



Overview & Outlook for the P/C Insurance Industry

Financial and Catastrophe Loss Update

Insurance Information Institute

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Catastrophic Loss – Catastrophe Losses Trends Are Trending Adversely

**Global Catastrophes Are Hitting Insurers
Hard in 2011, but Remain Manageable**

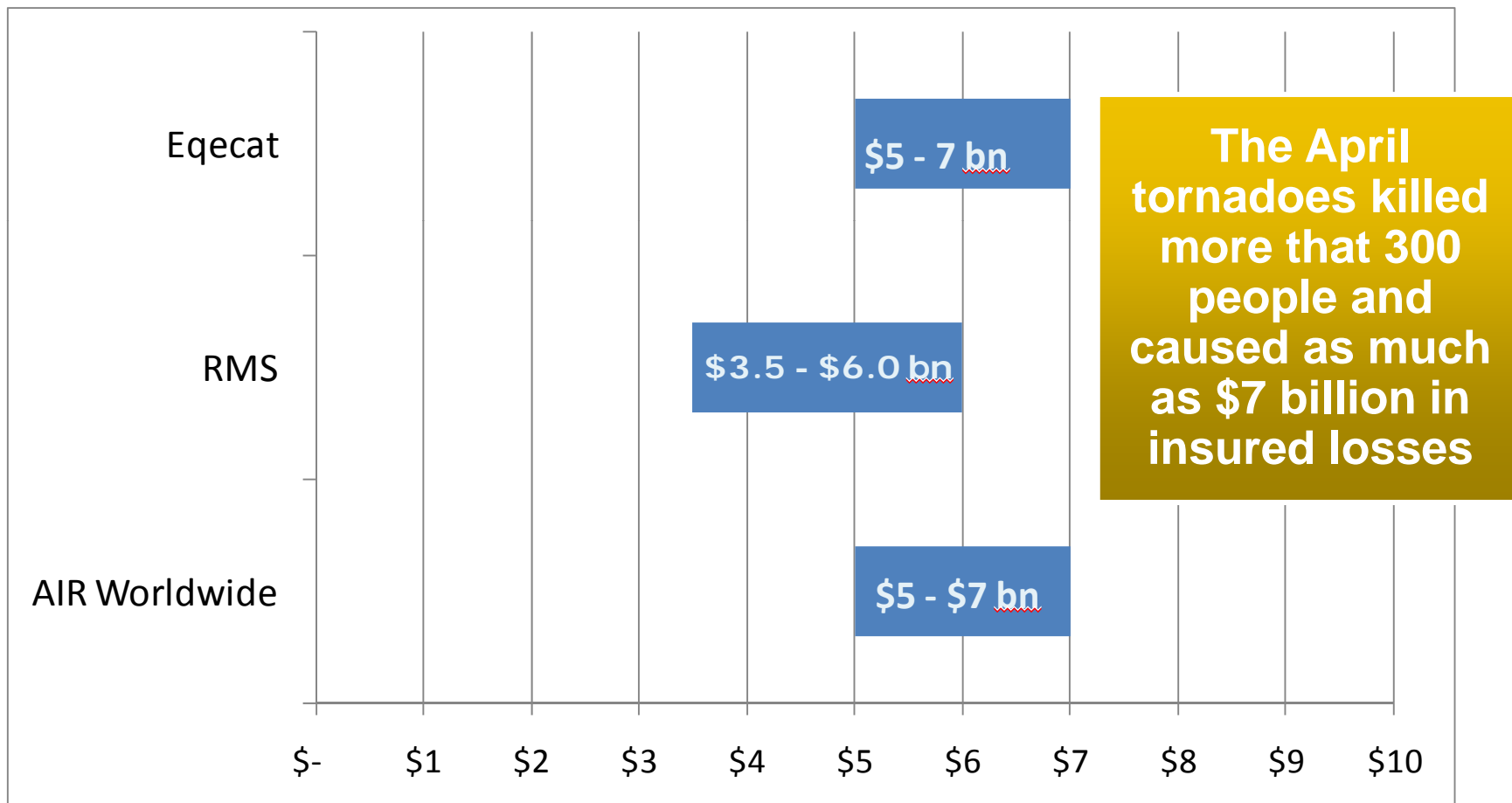


SPRING 2011 TORNADO OUTBREAK

**2011 Will Be Among the Most Deadly and
Expensive for Tornadoes In History**

Insured Loss Estimates from April 2011 Tornadoes*

(Insured Losses, \$ Billions)

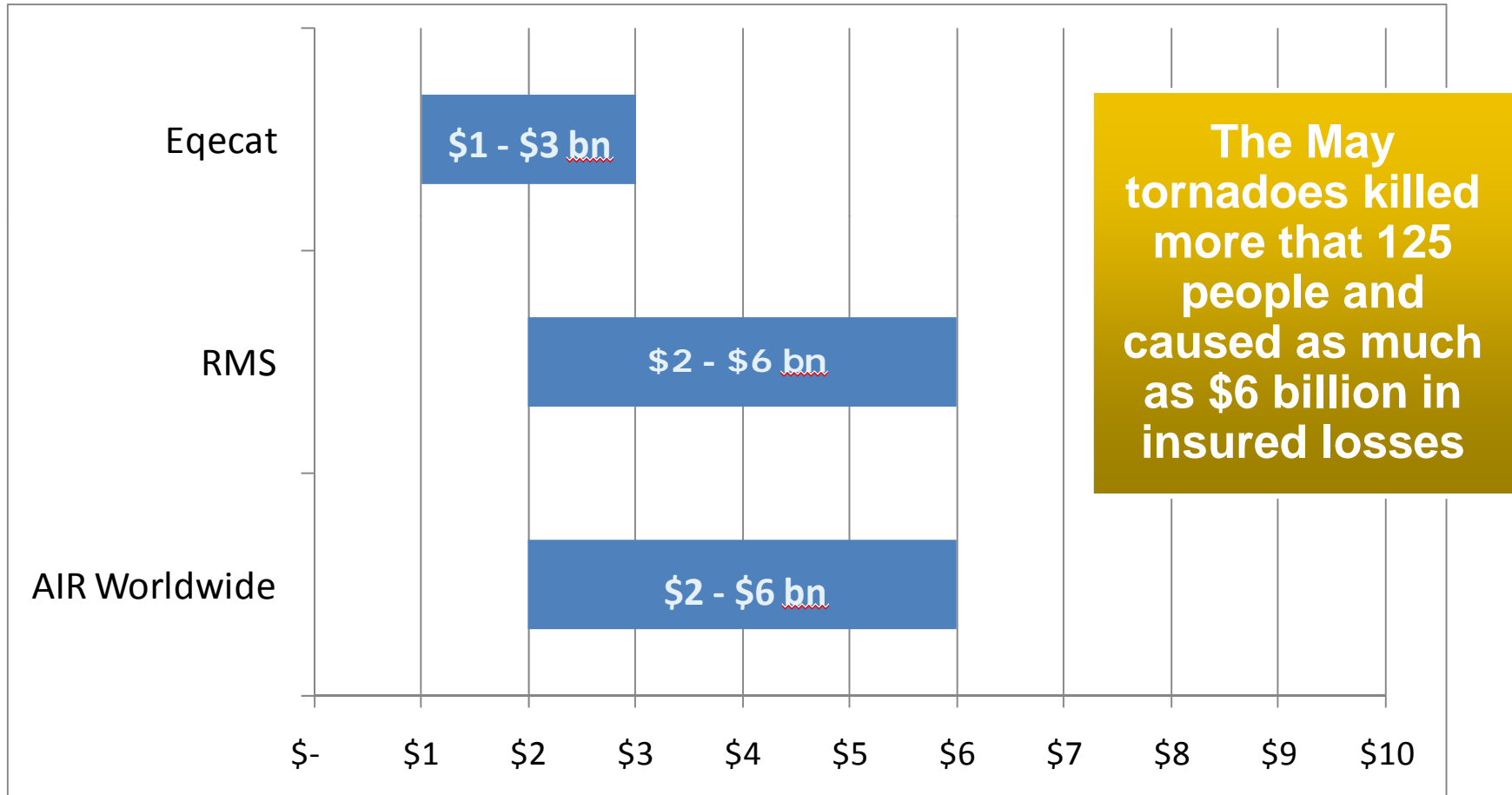


*As of June 17, 2011.

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

Insured Loss Estimates from May 2011 (Joplin) Tornadoes*

(Insured Losses, \$ Billions)



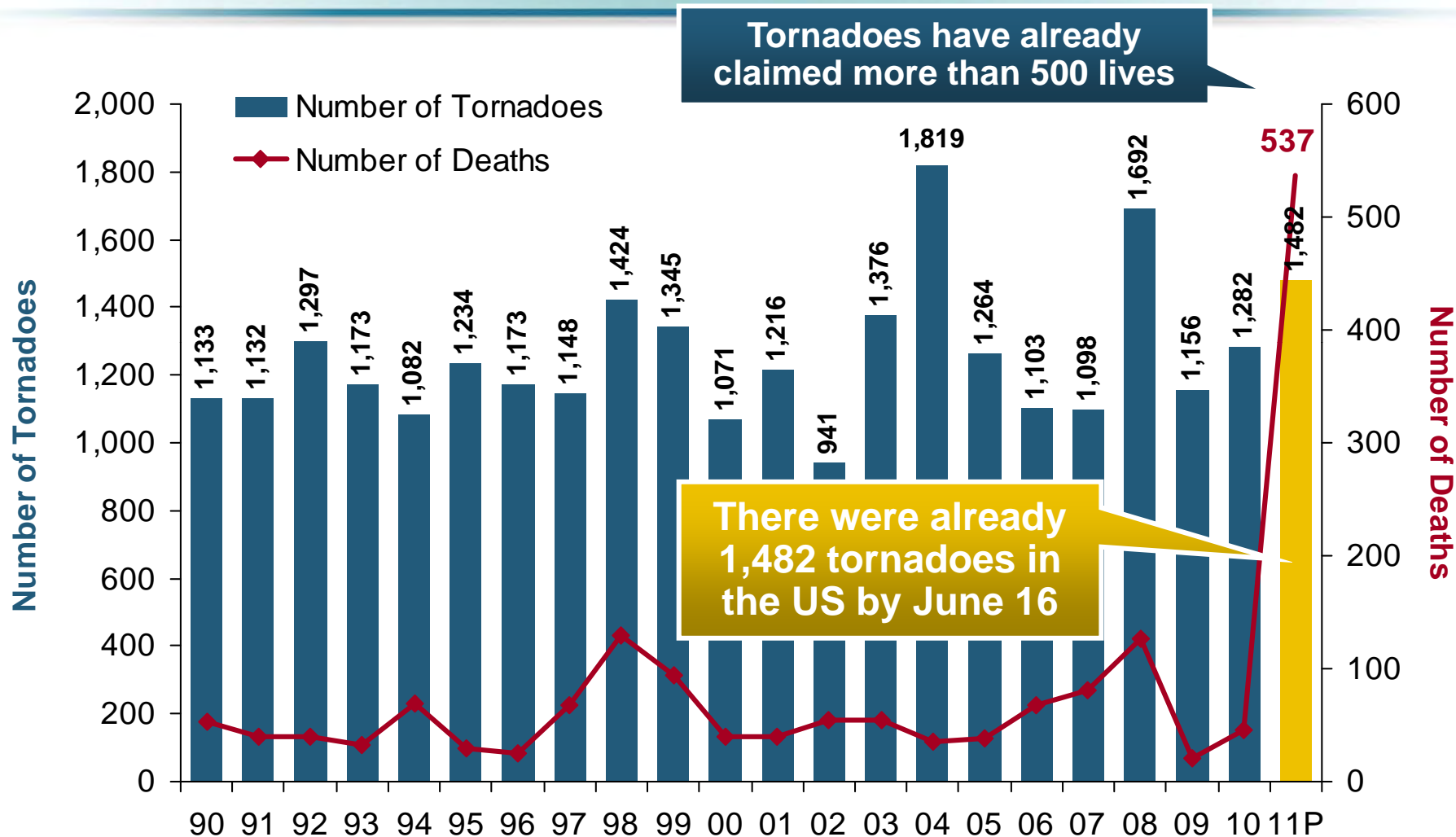
*As of June 17, 2011.

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

Summary of Recent Tornado Activity

- **There Have Been 1,482 Tornadoes Through June 16 in the US**
- **537 People Have Been Killed**
- **The April 27 Tornado Outbreak Killed at Least 342 People**
 - ◆ Now the 2nd deadliest outbreak in US history (747 killed in march 1925 event)
 - ◆ States impacted: AR, TN, LA, MS, GA and especially AL
 - ◆ *Insured Losses Estimated at \$3.5B to \$7B*
- **Economic Losses Likely in the \$7 Bill to \$14 Bill Range**
- **The May 22 Tornado in Joplin, MO, Killed at Least 130 People**
 - ◆ Largest number of deaths from a single tornado
 - ◆ *Insured Losses Estimated at \$1B to \$6B*
- **P/C Insurance Industry is Very Strong and Will Encounter No Difficulties in Paying these Claims**

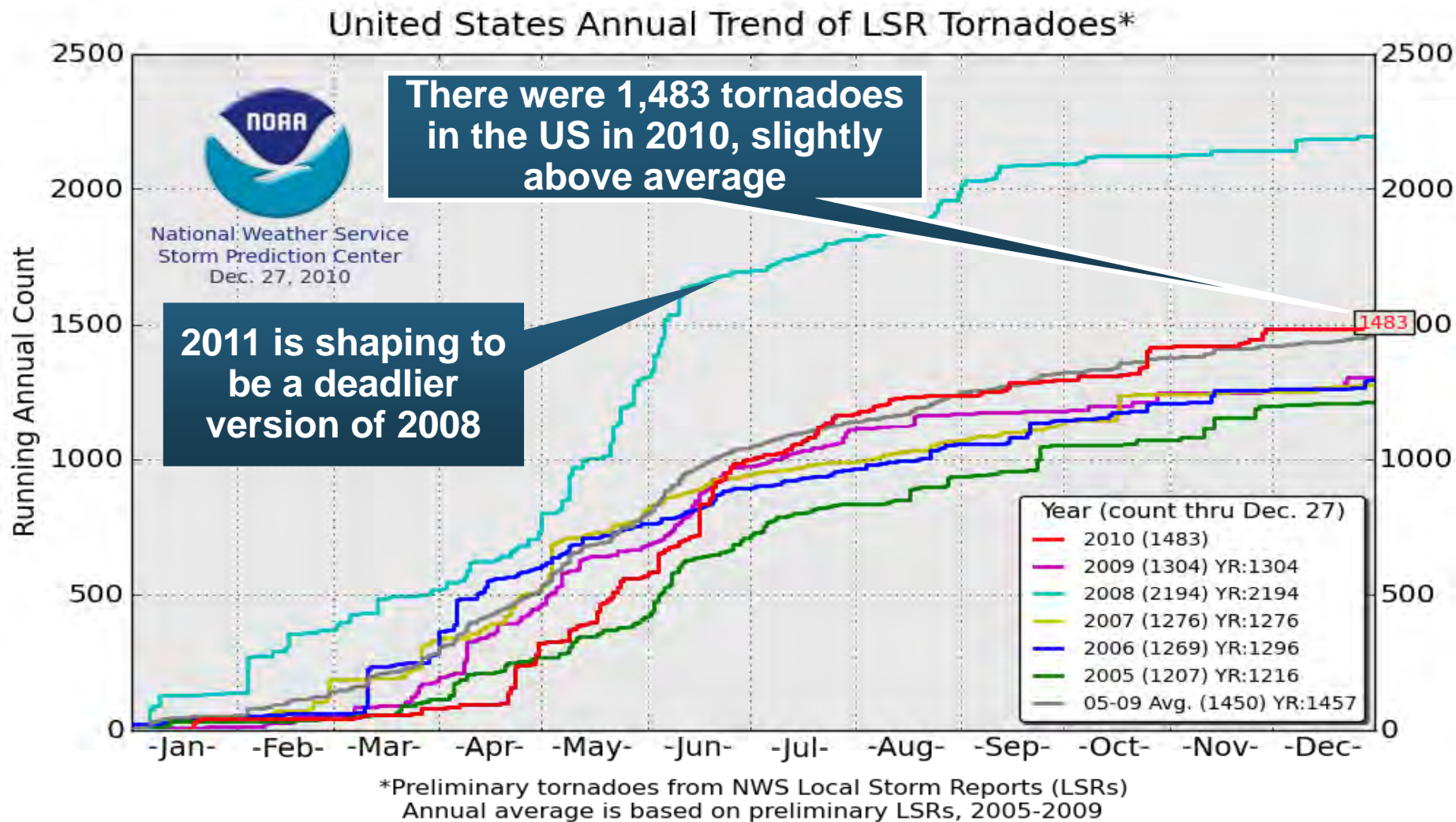
Number of Tornadoes and Related Deaths, 1990 – 2011*



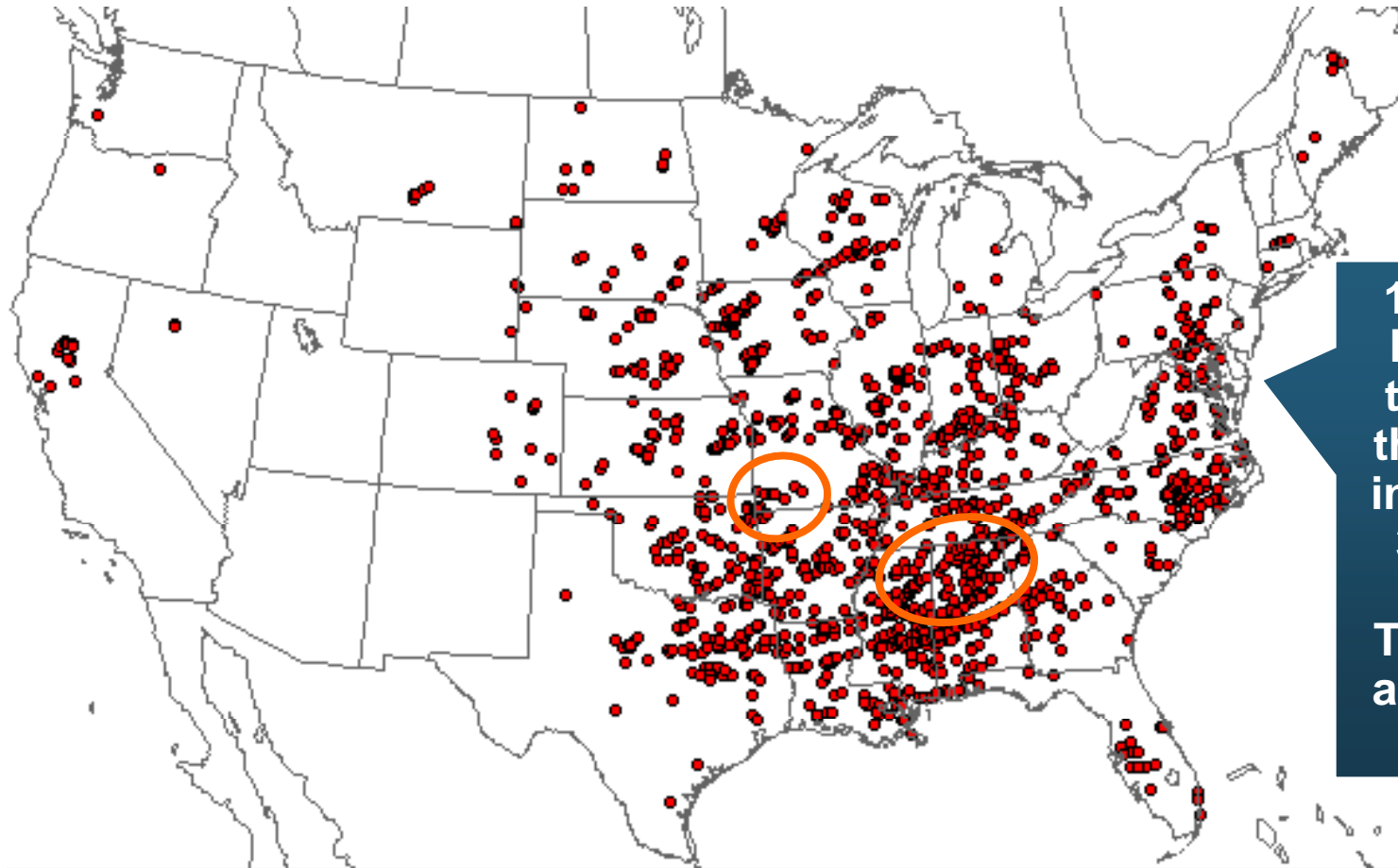
*2011 is preliminary data through June 16.

Source: U.S. Department of Commerce, Storm Prediction Center, National Weather Service.

U.S. Tornado Count, 2005-2010



Location of Tornadoes in the US, January 1—June 16, 2011



1,482 tornadoes had killed more than 500 people through June 16, including at least 340 on April 26 mostly in the Tuscaloosa area, and 130 in Joplin on May 22



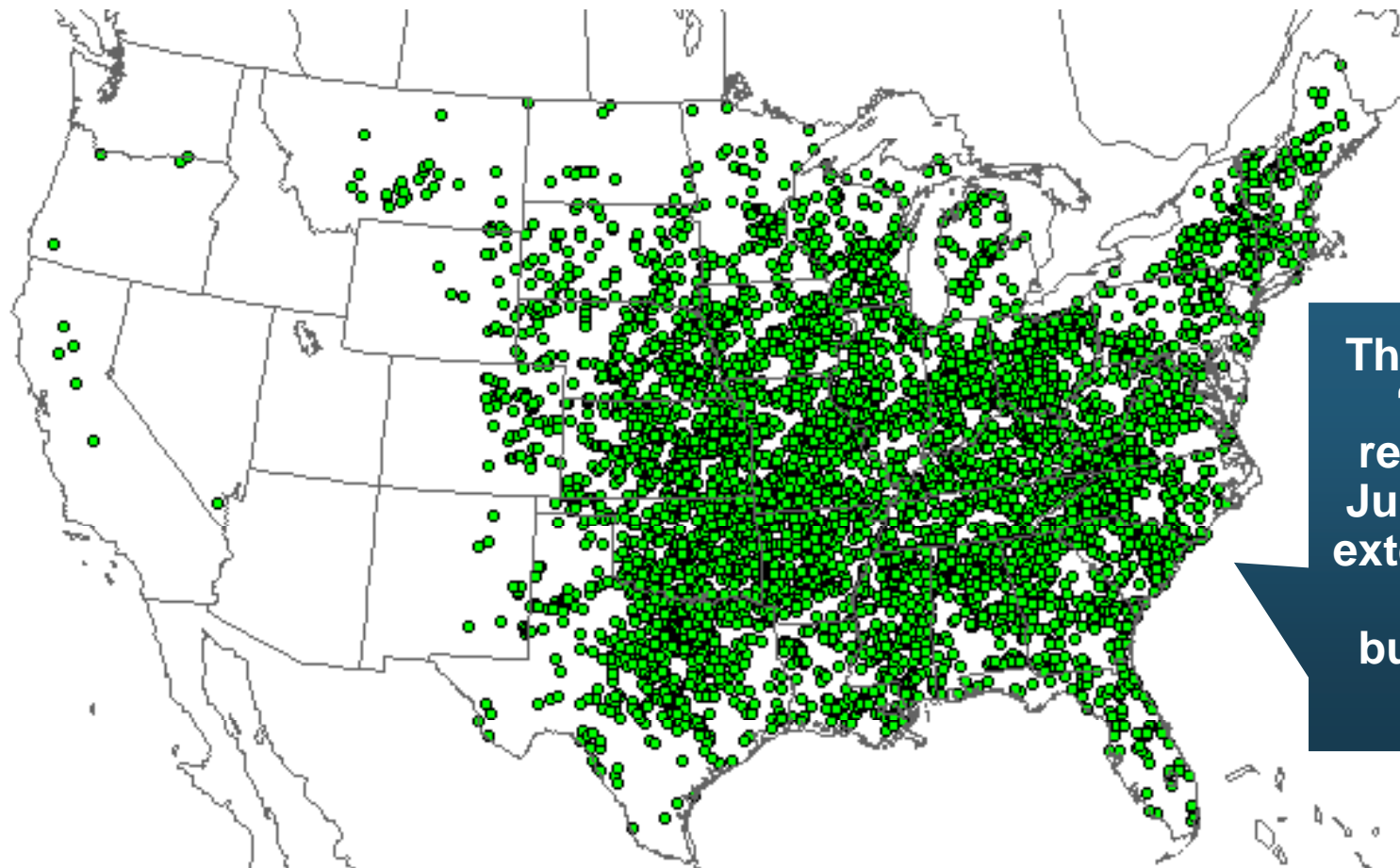
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Tornado Reports
January 01, 2011 - June 16, 2011

Updated: Thursday June 16, 2011 04:46 CT

Location of Large Hail Reports in the US, January 1—June 16, 2011



There were 6,241
“Large Hail”
reports through
June 16, causing
extensive damage
to homes,
businesses and
vehicles



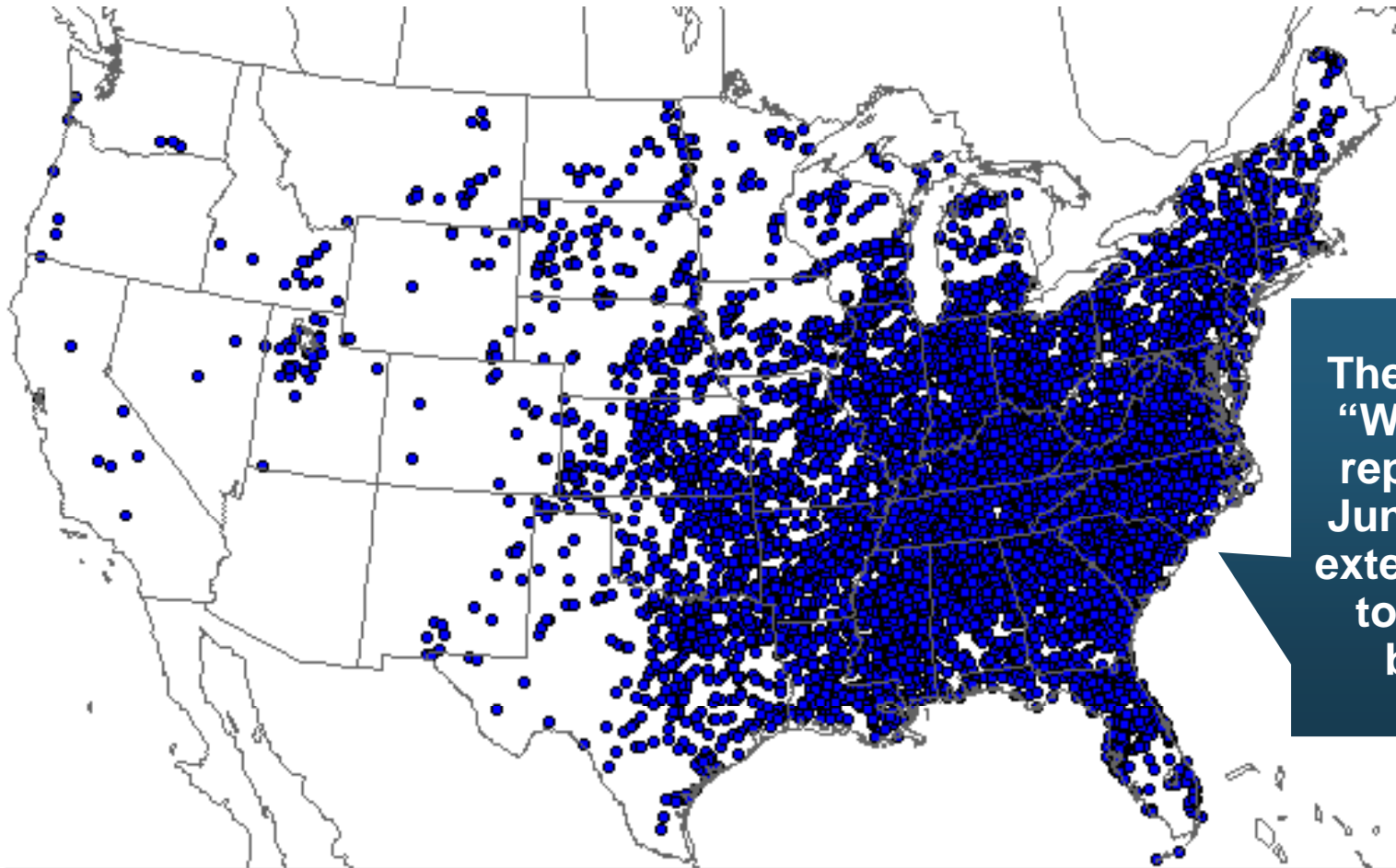
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Hail Reports
January 01, 2011 - June 16, 2011

Updated: Thursday June 16, 2011 04:48 CT

Location of Wind Damage Reports in the US, January 1—June 16, 2011



There were 8,812
“Wind Damage”
reports through
June 16, causing
extensive damage
to homes and,
businesses



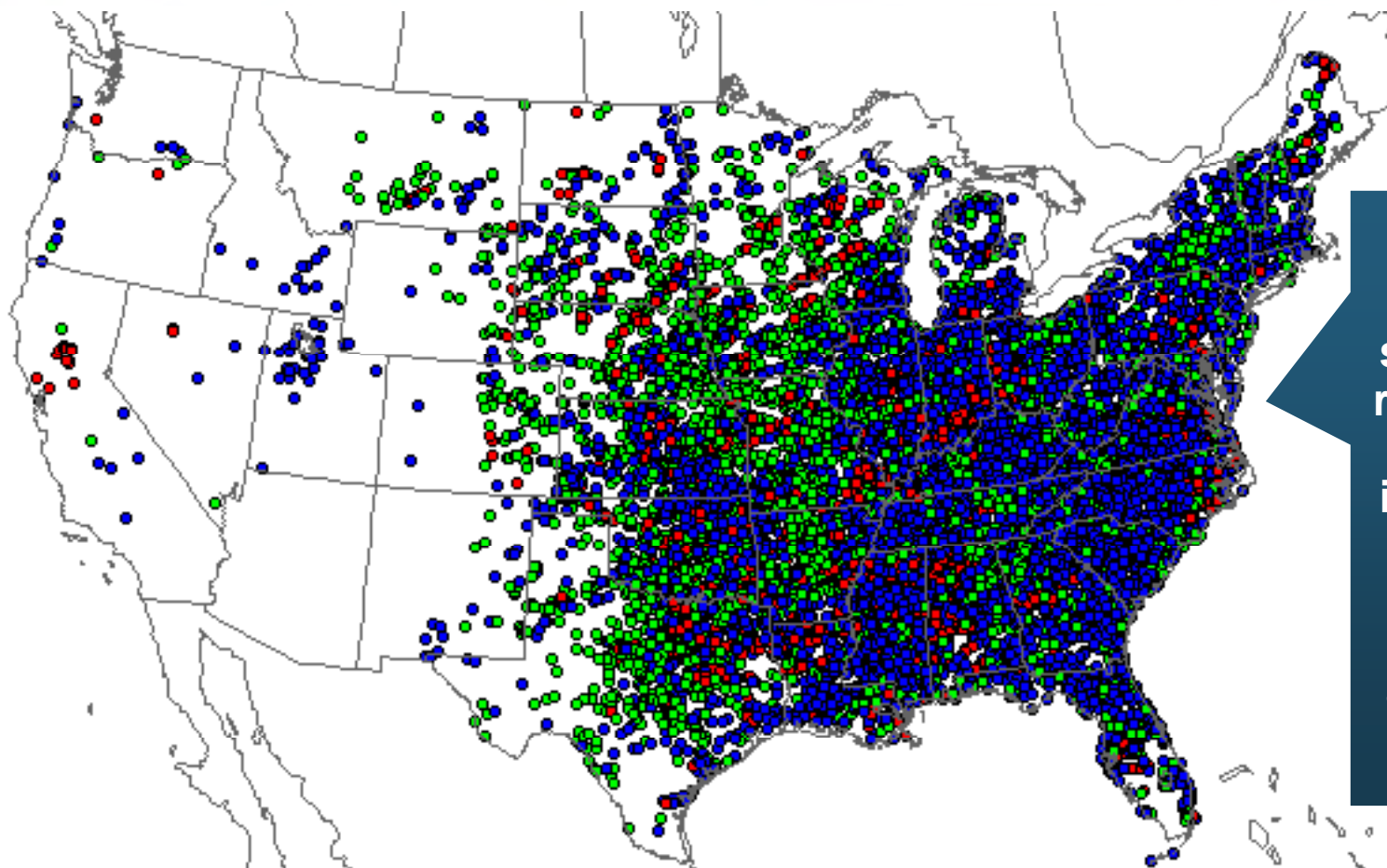
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Wind Reports
January 01, 2011 - June 16, 2011

Updated: Thursday June 16, 2011 04:46 CT

Severe Weather Reports, January 1—June 16, 2011



There have been 16,535 severe weather reports through June 16; including 1,482 tornadoes; 6,241 “Large Hail” reports and 8,812 high wind events



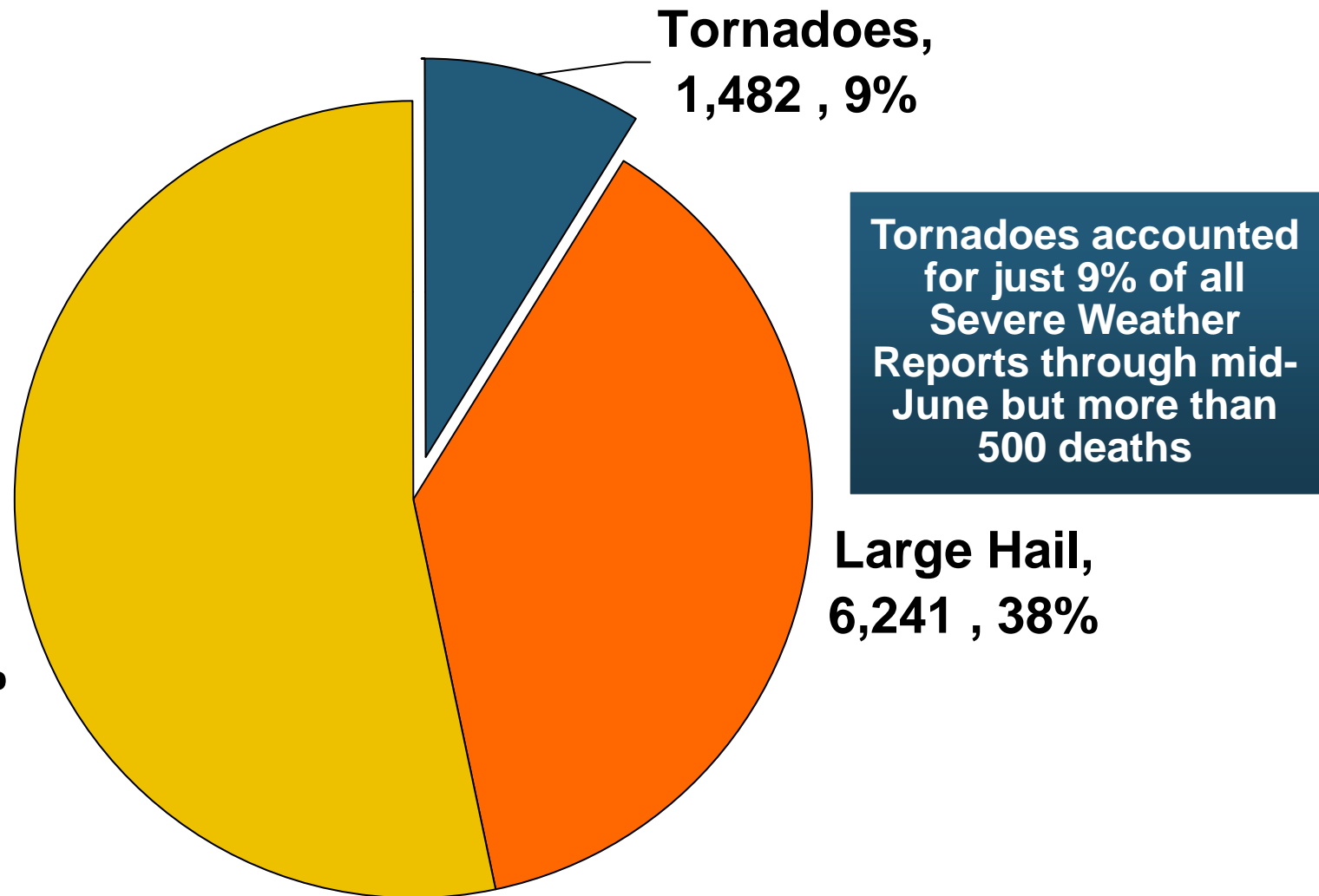
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Severe Weather Reports
January 01, 2011 - June 16, 2011

Updated: Thursday June 16, 2011 04:46 CT

Number of Severe Weather Reports in US, by Type: January 1—June 16, 2011



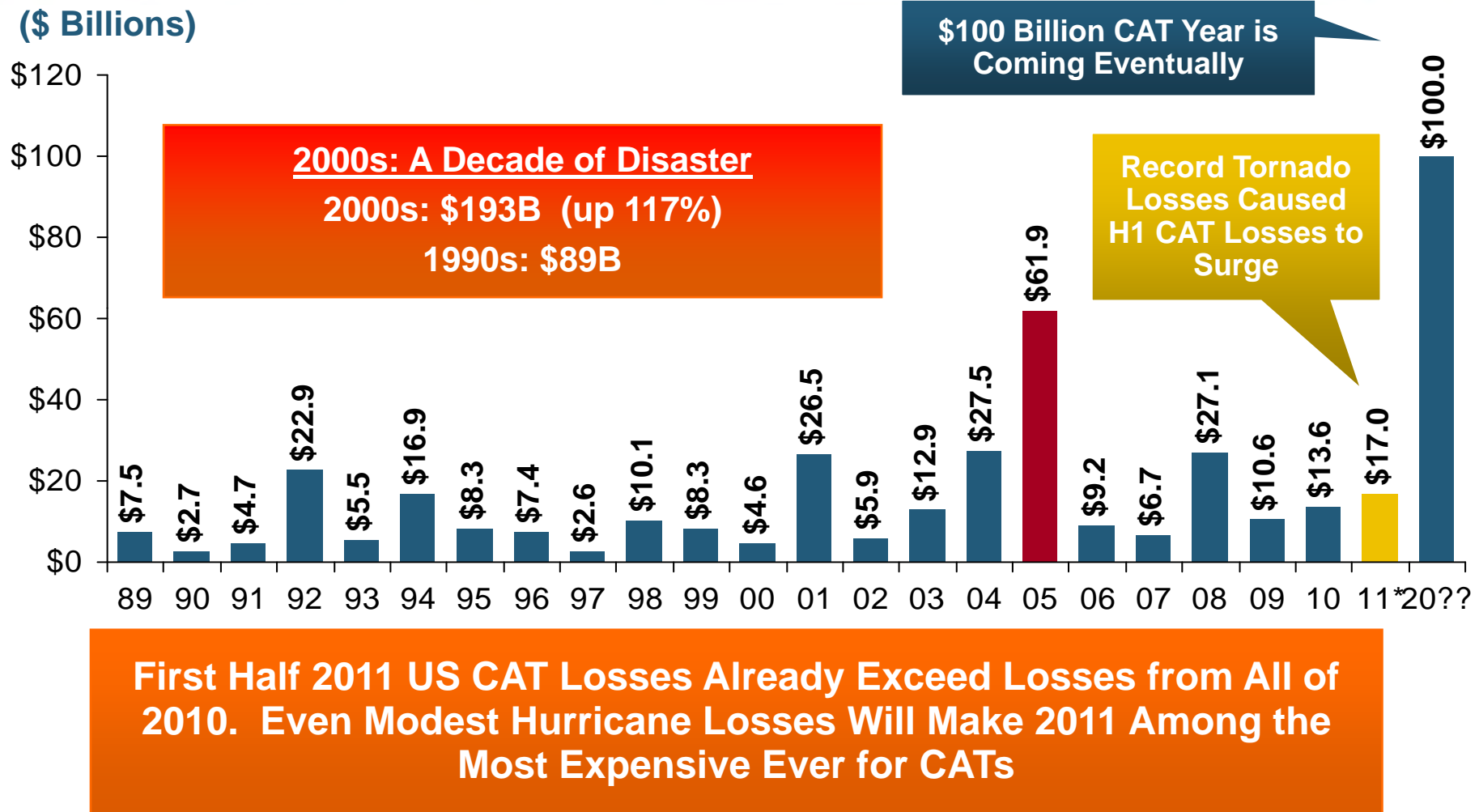


US CATASTROPHE INSURED LOSS UPDATE

**First Half 2011 CAT Losses Already Exceed All of
2010 and Could Become One of the Most
Expensive Years on Record**

***I.I.I./Munich Re First Half 2011 US & Global CAT
Loss Webinar July 12 @ 11AM ET***

US Insured Catastrophe Losses



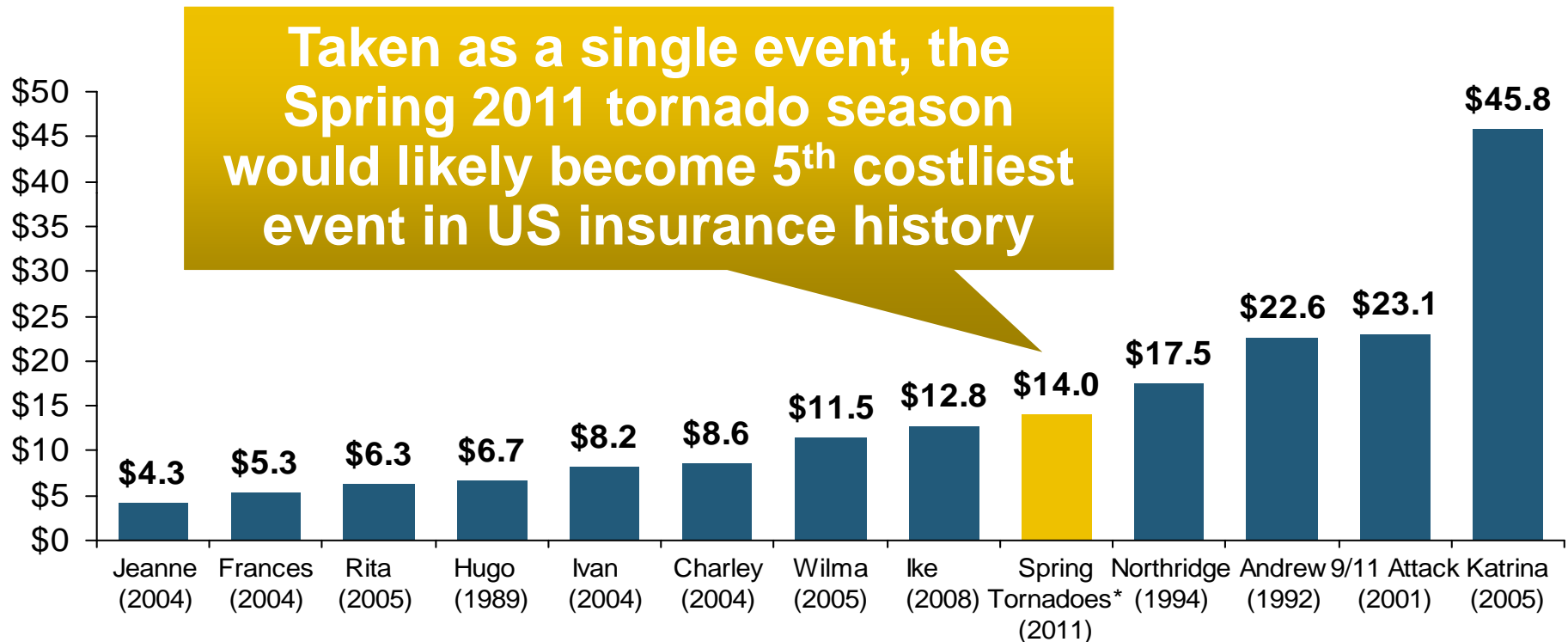
*First half 2011 (est.) based on PCS actual figure of \$16.6 billion through June 15.

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; Insurance Information Institute.

Top 12 (13?) Most Costly Disasters in U.S. History

(Insured Losses, 2010 Dollars, \$ Billions)



*Losses will actually be broken down into several "events" as determined by PCS.

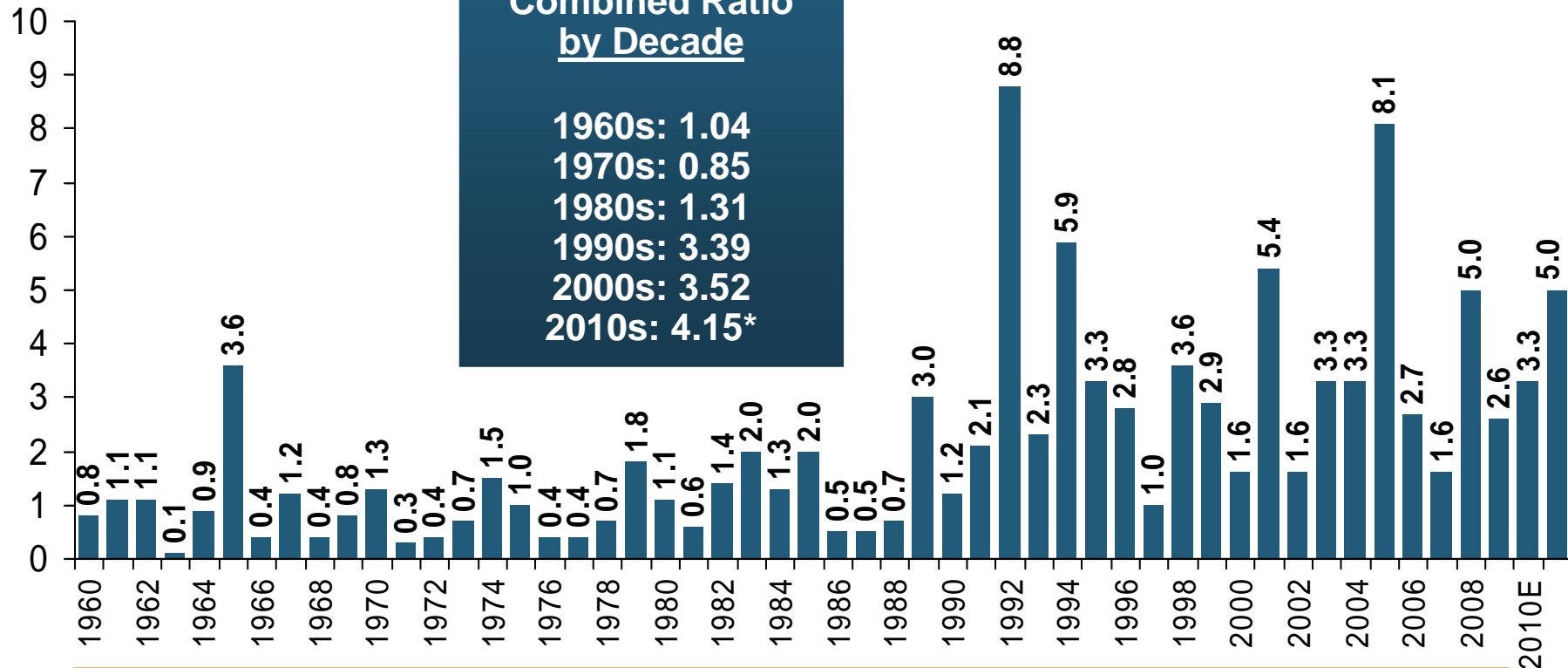
Sources: PCS; Insurance Information Institute inflation adjustments.

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2011:H1*

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: 4.15*



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

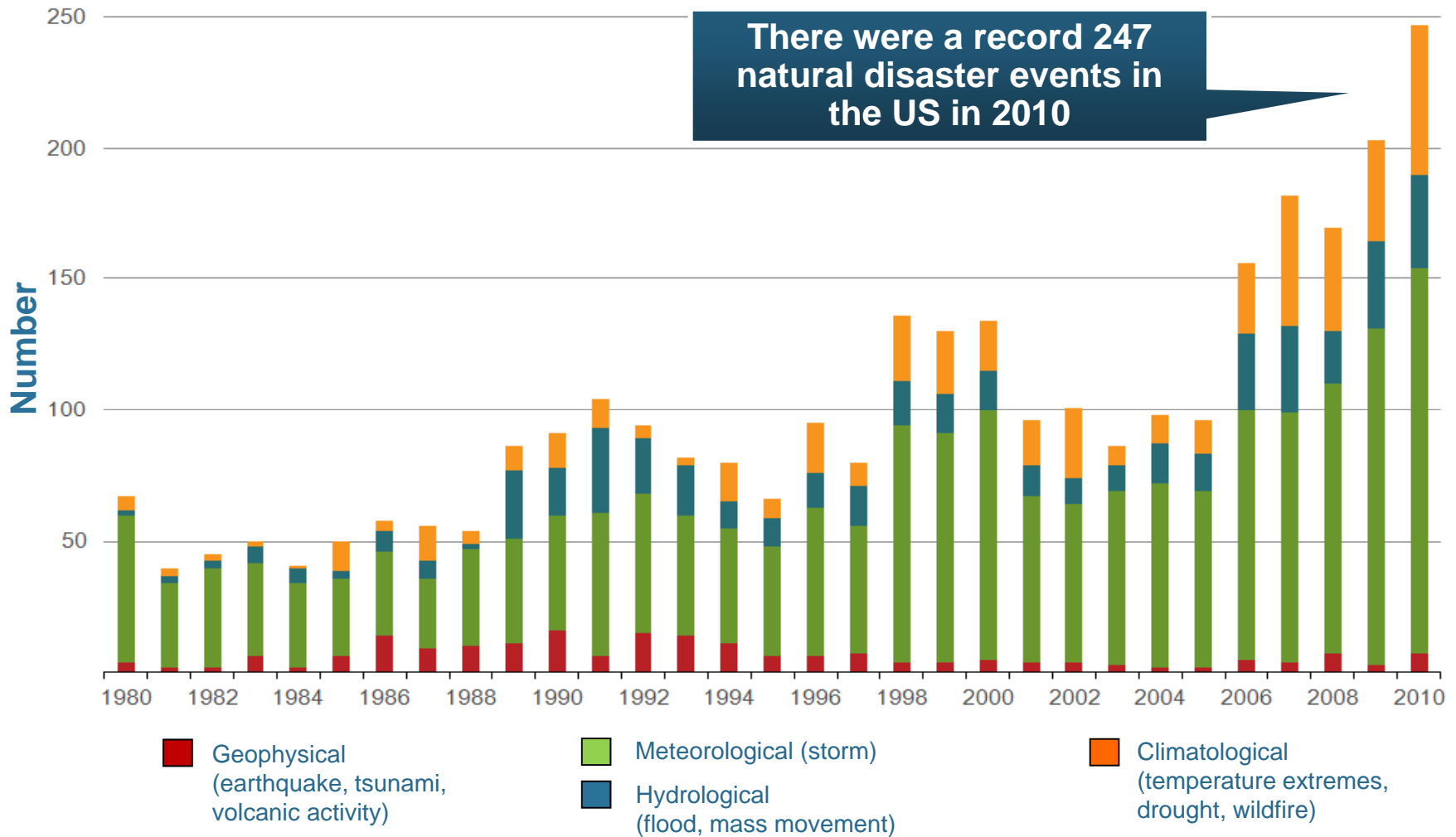
*Insurance Information Institute estimates for 2010 and 2011:H1

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.

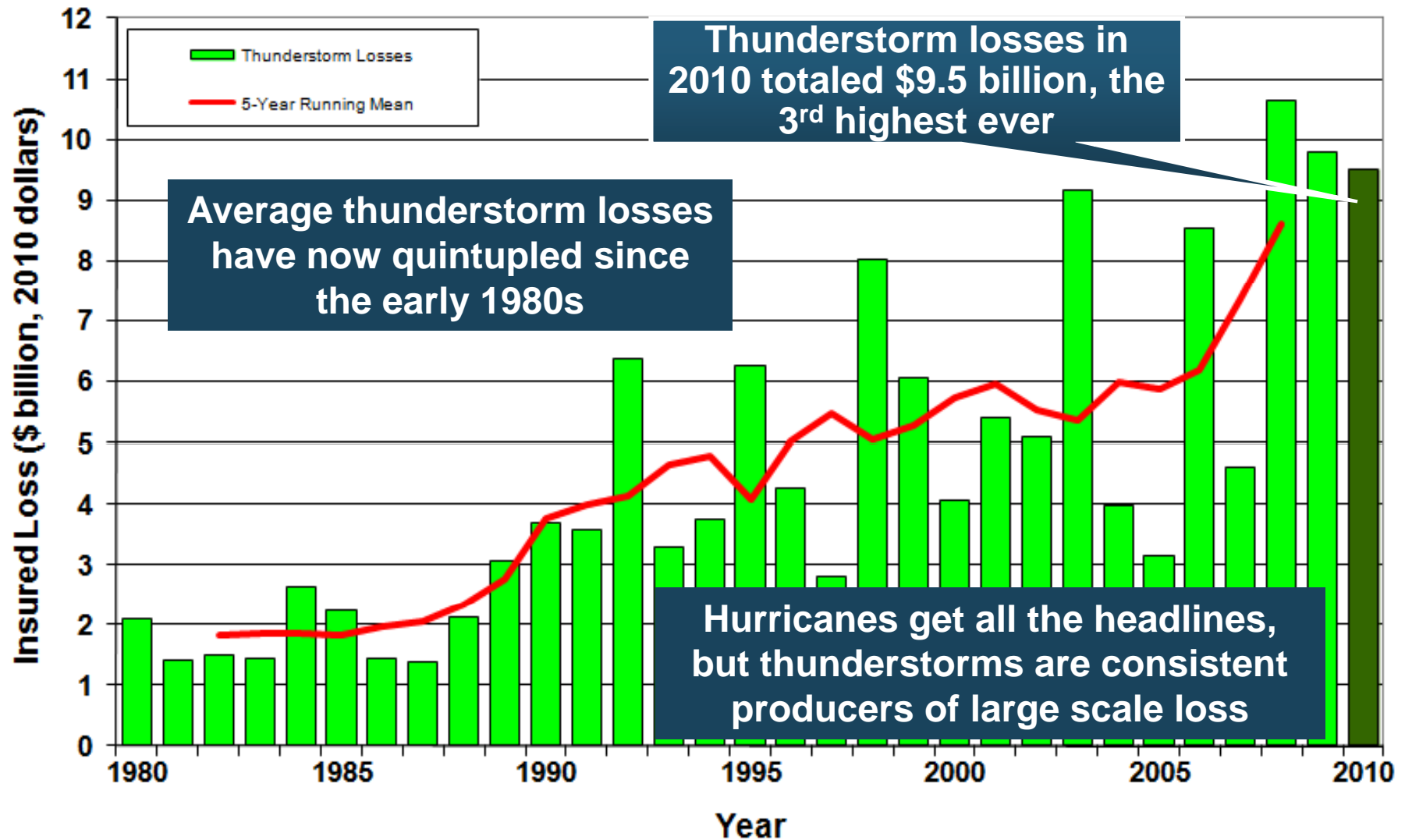
Source: ISO; Insurance Information Institute.

Natural Disasters in the United States, 1980 – 2010

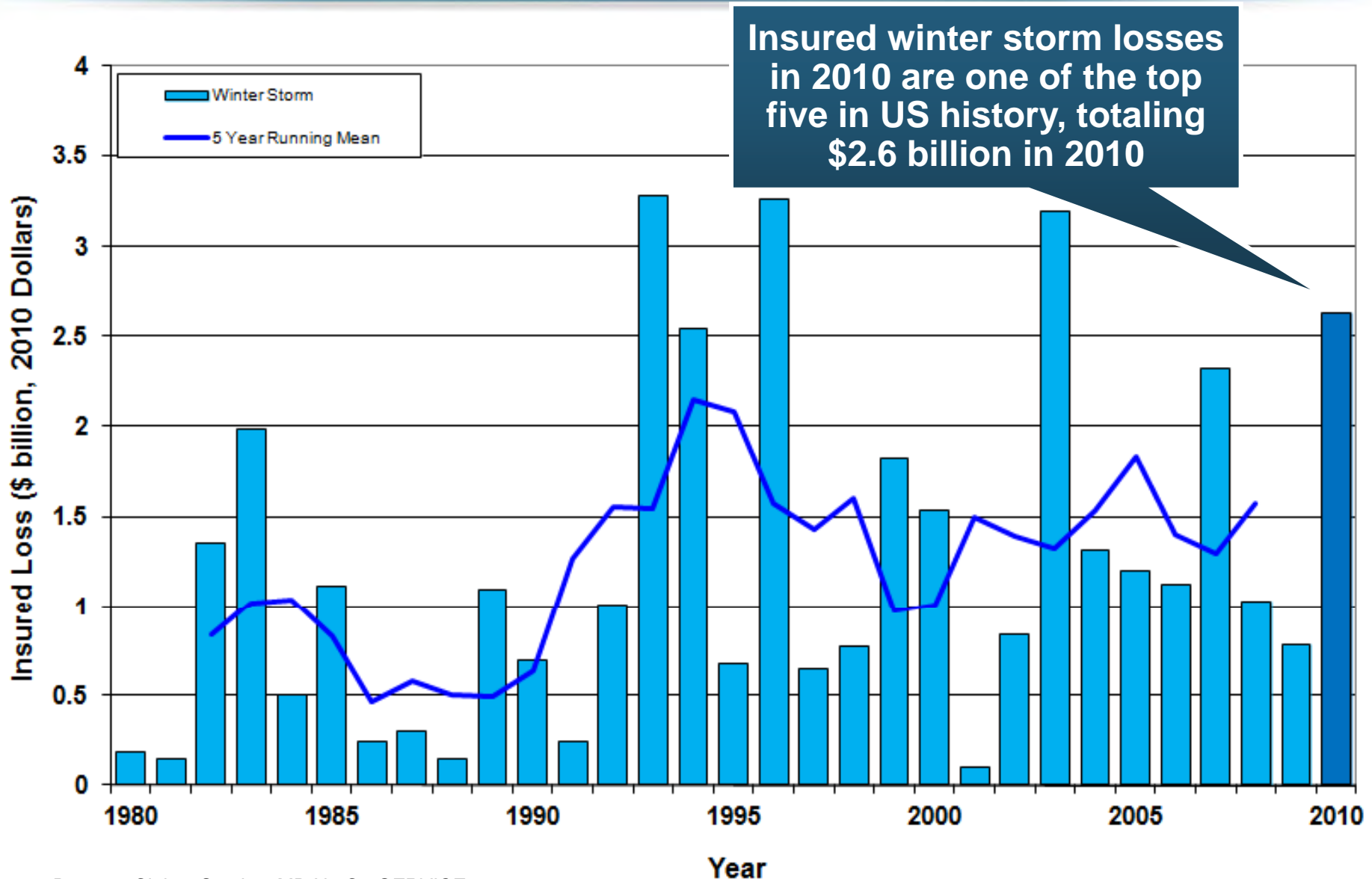
Number of Events (Annual Totals 1980 – 2010)



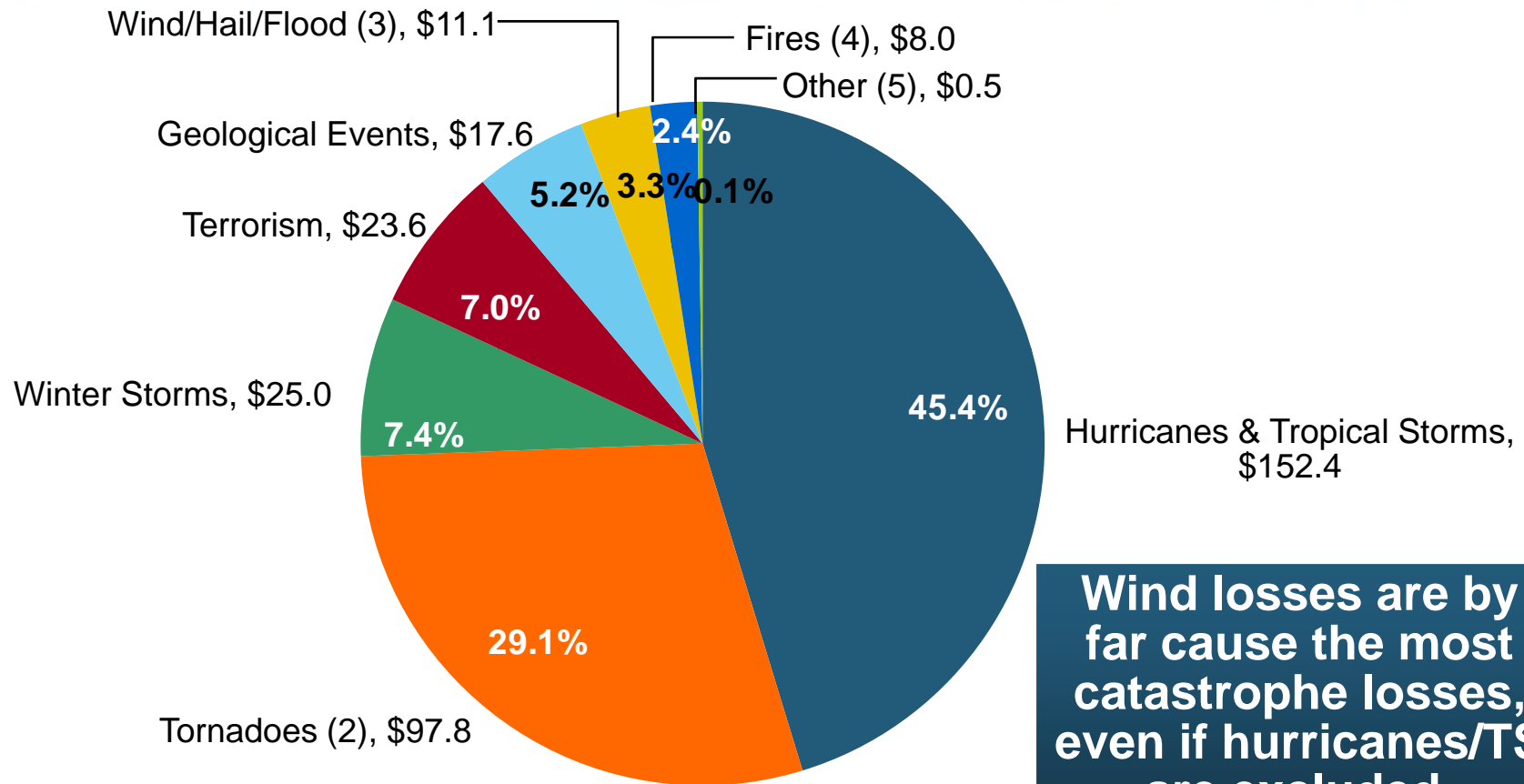
U.S. Thunderstorm Loss Trends, 1980 – 2010 (Annual Totals)



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



Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1990–2009¹

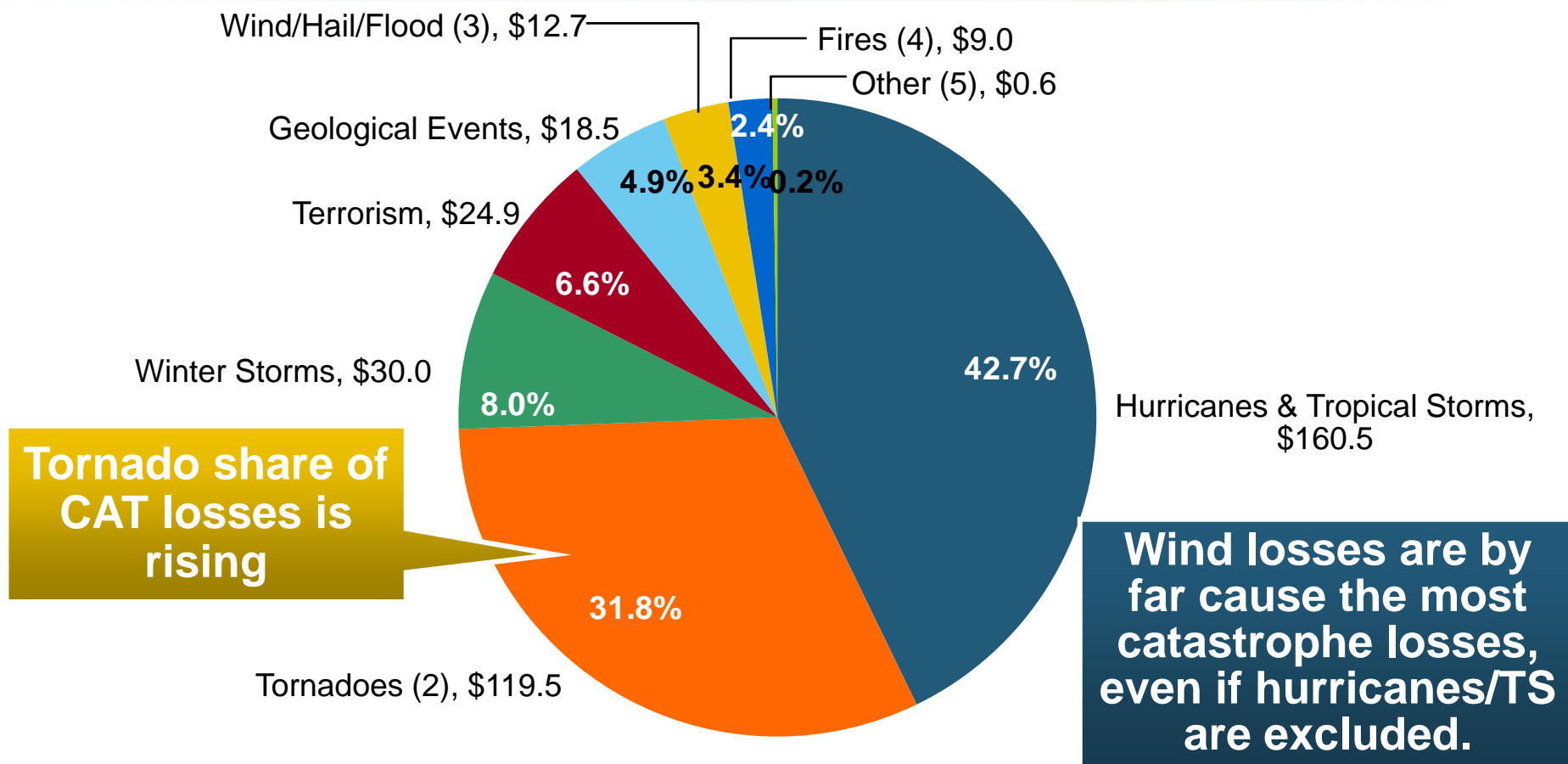


Wind losses are by far cause the most catastrophe losses, even if hurricanes/TS are excluded.

1. Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2009 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1990–2011:H1¹



1. Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2009 dollars.
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Source: ISO's Property Claim Services Unit.



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, June 1, 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%
<i>ALSO...Above-Average Major Hurricane Landfall Risk in Caribbean for 2011 (61% vs. 42%)</i>		

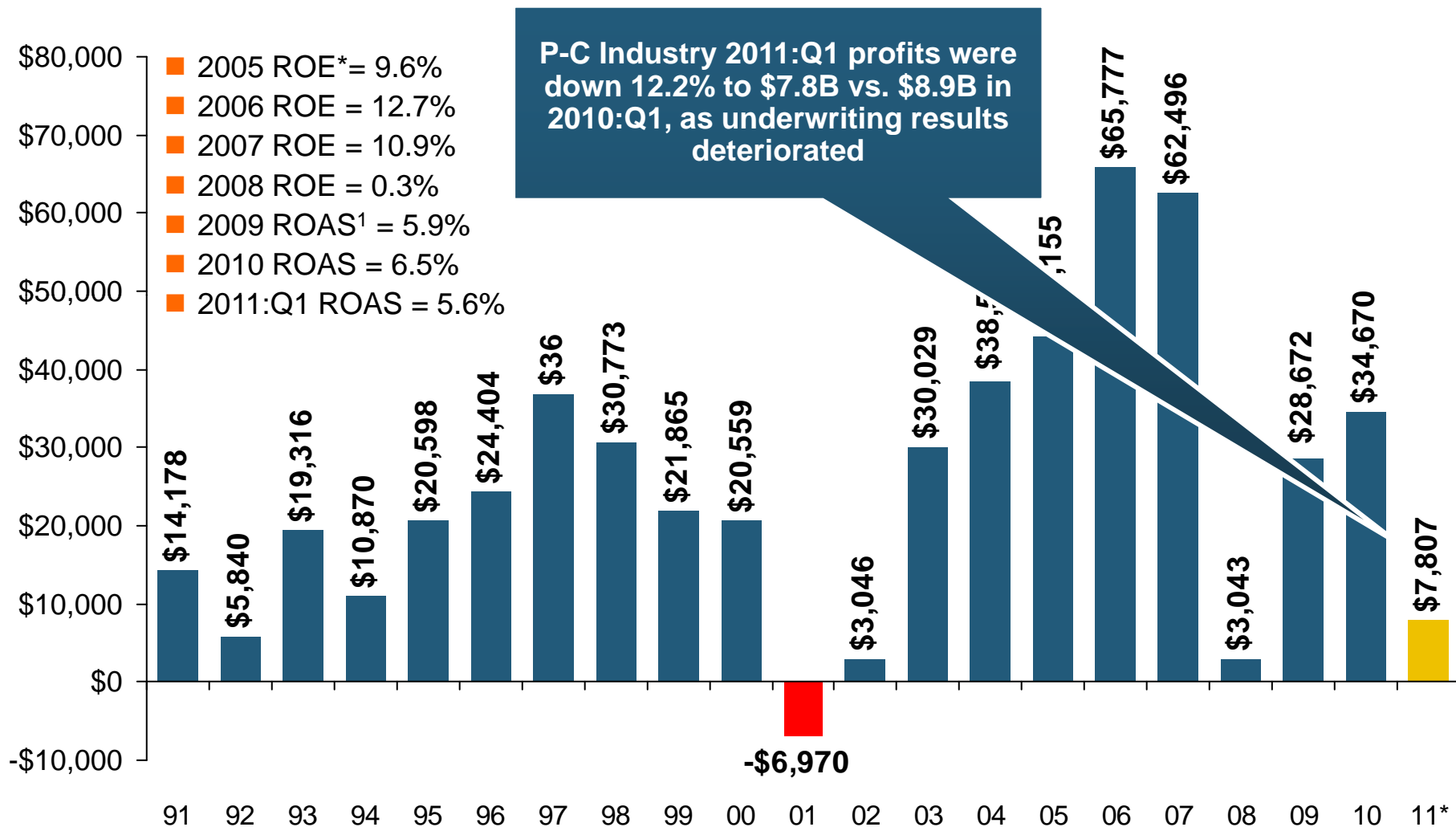
*Average over the period 1950-2000.

Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, June 1, 2011.

P/C Insurance Industry Financial Overview

**Profit Recovery Continues
Early Stage Growth Begins**

P/C Net Income After Taxes 1991–2011:Q1 (\$ Millions)

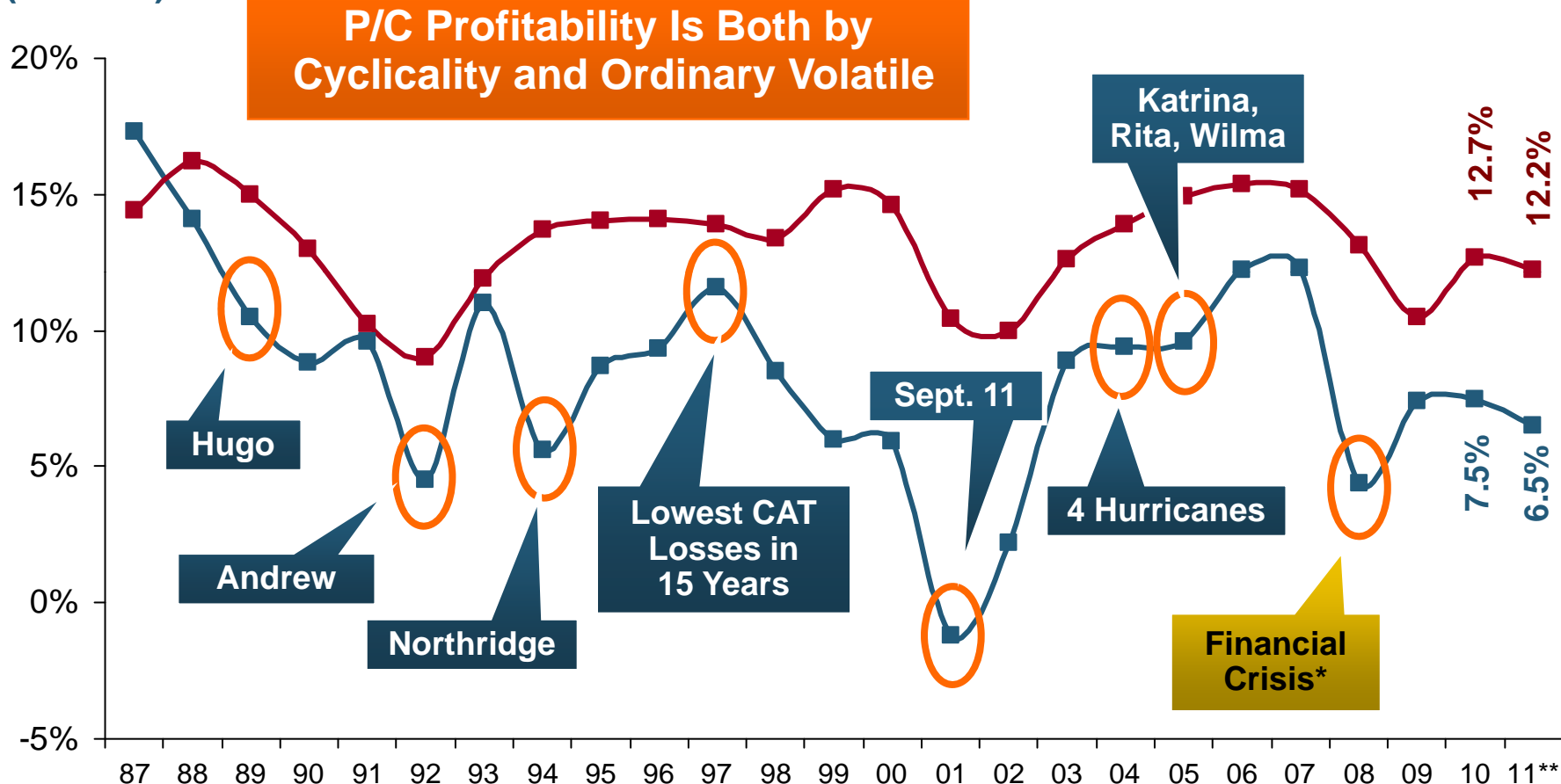


* ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 6.5% ROAS for 2011:Q1, 7.5% for 2010 and 7.4% for 2009.

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

ROE: Property/Casualty Insurance, 1987–2011:Q1*

(Percent)



* Excludes Mortgage & Financial Guaranty insurers in 2008 - 2011.

**2011 P/C figure is actual ROAS for Q1; Fortune 500 figures is III estimate.

Sources: ISO, *Fortune*;

ROE vs. Equity Cost of Capital: U.S. P/C Insurance:1991-2011*

(Percent)

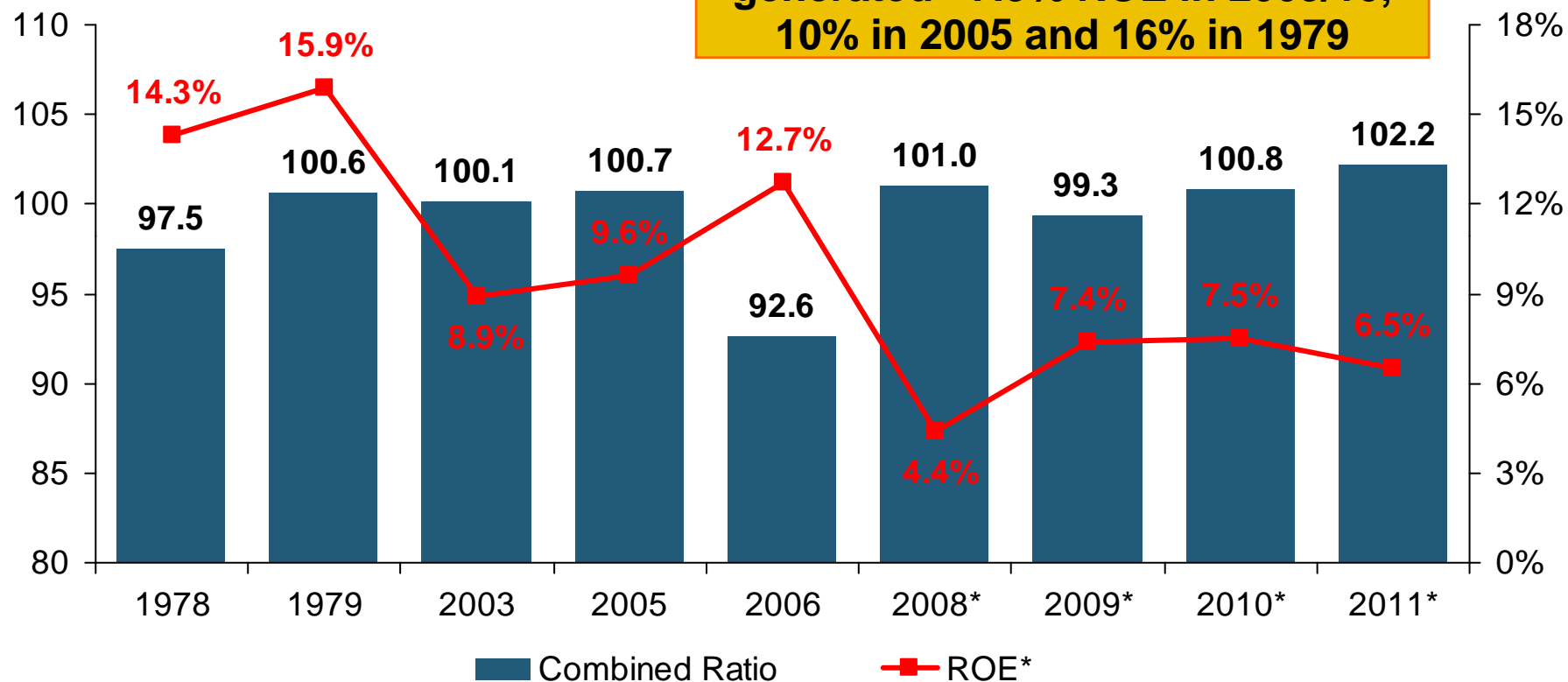


* Return on average surplus in 2008-2011 excluding mortgage and financial guaranty insurers; 2011 ROE figure is for Q1.

Source: The Geneva Association, Insurance Information Institute

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

Combined Ratio / ROE

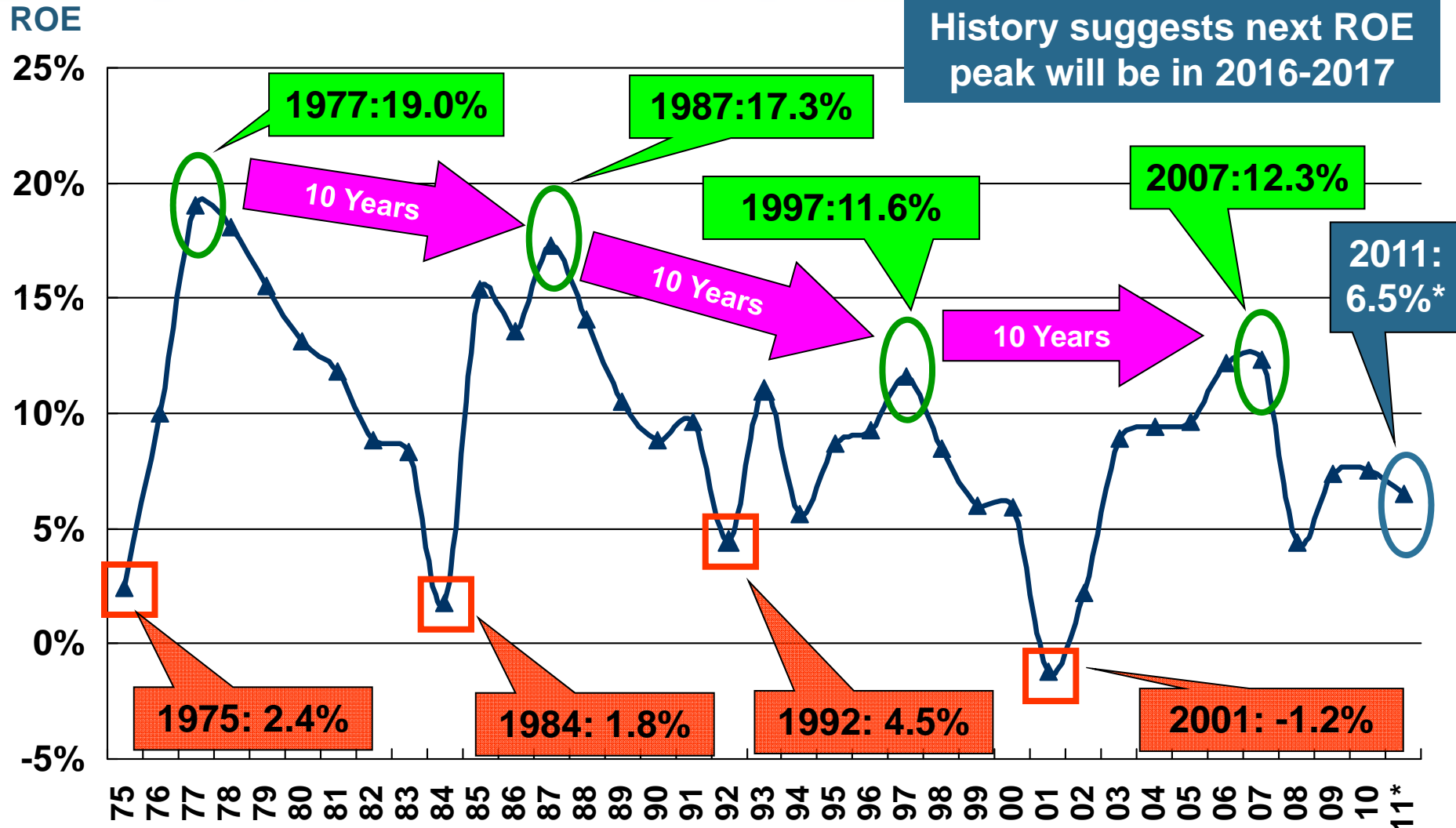


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2009 and 2010 figures are return on average statutory surplus. 2008 -2011 figures exclude mortgage and financial guaranty insurers

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

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2011*

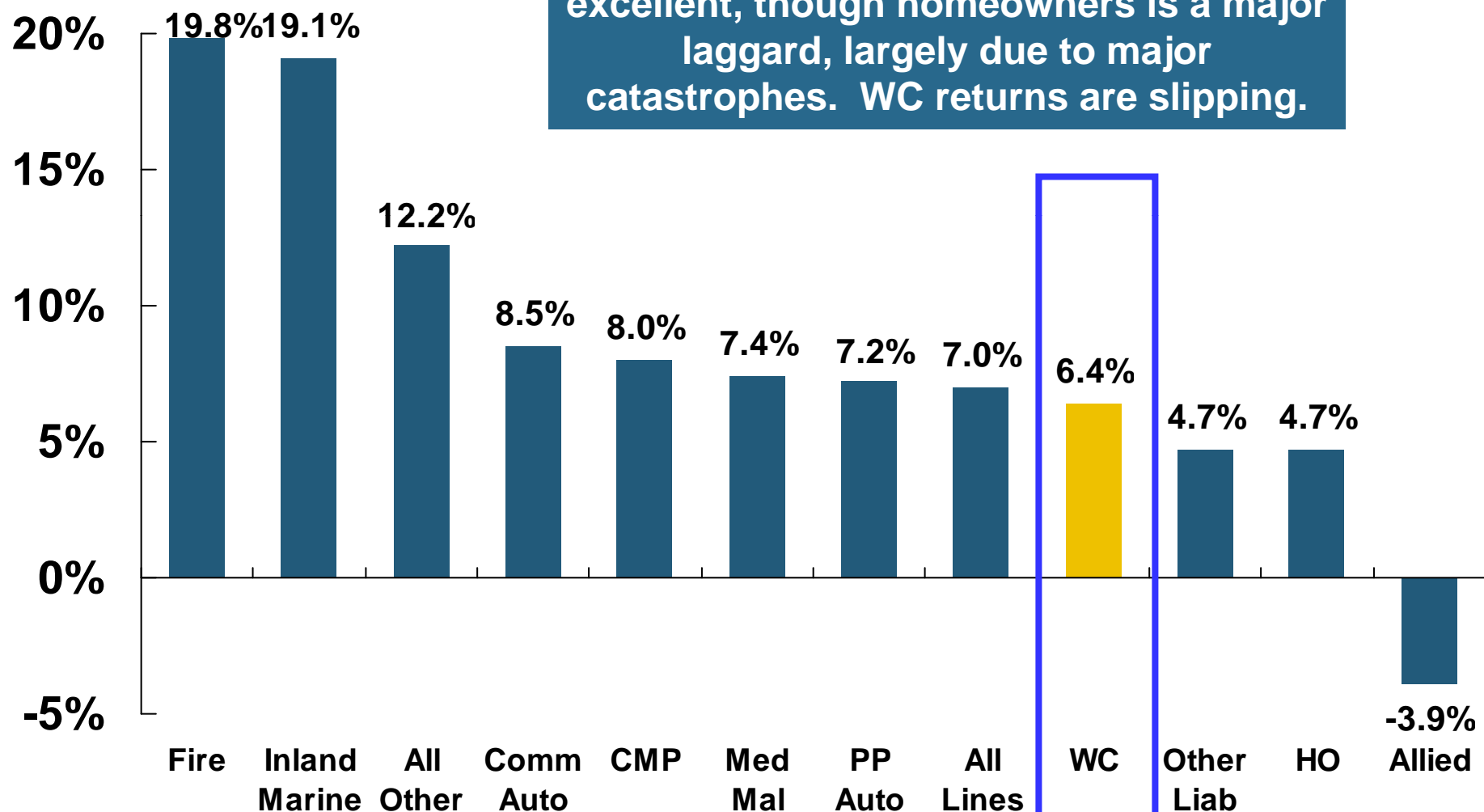


*Profitability = P/C insurer ROEs are I.I.I. estimates. 2011 figure is actual annualized ROAS for Q1 data. Note: Data for 2008-2011 exclude mortgage and financial guaranty insurers.

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

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

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

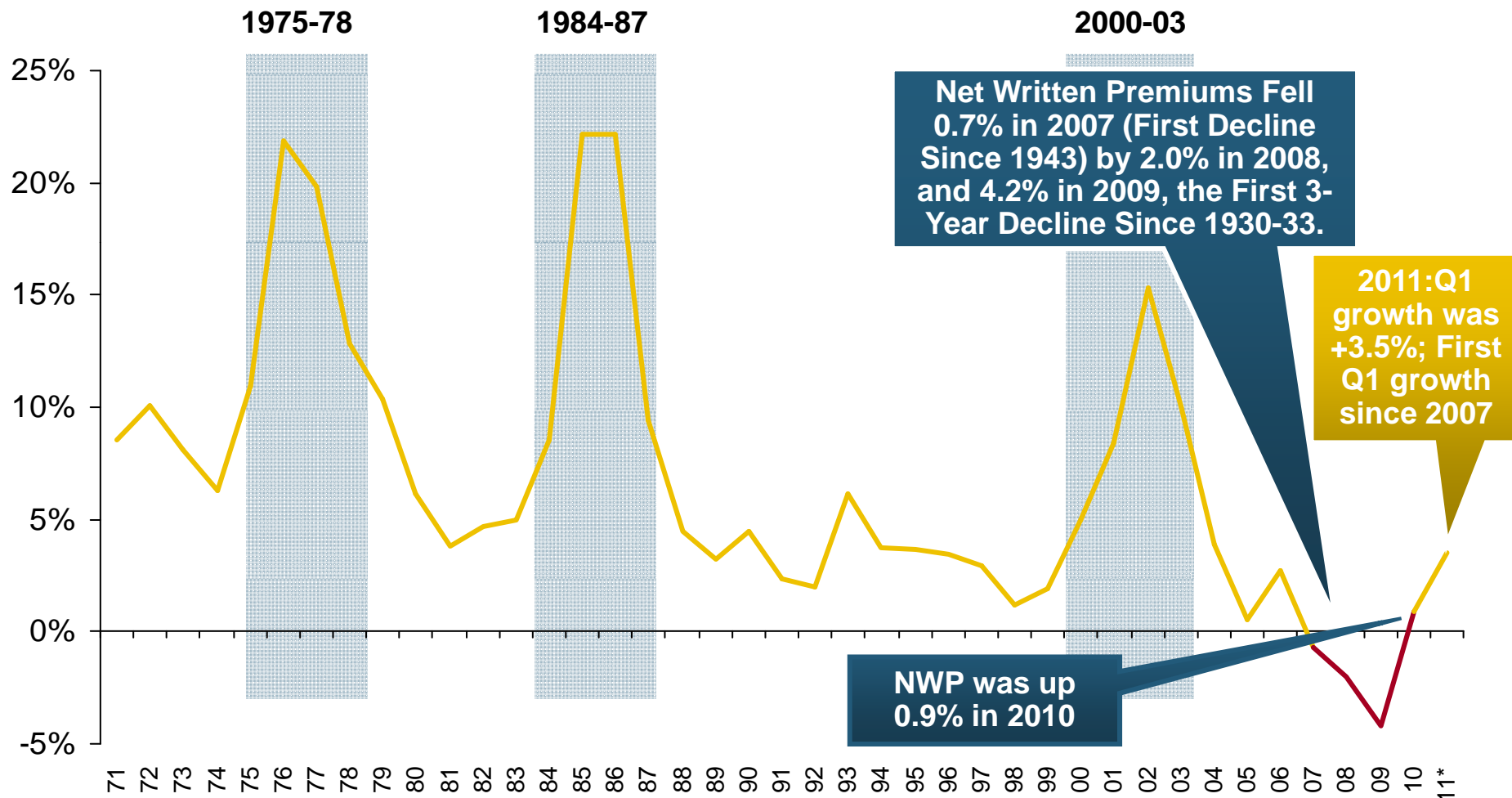


PRICING TRENDS

**Winds of Change or
Moving Sideways?**

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

(Percent)



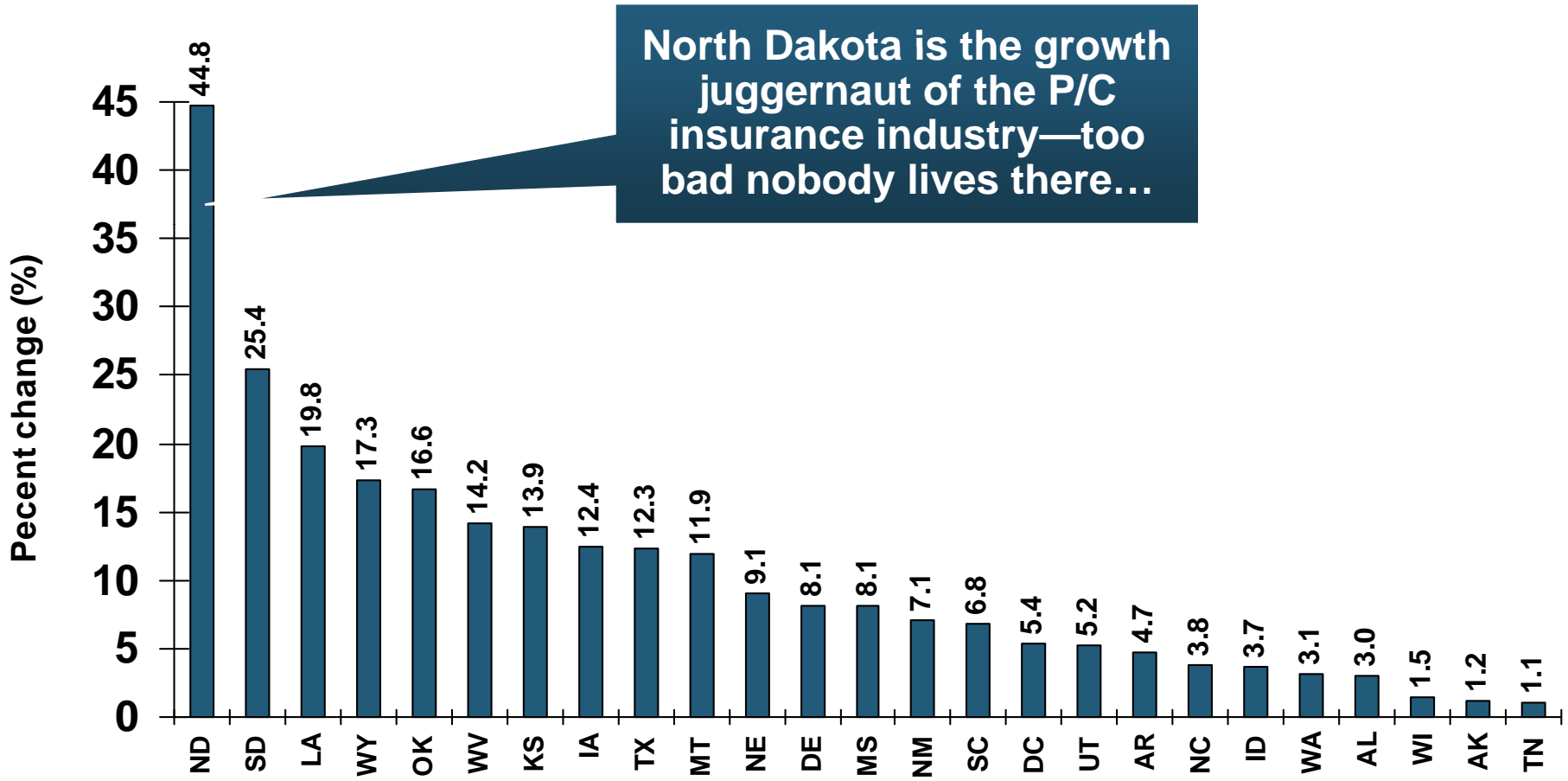
*2011 figure is an estimate based on Q1 data.

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

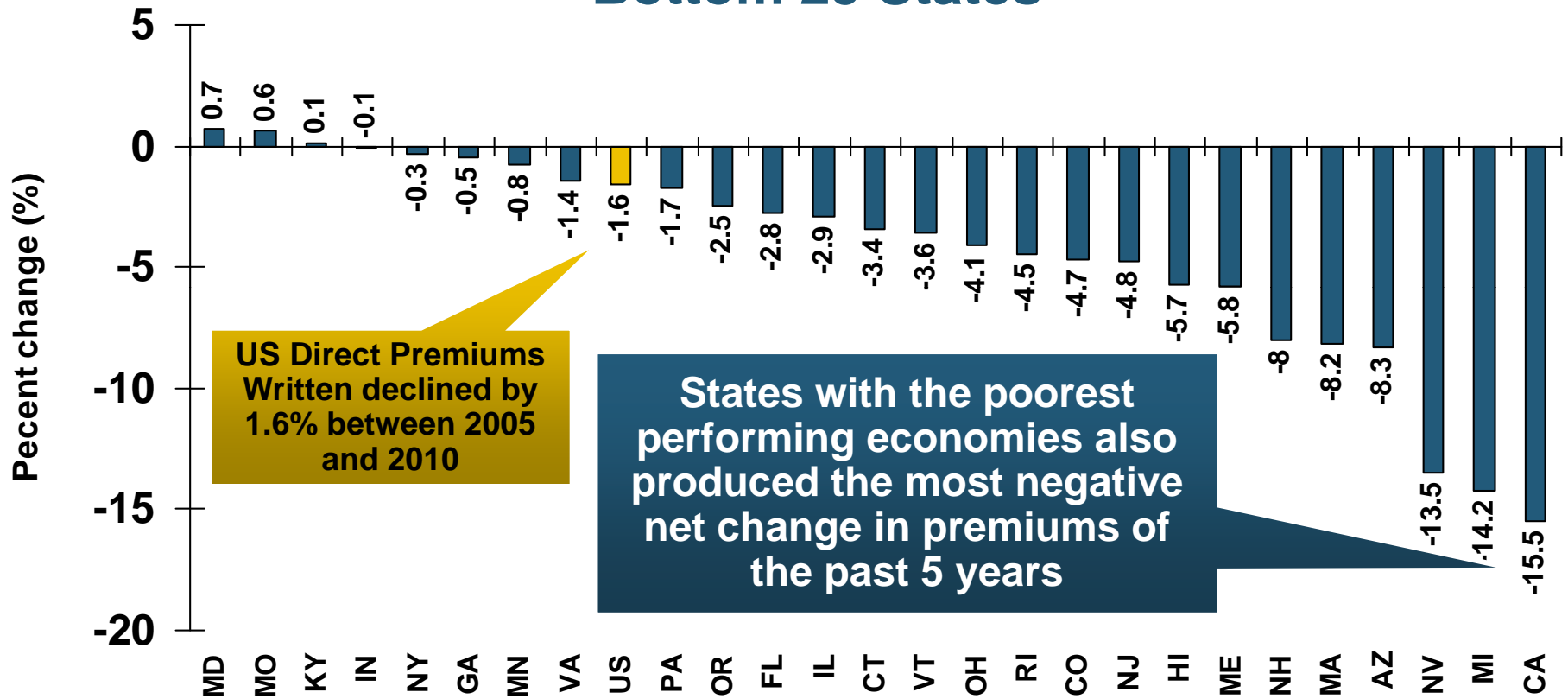
Top 25 States



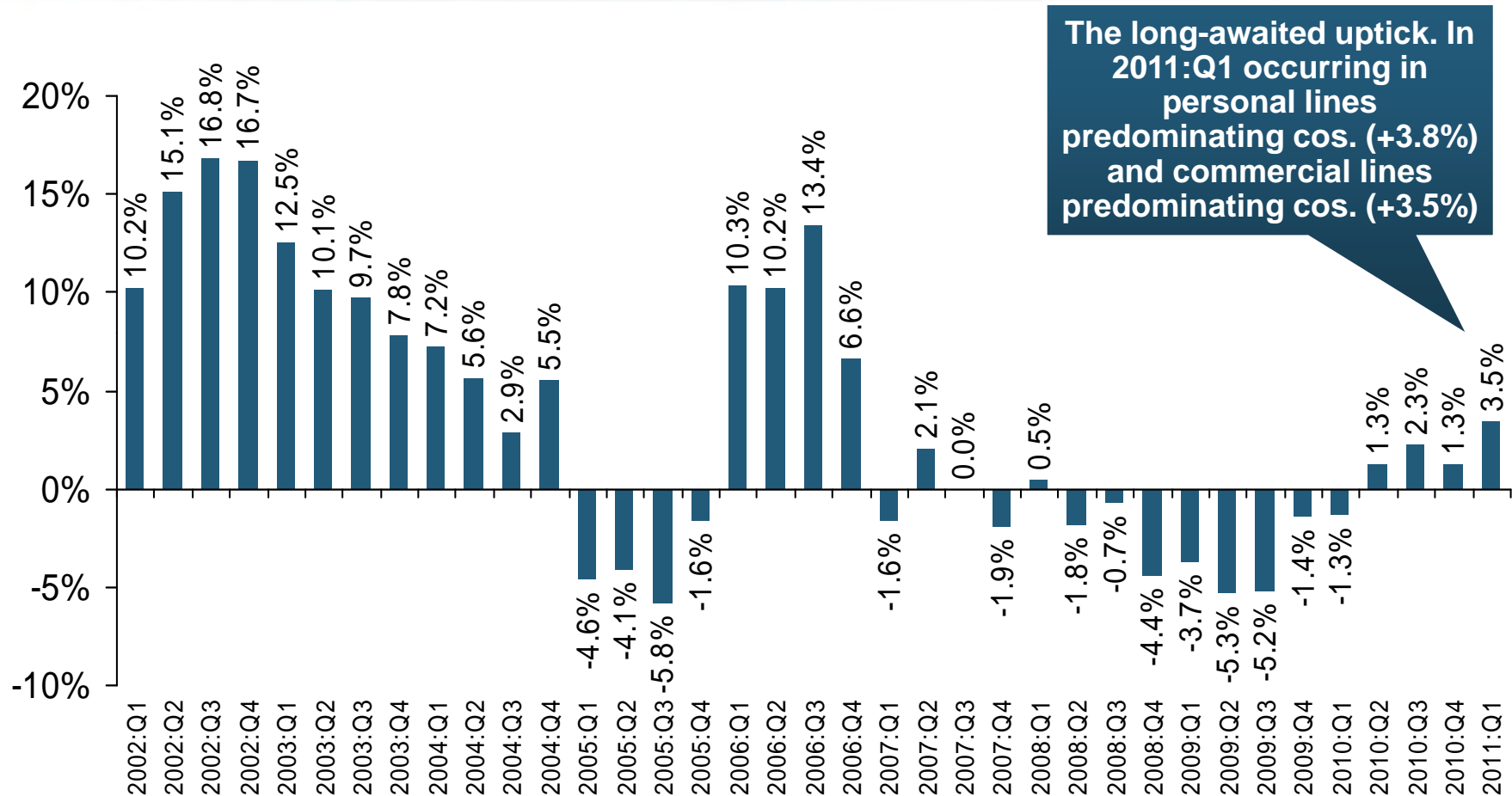
Sources: SNL Financial LC.; Insurance Information Institute.

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

Bottom 25 States



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)**

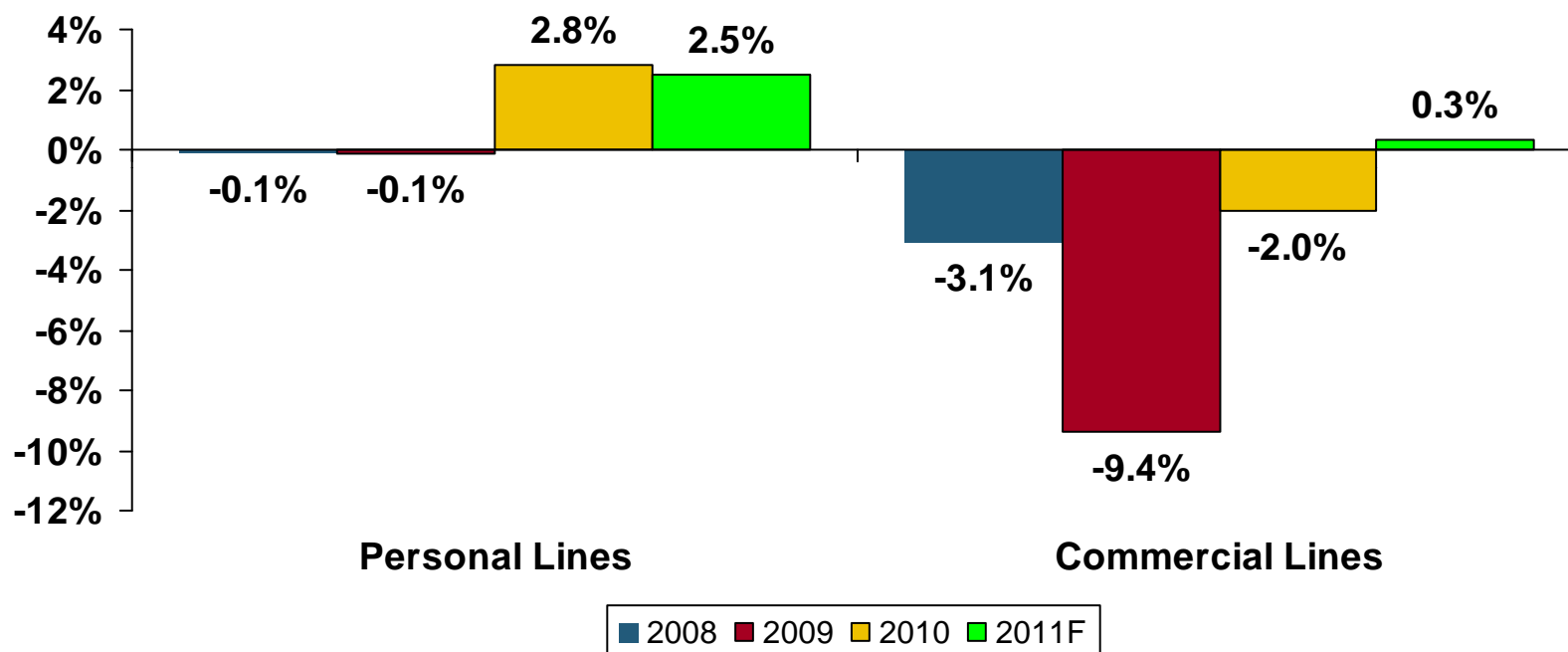
P/C Net Written Premiums by Line: 2008-2010P

Line of Business	2008	2009	2010P	2009-2010P Change
Personal Auto	\$150.0B	\$156.6B	\$159.1B	+1.6%
Homeowners	\$55.6	\$56.9	\$61.2	+7.6%
Other Liab (incl. Prod Liab)	\$42.0	\$39.1	\$38.2	-2.4%
Workers Compensation	\$33.8	\$30.3	\$29.9	-1.3%
Commercial Multi Peril	\$30.1	\$28.5	\$28.7	+0.8%
Commercial Auto	\$23.7	\$21.8	\$20.9	-4.3%
Fire & Allied Lines (incl EQ)	\$24.2	\$23.4	\$22.6	-3.4%
All Other Lines	\$67.7	\$61.9	\$61.6	-0.5%
Total P/C Industry	\$434.9B	\$418.4B	\$422.1B	+0.9

Source: All lines except WC for 2008-09, A.M. Best; Worker Comp., NCCI; 2010P data, ISO; Private carriers only.

Net Written Premium Growth by Segment: 2008-2011F

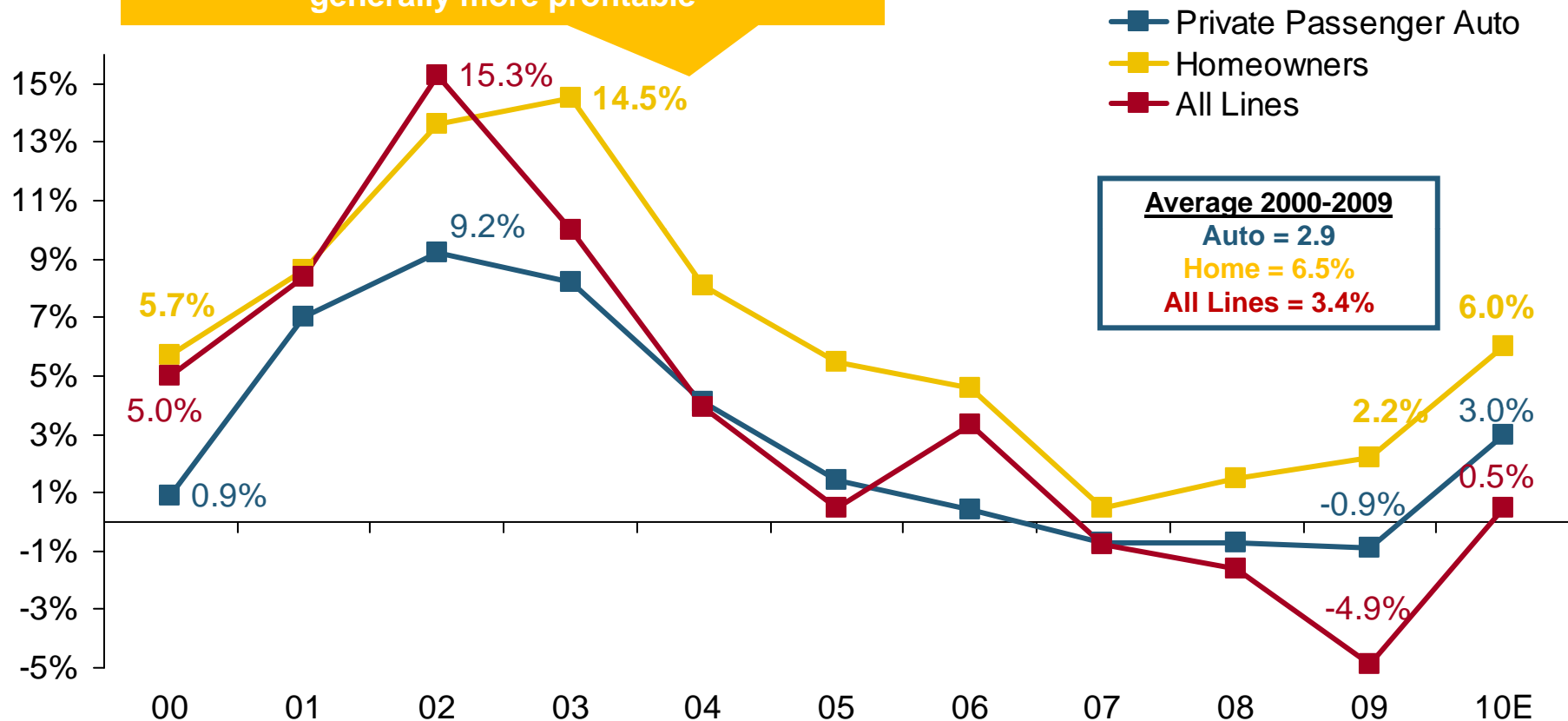
Personal lines growth resumed in 2010 and will continue in 2011, while commercial lines contracted again in 2010 and but will stabilize in 2011



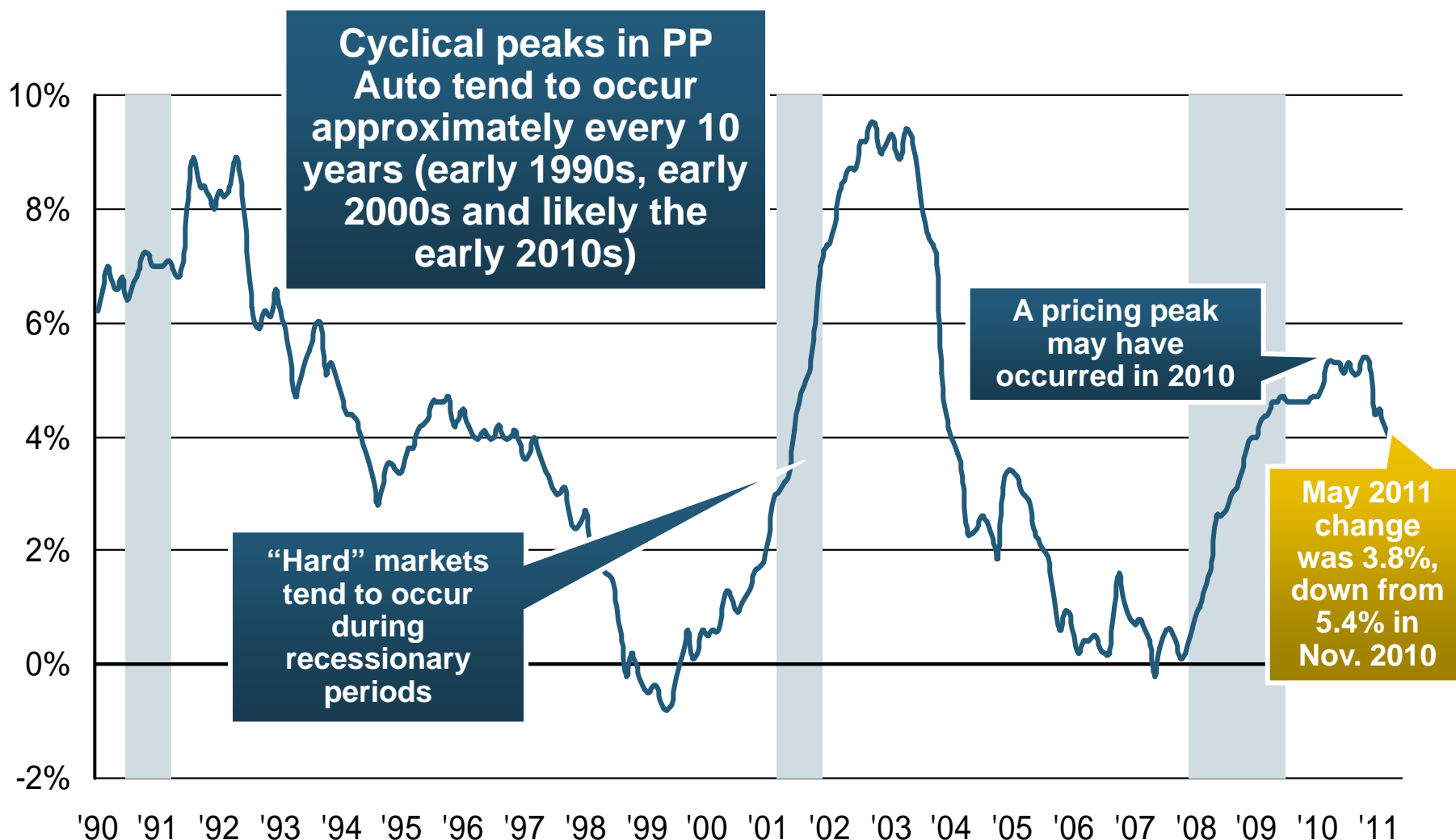
Rate and exposure are more favorable in personal lines, whereas a prolonged soft market and sluggish recovery from the recession weigh on commercial lines.

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

While homeowners insurance has grown faster than auto over the past decade, auto is generally more profitable



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



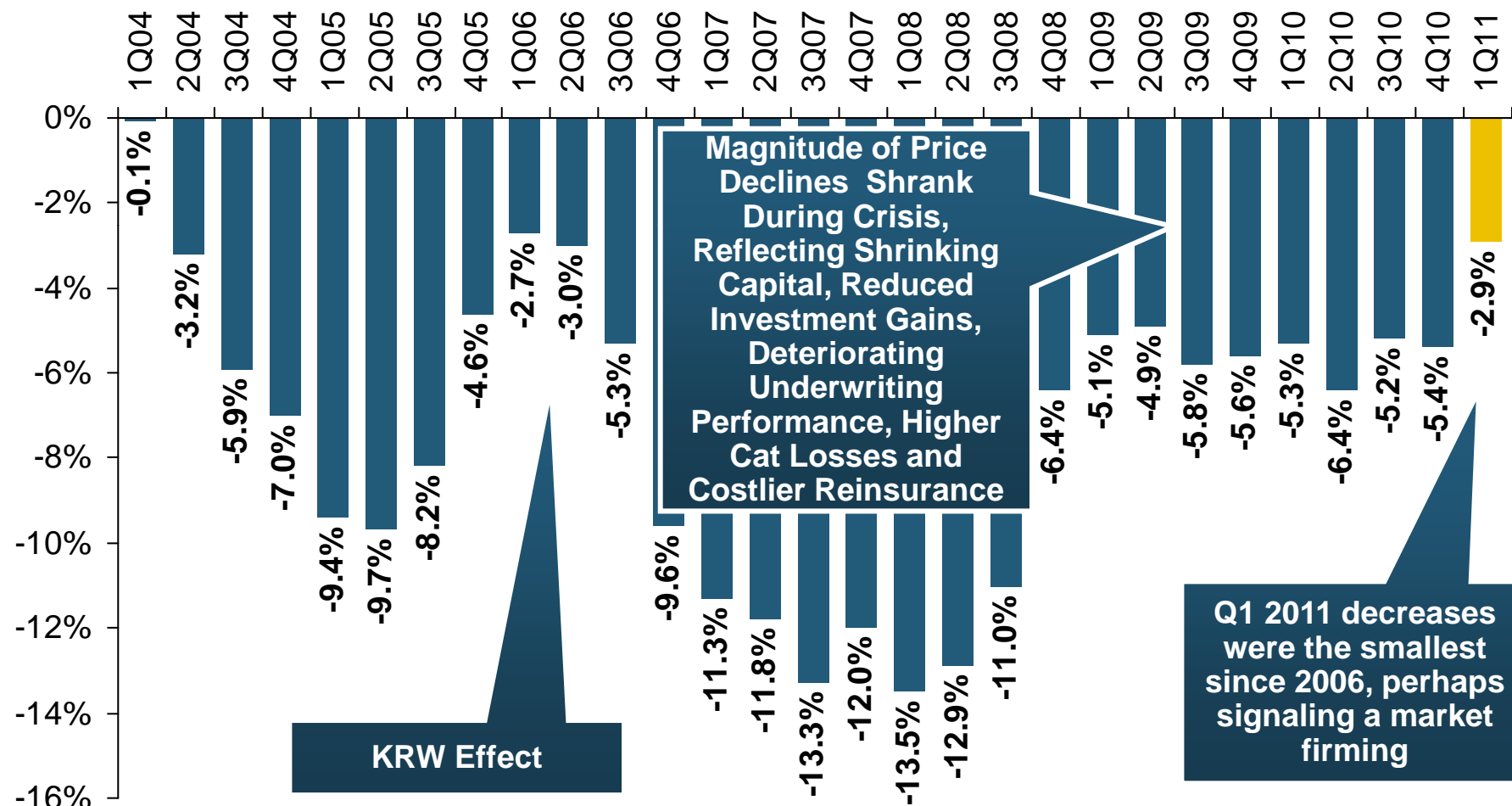
*Percentage change from same month in prior year; through May 2011; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

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

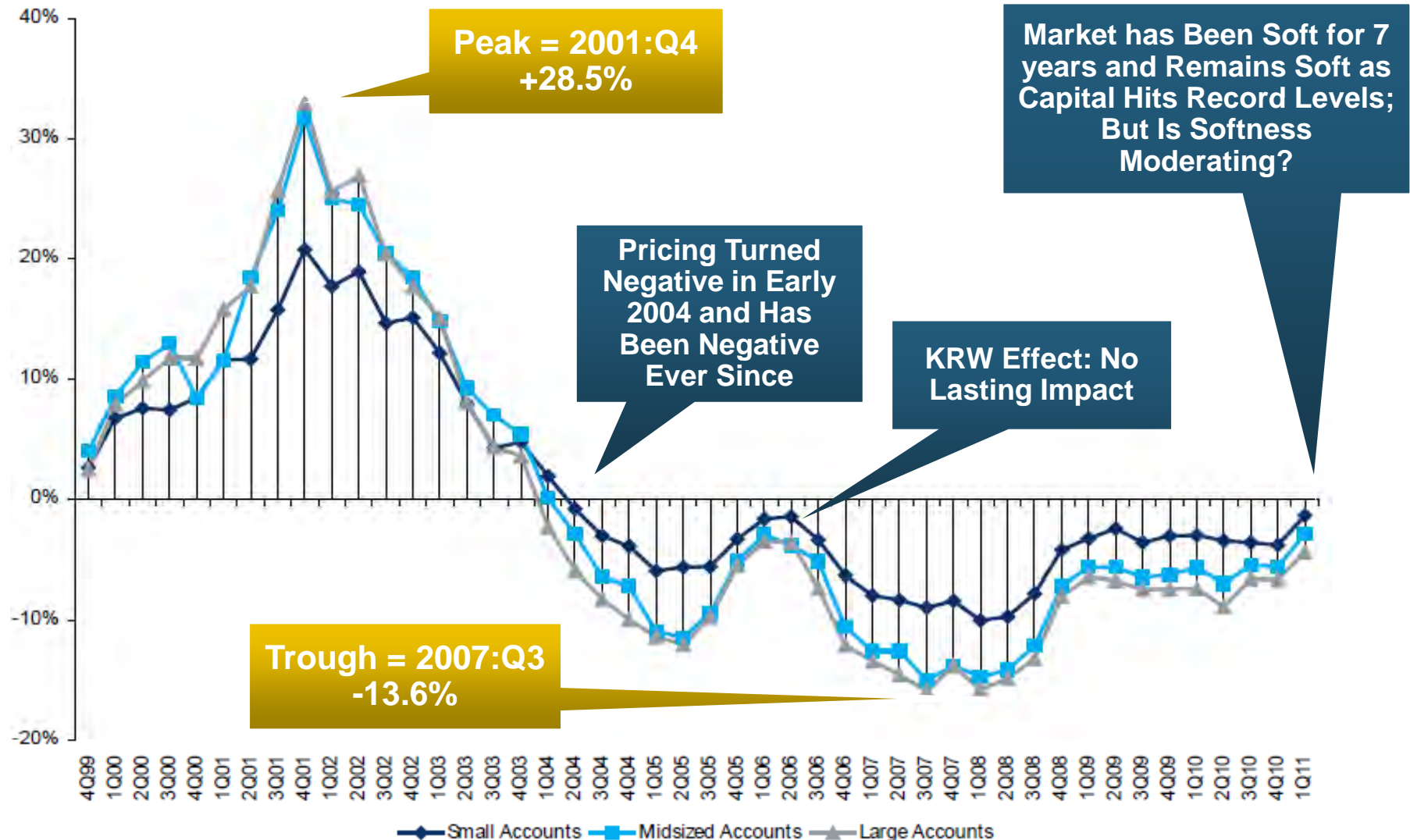
Average Commercial Rate Change, All Lines, (1Q:2004–1Q:2011)

(Percent)



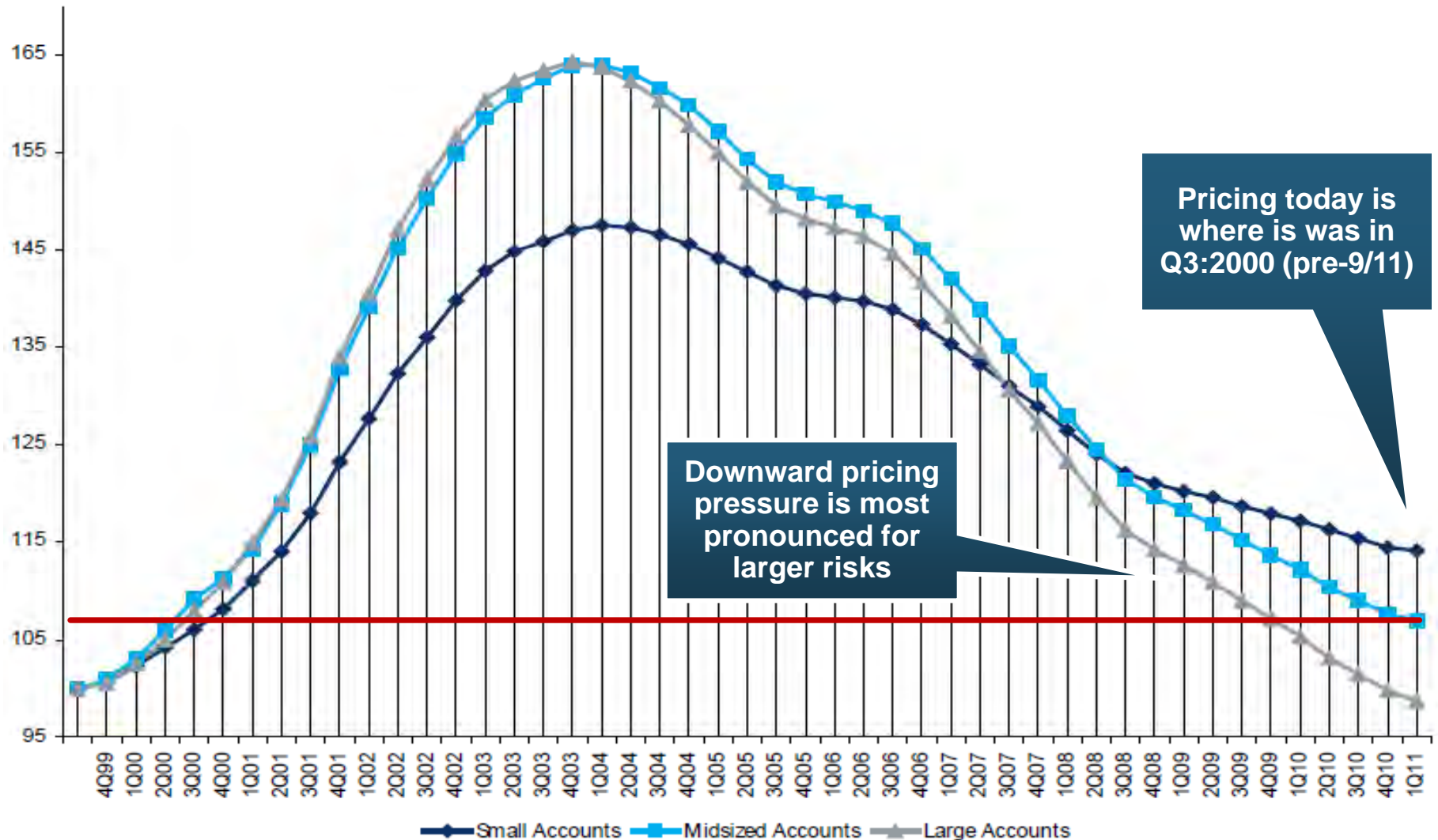
Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2011:Q1

Percentage Change (%)



Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2011:Q1

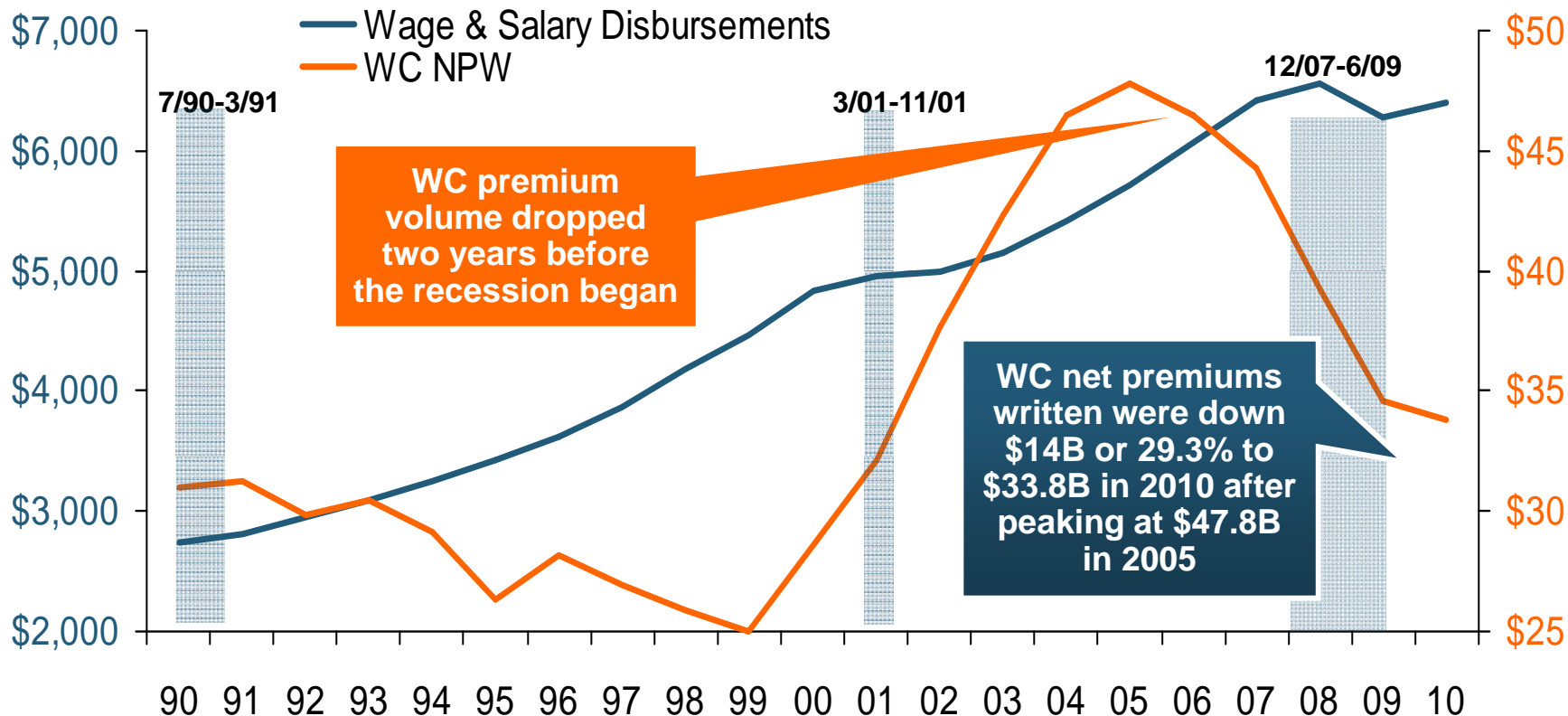
1999:Q4 = 100



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

Payroll Base*
\$Billions

WC NWP
\$Billions

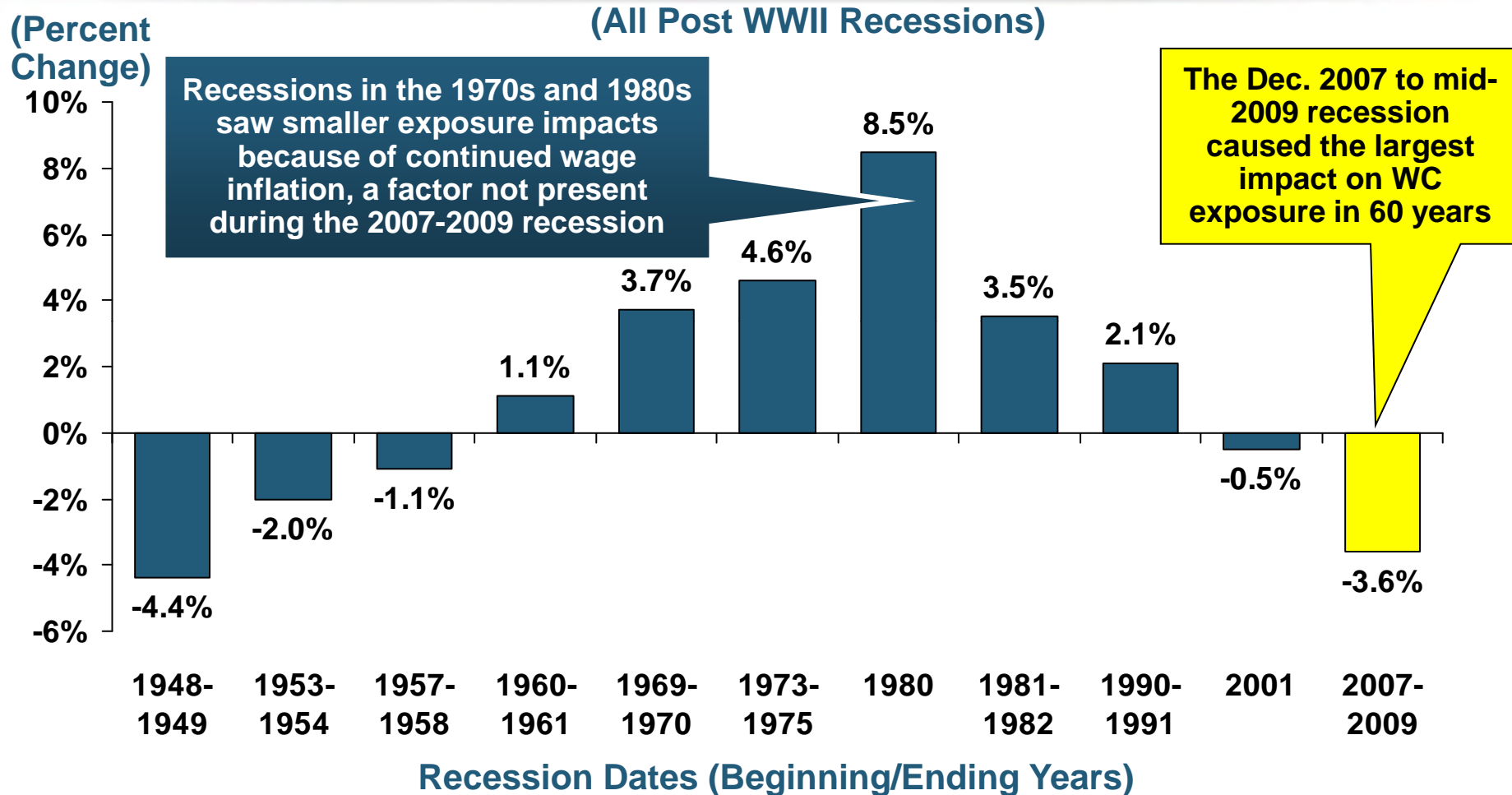


29% of NPW has been eroded away by the soft market and weak economy

*Private employment; Shaded areas indicate recessions.

Sources: NBER (recessions); Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR> ; NCCI; I.I.I.

Estimated Effect of Recessions* on Payroll (Workers Comp Exposure)

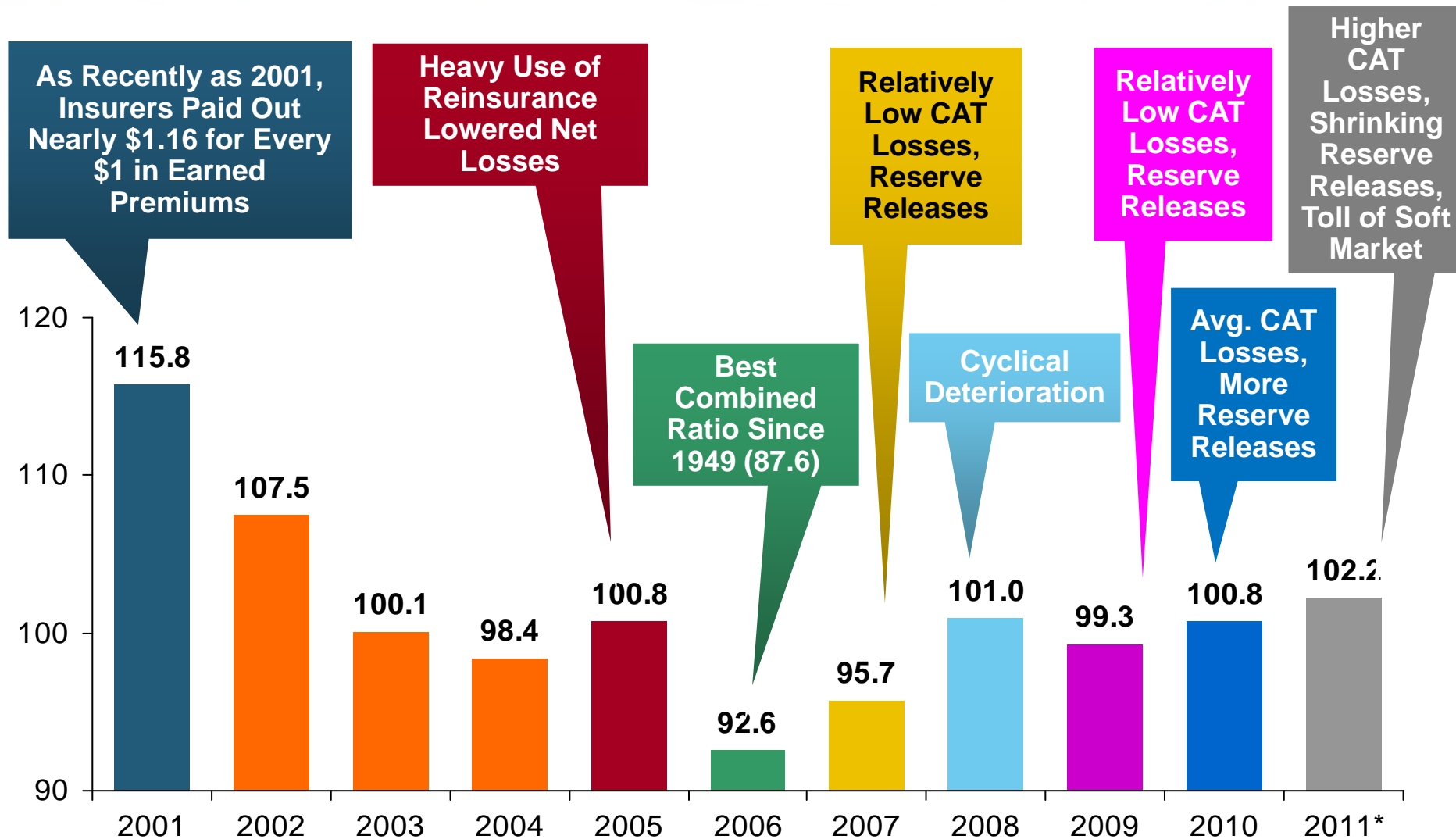


*Data represent maximum recorded decline over 12-month period using annualized quarterly wage and salary accrual data
Source: Insurance Information Institute research; Federal Reserve Bank of St. Louis (wage and salary data); National Bureau of Economic Research (recession dates).

UNDERWRITING

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

P/C Insurance Industry Combined Ratio, 2001–2011:Q1*

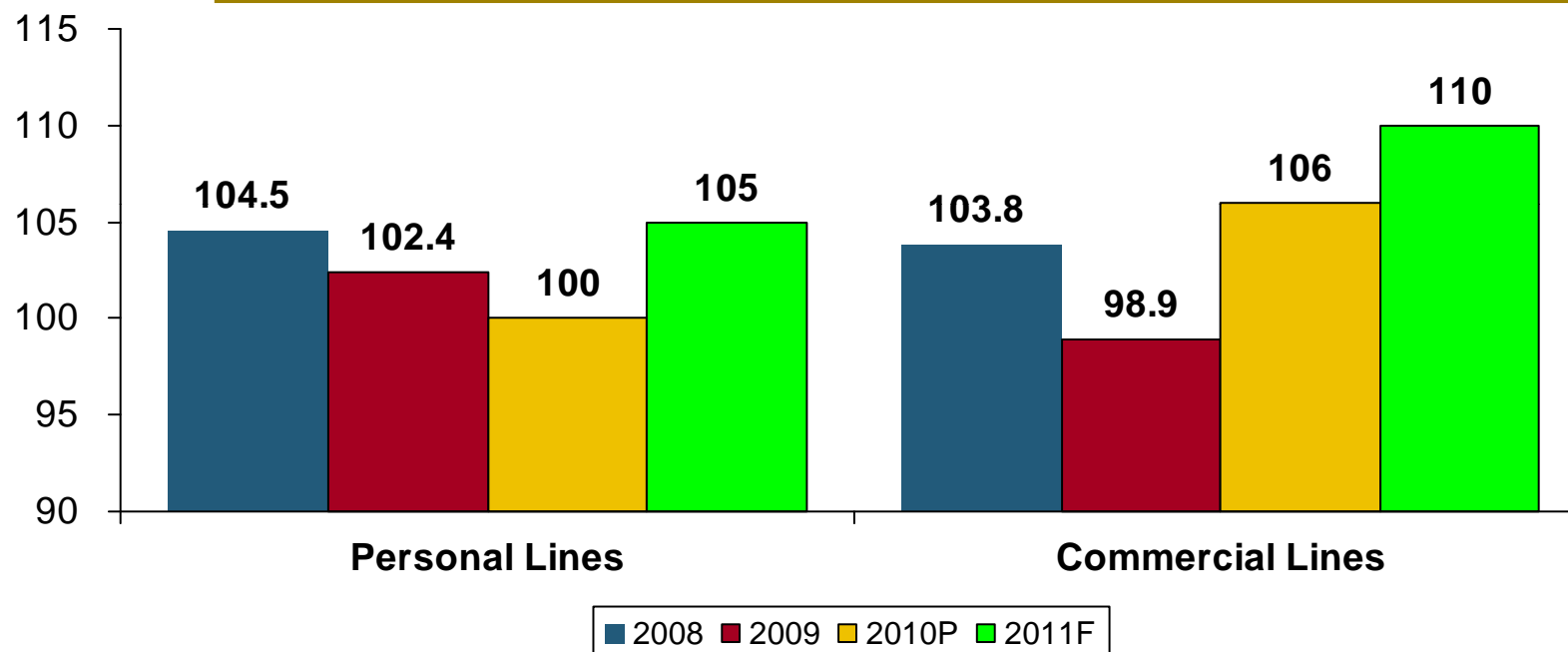


* Excludes Mortgage & Financial Guaranty insurers 2008--2011. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=103.3

Sources: A.M. Best, ISO.

Calendar Year Combined Ratios by Segment: 2008-2011F

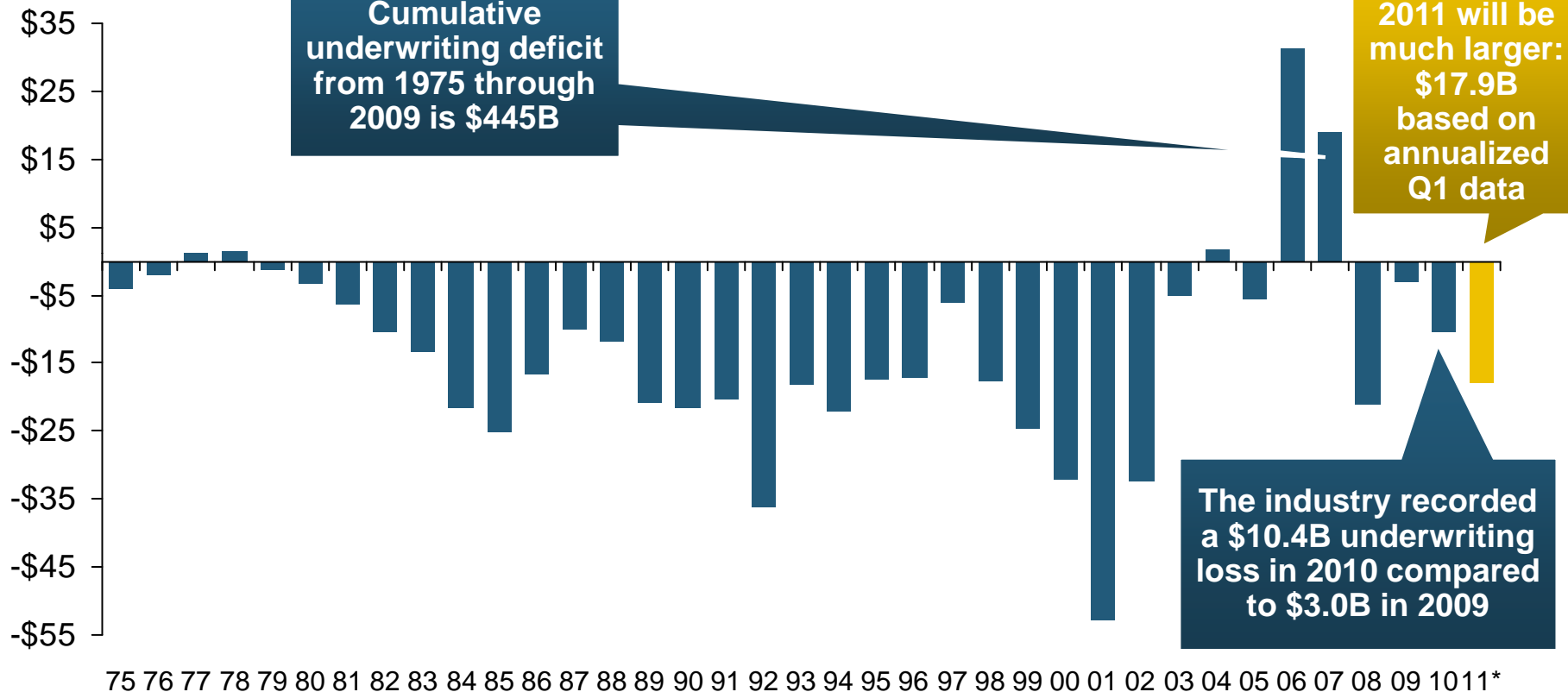
Personal lines combined ratio is expected to remain stable in 2010 while commercial lines and reinsurance deteriorate



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

Underwriting Gain (Loss) 1975–2011*

(\$ Billions)



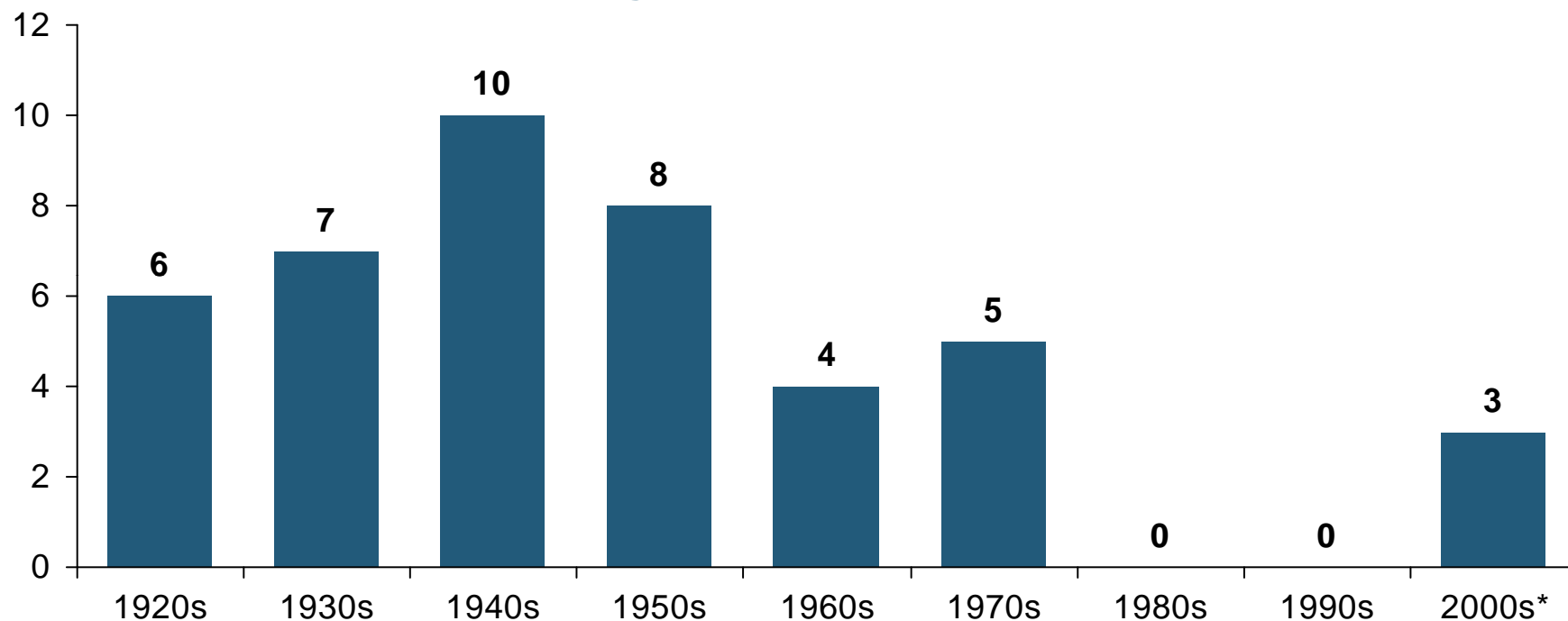
**Large Underwriting Losses Are *NOT* Sustainable
in Current Investment Environment**

* Includes mortgage and financial guaranty insurers in all years. 2011 figure is annualized based on actual Q1 underwriting losses of \$4.463 billion.

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

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

Number of Years with Underwriting Profits



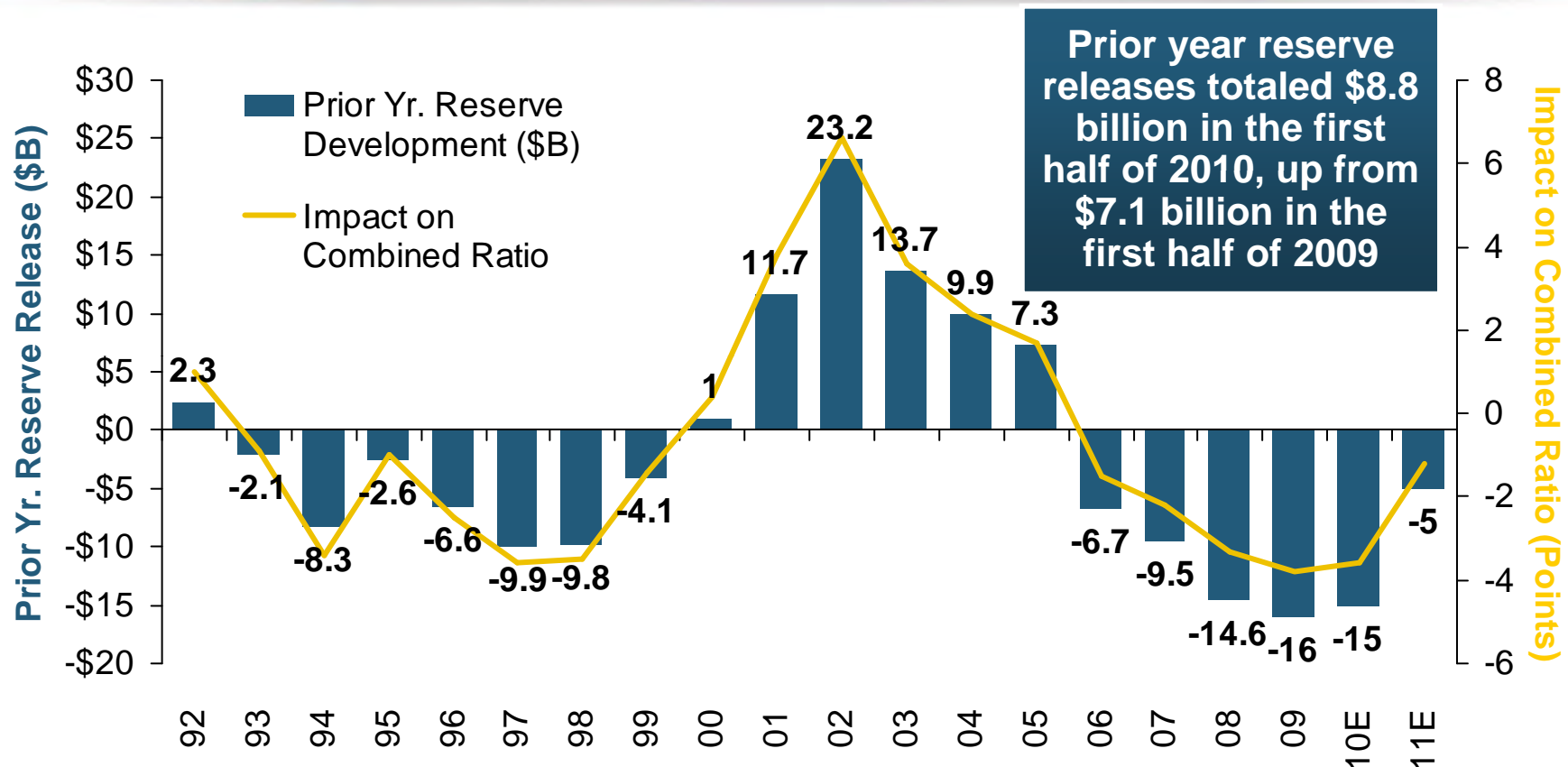
**Underwriting Profits Were Common Before the 1980s
(40 of the 60 Years Before 1980 Had Combined Ratios Below 100) –
But Then They Vanished. Not a Single Underwriting Profit Was
Recorded in the 25 Years from 1979 Through 2003**

* 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.

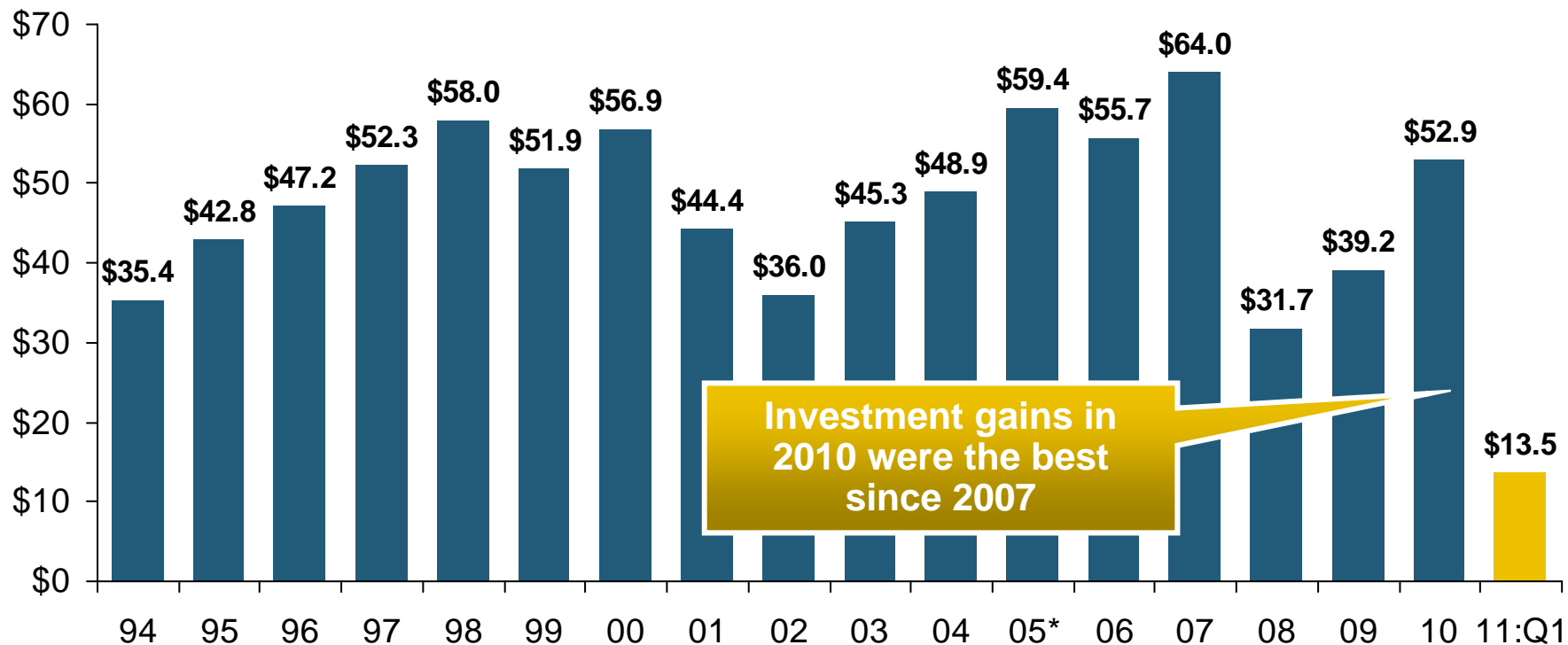
Sources: Barclay's Capital; A.M. Best.

INVESTMENTS: THE NEW REALITY

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

Property/Casualty Insurance Industry Investment Gain: 1994–2011:Q1¹

(\$ Billions)



Investment Gains Recovered Significantly in 2010 Due to Realized Investment Gains; The Financial Crisis Caused Investment Gains to Fall by 50% in 2008

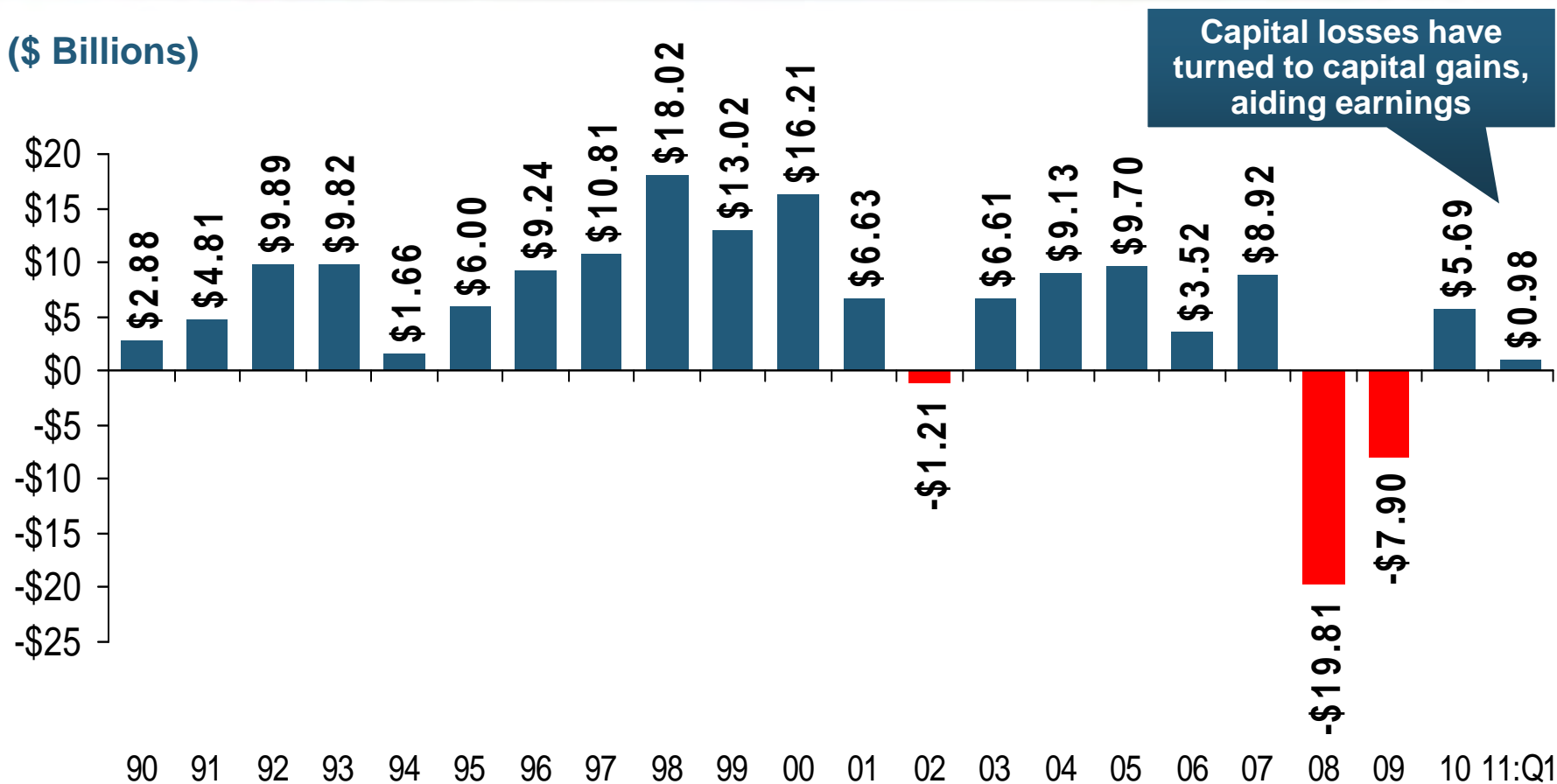
¹ Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

* 2005 figure includes special one-time dividend of \$3.2B.

Sources: ISO; Insurance Information Institute.

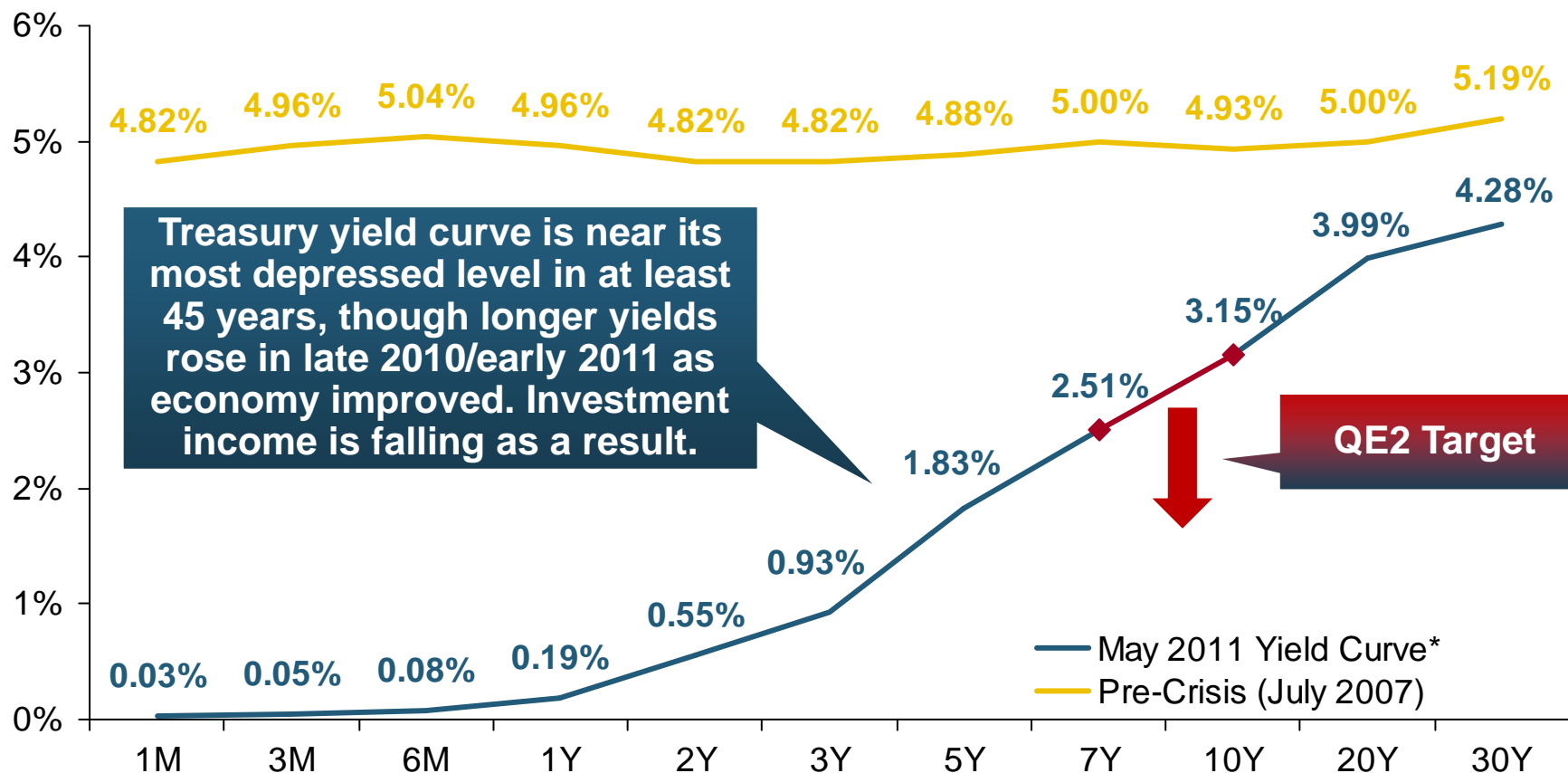
P/C Insurer Net Realized Capital Gains, 1990-2011:Q1

(\$ Billions)



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

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

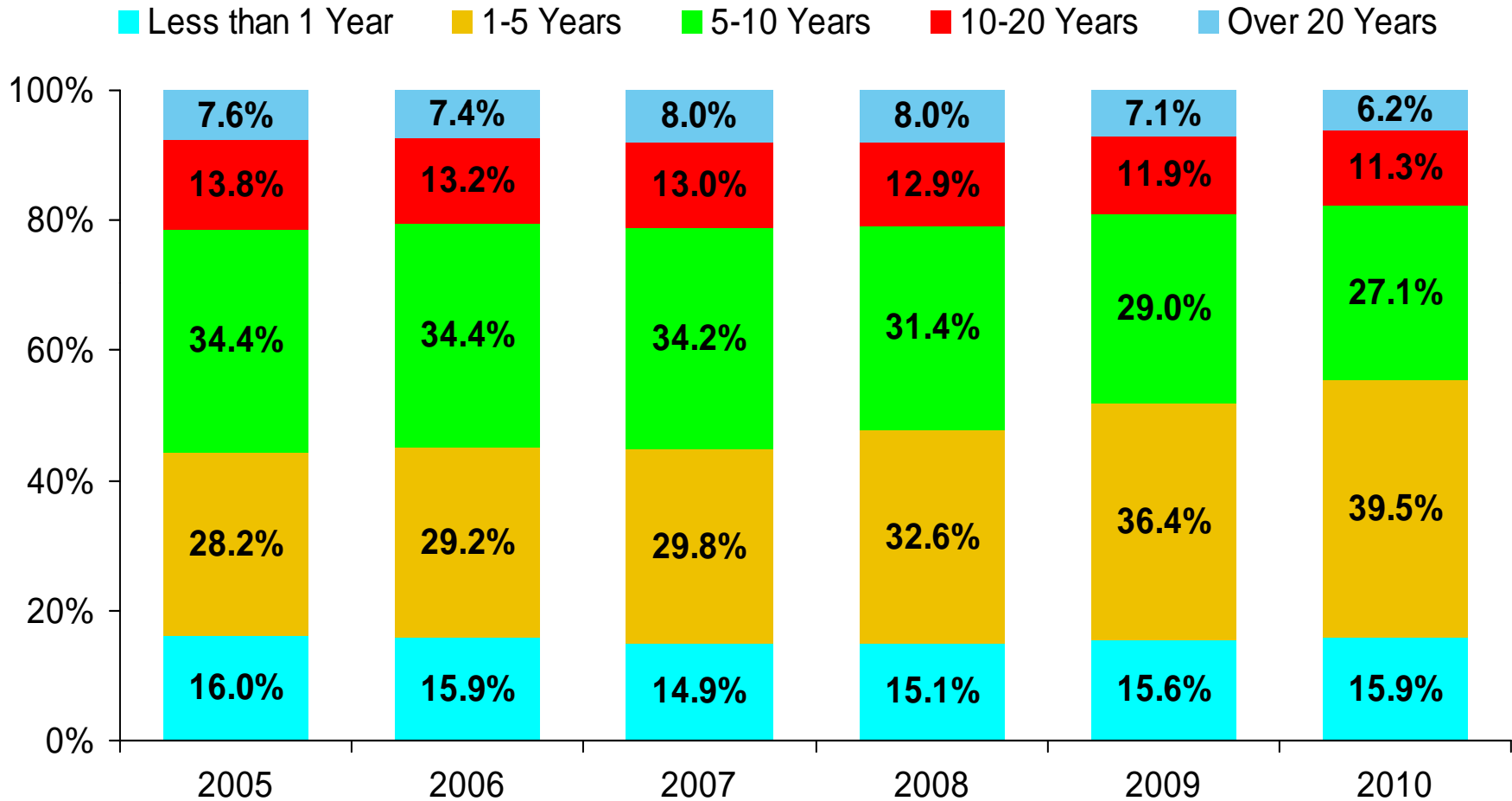


The Fed's Announced Intention to Pursue Additional Quantitative Easing Could Depress Rates in the 7 to 10-Year Maturity Range through June

*Average yields for week ending May 20.

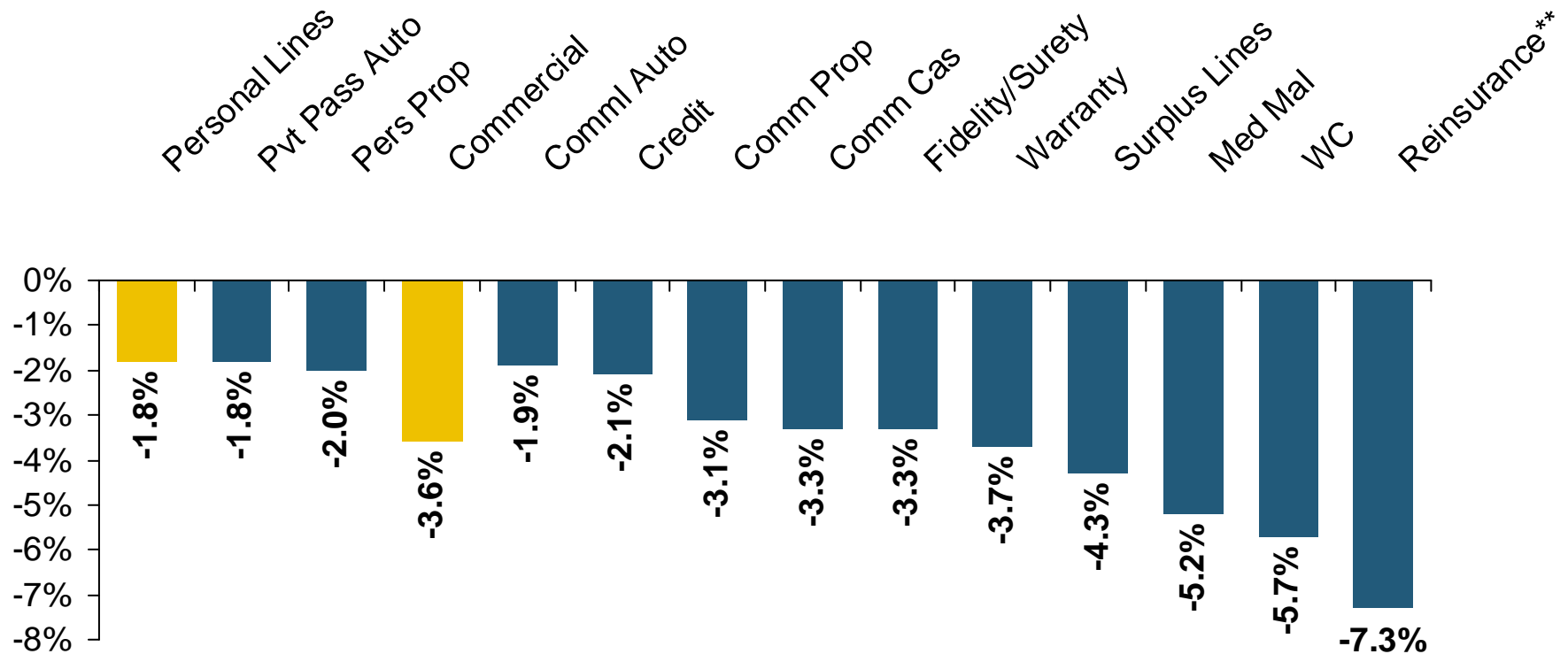
Sources: Board of Governors of the United States Federal Reserve Bank; Insurance Information Institute.

The Recession Changed the Distribution of Bond Maturities in P-C Investment Portfolios



Since the Recession Began, Insurers Increased the Percentage of Bonds With Maturities of 1-5 Years and Lowered the Percentage With Maturities Over 5 Years

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

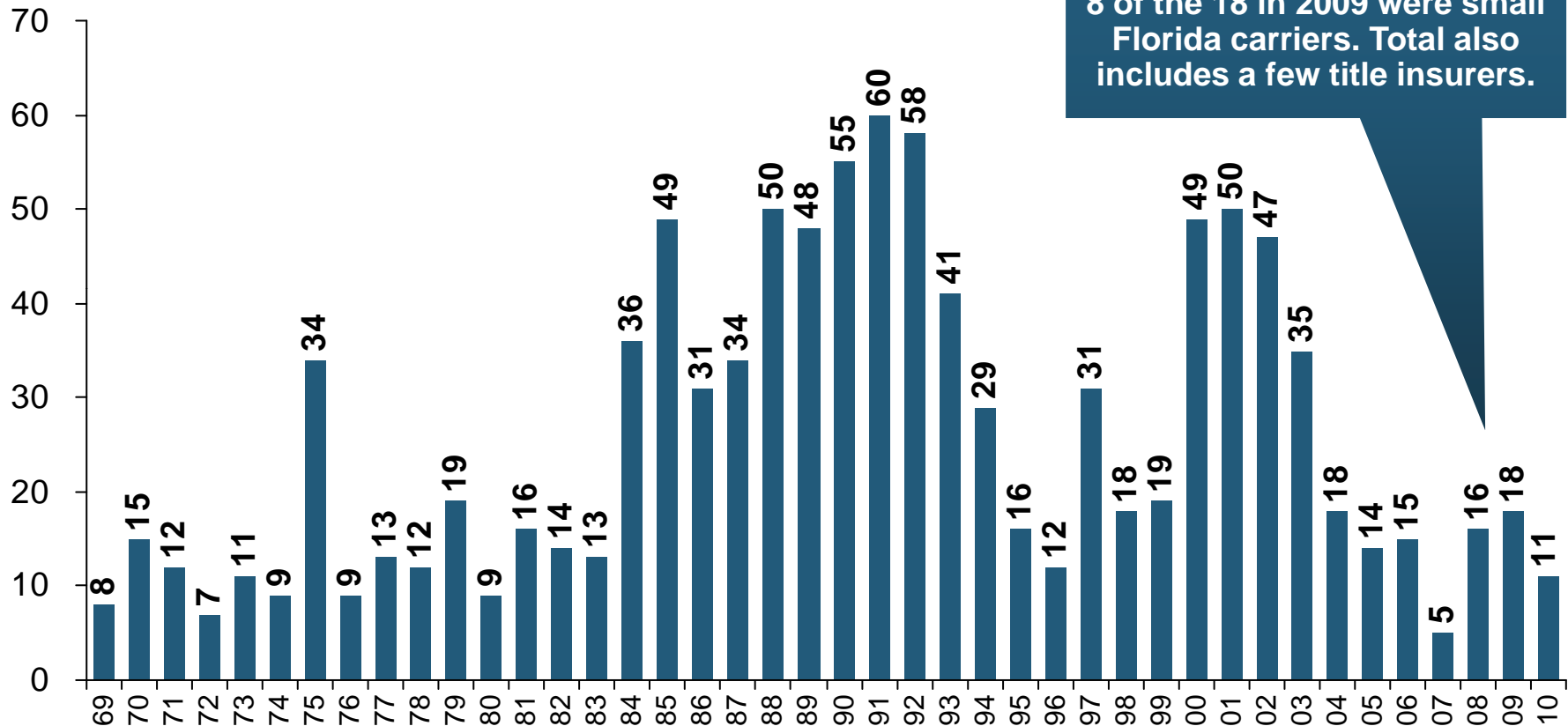
**US domestic reinsurance only

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

Financial Strength & Underwriting

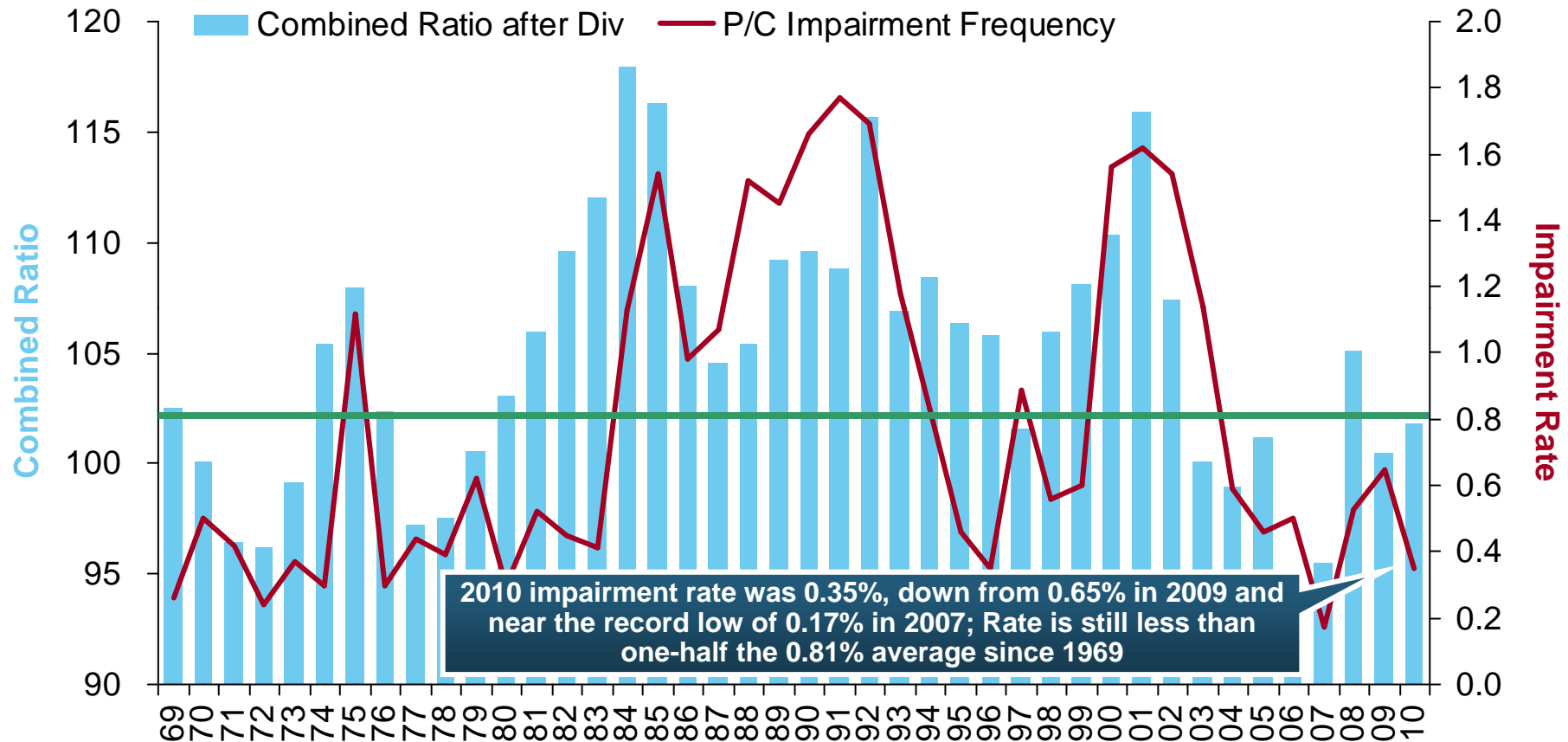
**Cyclical Pattern is P-C Impairment
History is Directly Tied to
Underwriting, Reserving & Pricing**

P/C Insurer Impairments, 1969–2010



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

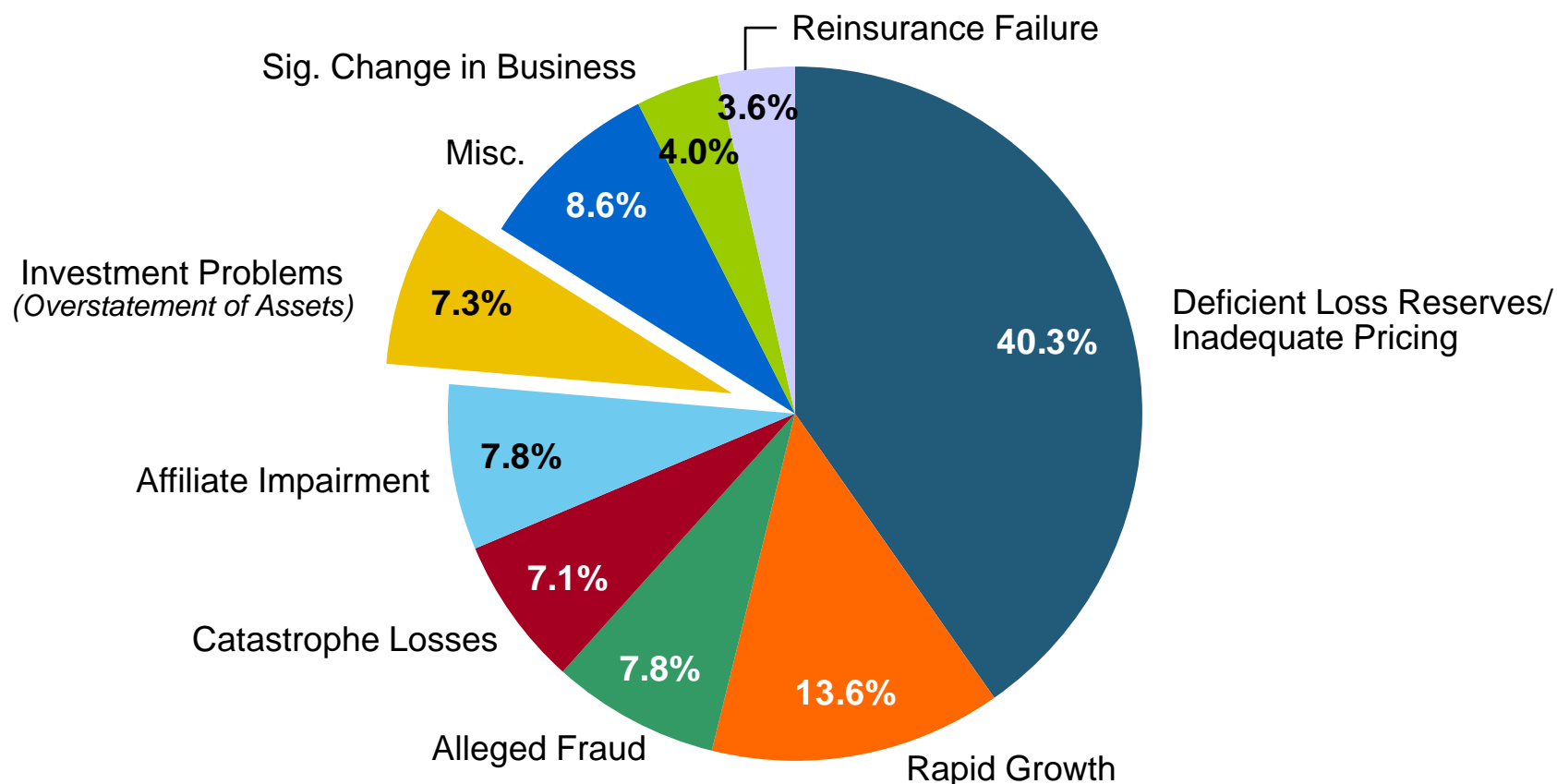
P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2010



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

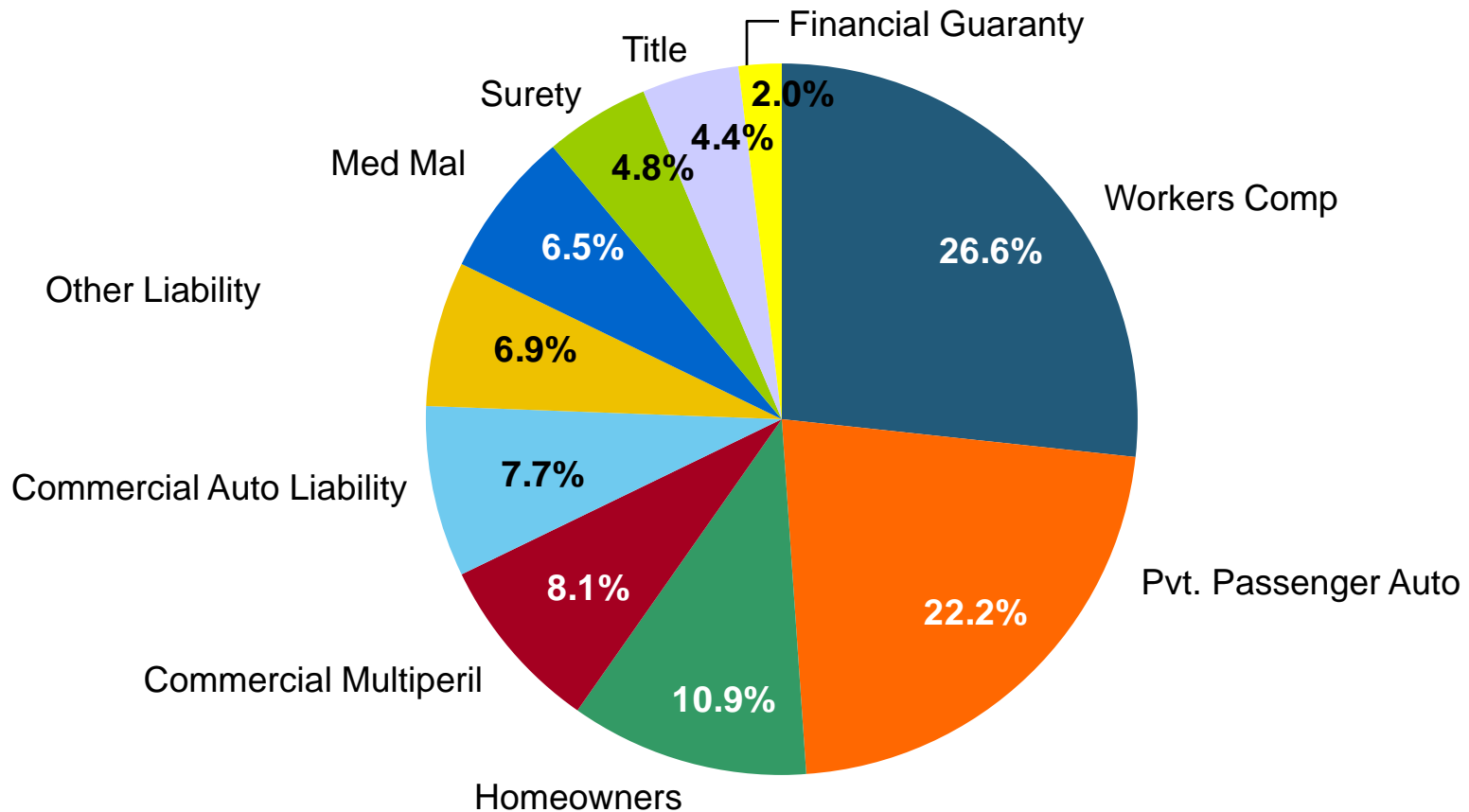
Reasons for US P/C Insurer Impairments, 1969–2010

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



Top 10 Lines of Business for US P/C Impaired Insurers, 2000–2010

Workers Comp and Pvt. Passenger Auto Account for Nearly Half of the Premium Volume of Impaired Insurers Over the Past Decade



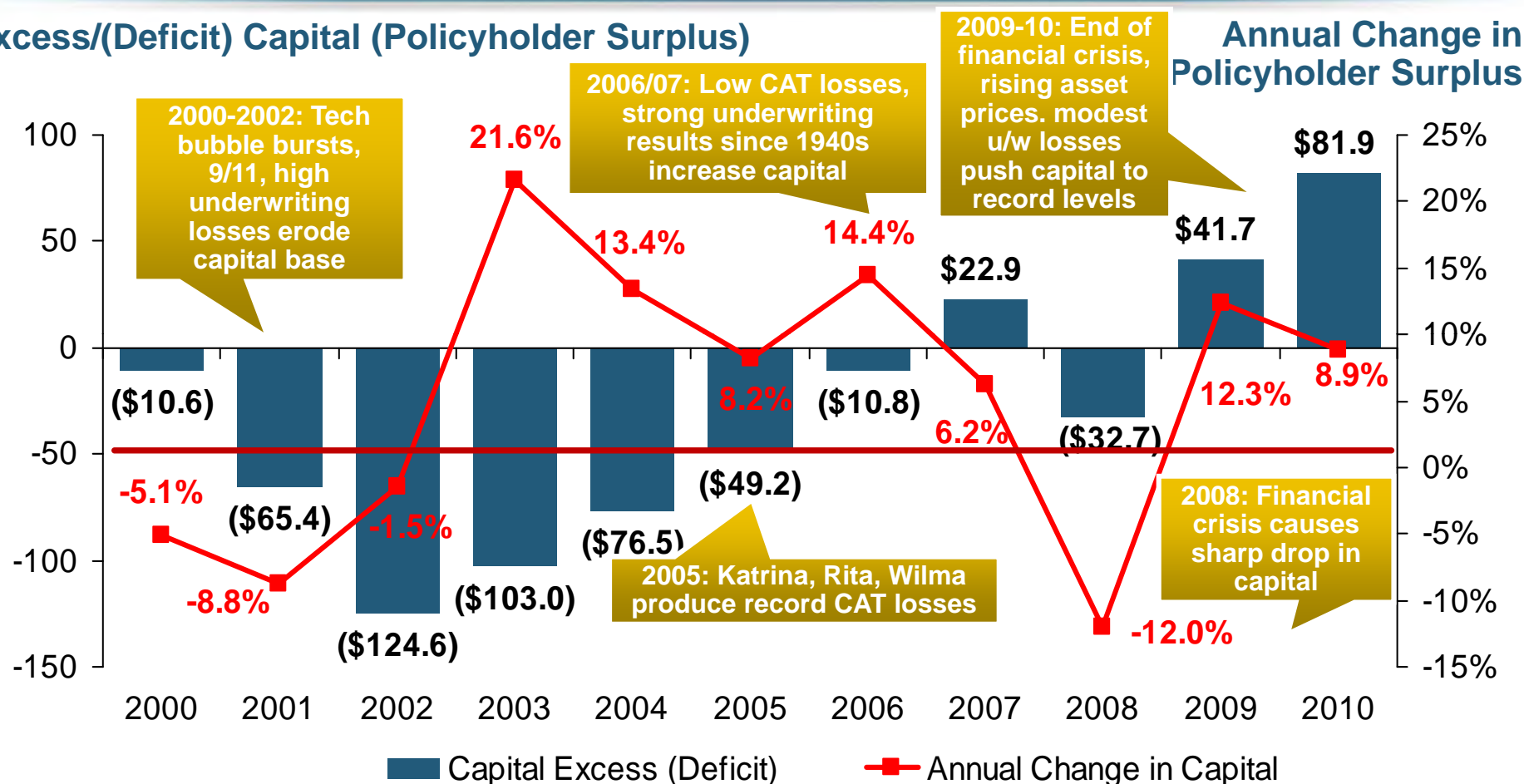
CAPITAL MANAGEMENT & LEVERAGE

**Excess Capital is a Major Obstacle
to a Market Turn;**

**Capital Management Decisions Will
Impact Market Direction**

Implied Excess (Deficit) Capital Assuming Premium/Surplus Ratio = 0.9:1

Excess/(Deficit) Capital (Policyholder Surplus)



Record Policyholder Surplus (Capital) Has Resulted Significant Excess Capital in the P/C Insurance Sector As of Year End 2010. Deteriorating Underwriting Losses, Higher CAT Activity, More Modest Market Returns Will Likely Shrink Excess Capital in 2011.

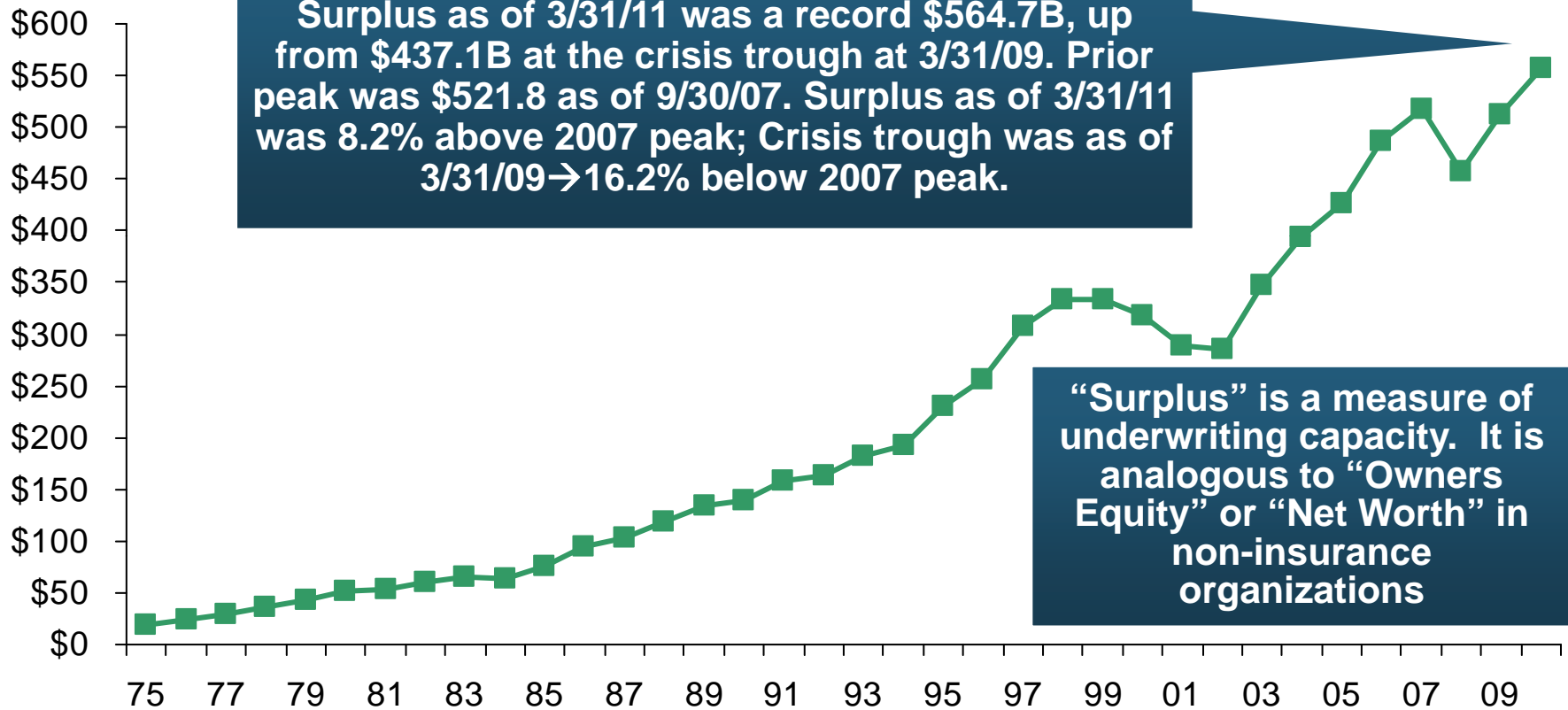
Note: The assumption of a 0.9:1 P/S ratio is derived from a Feb. 2011 announcement by Advisen, Ltd., that the US P/C insurance industry has \$74 billion in excess capital. The implied P/S ratio (calculated by III) is 0.88:1, which was rounded to 0.9:1.

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

* Net Premiums Written

US Policyholder Surplus: 1975–2011*

(\$ Billions)

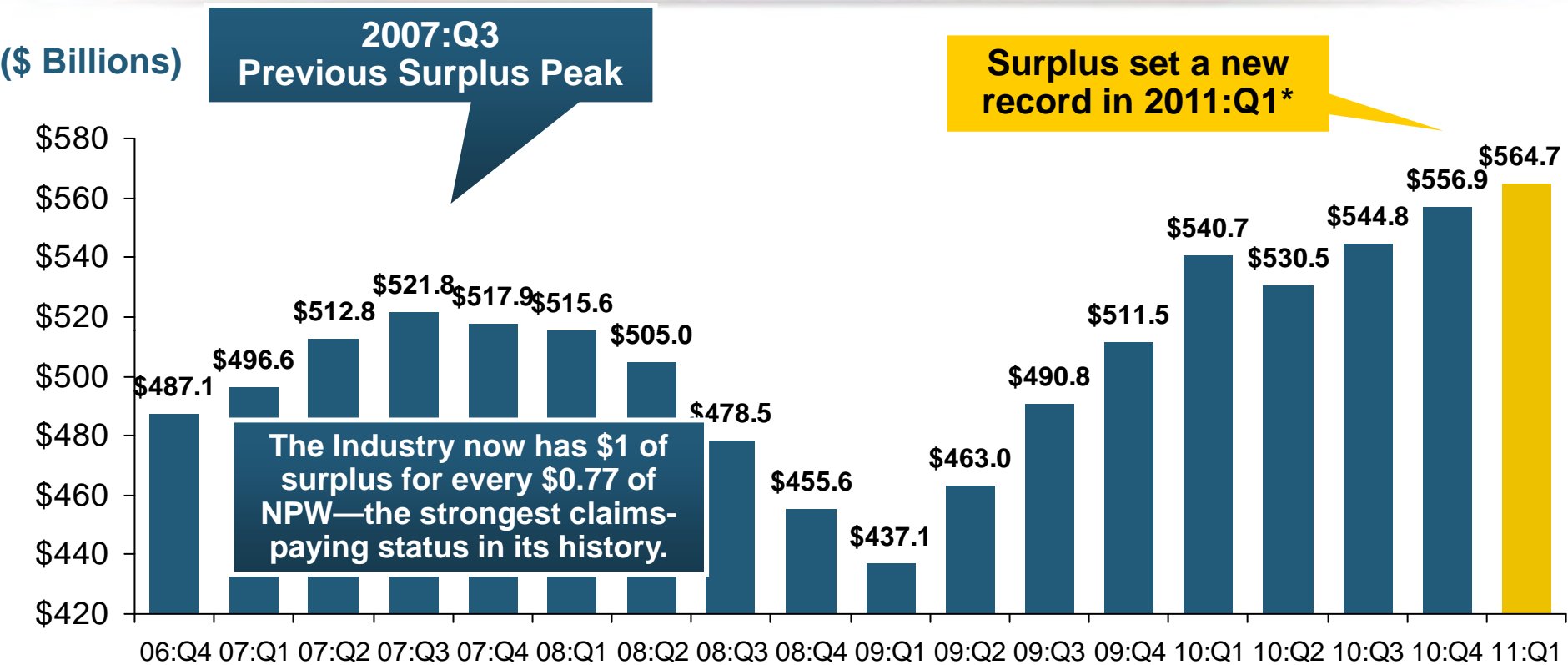


The Premium-to-Surplus Ratio Stood at \$0.77:\$1 as of 3/31/11, A Near Record Low (at Least in Recent History)**

* As of 3/31/11.

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

Policyholder Surplus, 2006:Q4–2011:Q1



Quarterly Surplus Changes Since 2007:Q3 Peak

09:Q1: -\$84.7B (-16.2%)

09:Q2: -\$58.8B (-11.2%)

09:Q3: -\$31.0B (-5.9%)

09:Q4: -\$10.3B (-2.0%)

10:Q1: +\$18.9B (+3.6%)

10:Q2: +\$8.7B (+1.7%)

10:Q3: +\$23.0B (+4.4%)

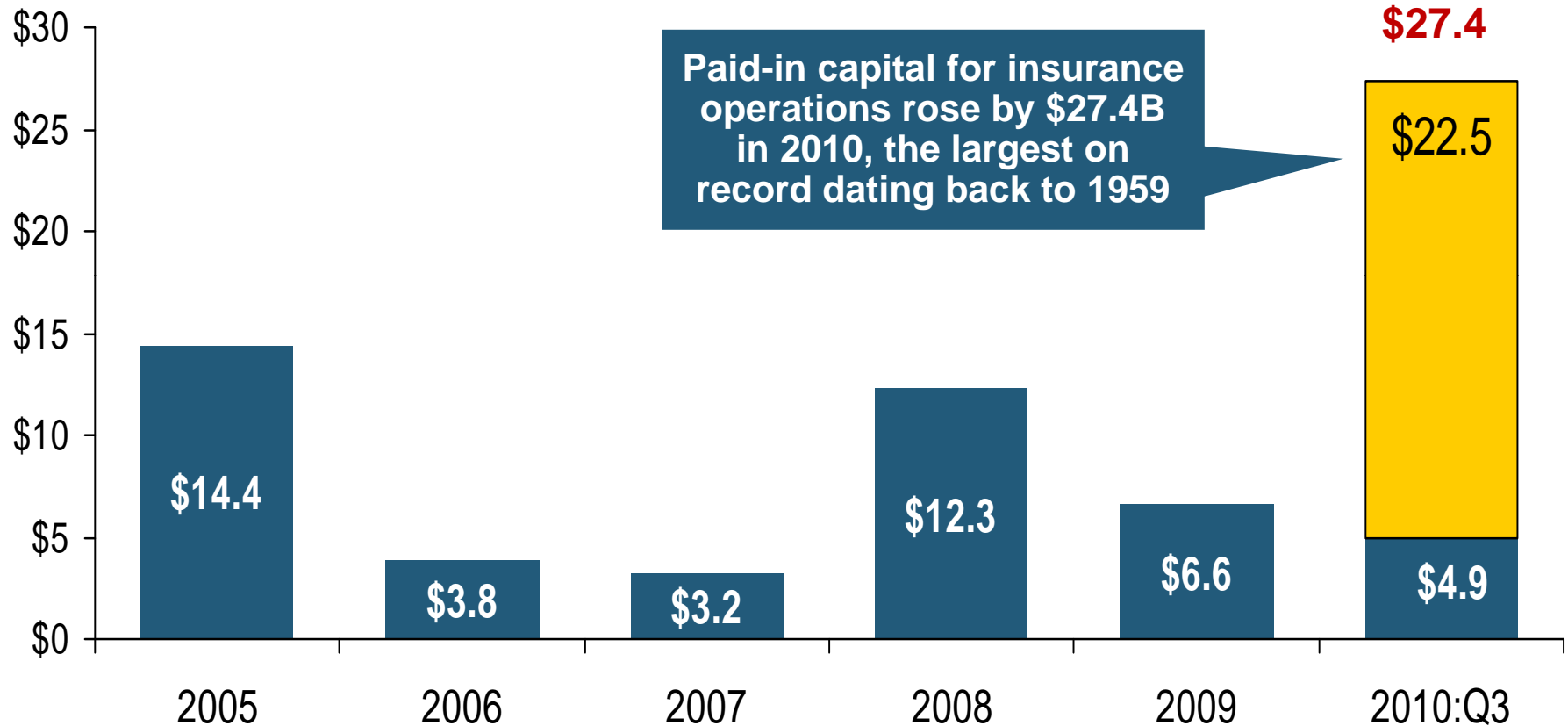
10:Q4: +\$35.1B (+6.7%)

11:Q1: +\$42.9B (+8.2%)

*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.

Paid-in Capital, 2005–2010

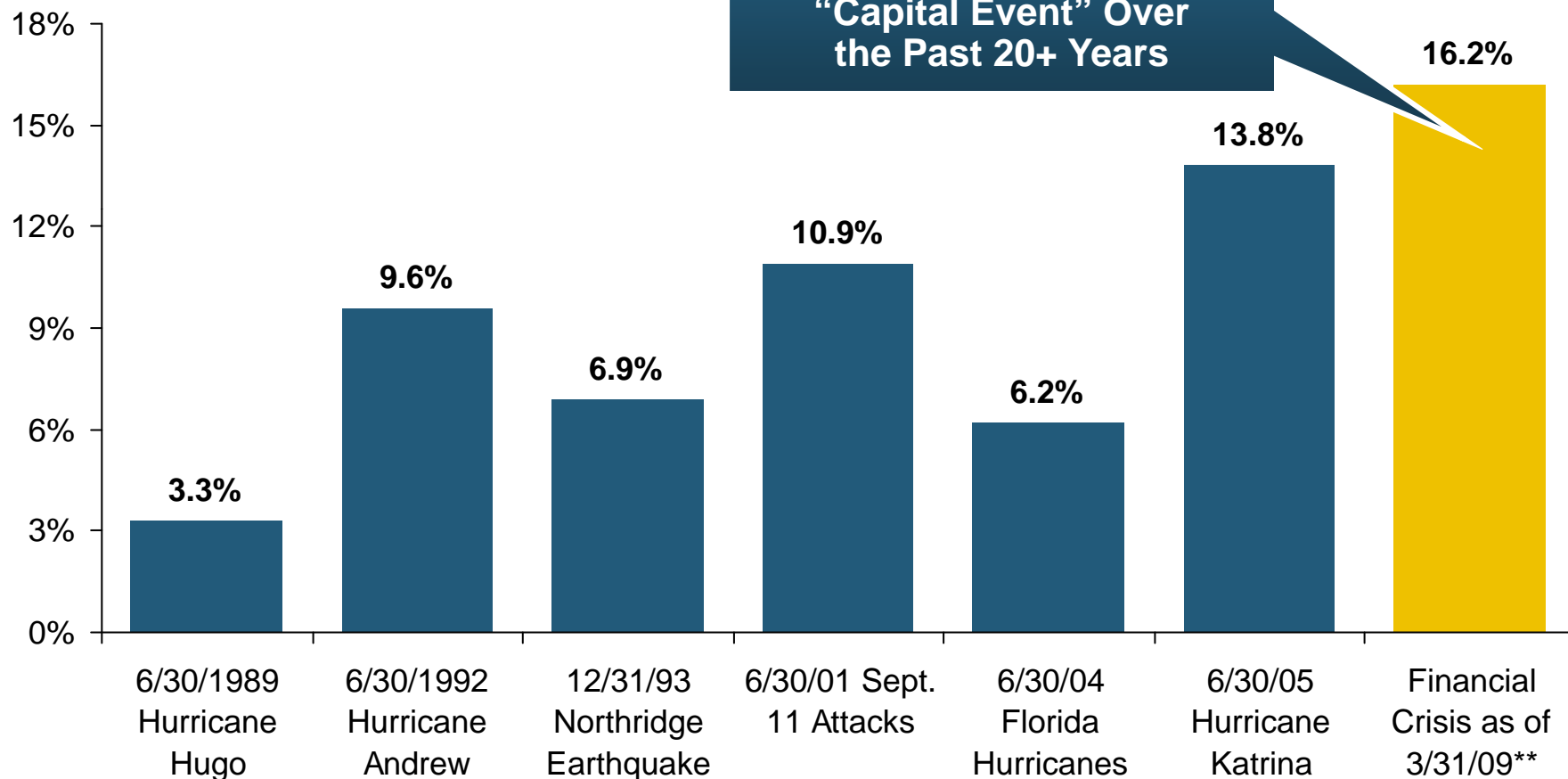
(\$ Billions)



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

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

(Percent)



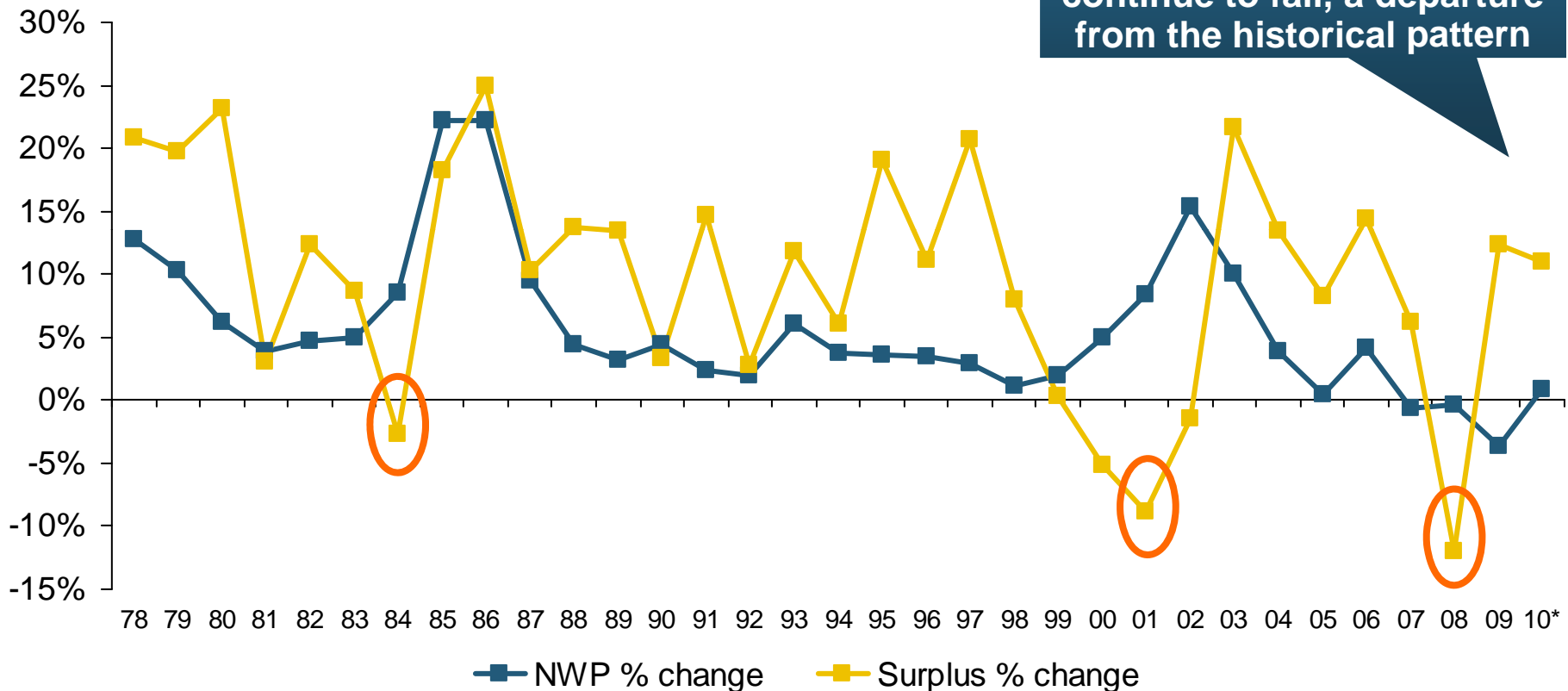
* Ratio is for end-of-quarter surplus immediately prior to event. Date shown is end of quarter prior to event

** 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*

(Percent)

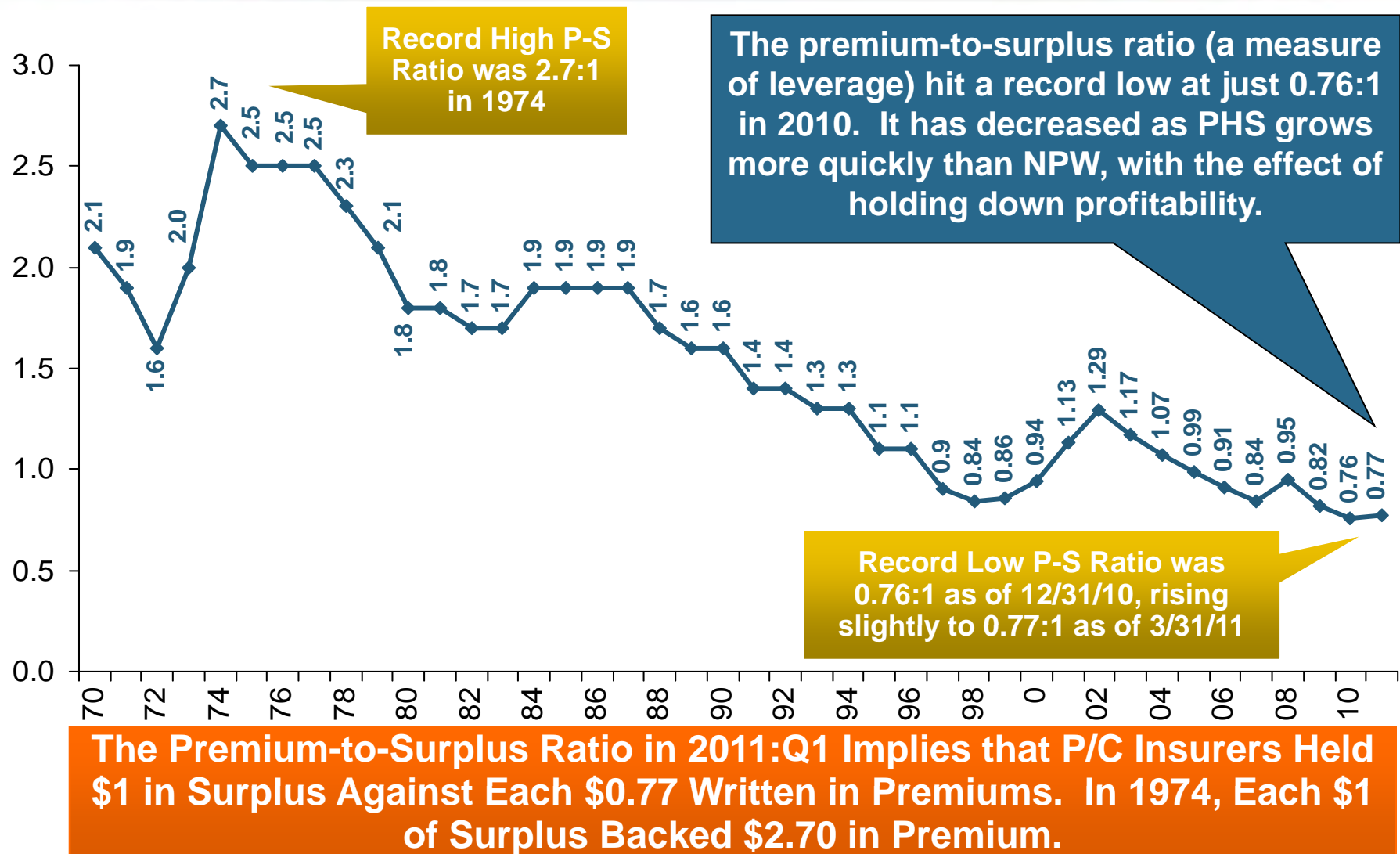


Sharp Decline in Capacity is a Necessary but Not Sufficient Condition for a True Hard Market

* 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, 1970-2011*



*2011 data are as of 3/31/11.

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



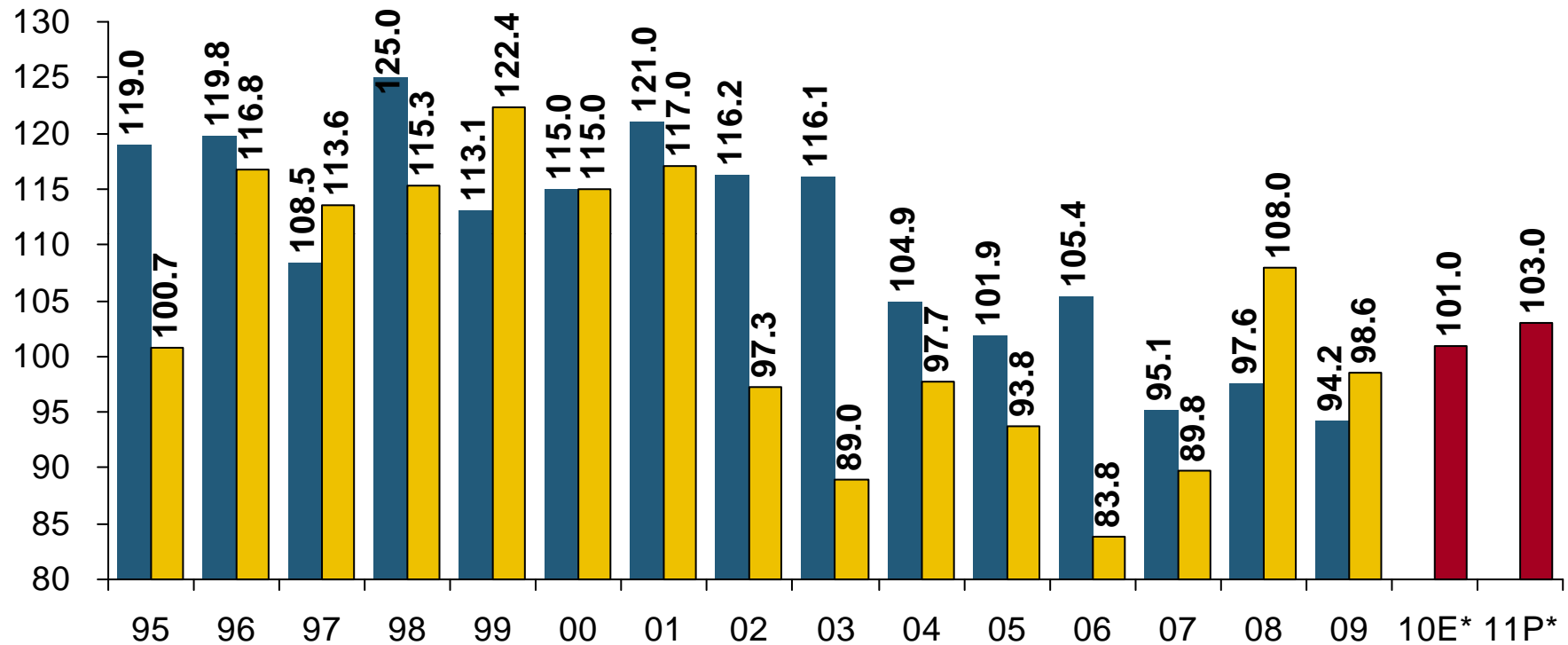
Performance by Segment: Commercial/Personal Lines & Reinsurance

P/C Underwriting Results: 2008-2010P

Line of Business	2008	2009	2010P
Personal Auto	100.3	101.3	101
Homeowners	117.0	105.6	107
Other Liability (incl. Prod Liab)	95	105	110
Workers Compensation	101	110.5	115
Commercial Multi Peril	104	97	101
Commercial Auto	96.8	99.5	98
Fire & Allied Lines (incl. EQ)	99	80	83
All Other Lines	113	96	101
Total P/C Industry	104	101	102

Source: All lines except WC for 2008-09, A.M. Best; Worker Comp., NCCI; 2010P data, ISO. Private carriers only.

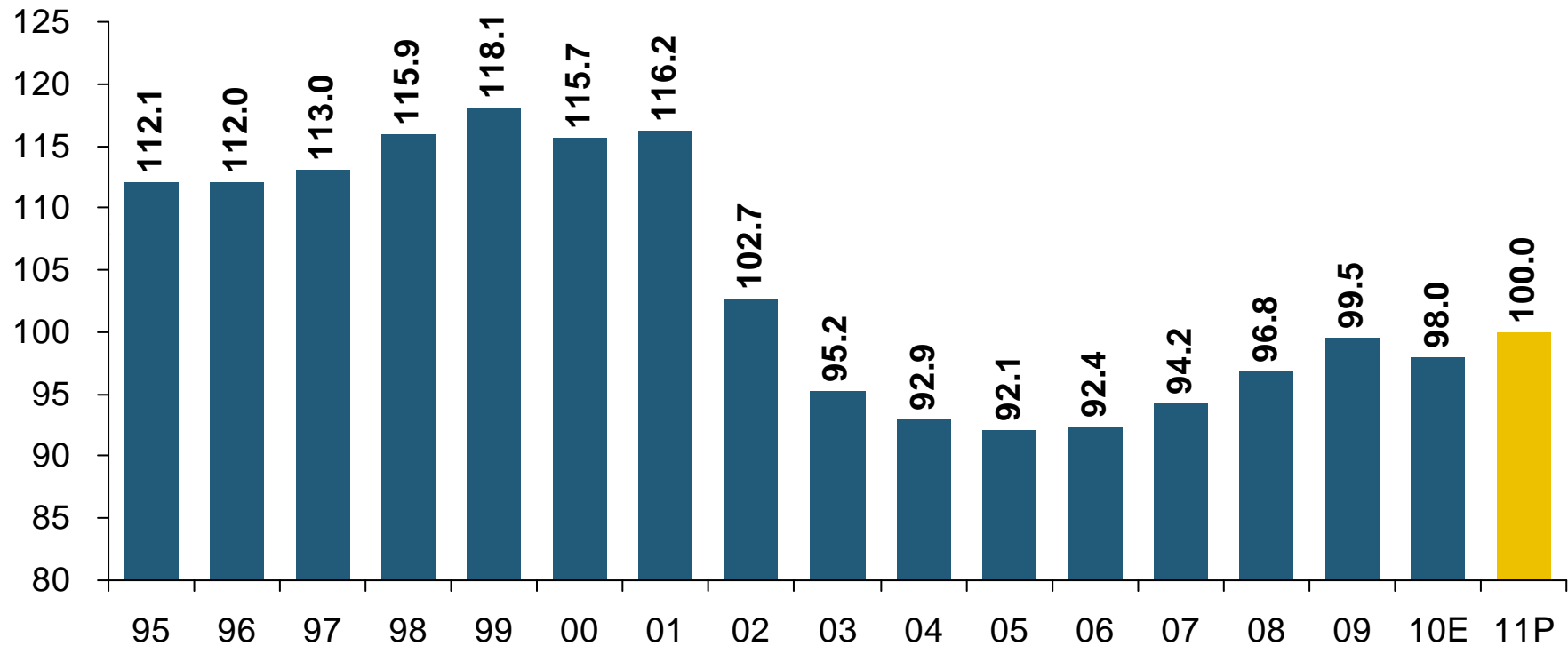
Commercial Multi-Peril Combined Ratio: 1995–2011P



**Commercial Multi-Peril Underwriting Performance
is Expected to Deteriorate Modestly**

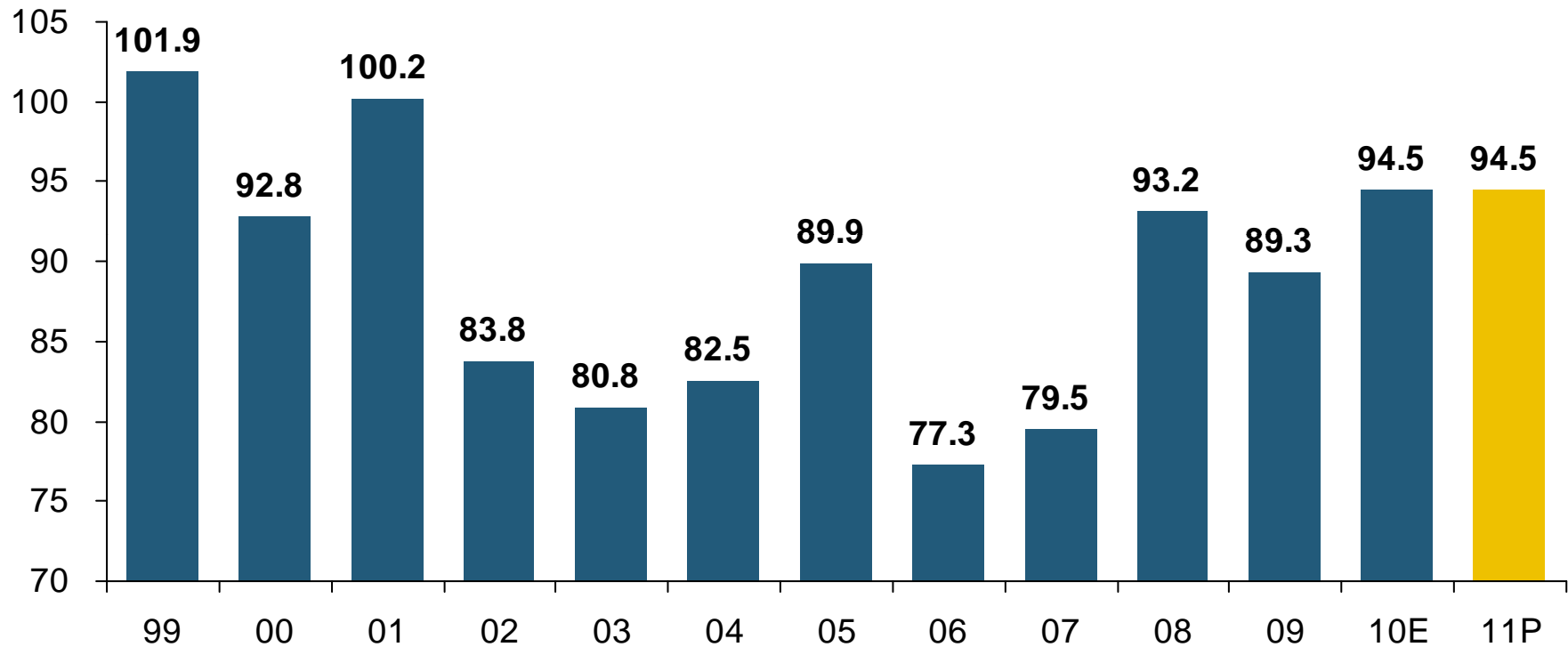
*2010E and 2011P figures are for the combined liability and non-liability components.
Sources: A.M. Best; Insurance Information Institute.

Commercial Auto Combined Ratio: 1993–2011P



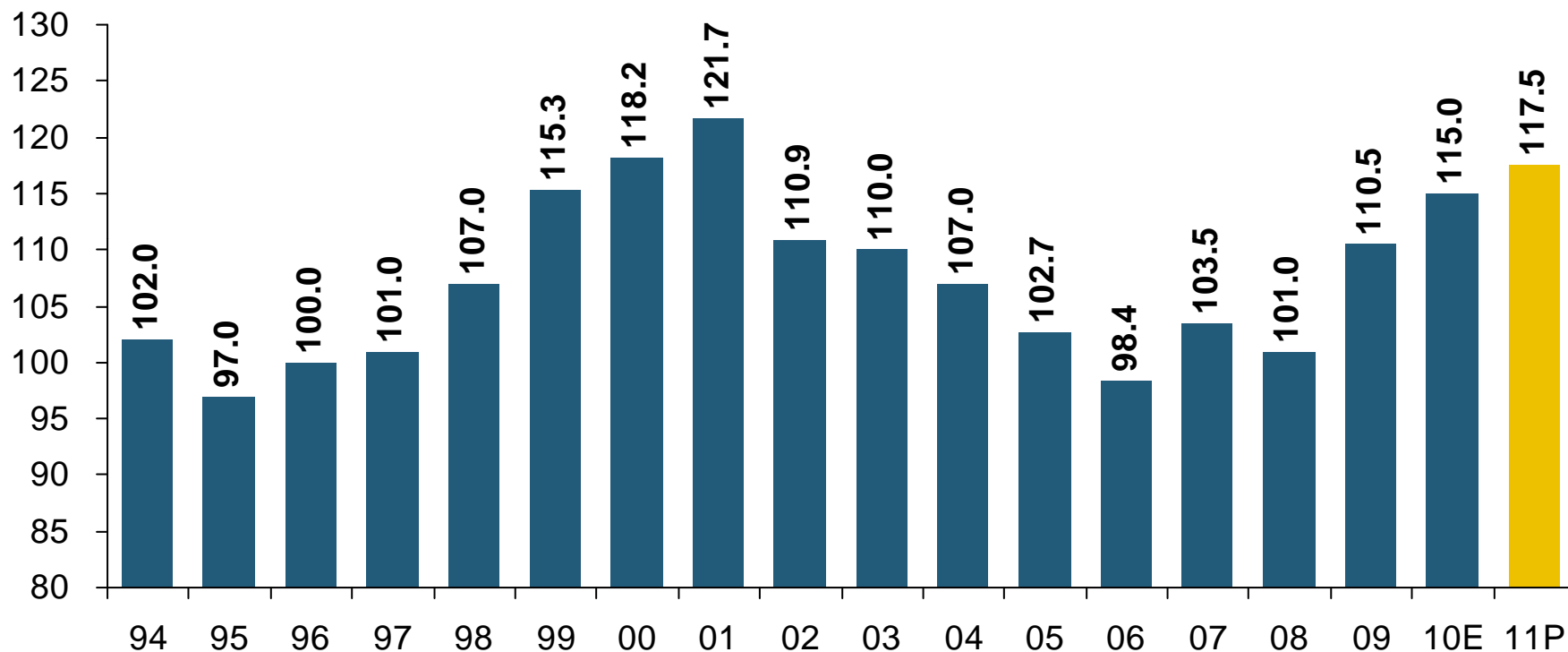
Commercial Auto Underwriting Performance is Expected to Deteriorate Modestly

Inland Marine Combined Ratio: 1999–2011P



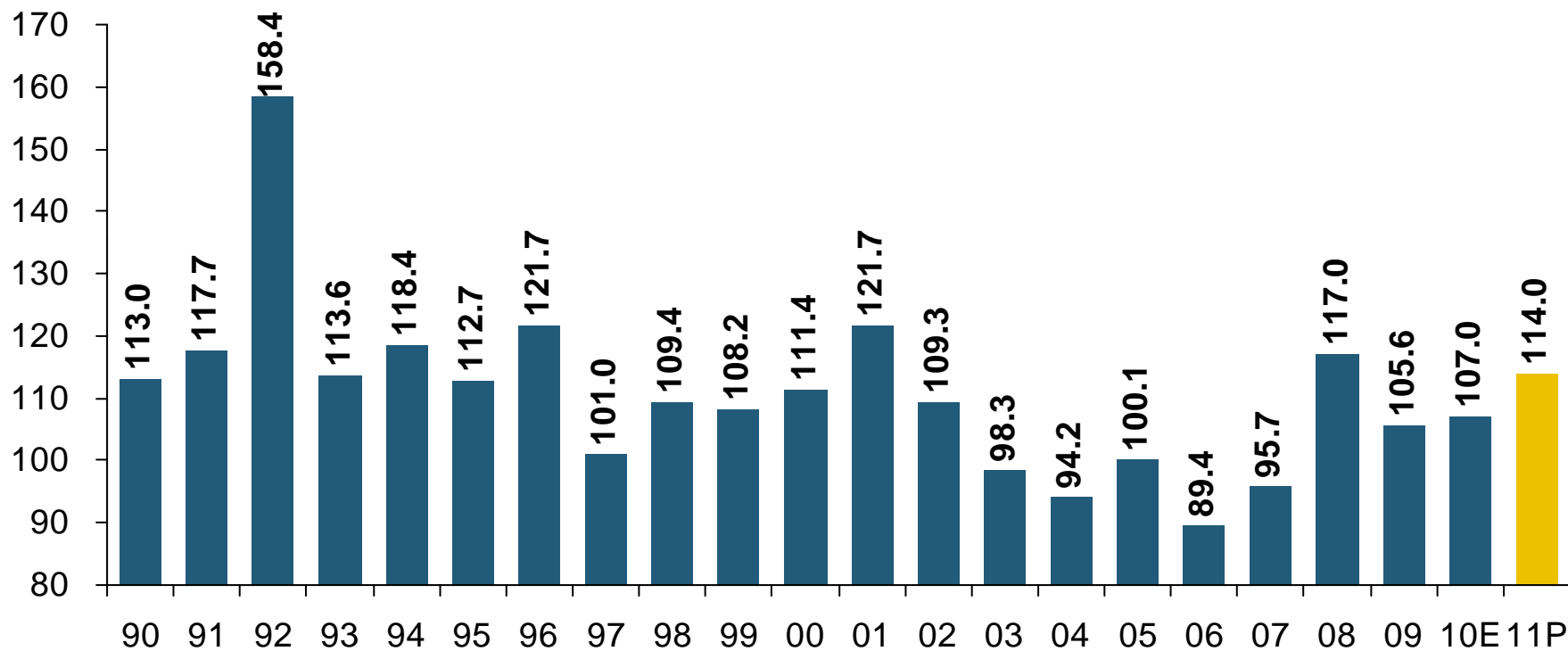
Inland Marine is Expected to Remain Among the Most Profitable of All Lines

Workers Compensation Combined Ratio: 1994–2011P



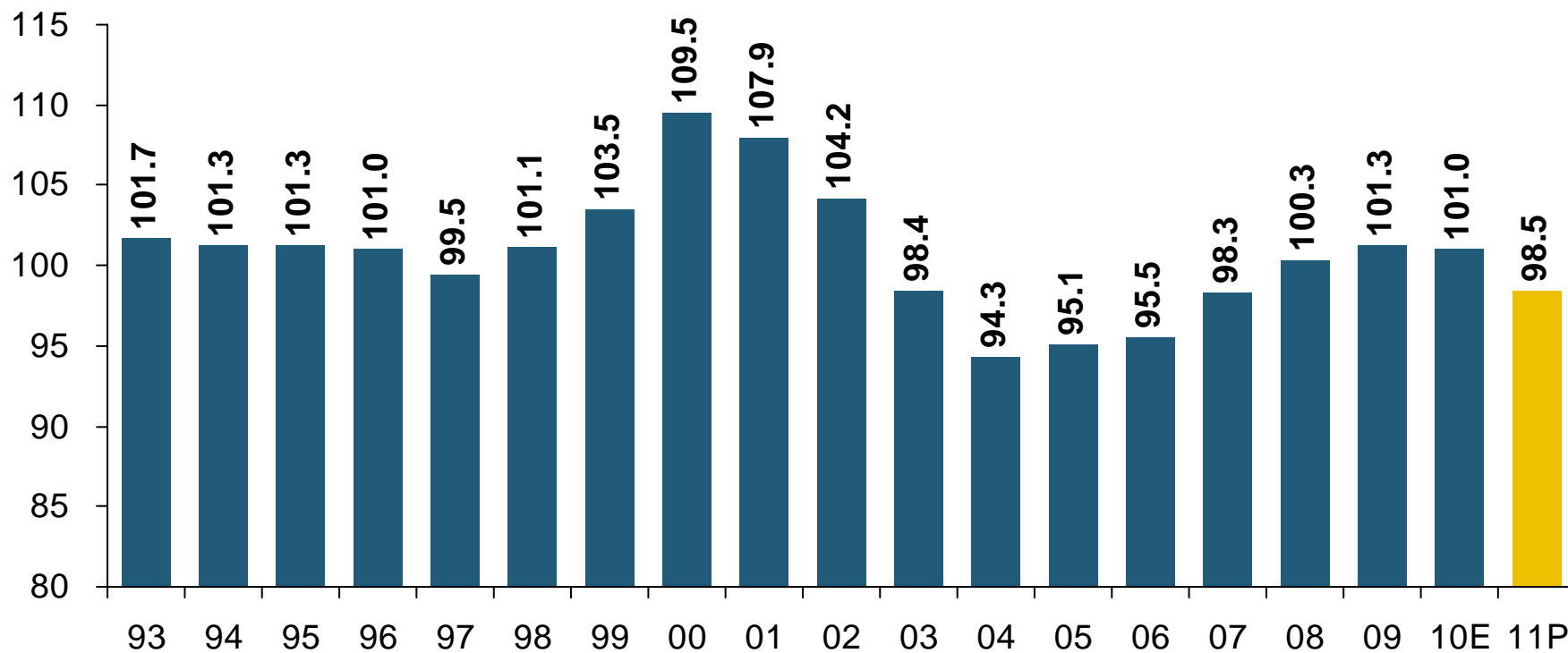
Workers Comp Underwriting Results Are Deteriorating Markedly and the Worst They Have Been in a Decade

Homeowners Insurance Combined Ratio: 1990–2011P



Homeowners Line Could Deteriorate in 2011 Due to Large Q2 Cat Losses. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

Private Passenger Auto Combined Ratio: 1993–2011P



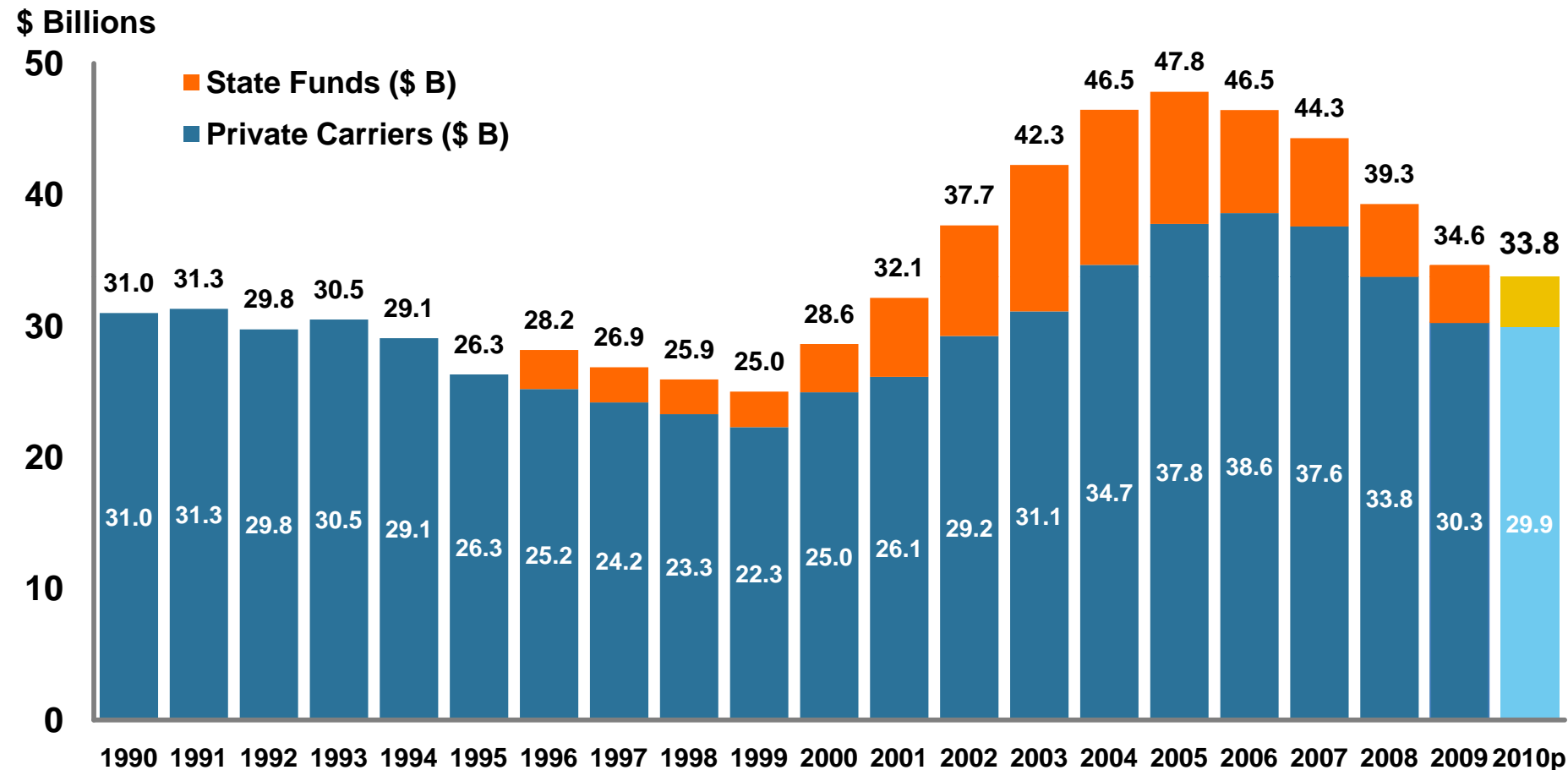
Private Passenger Auto Accounts for 34% of Industry Premiums and Remains the Profit Juggernaut of the P/C Insurance Industry

Workers Compensation Operating Environment

**Payroll Exposure Growth is Returning,
But Underwriting Must Improve to
Capitalize on this Long-Awaited
Opportunity**

Workers Compensation Premium Continues Its Sharp Decline

Net Written Premium



p Preliminary

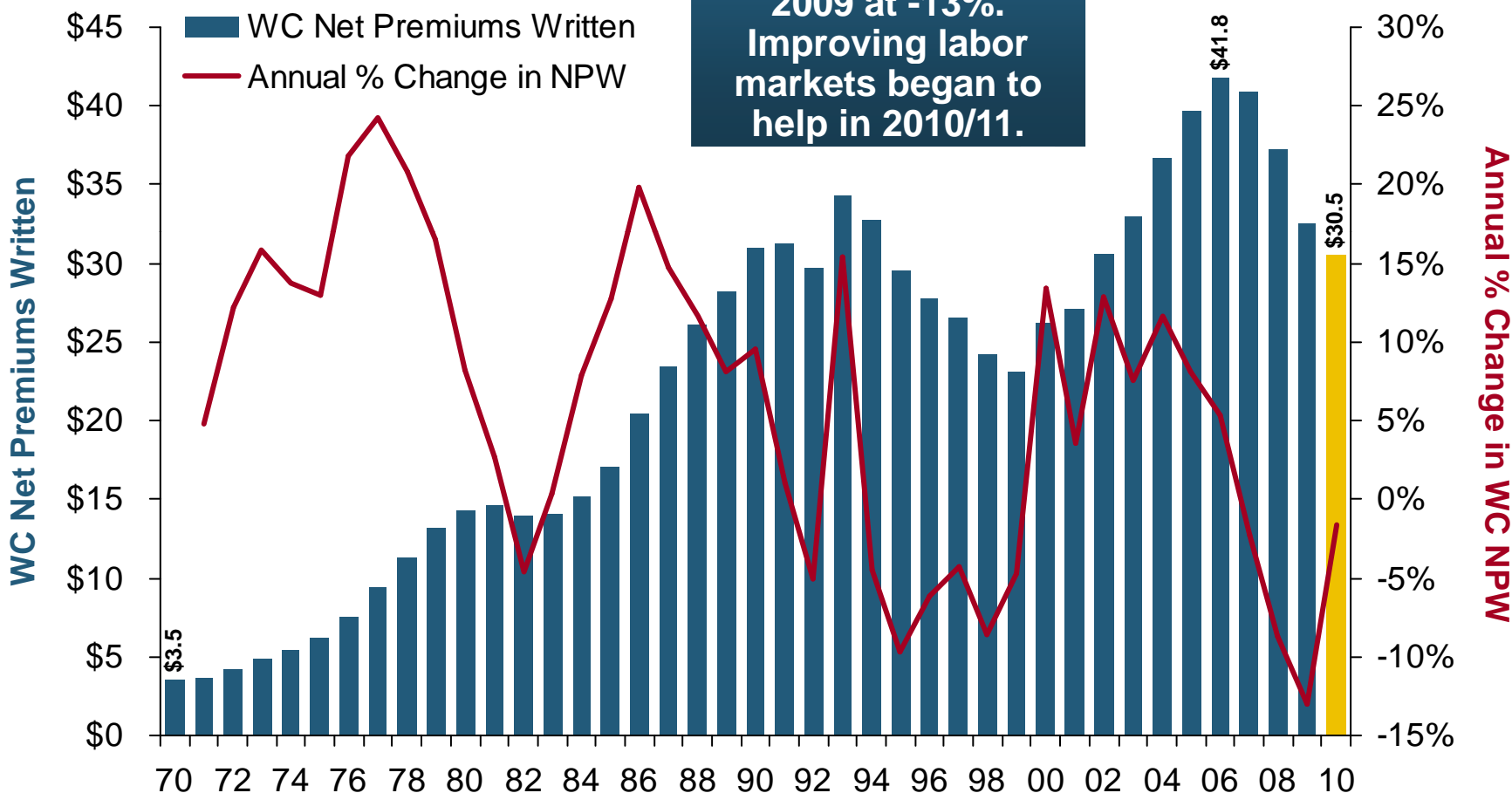
Source: 1990–2009 Private Carriers, *Best's Aggregates & Averages*; 2010p, NCCI

1996–2010p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements

State Funds available for 1996 and subsequent

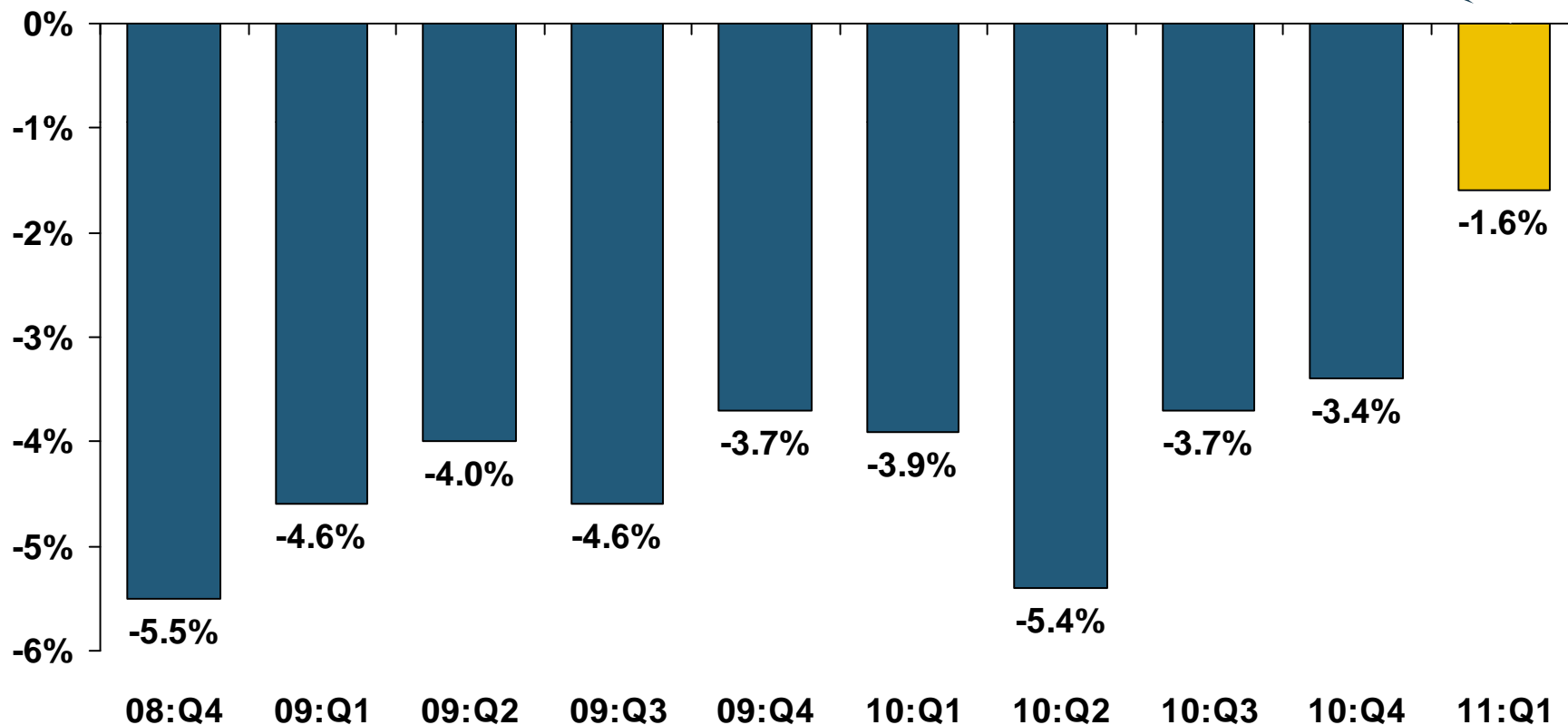
Workers Compensation Net Premiums Written and Annual Growth Rates: 1970-2010P

(\$ Billions)



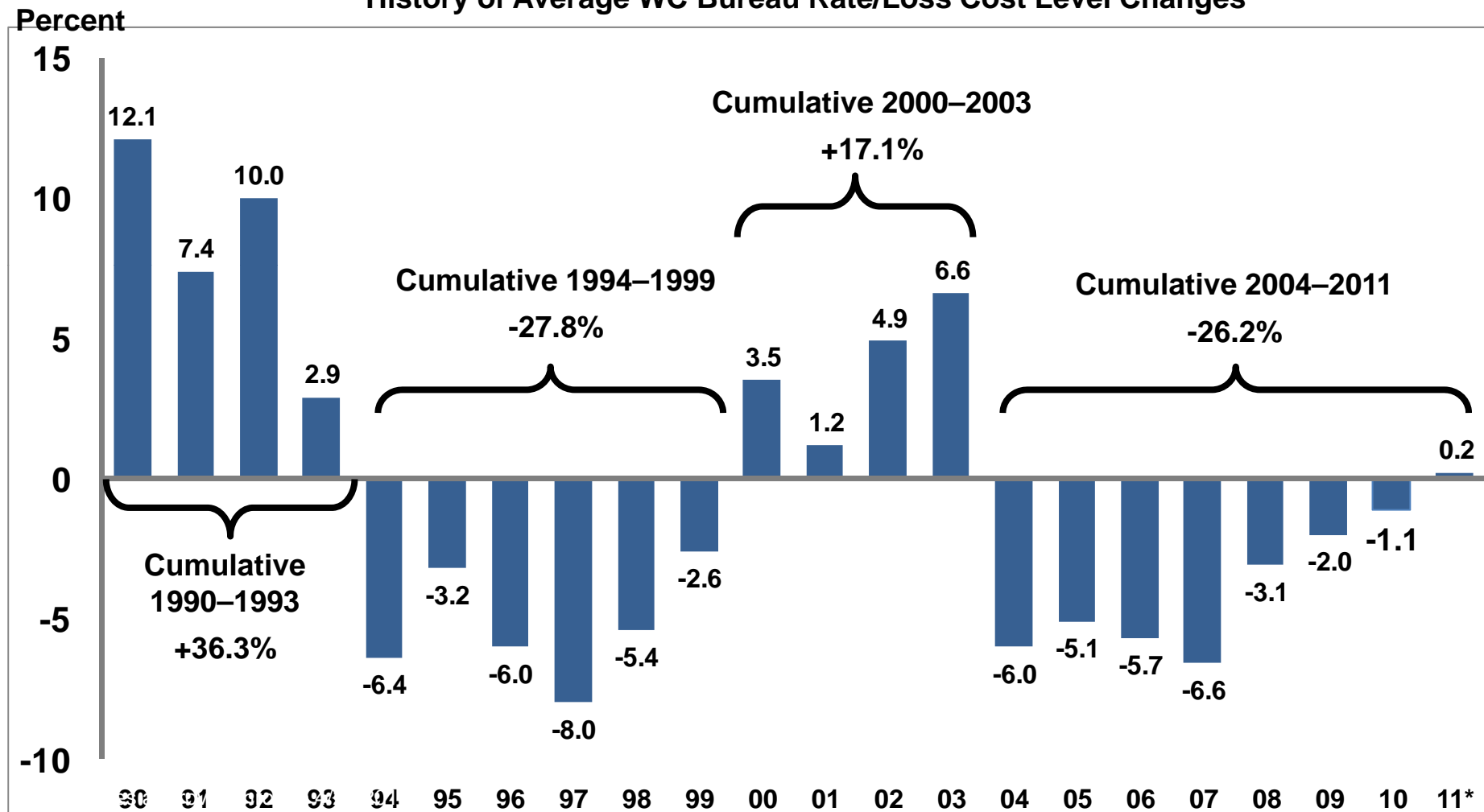
Workers Comp Rate Changes, 2008:Q4 – 2011:Q1

(Percent
Change)



Average Approved Bureau Rates/Loss Costs

History of Average WC Bureau Rate/Loss Cost Level Changes



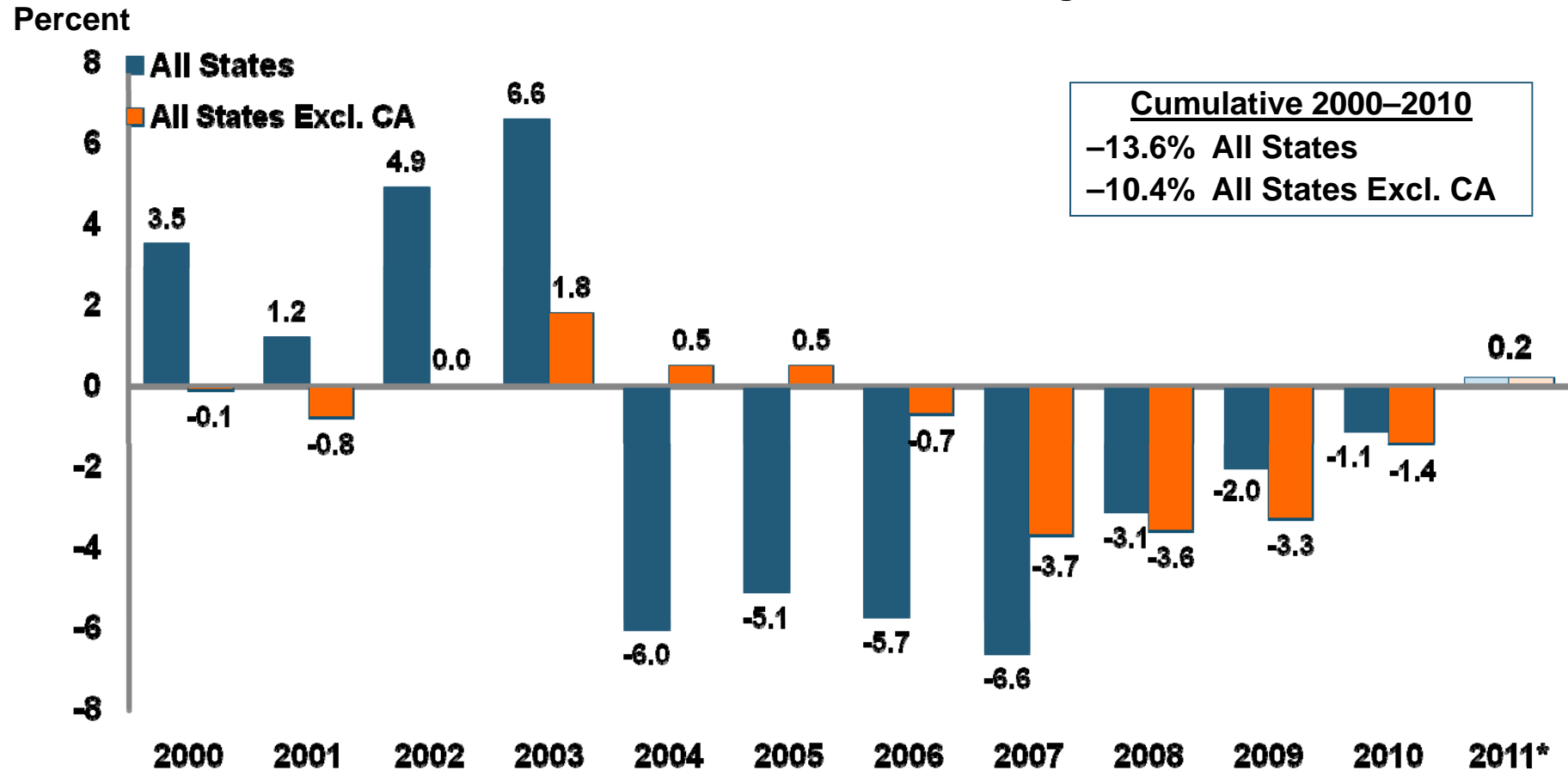
*States approved through 4/8/11.

Note: Countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by applicable rating organization.

Source: NCCI.

Average Approved Bureau Rates/Loss Costs

All States vs. All States Excluding California



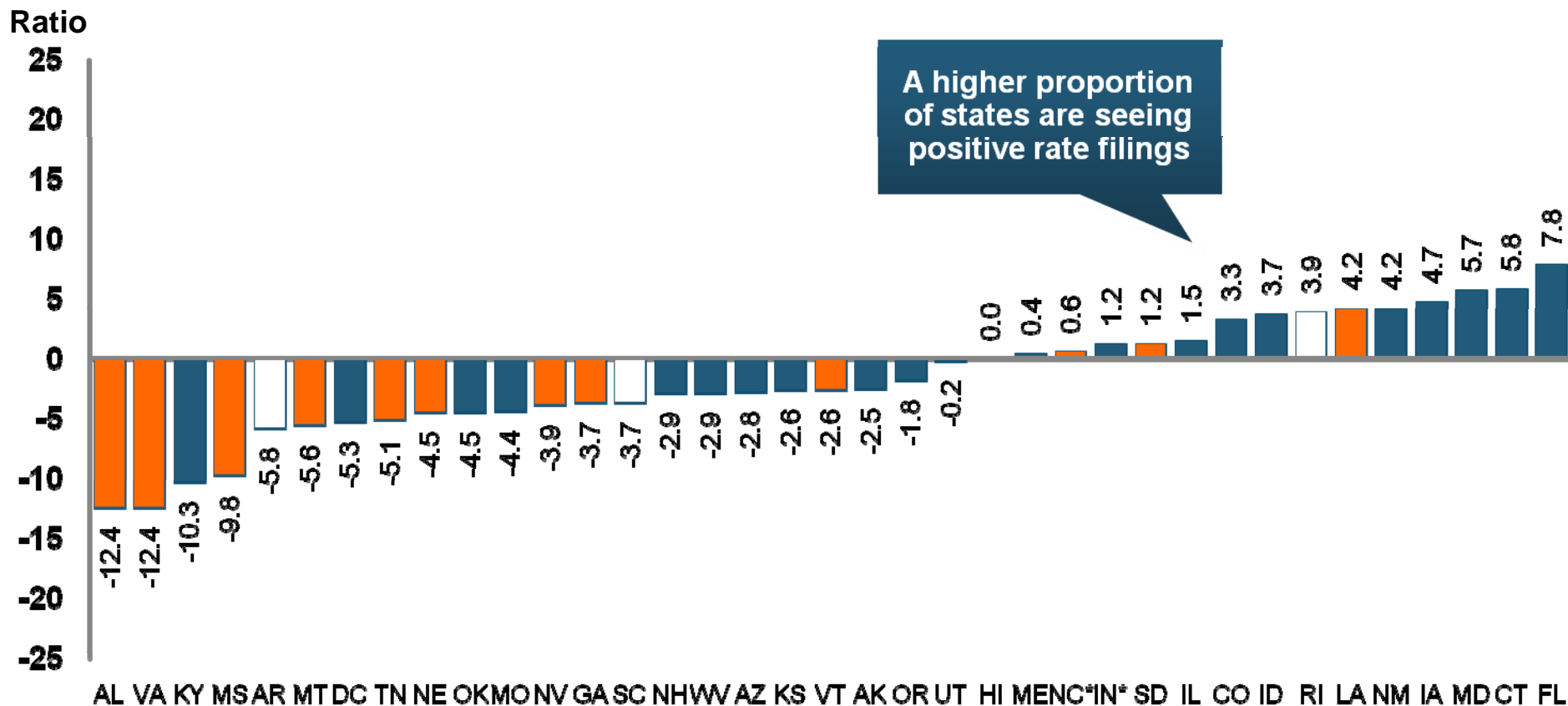
* States approved through 4/8/2011

Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization

Source: NCCI

Current NCCI Voluntary Market Filed Rate/Loss Cost Changes

Excludes Law-Only Filings



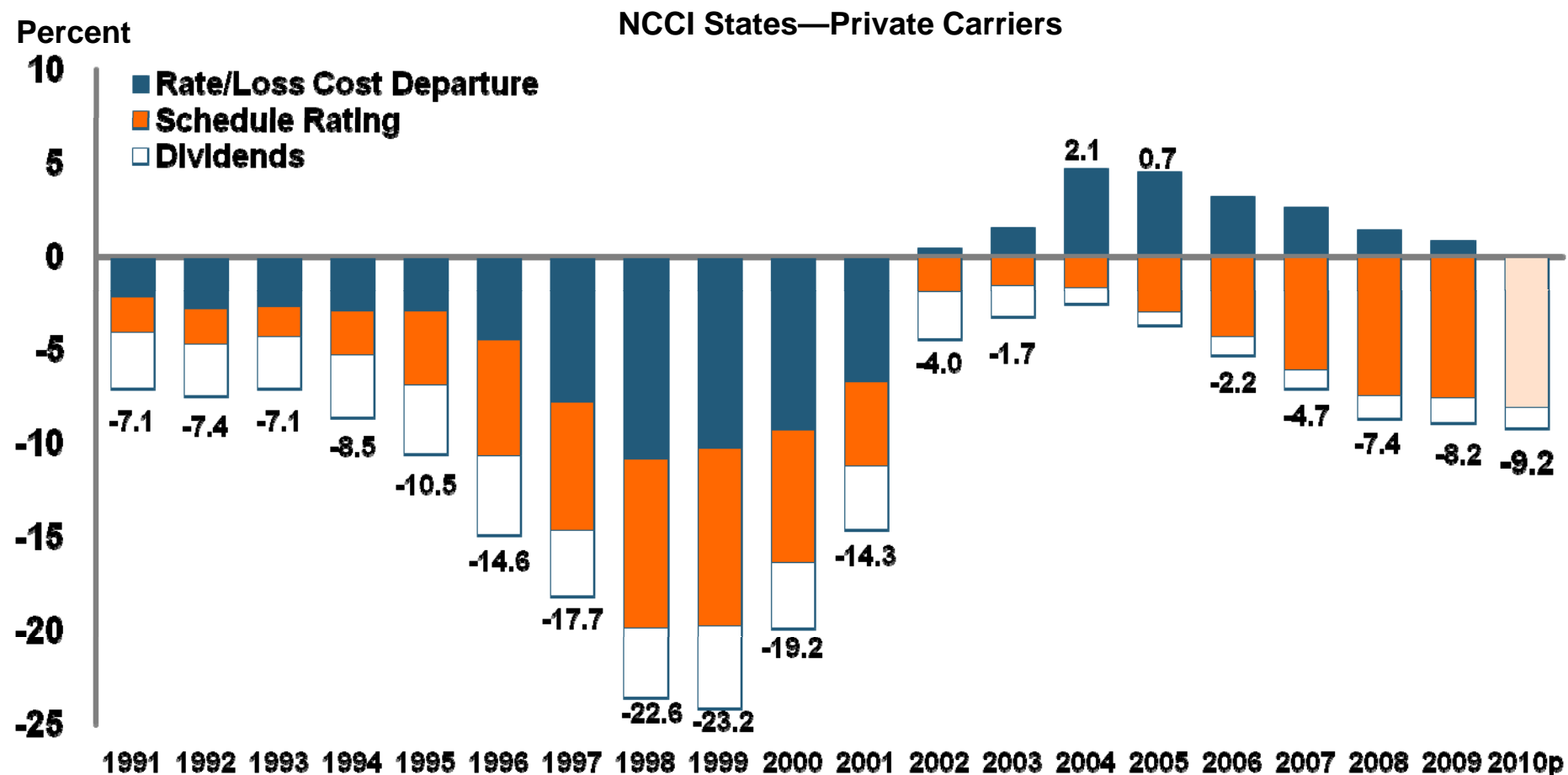
■ Effective Dates 1/1/2011 and Prior ■ Effective Dates Subsequent to 1/1/2011 □ Filed and Pending

States filed through 4/15/2011

•IN and NC filed in cooperation with state rating bureau

Source: NCCI

Impact of Discounting on Workers Compensation Premium



p Preliminary

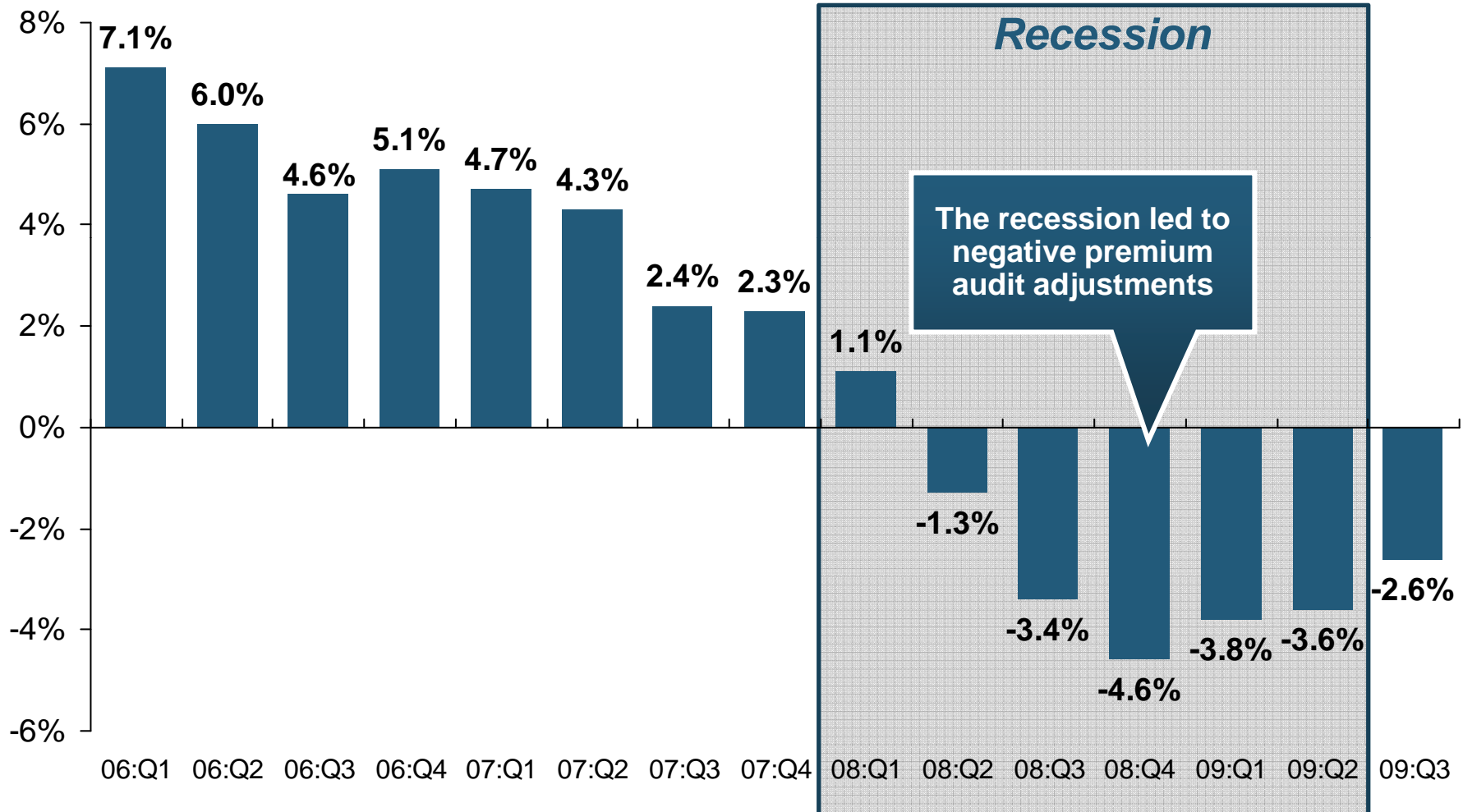
Dividend ratios are based on calendar year statistics

NCCI benchmark level does not include an underwriting contingency provision

Based on data through 12/31/2010 for the states where NCCI provides ratemaking services

Source: NCCI

Final Premium vs. Estimated Premium by Policy Effective Quarter: 2006:Q1 – 2009:Q3

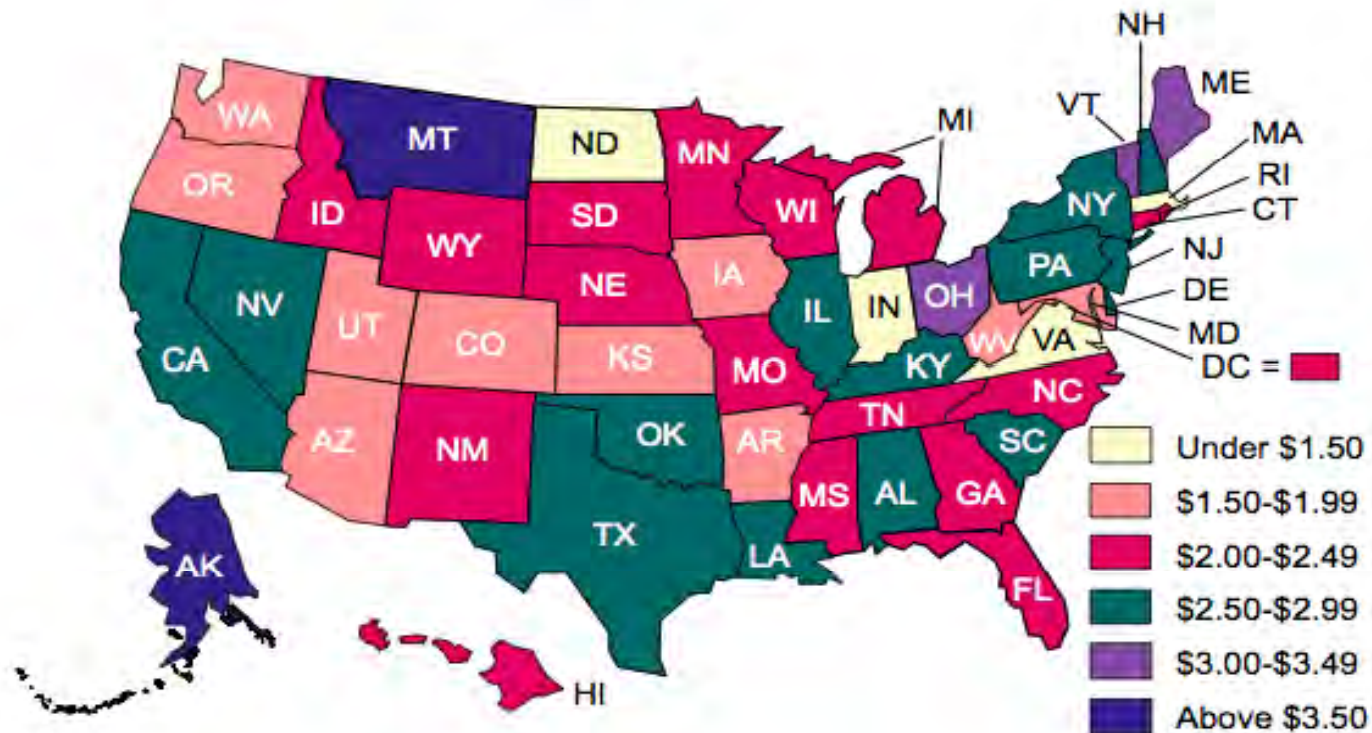


Note: WC Statistical Plan audited premium compared to policy-estimated premium. Based on states where NCCI provides ratemaking services, including state funds; excludes high deductible policies and mid-term cancellations.

Source: NCCI

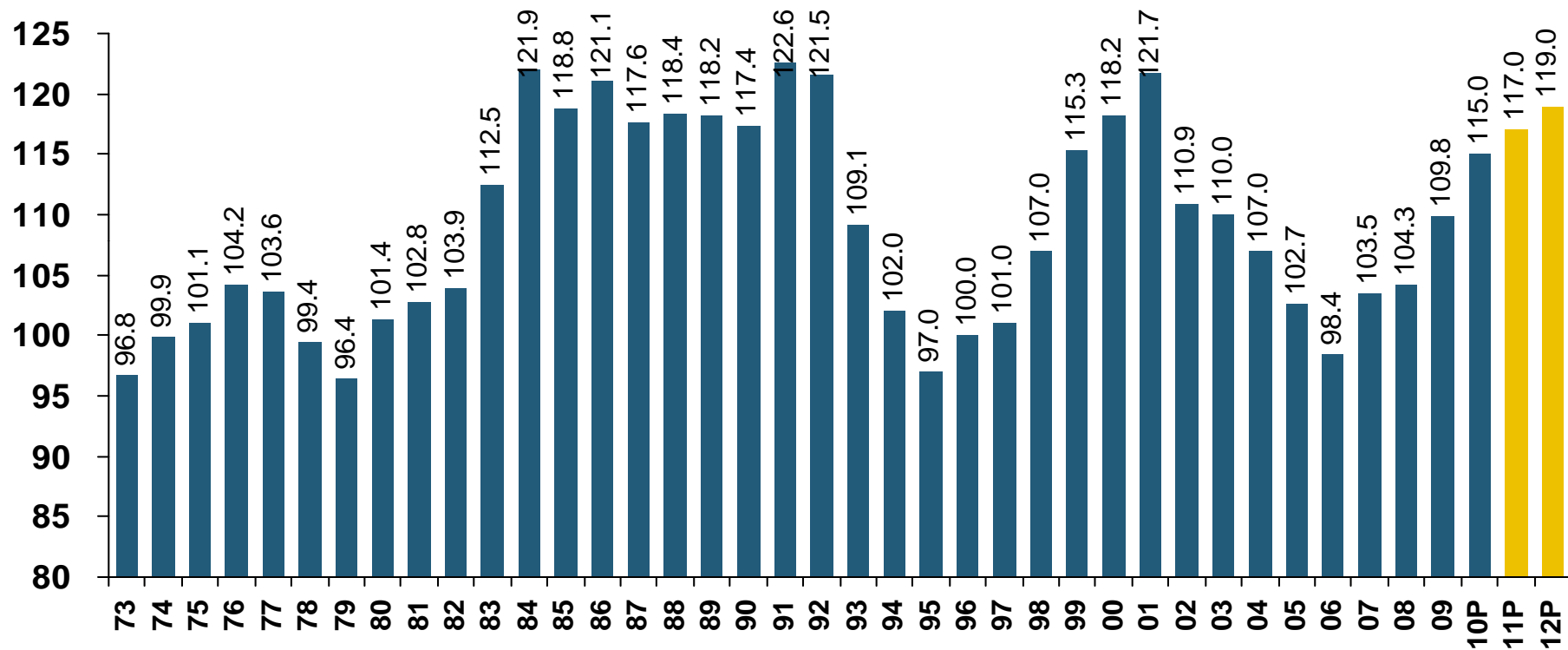
Comparison of State WC rates

WC rates, on average, do not appear to be significantly higher or lower in states with workers comp state funds



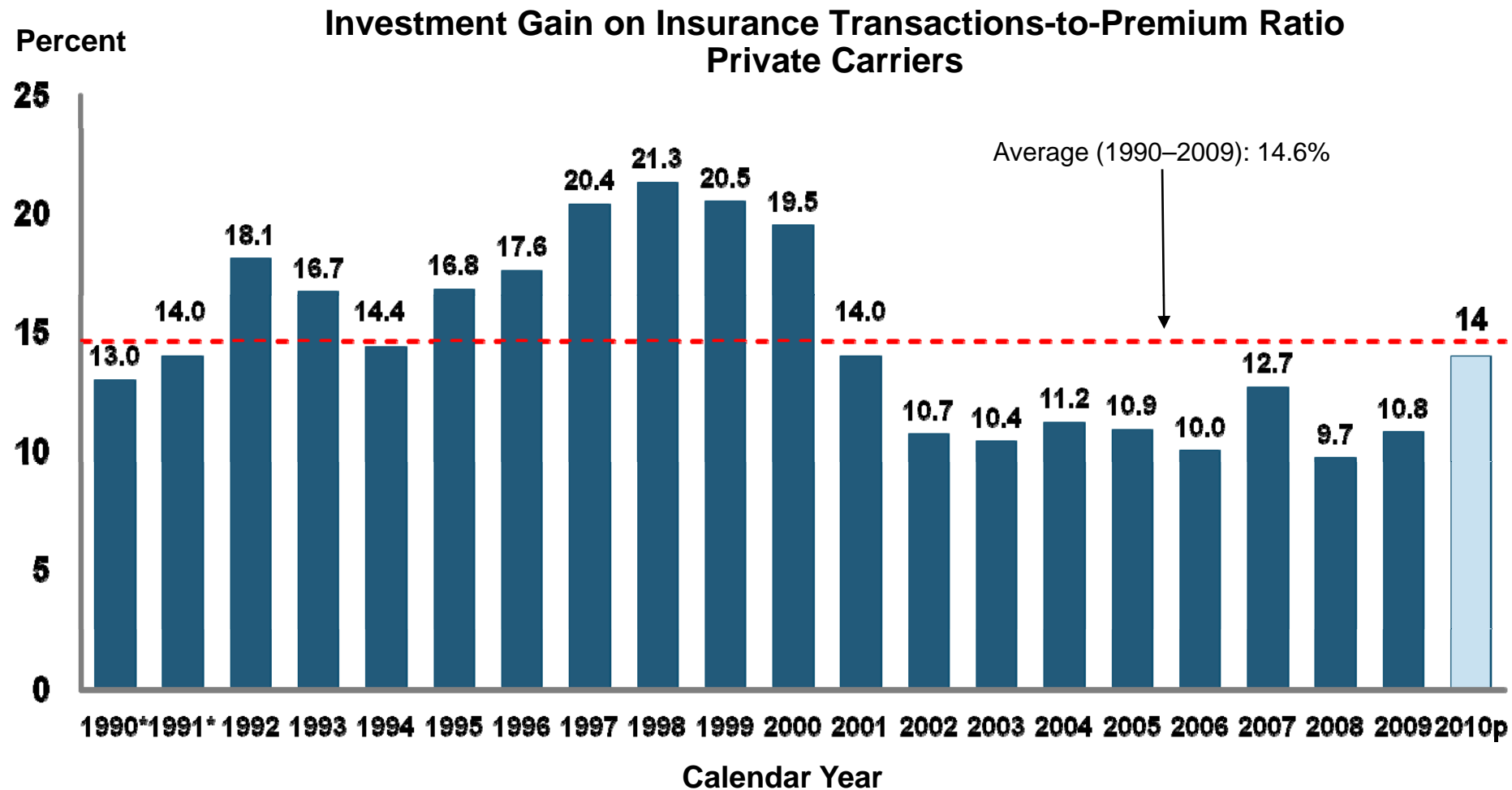
California's WC rates are about average

Workers Compensation Combined Ratio: 1973–2012P



Workers Comp Underwriting Results Are Deteriorating Markedly

Workers Compensation Investment Returns



p=Preliminary

Source: 1990–2009, Annual Statement Data; 2010p, NCCI

Investment Gain on Insurance Transactions includes Other Income

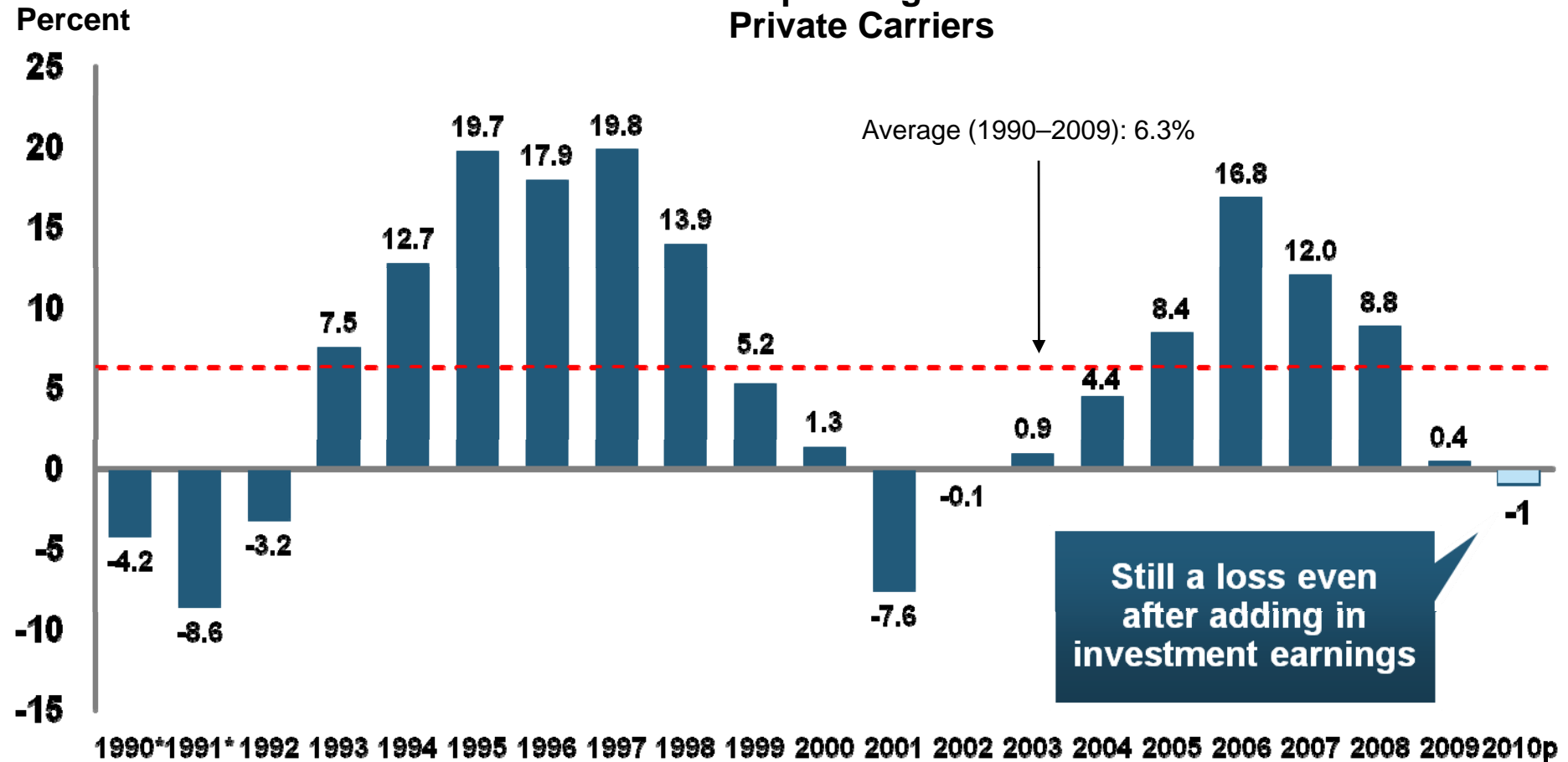
•Adjusted to include realized capital gains to be consistent with 1992 and after

Source: NCCI

Workers Compensation Results

Modest Operating Loss

Pre-Tax Operating Gain Ratio Private Carriers



p Preliminary

Source: 1990–2009, Annual Statement Data; 2010p, NCCI

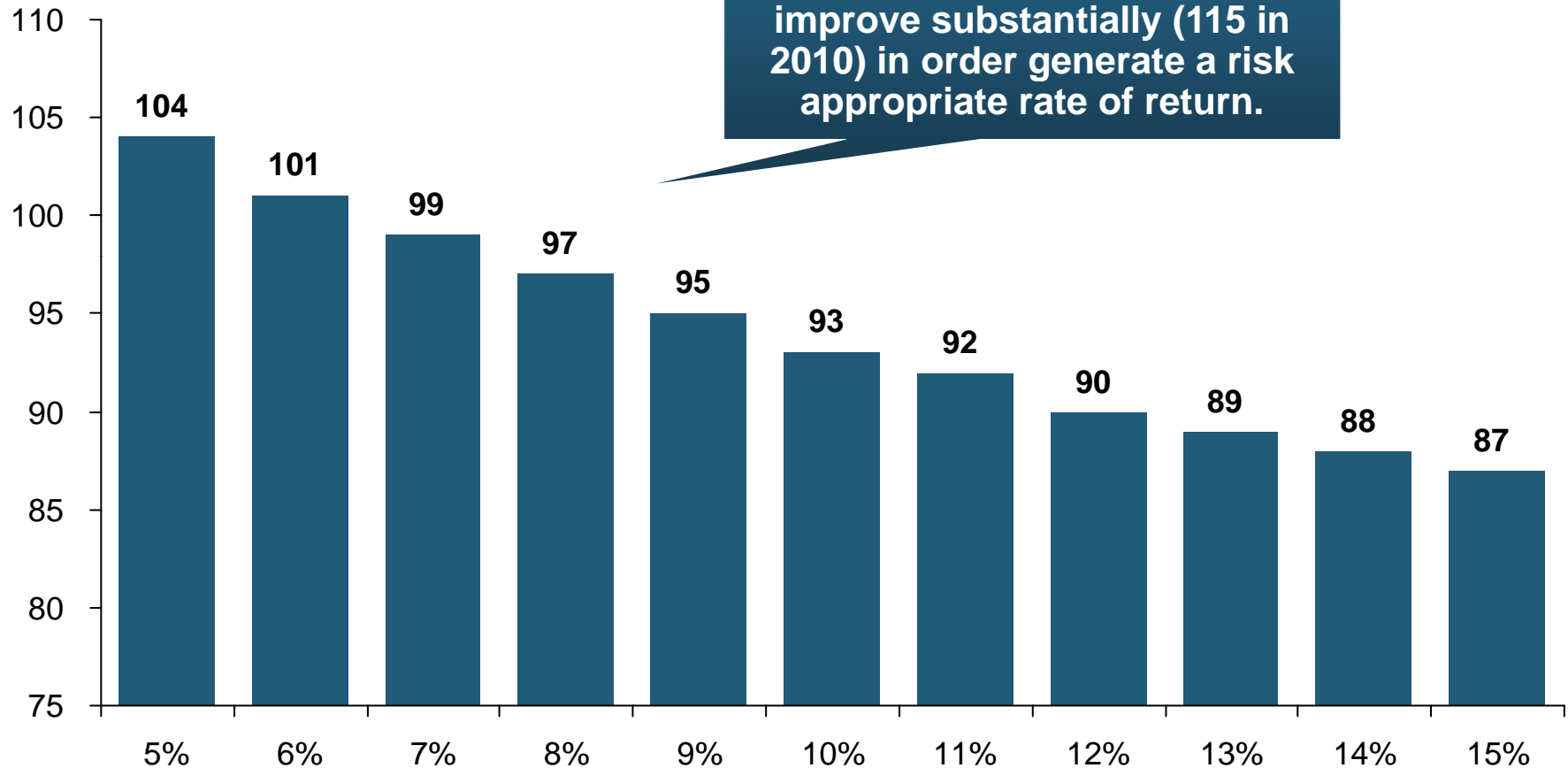
Operating Gain Equals 1.00 minus (Combined Ratio Less Investment Gain on Insurance Transactions and Other Income)

•Adjusted to include realized capital gains to be consistent with 1992 and after

Source: NCCI

WC Combined Ratio Necessary to Achieve Cost of Capital

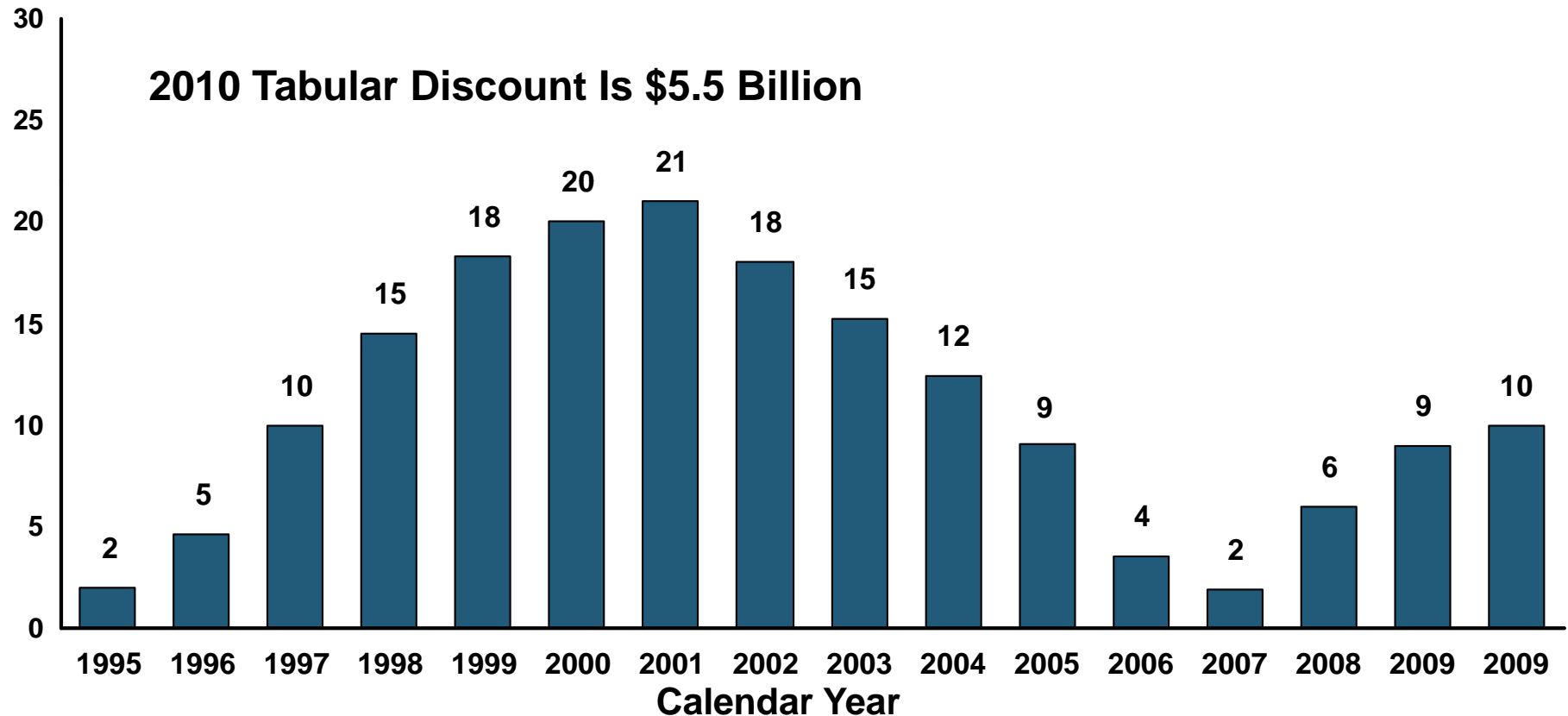
(Percent)



Assumptions: 3.8% Pre-Tax Investment Yield; 2.8% Post-Tax Investment Yield; WC R/S ratio = 2.07;
Based on NCCI's 2011 Internal Rate of Return Model
Source: NCCI.

Calendar Year Reserve Deficiency Increased in 2010

\$ Billions WC Loss and LAE Reserve Deficiency: Private Carriers



Considers all reserve discounts as deficiencies

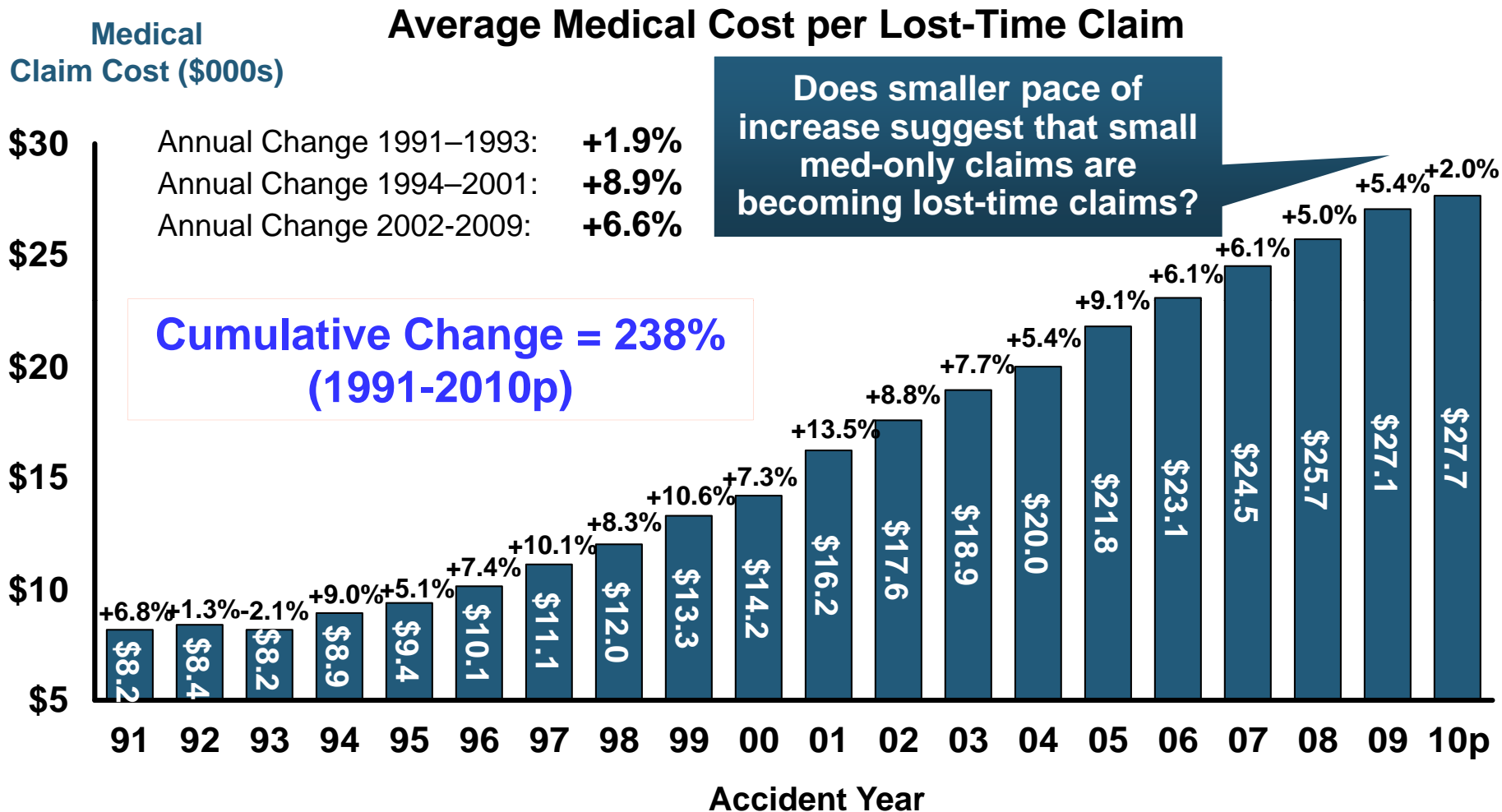
Loss and LAE figures are based on NAIC Annual Statement data for each valuation date and NCCI latest selections

Source: NCCI analysis

Workers Compensation Medical & Indemnity Claim Cost Trends

Rising Medical Costs Exert Pressure While Indemnity Costs Fell

Workers Comp Medical Claim Costs Continue to Rise

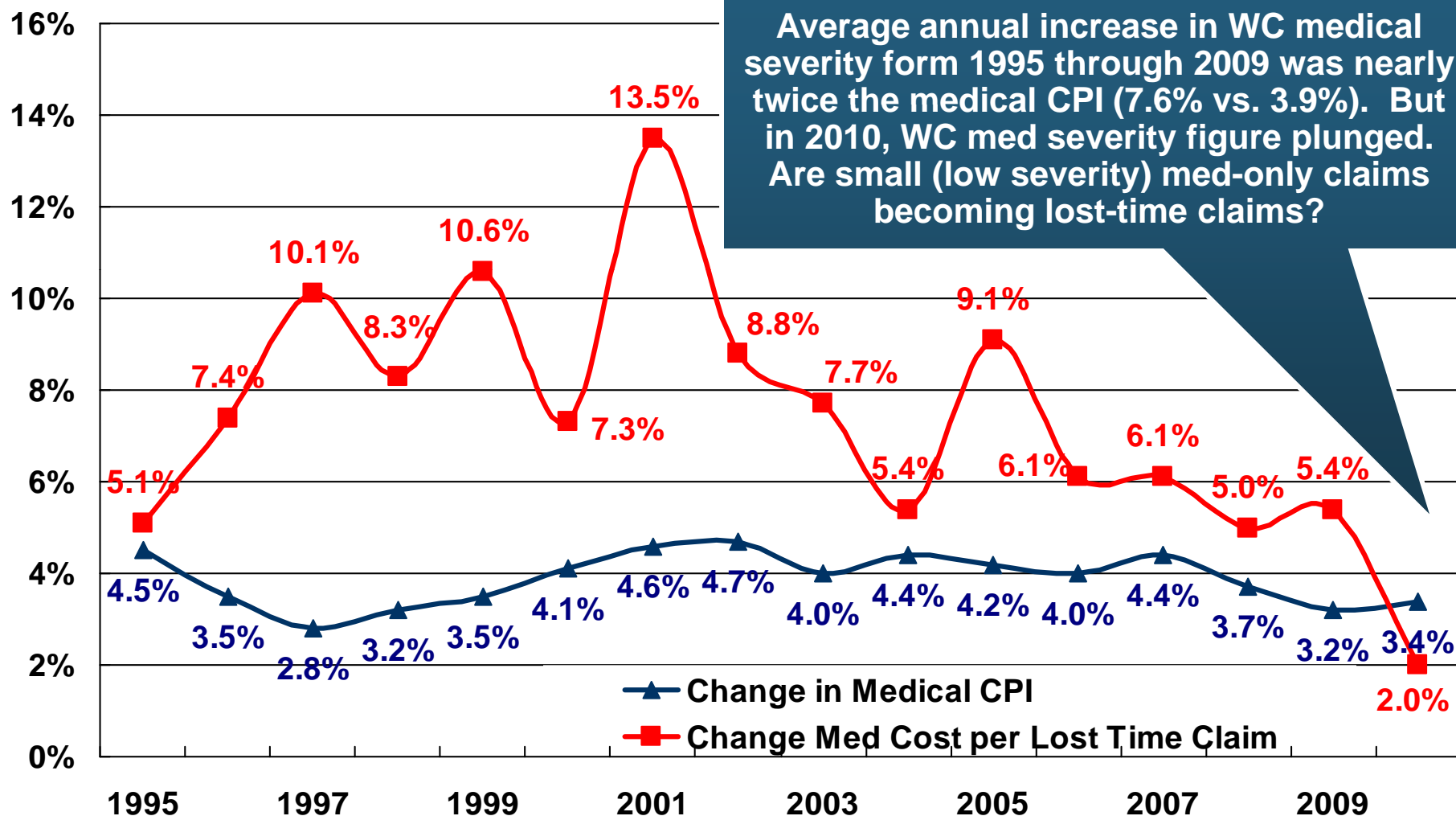


2010p: Preliminary based on data valued as of 12/31/2010

1991-2008: Based on data through 12/31/2008, developed to ultimate

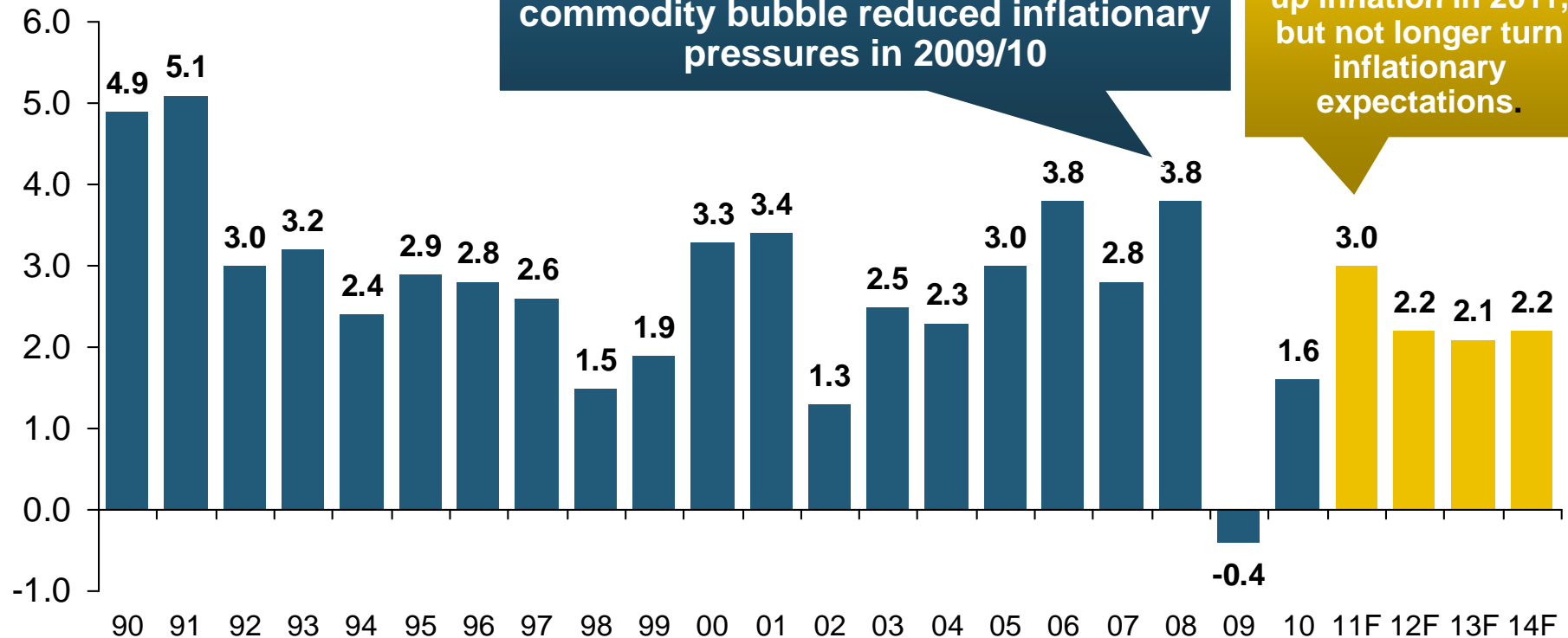
Based on the states where NCCI provides ratemaking services; Excludes the effects of deductible policies

WC Medical Severity Generally Outpaces the Medical CPI Rate—Not in 2010



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

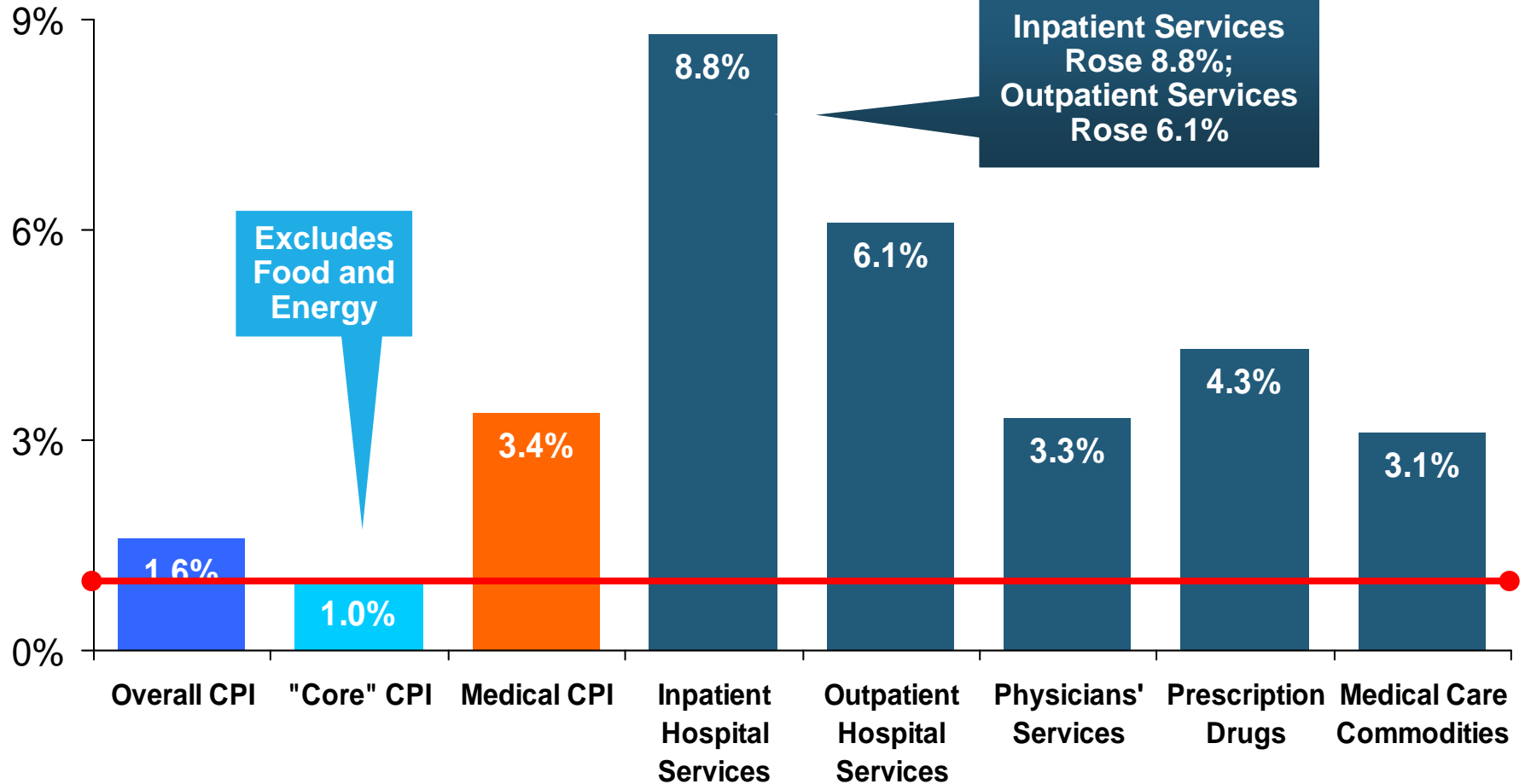
Annual Inflation Rates (%)



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

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

Price Changes
in 2010

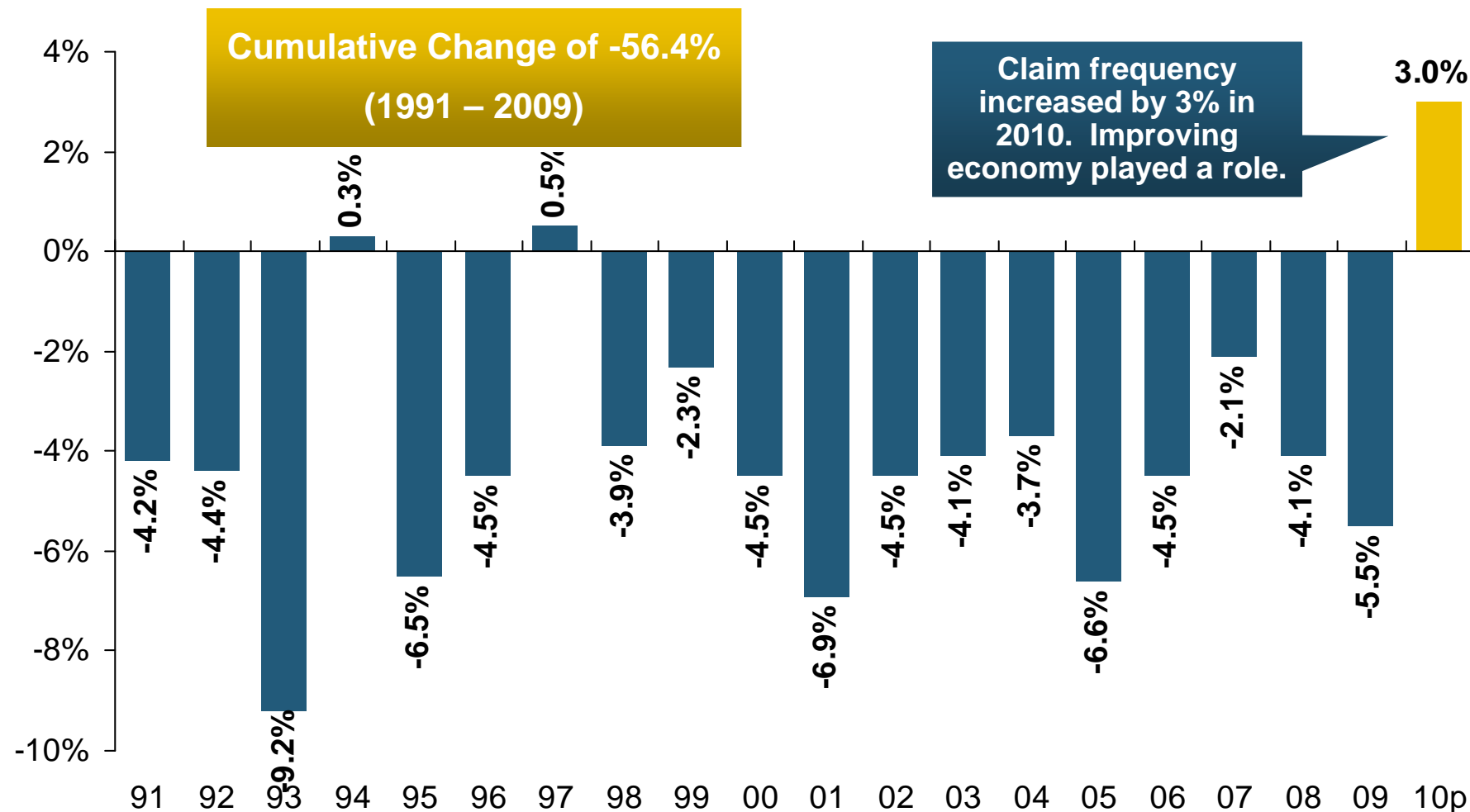


Healthcare costs are a major claim cost driver in WC. They are likely to grow faster than the CPI in most years.

Workers Compensation Lost-Time Claim Frequency *Increased* in 2010*

(Percent)

Lost-Time Claims



2010p: Preliminary based on data valued as of 12/31/2010;

1991-2009: Based on data through 12/31/2009, developed to ultimate

Based on the states where NCCI provides ratemaking services including state funds; Excludes the effects of deductible policies

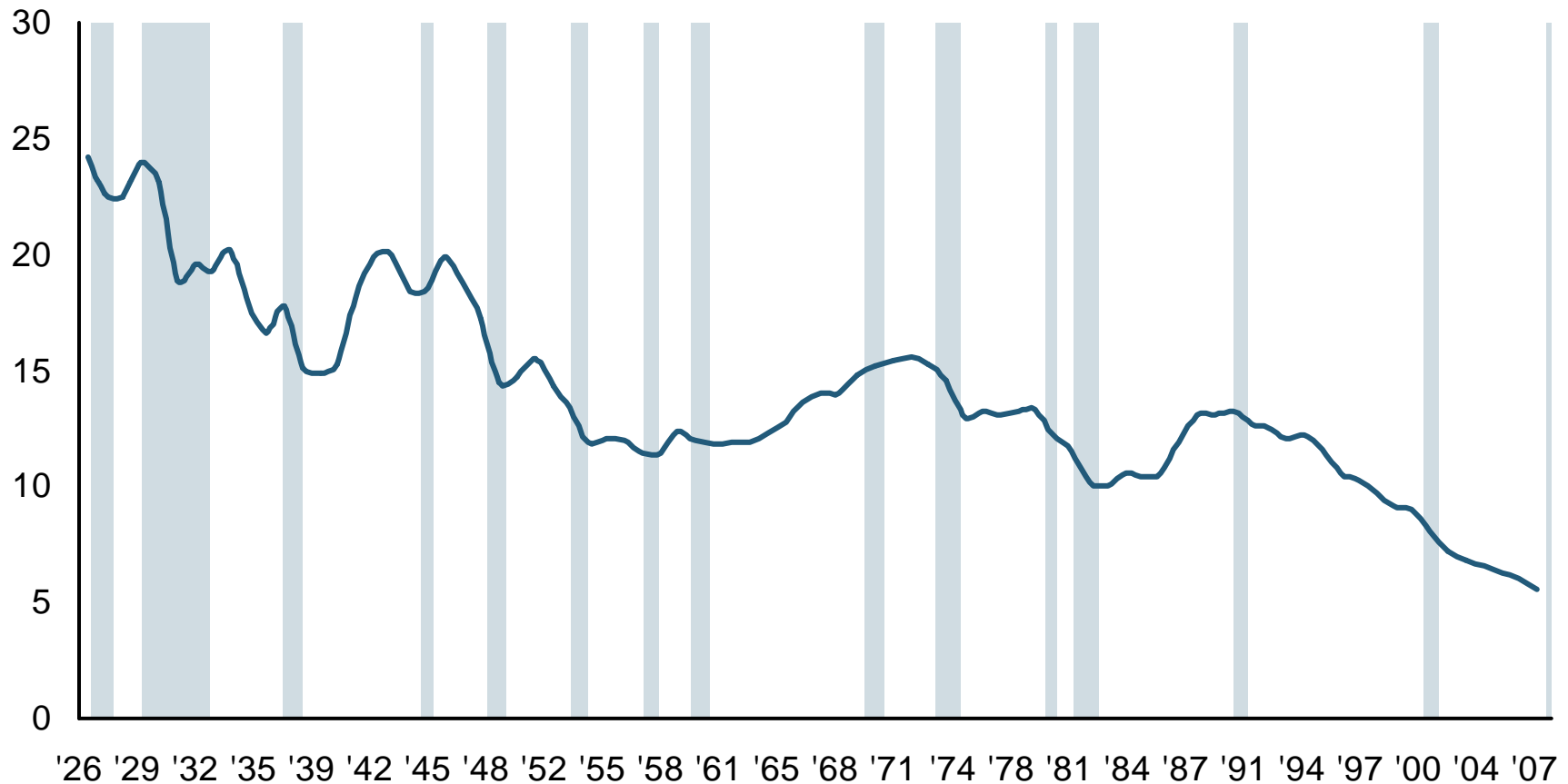
*Frequency is defined as the number of lost-time claims per 100,000 workers.

2010 figure is adjusted by NCCI. Unadjusted figure is +9%.

Frequency: 1926–2008

A Long-Term Drift Downward

Manufacturing – Total Recordable Cases
Rate of Injury and Illness Cases per 100 Full-Time Workers



Note: Recessions indicated by gray bars.

Sources: NCCI from US Bureau of Labor Statistics; National Bureau of Economic Research

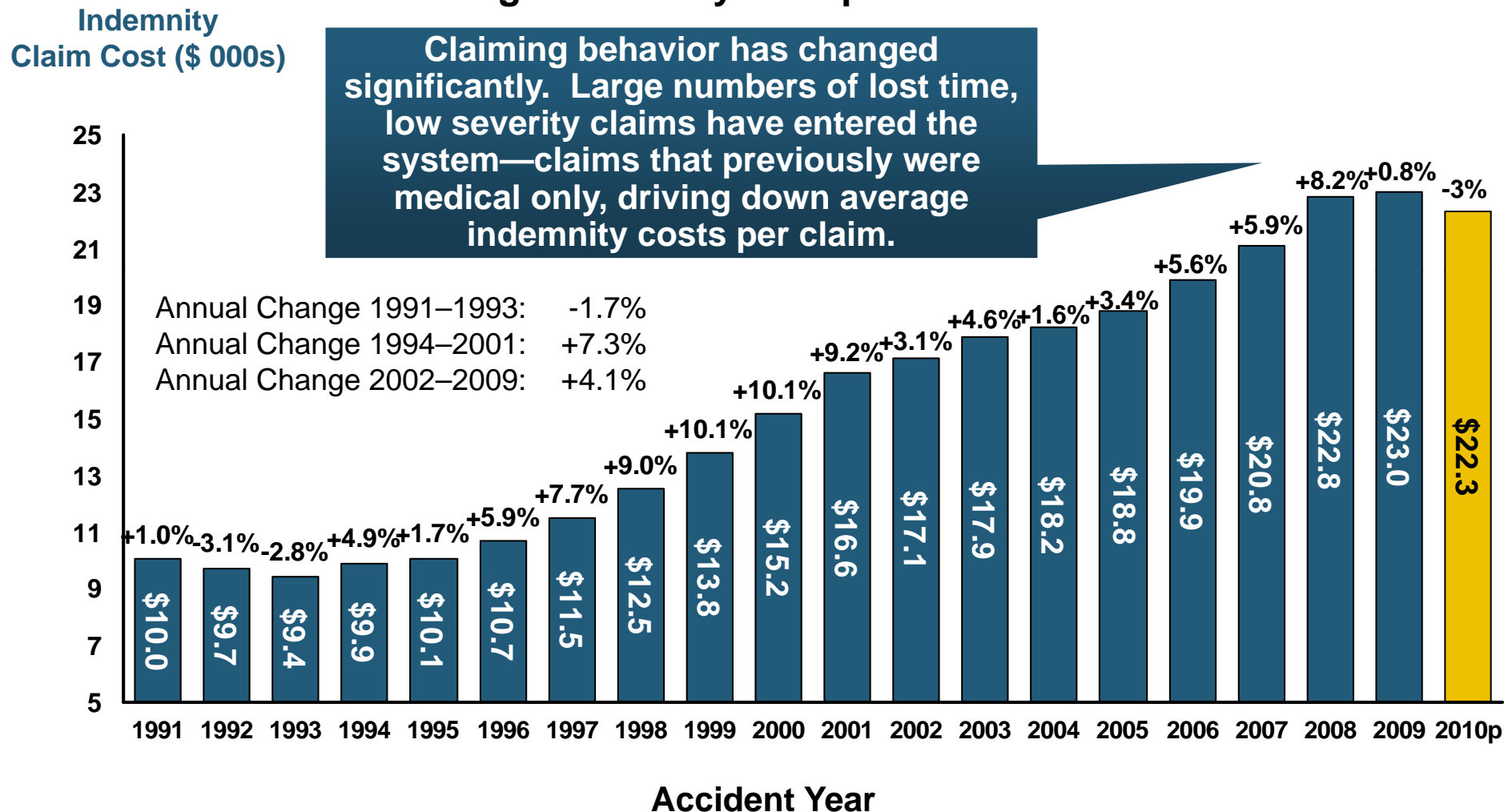
Indemnity Claim Cost Trends

Indemnity Costs Moderated in 2010

Workers Comp Indemnity Claim Costs Decline in 2010

Average Indemnity Cost per Lost-Time Claim

Claiming behavior has changed significantly. Large numbers of lost time, low severity claims have entered the system—claims that previously were medical only, driving down average indemnity costs per claim.



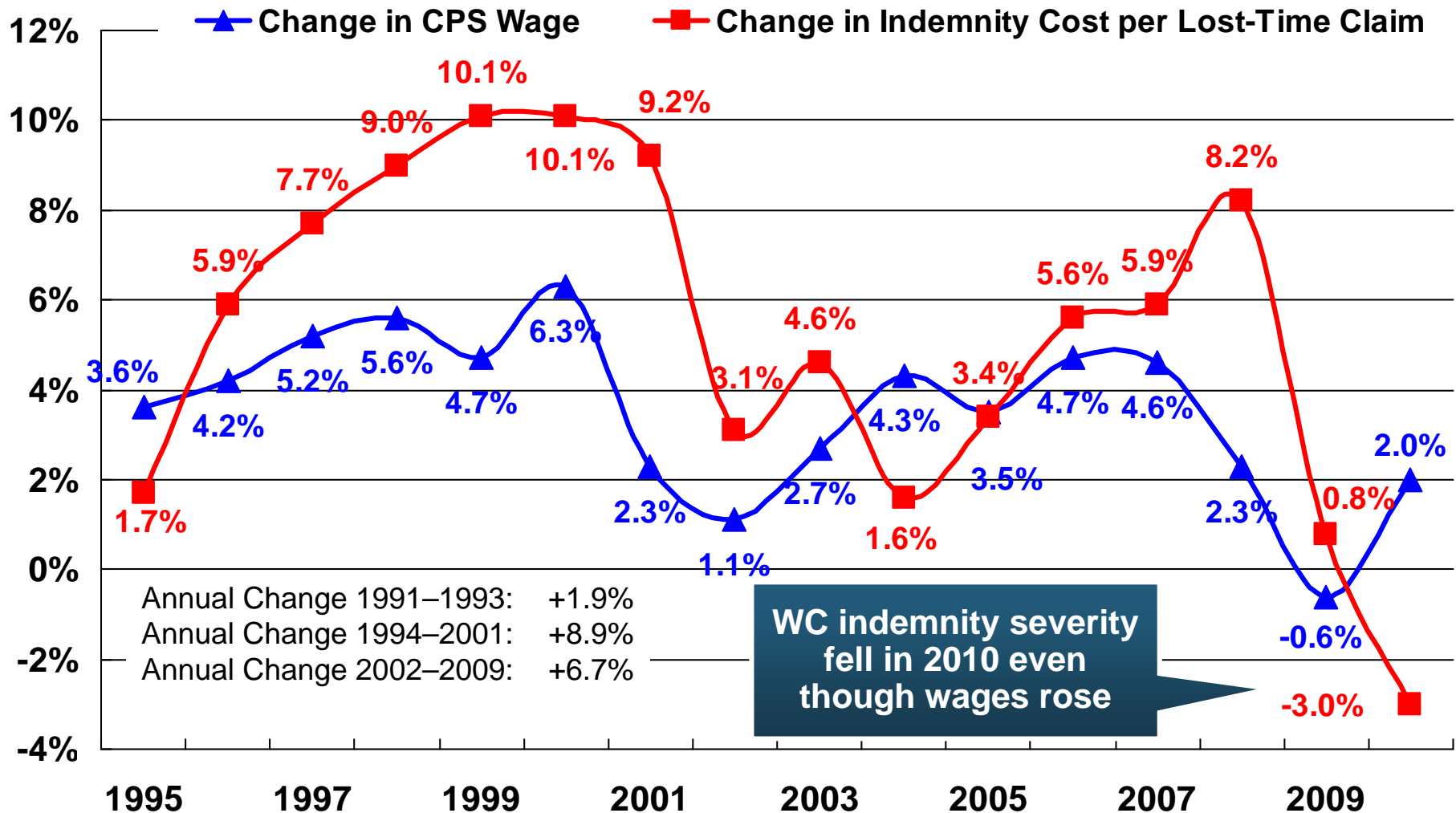
2010p: Preliminary based on data valued as of 12/31/2010

1991–2008: Based on data through 12/31/2008, developed to ultimate

Based on the states where NCCI provides ratemaking services

Excludes the effects of deductible policies

WC Indemnity Severity vs. Wage Inflation, 1995 -2010p



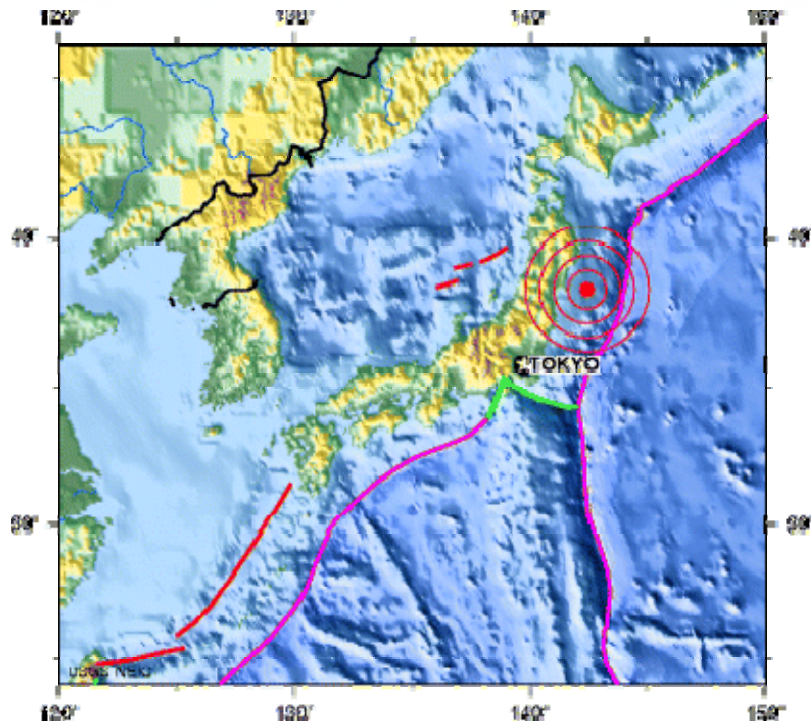
2010p: Preliminary based on data valued as of 12/31/2010; 1991-2009: Based on data through 12/31/2009, developed to ultimate. Based on the states where NCCI provides ratemaking services. Excludes the effects of deductible policies. CPS = Current Population Survey.

Source: NCCI

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

Impacts Could Be Felt Well Beyond Japan

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



NEAR EAST COAST OF HONSHU, JAPAN

2011 03 11 05:49:23 UTC 38.32N 142.27E Depth: 24.4 km

Earthquake Location

March 11 Earthquake Facts as of 3/24/2011

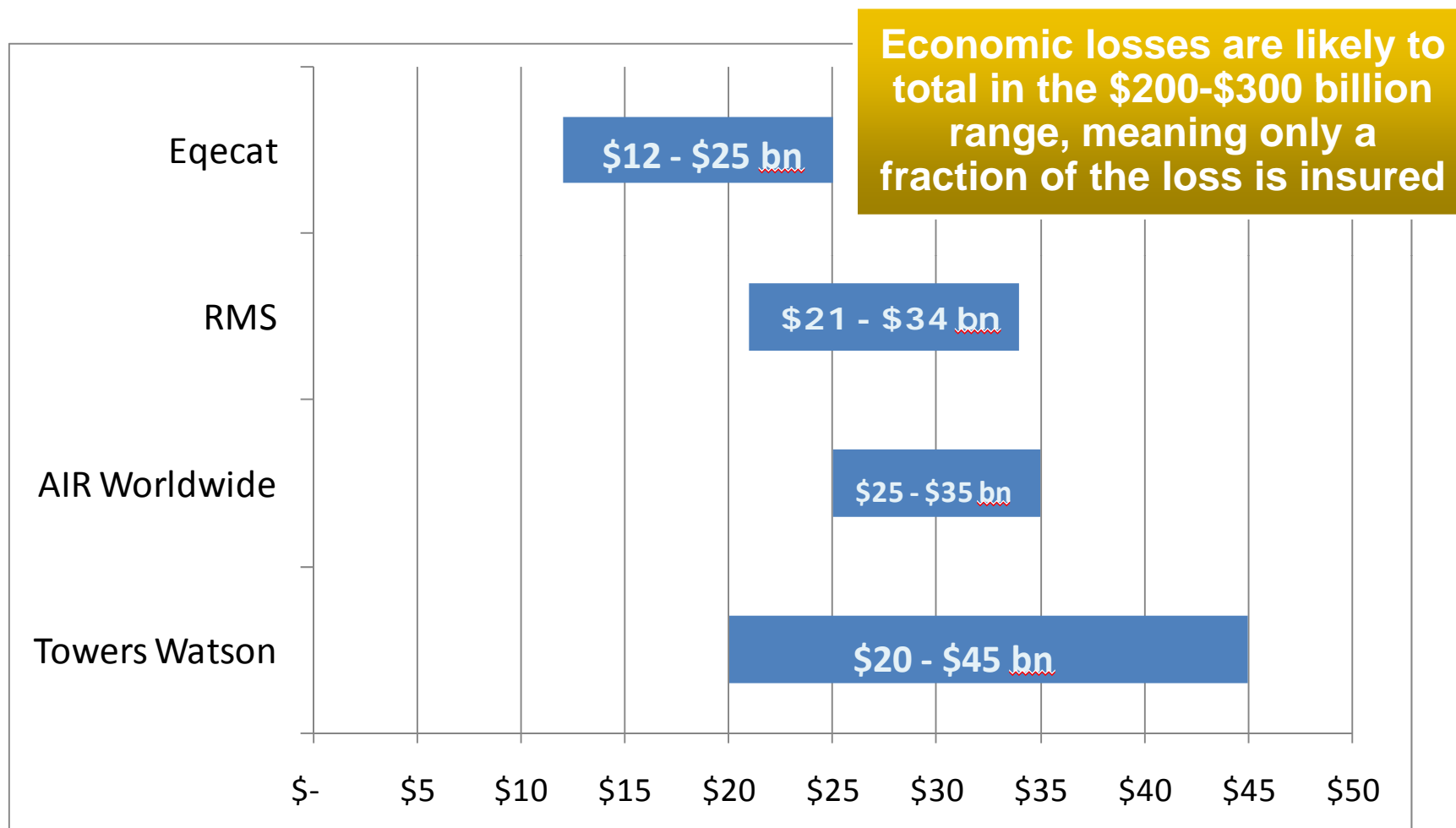
- Magnitude 9.0 earthquake struck Japan at 2:46PM local time (2:46AM Eastern) off northeast coast of Honshu, 80 miles east of Sendai
- Quake is among the 5 strongest in recorded history and the strongest in the 140 years for which records have been kept in Japan
- 12,000+ fatalities
- Economic loss: \$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

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**

Insured Japan Earthquake Loss Estimates*

(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.

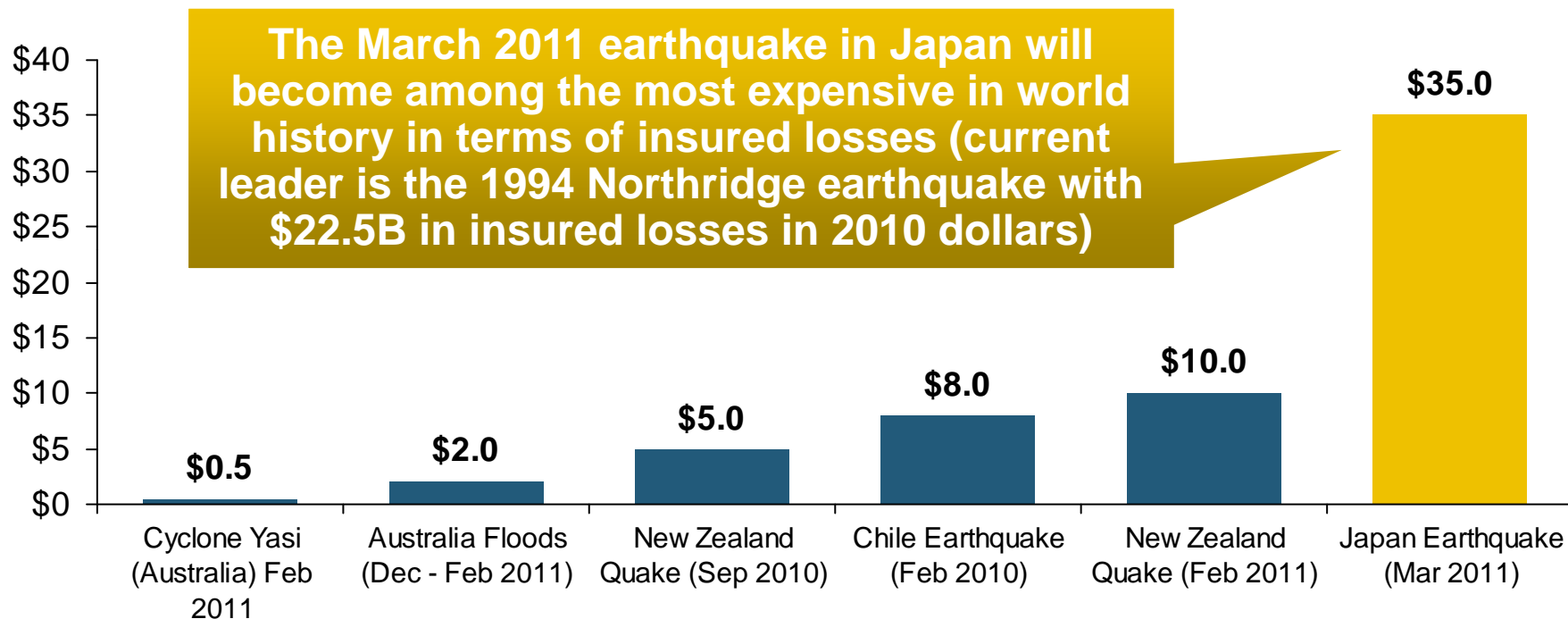
Sources: AIR Worldwide, Eqecat, RMS, Towers Perrin; Insurance Information Institute.

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%

Recent Major Catastrophe Losses

(Insured Losses, \$US Billions)

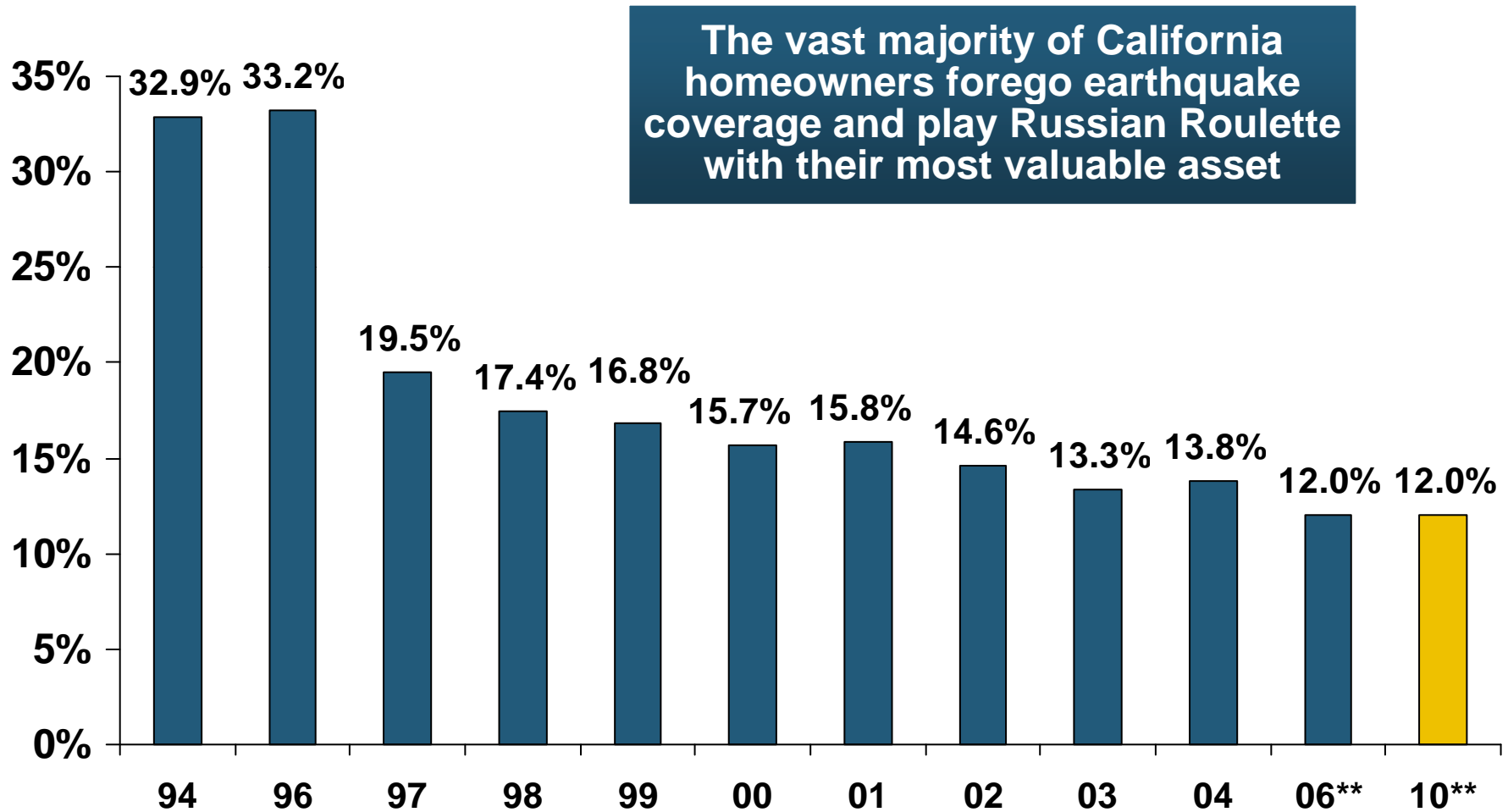


Insured Losses from Recent Major Catastrophe Events Exceed \$60 Billion, an Estimated \$57 Billion of that from Earthquakes

Nonlife (P/C) Insurance Market Impacts of Japan Earthquake

- **No Direct Impact for US Domestic Primary Insurers**
- **BUT: \$2 - \$5 Billion in Assumed Loss from Foreign Catastrophes Will Wind Up on the Books of US Insurers, Most with No Direct Exposure to Japan/Australia/NZ**
 - ◆ US reinsurers
 - ◆ Retrocessional market
 - ◆ Blanket property insurance covers
- **Primary Insurance: Domestic Japanese Insurers Take Big Losses**
- **Few US/Foreign Insurers Had Direct Exposure to Japanese P/C Market**
 - ◆ Low single-digit market share for a small number of companies
 - ◆ Not a capital event for any non-Japanese primary insurer
- **Significant Absorption of Loss by Japanese Government**
 - ◆ Residential earthquake damage
 - ◆ Nuclear-related property and liability damage
- **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/Cat Reinsurance Rising in Japan, New Zealand, Australia**
 - ◆ Up for all; Magnitude of increase is sensitive to size of loss
- **Impact on Cost of US Property-Cat Reinsurance is Possible/Likely**
 - ◆ Market remains well capitalized and competitive

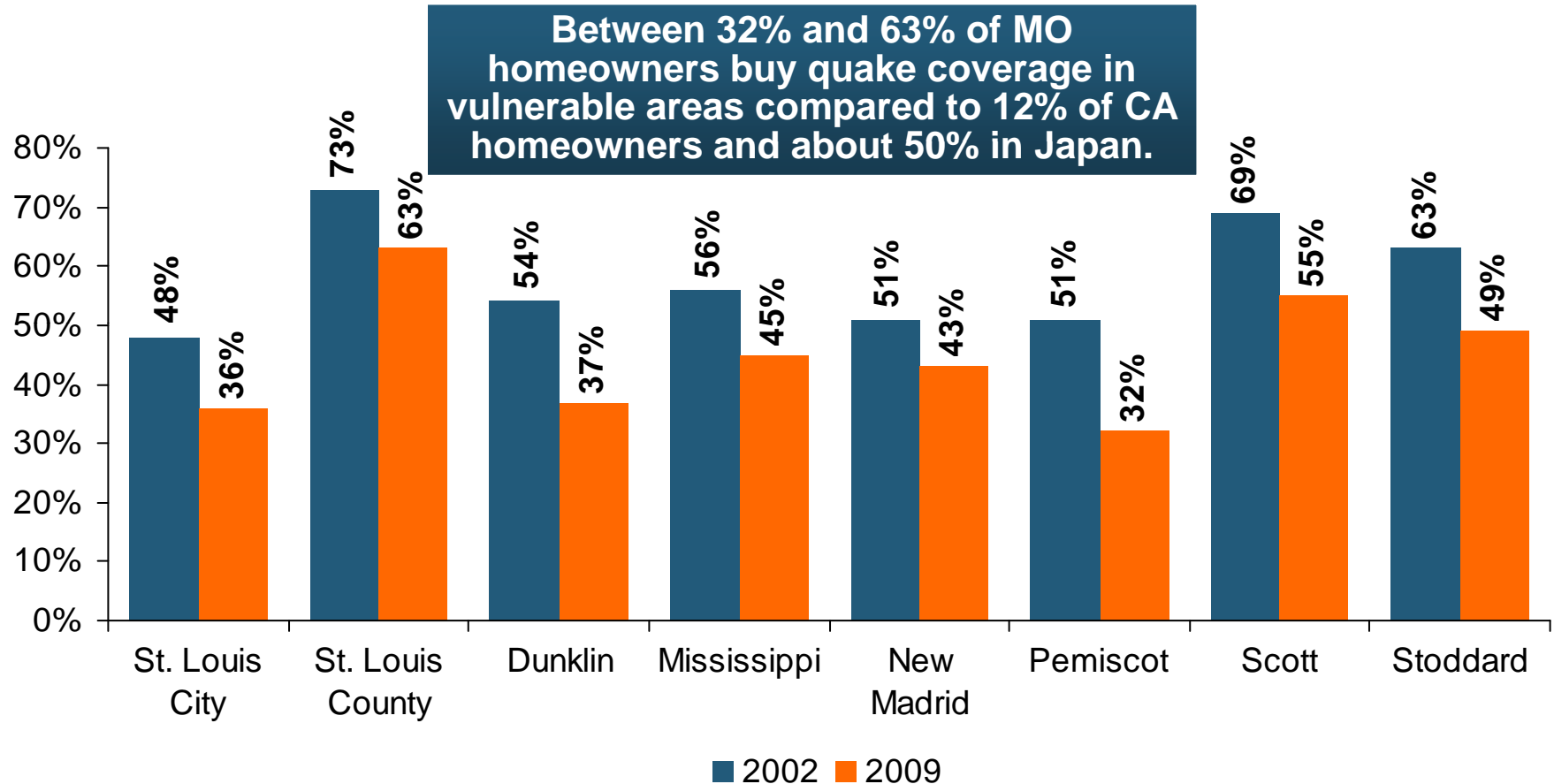
Percentage of California Homeowners with Earthquake Insurance, 1994-2010*



*Includes CEA policies beginning in 1996. **2006/10 estimates from Insurance Information Network of CA.

Source: California Department of Insurance; Insurance Information Institute.

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



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

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

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

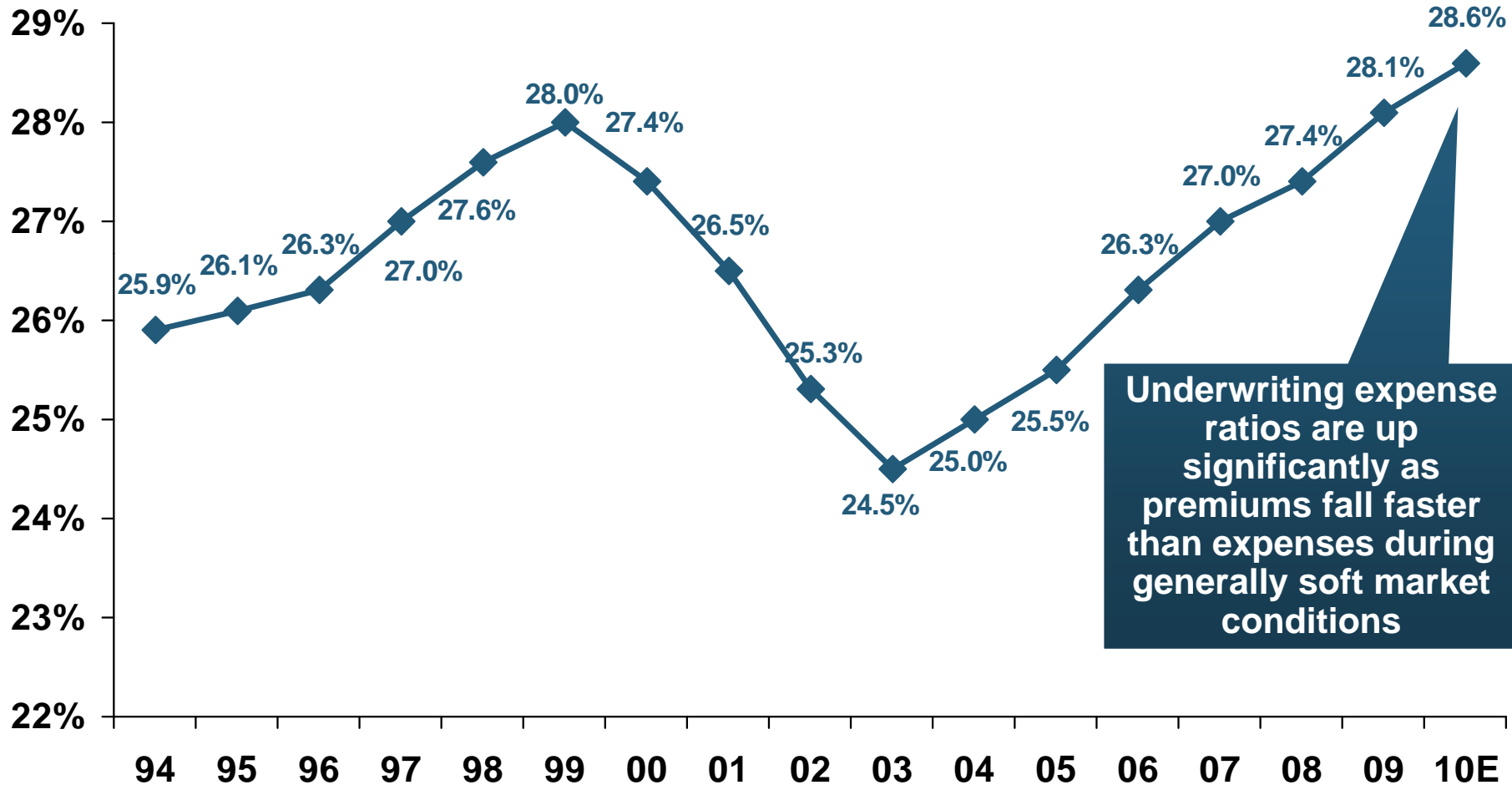
(1) Modeled loss to property, contents, and business interruption and additional living expenses for residential, mobile home, commercial and auto exposures as of December 31, 2008. Losses include demand surge and fire following earthquake. Policy conditions and earthquake insurance take up rates are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

EXPENSES

**Expense Ratios Are Highly Cyclical
and Contribute Deteriorating
Underwriting Performance**

Underwriting Expense Ratio*

All P/C Lines, 1994-2010E**



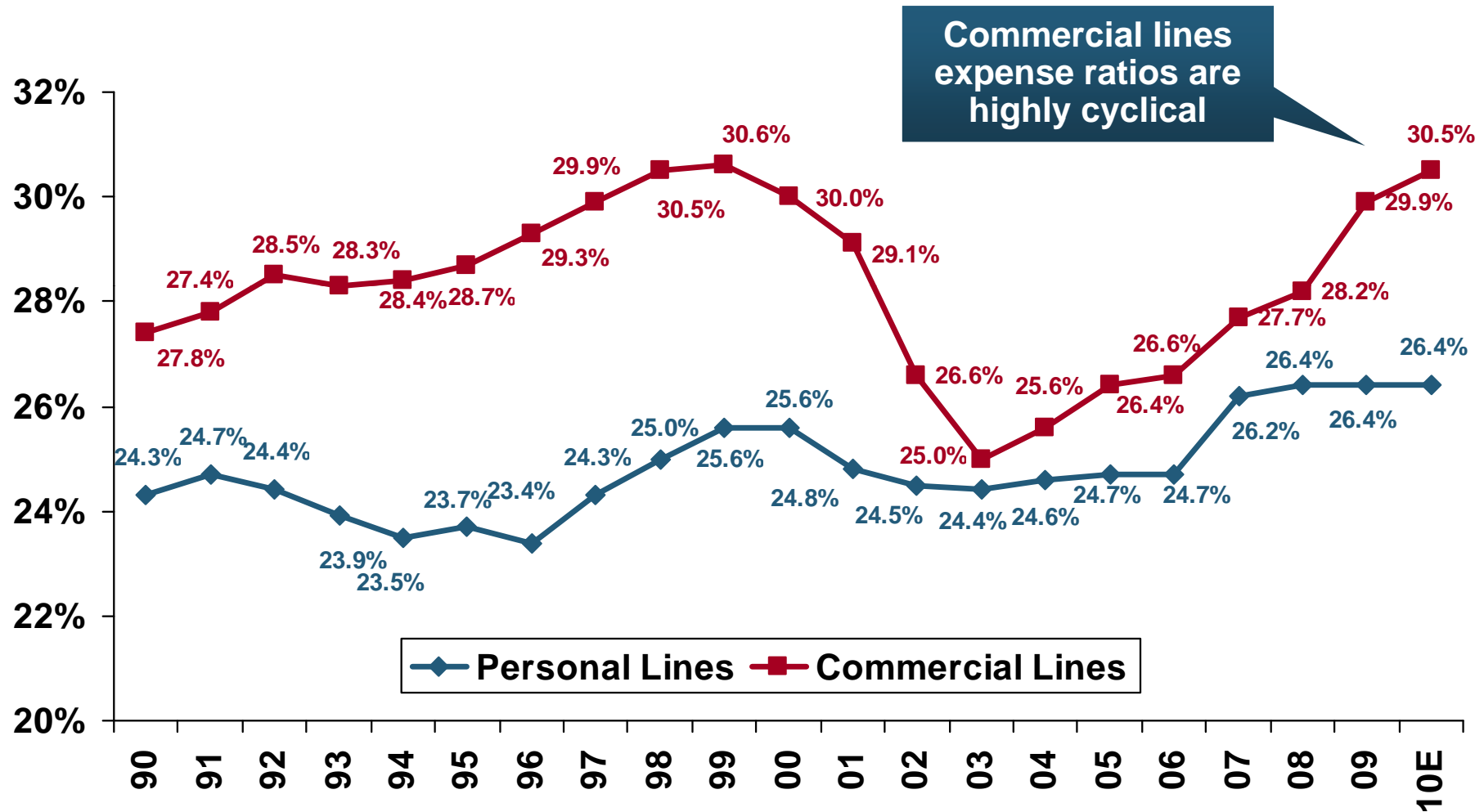
*Ratio of expenses incurred to net premiums written.

**2010 figure based on data through 2010:Q3.

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

Underwriting Expense Ratio*:

Personal vs. Commercial Lines, 1990-2010E**

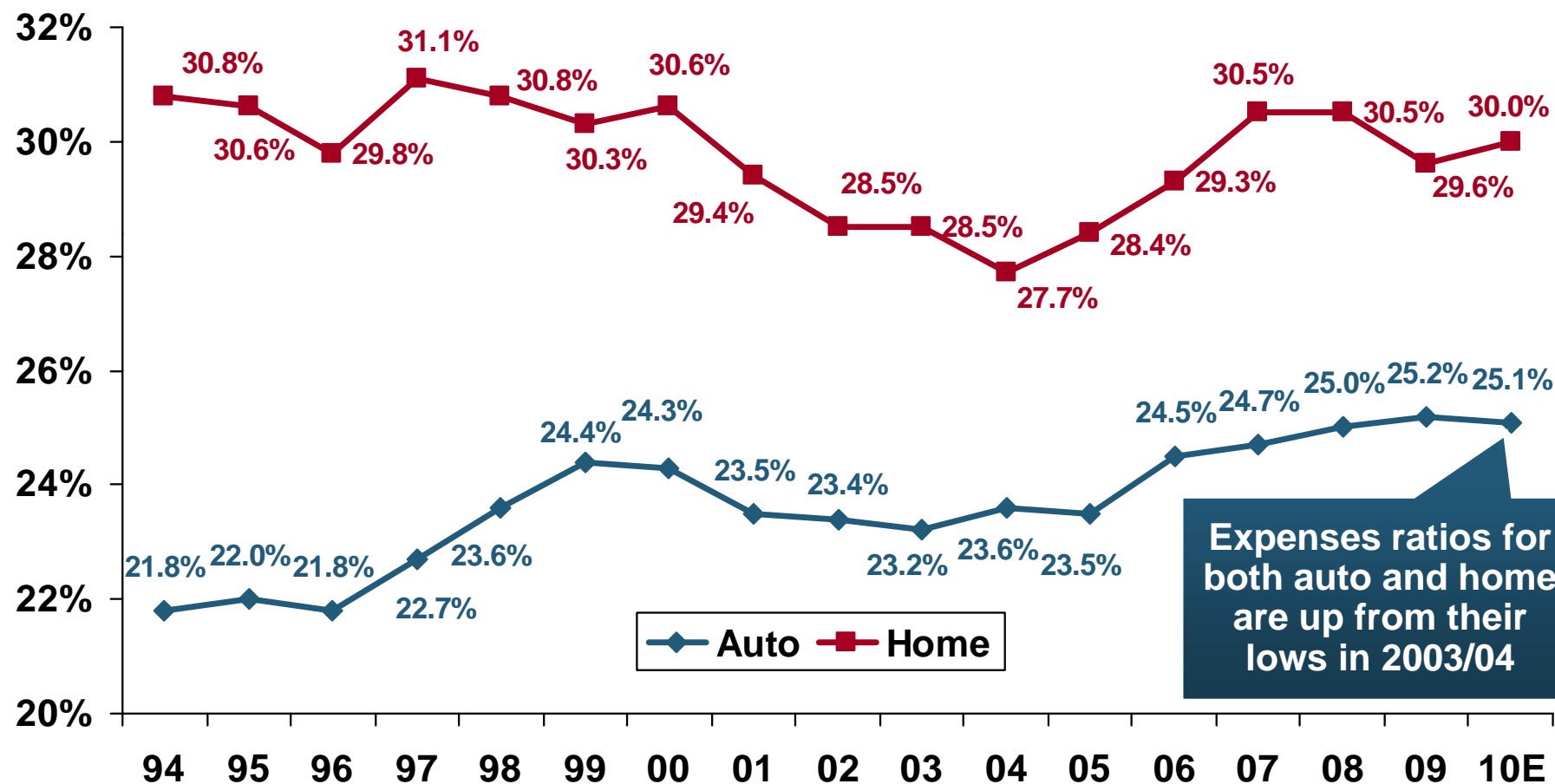


*Ratio of expenses incurred to net premiums written.

**2010 figures are estimates.

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

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



Expenses ratios for both auto and home are up from their lows in 2003/04

*Ratio of expenses incurred to net premiums written.

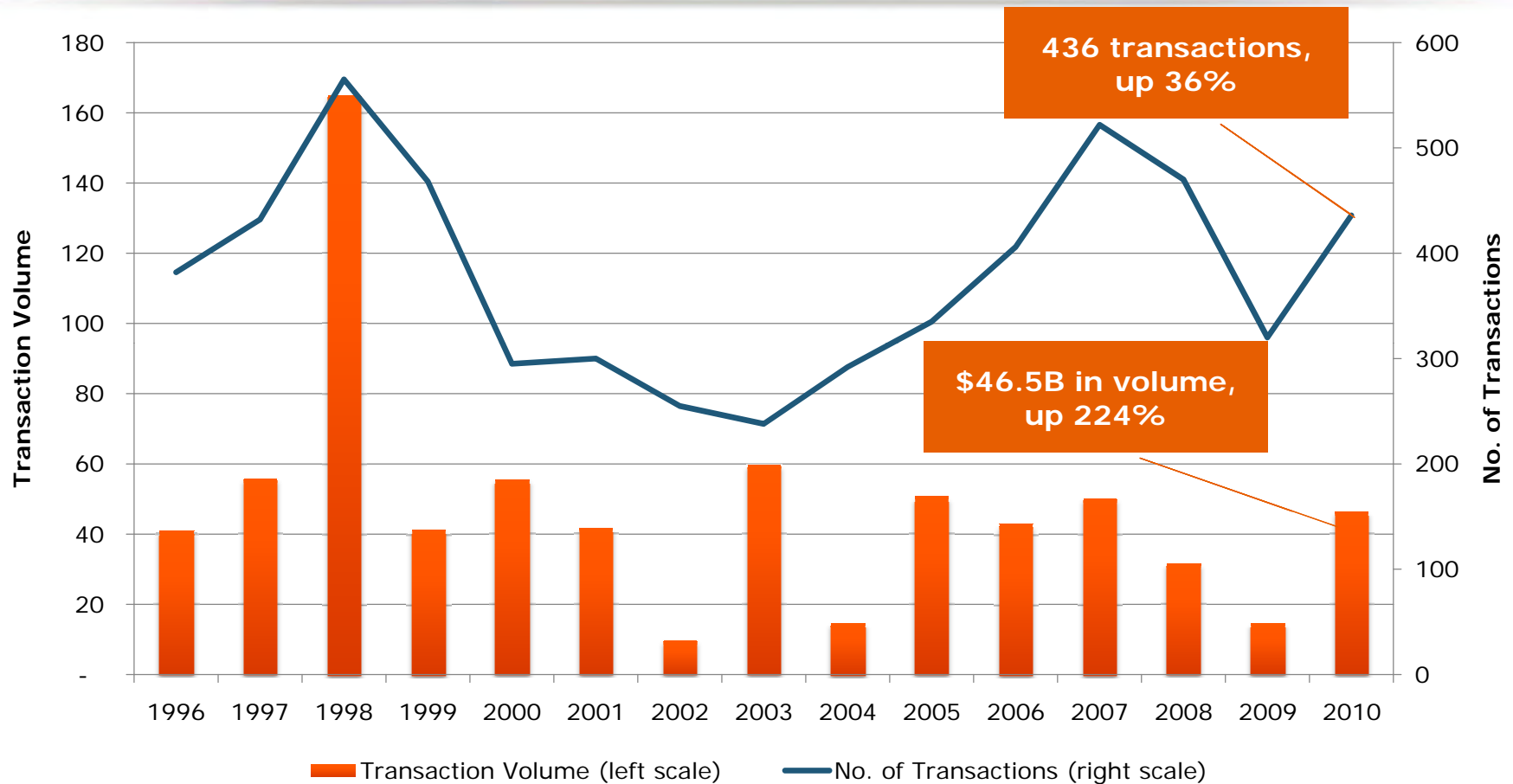
**2010 figures are estimates.

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

Merger & Acquisition

**Capital Cycles Can
Drive Consolidation**

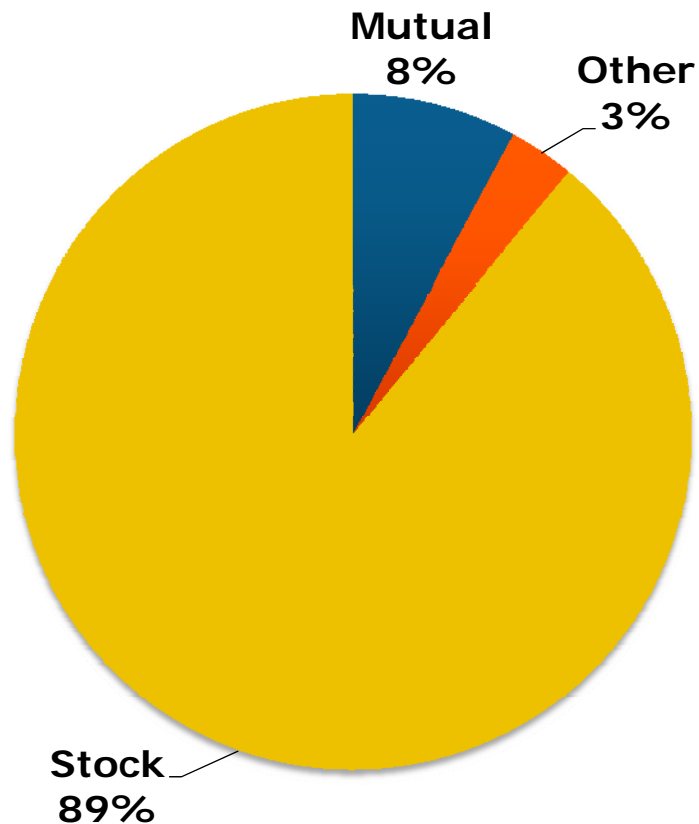
2010: U.S. Insurance M&A Bounces Back (All Segments)



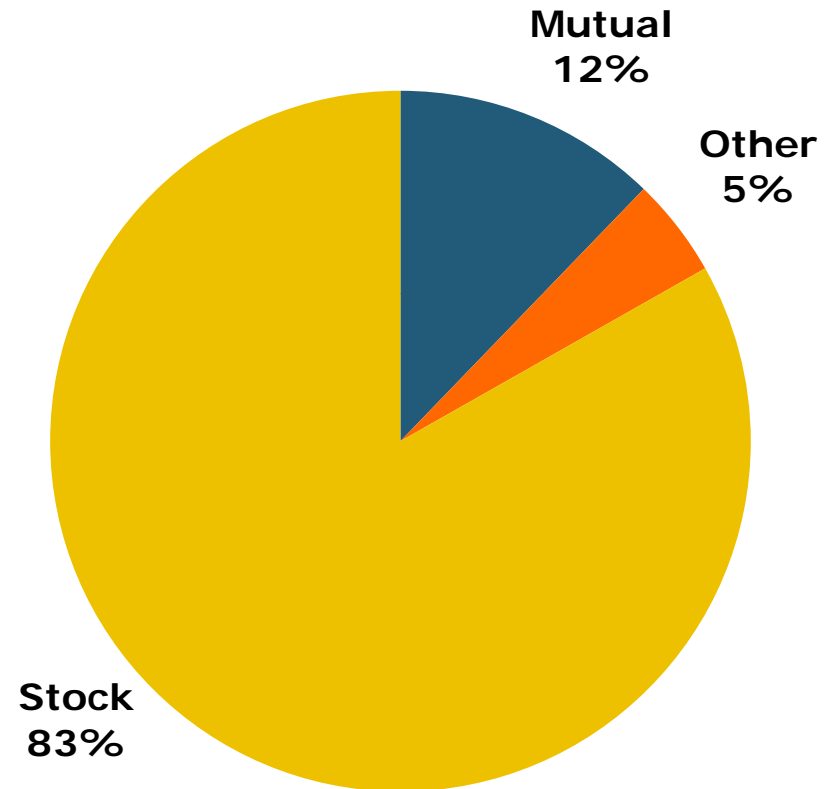
U.S. activity rebounded from lows recorded in 2009. M&A also made a comeback worldwide, with global activity rising 20%.

Type of acquisition is shifting

2005 to 2007

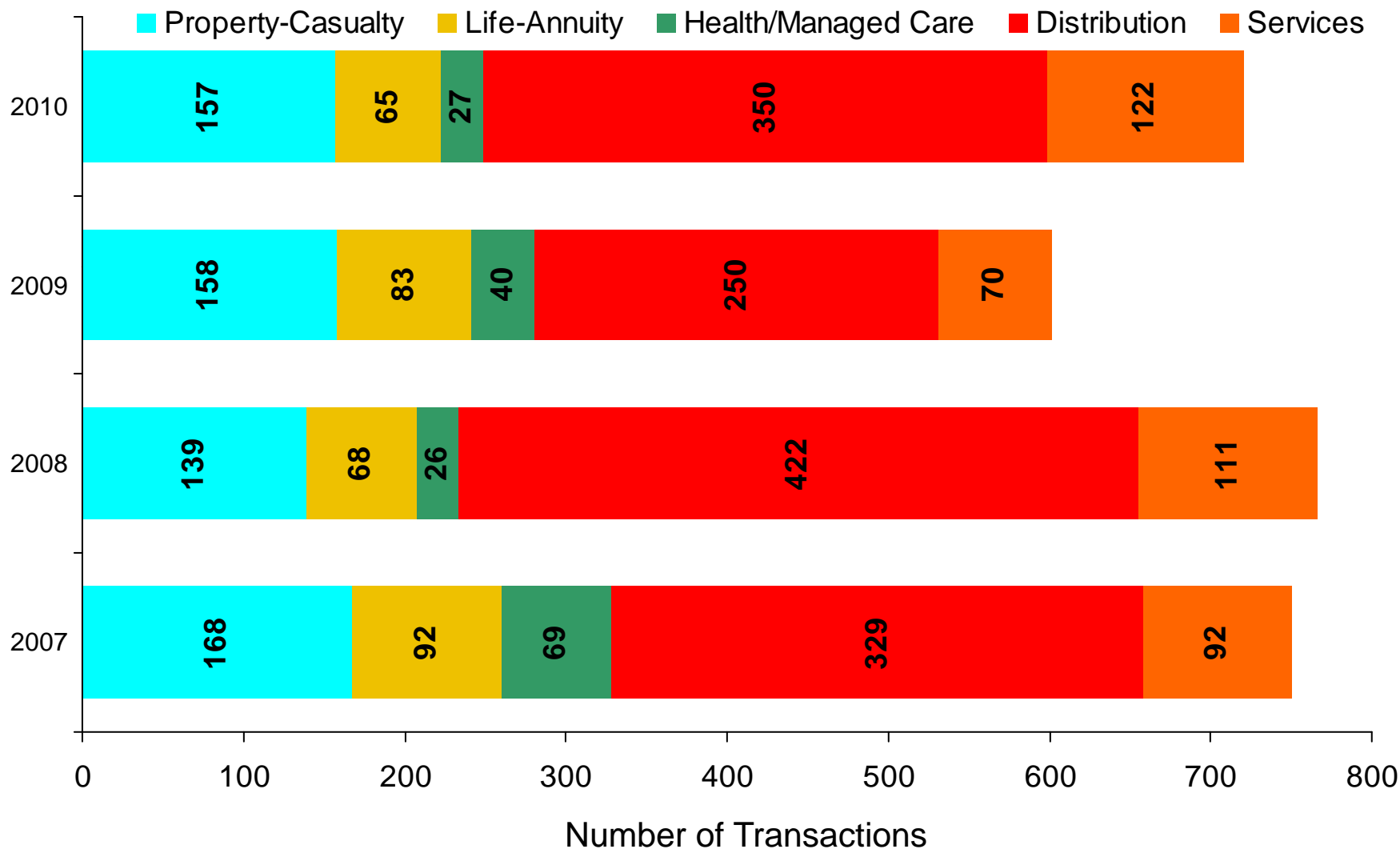


2008 to 2010

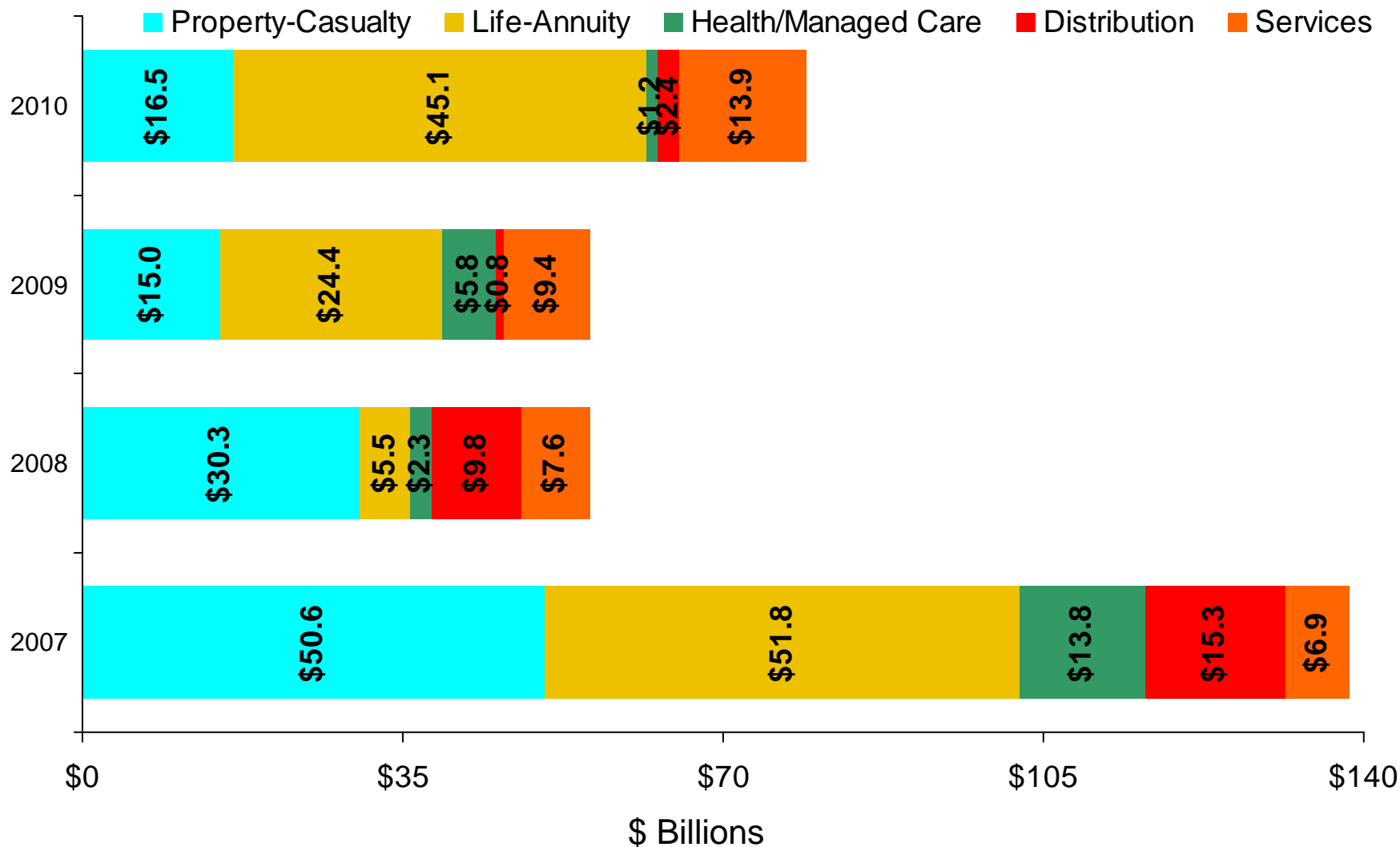


There were 16 mutual targets in 2008-2010, up from 10 in the three prior years.

of Mergers & Acquisitions, Worldwide: Will Reg Reform Stifle or Boost Activity?



\$ Value of Mergers & Acquisitions, Worldwide: Will Reg Reform Stifle or Boost Activity?



Shifting Legal Liability & Tort Environment

Is the Tort Pendulum Swinging Against Insurers?

Important Issues & Threats Facing Insurers: 2011–2015

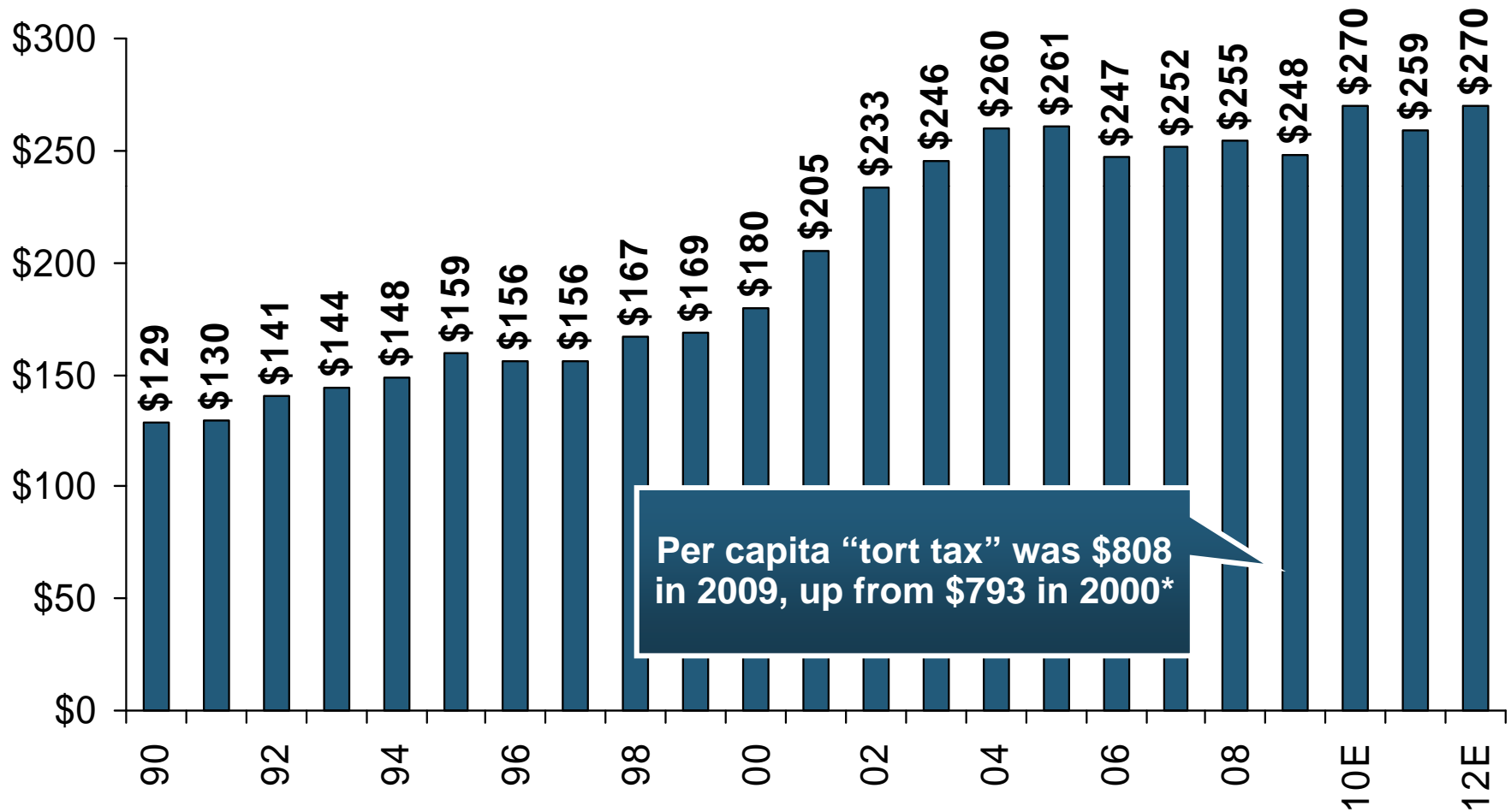
Emerging Tort Threat

- No tort reform (or protection of recent reforms) is forthcoming from the current Congress or Administration
- Erosion of recent reforms has already occurred
- Legislative initiatives in 2009/10 were tort friendly; 2011 less so
- New Congress will have tempering effect on what could have been tort disaster
- Torts cost typically rise at **twice** the overall rate of inflation
- Influence personal and commercial lines, esp. auto liability
- Historically **extremely** costly to p/c insurance industry
- Leads to reserve deficiency, rate pressure

Bottom Line: Tort “crisis” is less likely from rapid deterioration in the tort system overall, but costs still remain entrenched in the system

Cost of US Tort System (\$ Billions)

Tort costs consumed 1.74% of GDP in 2009, down from 2.21% in 2003

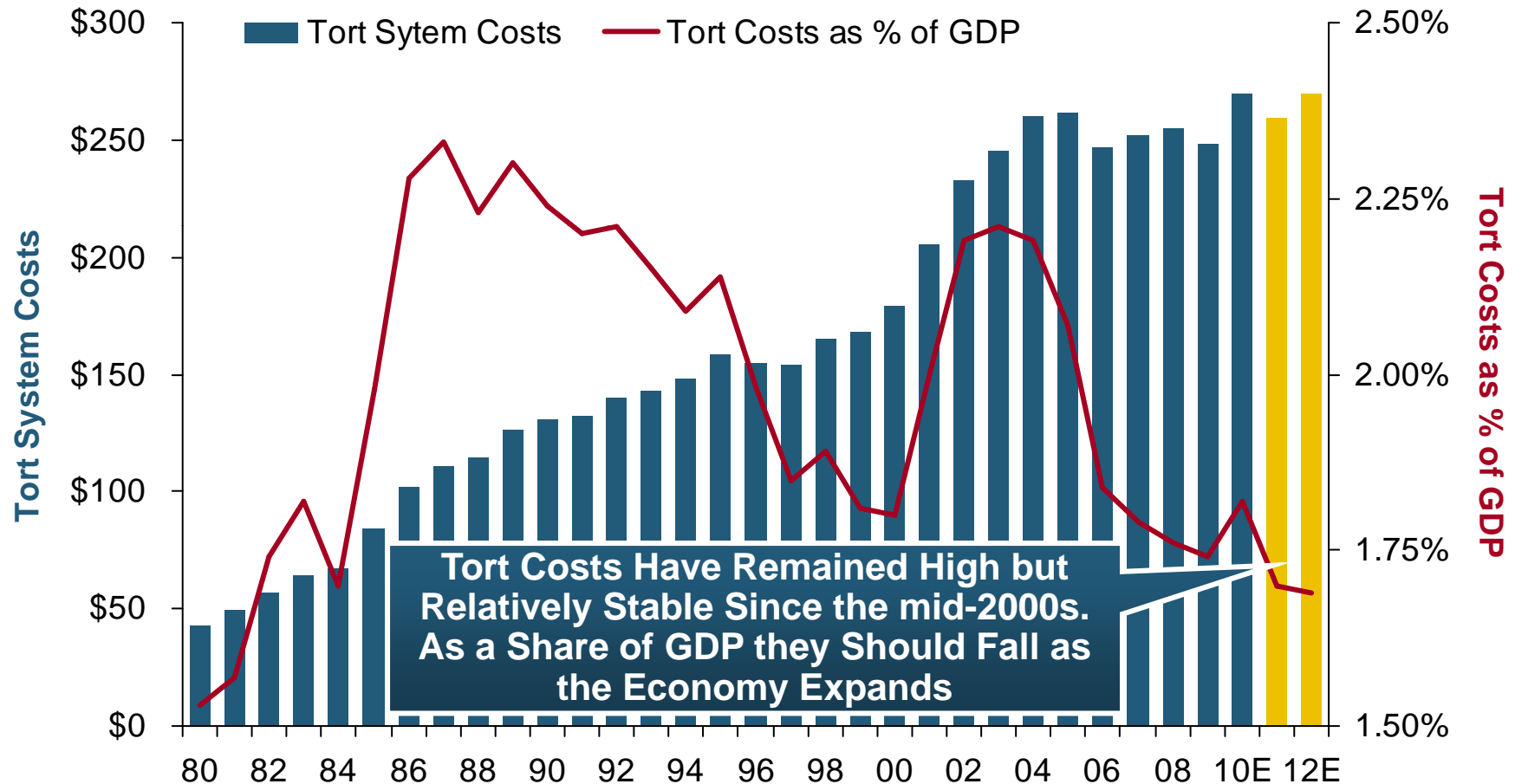


* Restated in 2009 dollars, based on CPI.

Source: Towers Watson, 2010 Update on US Tort Cost Trends.

Over the Last Three Decades, Total Tort Costs as a % of GDP Appear Somewhat Cyclical

(\$ Billions)



Business Leaders Ranking of Liability Systems in 2010

Best States

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

New in 2010

- North Dakota
- Massachusetts
- South Dakota

Drop-offs

- Maine
- Vermont
- Kansas

Midwest/West has mix of good and bad states.

Worst States

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

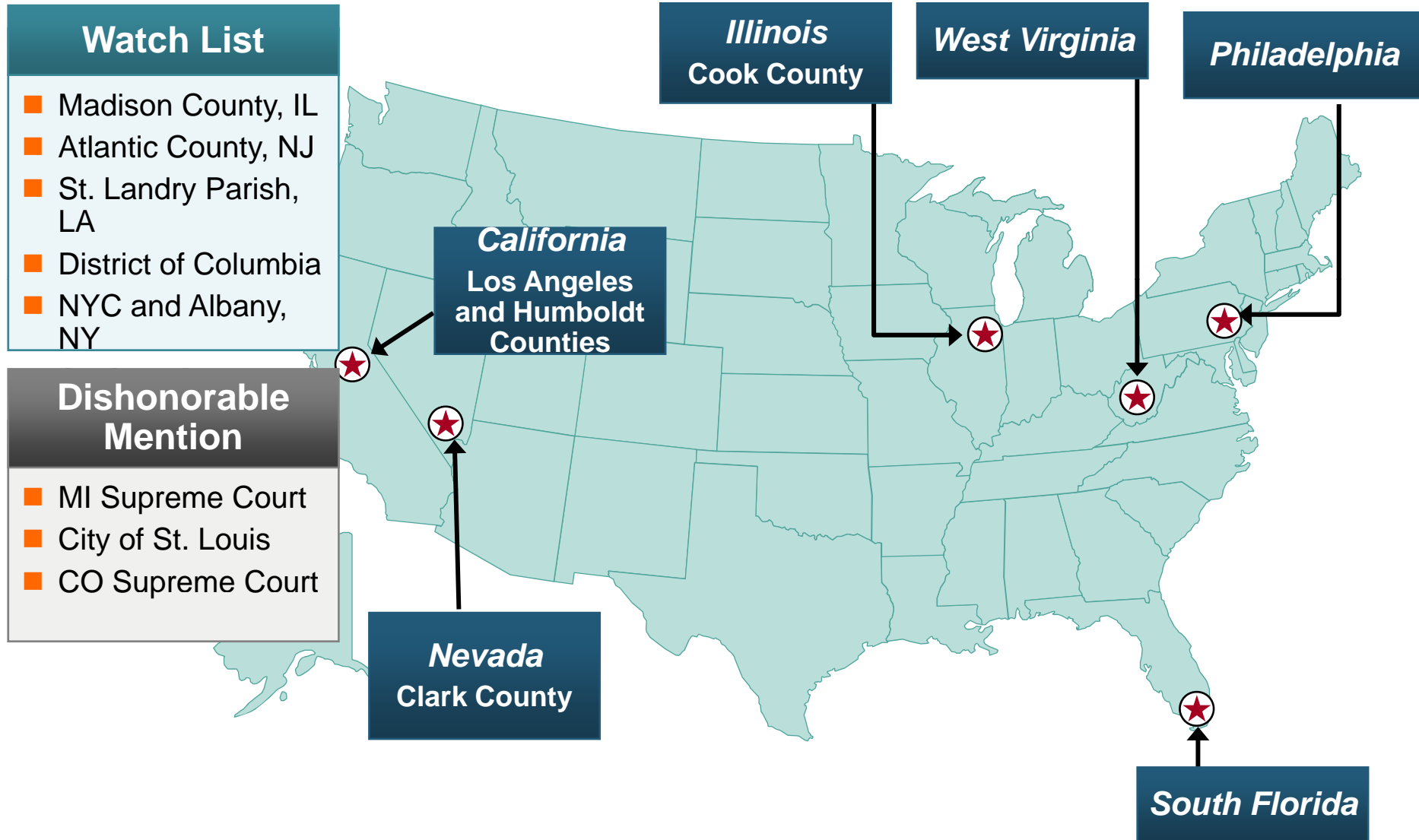
Newly Notorious

- New Mexico
- Montana
- Arkansas

Rising Above

- **Texas**
- South Carolina
- Hawaii

The Nation's Judicial Hellholes: 2010

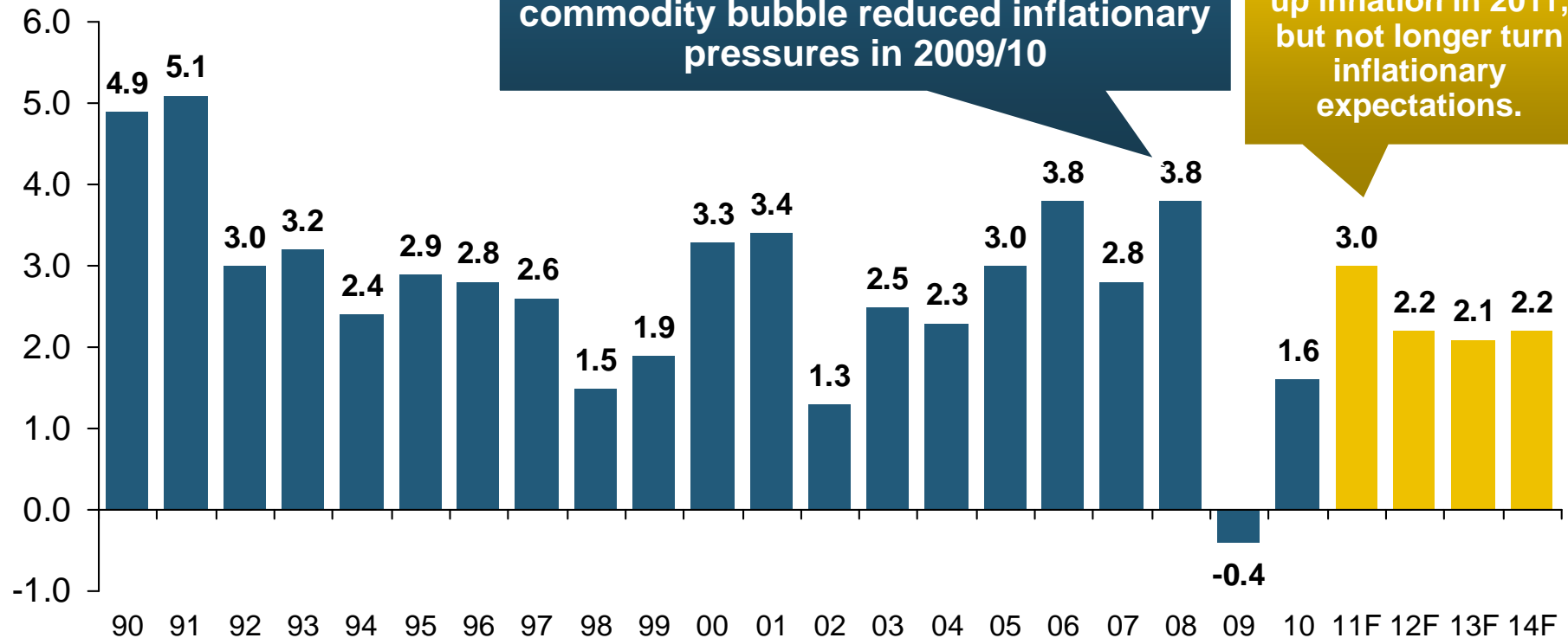


Inflation

**Is it a Threat to Claim Cost
Severities**

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

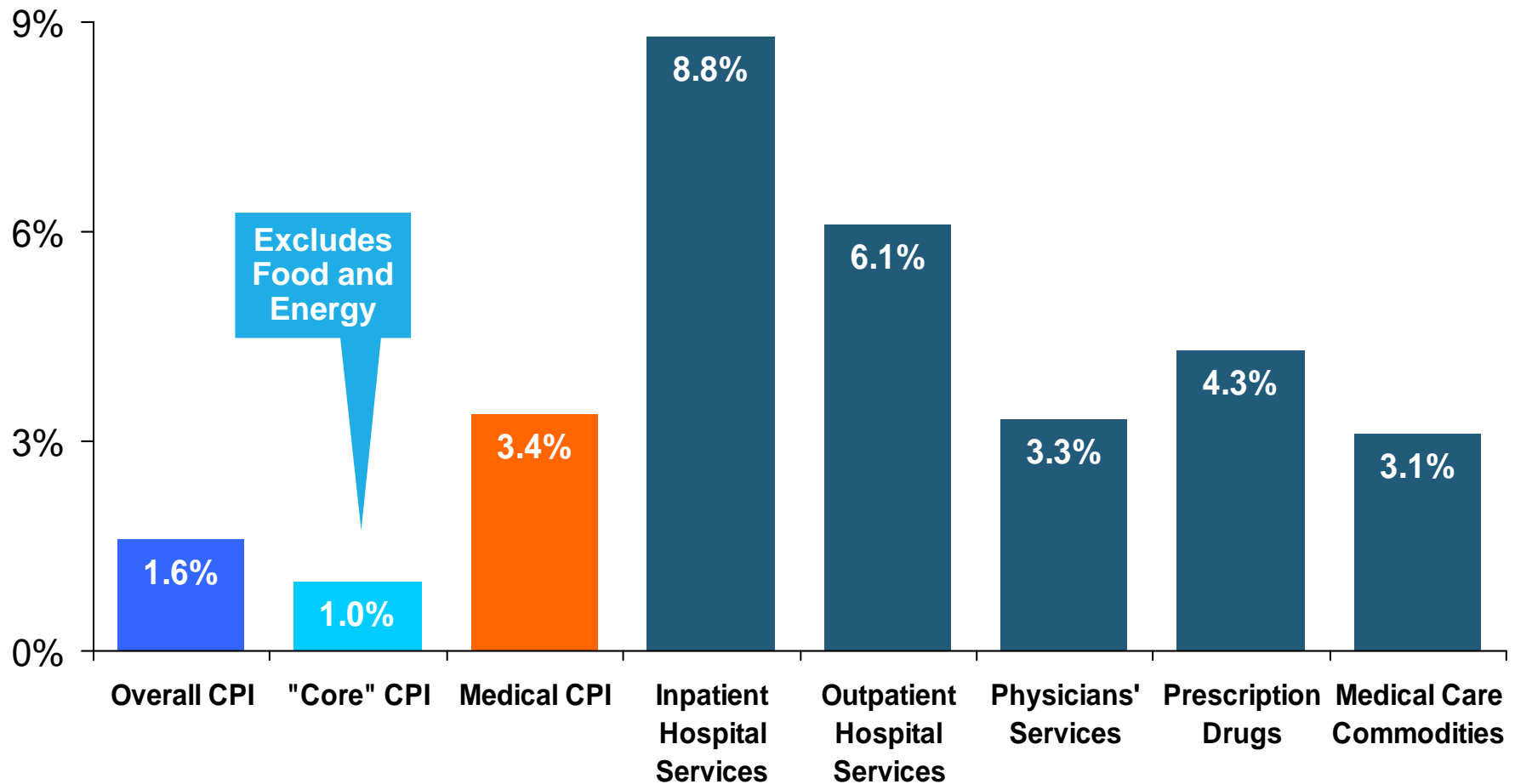
Annual Inflation Rates (%)



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

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

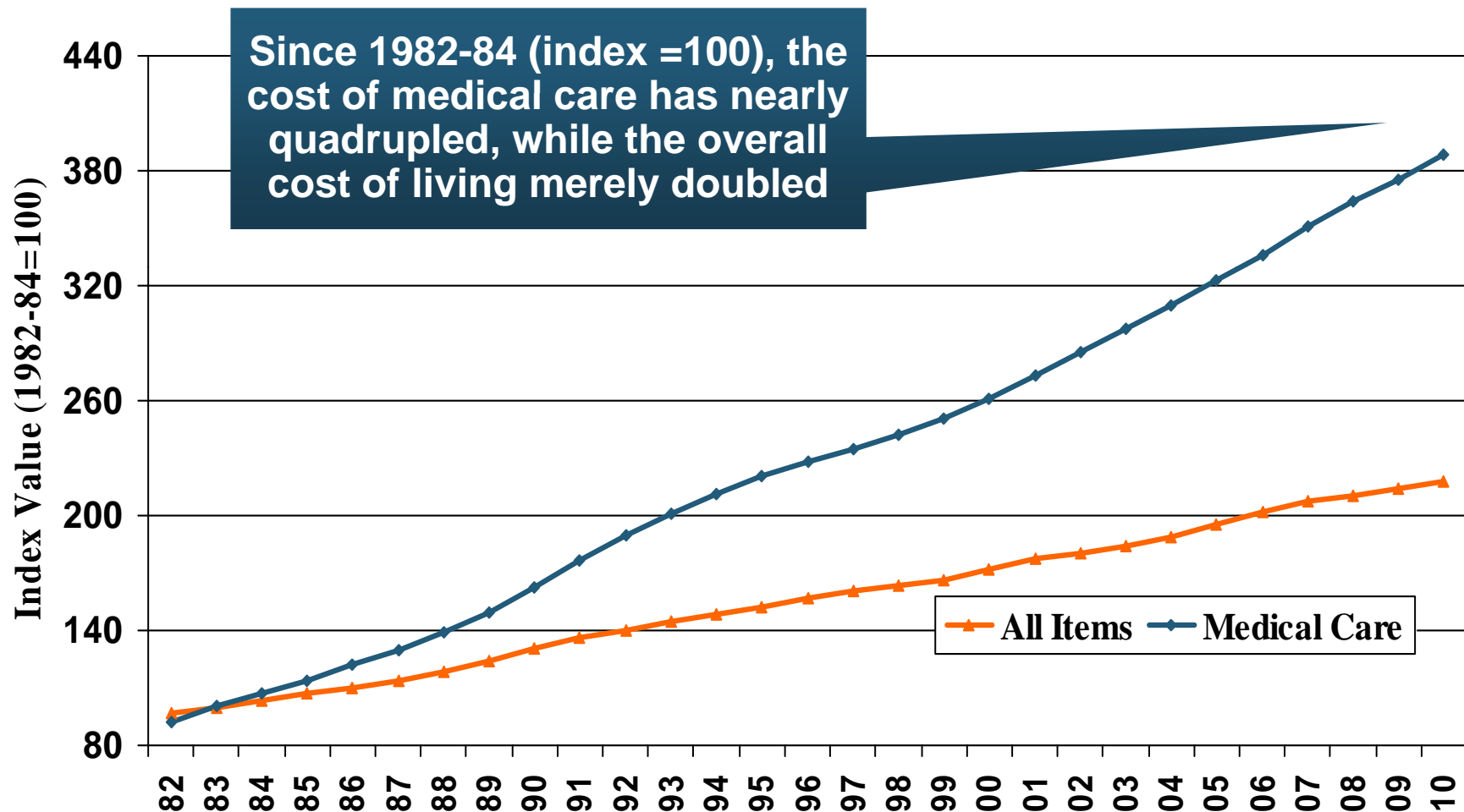
Price Changes
in 2010



Healthcare costs are a major liability, med pay, PIP and WC 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.

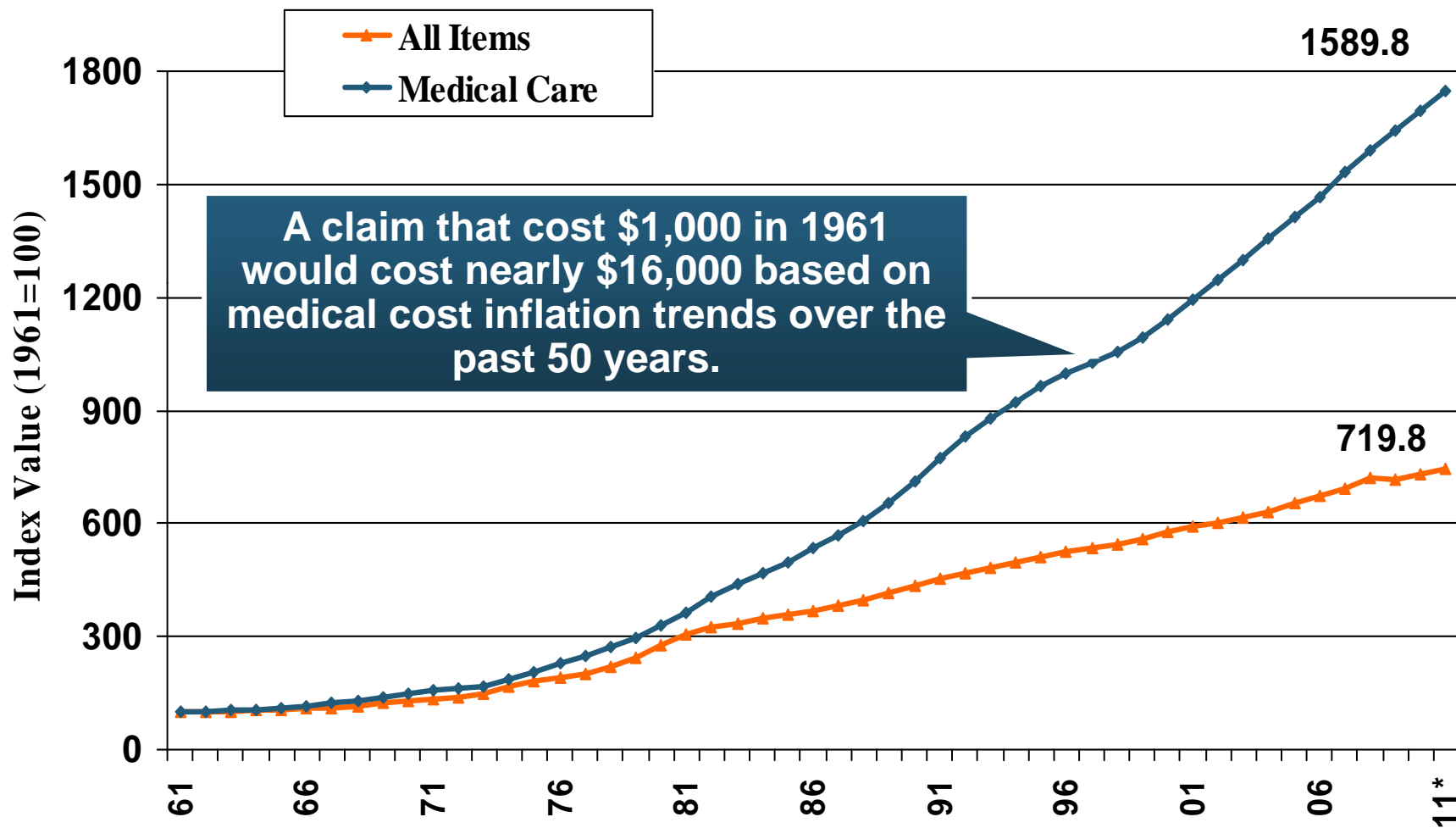
Medical Cost Inflation Has Outpaced Overall Inflation for 30 Years



Source: Department of Labor (Bureau of Labor Statistics); not seasonally adjusted

<http://www.bls.gov/news.release/pdf/cpi.pdf>

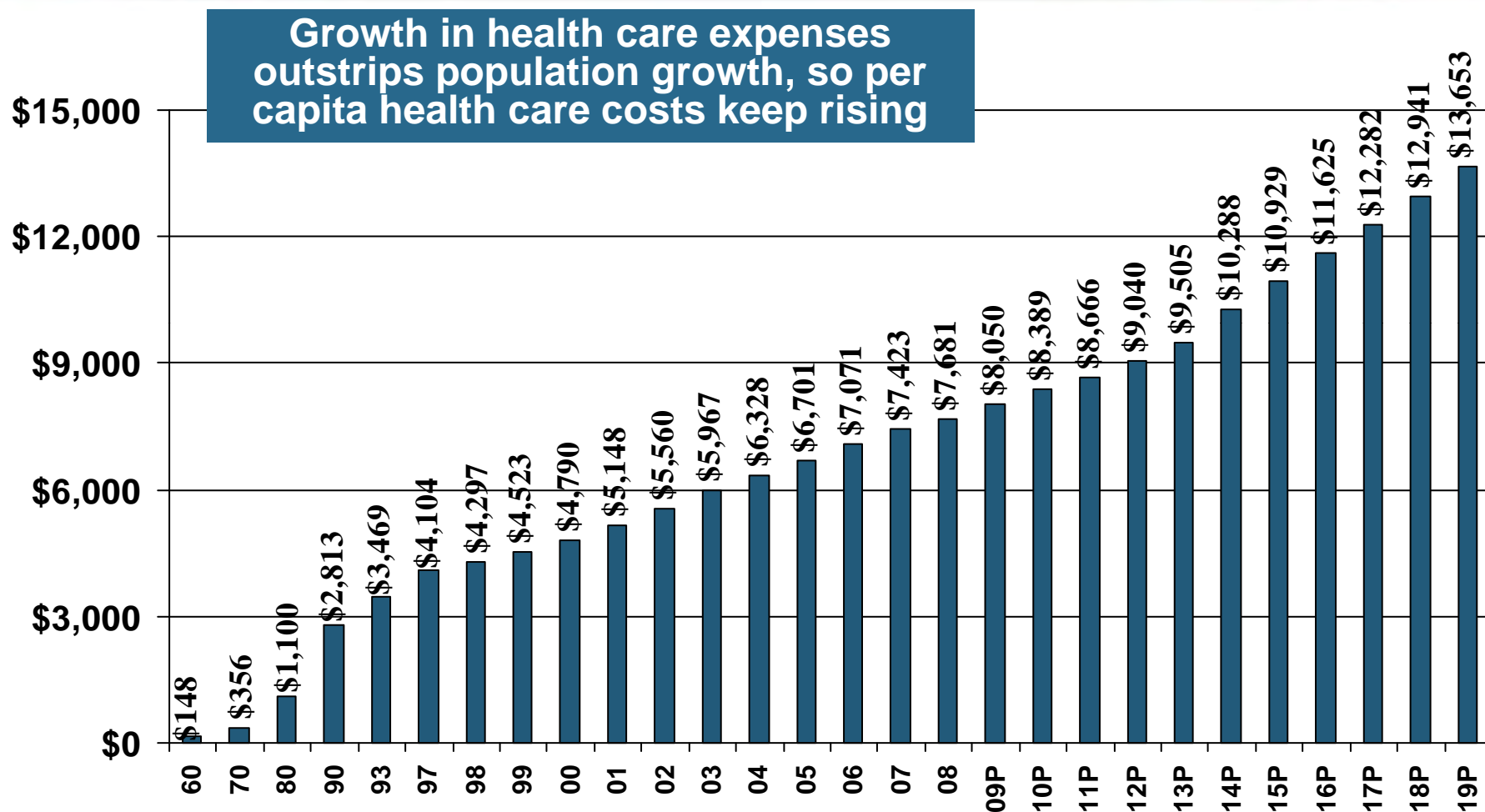
Medical Cost Inflation Has Outpaced Overall Inflation Over 50 Years



*Based on change from Feb. 2011 to Feb. 2010 (latest available)

Source: Department of Labor (Bureau of Labor Statistics)

National Health Expenditures Per Capita, 1960-2019P*

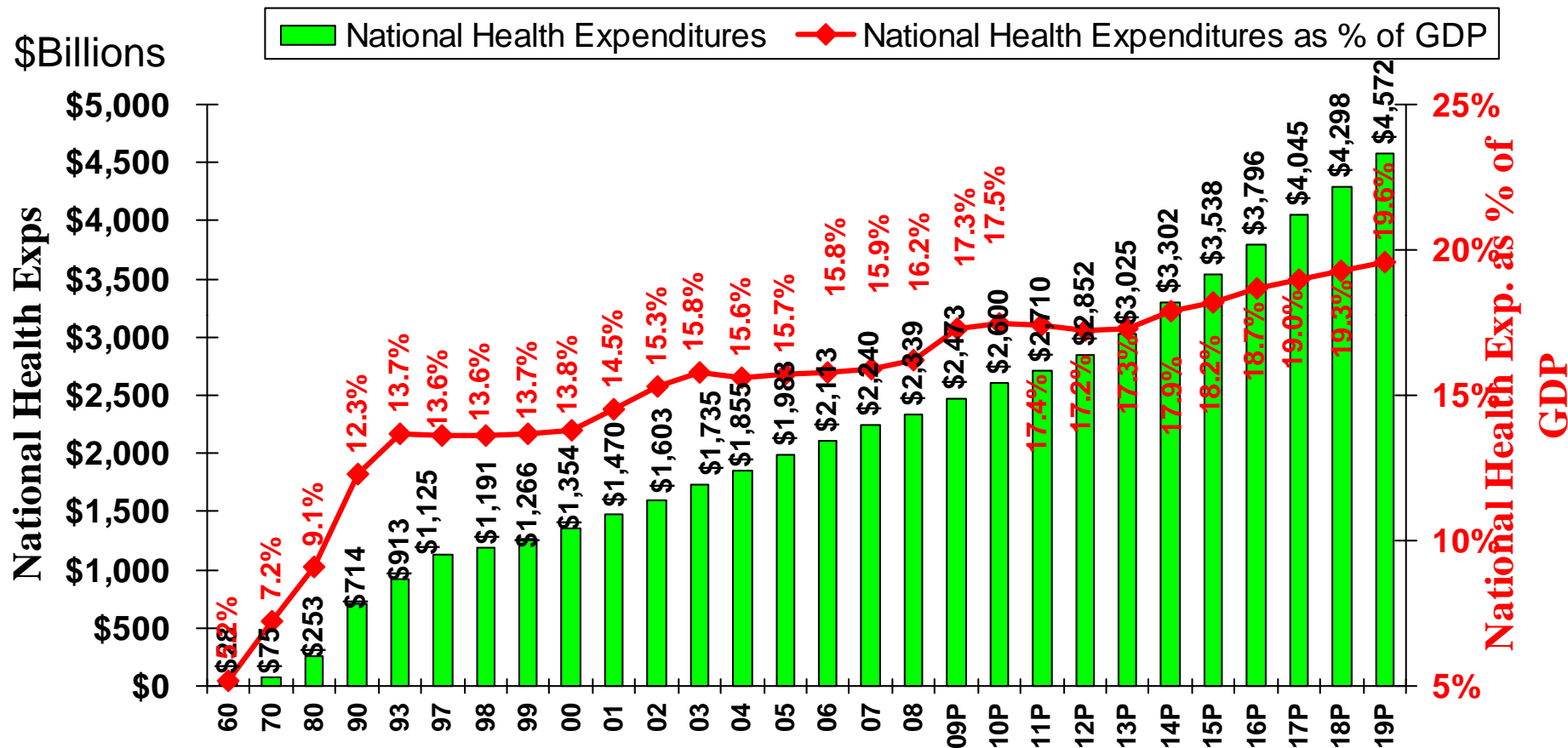


*"The health spending projections were based on the 2008 version of the National Health Expenditures released in January 2010, updated to take into account the impact of health reform and other relevant legislation and regulatory changes."

Sources: Centers for Medicare & Medicaid Services, Office of the Actuary, September 2010 projections, at

<http://www.cms.gov/NationalHealthExpendData/downloads/NHEProjections2009to2019.pdf> ; Insurance Information Institute.

National Health Expenditures* and Health Expenditures as a Percent of GDP



Health care expenditures consumed an estimated 17.3% of GDP in 2009; this is projected to rise to 19.6% in 2019

***The health spending projections were based on the 2008 version of the National Health Expenditures released in January 2010, updated to take into account the impact of health reform and other relevant legislation and regulatory changes.”

Sources: Centers for Medicare & Medicaid Services, Office of the Actuary, September 2010 projections, at

<http://www.cms.gov/NationalHealthExpendData/downloads/NHEProjections2009to2019.pdf> ; Insurance Information Institute.

Financial Services Reform

**Insurers Not as Impacted as
Banks, But Dodd-Frank
Implementation Has Been a
Concern for Insurers**

Financial Services Reform: *What does it mean for insurers?*

The Dodd Frank Wall Street Reform and Consumer Protection Act

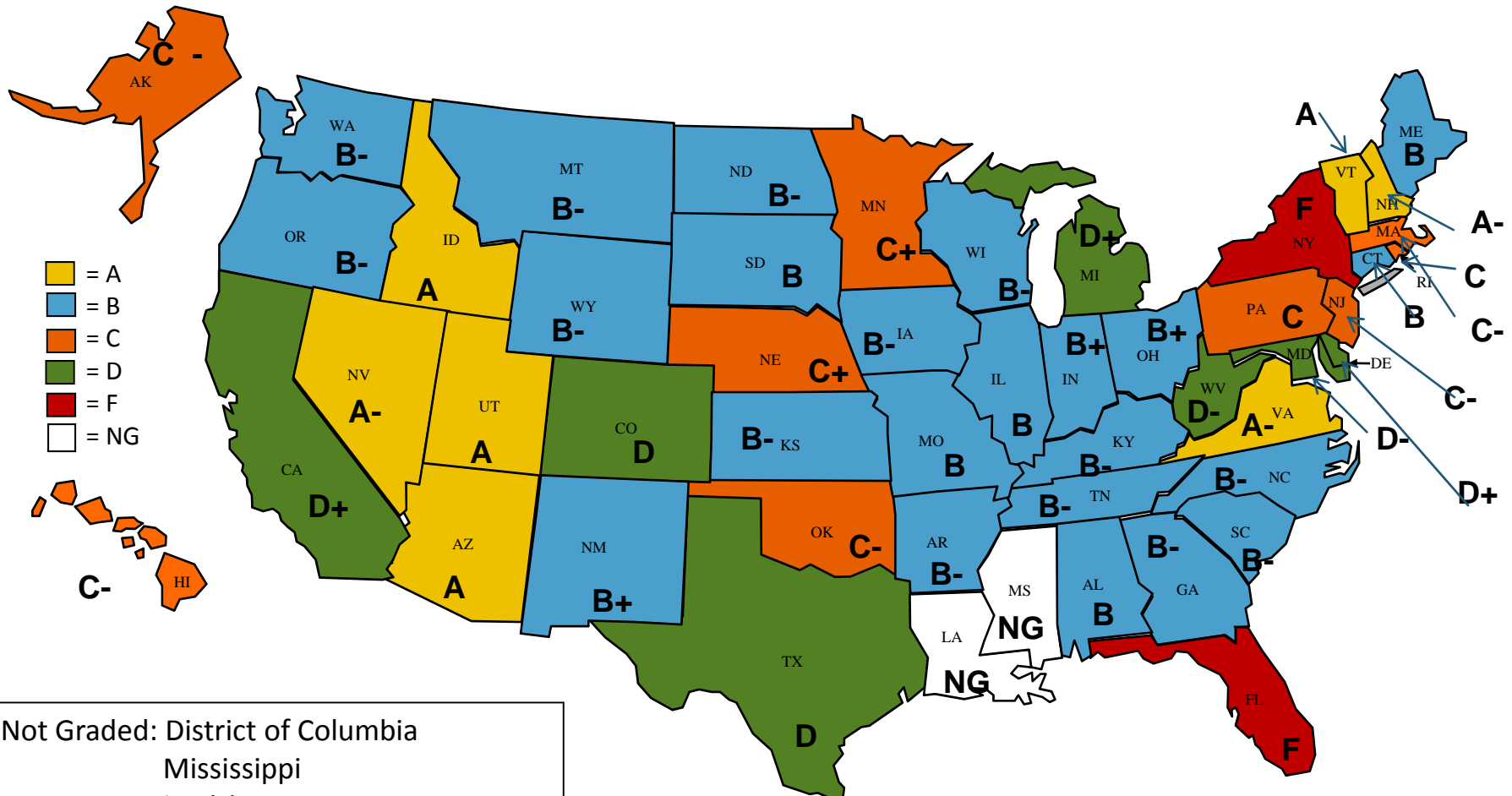
■ Systemic Risk and Resolution Authority

- Creates the Financial Stability Oversight Council and the Office of Financial Research
- Regulator representative is MO Insurance Commissioner Huff
- *No industry representative has been appointed yet*
- Imposes heightened federal regulation on large bank holding companies and “systemically risky” nonbank financial companies, including insurers
- ***Concern some insurers may be labeled as systemically risky based on size alone***

■ Federal Insurance Office (FIO)

- Establishes the FIO (while maintaining state regulation of insurance) within the Department of Treasury, headed by a Director appointed by the Secretary of Treasury
- FIO will have authority to monitor the insurance industry, identify regulatory gaps that could contribute to systemic crisis
- **IL Insurance Director Michael McGraith will become first FIO Director on June 1**
- **Creation of Federal Advisory Committee on Insurance to Advise FIO**
- ***CONCERN: FIO morphs into quasi/shadow or actual regulator***

2010 Property and Casualty Insurance Report Card

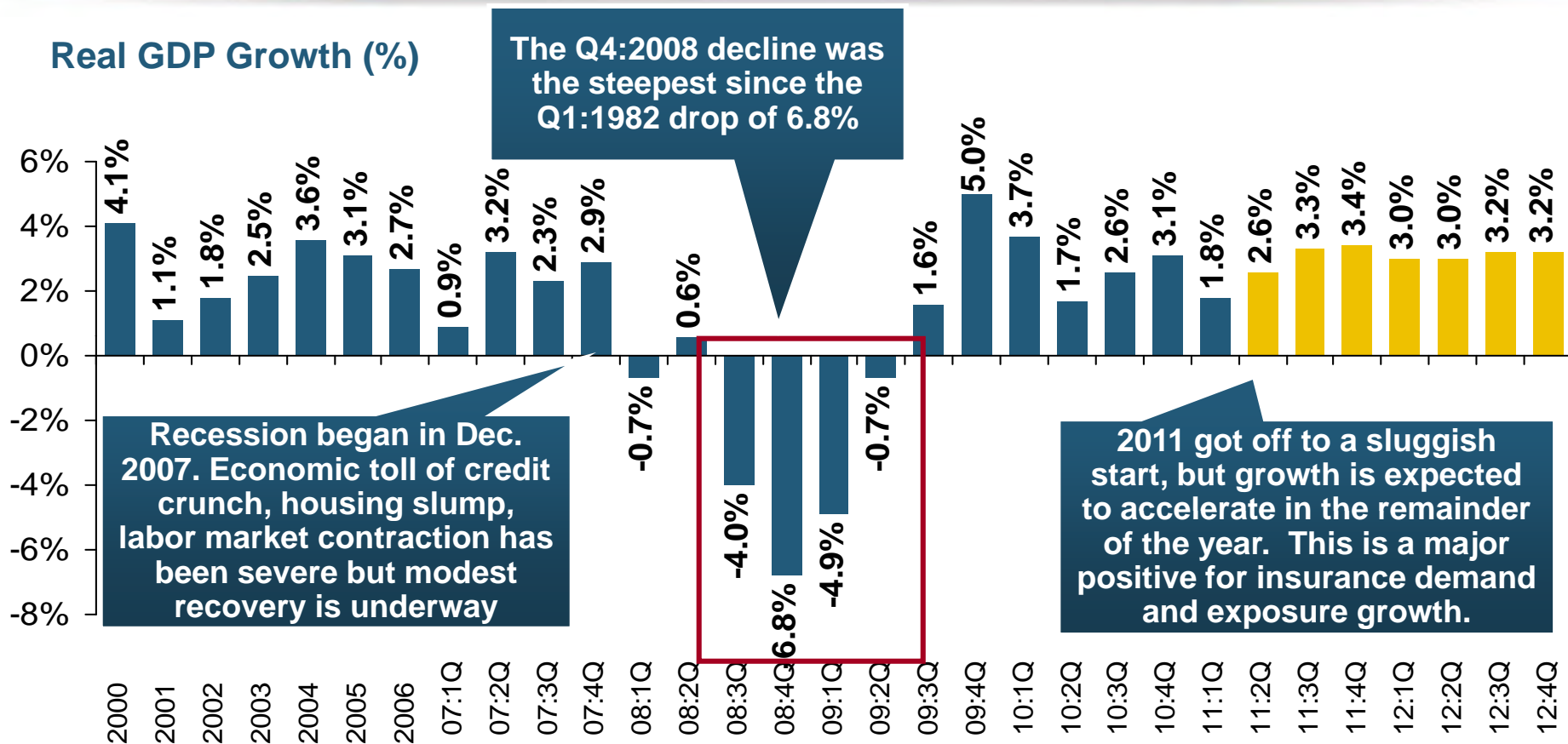


Economic Issues for the Next 3-5 Years

**P/C Insurance Industry Growth in the
Wake of the “Great Recession”**

US Real GDP Growth*

Real GDP Growth (%)



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

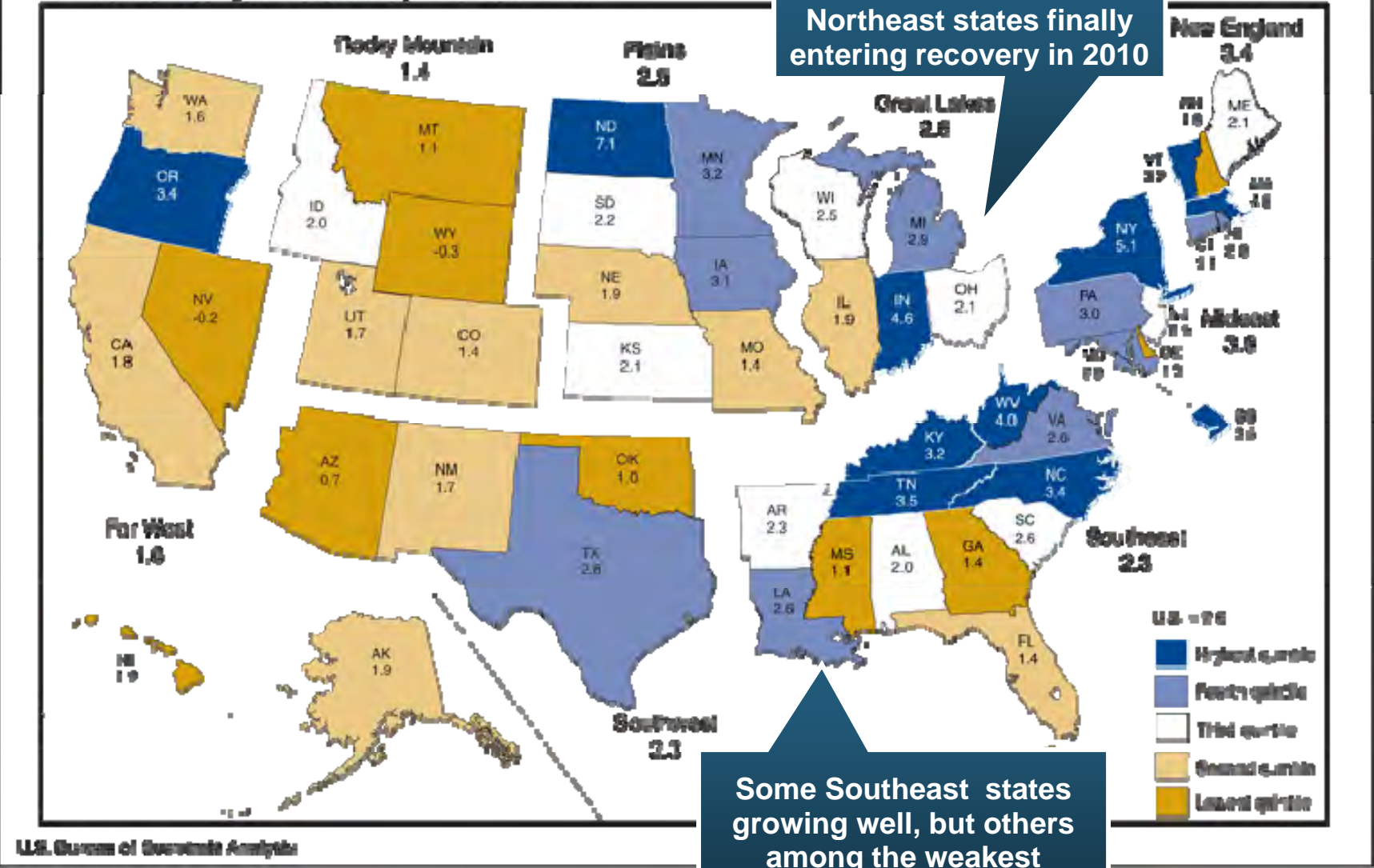
* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 6/11; Insurance Information Institute.

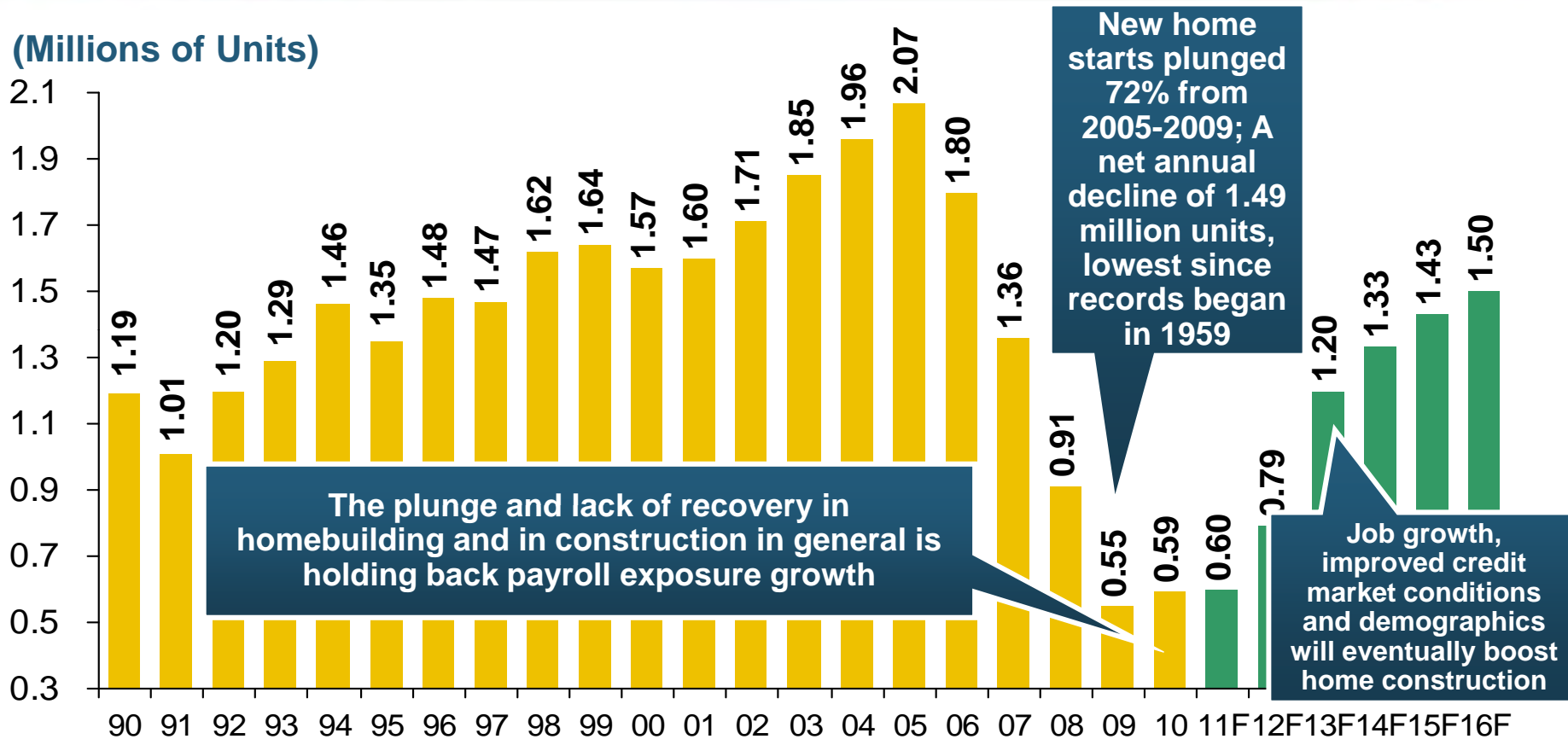
2011 Financial Overview

State Economic Growth Varied in 2010

Chart 1. Percent Change in Real GDP by State, 2009-2010



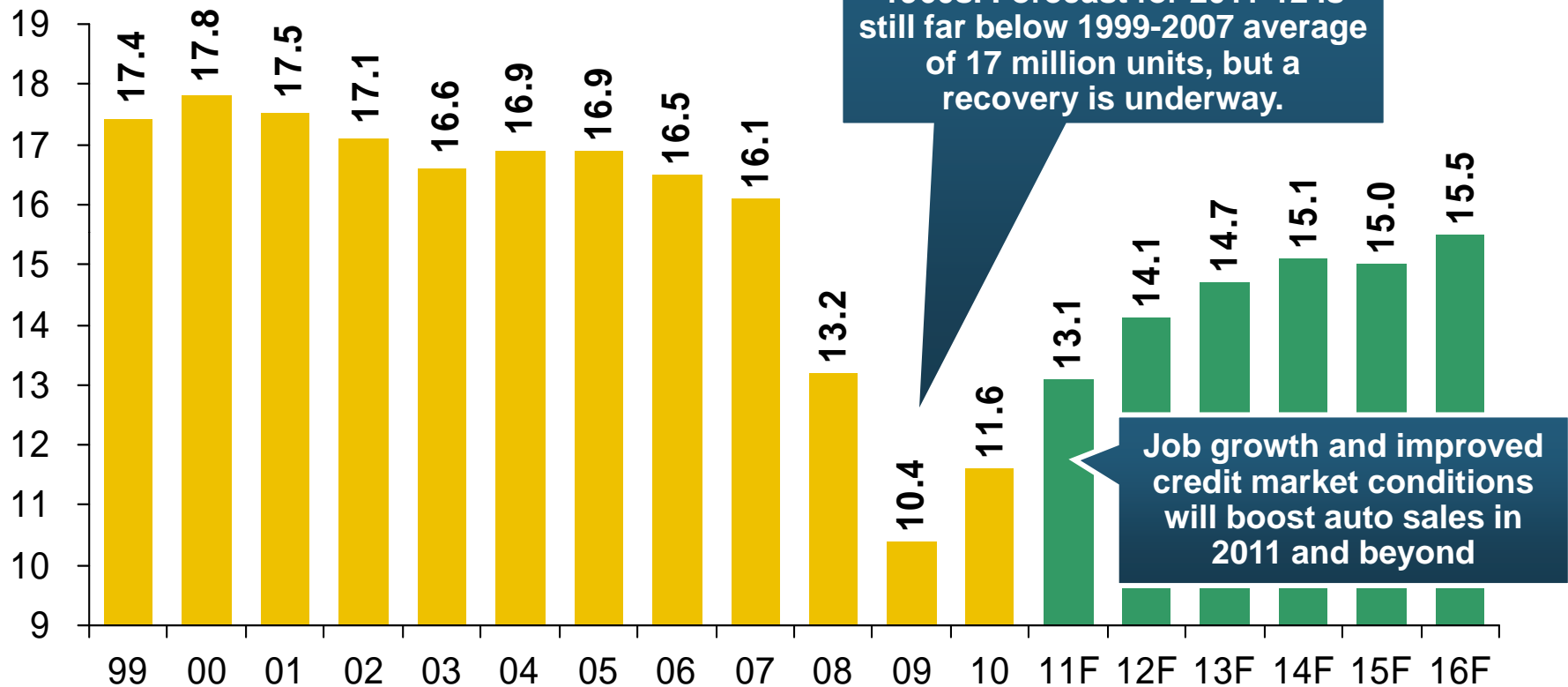
New Private Housing Starts, 1990-2016F



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

Auto/Light Truck Sales, 1999-2016F

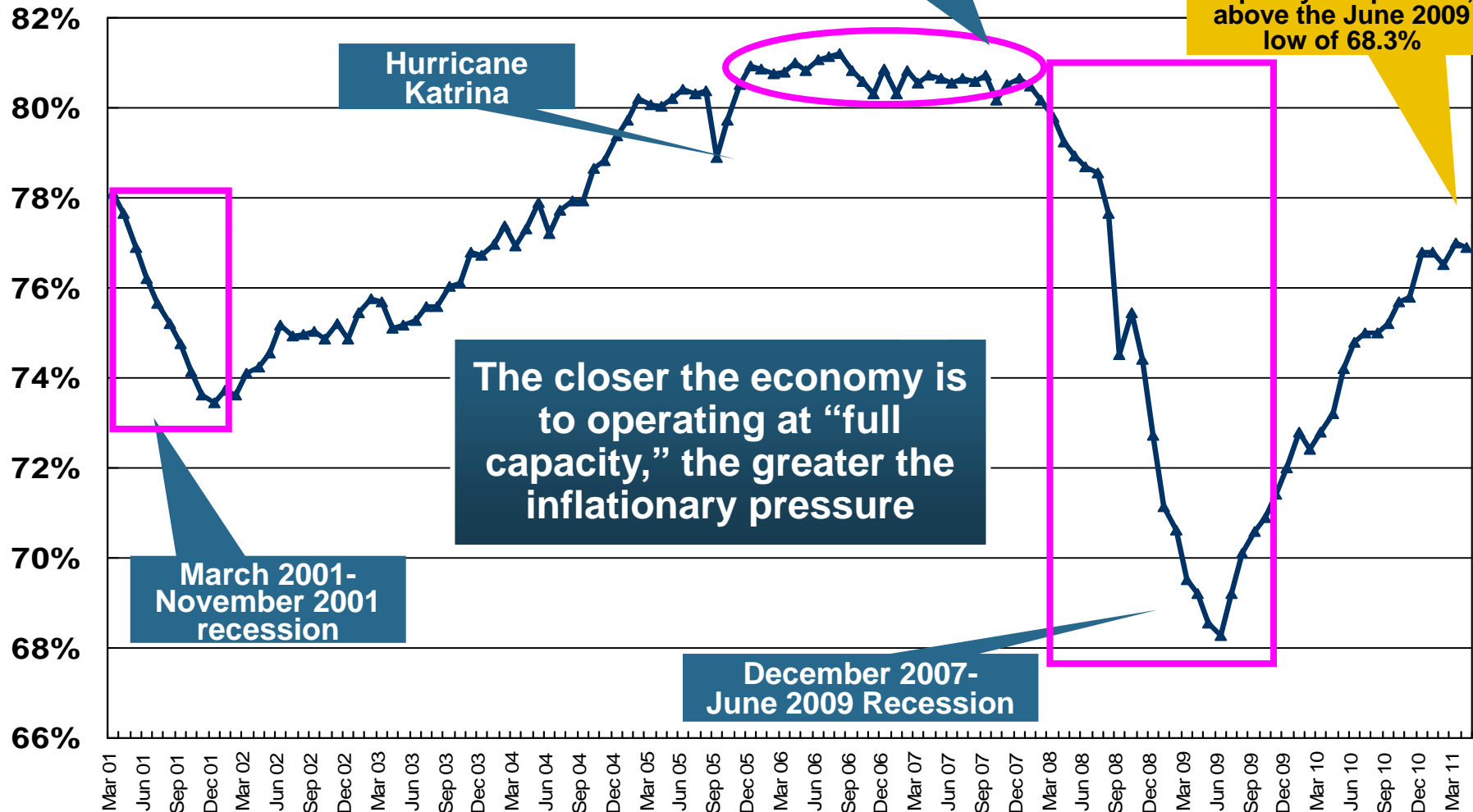
(Millions of Units)



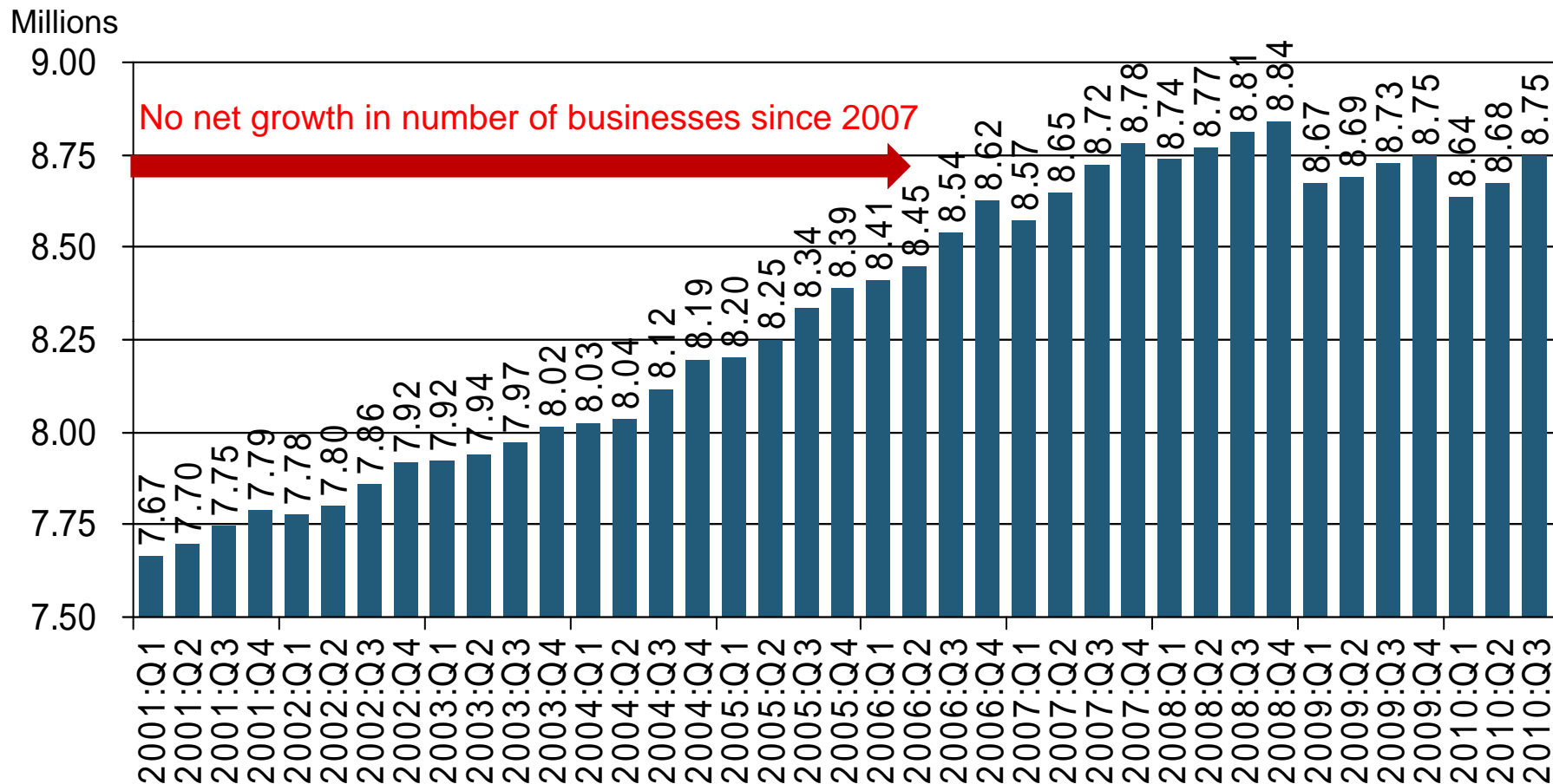
**Car/Light Truck Sales Will Continue to Recover from the 2009 Low Point.
It is Too Soon to Assess the Impact of Higher Gas Prices.**

Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

Percent of
Industrial Capacity

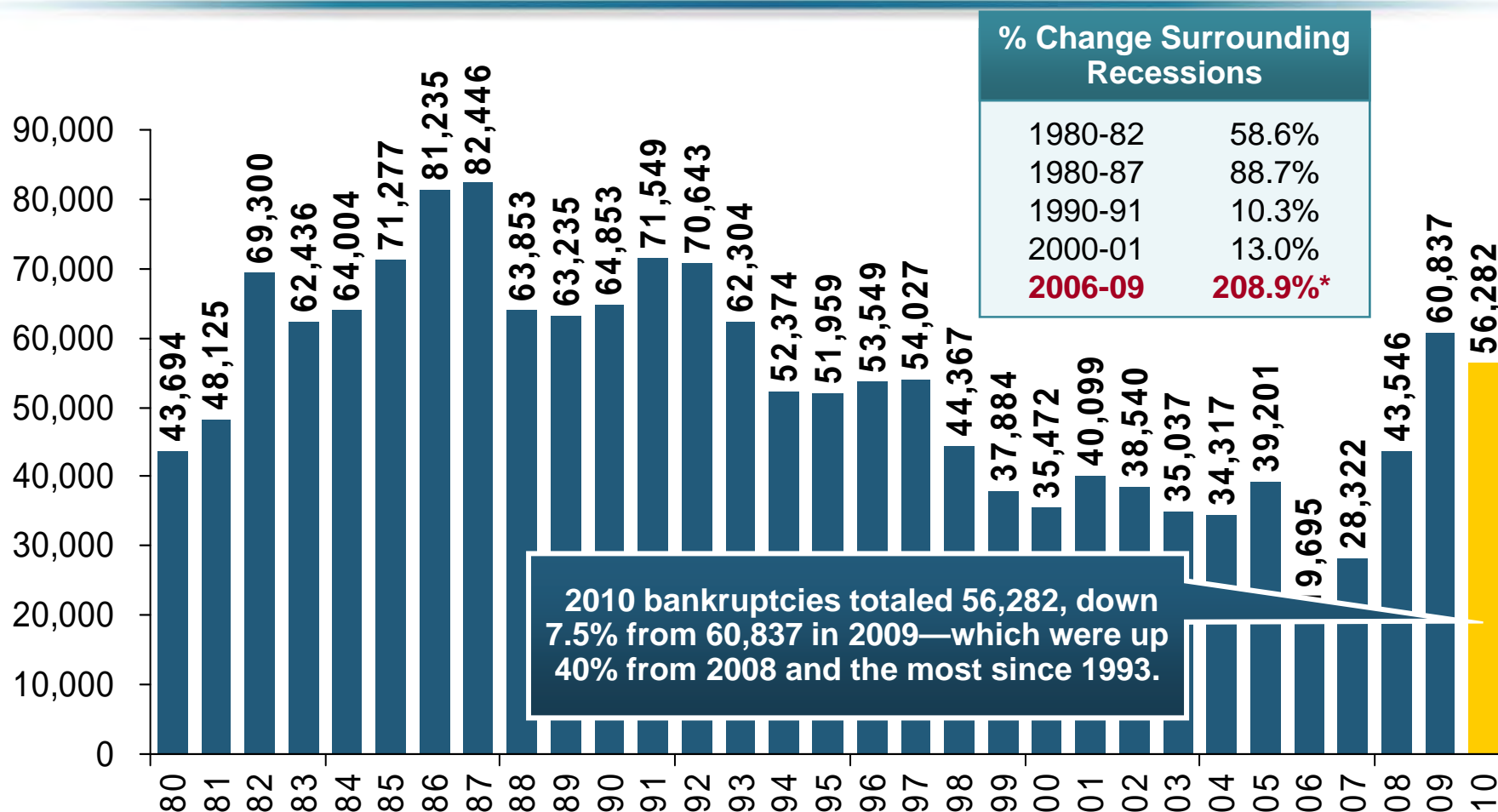


Number of Private Business Establishments, 2001:Q1-2010:Q3



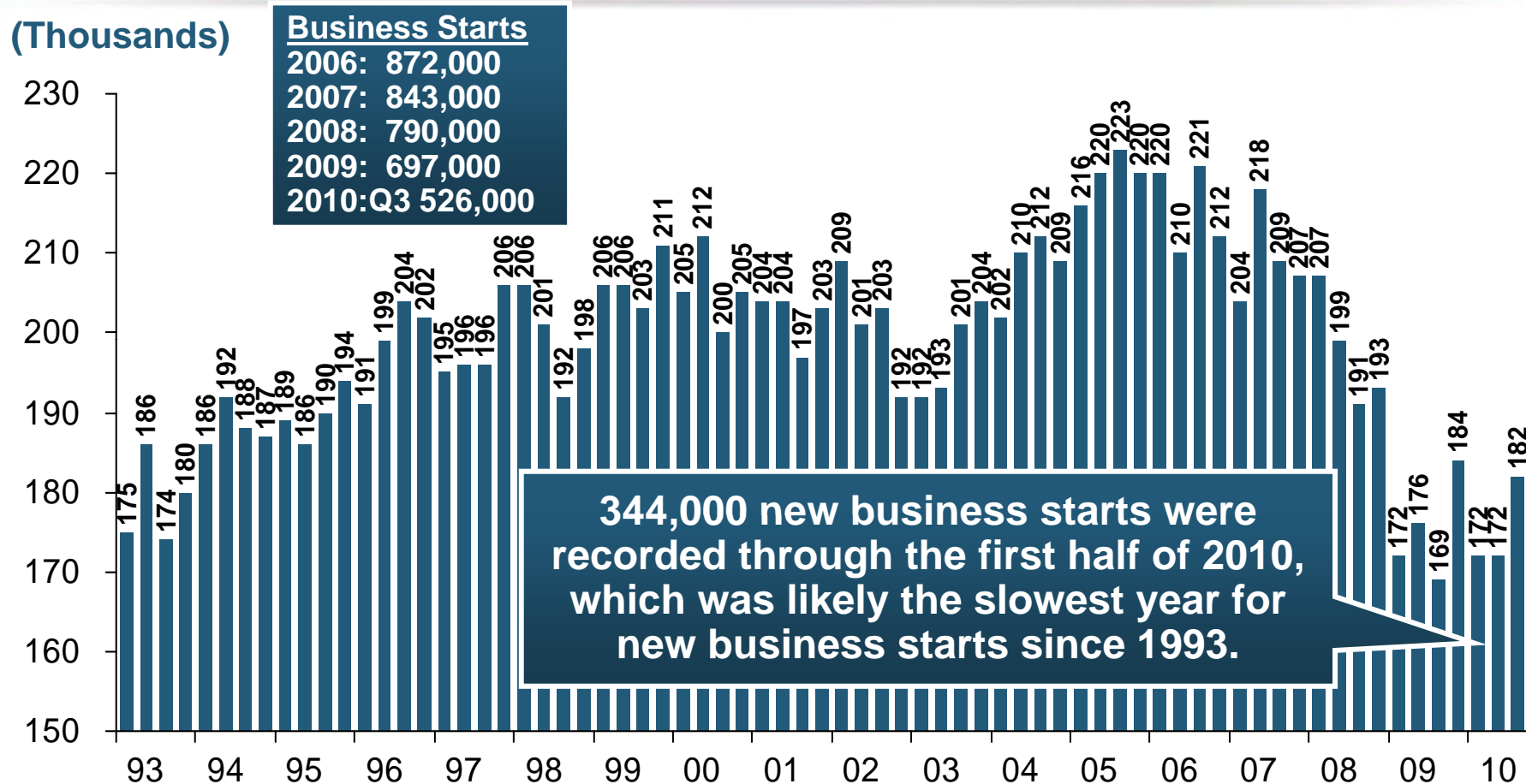
**In 2009:Q1 a net of 165,000 businesses disappeared.
By 2010:Q3 73,000 new ones appeared,
returning us to the level first attained three years before, in 2007:Q3.**

Business Bankruptcy Filings, 1980-2010



Significant Exposure Implications for All Commercial Lines as Business Bankruptcies Begin to Decline

Private Sector Business Starts, 1993:Q2 – 2010:Q3*



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

* Data through September 30, 2010 are the latest available as of May 3, 2011; Seasonally adjusted

Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/cewbd.t08.htm>.

11 Industries for the Next 10 Years: Insurance Solutions Needed

Health Care
Health Sciences
Energy (Traditional)
Alternative Energy
Agriculture
Natural Resources
Environmental
Technology (incl. Biotechnology)
Light Manufacturing
Export-Oriented Industries
Shipping (Rail, Marine, Trucking)

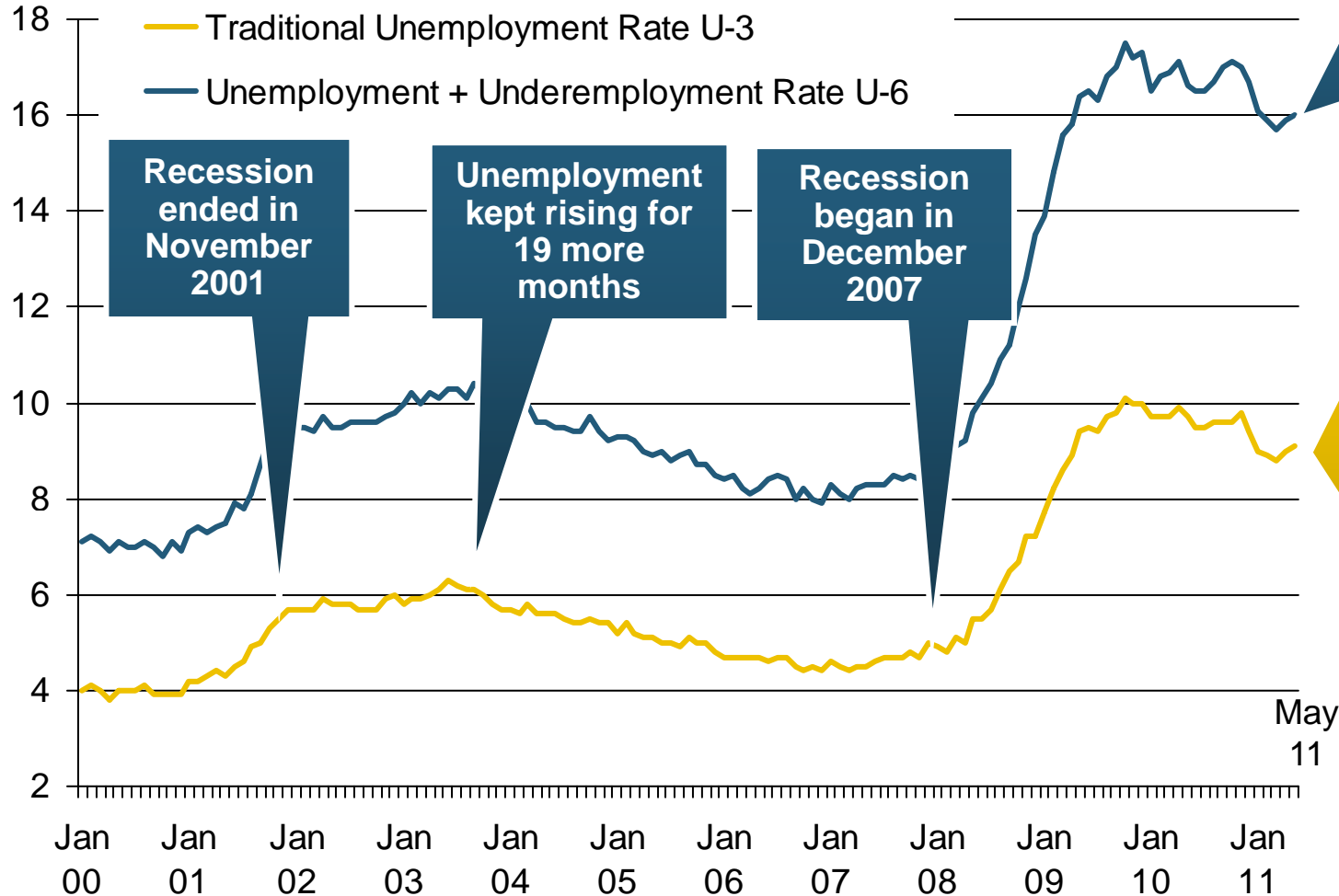
Many industries are poised for growth, but many insurers do not write in these economic segments

Labor Market Trends

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

Unemployment and Underemployment Rates: Falling in 2011

January 2000 through May 2011, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 16.0% in May 2011

Unemployment rate rose to 9.1% in May

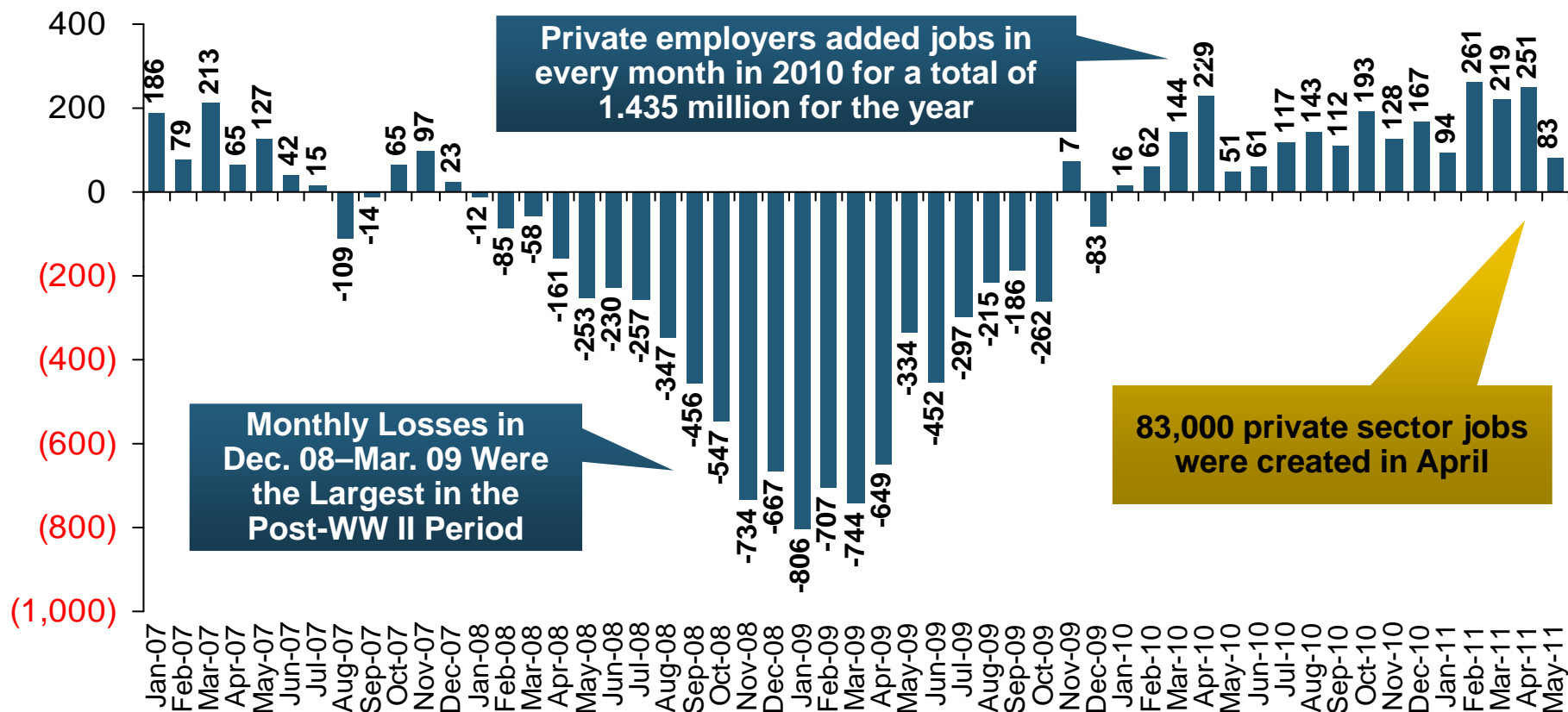
Unemployment peaked at 10.1% in October 2009, highest monthly rate since 1983.

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

Monthly Change in Private Employment

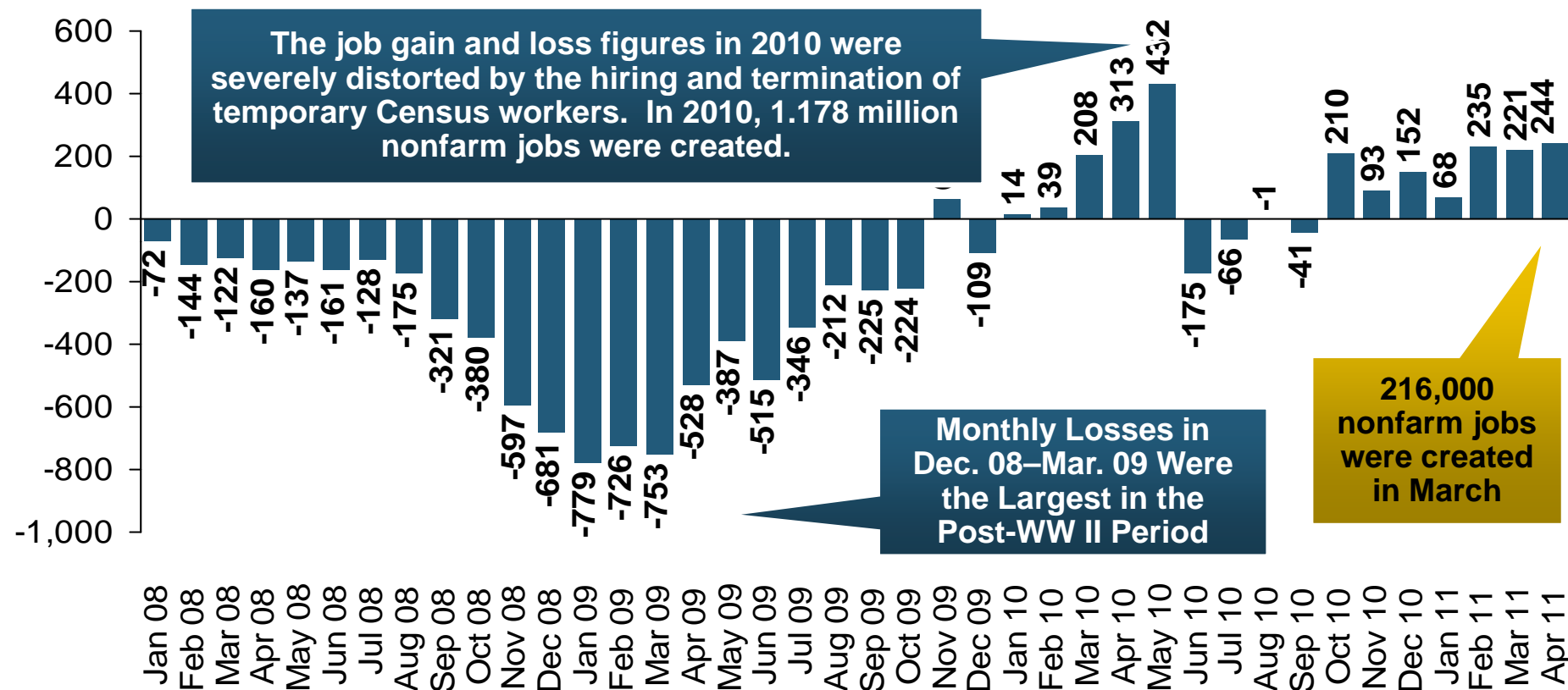
January 2008 through May 2011* (Thousands)



Private Employers Added 2.323 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)

Monthly Change Employment*

January 2008 through April 2011* (Thousands)

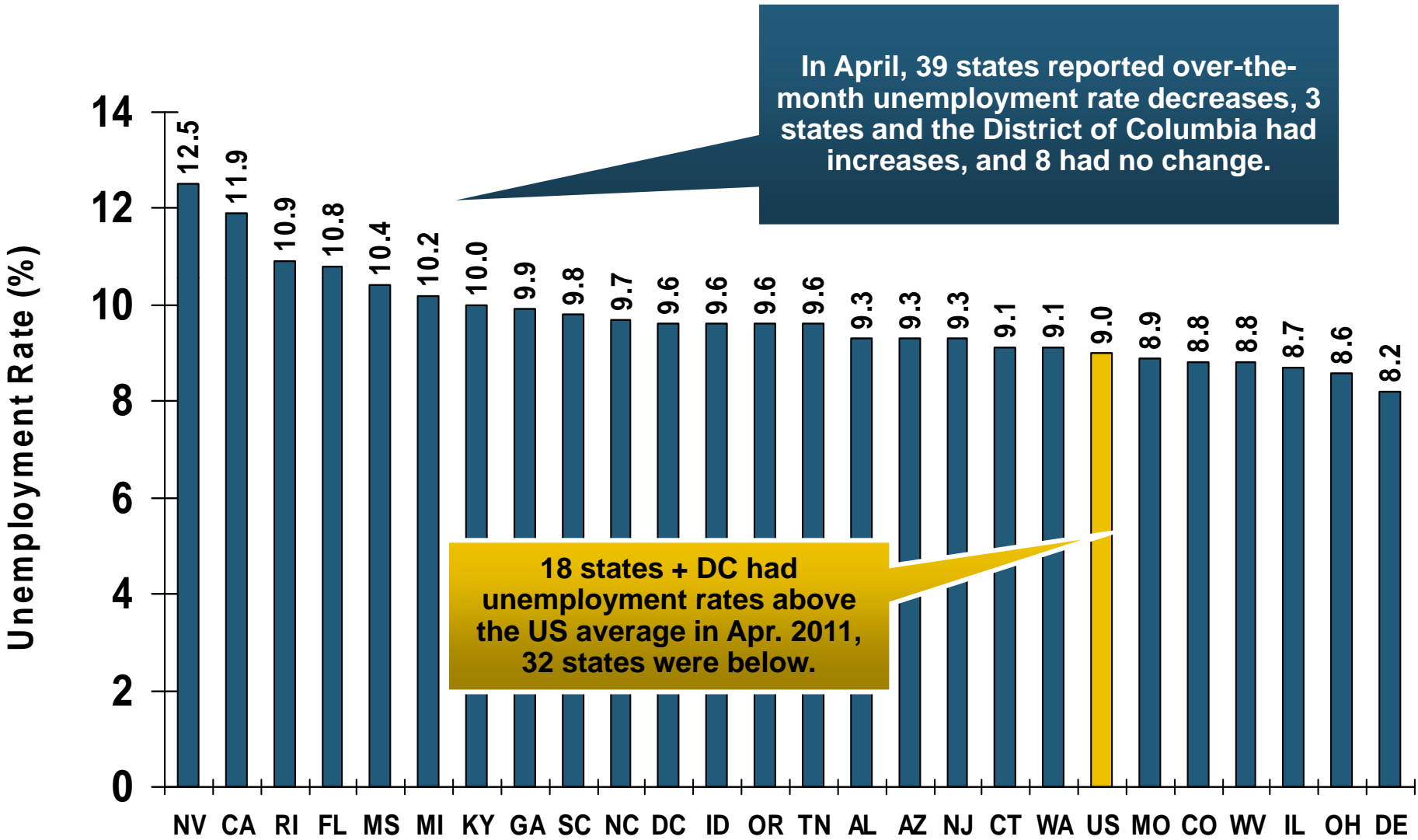


Job Losses Since the Recession Began in Dec. 2007 Peaked at 8.4 Mill in Dec. 09; Stands at 6.2 Million Through March 2011; 13.5 Million People are Now Defined as Unemployed

*Estimate based on Reuters poll of economists.

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

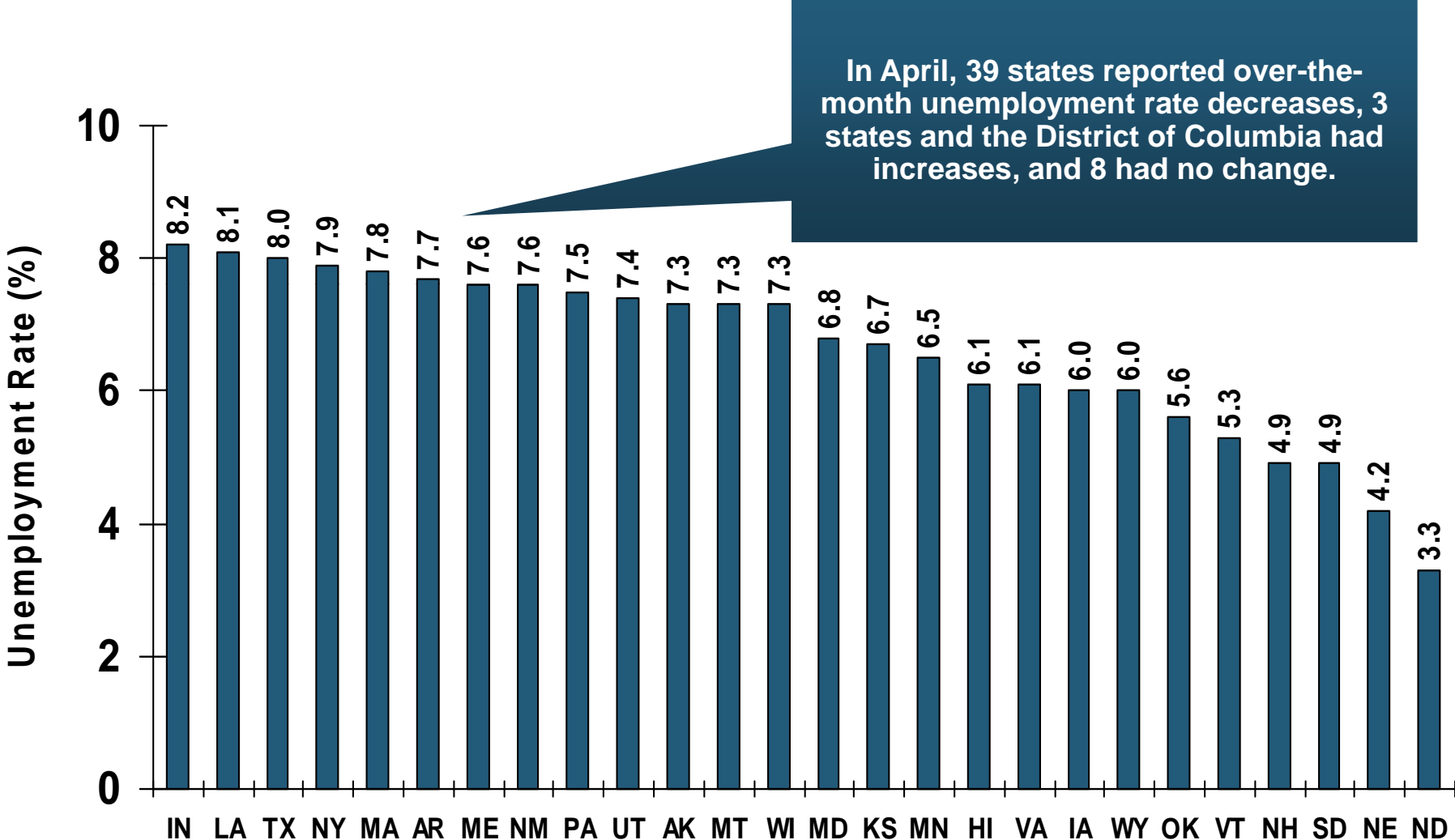
Unemployment Rates by State, April 2011: Highest 25 States*



*Provisional figures for April 2011, seasonally adjusted.

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

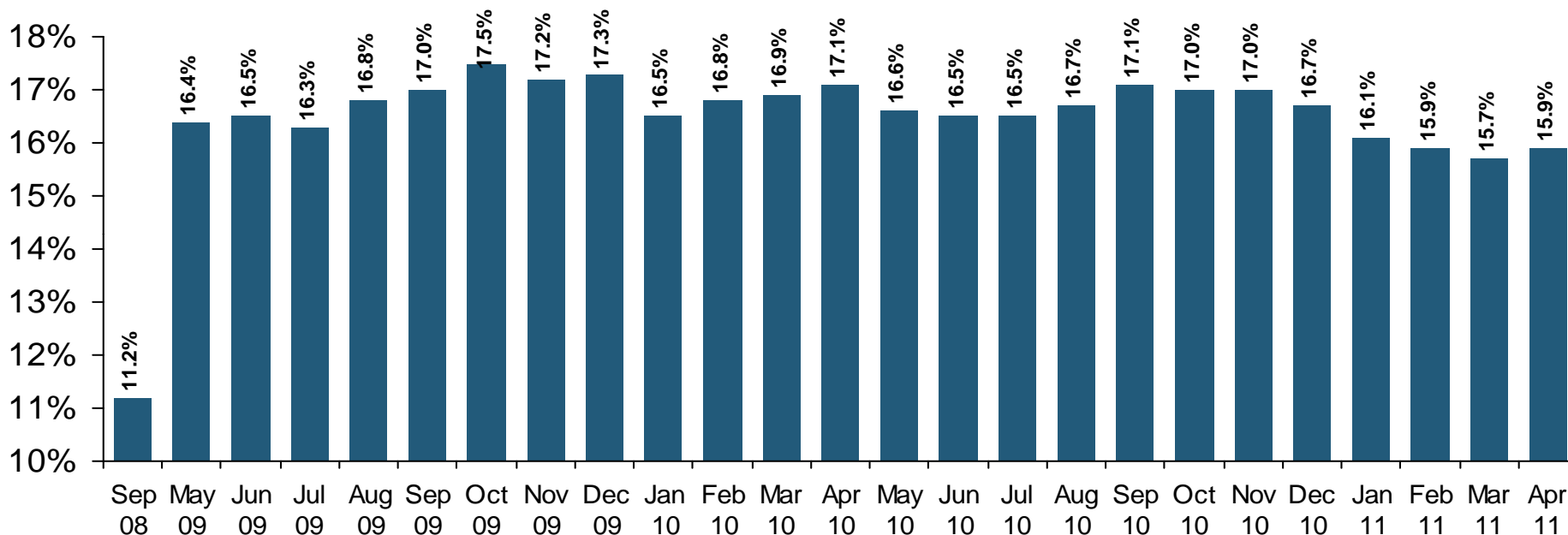
Unemployment Rates By State, April 2011: Lowest 25 States*



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

Labor Underutilization: Broader than Just Unemployment

% of Labor Force



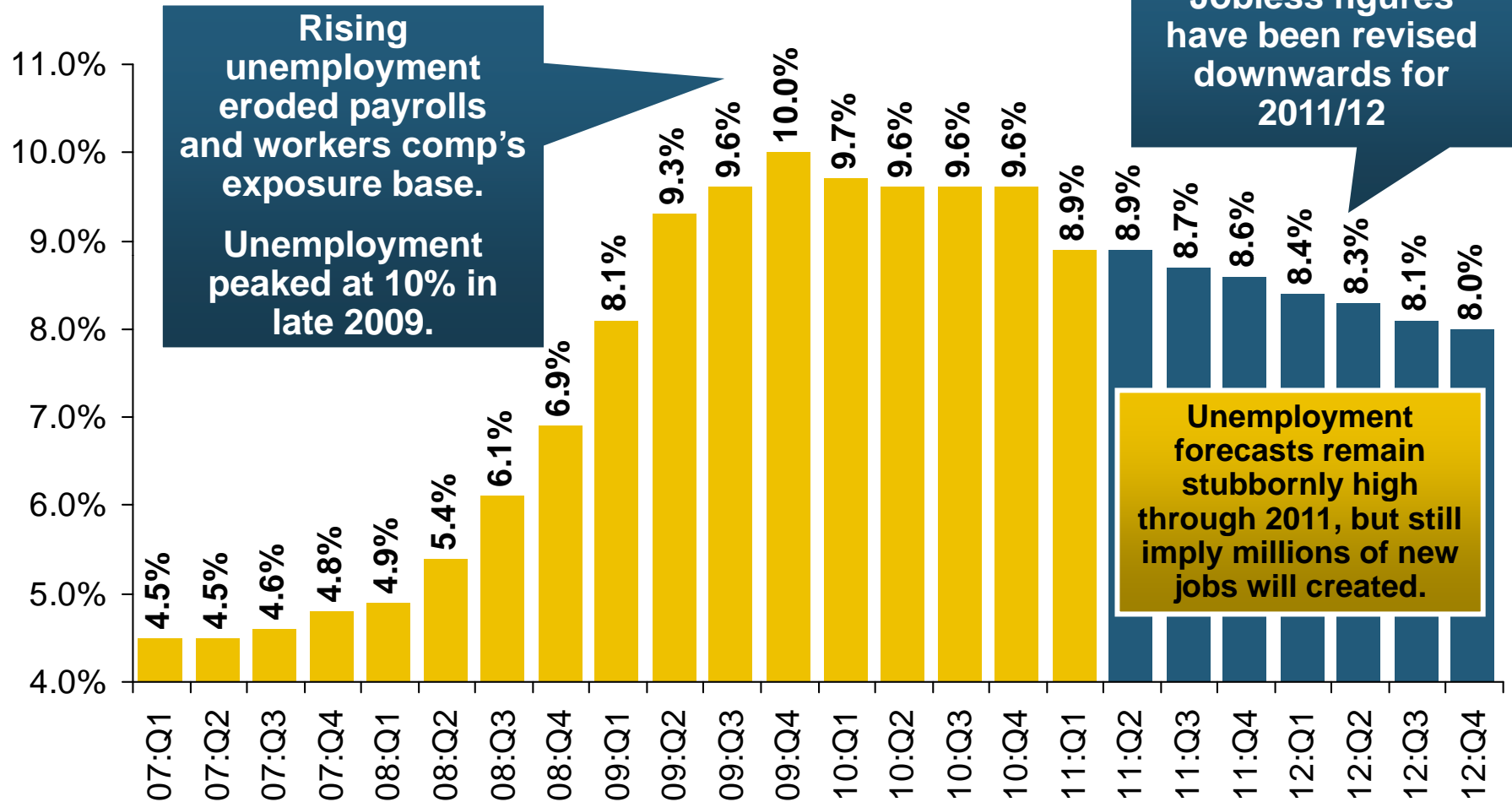
Marginally Attached and Unemployed Persons Account for 15.9% of the Labor Force in April 2011 (1 Out Every 6.4 People). Unemployment Rate Alone was 8.8%. Underutilization Shows a Broader Impact on WC and Other Commercial Exposures

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.

US Unemployment Rate

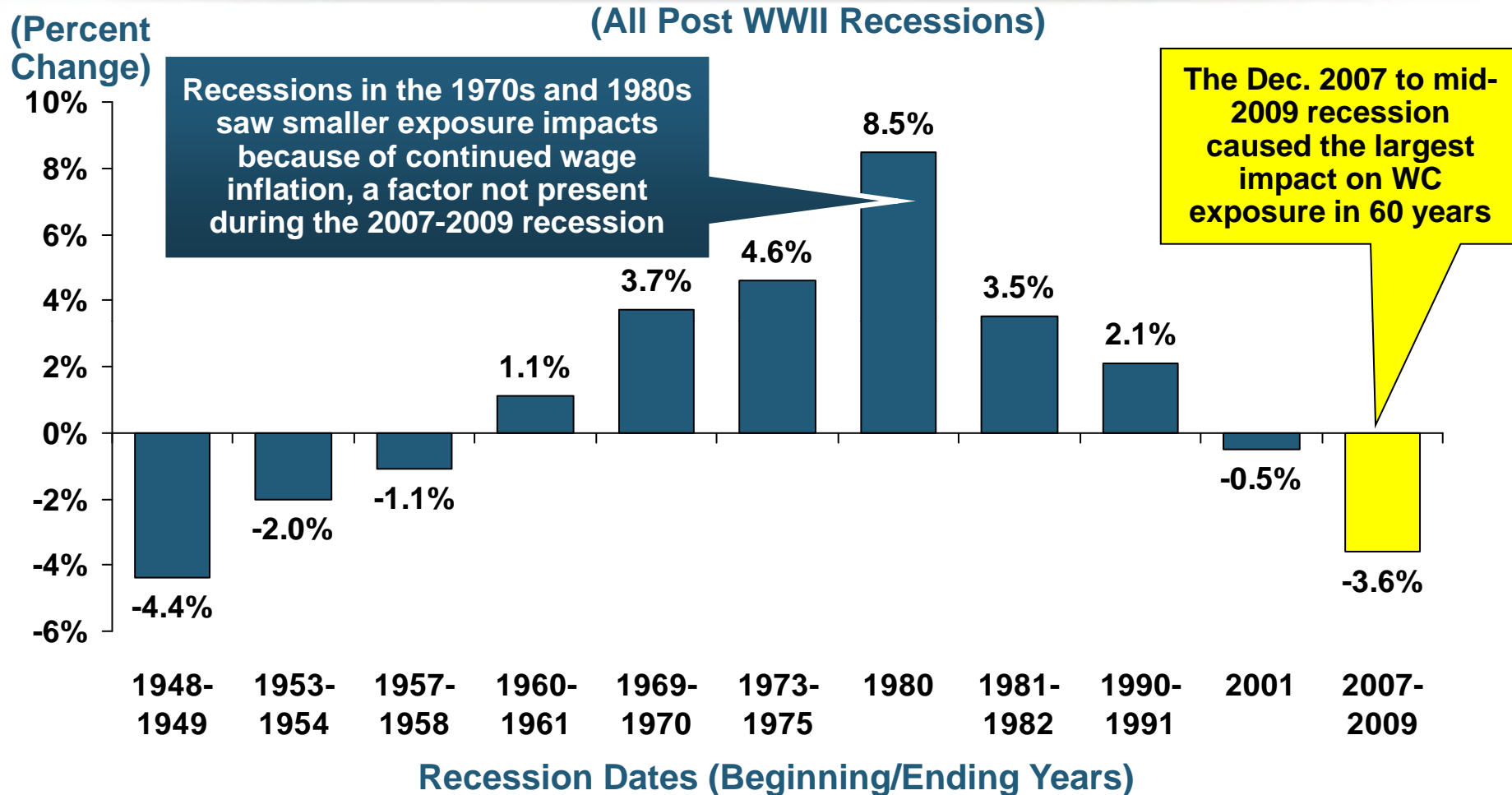
2007:Q1 to 2012:Q4F*



* ■ = actual; ■ = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (6/11); Insurance Information Institute

Estimated Effect of Recessions* on Payroll (Workers Comp Exposure)

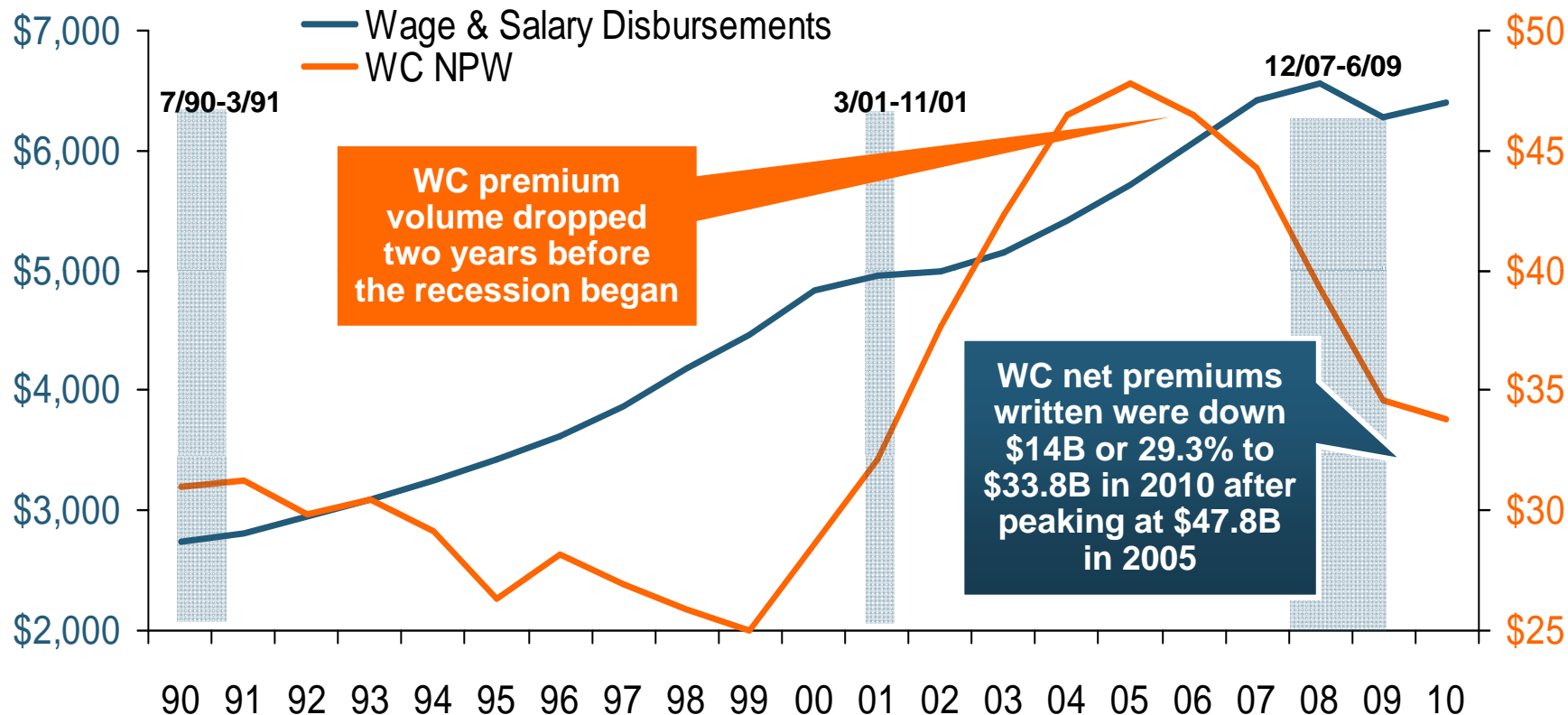


*Data represent maximum recorded decline over 12-month period using annualized quarterly wage and salary accrual data
Source: Insurance Information Institute research; Federal Reserve Bank of St. Louis (wage and salary data); National Bureau of Economic Research (recession dates).

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

Payroll Base*
\$Billions

WC NWP
\$Billions



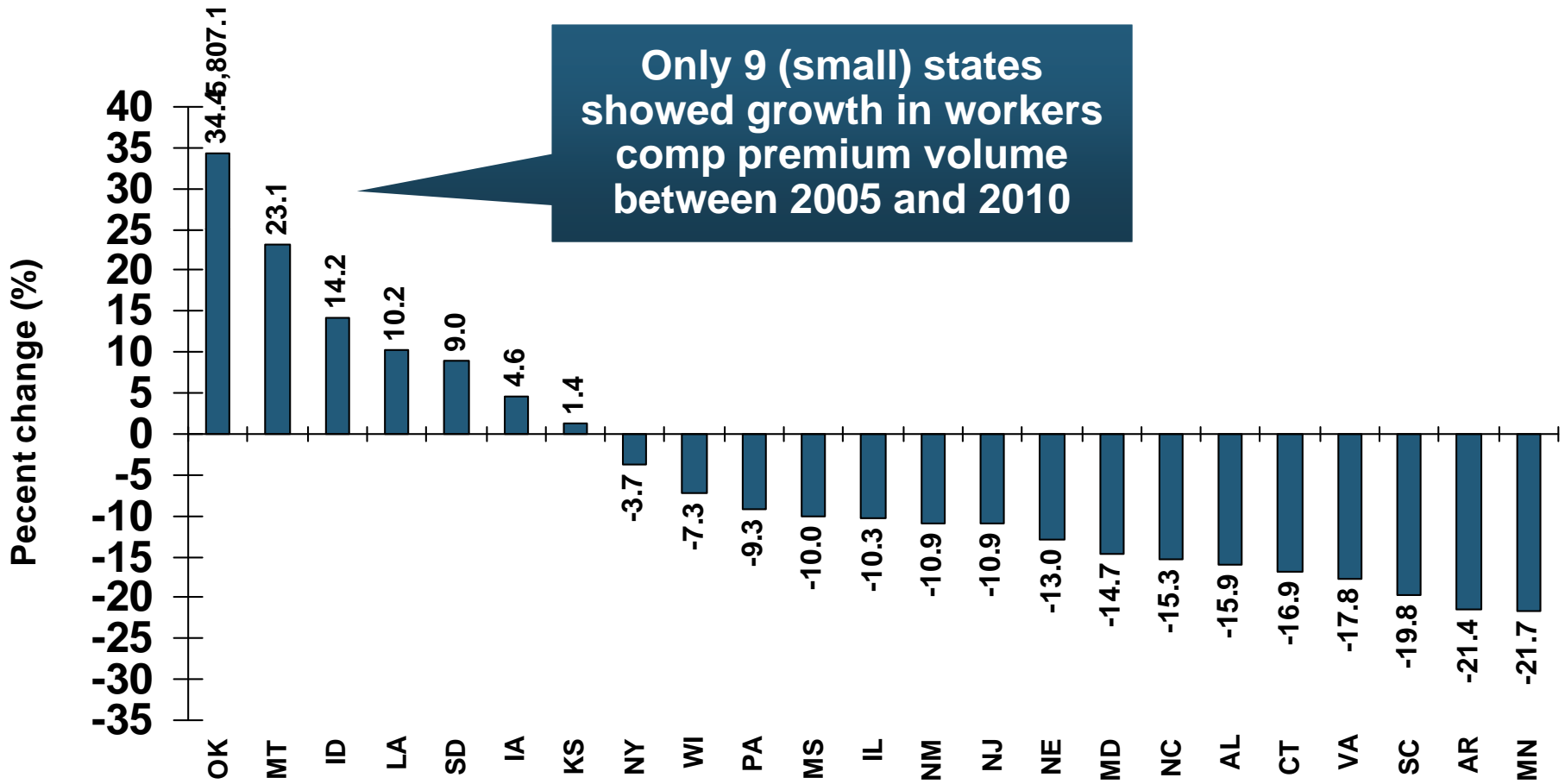
29% of NPW has been eroded away by the soft market and weak economy

*Private employment; Shaded areas indicate recessions.

Sources: NBER (recessions); Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR> ; NCCI; I.I.I.

Direct Premiums Written: Worker's Comp Percent Change by State, 2005-2010*

Top 25 States

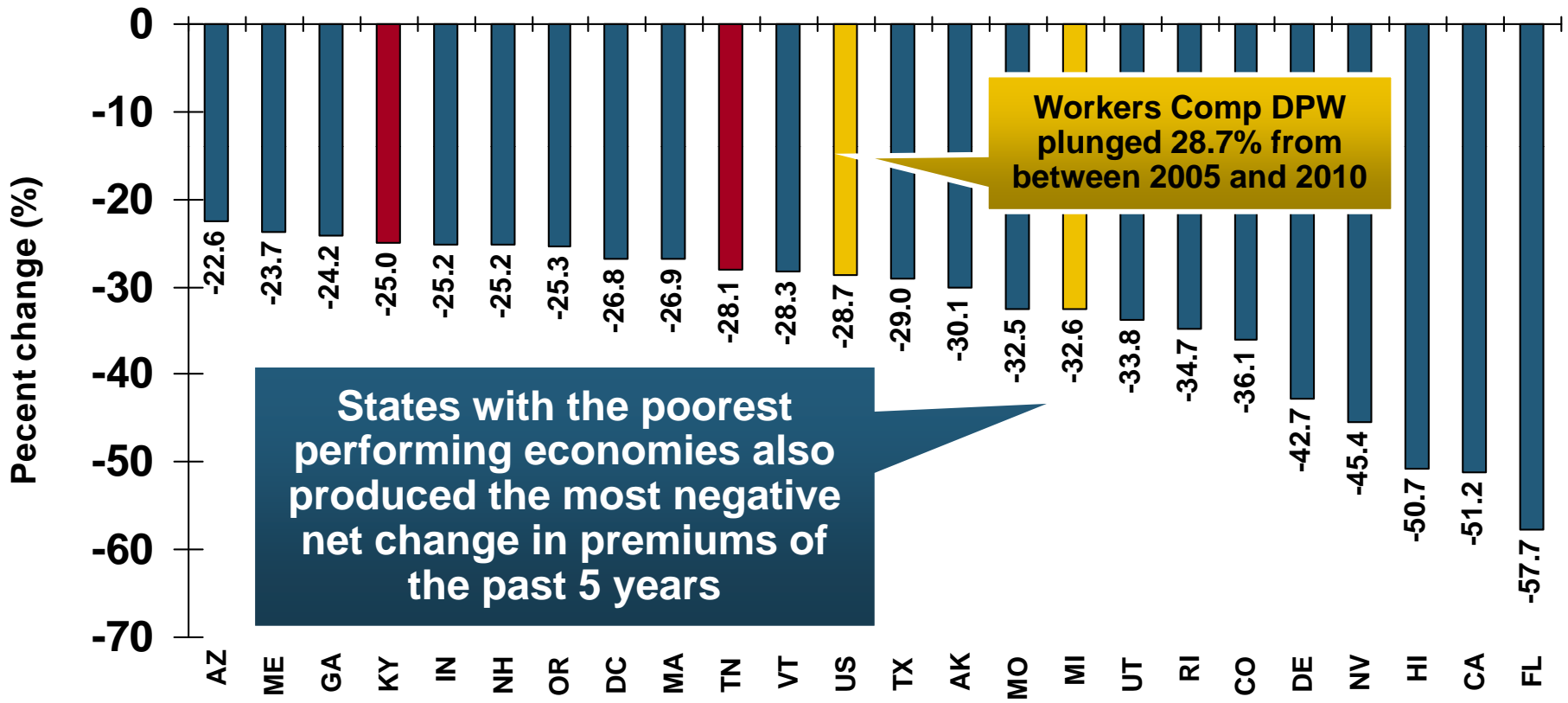


*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Worker's Comp Percent Change by State, 2005-2010*

Bottom 25 States



*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Insurance Information Institute Online:

www.iii.org

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

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