



The Road Ahead in Texas

Challenges & Opportunities in the P/C Insurance Industry for 2011 & Beyond

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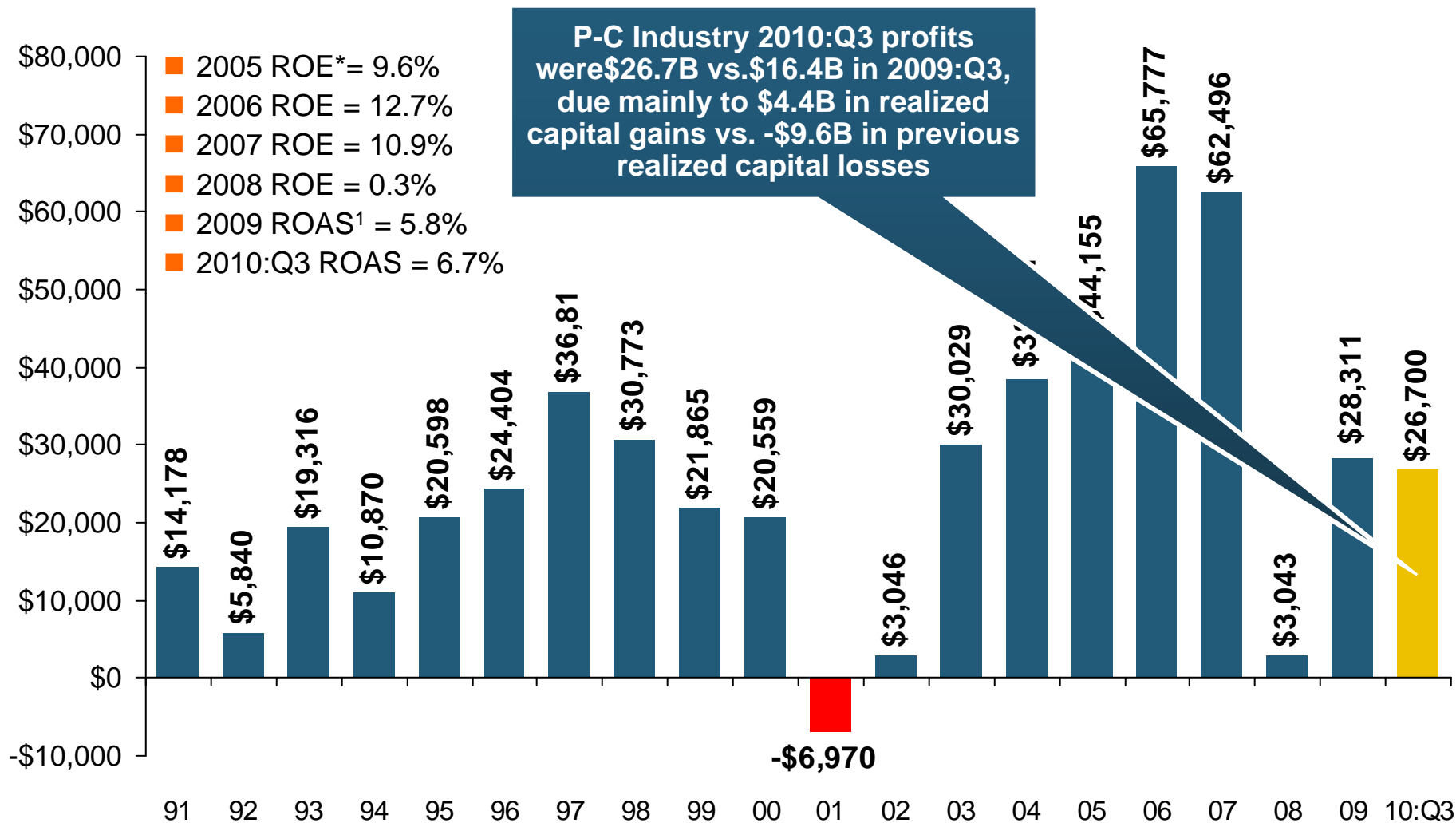
- **Insurance Industry Financial Overview & Outlook**
 - ◆ Profitability
 - ◆ Premium Growth
 - ◆ Capital & Capacity
 - ◆ Underwriting Performance: Commercial & Personal Lines
 - ◆ Financial/Investment Review & Outlook
- **Financial Strength Overview**
- **Texas Overview: Growth and Profitability Analysis**
- **Tort System Review: Overview and Causes for Concern**
- **Exposure Analysis: Where Will Growth Come from in the Aftermath of the Great Recession?”**
 - ◆ Crisis-Driven Exposure Issues: Personal & Commercial Lines
 - ◆ Growth in the Post-Crisis World
- **Catastrophe Loss Review**



P/C Insurance Industry Financial Overview

**Profit Recovery Continues
Early Stage Growth Begins**

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

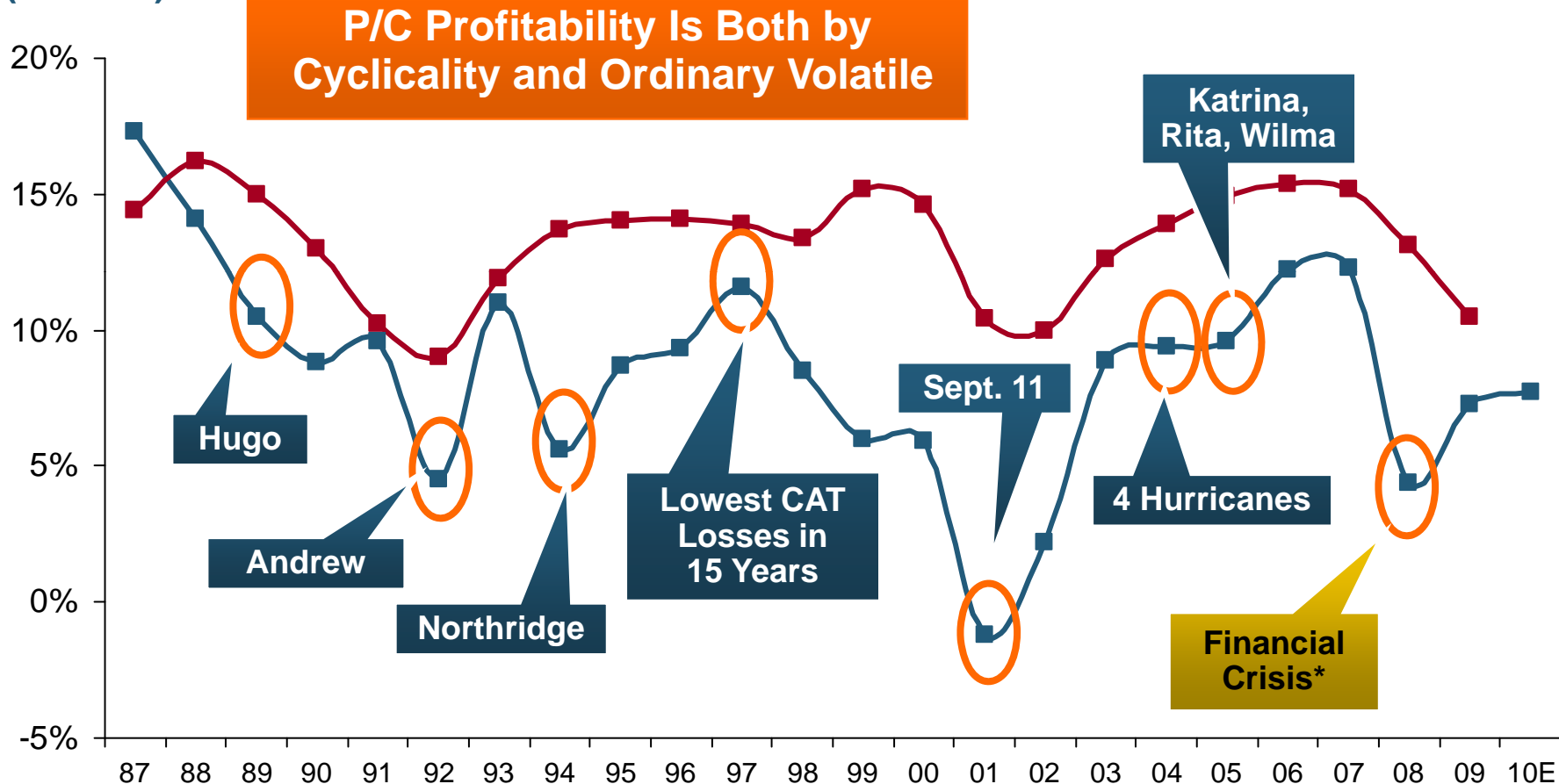


* ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 7.7% ROAS for 2010:Q3 and 4.6% for 2009. 2009:Q3 net income was \$29.8 billion excluding M&FG.

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

ROE: Property/Casualty Insurance, 1987–2010E*

(Percent)



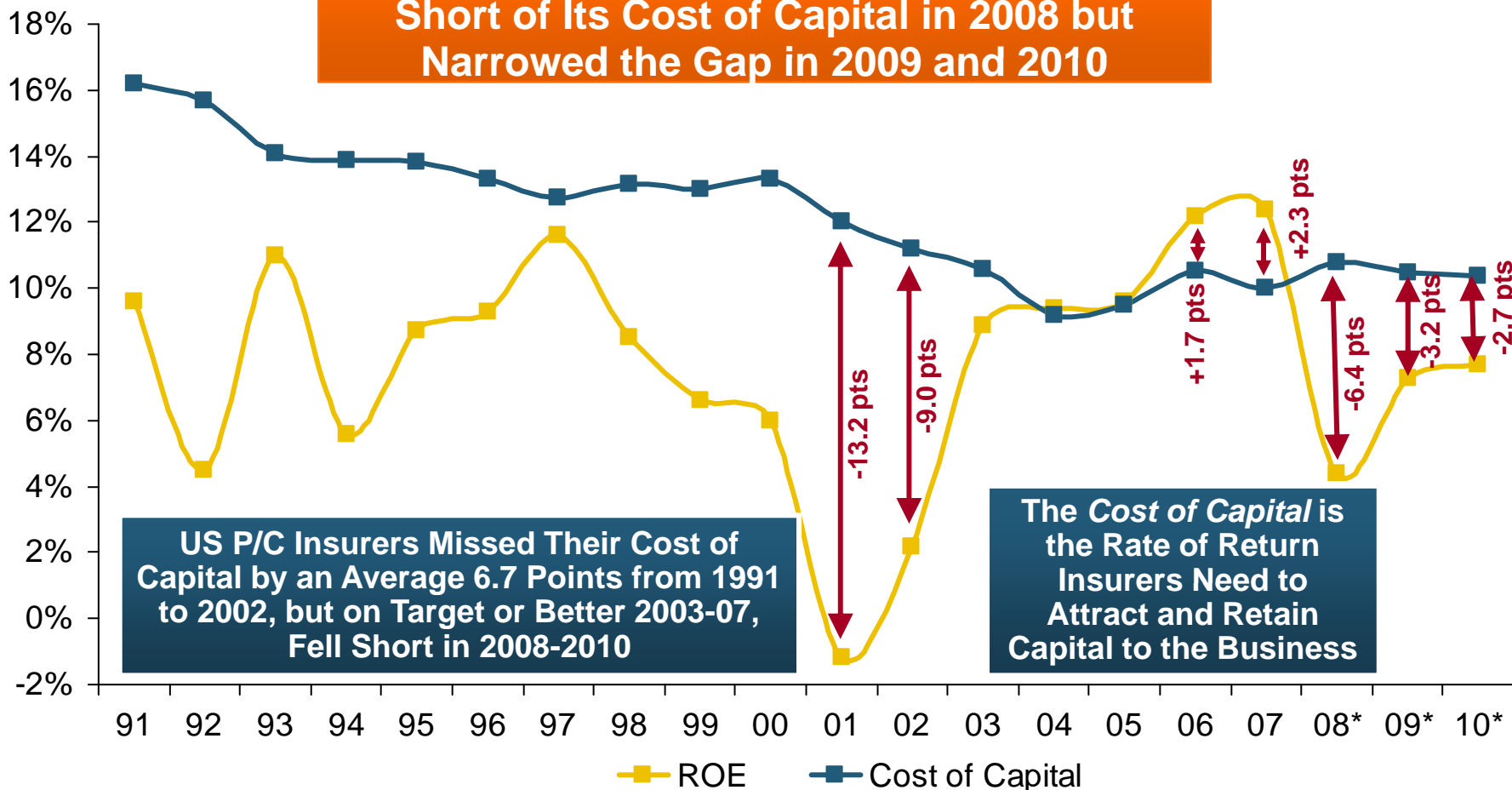
* Excludes Mortgage & Financial Guarantee in 2008 - 2010.

Sources: ISO, *Fortune*; Insurance Information Institute figure for 2010 is actual through 2010:Q3.

ROE vs. Equity Cost of Capital: U.S. P/C Insurance:1991-2010:H1*

(Percent)

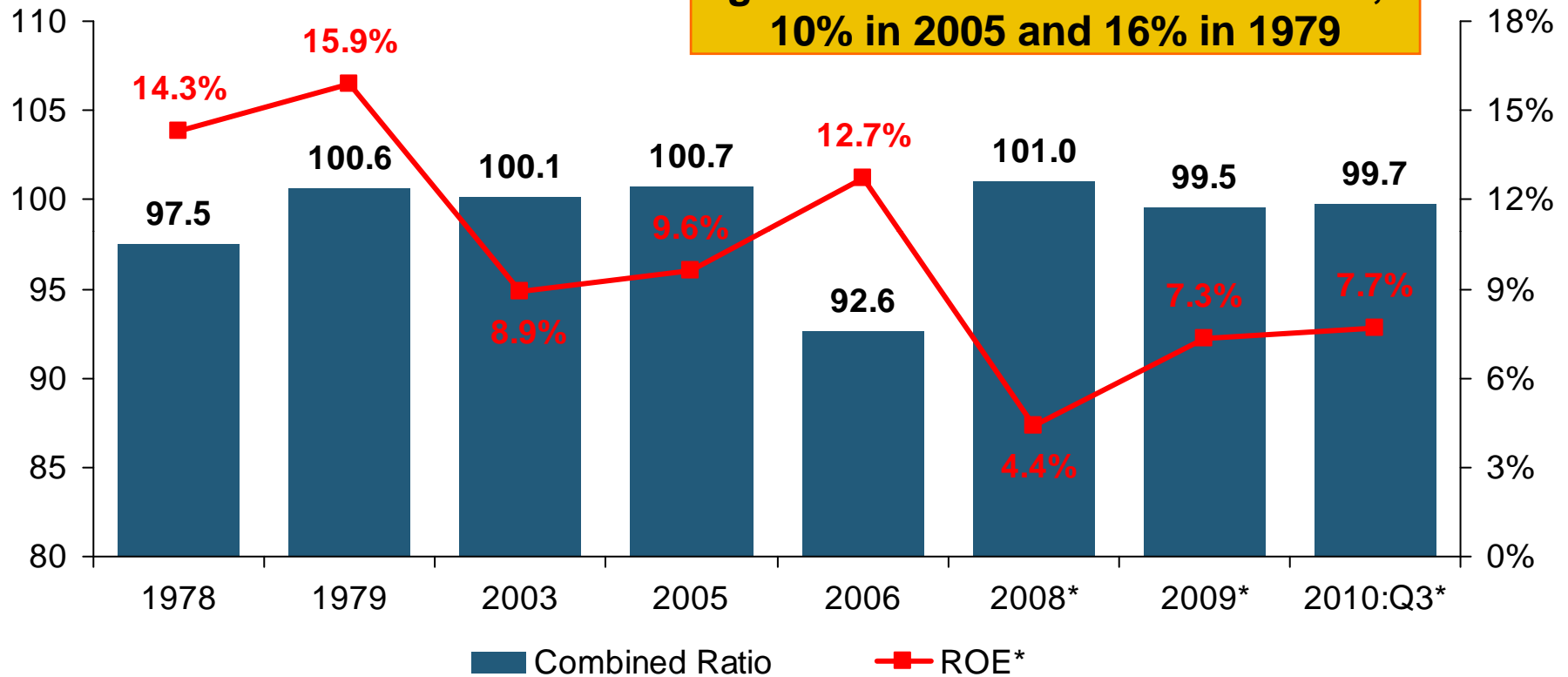
The P/C Insurance Industry Fell Well Short of Its Cost of Capital in 2008 but Narrowed the Gap in 2009 and 2010



* 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

Combined Ratio / ROE



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

* 2009 and 2010:Q3 figures are return on average statutory surplus. 2008, 2009 and 2010:H1 figures exclude mortgage and financial guaranty insurers

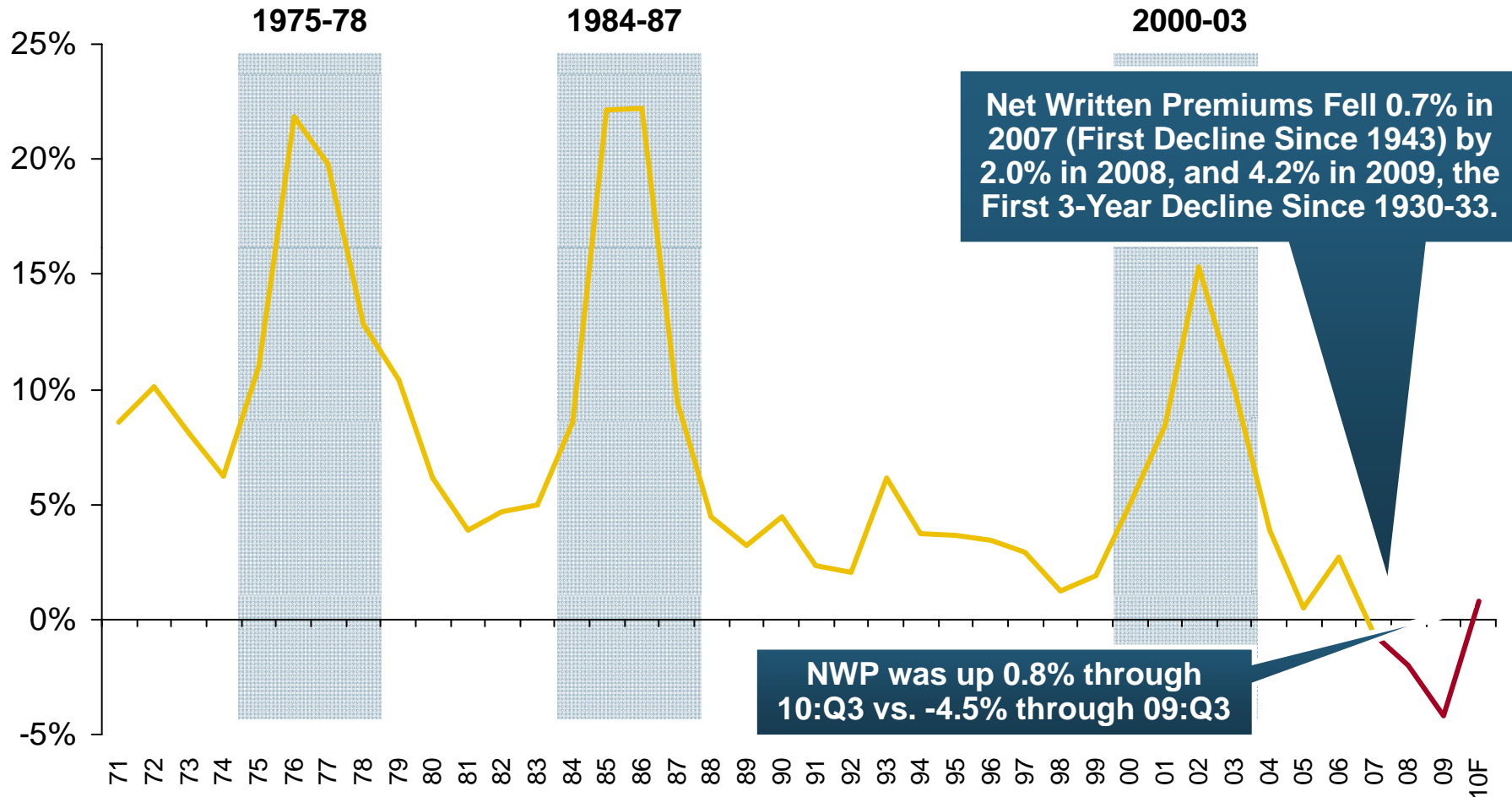
Source: Insurance Information Institute from A.M. Best and ISO data.

P/C Premium Growth Cycles

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

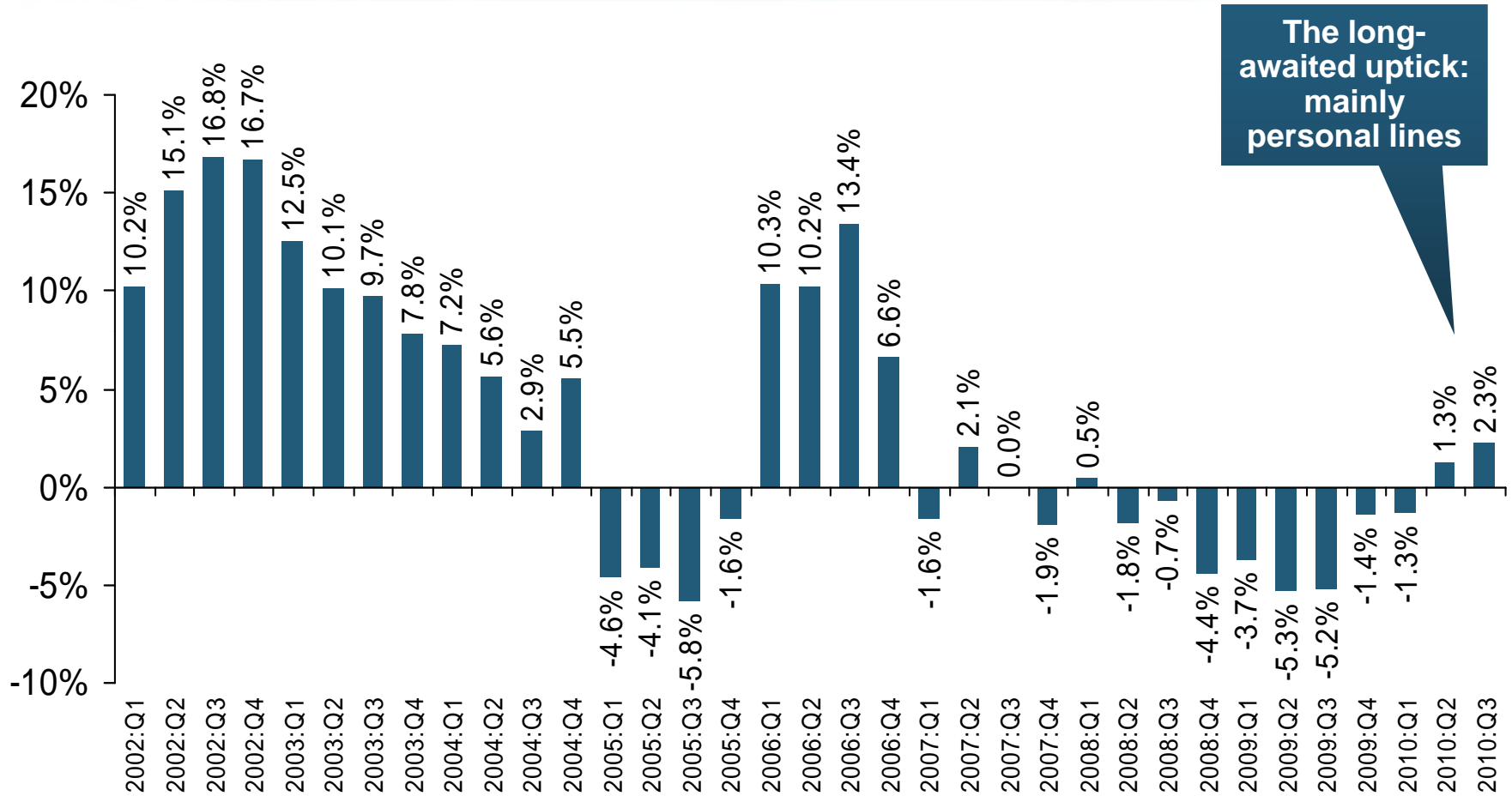
Soft Market Persisted in 2010 but May Be Easing: Relief in 2011?

(Percent)



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

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

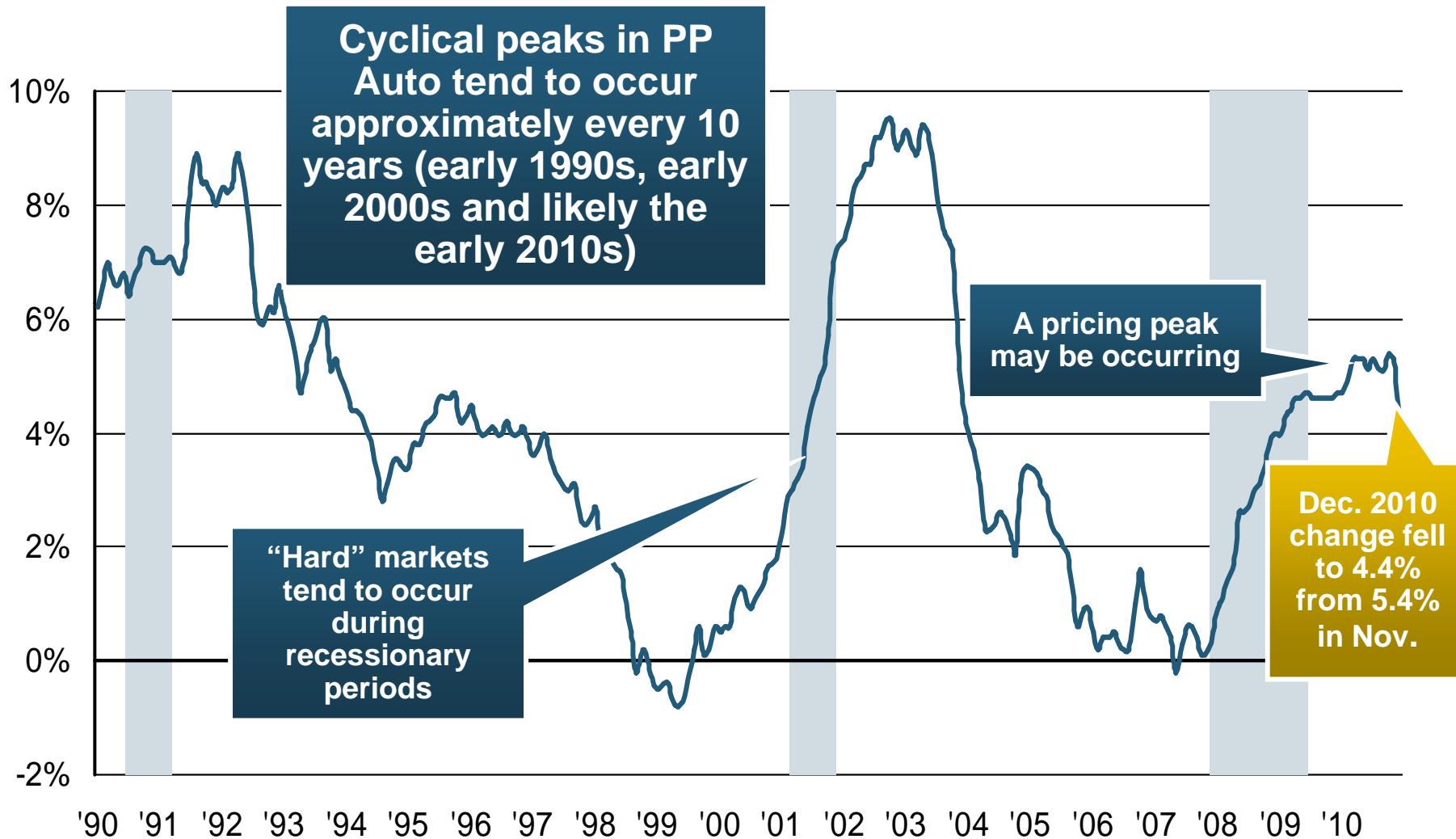


The long-awaited uptick: mainly personal lines

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

Sources: ISO, Insurance Information Institute.

Monthly Change* in Auto Insurance Prices, 1991–2010*

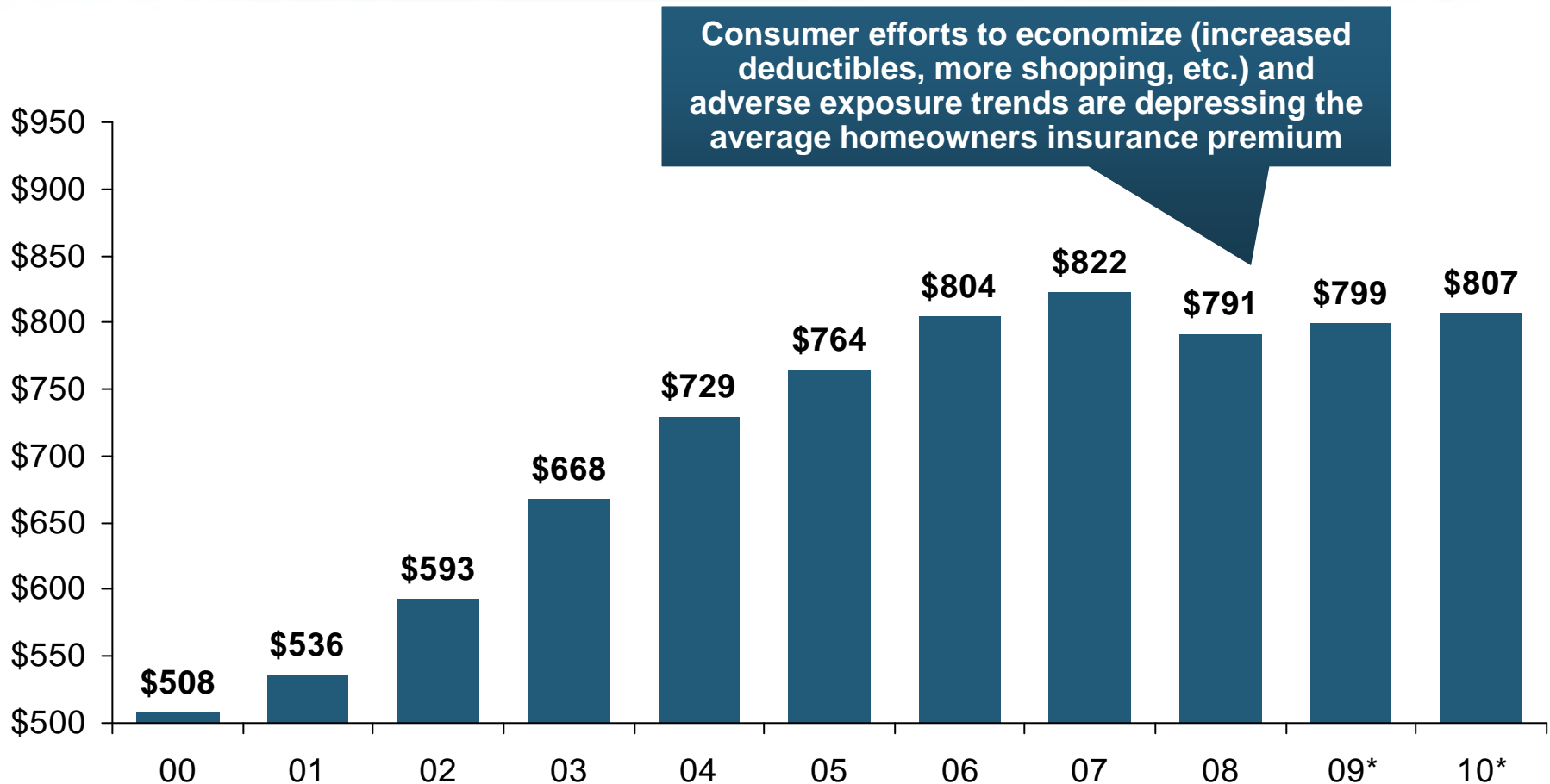


*Percentage change from same month in prior year; through December 2010; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

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

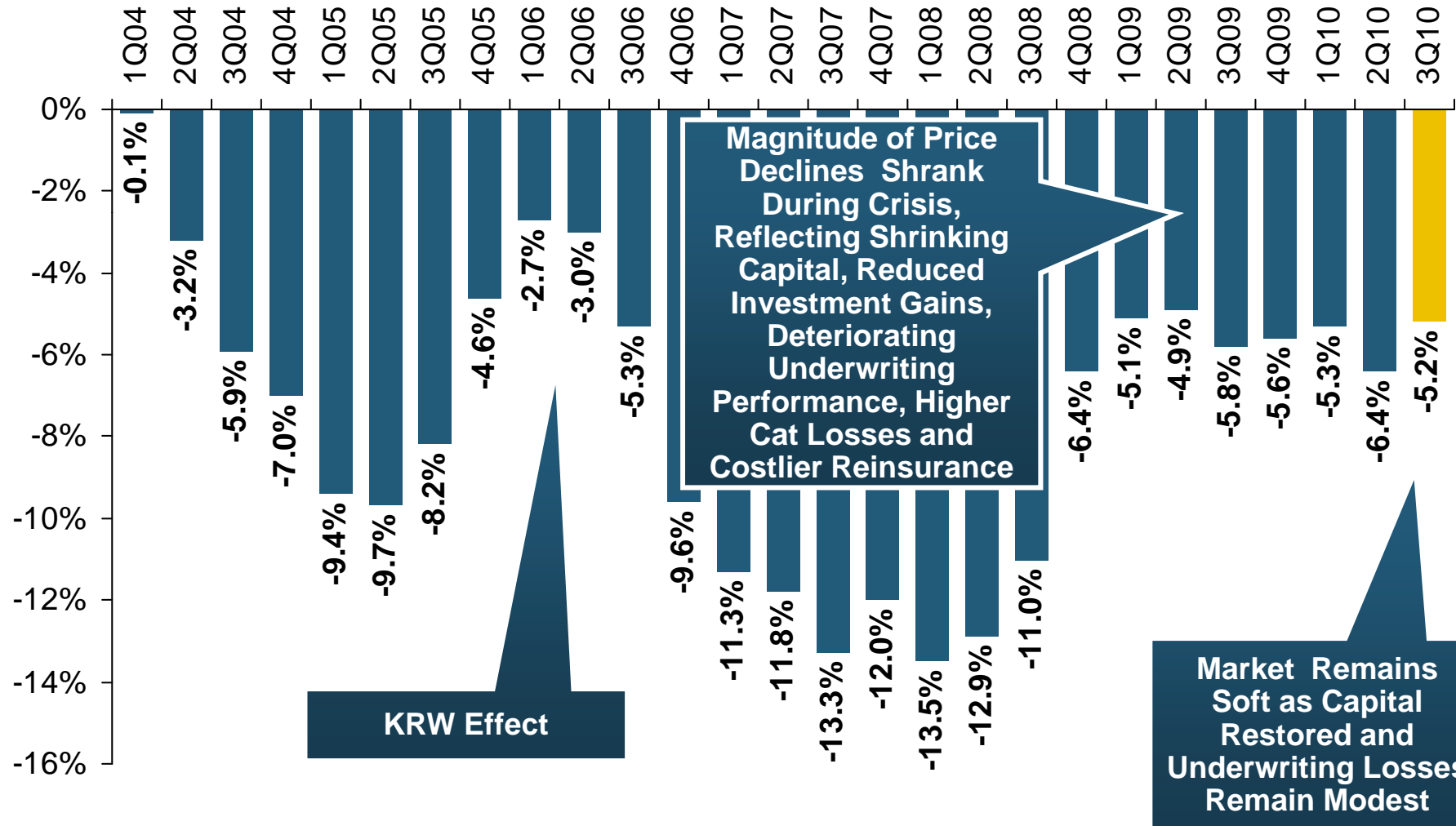
Average Premium for Home Insurance Policies**



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

Average Commercial Rate Change, All Lines, (1Q:2004–3Q:2010)

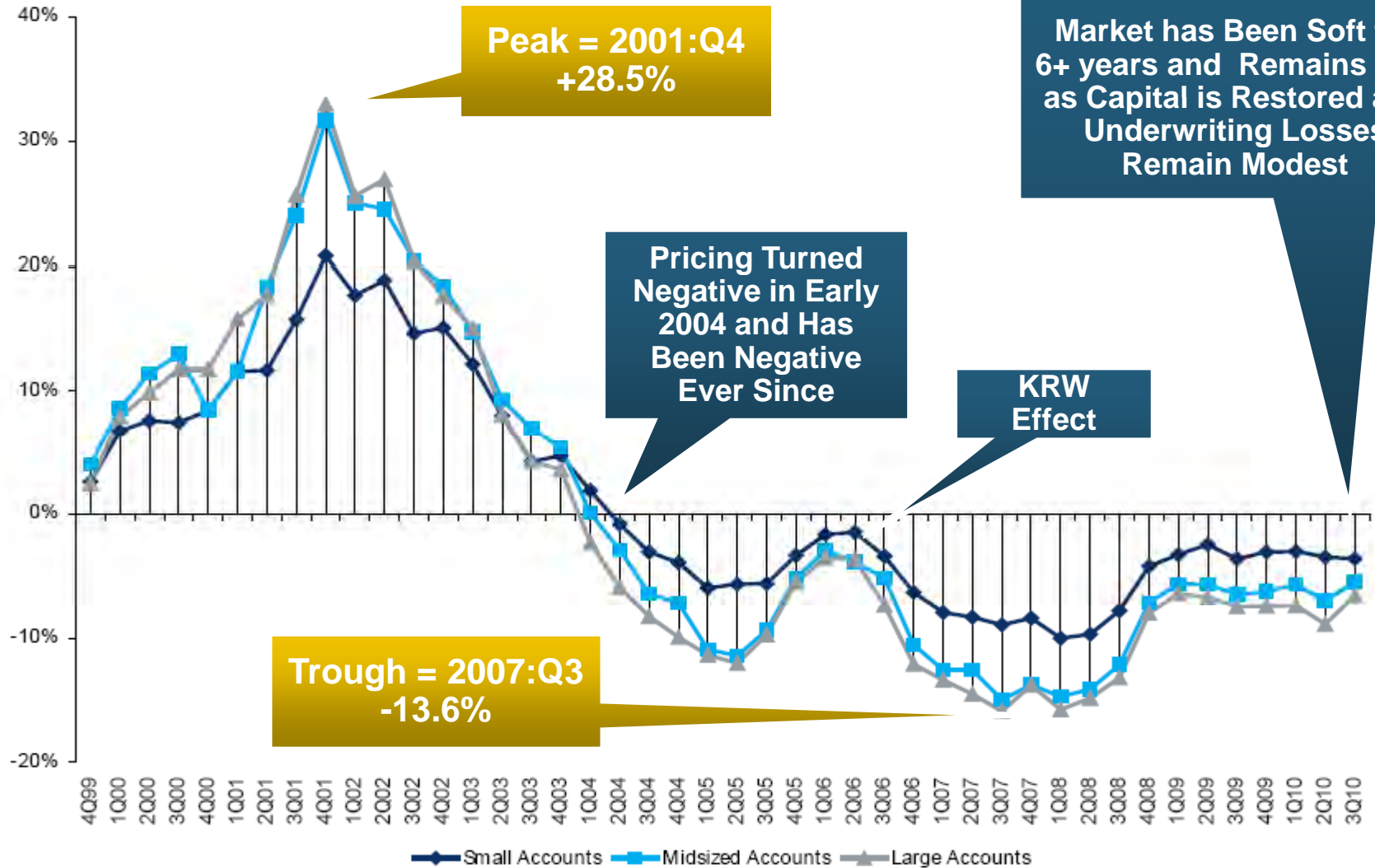
(Percent)



Source: Council of Insurance Agents & Brokers; Insurance Information Institute

Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2010:Q3

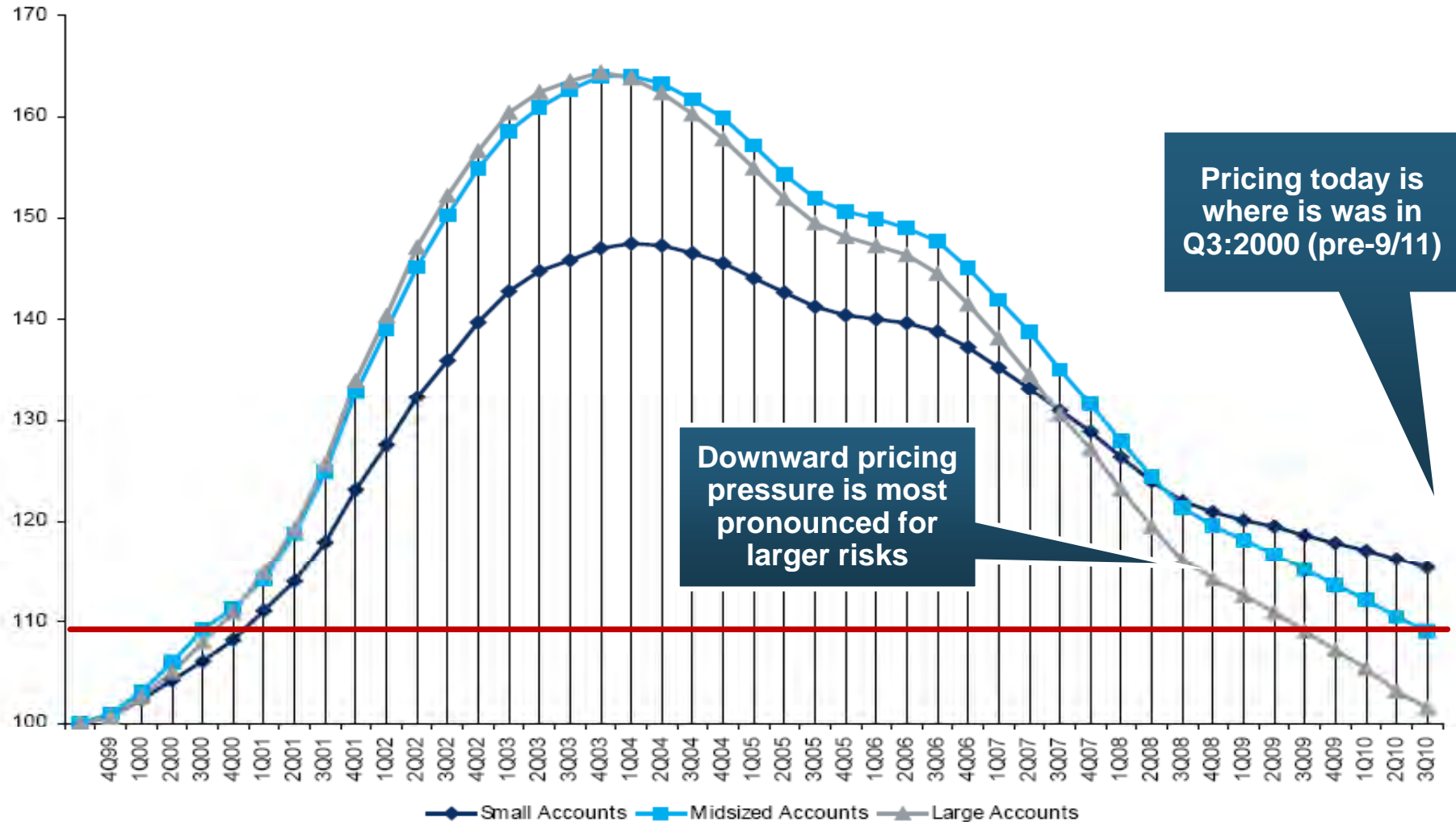
Percentage Change (%)



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

Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2010:Q3

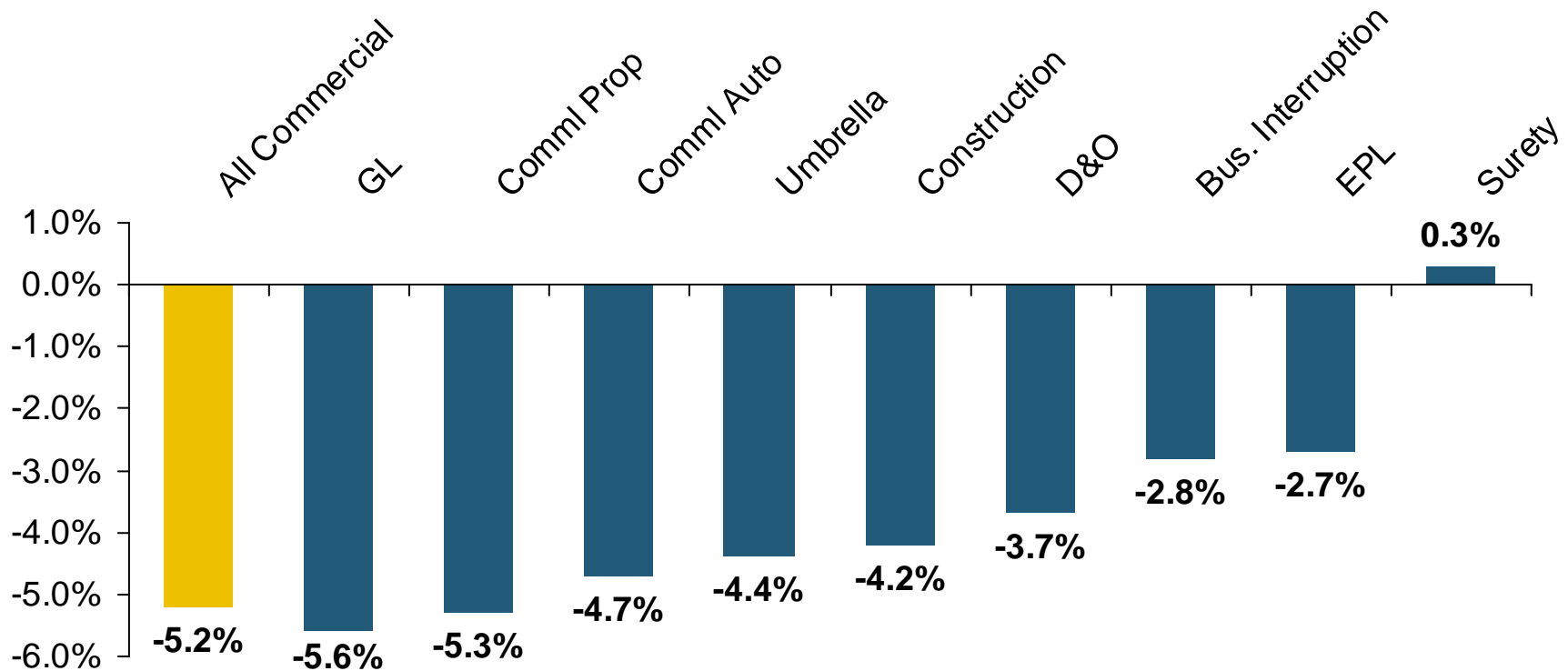
1999:Q4 = 100



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

Change in Commercial Rate Renewals, by Line: 2010:Q3

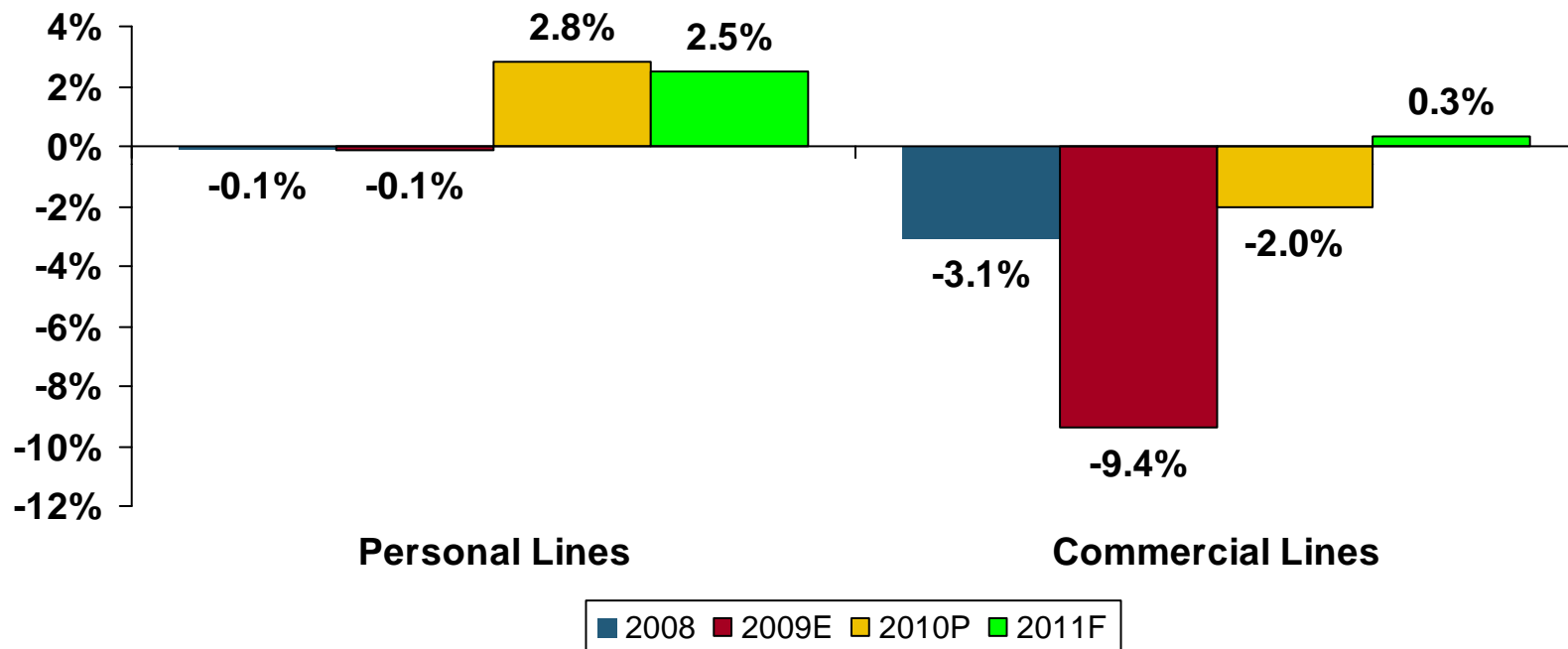
Percentage Change (%)



Most Major Commercial Lines Renewed Down in Q3:2010 at a Pace Similar to that of a Year Earlier

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



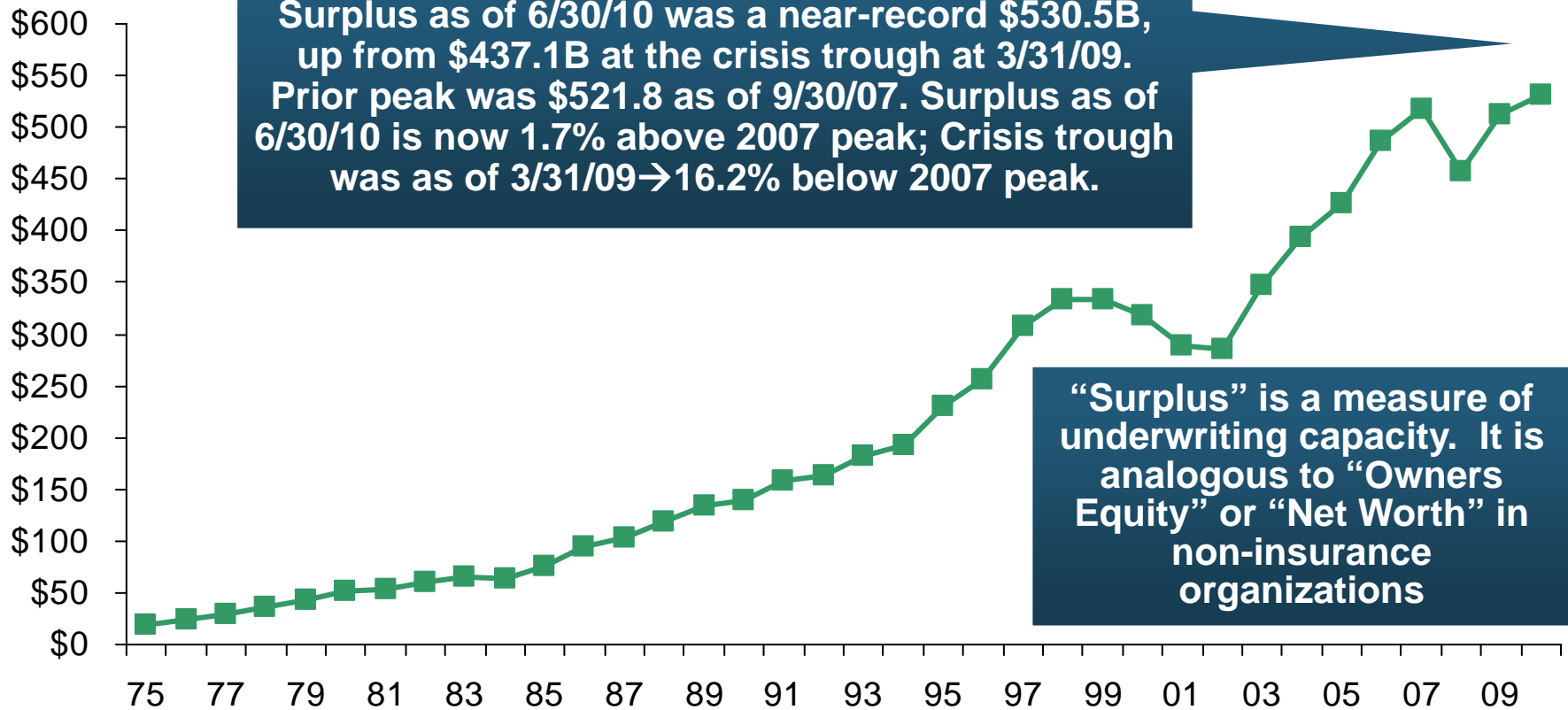
Rate and exposure are more favorable in personal lines, whereas a prolonged soft market and sluggish recovery from the recession weigh on commercial lines.

Capital/Policyholder Surplus (US)

**Total Surplus Exhibits Little
Cyclicality, While Surplus Leverage
Ratios Influence Cycle**

US Policyholder Surplus: 1975–2010*

(\$ Billions)

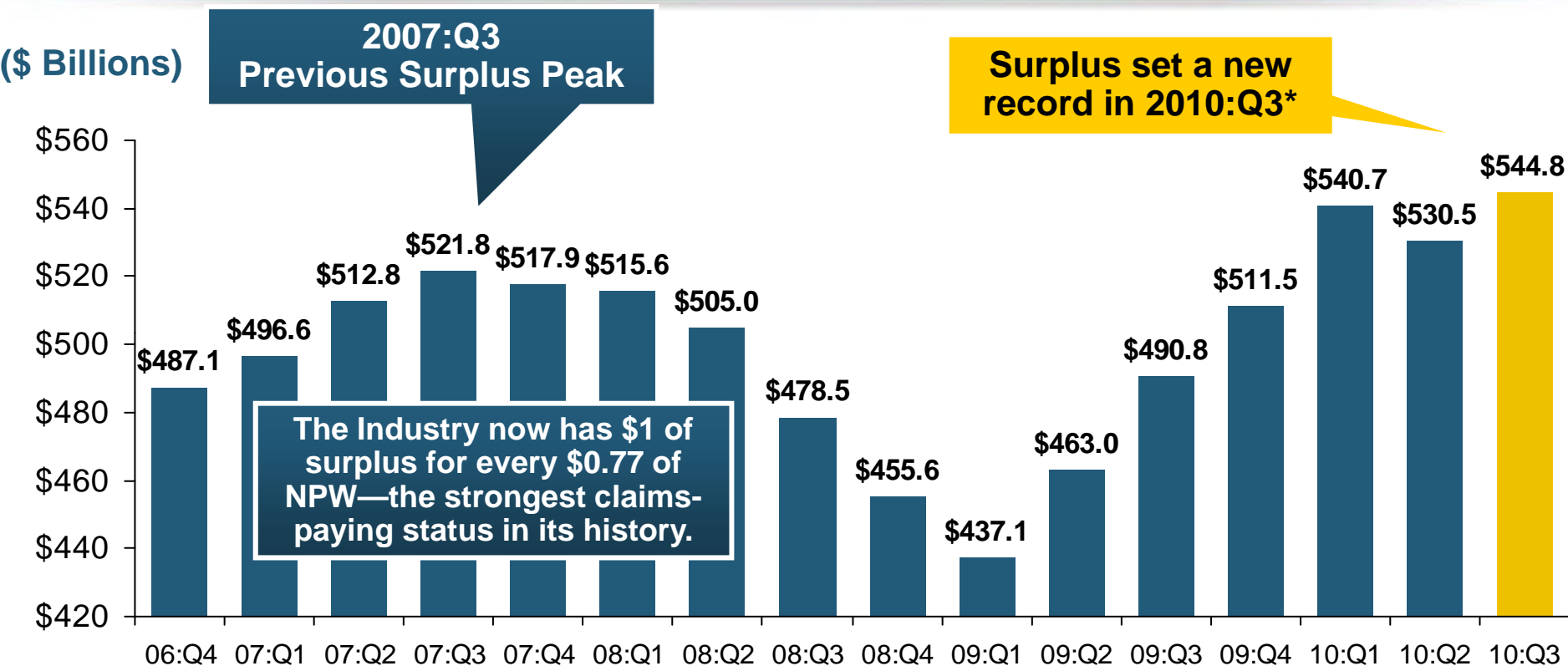


The Premium-to-Surplus Ratio Stood at \$0.80:\$1 as of 6/30/10, A Record Low (at Least in Recent History)**

* As of 6/30/10; **Calculated using annualized net premiums written based on H1 2010 data.

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

Policyholder Surplus, 2006:Q4–2010:Q3



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%)

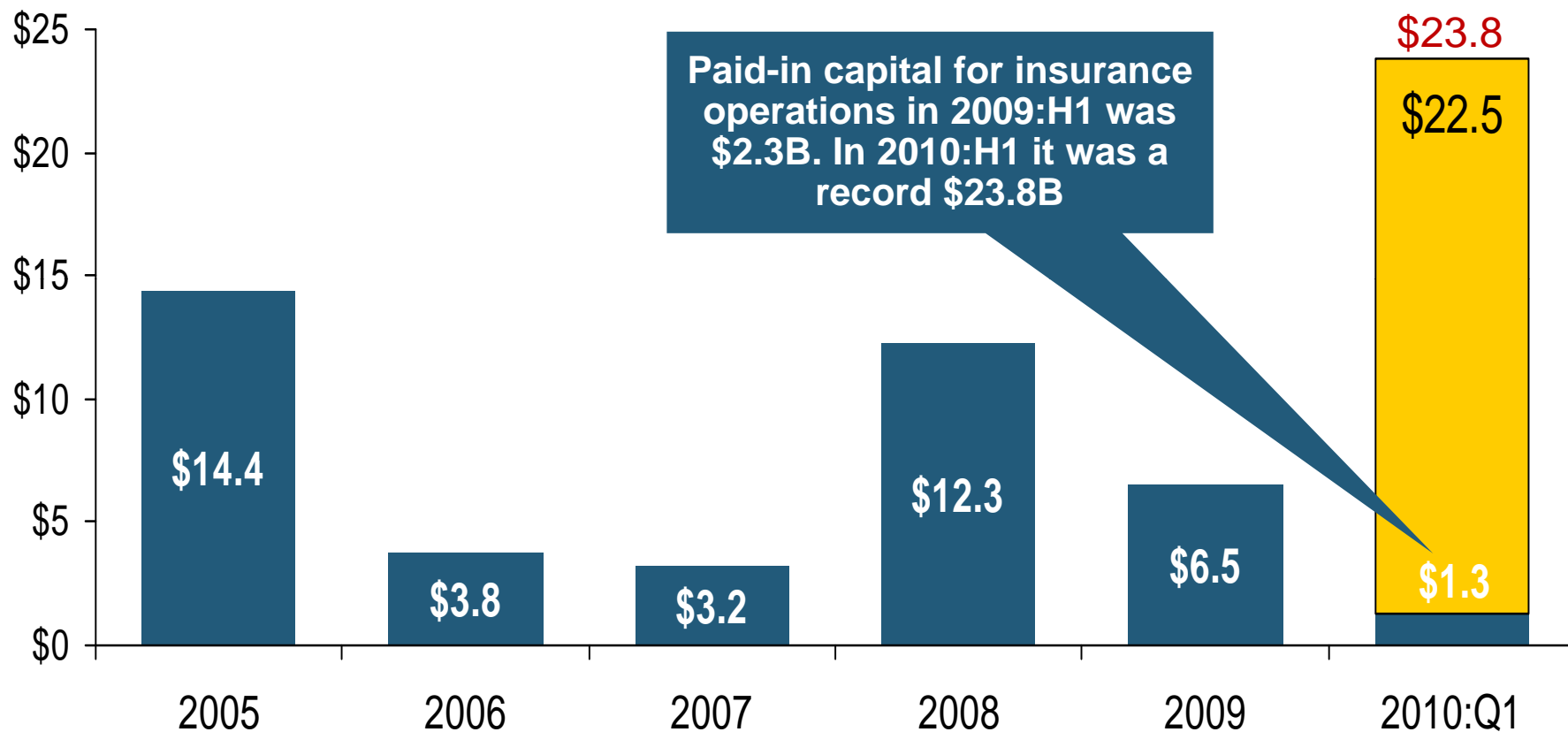
10:Q2: +\$8.7B (+1.7%)

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

*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:H1

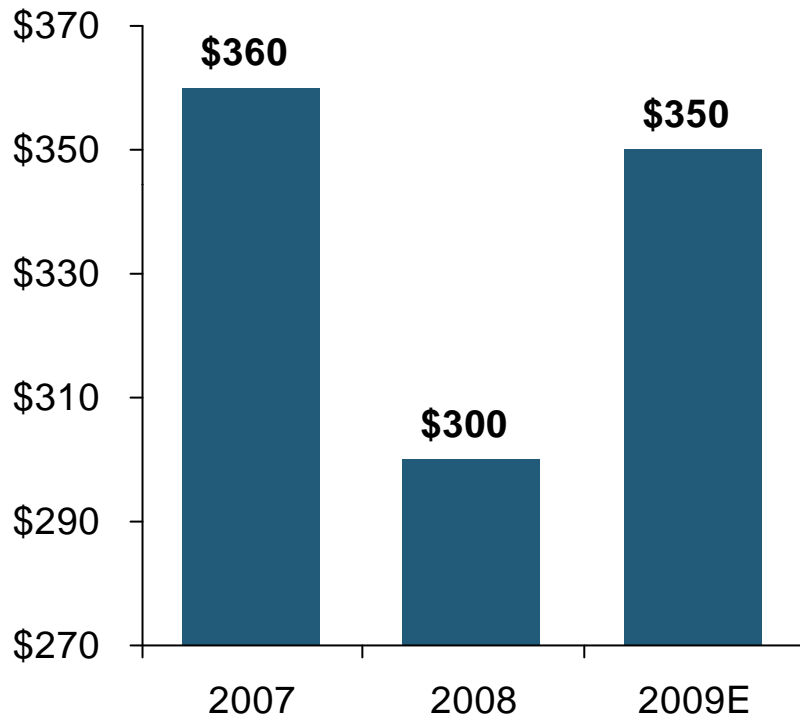
(\$ Billions)



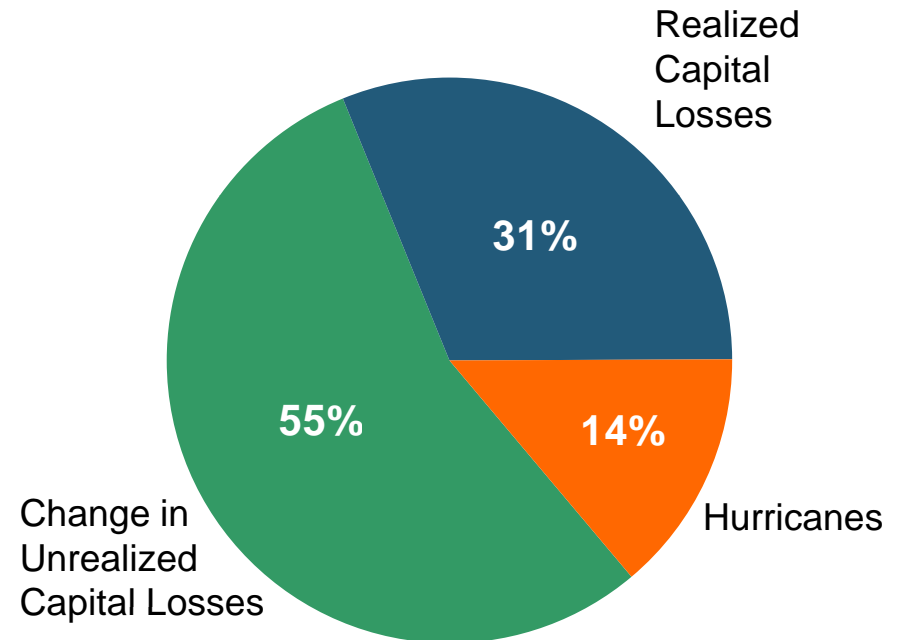
In 2010:H1 One Insurer's Paid-in Capital Rose by \$22.5B as Part of an Investment in a Non-insurance Business

Global Reinsurance Capacity Shrank in 2008, Mostly Due to Investments

Global Reinsurance Capacity



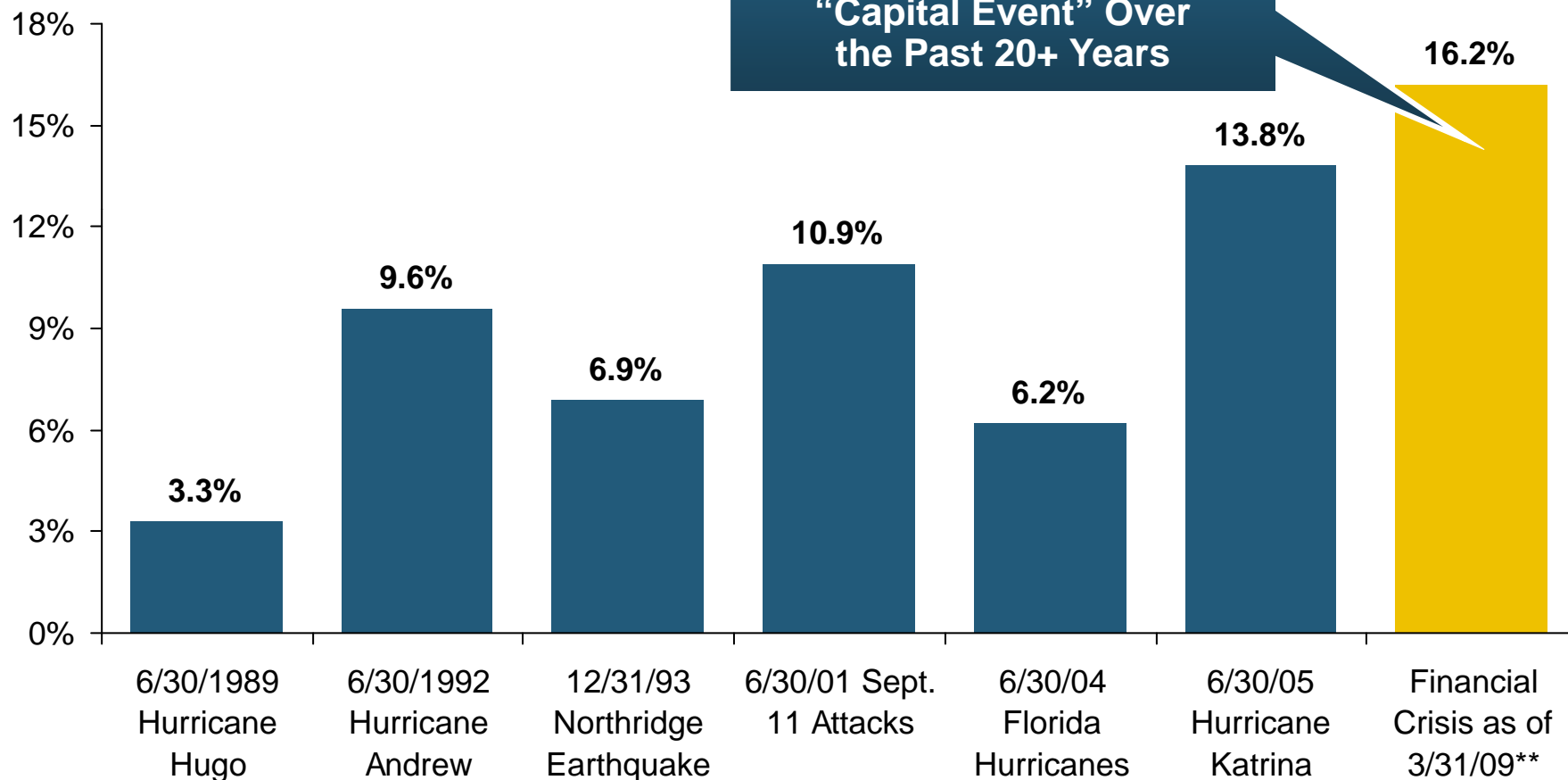
Source of Decline in 2008



**Global Reinsurance Capacity
Fell by an Estimated 17% in 2008**

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

(Percent)



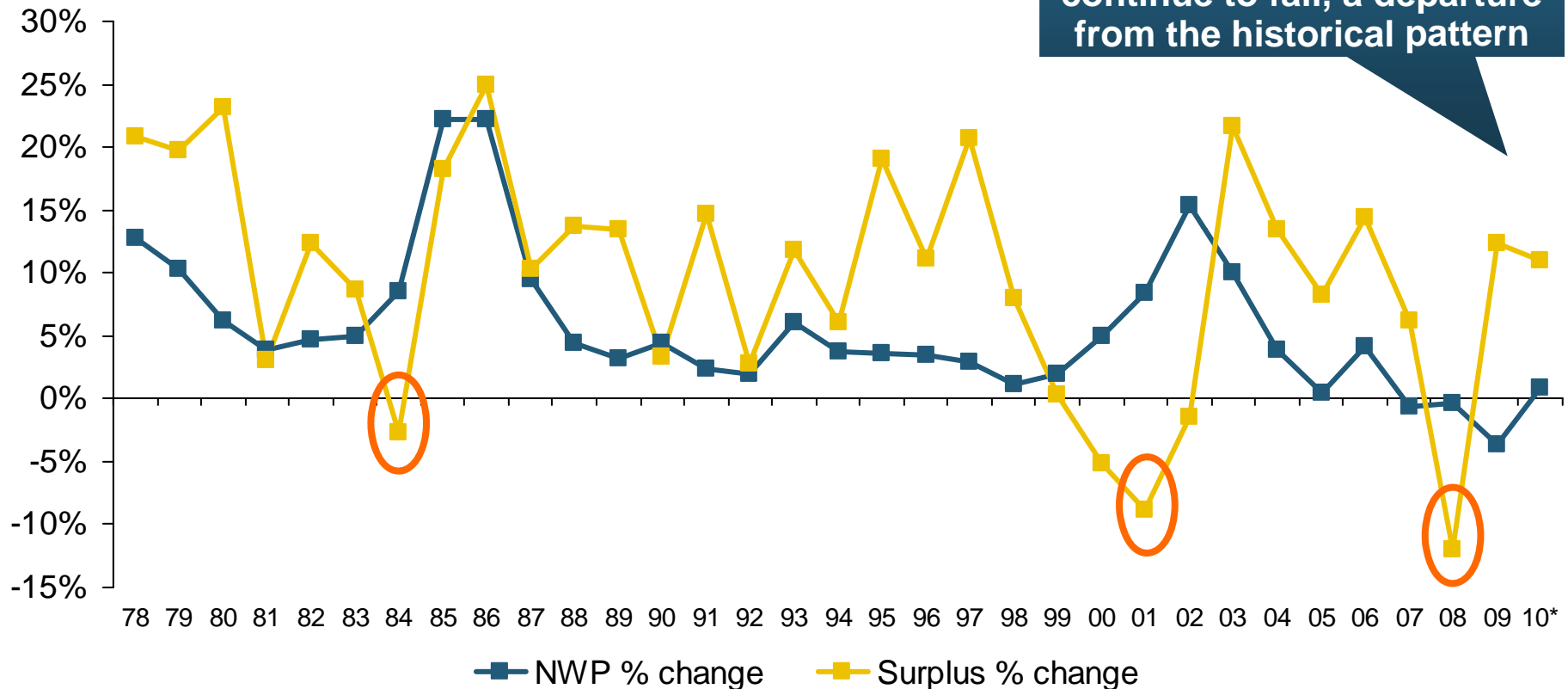
* Ratio is for end-of-quarter surplus immediately prior to event. Date shown is end of quarter prior to event

** 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)



Surplus growth is now positive but premiums continue to fall, a departure from the historical pattern

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

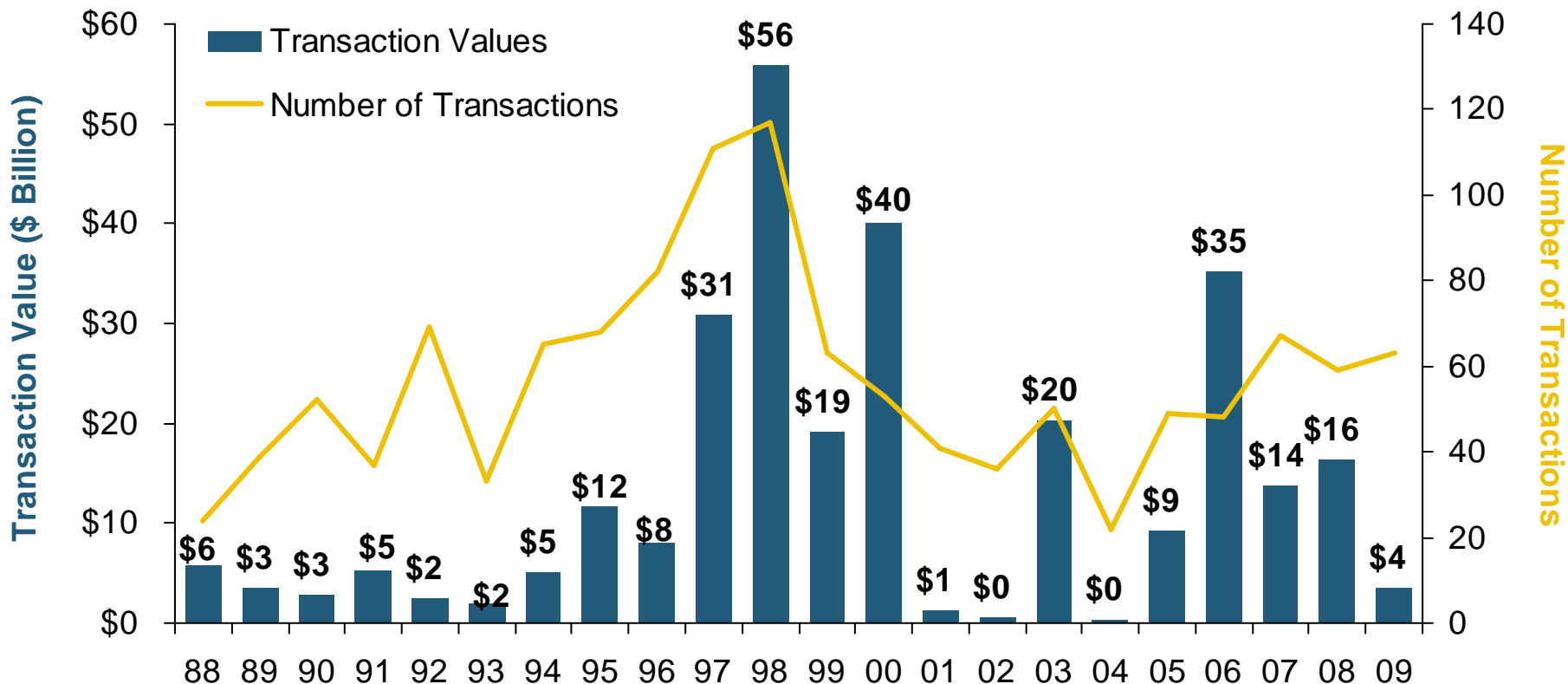
* 2010 NWP and Surplus figures are % changes as of Q3:10 vs Q3:09.

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

Merger & Acquisition

**Capital Cycles Can
Drive Consolidation**

U.S. P/C Insurance-Related M&A Activity, 1988–2009



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

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

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

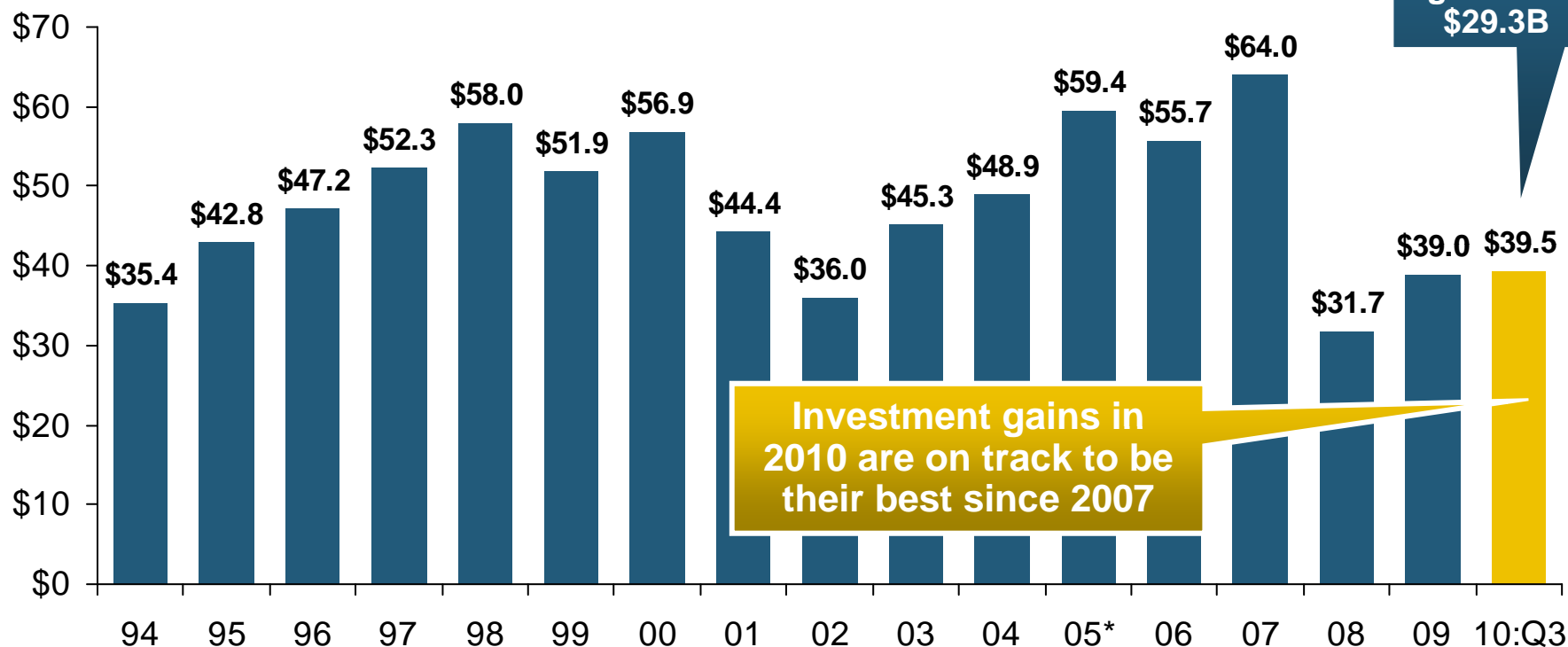
Source: Conning Research & Consulting.

Investment Performance

**Investments Cycles Also Influence
P/C Insurer Profitability**

Property/Casualty Insurance Industry Investment Gain: 1994–2010:Q3¹

(\$ Billions)



2009:Q3 gain was \$29.3B

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

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

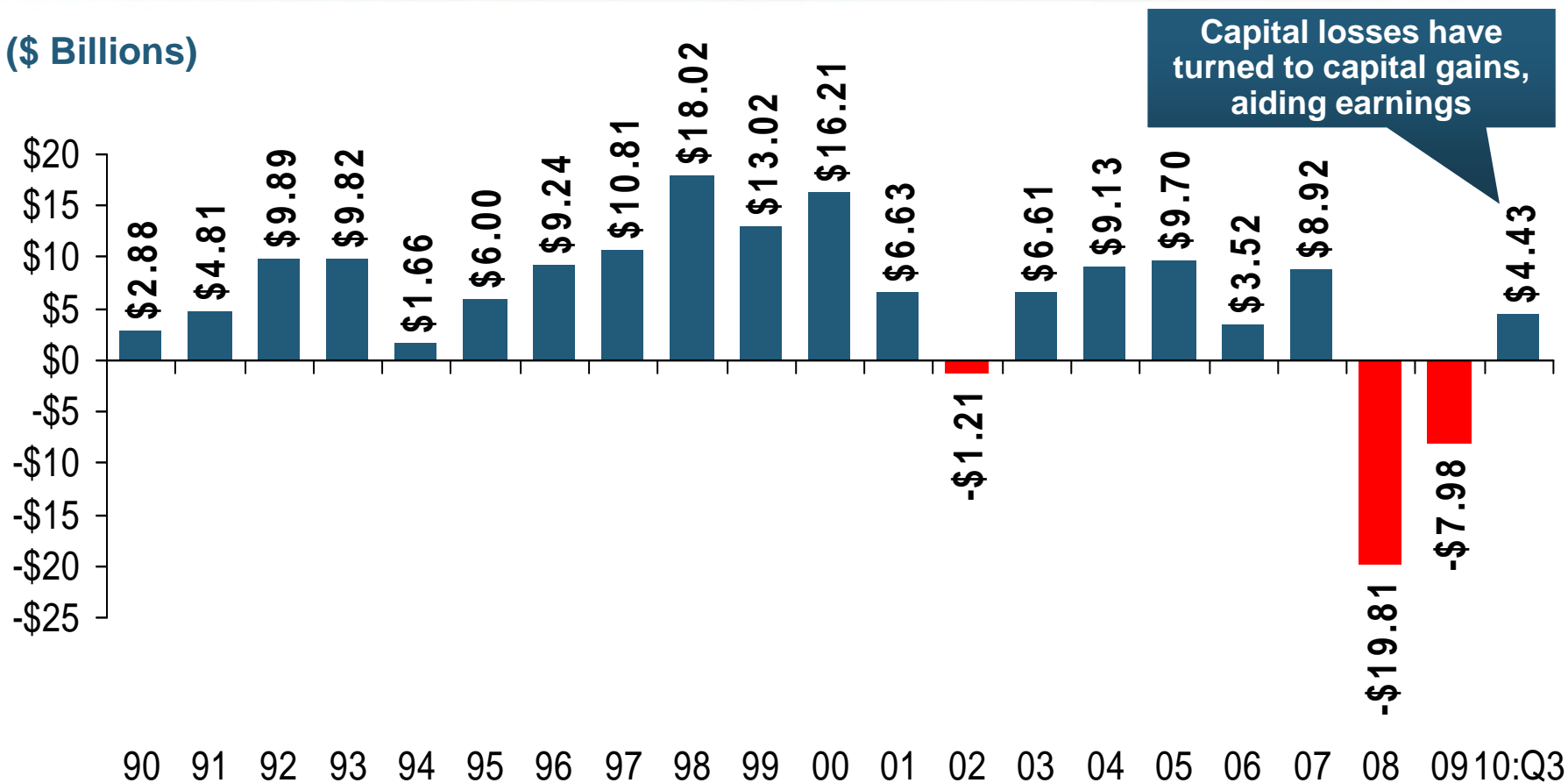
¹ Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

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

Sources: ISO; Insurance Information Institute.

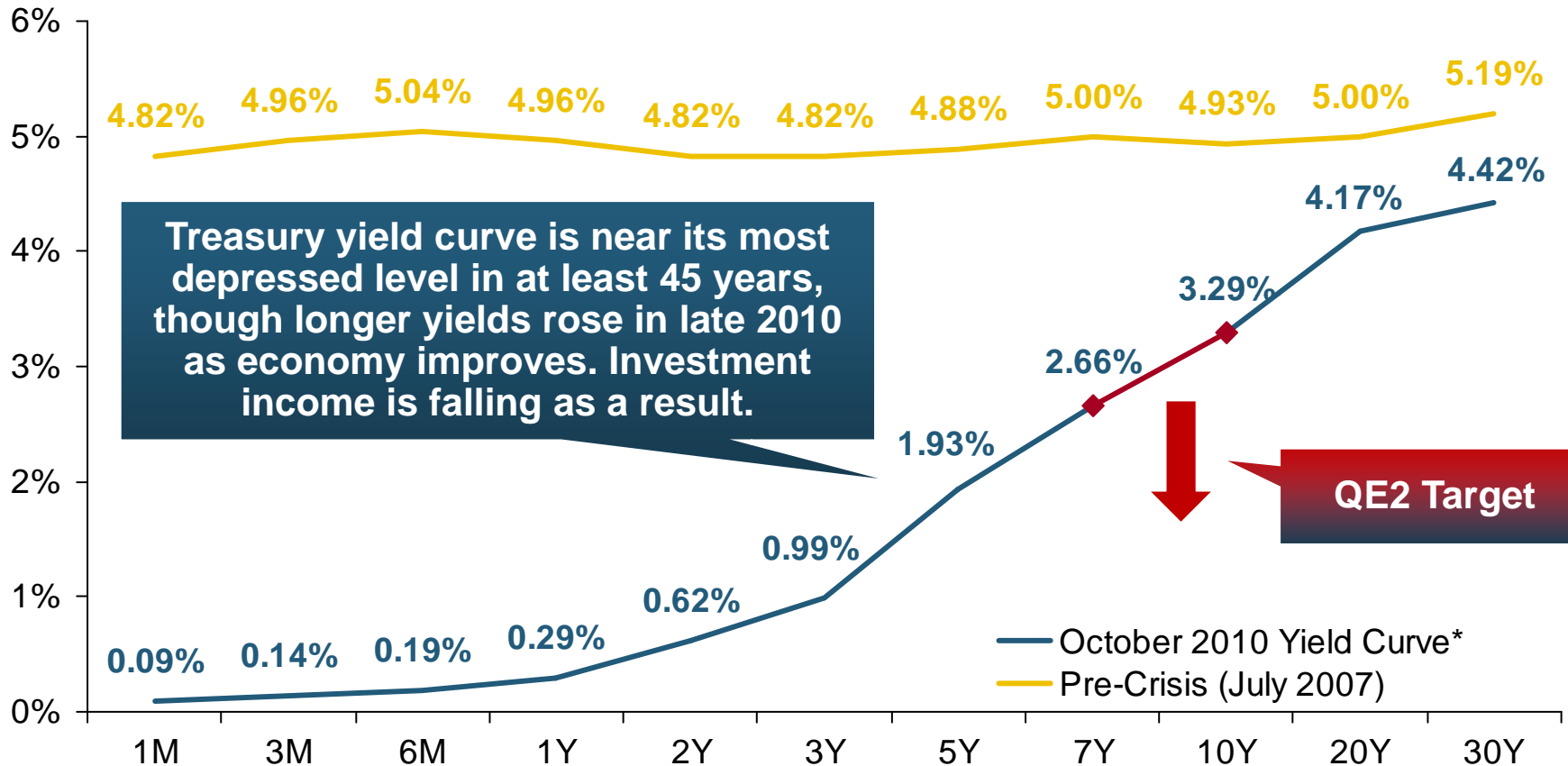
P/C Insurer Net Realized Capital Gains, 1990-2010:Q3

(\$ Billions)



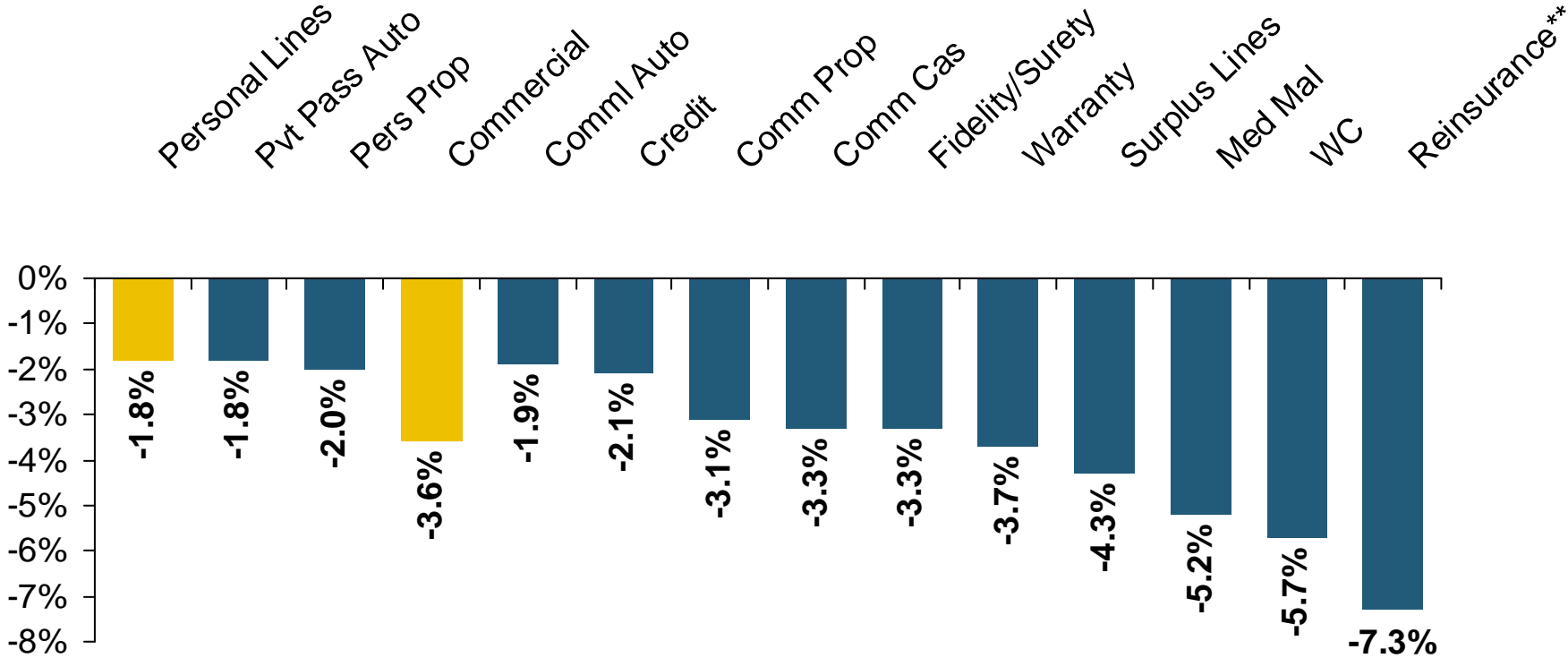
Realized Capital Losses Were the Primary Cause of 2008/2009's Large Drop in Profits and ROE and Were a Major Driver of Its Recovery in 2010

Treasury Yield Curves: Pre-Crisis (July 2007) vs. December 2010



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

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

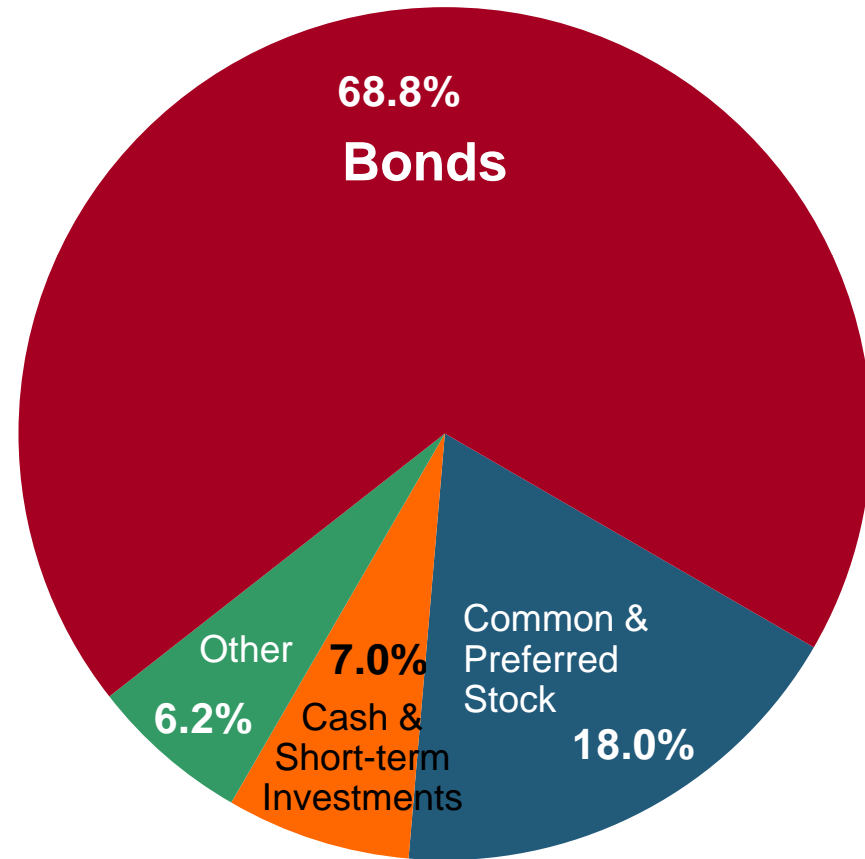
Source: A.M. Best; Insurance Information Institute.

Distribution of P/C Insurance Industry's Investment Portfolio

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

As of December 31, 2009



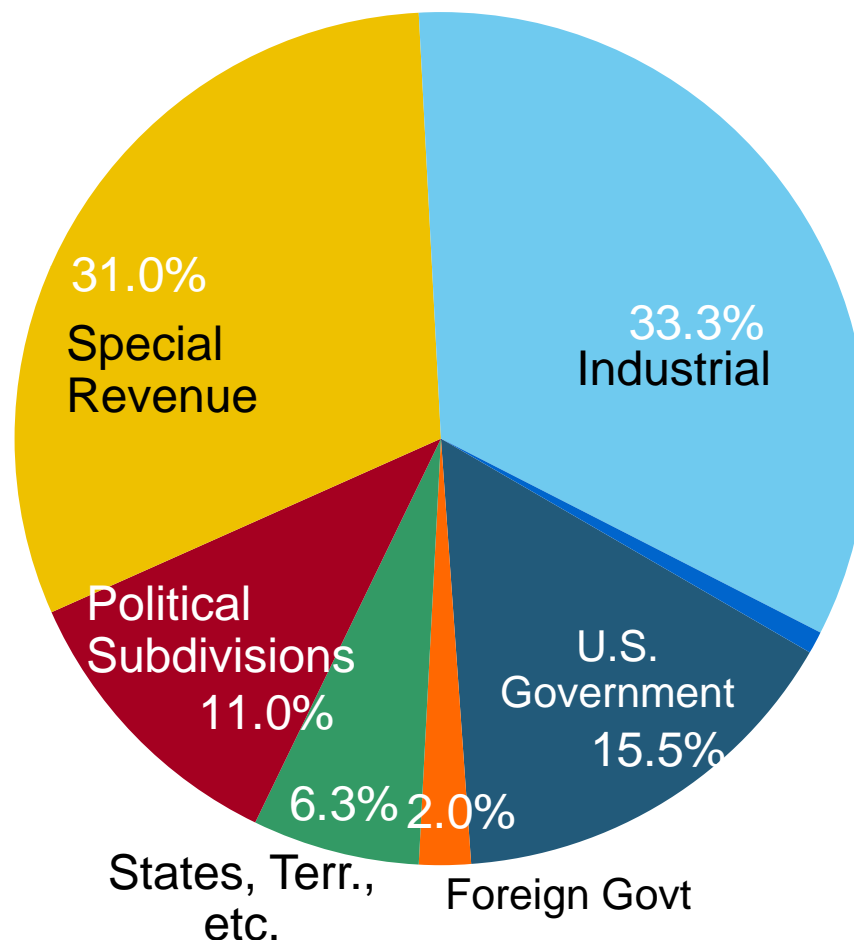
2011 Financial Overview

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

Bond Investment Facts as of 12/31/09

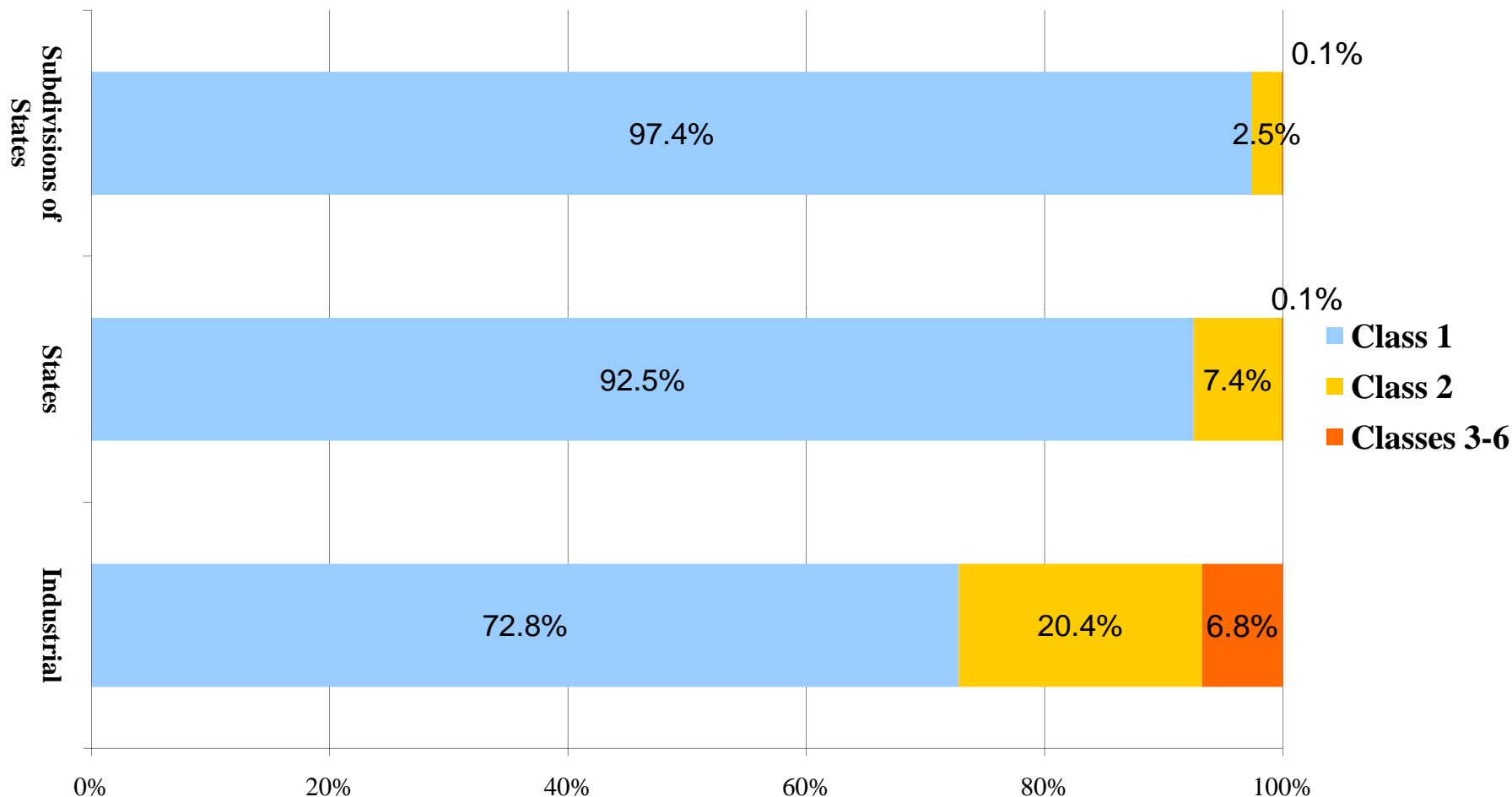
- Investments in "Political Subdivision [of states]" bonds were \$102.5 billion
- Investments in "States, Territories, & Possessions" bonds were \$58.9 billion
- Investments in "Special Revenue" bonds were \$288.2 billion
- All state, local, and special revenue bonds totaled 48.2% of bonds, about 35.7%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

As of December 31, 2009



2011 Financial Overview

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

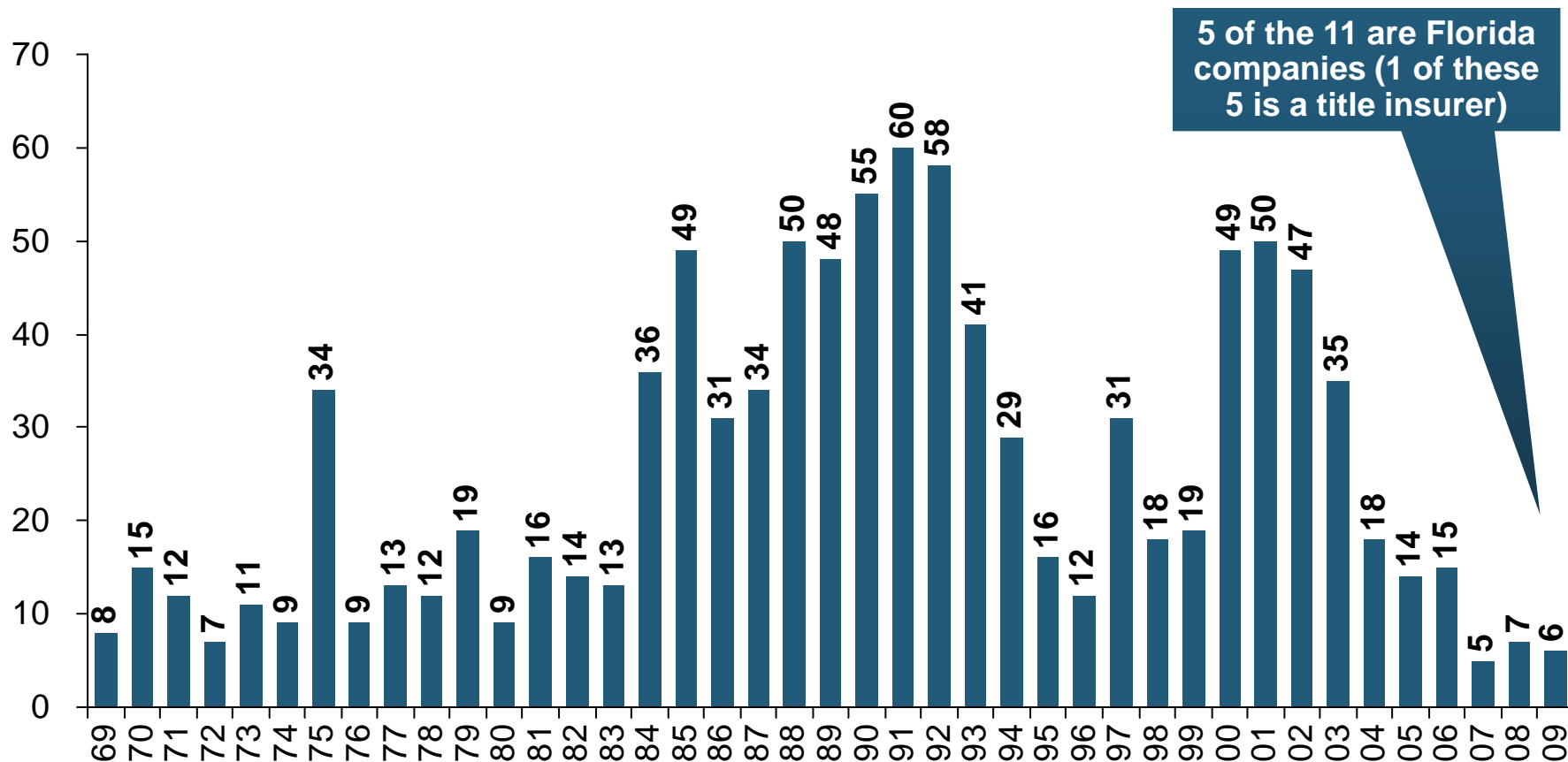


The NAIC's Securities Valuation Office puts bonds into one of 6 classes: class 1 has the lowest expected impairments; successively higher numbered classes imply increasing impairment likelihood.

Financial Strength & Underwriting

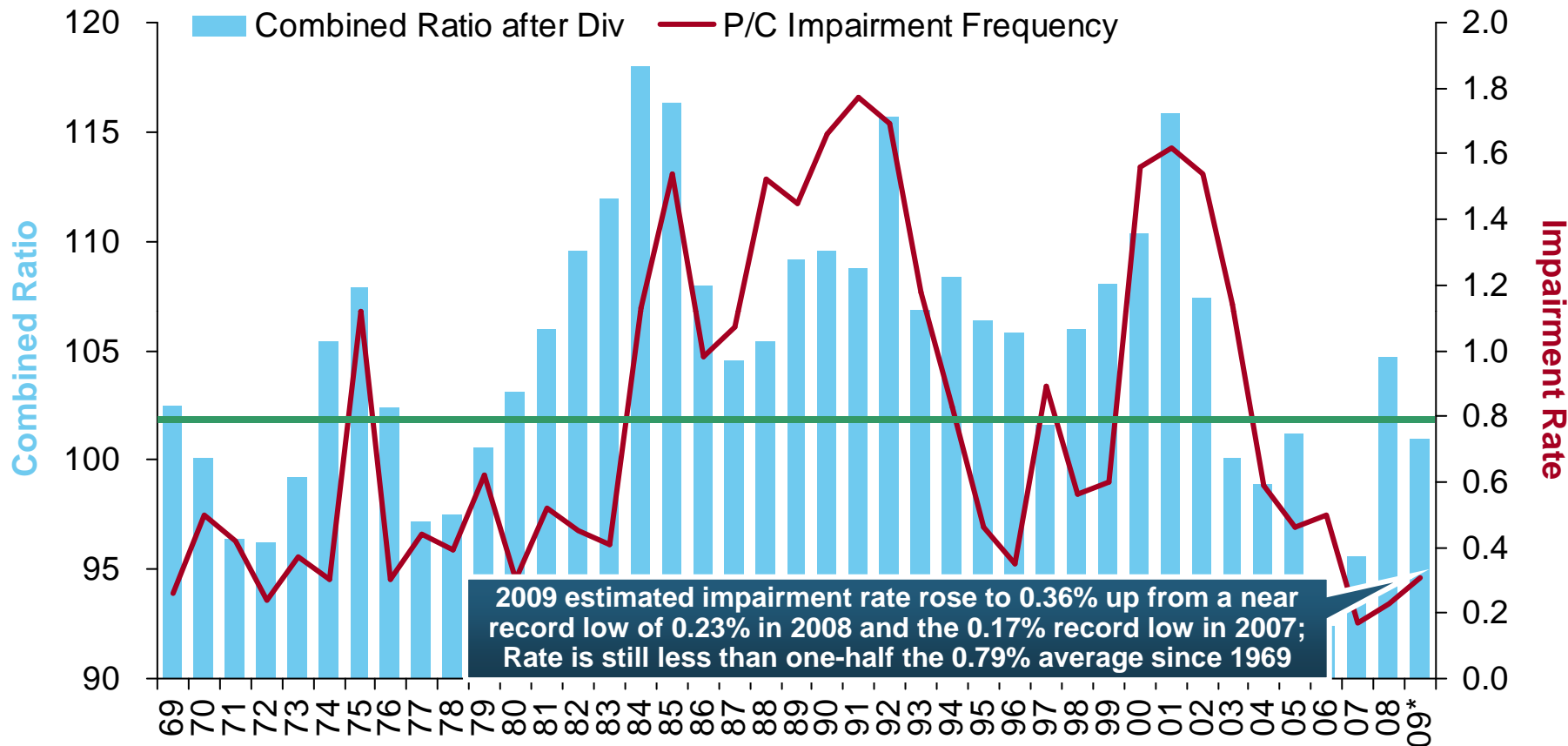
**Cyclical Pattern is P-C Impairment
History is Directly Tied to
Underwriting, Reserving & Pricing**

P/C Insurer Impairments, 1969–2009



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, 1969-2009

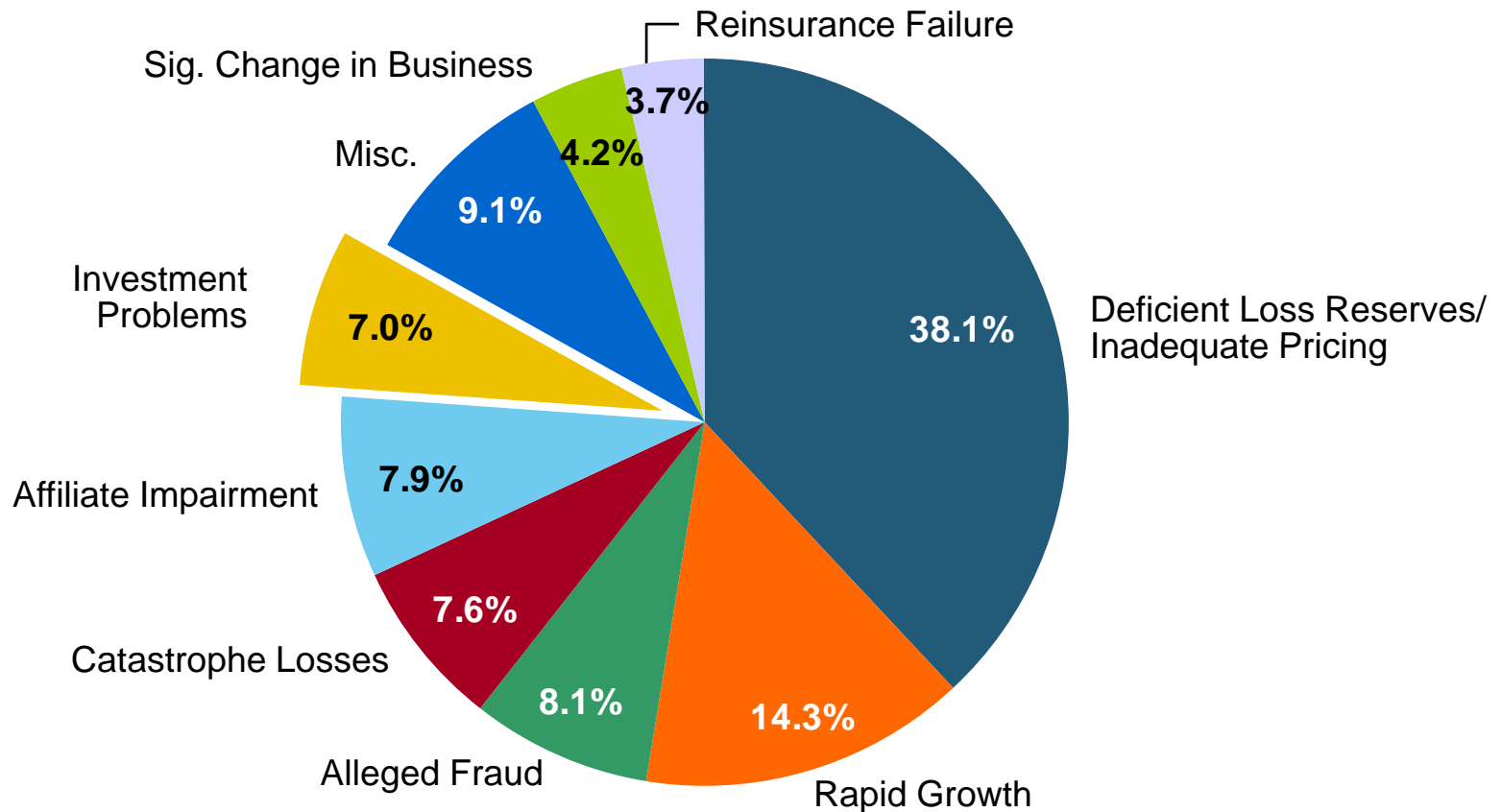


2009 estimated impairment rate rose to 0.36% up from a near record low of 0.23% in 2008 and the 0.17% record low in 2007; Rate is still less than one-half the 0.79% average since 1969

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

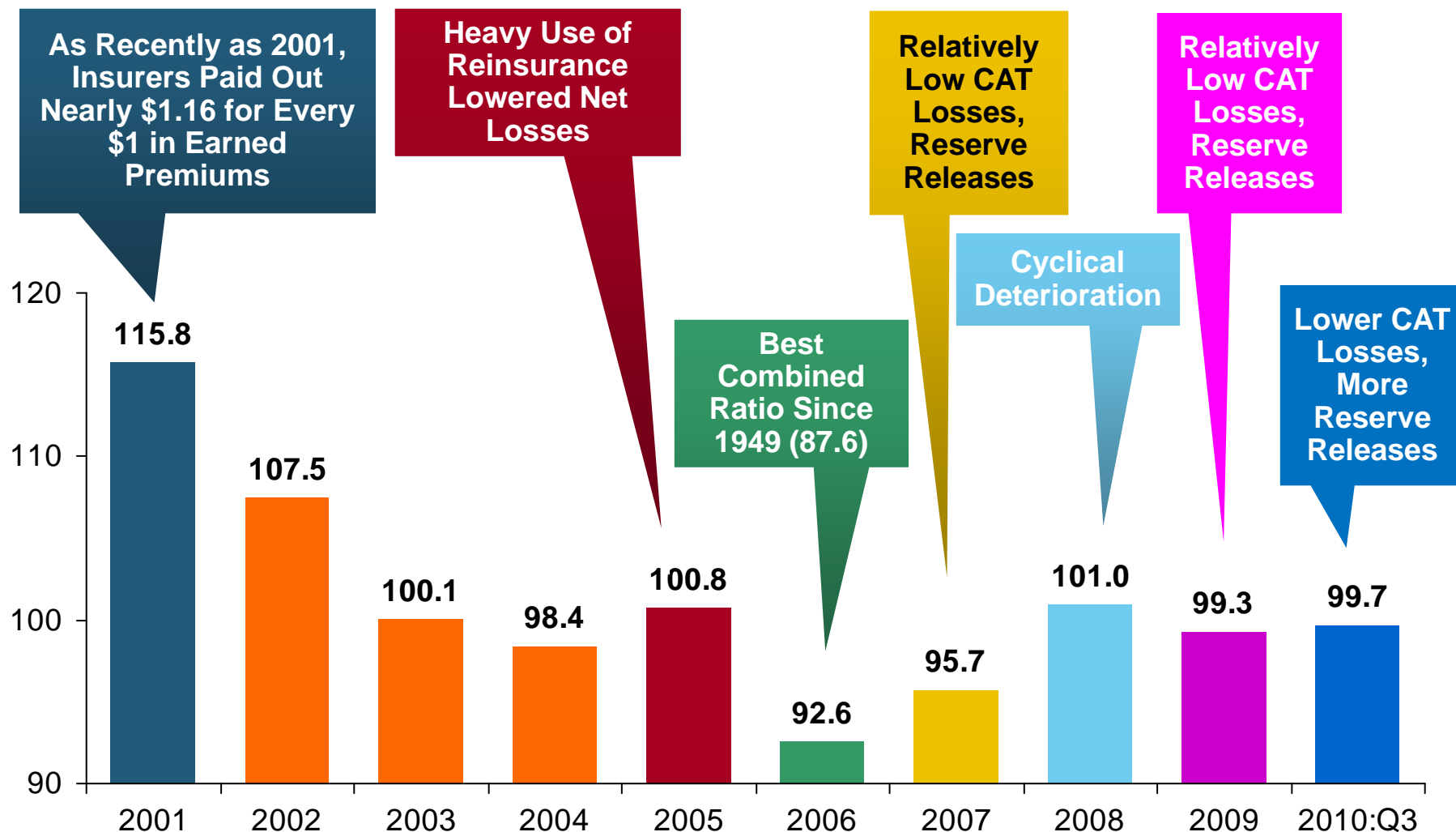
Reasons for US P/C Insurer Impairments, 1969–2008

Deficient Loss Reserves and Inadequate Pricing Are the Leading Cause of Insurer Impairments, Underscoring the Importance of Discipline. Investment Catastrophe Losses Play a Much Smaller Role



**Underwriting Trends –
Financial Crisis Does *Not*
Directly Impact Underwriting
Performance**

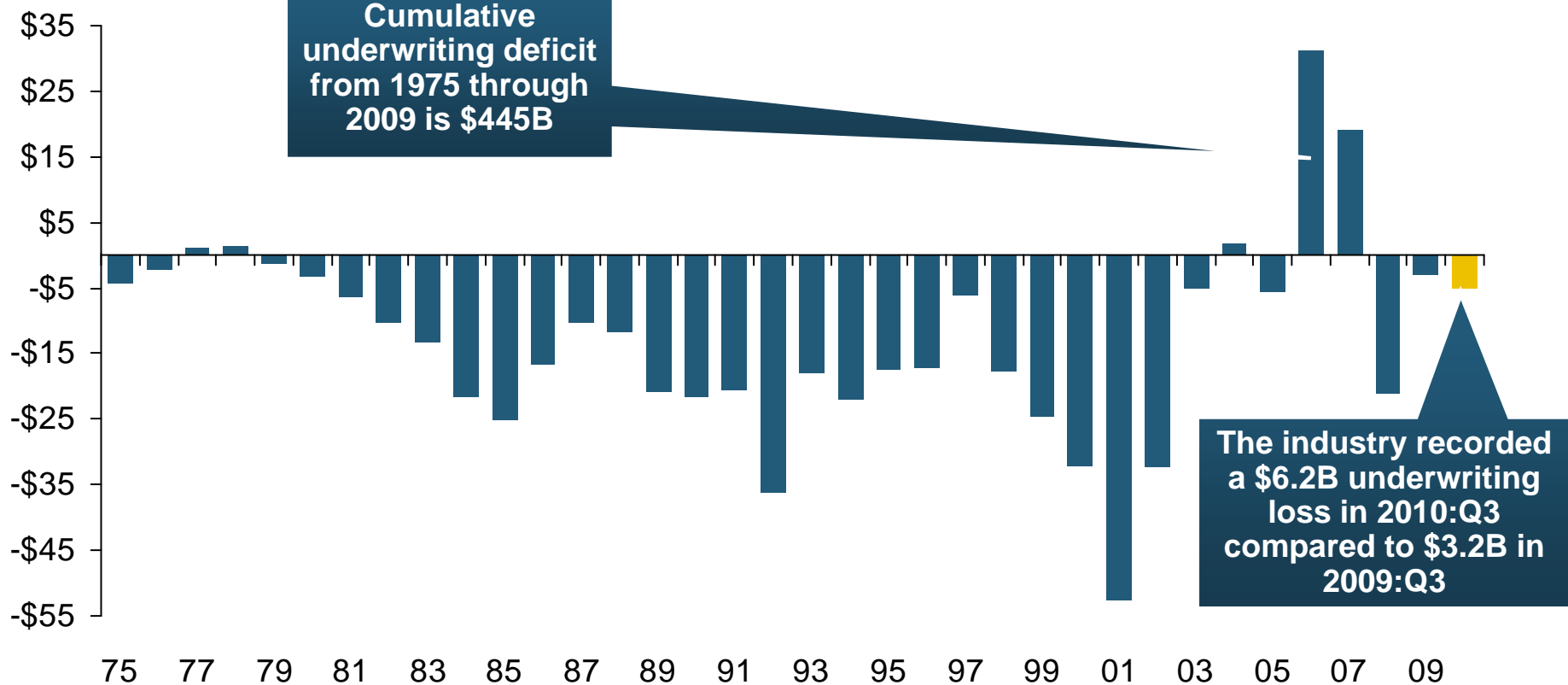
P/C Insurance Industry Combined Ratio, 2001–2010:Q3*



* Excludes Mortgage & Financial Guaranty insurers in 2008, 2009 and 2010. Including M&FG, 2008=105.1, 2009=100.7, 2010:Q3=101.2
Sources: A.M. Best, ISO.

Underwriting Gain (Loss) 1975–2010:Q3*

(\$ Billions)



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

* Includes mortgage and financial guarantee insurers.

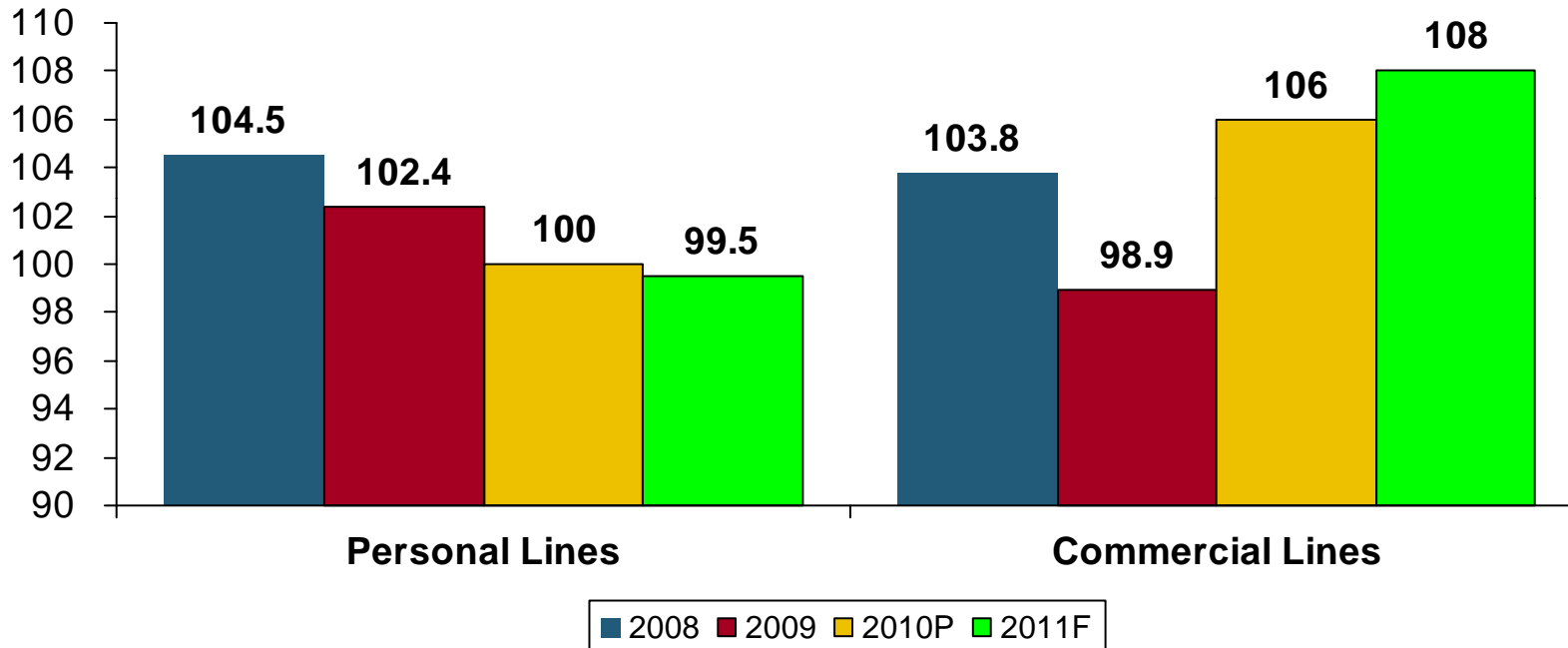
Sources: A.M. Best, ISO; Insurance Information Institute.



Performance by Segment: Commercial/Personal Lines

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

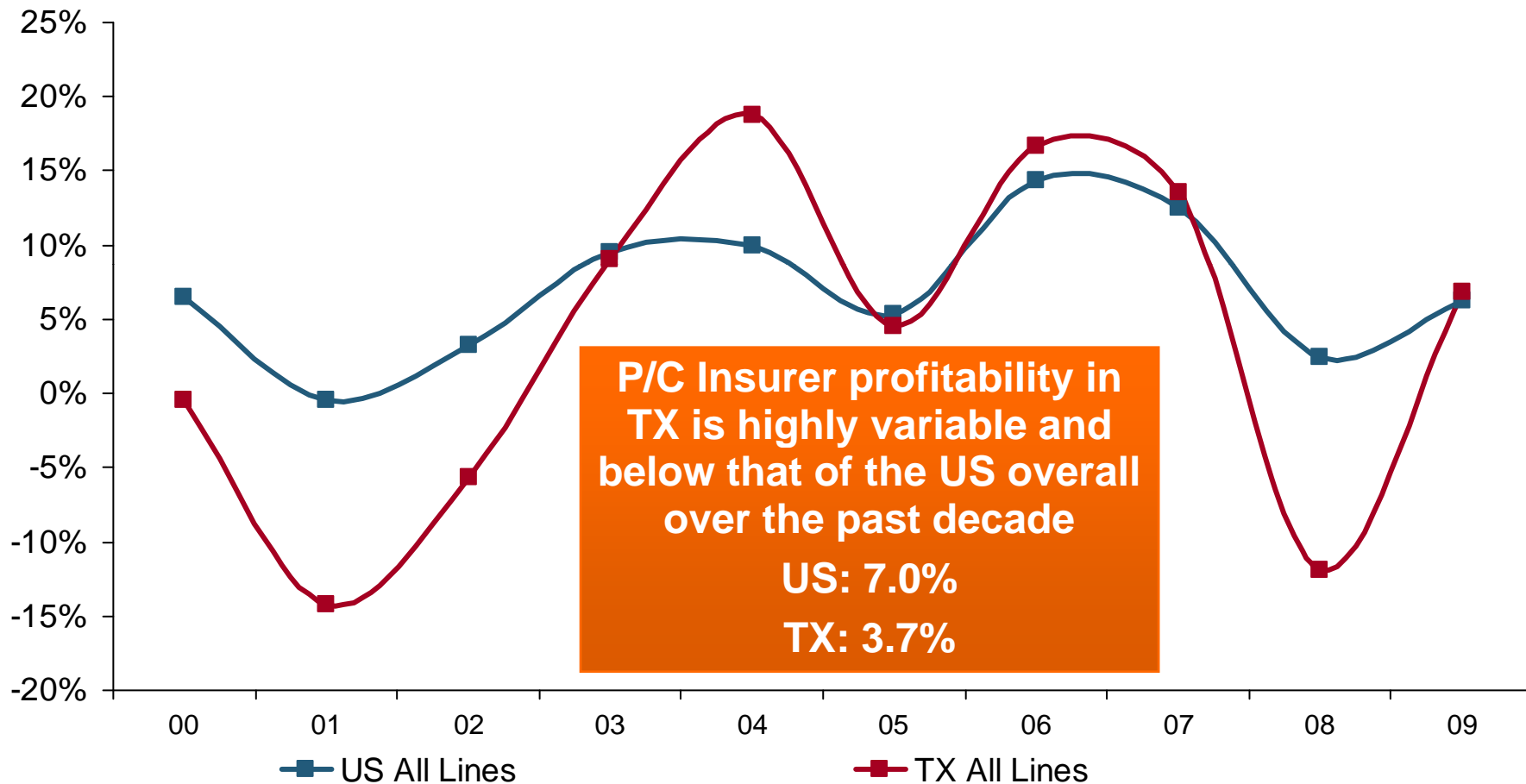


Profitability and Growth in Texas P/C Insurance Markets

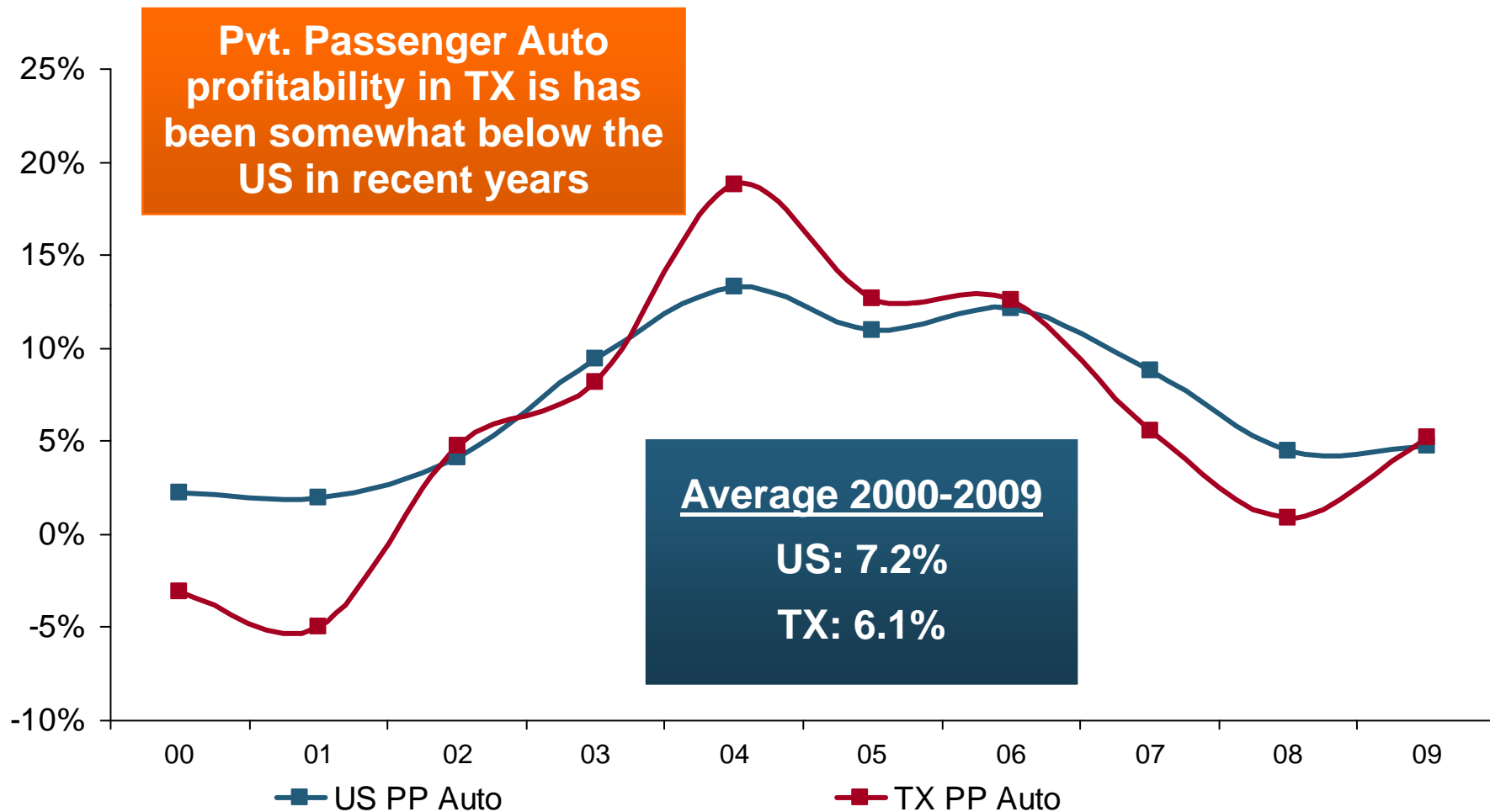
Analysis by Line and Nearby State Comparisons

RNW All Lines: TX vs. U.S., 2000-2009

(Percent)

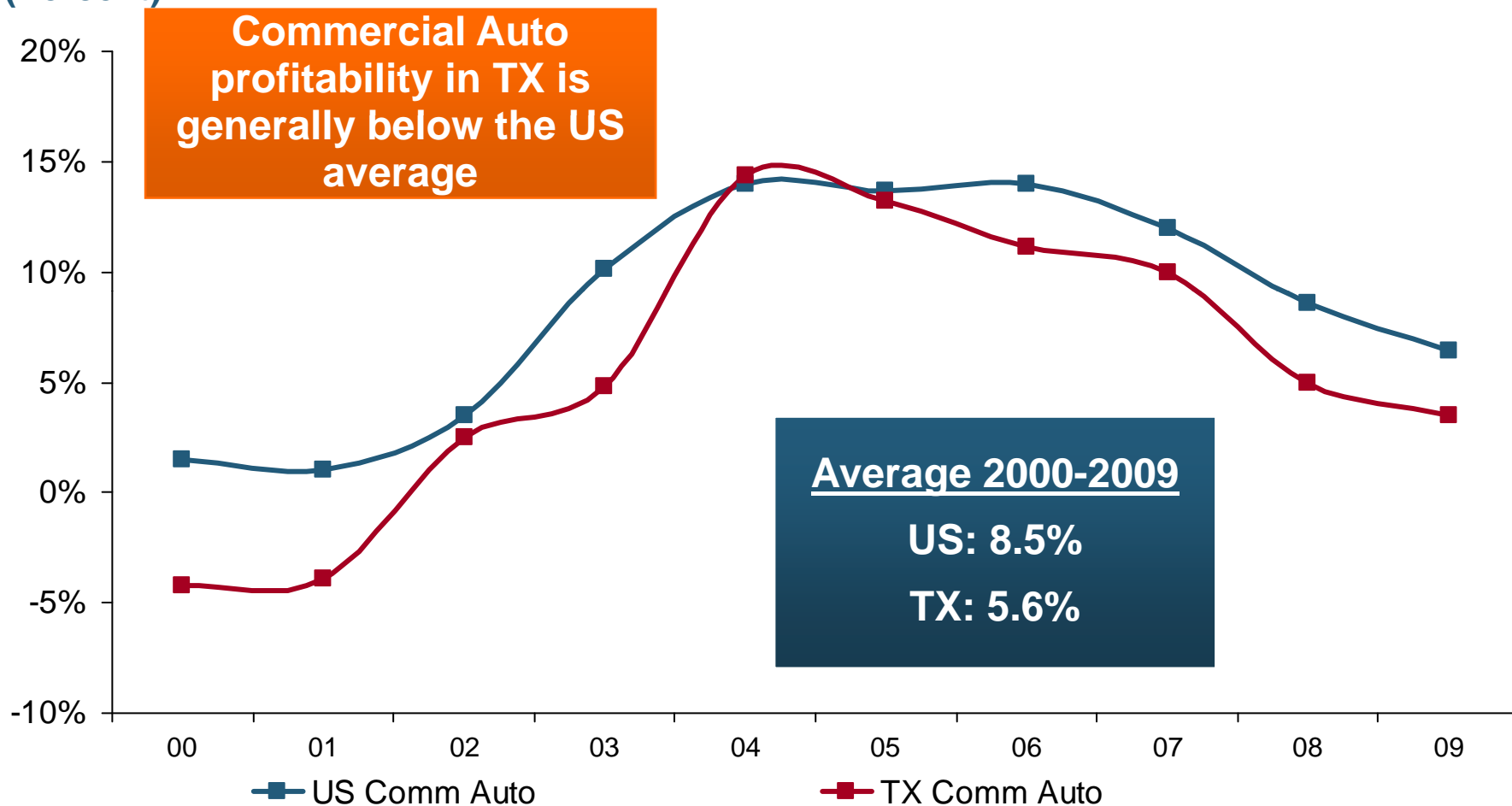


RNW PP Auto: TX vs. U.S., 2000-2009



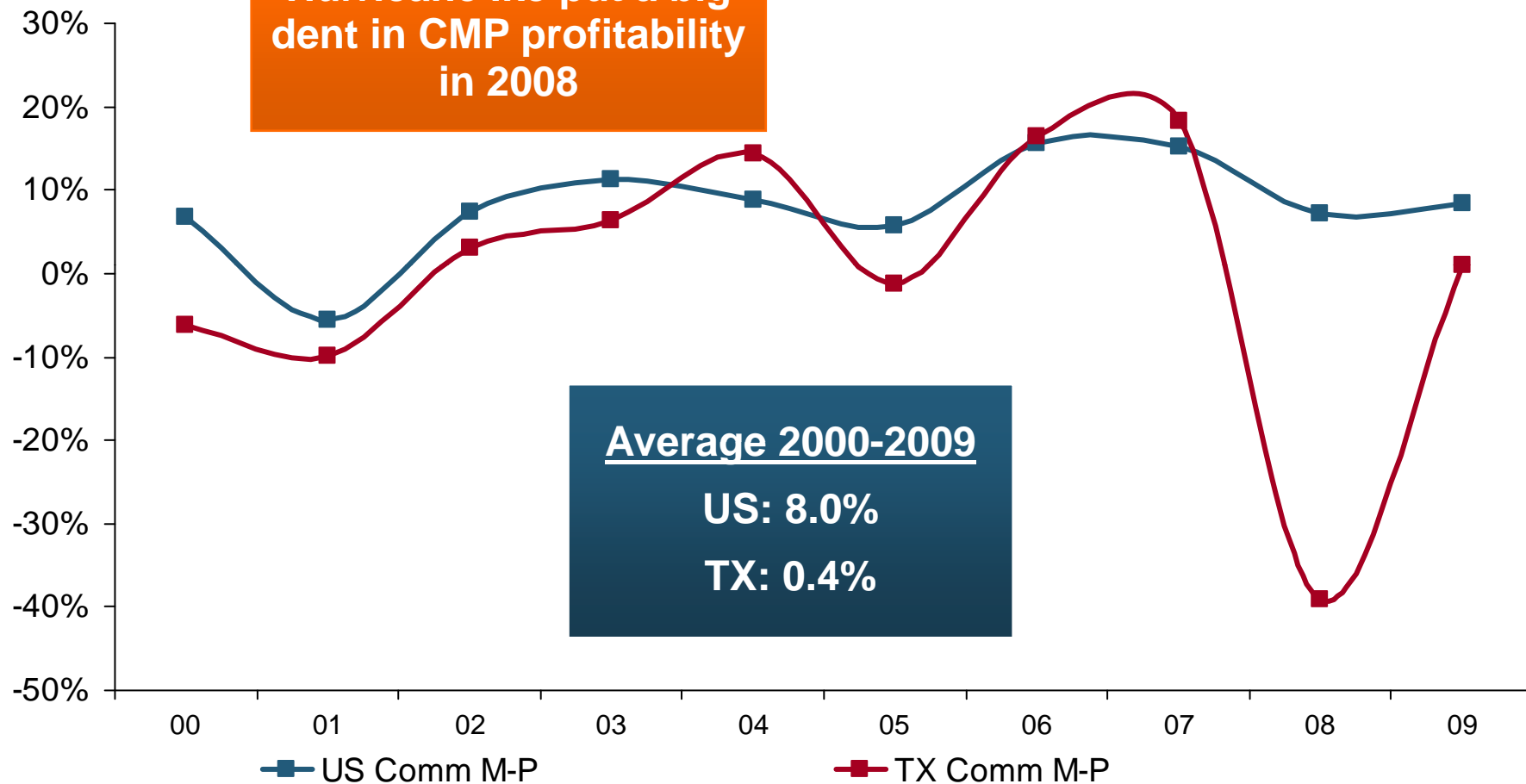
RNW Comm. Auto: TX vs. U.S., 2000-2009

(Percent)



RNW Comm. Multi-Peril: TX vs. U.S., 2000-2009

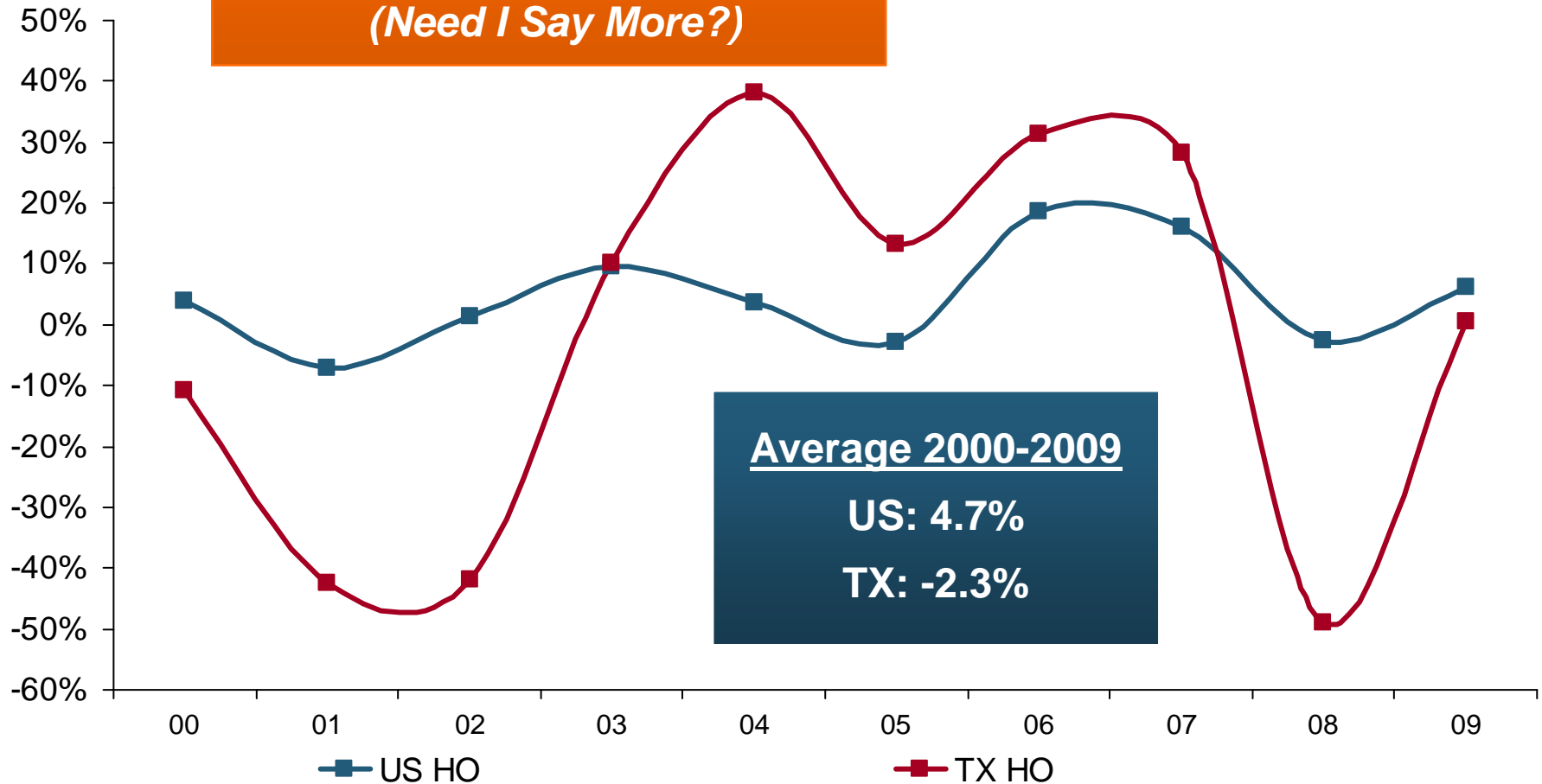
(Percent)



RNW Homeowners: TX vs. U.S., 2000-2009

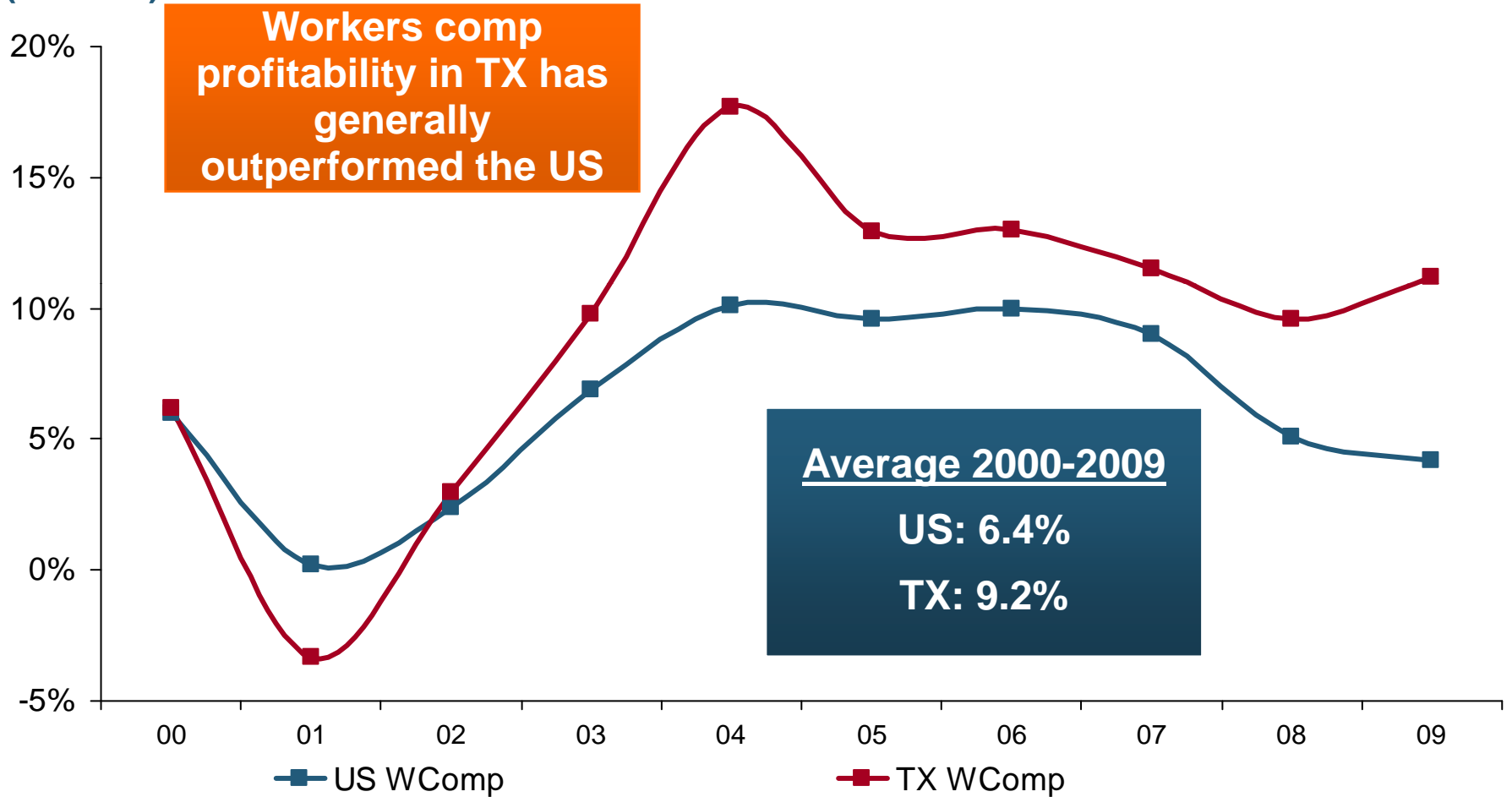
(Percent)

Homeowners Profitability: Mold,
Hurricanes, Hail & Tornadoes
(Need I Say More?)

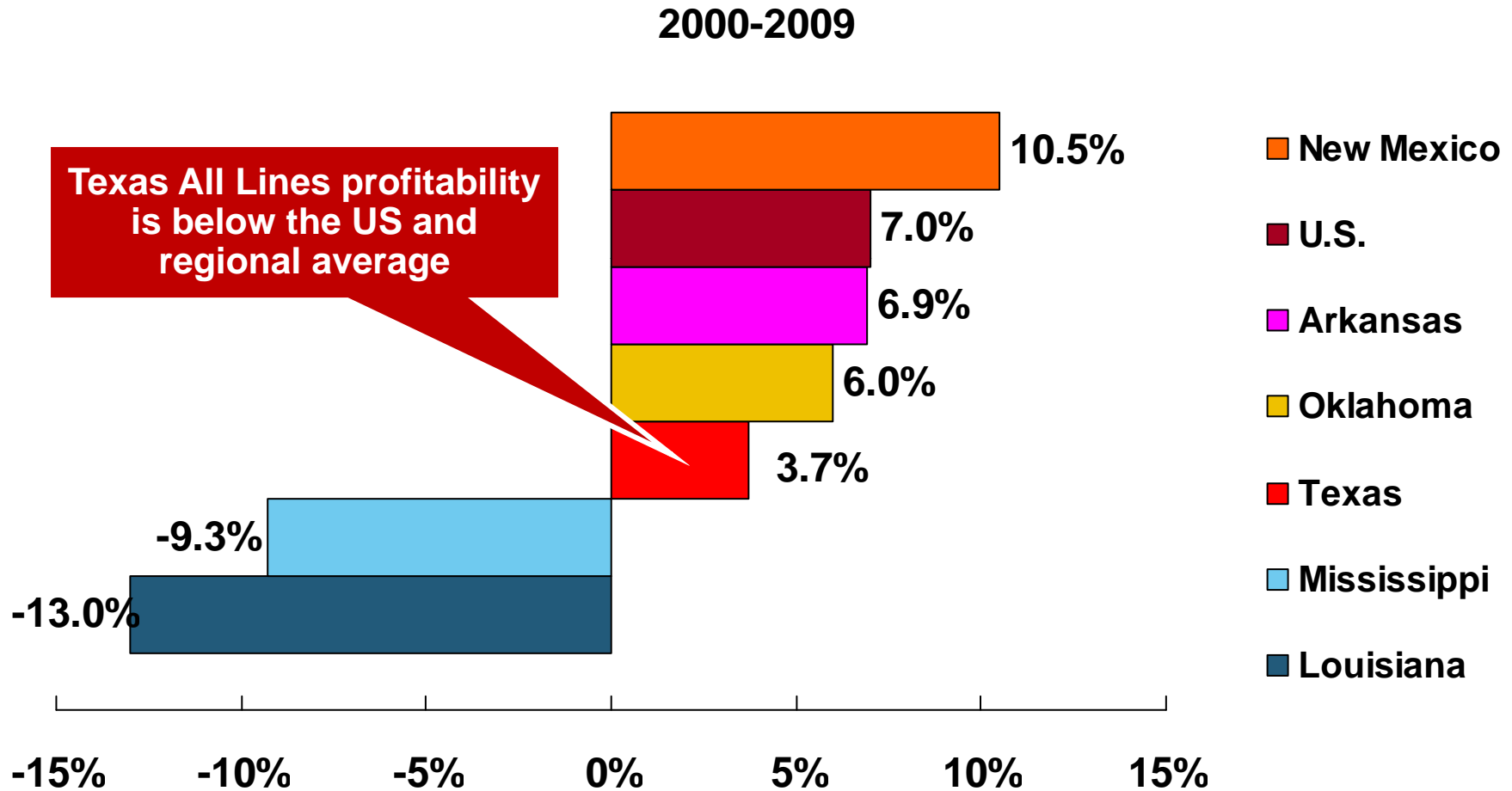


RNW Workers Comp: TX vs. U.S., 2000-2009

(Percent)



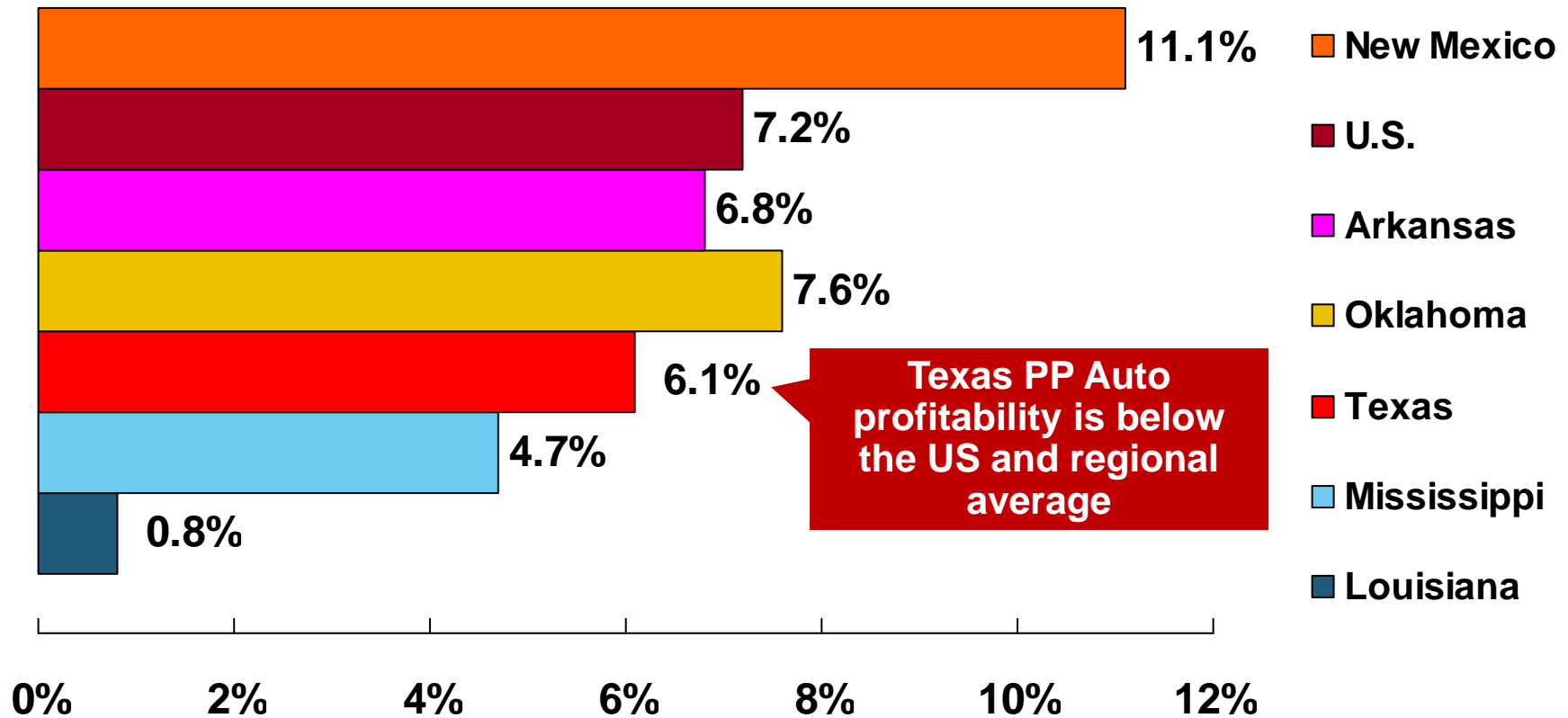
All Lines: 10-Year Average RNW TX & Nearby States



Source: NAIC, Insurance Information Institute

PP Auto: 10-Year Average RNW TX & Nearby States

2000-2009



Source: NAIC, Insurance Information Institute

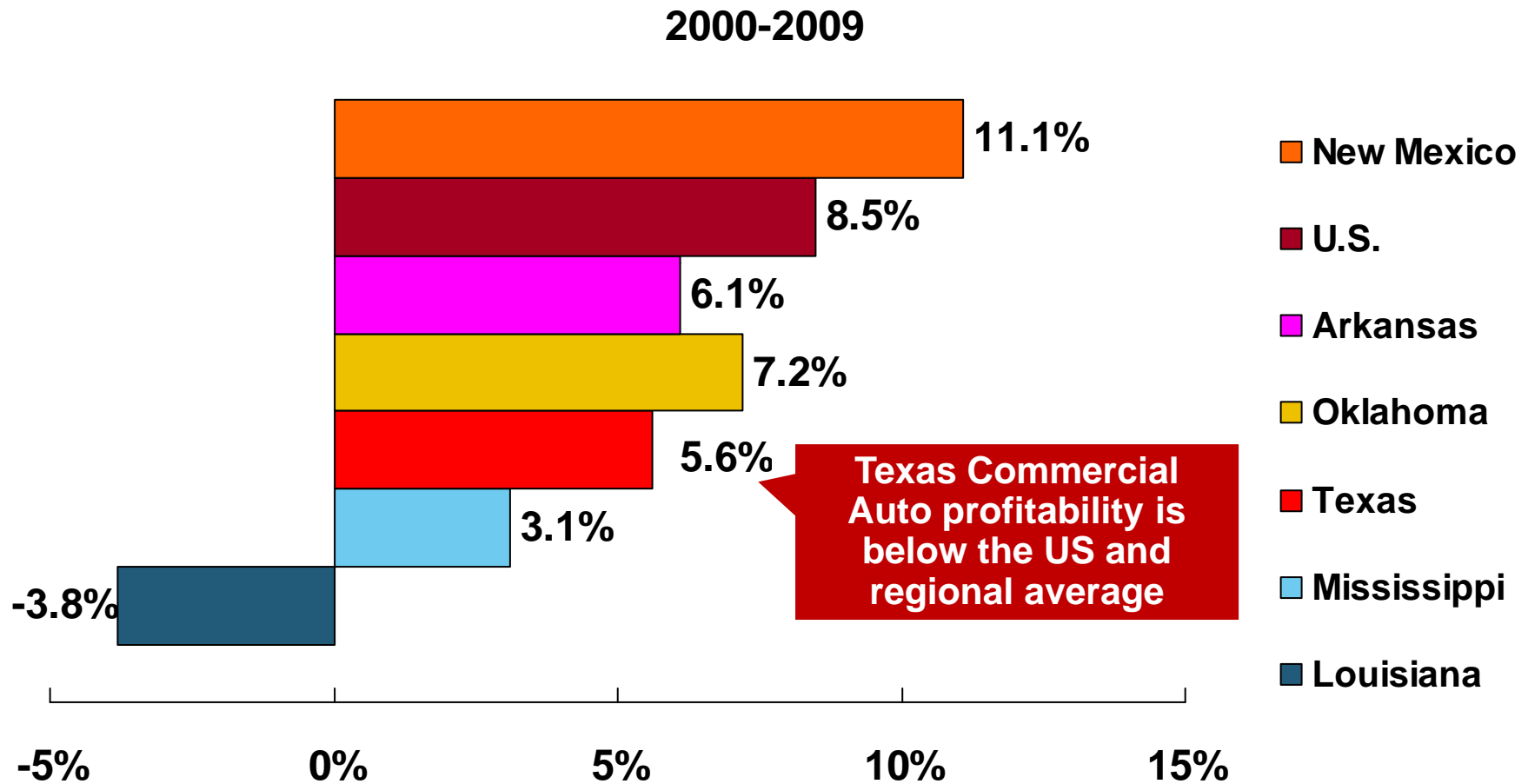
Top Ten Most Expensive And Least Expensive States For Automobile Insurance, 2008 (1)

Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	D.C.	\$1,126	1	North Dakota	\$503
2	Louisiana	1,105	2	Iowa	519
3	New Jersey	1,081	3	South Dakota	520
4	Florida	1,055	4	Nebraska	547
5	New York	1,044	5	Idaho	562
6	Delaware	1,007	6	Kansas	576
7	Rhode Island	986	7	Wisconsin	581
8	Nevada	970	8	North Carolina	595
9	Connecticut	950	9	Maine	600
10	Maryland	922	10	Indiana	612

Texas ranked 15th in 2008, with an average expenditure for auto insurance of \$854.

(1) Based on average automobile insurance expenditures.

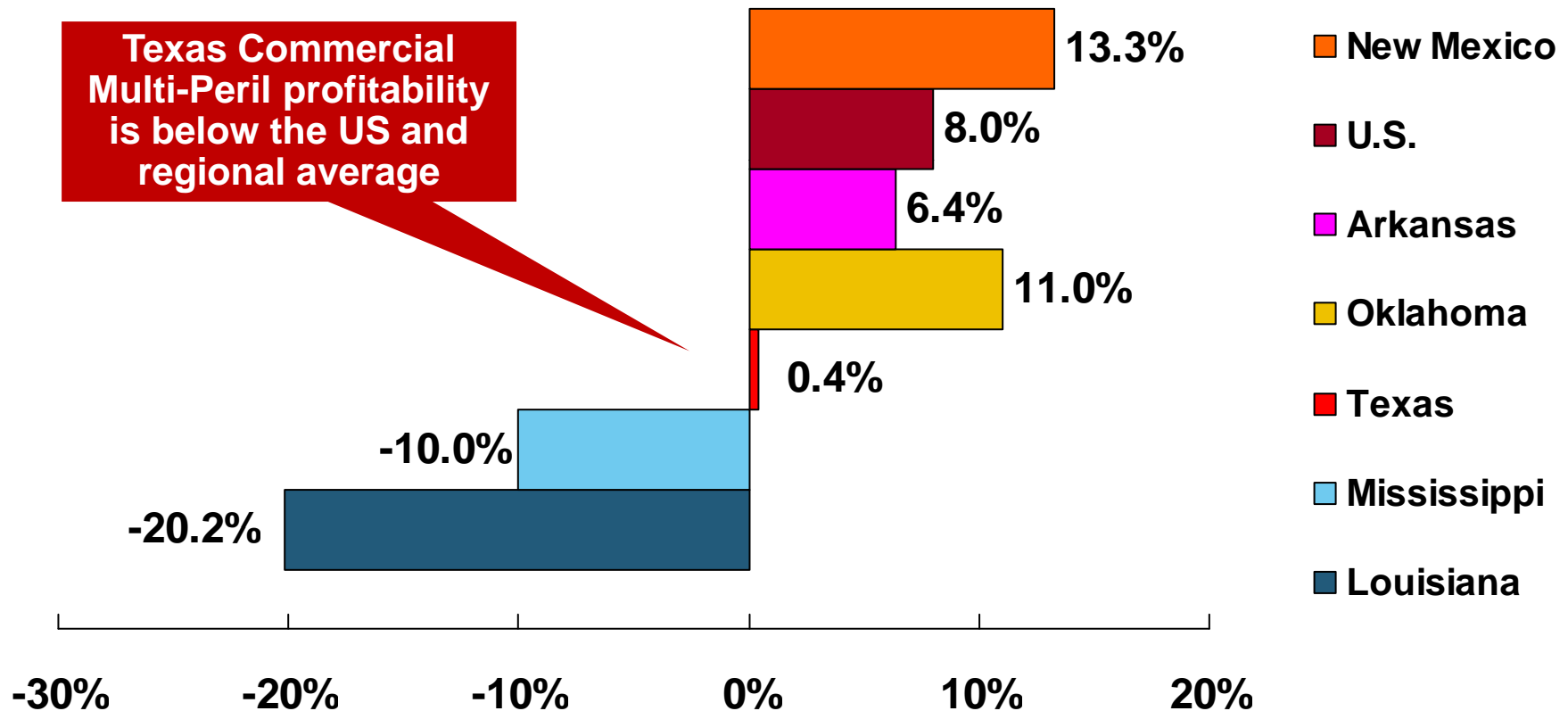
Comm. Auto: 10-Year Average RNW TX & Nearby States



Source: NAIC, Insurance Information Institute

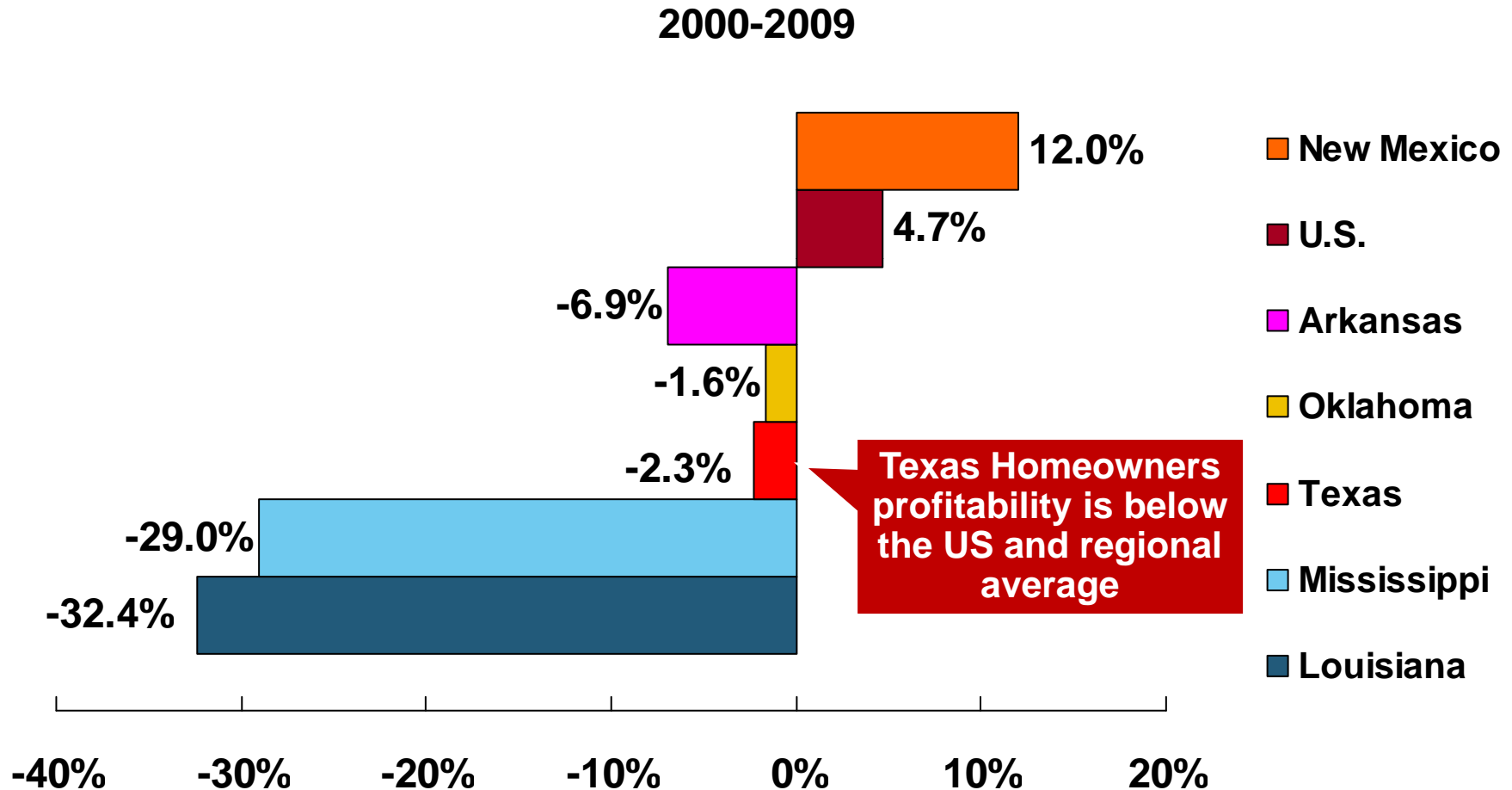
Comm. M-P: 10-Year Average RNW TX & Nearby States

2000-2009



Source: NAIC, Insurance Information Institute

Homeowners: 10-Year Average RNW TX & Nearby States



Source: NAIC, Insurance Information Institute

Top Ten Most Expensive And Least Expensive States For Homeowners Insurance, 2008 (1)

Texas ranked as the most expensive state for homeowners insurance in 2008, with an average expenditure of \$1,460.

Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	Texas (3)	\$1,460	1	Idaho	\$387
2	Florida (4)	1,390	2	Utah	432
3	Louisiana	1,155	3	Oregon	439
4	Oklahoma	1,048	4	Washington	471
5	Massachusetts	1,026	5	Wisconsin	503
6	New York	983	6	Delaware	535
7	Connecticut	980	7	Ohio	565
8	Mississippi	980	8	Maine	572
9	D.C.	926	9	Pennsylvania	586
10	Kansas	916	10	Kentucky	601

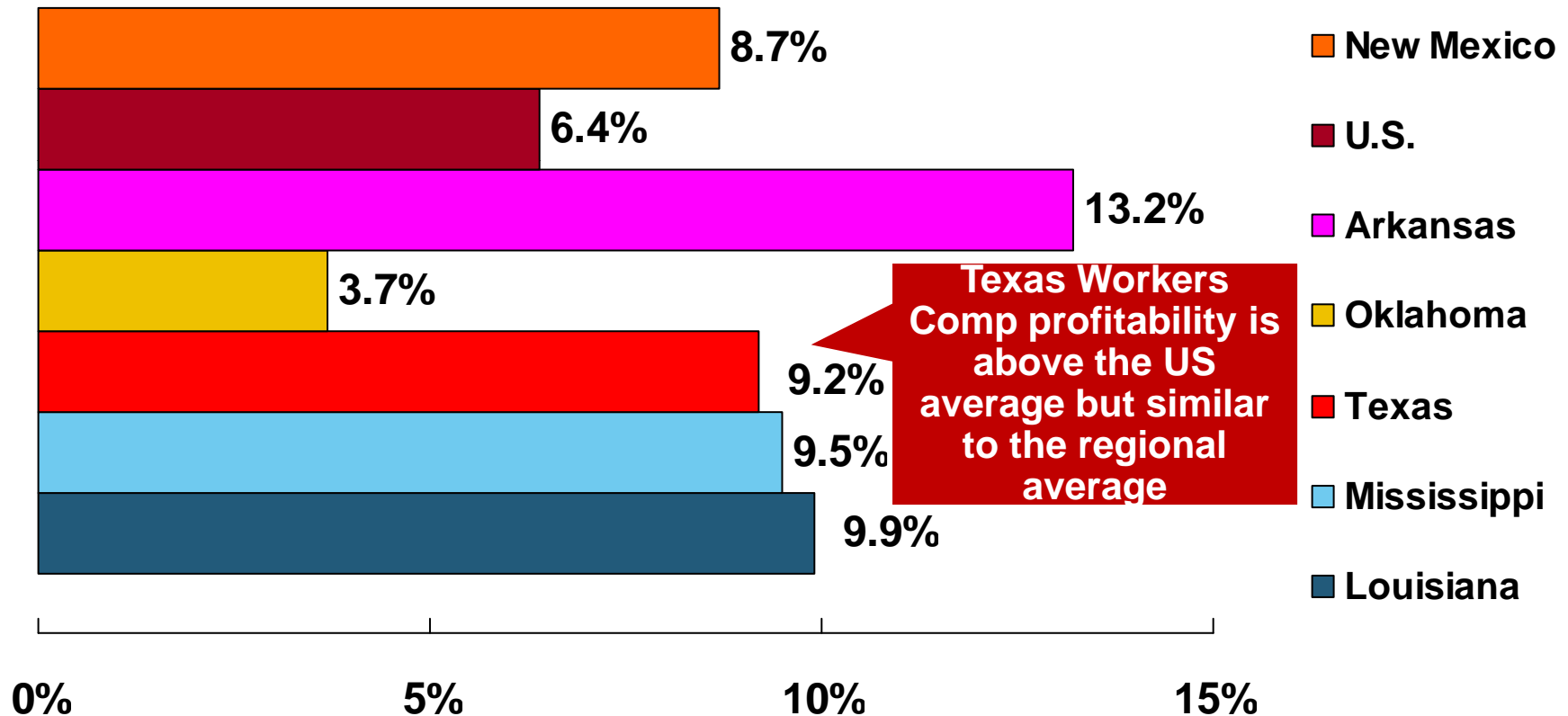
- (1) States with the same premium receive the same rank.
- (2) Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides “all risks” coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property,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

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

Source: © 2010 National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

Workers Comp: 10-Year Average RNW TX & Nearby States

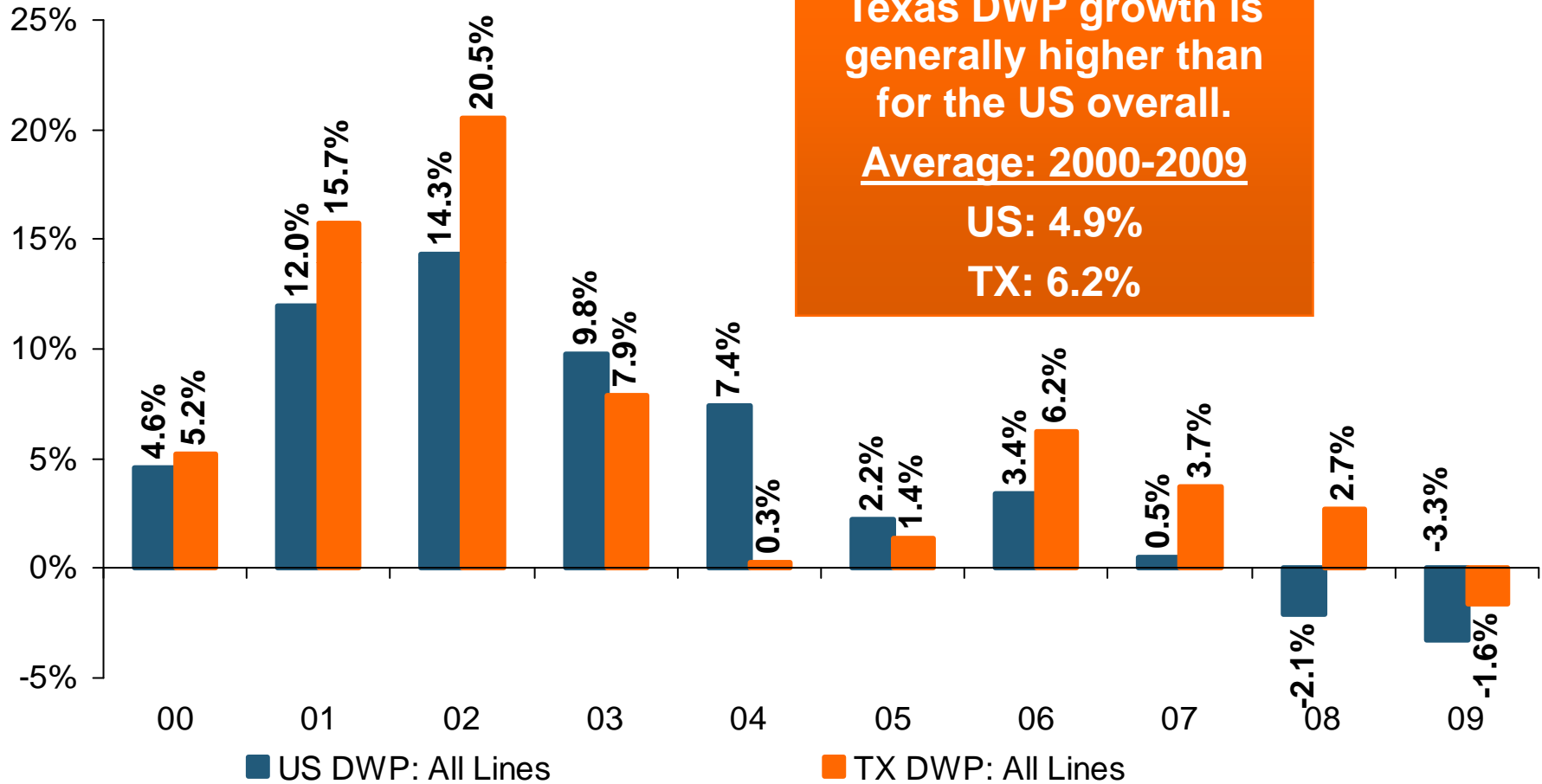
2000-2010



Source: NAIC, Insurance Information Institute

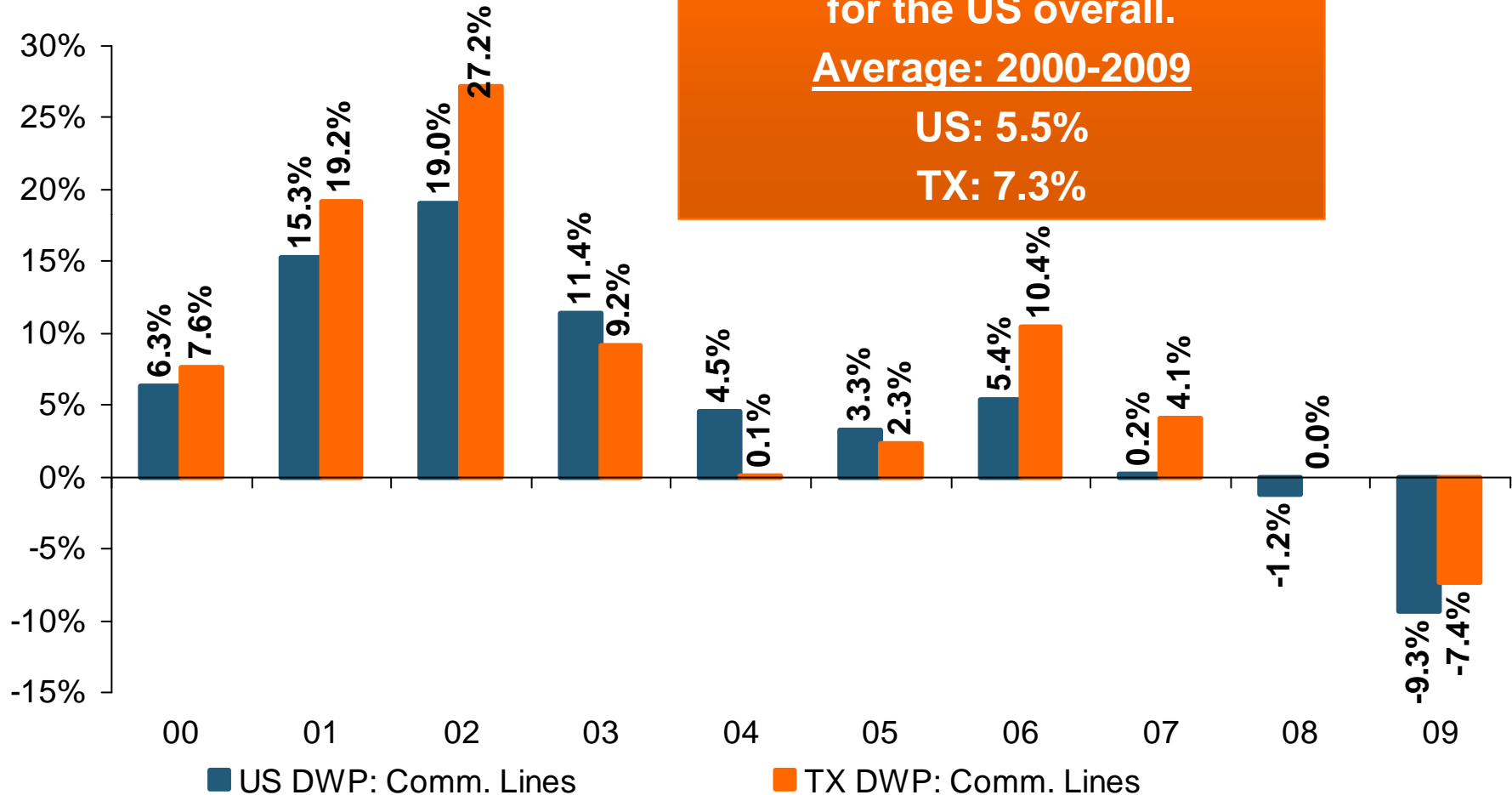
All Lines DWP Growth: TX vs. U.S., 2000-2009

(Percent)



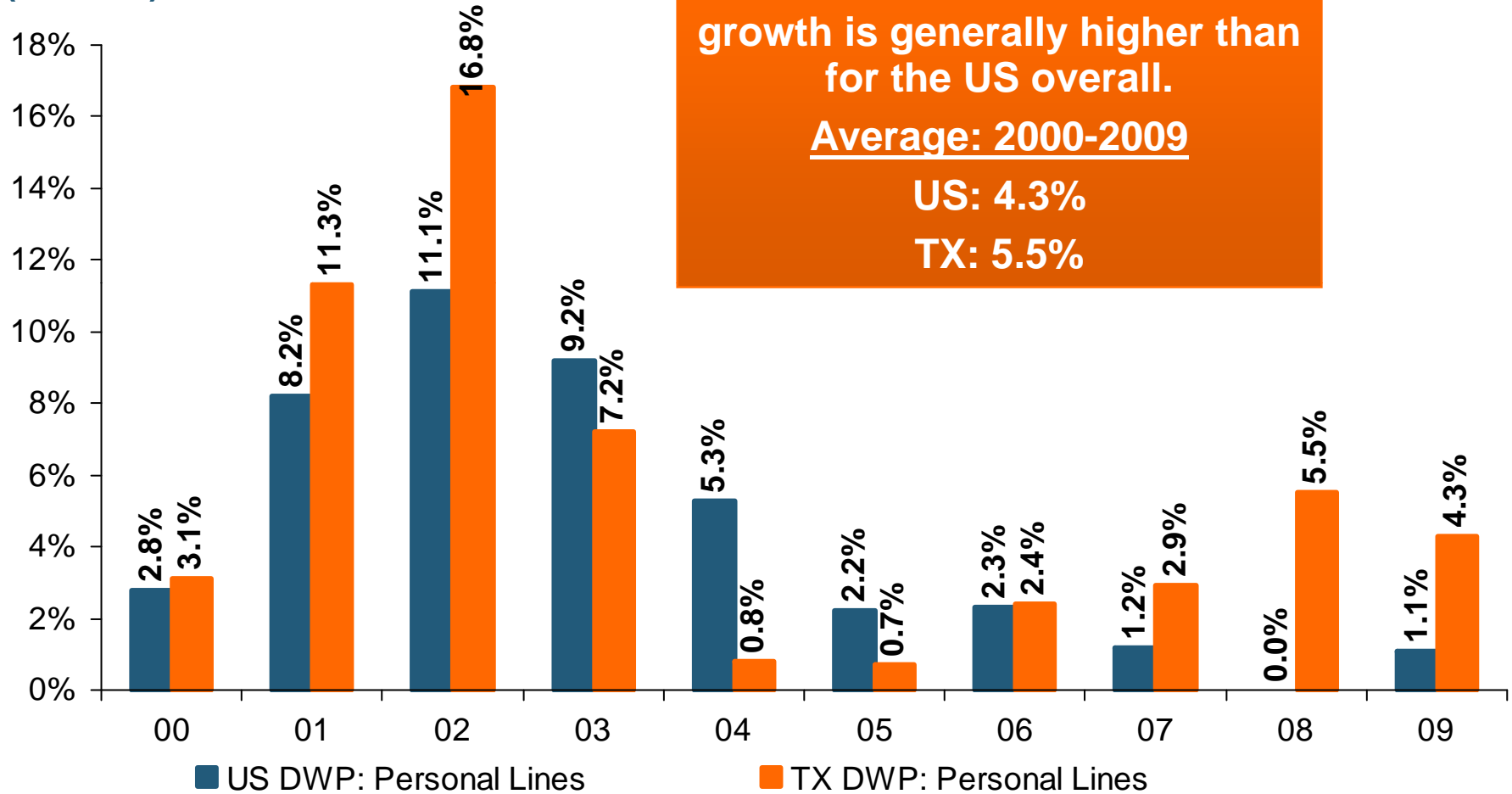
Comm. Lines DWP Growth: TX vs. U.S., 2000-2009

(Percent)



Personal Lines DWP Growth: TX vs. U.S., 2000-2009

(Percent)





Shifting Legal Liability & Tort Environment

Is the Tort Pendulum Swinging Against Insurers?

Important Issues & Threats Facing Insurers: 2010–2015

Emerging Tort Threat

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

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



AMERICAN
ASSOCIATION *for*
JUSTICE

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

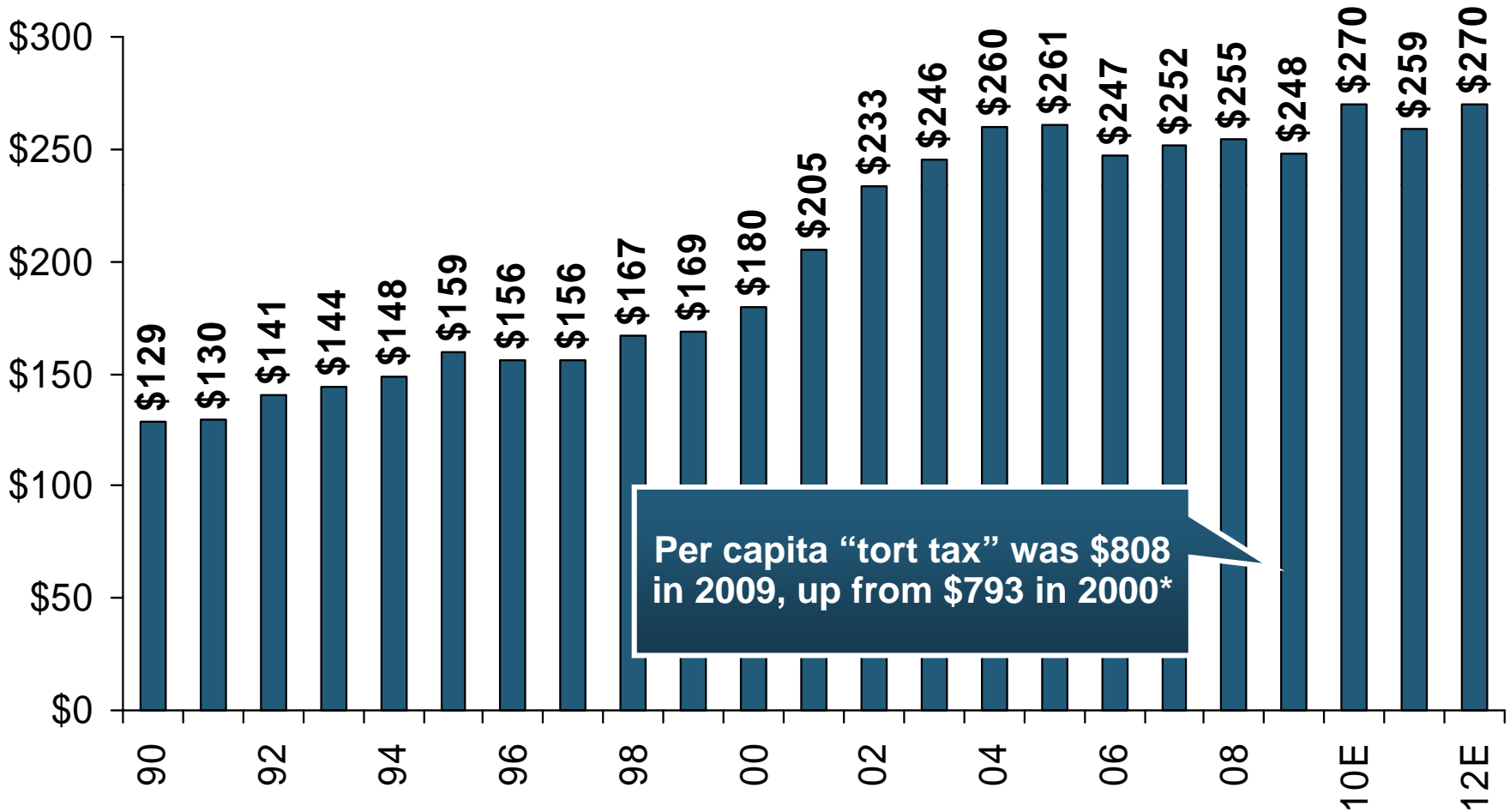
Trial Lawyer Poll: Which Areas Offer the Greatest Potential Benefit?

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

41 different practice areas were included as categories

Cost of US Tort System (\$ Billions)

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

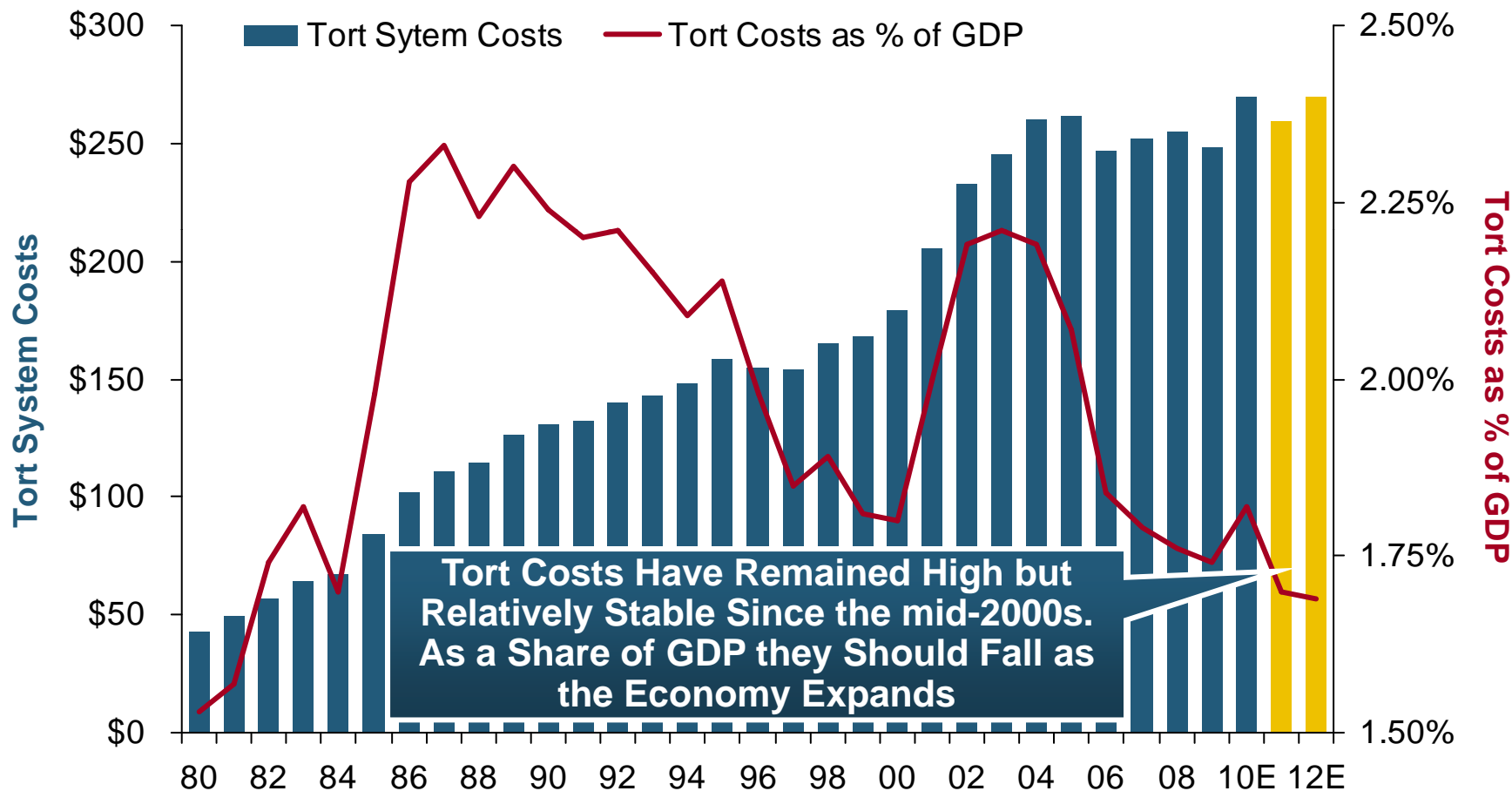


* Restated in 2009 dollars, based on CPI.

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

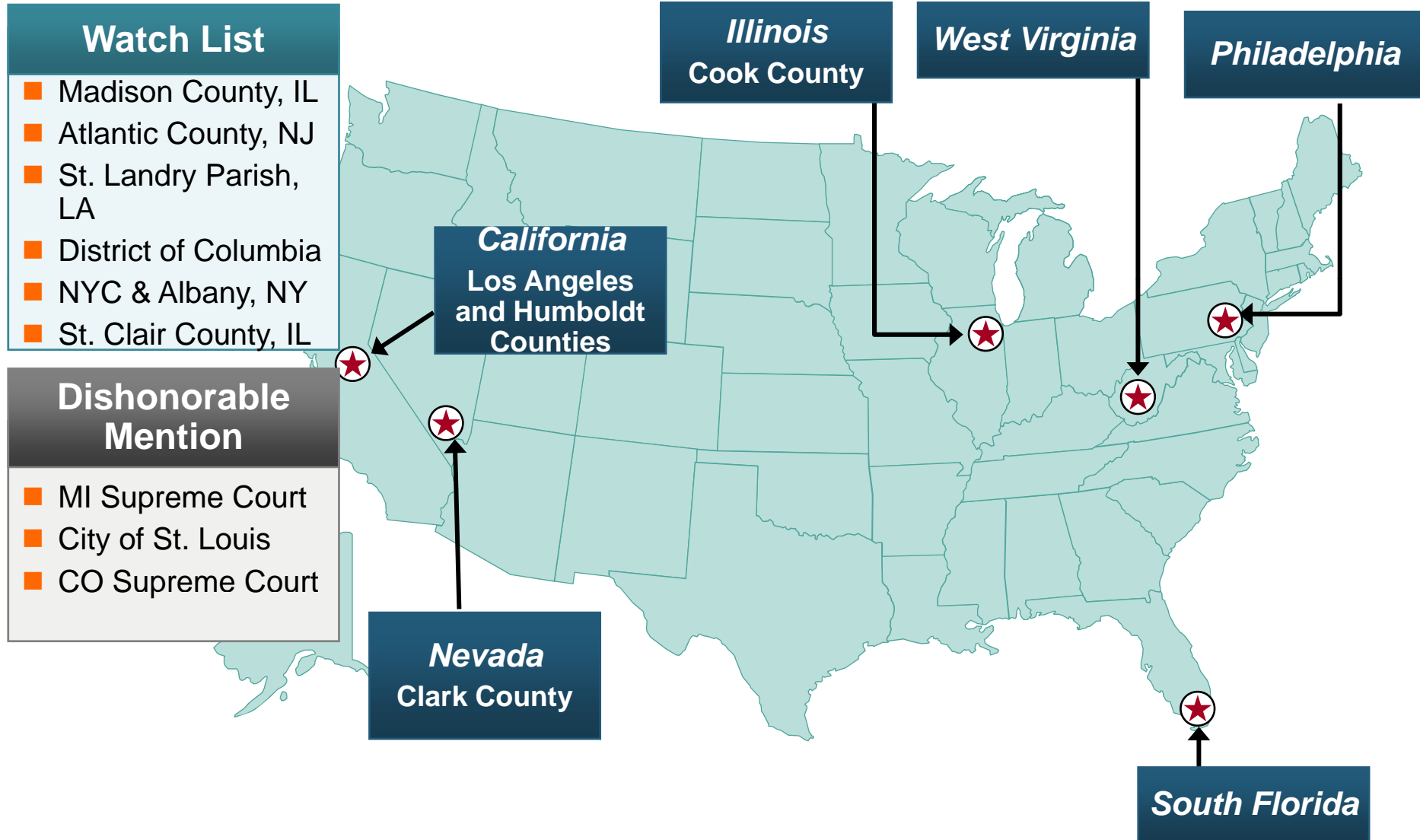
Newly Notorious

- New Mexico
- Montana
- Arkansas

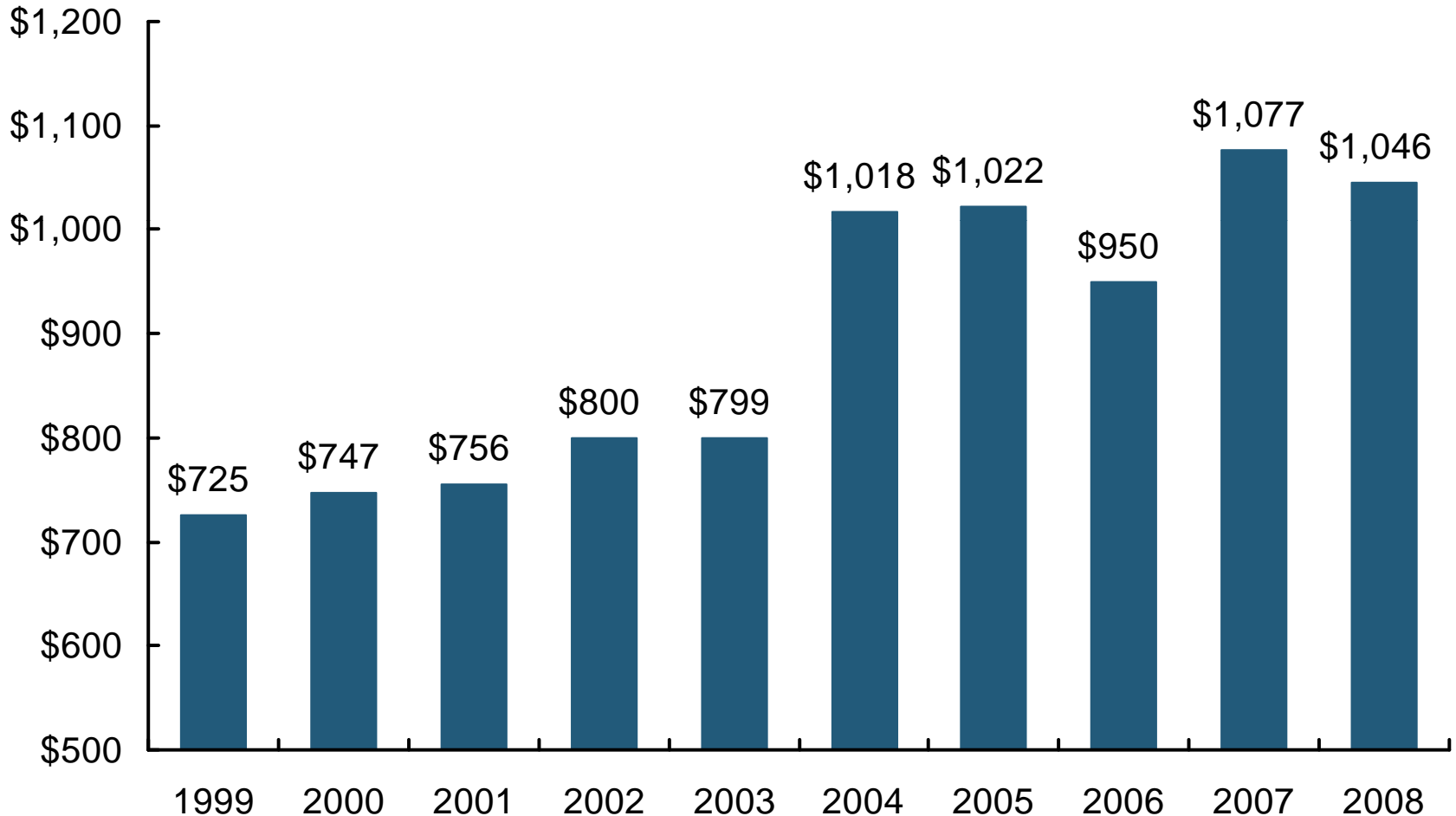
Rising Above

- **Texas**
- South Carolina
- Hawaii

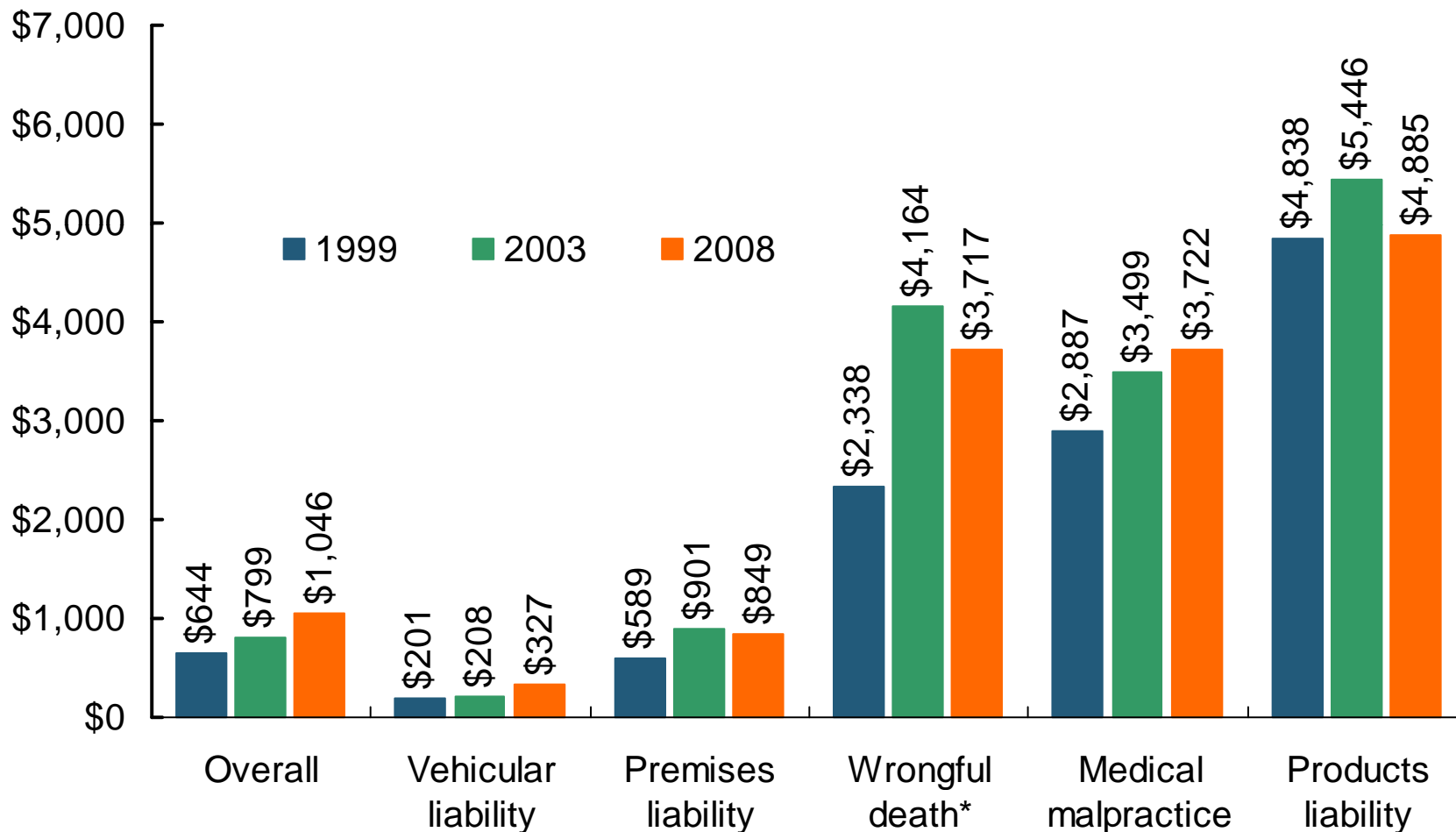
The Nation's Judicial Hellholes: 2010



Average Jury Awards 1999 - 2008



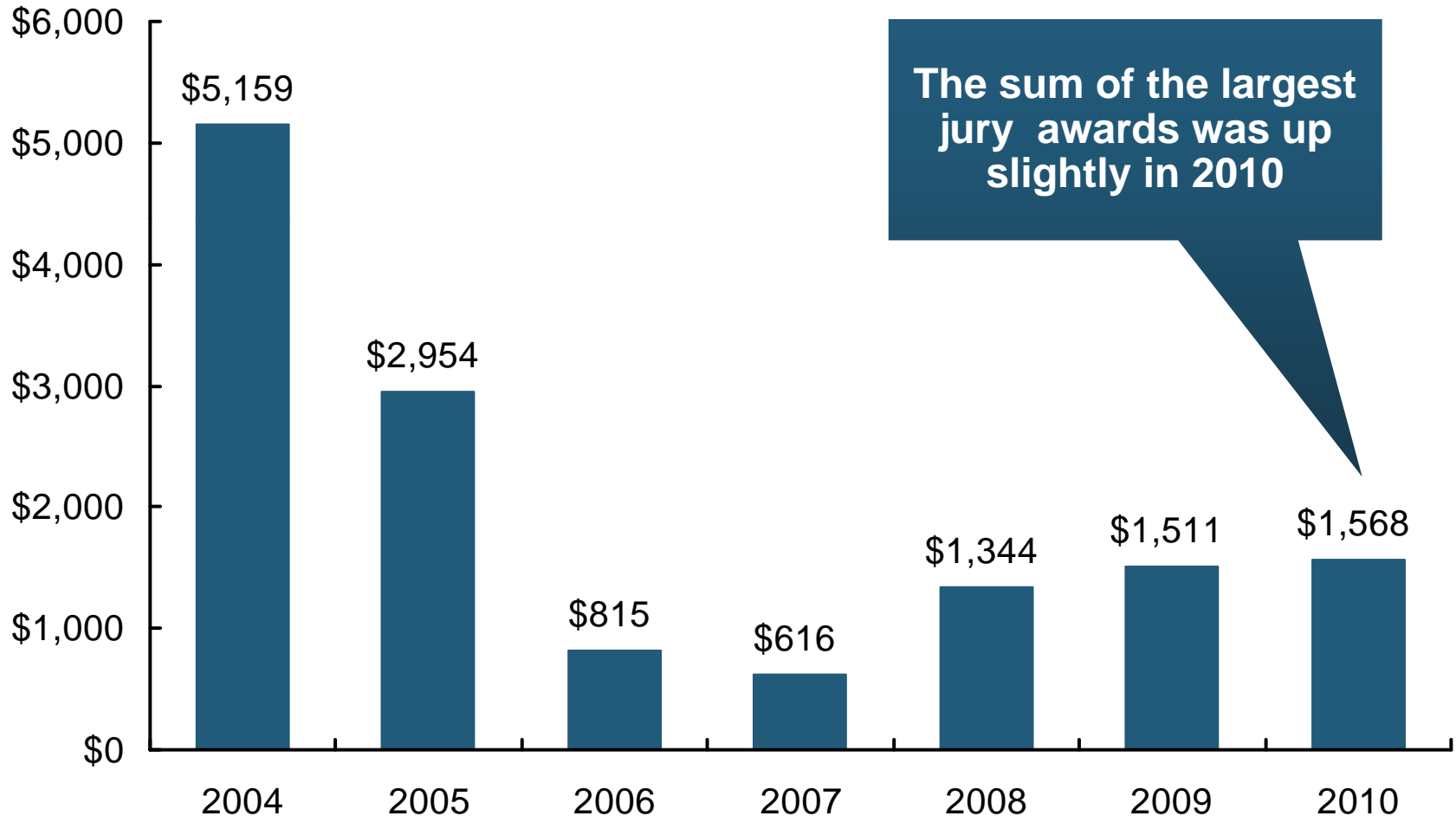
Avg. Jury Awards 1999 vs. 2003 and 2008



*Award trends in wrongful deaths of adult males.

Source: Jury Verdict Research; Insurance Information Institute.

Sum of Top 10 Jury Awards, 2004-2010



2010 Top Ten Jury Verdicts

Value	Issue	State
\$505.1 Million	Products Liability	Nevada
\$208.8 Million	Personal Injury (Asbestos/Mesothelioma case)	California
\$152 Million	Wrongful Death (Tobacco verdict)	Massachusetts
\$132.5 Million	Personal Injury (Ford rollover retrial)	Mississippi
<i>\$124.5 Million</i>	<i>Personal Injury (Passenger van rollover case)</i>	<i>Texas</i>
\$103 Million	Legal Malpractice/Breach of Fiduciary Duty	Mississippi
\$90.8 Million	Products Liability, Wrongful Death (Tobacco verdict)	Florida
\$89 Million	Personal Injury, Products Liability	Pennsylvania
<i>\$82.5 Million</i>	<i>Wrongful Death</i>	<i>Texas</i>
\$80 Million	Wrongful Death (Tobacco verdict)	Florida

2009 Top Ten Jury Verdicts

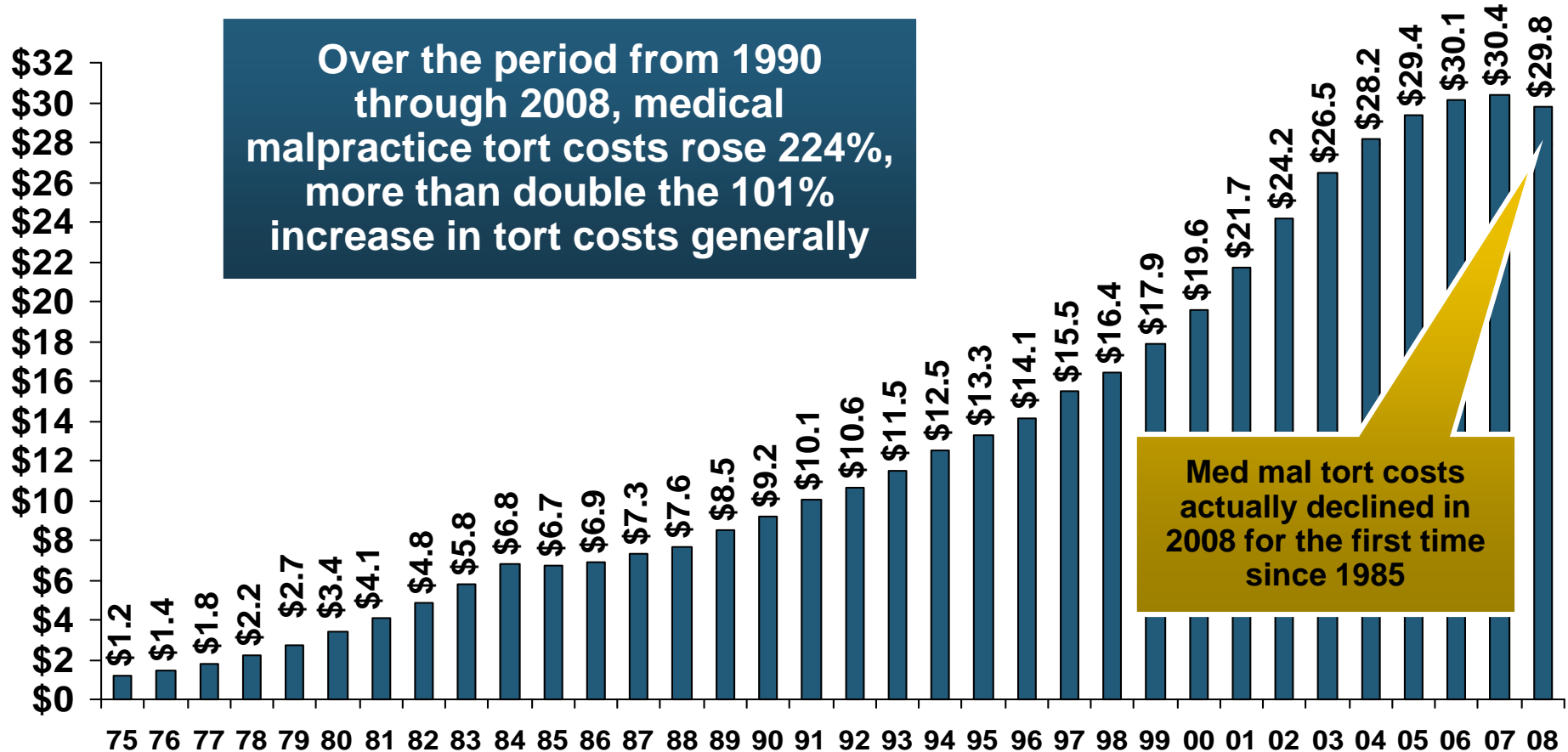
Value	Issue	State
\$370 Million	Defamation	California
\$330 Million	Personal Injury (Drunk driving case)	Florida
\$300 Million	Personal Injury (Tobacco verdict)	Florida
\$89 Million	Personal Injury (Drunk driving case)	Missouri
\$78.75 Million	Personal Injury (Prempro)	New Jersey
\$77.4 Million	Medical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

2008 Top Ten Jury Verdicts

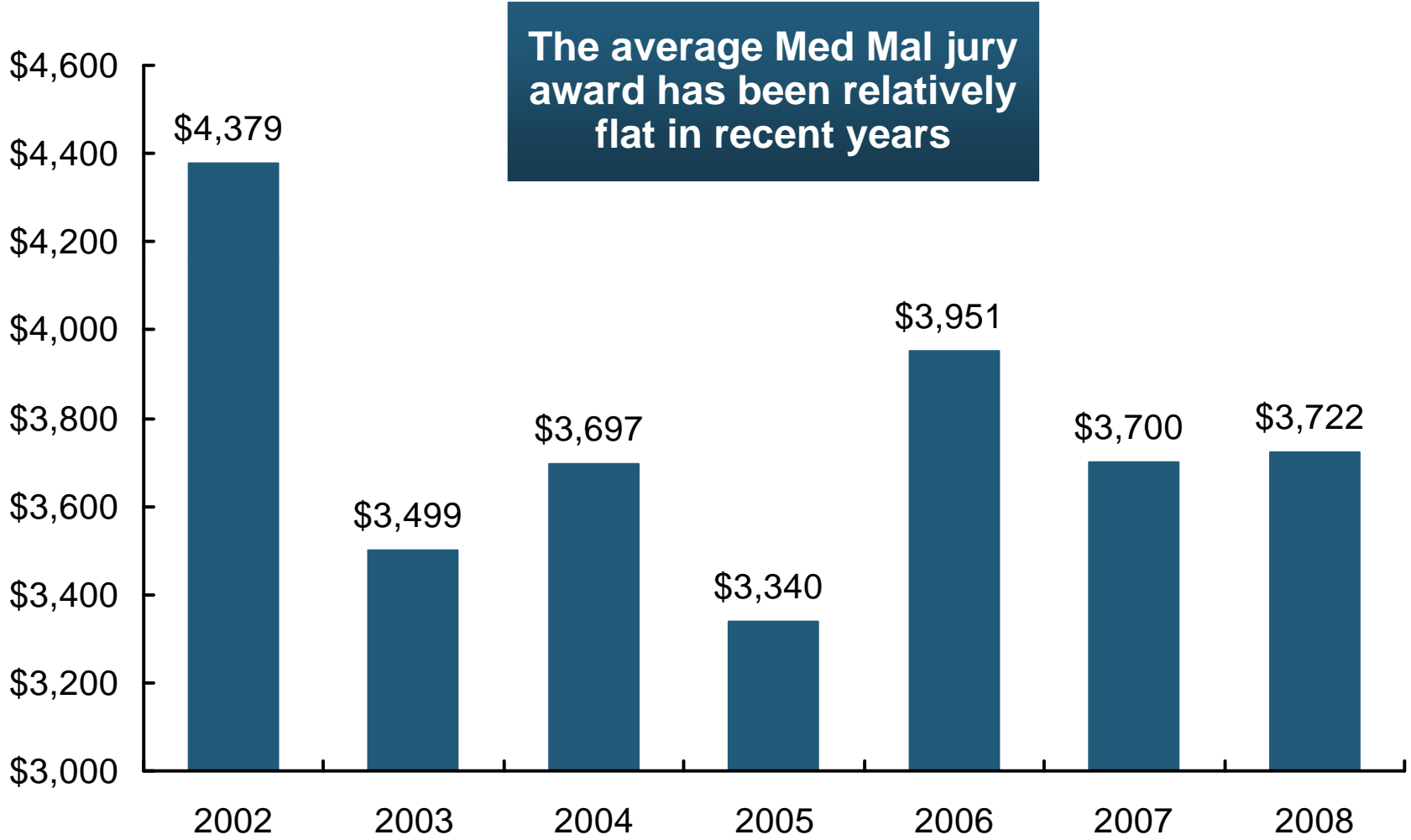
Value	Issue	State
\$388 Million	Fraud, Intentional Infliction of Emotional Distress	Nevada
\$316 Million	Breach of Contract	Georgia
\$188 Million	Defamation	New York
\$85 Million	Premises Liability	Pennsylvania
<i>\$84 Million</i>	<i>Negligence, Personal Injury</i>	<i>Texas</i>
\$66 Million	Breach of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

Medical Malpractice Tort Cost: Growth Continues, Though Modestly

(\$ Billions)



Average Medical Malpractice Jury Award: 2002 - 2008

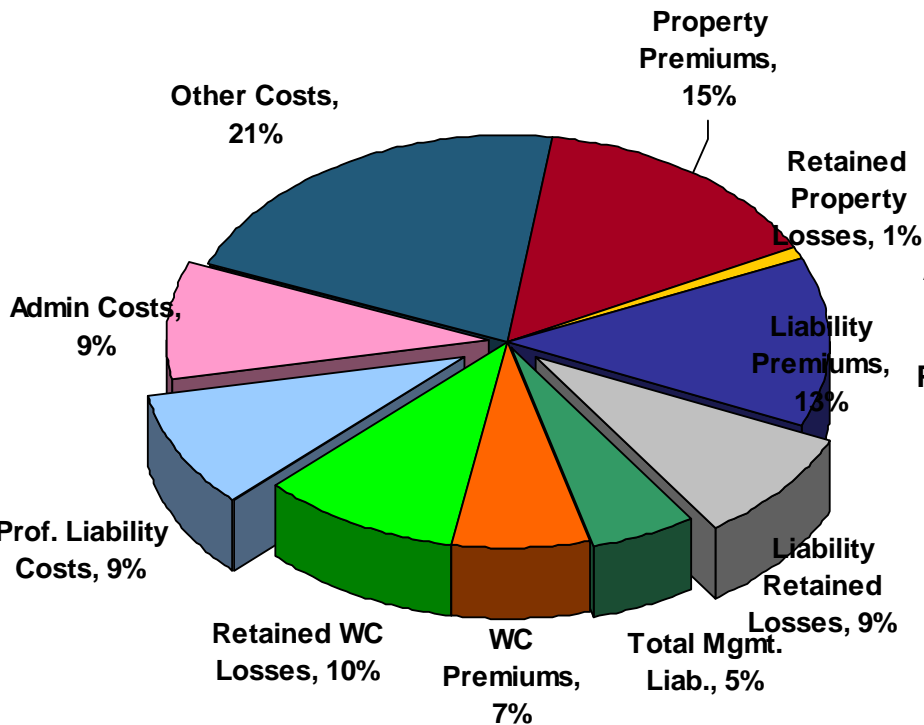


Source: Jury Verdict Research; Insurance Information Institute.

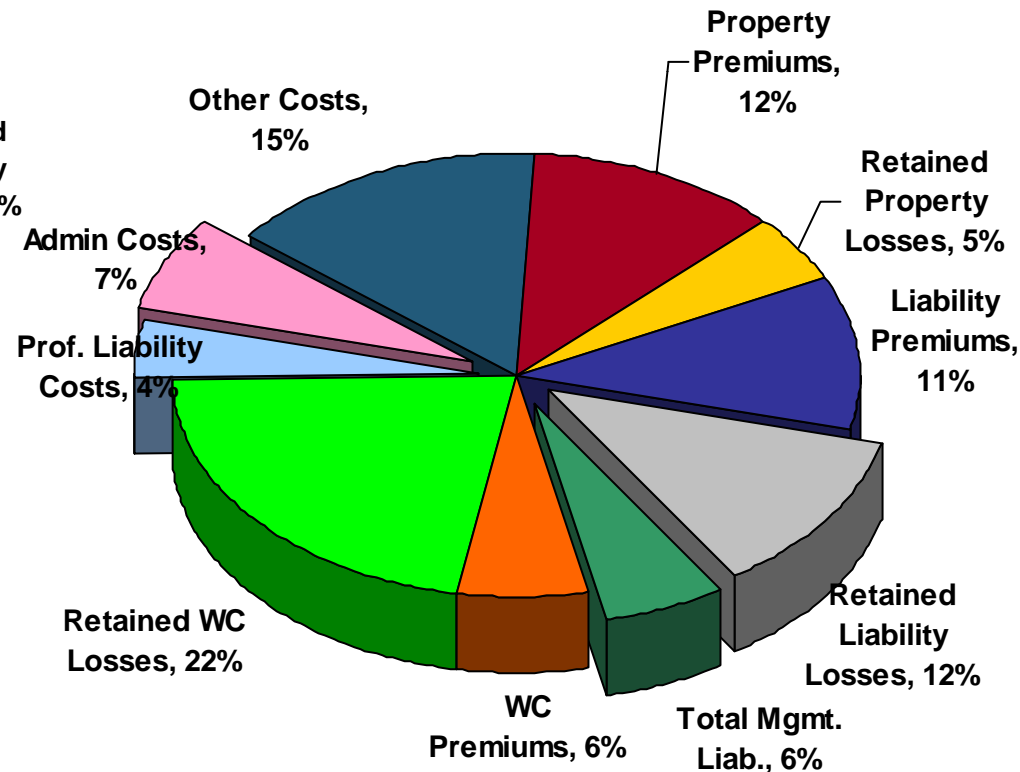
How the Risk Dollar is Spent (2008)

Total liability costs account for about 30% of the risk dollar

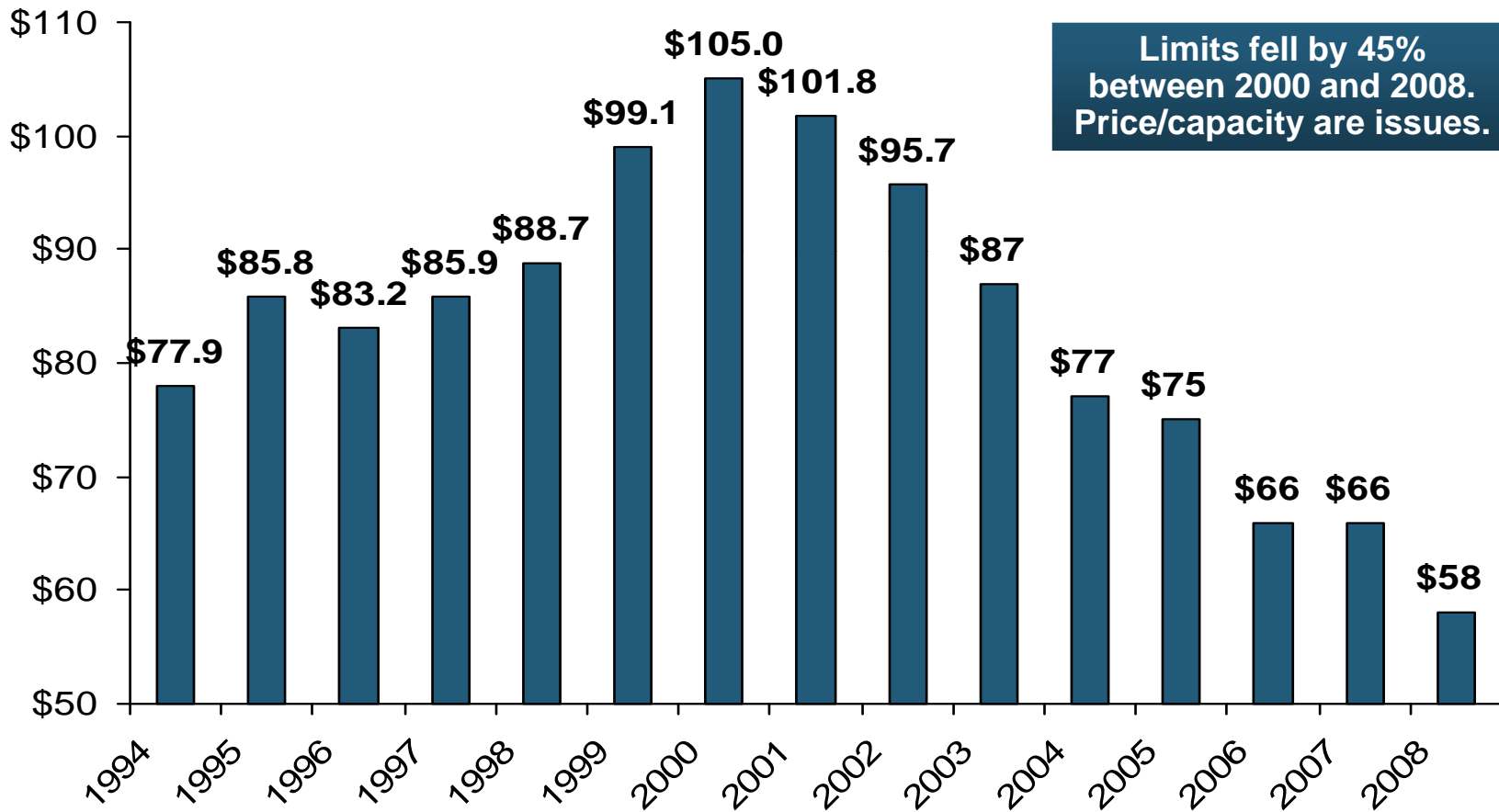
Firms w/Revenues < \$1 Billion



Firms w/Revenues > \$1 Billion



Average Total Limits Purchased by All U.S. Firms* (\$ Millions)

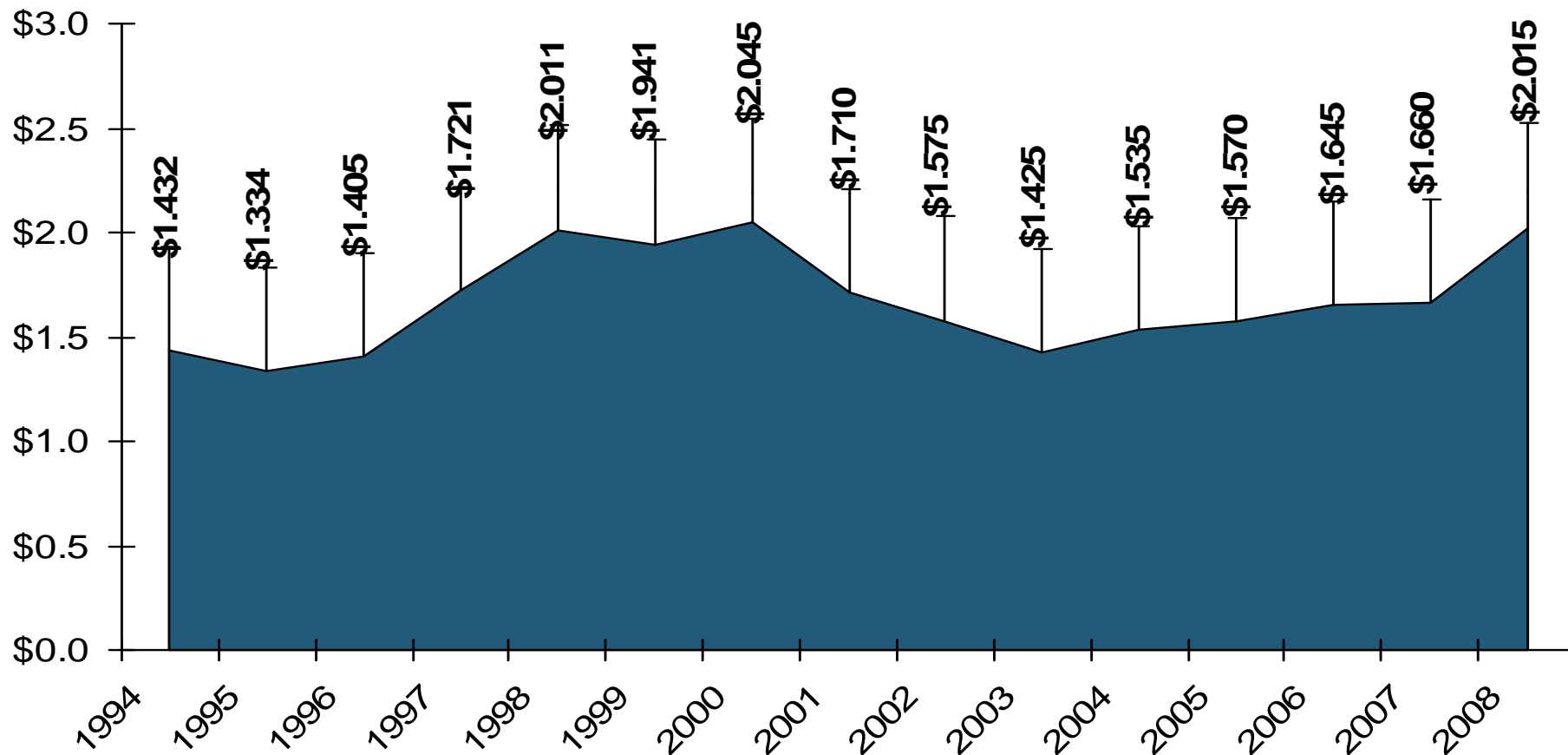


*Includes underlying primary limits

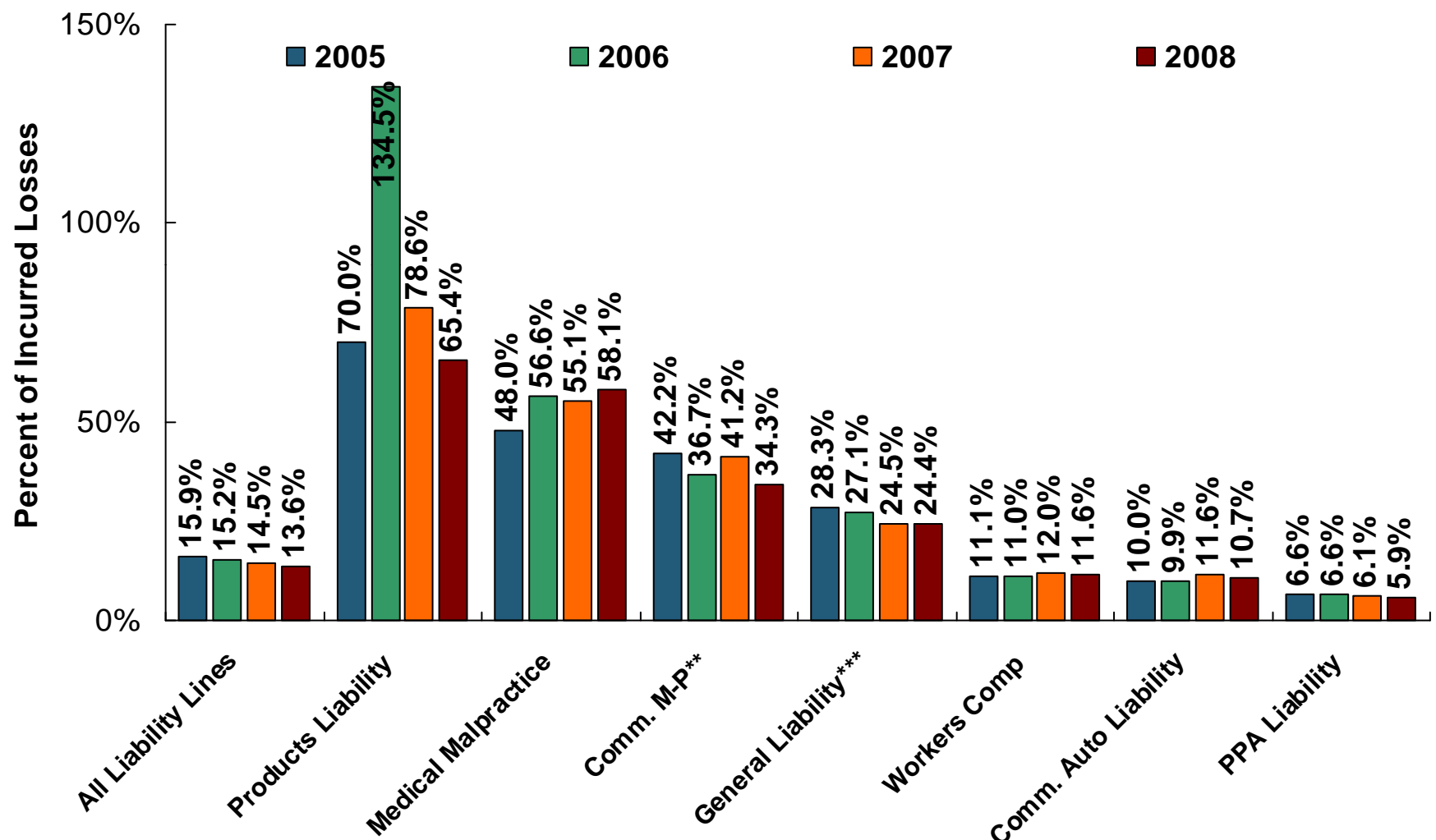
Source: *Limits of Liability 2008*, Marsh, Inc.

Excess Liability Market Capacity North America (\$ Billions)

In 2008, capacity is back to 2000 levels.



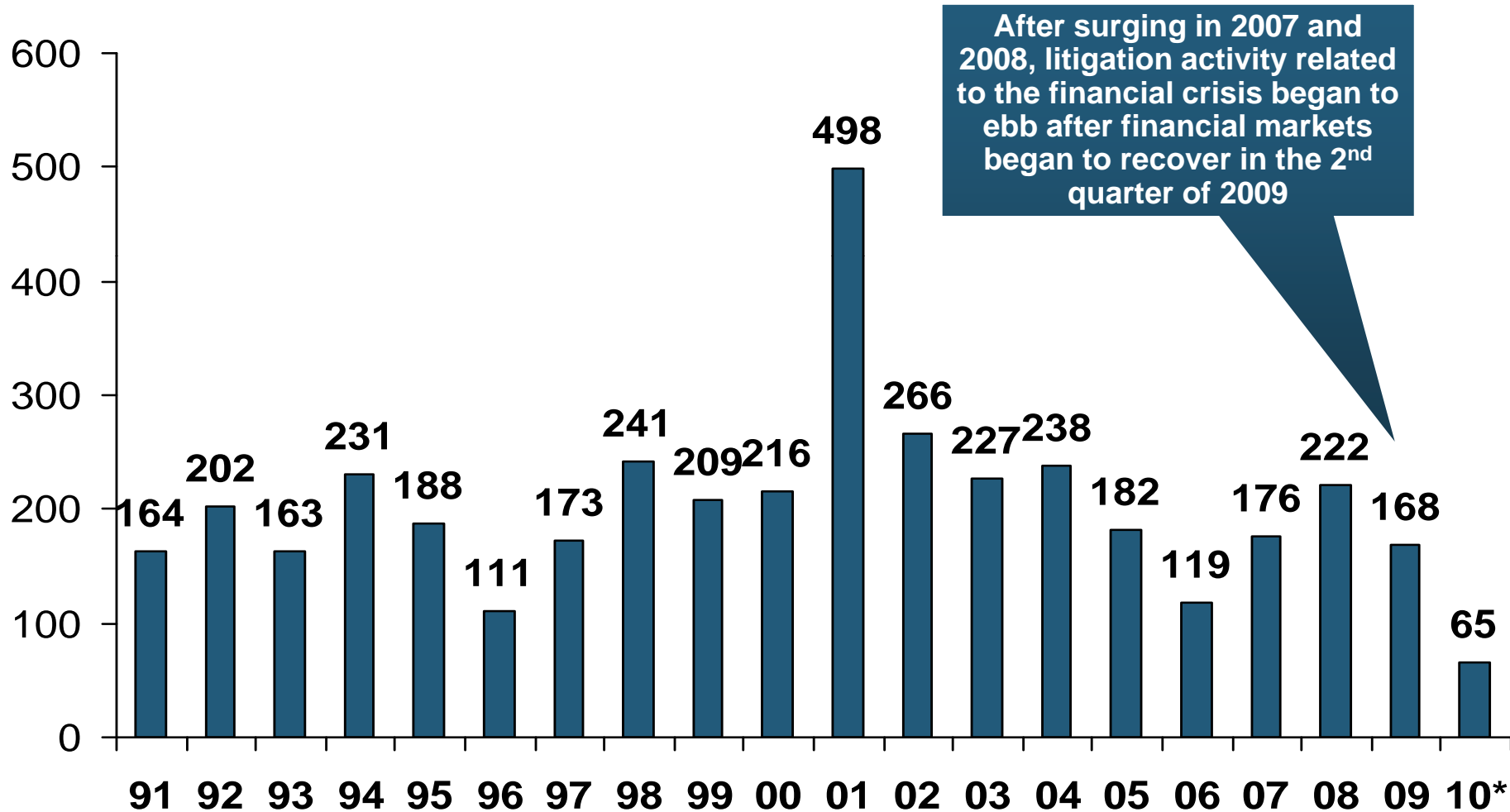
Insurer Defense & Cost Containment Expenses as a % of Incurred Losses, 2005-2008*



*Net of reinsurance, excl. state funds. **Liability portion only. ***Excludes products liability.

Source: National Association of Insurance Commissioners (NAIC) Annual Statement Database, via Highline Data, LLC; Insurance Information Institute.

Shareholder Class Action Lawsuits*

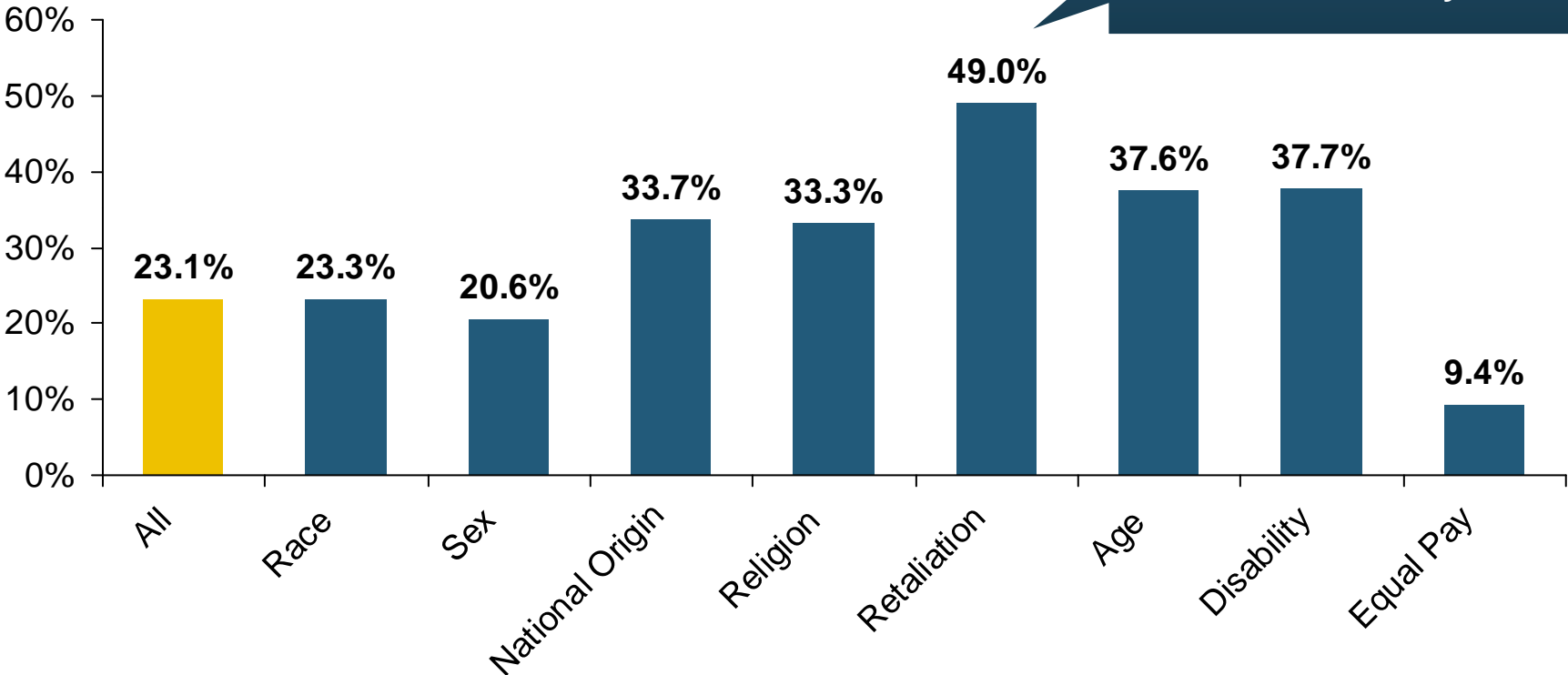


*Securities fraud suits filed in U.S. federal courts as of June 25, 2010.

Source: Stanford University School of Law (securities.stanford.edu); Insurance Information Institute

Discrimination Charges Filed with EEOC by Type: Percent Change FY06-FY09

Change in Charges Filed (%)



The Financial Crisis and Poor Labor Market Conditions Have Contributed to a Surge Employment Discrimination Charges

Source: Equal Opportunity Employment Commission; Insurance Information Institute.



Economic Drivers of P/C Insurance Exposures

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

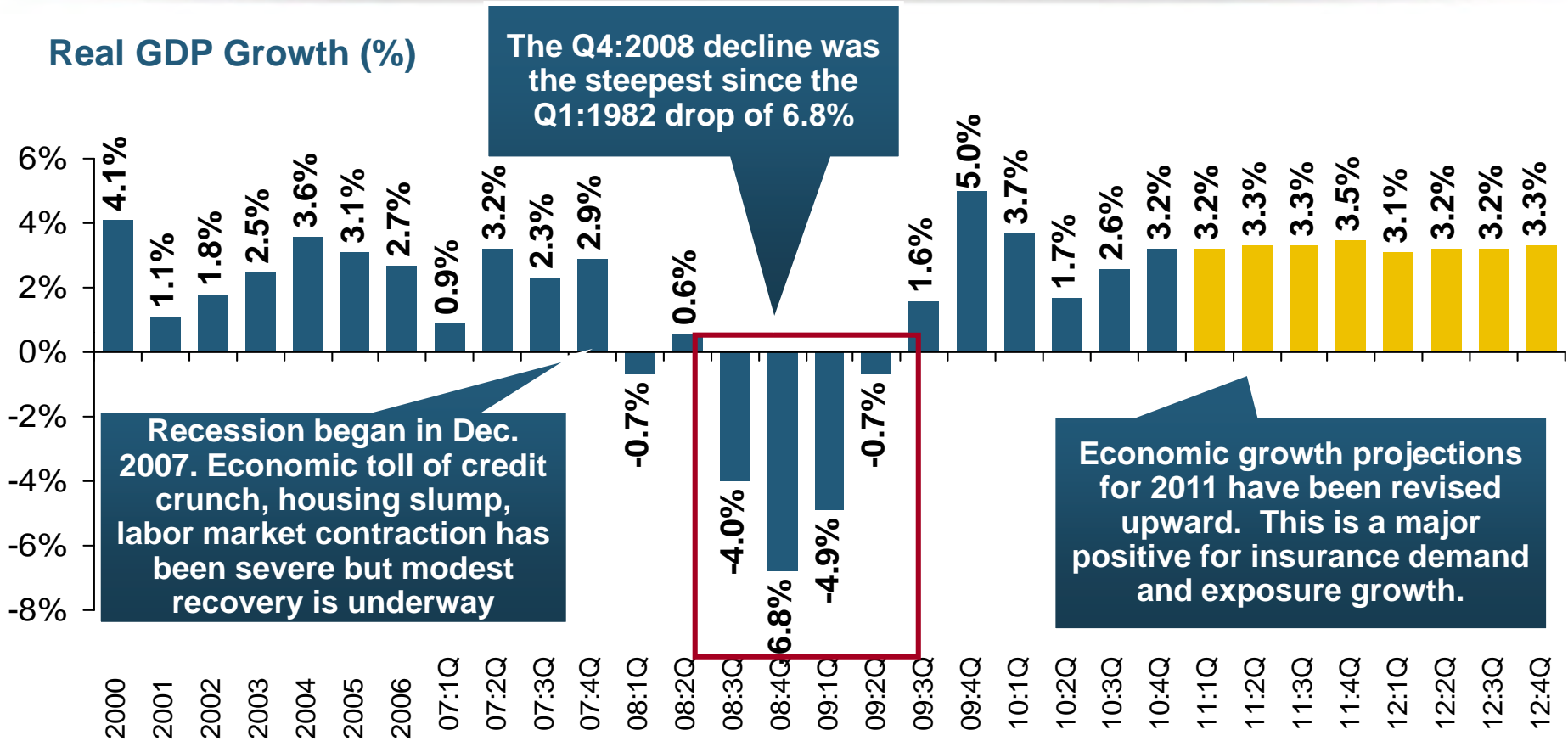


Where Will the Exposure Growth Come From?

Personal Lines
Commercial Lines

US Real GDP Growth*

Real GDP Growth (%)

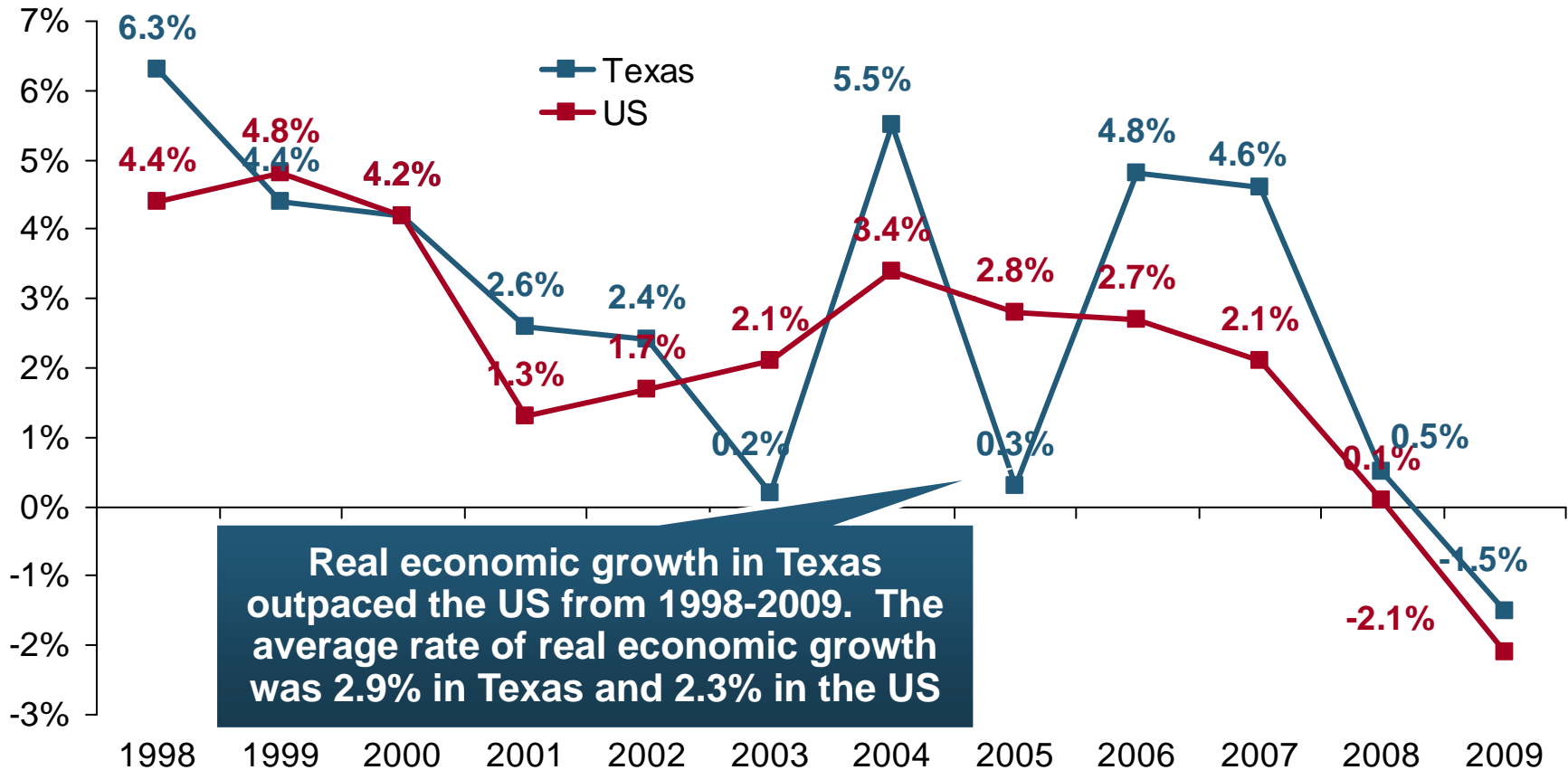


Demand for Insurance Continues To Be Impacted by Sluggish Economic Conditions, but the Benefits of Even Slow Growth Will Compound and Gradually Benefit the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 1/11; Insurance Information Institute.

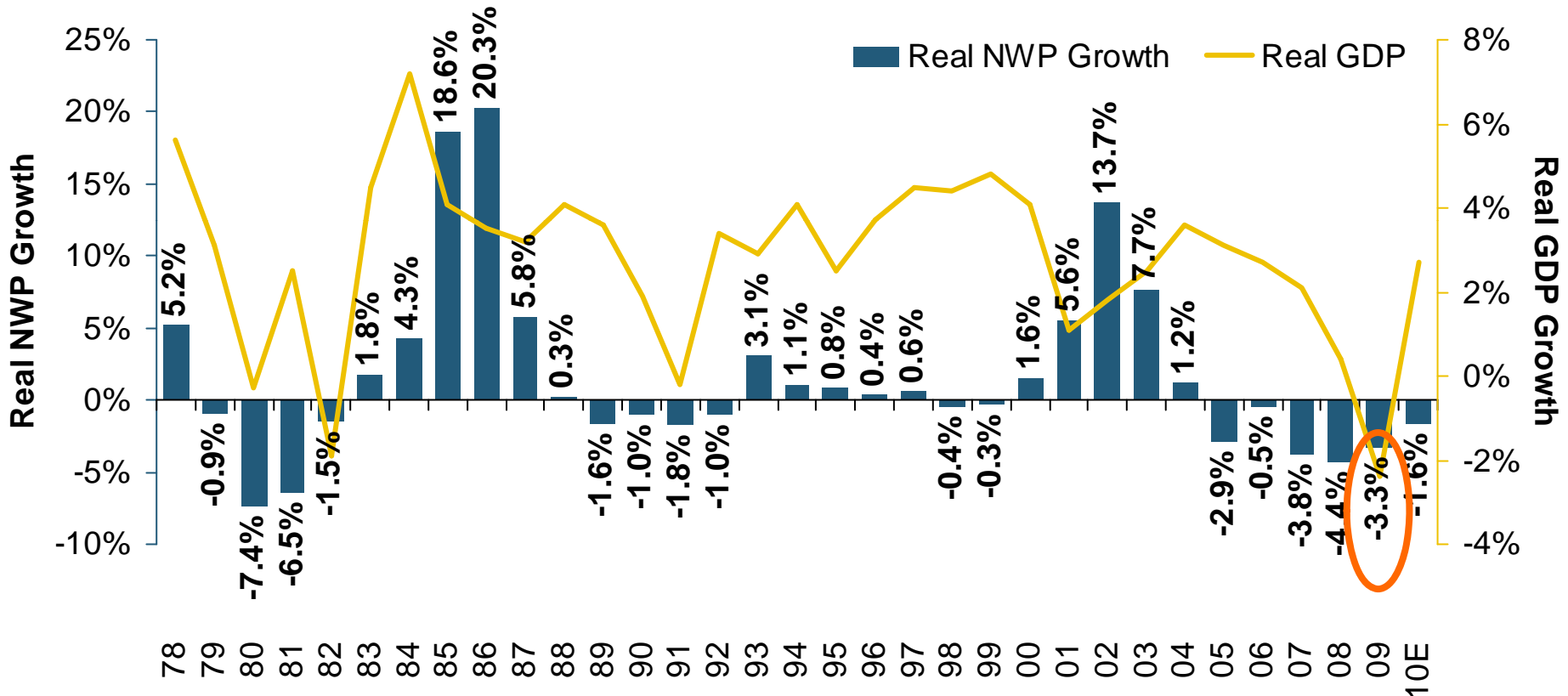
Real GDP Growth: US vs. TX, 1998-2009



Pursue Additional Quantitative Easing Could Further Depress Rates in the 7 to 10-Year Maturity Range

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

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



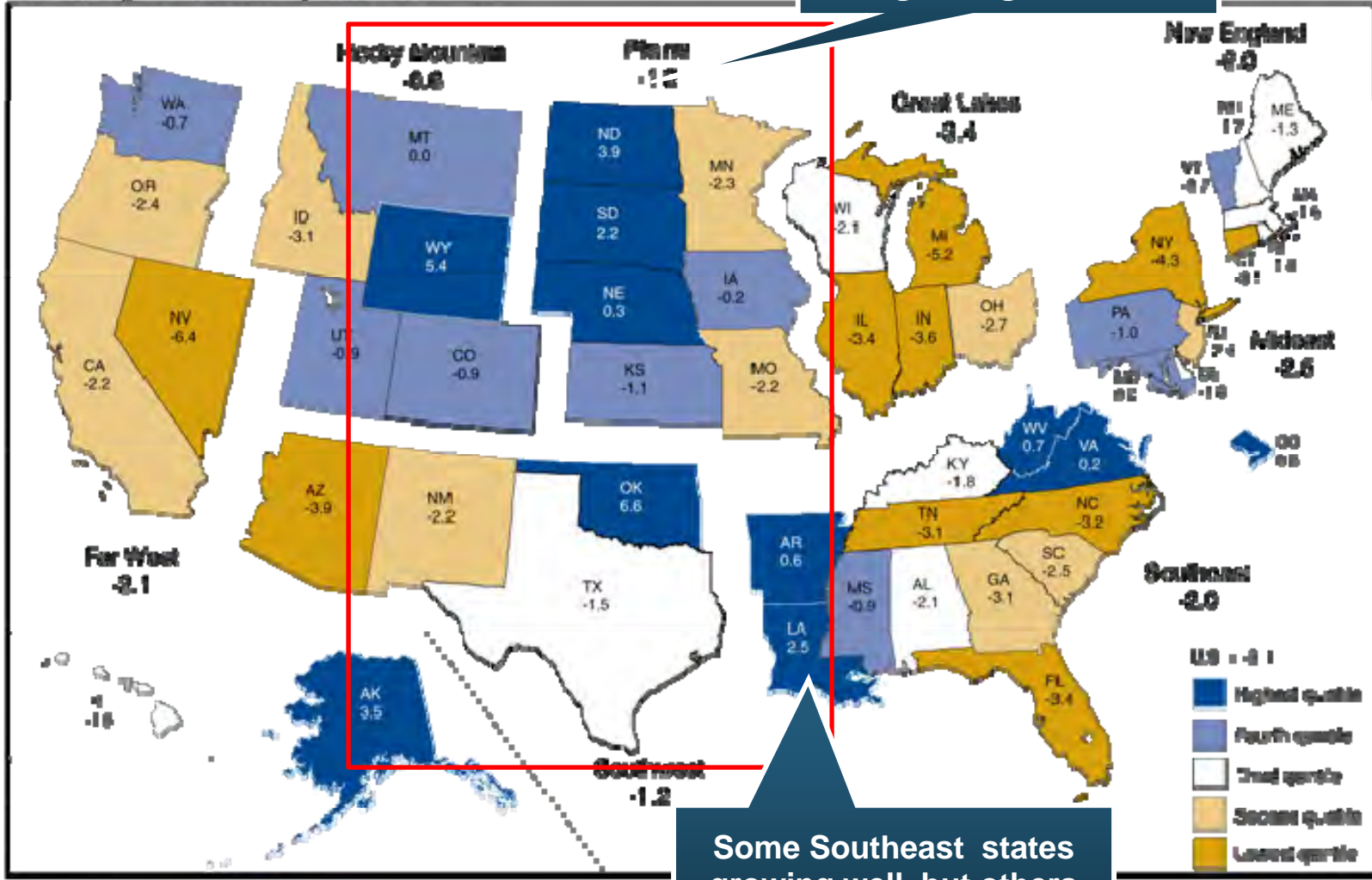
P/C Insurance Industry's Growth is Influenced Modestly by Growth in the Overall Economy

2011 Financial Overview

State Economic Growth Varied in 2009

Mountain, Plains states still growing the fastest

Percent Change in Real GDP by State 2008-2009



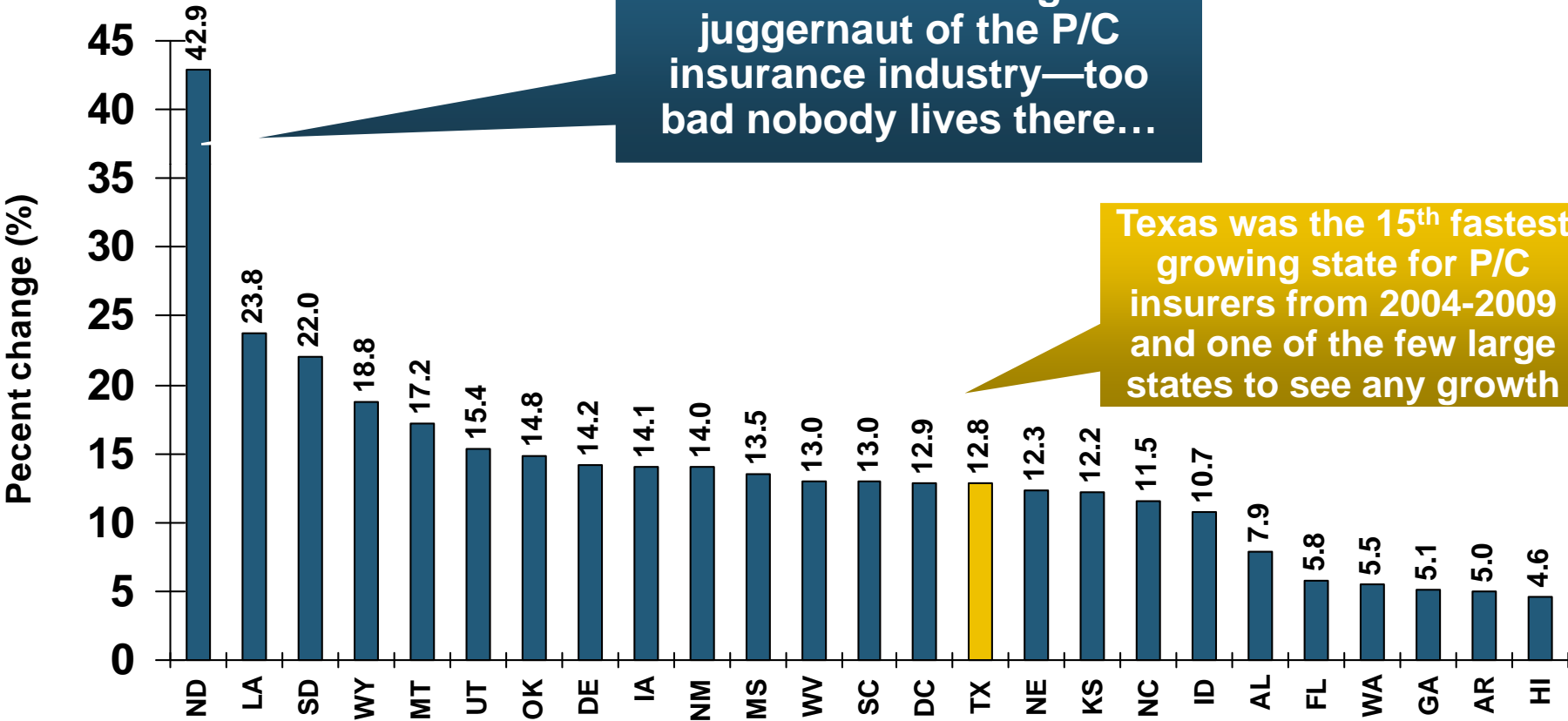
Some Southeast states growing well, but others among the weakest

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

Top 25 States

North Dakota is the growth juggernaut of the P/C insurance industry—too bad nobody lives there...

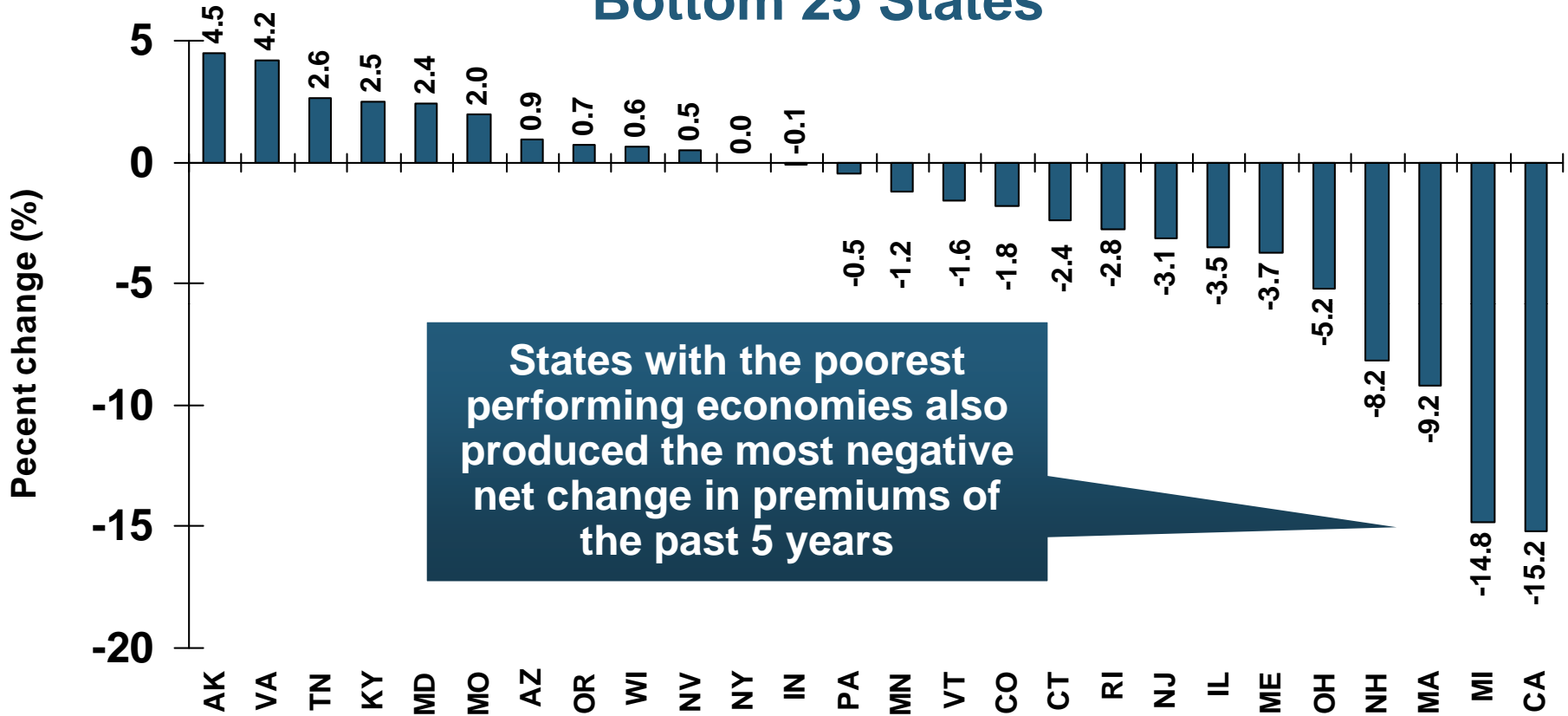
Texas was the 15th fastest growing state for P/C insurers from 2004-2009 and one of the few large states to see any growth



Sources: SNL Financial LC.; Insurance Information Institute.

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

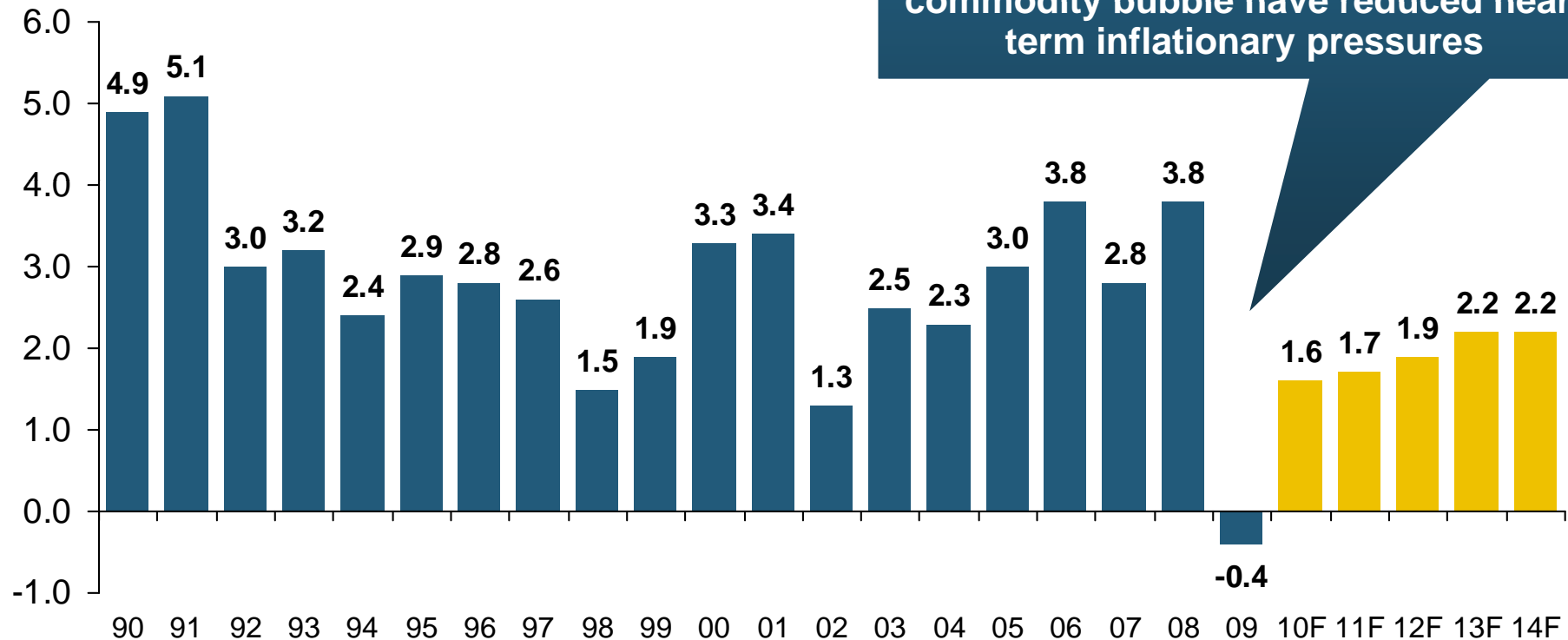
Bottom 25 States



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%

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

Annual Inflation Rates (%)



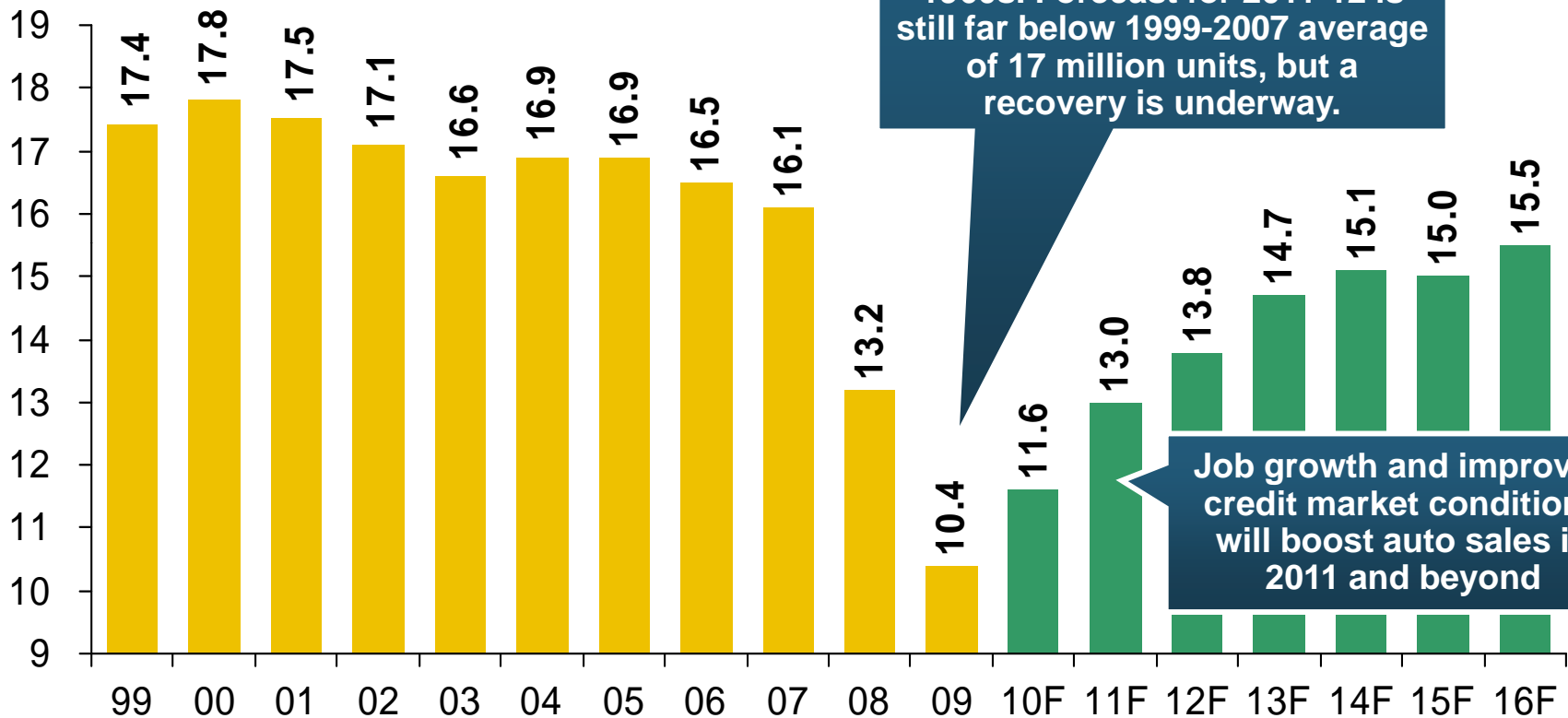
Inflation peaked at 5.6% in August 2008 on high energy and commodity crisis. The recession and the collapse of the commodity bubble have reduced near-term inflationary pressures

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 1/11 (forecasts).

Auto/Light Truck Sales, 1999-2016F

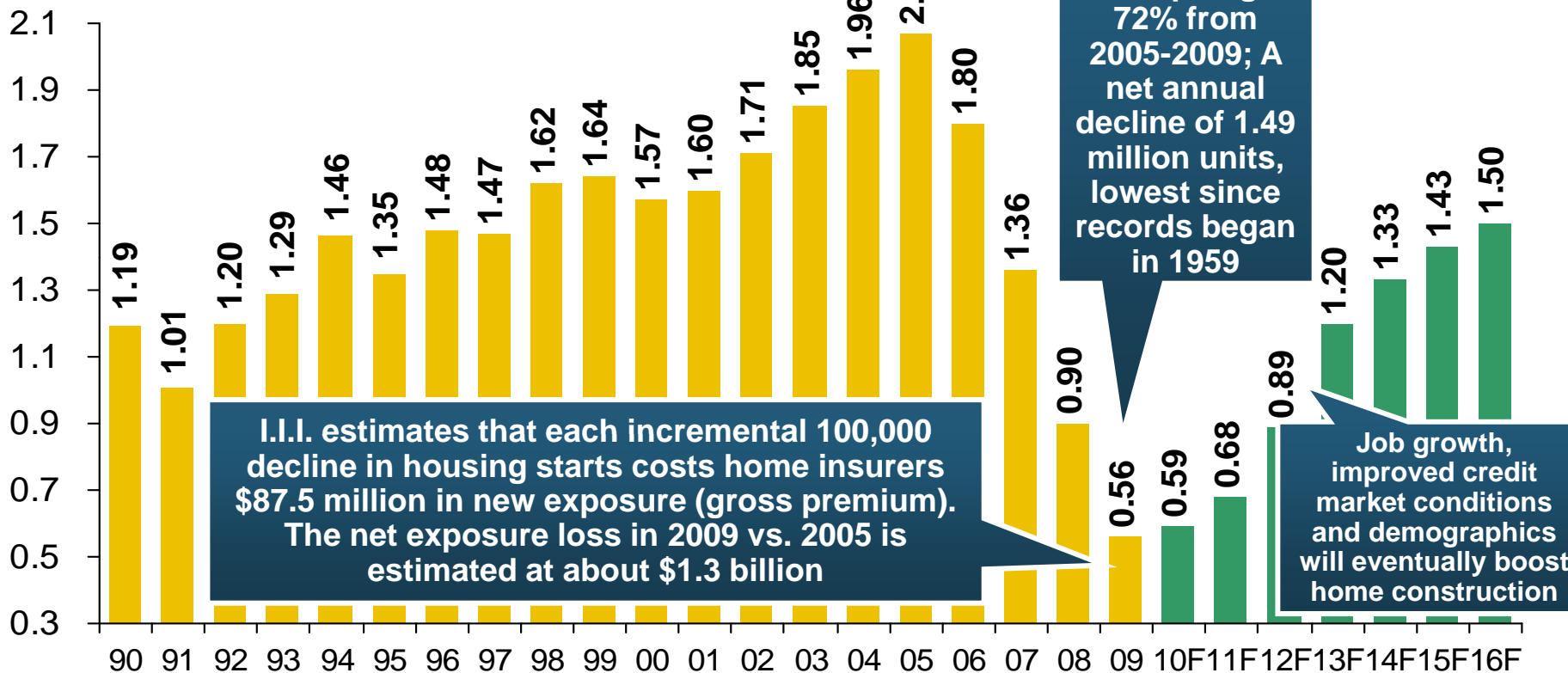
(Millions of Units)



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

New Private Housing Starts, 1990-2016F

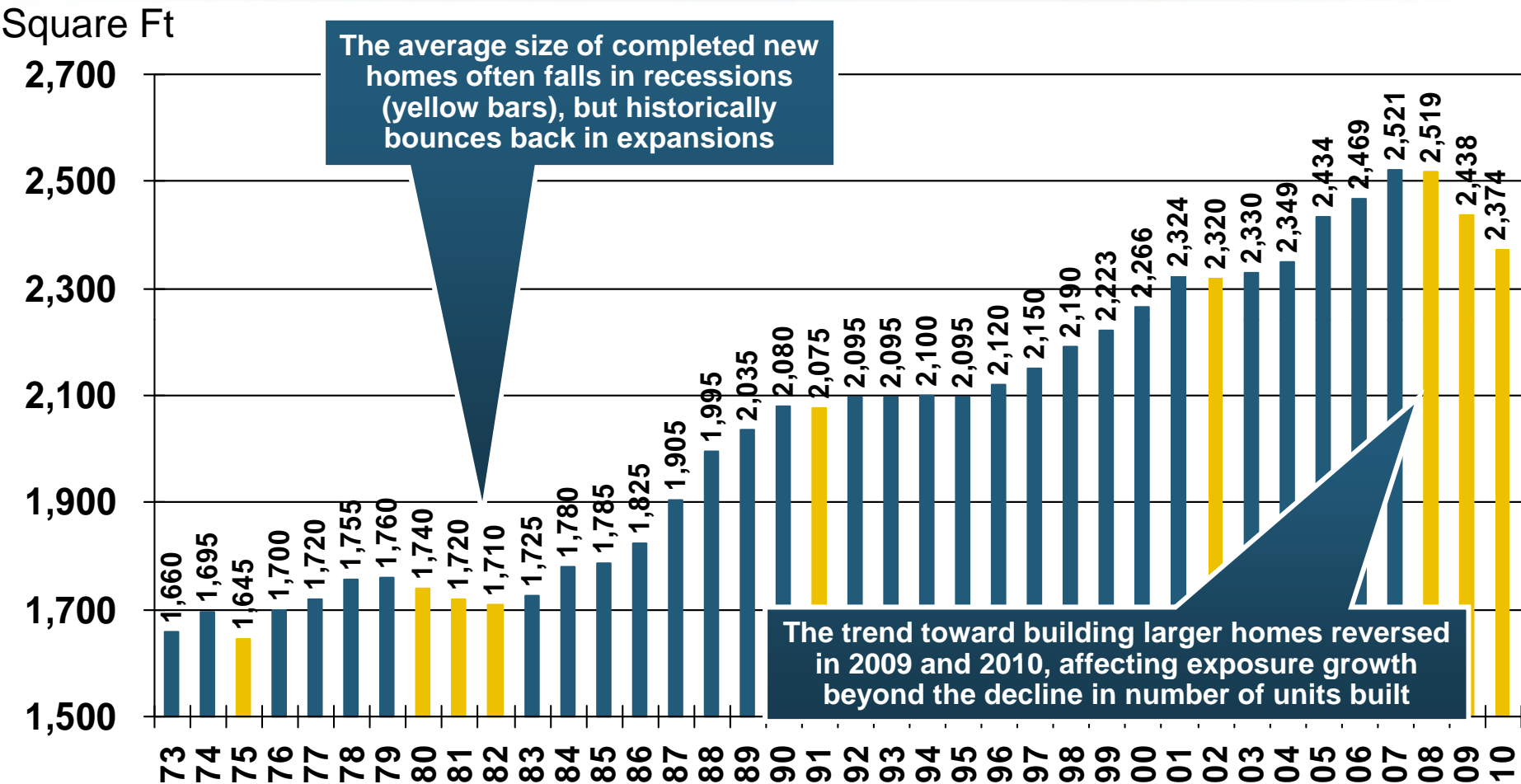
(Millions of Units)



Little Exposure Growth Likely for Homeowners Insurers Until 2012. Also Affects Commercial Insurers with Construction Risk Exposure, Surety

2011 Financial Overview

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

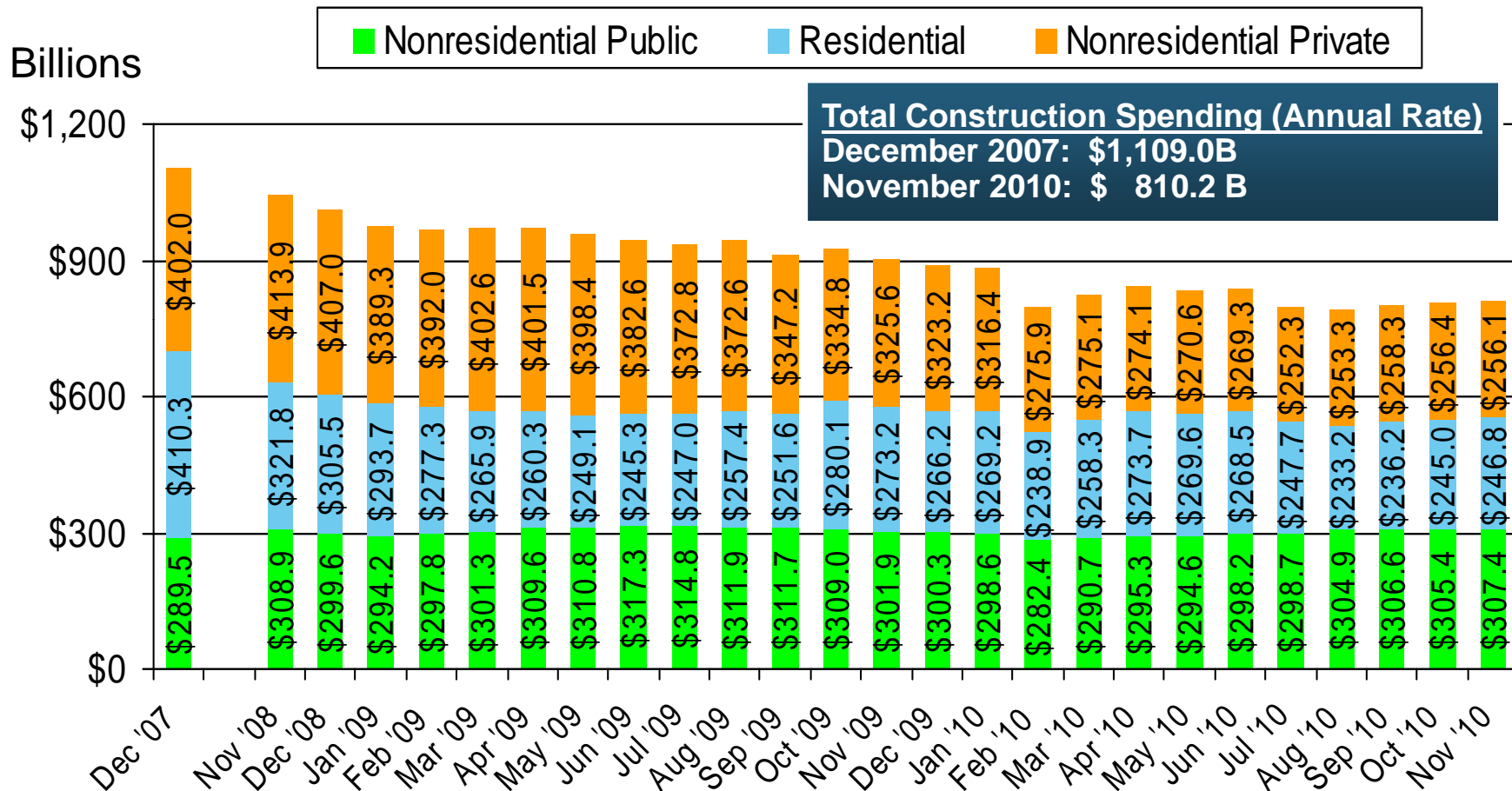


The average size of completed new homes fell by 145 square feet (5.75%) from 2008-2010, the largest recession-based drop in nearly four decades

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

2011 Financial Overview

Value* of Construction Put In Place



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

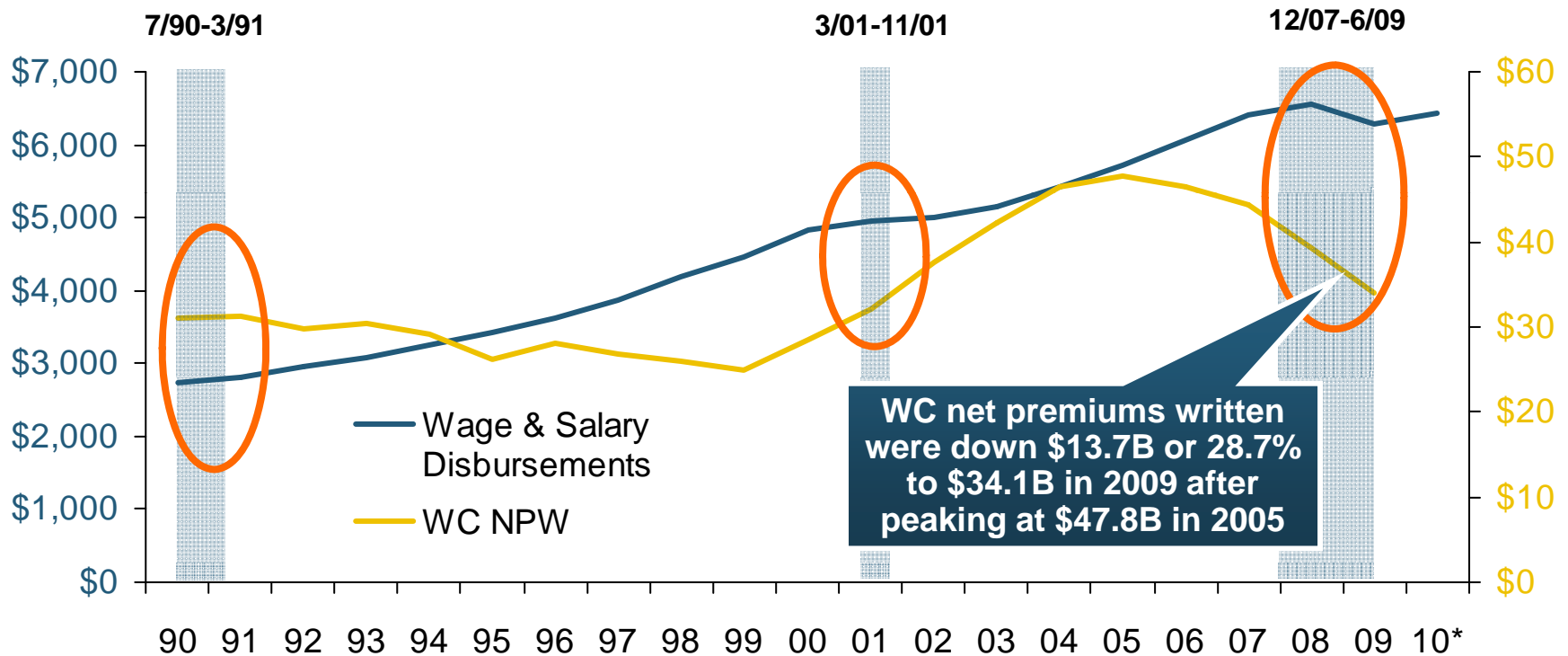
*Seasonally adjusted annual rate

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

2011 Financial Overview

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

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



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

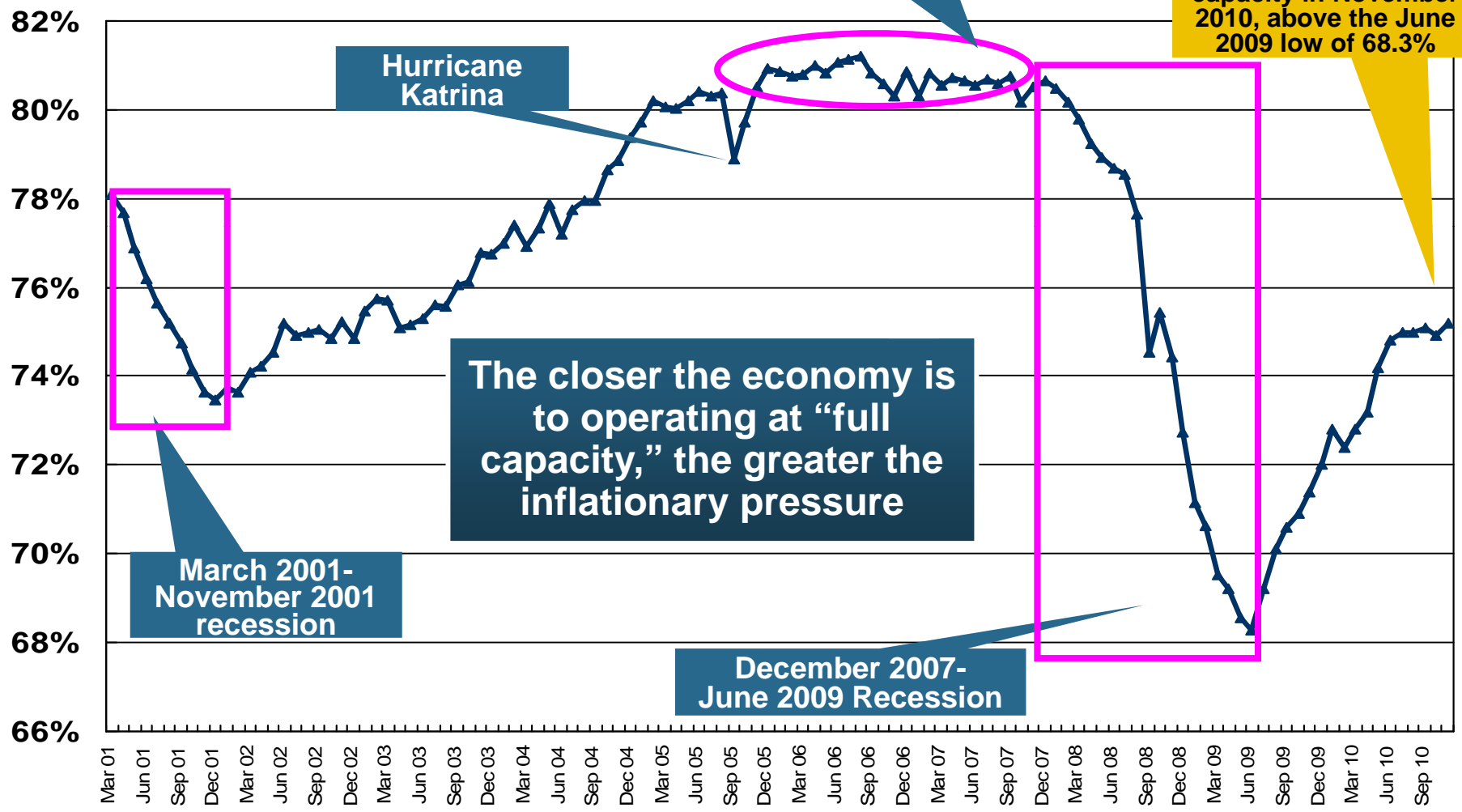
* Average Wage and Salary data as of 7/1/2010. Shaded areas indicate recessions.

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

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

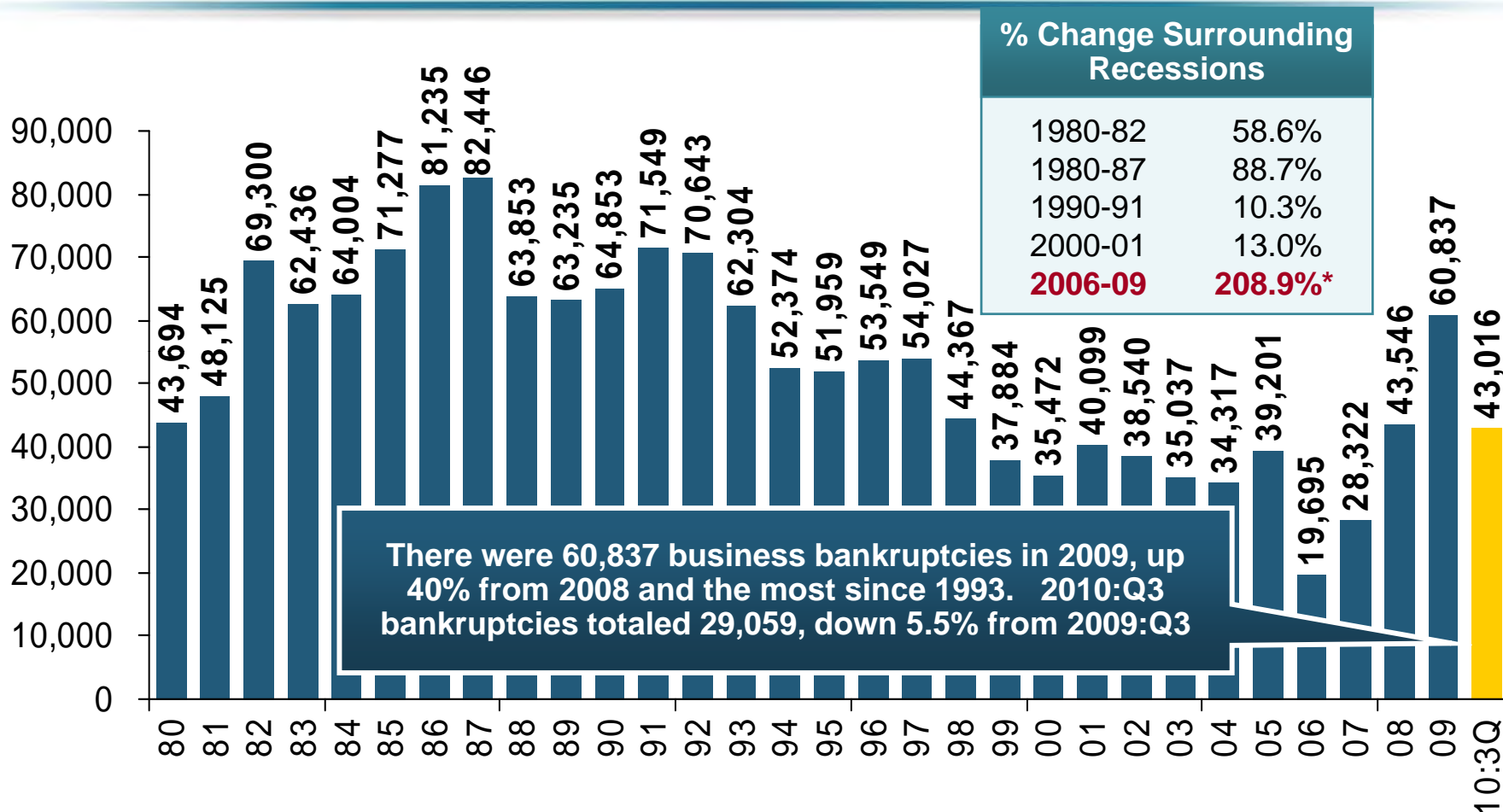
Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

Percent of Industrial Capacity



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

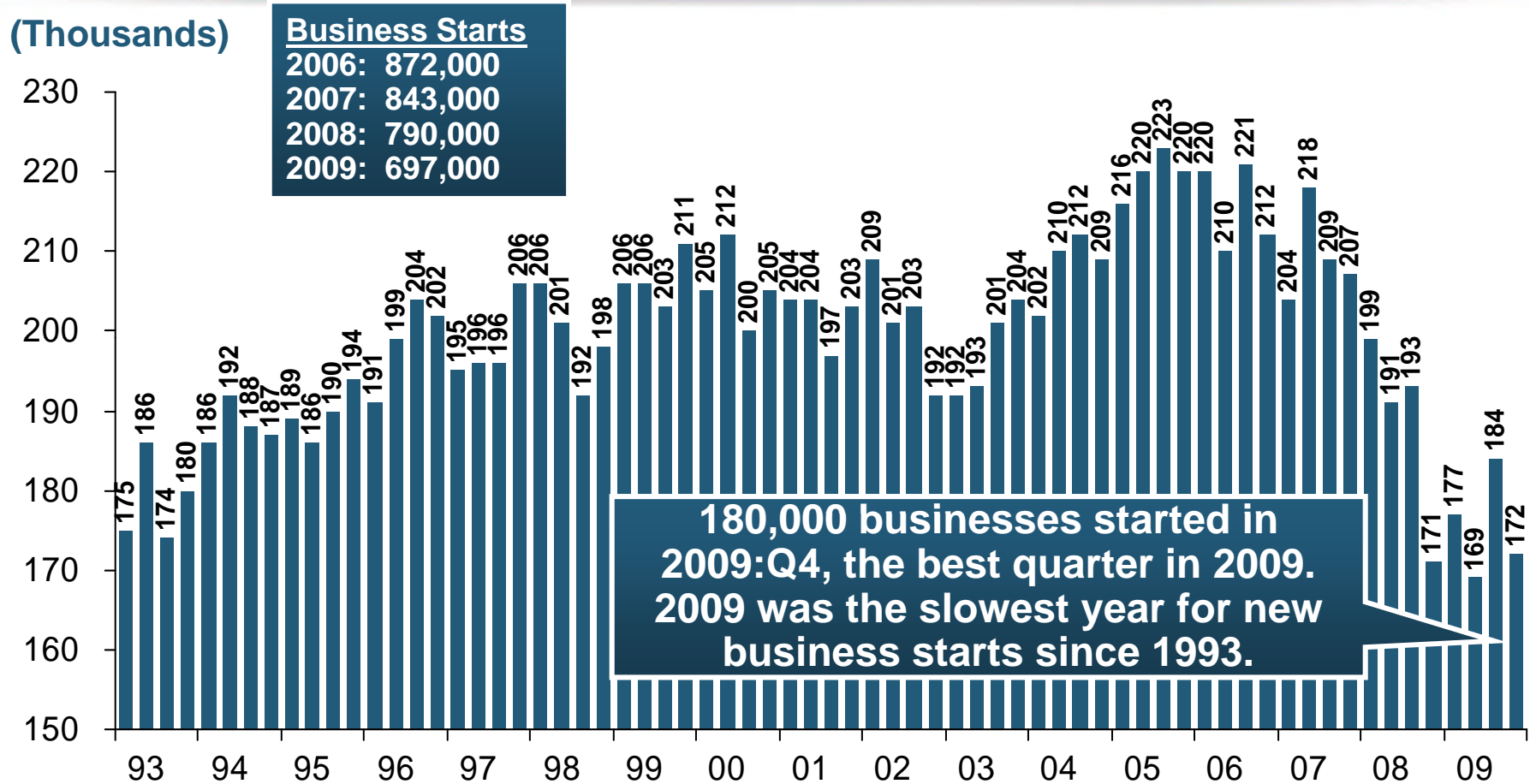
Business Bankruptcy Filings, 1980-2010:Q3



Significant Exposure Implications for All Commercial Lines

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

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



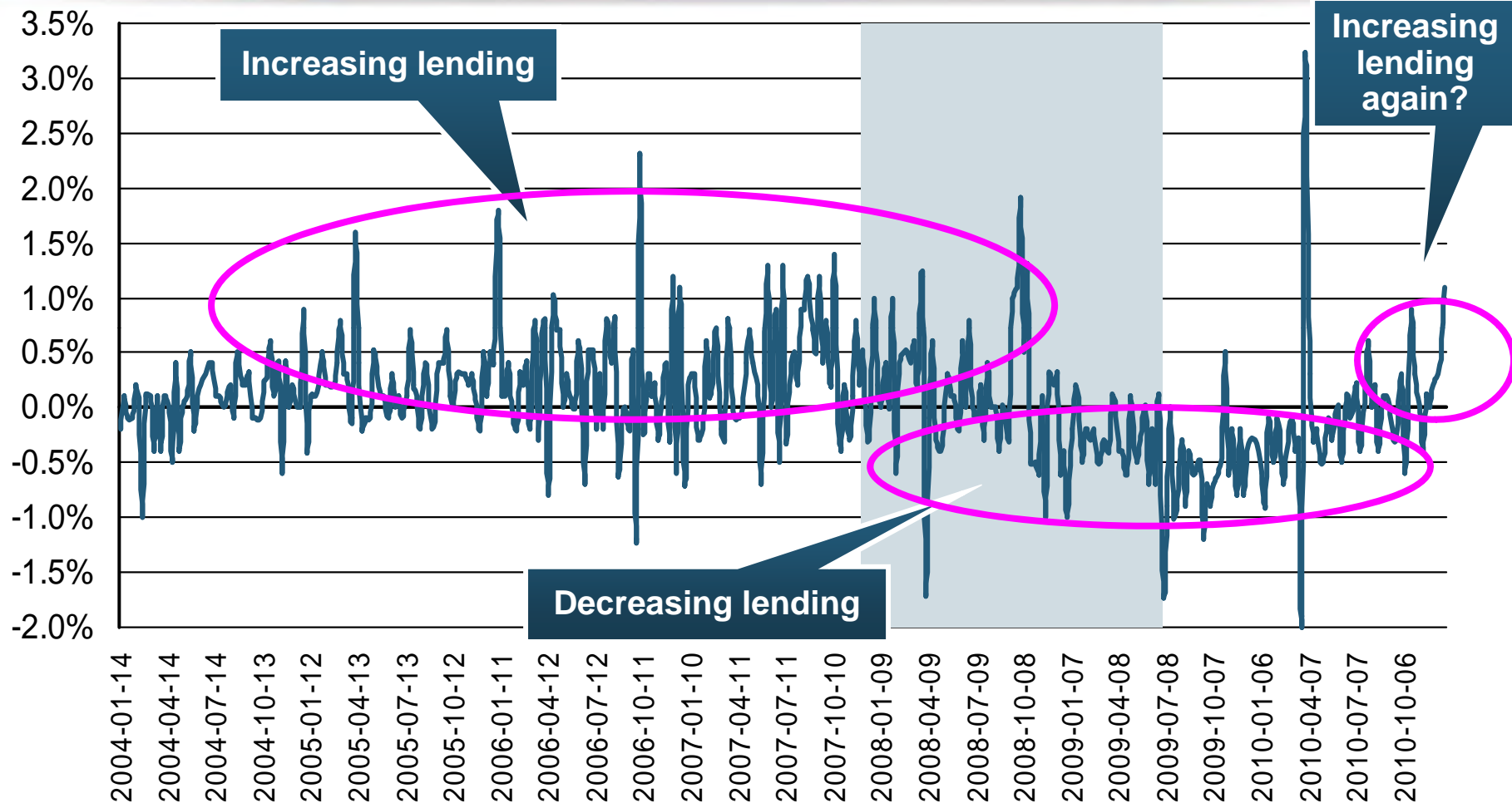
Business Starts Were Down Nearly 20% in the Recession, Holding Back Most Types of Commercial Insurance Exposure

* Latest available as of December 29, 2010, seasonally adjusted

Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/cewbd.t07.htm>.

2011 Financial Overview

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



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

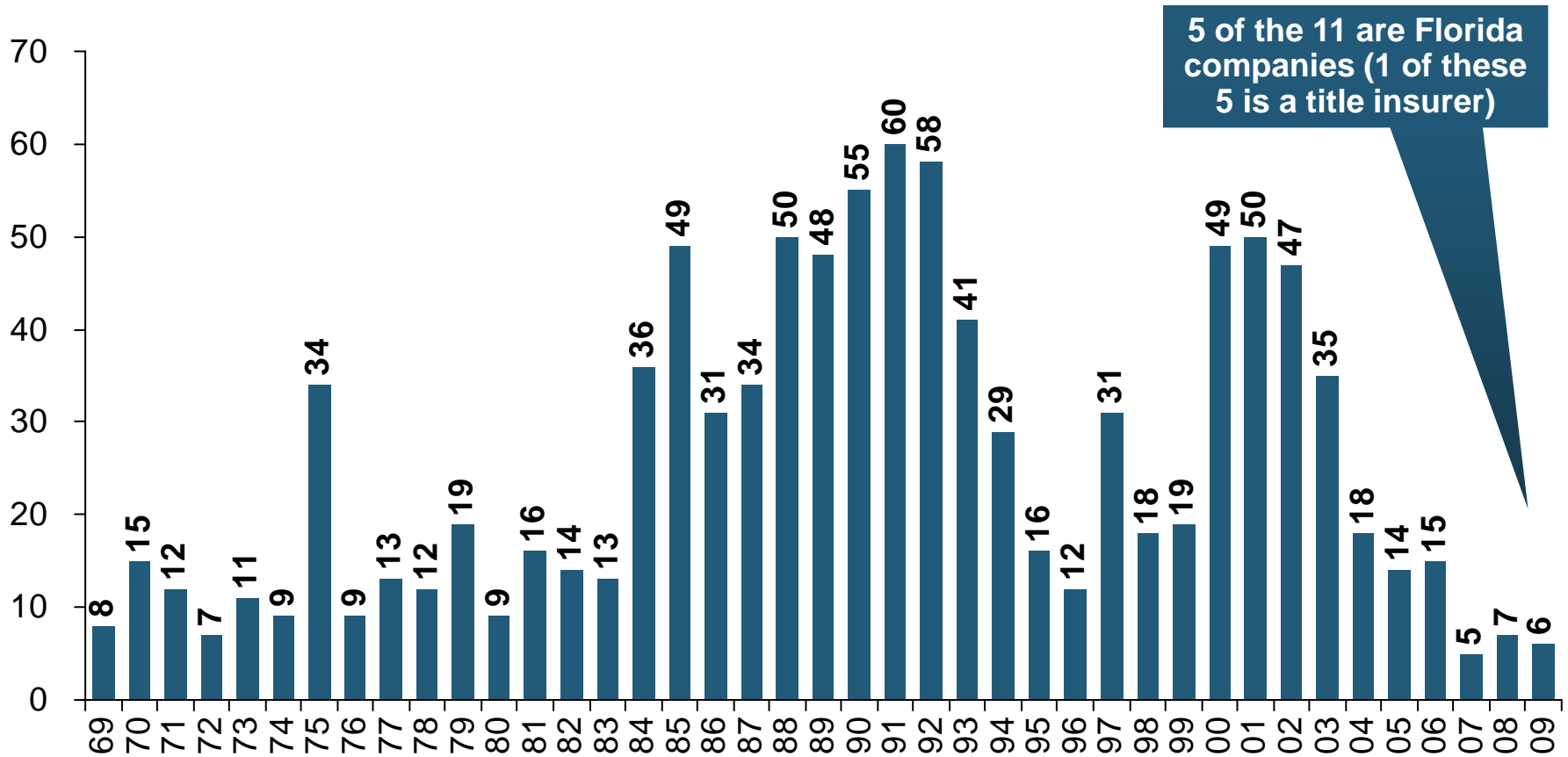
Note: Recession indicated by gray shaded column.

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

Financial Strength & Ratings

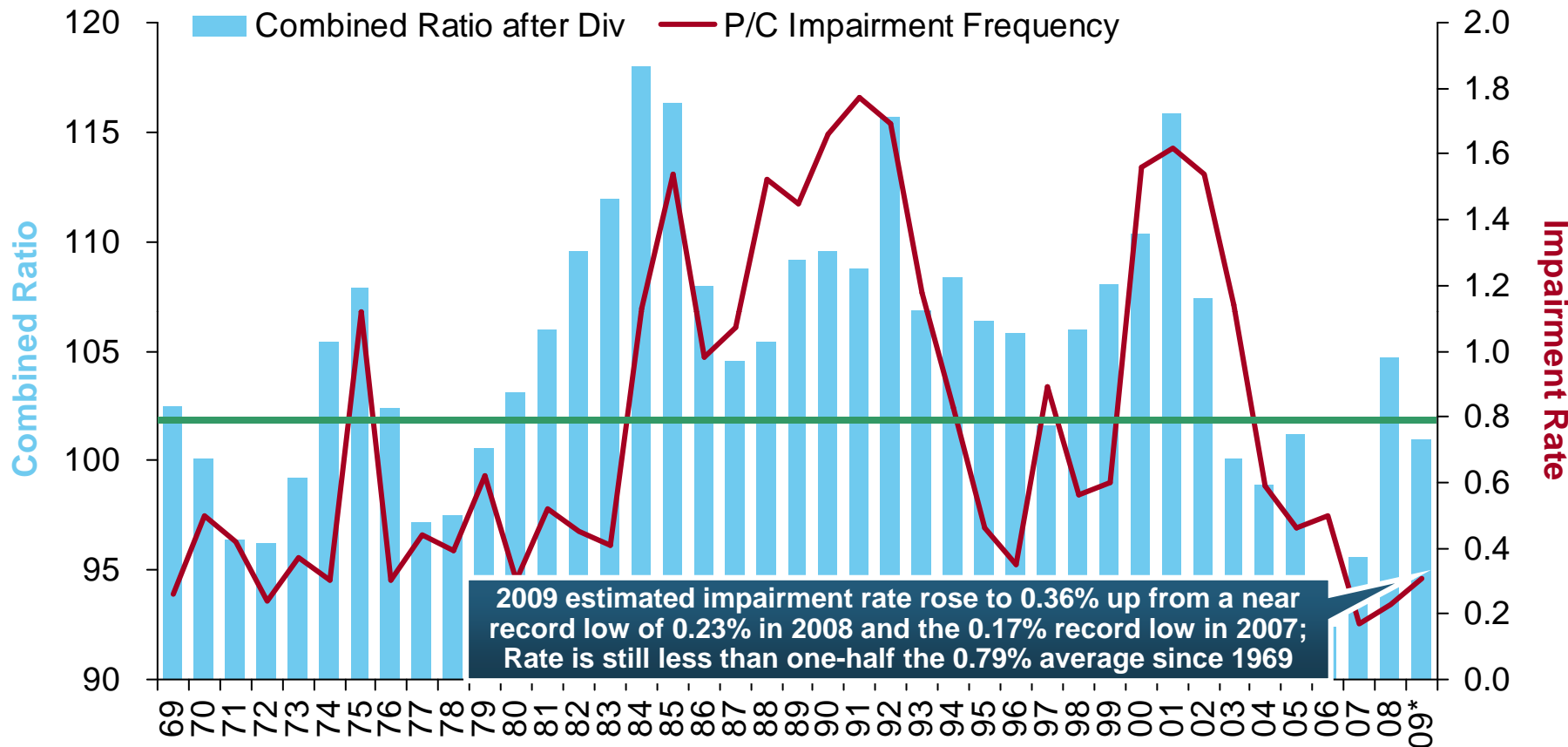
**Industry Has Weathered
the Storms Well**

P/C Insurer Impairments, 1969–2009



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

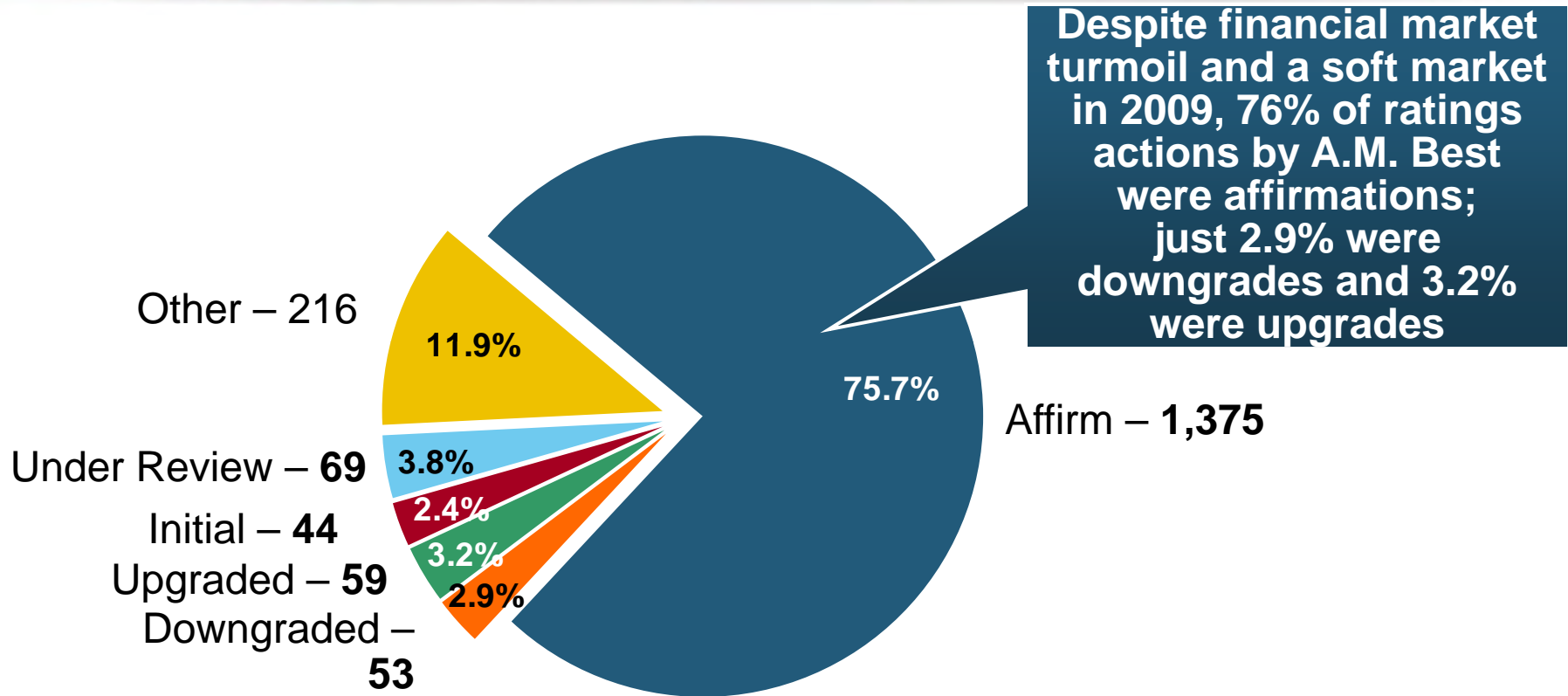
P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2009



2009 estimated impairment rate rose to 0.36% up from a near record low of 0.23% in 2008 and the 0.17% record low in 2007; Rate is still less than one-half the 0.79% average since 1969

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

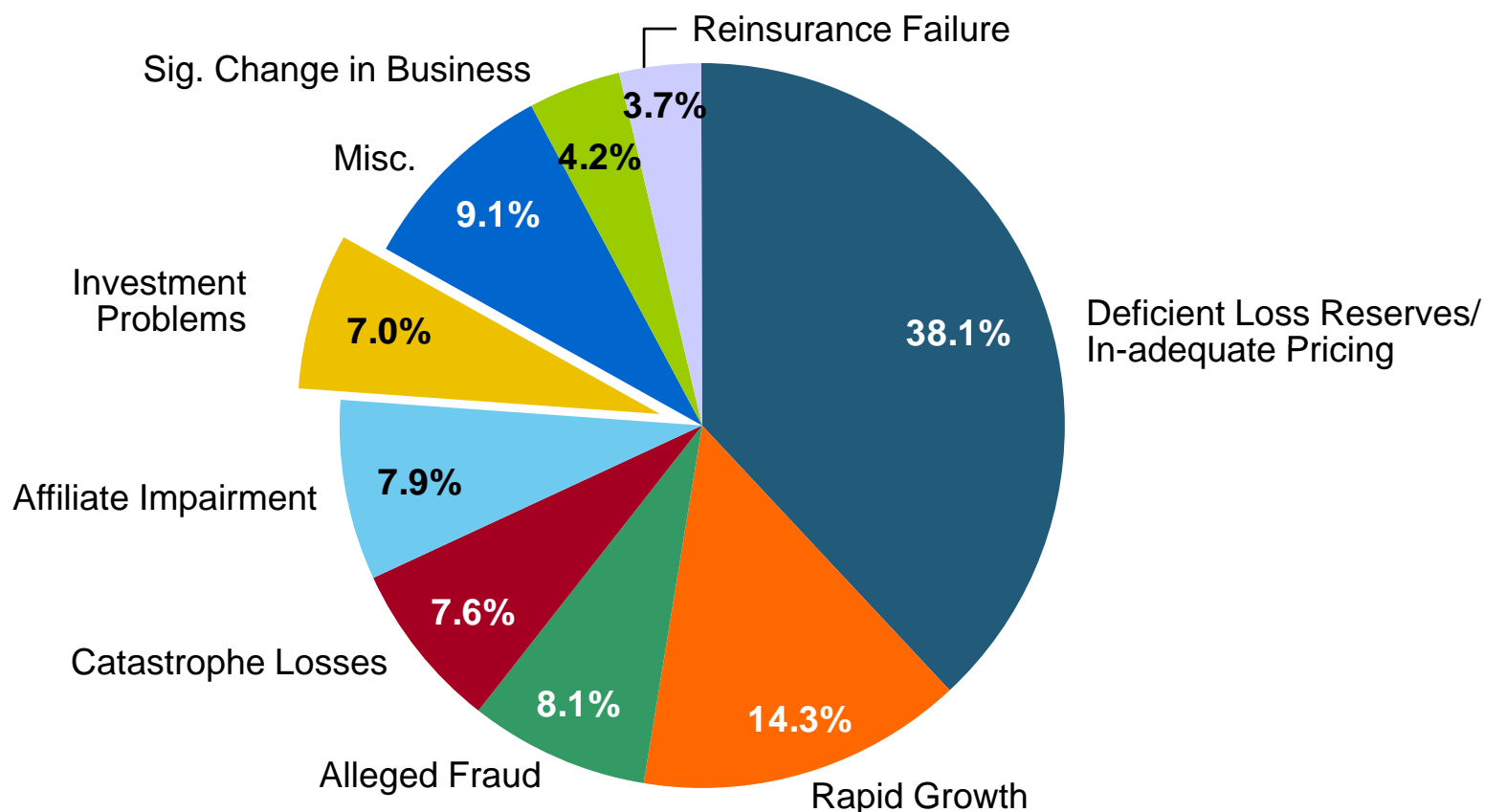
Summary of A.M. Best's P/C Insurer Ratings Actions in 2009



**P/C Insurance is by Design a Resilient Business.
The Dual Threat of Financial Disasters and Catastrophic Losses
Are Anticipated in the Industry's Risk Management Strategy**

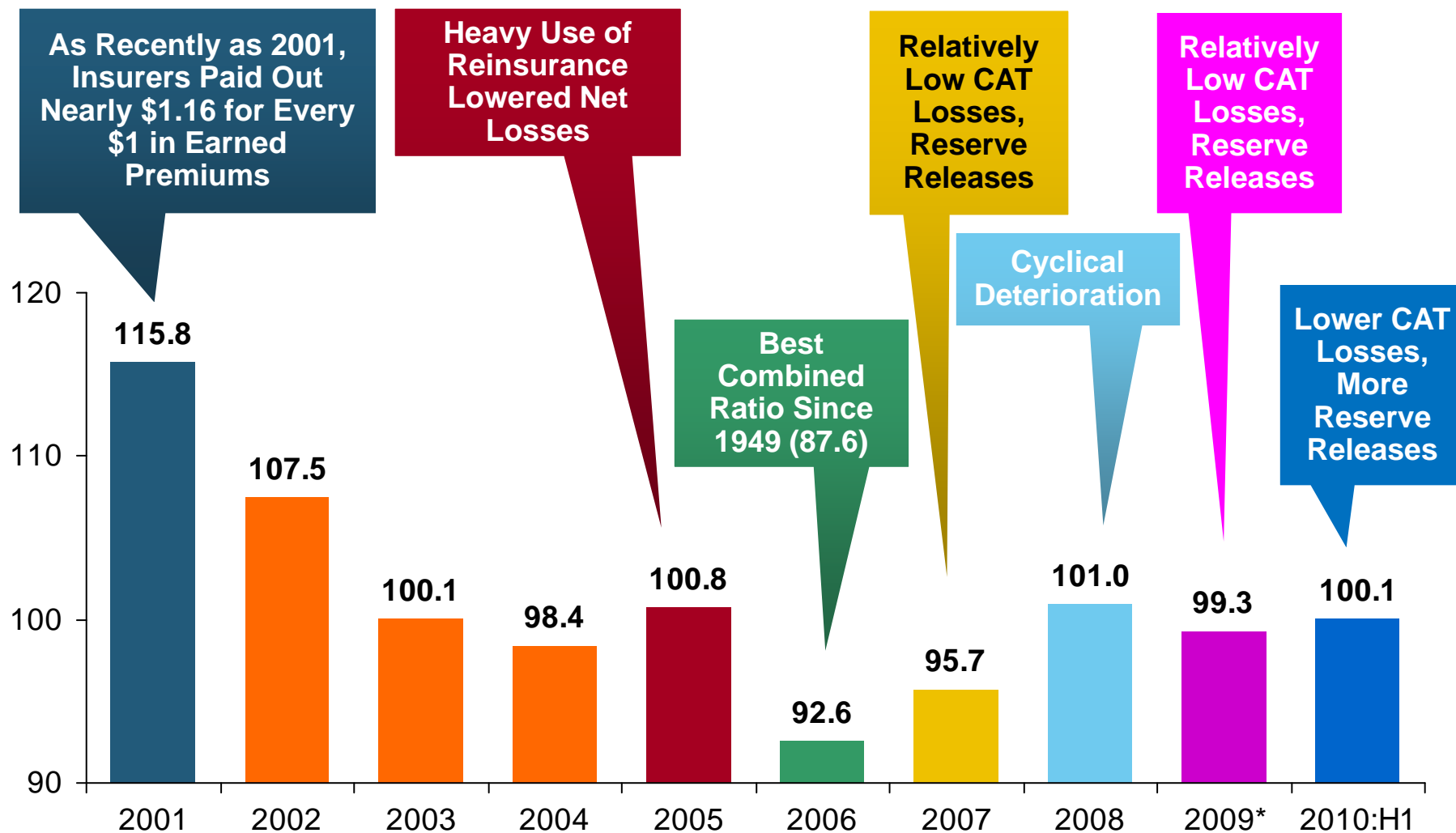
Reasons for US P/C Insurer Impairments, 1969–2008

Deficient Loss Reserves and Inadequate Pricing Are the Leading Cause of Insurer Impairments, Underscoring the Importance of Discipline. Investment Catastrophe Losses Play a Much Smaller Role



**Underwriting Trends –
Financial Crisis Does *Not*
Directly Impact Underwriting
Performance: Cycle, Catastrophes
Were 2008's Drivers**

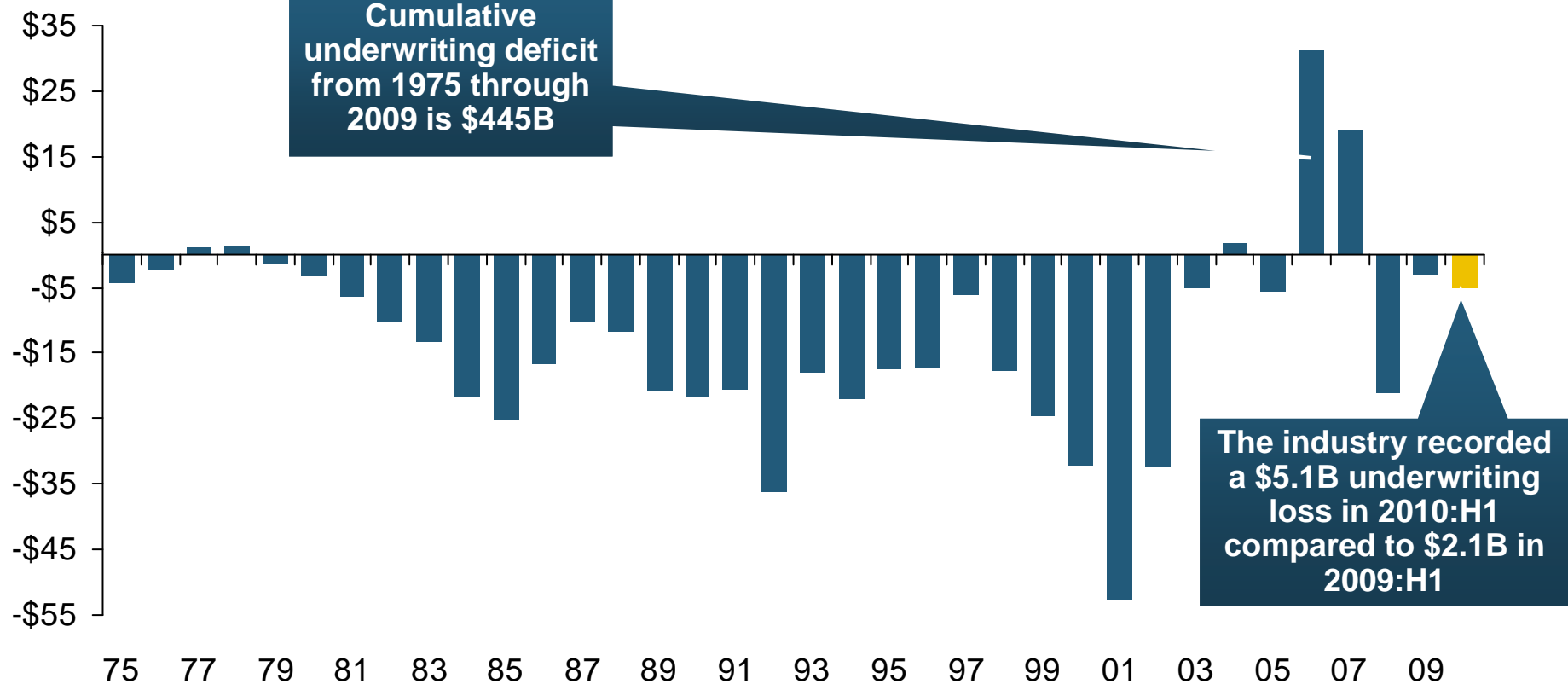
P/C Insurance Industry Combined Ratio, 2001–2010:H1*



* Excludes Mortgage & Financial Guaranty insurers in 2008, 2009 and 2010. Including M&FG, 2008=105.1, 2009=100.7, 2010:H1=101.7
Sources: A.M. Best, ISO.

Underwriting Gain (Loss) 1975–2010:H1*

(\$ Billions)

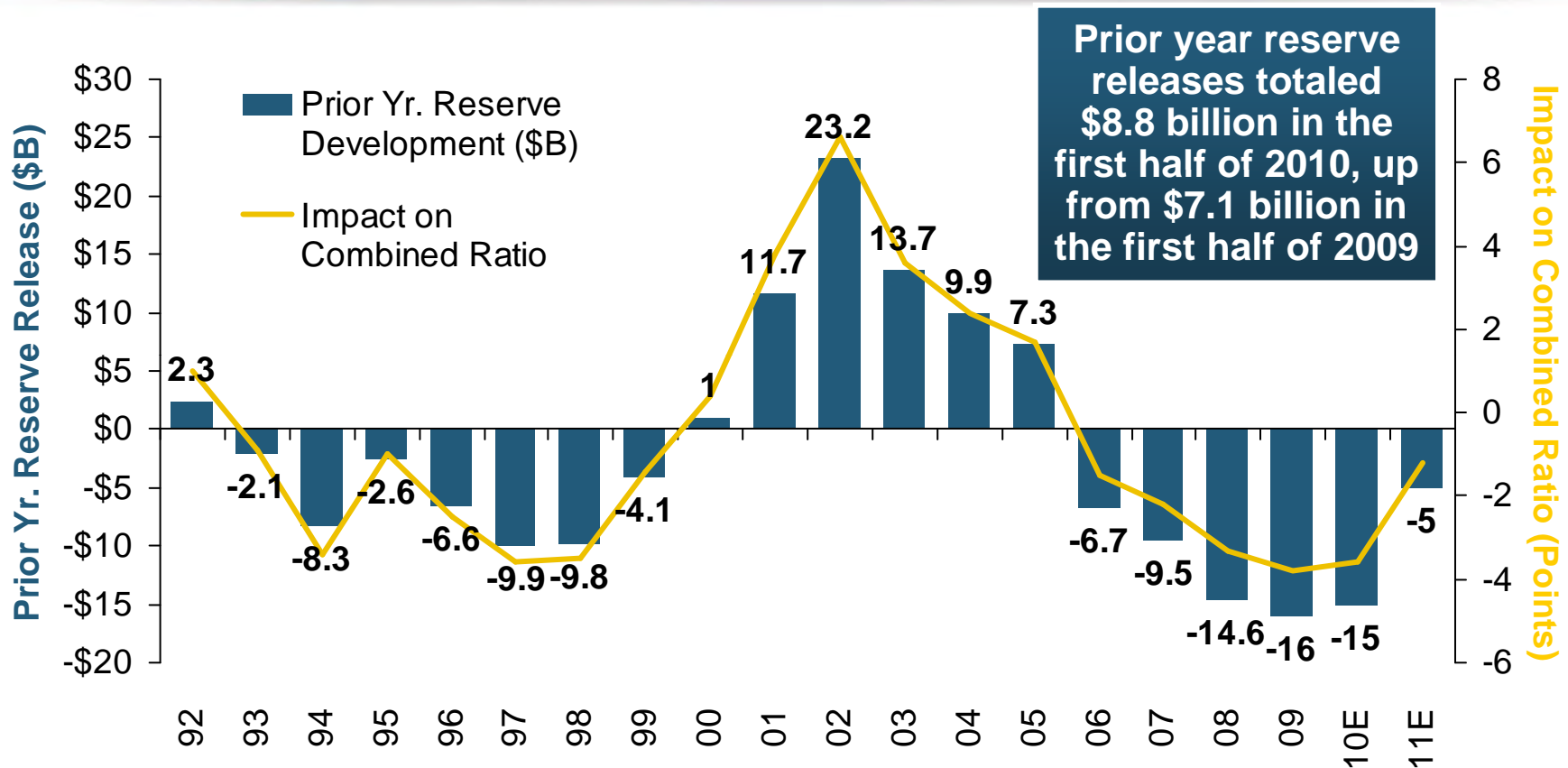


**Large Underwriting Losses Are *NOT* Sustainable
in Current Investment Environment**

* Includes mortgage and financial guarantee insurers.

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

P/C Reserve Development, 1992–2011E



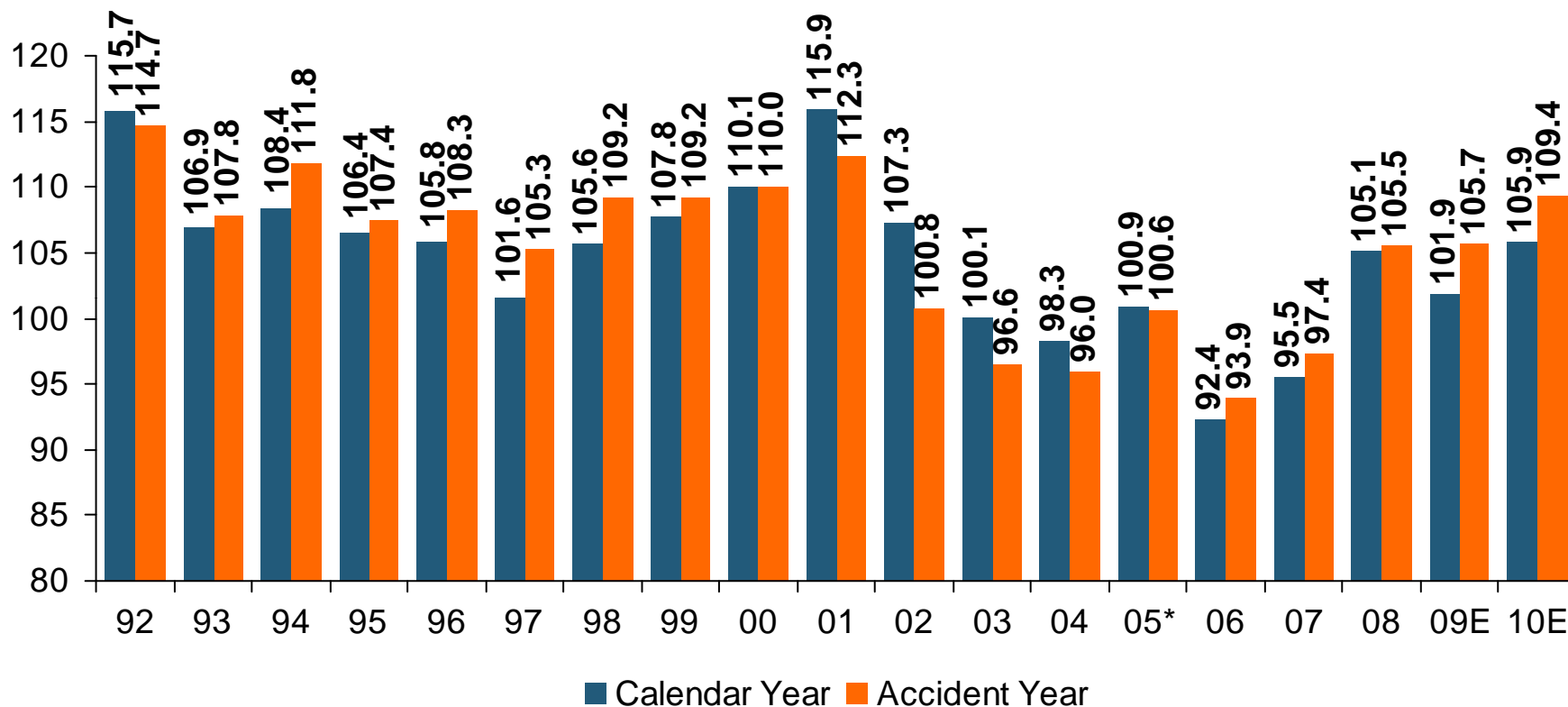
Prior year reserve releases totaled \$8.8 billion in the first half of 2010, up from \$7.1 billion in the first half of 2009

Reserve Releases Are Continuing 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: 1992–2010E¹



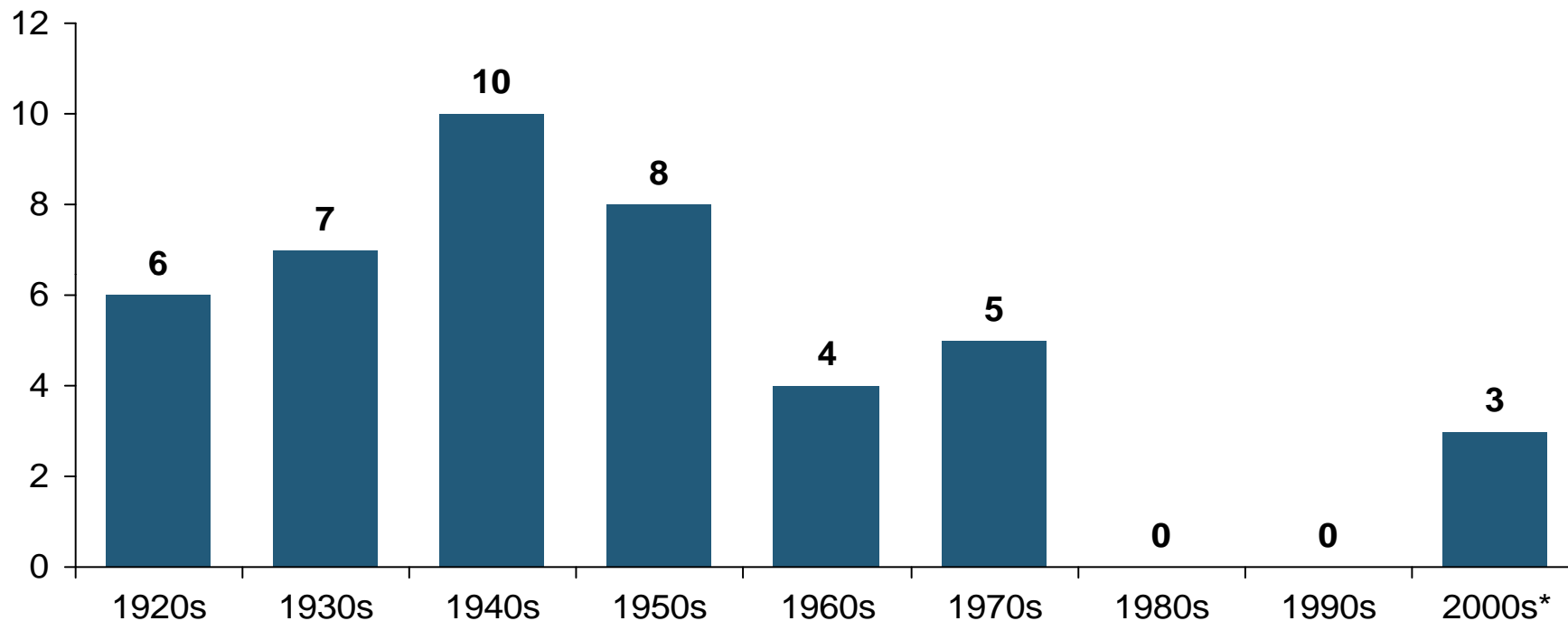
Accident Year Results Show a More Significant Deterioration in Underwriting Performance. Calendar Year Results Are Helped by Reserve Releases

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.

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.



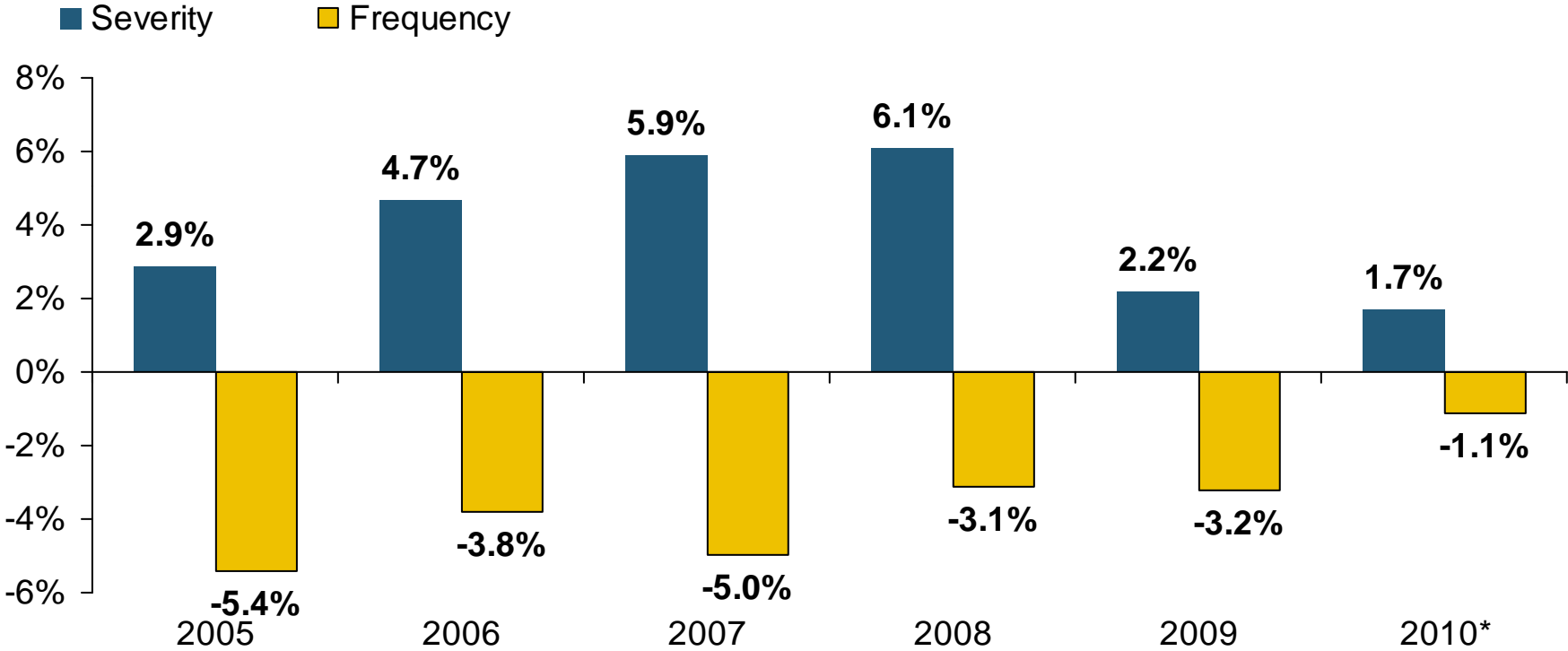
Claim Trends in Auto Insurance

**Rising Costs Held in Check by
Falling Frequency:
Can That Pattern Be Sustained?**

Bodily Injury: Severity Trend Moderating, Frequency Decline Continues



Annual Change, 2005 through 2010*



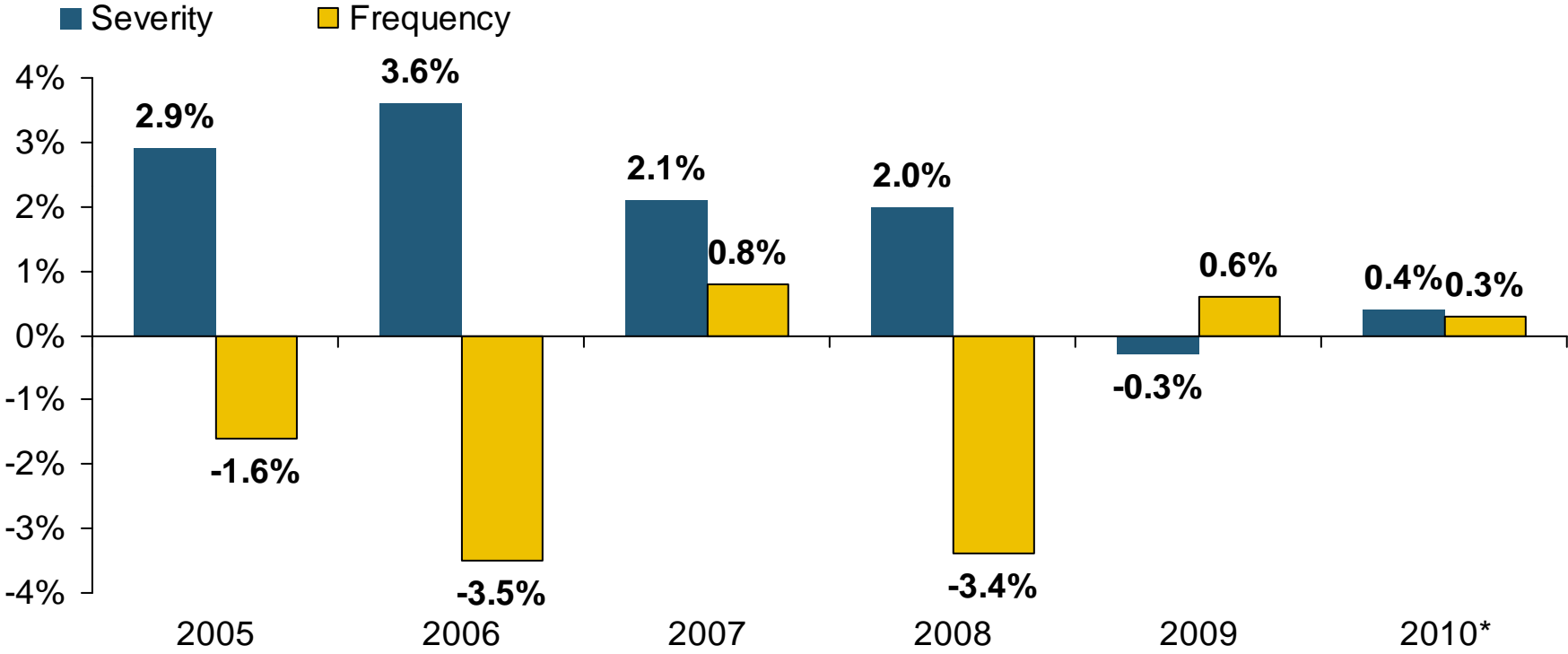
**Cost Pressures Will Increase if BI Severity Increases
Outpace Declines in Frequency**

*For 2010, data are for the 4 quarters ending with 2010:Q3.
Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Property Damage Liability: Frequency and Severity Nearly Flat in 2009/10



Annual Change, 2005 through 2010*

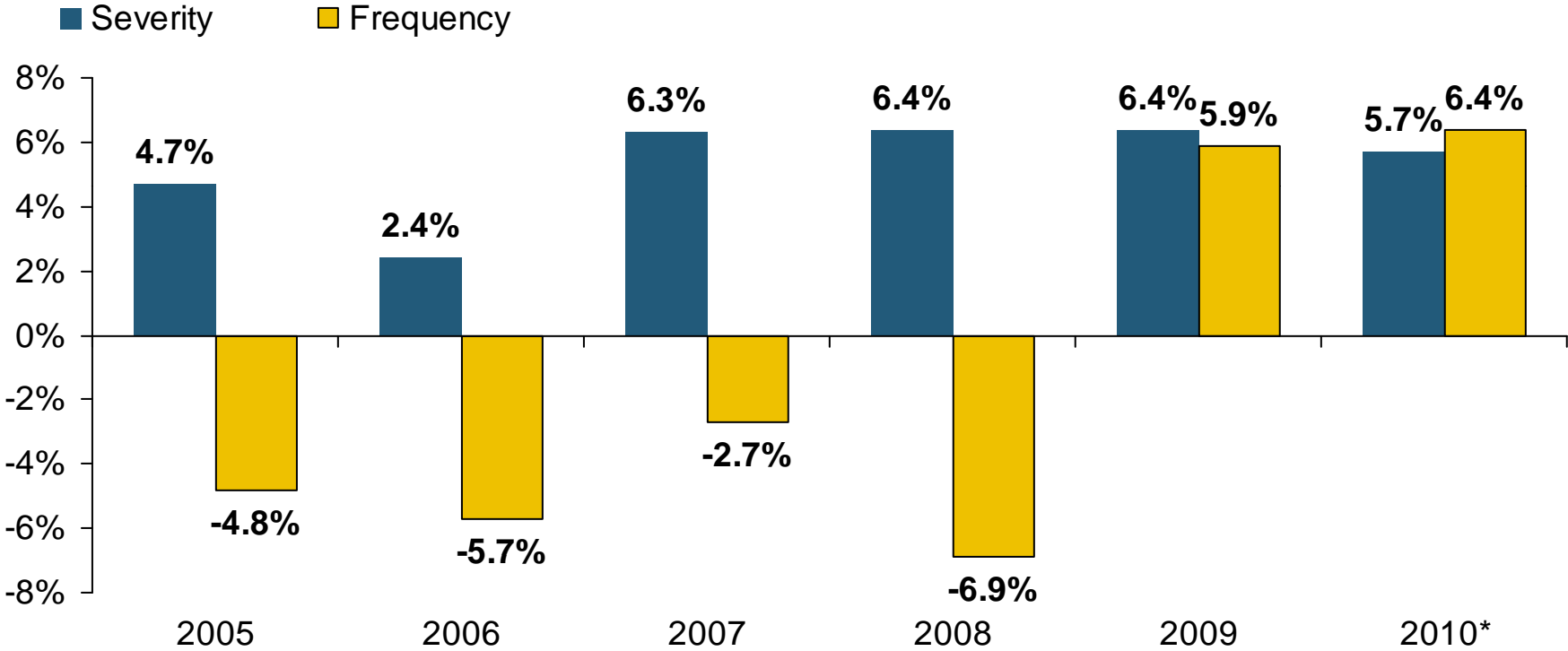


Stable Severity/Frequency Trends Keeping PD Costs in Check, But Are These Trends Sustainable?

*For 2010, data are for the 4 quarters ending with 2010:Q3.
 Source: ISO/PCI *Fast Track* data; Insurance Information Institute

No-Fault (PIP) Liability: Frequency and Severity Trends Are Adverse*

Annual Change, 2005 through 2010*

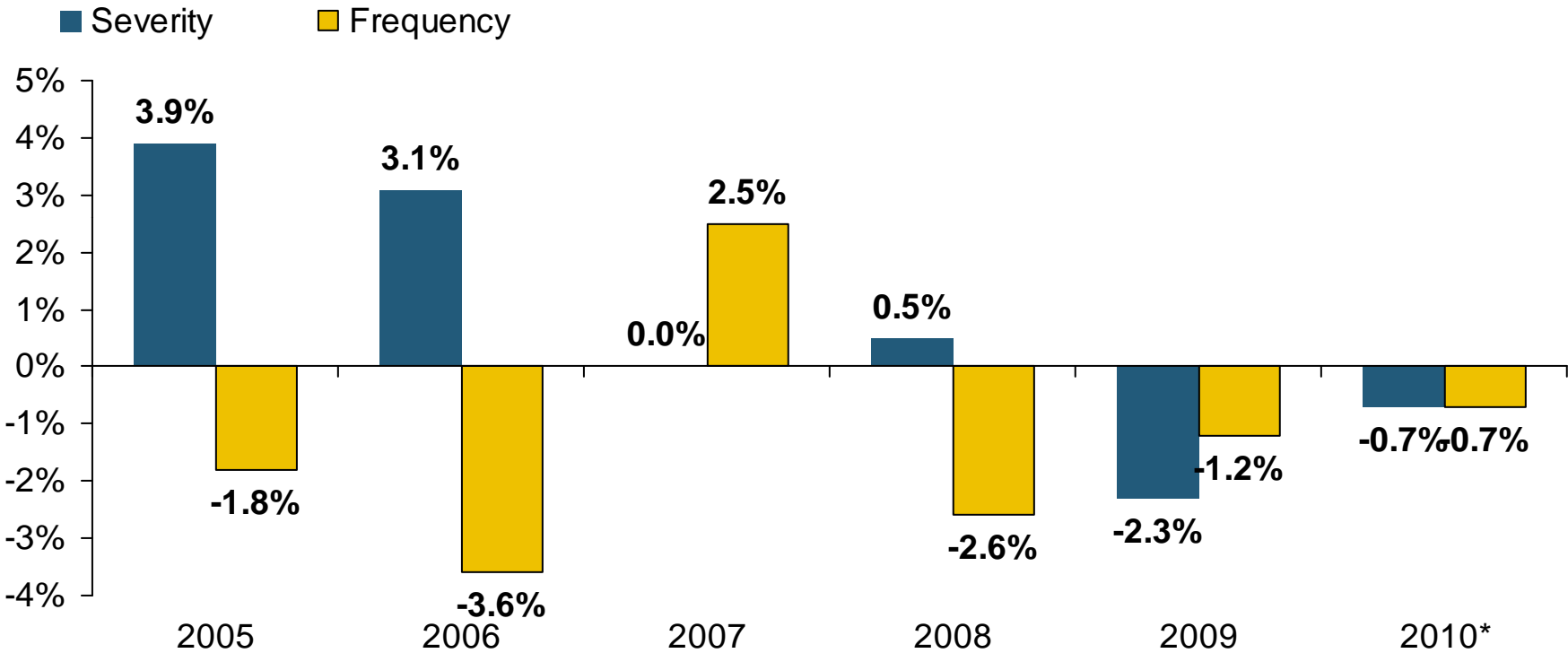


Multiple States Are Experiencing Severe Fraud and Abuse Problems in their No-Fault Systems, Especially FL, MI, NY and NJ

*No-fault states included are: FL, HI, KS, KY, MA, MI, MN, NY, ND and UT; 2010 data are for the 4 quarters ending 2010:Q3. Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Collision Coverage: Frequency and Severity Trends Have Been Favorable

Annual Change, 2005 through 2010*

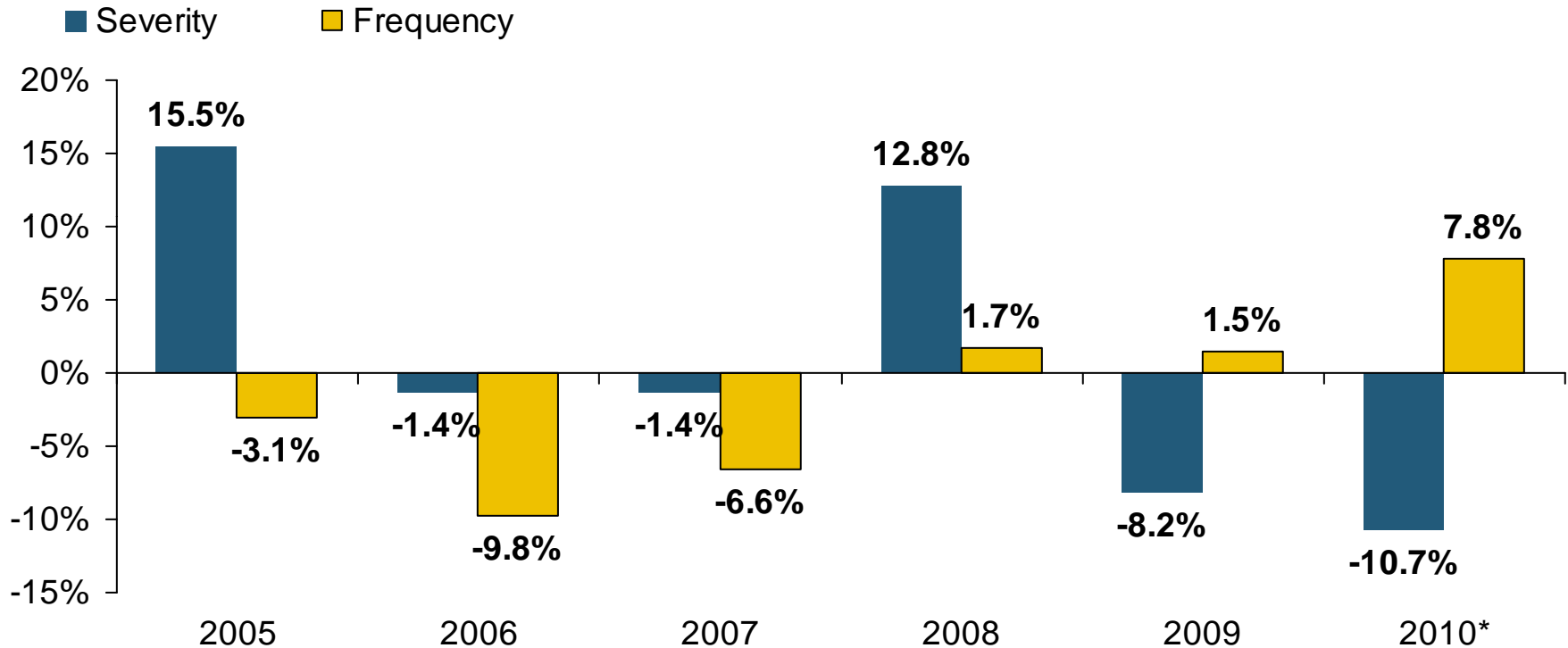


The Recession, High Fuel Prices Have Helped Push Down Frequency and Temper Severity, But this Trend Will Likely Be Reversed Based on Evidence from Past Recoveries

*For 2010, data are for the 4 quarters ending with 2010:Q3.
 Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Comprehensive Coverage: Recent Severity Trends Favorable, Frequency is Up in 2010

Annual Change, 2005 through 2010*

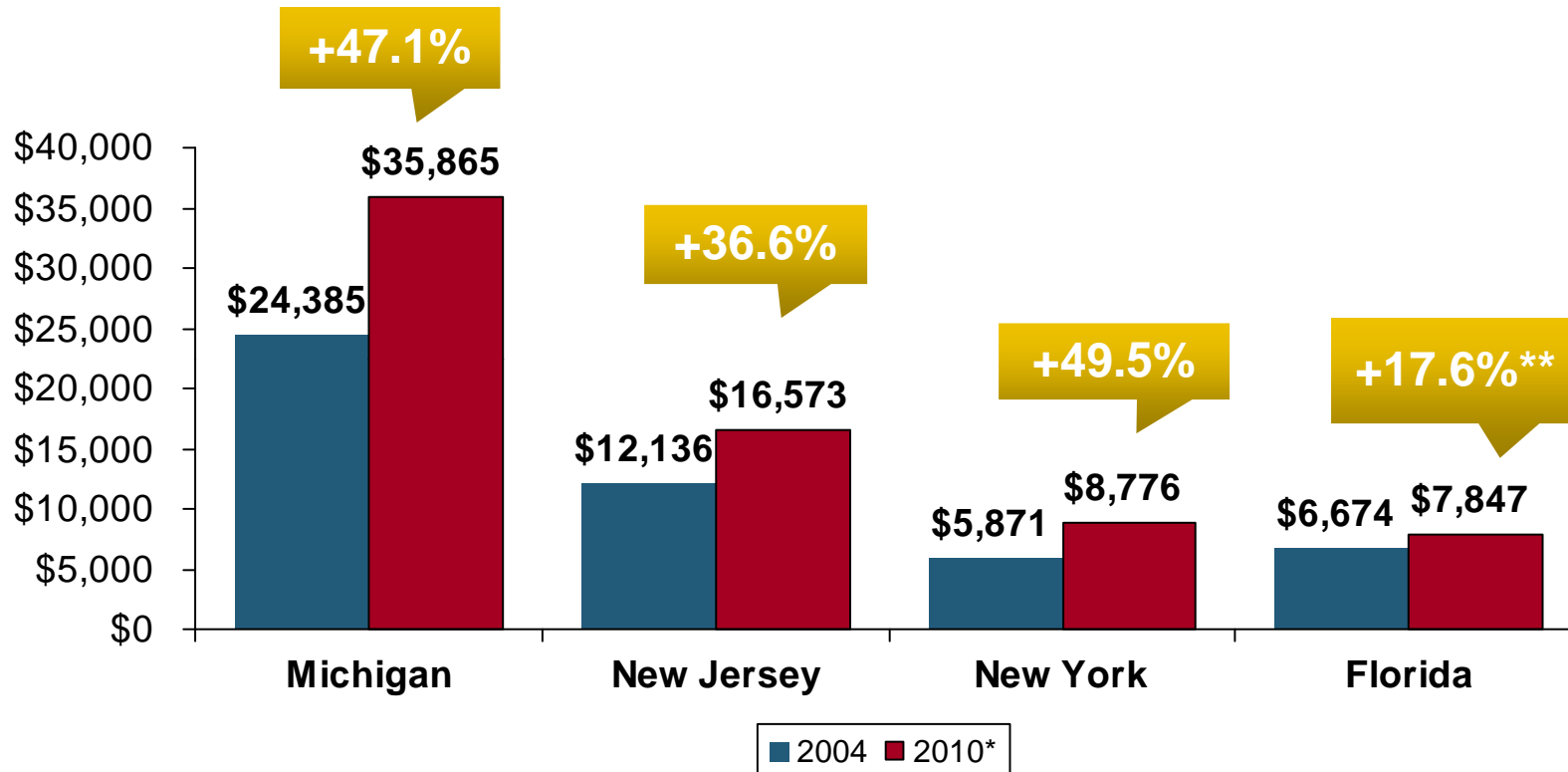


Weather Creates Volatility for Comprehensive Coverage; Recession Has Helped Push Down Frequency and Temper Severity, But This Factors Will Weaken as Economy Recovers

*For 2010, data are for the 4 quarters ending with 2010:Q3.

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

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



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

*2009 figure is for the 4 quarters ending 2010:Q3.

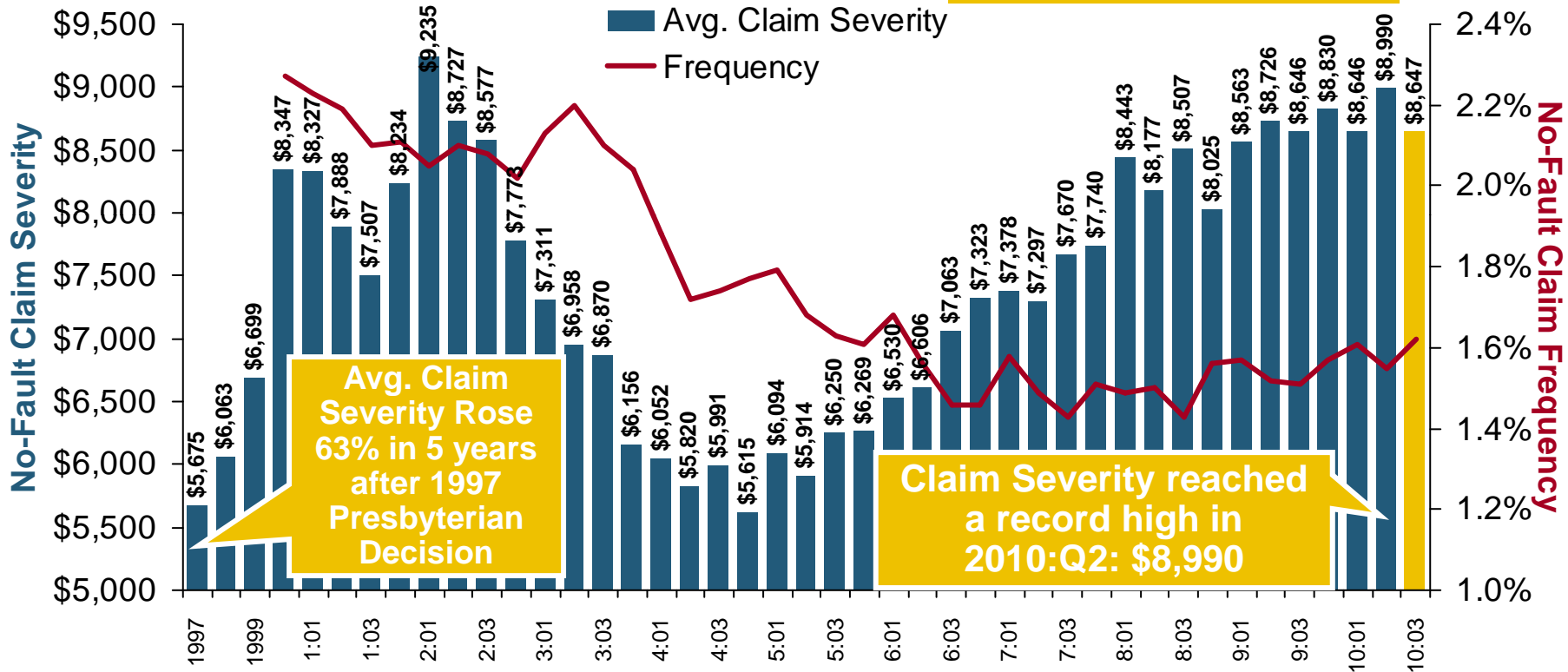
**Since 2006 the increase in Florida was 23.7% (average severity that year was \$6,344).

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

New York State No-Fault Claim Severity, 1997–2010:Q3

No-Fault Claim Severity

Avg. Claim Severity is up 54% since 2004:Q4



About 20% of No-Fault Claim Costs Are Attributable to Fraud and Abuse

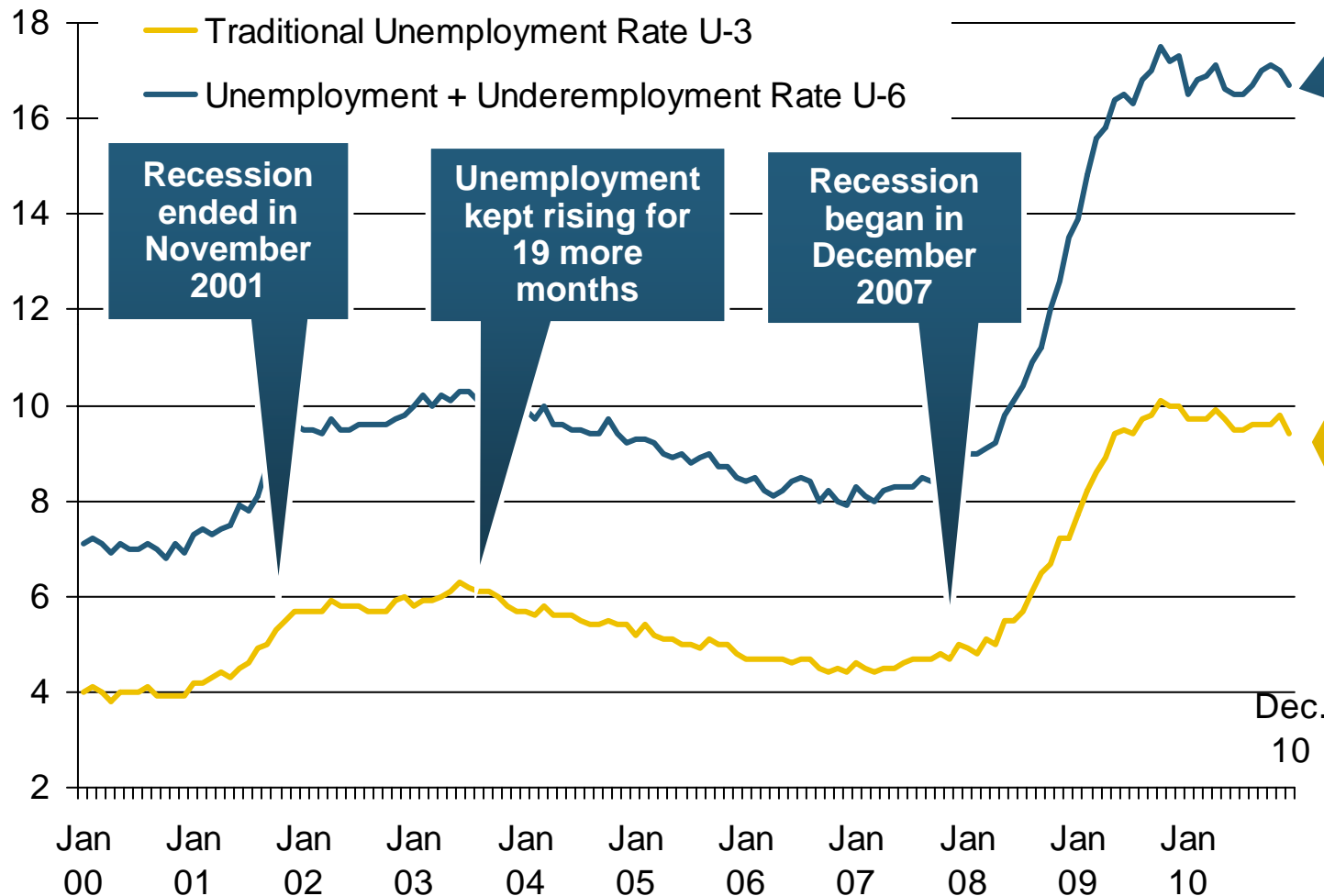
Labor Market Trends

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

2011 Financial Overview

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

January 2000 through December 2010, Seasonally Adjusted (%)



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

Unemployment rate fell to 9.4% in December

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

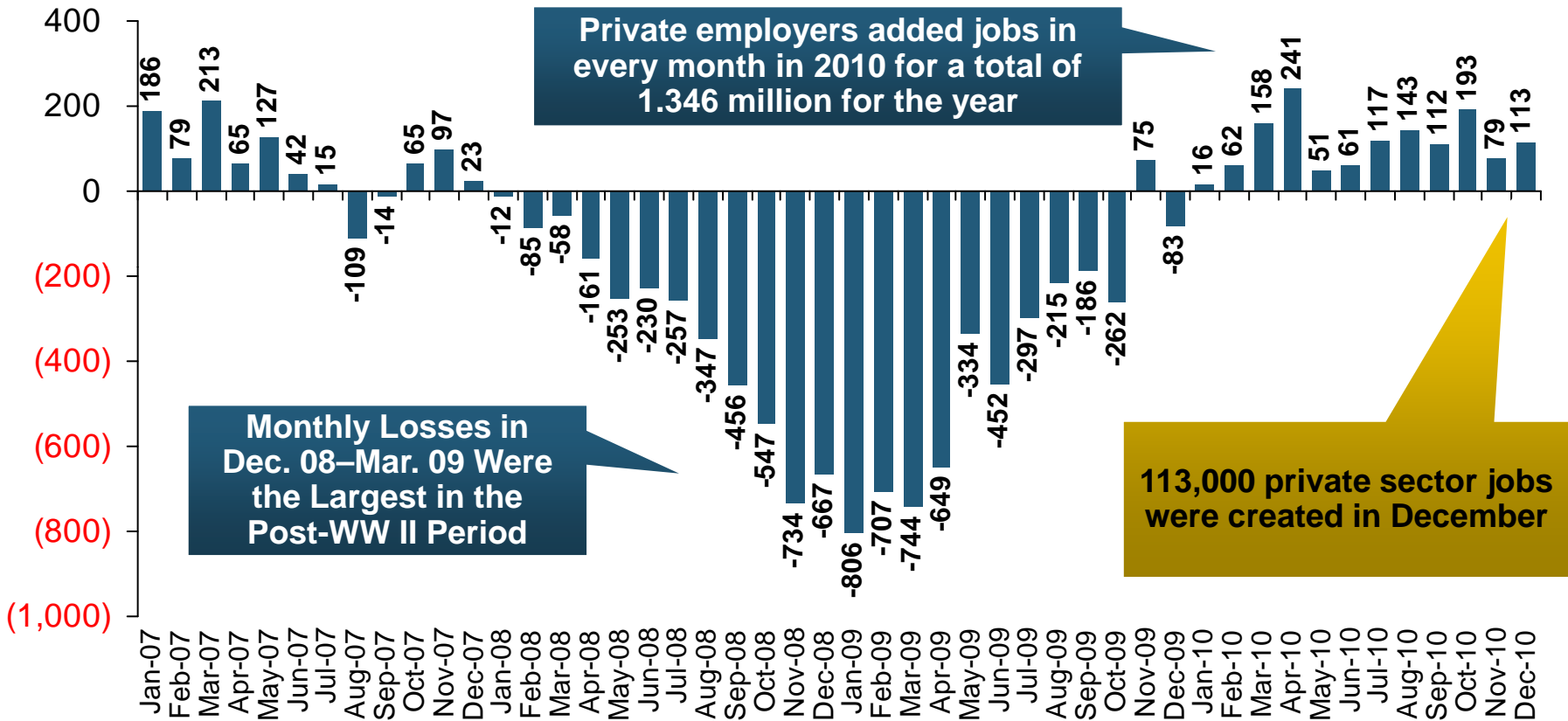
Peak rate in the last 30 years: 10.8% in November - December 1982

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

Monthly Change in Private Employment



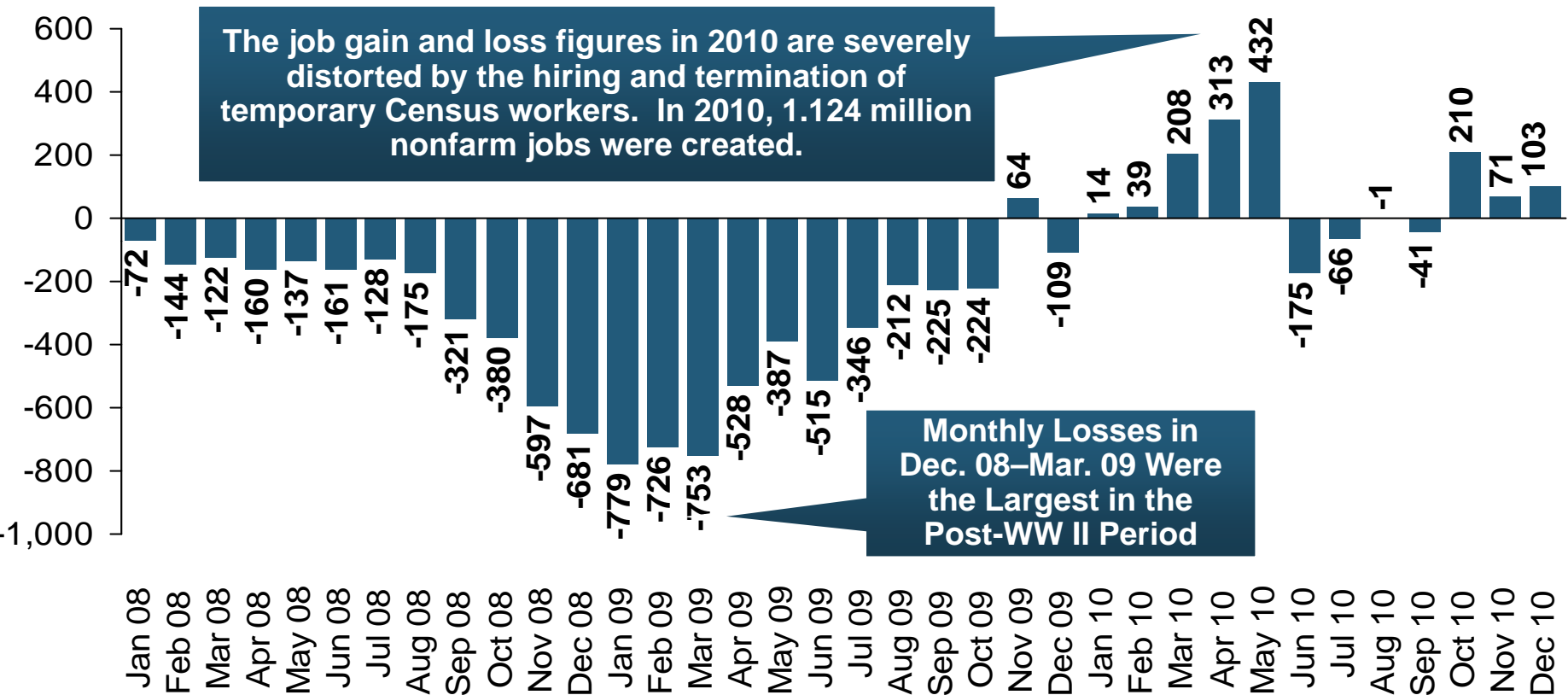
January 2008 through December 2010* (Thousands)



Private Employers Added 1.346 million Jobs in 2010 After Having Shed 4.66 Million Jobs in 2009 and 3.81 Million in 2008

Monthly Change Employment*

January 2008 through December 2010* (Thousands)



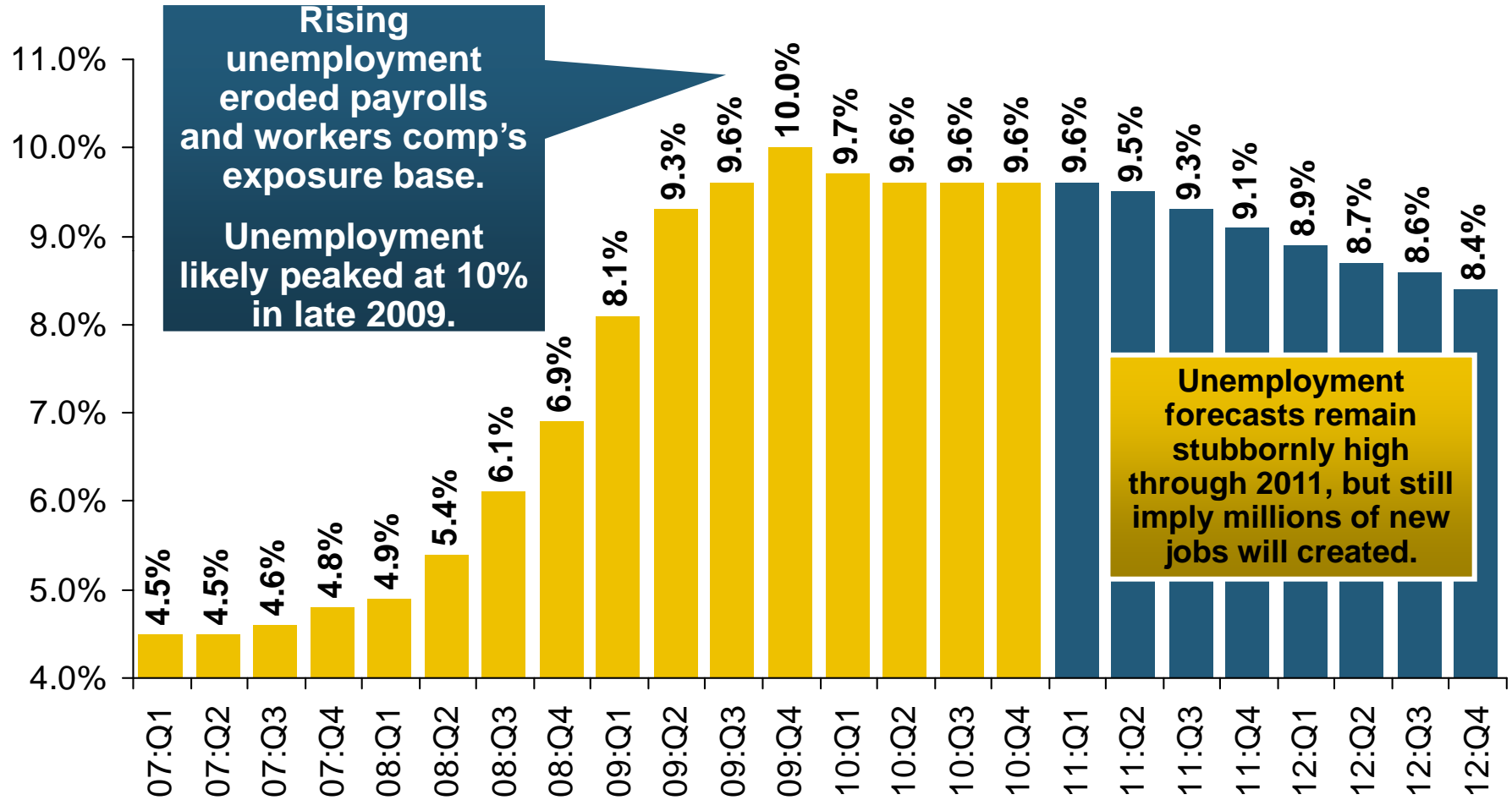
Job Losses Since the Recession Began in Dec. 2007 Peaked at 8.4 Mill in Dec. 09; Stands at 7.5 Million Through October 2010; 14.5 Million People are Now Defined as Unemployed

*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

2007:Q1 to 2012:Q4F*

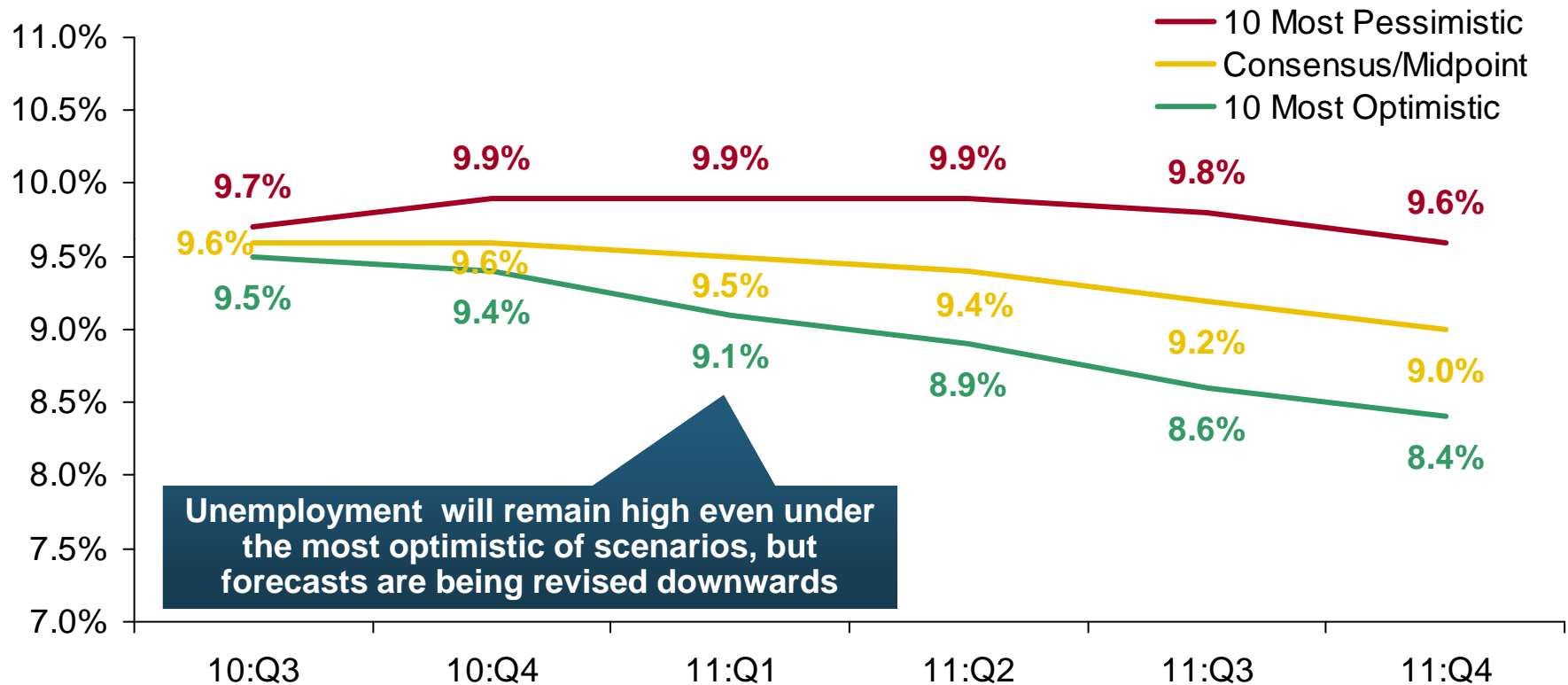


*  = actual;  = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (1/11); Insurance Information Institute

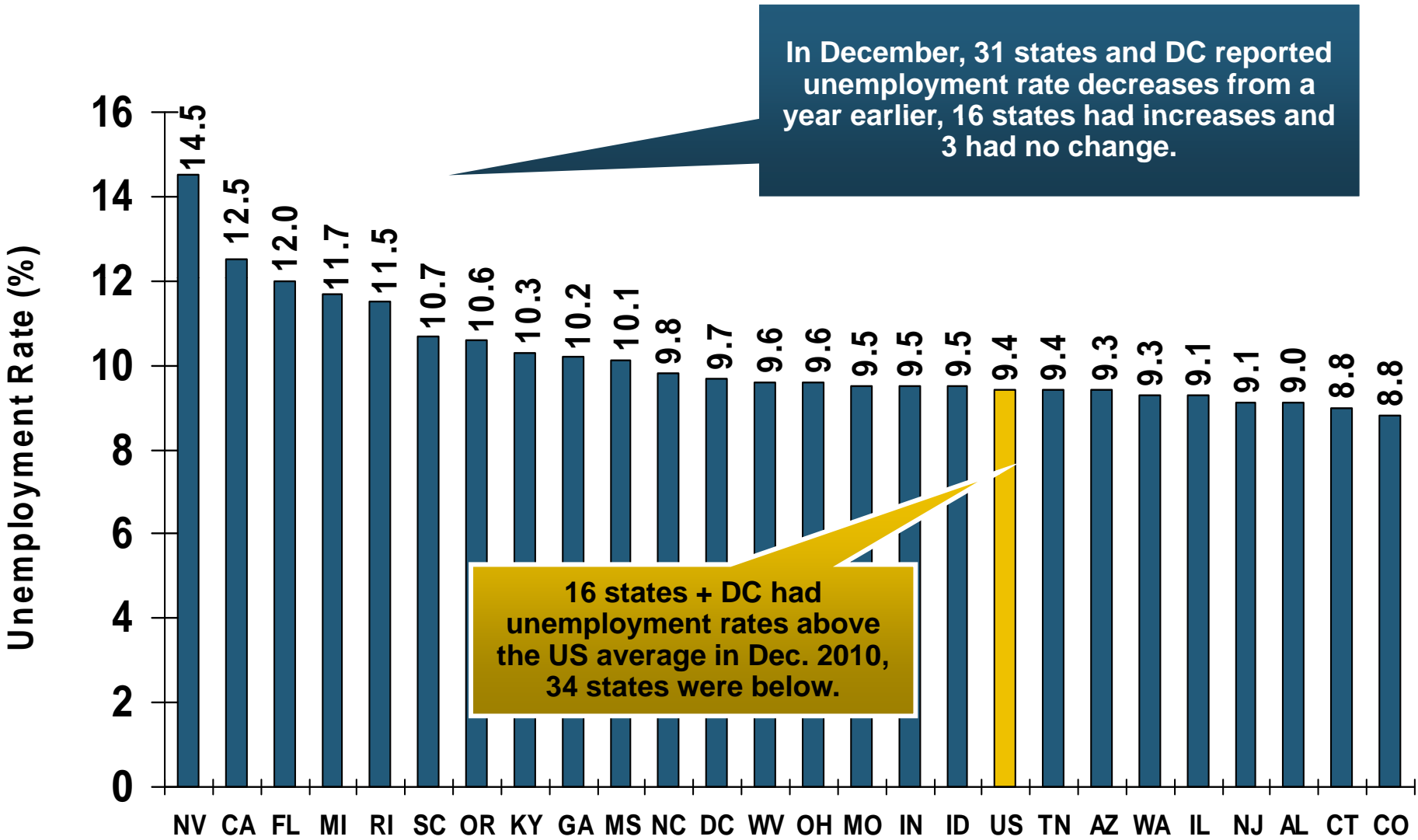
US Unemployment Rate Forecasts

Quarterly, 2010:Q1 to 2011:Q4



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

Unemployment Rates by State, December 2010: Highest 25 States*



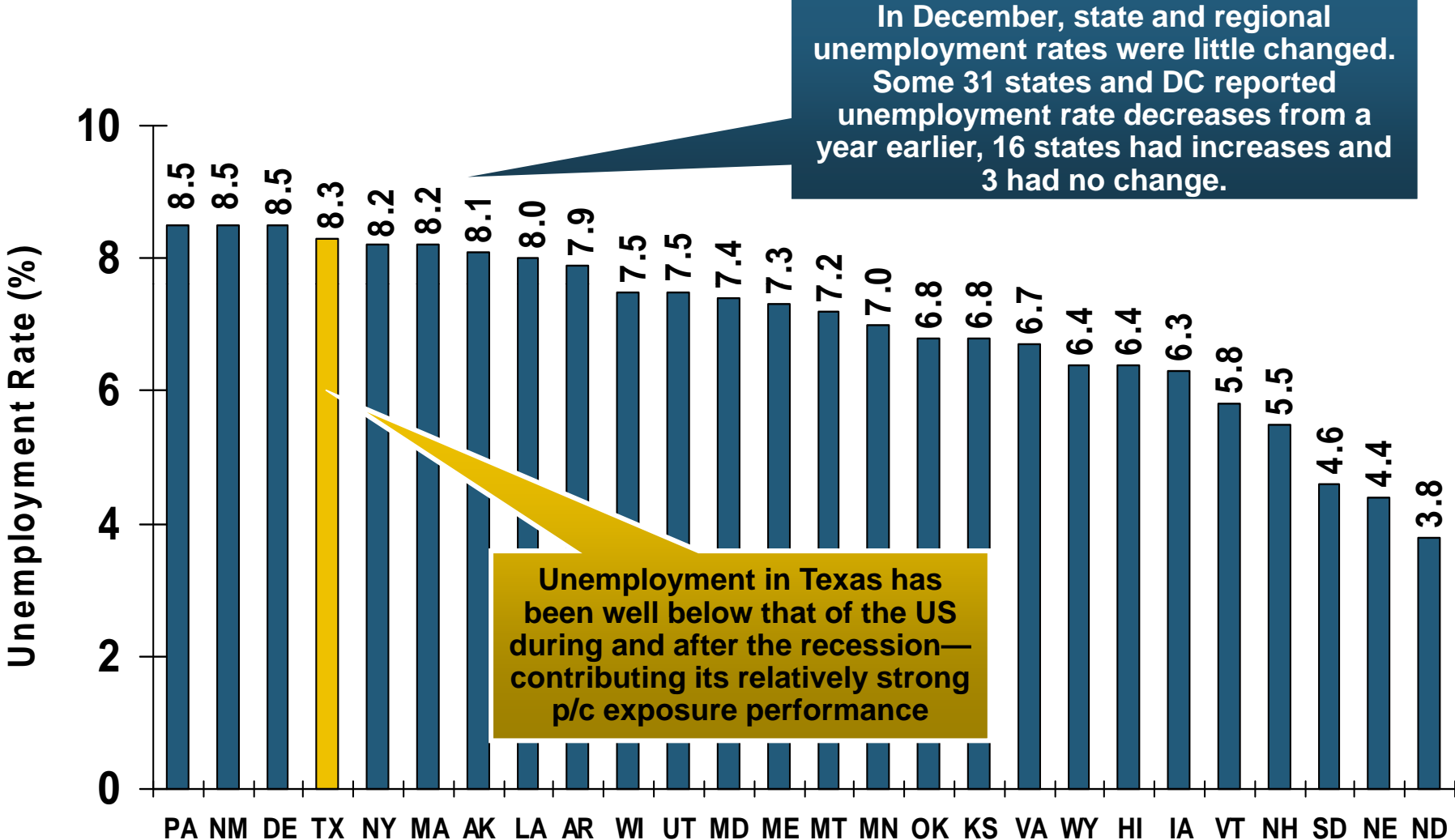
In December, 31 states and DC reported unemployment rate decreases from a year earlier, 16 states had increases and 3 had no change.

16 states + DC had unemployment rates above the US average in Dec. 2010, 34 states were below.

*Provisional figures for December 2010, seasonally adjusted.

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

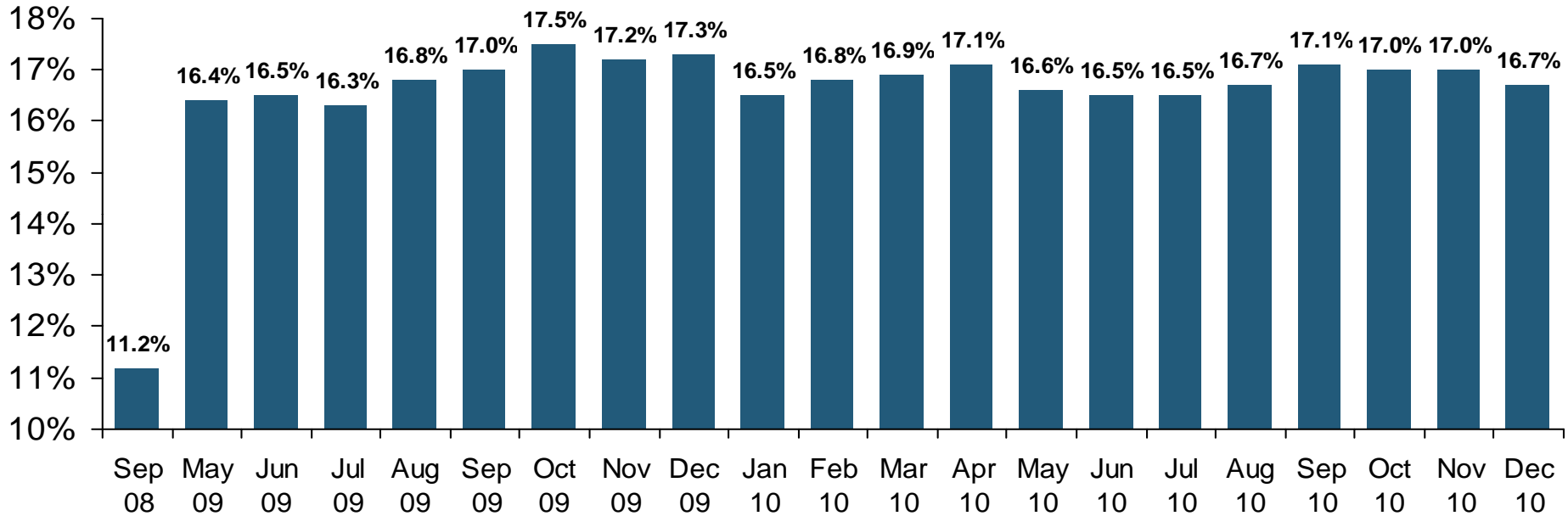
Unemployment Rates By State, December 2010: Lowest 25 States*



*Provisional figures for December 2010, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Labor Underutilization: Broader than Just Unemployment

% of Labor Force



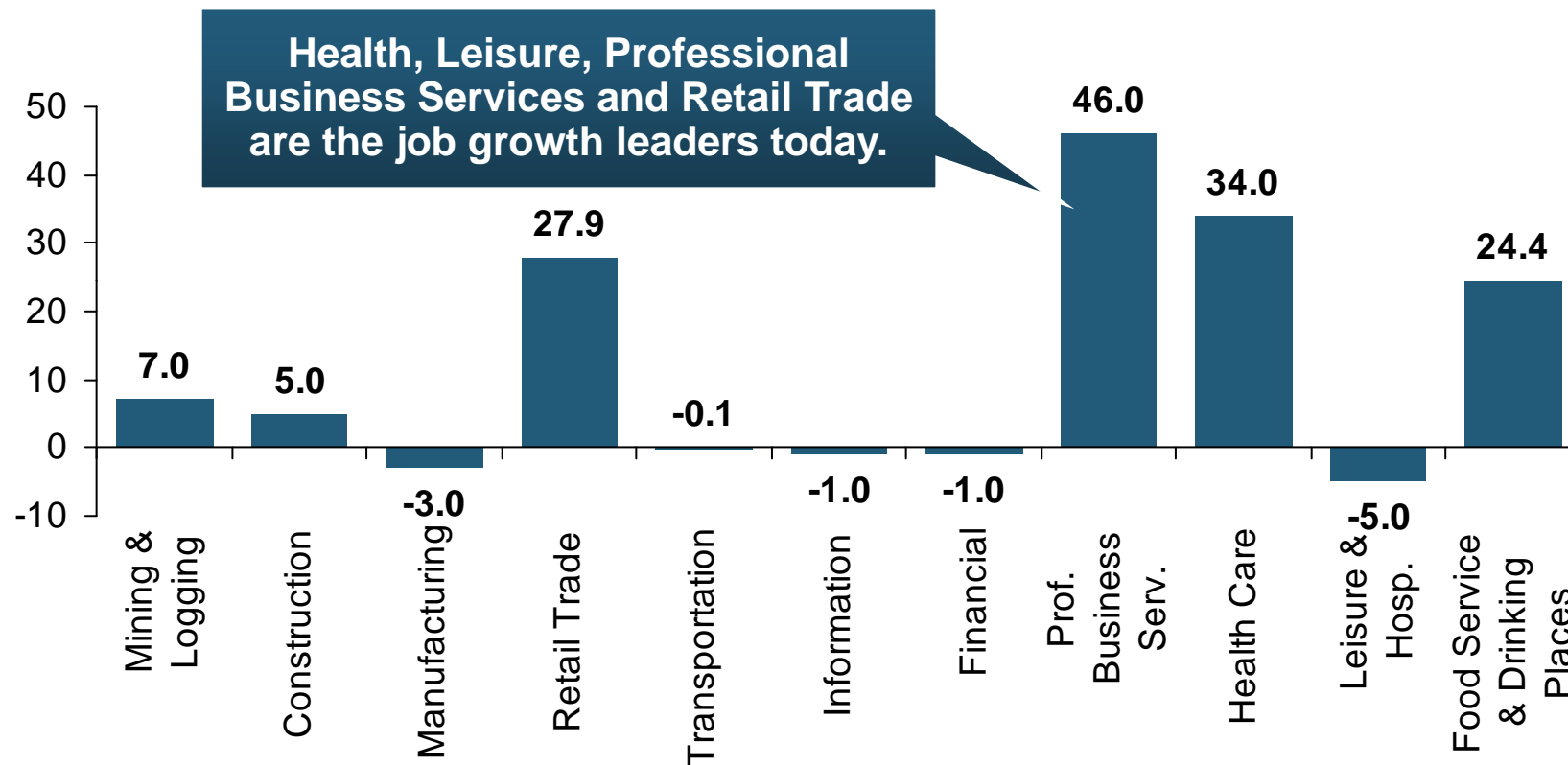
Marginally Attached and Unemployed Persons Account for 16.7% of the Labor Force in December 2010 (1 Out of 6 People). Unemployment Rate Alone was 9.4%. Underutilization Shows a Broader Impact on WC and Other Commercial Exposures

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.

Change in Employment Level for Select Industries, Oct. 2010 vs. Sept. 2010

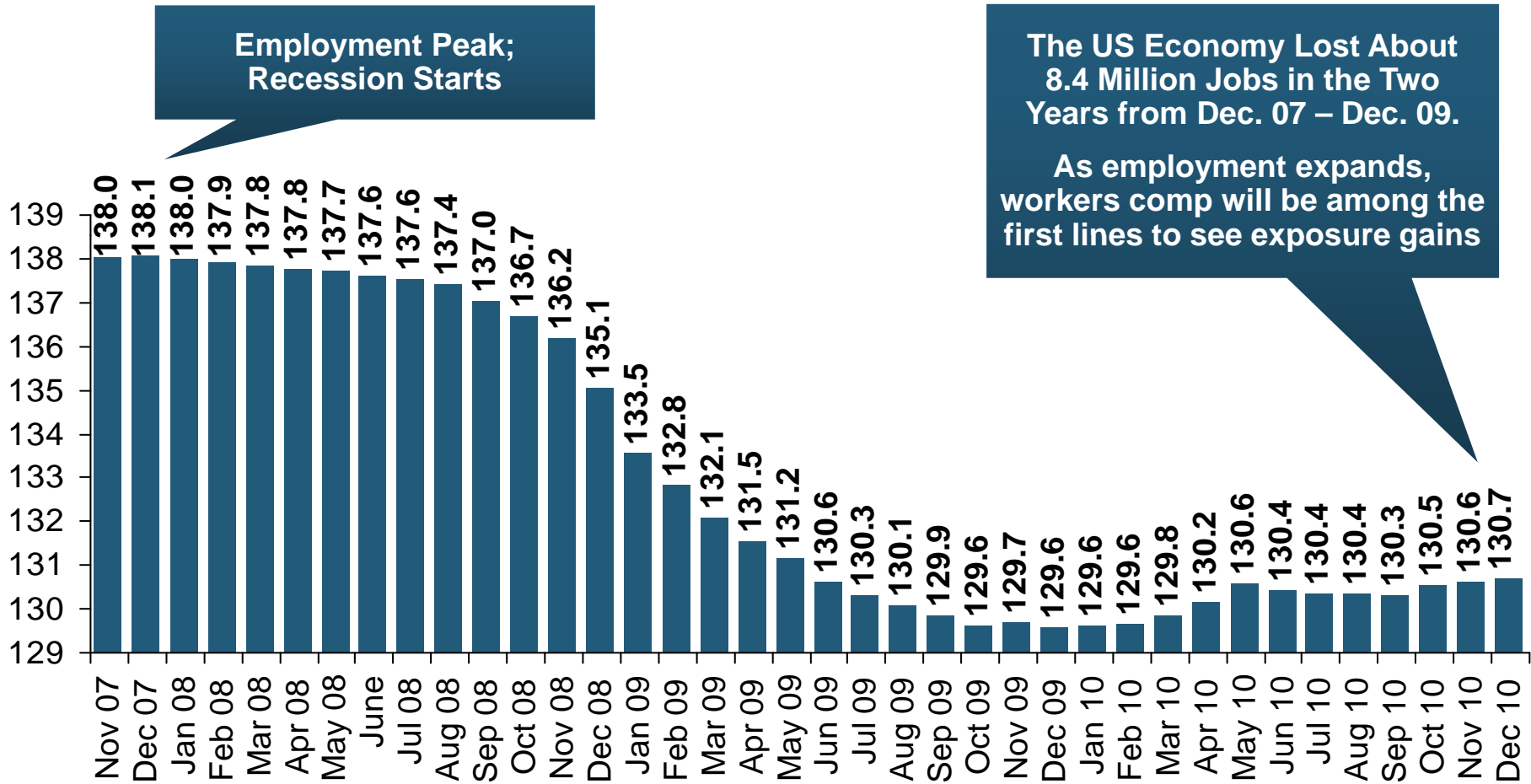
Change in Thousands



There is a great deal of variation in employment growth by industry, indicating a very uneven and slow recovery

US Nonfarm Private Employment

Monthly, Nov 2007 – December 2010 (Millions)

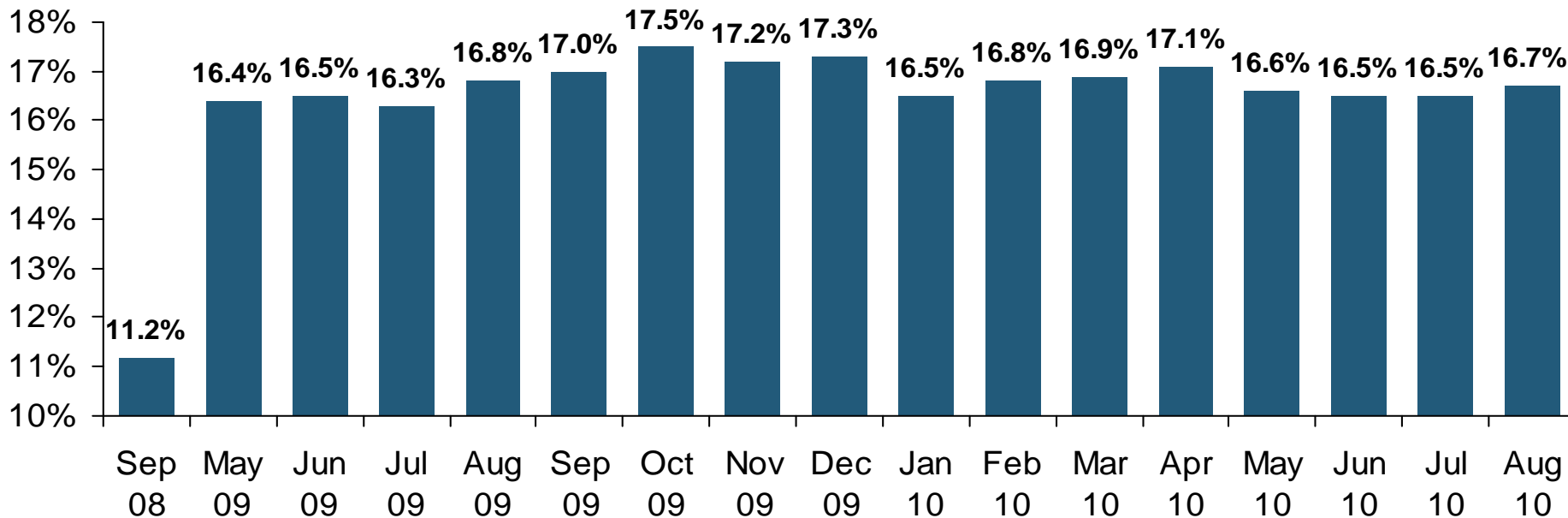


Seasonally adjusted.

Source: US Bureau of Labor Statistics

Labor Underutilization: Broader than Just Unemployment

% of Labor Force



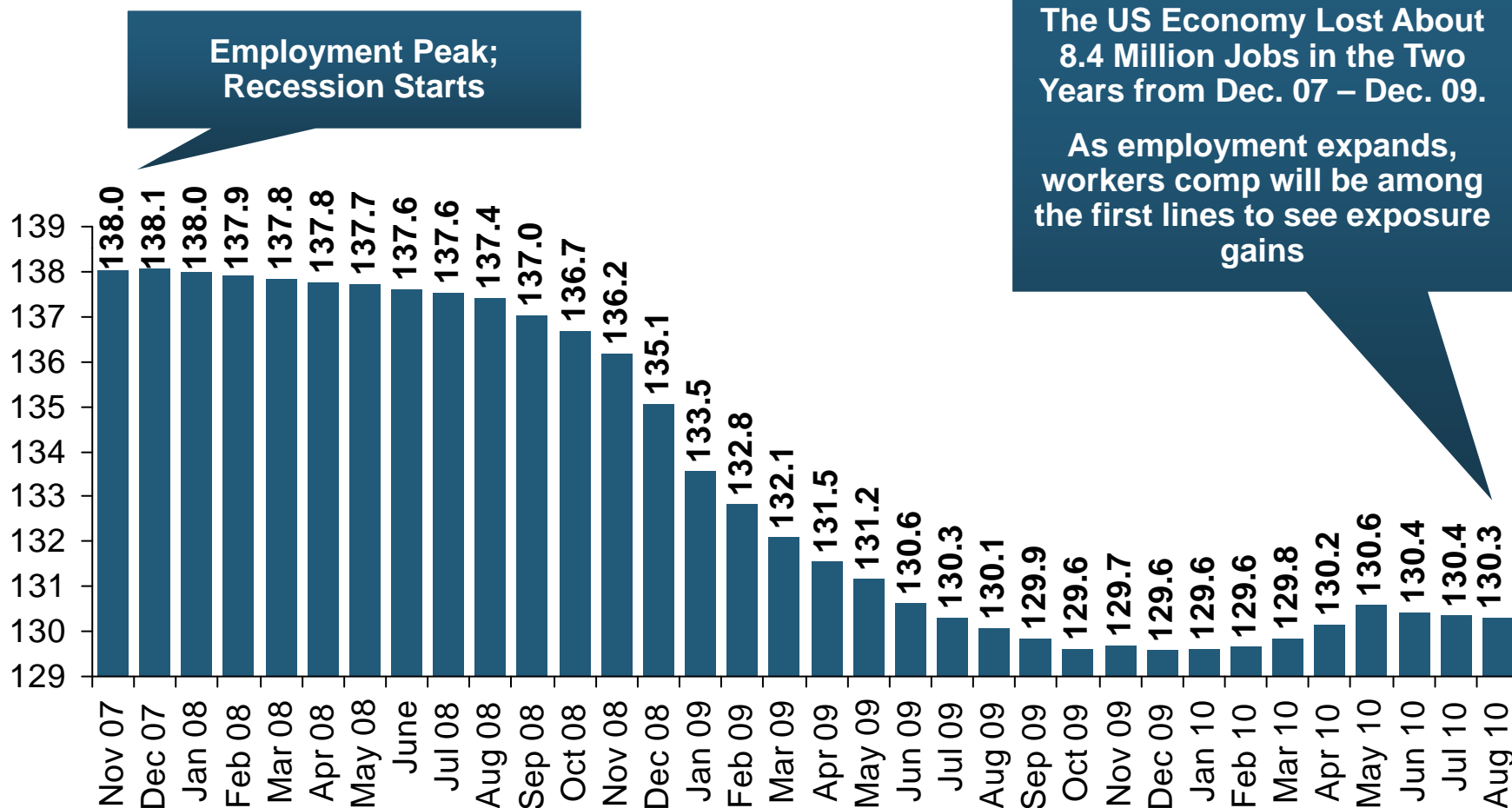
Marginally Attached and Unemployed Persons Account for 16.7% of the Labor Force in August 2010 (1 Out of 6 People). Unemployment Rate Alone was 9.6%. Underutilization Shows a Broader Impact on WC and Other Commercial Exposures

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 Nonfarm Private Employment

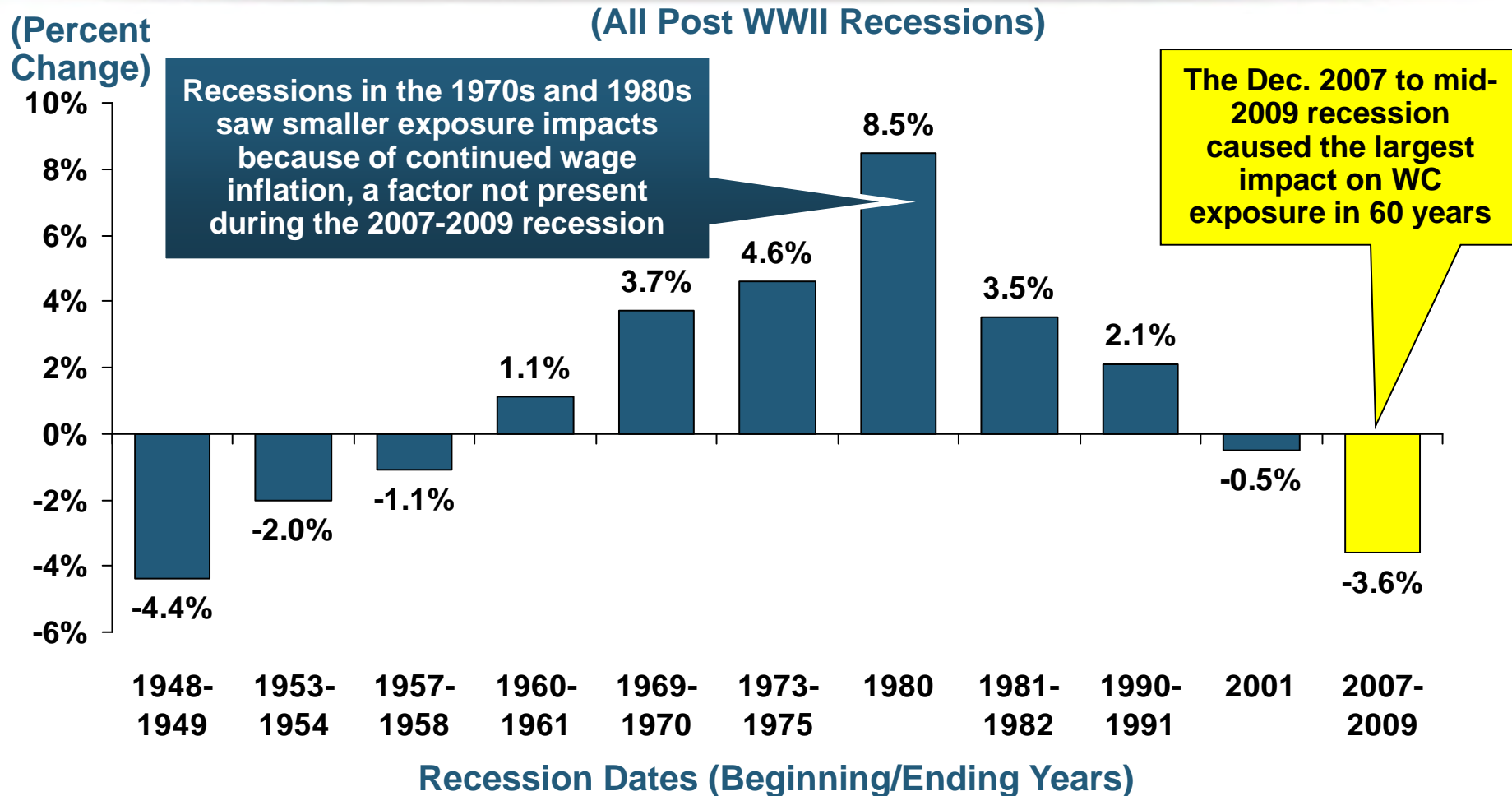
Monthly, Nov 2007 – August 2010 (Millions)



Seasonally adjusted.

Source: US Bureau of Labor Statistics

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

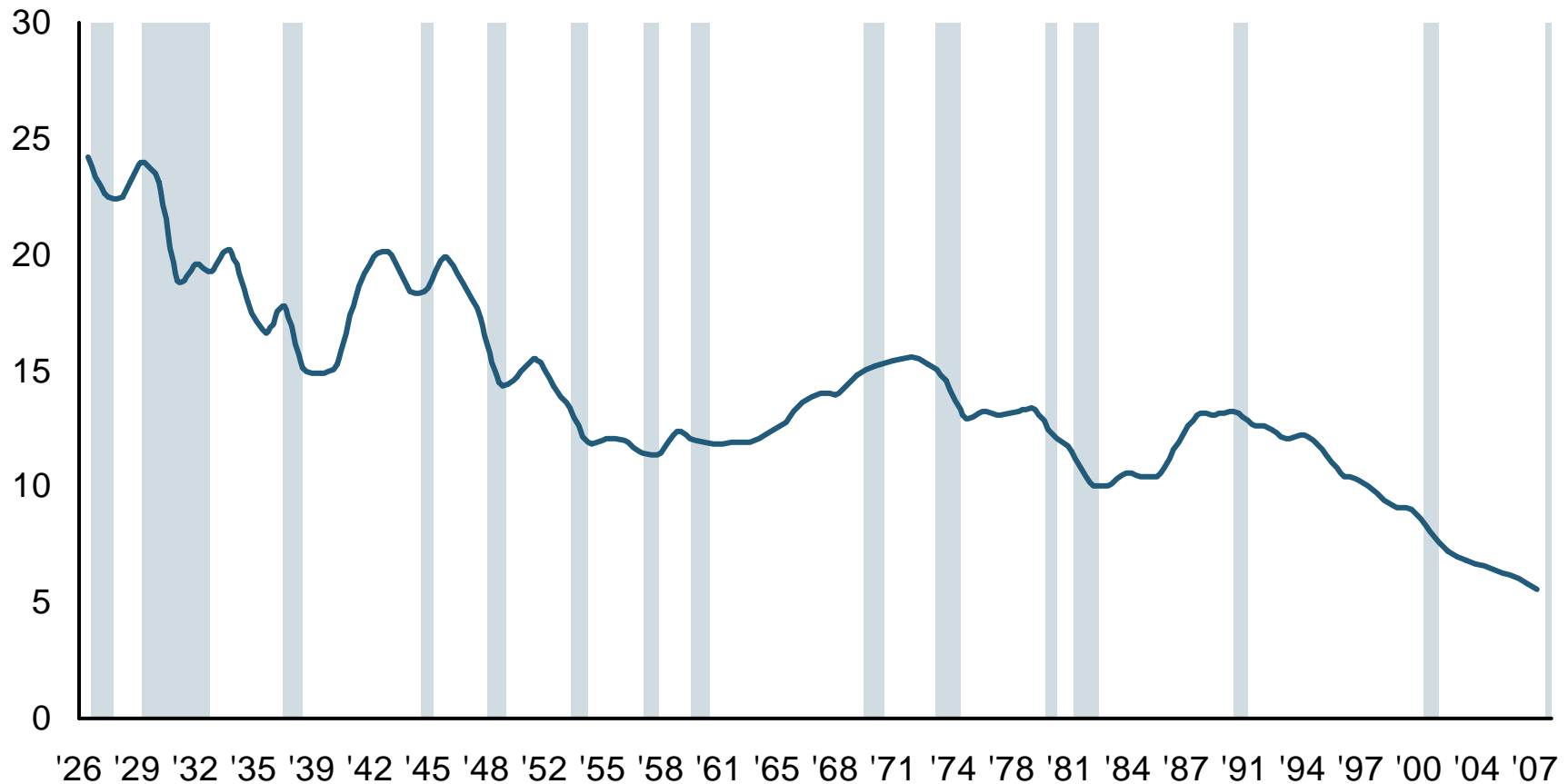


*Data represent maximum recorded decline over 12-month period using annualized quarterly wage and salary accrual data
 Source: Insurance Information Institute research; Federal Reserve Bank of St. Louis (wage and salary data); National Bureau of Economic Research (recession dates).

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.

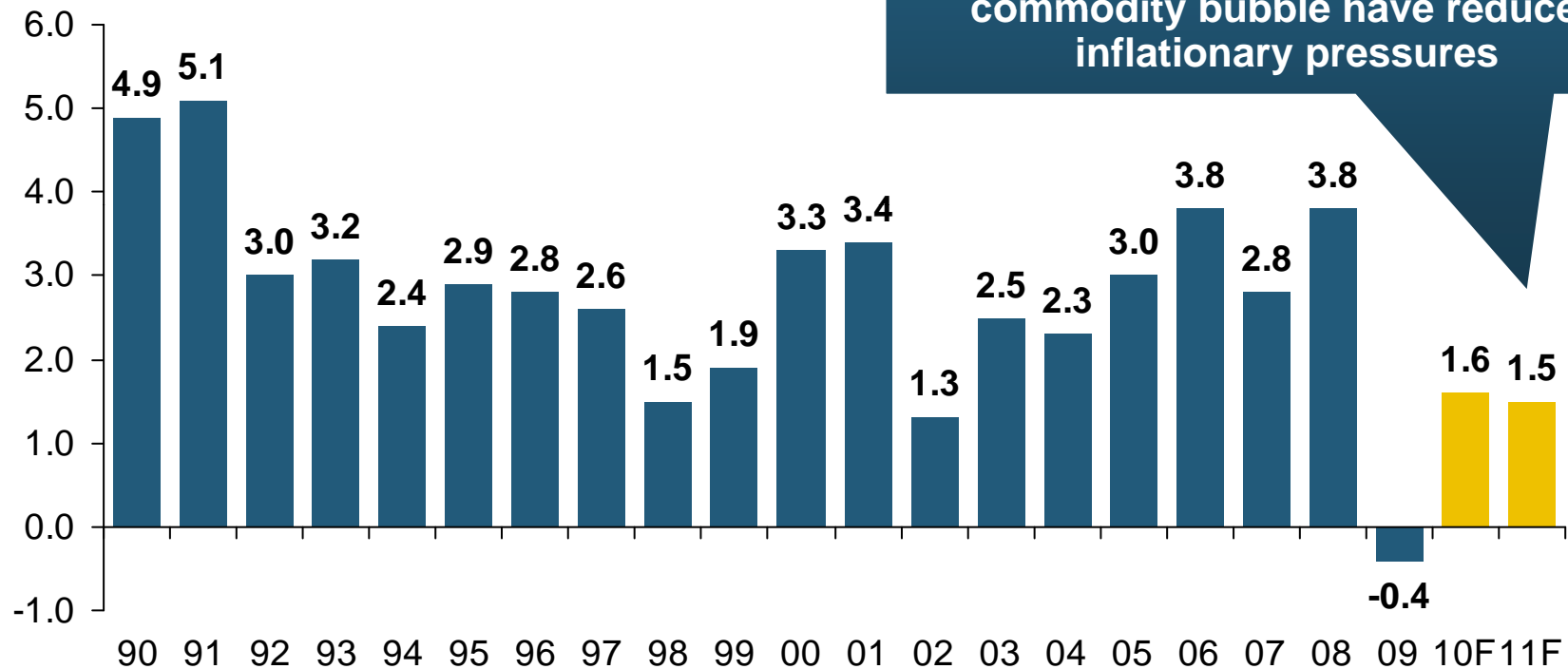
Sources: NCCI from US Bureau of Labor Statistics; National Bureau of Economic Research

**Inflation Trends:
*Concerns Over Stimulus Spending
and Monetary Policy***

**Mounting Pressure on Claim
Cost Severities?**

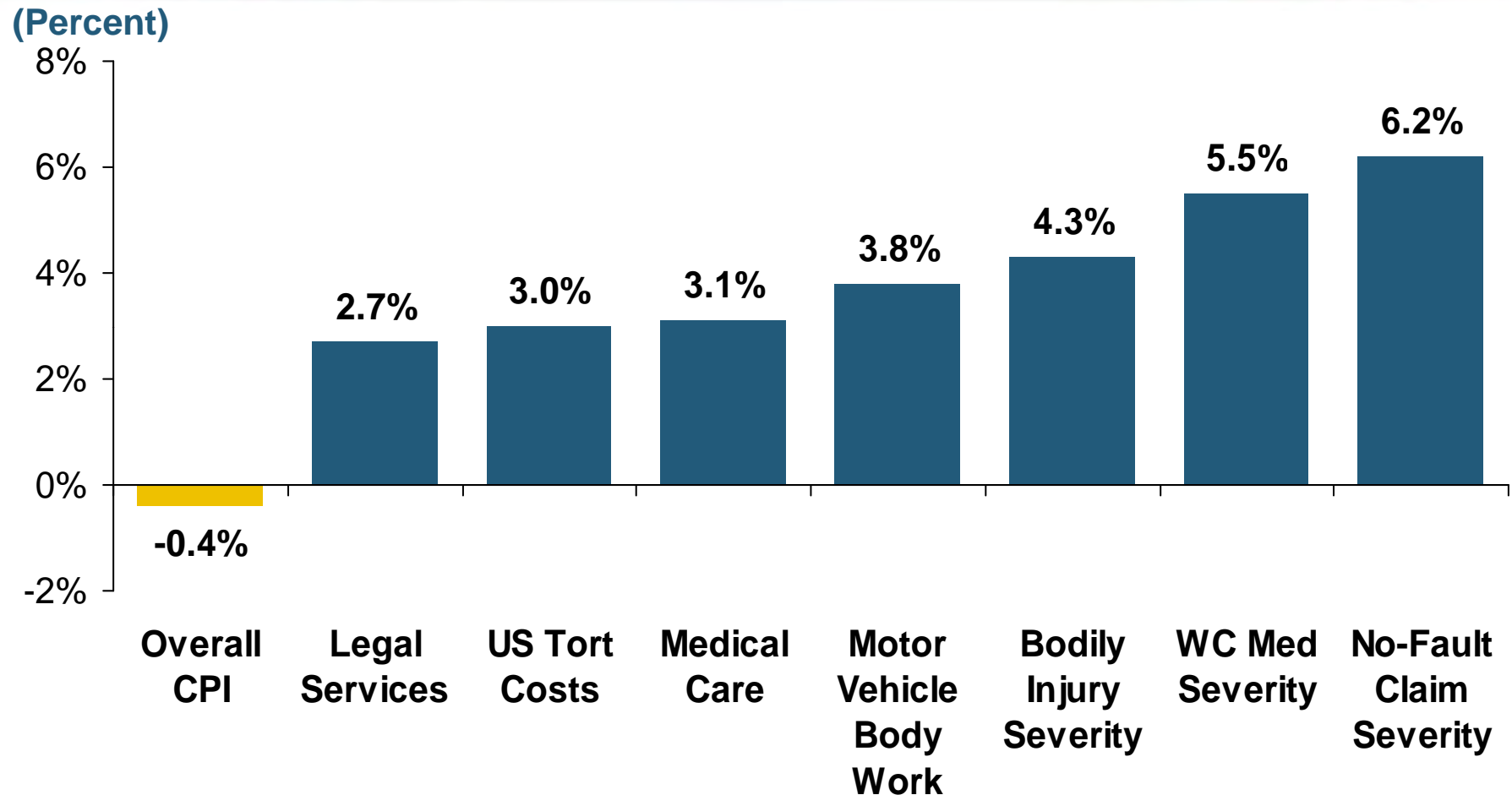
Annual Inflation Rates (CPI-U, %), 1990–2011F

Annual Inflation Rates (%)



There is So Much Slack in the US Economy Inflation Should Not Be a Concern Through 2010/11, but Deficits and Monetary Policy Remain Longer Run Concerns

P/C Insurers Experience Inflation More Intensely than 2009 CPI Suggests

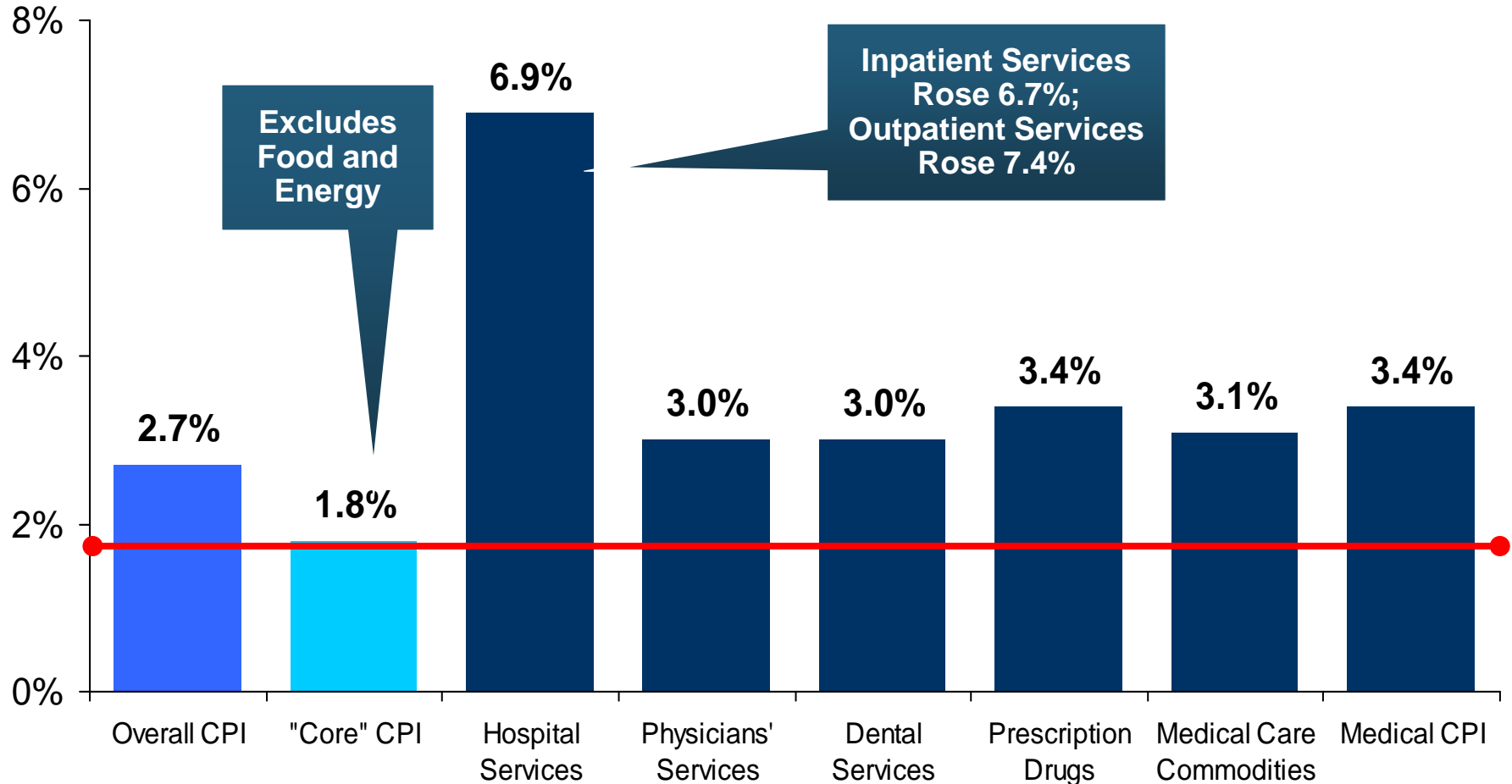


Healthcare and Legal/Tort Costs Are a Major P/C Insurance Cost Driver. These Are Expected to Increase Above the Overall Inflation Rate (CPI) Indefinitely

Source: CPI is Blue Chip Economic Indicator 2009 estimate, 12/09; Legal services, medical care and motor vehicle body work are avg. monthly year-over-year change from BLS; BI and no-fault figures from ISO Fast Track data for 4 quarters ending 09:Q3. Tort costs is 2009 Towers-Perrin estimate. WC figure is I.I.I. estimate based on historical NCCI data.

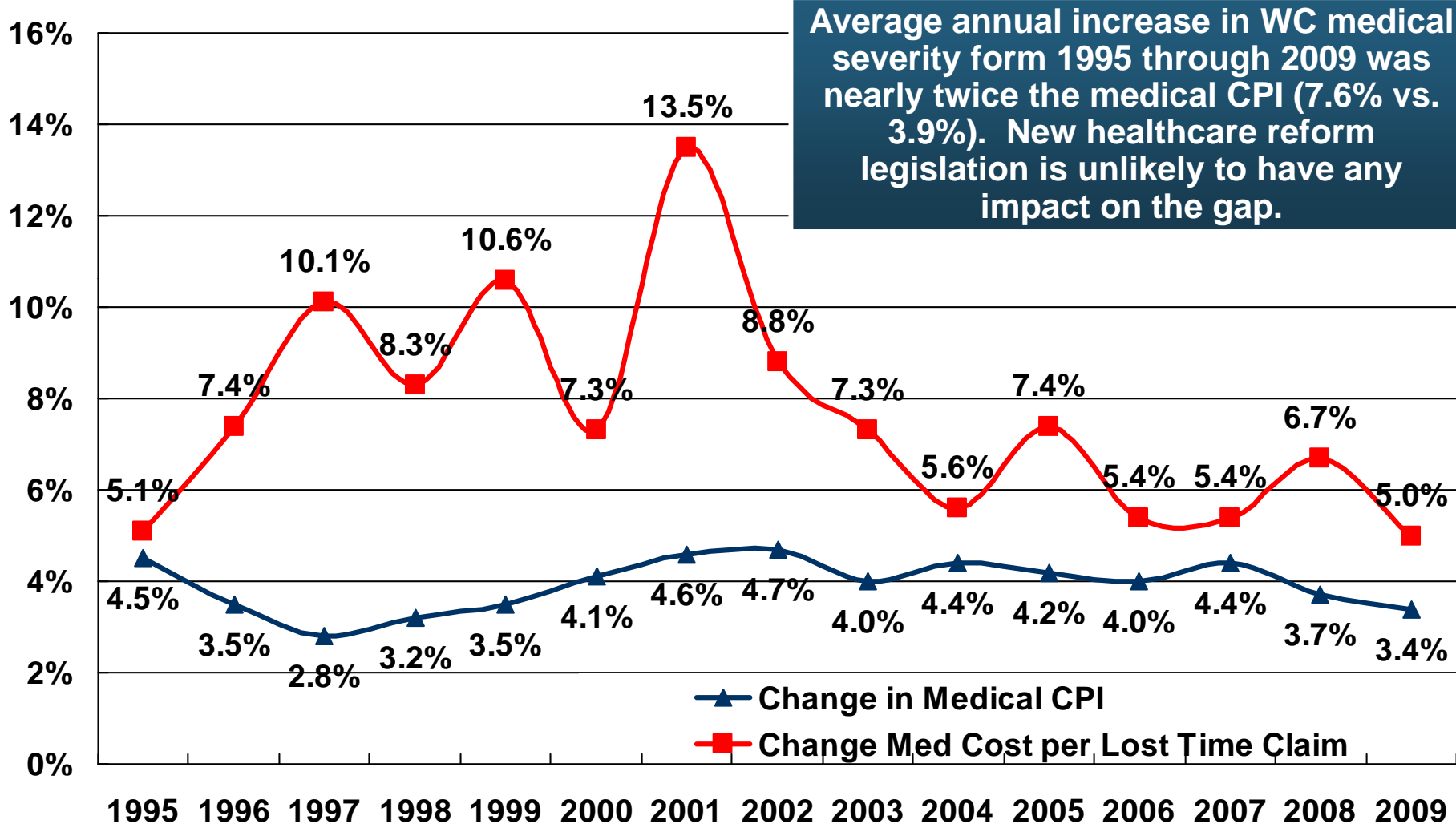
WC Insurers Experience Inflation More Intensely than 2009 CPI Suggests

(Percent increase Dec 08 to Dec 09)

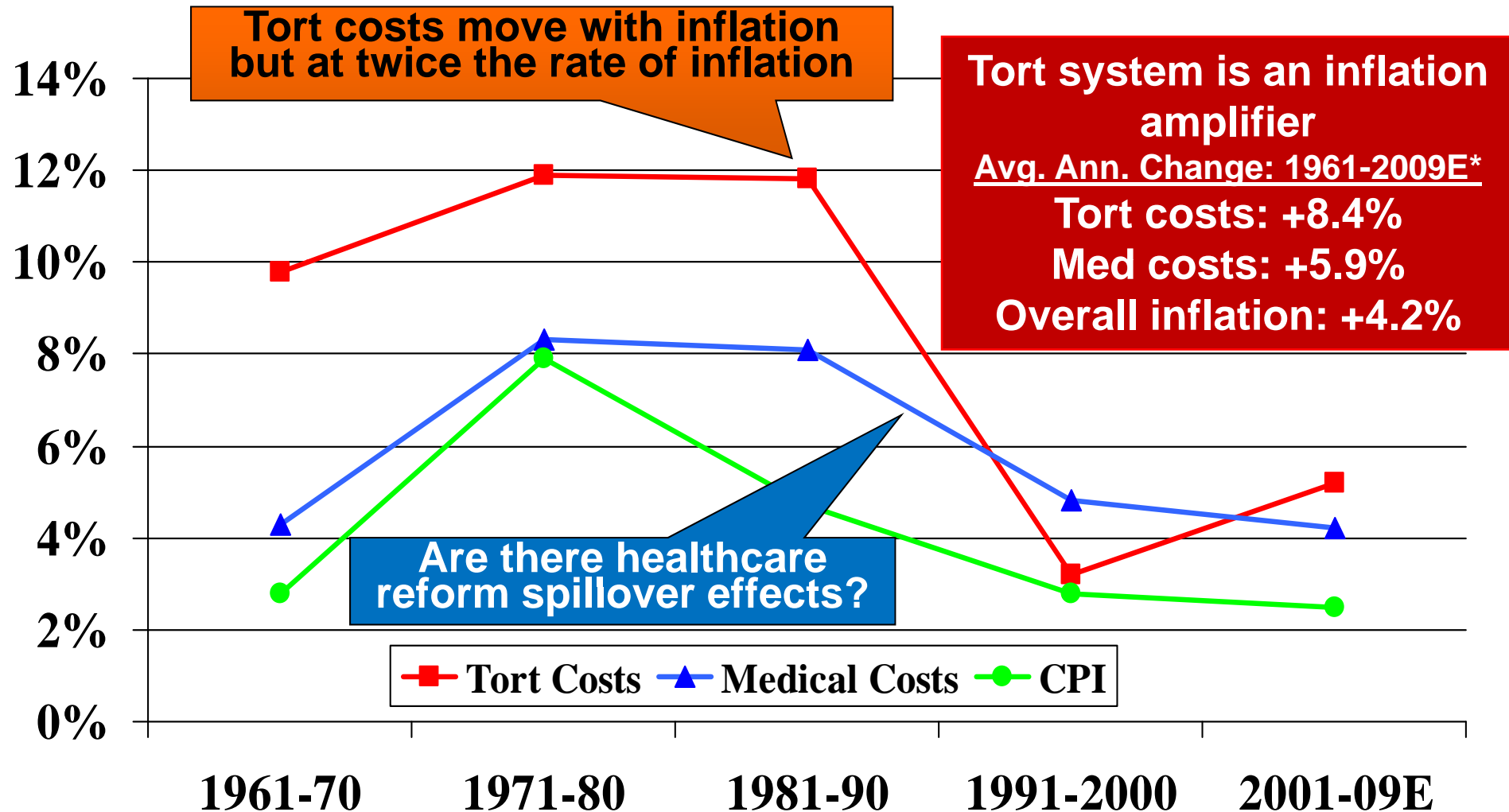


Healthcare Costs Are a Major WC Insurance Cost Driver. They Are Likely to Increase Faster than the CPI for the Next Few Years, at Least

WC Medical Severity Rising at Twice the Medical CPI Rate



Tort Cost Growth & Medical Cost Inflation vs. Overall Inflation (CPI-U), 1961-2009E*



* CPI-U and medical costs as of Sept 2009; Tort figure is for full-year 2009 from Tillinghast.

Source: U.S. Bureau of Labor Statistics; Tillinghast-Towers Perrin, *2008 Update on U.S. Tort Costs*; I.I.I.

Top Concerns/Risks for Insurers if **Inflation** Is Reignited

Concerns

The Federal Reserve Has Flooded Financial System with Cash (Turned on the Printing Presses), the Federal Gov't Has Approved a \$787B Stimulus and the Deficit is Expected to Mushroom to \$1.8 Trillion. All Are Potentially Inflationary.

- What are the potential impacts for insurers?
- What can/should insurers do to protect themselves from the risks of inflation?

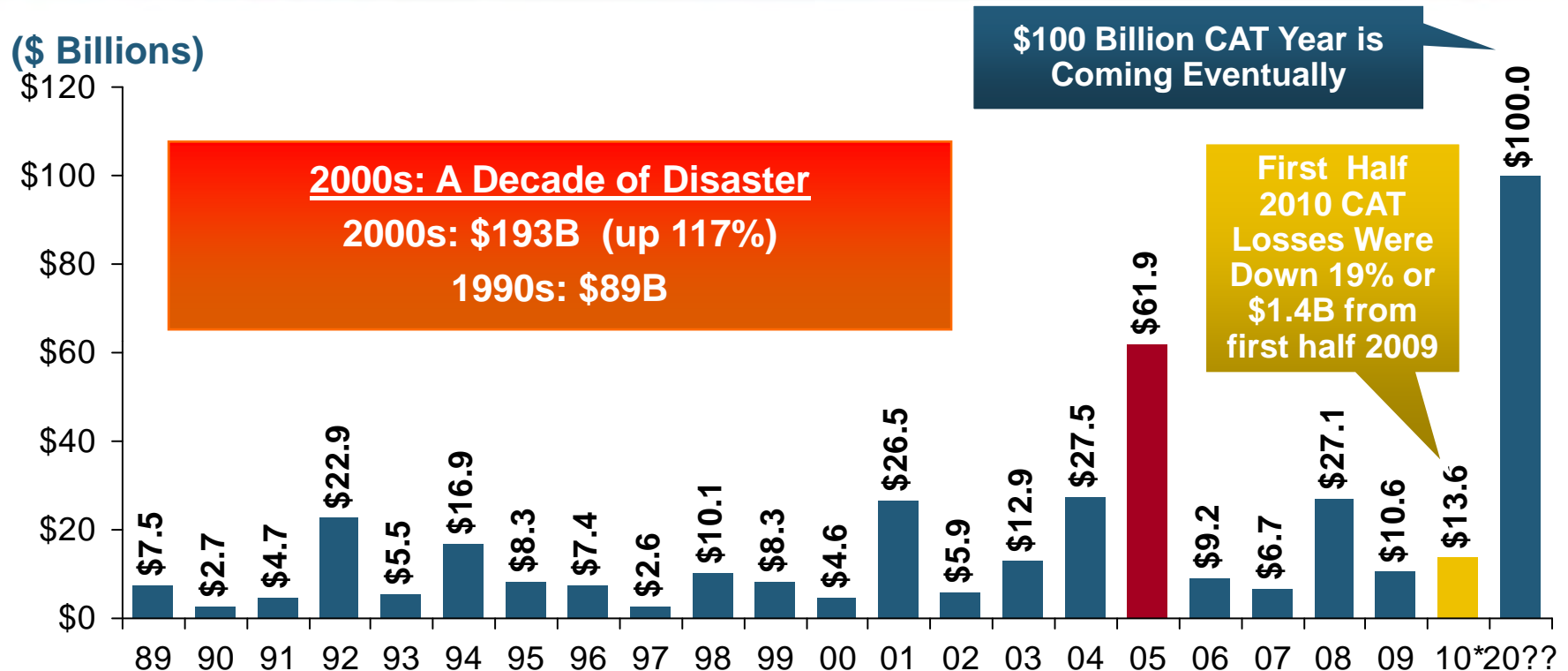
Key Risks

From Sustained/Accelerating Inflation

- **Rising Claim Severities**
 - ◆ Cost of claims settlement rises across the board (property and liability)
- **Rate Inadequacy**
 - ◆ Rates inadequate due to low trend assumptions arising from use of historical data
- **Reserve Inadequacy**
 - ◆ Reserves may develop adversely and become inadequate (deficient)
- **Burn Through on Retentions**
 - ◆ Retentions, deductibles burned through more quickly
- **Reinsurance Penetration/Exhaustion**
 - ◆ Higher costs → risks burn through their retentions more quickly, tapping into reinsurance more quickly and potentially exhausting their reinsurance more quickly

**Catastrophic Loss –
Catastrophe Losses Trends Are
Trending Adversely**

US Insured Catastrophe Losses



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

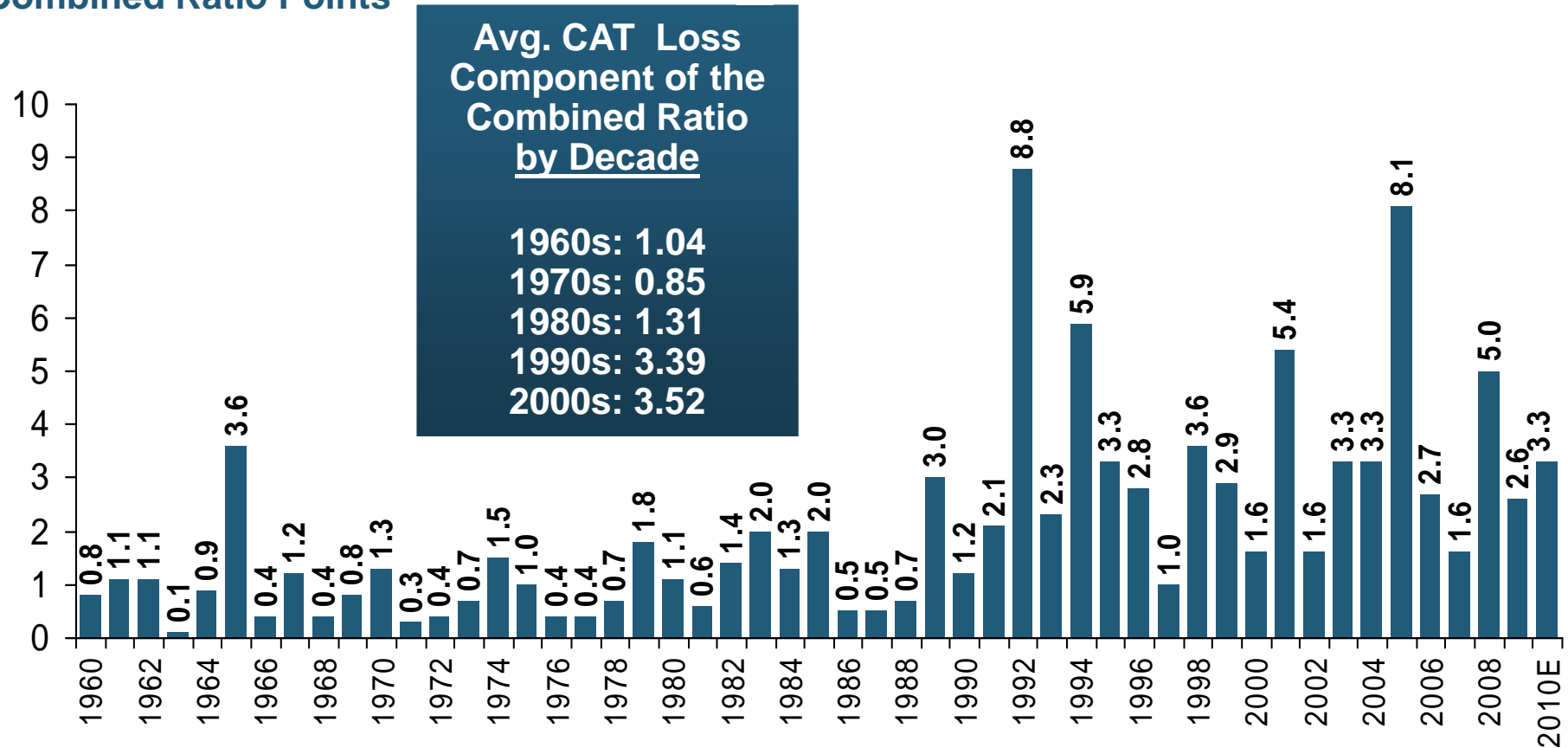
*Estimate from Munich Re.

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

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

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

Combined Ratio Points



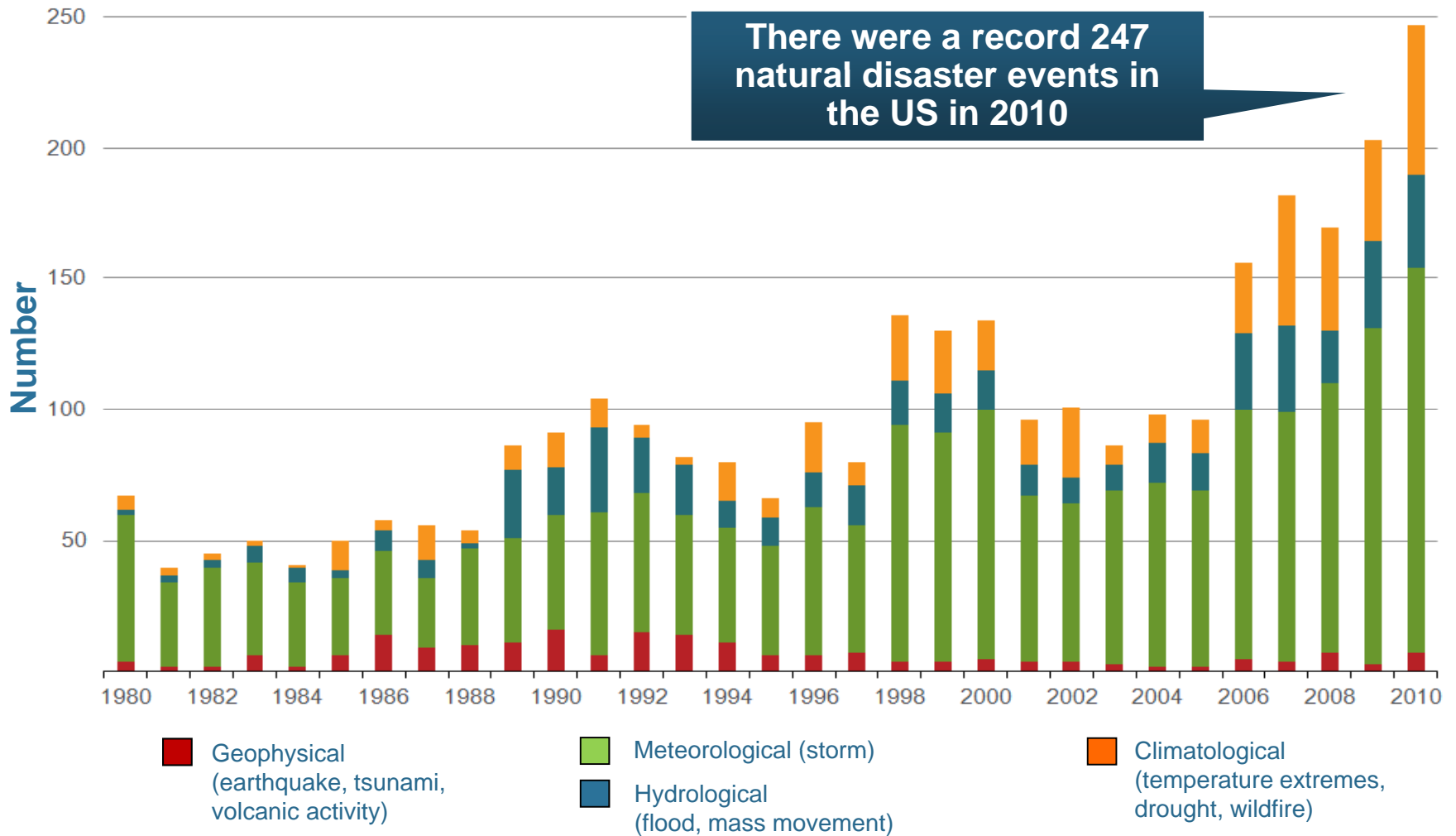
The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

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.

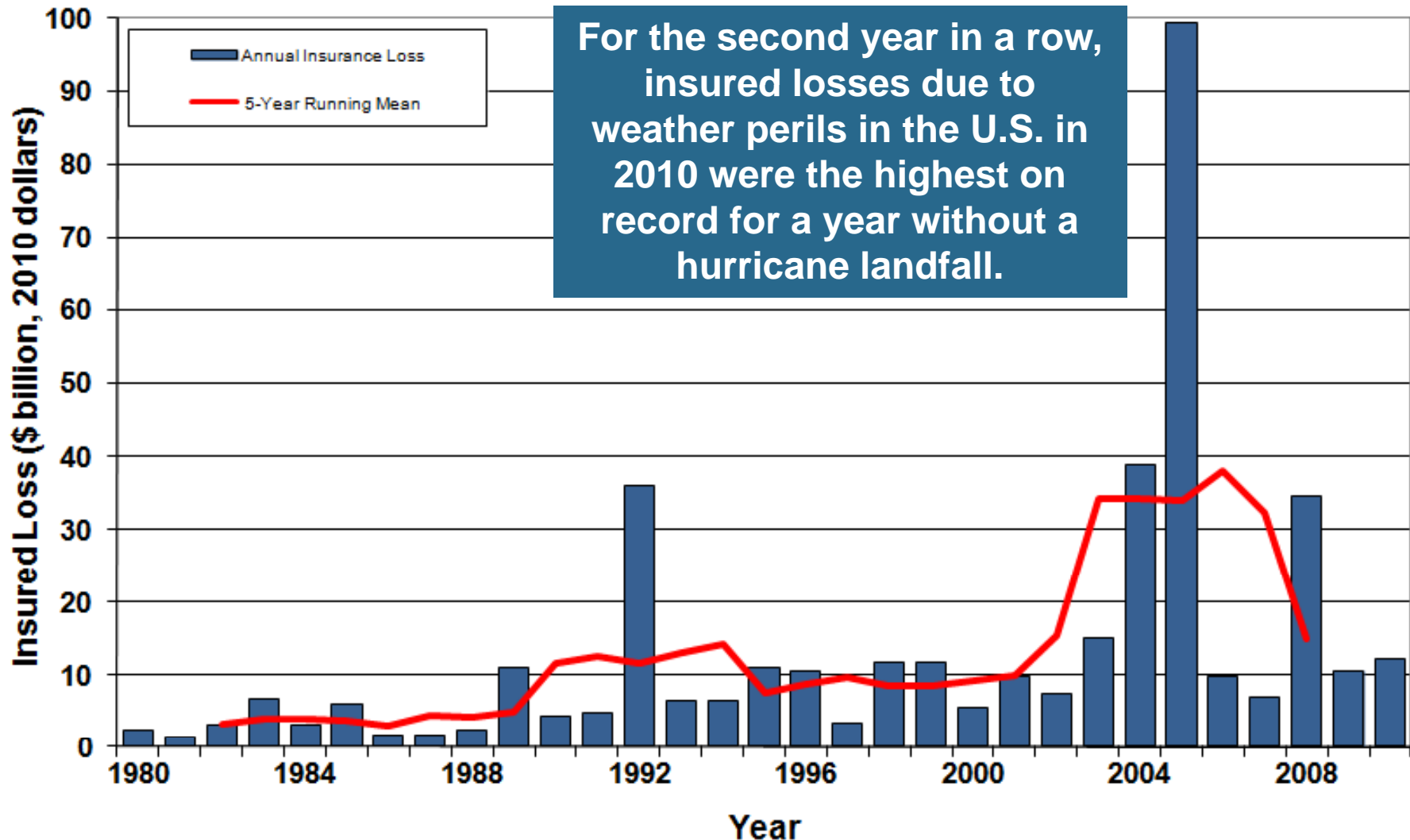
Natural Disasters in the United States, 1980 – 2010

Number of Events (Annual Totals 1980 – 2010)



Insured Losses Due to Weather Perils in the U.S.: 1980 – 2010

(Tropical Cyclone, Thunderstorm, and Winter Storm only)



Significant Natural Catastrophes, 2010

(\$1 Billion + Economic Loss and/or 50 Fatalities)

Date (As of January 1, 2011)	Event	Estimated Economic Losses (US \$m)	Estimated Insured Losses (US \$m)
March 13 - 15	Winter Storm	1,700	1,225
April 30 – May 3	Thunderstorms	2,700	800
May 12 – 1	Thunderstorms	2,700	2,000 [†]
July 20 – 25	Thunderstorms	1,050	785 [†]
October 4 – 6	Thunderstorms	2,000	1,450 [†]

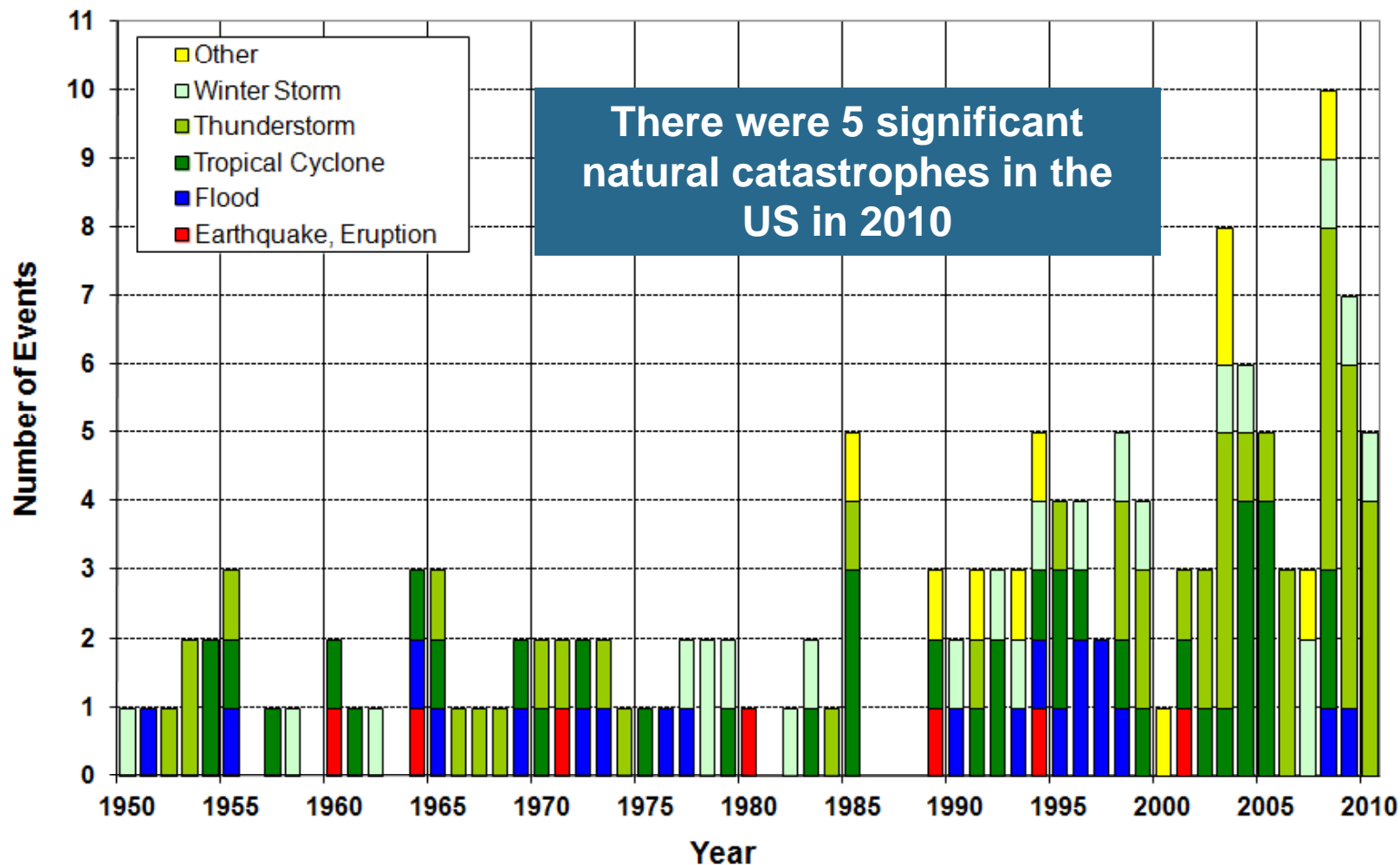
Sources: MR NatCat *SERVICE*,
[†] - Property Claims Services (PCS)

Natural Disasters in the United States, 2010 (Insured Losses)

As of December 31, 2010	Fatalities	Estimated Overall Losses (US \$m)	Estimated Insured Losses (US \$m)
Severe Thunderstorms	56	13,185	9,503
Winter Storm	64	3,734	2,625
Flood	68	2,933	1,059
Wildfire	1	314	210
Earthquake	0	200	128
Tropical Cyclone	8	200	120

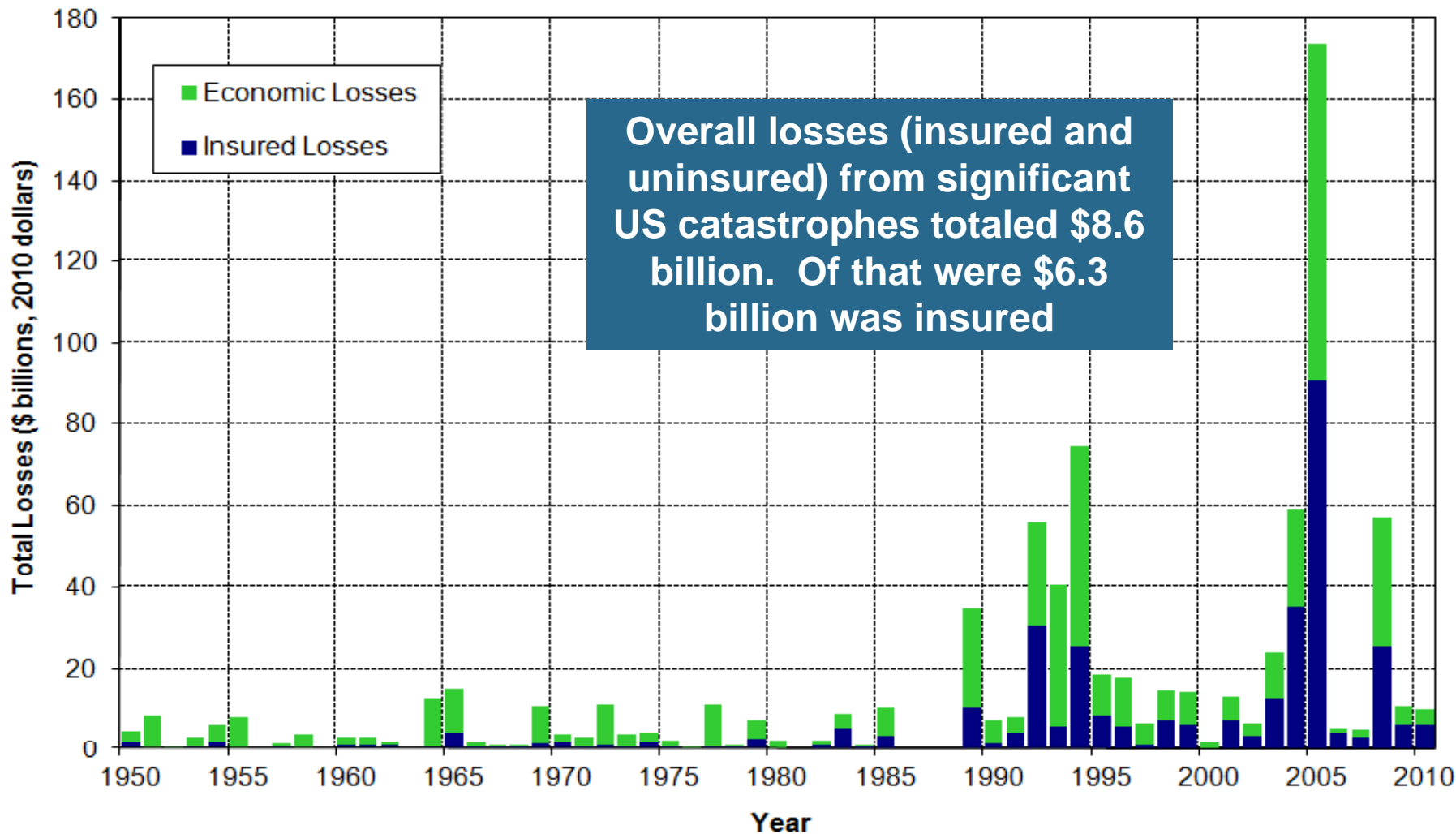
Significant Natural Catastrophes, 1950 – 2010

Number of Events (\$1 billion economic loss and/or 50 fatalities)

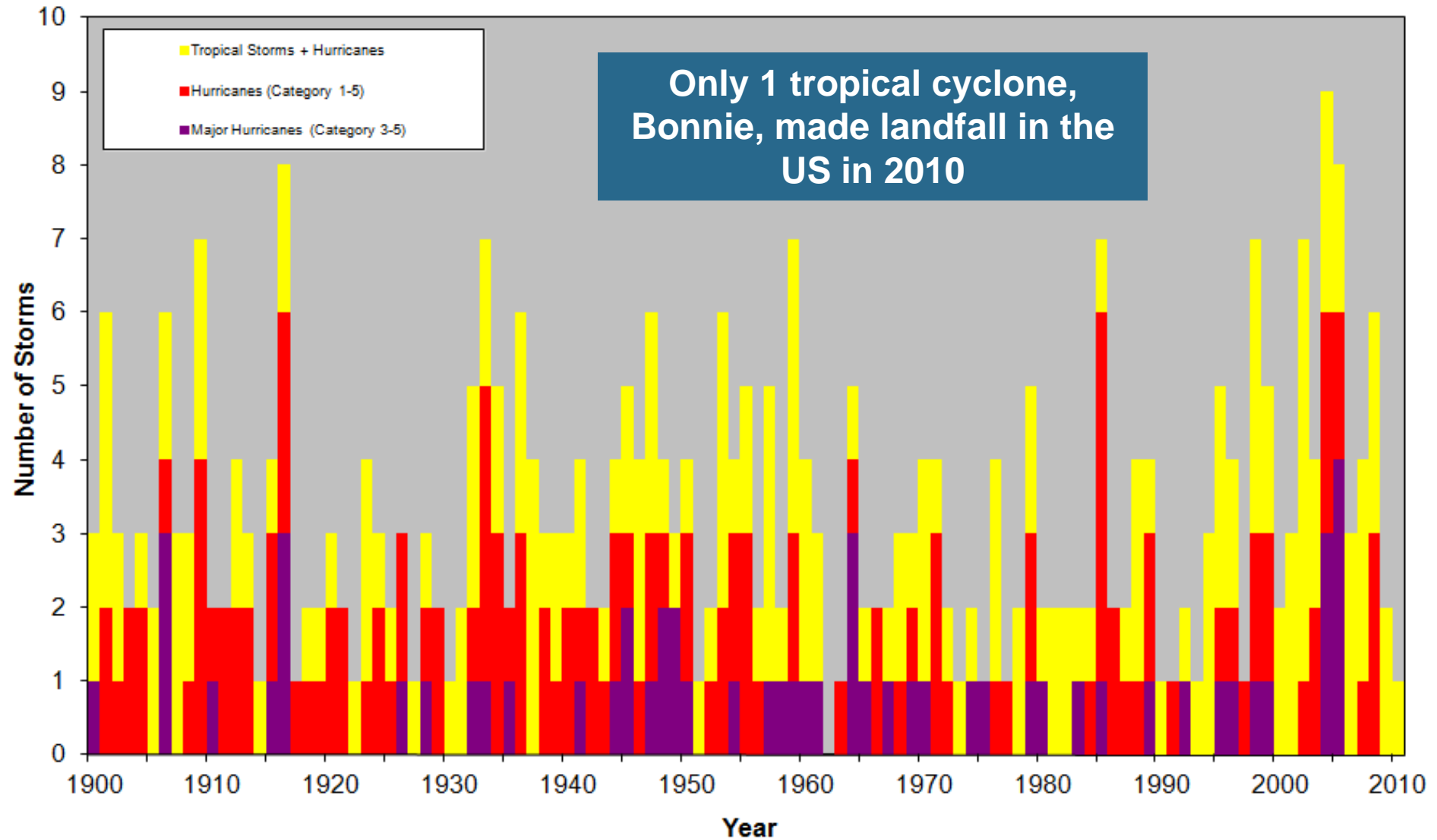


Significant Natural Catastrophes, 1950 – 2010

Losses (\$1 billion economic loss and/or 50 fatalities)

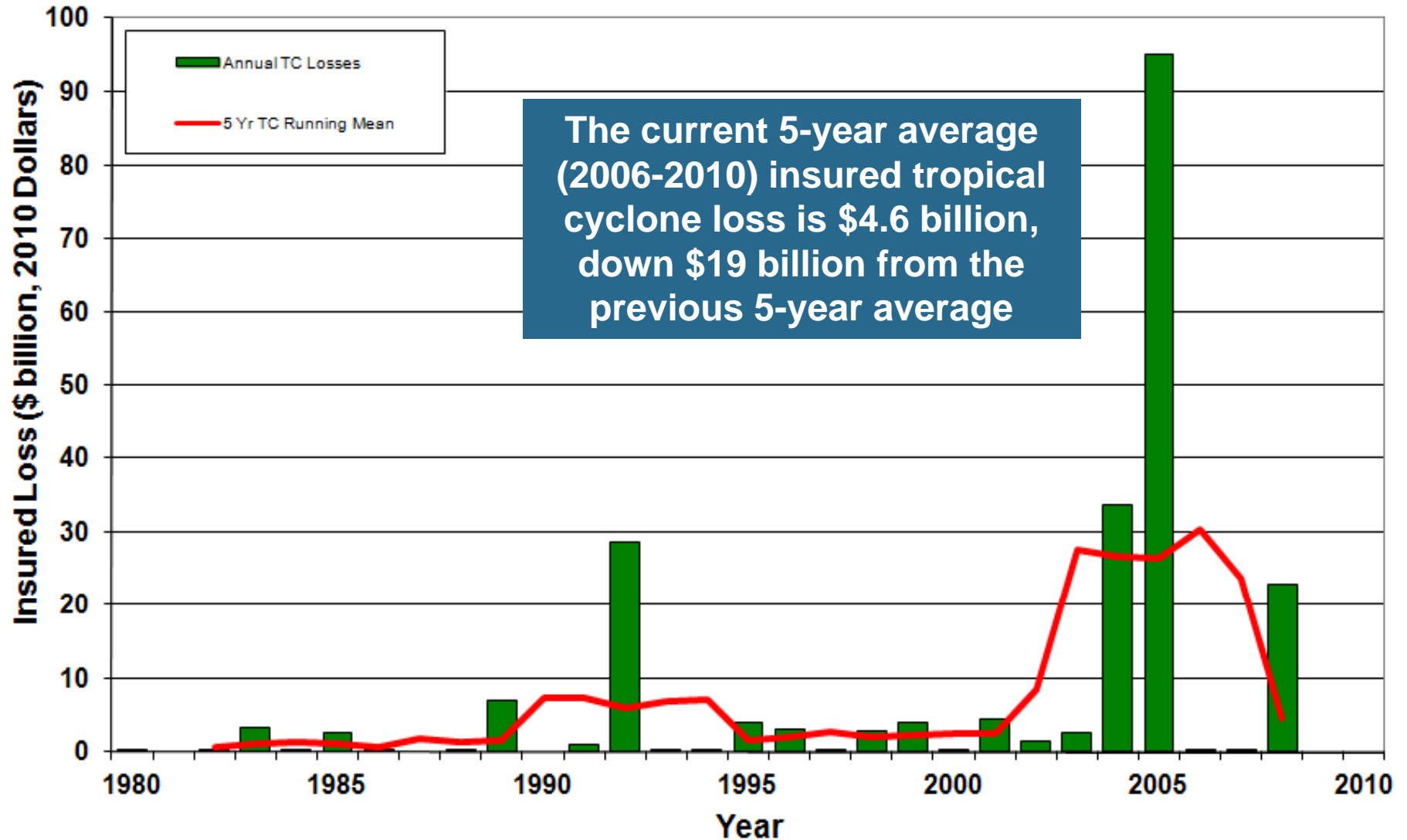


Number of U.S. Landfalling Tropical Cyclones, 1900 – 2010

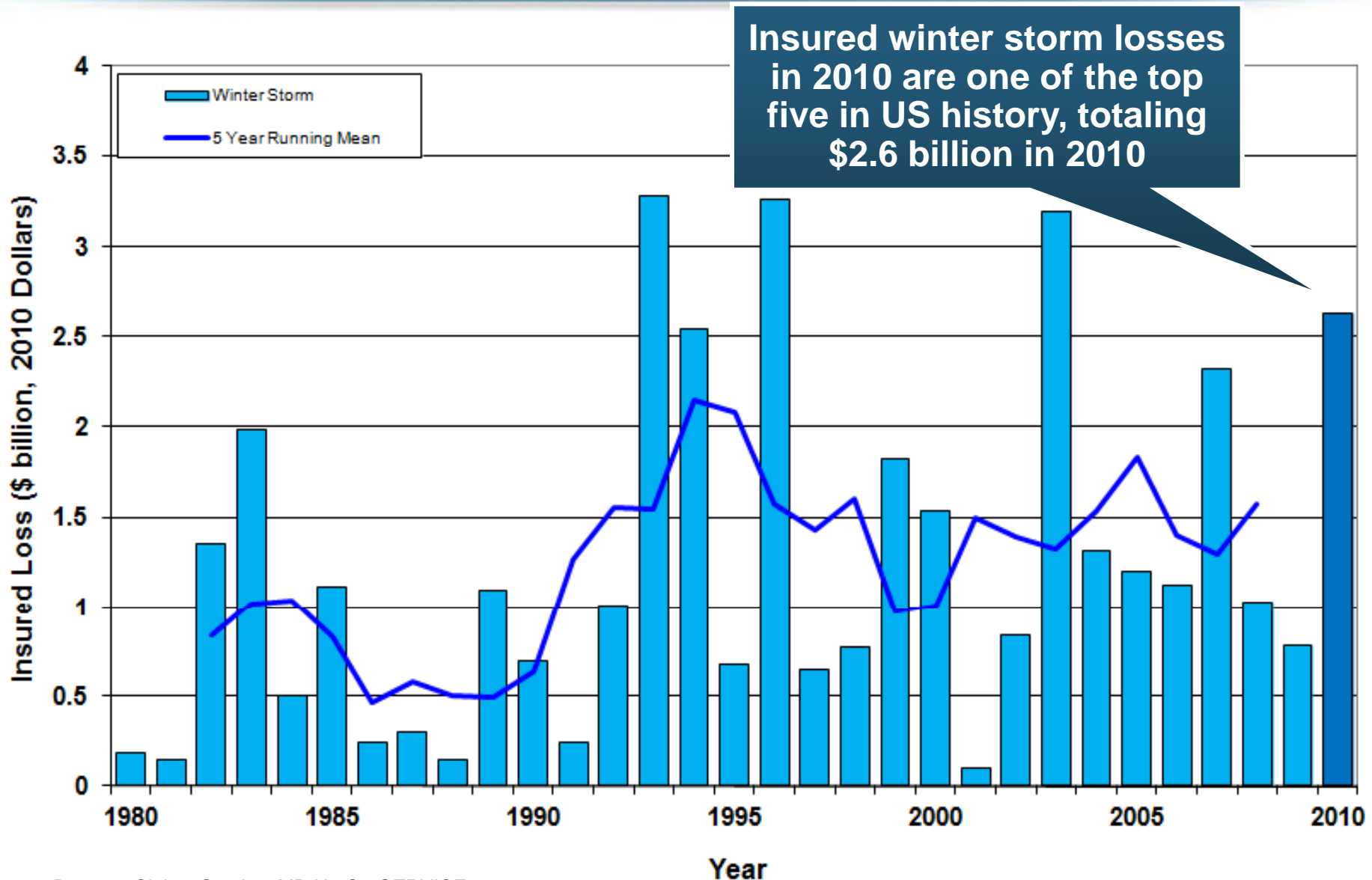


Source: NOAA; Munich Re

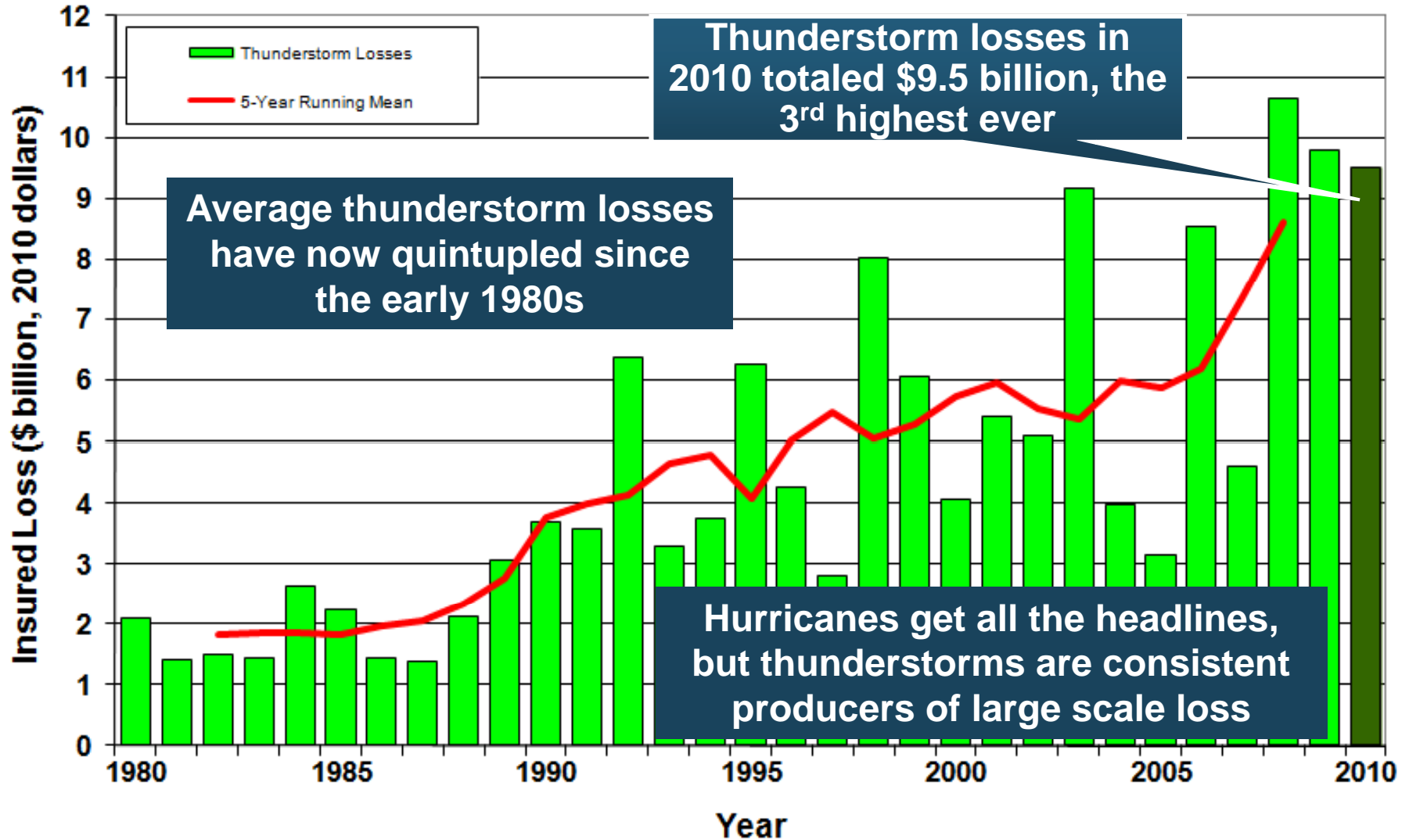
Insured U.S. Tropical Cyclone Losses, 1980 – 2010



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

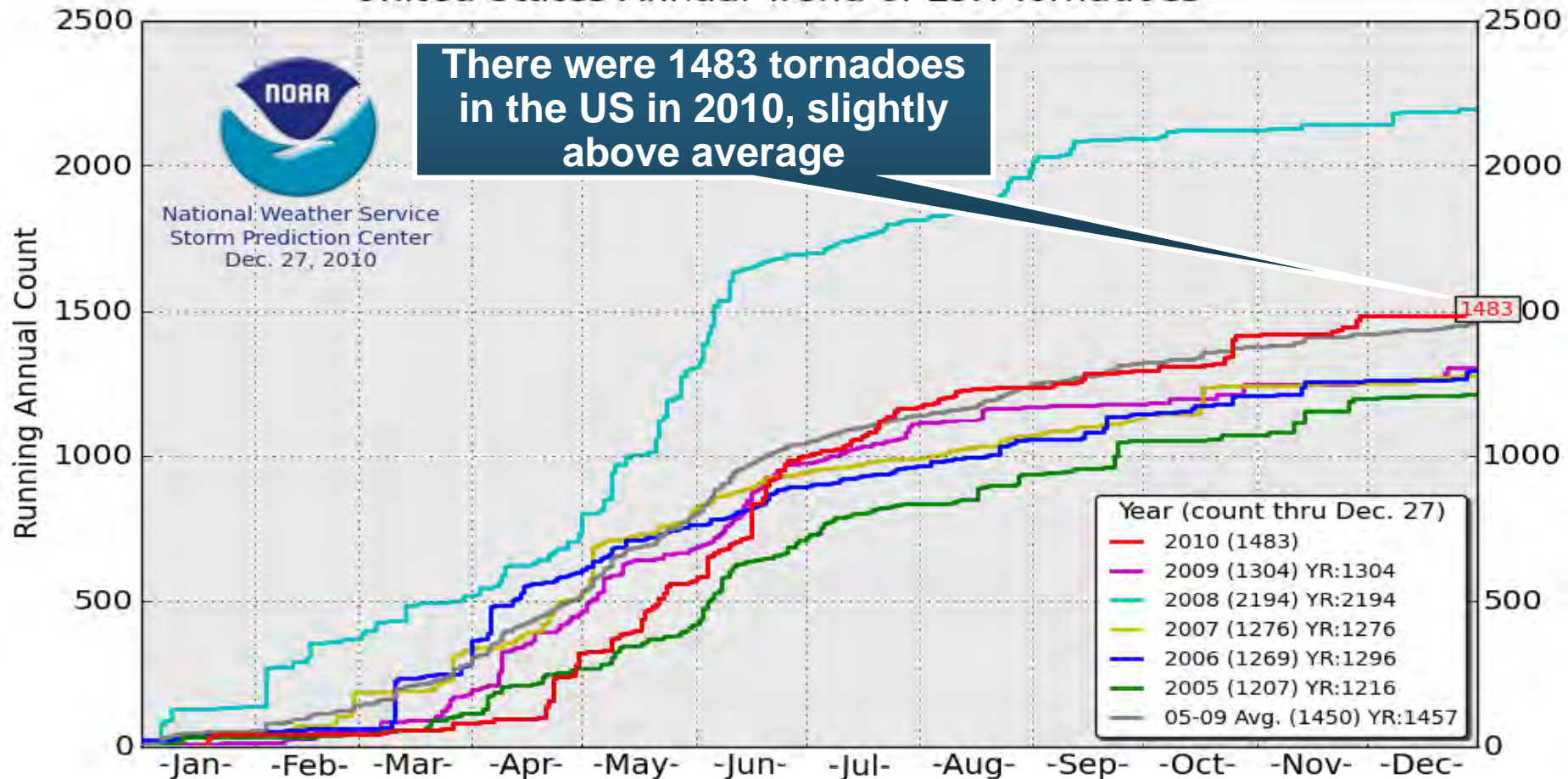


U.S. Thunderstorm Loss Trends, 1980 – 2010 (Annual Totals)



U.S. Tornado Count, 2010

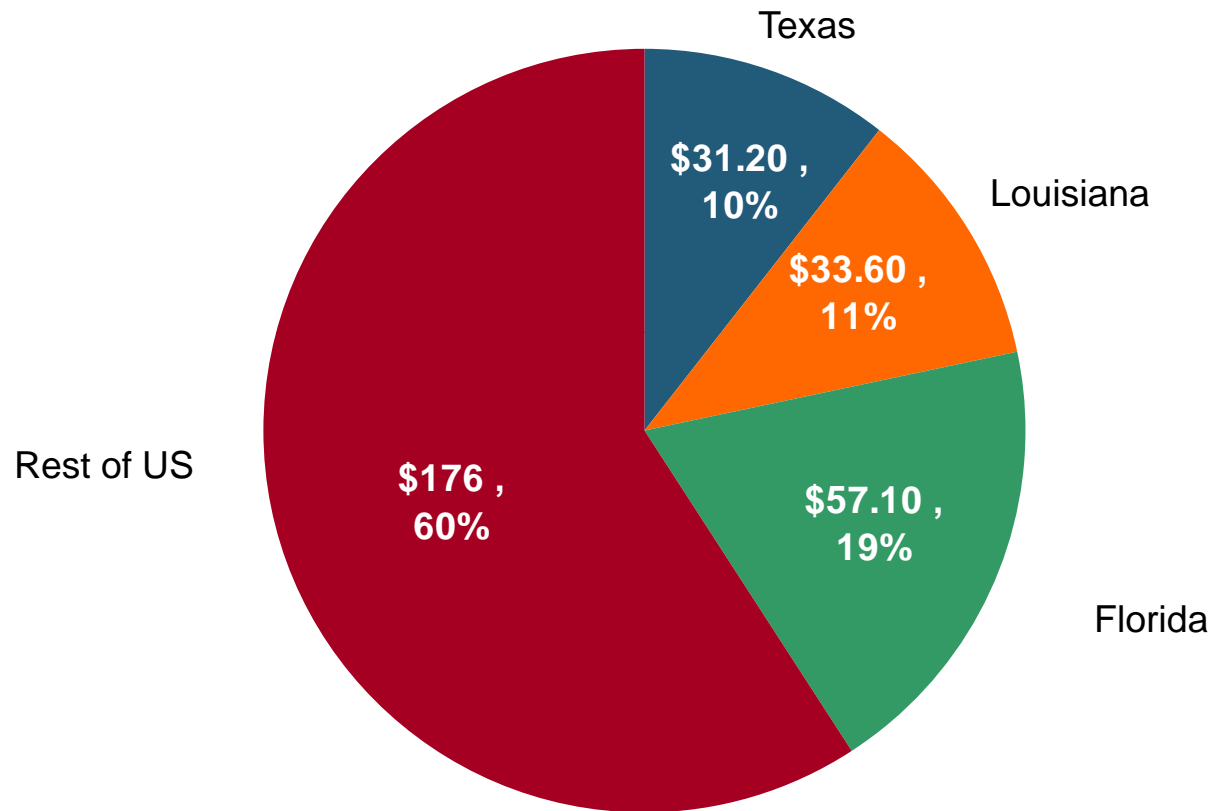
United States Annual Trend of LSR Tornadoes*



*Preliminary tornadoes from NWS Local Storm Reports (LSRs)
Annual average is based on preliminary LSRs, 2005-2009

Distribution of US Insured CAT Losses: TX, FL, LA vs. US, 1980-2008*

(\$ Billions)

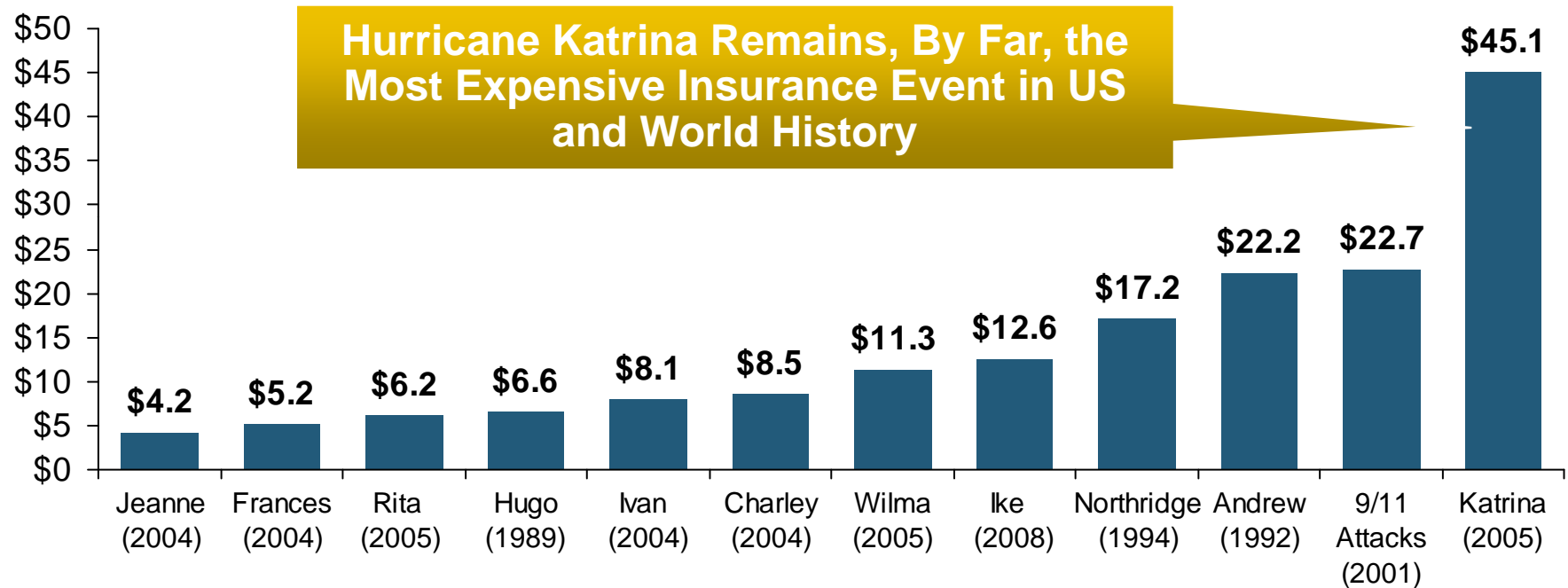


**Texas Accounted for 10% of All US Insured CAT Losses
from 1980-2008: \$57.1B out of \$297.9B**

* All figures (except 2006-2008 loss) have been adjusted to 2005 dollars.
Source: PCS division of ISO.

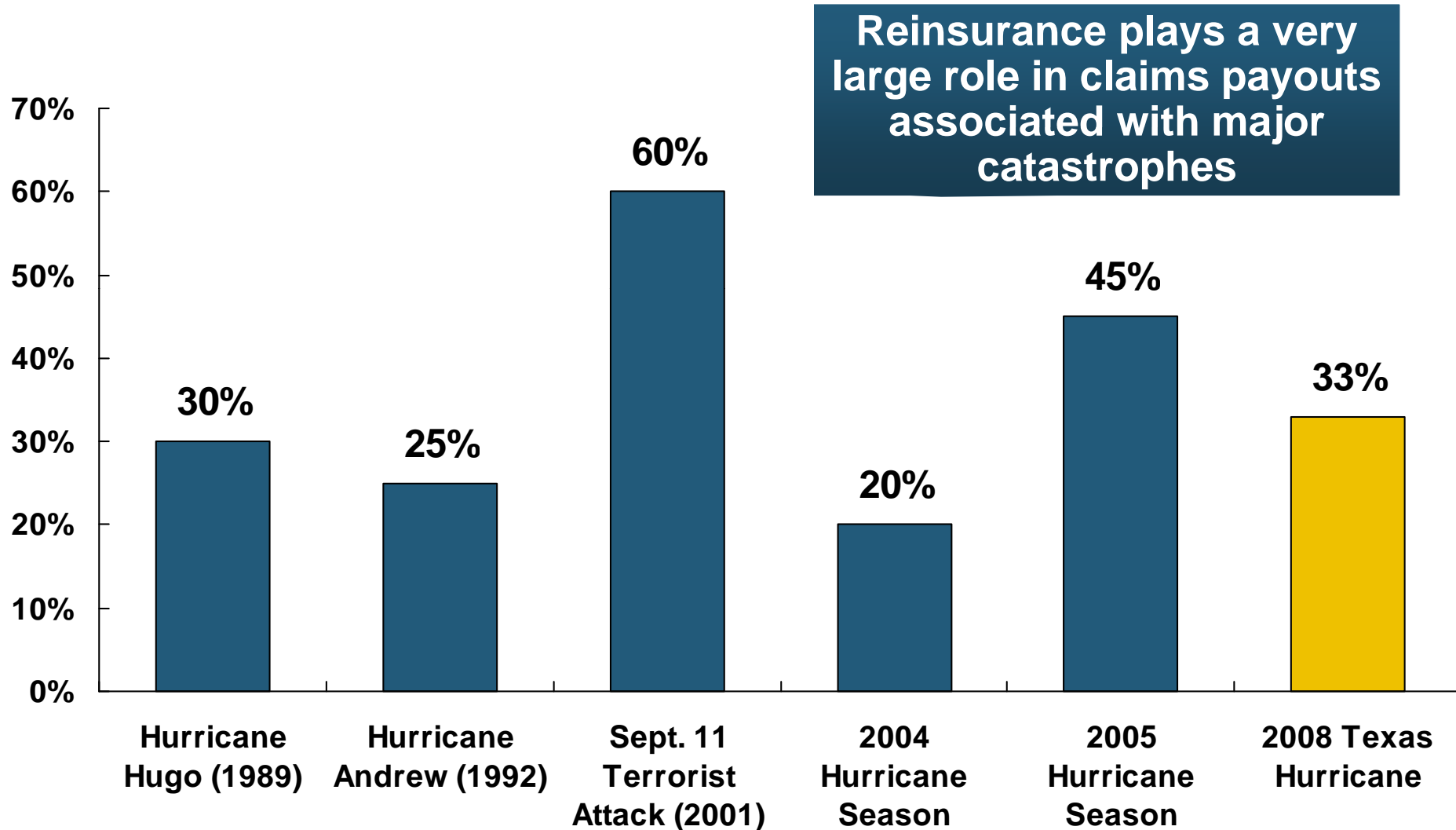
Top 12 Most Costly Disasters in US History

(Insured Losses, 2009, \$ Billions)



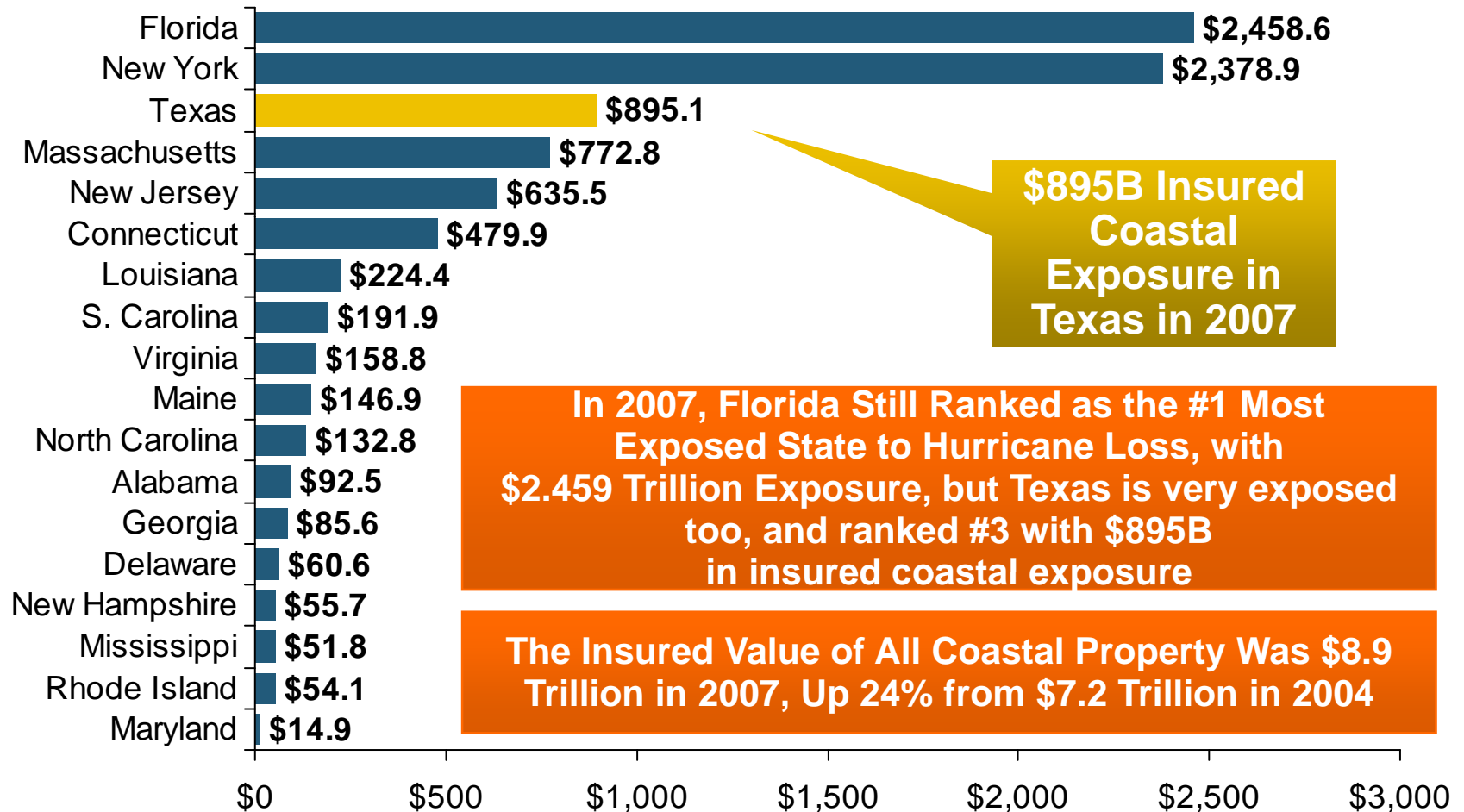
**8 of the 12 Most Expensive Disasters in US History
Have Occurred Since 2004;
8 of the Top 12 Disasters Affected FL**

Share of Losses Paid by Reinsurers for Major Catastrophic Events

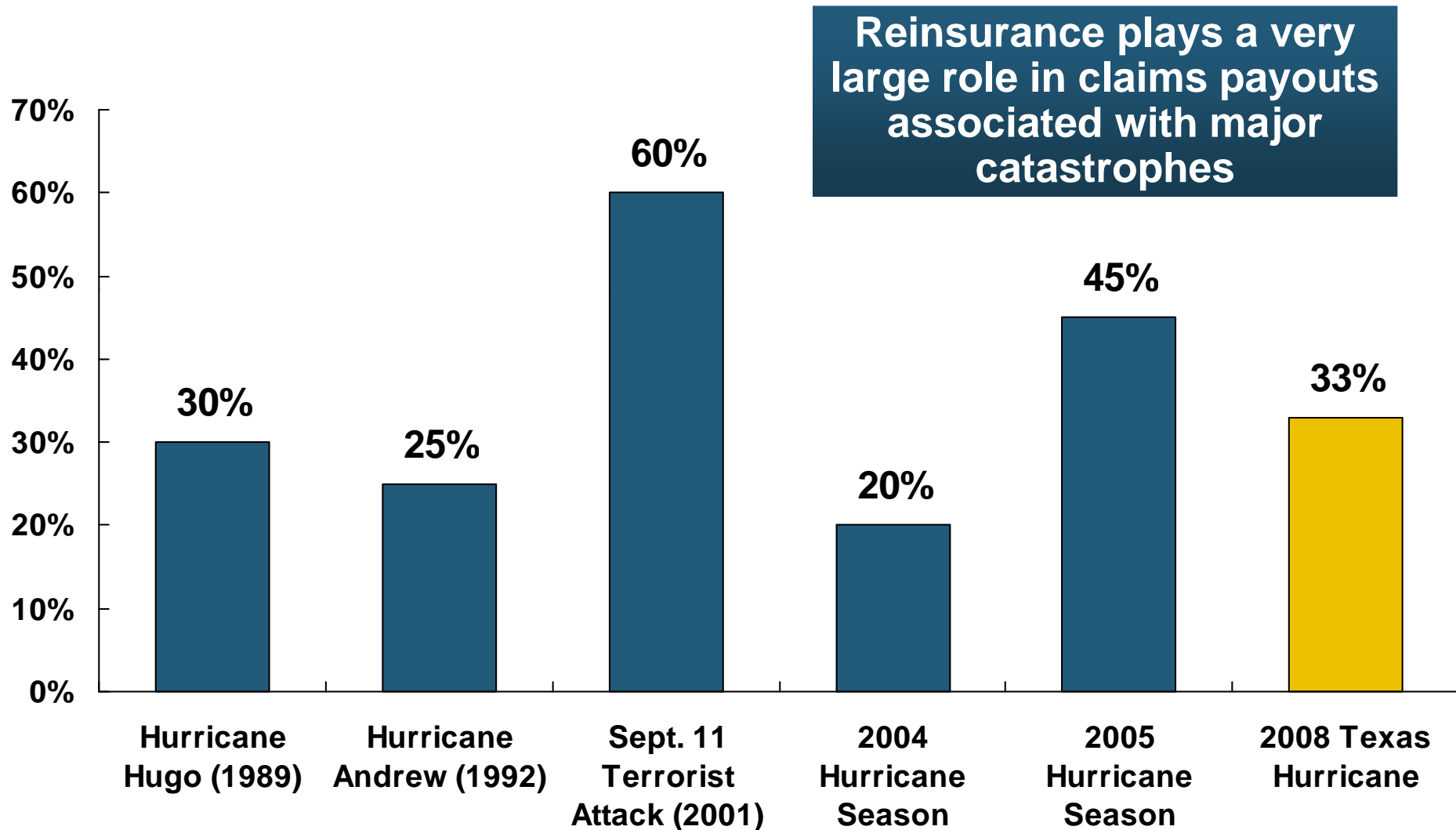


Total Value of Insured Coastal Exposure

(2007, \$ Billions)

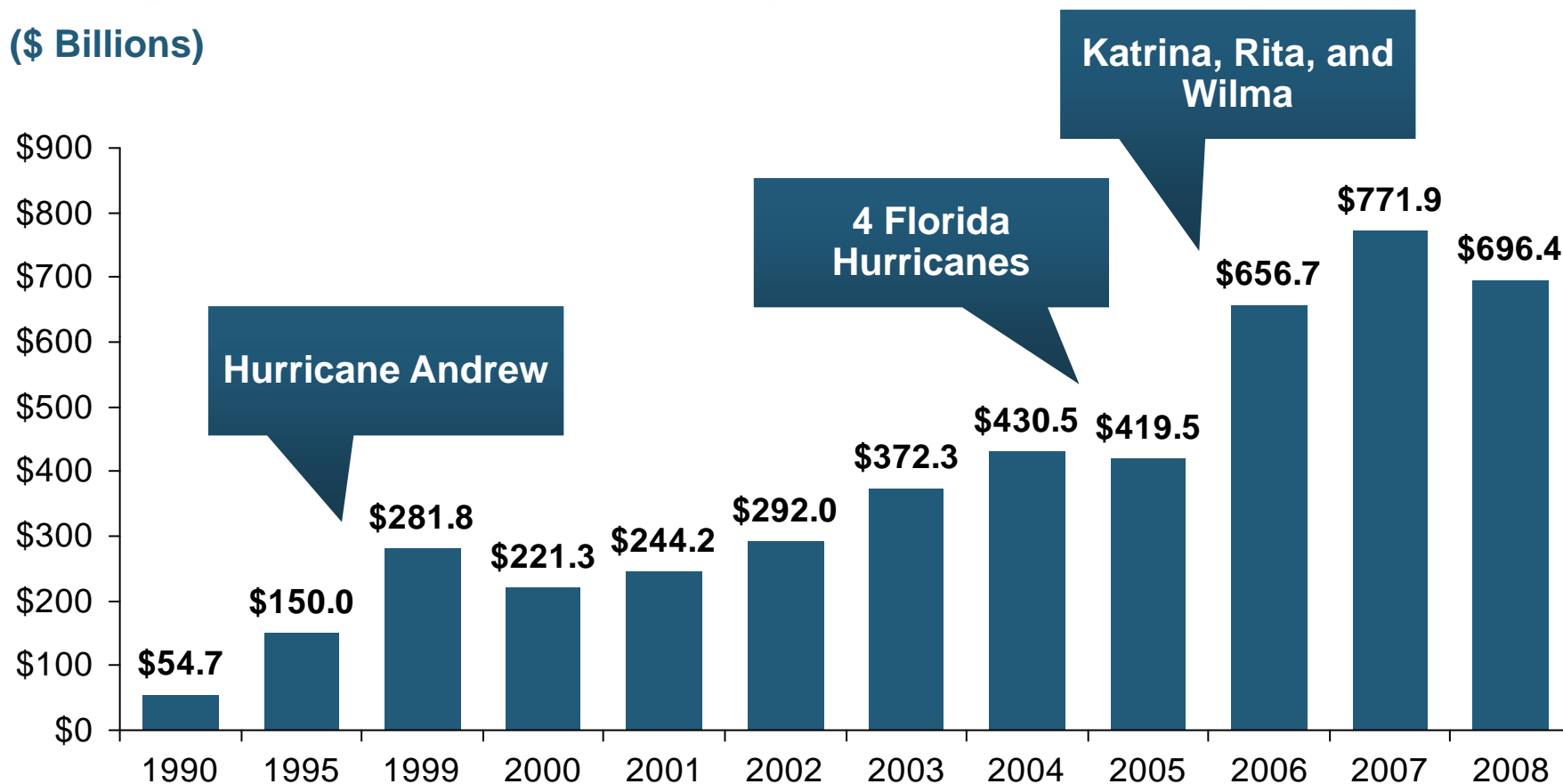


Share of Losses Paid by Reinsurers for Major Catastrophic Events



US Residual Market Exposure to Loss

(\$ Billions)



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

Insurance Information Institute Online:

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and your attention!*

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