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Japan, Global Catastrophe Losses Trends and the Impacts on Insurance & Reinsurance Markets

NAMIC Personal Lines Seminar
Chicago, IL
April 22, 2011

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Presentation Outline

- **Summary of the March 11 Japan Earthquake**
  - Review of other recent major global catastrophes
  - Potential impacts of large global catastrophe losses on US P/C markets
  - Take-up rates for earthquake coverage in the US: CA and New Madrid markets
- **Reinsurance Market Overview**
  - Capital & capacity
  - Underwriting performance and the insurance cycle
  - Importance of reinsurance in large scale catastrophes
- **Earthquakes: Historical Analysis**
  - Japan, Global & US
- **Global Catastrophe Loss Overview**
- **US Catastrophe Loss Review**
  - Insured Losses
  - Outlook for 2011 Hurricane Season
- **P/C Profitability Overview & Outlook**
  - Growth, Underwriting Performance, Investments
- **Economic Outlook**
  - Impacts on the P/C insurance industry
- **Q&A**

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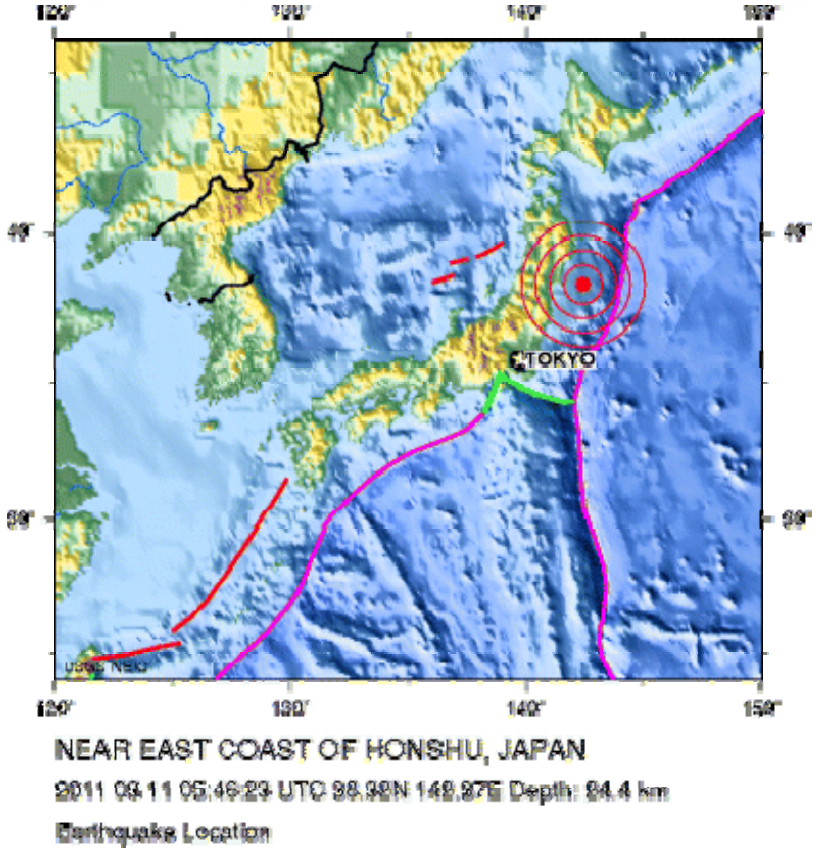
Summary of Japan Earthquake

The March 11 Quake is Just the Most Recent of Several Large Catastrophe Losses

Location of March 11, 2011 Earthquake Near Sendai, Honshu, Japan



LOCATION

130 km (80 miles) E of **Sendai, Honshu, Japan**
178 km (110 miles) E of **Yamagata, Honshu, Japan**
178 km (110 miles) ENE of **Fukushima, Honshu, Japan**
373 km (231 miles) NE of **TOKYO, Japan**

March 11 Earthquake Facts as of 4/21/2011

- Magnitude 9.0 earthquake struck Japan at 2:46PM local time (2:46AM Eastern) off northeast coast of Honshu, 80 miles east of Sendai
- Quake is among the 5 strongest in recorded history and the strongest in the 140 years for which records have been kept in Japan
- 12,000+ fatalities
- Economic loss: $100 - $300 bn
- Insured losses up to $45 bn
- Fukushima Nuclear Plant threat level raised to Category 7 on April 11 (highest, same as Chernobyl)
- Significant tsunami damage was recorded in Japan; relatively minor damage on the U.S. West Coast

Source: US Geological Service; Insurance Information Institute.

Insured Japan Earthquake Loss Estimates*

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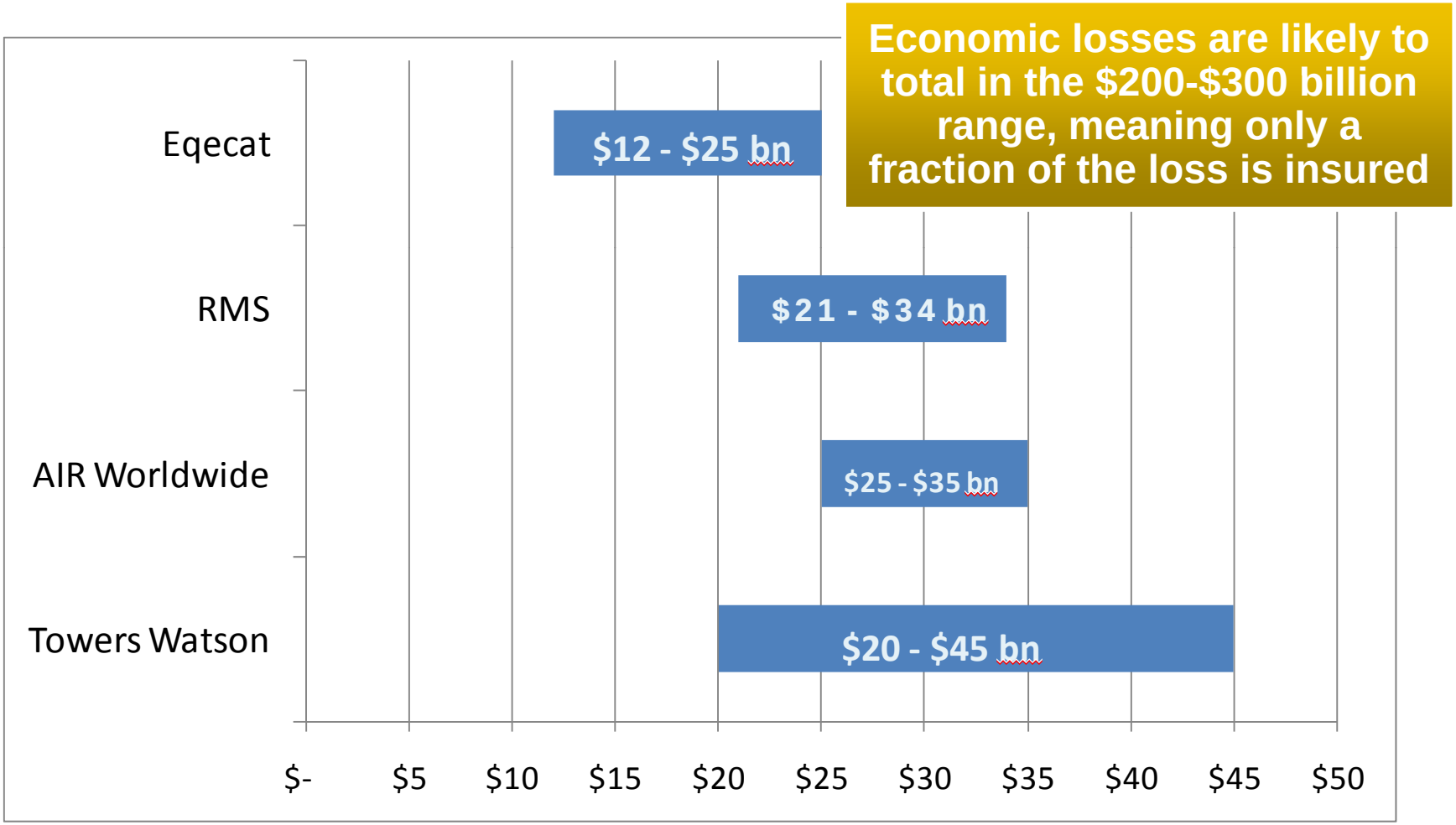
(Insured Losses, $ Billions)



*As of April 21, 2011. Towers Watson estimate includes $3.0 (low) to $4.9 billion (high) in life insurance losses. RMS estimate includes insured life/health losses of $3 to $8 billion.

Sources: AIR Worldwide, Eqecat, RMS, Towers Perrin; Insurance Information Institute.

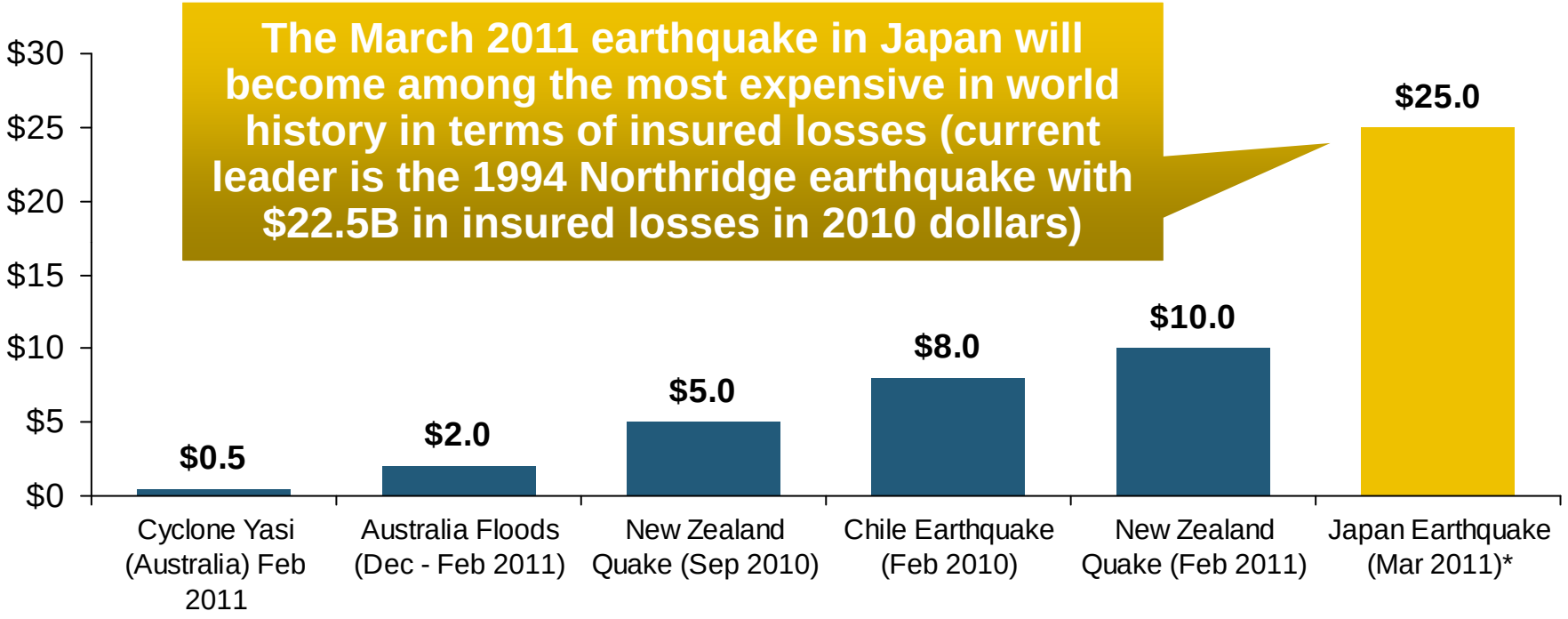
Top 20 Nonlife Insurance Companies in Japan by DPW, 2008

Rank	Companies	Direct premiums written, 2008		Market share	Cumulative Market Share
		JPY (millions)	U.S. ($ millions)		
1	Tokio & Marine Nichido	$2,032,131.2	$19,660.9	24.0%	24.0%
2	Sompo Japan	1,504,262.7	14,553.8	17.8	41.8%
3	Mitsui Sumitomo	1,455,161.8	14,078.7	17.2	59.0%
4	Aioi	897,182.6	8,680.3	10.6	69.6%
5	Nipponkoa	728,262.9	7,046.0	8.6	78.2%
6	Nisay Dowa	361,530.7	3,497.8	4.3	82.5%
7	Fuji	329,345.7	3,186.4	3.9	86.4%
8	AIU	253,522.8	2,452.8	3.0	89.4%
9	Kyoei	199,393.1	1,929.1	2.4	91.8%
10	Nisshin	149,735.8	1,448.7	1.8	93.6%
11	American Home	82,889.8	802.0	1.0	94.6%
12	Asahi	73,600.1	712.1	0.9	95.5%
13	Sony	60,868.3	588.9	0.7	96.2%
14	ACE	54,876.2	530.9	0.7	96.9%
15	Zurich	45,471.3	439.9	0.5	97.4%
16	SECOM	44,245.0	428.1	0.5	97.9%
17	Sumi Sei	33,594.0	325.0	0.4	98.3%
18	AXA	30,418.9	294.3	0.4	98.7%
19	Mitsui Direct	29,471.9	285.1	0.4	99.1%
20	Daido	15,690.4	151.8	0.2	99.3%

Source: © AXCO 2011.

Recent Major Catastrophe Losses

(Insured Losses, $US Billions)



Insured Losses from Recent Major Catastrophe Events Exceed $50 Billion, an Estimated $48 Billion of that from Earthquakes

*Midpoint of AIR Worldwide estimated insured loss range of $15 billion to $35 billion as of March 13, 2011. Does not include tsunami losses.

Sources: Insurance Council of Australia, Munich Re, AIR Worldwide; Insurance Information Institute.

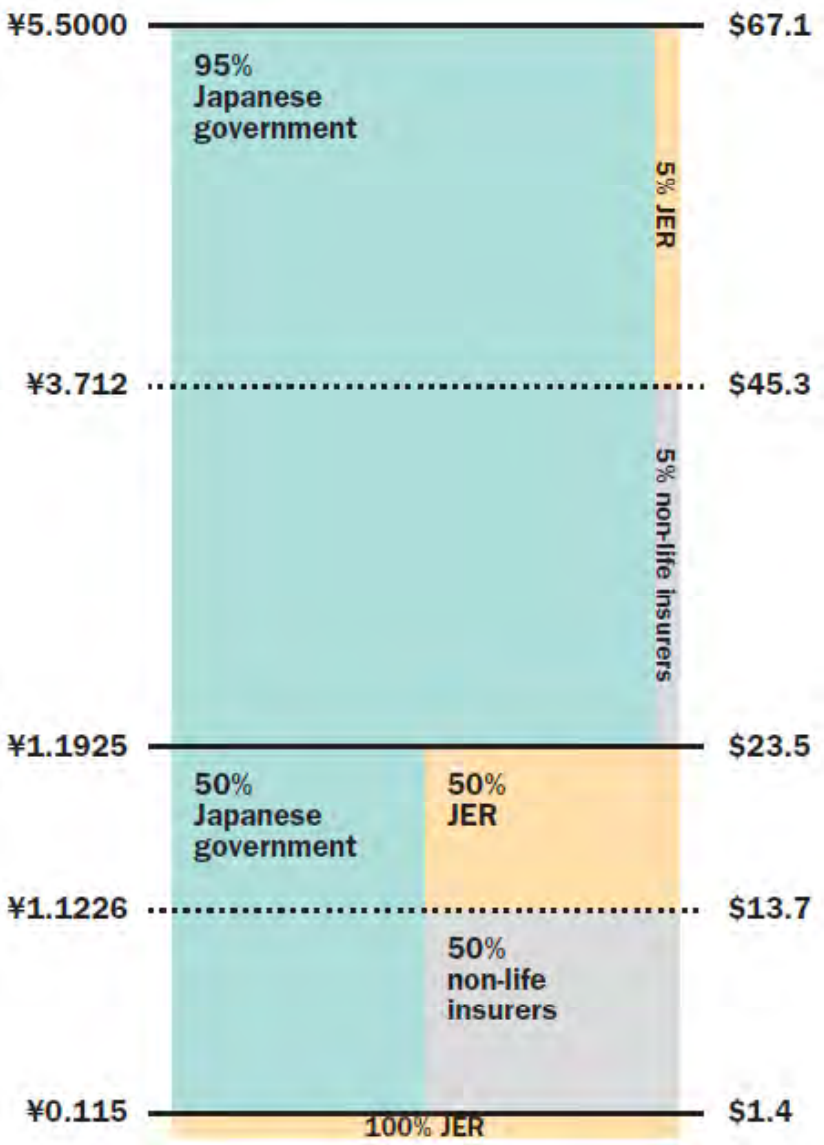
Breakdown of Japan Earthquake Insured Loss Estimate by Type of Loss

Type of Loss	Low Estimate	% of Total	High Estimate	% of Total
Residential	$9.5	47.5%	$21.9	48.7%
Commercial	4.7	23.5	11.0	24.4%
Life	3.0	15.0	4.9	10.9%
Marine	1.1	5.5	1.5	3.3%
Auto	0.2	1.0	0.7	1.6%
International Insurance	1.5	7.5	5.0	11.1%
Total	$20.0	100.0%	$45.0	100.0%

It Is Assumed that All Nuclear/Radiation Losses Will Fall to the Japanese Government

Source: Towers Perrin; Insurance Information Insrtitute.

Structure of Japanese Earthquake Insurance Loss Sharing Scheme



Source: Towers Perrin; Insurance Information Institute.

Residential Quake Coverage in Japan

- The residential property market in Japan is covered by a combination of non-life insurers and cooperative insurers, of which the leading provider is Zenkyoren
- Standard property policies offered by non-life insurers exclude earthquake risk
- Residential earthquake insurance coverage and extended cover to the commercial market are optional coverages
- For a residential EQ policy offered by non-life insurers, the amount of coverage is typically selected by the insured to be between 30% and 50% of the fire limit of coverage, with a maximum limit of ¥50 million for the building and ¥10 million for its contents
- By contrast, the standard property policy offered by Zenkyoren does not exclude earthquake risk
- Combined with the EQ coverage issued by the co-op insurers, roughly half of all households in Japan carry EQ coverage. However, even when covered, the insured typically participates significantly in the exposure

Breakdown of Residential Japan Quake Losses by Type of Insurer

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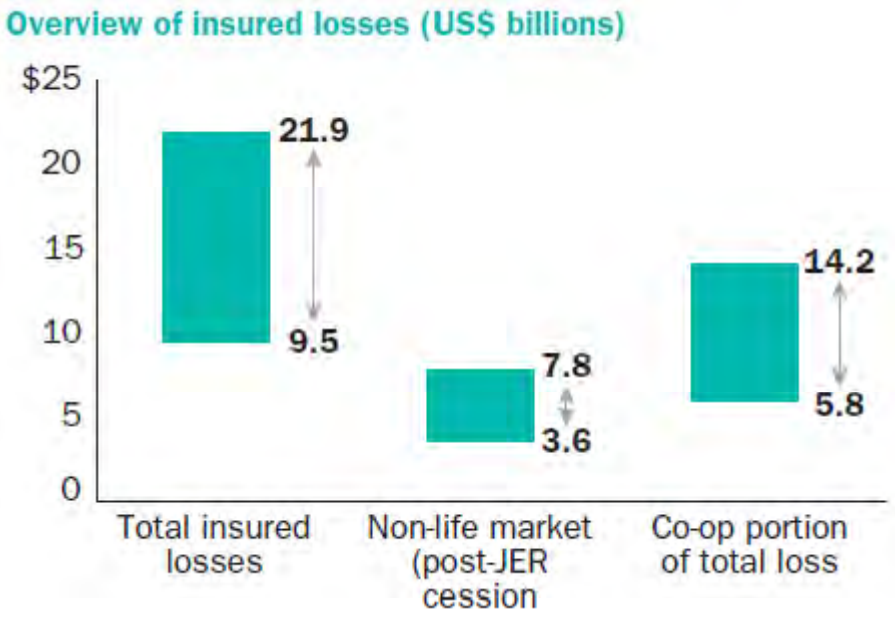

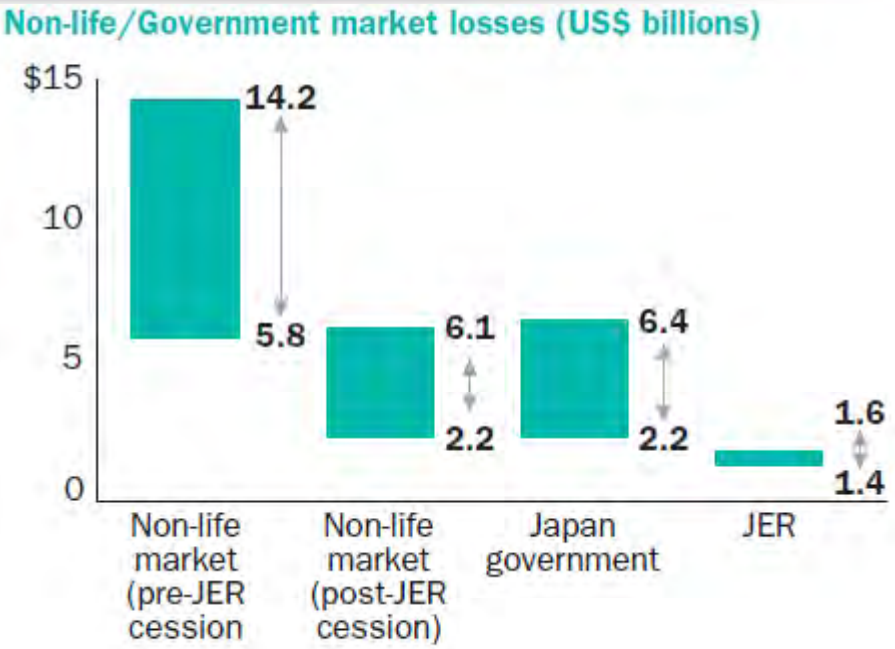

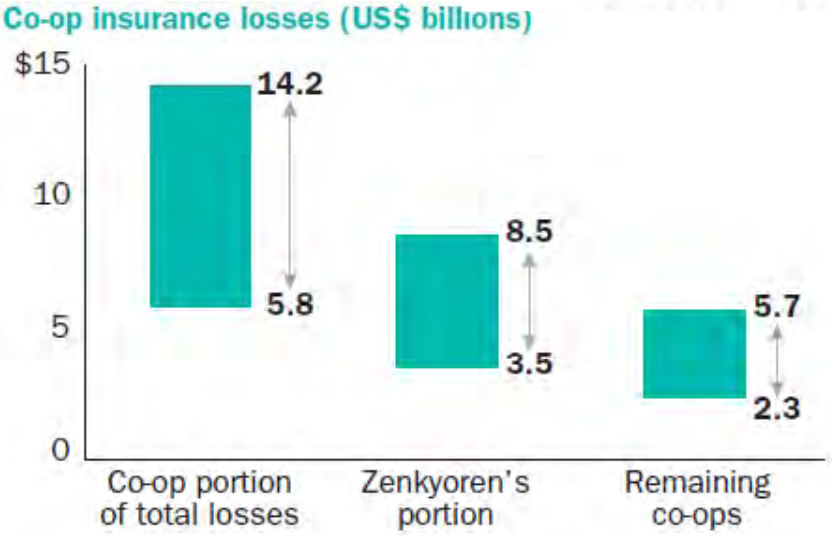

Source: Towers Perrin;
Insurance Information Institute.

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Potential Impacts of Japan Quake & Other Major CATs on P/C (Re)Insurance Markets

Impacts Could Be Felt Well Beyond Japan

Nonlife Insurance Market Impacts of Japan Earthquake

- **Primary Insurance: Downgrades of Some Domestic Japanese Insurers**
- **Significant Absorption of Loss by Japanese Government**
  - Residential earthquake damage
  - Nuclear-related property and liability damage
- **Market Share of Foreign Primary Insurers in Japan is Small**
  - Not a capital event for any non-Japanese primary insurer
- **Significant Impacts for Global Reinsurers**
  - Property-Catastrophe covers on Commercial Lines
  - Business Interruption
  - Contingent Business Interruption
- **Currently an Earnings Event for Global Reinsurers**
  - Not a capital event: Global reinsurance markets entered 2011 with record capital
- **Cost of Property/Catastrophe Reinsurance Rising in Japan, New Zealand, Australia**
  - Up for all; Magnitude of increase is sensitive to size of loss
- **Reinsurance Coverage Remains Available in Affected Regions**
- **Marginal Impact of Cost of US Property-Cat Reinsurance**
  - Market remains well capitalized and competitive
  - Elevated global cat activity could halt price declines for property/cat reinsurance
  - Some believe summer renewals will be up modestly—others believe flat

% of Residences in MO Quake-Prone Areas with Earthquake Coverage, 2009 vs. 2002

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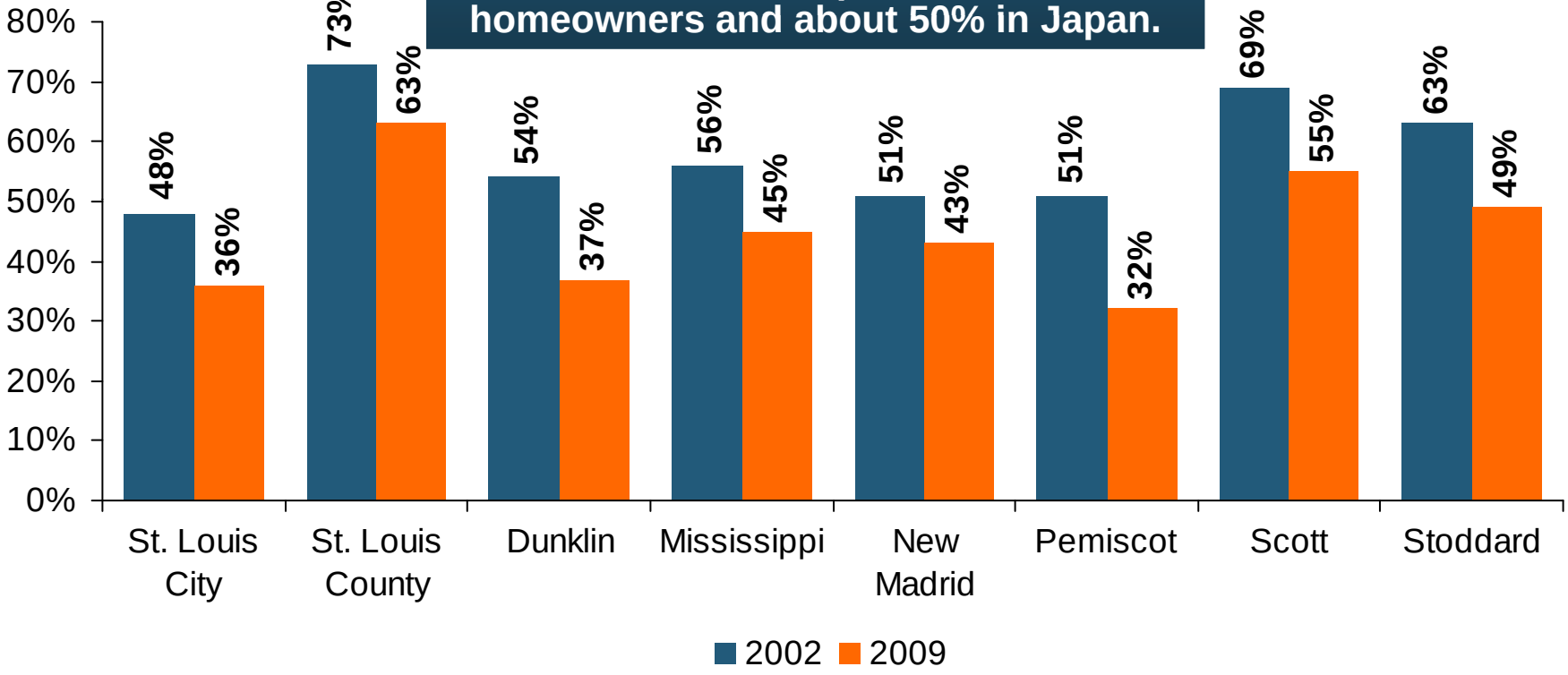
Between 32% and 63% of MO homeowners buy quake coverage in vulnerable areas compared to 12% of CA homeowners and about 50% in Japan.

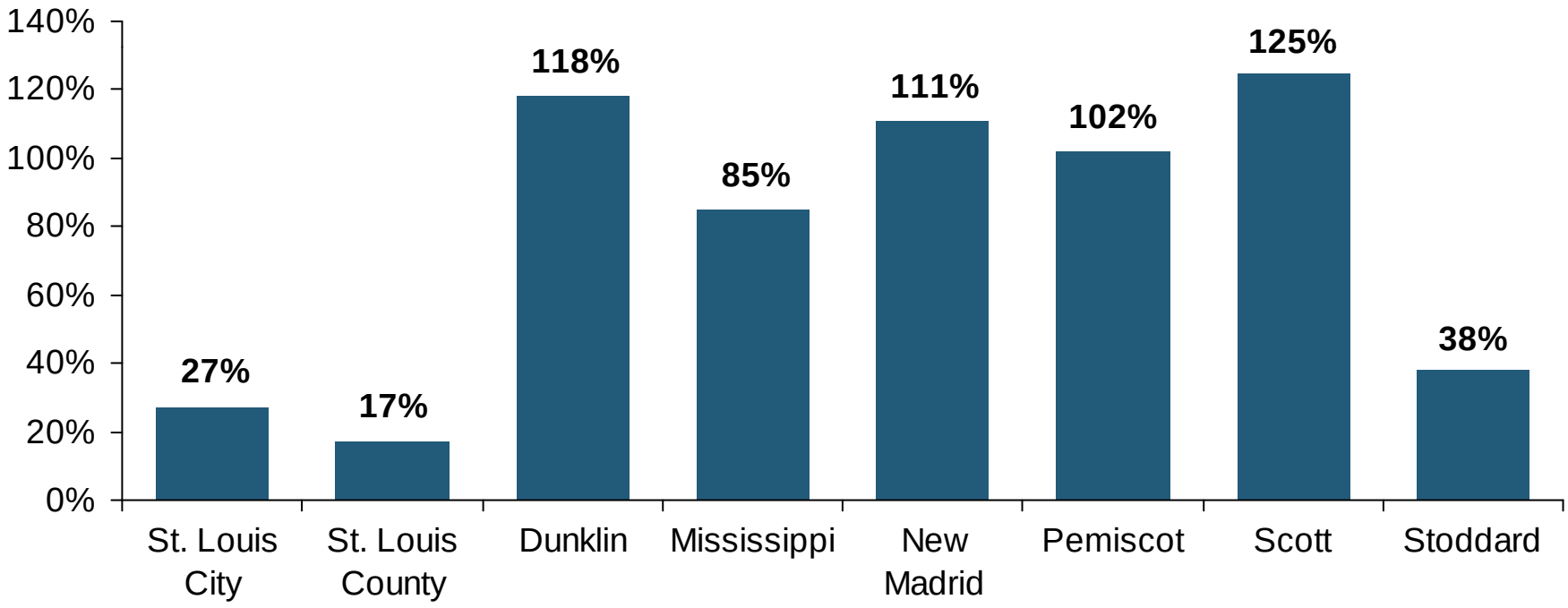


Residential Take-Up Rates in Missouri Quake-Prone Counties Have Fallen Significantly in Recent Years, but Compare Favorably to California (12%)

Sources: Missouri Department of Insurance news release, Feb. 11, 2011; Insurance Information Institute.

Change in Cost of Earthquake Policy in MO Quake-Prone Areas, 2009 vs. 2002

The increase in premiums in earthquake prone areas of MO increased between 17% and 125% between 2002 and 2009



Sources: Missouri Department of Insurance news release, Feb. 11, 2011; Insurance Information Institute.

Percentage of California Homeowners with Earthquake Insurance, 1994-2010*

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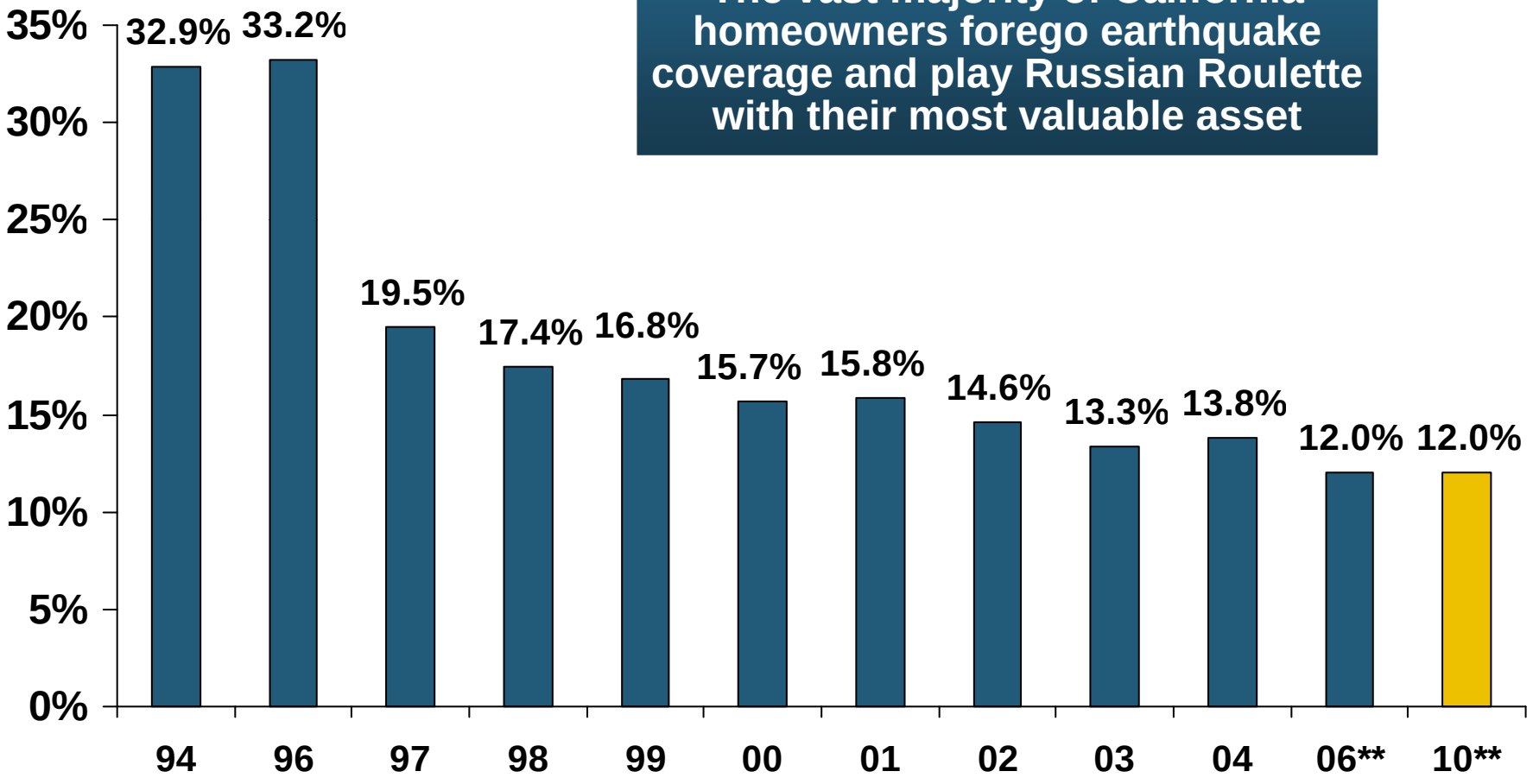
The vast majority of California homeowners forego earthquake coverage and play Russian Roulette with their most valuable asset



*Includes CEA policies beginning in 1996. **2006/10 estimates from Insurance Information Network of CA.
Source: California Department of Insurance; Insurance Information Institute.

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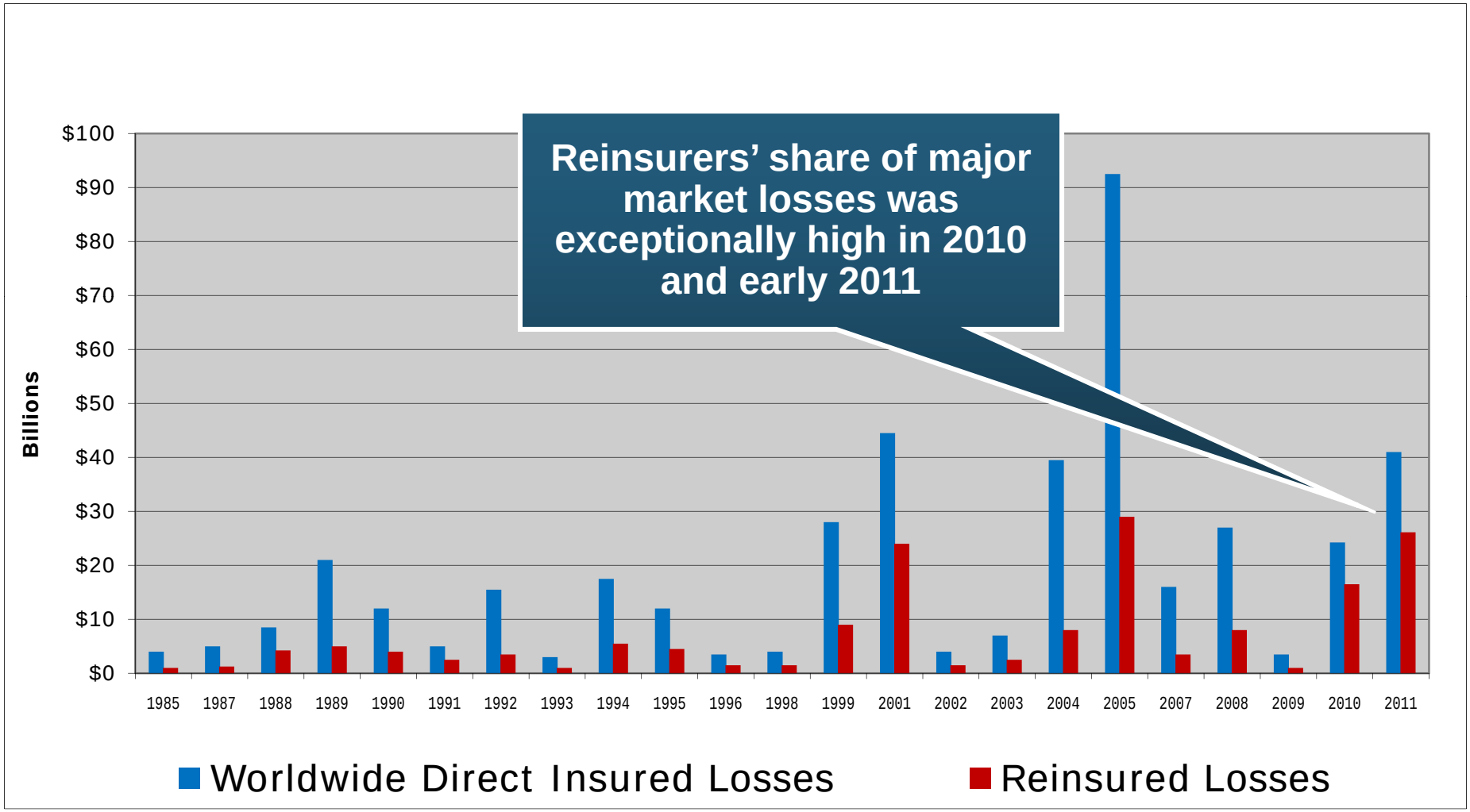
Reinsurance Market Overview

Global Reinsurers Will Bear a Significant Share of the Insured Losses from the Japan Quake and Other Recent Catastrophes

Significant Market Losses, 1985-2011*



Source: Holborn; RAA.

* 2011 events are as of March 31 and are preliminary and may change as loss estimates are refined further.

Significant Market Losses by Event, 1985-2011*

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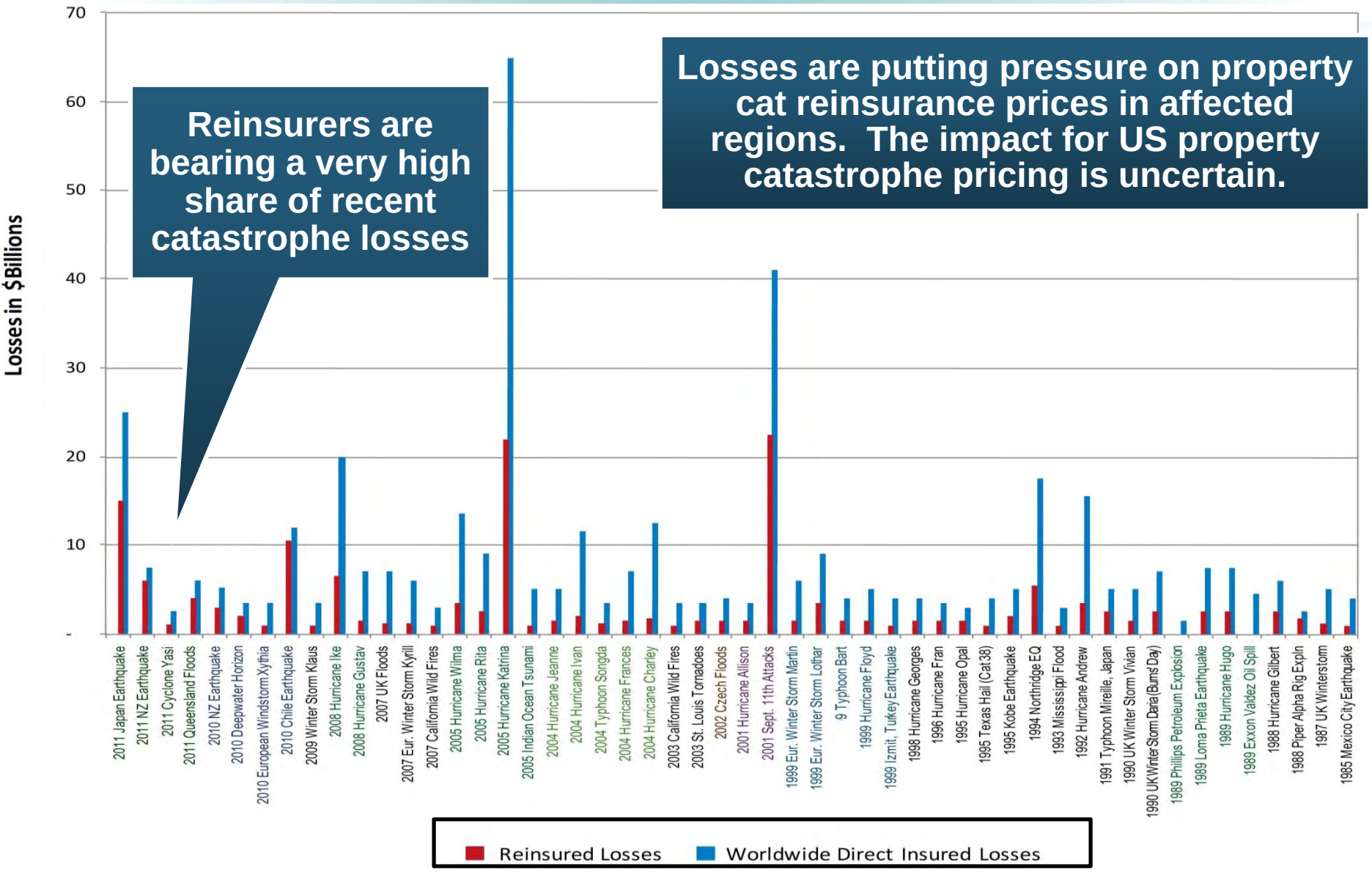

Source: Holborn, RAA. *2011 events as of March 31 are preliminary and may change as loss estimates are refined further.

Change in Reinsurer Capital, 2007-2010:Q3

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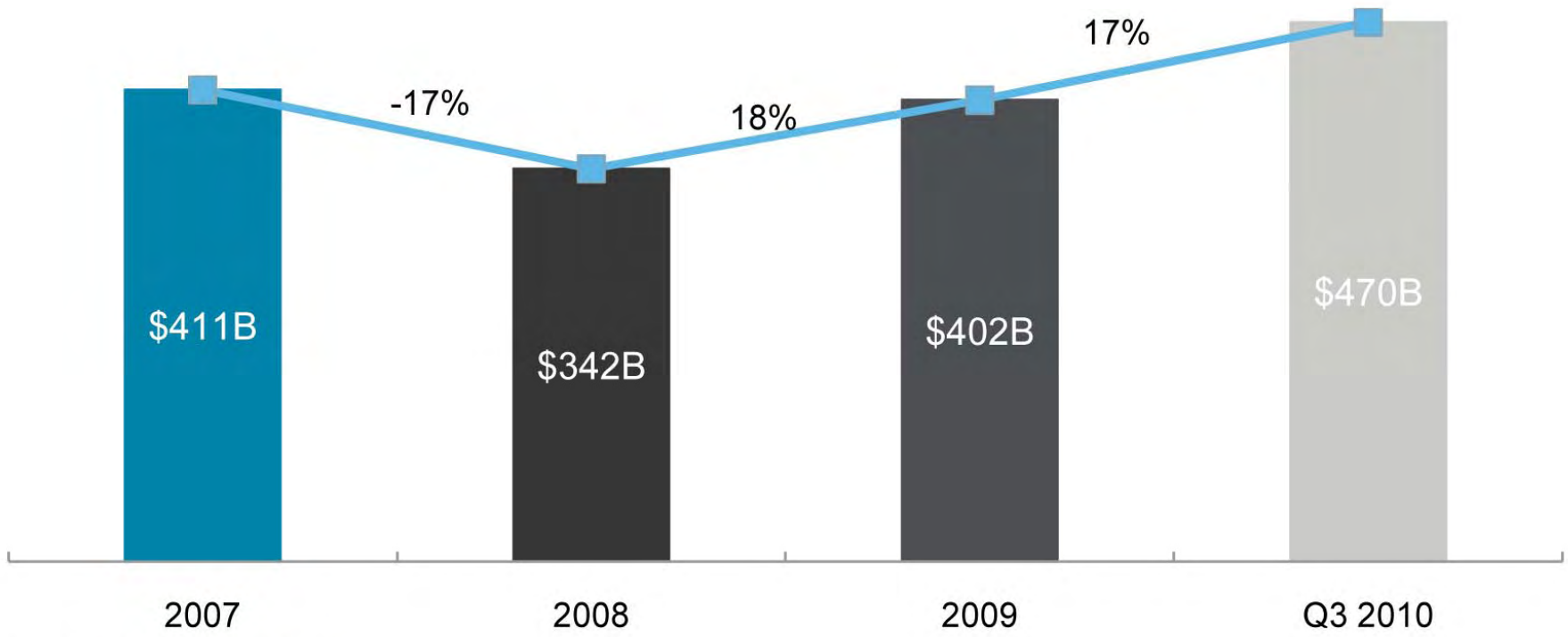
Change in Reinsurer Capital



Source: Aon Benfield Analytics

Change in Reinsurer Capital by Component, FY2009-2010:Q3

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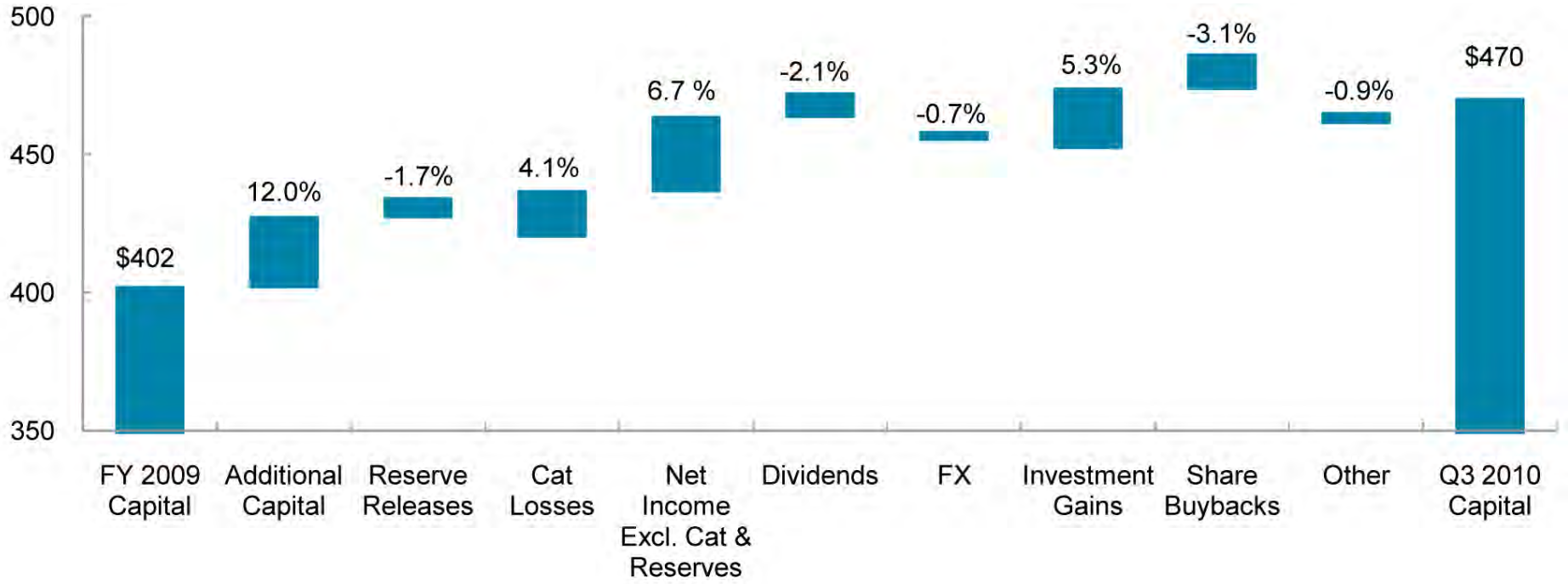
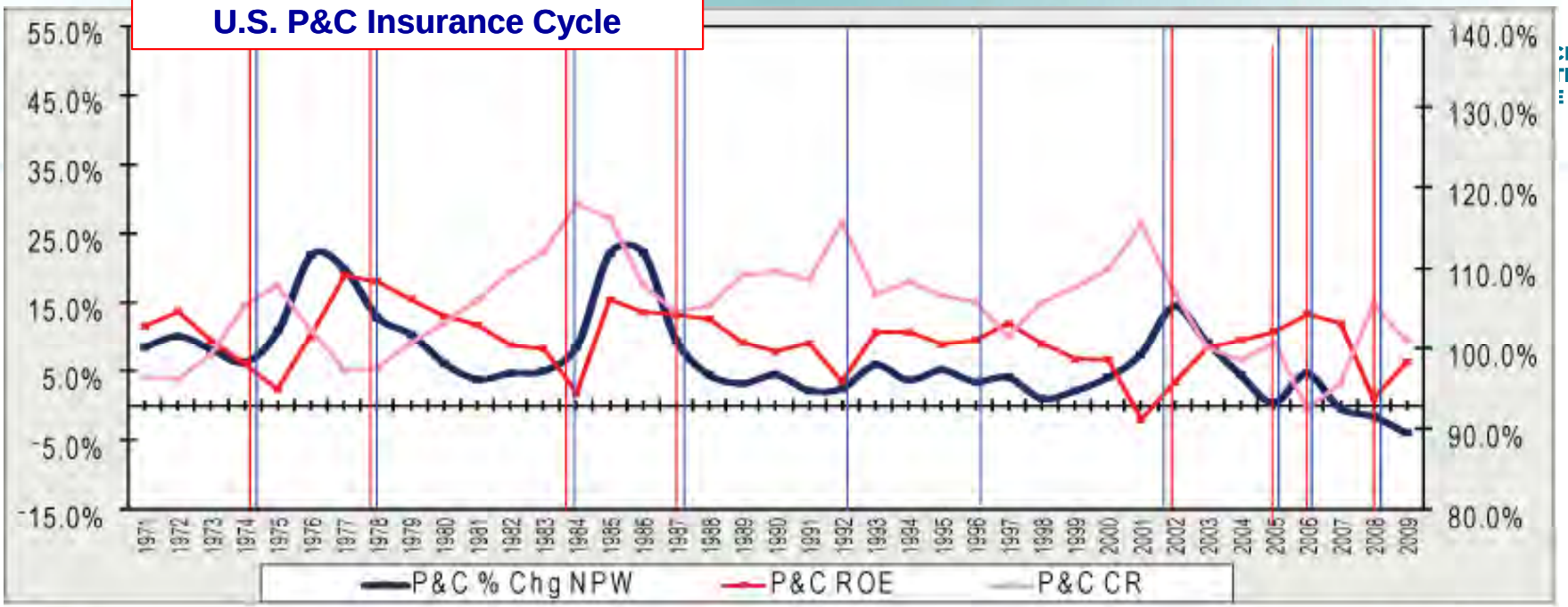
Change in Capital in Billions (FY 2009 vs. Q3 2010)

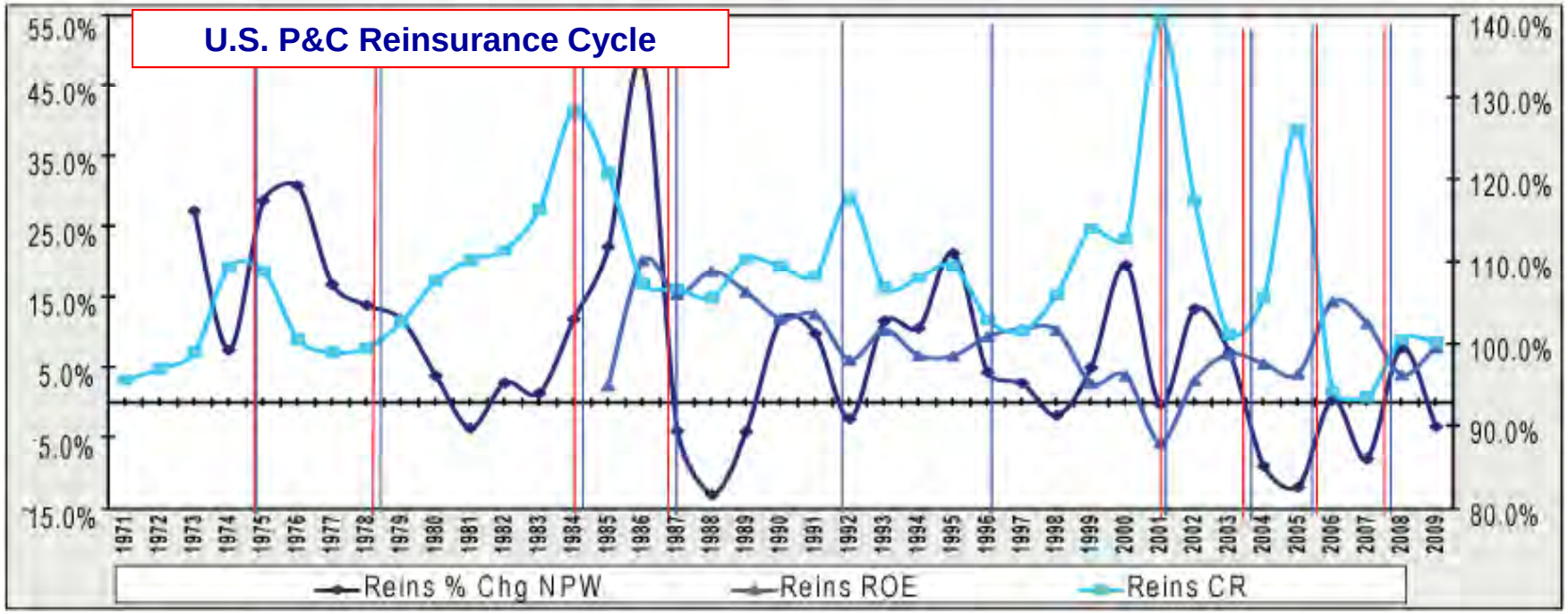


Source: Company Data, Aon Benfield Research

U.S. P&C Insurance Cycle



U.S. P&C Reinsurance Cycle



ROE and Growth in NPW

Combined Ratio

Outstanding Catastrophe Bond Volume & Cumulative Issuance, 2008:Q1-2010:Q4

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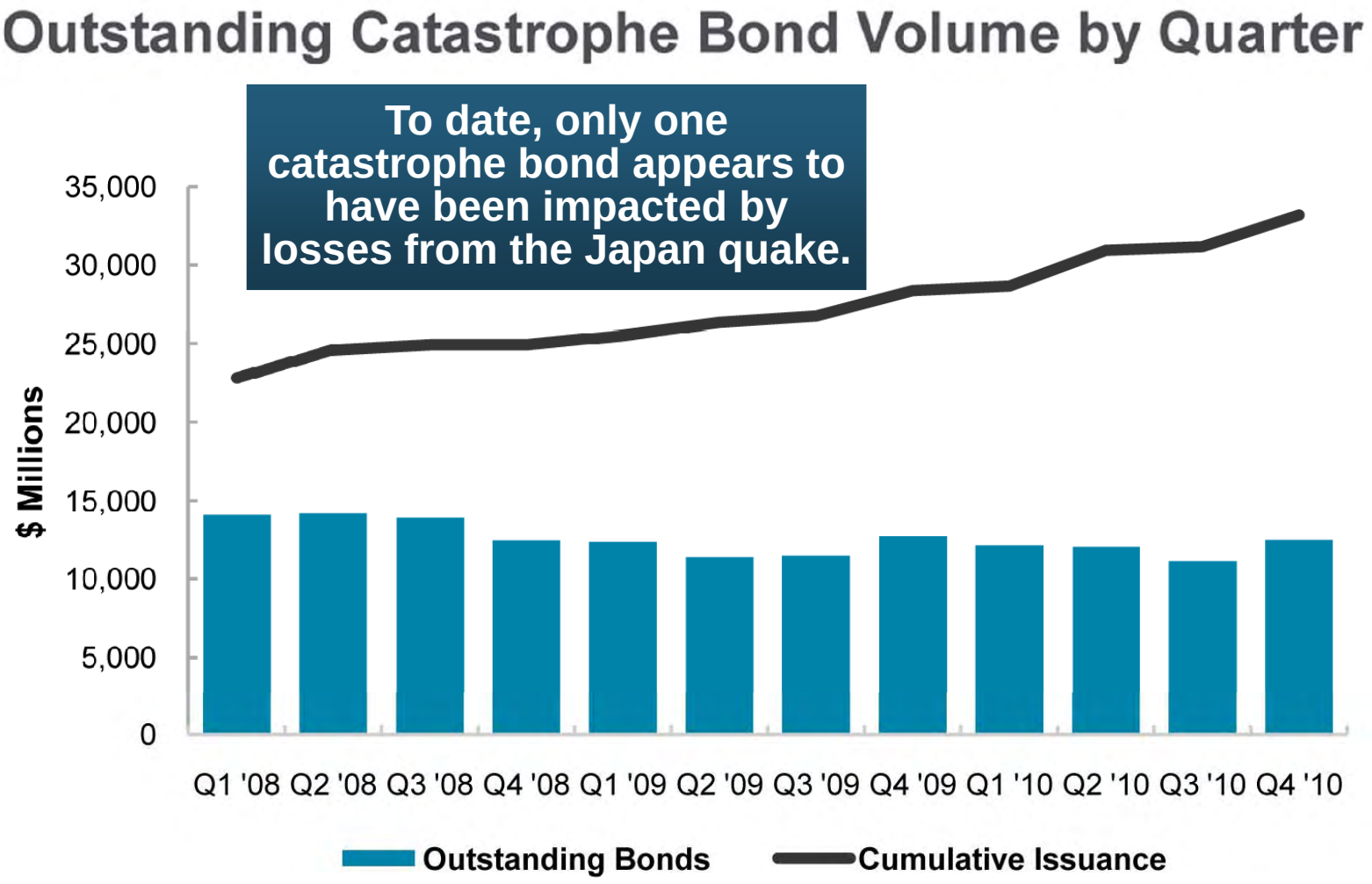
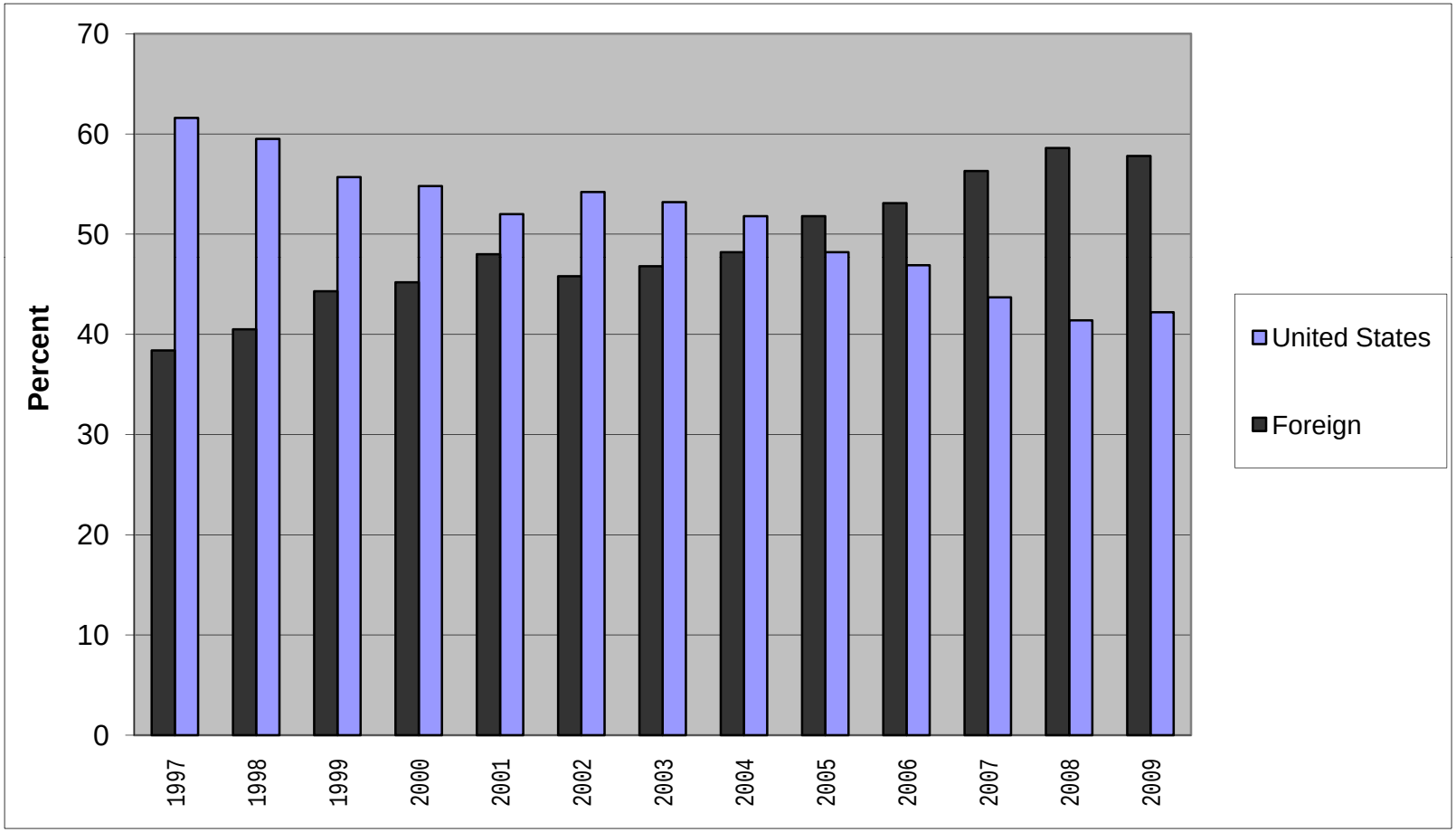


Source: Aon Benfield Securities

U.S. Market Share of U.S. vs. Offshore Reinsurers Unaffiliated Reinsurance Premium (Excl. Pools)



Source: Reinsurance Association of America, *Offshore Reinsurance in the U.S. Market – 2009 Data*

Premium Ceded to Unaffiliated Alien Reinsurers, 2005-2009 ($ Millions)

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Premiums Ceded To Unaffiliated Alien Reinsurers ($ In Millions)					
Domicile	**2005**	**2006**	**2007**	**2008**	**2009**
Bermuda	8,908	8,982	11,102	11,420	10,013
United Kingdom	4,827	4,630	4,578	4,428	4,706
Germany	2,529	2,582	2,569	2,793	2,490
Cayman Islands	1,780	1,806	2,023	2,003	2,086
Switzerland	950	797	857	955	1,129
Turks & Caicos	382	398	481	518	500
Ireland	788	532	419	485	489
Barbados	837	652	495	553	413
France	600	352	424	434	378
Canada	211	256	326	255	277
TOTAL	21,812	20,987	23,274	23,844	22,481

Source: Reinsurance Association of America, *Offshore Reinsurance in the U.S. Market – 2009 Data*

Premium Ceded to Affiliated Alien Reinsurers, 2005-2009 ($ Millions)

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Premiums Ceded To Affiliated Alien Reinsurers ($ In Millions)					
Domicile	**2005**	**2006**	**2007**	**2008**	**2009**
Bermuda	18,590	18,474	19,371	20,813	22,612
Switzerland	7,664	7,991	8,942	7,578	8,361
Germany	9,401	2,005	1,463	1,222	781
United Kingdom	252	346	777	823	765
Sweden	90	518	427	411	433
Cayman Islands	646	435	409	389	398
France	293	338	357	296	228
Ireland	165	451	101	155	227
Japan	222	220	192	191	199
Turks & Caicos	157	156	102	111	141
TOTAL	37,480	30,934	32,141	31,989	34,145

Source: Reinsurance Association of America, *Offshore Reinsurance in the U.S. Market – 2009 Data*

Policyholder Surplus of US Reinsurers Reporting to the RAA ($ Billions)

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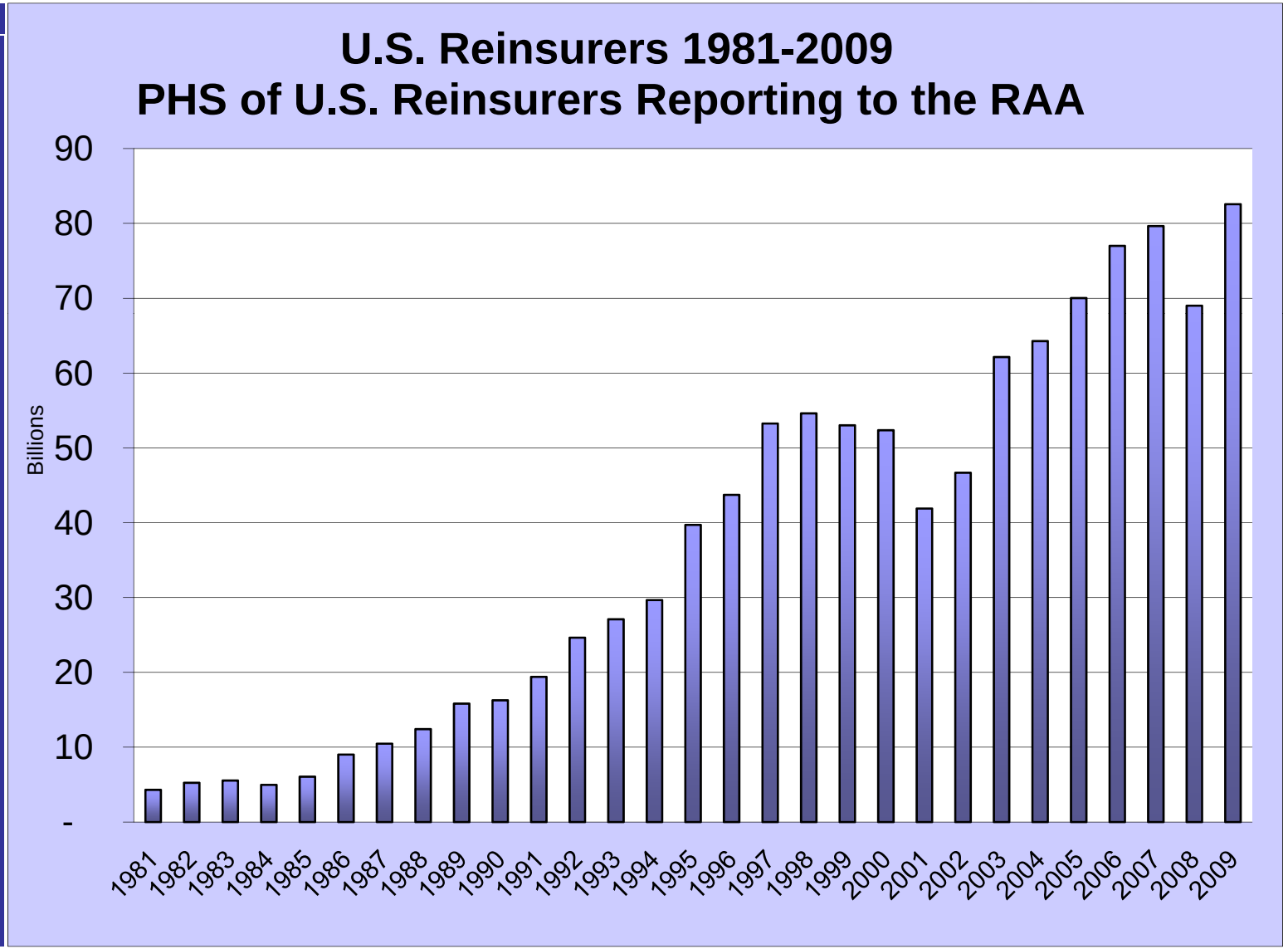
Year	PHS
1981	4,310,150,000
1982	5,251,394,000
1983	5,549,546,000
1984	4,973,353,000
1985	6,062,233,000
1986	9,019,976,000
1987	10,474,946,000
1988	12,419,836,000
1989	15,825,413,000
1990	16,275,073,000
1991	19,407,090,000
1992	24,644,773,000
1993	27,106,020,000
1994	29,668,489,000
1995	39,716,840,000
1996	43,727,021,000
1997	53,263,940,000
1998	54,613,772,000
1999	53,022,948,000
2000	52,364,595,000
2001	41,900,400,000
2002	46,681,286,000
2003	62,147,549,000
2004	64,278,516,000
2005	70,034,981,000
2006	77,009,008,000
2007	79,650,016,000
2008	69,008,945,000
2009	82,571,467,000



Source: Reinsurance Association of America.

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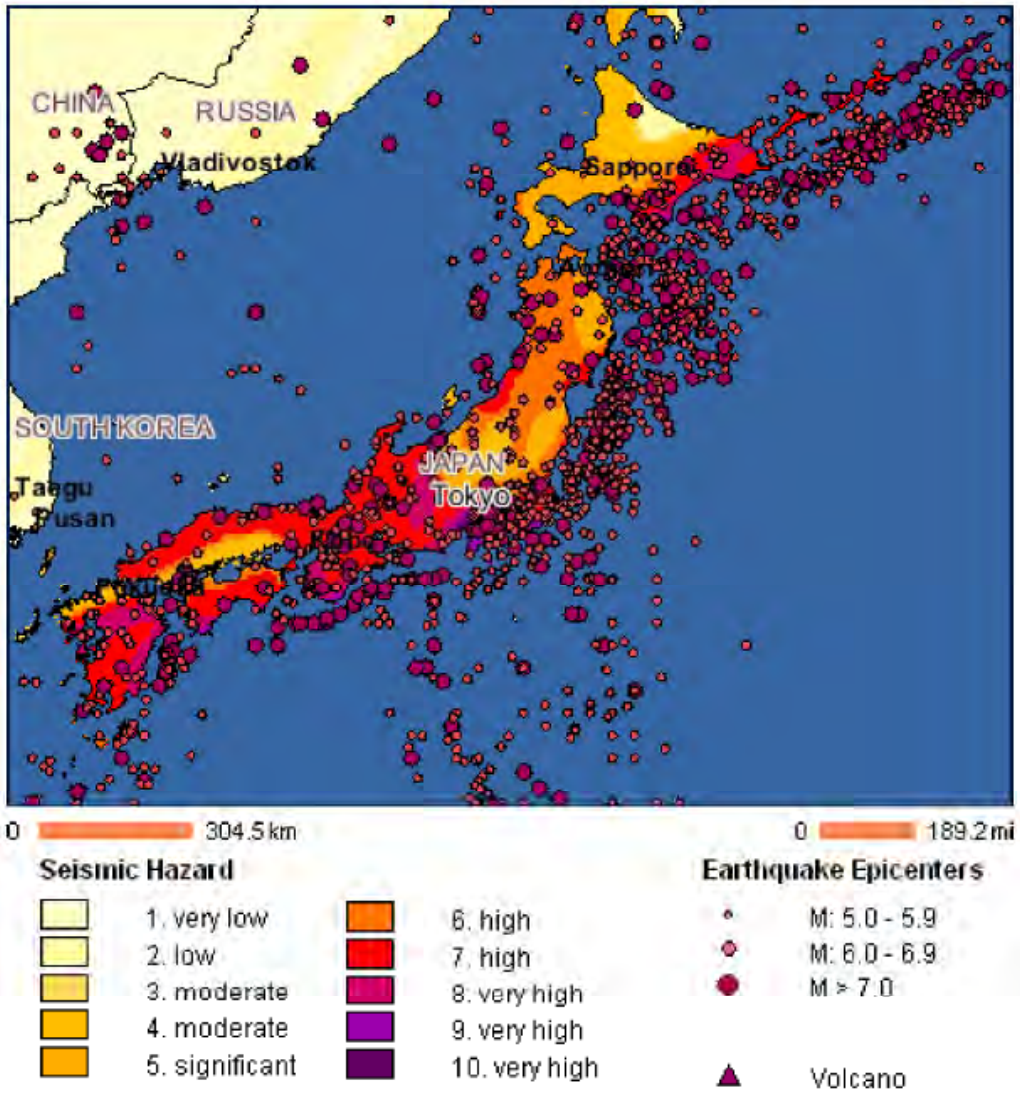
Historical Analysis of Japanese Earthquake Activity

Japan Has a Long and Tragic History of Earthquake Loss

CatNet(TM) Earthquake Map



Source: Axco Insurance Information Services.

Significant Earthquakes/Tsunamis in Japan: 1900 – February 2011

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10 Costliest Events Ordered by Overall Losses

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
17.1.1995	Earthquake	Prefecture Hyogo, Kobe, Osaka, Kyoto	100,000	3,000	6,430
23.10.2004	Earthquakes	Honshu, Niigata, Ojiya, Tokyo, Nagaoka, Yamakoshi	28,000	760	46
16.7.2007	Earthquake	Niigata, Kashiwazaki, Nagaoka, Sanjo, Tsubame, Joetsu, Ojiya, Izumozaki, Kariwa	12,500	335	11
1.9.1923	Earthquake	Tokyo, Yokohama	2,800	590	142,800
12.7.1993	Earthquake, tsunami	Hokkaido S, Honshu NW, esp. Okushiri	1,000	16	247
28.6.1948	Earthquake	Fukui	1,000	minor	3,895
12.6.1978	Earthquake	Honshu island, Sendai	865	2	28
16.6.1964	Earthquake, tsunami	Hodo island, Niigata	800	5	30
13.6.2008	Earthquake, landslides	Eastern Honshu, Furukawa, Miyagi, Kurihara, Morioka, Iwate	570	minor	13
26.5.1983	Earthquake, tsunami	Nihon Kai Chubu, NW of Honshu, Akita, Aomori, Hokkaido	560	26	104

Significant Earthquakes/Tsunamis in Japan: 1900 – February 2011

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10 Costliest Events Ordered by Insured Losses

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
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17.1.1995	Earthquake	Prefecture Hyogo, Kobe, Osaka, Kyoto	100,000	3,000	6,430
23.10.2004	Earthquake	Honshu, Niigata, Ojiya, Tokyo, Nagaoka, Yamakoshi	28,000	760	46
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16.7.2007	Earthquake	Niigata, Kashiwazaki, Nagaoka, Sanjo, Tsubame, Joetsu, Ojiya, Izumozaki, Kariwa	12,500	335	11
10.8.2009	Earthquake	Tokyo, Shizuoka, Makinohara, Honshu	400	250	1
26.7.2003	Earthquake	Honshu, Miyagi, Sendai, Naruse	500	200	
25.3.2007	Earthquake	Noto, Ishikawa-Ken, Wajima, Hokuriku	550	150	1
6.10.2000	Earthquake	Tottori, Shimane and Okayama prefecture, Saihaku, Mizokuchi	500	150	
24.3.2001	Earthquake	Hiroshima Prefecture, Geiyo	500	128	2
20.3.2005	Earthquake	Kyushu, Fukuoka, Genkai, Saga	400	120	1

Significant Earthquakes/Tsunamis in Japan: 1900 – February 2011

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10 Deadliest Events

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
1.9.1923	Earthquake	Tokyo, Yokohama	2,800	590	142,800
17.1.1995	Earthquake	Prefecture Hyogo, Kobe, Osaka, Kyoto	100,000	3,000	6,430
28.6.1948	Earthquake	Fukui	1,000		3,895
3.3.1933	Earthquake, tsunami	Sanriku, Kamaishi	25		3,064
7.3.1927	Earthquake	Kita-Tango	40		2,925
20.12.1946	Tsunami	Nankaido			2,000
7.12.1944	Earthquake, tsunami	Tonankai			1,200
Sept. 1943	Earthquake	Tottori			1,083
12.7.1993	Earthquake, tsunami	Hokkaido S, Honshu NW, esp. Okushiri	1,000	16	247
22.5.1960	Tsunami	Onagawa	140		138

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Historical Analysis of Global Earthquake Activity

Earthquakes Are Often Costly and Deadly; Activity in 2010 and 2011 Has Been Elevated

Significant Earthquakes/Tsunamis Worldwide: 1980 – February 2011

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10 Costliest Events Ordered by Overall Losses

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
17.1.1995	Earthquake	Japan: Kobe	100,000	3,000	6,430
12.5.2008	Earthquake	China: Sichuan	85,000	300	84,000
17.1.1994	Earthquake	United States: Northridge	44,000	15,300	61
27.2.2010	Earthquake, tsunami	Chile: Maule	30,000	8,000	520
23.10.2004	Earthquake	Japan: Niigata	28,000	760	46
22.2.2011	Earthquake	New Zealand: Christchurch	20,000*	10,000*	>150
21.9.1999	Earthquake	Taiwan: Nantou	14,000	750	2,368
7.12.1988	Earthquake	Armenia: Spitak	14,000	minor	25,000
16.7.2007	Earthquake	Japan: Niigata	12,500	335	11
17.8.1999	Earthquake	Turkey: Izmit	12,000	600	17,118

*loss estimation still in progress

Significant Earthquakes/Tsunamis Worldwide: 1980 – February 2011

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10 Costliest Events Ordered by Insured Losses

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
17.1.1994	Earthquake	United States: Northridge	44,000	15,300	61
22.2.2011	Earthquake	New Zealand: Christchurch	20,000*	10,000*	>150
27.2.2010	Earthquake, tsunami	Chile: Maule	30,000	8,000	520
3.9.2010	Earthquake	New Zealand: Canterbury, Christchurch	6,500	5,000	
17.1.1995	Earthquake	Japan: Kobe	100,000	3,000	6,430
26.12.2004	Earthquake, tsunamis	SOUTHERN ASIA: Sri Lanka, Indonesia, Thailand, India, Bangladesh, Myanmar, Maldives, Malaysia	10,000	1,000	220,000
17.10.1989	Earthquake	United States: Loma Prieta	10,000	960	68
23.10.2004	Earthquake	Japan: Niigata	28,000	760	46
21.9.1999	Earthquake	Taiwan: Nantou	14,000	750	2,368
28.12.1989	Earthquake	Australia: Newcastle	1,200	670	13

*loss estimation still in progress

Significant Earthquakes/Tsunamis Worldwide: 1980 – February 2011

INSURANCE INFORMATION INSTITUTE

10 Deadliest Events

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
12.1.2010	Earthquake	Haiti: Port-au-Prince	8,000	200	222,570
26.12.2004	Earthquake, tsunamis	SOUTHERN ASIA: Sri Lanka, Indonesia, Thailand, India, Bangladesh, Myanmar, Maldives, Malaysia	10,000	1,000	220,000
8.10.2005	Earthquake	Pakistan. India (Kashmir region)	5,200	5	88,000
12.5.2008	Earthquake	China: Sichuan	85,000	300	84,000
20.6.1990	Earthquake	Iran: Gilan province, Manjil	7,100	100	40,000
26.12.2003	Earthquake	Iran: Bam	500	19	26,200
7.12.1988	Earthquake	Armenia: Spitak	14,000	minor	25,000
17.8.1999	Earthquake	Turkey: Izmit	12,000	600	17,118
26.1.2001	Earthquake	India: Gujarat	4,500	100	14,970
19.9.1985	Earthquake	Mexico: Mexico City	4,000	275	9,500

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Historical Analysis of U.S. Earthquake Activity

Most—But Not All—Major U.S. Earthquakes Have Occurred on the West Coast

Estimated Insured Losses for the Top 10 Historical Earthquakes Based on Current Exposures (1) ($ Billion)

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Rank	Date	Location	Magnitude	Insured loss (current exposures)
1	Feb. 7, 1812	New Madrid, MO	7.7	$100
2	Apr. 18, 1906	San Francisco, CA	7.8	96
3	Aug. 31, 1886	Charleston, SC	7.3	37
4	Jun. 1, 1838	San Francisco, CA	7.4	27
5	Jan. 17, 1994	Northridge, CA	6.7	21
6	Oct. 21, 1868	Hayward, CA	7.0	21
7	Jan. 9, 1857	Fort Tejon, CA	7.9	8
8	Oct. 17, 1989	Loma Prieta, CA	6.3	6
9	Mar. 10, 1933	Long Beach, CA	6.4	5
10	Jul. 1, 1911	Calaveras, CA	6.4	4

(1) Modeled loss to property, contents, and business interruption and additional living expenses for residential, mobile home, commercial and auto exposures as of December 31, 2008. Losses include demand surge and fire following earthquake. Policy conditions and earthquake insurance take up rates are based on estimates by state insurance departments and client claims data.

Source: AIR Worldwide Corporation.

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Historical Global Catastrophe Loss Summary and Trends

Losses Have Been Generally Increasing on a Global Scale. Capacity Will Need to Increase if Current Disaster Trends Continue

Significant Natural Catastrophes: 1980 – February 2011

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10 Costliest Events Ordered by Overall Losses

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
25-30.8.2005	Hurricane Katrina	USA: LA, New Orleans, Slidell; MS, Biloxi, Pascagoula, Waveland, Gulfport	125,000	62,200	1,300
17.1.1995	Earthquake	Japan: Hyogo, Kobe, Osaka, Kyoto	100,000	3,000	6,400
12.5.2008	Earthquake	China: Sichuan, Mianyang, Beichuan, Wenchuan, Shifang, Chengdu, Guangyuan, Ngawa, Ya'an	85,000	300	84,000
17.1.1994	Earthquake	USA: Northridge, Los Angeles, San Fernando Valley, Ventura, Orange	44,000	15,300	60
6-14.9.2008	Hurricane Ike	USA. Cuba. Haiti. Dominican Republic. Turks and Caicos Islands. Bahamas	38,300	18,500	170
May-Sept. 1998	Floods	China: Jangtsekiang, Songhua Jiang	30,700	1,000	4,200
27.2.2010	Earthquake, tsunami	Chile: Bio Bio, Concepción, Talcahuano, Coronel, Dichato, Chillán; Del Maule, Talca, Curicó	30,000	8,000	520
23.10.2004	Earthquake	Japan: Honshu, Niigata, Ojiya, Tokyo, Nagaoka, Yamakoshi	28,000	760	50
23-27.8.1992	Hurricane Andrew	USA: FL, Homestead; LA. Bahamas	26,500	17,000	60
27.6-13.8.1996	Floods	China: Guizhou, esp. Guiyang; Zhejiang; Sichuan; Hunan; Anhui; Jiangxi; Hubei; Guangxi; Jiangsu	24,000	445	3,050

Significant Natural Catastrophes: 1980 – February 2011

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10 Costliest Events Ordered by Insured Losses

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
25-30.8.2005	Hurricane Katrina	USA: LA, New Orleans, Slidell; MS, Biloxi, Pascagoula, Waveland, Gulfport	125,000	62,200	1,300
6-14.9.2008	Hurricane Ike	USA. Cuba. Haiti. Dominican Republic. Turks and Caicos Islands. Bahamas	38,300	18,500	170
23-27.8.1992	Hurricane Andrew	USA: FL, Homestead; LA. Bahamas	26,500	17,000	60
17.1.1994	Earthquake	USA: Northridge, Los Angeles, San Fernando Valley, Ventura, Orange	44,000	15,300	60
7-21.9.2004	Hurricane Ivan	USA. Trinidad and Tobago. Venezuela. Colombia. Mexico	23,000	13,800	130
19-24.10.2005	Hurricane Wilma	USA. Bahamas. Cuba. Haiti. Jamaica. Mexico	22,000	12,500	40
20-24.9.2005	Hurricane Rita	USA: LA, Lake Charles, Holly Beach, Cameron, New Orleans; MS; TX, Houston	16,000	12,100	10
22.2.2011	Earthquake	New Zealand: Christchurch	20,000*	10,000*	>150
27.2.2010	Earthquake, tsunami	Chile: Bio Bio, Concepción, Talcahuano, Coronel, Dichato, Chillán; Del Maule, Talca, Curicó	30,000	8,000	520
11-14.8.2004	Hurricane Charley	USA. Cuba. Jamaica. Cayman Islands	18,000	8,000	40

*loss estimation still in progress

Significant Natural Catastrophes: 1980 – February 2011

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10 Deadliest Events Worldwide

Period	Event	Affected Area	Overall losses	Insured losses	Fatalities
			US$ m, original values		
12.1.2010	Earthquake	Haiti: Port-au-Prince, Petionville	8,000	200	222,570
26.12.2004	Earthquake, tsunami	Sri Lanka. Indonesia. Thailand. India. Bangladesh. Myanmar. Maldives. Malaysia	10,000	1,000	220,000
2-5.5.2008	Cyclon Nargis	Myanmar: Ayeyawaddy, Yangon, Bugalay, Irrawaddy, Bago, Karen, Mon, Laputta, Haing Kyi	4,000		140,000
29-30.4.1991	Tropical cyclon	Bangladesh: Bay of Bengal, Cox's Bazar, Chittagong, Bola, Noakhali districts, esp. Kutubdia	3,000	100	139,000
8.10.2005	Earthquake	Pakistan. India. Afghanistan	5,200	5	88,000
12.5.2008	Earthquake	China: Sichuan, Mianyang, Beichuan, Wenchuan, Shifang, Chengdu, Guangyuan, Ngawa, Ya'an	85,000	300	84,000
July-August 2003	Heatwave, drought	France. Germany. Italy. Portugal. Romania. Spain. United Kingdom	13,800	20	70,000
July-Sept. 2010	Heatwave, drought	Russia	2,000	20	56,000
21.6.1990	Earthquake	Iran: Caspian Sea, Gilan Provinz, Manjil, Rudbar, Zanjan, Safid, Qazvin	7,100	100	40,000
8-19.12.1999	Floods, flash floods	Venezuela: Vargas, La Guaira Punta de Mulatos, Miranda, Nueva Esparta, Yaracuy. Colombia	3,200	220	30,000

Natural Catastrophes Worldwide, 1980 – 2010 (Number of events with trend)

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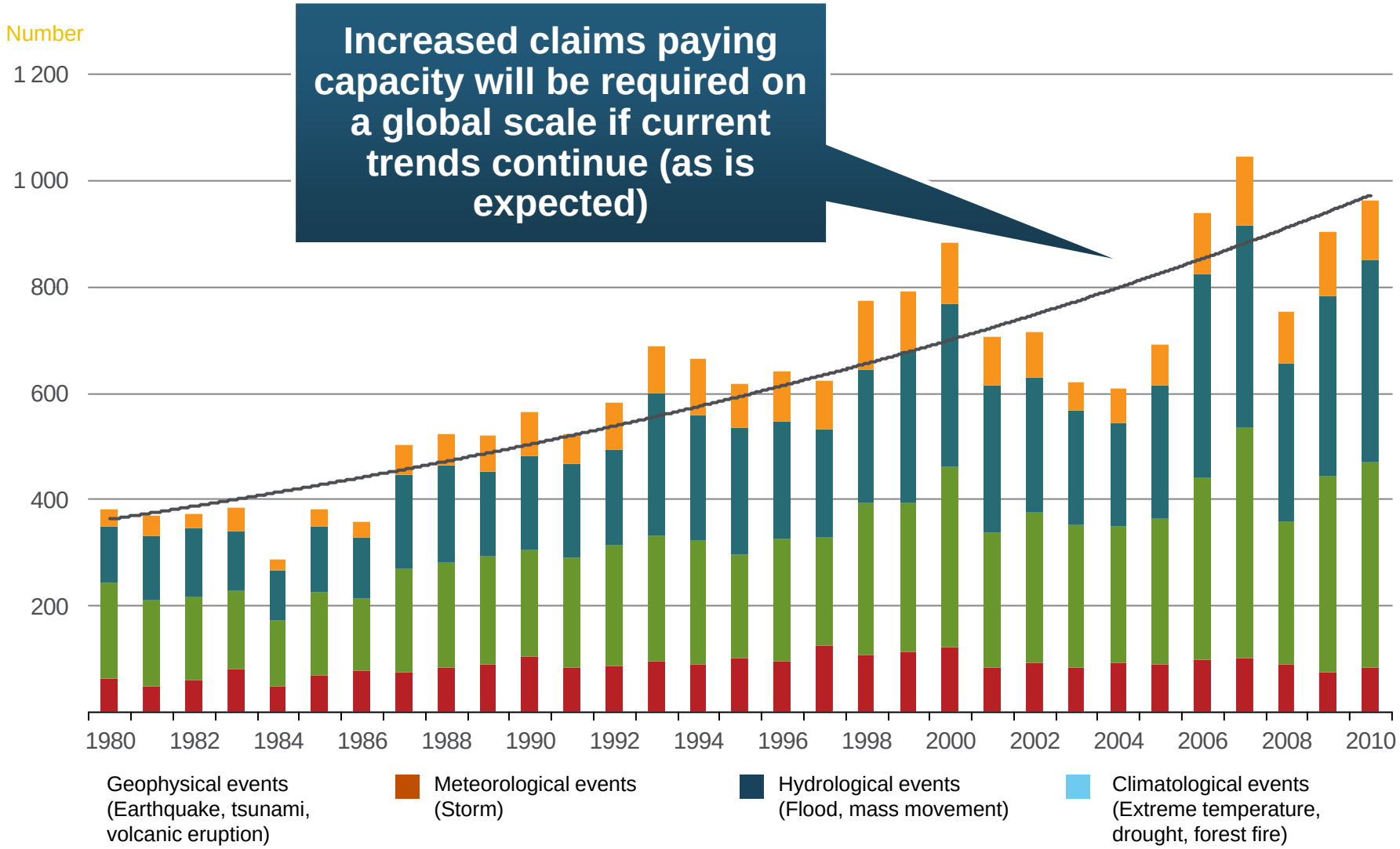

Source: Geo Risks Research, NatCatSERVICE.

Natural Catastrophes, 2010

Overview and comparison with previous years

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	2010	2009	Average of the last 10 years 2000-2009	Average of the last 30 years 1980-2009
Number of events	**950**	900	785	615
Overall losses (US$m)	**130,000**	60,000	110,000	95,000
Insured losses (US$m)	**37,000**	22,000	35,000	23,000
Fatalities	**295,000**	11,000	77,000	66,000

The number and cost of natural catastrophes on a global scale was far above average in 2010

Source: Geo Risks Research, NatCatSERVICE.

Natural Catastrophes, 2010
950 loss events

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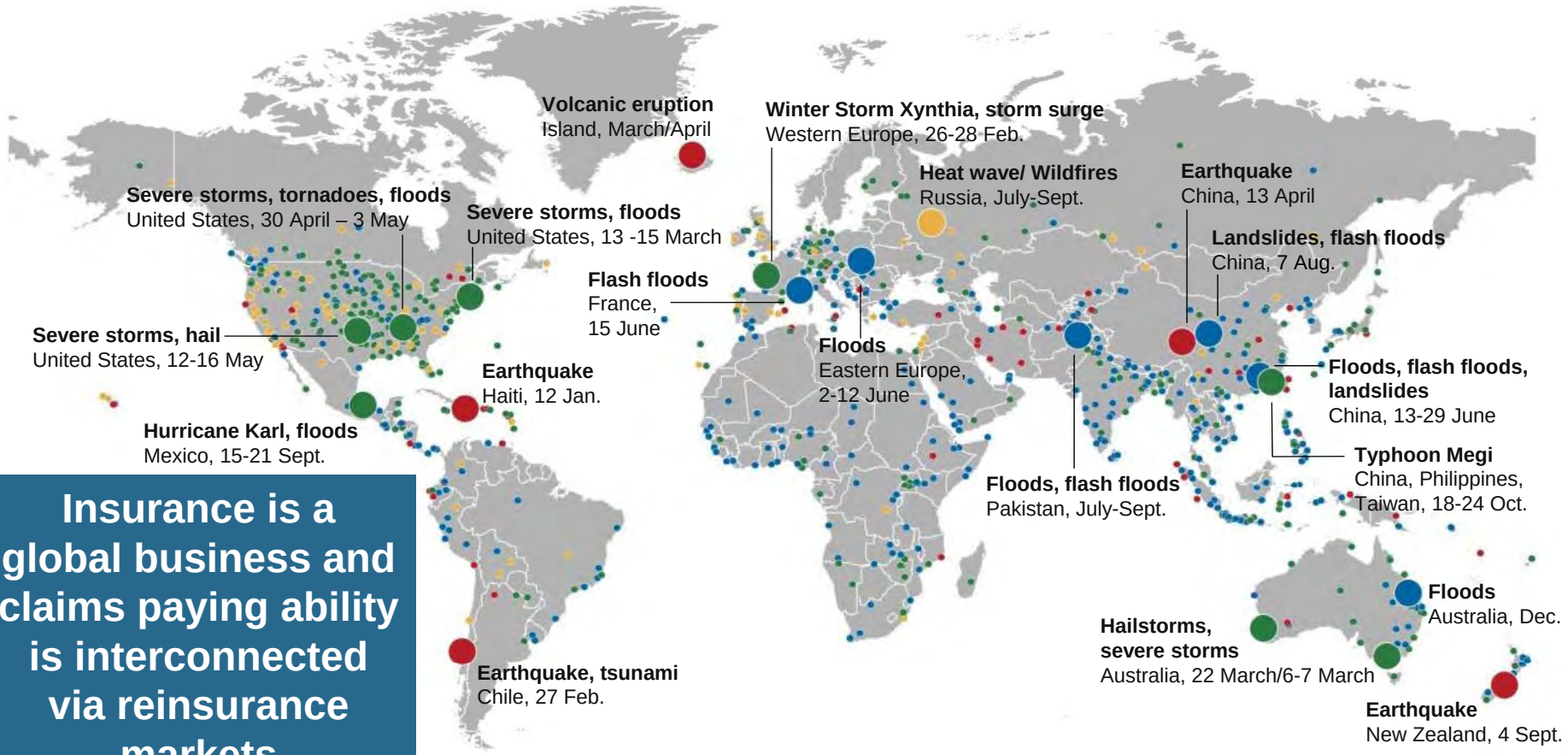

Insurance is a global business and claims paying ability is interconnected via reinsurance markets

- ○ **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)

Source: Geo Risks Research, NatCatSERVIC.E

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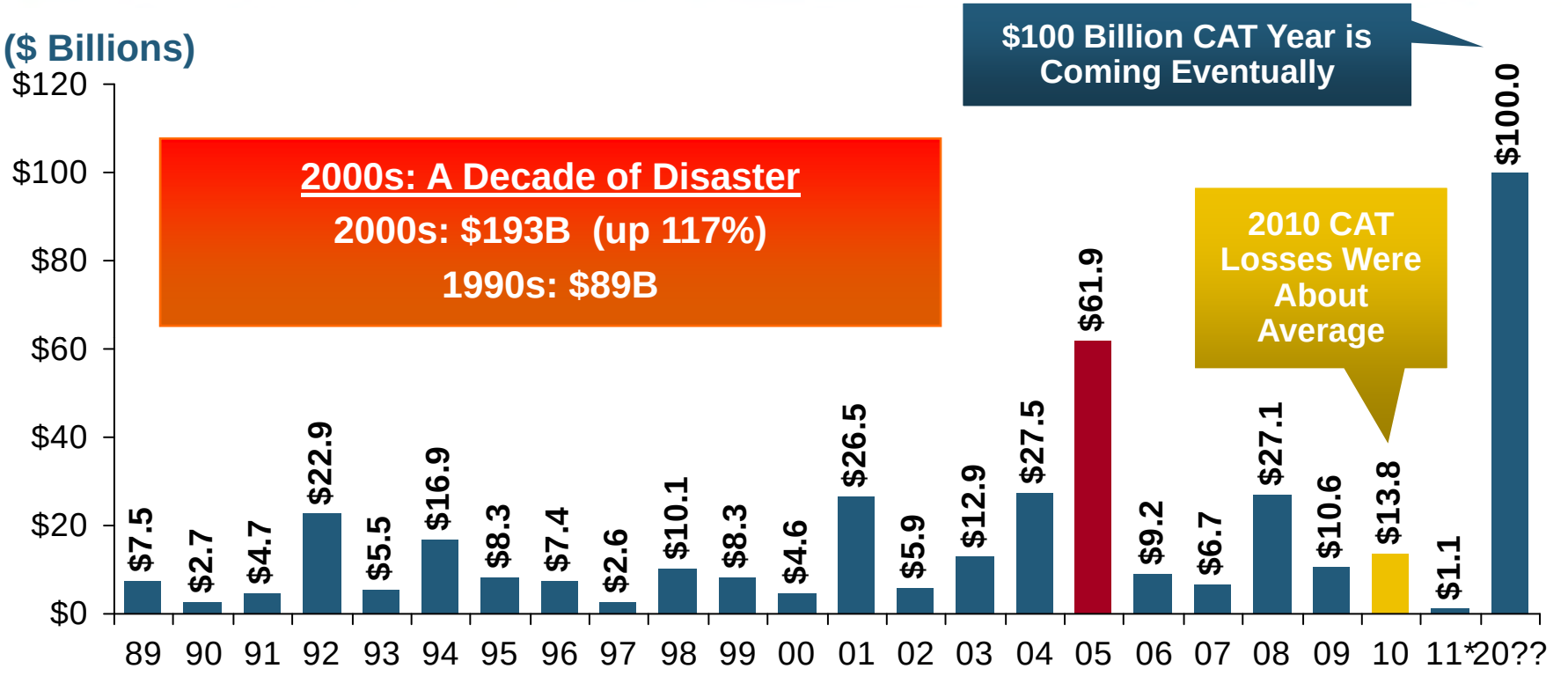
US Catastrophe Loss Trends

Recent String of Relatively Quiet Years is Certain to End Soon

US Insured Catastrophe Losses



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

*First quarter 2011.

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.

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2010E

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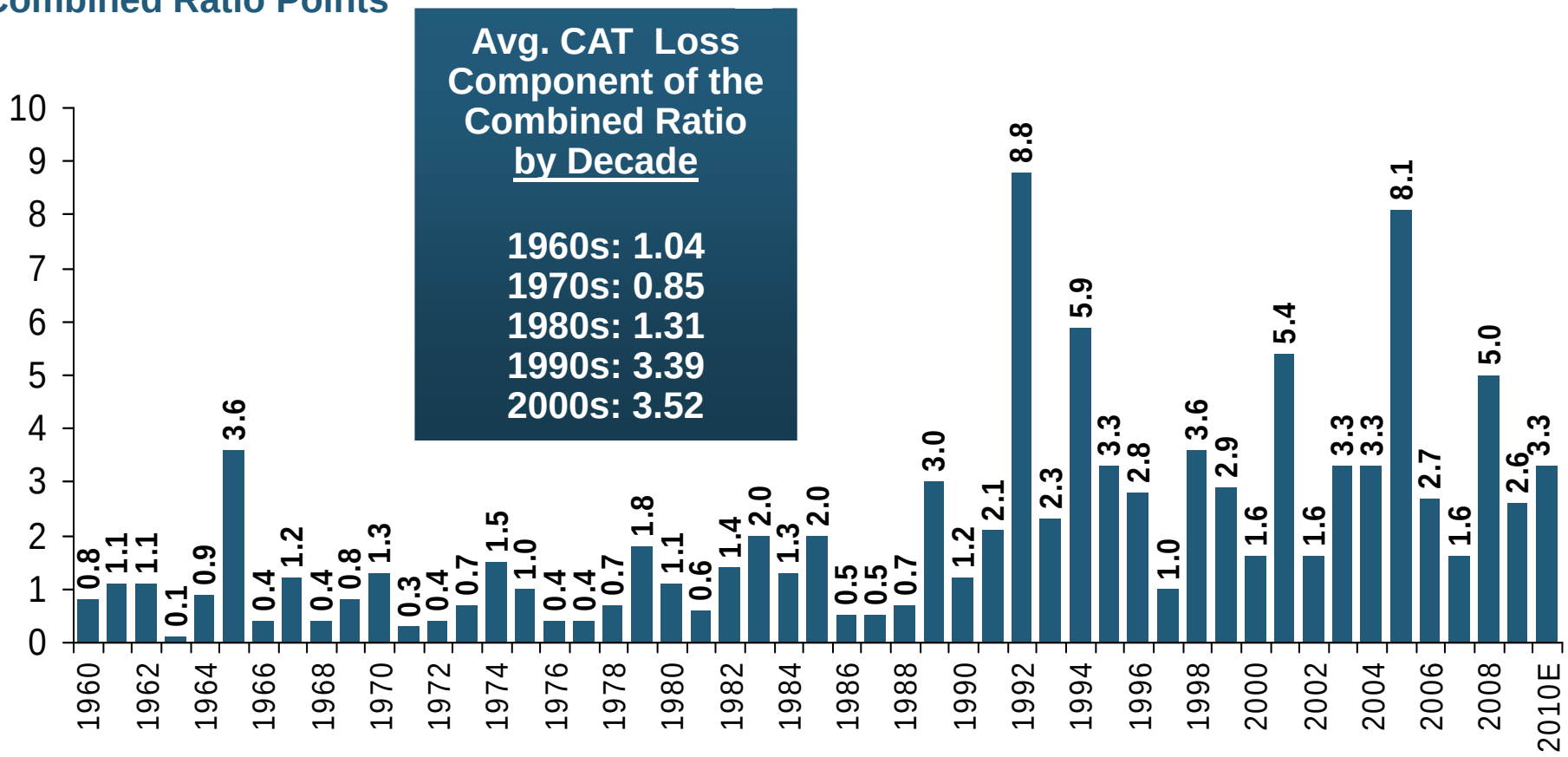
Combined Ratio Points



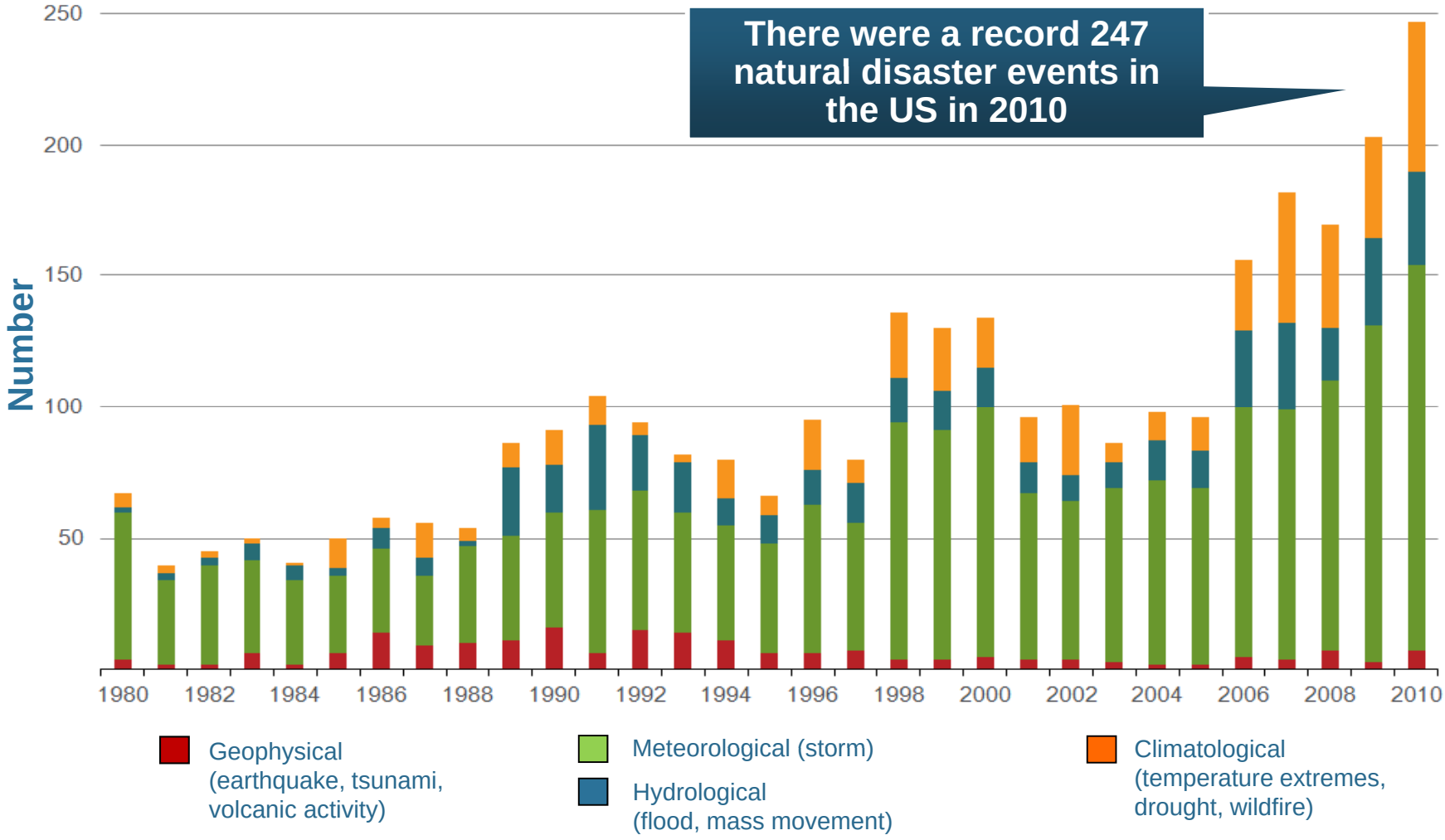
The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

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 estimate for 2010.

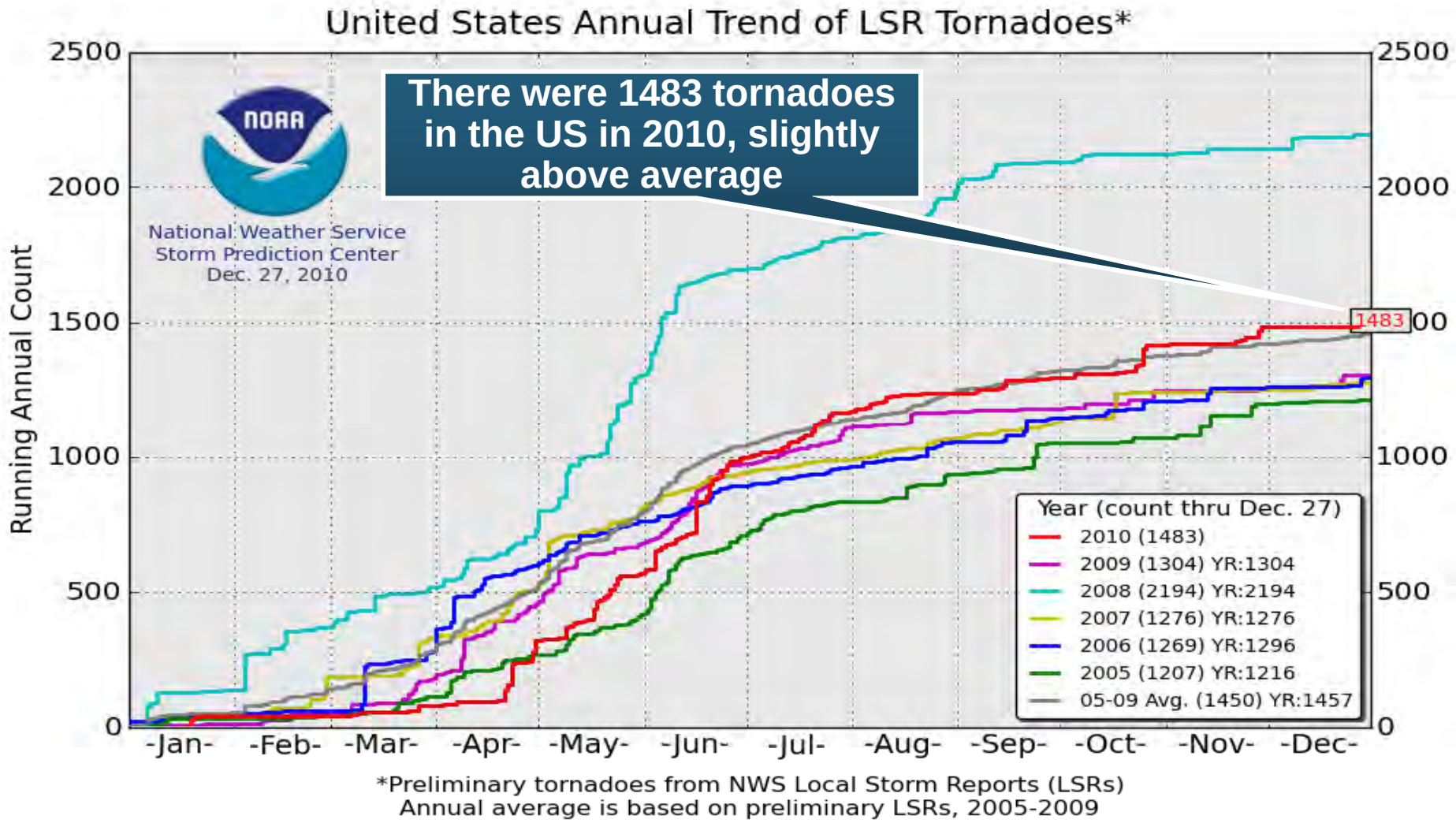
Natural Disasters in the United States, 1980 – 2010

Number of Events (Annual Totals 1980 – 2010)



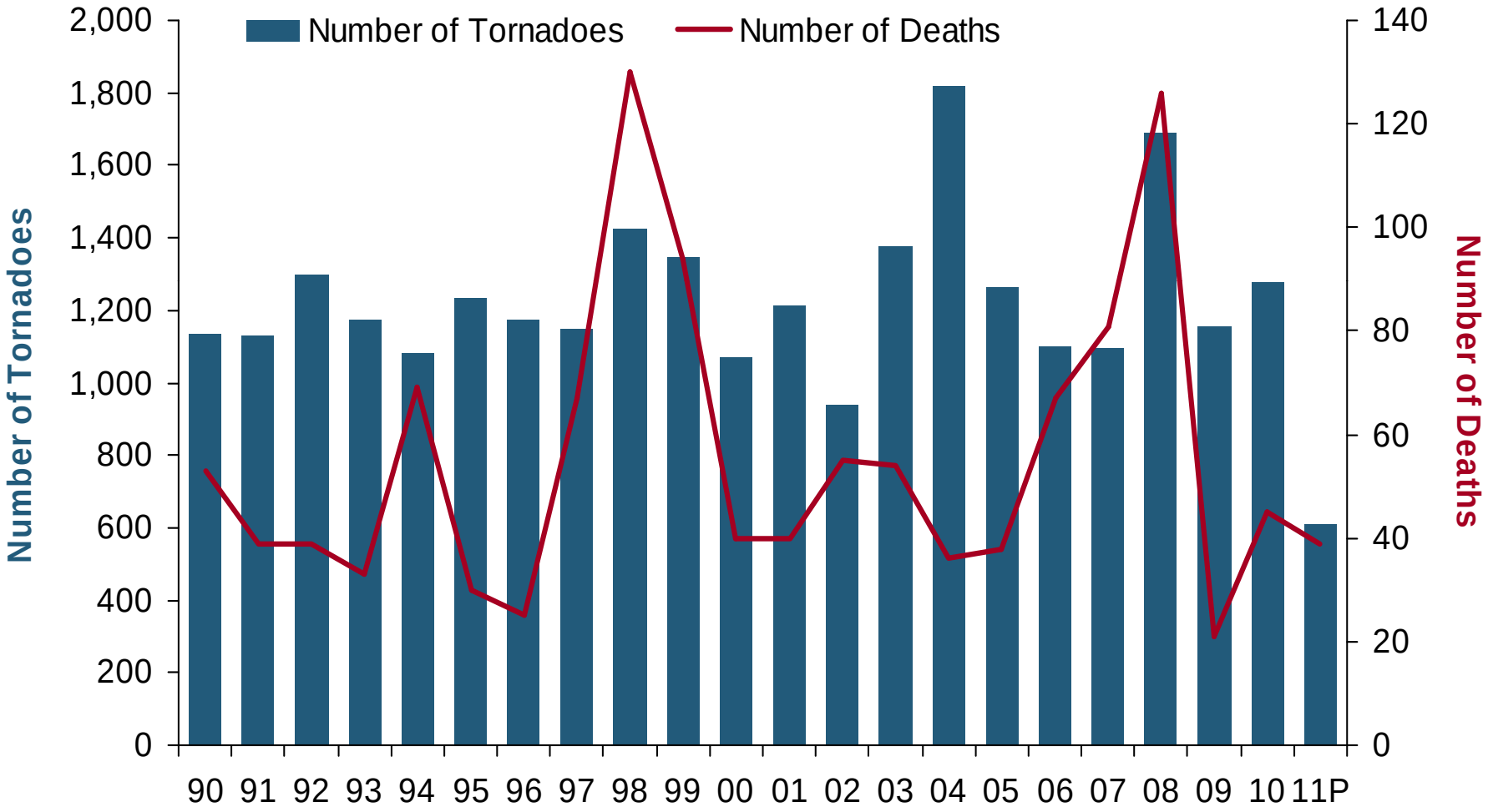
Source: MR NatCat*SERVICE*

U.S. Tornado Count, 2010



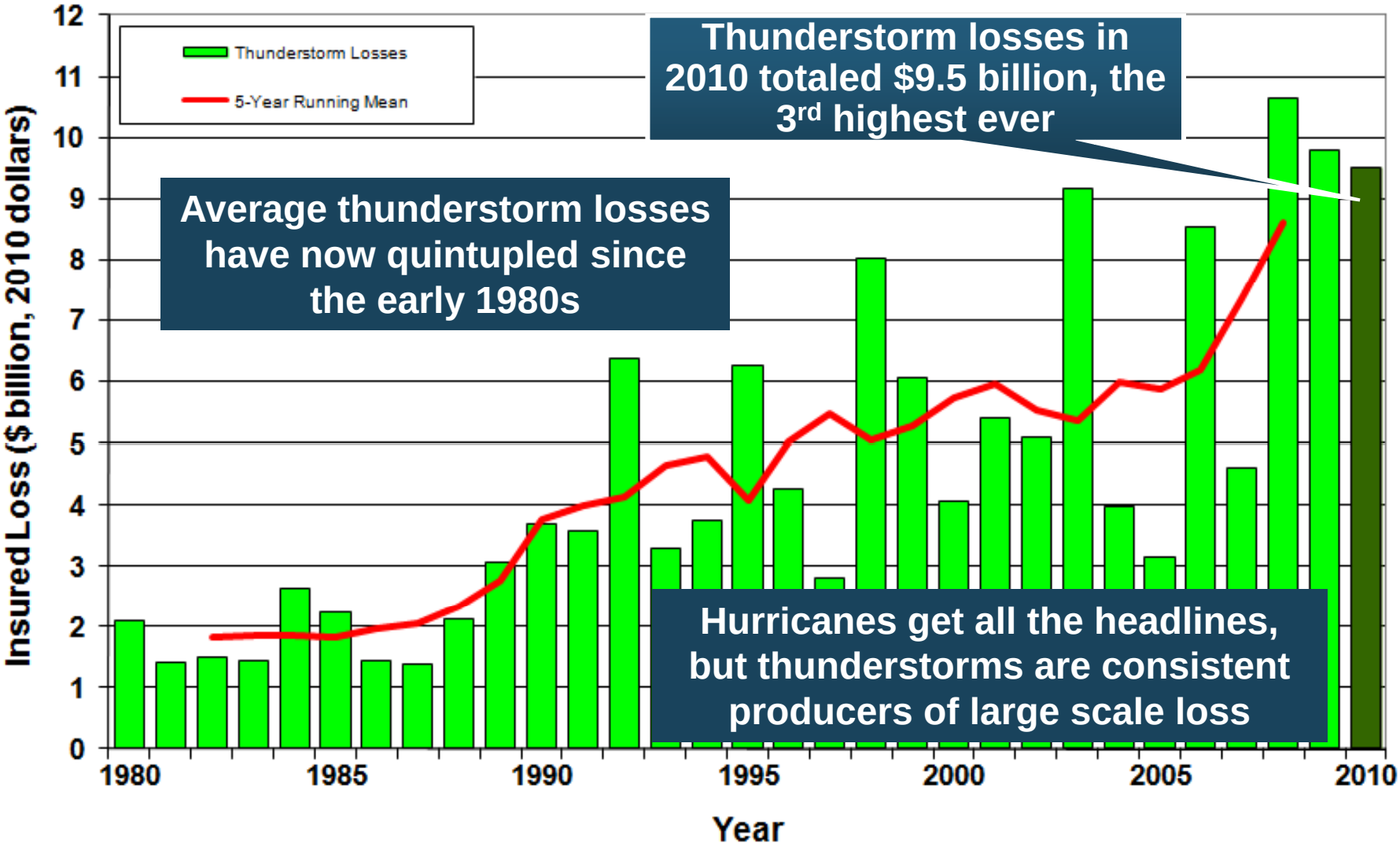
Source: NOAA

Number of Tornadoes and Related Deaths, 1990 - 2011



Note: 2011 is preliminary data.
Source: U.S. Department of Commerce, Storm Prediction Center, National Weather Service.

U.S. Thunderstorm Loss Trends, 1980 – 2010 (Annual Totals)



Source: Property Claims Service, MR NatCat*SERVICE*

U.S. Winter Storm Loss Trends, 1980 – 2010 (Annual Totals)

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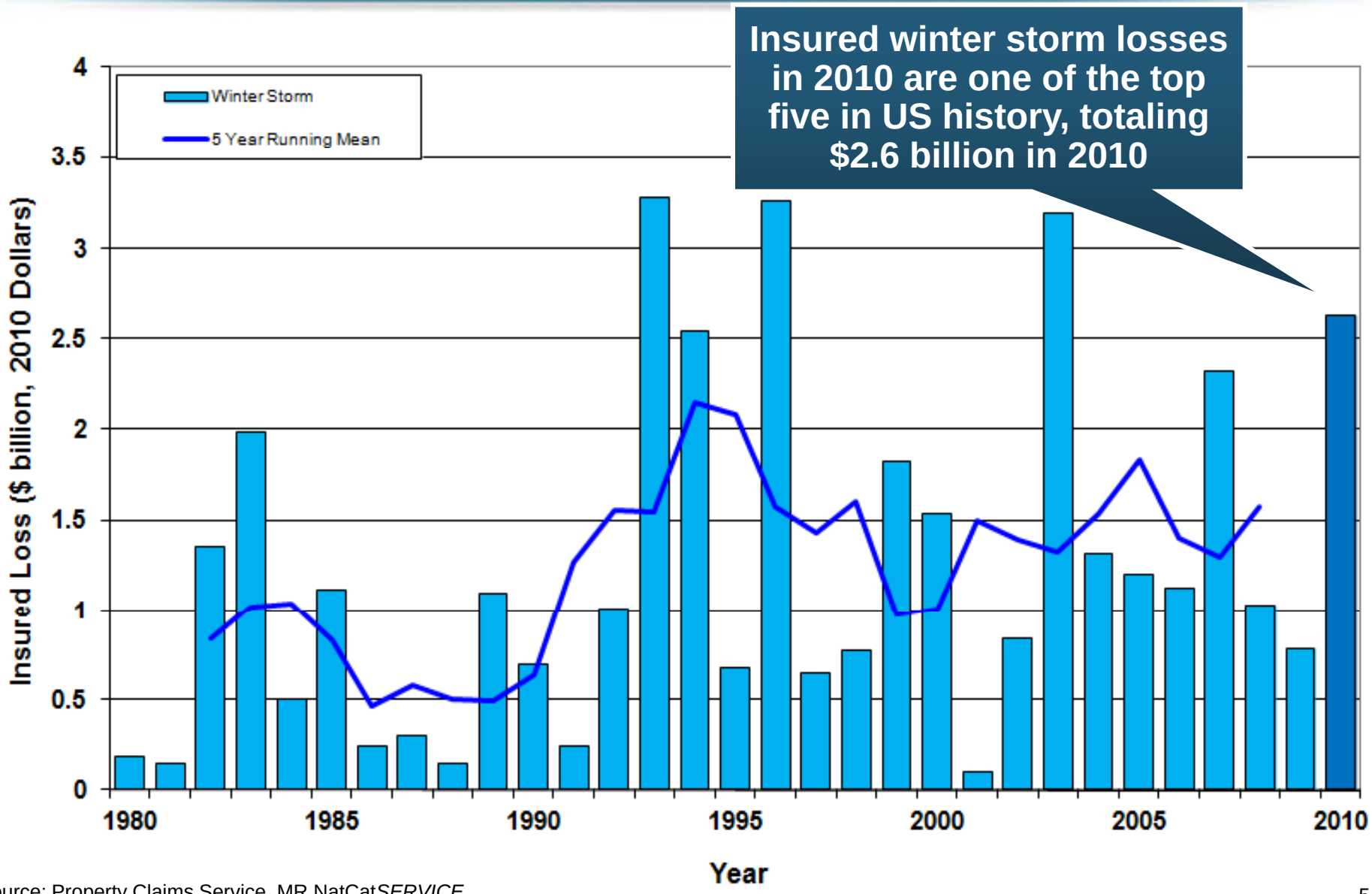
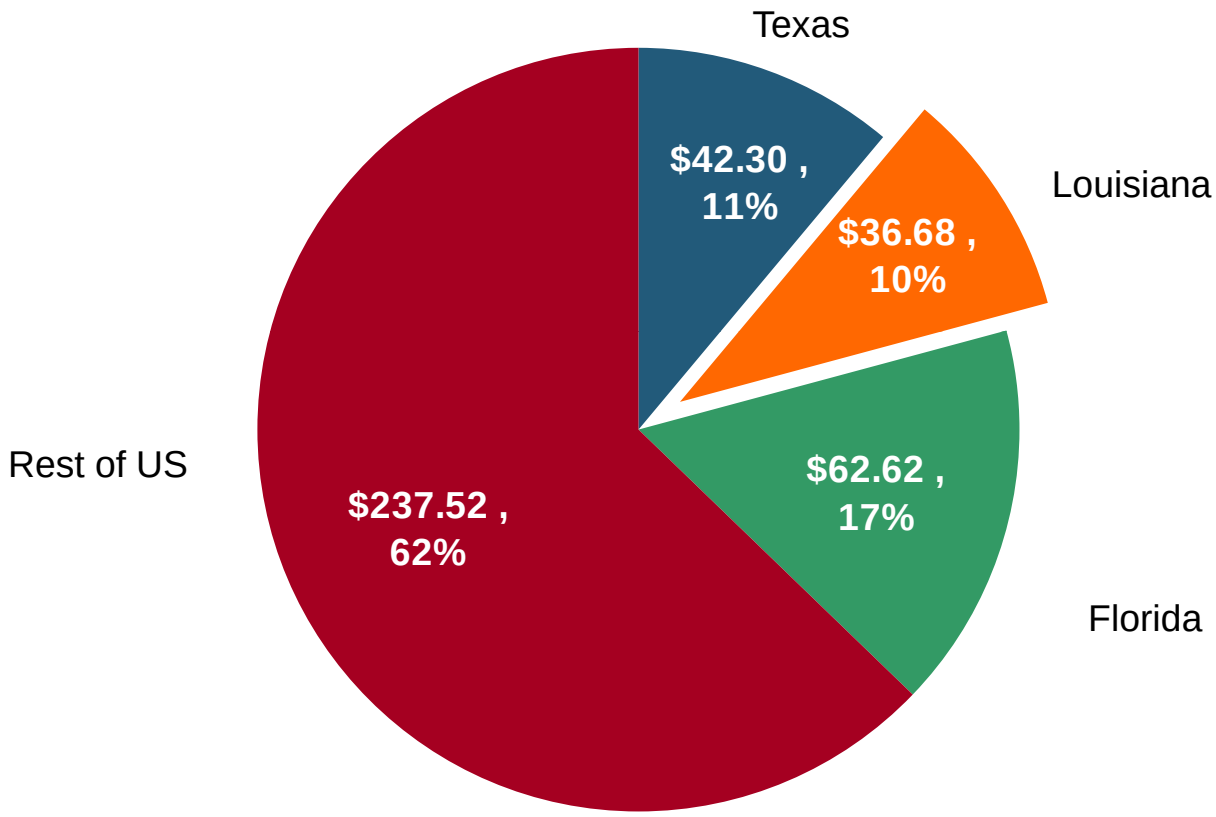


Source: Property Claims Service, MR NatCat*SERVICE*

Distribution of US Insured CAT Losses: TX, FL, LA vs. US, 1980-2010*

($ Billions)



Louisiana Accounted for 10% of All US Insured CAT Losses from 1980-2010: $36.7B out of $237.5B

* Adjusted to 2010 dollars.

Source: PCS division of ISO; Insurance Information Institute.

Top 12 Most Costly Disasters in U.S. History

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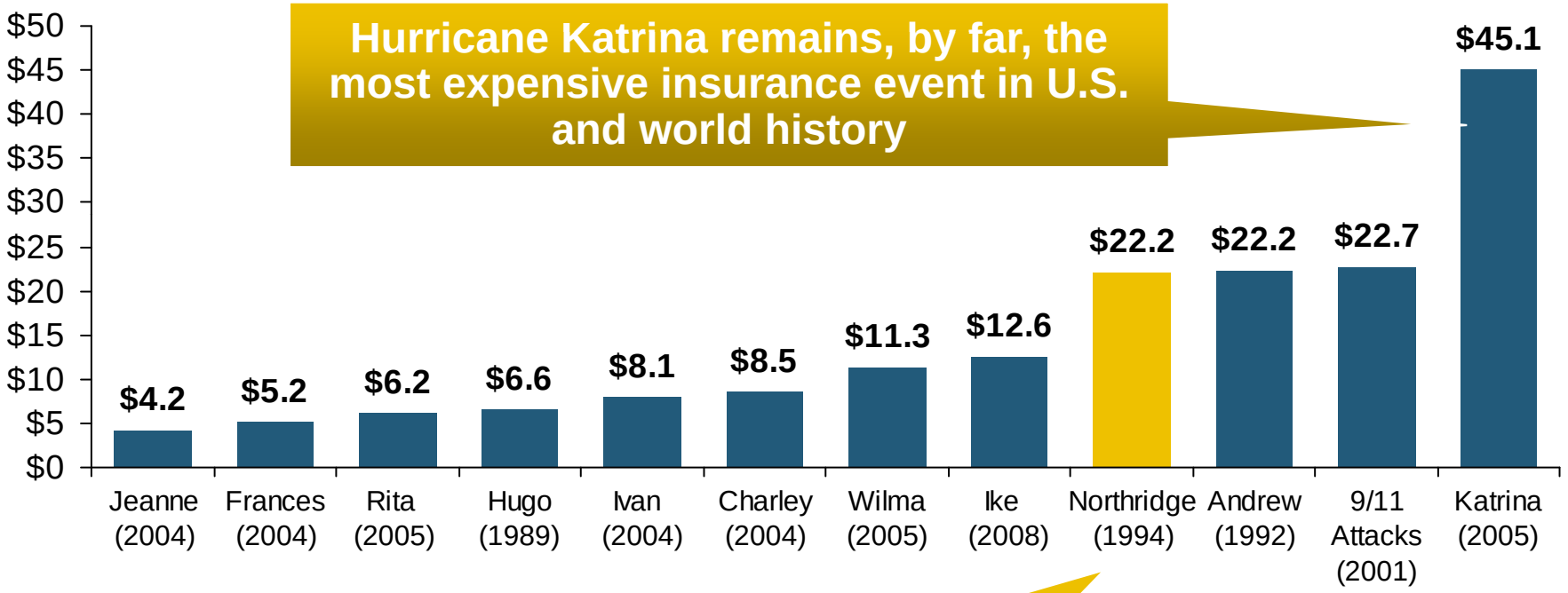
(Insured Losses, 2009, $ Billions)



Hurricane Katrina remains, by far, the most expensive insurance event in U.S. and world history

Measured by insured losses, the 1994 Northridge earthquake is the fourth most expensive insurance event in U.S. history

Sources: PCS; Insurance Information Institute inflation adjustments.

Share of Losses Paid by Reinsurers for Major Catastrophic Events

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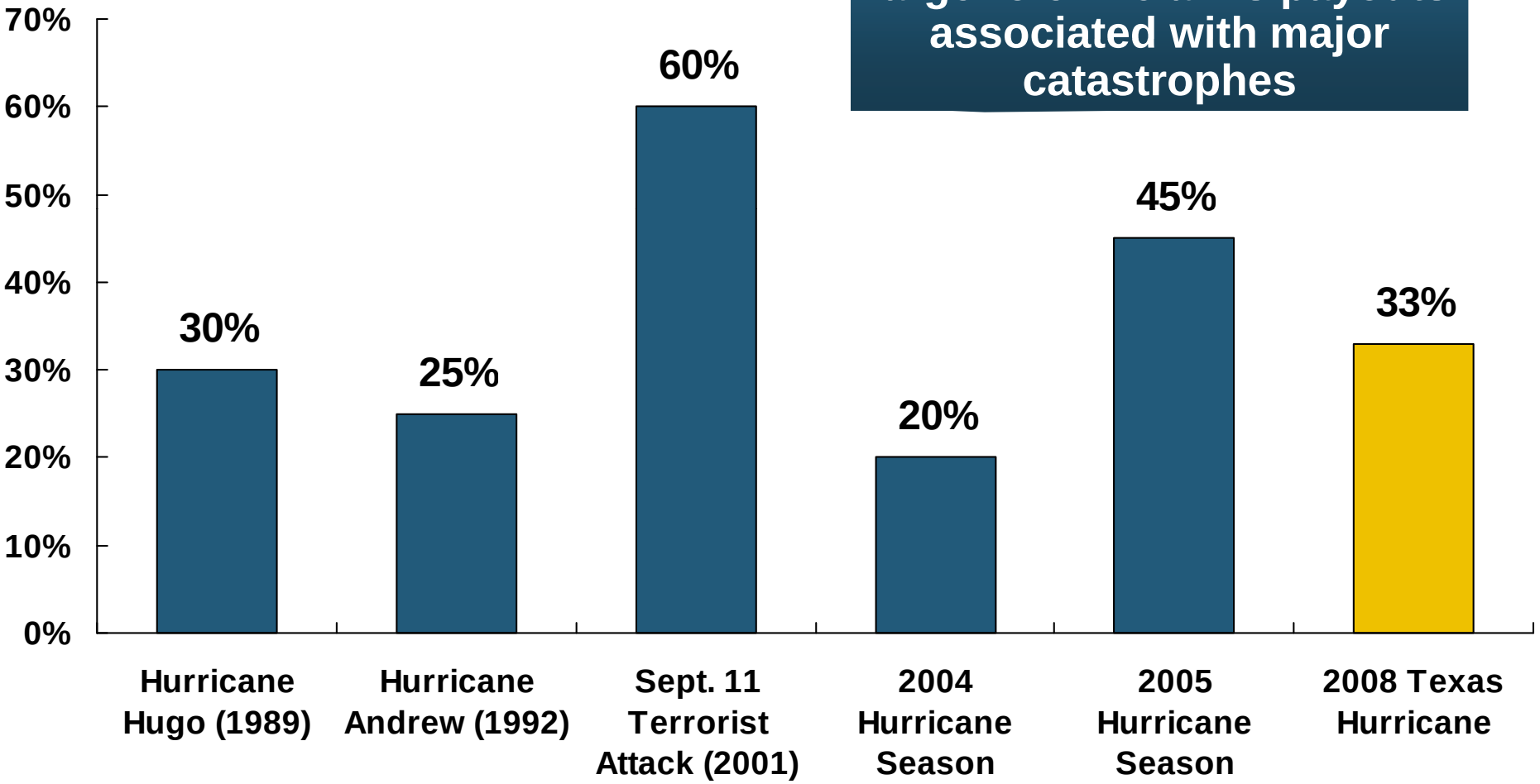
Reinsurance plays a very large role in claims payouts associated with major catastrophes



Source: Wharton Risk Center, Disaster Insurance Project, Renaissance Re, Insurance Information Institute.

Total Value of Insured Coastal Exposure

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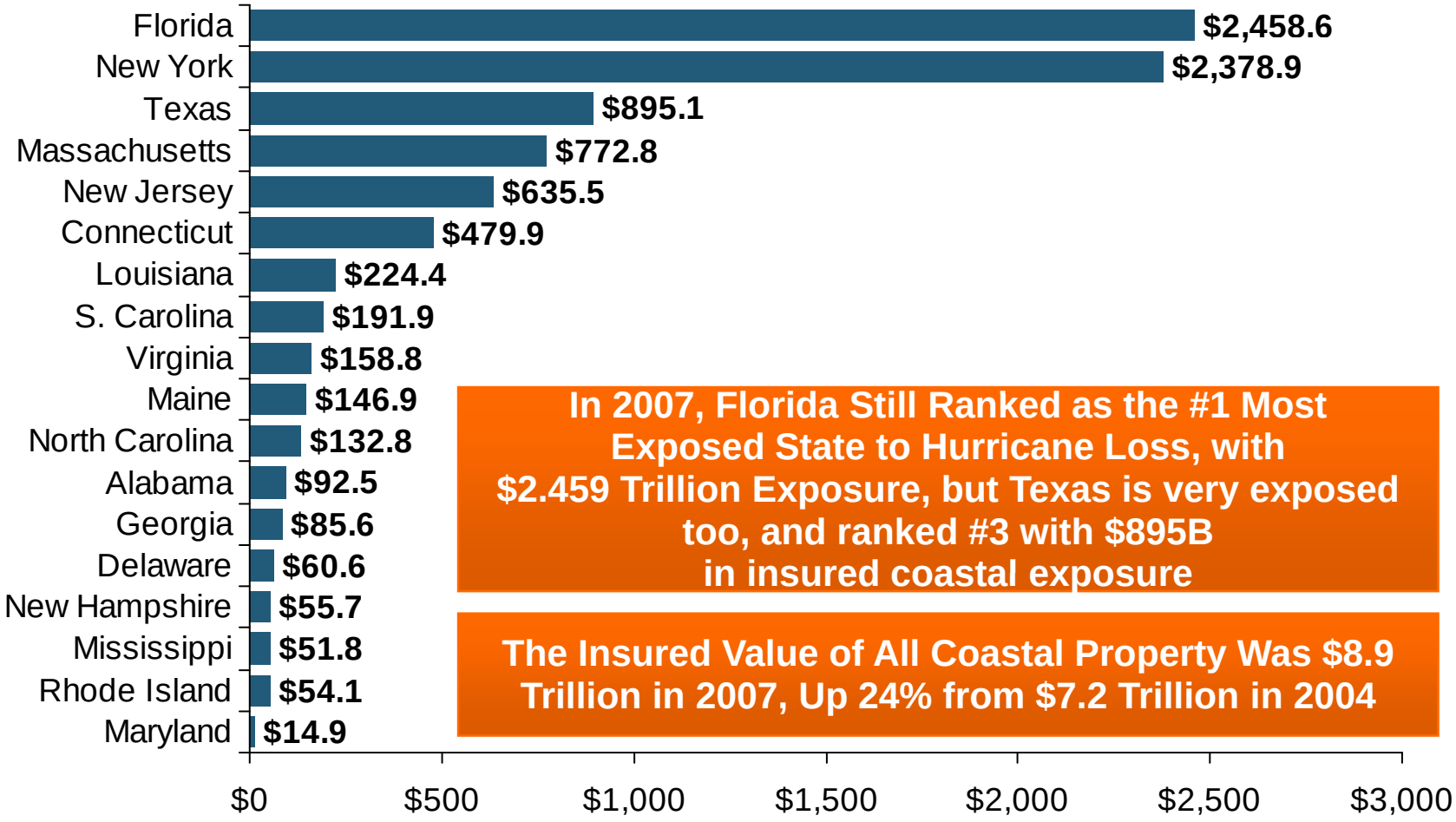
(2007, $ Billions)

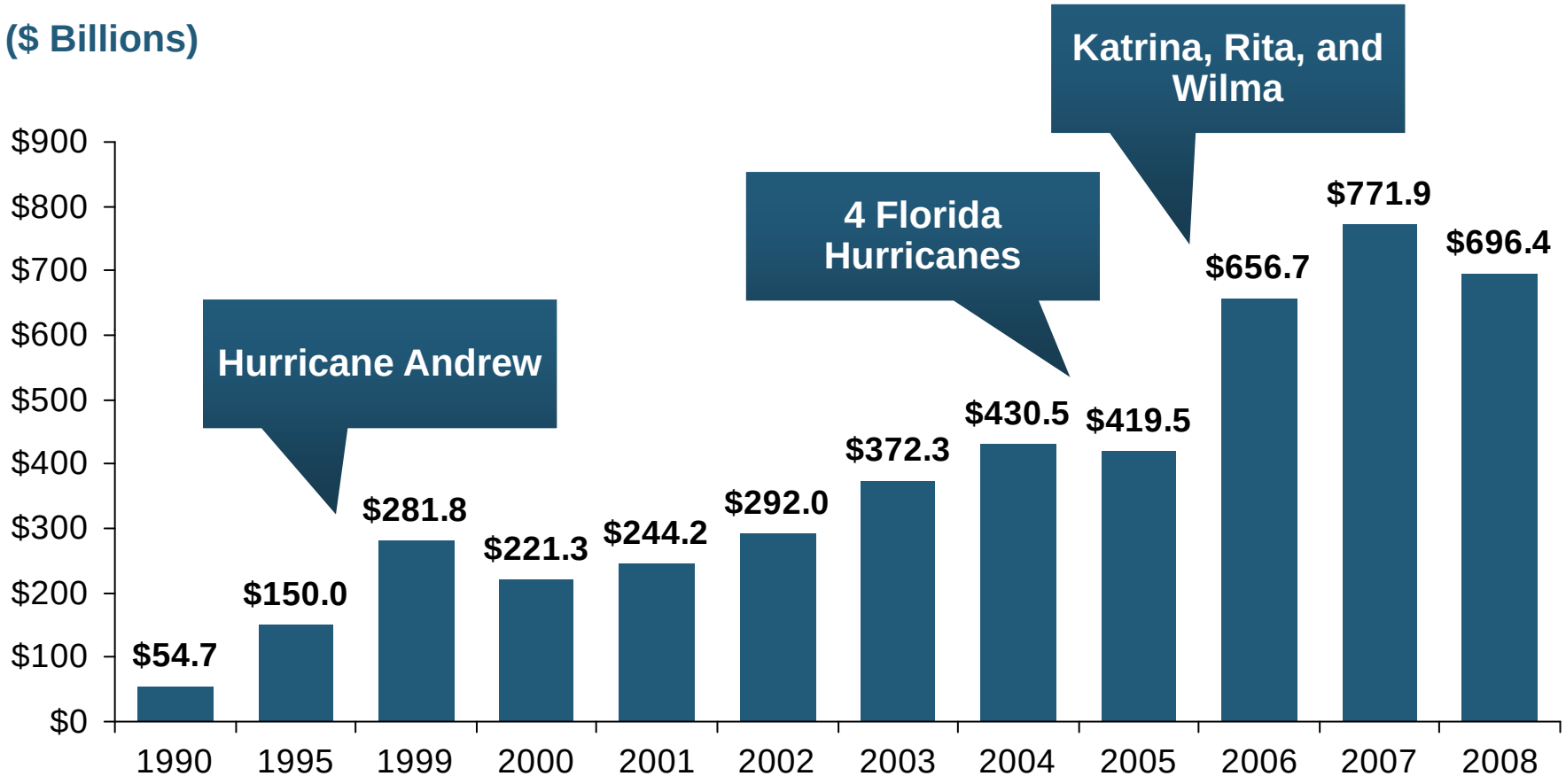


In 2007, Florida Still Ranked as the #1 Most Exposed State to Hurricane Loss, with $2.459 Trillion Exposure, but Texas is very exposed too, and ranked #3 with $895B in insured coastal exposure

The Insured Value of All Coastal Property Was $8.9 Trillion in 2007, Up 24% from $7.2 Trillion in 2004

Source: AIR Worldwide

US Residual Market Exposure to Loss



In the 19-year Period Between 1990 and 2008, Total Exposure to Loss in the Residual Market (FAIR & Beach/Windstorm) Plans Has Surged from $54.7B in 1990 to $696.4B in 2008

Source: PIPSO; Insurance Information Institute

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Outlook for the 2011 Atlantic Hurricane Season

Above Average Activity, More Landfalls Expected

Outlook for 2011 Hurricane Season: 75% *More* Active Than Average

	Average*	2005 (Katrina Year)	2011F
Named Storms	9.6	28	16
Named Storm Days	49.1	115.5	80
Hurricanes	5.9	14	9
Hurricane Days	24.5	47.5	35
Intense Hurricanes	2.3	7	5
Intense Hurricane Days	5.0	7	10
Accumulated Cyclone Energy	96.1	NA	160
Net Tropical Cyclone Activity	100%	275%	**175%**

*Average over the period 1950-2000.
Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, April 6, 2011.

Probability of Major Hurricane Landfall (CAT 3, 4, 5) in 2011

	Average*	2011F
Entire US Coast	52%	72%
US East Coast Including Florida Peninsula	31%	48%
Gulf Coast from FL Panhandle to Brownsville, TX	30%	47%
ALSO…Above-Average Major Hurricane Landfall Risk in Caribbean for 2011 (61% vs. 42%)		

*Average over the period 1950-2000.
Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, April 6, 2011.

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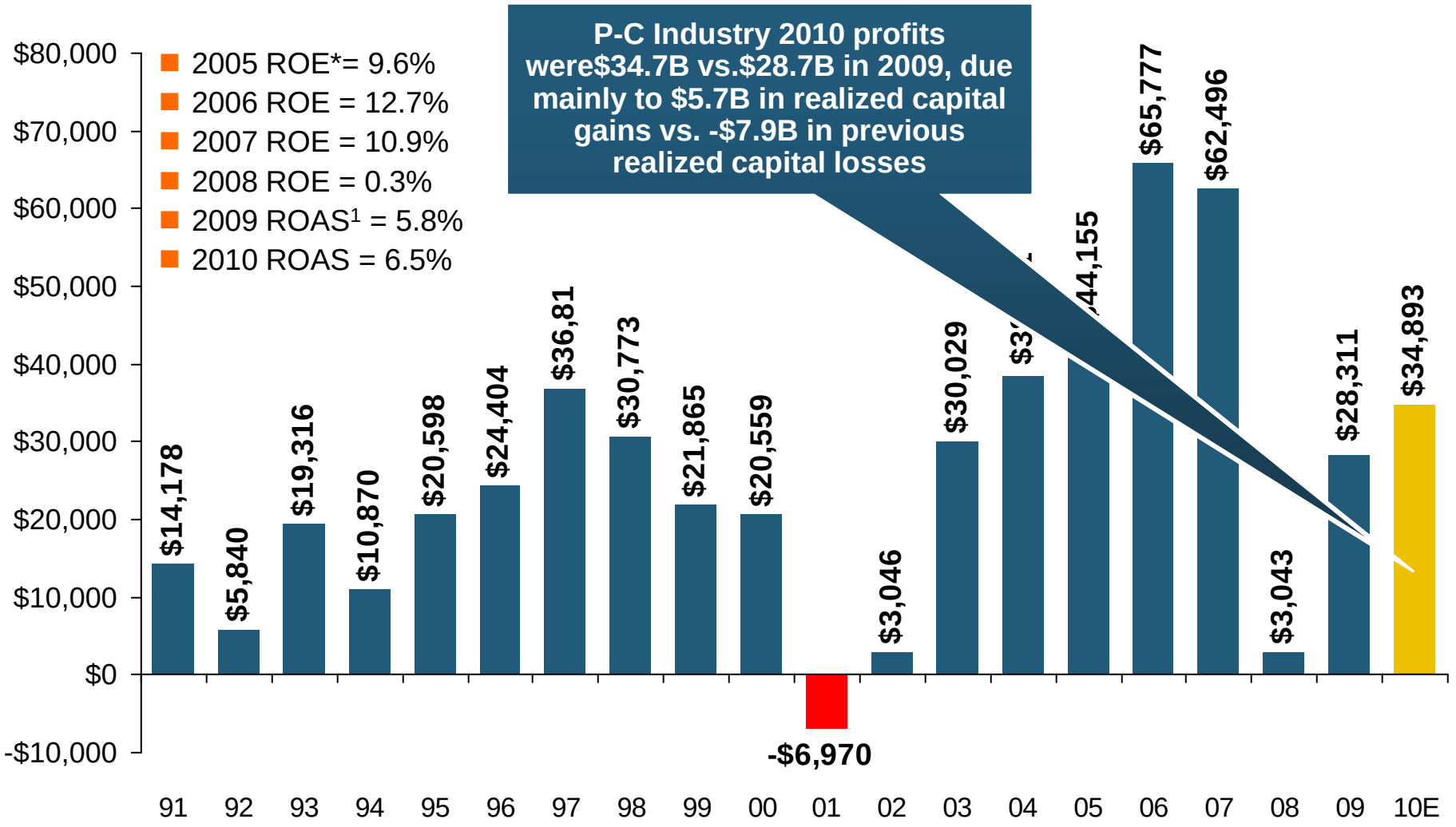
P/C Insurance Industry Financial Overview

Profit Recovery Continues

Early Stage Growth Begins

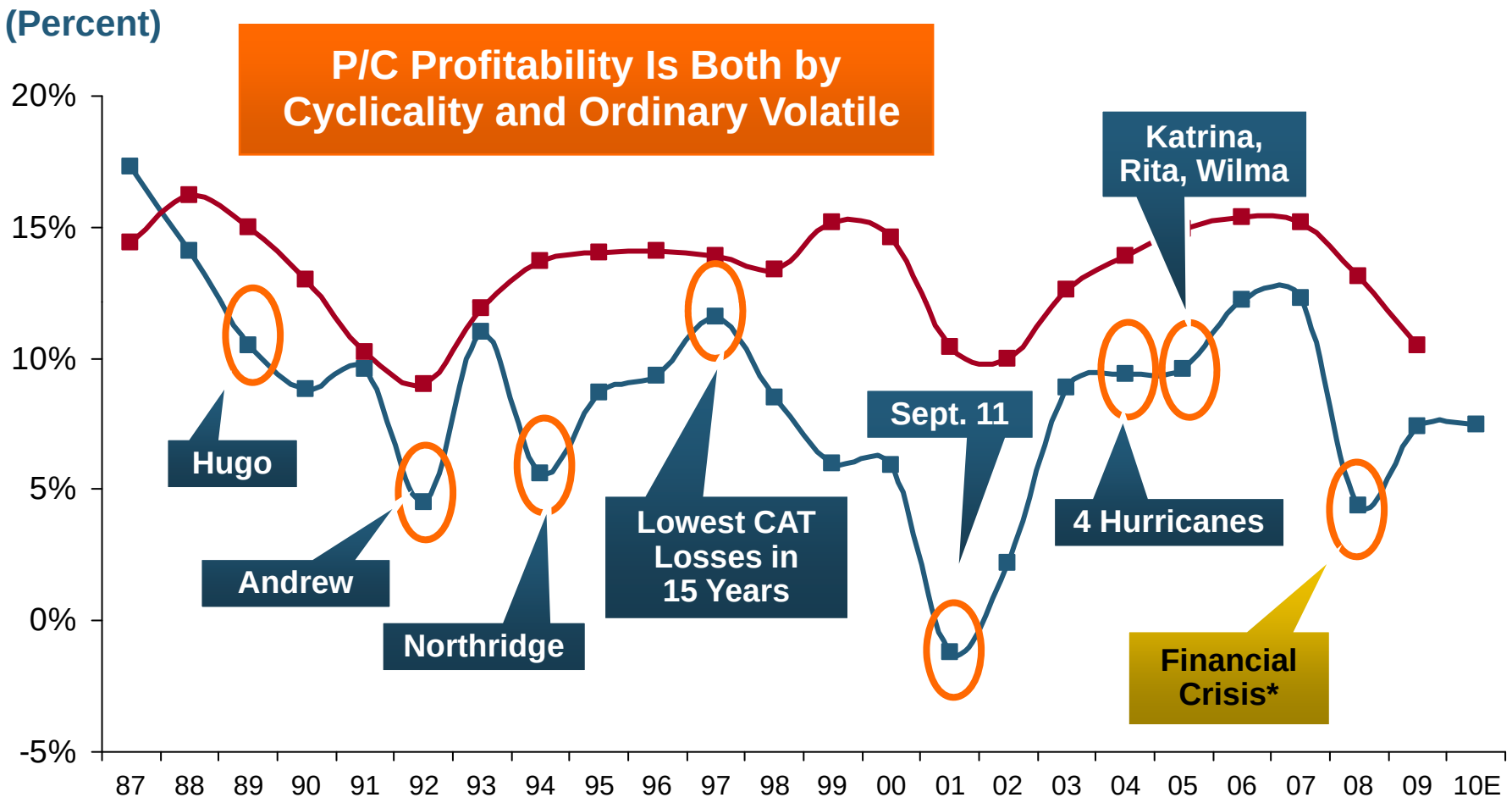
P/C Net Income After Taxes 1991–2010 ($ Millions)



* ROE figures are GAAP; [1]Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 7.5% ROAS for 2010 and 7.4% for 2009.

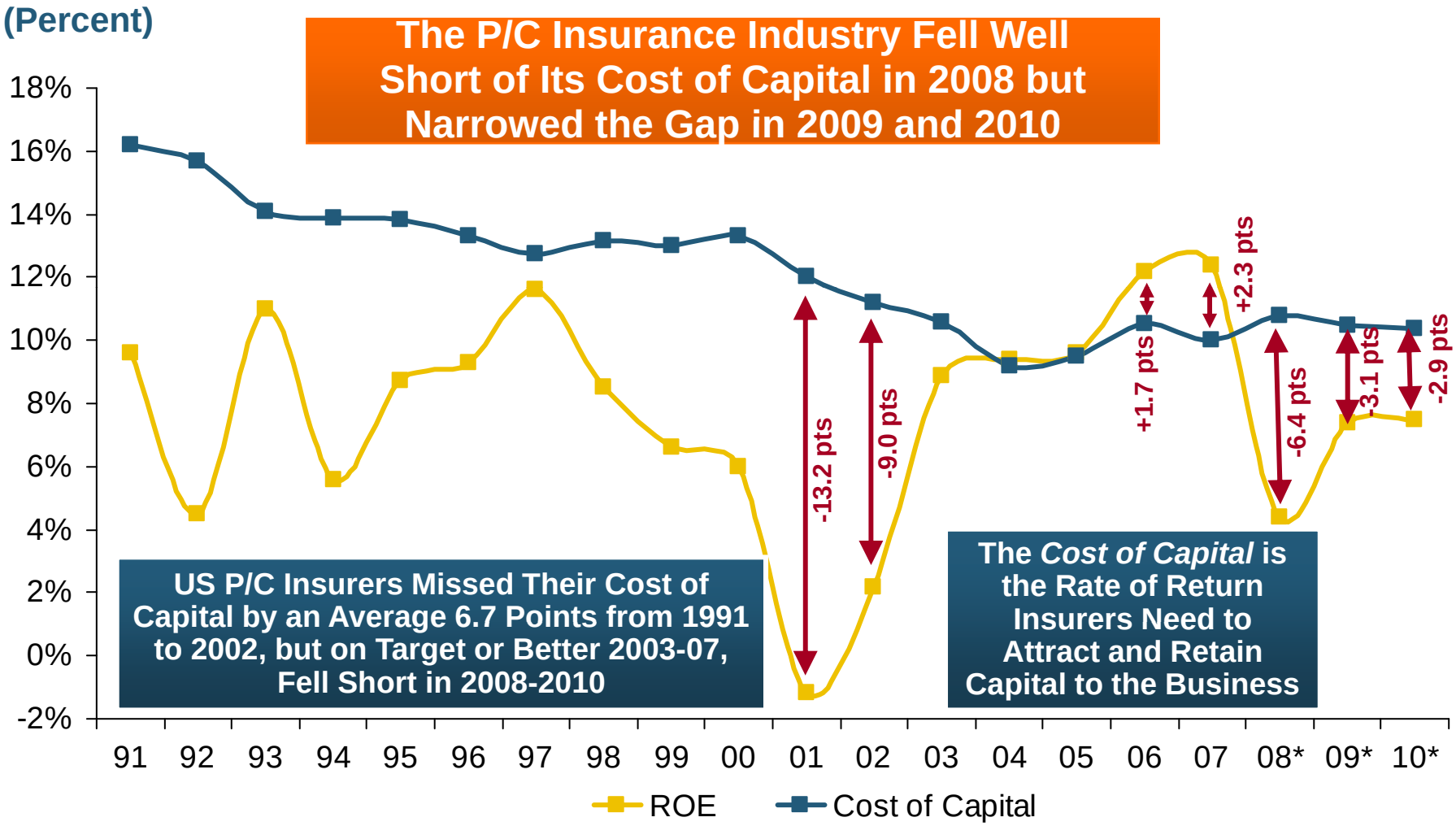
Sources: A.M. Best, ISO, Insurance Information Institute

ROE: Property/Casualty Insurance, 1987–2010*



* Excludes Mortgage & Financial Guarantee in 2008 - 2010.
Sources: ISO, *Fortune*;

ROE vs. Equity Cost of Capital: U.S. P/C Insurance:1991-2010*



* Return on average surplus in 2008-2010 excluding mortgage and financial guaranty insurers.
Source: The Geneva Association, Insurance Information Institute

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

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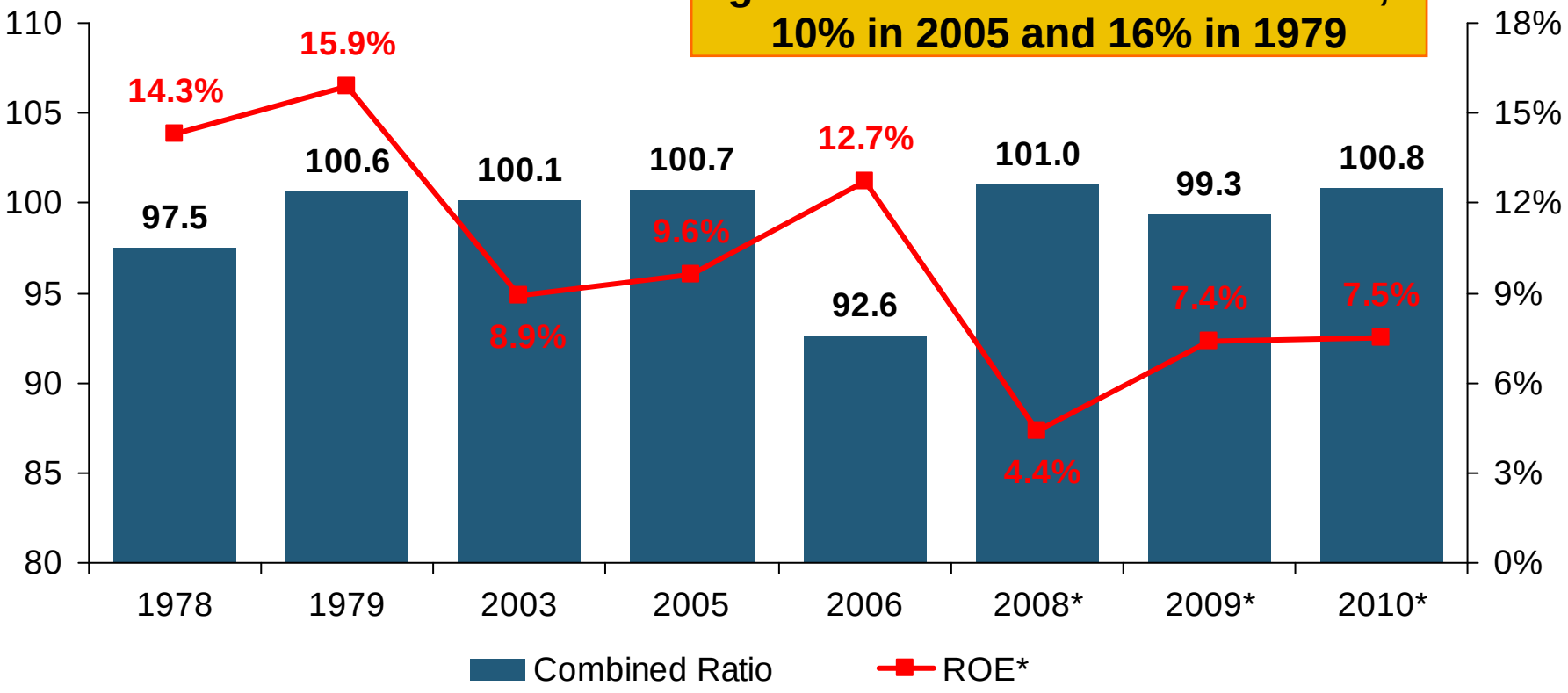
Combined Ratio / ROE

A combined ratio of about 100 generated ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979



Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

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

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

RNW for Major P/C Lines, 2000-2009 Average

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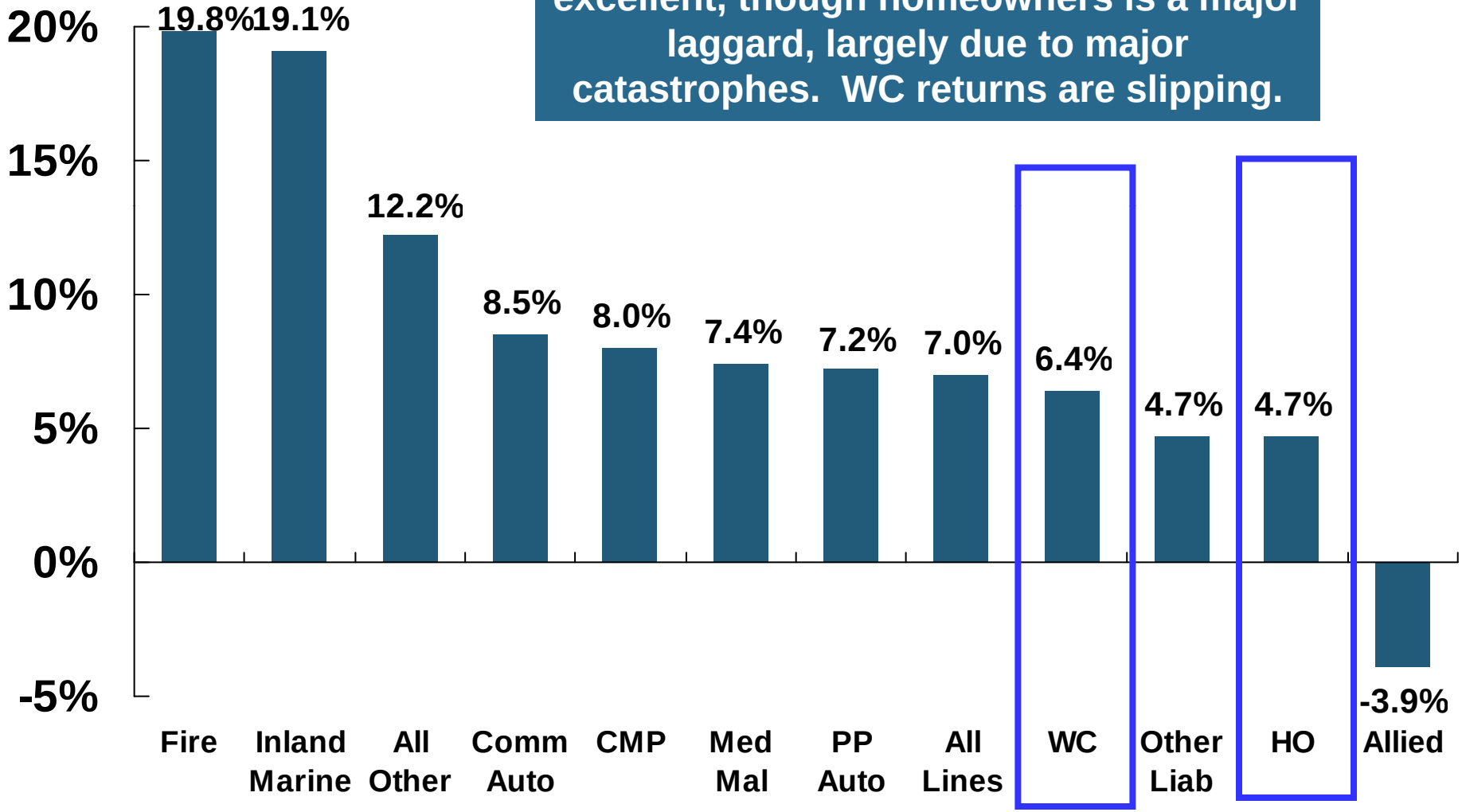
10-year returns for some lines are excellent, though homeowners is a major laggard, largely due to major catastrophes. WC returns are slipping.



Source: NAIC; Insurance Information Institute

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The Elusive Market Turn

When, Why, How and *IF*

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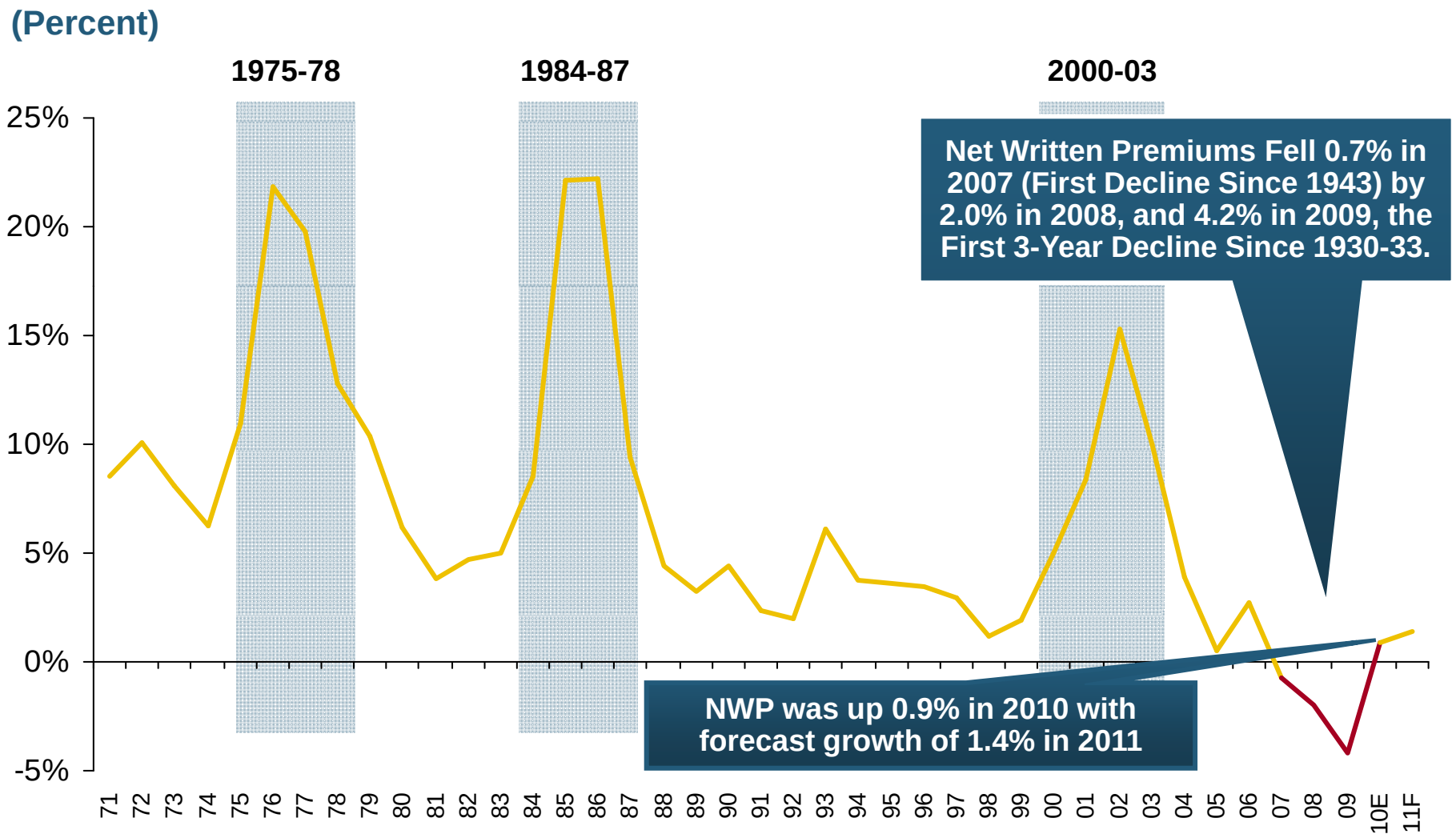
PRICING TRENDS

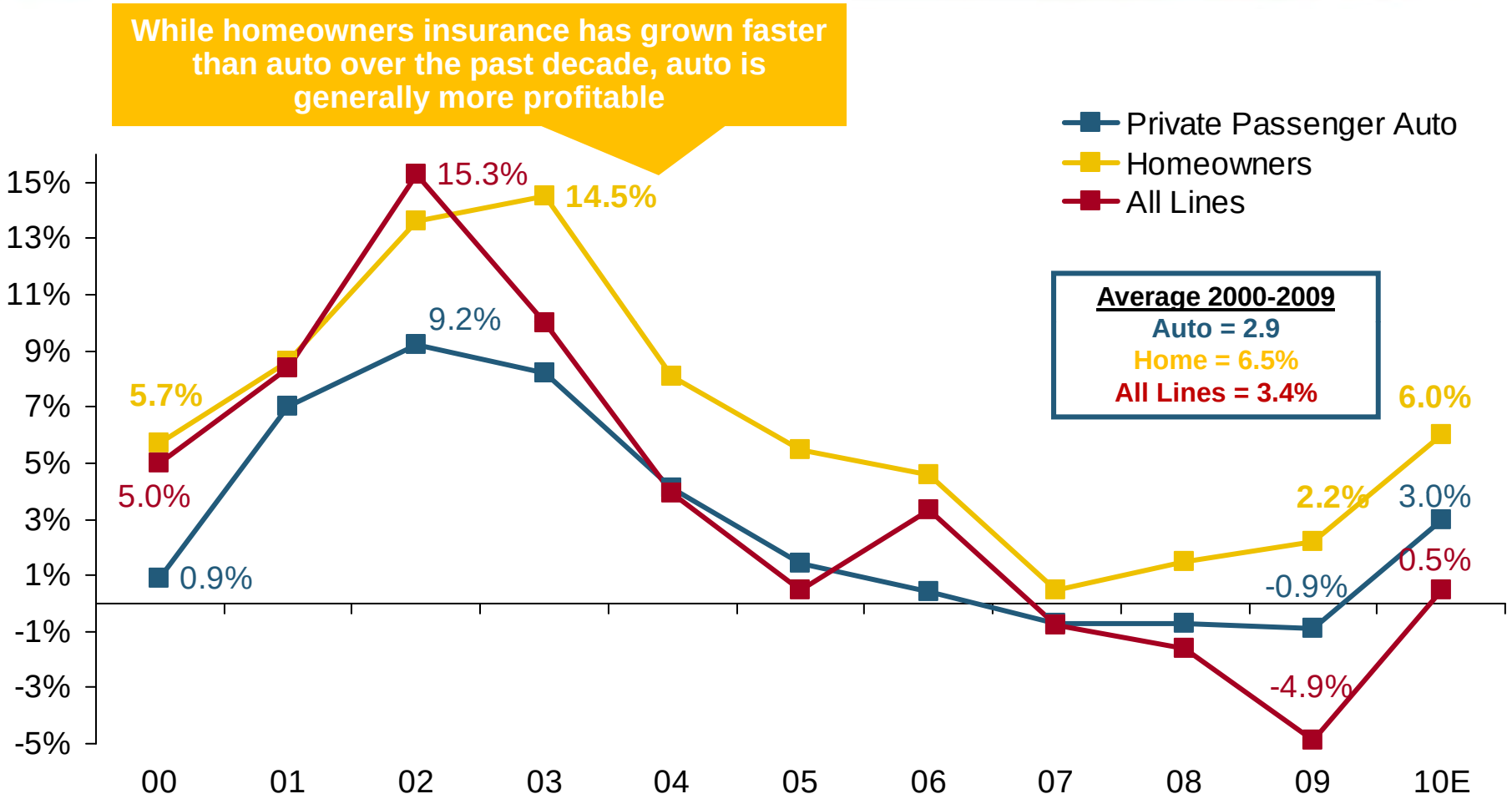
Winds of Change or Moving Sideways?

Soft Market Persisted in 2010 but Growth Returned: More in 2011?



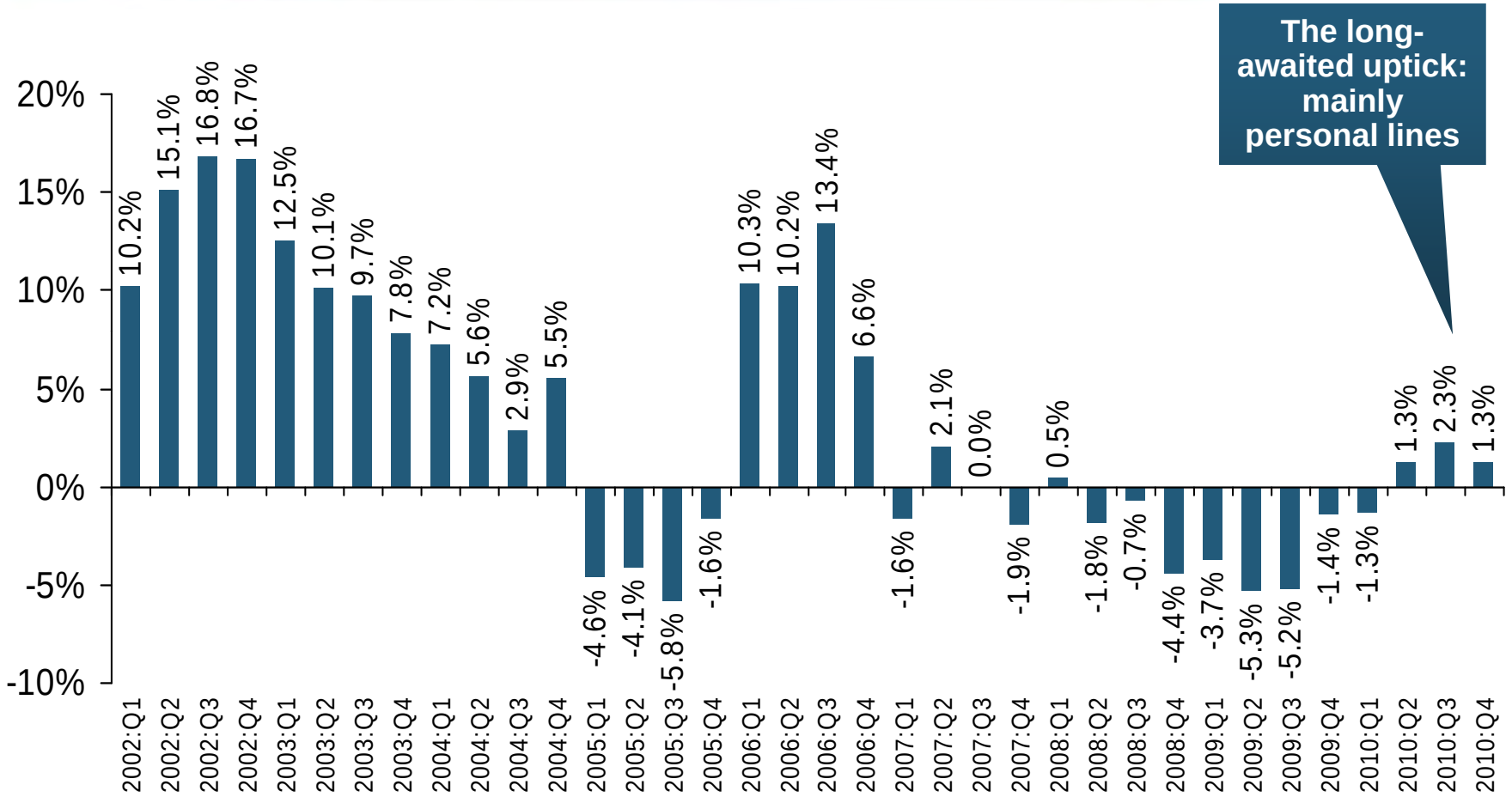
Shaded areas denote "hard market" periods
Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

Auto & Home vs. All Lines, Net Written Premium Growth, 2000–2010E



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

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

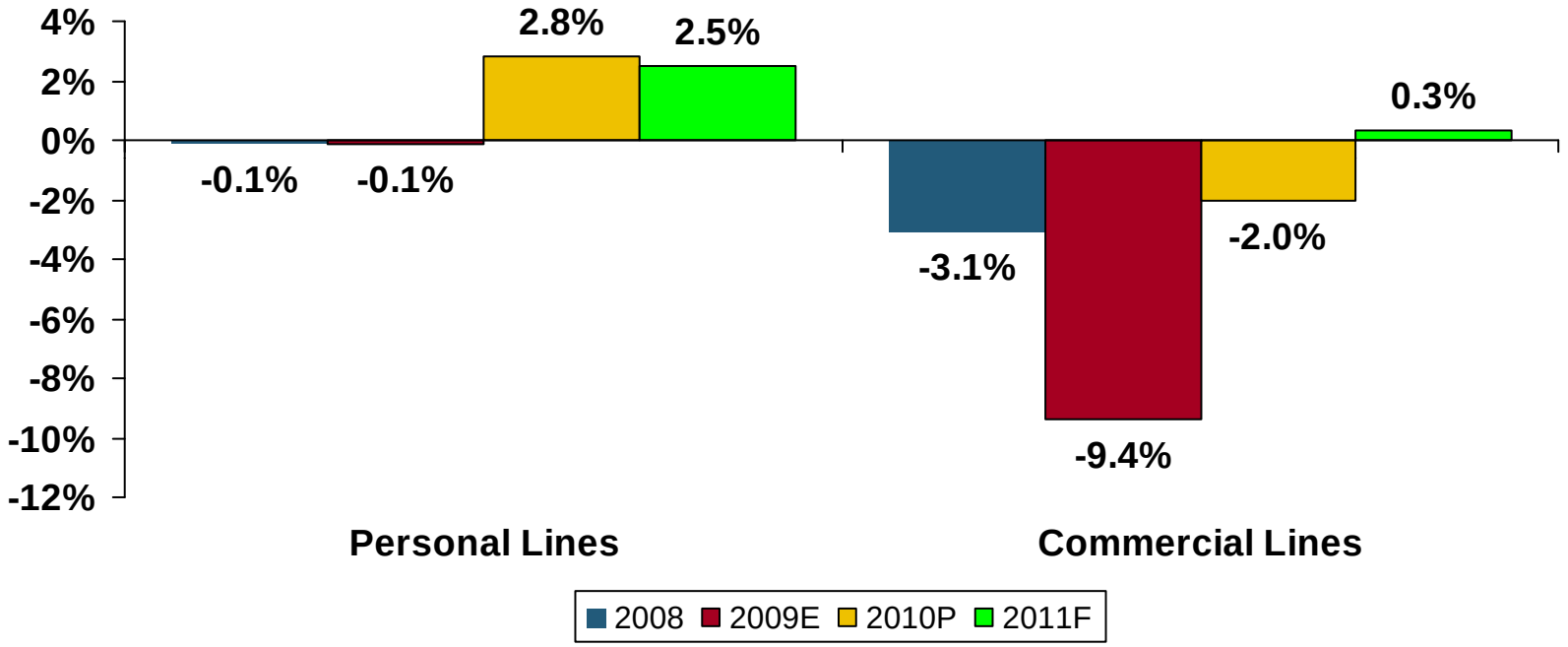


Finally! Back-to-back quarters of net written premium growth (vs. the same quarter, prior year)

Sources: ISO, Insurance Information Institute.

Net Written Premium Growth by Segment: 2008-2011F

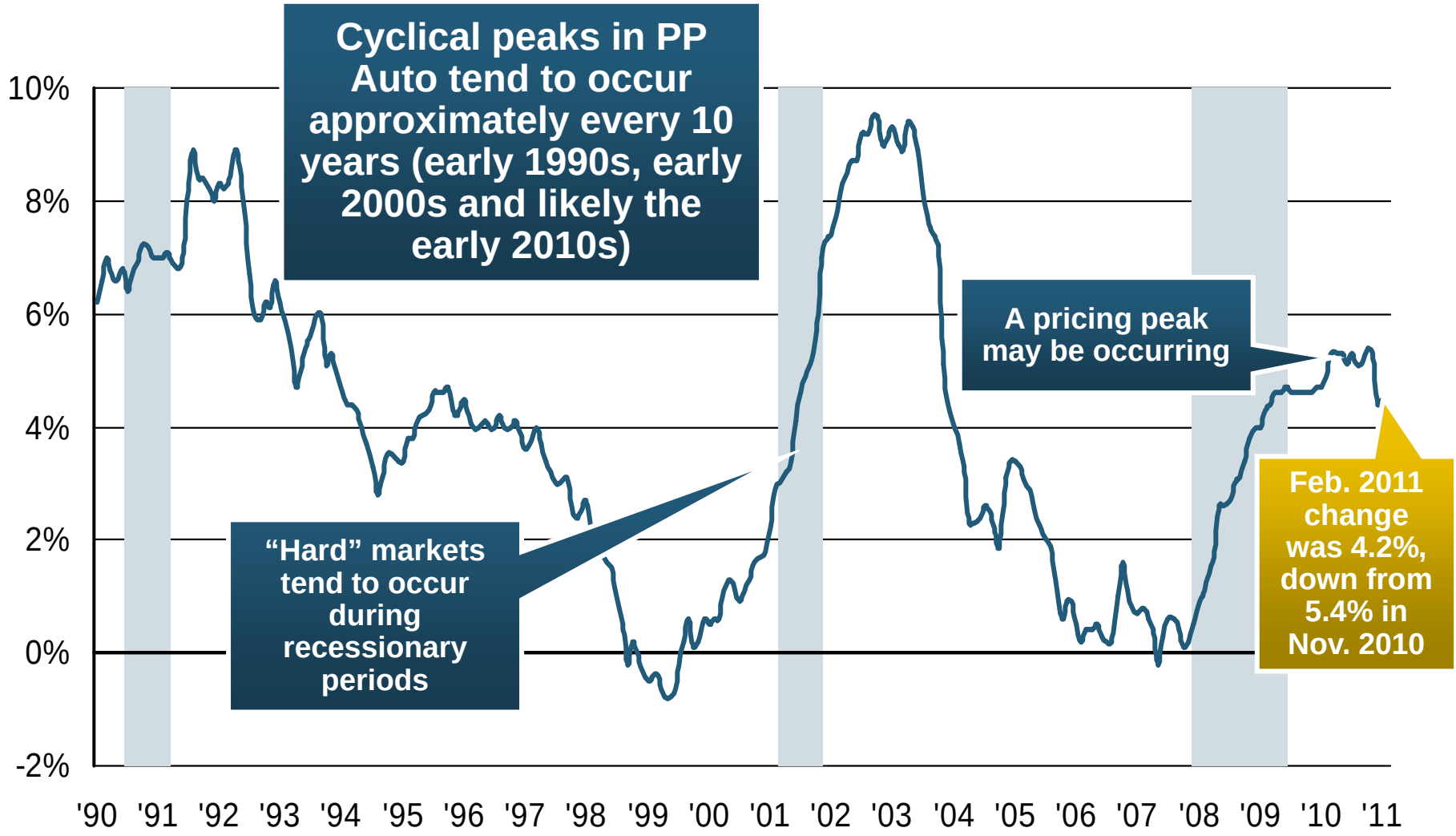
Personal lines growth resumed in 2010 and will continue in 2011, while commercial lines contracted again in 2010 and but will stabilize in 2011



Rate and exposure are more favorable in personal lines, whereas a prolonged soft market and sluggish recovery from the recession weigh on commercial lines.

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

Monthly Change* in Auto Insurance Prices, 1991–2011*

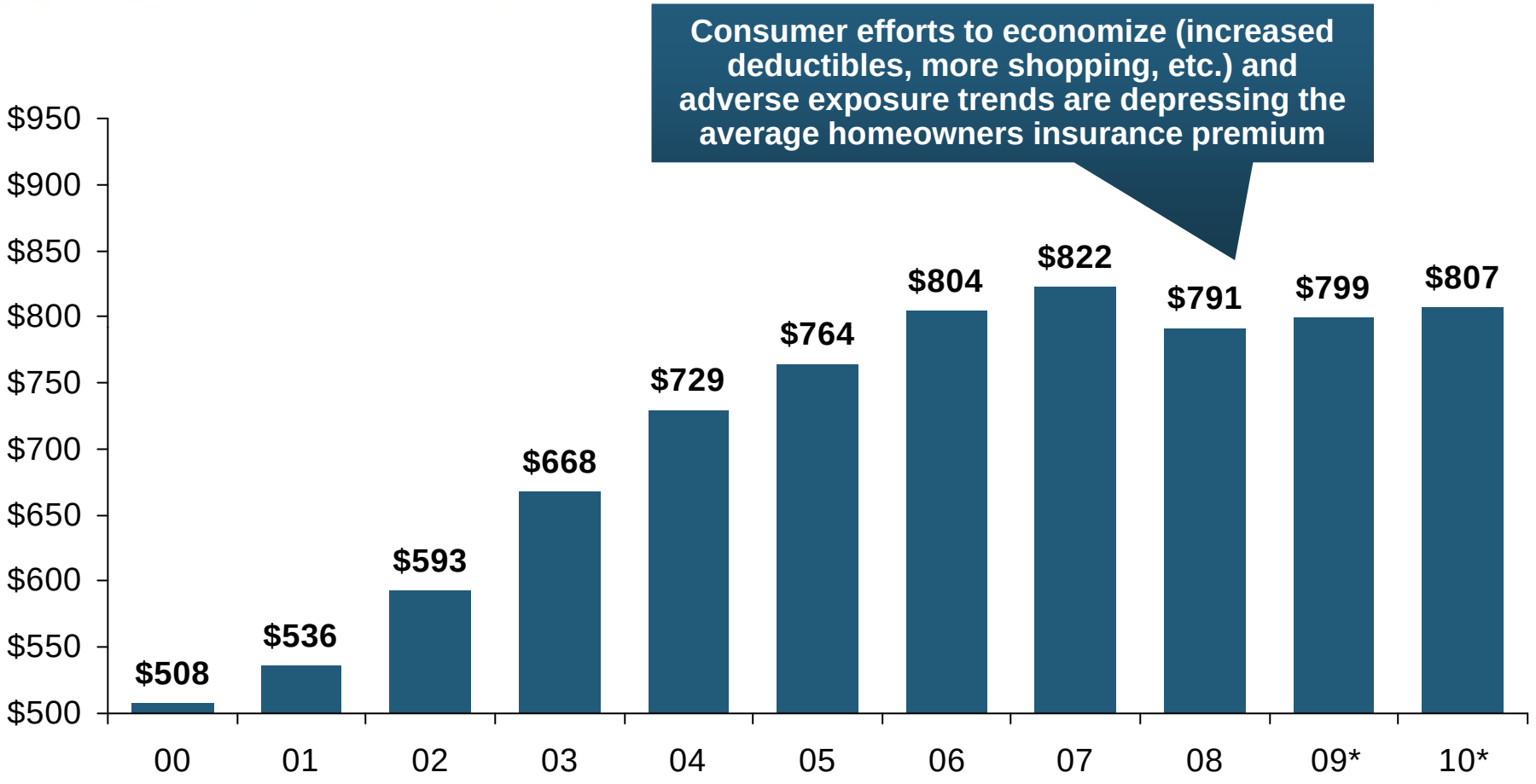


*Percentage change from same month in prior year; through February 2011; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics; National Bureau of Economic Research (recession dates); Insurance Information Institutes.

Average Premium for Home Insurance Policies**



* Insurance Information Institute Estimates/Forecasts **Excludes state-run insurers.
Source: NAIC, Insurance Information Institute estimates 2009-2010 based on CPI and other data.

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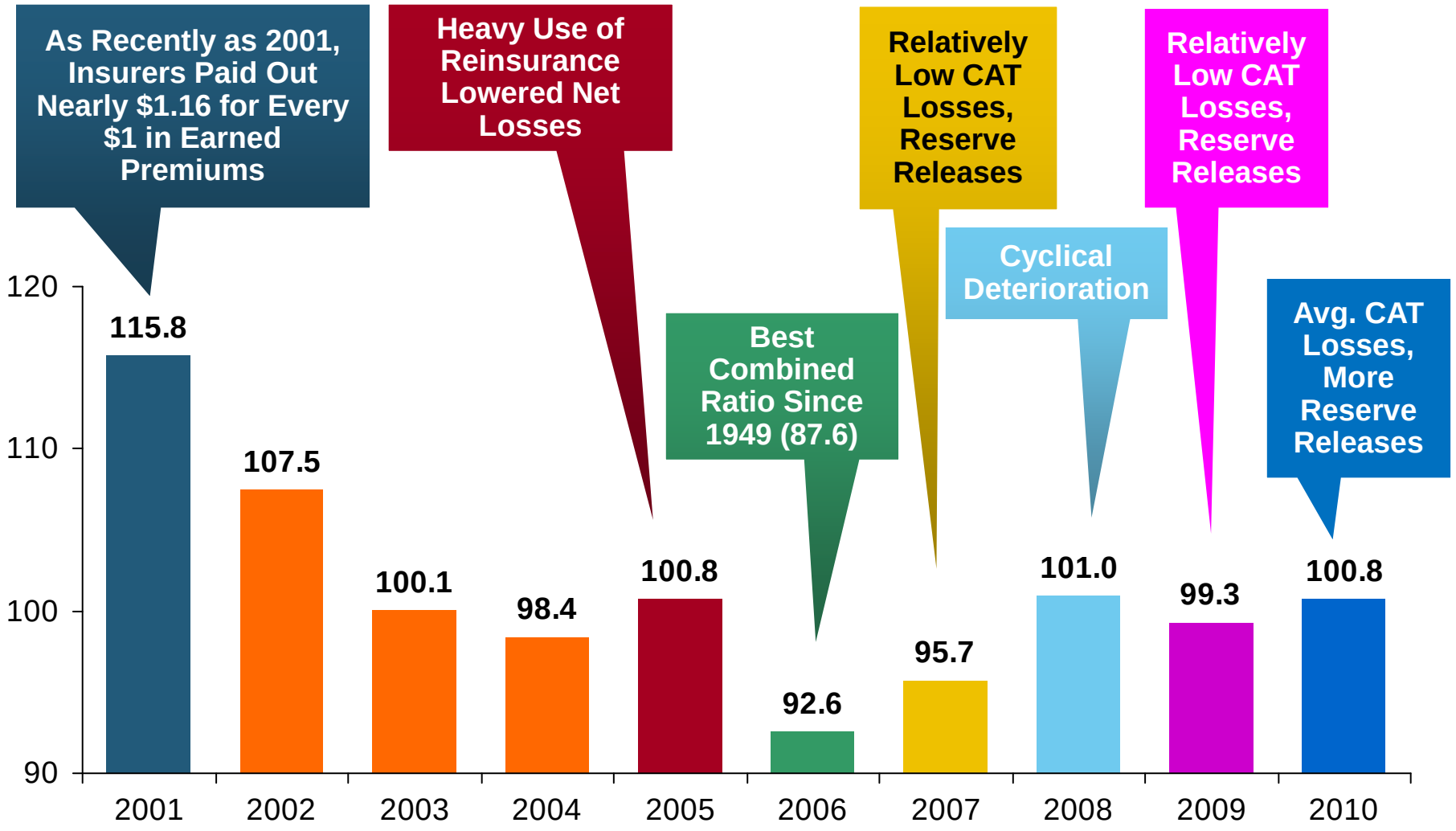
UNDERWRITING

Cyclicality is Driven Primarily by the Industry's Underwriting Cycle, Not the Economy

P/C Insurance Industry Combined Ratio, 2001–2010:Q4*

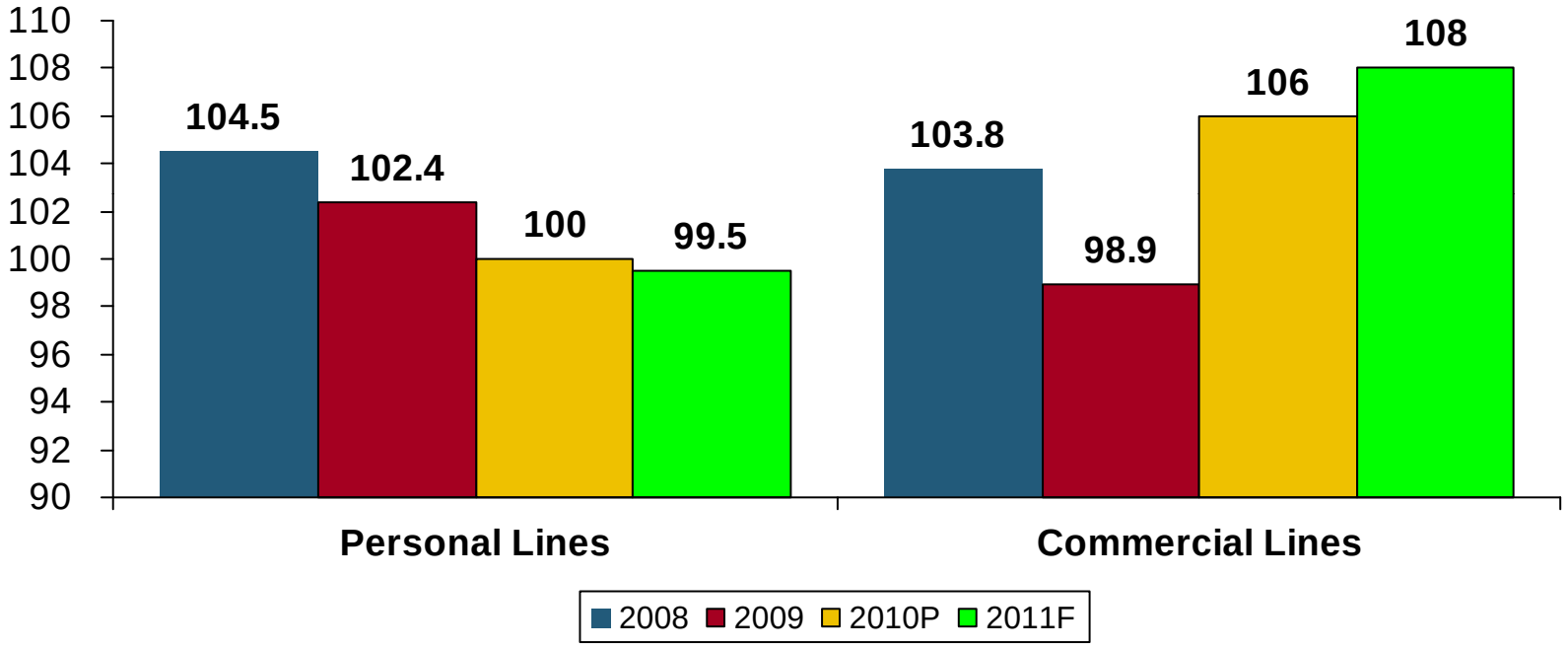


* Excludes Mortgage & Financial Guaranty insurers in 2008, 2009 and 2010. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4

Sources: A.M. Best, ISO.

Calendar Year Combined Ratios by Segment: 2008-2011F

Personal lines combined ratio is expected to remain stable in 2010 while commercial lines and reinsurance deteriorate



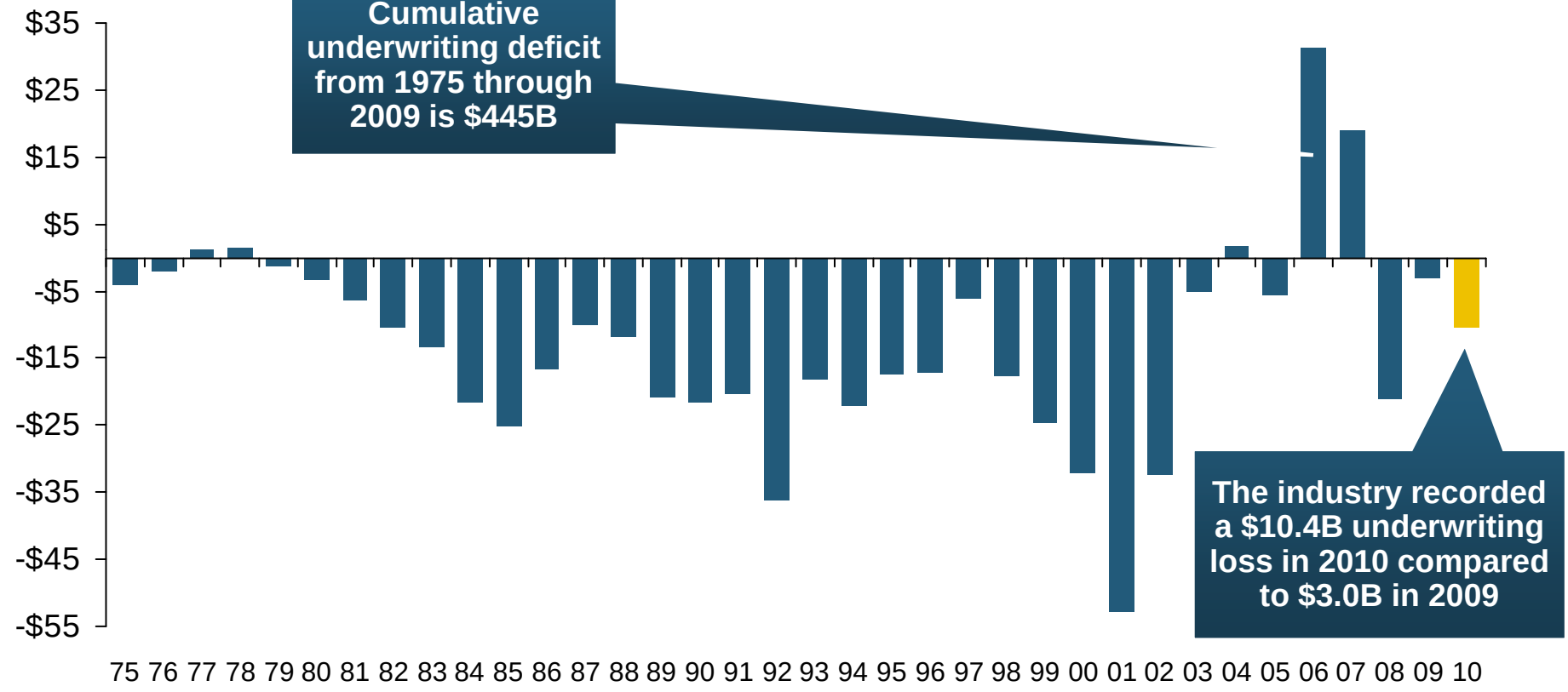
Overall deterioration in 2011 underwriting performance is due to expected return to normal catastrophe activity along with deteriorating underwriting performance related to the prolonged commercial soft market

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

Underwriting Gain (Loss) 1975–2010*

INSURANCE INFORMATION INSTITUTE

($ Billions)



Large Underwriting Losses Are *NOT* Sustainable in Current Investment Environment

* Includes mortgage and financial guaranty insurers.

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

Number of Years with Underwriting Profits by Decade, 1920s–2000s

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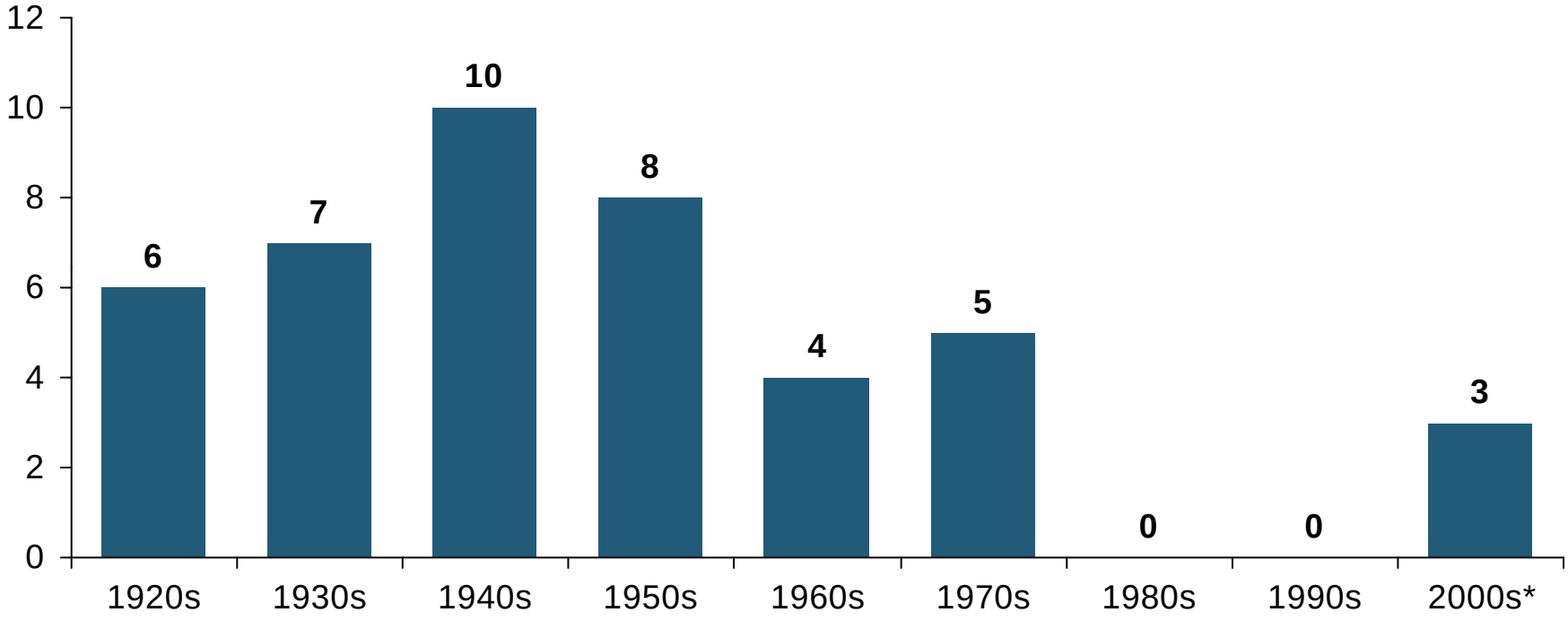
Number of Years with Underwriting Profits



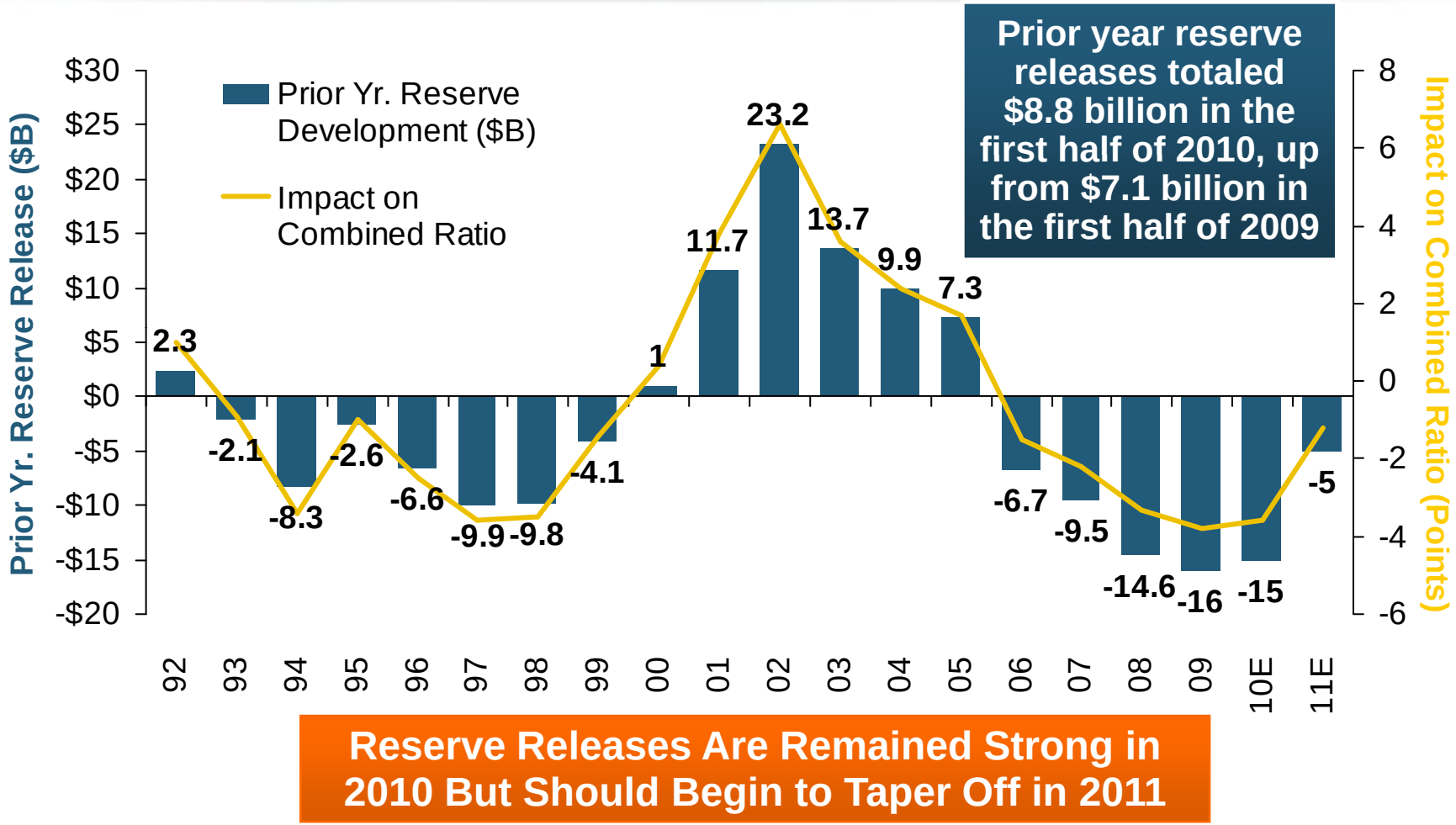
Underwriting Profits Were Common Before the 1980s (40 of the 60 Years Before 1980 Had Combined Ratios Below 100) – But Then They Vanished. Not a Single Underwriting Profit Was Recorded in the 25 Years from 1979 Through 2003

* 2000 through 2009. 2009 combined ratio excluding mortgage and financial guaranty insurers was 99.3, which would bring the 2000s total to 4 years with an underwriting profit.

Note: Data for 1920–1934 based on stock companies only.

Sources: Insurance Information Institute research from A.M. Best Data.

P/C Reserve Development, 1992–2011E

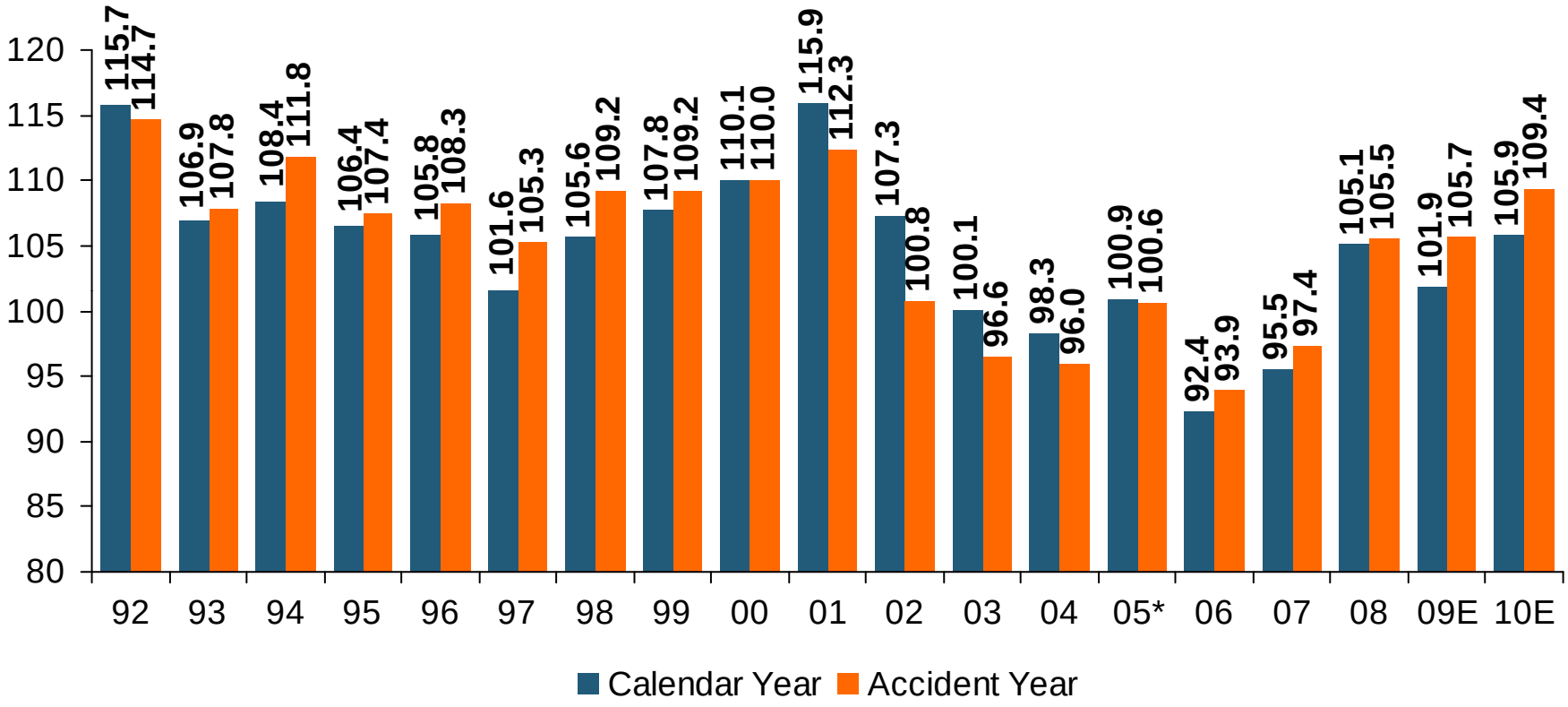


Reserve Releases Are Remained Strong in 2010 But Should Begin to Taper Off in 2011

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

Sources: Barclay's Capital; A.M. Best.

Calendar Year vs. Accident Year P/C Combined Ratio: 1992–2010E[1]

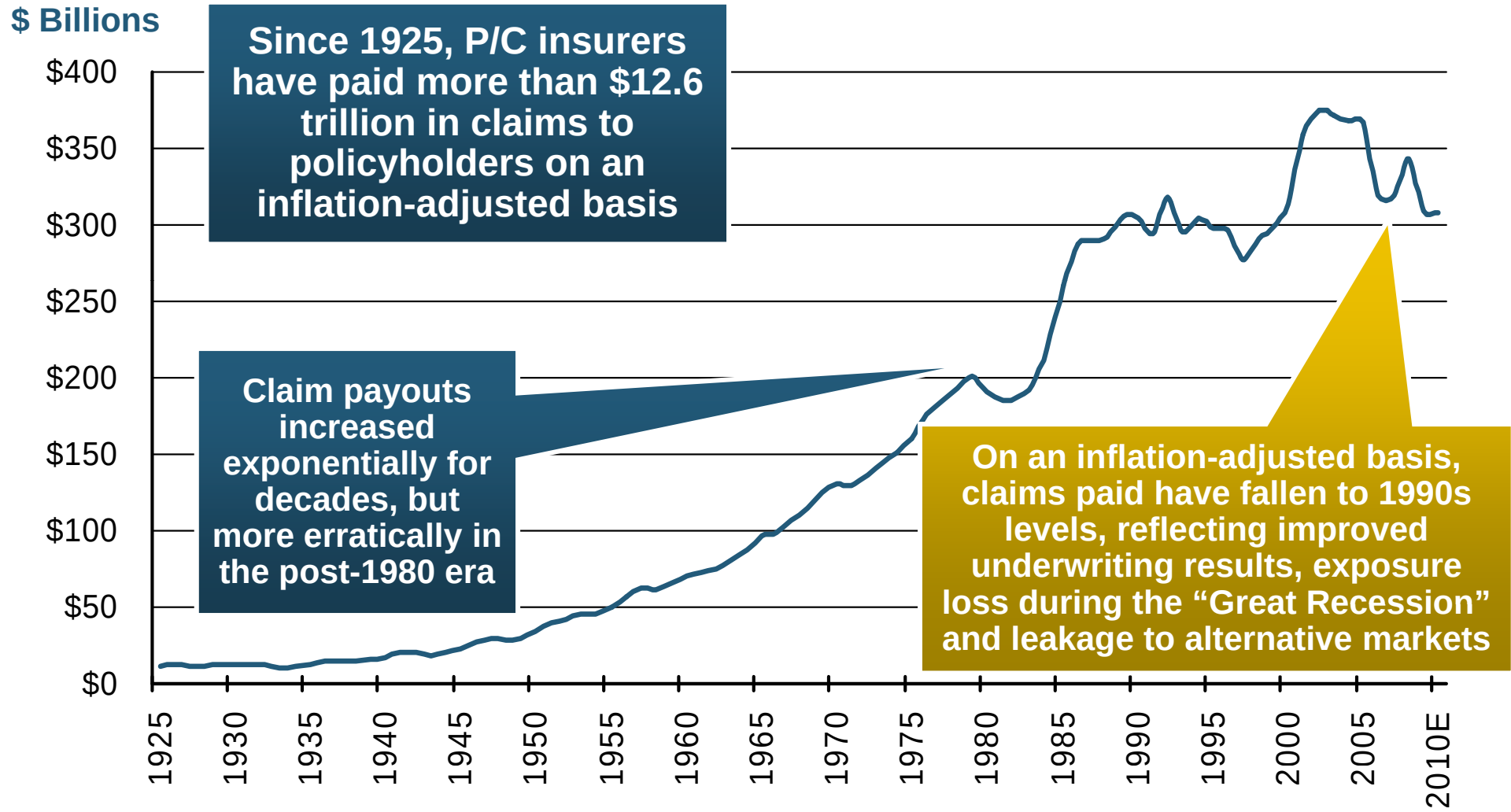


Accident Year Results Show a More Significant Deterioration in Underwriting Performance. Calendar Year Results Are Helped by Reserve Releases

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

Sources: Barclay's Capital; A.M. Best.

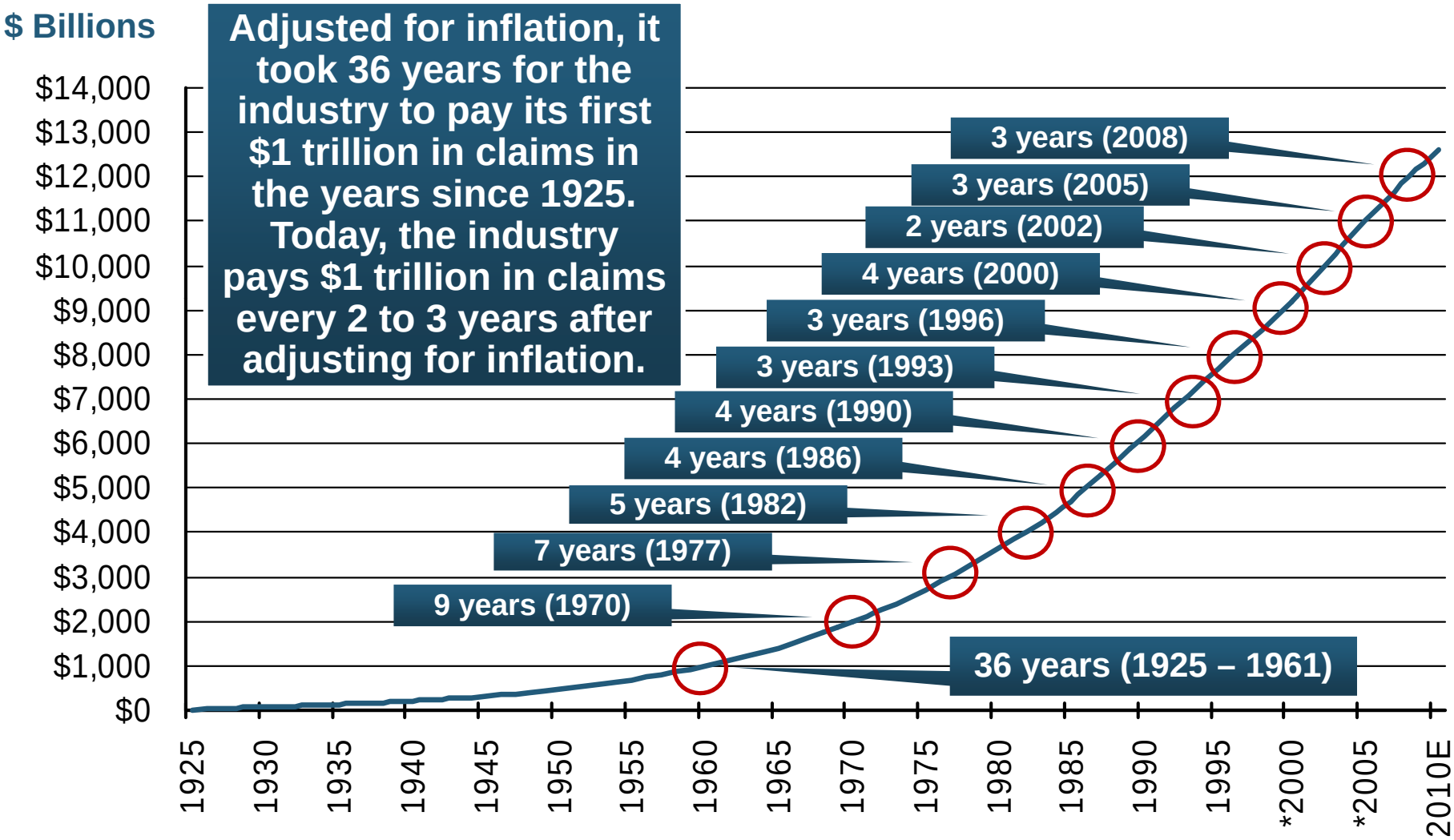
Inflation-Adjusted Dollar Value of Claims Paid by P/C Insurers, 1925–2010E*



*1925 – 1934 stock companies only. Includes workers compensation state funds 1998-2006.

Sources: Insurance Information Institute research and calculations from A.M. Best data.

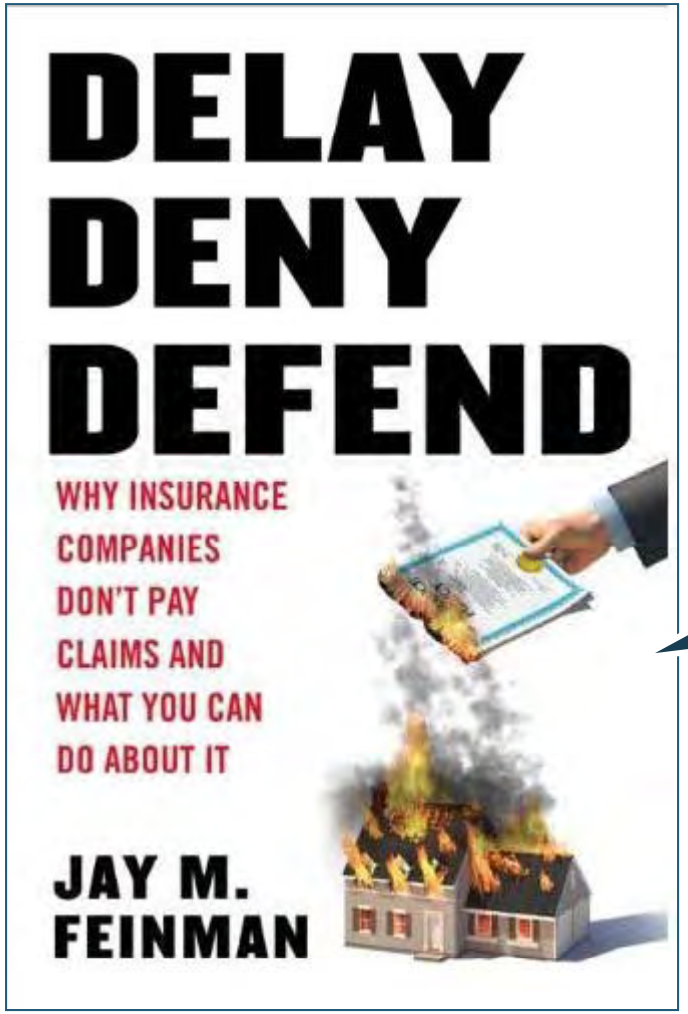
Cumulative Value of Inflation-Adjusted Claims Paid by P/C Insurers, 1925–2010E*



*1925 – 1934 stock companies only. Includes workers compensation state funds 1998-2006.

Sources: Insurance Information Institute research and calculations from A.M. Best data.

$12.5 Trillion of Paid Claims and Someone Still Writes a Book With This Title?



This book by a Rutgers University law professor asserts that insurers do everything possible to avoid paying legitimate claims.

I will be debating the thesis of Prof. Feinman's book and refuting his allegations in New Orleans on March 24.

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INVESTMENTS: THE NEW REALITY

Investment Performance is a Key Driver of Profitability *Does It Influence Underwriting or Cyclicality?*

Property/Casualty Insurance Industry Investment Gain: 1994–2010[1]

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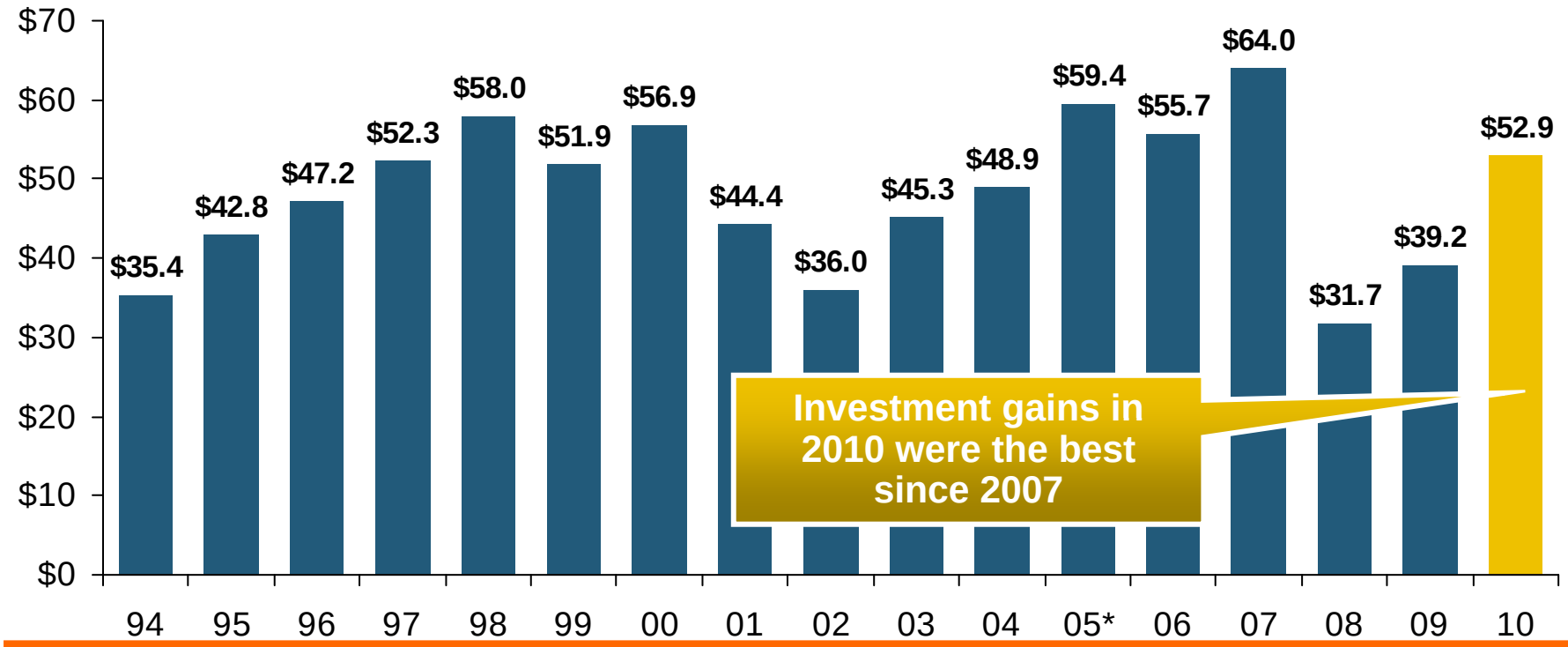
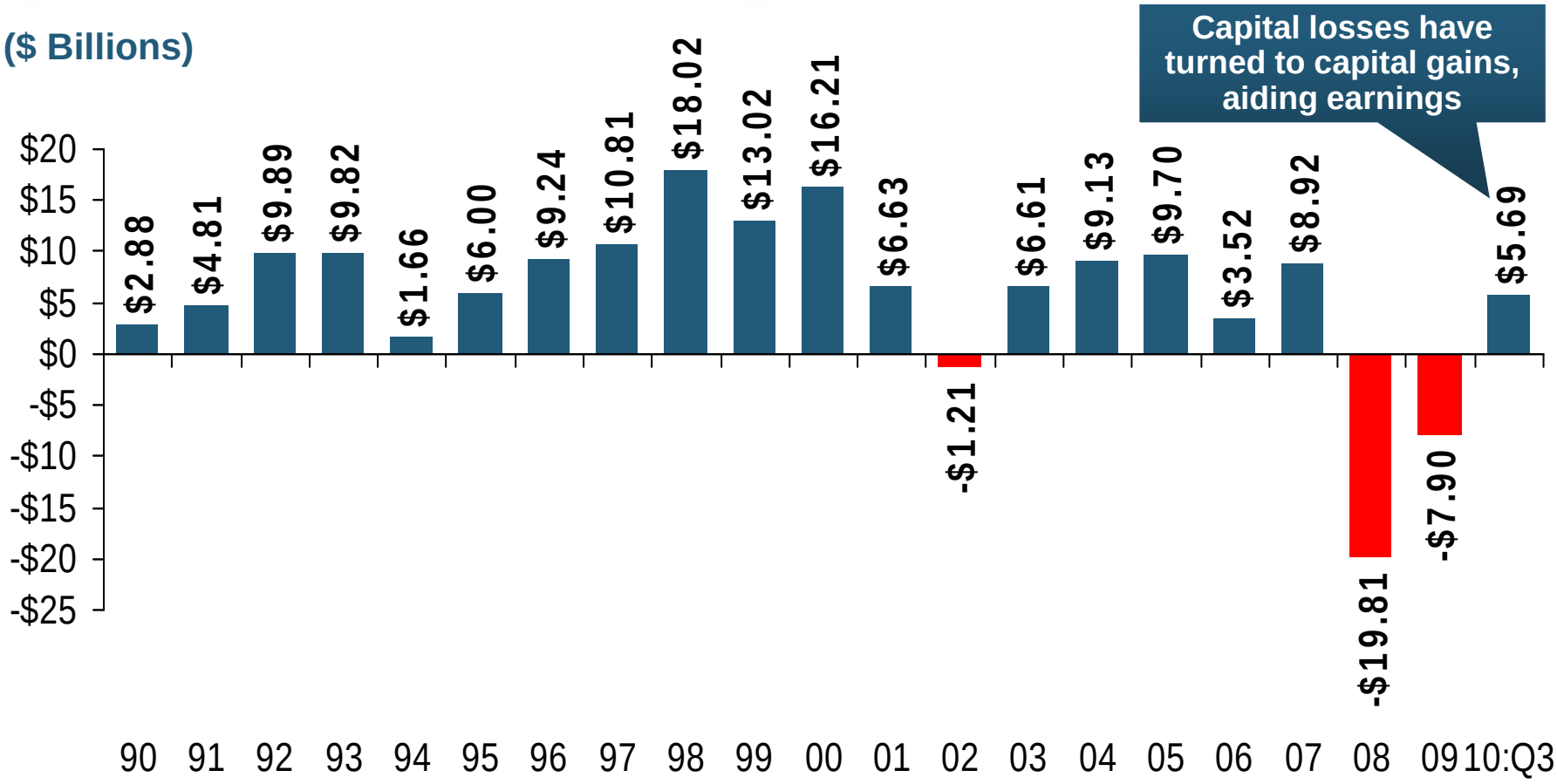
($ Billions)



In 2008, Investment Gains Fell by 50% Due to Lower Yields and Nearly $20B of Realized Capital Losses
2009 Saw Smaller Realized Capital Losses; Investment Gains Recovered Significantly in 2010 Due to Realized Investment Gains

[1] 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.

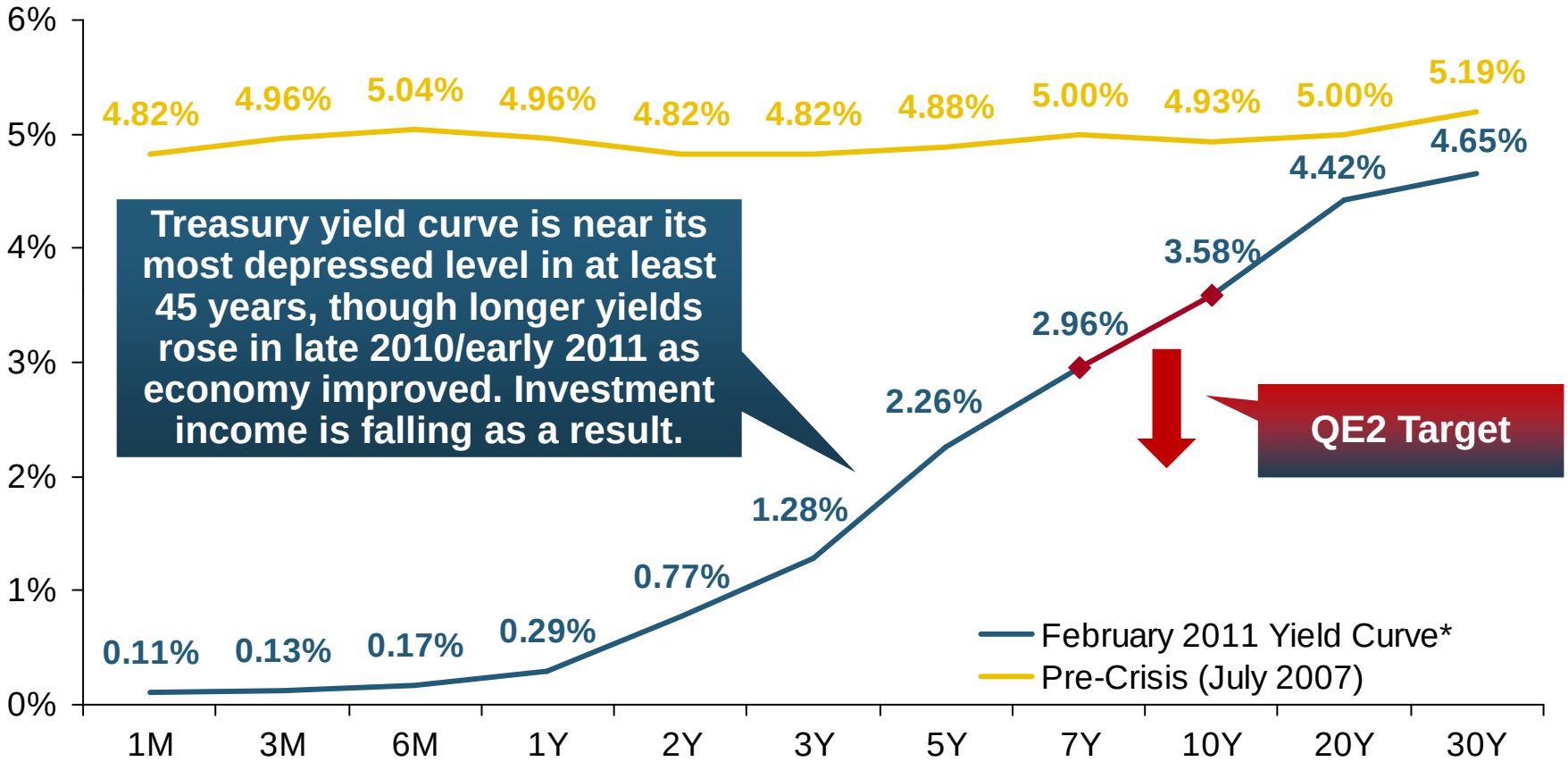
P/C Insurer Net Realized Capital Gains, 1990-2010



Realized Capital Losses Were the Primary Cause of 2008/2009's Large Drop in Profits and ROE and Were a Major Driver of Its Recovery in 2010

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

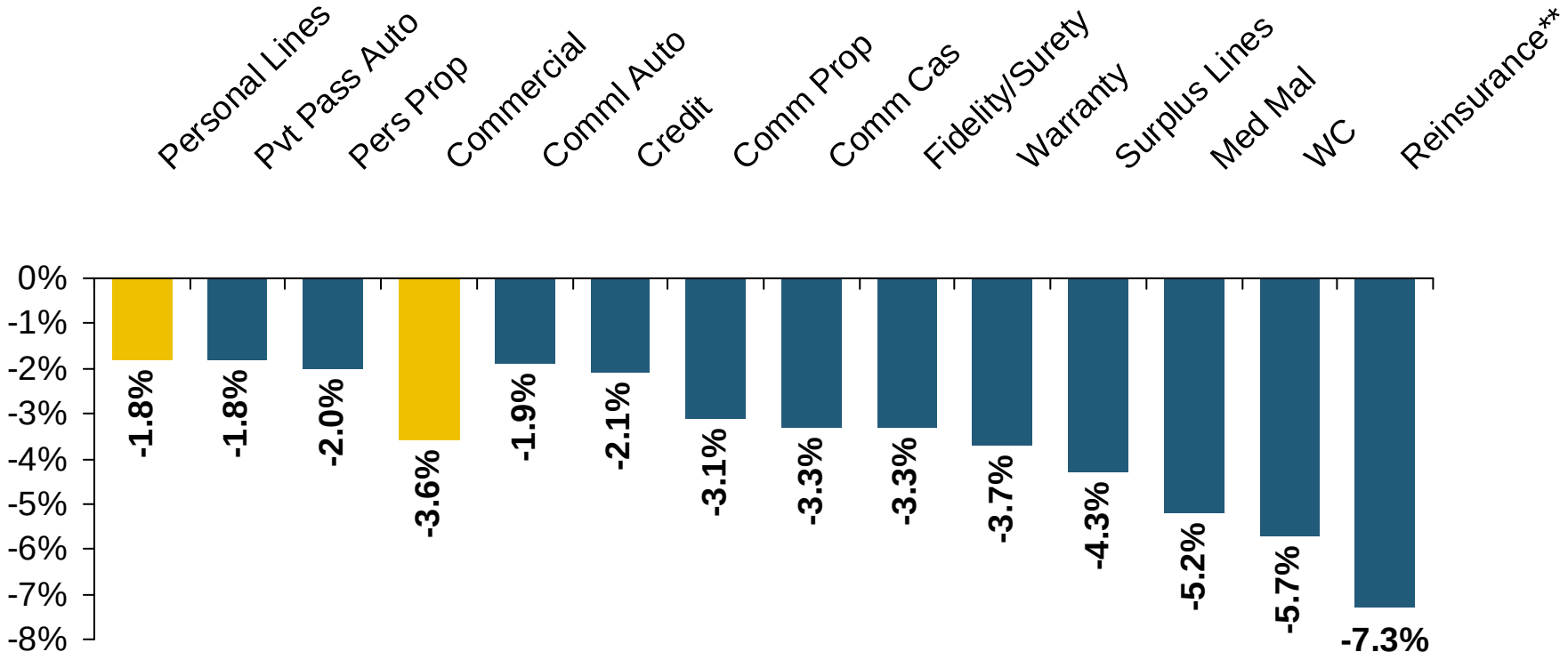
Treasury Yield Curves: Pre-Crisis (July 2007) vs. February 2011



The Fed's Announced Intention to Pursue Additional Quantitative Easing Could Depress Rates in the 7 to 10-Year Maturity Range through June

Sources: Board of Governors of the United States Federal Reserve Bank; Insurance Information Institute.

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.

Distribution of P/C Insurance Industry's Investment Portfolio

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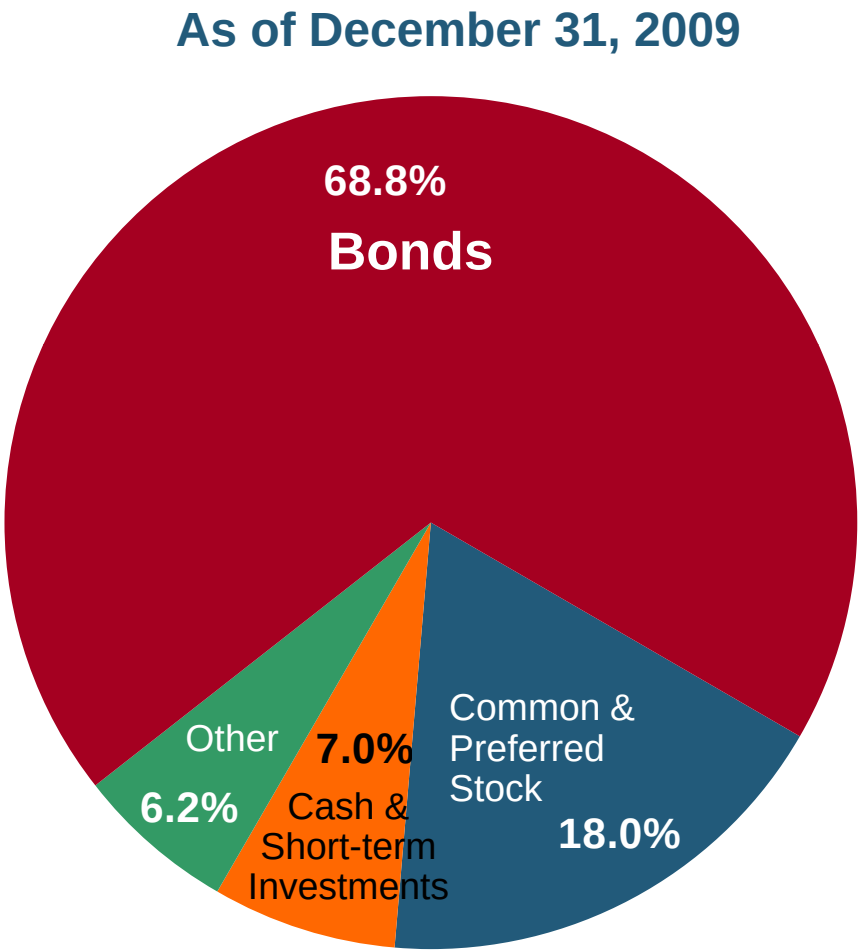
Portfolio Facts as of 12/31/2009

- Invested assets totaled $1.26 trillion
- Generally, insurers invest conservatively, with over 2/3 of invested assets in bonds
- Only 18% of invested assets were in common or preferred stock



*Net admitted assets.

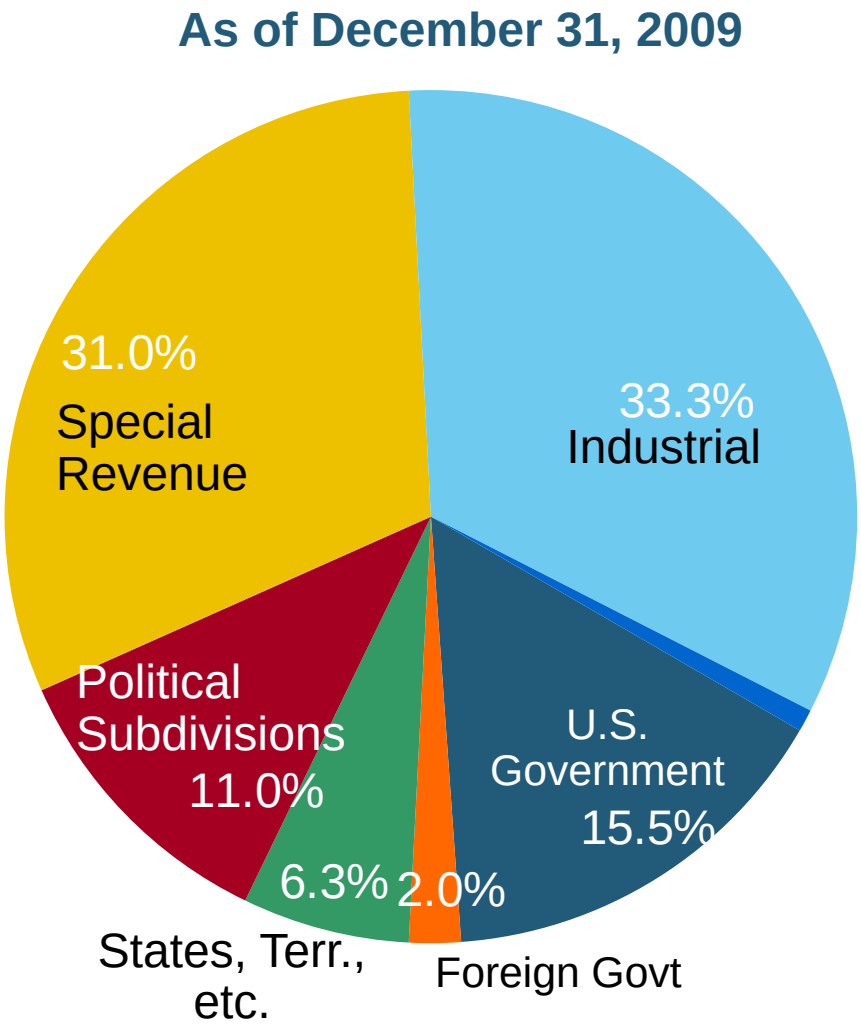
Sources: NAIC; Insurance Information Institute research.

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

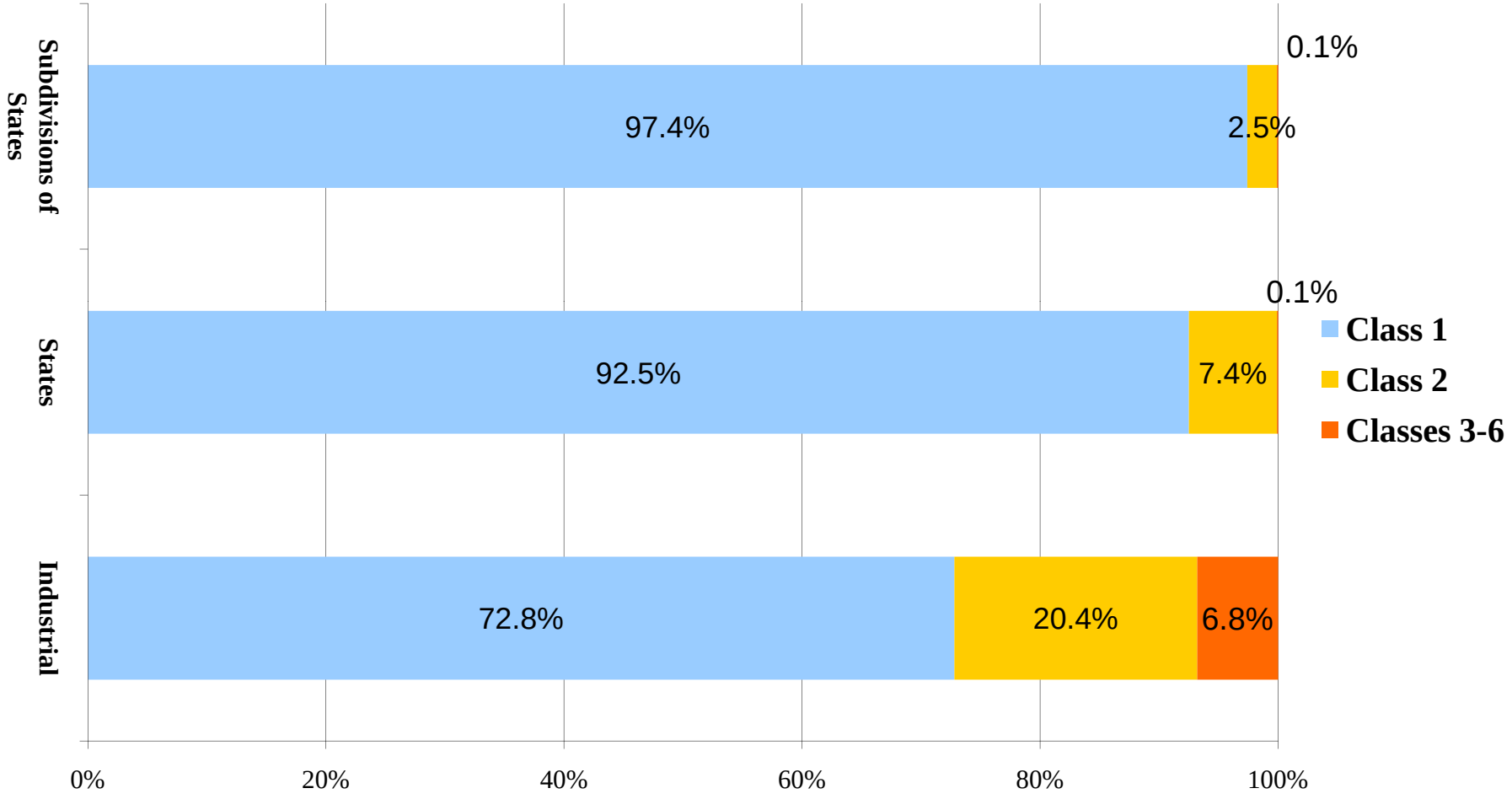


Sources: NAIC, via SNL Financial; Insurance Information Institute research.

Municipal Bonds: Recent Issues

- **Most Government Entities Are Under Financial Distress**
  - Plunging tax receipts, higher outlays, pension obligations
- **Analyst Meredith Whitney in Dec. 2010 Said (on 60 Minutes) that a "Spate" of 50-100 Sizeable Defaults Totaling "Hundreds of Billions of Dollars**
  - Few other analysts believe such and outcome is likely, though most acknowledge that some are likely
- **The 3 Major Ratings Agencies Report Cumulative Muni Bond Default Rates Ranging from 0.04% to 0.29% from 2000-2009**
  - These figures indicate that muni defaults are very rare
  - Longer-term review corroborates rarity of such defaults
  - Even in the event of default municipalities often (eventually) make good on the debt
- **Municipalities Have Many Tools to Meet Obligations**
- **Revenues to State and Local Governments Are Starting to Recover**

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.

Data are as of year-end 2009. Sources: SNL Financial; Insurance Information Institute.

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MUNICIPAL BOND CONCERNS

Collapse of Muni Bond Market is Highly Unlikely

Chapter 9 Bankruptcy Filings: 1980-2010:Q3

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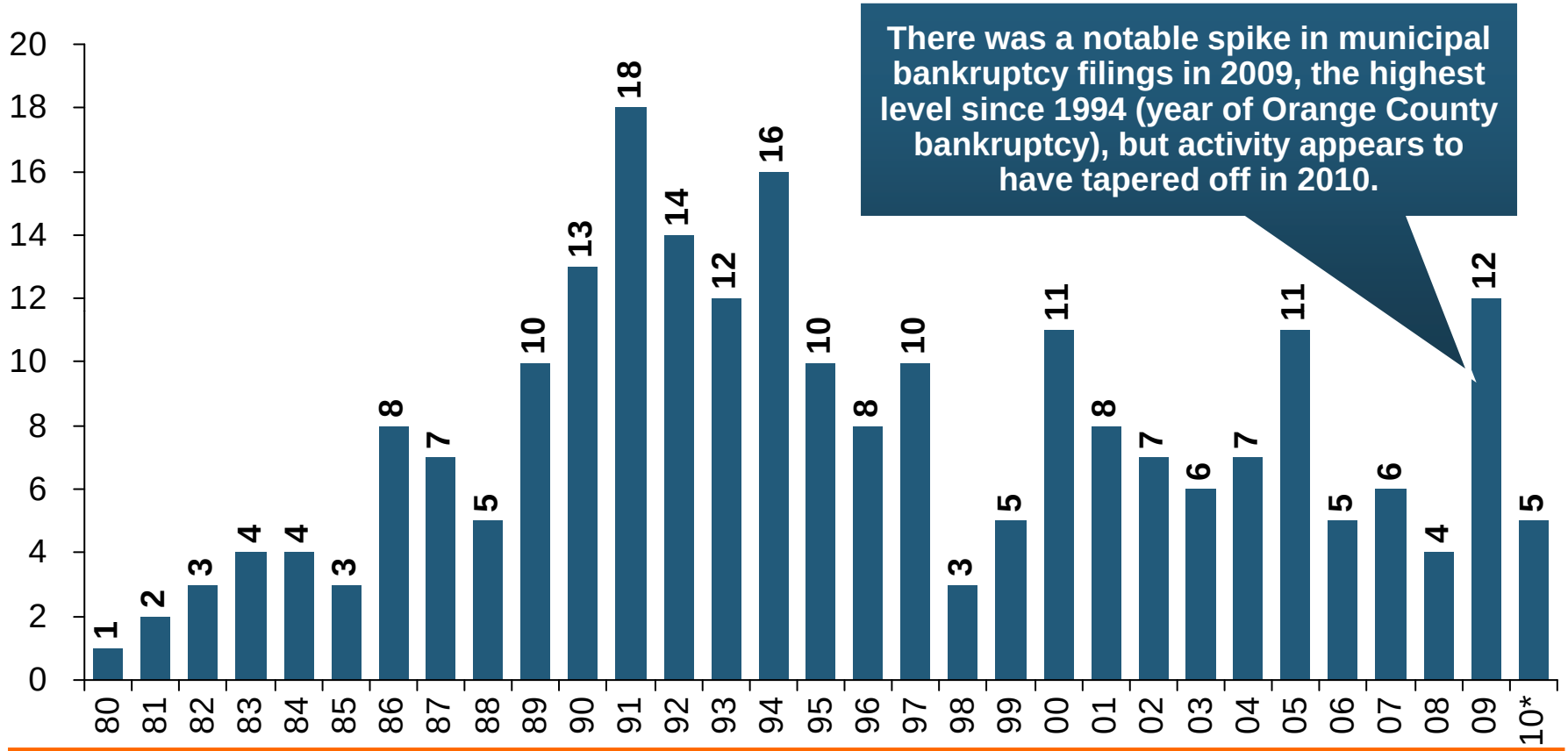


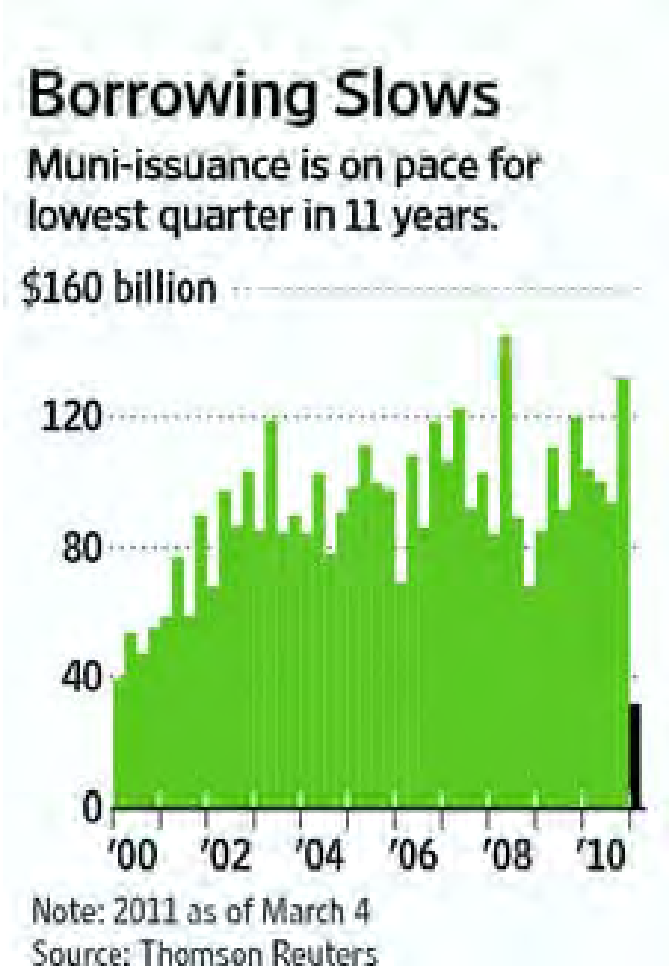
Chapter 9 bankruptcy allows for the reorganization of "municipalities," which include cities, towns, villages, counties, taxing districts, municipal utilities and school districts.

*Through Q3 2010.

Note: Chapter 9 bankruptcy allows for the reorganization of

Source: American Bankruptcy Institute; Insurance Information Institute.

Muni Bond Issuance: 2000 – 2011*



Muni issuance is was down in early 2011 after the end of a special federal program in 2010 and amid the fiscal problems of many states and municipalities

*Through March 4, 2011

Source: Thompson Reuters; Wall Street Journal; Insurance Information Institute.

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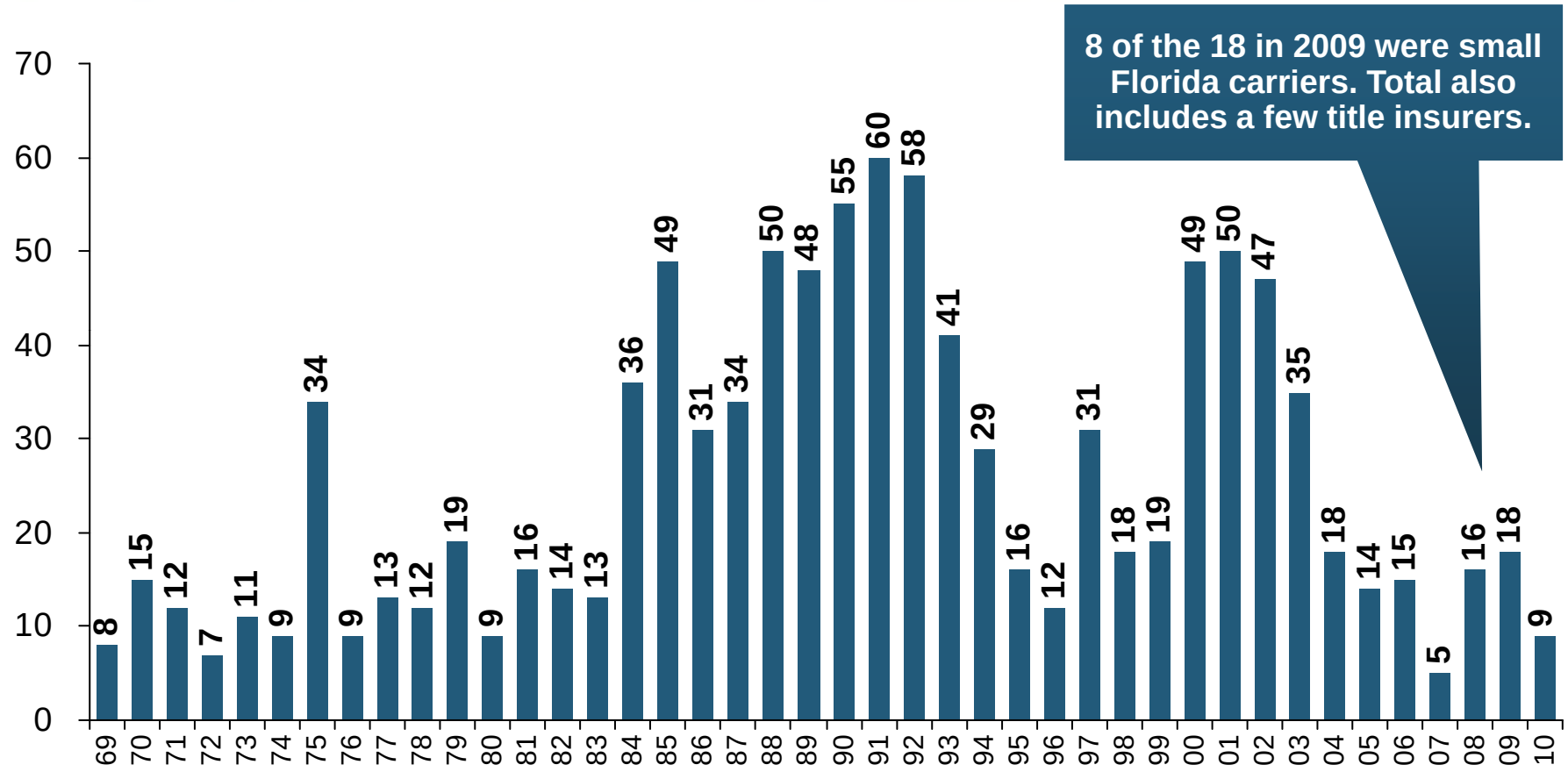
Financial Strength & Underwriting

Cyclical Pattern is P-C Impairment History is Directly Tied to Underwriting, Reserving & Pricing

P/C Insurer Impairments, 1969–2010E*

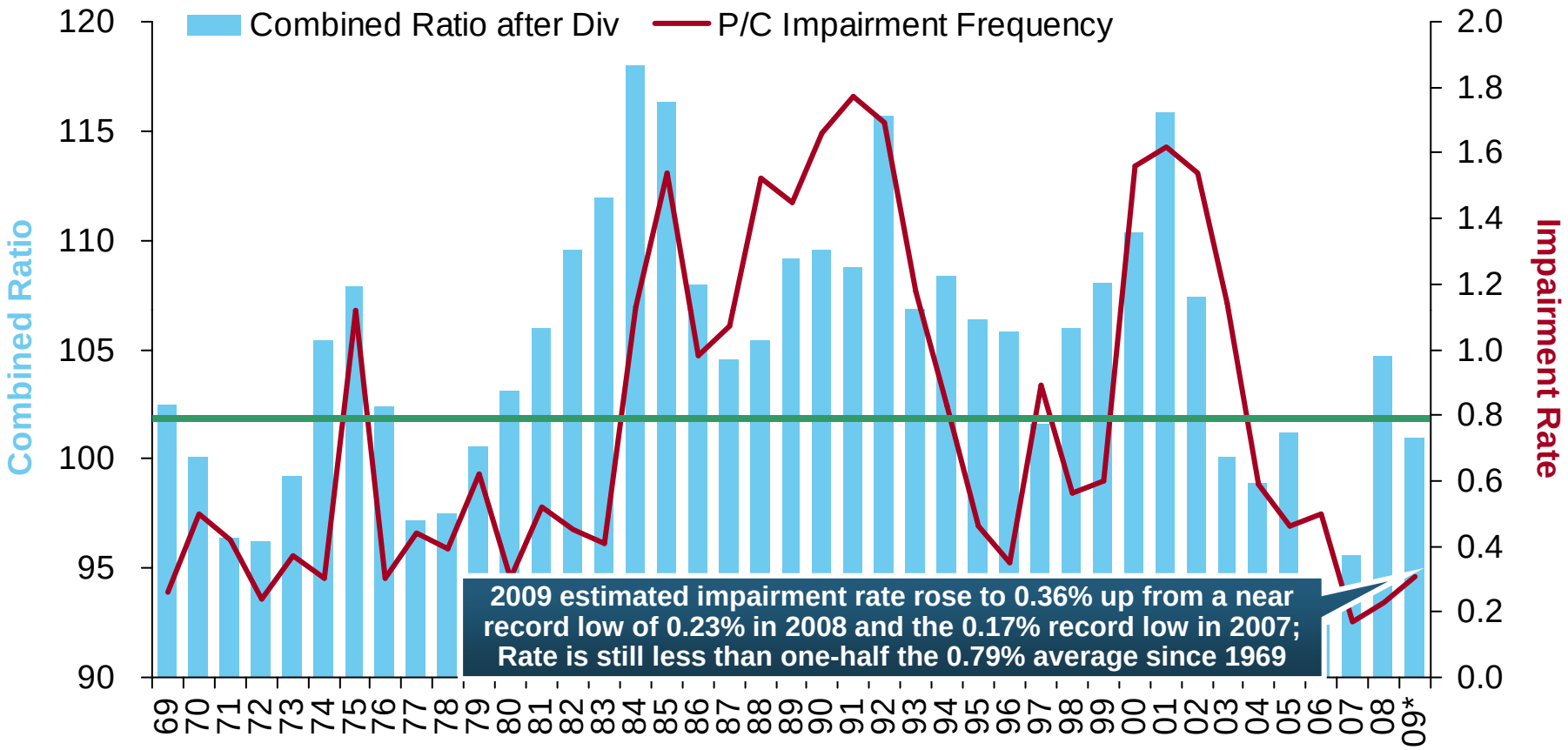


The Number of Impairments Varies Significantly Over the P/C Insurance Cycle, With Peaks Occurring Well into Hard Markets

*2010 estimate.

Source: A.M. Best Special Report "1969-2009 Impairment Review," June 21, 2010; Insurance Information Institute.

P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2009

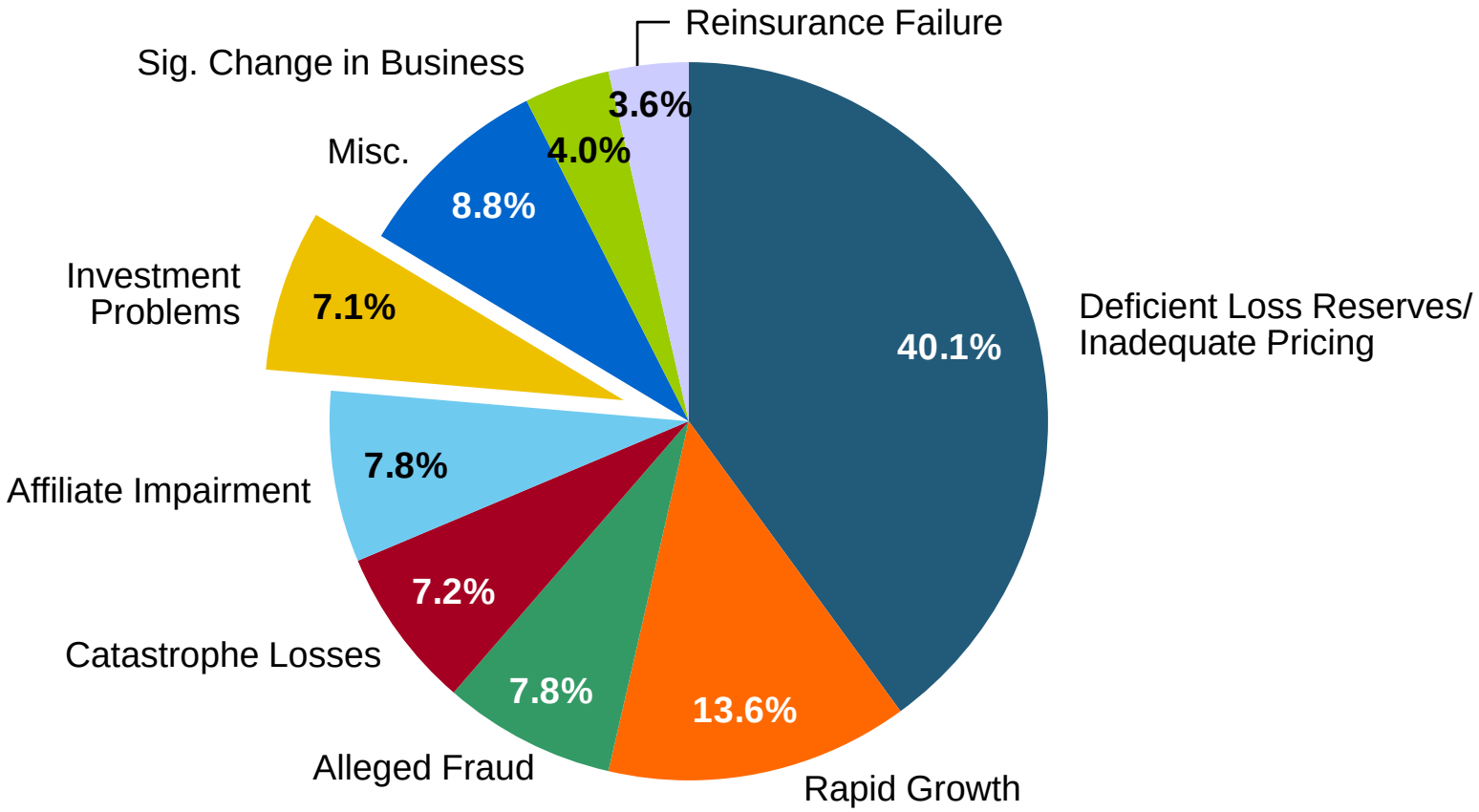


Impairment Rates Are Highly Correlated With Underwriting Performance and Reached Record Lows in 2007/08

Source: A.M. Best; Insurance Information Institute

Reasons for US P/C Insurer Impairments, 1969–2009

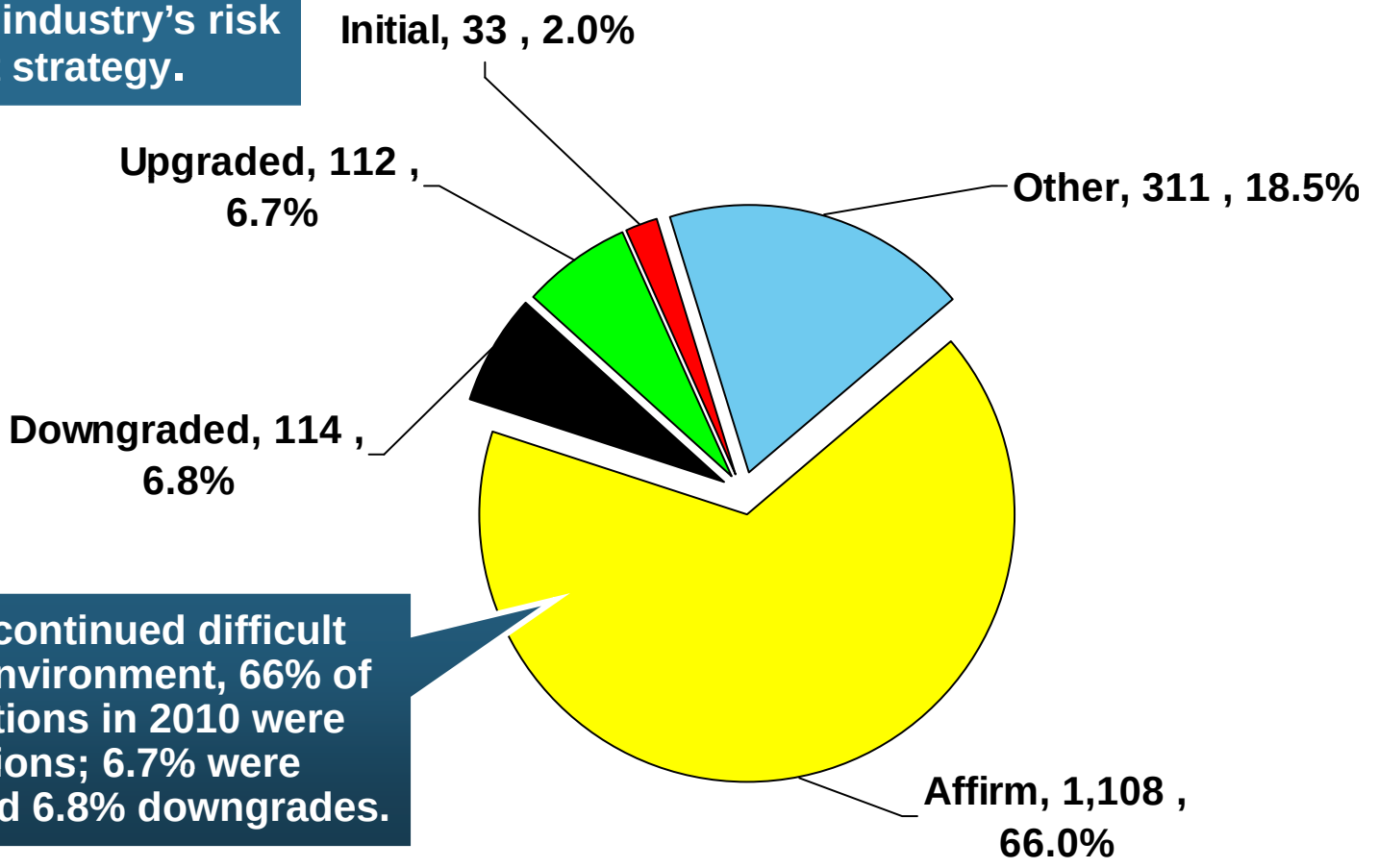
Historically, Deficient Loss Reserves and Inadequate Pricing Are By Far the Leading Cause of P-C Insurer Impairments. Investment and Catastrophe Losses Play a Much Smaller Role



Source: A.M. Best: *1969-2009 Impairment Review*, Special Report, June 21, 2010

Summary of A.M. Best's P/C Insurer Ratings Actions in 2010

P/C insurance is by design a resilient in business. The dual threat of financial disasters and catastrophic losses are anticipated in the industry's risk management strategy.



Despite a continued difficult operating environment, 66% of ratings actions in 2010 were affirmations; 6.7% were upgrades and 6.8% downgrades.

Source: A.M. Best.

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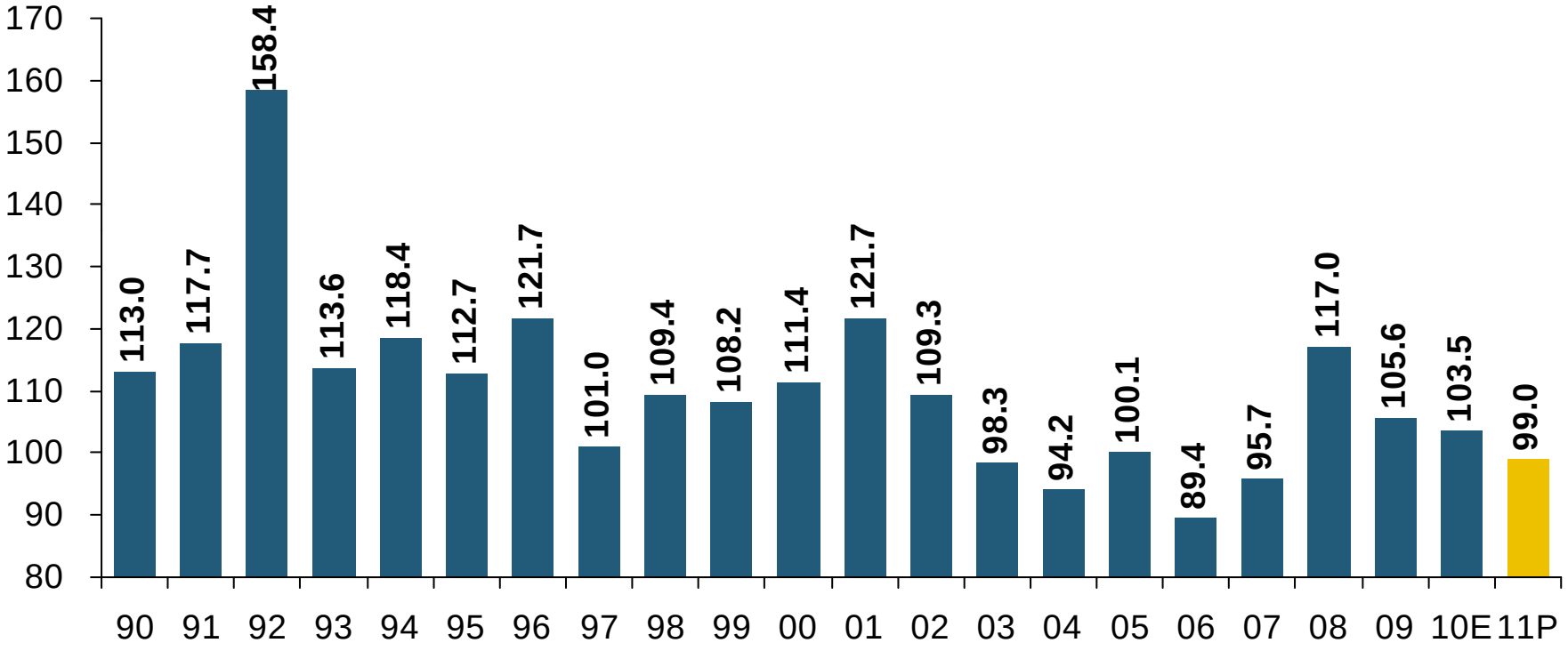
Performance by Segment: Commercial/Personal Lines & Reinsurance

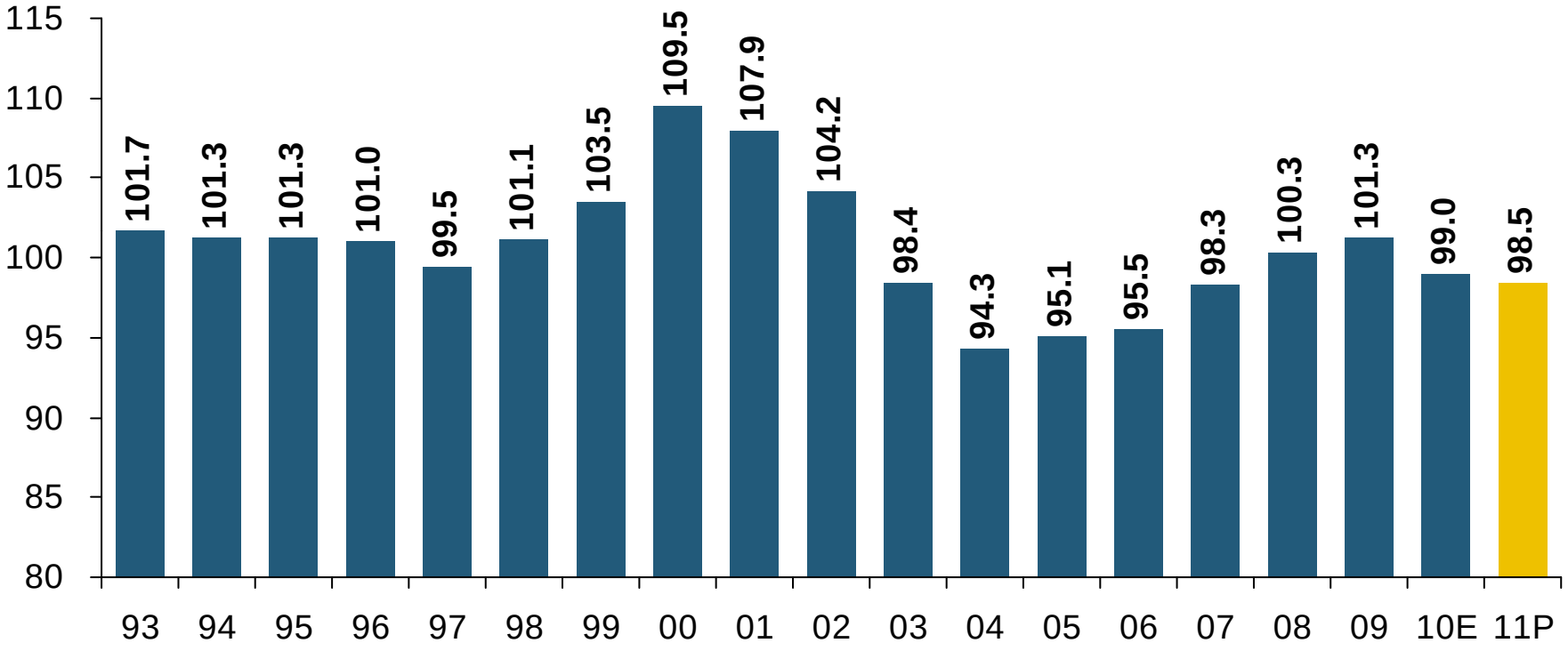
Homeowners Insurance Combined Ratio: 1990–2011P



Homeowners Line Is Expected to Improve in 2011. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

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

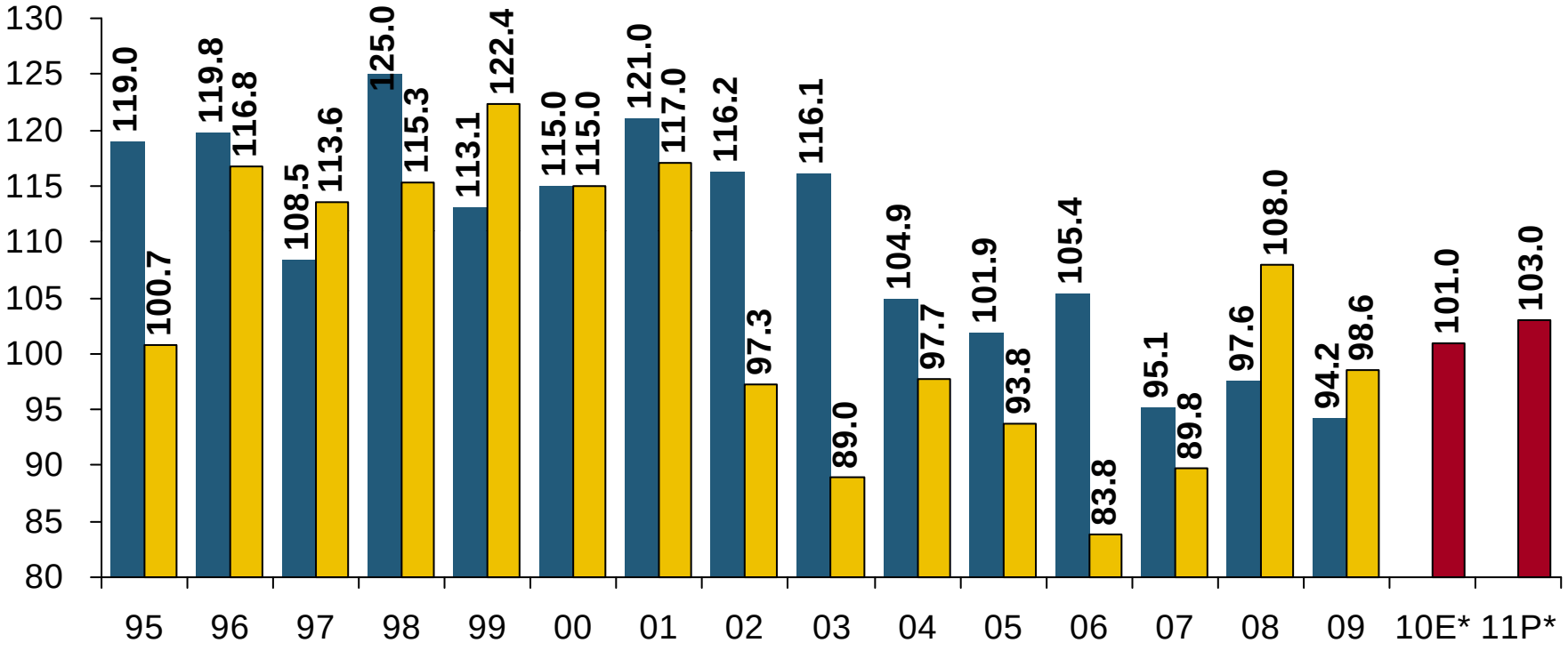
Private Passenger Auto Combined Ratio: 1993–2011P



Private Passenger Auto Accounts for 34% of Industry Premiums and Remains the Profit Juggernaut of the P/C Insurance Industry

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

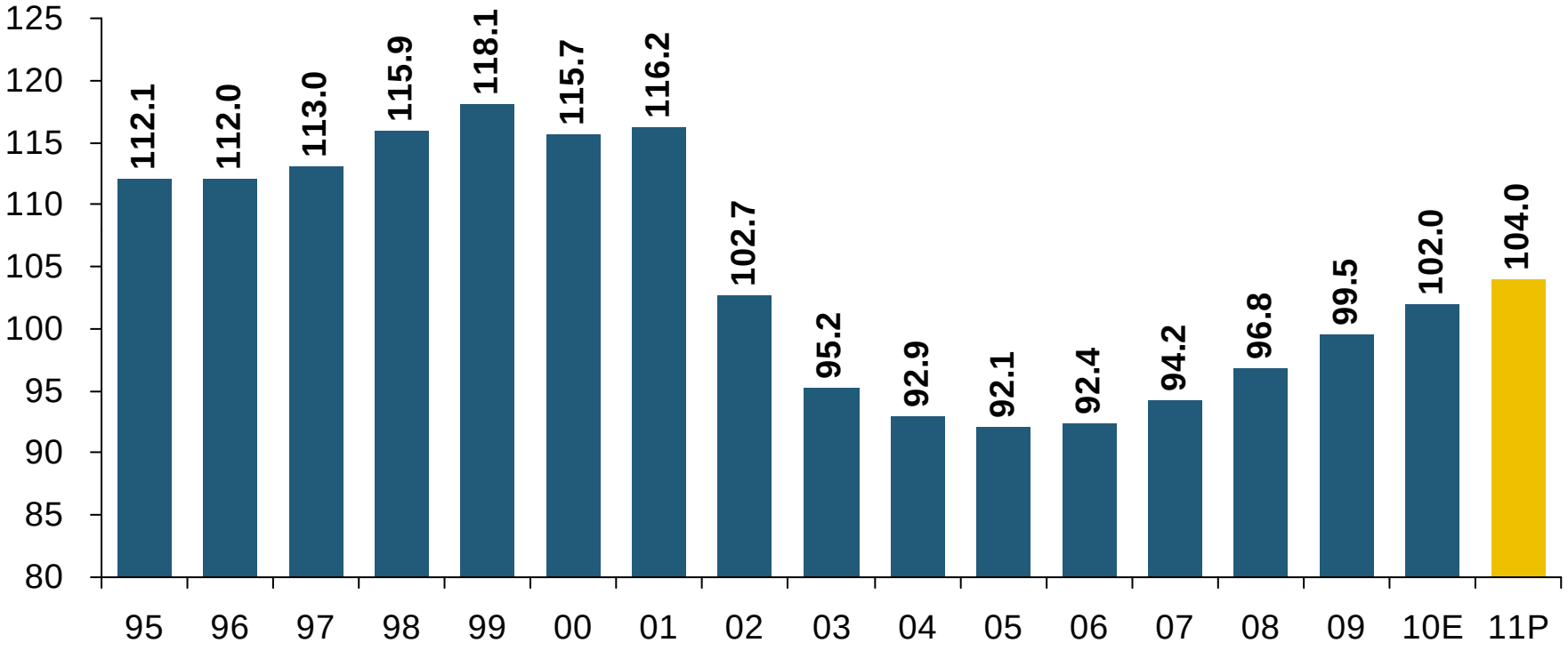
Commercial Multi-Peril Combined Ratio: 1995–2011P



Commercial Multi-Peril Underwriting Performance is Expected to Deteriorate Modestly

*2010Eand 2011P figures are for the combined liability and non-liability components.
Sources: A.M. Best; Insurance Information Institute.

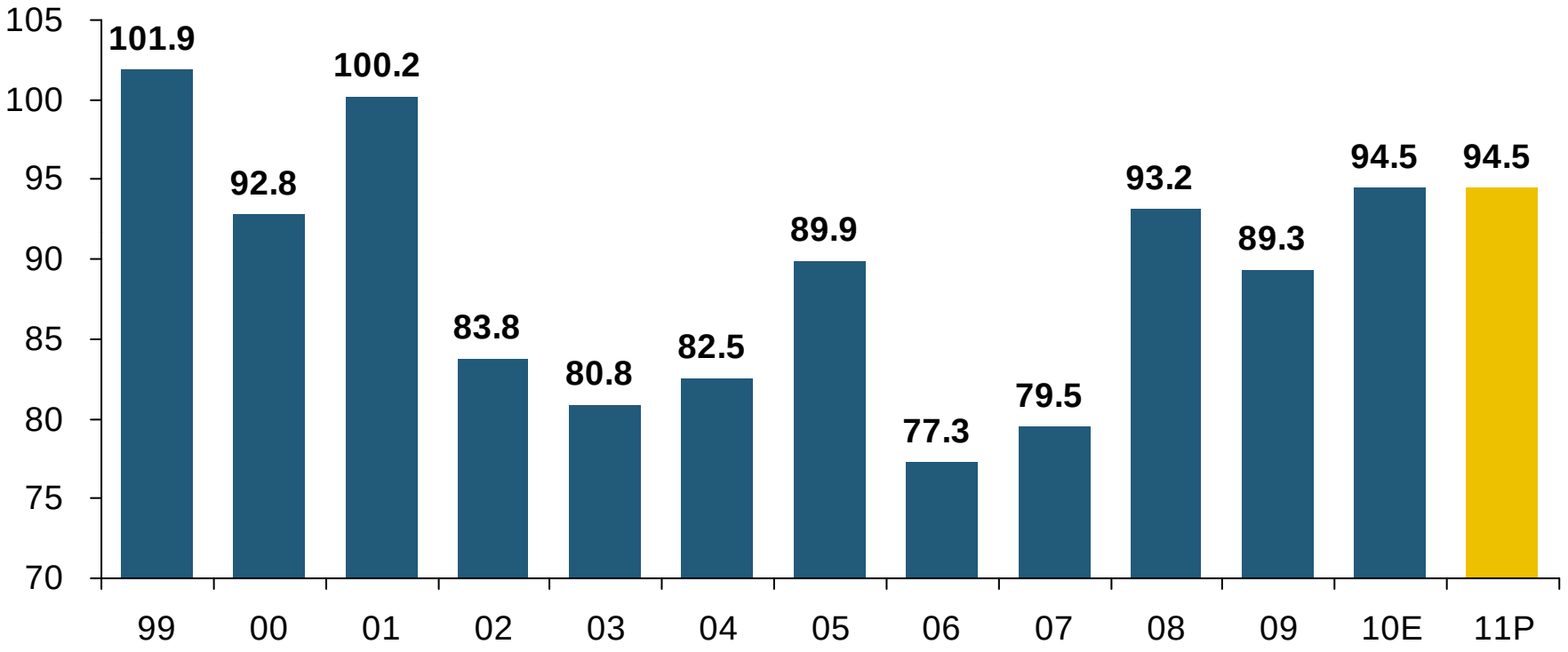
Commercial Auto Combined Ratio: 1993–2011P



Commercial Auto Underwriting Performance is Expected to Deteriorate Modestly

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

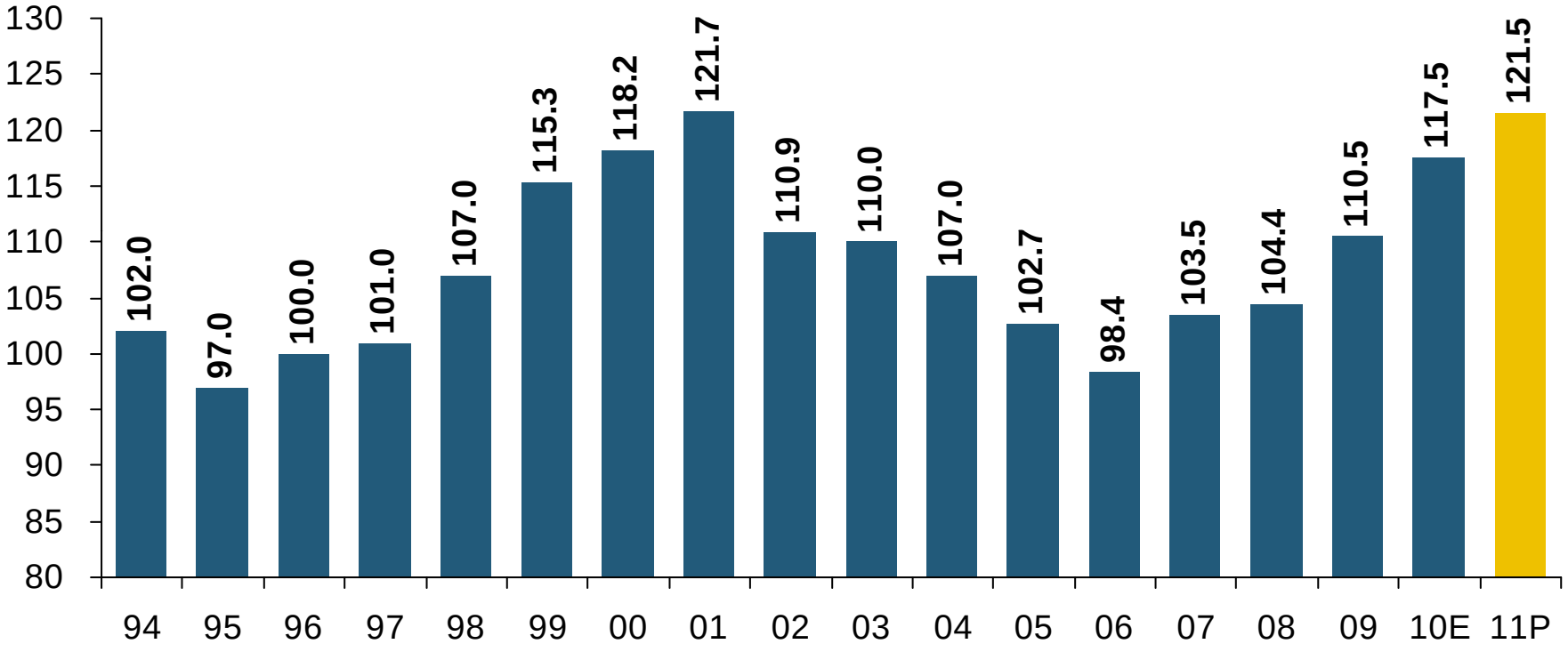
Inland Marine Combined Ratio: 1999–2011P



Inland Marine is Expected to Remain Among the Most Profitable of All Lines

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

Workers Compensation Combined Ratio: 1994–2011P



Workers Comp Underwriting Results Are Deteriorating Markedly and the Worst They Have Been in a Decade

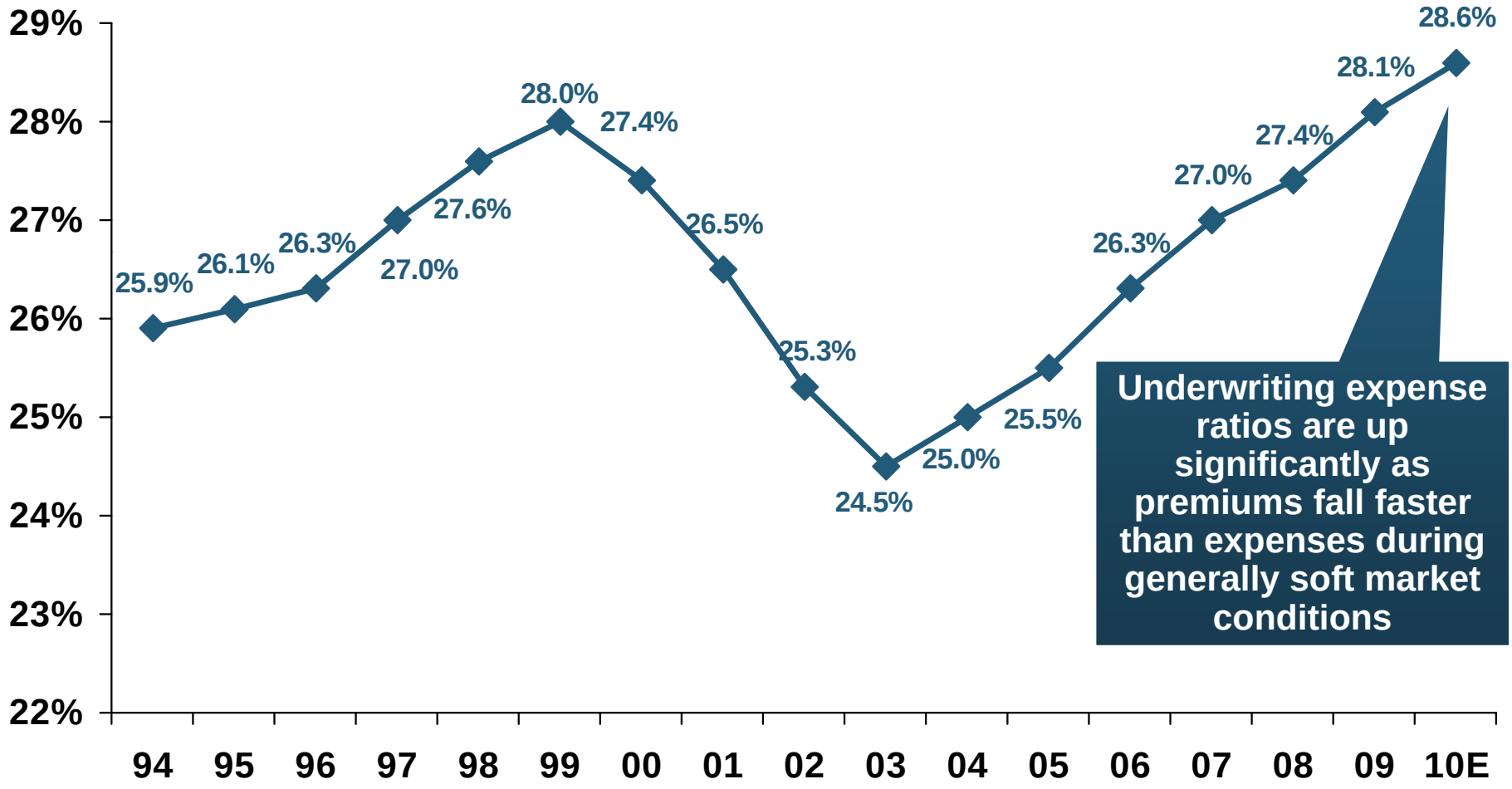
Sources: A.M. Best; Insurance Information Institute.

INSURANCE INFORMATION INSTITUTE

EXPENSES

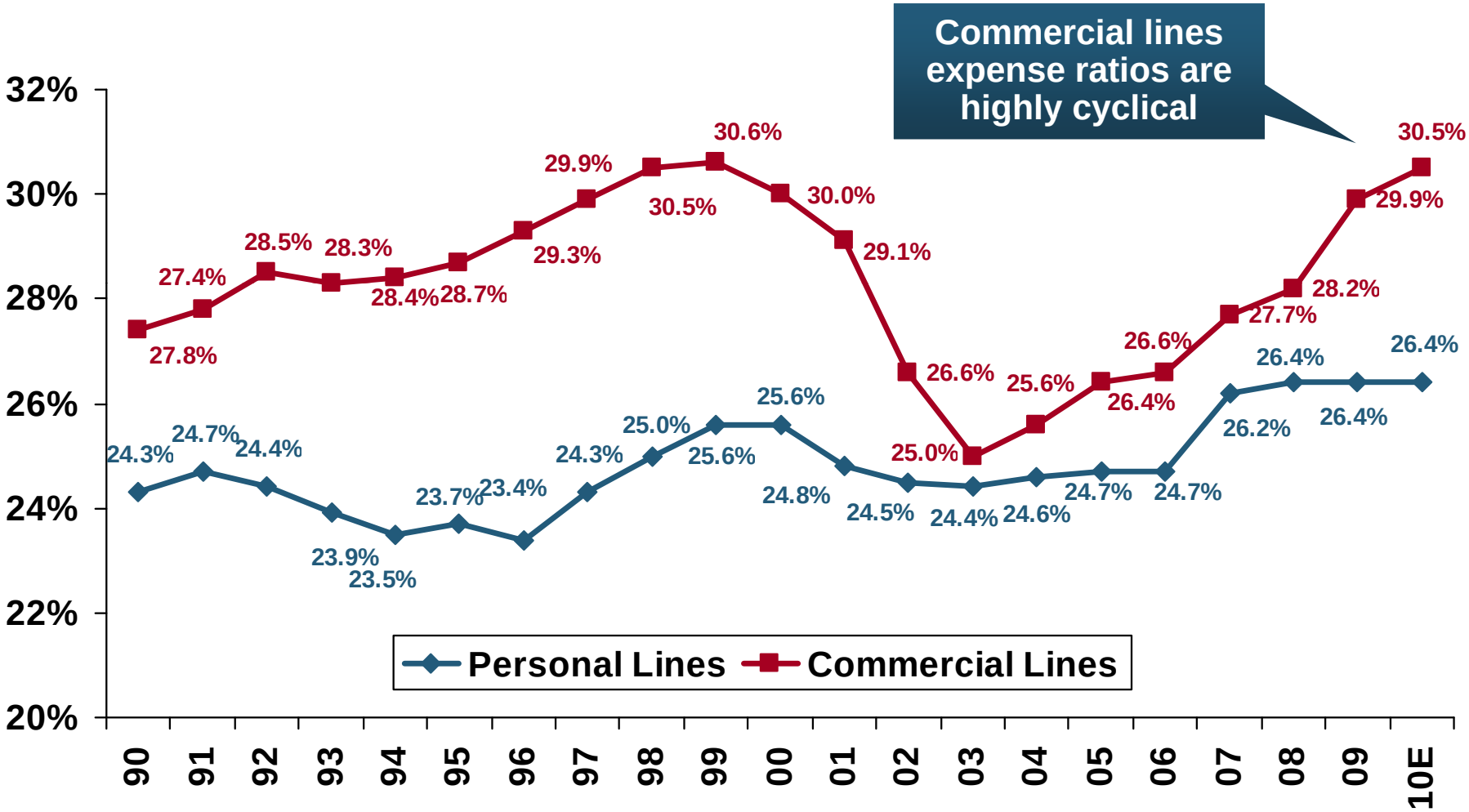
Expense Ratios Are Highly Cyclical and Contribute Deteriorating Underwriting Performance

Underwriting Expense Ratio*
All P/C Lines, 1994-2010E**



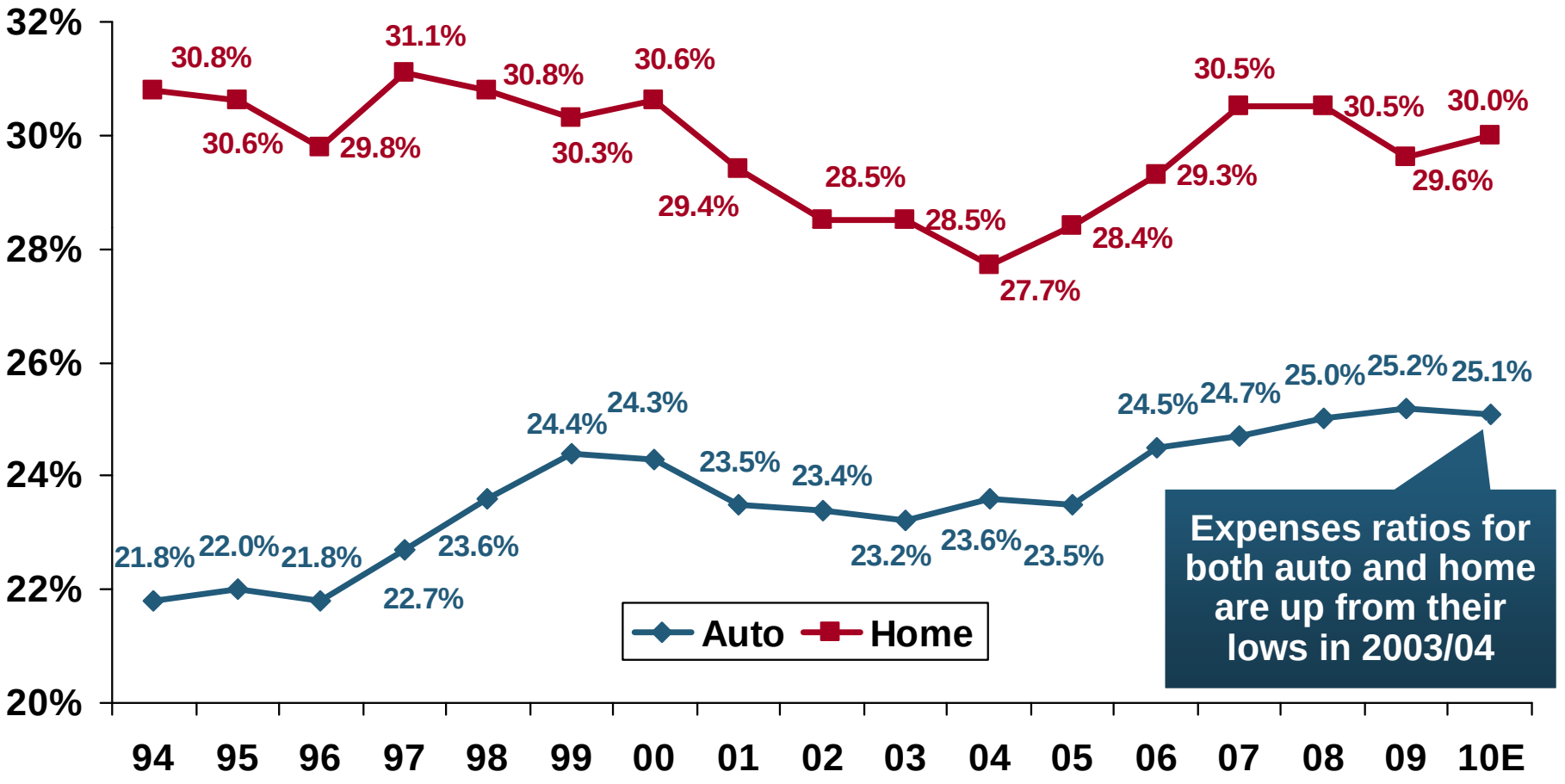
*Ratio of expenses incurred to net premiums written.
**2010 figure based on data through 2010:Q3.
Source: A.M. Best; Insurance Information Institute.

Underwriting Expense Ratio*:
Personal vs. Commercial Lines, 1990-2010E**



*Ratio of expenses incurred to net premiums written.
**2010 figures are estimates.
Source: A.M. Best; Insurance Information Institute.

Underwriting Expense Ratio*
Personal Lines (Auto & Home), 1994-2010E**



*Ratio of expenses incurred to net premiums written.
**2010 figures are estimates.
Source: A.M. Best; Insurance Information Institute.

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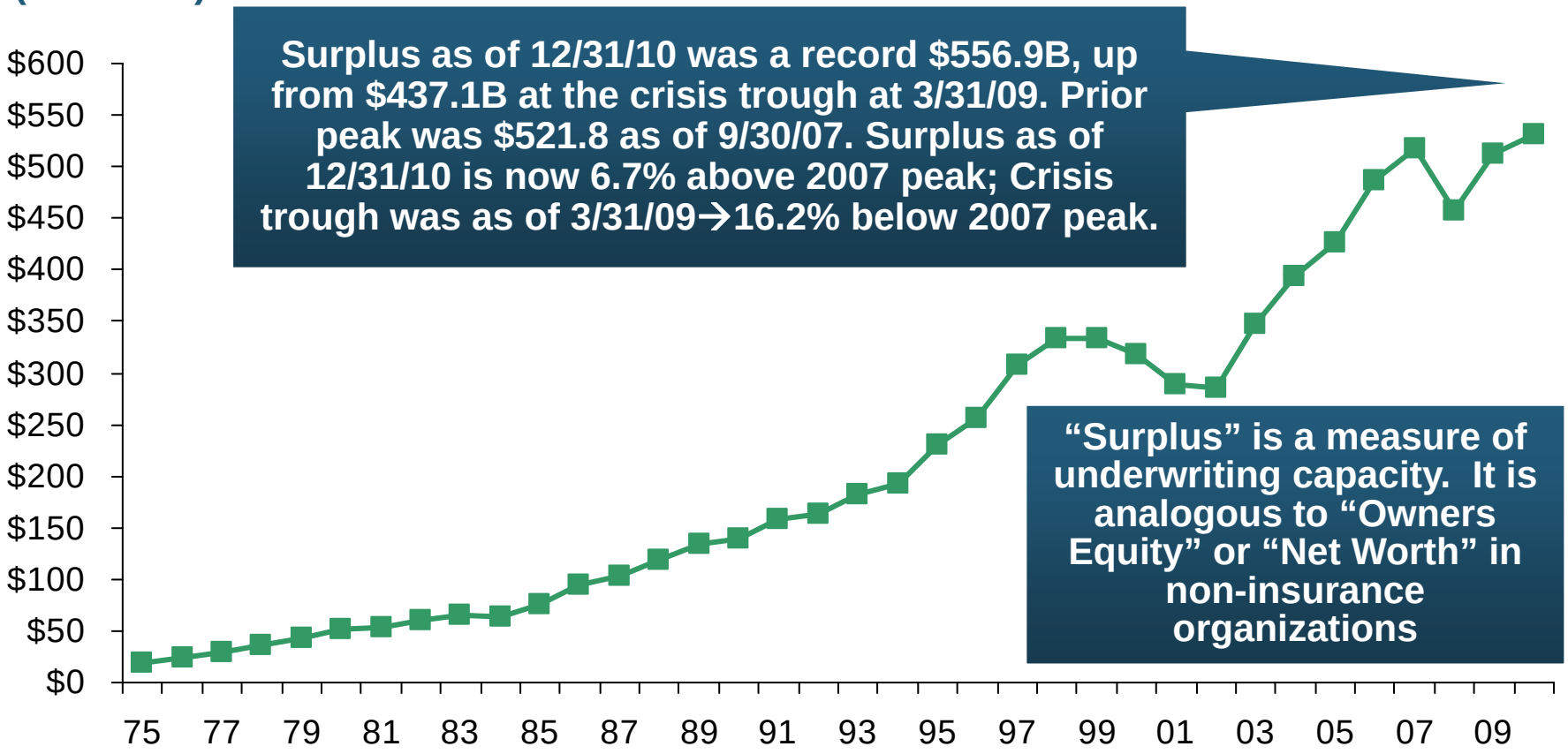
CAPITAL MANAGEMENT & LEVERAGE

Excess Capital is a Major Obstacle to a Market Turn;

Capital Management Decisions Will Impact Market Direction

US Policyholder Surplus: 1975–2010*

($ Billions)



Surplus as of 12/31/10 was a record $556.9B, up from $437.1B at the crisis trough at 3/31/09. Prior peak was $521.8 as of 9/30/07. Surplus as of 12/31/10 is now 6.7% above 2007 peak; Crisis trough was as of 3/31/09→16.2% below 2007 peak.

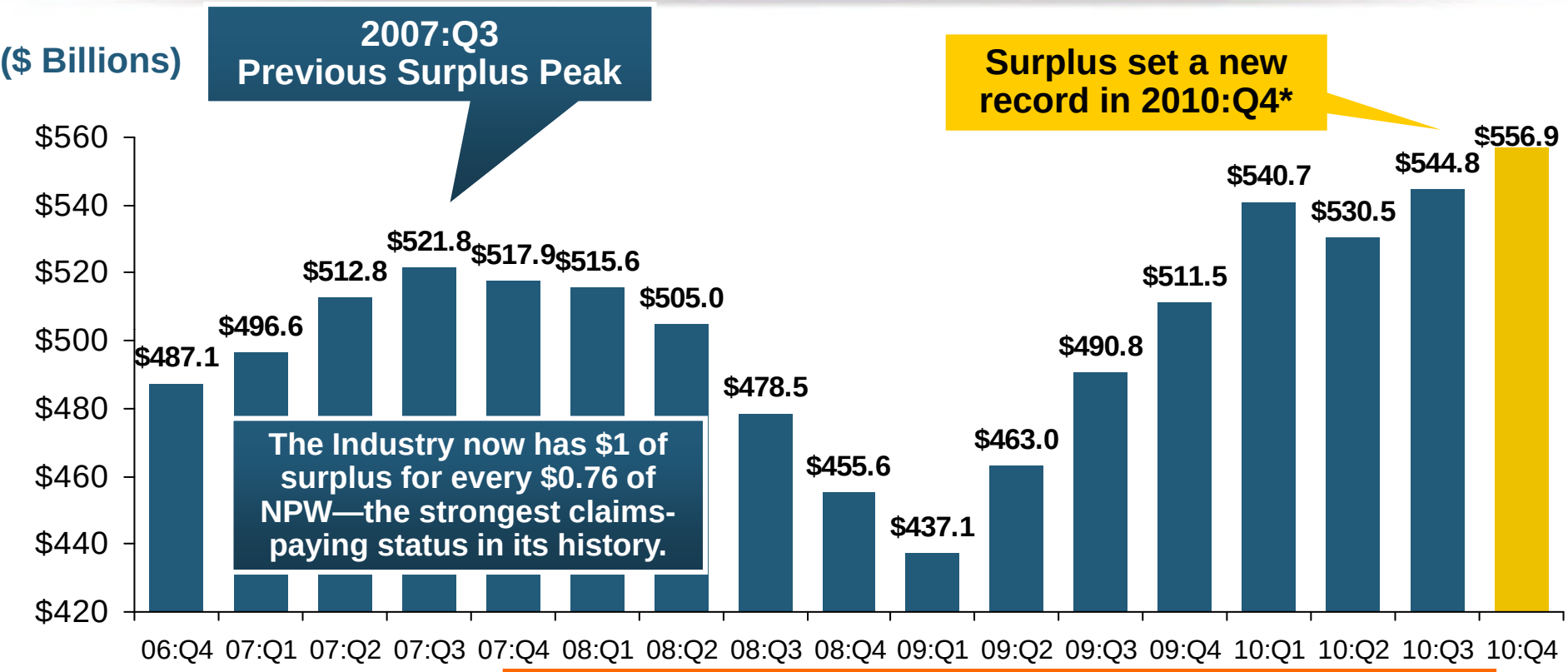
"Surplus" is a measure of underwriting capacity. It is analogous to "Owners Equity" or "Net Worth" in non-insurance organizations

The Premium-to-Surplus Ratio Stood at $0.76:$1 as of 12/31/10, A Record Low (at Least in Recent History)**

* As of 12/31/10.

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

Policyholder Surplus, 2006:Q4–2010:Q4



*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.

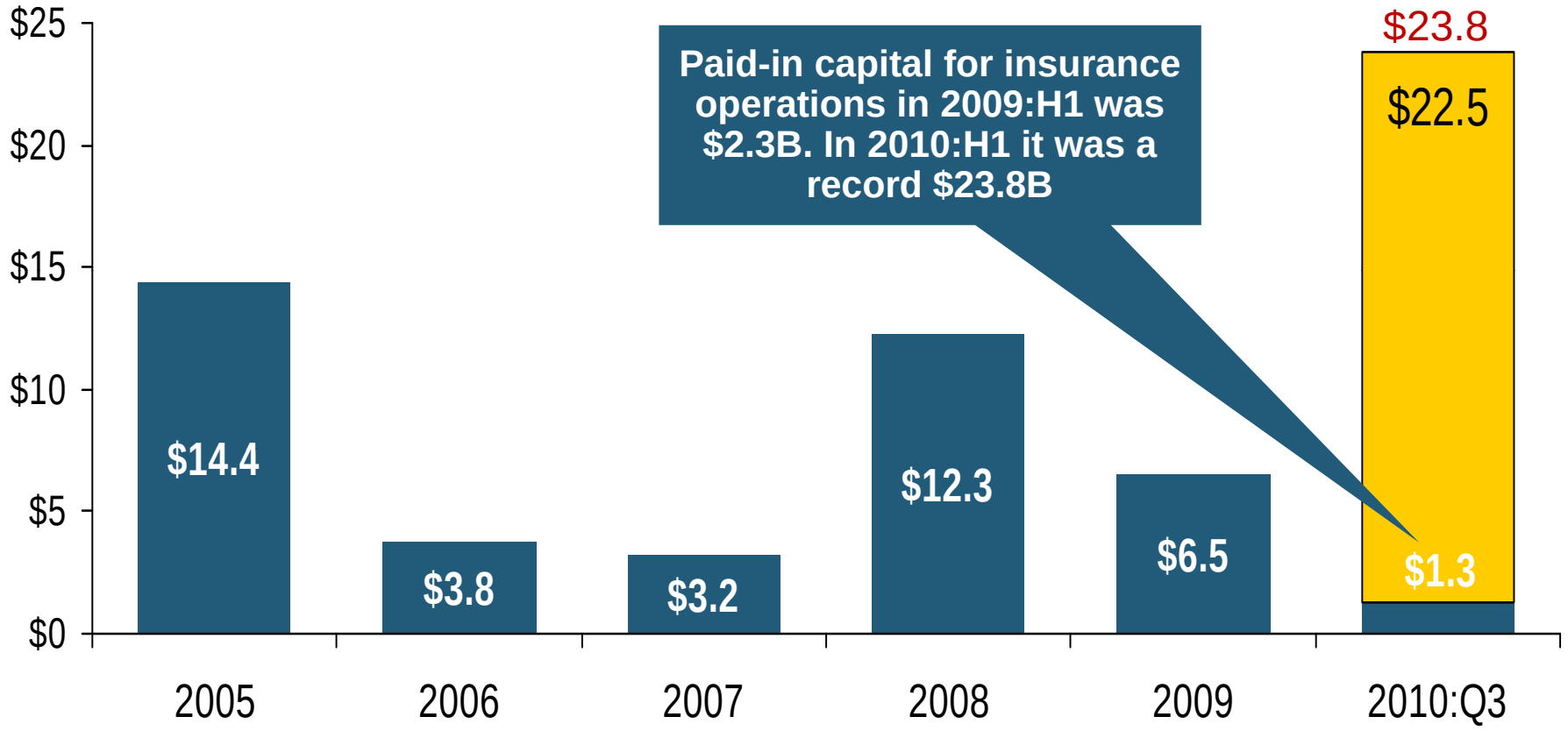
Quarterly Surplus Changes Since 2007:Q3 Peak

09:Q1: -$84.7B (-16.2%)	10:Q1: +$18.9B (+3.6%)
09:Q2: -$58.8B (-11.2%)	10:Q2: +$8.7B (+1.7%)
09:Q3: -$31.0B (-5.9%)	10:Q3: +$23.0B (+4.4%)
09:Q4: -$10.3B (-2.0%)	10:Q4: +$35.1B (+6.7%)

Sources: ISO, A.M .Best.

Paid-in Capital, 2005–2010:Q3

($ Billions)



In 2010:Q3 One Insurer's Paid-in Capital Rose by $22.5B as Part of an Investment in a Non-insurance Business

Source: ISO.

Global Reinsurance Capacity Shrank in 2008, Mostly Due to Investments

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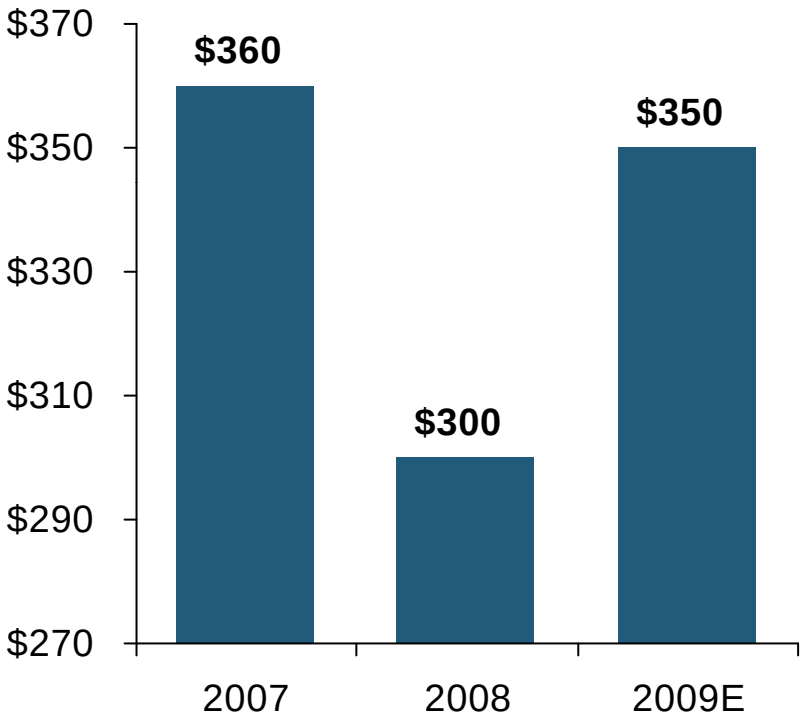
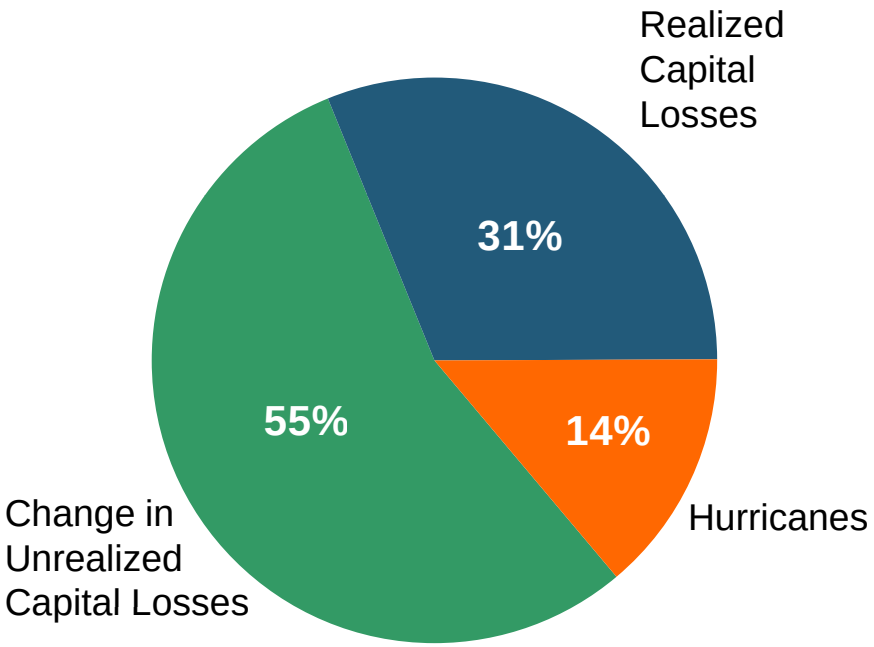
Global Reinsurance Capacity



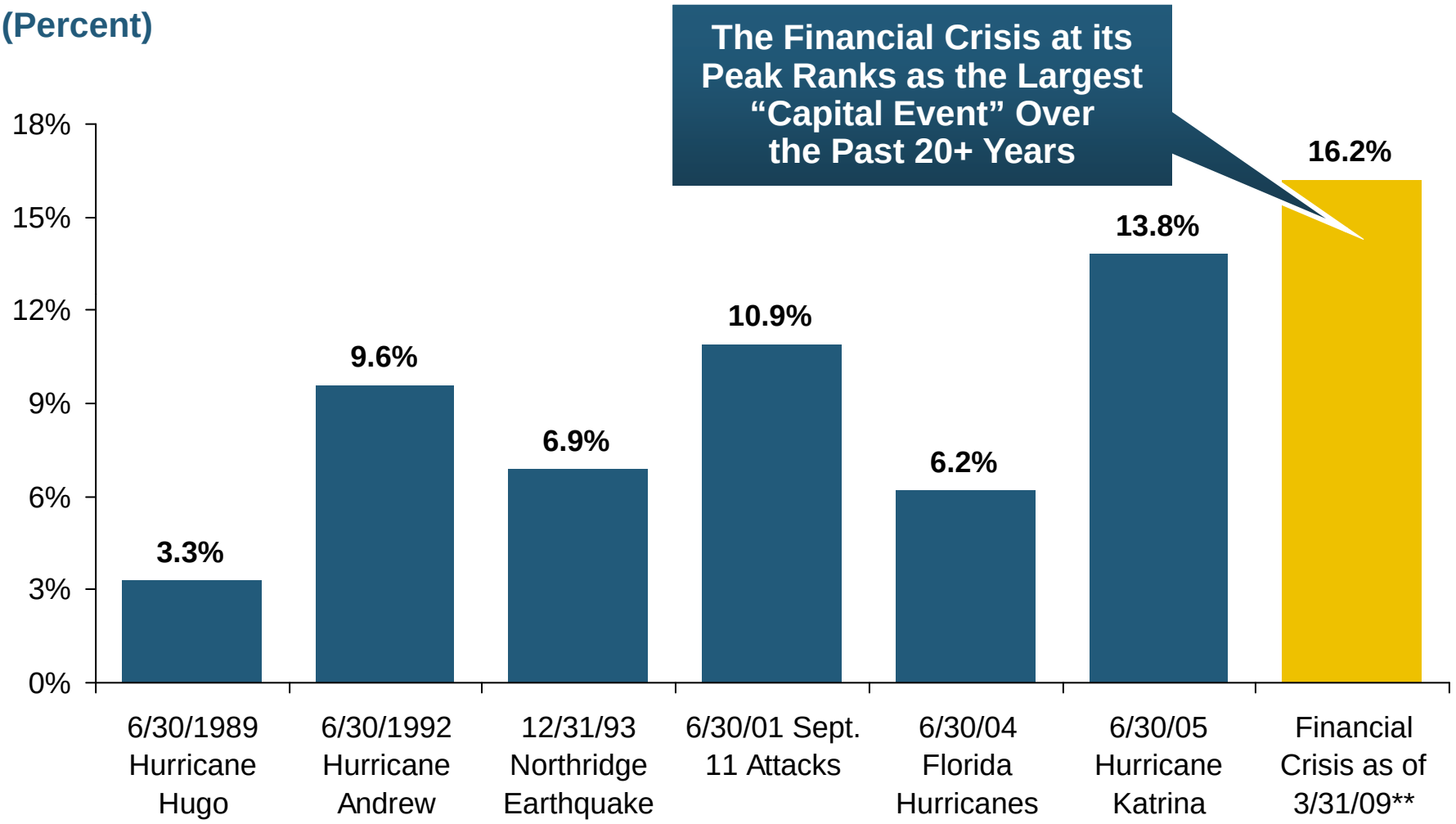
Source of Decline in 2008



Global Reinsurance Capacity Fell by an Estimated 17% in 2008

Source: AonBenfield Reinsurance Market Outlook 2009; Insurance Information Institute estimate for 2009.

Ratio of Insured Loss to Surplus for Largest Capital Events Since 1989*

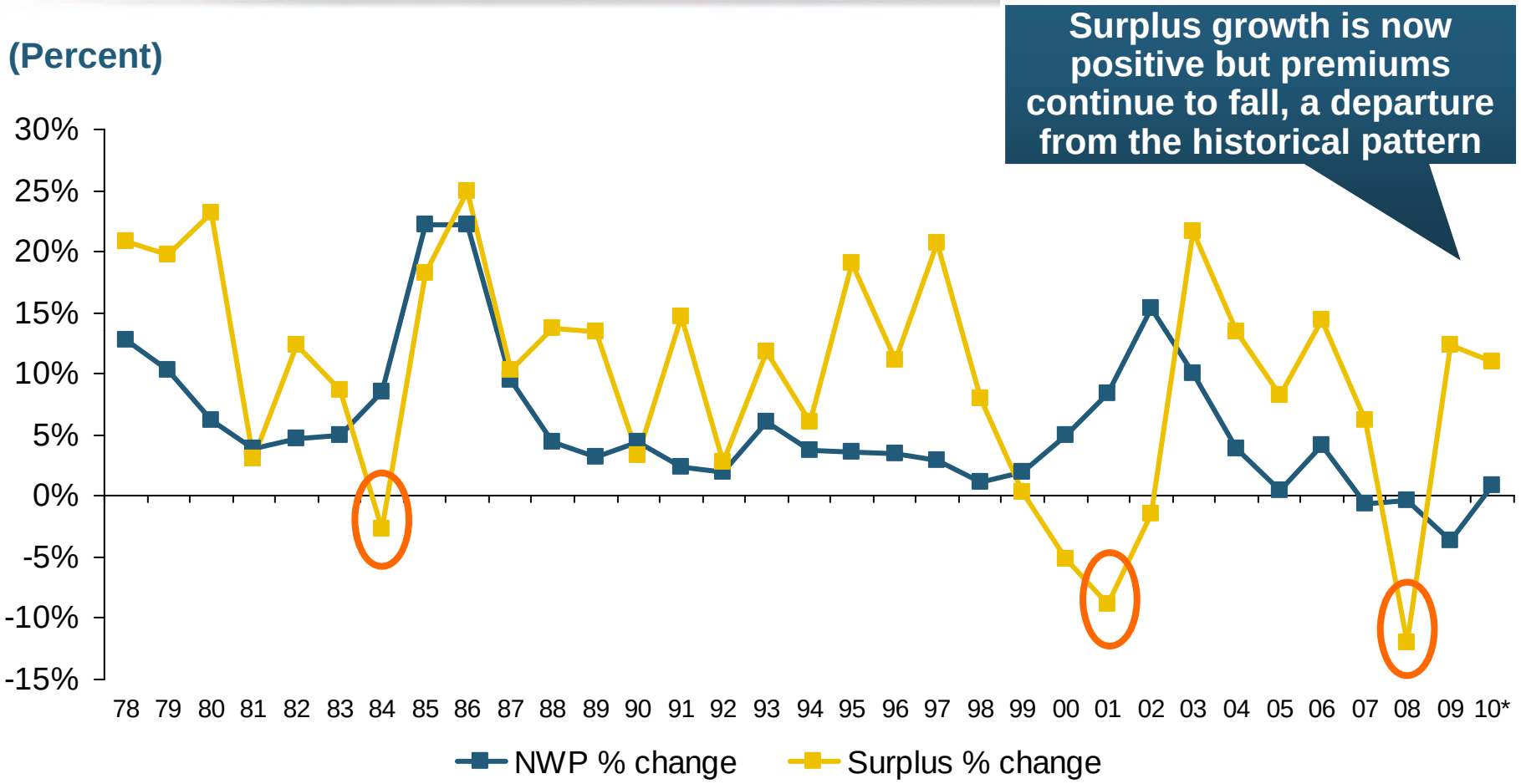


* Ratio is for end-of-quarter surplus immediately prior to event. Date shown is end of quarter prior to event

** Date of maximum capital erosion; As of 9/30/09 (latest available) ratio = 5.9%

Source: PCS; Insurance Information Institute

Historically, Hard Markets Follow When Surplus "Growth" is Negative*

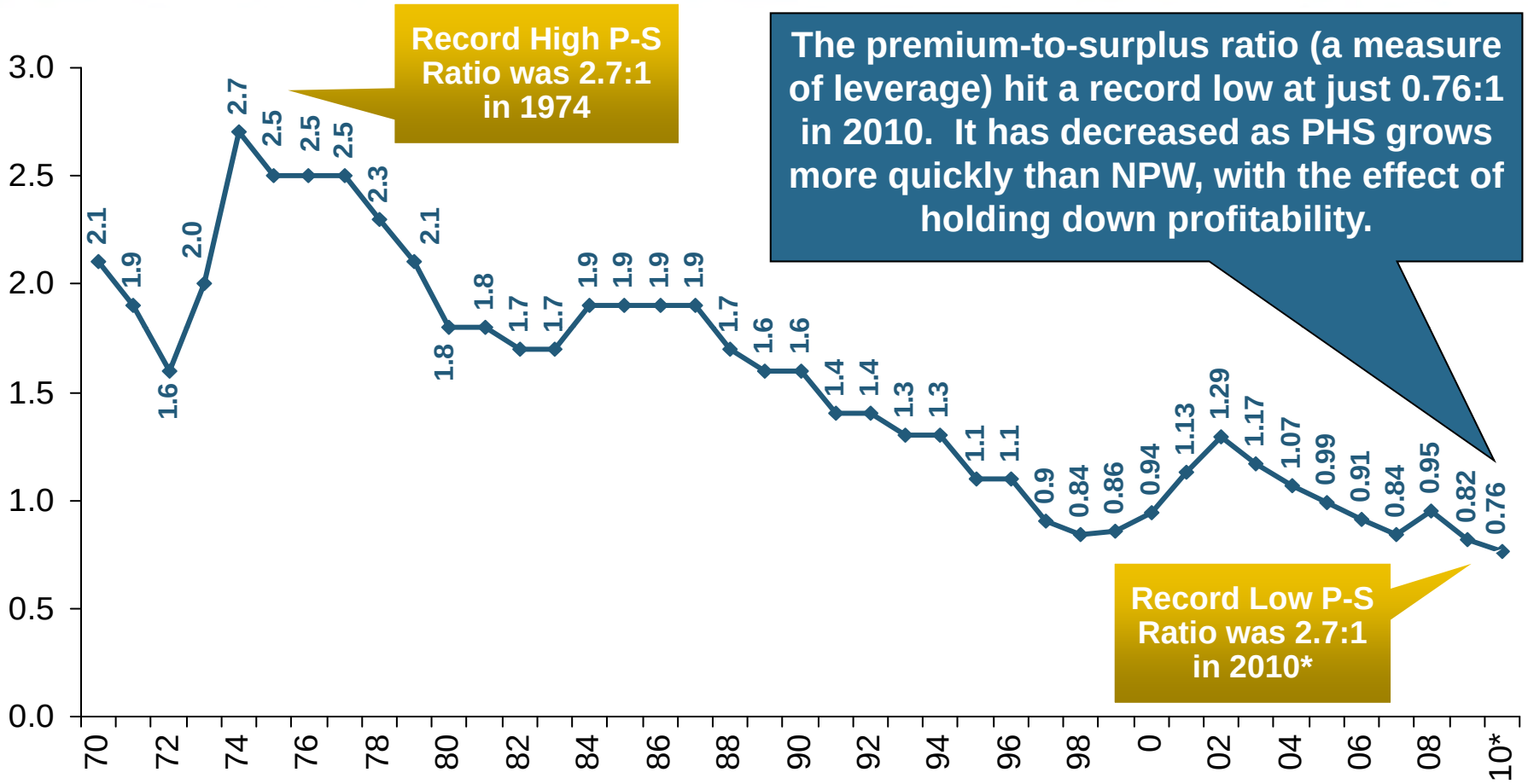


Sharp Decline in Capacity is a Necessary but Not Sufficient Condition for a True Hard Market

* 2010 NWP and Surplus figures are % changes as of Q3:10 vs Q3:09.

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

Ratio of Net Premiums Written to Policyholder Surplus, 1970-2010*



The Premium-to-Surplus Ratio in 2010 Implies that P/C Insurers Held $1 in Surplus Against Each $0.76 Written in Premiums. In 1974, Each $1 of Surplus Backed $2.70 in Premium.

*2010 data are as of 12/31/10.

Sources: Insurance Information Institute calculations from A.M. Best data.

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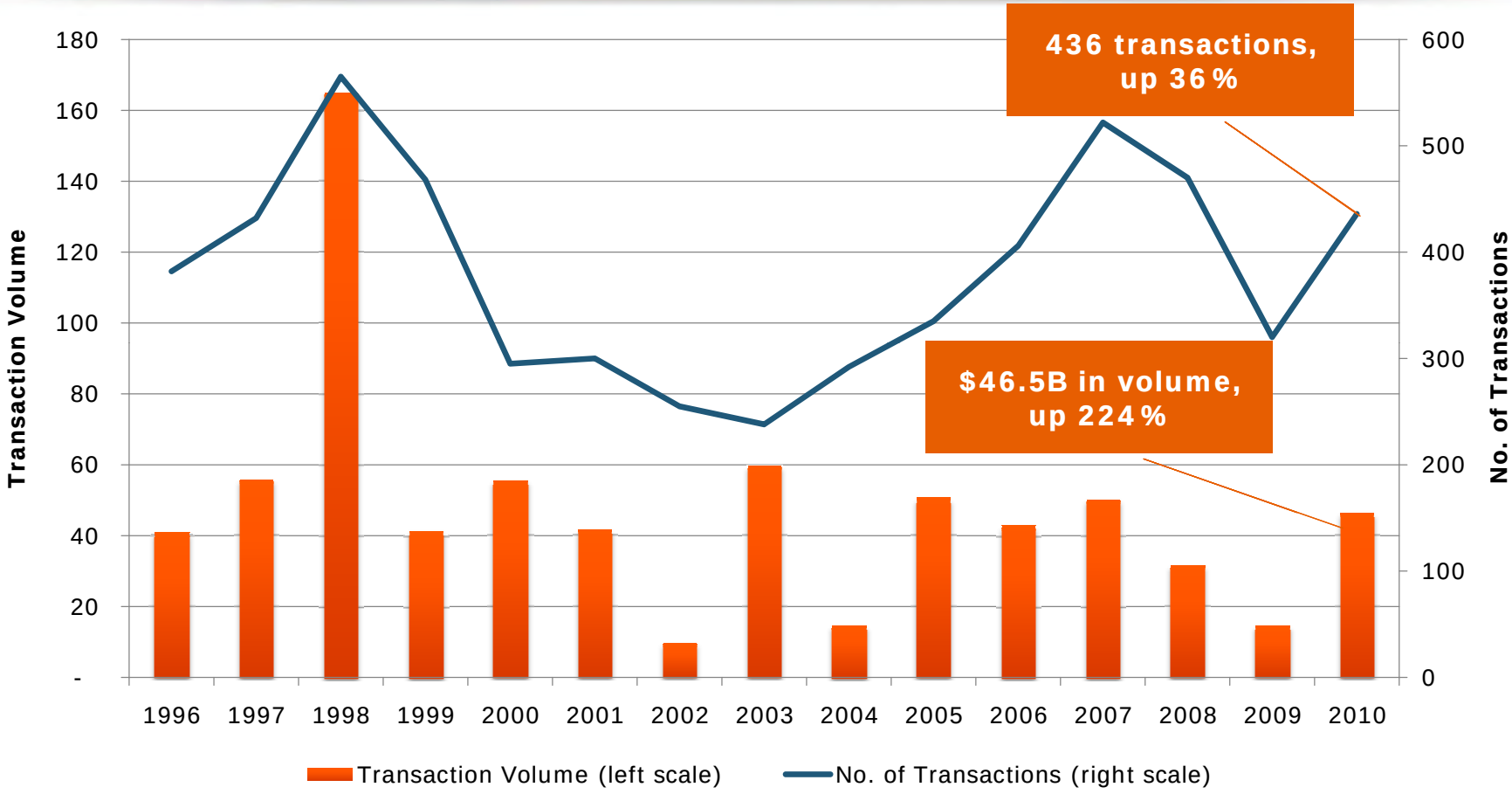
Merger & Acquisition

Capital Cycles Can Drive Consolidation

2010: U.S. Insurance M&A Bounces Back (All Segments)

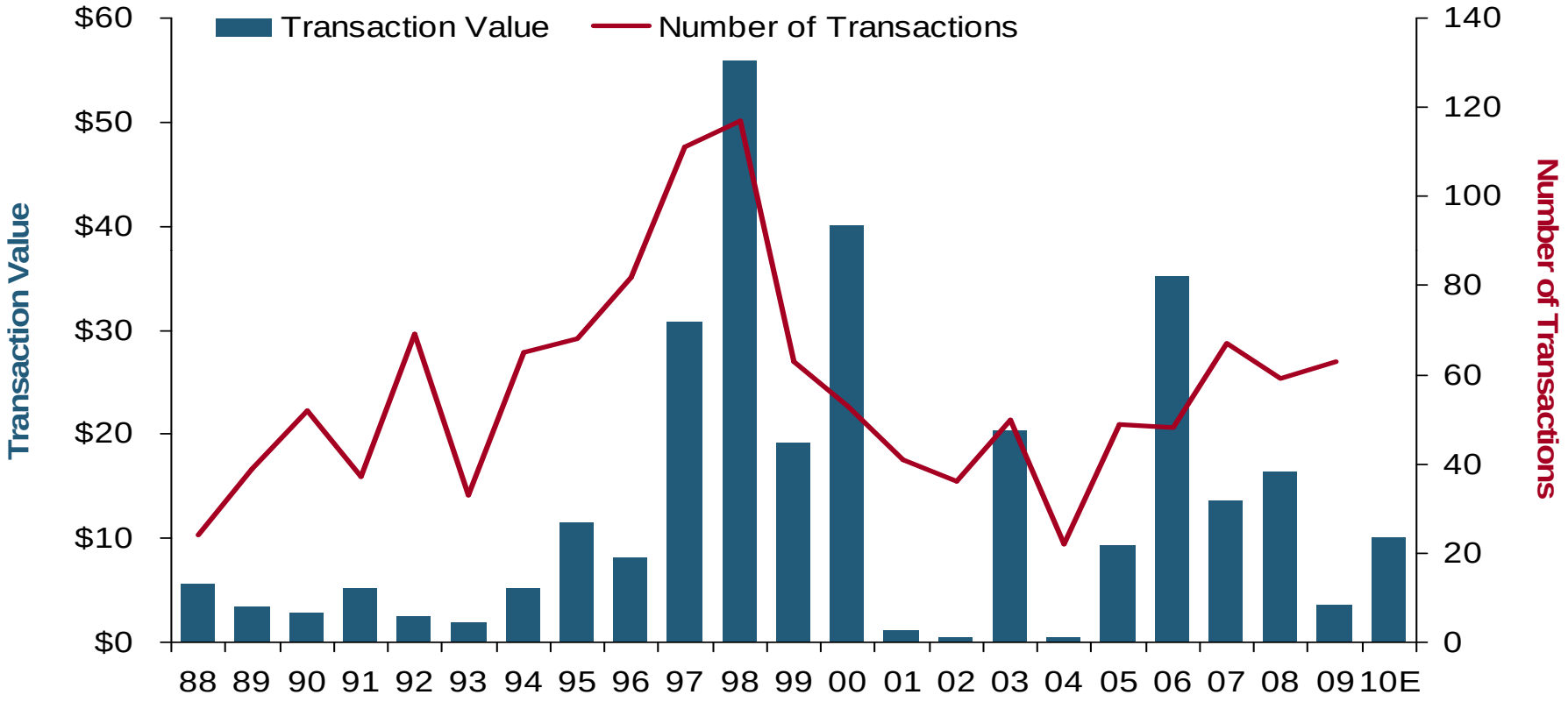


U.S. activity rebounded from lows recorded in 2009. M&A also made a comeback worldwide, with global activity rising 20%.

Sources: Conning Research Consulting; Insurance Information Institute.

U.S. P/C Insurance-Related M&A Activity, 1988–2010E*

($ Billions)



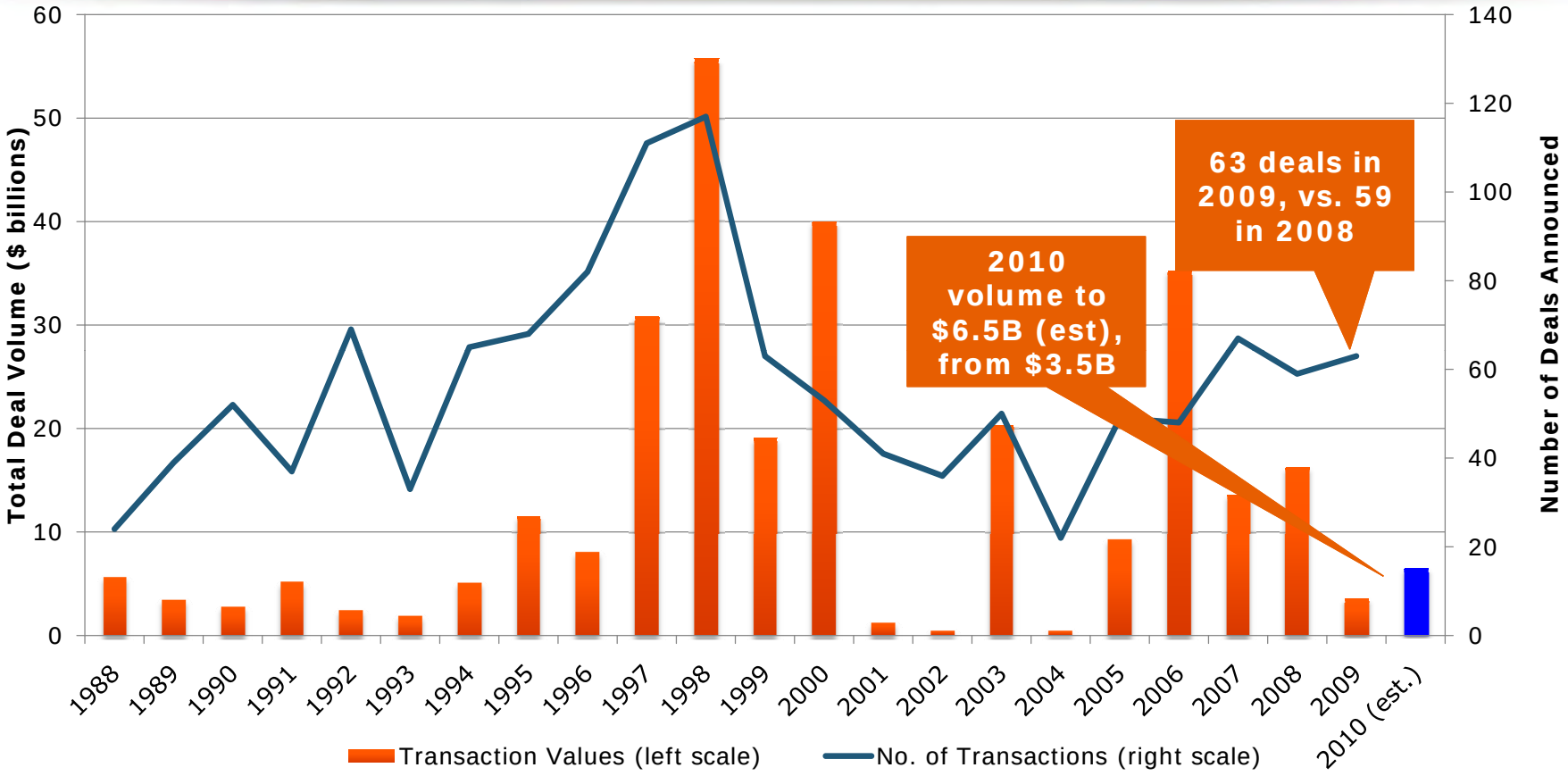
$ Value of Deals Down 78% in 2009, Volume Up 7%

2010: No Mega Deals, Despite Record Capital, Slow Growth and Improved Financial Market Conditions

Note: U.S. Company was the acquirer and/or target.

Source: Conning Research & Consulting. *2010E is derived from A.M. Best data for p/c insurers only (excludes brokers/agencies)

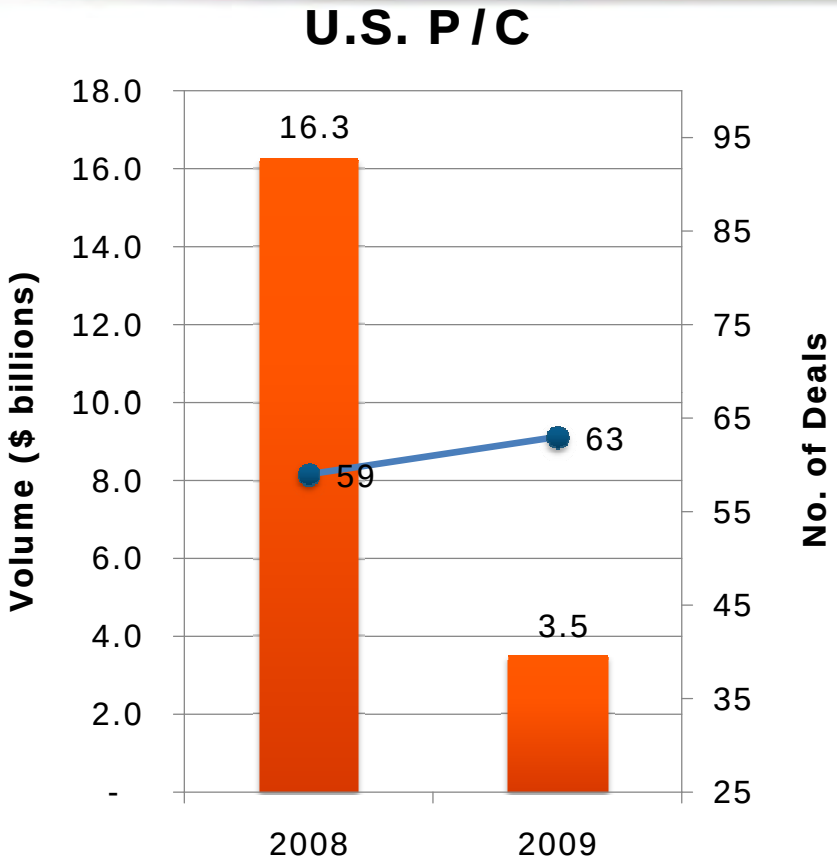
U.S. P/C M&A Activity Rising, Volume Bouncing Back

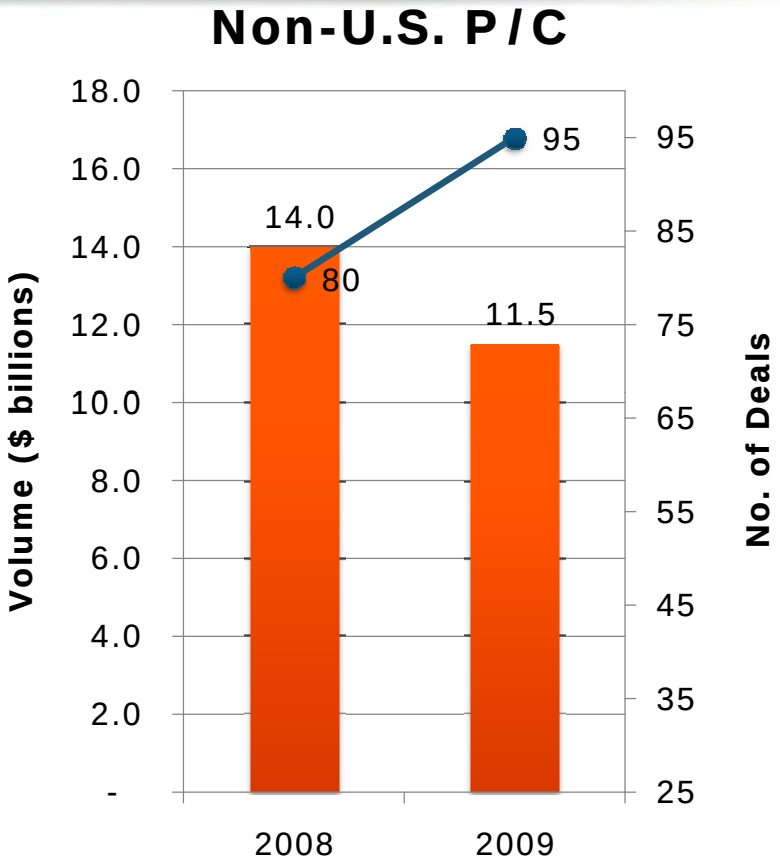


After a severe drop due to the capital crunch, M&A volume began to rebound in 2010. Levels remain below 1998-2000 and 2006 peaks.

Sources: Conning Research & Consulting through 2009; 2010 vol. est. from A.M. Best (2010 deal count N/A); Insurance Information Institute.

2009: More M&A activity outside U.S.





Non-U.S. activity exceeded U.S. activity in number and volume. Non-U.S. volume fell, but not as sharply as in U.S.

Sources: Conning Research Consulting; Insurance Information Institute.

2009: Five Largest U.S. Deals

Buyer	Target	Value (millions)	Motivation
Zurich Financial Services AG	21st Century Insurance Group	$1.900	AIG asset sale
Fairfax Financial Holdings	Odyssey Re Holding Corp.	960	Topping off ownership
Medical Professional Mutual Insurance Co.	Fincor Holdings, Inc.	237	Consolidation
Tower Group, Inc.	Specialty Underwriters Alliance, Inc.	107	Geographic expansion/Diversification of operations
Emerging Capital Partners	Nouvelle Societe Interafricaine d'Assurance Participatiion S.A. (Cote d'Ivoire)	48	Investment in Africa's financial sector

Only one deal exceeded $1 Billion in 2009, vs. two in 2008 that exceeded $4 billion apiece (Liberty buying Safeco and Tokio's acquisition of Philadelphia Insurance Cos.)

Sources: Conning Research Consulting; Insurance Information Institute.

2009: Five Largest Non-U.S. Deals

Buyer	Target	Value (millions)	Motivation
Banque Nationale de Paris Paribas Assurance (France)	Fortis Insurance Belgium (Belgium)	1,861	Fortis Bank forced to sell insurance assets
Partner Re Ltd. (Bermuda)	Paris Re Holdings Ltd (Switzerland)	1,716	Consolidation
Validus Holdings, Ltd. (Bermuda)	IPC Holdings Ltd. (Bermuda)	1,650	Consolidation
Polish State (Poland)	PZU S.A. (Poland)	1,200	Privatization of state assets
Porto Seguro S.A. (Brazil)	Seguros de Automovel e Residencia S.A (Brazil)	855	Consolidation and access to bank clients

One significant deal had no announced value – combination of Mitsui Sumitomo, Aioi Insurance and Nissay Dowa General in Japan. They merged for economies of scale in shrinking Japanese market.

Sources: Conning Research Consulting; Insurance Information Institute.

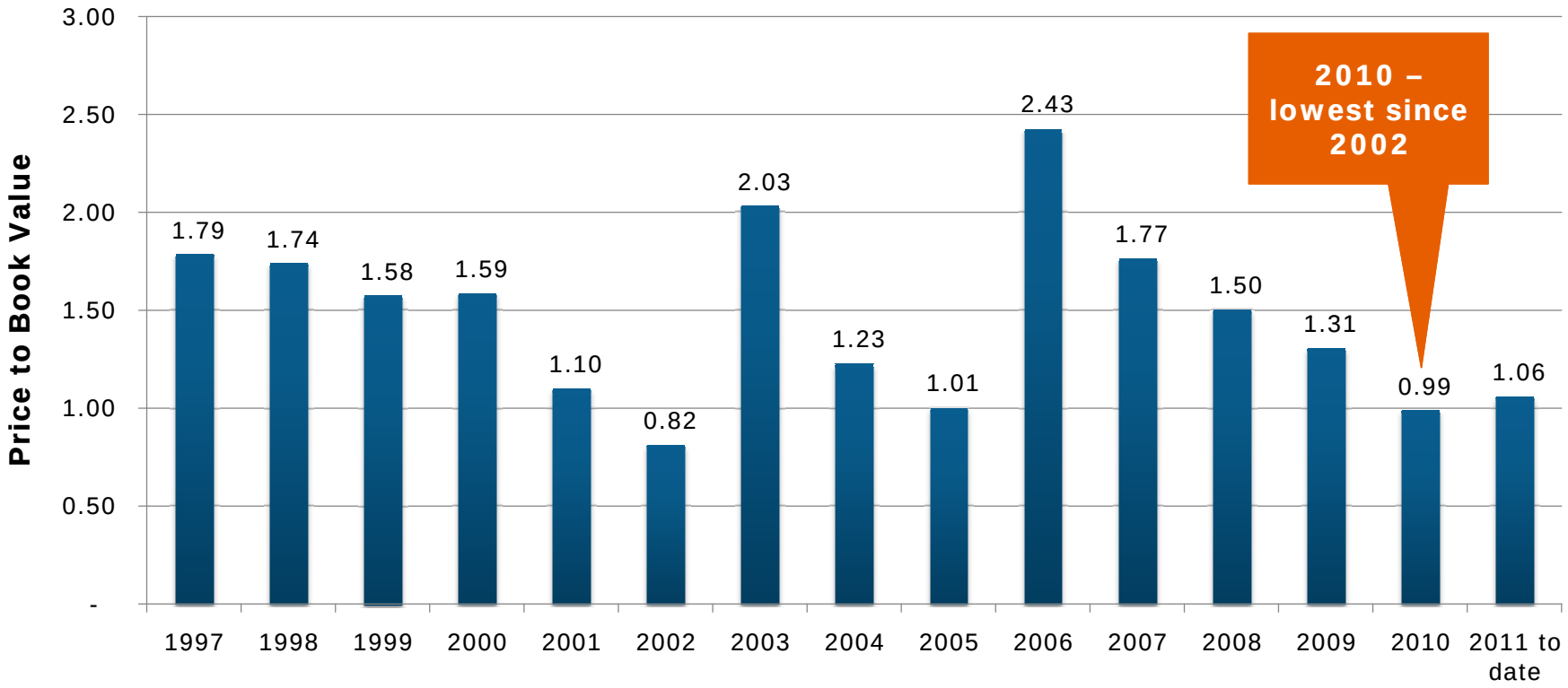
2010: Ten Largest U.S. Deals

Merger & Acquisition	Approximate Value ($ millions)
Max Capital/Harbor Point	3,500
Fairfax Financial/Zenith National	1,300
Ace Ltd./Rain and Hail Insurance Services	1,100
QBE/NAU	565
Doctors Co./American Physicians Capital	386
Fairfax Financial/General Fidelity Insurance	328
Fairfax Financial/First Mercury Financial	294
QBE/RenaissanceRe U.S. operations	275
Southwest Insurance Partners/Lightyear Capital	250
ProSight Specialty Insurance/NYMAGIC	230

Mergers were a way to expand in preferred markets amid the slow growth post-recession. Acquirers generally had abundant capital. Terms and conditions for financing were advantageous.

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

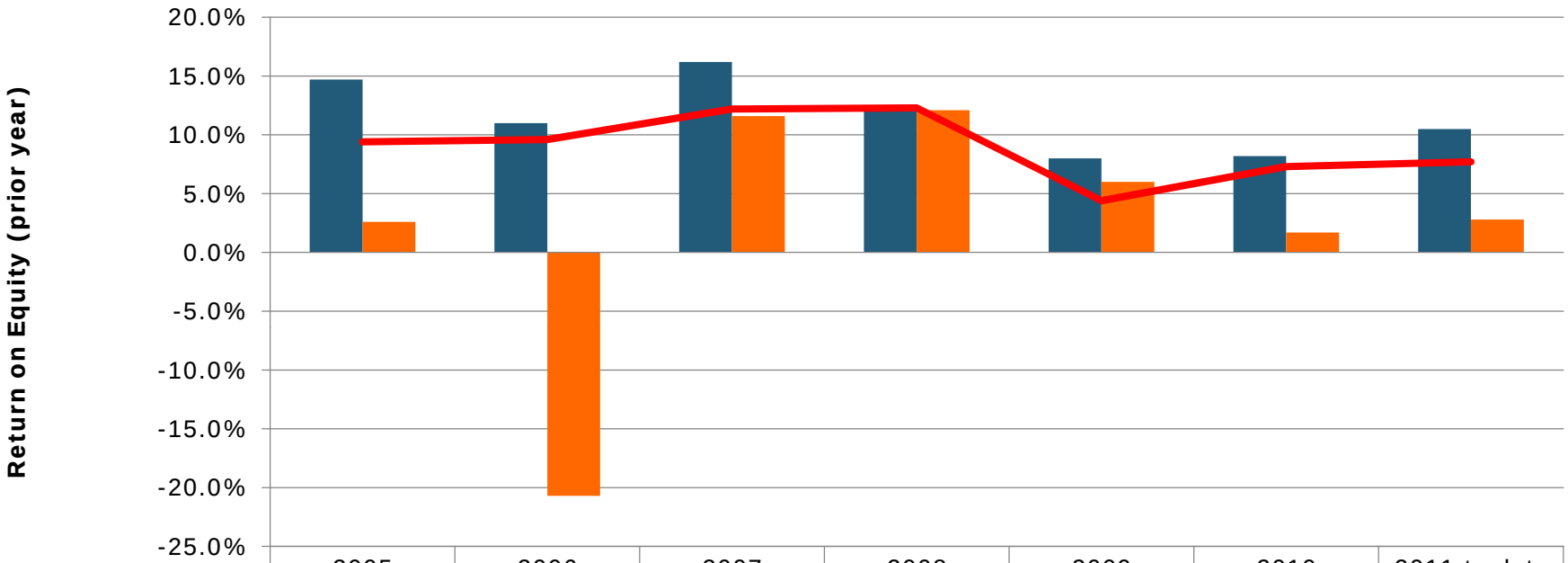
Valuations may have bottomed out



So far this year, 10 deals have been announced, worth nearly $2 billion.

Sources: SNL Financial; Insurance Information Institute.

Buyers are consistently more profitable than targets, rest of industry

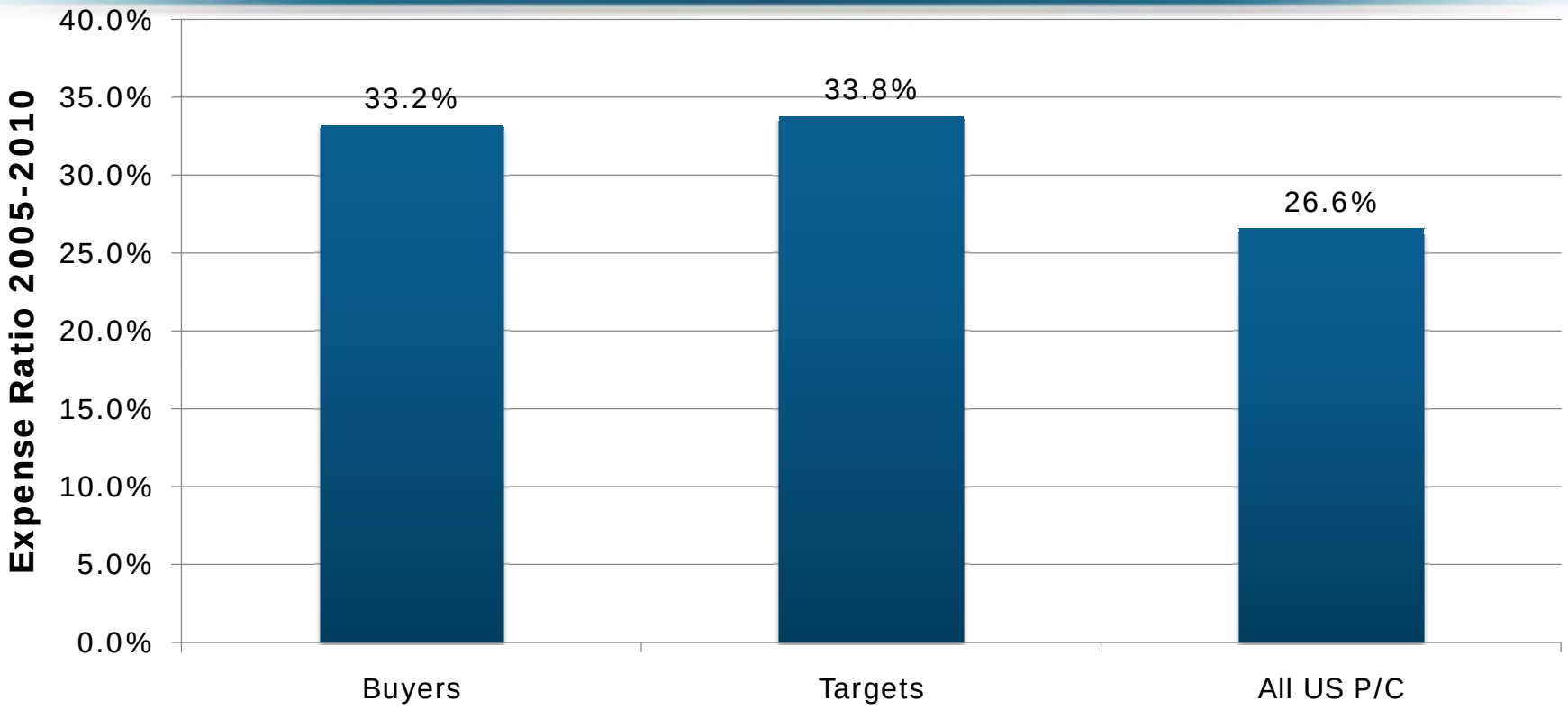


	2005	2006	2007	2008	2009	2010	2011 to date
Buyers	14.7%	11.0%	16.2%	12.0%	8.0%	8.2%	10.5%
Targets	2.6%	-20.7%	11.6%	12.1%	6.0%	1.7%	2.8%
US P/C Industry	9.4%	9.6%	12.2%	12.3%	4.4%	7.3%	7.7%

The year before merger, eventual targets have earnings that lag industry average. Buyers' earnings are higher than the industry.

Sources: SNL Financial; Insurance Information Institute.

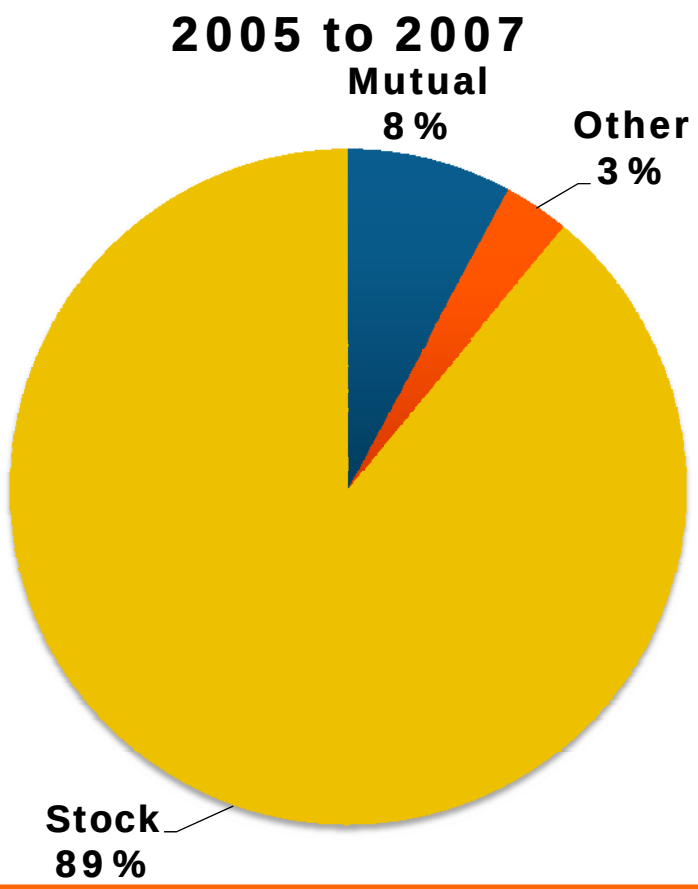
Firms on both sides of merger have higher expense ratios than industry

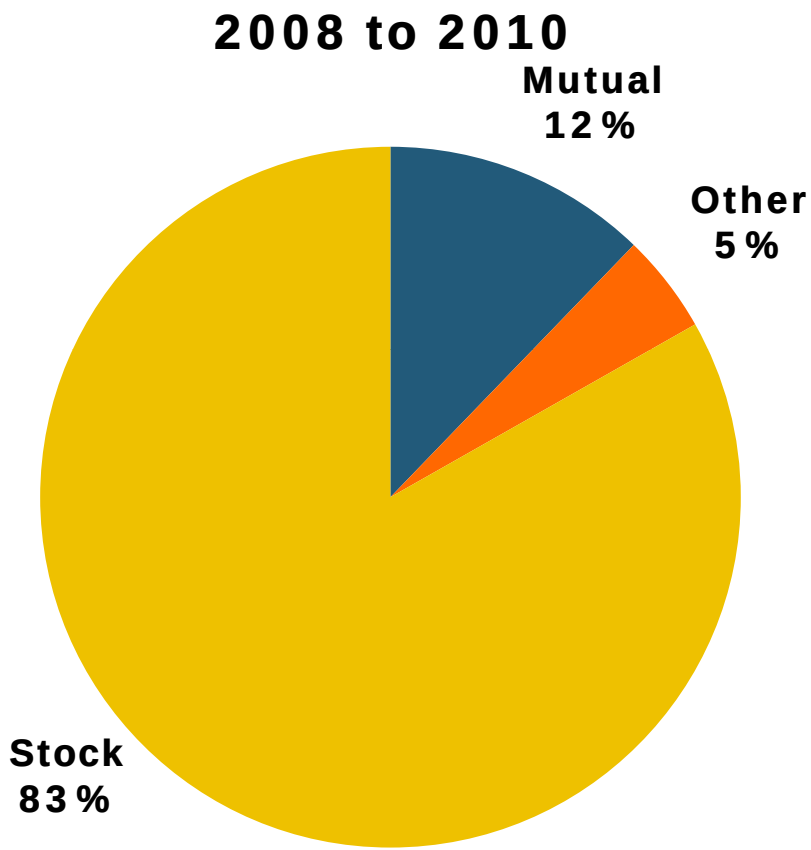


M&A targets have slightly higher expense ratios than buyers. Both run higher expense ratios than the industry overall.

Sources: SNL Financial; Insurance Information Institute.

Type of acquisition is shifting





There were 16 mutual targets in 2008-2010, up from 10 in the three prior years.

Sources: SNL Financial; Insurance Information Institute.

2010: Affiliations continue

- NLC Insurance Cos./Hingham Mutual Fire
- Danbury Insurance/Casco Indemnity
- Texas Farm Bureau/Farm Bureau County Mutual (Texas)
- Cooperative Mutual (NE)/Austin Mutual
- Wisconsin America Mutual/Western National

Smaller (sometimes distressed) carriers affiliate with regionals or super-regionals.

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

2011 Forecast (A.M. Best)

- Activity to increase, especially among commercial lines
  - Slow economic growth, limited opportunities
  - Advantageous financing
  - Need to use capital more efficiently
- Possible obstacles
  - Low valuations deter sellers
  - Companies might prefer to wait out soft market

Looking Ahead

- Smaller scale M&A is more likely than “mega deals”
  - Stock valuations remain low
  - Number of actual acquirers and targets is limited
  - Biggest growth opportunities are abroad/life sector
- Incentives for Smaller Size Firms to Merge
  - Economies of scale
  - Inability to make necessary investments in technology
  - Key markets hit hard by economic downturn (e.g., small commercial, contractors, construction, etc.)
  - Poor financials
  - Capital issues

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Inflation

Is it a Threat to Claim Cost Severities

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

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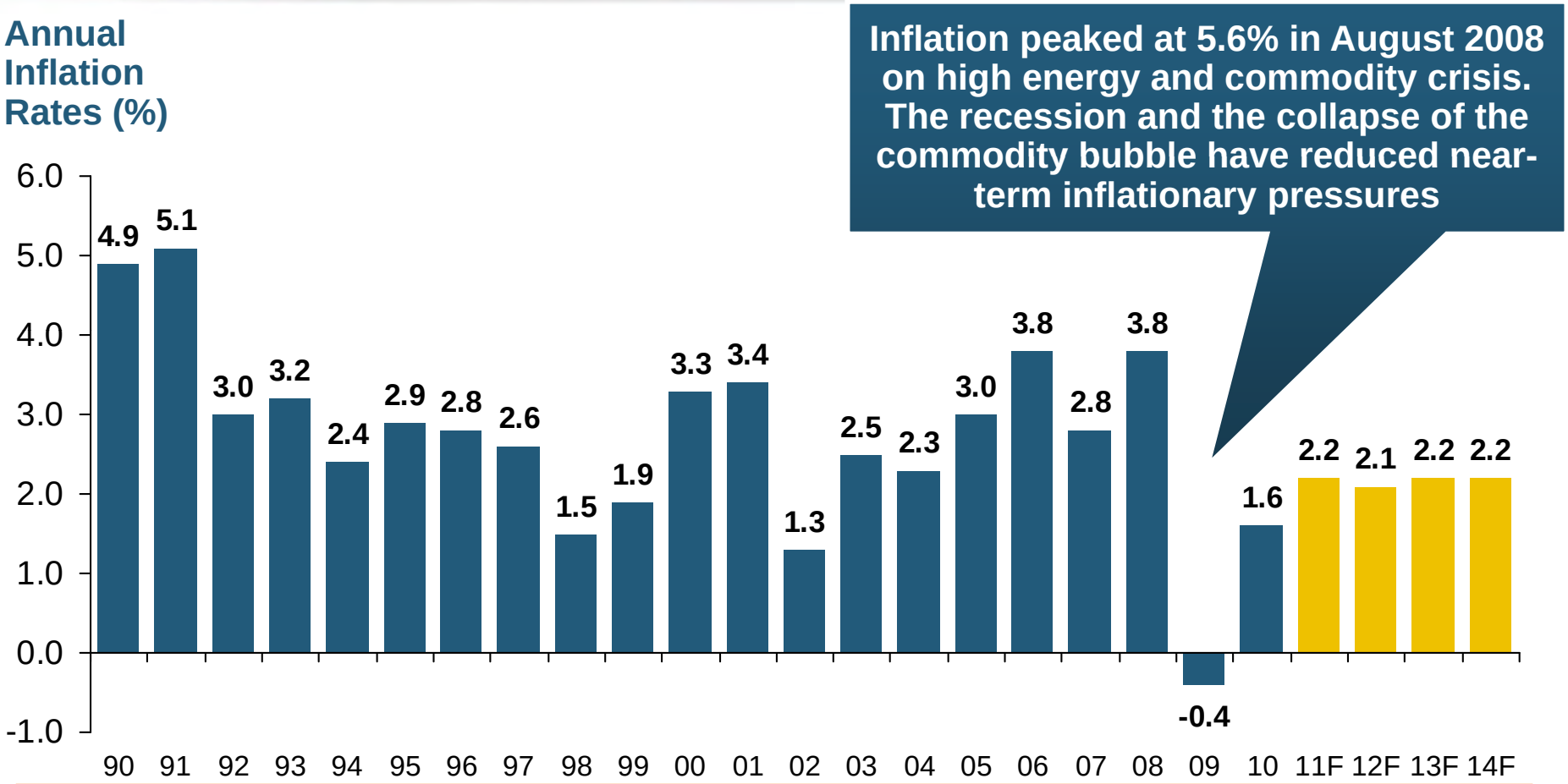
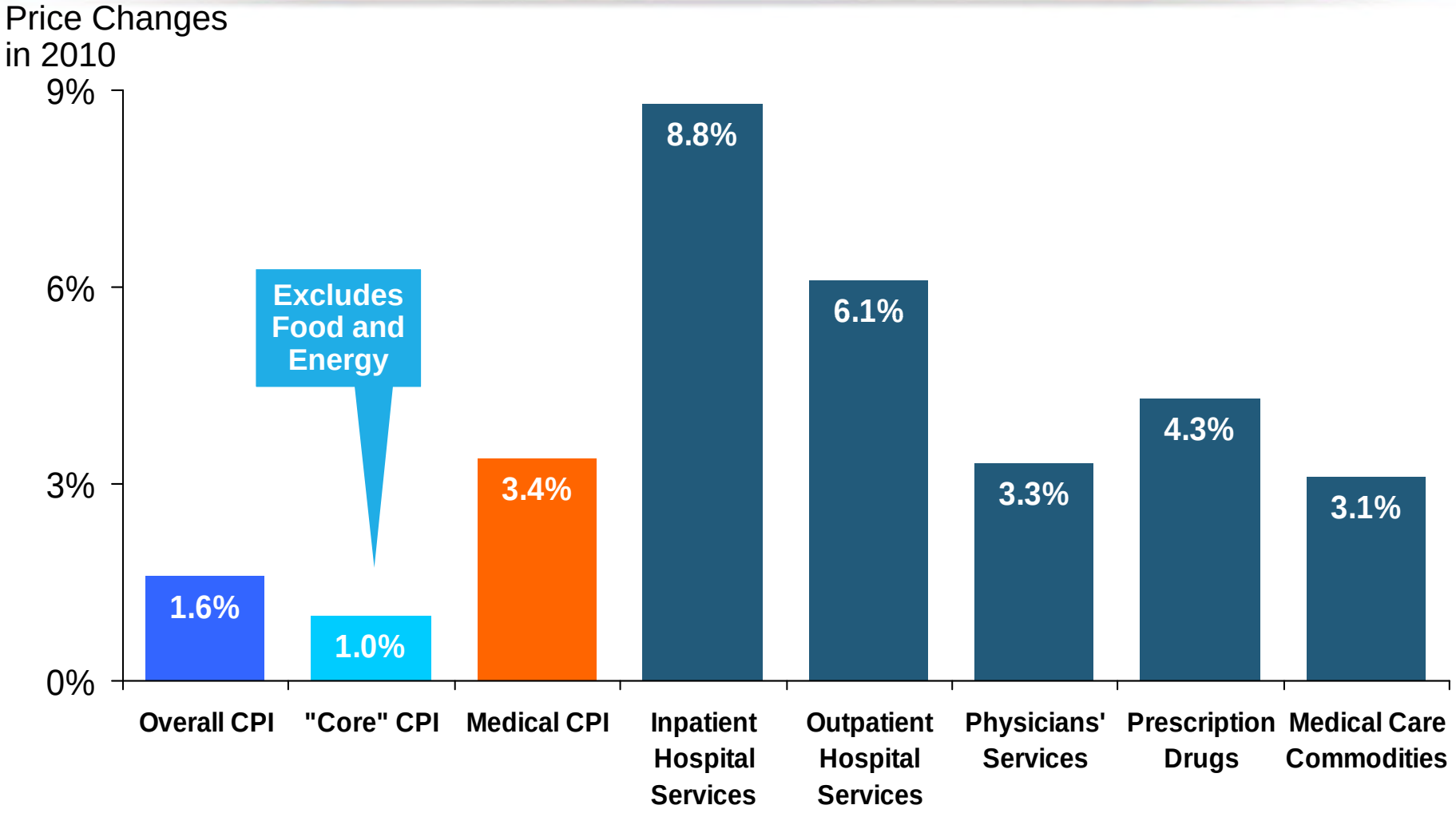


The slack in the U.S. economy suggests that inflation should not heat up before 2012, but other forces (commodity prices, inflation in countries from which we import, etc.), plus U.S. debt burden, remain longer-run concerns

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators, 10/10 and 3/11 (forecasts).

P/C Insurance Claim Cost Drivers Grow Faster than even the Medical CPI Suggests



Healthcare costs are a major liability, med pay, and PIP claim cost driver. They are likely to grow faster than the CPI for the next few years, at least

Source: Bureau of Labor Statistics; Insurance Information Institute.

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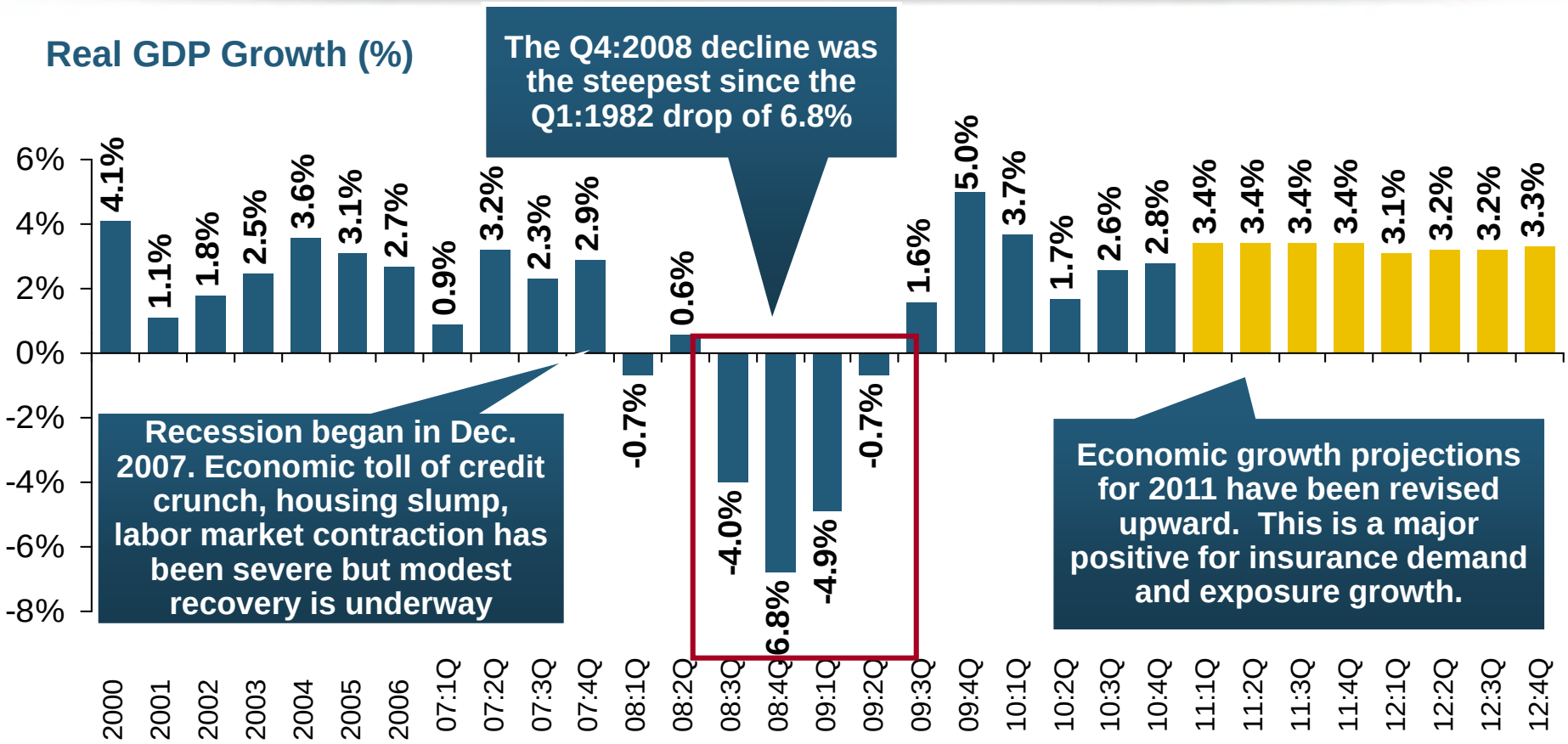
Economic Issues for the Next 3-5 Years

Growth in the Wake of the "Great Recession"

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 3/11; Insurance Information Institute.

Real GDP Growth vs. Real P/C Premium Growth: Modest Association

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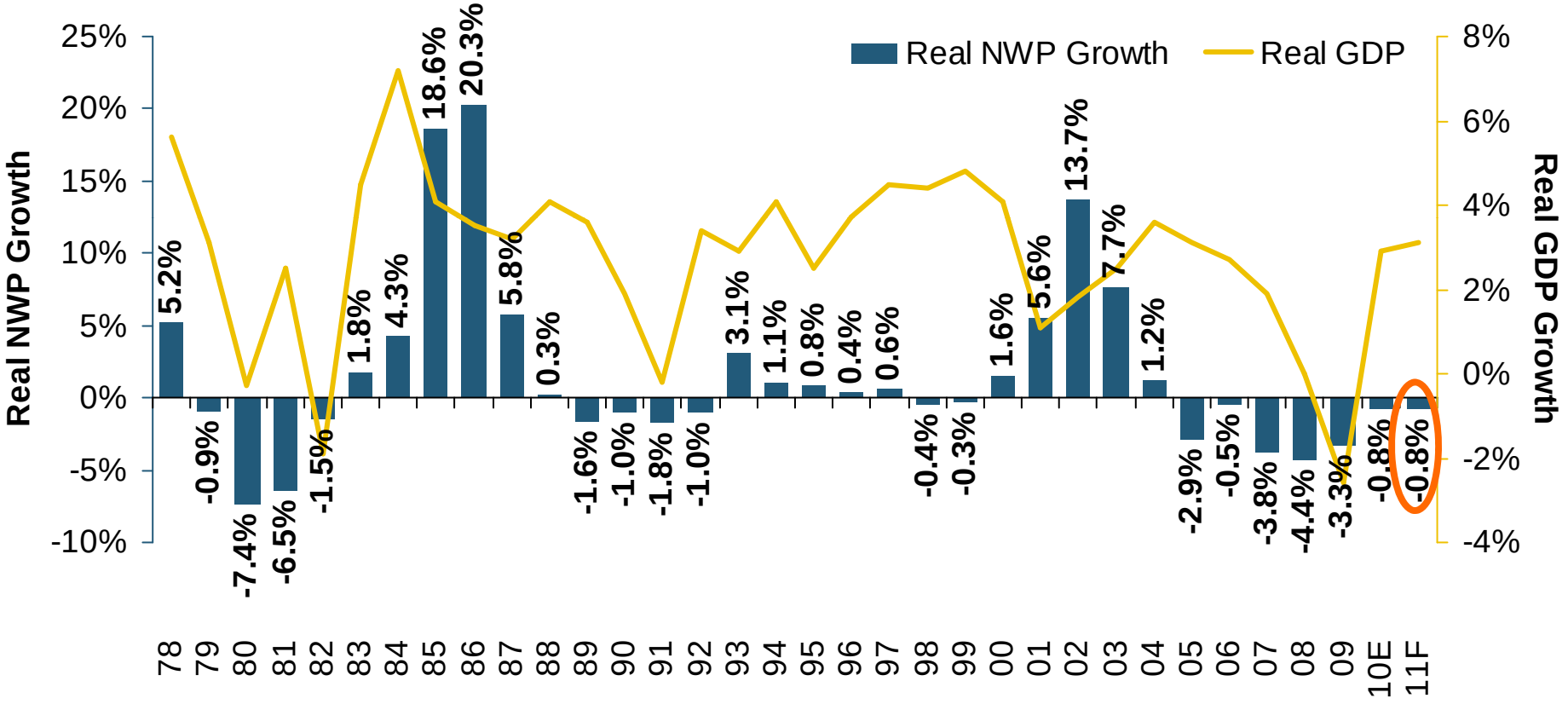
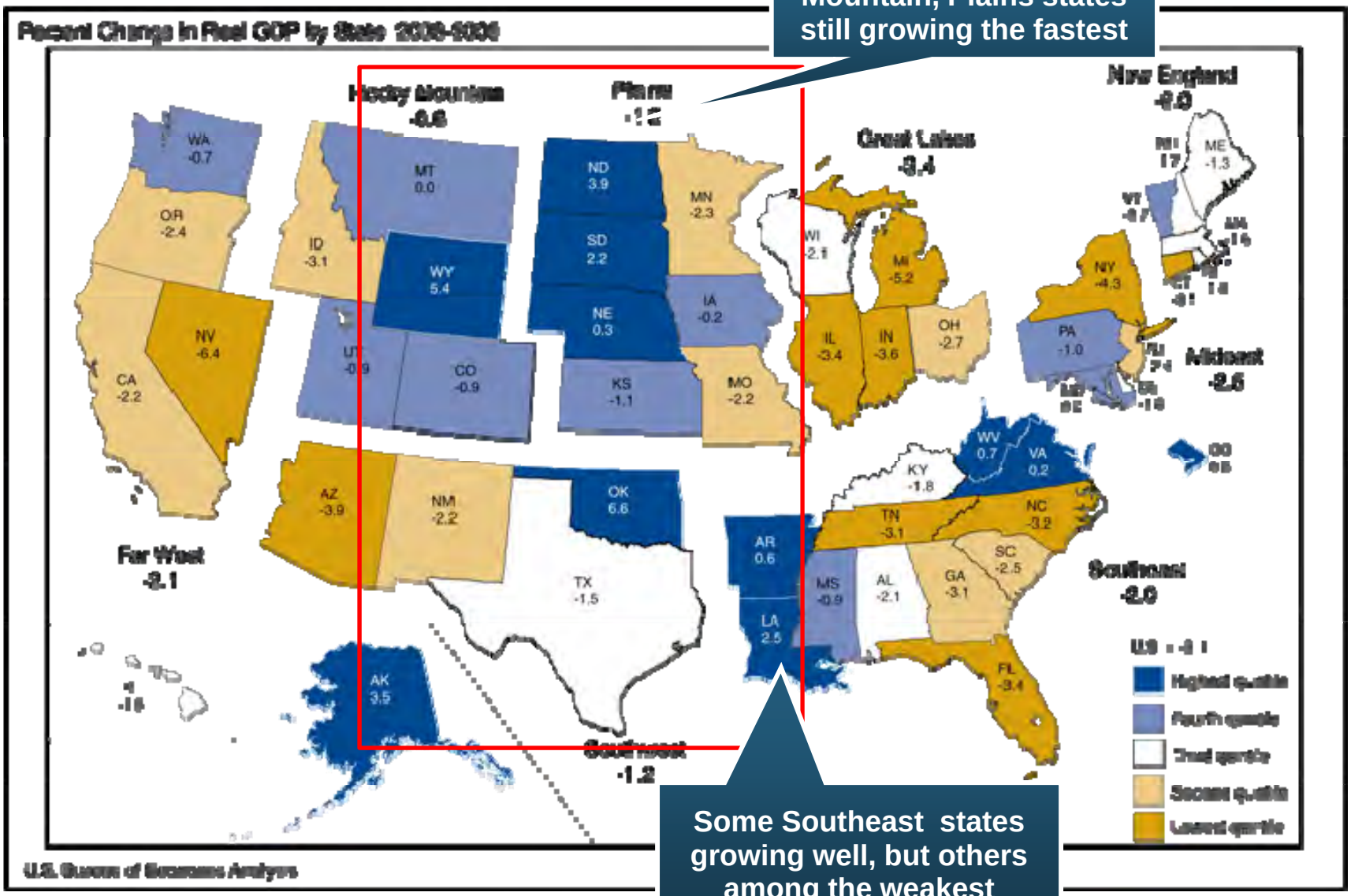
Real GDP Growth vs. Real P/C (%)



P/C Insurance Industry's Growth is Influenced Modestly by Growth in the Overall Economy

Sources: A.M. Best, US Bureau of Economic Analysis, Blue Chip Economic Indicators, 3/11; Insurance Information Institute

2011 Financial Overview
State Economic Growth Varied in 2009



Direct Premiums Written: All Lines Percent Change by State, 2004-2009

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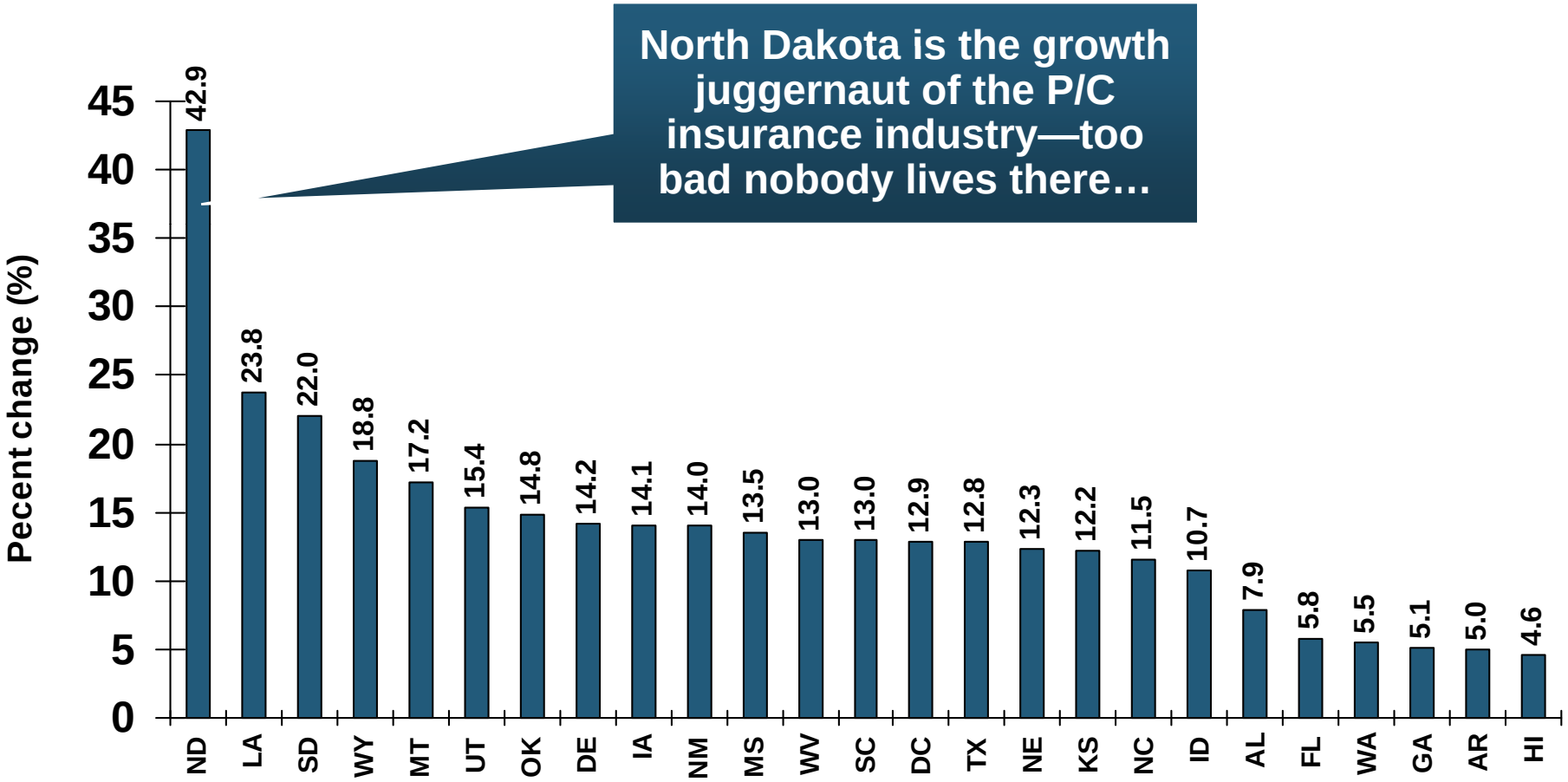
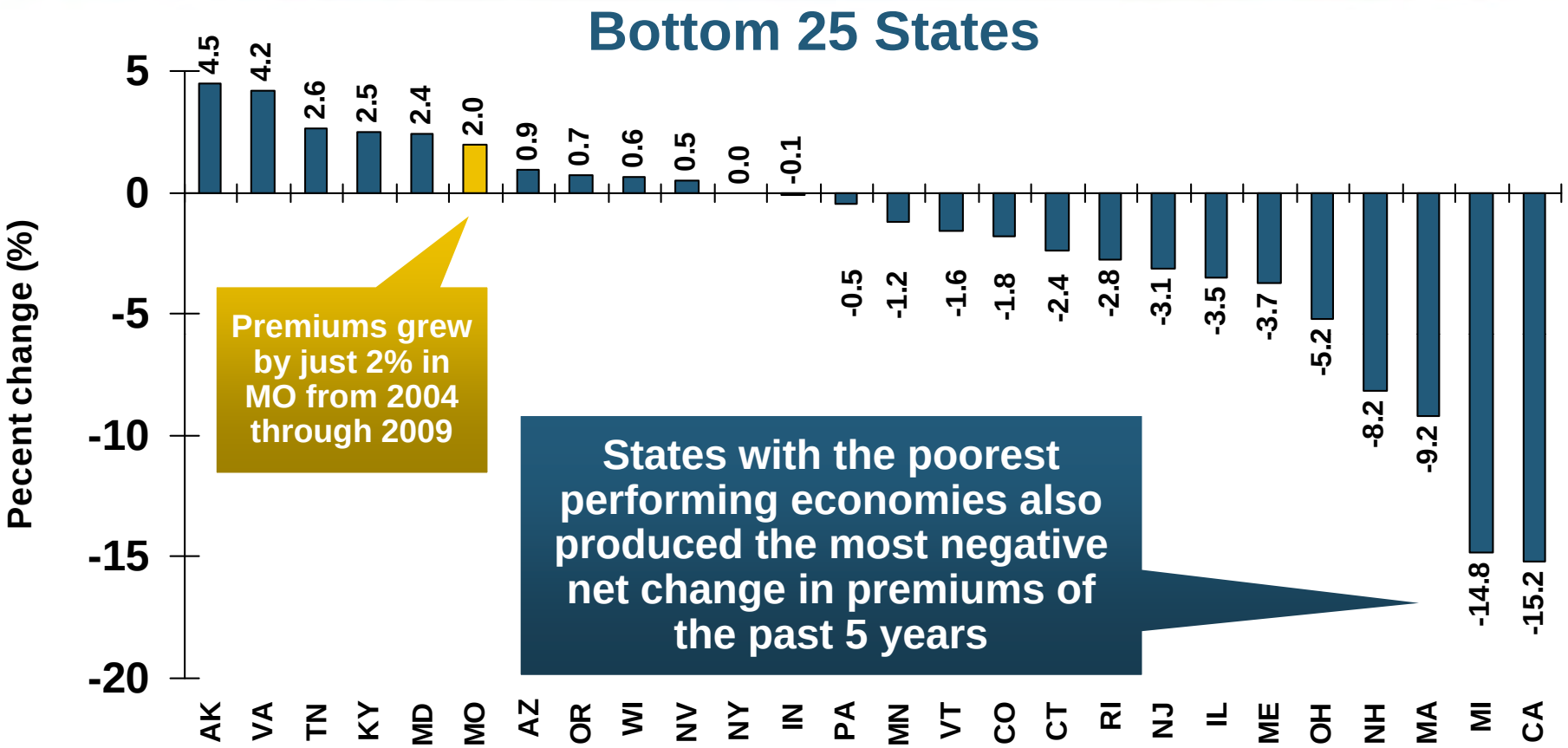
Top 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

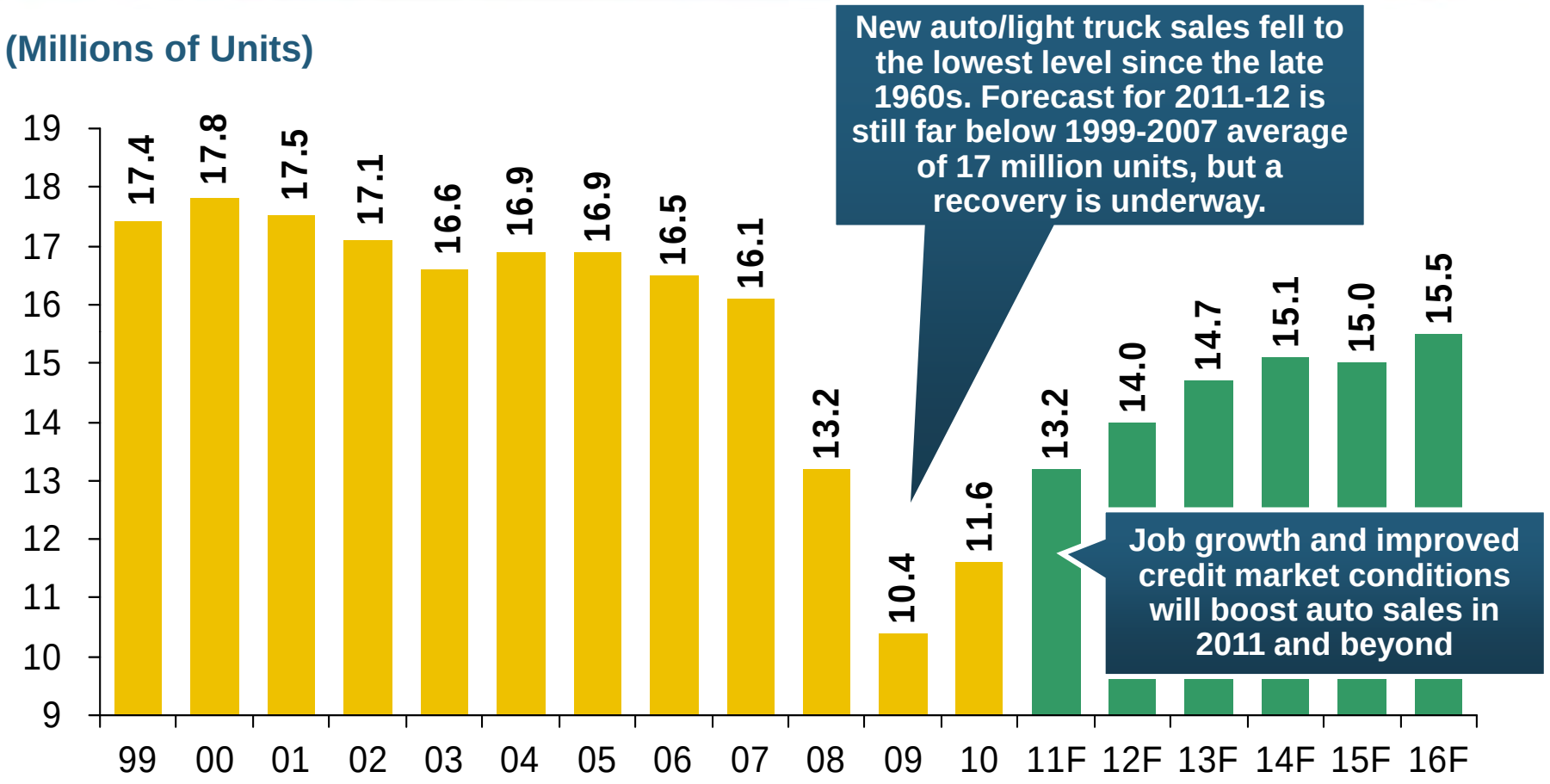
Direct Premiums Written: All Lines
Percent Change by State, 2004-2009



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.

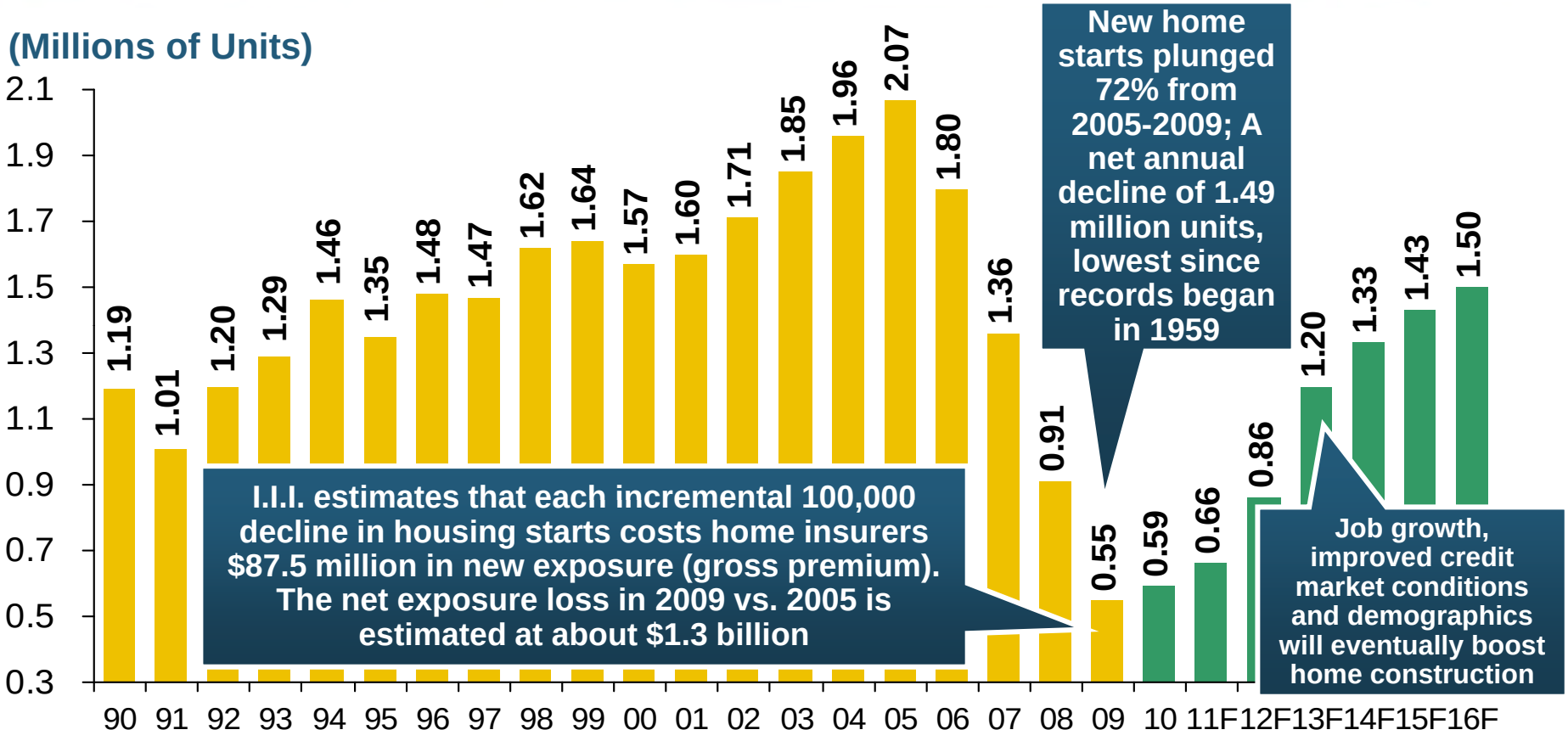
Auto/Light Truck Sales, 1999-2016F



Car/Light Truck Sales Will Continue to Recover from the 2009 Low Point, but High Unemployment, Tight Credit Are Still Restraining Sales in 2011

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (10/10 and 3/11); Insurance Information Institute.

New Private Housing Starts, 1990-2016F

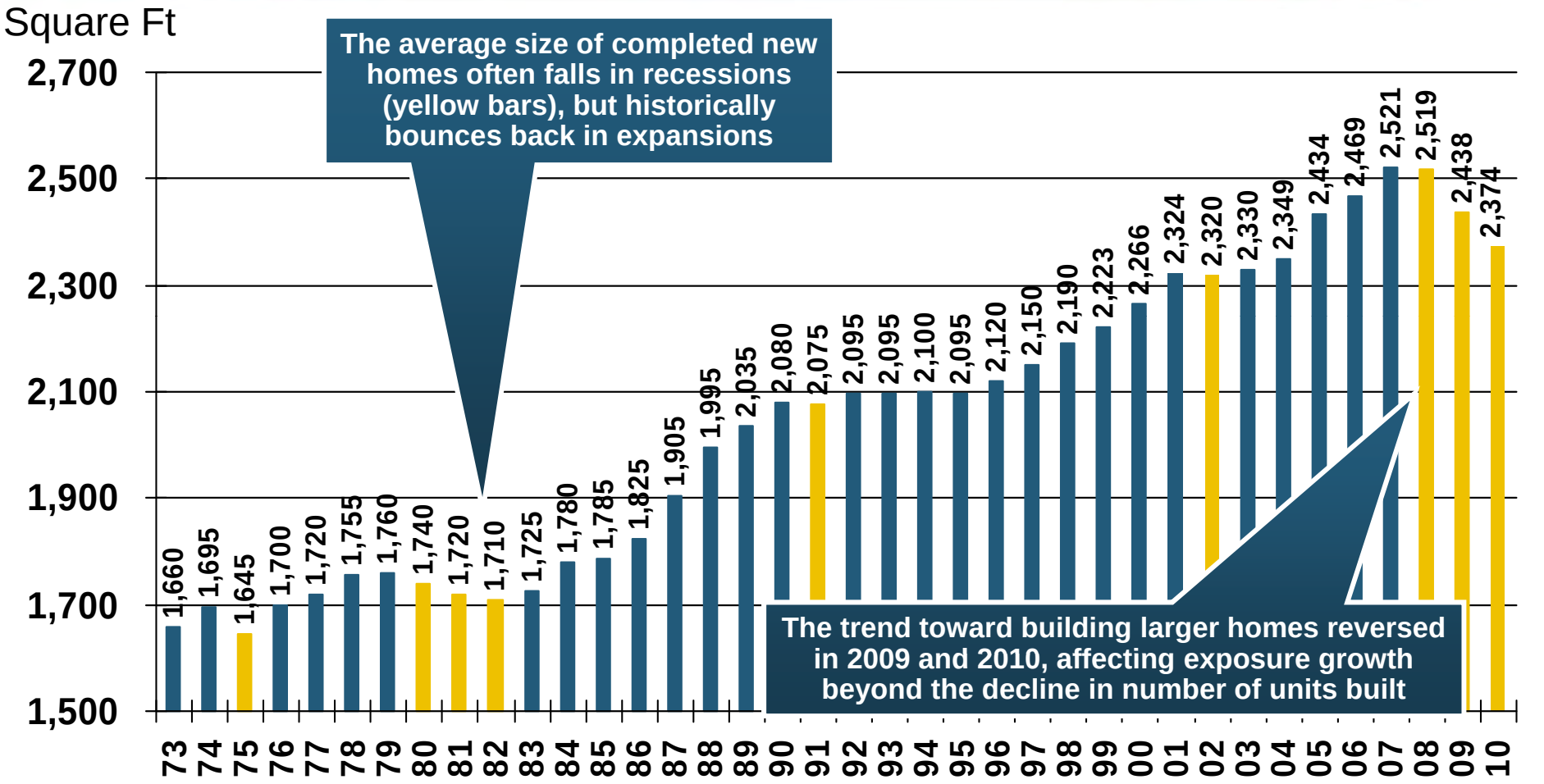


Little Exposure Growth Likely for Homeowners Insurers Until 2013. Also Affects Commercial Insurers with Construction Risk Exposure, Surety

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (10/10 and 3/11); Insurance Information Institute.

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; Insurance Information Institute.

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Labor Market Trends

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

Unemployment and Underemployment Rates: Falling Faster in 2011?

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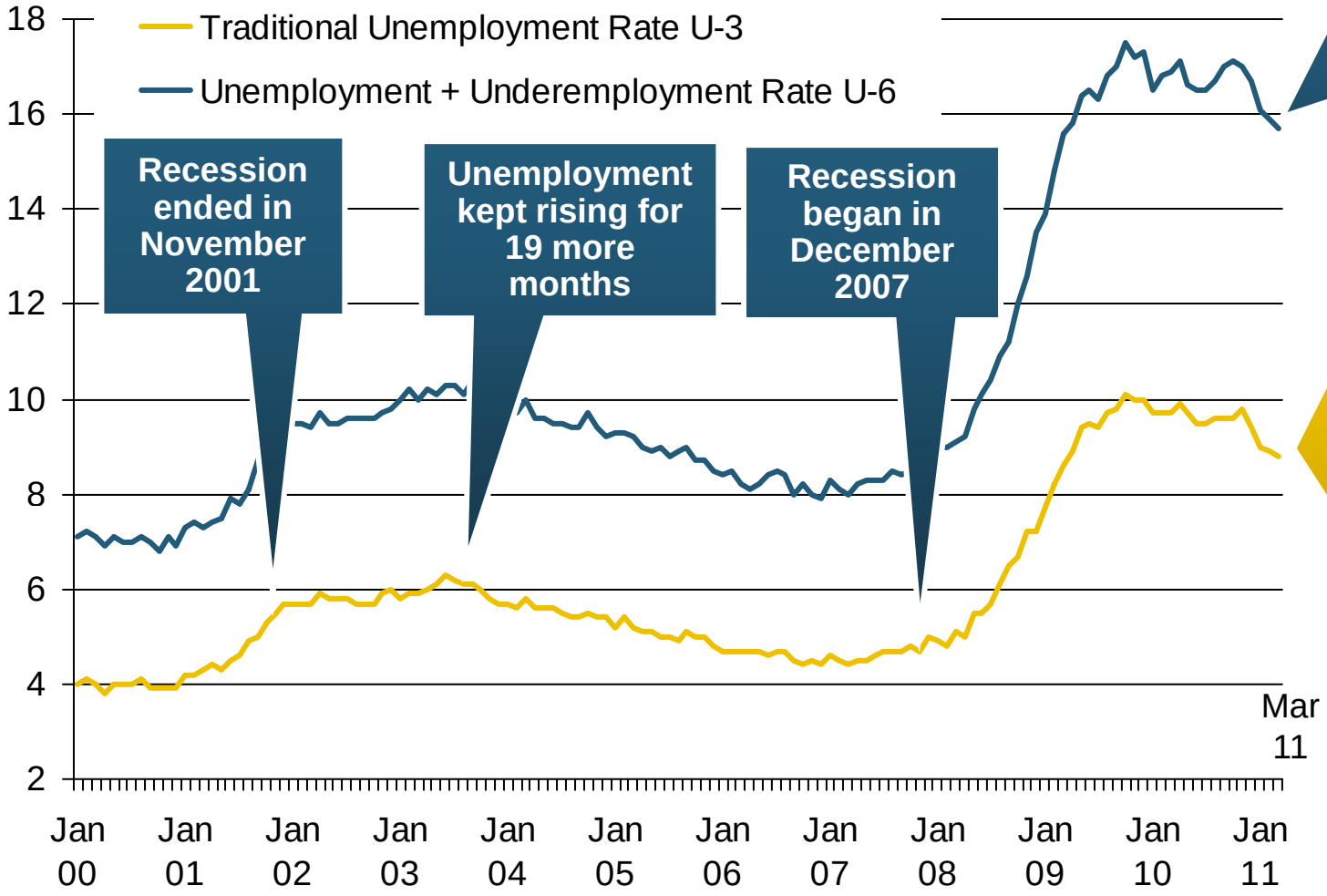
January 2000 through March 2011, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 15.7% in March 2011

Unemployment rate fell to 8.8% in March

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

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

Monthly Change in Private Employment

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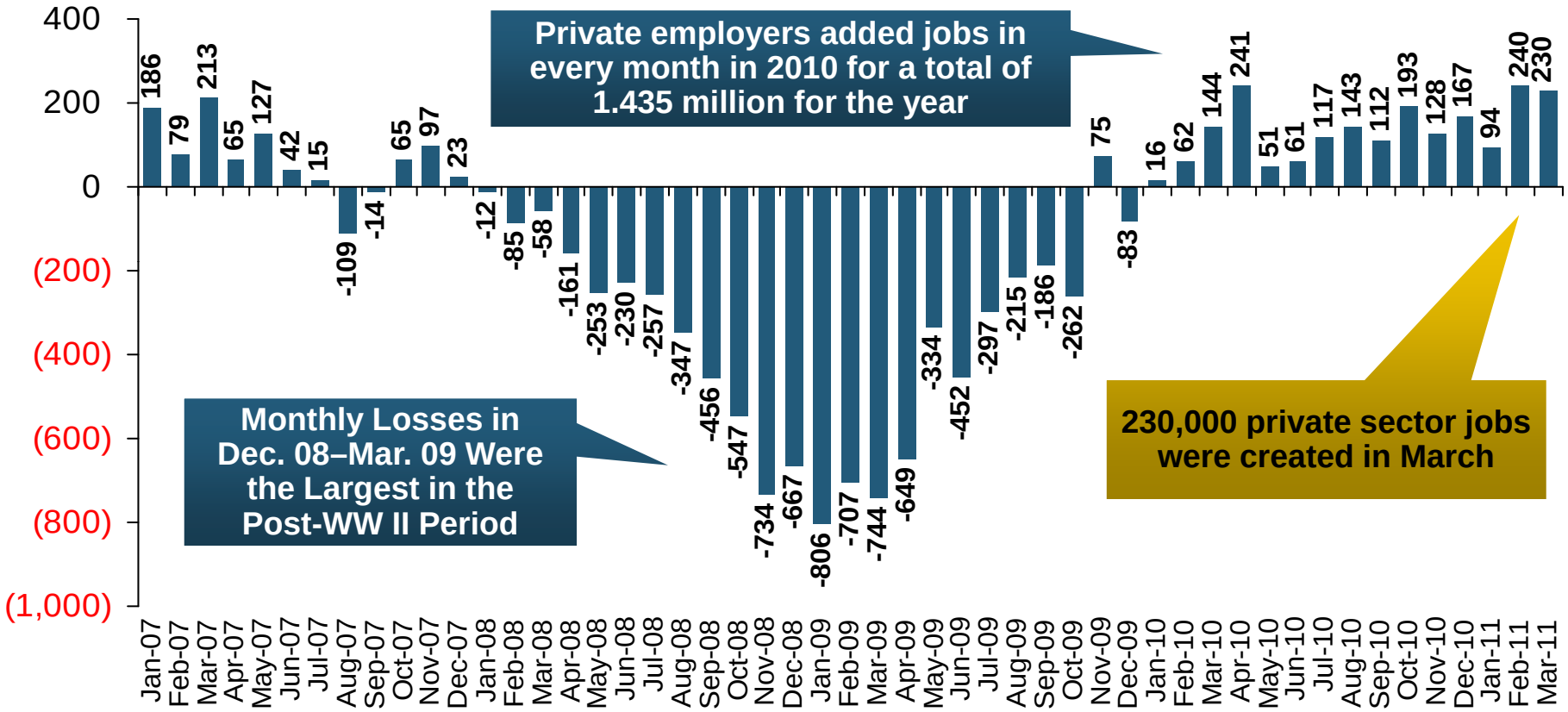
January 2008 through March 2011* (Thousands)



Private Employers Added 1.999 million Jobs Since Jan. 2010 After Having Shed 4.66 Million Jobs in 2009 and 3.81 Million in 2008 (Local Govt. Employment is Down 416,000 Since Sept. 2008 Peak)

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

Monthly Change Employment*

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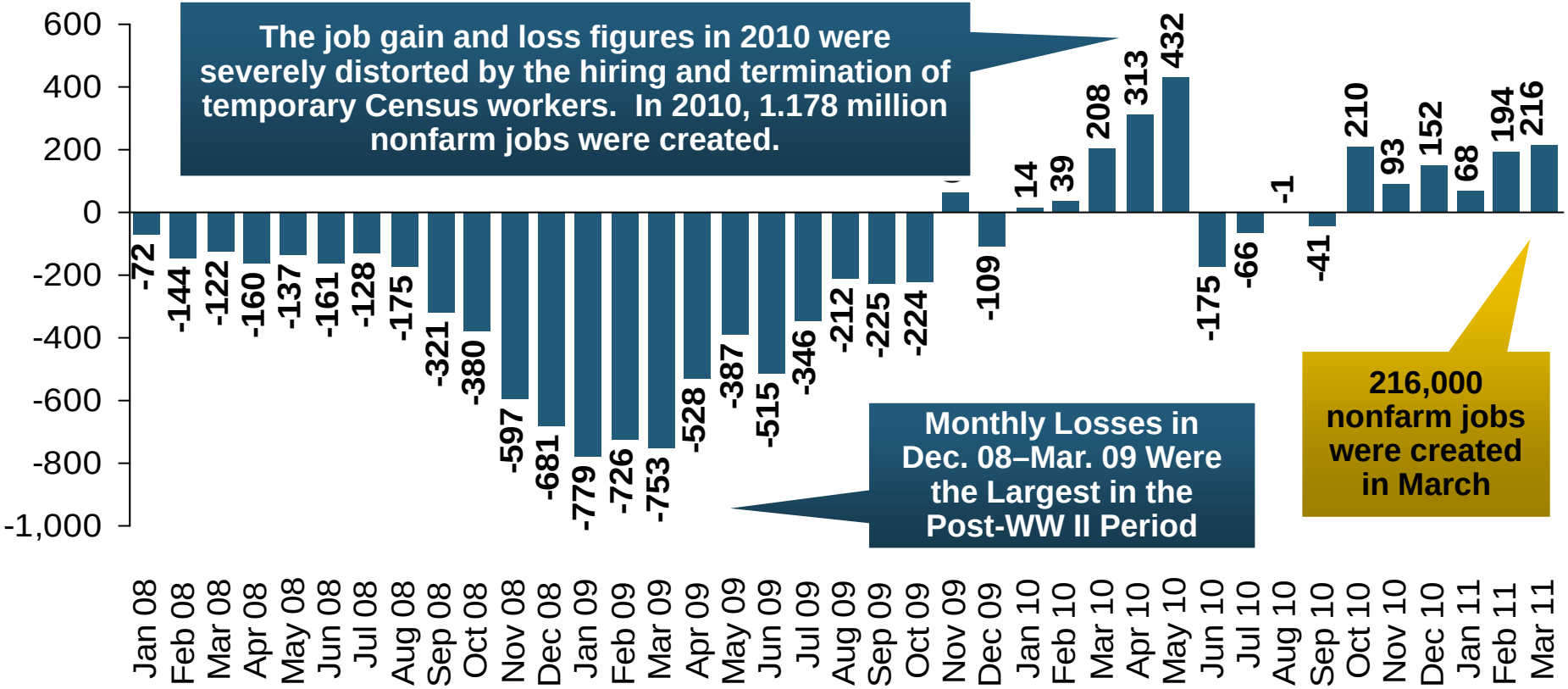
January 2008 through March 2011* (Thousands)



Job Losses Since the Recession Began in Dec. 2007 Peaked at 8.4 Mill in Dec. 09; Stands at 6.2 Million Through March 2011; 13.5 Million People are Now Defined as Unemployed

*Estimate based on Reuters poll of economists.

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

US Unemployment Rate

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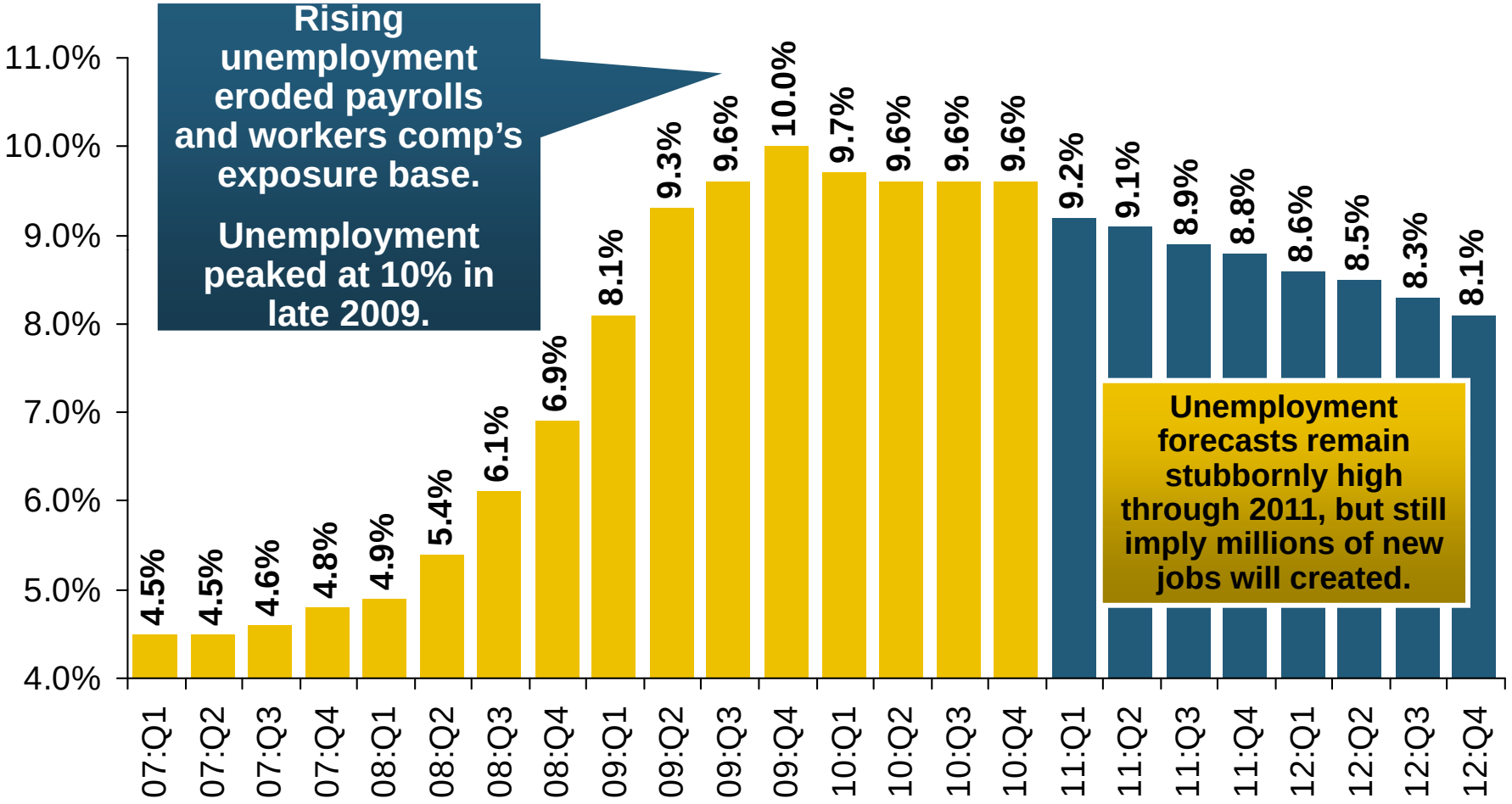
2007:Q1 to 2012:Q4F*



* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (3/11); Insurance Information Institute

US Unemployment Rate Forecasts

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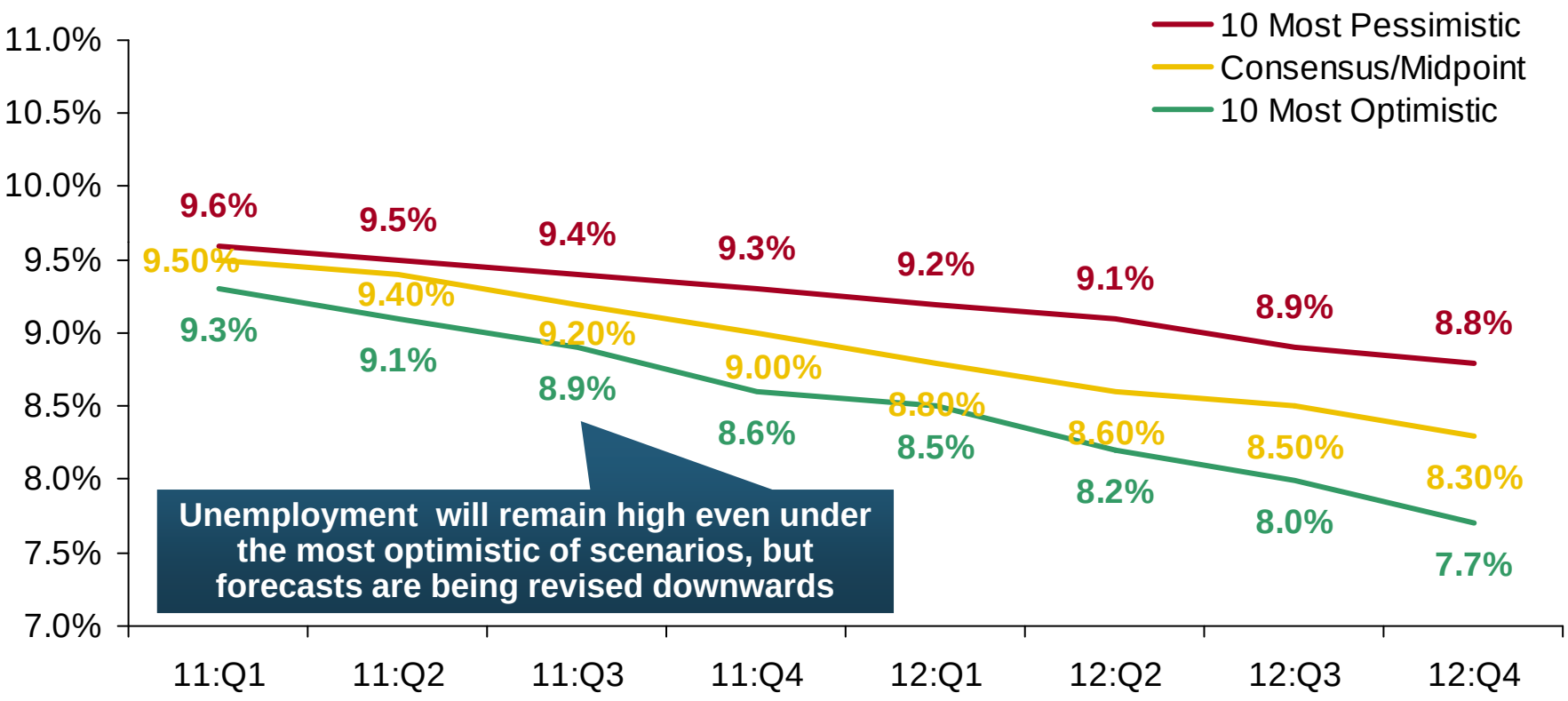
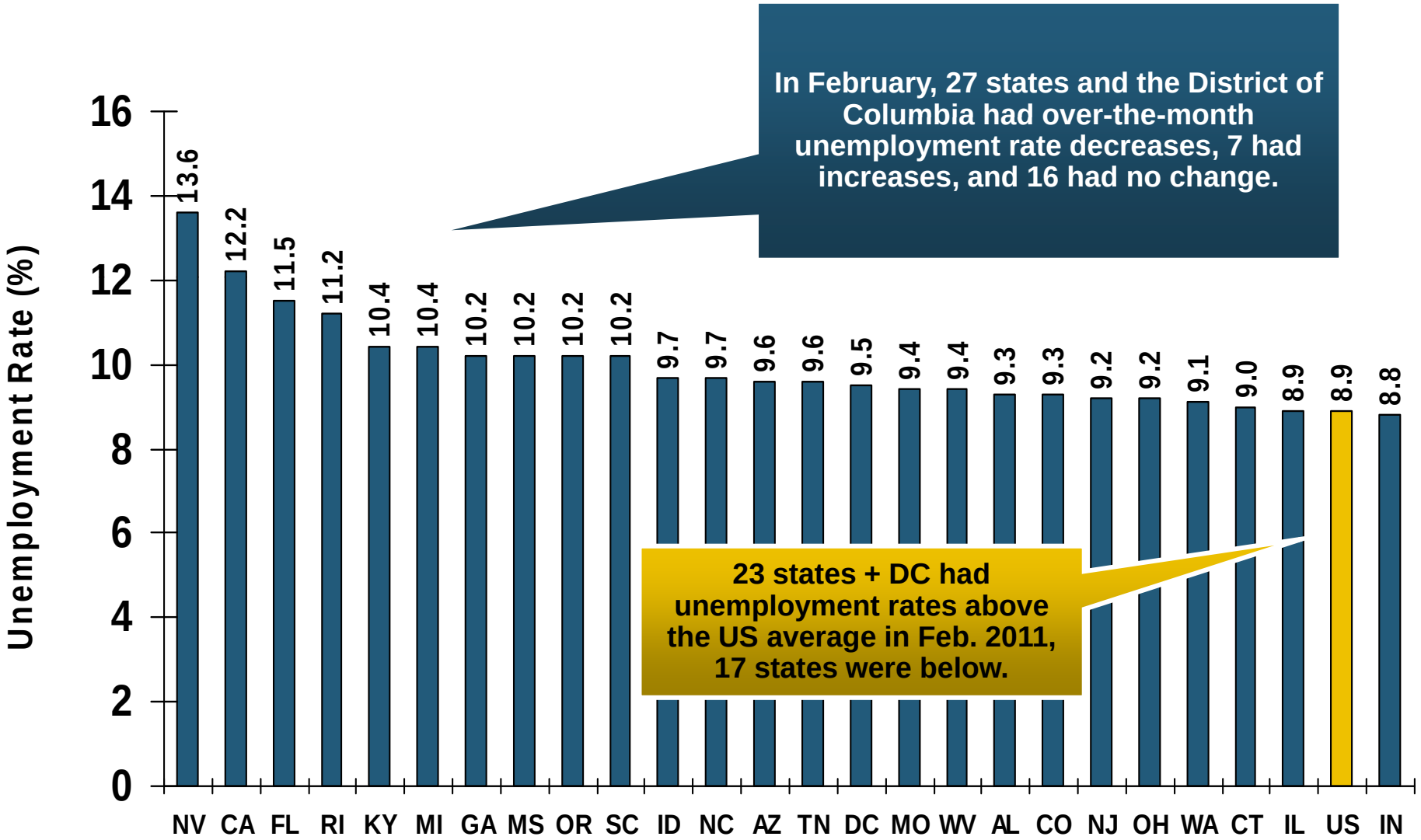
Quarterly, 2011:Q1 to 2012:Q4



Stubbornly High Unemployment Will Slow the Recovery of the Workers Comp Exposure Base

Sources: Blue Chip Economic Indicators (2/11); Insurance Information Institute

Unemployment Rates by State, February 2011: Highest 25 States*



*Provisional figures for February 2011, seasonally adjusted.

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

Unemployment Rates By State, February 2011: Lowest 25 States*

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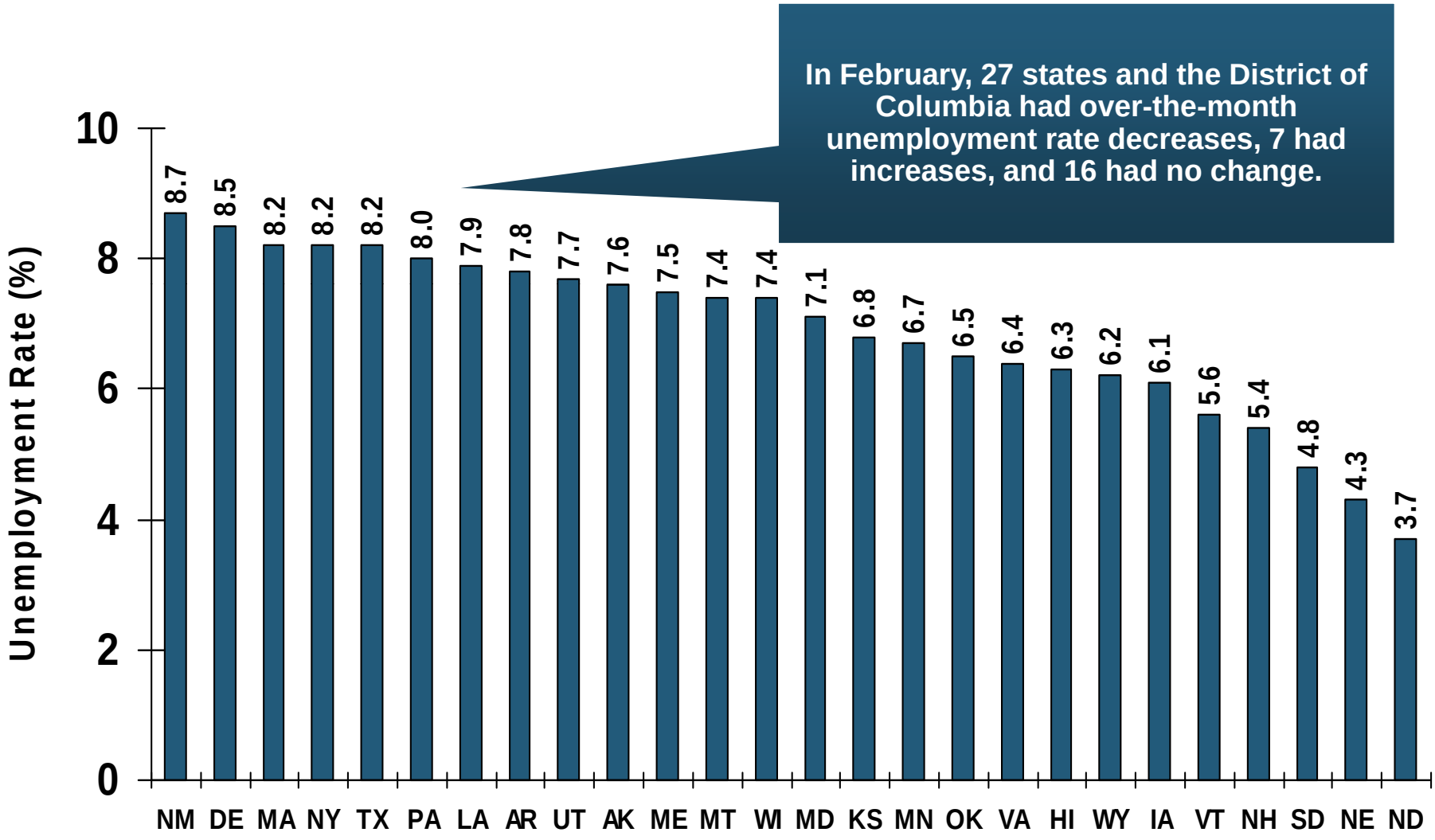

*Provisional figures for February 2011, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Labor Underutilization: Broader than Just Unemployment

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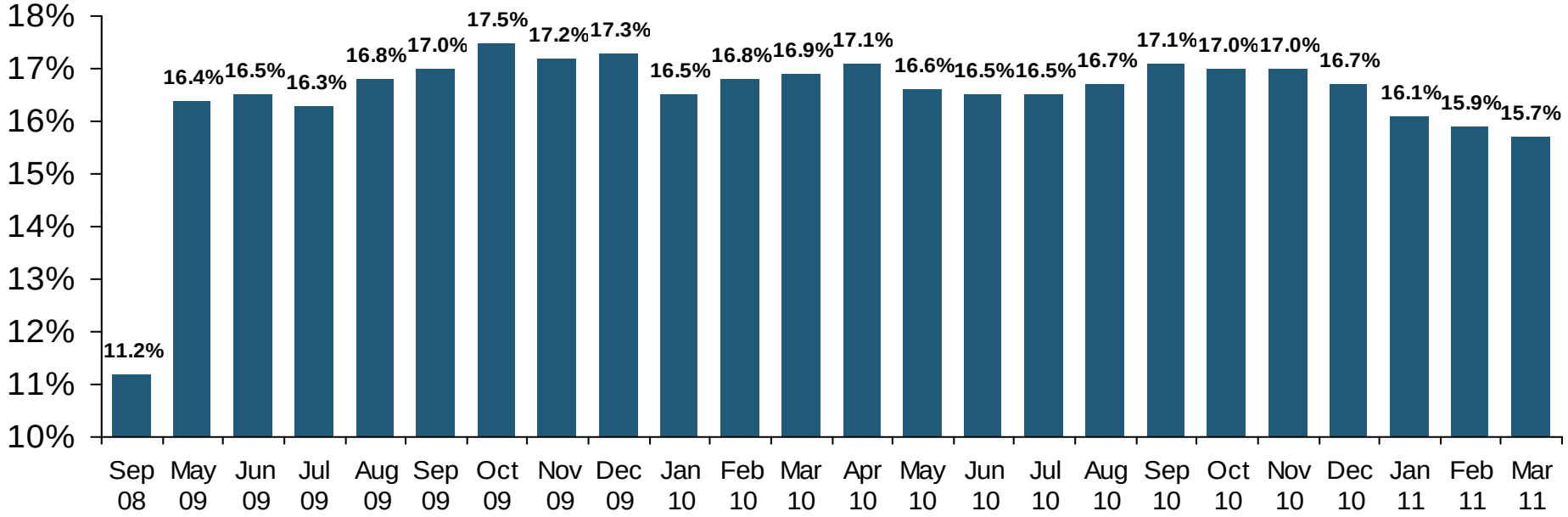
% of Labor Force



Marginally Attached and Unemployed Persons Account for 15.7% of the Labor Force in March 2011 (1 Out Every 6.4 People). Unemployment Rate Alone was 8.8%. Underutilization Shows a Broader Impact on WC and Other Commercial Exposures

NOTE: Marginally attached workers are persons who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the recent past. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not looking currently for a job. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule.

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

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