



Overview & Outlook for the P/C Insurance Industry: *Washington and Alaska Markets*

IIABW/PIA of Washington/Alaska Joint Conference
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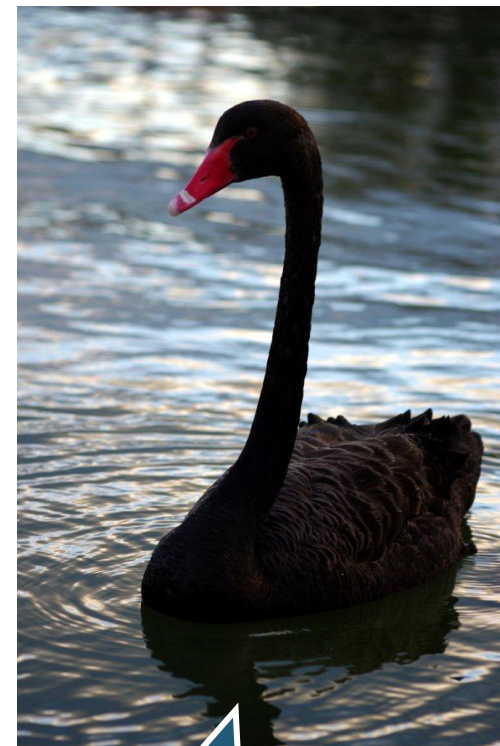
What in the World Is Going On?

**Is the World Becoming a
Riskier Place?**

***What Are the Implications for
Insurance and Risk Management?***

Uncertainty, Risk and Fear Abound

- **Global Economic Slowdown**
- **US Debt and Budget Crisis and S&P Downgrade**
- **Echoes of the Financial Crisis**
- **Housing Crisis**
- **Persistently High Unemployment**
- **European Sovereign Debt, Bank & Currency Crises**
- **Japan, New Zealand, Haiti, Chile Earthquakes**
- **Nuclear Fears**
- **Record Tornado, Flooding in the US, Wildfires**
- **Cyber Attacks**
- **Manmade Disasters (e.g., Deepwater Horizon)**
- **Resurgent Terrorism Risk (e.g., Bin Laden Killing)**
- **Political Upheaval in the Middle East**
- **Inflation/Deflation**
- **Runaway Energy & Commodity Prices**
- **Era of Fiscal Austerity**
- **Reshuffling the Global Economic Deck**
- **China Becomes #2 Economy in the World**



Are “Black Swans”
everywhere or
does it just seem
that way?

Déjà Vu? Lehman II?

Is This 2008 All Over Again?

Why Today is Not 2008 All Over Again

- The Situation Today is Very, Very Different from 2008
- Credit Markets Are Not Seizing; Some Contraction in Europe
- Bank Balance Sheets Are in Much Stronger Shape
 - ◆ Capital up, charge offs falling
- We Will Not Experience the Collapses/Near Collapses Like in 2008
 - ◆ No repeat of Lehman, AIG, Washington Mutual, Wachovia, Countrywide Financial
- Some Additional Regulatory Controls Are Now Place

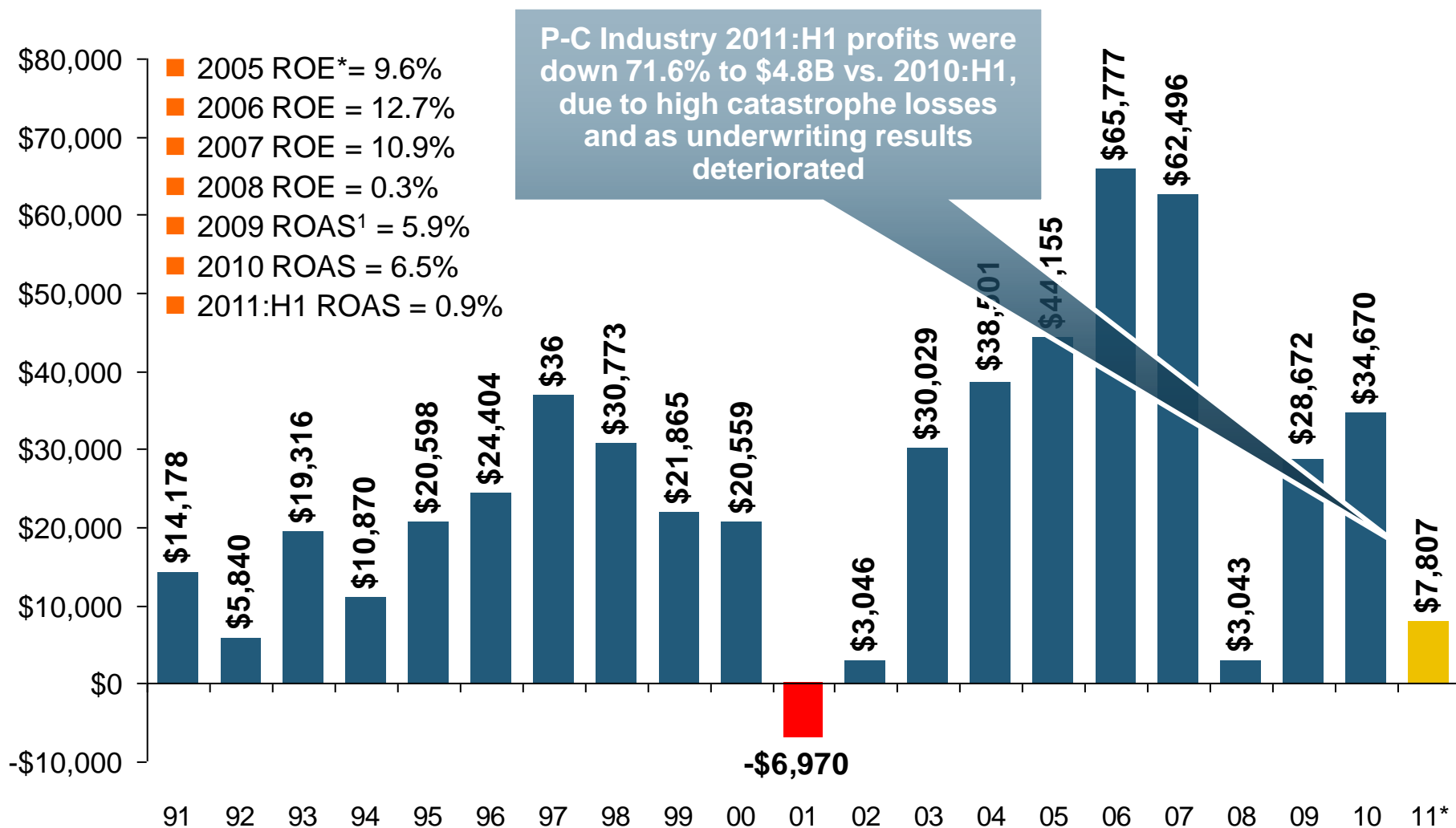
What Would Be Helpful Now?

- Long-Term Fiscal and Monetary Policy Direction
- Fed on Aug. 9 stated rates would remain low “*at least through mid-2013*”
 - ◆ This is not only a signal that borrowing costs will remain low over an extended period of time and that inflation will remain muted; Also tells investors that they’ll need to take on risk in order to earn returns in the market. Should be bullish for stocks.
 - ◆ Congress and the Administration need to remove regulatory and tax uncertainty ASAP and drive a pro-growth agenda

P/C Insurance Industry Financial Overview

**Profit Recovery Will Be Set
Back by High CATs, Low
Interest Rates, Diminishing
Reserve Releases**

P/C Net Income After Taxes 1991–2011:H1 (\$ Millions)

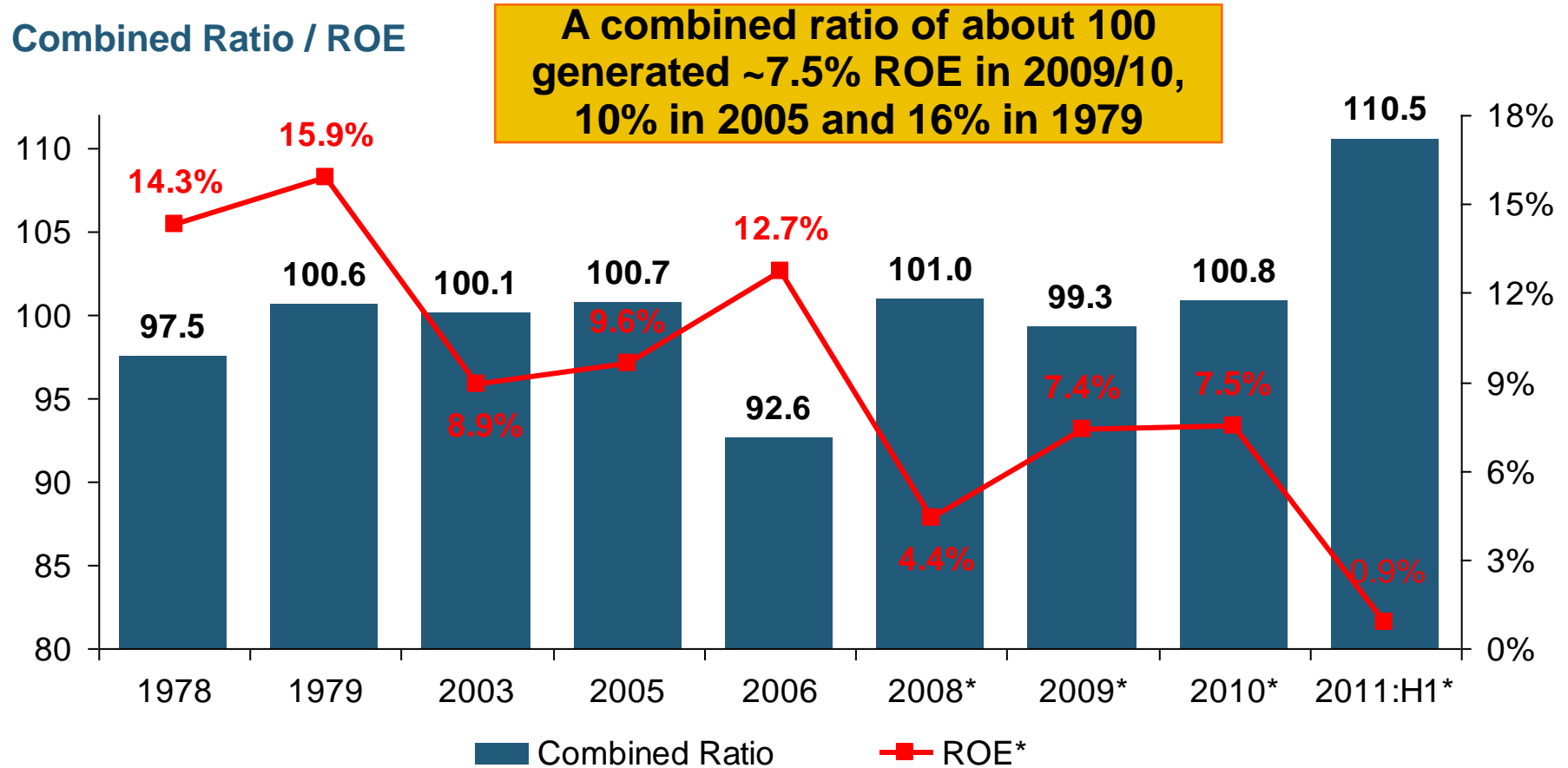


* ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 6.5% ROAS for 2011:Q1, 7.5% for 2010 and 7.4% for 2009.

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

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

Combined Ratio / ROE

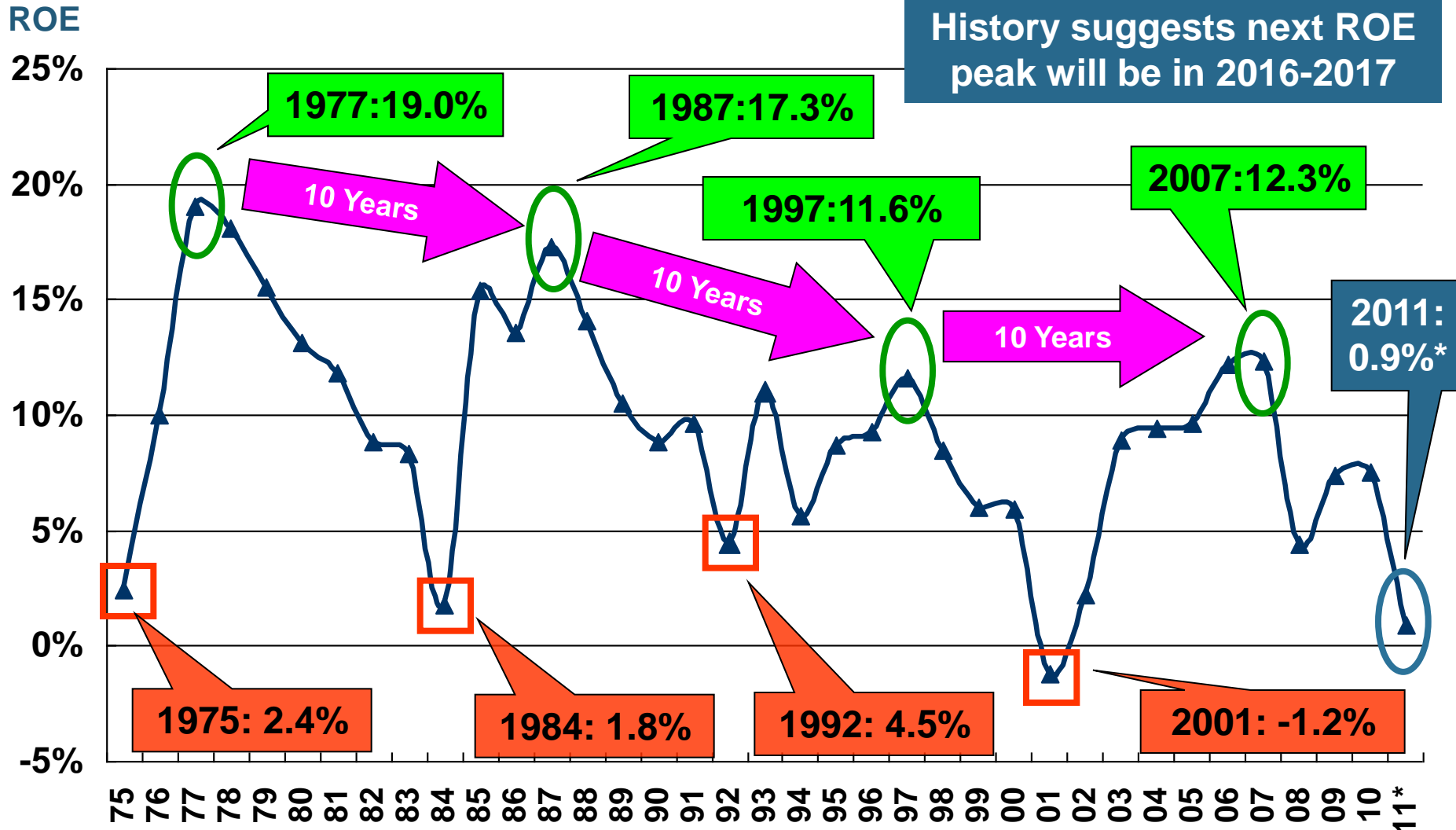


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2009 and 2010 figures are return on average statutory surplus. 2008 -2010 figures exclude mortgage and financial guaranty insurers. 2011 figure is estimate through first half.

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 an estimate based on annualized ROAS for H1 data.

Note: Data for 2008-2010 exclude mortgage and financial guaranty insurers.

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



Profitability and Growth in the Washington and Alaska P/C Insurance Markets

Analysis by Line and Nearby State Comparisons

RNW All Lines: WA & AK vs. U.S., 2000-2009

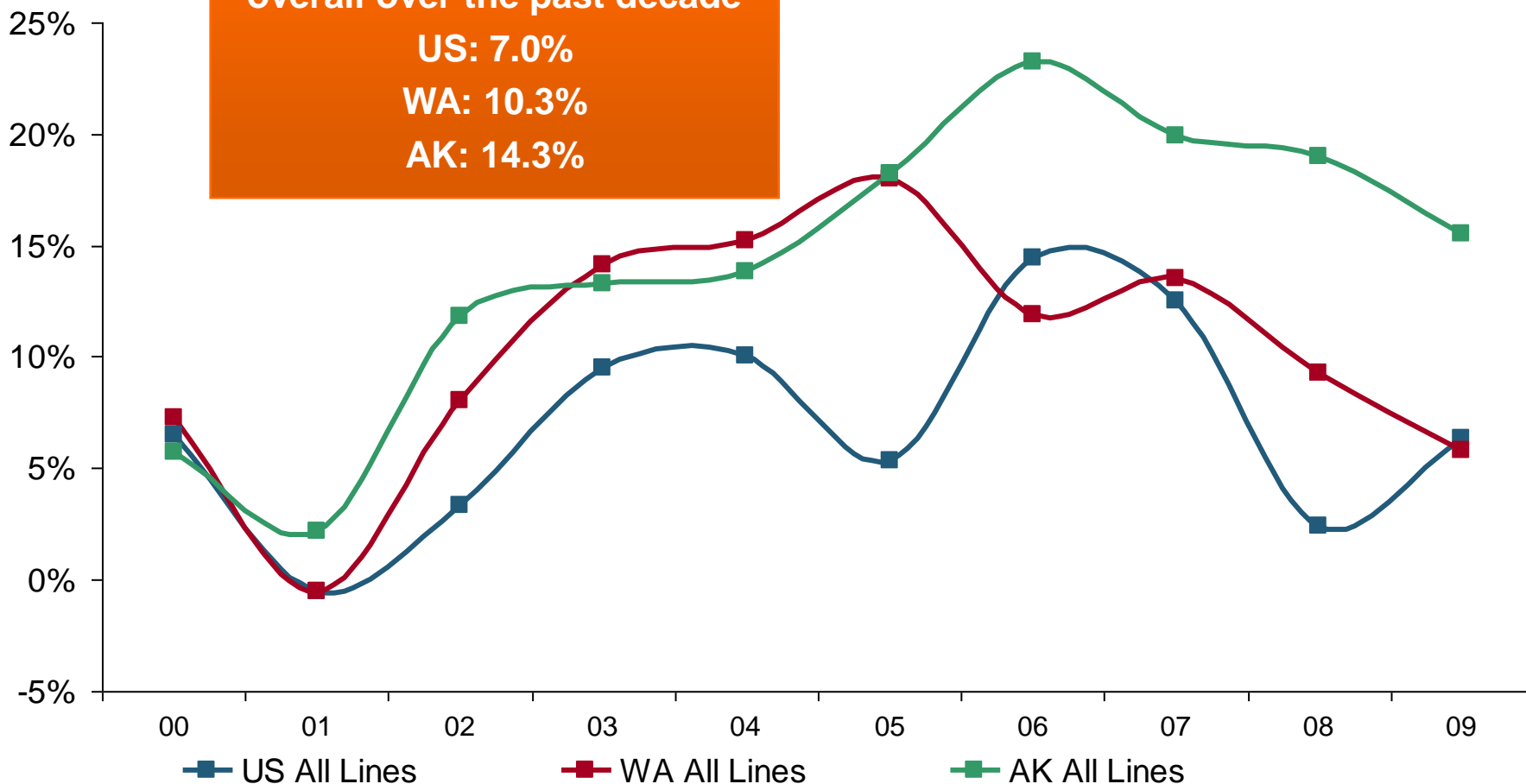
(Percent)

P/C Insurer profitability in WA & AK is above that of the US overall over the past decade

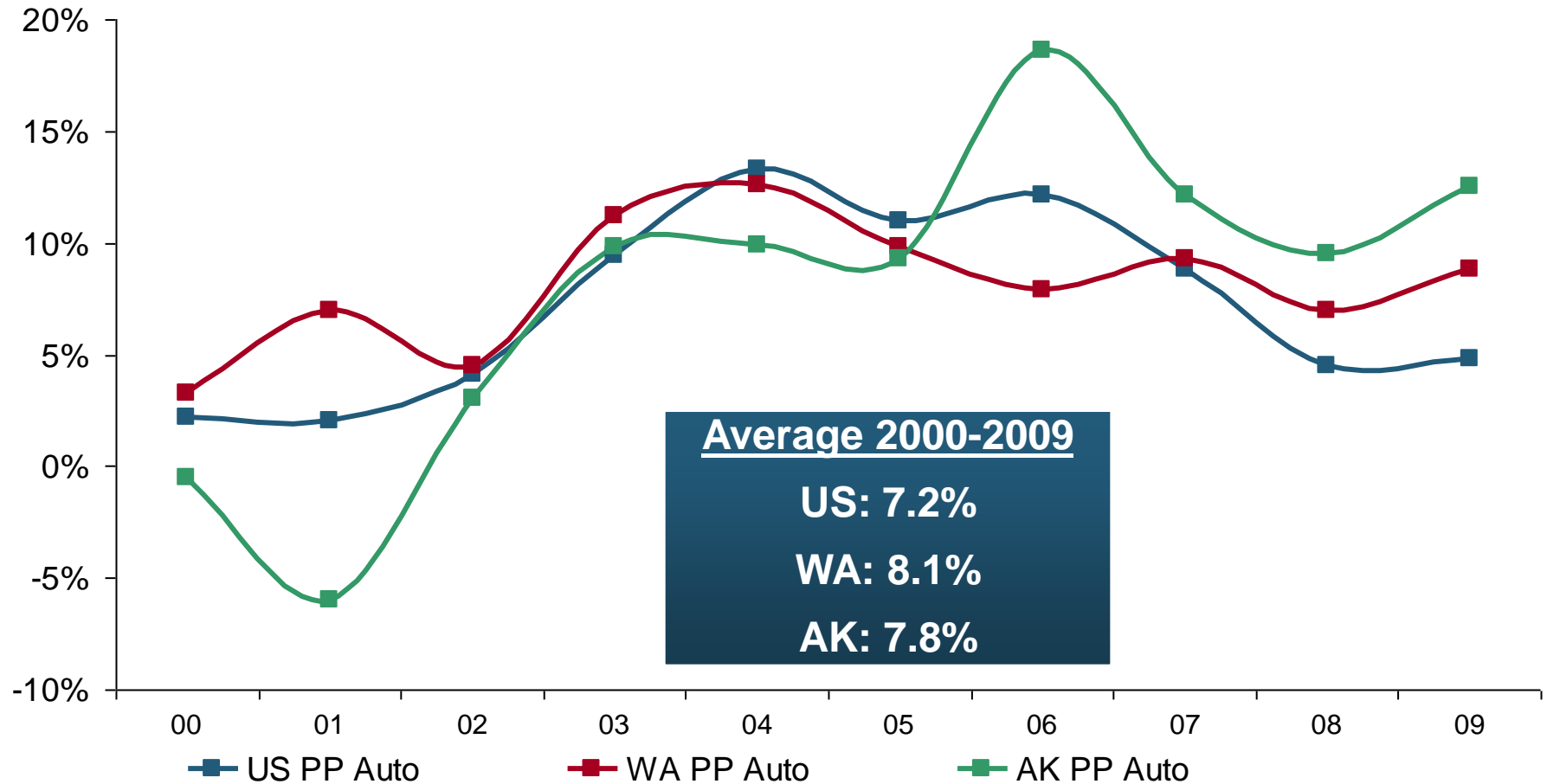
US: 7.0%

WA: 10.3%

AK: 14.3%

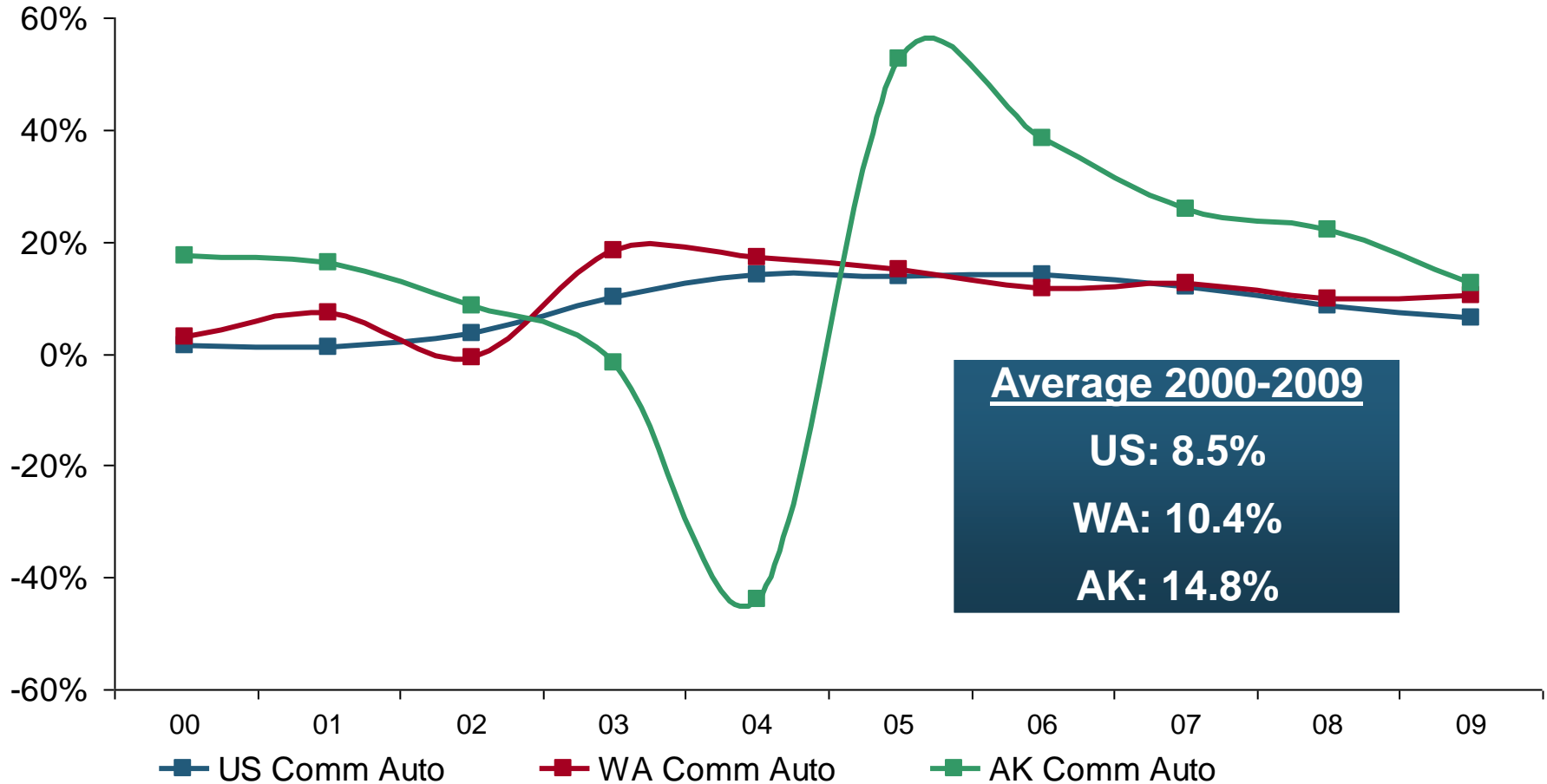


RNW PP Auto: WA & AK vs. U.S., 2000-2009



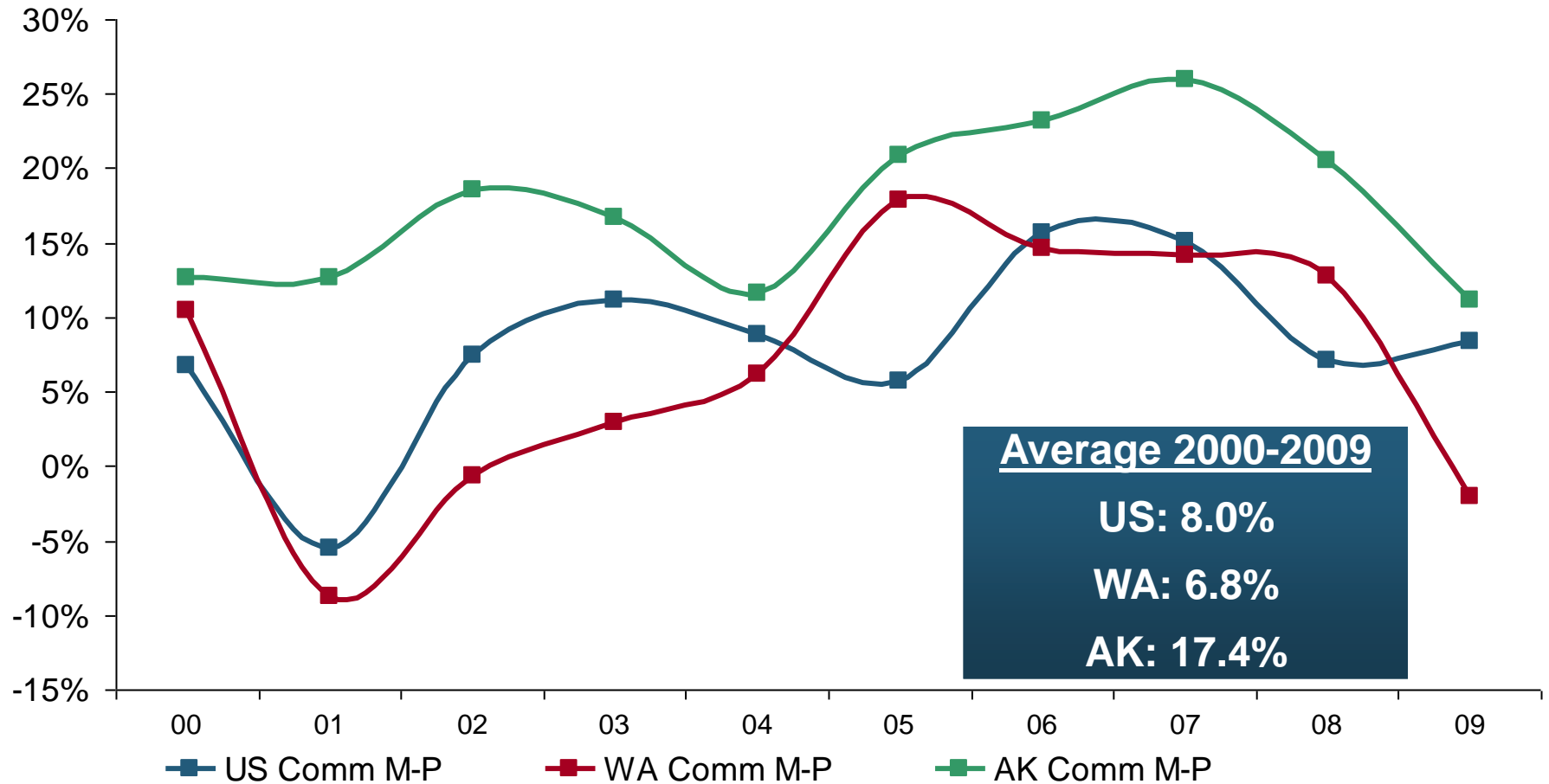
RNW Comm. Auto: WA & AK vs. U.S., 2000-2009

(Percent)



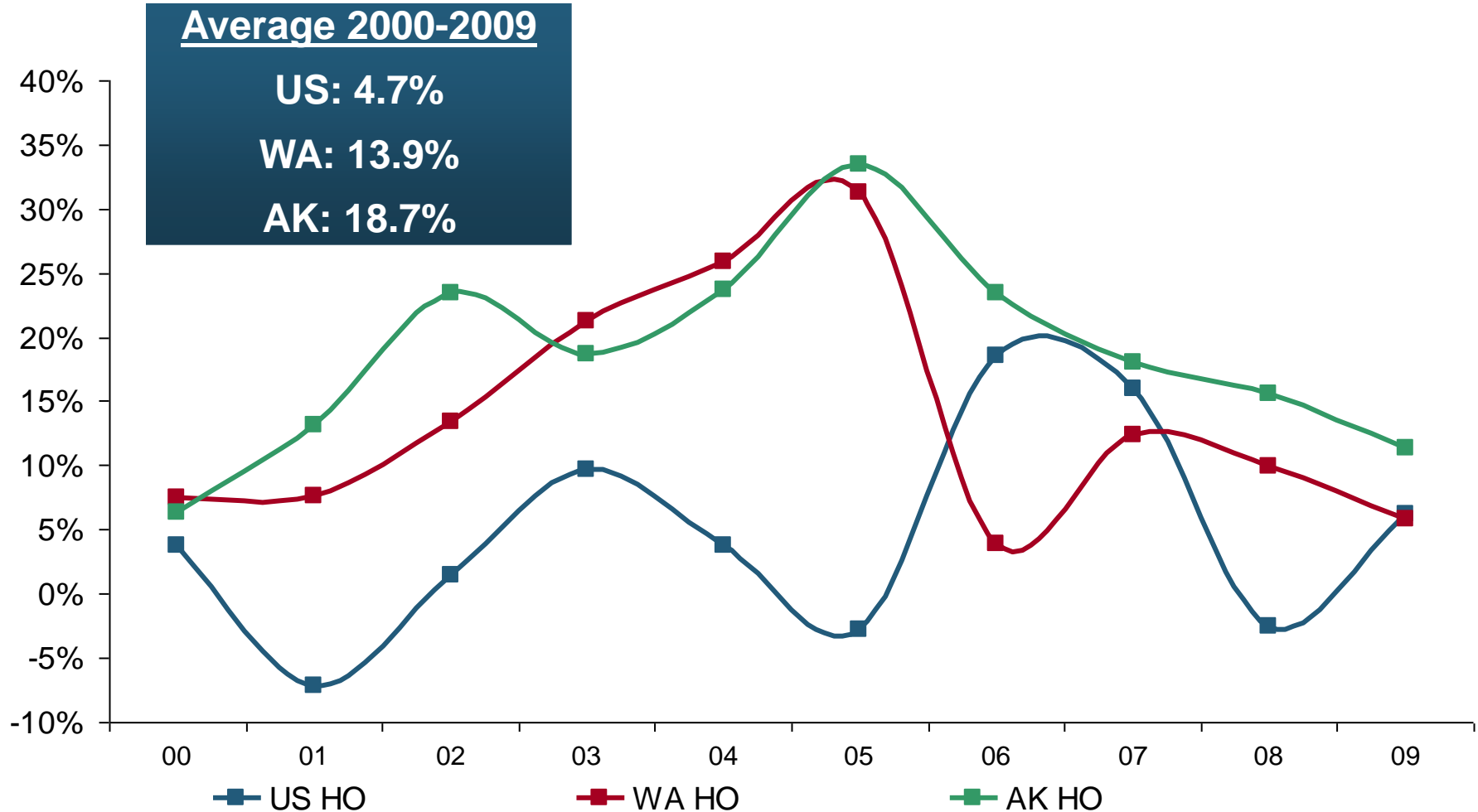
RNW Comm. Multi-Peril: WA & AK vs. U.S., 2000-2009

(Percent)



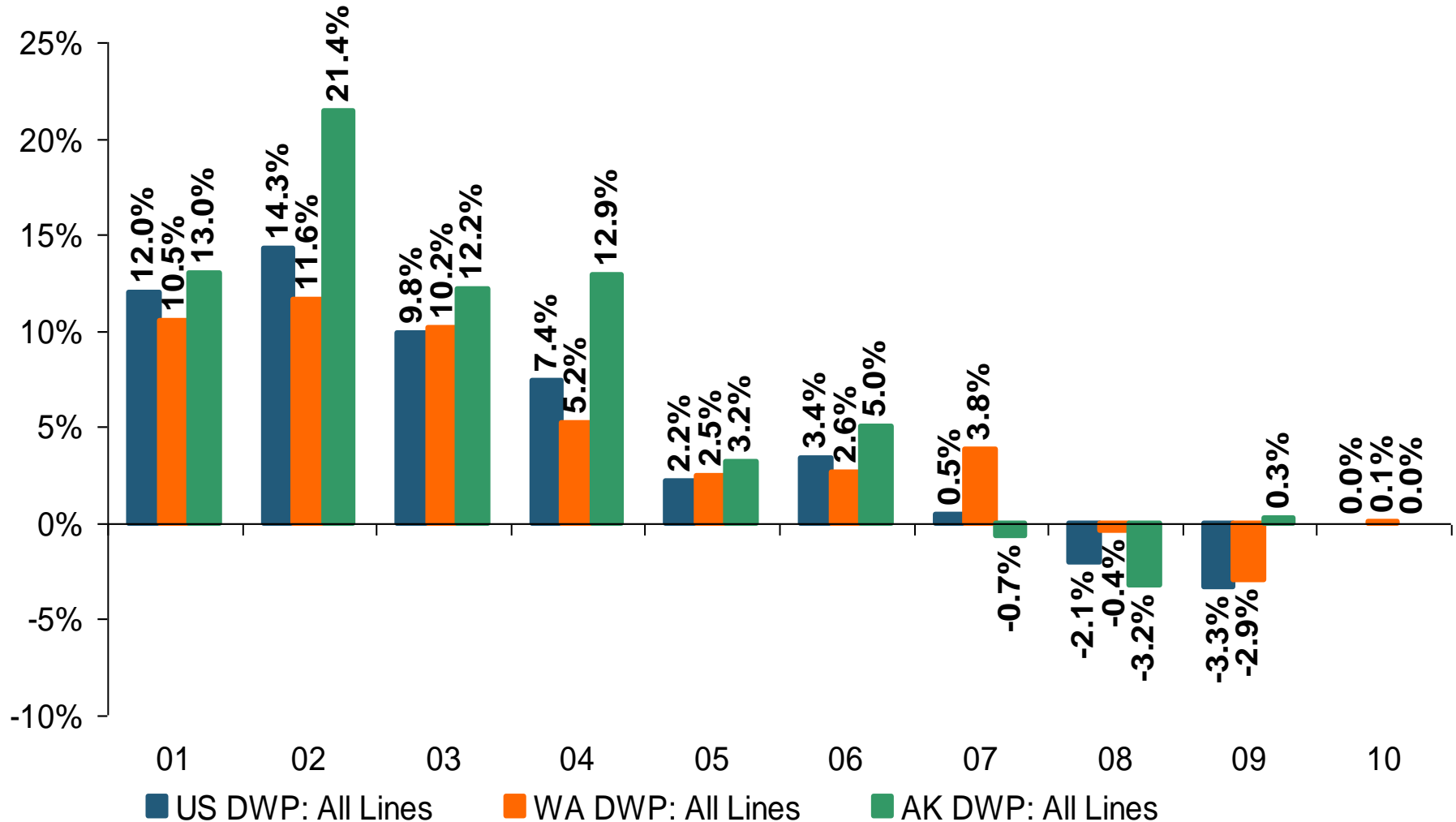
RNW Homeowners: WA & AK vs. U.S., 2000-2009

(Percent)



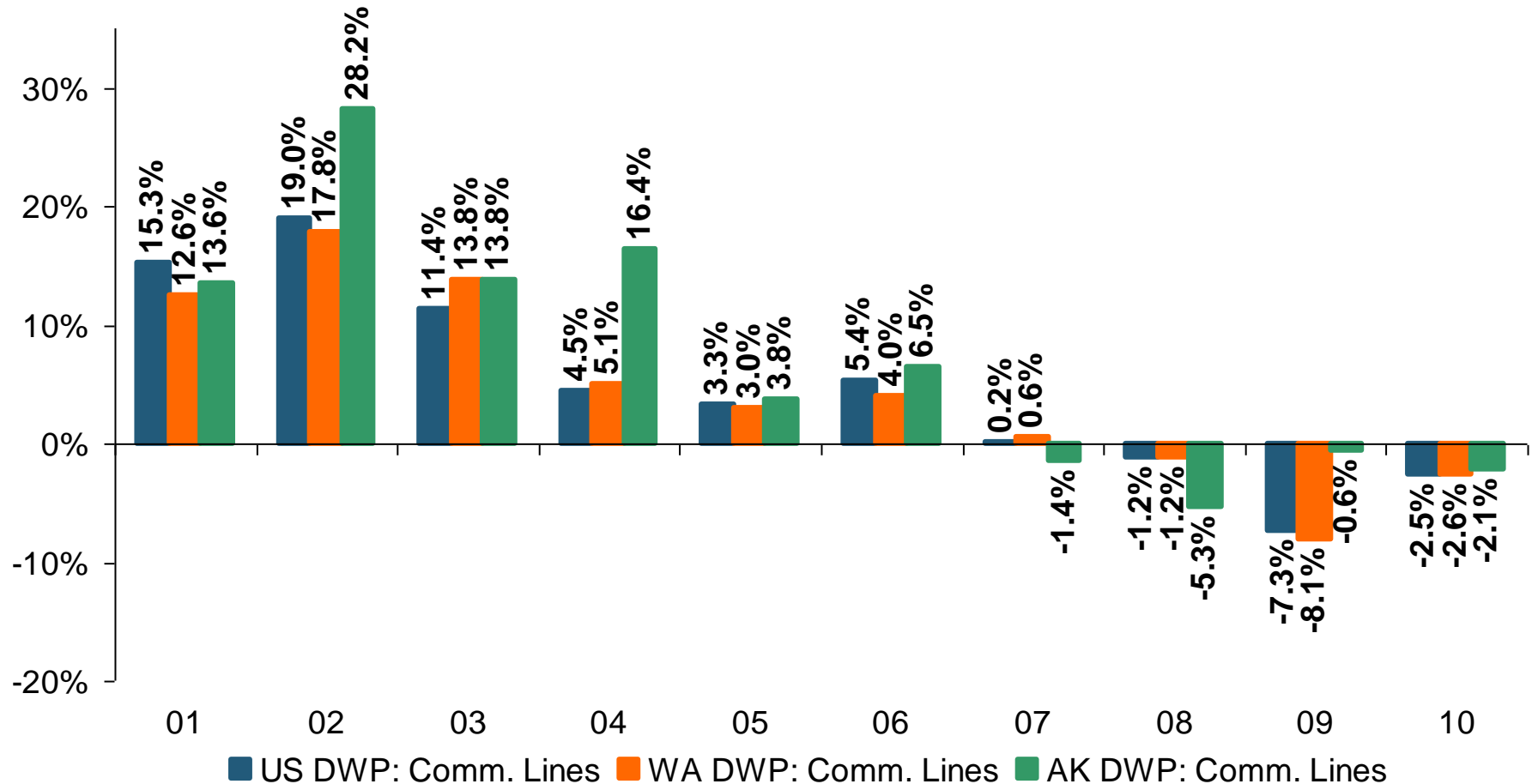
All Lines DWP Growth: WA & AK vs. U.S., 2001-2010

(Percent)



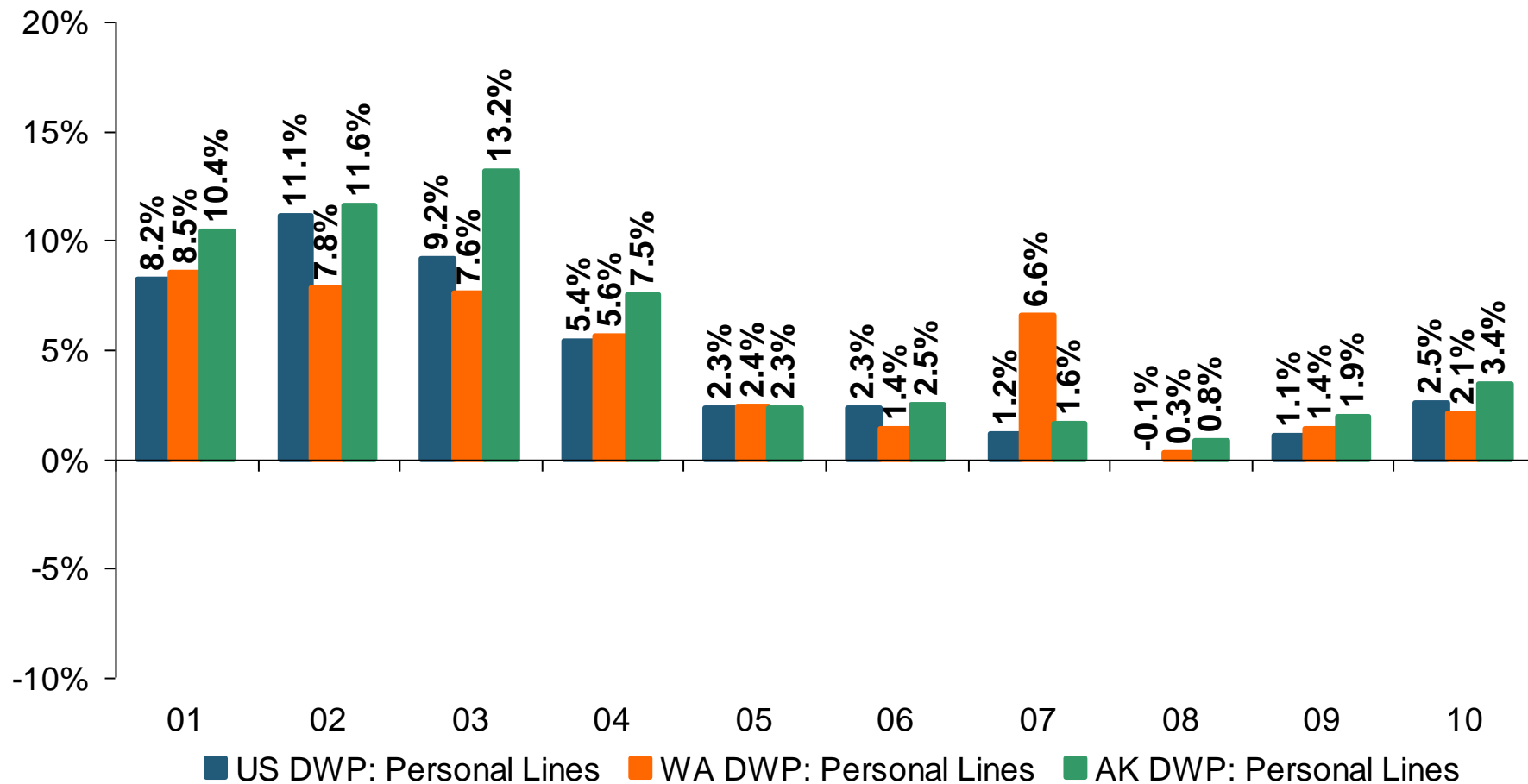
Comm. Lines DWP Growth: WA & AK vs. U.S., 2001-2010

(Percent)



Personal Lines DWP Growth: WA & AK vs. U.S., 2001-2010

(Percent)





Catastrophe Loss Developments and Trends

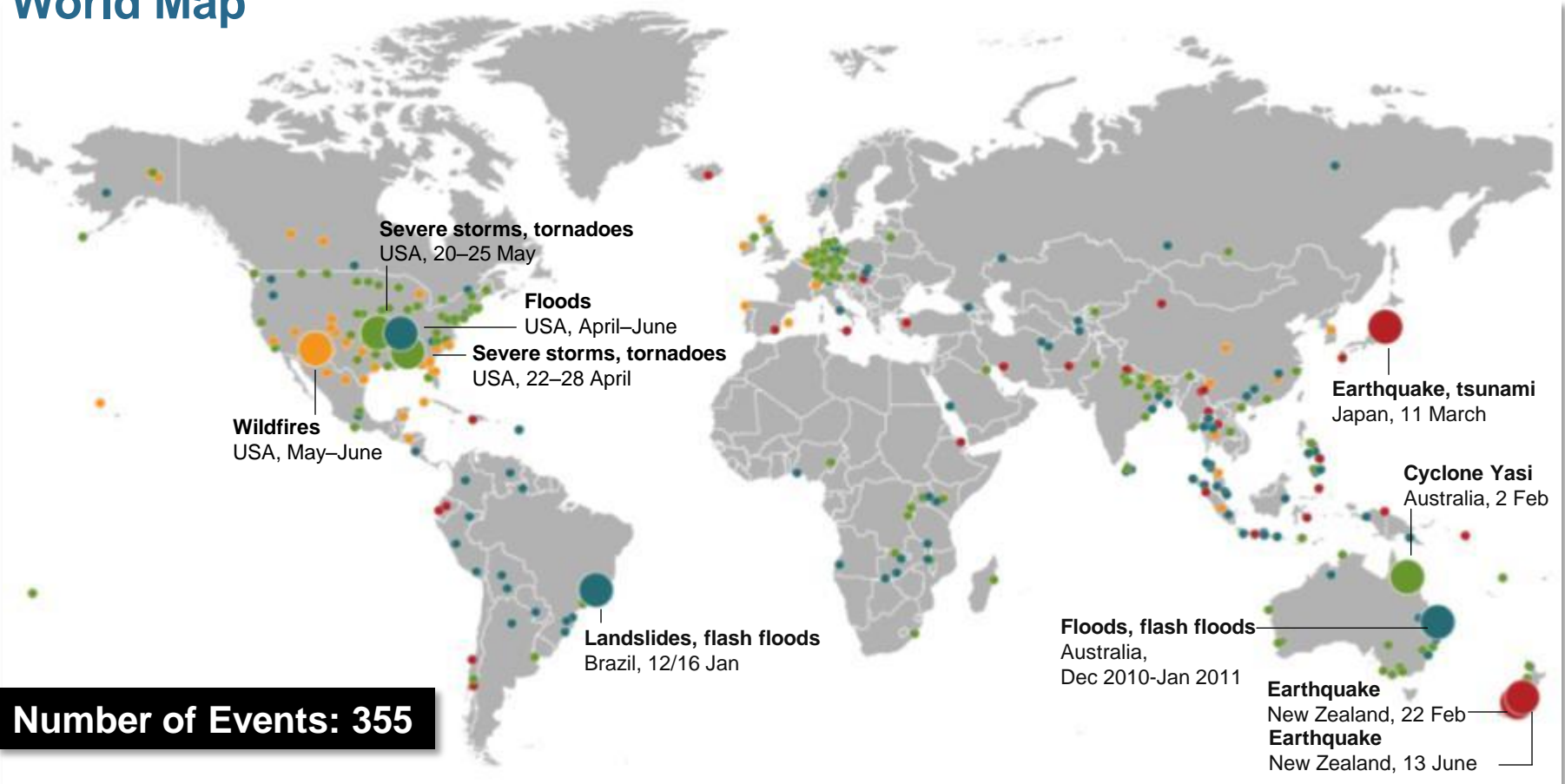
**2011 and 2010 Are Rewriting
Catastrophe Loss and
Insurance History**

Global Catastrophe Loss Summary: First Half 2011

- **2011 Is Already (as of June 30) the *Highest* Loss Year on Record Globally**
 - ◆ Extraordinary accumulation of severe natural catastrophe: Earthquakes, tsunami, floods and tornadoes are the primary causes of loss
- **\$260 Billion in *Economic* Losses Globally**
 - ◆ New record for the first six months, exceeding the previous record of \$220B in 2005
 - ◆ Economy is more resilient than most pundits presume
- **\$55 Billion in *Insured* Losses Globally**
 - ◆ More than double the first half 2010 amount
 - ◆ Over 4 times the 10-year average
- **\$27 Billion in *Economic* Losses in the US**
 - ◆ Represents a 129% increase over the \$11.8 billion amount through the first half of 2010
- **\$17.3 Billion in *Insured* Losses in the US Arising from 100 CAT Events**
 - ◆ Represents a 162% increase over the \$6.6 billion amount through the first half of 2010

Natural Loss Events, January – June 2011

World Map

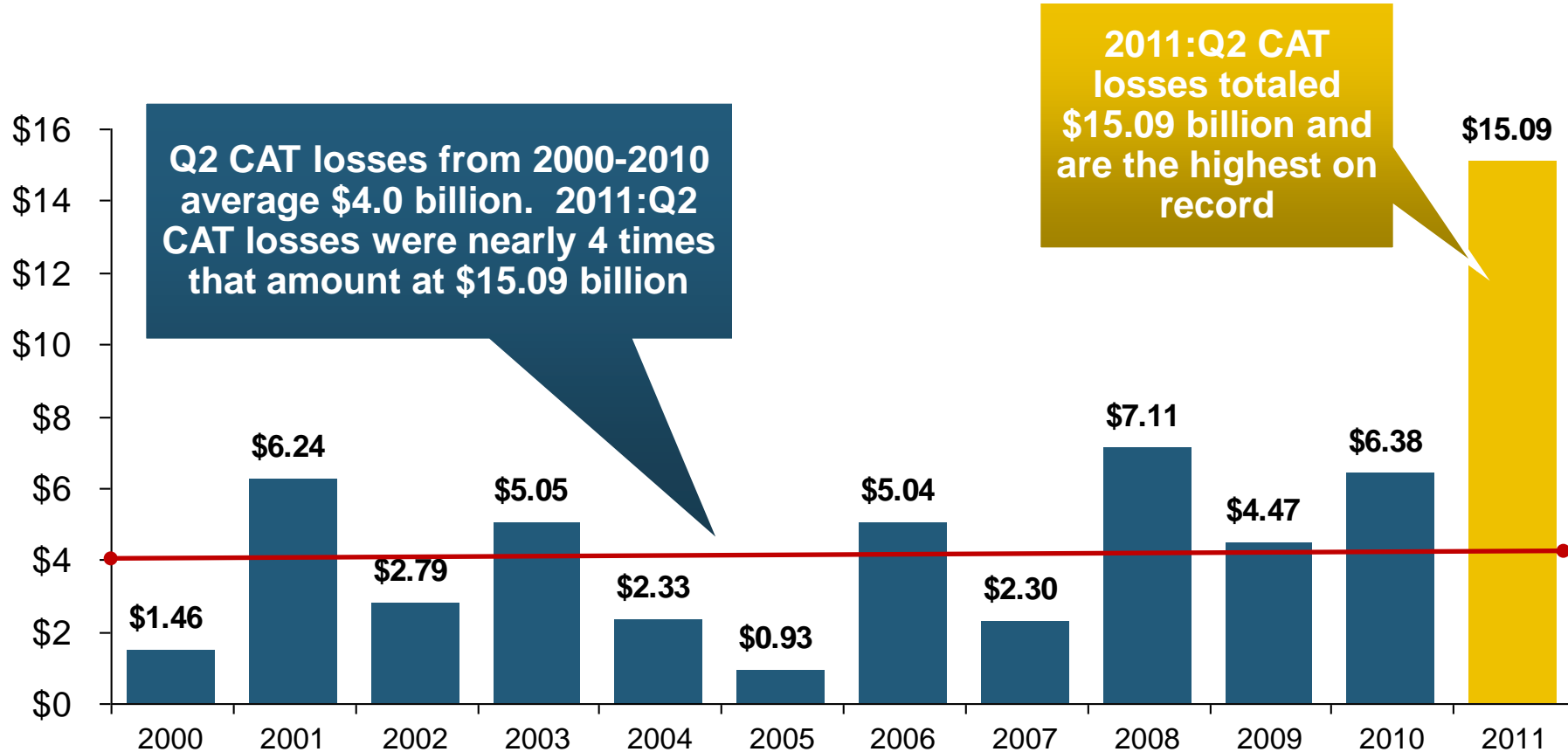


Number of Events: 355

○ Natural catastrophes	● Geophysical events (earthquake, tsunami, volcanic activity)	● Hydrological events (flood, mass movement)
○ Selection of significant loss events (see table)	● Meteorological events (storm)	● Climatological events (extreme temperature, drought, wildfire)

US Second Quarter Insured Catastrophe Losses, 2000–2011

\$ Billions



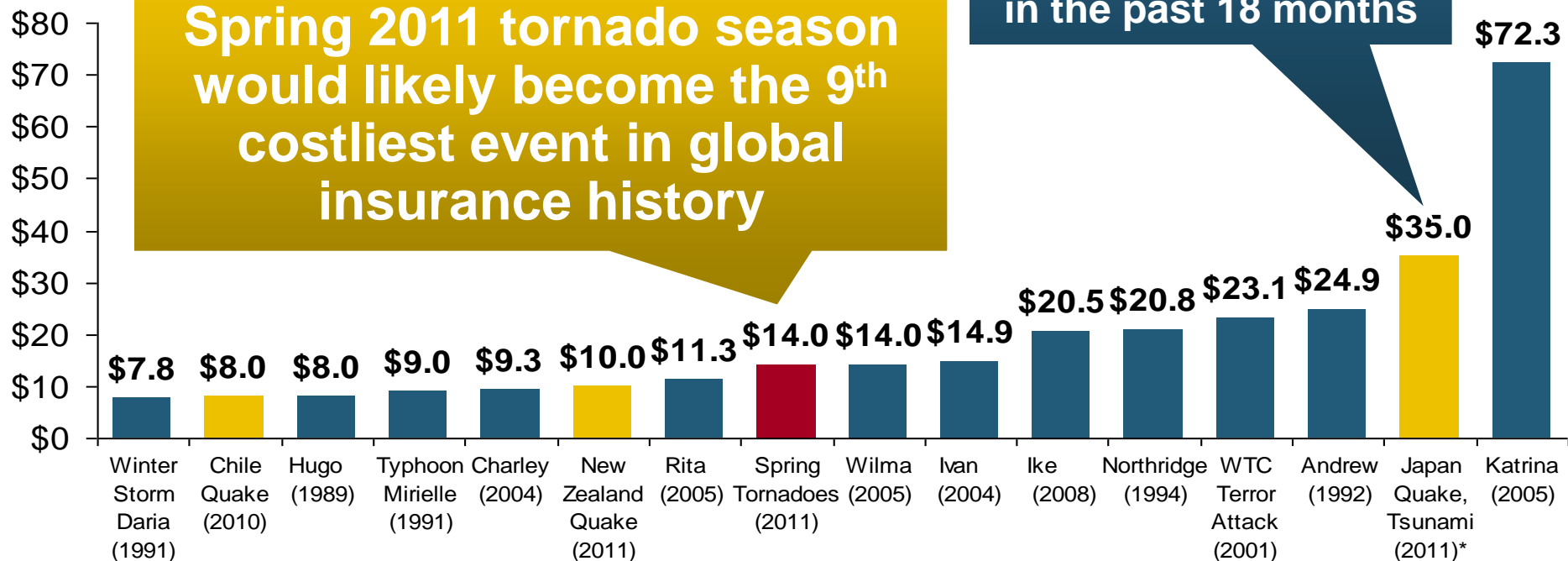
Record Q2 (and First Half) CAT Losses Will Adversely Impact Insurer Results in 2011

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

(Insured Losses, 2010 Dollars, \$ Billions)

Taken as a single event, the Spring 2011 tornado season would likely become the 9th costliest event in global insurance history

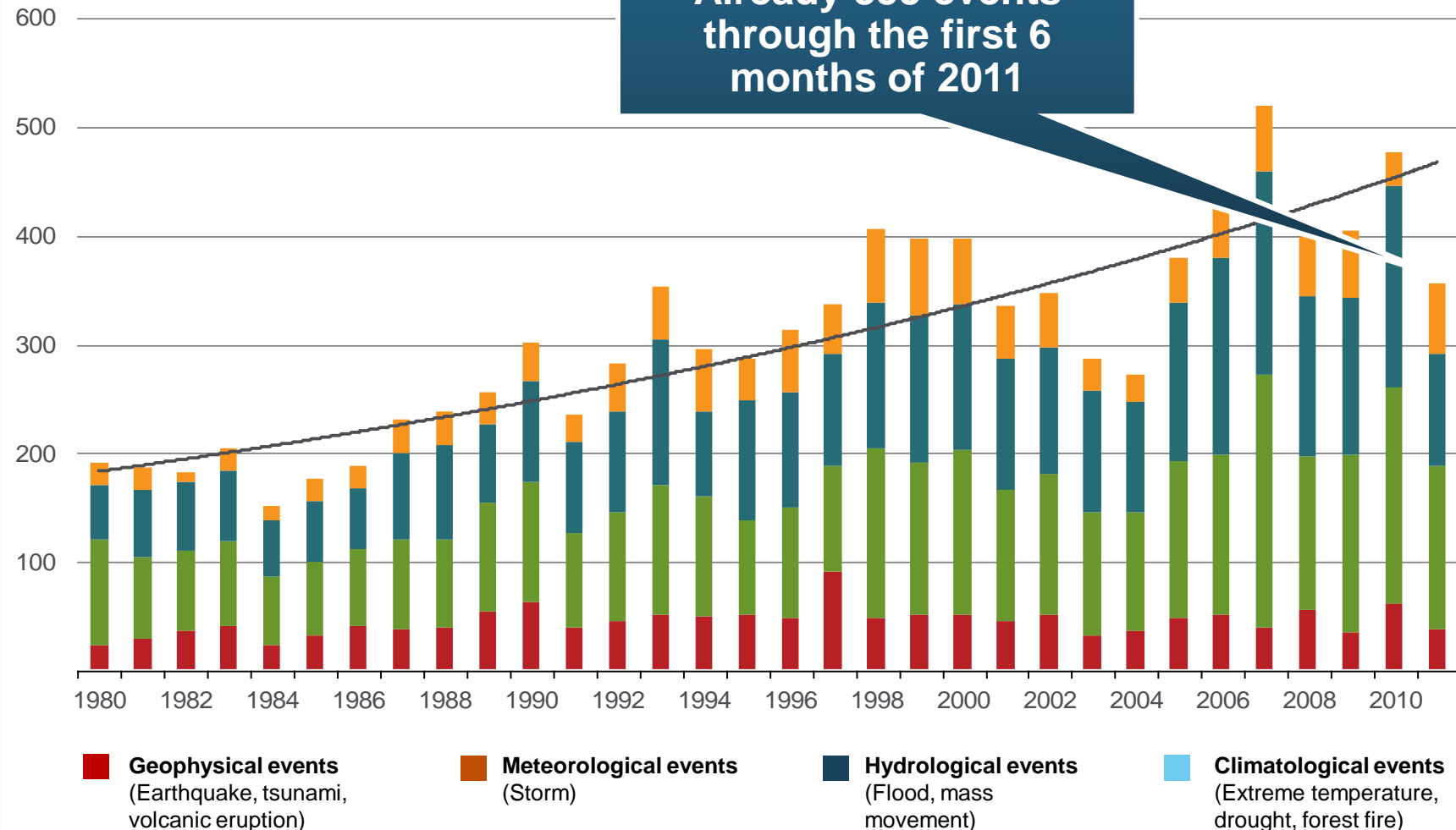
3 of the top 15 most expensive catastrophes in world history have occurred in the past 18 months



*Through June 20, 2011. 2011 disaster figures are estimates; Figures include federally insured flood losses, where applicable. Sources: Swiss Re *sigma* 1/2011; AIR Worldwide, RMS, Eqecat; Insurance Information Institute.

Worldwide Natural Disasters, 1980 – 2011*

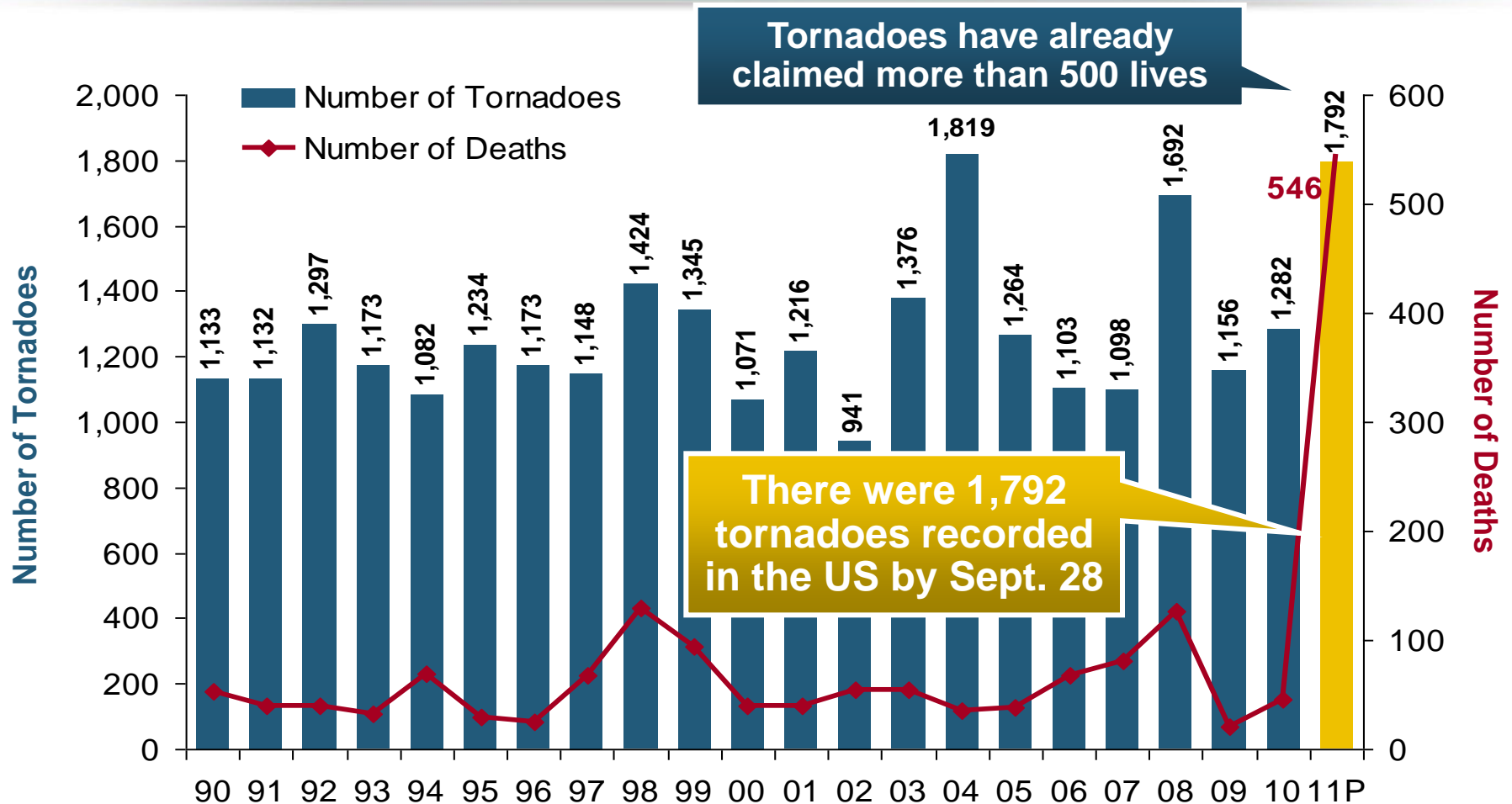
Number of Events



*2011 figure is through June 30.

Source: MR NatCatSERVICE

Number of Tornadoes and Related Deaths, 1990 – 2011*

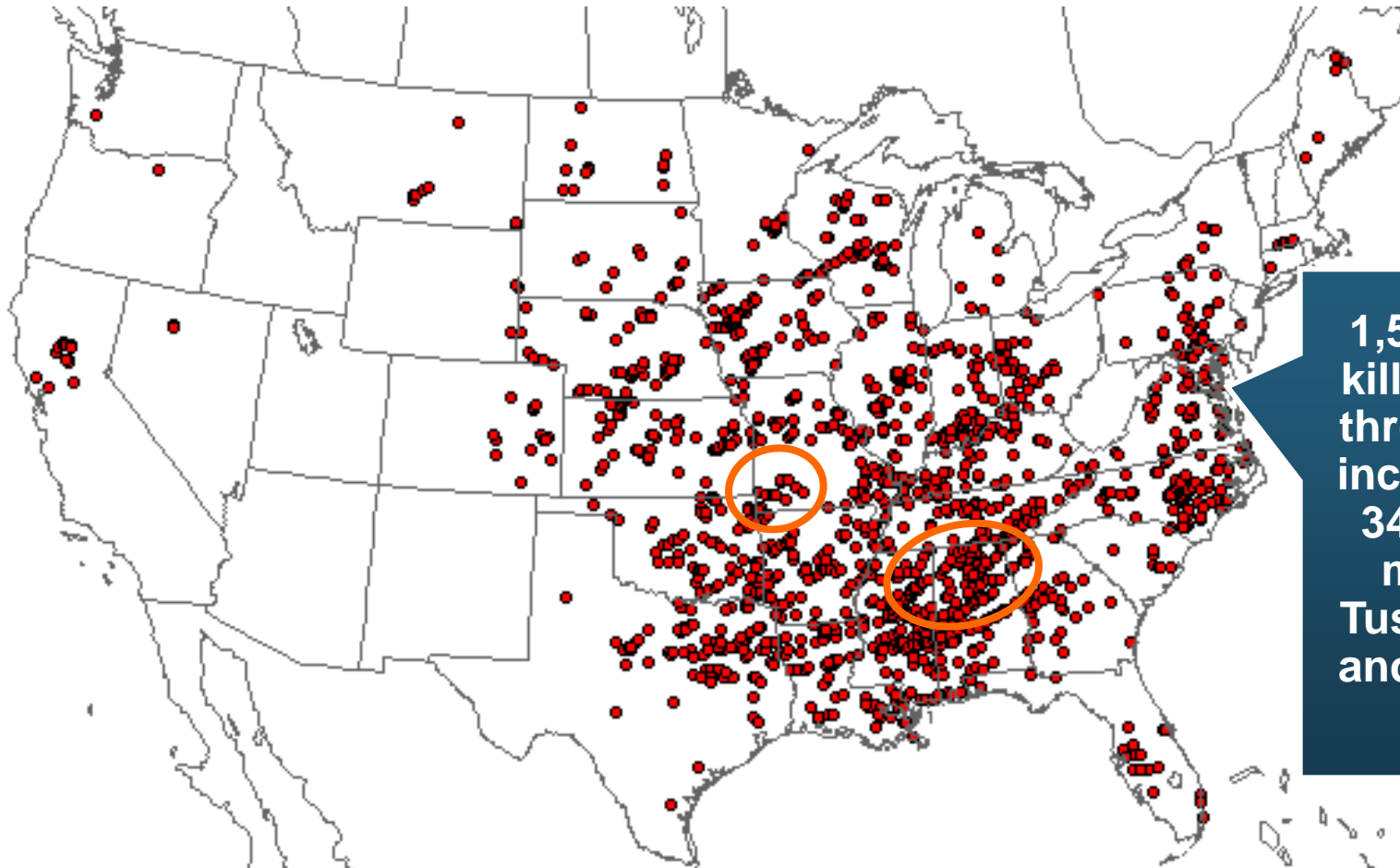


Insurers Expect to Pay \$2 Billion on 165,000 Claims Arising from the April 2011 Tornadoes in the Birmingham and Tuscaloosa Areas

*2011 is preliminary data through September 28.

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

Location of Tornadoes in the US, January 1—June 30, 2011



1,585 tornadoes
killed 537 people
through June 30,
including at least
340 on April 26
mostly in the
Tuscaloosa area,
and 130 in Joplin
on May 22



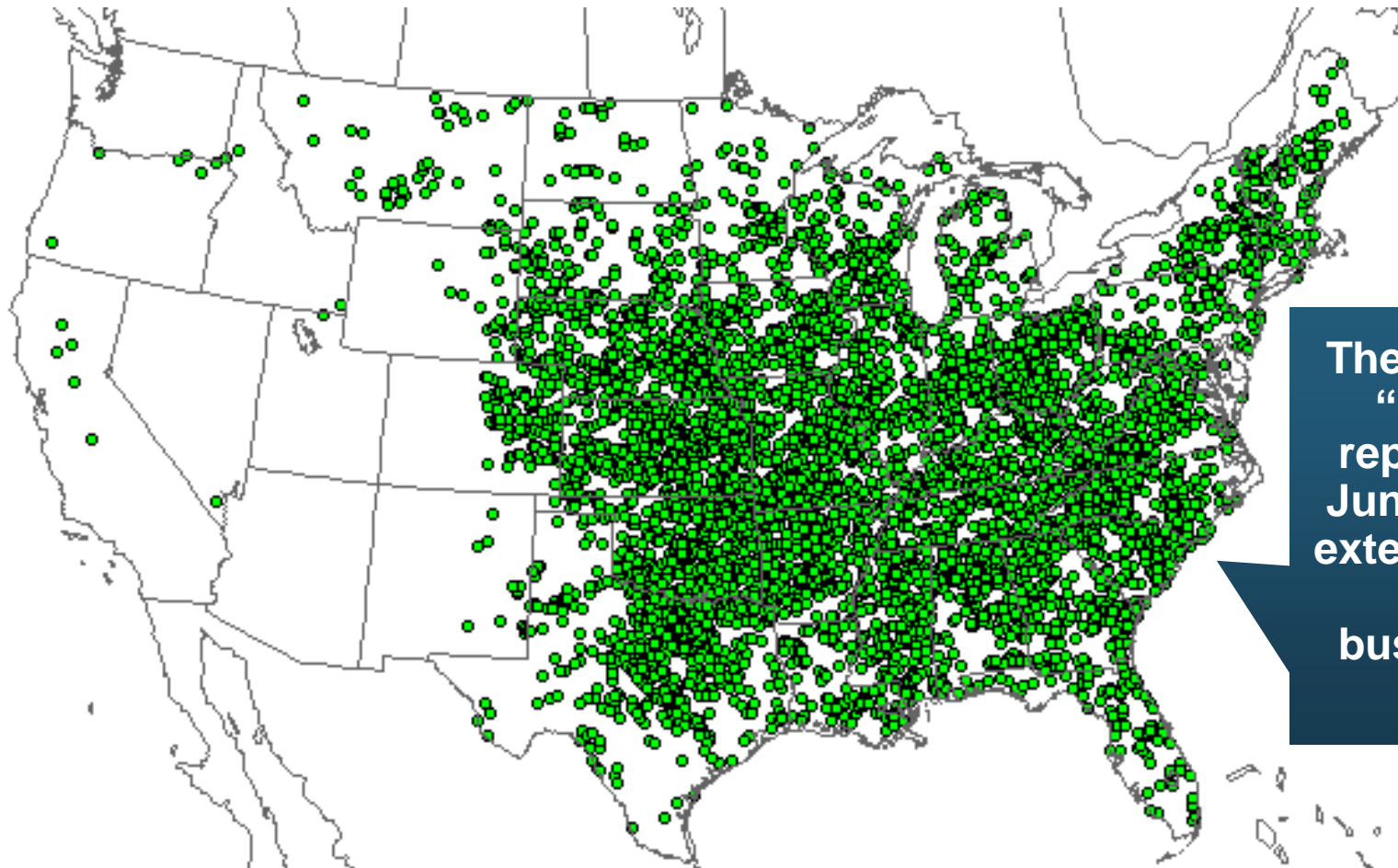
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Tornado Reports
January 01, 2011 - June 30, 2011

Updated: Thursday June 30, 2011 11:49 CT

Location of Large Hail Reports in the US, January 1—June 30, 2011



There were 7,176
“Large Hail”
reports through
June 30, causing
extensive damage
to homes,
businesses and
vehicles



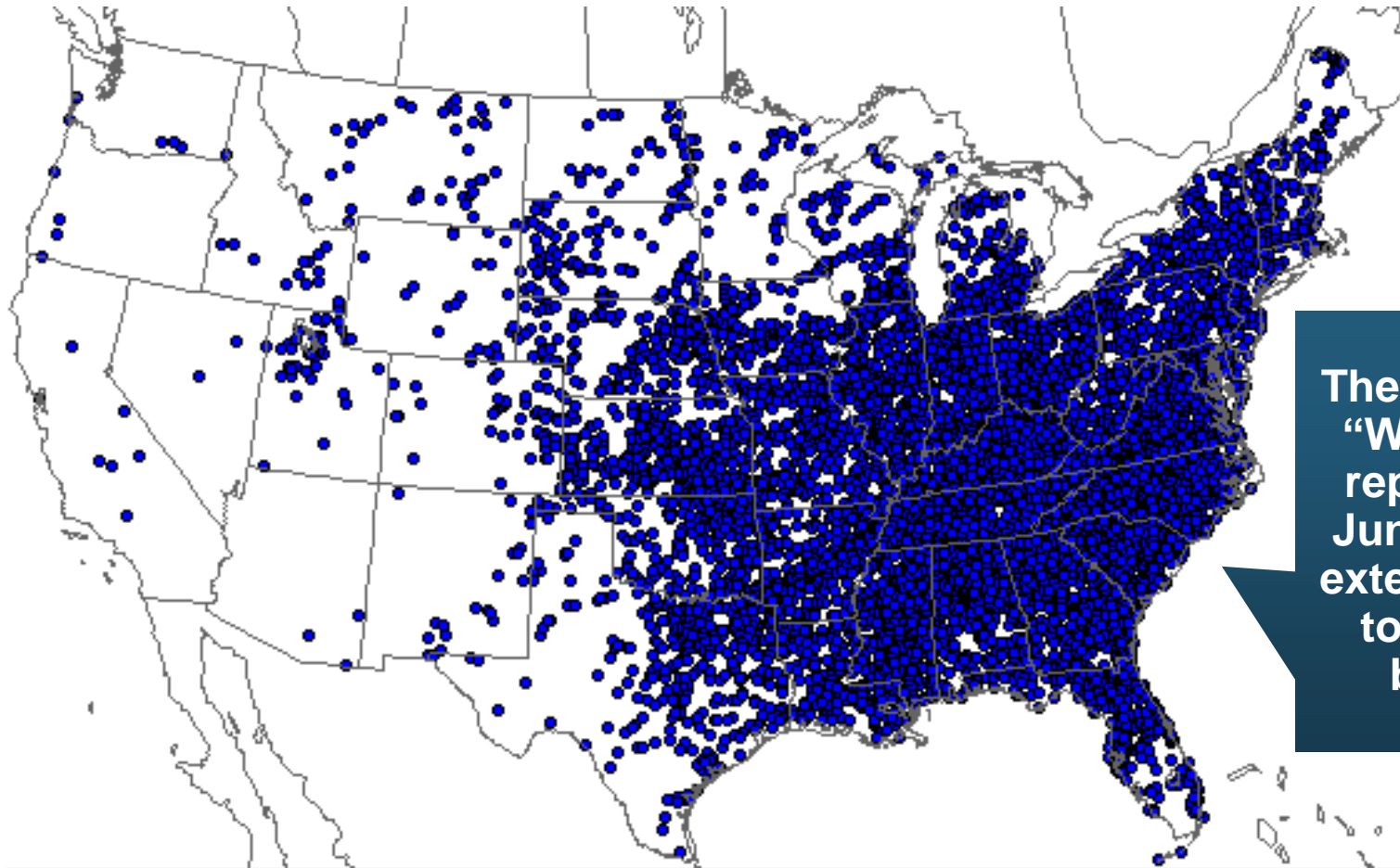
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Hail Reports
January 01, 2011 - June 30, 2011

Updated: Thursday June 30, 2011 11:49 CT

Location of Wind Damage Reports in the US, January 1—June 30, 2011



There were 11,283
“Wind Damage”
reports through
June 30, causing
extensive damage
to homes and,
businesses



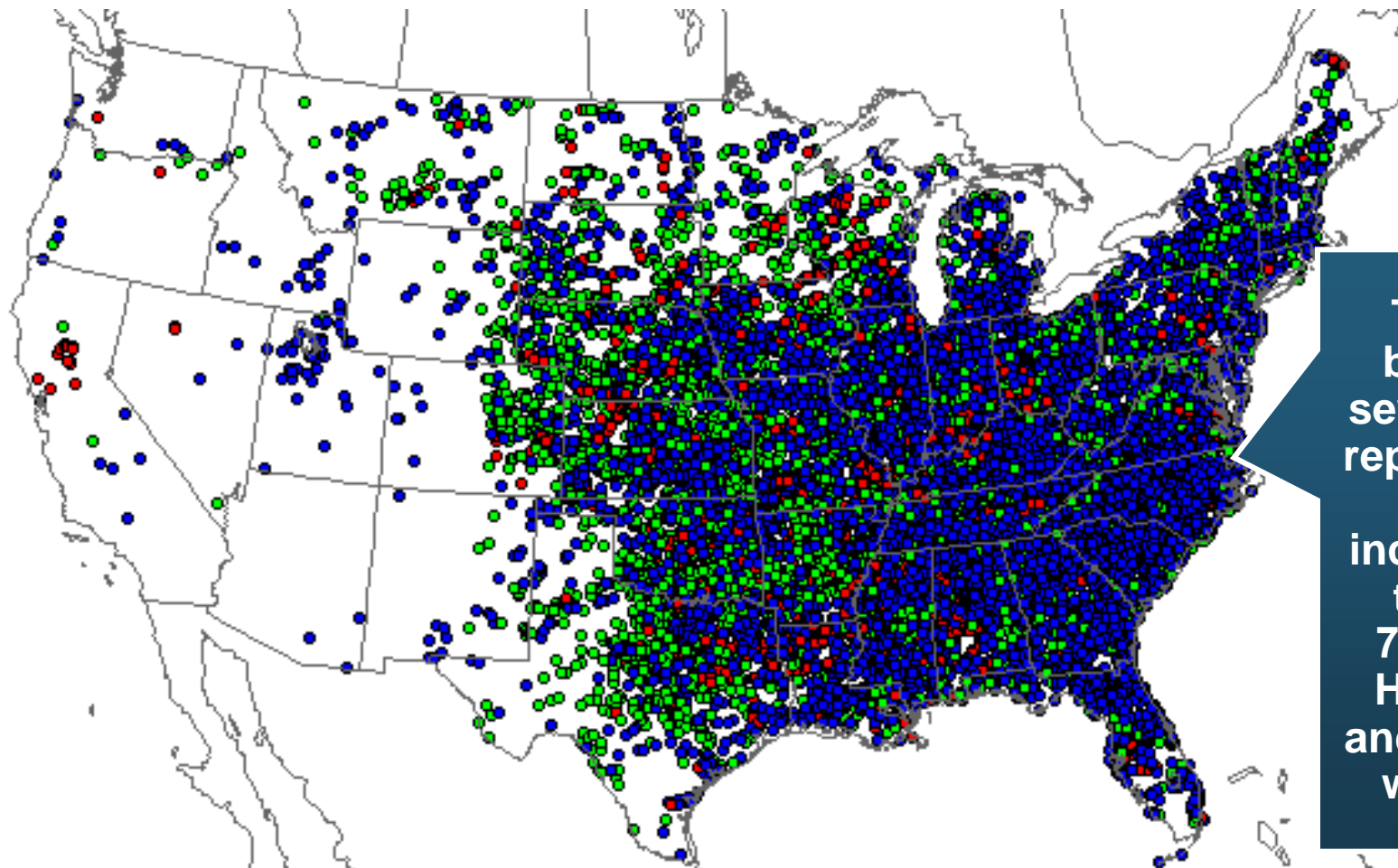
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Wind Reports
January 01, 2011 - June 30, 2011

Updated: Thursday June 30, 2011 11:49 CT

Severe Weather Reports, January 1—June 30, 2011



There have been 20,044 severe weather reports through June 30; including 1,585 tornadoes; 7,176 “Large Hail” reports and 11,283 high wind events



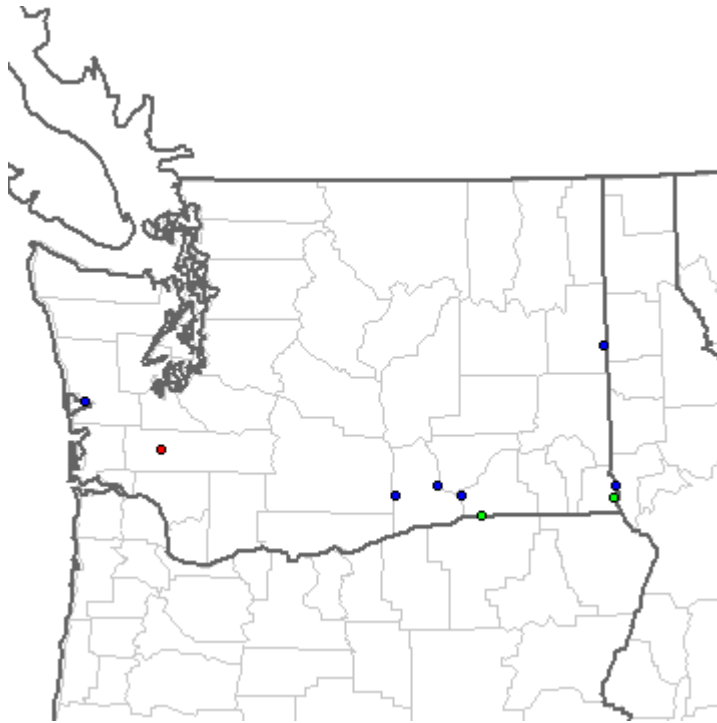
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Severe Weather Reports
January 01, 2011 - June 30, 2011

Updated: Thursday June 30, 2011 11:49 CT

Severe Weather Reports in WA State, January 1—September 29, 2011



WA

Total Reports = 10

Tornadoes = 2

Hail Reports = 2

Wind Reports = 6

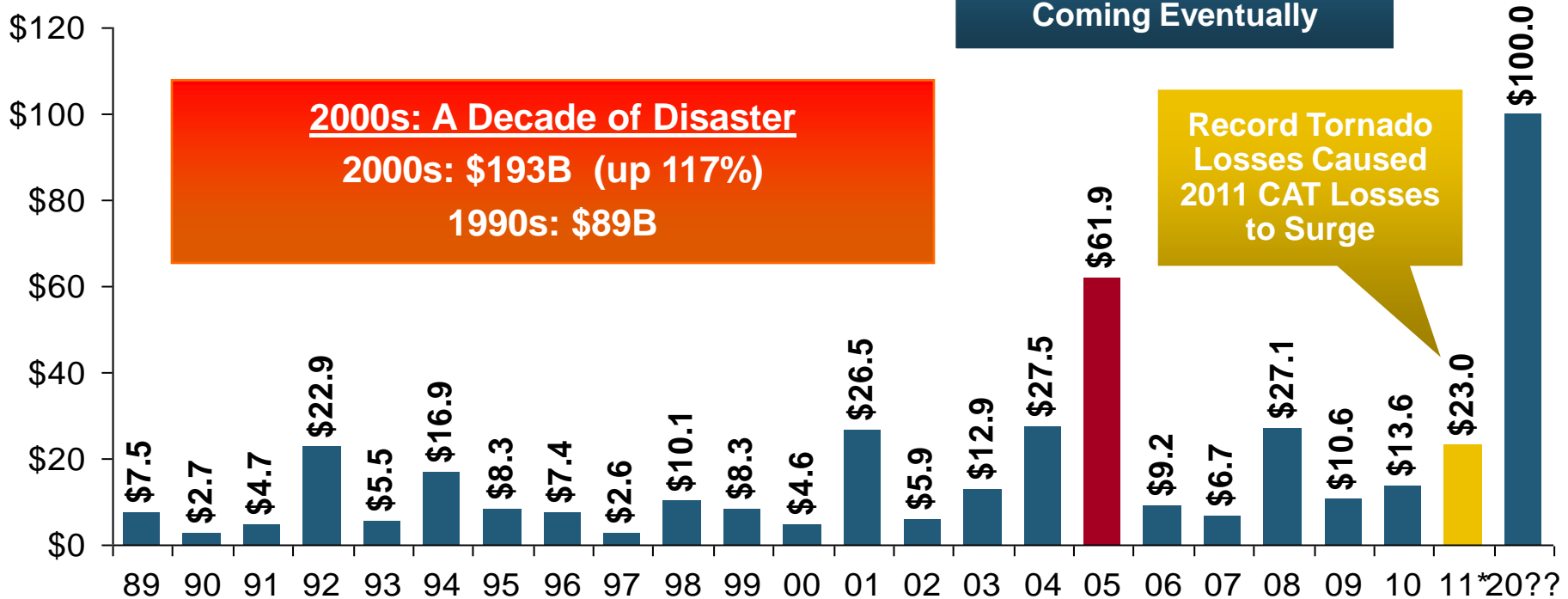


US CATASTROPHE INSURED LOSS UPDATE

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

US Insured Catastrophe Losses

(\$ Billions)



2000s: A Decade of Disaster
 2000s: \$193B (up 117%)
 1990s: \$89B

\$100 Billion CAT Year is Coming Eventually

Record Tornado Losses Caused 2011 CAT Losses to Surge

First Half 2011 US CAT Losses Already Exceed Losses from All of 2010. Even Modest Hurricane Losses Will Make 2011 Among the Most Expensive Ever for CATs

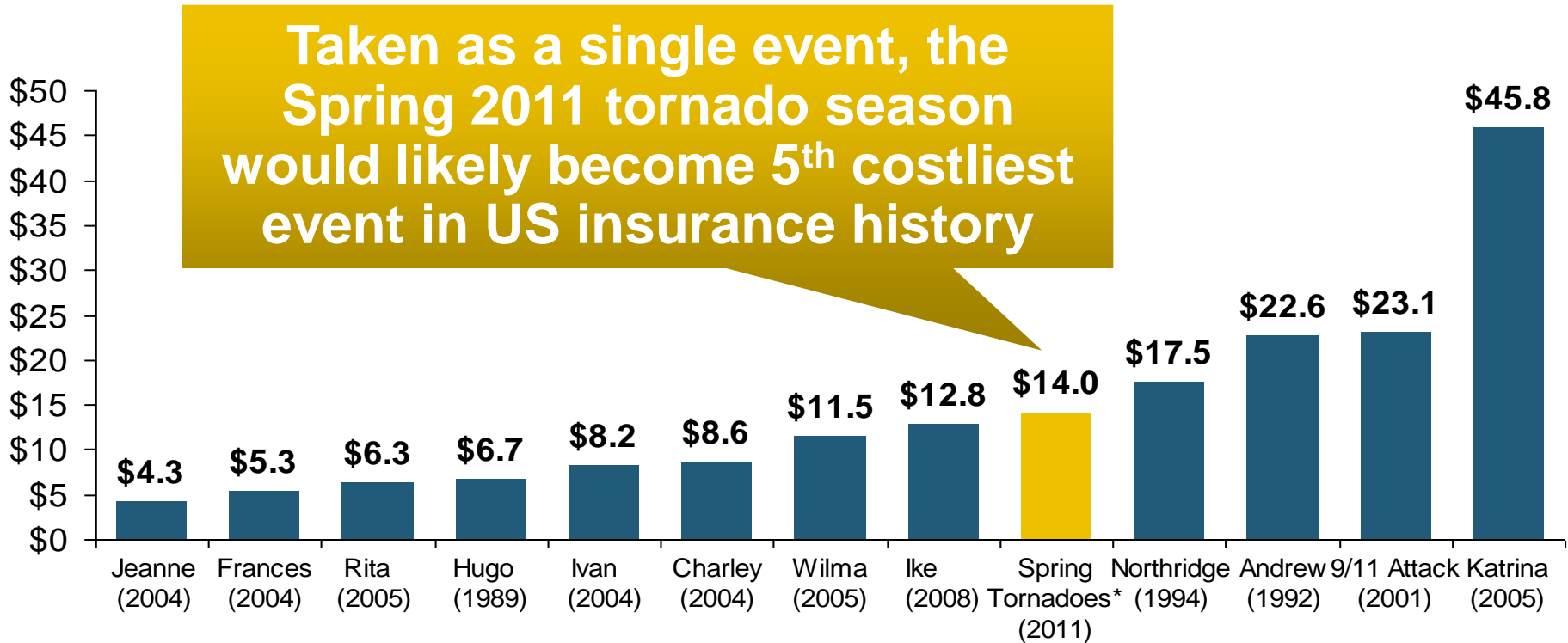
*Estimate through Sept. 30, 2011.

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

Sources: Property Claims Service/ISO; 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.

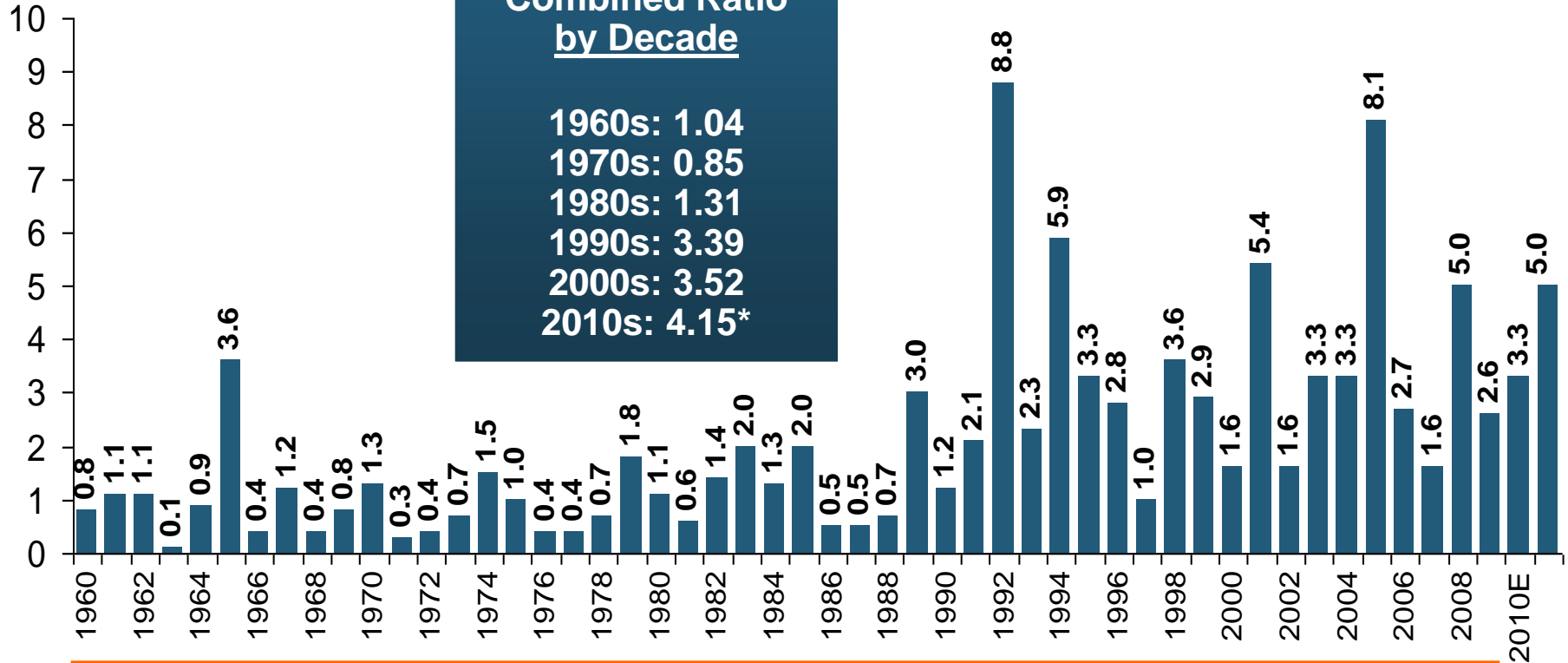
Sources: PCS; Insurance Information Institute inflation adjustments.

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

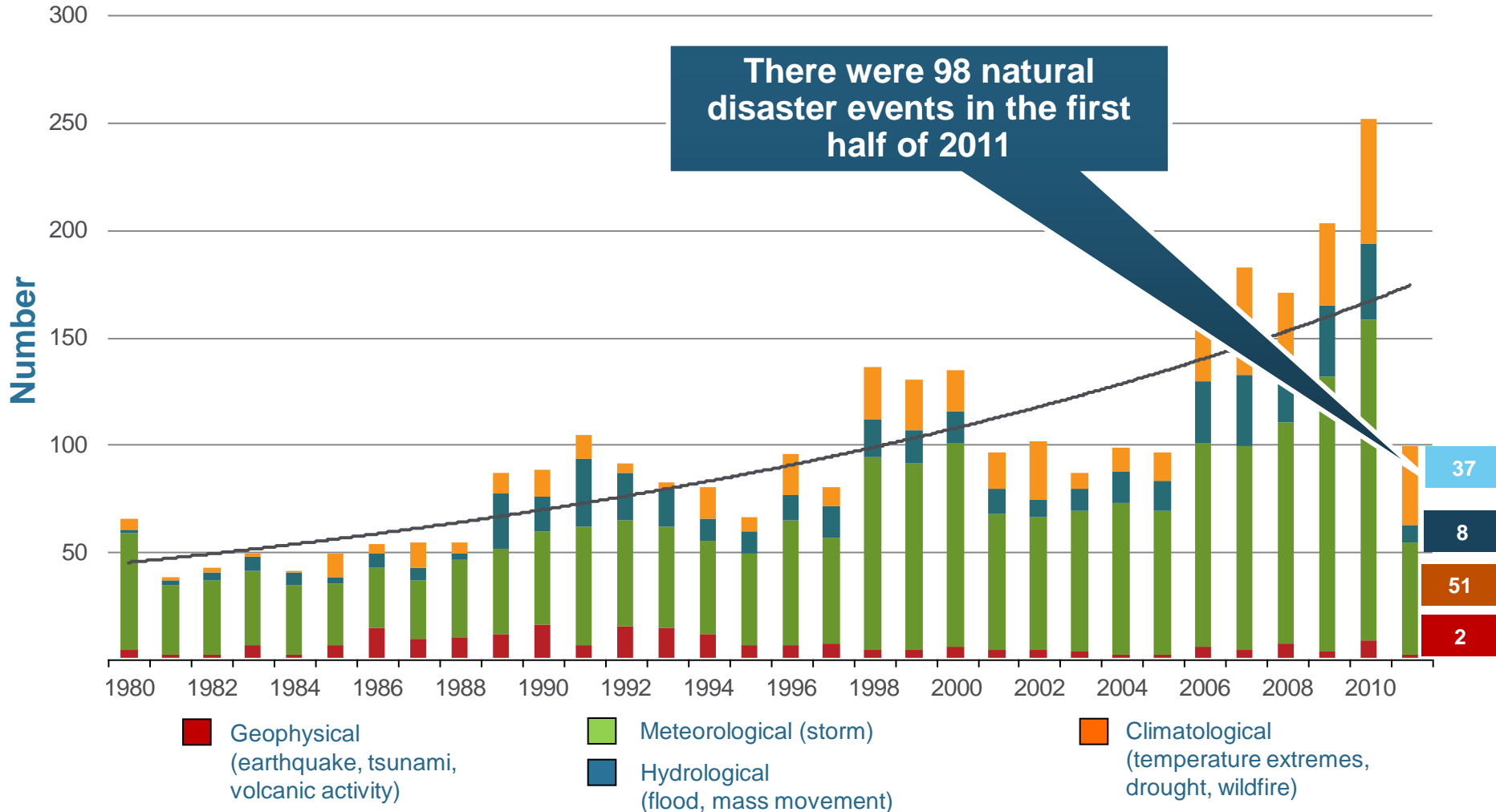
*Insurance Information Institute estimates for 2010 and 2011:H1

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 – 2011*

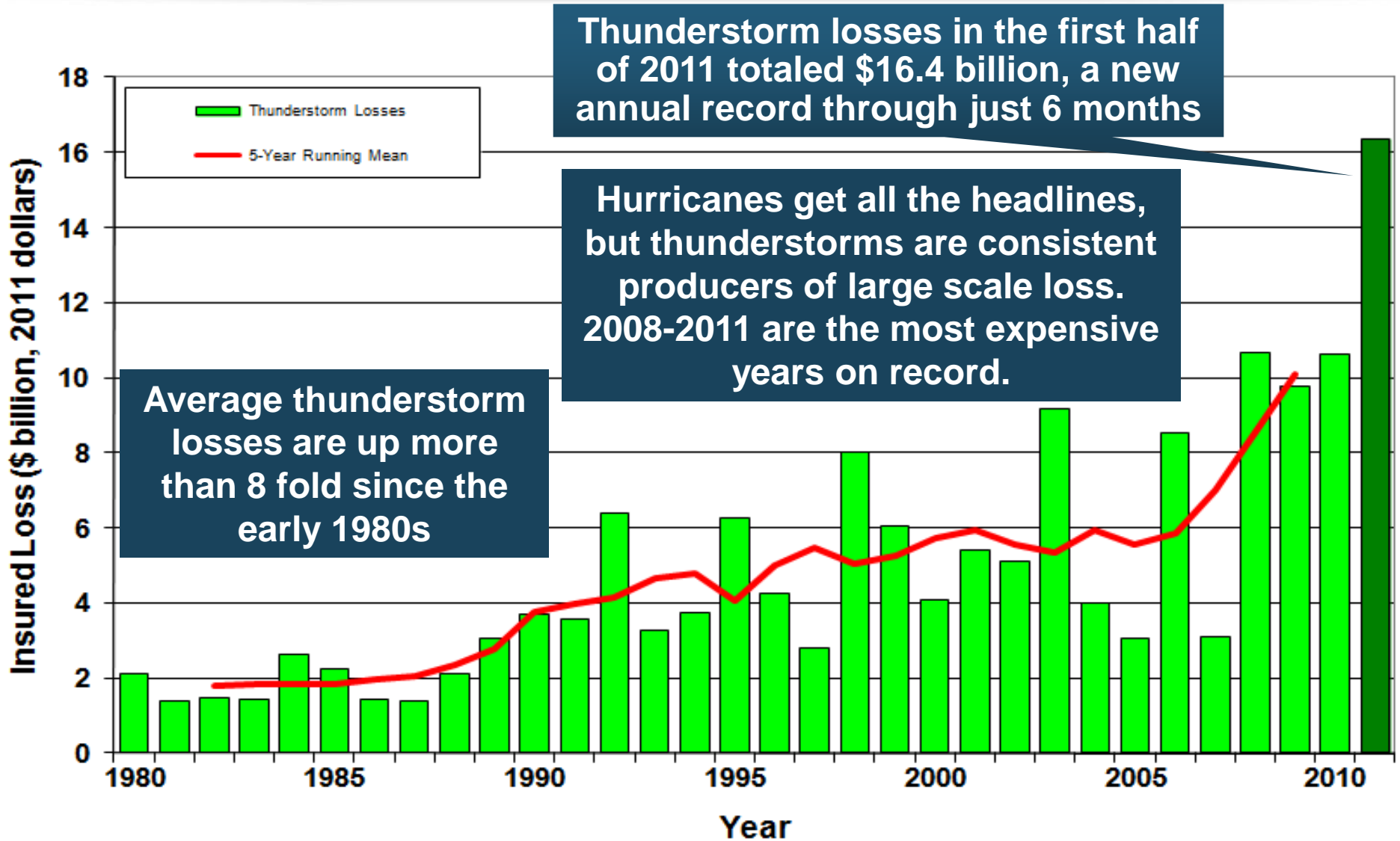
Number of Events (Annual Totals 1980 – 2010 and First Half 2011)



*Through June 30.

Source: MR NatCatSERVICE

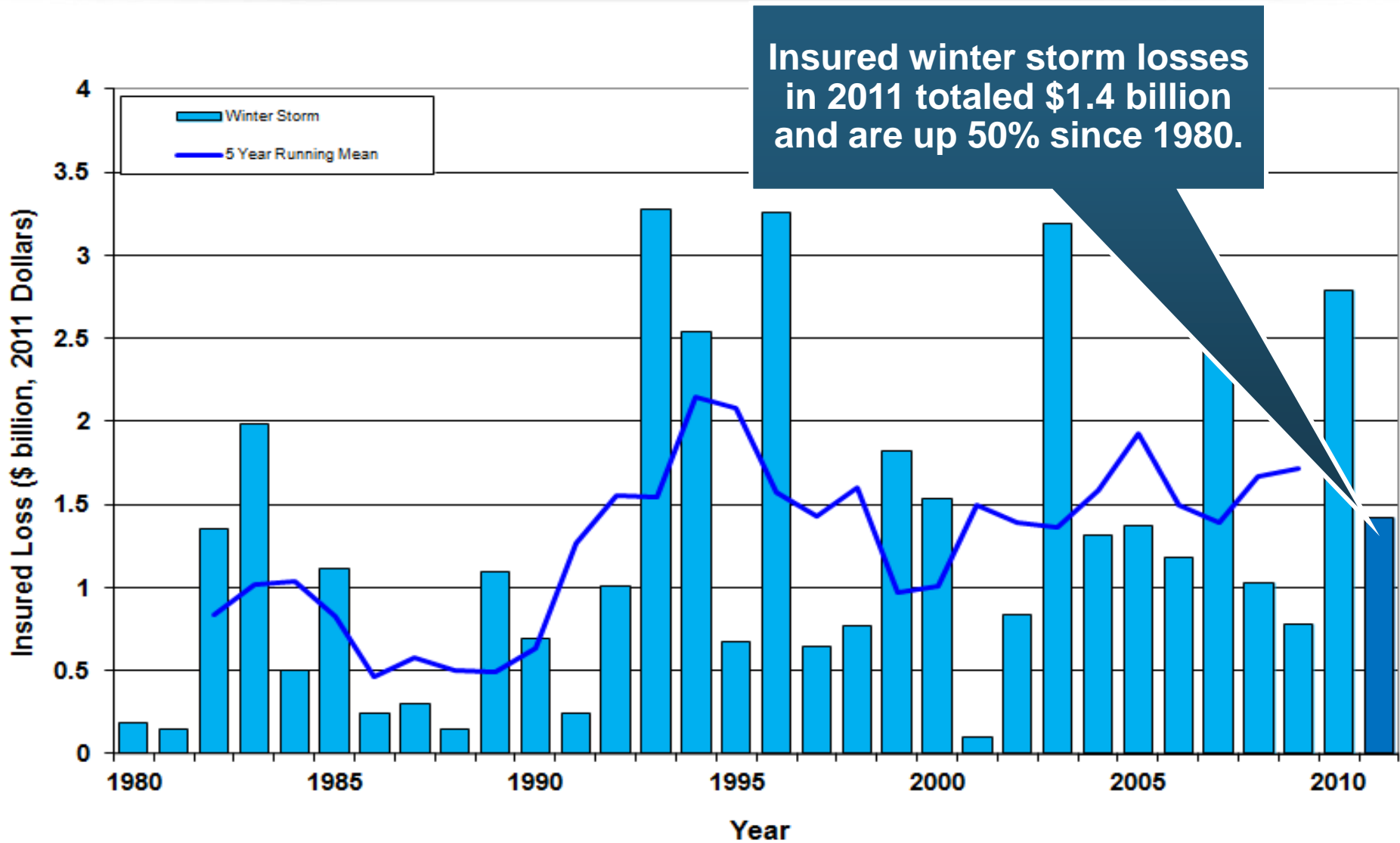
U.S. Thunderstorm Loss Trends, 1980 – 2011*



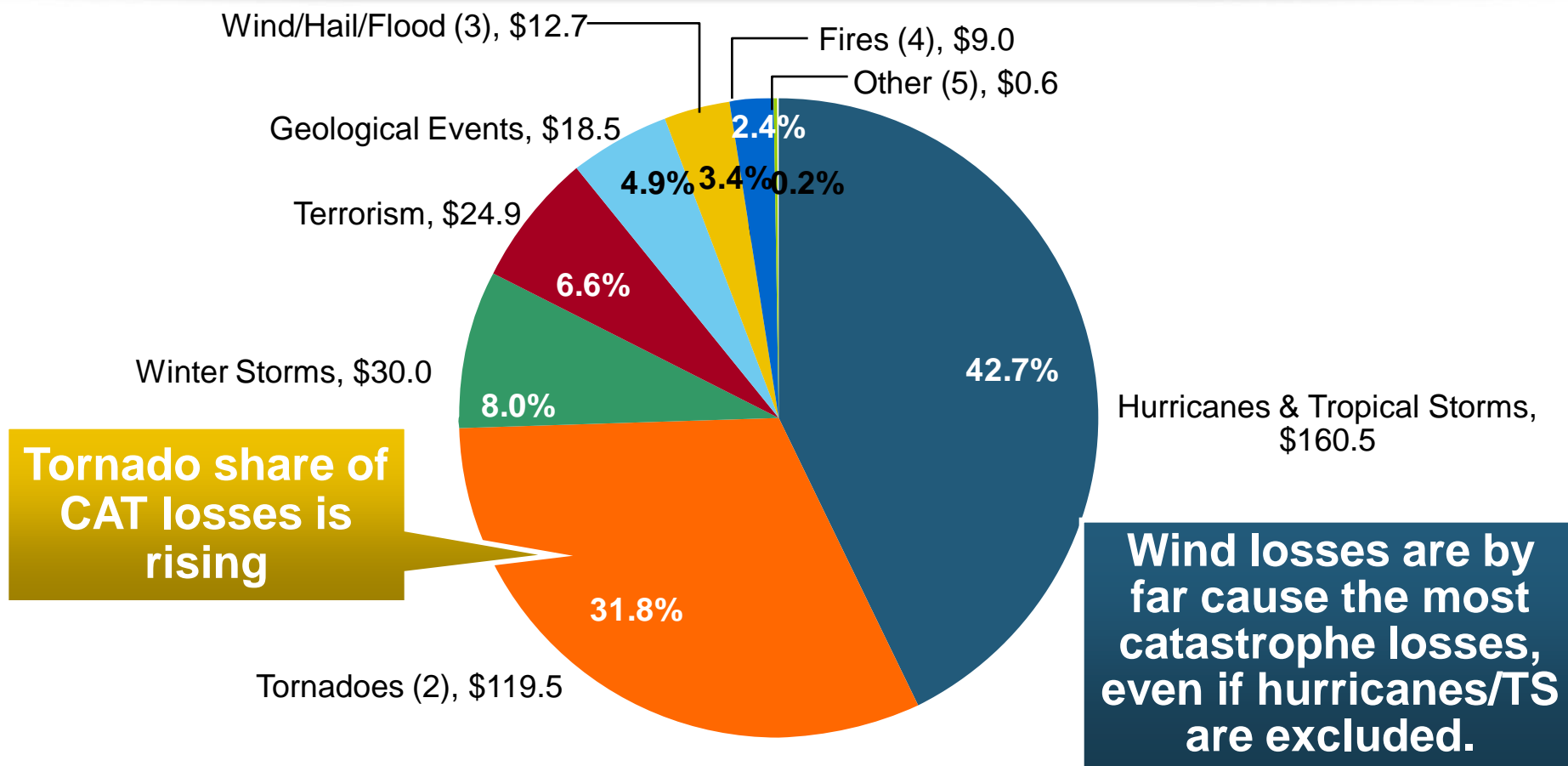
*Through June 30, 2011.

Source: Property Claims Service, MR NatCatSERVICE

U.S. Winter Storm Loss Trends, 1980 – 2010 (Annual Totals) vs. First Half 2011



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



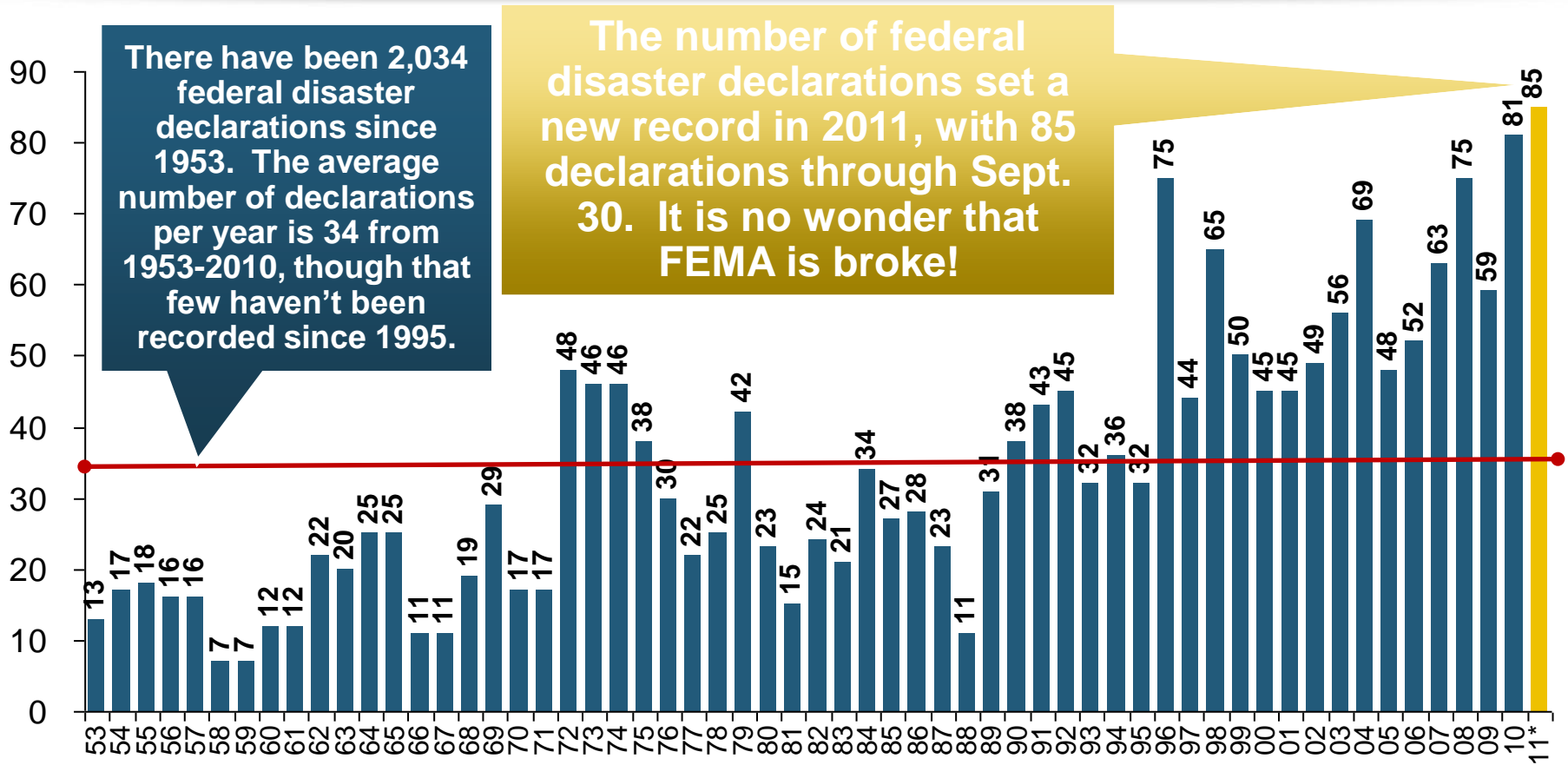
Tornado share of CAT losses is rising

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.

Number of Federal Disaster Declarations, 1953-2011*

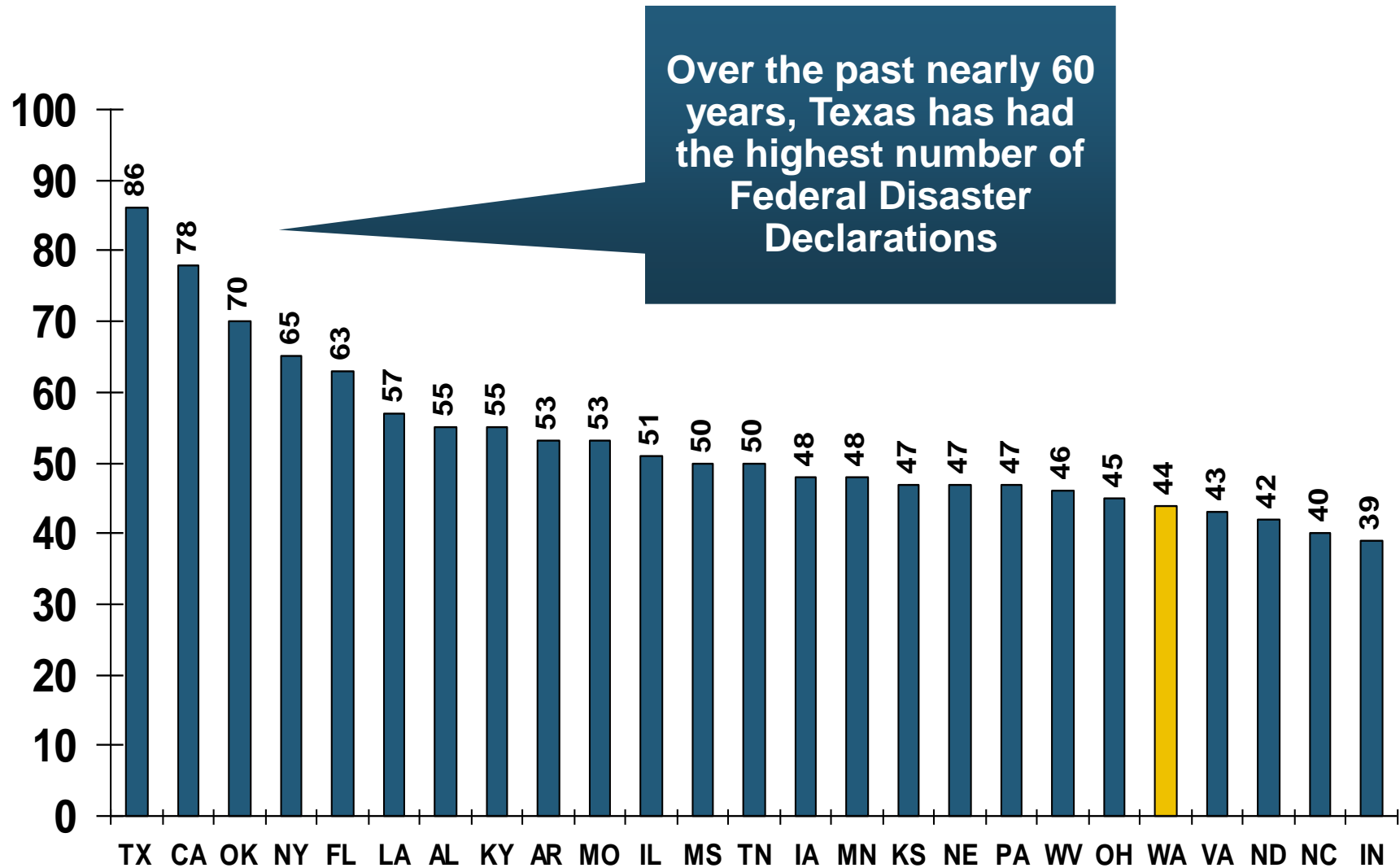


The Number of Federal Disaster Declarations Is Rising and Set a New Record in 2011

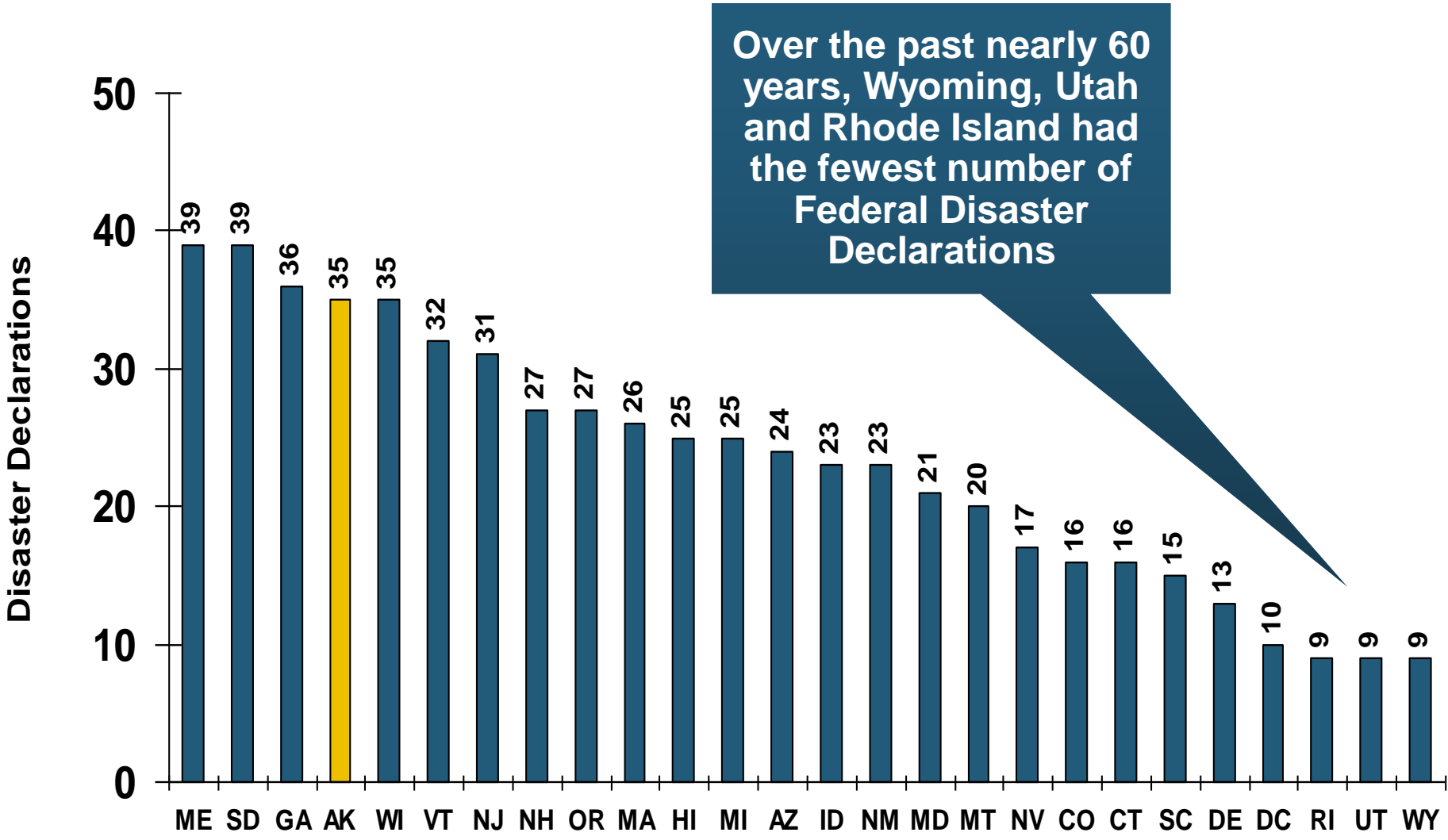
*Through September 30, 2011.

Source: Federal Emergency Management Administration: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

Federal Disasters Declarations by State, 1953 – Sept. 30, 2011: Highest 25 States



Federal Disasters Declarations by State, 1953 – Sept. 30, 2011*: Lowest 25 States



Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.



The BIG Question: When Will the Market Turn?

Insurance Cycle Dynamics

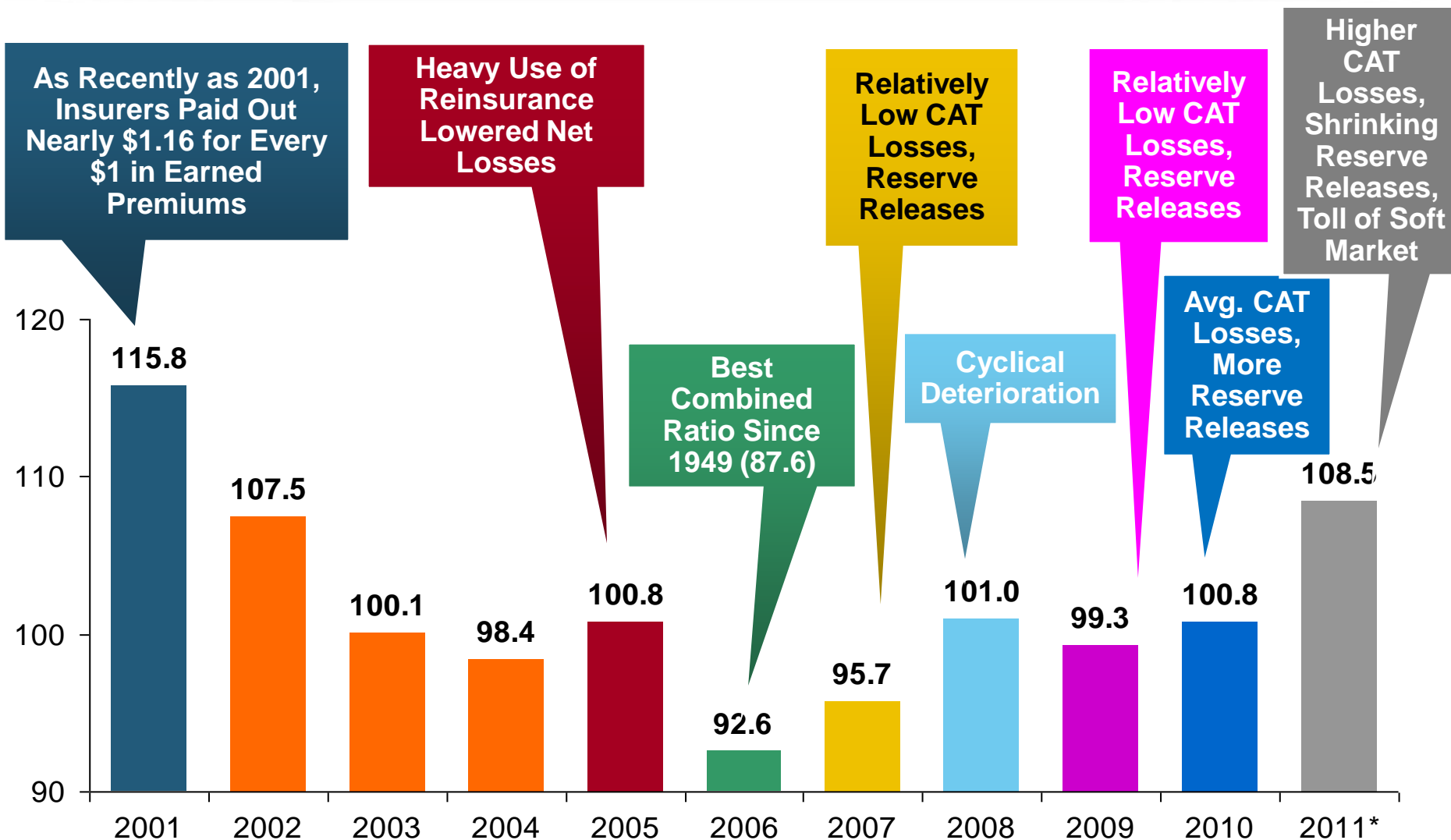
Criteria Necessary for a “Market Turn”: All Four Criteria Must Be Met

Criteria	Status	Comments
Sustained Period of Large Underwriting Losses	<i>Not Yet Happened, But Inevitable</i>	<ul style="list-style-type: none"> • Apart from Q2:2011, overall p/c underwriting losses remain modest • Combined ratios (ex-Q2 CATs) still in low 100s (vs. 110+ at onset of last hard market) • Prior-year reserve releases continue reduce u/w losses, boost ROEs
Material Decline in Surplus/ Capacity	<i>Entered 2011 At Record High; Since Fallen</i>	<ul style="list-style-type: none"> • Surplus hit a record \$565B as of 3/31/11 • Analysts est. excess surplus of \$75-\$100B • Some excess capacity may still remain in reinsurance markets • Weak growth in demand for insurance is insufficient to absorb much excess capacity
Tight Reinsurance Market	<i>Somewhat in Place</i>	<ul style="list-style-type: none"> • Higher prices in Asia/Pacific • Modestly improved pricing for US risks
Renewed Underwriting & Pricing Discipline	<i>Not Broadly Evident; Some Firming</i>	<ul style="list-style-type: none"> • Commercial lines pricing trends turning from negative to flat • Competition remains intense as many seek to maintain market share • Terms & conditions—no broad tightening

1. UNDERWRITING

**Have Underwriting Losses
Been Large Enough for Long
Enough to Turn the Market?**

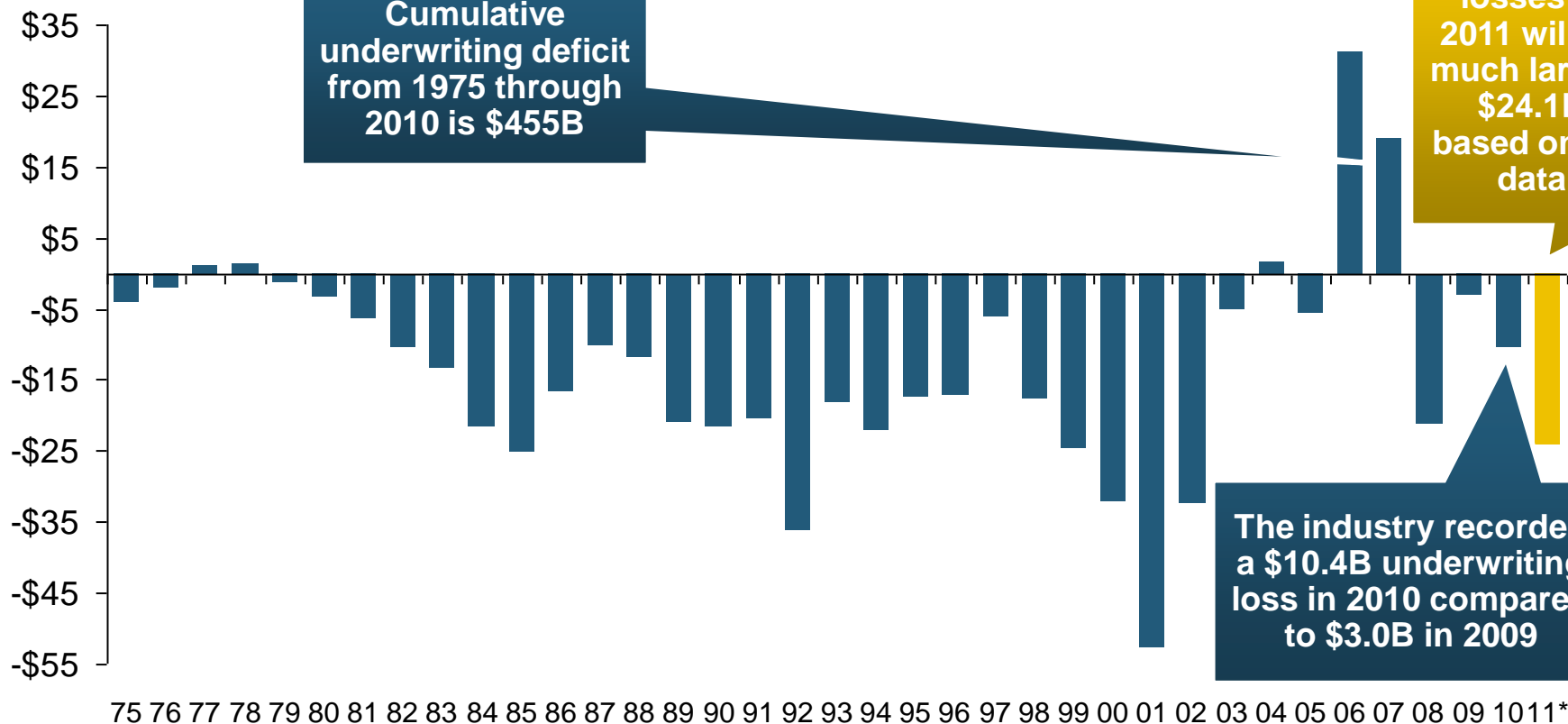
P/C Insurance Industry Combined Ratio, 2001–2011:H1*



* Excludes Mortgage & Financial Guaranty insurers 2008--2011. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=109.1
Sources: A.M. Best, ISO.; III Estimated for 2011:H1 (Q1 actual ex-M&FG was 102.2).

Underwriting Gain (Loss) 1975–2011*

(\$ Billions)

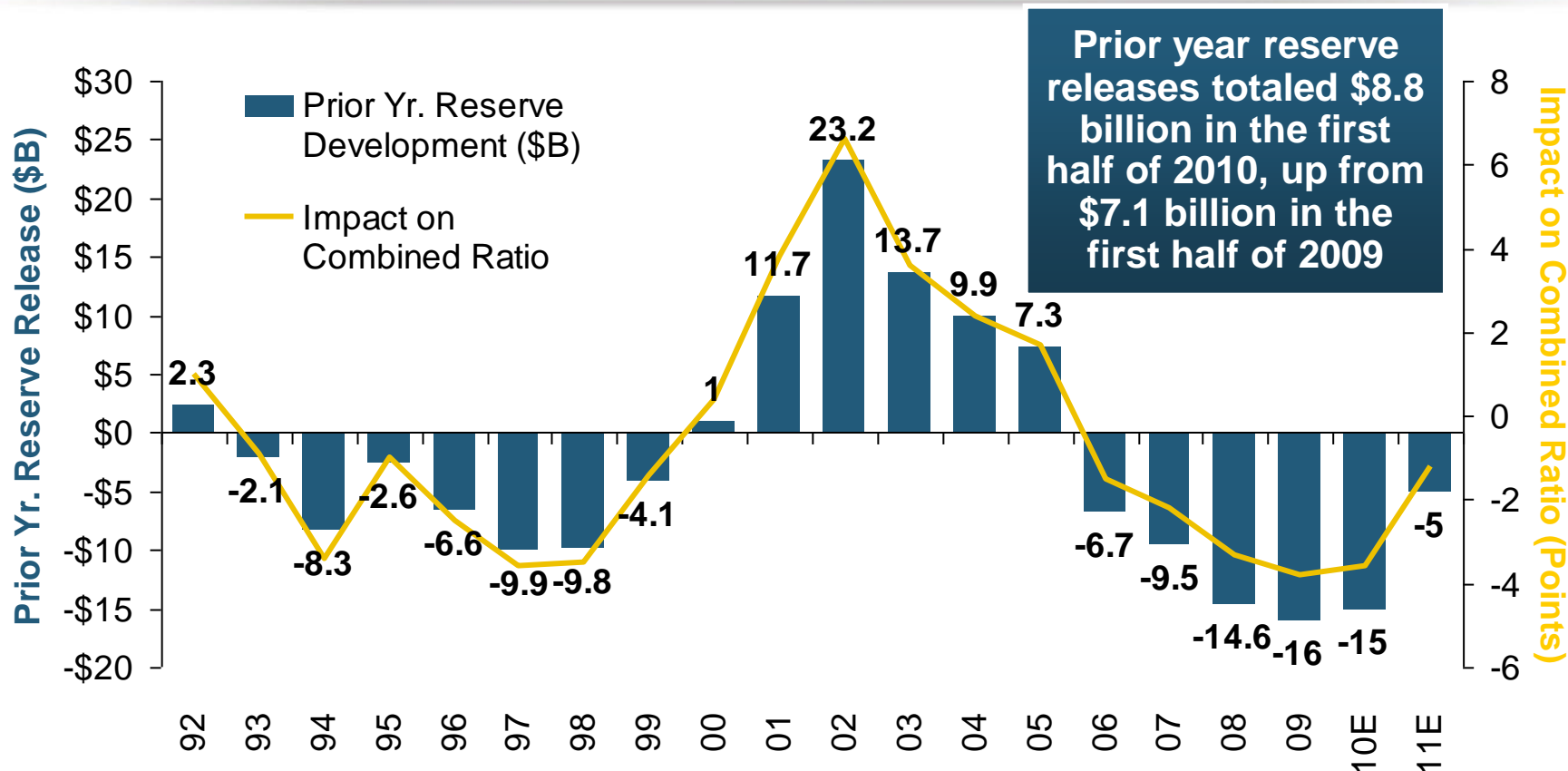


**Large Underwriting Losses Are *NOT* Sustainable
in Current Investment Environment**

* Includes mortgage and financial guaranty insurers in all years. 2011 figure is actual H1 underwriting losses of \$24.098 billion.

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 Remained Strong in 2010 But Should Begin to Taper Off in 2011

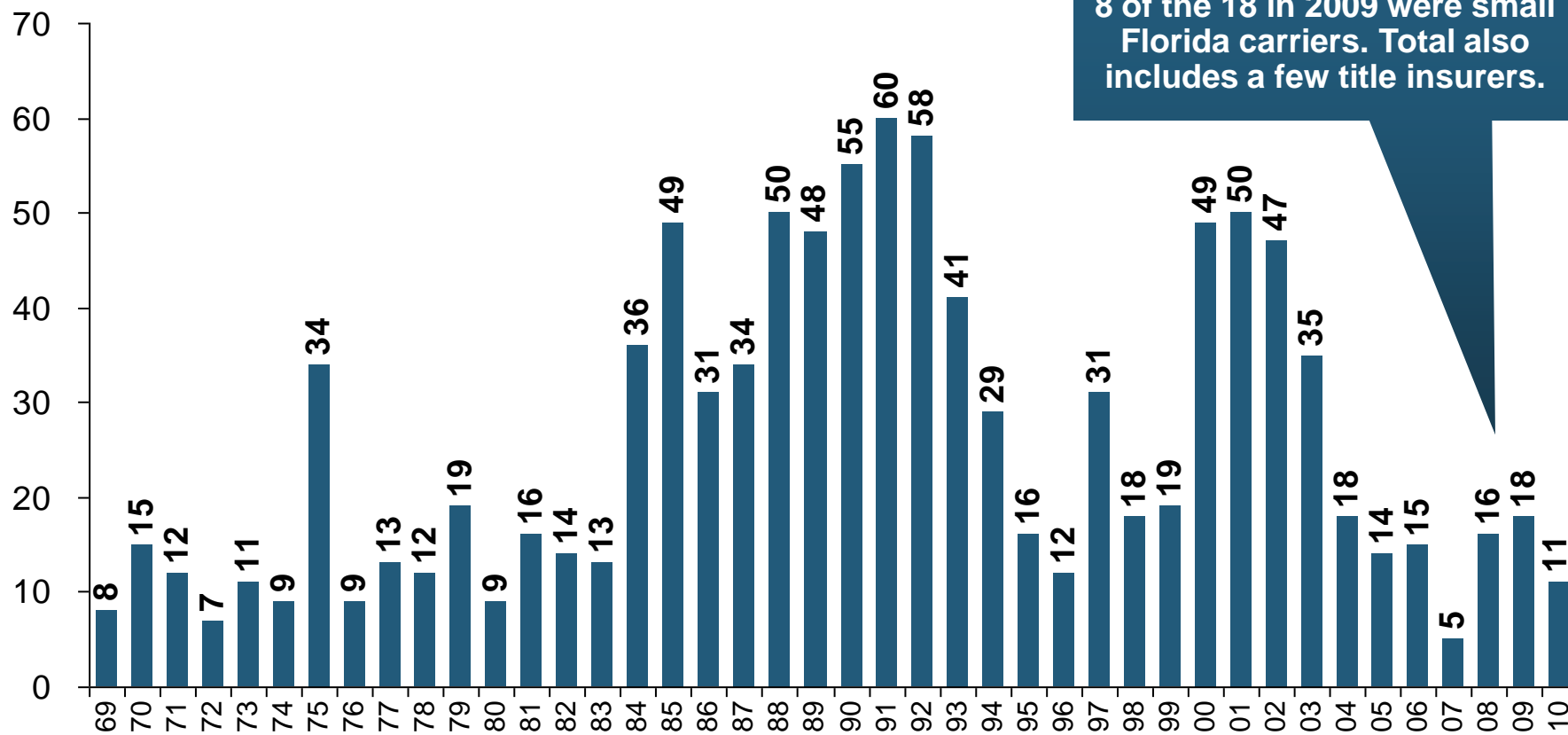
Note: 2005 reserve development excludes a \$6 billion loss portfolio transfer between American Re and Munich Re. Including this transaction, total prior year adverse development in 2005 was \$7 billion. The data from 2000 and subsequent years excludes development from financial guaranty and mortgage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

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

Financial Strength & Underwriting

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

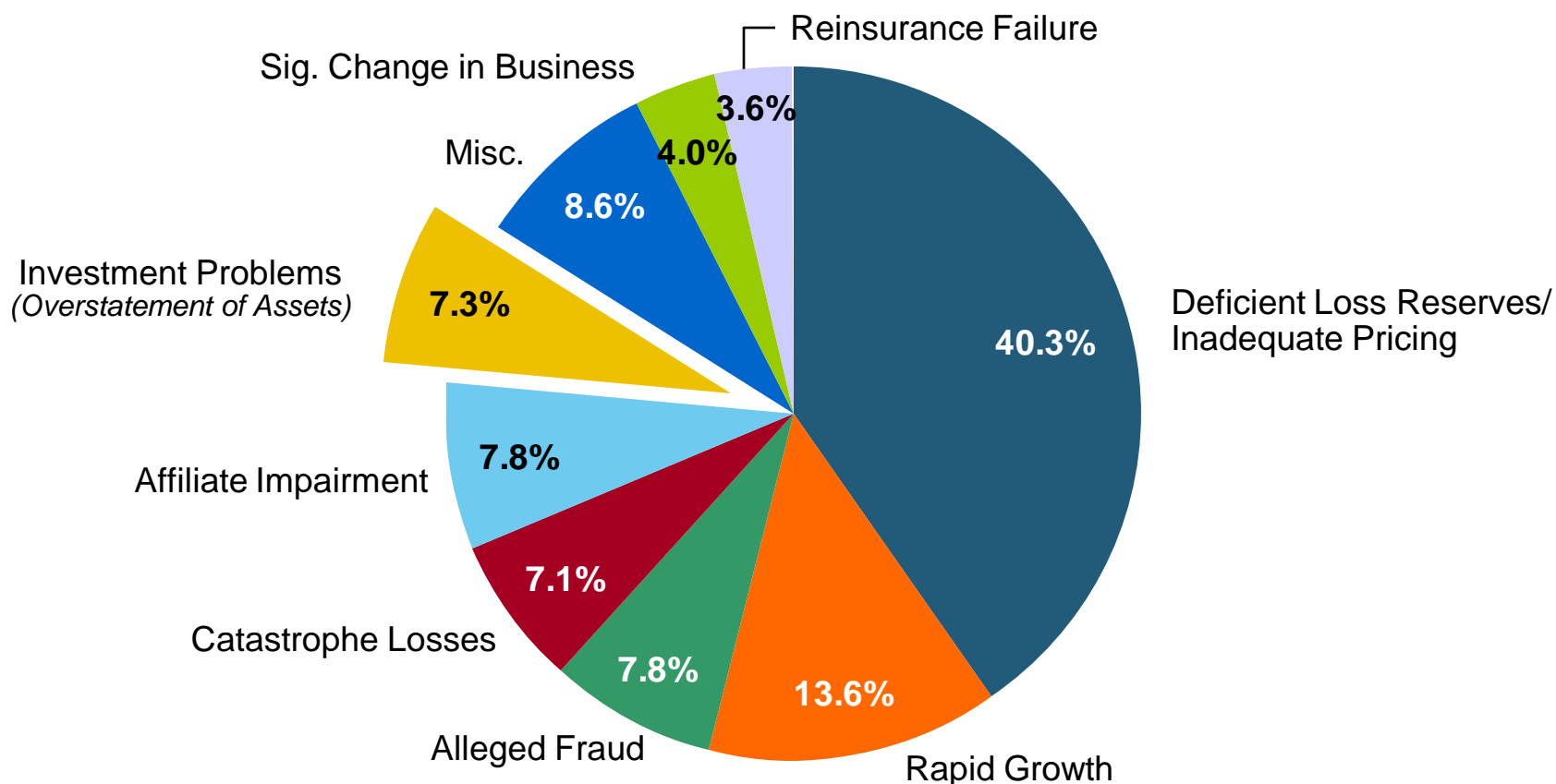
P/C Insurer Impairments, 1969–2010



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

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

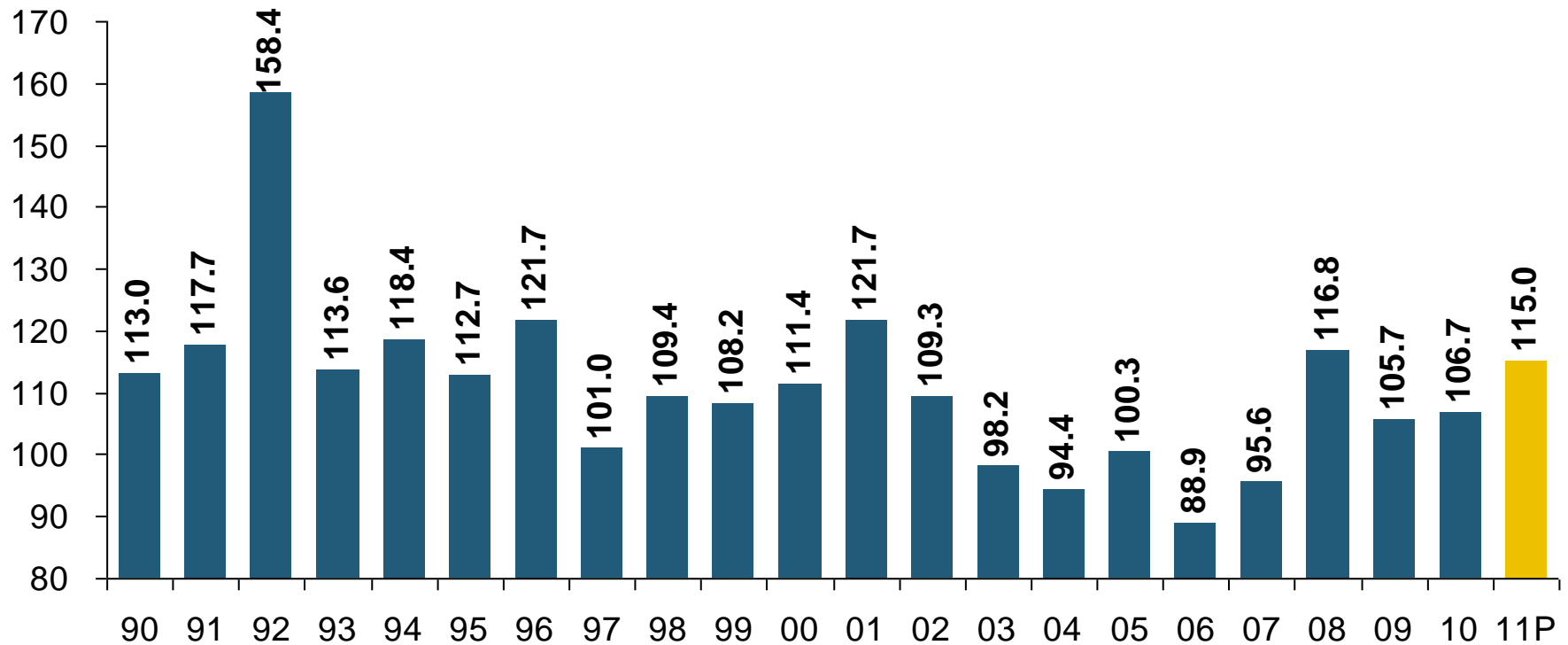
Historically, Deficient Loss Reserves and Inadequate Pricing Are By Far the Leading Cause of P-C Insurer Impairments. Investment and Catastrophe Losses Play a Much Smaller Role





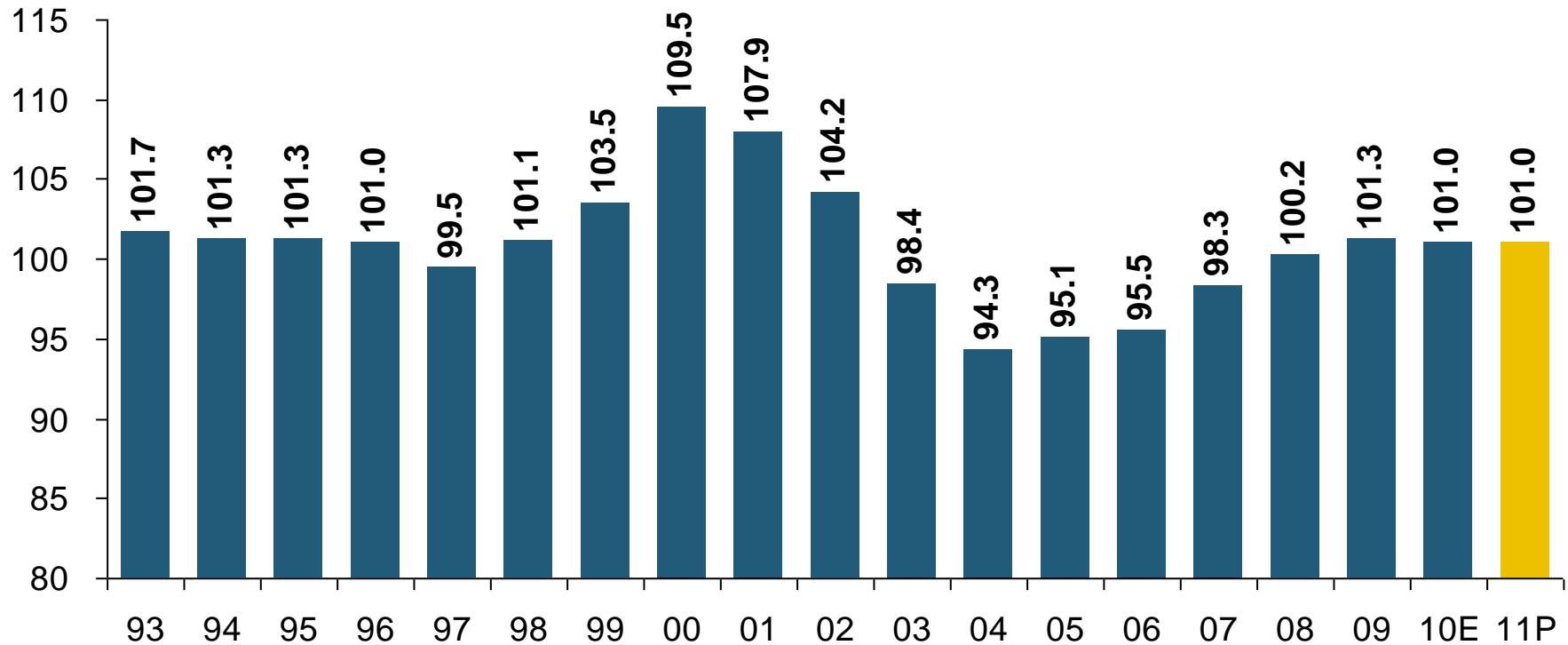
Performance by Segment: Commercial Lines & Reinsurance

Homeowners Insurance Combined Ratio: 1990–2011P



Homeowners Line Could Deteriorate in 2011 Due to Large 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

2. SURPLUS/CAPITAL/CAPACITY

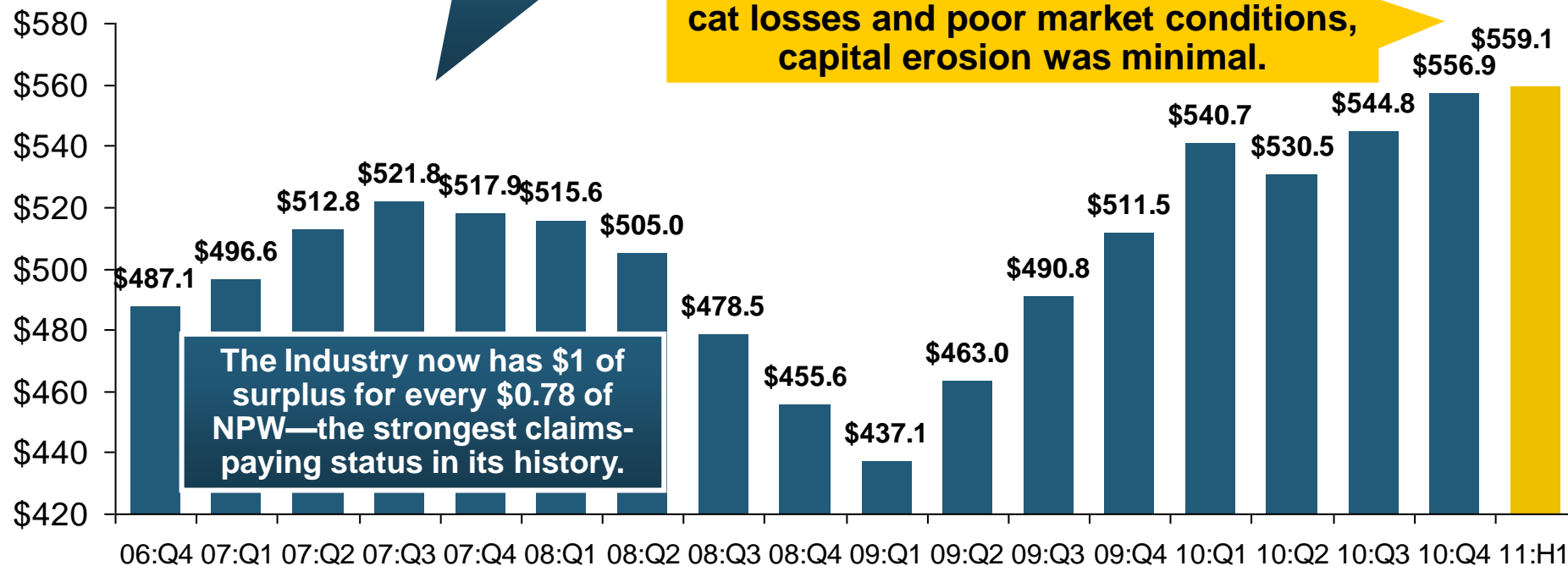
Have Large Global Losses Reduced Capacity in the Industry, Setting the Stage for a Market Turn?

Policyholder Surplus, 2006:Q4–2011:Q1

(\$ Billions)

**2007:Q3
Previous Surplus Peak**

Surplus as of 6/30/11 was just 1% below its all time record high of \$564.7B set as of 3/31/11. Despite large cat losses and poor market conditions, capital erosion was minimal.



The industry now has \$1 of surplus for every \$0.78 of NPW—the strongest claims-paying status in its history.

Quarterly Surplus Changes Since 2007:Q3 Peak

09:Q1: -\$84.7B (-16.2%)	10:Q2: +\$8.7B (+1.7%)
09:Q2: -\$58.8B (-11.2%)	10:Q3: +\$23.0B (+4.4%)
09:Q3: -\$31.0B (-5.9%)	10:Q4: +\$35.1B (+6.7%)
09:Q4: -\$10.3B (-2.0%)	11:Q1: +\$42.9B (+8.2%)
10:Q1: +\$18.9B (+3.6%)	11:Q2: +\$37.3B (+7.1%)

*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.

3. REINSURANCE MARKET CONDITIONS

**Has Record Global
Catastrophes Activity
Erased Enough Capacity
to Turn Markets?**

Global Property Catastrophe Rate on Line Index, 1990-2011 YTD (6/1/11)

A modest increase in global property catastrophe reinsurance pricing was evident in June 1 renewals in the wake of record global catastrophe losses

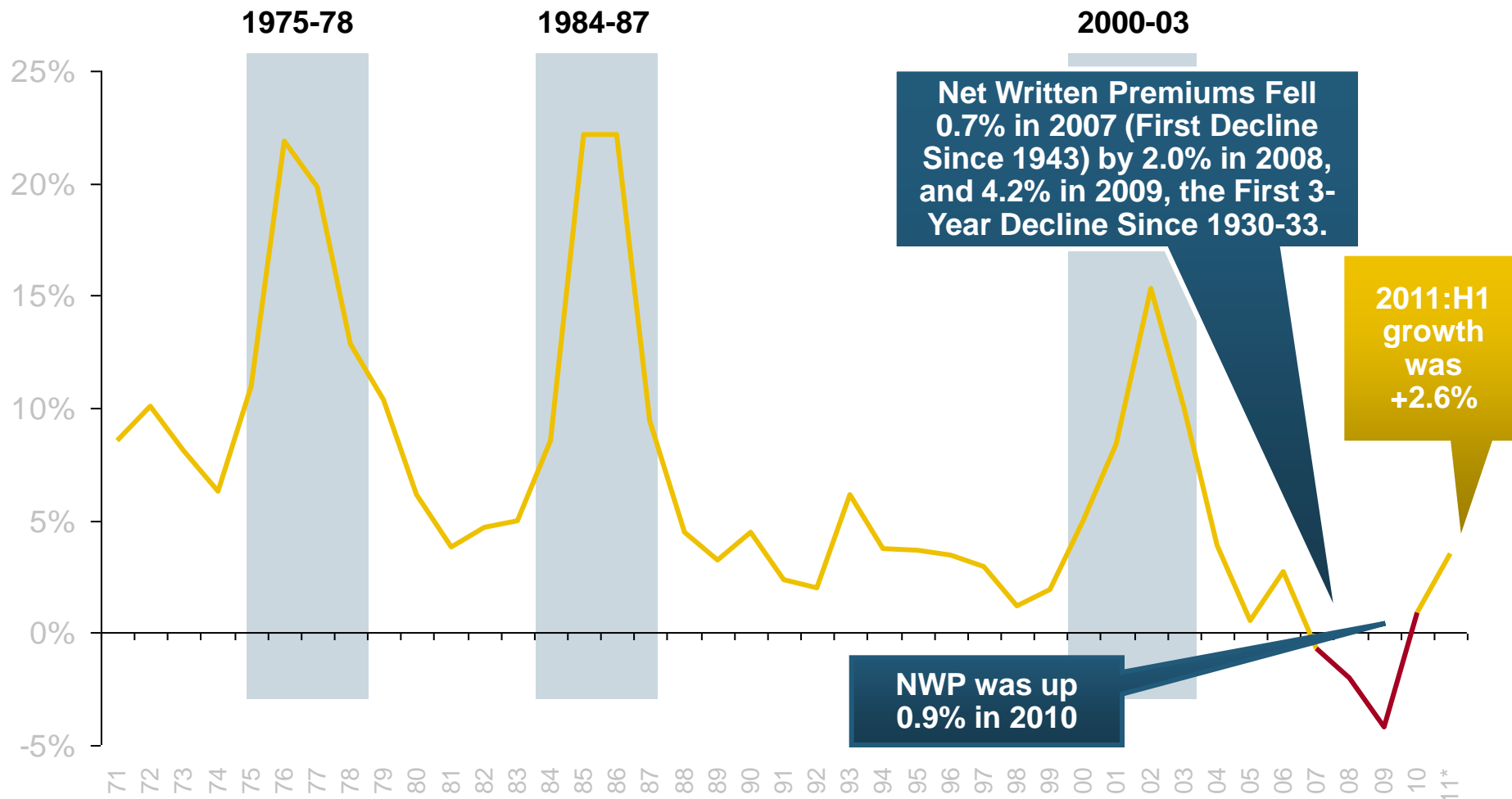


4. RENEWED PRICING DISCIPLINE

**Is There Evidence of a Broad
and Sustained Shift in Pricing?**

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

(Percent)

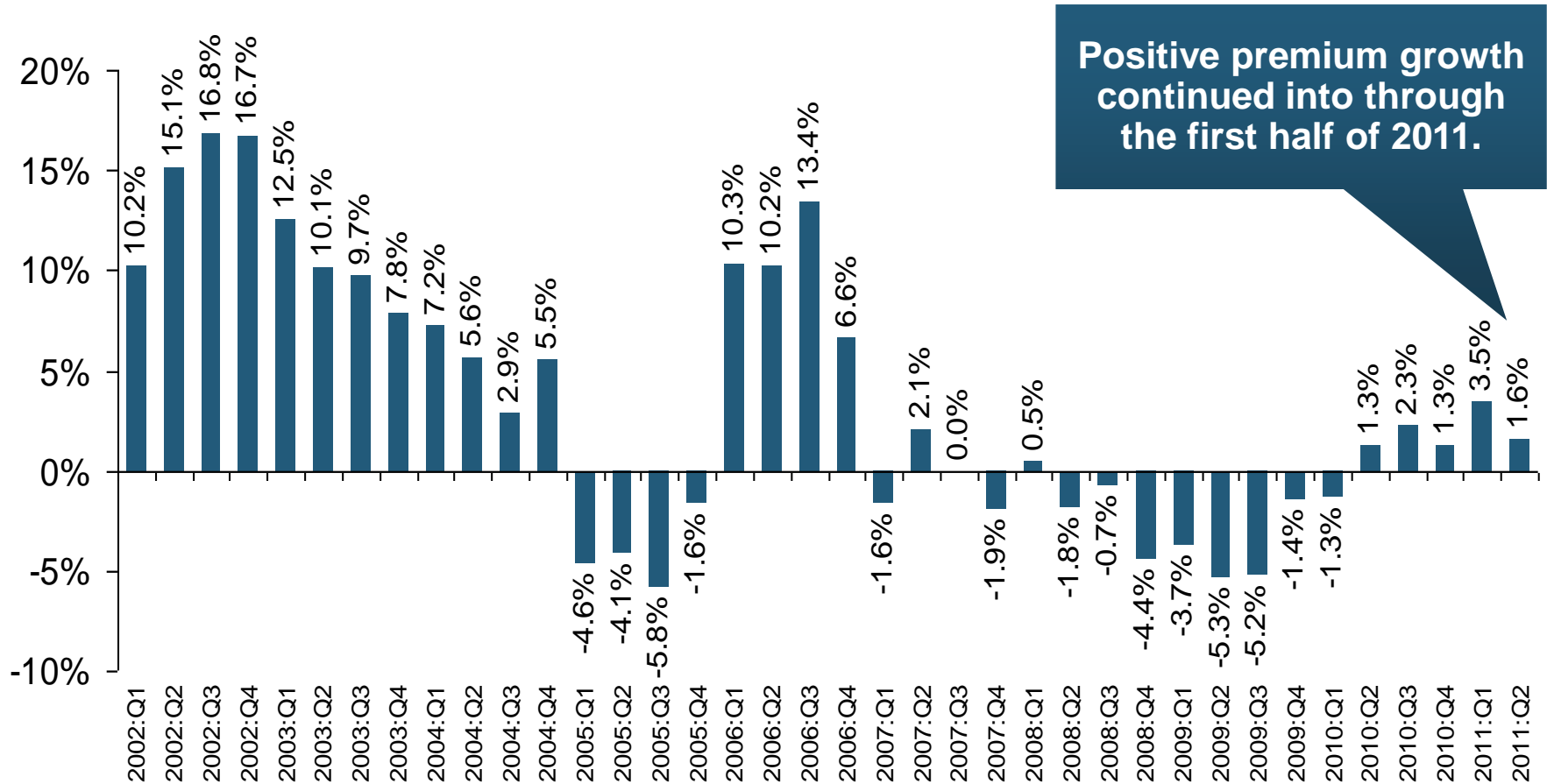


*2011 figure is for H1 vs. 2010:H1.

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

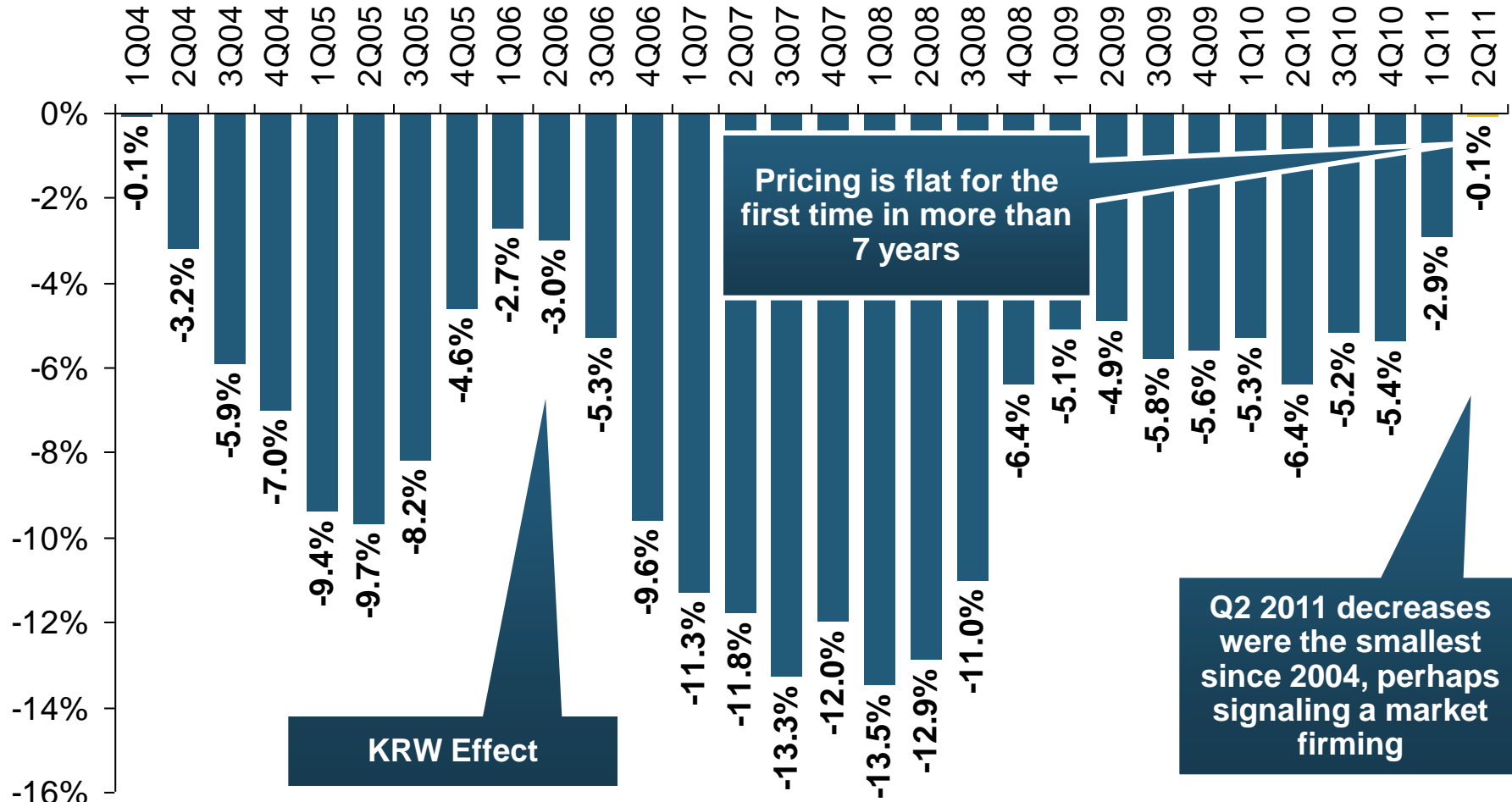


Positive premium growth continued into through the first half of 2011.

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

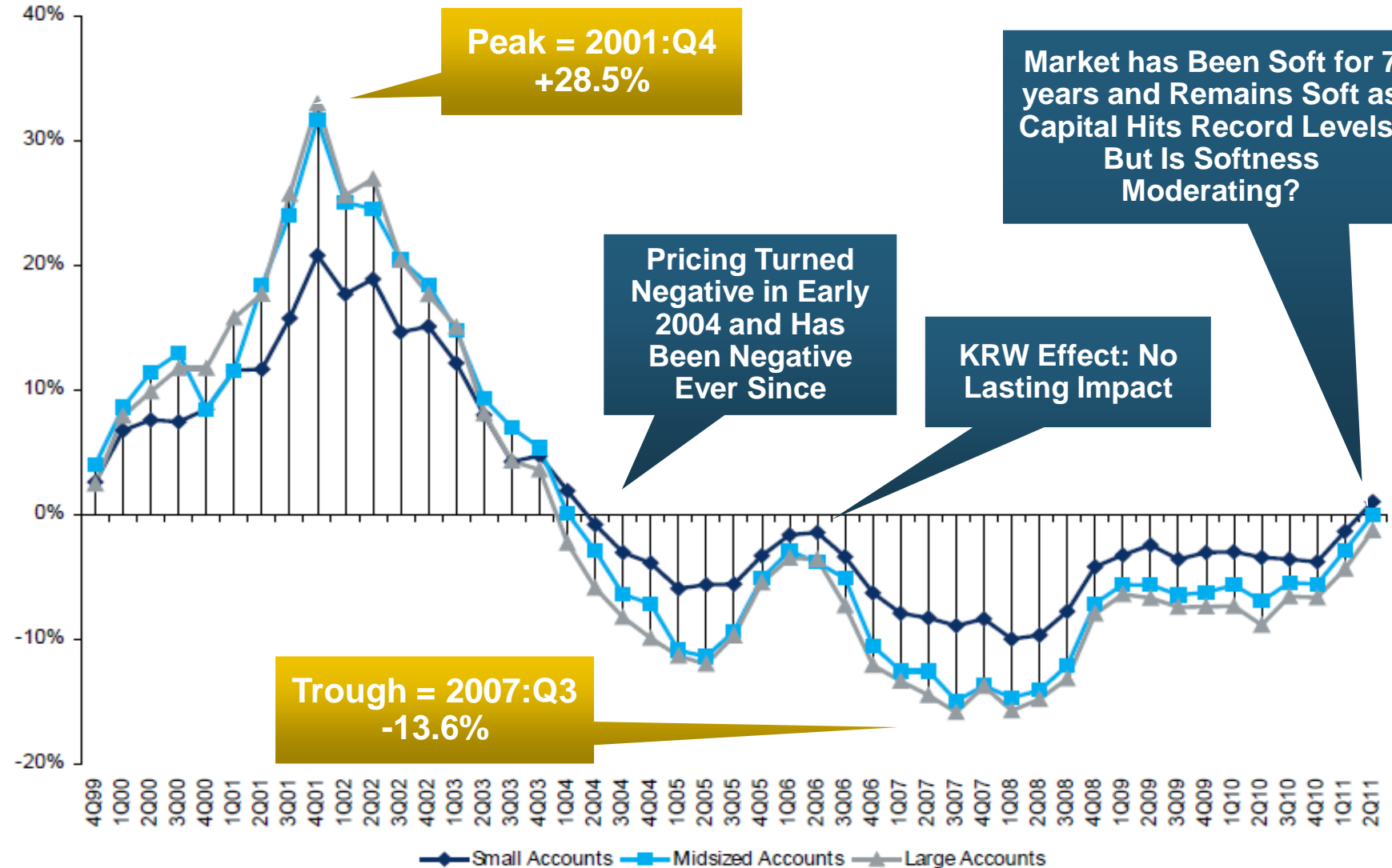
Average Commercial Rate Change, All Lines, (1Q:2004–2Q:2011)

(Percent)



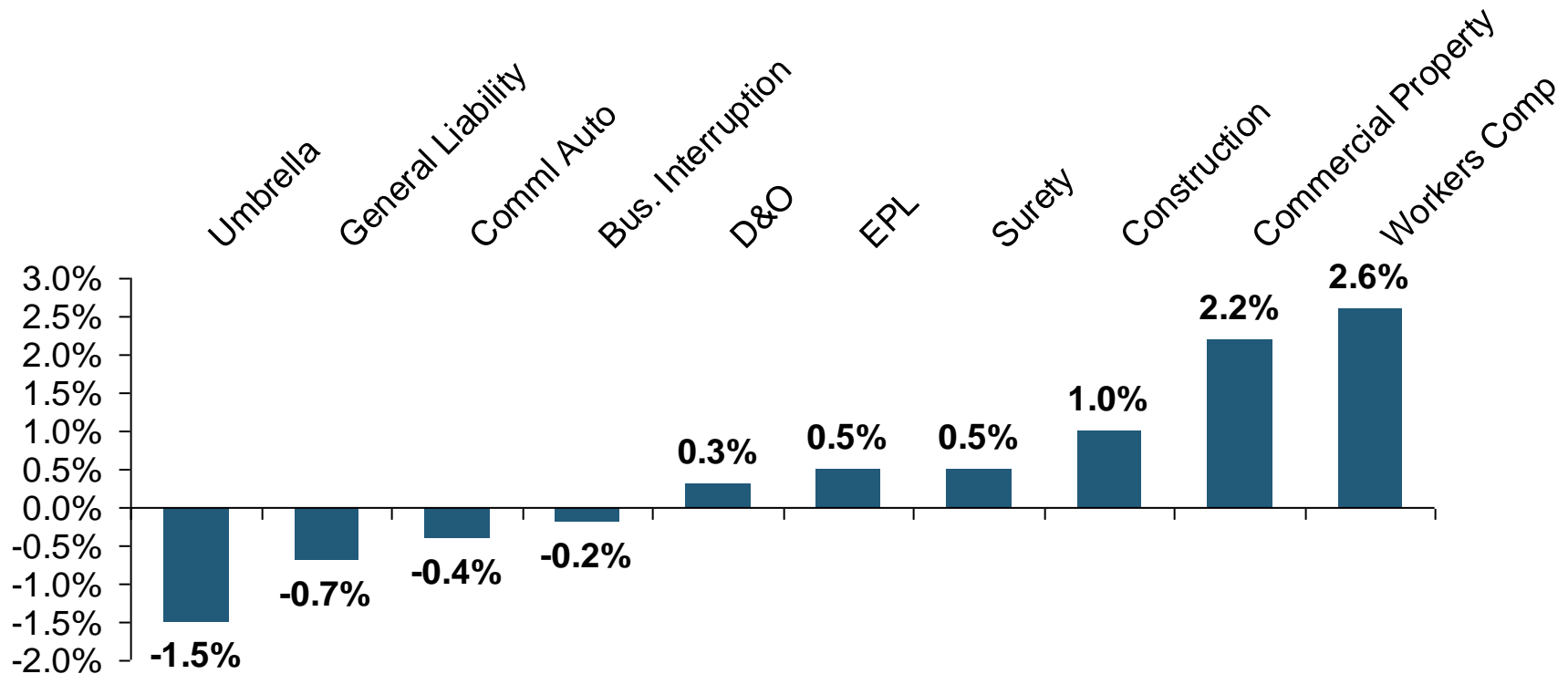
Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2011:Q2

Percentage Change (%)



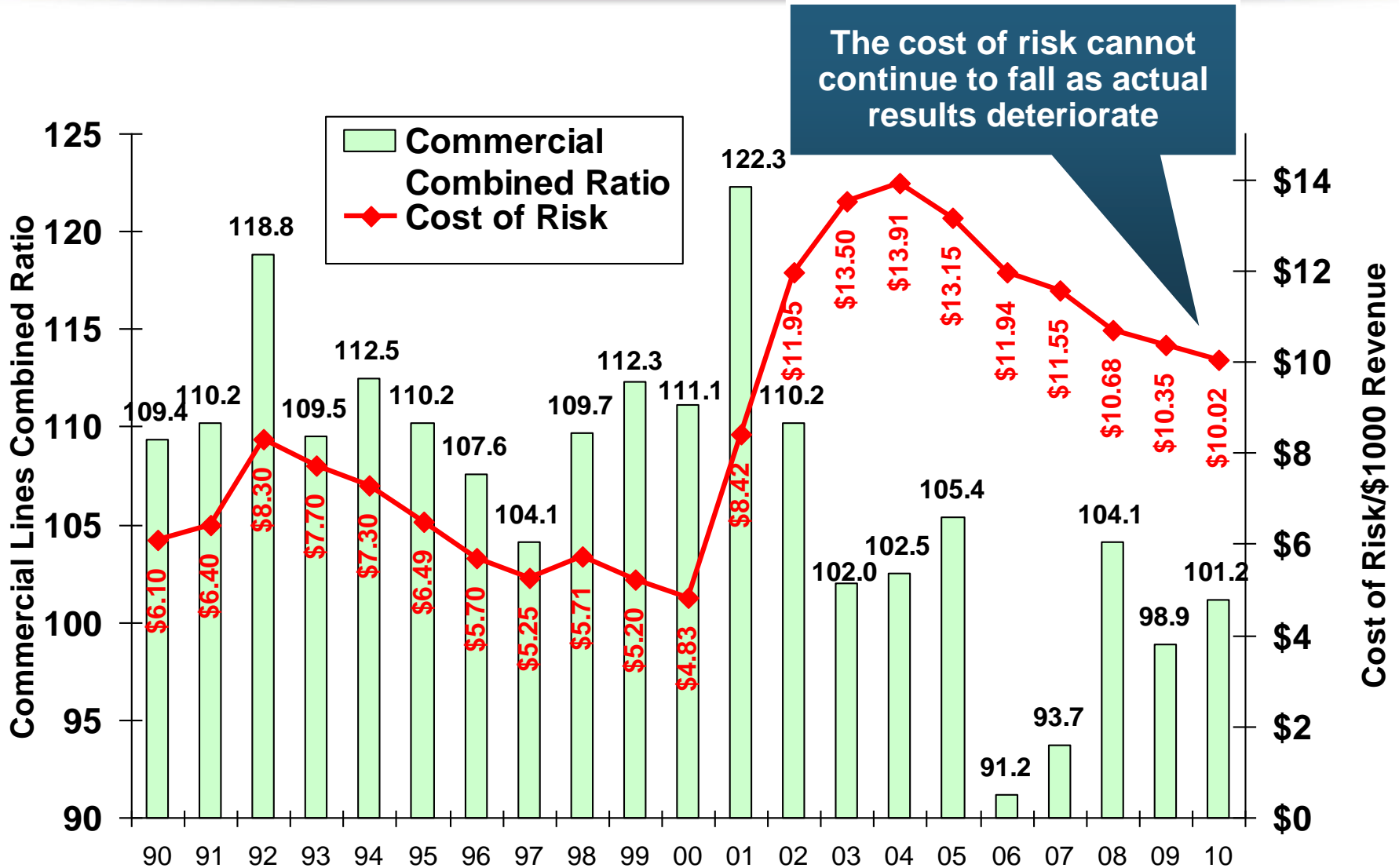
Change in Commercial Rate Renewals, by Line: 2011:Q2

Percentage Change (%)



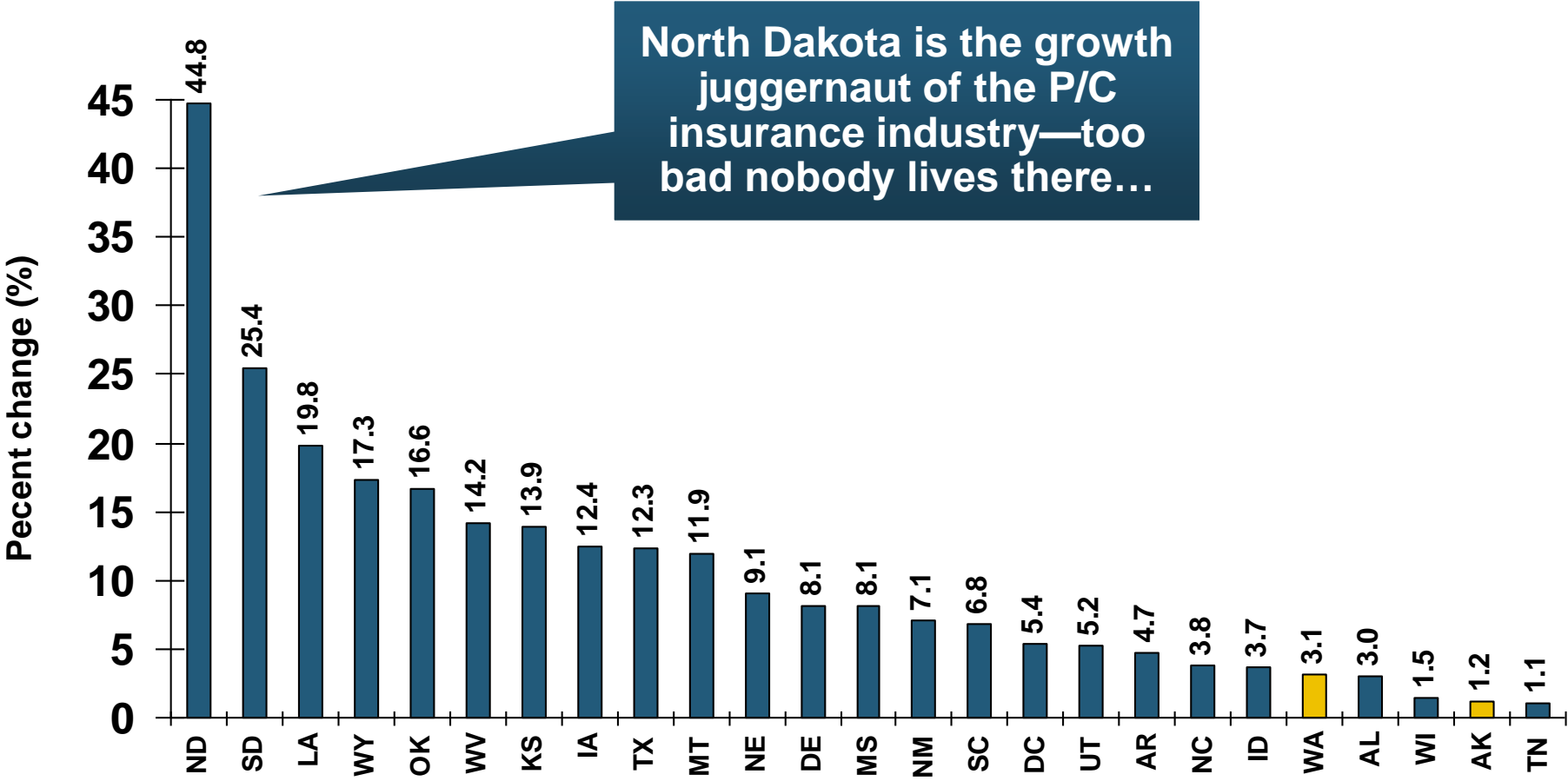
Major Commercial Lines Renewed Mixed in Q2:2011, With Workers Up More than Any Other Line

Cost of Risk vs. Commercial Lines Combined Ratio



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

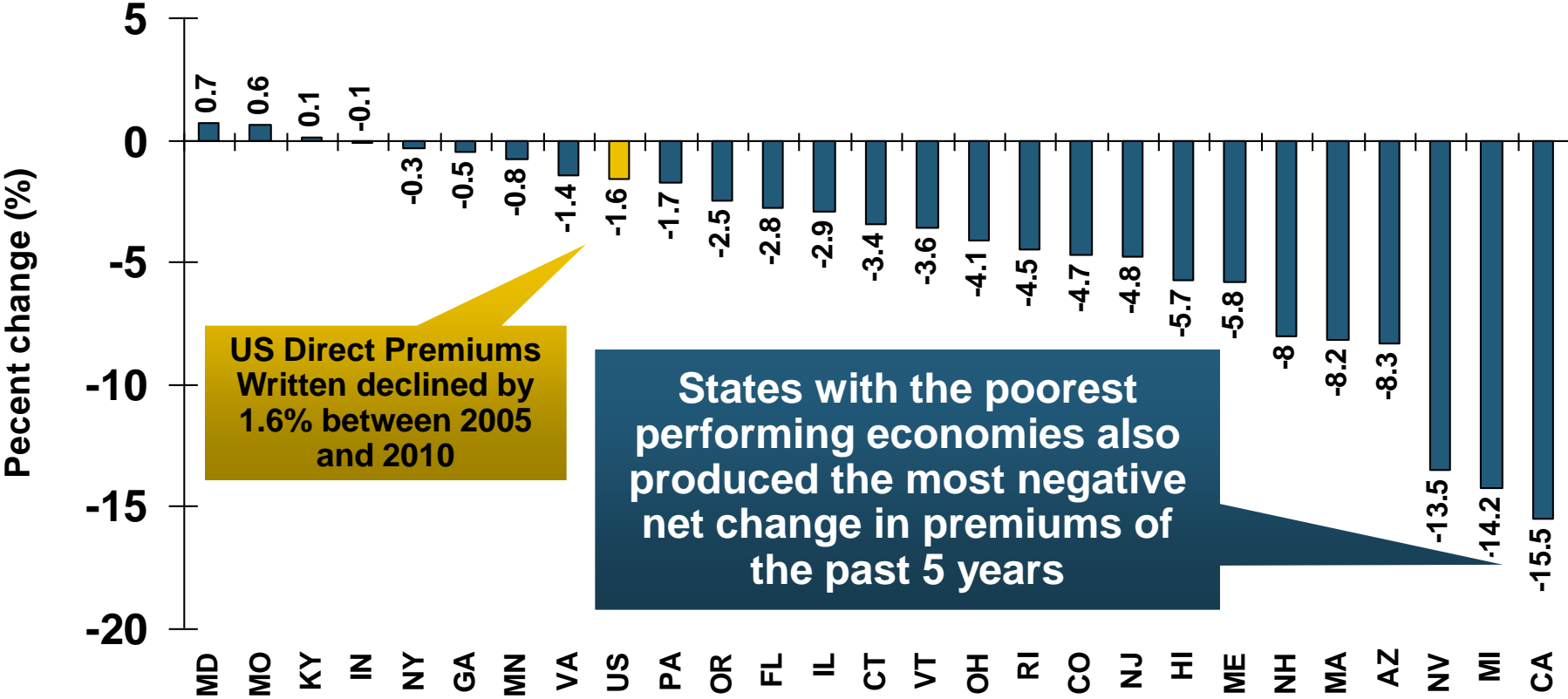
Top 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

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

Bottom 25 States



Sources: SNL Financial LC; Insurance Information Institute.

Other Cycle-Influencing Factors

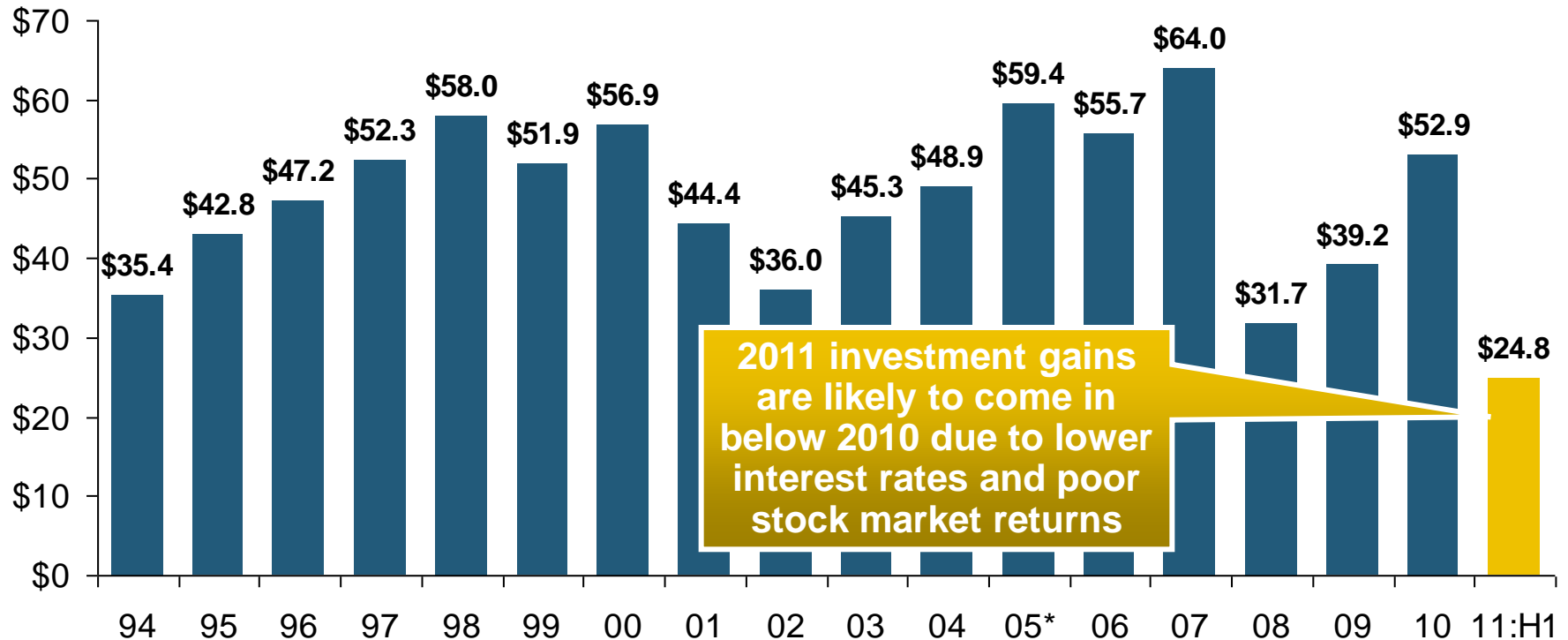
**Could Other Factors Act as
a Catalyst to Turn the
Market?**

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:H1¹

(\$ Billions)



2011 investment gains are likely to come in below 2010 due to lower interest rates and poor stock market returns

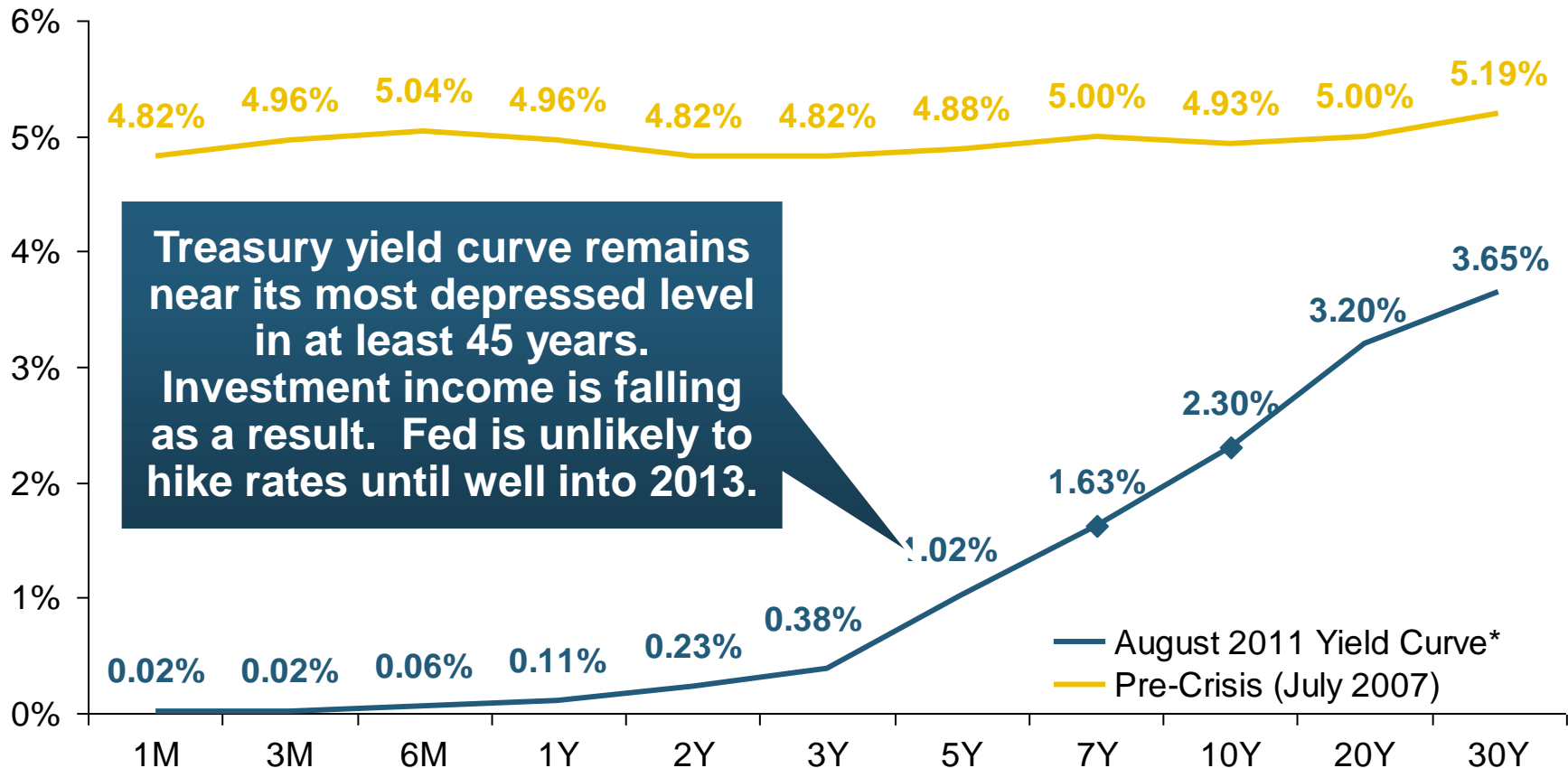
Investment Gains Recovered Significantly in 2010 Due to Realized Investment Gains; The Financial Crisis Caused Investment Gains to Fall by 50% in 2008

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.

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



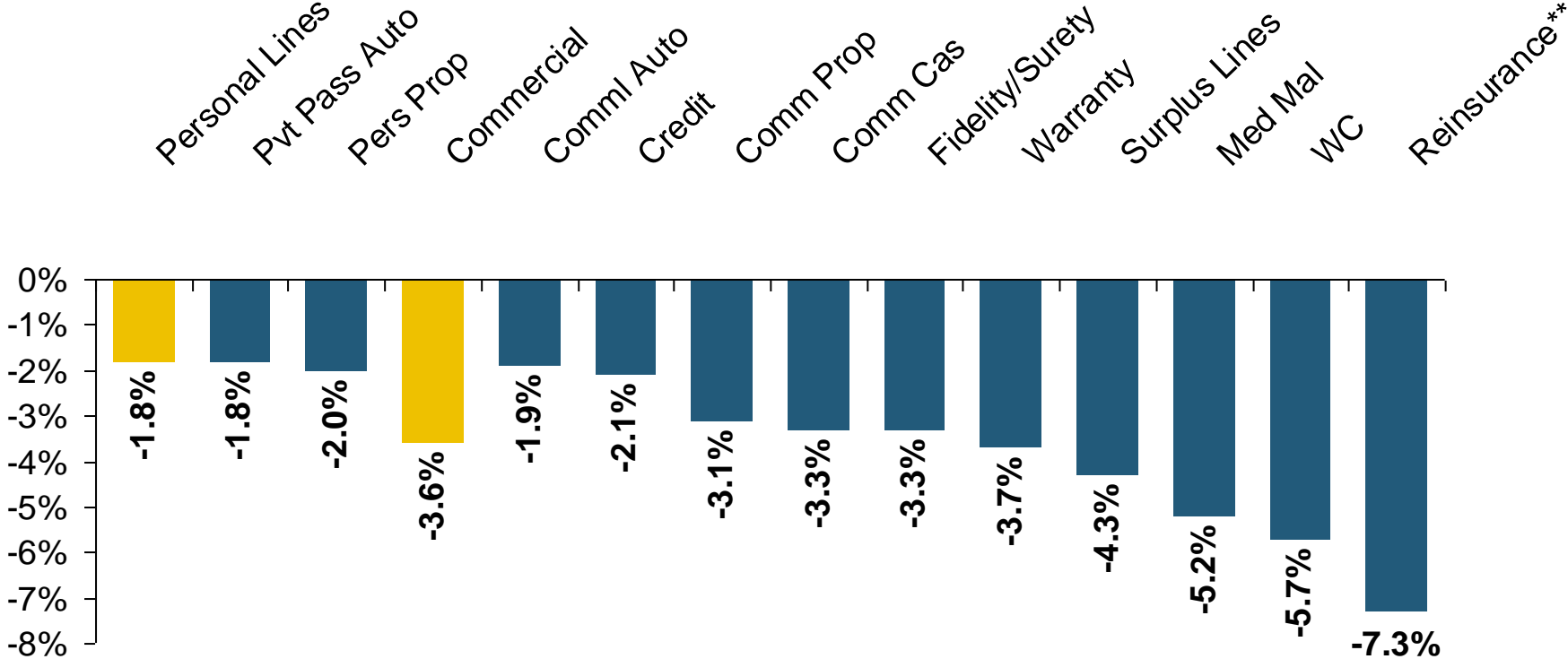
Treasury yield curve remains near its most depressed level in at least 45 years. Investment income is falling as a result. Fed is unlikely to hike rates until well into 2013.

The End of the Fed's Quantitative Easing Is Unlikely to Push Interest Rates Up Substantially Given Ongoing Economic Weakness

*Average of daily rates.

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

Reduction in Combined Ratio Necessary to Offset 1% Decline in Investment Yield to Maintain Constant ROE, by Line*



Lower Investment Earnings Place a Greater Burden on Underwriting and Pricing Discipline

*Based on 2008 Invested Assets and Earned Premiums

**US domestic reinsurance only

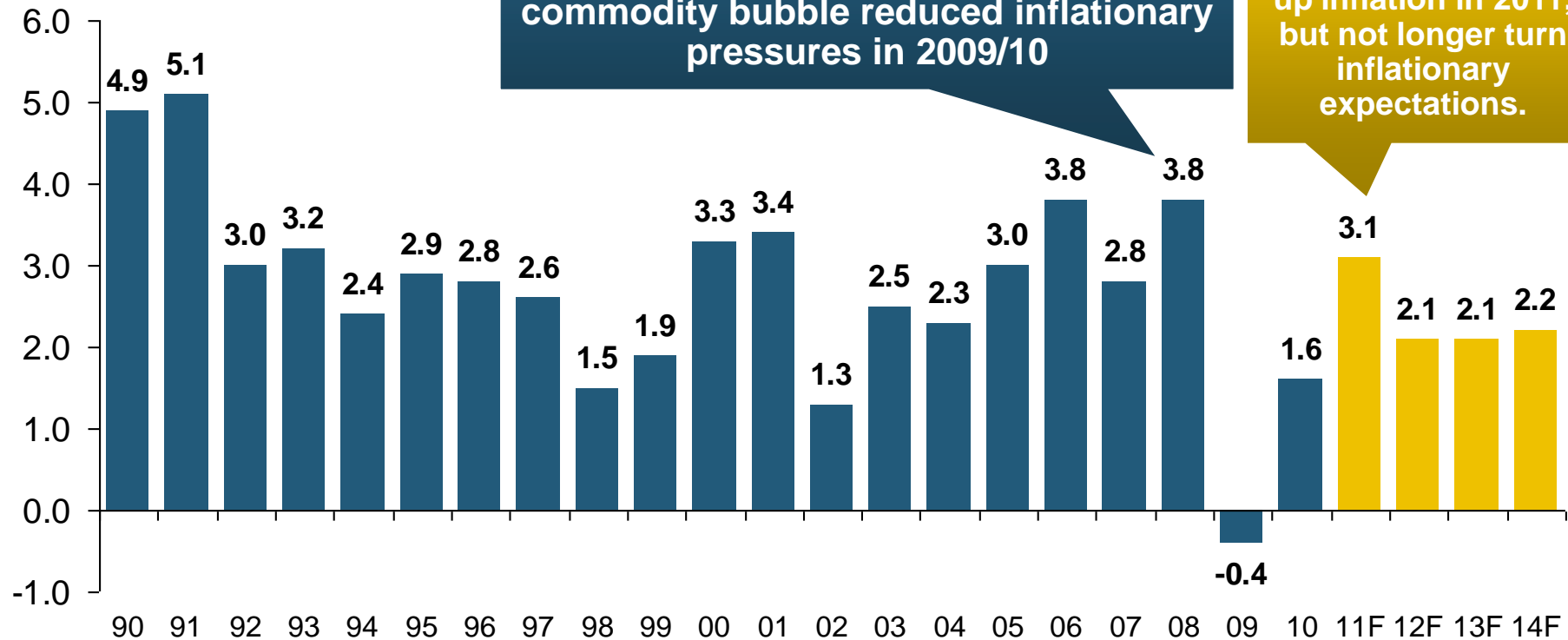
Source: A.M. Best; Insurance Information Institute.

Inflation

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

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 reduced inflationary pressures in 2009/10

Higher energy, commodity and food prices are pushing up inflation in 2011, but not longer turn inflationary expectations.

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, 3/11 and 9/11 (forecasts).

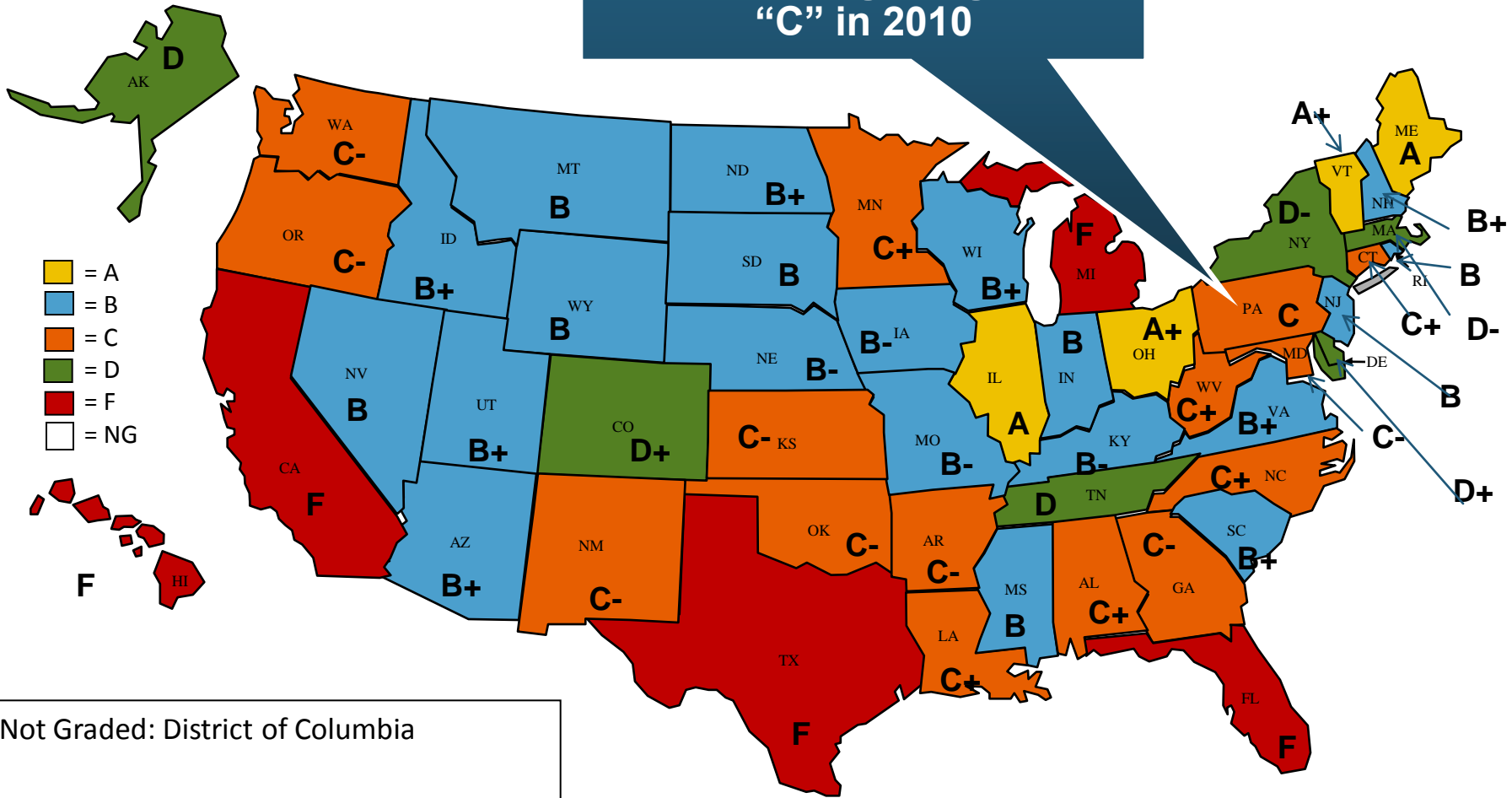


Regulatory Environment & Financial Services Reform

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

2010 Property and Casualty Insurance Regulatory Report Card

Pennsylvania's regulatory environment got a grade of "C" in 2010



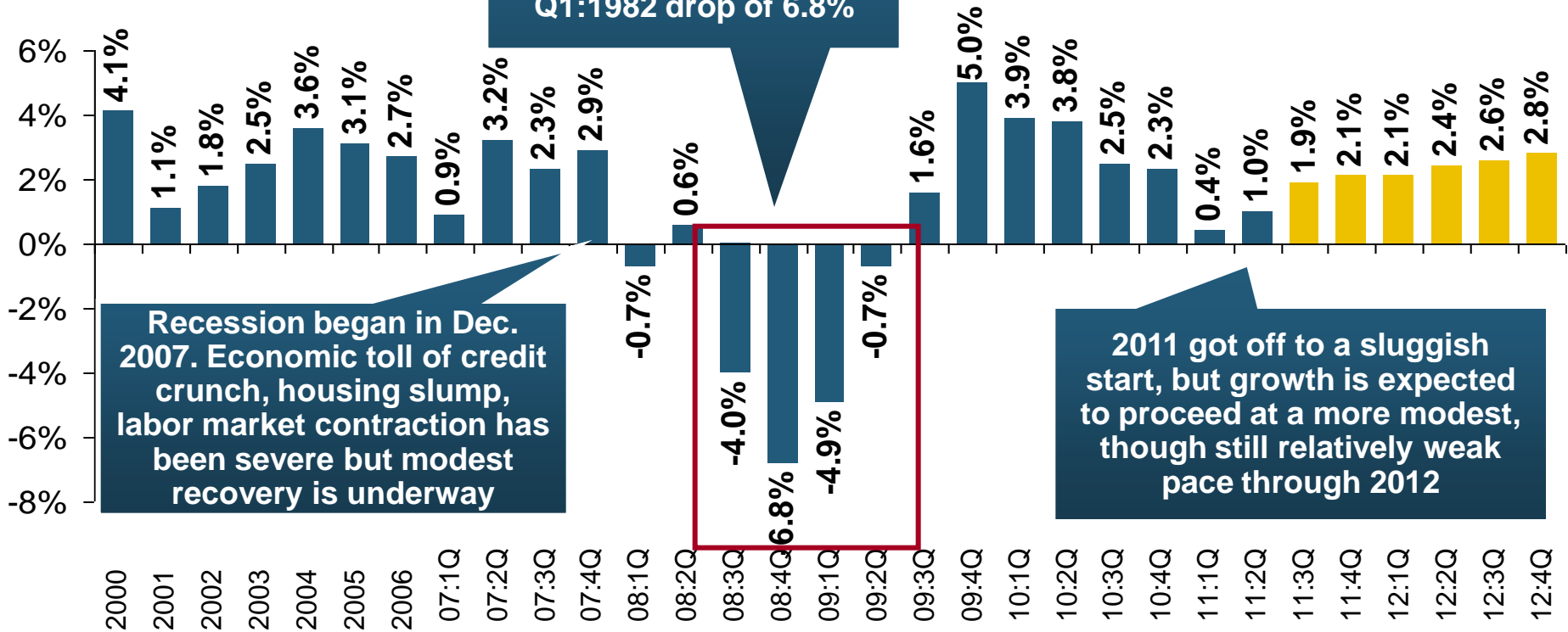
Not Graded: District of Columbia

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

**Growth Would Also Help Absorb
Excess Capital**

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

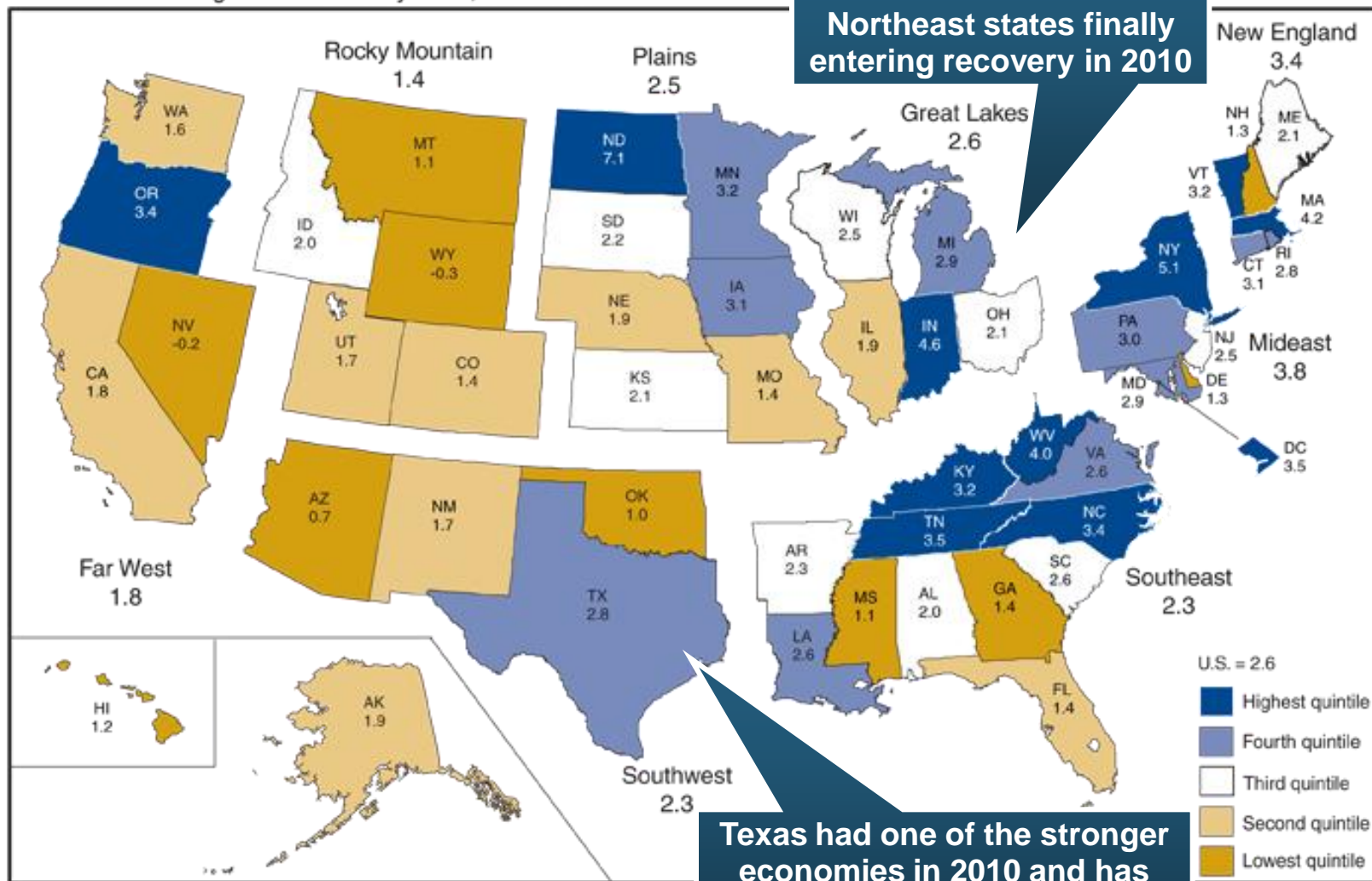
*  Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 9/11; Insurance Information Institute.

2011 Financial Overview

State Economic Growth Varied in 2010

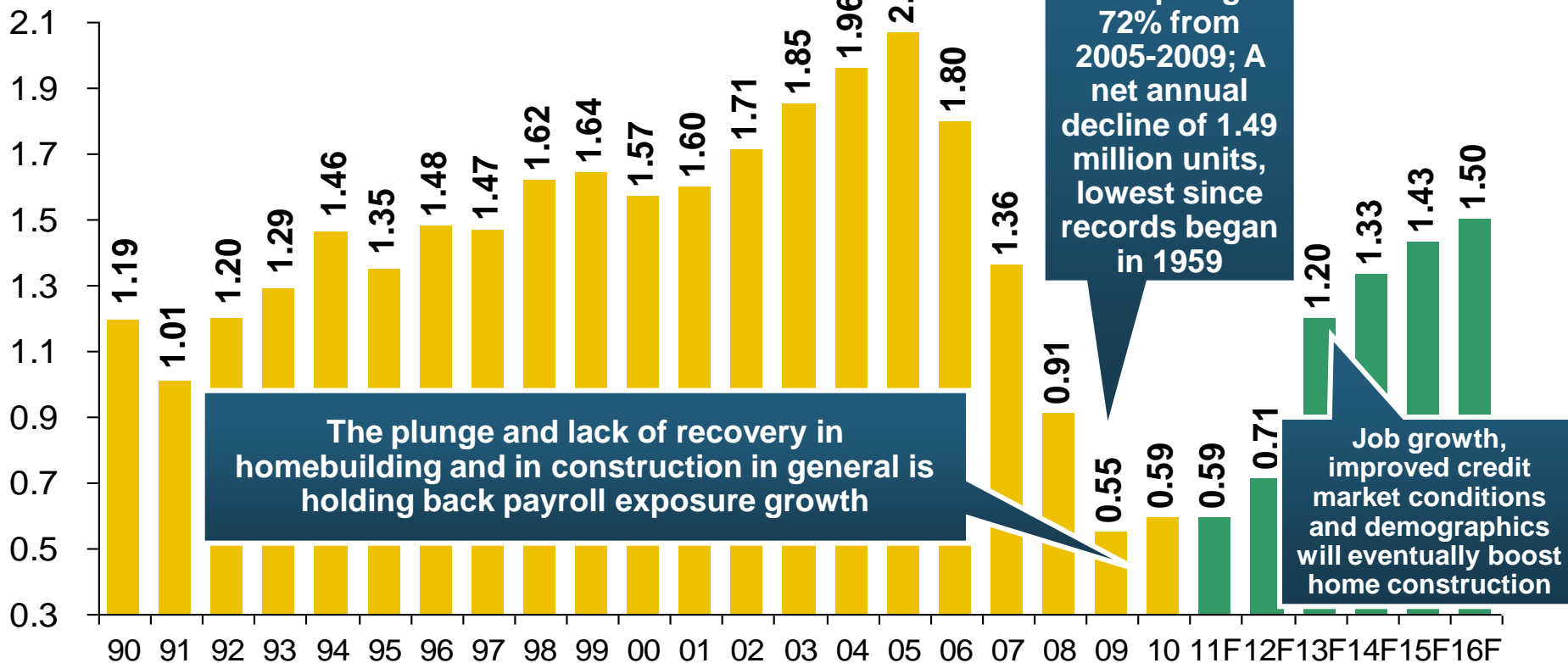
Chart 1. Percent Change in Real GDP by State, 2009-2010



U.S. Bureau of Economic Analysis

New Private Housing Starts, 1990-2016F

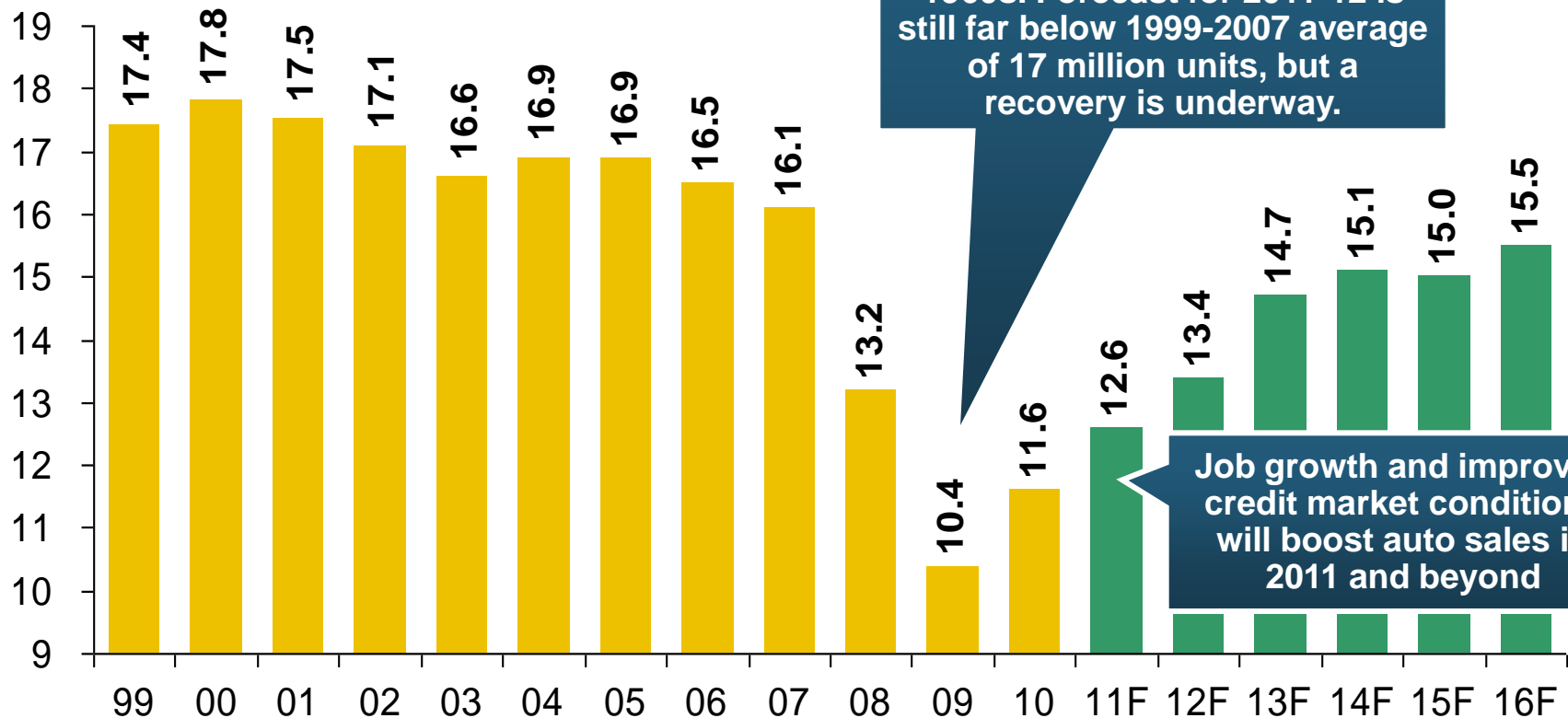
(Millions of Units)



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, Bolstering the Manufacturing Sector.

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)



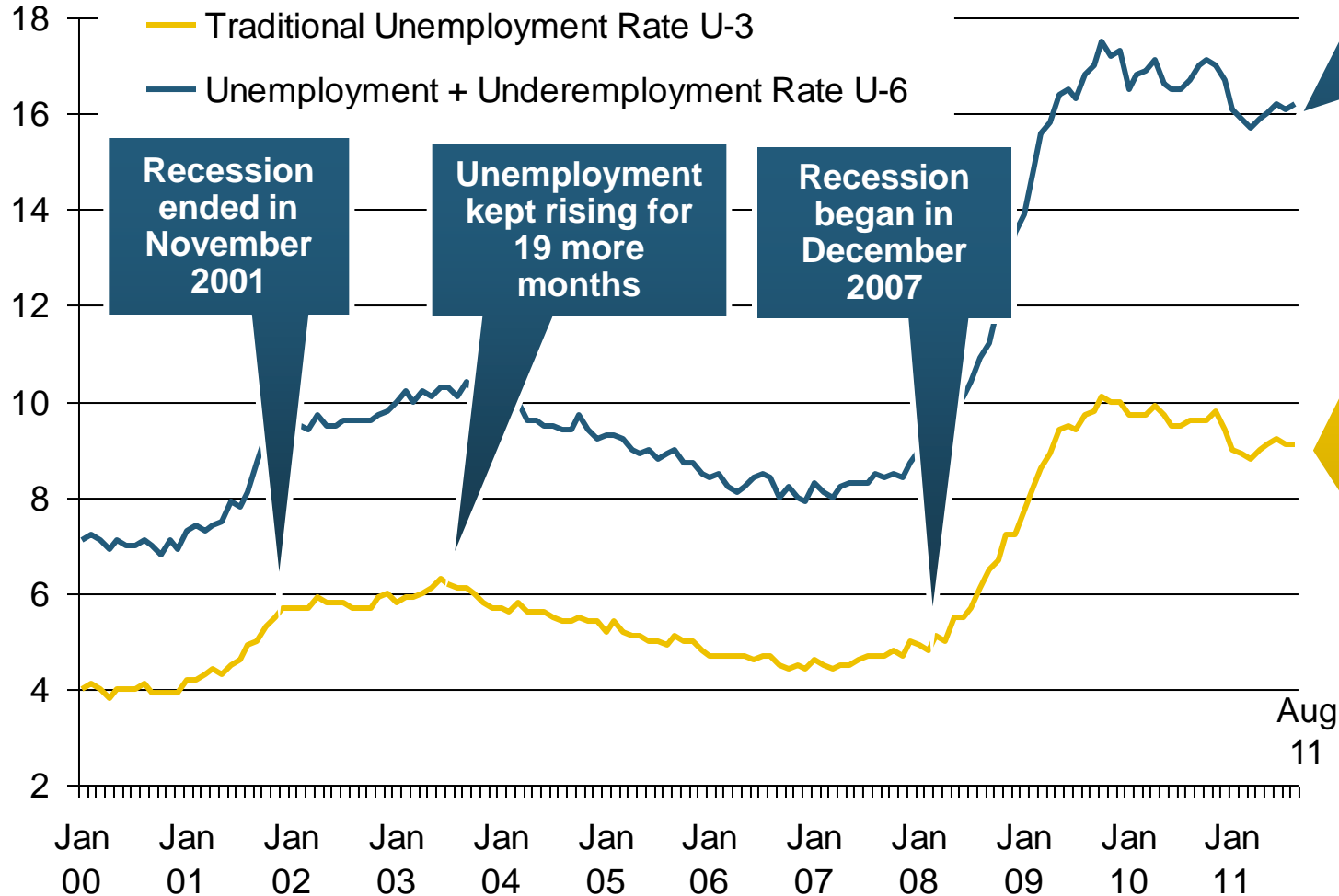
Many industries are poised for growth, but many insurers do not write in these economic segments

Labor Market Trends

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

Unemployment and Underemployment Rates: Stubbornly High in 2011

January 2000 through August 2011, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 16.1% in August 2011

Unemployment stood at 9.1% in August

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

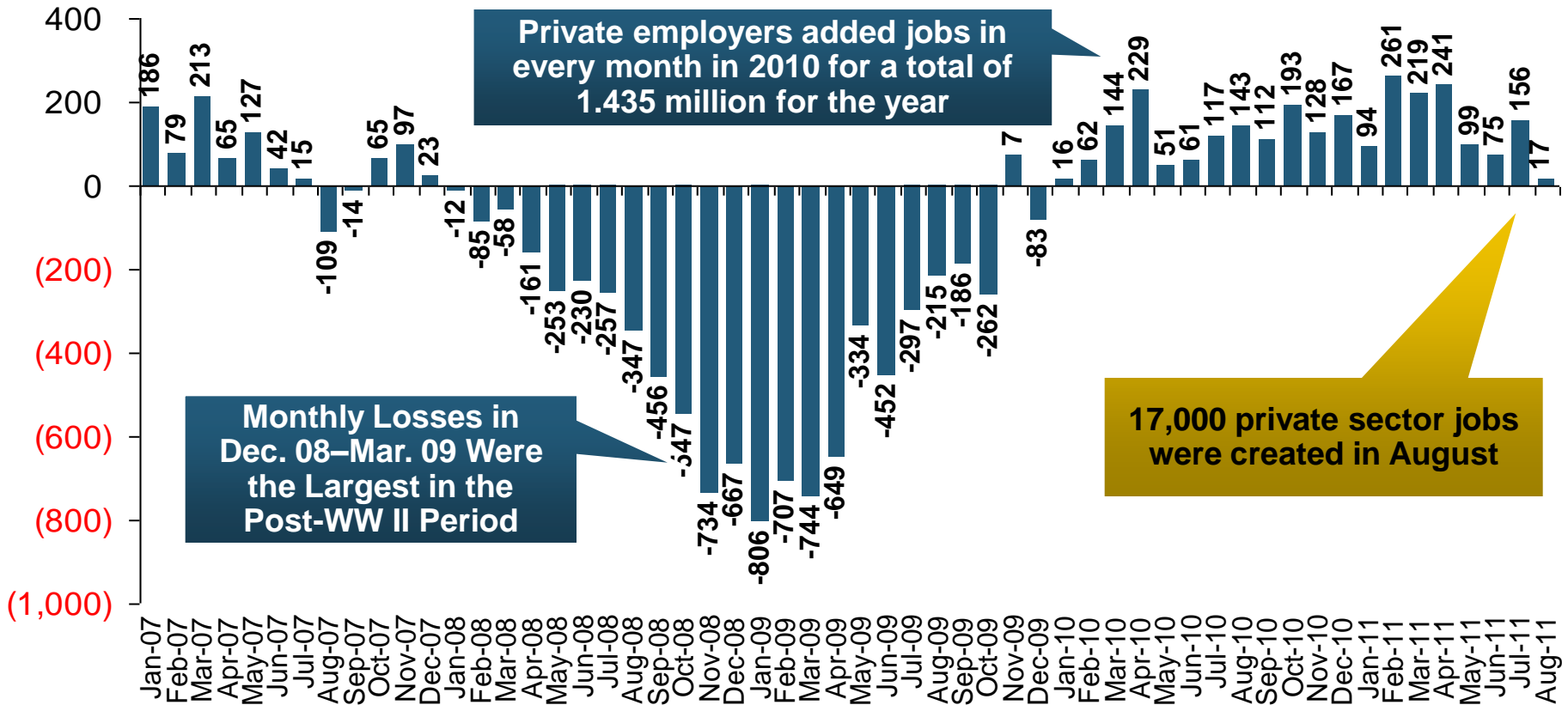
Peak rate in the last 30 years: 10.8% in November - December 1982

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

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

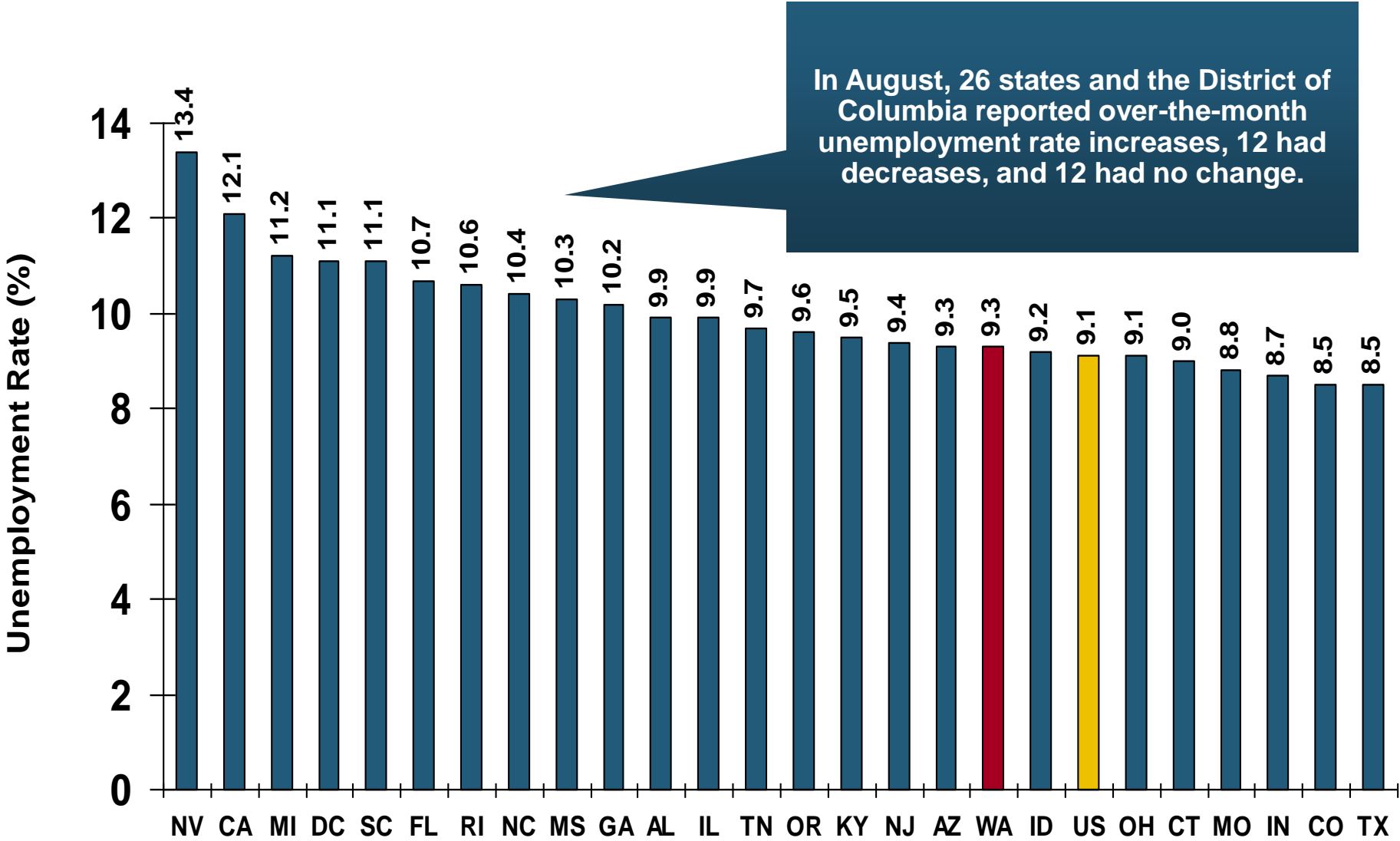
Monthly Change in Private Employment

January 2008 through August 2011* (Thousands)



Private Employers Added 2.585 million Jobs Since Jan. 2010 After Having Shed 4.66 Million Jobs in 2009 and 3.81 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

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

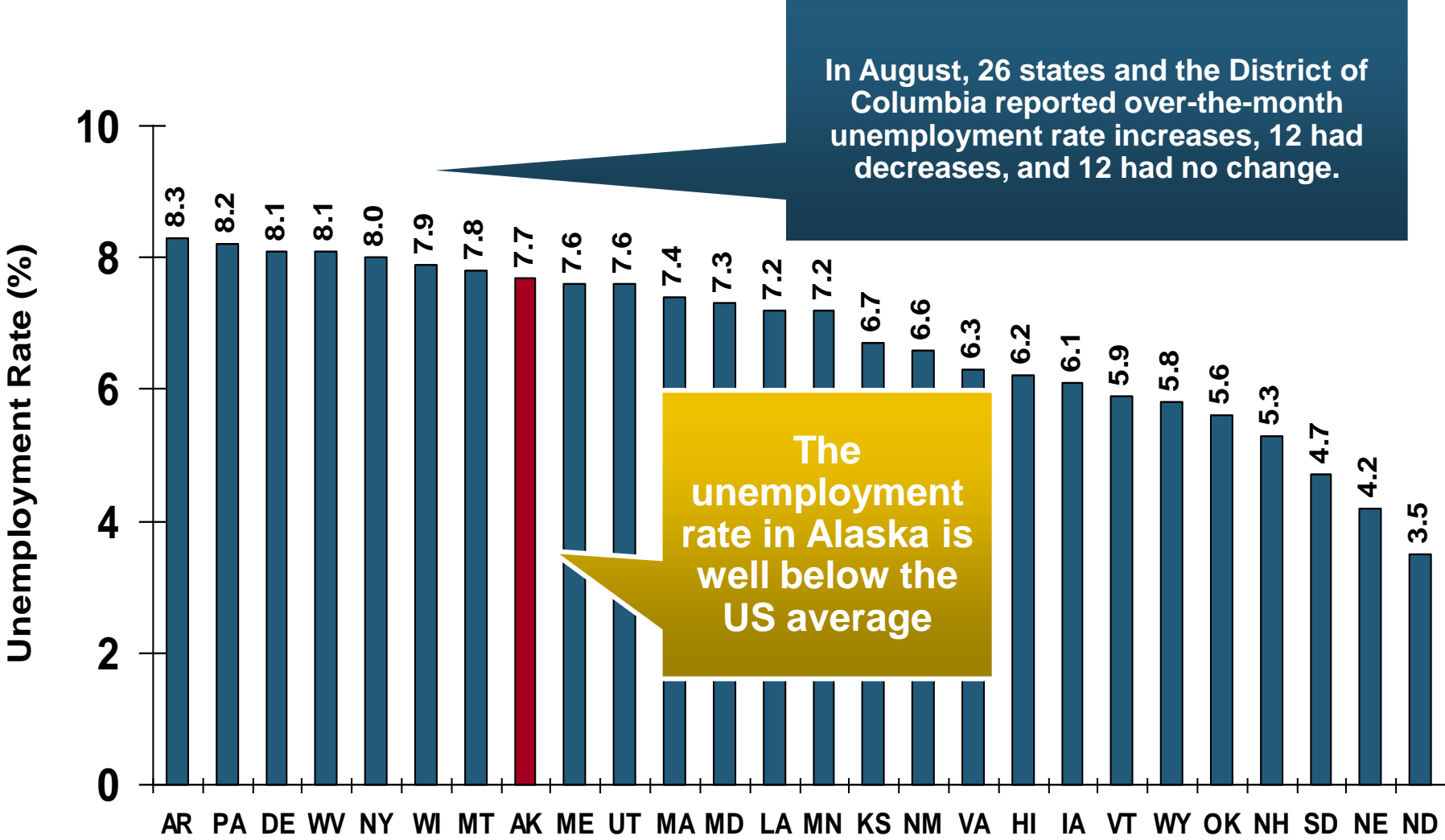


In August, 26 states and the District of Columbia reported over-the-month unemployment rate increases, 12 had decreases, and 12 had no change.

*Provisional figures for August 2011, seasonally adjusted.

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

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



In August, 26 states and the District of Columbia reported over-the-month unemployment rate increases, 12 had decreases, and 12 had no change.

The unemployment rate in Alaska is well below the US average

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

Insurance Information Institute Online:

www.iii.org

*Thank you for your time
and your attention!*

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