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Risk, Insurance and Interconnectedness in Today's Global Insurance Industry *Australia & US Markets*

May 8, 2013

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

- About the Insurance Information Institute
- A Global View of Risk: Australia, U.S. & the World
  - Economic Risk
  - Catastrophe/Environmental Risk
  - Geopolitical Risk
  - Technological Risk
  - Societal Risk
- Insurance: Global Risk Management Tool
- Insurers Never Ending Quests: Australia, US
  - Growth
  - Performance
  - Distribution/Disintermediation
- Q&A

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The Insurance Information Institute

The Public Face of the Industry:
Explaining What Insurance Is and How It Works Since 1960

What Does the Insurance Information Institute Do and Why?

- Communications
  - Communicate what the insurance industry does and how insurance works to all stakeholders
- Information Dissemination
  - Assemble and disseminate vast amounts of industry data and respond to thousands of data requests each year
- Research & Analysis
  - Produce original research on topics of critical and timely importance
- Industry Advocacy (non-lobbying)
  - Play a critical informational role in key legislative and public policy debates

Who Are Our Stakeholders/Consumers of Our Products and Services?

- General Public (Consumers of Insurance)
  - Print, online, video, software (apps), partnerships
- Media (Traditional & "New")
- Industry
- Regulators, State and Federal Lawmakers & Other Public Policymakers
- Investors
- Academia

Television is a Principal Means by Which We Communicate to the Public

Bob Hartwig Discussing the Importance of Terrorism Insurance, Money on FOX

Bob Hartwig on CNN - Insurance Companies Respond After Sandy

Bob Hartwig, Terrorism Coverage and Boston Marathon, FOX

Bob Hartwig, Terrorism Insurance and TRIA, CBS

I.I.I. Congressional Testimony on the Future of the Terrorism Risk Insurance Program

TRIA at Ten Years:

The Future of the Terrorism Risk Insurance Program

House Financial Services Subcommittee on Insurance, Housing and Community Opportunity

Testimony of

Robert P. Hartwig, Ph.D., CPCU

President & Economist

Insurance Information Institute

New York, NY

September 11, 2012

Washington, DC

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- **Issue:** Act expires 12/31/14. Insurers still generally regard large-scale terror attacks as fundamentally uninsurable
- **I.I.I. Input:** Testified at first hearing on the issue in DC (on 9/11/12) on trends in terrorist activity in the US and abroad, difficulties in underwriting terror risk; Noted that bin Laden may be dead but war on terror is far from over

Impact of Dodd-Frank's Insurance Regulations on Consumers, Job creators, a…

Key Media Metrics

- Conducted 120 television interviews in 2012.
- Received an additional 2,600 mentions in print publications, wire services and prominent blogs.
- Featured in more than 16,000 articles in Internet news publications.
- I.I.I.'s main web site receives about 2 million page views per year
- The I.I.I. is mentioned more than 100,000 times on any given day on the web

I.I.I.'s Web Site Is Extremely Popular

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INSURANCE INFORMATION INSTITUTE Improving public understanding of insurance–what it does and how it works.

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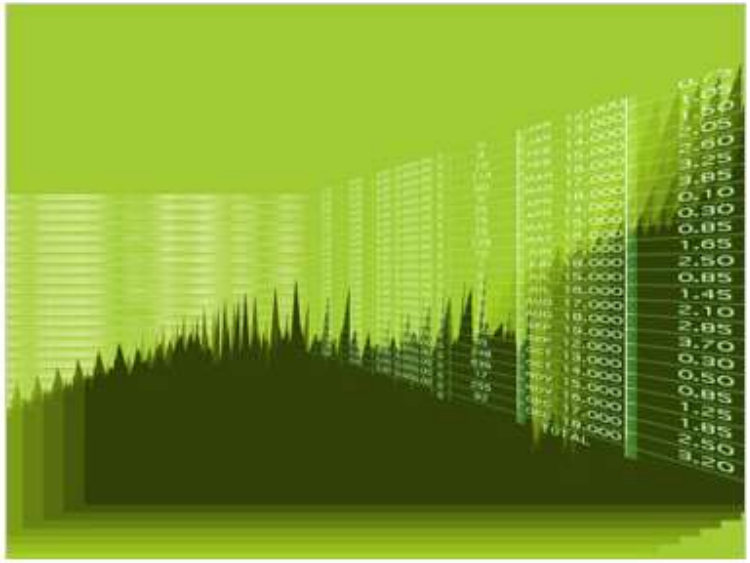

I.I.I. SPOTLIGHT

2012 - Year End Results

MAY 01, 2013 - Profitability in the property/casualty insurance industry rebounded sharply in 2012, despite $35 billion in insured losses from catastrophes, the majority from superstorm Sandy. The improvement came from a growth in premiums and reduction in both catastrophe and noncatastrophe related loss and loss adjustment expenses. For more, see Dr. Robert Hartwig's full commentary.

Full Story

PRESENTATIONS

Sandy Recovery – Six Months Later

APRIL 24, 2013

IDENTITY THEFT AND CYBER SECURITY

- Cyber Risks - The Growing Threat
- Identity Theft Insurance
- Facts & Statistics: Identity Theft and Cyber Security

BOSTON BOMBINGS

- White Paper: Terrorism Risk - A Continuing Threat
- Backgrounder: Terrorism Risk and Insurance
- Facts and Statistics: Man-made Disasters

FACTS+STATISTICS

Motorcycle Crashes

Motorcyclists were about 30 times more likely than passenger car occupants to die in a crash (per vehicle mile traveled) in 2010, according to NHTSA.

I.I.I. VIDEO

Prom Season

Year in Review - Top Issues, P/C, 2011 vs 2012 (1).I.I. Media Index, P/C, 2011 vs 2012 (1)

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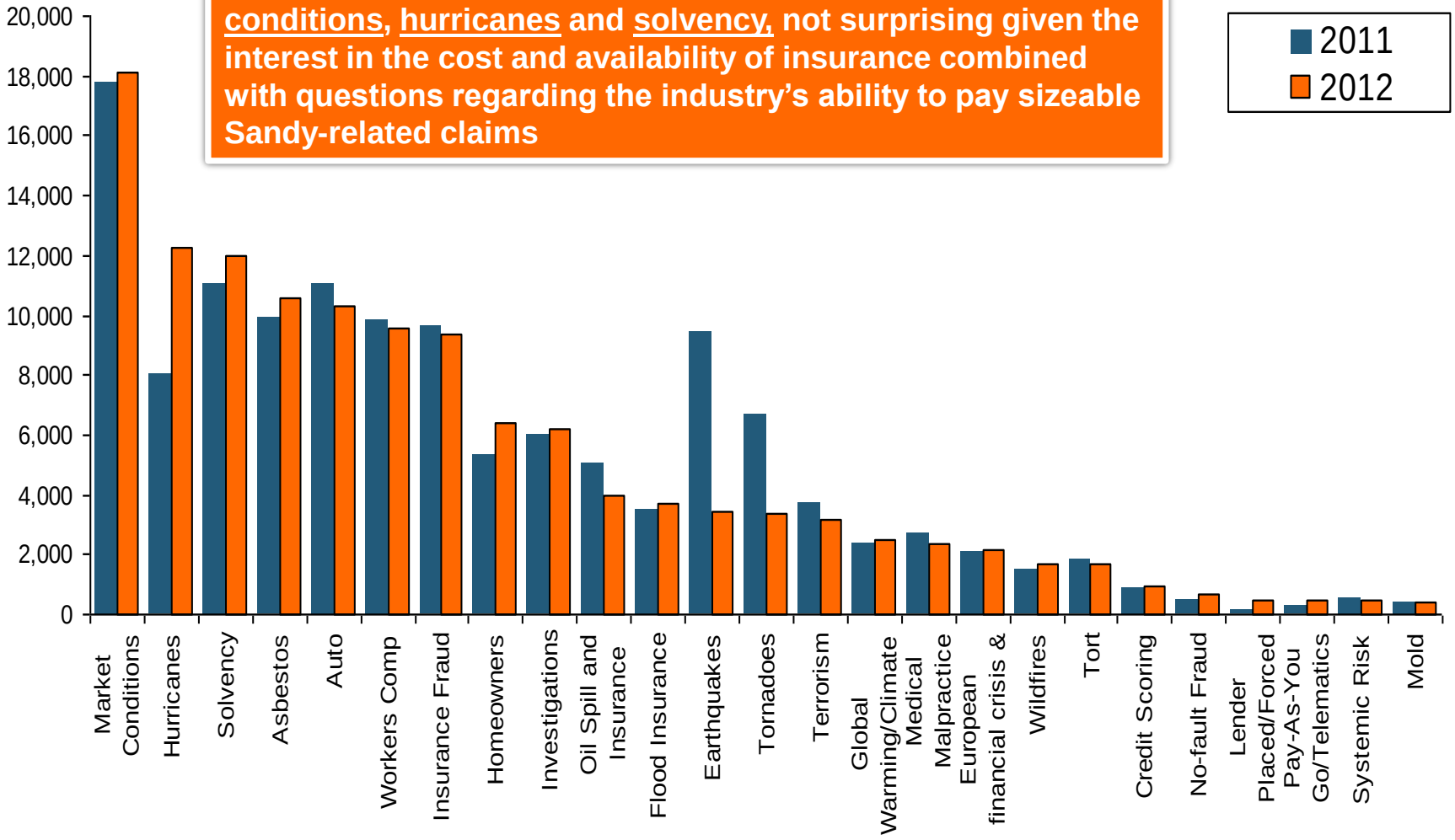
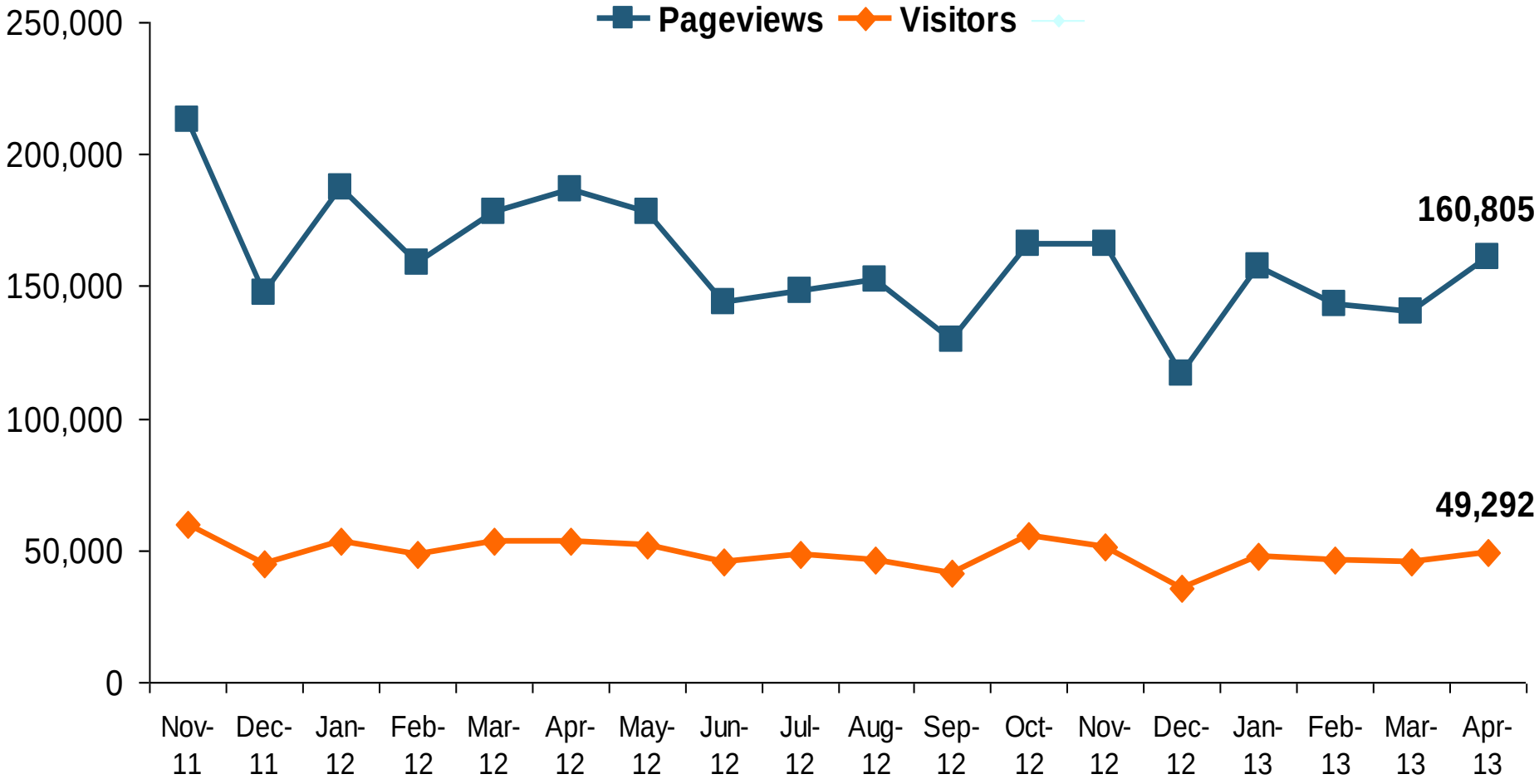
The top three issues in the news media were market conditions, hurricanes and solvency, not surprising given the interest in the cost and availability of insurance combined with questions regarding the industry's ability to pay sizeable Sandy-related claims



(1) Based on a search of Lexis/Nexis.

Total Pageviews and Visitors to iii.org
April 2013



Source: Google Analytics.

I.I.I. Mobile Apps

We conceived our mobile outreach as a branded suite of apps to provide guidance to consumers in making decisions about their insurance and preparing for a disaster.

Know Your Stuff Home Inventory
April 2013

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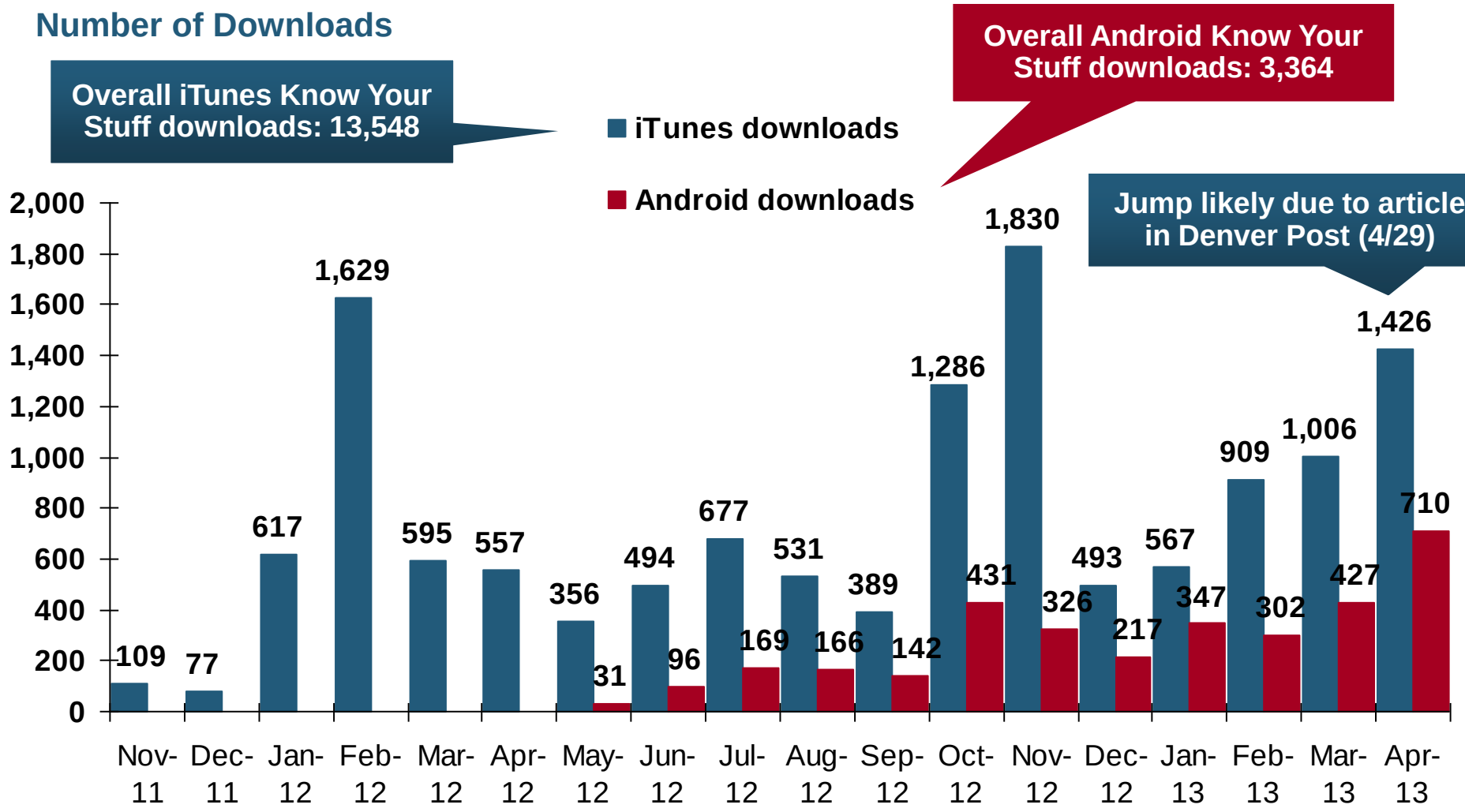
Number of Downloads



Source: iTunes and Google Play.

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Social Media Stats

	1,000+ likes
	10,000 followers
	600,000+ video views
	128 users have us in their circle
	~250,000 visitors

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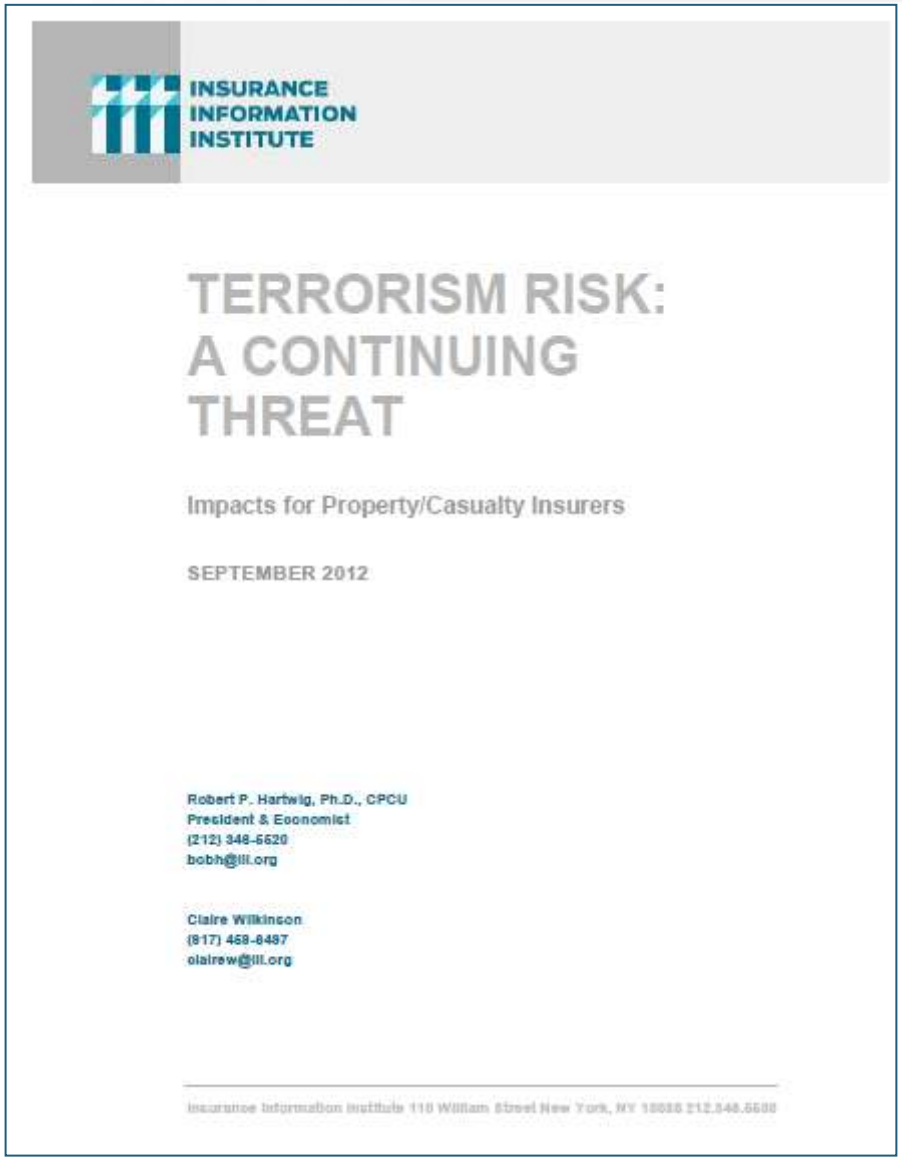
THE INSTITUTE'S EXPERTISE IS WIDE RANGING AND ALWAYS EVOLVING

I.I.I. Is Involved in a Range of Important Industry Issues Requiring a Wide Range of Economic and Actuarial Expertise

I.I.I. Expertise on Key Issues: Terrorism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TERRORISM RISK: A CONTINUING THREAT

Impacts for Property/Casualty Insurers

SEPTEMBER 2012

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- I.I.I. periodic report provides readers, including those with little or no understanding of the issue, with a detailed understanding of the Terrorism Risk Insurance Program in the US.
- The report provides an update on recent terrorist threats in the US and internationally.
- **Recently expanded to include a discuss of cyber terrorism risk**
- Includes a FAQ section for issues of key interest
- I.I.I. will update and expand this report in the run-up to TRIPRA expiration at year-end 2014.
- First update scheduled for Q2 2013.

I.I.I.'s Global Perspective: Strong Demand for International Economic Expertise in an Age of Global Instability

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I.I.I.'s membership is global, driving our global outlook…

…All insurers are impacted by the global economy

I.I.I. Expertise on Key Issues: Energy

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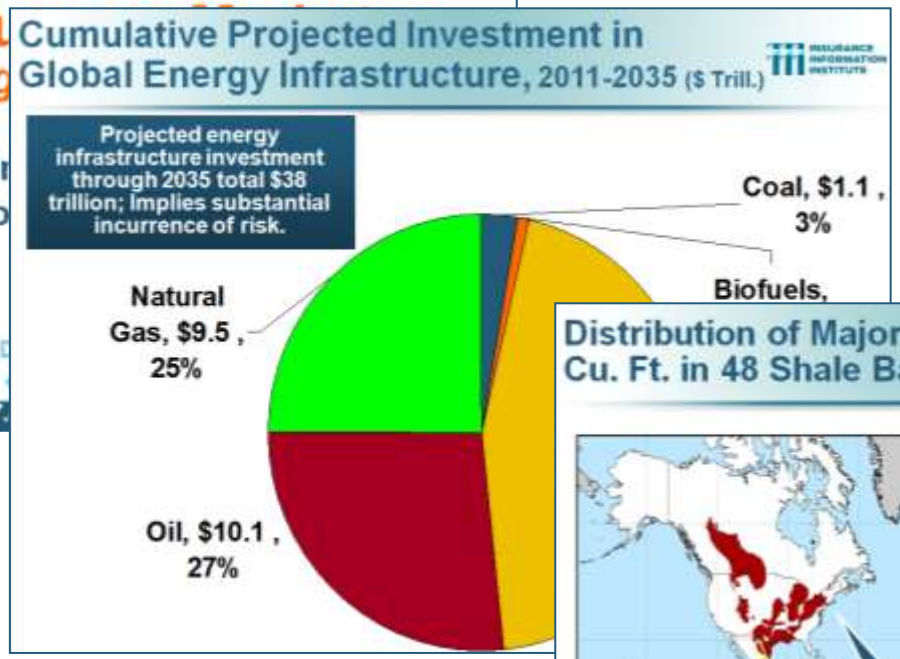
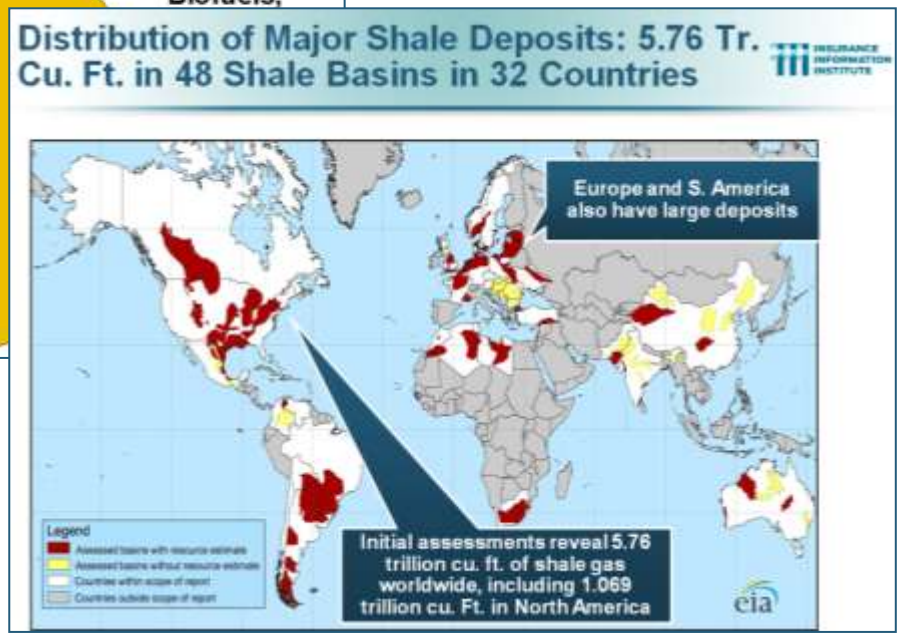
Energy sector in the U.S. is expanding rapidly, especially with "fracking" activity.

Great deal of media interest.





…Sector will grow globally for decades

I.I.I. Publications: Just a Few Examples

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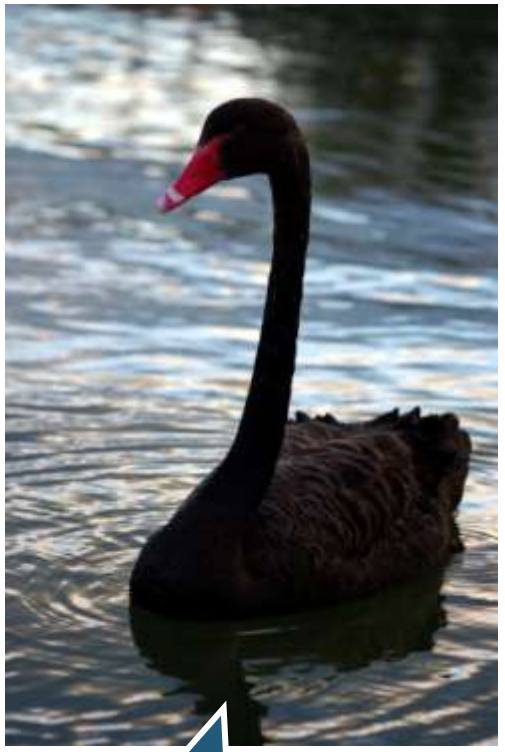
What in the World Is Going On: Australia, U.S. and Everywhere Else?

Is the World Becoming a Riskier, More Uncertain Place?

All Major Categories of Risk Influence Economies and Insurance Industry on a Global Scale

Uncertainty, Risk and Fear Abound

- Never Ending Echoes of the Financial Crisis
- European Sovereign Debt & Eurozone Crises
- The "Fiscal Cliff": US Debt and Budget Crisis
- Unintended Consequences of (Over)Regulation
- "Hard Landing" in China
- Housing Crisis
- Political Gridlock: US, Europe
- Political Upheaval in the Middle East
- Resurgent Terrorism Risk
- Diffusion of Weapons of Mass Destruction
- Cyber Attacks
- Record Natural Disaster Losses
- Climate Change
- Environmental Degradation
- Income Inequality
- *Insomnia???*



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

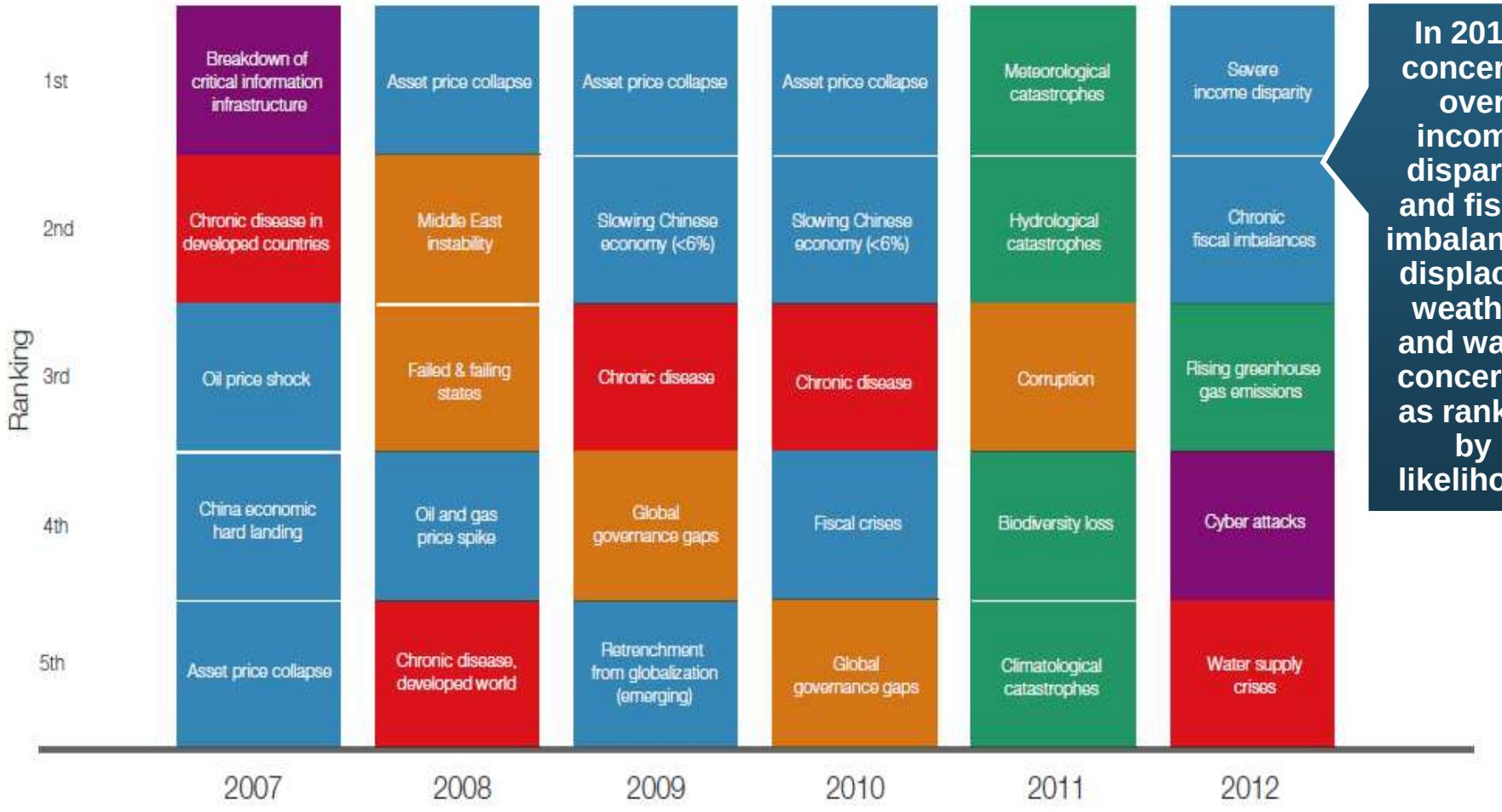
5 Major Categories for Global Risks, Uncertainties and Fears

1. **Economic Risks**
2. **Geopolitical Risks**
3. **Environmental Risks**
4. **Technological Risks**
5. **Societal Risks**

While risks can be broadly categorized, none are mutually exclusive

Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

Top 5 Global Risks in Terms of *Likelihood*, 2007—2012: Insurance Can Help With Most



In 2012, concerns over income disparity and fiscal imbalances displaced weather and water concerns, as ranked by likelihood

Concerns Shift Considerably Over Short Spans of Time. Shift in 2012 to Economic Risks and Away from Environmental Risks

Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

Top 5 Global Risks in Terms of *Impact*, 2007—2012: Insurance Can Help With Most

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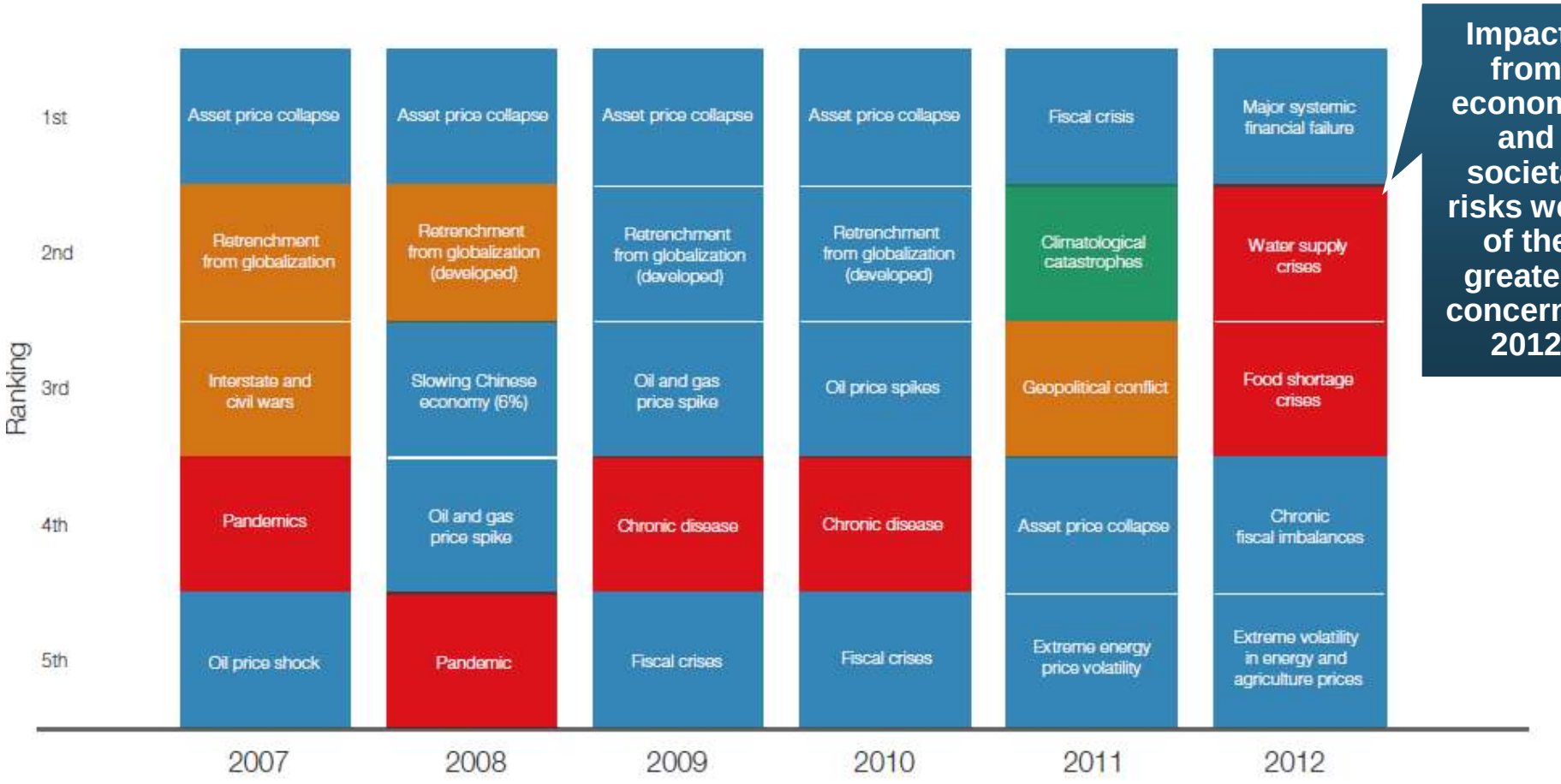

Impacts from economic and societal risks were of the greatest concern in 2012

Concerns Over the Impacts of Economics Risks Remained High in 2012, but Societal Risks Displaced Environmental Risks

Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

Economic Risk: Foremost on the Minds in "Advanced" Economies

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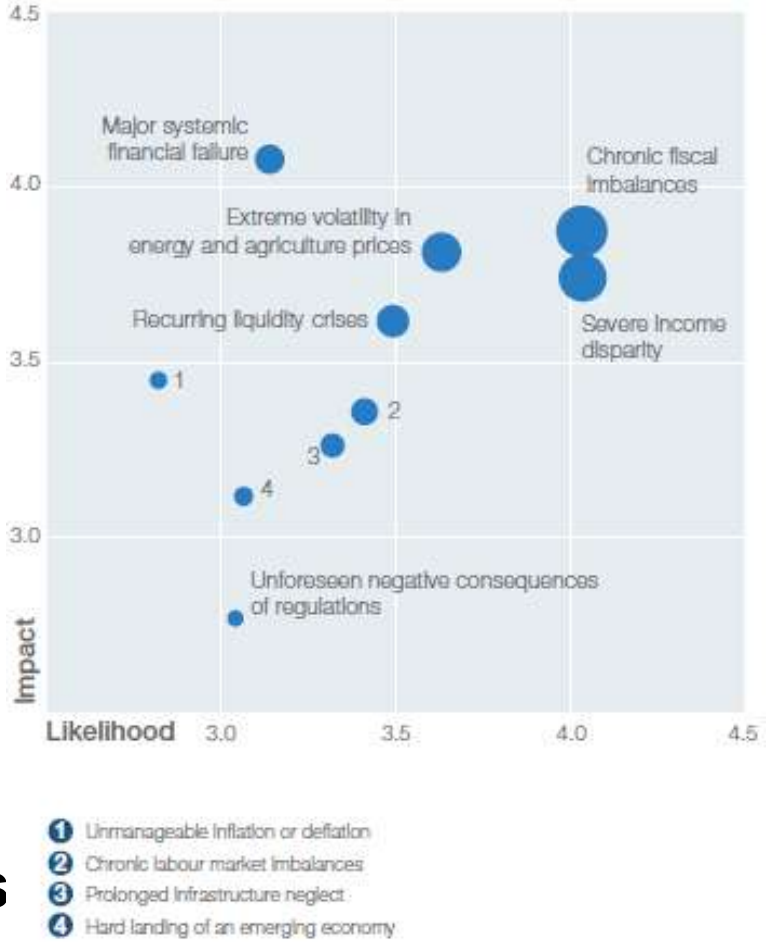
Economic Risks

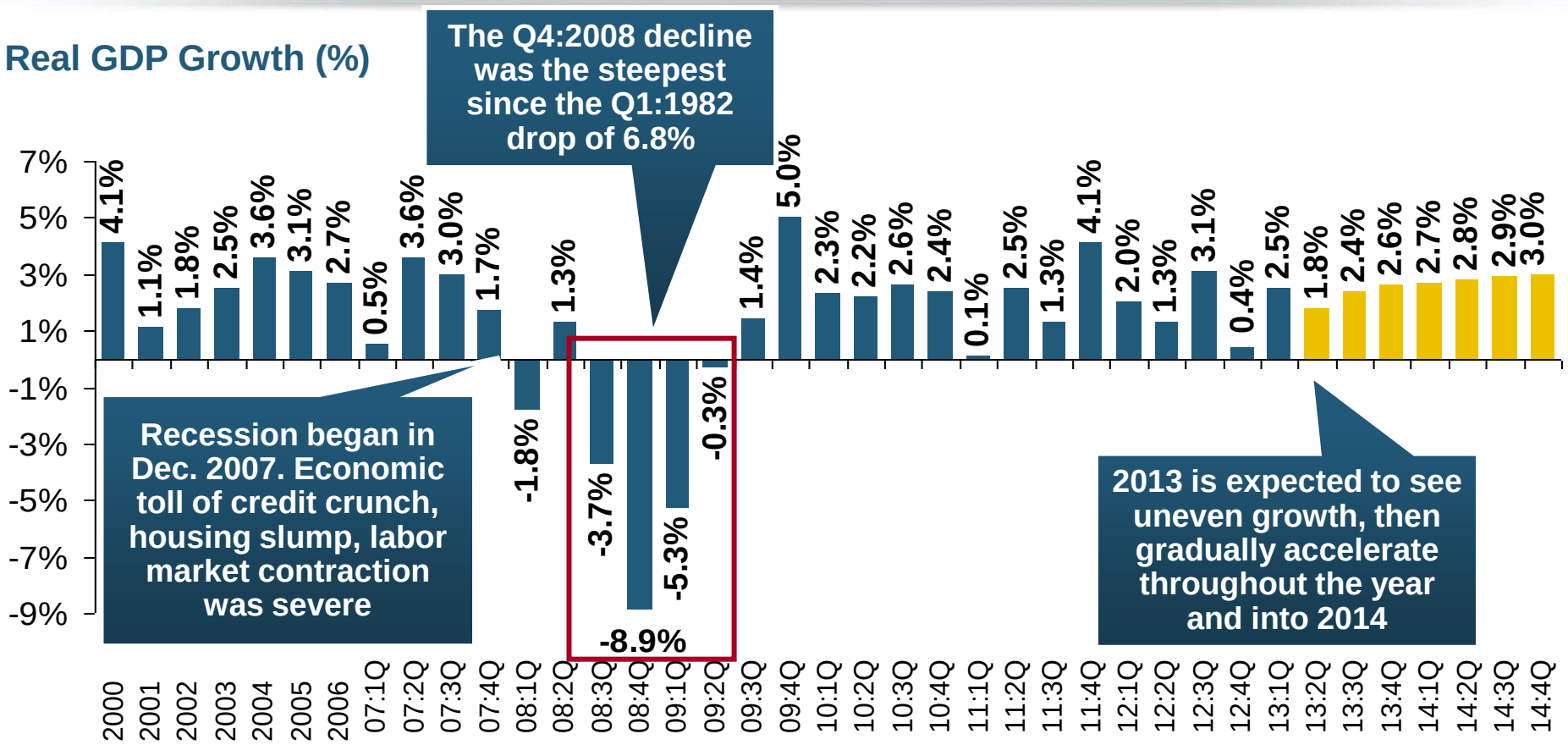
- Chronic fiscal imbalances
- Severe income disparity
- Extreme volatility in energy and food prices
- Recurring liquidity crises
- Major systemic failure
- Adverse unintended consequences of regulation
- Unmanageable in/deflation
- Chronic labor mkt. imbalances
- Hard landing of emerging economy

Economic Risk Landscape



Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

US Real GDP Growth*



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

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 4/13; Insurance Information Institute.

Federal Spending as a Share of State GDP: Vulnerability to Sequestration Varies

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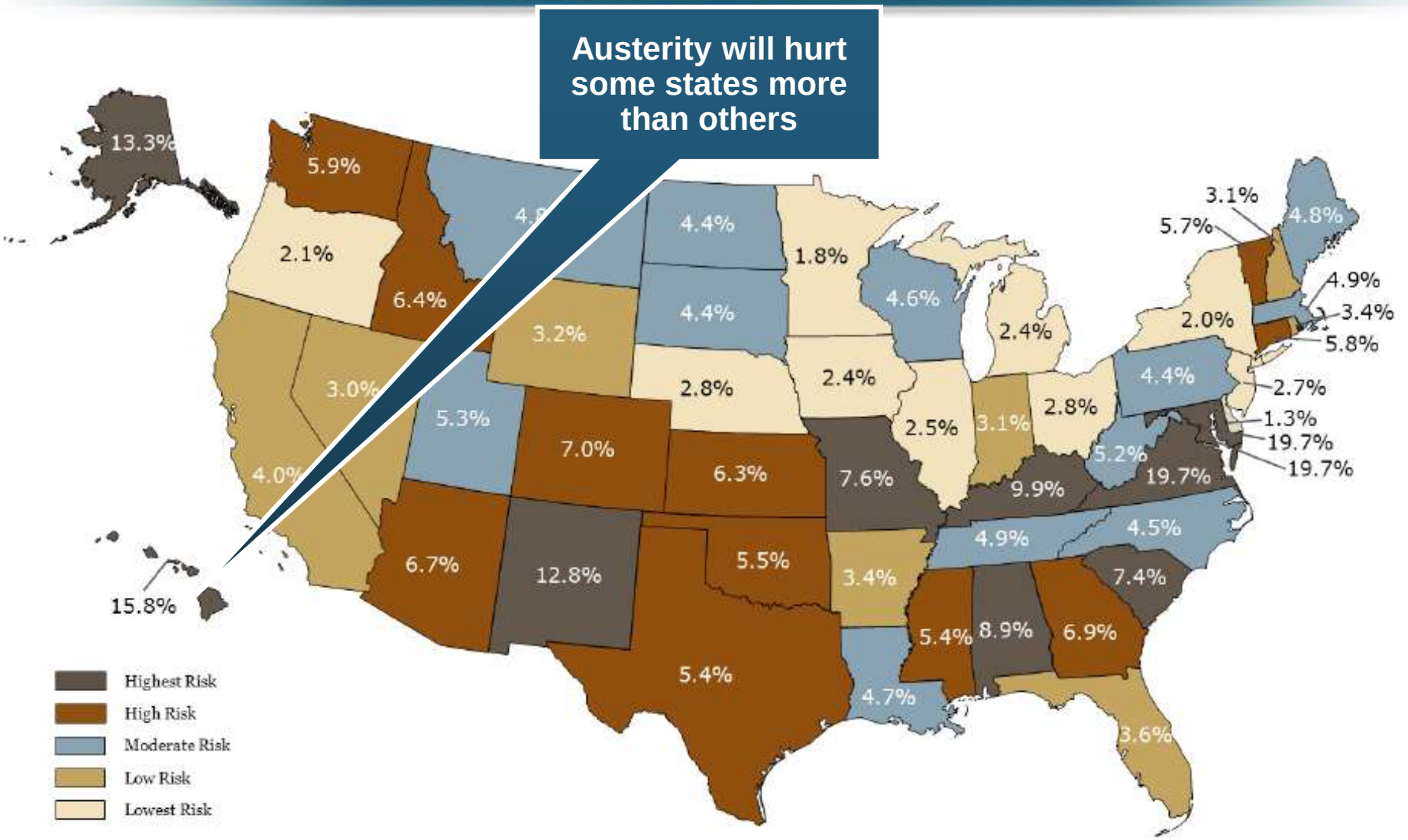

Sources: Pew Center on the States (2012) *Impact of the Fiscal Cliff on the States*; Wells Fargo; Insurance Information Institute.

GDP Growth: Advanced & Emerging Economies vs. World, 1970-2014F

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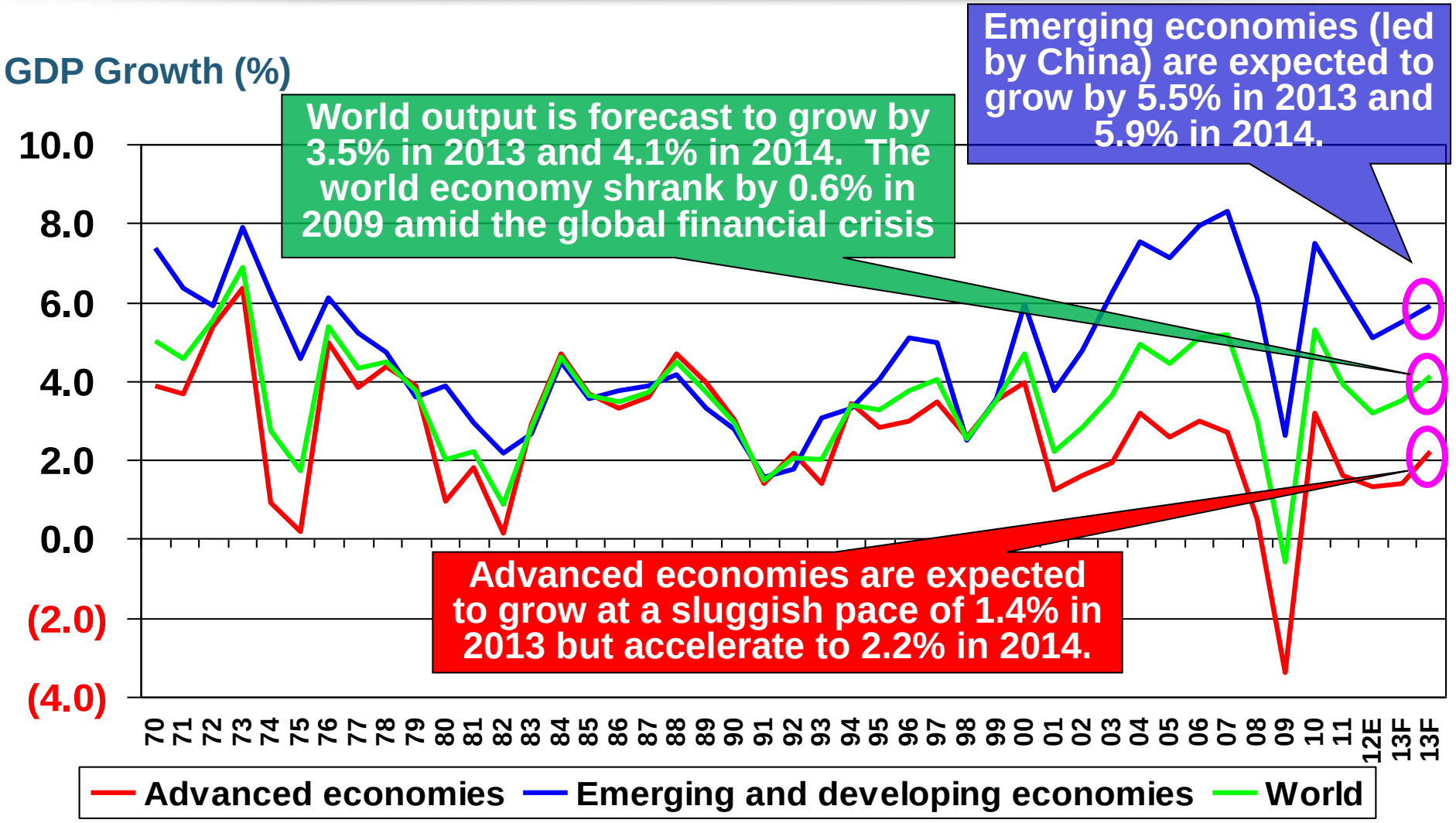
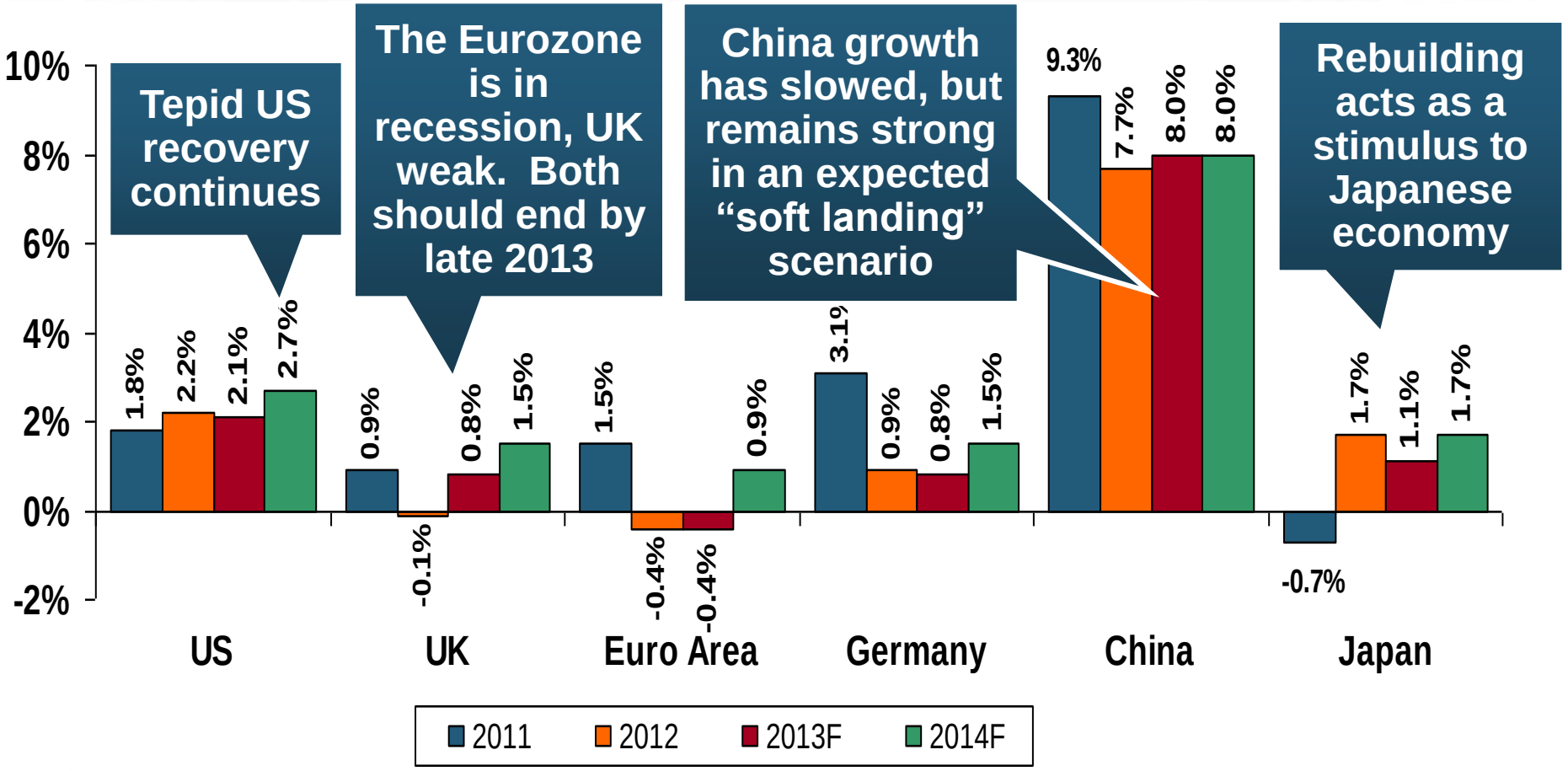


Source: International Monetary Fund, *World Economic Outlook* , Oct. 2012 and Jan. 2013 *WEO Update*; Ins. Info. Institute.

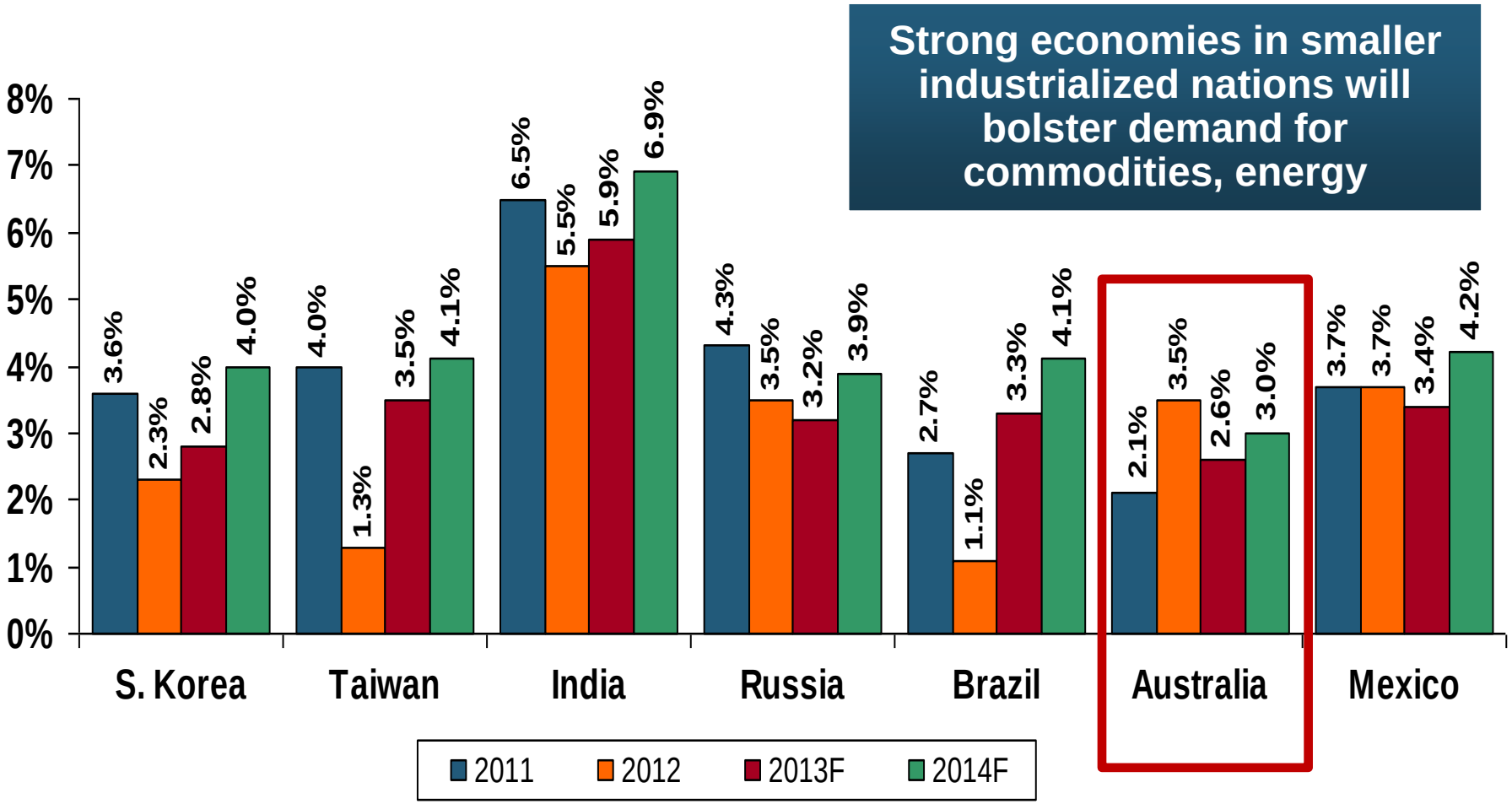
Real GDP Growth Forecasts: Major Economies: 2011 – 2014F



Growth Prospects Vary Widely by Region: Growth Returning in the US, Mild Recession in the Eurozone, A "Soft Landing" in China, Sluggish Growth in Japan and Modest Growth in America's Largest Trading Partners—Canada and Mexico.

Sources: Blue Chip Economic Indicators (4/2013 issue); Insurance Information Institute.

Real GDP Growth Forecasts: Selected Economies: 2011 – 2014F



Growth Outside the US, Europe and Japan is Relatively Strong

Sources: Blue Chip Economic Indicators (4/2013 issue); Insurance Information Institute.

World Trade Volume: 2010—2014F

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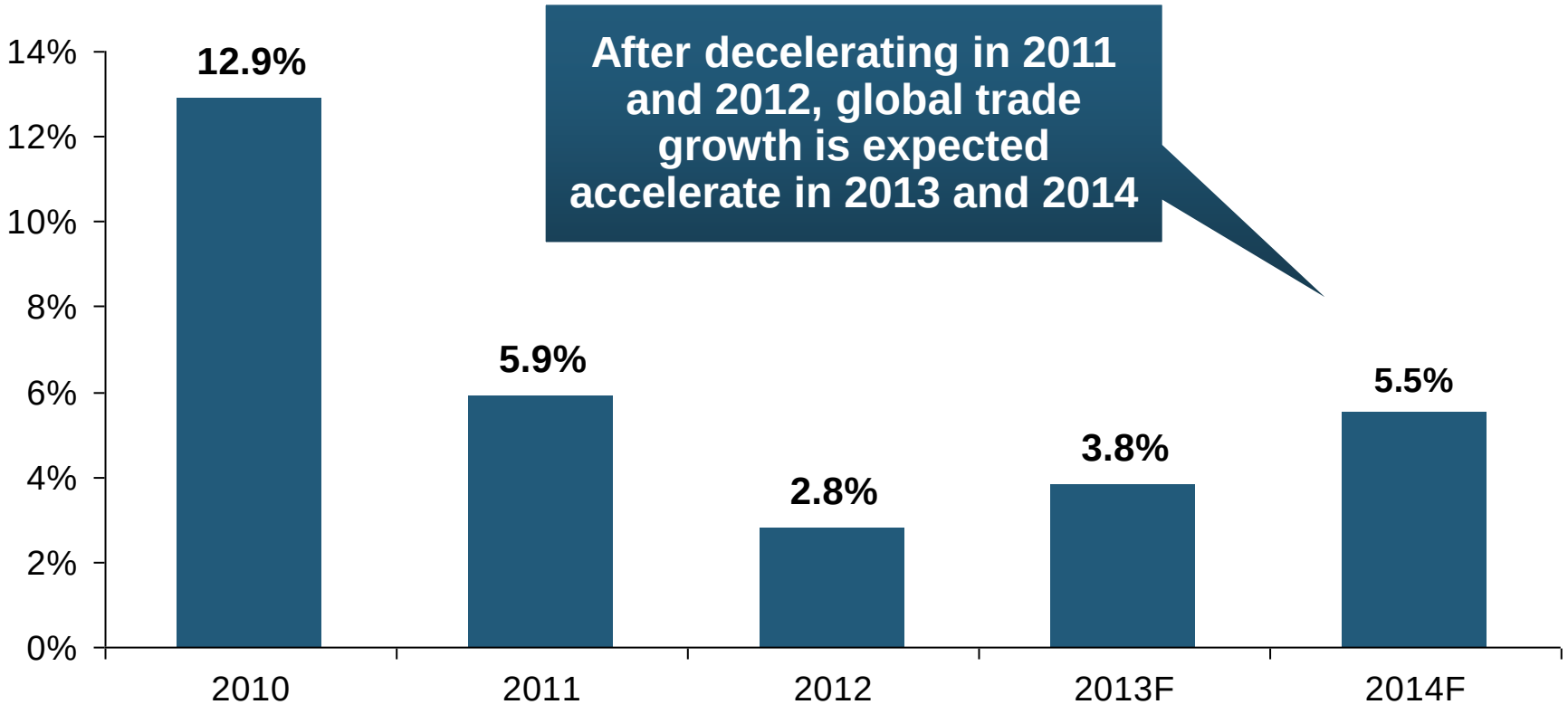
Percentage Change (%)

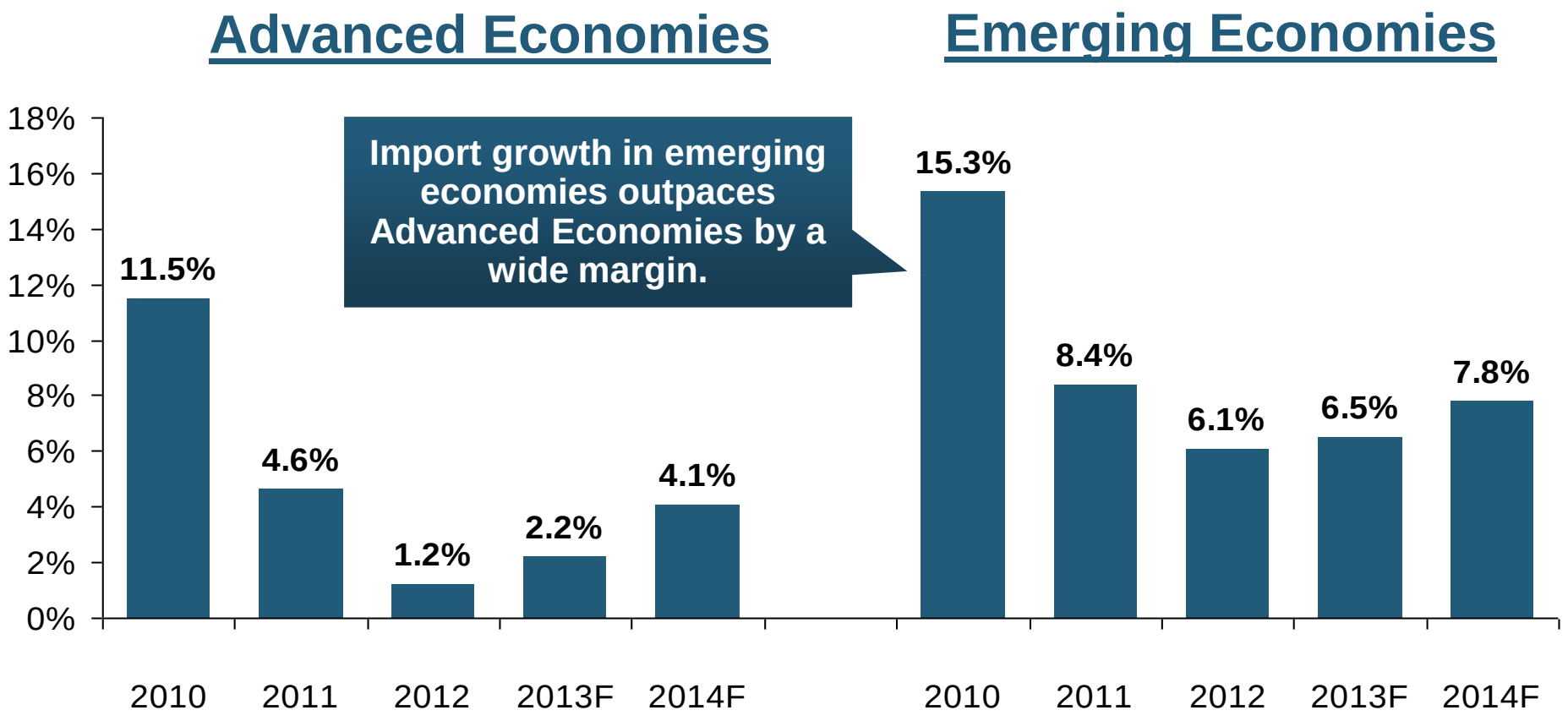


Growth in World Trade Volume (Imports + Exports) Has Slowed But Continues to Grow

Sources: IMF *World Economic Outlook Update* (Jan. 2013); Insurance Information Institute.

World Trade Volume: IMPORTS 2010 – 2014F

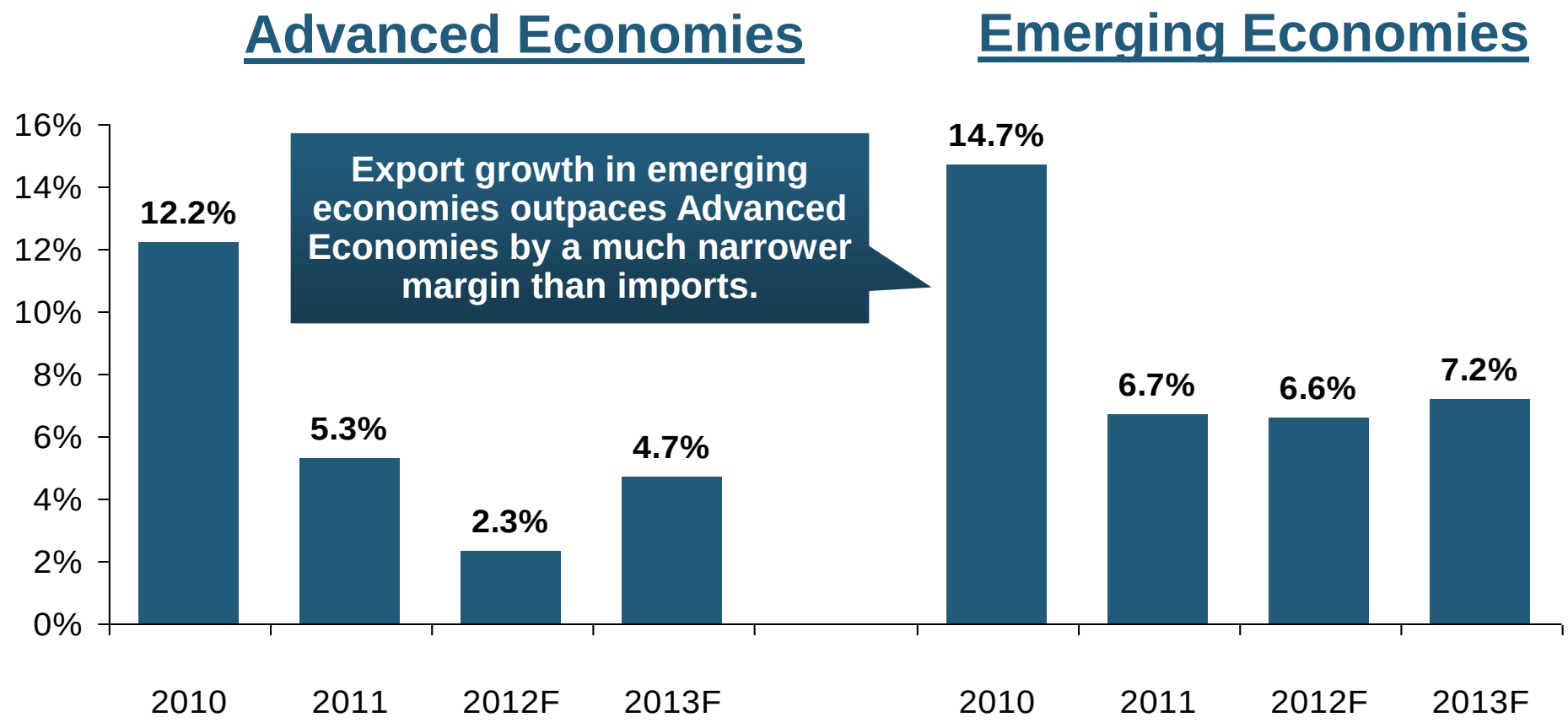
Growth (%)



Sources: IMF *World Economic Outlook Update* (Jan. 2013); Insurance Information Institute.

World Trade Volume: EXPORTS 2010 – 2013F

Growth (%)



Sources: IMF *World Economic Outlook Update* (Jan. 2013); Insurance Information Institute.

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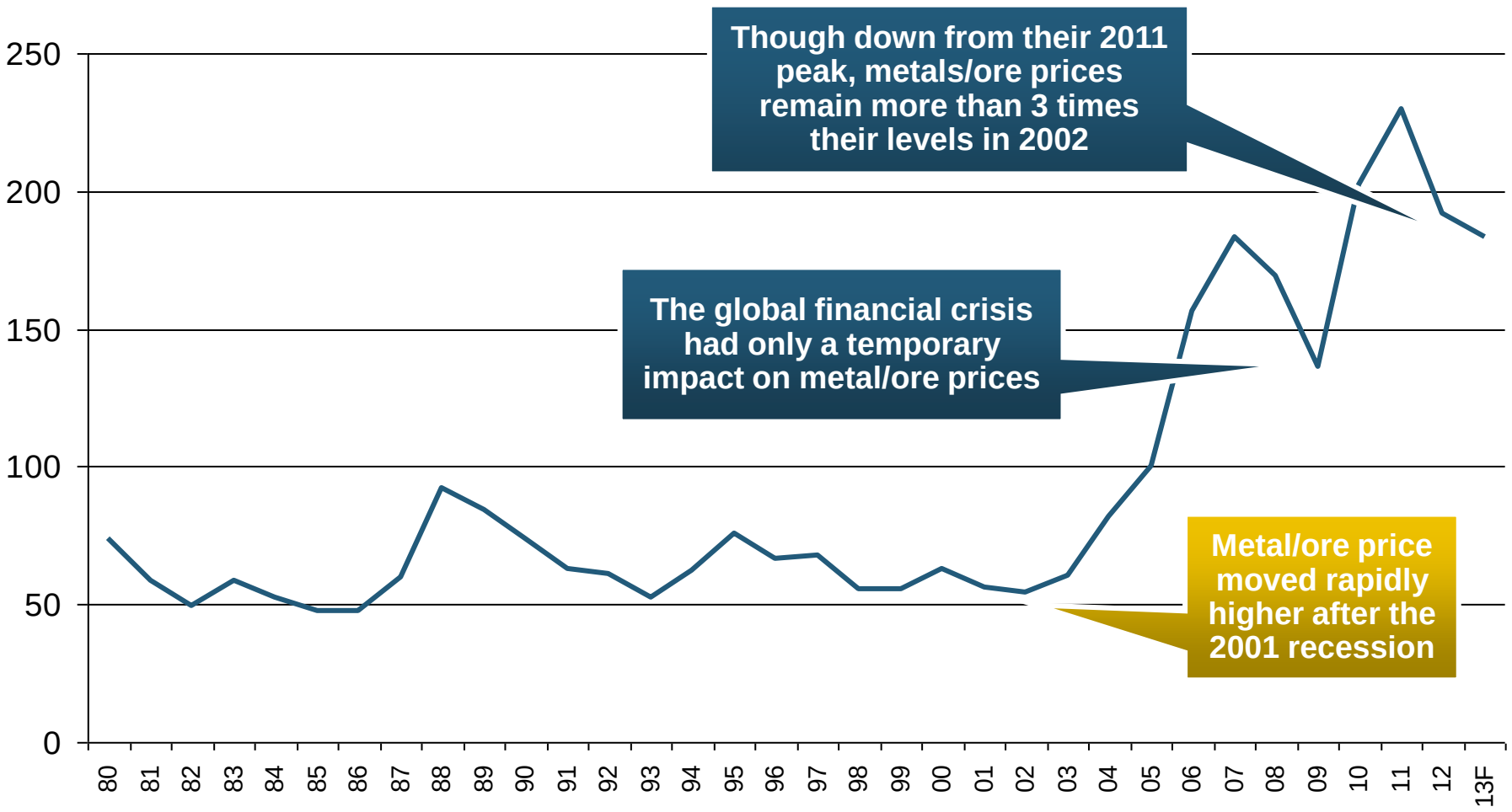
THE INSURANCE INDUSTRY CAN BENEFIT FROM AND ENERGY AND COMMODITIES BOOM, EVEN AMID SLOWDOWN

Insurers in Australia and the U.S. Need to Provide Insurance Solutions Associated with a Rising Global Commodities Demand and Surging Energy Demand

Commodity Metals Global Price Index, 1980—2013F* (2005 =100)



* Includes: Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead and Uranium.
Sources: International Monetary Fund; Insurance Information Institute.

Global Price Index: Copper, Aluminum & Iron Ore vs. Full Metals Index,1980—2013F*

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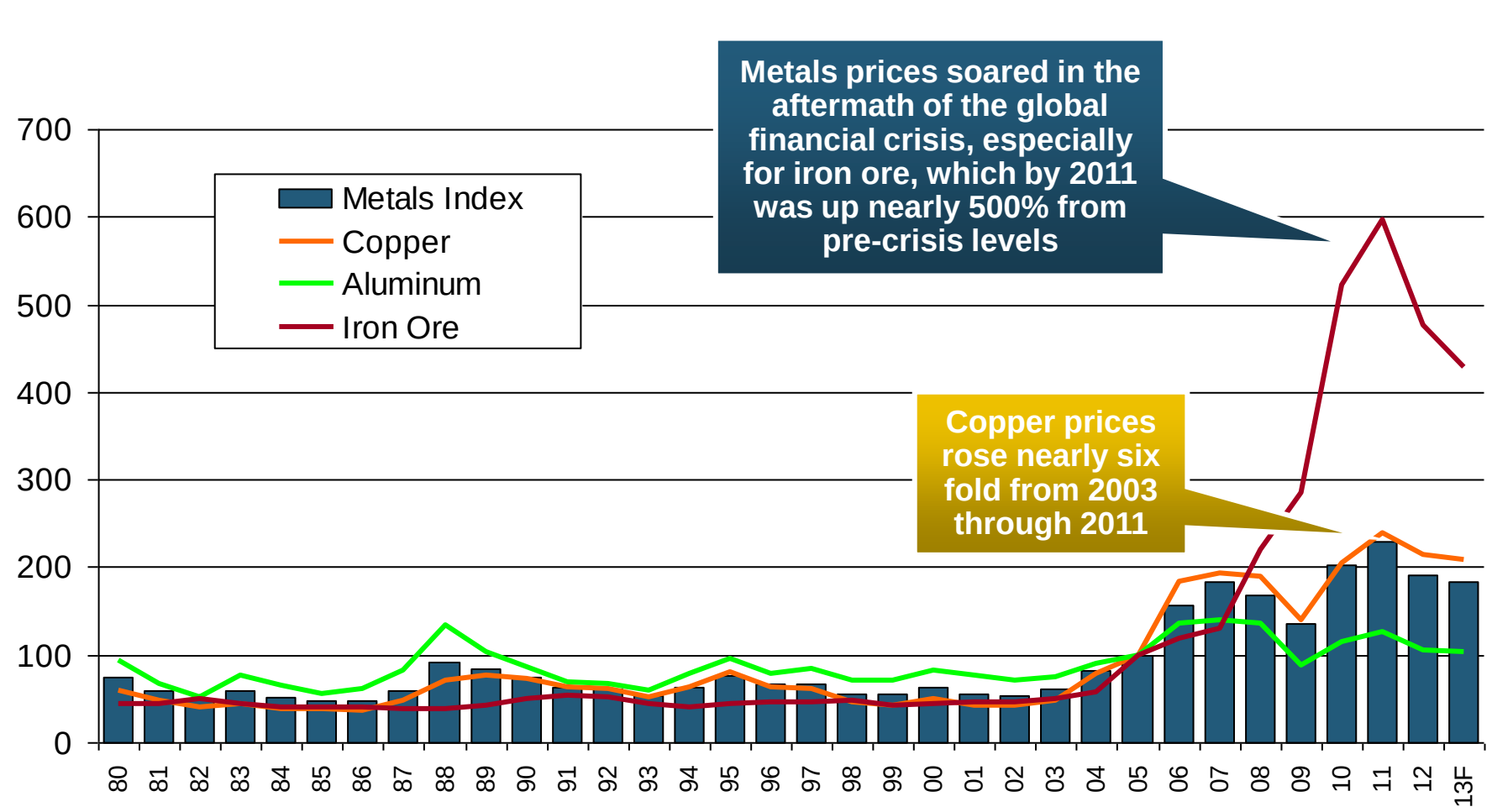

* Full Metals Index Includes: Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead and Uranium.
Sources: International Monetary Fund; Insurance Information Institute.

Global Price Index: Tin, Nickel, Zinc, Lead & Uranium vs. Full Metals Index,1980—2013F*

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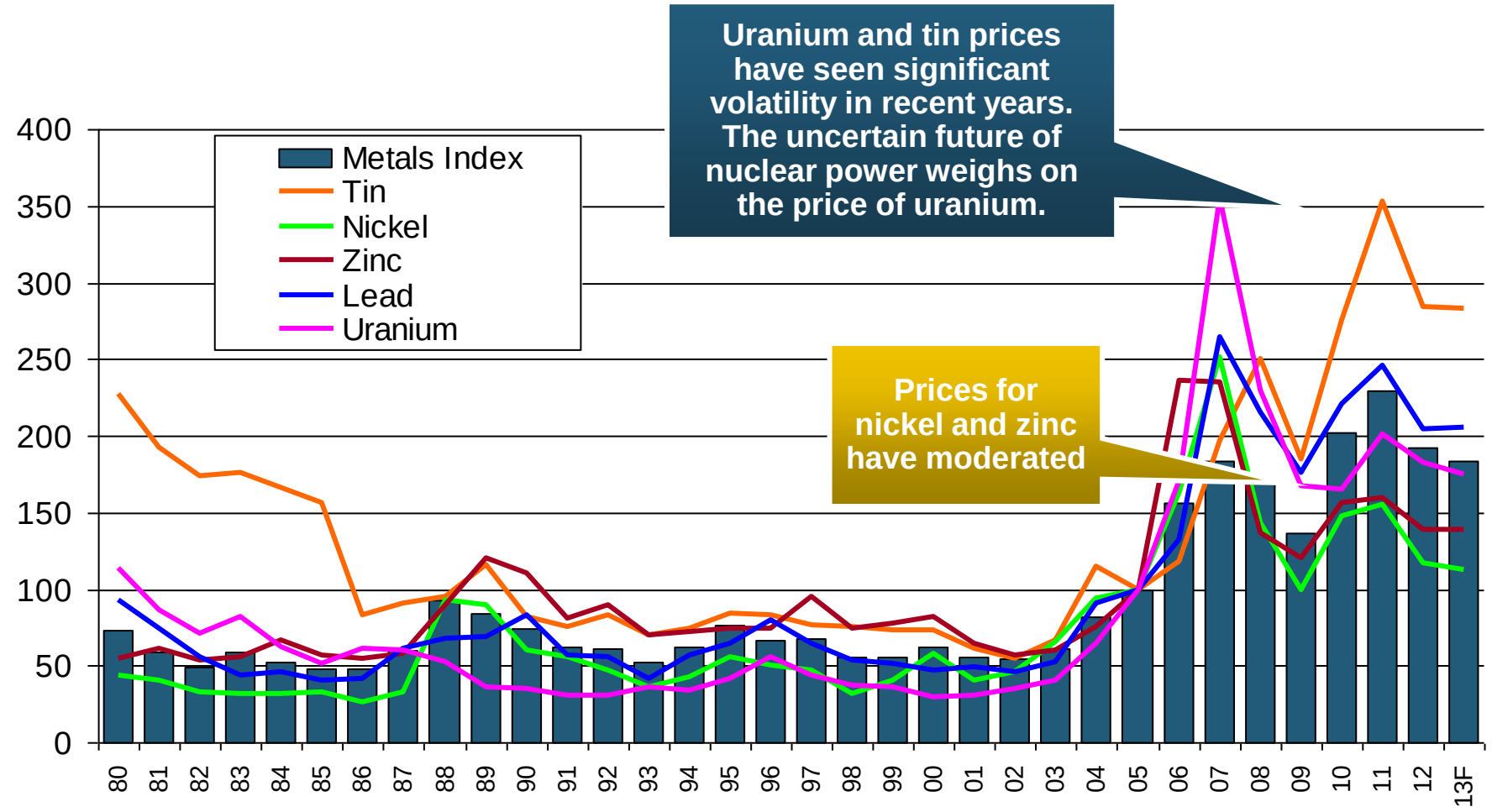
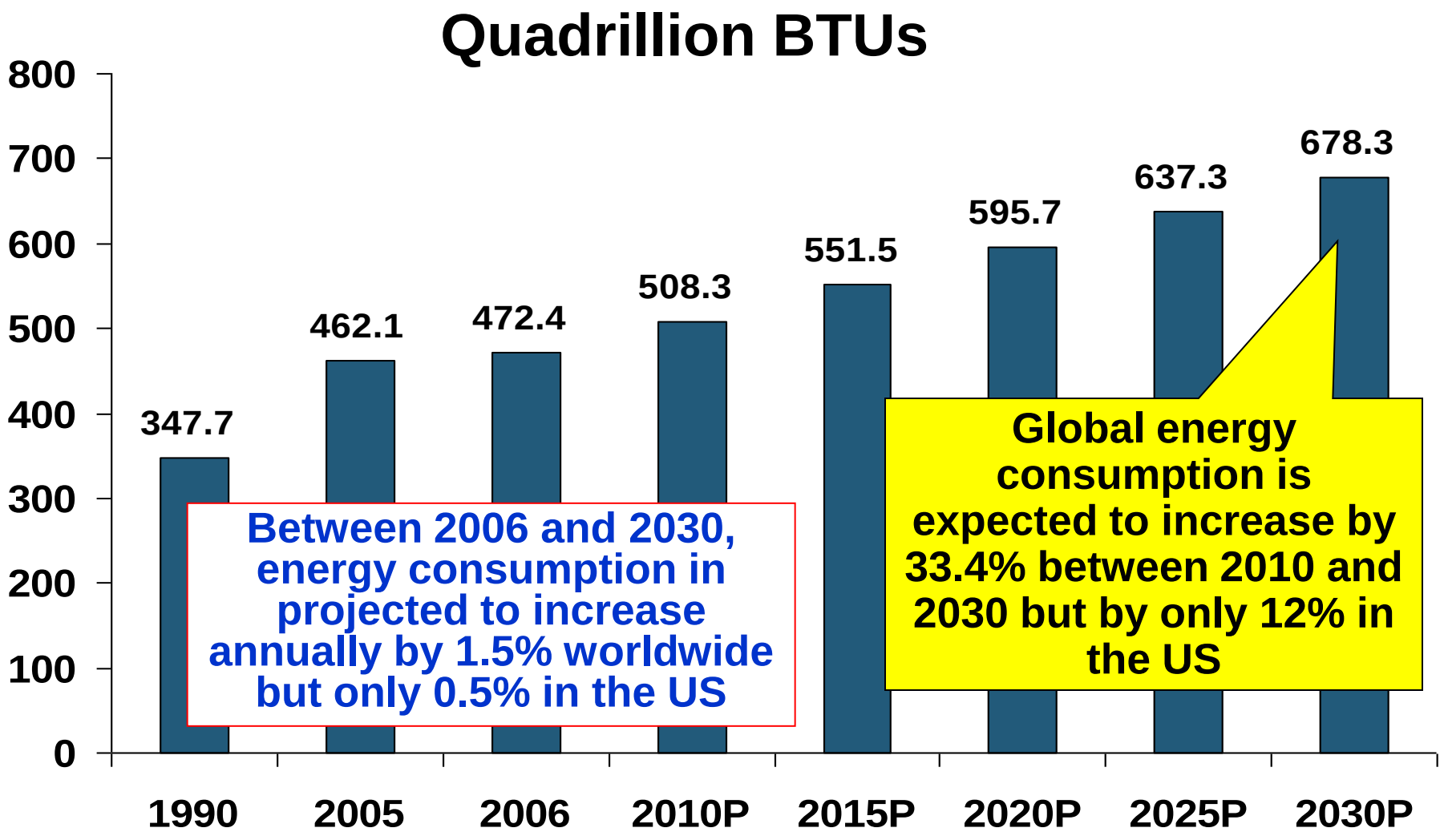


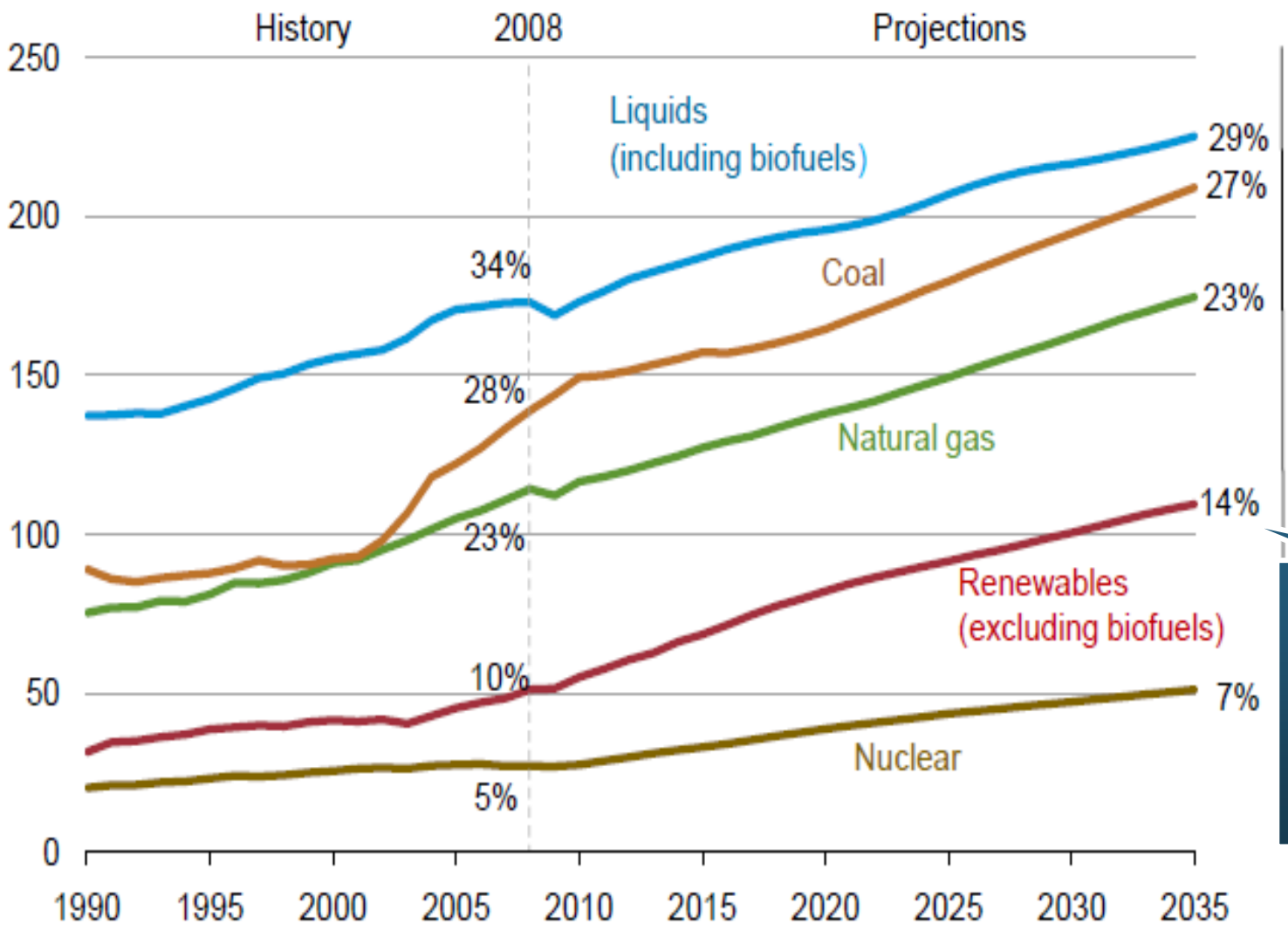
* Full Metals Index Includes: Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead and Uranium.
Sources: International Monetary Fund; Insurance Information Institute.

World Primary Energy Consumption, 1990-2030P



Source: Energy Information Administration, *2009 International Energy Outlook*, Insurance Information Institute.

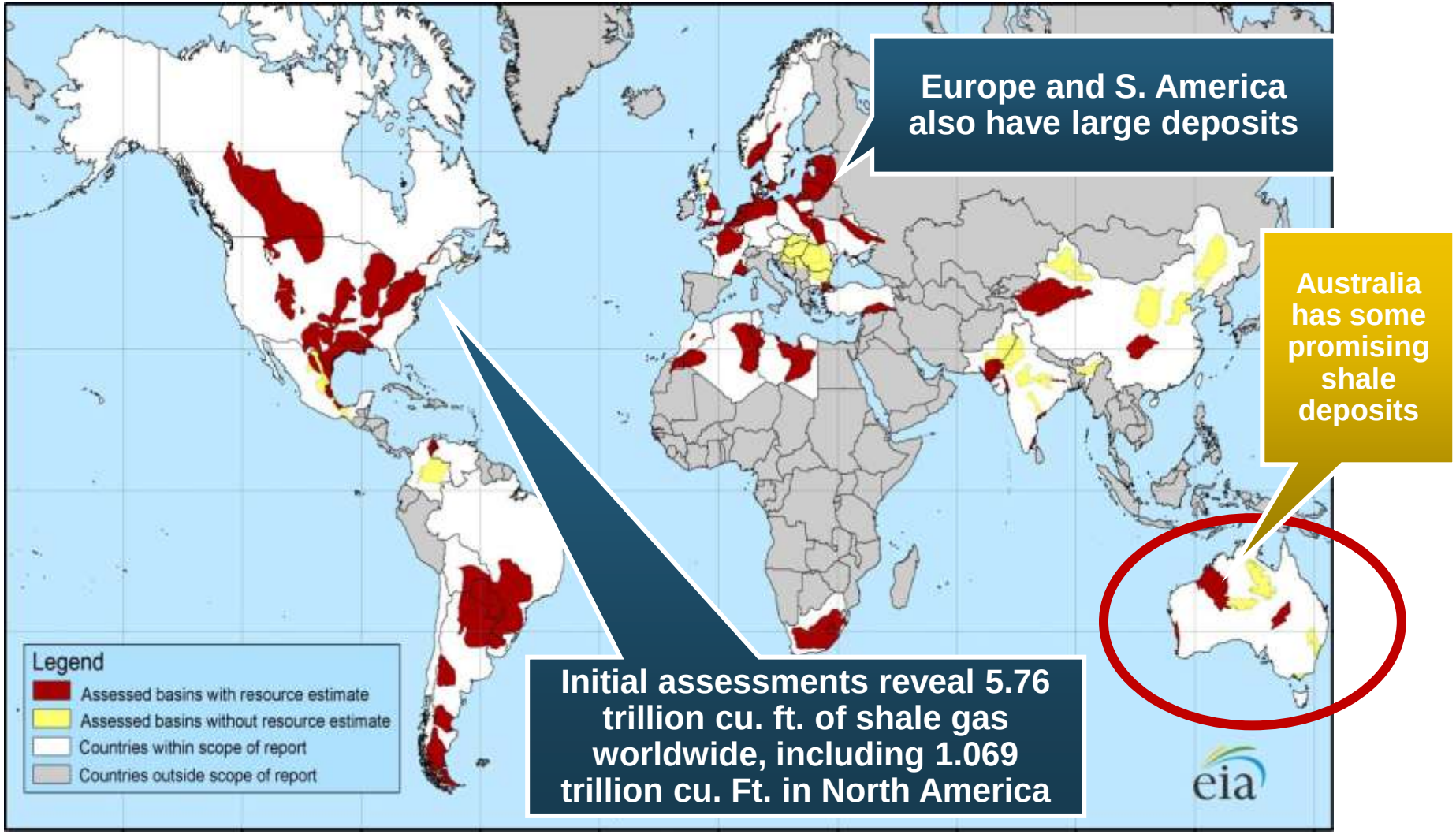
World Energy Consumption by Fuel, 1990—2035F



Renewables will account for 14% of global energy consumption by 2035, up from 20% in 2008

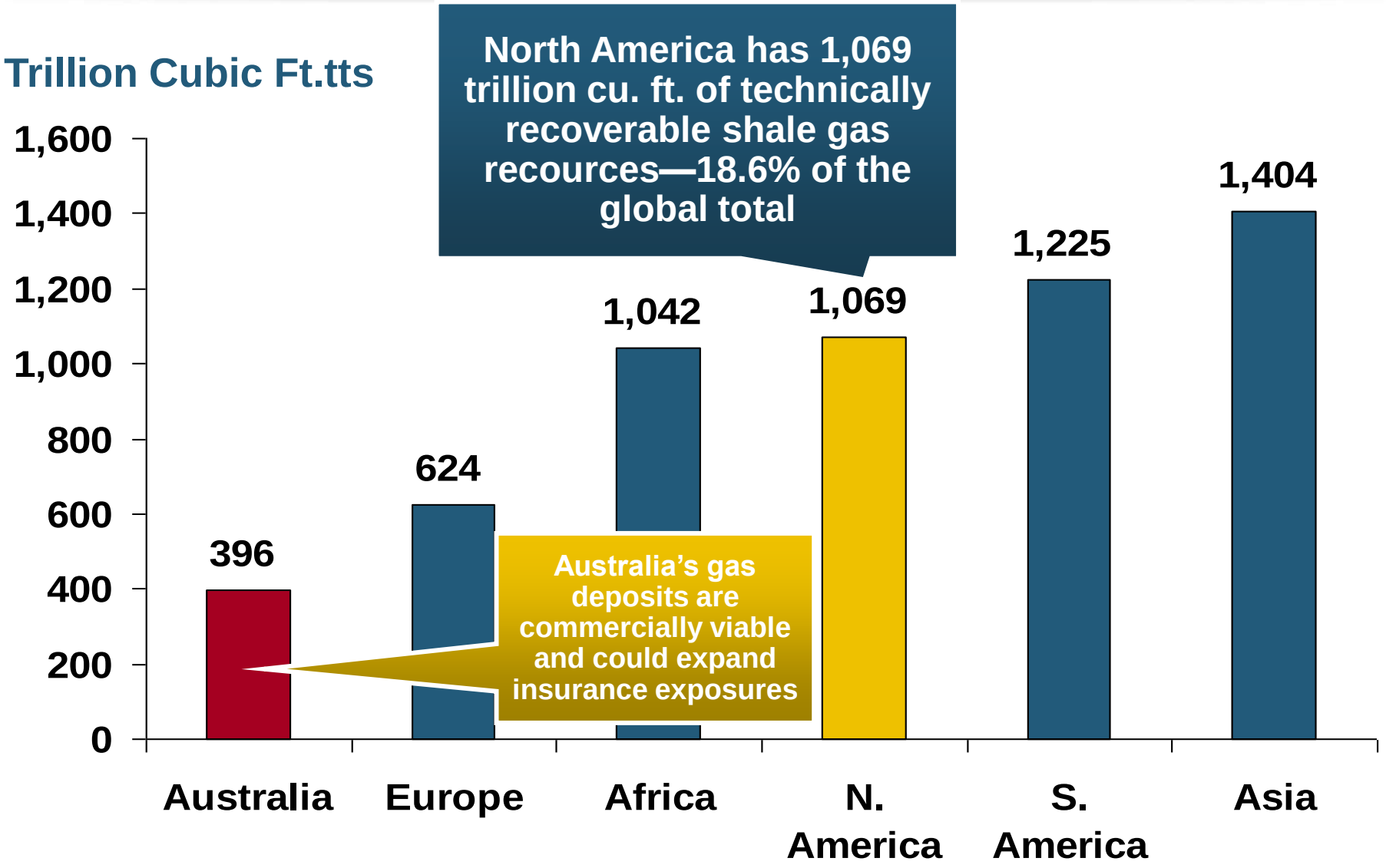
Source: US Energy Information Administration, *International Energy Outlook 2011;* Insurance Information Institute.

Distribution of Major Shale Deposits: 5.76 Tr. Cu. Ft. in 48 Shale Basins in 32 Countries



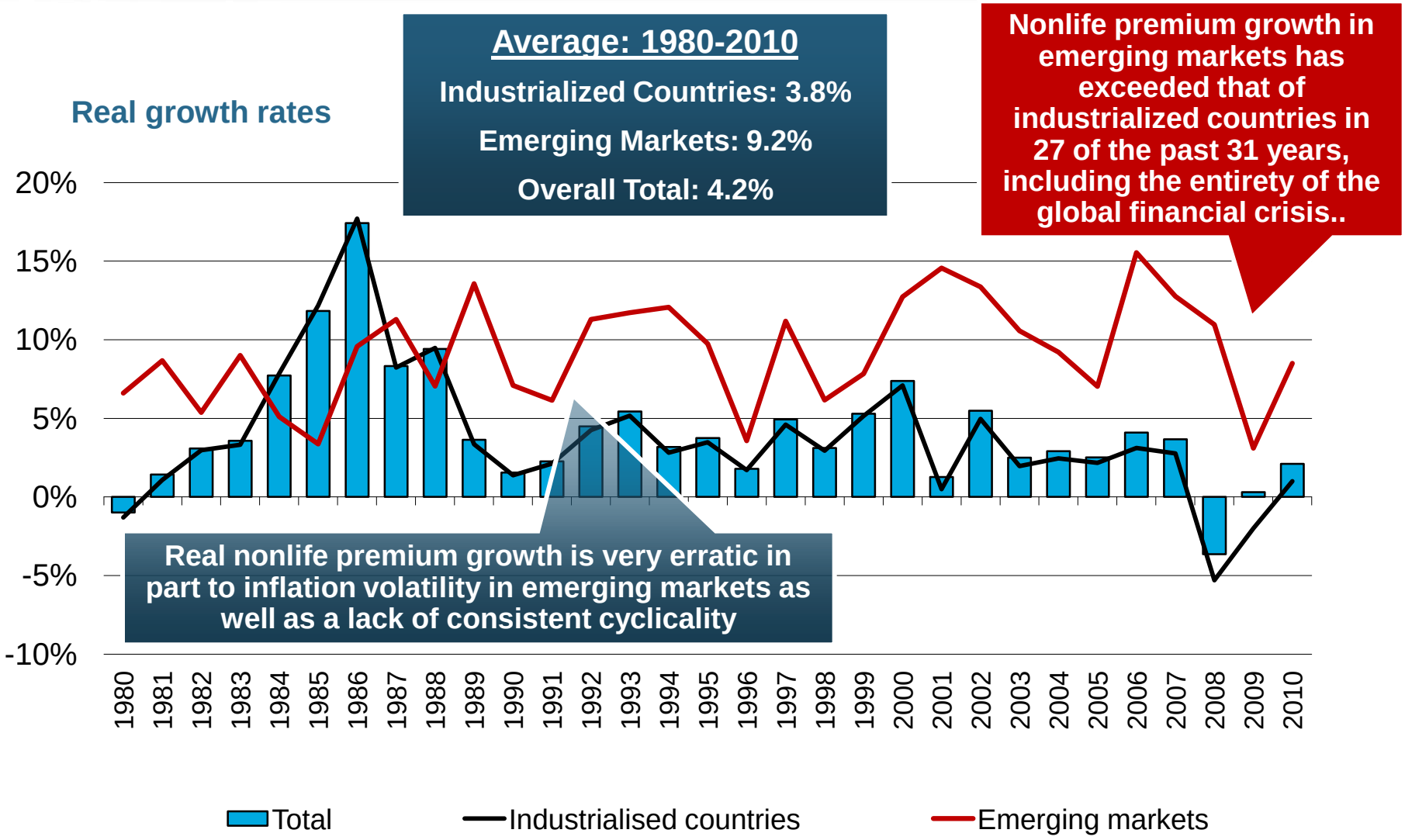
Source: US Energy Information Administration; Insurance Information Institute.

Technically Recoverable Shale Gas Deposits, by Region



Source: US Energy Information Administration; Insurance Information Institute.

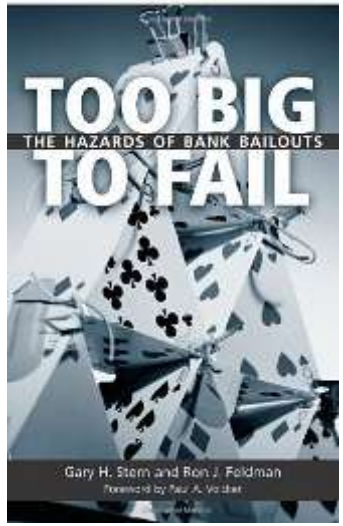
Global Real (Inflation Adjusted) Nonlife Premium Growth: 1980-2010



Source: Swiss Re, *sigma*, No. 2/2010.

Regulatory Risk: Financial Sector in Consumed with Post-Crisis Concerns

- **Capital Adequacy, Quality, Liquidity, Leverage, Prudential Oversight**
- **Dodd-Frank**
- **Basel III**
- **Solvency II**
- **ComFrame**
- **ORSA**
- **Systemic Importance**
  - **US**
  - **Global**



Source: Insurance Information Institute.

Geopolitical Risk: Foremost on the Minds in "Emerging" Economies

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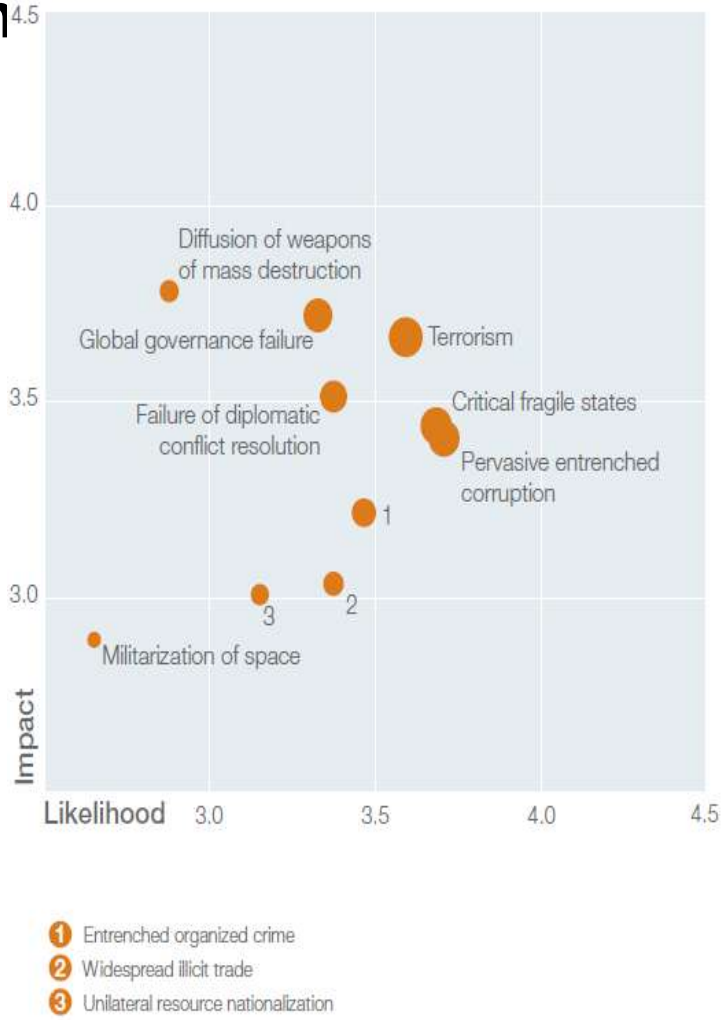
Geopolitical Risks

- Pervasive entrenched corruption
- Critical fragile states
- Terrorism
- Failure of diplomatic conflict resolution
- Global governance failure
- Entrenched organized crime
- Widespread illicit trade
- Diffusion of WMD
- Unilateral resource nationalization
- Militarization of space

Geopolitical Risk Landscape



Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

Political Risk in 2011/12: Greatest Business Opportunities Are Often in Risky Nations

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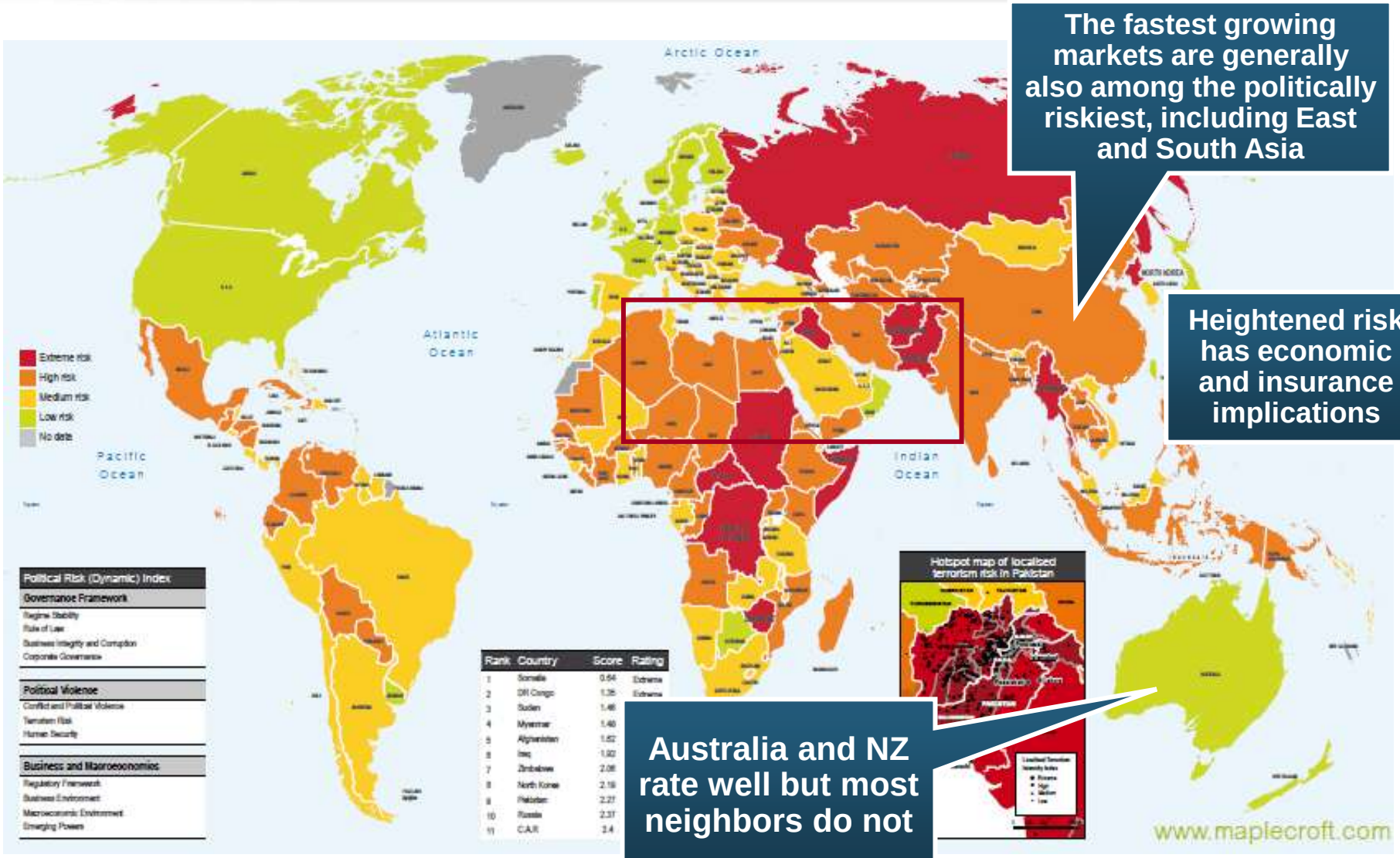
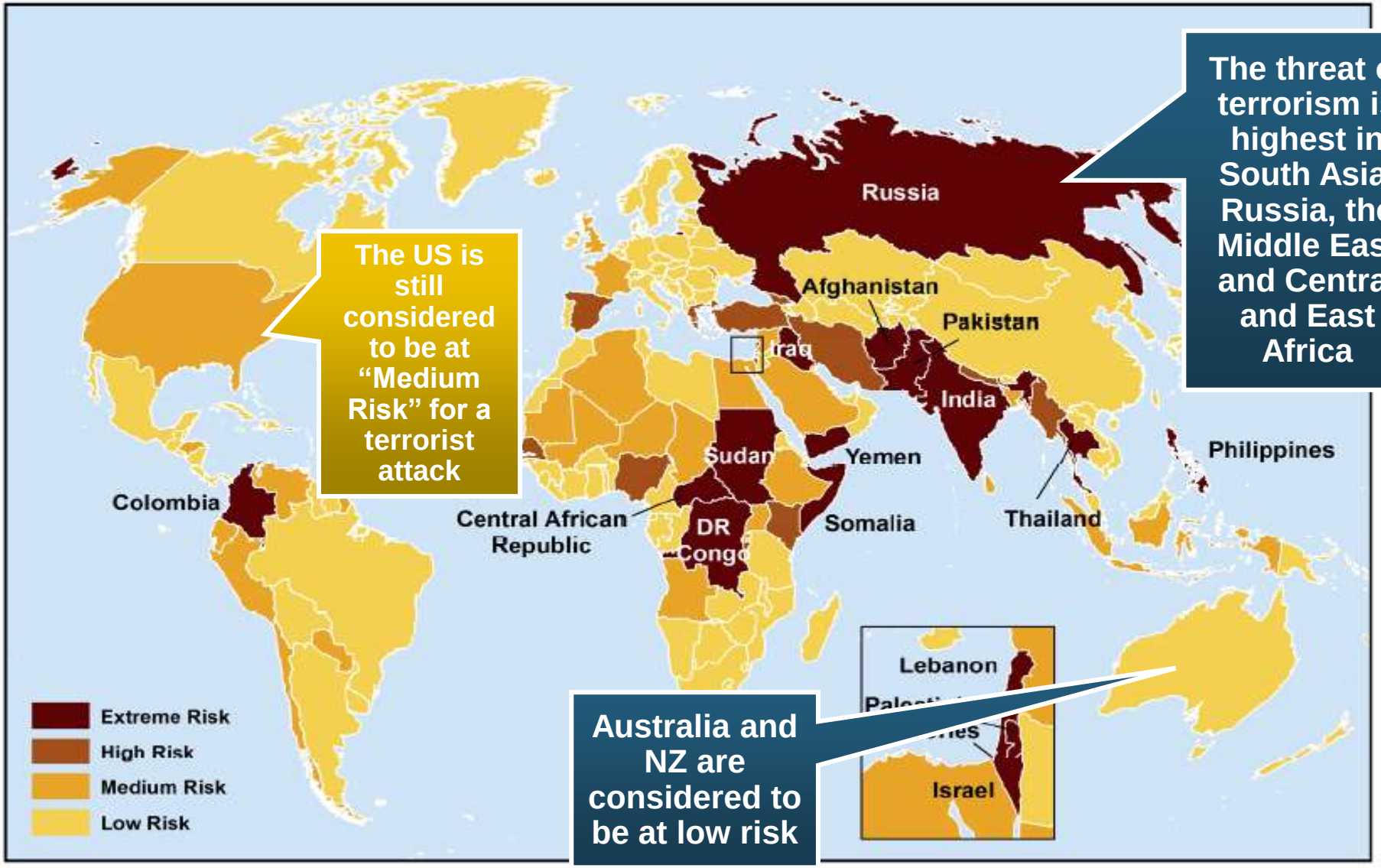


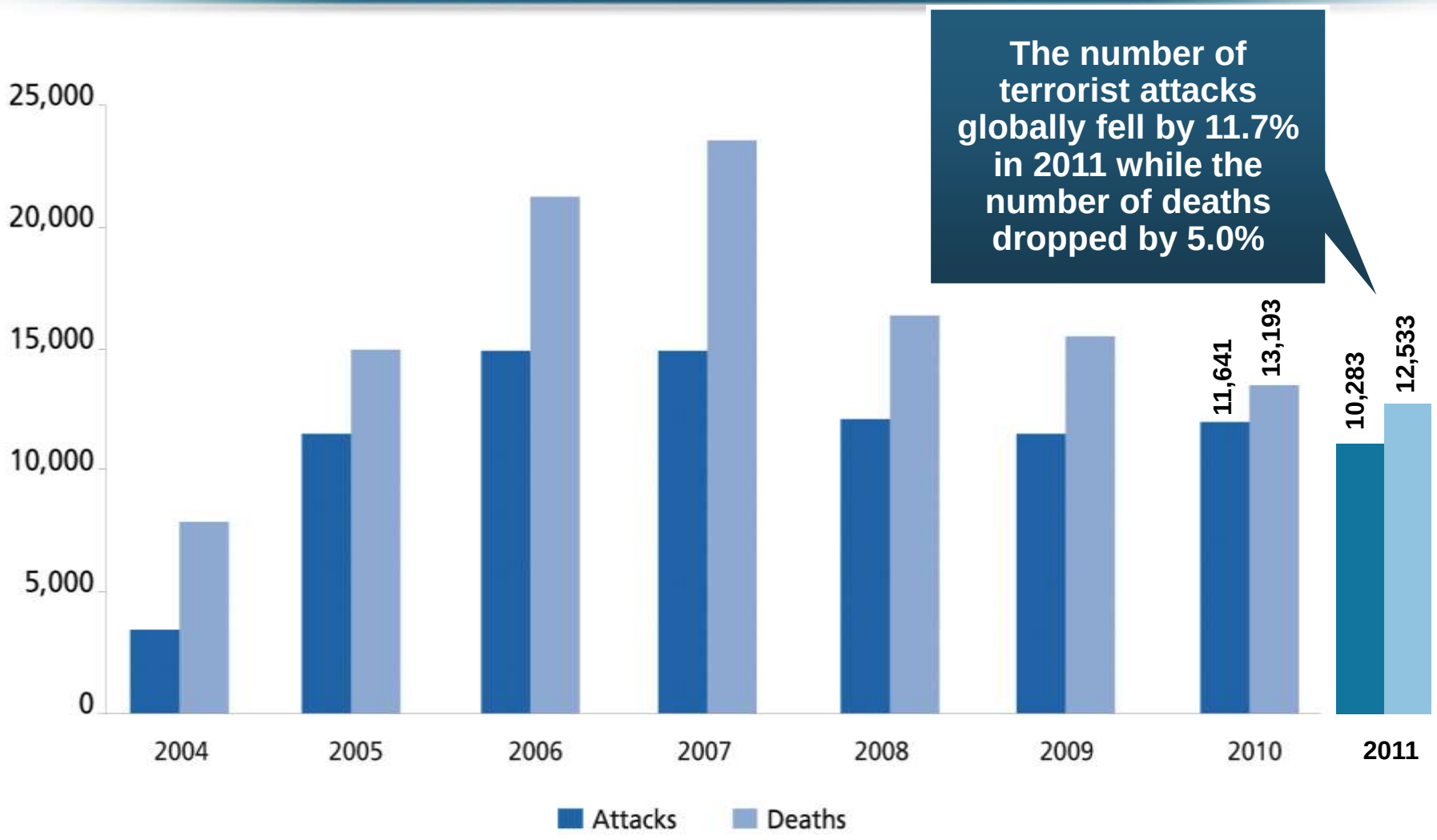
Source: Maplecroft

Terrorist Risk Index



Sources: Maplecroft Terrorism Risk Index; (2011); Guy Carpenter; Insurance Information Institute.

Global Terrorist Attacks and Deaths, 2004-2011



Sources: National Counterterrorism Center, *2011 Report on Terrorism;* Guy Carpenter; Insurance Information Institute.

Frequent Reminders of Terrorist Threat: New and Old

Bombings at the Boston Marathon on April 15, 2013

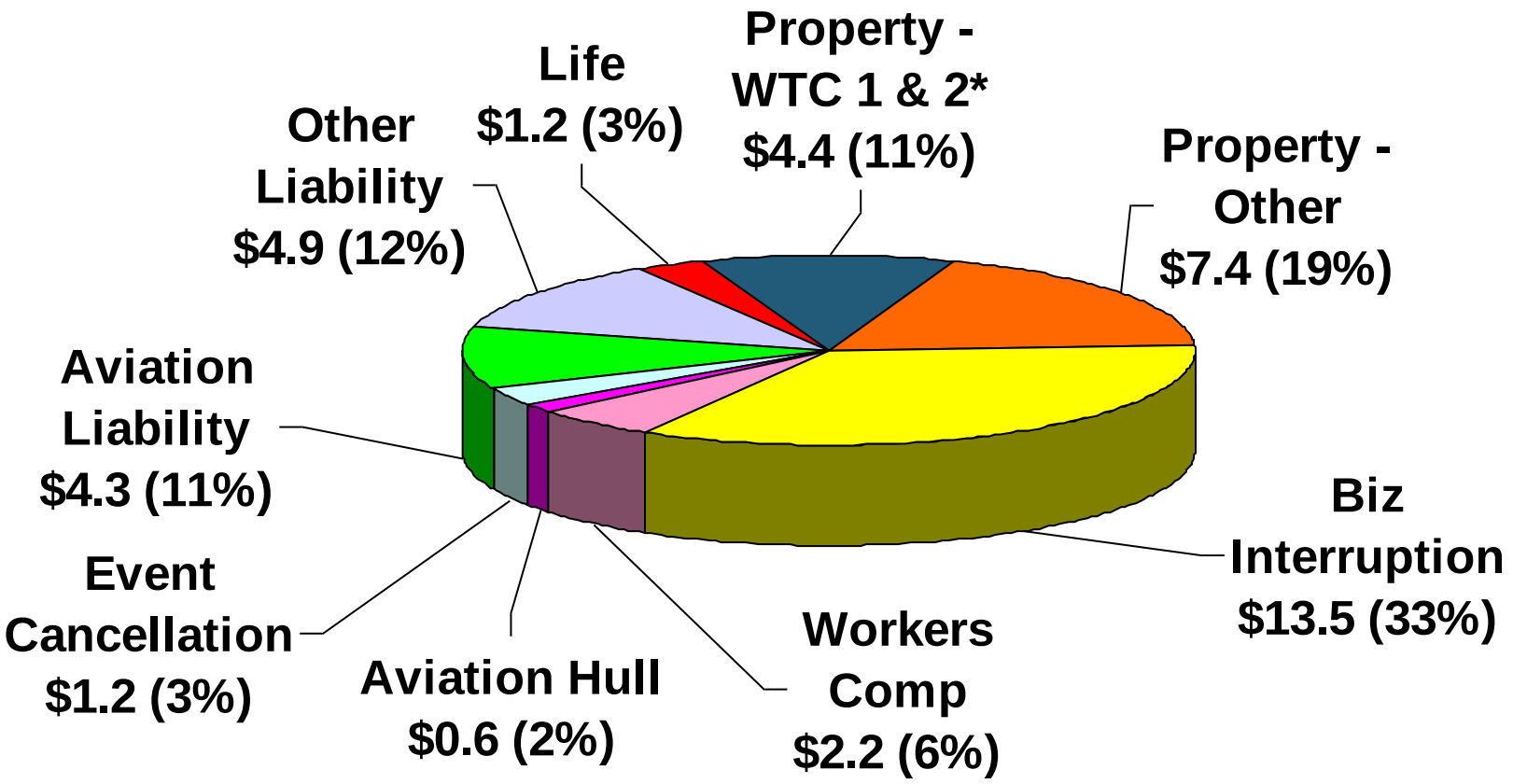
Freedom Tower under construction. Insurance money is the primary source of funds for rebuilding the WTC site

Sources: Insurance Information Institute.

Loss Distribution by Type of Insurance from Sept. 11 Terrorist Attack ($ 2011)

INSURANCE INFORMATION INSTITUTE

($ Billions)



Total Insured Losses Estimate: $40.0B**

*Loss total does not include March 2010 New York City settlement of up to $657.5 million to compensate approximately 10,000 Ground Zero workers or any subsequent settlements.

**$32.5 billion in 2001 dollars.

Source: Insurance Information Institute.

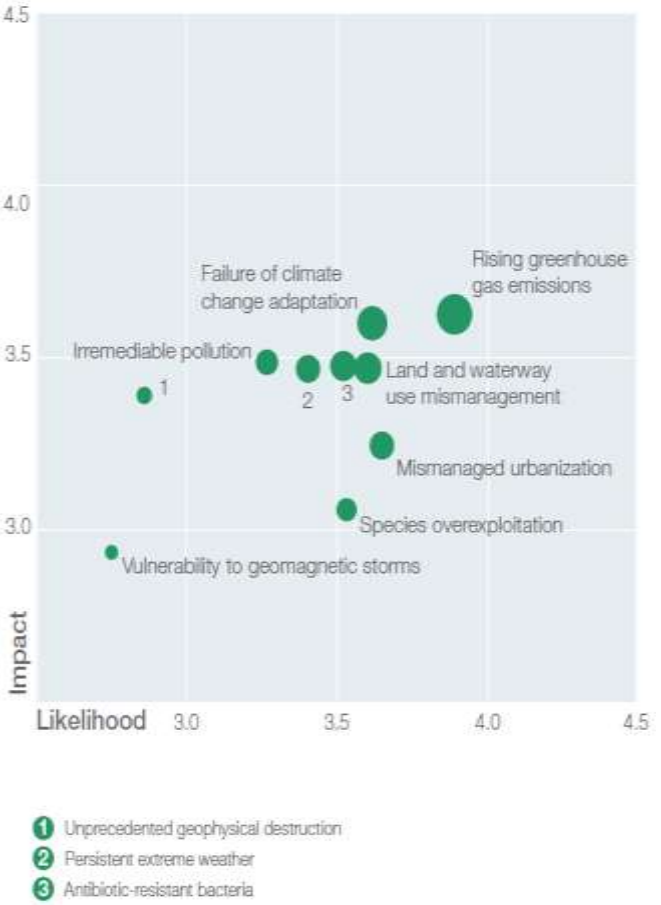
Environmental Risk: Vulnerability and Susceptibility Vary Across Globe

INSURANCE INFORMATION INSTITUTE

Environmental Risks

- Rising greenhouse gas emissions
- Failure of climate change adaptation
- Land/water use mismanagement
- Mismanaged urbanization
- Antibiotic-resistant bacteria
- Persistent extreme weather
- Species overexploitation
- Irremediable pollution
- Vulnerability to geomagnetic storms

Environmental Risk Landscape



Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

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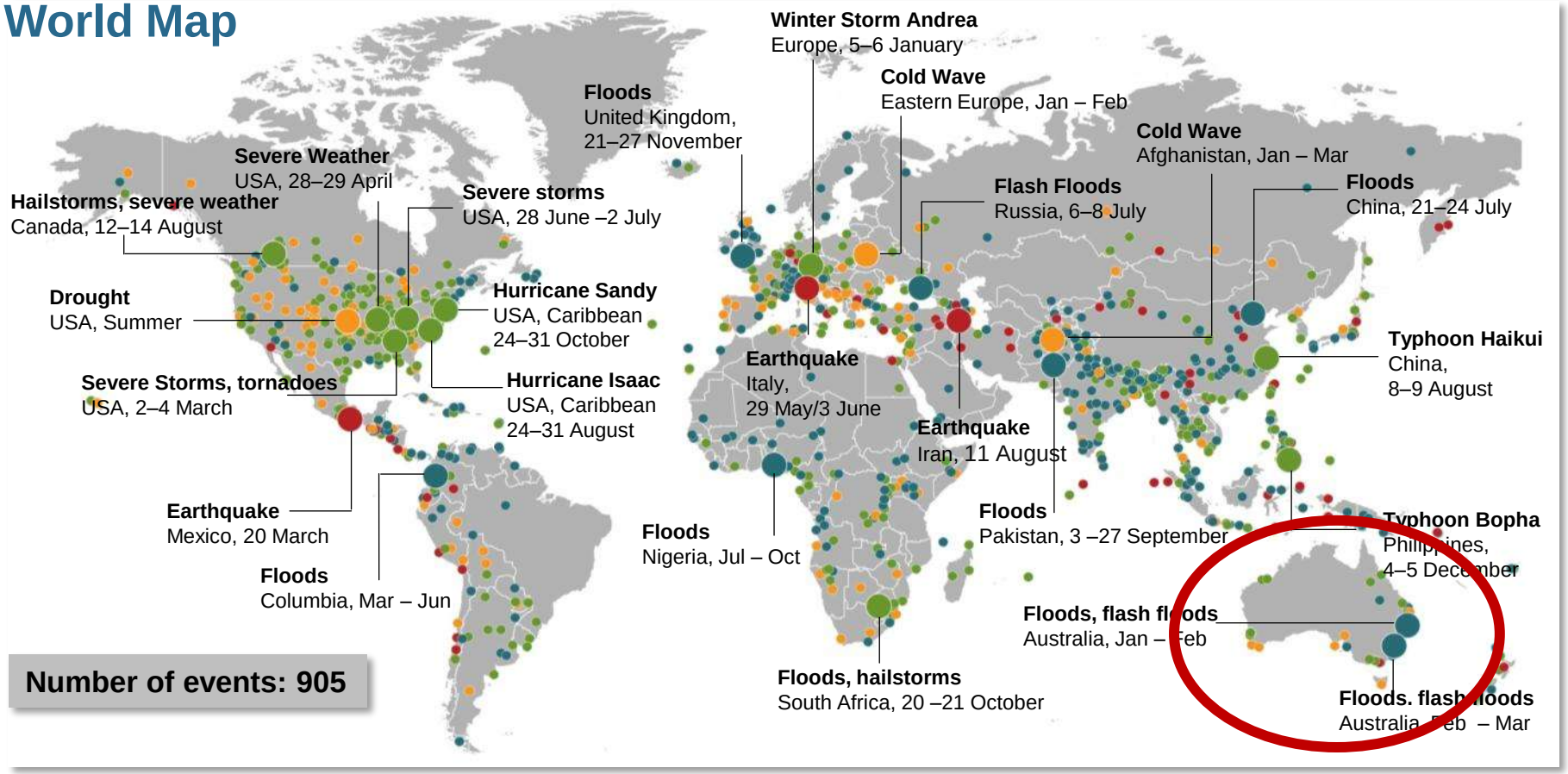
Catastrophe Risk: A Global Concern

The U.S. and Australia Face Many of the Same Catastrophe Risks

Natural Loss Events: Full Year 2012

INSURANCE INFORMATION INSTITUTE

World Map



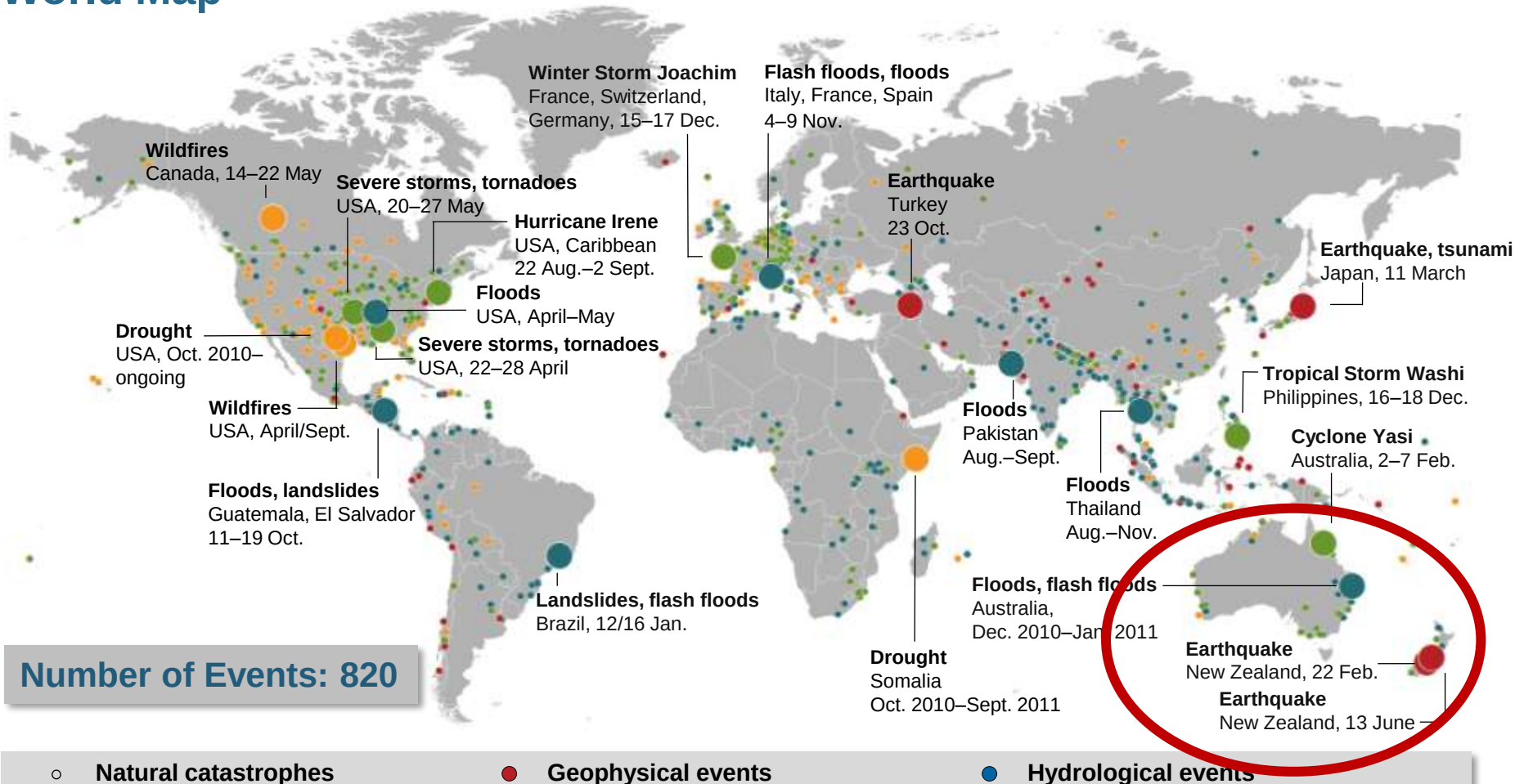
- ○ **Natural catastrophes**
- ◯ **Selection of significant Natural catastrophes**
- ● **Geophysical events** (earthquake, tsunami, volcanic activity)
- ● **Meteorological events** (storm)
- ● **Hydrological events** (flood, mass movement)
- ● **Climatological events** (extreme temperature, drought,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

Source: Munich Re Geo Risks Research, NatCatSERVICE – As at January 2013.

Natural Loss Events, 2011

INSURANCE INFORMATION INSTITUTE

World Map



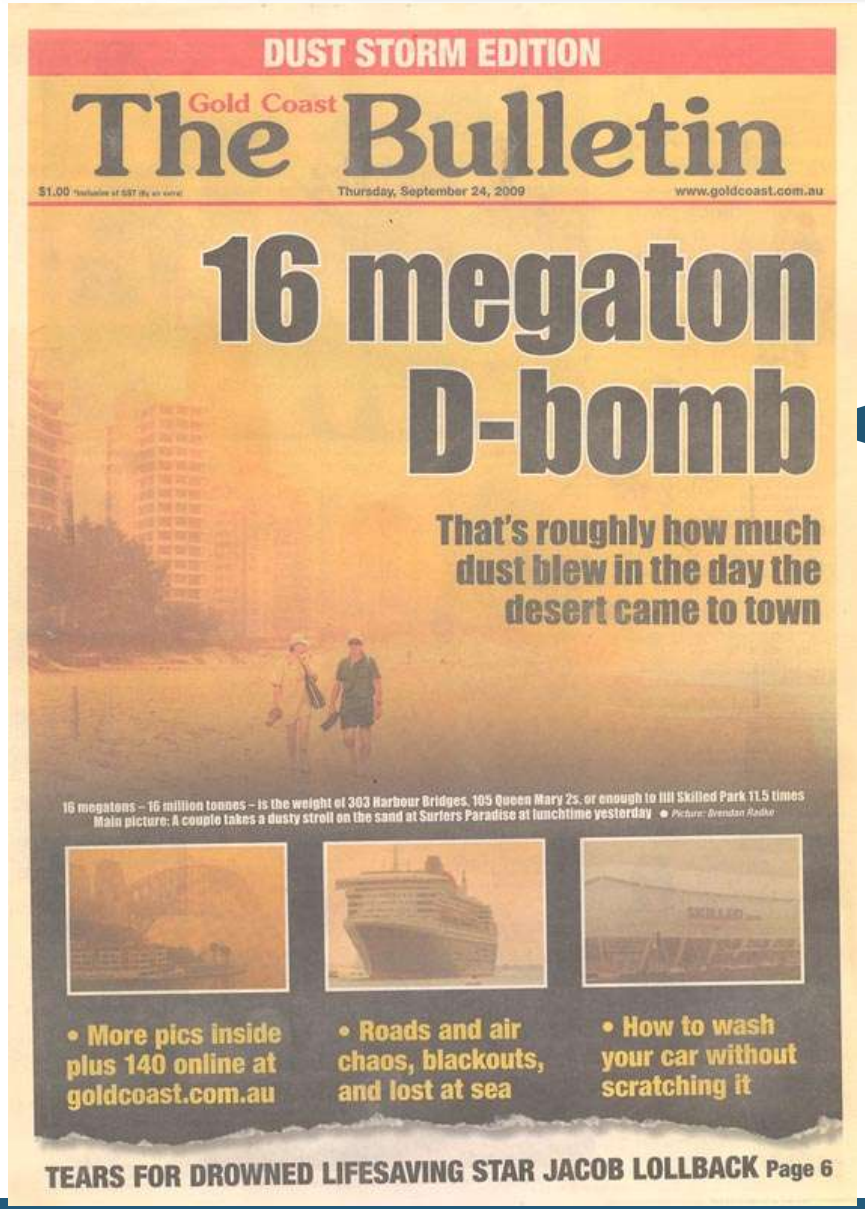
Number of Events: 820

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

Source: MR NatCat*SERVICE*

My One Trip to Australia: Disaster Strikes

INSURANCE INFORMATION INSTITUTE



DUST STORM EDITION

Gold Coast The Bulletin

$1.00 Thursday, September 24, 2009 www.goldcoast.com.au

16 megaton D-bomb

That's roughly how much dust blew in the day the desert came to town

16 megatons – 16 million tonnes – is the weight of 303 Harbour Bridges, 105 Queen Mary 2s, or enough to fill Skilled Park 11.5 times
Main picture: A couple takes a dusty stroll on the sand at Surfers Paradise at lunchtime yesterday • Picture: Brendan Radke

• More pics inside plus 140 online at goldcoast.com.au

• Roads and air chaos, blackouts, and lost at sea

• How to wash your car without scratching it

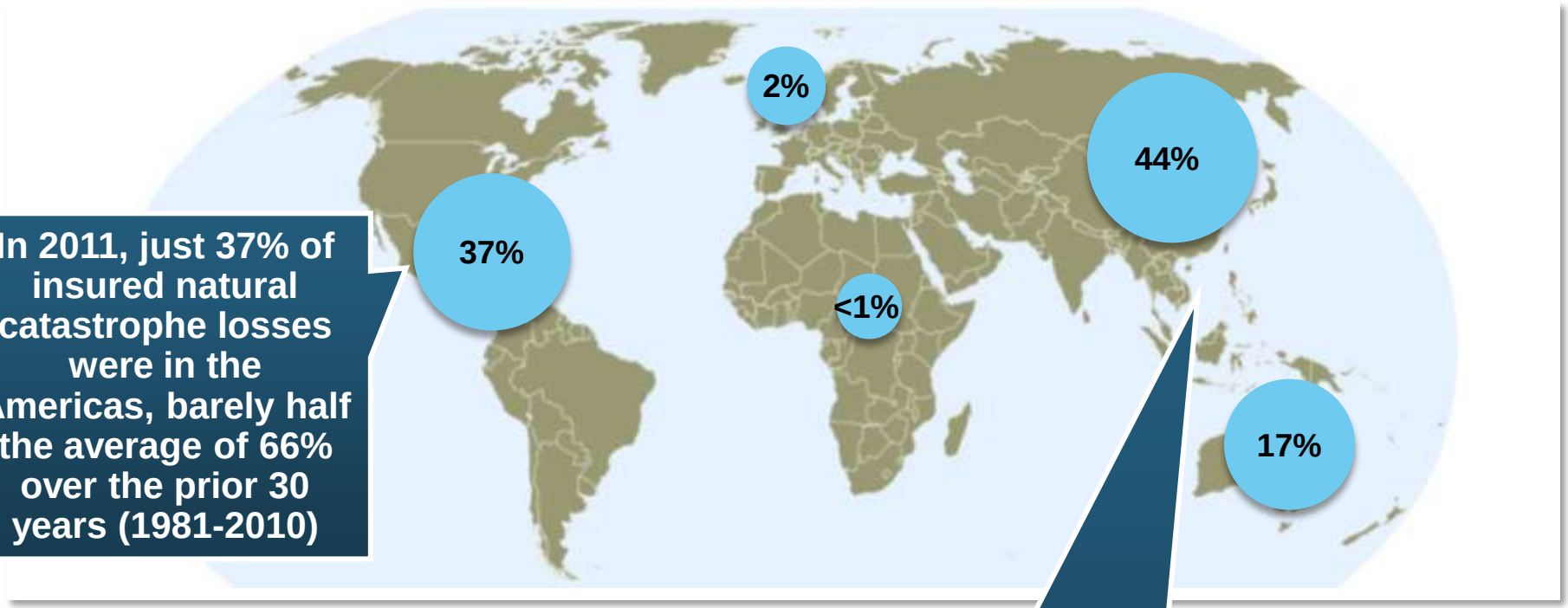
TEARS FOR DROWNED LIFESAVING STAR JACOB LOLLBACK Page 6

Huge dust storm blankets the Gold Coast in Sept. 2009

Natural Catastrophes Worldwide 2011

Insured losses US$ 105bn - Percentage distribution per continent

INSURANCE INFORMATION INSTITUTE



In 2011, just 37% of insured natural catastrophe losses were in the Americas, barely half the average of 66% over the prior 30 years (1981-2010)

Continent	Insured losses US$ m
America (North and South America)	40,000
Europe	2,000
Africa	Minor damages
Asia	45,000
Australia/Oceania	18,000

In 2011, 61% of insured natural catastrophe losses were in the Asia/Pacific region, nearly 3.5 times the average of 13% over the prior 30 years (1981-2010)

Source: MR NatCat*SERVICE*

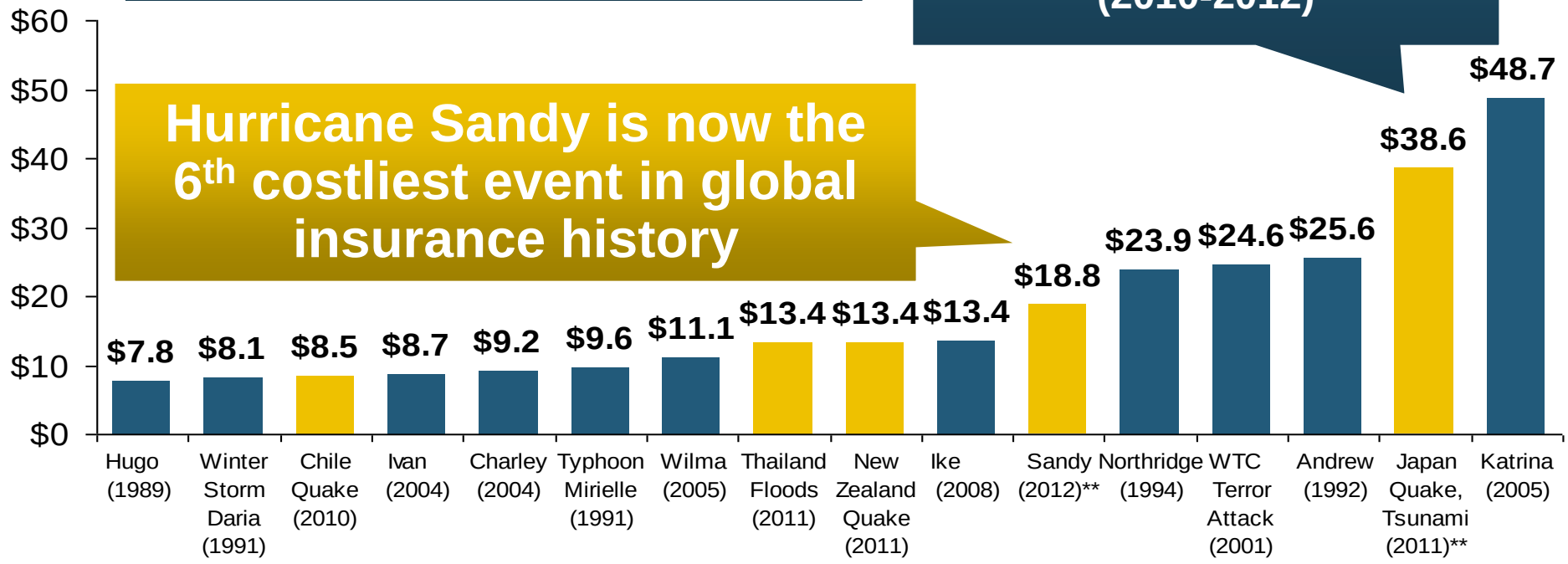
Top 16 Most Costly World Insurance Losses, 1970-2012*

(Insured Losses, 2012 Dollars, $ Billions)

2012 insured CAT Losses totaled $60B; Economic losses totaled $140B, according to Swiss Re

5 of the top 14 most expensive catastrophes in world history have occurred within the past 3 years (2010-2012)

Hurricane Sandy is now the 6th costliest event in global insurance history



*Figures do not include federally insured flood losses.

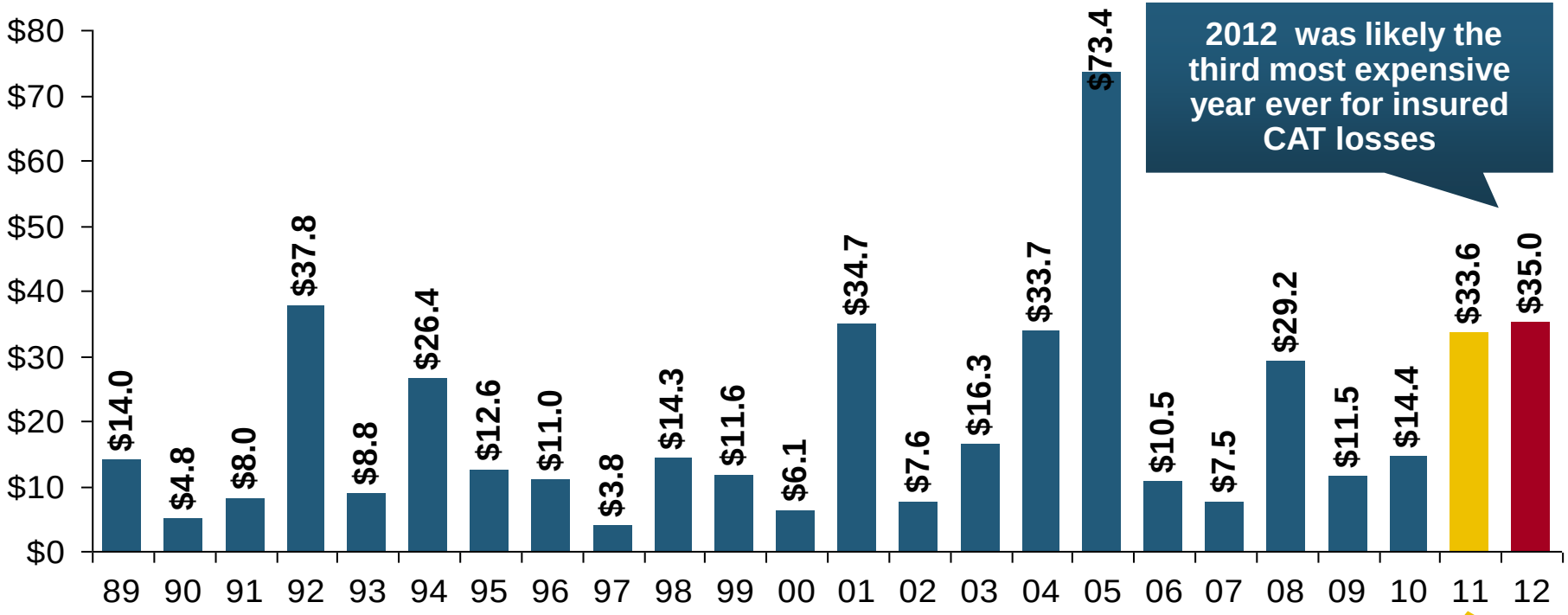
**Estimate based on PCS value of $18.75B as of 4/12/13.

Sources: Munich Re; Swiss Re; Insurance Information Institute research.

US Insured Catastrophe Losses

INSURANCE INFORMATION INSTITUTE

($ Billions, 2012 Dollars)



2012 was likely the third most expensive year ever for insured CAT losses

2012 Was the 3rd Highest Year on Record for Insured Losses in US History on An Inflation-Adjusted Basis. 2011 Losses Were the 6th Highest.

Record Tornado Losses Caused 2011 CAT Losses to Surge

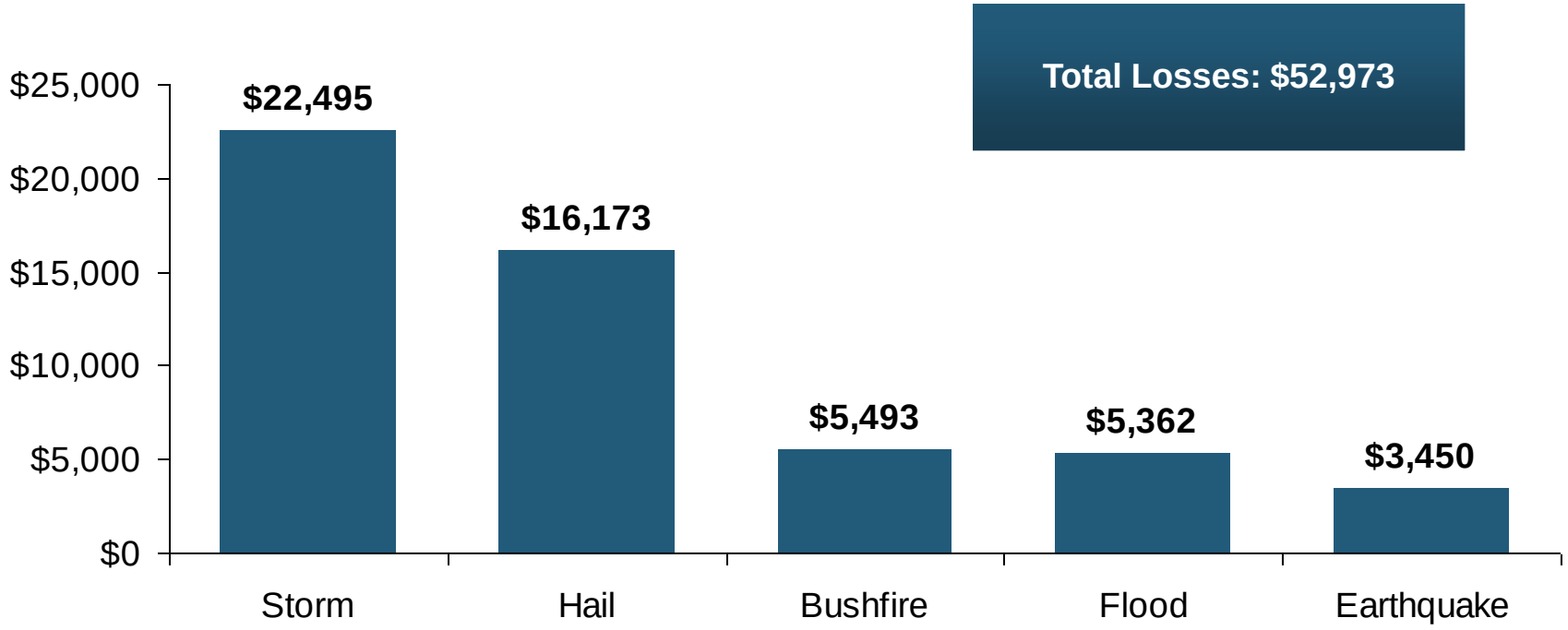
Note: 2001 figure includes $20.3B for 9/11 losses reported through 12/31/01 ($25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = $12.2B ($15.6B in 2011 dollars.)

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

Most Costly Natural Disasters in Australia by Type, 1967-2011

INSURANCE INFORMATION INSTITUTE

$ AUD millions



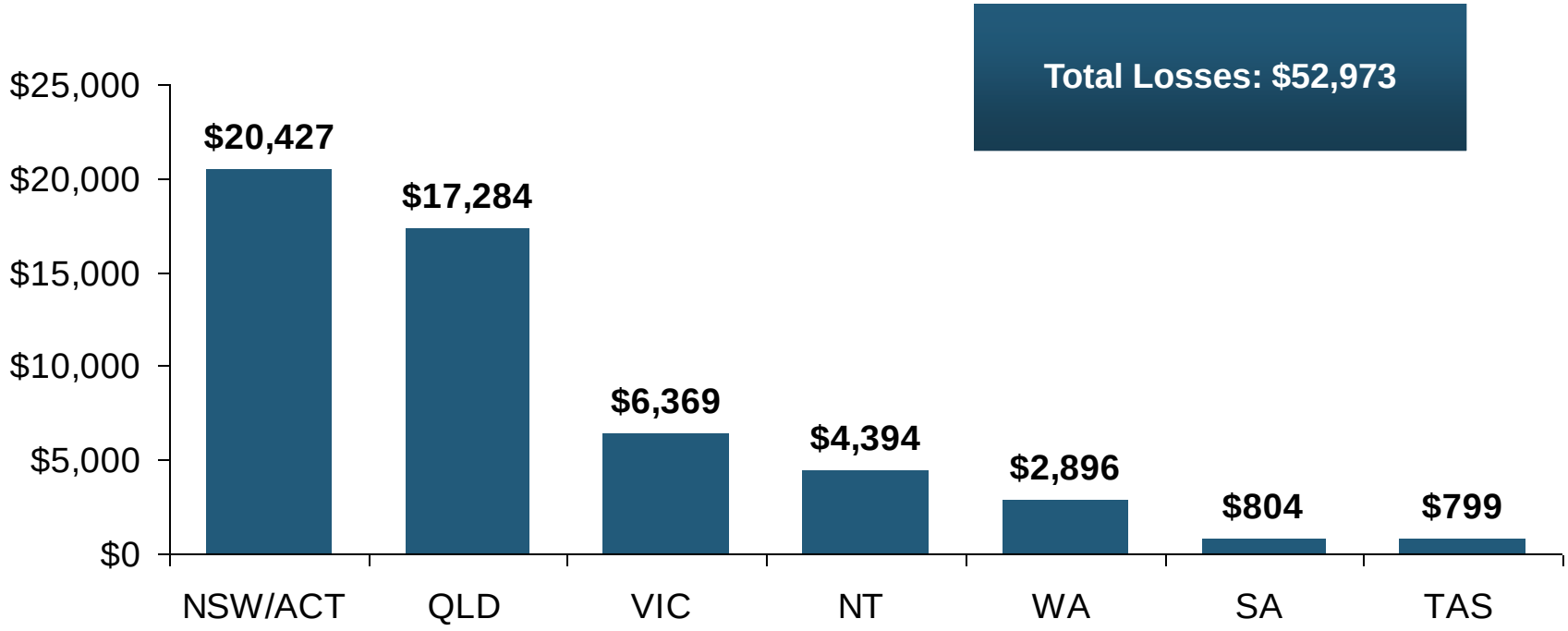
Note: Expressed in December 2011 Australian dollars.

Source: AXCO.

Insured Losses From Natural Disasters in Australia by State, 1967-2011

INSURANCE INFORMATION INSTITUTE

$ AUD millions



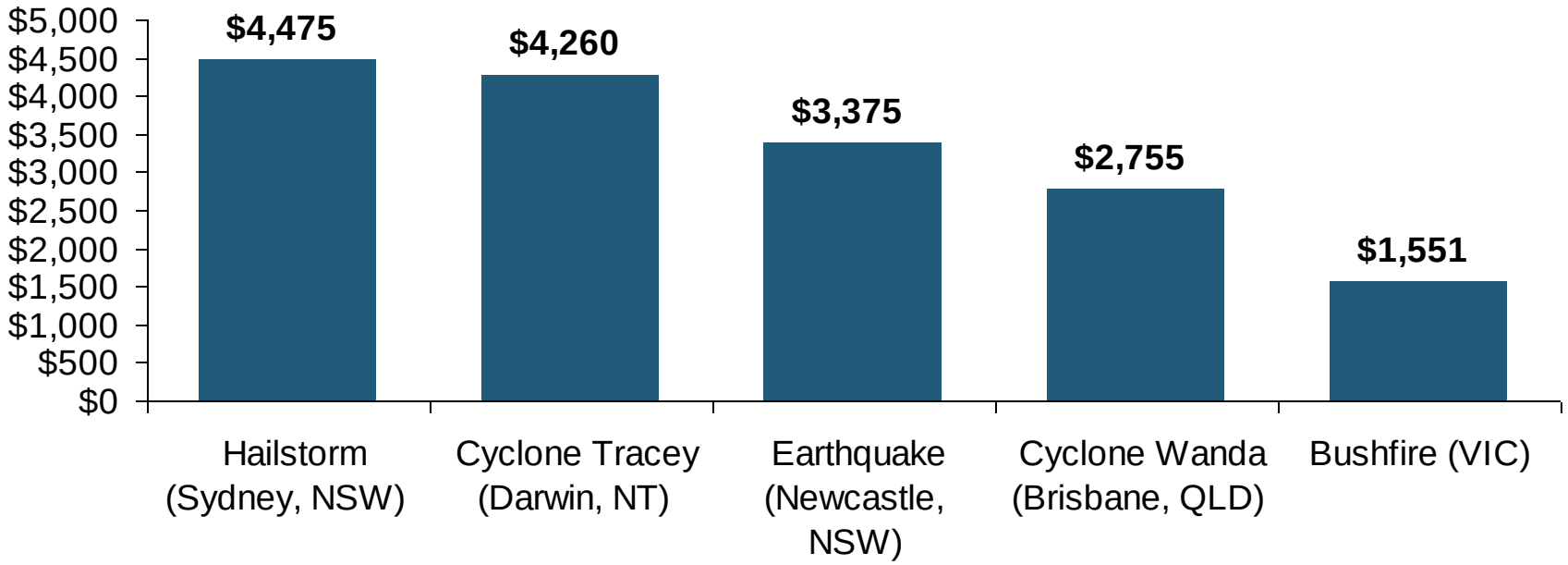
Note: Expressed in December 2011 Australian dollars.

Source: AXCO.

Top Five Natural Disasters in Australia by Insured Losses, 1967-2011

INSURANCE INFORMATION INSTITUTE

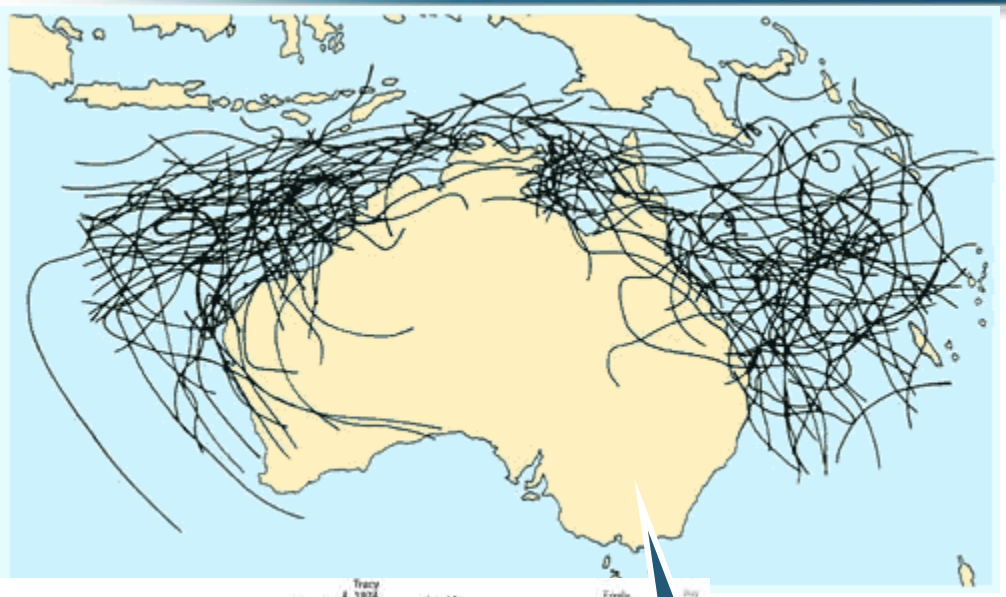
$ USD millions

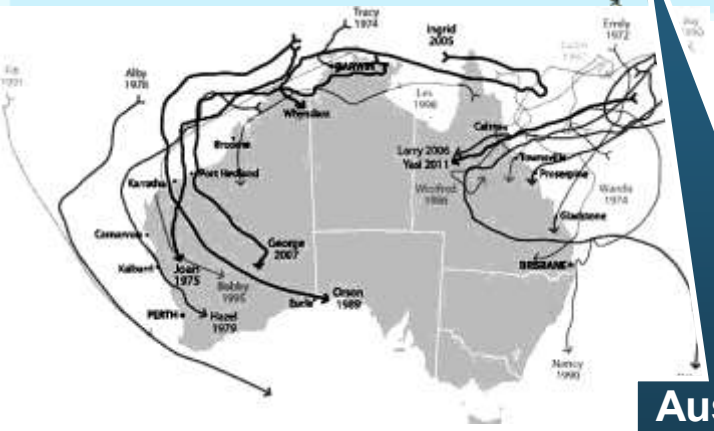


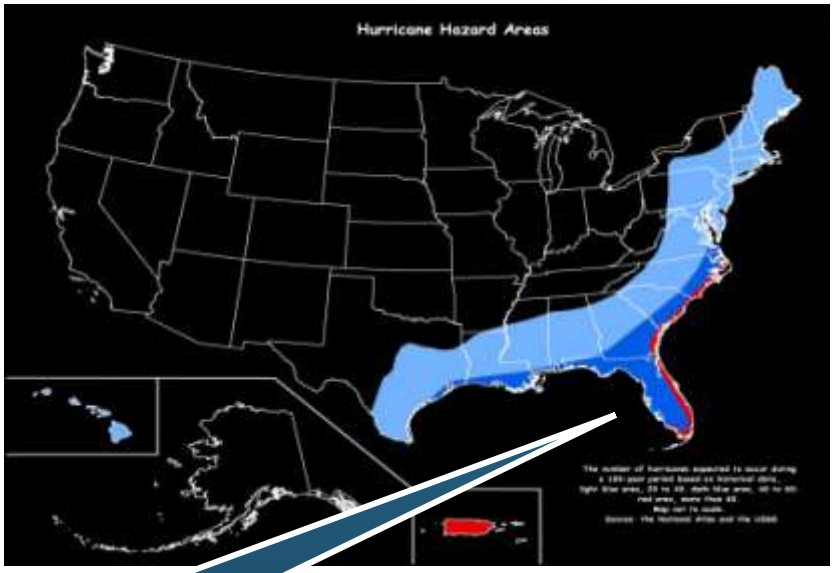
Note: Expressed in December 2011 U.S. dollars.

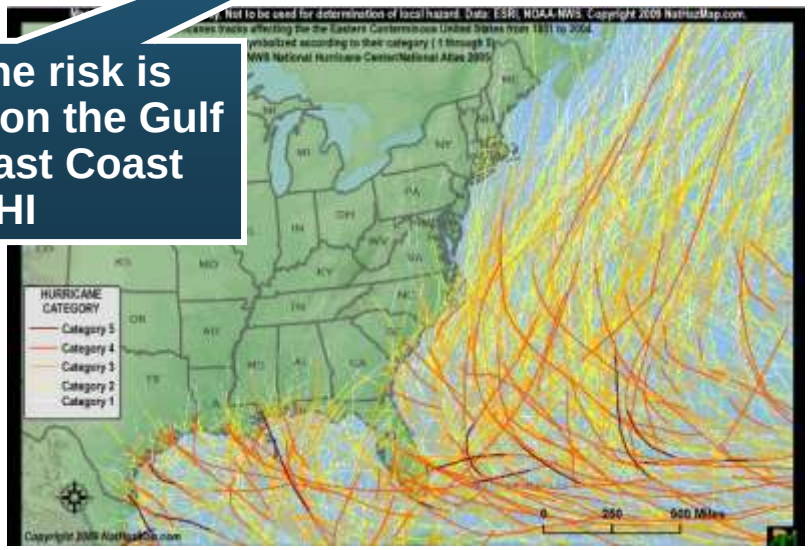
Source: AXCO.

Tropical Cyclone Risk in Australia: A Shared Risk with the US









US hurricane risk is concentrated on the Gulf and Southeast Coast and HI

Australia's tropical cyclones often follow erratic paths

Source: The Weather Doctor http://www.islandnet.com/~see/weather/almanac/arc2013/alm13mar.htm; Red Cross,Ins. Info. Inst.

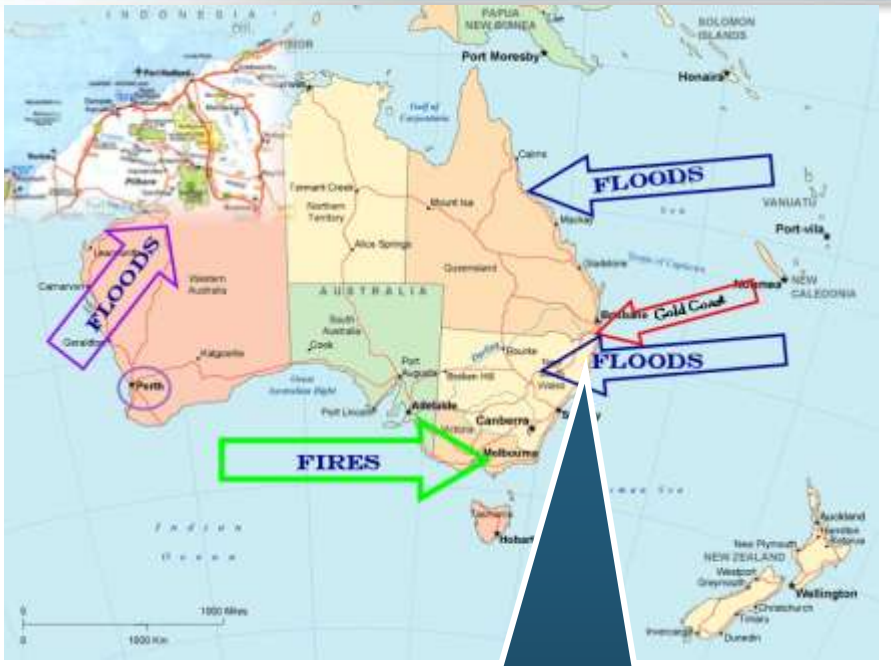
Outlook for 2013 Hurricane Season: 75% Worse Than Average

Forecast Parameter	Median (1981-2010)	2013F
Named Storms	12.0	18
Named Storm Days	60.1	95
Hurricanes	6.5	9
Hurricane Days	21.3	40
Major Hurricanes	2.0	4
Major Hurricane Days	3.9	9
Accumulated Cyclone Energy	92.0	165
Net Tropical Cyclone Activity	103%	**175%**

Source: Philip Klotzbach and Dr. William Gray, Colorado State University, April 10, 2013, accessed at http://tropical.atmos.colostate.edu/forecasts/2013/apr2013/apr2013.pdf ; Insurance Information Institute..

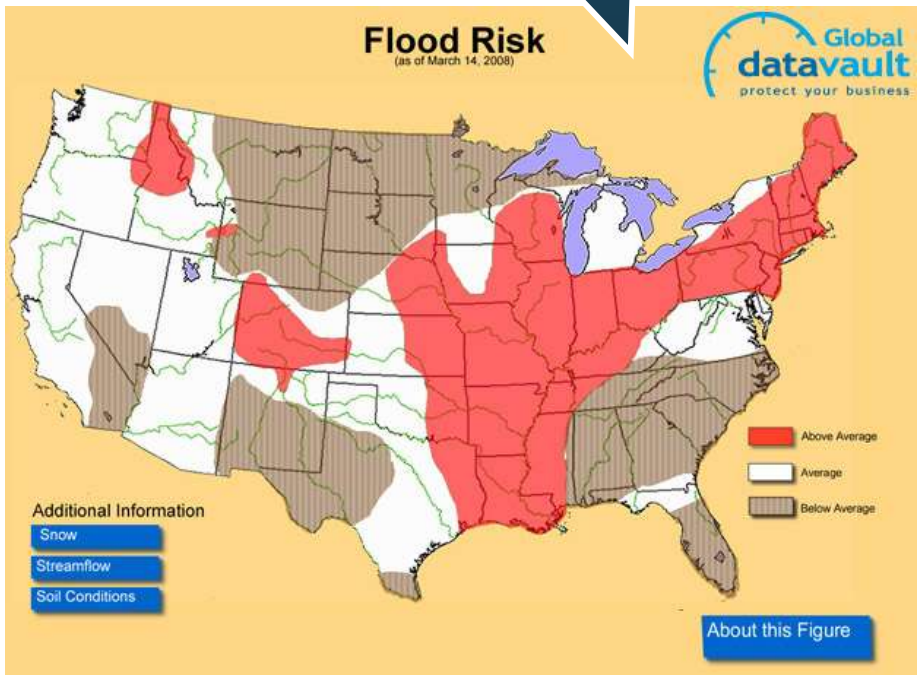
Flood Risk in Australia: Another Shared Risk with the US

INSURANCE INFORMATION INSTITUTE



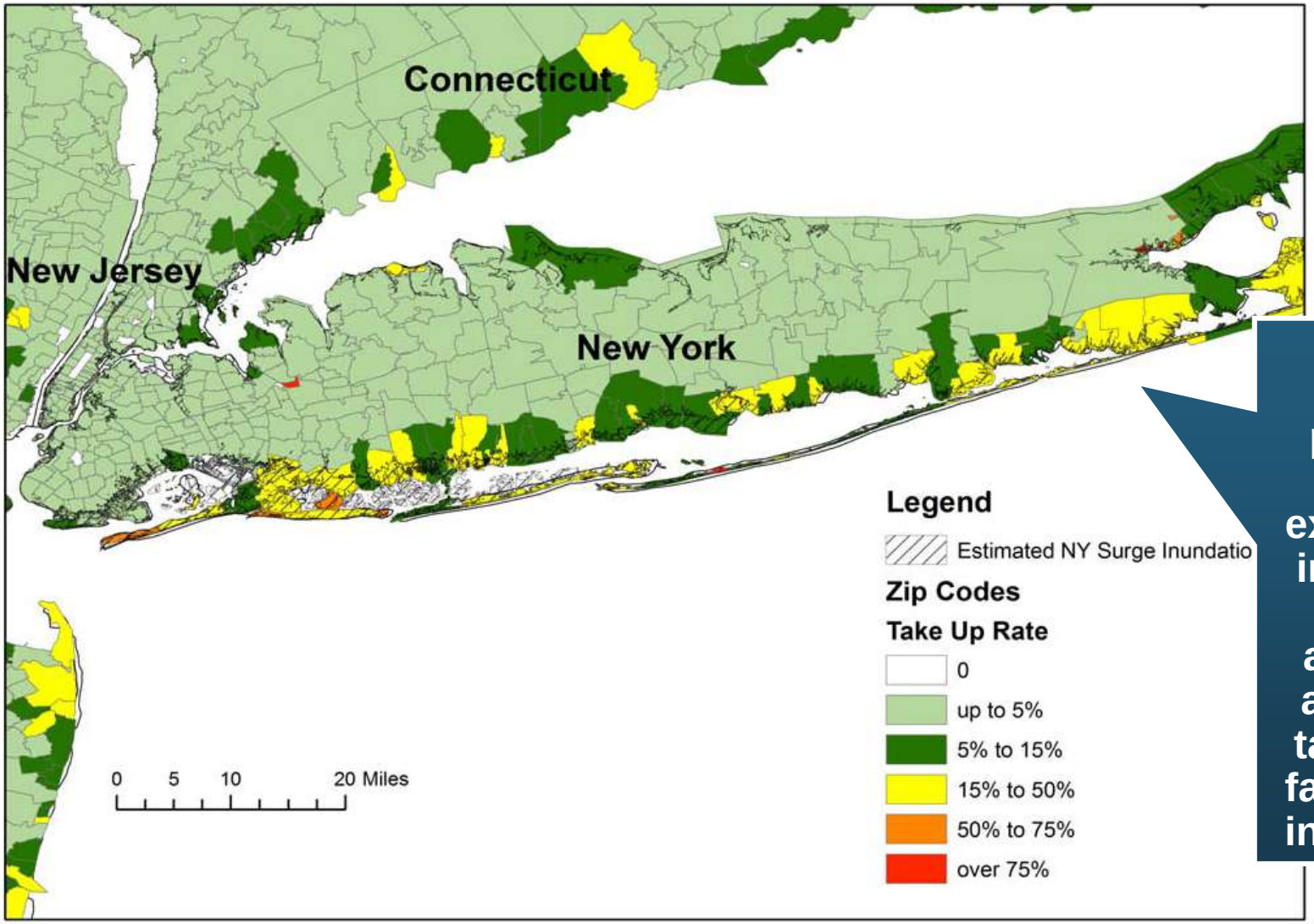
Australia has been hot by severe floods in recent years in areas such as the Gold Coast

US flooding is most commonly associated with rivers, though coastal inundation from tropical events is not uncommon



Source: Insurance Information Institute research.

Residential NFIP Flood Take-Up Rates in NY, CT (2010) & Sandy Storm Surge

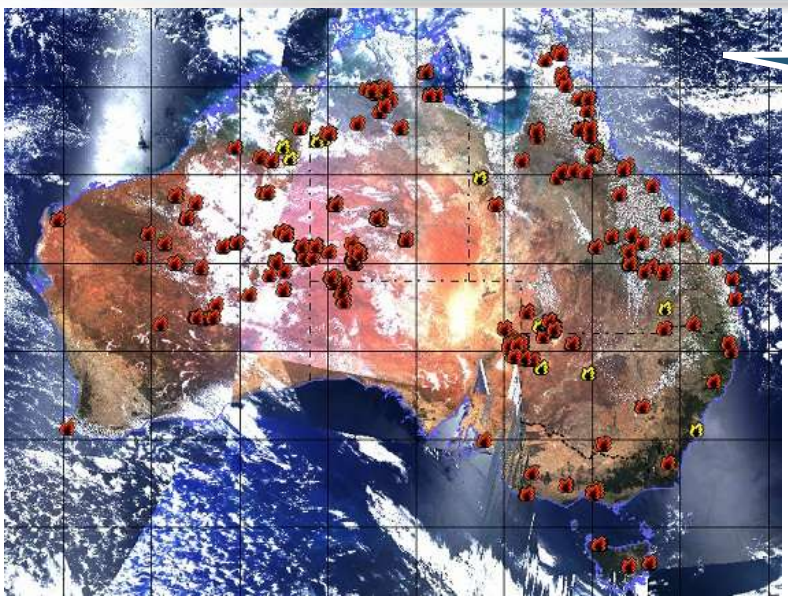


Flood coverage penetration rates were extremely low in many very vulnerable areas of NY and CT, with take-up rates far below 50% in many areas

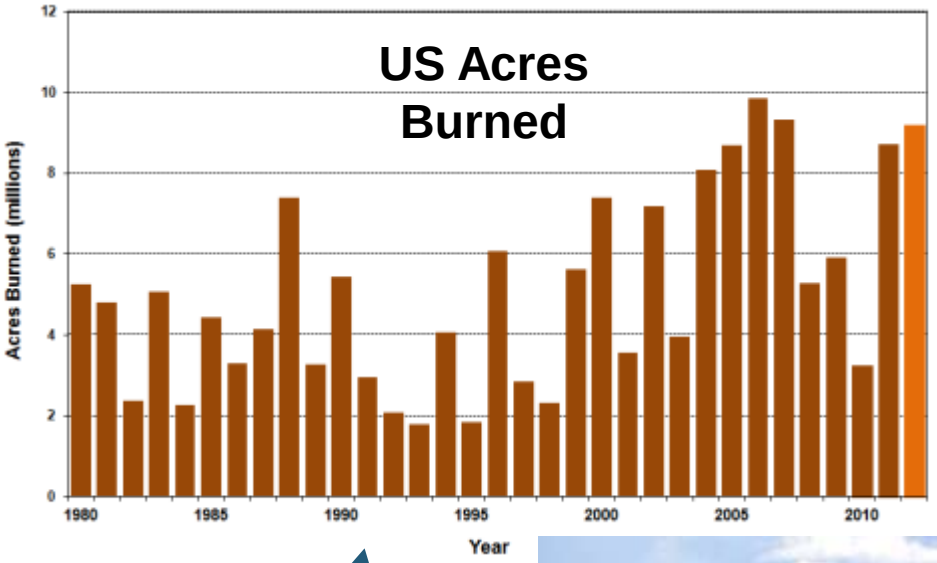
Source: Wharton Center for Risk Management and Decision Processes, *Issue Brief,* Nov. 2012; Insurance Information Institute.

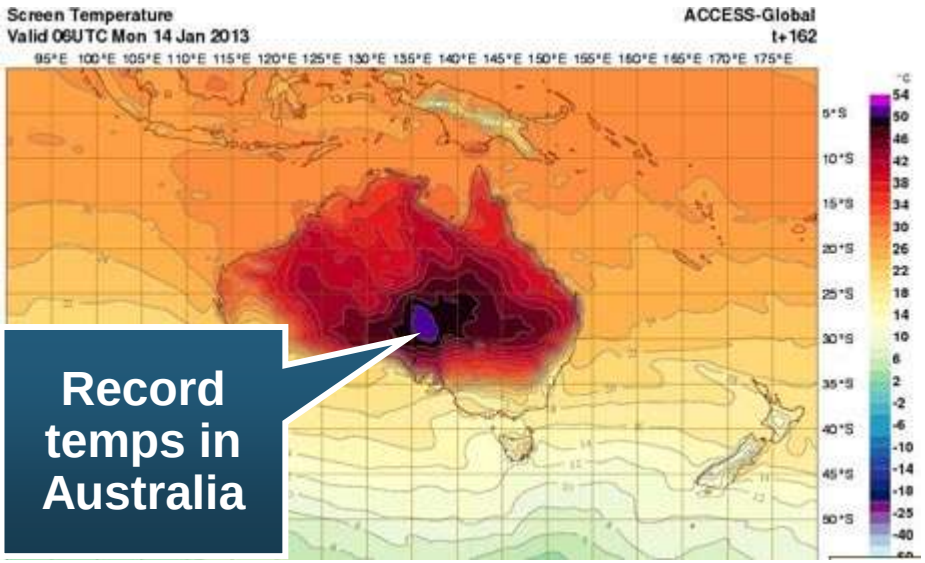
Wildfire Risk: Australia and America—Heating Up & Drying Out?

INSURANCE INFORMATION INSTITUTE



Australia has been hit by drought, extreme temperatures and wildfires





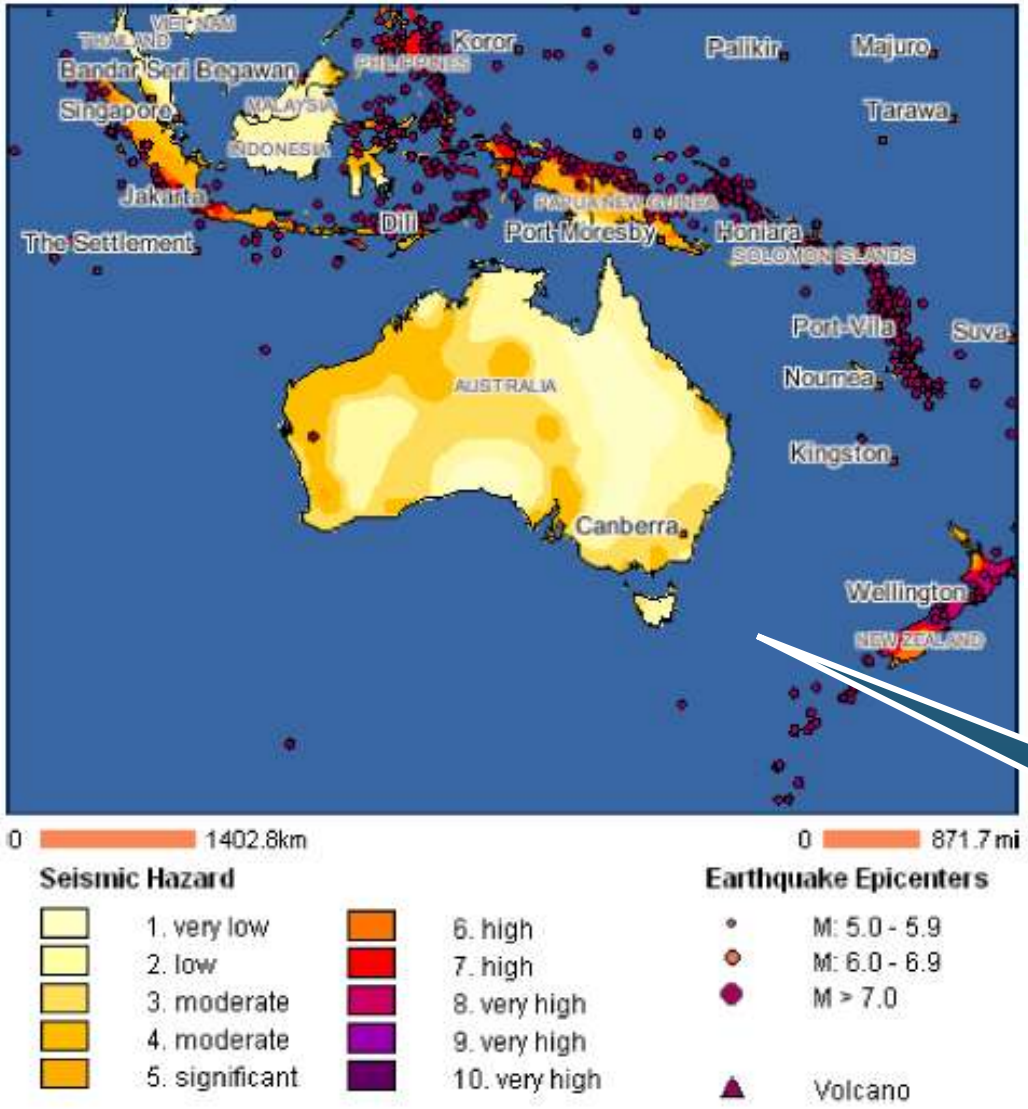
Record temps in Australia

Acres burned remain high in the US

Source: Insurance Information Institute research.

Earthquake Risk in Australia: Living in a Dangerous Neighborhood

INSURANCE INFORMATION INSTITUTE



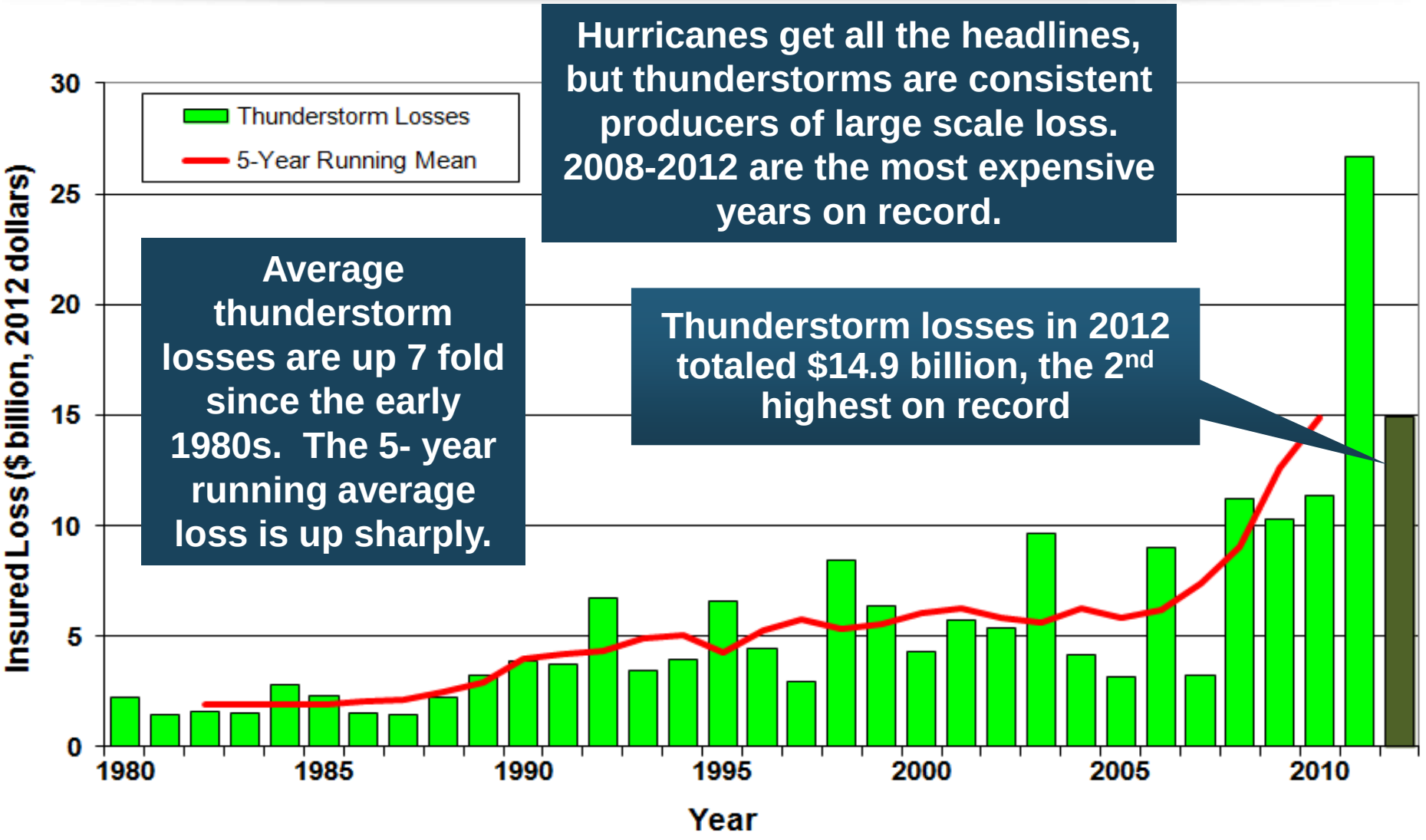
US earthquake risk is concentrated on the West Coast and AK, HI

Australia's earthquake risk is modest, especially relative to NZ and points north and east

Source: Axco from Swiss Re; US Geological Survey; Insurance Information Institute.

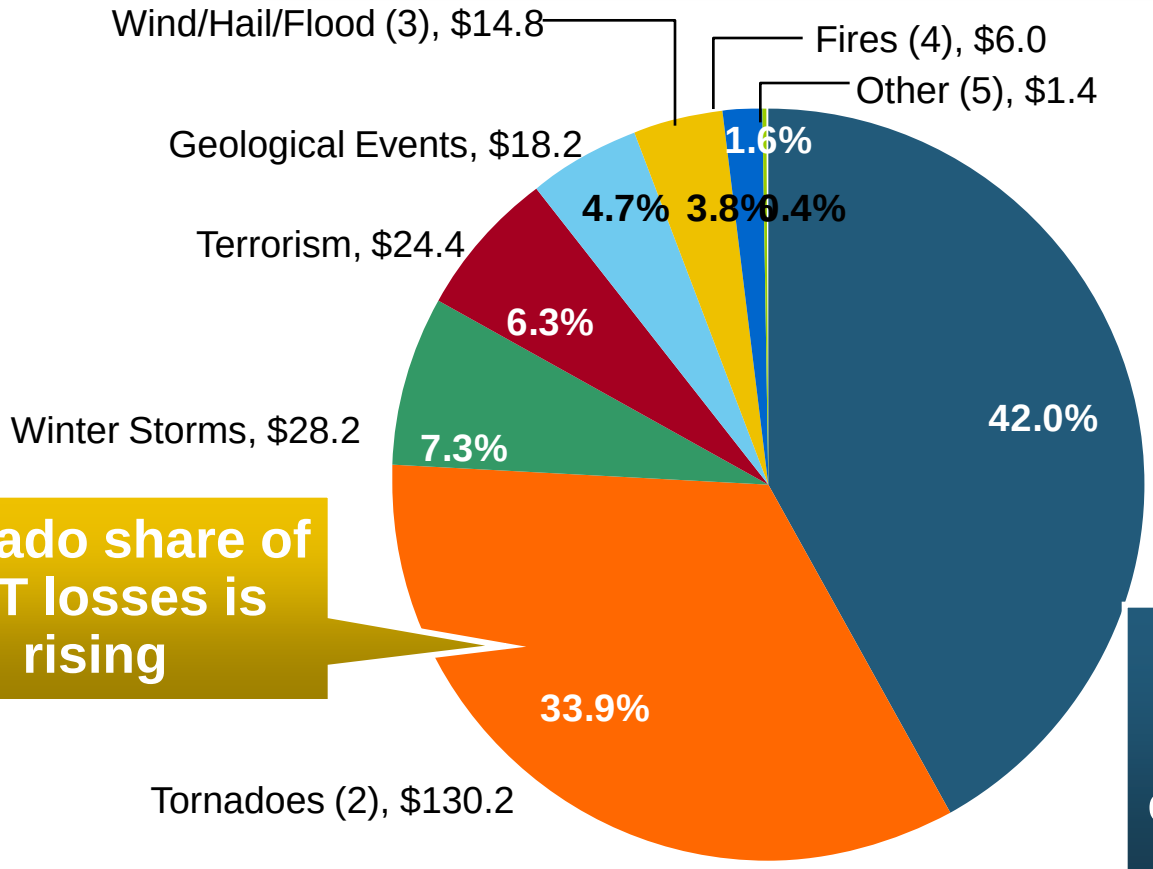
U.S. Thunderstorm Loss Trends, 1980 – 2012

INSURANCE INFORMATION INSTITUTE



Source: Property Claims Service, MR NatCat*SERVICE*

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1992–2011[1]



Insured cat losses from 1992-2011 totaled $384.3B, an average of $19.2B per year or $1.6B per month

Tornado share of CAT losses is rising

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

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

Source: ISO's Property Claim Services Unit.

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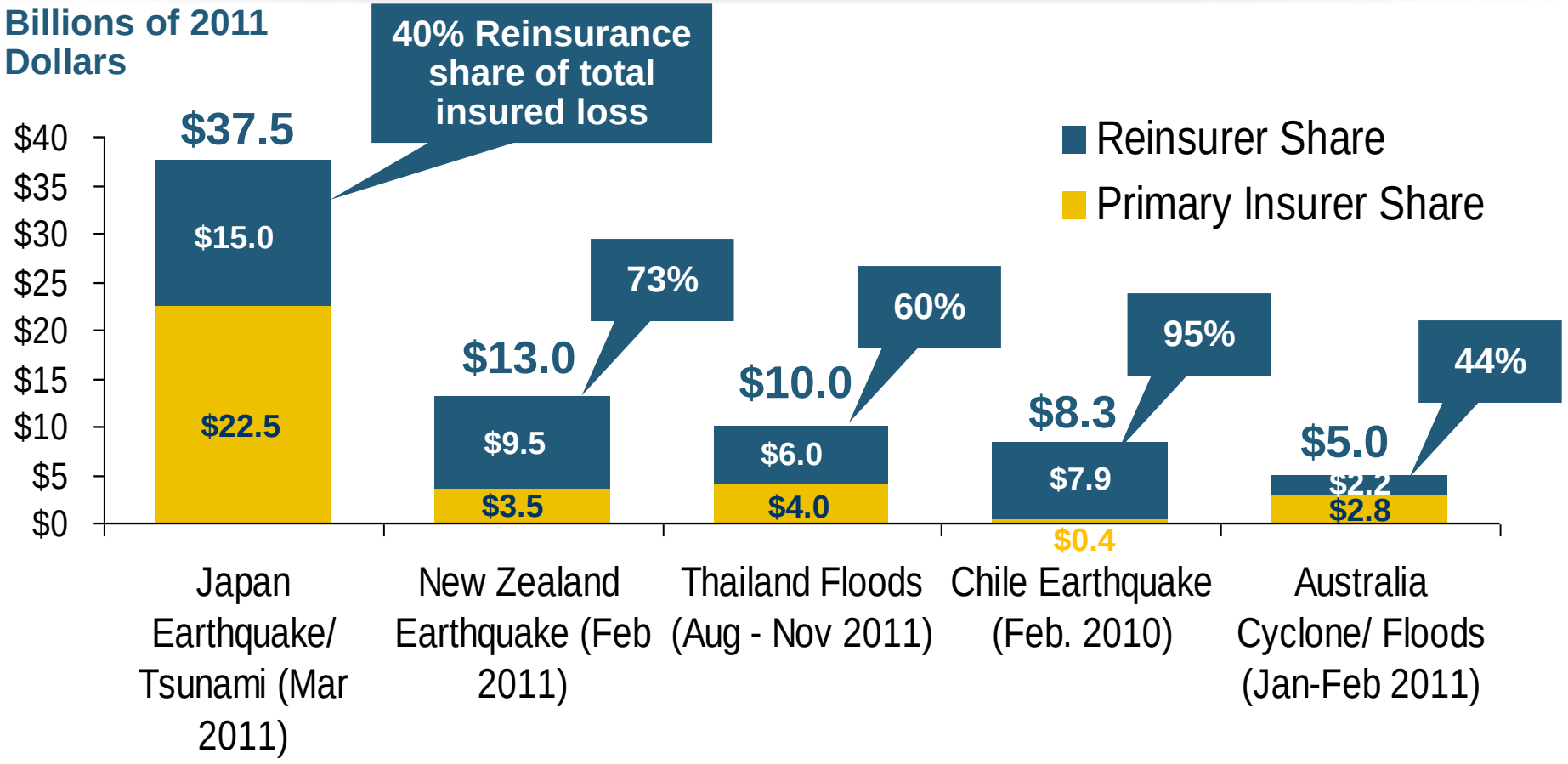
GLOBAL REINSURANCE MARKET IMPACTS

Global Reinsurance Markets Proved Resilient Despite Record Catastrophe Losses Worldwide

Reinsurer Share of Recent Significant Market Losses



Reinsurers Paid a High Proportion of Insured Losses Arising from Major Catastrophic Events Around the World in Recent Years

Source: Insurance Information Institute from reinsurance share percentages provided in RAA, ABIR and CEA press release, Jan. 13, 2011.

Technological Risks: Vulnerability and Susceptibility Vary Across the Globe

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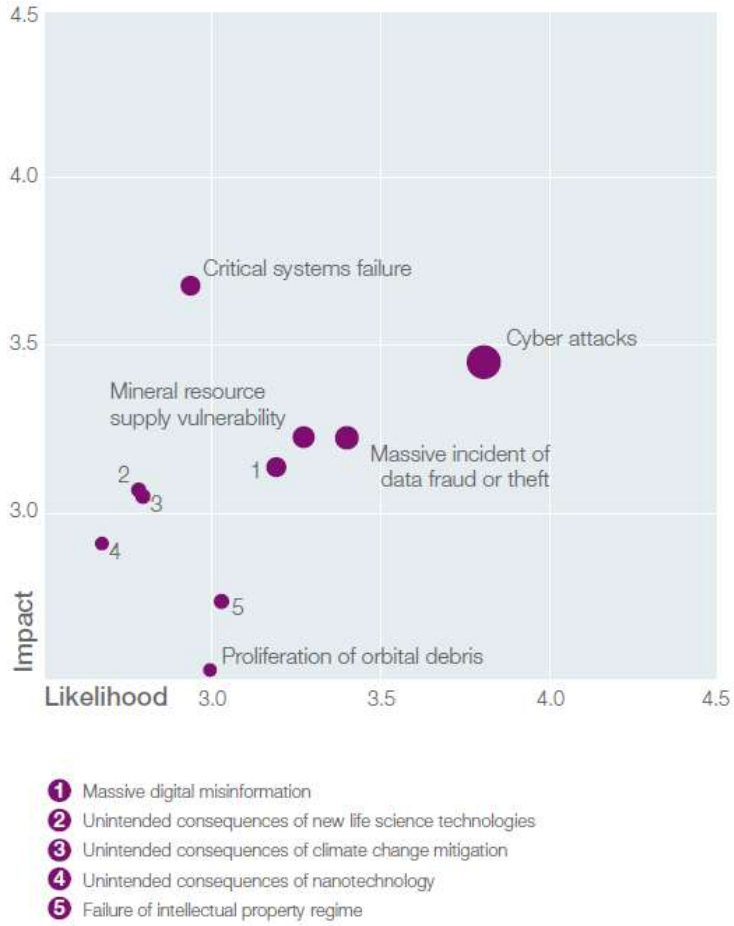
- **Technological Risks**
  - Cyber attacks
  - Massive data fraud/theft
  - Mineral resource supply vulnerability
  - Massive digital misinformation
  - Unintended consequences of new life sciences technologies
  - Unintended consequences of climate change mitigation
  - Unintended consequences of nanotechnology

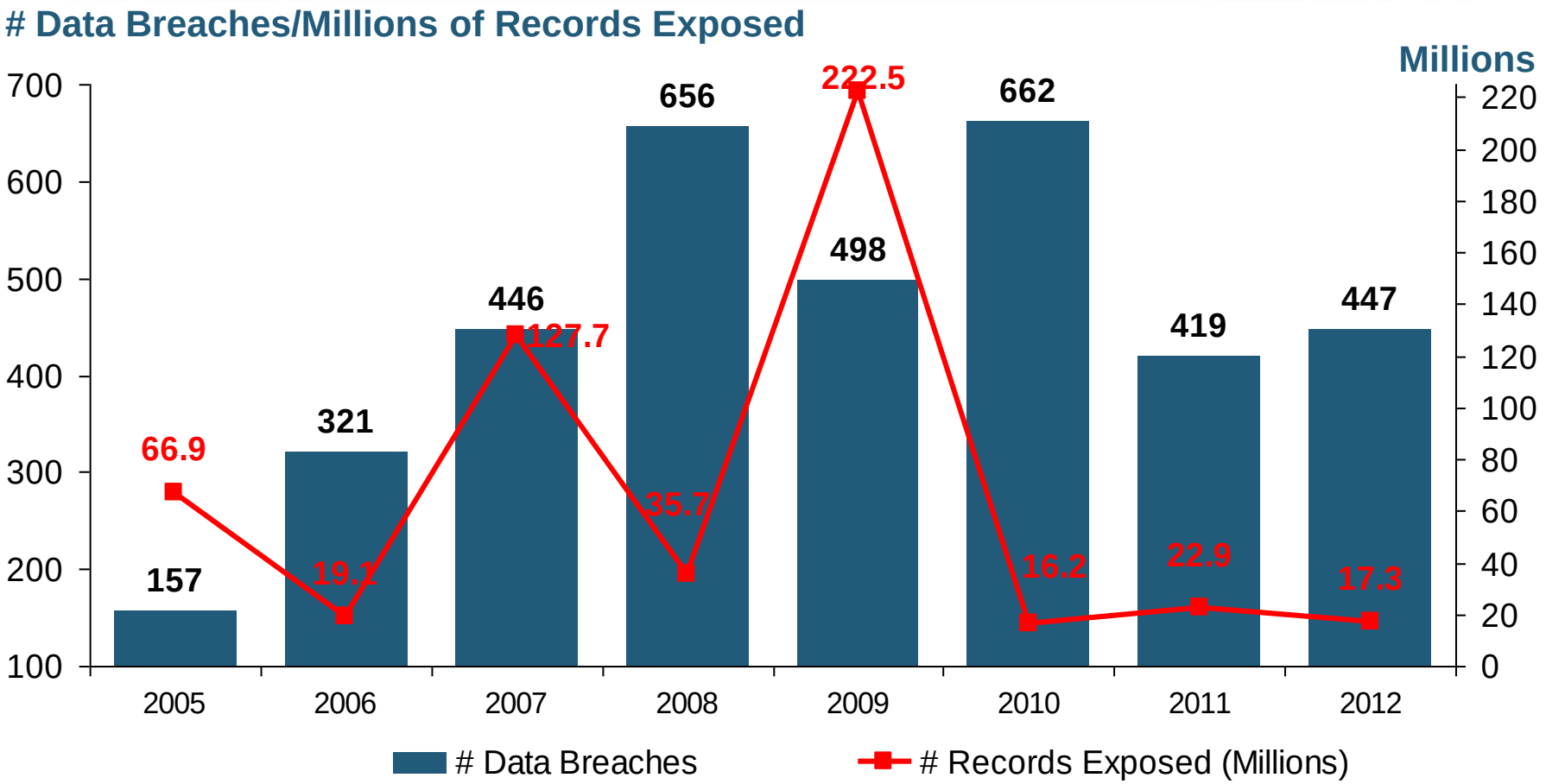
Technological Risk Landscape



Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

U.S. Data Breaches 2005-2013, By Number of Breaches and Records Exposed

INSURANCE INFORMATION INSTITUTE



The total number of data breaches and number of records exposed fluctuates from year to year and over time.

* 2013 figures as of March 19, 2013.
Source: Identity Theft Resource Center

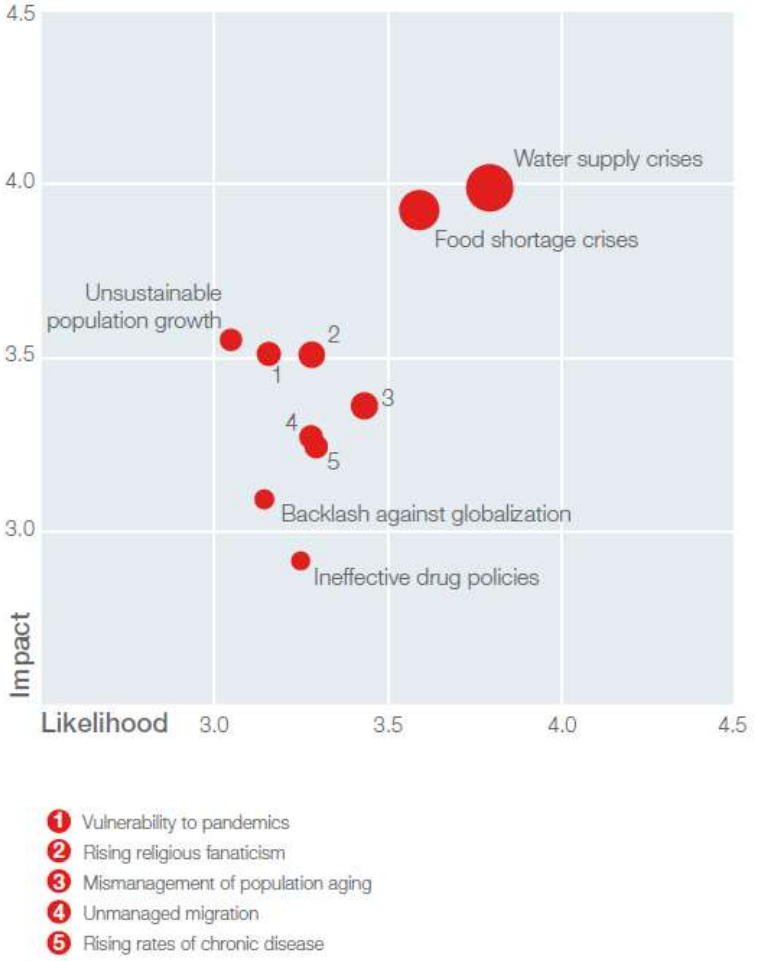
Societal Risks: Vulnerability and Susceptibility Vary Across the Globe

INSURANCE INFORMATION INSTITUTE

Societal Risks

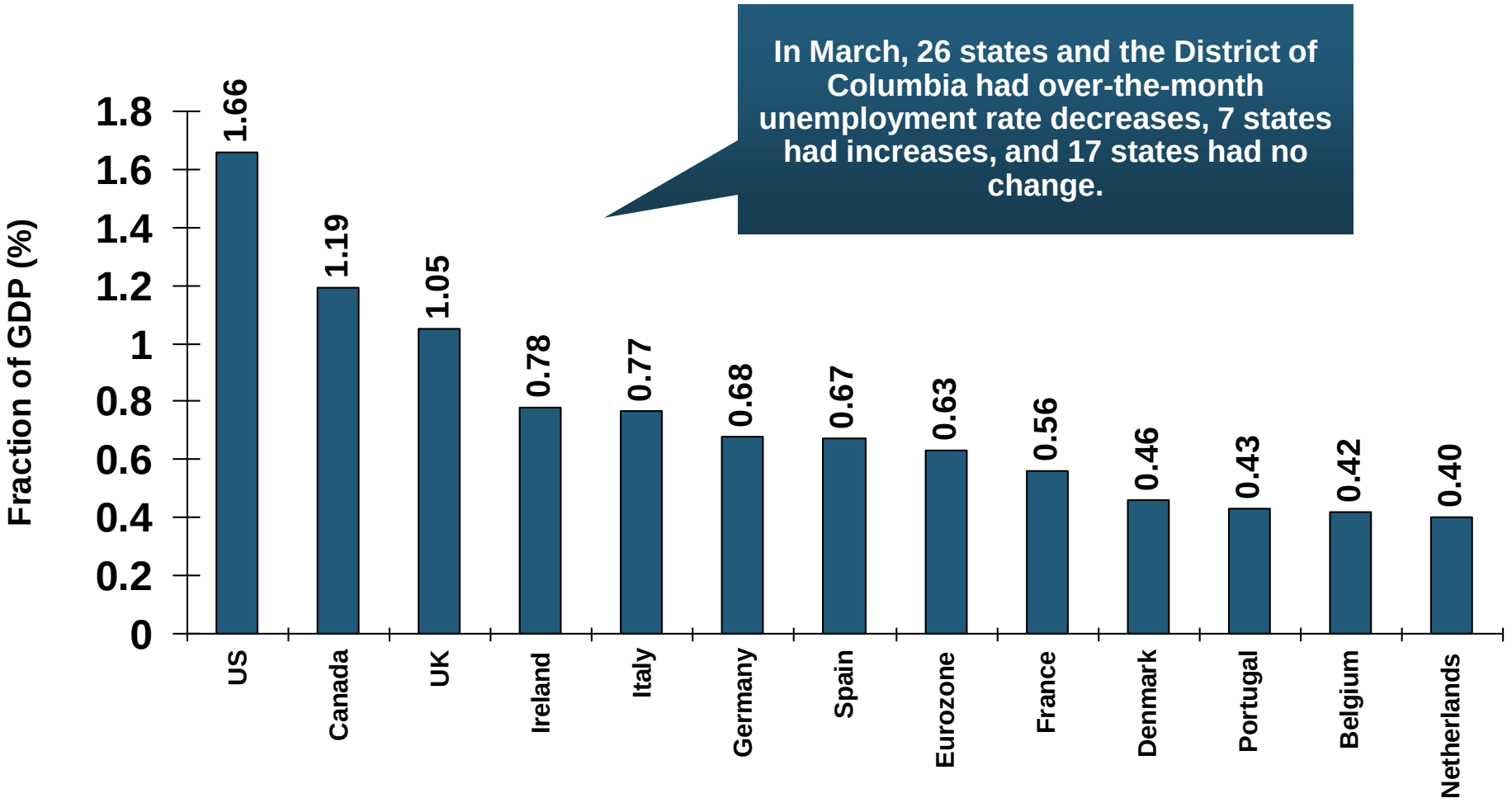
- Water supply crisis
- Food shortage crisis
- Rising religious fanaticism
- Vulnerability to pandemics
- Unmanaged migration
- Mismanagement of population aging
- Unsustainable population growth
- Backlash against globalization
- Ineffective drug policies

Societal Risk Landscape



Source: World Economic Forum, *Global Risks 2012*; Insurance Information Institute.

Liability Costs as a Fraction of GDP, 2011*



*Provisional figures for March 2013, seasonally adjusted.

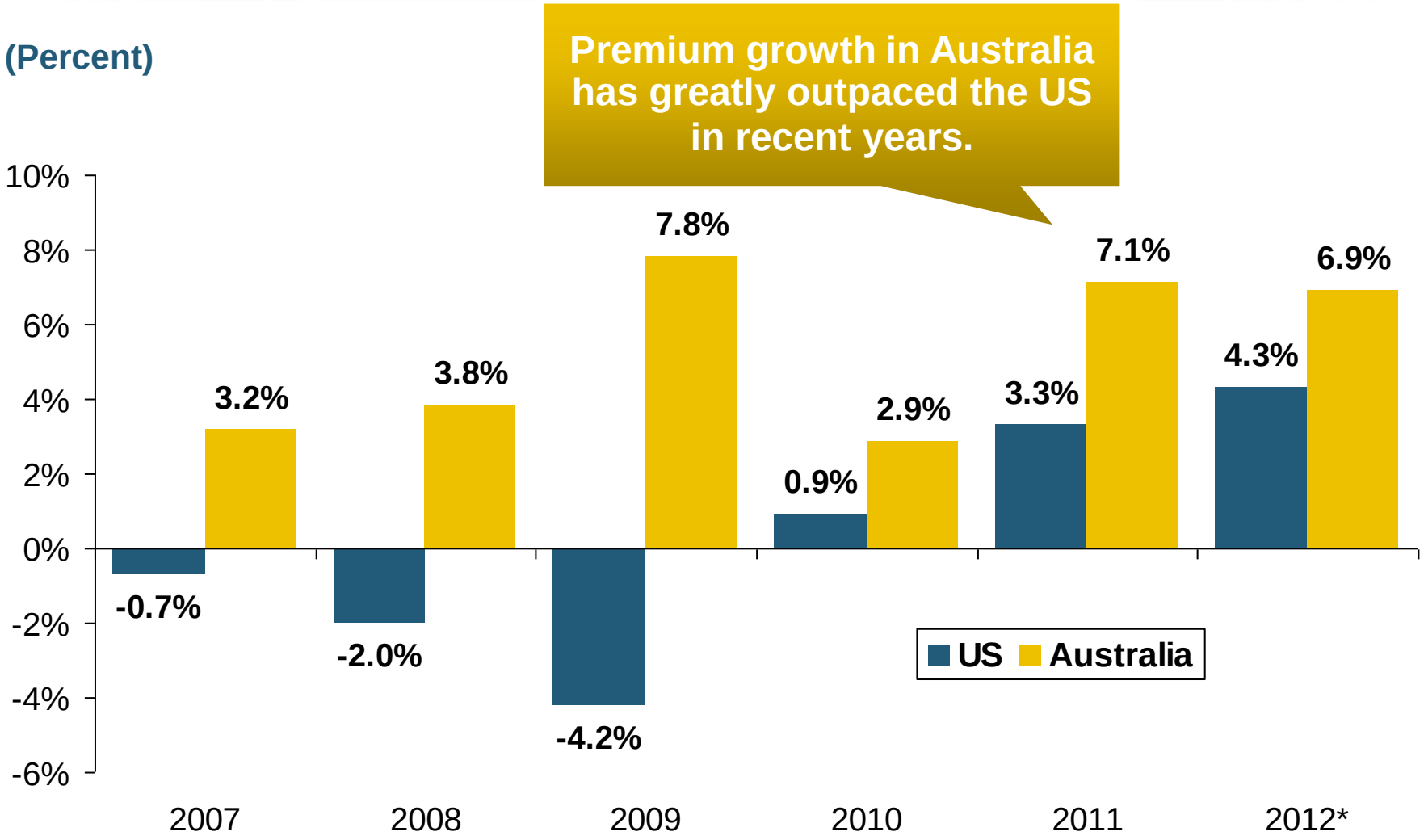
Sources: US Chamber of Commerce; Insurance Information Institute.

INSURANCE INFORMATION INSTITUTE

THE NEVER ENDING QUEST FOR GROWTH AND PERFORMANCE

Insurers, Brokers Around the World Share Many Concerns

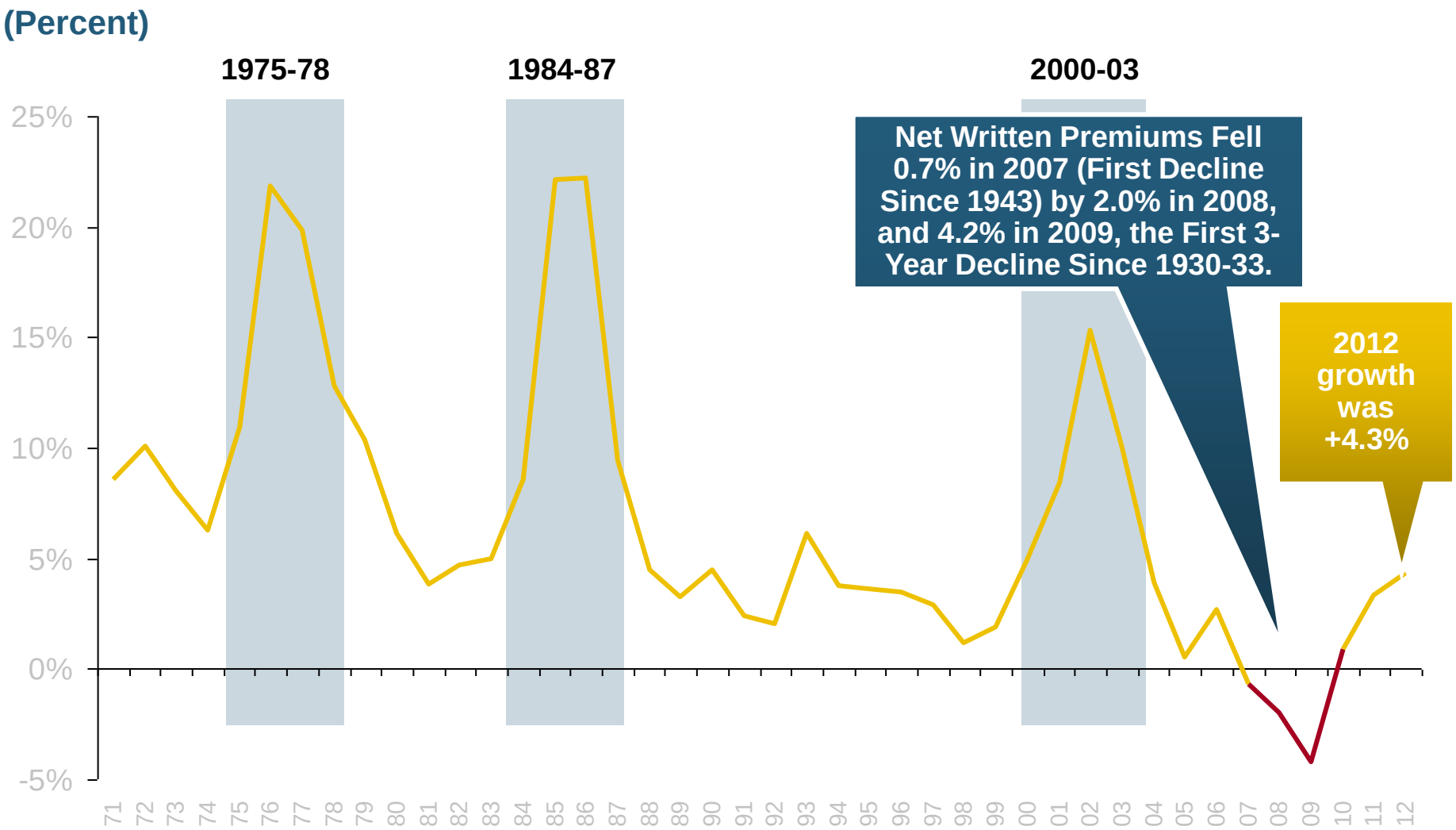
Growth: Always a Challenge— U.S. More So in Recent Years



*2012 figure for Australia is through Q2 only.

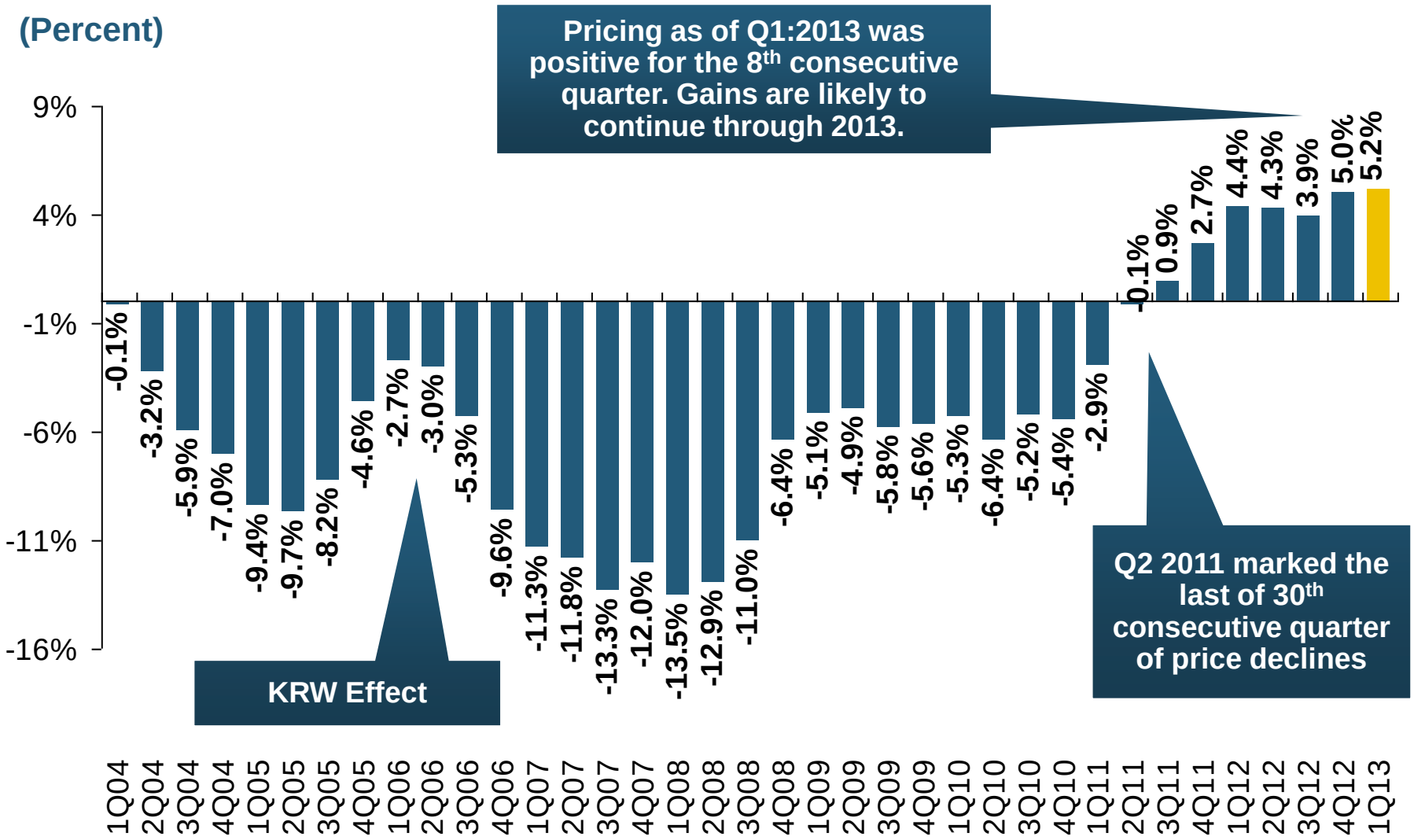
Source: A.M. Best (U.S.); Australian Prudential Regulatory Authority; Insurance Information Institute.

Net Premium Growth: Annual Change, 1971—2012



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

Average Commercial Rate Change, All Lines, (1Q:2004–1Q:2013)

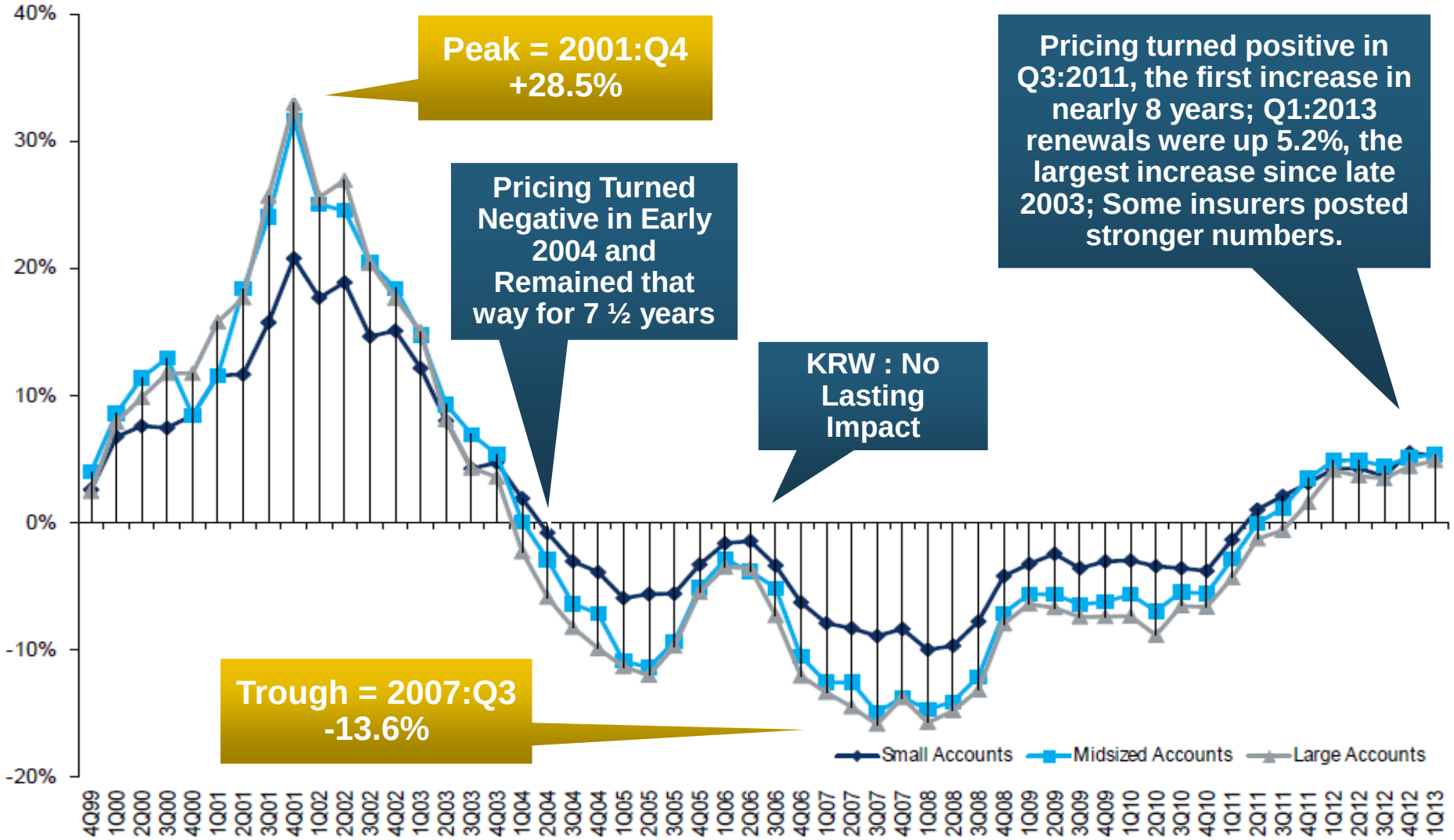


Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Insurance Information Institute

Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2013:Q1

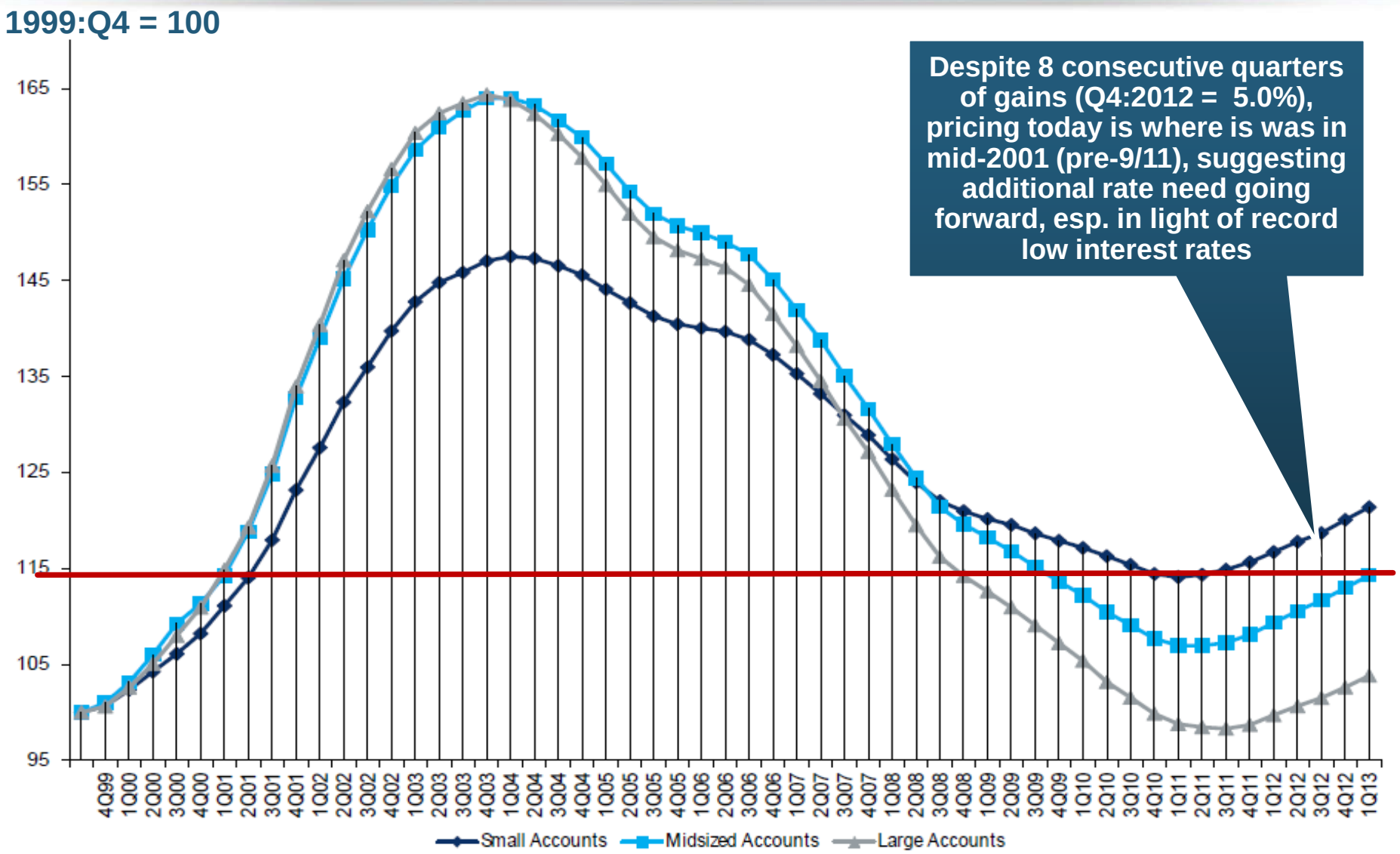
INSURANCE INFORMATION INSTITUTE

Percentage Change (%)



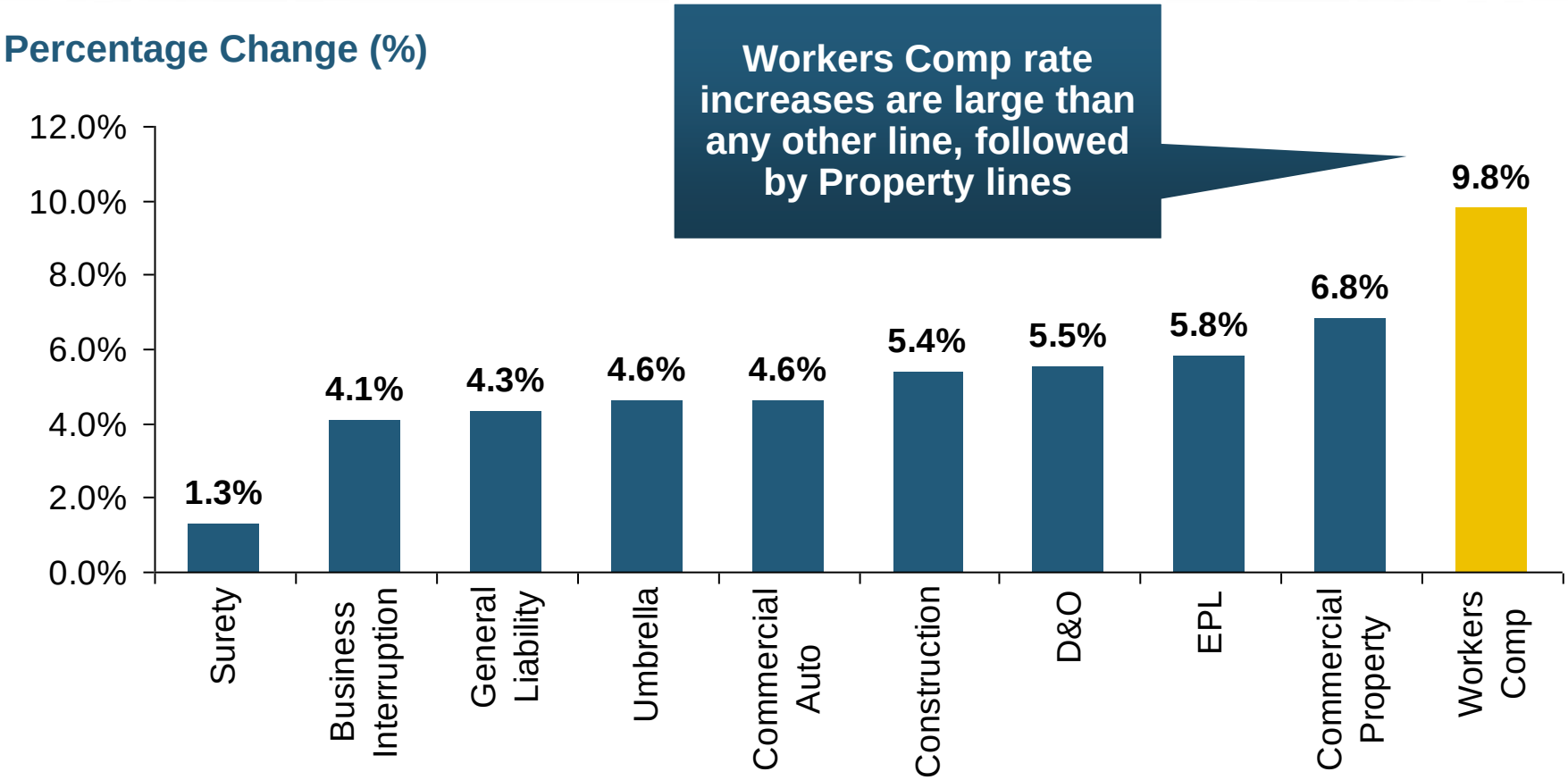
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2013:Q1



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

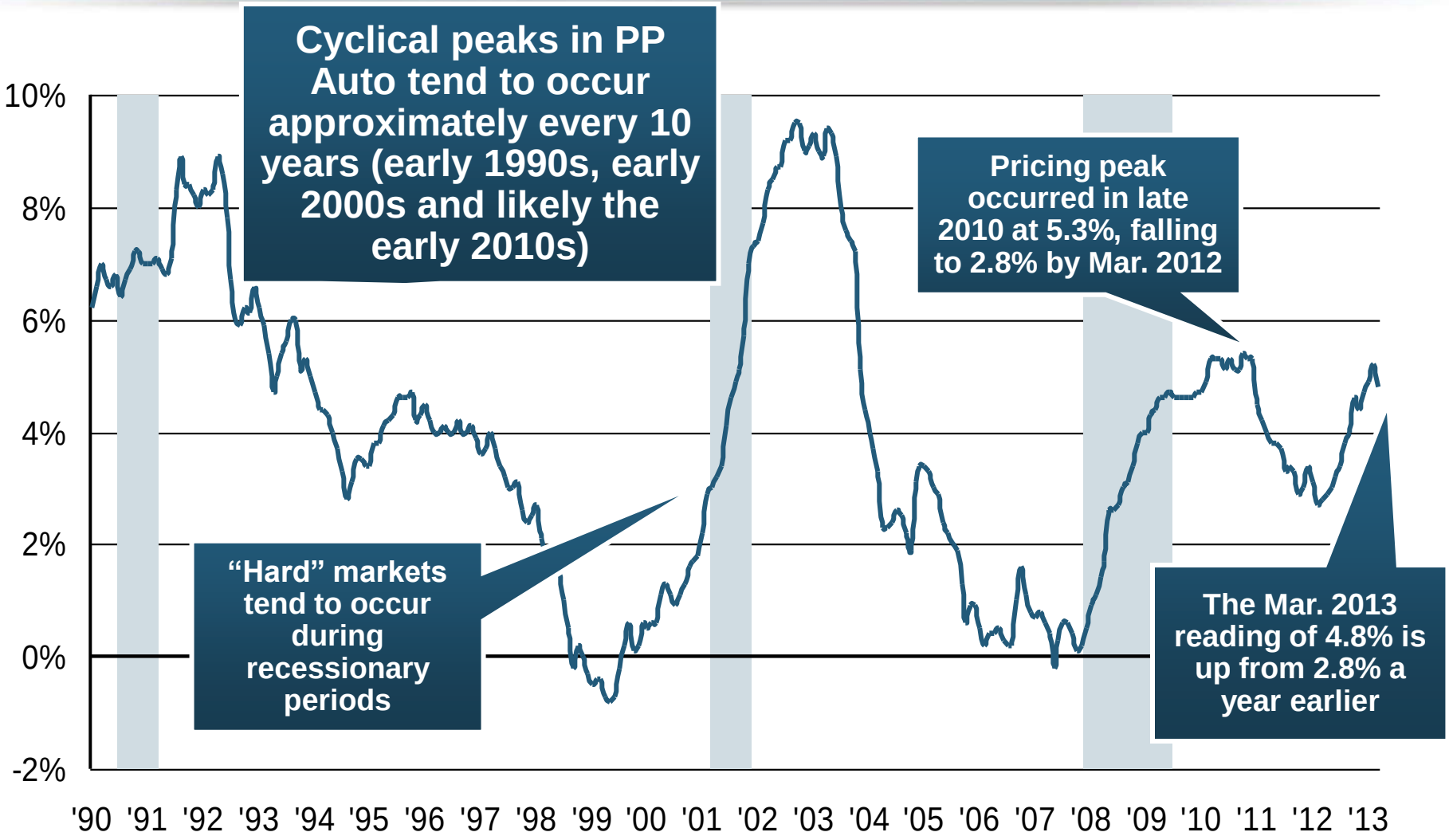
Change in Commercial Rate Renewals, by Line: 2013:Q1



Major Commercial Lines Renewed Uniformly Upward in Q1:2013 for the 8th Consecutive Quarter; Property Lines & Workers Comp Leading the Way; Cat Losses and Low Interest Rates Provide Momentum Going Forward

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Insurance Information Institute.

Monthly Change* in Auto Insurance Prices, 1991–2013*

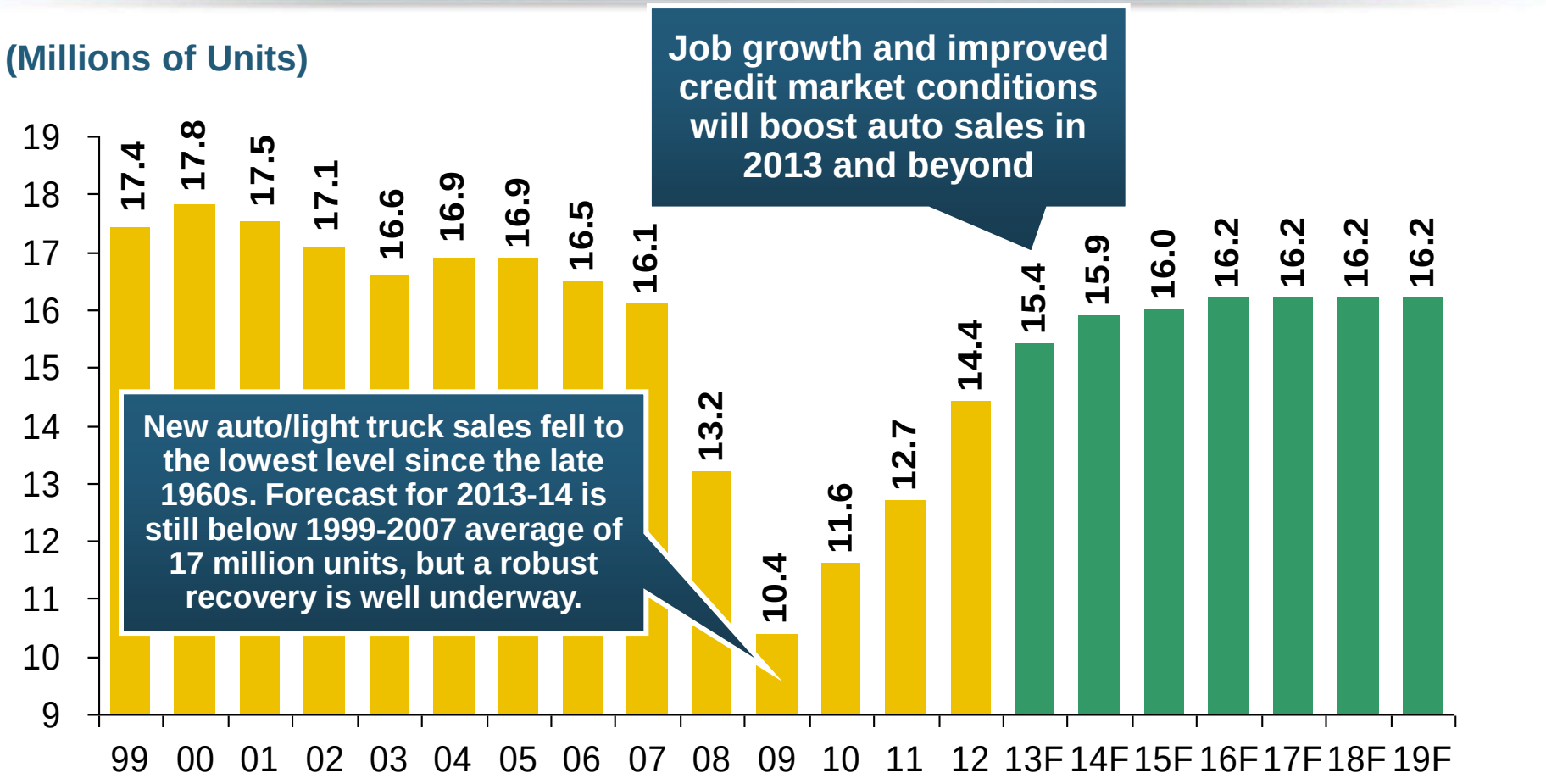


*Percentage change from same month in prior year; through Mar. 2013; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

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

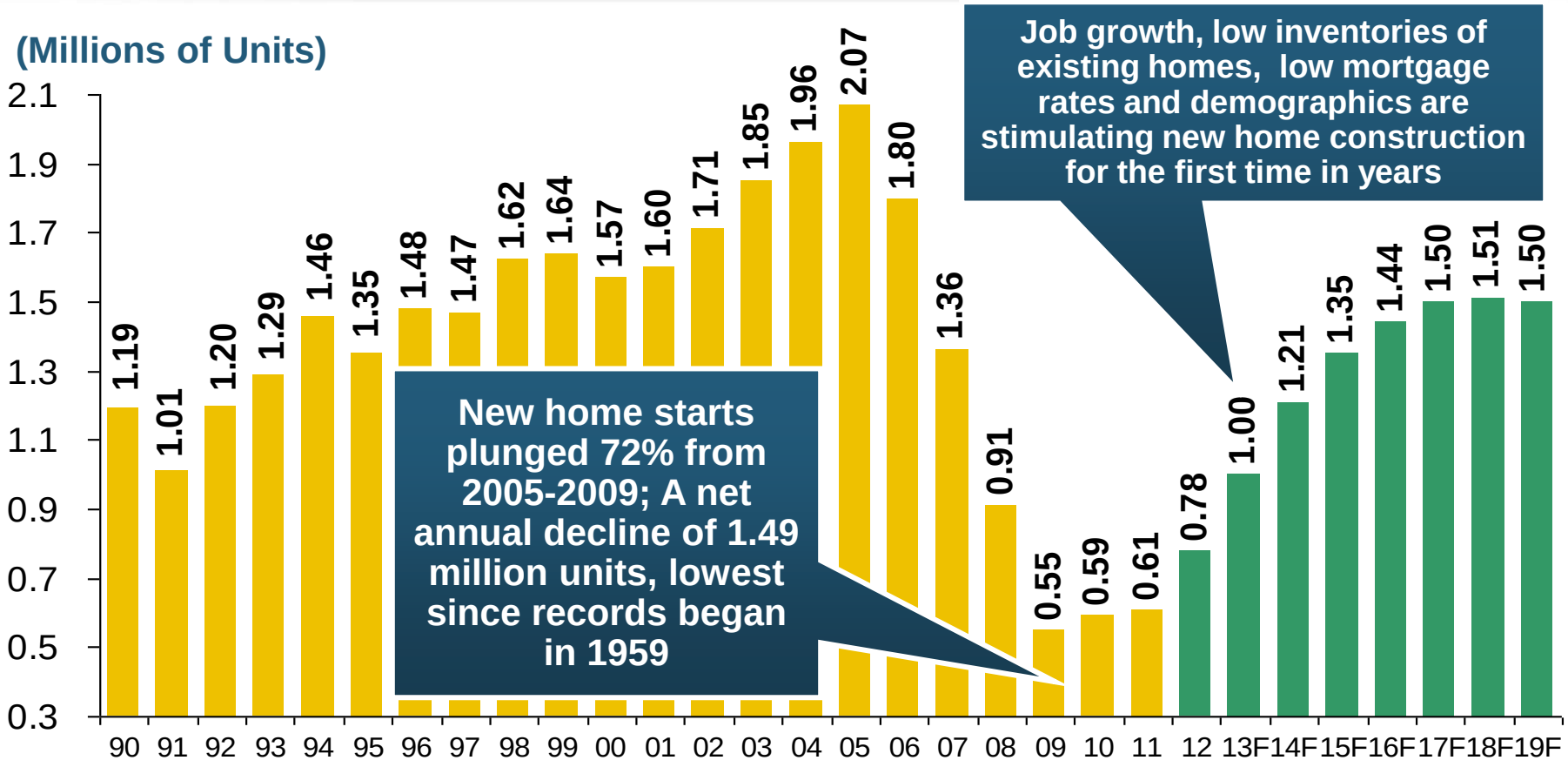
Auto/Light Truck Sales, 1999-2019F



Car/Light Truck Sales Will Continue to Recover from the 2009 Low Point, Bolstering the Auto Insurer Growth and the Manufacturing Sector.

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (4/13 and 3/13); Insurance Information Institute.

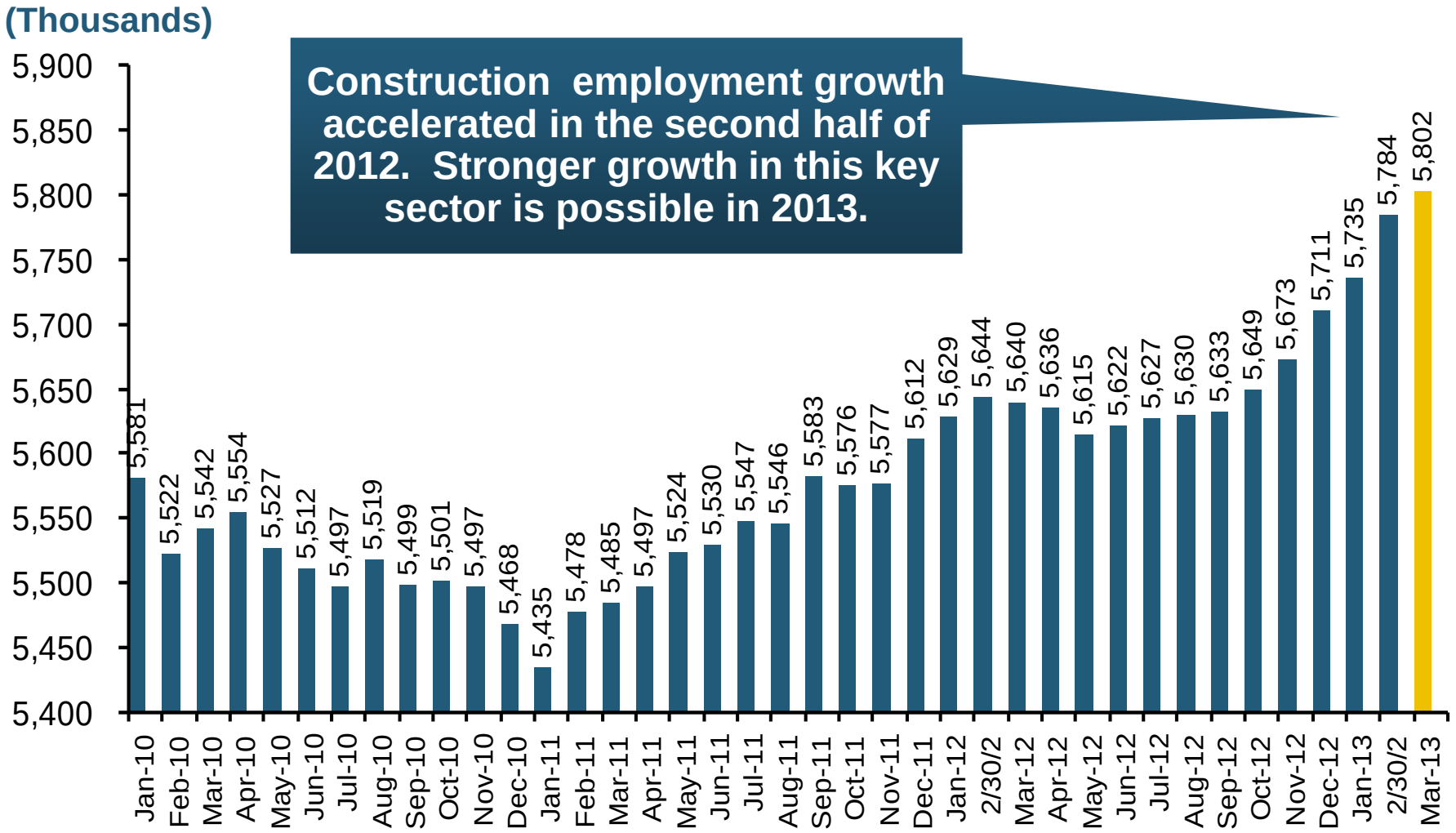
New Private Housing Starts, 1990-2019F



Homeowners Insurers Are Starting to See Meaningful Exposure Growth for the First Time Since 2005. Commercial Insurers with Construction Risk Exposure, Surety, Workers Comp Also Benefit

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (4/13 and 3/13); Insurance Information Institute.

Construction Employment, Jan. 2010—March 2013*



*Seasonally adjusted

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

Unemployment and Underemployment Rates: Stubbornly High in 2012, But Falling

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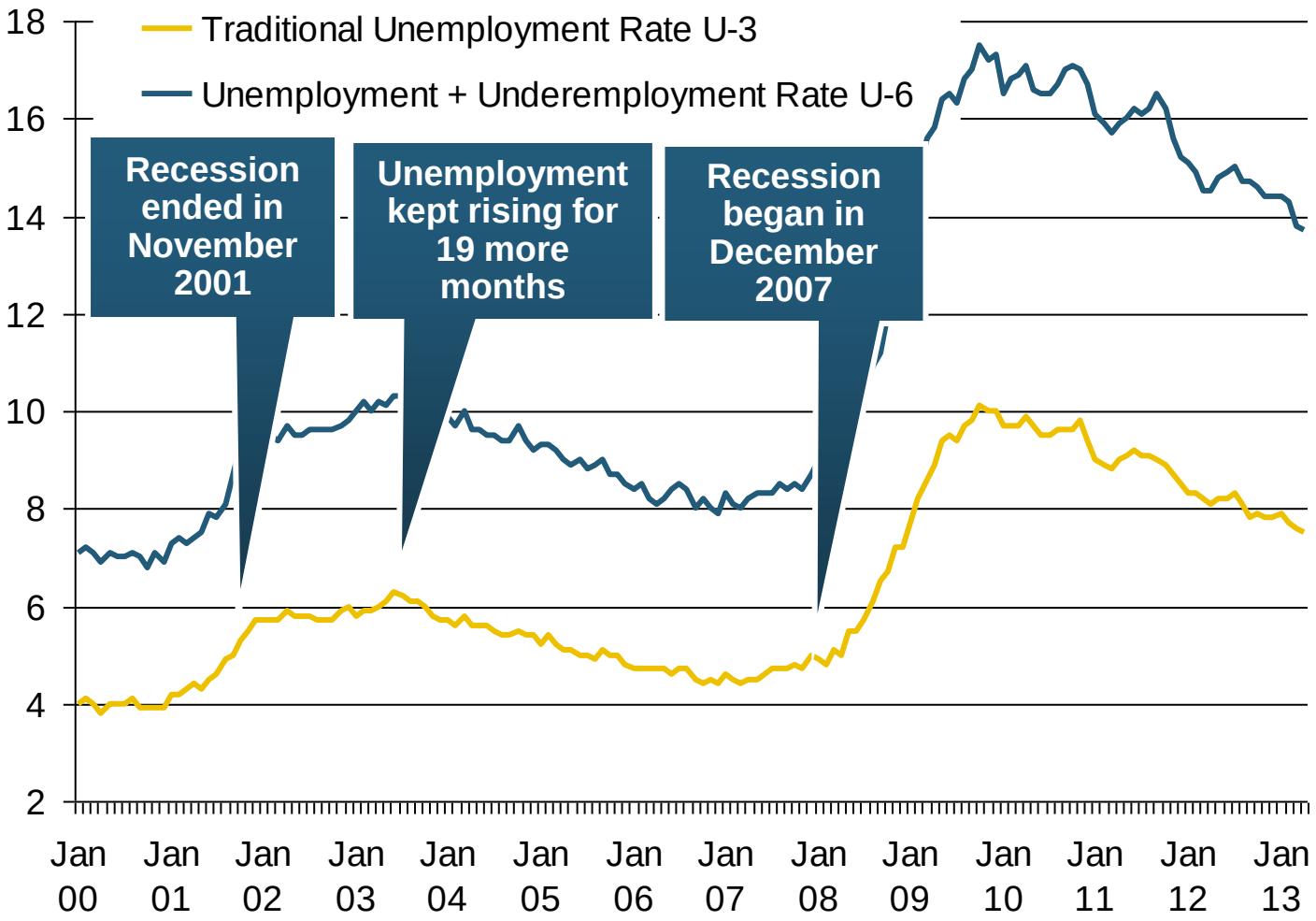
January 2000 through Apr. 2013, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 13.7% in Apr. 2013

Unemployment stood at 7.5% in Apr. 2013—lowest in 4 years.

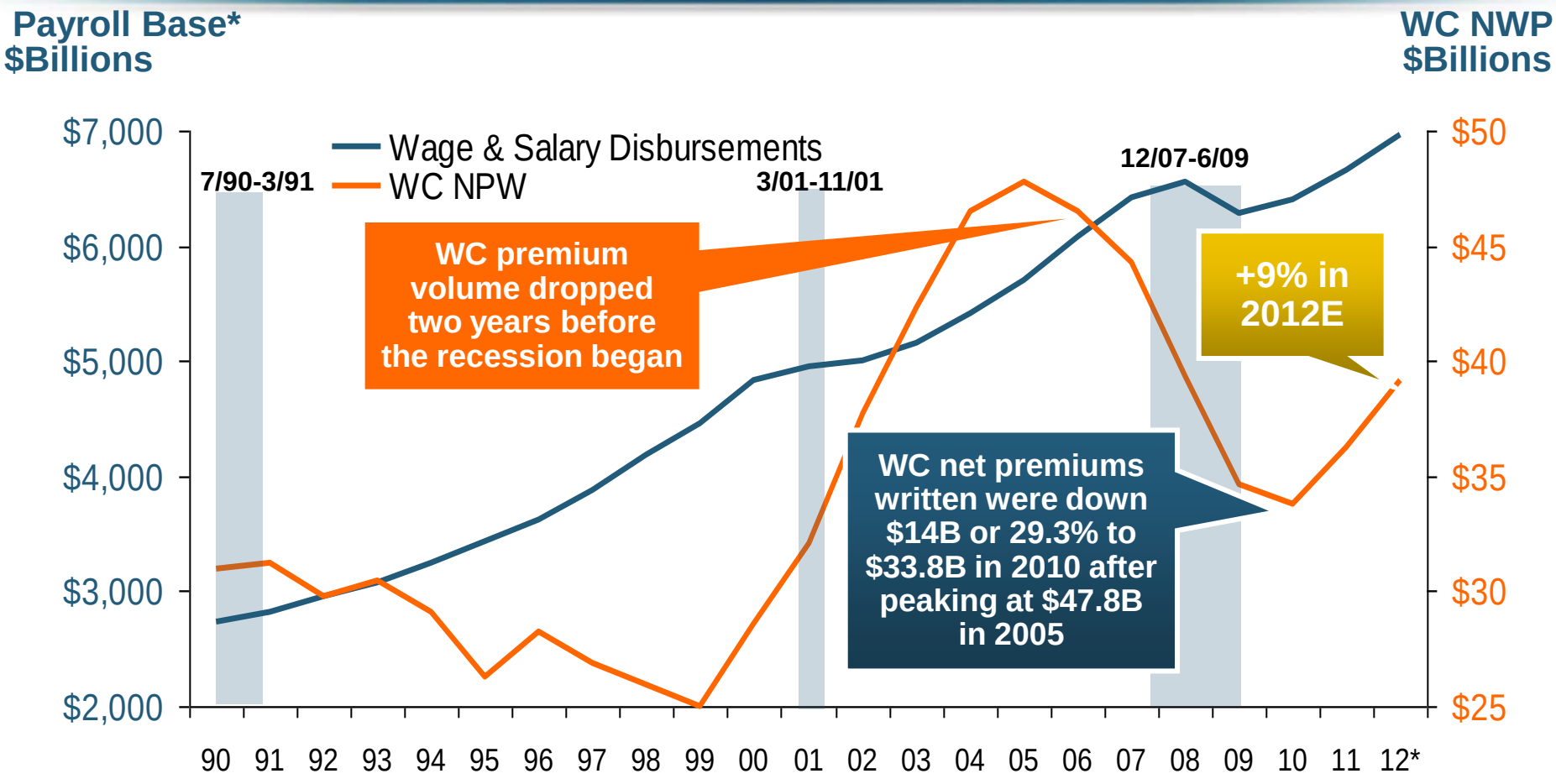
Unemployment peaked at 10.1% in October 2009, highest monthly rate since 1983.

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

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

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

Payroll vs. Workers Comp Net Written Premiums, 1990-2012E



Continued Payroll Growth and Rate Increases Suggest WC NWP Will Grow Again in 2012; +7.9% Growth in 2011 Was the First Gain Since 2005

*Private employment; Shaded areas indicate recessions. WC premiums for 2012 are I.I.I. estimate based YTD 2012 actuals.
Sources: NBER (recessions); Federal Reserve Bank of St. Louis at http://research.stlouisfed.org/fred2/series/WASCUR ; NCCI; I.I.I.

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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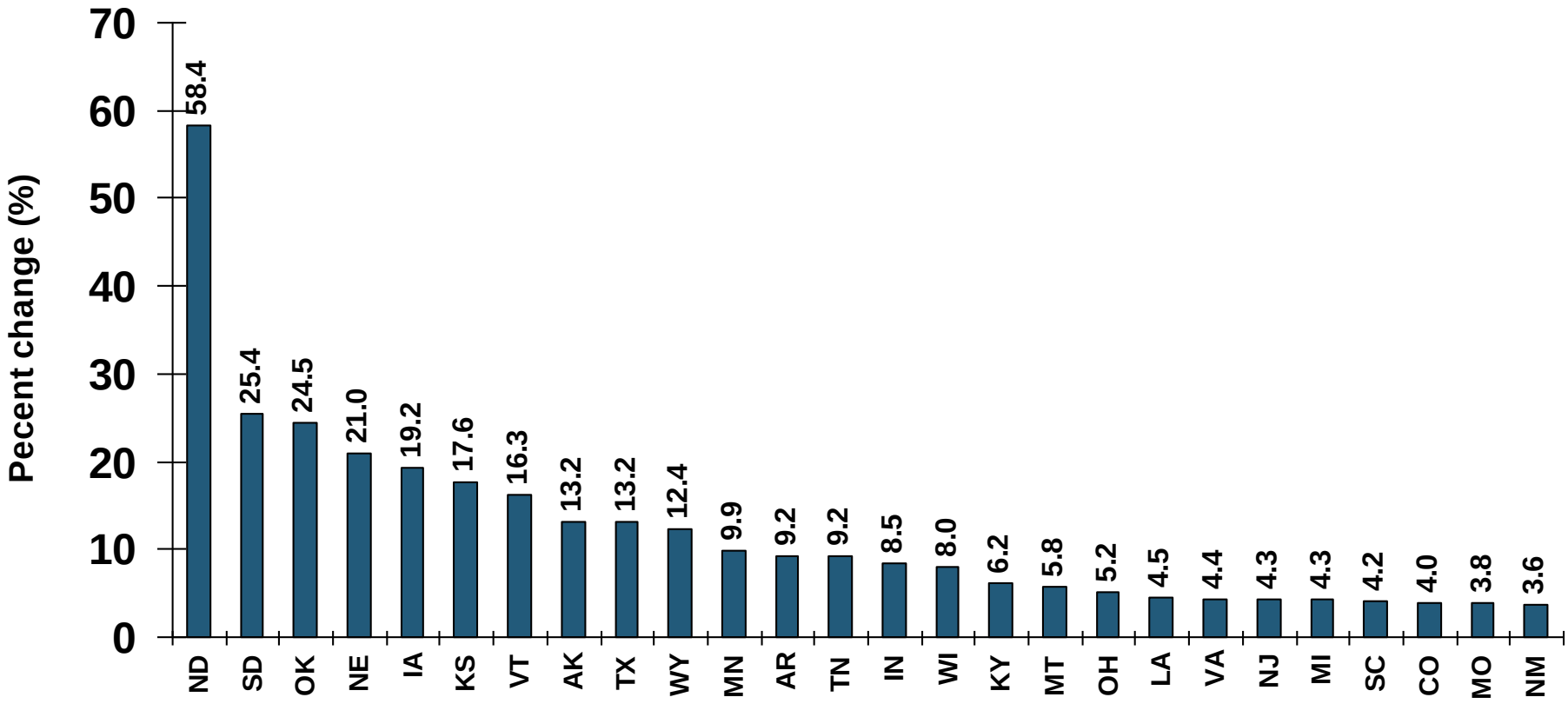
Growth Analysis by State and Business Segment

Premium Growth Rates Vary Tremendously by State

Direct Premiums Written: Total P/C Percent Change by State, 2007-2012*

Top 25 States

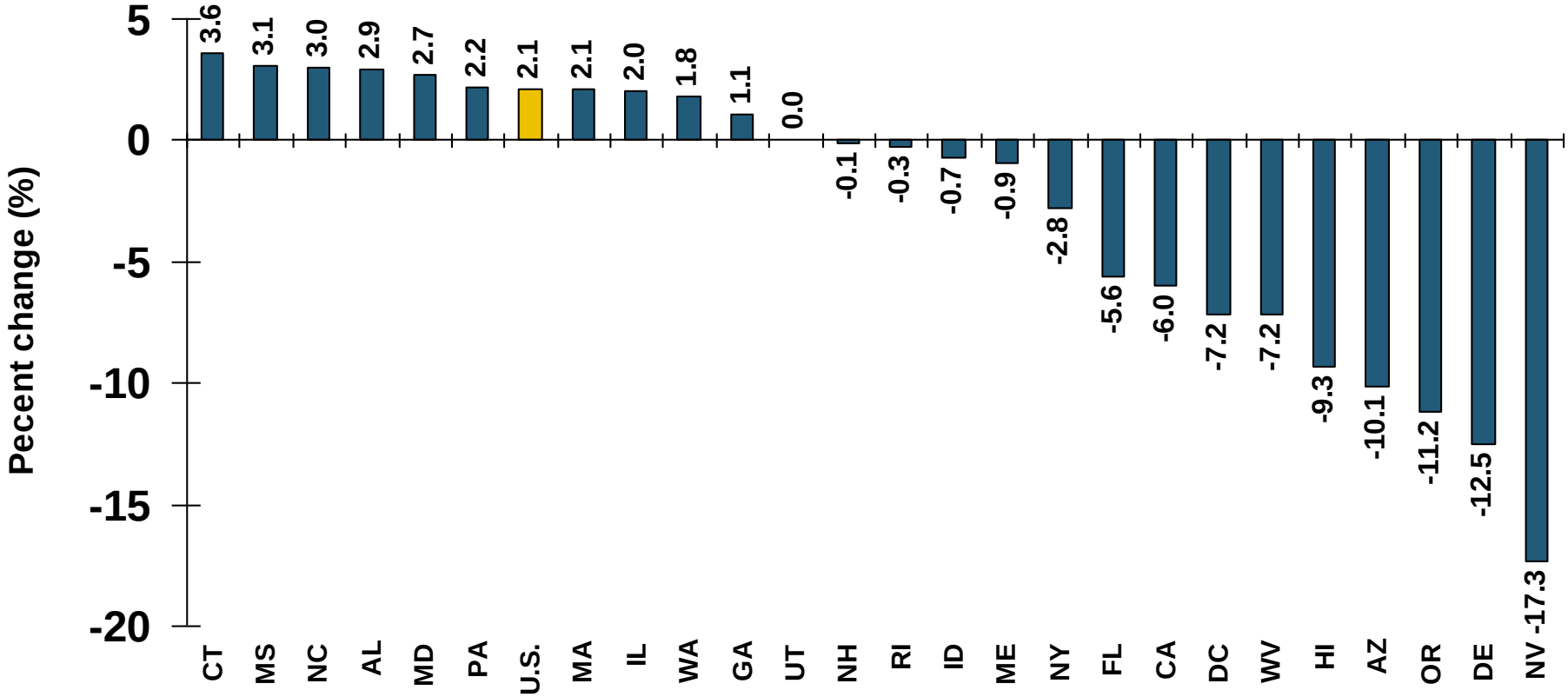


*Data are preliminary as of 5/1/13 and do not yet fully reflect the impact of state-run pools and plans.

Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Total P/C Percent Change by State, 2007-2012*

Bottom 25 States



*Data are preliminary as of 5/1/13 and do not yet fully reflect the impact of state-run pools and plans.

Sources: SNL Financial LC.; Insurance Information Institute.

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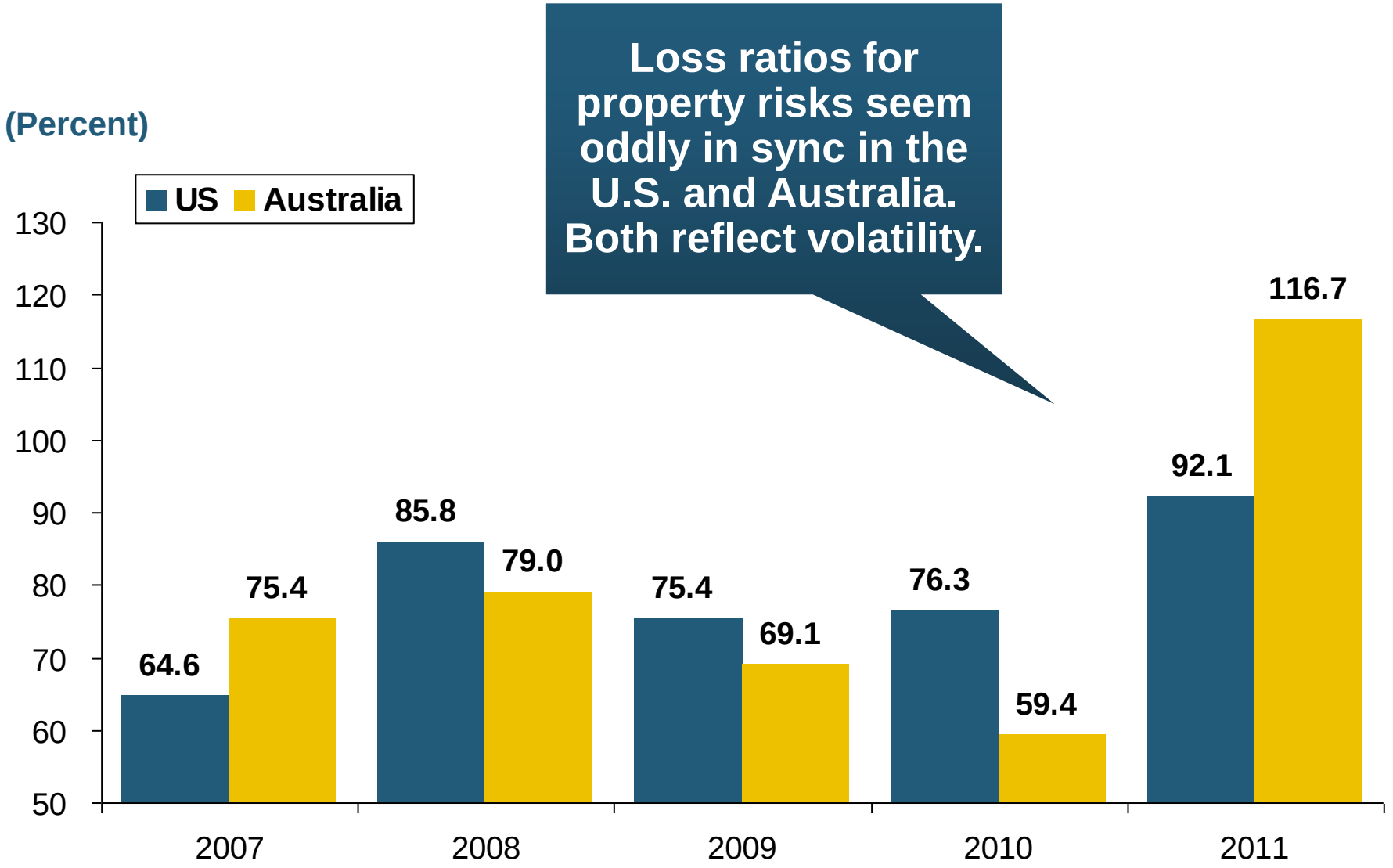
UNDERWRITING PERFORMANCE MUST IMPROVE IN CURRENT LOW INTEREST RATE ENVIRONMENT

Australia and U.S. Underwriting Performance/Trends Are More Similar than Might Be Expected

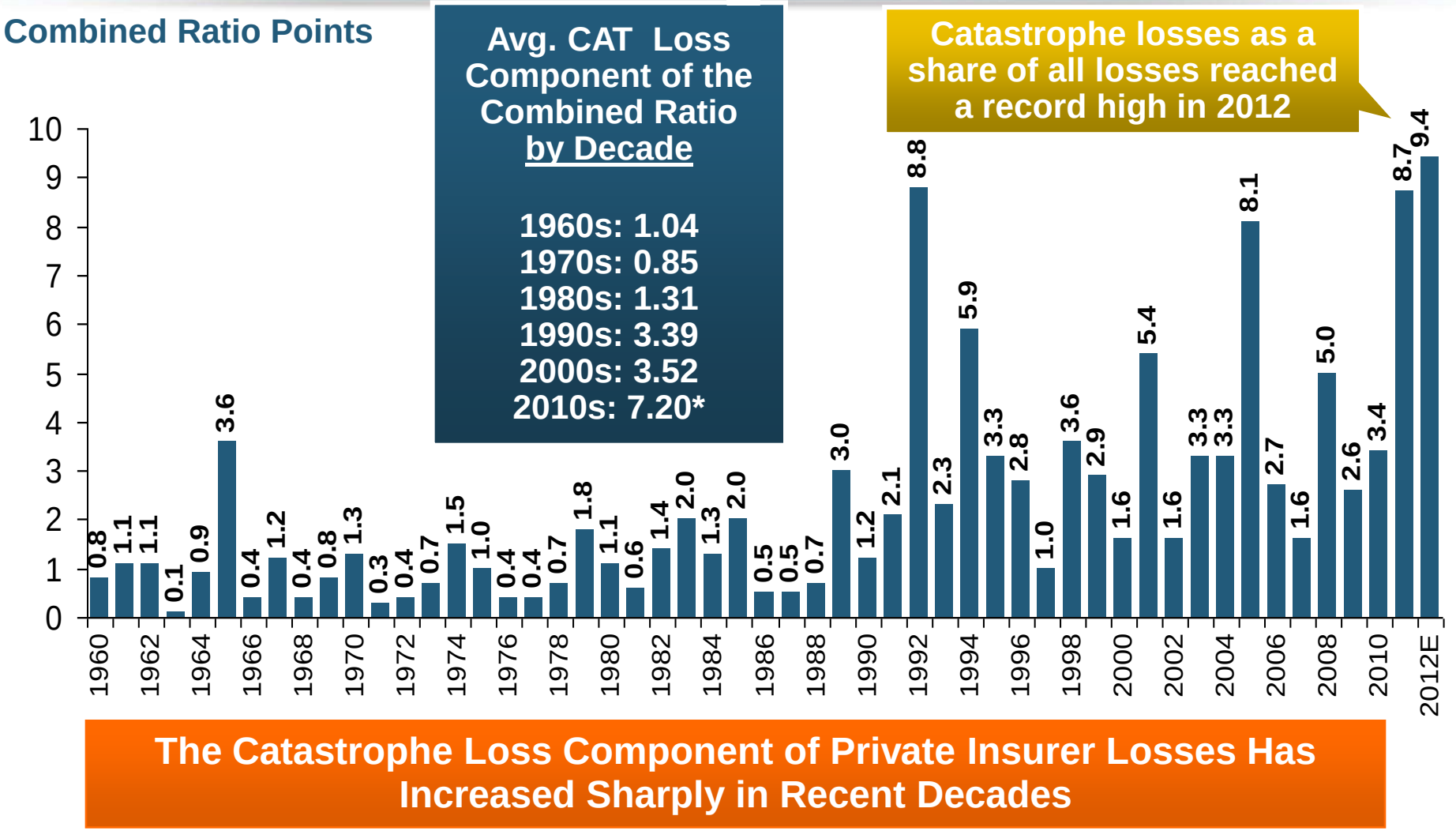
Loss Ratios: Homeowners (U.S.) & Property (Australia)



*U.S., loss ratios include loss adjustment expense.

Source: A.M. Best (U.S.), Australian Prudential Regulation Authority; Insurance Information Institute

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2012*

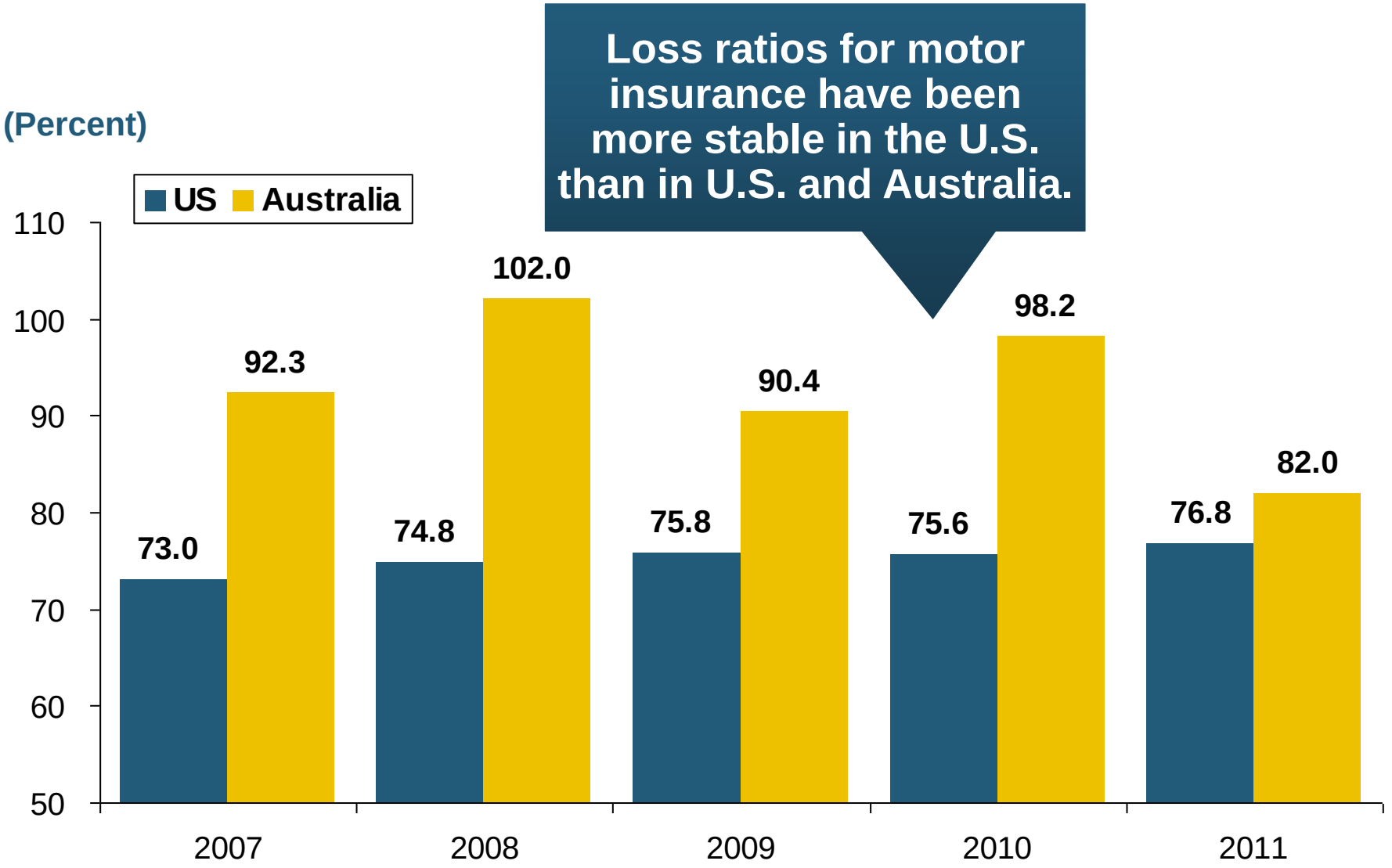


The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

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

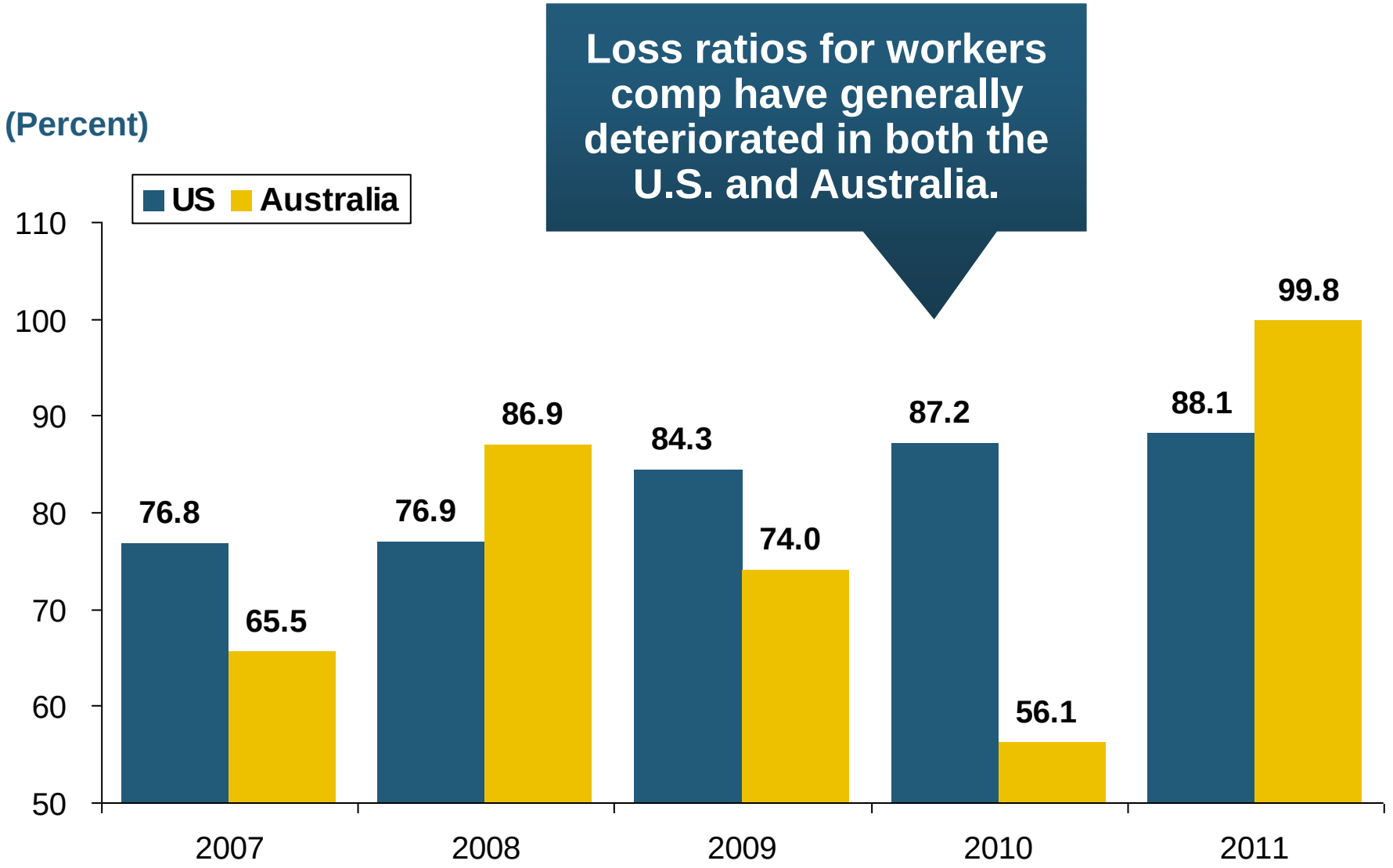
Loss Ratios: Motor/Auto



*U.S., loss ratios include loss adjustment expense.

Source: A.M. Best (U.S.), Australian Prudential Regulation Authority; Insurance Information Institute

Loss Ratios: Workers Compensation

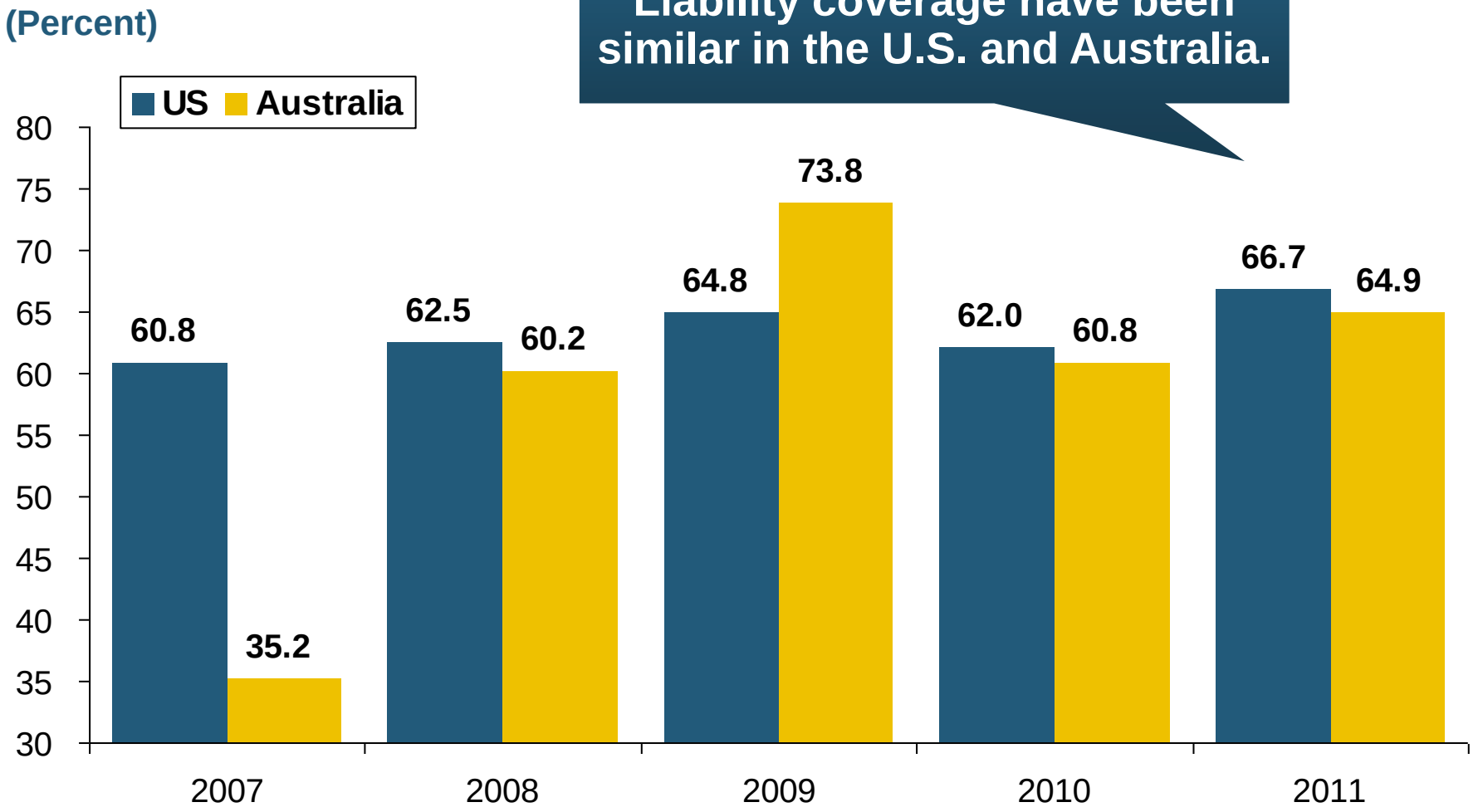


*U.S., loss ratios include loss adjustment expense.

Source: A.M. Best (U.S.), Australian Prudential Regulation Authority; Insurance Information Institute

Loss Ratios: Liability

In recent years, loss ratios for Liability coverage have been similar in the U.S. and Australia.



*U.S., loss ratios include loss adjustment expense.

Source: A.M. Best (U.S.), Australian Prudential Regulation Authority; Insurance Information Institute

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U.S. Insurance Industry Employment Trends

Soft Market, Difficult Economy, Outsourcing, Productivity Enhancements and Consolidation Contributed to Industry's Job Losses

U.S. Employment in the Direct P/C Insurance Industry: 1990–2013*

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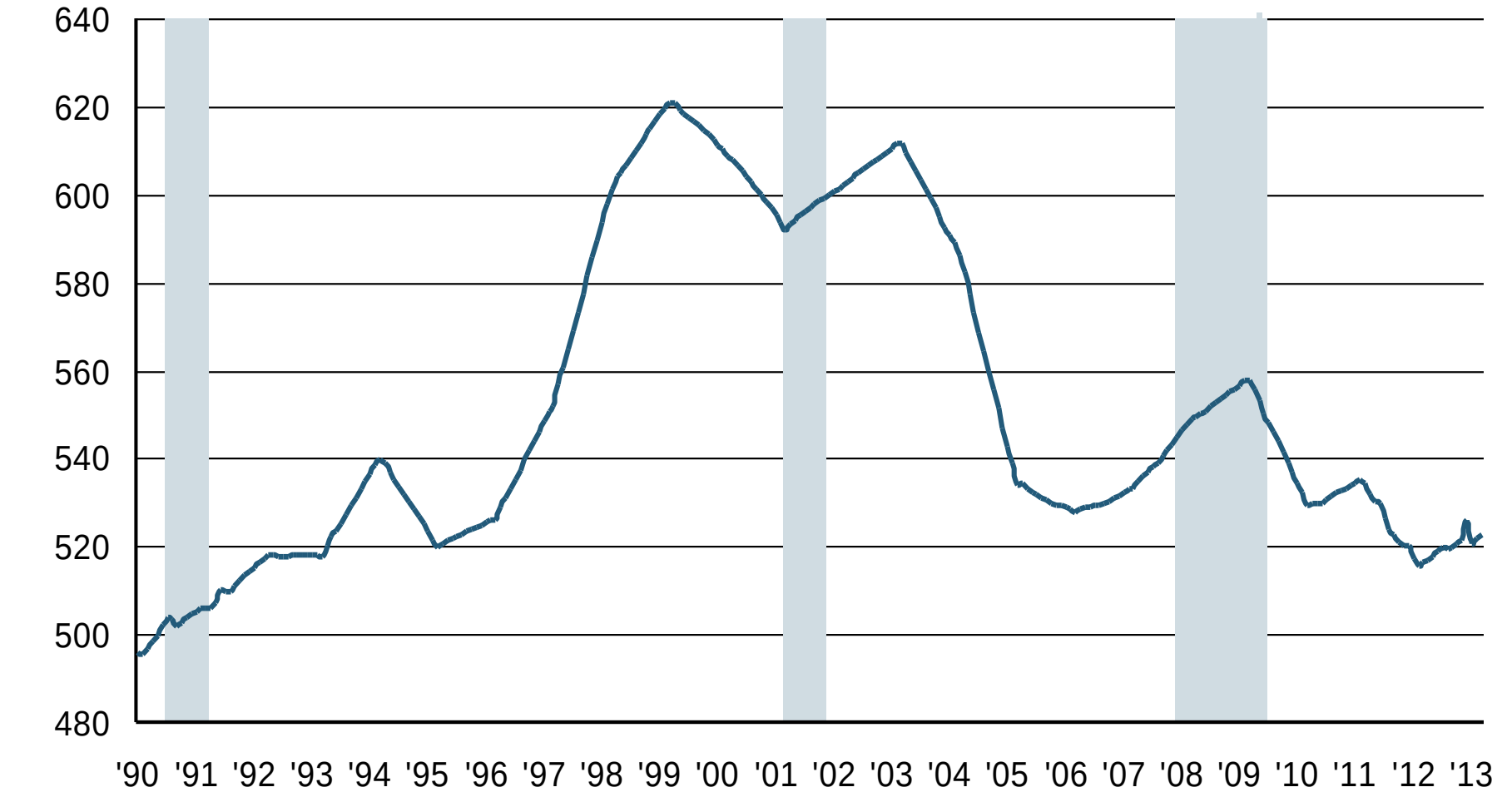
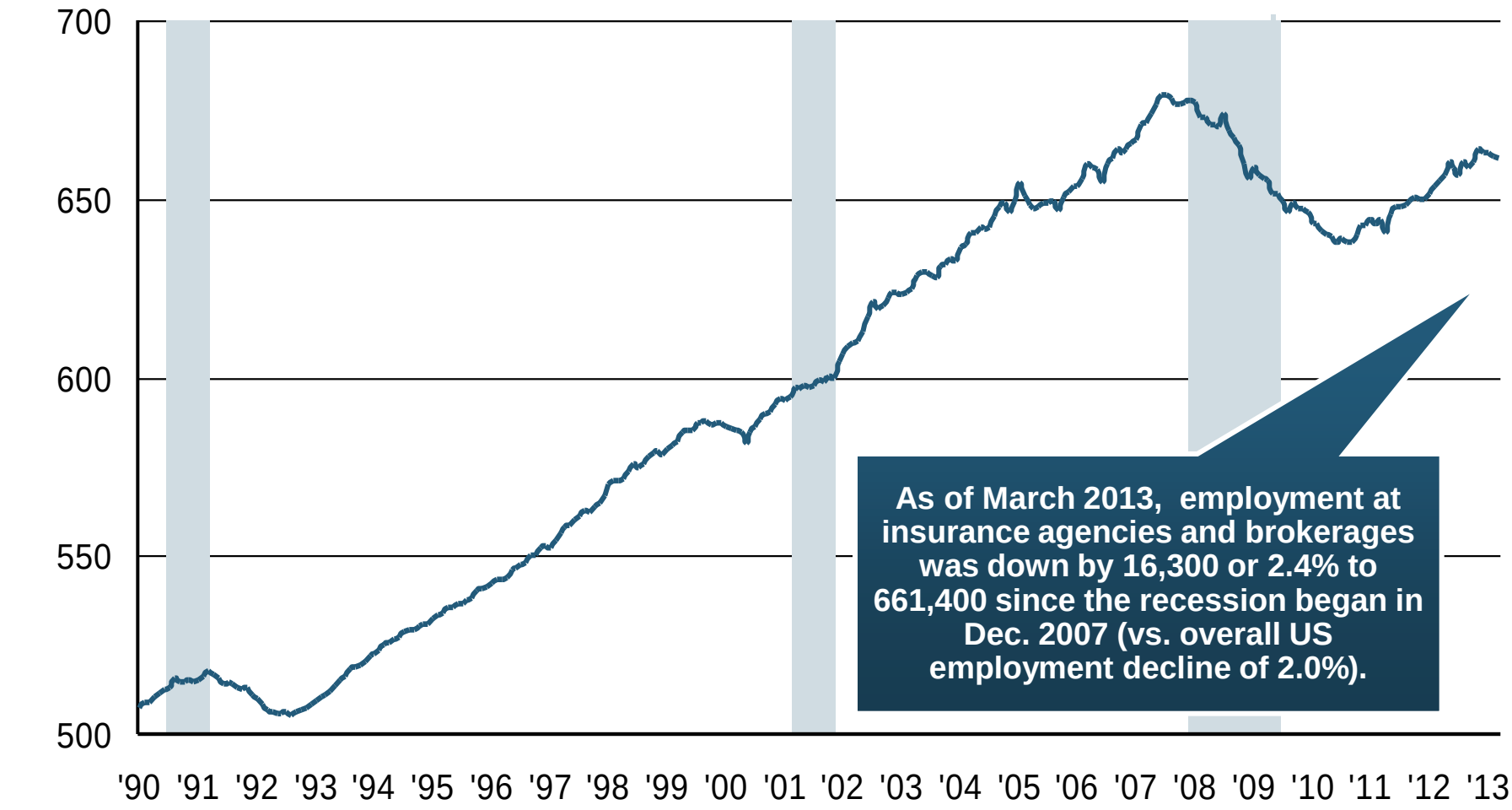


*As of March 2013; Seasonally adjusted; Does not including agents & brokers.
Note: Recessions indicated by gray shaded columns.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research (recession dates); Insurance Information Institute.

U.S. Employment in Insurance Agencies & Brokerages: 1990–2013*



*As of March 2013; 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.

U.S. Employment in the Reinsurance Industry: 1990–2013*

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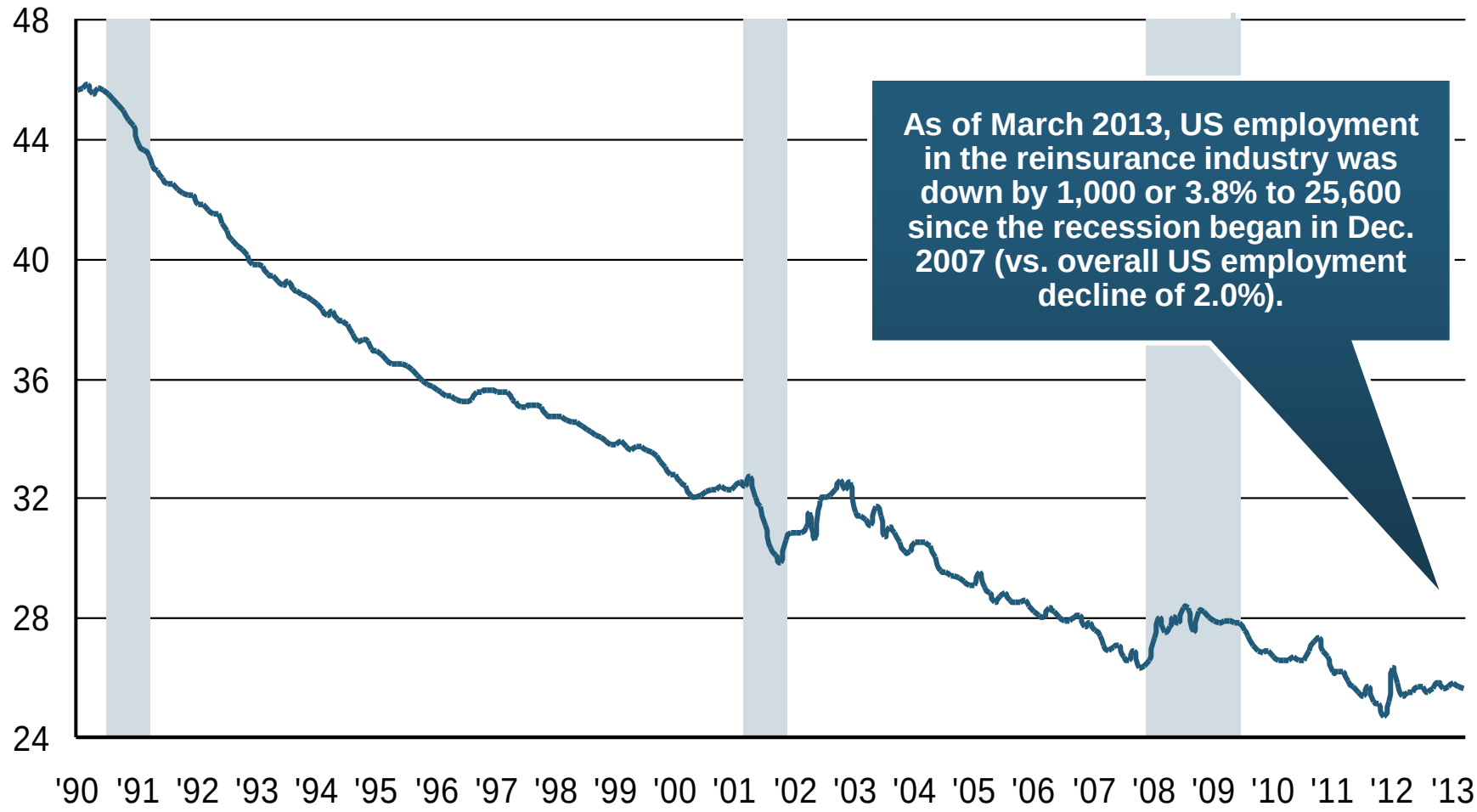

*As of March 2013; Seasonally adjusted; Does not including agents & brokers.

Note: Recessions indicated by gray shaded columns.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research (recession dates); Insurance Information Institute.

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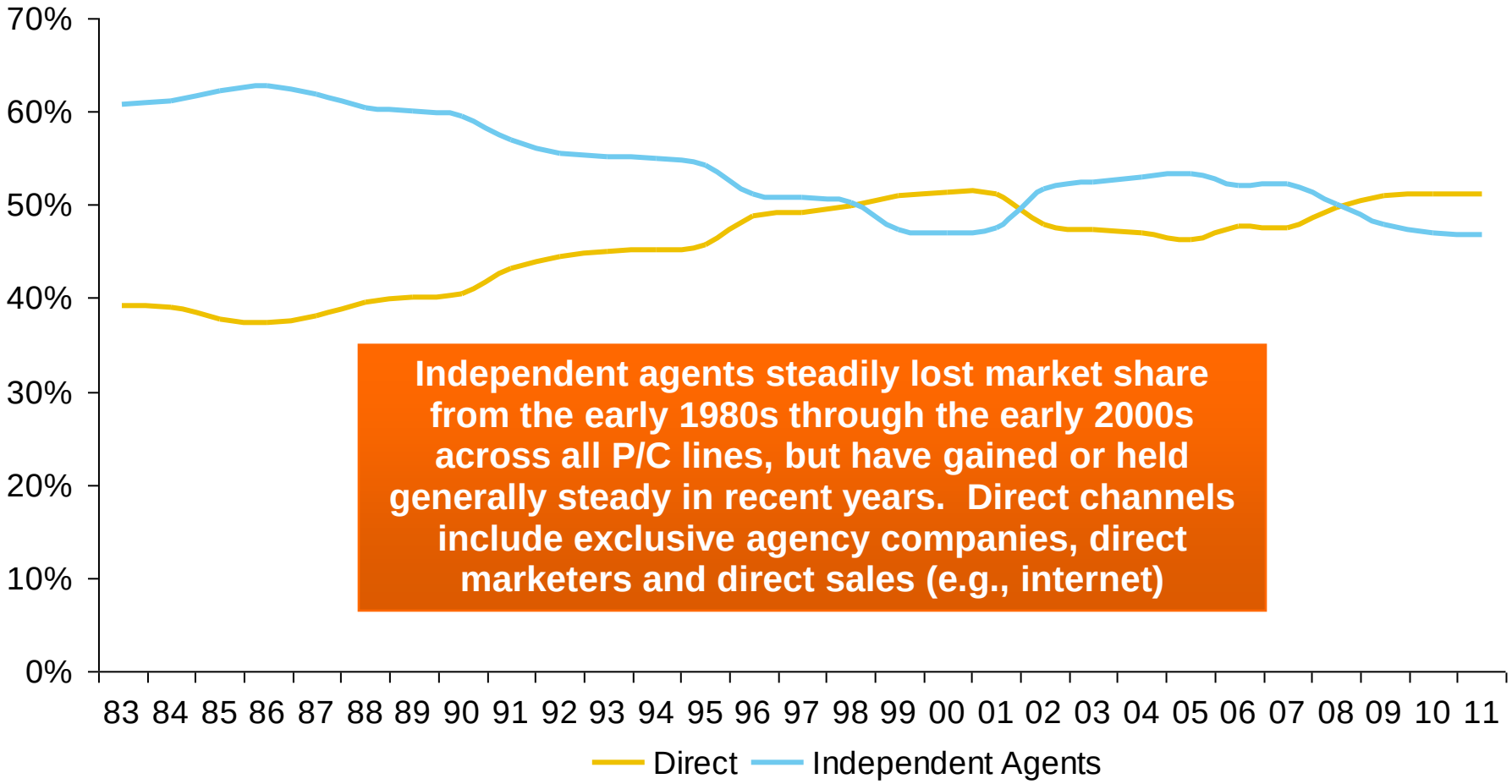
Distribution Trends

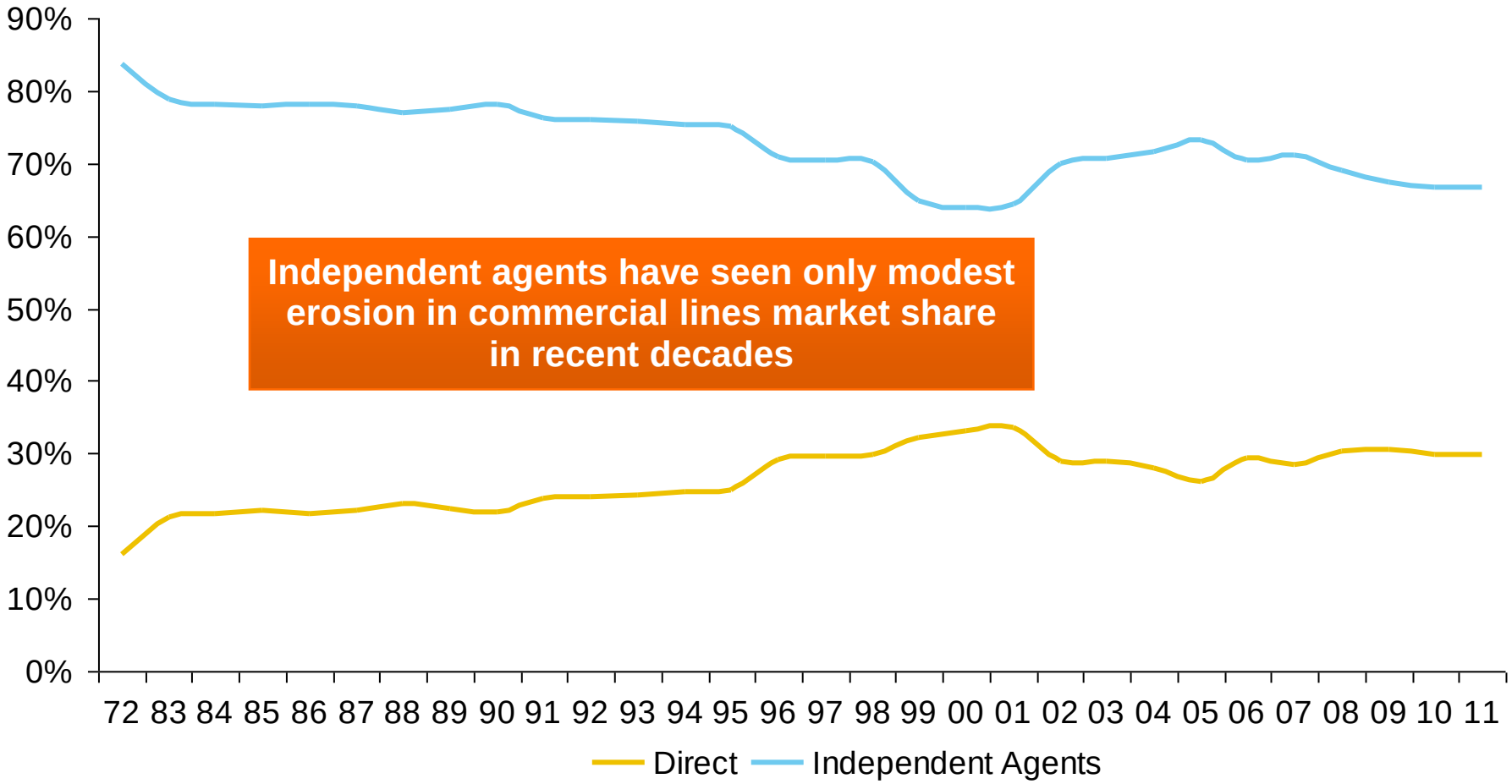
Distribution by Channel Type Continues to Evolve Around the World

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



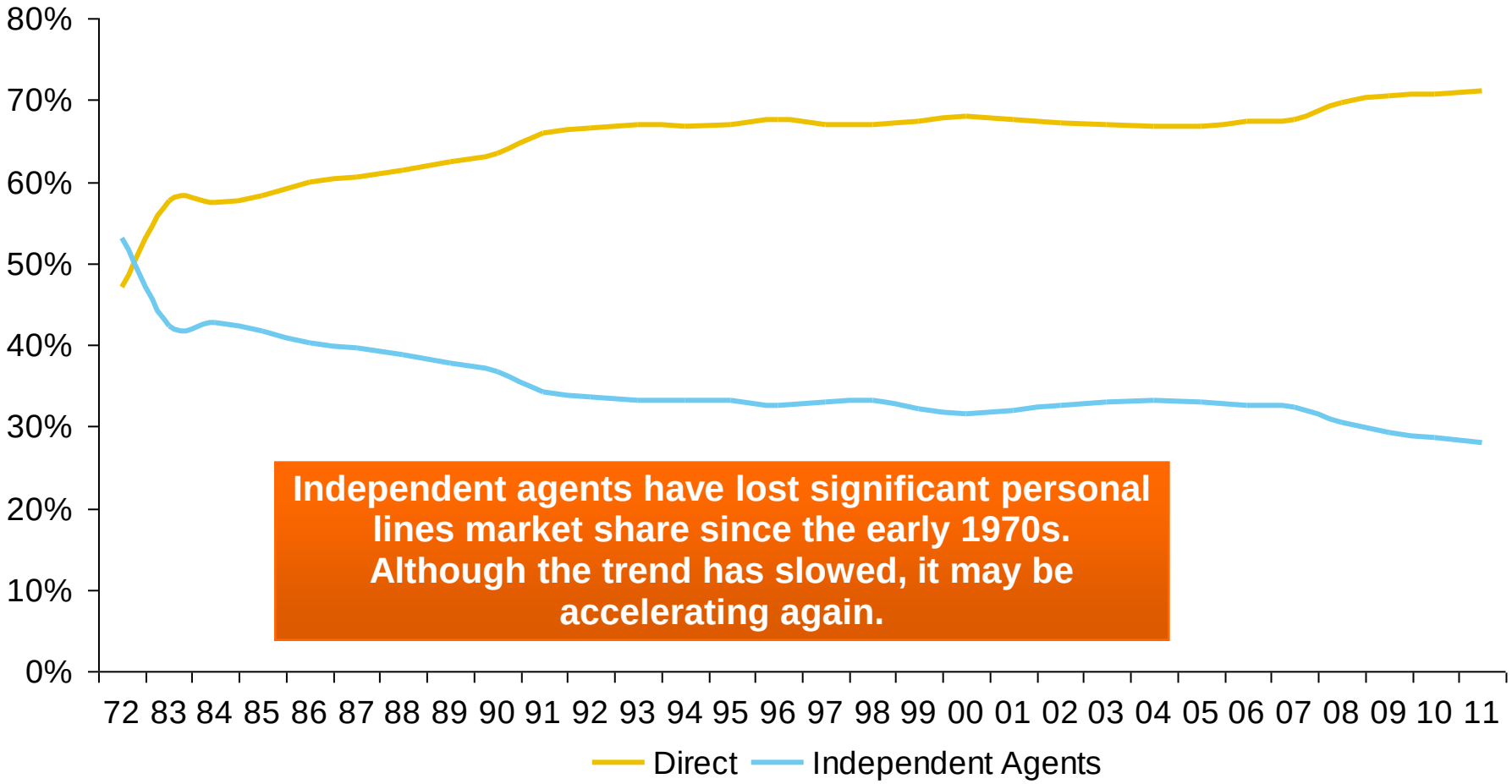
Source: Insurance Information Institute; based on data from Conning and A.M. Best.

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.

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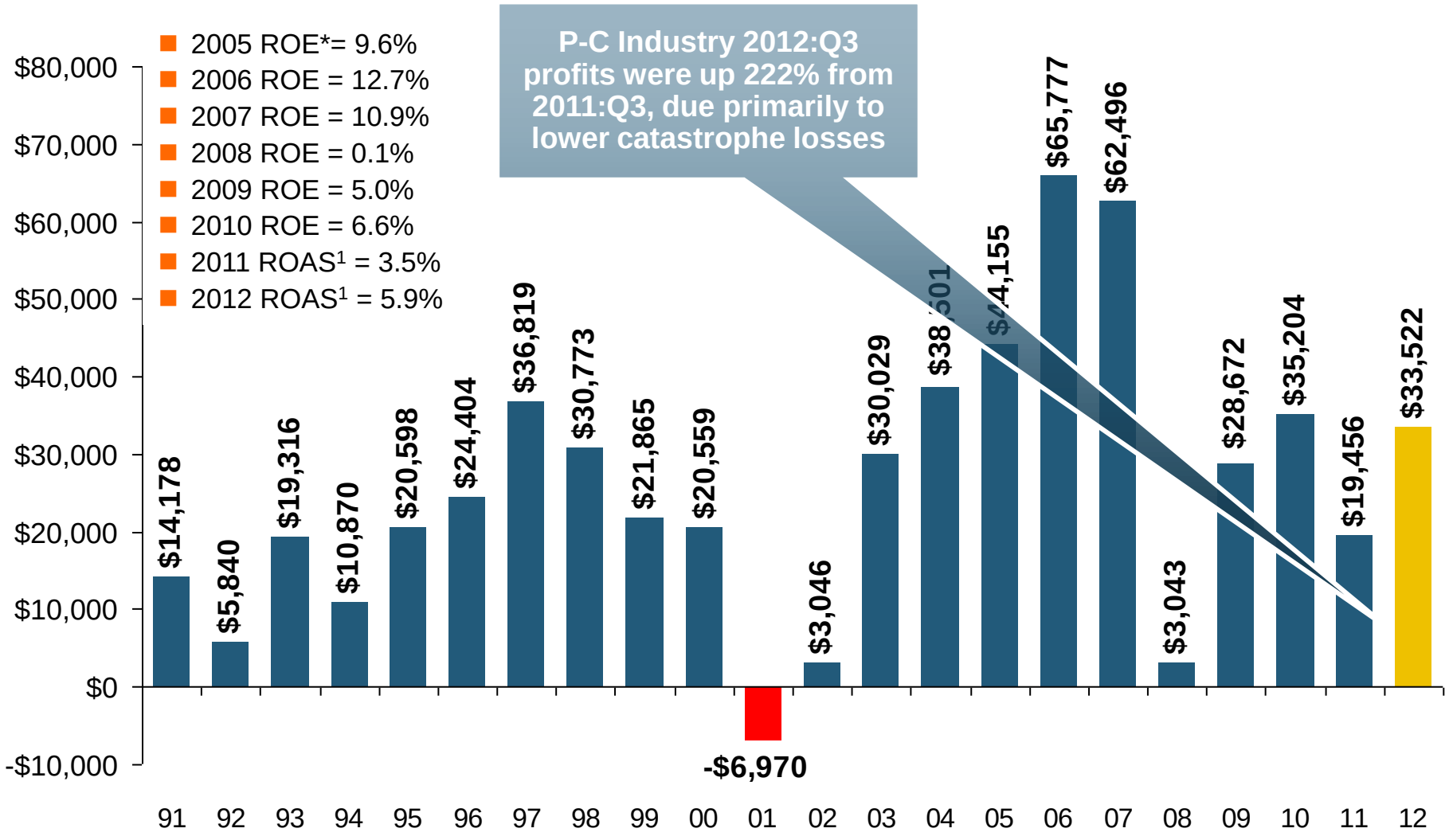
P/C Insurance Industry Financial Overview

Profit Recovery in 2012 After High CAT Losses; Ultimate Impact of Sandy Still Unclear

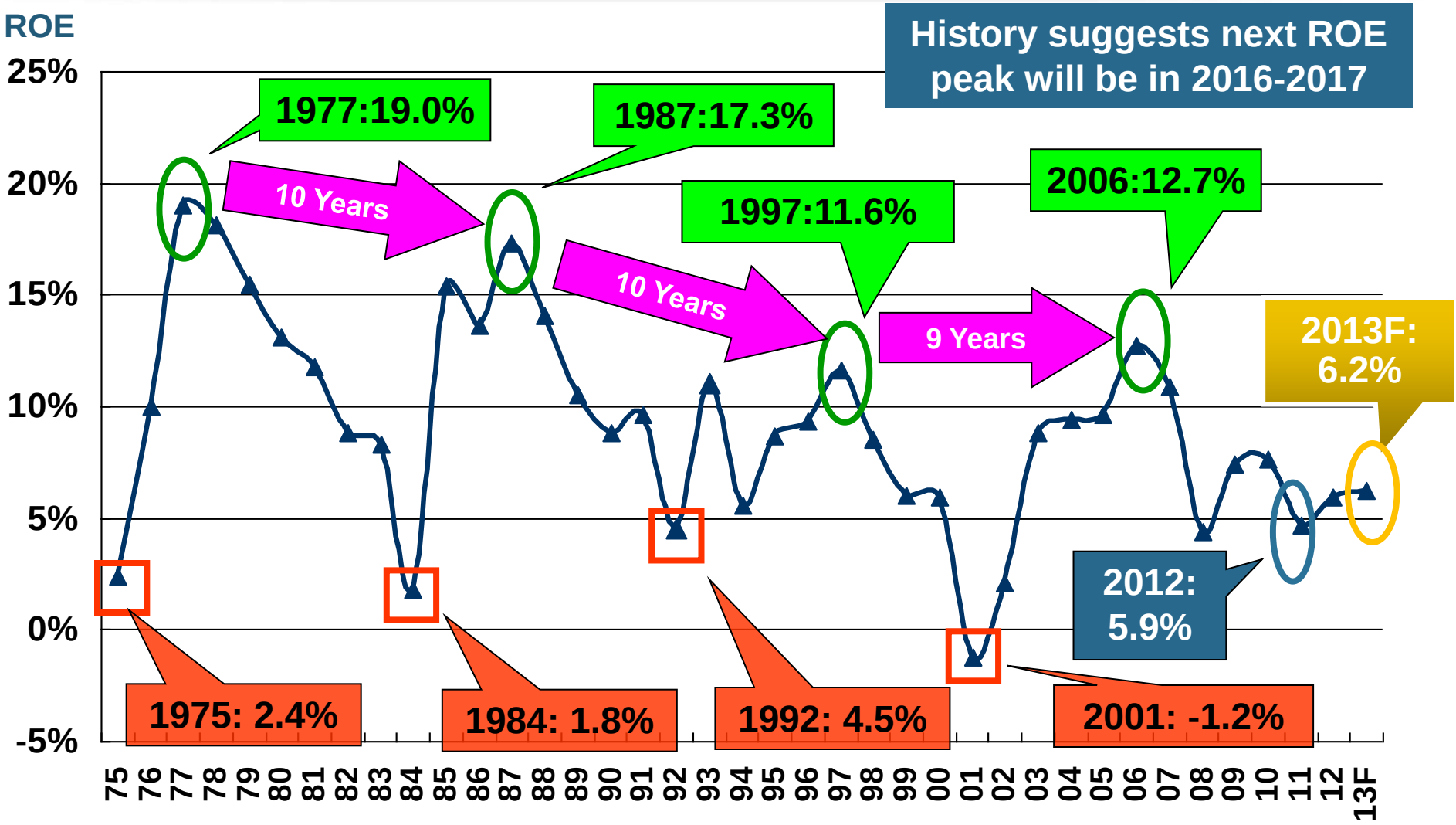
P/C Net Income After Taxes 1991–2012 ($ Millions)



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

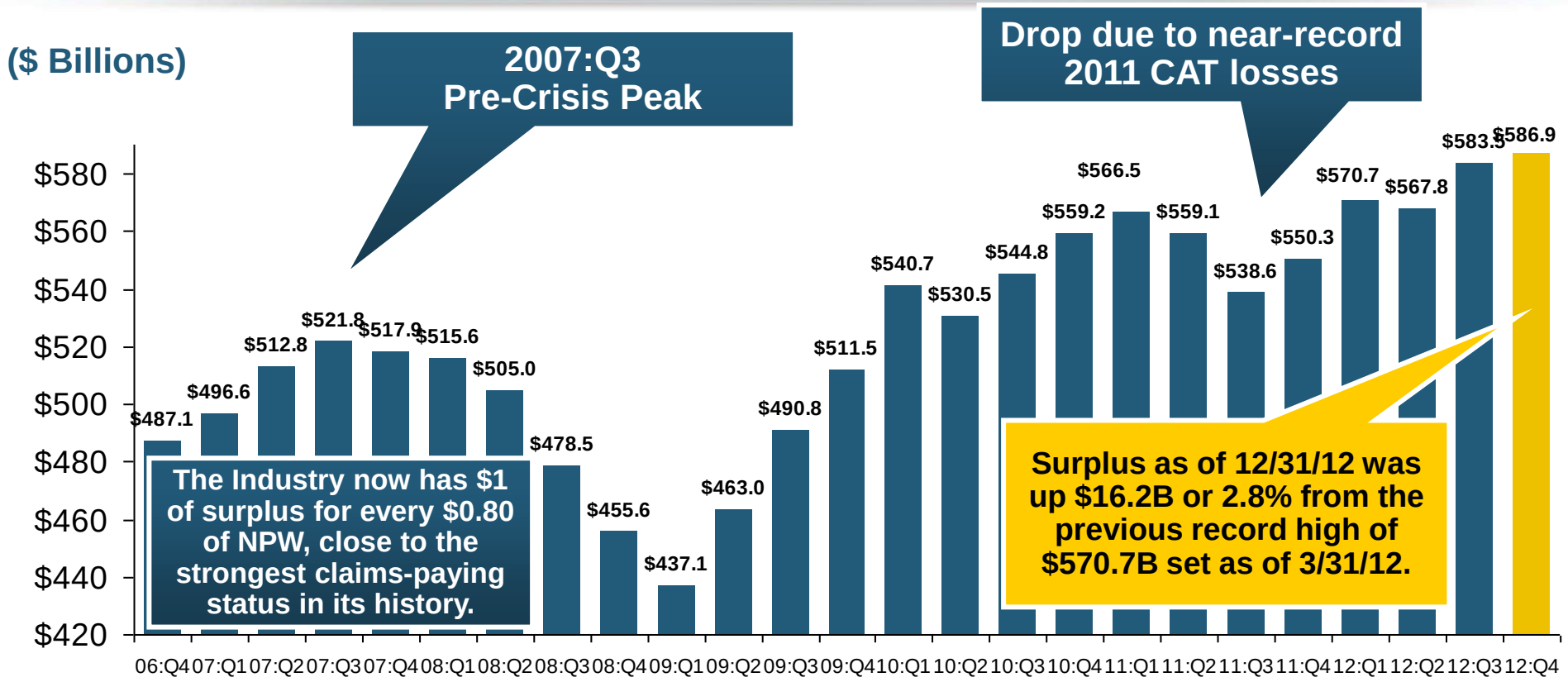
Sources: A.M. Best, ISO, Insurance Information Institute

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2013F*



*Profitability = P/C insurer ROEs. 2011 figure is an estimate based on ROAS data. Note: Data for 2008-2013 exclude mortgage and financial guaranty insurers. 2012:Q3 ROAS = 6.2% including M&FG.
Source: Insurance Information Institute; NAIC, ISO, A.M. Best.

Policyholder Surplus, 2006:Q4–2012:Q4



*Includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business in early 2010.

The P/C Insurance Industry Both Entered and Emerged from the 2012 Hurricane Season Very Strong Financially.

Sources: ISO, A.M .Best.

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INVESTMENTS: THE NEW REALITY

Investment Performance is a Key Driver of Profitability

Depressed Yields Will Necessarily Influence Underwriting & Pricing

U.S. 10-Year Treasury Note Yields: A Long Downward Trend, 1990–2013*

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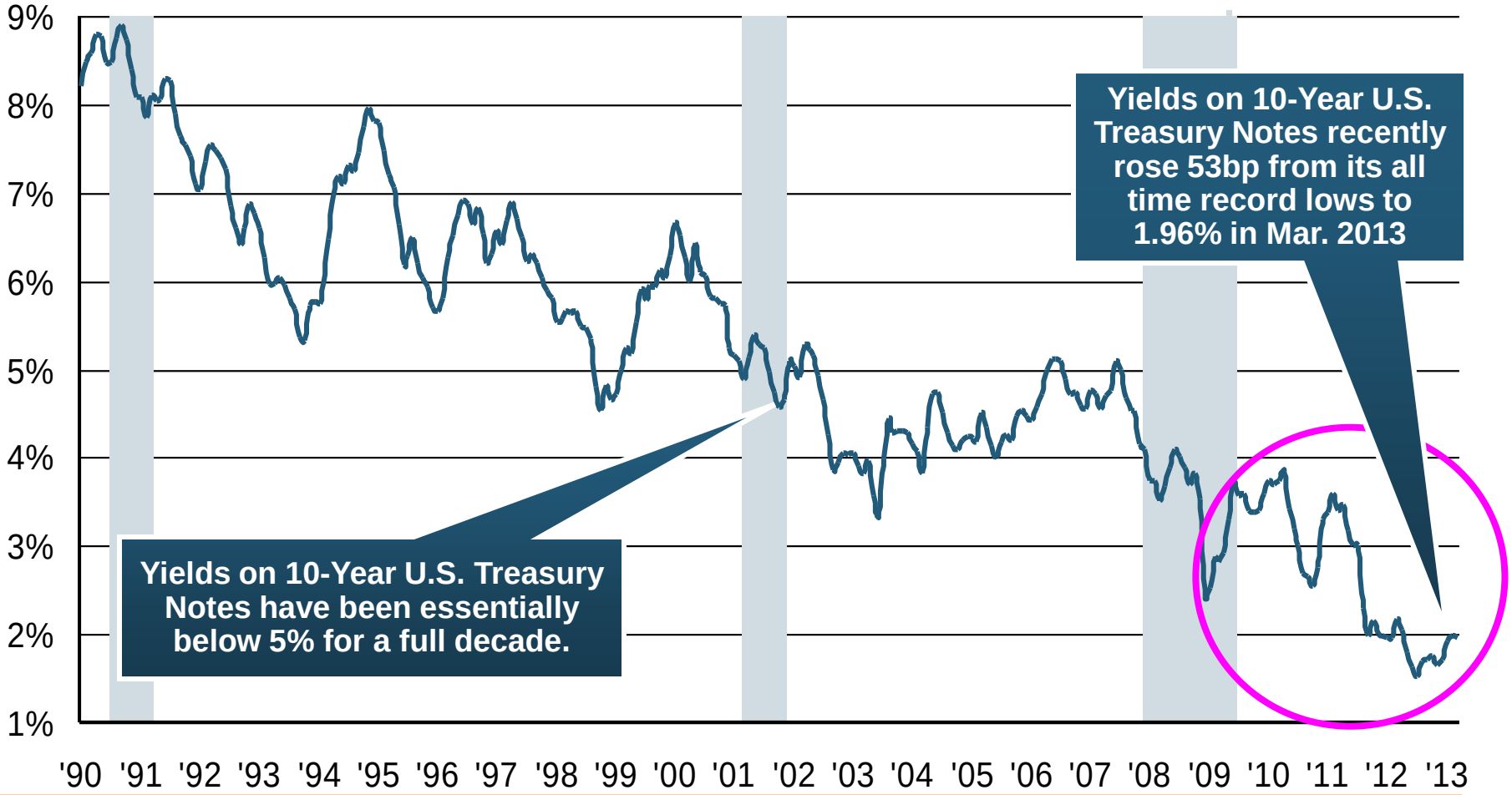

Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, through Mar. 2013. 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.

Property/Casualty Insurance Industry Investment Income: 2000–2012[1]

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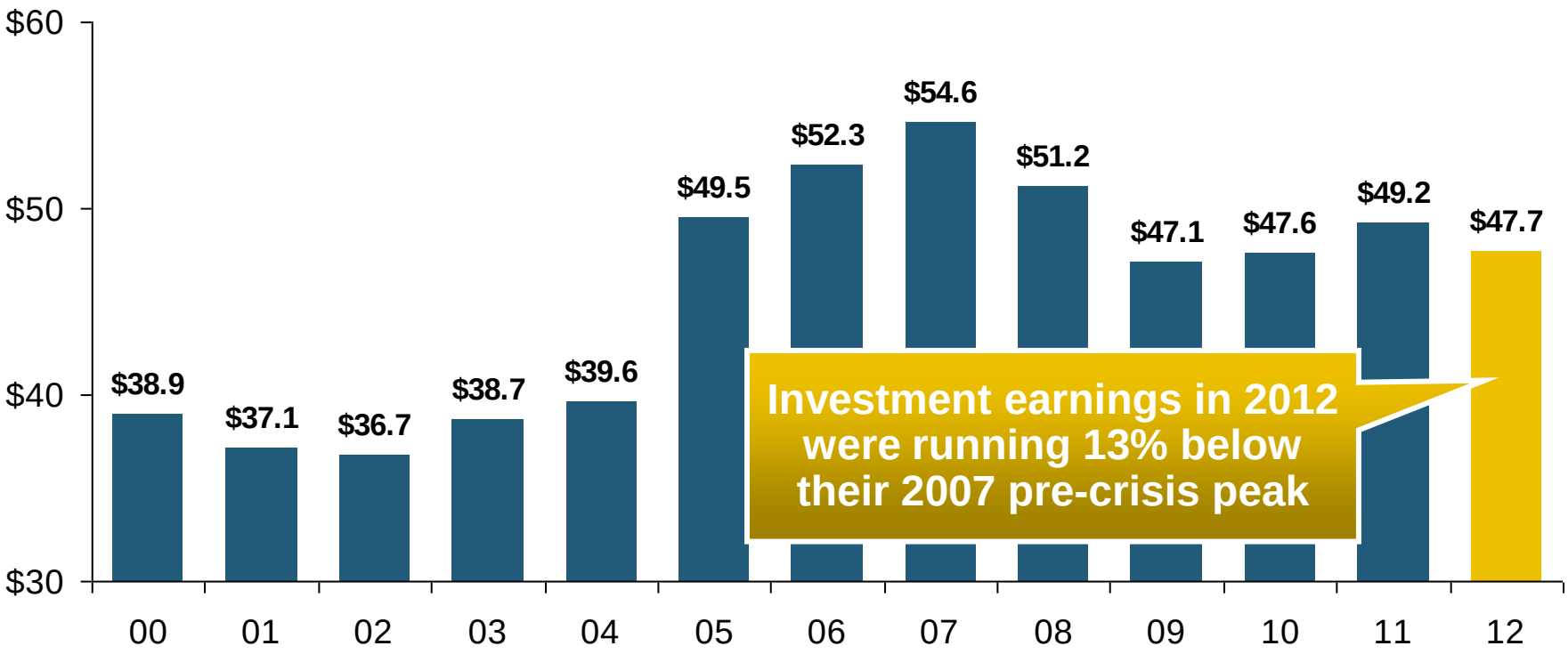
($ Billions)



Investment Income Fell in 2012 Due to Persistently Low Interest Rates, Putting Additional Pressure on (Re) Insurance Pricing

[1] Investment gains consist primarily of interest and stock dividends..
Sources: ISO; Insurance Information Institute.

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www.iii.org

Thank you for your time and your attention!

Twitter: twitter.com/bob_hartwig