

# Insurance Industry Leaders Believe Congress Will Delay Implementation of Biggert-Waters, I.I.I. Survey Finds

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**NEW YORK, January 14, 2014** – Leaders of the property/casualty insurance industry believe Congress will delay implementation of the Biggert-Waters (BW) 2012 NFIP reforms, according to a survey conducted by the [Insurance Information Institute](#) (I.I.I.) at its 18<sup>th</sup> annual *Property/Casualty Insurance Joint Industry Forum*, held here. Seventy-five percent of respondents believe Congress will delay implementation. The Act was intended to help reduce the debt of the NFIP, a debt now estimated at more than \$25 billion, by bringing rates charged more in line with the risk and losses in flood-prone areas.

While insurance leaders believe that Congress will act to delay BW, 93 percent believe the Terrorism Risk Insurance Act, which is set to expire December 31, 2014, will be reauthorized by Congress.

Many executives in the property/casualty industry believe there will be a stricter regulatory environment in the year ahead. Seventy percent believe the federal government is interested in

further expanding its regulatory oversight of insurers.

Broken down by lines of insurance, only 35 percent of respondents believe there will be an improvement in both personal auto and 45 percent in homeowners lines. Only forty percent of respondents expect an improvement in commercial lines and 50 percent expect an improvement in workers compensation.

Looking at economic growth, 40 percent of insurance industry leaders think the U.S. economy will accelerate and 58 percent think it will remain the same.

"Many economic forecasts say that the U.S. and most global economies will grow stronger in 2014, and this means a greater need to protect more assets and income, which leads to greater insurance premium volume," said Dr. Steven Weisbart, senior vice president and chief economist with the I.I.I. "Both personal lines (auto and homeowners insurance) and commercial insurance will see increased exposures. 2013 was the industry's most profitable year since the Great Recession, and 2014 could be even better, barring major catastrophe losses."

Thirty percent of respondents believe that premium growth will be higher in 2014; 42 percent believe it will remain flat; and 28 percent believe it will be lower. In terms of capacity, as measured by policyholders' surplus, 73 percent of respondents expect it to increase; 20 percent believe it will remain flat; and 7 percent believe it will decrease.

As compared with 2013, 68 percent of respondents believe the combined ratio will be higher in 2014. The combined ratio is a percentage of each premium dollar a property/casualty insurer spends on claims and expenses. The combined ratio improved by 5.8 percentage points to 96.6\* percent in nine-months 2013 from 100.9\* percent in nine-months 2012. A combined ratio over 100 means that claims payments plus expenses exceeded insurance premiums.

"Combined ratios must be lower in today's depressed investment environment to generate risk appropriate ROEs," added Weisbart. "Lower catastrophes helped pull up ROEs in 2013," he said. One way to lower expenses is by consolidation; 75 percent of respondents expect an increase in consolidation among insurers and reinsurers in 2014.

In the area of torts, 80 percent of respondents believe that tort trends will remain the same in 2014; 15 percent believe it will deteriorate and only 5 percent believe it will improve.

On the investment side, 83 percent of industry leaders expect another "up" year in the equity markets in 2014 (but for the industry as a whole, equities constitute only about 15 to 20 percent of invested assets). About 70 percent of invested assets are in bonds.

Industry leaders were asked whether they expect interest rates to rise, fall or remain flat in 2014. Eighty percent think interest rates will rise; Twenty percent think interest rates will remain flat.

The *Property/Casualty Insurance Joint Industry Forum* was created to provide leaders from the widest spectrum of the industry with an opportunity to meet with each other in discussion of

topics of general interest. Participants included nearly 250 representatives from property/casualty insurance and reinsurance companies and organizations. Of these, roughly 40 percent responded to the survey.

The sponsoring organizations of the Forum represent a broad range of insurance interests and audiences. They include: ACORD, American Insurance Association, Association of Bermuda Insurers & Reinsurers, The Geneva Association, Insurance Information Institute, Insurance Institute for Business & Home Safety, Insurance Institute for Highway Safety, International Insurance Society, Inc., ISO, National Association of Mutual Insurance Companies, National Council on Compensation Insurance, National Insurance Crime Bureau, Property Casualty Insurers Association of America, Property Loss Research Bureau, Reinsurance Association of America and The Institutes.

For the poll questions and full results, go to [2014 Property/Casualty Insurance Joint Industry Forum Questionnaire](#).

\* Excludes Mortgage & Financial Guaranty insurers 2008-2012.

*The I.I.I. has a full library of educational videos on its [You Tube Channel](#). Information about I.I.I. mobile apps can be found [here](#).*

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