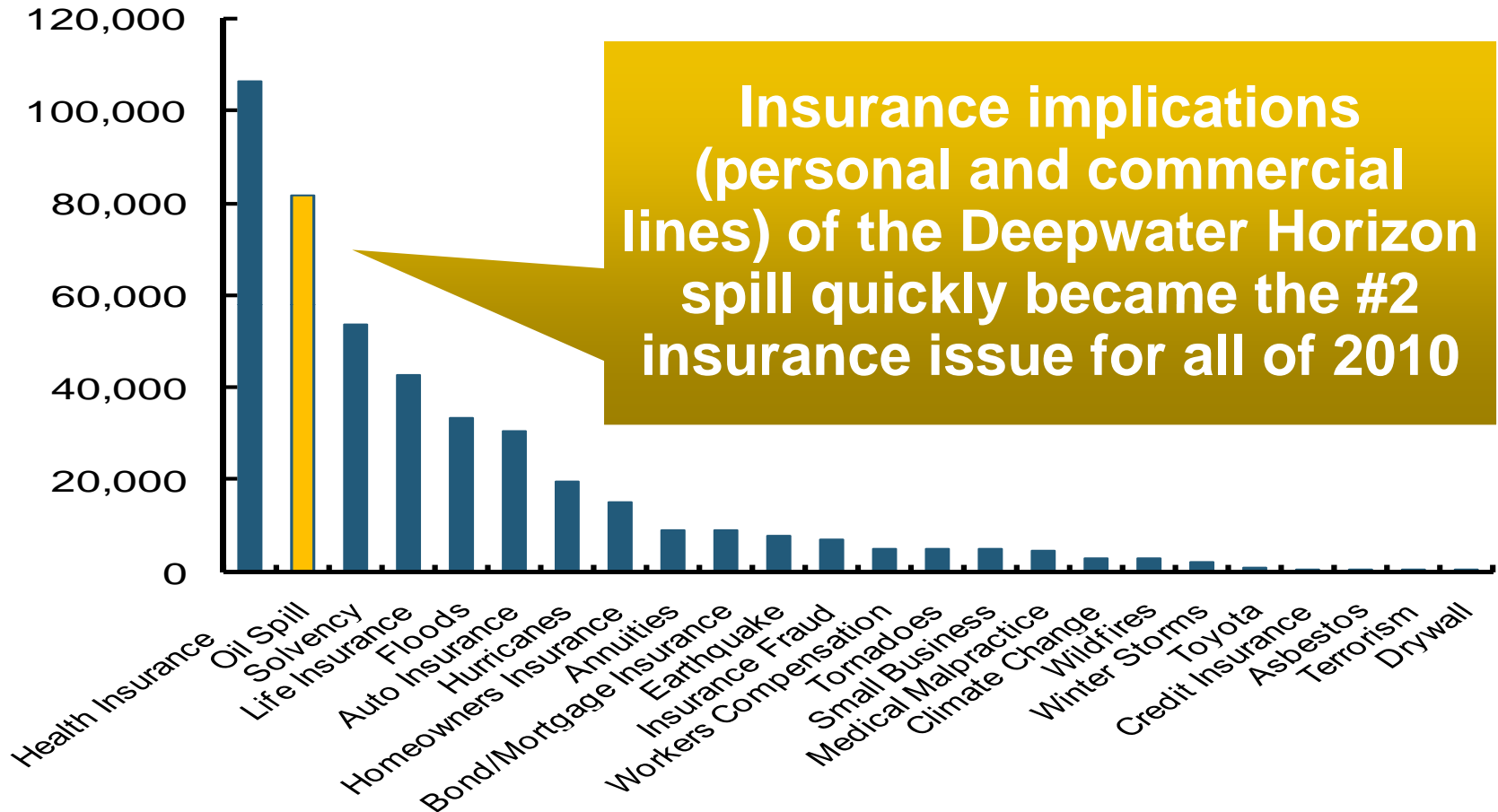
- I.I.I. was featured in 7,000 news stories on the Web in 2010
- On a typical day, there are over 1 million references to I.I.I. on the Web
- Multimedia news releases distributed to websites and blogs reached a potential audience of 54 million
- 2.4 million unique visitors to [www.iii.org](http://www.iii.org)
- 11.3 million page views on [www.iii.org](http://www.iii.org)
- 56.6 million hits to I.I.I. websites

### In Person:

- I.I.I. staff made over 150 presentations around the world in 2010—many of them for member companies

# Media Environment

## Insurance Media Index: January – December 2010 (1)



(1) Tracks insurance issues in Web publications. As of December 16, 2010.

Source: MeltWater News.

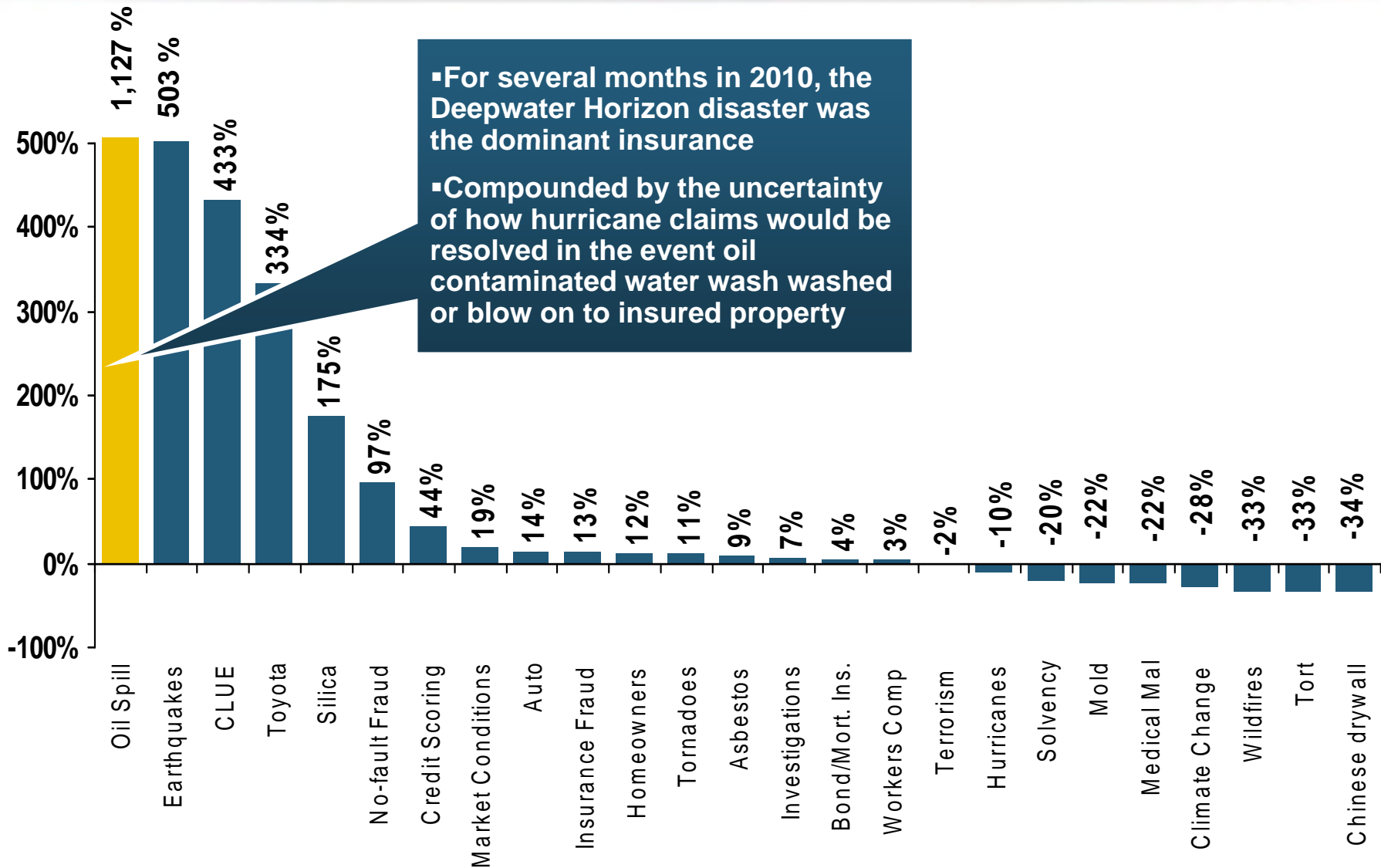
# Top Issues, P/C, 2009 vs. 2010 (1)

	Top Issues	2009	2010	% increase/decrease
1	Market Conditions	16,750	19,866	19%
2	Solvency	18,657	14,905	-20%
3	Oil Spill and Insurance	950	11,659	1127%
4	Bond/Mortgage Insurance	10,046	10,473	4%
5	Asbestos	8,573	9,334	9%
6	Workers Comp	8,726	8,961	3%
7	Insurance Fraud	7,191	8,108	13%
8	Auto	7,057	8,029	14%
9	Investigations	6,199	6,641	7%
10	Hurricanes	6,051	5,475	-10%
11	Homeowners	4,110	4,601	12%
12	Terrorism	4,013	3,943	-2%
13	Global Warming/Climate Change	4,270	3,064	-28%
14	Medical Malpractice	3,424	2,655	-22%
15	Earthquakes	402	2,423	503%
16	Tornadoes	1,752	1,945	11%
17	Toyota	407	1,768	334%
18	Tort	1,929	1,297	-33%
19	Credit Scoring	826	1,189	44%
20	Wildfires	1,048	706	-33%
21	Mold	645	501	-22%
22	No-fault Fraud	185	364	97%
23	Silica	104	286	175%
24	Chinese drywall	322	211	-34%
25	CLUE	3	16	433%
	<b>TOTAL</b>	<b>113,640</b>	<b>128,420</b>	<b>13%</b>

(1) Based on a search of Lexis/Nexis.

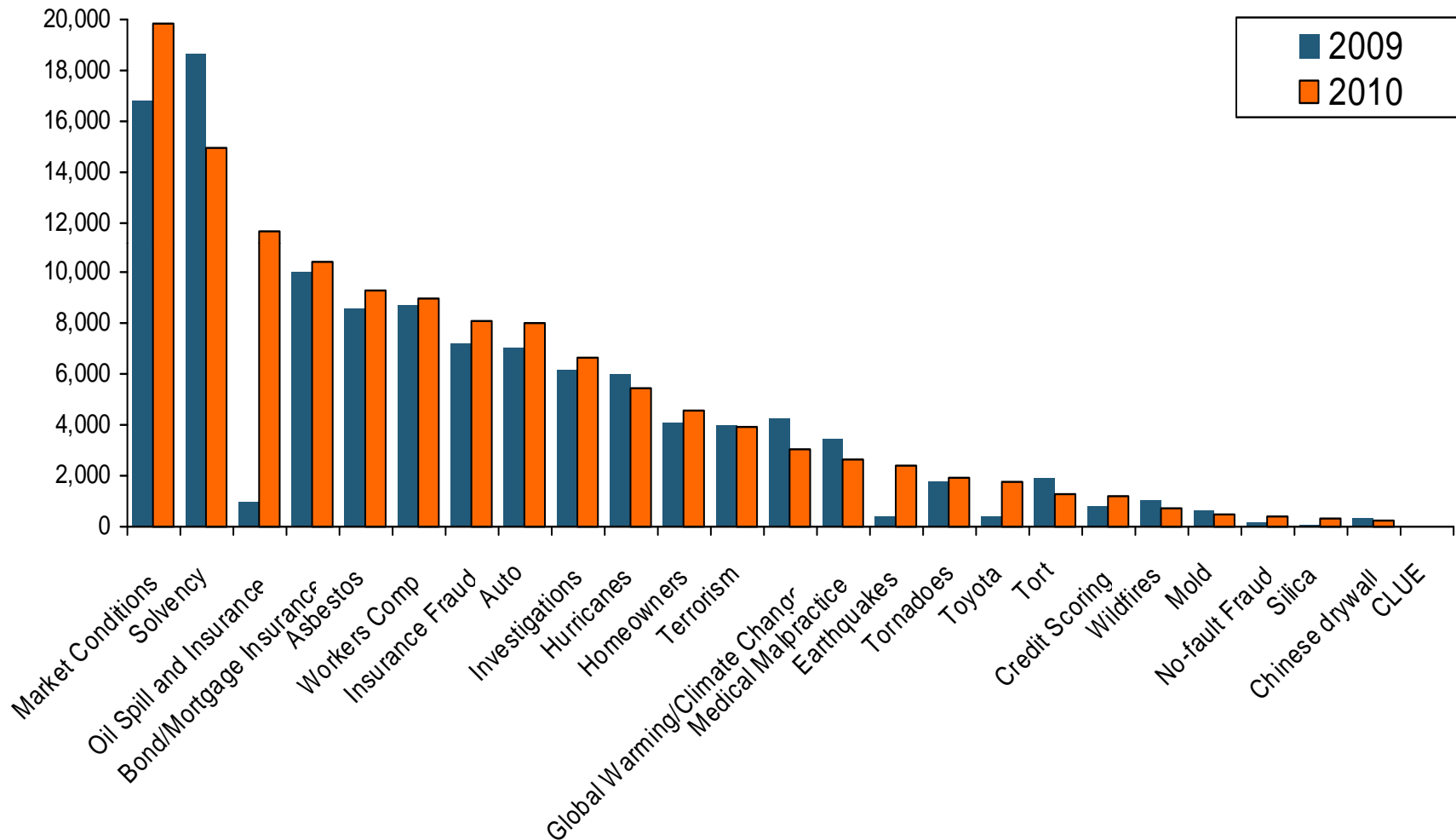
# I.I.I. Media Index, P/C, 2009 vs. 2010

Percent increase/decrease from previous year



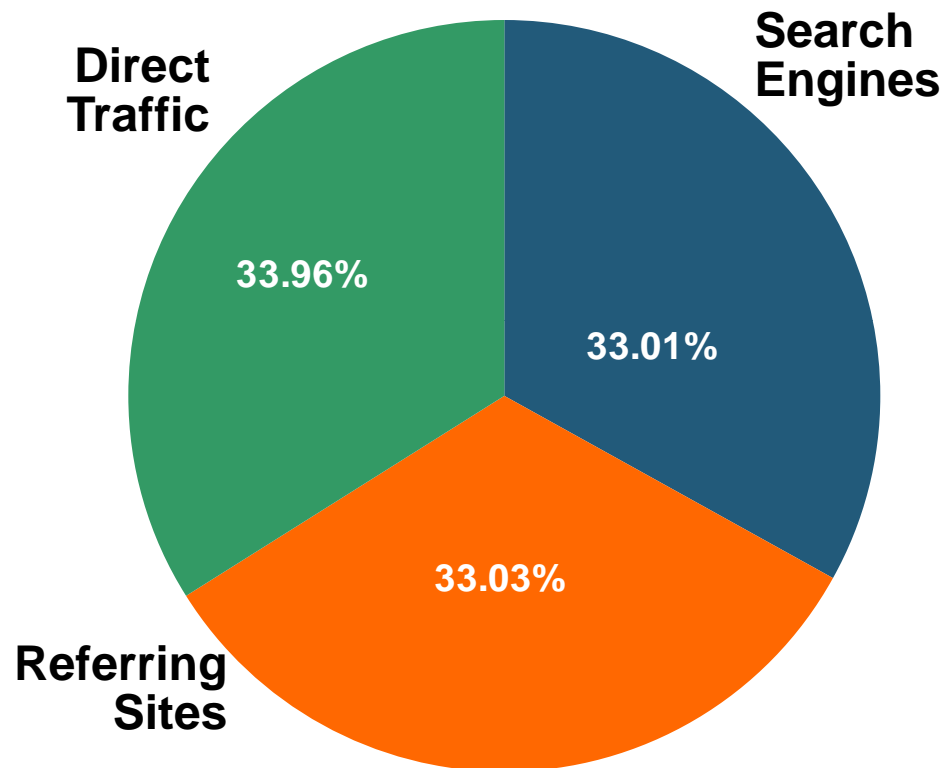


# I.I.I. Media Index, P/C, 2009 vs 2010



# Media Environment

## I.I.I. Website: Users by Sources



**17% of I.I.I. Web traffic comes from abroad (India, U.K. and Canada are the top 3 foreign sources of traffic to I.I.I.)**

**About 1/3 of I.I.I. website users come directly to the website, another 33% come from search engines with the remaining 33% coming from other sites**

# Media Environment

## I.I.I. Website Users Come From Around the World

Country	Percent
United States	82.53%
India	2.63%
United Kingdom	2.11%
Canada	1.91%
Germany	0.63%
Australia	0.52%
Brazil	0.46%
China	0.42%
France	0.41%
Turkey	0.38%
Japan	0.37%
Philippines	0.31%
South Korea	0.30%
Russia	0.29%
Malaysia	0.29%
Hong Kong	0.26%
Mexico	0.25%
Switzerland	0.23%

### International Appeal

Nearly 1-in-5 visitors to the I.I.I.'s website come from abroad

6% of users are from the U.K. and Europe and 7% from Asia

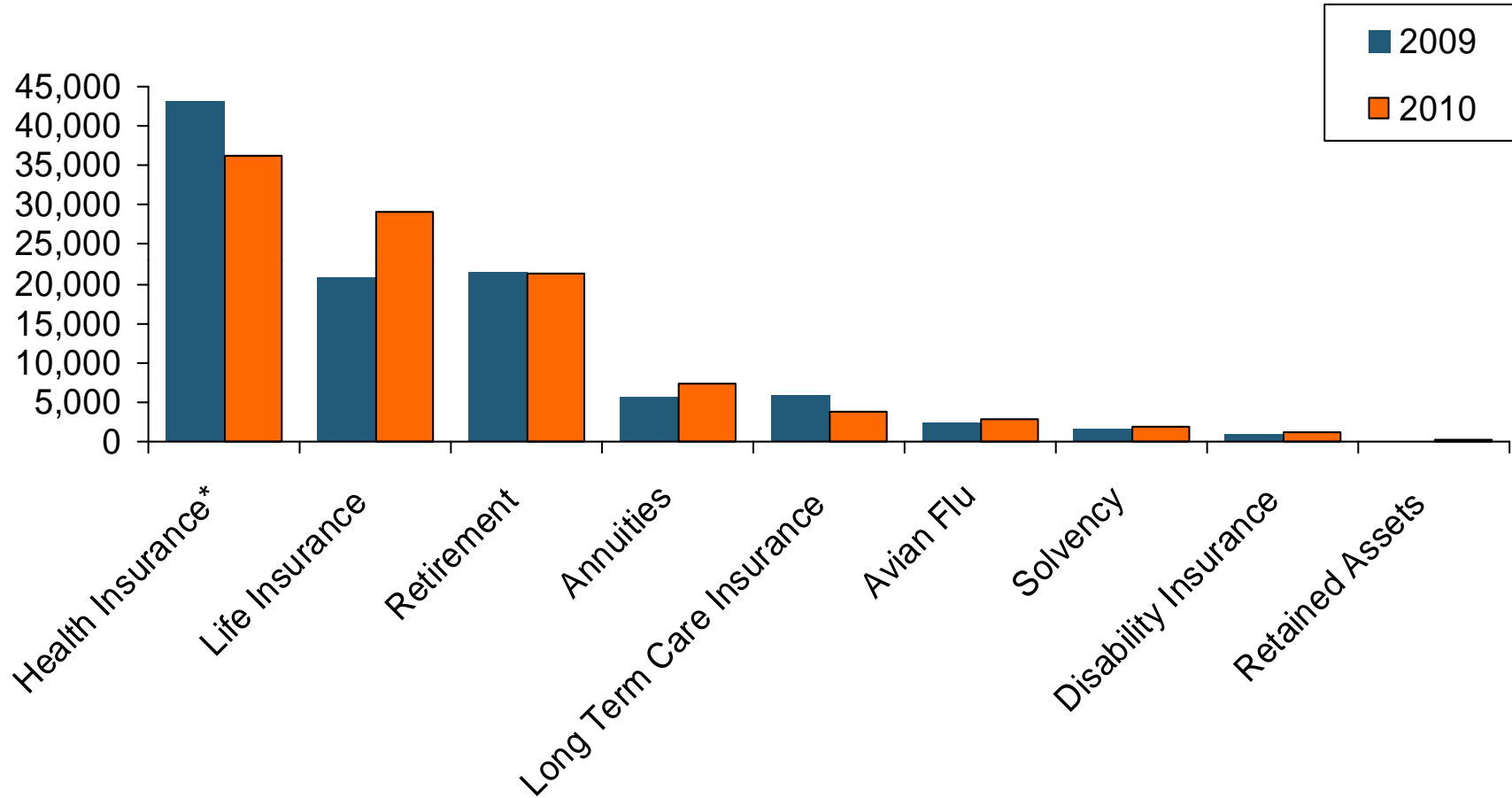
# Top Issues, L/H, 2009 vs 2010 (1)

	Top Issues	2009	2010	% increase/decrease
1	Health Insurance*	43,191	36,178	-16%
2	Life Insurance	20,877	29,108	39%
3	Retirement	21,629	21,251	-2%
4	Annuities	5,799	7,347	27%
5	Long Term Care Insurance	5,837	3,752	-36%
6	Avian Flu	2,260	2,888	28%
7	Solvency	1,609	1,777	10%
8	Disability Insurance	1,031	1,168	13%
9	Retained Assets	0	305	N/A
	<b>TOTAL</b>	102,233	103,469	1%

(1) Based on a search of Lexis/Nexis.

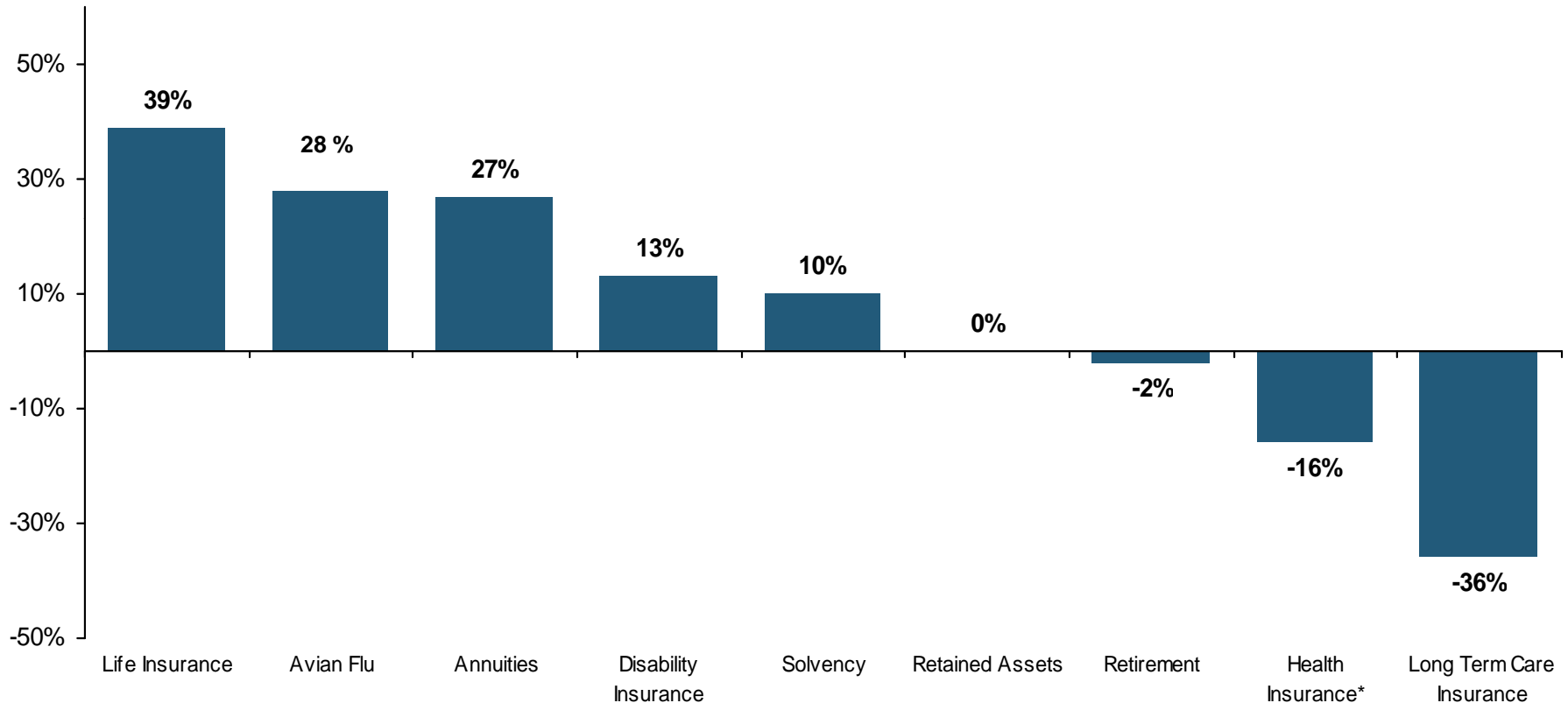
(2) Based on a search of Factiva.

# I.I.I. Media Index, L/H, 2009 vs 2010



# I.I.I. Media Index, L/H, 2009 vs 2010

Percent increase/decrease from previous year





# I.I.I. and the Changing Media Environment

## Staying Ahead of the Curve Through Innovation and Technology

# Media Environment Overview

- While there are fewer print newspapers and other traditional forms of media, the number and size of the online versions of these news outlets is growing.
- In addition, many of the seasoned journalists who have lost their jobs over the last few years have emerged as bloggers for mainstream news outlets.
- Fortunately, the solid relationships the I.I.I. has created with these journalists carried over to their new online carriers.



# Media Environment Overview

- The I.I.I. is well poised to effectively represent the industry in this changing media environment:
  - We have invested **financial** and **human** resources in building a highly effective, state-of-the-art website and have been growing our social media presence.
  - We have continued to maintain and build relationships with a wide variety of journalists.
- We understand that social media tends to follow traditional media, and that there is nothing more important than building positive working relationships with reporters and providing them with cutting edge information in a prompt, professional matter.

- *The New York Times* is a good example of this trend. While there is no dedicated insurance reporter, there are reporters who write for the website covering both business and personal finance who touch upon various aspects of insurance.
- These online articles and blogs are posted on the website and commented on by readers 24/7, while still often appearing in the print version of the newspaper.

# Media Environment

## An Example: *The New York Times*



### DealBook

The latest news and deals on Wall Street. Edited by Andrew Ross Sorkin. [Read DealBook »](#)

 Feed  Follow on Twitter



### Prescriptions

Tracking and discussing the health care industry as it evolves. [Read Prescriptions »](#)

 Feed  Follow on Twitter



### Economix

An analysis of the news that uses economics as a framework for thinking about the world. [Read Economix »](#)

 Feed  Follow



### Floyd Norris

The Times's chief correspondent covering economics and financial markets. [Read Floyd Norris »](#)

 Feed



### Wheels

News, trends and analysis on automotive, including cars and more. [Read Wheels »](#)

 Feed  Follow



### Bucks

A guide to consumer tactics that helps readers sort out their financial lives. [Read Bucks »](#)

 Feed

### You're the Boss

Where small-business owners get news, ask questions and learn.

■ I.I.I. spokespersons have frequently been quoted in the NYT Finance and Real Estate blogs

■ Several of these stories/quotes have ended up being picked up by the print edition

1. [Home Insurance and Bedbug Invasions - NYTimes.com](#)  
May 6, 2010 ... According to the **Insurance Information Institute**, the costs of getting rid of bedbugs, like the costs of getting rid of rats or cockroaches, ...  
<http://bucks.blogs.nytimes.com/2010/05/06/home-insurance-and-bedbug-invasions/>
2. [Insurance for Dorm Room Possessions - NYTimes.com](#)  
Aug 31, 2010 ... Some tips from the **Insurance Information Institute** on insuring the items in your child's college dorm room.  
<http://bucks.blogs.nytimes.com/2010/08/31/insurance-for-dorm-room-possession/>
3. [The Right \(and Wrong\) Way to Cut Home Insurance Costs - NYTimes.com](#)  
Dec 24, 2009 ... The **Insurance Information Institute**, an educational organization financed by the insurance industry, has included "insuring a home for its ..."  
<http://bucks.blogs.nytimes.com/2009/12/24/how-to-cut-your-insurance-costs/>
4. [HOME INSURANCE - Bucks Blog - NYTimes.com](#)  
According to a recent release on the subject from the **Insurance Information Institute**, most possessions of students who live in an on-campus dormitory are ...  
<http://bucks.blogs.nytimes.com/tag/home-insurance/>
5. [Is Green Insurance Worth the Price? - NYTimes.com](#)  
Mar 11, 2010 ... According to the **Insurance Information Institute**, as of last December, 22 companies offered 39 products and services specifically aimed at ...  
<http://bucks.blogs.nytimes.com/2010/03/11/is-green-insurance-worth-the-price/>
6. [INSURANCE - Real Estate Q&A Blog - NYTimes.com](#)  
Apr 30, 2010 ... Loretta Worters, a spokeswoman for the **Insurance Information Institute** in Manhattan, said that in most cases the homeowners' insurance ...  
<http://realestateqa.blogs.nytimes.com/tag/insurance/>
7. [HURRICANES - Times Topics Blog - NYTimes.com](#)  
To make creating a home inventory easier, the **Insurance Information Institute** provides free Web-based software at KnowYourStuff.org. ...  
<http://topics.blogs.nytimes.com/tag/hurricanes/>



# Public Opinion Survey

# Public Opinion Survey

## Consumer Perceptions of Insurers

### Insurance Pulse Highlights

- Favorable attitudes toward all industries have risen from a year ago.
- Favorability toward auto and home insurers continued to rise and is at the highest level since 2007.
- The economic downturn continues to concern the American public, which sees homeowners insurance as a greater burden than a year ago.
- A significant proportion of Americans don't understand their homeowners insurance. Almost half don't know what their premium is based on.

***Pulse Is an Annual Telephone Survey the I.I.I. Has Commissioned Since 1968.***

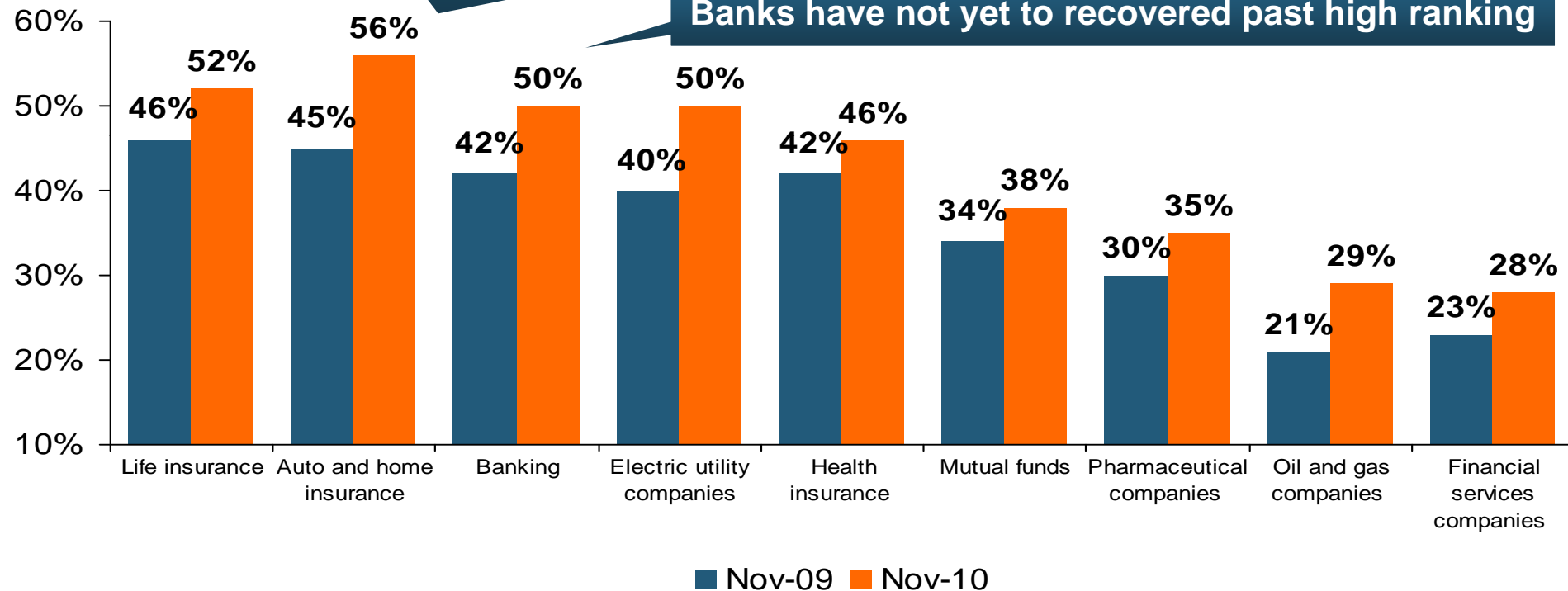
***2010 Survey of 1,011 Adults Was Conducted in Late November***

# Public Opinion Survey Industry Favorability

Percent of Public Rating Industry as Very or Mostly Favorable 2009-2010

Favorability of auto and home insurance rebounded to pre-recession (2007) level

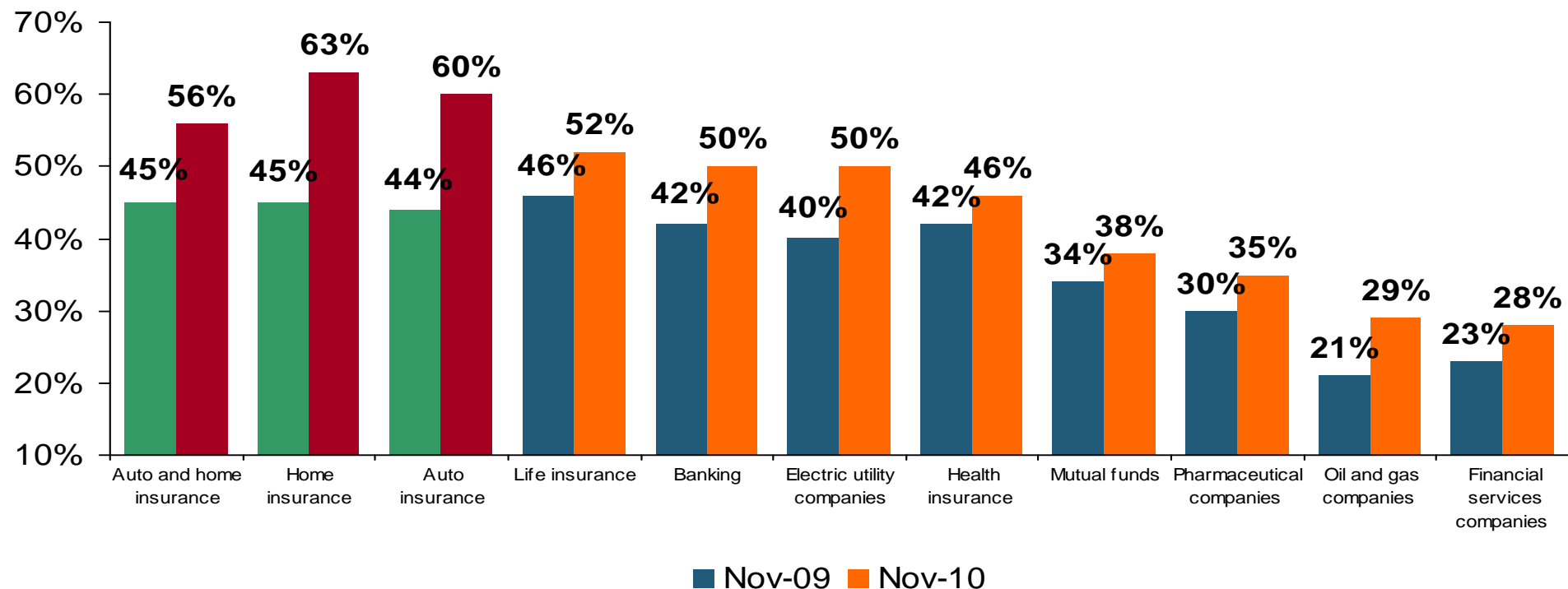
Banks have not yet recovered past high ranking



**Auto/Home Insurers Ranked Highest  
of Industries Surveyed**

# Consumer Poll: I.I.I. *Pulse* Survey

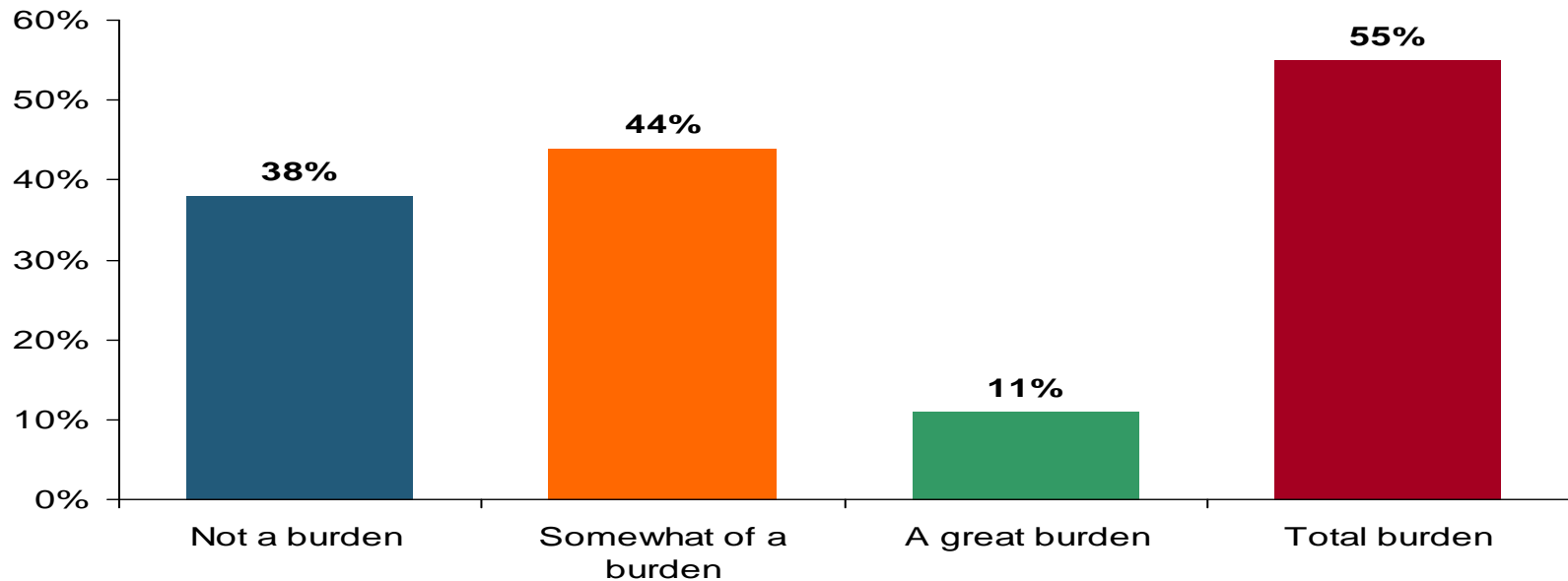
## Percent of Public Rating Industry as Very or Mostly Favorable 2009-2010



**Tracked Separately, Auto and Home Insurance  
Ranked Higher Than The Combined Industry**

# Consumer Poll: I.I.I. *Pulse* Survey

Q. As Far As You Know, How Much Of A Financial Burden Is It For Your Household To Pay For Auto Insurance?

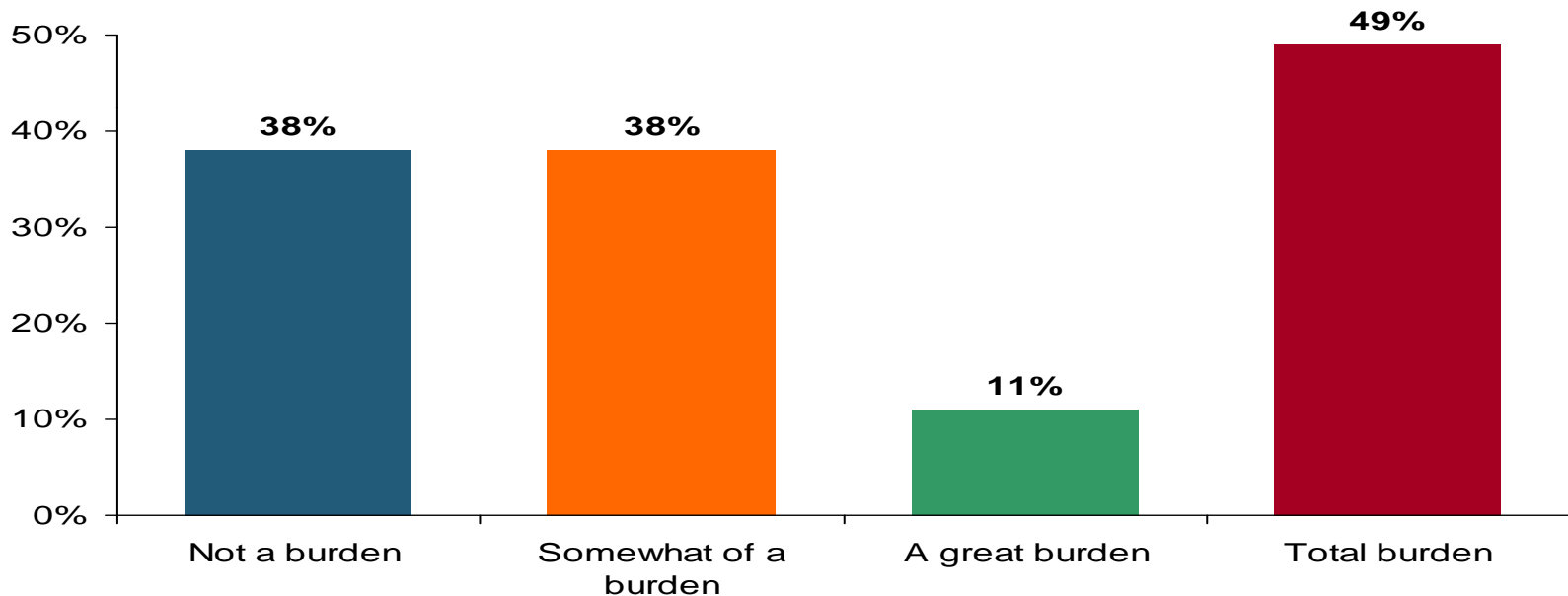


**More Than 55 Percent of the Public Say the Cost Of Auto Insurance Is a Financial Burden, No Change From One Year Ago**



# Consumer Poll: I.I.I. *Pulse* Survey

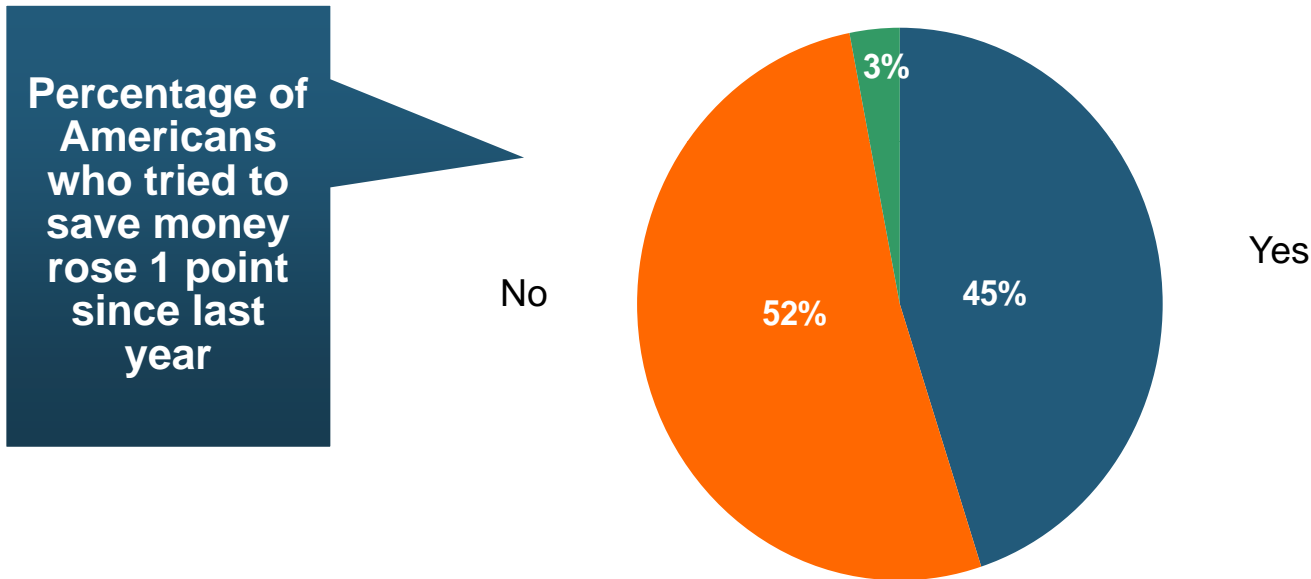
Q. As Far As You Know, How Much Of A Financial Burden Is It For Your Household To Pay For Homeowners Insurance?



**Nearly 50 Percent People Say The Cost Of Homeowners Insurance Is a Financial Burden, Up Four Points Since November 2010**

# Consumer Poll: I.I.I. *Pulse* Survey

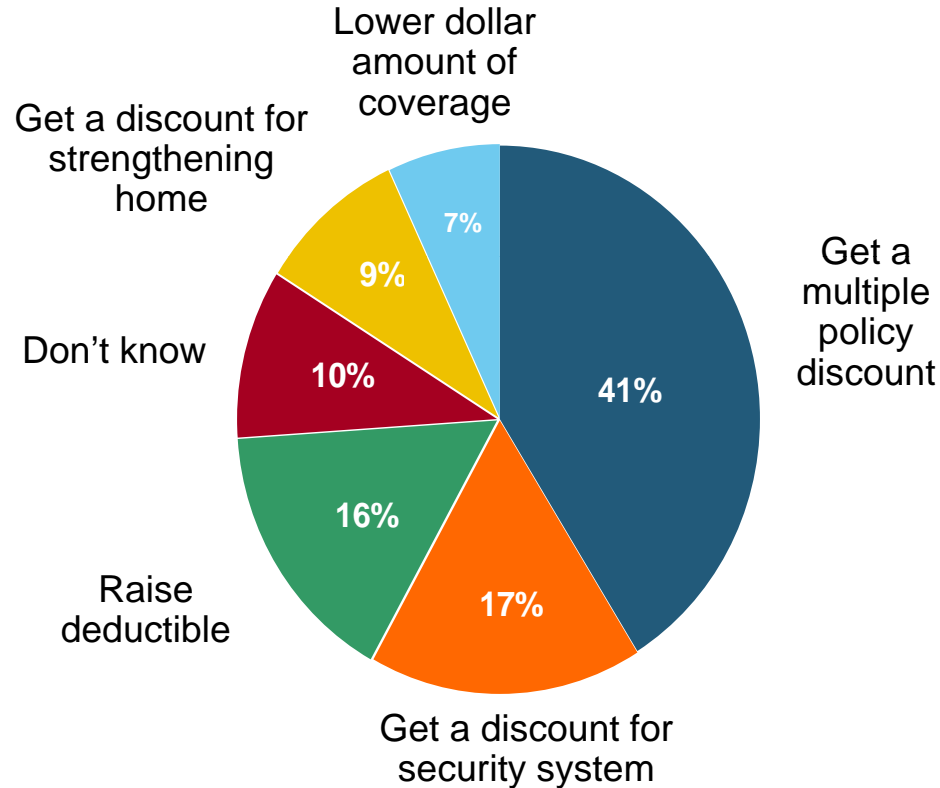
Q. Has The Recent Financial Crisis Prompted You To Try To Save Money On Your Auto And/Or Home Insurance?



The Proportion Of Americans Who Say They Have Tried To Save Money On Auto And/Or Home Insurance Because Of The Financial Crisis Has Topped Out At Just Under Half Of Respondents

# Consumer Poll: I.I.I. *Pulse* Survey

Q. If you wanted to lower your homeowners insurance premium, which ONE of the following would you choose?<sup>1</sup>



**More Respondents Said They Would Get A Discount By Working With Their Existing Policy Than By Strengthening Their Home**

<sup>1</sup>Asked of those who have homeowners insurance.

Source: Insurance Information Institute Annual *Pulse* Survey.



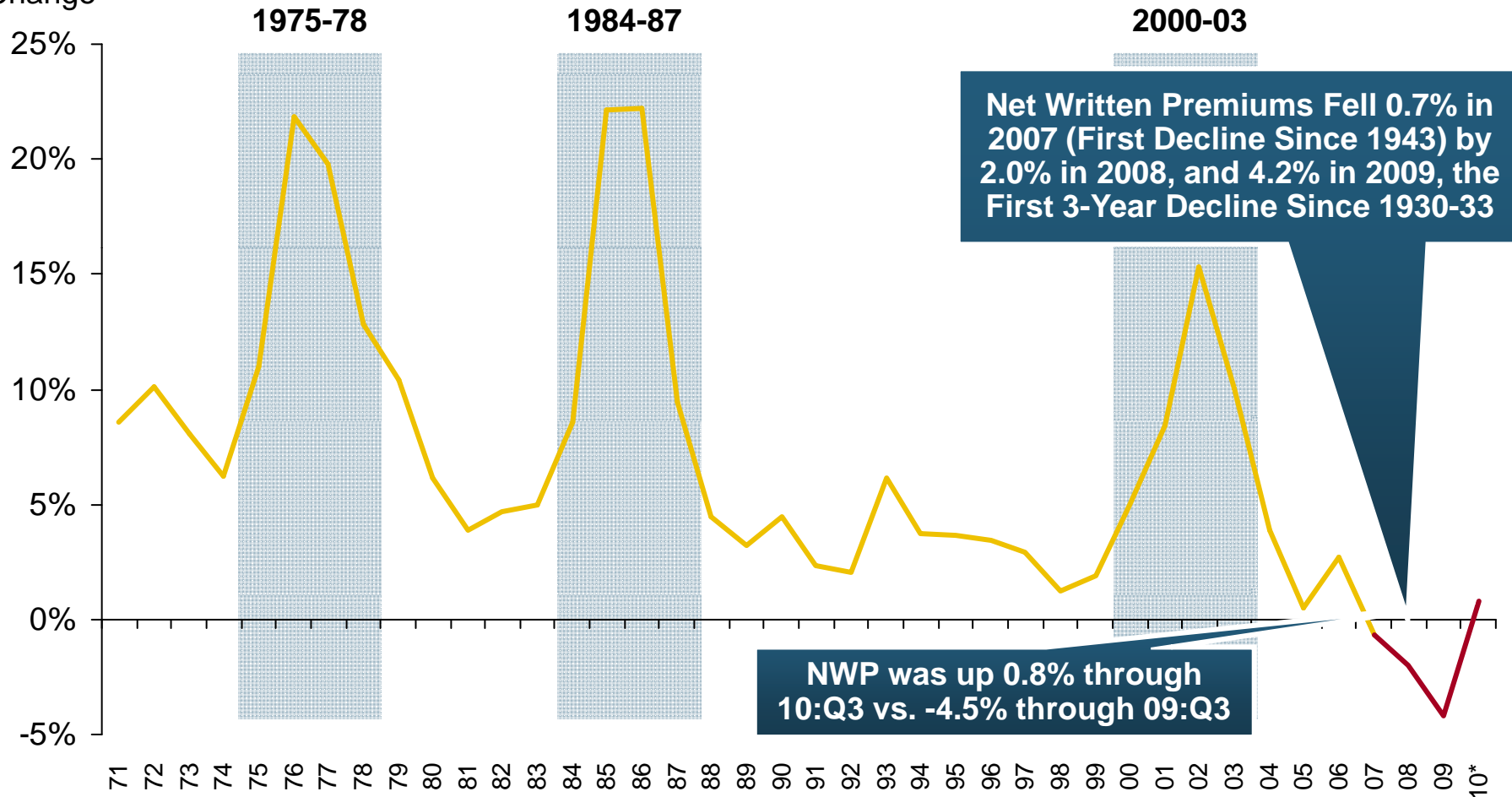
# Property/Casualty Insurance Industry Financial Overview and Exposure Analysis for 2011

**Dr. Steve Weisbart**  
***Chief Economist***

# 2011 Financial Overview

## Soft Market Persisted in 2010\* But May Be Easing: Relief in 2011?

Year-to-Year  
Change



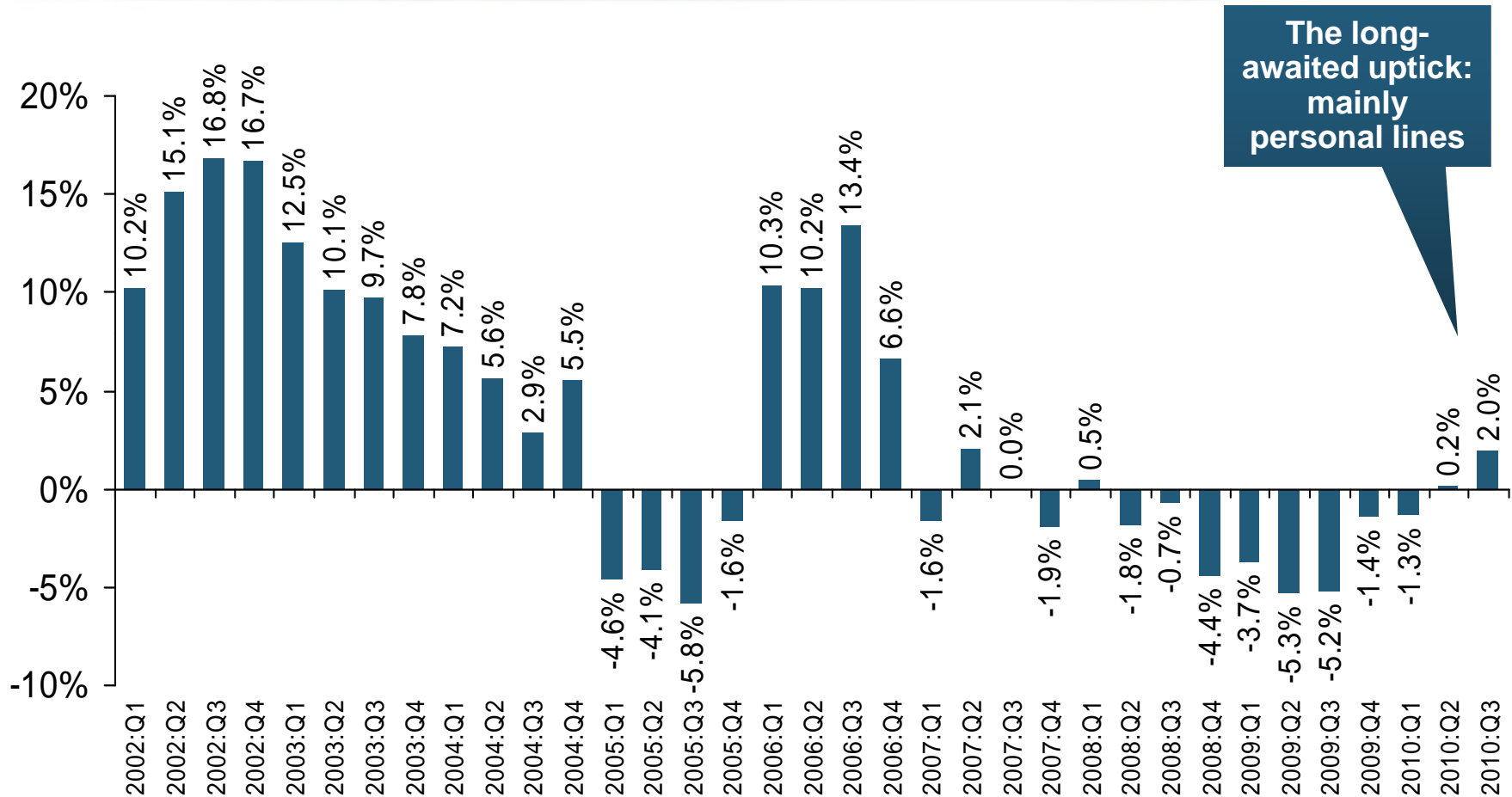
\*through 2010:Q3

Shaded areas denote "hard market" periods

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

# 2011 Financial Overview

## P/C Net Premiums Written: Percent Change, Quarter vs. Year-Prior Quarter



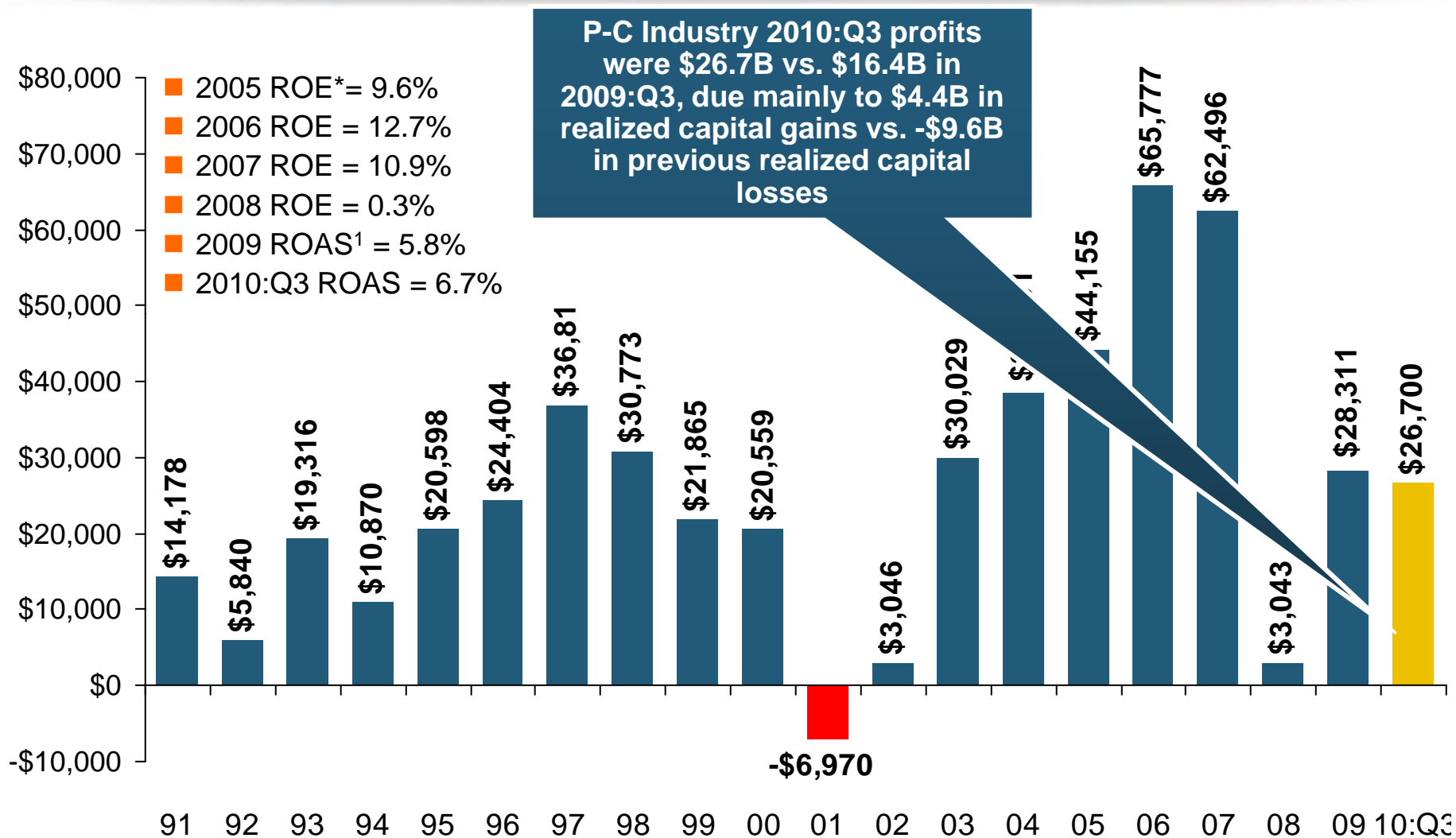
The long-awaited uptick: mainly personal lines

**Finally! Back-to-back quarters of net written premium growth (vs. the same quarter, prior year)**

Sources: ISO, Insurance Information Institute.

# 2011 Financial Overview

## P/C Net Income After Taxes 1991–2010:Q3 (\$ Millions)

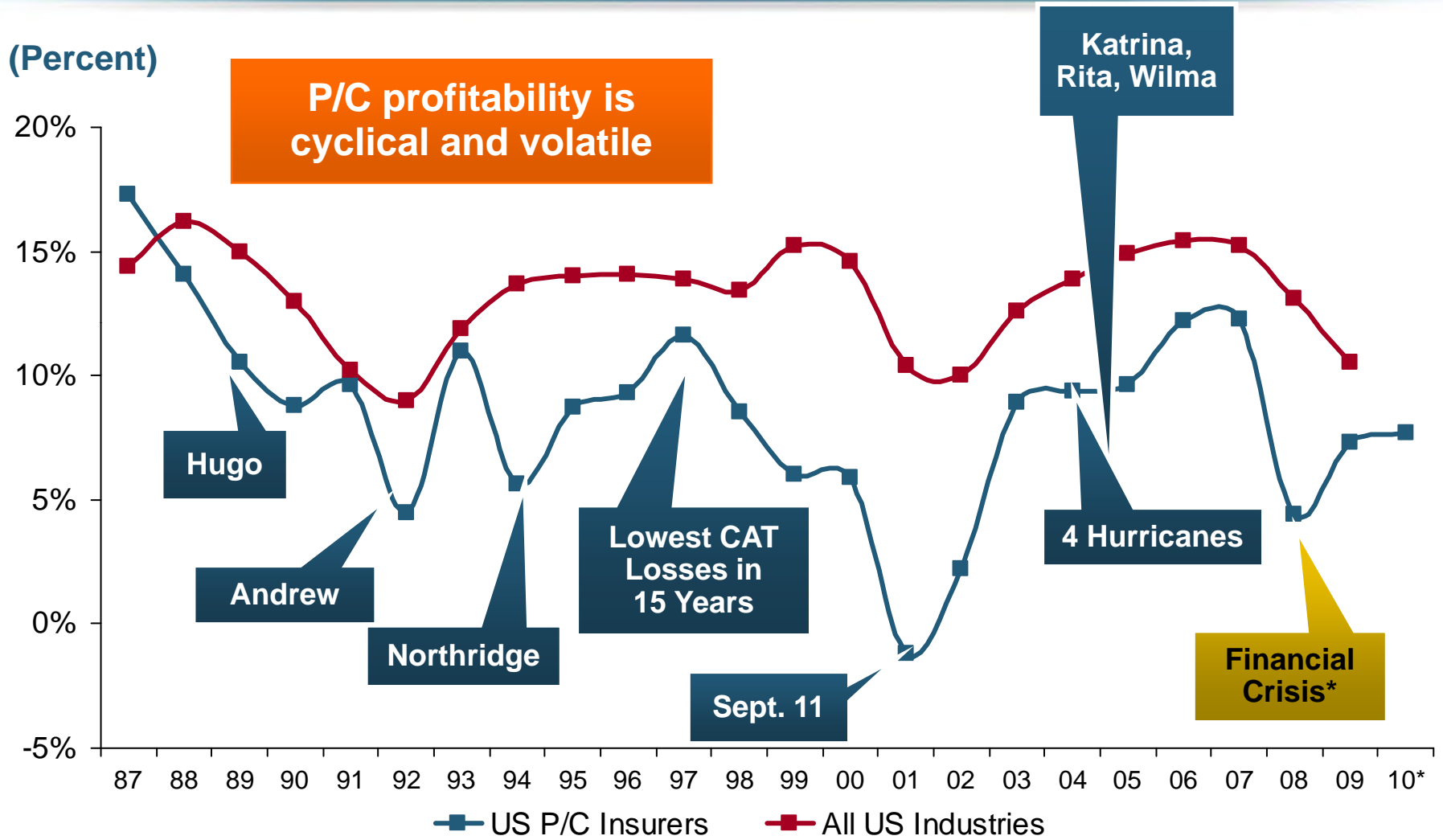


\*ROE figures are GAAP. <sup>1</sup>Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 7.7% ROAS for 2010:Q3 and 4.6% for 2009. 2009:Q3 net income was \$29.8 billion excluding M&FG.

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

# 2011 Financial Overview

## ROE: P/C vs. All Industries 1987–2010\*



\* Excludes Mortgage & Financial Guarantee in 2008, 2009, and 2010. 2010 figure is for first three quarters; 2009 and 2010 P/C profit measures are ROAS

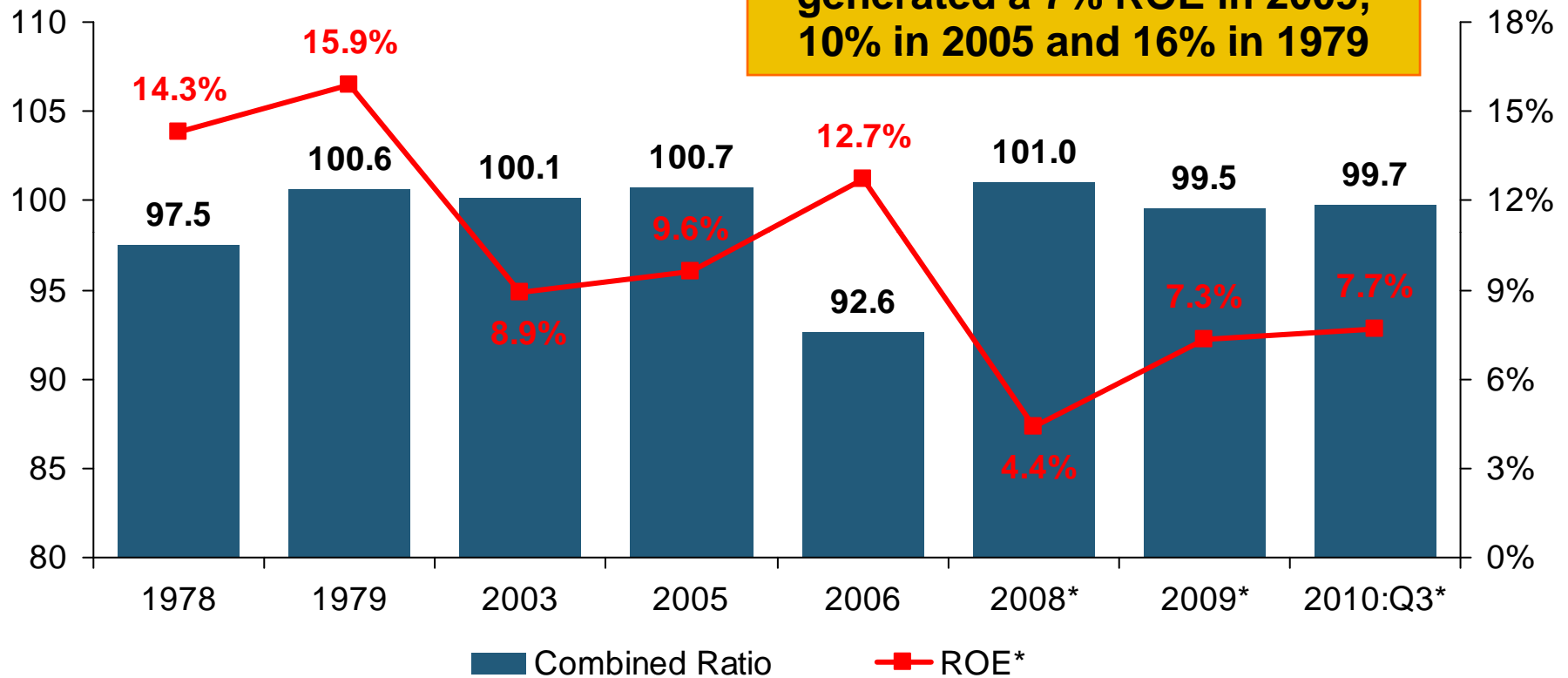
Sources: ISO, *Fortune*; Insurance Information Institute.



# 2011 Financial Overview

## A 100 Combined Ratio Isn't What It Once Was: 90-95 Is Where It's At Now

### Combined Ratio / ROE



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

\* 2009 and 2010:Q3 figures are return on average statutory surplus. 2008, 2009 and 2010:Q3 figures exclude mortgage and financial guaranty insurers.

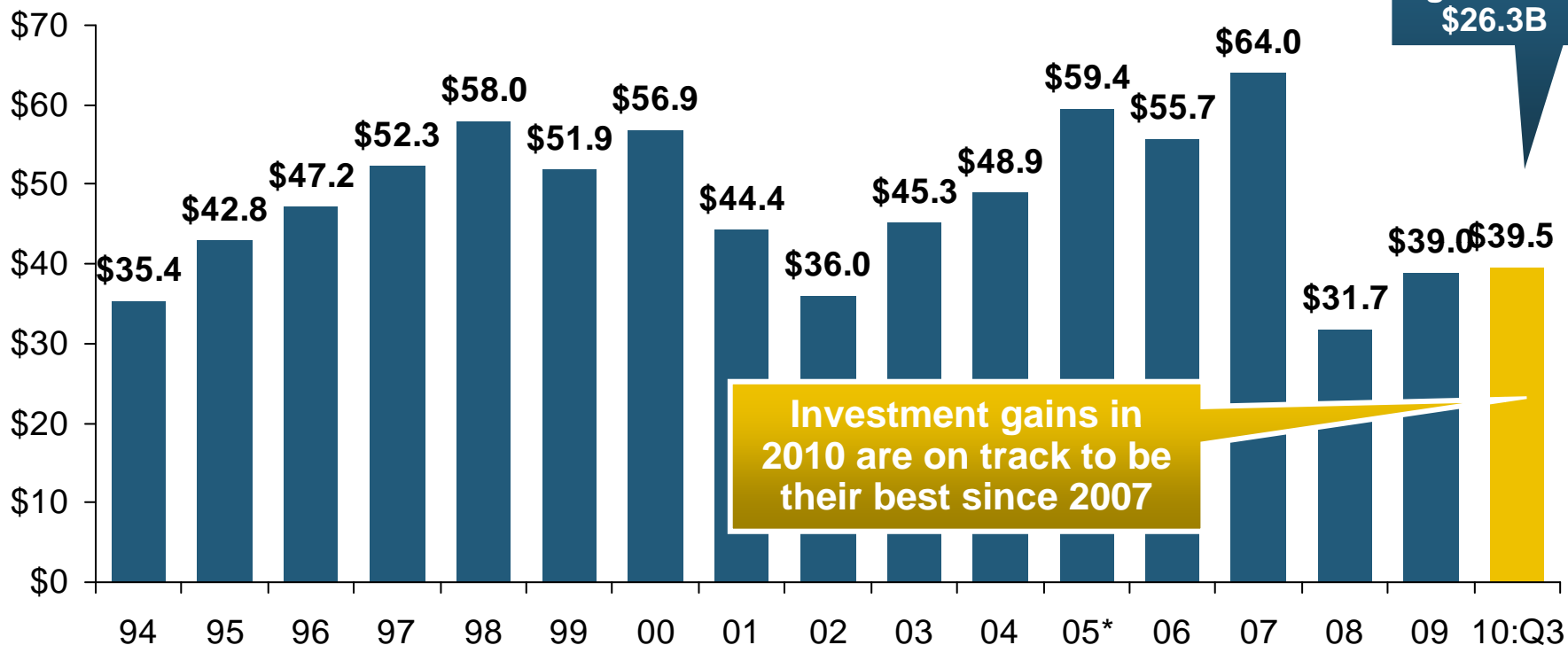
Source: Insurance Information Institute from A.M. Best and ISO data.

# 2011 Financial Overview

## Property/Casualty Insurance Industry

### Investment Gain: 1994–2010:Q3<sup>1</sup>

(\$ Billions)



2009:Q3 gain was \$26.3B

Investment gains in 2010 are on track to be their best since 2007

**In 2008, Investment Gains Fell by 50% Due to Lower Yields and Nearly \$20B of Realized Capital Losses.**  
**2009 Saw Smaller Realized Capital Losses But Declining Investment Income**  
**Investment Gains Are Recovering So Far in 2010**

<sup>1</sup> Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.  
 \* 2005 figure includes special one-time dividend of \$3.2B.  
 Sources: ISO; Insurance Information Institute.

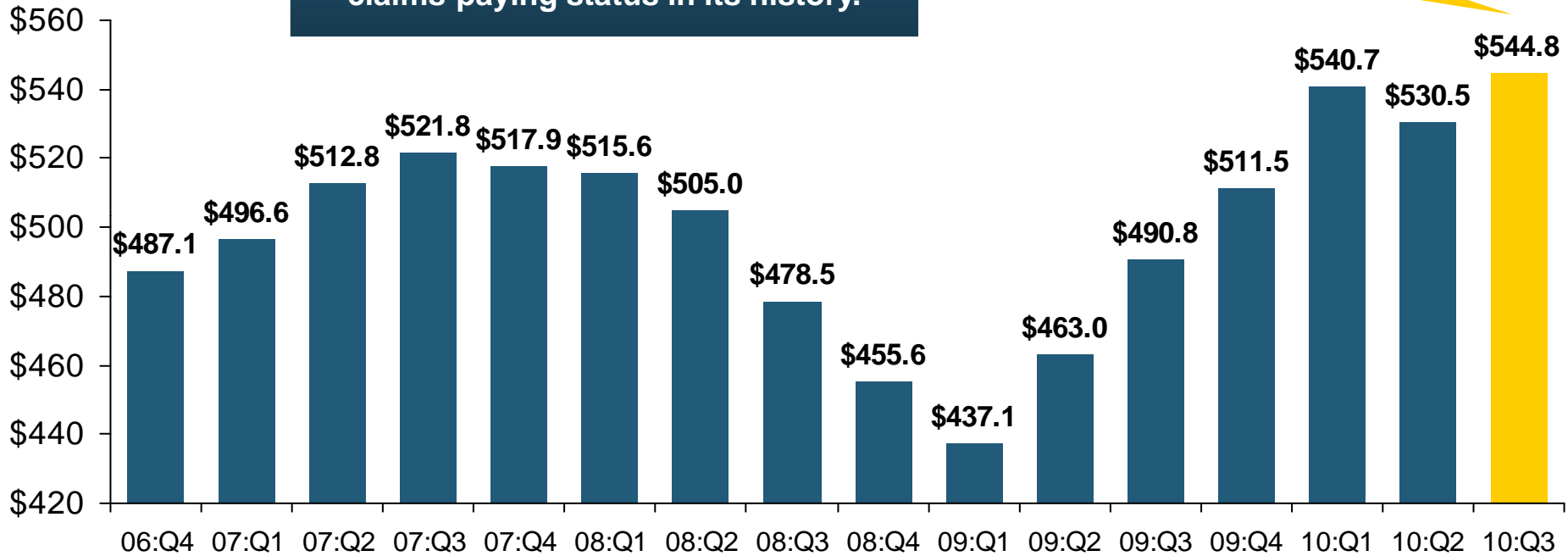
# 2011 Financial Overview

## Policyholder Surplus, 2006:Q4–2010:Q3

(\$ Billions)

The Industry now has \$1 of surplus for every \$0.77 of NPW—the strongest claims-paying status in its history.

Surplus set a new record in 2010:Q3\*



### Quarterly Surplus Changes Since 2009:Q1 Trough

09:Q2: +\$25.9B (+5.9%)	10:Q1: +\$29.2B (+5.7%)
09:Q3: +\$27.8B (+6.0%)	10:Q2: -\$10.2B (-1.9%)
09:Q4: +\$20.7B (+4.2%)	10:Q3: +\$14.3B (+2.7%)

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



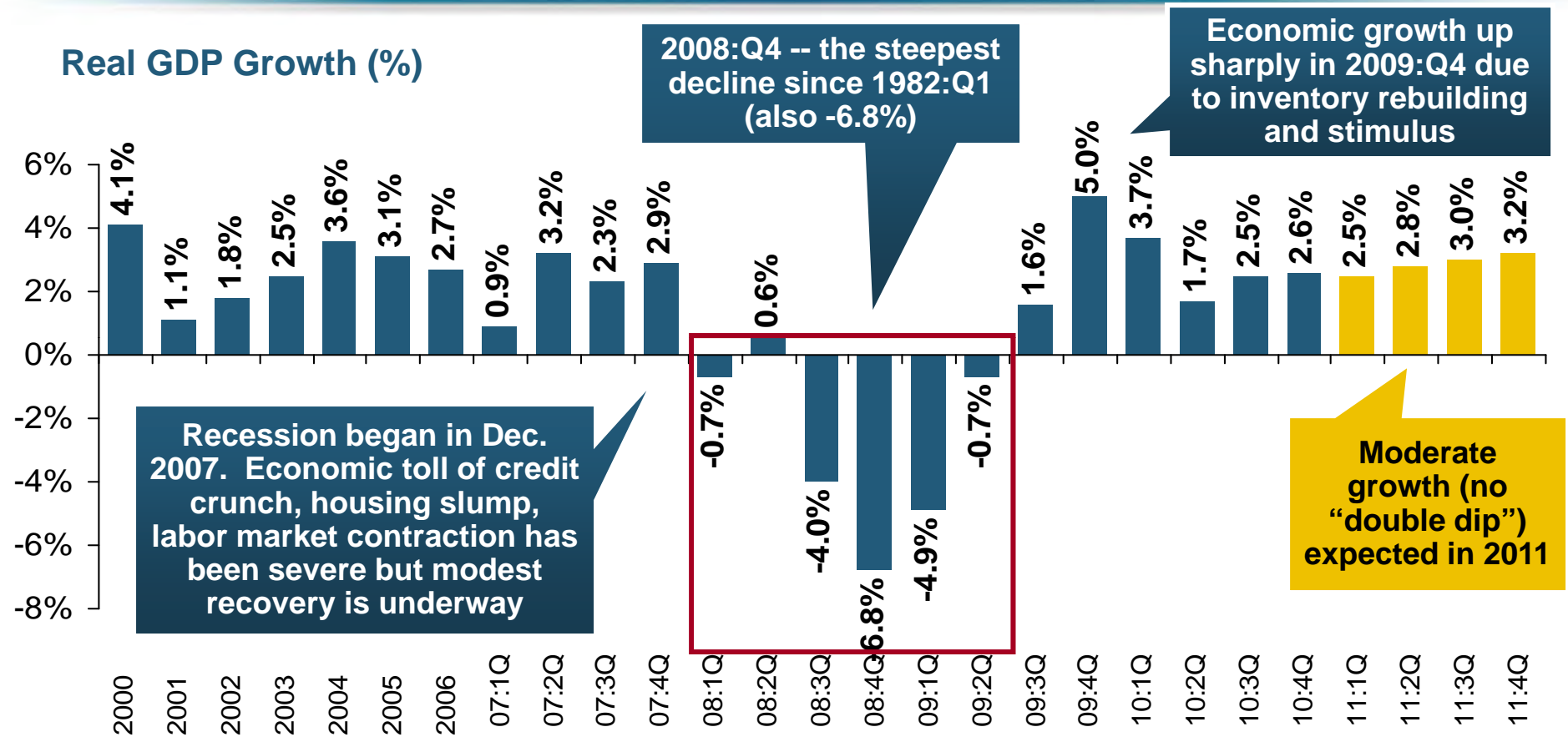
# Economic Drivers of P/C Insurance Exposures

**Growth in the Wake  
of the “Great Recession”**

# 2011 Financial Overview

## U.S. Real GDP Growth\*

Real GDP Growth (%)



**Commercial insurance continues to be affected by sluggish economic conditions, but the benefits of even slow growth will compound and gradually benefit the economy broadly**

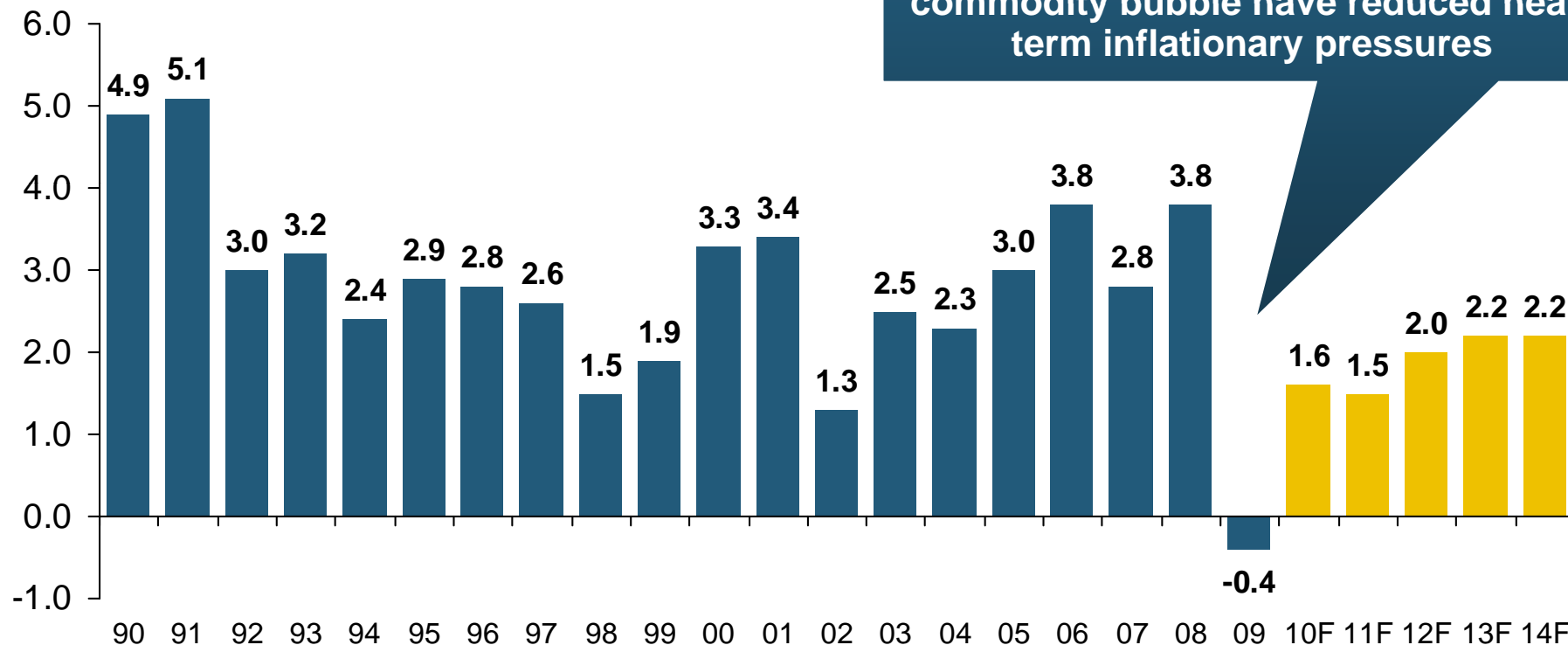
\* Forecasts from Blue Chip Economic Indicators.

Sources: US Department of Commerce, Blue Chip Economic Indicators 12/10; Insurance Information Institute.

# 2011 Financial Overview

## Annual Inflation Rates, (CPI-U, %), 1990–2014F

### Annual Inflation Rates (%)



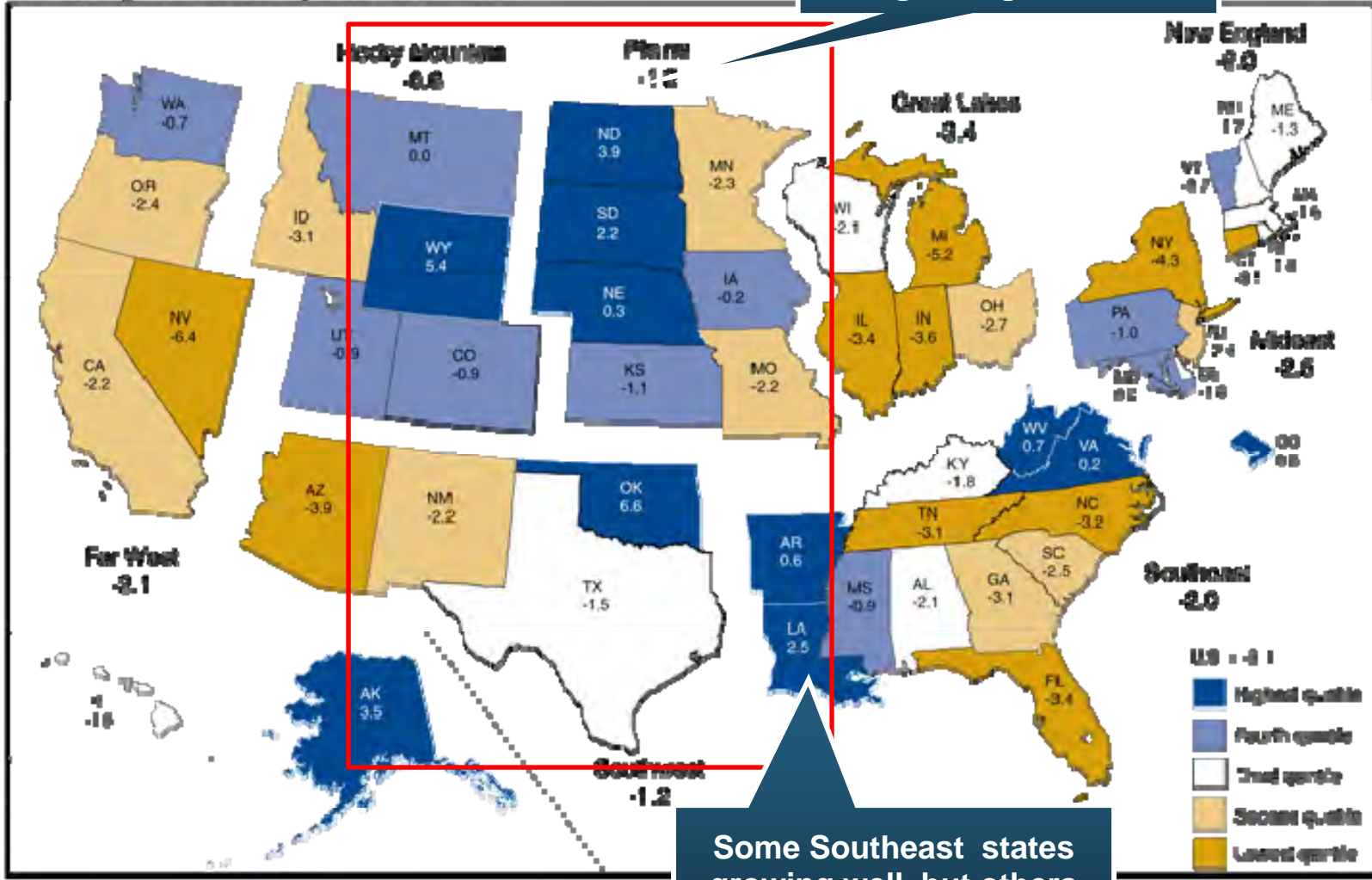
The slack in the U.S. economy suggests that inflation should not heat up before 2012, but other forces (commodity prices, inflation in countries from which we import, etc.), plus U.S. debt burden, remain longer-run concerns

# 2011 Financial Overview

## State Economic Growth Varied in 2009

Mountain, Plains states still growing the fastest

Percent Change in Real GDP by State 2008-2009



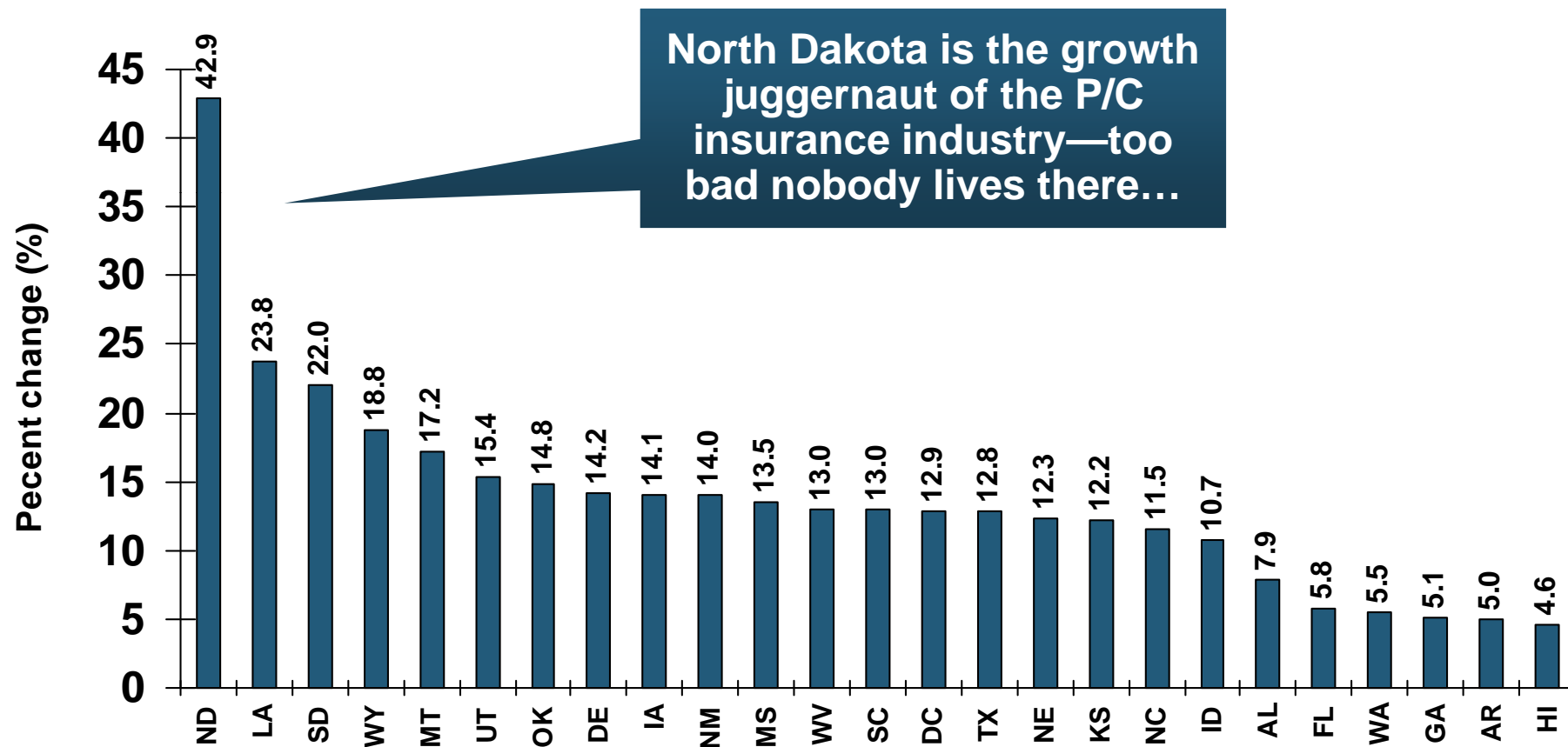
Some Southeast states growing well, but others among the weakest

# 2011 Financial Overview

## Direct Premiums Written: All Lines

### Percent change by State, 2004-2009

#### Top 25 States



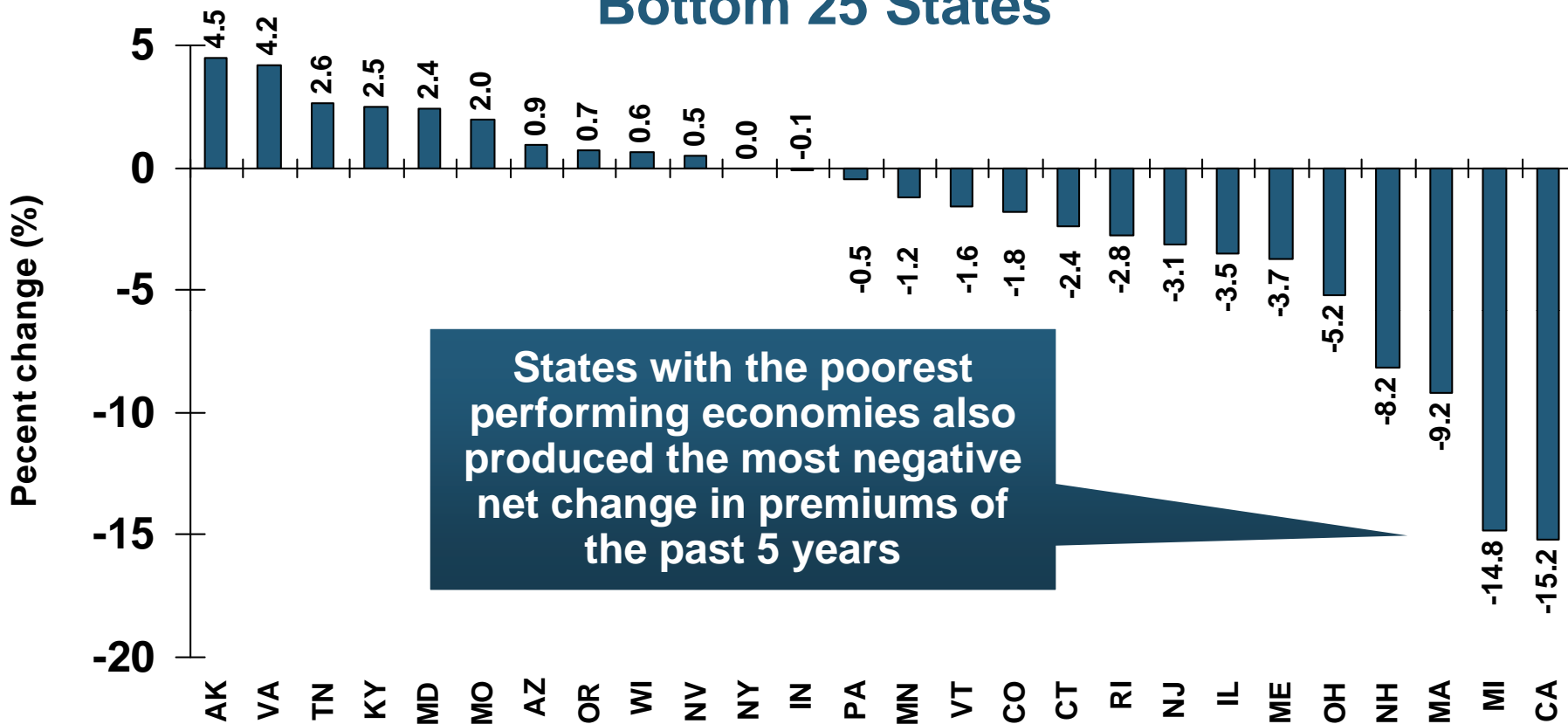


# 2011 Financial Overview

## Direct Premiums Written: All Lines

### Percent Change by State, 2004-2009

#### Bottom 25 States



States with the poorest performing economies also produced the most negative net change in premiums of the past 5 years

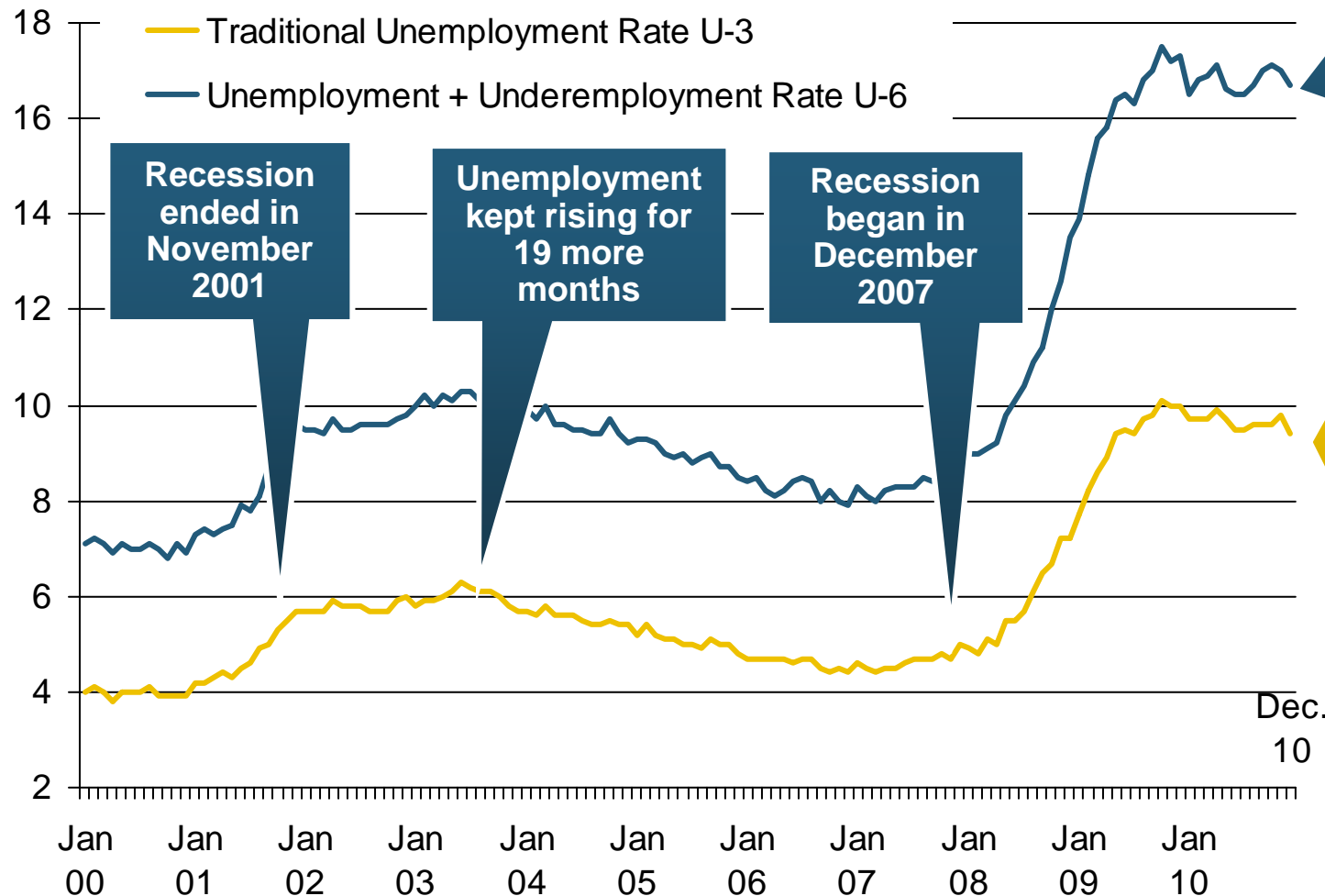
Over the 5 years from 2004-2009, 15 states saw premiums *shrink*, one had no growth, and 4 others grew premiums by less than 1%

Sources: SNL Financial LC; Insurance Information Institute.

# 2011 Financial Overview

## Unemployment and Underemployment Rates: Rocketed Up in 2008-09; Stabilized in 2010

January 2000 through December 2010, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 16.7% in December 2010

Unemployment rate fell to 9.4% in December

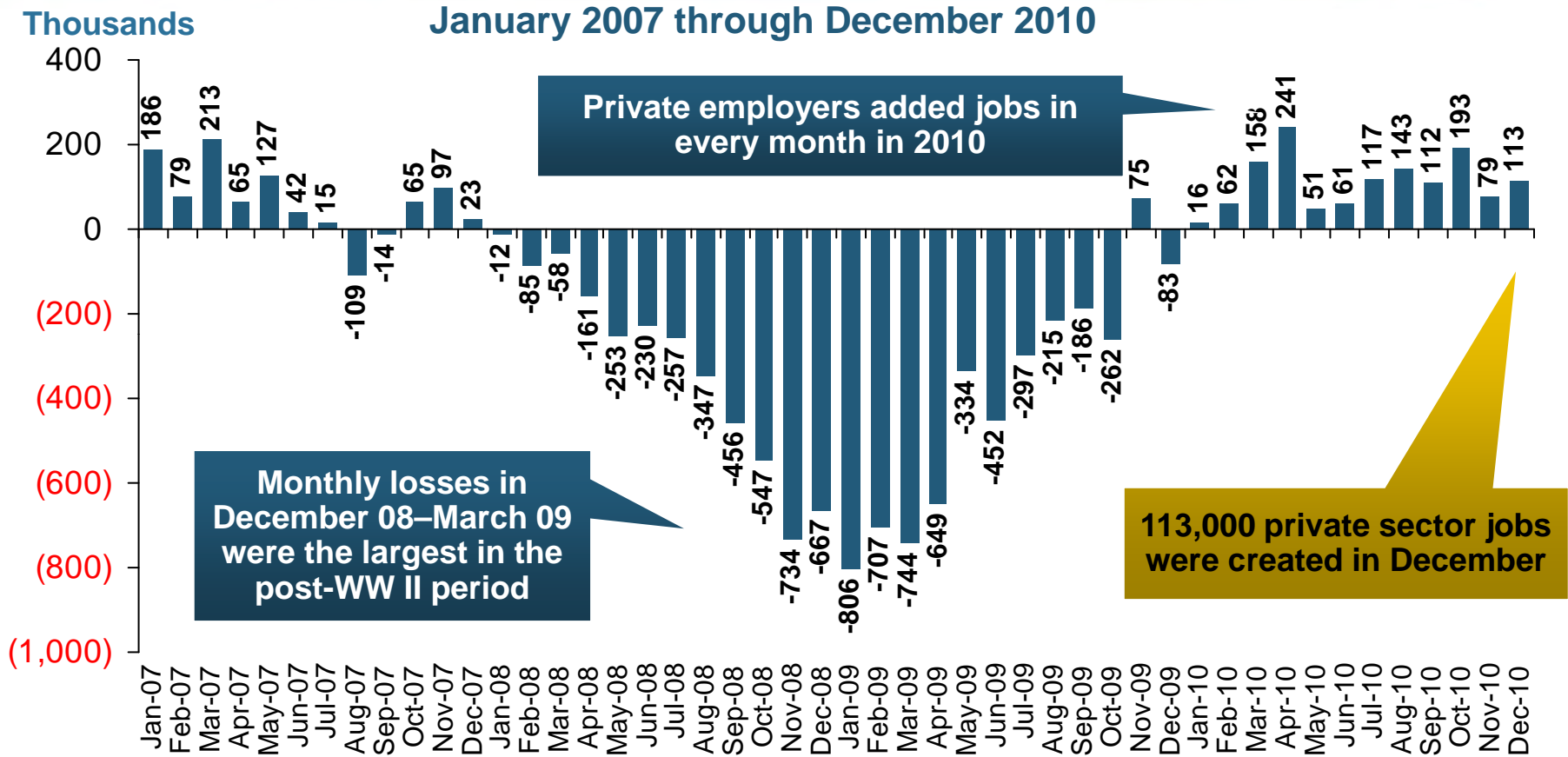
Unemployment peaked at 10.1% in October 2009, highest monthly rate since 1983.

Peak rate in the last 30 years: 10.8% in November - December 1982

**Stubbornly high unemployment and underemployment will constrain payroll growth, which directly affects WC exposure**

# 2011 Financial Overview

## Monthly Change in Private Employment

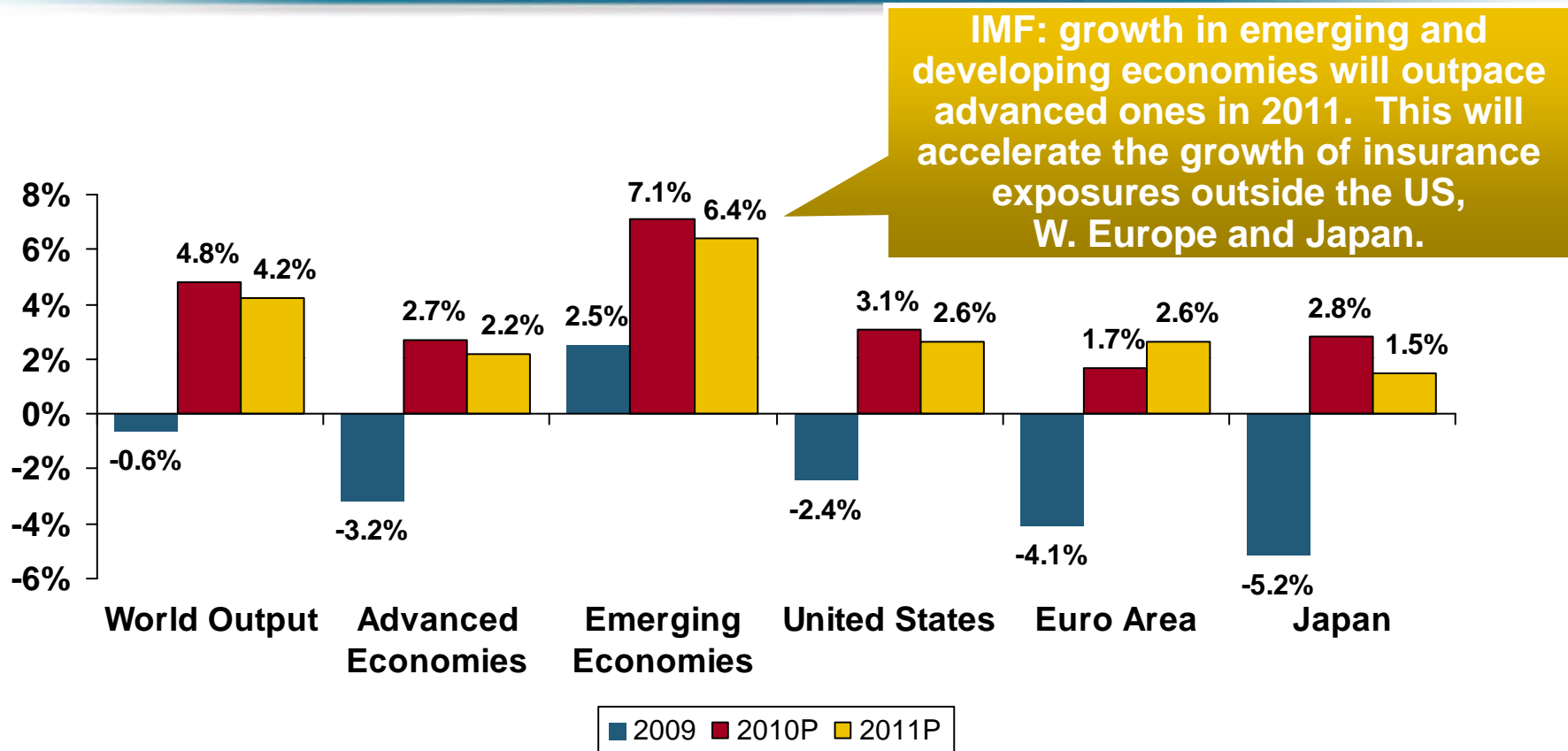


**Private employers added 1.35 million jobs in 2010 after having shed 4.66 million jobs in 2009 and 3.81 million in 2008**

Note: November and December 2010 data are preliminary.

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

# World Economic Growth: 2009-2011P



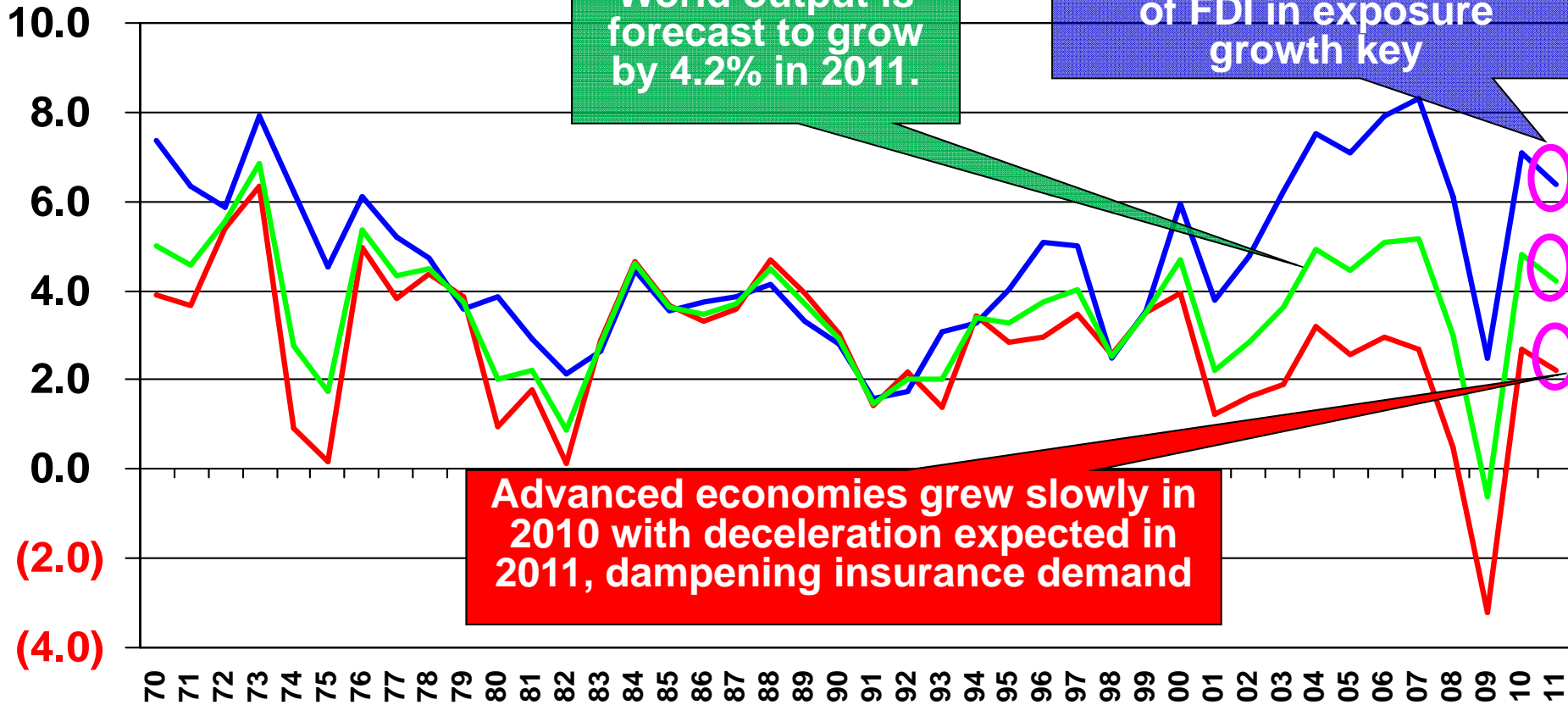
**The world economy is recovering from the global crisis better than expected, but activity is reviving at different speeds in different parts of the world, according to the IMF. A clear set of “winners” has emerged with direct implications for insurers.**

# 2011 Financial Overview

GDP Growth: Advanced and Emerging Economies vs. World, 1970-2011F



GDP Growth (%)



— Advanced economies — Emerging and developing economies — World



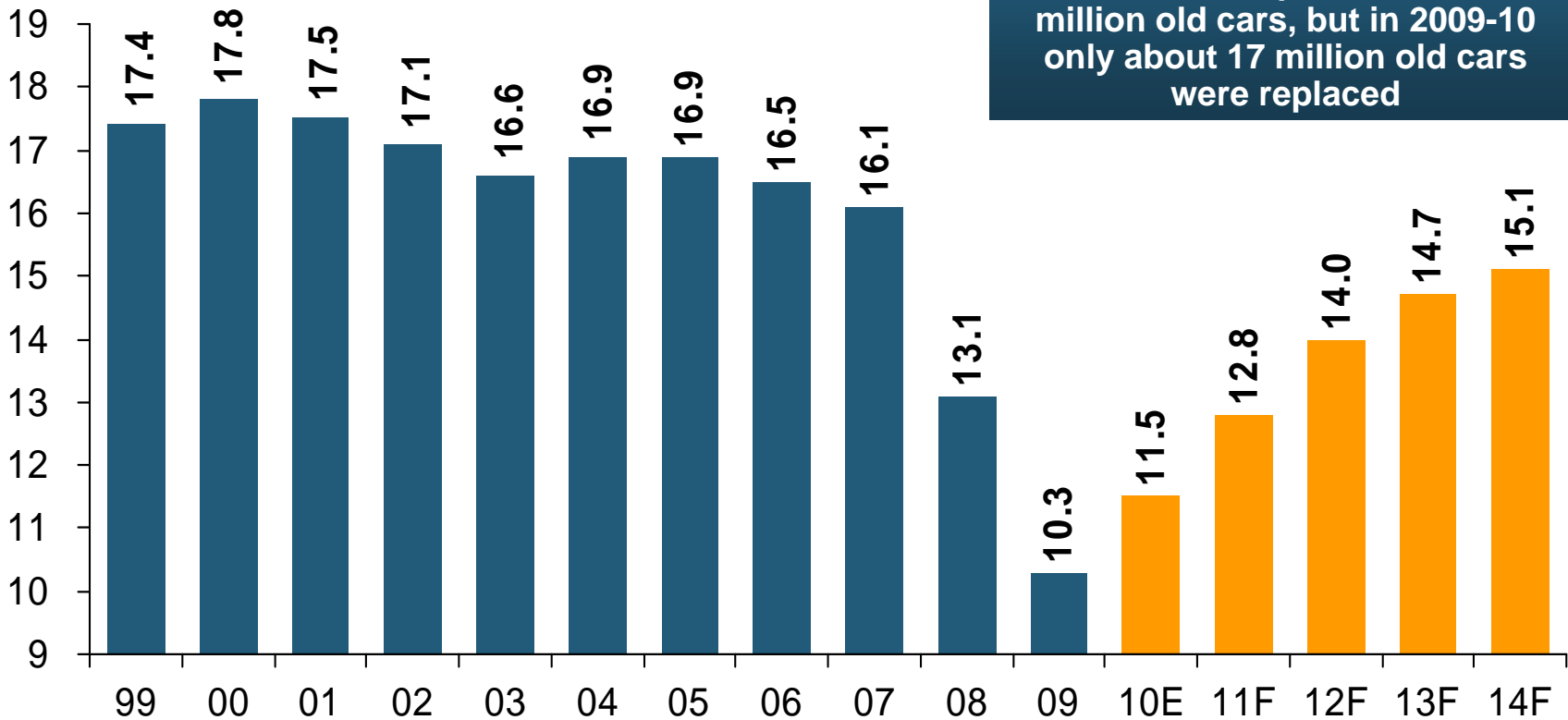
# Where Will the Exposure Growth Come From?

**Personal Lines**  
**Commercial Lines**

# 2011 Financial Overview

## The Car-buying Slump Will Create Pressure to Replace Aging Vehicles

Millions of  
Units Sold

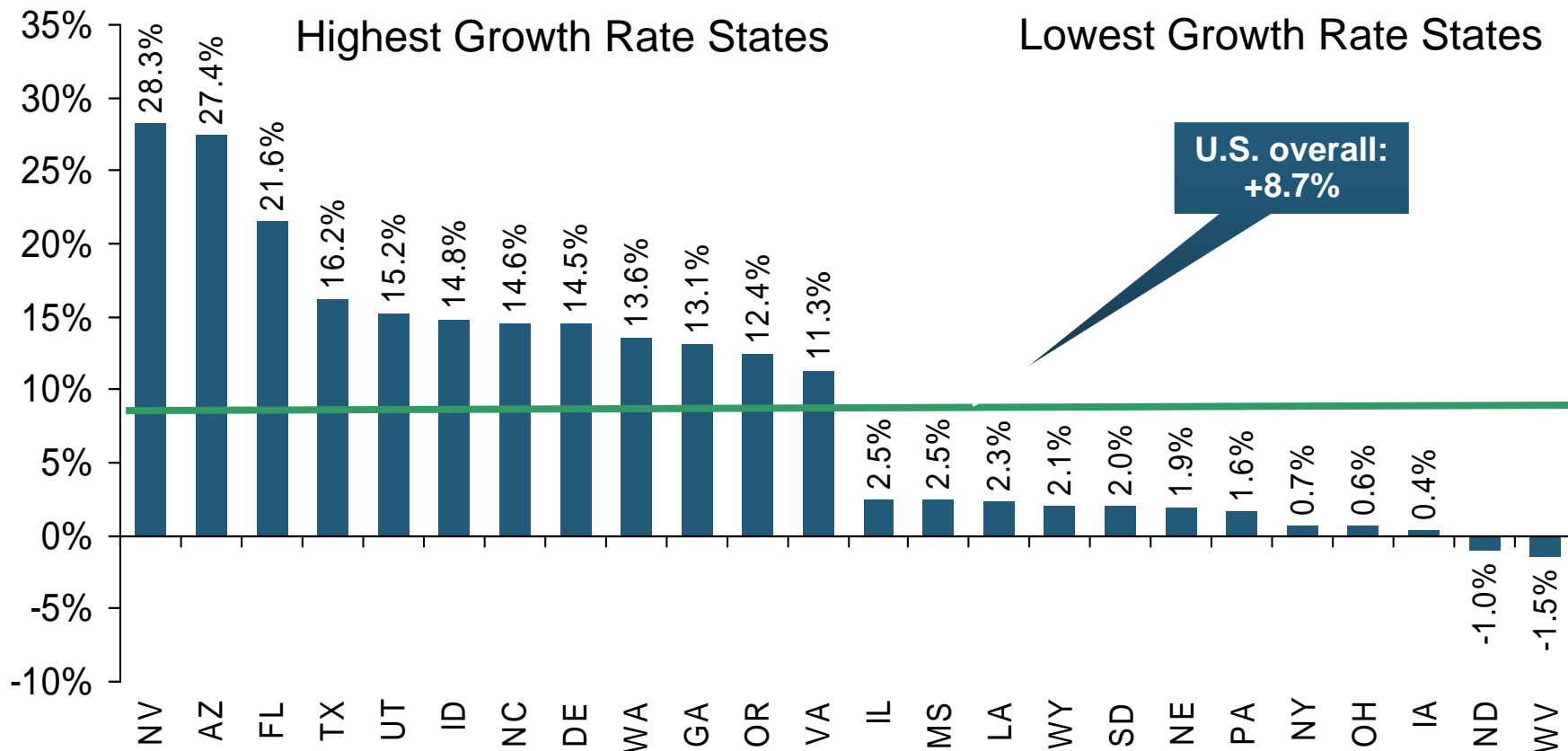


In a “normal” 2-year span, new cars would replace about 25 million old cars, but in 2009-10 only about 17 million old cars were replaced

If the forecasts hold, by year-end 2011, there will be roughly 12 million more older vehicles on the road than if there were no slump, but by then interest rates might be rising

# State Population Growth Rate Projections, 2010-2020\*

Projected Population Growth



**The Mountain West region is projected to grow the most from now to 2020 (up 17.6%), followed by the South Atlantic (up 14.5%) and Pacific (up 11.2%). The Mid-Atlantic is projected to be the slowest-growing region (up 1.9%).**

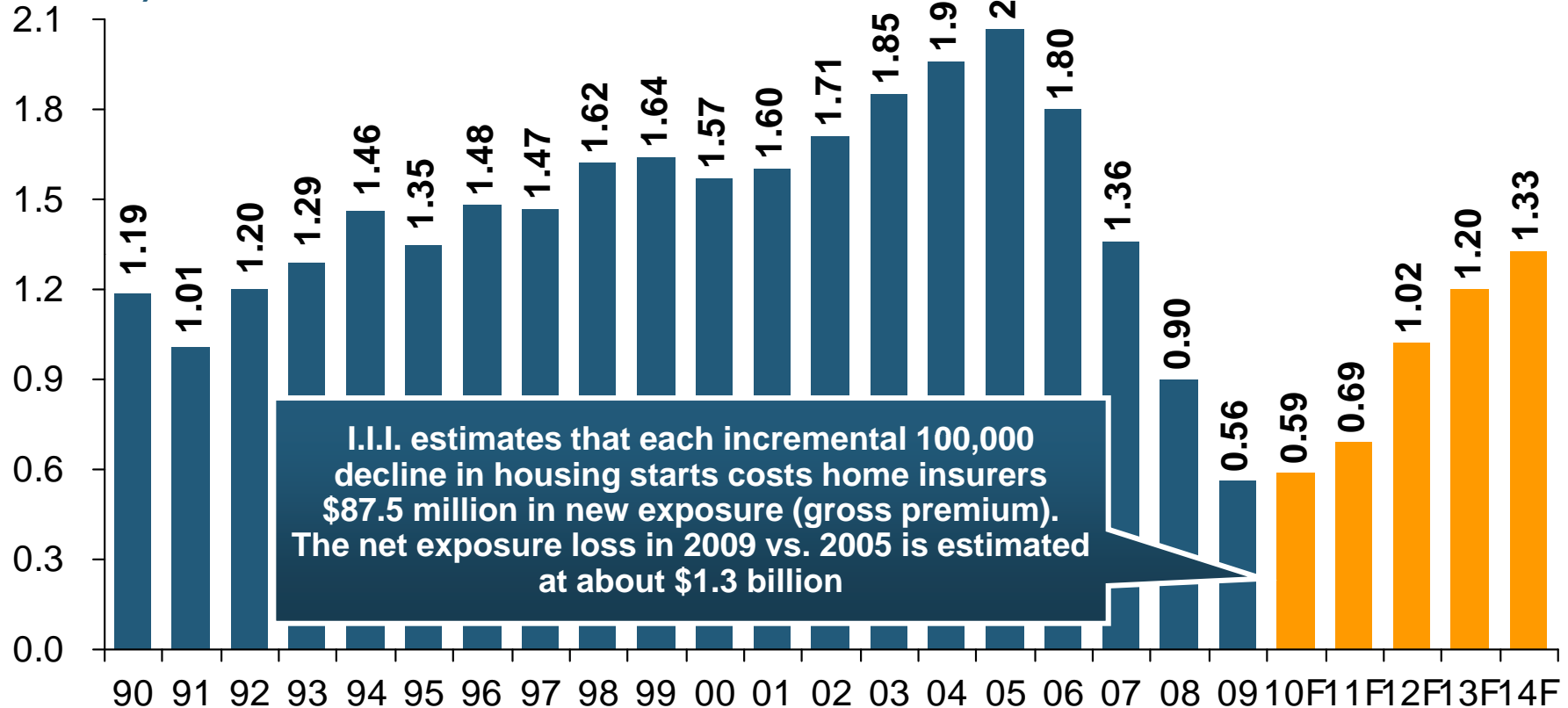
\*based on 2000 census. Source: <http://www.census.gov/population/www/projections/projectionsagesex.html> Table 7



# 2011 Financial Overview

## Private Housing Starts, 1990-2014F

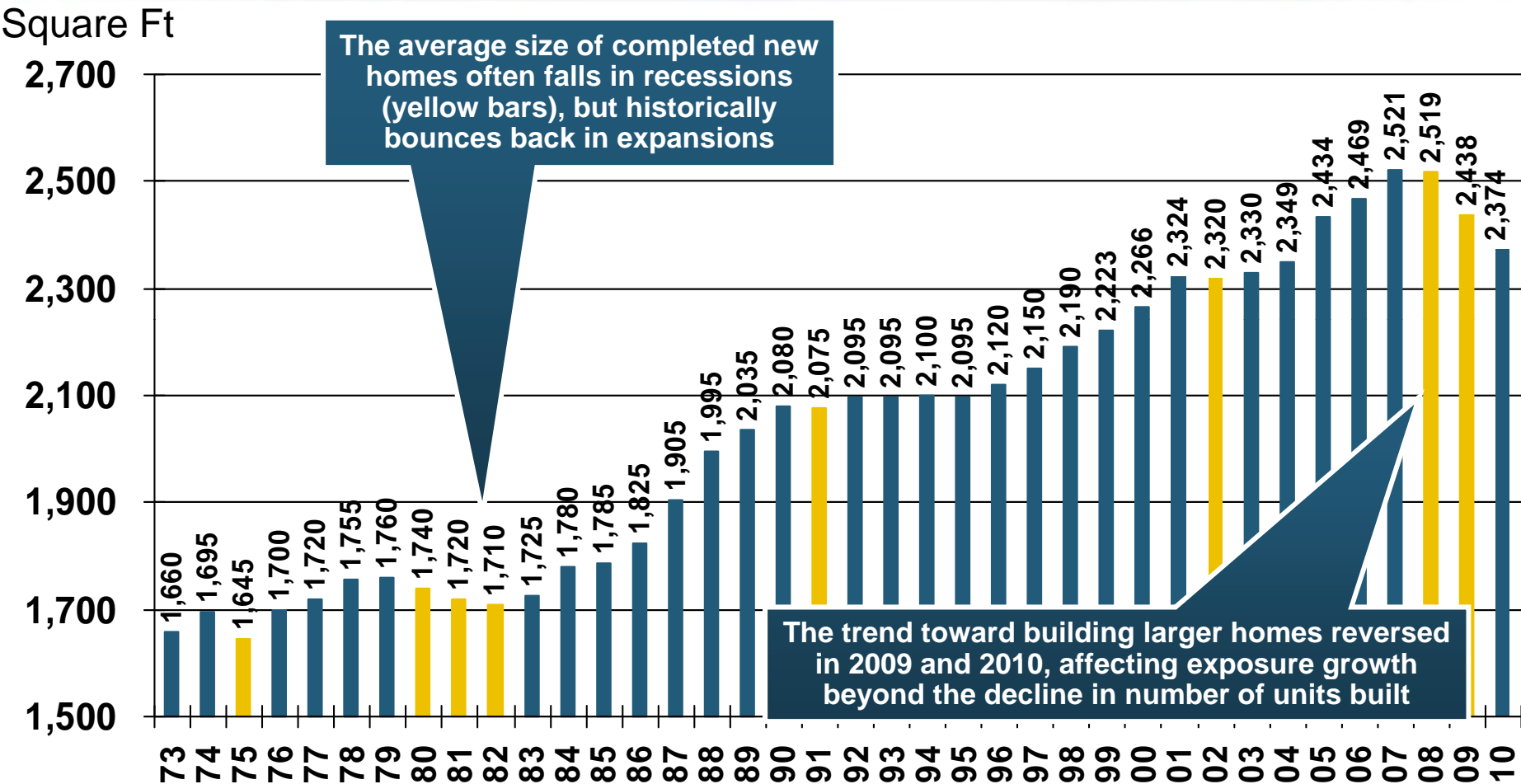
(Millions of Units)



**Little exposure growth likely for homeowners insurers due to weak home construction forecast for 2011; also affects commercial insurers with construction risk exposure, surety**

# 2011 Financial Overview

## Average Square Footage of Completed New Homes in U.S., 1973-2010\*

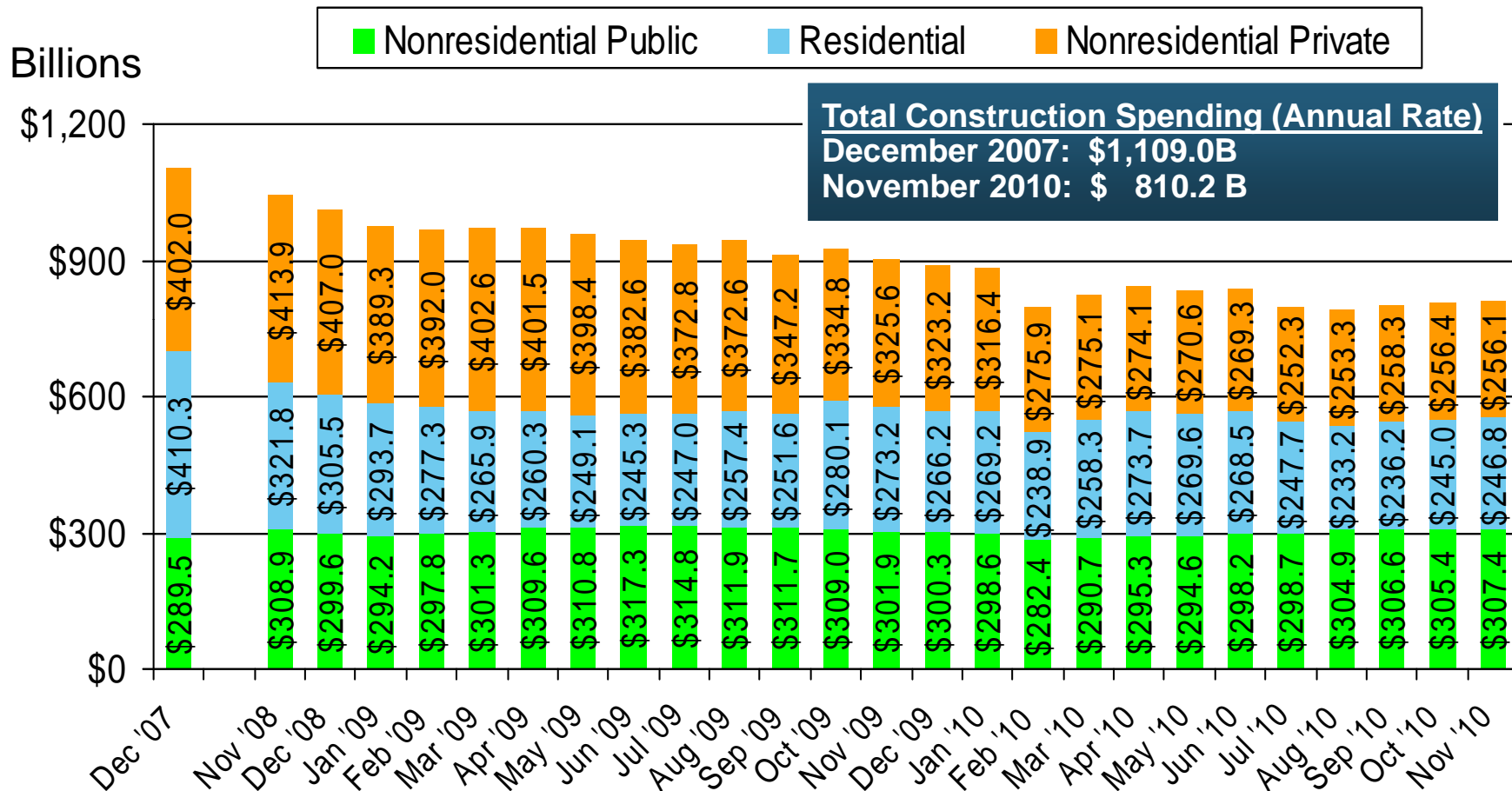


**The average size of completed new homes fell by 145 square feet (5.75%) from 2008-2010, the largest recession-based drop in nearly four decades**

\*2010 figure is weighted average square feet of completed homes in first three quarters of 2010  
 Source: U.S. Census Bureau: [http://www.census.gov/const/www/quarterly\\_starts\\_completions.pdf](http://www.census.gov/const/www/quarterly_starts_completions.pdf); Insurance Information Institute.

# 2011 Financial Overview

## Value\* of Construction Put In Place



Since the recession started, private residential and nonresidential construction together are down \$300 billion (annual rate), a drop of 38%. This affects property, surety, and other construction-related exposures

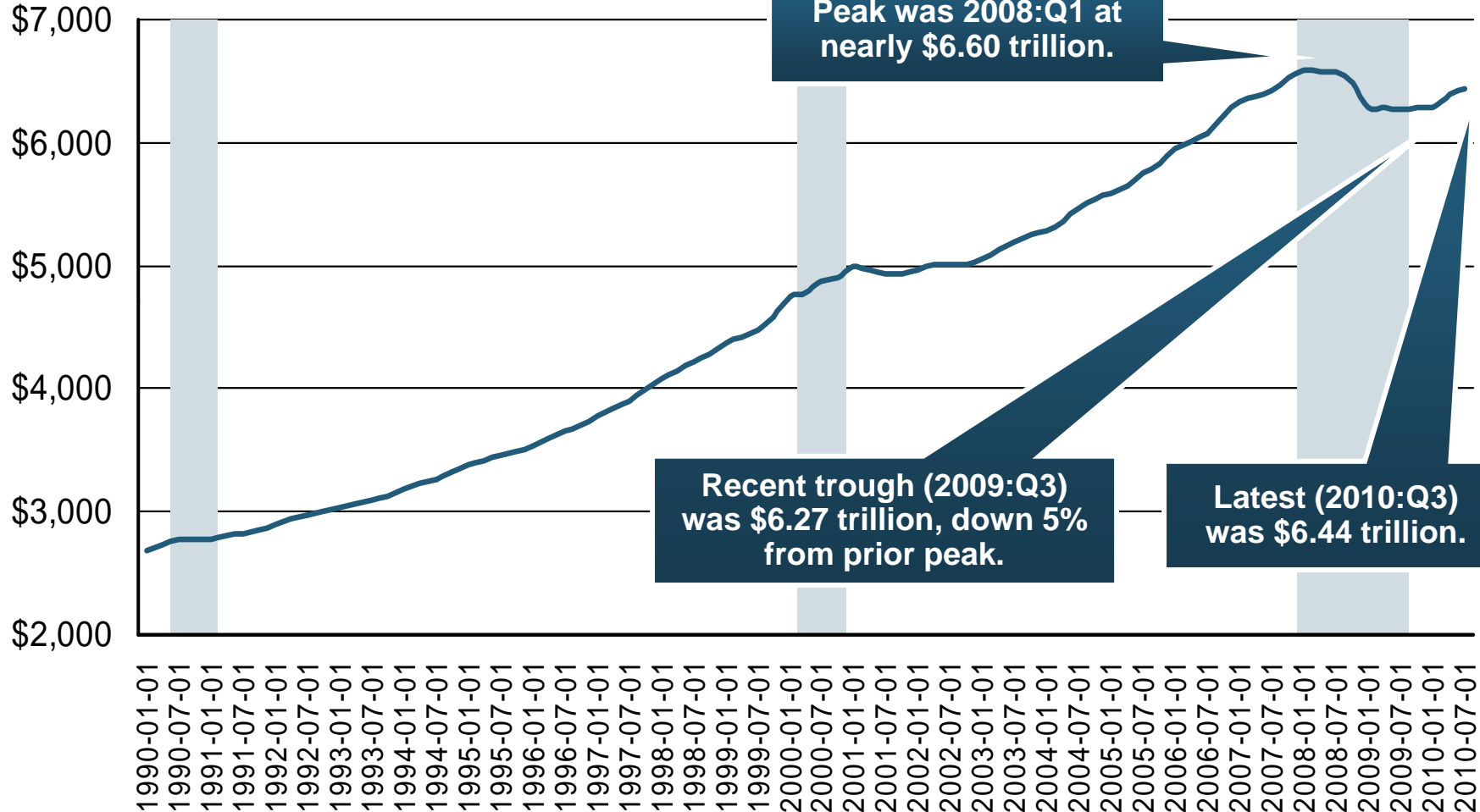
\*Seasonally adjusted annual rate

Source: <http://www.census.gov/const/C30/release.pdf>

# 2011 Financial Overview

## Total of U.S. Wages & Salaries: Quarterly, 1990–2010

Billions



**Growth from recent trough (one year prior): +2.8%**

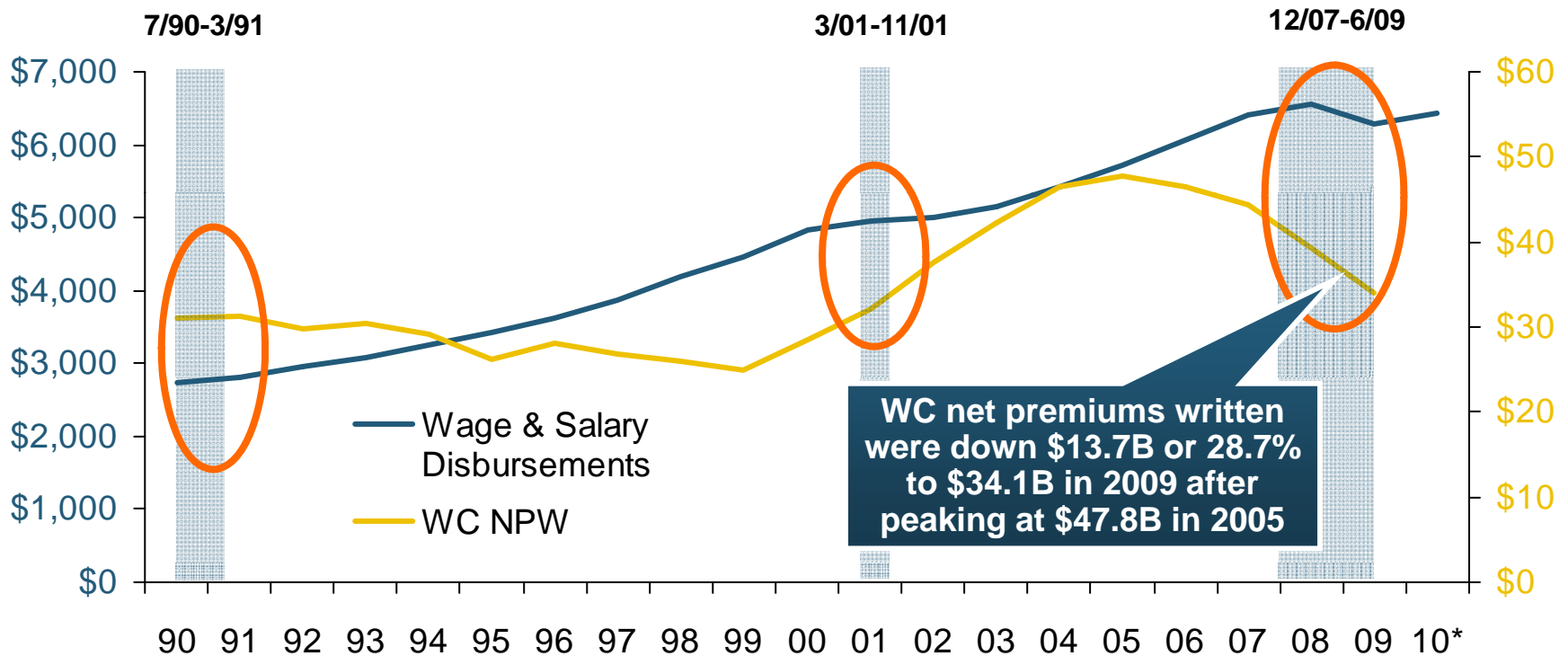
Note: Recessions indicated by gray shaded columns. Data are seasonally adjusted annual rates

Sources <http://research.stlouisfed.org/fred2/series/WASCUR>; National Bureau of Economic Research (recession dates); Insurance Information Institutes.

# 2011 Financial Overview

## Wage and Salary Disbursements (Payroll Base) vs. Workers Comp Net Written Premiums

Wage and Salary Disbursement (Private Employment) vs. WC NWP (\$ Billions)



**Weakening payrolls have eroded \$2B+ in workers comp premiums; nearly 29% of NPW has been eroded away by the soft market and weak economy**

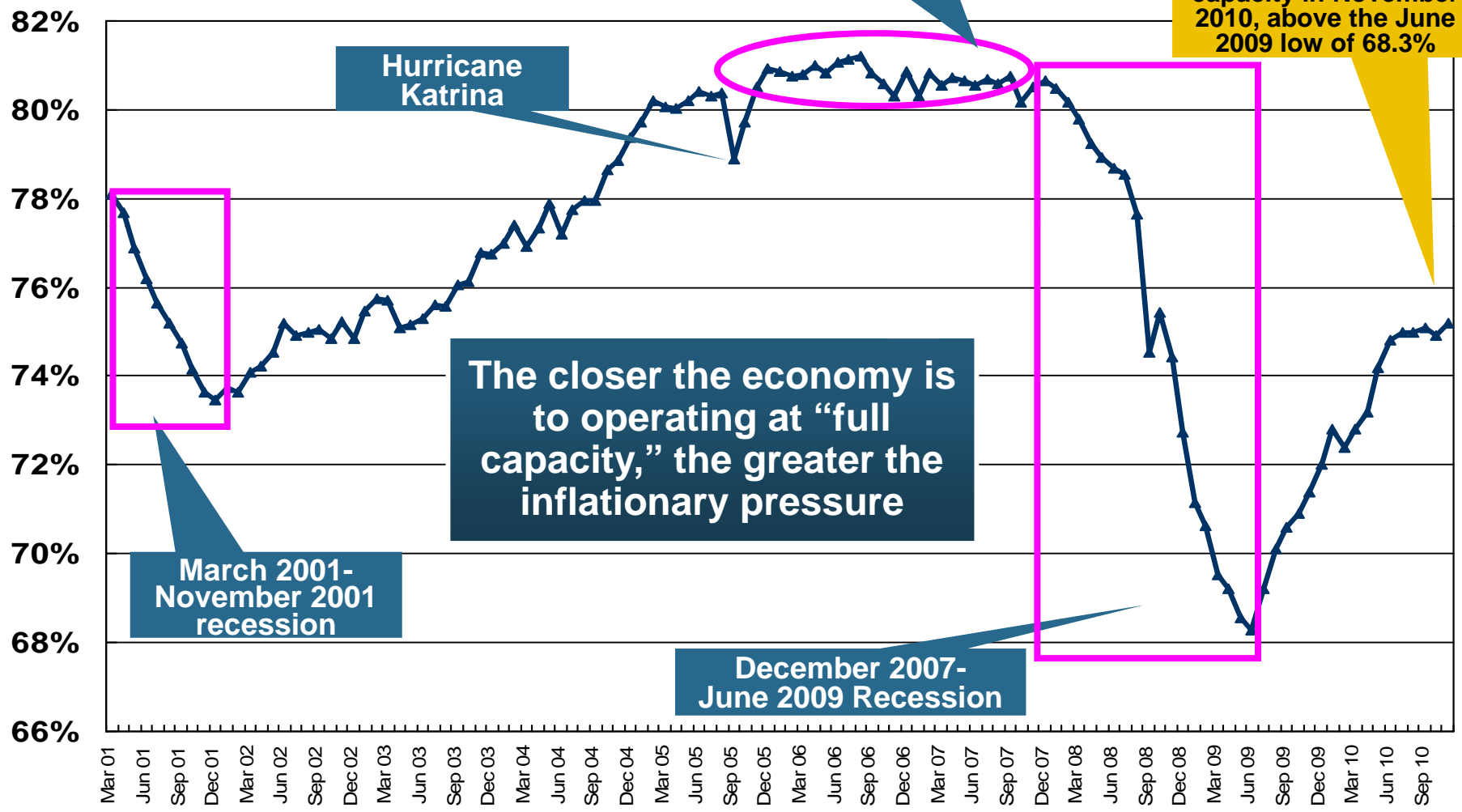
\* Average Wage and Salary data as of 7/1/2010. Shaded areas indicate recessions.

\*\*Estimated "official" end of recession June 2009.

Source: US Bureau of Economic Analysis; Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR>; I.I.I. Fact Books

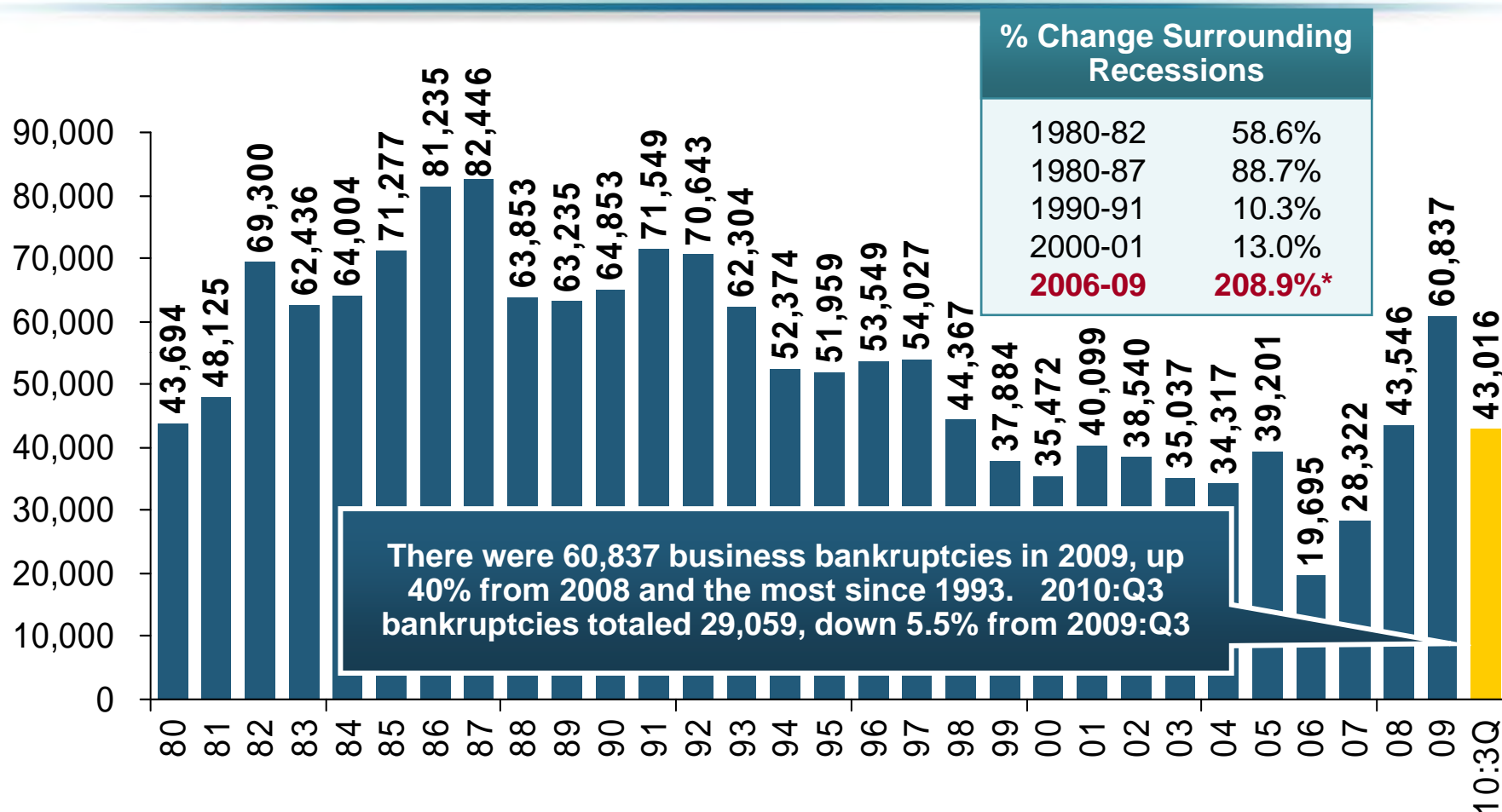
# Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

Percent of Industrial Capacity



Source: Federal Reserve Board statistical releases at <http://www.federalreserve.gov/releases/q17/Current/default.htm>.

# Business Bankruptcy Filings, 1980-2010:Q3



**Significant Exposure Implications for All Commercial Lines**

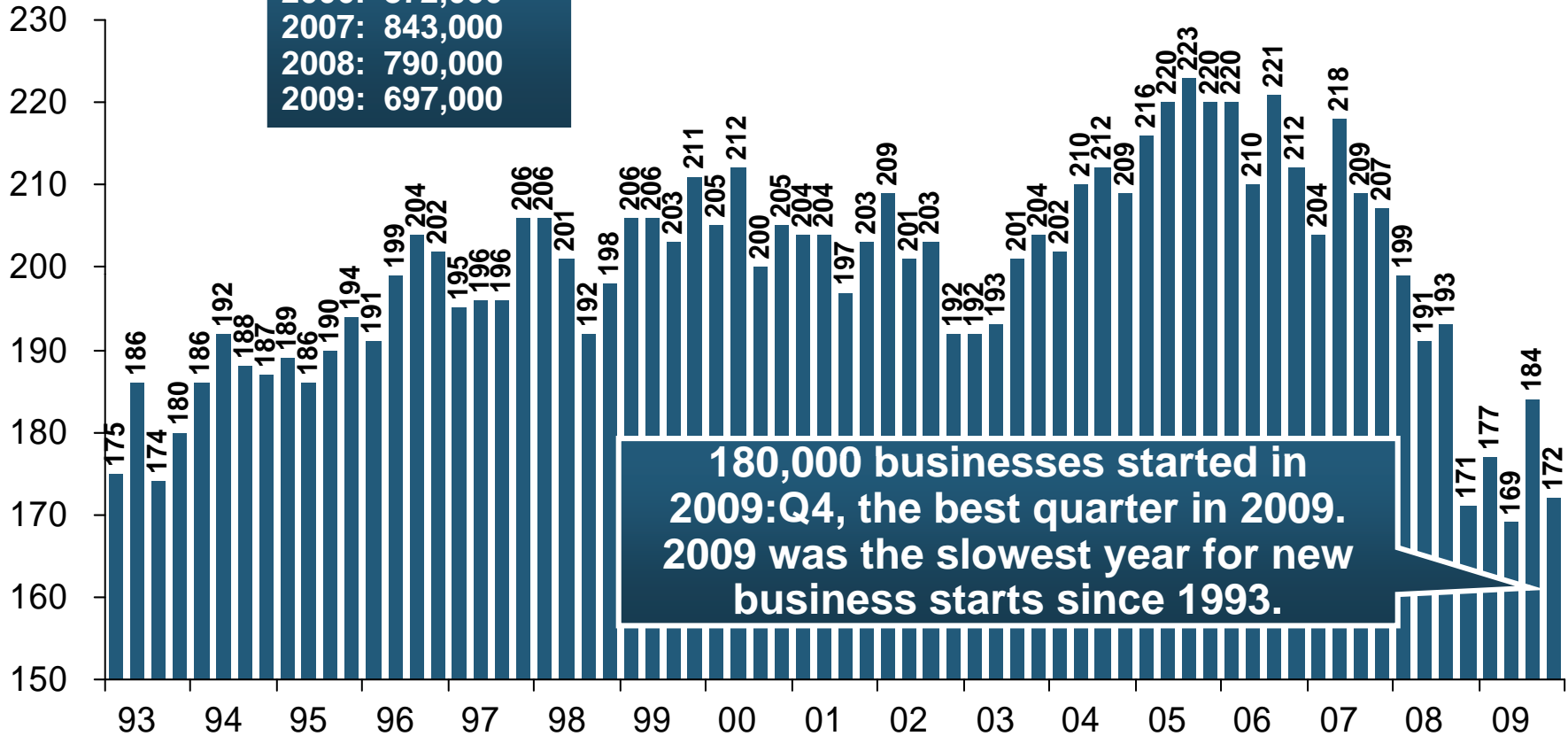
Sources: American Bankruptcy Institute at <http://www.abiworld.org/AM/AMTemplate.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=61633> ; Insurance Information Institute

# Private Sector Business Starts, 1993:Q2 – 2010:Q1\*

(Thousands)

## Business Starts

2006: 872,000  
2007: 843,000  
2008: 790,000  
2009: 697,000



180,000 businesses started in 2009:Q4, the best quarter in 2009. 2009 was the slowest year for new business starts since 1993.

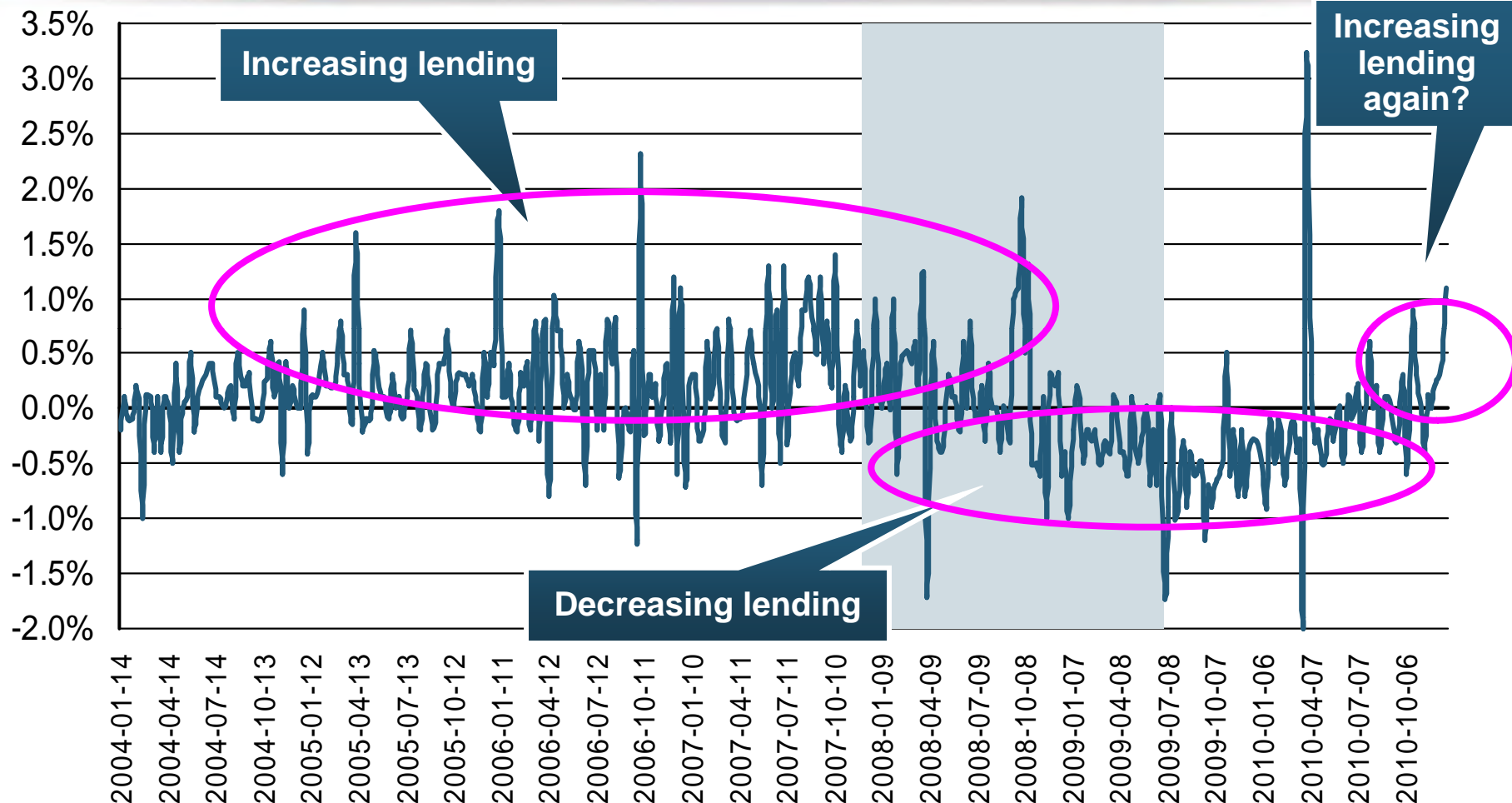
**Business Starts Were Down Nearly 20% in the Recession, Holding Back Most Types of Commercial Insurance Exposure**

\* Latest available as of December 29, 2010, seasonally adjusted  
Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/cewbd.t07.htm>.



# 2011 Financial Overview

## Weekly Percentage Change in Commercial and Industrial Loans by Large U.S. Banks, 2004-2010

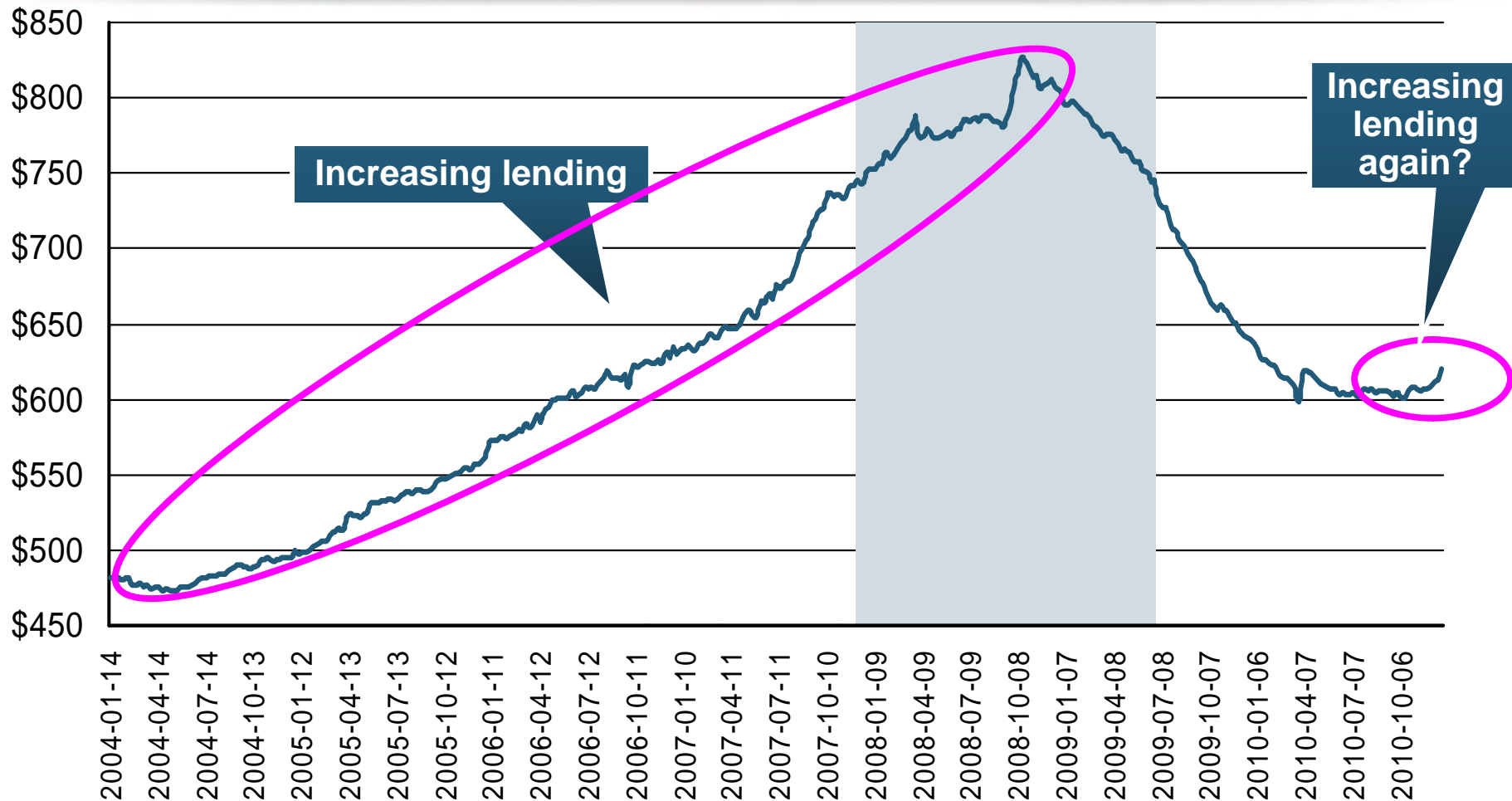


**Lending peak: \$827.3 billion at mid-October 2008;  
Trough \$600.5 billion at mid-October 2010; Latest (12/20/2010) \$619.9 billion**

Note: Recession indicated by gray shaded column.

Sources <http://research.stlouisfed.org/fred2/series/CIBOARD/downloaddata?cid=100> ; National Bureau of Economic Research (recession dates); Insurance Information Institute.

# Weekly Value of Commercial & Industrial Loans by Large U.S. Banks, 2004-2010

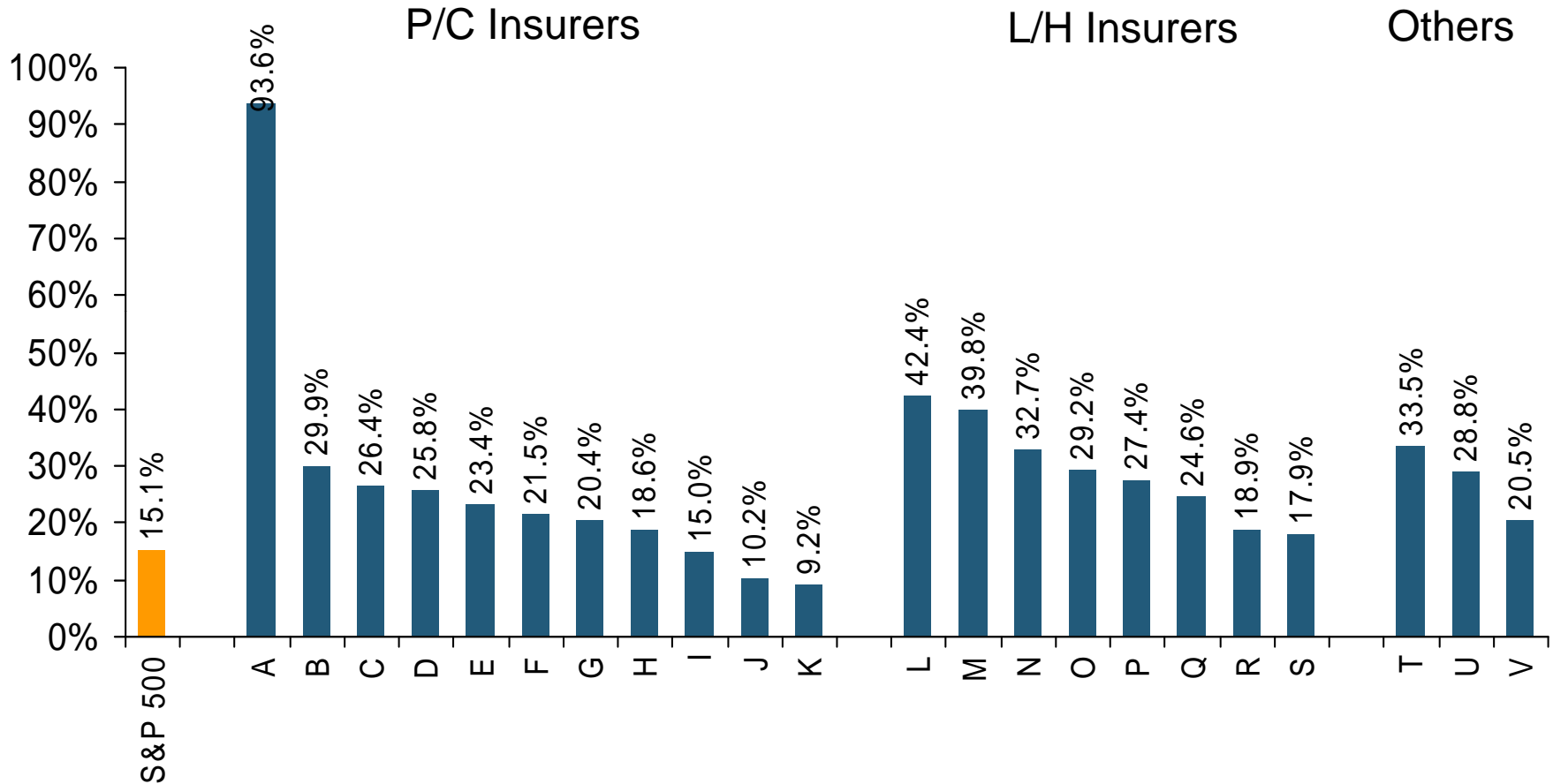


**Lending Peak: \$827.3 billion at mid-October 2008;  
Trough \$598.0 billion at late March 2010; Latest (12/20/2010) \$619.9 billion**

Note: Recession indicated by gray shaded column.

Sources <http://research.stlouisfed.org/fred2/series/CIBOARD/downloaddata?cid=100> ; National Bureau of Economic Research (recession dates); Insurance Information Institute.

# 2010 Total Return to Insurers' Stock\* vs. S&P 500



**Of the 22 insurers and related firms whose stock is included in the S&P 500, all but three beat the index (and one virtually tied).**

\*insurers in the S&P 500 only. Source: SNL Financial

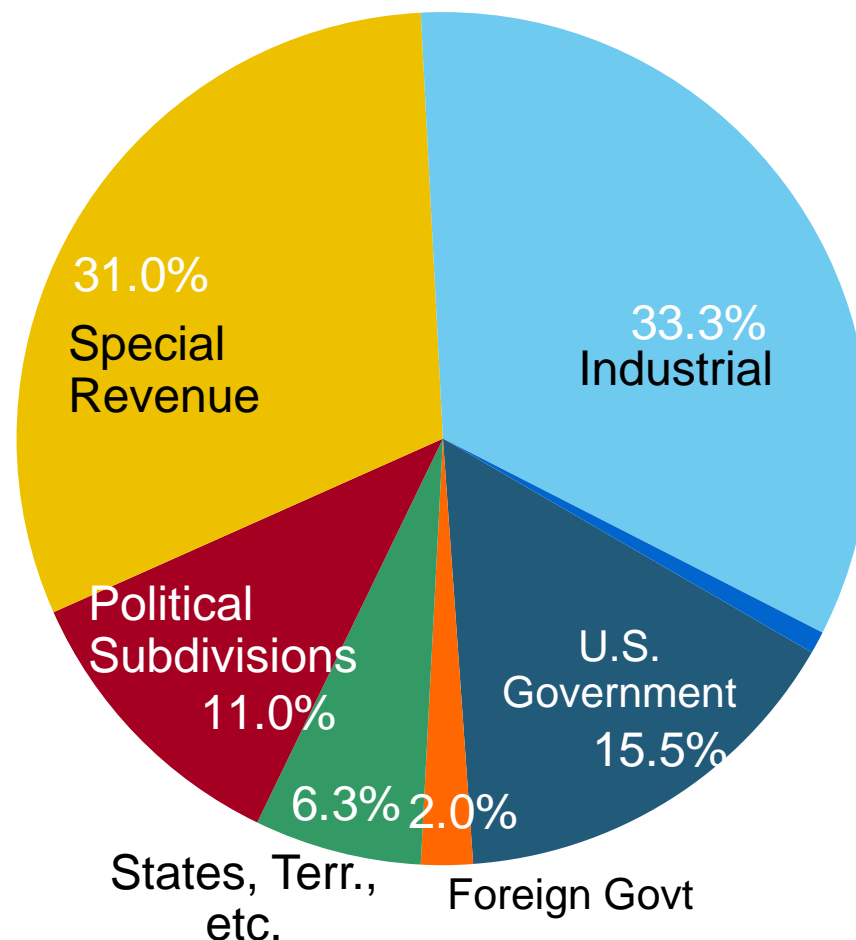
# 2011 Financial Overview

## About Half of the P/C Insurance Industry's Bond Investments Are in Municipal Bonds

### Bond Investment Facts as of 12/31/09

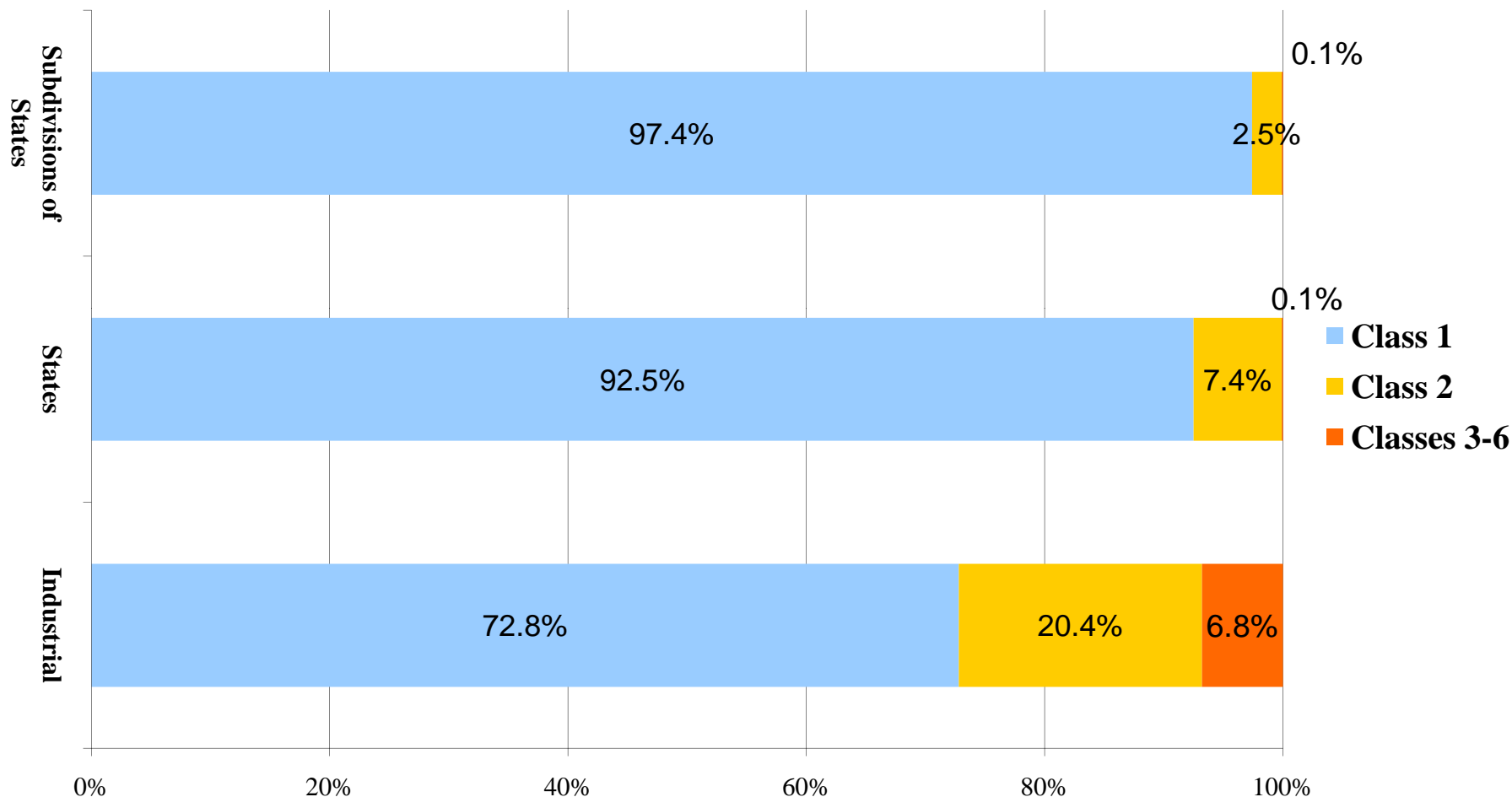
- Investments in "Political Subdivision [of states]" bonds were \$102.5 billion
- Investments in "States, Territories, & Possessions" bonds were \$58.9 billion
- Investments in "Special Revenue" bonds were \$288.2 billion
- All state, local, and special revenue bonds totaled 48.2% of bonds, about 35.7% of total invested assets

As of December 31, 2009



# 2011 Financial Overview

## When P/C Insurers Invest in Higher Risk Bonds, It's Corporates, Not Munis



**The NAIC's Securities Valuation Office puts bonds into one of 6 classes: class 1 has the lowest expected impairments; successively higher numbered classes imply increasing impairment likelihood.**



# New Products

# Industry Financial Overview and Analysis



## TERRORISM RISK: A REEMERGENT THREAT

Impacts for Property/Casualty Insurers

April 2010



## TORT INFLATION 2010: STABILITY TODAY, BUT FOR HOW LONG?

June 2010



## HURRICANE KATRINA: THE FIVE YEAR ANNIVERSARY

JULY 2010



## RESIDUAL MARKET PROPERTY PLANS: FROM MARKETS OF LAST RESORT TO MARKETS OF FIRST CHOICE

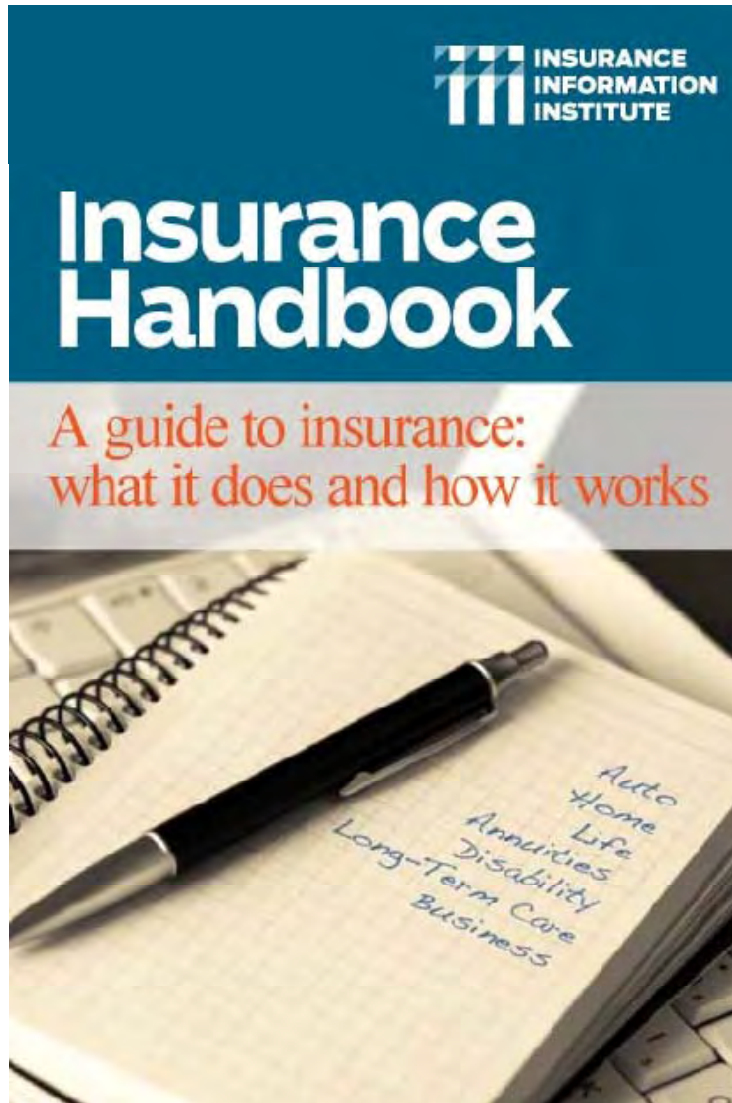
NOVEMBER 2010

# New Products Publications





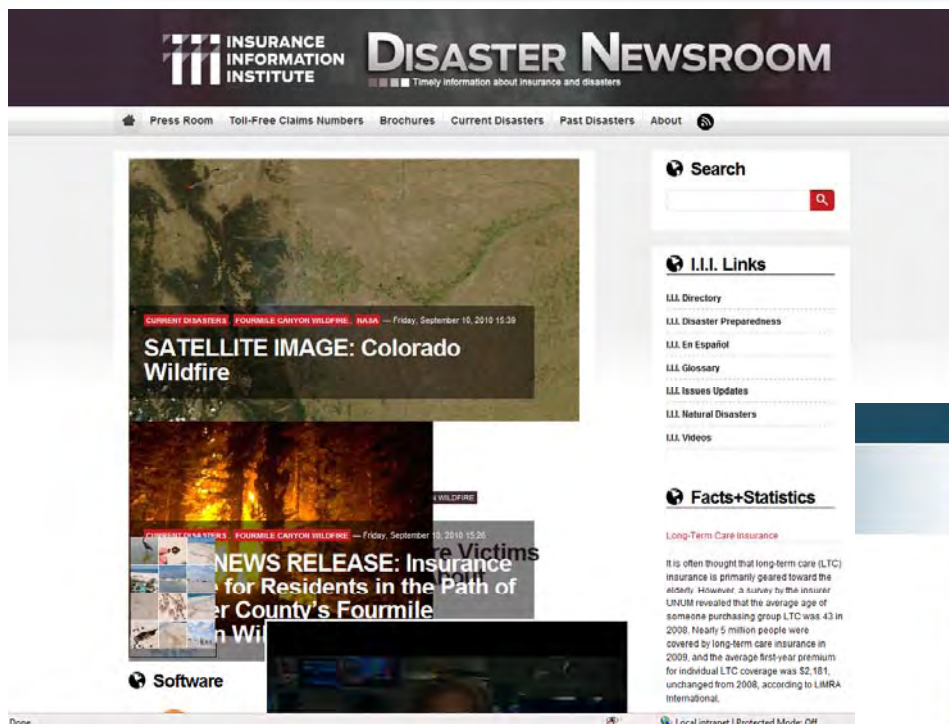
# New Products Publications



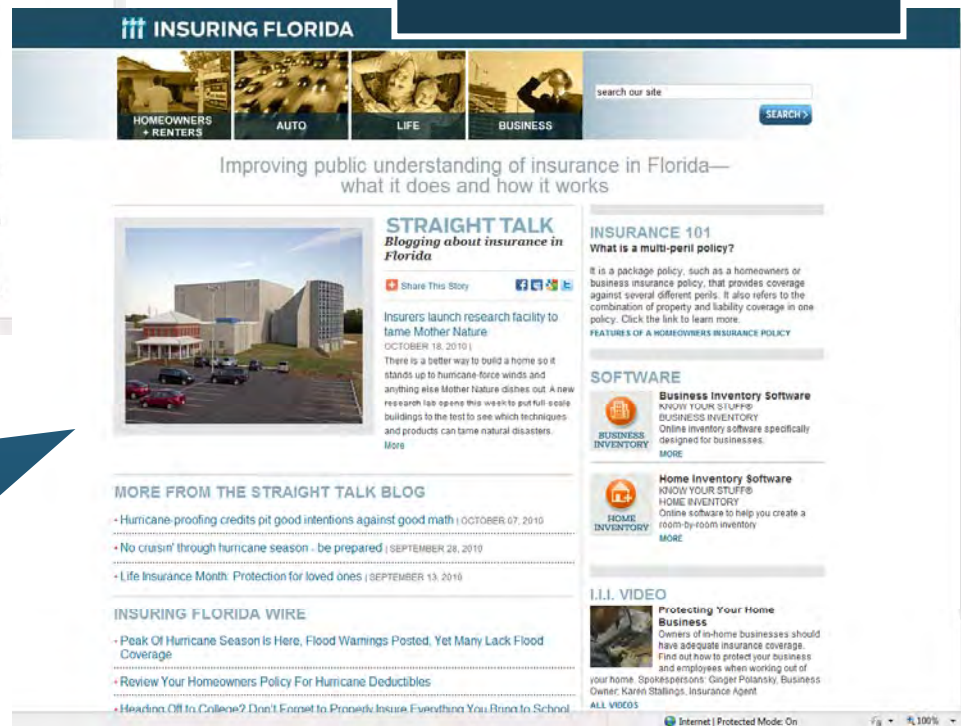
The new I.I.I. Insurance Handbook launched in 2010 provides vital information for a wide variety of audiences:

- Public Policymakers
- Reporters
- Regulators
- Students
- Insurance Company Employees
- Academics

# New Products Websites



The I.I.I.'s Disaster Newsroom site will compile news, video, on-the-ground-reports, and claims filing information for specific disasters when they occur



The newly redesigned Insuring Florida website showcases the successful Straight Talk blog

**Insurance Information Institute Online:**

**[www.iii.org](http://www.iii.org)**

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