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Trends, Challenges and Opportunities in P/C Insurance
Focus on Maryland Markets

Maryland I-Day

Baltimore, MD

May 7, 2015

Download at www.iii.org/presentations

Robert P. Hartwig, Ph.D., CPCU, President & Economist

Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038

Tel: 212.346.5520 ♦ Cell: 917.453.1885 ♦ bobh@iii.org ♦ www.iii.org

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Riots, Civil Commotion and Insurance

Damage to Insured Properties is Generally Covered Under Standard Property and Auto Policies

Baltimore Riots Have Officially Been Designated a PCS CAT Event

Insurance Coverage for Riots and Civil Commotions: Home, Auto and Business

- Auto, homeowners, and business insurance policies generally include coverage for property losses caused by riots and civil commotions

- Homeowners policies pay to repair, or rebuild, an insured home if its structure is damaged or destroyed as the result of a riot or civil commotion, as well as to replace the homeowner's personal belongings if they are damaged or stolen during the event.
  - If the home is rendered uninhabitable by the damage caused by a riot or civil commotion, policyholders can file an additional living expenses (ALE) claim to finance their temp. housing expenses until the residence has been repaired.

- The optional comprehensive coverage on an auto insurance policy reimburses losses to a vehicle due to damage caused by falling objects, fire, riots and vandalism, among other things.

- Standard business property insurance policies provide coverage for the structure of the building as well as the contents inside, and cover losses arising from riots or civil commotion. Business interruption (BI) coverage, whereby the policyholder can file a claim for lost income, is usually only triggered when the insured business incurs direct physical damage.

Source: Insurance Information Institute, www.iii.org .

Top 10 Insured Loss Events from Riots and Civil Commotion*

Year	Deaths	Date	State	Insured Loss When Occurred	Insured Losses (2014 $MM)
1992	14	Apr 29 - May 4	CA	775,000,000	1,307.7
1980	62	May 17 - 19	FL	65,250,000	187.5
1967	48	Jul 23 - 31	MI	41,500,000	294.2
1965	87	11-Aug	CA	38,000,000	285.6
1977	99	Jul 13 - 14	NY	28,000,000	109.4
1967	47	Jul 12 - 21	NJ	11,000,000	78.0
1966	20	12-Jul	IL	4,000,000	29.2
1971	63	Jun 13 - 15	NM	3,000,000	17.5
1977	11	Jul 13 - 14	NY	2,000,000	7.8
1968	77	Jul 23 - 24	OH	1,500,000	10.2

April 2015 Baltimore riots were designated a PCS CAT event on April 29 but loss estimates are not yet available (2014 Ferguson riots did not receive PCS designation)

Source: PCS unit of Verisk Analytics; Insurance Information Institute

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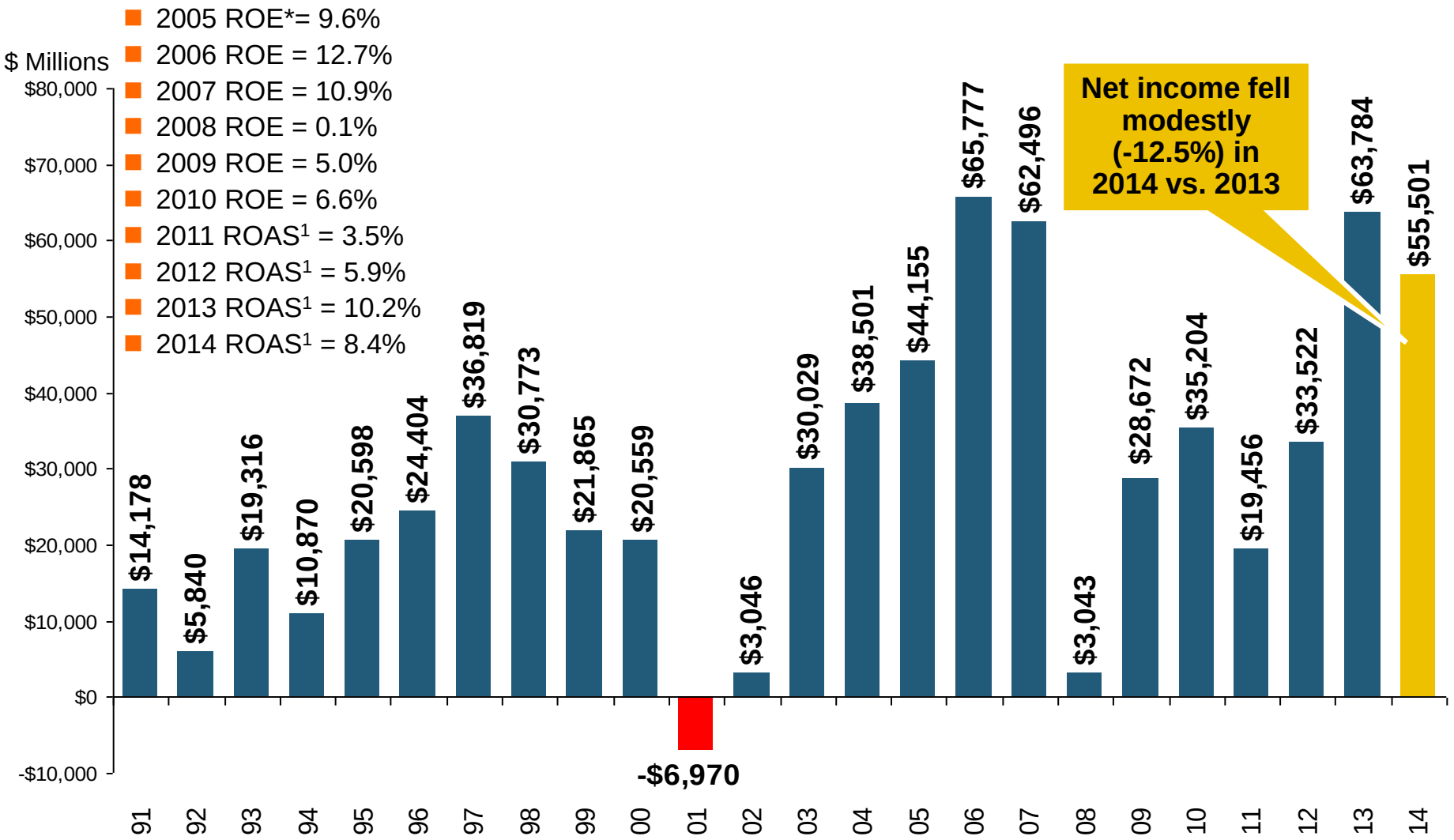
Insurance Industry: *Financial Update & Outlook*

2014 Was a Reasonably Good Year

2015: A Repeat of 2014?

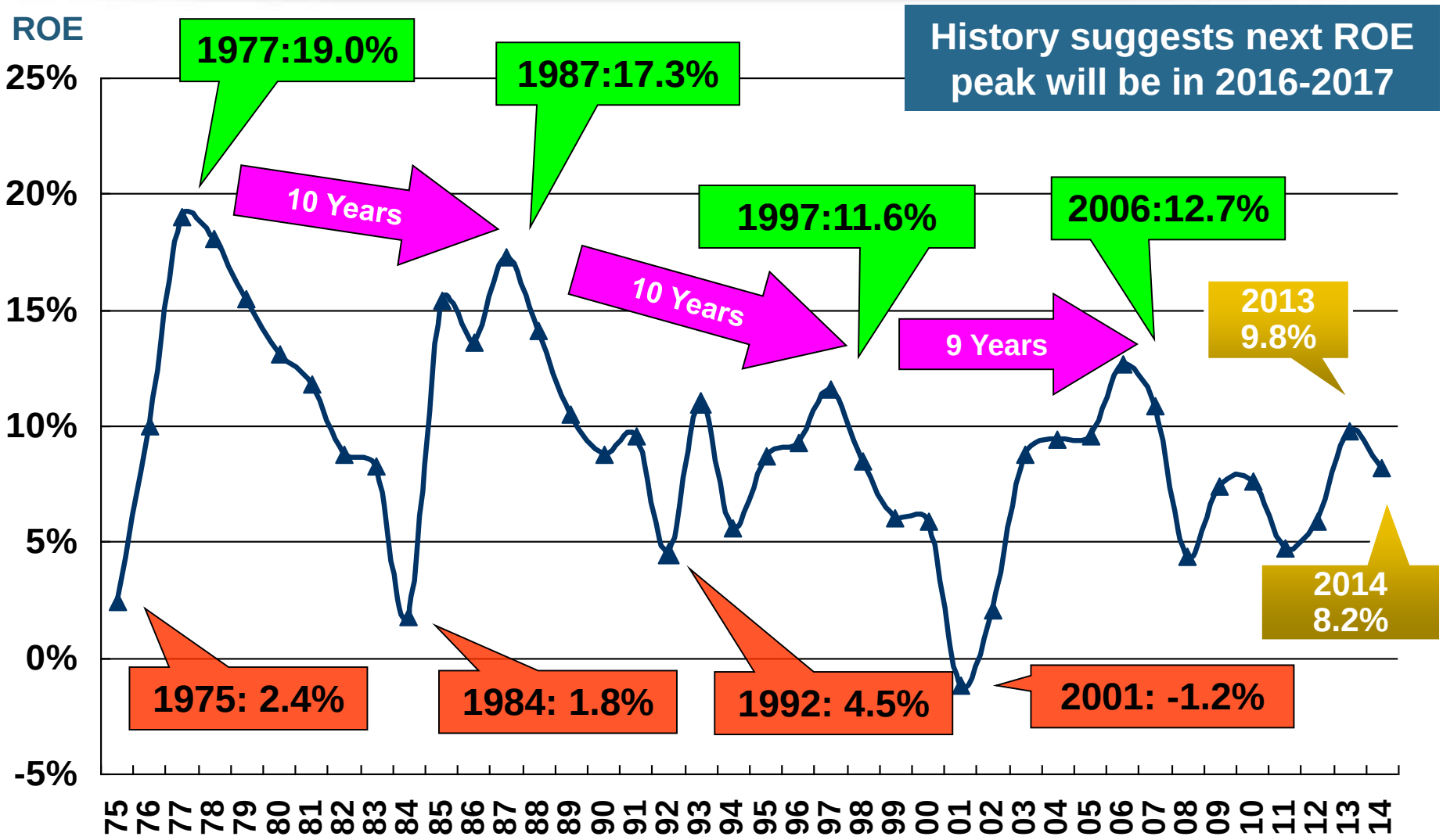
P/C Industry Net Income After Taxes 1991–2014



•ROE figures are GAAP; [1]Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 8.2% ROAS in 2014, 9.8% ROAS in 2013, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

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

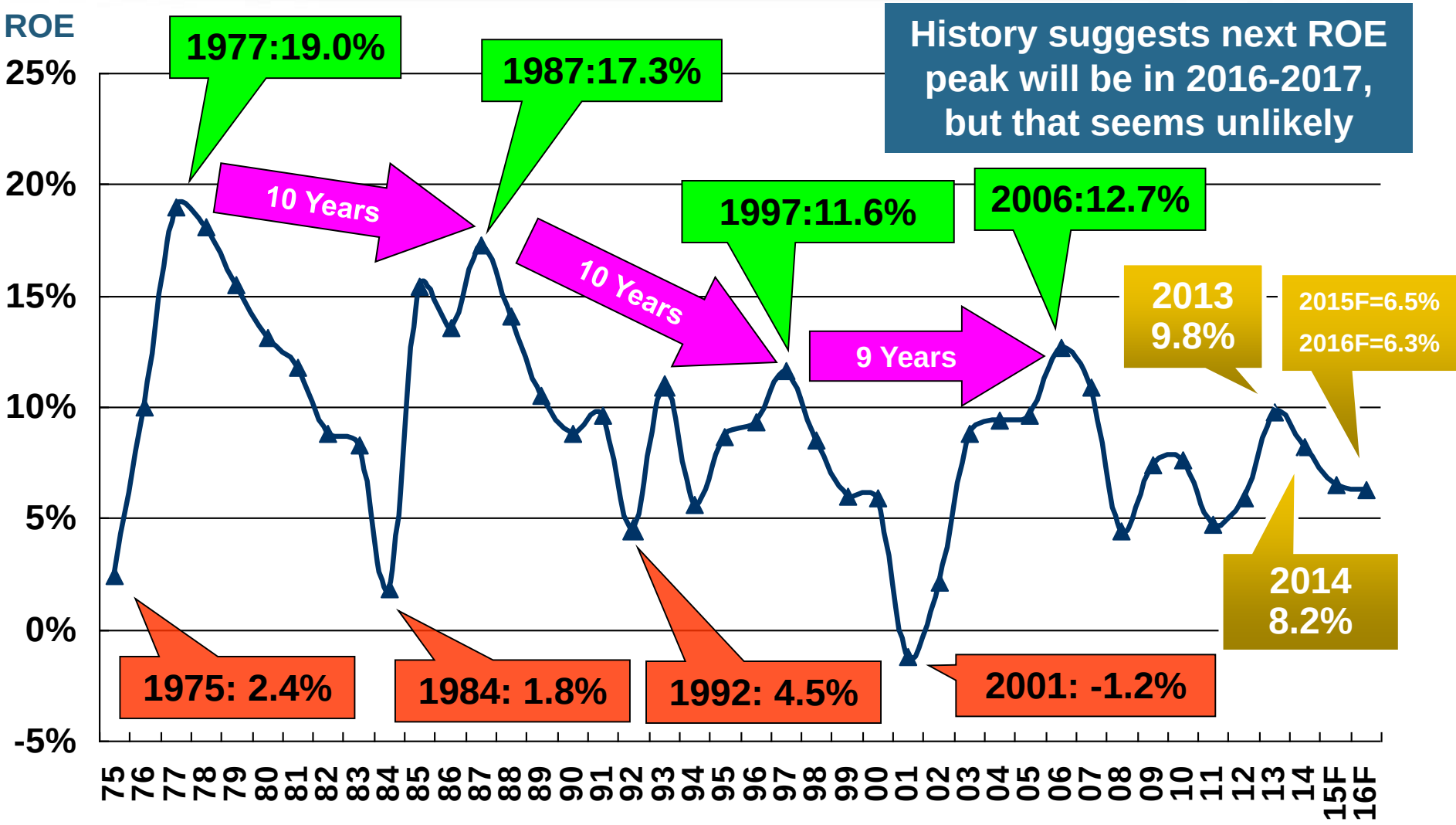
Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2014*



*Profitability = P/C insurer ROEs. 2011-14 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.

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

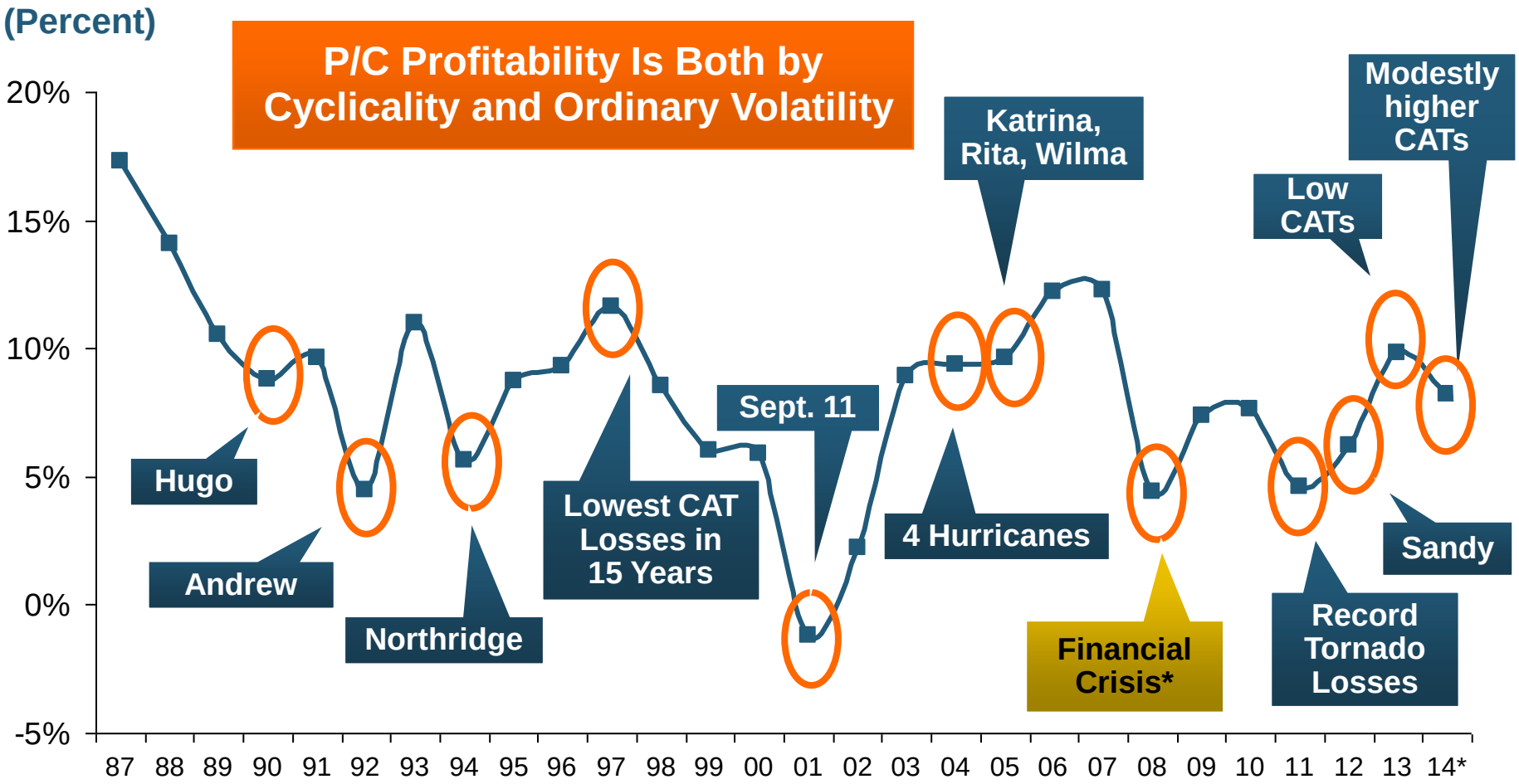
Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2016F



*Profitability = P/C insurer ROEs. 2011-14 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.

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

ROE: Property/Casualty Insurance by Major Event, 1987–2014



* Excludes Mortgage & Financial Guarantee in 2008 – 2014.
Sources: ISO, *Fortune*; Insurance Information Institute.

Back to the Future: Profitability Peaks & Troughs in the P/C Insurance Industry, 1950 – 2014*

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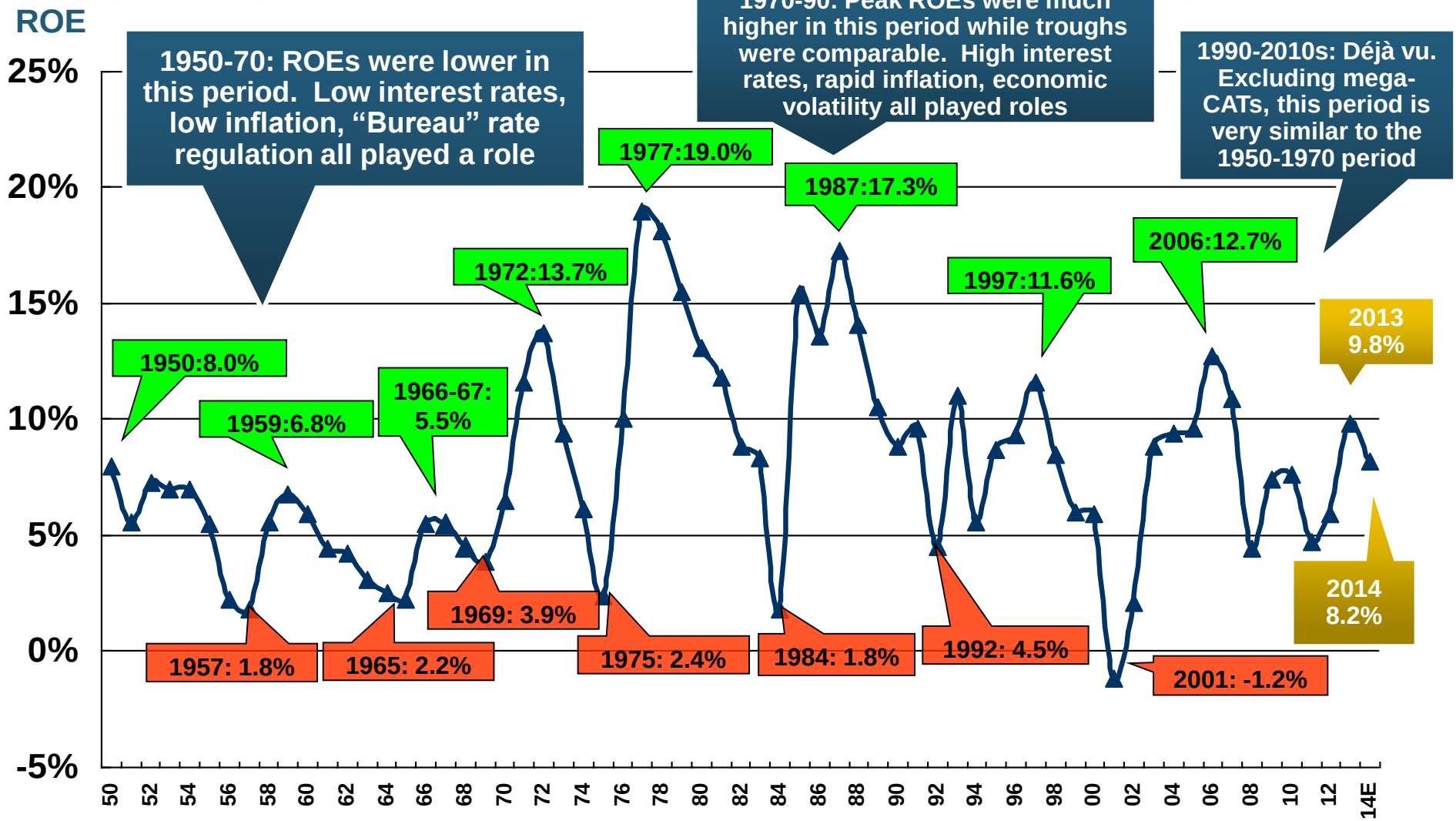
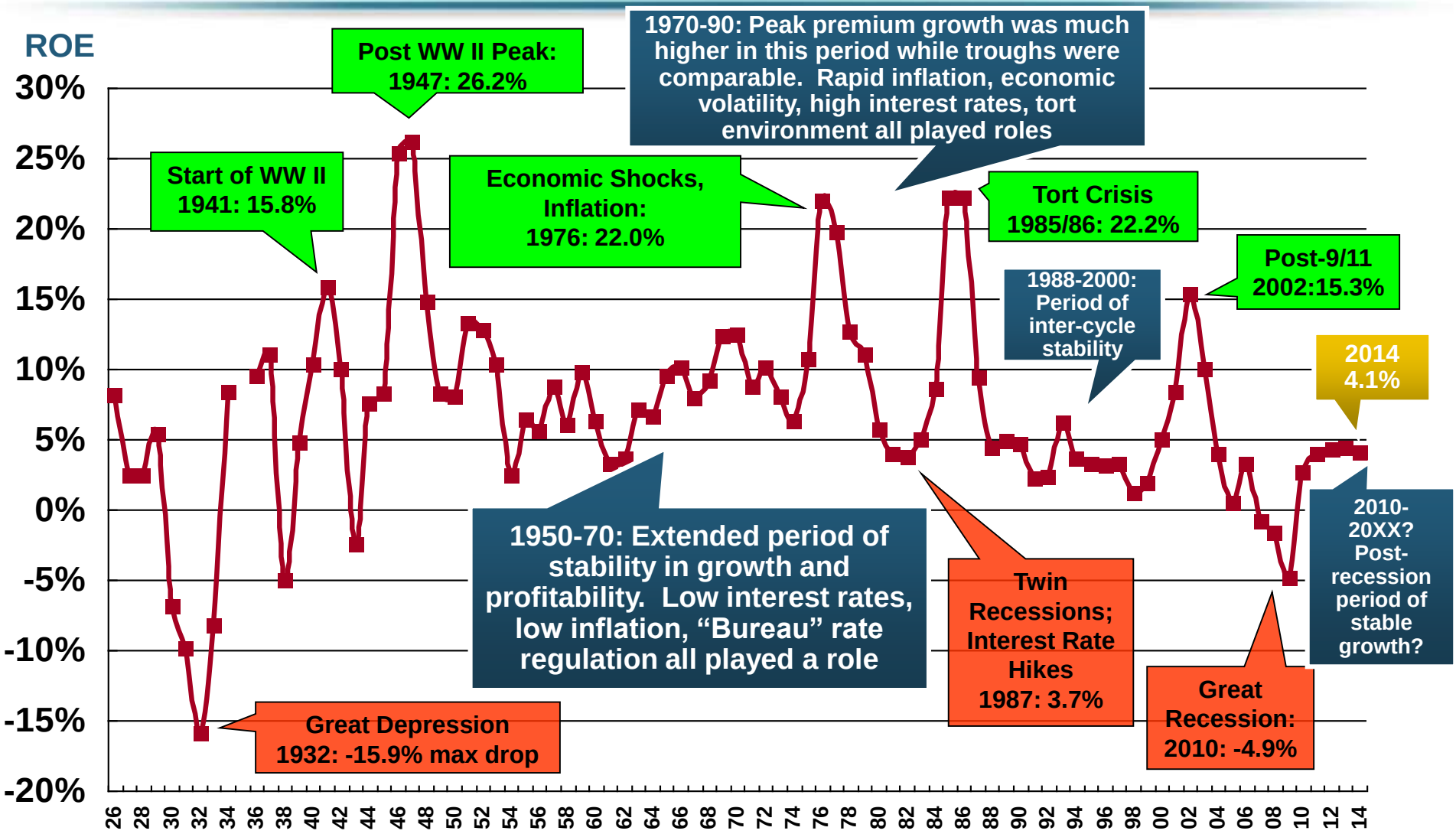


*Profitability = P/C insurer ROEs. 2011-14 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.

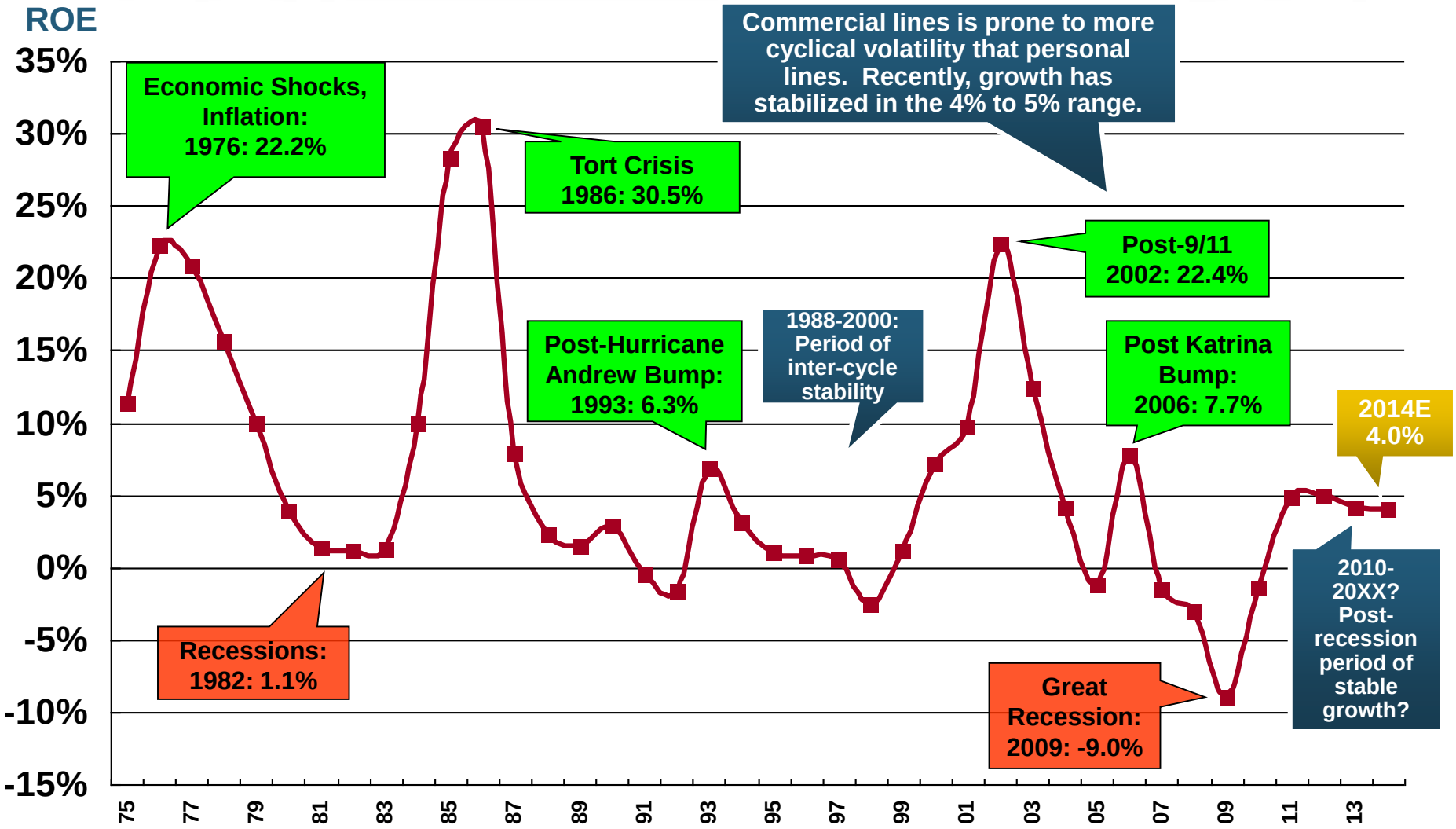
Source: Insurance Information Institute; NAIC, ISO, A.M. Best.

NPW Premium Growth: Peaks & Troughs in the P/C Insurance Industry, 1926 – 2014



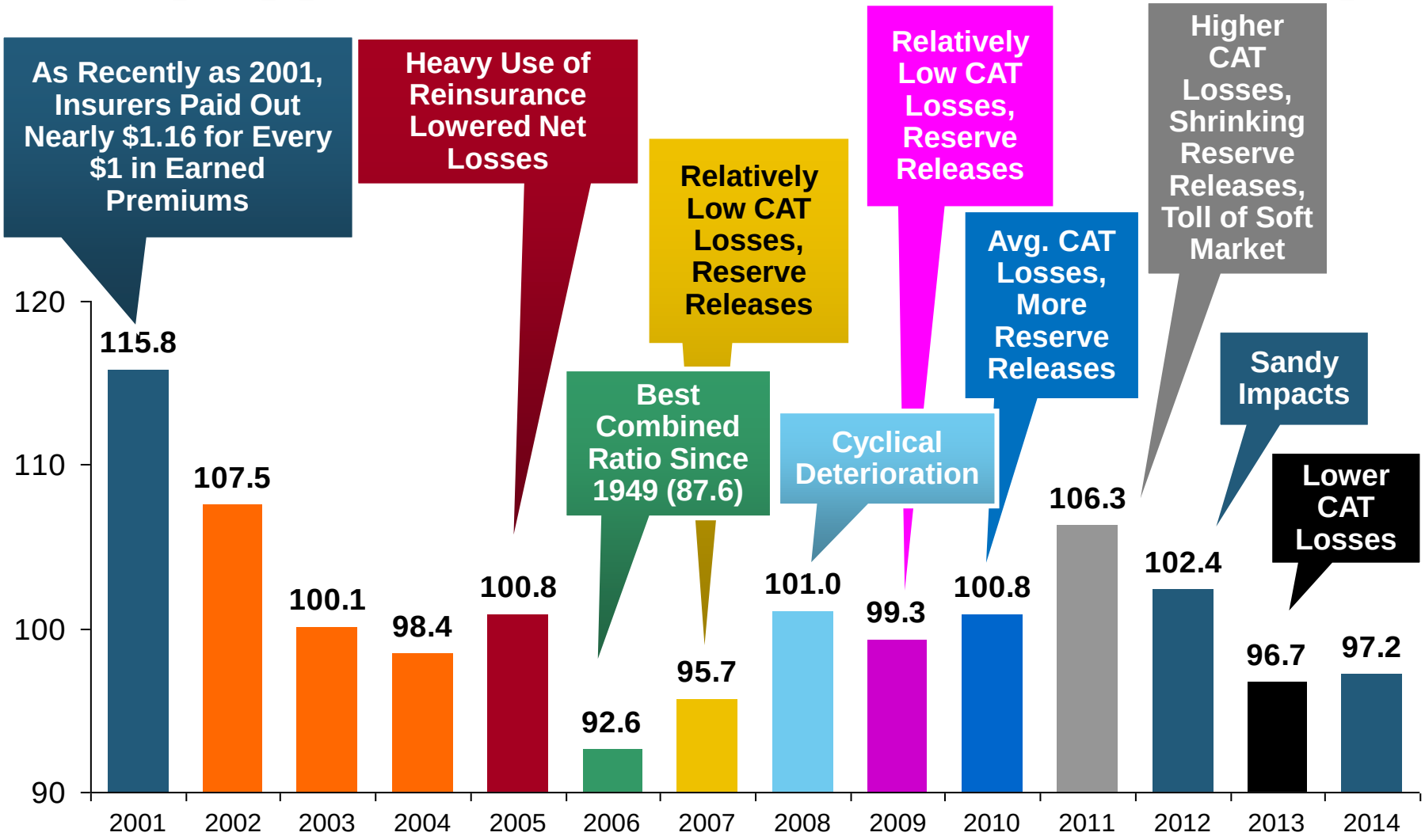
Note: Data through 1934 are based on stock companies only. Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute.

Commercial Lines NPW Premium Growth: 1975 – 2014E



Note: Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute.

P/C Insurance Industry Combined Ratio, 2001–2014*



* Excludes Mortgage & Financial Guaranty insurers 2008--2014. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012:=103.2; 2013: = 96.1; 2014: = 97.0.

Sources: A.M. Best, ISO.

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

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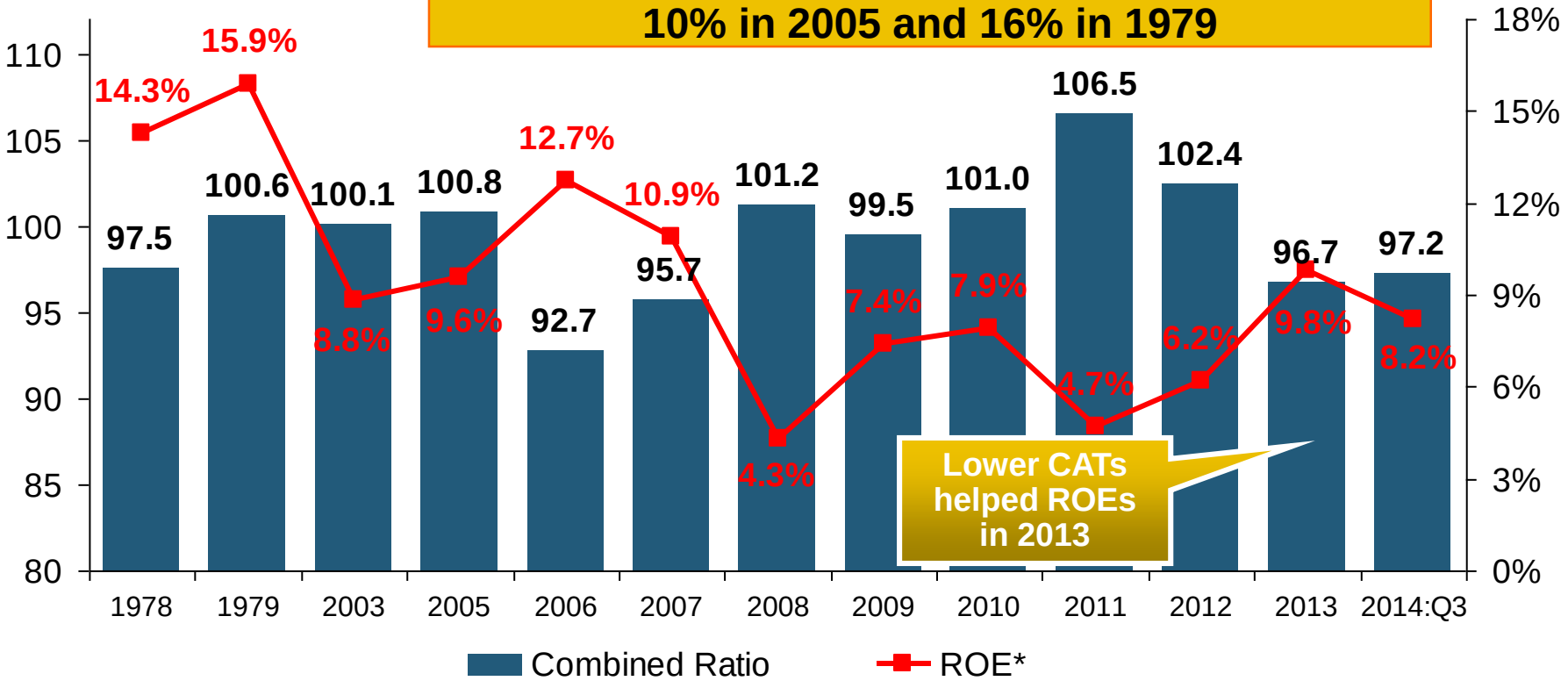
Combined Ratio / ROE

A combined ratio of about 100 generates an ROE of ~7.0% in 2012/13, ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979

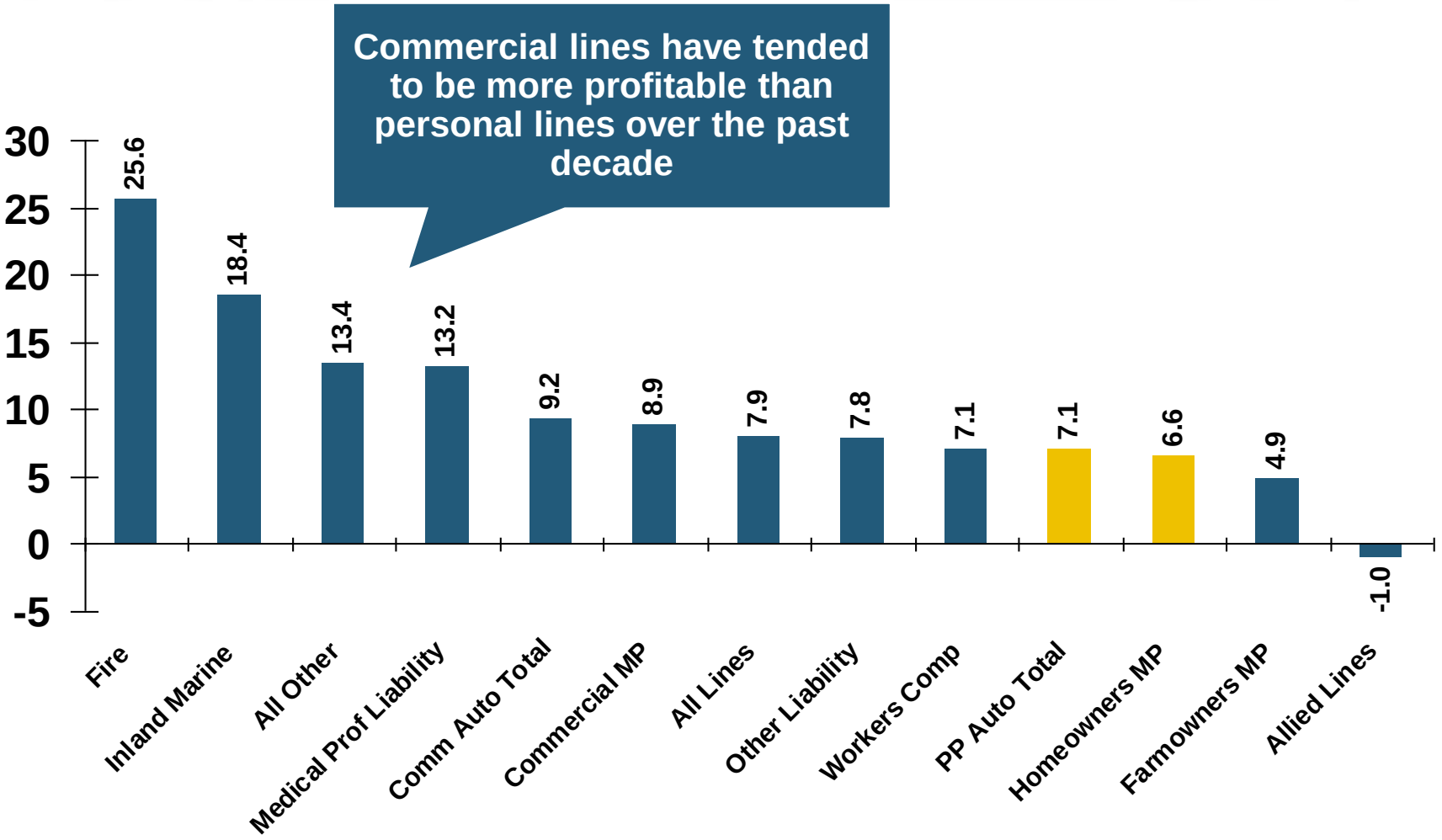


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2008 -2014 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2014 combined ratio including M&FG insurers is 97.0; 2013 = 96.1; 2012 =103.2, 2011 = 108.1, ROAS = 3.5%.

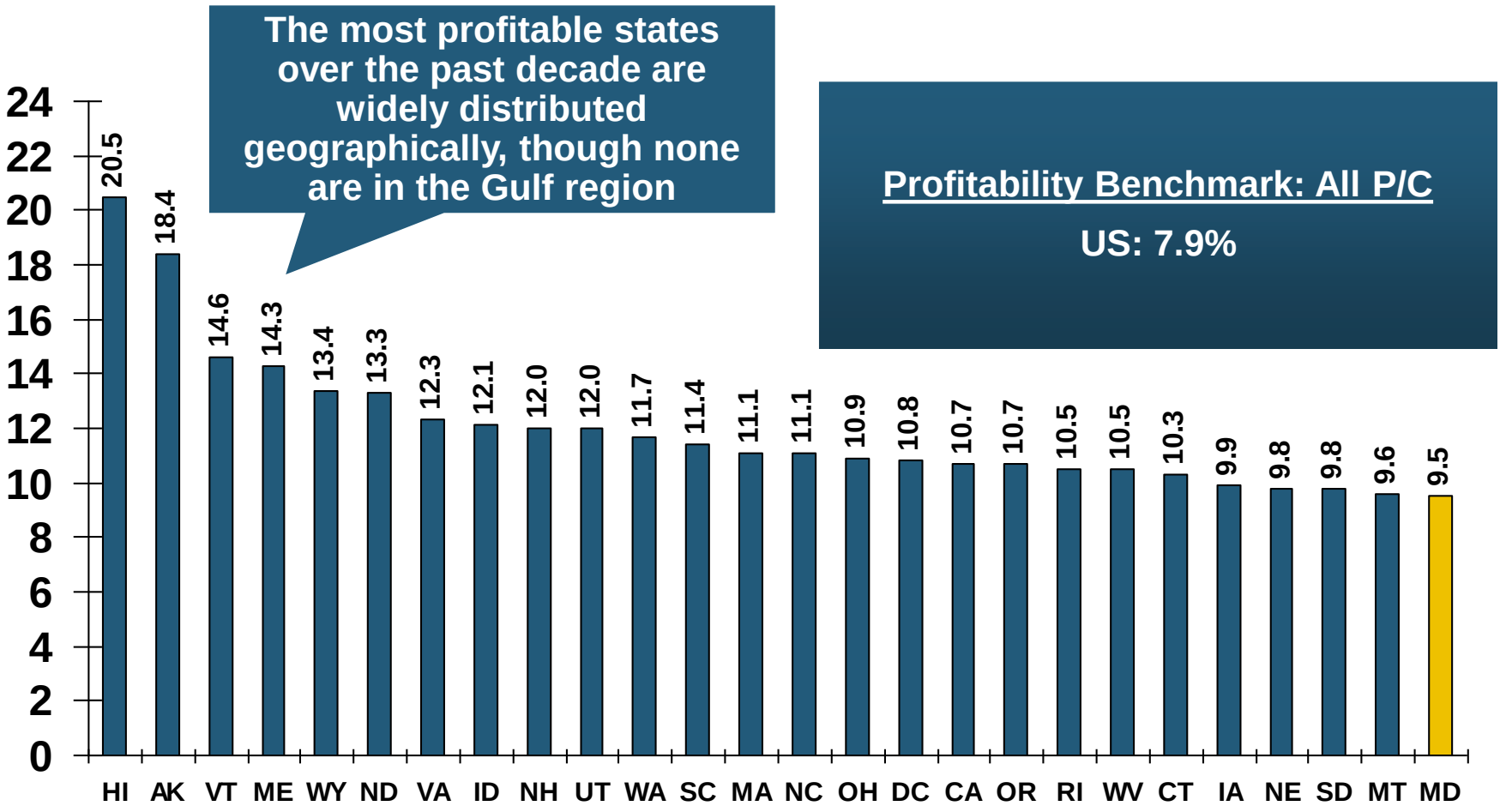
Source: Insurance Information Institute from A.M. Best and ISO Verisk Analytics data.

Return on Net Worth (RNW) All Lines: 2004-2013 Average



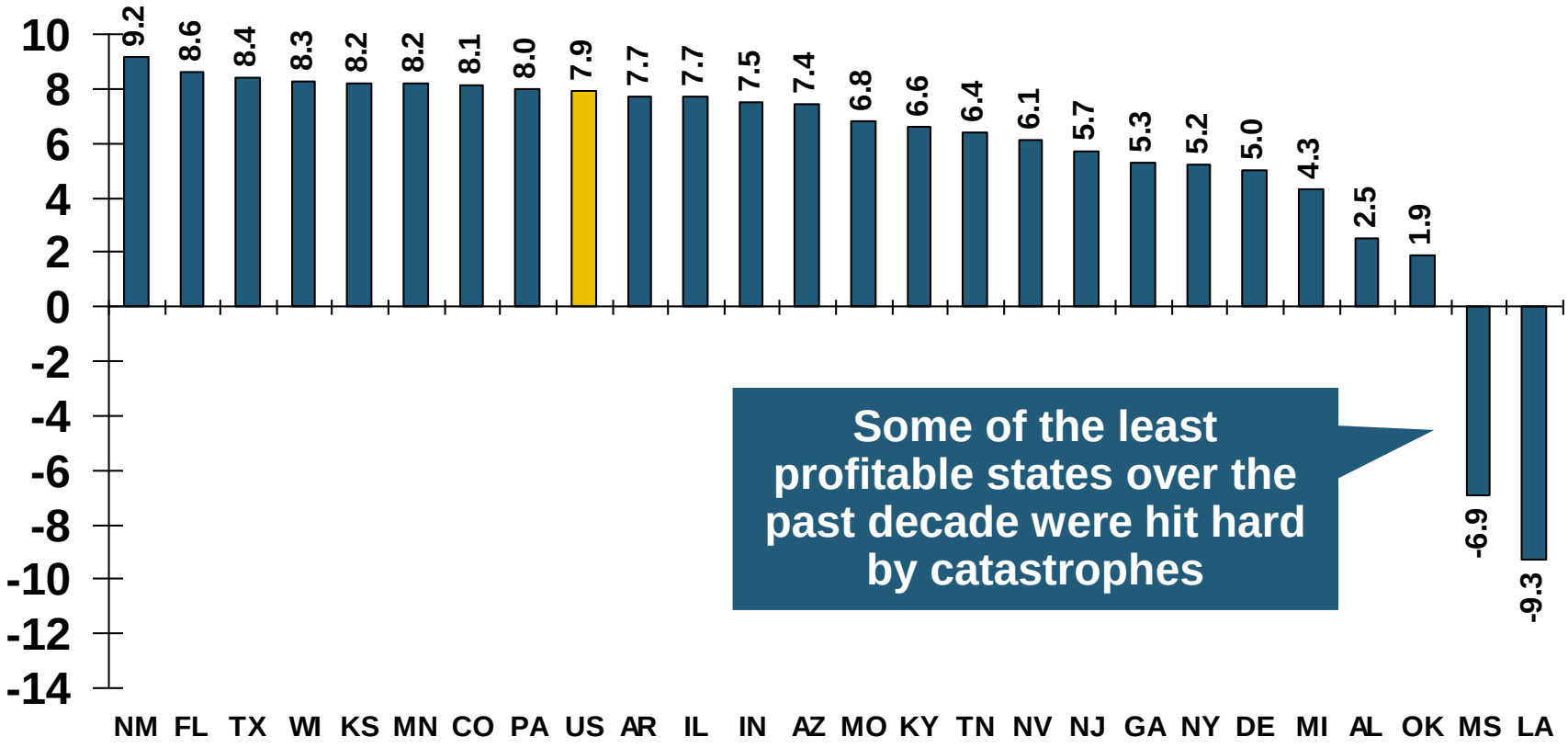
Source: NAIC; Insurance Information Institute.

RNW All Lines by State, 2004-2013 Average: Highest 25 States



Source: NAIC; Insurance Information Institute.

RNW All Lines by State, 2004-2013 Average: Lowest 25 States



Source: NAIC; Insurance Information Institute.

P/C Insurance Loss Reserve Development, 1992 – 2016E*

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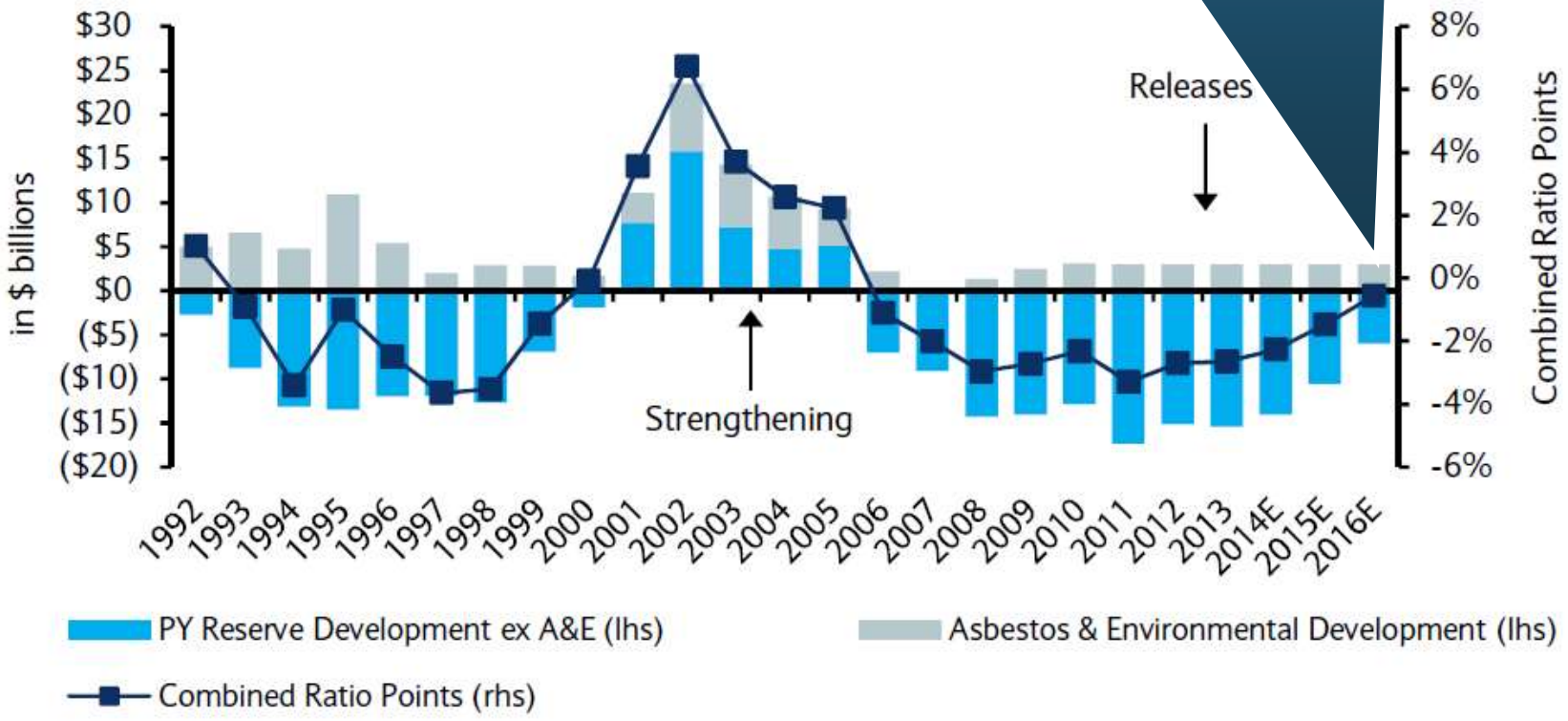
Reserve releases are expected to gradually taper off, but will continue to benefit the bottom line and combined ratio through at least 2016

Reserve Change



Source: A.M. Best; Barclays research for estimates.

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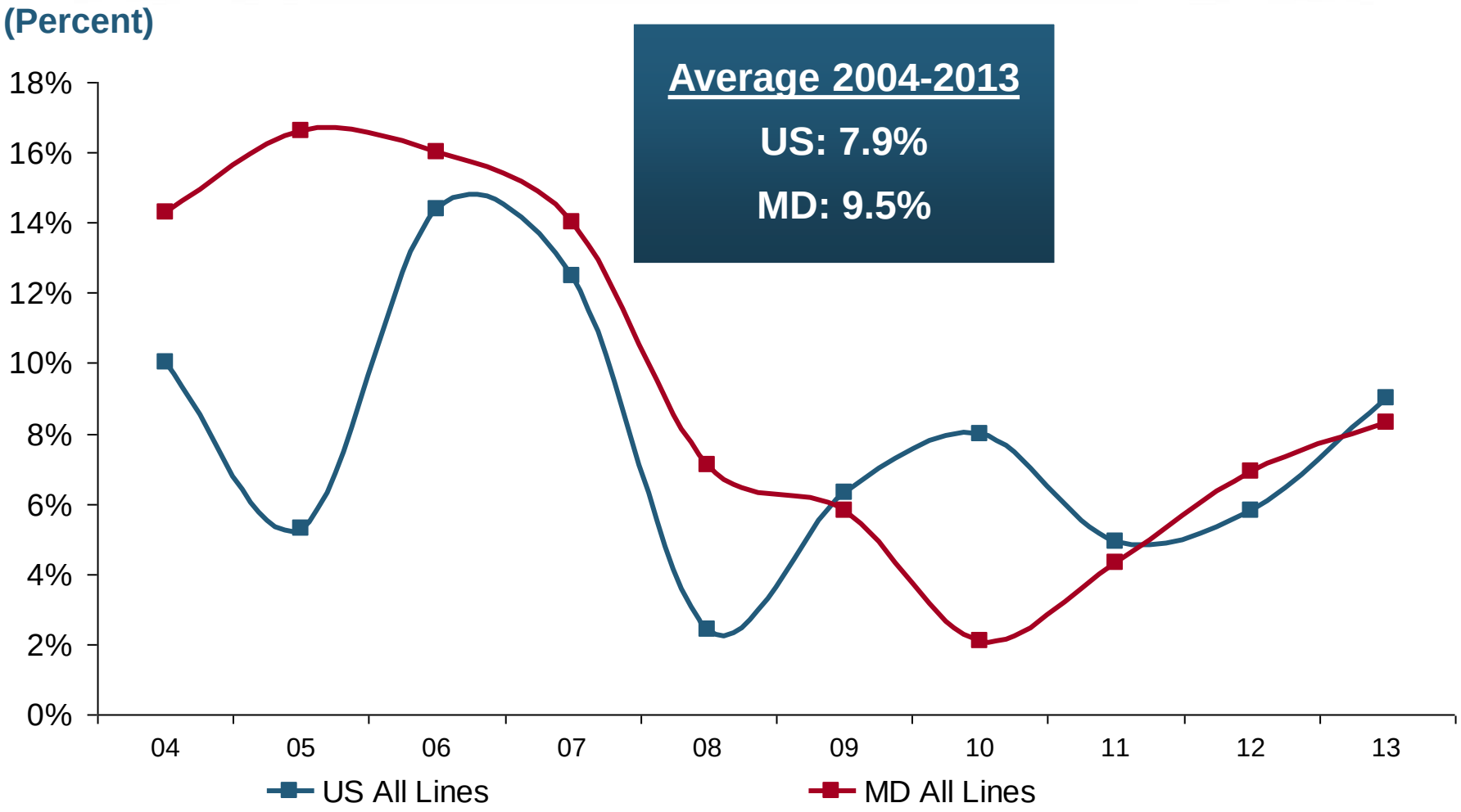
Profitability and Growth in Maryland P/C Insurance Markets

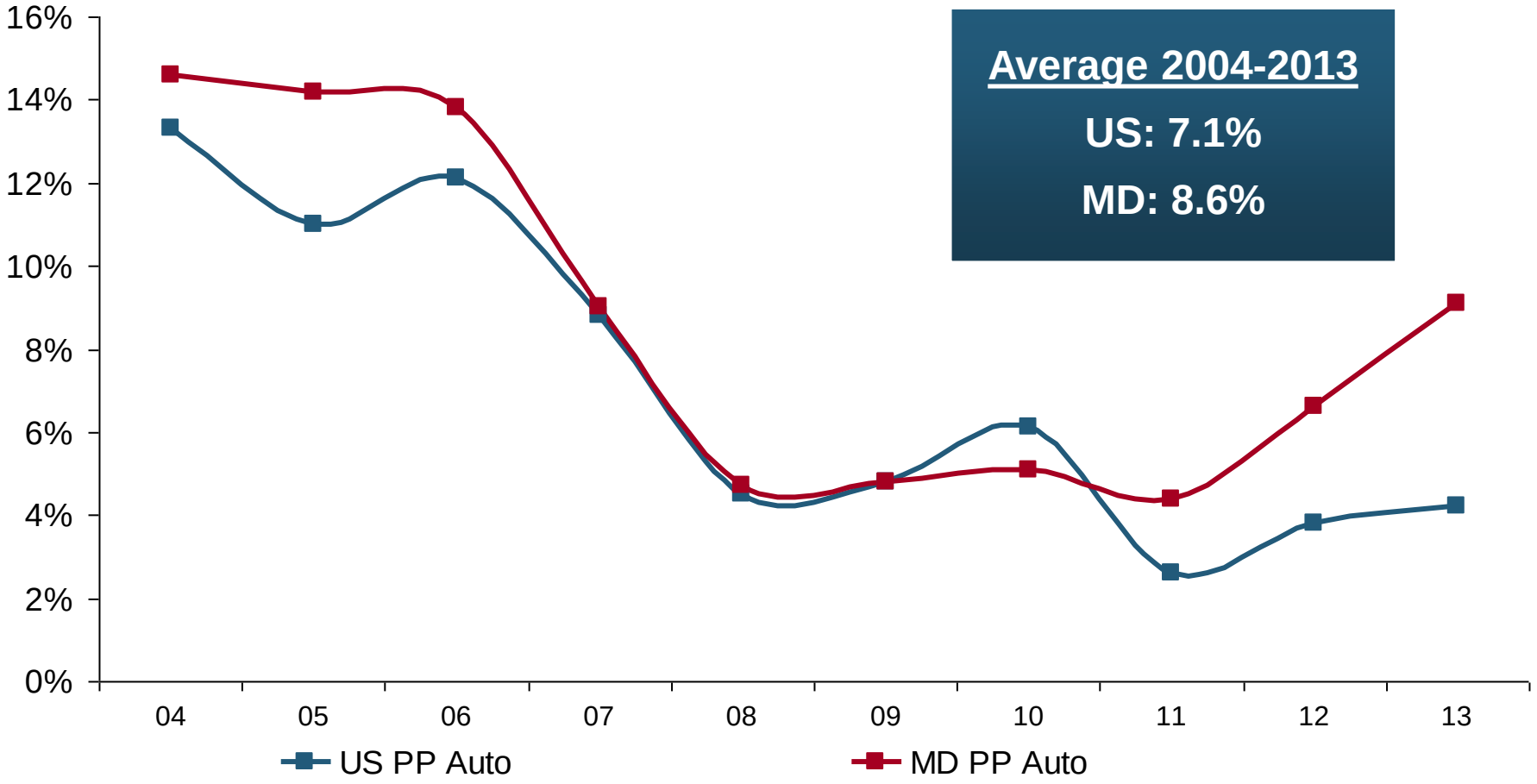
Analysis by Line and Nearby State Comparisons

RNW All Lines: MD vs. U.S., 2004-2013



Source: NAIC, Insurance Information Institute

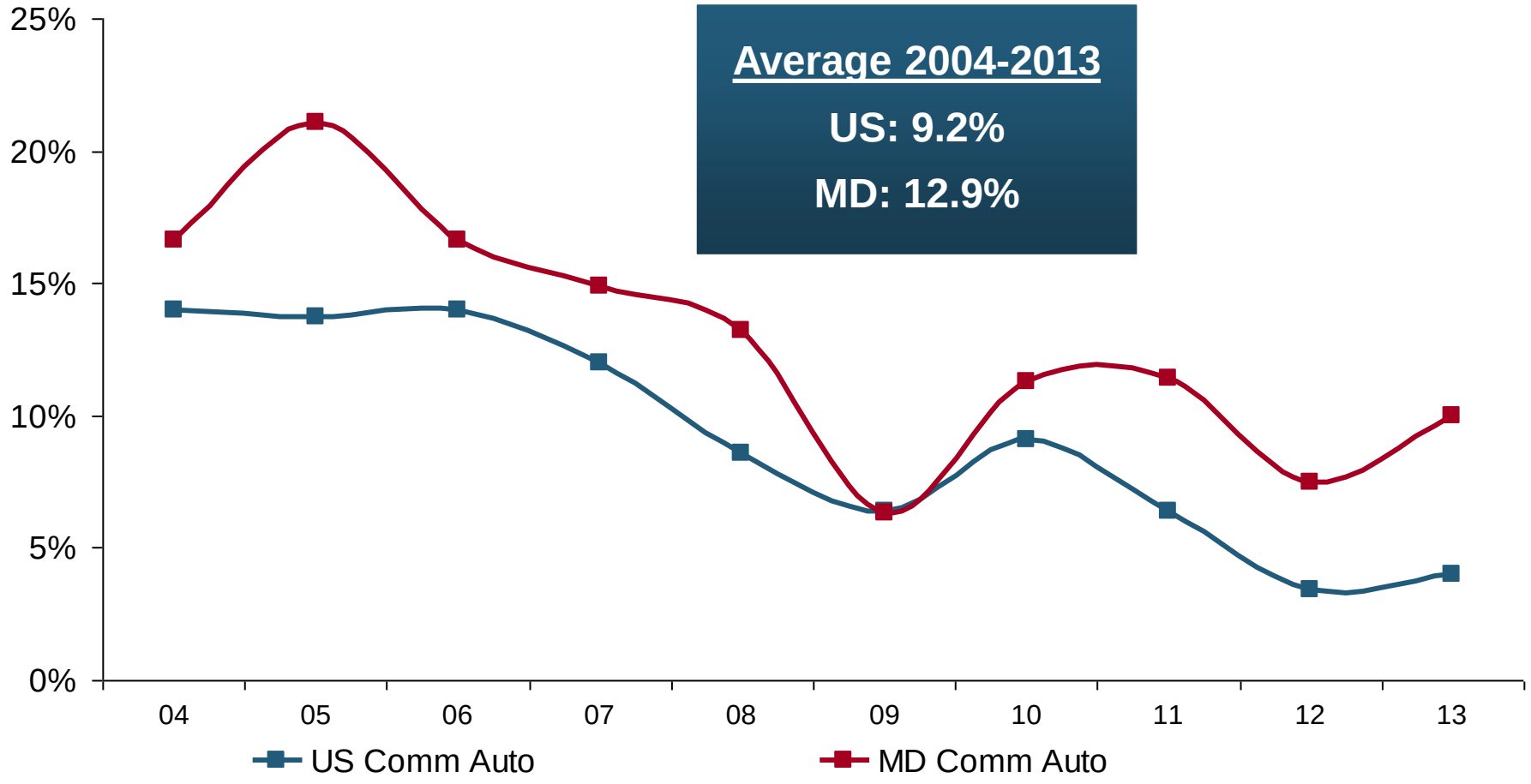
RNW PP Auto: MD vs. U.S., 2004-2013



Source: NAIC, Insurance Information Institute

RNW Comm. Auto: MD vs. U.S., 2004-2013

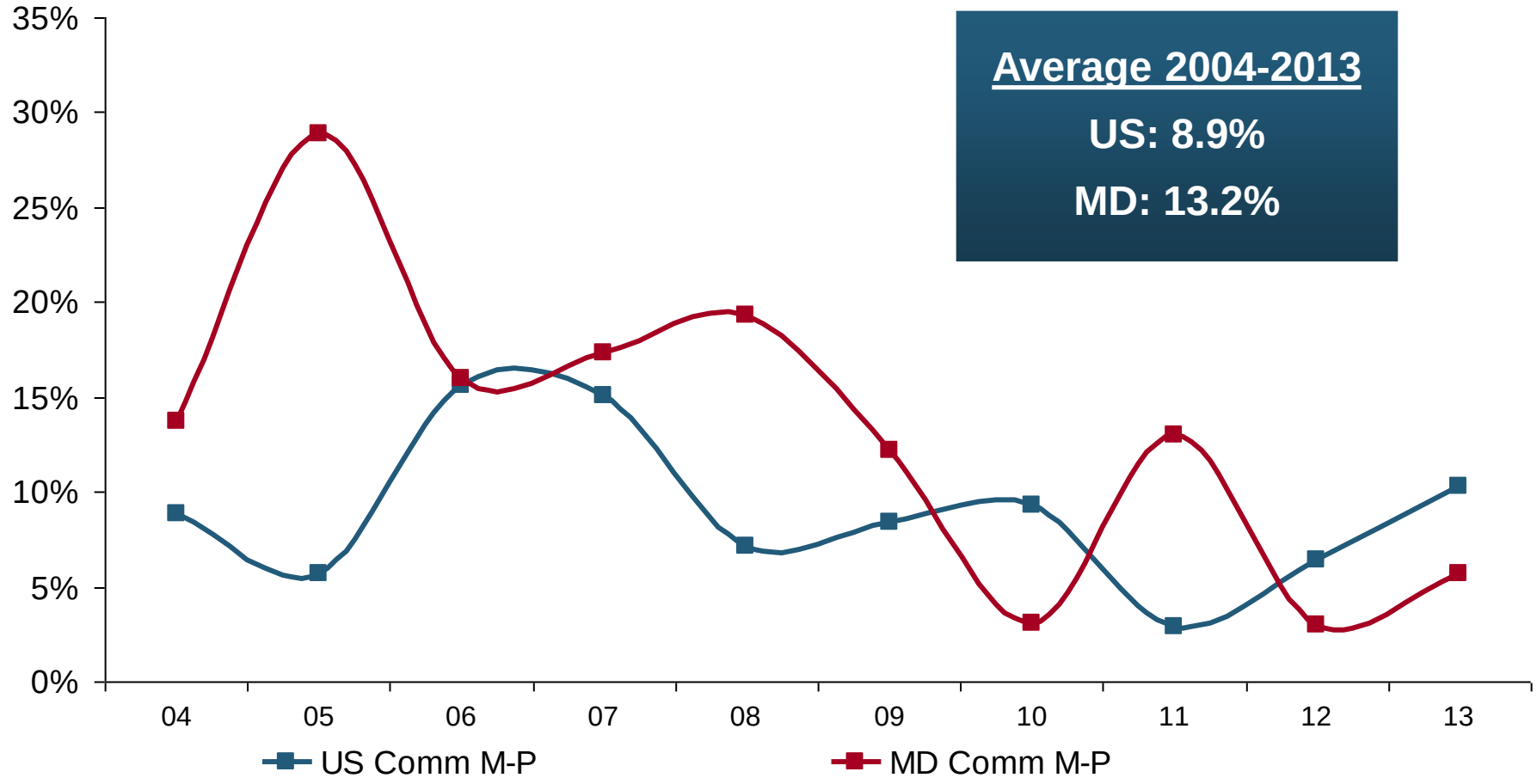
(Percent)



Source: NAIC, Insurance Information Institute

RNW Comm. Multi-Peril: MD vs. U.S., 2004-2013

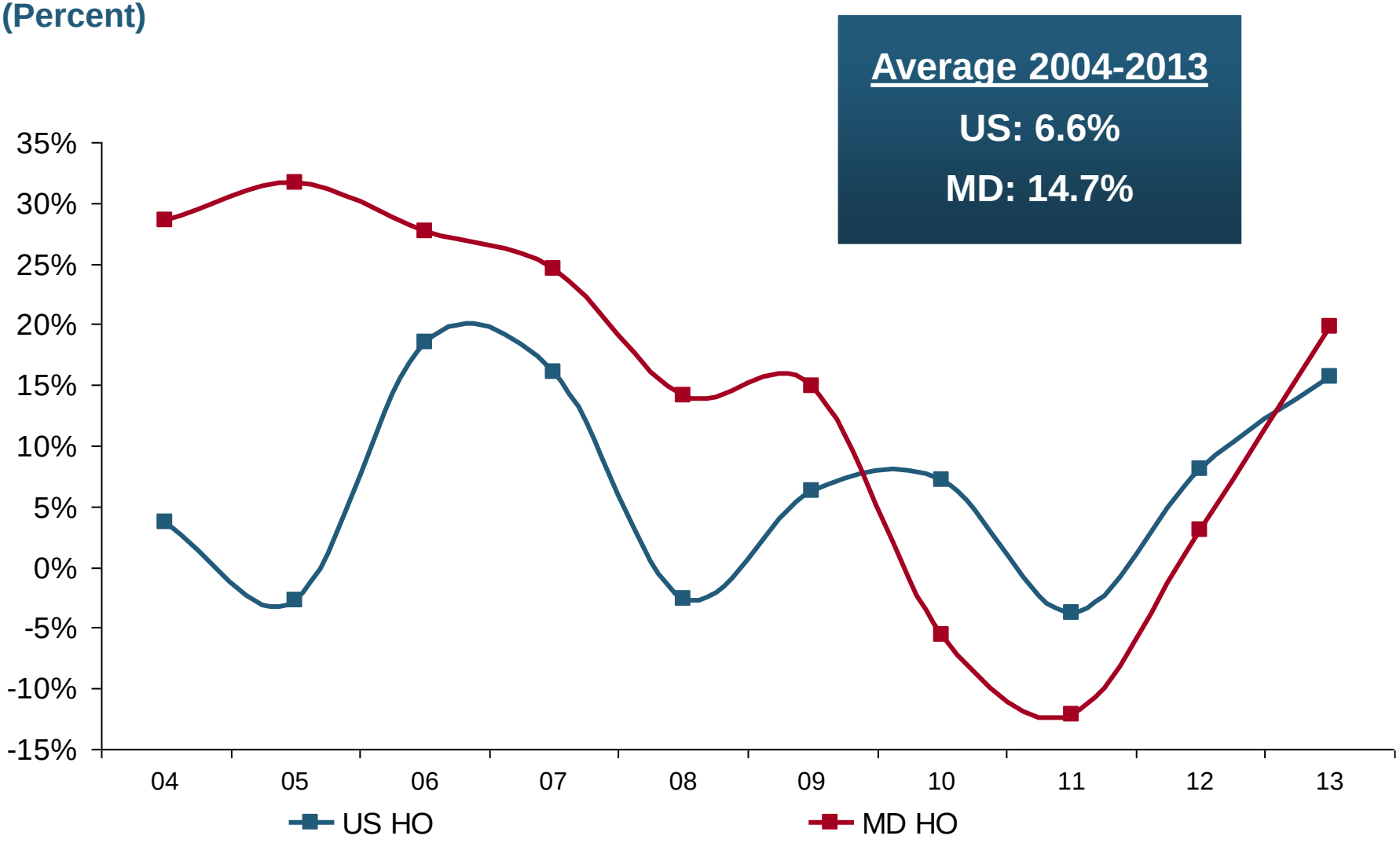
(Percent)



Sources: NAIC, Insurance Information Institute

RNW Homeowners: MD vs. U.S., 2004-2013

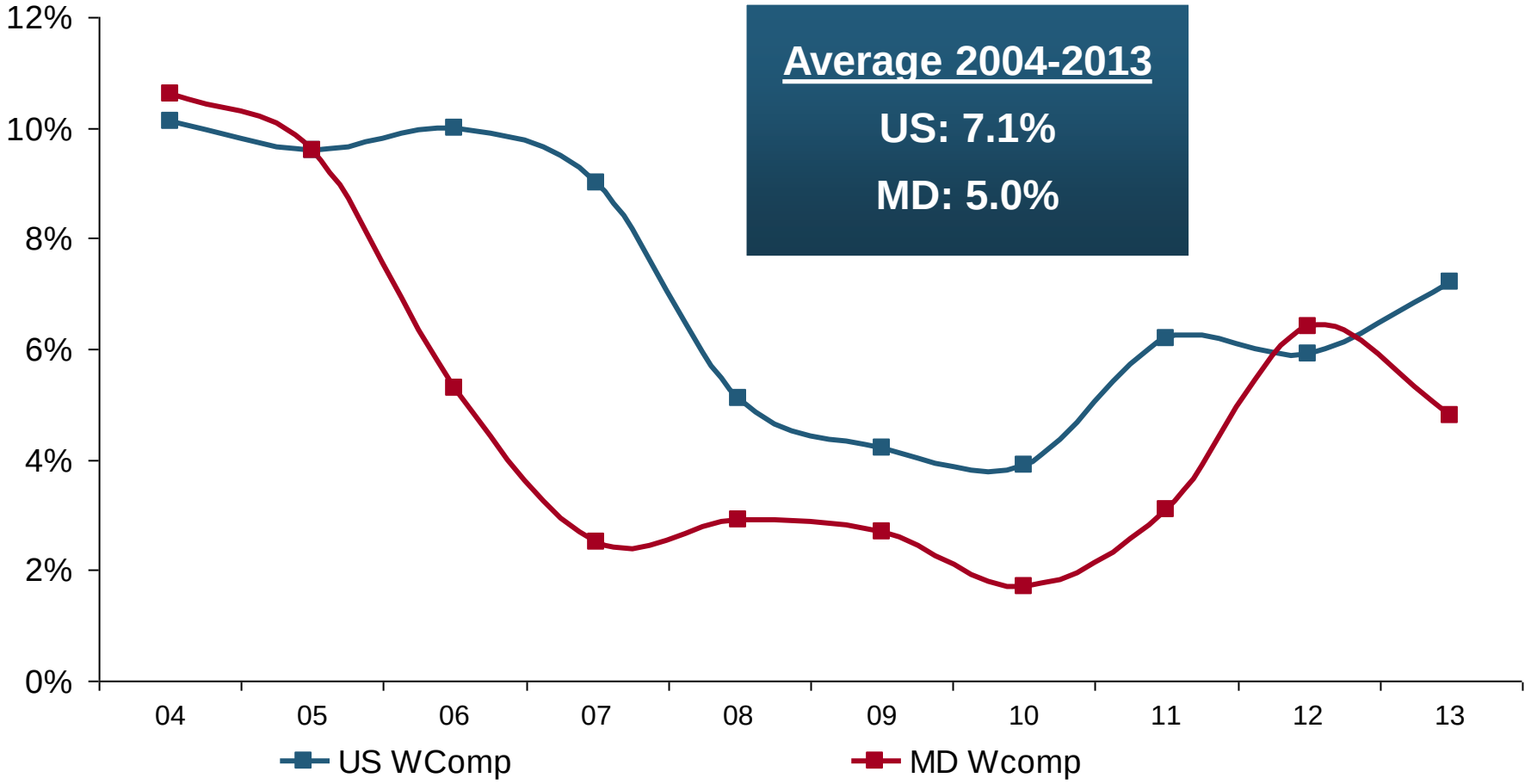
(Percent)



Source: NAIC, Insurance Information Institute

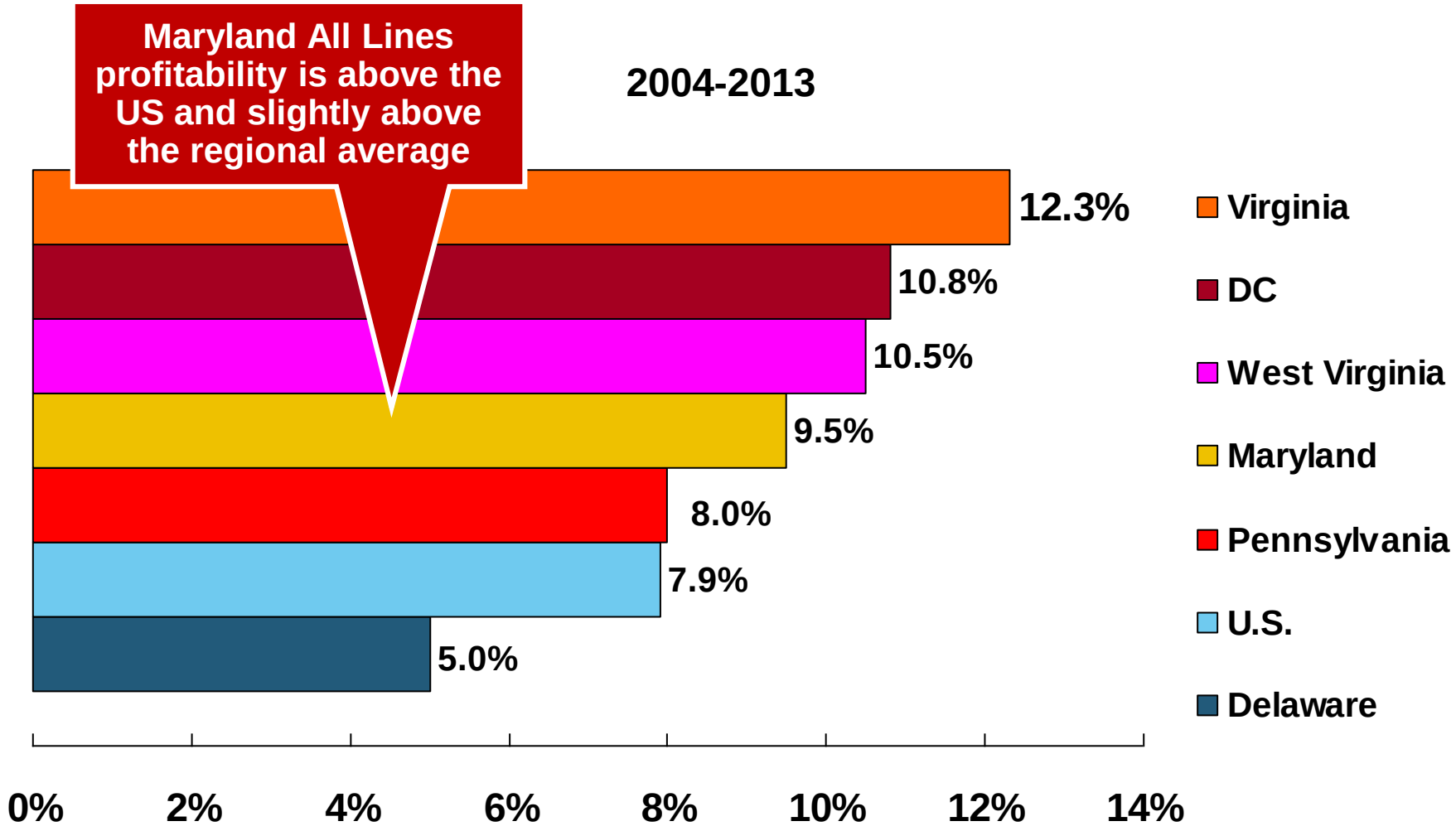
RNW Workers Comp: MD vs. U.S., 2004-2013

(Percent)



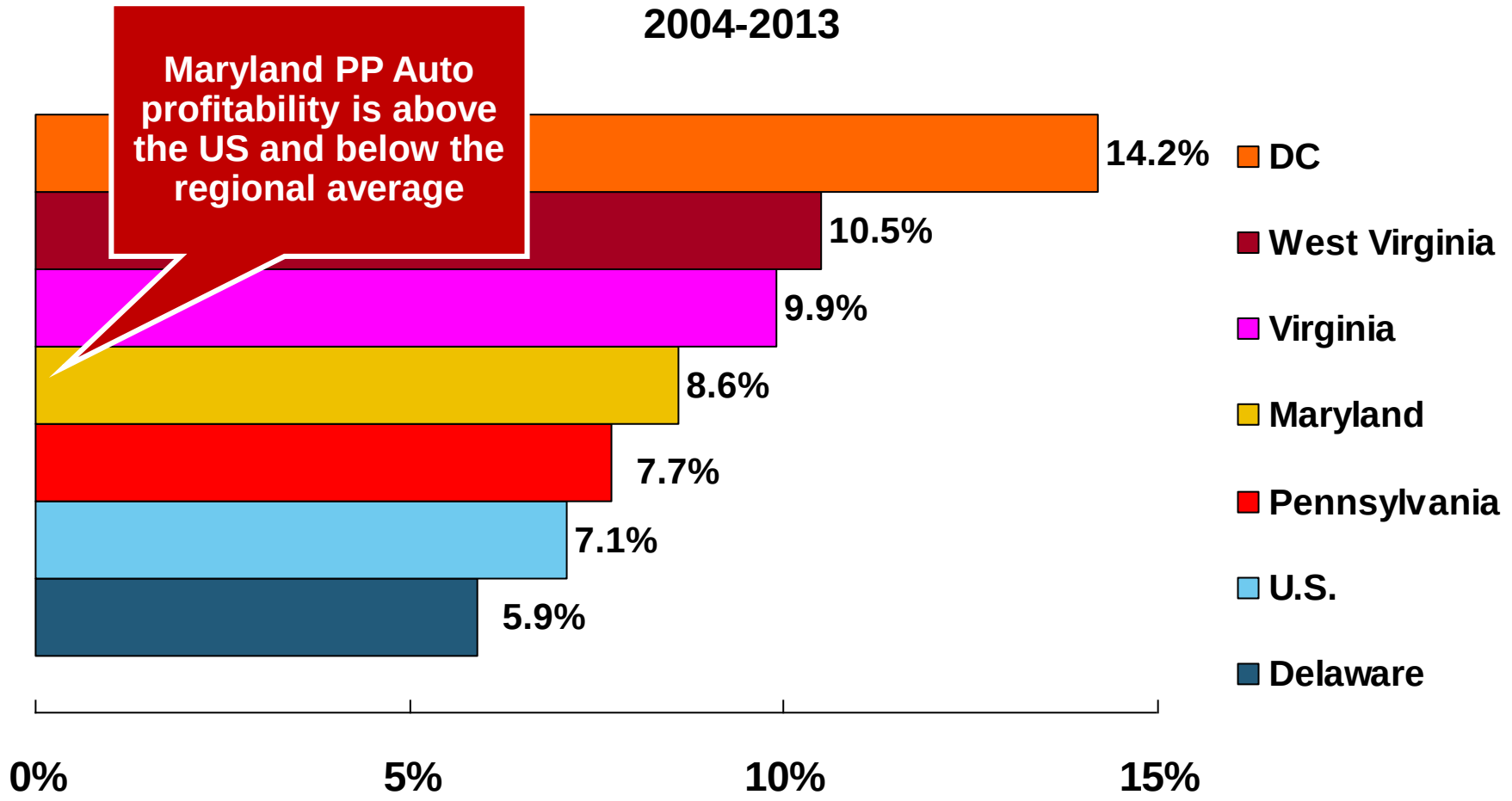
Source: NAIC, Insurance Information Institute

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



Source: NAIC, Insurance Information Institute

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



Source: NAIC, Insurance Information Institute

Top Ten Most Expensive And Least Expensive States For Automobile Insurance, 2012 (1)

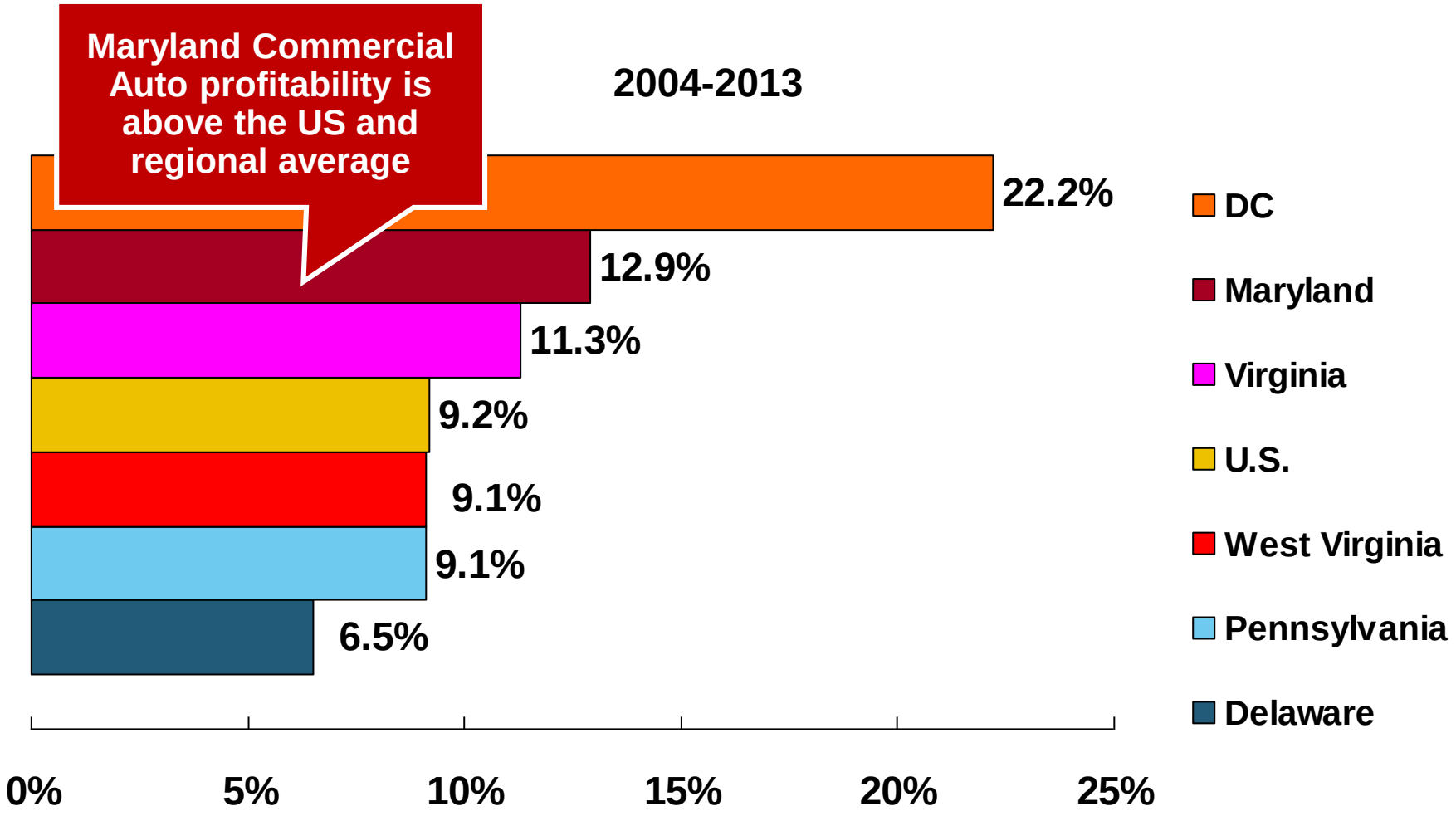
Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	New Jersey	$1,219.93	1	Idaho	$534.56
2	D.C.	1,154.91	2	South Dakota	556.51
3	New York	1,152.45	3	Iowa	561.26
4	Florida	1,127.93	4	North Dakota	576.08
5	Louisiana	1,112.53	5	Maine	582.43
6	Delaware	1,065.37	6	Wisconsin	598.84
7	Michigan	1,048.87	7	North Carolina	611.48
8	Rhode Island	1,034.50	8	Nebraska	616.78
9	Connecticut	986.73	9	Wyoming	618.81
10	Massachusetts	976.65	10	Kansas	632.07

Maryland ranked 11th as the most expensive state in 2012, with an average expenditure for auto insurance of $996.29.

(1) Based on average automobile insurance expenditures.

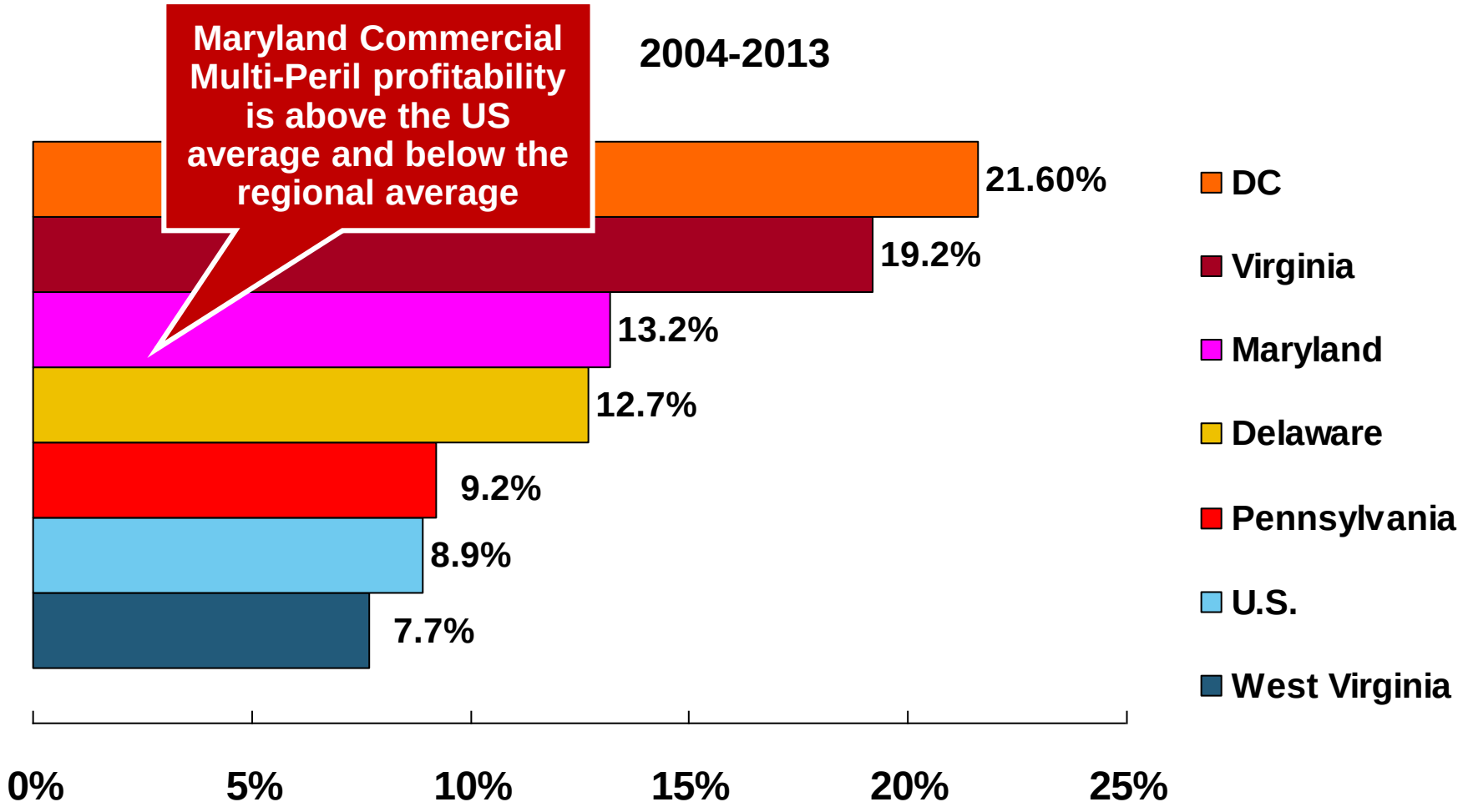
Source: © 2014 National Association of Insurance Commissioners.

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



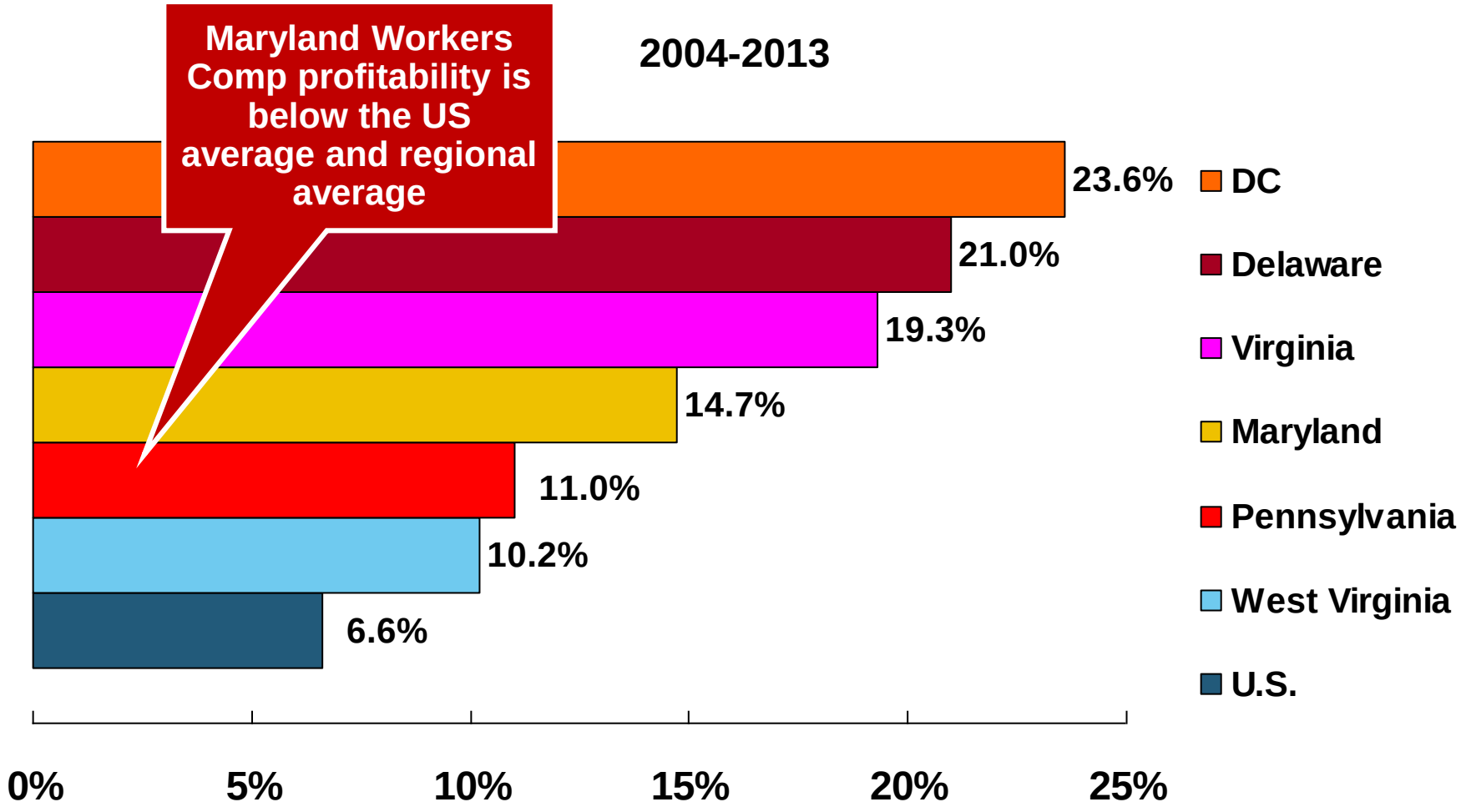
Source: NAIC, Insurance Information Institute

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



Source: NAIC, Insurance Information Institute

Homeowners: 10-Year Average RNW MD & Nearby States



Source: NAIC, Insurance Information Institute

Top Ten Most Expensive And Least Expensive States For Homeowners Insurance, 2012 (1)

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Maryland ranked as the 34th most expensive state for homeowners insurance in 2012, with an average expenditure of $837.

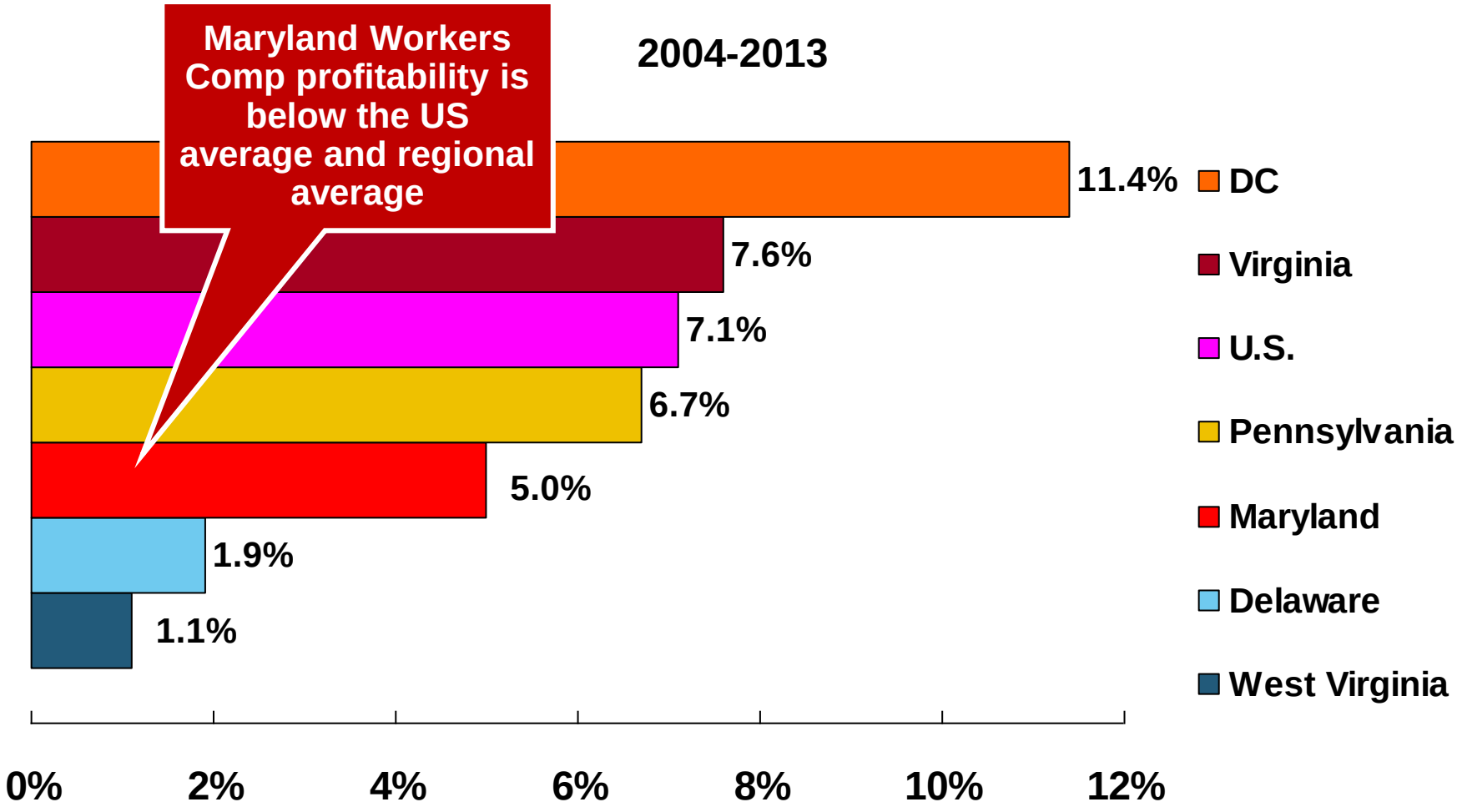
Rank	Most expensive states	HO average premium	Rank	Least expensive states	HO average premium
1	Florida	$2,084	1	Idaho	$538
2	Louisiana	1,742	2	Oregon	567
3	Texas	1,661	3	Utah	580
4	Oklahoma	1,501	4	Wisconsin	631
5	Mississippi	1,314	5	Washington	648
6	Alabama	1,248	6	Nevada	674
7	Rhode Island	1,233	7	Delaware	678
8	Kansas	1,213	8	Arizona	691
9	Connecticut	1,160	9	Ohio	721
10	New York	1,158	10	Maine	741

(1) Includes policies written by Citizens Property Insurance Corp. (Florida) and Citizens Property Insurance Corp. (Louisiana), Alabama Insurance Underwriting Association, Mississippi Windstorm Underwriting Association, North Carolina Joint Underwriting Association and South Carolina Wind and Hail Underwriting Association. Other southeastern states have wind pools in operation and their data may not be included in this chart. 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.

(2) The Texas Department of Insurance developed home insurance policy forms that are similar but not identical to the standard forms. In addition, due to the Texas Windstorm Association (which writes wind-only policies) classifying HO-1, 2 and 5 premiums as HO-3, the average premium for homeowners insurance is artificially high.

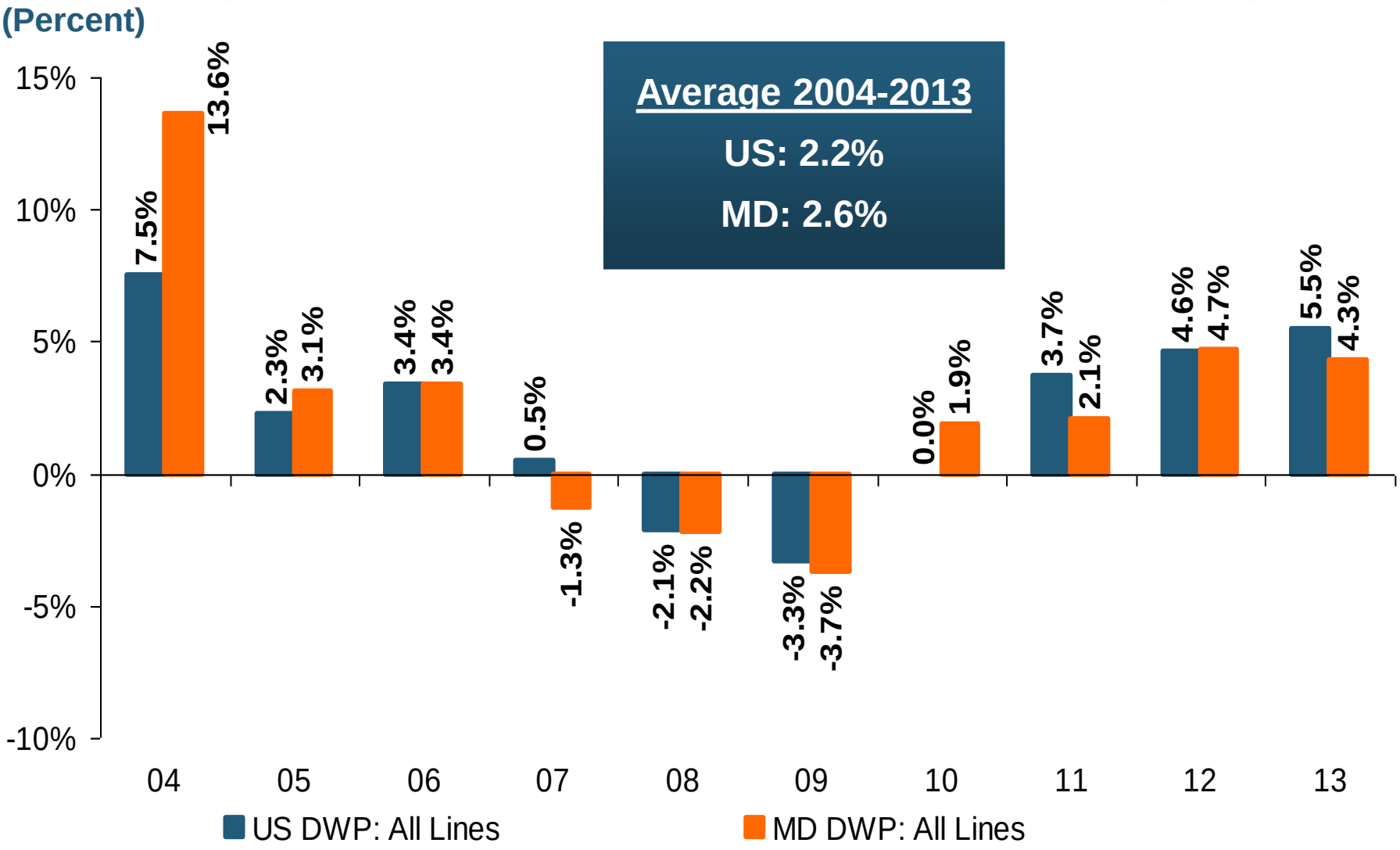
Note: Average premium=Premiums/exposure per house years. A house year is equal to 365 days of insured coverage for a single dwelling. The NAIC does not rank state average expenditures and does not endorse any conclusions drawn from this data.

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



Source: NAIC, Insurance Information Institute

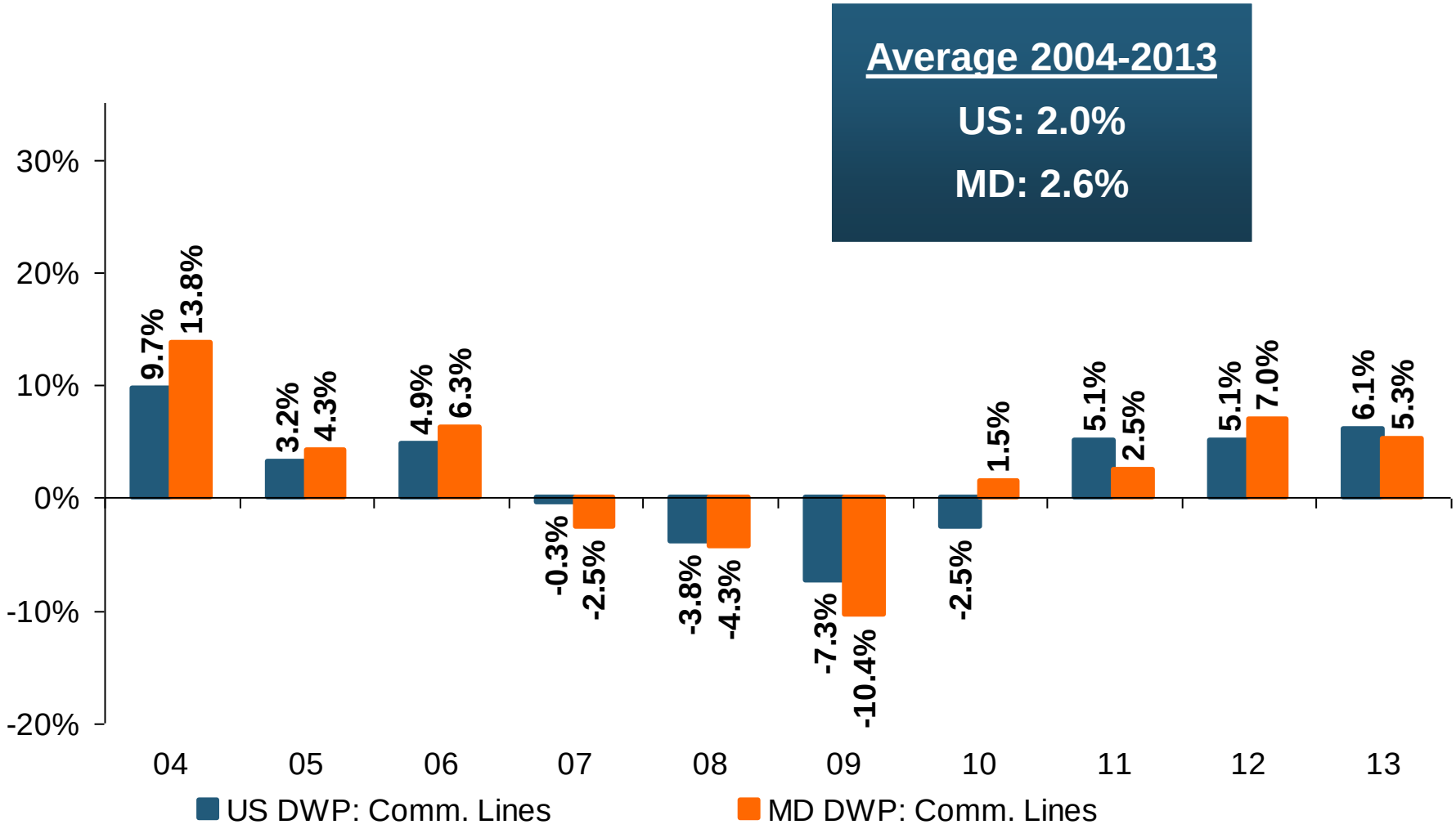
All Lines DWP Growth: MD vs. U.S., 2004-2013



Source: SNL Financial.

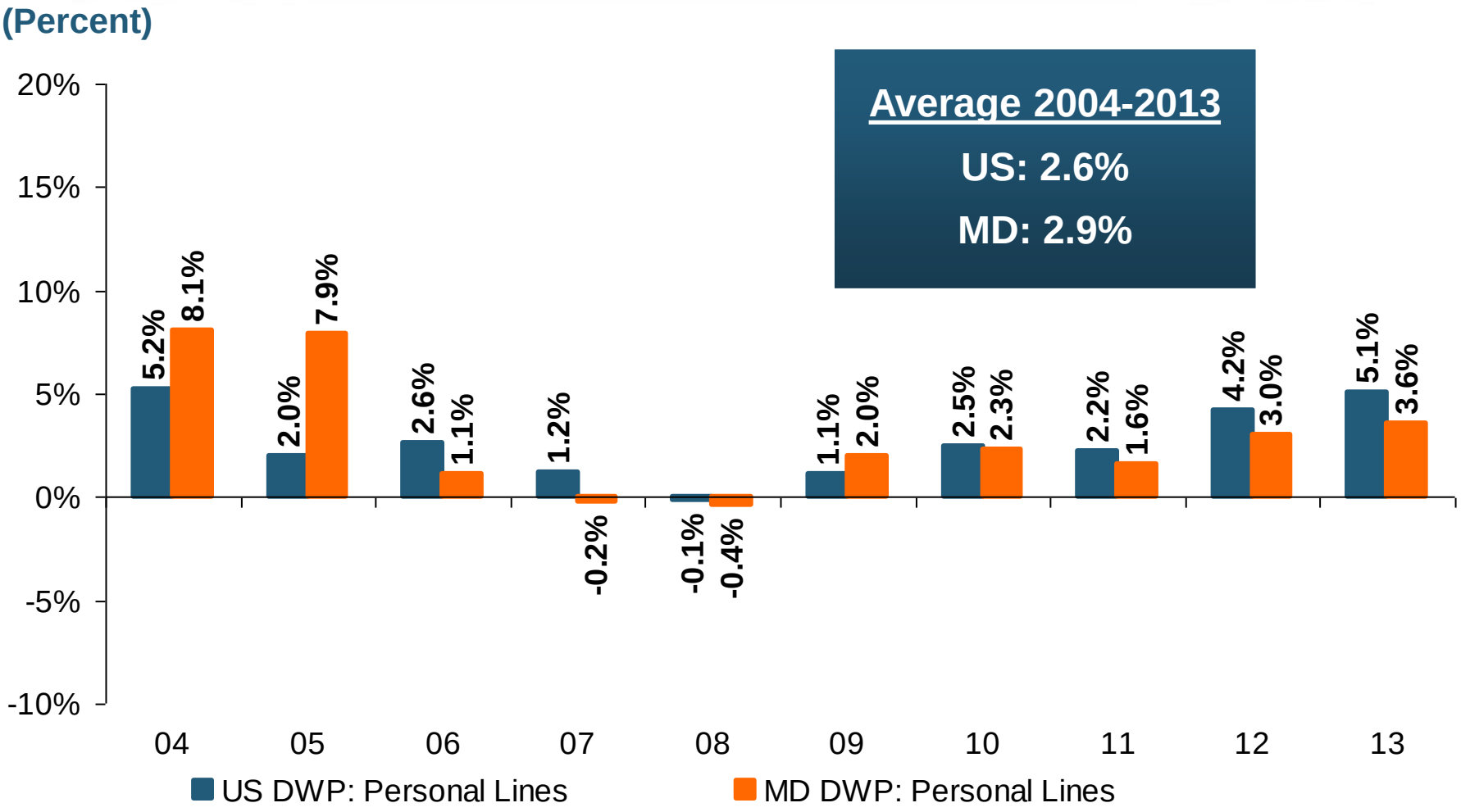
Comm. Lines DWP Growth: MD vs. U.S., 2004-2013

(Percent)



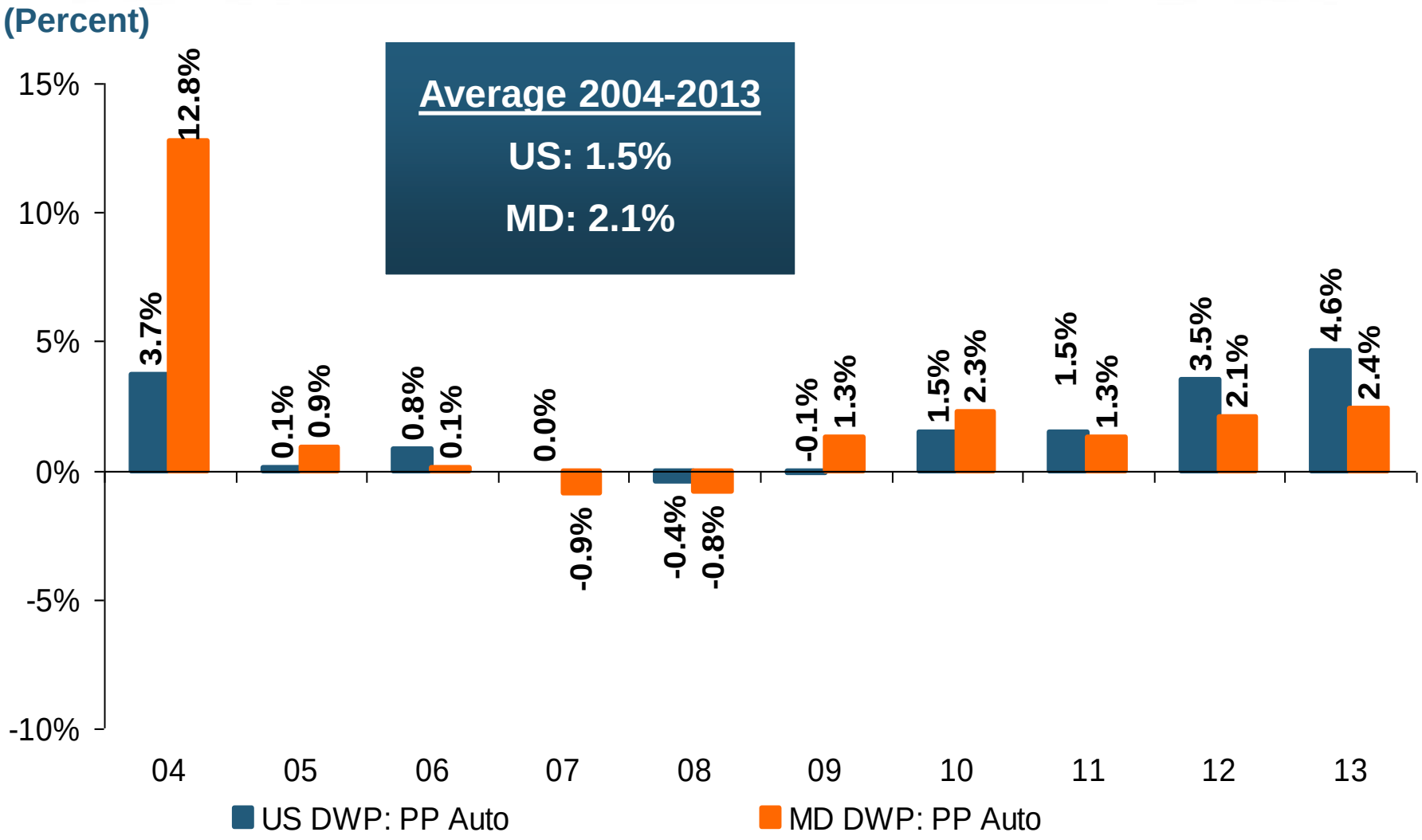
Source: SNL Financial.

Personal Lines DWP Growth: MD vs. U.S., 2004-2013



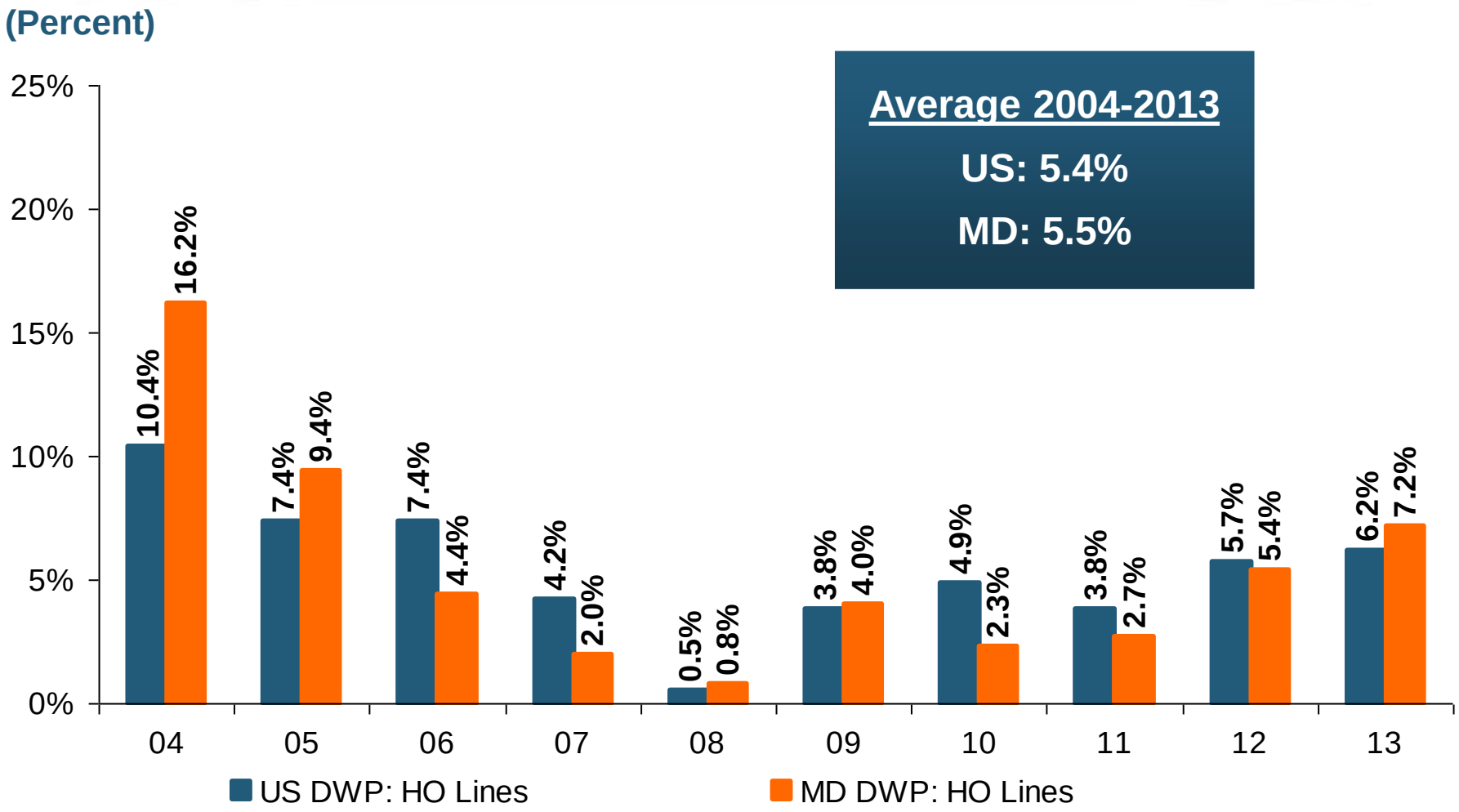
Source: SNL Financial.

Private Passenger Auto DWP Growth: MD vs. U.S., 2004-2013



Source: SNL Financial.

Homeowner's MP DWP Growth: MD vs. U.S., 2004-2013



Source: SNL Financial.

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INVESTMENTS: THE NEW REALITY

Investment Performance is a Key Driver of Profitability

Depressed Yields Will Necessarily Influence Underwriting & Pricing

Property/Casualty Insurance Industry Investment Income: 2000–2014[1]

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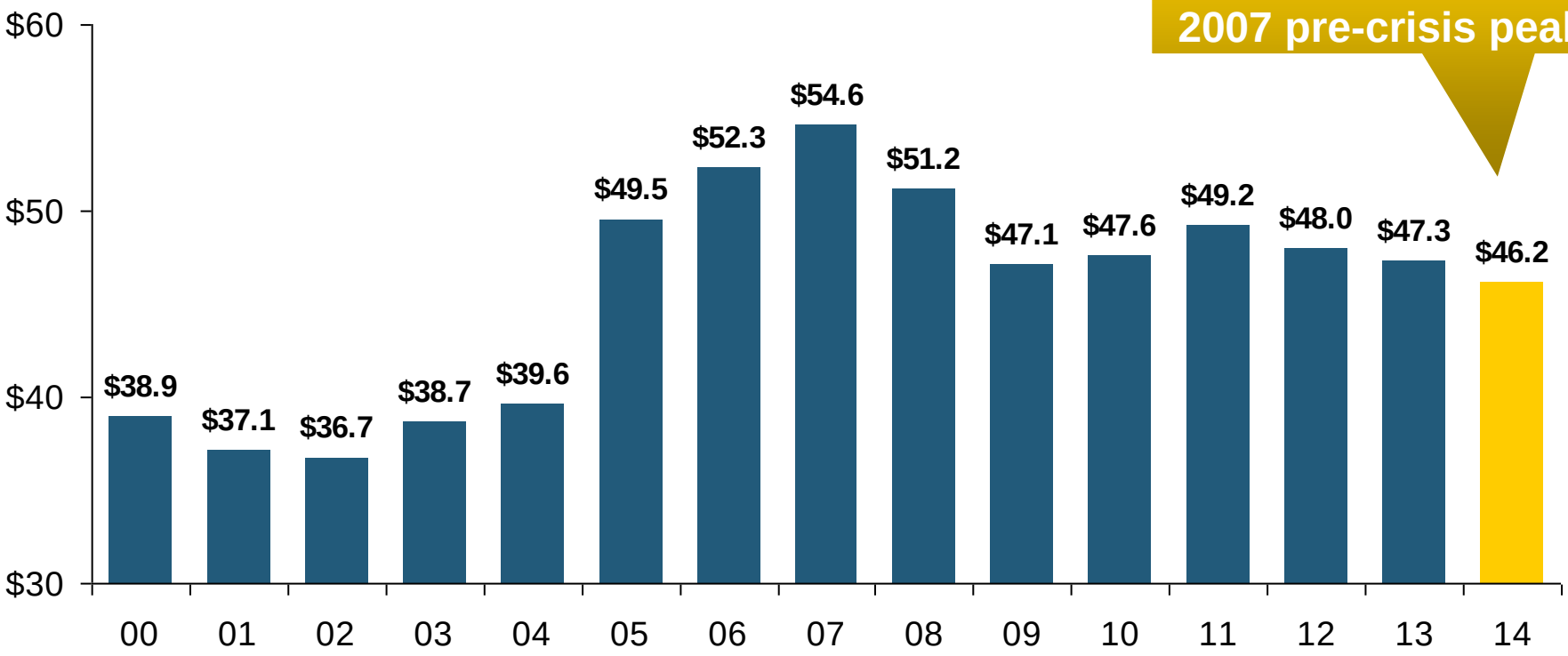
($ Billions)



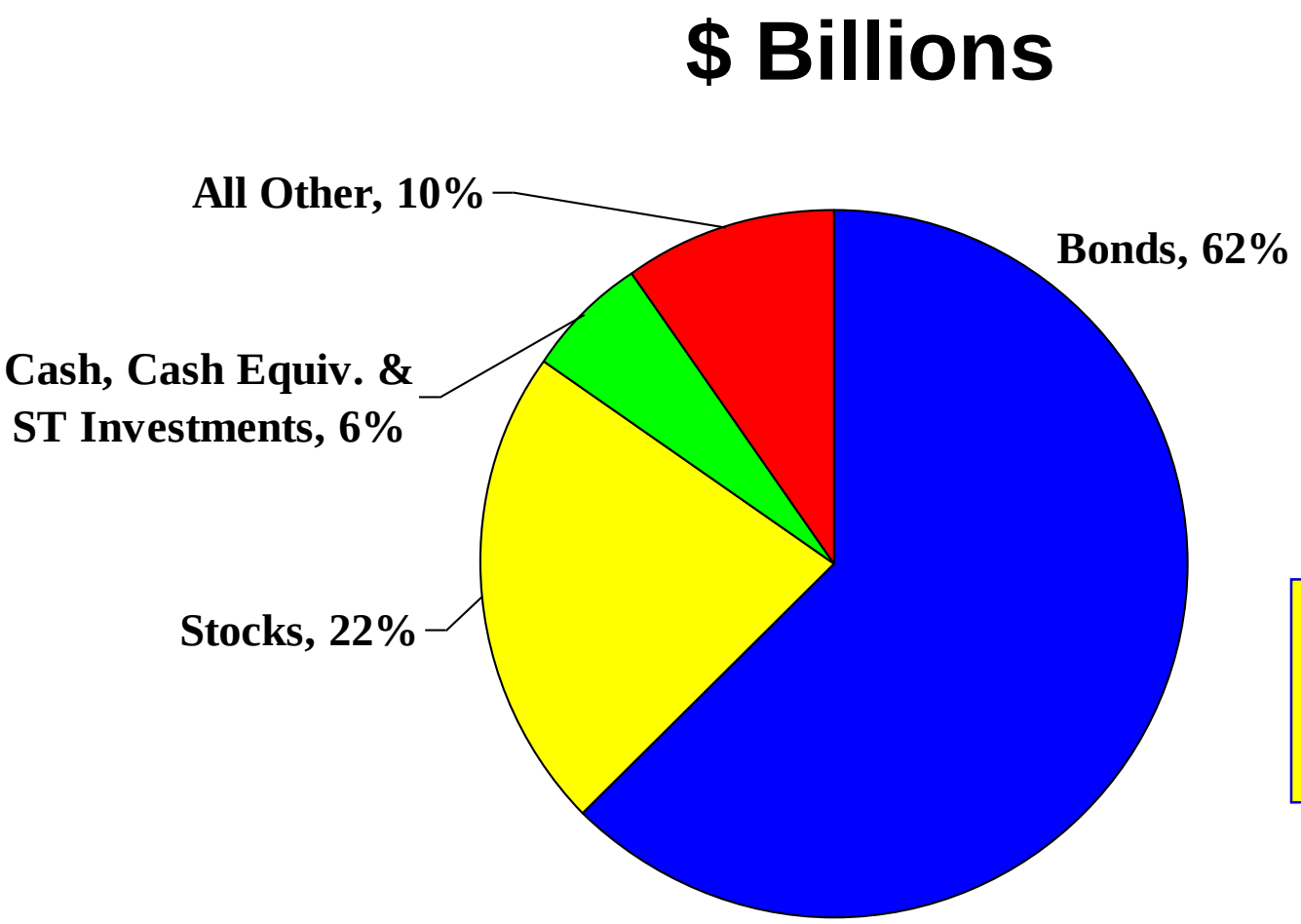
Due to persistently low interest rates, investment income fell in 2012, 2013 and 2014.

[1] Investment gains consist primarily of interest and stock dividends.

*2014 figure is estimated based on annualized data through Q3.

Sources: ISO; Insurance Information Institute.

Distribution of Invested Assets: P/C Insurance Industry, 2013



Total Invested Assets = $1.5 Trillion

Source: Insurance Information Institute *Fact Book 2015,* A.M. Best.

U.S. Treasury Security Yields: A Long Downward Trend, 1990–2015*

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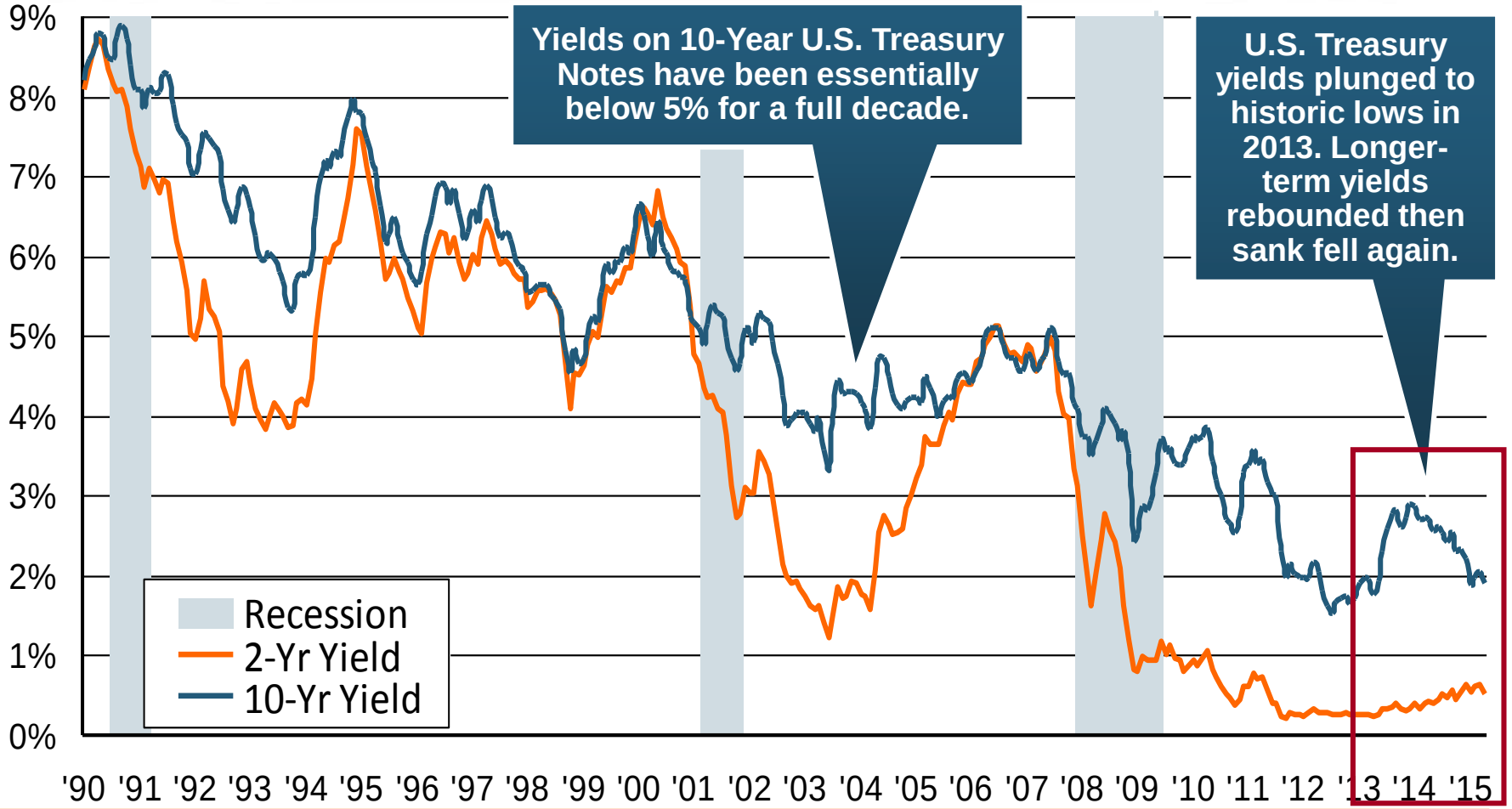

Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, constant maturity, nominal rates, through Apr 17, 2015.

Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data.htm. National Bureau of Economic Research (recession dates); Insurance Information Institute.

Book Yield on Property/Casualty Insurance Invested Assets, 2007–2016F

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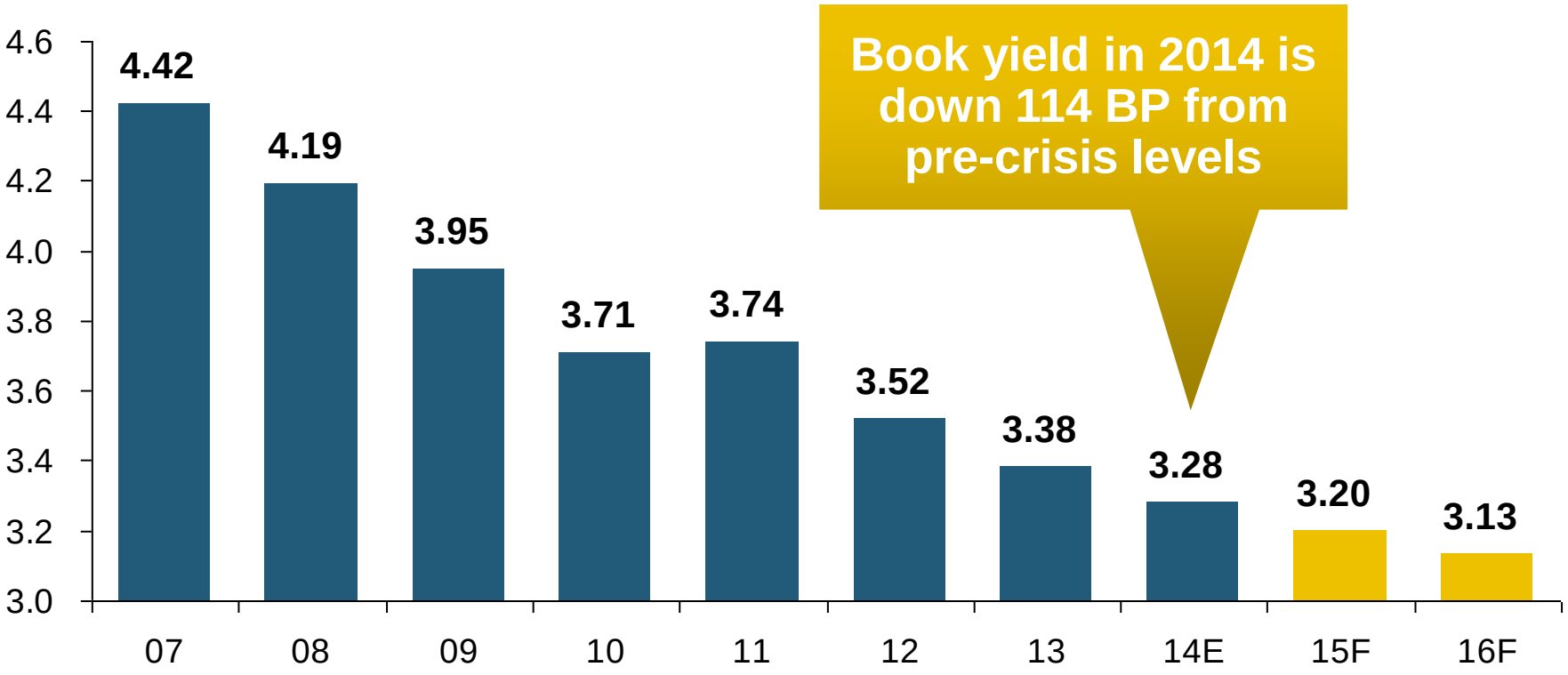
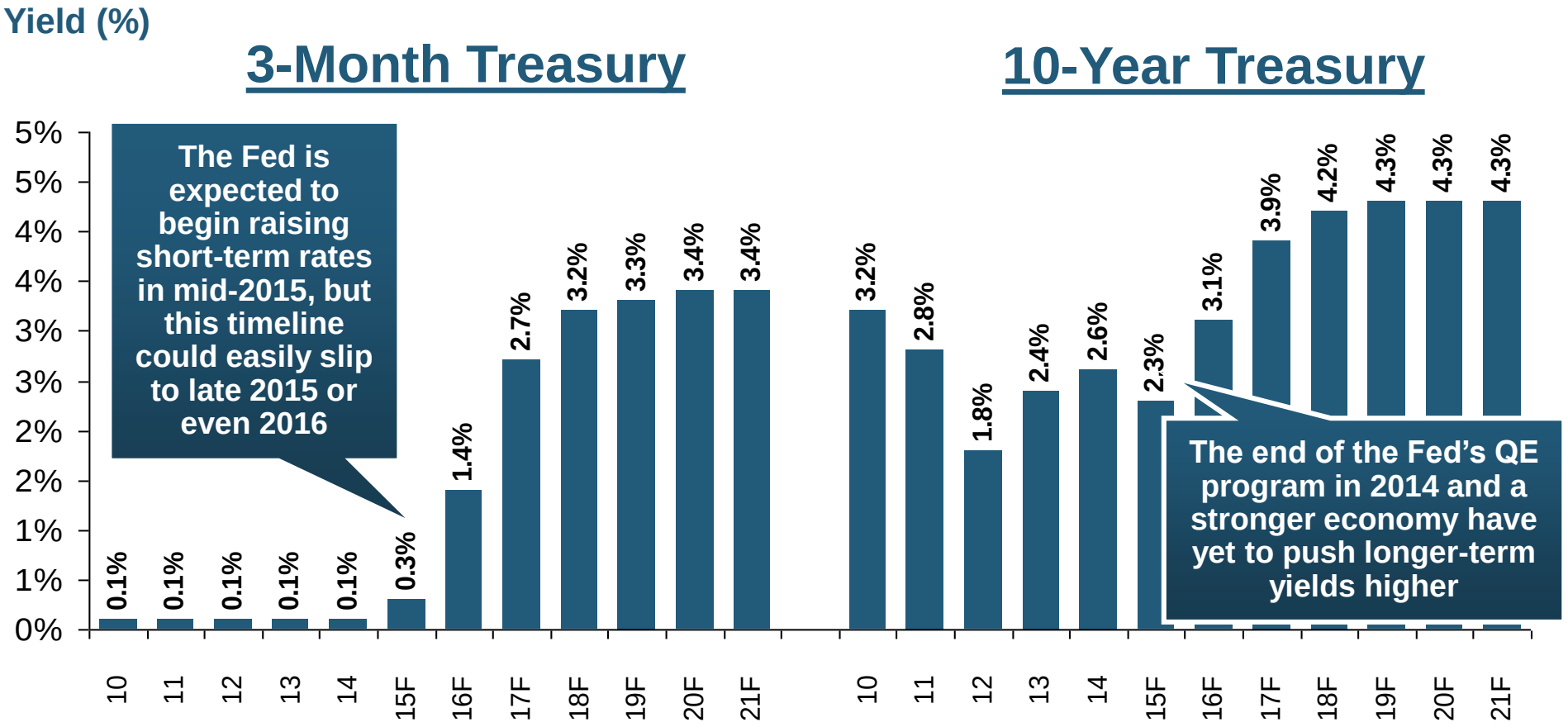
(Percent)



The yield on invested assets continues to decline as returns on maturing bonds generally still exceed new money yields. The end of the Fed's QE program in Oct. 2014 should allow some increase in longer maturities while short term interest rate increases are unlikely until mid-to-late 2015

Sources: Conning.

Interest Rate Forecasts: 2015 – 2021



A Full Normalization of Interest Rates Is Unlikely Until 2018 or Later, More than a Decade After the Onset of the Financial Crisis

Sources: Federal Reserve Board of Governors (historical); Blue Chip Economic Indicators (4/15 for 2015 and 2016; for 2017-2021 3/15 issue); Insurance Info. Institute.

Annual Inflation Rates, (CPI-U, %), 1990–2016F

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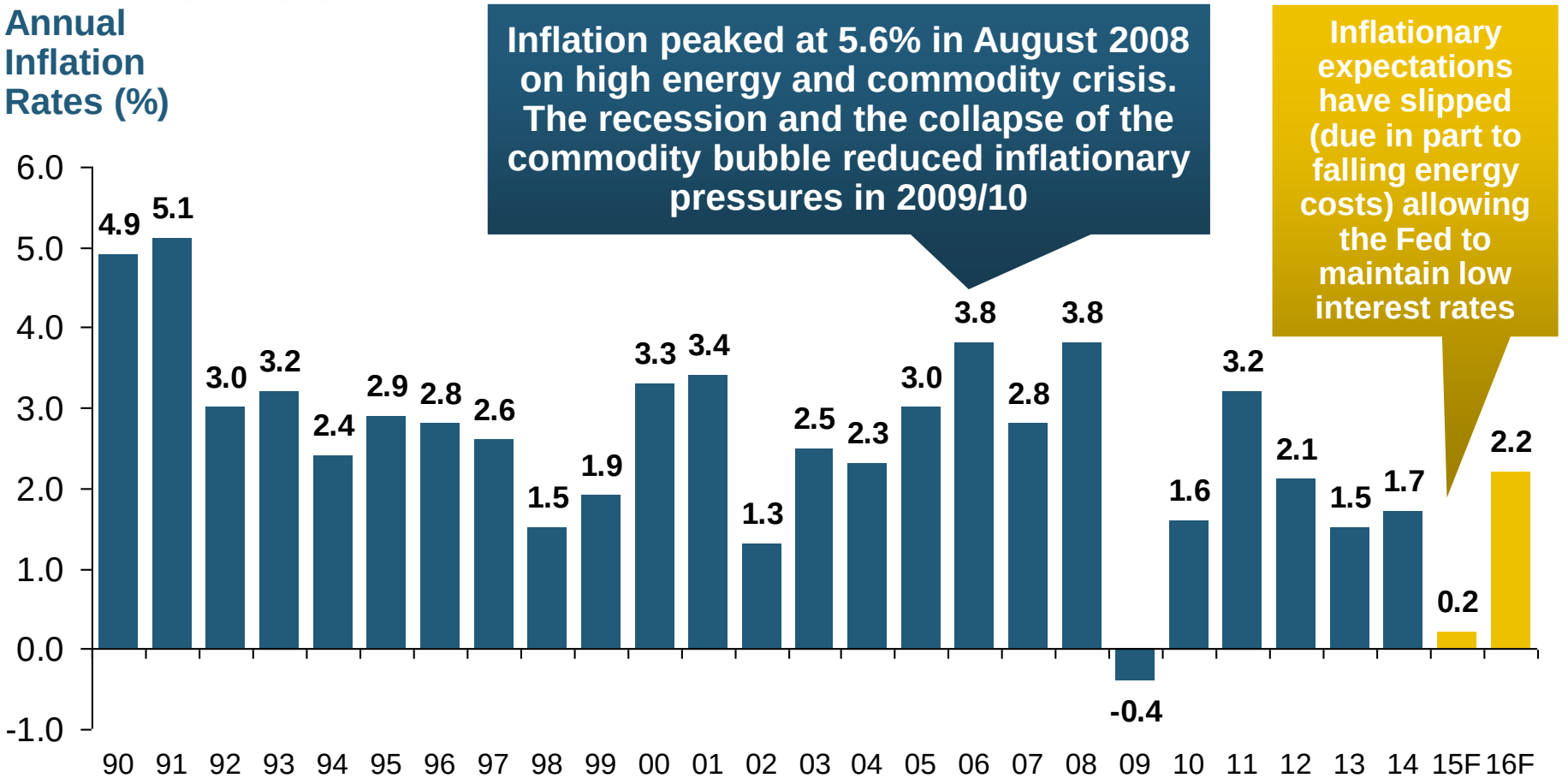
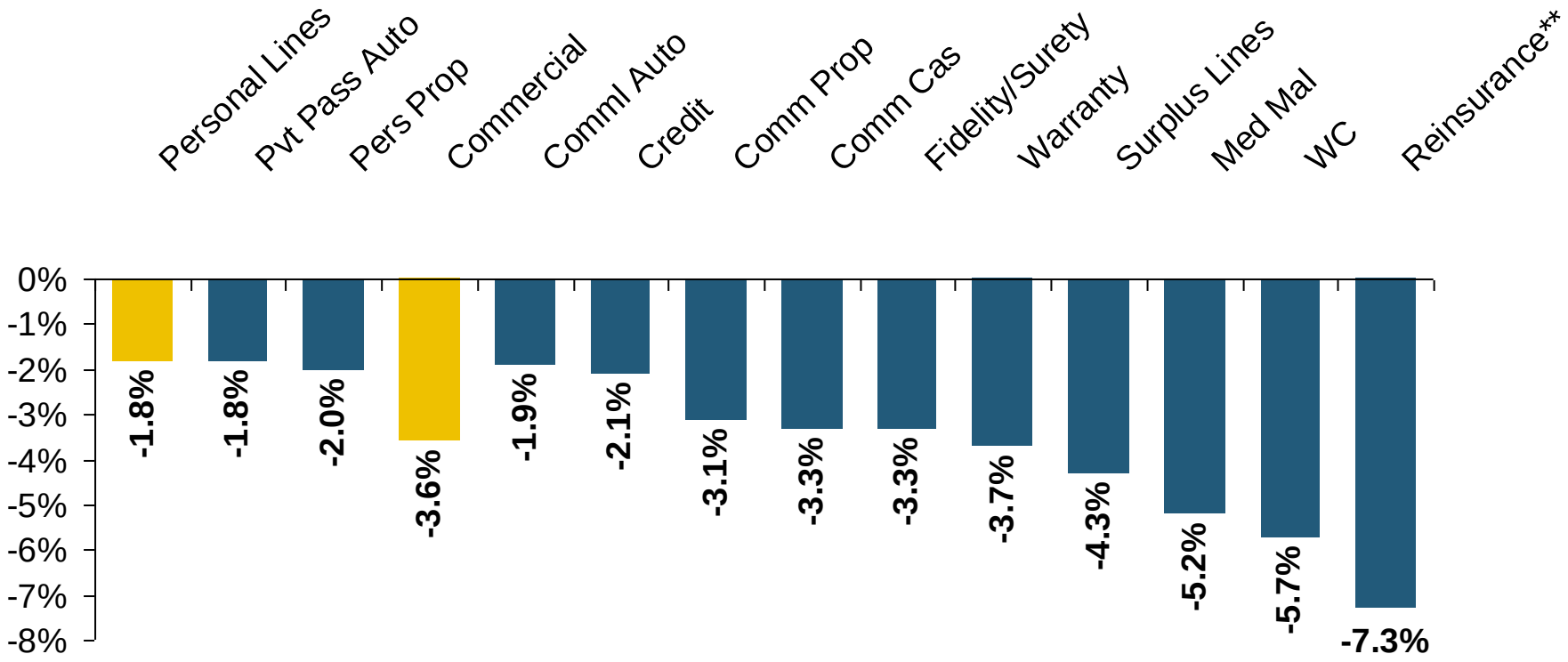


Slack in the U.S. economy and falling energy prices suggests that inflationary pressures should remain subdued for an extended period of times

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators, 4/15 (forecasts).

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

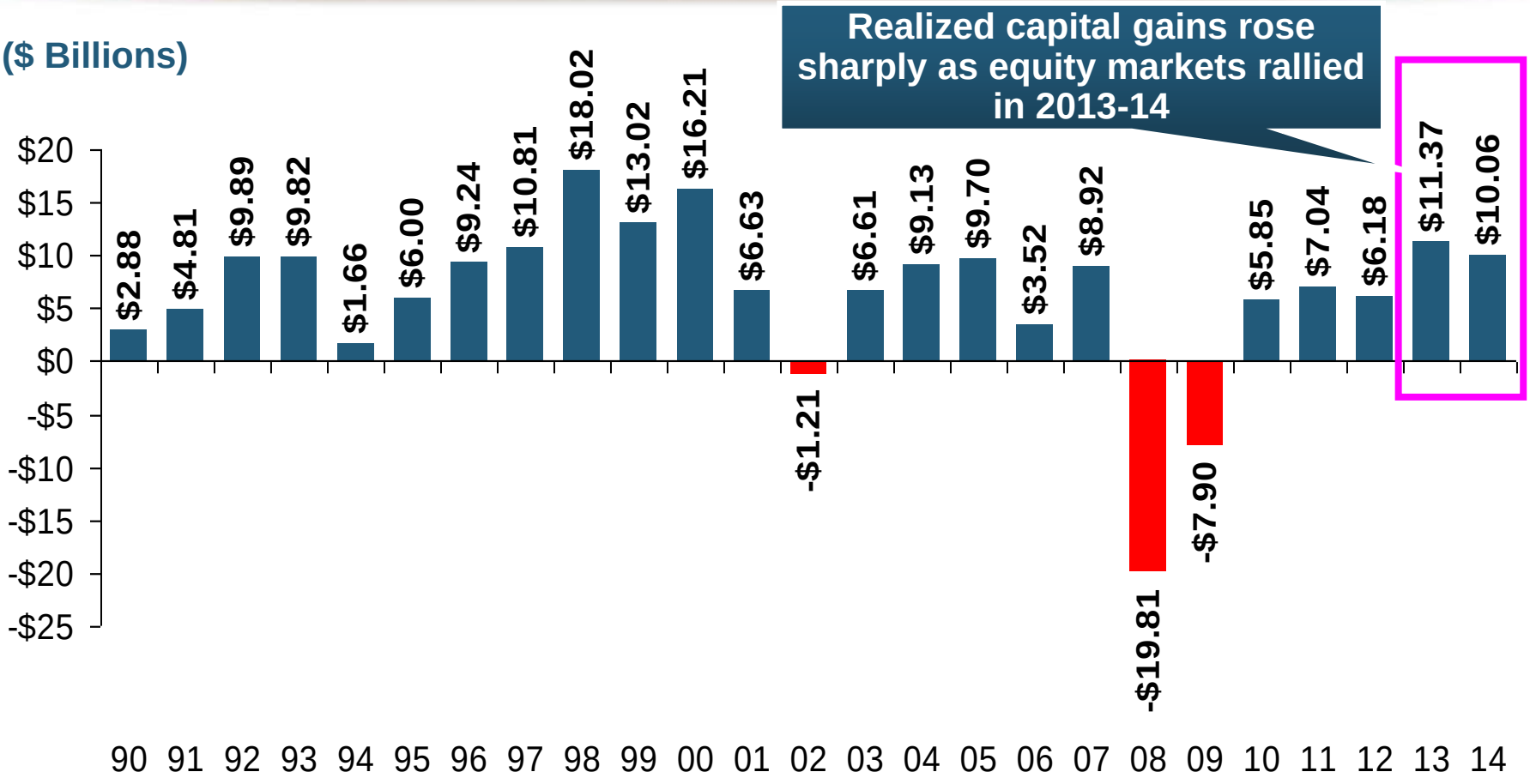


Lower Investment Earnings Place a Greater Burden on Underwriting and Pricing Discipline

*Based on 2008 Invested Assets and Earned Premiums
**US domestic reinsurance only
Source: A.M. Best; Insurance Information Institute.

P/C Insurer Net Realized Capital Gains/Losses, 1990-2014

INSURANCE INFORMATION INSTITUTE



Insurers Posted Net Realized Capital Gains in 2010 - 2014 Following Two Years of Realized Losses During the Financial Crisis. Realized Capital Losses Were a Primary Cause of 2008/2009's Large Drop in Profits and ROE

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

Property/Casualty Insurance Industry Investment Gain: 1994–2014[1]

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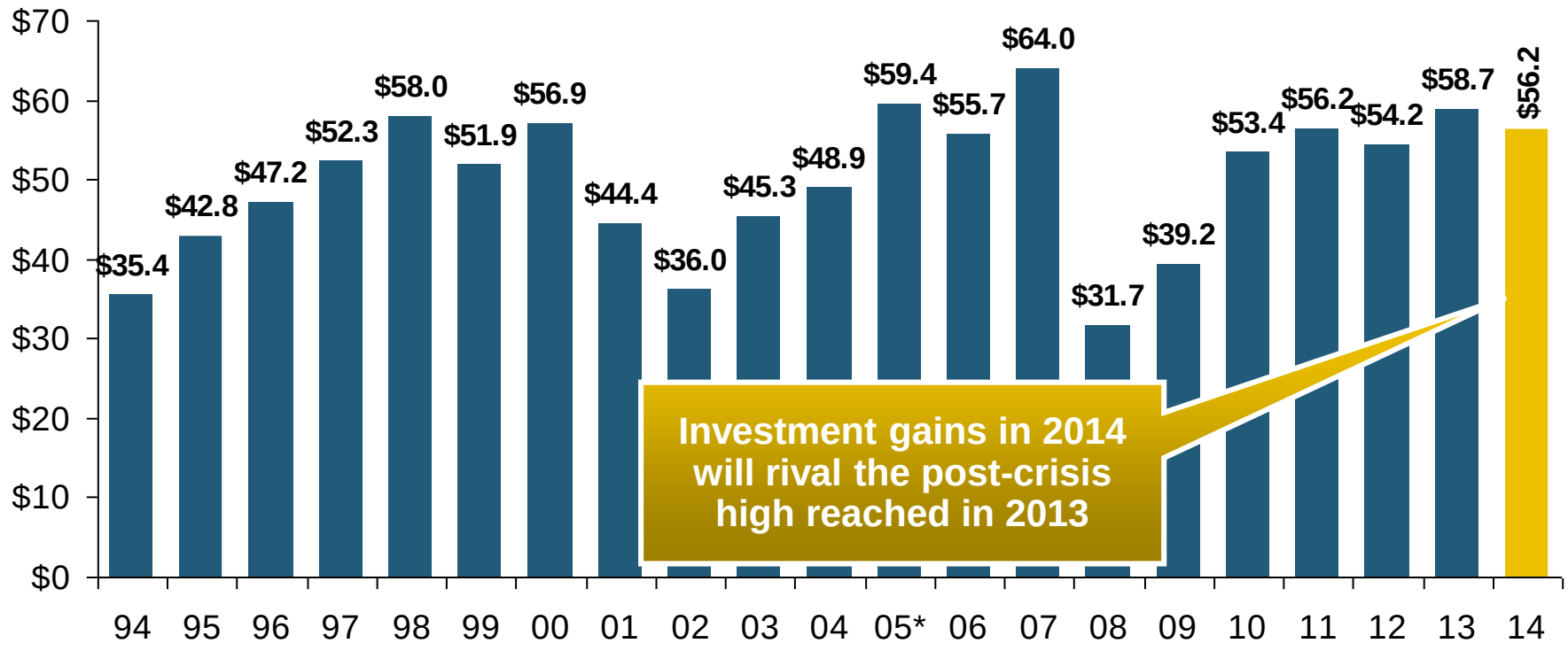
($ Billions)

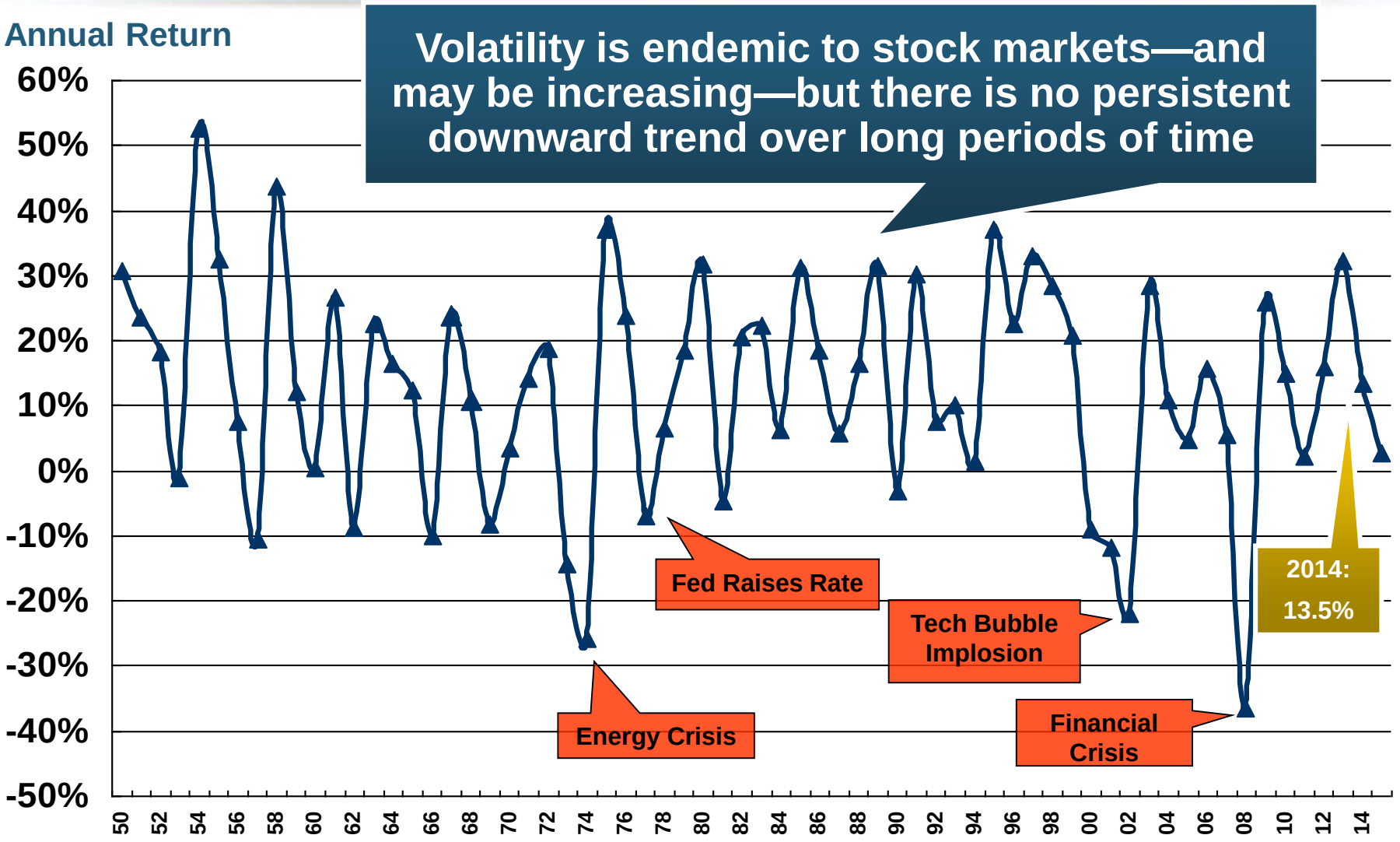


Total Investment Gains Were Down Slightly in 2014 as Low Interest Rates Pressured Investment Income but Realized Capital Gains Remained Robust

[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.

S&P 500 Index Returns, 1950 – 2015*

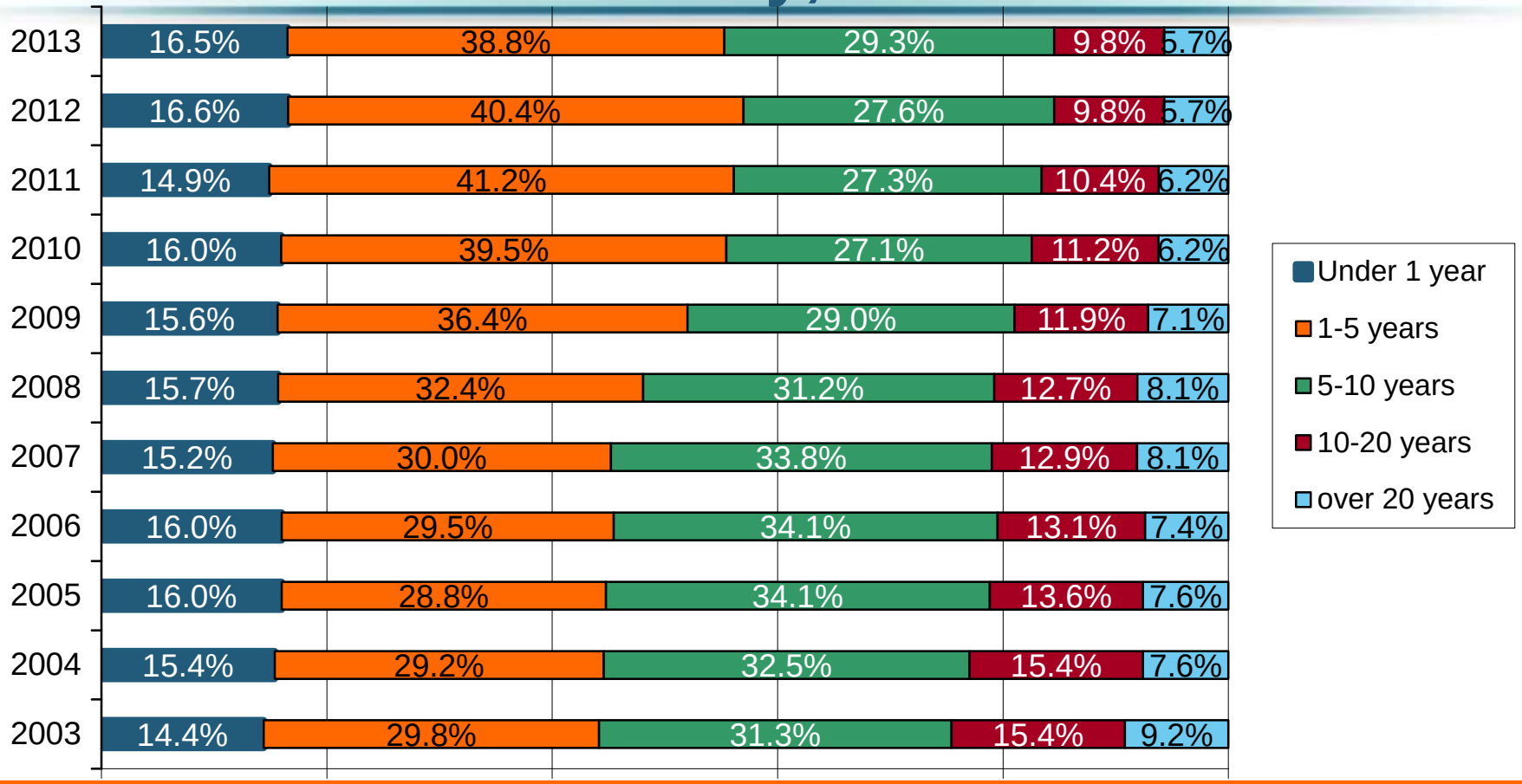
INSURANCE INFORMATION INSTITUTE



*Through April 28, 2015.

Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html Ins. Info. Inst.

Distribution of Bond Maturities, P/C Insurance Industry, 2003-2013



The main shift over these years has been from bonds with longer maturities to bonds with shorter maturities. The industry first trimmed its holdings of over-10-year bonds (from 24.6% in 2003 to 15.5% in 2012) and then trimmed bonds in the 5-10-year category (from 31.3% in 2003 to 27.6% in 2012) . Falling average maturity of the P/C industry's bond portfolio is contributing to a drop in investment income along with lower yields.

Sources: SNL Financial; Insurance Information Institute.

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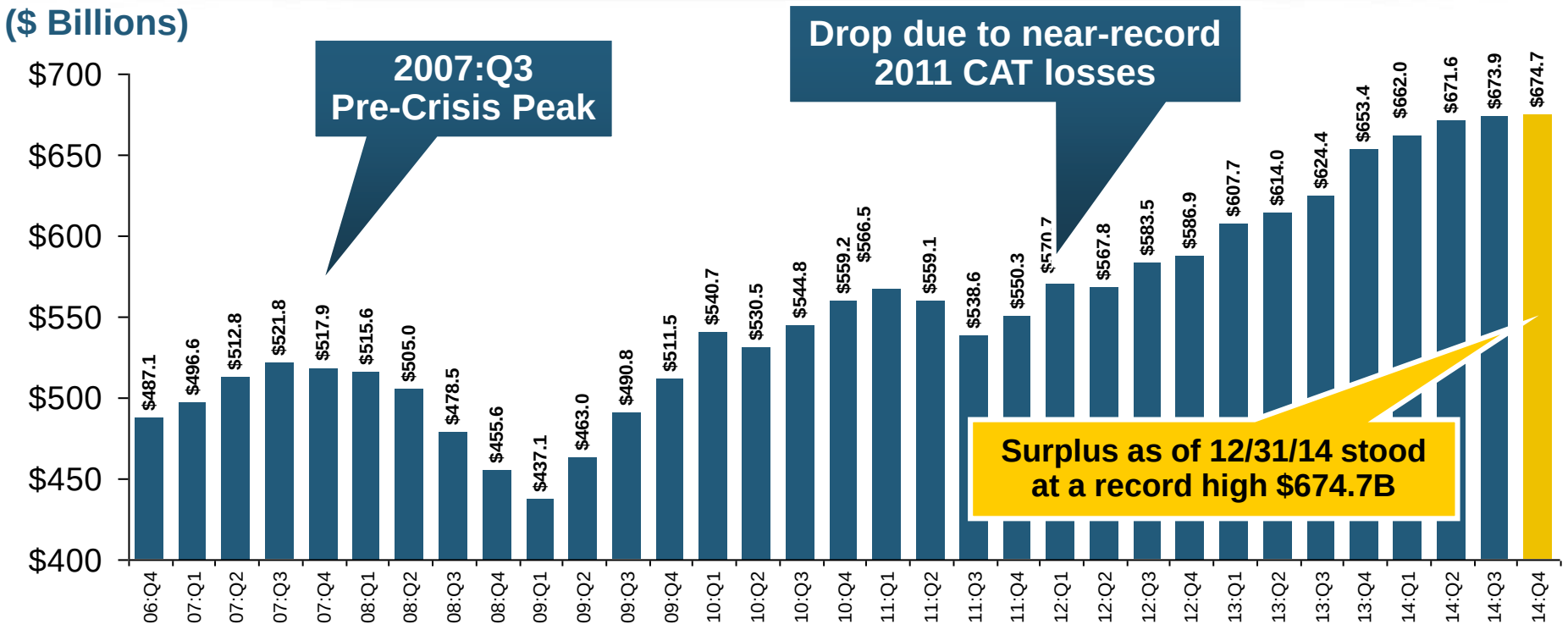
CAPITAL/CAPACITY

Capital Accumulation Has Multiple Impacts

Policyholder Surplus, 2006:Q4–2014:Q4



The industry now has $1 of surplus for every $0.73 of NPW, close to the strongest claims-paying status in its history.

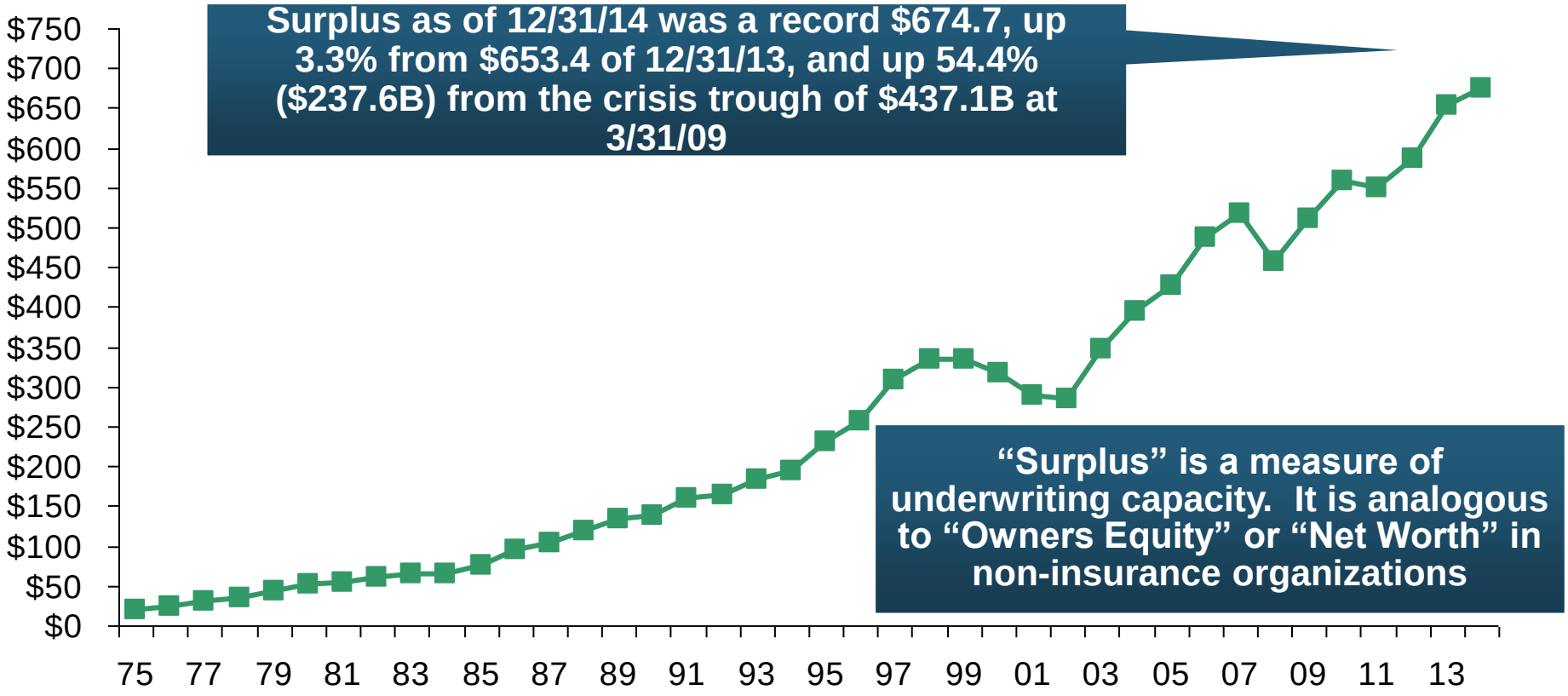
2010:Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business .

The P/C insurance industry entered 2015 in very strong financial condition.

Sources: ISO, A.M .Best.

US Policyholder Surplus: 1975–2014*

($ Billions)



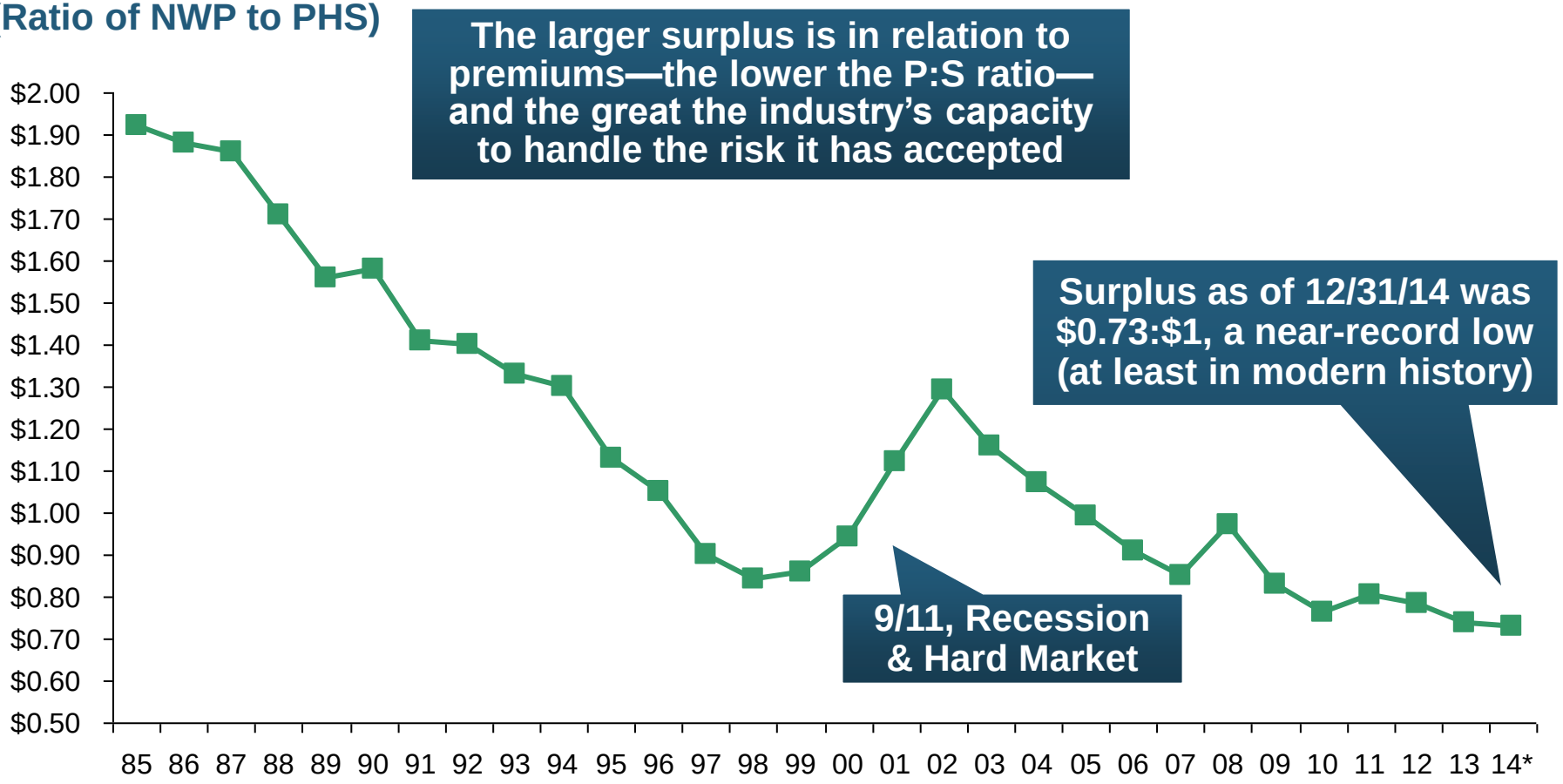
The Premium-to-Surplus Ratio Stood at $0.73:$1 as of 12/31/14, a Near Record Low (at Least in Recent History)

* As of 12/31/14.

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

Premium-to-Surplus Ratio: 1985–2014*

(Ratio of NWP to PHS)



The Premium-to-Surplus Ratio Stood at $0.73:$1 as of 12/31/14, a Record Low (at Least in Recent History)

* As of 12/31/14.

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

US P/C Insurance Industry Excess Capital Position: 1994–2016E

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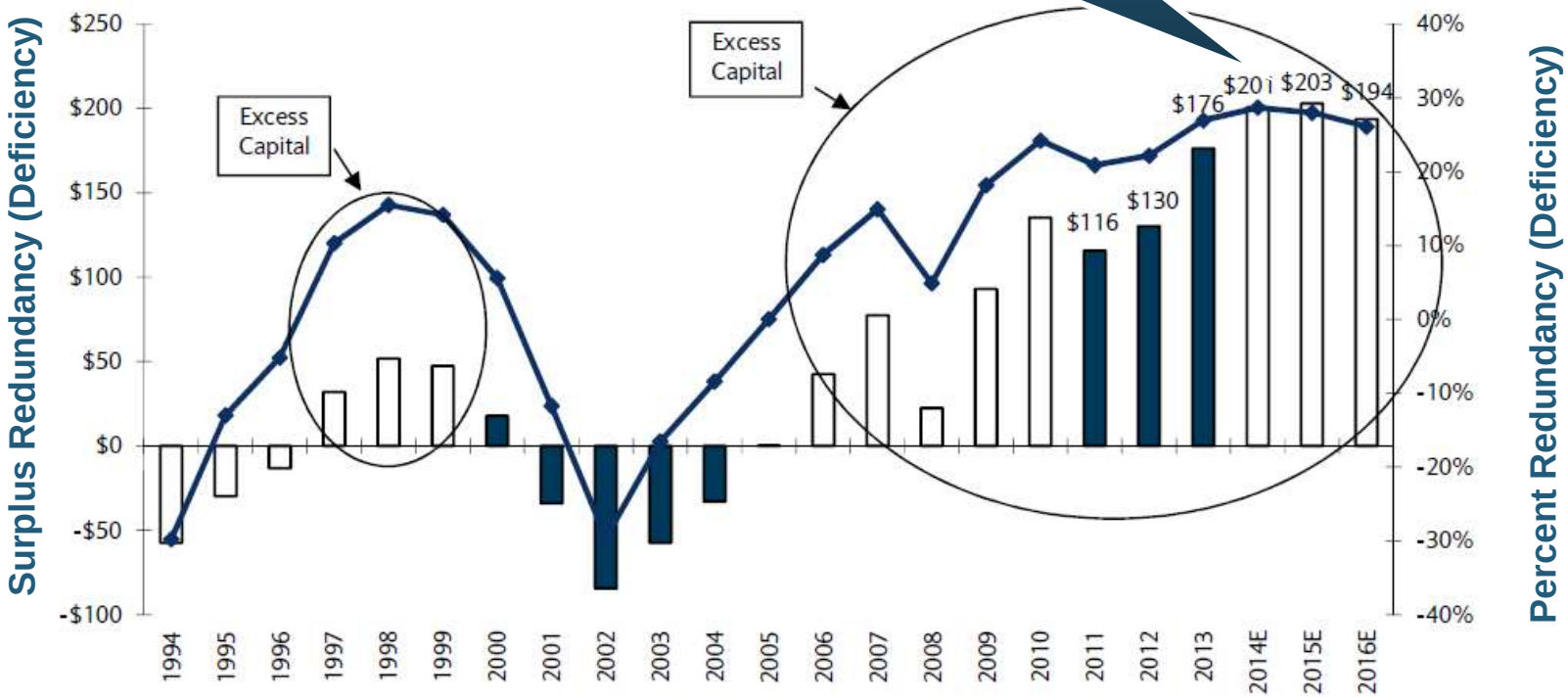
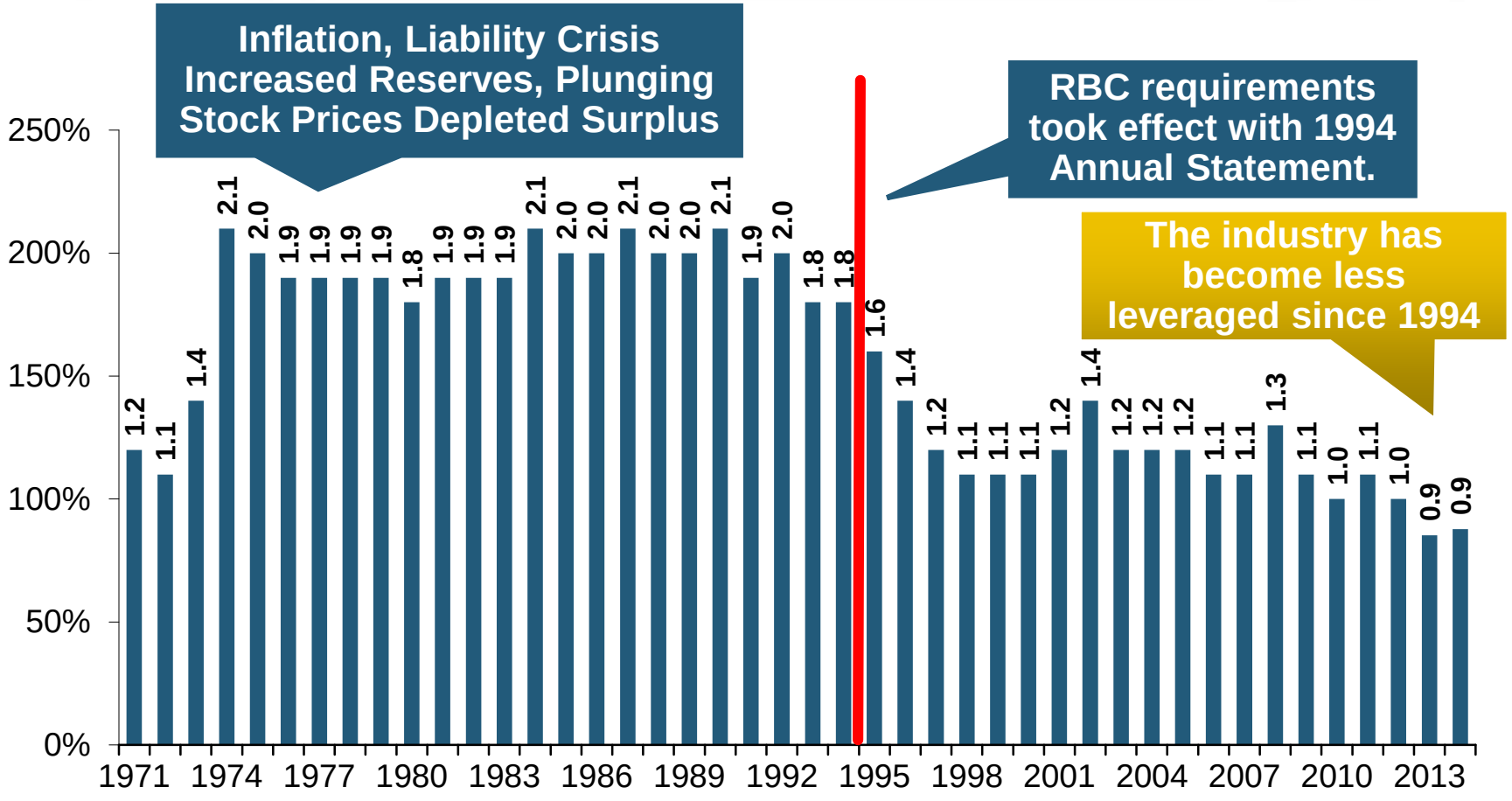
Barclay's suggests that surplus is approximately $200B (~30%)



The Industry's Strong Capital Position Suggests Insurers Are in a Good Position to Increase Risk Appetite, Repurchase Shares and Pursue Acquisitions

Source: Barclays Research estimates.

P/C Industry: Loss Reserve-to-Surplus Ratio, 1971-2014



The Property/Casualty Industry Adjusted Its Risk Portfolio in Response to Risk-Based Capital Requirements Implemented in 1994.

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

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Alternative Capital

New Investors Continue to Change the Reinsurance Landscape

First I.I.I. White Paper on Issue Was Released in March 2015

Global Reinsurance Capital (Traditional and Alternative), 2006 - 2014

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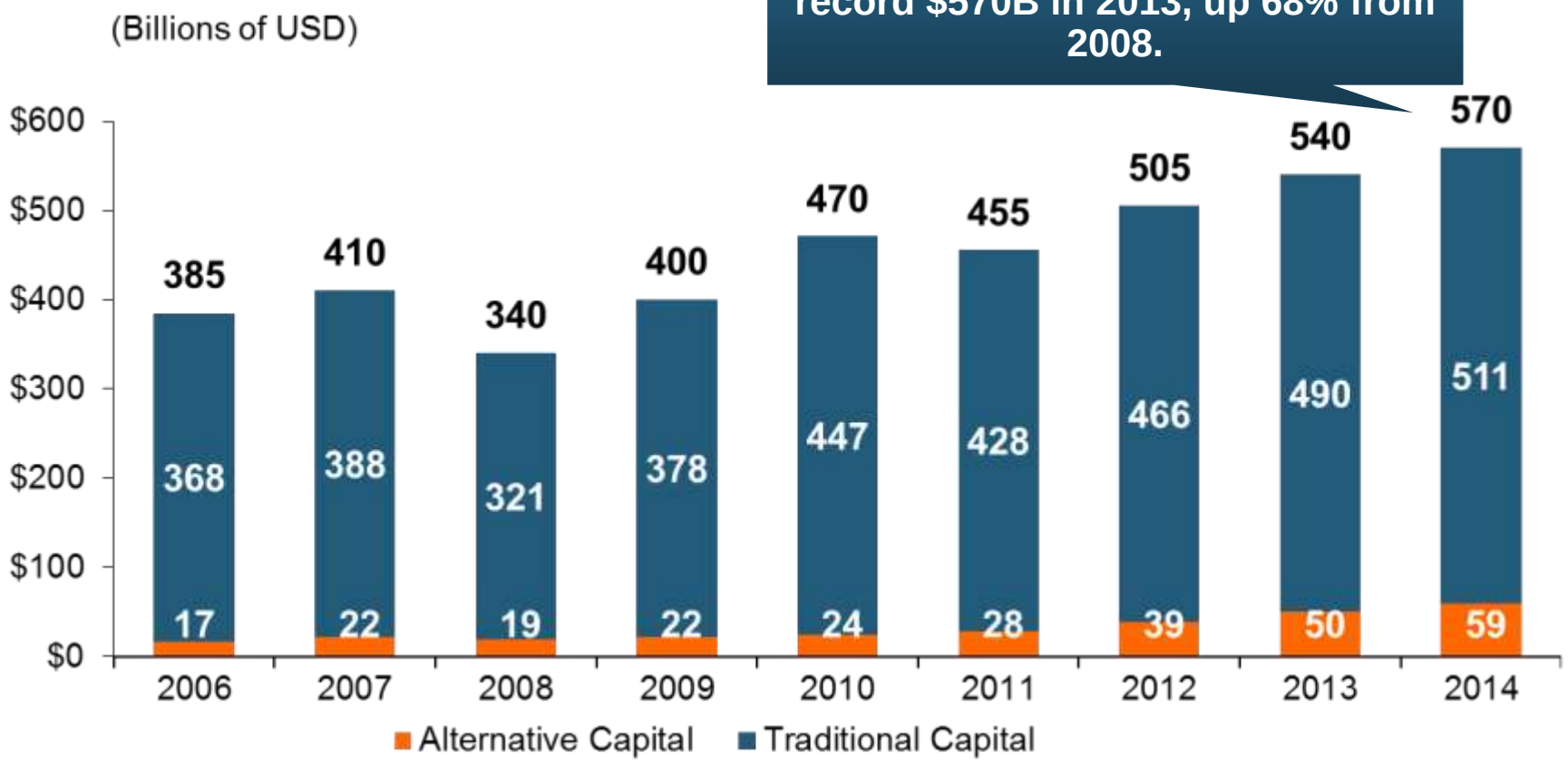
Total reinsurance capital reached a record $570B in 2013, up 68% from 2008.

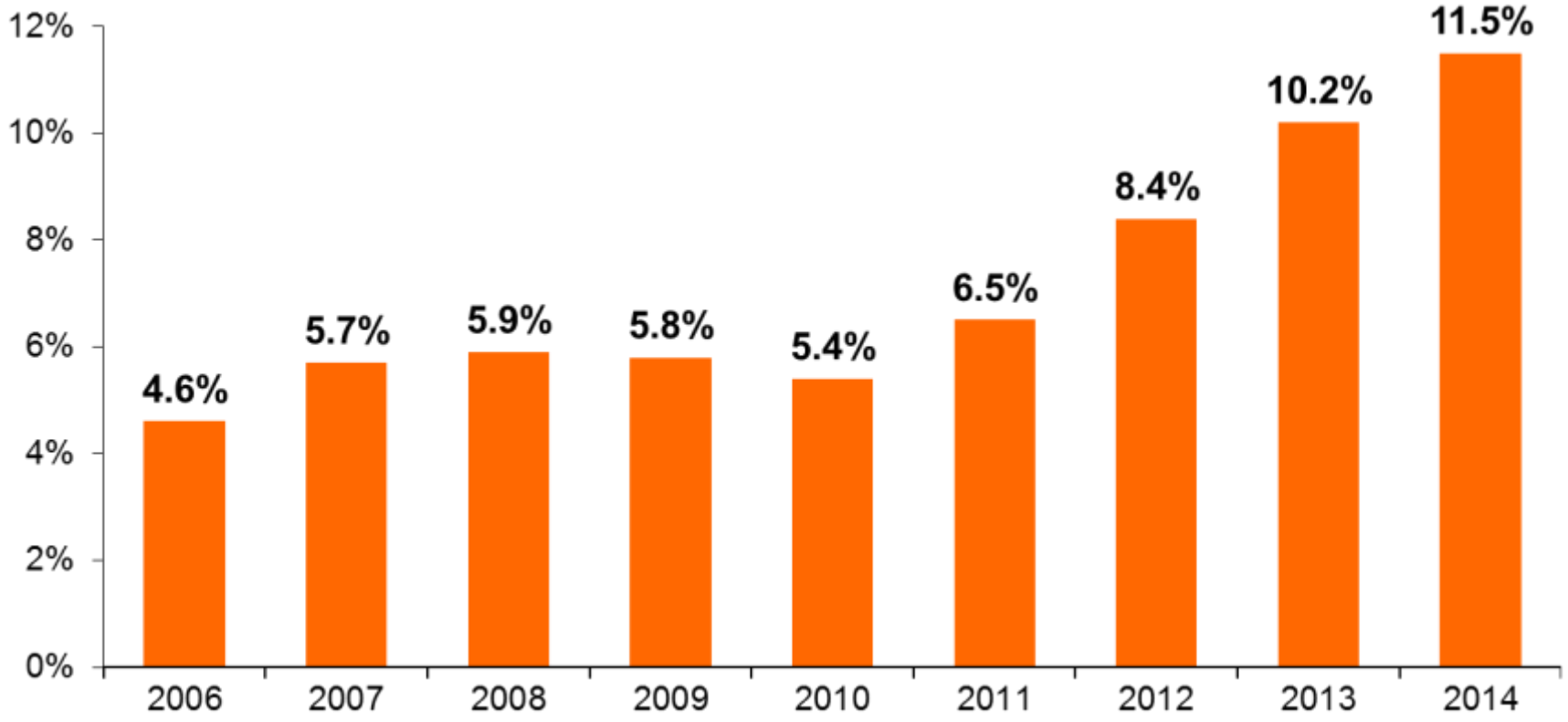


But alternative capacity has grown 210% since 2008, to $50B. It has more than doubled in the past three years.

2014 data is as of June 30, 2014.

Source: Aon Benfield Analytics; Insurance Information Institute.

Alternative Capital as a Percentage of Traditional Global Reinsurance Capital

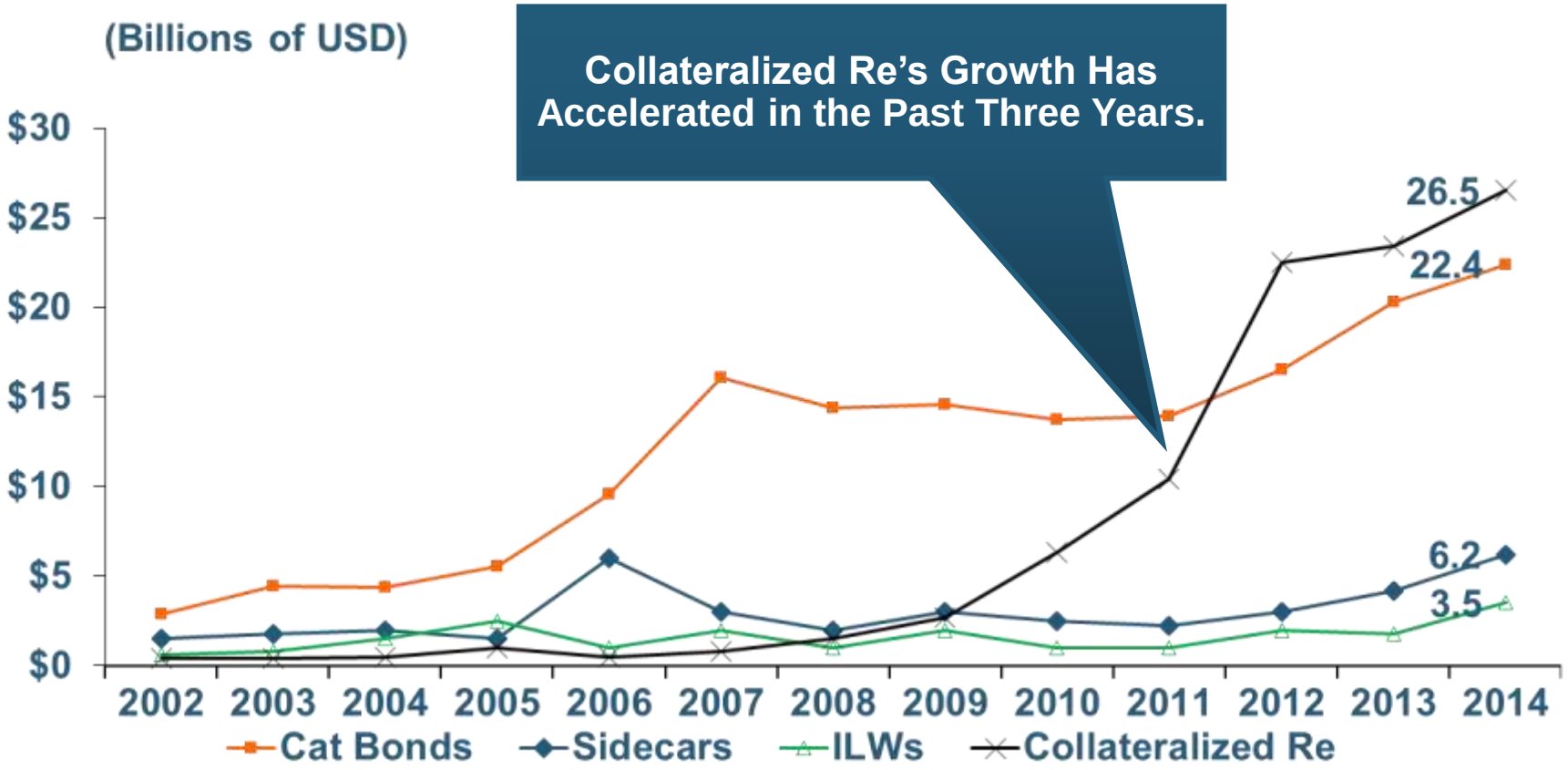


Alternative Capital's Share of Global Reinsurance Capital Has More Than Doubled Since 2010.

2014 data is as of June 30, 2014.

Source: Aon Benfield Analytics; Insurance Information Institute.

Growth of Alternative Capital Structures, 2002 - 2014



Collateralized Reinsurance and Catastrophe Bonds Currently Dominate the Alternative Capital Market.

2014 data is as of June 30, 2014.

Source: Aon Benfield Analytics; Insurance Information Institute.

Catastrophe Bond Issuance and Outstanding: 1997-2014

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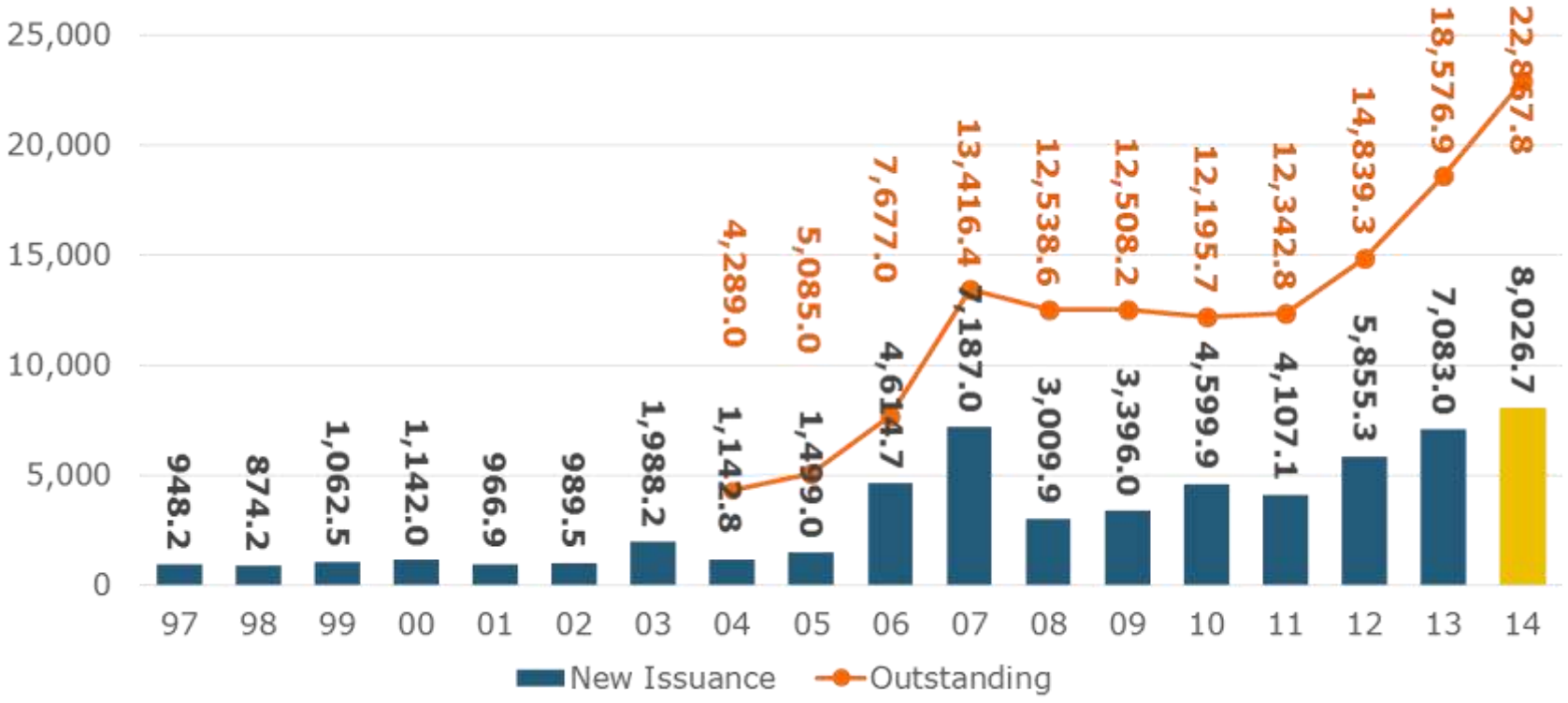
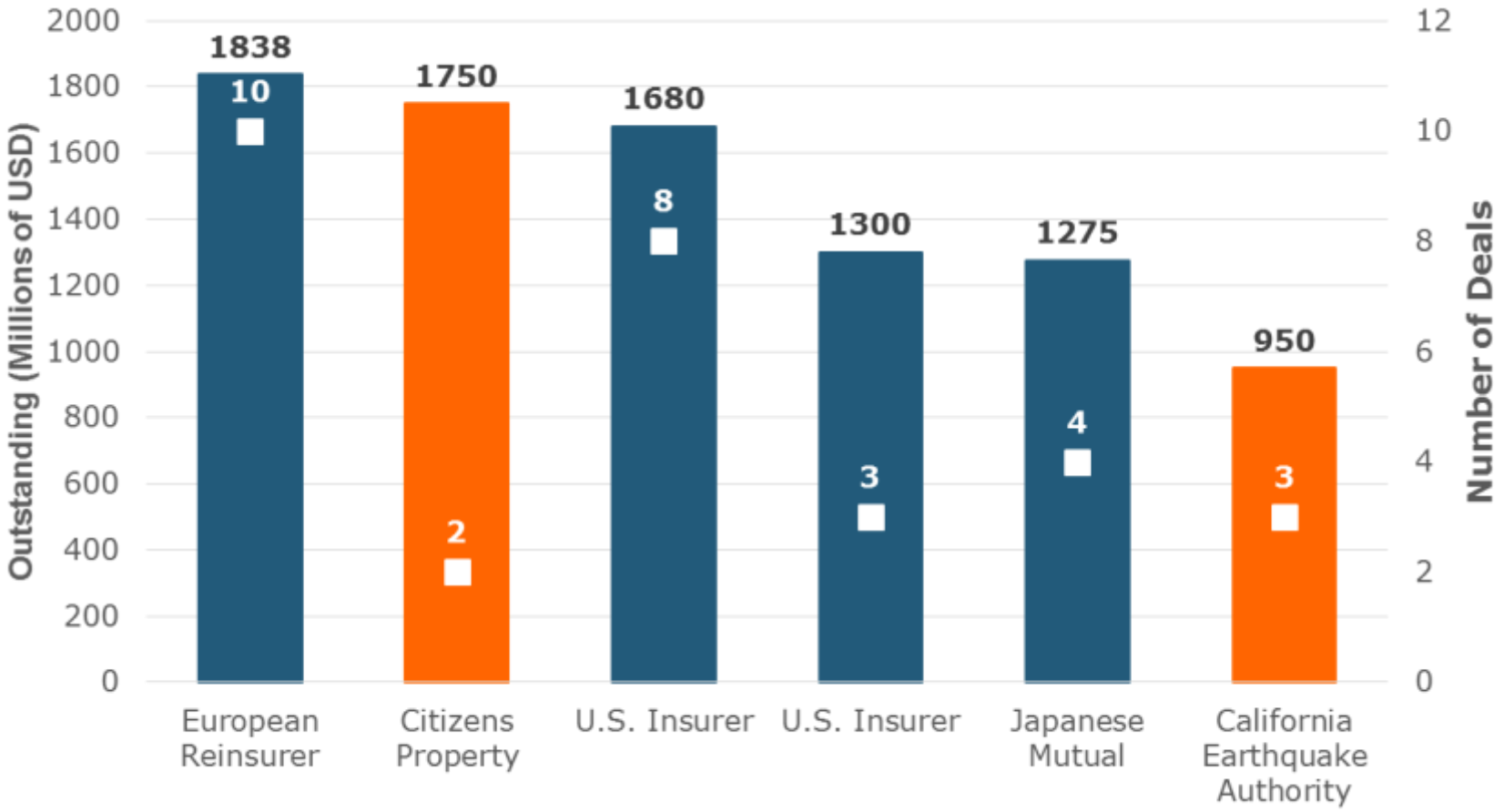
Risk Capital Amount ($ Millions)



2014 Has Seen the Largest Cat Bond Ever - $1.5 Billion (Florida Citizens). Bond Issuance Set a Record.

Source: Guy Carpenter.

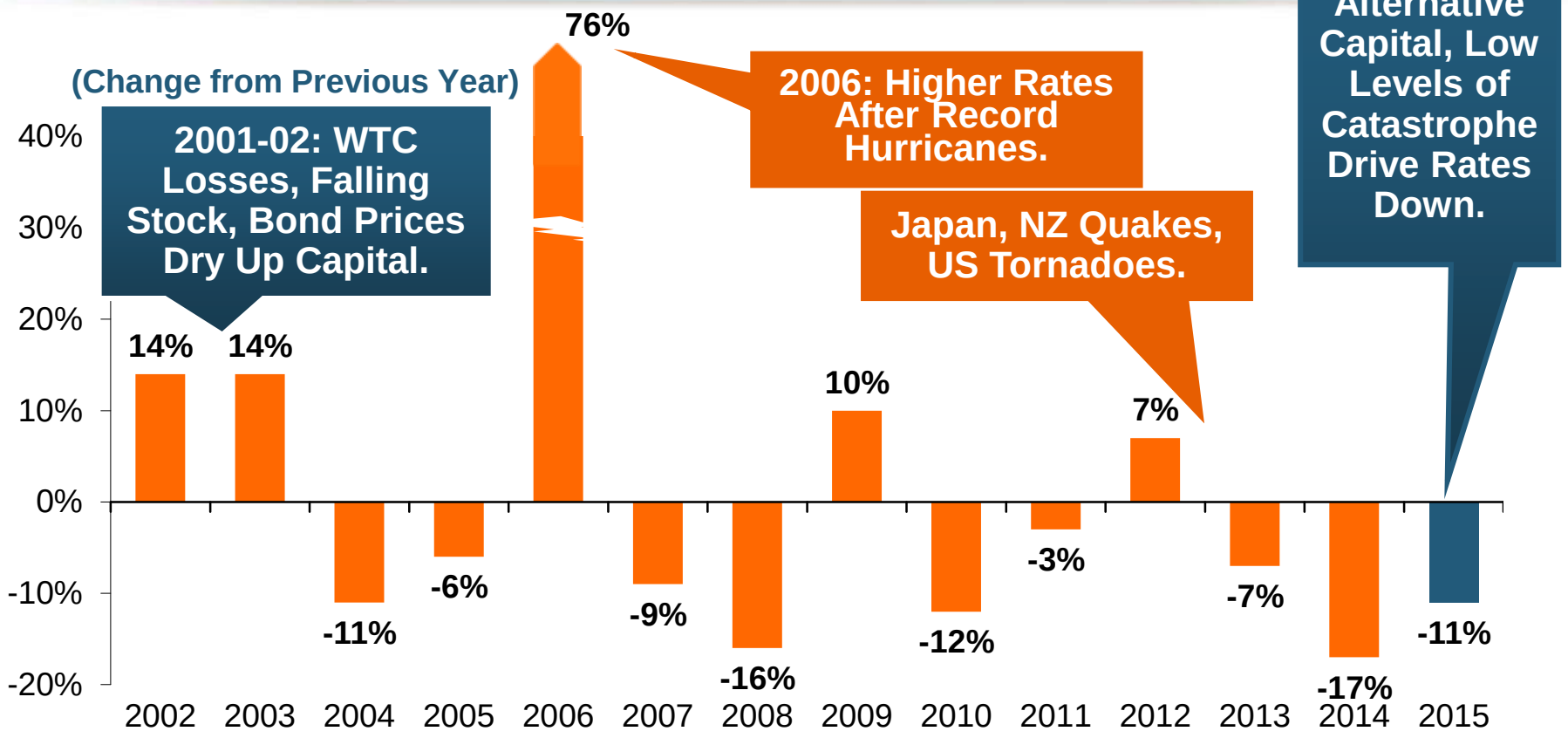
Largest Sponsors of ILS, Year-End 2014



Two of the Largest ILS Issuers Are Government-Sponsored Insurers. Nine Government-Related Insurers Have $4.6 Billion in Outstanding Securities.

Source: Artemis.bm; Insurance Information Institute.

Reinsurance Pricing: Change in Rate on Line for Cat Business

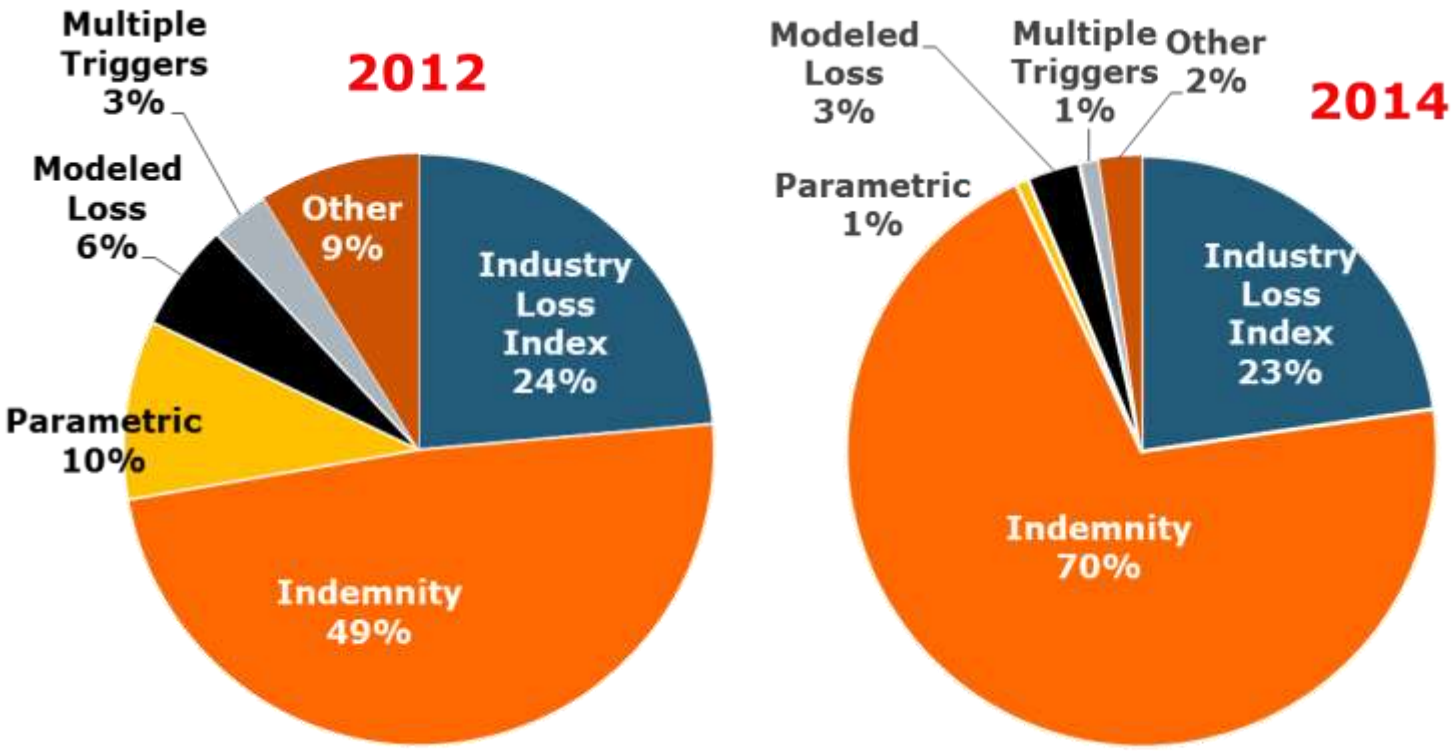


Catastrophe Prices Fell 11 Percent on January 1 Renewals, Driven by Emergence of New Capital, Mild Catastrophe Losses.

2014 reflects change through June 30 from prior year end. 2015 is for January 1 renewals..

Source: Guy Carpenter; Insurance Information Institute.

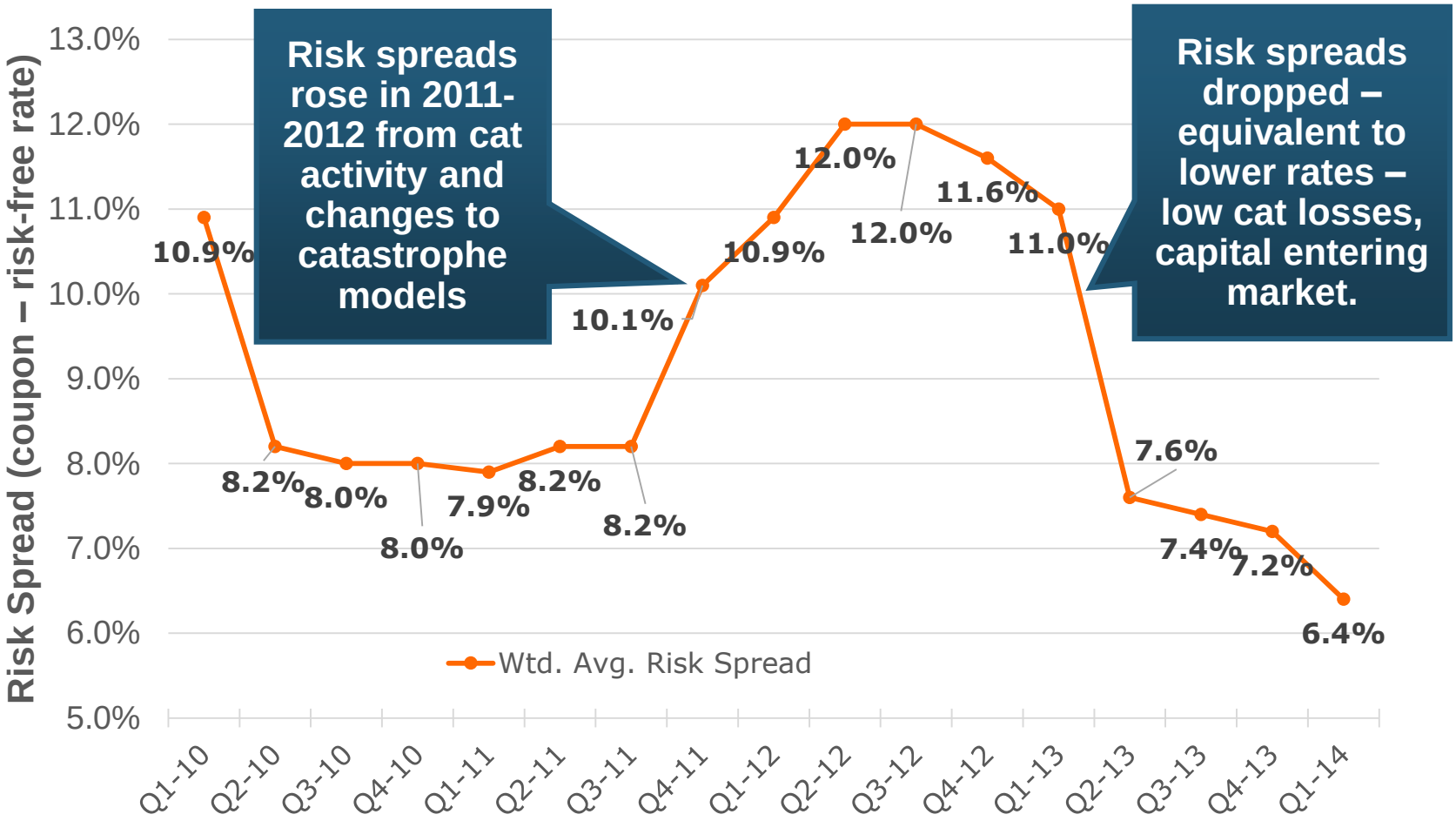
ILS Issuance by Trigger



Terms Are Shifting Away From 'Objective' Triggers (Favored by Investors) Toward Indemnity Trigger (Favored by Insurers).

Source: Artemis.bm; Insurance Information Institute.

U.S. Wind-Exposed Risk Premium* 2010:Q1 to 2014: Q1



* Trailing 12-month average

SOURCE: Willis Capital Markets, Insurance Information Institute.

Questions Arising from Influence of Alternative Capital

- What Will Happen When Investors Face Large-Scale Losses?
- What Happens When Interest Rates Rise?
- Does ILS Have a Higher Propensity to Litigate?
- How Much Lower Will Risk Premiums Shrink/ROLs Fall?
- Will There Be Spillover Into Casualty Reinsurance?
- Will Alternative Capital Drive Consolidation?

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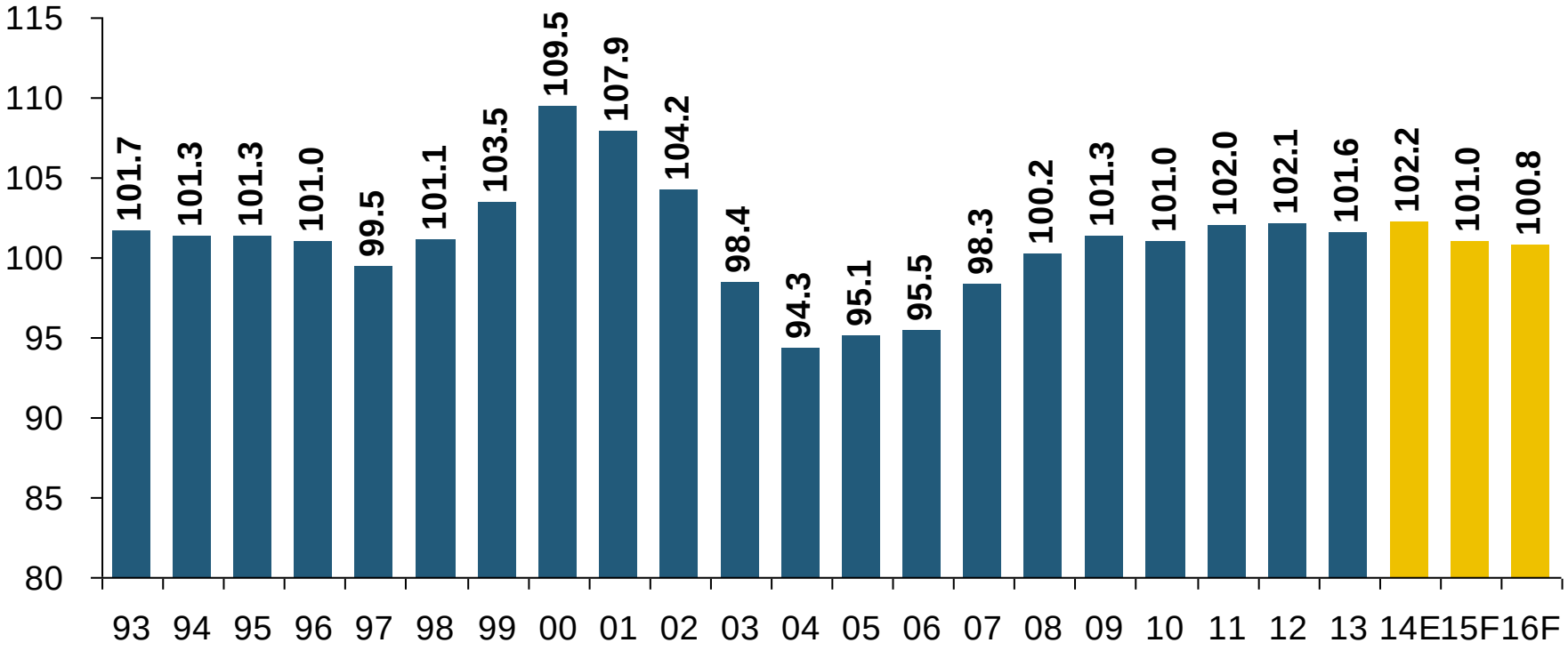
Performance by Segment

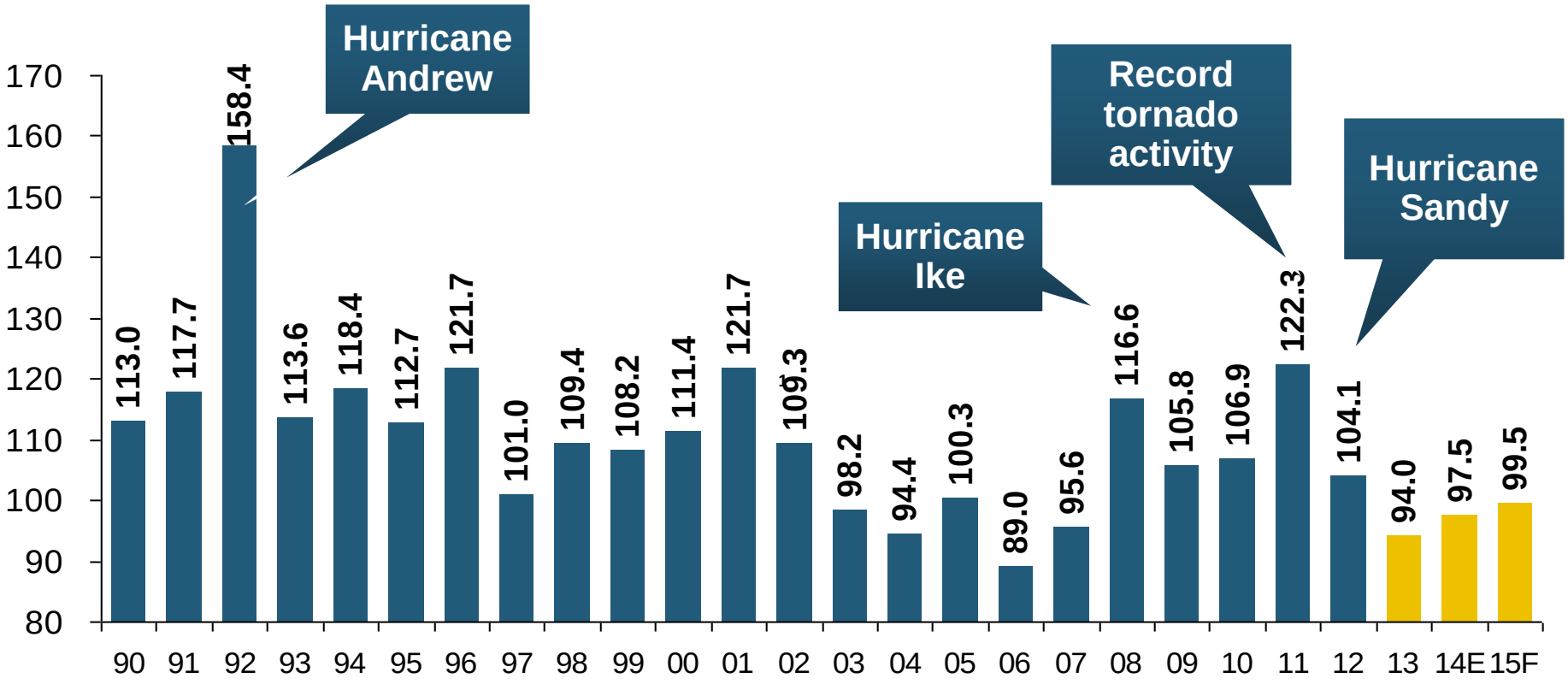
Private Passenger Auto Combined Ratio: 1993–2016F



Private Passenger Auto Accounts for 37% of Industry Premiums and Remains the Profit Juggernaut of the P/C Insurance Industry

Sources: A.M. Best (1990-2013); Insurance Information Institute (2014F – 2015F).

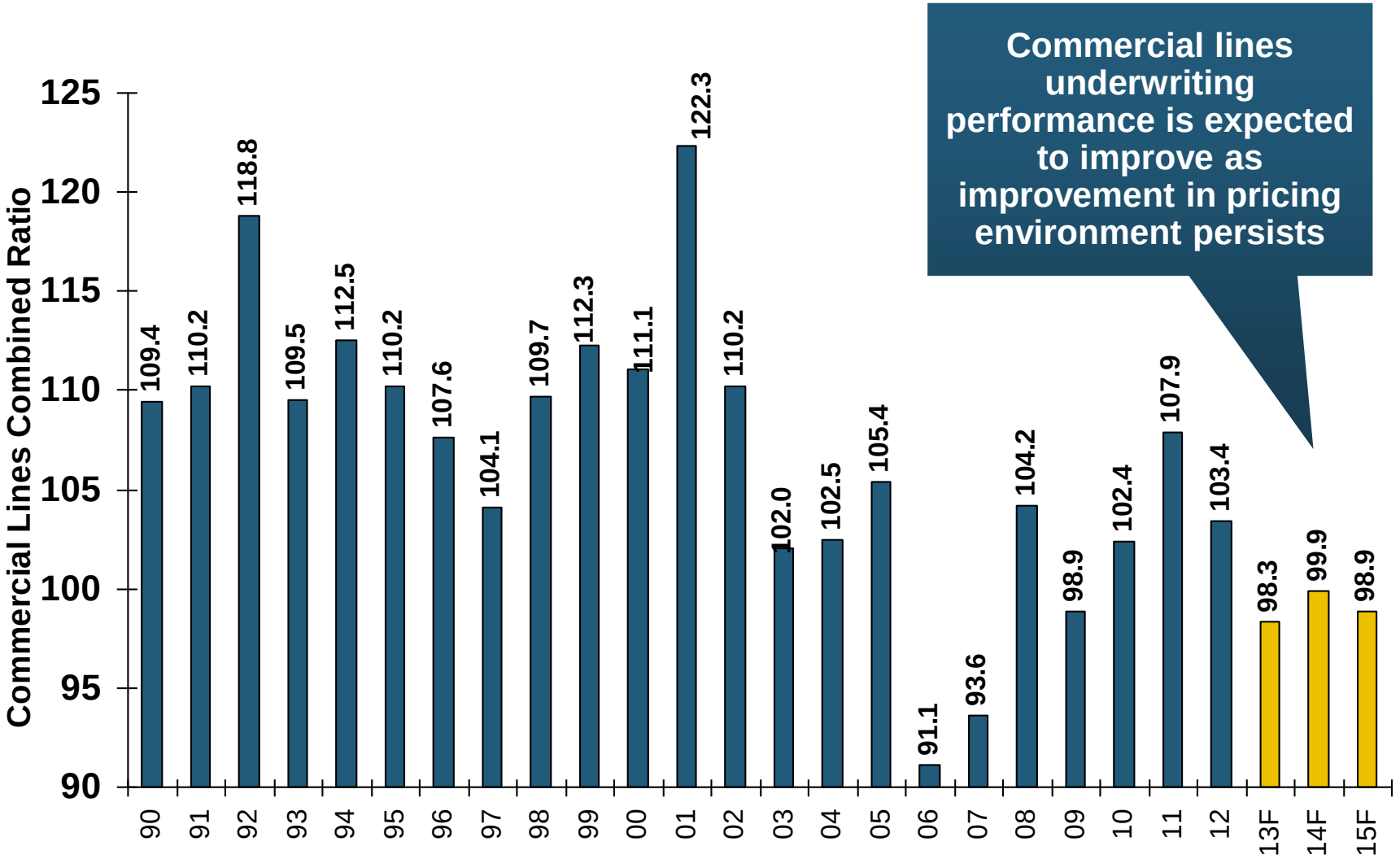
Homeowners Insurance Combined Ratio: 1990–2015F



Homeowners Performance in 2011/12 Impacted by Large Cat Losses. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

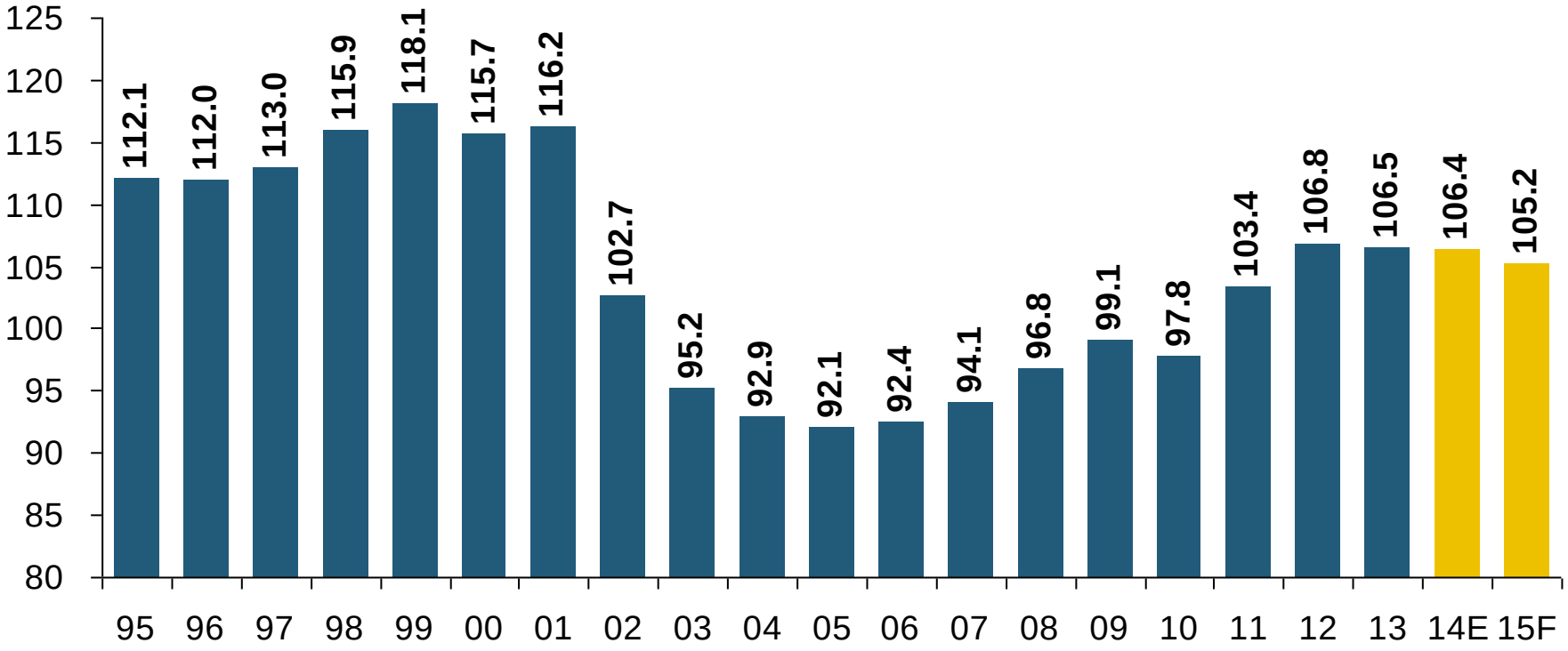
Sources: A.M. Best (1990-2014F);Conning (2015F); Insurance Information Institute.

Commercial Lines Combined Ratio, 1990-2015F*



*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2014F); Conning (2015F) Insurance Information Institute.

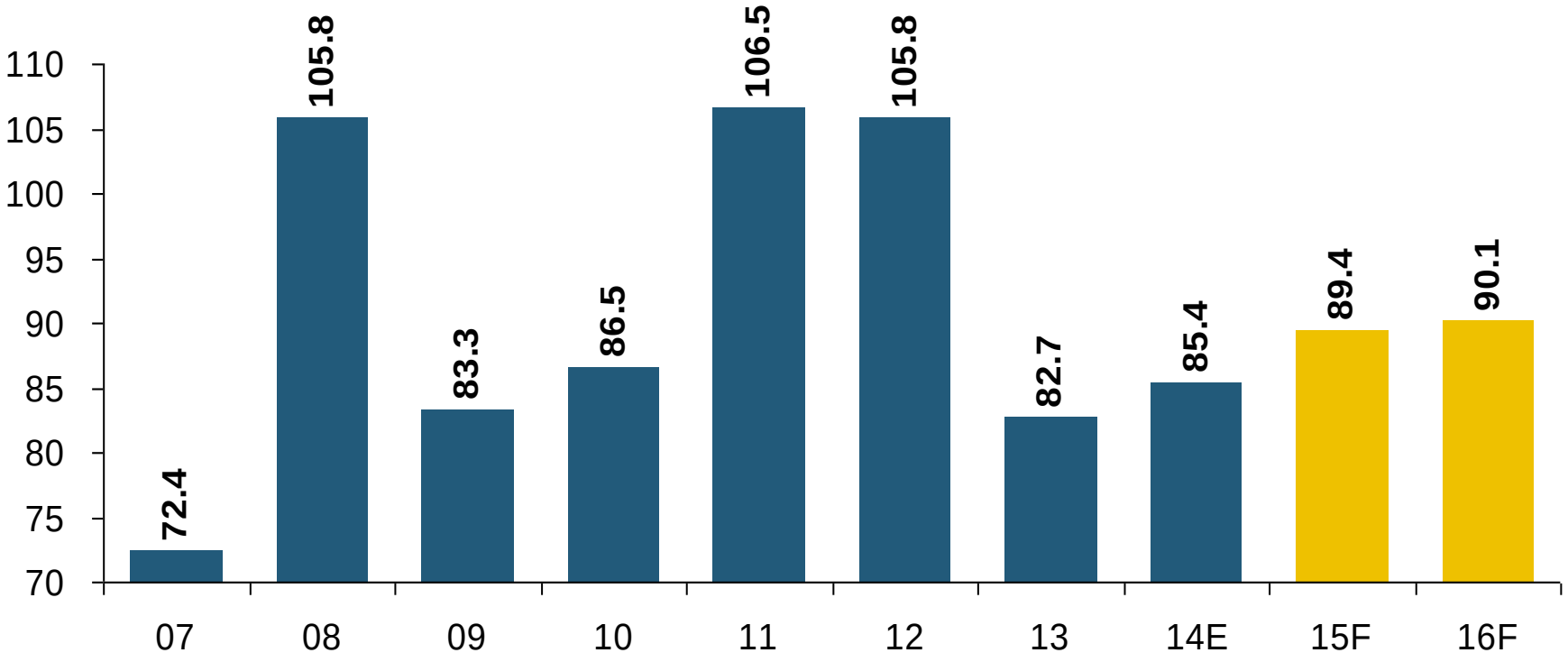
Commercial Auto Combined Ratio: 1993–2015F



Commercial Auto is Expected to Improve Only Slowly as Rate Gains Barely Offset Adverse Frequency and Severity Trends

Sources: A.M. Best (1990-2014E);Conning (2015F); Insurance Information Institute.

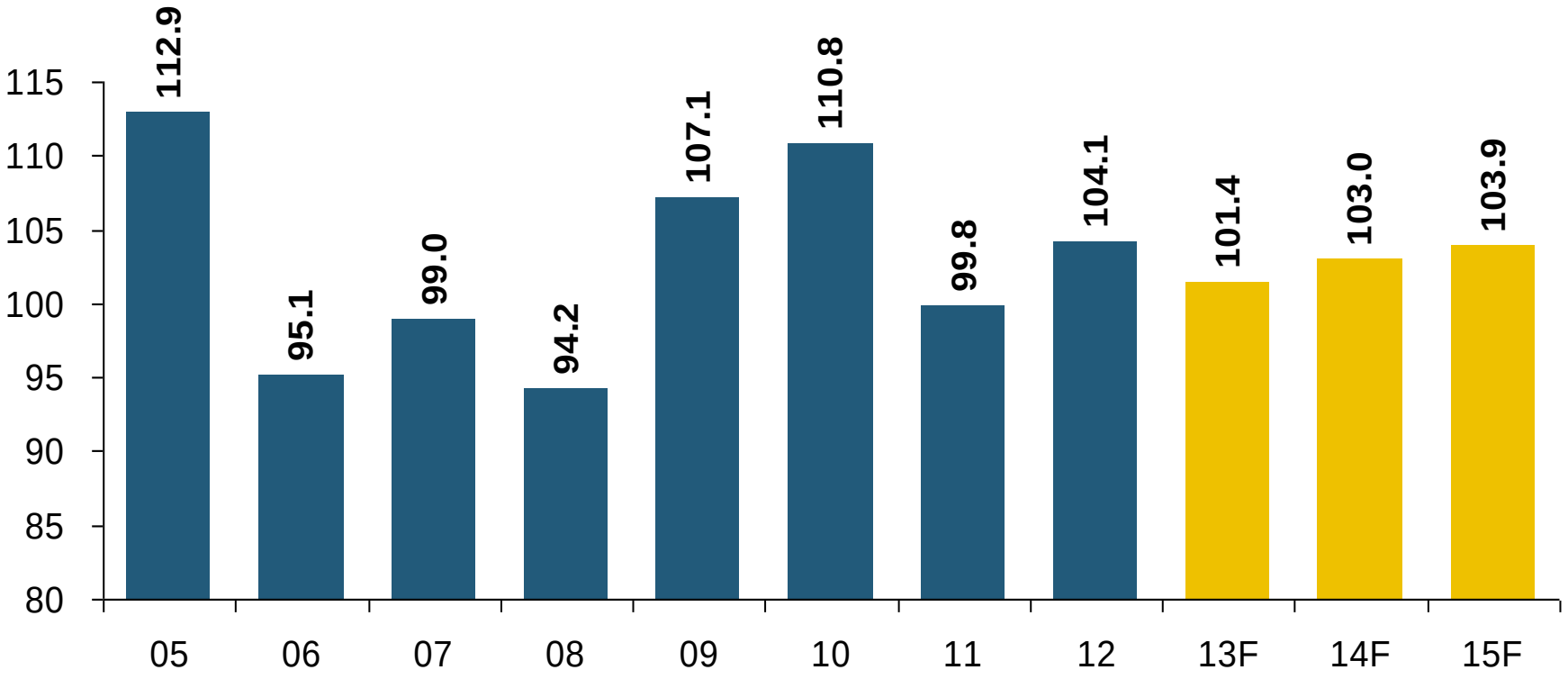
Commercial Property Combined Ratio: 2007–2016F



Commercial Property Underwriting Performance Has Been Volatile in Recent Years, Largely Due to Fluctuations in CAT Activity

Source: Conning Research and Consulting.

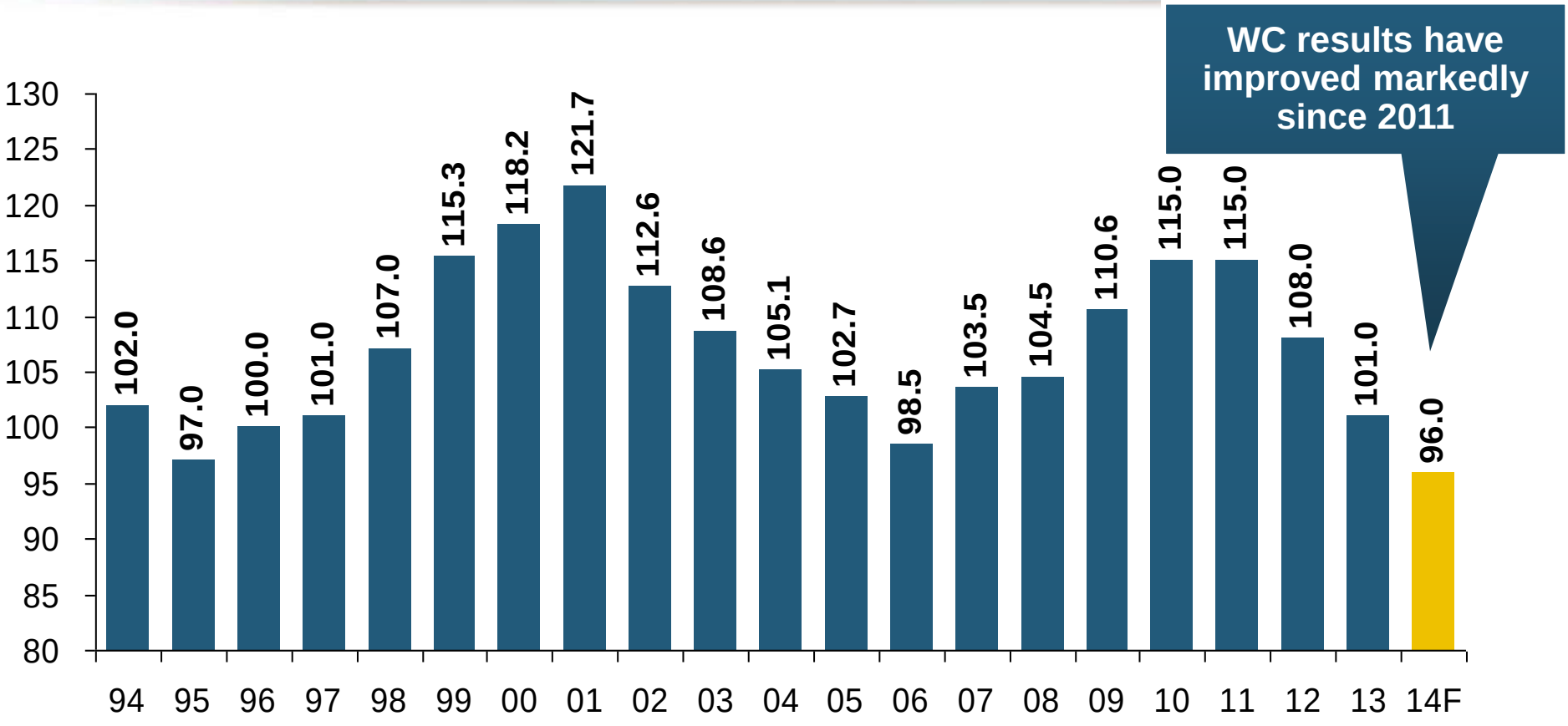
General Liability Combined Ratio: 2005–2015F



Commercial General Liability Underwriting Performance Has Been Volatile in Recent Years

Source: Conning Research and Consulting.

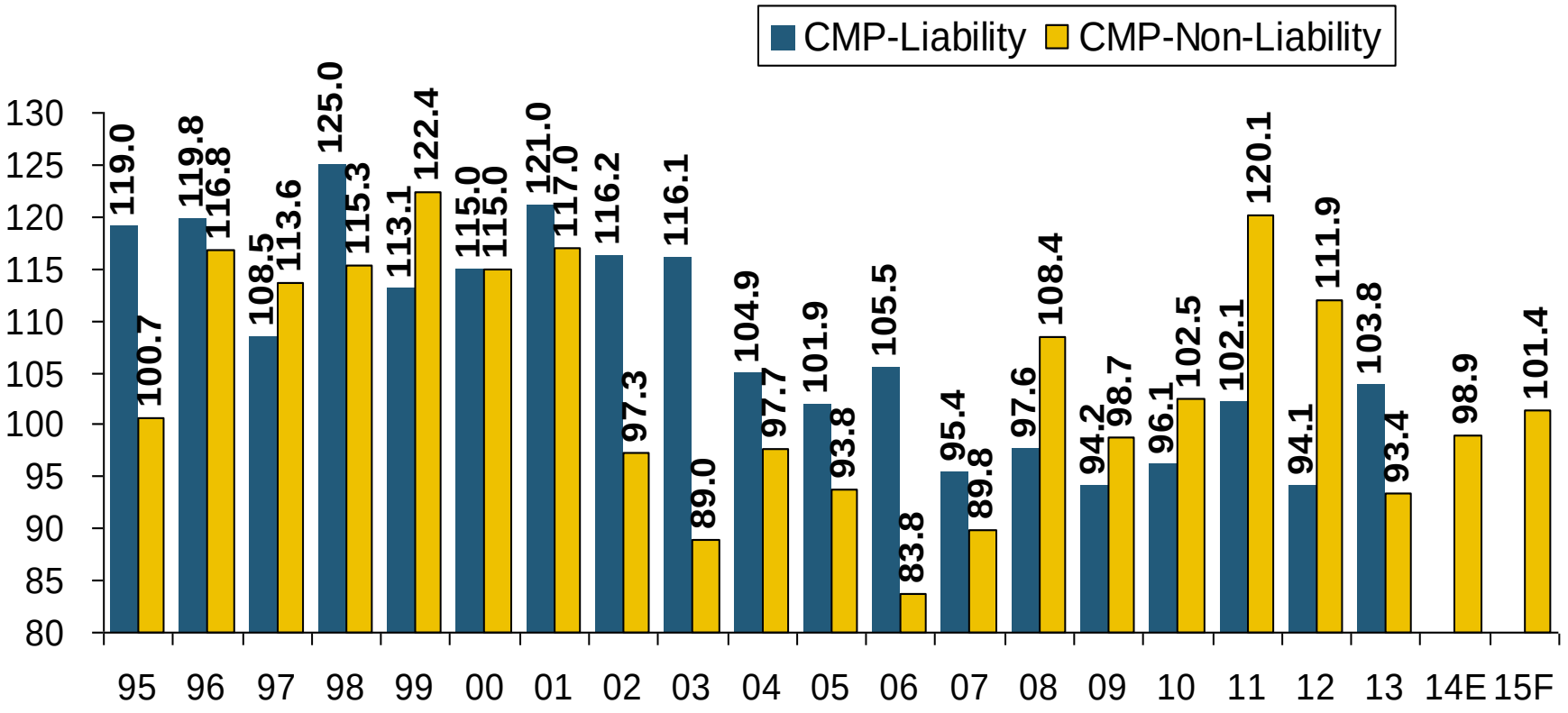
Workers Compensation Combined Ratio: 1994–2014E



Workers Comp Results Began to Improve in 2012. Underwriting Results Deteriorated Markedly from 2007-2010/11 and Were the Worst They Had Been in a Decade.

Sources: A.M. Best (1994-2009); NCCI (2010-2014F) and are for private carriers only; Insurance Information Institute.

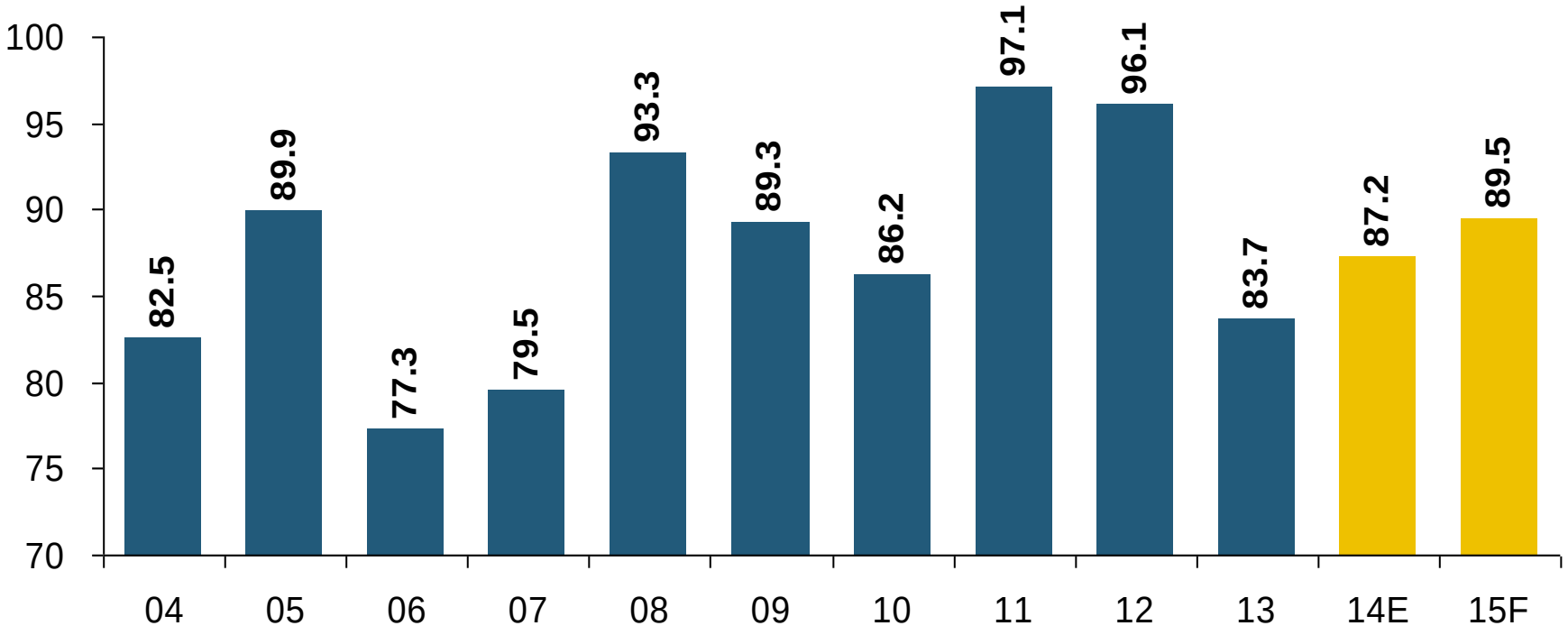
Commercial Multi-Peril Combined Ratio: 1995–2015F



Commercial Multi-Peril Underwriting Performance is Expected to Improve in 2013 Assuming Normal Catastrophe Loss Activity

*2014E-2015F figures are Conning figures for the combined liability and non-liability components..
Sources: A.M. Best; Conning; Insurance Information Institute.

Inland Marine Combined Ratio: 2004–2015F



Inland Marine Underwriting Performance Has Been Consistently Strong for Many Years

Source: A.M. Best (2004-2014E); Conning Research and Consulting (2015F).

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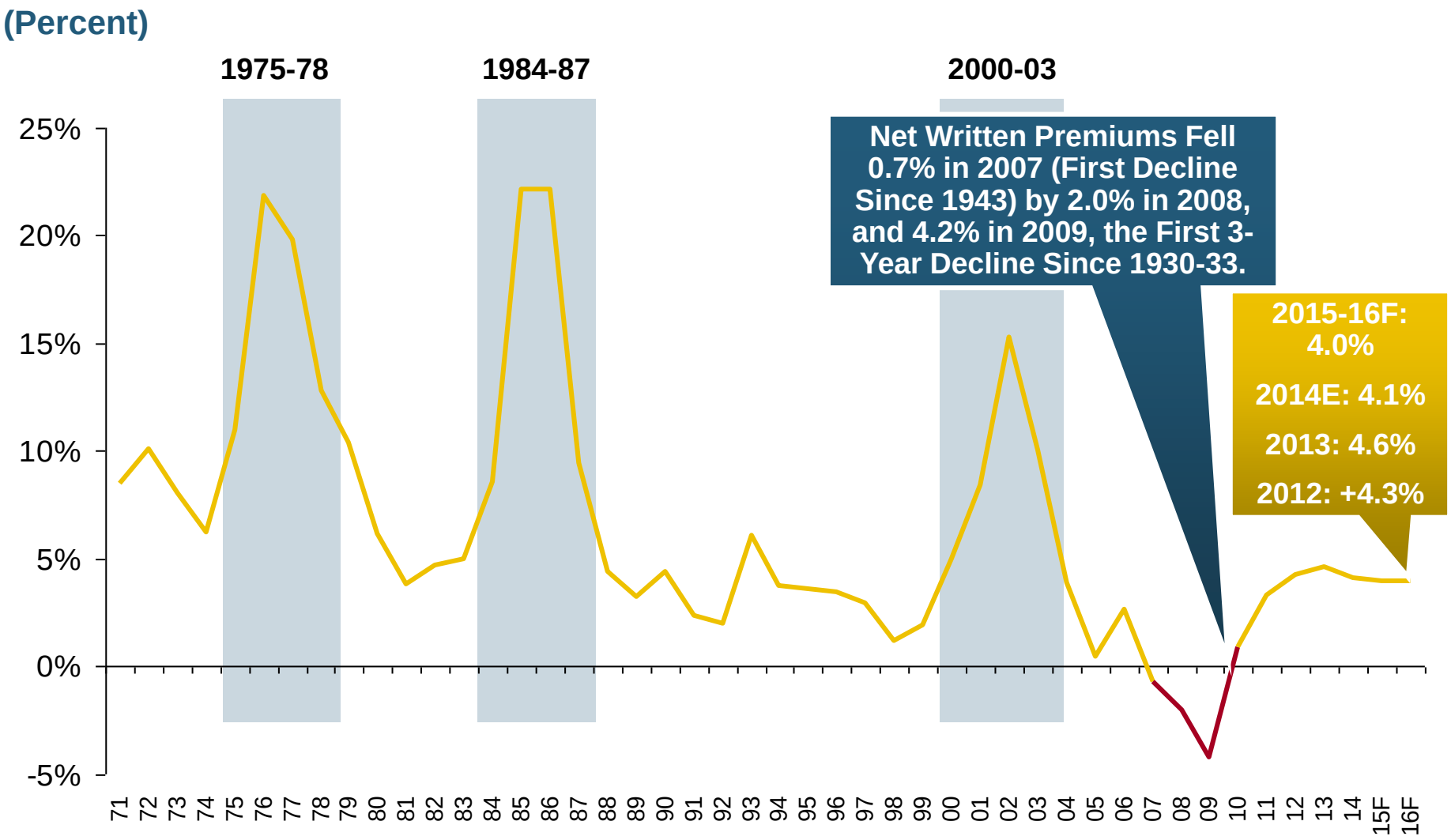
Growth Analysis by State and Business Segment

Post-Crisis Paradox?

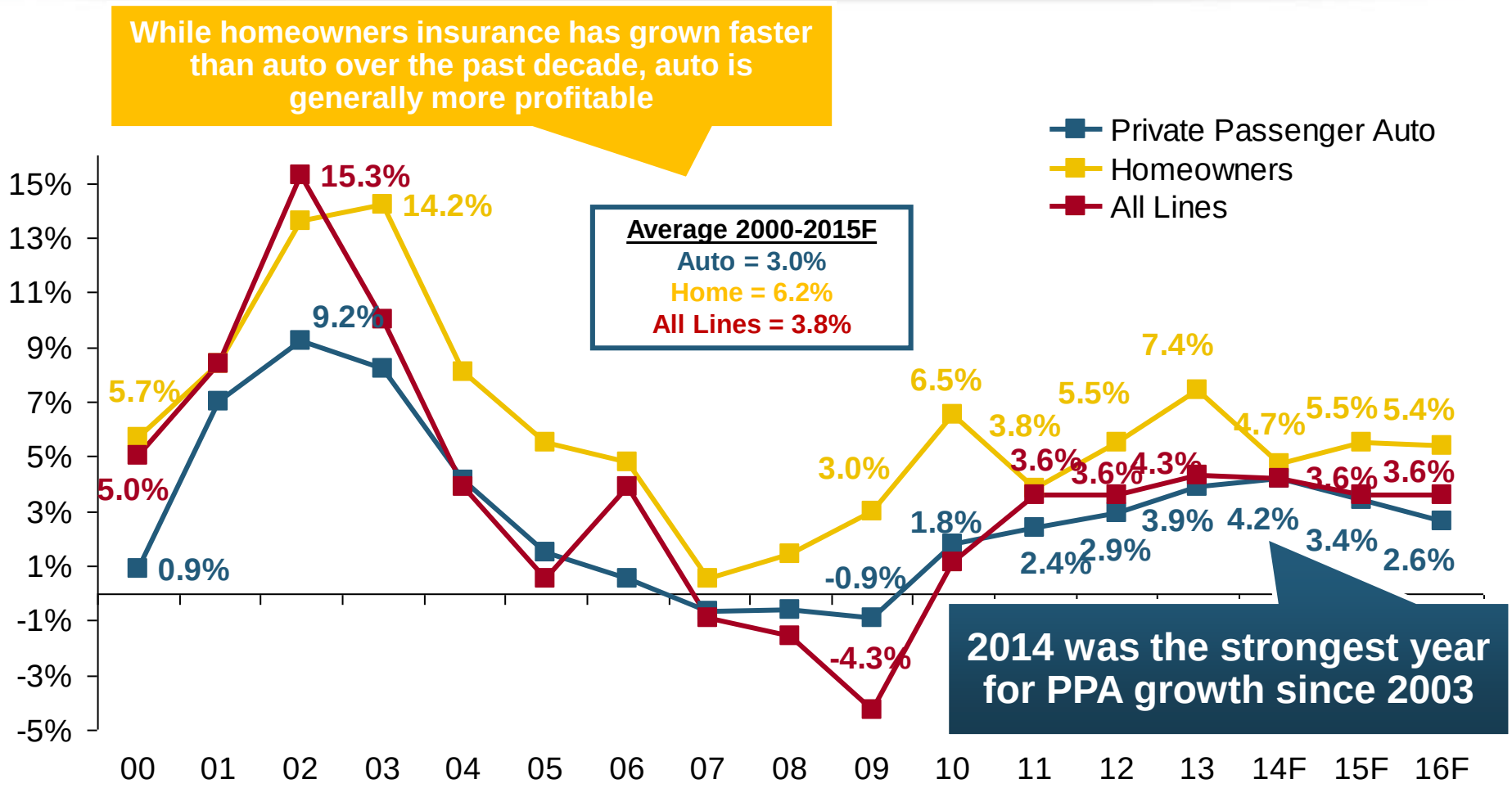
Premium Growth Rates Vary Tremendously by State

Net Premium Growth: Annual Change, 1971—2016F



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

Auto & Home vs. All Lines, Net Written Premium Growth, 2000–2016F



Sources: A.M. Best (2000-2013); Conning (2014P-2016F); Insurance Information Institute.

Direct Premiums Written: Total P/C Percent Change by State, 2007-2013

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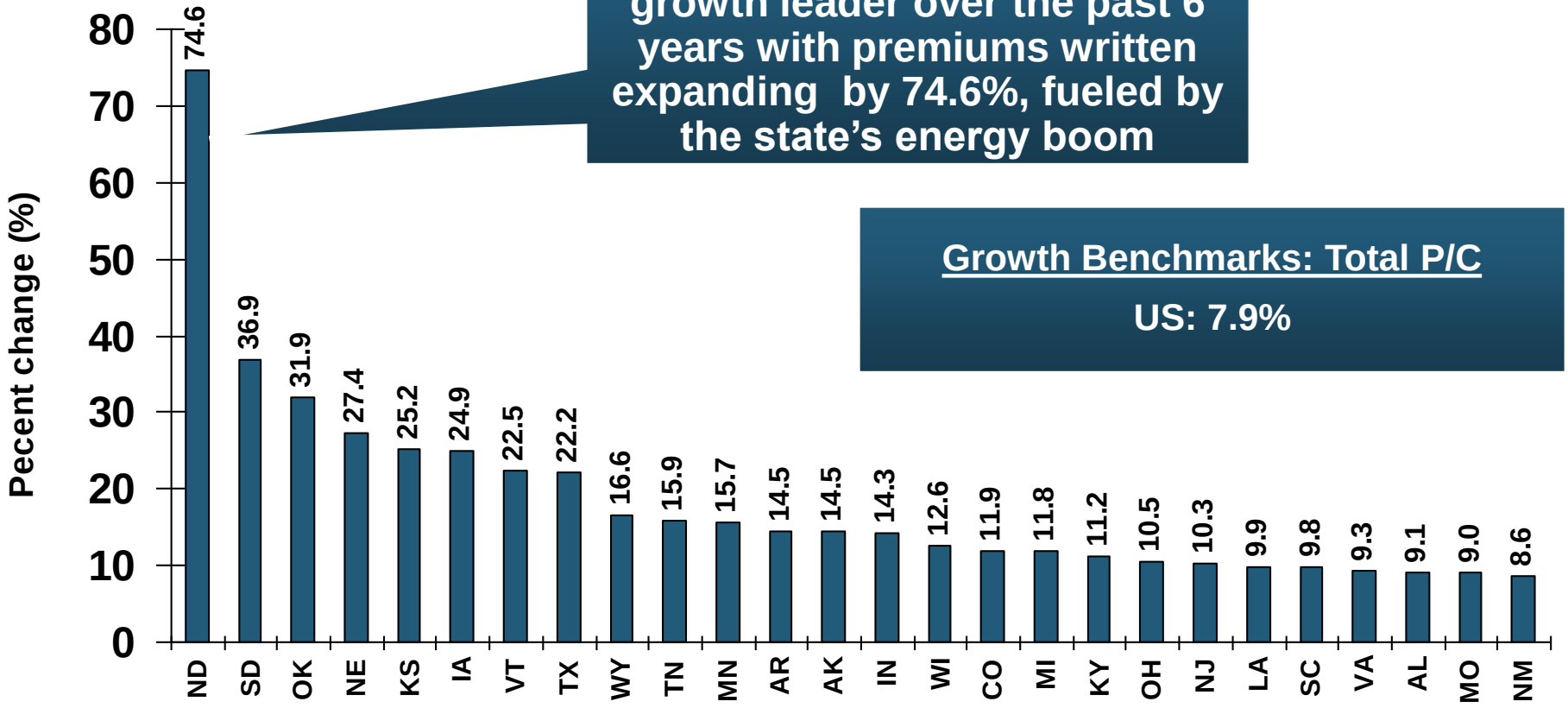
Top 25 States

North Dakota was the country's growth leader over the past 6 years with premiums written expanding by 74.6%, fueled by the state's energy boom

Growth Benchmarks: Total P/C

US: 7.9%



Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Total P/C Percent Change by State, 2007-2013

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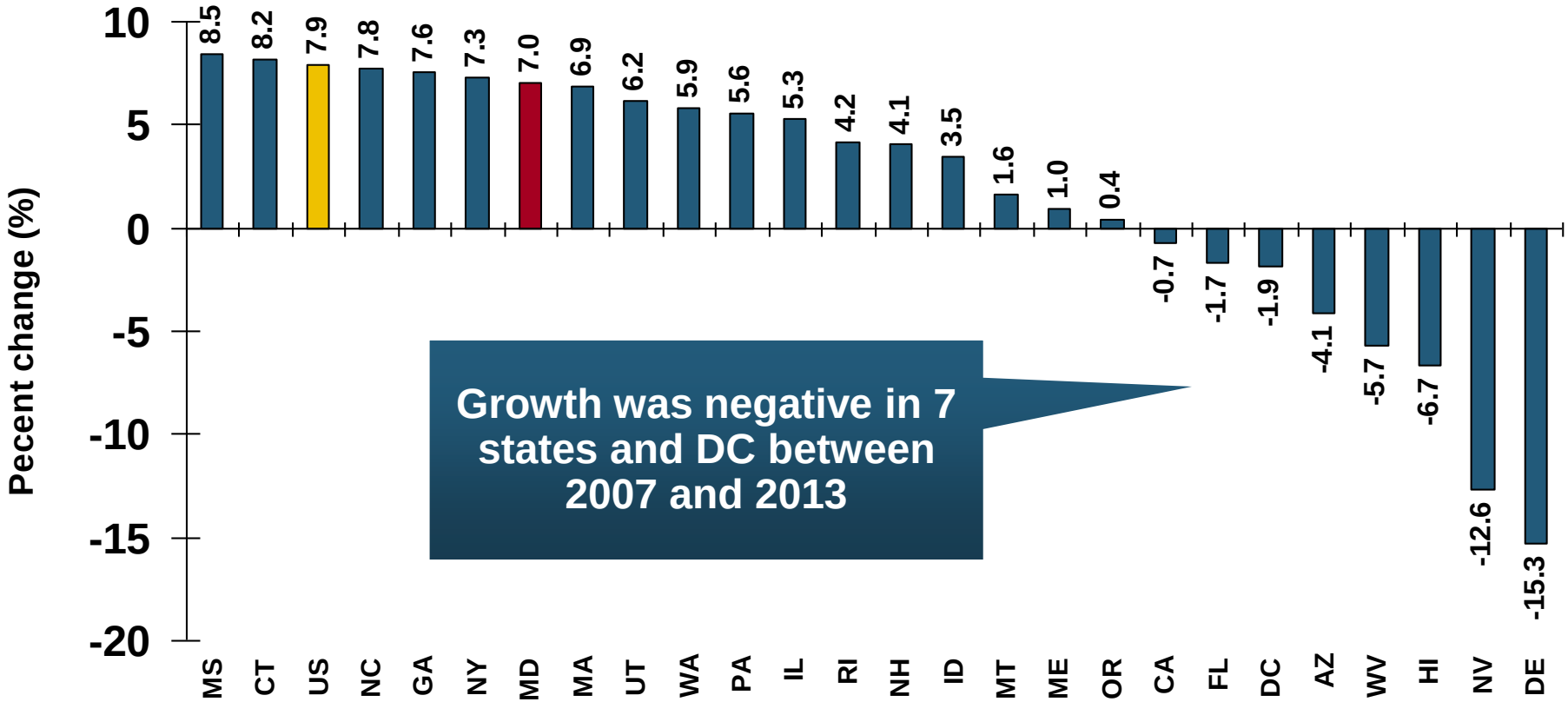
Bottom 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

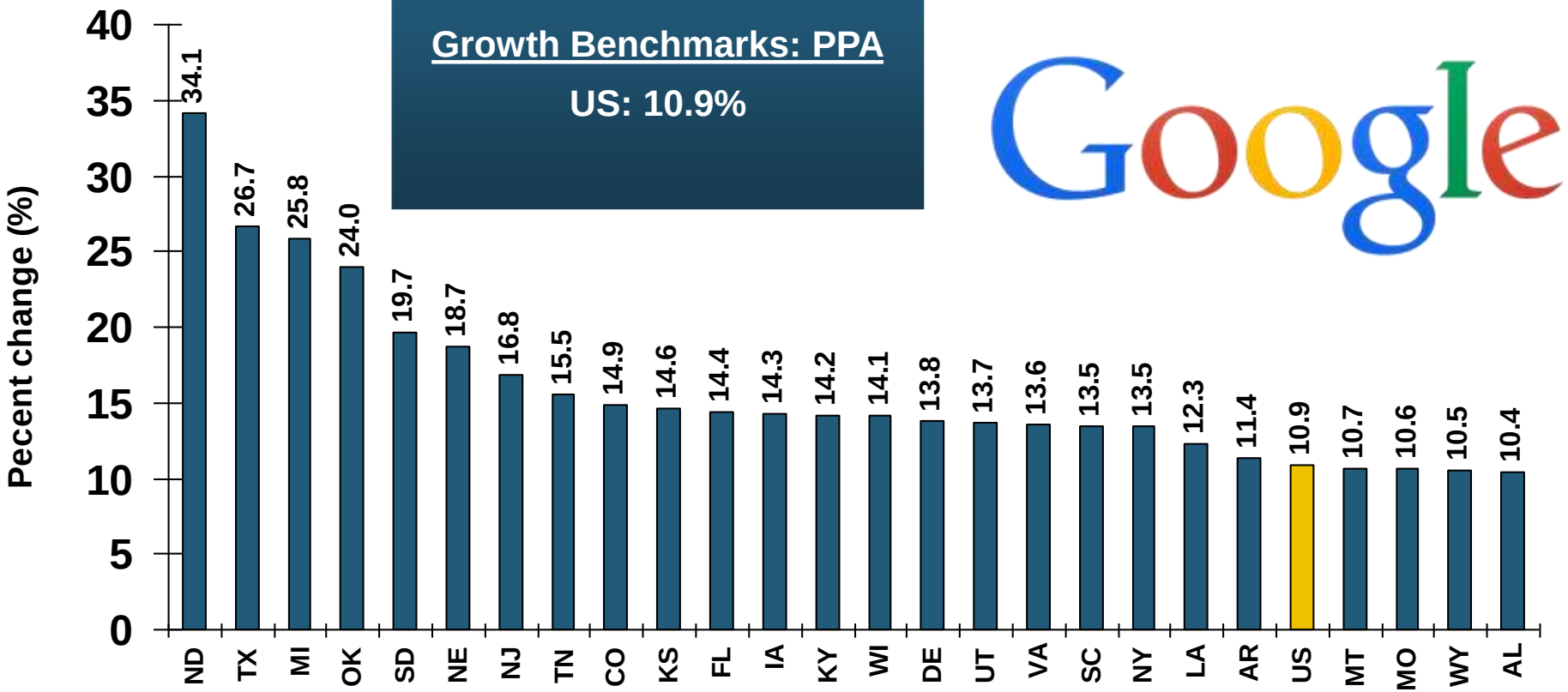
Direct Premiums Written: PP Auto Percent Change by State, 2007-2013

INSURANCE INFORMATION INSTITUTE

Top 25 States

Growth Benchmarks: PPA

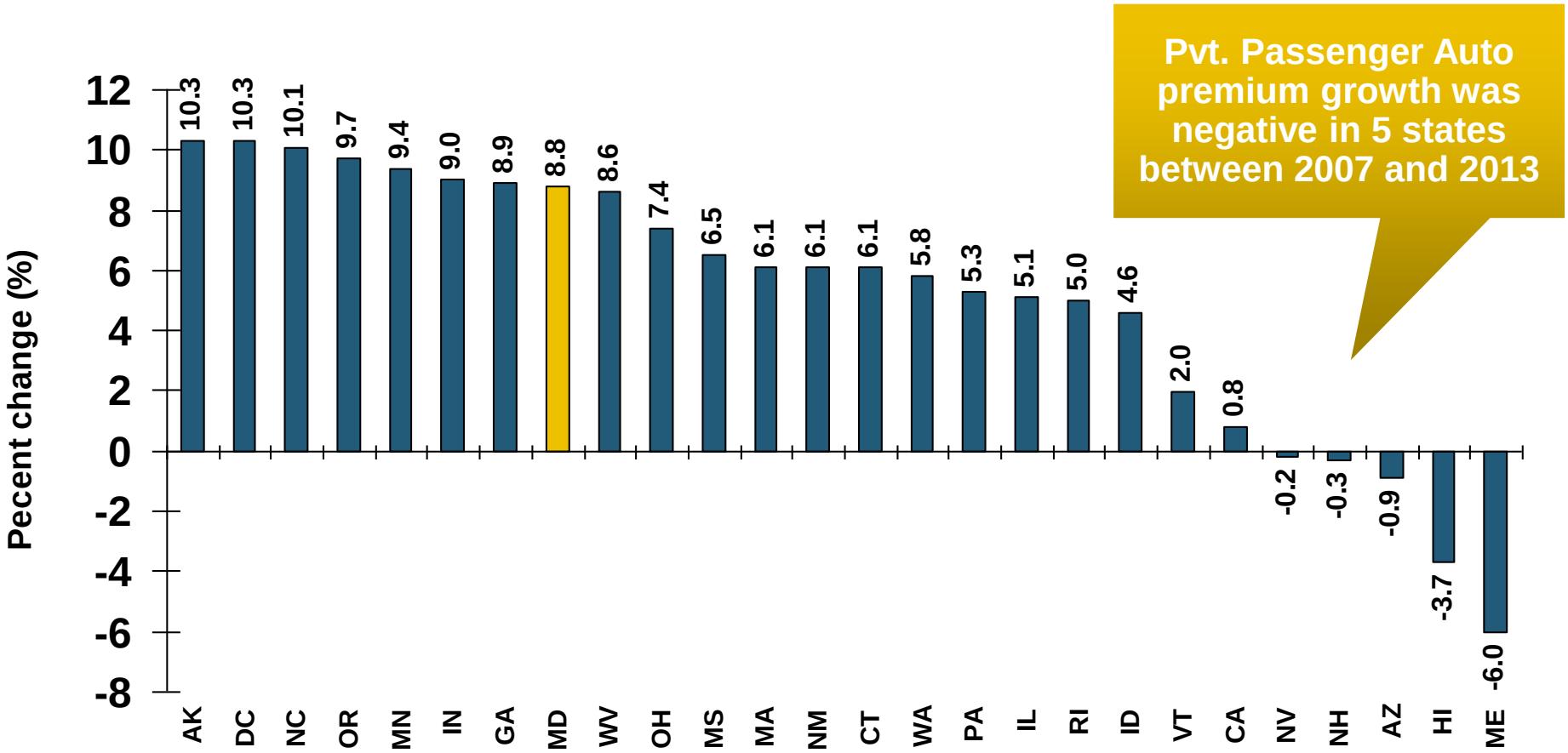
US: 10.9%



Sources: SNL Financial LC.; Insurance Information Institute.

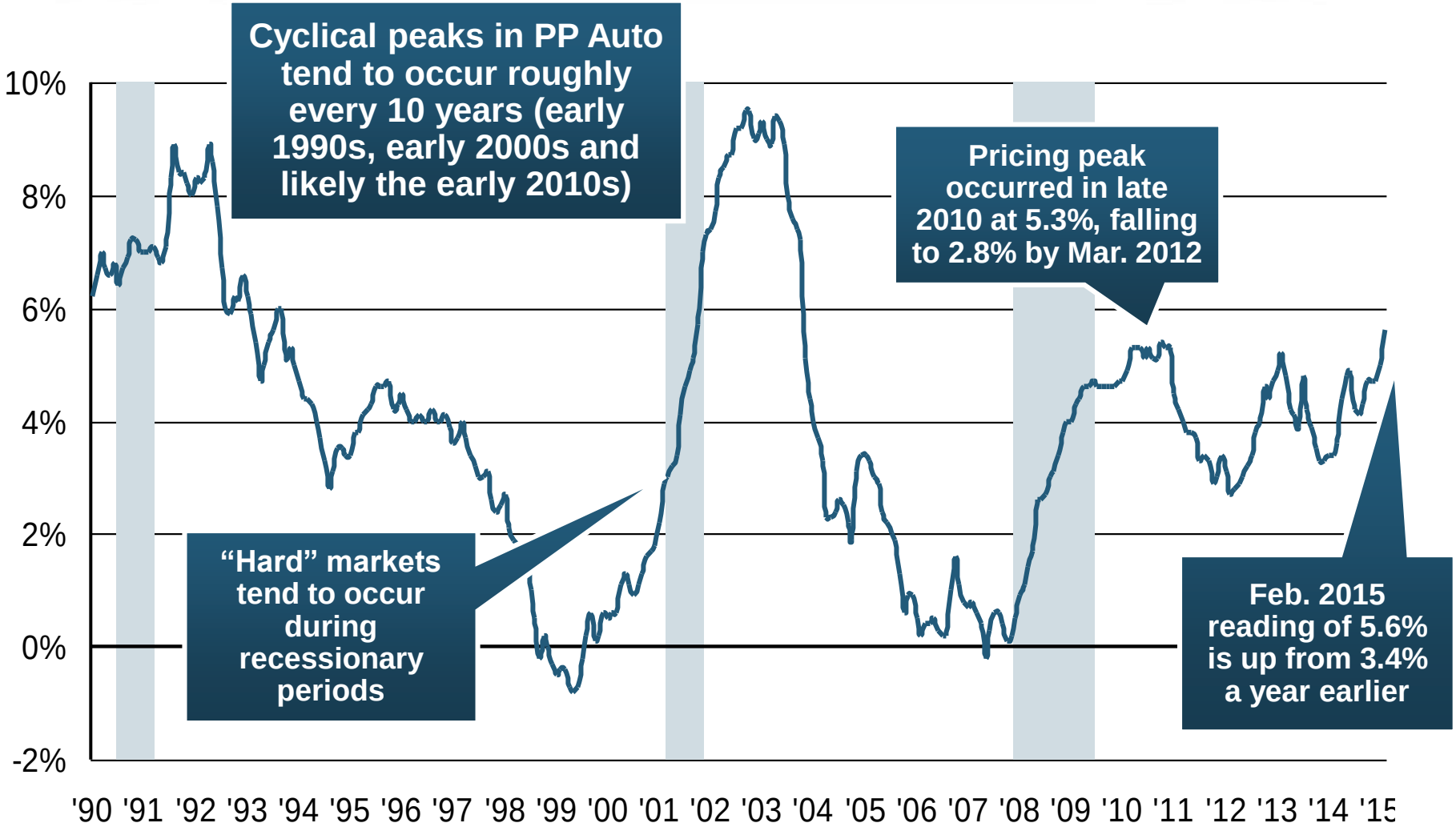
Direct Premiums Written: PP Auto Percent Change by State, 2007-2013

Bottom 25 States



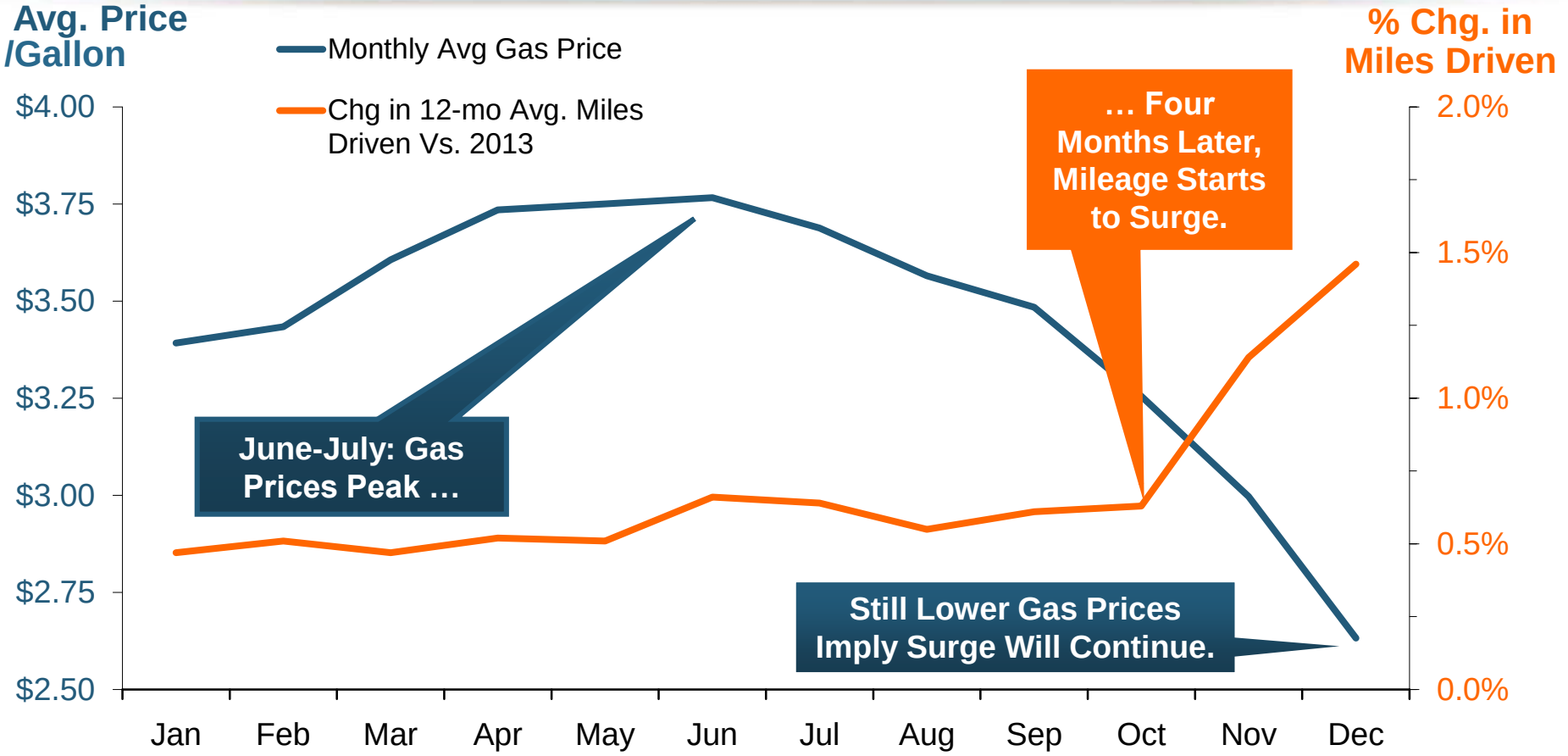
Sources: SNL Financial LC.; Insurance Information Institute.

Monthly Change in Auto Insurance Prices, 1991–2015*



*Percentage change from same month in prior year; through February 2015; 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.

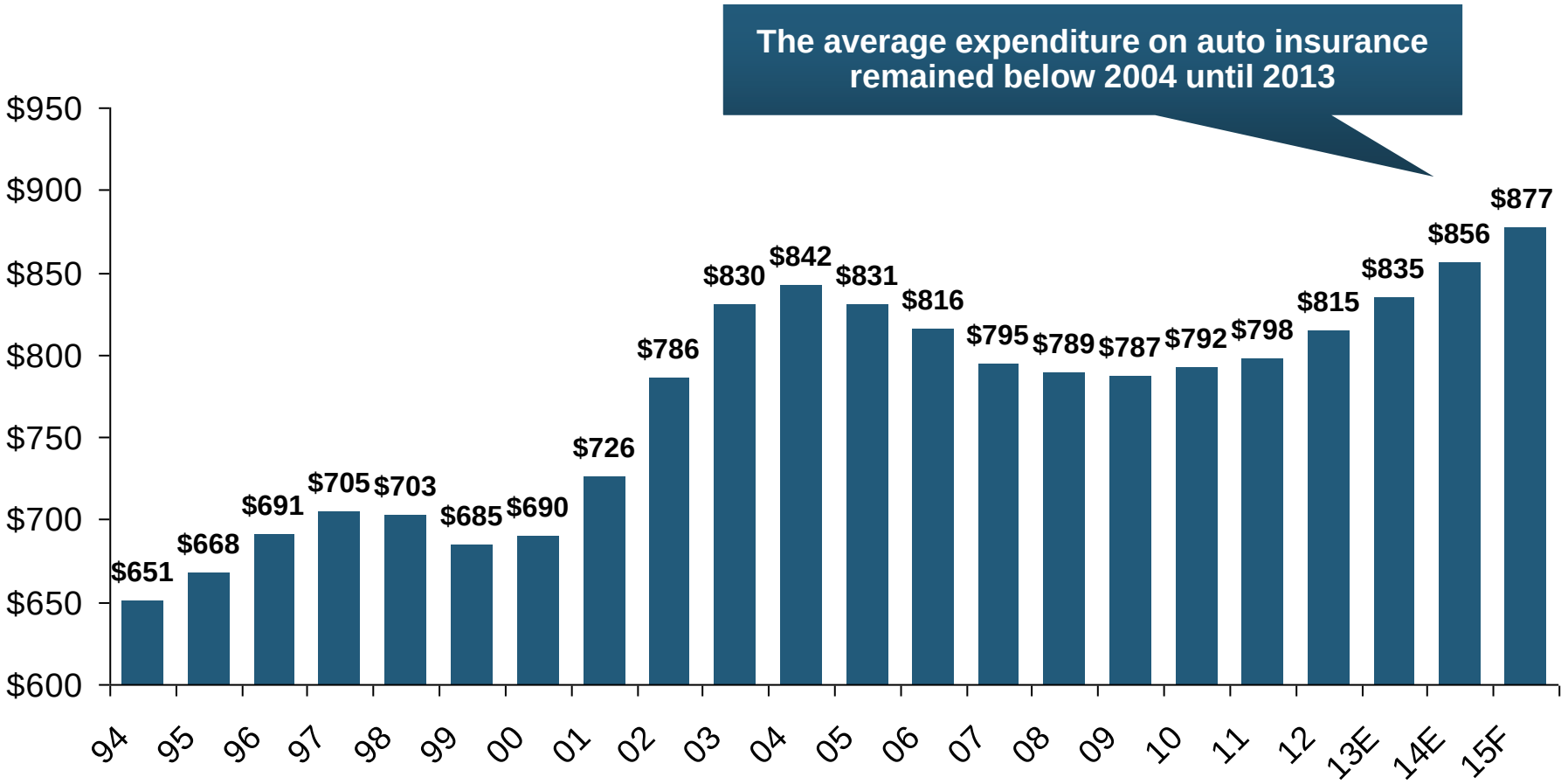
Do Changes in Gas Prices Affect Miles Driven? A Look at 2014



Prior research on the relationship between gas prices and miles driven says that, in the short run, an increase in gas prices produces little change in miles driven. No recent research on the effect of price drops.

Sources: Federal Energy Administration (http://www.eia.gov/petroleum/gasdiesel/); *gas prices and miles driven through December Federal Highway Administration (http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm); I.I.I.

Average Expenditures on Auto Insurance

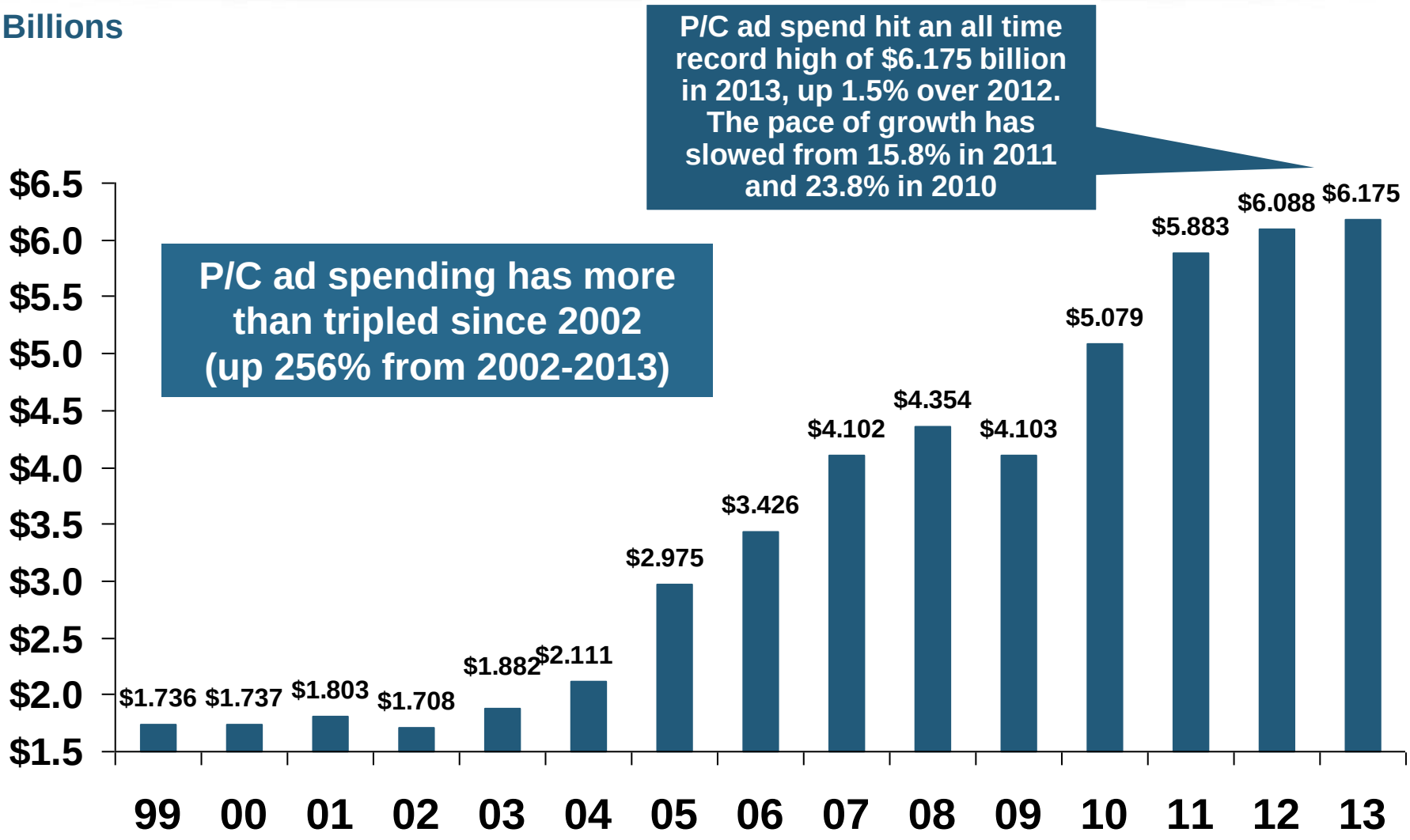


Countrywide Auto Insurance Expenditures decreased by 6.5% from 2004 through 2009, rising gradually since the with annual increases in the 2.0% to 2.5% range

* Insurance Information Institute Estimates/Forecasts
Source: NAIC, Insurance Information Institute estimate for 2013-2015 based on CPI and other data.

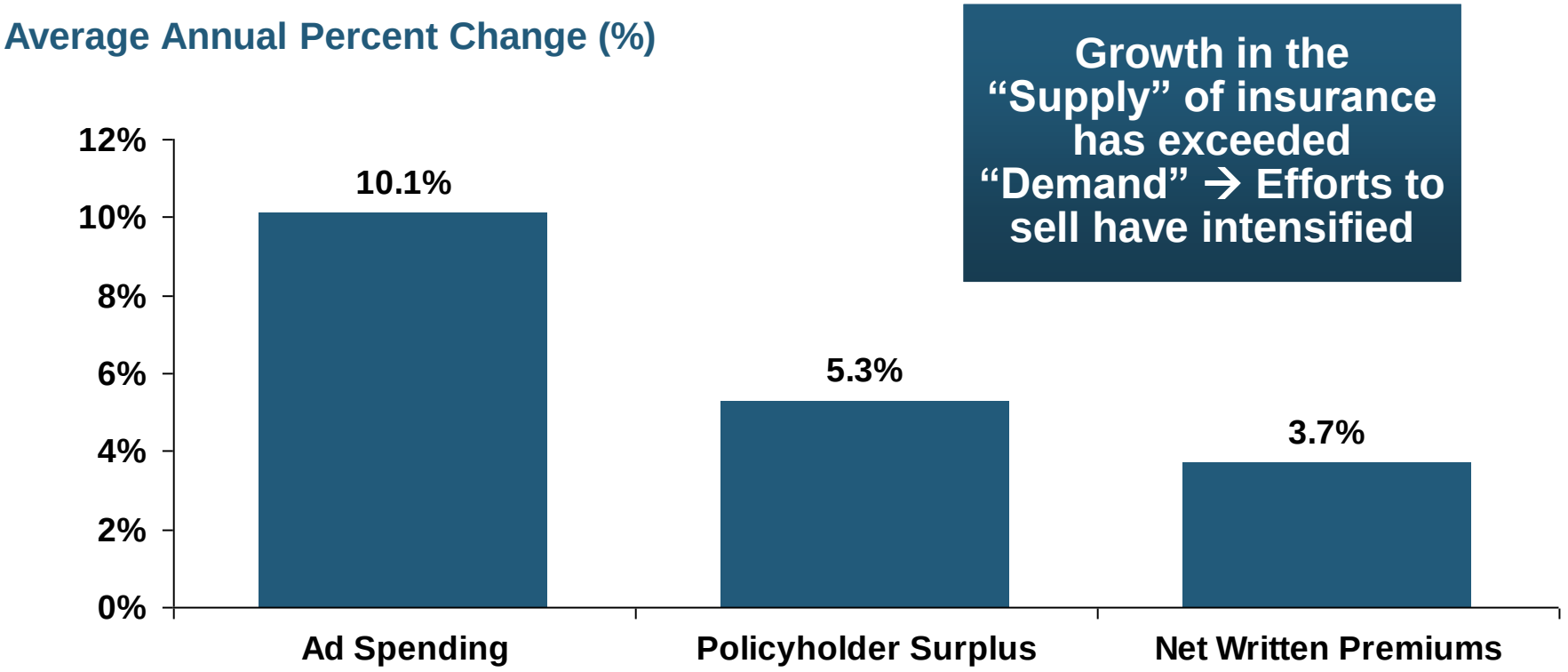
Advertising Expenditures by P/C Insurance Industry, 1999-2013

INSURANCE INFORMATION INSTITUTE



Source: Insurance Information Institute from consolidated P/C Annual Statement data, Insurance Expense Exhibit (Part I).

Growth in Premiums, Capacity vs. Growth in Advertising Expenditures, 2000 – 2013



Overall Growth in Ad Spending has greatly exceeded growth in capacity (policyholder surplus) or premium growth. This suggests that there are diminishing returns to advertising.

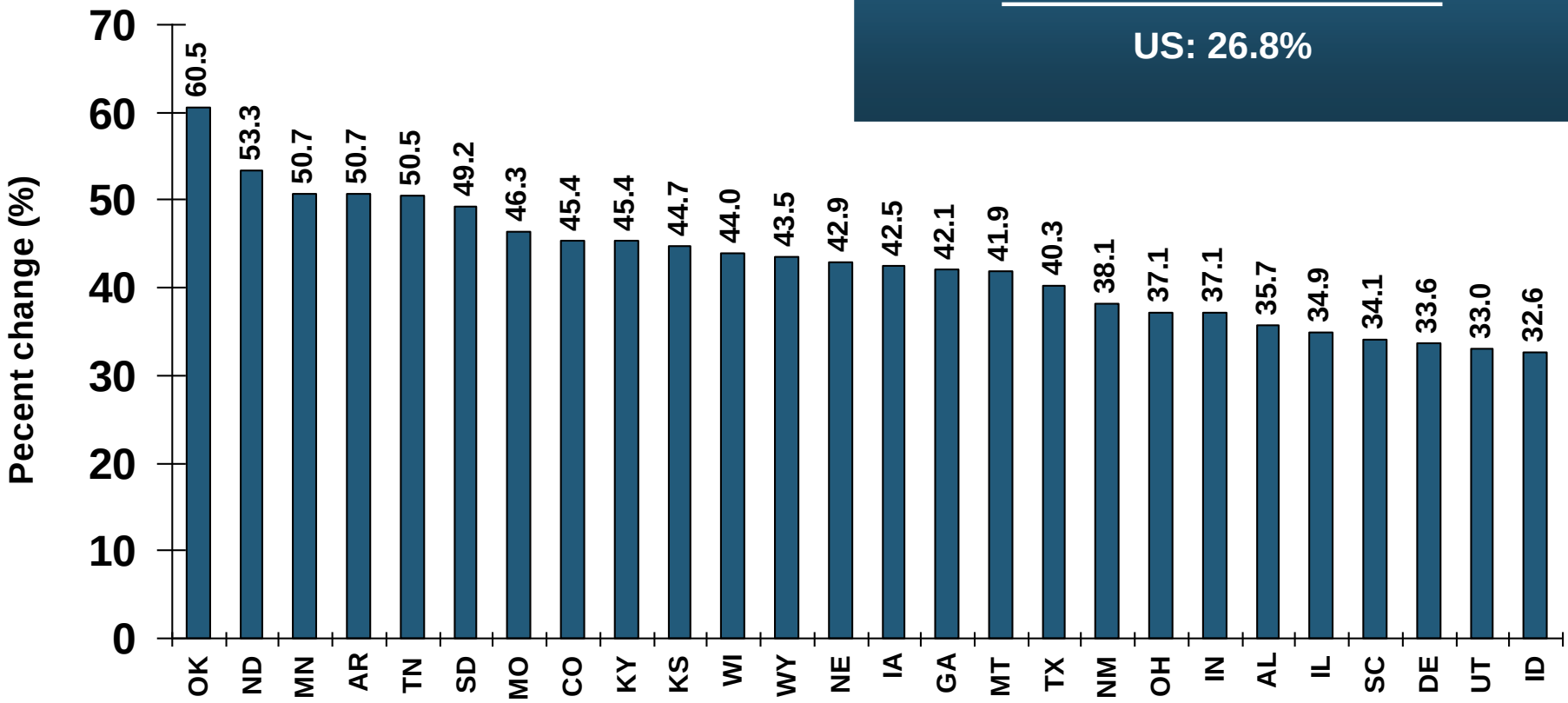
Sources: Insurance Information Institute analysis from A.M. Best data.

Direct Premiums Written: Homeowners Percent Change by State, 2007-2013

Top 25 States

Growth Benchmarks: HO

US: 26.8%



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Homeowners Percent Change by State, 2007-2013

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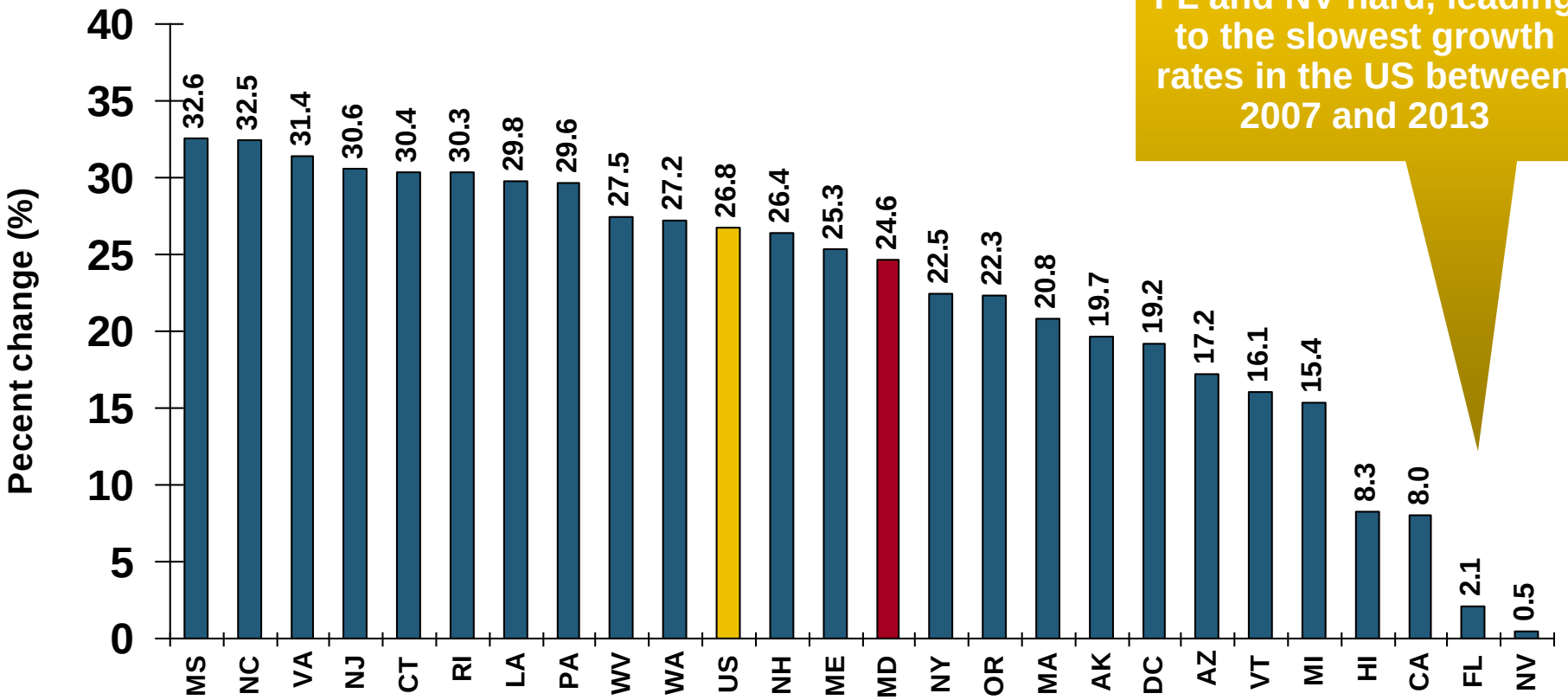
Bottom 25 States

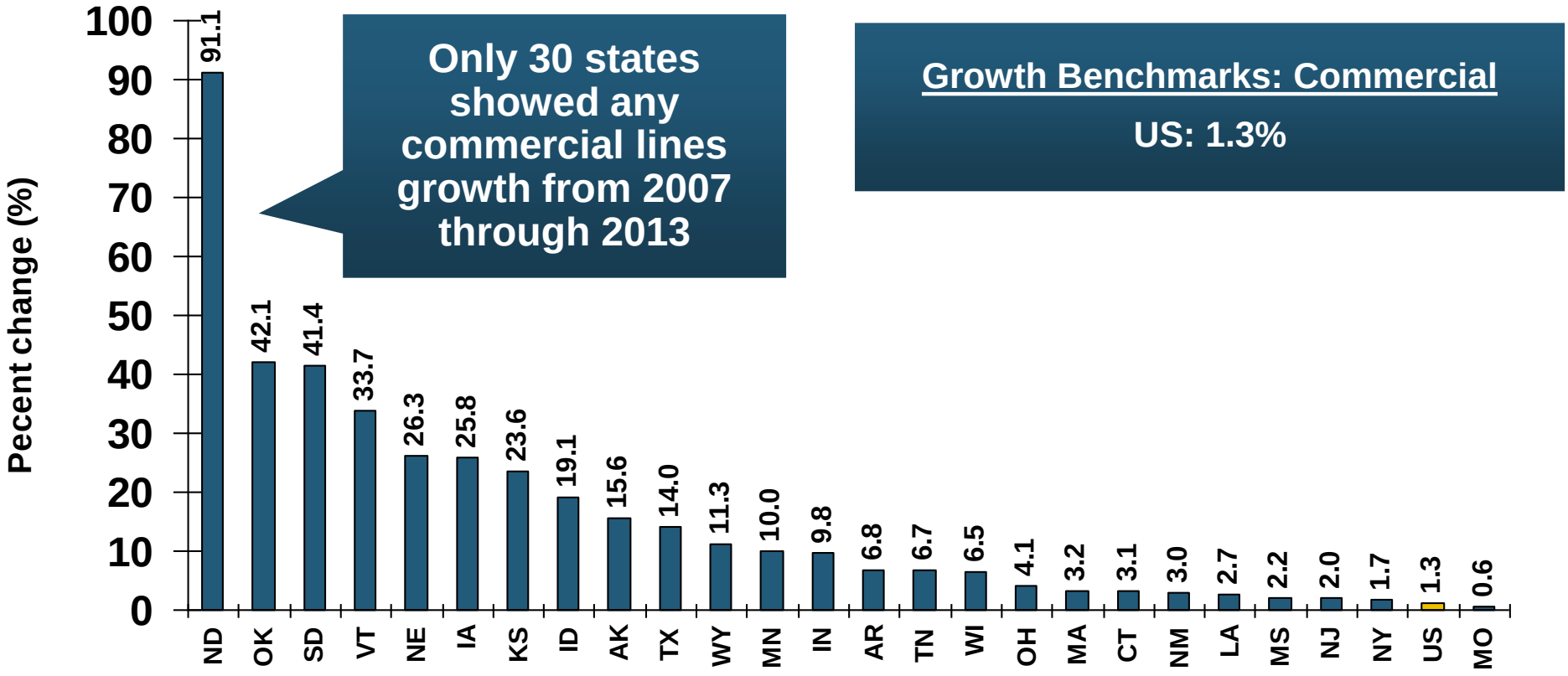


The collapse of the housing bubble hit CA, FL and NV hard, leading to the slowest growth rates in the US between 2007 and 2013

Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

Top 25 States



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

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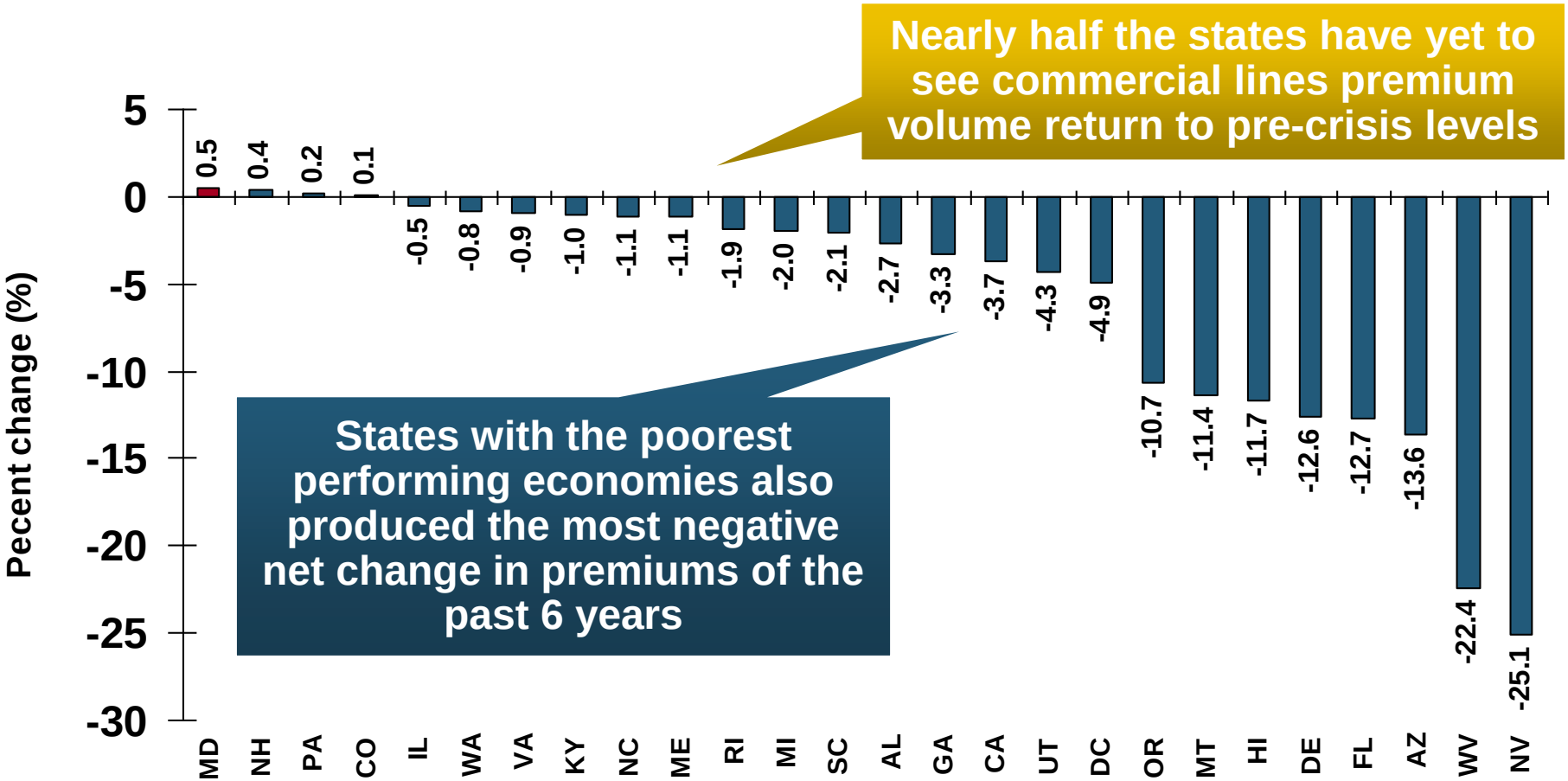
Bottom 25 States



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Workers' Comp Percent Change by State, 2007-2013*

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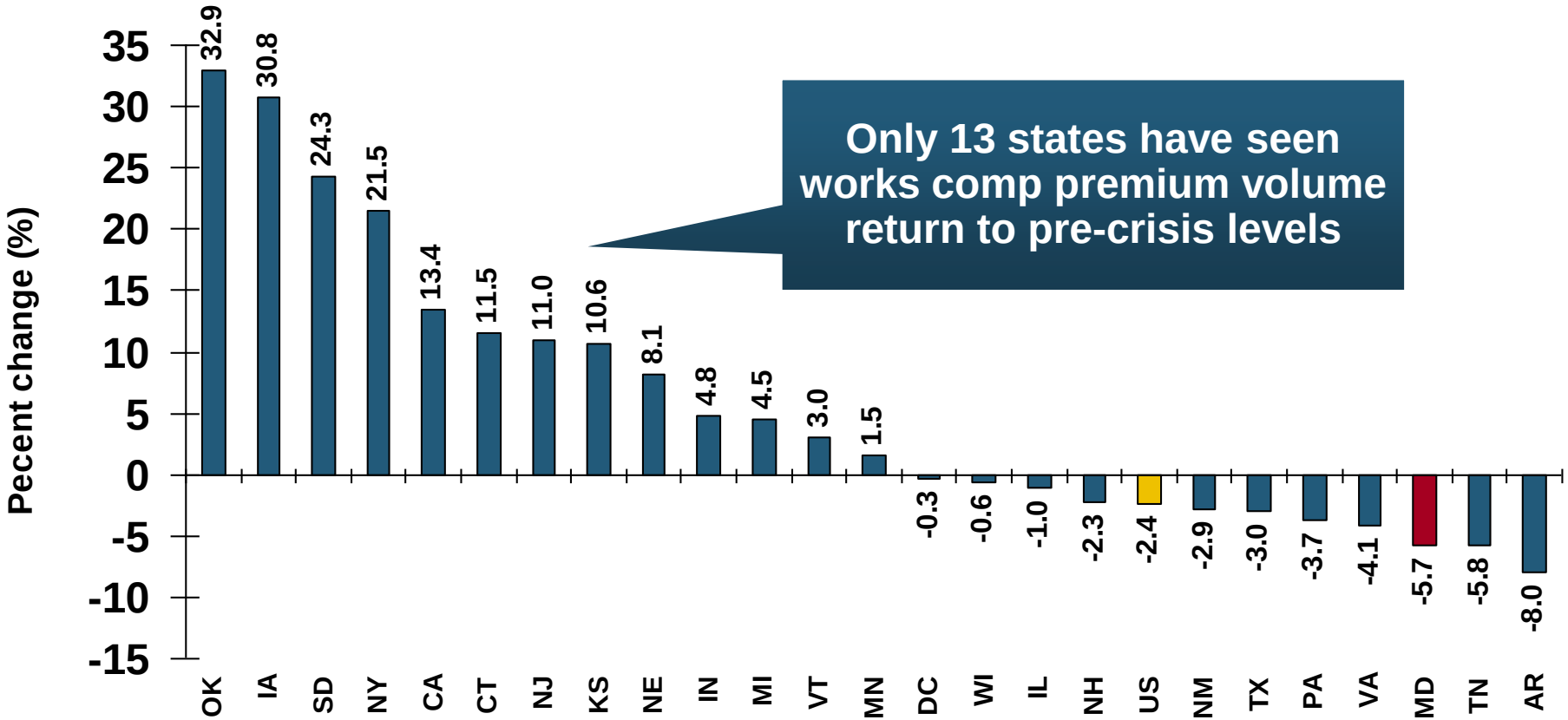
Top 25 States

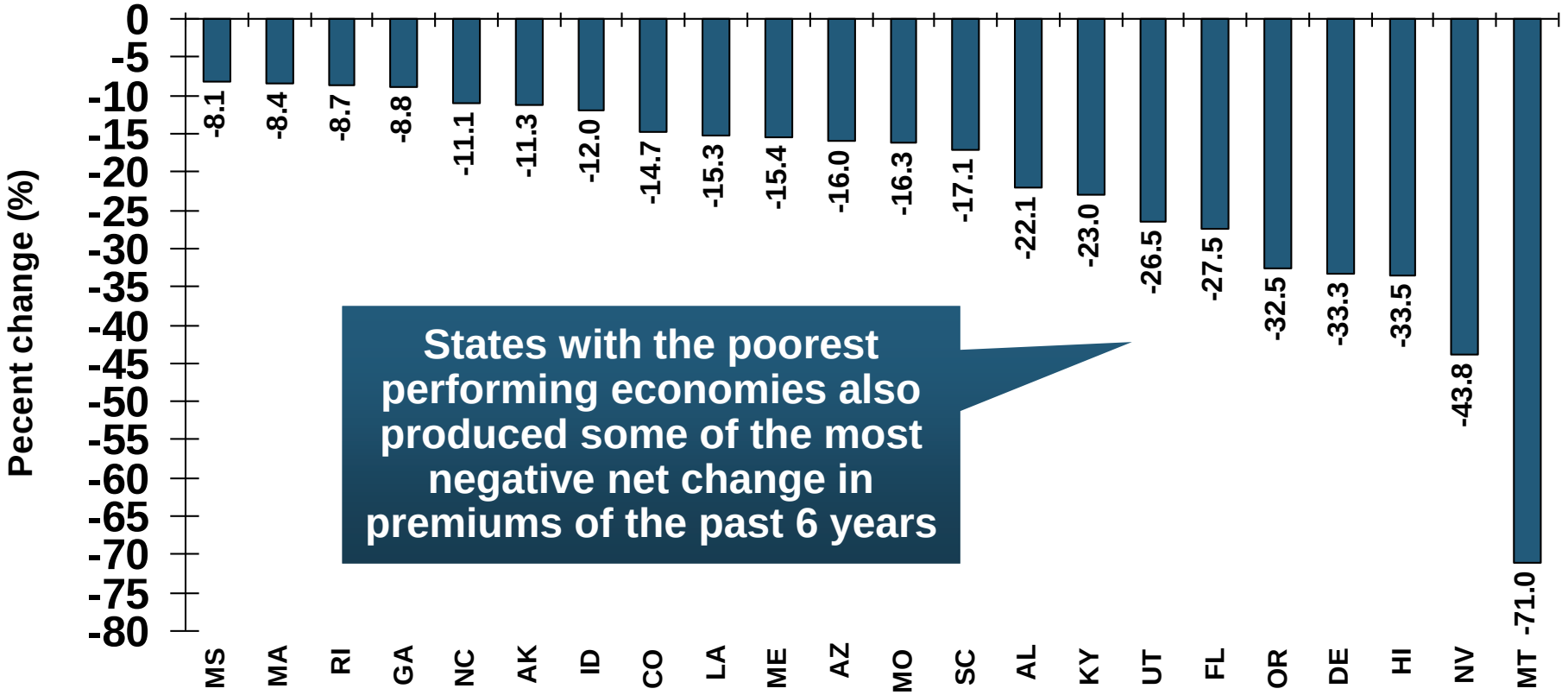


*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Worker's Comp Percent Change by State, 2007-2013*

Bottom 25 States



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

Sources: SNL Financial LC.; Insurance Information Institute.

Percentage of Carriers Using Predictive Analytics by Major P/C Line, 2013

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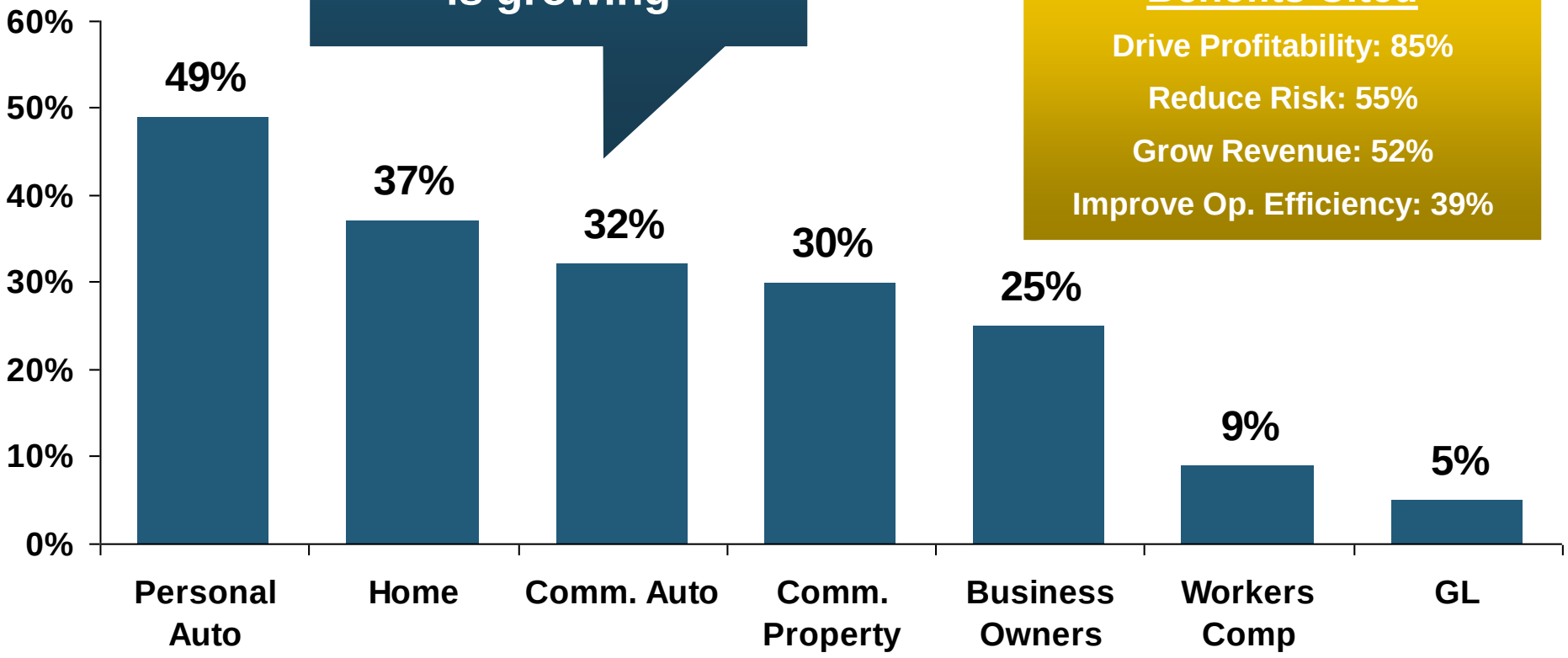
Predictive analytics is more like to be used in personal lines, but commercial lines use is growing

82% of insurers report using predicative analytics in at least one line. 18% do not use it all.

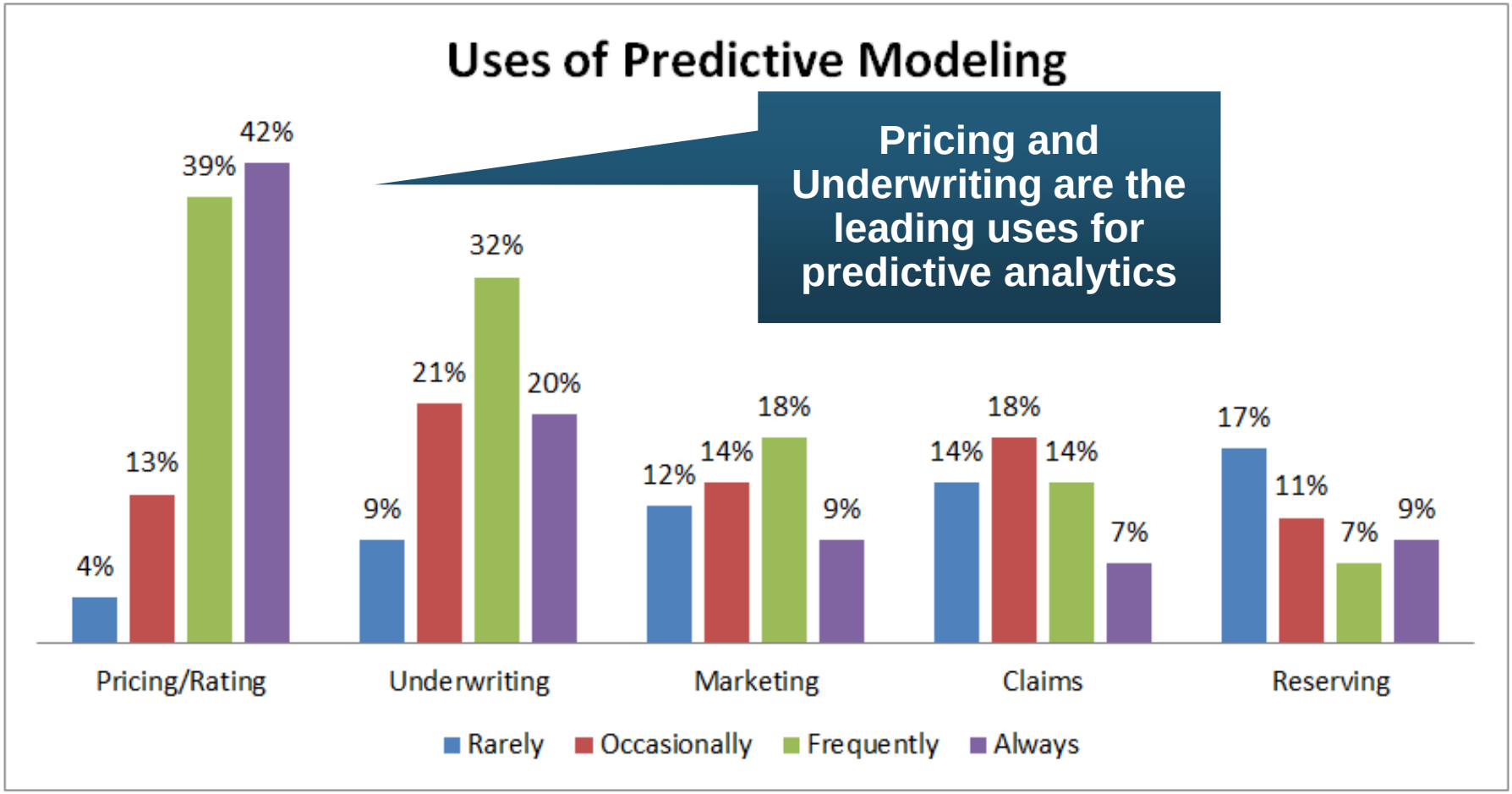
Benefits Cited

- Drive Profitability: 85%
- Reduce Risk: 55%
- Grow Revenue: 52%
- Improve Op. Efficiency: 39%



Source: ISO/Earnix Survey, September 2013; Insurance Information Institute.

Uses of Predictive Analytics by Function



Source: Earnix/ISO September 2013 Survey

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U.S. Insured Catastrophe Loss Update

2013/14 Experienced Below Average CAT Activity After Very High CAT Losses in 2011/12

Winter Storm Losses Far Above Average in 2014 and 2015

U.S. Insured Catastrophe Losses

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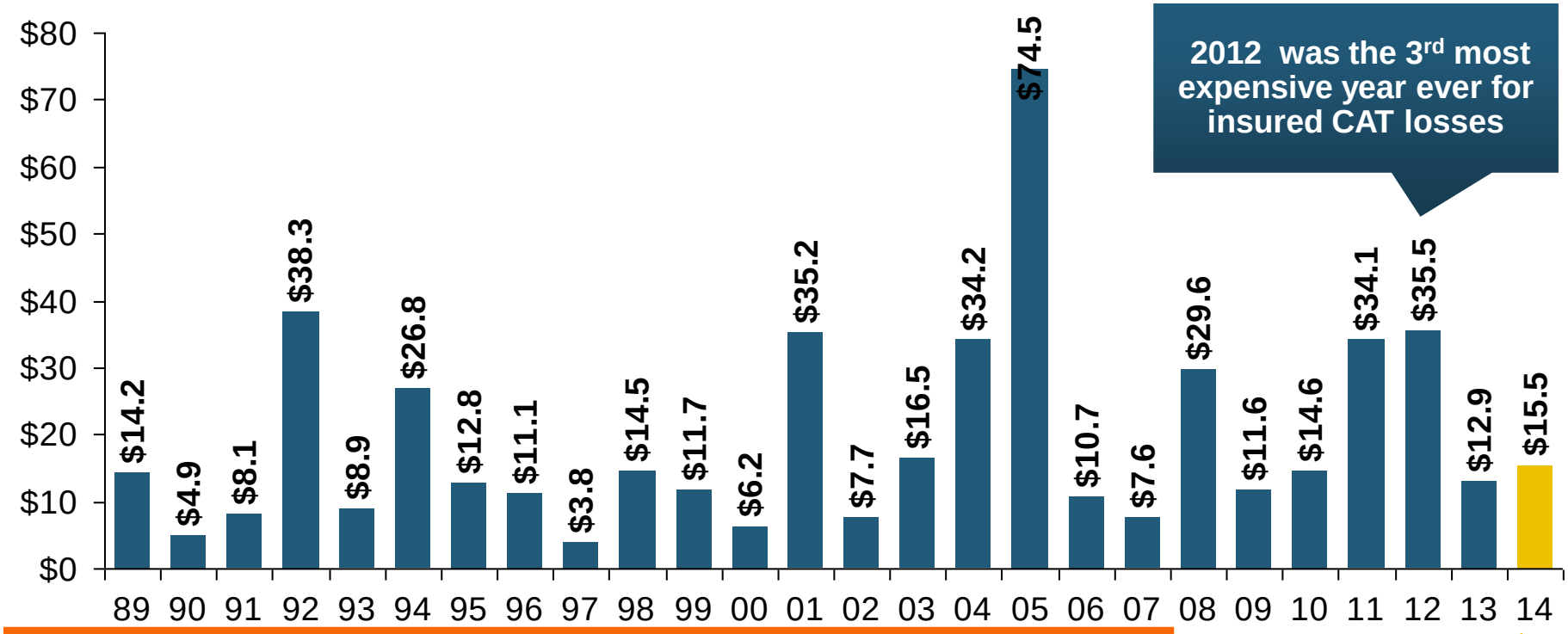
($ Billions, $ 2013)



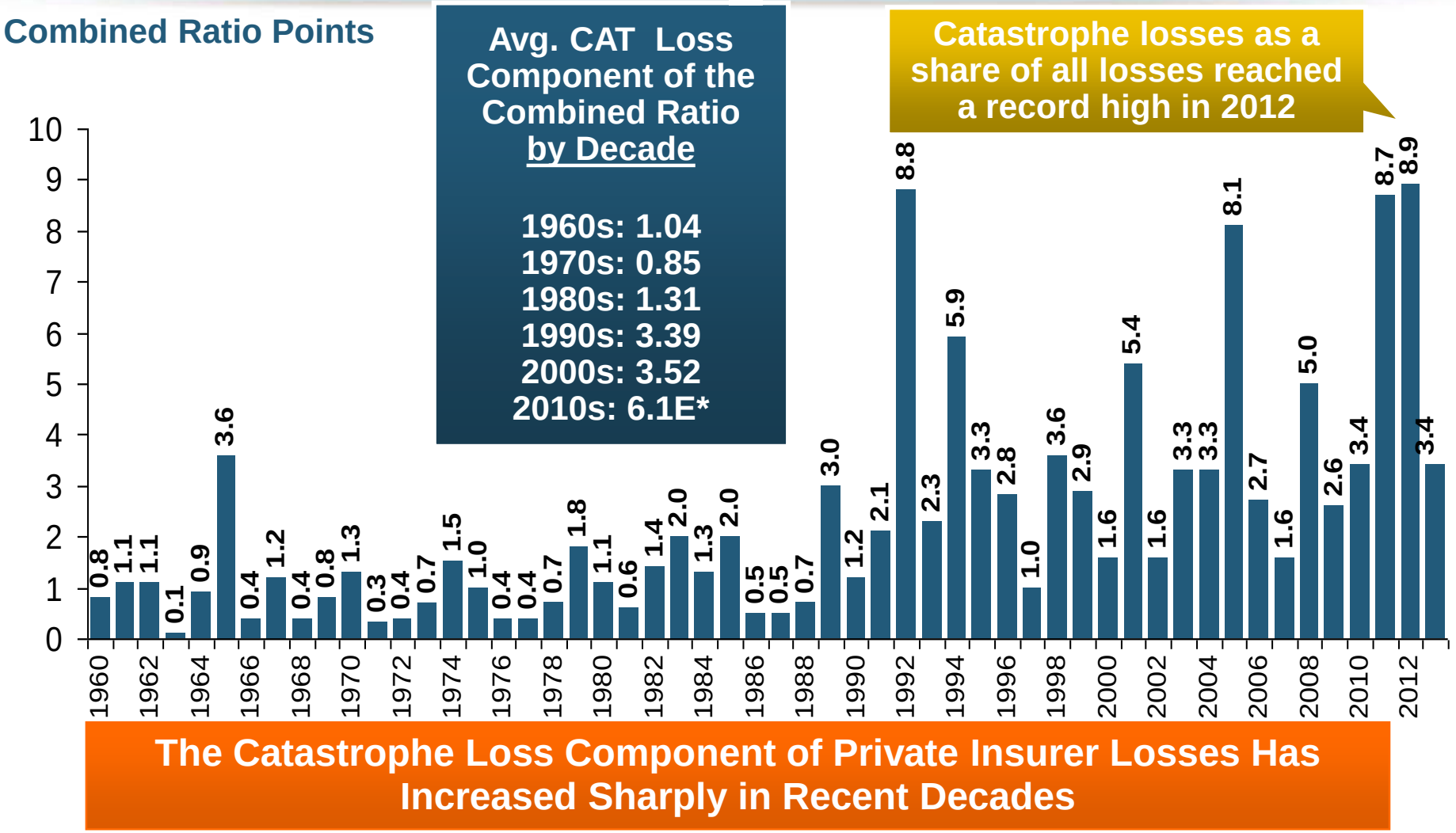
2013/14 Were Welcome Respites from 2011/12, among the Costliest Years for Insured Disaster Losses in US History. Longer-term Trend is for more—not fewer—Costly Events

*Through 12/31/14.

Note: 2001 figure includes $20.3B for 9/11 losses reported through 12/31/01 ($25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = $12.2B ($15.6B in 2011 dollars.)

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

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2013*

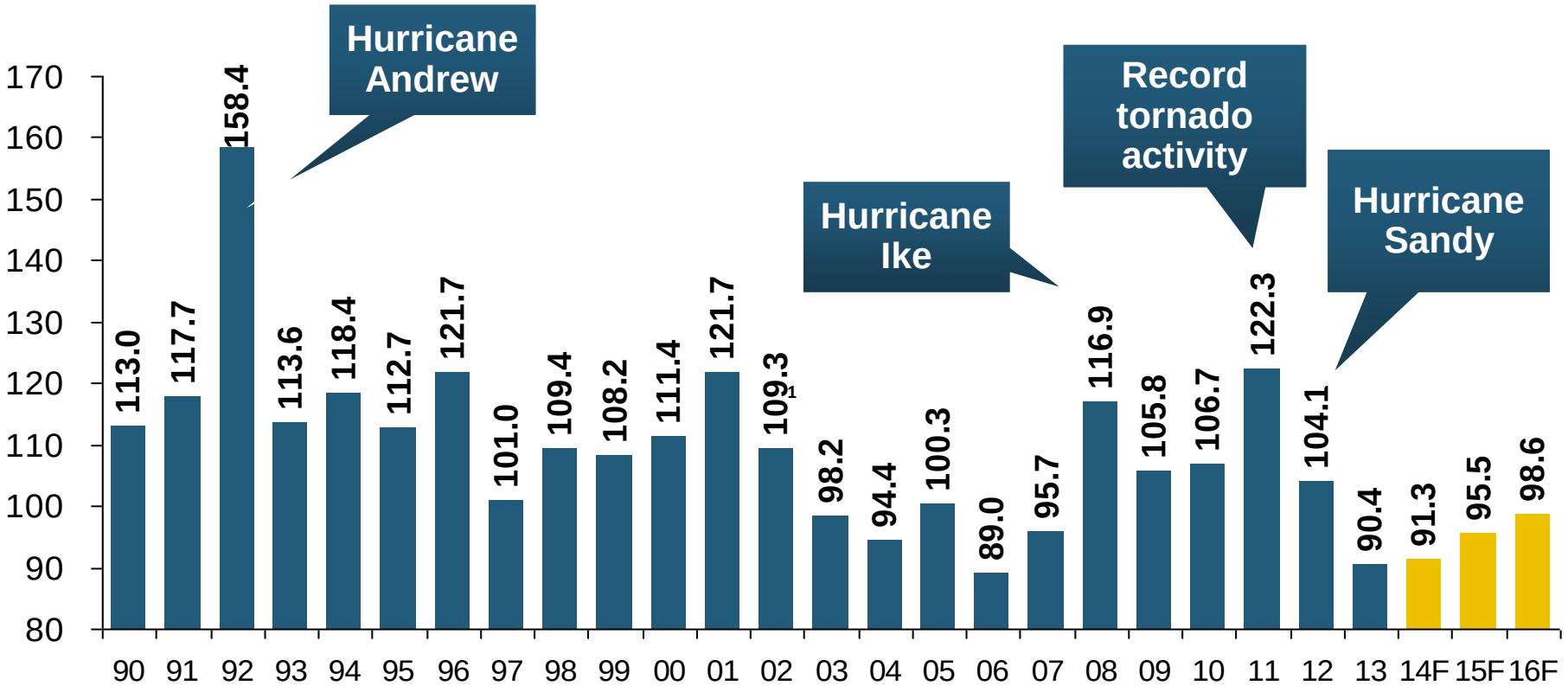


*2010s represent 2010-2013.

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 (1960-2011); A.M. Best (2012E) Insurance Information Institute.

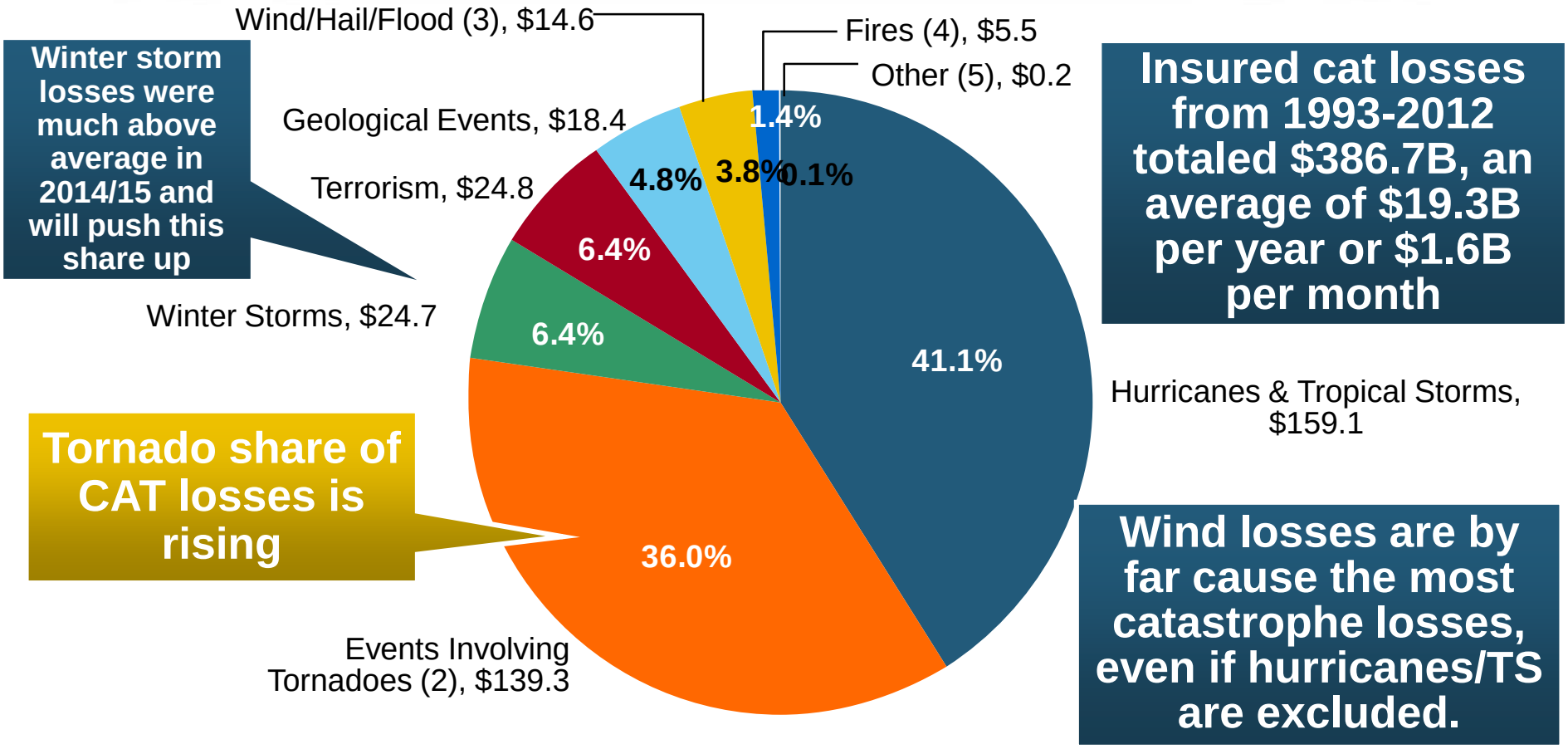
Homeowners Insurance Combined Ratio: 1990–2016F



Homeowners Performance in 2011/12 Impacted by Large Cat Losses but Lower CATs Helped 2013/14. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

Sources: A.M. Best (1990-2013); Insurance Information Institute (2014E-2016F).

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1994–2013[1]



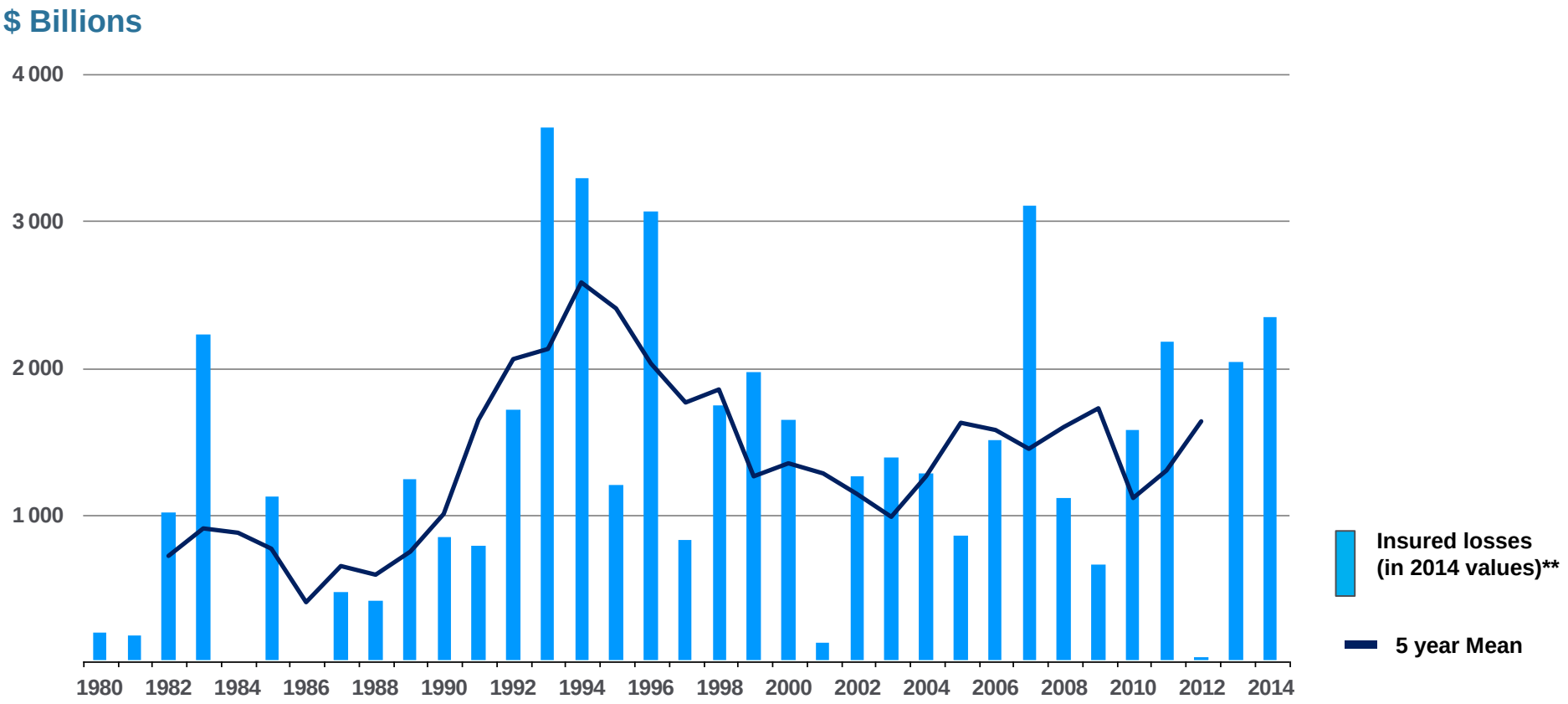
1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2013 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

Loss events in the US, 1980 – 2014
Insured losses due to winter storms*

Overall losses in 2014 totaled $3.7B; Insured losses totaled $ 2.4B

Preliminary figures for 2015 suggest $2.3B in insured winter storm losses.



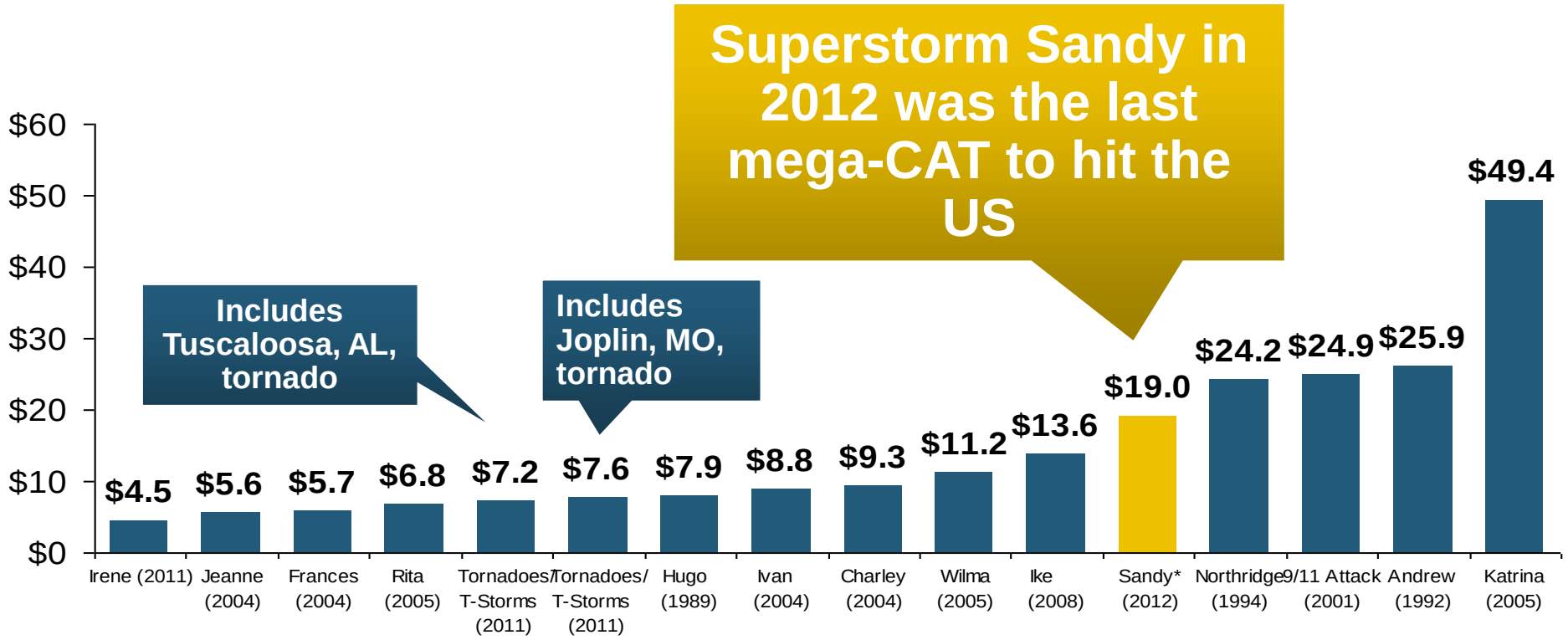
*Winter storms include winter damage, blizzard, snow storm and cold wave

**Losses adjusted to inflation based on country CPI

Source: Property Claim Services, MR NatCatSERVICE.

Top 16 Most Costly Disasters in U.S. History

(Insured Losses, 2013 Dollars, $ Billions)



12 of the 16 Most Expensive Events in US History Have Occurred Over the Past Decade

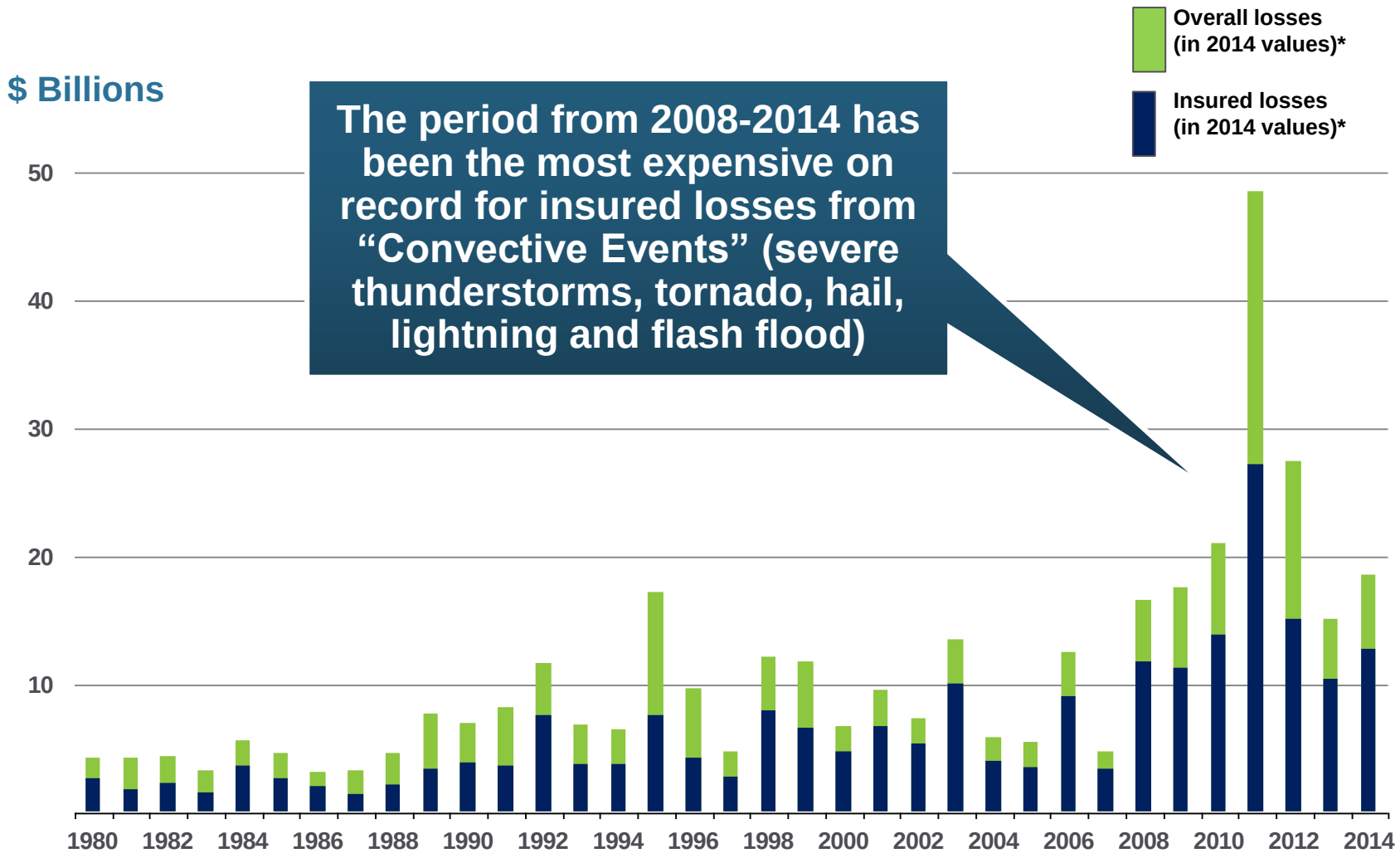
Sources: PCS; Insurance Information Institute inflation adjustments to 2013 dollars using the CPI.

Natural Disaster Losses in the US, 2014
Based on perils

As of January, 2015	Number of Events	Fatalities	Estimated Overall Losses (US $m)	Estimated Insured Losses (US $m)
Severe Thunderstorm	62	98	17,000	12,300
Winter Storm, winter damage, cold wave, snow storm	13	115	3,700	2,300
Flood, flash flood, storm surge	20	5	1,800	500
Earthquake & Geophysical, landslides	11	45	750	150
Tropical Cyclone	2	1	95	Minor market losses
Wildfire, Heat, & Drought	11	2	1,700	Minor market losses
Totals	119	266	25,000	15,300

Source: Munich Re.

Convective Loss Events in the US
Overall and insured losses, 1980 – 2014



*Losses adjusted to inflation based on CPI

Source: Geo Risks Research, NatCatSERVICE

Analysis contains:
severe storm, tornado, hail, flash flood and lightning

Loss events in the US, 1980 – 2014
Number of events

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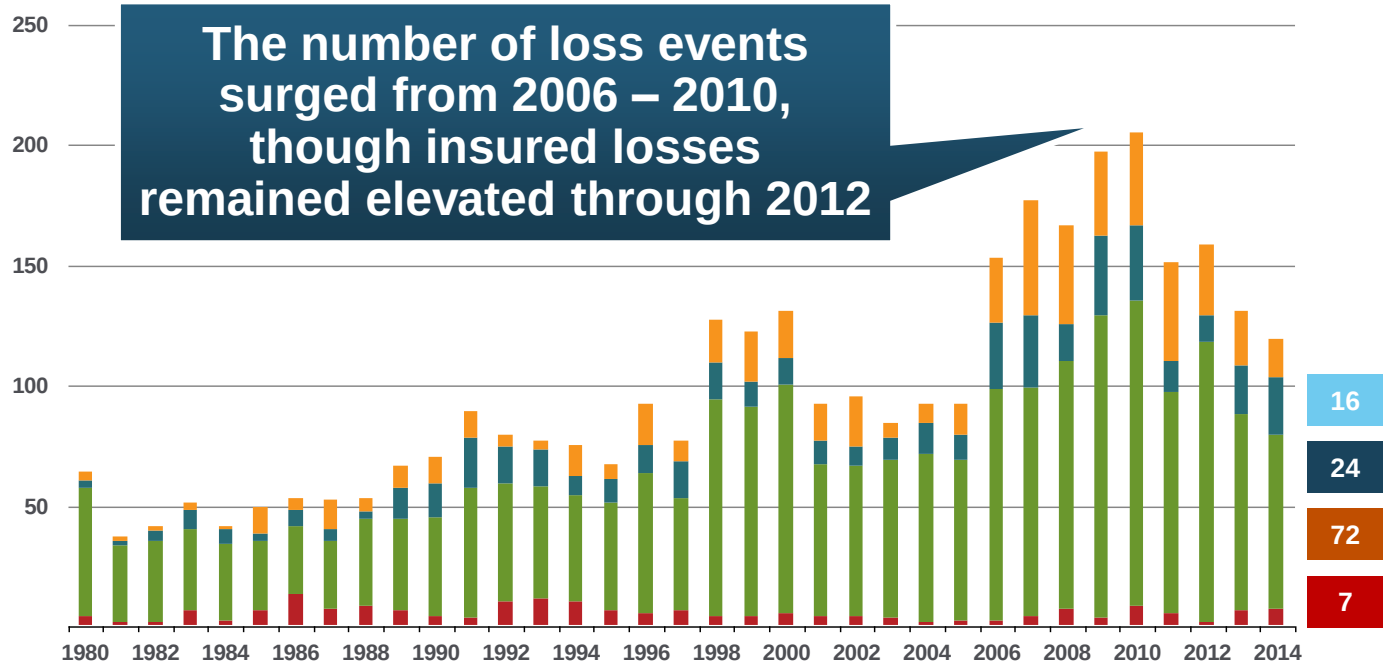
Number of Events

2014 Total:
119 Events



- **Geophysical events** (Earthquake, tsunami, volcanic activity)
- **Meteorological events** (Tropical storm, extratropical storm, convective storm, local storm)
- **Hydrological events** (Flood, mass movement)
- **Climatological events** (Extreme temperature, drought, forest fire)

Source: Geo Risks Research, NatCatSERVICE

Loss Events in the US, 1980 – 2014
Overall and insured losses

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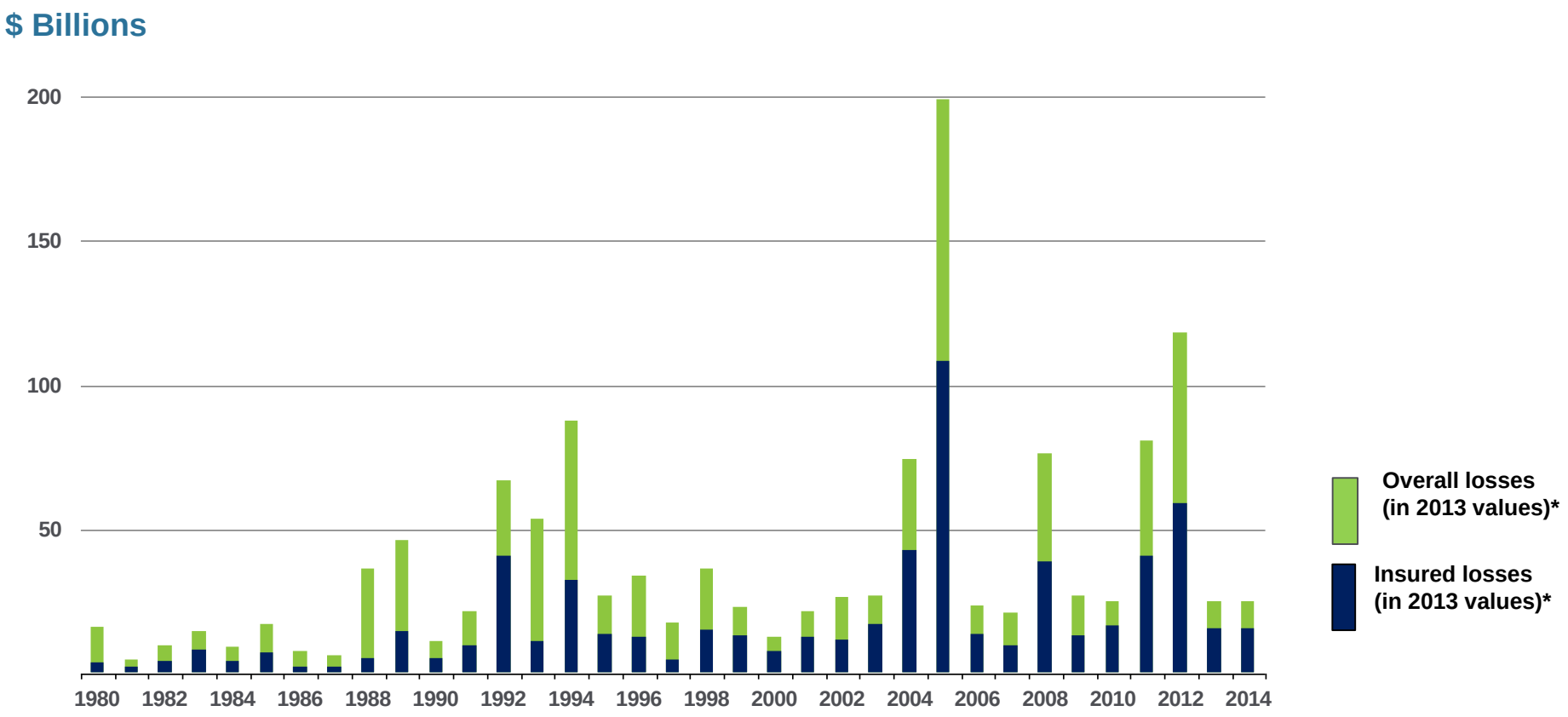
Overall losses totaled US$ 25bn; Insured losses totaled US$ 15.3bn



*Losses adjusted to inflation based on CPI.

Source: Property Claim Services, MR NatCatSERVICE.

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Federal Disaster Declarations Patterns: 1953-2015

Disaster Declarations Set New Records in Recent Years

Number of Federal Major Disaster Declarations, 1953-2015*

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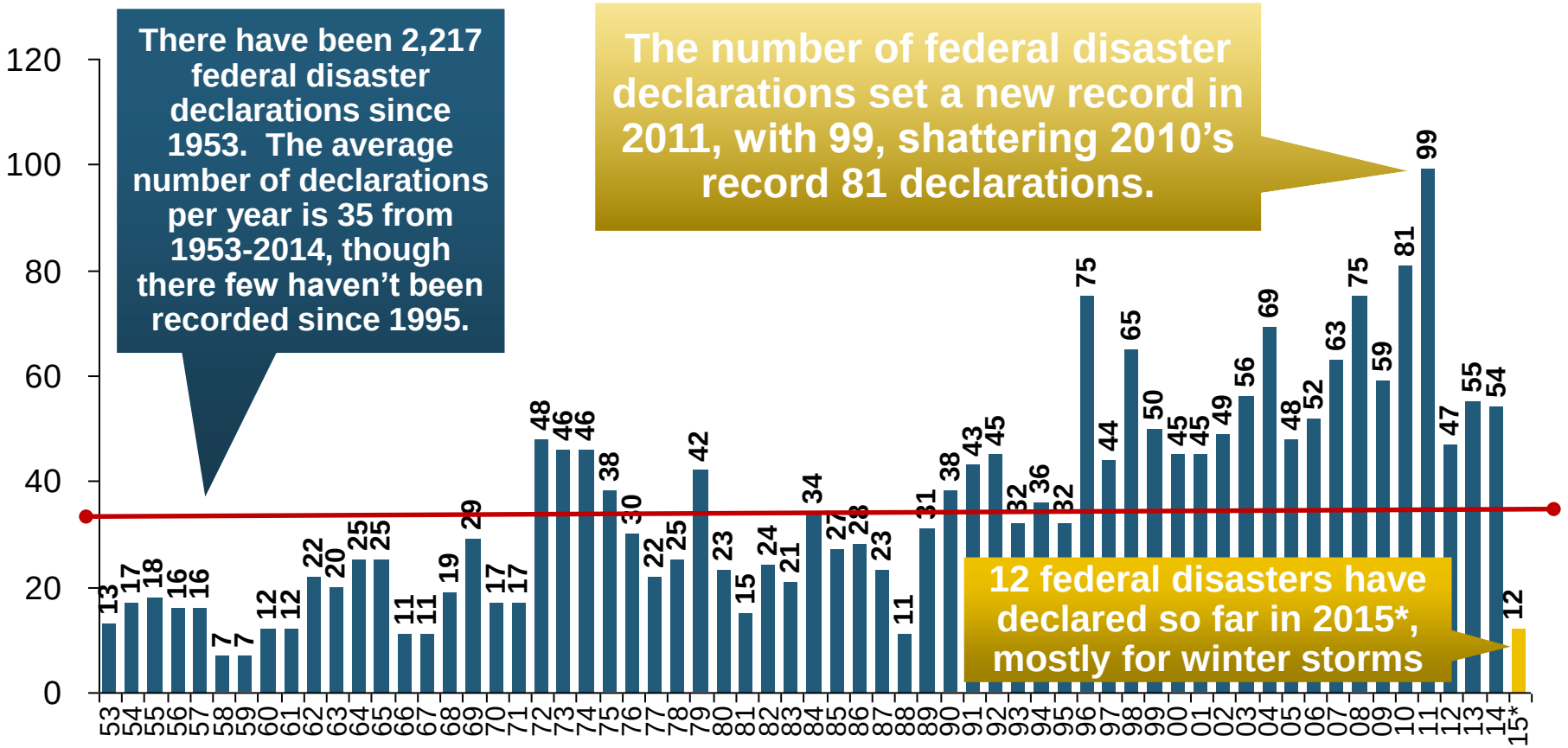
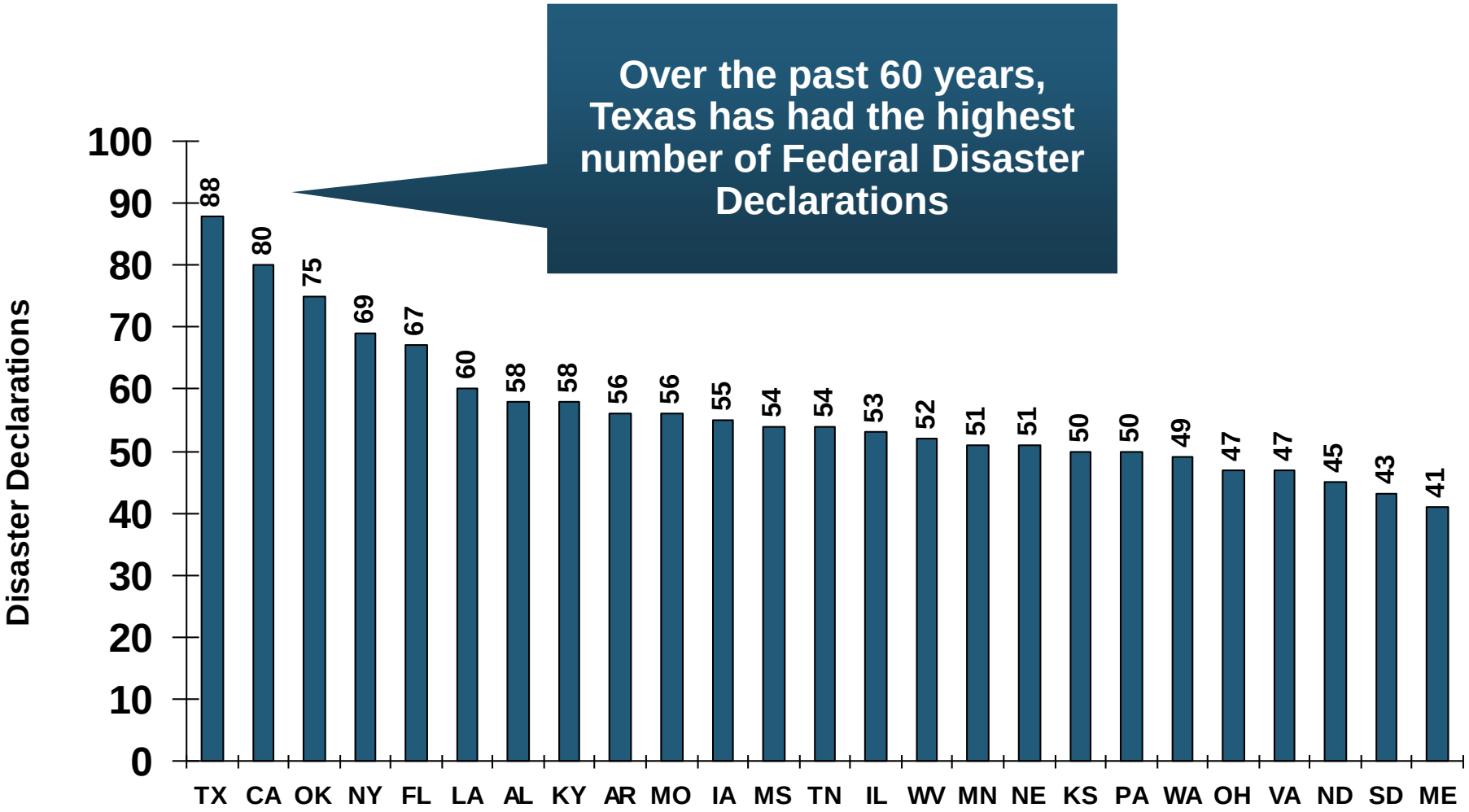


The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 *and* 2011 Before Dropping in 2012-2014

*Through May1, 2015.

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

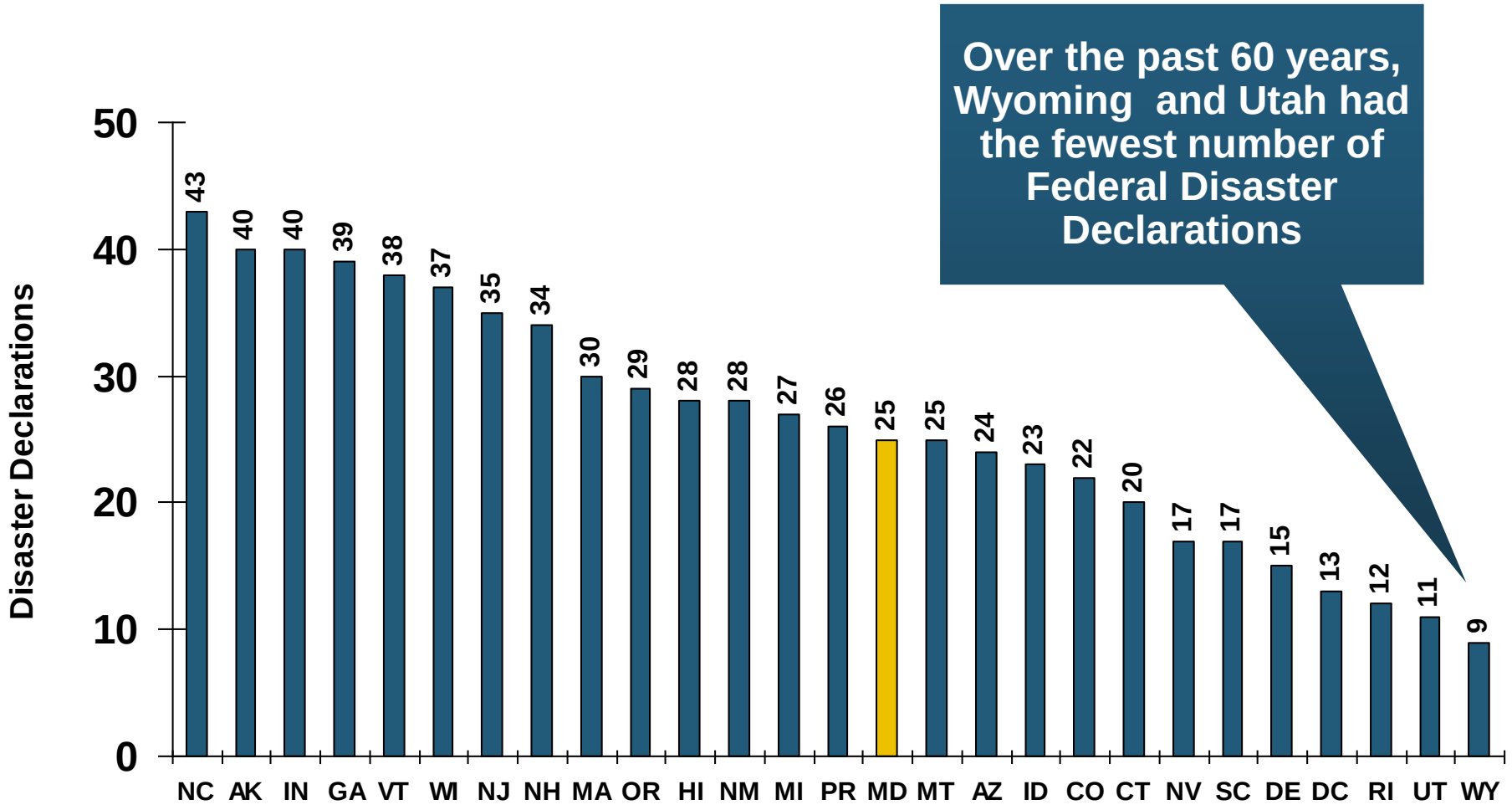
Federal Disasters Declarations by State, 1953 – 2015: Highest 25 States*



*Through May 1, 2015. Includes Puerto Rico and the District of Columbia.

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

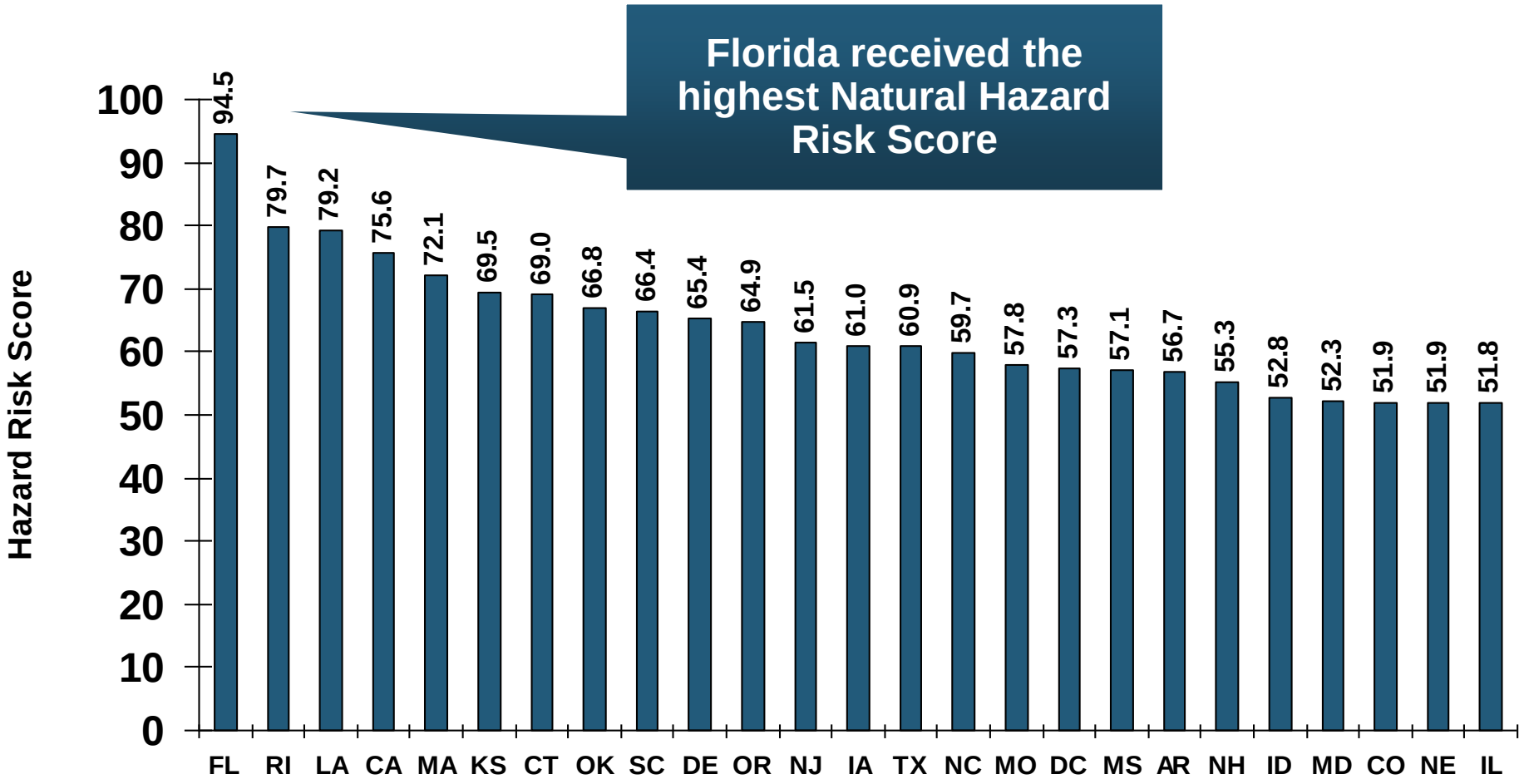
Federal Disasters Declarations by State, 1953 – 2015: Lowest 25 States*



*Through May 1, 2015. Includes Puerto Rico and the District of Columbia.

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

Natural Hazard Risk Scores, 2014
Highest 25 States*

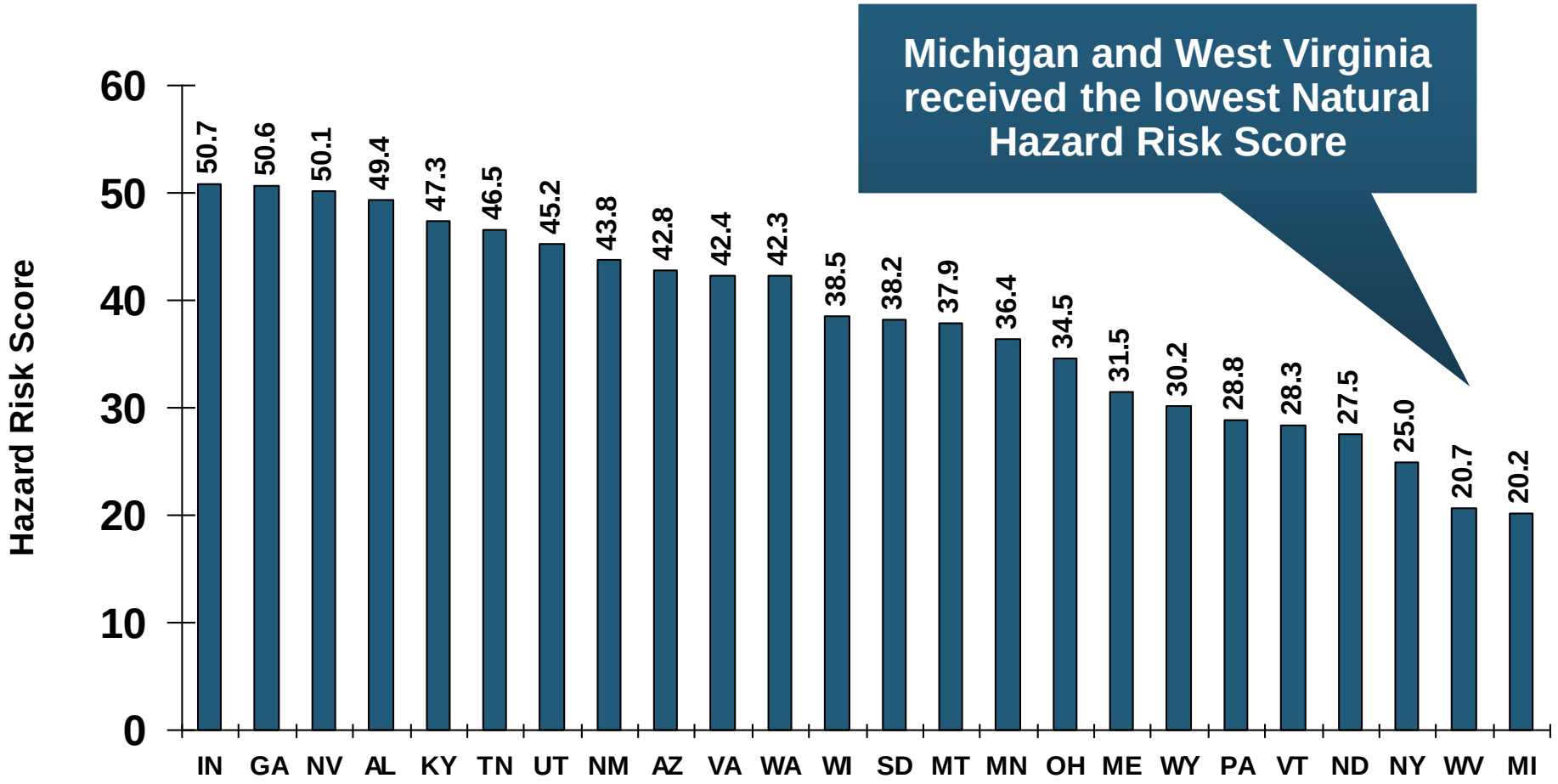


Note: Score is based on data on 9 natural hazards: flood, wildfire, tornado, storm surge, earthquake, straight-line wind, hurricane, wind, hail and sinkhole.

*Analysis Includes DC. Excludes Alaska and Hawaii due to limited natural hazard risk data.

Sources: CoreLogic release *"CoreLogic Identifies US States at Highest Risk of Property Damage Loss from Natural Hazards,"* Sept. 10, 2014; Insurance Information Institute.

Natural Hazard Risk Scores, 2014
Bottom 24 States*



Note: Score is based on data on 9 natural hazards: flood, wildfire, tornado, storm surge, earthquake, straight-line wind, hurricane, wind, hail and sinkhole.

*Analysis Includes DC. Excludes Alaska and Hawaii due to limited natural hazard risk data.

Sources: CoreLogic release *"CoreLogic Identifies US States at Highest Risk of Property Damage Loss from Natural Hazards,"* Sept. 10, 2014; Insurance Information Institute.

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Top Insurance Issues:
What's Hot, What's Not

No Dominant Even in 2014, but Some Key Commercial Lines Issues Spiked

Terrorism, TRIA & Cyber

I.I.I. Media Index, P/C, 2014 vs 2013

Percent increase/decrease from previous year

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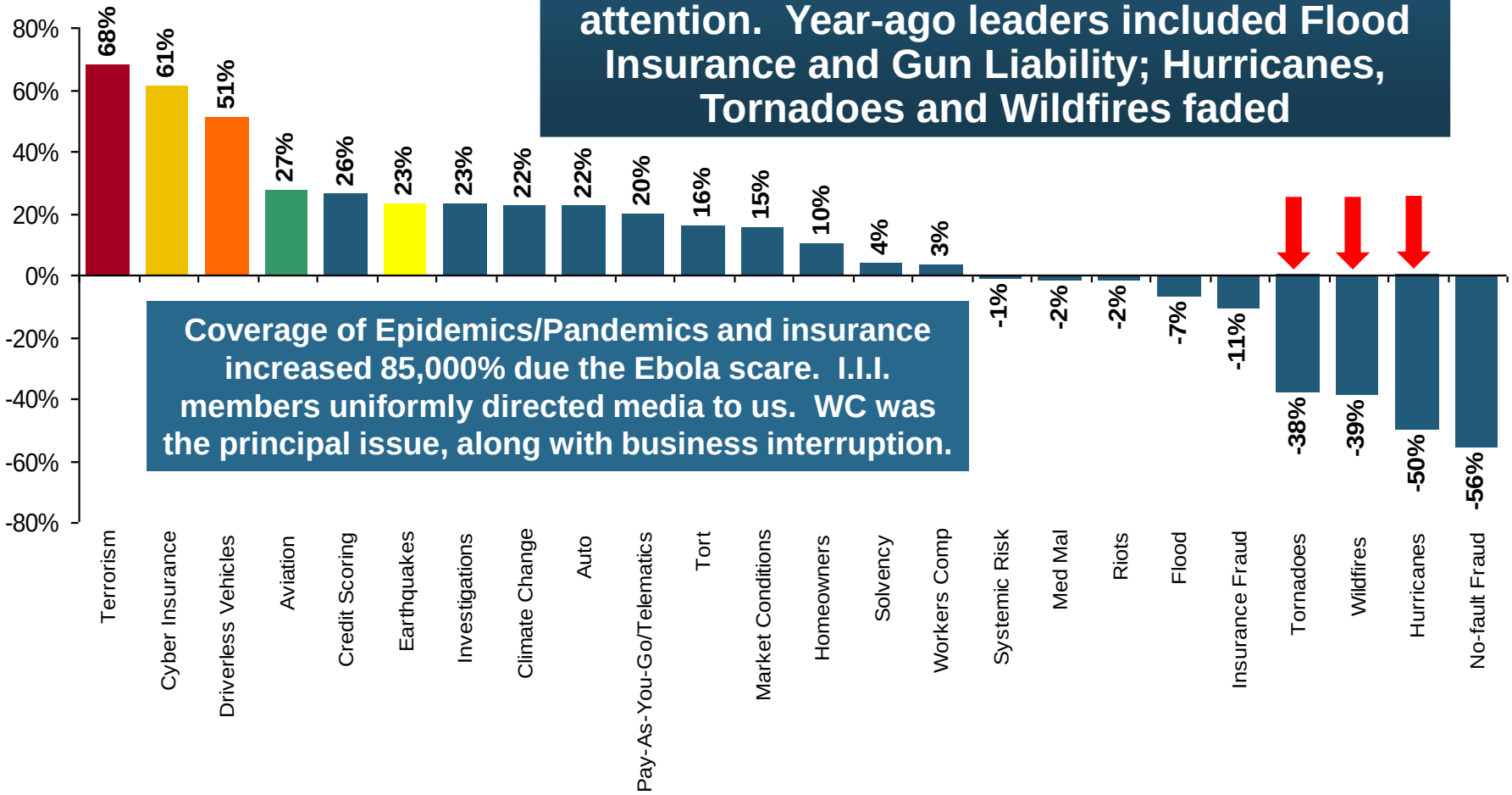
Terrorism, Cyber, Autonomous/Driverless Vehicles and Aviation insurance issues experienced the sharpest increase in media attention. Year-ago leaders included Flood Insurance and Gun Liability; Hurricanes, Tornadoes and Wildfires faded



Coverage of Epidemics/Pandemics and insurance increased 85,000% due the Ebola scare. I.I.I. members uniformly directed media to us. WC was the principal issue, along with business interruption.

Source: Insurance Information Institute based on a search of Lexis/Nexis.

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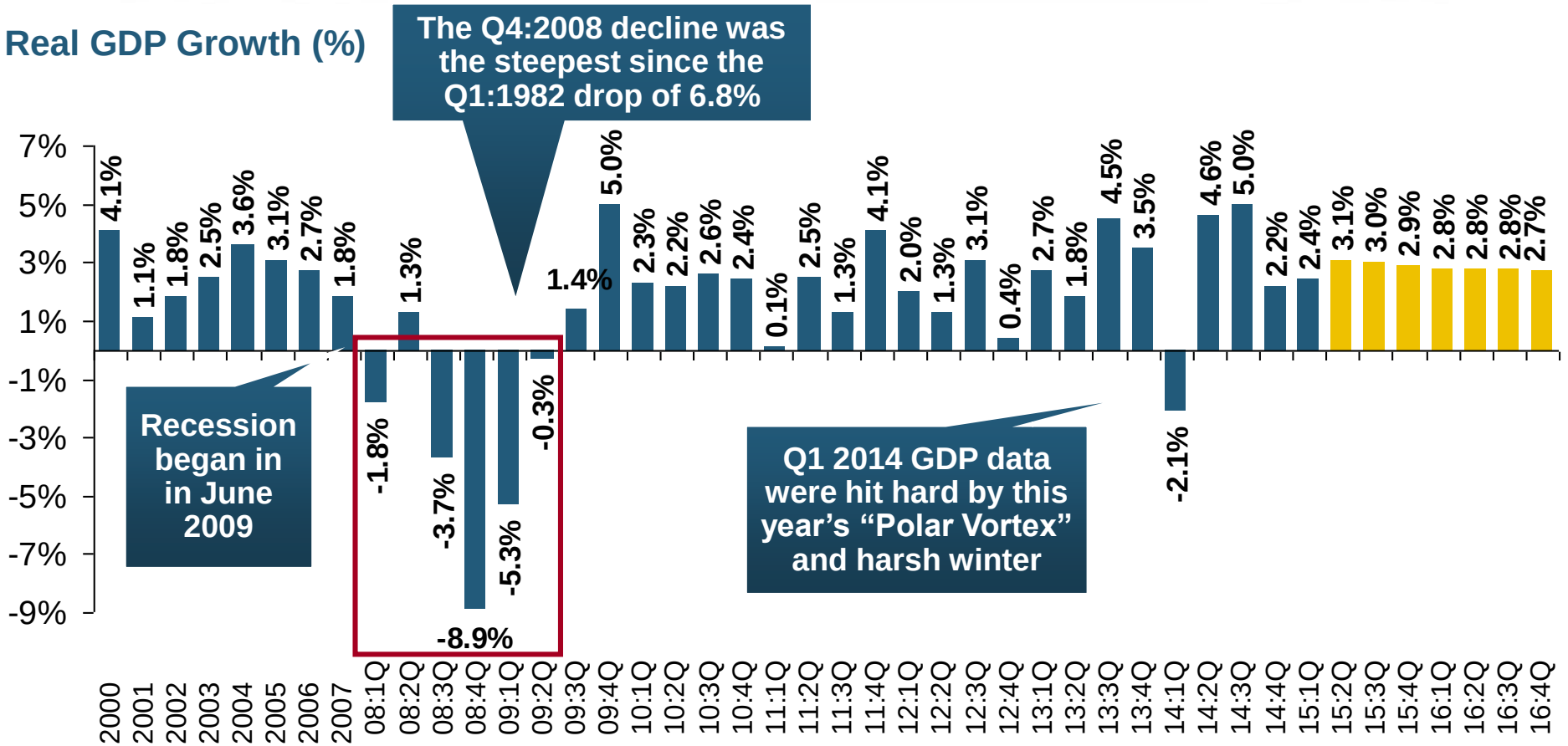
The Strength of the Economy Will Influence P/C Insurer Growth Opportunities

Growth Will Expand Insurer Exposure Base Across Most Lines

US Real GDP Growth*



Demand for Insurance Should Increase in 2015 as GDP Growth Accelerates Modestly and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 4/15; Insurance Information Institute.

State-by-State Leading Indicators through August 2015

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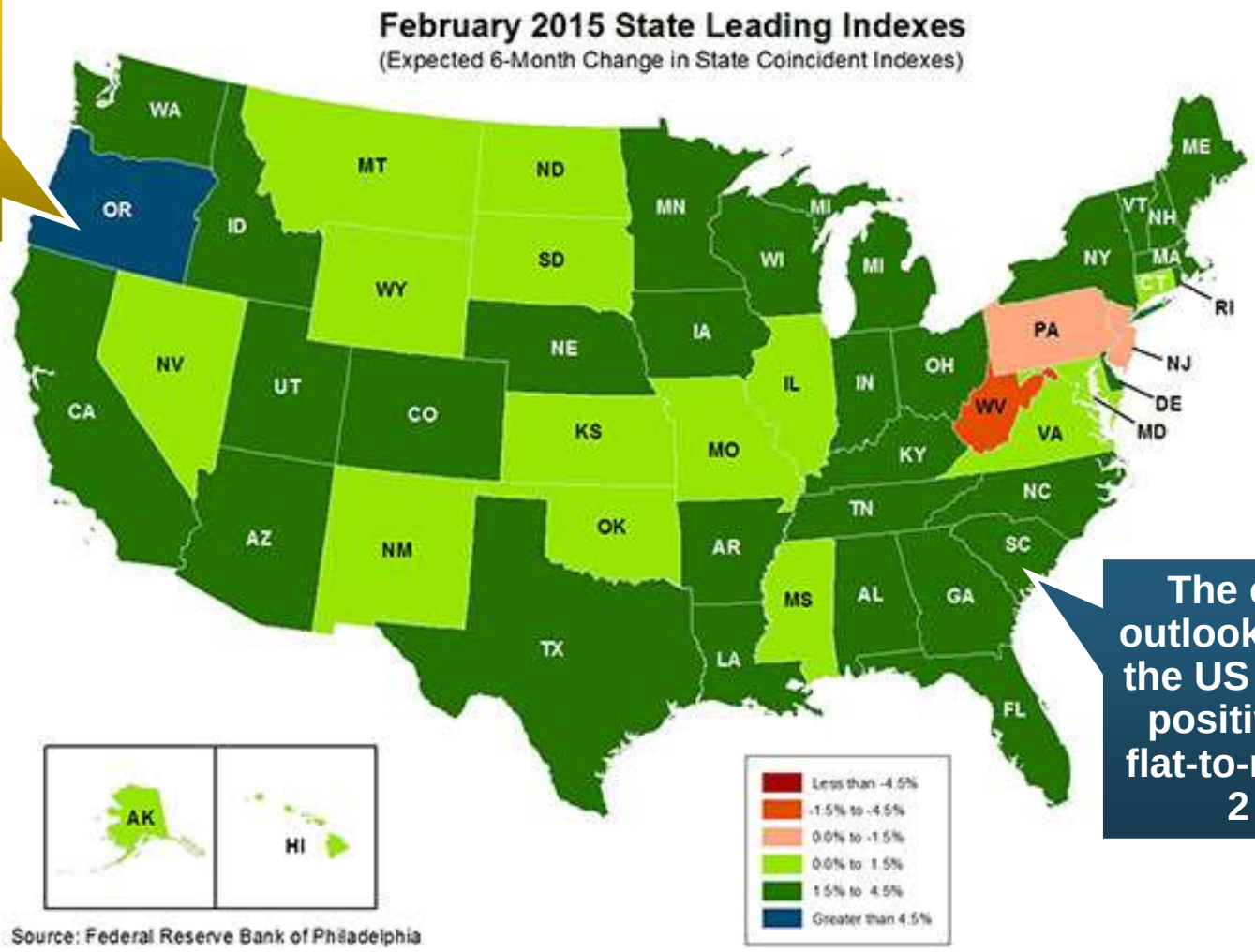
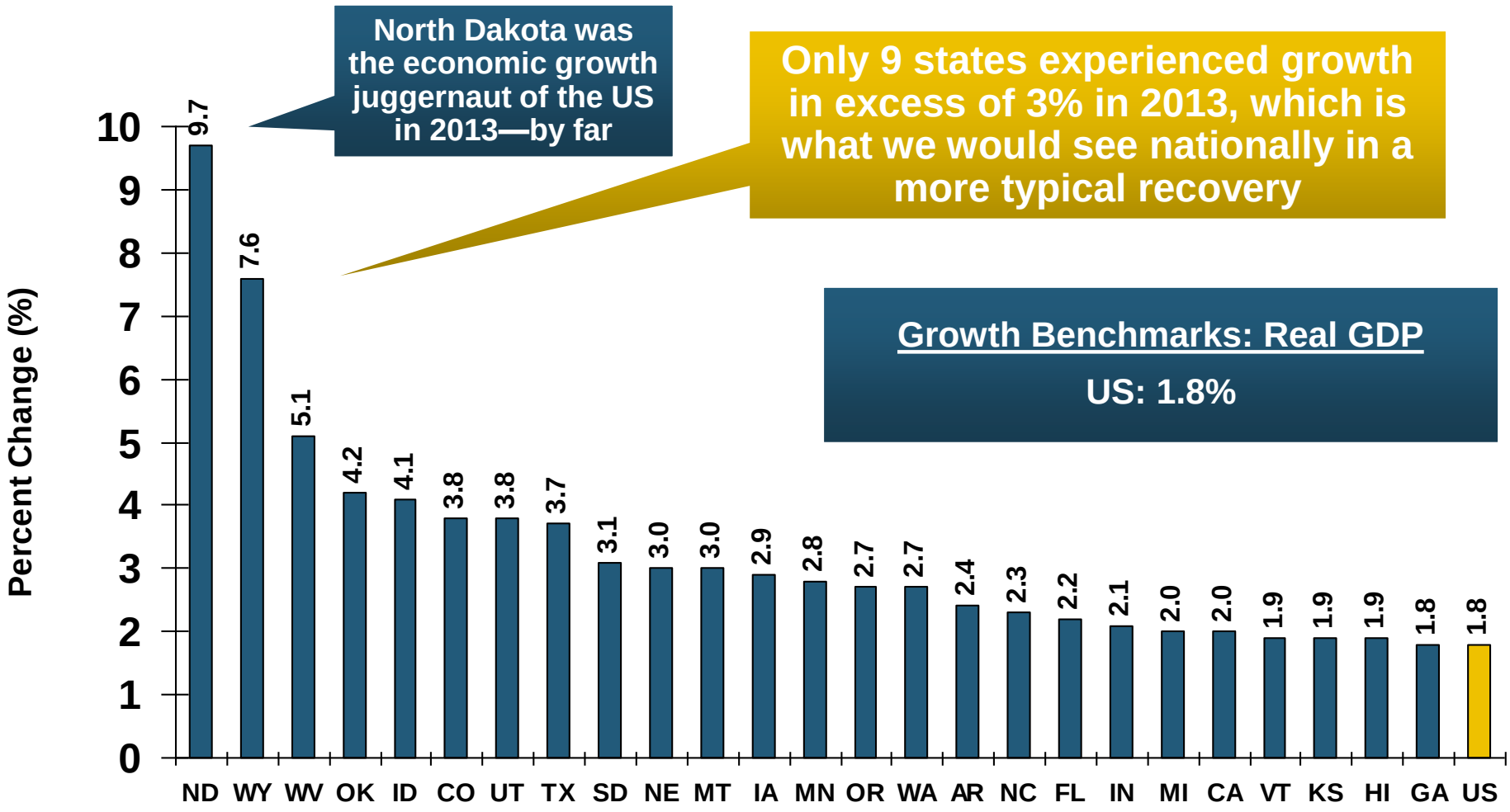
Growth in the West is finally beginning to pick up



The economic outlook for most of the US is generally positive, though flat-to-negative for 2 states

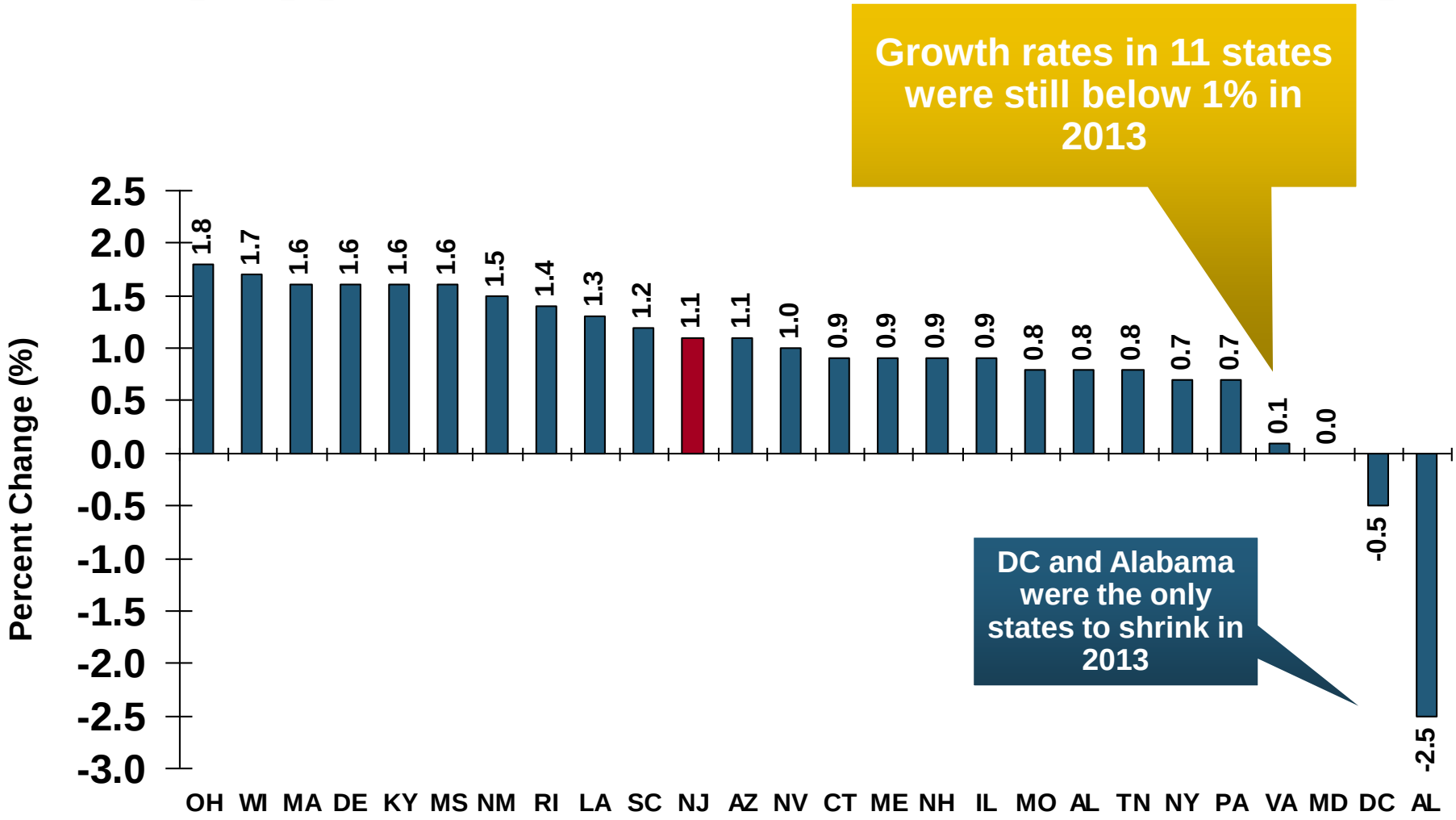
Sources: Federal Reserve Bank of Philadelphia at http://www.philadelphiafed.org/index.cfm ;Insurance Information Institute.

Real GDP by State Percent Change, 2013: Highest 25 States



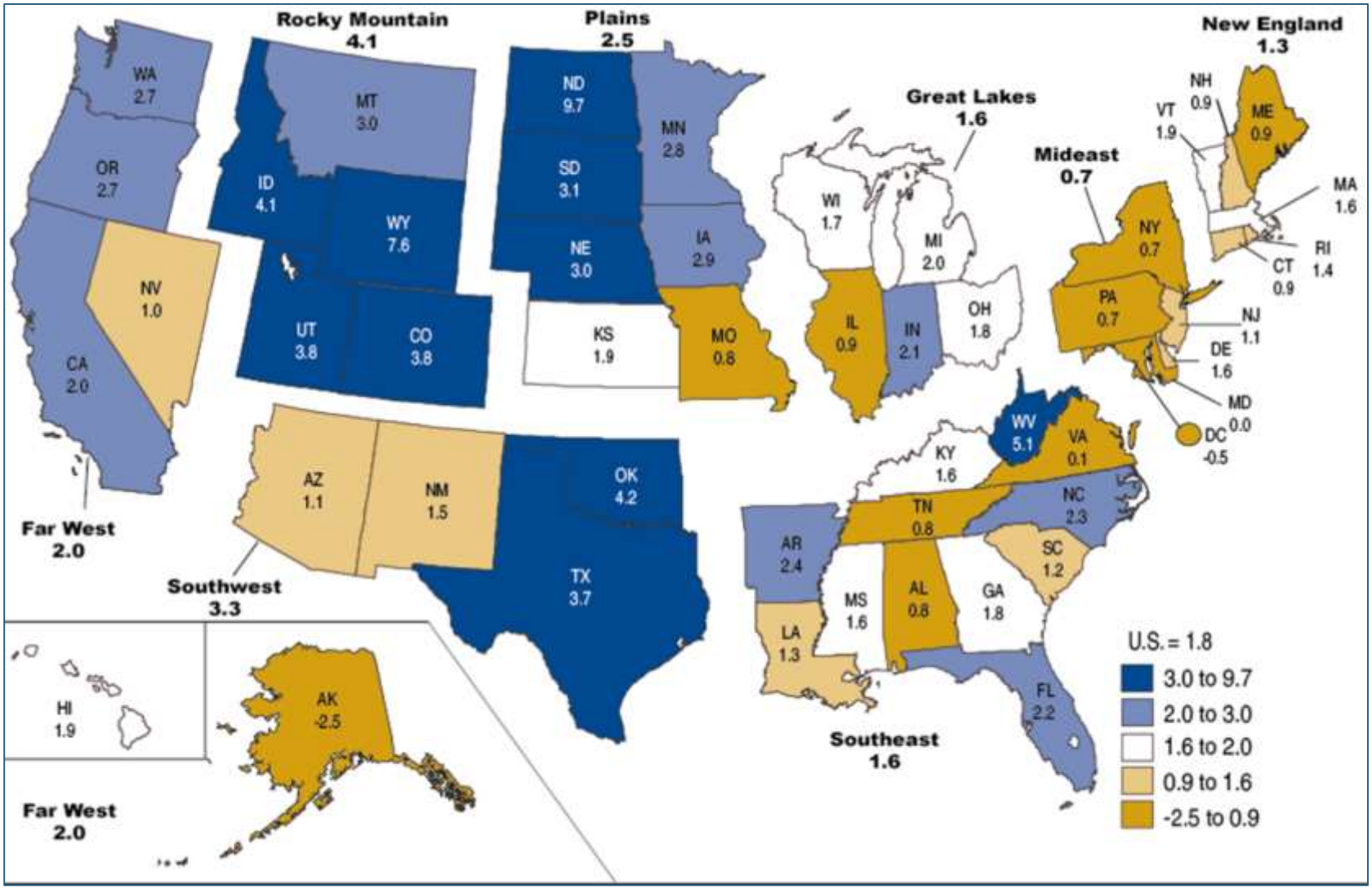
Sources: U.S. Bureau of Economic Analysis; Insurance Information Institute.

Real GDP by State Percent Change, 2013: Lowest 25 States



Sources: US Bureau of Economic Analysis; Insurance Information Institute.

Percent Change in Real GDP by State, 2013



Sources: US Bureau of Economic Analysis; Insurance Information Institute.

Consumer Sentiment Survey *(1966 = 100)*

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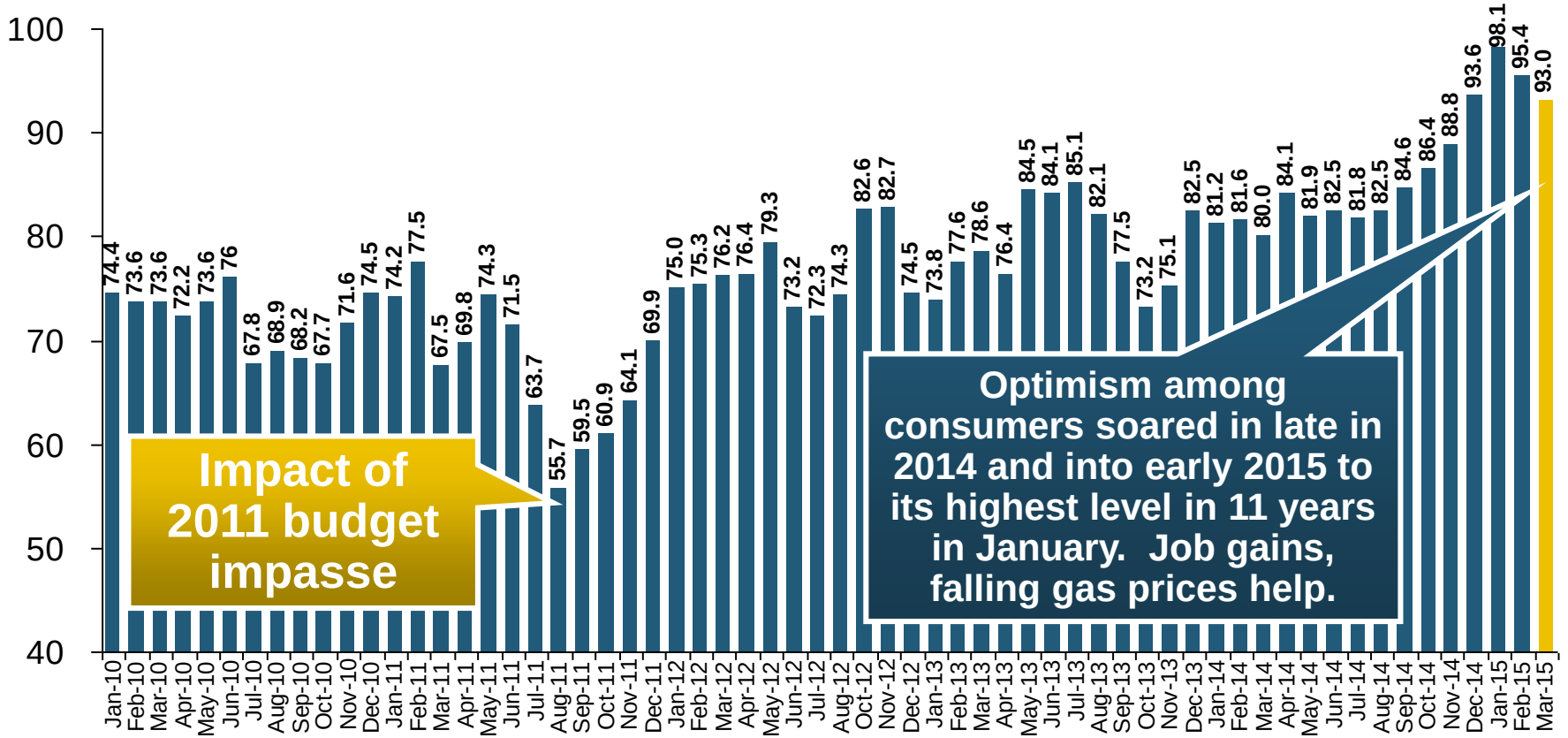
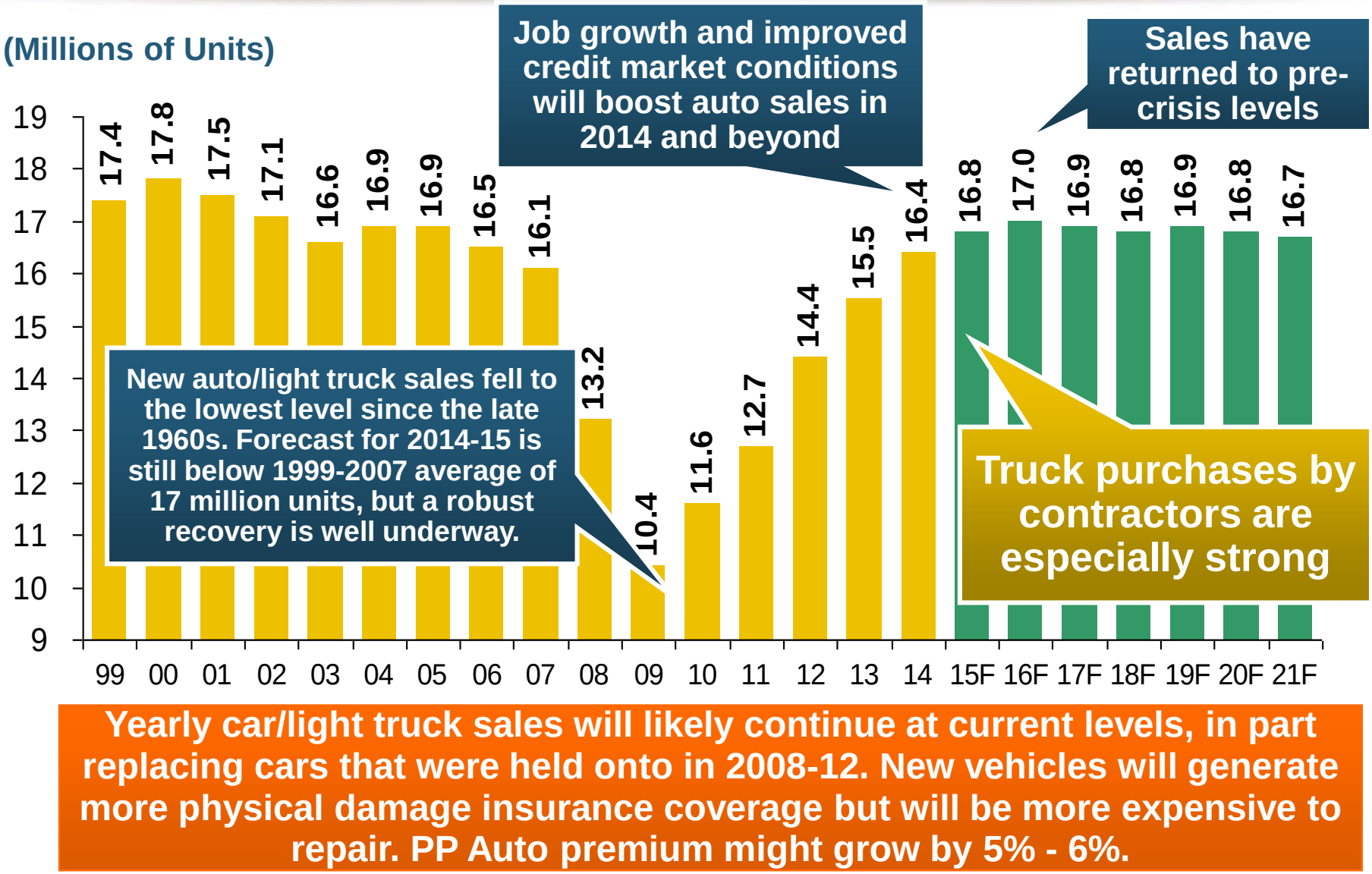
January 2010 through March 2015



Consumer confidence had been low for years amid high unemployment, falling home prices and other factors adversely impact consumers, but improved substantially over the past 2+ years, as job growth and falling energy prices aid consumers

Source: University of Michigan; Insurance Information Institute

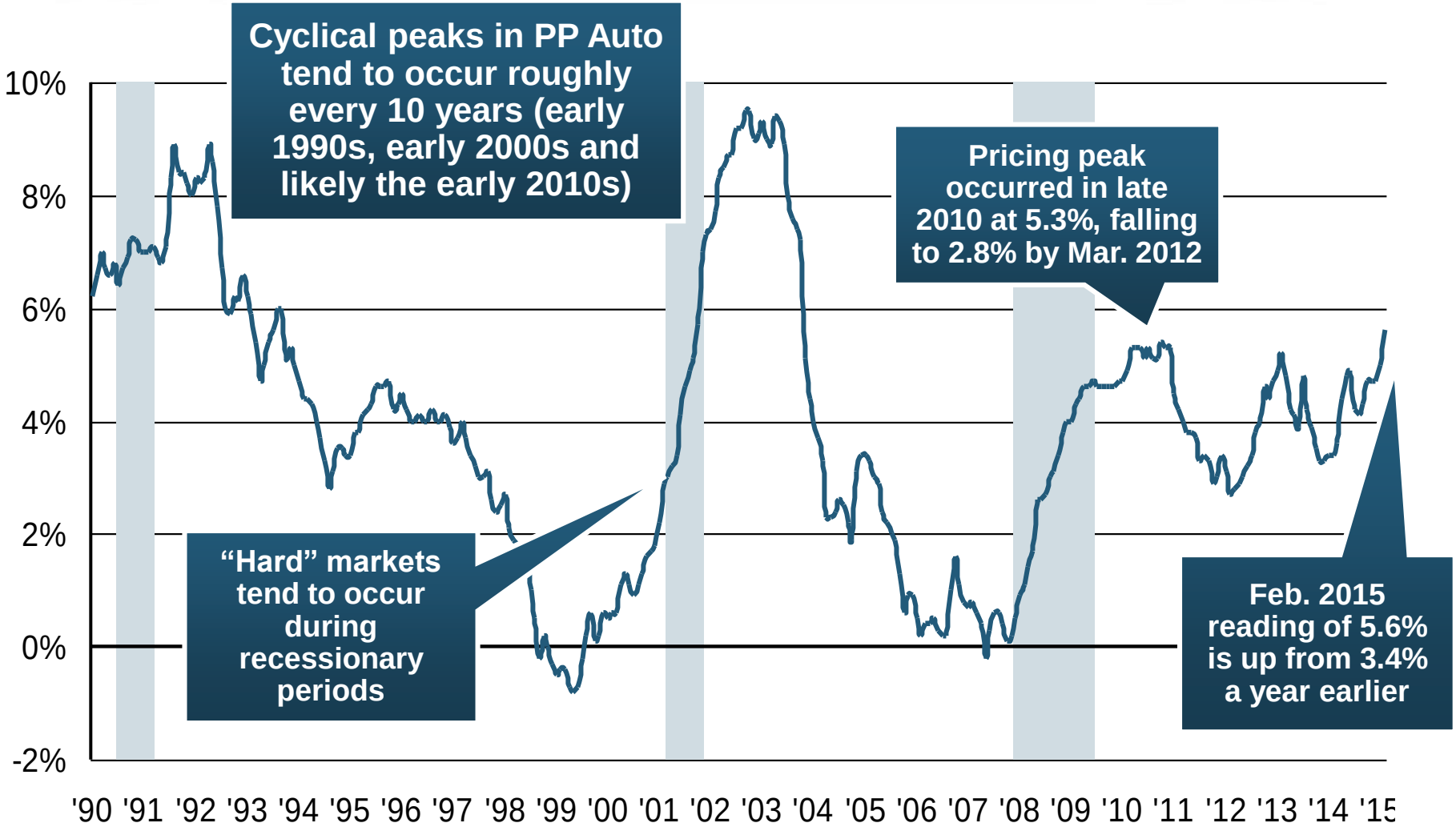
Auto/Light Truck Sales, 1999-2021F



Yearly car/light truck sales will likely continue at current levels, in part replacing cars that were held onto in 2008-12. New vehicles will generate more physical damage insurance coverage but will be more expensive to repair. PP Auto premium might grow by 5% - 6%.

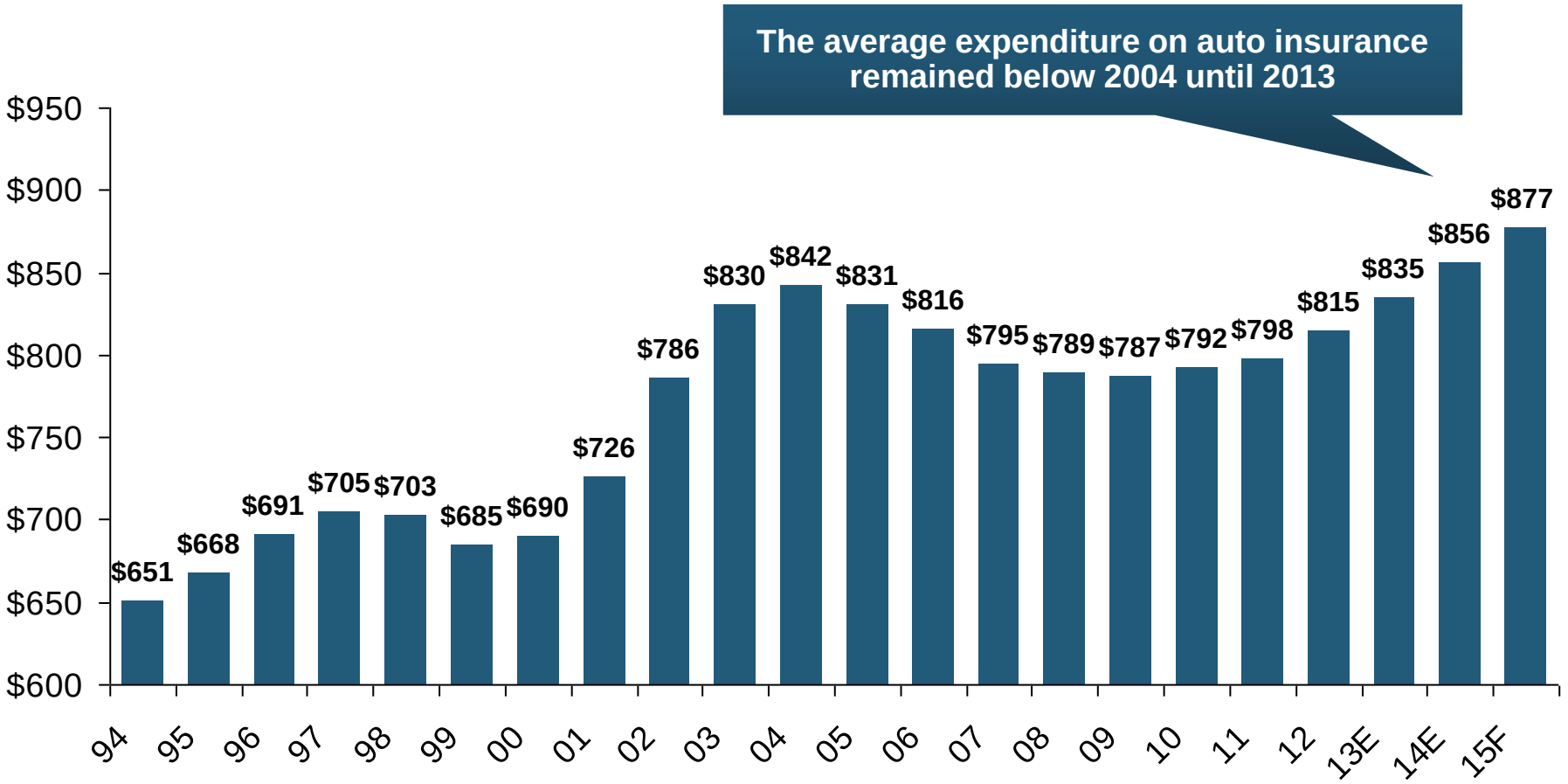
Source: U.S. Department of Commerce; Blue Chip Economic Indicators (4/15 and 3/15); Insurance Information Institute.

Monthly Change in Auto Insurance Prices, 1991–2015*



*Percentage change from same month in prior year; through February 2015; 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.

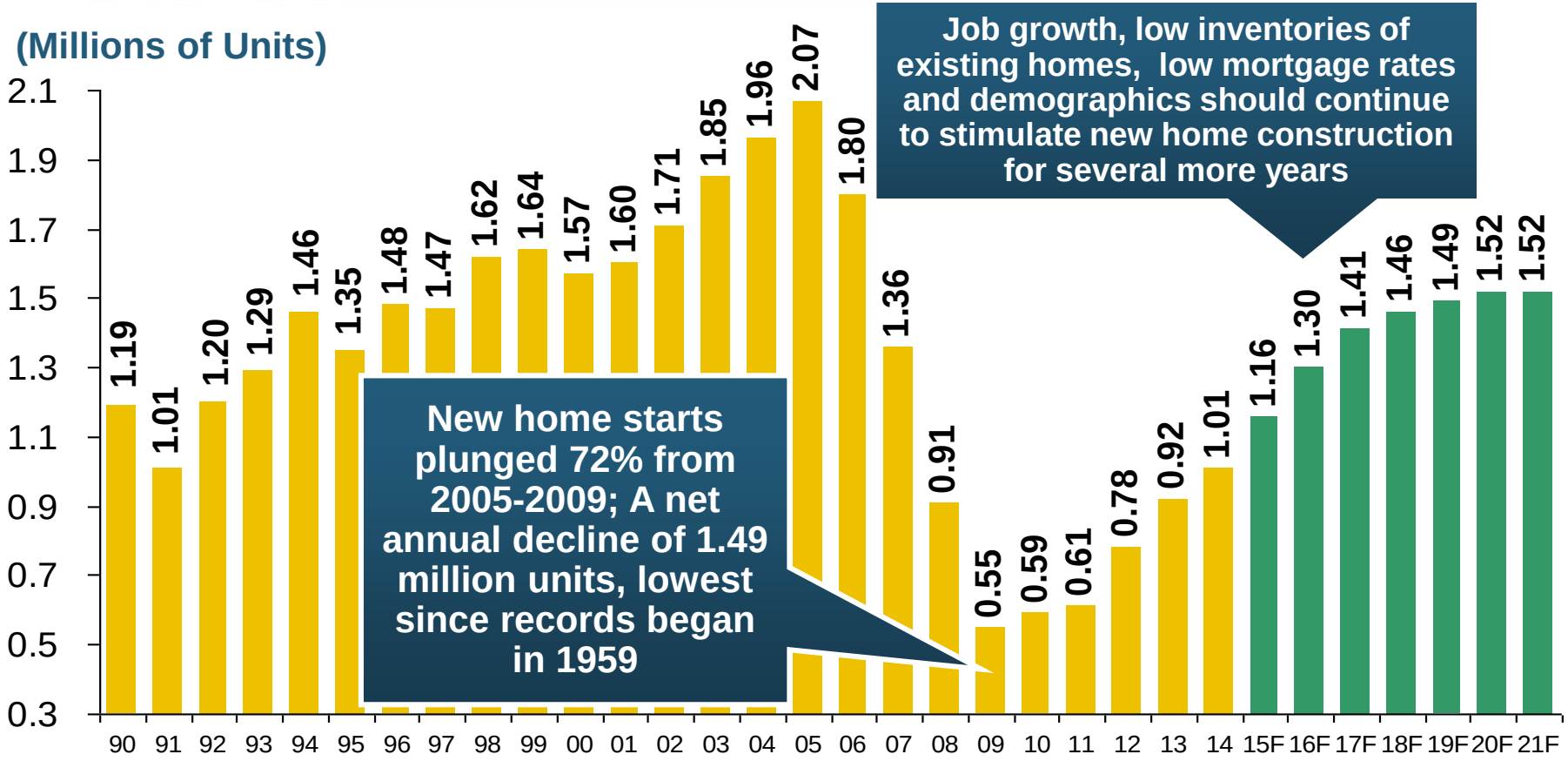
Average Expenditures on Auto Insurance



Countrywide Auto Insurance Expenditures decreased by 6.5% from 2004 through 2009, rising gradually since the with annual increases in the 2.0% to 2.5% range

* Insurance Information Institute Estimates/Forecasts
Source: NAIC, Insurance Information Institute estimate for 2013-2015 based on CPI and other data.

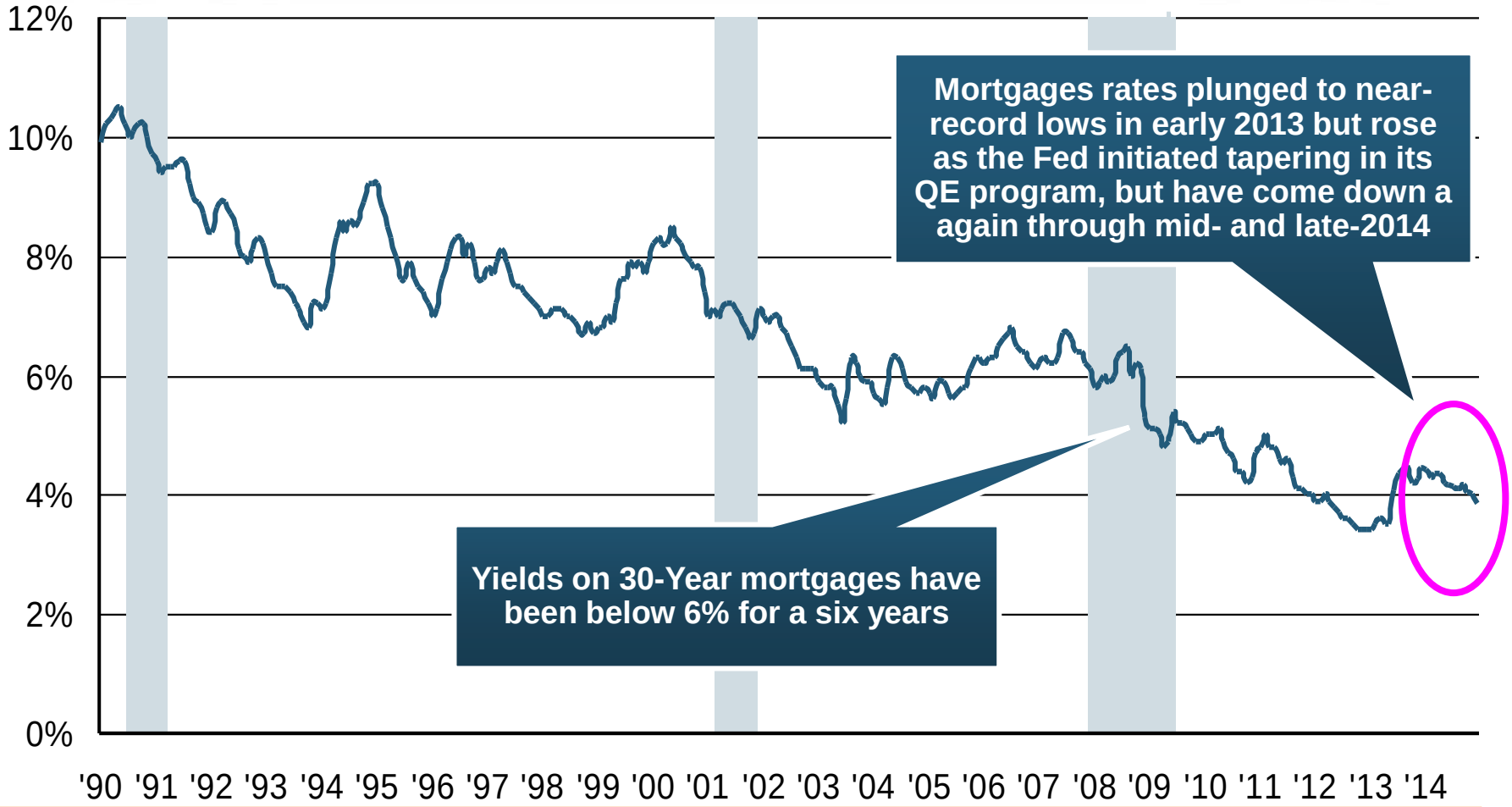
New Private Housing Starts, 1990-2021F



Insurers Are Continue to See Meaningful Exposure Growth in the Wake of the "Great Recession" Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (3/15); Insurance Information Institute.

Interest Rate on Convention 30-Year Mortgages: Up a Bit, 1990–2014*



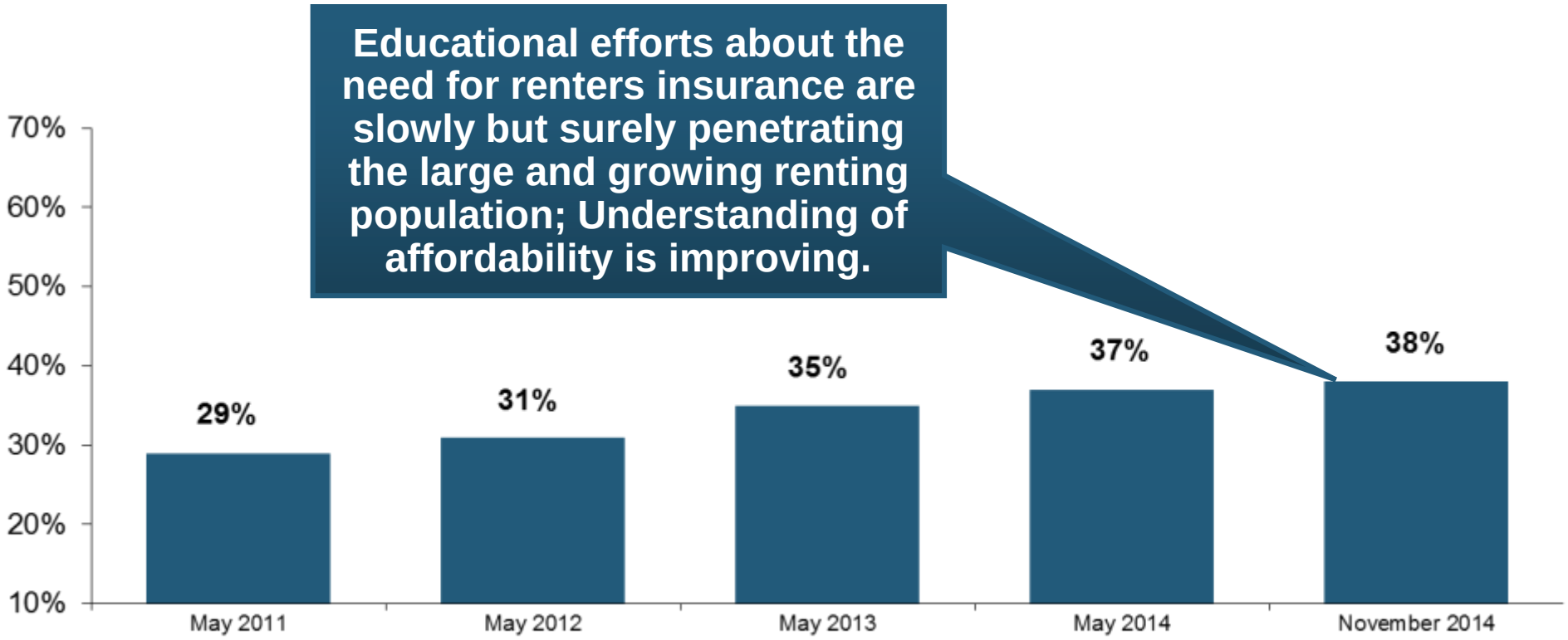
Mortgage interest rates remain low by historical standards, aiding the housing recovery. Changes in Fed policy could push rates up modestly later in 2015.

*Monthly, through Dec. 2014. Note: Recessions indicated by gray shaded columns.

Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data.htm.
National Bureau of Economic Research (recession dates); Insurance Information Institutes.

I.I.I. Poll: Renters Insurance

Percentage of Renters Who Have Renters Insurance, 2011-2014

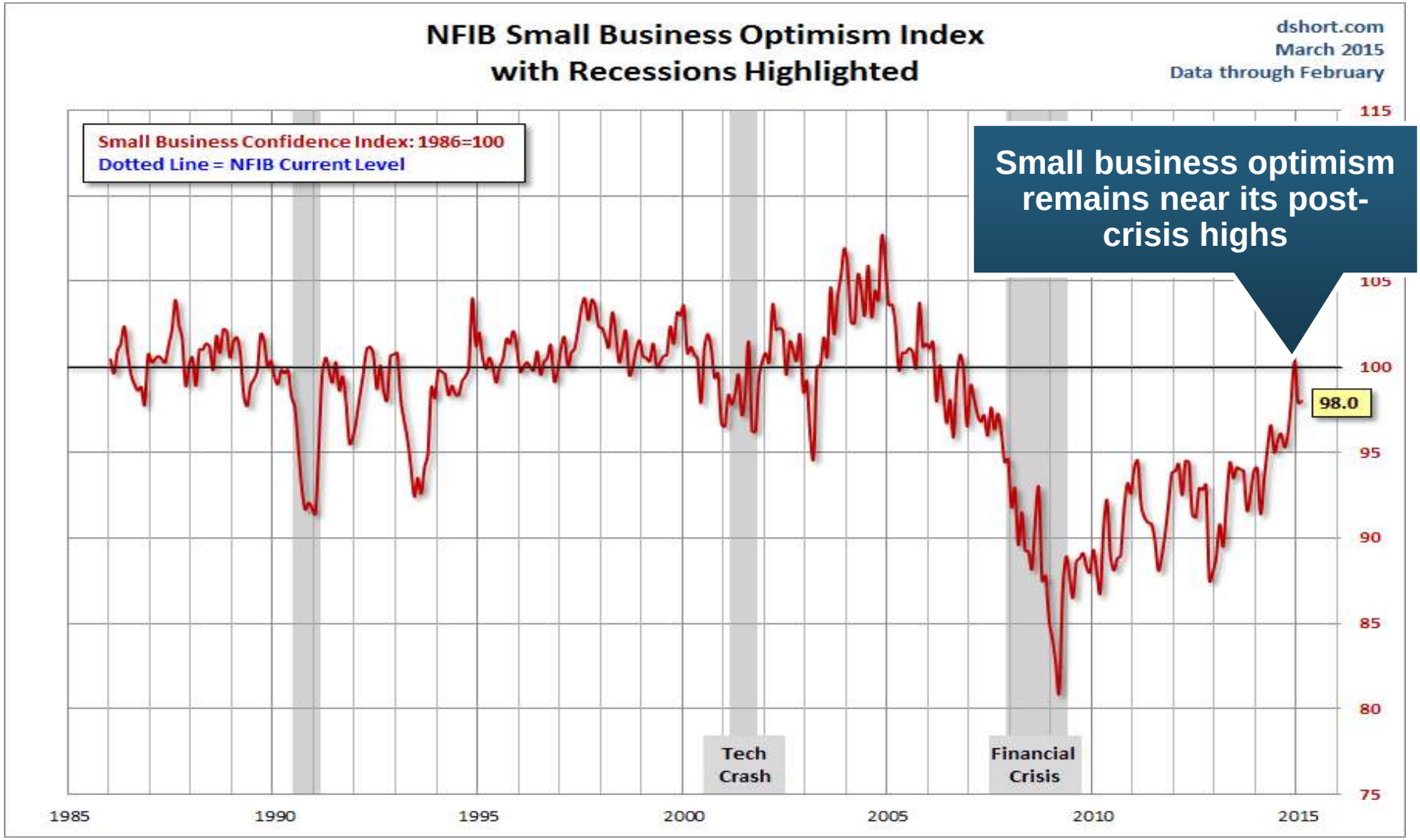


Percentage Of Renters With Renters Insurance Is Increasing.

Source: Insurance Information Institute Annual *Pulse* Survey.

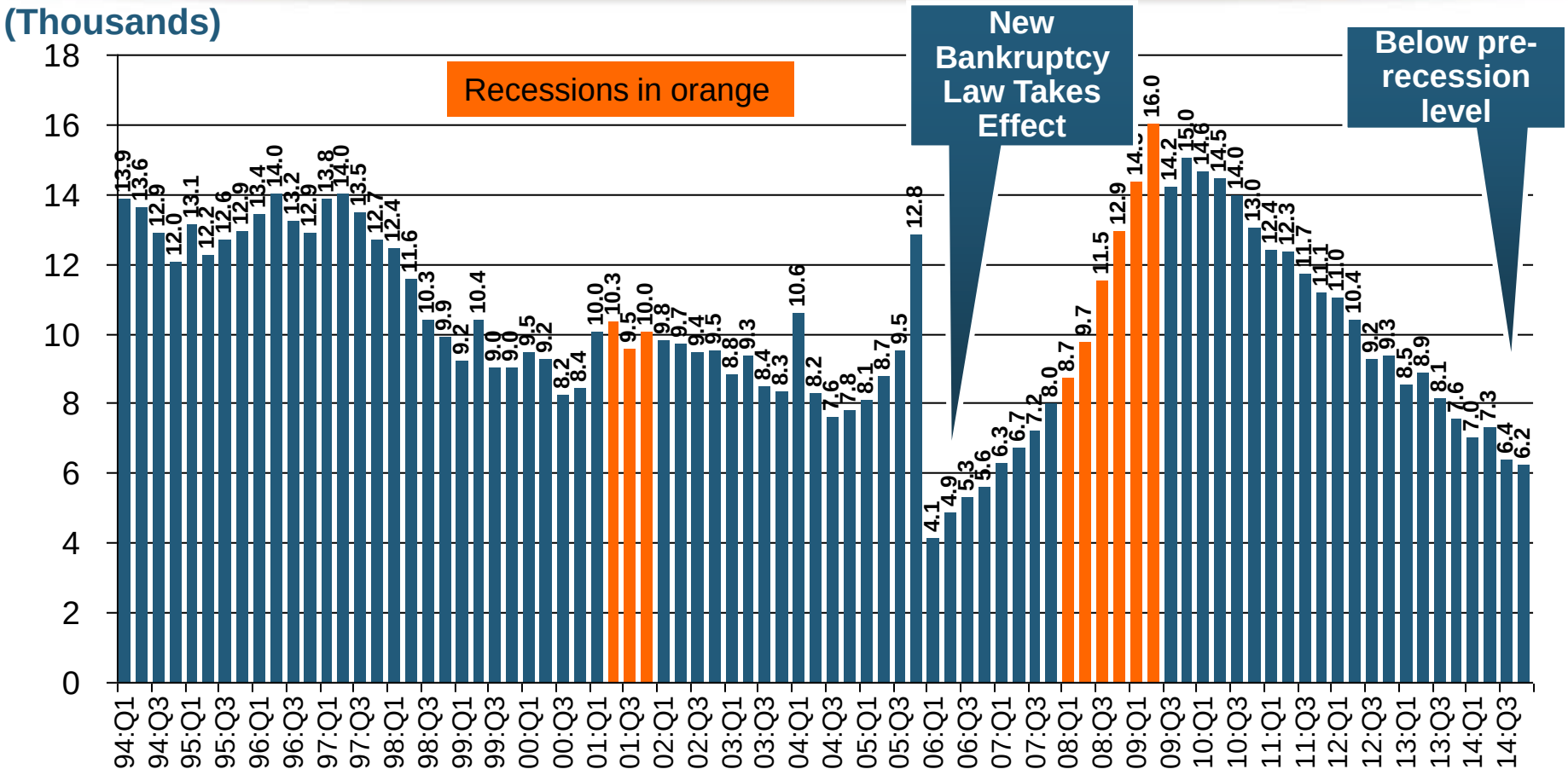
NFIB Small Business Optimism Index

January 1985 through February 2015



Source: National Federation of Independent Business at http://www.advisorperspectives.com/dshort/charts/indicators/Sentiment.html?NFIB-optimism-index.gif ; Insurance Information Institute.

Business Bankruptcy Filings: Still Falling
(1994:Q1 – 2014:Q4)



Business bankruptcies in 2014 were below both the Great Recession levels and the 2003:Q3-2005:Q1 period (the best five-quarter stretch in the last 20 years). Bankruptcies restrict exposure growth in all commercial lines.

Sources: U.S. Courts at http://www.uscourts.gov/; Insurance Information Institute

Business Bankruptcy Filings, 1980-2014

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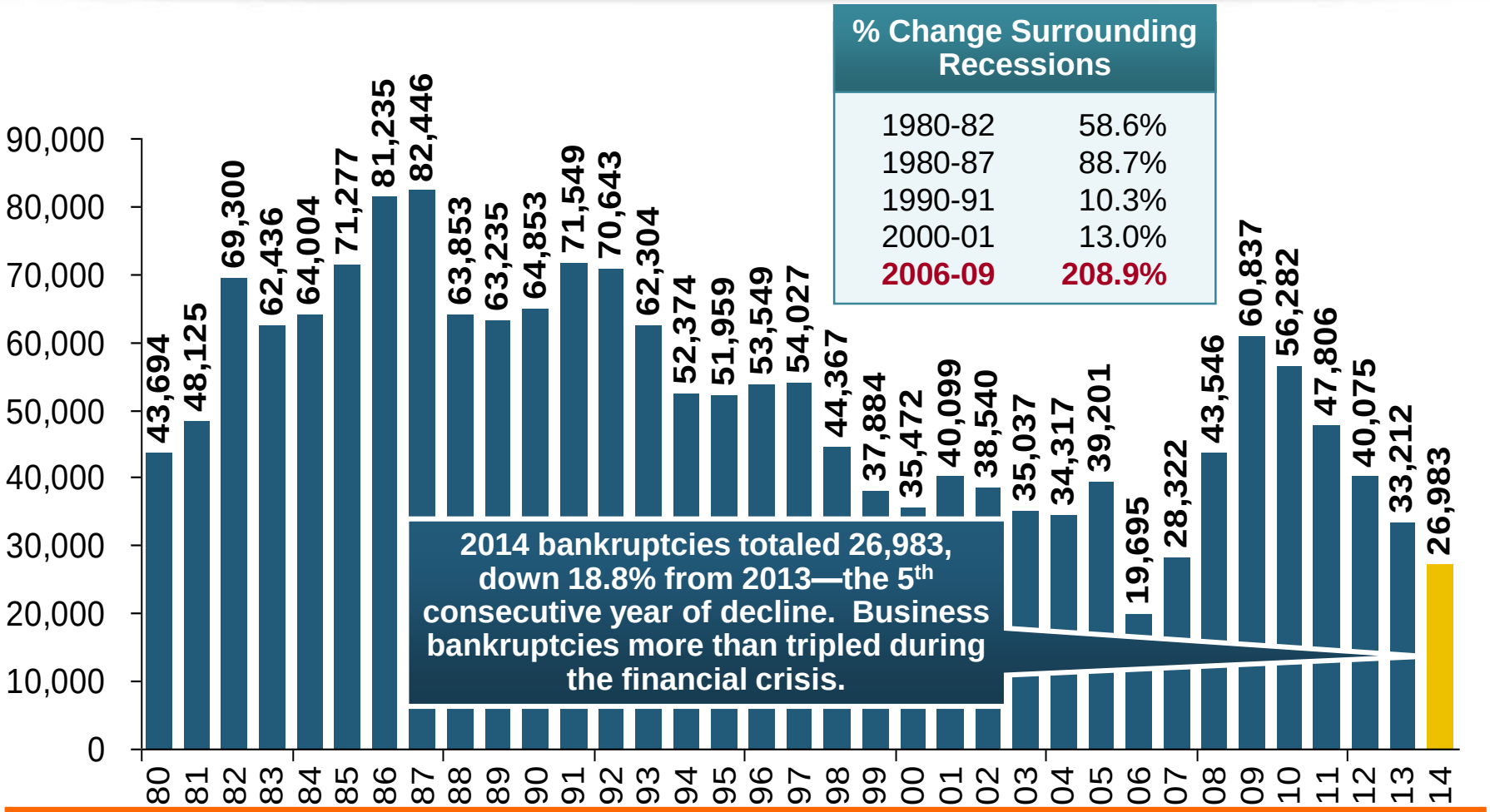

Significant Exposure Implications for All Commercial Lines as Business Bankruptcies Begin to Decline

Sources: American Bankruptcy Institute (1980-2012) at http://www.abiworld.org/AM/AMTemplate.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=61633; 2013-14 data from United States Courts at http://news.uscourts.gov; Insurance Information Institute.

Private Sector Business Starts: 1993:Q2 – 2013:Q4* As Strong as Ever?

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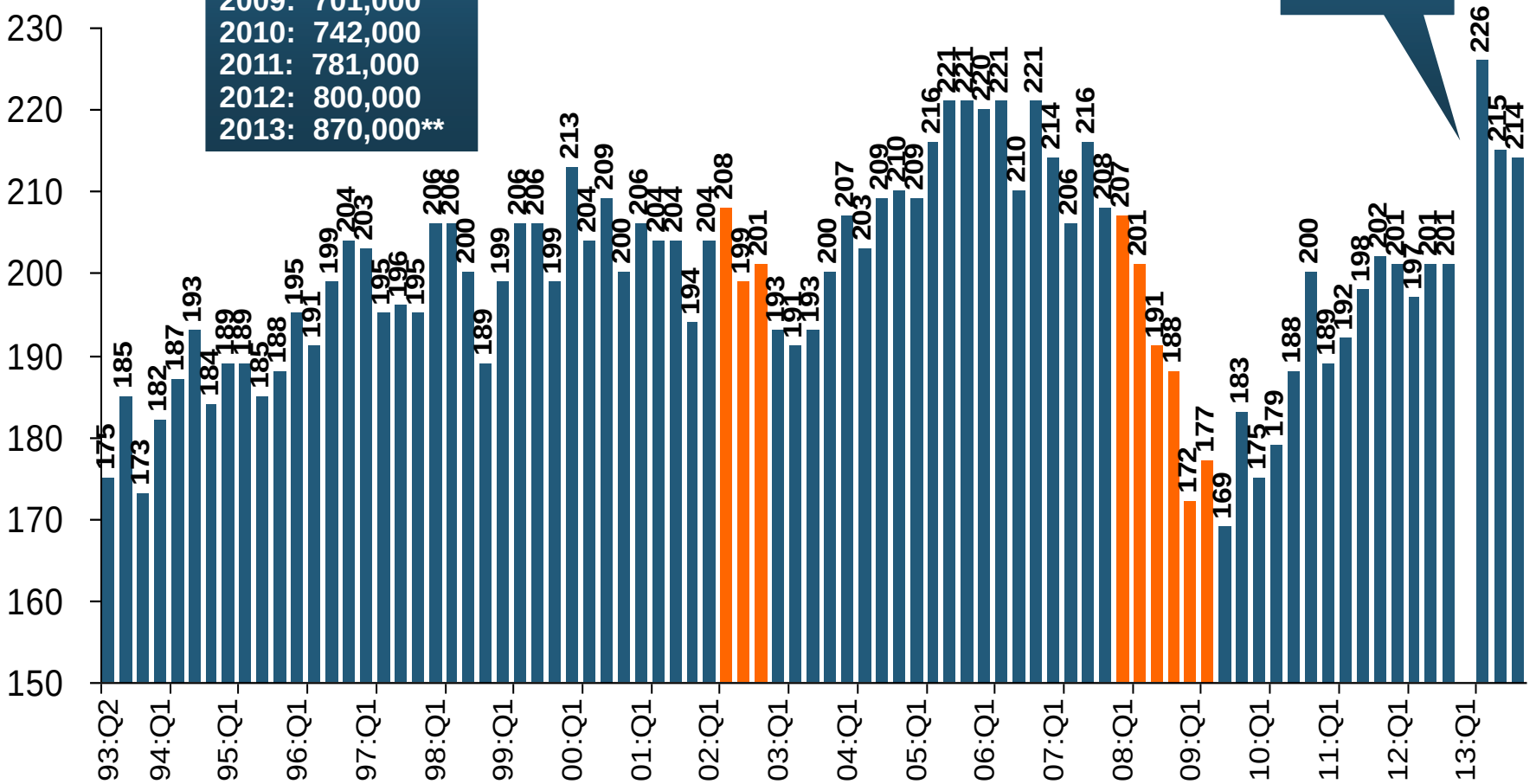
Business Starts
2006: 861,000
2007: 844,000
2008: 787,000
2009: 701,000
2010: 742,000
2011: 781,000
2012: 800,000
2013: 870,000**

Recessions in orange

2013:Q1 578,000 business starts*



*Data posted Apr 29, 2014, the latest available; a classification change in 2013:Q1 resulted in a report of 578,000 businesses started in that quarter. Seasonally adjusted. **2014 number assumes 1st quarter equaled average of other three quarters

Sources: Bureau of Labor Statistics, http://www.bls.gov/news.release/cewbd.t08.htm. NBER (recession dates)

ISM Non-Manufacturing Index *(Values > 50 Indicate Expansion)*

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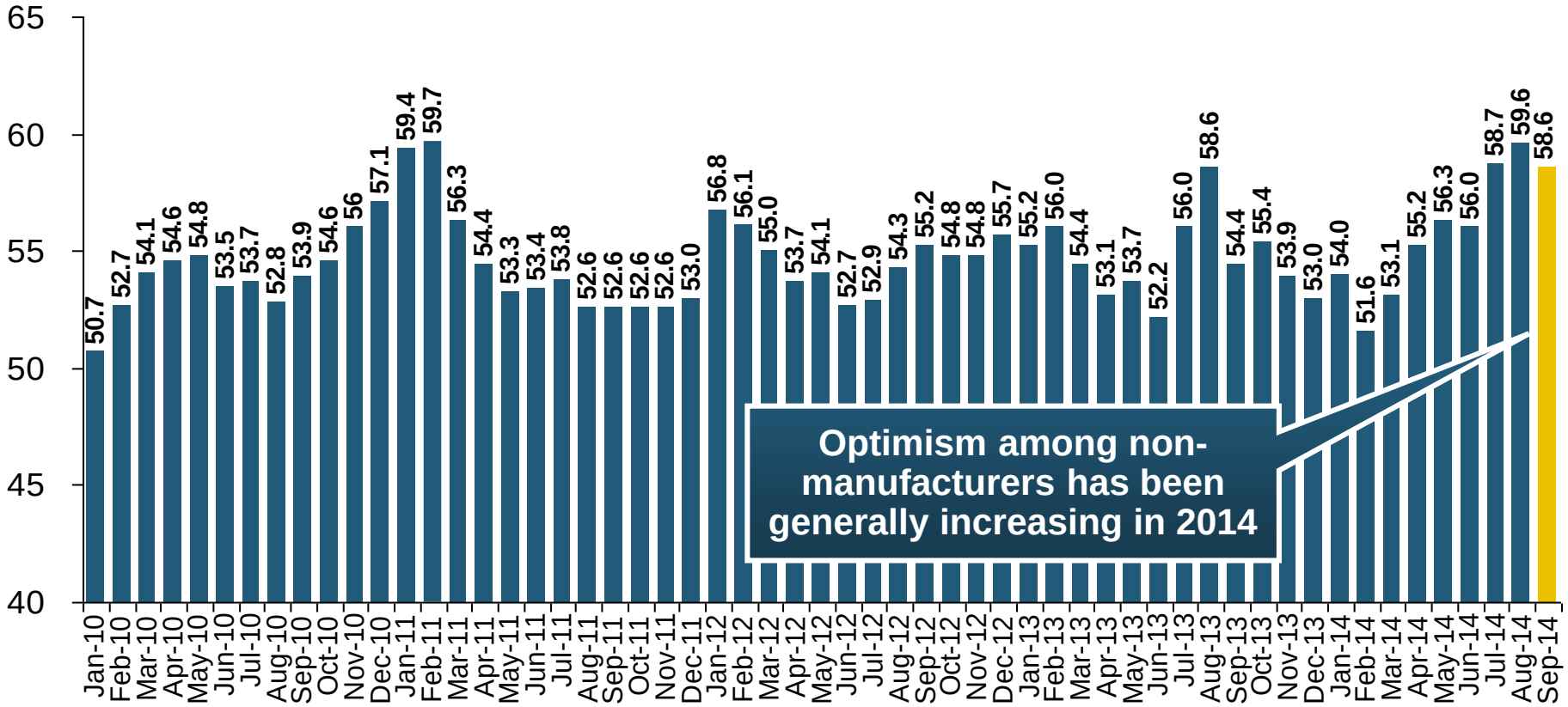
January 2010 through September 2014



Non-manufacturing industries have been expanding and adding jobs. This trend is likely to continue through 2014.

Source: Institute for Supply Management at http://www.ism.ws/ismreport/nonmfgrob.cfm; Insurance Information Institute.

12 Industries for the Next 10 Years: Insurance Solutions Needed

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

Many industries are poised for growth, though insurers' ability to capitalize on these industries varies widely

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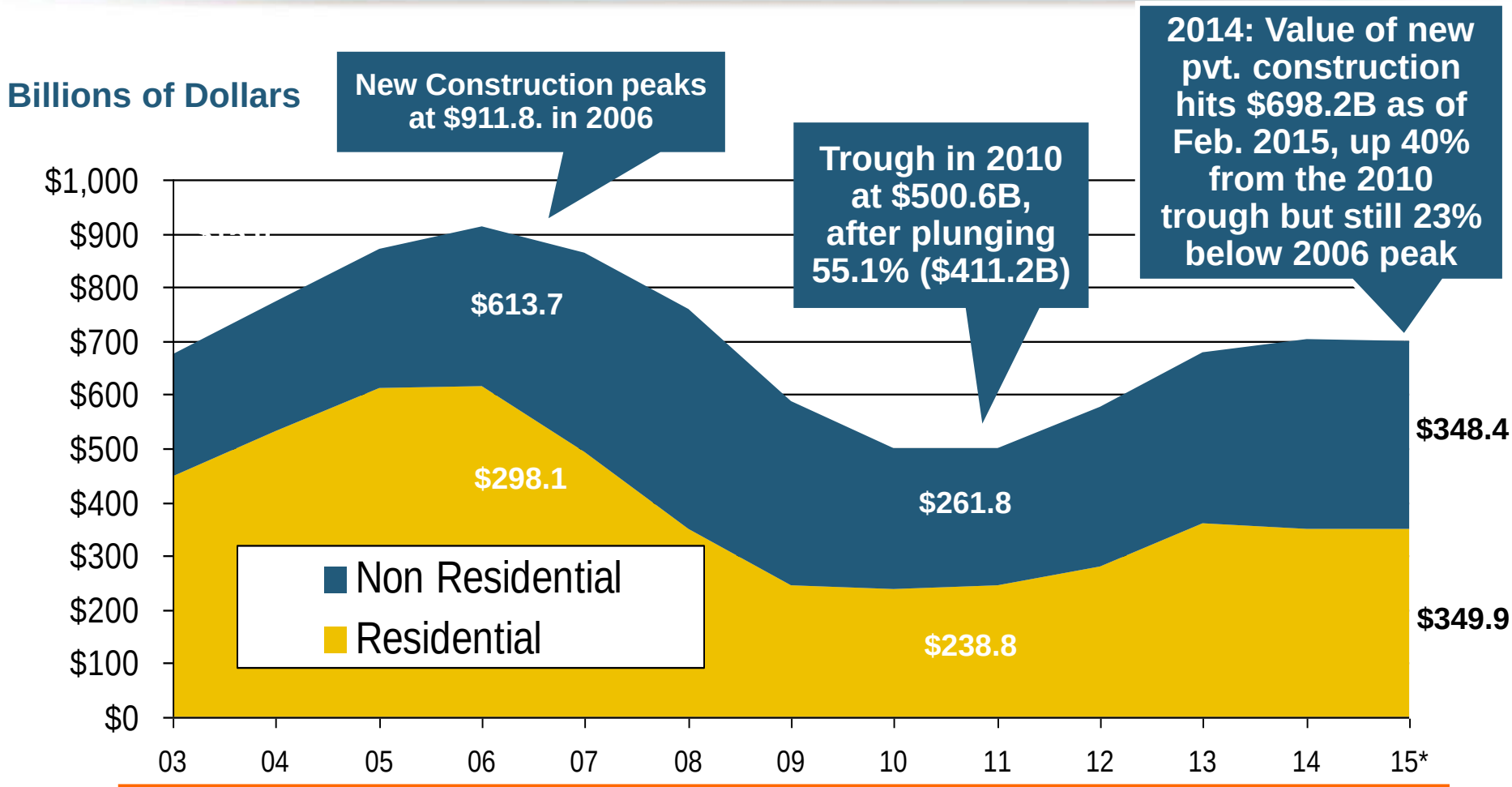
CONSTRUCTION INDUSTRY OVERVIEW & OUTLOOK

The Construction Sector Is Critical to the Economy and the P/C Insurance Industry

Value of New Private Construction: Residential & Nonresidential, 2003-2015*

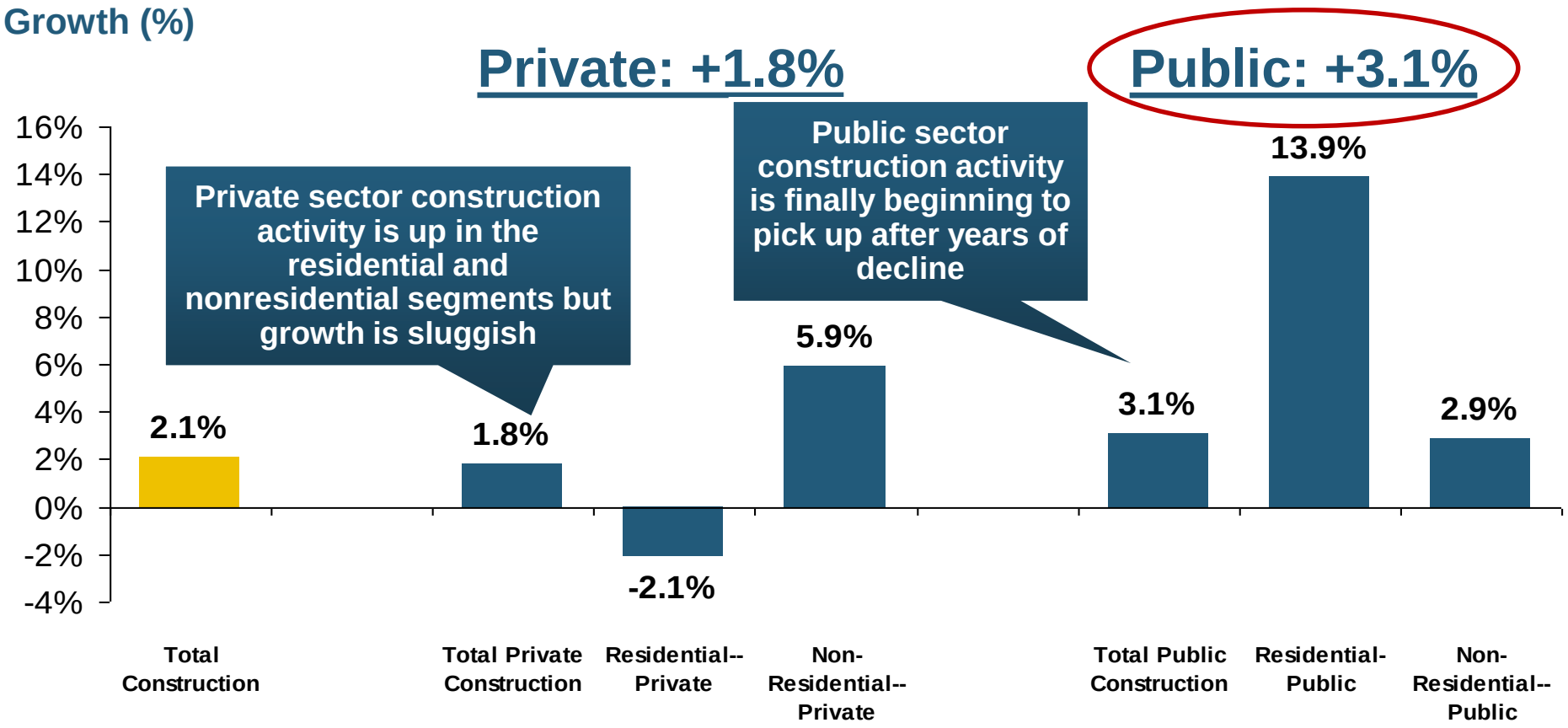


Private Construction Activity Is Moving in a Positive Direction though Remains Well Below Pre-Crisis Peak; Residential Dominates

*2015 figure is a seasonally adjusted annual rate as of February.

Sources: US Department of Commerce http://www.census.gov/construction/c30/c30index.html ; Insurance Information Institute.

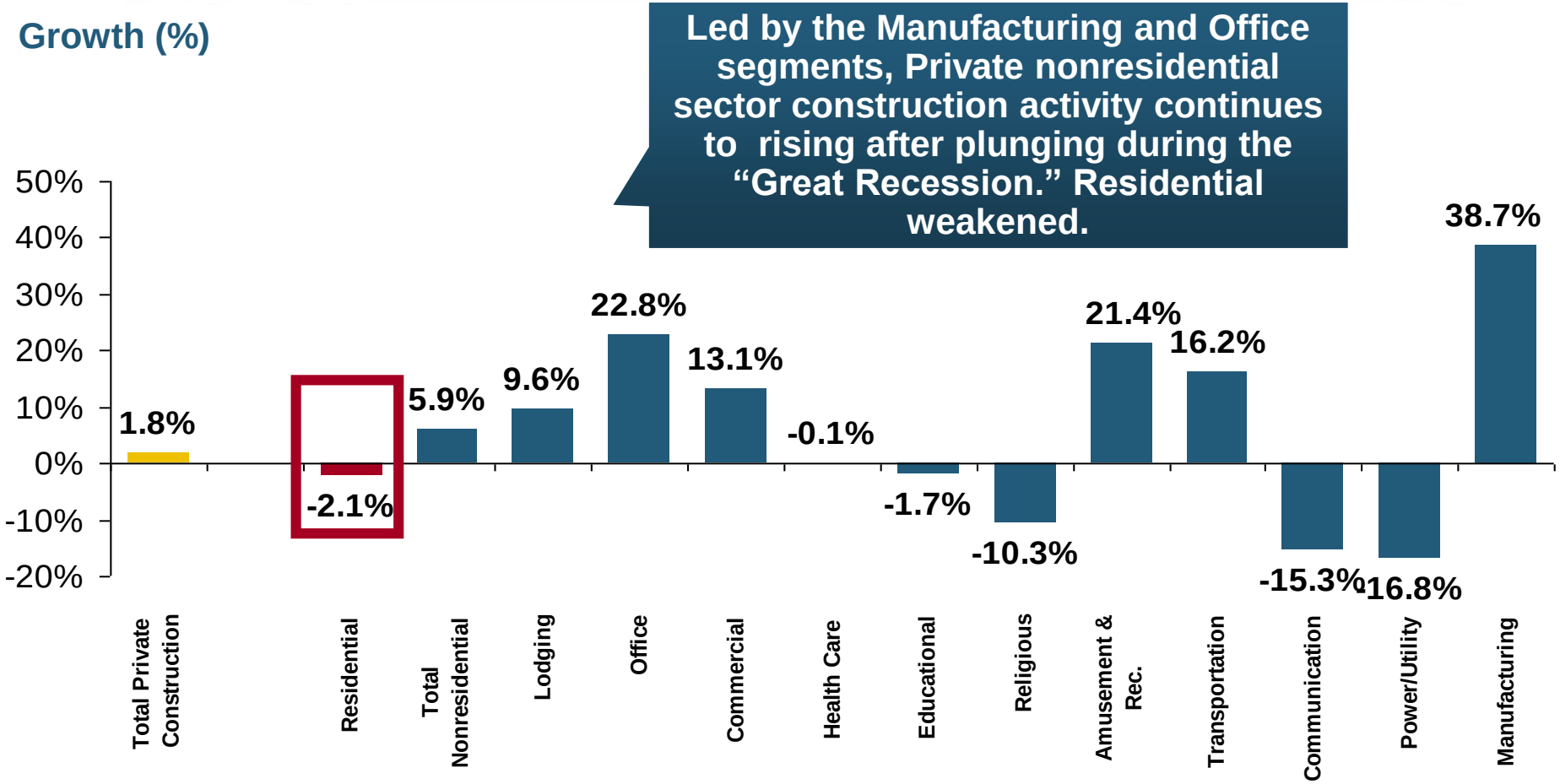
Value of Construction Put in Place, Feb. 2015 vs. Feb. 2014*



Overall Construction Activity is Up, But Growth In the Private Sector Slowed in Late 2014 While Picking in the State/Local Sector Government Sector as Budget Woes Ease in Some Jurisdictions

*seasonally adjusted
Source: U.S. Census Bureau, http://www.census.gov/construction/c30/c30index.html ; Insurance Information Institute.

Value of Private Construction Put in Place, by Segment, Feb. 2015 vs. Feb. 2014*



Private Construction Activity is Up in Many Segments, though the Key Residential Construction Sector Weakened in Late 2014/Early 2015; Mixed Outlook for 2015, though Expansion Should Continue

*seasonally adjusted
Source: U.S. Census Bureau, http://www.census.gov/construction/c30/c30index.html ; Insurance Information Institute.

Value of Public Construction Put in Place, by Segment, Feb. 2015 vs. Feb. 2014*

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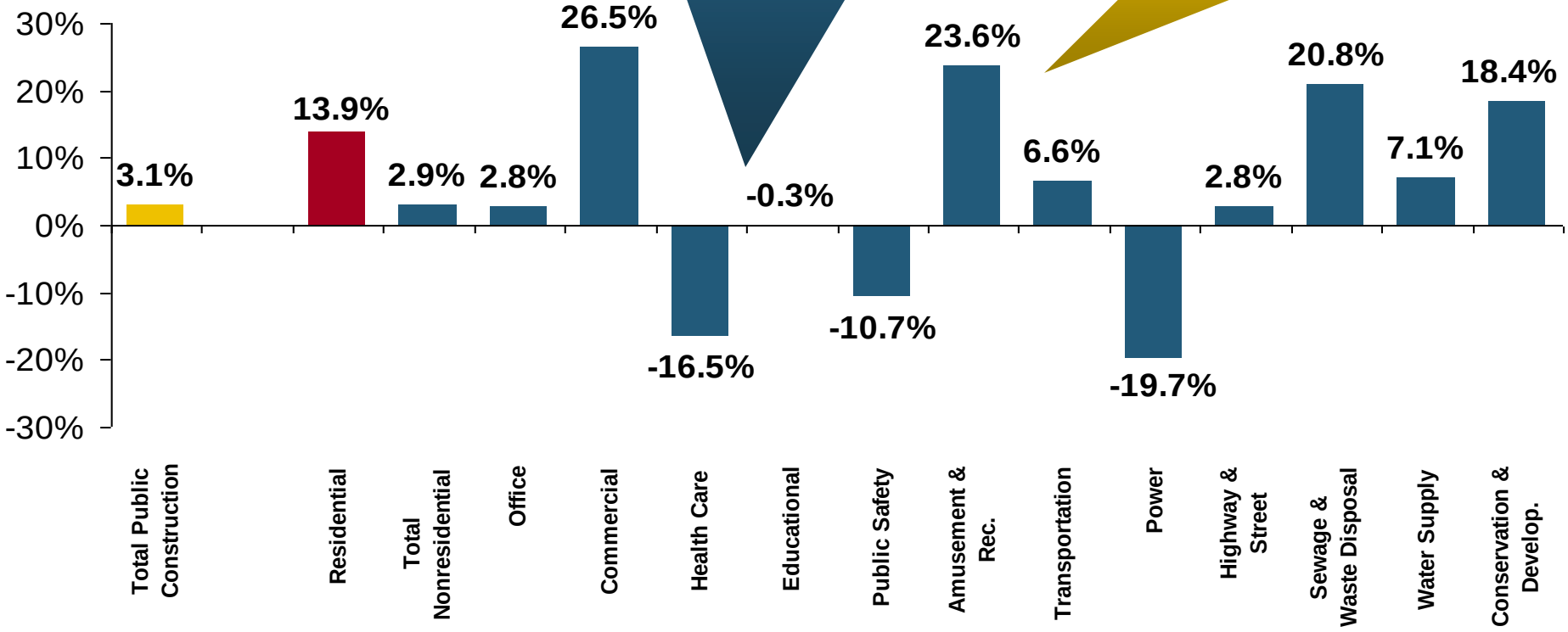
Growth (%)

Public sector construction activity is down substantially in many segments, a situation that will likely persist, dragging on public entity risk exposures

Amusement & Recreation, Sewage & Waste Disposal and Commercial projects lead public sector construction



Public Construction Activity is Beginning to Recover from its Long Contraction which Will Drive Demand in Many Commercial Insurance Lines

*seasonally adjusted

Source: U.S. Census Bureau, http://www.census.gov/construction/c30/c30index.html ; Insurance Information Institute.

Real (Inflation-Adjusted) Nonresidential Construction, 2000-2014*

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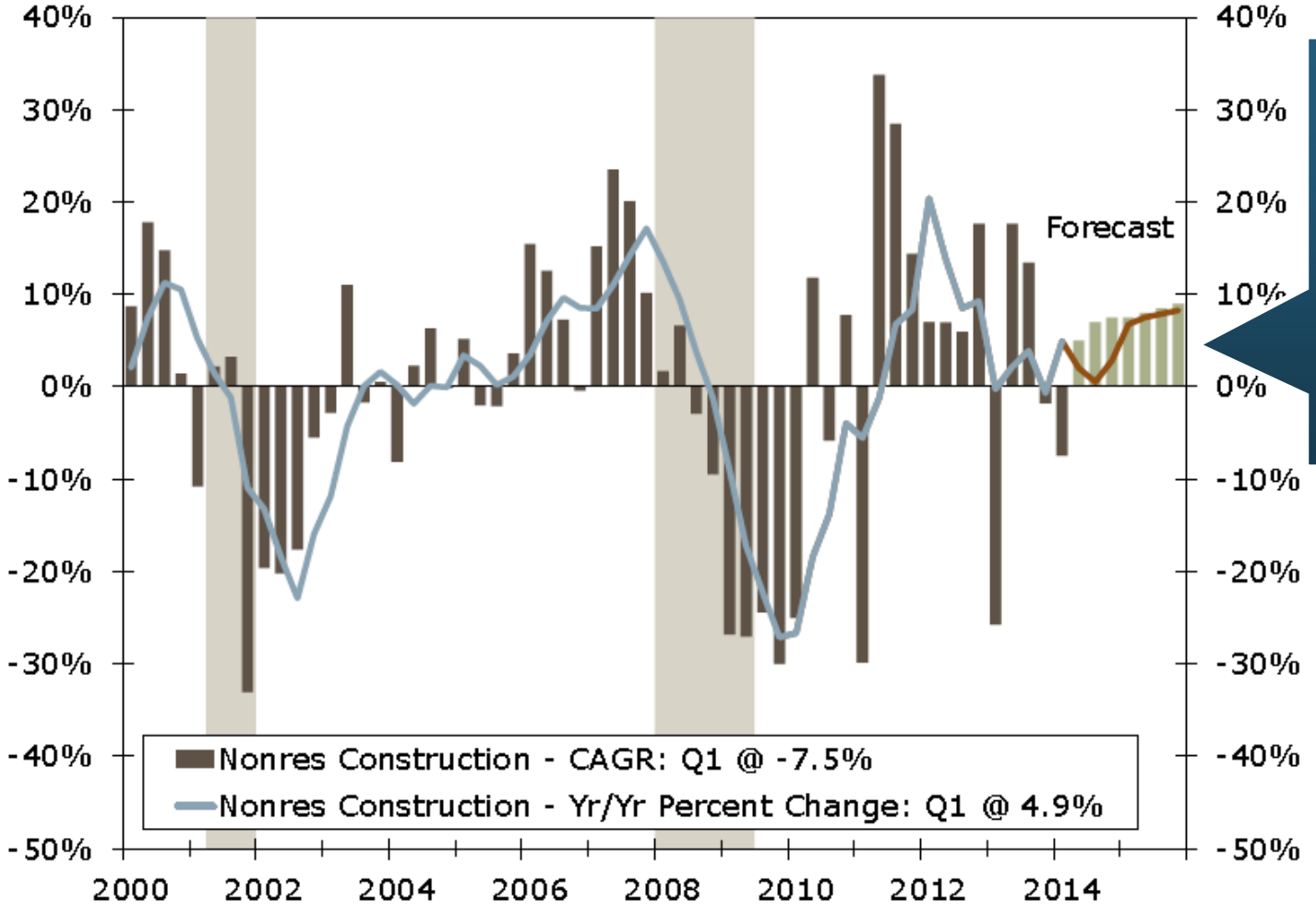
(Bar = CAGR; Line = Y/Y Growth Rate)

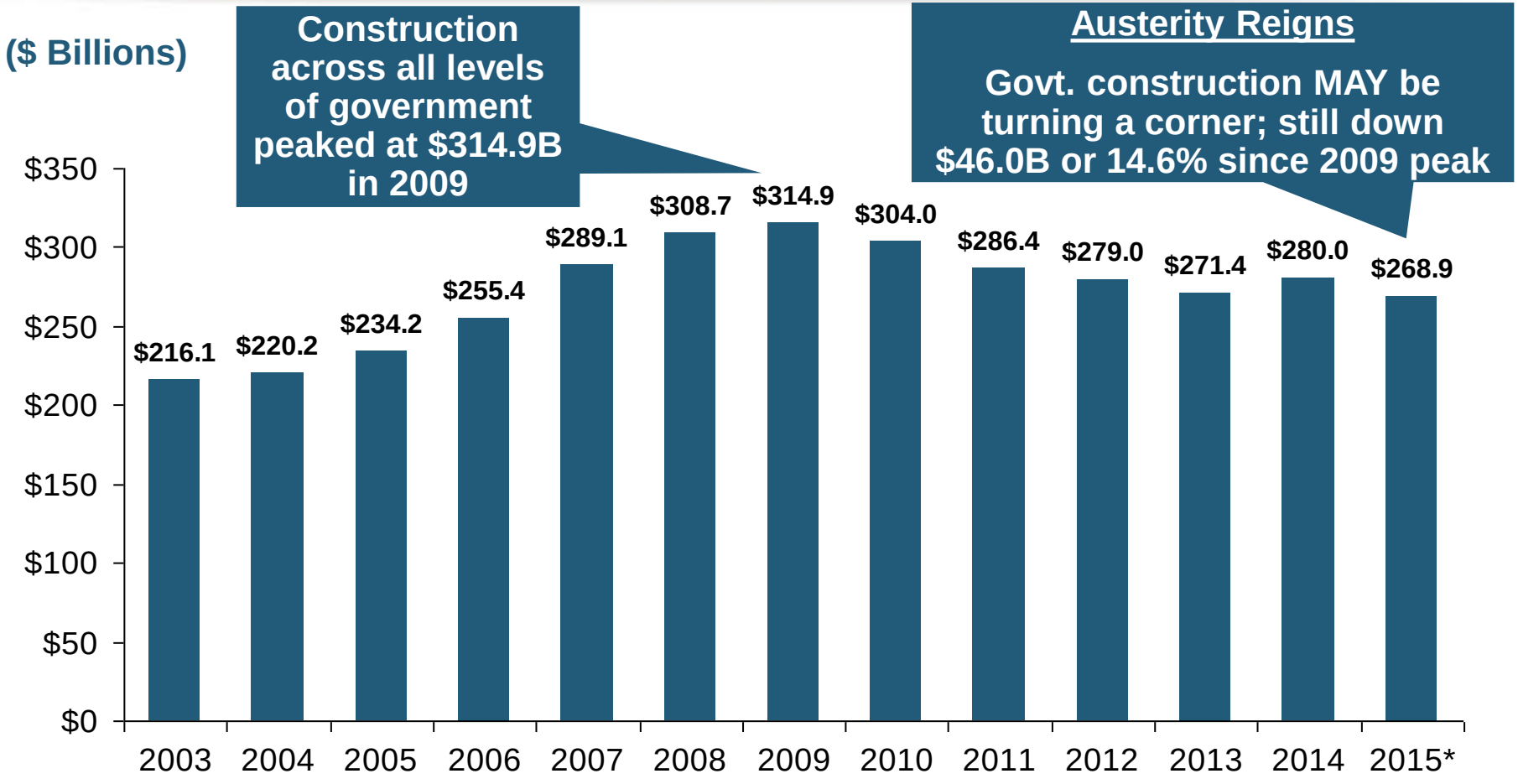


Construction activity has generally been positive since late 2010 but has occasionally be erratic. Forecast is for slowing improving growth

*Through Q1 2014.

Source: US Dept. of Commerce; Wells Fargo Securities (June 6, 2014 research report).

Value of New Federal, State and Local Government Construction: 2003-2015*

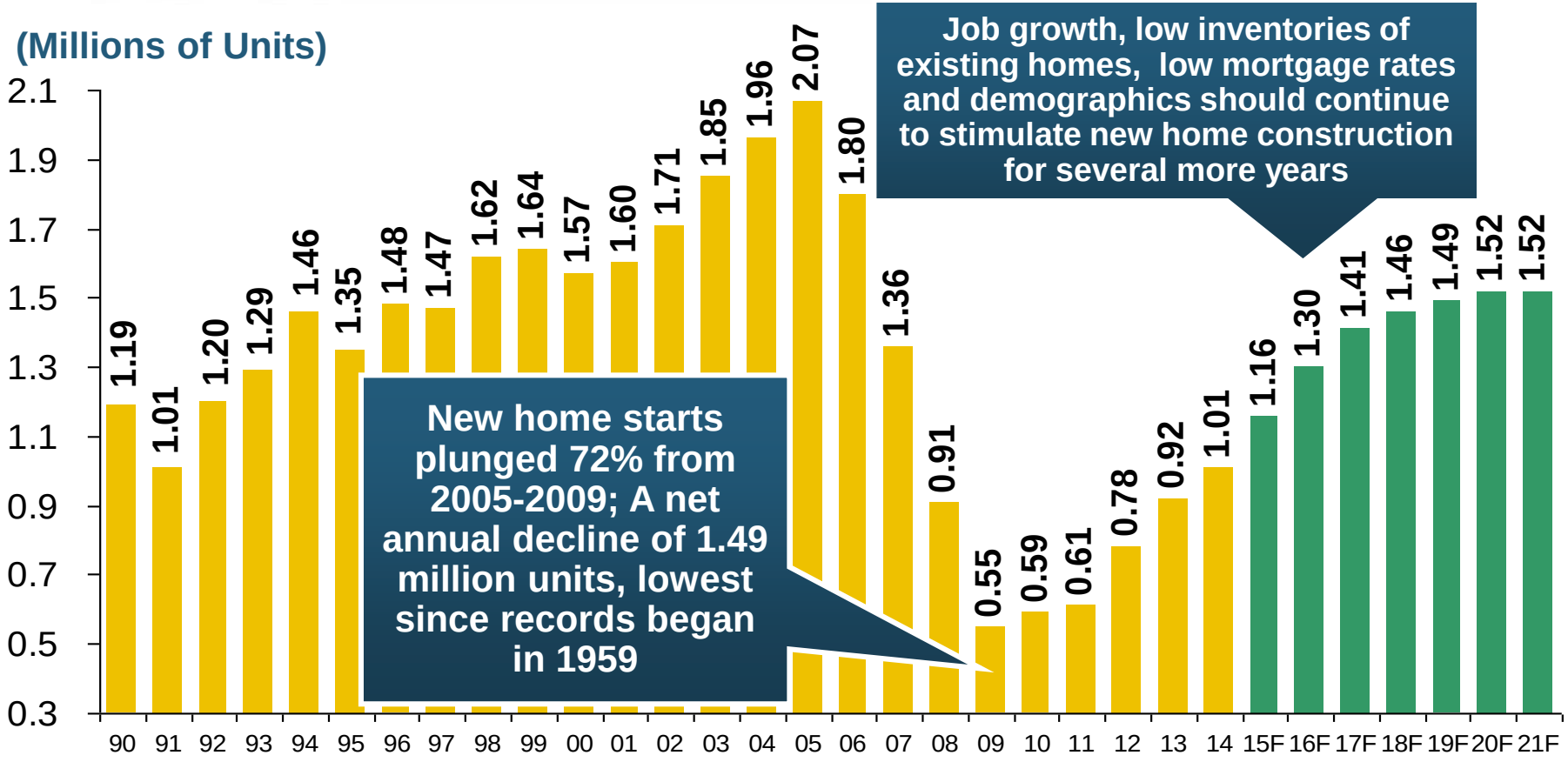


Government Construction Spending Peaked in 2009, Helped by Stimulus Spending, but Contracted As State/Local Governments Grappled with Deficits and Federal Sequestration

*2014 figure is a seasonally adjusted annual rate as of December; http://www.census.gov/construction/c30/historical_data.html

Sources: US Department of Commerce; Insurance Information Institute.

New Private Housing Starts, 1990-2021F



Insurers Are Continue to See Meaningful Exposure Growth in the Wake of the "Great Recession" Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (4/15 and 3/15); Insurance Information Institute.

Construction Employment, Jan. 2010—December 2014*

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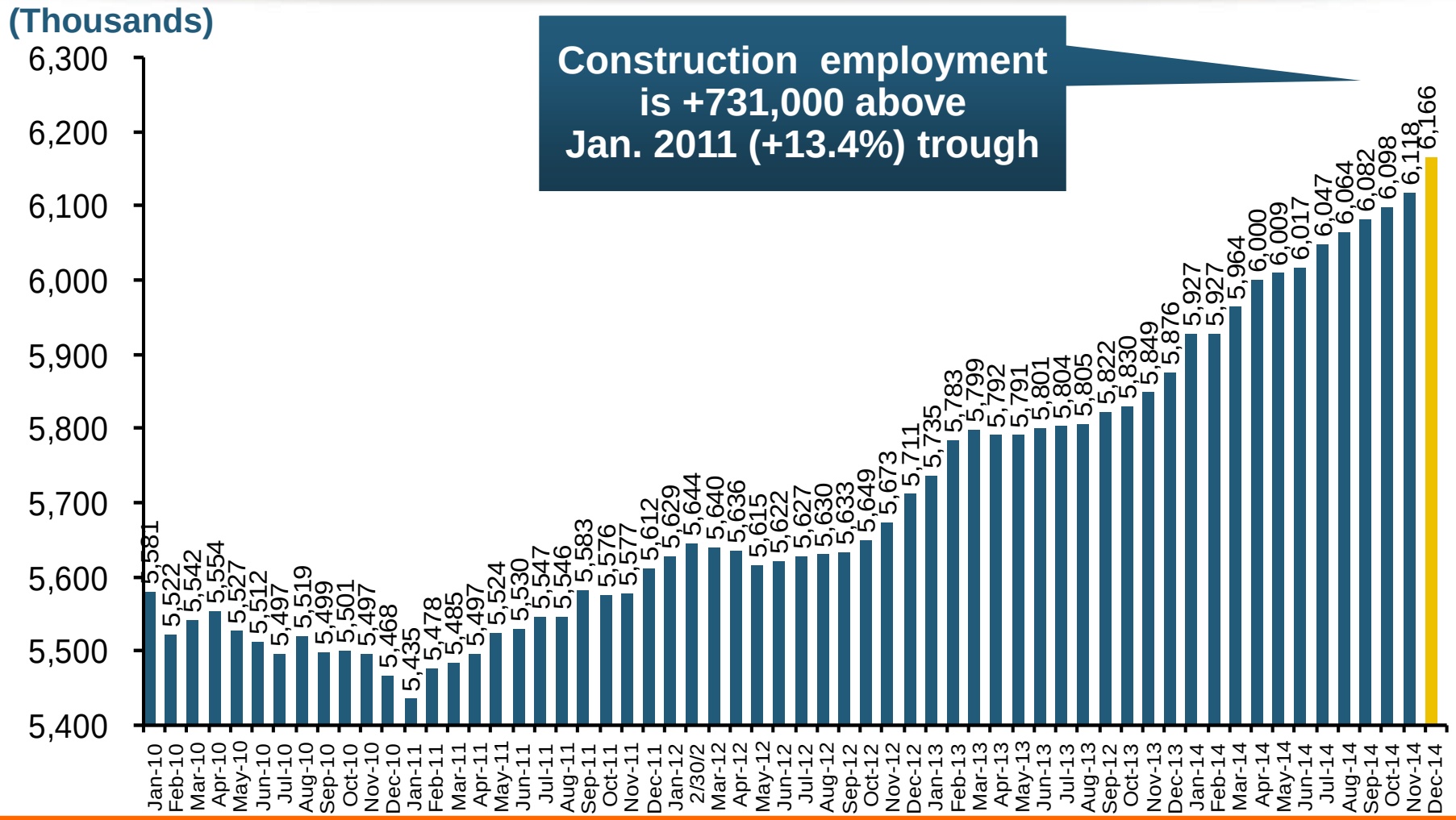
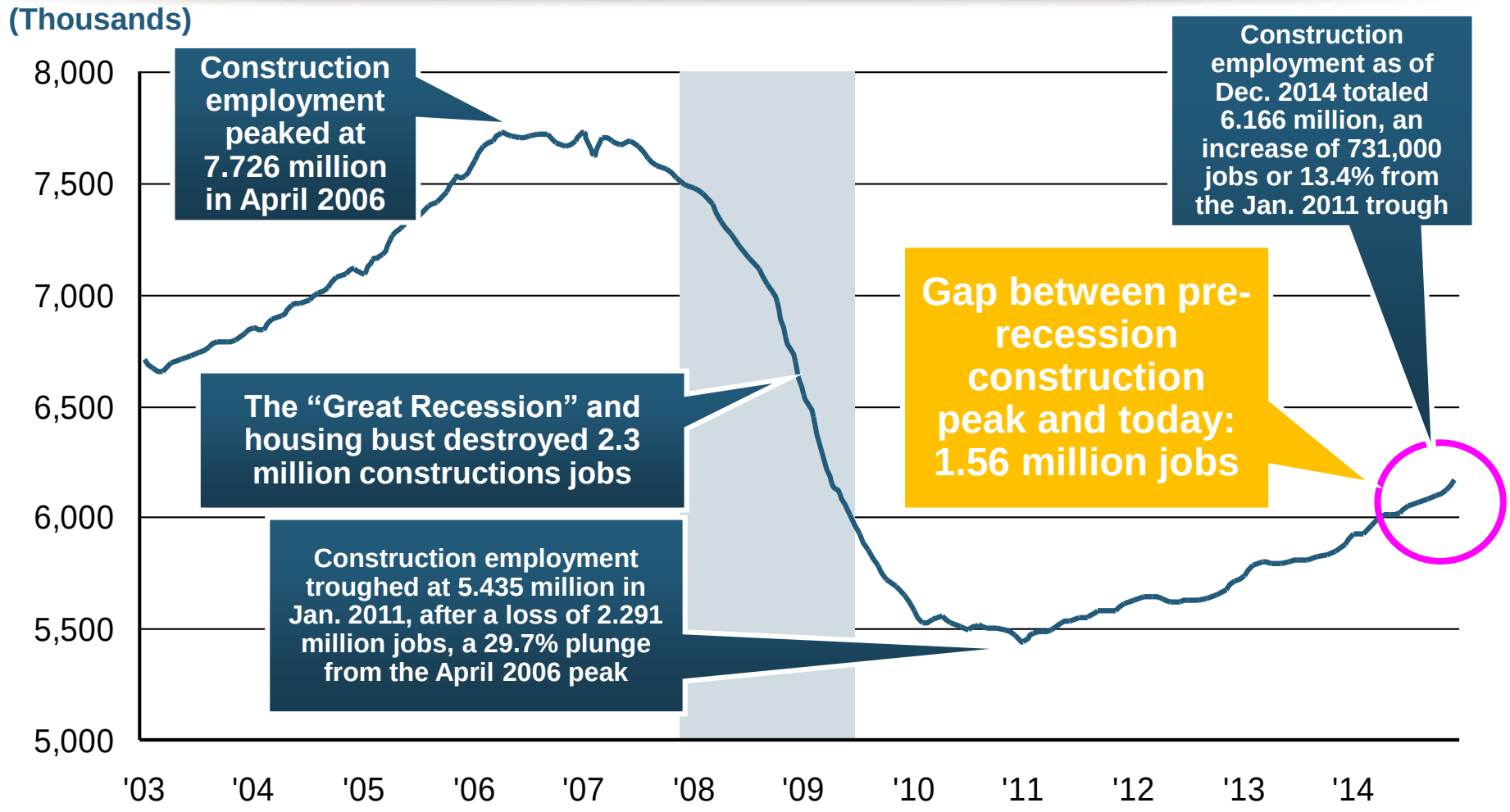


Construction and manufacturing employment constitute 1/3 of all WC payroll exposure.

*Seasonally adjusted.

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

Construction Employment, Jan. 2003–December 2014



The Construction Sector Could Be a Growth Leader in 2014 as the Housing Market, Private Investment and Govt. Spending Recover. WC Insurers Will Benefit.

Note: Recession indicated by gray shaded column.

Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute.

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ENERGY SECTOR: OIL & GAS INDUSTRY FUTURE IS BRIGHT BUT VOLATILE

US Is Becoming an Energy Powerhouse but Fall in Prices Will Have Negative Impact

U.S. Crude Oil Production, 2005-2016P

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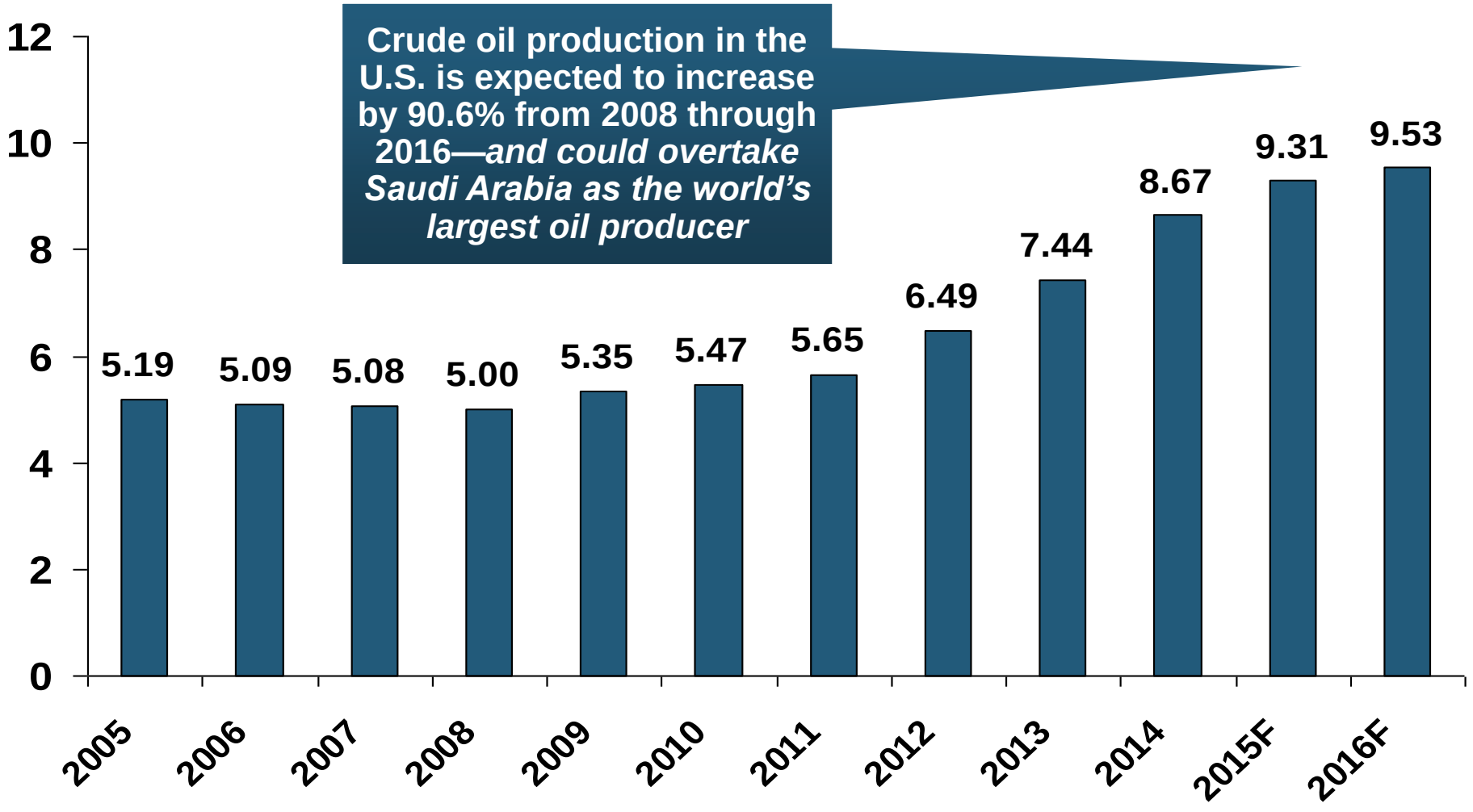
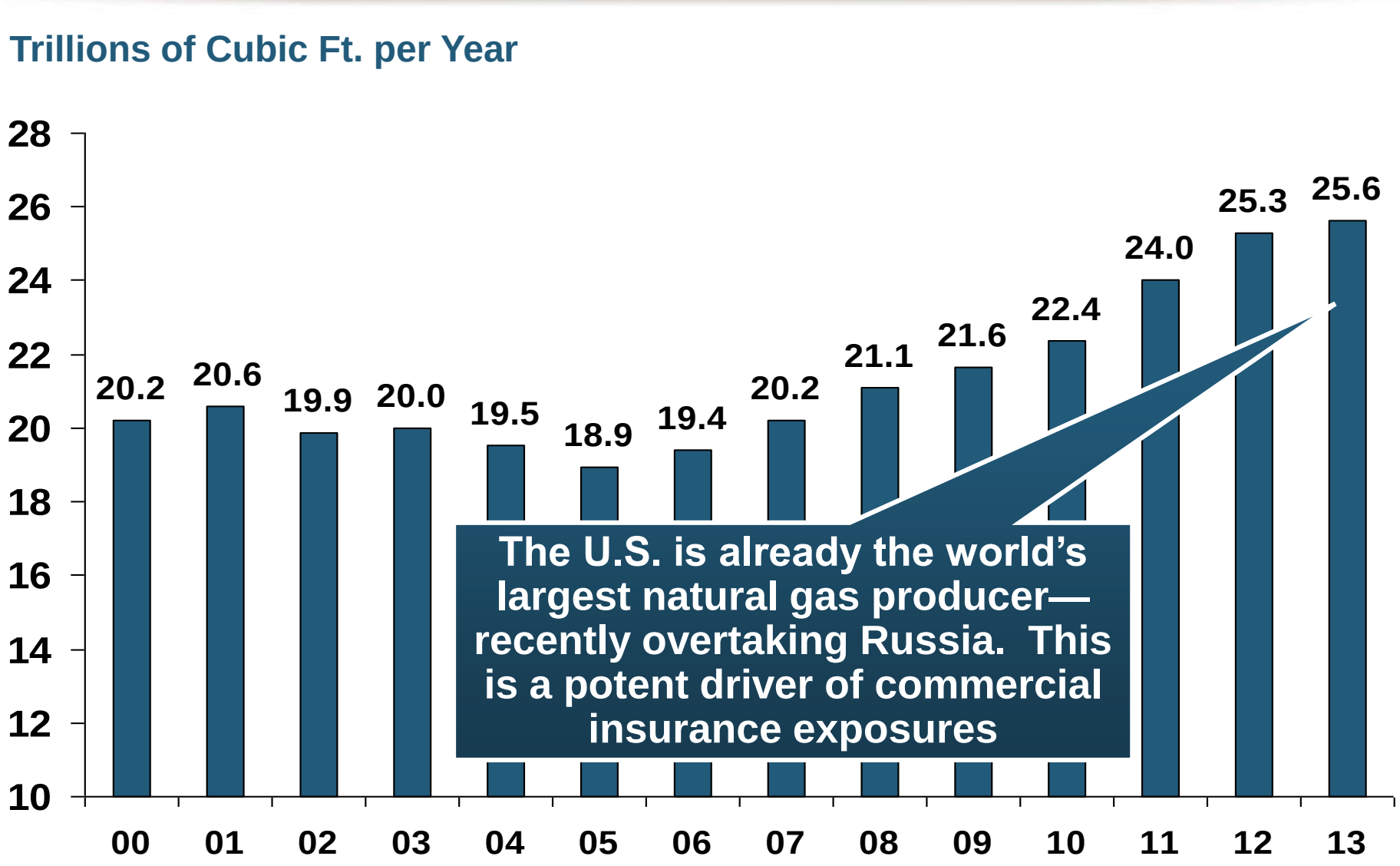
Millions of Barrels per Day



Source: Energy Information Administration, *Short-Term Energy Outlook* (January 15, 2015) , Insurance Information Institute.

U.S. Natural Gas Production, 2000-2013



Source: Energy Information Administration, *Short-Term Energy Outlook* (April 8, 2014) , Insurance Information Institute.

Employment in Oil & Gas Extraction, Jan. 2010—Dec. 2014*

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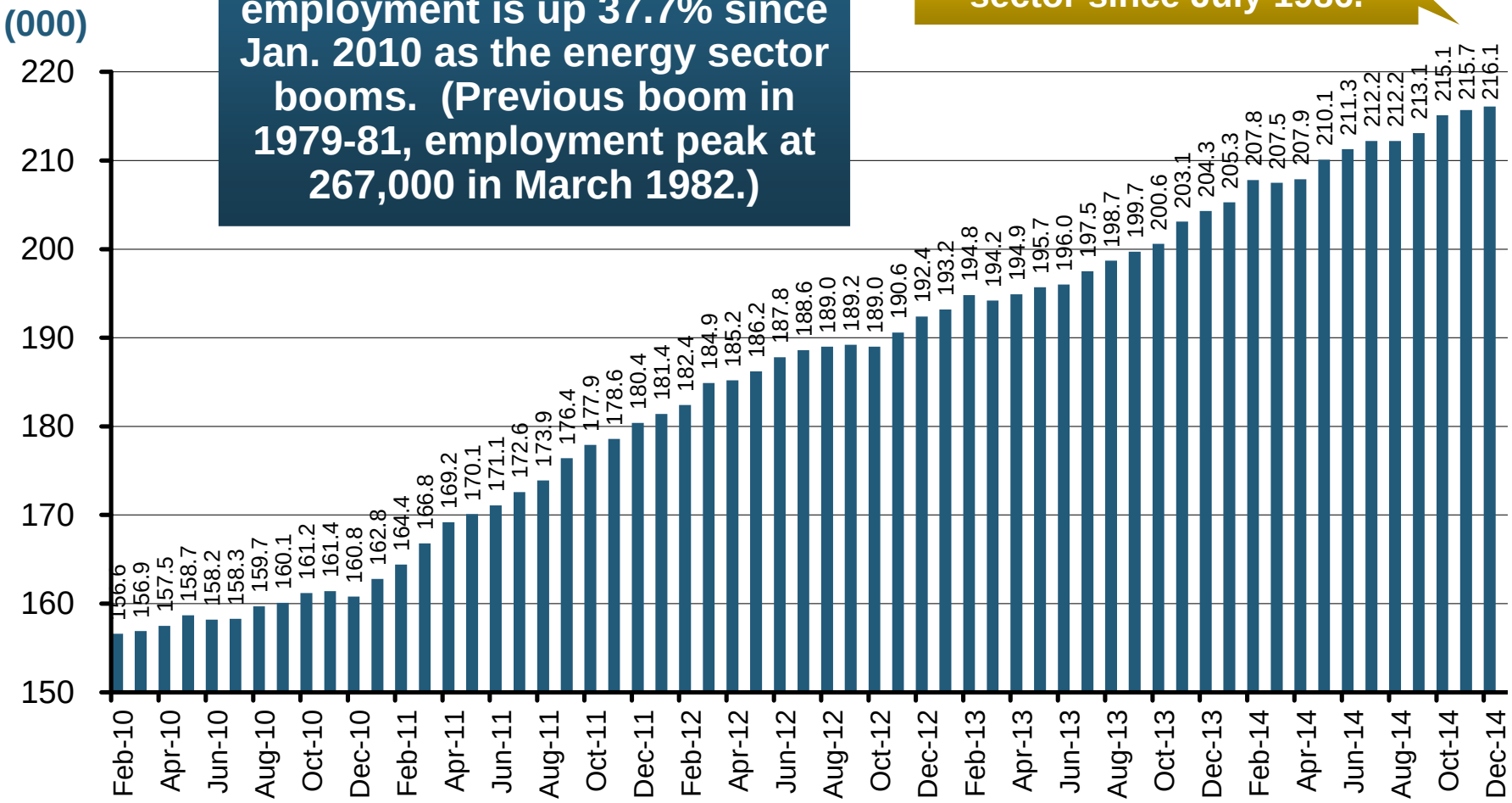
Oil and gas extraction employment is up 37.7% since Jan. 2010 as the energy sector booms. (Previous boom in 1979-81, employment peak at 267,000 in March 1982.)

Highest employment in this sector since July 1986.



*Seasonally adjusted

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

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MANUFACTURING SECTOR OVERVIEW & OUTLOOK

The U.S. Is Experiencing a Mini Manufacturing Renaissance but Headwinds from Weak Export Markets and Strong Dollar

Dollar Value* of Manufacturers' Shipments Monthly, Jan. 1992—February 2015

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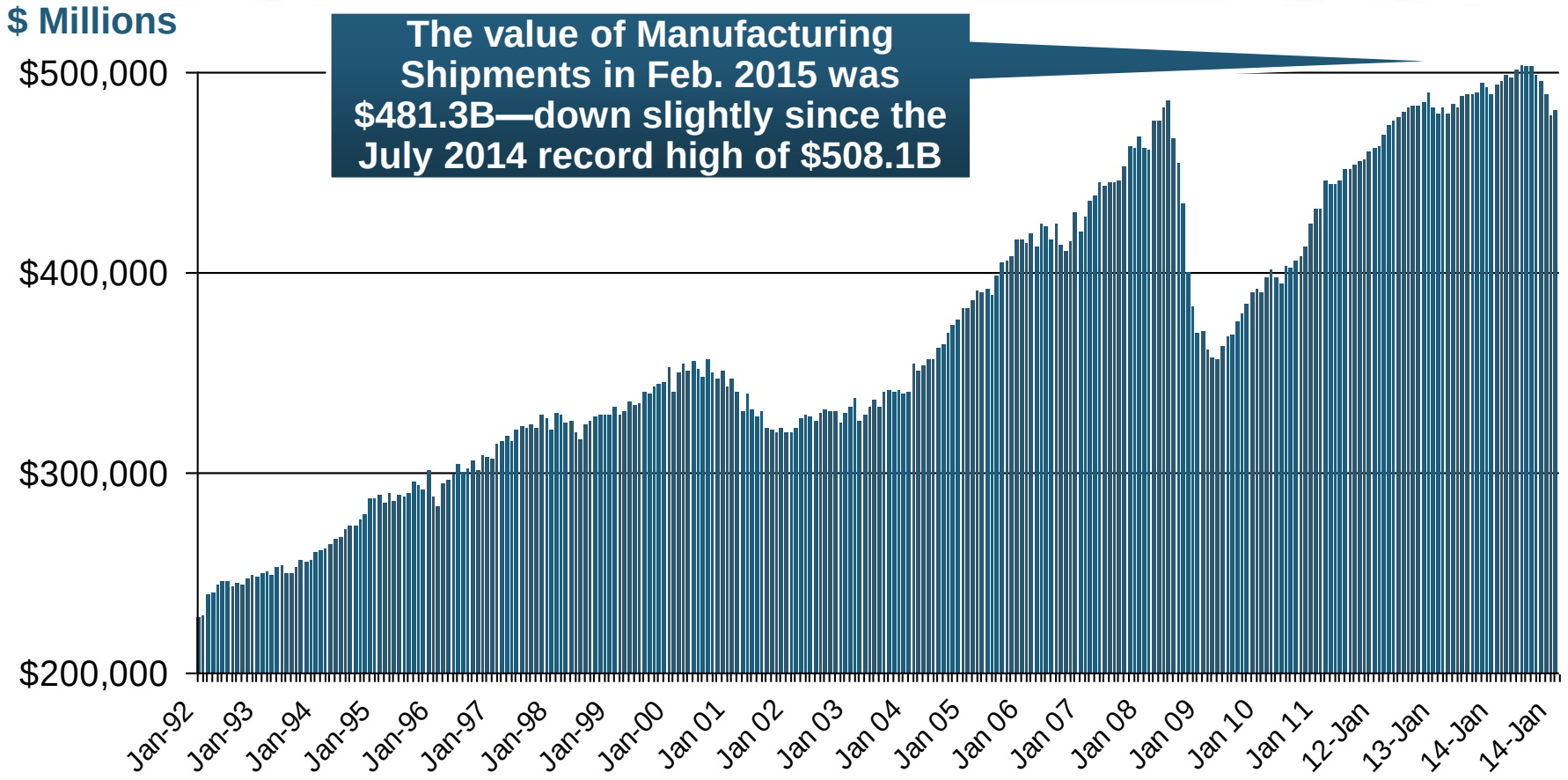

Monthly shipments in Feb. 2015 are similar to pre-crisis (July 2008) peak but has declined in recent months. Manufacturing is energy-intensive and growth leads to gains in many commercial exposures: WC, Commercial Auto, Marine, Property, and various Liability Coverages.

* Seasonally adjusted; Data published Apr. 2, 2015.
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders,* http://www.census.gov/manufacturing/m3/

Manufacturing Growth for Selected Sectors, 2015 vs. 2014*

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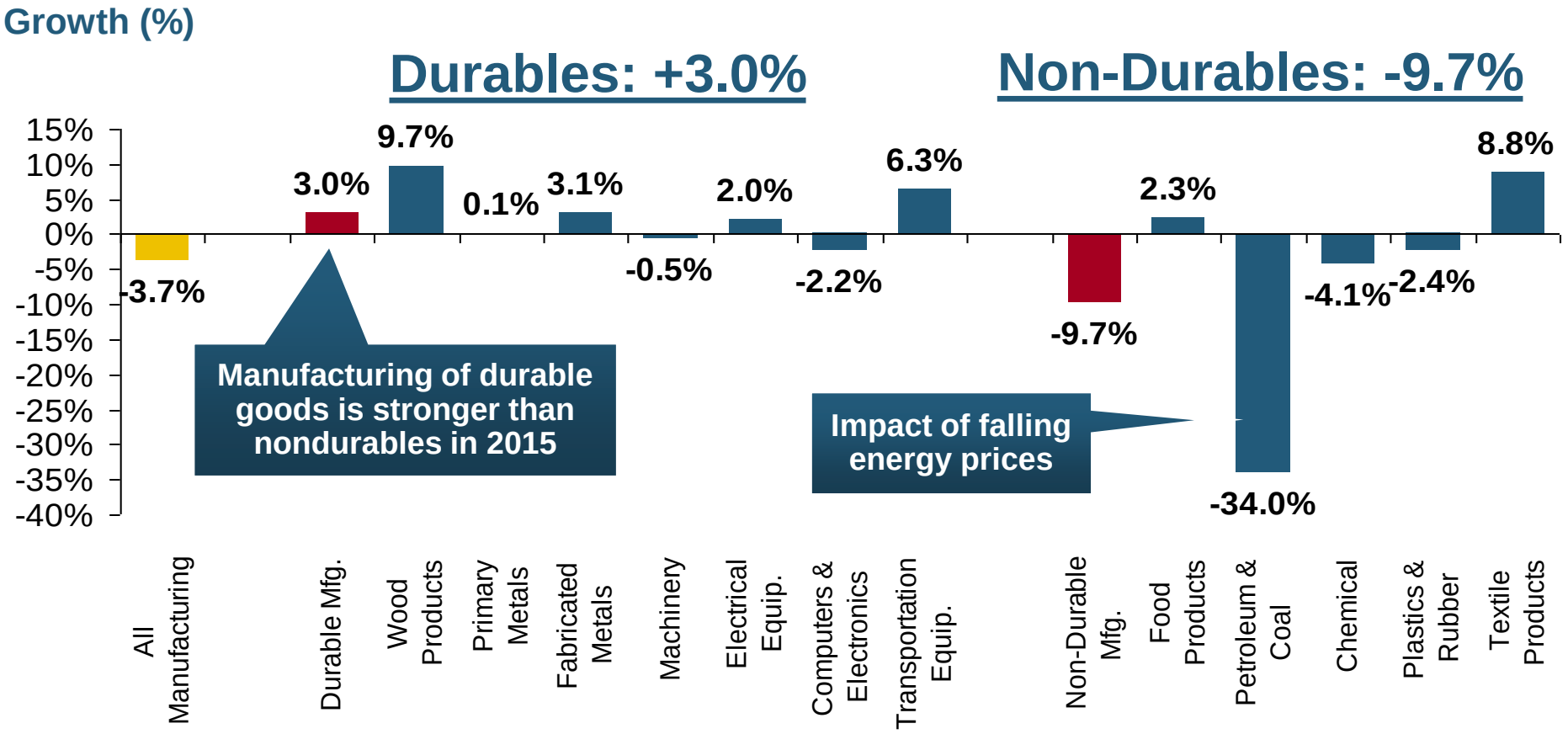
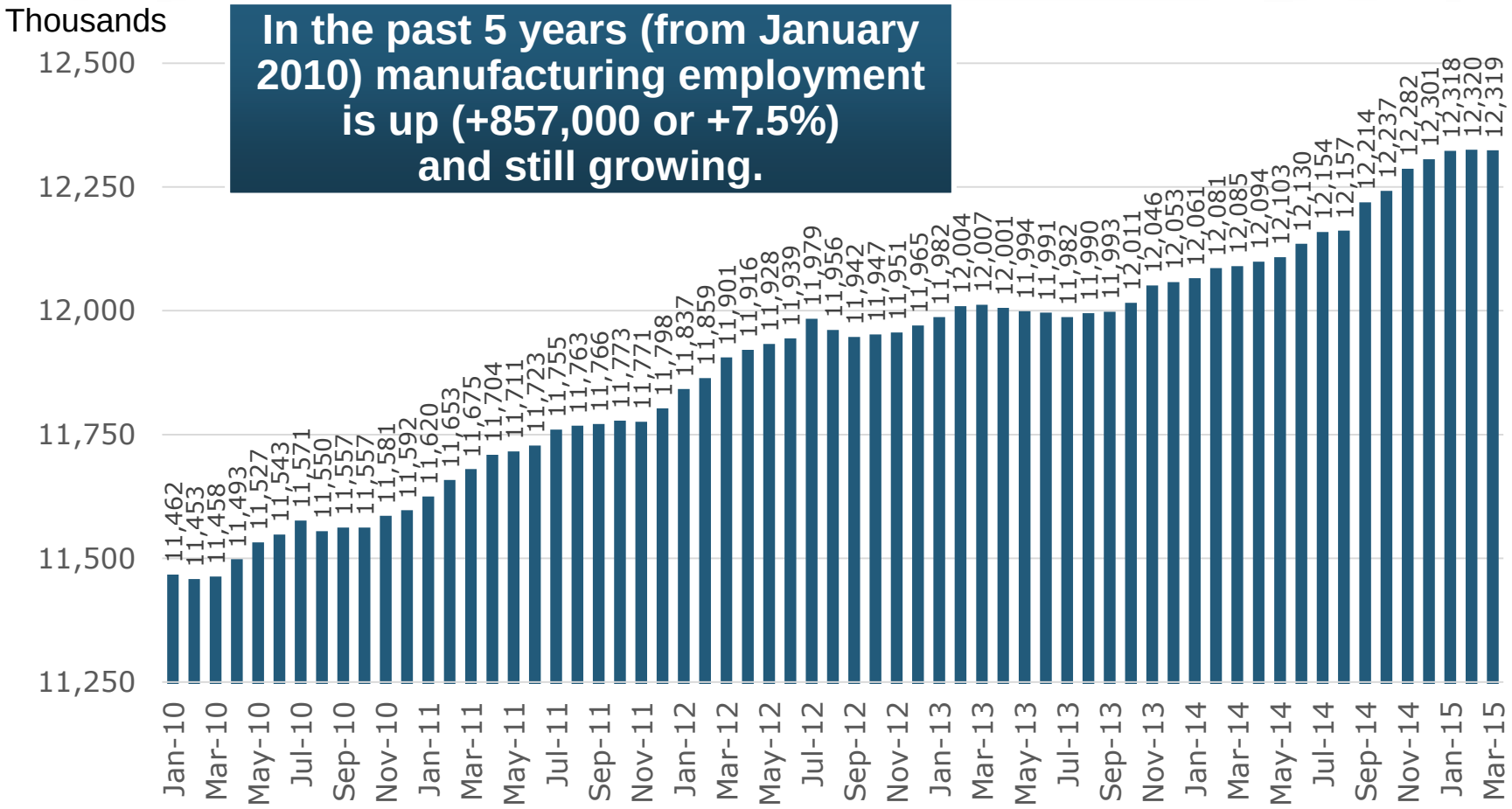


Manufacturing Is Expanding in Many Sectors But Declining Energy Prices Are Dragging Down Industry Figures. Continued Gortwh Across a Number of Sectors that Will Contribute to Growth in Insurable Exposures Including: WC, Commercial Property, Commercial Auto and Many Liability Coverages

*Seasonally adjusted; Date are YTD comparing data through February 2015 to the same period in 2014.
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders,* http://www.census.gov/manufacturing/m3/

Manufacturing Employment, January 2010—March 2015*

INSURANCE INFORMATION INSTITUTE



Manufacturing employment is a surprising source of strength in the economy. Employment in the sector is at a multi-year high.

*Seasonally adjusted; Feb. and Mar. 2015 are preliminary

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

ISM Manufacturing Index *(Values > 50 Indicate Expansion)*

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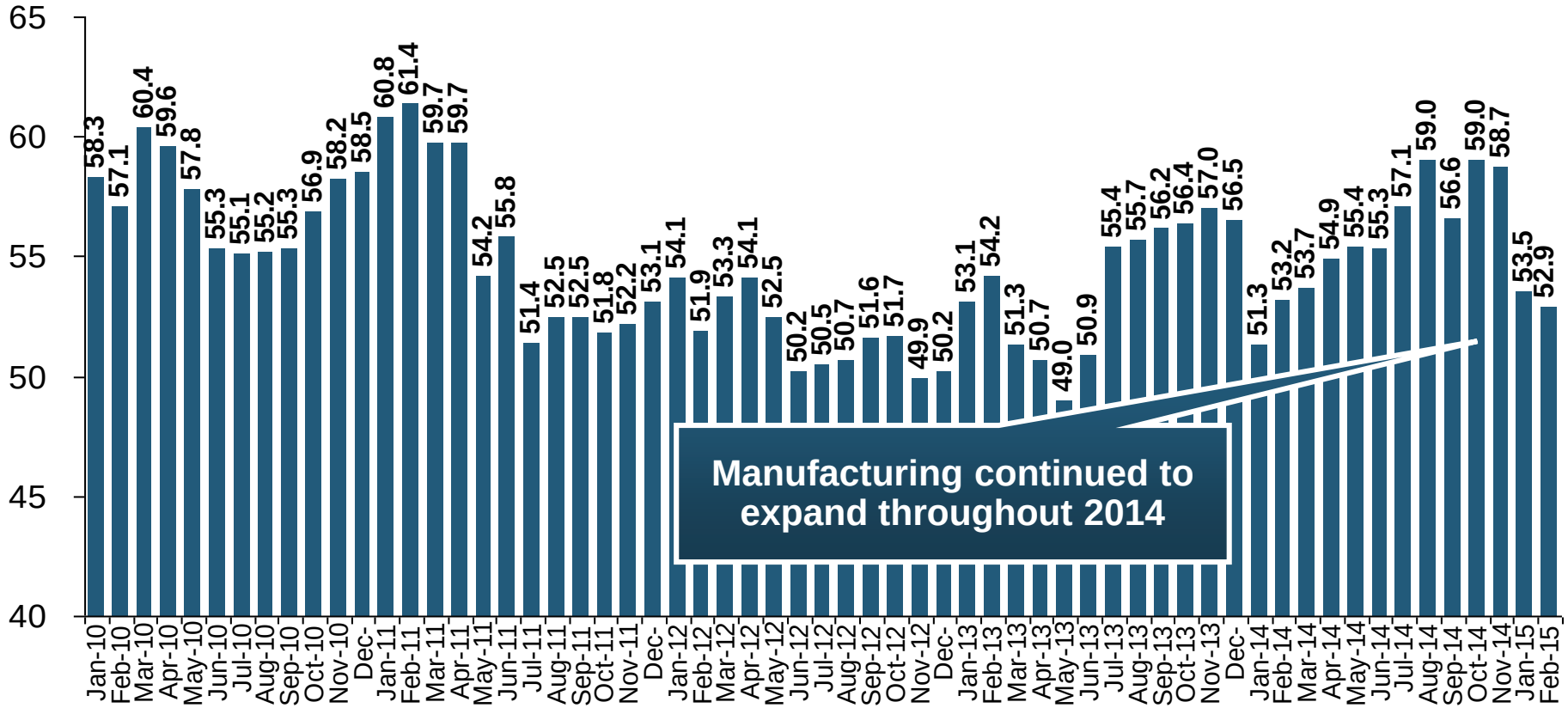
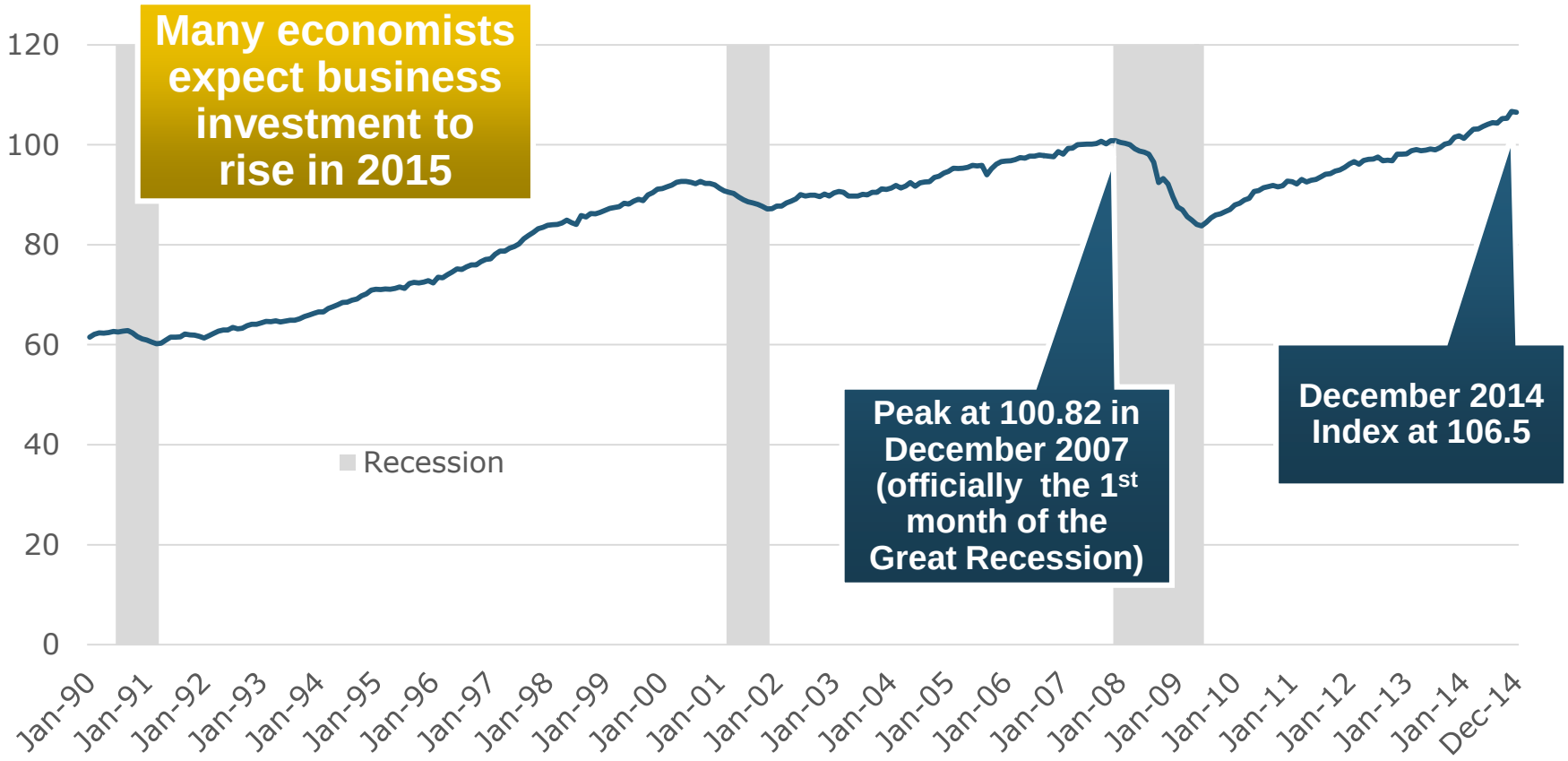
January 2010 through February 2015



The manufacturing sector expanded for 60 of the 62 months from Jan. 2010 through Feb. 2015. Pace of recovery has been uneven due to economic turbulence in the U.S., Europe and China.

Source: Institute for Supply Management at http://www.ism.ws/ismreport/mfgrob.cfm; Insurance Information Institute.

Index of Total Industrial Production:* A Near Peak as of December 2014



Insurance exposures for industrial production will continue growing in 2015, and commercial insurance premium volume with them. Y-o-Y growth to December 2014 was 4.6%. Both production and premium volume growth for 2015 should exceed this.

*Monthly, seasonally adjusted, through December 2014 (which is preliminary). Index based on year 2007 = 100

Sources: Federal Reserve Board at http://www.federalreserve.gov/releases/g17/ipdisk/ip_sa.txt .
National Bureau of Economic Research (recession dates); Insurance Information Institute.

Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

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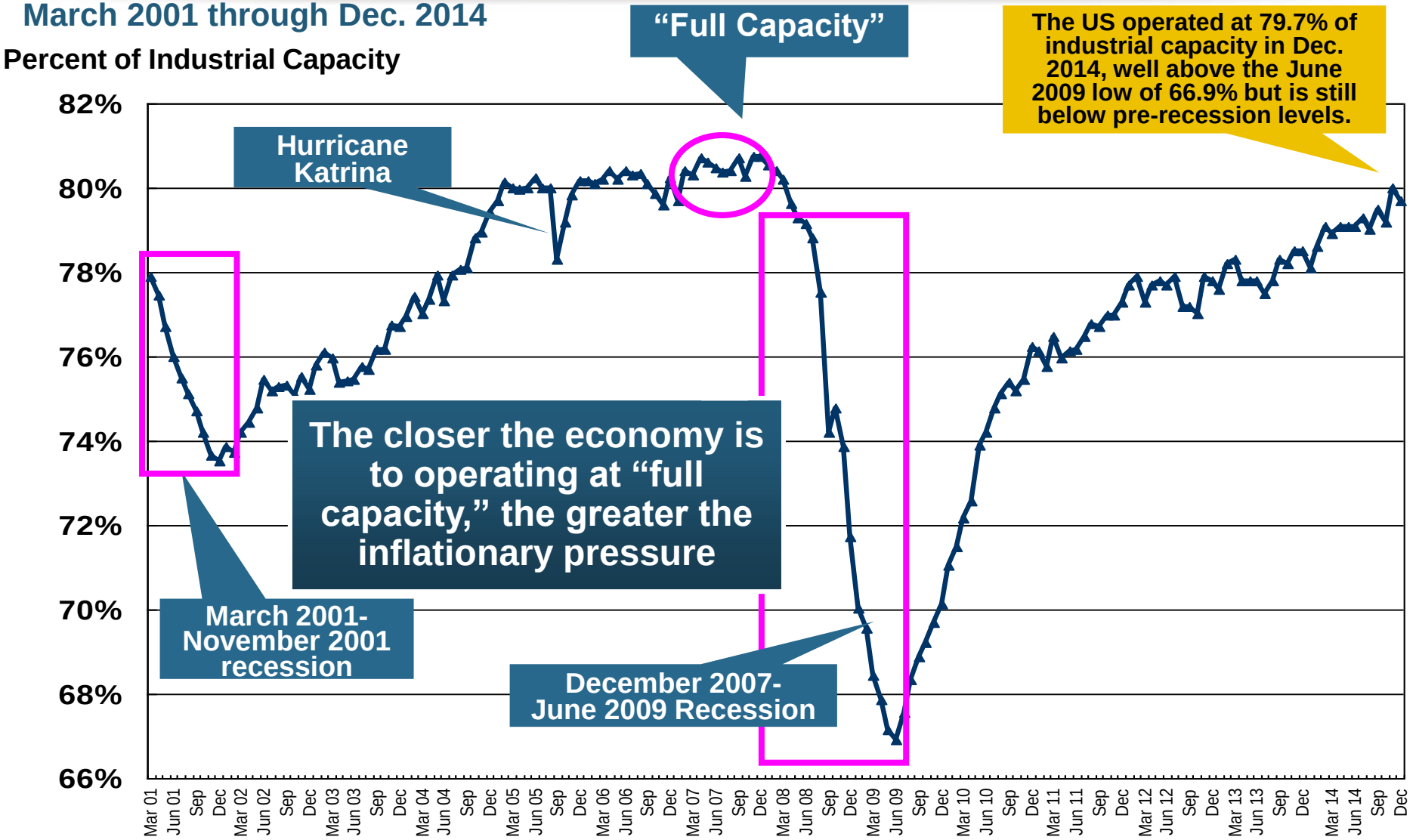
March 2001 through Dec. 2014



Source: Federal Reserve Board statistical releases at http://www.federalreserve.gov/releases/g17/Current/default.htm.

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Business Fixed Investment is Forecast to Grow Steadily in 2015-16, Fueling Commercial Exposure Growth

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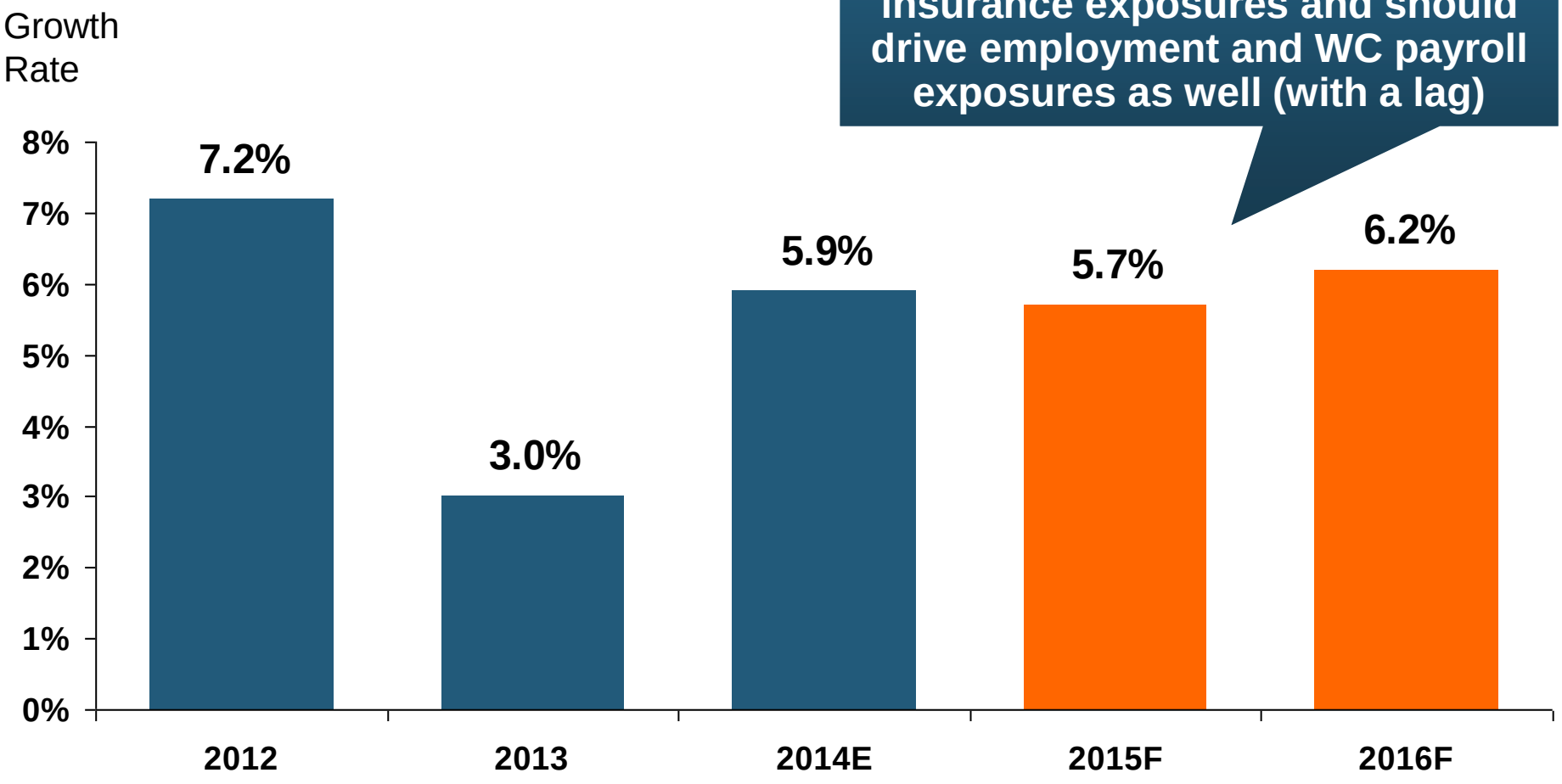
Business investment will drive commercial property and liability insurance exposures and should drive employment and WC payroll exposures as well (with a lag)



Sources: Wells Fargo Economic Group; Insurance Information Institute.

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Labor Market Trends

Massive Job Losses Sapped the Economy and Commercial/Personal Lines Exposure, But Trend Has Greatly Improved

Unemployment and Underemployment Rates: Still Too High, But Falling

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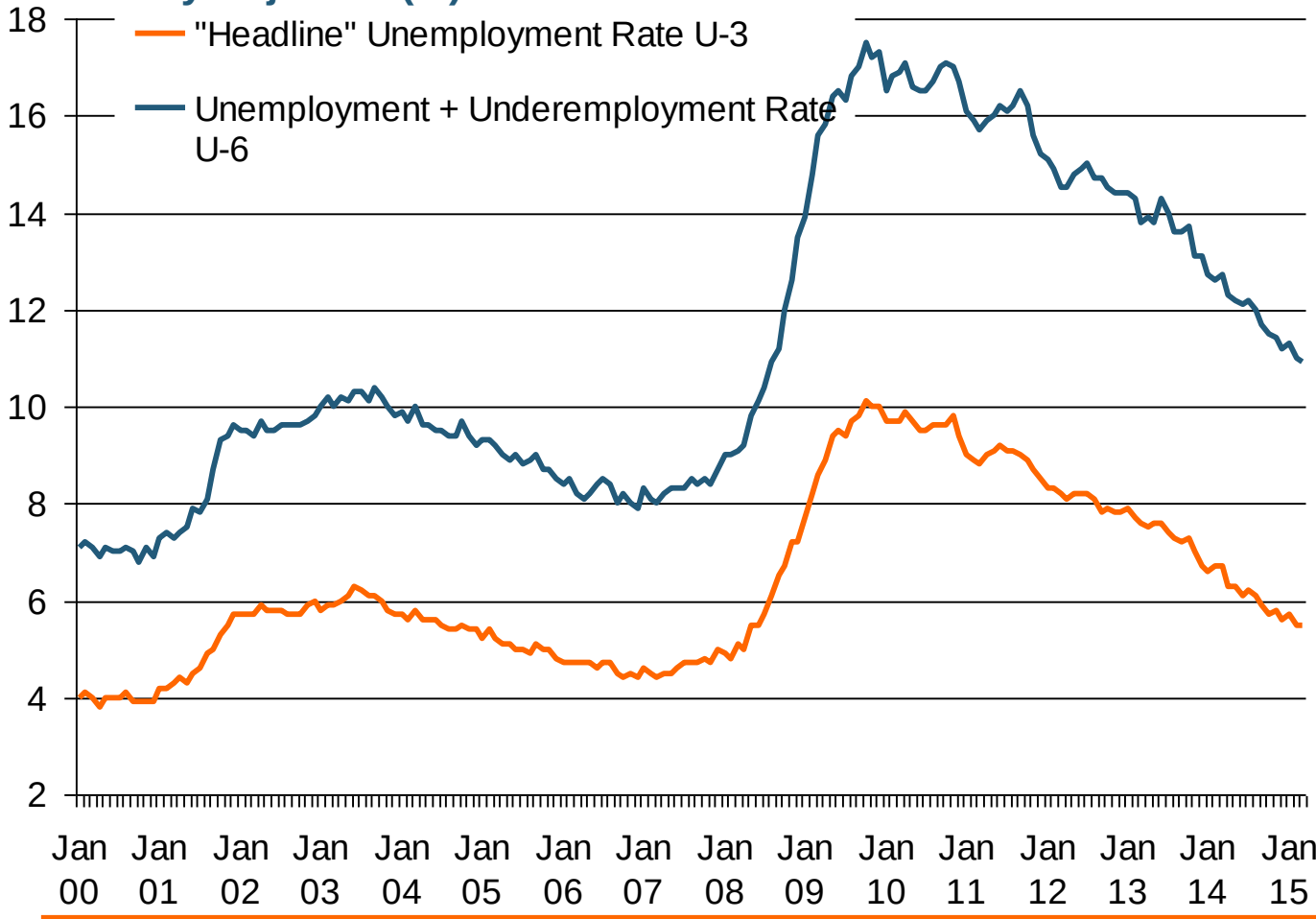
January 2000 through March 2015, Seasonally Adjusted (%)



U-6 soared from 8.0% in March 2007 to 17.5% in October 2009; Stood at 10.9% in Mar. 2015. 8% to 10% is "normal."

"Headline" unemployment was 5.5% in Mar. 2015. 4.5% to 5.5% is "normal."

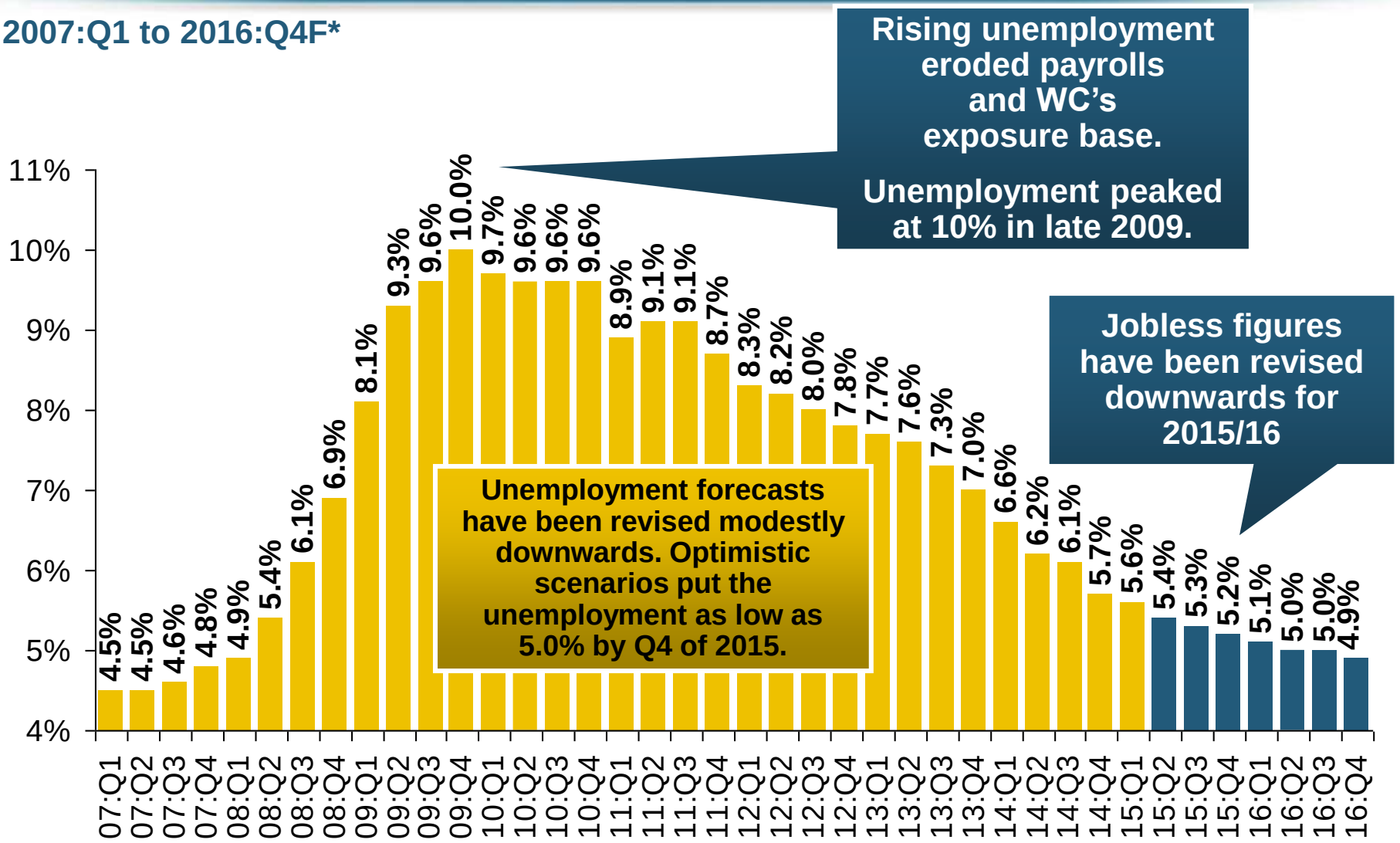
Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is now clearly improving.

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

US Unemployment Rate Forecast

INSURANCE INFORMATION INSTITUTE

2007:Q1 to 2016:Q4F*



* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (4/15 edition); Insurance Information Institute.

Monthly Change in Private Employment

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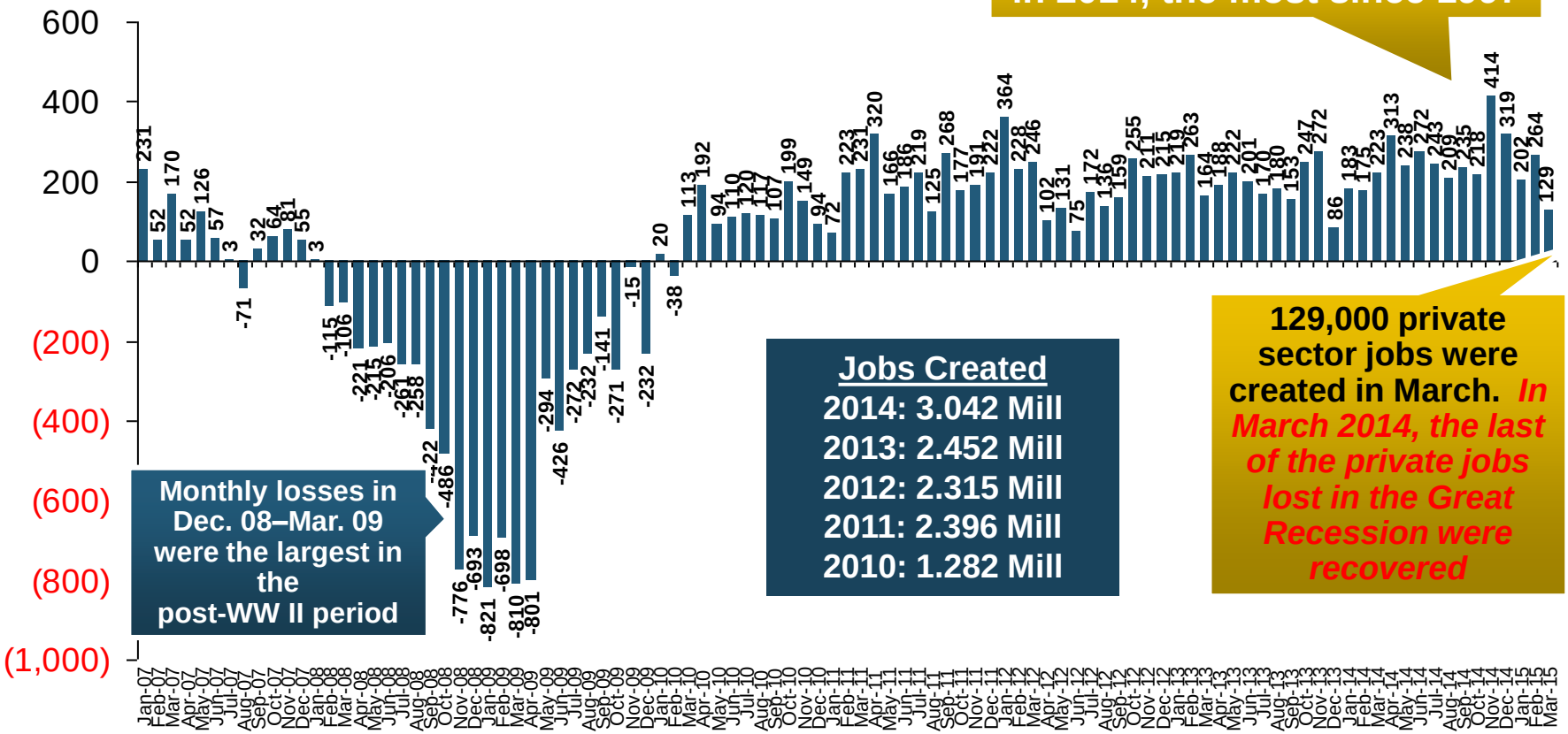
January 2007 through Mar. 2015 (000s, Seasonally Adj.)

3,042,000 jobs were created in 2014, the most since 1997



Monthly losses in Dec. 08–Mar. 09 were the largest in the post-WW II period

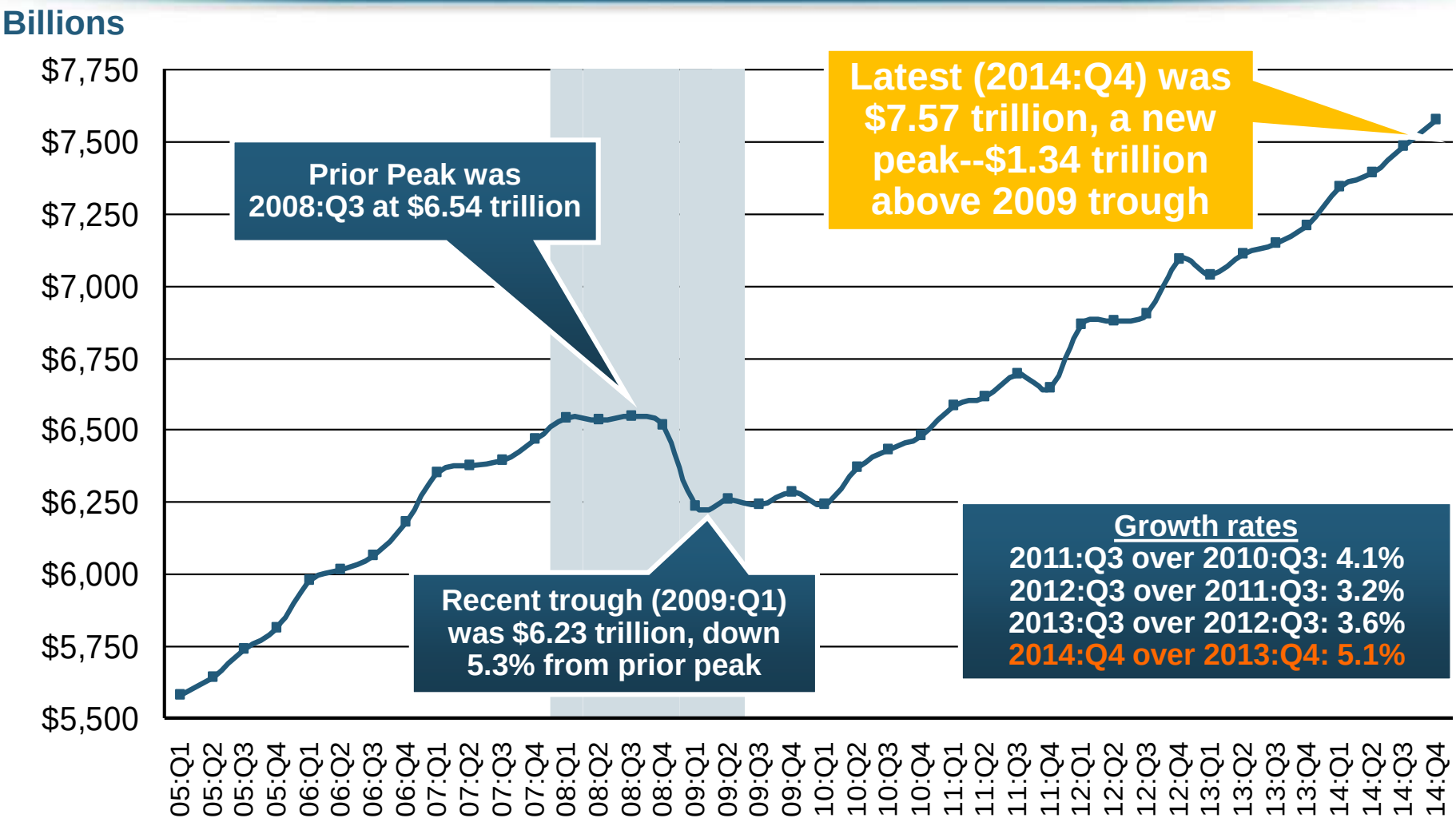
Jobs Created
2014: 3.042 Mill
2013: 2.452 Mill
2012: 2.315 Mill
2011: 2.396 Mill
2010: 1.282 Mill

129,000 private sector jobs were created in March. ***In March 2014, the last of the private jobs lost in the Great Recession were recovered***

Private Employers Added 11.20 million Jobs Since Jan. 2010 After Having Shed 5.01 Million Jobs in 2009 and 3.76 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

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

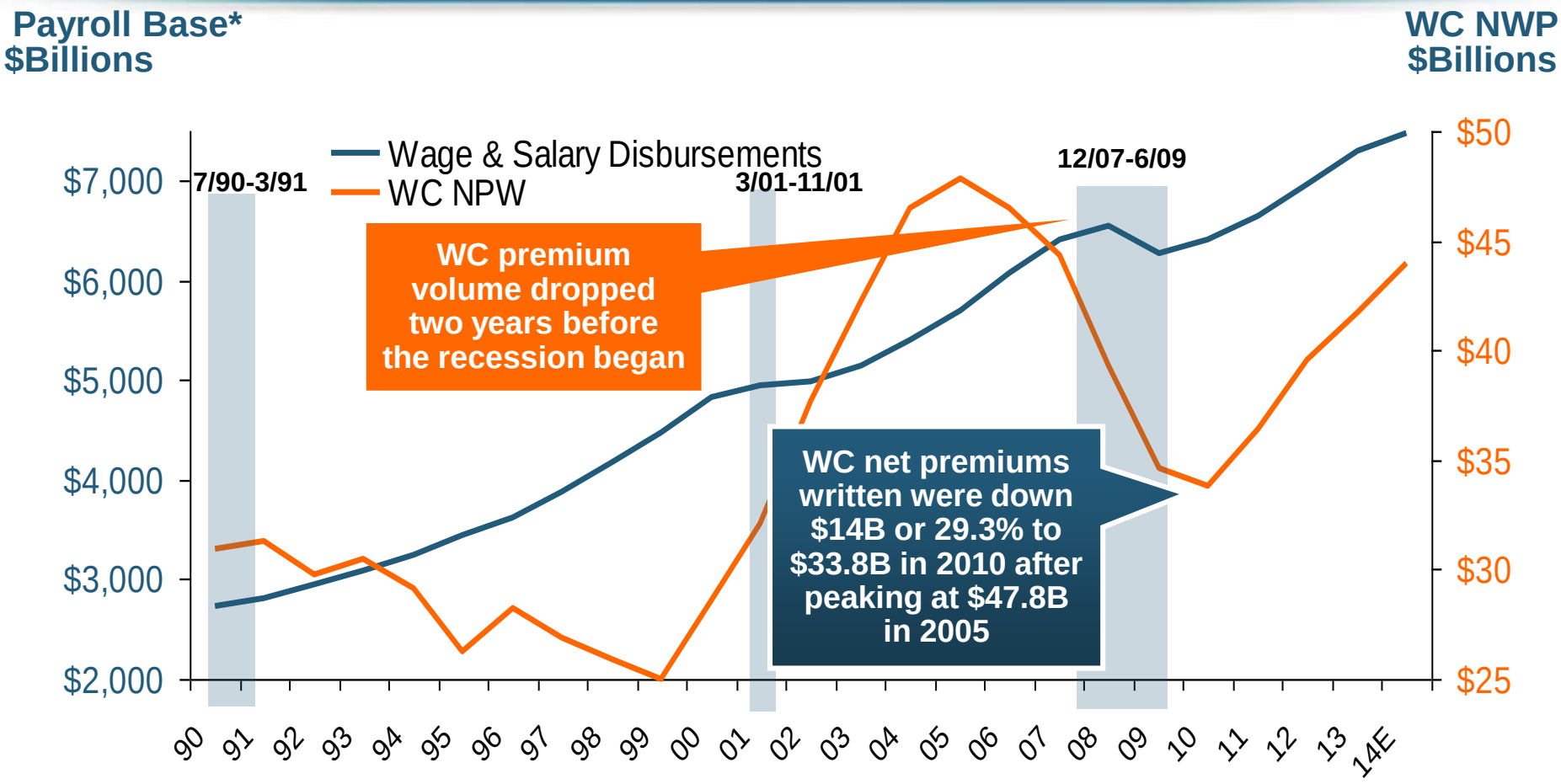
Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2014:Q4



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

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

Payroll vs. Workers Comp Net Written Premiums, 1990-2014P

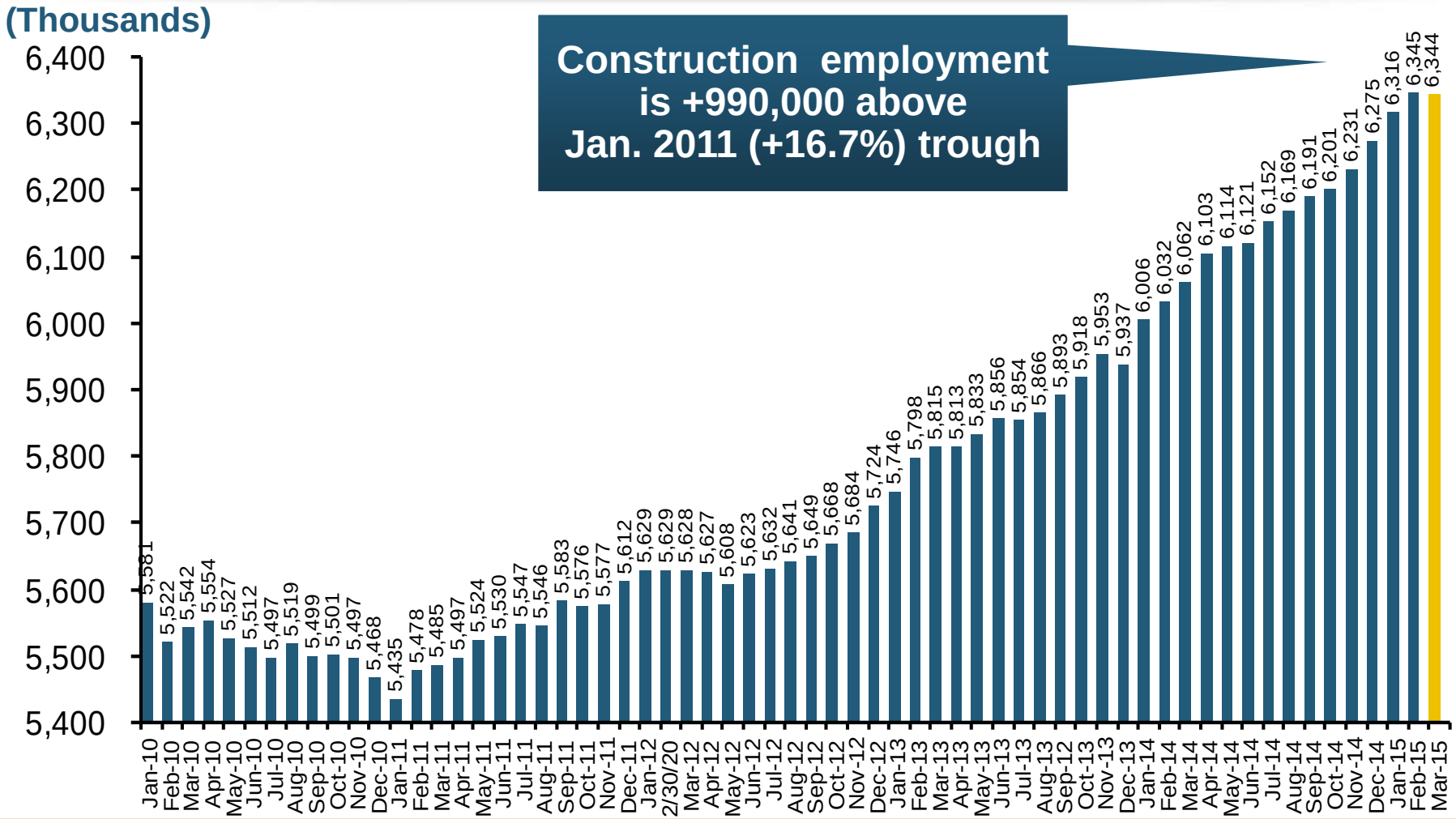


Continued Payroll Growth and Rate Gains Suggest WC NWP Will Grow Again in 2015

*Private employment; Shaded areas indicate recessions. WC premiums for 2014 are I.I.I. estimates..

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

Construction Employment, Jan. 2010—March 2015*

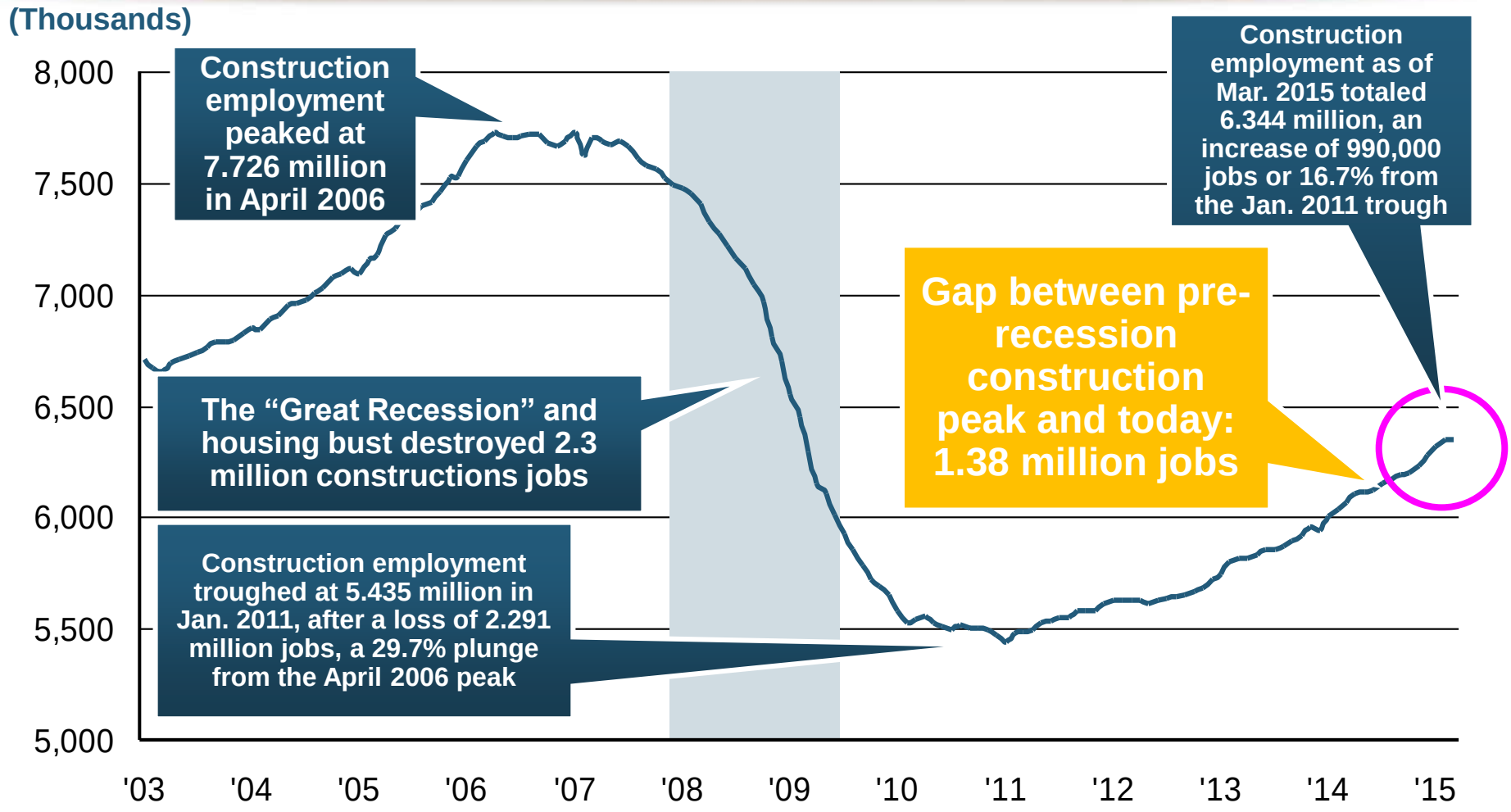


Construction and manufacturing employment constitute 1/3 of all WC payroll exposure.

*Seasonally adjusted.

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

Construction Employment, Jan. 2003–March 2015



The Construction Sector Was a Growth Leader in 2014 as the Housing Market, Private Investment and Govt. Spending Recover. WC Insurers Will Benefit.

Note: Recession indicated by gray shaded column.

Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute.

Manufacturing Employment, Jan. 2010—March 2015*

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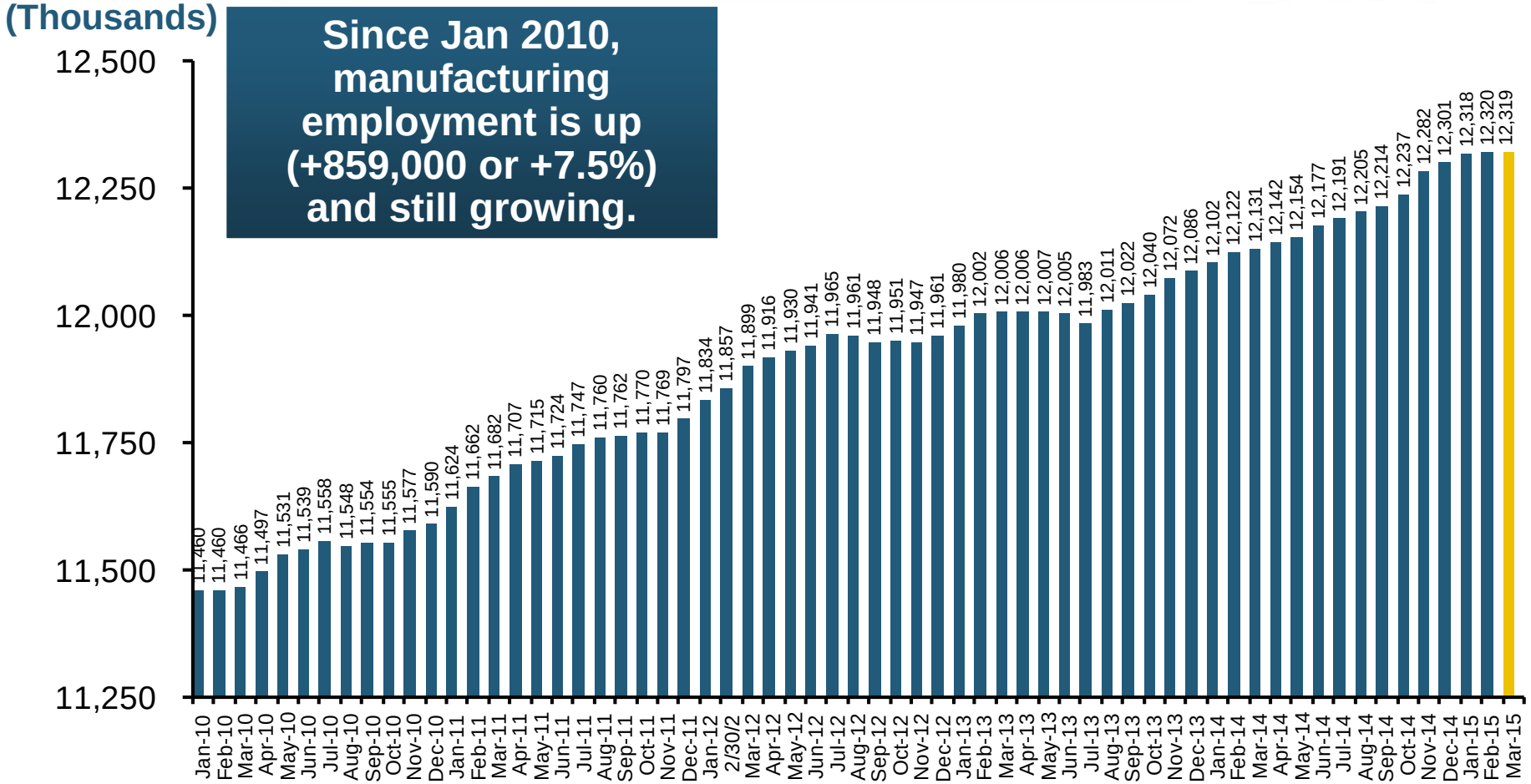

Manufacturing employment is a surprising source of strength in the economy. Employment in the sector is at a multi-year high.

*Seasonally adjusted.

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

Oil & Gas Extraction Employment, Jan. 2010—March 2015*

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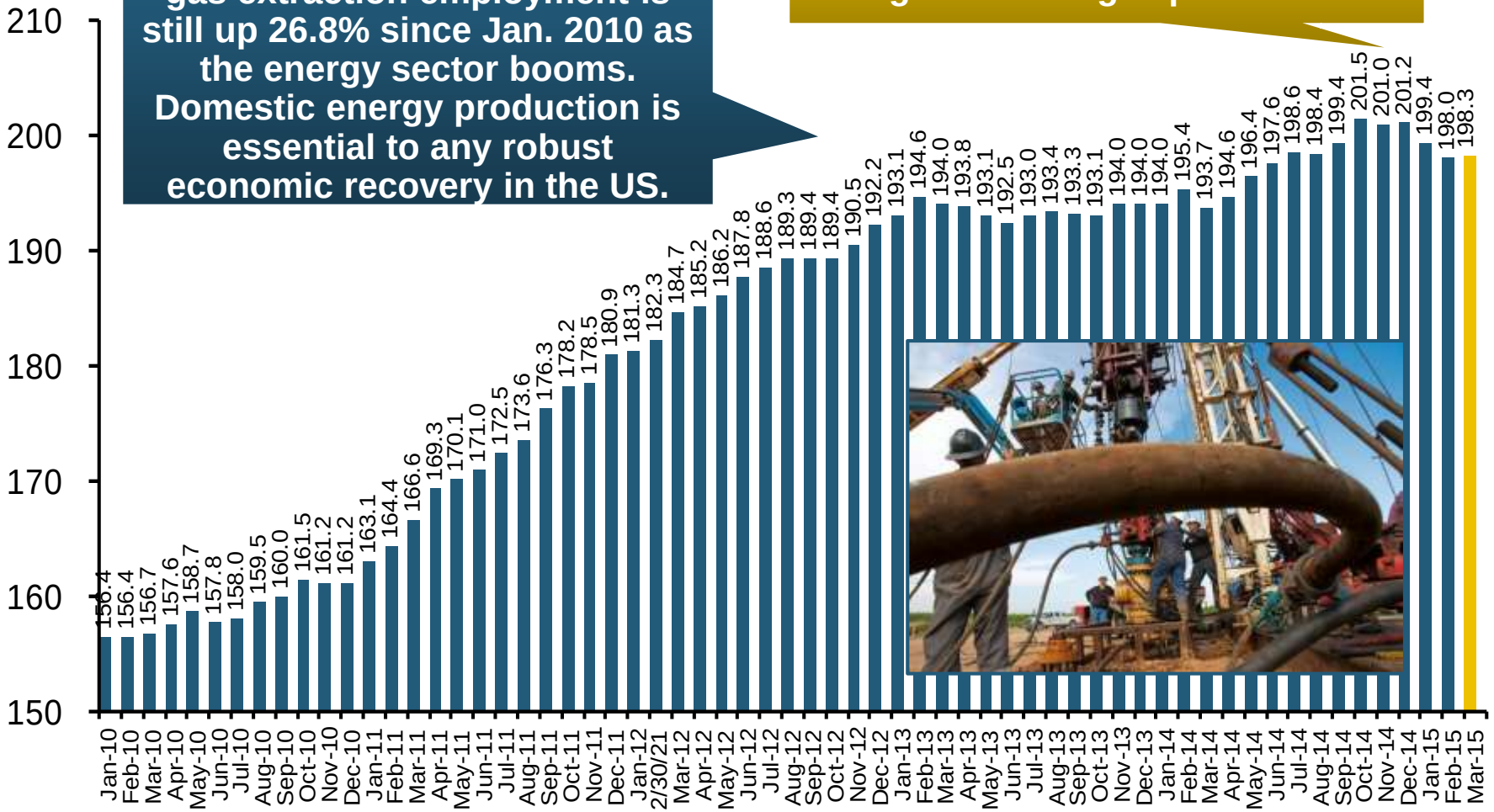
(Thousands)

Despite recent declines, Oil and gas extraction employment is still up 26.8% since Jan. 2010 as the energy sector booms. Domestic energy production is essential to any robust economic recovery in the US.

After peaking at its highest level since 1986, O&G employment is falling as oil and gas prices decline



*Seasonally adjusted

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

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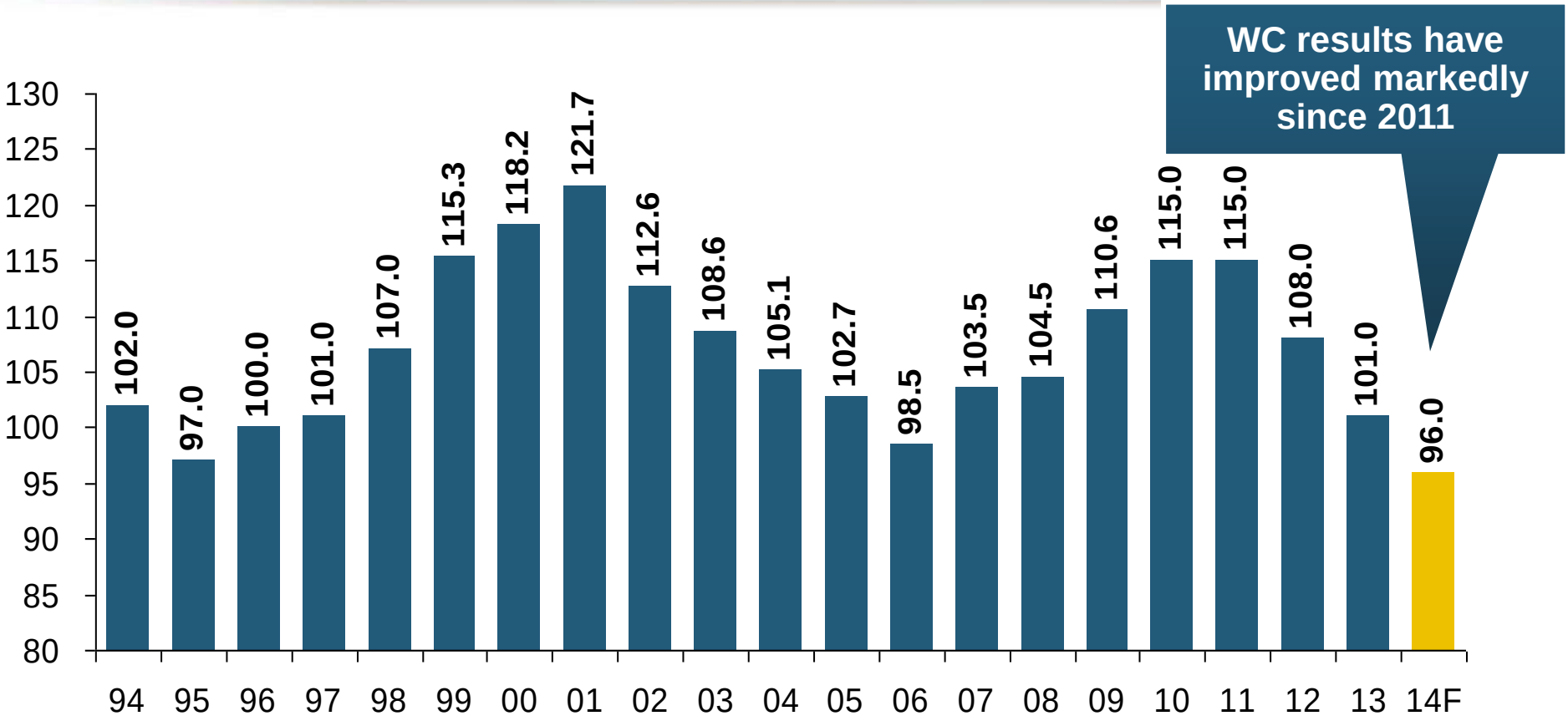
Workers Compensation Operating Environment

Workers Comp Results Have Improved Substantially in Recent Years

Workers Compensation Combined Ratio: 1994–2014E



Workers Comp Results Began to Improve in 2012. Underwriting Results Deteriorated Markedly from 2007-2010/11 and Were the Worst They Had Been in a Decade.

Sources: A.M. Best (1994-2009); NCCI (2010-2014F) and are for private carriers only; Insurance Information Institute.

Workers Compensation Premium: Third Consecutive Year of Increase

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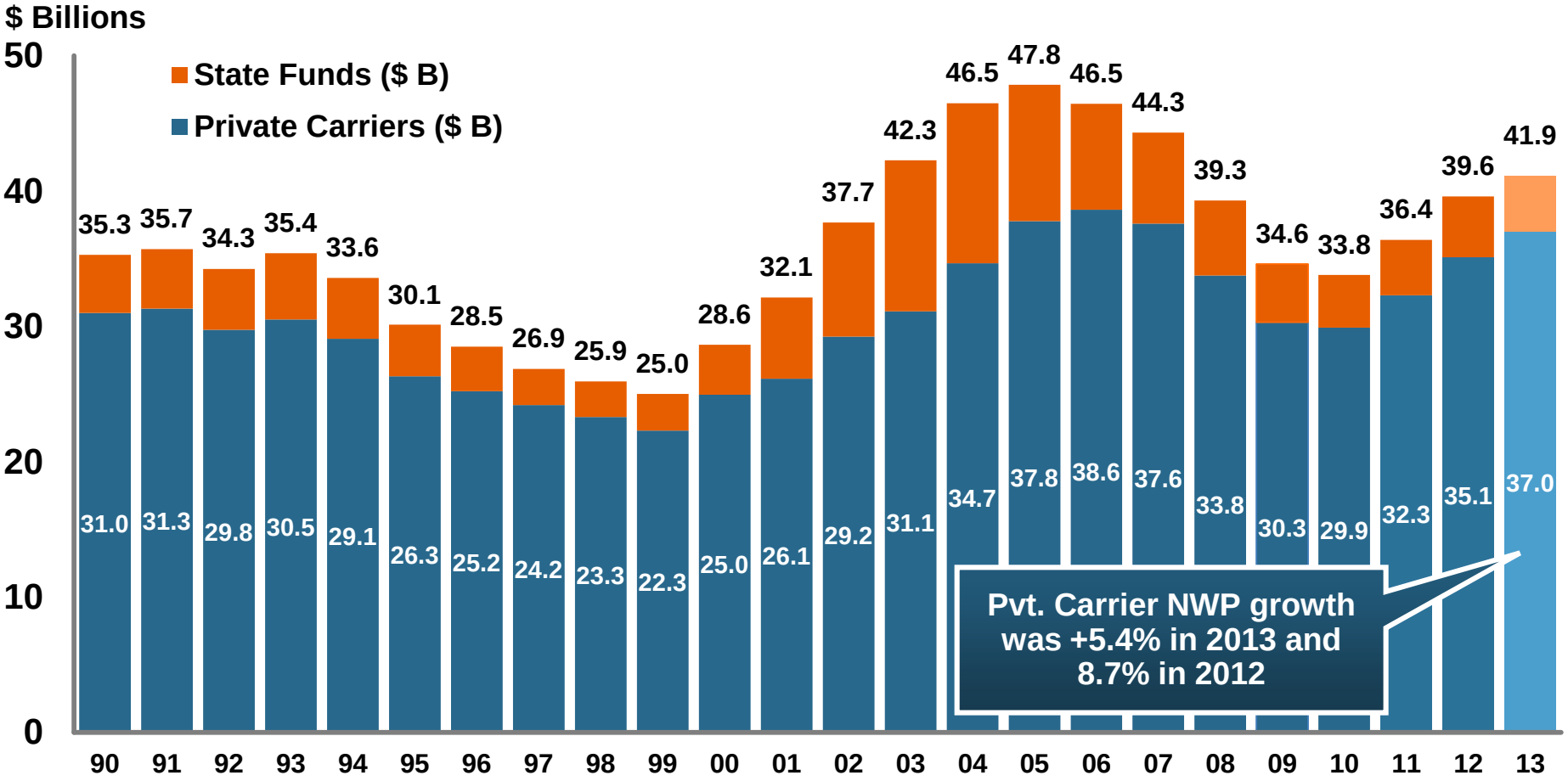
Net Written Premium



p Preliminary

Source: 1990–2013p Private Carriers, Annual Statement Data, NCCI.
1996–2013p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
State Funds available for 1996 and subsequent

2013 Workers Compensation Direct Written Premium Growth, by State*

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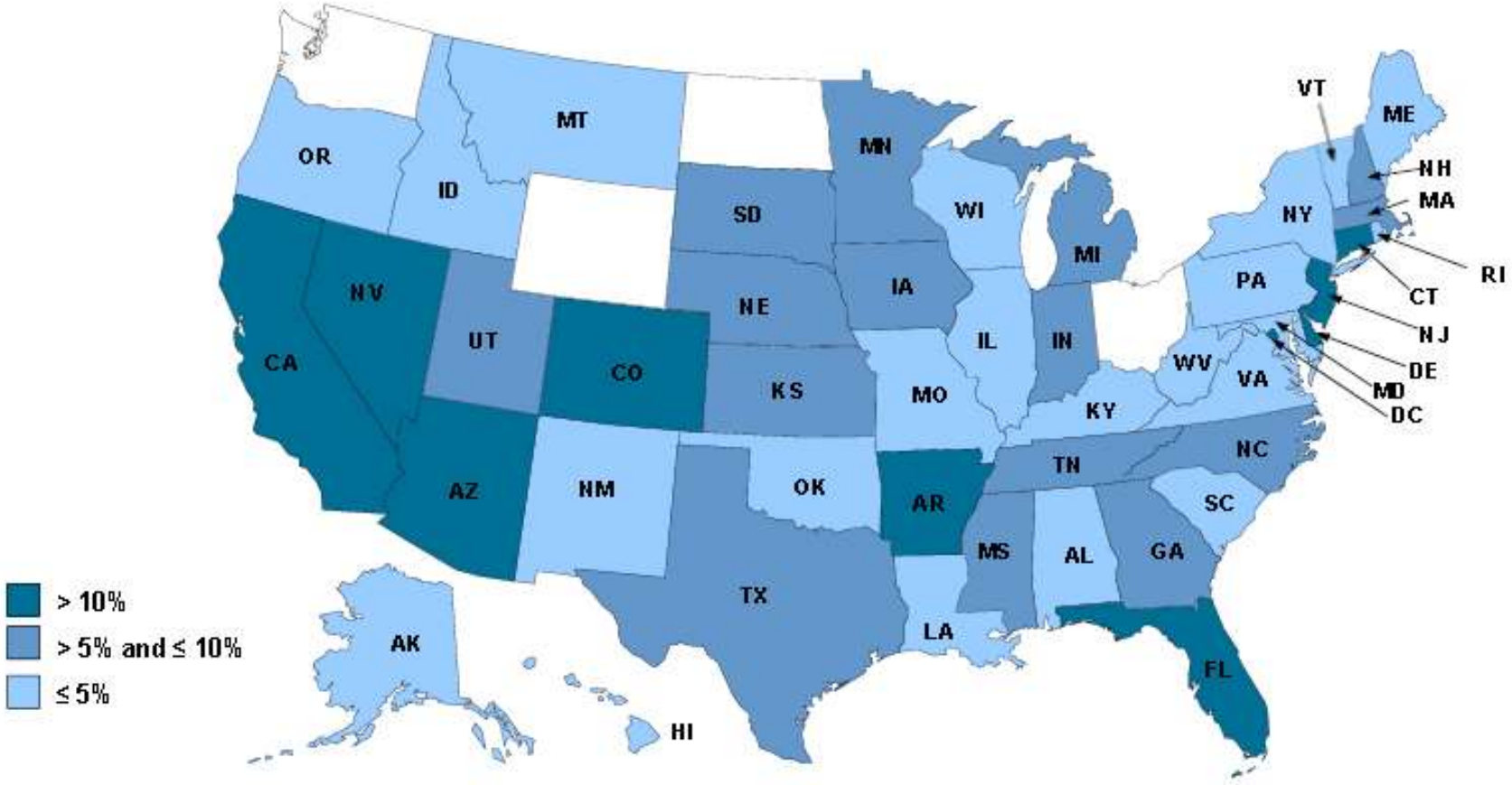
PRIVATE CARRIERS: Overall 2013 Growth = +5.4%

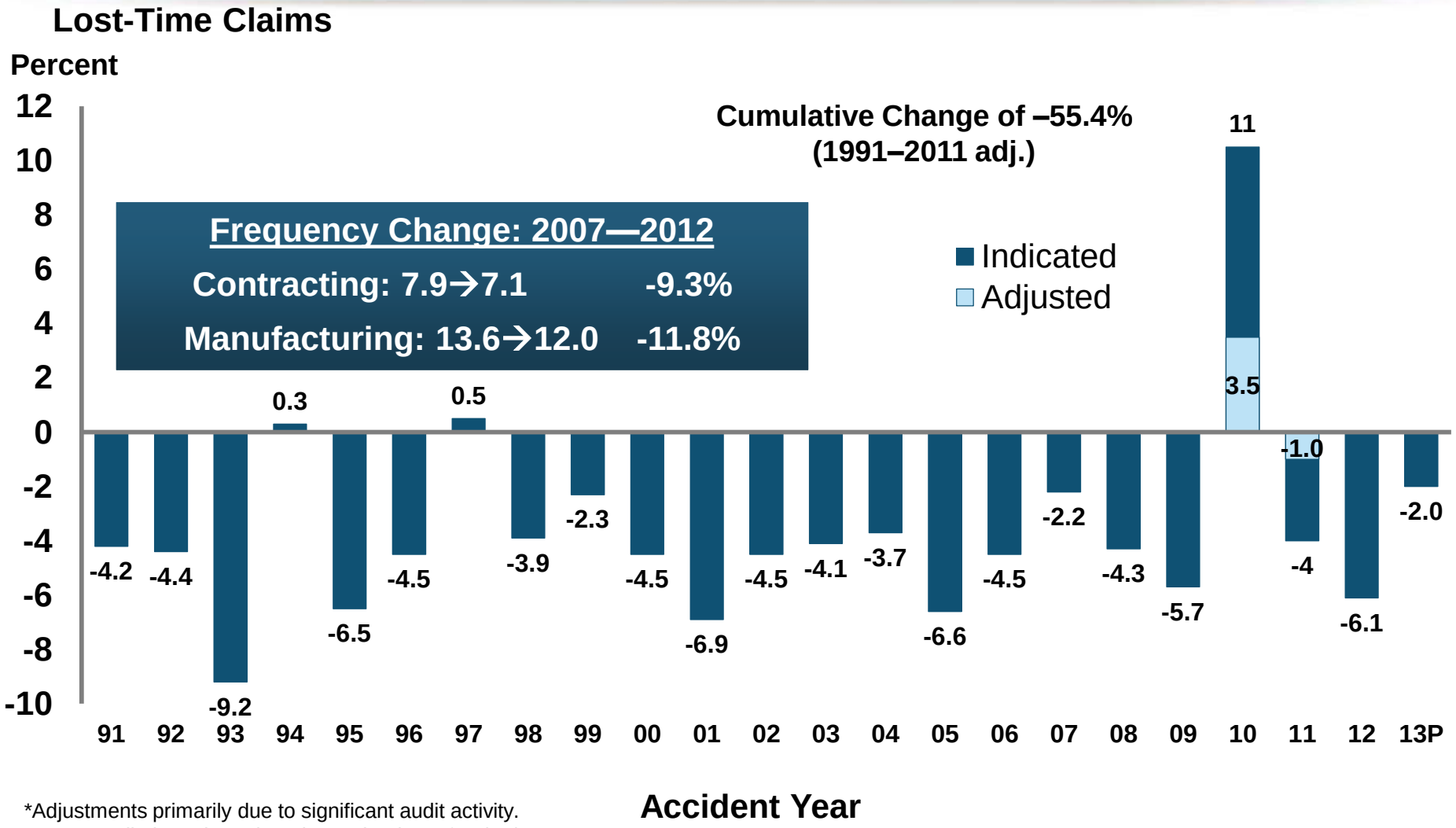
While growth rates varied widely, all states experienced positive growth in 2013



*Excludes monopolistic fund states (in white): OH, ND, WA and WY.

Source: NCCI.

Workers Compensation Lost-Time Claim Frequency Declined in 2013



*Adjustments primarily due to significant audit activity.
2013p: Preliminary based on data valued as of 12/31/2013
1991–2012: Based on data through 12/31/2012, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies
Frequency is the number of lost-time claims per $1M pure premium at current wage and voluntary loss cost level
Source: NCCI.

Workers Compensation Medical Severity Moderate Increase in 2013

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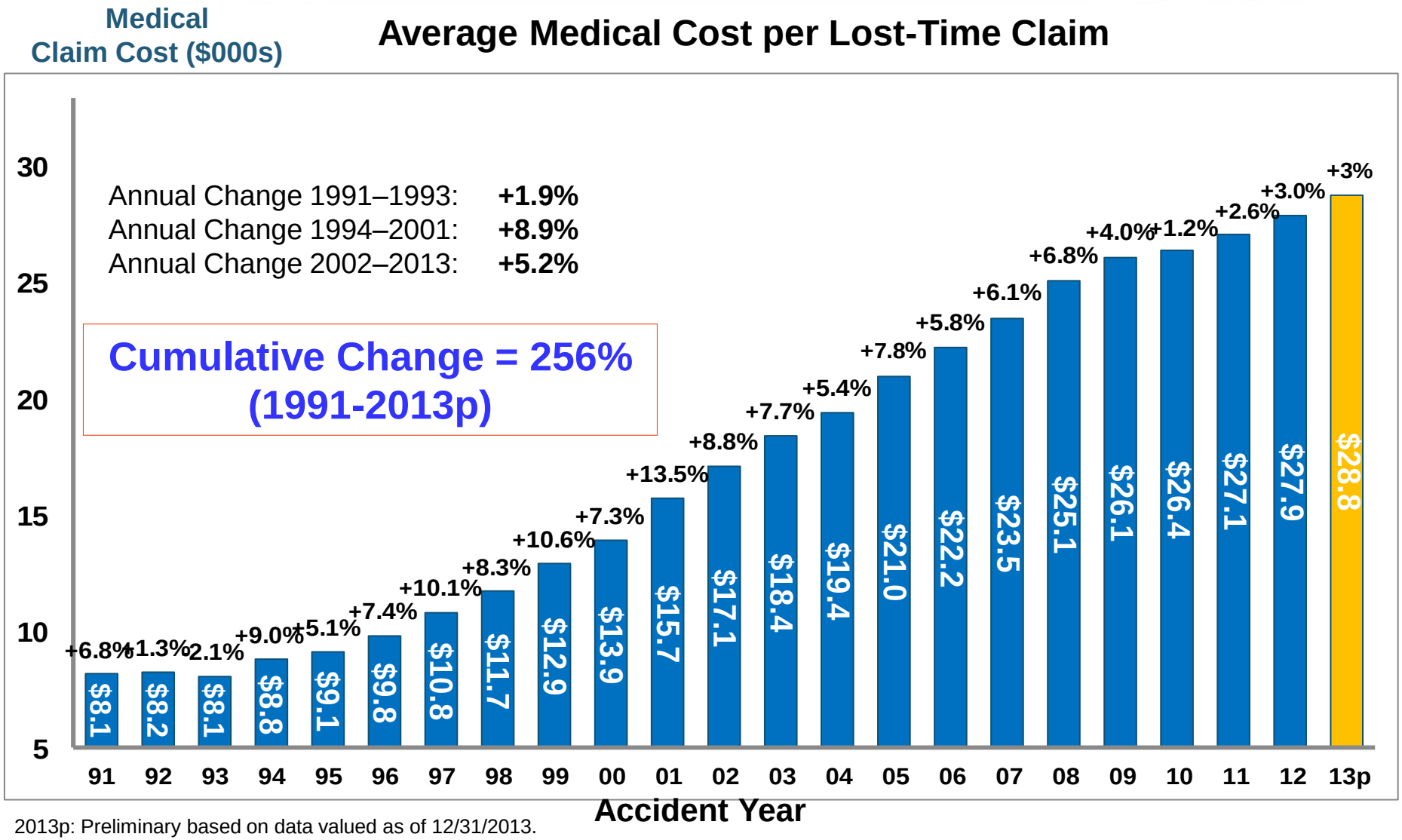

2013p: Preliminary based on data valued as of 12/31/2013.
1991-2012: Based on data through 12/31/2012, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

WC Medical Severity Generally Outpaces the Medical CPI Rate

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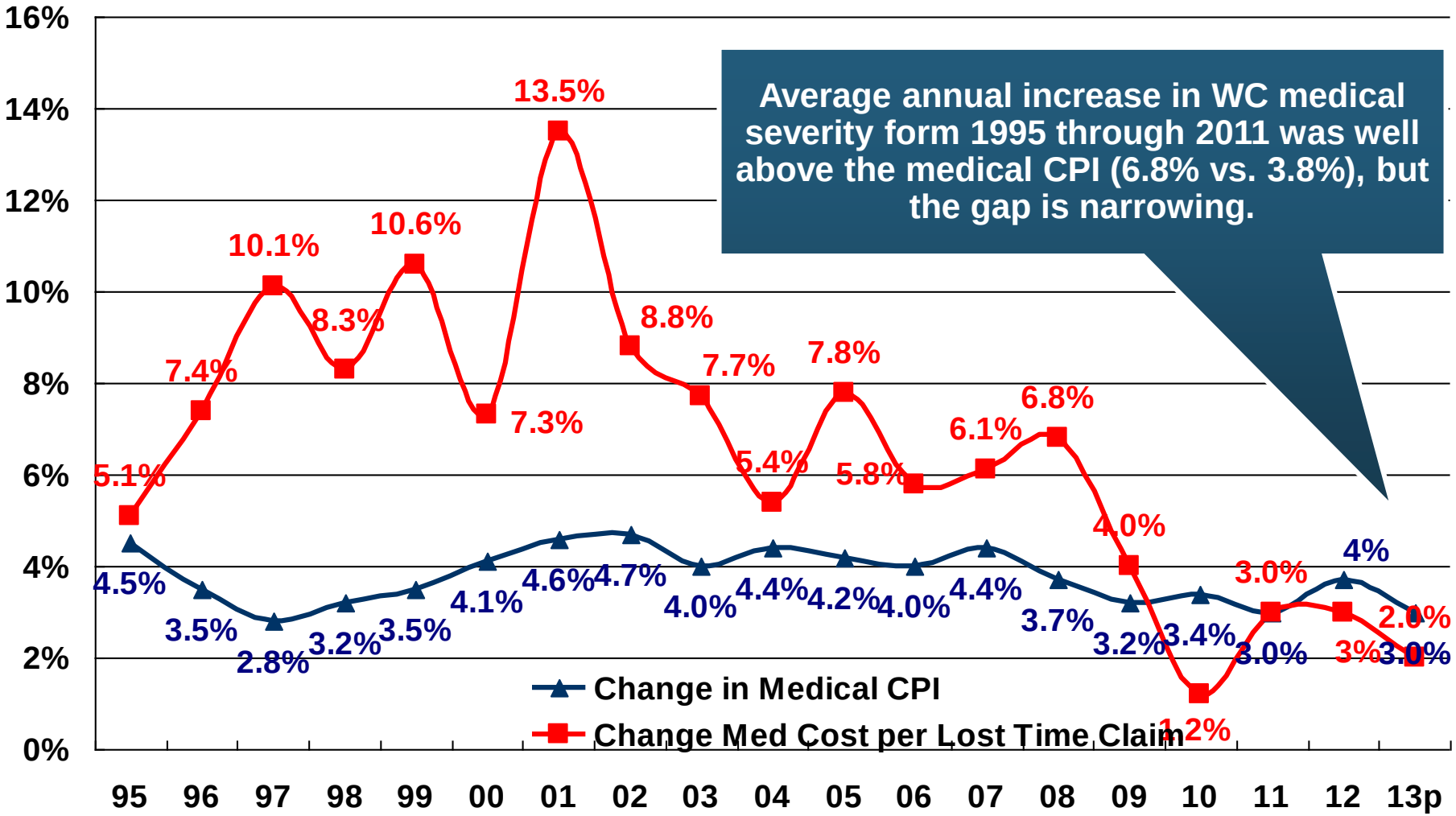
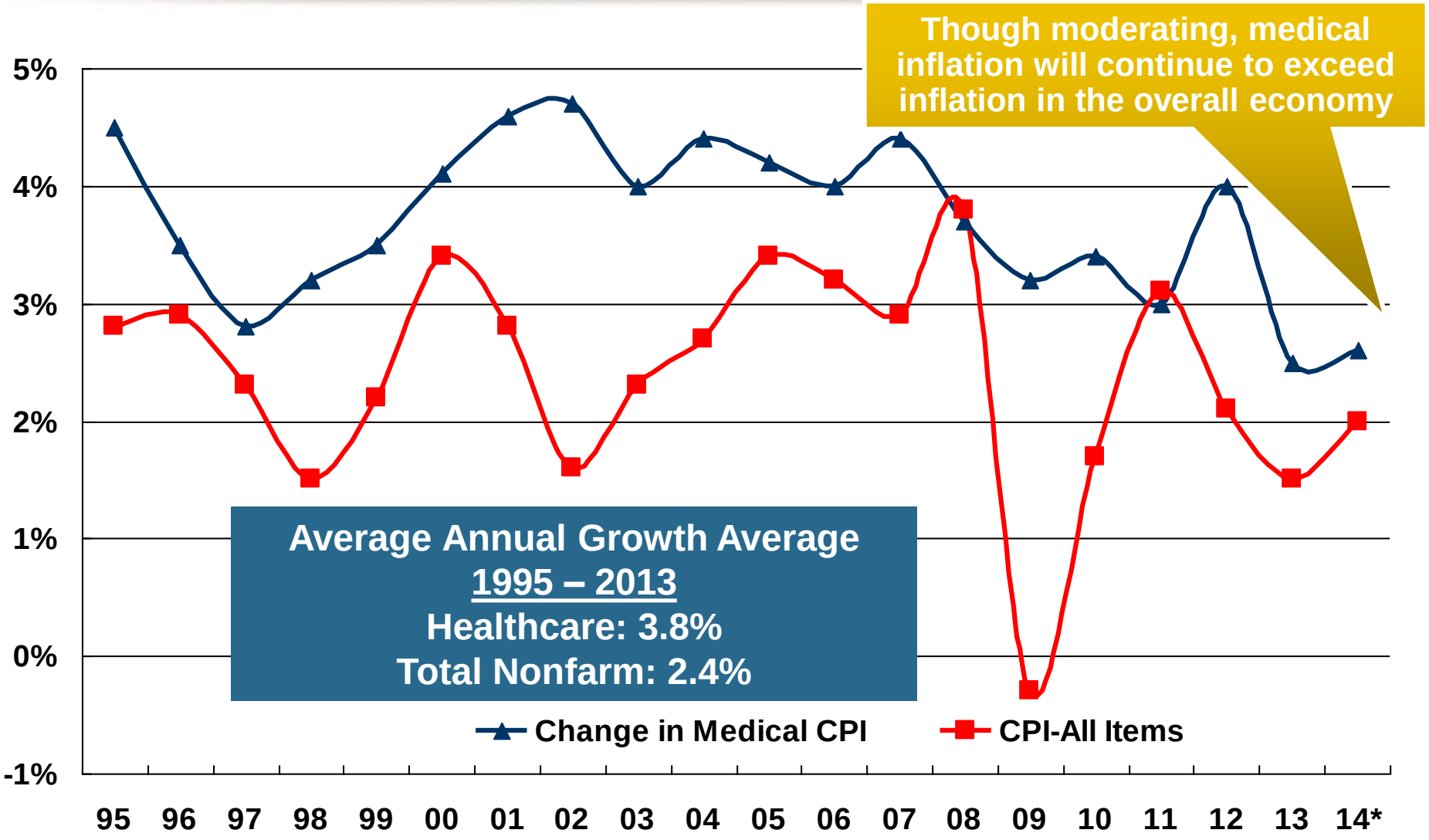


Sources: Med CPI from US Bureau of Labor Statistics, WC med severity from NCCI based on NCCI states.

Medical Cost Inflation vs. Overall CPI, 1995 – 2014*



*July 2014 compared to July 2013.

Sources: Med CPI from US Bureau of Labor Statistics, WC med severity from NCCI based on NCCI states.

U.S. Health Care Expenditures, 1965–2022F

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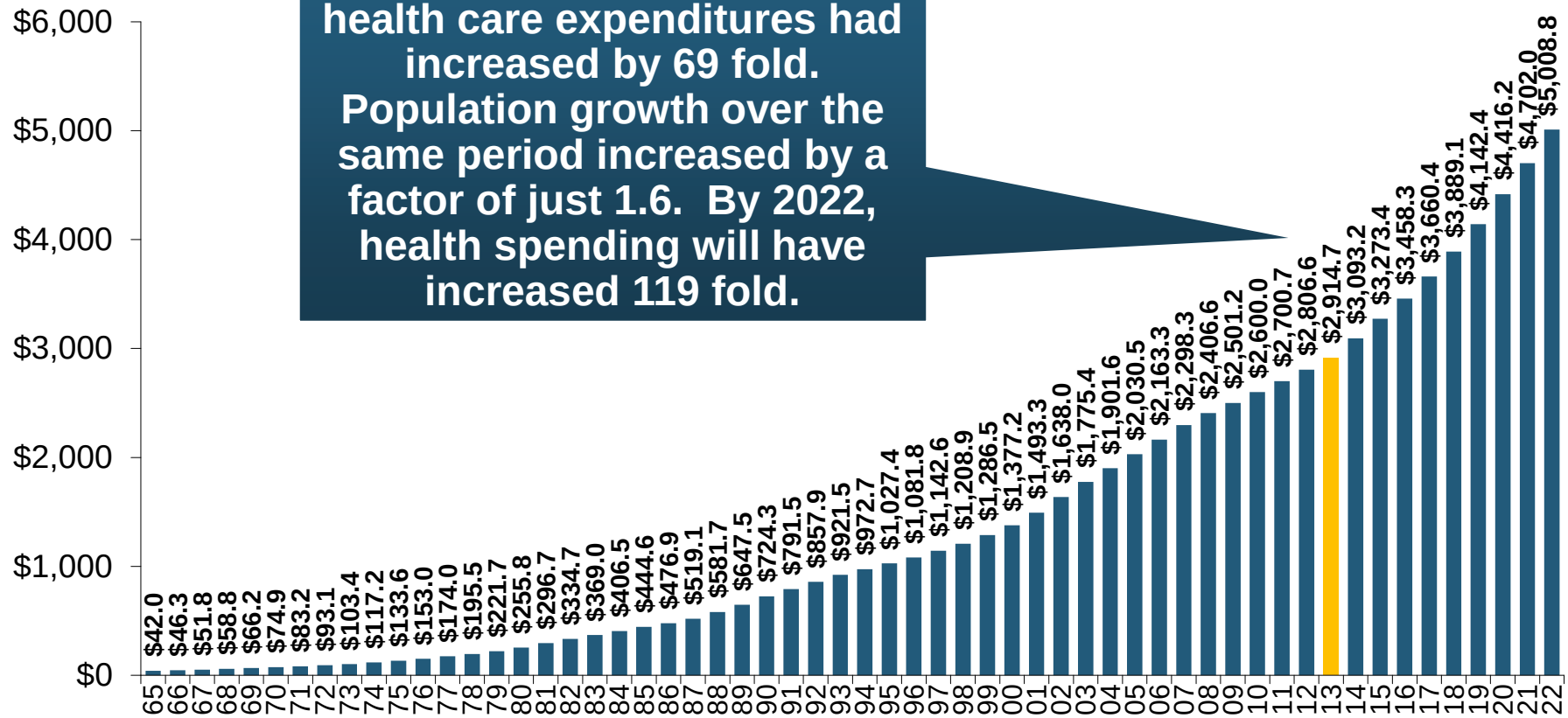
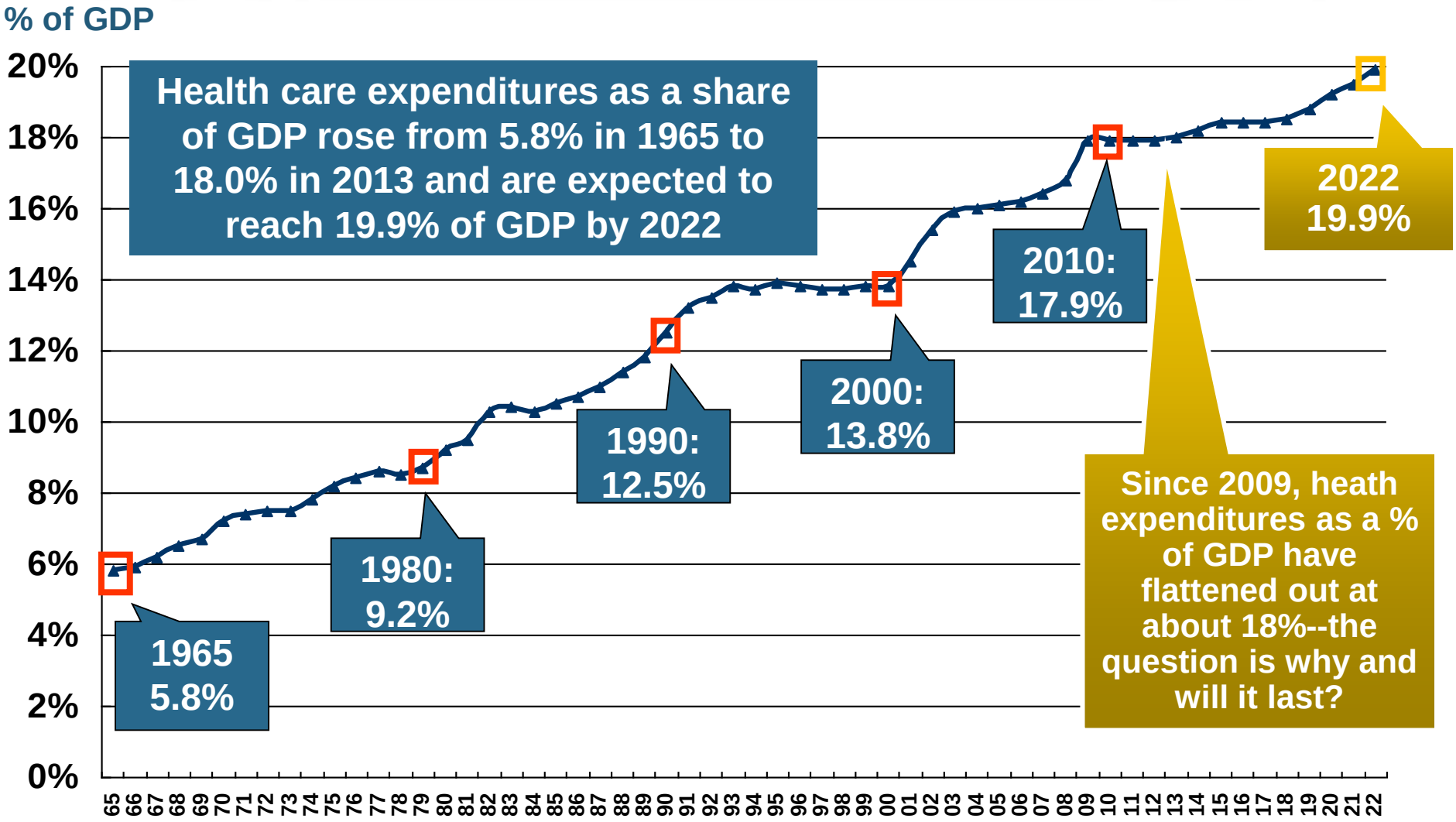
$ Billions



U.S. health care expenditures have been on a relentless climb for most of the past half century, far outstripping population growth, inflation of GDP growth

Sources: Centers for Medicare & Medicaid Services, Office of the Actuary at http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html accessed 3/14/14; Insurance Information Institute.

National Health Care Expenditures as a Share of GDP, 1965 – 2022F*



Sources: Centers for Medicare & Medicaid Services, Office of the Actuary at http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html accessed 3/14/14; Insurance Information Institute.

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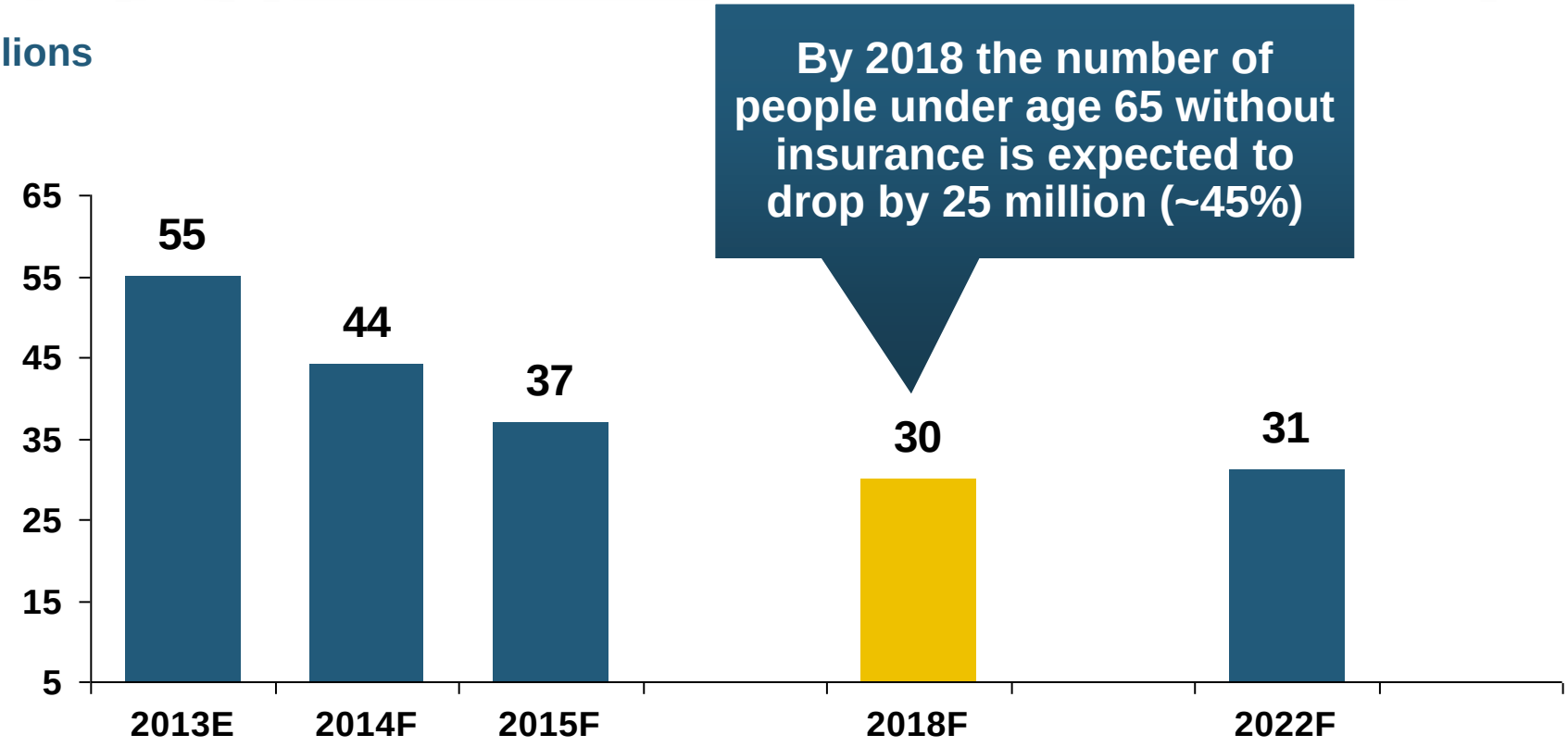
The Affordable Care Act & Implications for P/C Insurance

The ACA Is Now Being Fully Implemented; Consequences for P/C Insurance Are Yet to Be Determined

Projected Number of People with No Health Insurance, 2013—2022*



The projected decline in the uninsured population is very sensitive to the enrollment rate under the Affordable Care Act

*Under age 65.

Sources: Centers for Medicare & Medicaid Services, Office of the Actuary at http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html accessed 3/14/14; Insurance Information Institute.

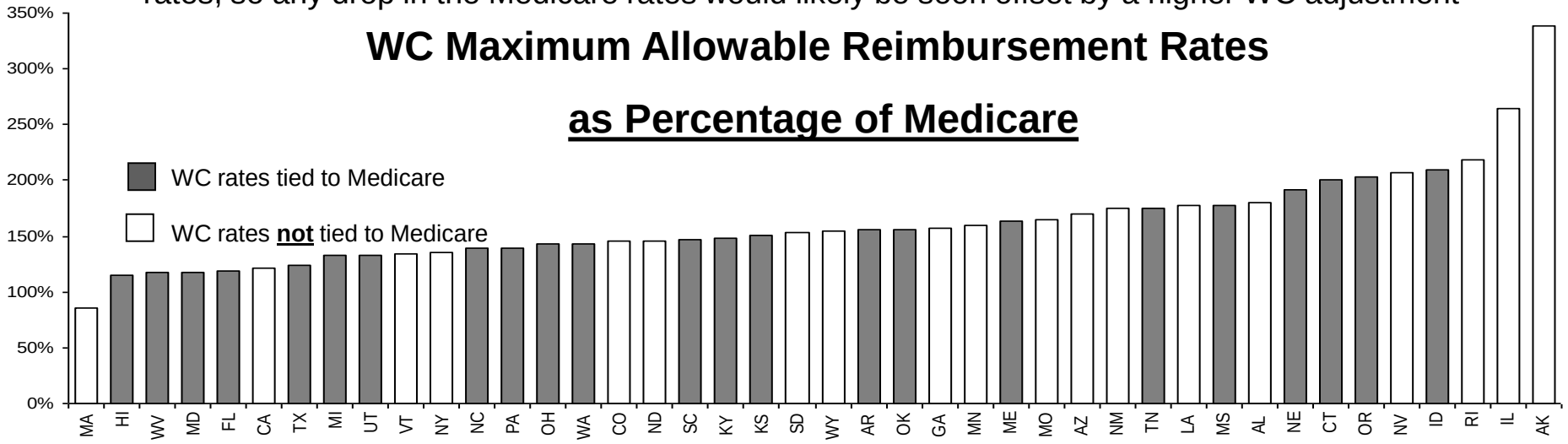
A Few Potential Impacts of the ACA on Workers Compensation

Issue	Concern	Contravening Argument
Surge in People Covered by Health Insurance	• System is overwhelmed • MD shortage • Patient care adversely impacted	• Over time, people will have access to preventative care, improving the general health of the population • Greater use of PA's, etc.
Electronic Health Records	• Cost	• Computerization of patient data could help flag issues and improve risk management and improve patient outcomes
Claim Shifting	• Provider/patient may prefer claim handled via WC system	• Reduction in uninsured population reduces shifting
Reimbursement Rates	• Cuts in MC reimbursement rates could makes docs less willing to take WC claims	• Impact would be short-lived. All MC-linked states already boost WC reimbursements

Source: Insurance Information Institute research; WCRI.

ACA Impact on WC May Occur via Changes in Rates Set by State Regulators

- WC rates often tied to Medicare but can change for reasons independent of this link
- There could be both positive and negative effects of a cut in Medicare rates on WC performance in states which tie reimbursement to Medicare
  - WC reimbursement rates would go down
  - Doctors may be unwilling to see WC patients:
    - 64% of Dr.'s surveyed said they would stop accepting new Medicare patients if planned rate cuts go through; some of these same doctors may also refuse WC patients if WC rates also decrease
- These effects would likely be short lived
  - All states which tie their fee schedules to Medicare already increase the Medicare rates to set WC rates, so any drop in the Medicare rates would likely be soon offset by a higher WC adjustment



SOURCE: NCCI Annual Issues Symposium 2009, Medicare's Impact on Workers' Compensation, AMA: "Physicians' reactions to the Medicare physician payment cuts."

PPACA May Have Distinct Impacts on WC Depending on Claim Frequency/Severity

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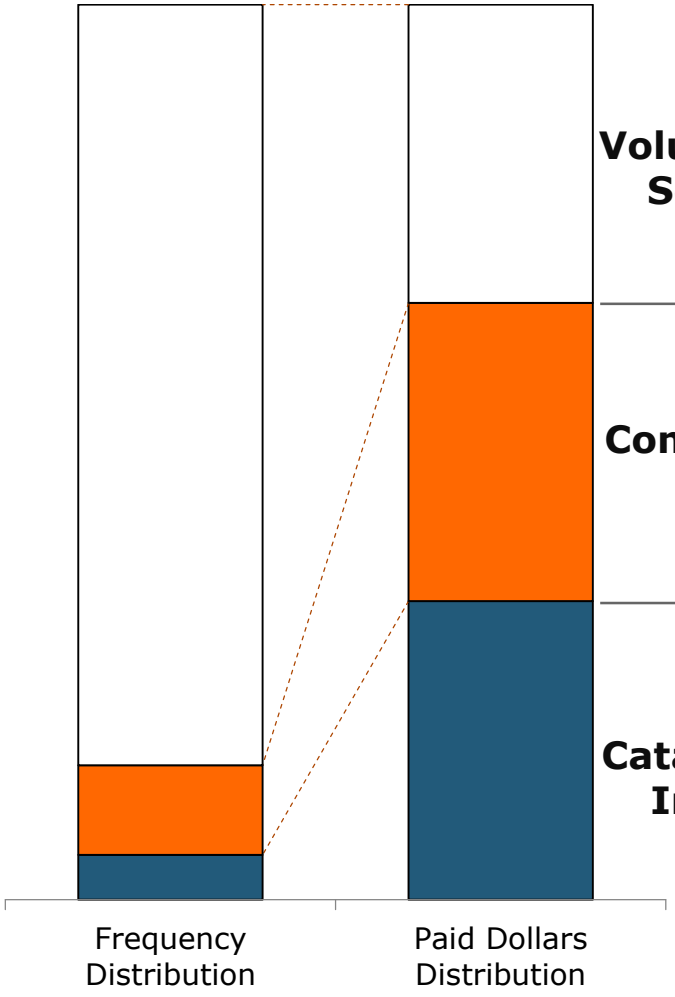
Industry Portfolio by Claim Type

(*Relative Volume by Claim Frequency & Paid Dollars)*



		Potential ACA Impact
High Volume, Low Severity	*Ex: med only, quick to settle, <25K*	• **Expanded coverage may shift some small claims to the health insurance system (+)** • **Physician access problems could lead to indemnity increases and may bleed into the complicated cases (-)**
Complicated	*Ex: back pain claims, very litigious*	• **Preventative care and early record keeping decreases WC comorbidities (+)** • **Soft tissue treatments, a large portion of "slow burn claims," may decrease in cost (+)**
Catastrophic Injuries	*Ex: spinal cord injury, multiple trauma claims*	• **No significant impacts**

SOURCE: Christopher Cunniff, FCAS, *Impacts of Healthcare Reform on Workers Compensation.*

Possible Effects on Workers Comp

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1. **Could slow the growth in WC medical care costs**
   - IPAB recommendations and PCORI reports, plus Medicare changes, could have beneficial effects on cost and treatment effectiveness
2. **Could ACA be first step in federal regulation of insurance products and markets?**
   - Will regulation like that requiring products to be priced to meet Medical Loss Ratios be applied to WC?
   - Will cost-control mechanisms such as the Independent Payment Advisory Board be developed for WC?
   - Will WC insurers lose their limited exemption from anti-trust laws that they have had under McCarran-Ferguson since 1945?

Potential Impacts of the ACA on Medical Professional Liability

Issue	Concern	Contravening Argument
Surge in People Covered by Health Insurance	• System is overwhelmed • Doctors spend less time on patients • Patient care adversely impacted	• Over time, people will have access to preventative care, improving the general health of the population • People are receiving care already via suboptimal channels • Less use of ERs
Electronic Health Records	• Digitization could create a treasure trove of data for plaintiff attorneys	• Computerization of patient data could help flag issues and improve risk management and improve patient outcomes
MPL Claim Severity	• More large verdicts will	• ACA will help contain system costs

Source: Insurance Information Institute research.

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CYBER RISK & CYBER INSURANCE

Cyber Risk is a Rapidly Emerging Exposure for Businesses Large and Small in Every Industry

Rapidly Increasing Interest from Businesses, Media & Public Policymakers

Data Breaches 2005-2014, by Number of Breaches and Records Exposed

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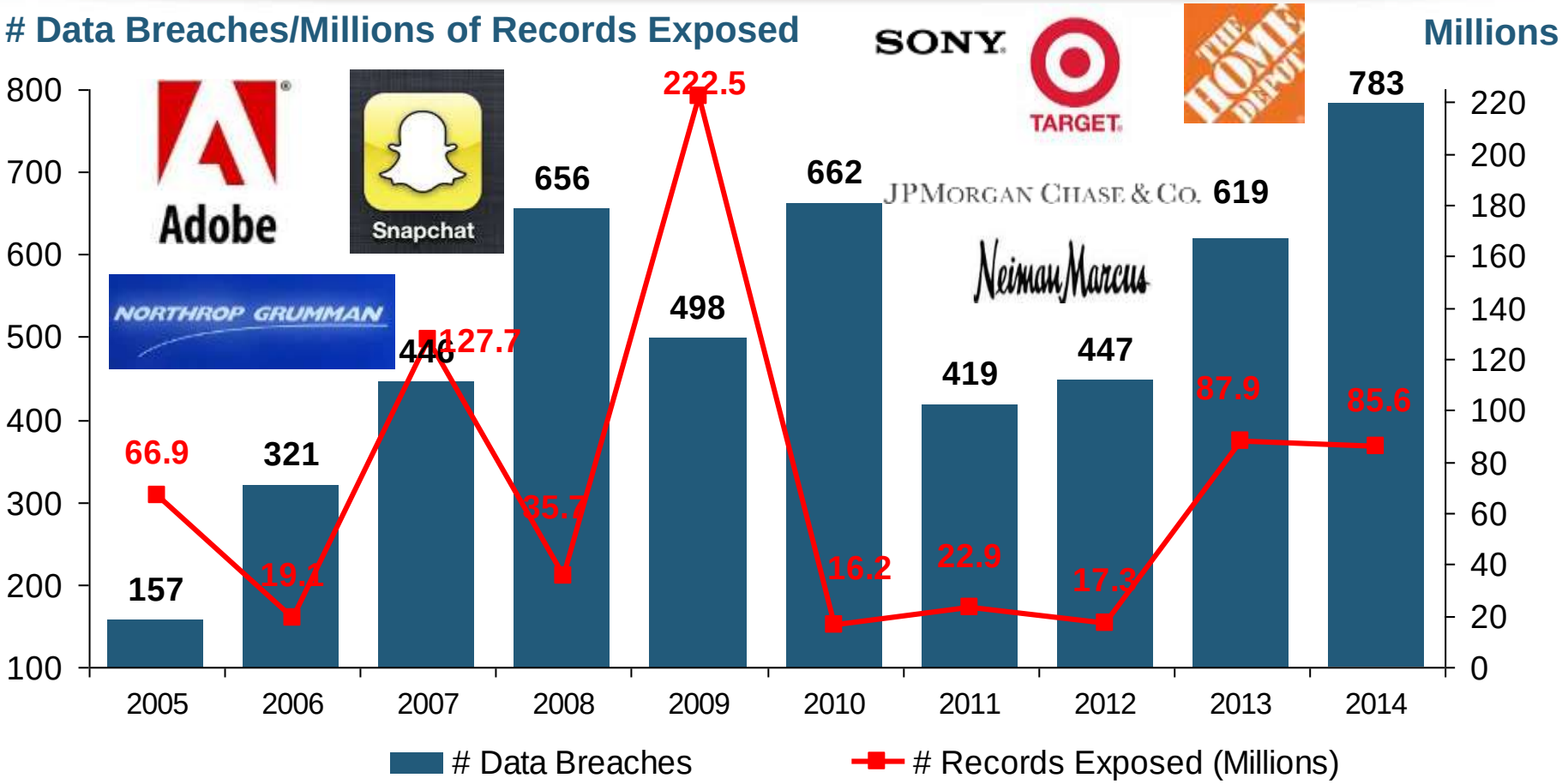

The Total Number of Data Breaches Rose 28% While the Number of Records Exposed Was Relatively Flat (-2.6%)

* 2014 figures as of Jan. 12, 2014 from the ITRC.
Source: Identity Theft Resource Center.

Worldwide Cybersecurity Spending, 2011- 2016F

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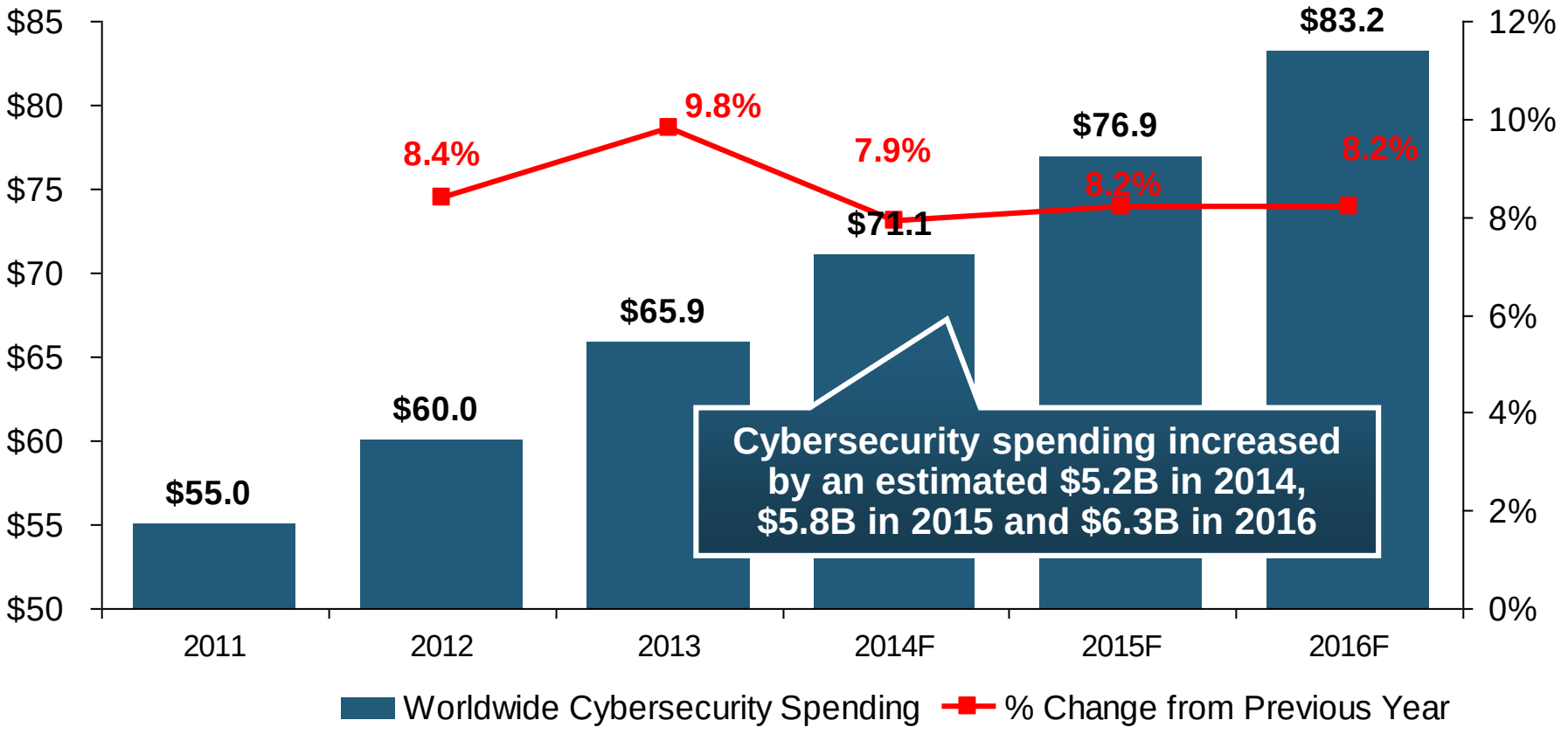
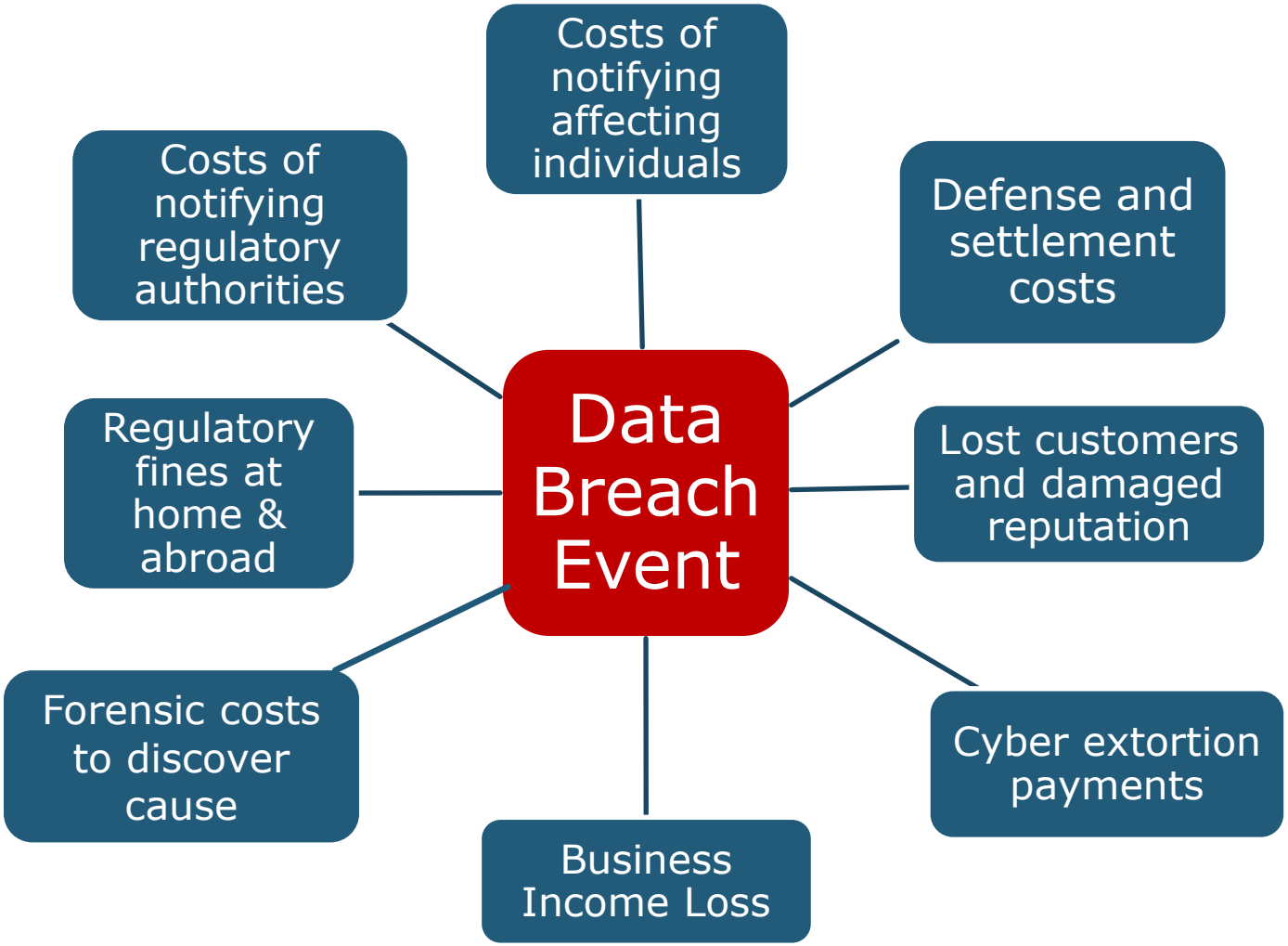
($ Billions)



Cybersecurity Spending Is Rising Sharply, Up by About 8%+ Annually through 2016—a Projected Increase of $12.1 Billion from 2014 to 2016

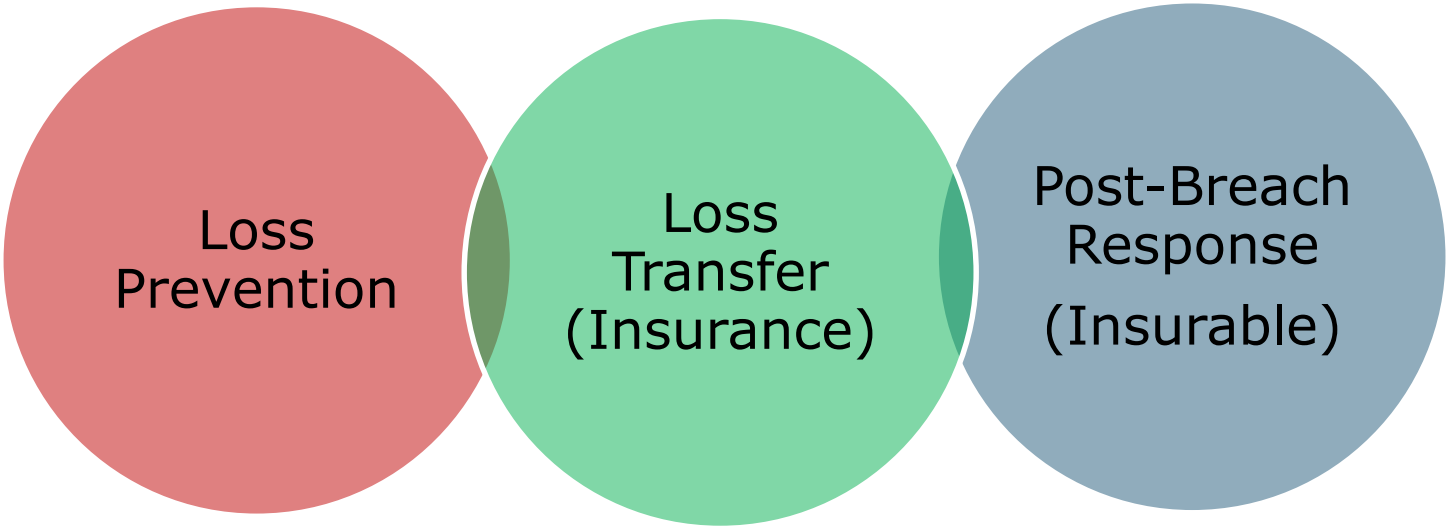
Source: Gartner Group; Insurance Information Institute; Adapted from *Wall Street Journal*: "Financial Firms Boost Cybersecurity Funds," Nov. 17, 2014.

Data/Privacy Breach: Many Potential Costs Can Be Insured



Source: Zurich Insurance; Insurance Information Institute

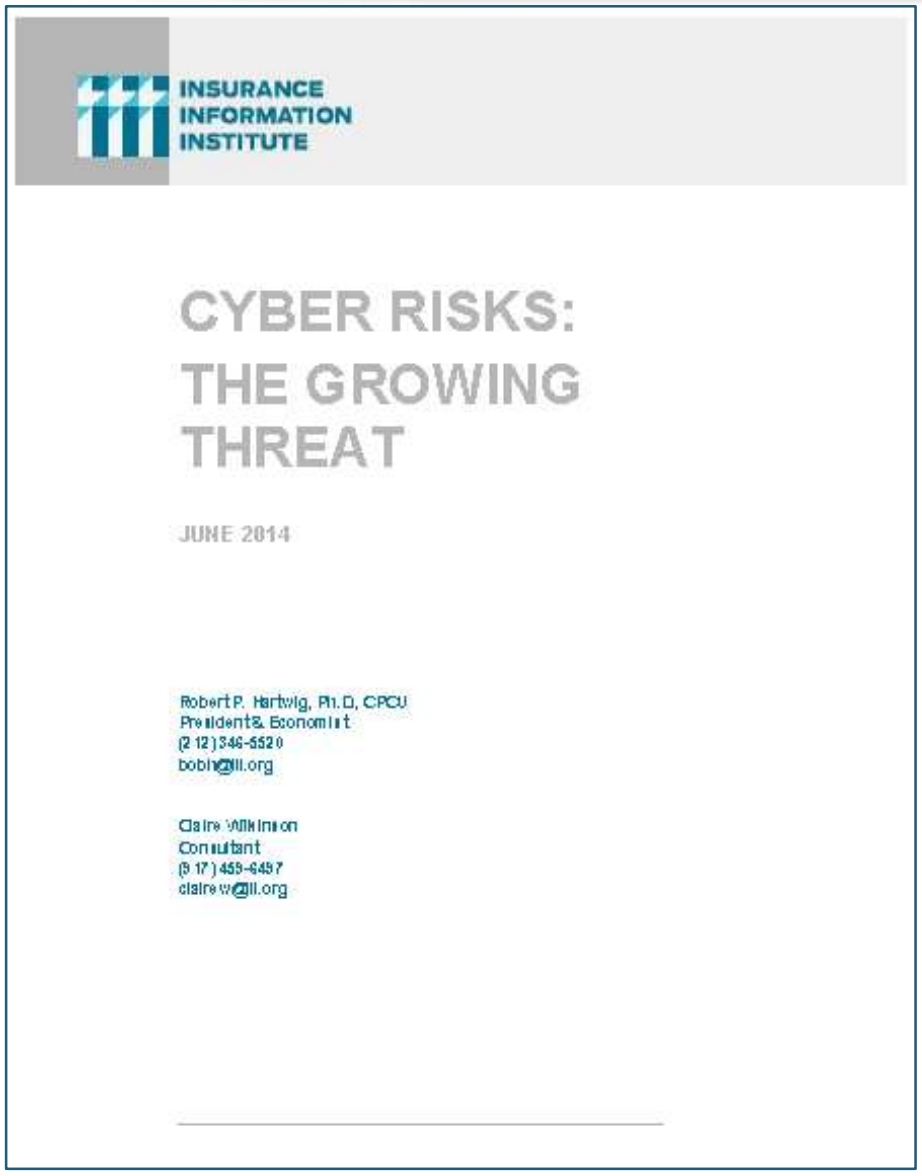
The Three Basic Elements of Cyber Coverage: Prevention, Transfer, Response



Cyber risk management today involves three essential components, each designed to reduce, mitigate or avoid loss. An increasing number of cyber risk products offered by insurers today provide all three.

Source: Insurance Information Institute research.

I.I.I. Released its Second Cyber Report in 2014: *Cyber Risk: The Growing Threat*



- **I.I.I.'s 2nd report on cyber risk released June 2014**
- **Provides information on cyber threats and insurance market solutions**
- **Global cyber risk overview**
  - **Quantification of threats by type and industry**
- **Cyber security and cost of attacks**
- **Cyber terrorism**
- **Cyber liability**
- **Insurance market for cyber risk**
- ***3rd Report in Q2 2015***

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INDUSTRY DISRUPTORS

Technology, Society and the Economy Are All Changing at a Rapid Pace

Thoughts on the Future

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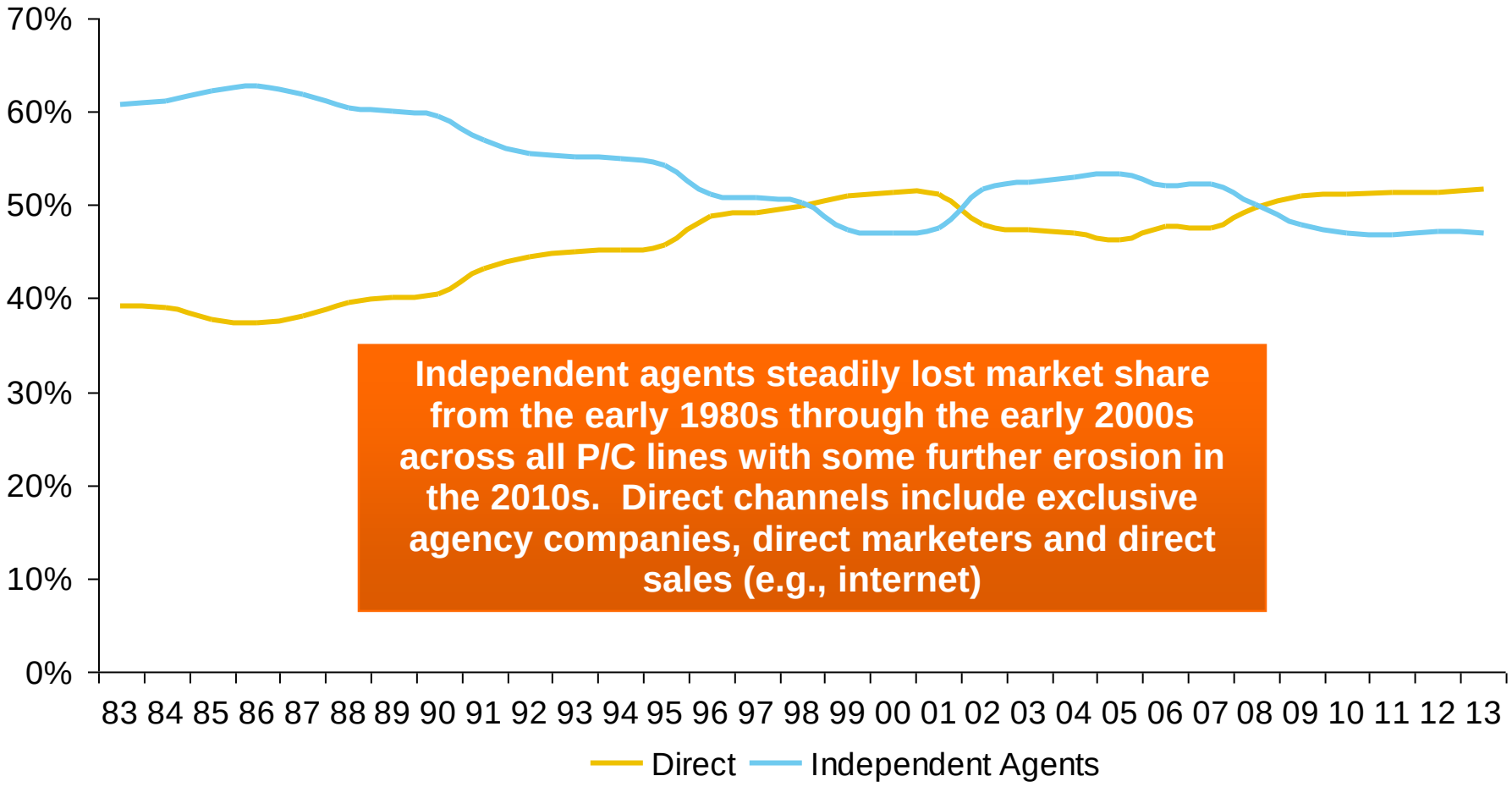
DISTRIBUTION TRENDS

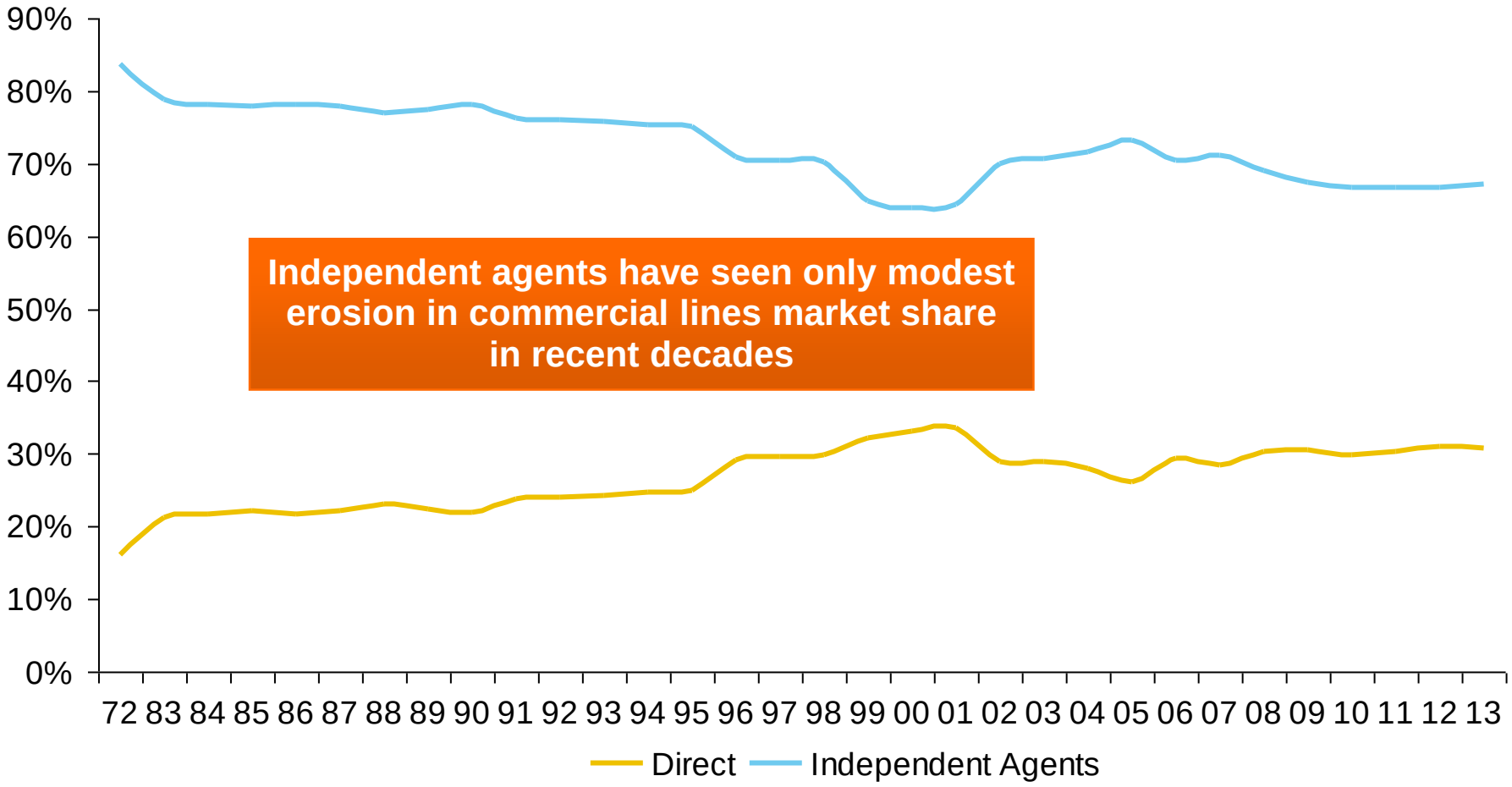
Distribution by Channel Type Continues to Evolve Rapidly

All P/C Lines Distribution Channels, Direct vs. Independent Agents



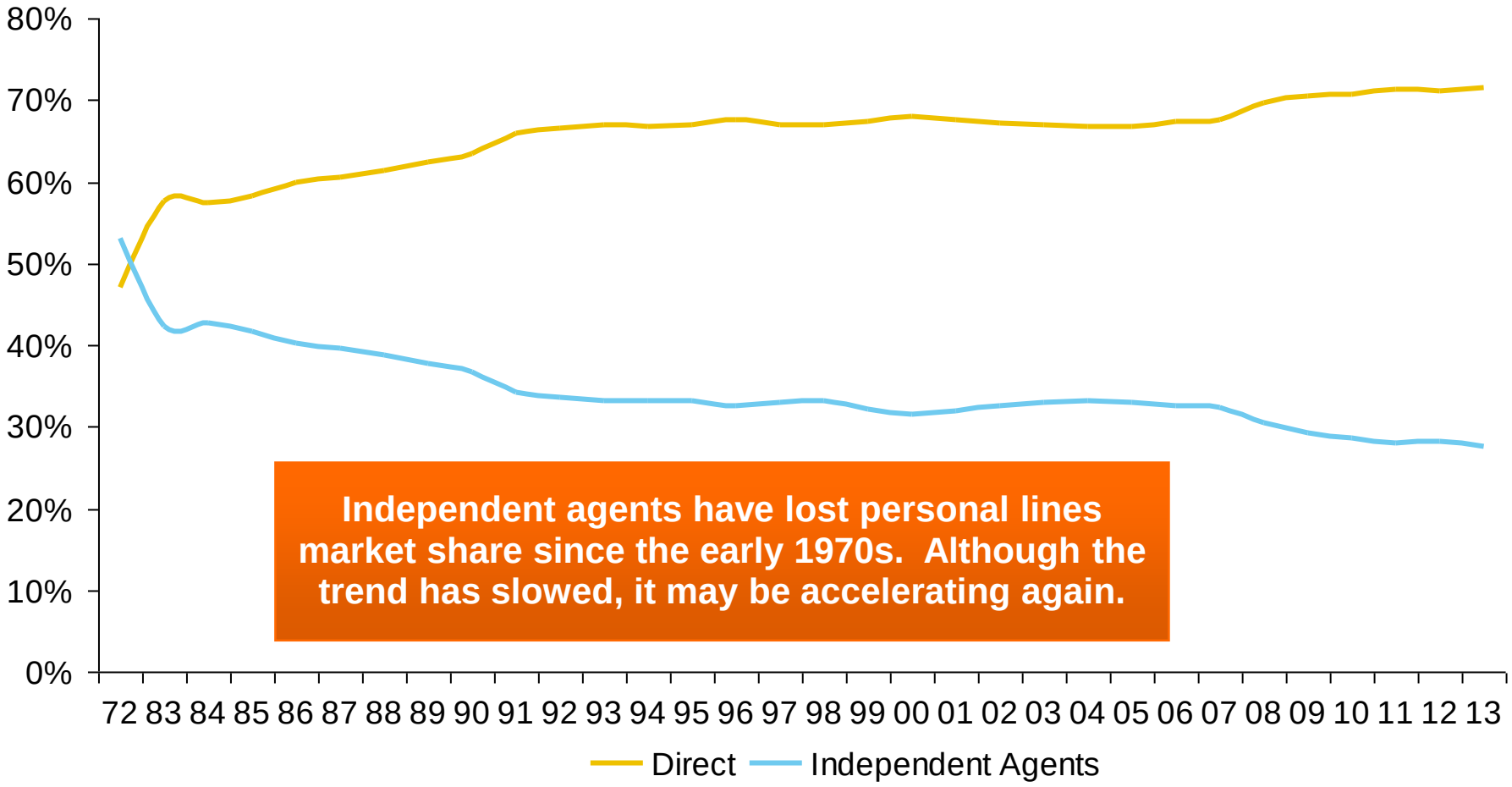
Source: Insurance Information Institute; based on data from Conning and A.M. Best.

Commercial P/C Distribution Channels, Direct vs. Independent Agents



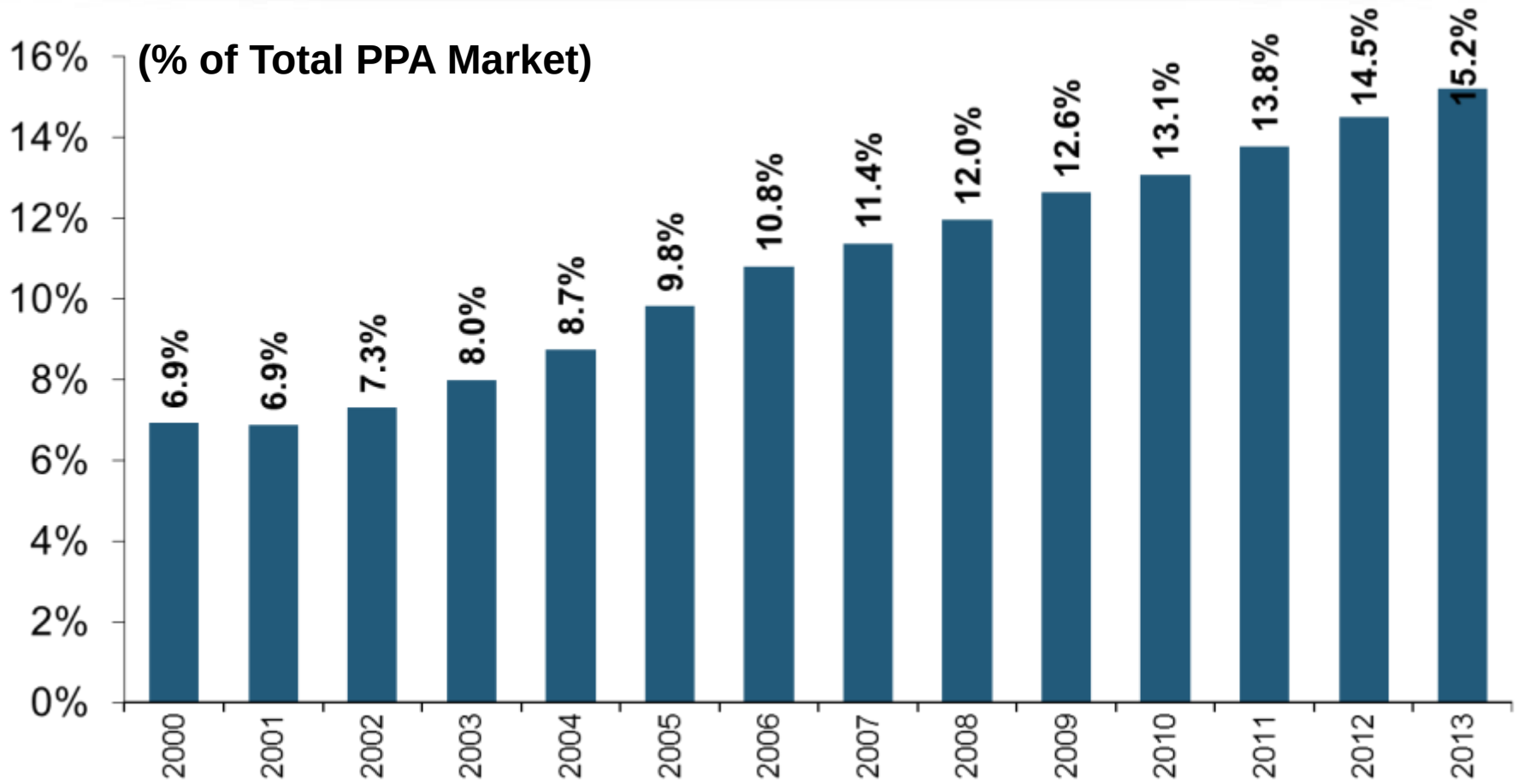
Source: Insurance Information Institute; based on data from Conning and A.M. Best.

Personal Lines Distribution Channels, Direct vs. Independent Agents



Source: Insurance Information Institute; based on data from Conning and A.M. Best.

Growth in Select Major Pvt. Passenger Auto Direct Writers' Market Share*



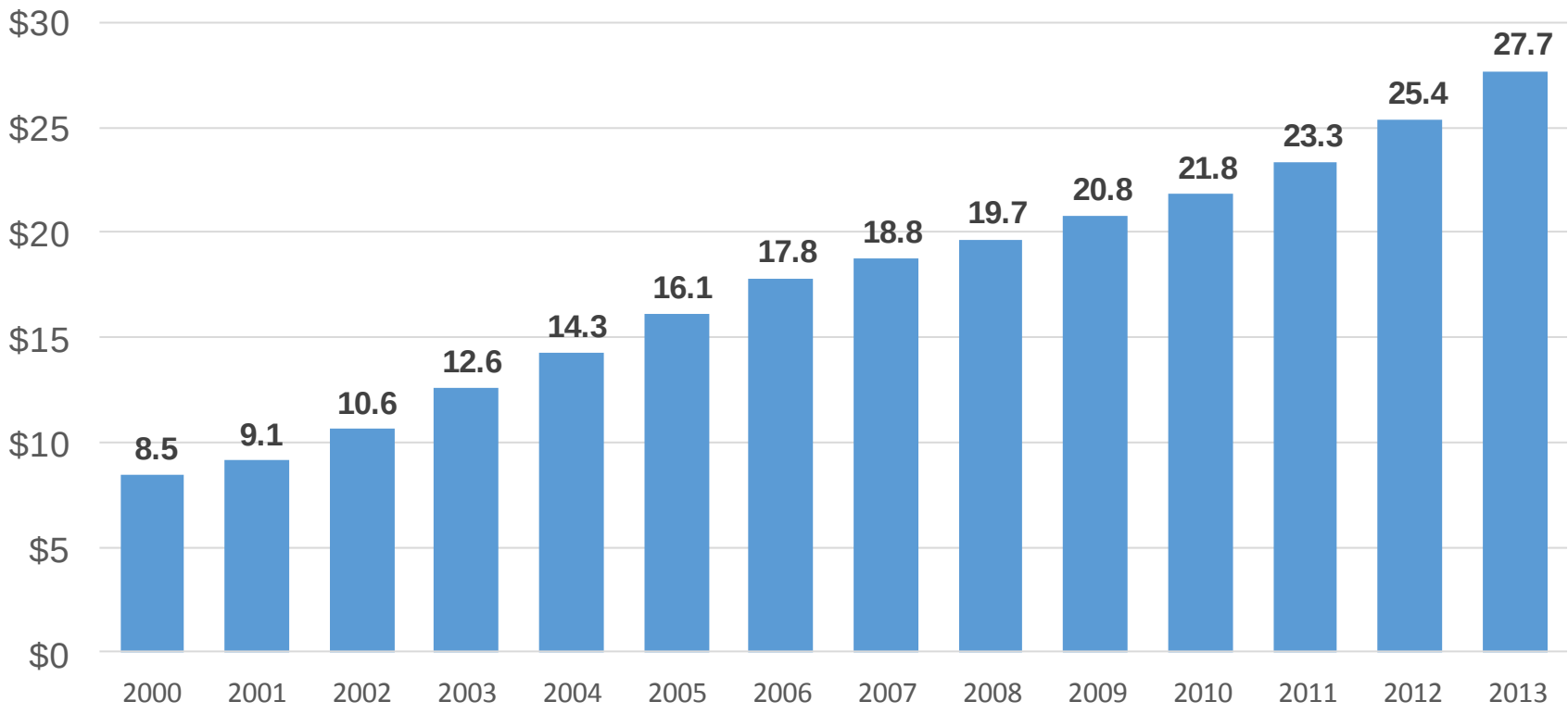
Direct Writers' Market Share Has More Than Doubled Since 2000.

*Includes GEICO, Progressive Direct, Esurance and 21st Century.

Sources: SNL Financial; Insurance Information Institute.

Direct Premiums Written for Select Major Pvt. Passenger Auto Direct Writers'

($ Billions)



Direct Writers Have More Than Tripled Their Premiums Written Since 2000.

*Includes GEICO, Progressive Direct, Esurance and 21st Century.
Sources: SNL Financial; Insurance Information Institute.

Growth Rates: Major PPA Direct Writers vs. All Private Passenger Auto Writers

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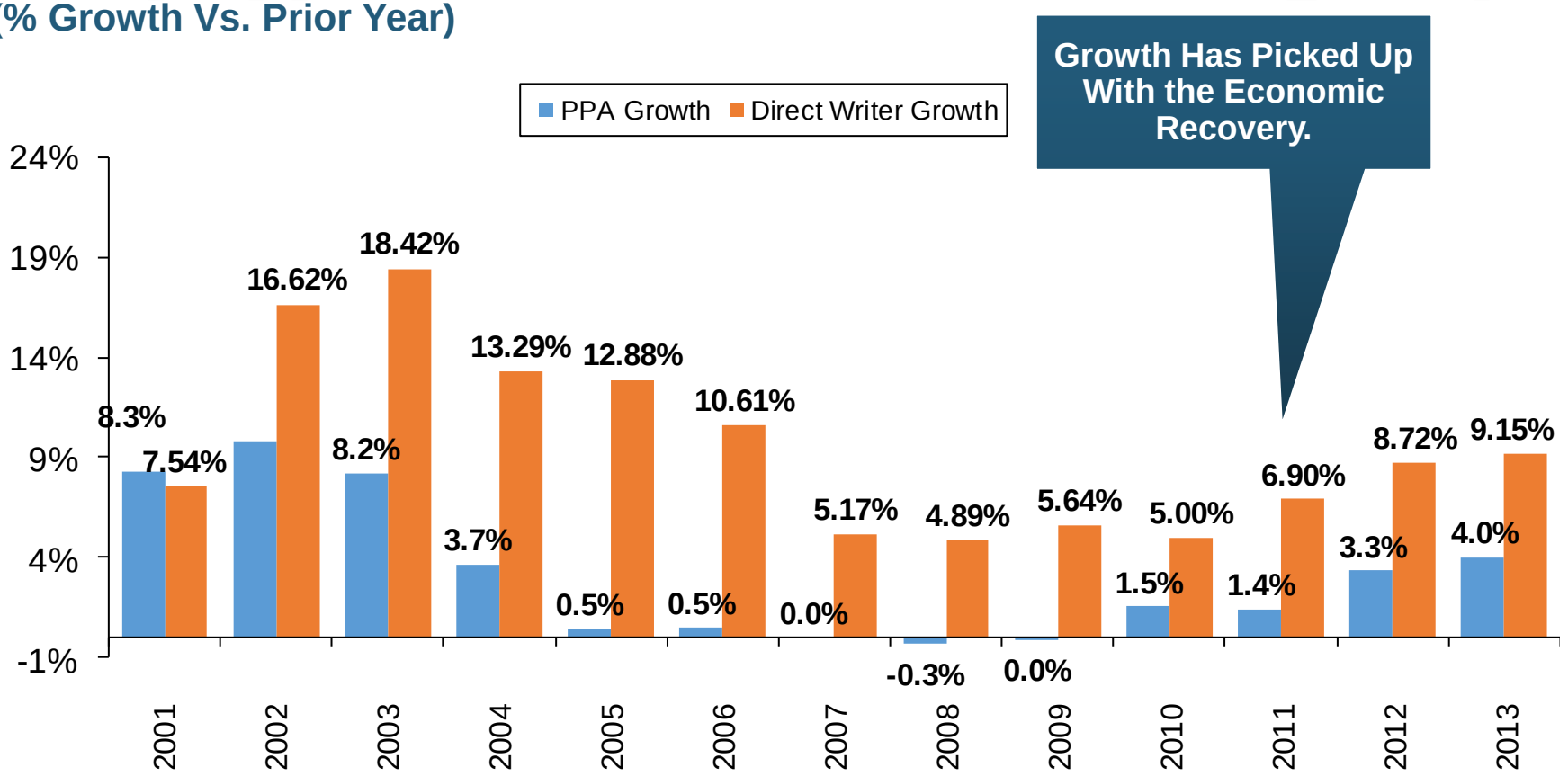
(% Growth Vs. Prior Year)



Direct Writers Have Grown Faster Than The Private Passenger Market Since 2002

*Includes GEICO, Progressive Direct, Esurance and 21st Century.

Sources: SNL Financial; Insurance Information Institute.

Top 10 and Direct PP Auto Writers Gained Market Share from 2009 to 2013

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2013 Rank		Market Share (%)					Market Share Change			
		2009	2010	2011	2012	2013	2010	2011	2012	2013
1	State Farm Mutl Automobile Ins	18.09%	18.11%	18.07%	17.87%	17.97%	0.03%	-0.04%	-0.21%	0.10%
2	Berkshire Hathaway Inc.	8.35%	8.64%	9.22%	9.72%	10.35%	0.29%	0.58%	0.50%	0.63%
3	Allstate Corp.	11.13%	10.85%	10.48%	10.15%	10.03%	-0.29%	-0.36%	-0.34%	-0.11%
4	Progressive Corp.	7.58%	7.83%	8.06%	8.37%	8.54%	0.24%	0.23%	0.32%	0.16%
5	Farmers Insurance Group of Cos	6.46%	6.06%	5.99%	5.97%	5.49%	-0.40%	-0.07%	-0.02%	-0.48%
6	USAA Insurance Group	4.13%	4.39%	4.63%	4.87%	5.06%	0.26%	0.24%	0.23%	0.19%
7	Liberty Mutual	4.43%	4.57%	4.62%	4.80%	5.02%	0.14%	0.04%	0.18%	0.22%
8	Nationwide Mutual Group	4.64%	4.37%	4.20%	4.14%	4.04%	-0.27%	-0.17%	-0.06%	-0.10%
9	American Family Mutual	2.18%	2.13%	2.00%	1.92%	1.91%	-0.05%	-0.14%	-0.08%	0.00%
10	Travelers Companies Inc.	2.08%	2.14%	2.12%	1.97%	1.77%	0.06%	-0.02%	-0.15%	-0.20%
	Top 10 Market Share	**69.1%**	**69.1%**	**69.4%**	**69.8%**	**70.2%**	**0.01%**	**0.30%**	**0.39%**	**0.41%**
11	Hartford Financial Services	1.64%	1.53%	1.41%	1.34%	1.31%	-0.11%	-0.12%	-0.07%	-0.03%
12	Auto Club Exchange Group	1.27%	1.28%	1.30%	1.30%	1.30%	0.01%	0.02%	0.00%	-0.01%
13	Erie Insurance Group	1.15%	1.19%	1.20%	1.21%	1.23%	0.04%	0.01%	0.01%	0.02%
14	MetLife Inc.	1.24%	1.24%	1.23%	1.22%	1.23%	-0.01%	-0.01%	-0.01%	0.01%
15	Mercury General Corp.	1.30%	1.26%	1.24%	1.22%	1.19%	-0.04%	-0.02%	-0.02%	-0.04%
16	CSAA Insurance Exchange	1.19%	1.18%	1.17%	1.14%	1.11%	-0.01%	-0.01%	-0.03%	-0.02%
17	Auto-Owners Insurance Co.	0.84%	0.91%	0.98%	0.99%	0.99%	0.07%	0.07%	0.01%	0.00%
18	Auto Club Insurance Assoc Grp	0.85%	0.89%	0.91%	0.91%	0.90%	0.04%	0.02%	0.00%	-0.01%
19	MAPFRE	0.82%	0.86%	0.89%	0.83%	0.82%	0.04%	0.02%	-0.06%	-0.01%
20	Infinity P&C Corp.	0.49%	0.55%	0.61%	0.68%	0.70%	0.06%	0.07%	0.07%	0.01%
	#11-#20 Total Market Share	**10.8%**	**10.9%**	**10.9%**	**10.8%**	**10.8%**	**0.09%**	**0.05%**	**-0.11%**	**-0.07%**
	Top 20 Market Share	**79.9%**	**80.0%**	**80.3%**	**80.6%**	**80.9%**	**0.10%**	**0.35%**	**0.28%**	**0.34%**
	Rest of Industry Market Share	**20.1%**	**20.0%**	**19.7%**	**19.4%**	**19.1%**	**-0.10%**	**-0.35%**	**-0.28%**	**-0.34%**
	TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**				

Sources: comScore data, Evercore ISI Research, Nov. 2014.

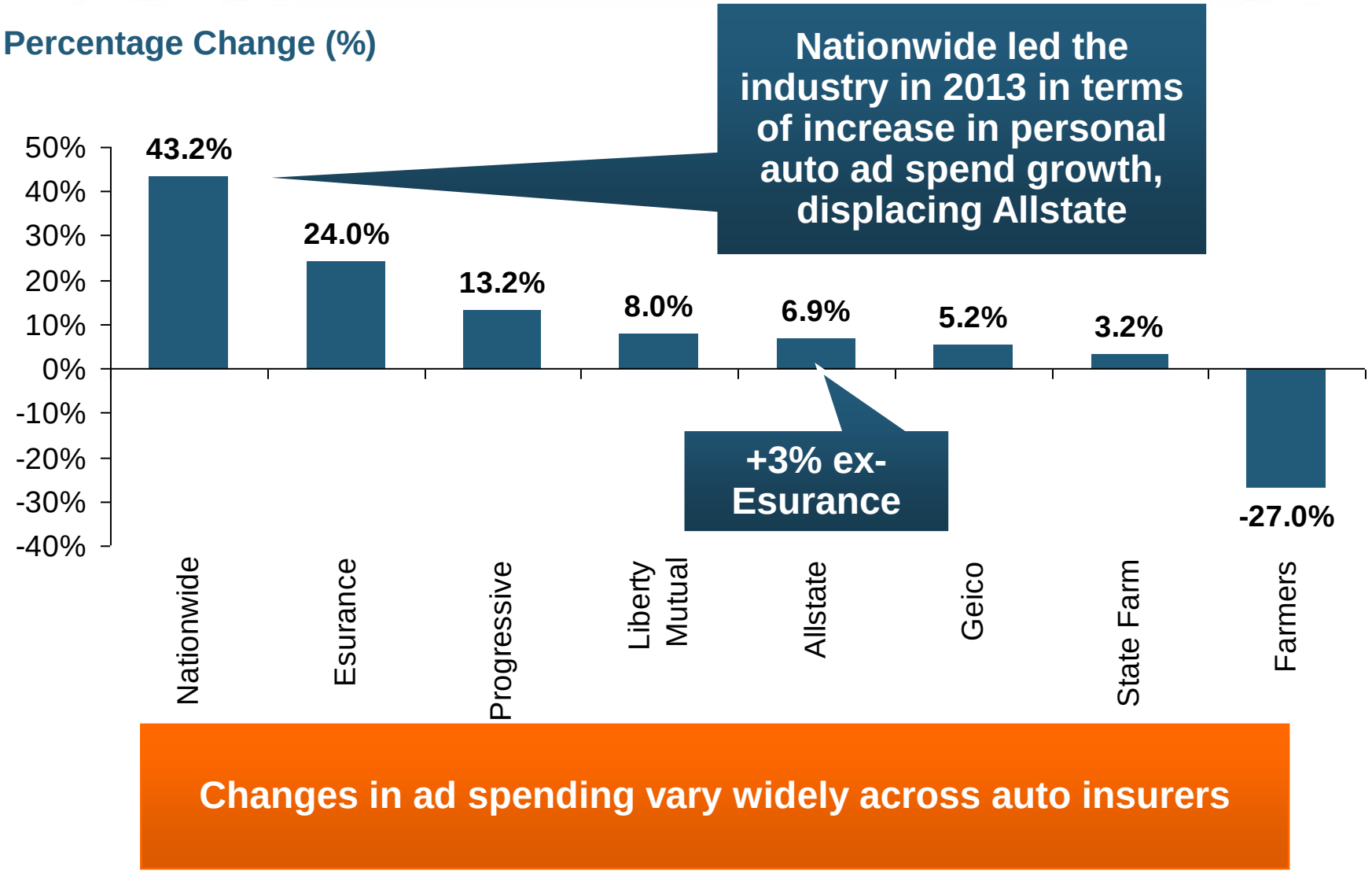
Top Line Growth of Major Independent Agency PP Auto Writers, 2009 – 2014H1

	2009	2010	2011	2012	2013	1H14
Progressive Agency Pool	0.9%	0.9%	2.5%	6.7%	5.2%	3.7%
Travelers	-0.7%	4.4%	0.4%	-3.8%	-6.3%	-2.3%
Nationw ide Mutual	-2.5%	-4.5%	-2.4%	2.7%	2.0%	1.3%
Safeco	-12.0%	4.3%	-1.4%	12.6%	26.3%	11.7%
Mercury	-8.4%	-1.9%	0.0%	1.9%	1.3%	3.5%
Erie	2.2%	4.7%	2.4%	4.4%	6.4%	6.5%
Auto-Ow ners	8.2%	10.3%	8.7%	4.6%	4.4%	4.7%
Zurich/Farmers	-7.4%	-4.7%	0.0%	3.2%	-3.8%	-3.5%
Hartford	0.0%	-5.1%	-6.7%	-1.8%	2.0%	3.5%
Mapfre	-4.8%	6.2%	3.6%	-3.3%	3.4%	1.3%
Infinity	-5.7%	13.8%	13.7%	15.7%	6.5%	0.5%

Independent Agency carriers have turned in a mixed growth performance in the PP Auto line in 2014

Sources: Evercore Equity Research, Nov. 2014.

Advertising Spend Change by Select Personal Auto Writers: 2013 vs. 2012



Changes in ad spending vary widely across auto insurers

Sources: Company data, Evercore ISI Research, Nov. 2014.

Y/Y Change in Unique Website Visitors of Select Personal Auto Writers, Aug. 2013 – Oct. 2014

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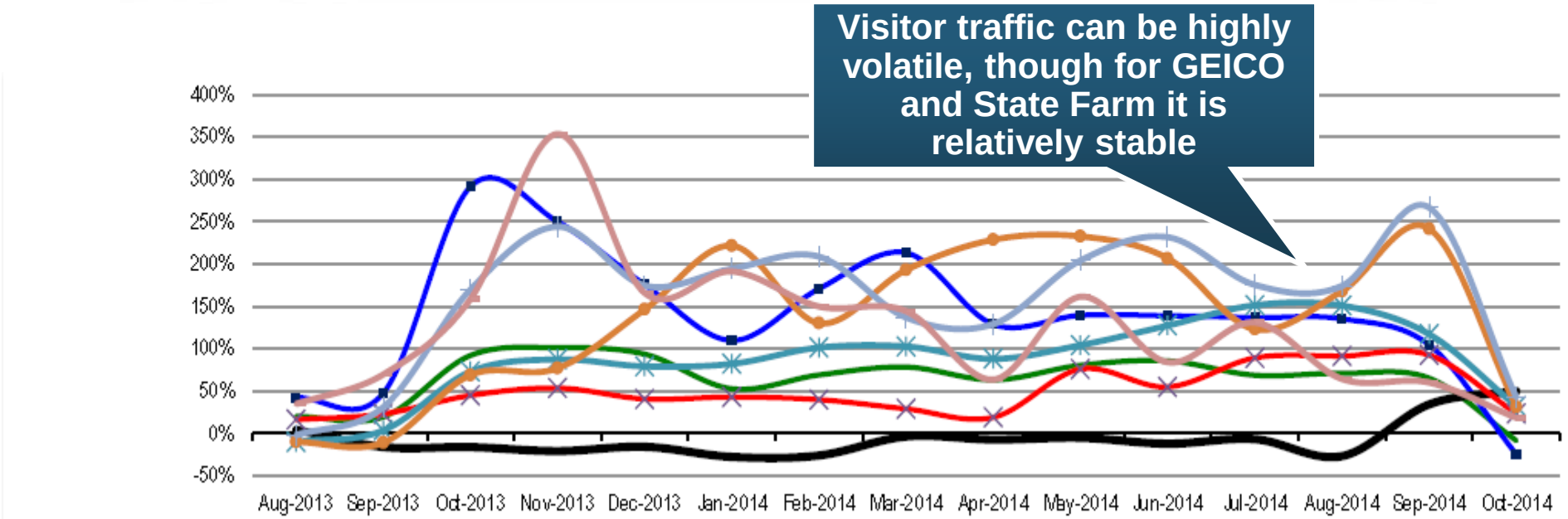
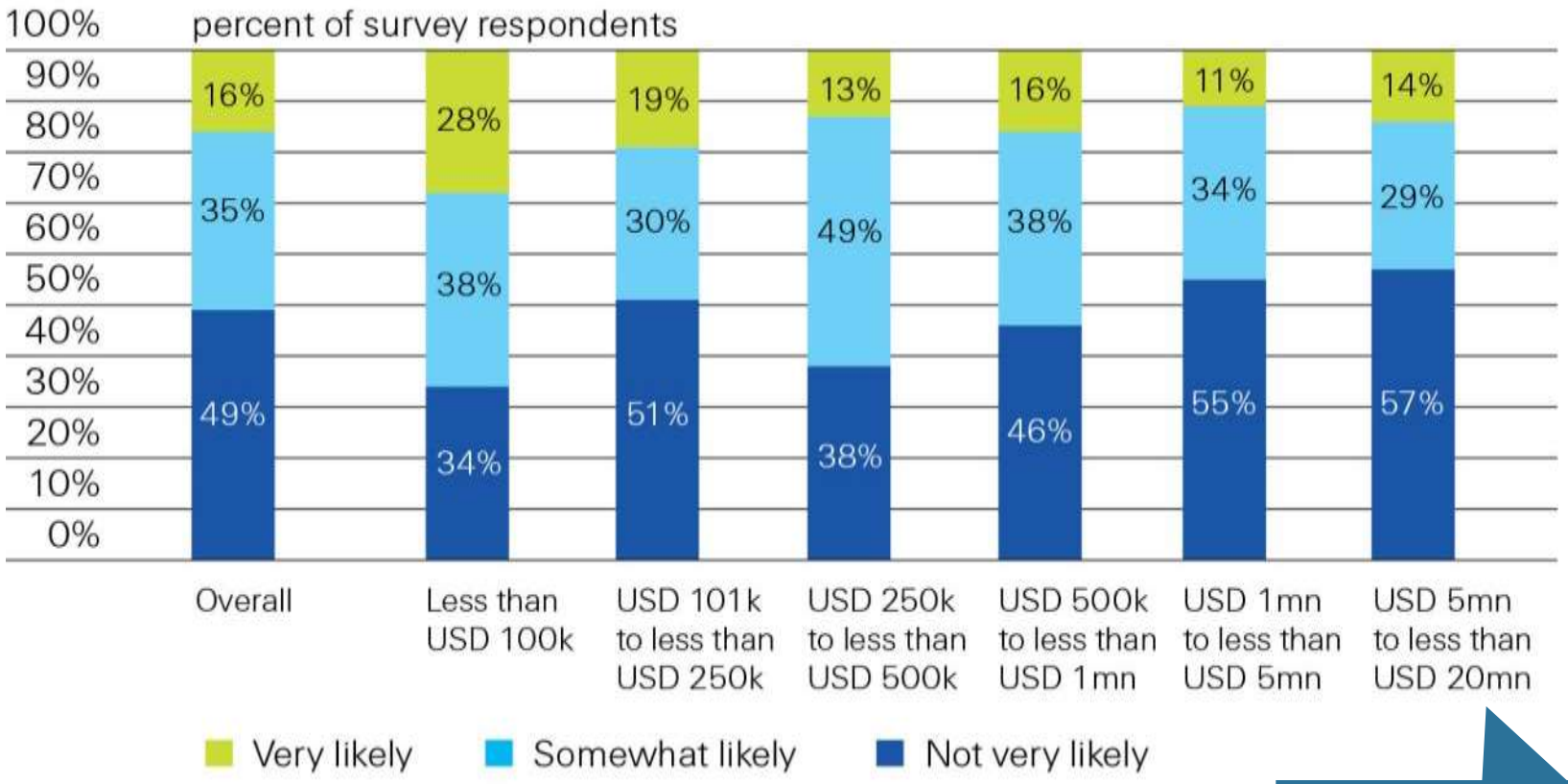


	Aug-2013	Sep-2013	Oct-2013	Nov-2013	Dec-2013	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014
GEICO	20.1%	19.4%	91.9%	101.2%	93.4%	52.6%	69.0%	78.3%	63.2%	80.4%	85.5%	68.6%	70.9%	65.1%	-8.6%
PROGRESSIVE.COM	42.1%	47.7%	291.3%	249.9%	175.4%	109.7%	170.8%	213.1%	128.7%	139.3%	138.9%	136.7%	135.2%	104.3%	-24.9%
STATEFARM.COM	3.9%	-16.2%	-16.3%	-21.0%	-15.9%	-27.8%	-26.1%	-3.8%	-7.4%	-5.3%	-12.2%	-6.9%	-26.9%	34.2%	49.8%
ALLSTATE.COM	16.1%	23.0%	44.7%	53.5%	40.6%	42.9%	39.7%	28.9%	18.9%	75.8%	54.8%	89.1%	91.3%	92.4%	23.2%
USAA	-10.3%	3.4%	73.0%	87.3%	79.1%	82.1%	101.3%	102.6%	87.9%	104.1%	127.3%	151.3%	150.9%	117.0%	31.9%
LIBERTY MUTUAL	-10.2%	-10.9%	68.8%	76.9%	146.3%	221.5%	130.0%	193.0%	228.6%	232.6%	206.6%	122.9%	168.0%	241.5%	31.4%
NATIONWIDE	-2.3%	31.0%	169.8%	244.0%	174.4%	194.3%	208.6%	136.7%	129.1%	204.2%	231.6%	175.3%	174.2%	266.5%	42.5%
ESURANCE	34.6%	69.6%	158.5%	353.5%	165.6%	191.1%	149.7%	144.1%	63.5%	161.3%	83.9%	130.8%	64.1%	59.9%	18.3%

Sources: SNL data, Evercore ISI Research, Nov. 2014.

Proportion of Businesses Interested in Buying Insurance Online



Interest diminishes with account size

Likelihood of small US businesses buying insurance online directly from the insurer, overall and by annual company revenue, in 2013

Source: Swiss Re from "Voice of the Small Commercial Insurance Consumer Survey." Deloitte, March (2013)

The Rise of the Smart Phone: Technology is Available for All Distribution Channels

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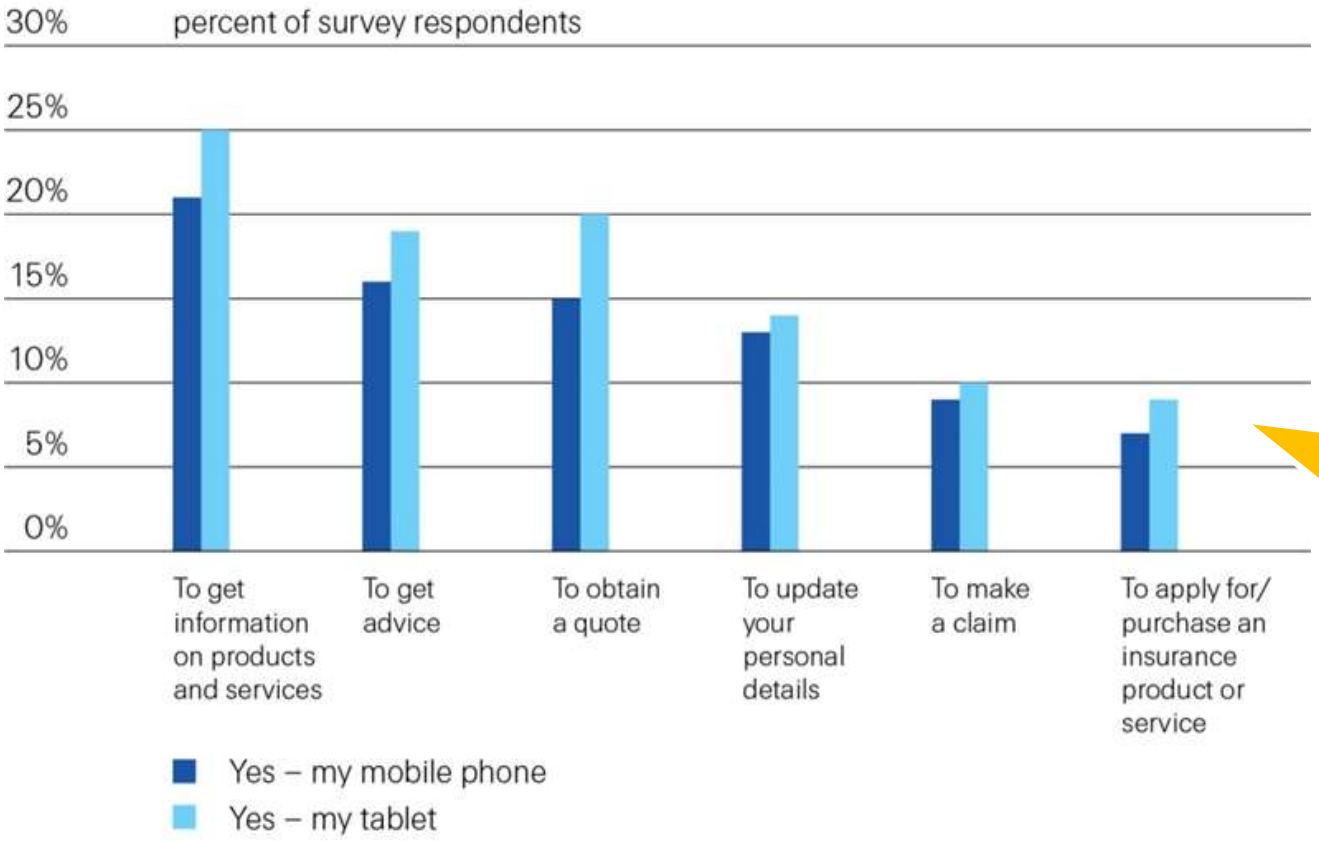
Use of smart mobile devices in insurance distribution



% Positive Responses to the Question: Have you used your mobile device in the past two years to deal online with an insurer?

Smart phones are a technology available to all distribution channels

Note: Share of positive responses to the question: "Have you used your mobile device in the past two years to deal online with an insurer?"

Source: Swiss Re from "2013 Consumer-Driven Innovation Survey." Accenture (2013)

Google: Should Insurers Be Concerned?

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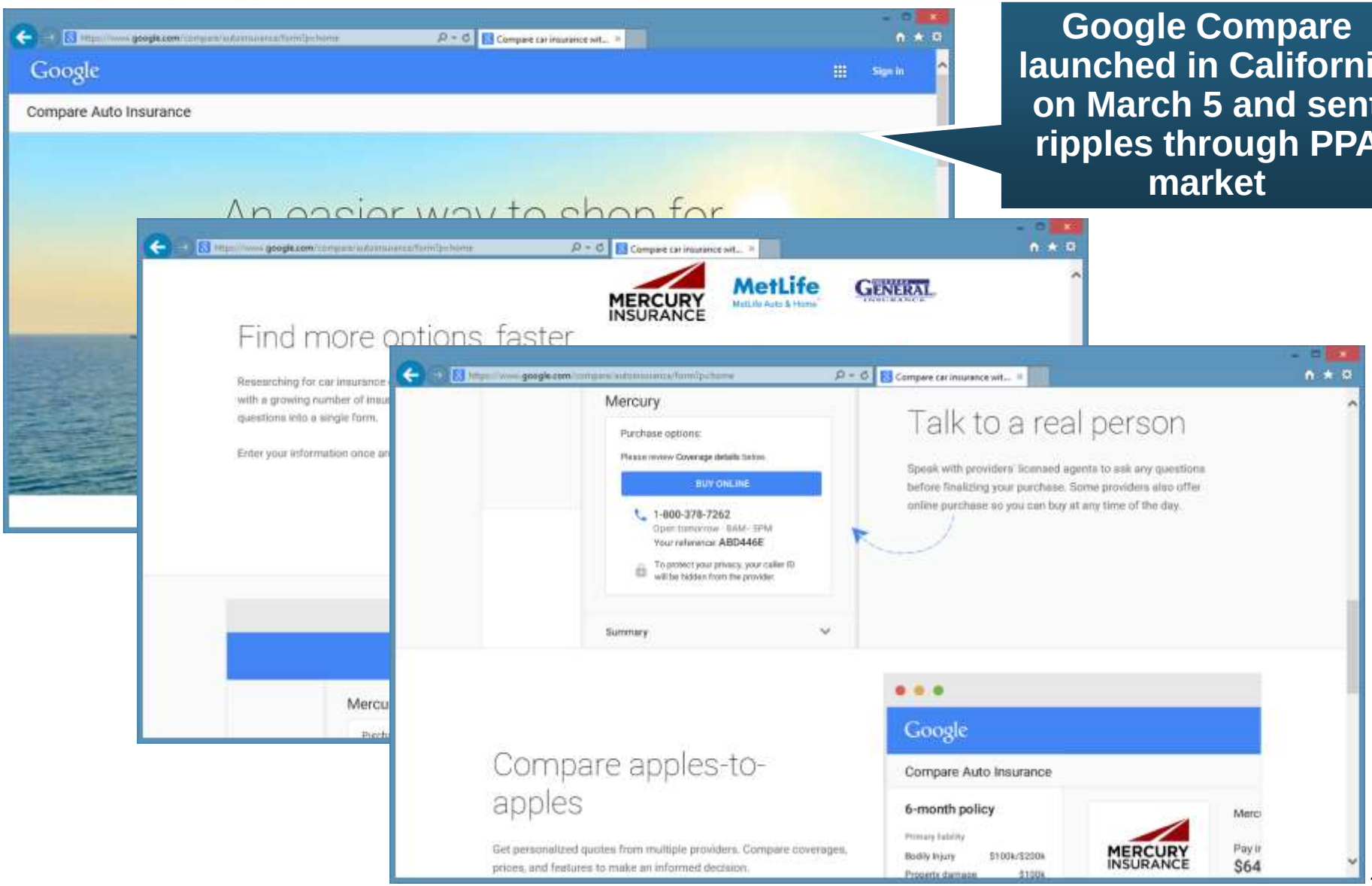

Google Compare launched in California on March 5 and sent ripples through PPA market

Distribution via 'basic' mobile

- New uses for mobile increase potential for accessing the previously uninsured
  - Insurance premiums can be collected via mobile (through mobile money platforms or through airtime deductions)
  - Collection methods typically depend on regulation

Innovative Examples

- MicroEnsure – using algorithms to track down potential claims
- Bima – using mobile to monitor agent performance and verify that consumers get the right information
- Kilimo Salama – using just 2 mobile data points (GPS location and date of text), combined with satellite technology, to underwrite crop insurance
- IFFCO-Tokio – mobile biometric identification for livestock insurance

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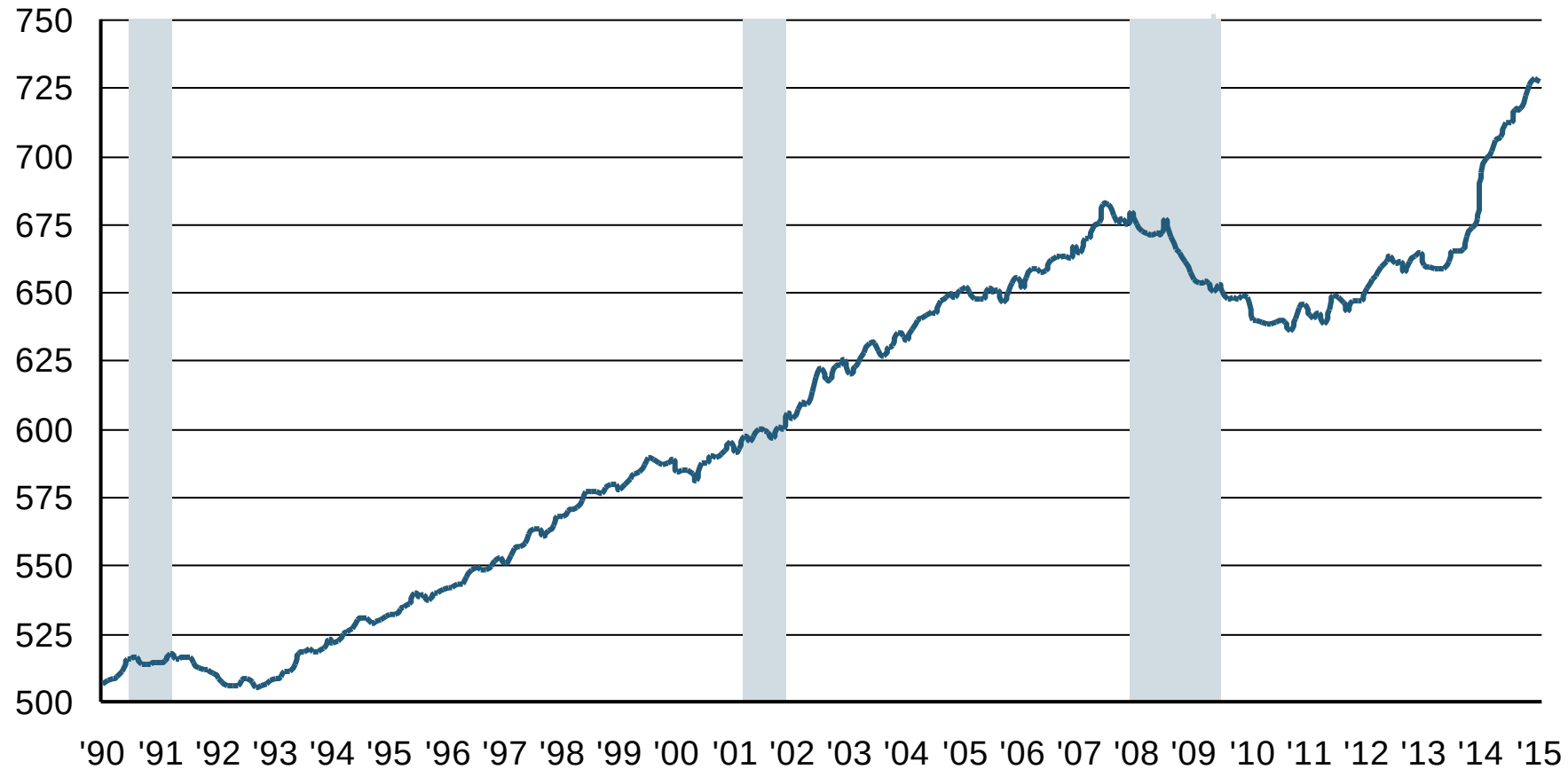
DISTRIBUTION DEMOGRAPHICS

Employment Among Agents and Brokers Has Recovered but Consolidation Trends Will Persist

U.S. Employment in Insurance Agencies & Brokerages: 1990–2015*



*As of January 2015; not seasonally adjusted. Includes all types of insurance.
Note: Recessions indicated by gray shaded columns.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Agent/Broker M&A Deals, 2000-2014:6M

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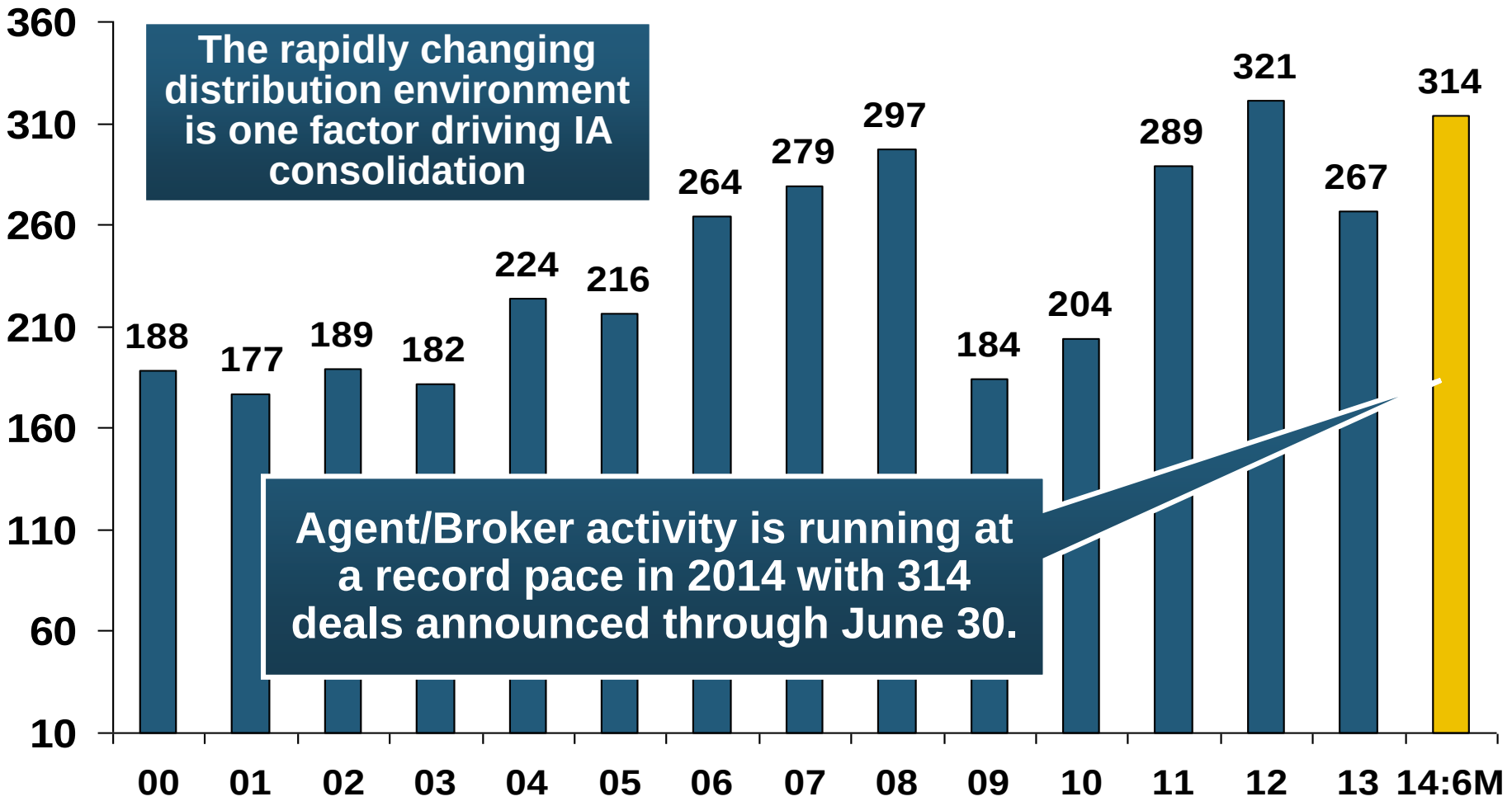
Number of Deals



Source: Optis Partners, "Agent-Broker Merger & Acquisition Statistics: The New Normal?", August 2014; Insurance Information Institute.

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"BIG DATA"

More and Better Data Combined with Consumer Interactivity Are Transforming Many Industries—*Including Insurance*

Percentage of Carriers Using Predictive Analytics by Major P/C Line, 2013

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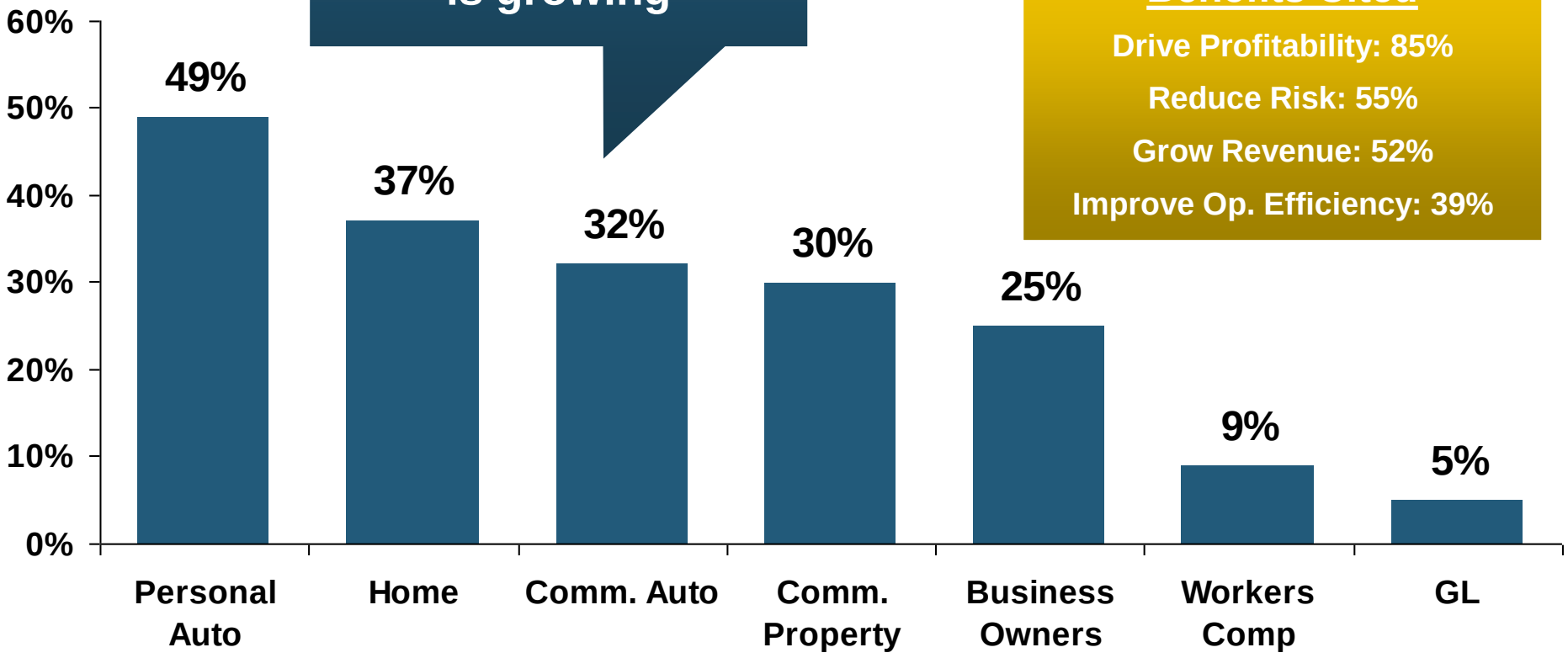
Predictive analytics is more like to be used in personal lines, but commercial lines use is growing

82% of insurers report using predicative analytics in at least one line. 18% do not use it all.

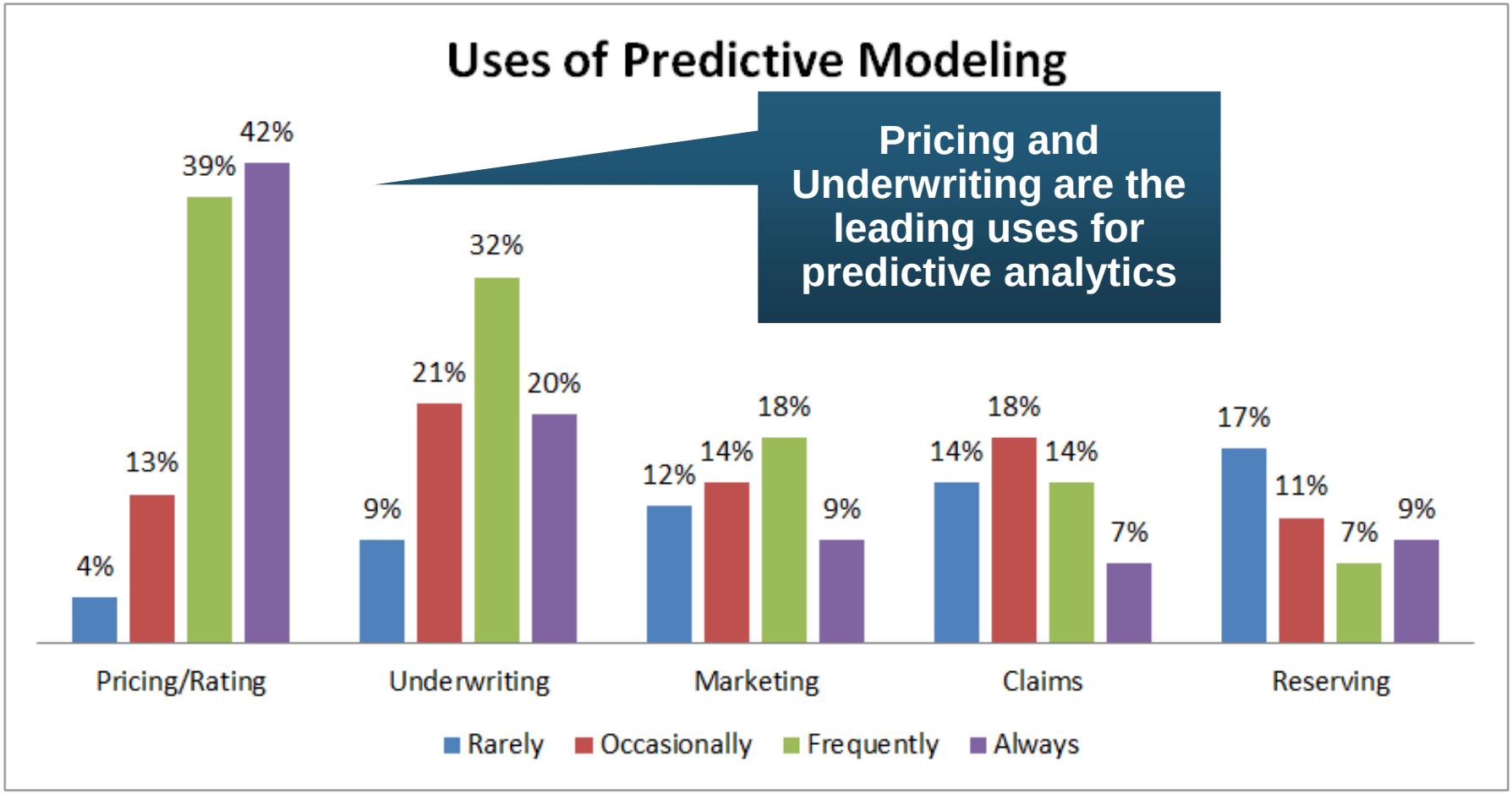
Benefits Cited

- Drive Profitability: 85%
- Reduce Risk: 55%
- Grow Revenue: 52%
- Improve Op. Efficiency: 39%



Source: ISO/Earnix Survey, September 2013; Insurance Information Institute.

Uses of Predictive Analytics by Function



Source: Earnix/ISO September 2013 Survey

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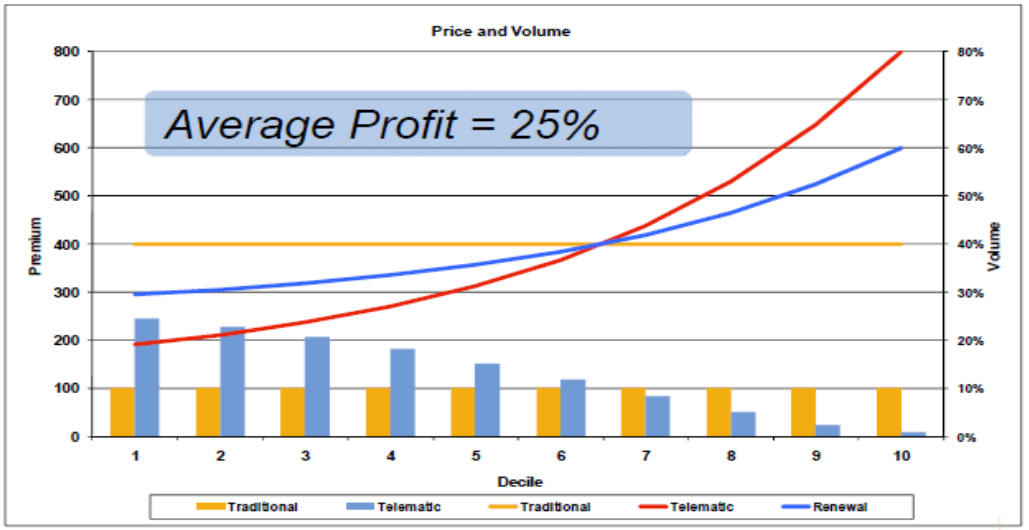
Usage-Based Insurance (UBI): Telematics

UBI Is Catching On Among Insurers and Consumers, But Is It a Transient Technology?

Driving Behavior Data Is Very Predictive

- Provides significant lift above current rating plan
  - Early programs had discounts of up to 61% and surcharges of 9%, but most companies are not giving such significant rate variation
  - Difference between indication and selection can help fund technology while still providing marketing effect
  - Must be matched with policy and claims data to develop predictive models and define lift

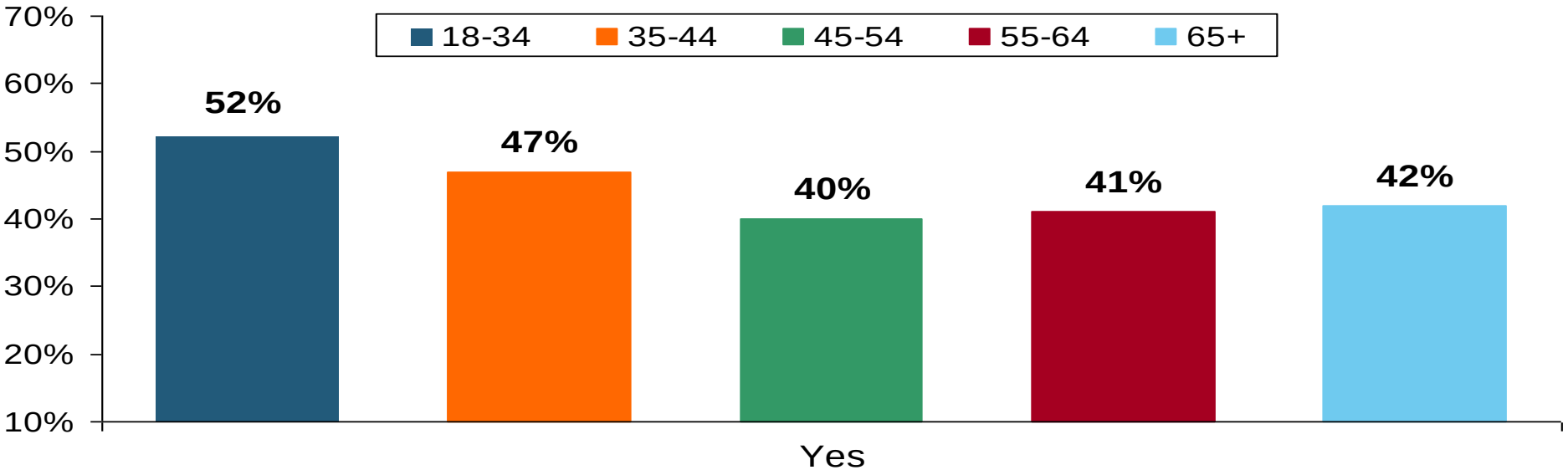


Smart implementation helps justify the technology cost

Source: Towers Perrin.

I.I.I. Poll: Telematics

Q. Would you be more likely to install a recording device on your car that allows your insurance company to monitor how many miles you drive, the time of day you drive and how often you make sudden stops if you could get an immediate discount on your auto insurance?[1]



Support for telematics device is highest among youngest age group and declines among older people.

[1]Asked of those who have auto insurance.

Source: Insurance Information Institute Annual *Pulse* Survey.

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Autonomous/Driverless Vehicles

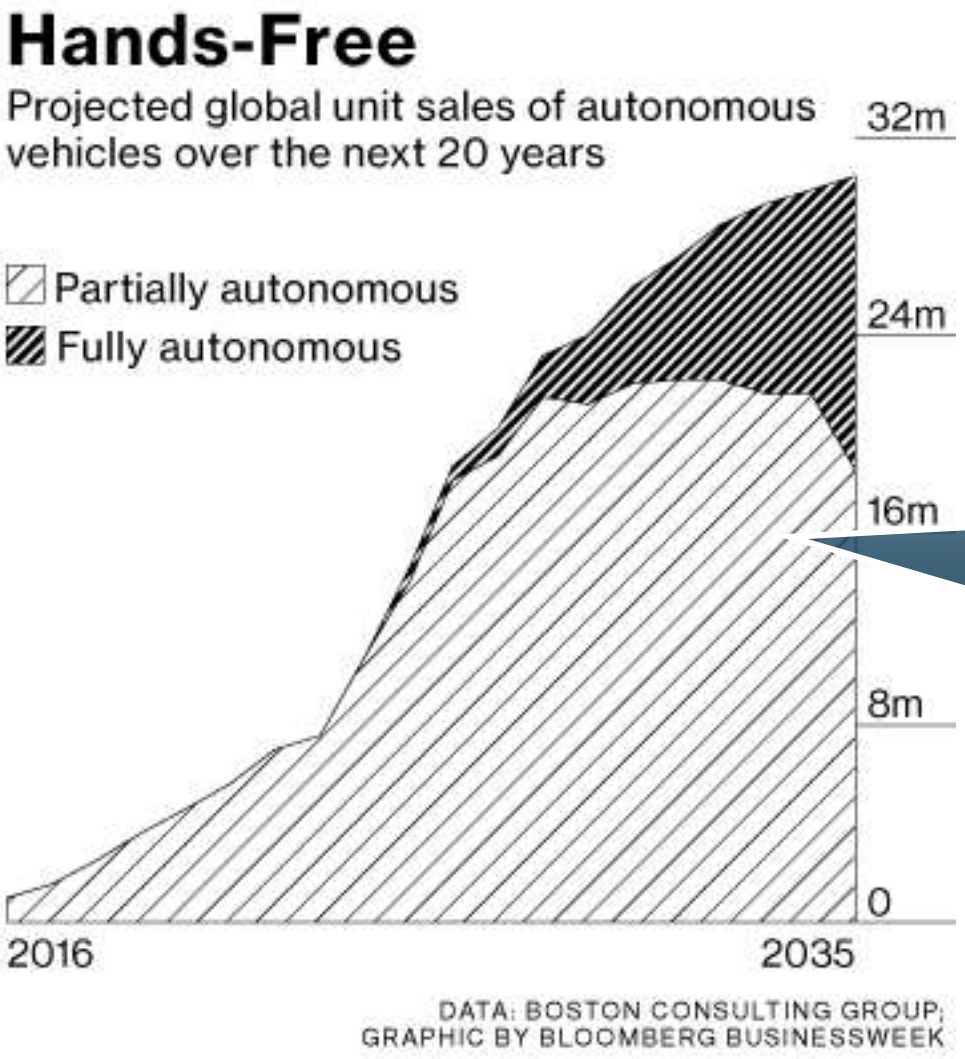
Rapid Technological Innovations in Motor Vehicle Engineering Are Likely to Transform Auto Insurance and Product Liability Markets

Likely Impacts of Successful, Incremental Autonomous Vehicle Technologies

- **Proven Collision Avoidance Technologies Will Likely Become Standard as Major Manufacturers, Google Set 2020-2025 Timeframes for Fully Autonomous**
- **Auto Accident Frequency Will Fall, Possibly Substantially as Share of Cars with New Technology Grows (~20-yrs.)**
  - **Collision, BI, PIP claims should fall**
  - **Less litigation (due to fewer claims and "black box" technologies)**
- **Historical Analogies to Aviation and Marine Insurance**
  - **Both saw technology radically reduce claim frequency**
- **Potential "Leapfrog" Technology Over Usage-Based Insurance (UBI) Technologies Currently Available**
- **Insurance Price Will Be a Major Factor in Adoption Rate**
  - **90% would consider an autonomous car if premium is 80% lower***

*CarInsurance.com survey http://www.carinsurance.com/Articles/autonomous-cars-ready.aspx, Nov. 2013.

Projected Sales of Partially and Fully Autonomous Vehicles through 2035



By 2035, it is estimated that 25% of new vehicle sales could be fully autonomous models

Source: Boston Consulting Group.

Impact of Forward Collision Warning With and Without Auto Brake

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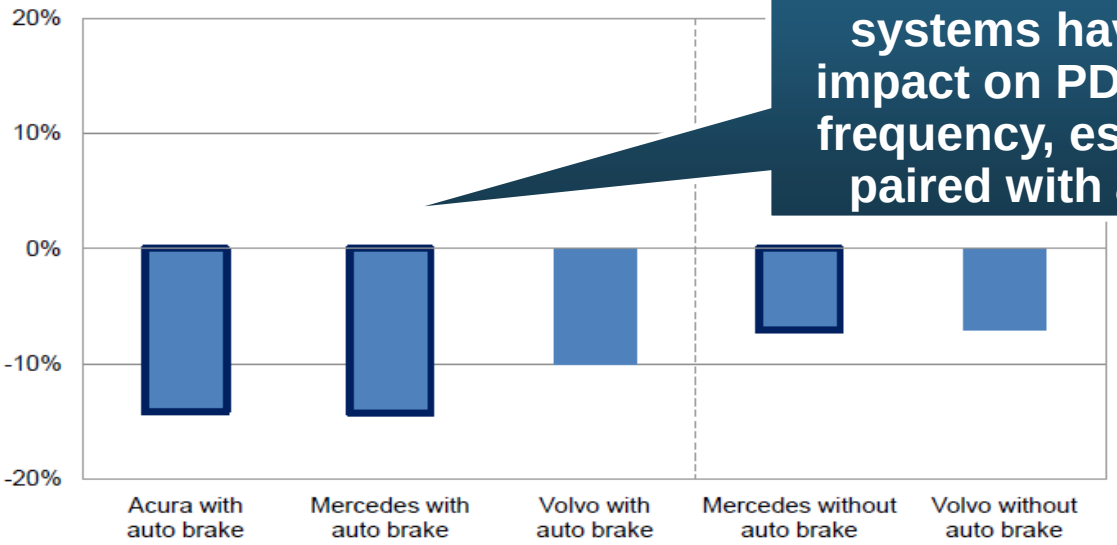
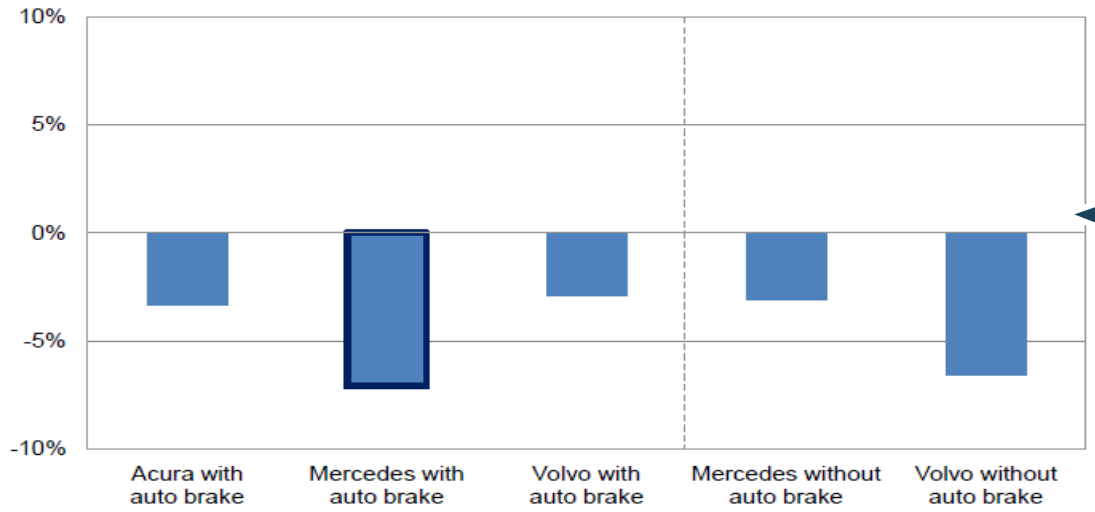
Property Damage Liability Claim Frequency by Manufacturer



Forward collision warning systems have a material impact on PD liability claim frequency, especially when paired with auto braking

Collision Claim Frequency by Manufacturer



Collision frequency falls as well

Source: Highway Loss Data Institute and Insurance Institute for Highway Safety presentation by Matthew Moore, *Measuring Crash Avoidance System Effectiveness with Insurance Data,"* January 30, 2013; Insurance Information Institute.

Enhanced Vehicle and Road Safety Have Made Driving Much Safer

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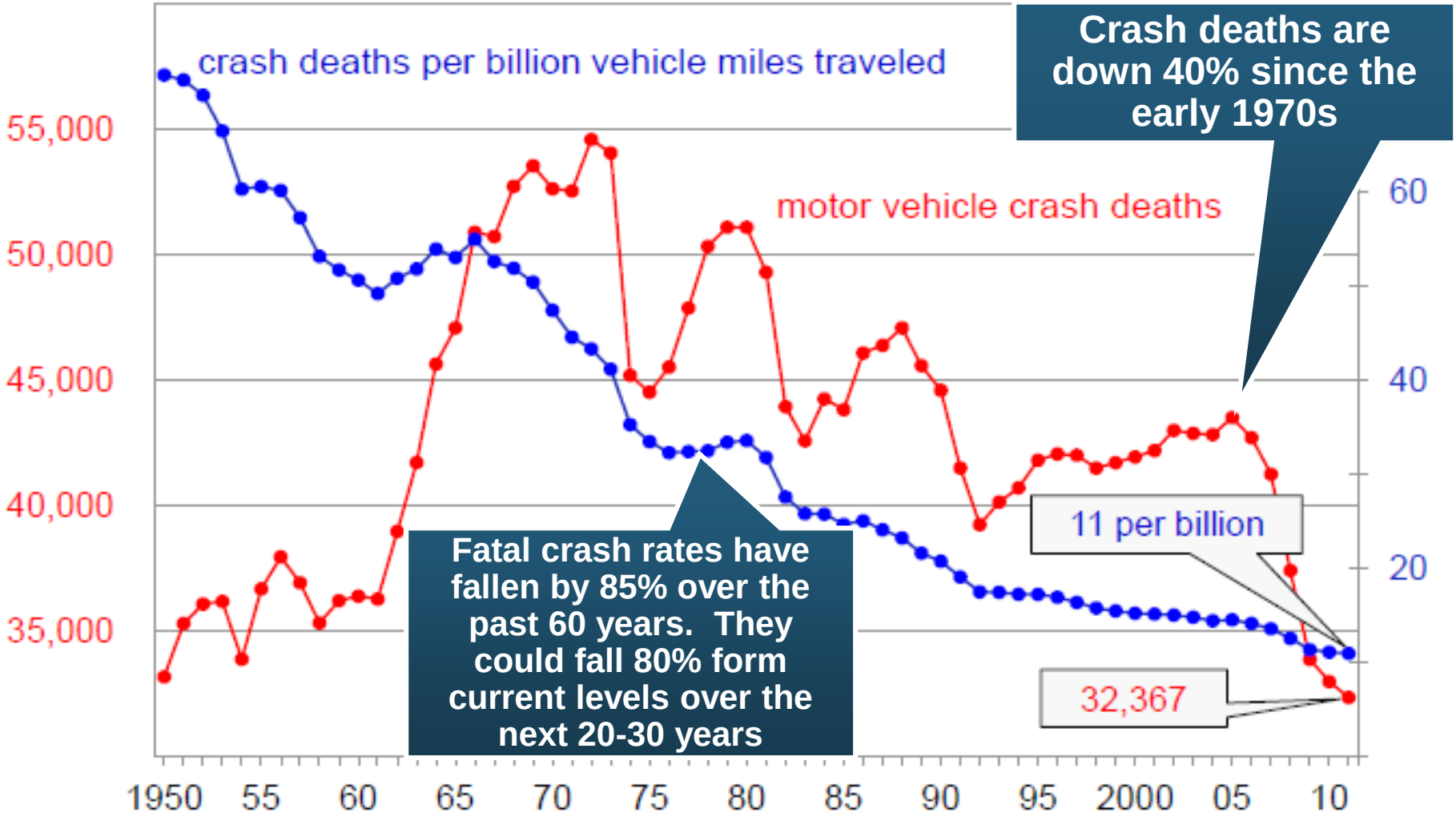
Motor Vehicle Crash Deaths and Crash Death Rate, 1950-2012



Source: National Highway Transportation Safety Administration as cited in Insurance Institute for Highway Safety presentation by Adrian Lund, Ph.D., *Drivers and Driver Assistance Systems: How Well Do They Match?',* June 18, 2013; Insurance Information Institute.

Additional Disruptors

- **"Peak Auto"**
  - **Peak vehicle ownership per person/household likely already reached**
  - **Less interest in auto ownership among youth**
  - **Preference of youth to live in urban areas, use public transit**

- **The "Sharing Economy": Vehicles & Homes On Demand**
  - **Vehicles on Demand: Fewer vehicles likely need in the future as the technologies of driverless vehicles and ride sharing (e.g., Uber, Lyft)**
  - **Dwellings on Demand: Airbnb**

Additional Disruptors (continued)

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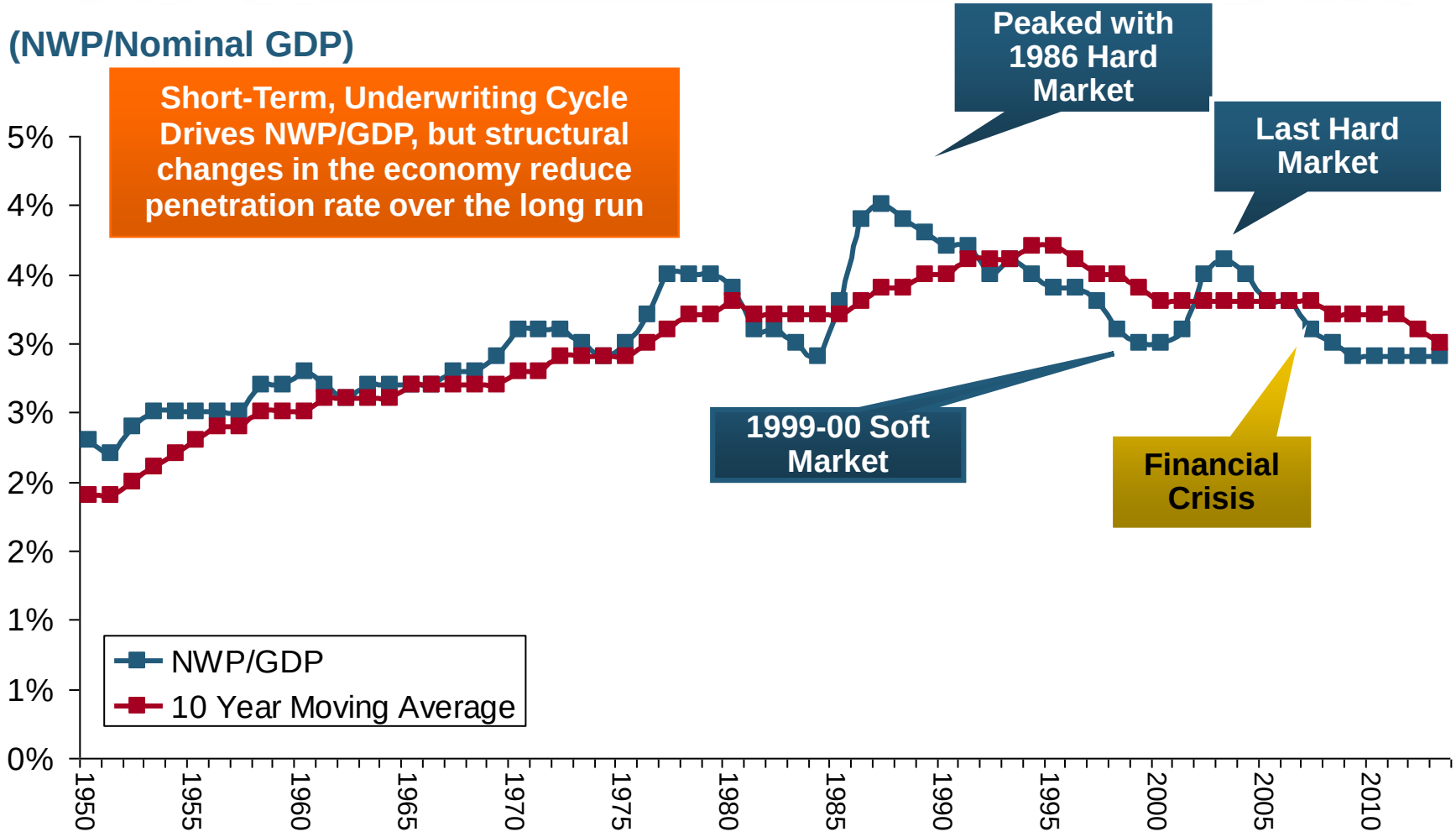
- **Disintermediation**
  - For commodity products, the power resides with whoever has contact with the customer
  - Fear that tech firms such as Google or Apple or a major retailer such as Walmart or Amazon could disintermediate agency forces (or insurers themselves if regulatory environment were to permit)
- **Big Data**
  - Ushering a new era of advanced/predictive analytics which will presumably improve underwriting a pricing
  - Could drive down pricing but also open up new risks to underwrite

Additional Disruptors (continued)

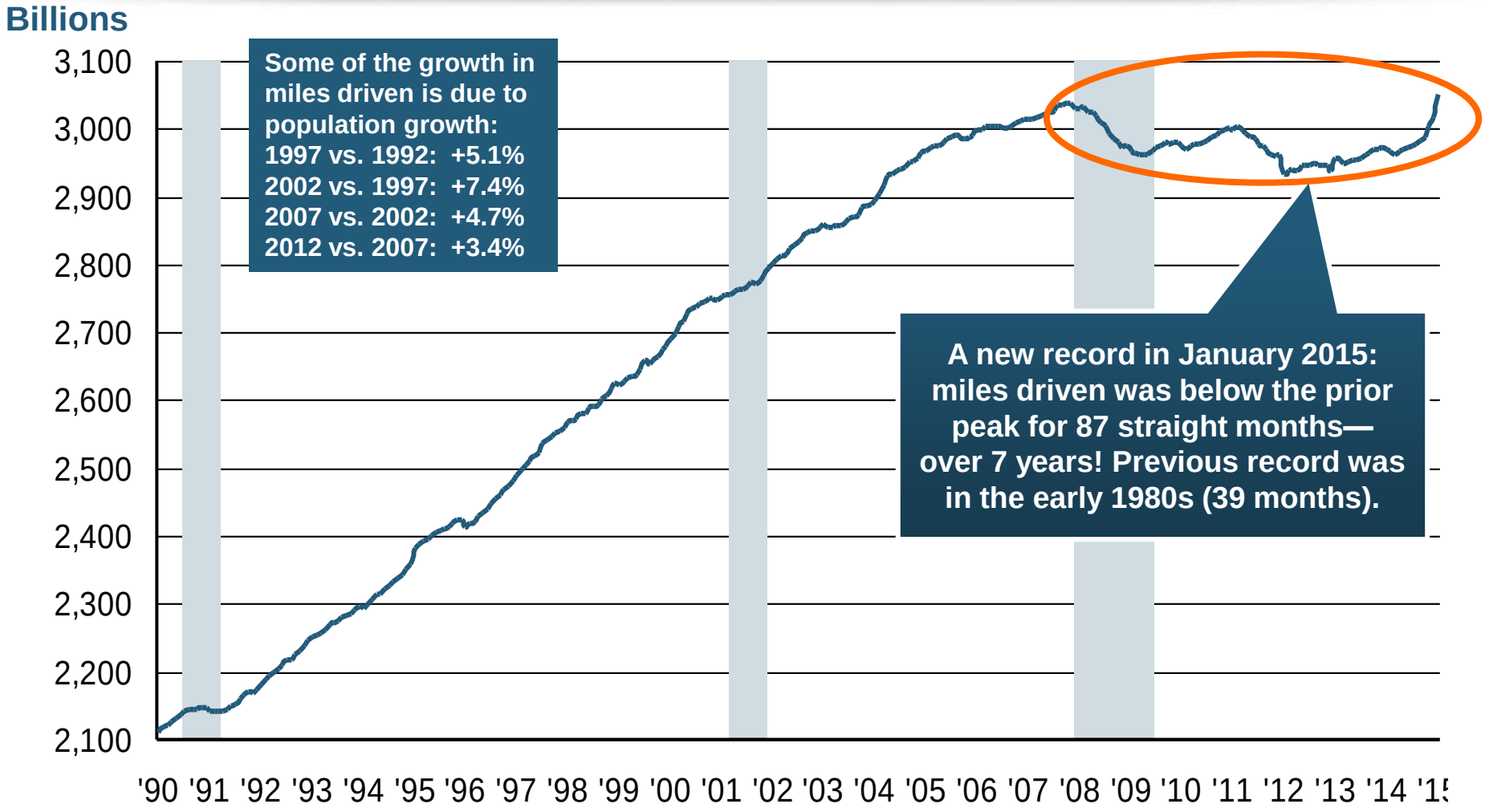
- **The Digital Economy**
  - **Increasing share of GDP is intangible**
  - **Insuring of "bits and bytes" and associated liability risks is in its infancy compared to "brinks and mortar" products**
- **Reduced Relevancy of Insurance**
  - **Many consumers, given the option, will forego the purchase of insurance (p/c and life/retirement)**
  - **Mispreception of risk, cost, product complexity, moral hazard due to government subsidies, etc., are all factors**
  - **Consumer perceptions need to adjusted**

Net Written Premium/GDP



Sources: Insurance Information Institute calculation using data from A.M. Best, Bureau of Economic Analysis.

Something Unusual is Happening: Miles Driven*, 1990–2015



*Moving 12-month total. The 2015 figure is through January 2015, the latest available.
Note: Recessions indicated by gray shaded columns.

Sources: Federal Highway Administration (http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm); National Bureau of Economic Research (recession dates); Insurance Information Institute.

The Price of Gas, Weekly Percent Change, 2014-15

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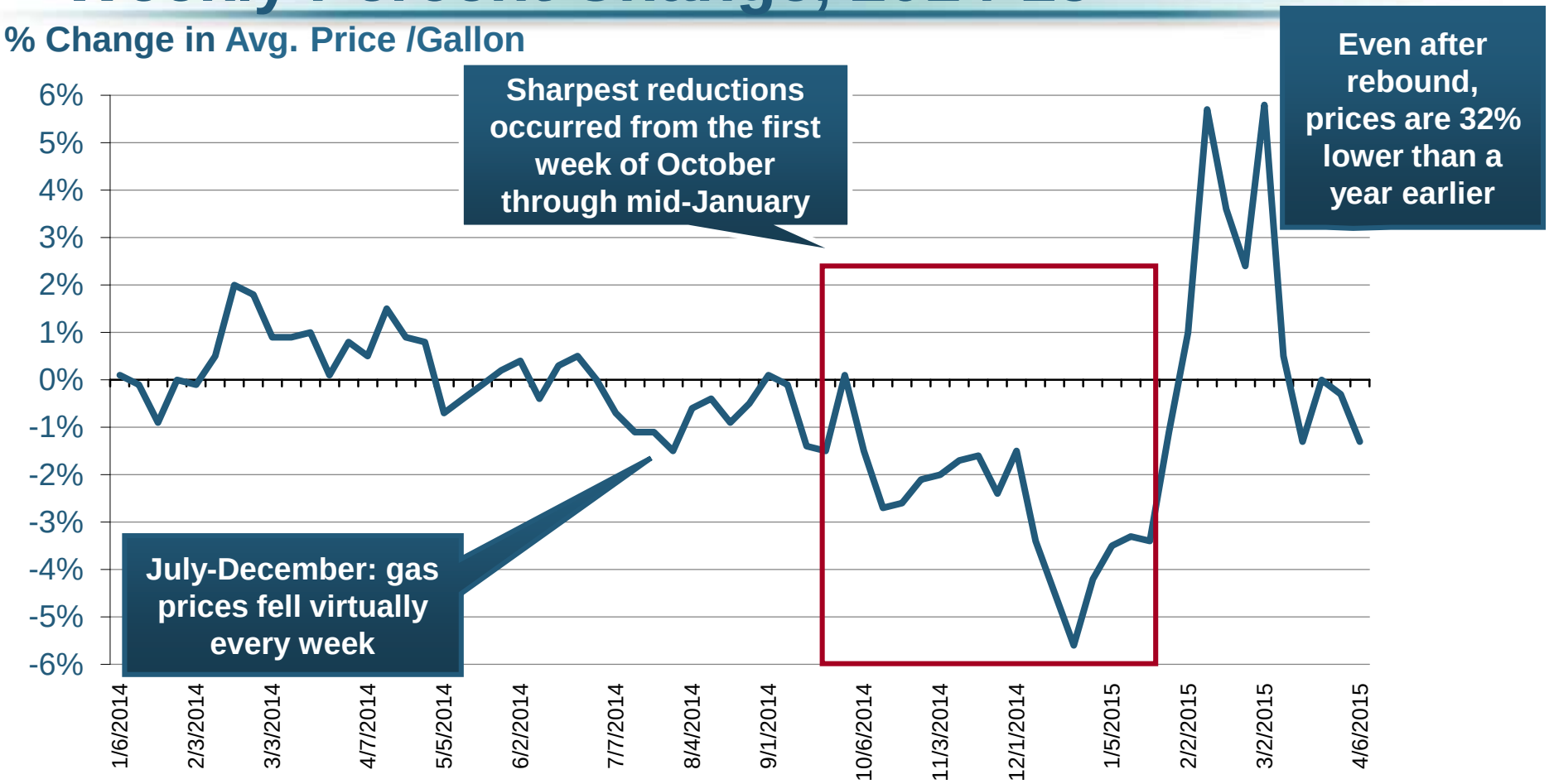
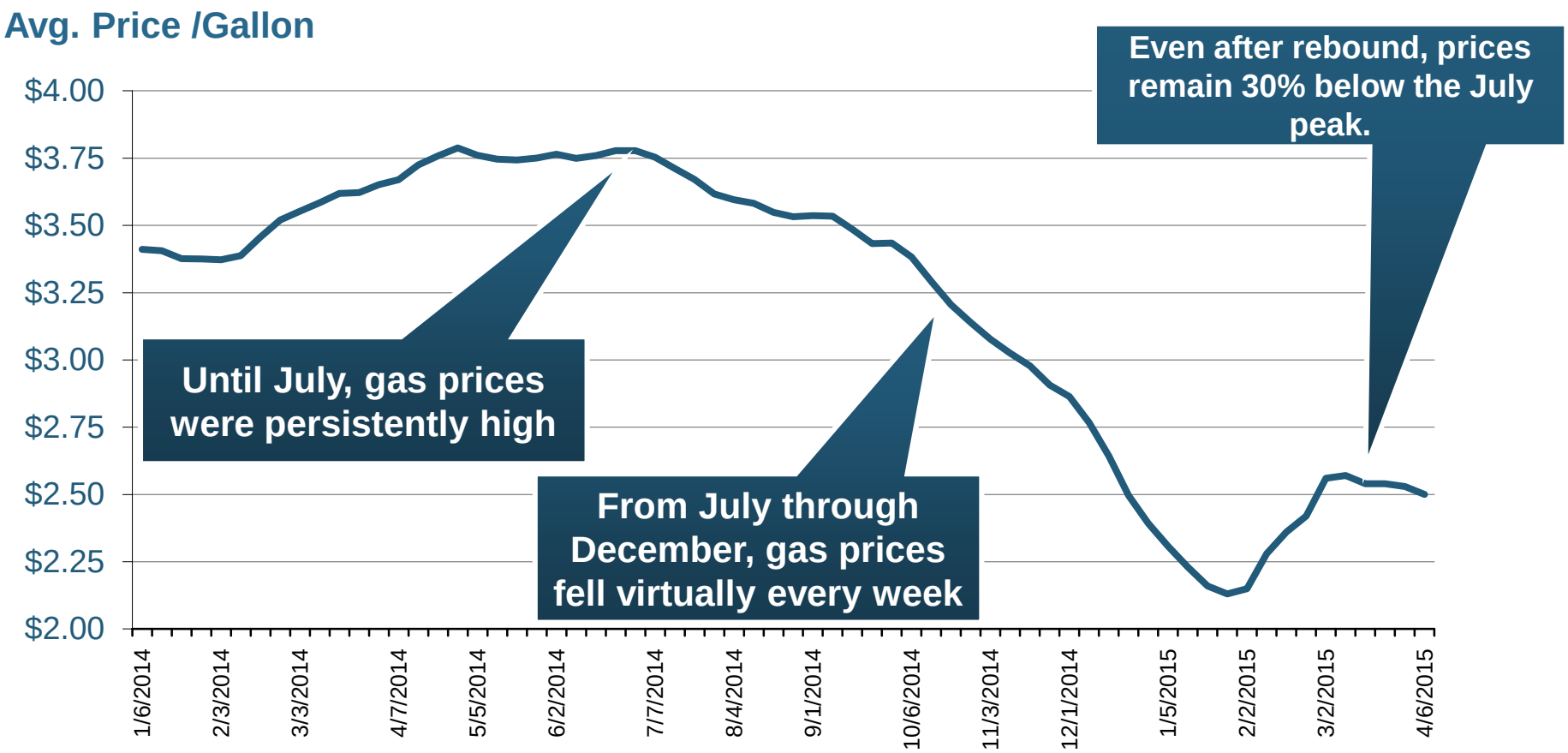


Over the Course of the Second Half of the 2014 Calendar Year, Gas Prices Fell 34%.

Price is Weekly U.S. All Grades All Formulations Retail Gasoline Prices

Sources: Federal Energy Administration (http://www.eia.gov/petroleum/gasdiesel/); I.I.I.

The Price of Gas, 2014-2015



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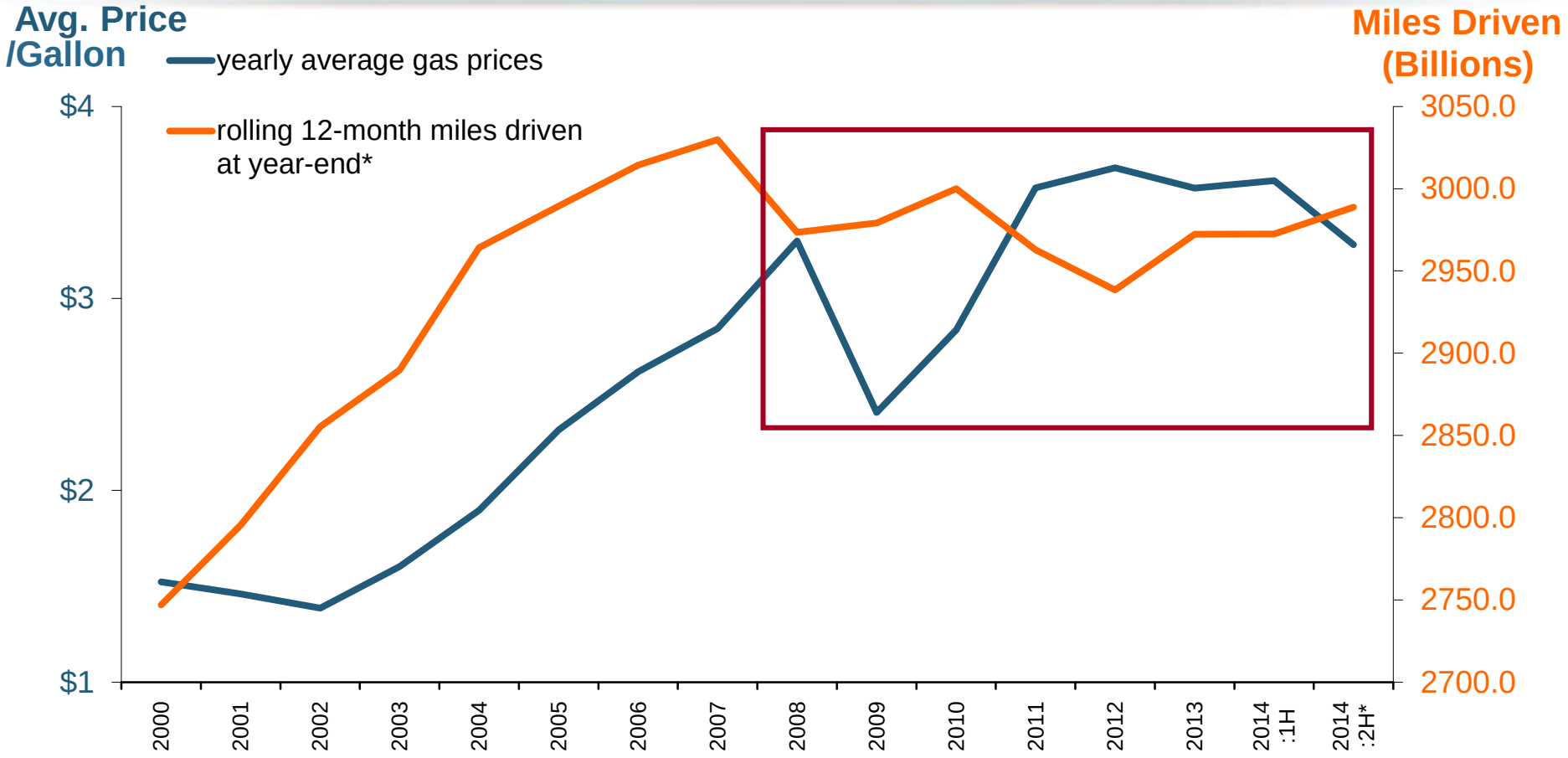
Do Changes in Gas Prices Affect Miles Driven? 2000-2014



Miles driven rose from 2000 to 2007 despite a fairly steady rise in gas prices. Miles driven fell, then recovered (2008-2011) from the Great Recession and tracked flat gas prices in 2011-2014.

Sources: Federal Energy Administration (http://www.eia.gov/petroleum/gasdiesel/); *gas prices and miles driven through December Federal Highway Administration (http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm); I.I.I.

Do Changes in Gas Prices Affect Miles Driven? A Look at 2014

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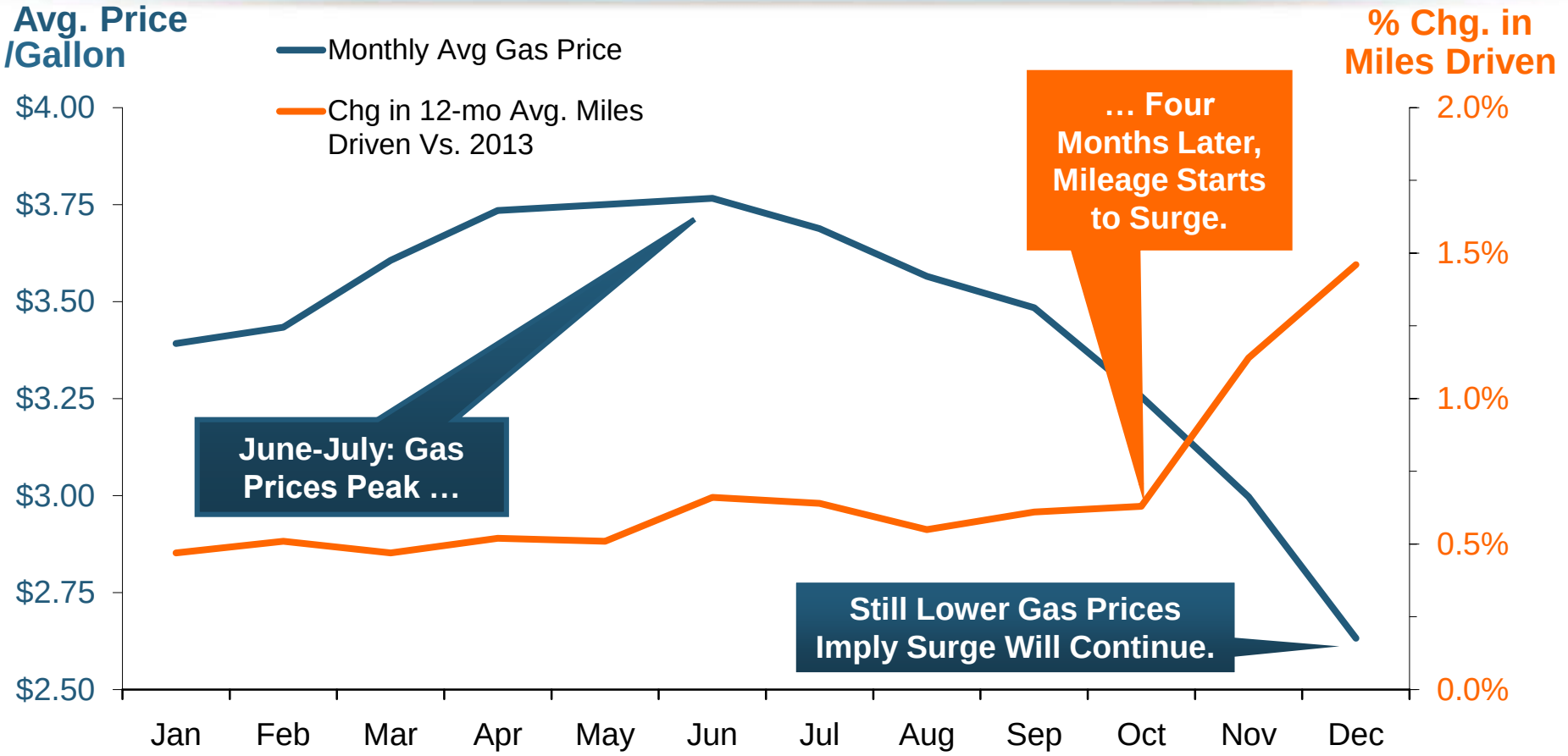

Prior research on the relationship between gas prices and miles driven says that, in the short run, an increase in gas prices produces little change in miles driven. No recent research on the effect of price drops.

Sources: Federal Energy Administration (http://www.eia.gov/petroleum/gasdiesel/); *gas prices and miles driven through December Federal Highway Administration (http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm); I.I.I.

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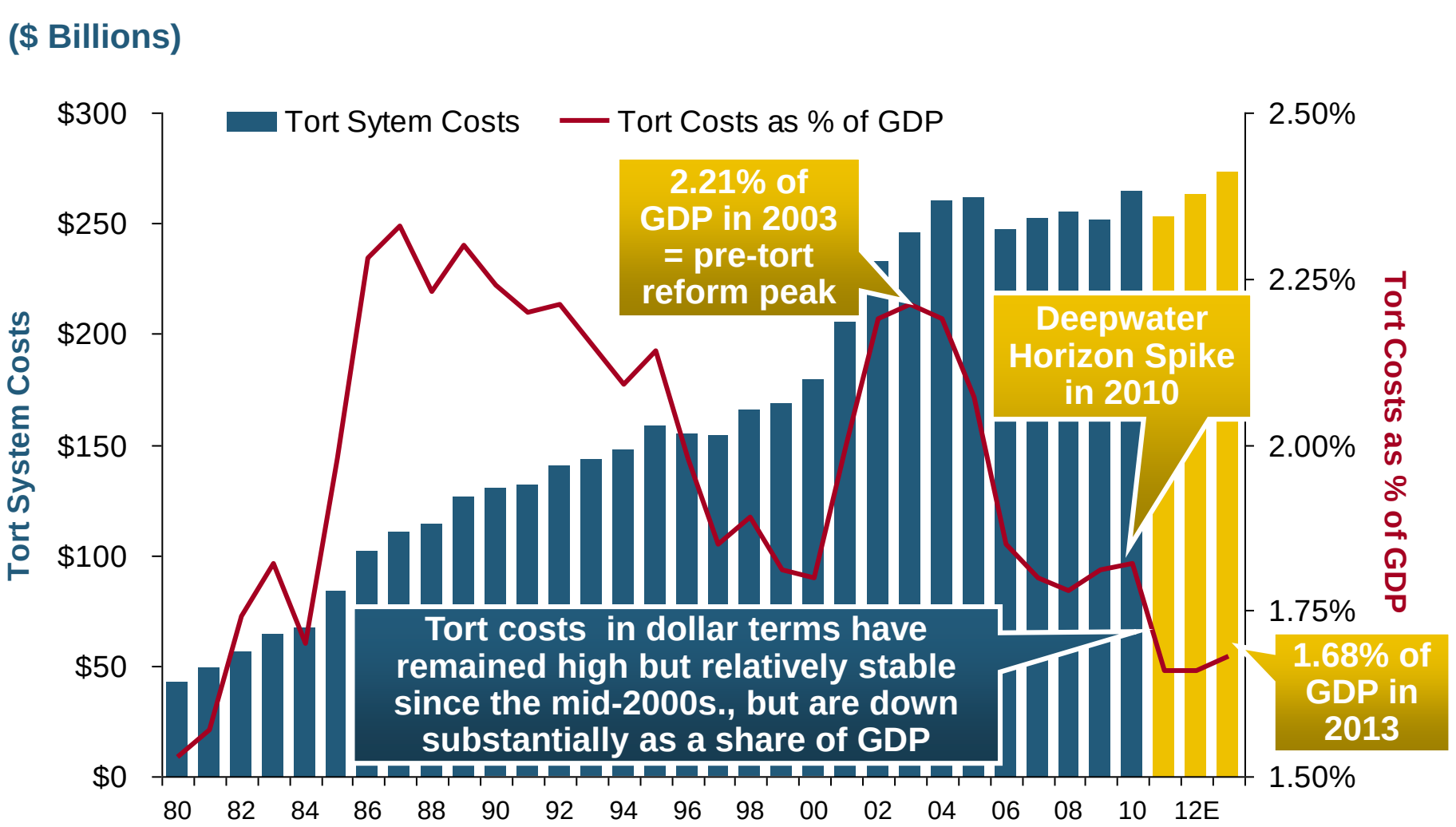
Shifting Legal Liability & Tort Environment

Will the Tort Pendulum Swing Against Insurers?

Over the Last Three Decades, Total Tort Costs as a % of GDP Appear Somewhat Cyclical, 1980-2013E



Sources: Towers Watson, *2011 Update on US Tort Cost Trends*, Appendix 1A

Commercial Lines Tort Costs: Insured vs. Self-(Un)Insured Shares, 1973-2010

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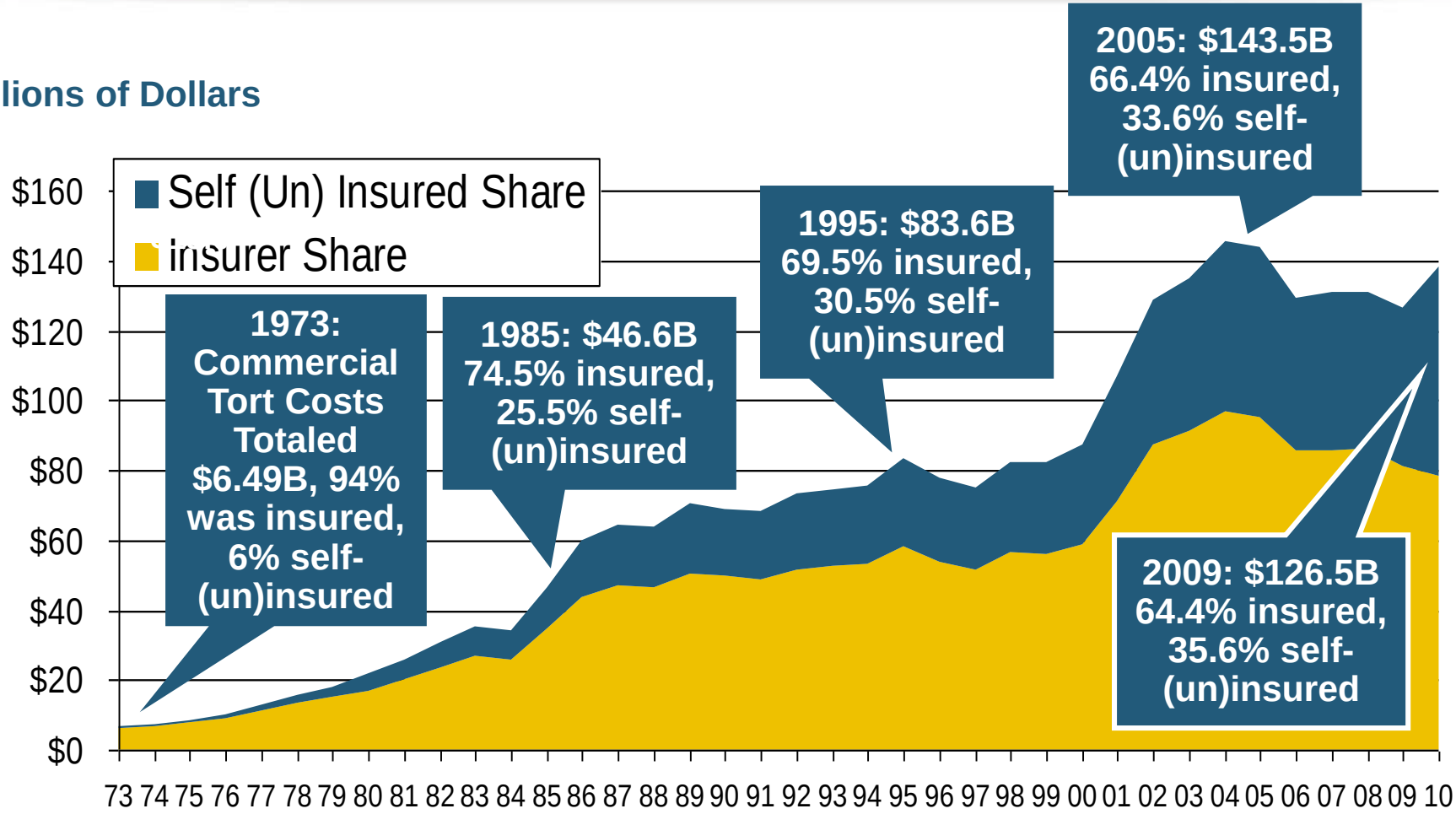
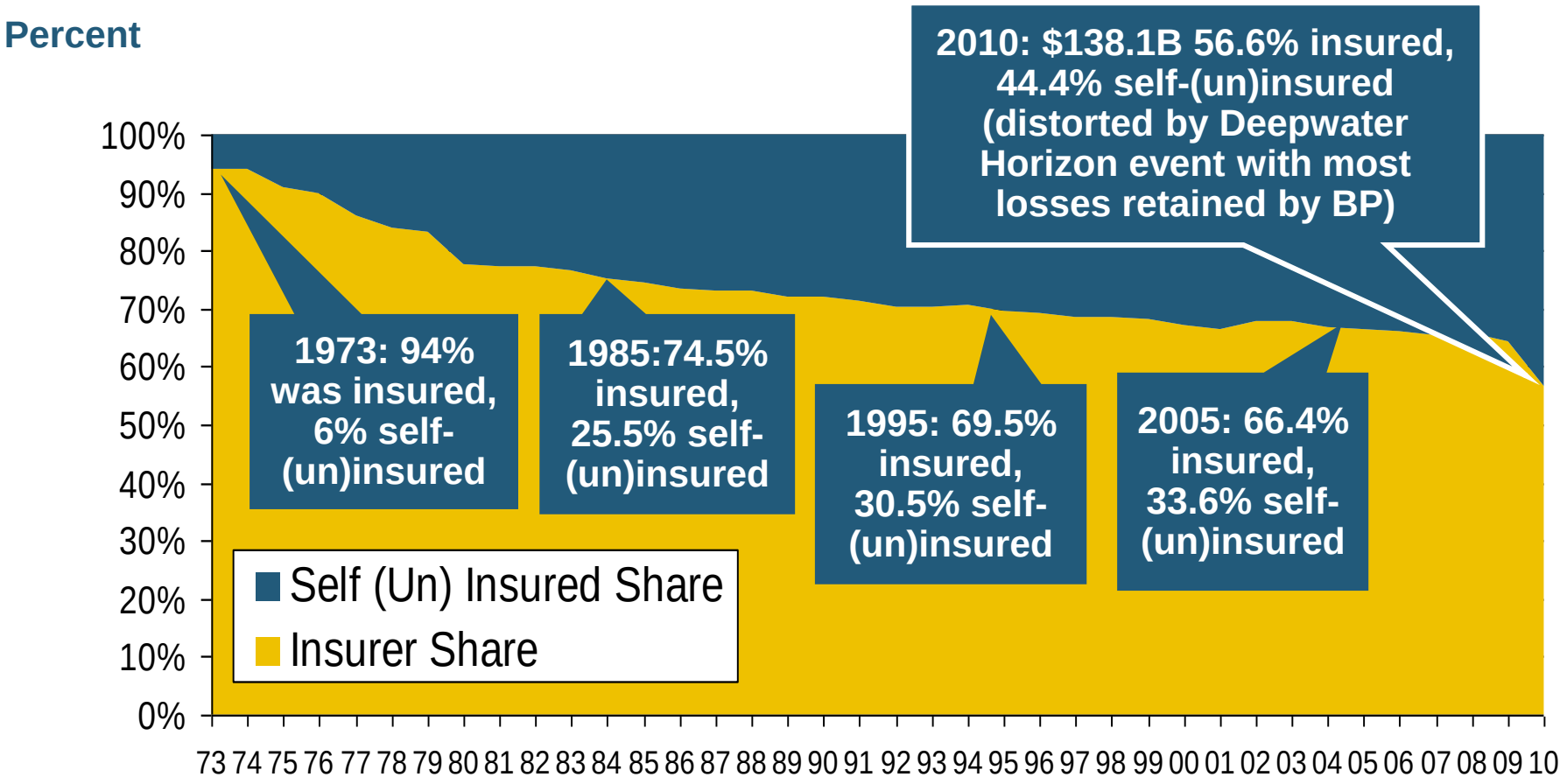


Tort Costs and the Share Retained by Risks Both Grew Rapidly from the mid-1970s to mid-2000s, When Tort Costs Began to Fall But Self-Insurance Shares Continued to Rise

Sources: Towers Watson, *2011 Update on US Tort Cost Trends*, III Calculations based on data from Appendix 4.

Commercial Lines Tort Costs: Insured vs. Self-(Un)Insured Shares, 1973-2010



The Share of Tort Costs Retained by Risks Has Been Steadily Increasing for Nearly 40 Years. This Trend Contributes Has Left Insurers With Less Control Over Pricing.

Sources: Towers Watson, *2011 Update on US Tort Cost Trends*, III Calculations based on data from Appendix 4.

Business Leaders Ranking of Liability Systems in 2012

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Best States

1. Delaware
2. Nebraska
3. Wyoming
4. Minnesota
5. Kansas
6. Idaho
7. Virginia
8. North Dakota
9. Utah
10. Iowa

New in 2012

- Wyoming
- Minnesota
- Kansas
- Idaho

Drop-offs

- Indiana
- Colorado
- Massachusetts
- South Dakota

Worst States

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

Newly Notorious

- Oklahoma

Rising Above

- Arkansas

Source: US Chamber of Commerce 2012 State Liability Systems Ranking Study; Insurance Info. Institute.

The Nation's Judicial Hellholes: 2012/2013

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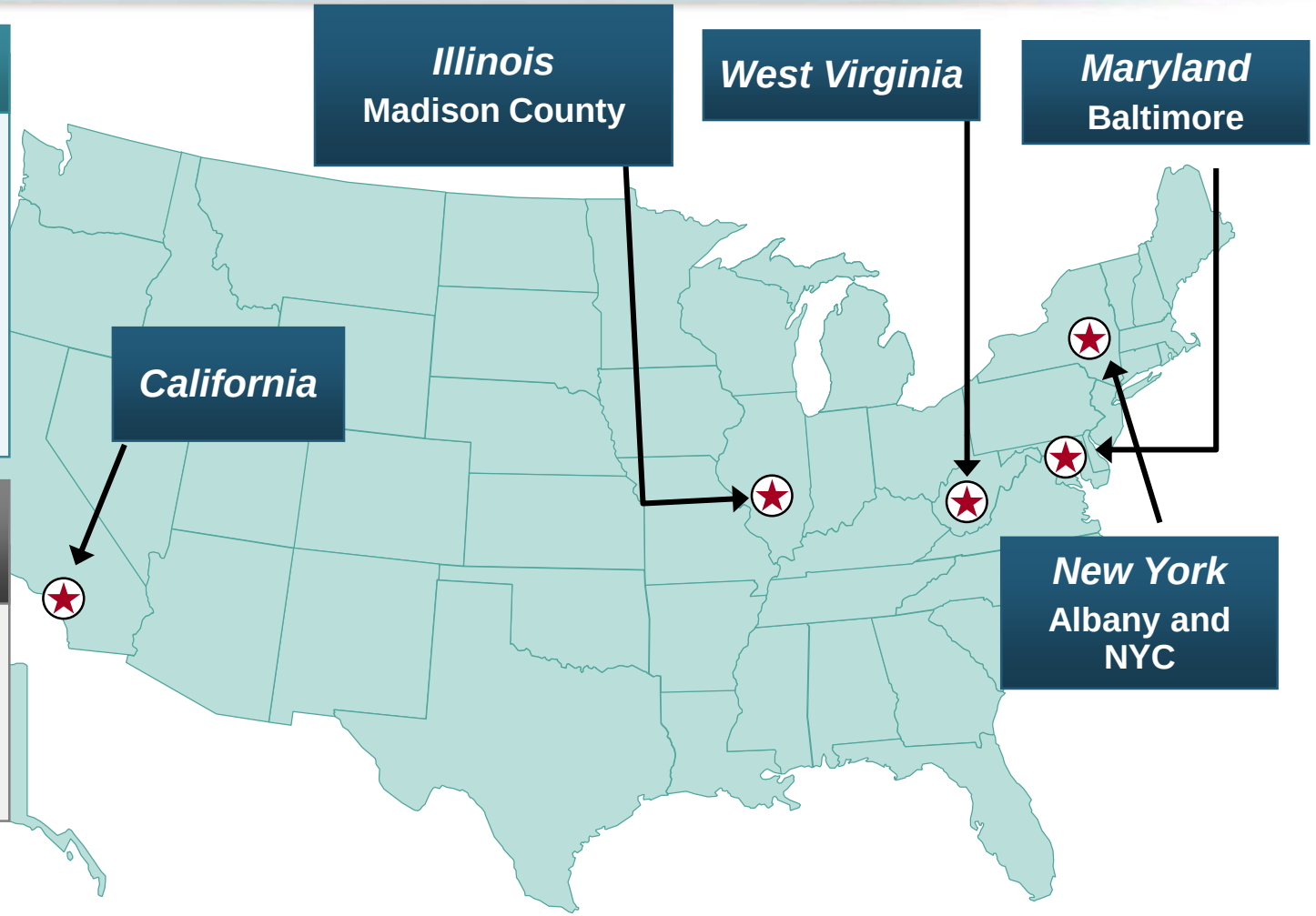
Watch List

- Philadelphia, Pennsylvania
- South Florida
- Cook County, Illinois
- New Jersey
- Nevada
- Louisiana

Dishonorable Mention

- MO Supreme Court
- WA Supreme Court



Source: American Tort Reform Association; Insurance Information Institute

Insurance Information Institute Online:

www.iii.org

Thank you for your time and your attention!

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