



# **New Jersey's Insurance Markets at the Crossroads:**

***Update on Catastrophes, Fraud and  
Industry Performance***

**Insurance Council of New Jersey**

**Legislative Briefing**

**Trenton, NJ**

**March 5, 2012**

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

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- **New Jersey Insurance Facts**
- **Summary of NJ & US P/C Insurance Financial Performance**
  - ◆ Growth
  - ◆ Profitability
  - ◆ Capacity
  - ◆ Financial Strength
- **New Jersey's No-Fault (PIP) Crisis**
  - ◆ Overview, Trends and Costs
- **Catastrophe Loss Developments & Trends**
  - ◆ US
  - ◆ New Jersey
- **Q&A**

## ■ EMPLOYMENT

- ◆ U.S. Bureau of Labor Statistics data show the insurance industry provided 92,165 jobs in New Jersey in 2009, accounting for about \$ 8.5 billion in compensation.

## ■ GROSS STATE PRODUCT

- ◆ The insurance industry contributed \$17.3 billion to the New Jersey gross state product (GSP) in 2008, accounting for 3.5 percent of the state GSP.

## ■ TAXES

- ◆ Premium taxes paid by insurance companies in New Jersey totaled \$509.3 million in 2010.

## ■ MUNICIPAL BONDS

- ◆ Insurance companies invest the premiums they collect in state and local municipal bonds, helping to fund the building of roads, schools and other public projects. They provide businesses with capital for research, expansions and other ventures through their investments in corporate equities and bonds. Insurers held \$11.8 billion in NJ municipal bonds in 2009, including \$8.7 billion by property/casualty according to SNL Financial.

## ■ PREMIUMS

- ◆ Direct premiums written by property/casualty insurance companies in New Jersey were \$16.4 billion in 2010 (7<sup>th</sup> largest volume of the 50 states)

## ■ CLAIMS PAYMENTS

- ◆ Insurance company claims payments help ensure the economic security of individuals and businesses and help sustain a number of related industries. In 2010 these payments in New Jersey as measured by direct property/casualty incurred losses, were over \$10 billion.

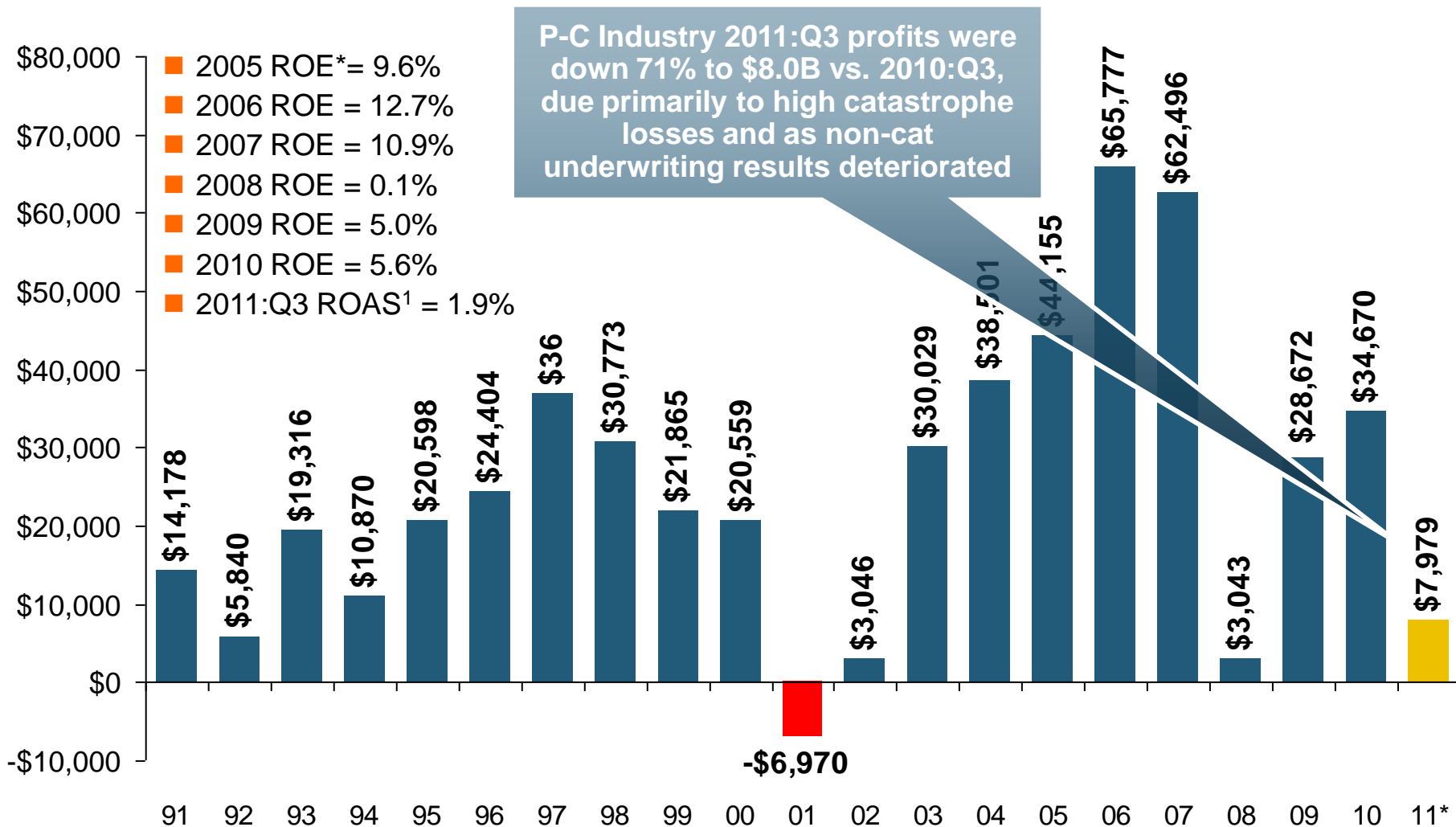
## ■ CATASTROPHES

- ◆ The insurance industry plays a vital role in helping New Jersey residents and businesses prepare for and recover from the potentially devastating effects of a disaster such as a catastrophic hurricane. 2011 was the most expensive year on record for New Jersey catastrophe losses, with insurers paying some \$1.1 billion on more than 718,000 claims.

# **P/C Insurance Industry Financial Overview**

**Profit Recovery Was Set Back  
in 2011 by High Catastrophe  
Loss & Other Factors**

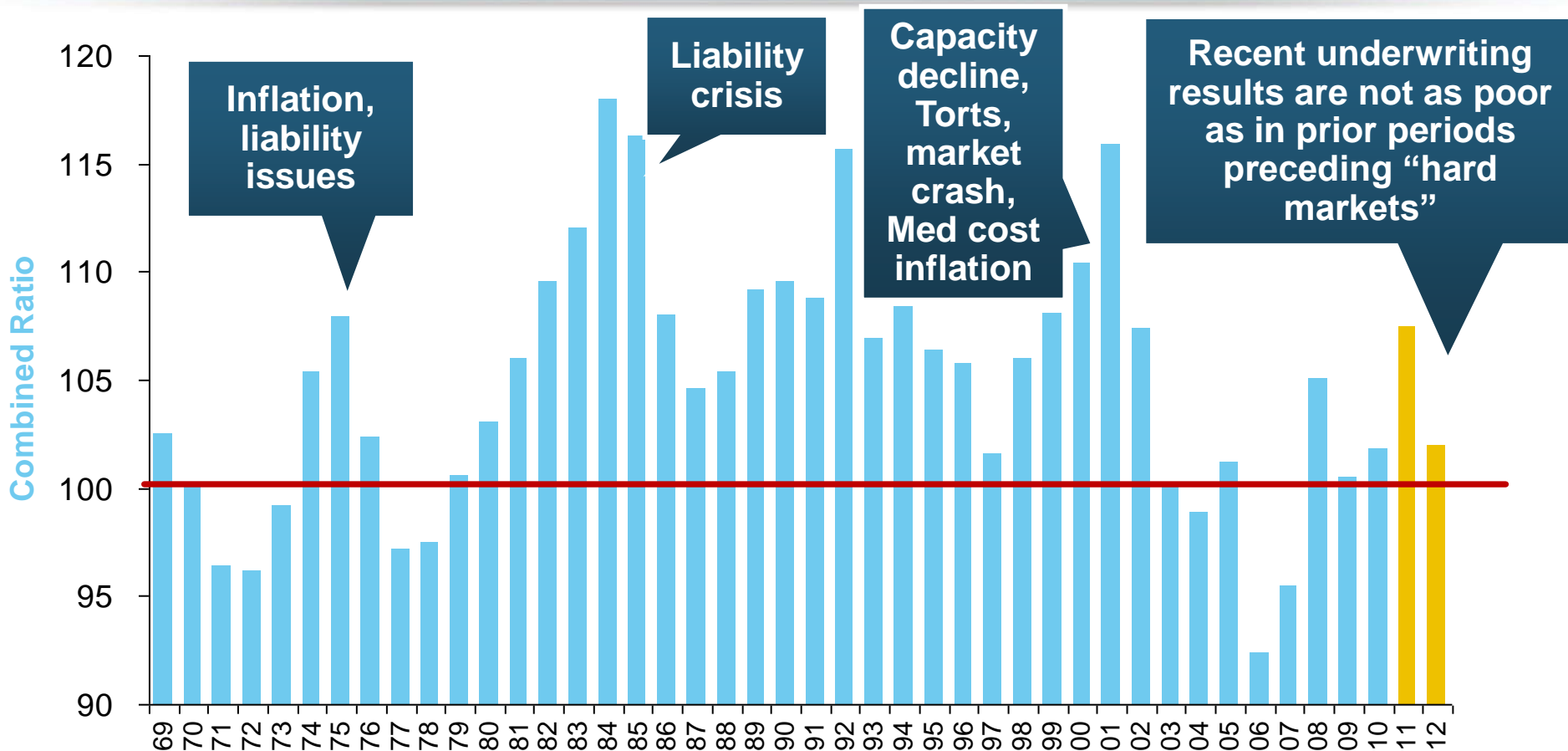
# P/C Net Income After Taxes 1991–2011:Q3 (\$ Millions)



\* ROE figures are GAAP; <sup>1</sup>Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 3.0% ROAS for 2011:Q3, 7.5% for 2010 and 7.4% for 2009.

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

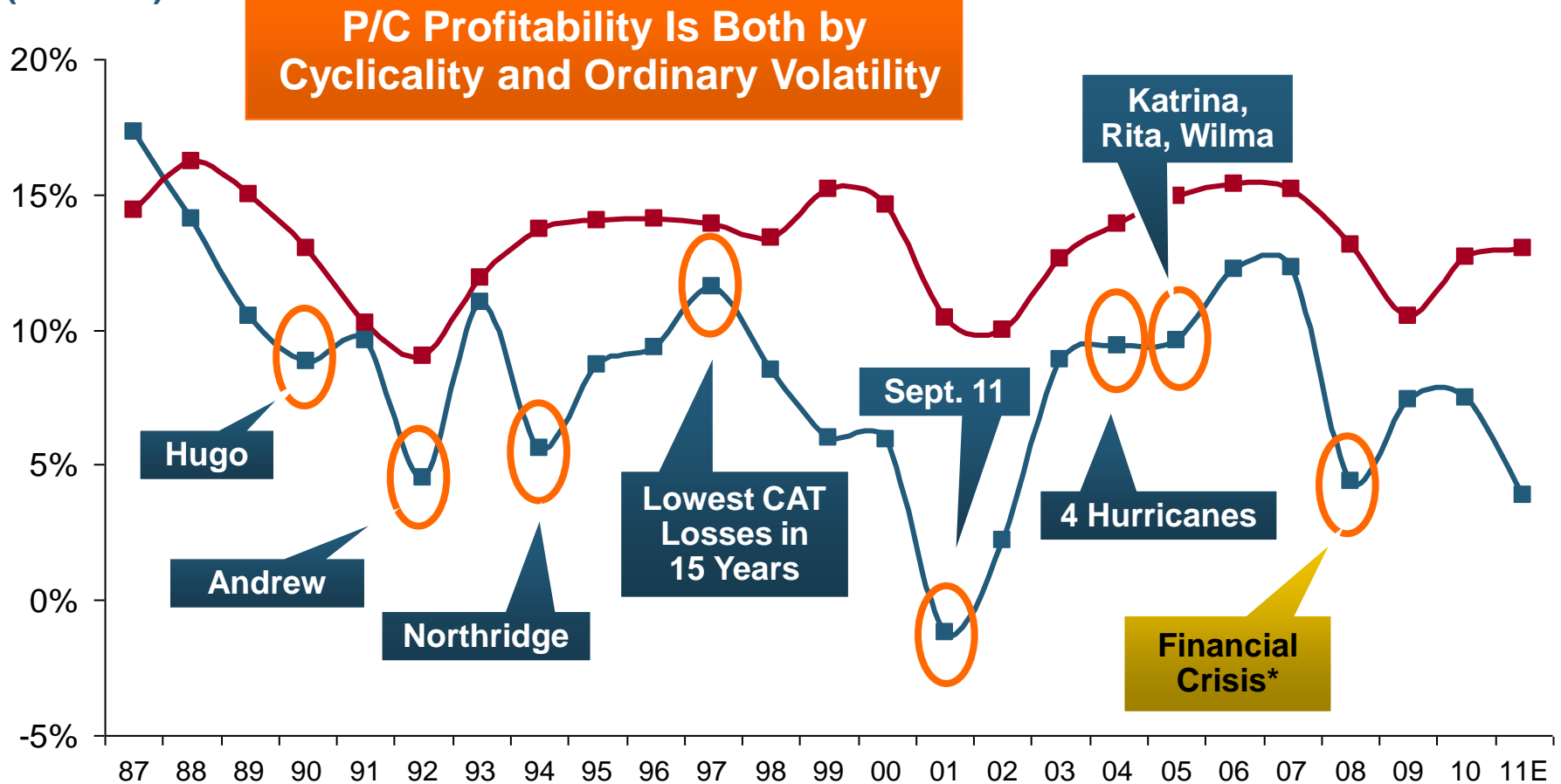
# US Non-Life Combined Ratio, 1969-2012F



**Current Period Underwriting Results Have Deteriorated**

# ROE: Property/Casualty Insurance vs. Fortune 500, 1987–2011\*

(Percent)

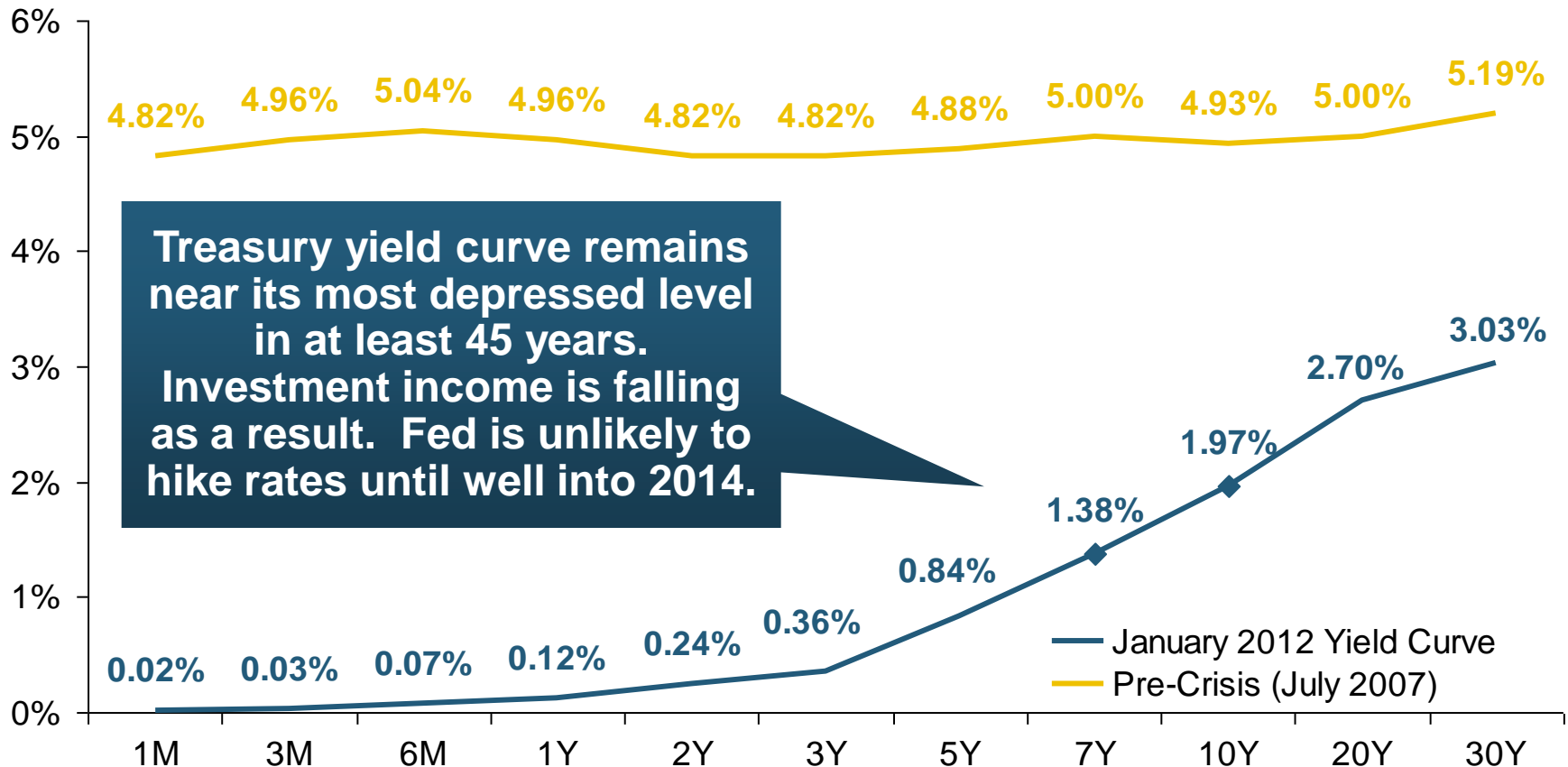


\* Excludes Mortgage & Financial Guarantee in 2008 - 2011.

Sources: ISO, *Fortune*; A.M. Best (2011 P/C ROE); Insurance Information Institute (2011 Fortune 500 est.)



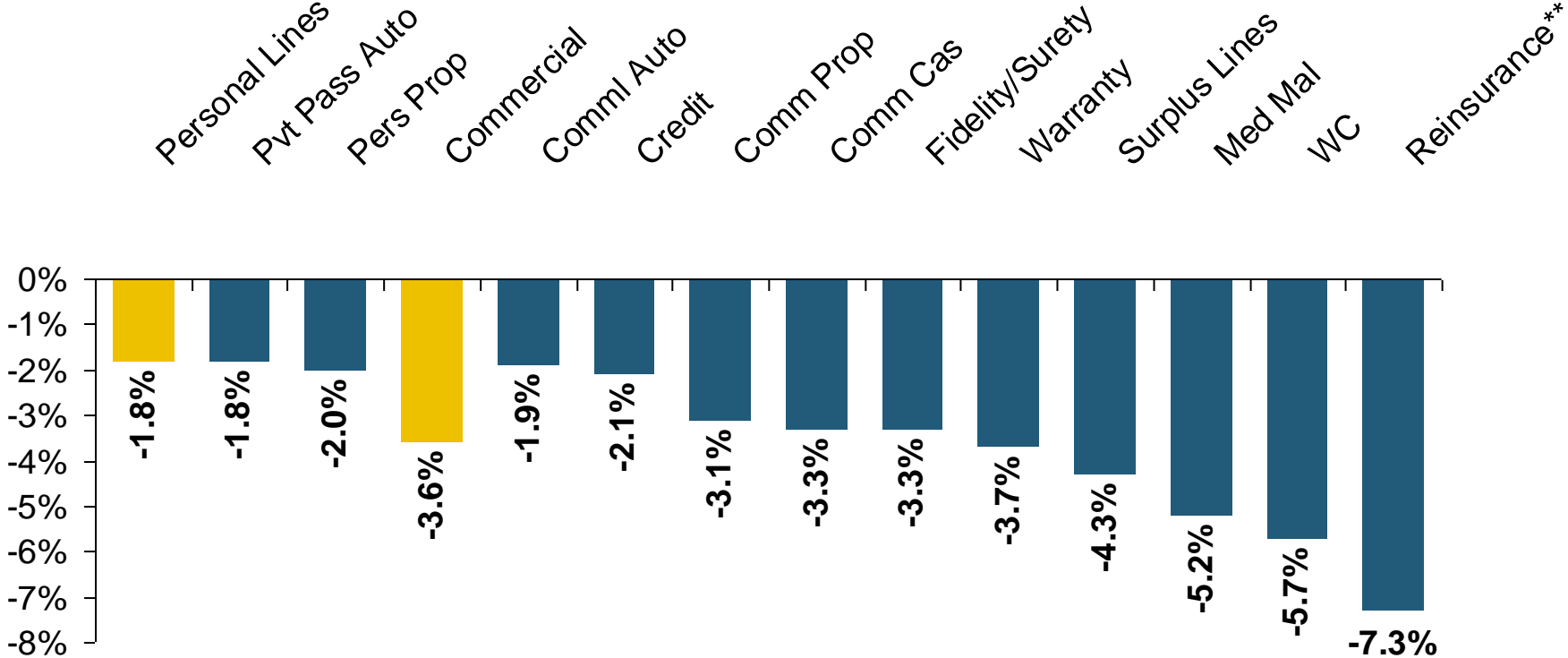
# Treasury Yield Curves: Pre-Crisis (July 2007) vs. Jan. 2012



Treasury yield curve remains near its most depressed level in at least 45 years. Investment income is falling as a result. Fed is unlikely to hike rates until well into 2014.

**The Fed Is Actively Signaling that it Is Determined to Keep Rates Low Through Late 2014**

# 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.

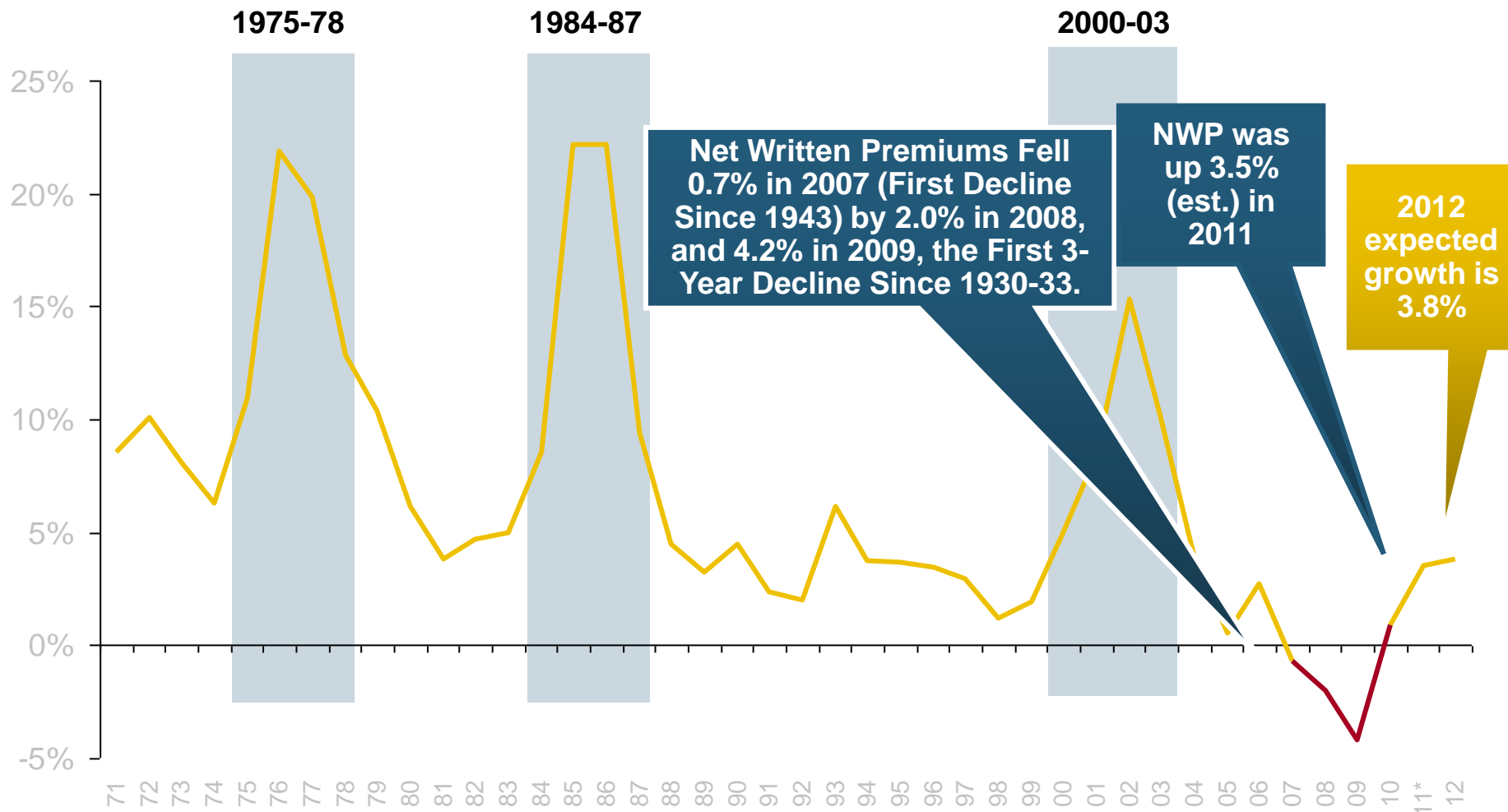


# A Brief History of Growth in the P/C Insurance Industry

**Growth in New Jersey Has Been Below Average in Recent Years**

# US Net Written P/C Premium Growth: 1971—2012F

(Percent)



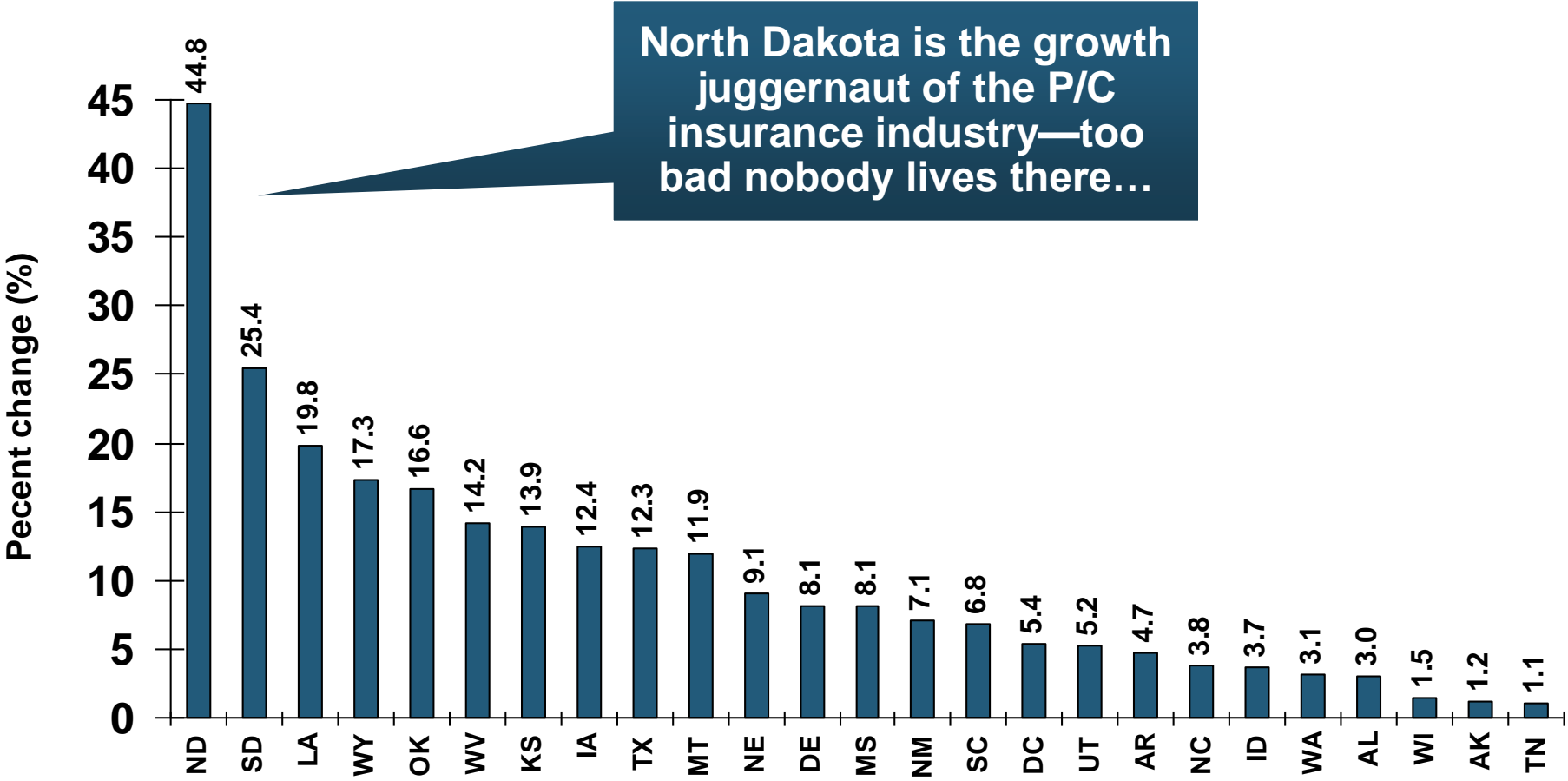
\*2011 and 2012 figures are A.M. Best Estimates

Shaded areas denote "hard market" periods

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

# Direct Premiums Written: All P/C Lines Percent Change by State, 2005-2010

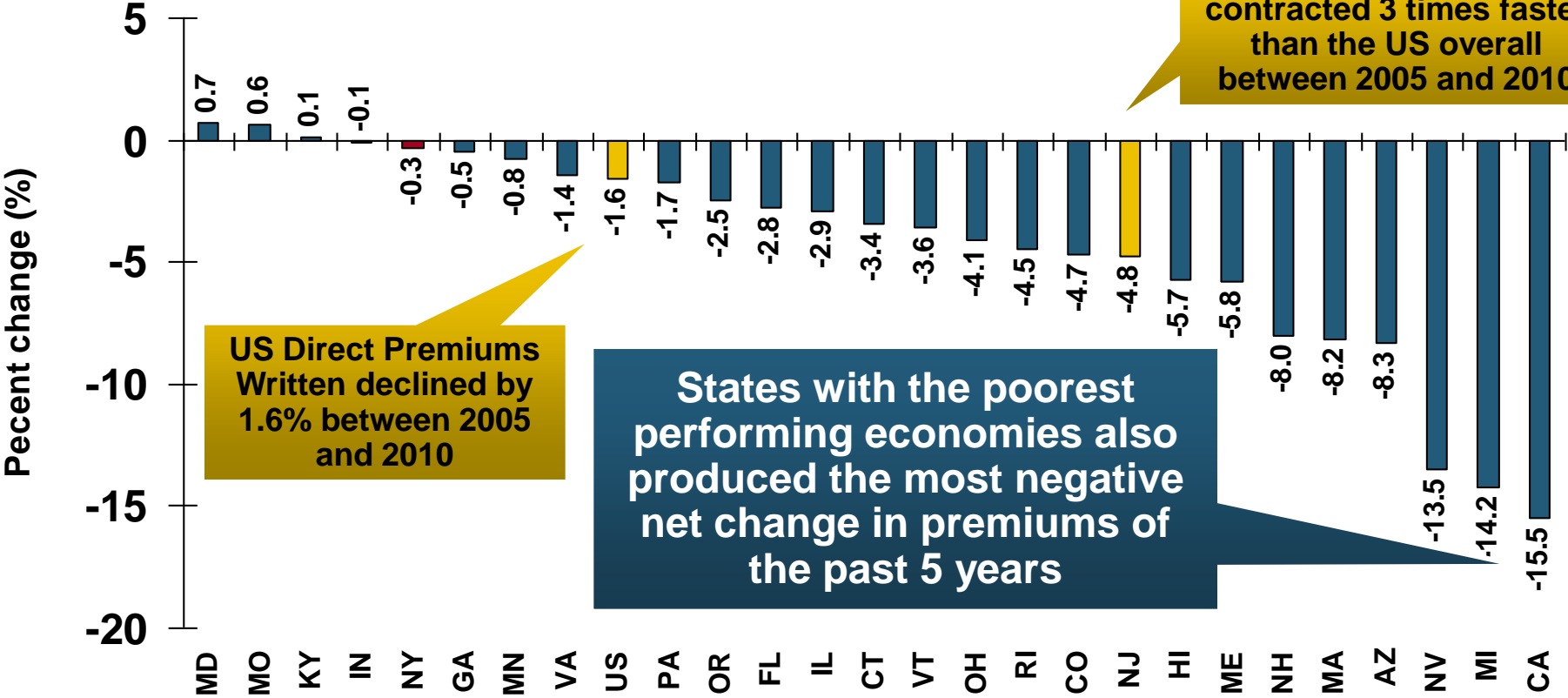
## Top 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

# Direct Premiums Written: All P/C Lines Percent Change by State, 2005-2010

## Bottom 25 States

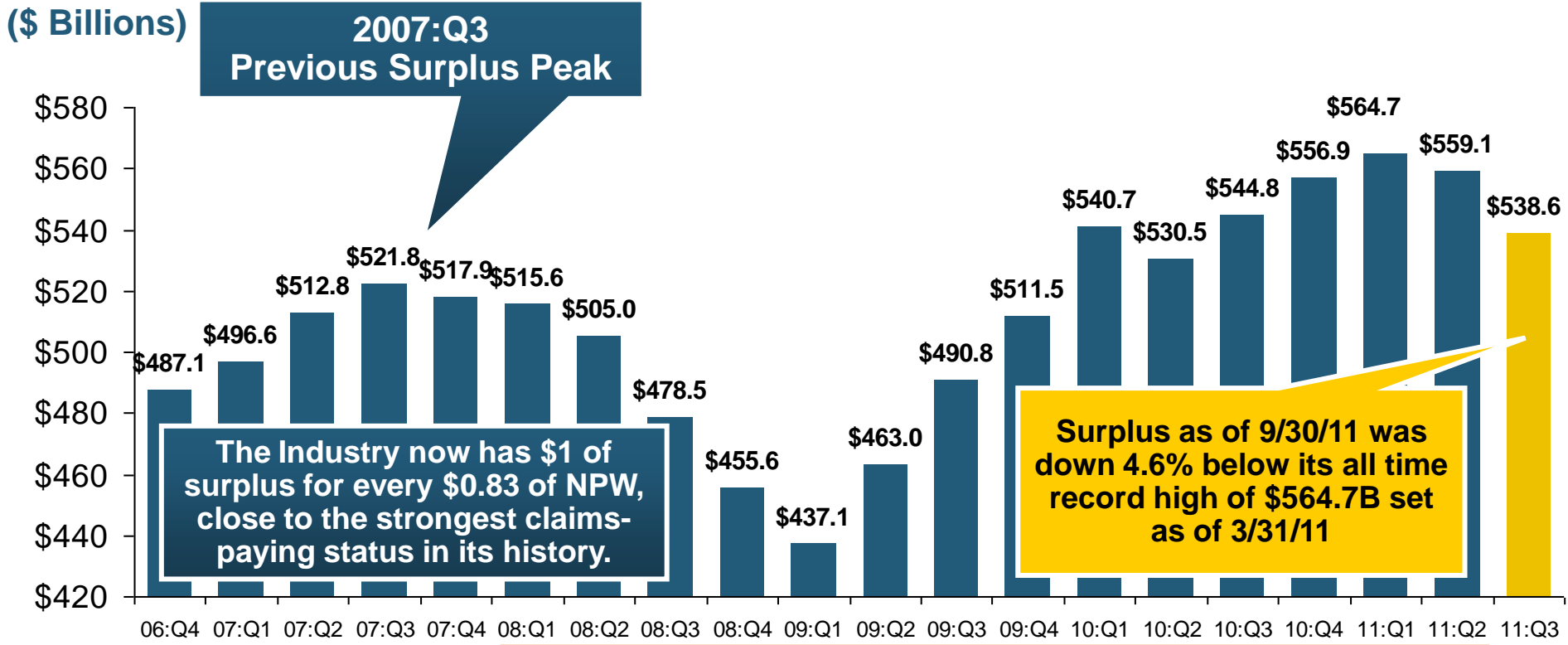


Sources: SNL Financial LC; Insurance Information Institute.

# **SURPLUS/CAPITAL/CAPACITY**

**Have Large Global Losses Reduced Capacity in the Industry, Setting the Stage for Higher Prices?**

# Policyholder Surplus, 2006:Q4–2011:Q3



**Quarterly Surplus Changes Since 2011:Q1 Peak**

**11:Q2: -\$5.6B (-1.0%)**      **11:Q3: -\$26.1B (-4.6%)**

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

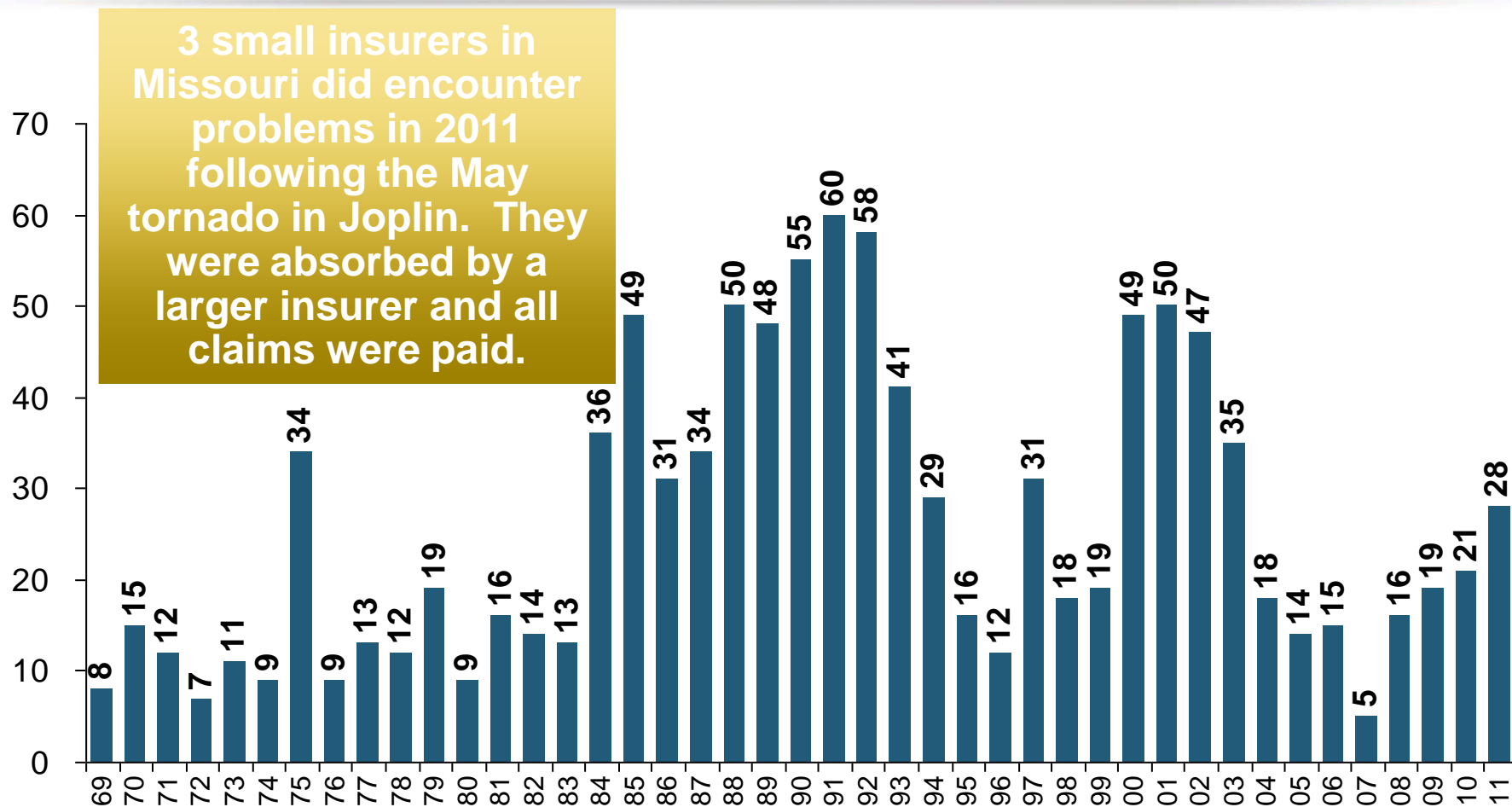




# Financial Strength in the P/C Insurance Industry

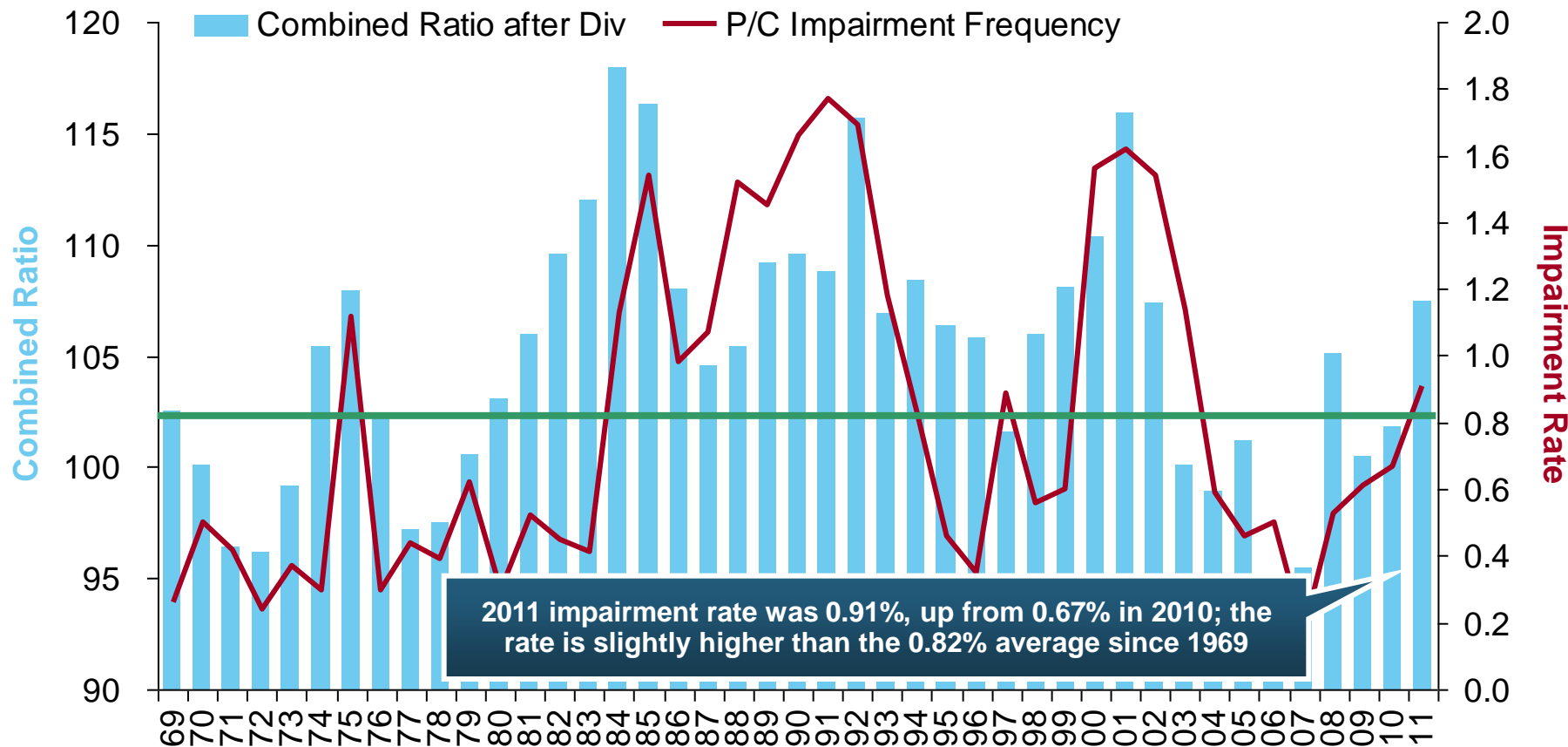
**Despite the “Great Recession,” Near-Record Catastrophe Losses and Low Interest Rates, the Industry Remains Financially Strong**

# P/C Insurer Impairments, 1969–2011



**The Number of Impairments Varies Significantly Over the P/C Insurance Cycle, With Peaks Occurring Well into Hard Markets**

# P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2011



**Impairment Rates Are Highly Correlated With Underwriting Performance and Reached Record Lows in 2007; Recent Increase Was Associated Primarily With Mortgage and Financial Guaranty Insurers and Not Representative of the Industry Overall**

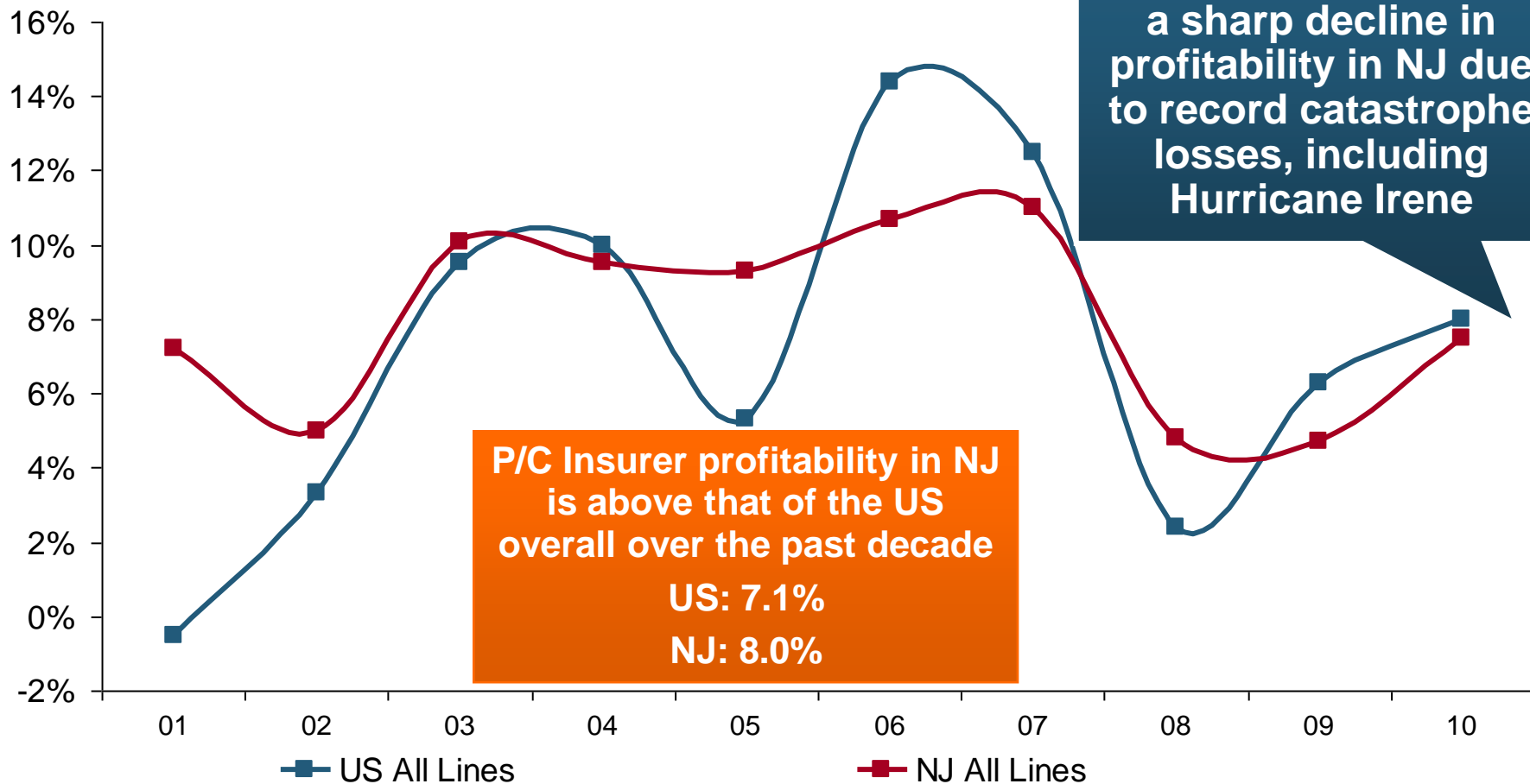


# Profitability and Growth in New Jersey P/C Insurance Markets

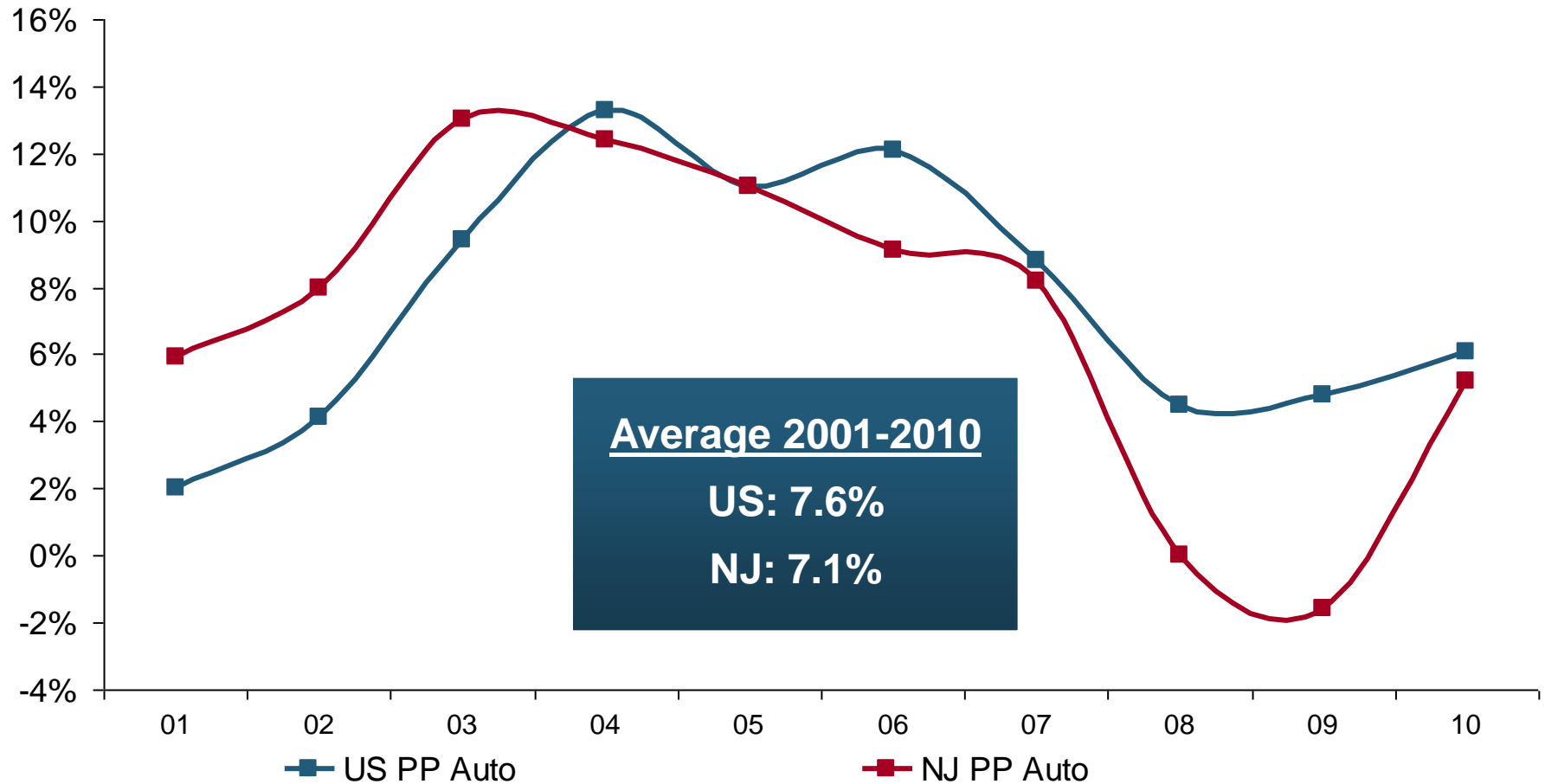
## Analysis by Line and Nearby State Comparisons

# RNW All Lines: NJ vs. U.S., 2001-2010

(Percent)

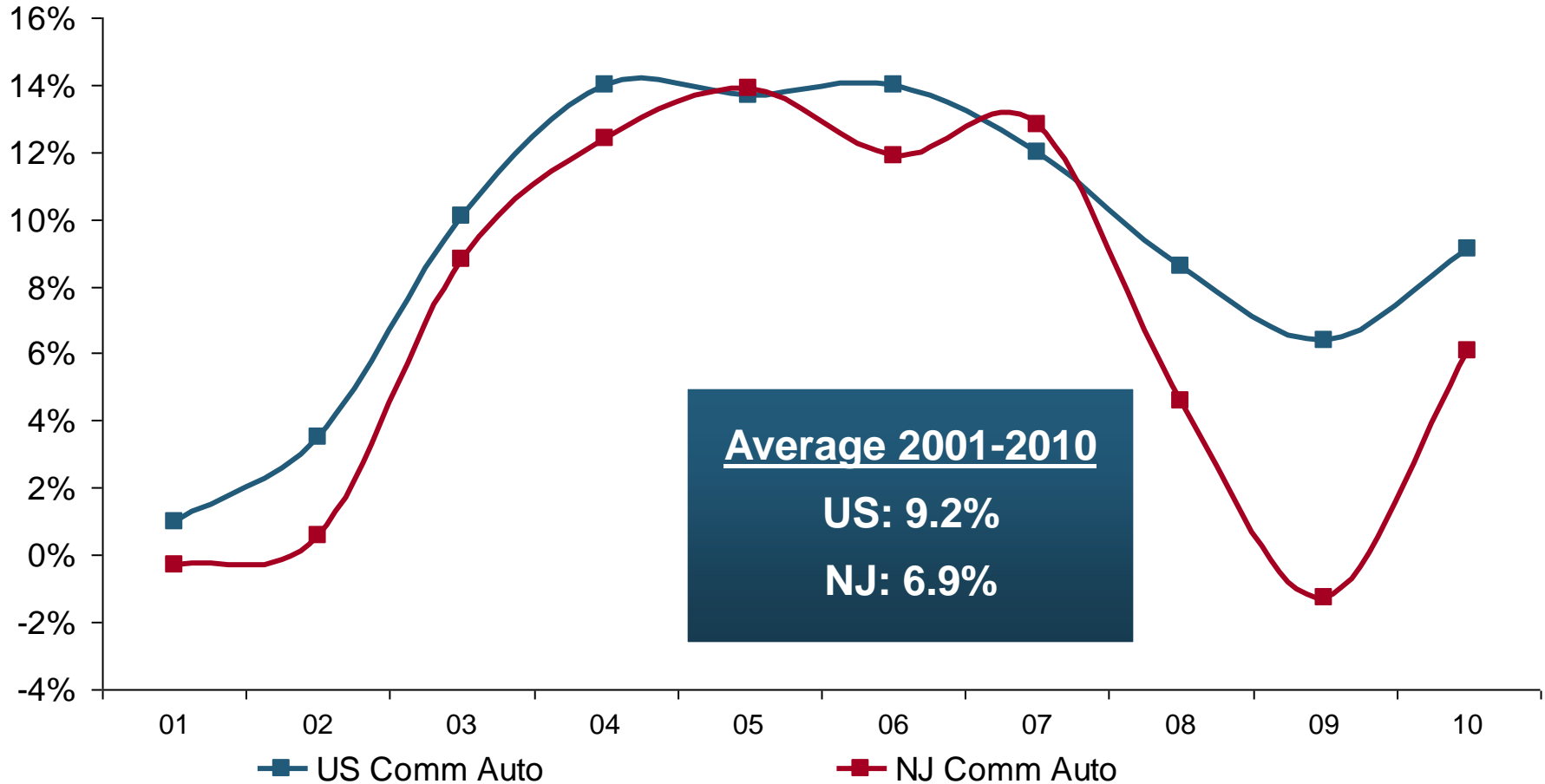


# RNW PP Auto: NJ vs. U.S., 2001-2010



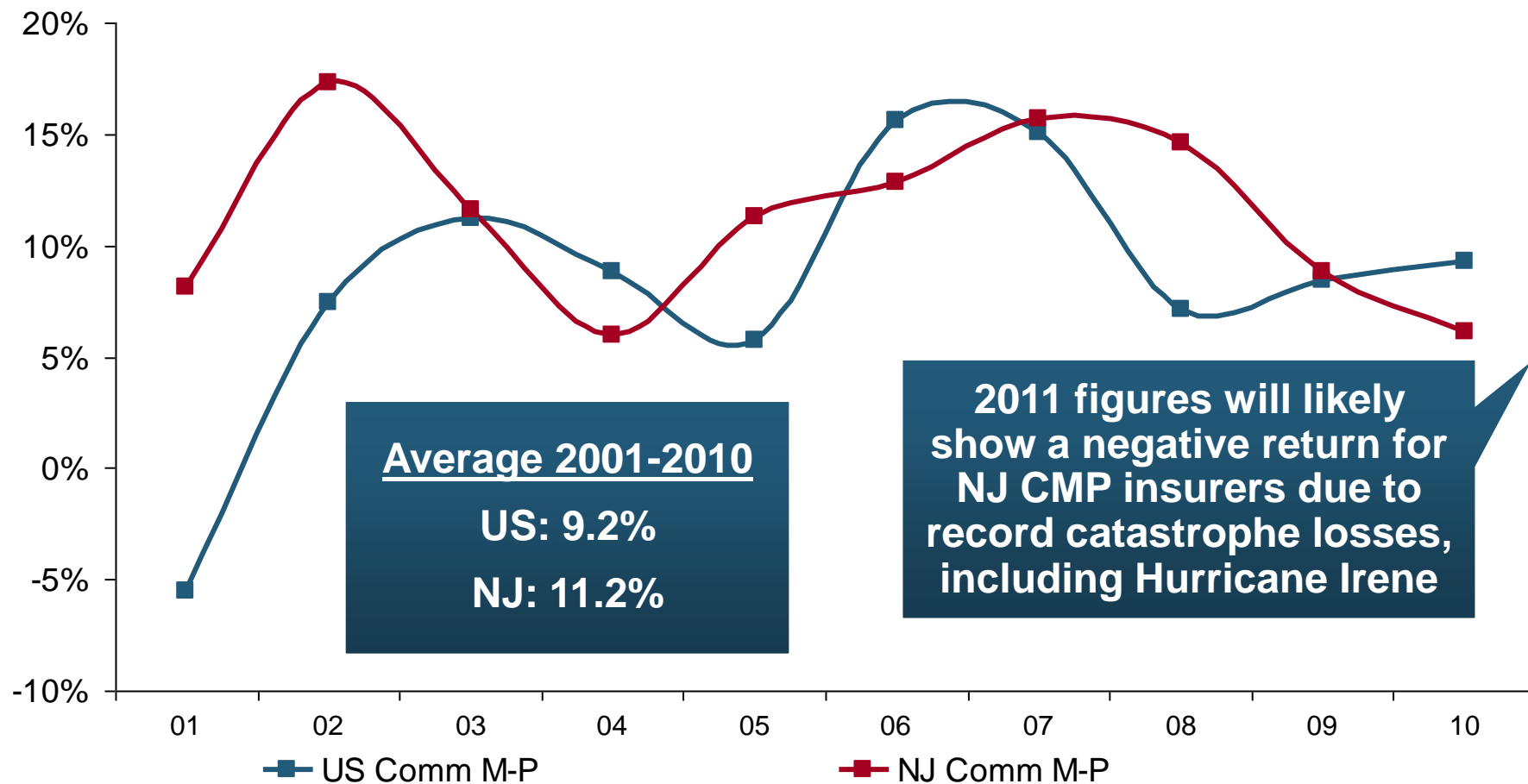
# RNW Comm. Auto: NJ vs. U.S., 2001-2010

(Percent)



# RNW Comm. Multi-Peril: NJ vs. U.S., 2001-2010

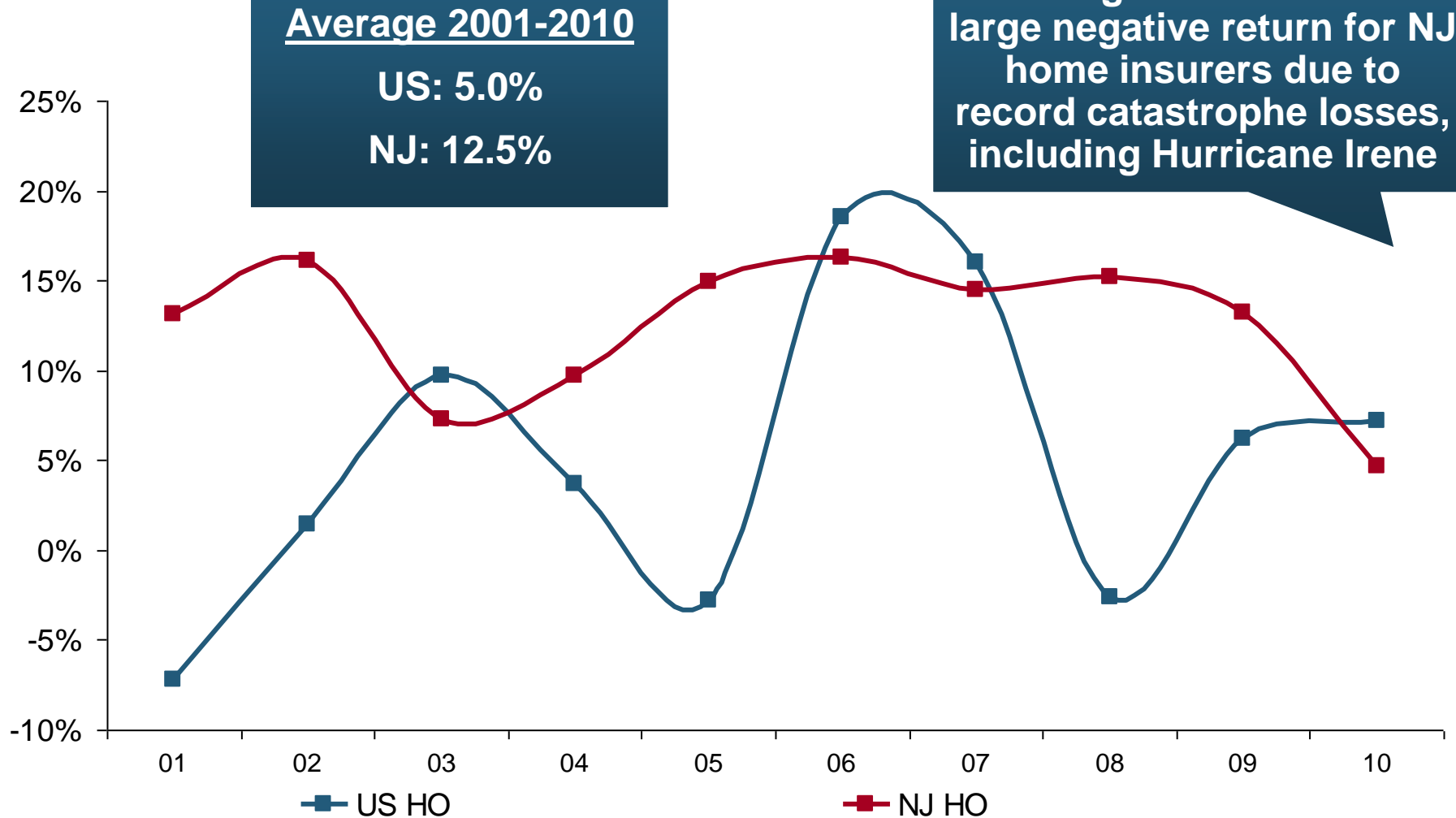
(Percent)





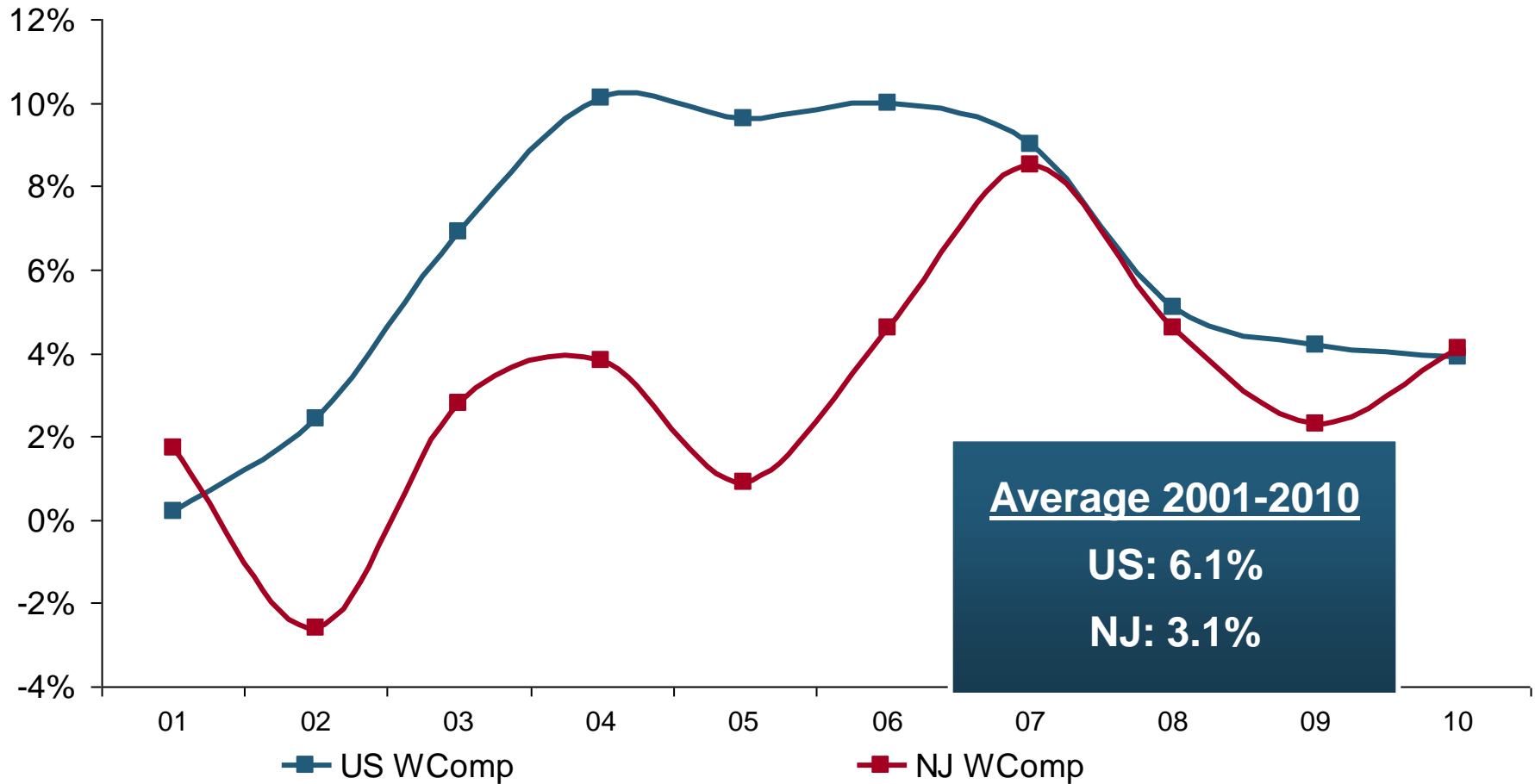
# RNW Homeowners: NJ vs. U.S., 2001-2010

(Percent)



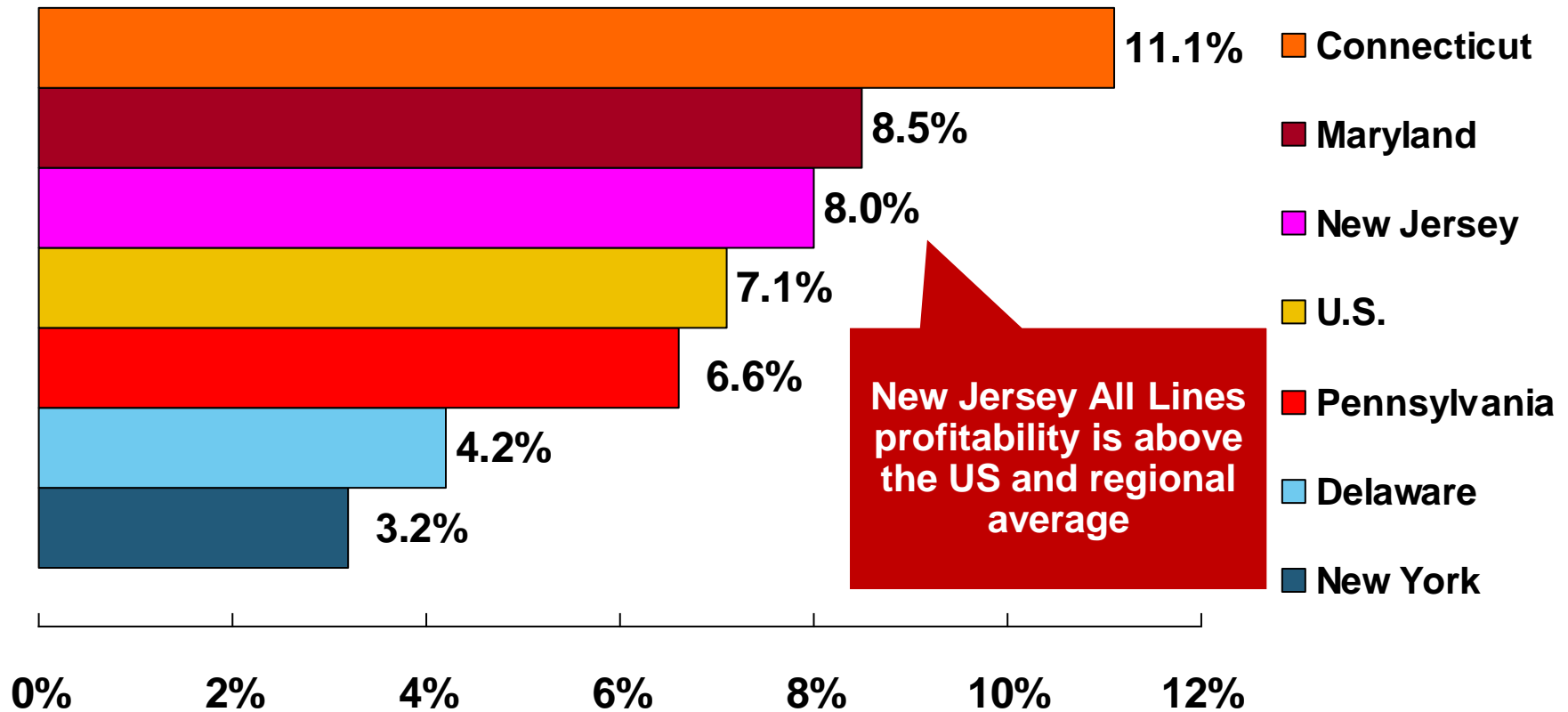
# RNW Workers Comp: NJ vs. U.S., 2001-2010

(Percent)



# All Lines: 10-Year Average RNW NJ & Nearby States

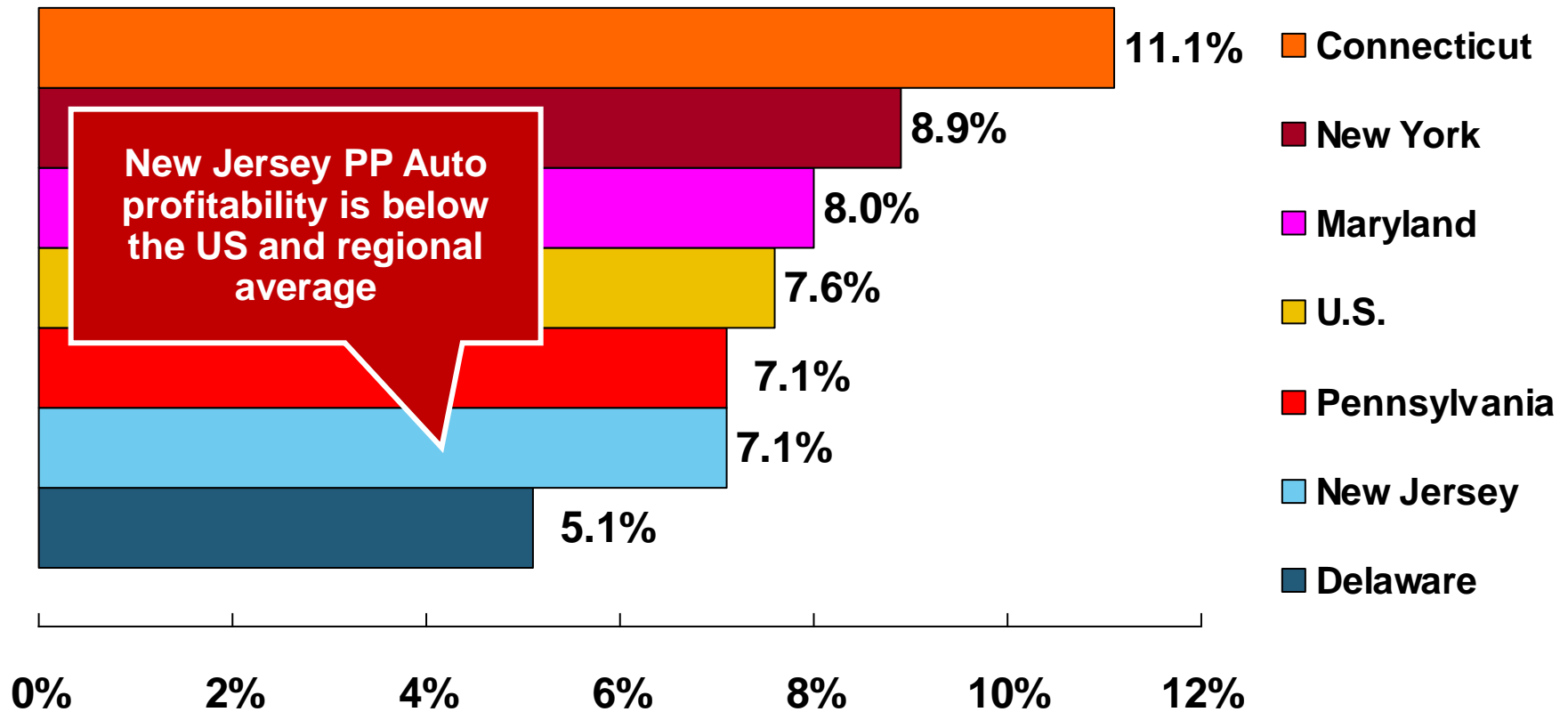
2001-2010



**New Jersey All Lines  
profitability is above  
the US and regional  
average**

# PP Auto: 10-Year Average RNW NJ & Nearby States

2001-2010



Source: NAIC, Insurance Information Institute

# Top Ten Most Expensive And Least Expensive States For Automobile Insurance, 2009 (1)

Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	District of Columbia	\$1,128	1	North Dakota	\$510
<b>2</b>	<b><i>New Jersey</i></b>	<b><i>1,101</i></b>	2	South Dakota	521
3	Louisiana	1,099	3	Iowa	532
4	New York	1,057	4	Idaho	555
5	Delaware	1,021	5	Nebraska	559
6	Florida	1,006	6	Kansas	578
7	Rhode Island	969	7	Wisconsin	591
8	Connecticut	952	8	Maine	598
9	Nevada	944	9	North Carolina	610
10	Maryland	929	10	Ohio	616

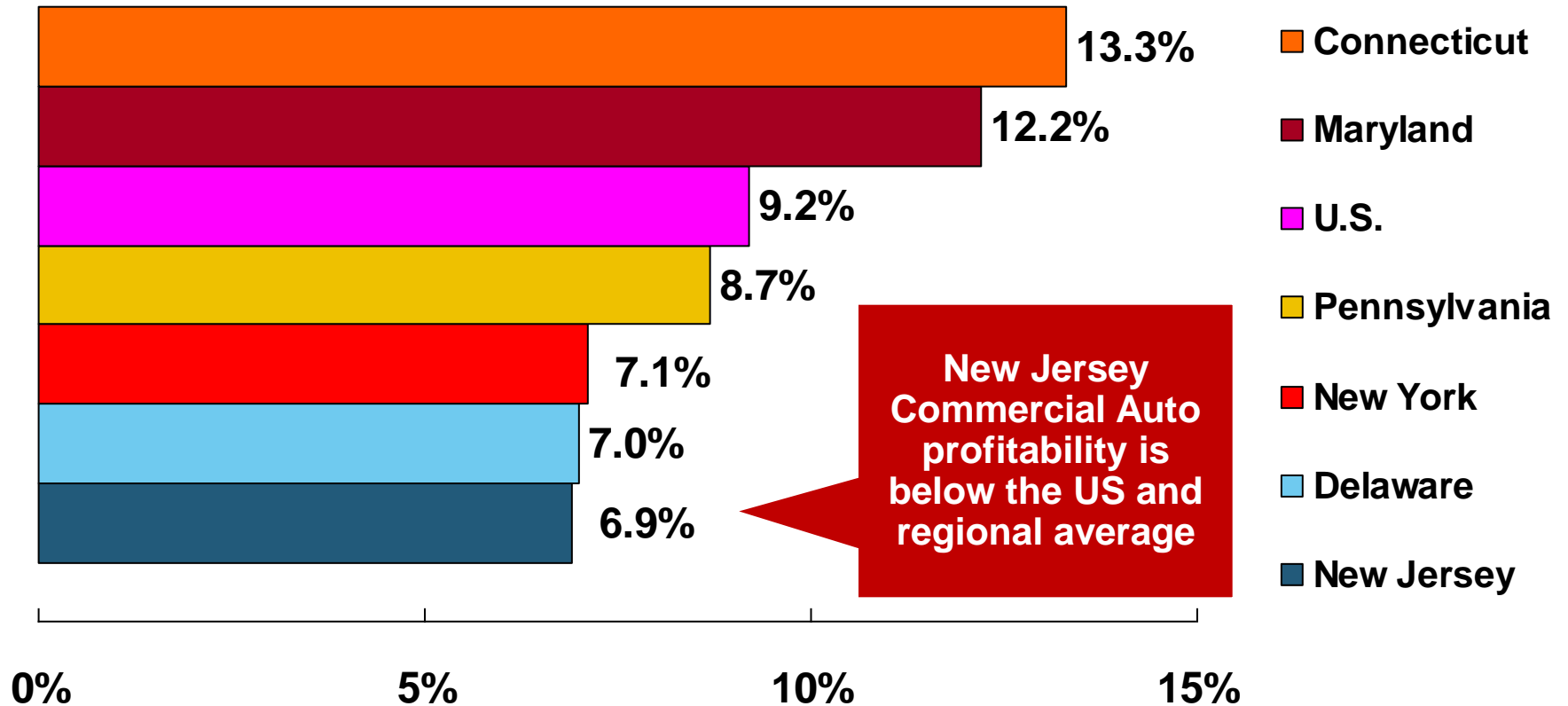
***New Jersey ranked 2nd in 2009, with an average expenditure for auto insurance of \$1,101.***

(1) Based on average automobile insurance expenditures. Latest available as of March 2, 2012.

Source: © 2012 National Association of Insurance Commissioners.

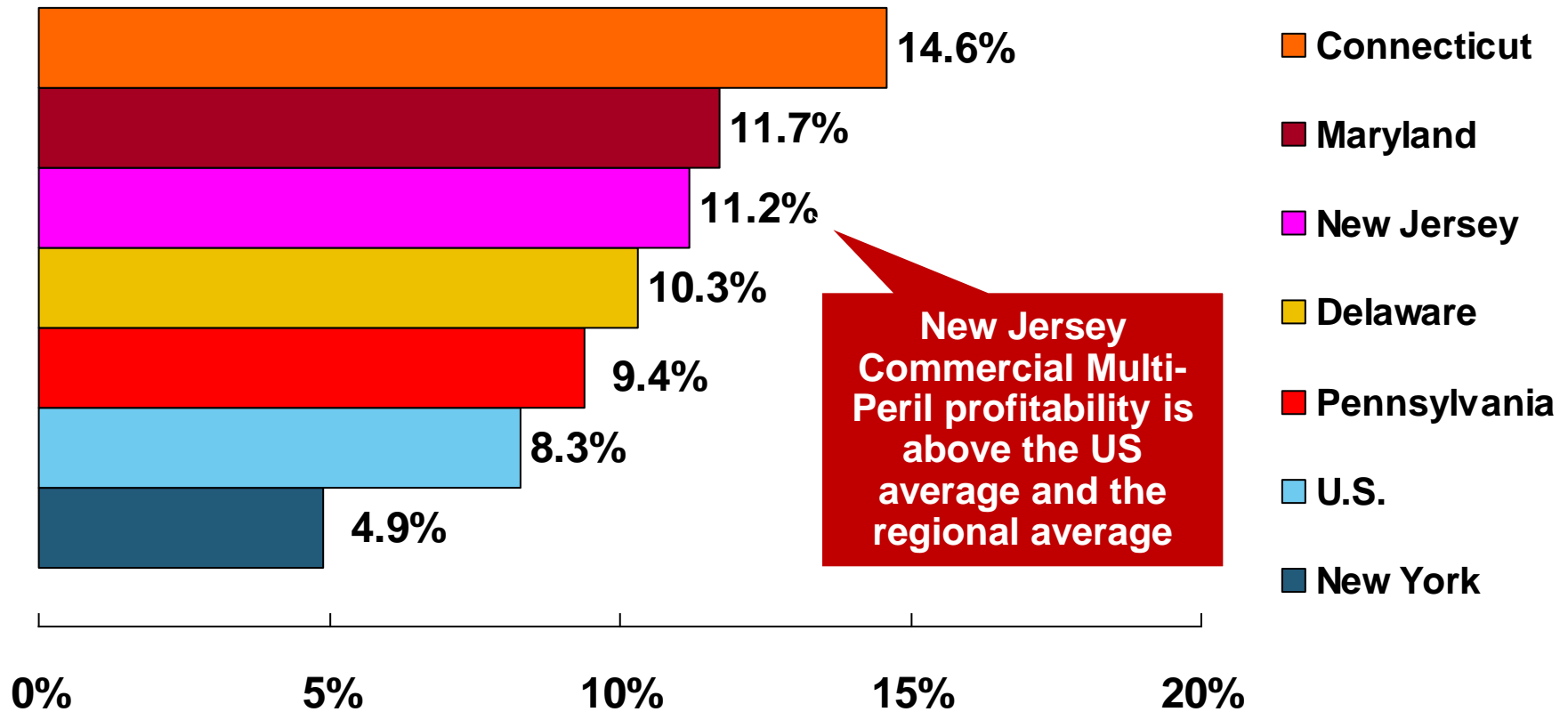
# Comm. Auto: 10-Year Average RNW NJ & Nearby States

2001-2010



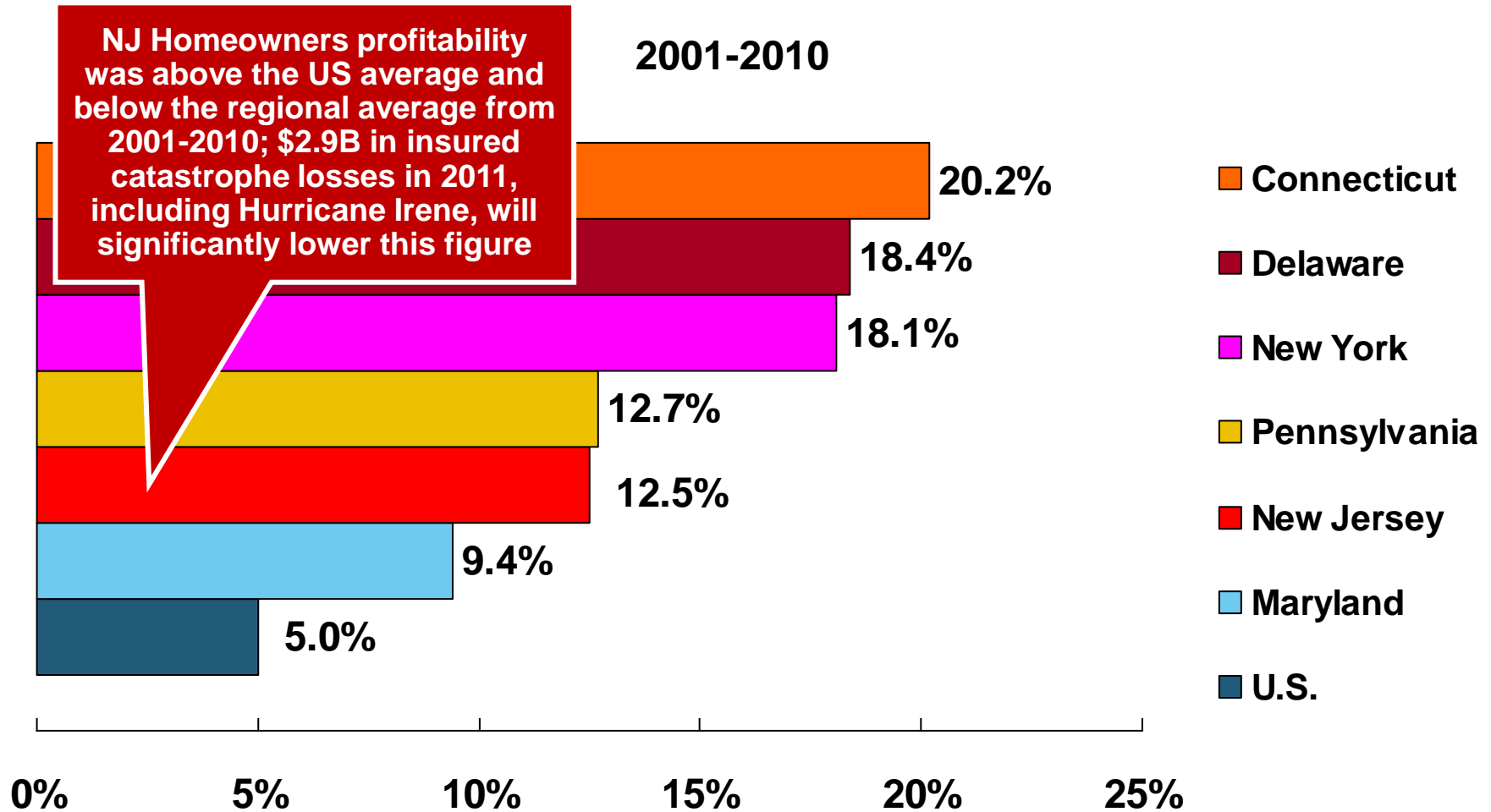
# Comm. M-P: 10-Year Average RNW NJ & Nearby States

2001-2010



Source: NAIC, Insurance Information Institute

# Homeowners: 10-Year Average RNW NJ & Nearby States



Source: NAIC, Insurance Information Institute



# Top Ten Most Expensive And Least Expensive States For Homeowners Insurance, 2009 (1)

**New Jersey ranked as the 21st most expensive state for homeowners insurance in 2009, with an average expenditure of \$848.**

Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	Texas (3)	\$1,511	1	Idaho	\$485
2	Florida (4)	1,460	2	Wisconsin	542
3	Louisiana	1,430	3/4	Oregon	544
4	Mississippi	1,185	3/4	Utah	544
5	Oklahoma	1,123	5	Washington	552
6/7	D.C.	1,069	6	Delaware	610
6/7	Rhode Island	1,069	7	Ohio	613
8	Massachusetts	1,035	8	Arizona	642
9	New York	1,021	9	Iowa	645
10	Connecticut	1,016	10	South Dakota	645

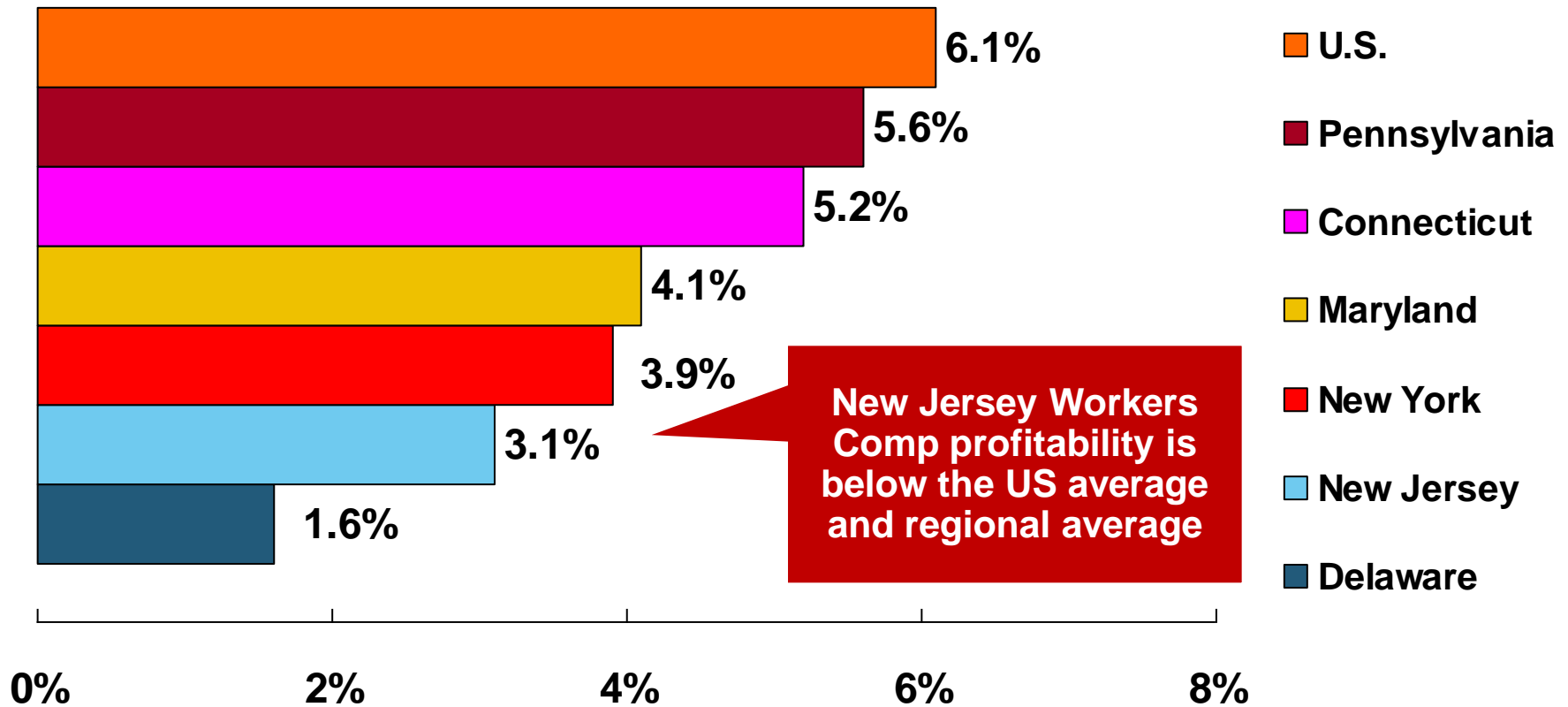
- (1) States with the same premium receive the same rank.
- (2) Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides “all risks” coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property, and is the most common package written.
- (3) The Texas Department of Insurance developed home insurance policy forms that are similar but not identical to the standard forms.
- (4) Florida data excludes policies written by Citizen’s Property Insurance Corporation, the state’s insurer of last resort, and therefore are not directly comparable to other states.

Note: Average premium=Premiums/exposure per house years. A house year is equal to 365 days of insured coverage for a single dwelling. The NAIC does not rank State Average Expenditures and does not endorse any conclusions drawn from this data.

Source: © 2011 National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

# Workers Comp: 10-Year Average RNW NJ & Nearby States

2001-2010

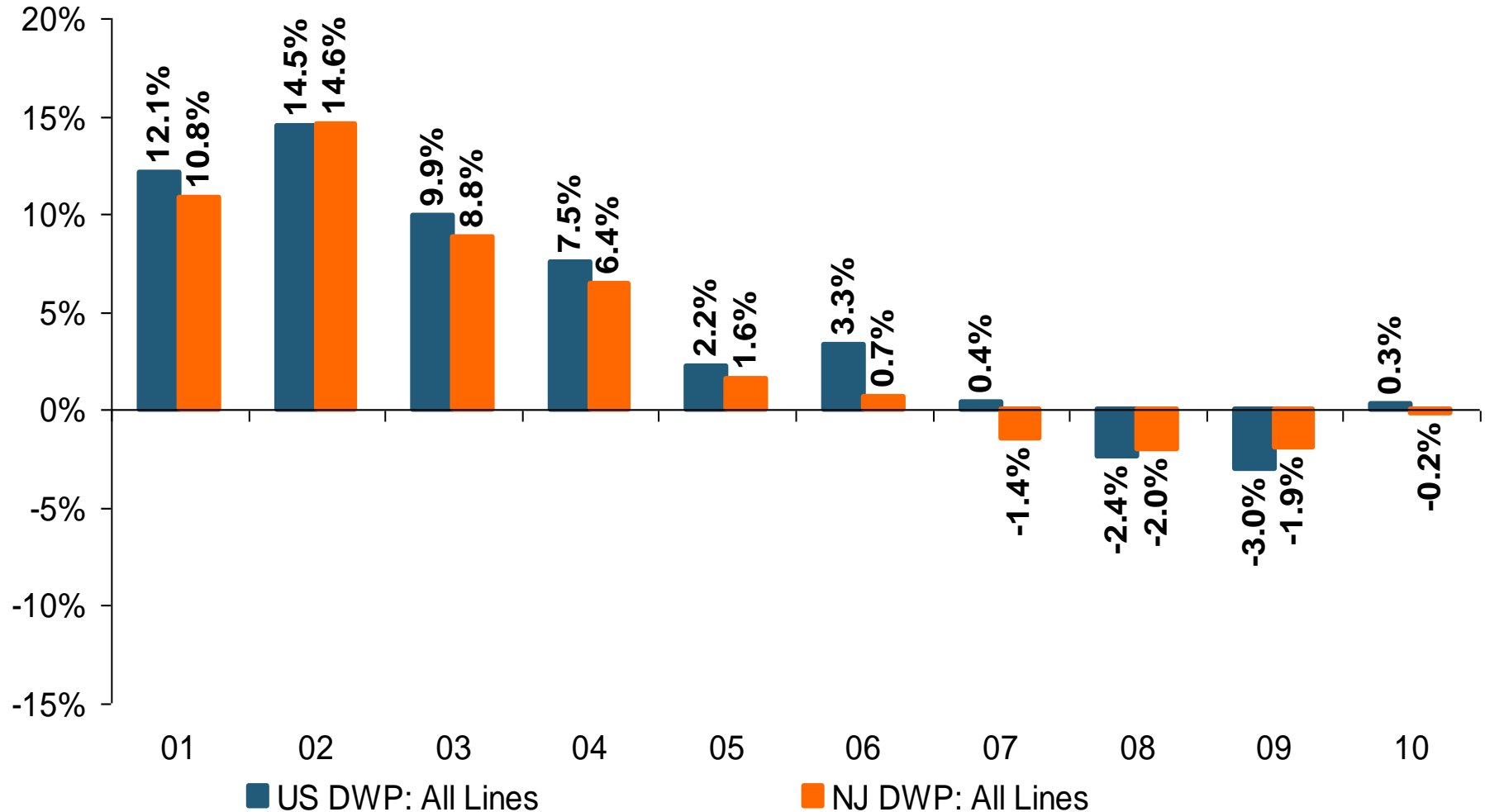


(1) Data not available.

Source: NAIC, Insurance Information Institute.

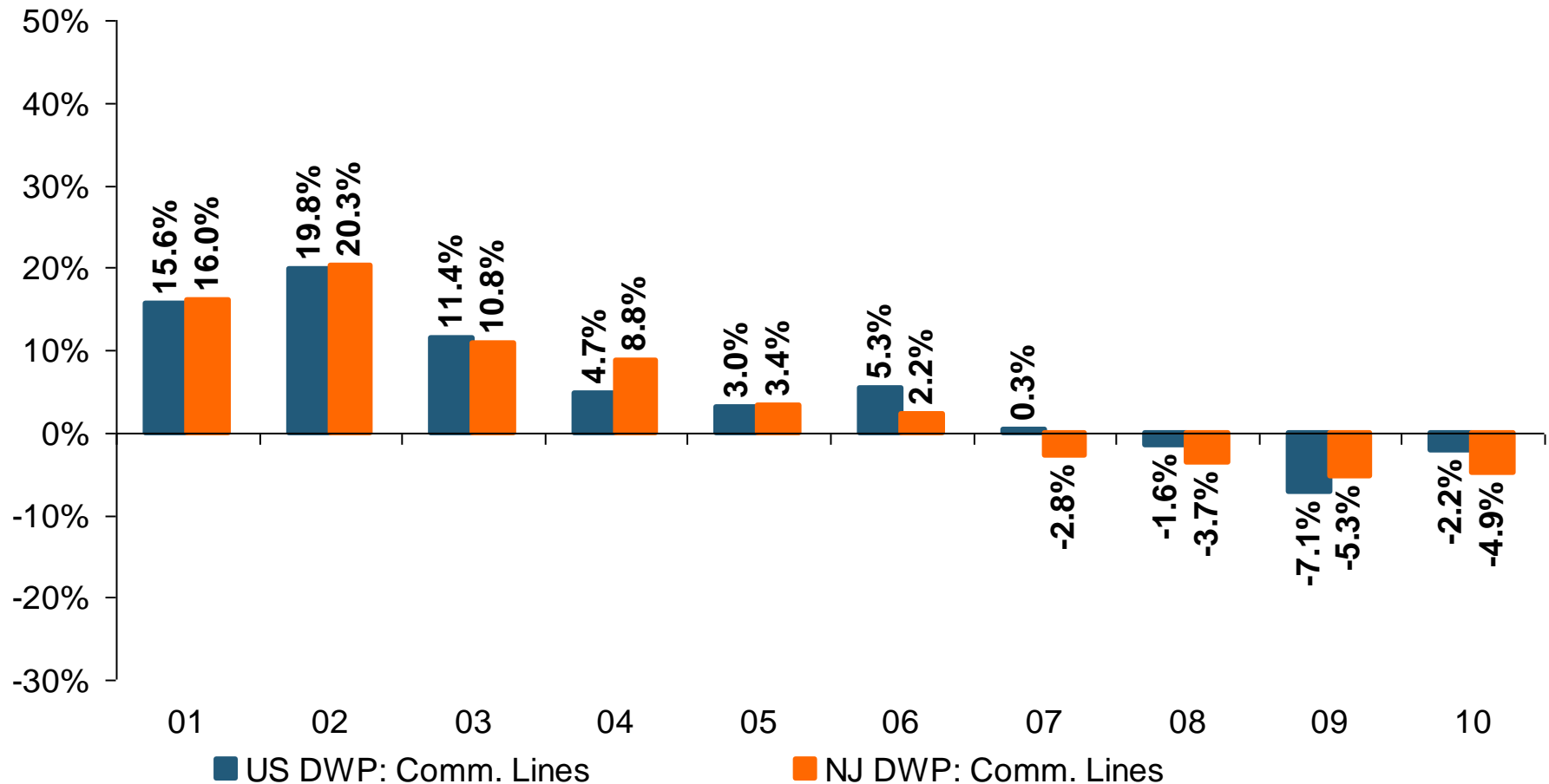
# All Lines DWP Growth: NJ vs. U.S., 2001-2010

(Percent)



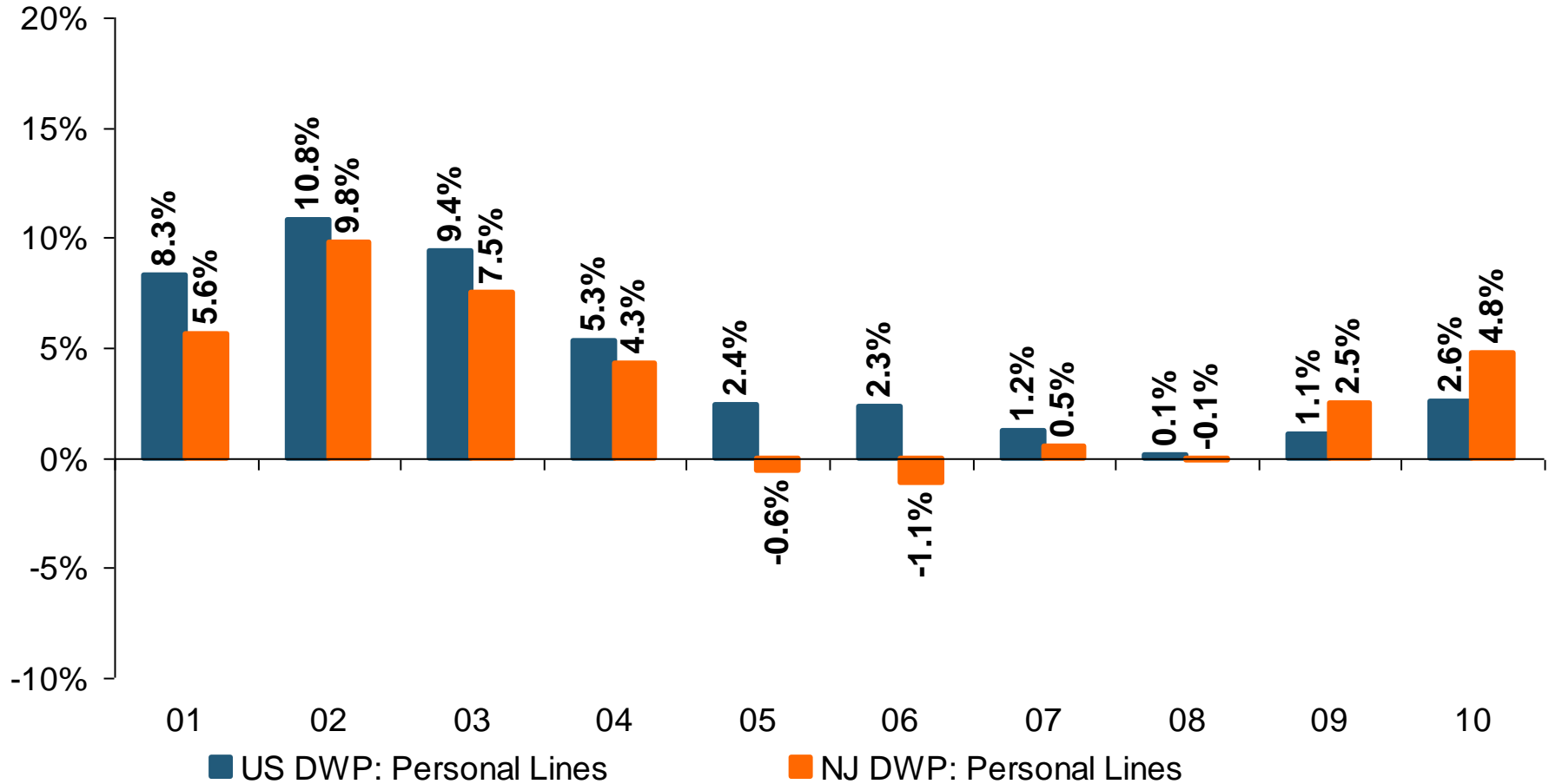
# Comm. Lines DWP Growth: NJ vs. U.S., 2001-2010

(Percent)



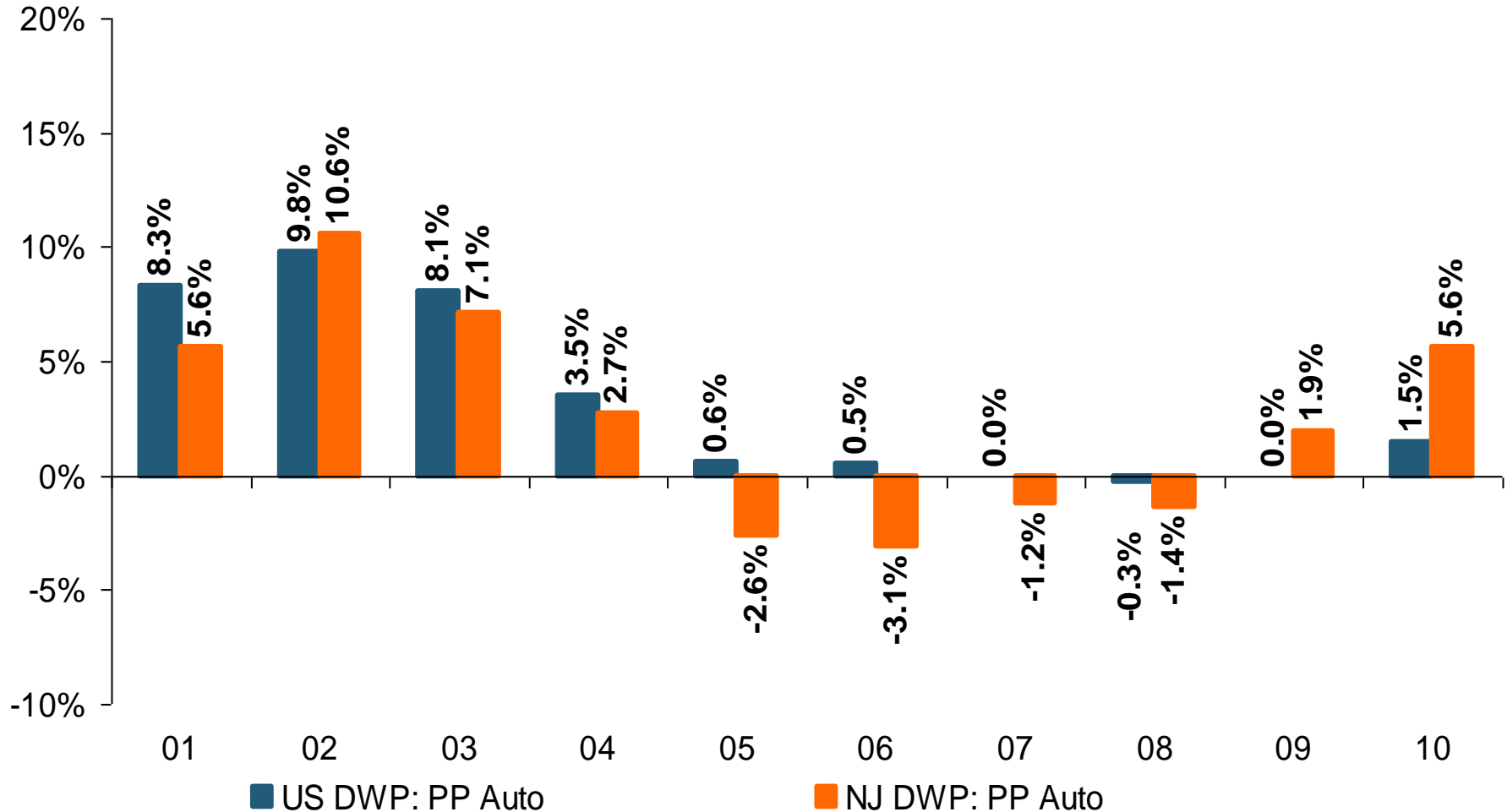
# Personal Lines DWP Growth: NJ vs. U.S., 2001-2010

(Percent)



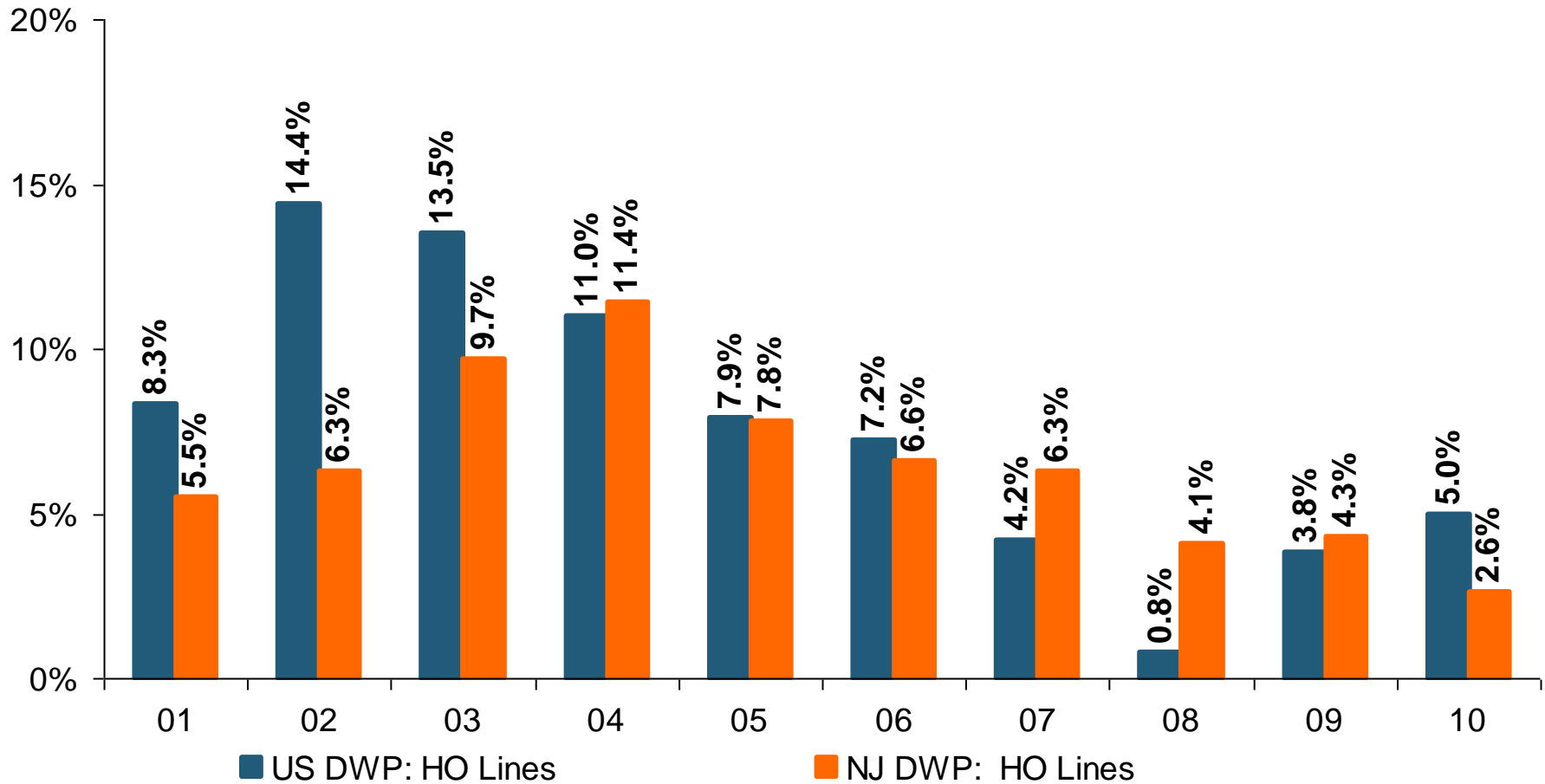
# Private Passenger Auto DWP Growth: NJ vs. U.S., 2001-2010

(Percent)



# Homeowner's MP DWP Growth: NJ vs. U.S., 2001-2010

(Percent)

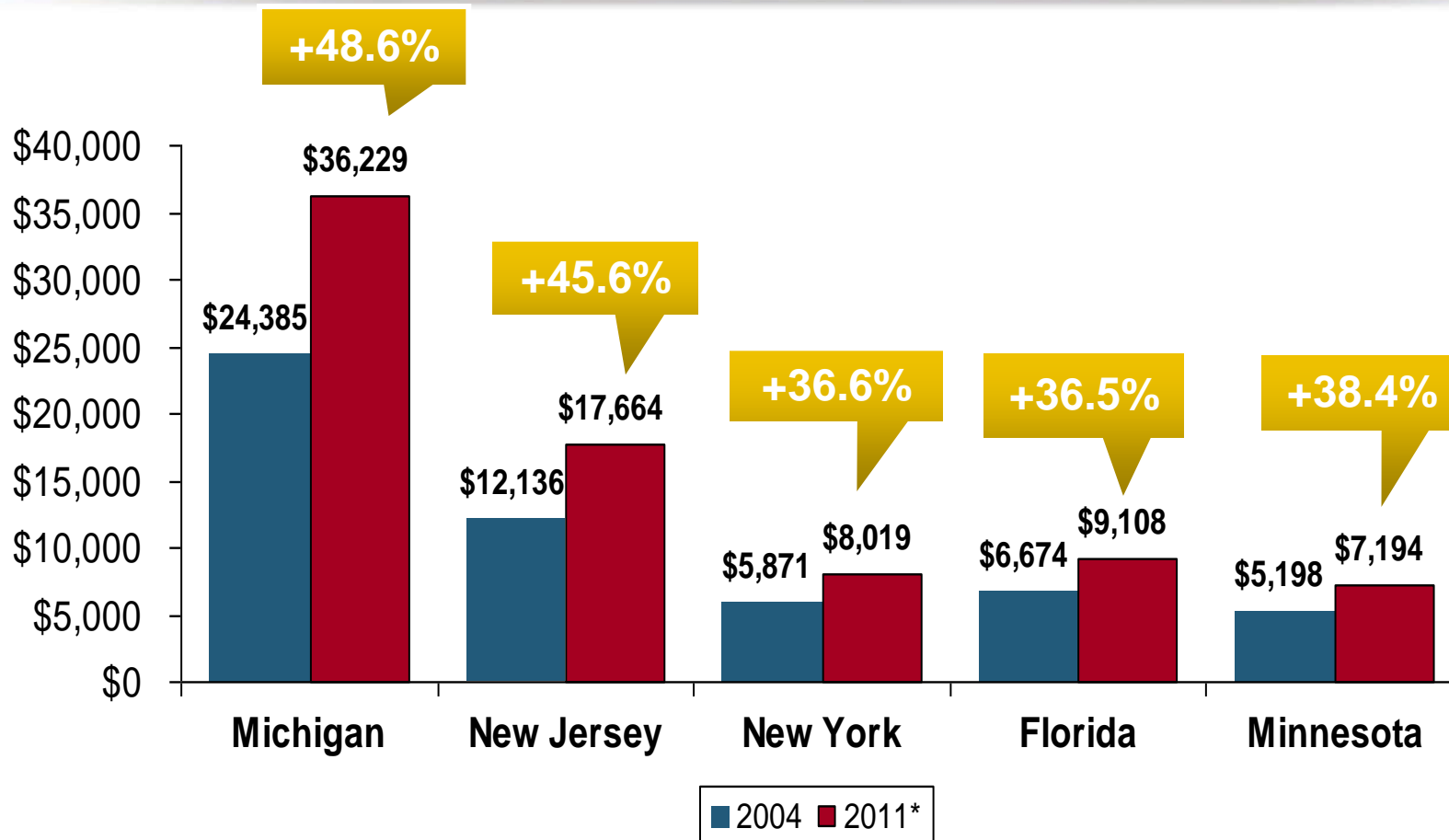


# **New Jersey No-Fault Update**

**No-Fault Costs in New Jersey Are  
the Second Highest in the US**



# Increase in No-Fault Claim Severity: Selected States, 2004-2011\*

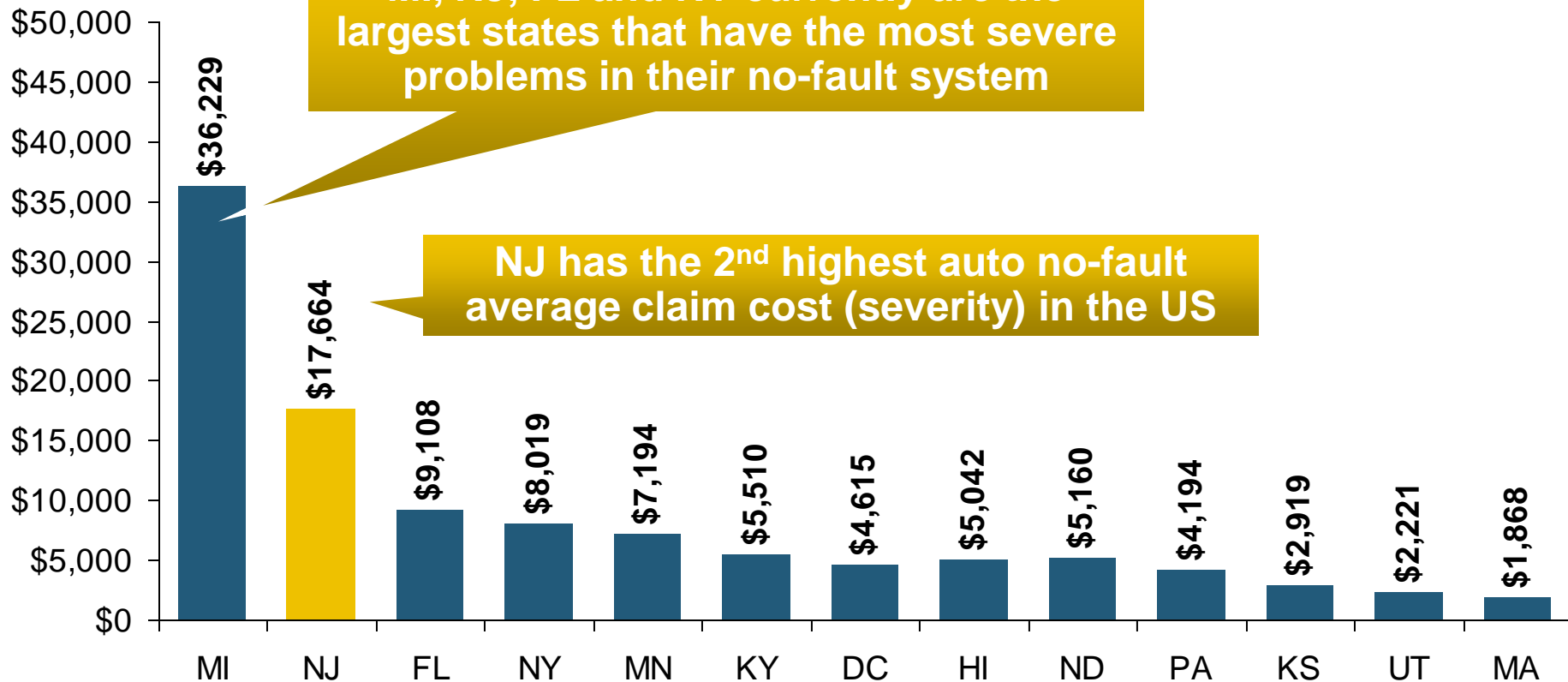


**The no-fault systems in MI, NJ, NY, FL, and MN are under stress due to rising fraud and abuse, which leads to higher premiums for honest drivers.**

\*2011 figures are for the 4 quarters ending 2011:Q3.

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

# Average No-Fault Claim Severity, 2011:Q3\*



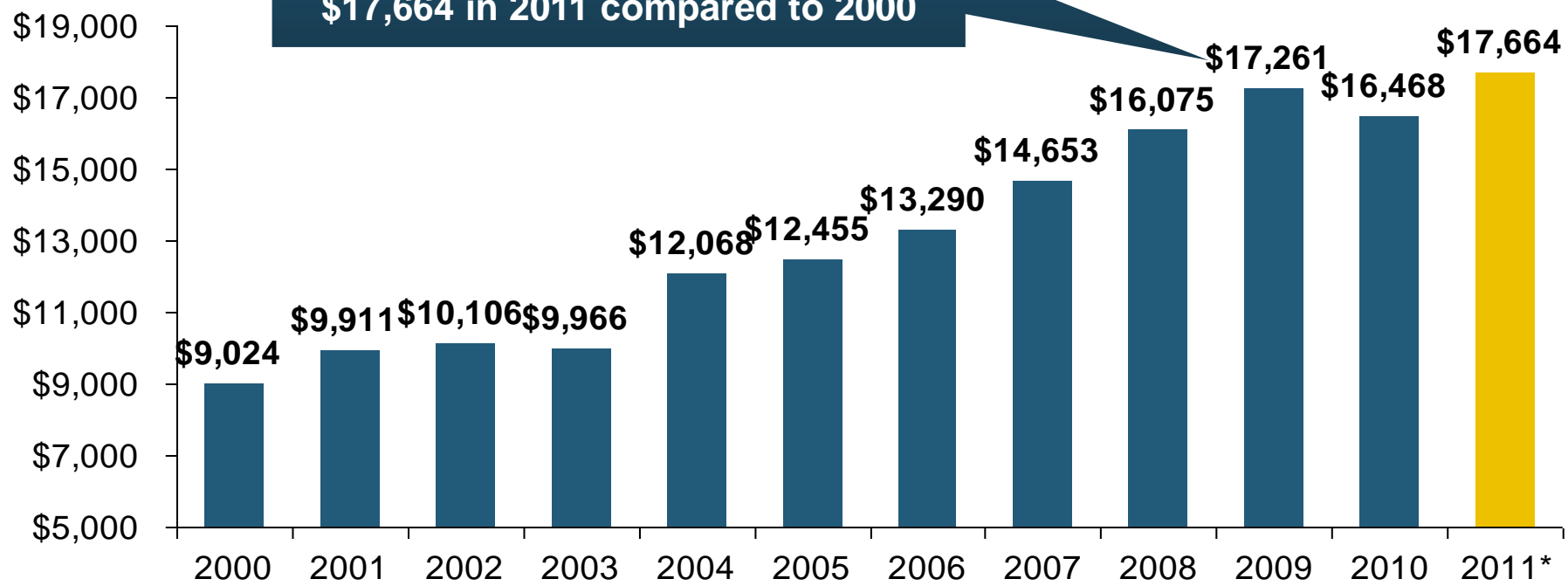
**Several States Including NJ Have Severe and Growing Problems With Rampant Fraud and Abuse in their No-Fault Systems. Claim Severities Are Up Sharply.**

\*Average of the four quarters ending 2011:Q3.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute.

# NJ No-Fault (PIP) Claim Severity Has Trended Up Sharply Upward, 2000-2011:Q3\*

No-Fault claim severity (average cost per claim) was up 7.2% in 2011 and has nearly doubled (+95.7%) to \$17,664 in 2011 compared to 2000

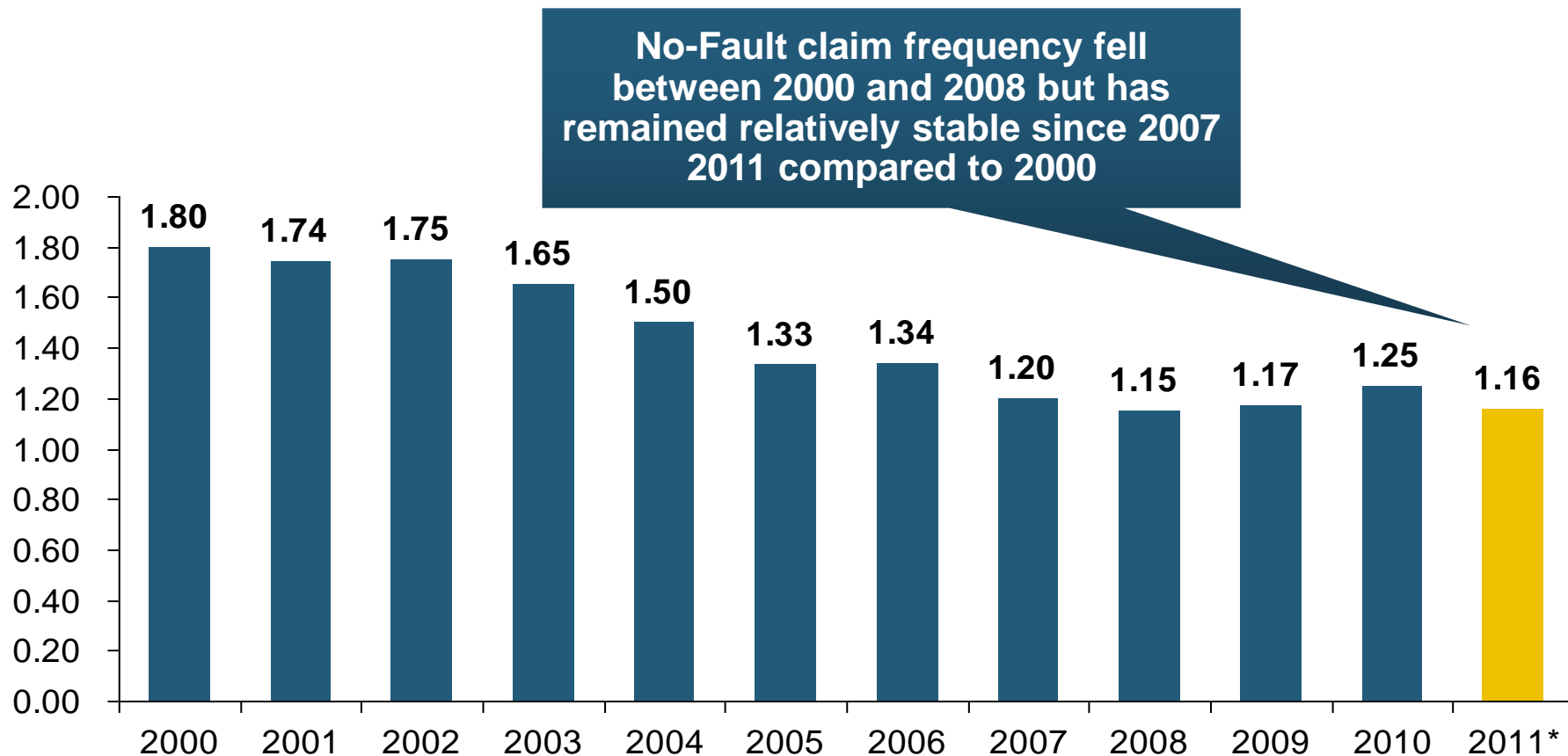


**The Average Cost of New Jersey No-Fault Claims Rose Rapidly in Recent Years and**

\*2011 figure is based on data for the 4 quarters ending Q3:2011.

Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

# NJ No-Fault (PIP) Claim Severity Has Trended Up Sharply Upward, 2000-2011:Q3\*



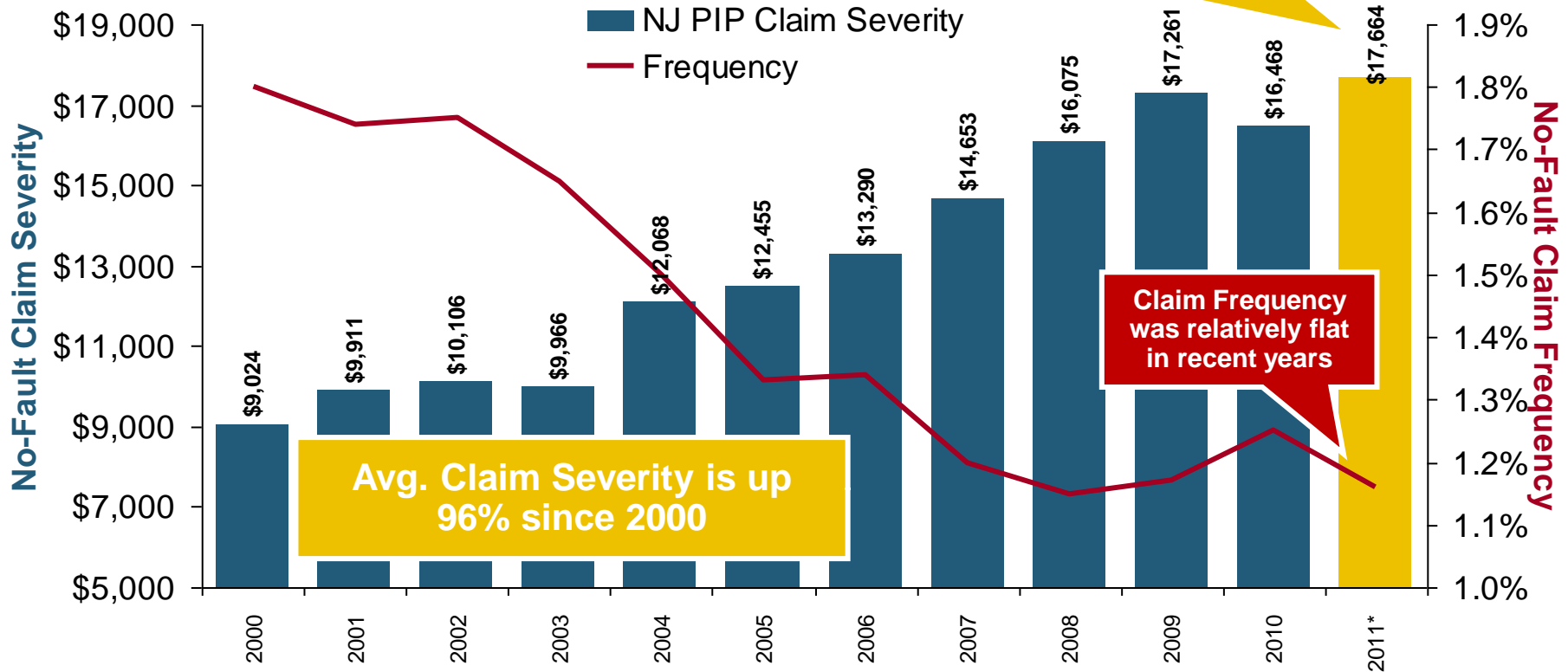
**Rising Claim Costs Are No Longer Being Offset by Declining Claim Frequencies**

\*2011 figure is based on data for the 4 quarters ending Q3:2011.

Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

# New Jersey State No-Fault Claim Frequency and Severity, 2000–2011:Q3\*

## No-Fault Claim Severity



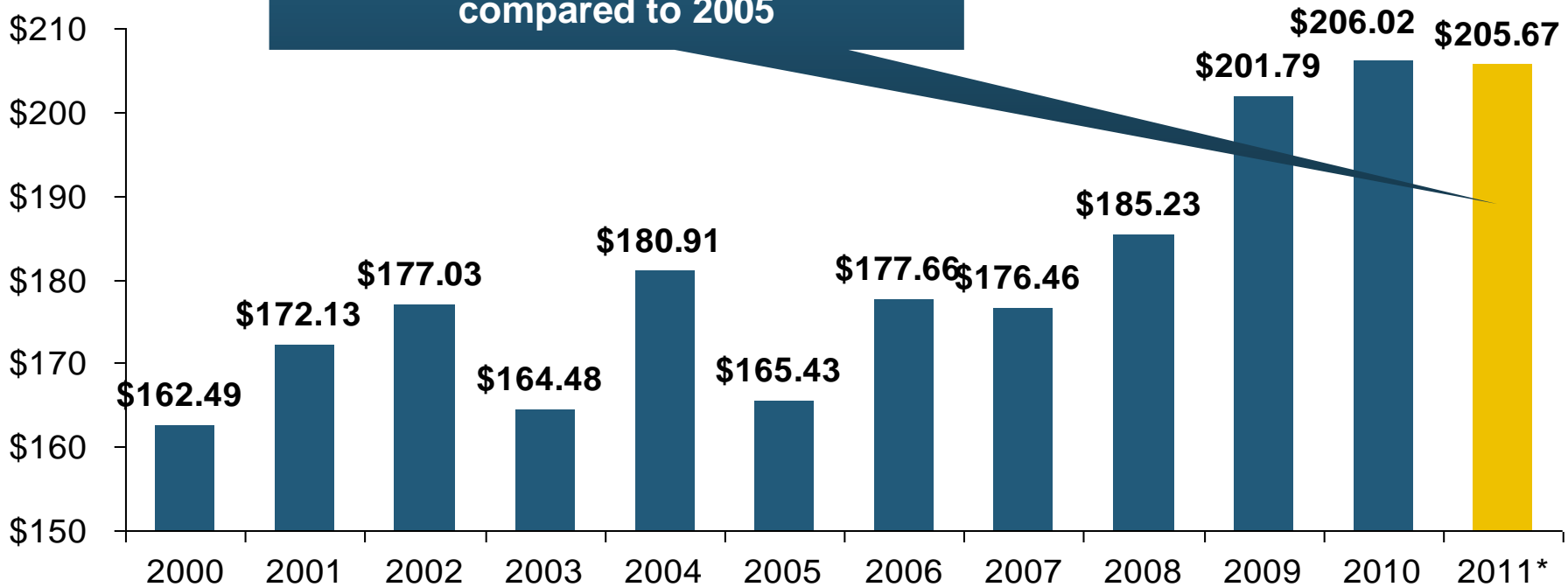
**Rising Claim Severities Since 2000 Have Swamped the Decline in Frequency, Which Ended in 2008**

\*2011 figure is based on data for the 4 quarters ending Q3:2011.

Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

# NJ No-Fault (PIP) Pure Premium Has Trended Up Sharply Upward, 2000-2011:Q3\*

No-Fault pure premiums (premium based on claim frequency and severity only) was up 24.8% in 2011 compared to 2005



**The Average Cost of Insuring No-Fault Losses in New Jersey Is Rising Rapidly**

\*2011 figure is based on data for the 4 quarters ending Q3:2011.

Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

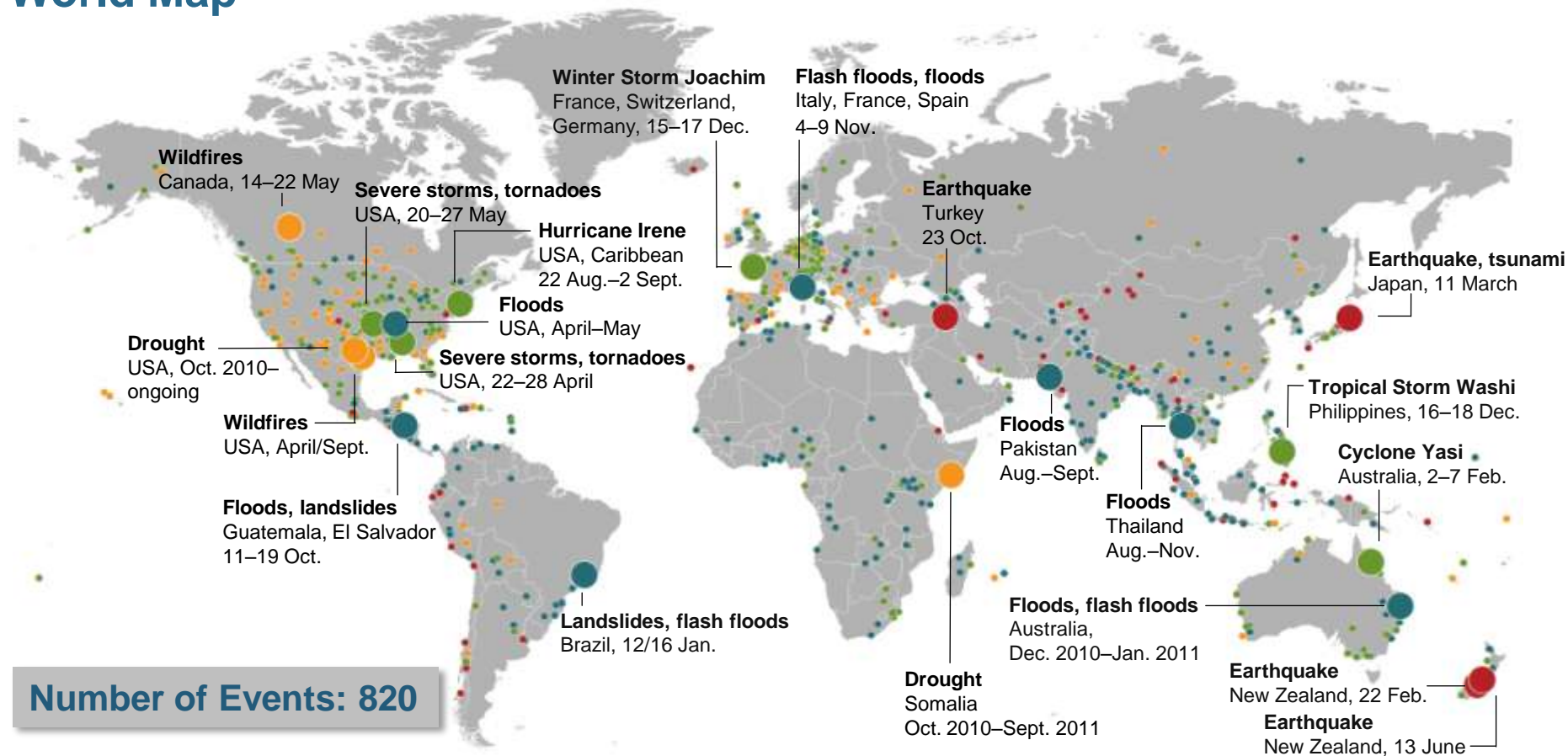
# Global Catastrophe Loss Developments and Trends

**2011 Rewrote Catastrophe Loss and  
Insurance History**

***But Will Losses Turn the Market?***

# Natural Loss Events, 2011

## World Map



**Number of Events: 820**

○ **Natural catastrophes**

○ **Selection of significant loss events (see table)**

● **Geophysical events**  
(earthquake, tsunami, volcanic activity)

● **Meteorological events**  
(storm)

● **Hydrological events**  
(flood, mass movement)

● **Climatological events**  
(extreme temperature, drought, wildfire)



# Top 16 Most Costly World Insurance Losses, 1970-2011\*\*

(Insured Losses, 2011 Dollars, \$ Billions)

Taken as a single event, the Spring 2011 tornado and thunderstorm season would likely become the 5<sup>th</sup> costliest event in global insurance history

5 of the top 14 most expensive catastrophes in world history have occurred within the past 2 years

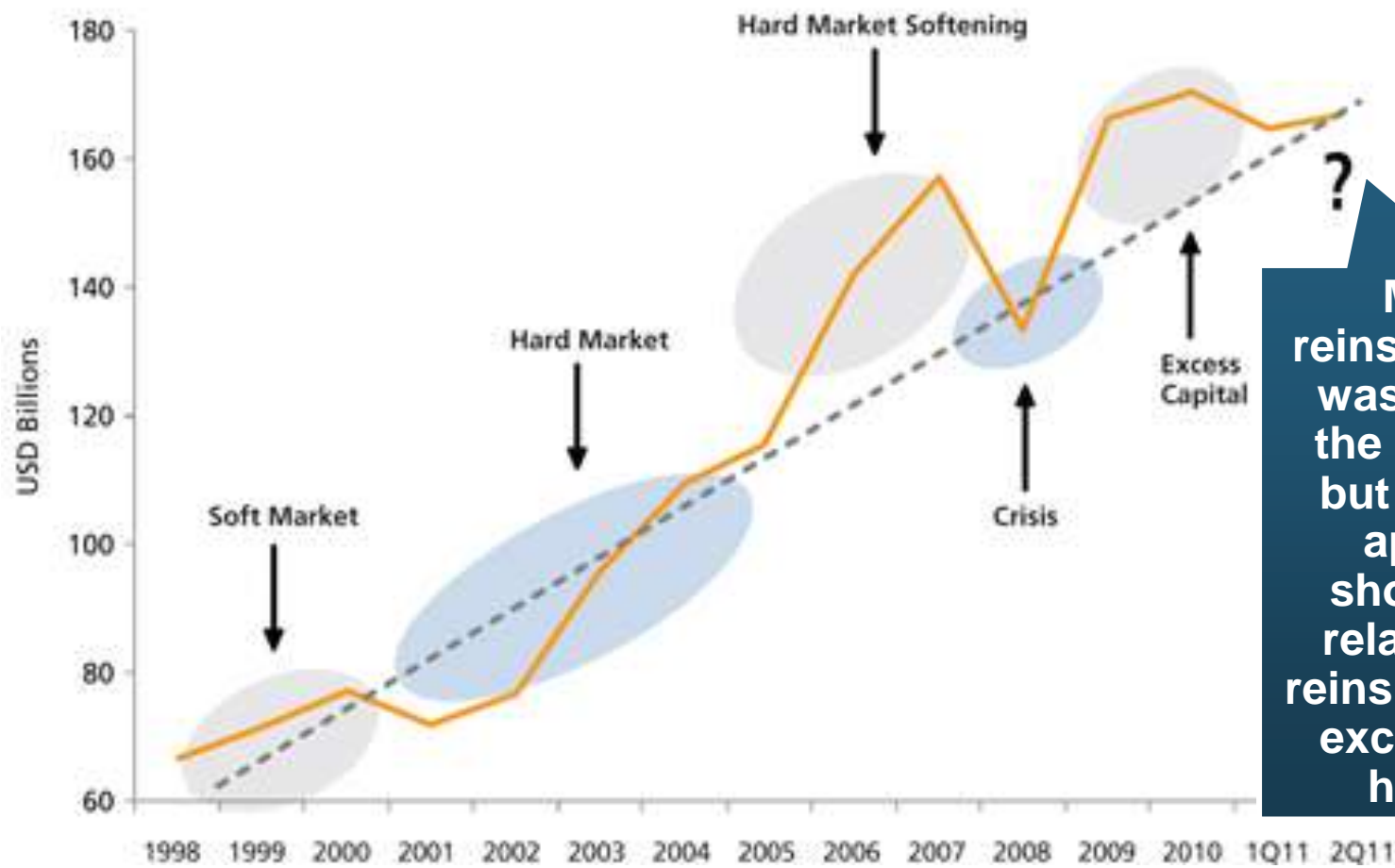


\*Average of range estimates of \$35B - \$40B as of 1/4/12; Privately insured losses only.

\*\*Figures do not include federally insured flood losses.

Sources: Swiss Re *sigma* 1/2011; Munich Re; Insurance Information Institute research.

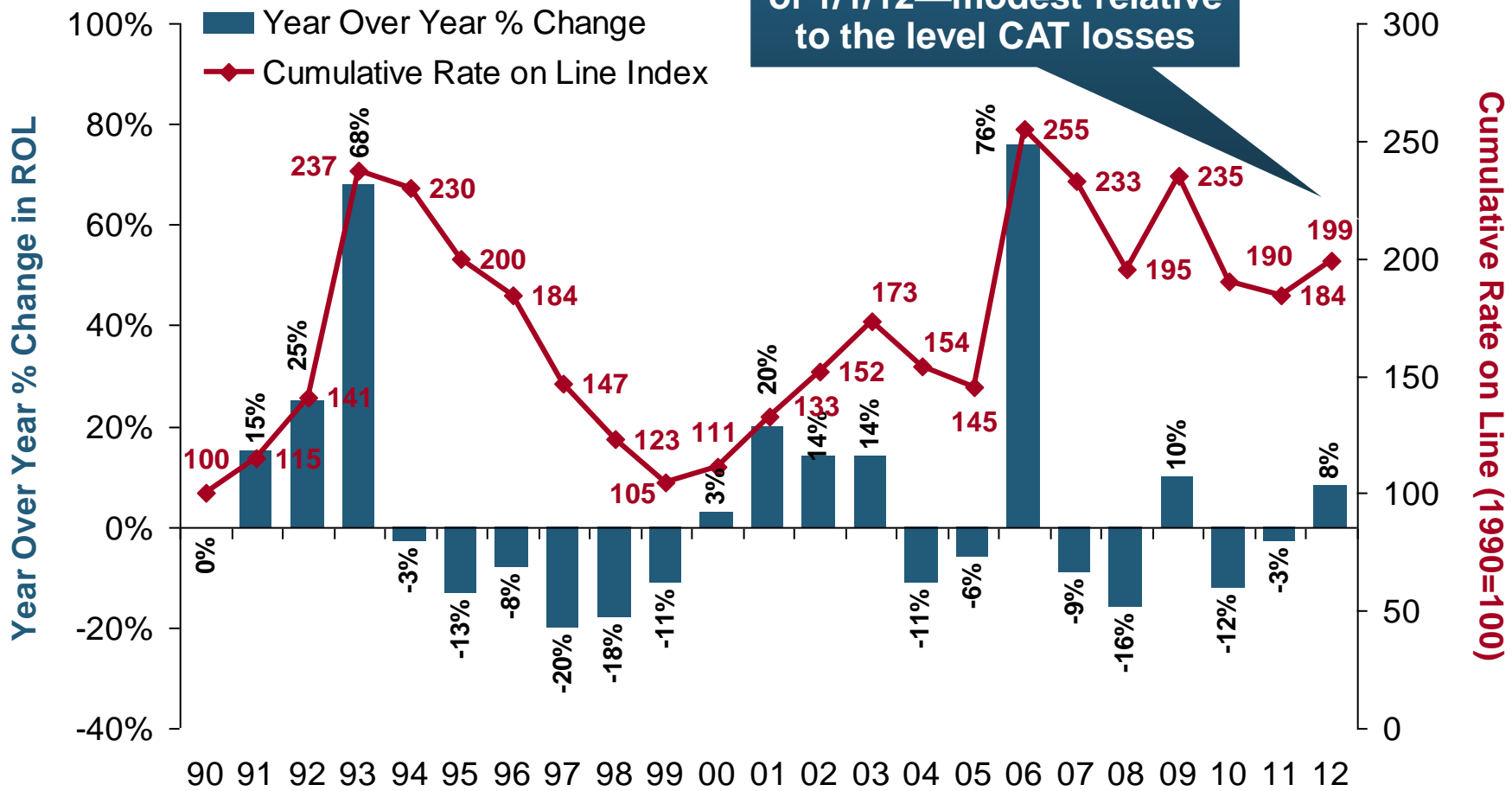
# Historical Capital Levels of Guy Carpenter Reinsurance Composite, 1998—2Q11



**Most excess reinsurance capacity was removed from the market in 2011, but there does not appear to be a shortage, leading relatively flat 2012 reinsurance renewals except in areas hit hard by CATs.**

# Global Property Catastrophe Rate on Line Index, 1990—2012 (as of Jan. 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.



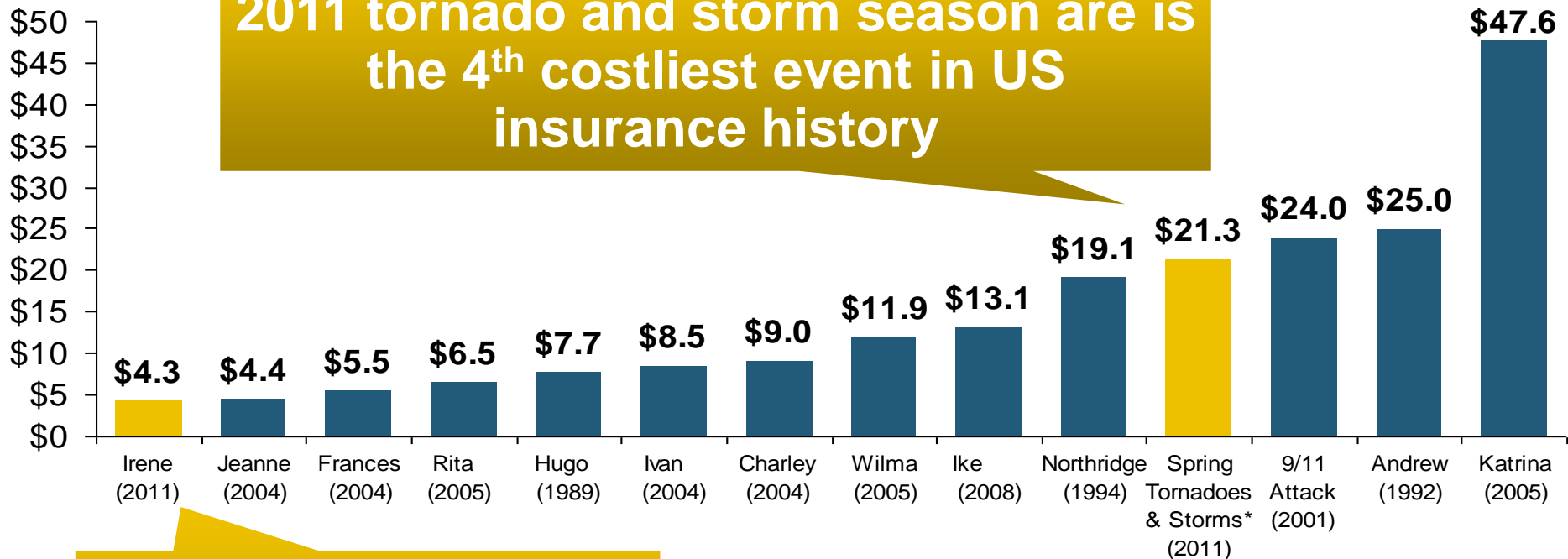
# U.S. Insured Catastrophe Loss Update

**2011 Was One of the Most Expensive  
Years on Record**

# Top 14 Most Costly Disasters in U.S. History

(Insured Losses, 2011 Dollars, \$ Billions)

Taken as a single event, the Spring 2011 tornado and storm season are the 4<sup>th</sup> costliest event in US insurance history



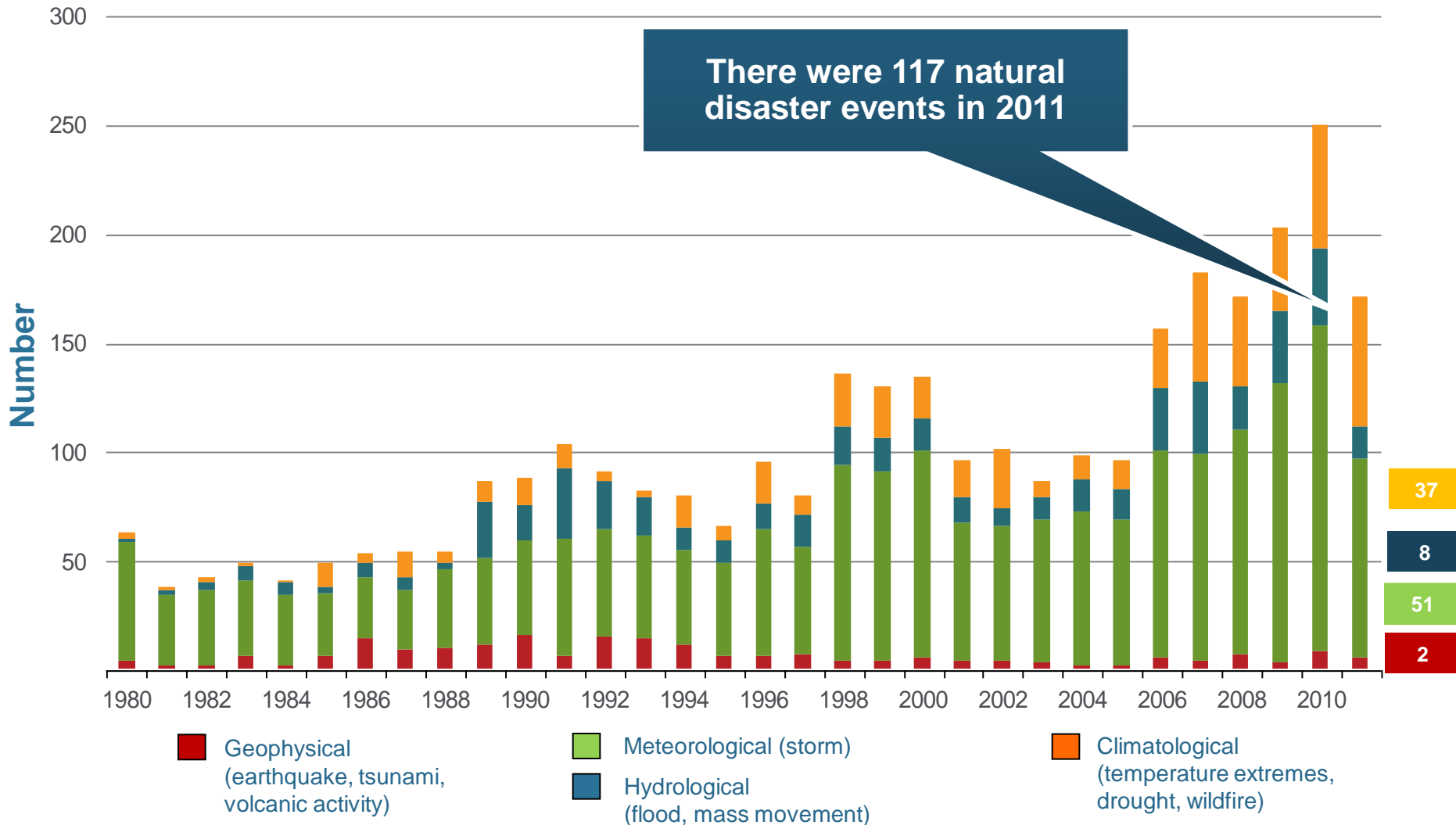
Hurricane Irene became the 11<sup>th</sup> most expensive hurricane in US history

\*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.

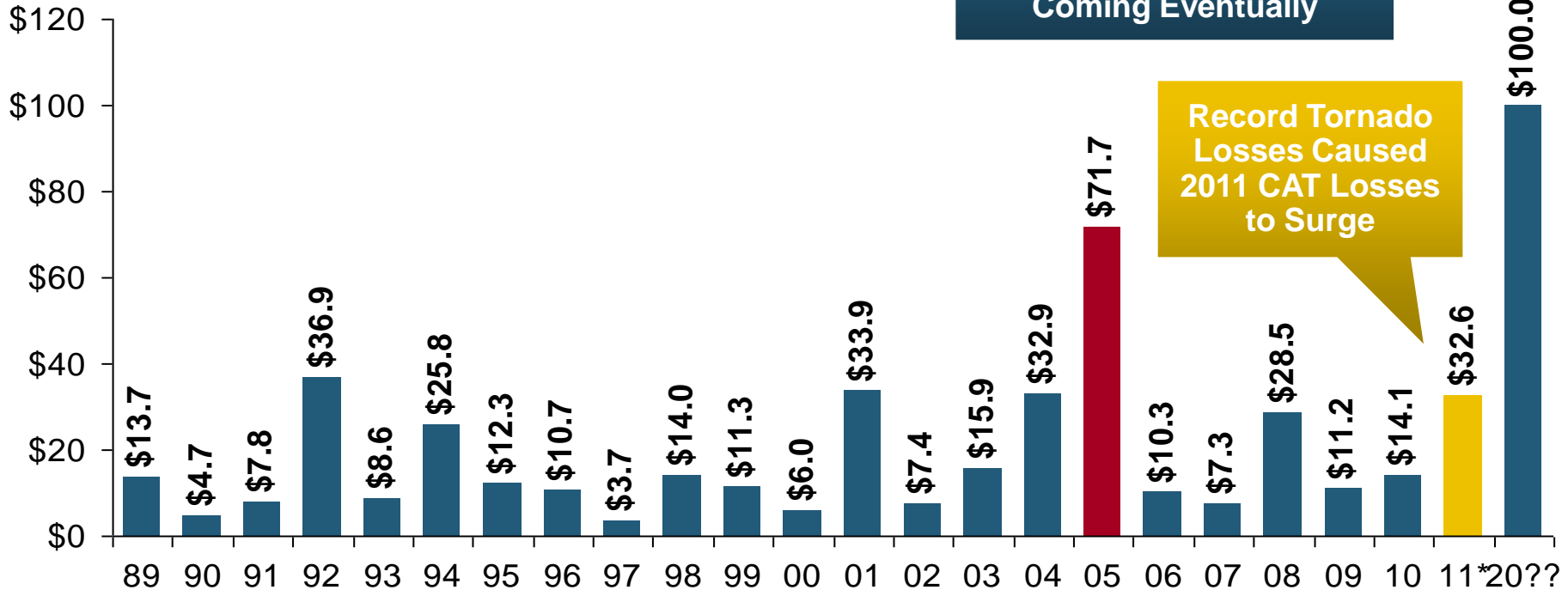
# Natural Disasters in the United States, 1980 – 2011

Number of Events (Annual Totals 1980 – 2011)



# US Insured Catastrophe Losses

(\$ Billions, 2011 Dollars)



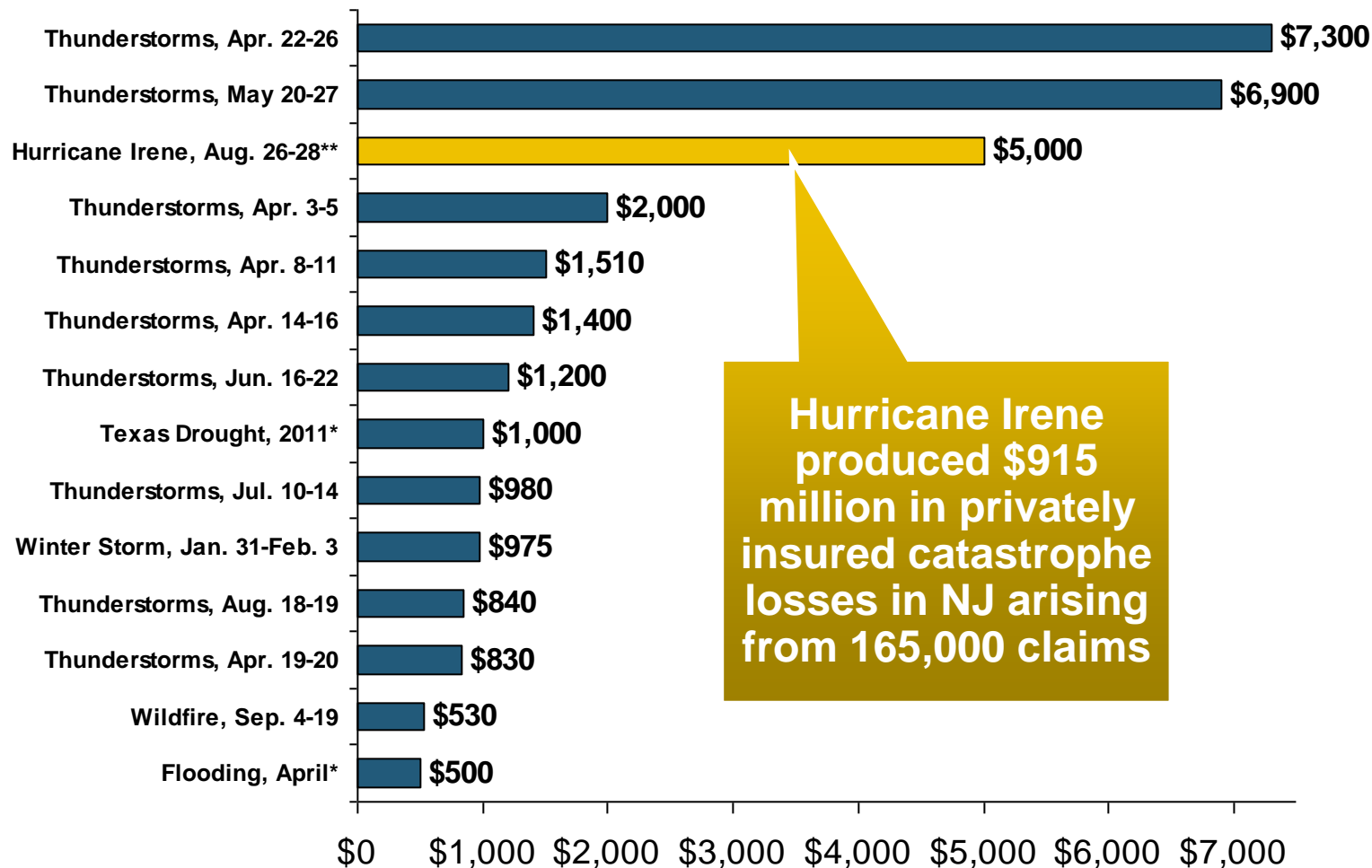
**US CAT Losses in 2011 Were the 5<sup>th</sup> Highest in US History on An Inflation Adjusted Basis**

\*PCS estimate through Sept. 30, 2011.

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.

# 2011's Most Expensive Catastrophes, Insured Losses



\*\*Includes \$700 million in flood losses insured through the National Flood Insurance Program.

Source: PCS except as noted by "\*" which are sourced to Munich Re; Insurance Information Institute.

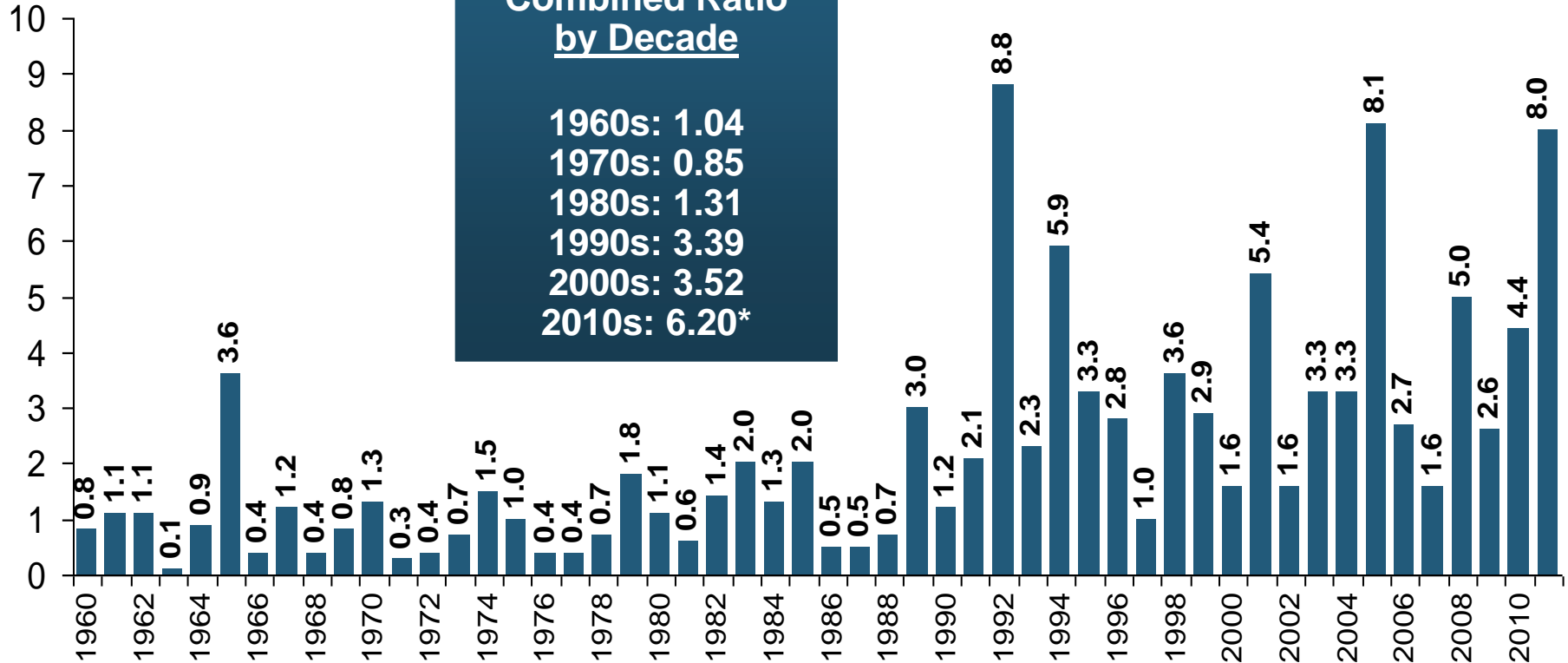


# Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2011\*

## Combined Ratio Points

**Avg. CAT Loss Component of the Combined Ratio by Decade**

1960s: 1.04  
 1970s: 0.85  
 1980s: 1.31  
 1990s: 3.39  
 2000s: 3.52  
 2010s: 6.20\*



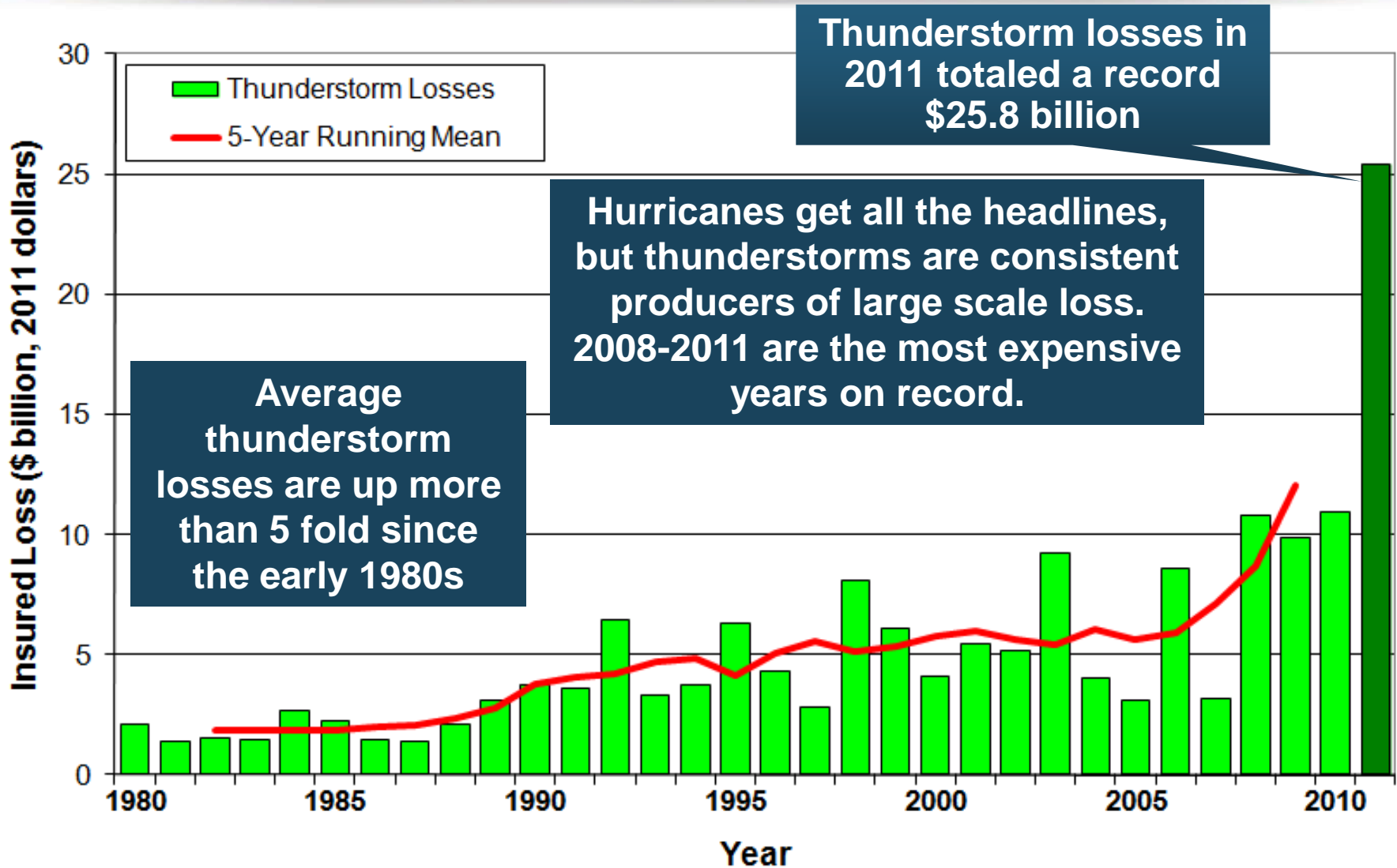
**The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades**

\*Insurance Information Institute estimates for 2010 and 2011 based on A.M. Best data.

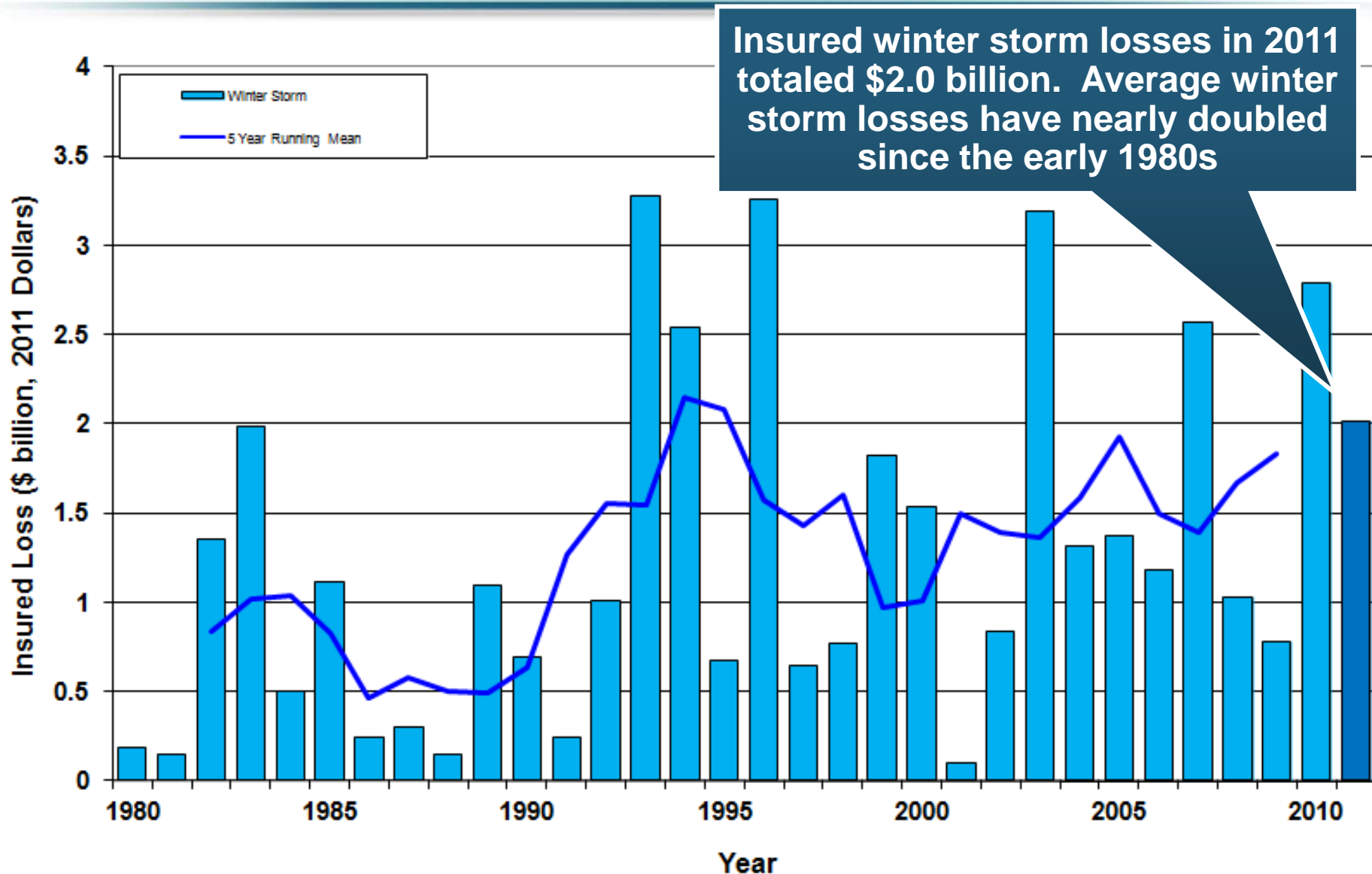
Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

Source: ISO; Insurance Information Institute.

# U.S. Thunderstorm Loss Trends, 1980 – 2011



# U.S. Winter Storm Loss Trends, 1980 – 2011

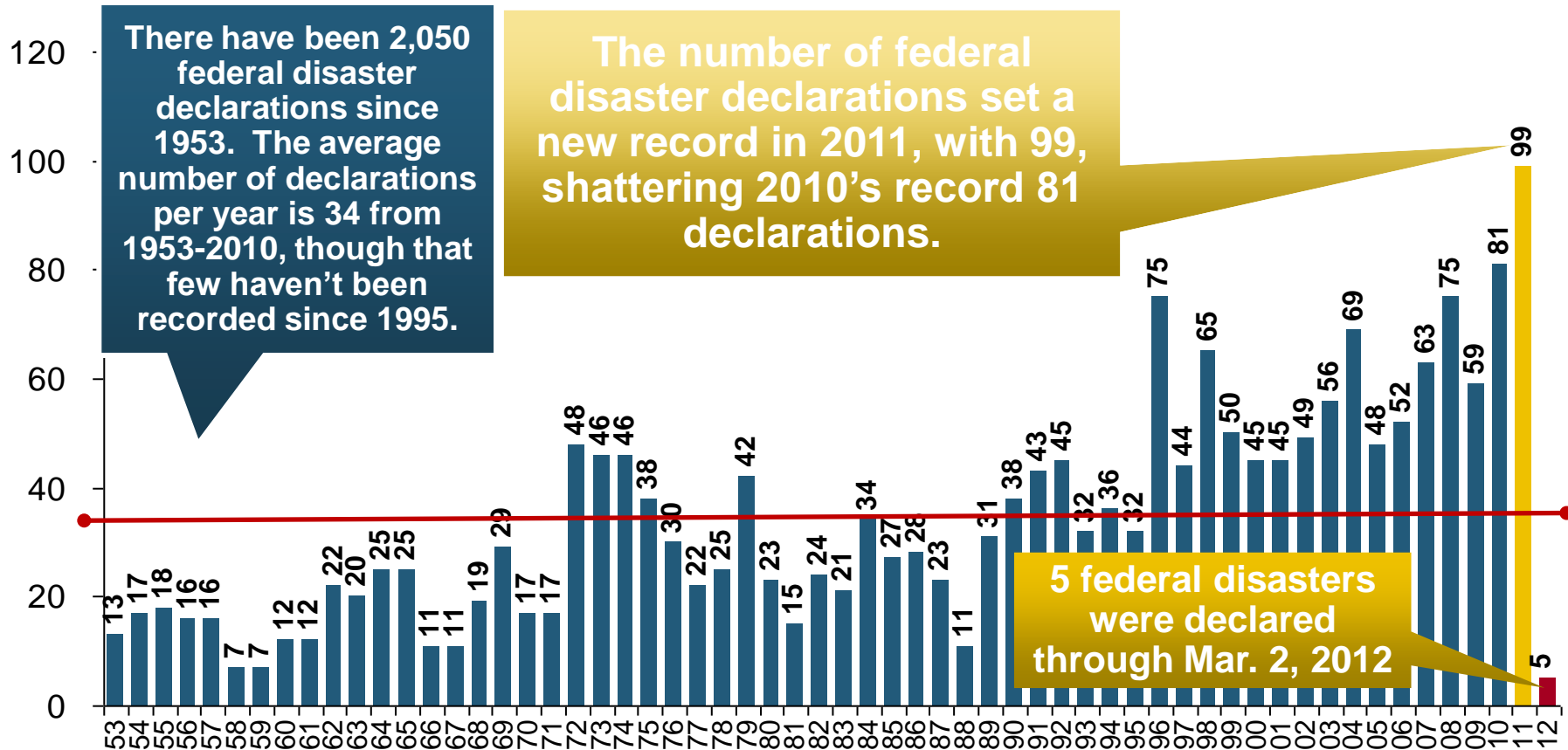




## **2011: Nowhere to Run, Nowhere to Hide**

**Most of the Country East of  
the Rockies Suffered Severe  
Weather in 2011, Impacting  
Most Insurers**

# Number of Federal Disaster Declarations, 1953-2012\*

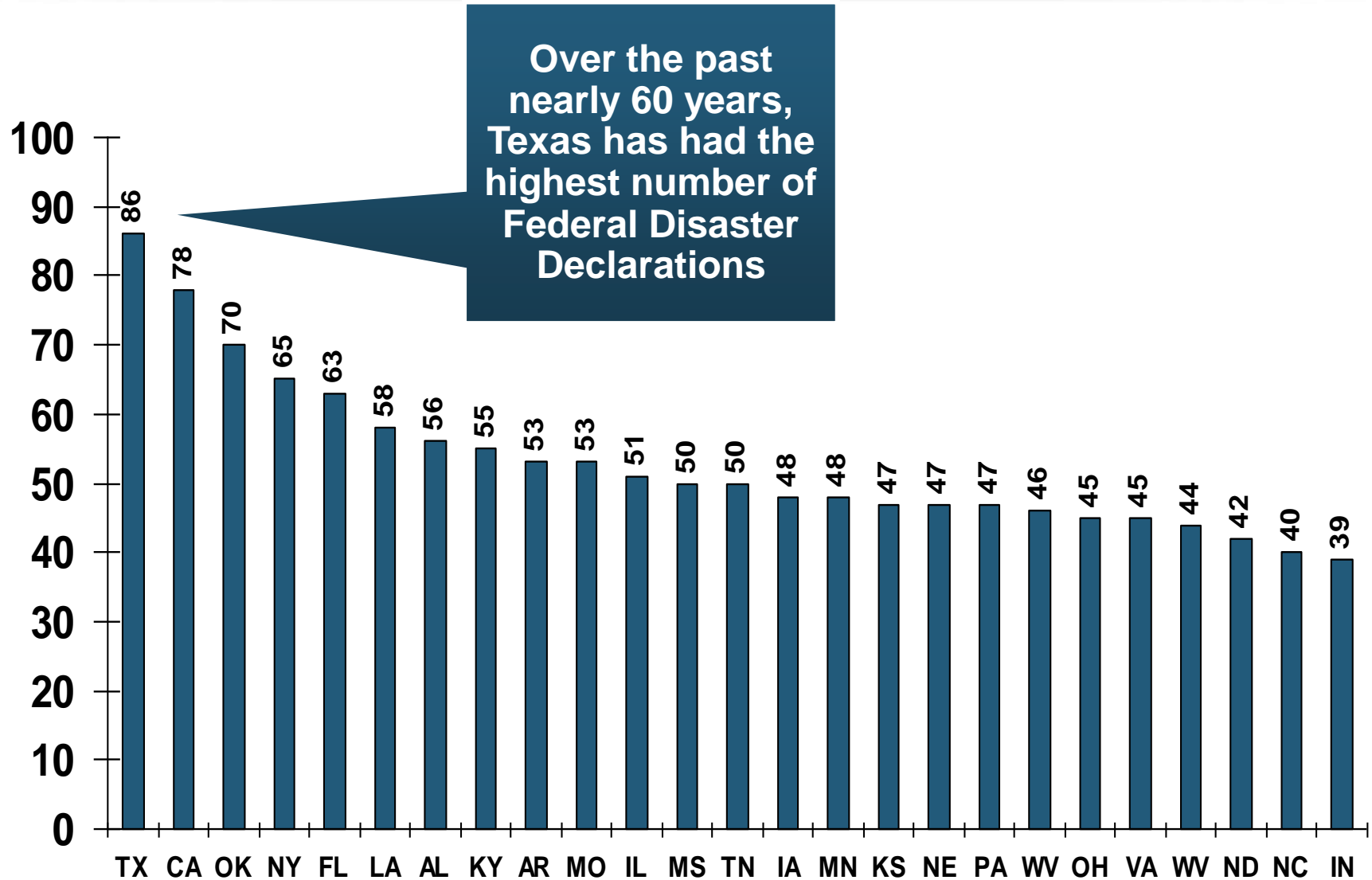


**The Number of Federal Disaster Declarations Is Rising and Set a New Record in 2011**

\*Through March 2, 2012.

Source: Federal Emergency Management Administration: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema); Insurance Information Institute.

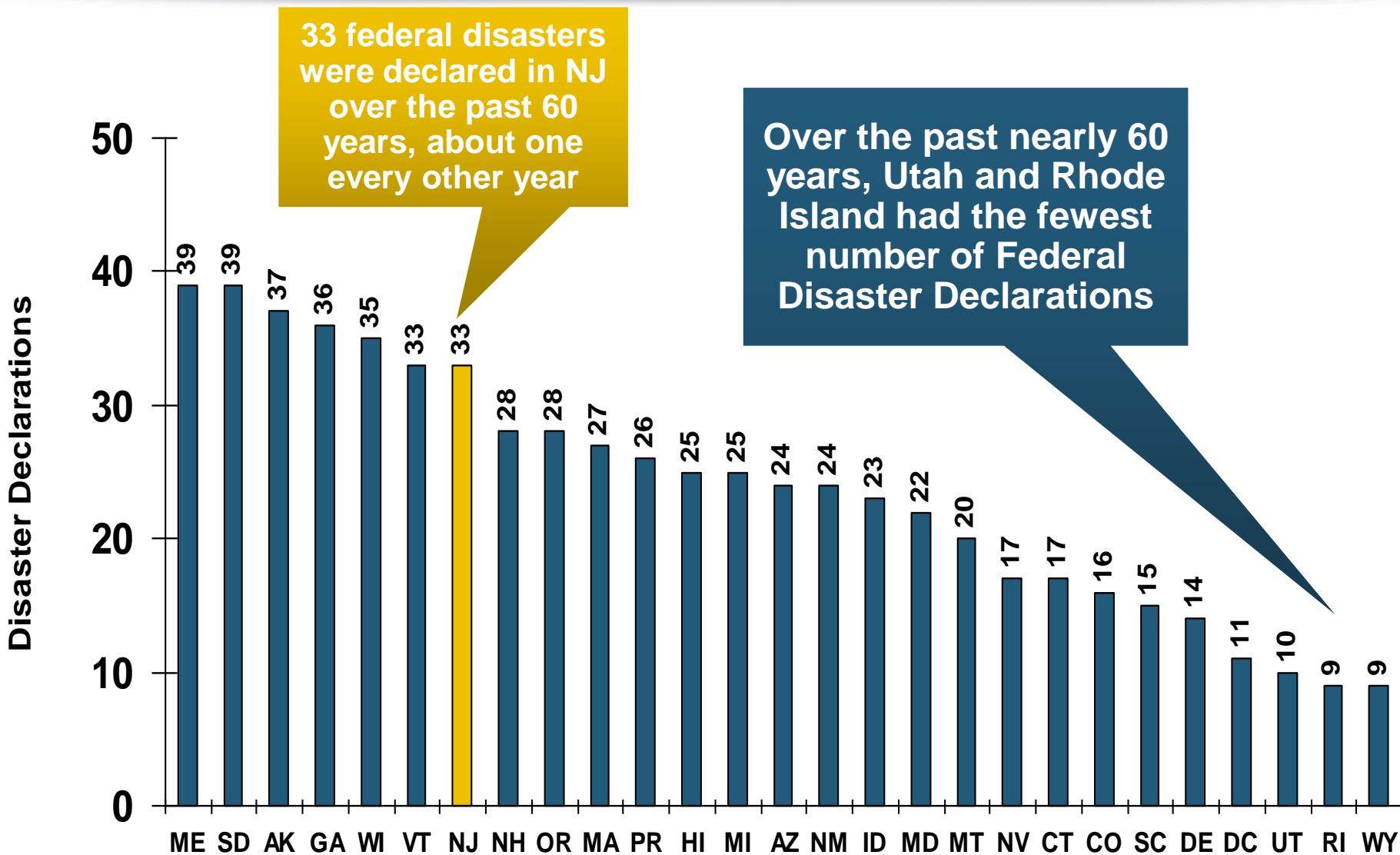
# Federal Disasters Declarations by State, 1953 – 2012: Highest 25 States\*



\*Through Mar. 2, 2012.

Source: FEMA: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema); Insurance Information Institute.

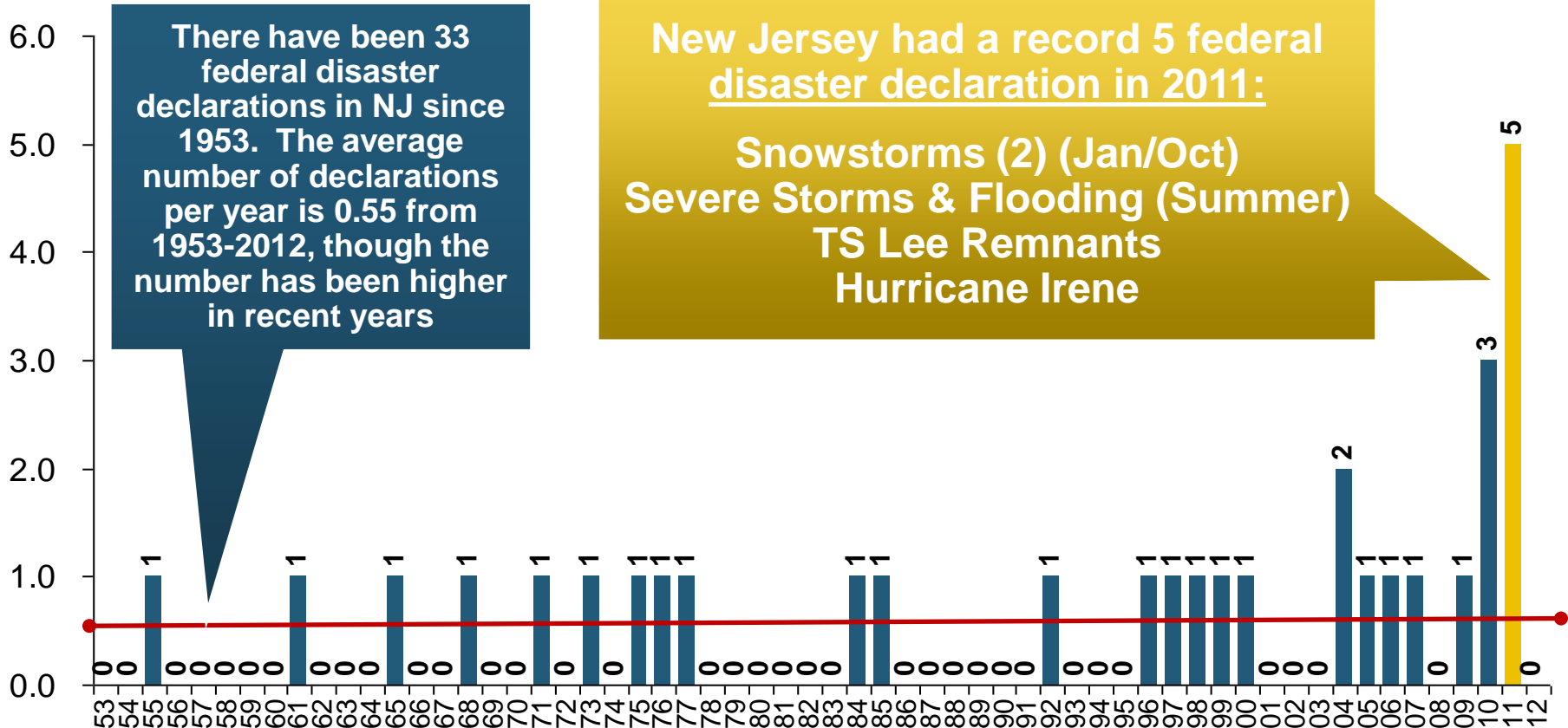
# Federal Disasters Declarations by State, 1953 – 2012: Lowest 25 States\*



\*Through Mar. 2, 2012. Includes Puerto Rico and the District of Columbia.

Source: FEMA: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema); Insurance Information Institute.

# Number of Federal Disaster Declarations In New Jersey, 1953-2012\*



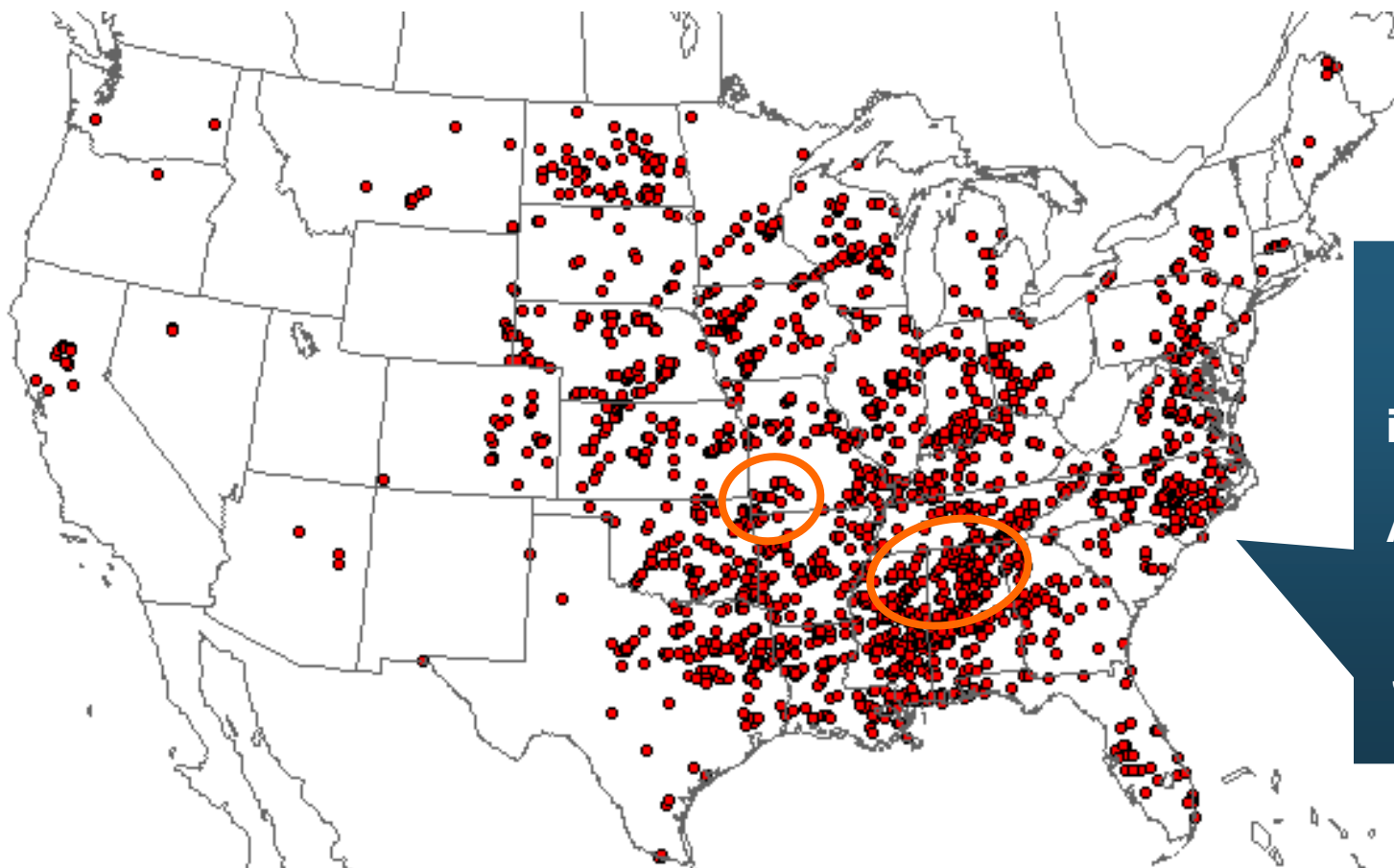
**New Jersey Appears to Be Experiencing an Increased Frequency of Severe Weather Events**

\*Through March 2, 2012.

Source: Federal Emergency Management Administration: [http://www.fema.gov/news/disaster\\_totals\\_annual.fema](http://www.fema.gov/news/disaster_totals_annual.fema); Insurance Information Institute.



# Location of Tornadoes in the US, 2011



1,894 tornadoes killed 552 people in 2011, including at least 340 on April 26 mostly in the Tuscaloosa area, and 130 in Joplin on May 22



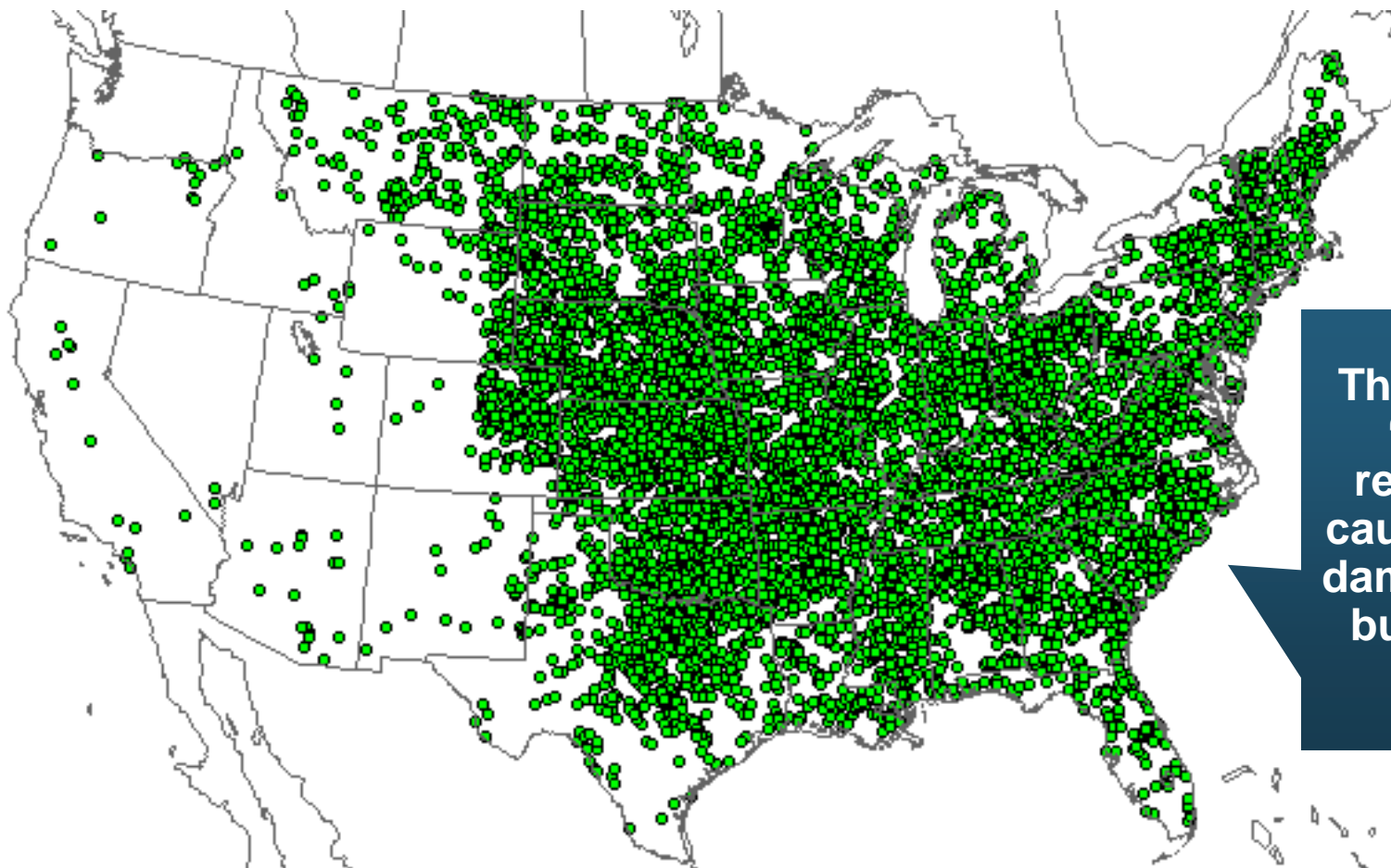
PRELIMINARY SEVERE WEATHER  
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Tornado Reports  
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

# Location of Large Hail Reports in the US, 2011



There were 9,417  
“Large Hail”  
reports in 2011,  
causing extensive  
damage to homes,  
businesses and  
vehicles



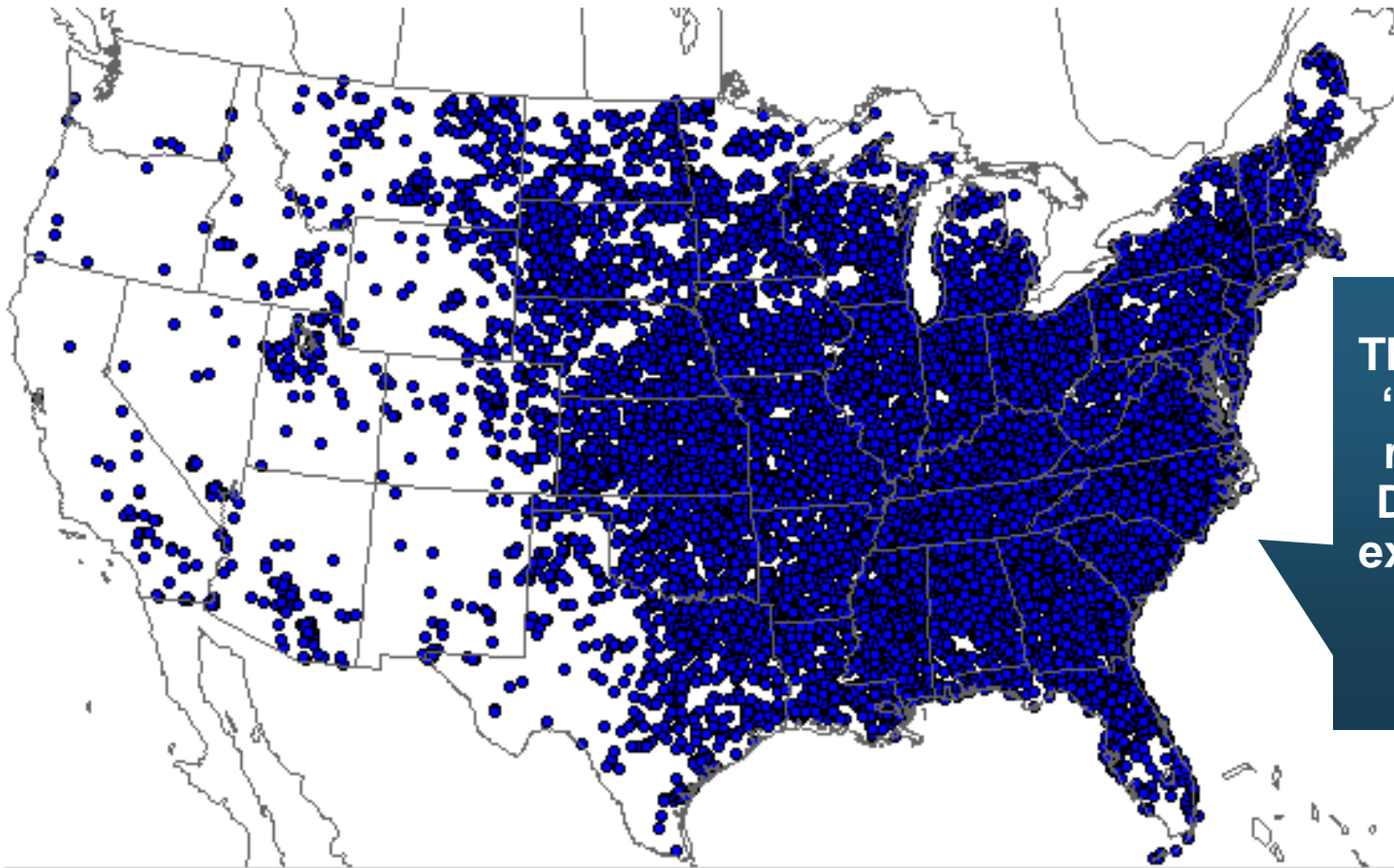
PRELIMINARY SEVERE WEATHER  
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Hail Reports  
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

# Location of Wind Damage Reports in the US, 2011



There were 18,685  
“Wind Damage”  
reports through  
Dec. 27, causing  
extensive damage  
to homes and,  
businesses



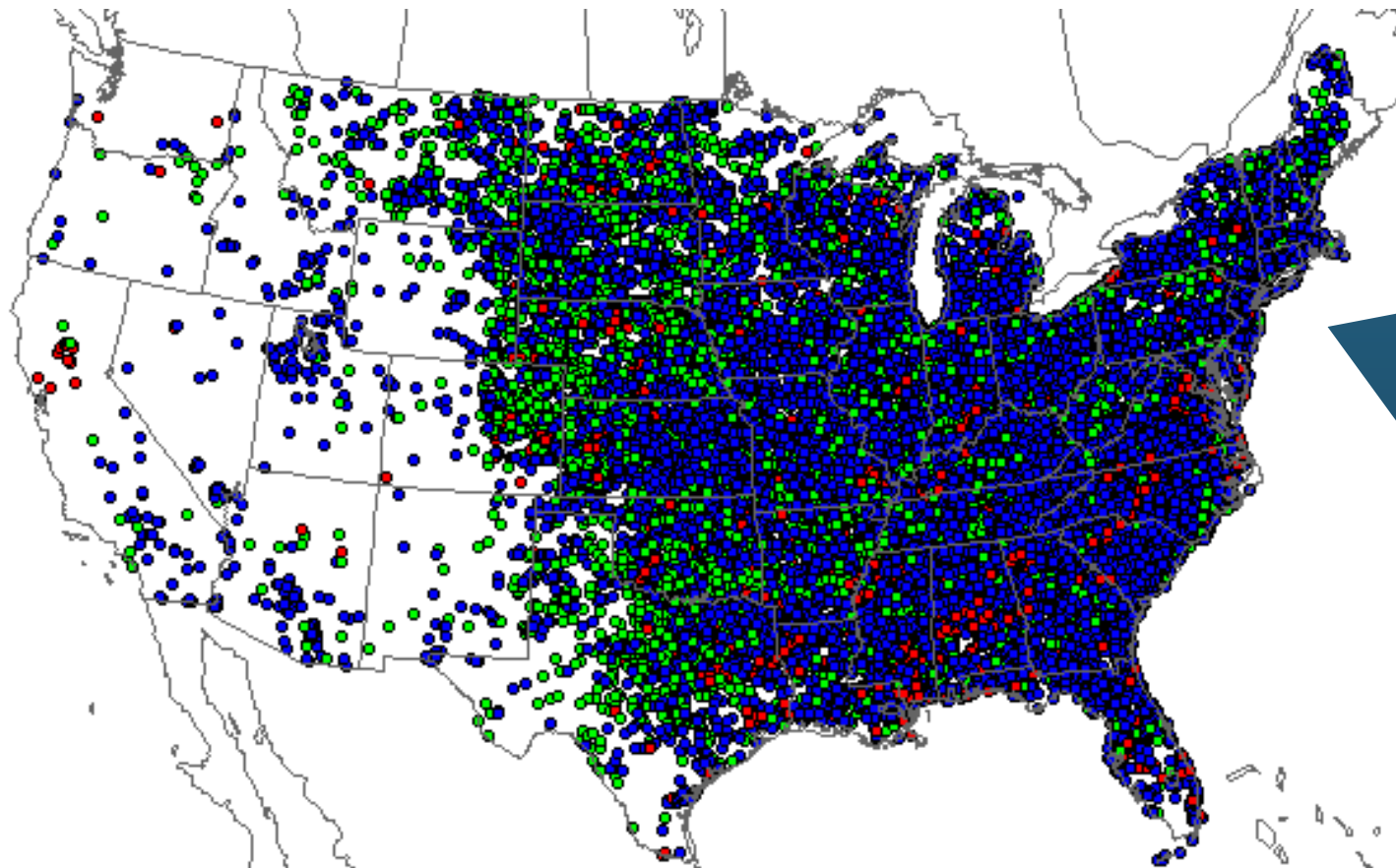
PRELIMINARY SEVERE WEATHER  
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Wind Reports  
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

# 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

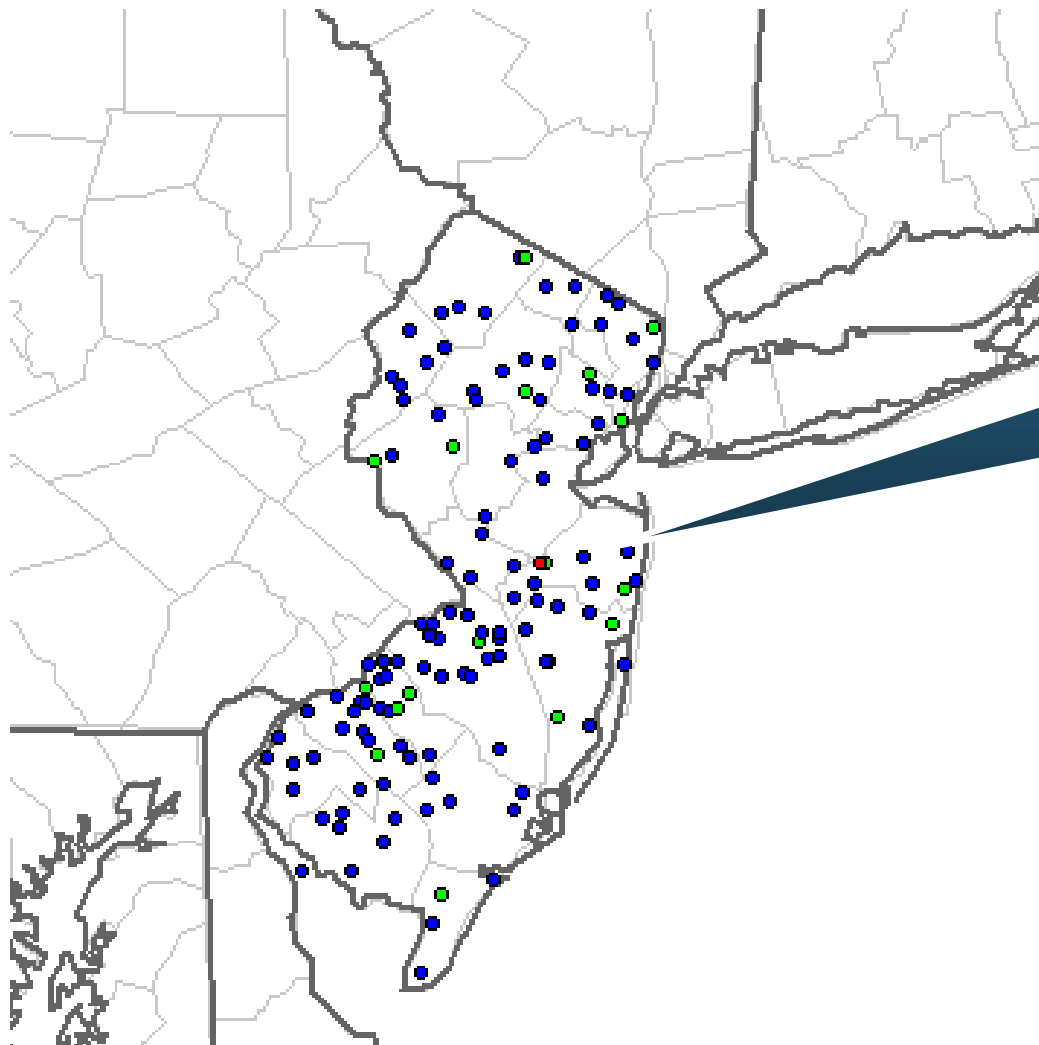
Updated: Tuesday December 27, 2011 16:35 CT



# **New Jersey's 2011 Severe Loss Summary**

**Severe Weather Took its Toll on the  
Garden State Last Year**

# Severe Weather Reports in New Jersey, January 1—December 31, 2011



There were 172  
severe weather  
reports in NJ in 2011  
(none so far in 2012)

## **NEW JERSEY**

***Total Reports = 172***

Tornadoes = 1 (Red)

Hail Reports = 30 (Green)

Wind Reports = 141 (Blue)



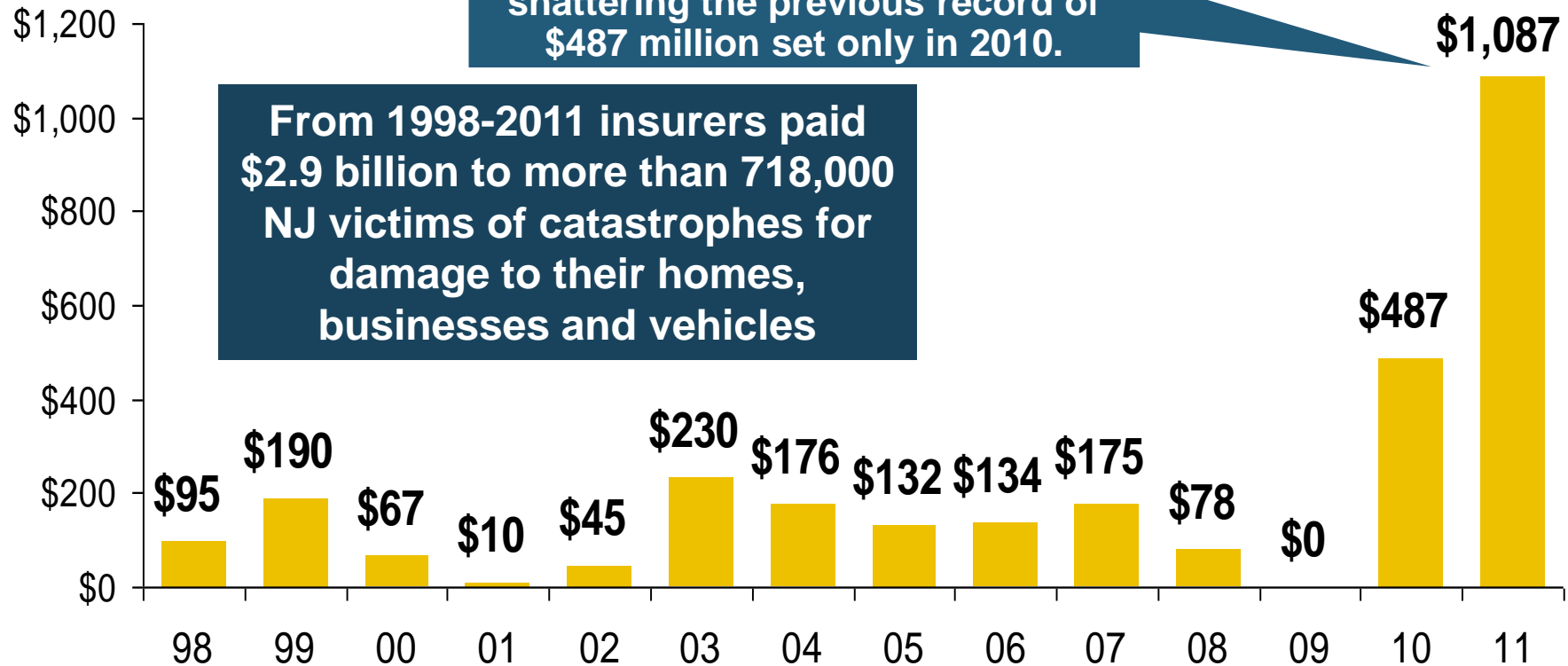


# History of Insured Catastrophe Losses in New Jersey

**New Jersey is No Stranger to  
Catastrophic Losses**

# Value of New Jersey Insured Catastrophe Losses: 1998–2011\*

(\$ Millions)



At \$1.1 billion, 2011 was the most expensive year ever for insured catastrophe losses in NJ, shattering the previous record of \$487 million set only in 2010.

From 1998-2011 insurers paid \$2.9 billion to more than 718,000 NJ victims of catastrophes for damage to their homes, businesses and vehicles

**Insurers Paid an Average of \$208 million per Year to More than 51,000 Victims of Catastrophes in New Jersey from 1998-2011**

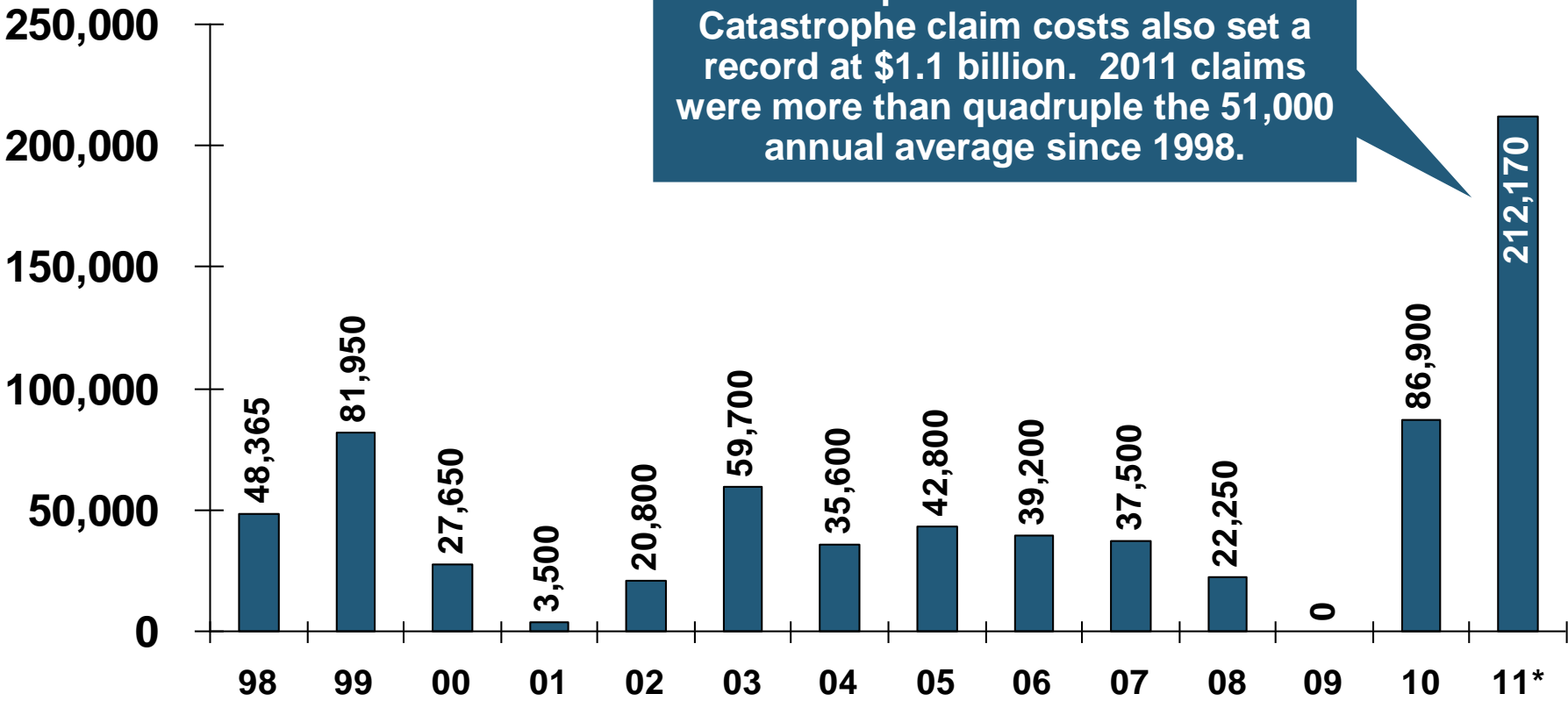
\*Data are current through March 2, 2012.  
Source: PCS unit of ISO; Insurance Information Institute.



# Number of Homeowners Catastrophe Losses Paid by Insurers in NJ, 1998-2011\*



(Number of Claims Paid)



2011 saw the largest number of catastrophe claims ever in NJ. Catastrophe claim costs also set a record at \$1.1 billion. 2011 claims were more than quadruple the 51,000 annual average since 1998.

**Insurers in New Jersey Paid More Than 718,000 Catastrophe Claims Between 1998 and 2011 to Policyholders Across the State**

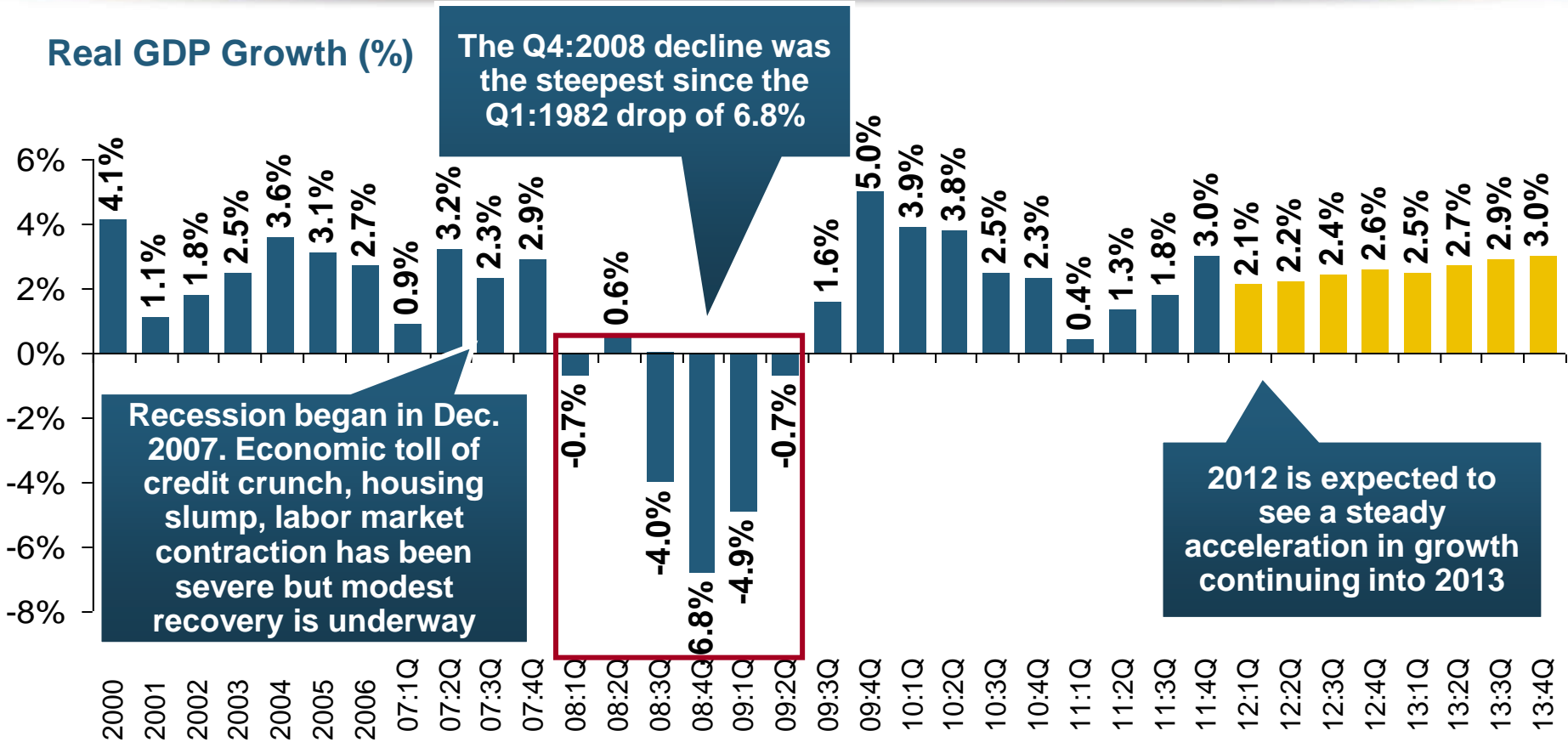
\*Data are current through March 2, 2011.  
Source: PCS unit of ISO; Insurance Information Institute calculations.



# **The Strength of the Economy Will Influence P/C Insurer Growth Opportunities**

**Growth Will Expand Insurable Exposures  
and Help Absorb Excess Capital**

# US Real GDP Growth\*

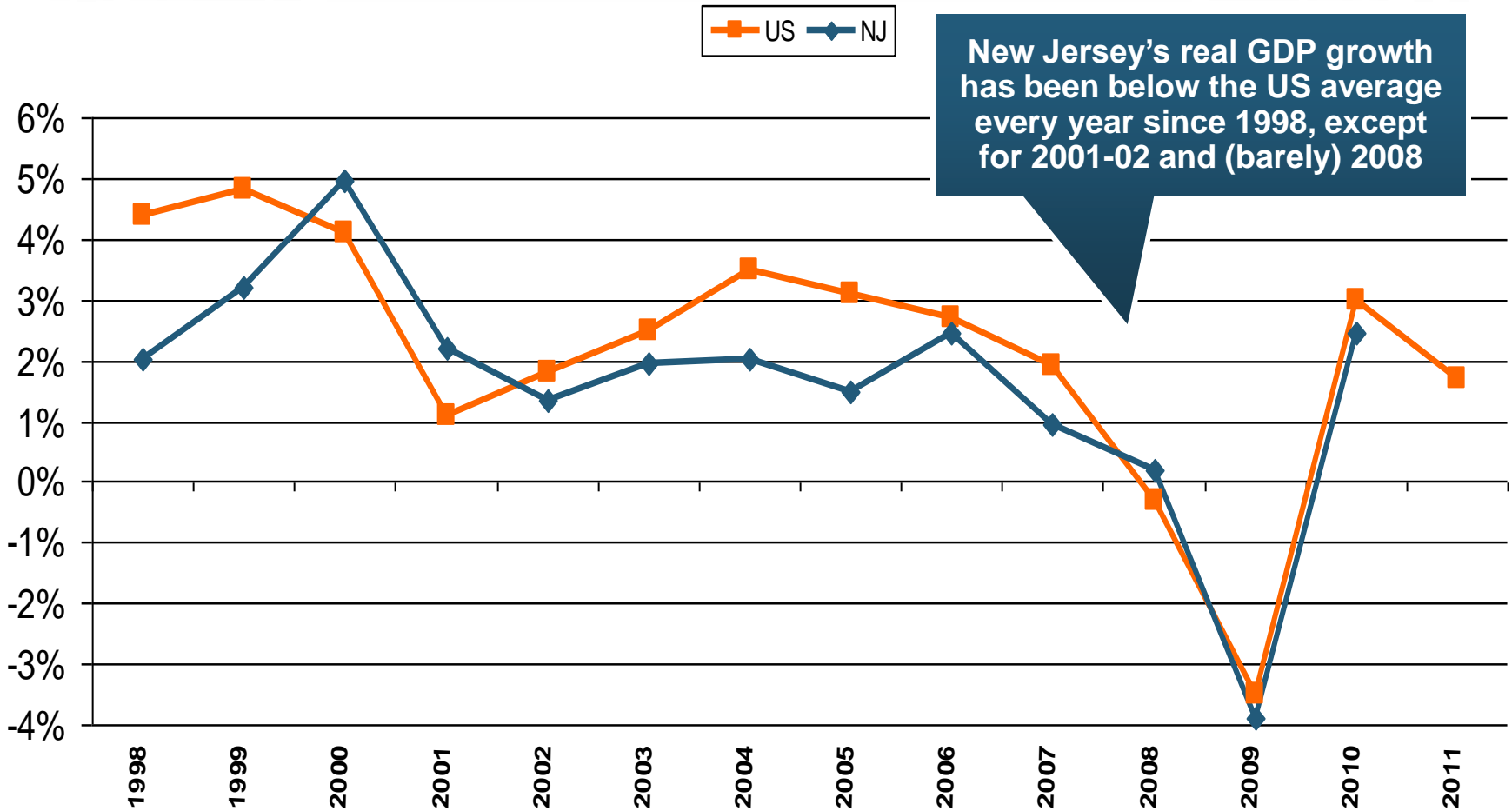


**Demand for Insurance Continues To Be Impacted by Sluggish Economic Conditions, but the Benefits of Even Slow Growth Will Compound and Gradually Benefit the Economy Broadly**

\* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 2/12; Insurance Information Institute.

# Annual Real GDP\* Growth, NJ vs. US, 1998-2010



\*chained 2005 dollars

Source: U.S. Department of Commerce at <http://www.bea.gov>.

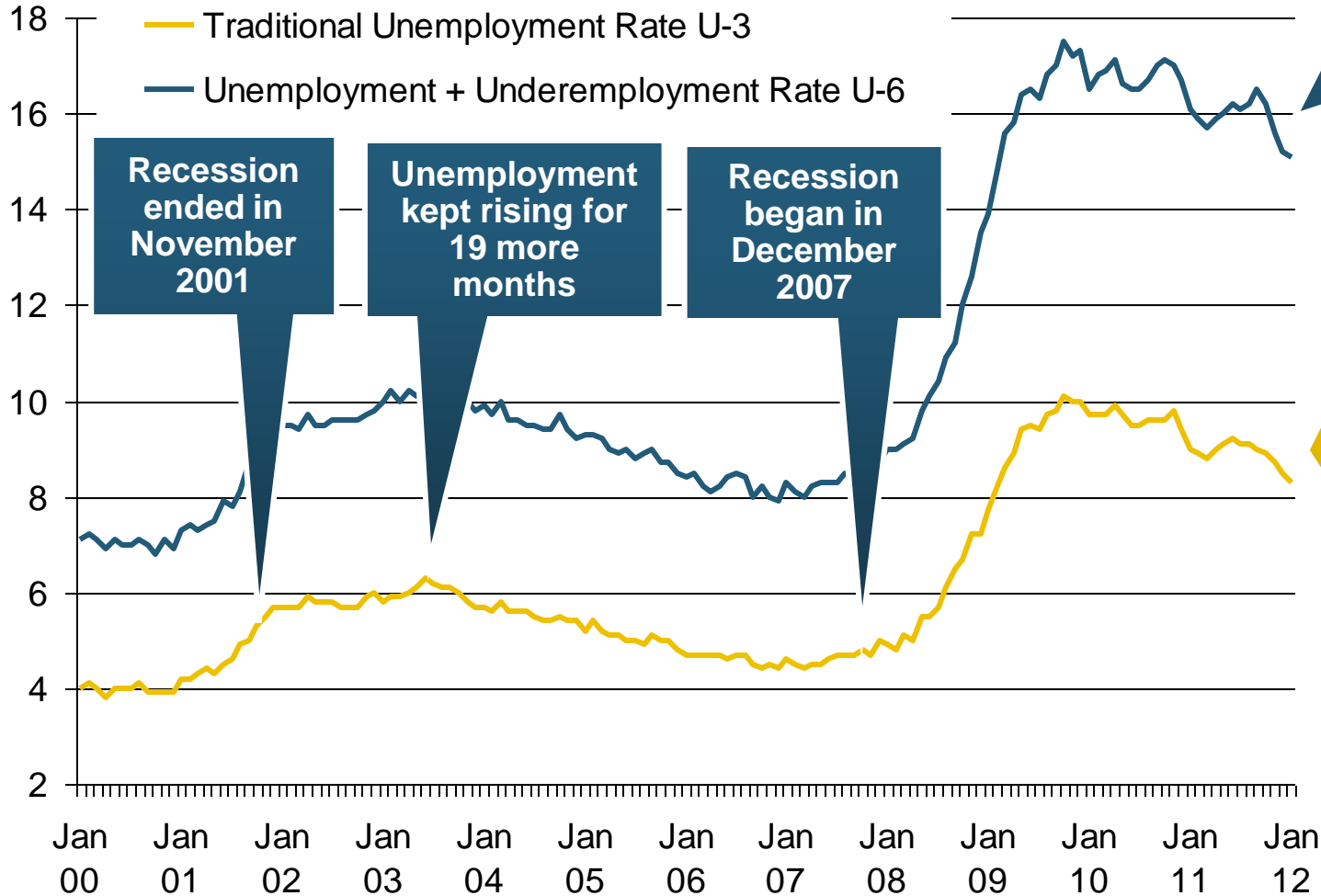


# Labor Market Trends

**Massive Job Losses Sapped the Economy and Commercial/Personal Lines Exposure, But Trend is Improving**

# Unemployment and Underemployment Rates: Stubbornly High in 2011, But Falling

January 2000 through January 2012, Seasonally Adjusted (%)



**U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 15.1% in Jan. 2012**

**Unemployment stood at 8.3% in January 2012**

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

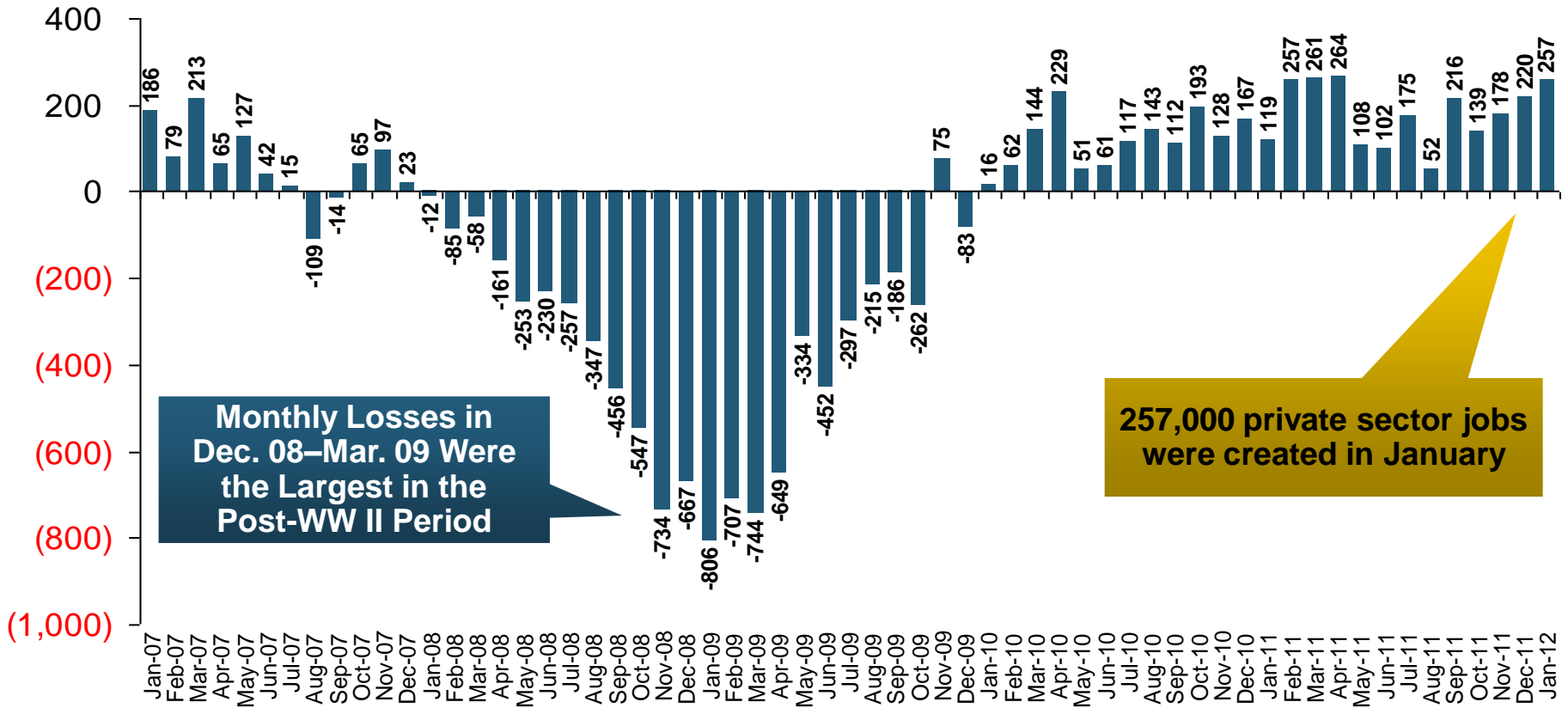
**Peak rate in the last 30 years: 10.8% in November - December 1982**

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

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

# Monthly Change in Private Employment

January 2008 through January 2012\* (Thousands)



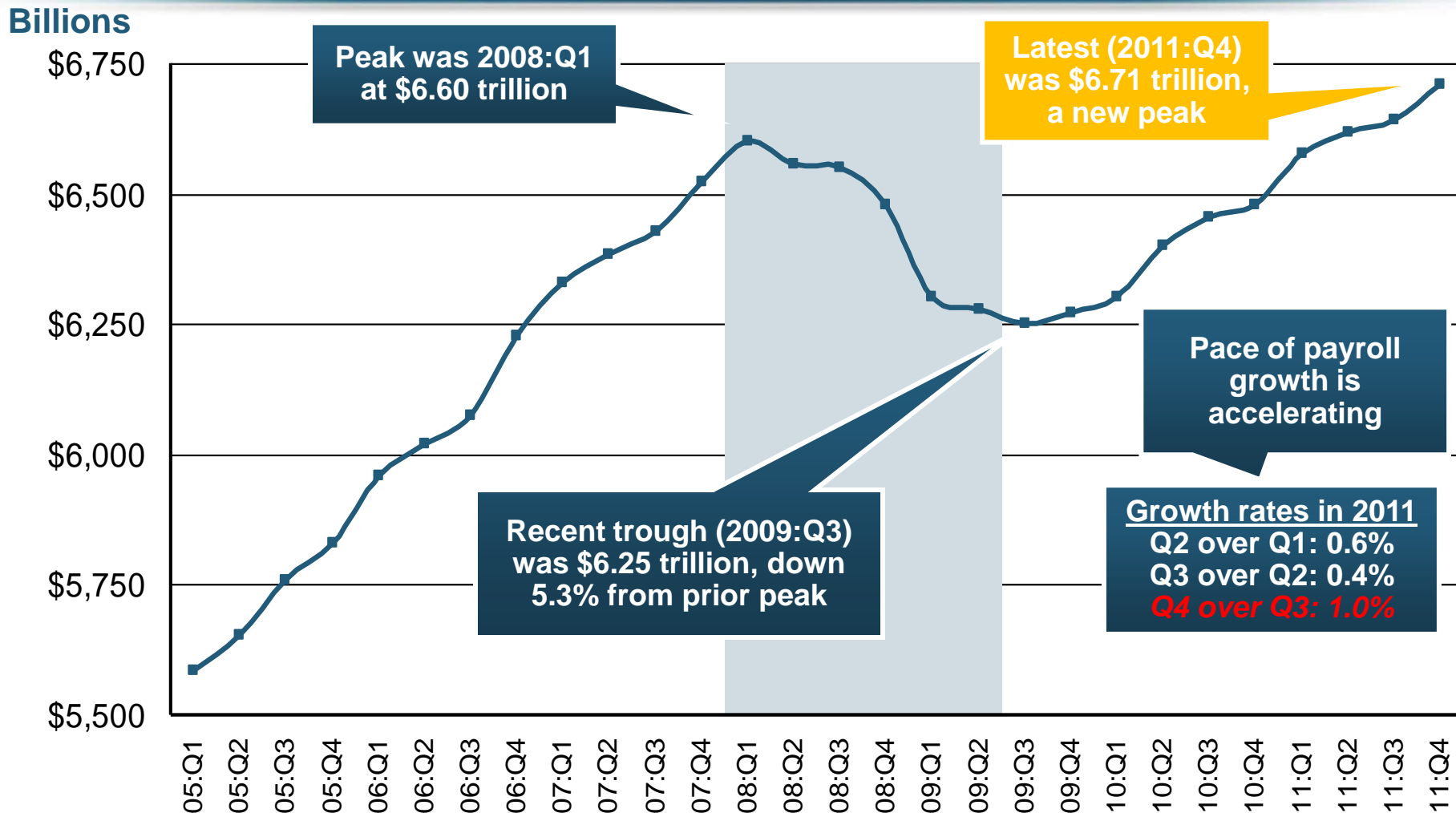
Monthly Losses in Dec. 08–Mar. 09 Were the Largest in the Post-WW II Period

257,000 private sector jobs were created in January

Private Employers Added 3.771 million Jobs Since Jan. 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)



# Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2011:Q4



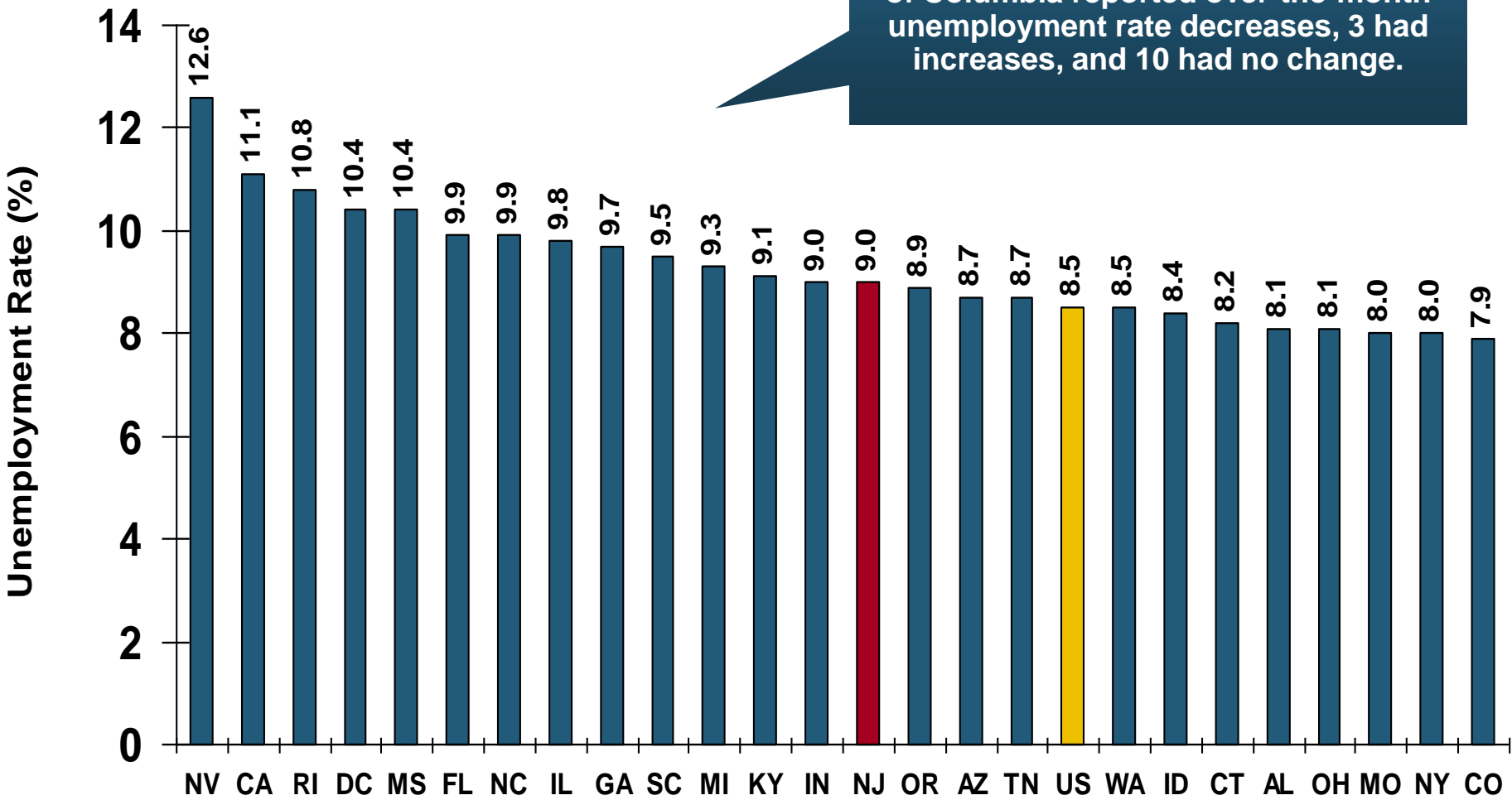
Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.

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

# Unemployment Rates by State, December 2011: Highest 25 States\*



In December, 37 states and the District of Columbia reported over-the-month unemployment rate decreases, 3 had increases, and 10 had no change.



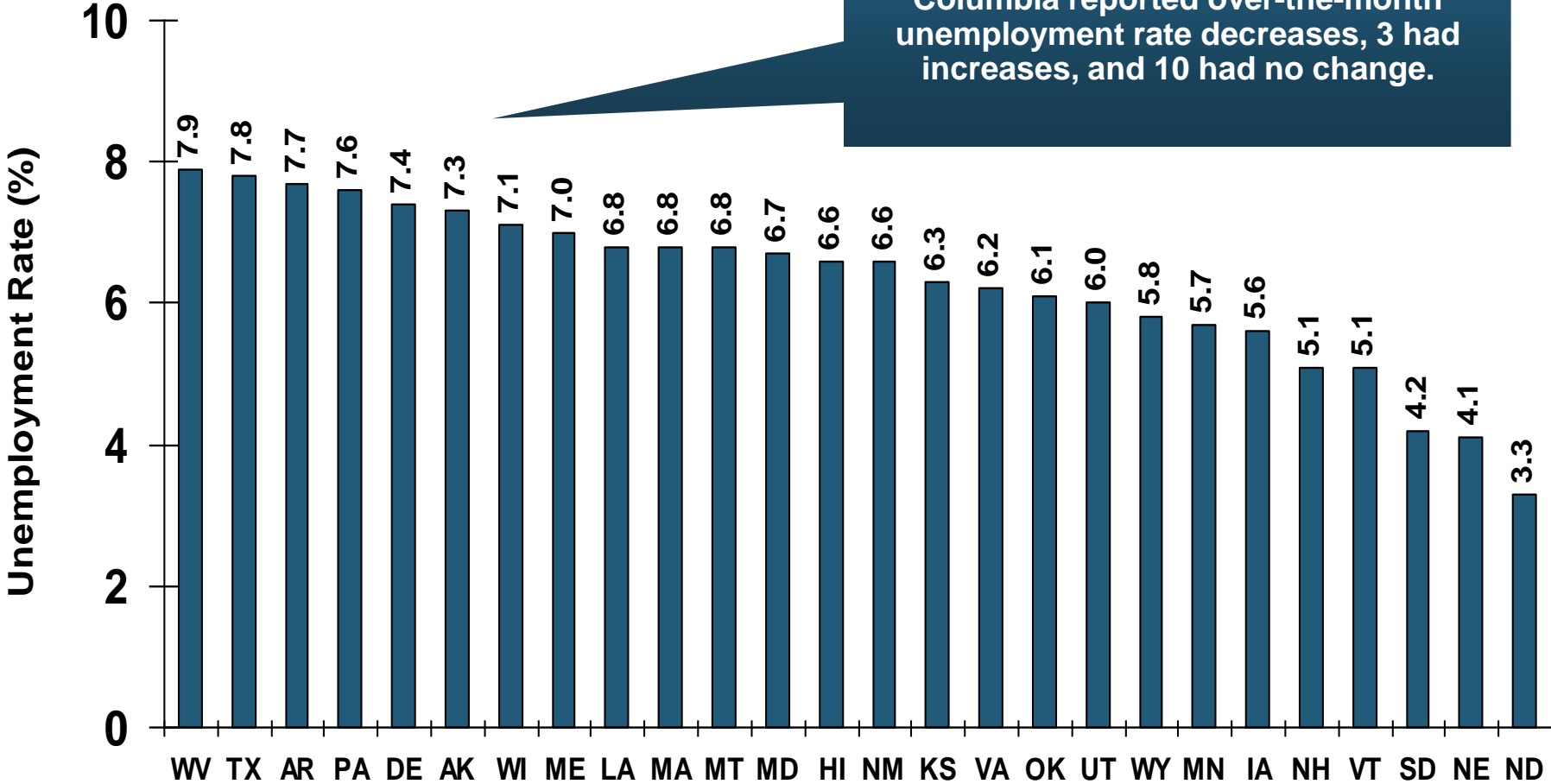
\*Provisional figures for December 2011, seasonally adjusted.

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

# Unemployment Rates By State, December 2011: Lowest 25 States\*



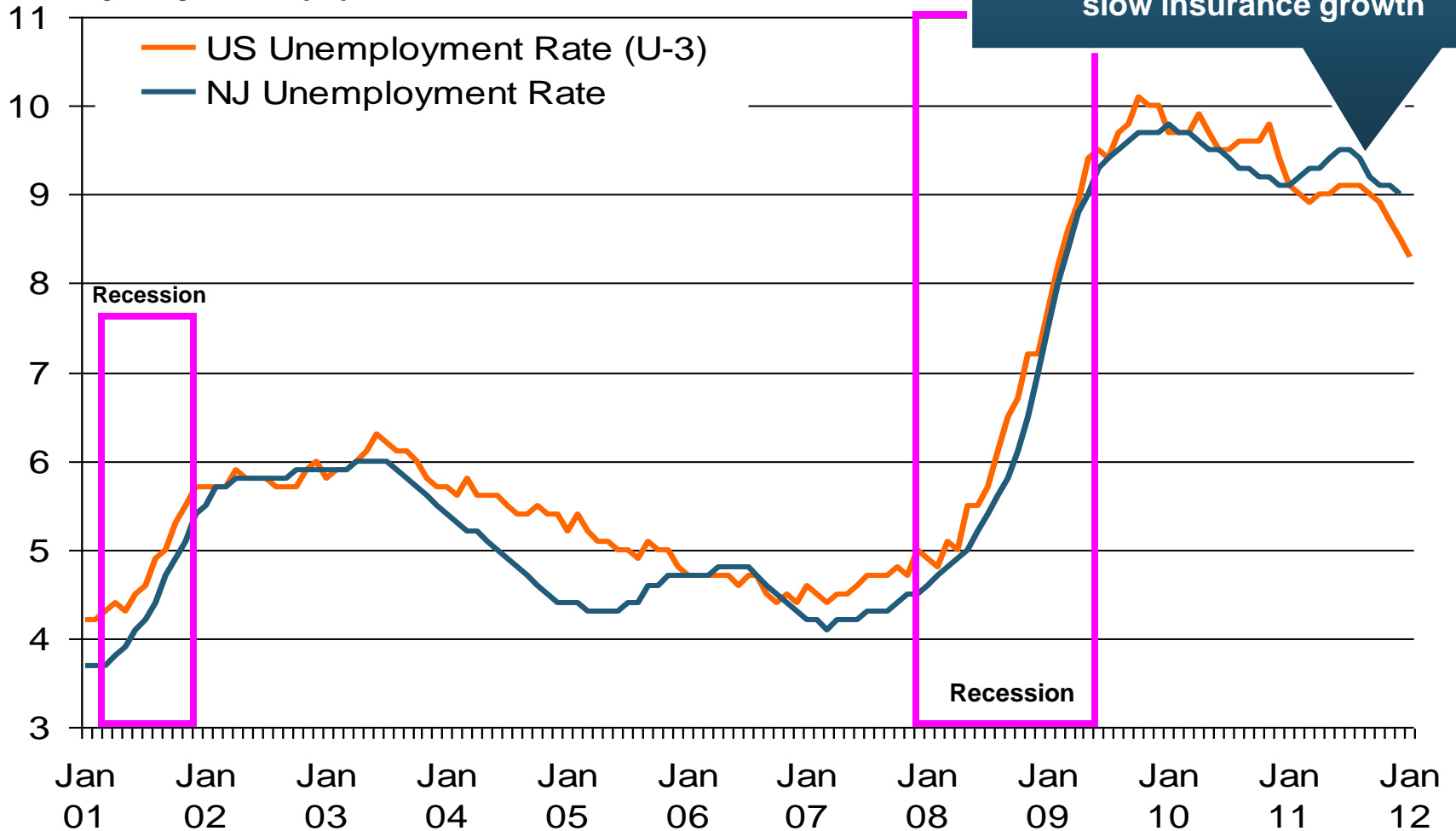
In December, 37 states and the District of Columbia reported over-the-month unemployment rate decreases, 3 had increases, and 10 had no change.



\*Provisional figures for December 2011, seasonally adjusted.  
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

# Unemployment Rate: NJ vs. US

Monthly, January 2001  
through December 2011,  
Seasonally Adjusted (%)



Insurance Information Institute Online:

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