2011 Catastrophe Loss Activity

Impacts on P/C Insurance Markets

Insurance Federation of New York
Insurance Information Institute
January 20, 2012

Download at www.iii.org/presentations

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Global Catastrophe Loss Developments and Trends

2011 Will Rewrite Catastrophe Loss and Insurance History

But Will Losses Turn the Market?

Global Catastrophe Loss Summary: 2011

- **2011 Was the *Highest* Loss Year on Record for Economic Losses Globally**
  - Extraordinary accumulation of severe natural catastrophe: Earthquakes, tsunami, floods and tornadoes are the primary causes of loss
- **$380 Billion in *Economic* Losses Globally (New Record)**
  - New record, exceeding the previous record of $270B in 2005
- **$105 Billion in *Insured* Losses Globally**
  - 2011 losses were 2.5 times 2010 insured losses of $42B
  - Second only to 2005 on an inflation adjusted basis (new record on a unadjusted basis)
  - Over 5 times the 30-year average of $19B
- **$72.8 Billion in *Economic* Losses in the US**
  - Represents a 129% increase over the $11.8 billion amount through the first half of 2010
- **$35.9 Billion in *Insured* Losses in the US Arising from 171 CAT Events**
  - Fifth highest year on record
  - Represents 51% increase over the $23.8 billion total in 2010

Source: Munich Re; Insurance Information Institute.

Natural Loss Events, 2011

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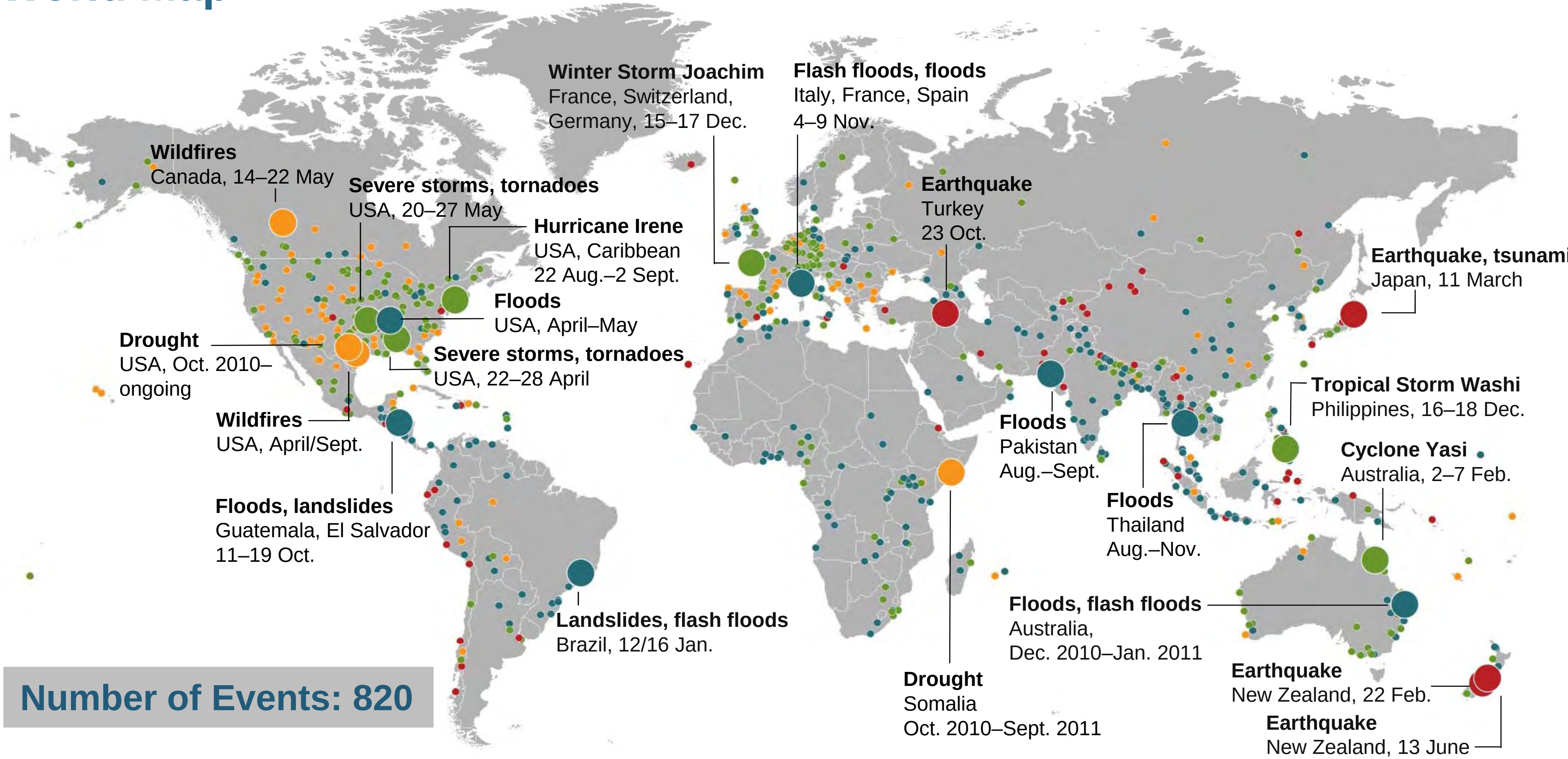
World Map



- **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*

Natural Catastrophes Worldwide, 2011

Overview and Comparison with Previous Years

	2011	2010	Average of the last 10 years 2001-2010	Average of the last 30 years 1981-2010	Top Year 1981-2010
Number of events	820	970	790	630	**2007 (1,025)**
Overall losses in US$ m (original values)	380,000	152,000	113,000	75,000	**2005 (227,000)**
Insured losses in US$ m (original values)	105,000	42,000	35,000	19,000	**2005 (101,000)**
Fatalities	27,000	296,000	106,000	69,000	**2010 (296,000)**

Source: MR NatCat*SERVICE*

5 Costliest Natural Catastrophes Worldwide in Terms of Insured Losses, 2011 ($Mill)

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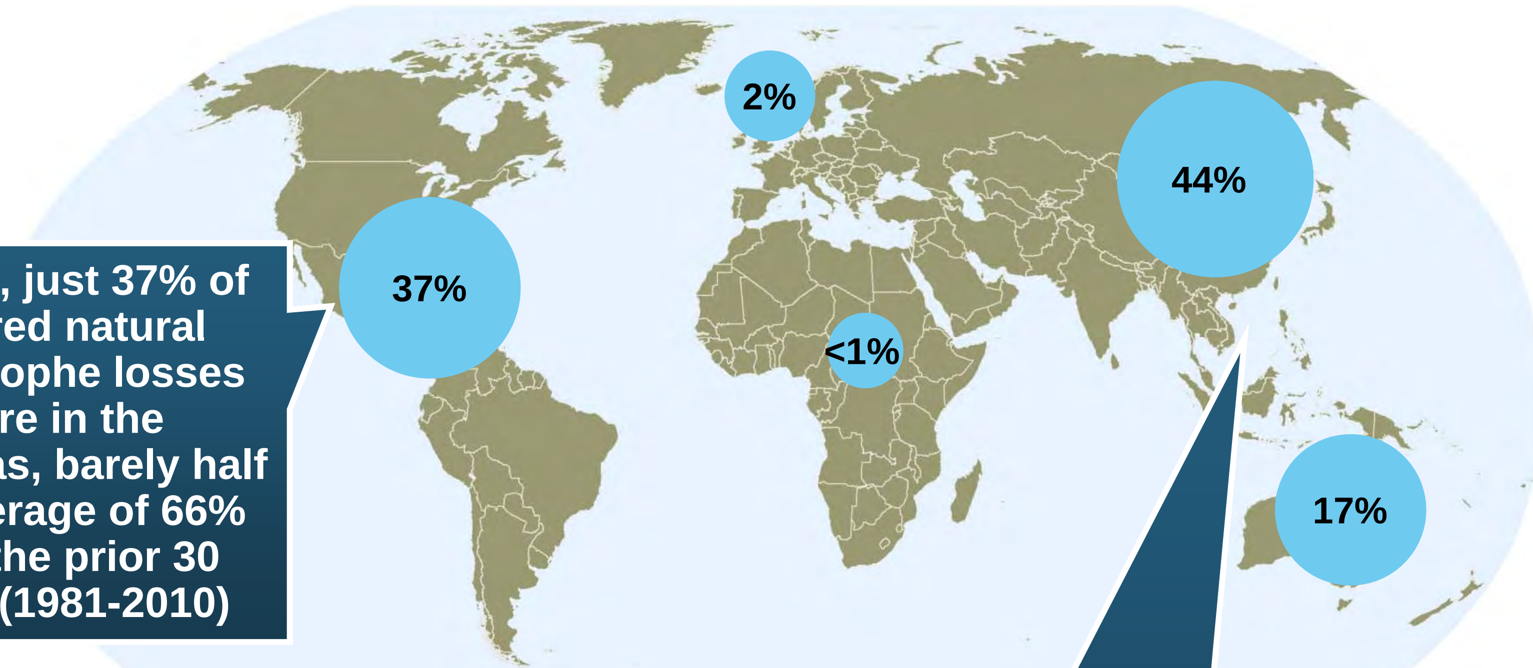
Date	Region	Event	Fatalities	Overall losses US$ m	Insured losses US$ m
March 11	Japan	Earthquake, tsunami	15,840	210,000	35,000-40,000
Feb. 22	New Zealand	Earthquake	181	16,000	13,000
Aug. 1 – Nov. 15	Thailand	Floods, landslides	813	40,000	10,000
Apr. 22-28	USA	Severe storms/ tornadoes	350	15,000	7,300
Aug. 22 - Sep. 2	USA, Caribbean	Hurricane Irene	55	15,000	7,000

Source: MR NatCat*SERVICE*

Natural Catastrophes Worldwide 2011

Insured losses US$ 105bn - Percentage distribution per continent



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)

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)

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

Source: MR NatCat*SERVICE*

Natural Catastrophes Worldwide 1980 – 2011
Insured losses US$ 870bn - Percentage distribution per continent

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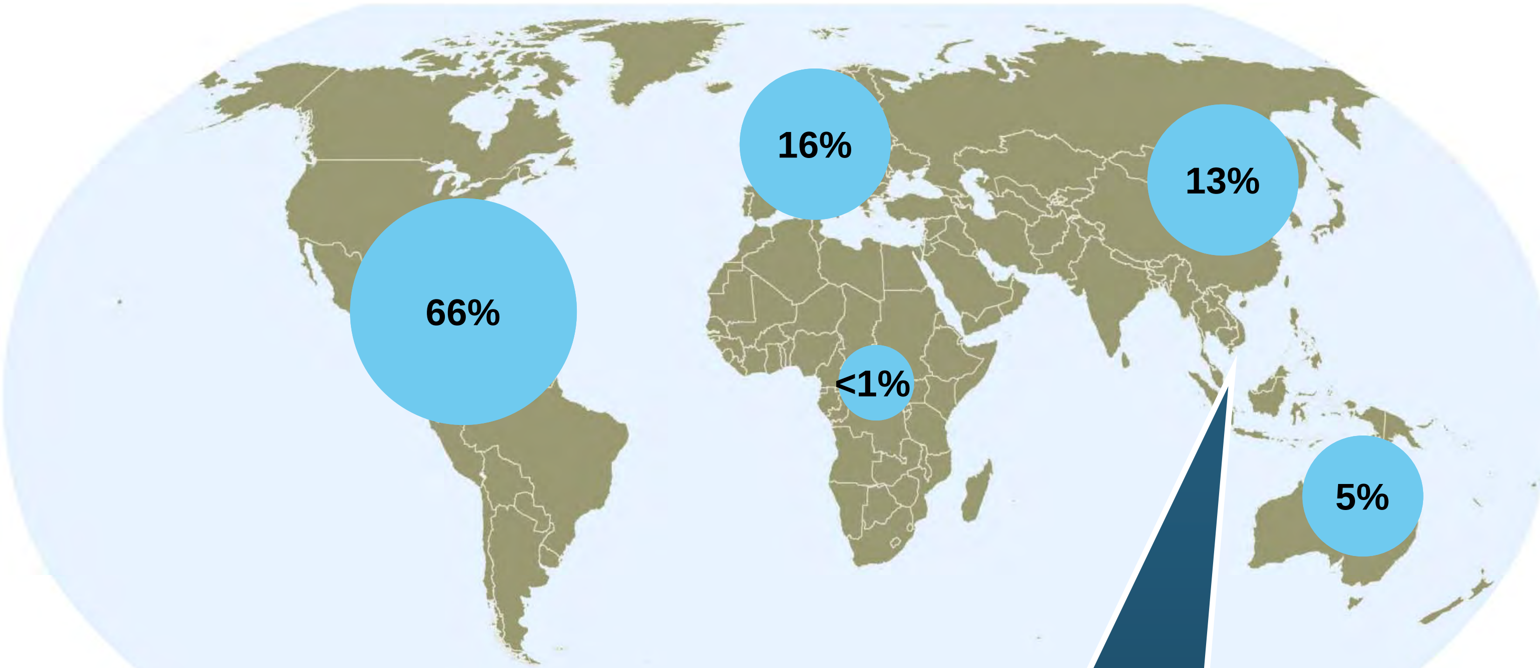

Continent	Insured losses US$ m
America (North and South America)	566,000
Europe	146,000
Africa	2,000
Asia	115,000
Australia / Oceania	41,000

In 2011, 61% of 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*

Natural Catastrophes in Asia 1980 – 2011

Overall and insured losses in 2011 Dollars

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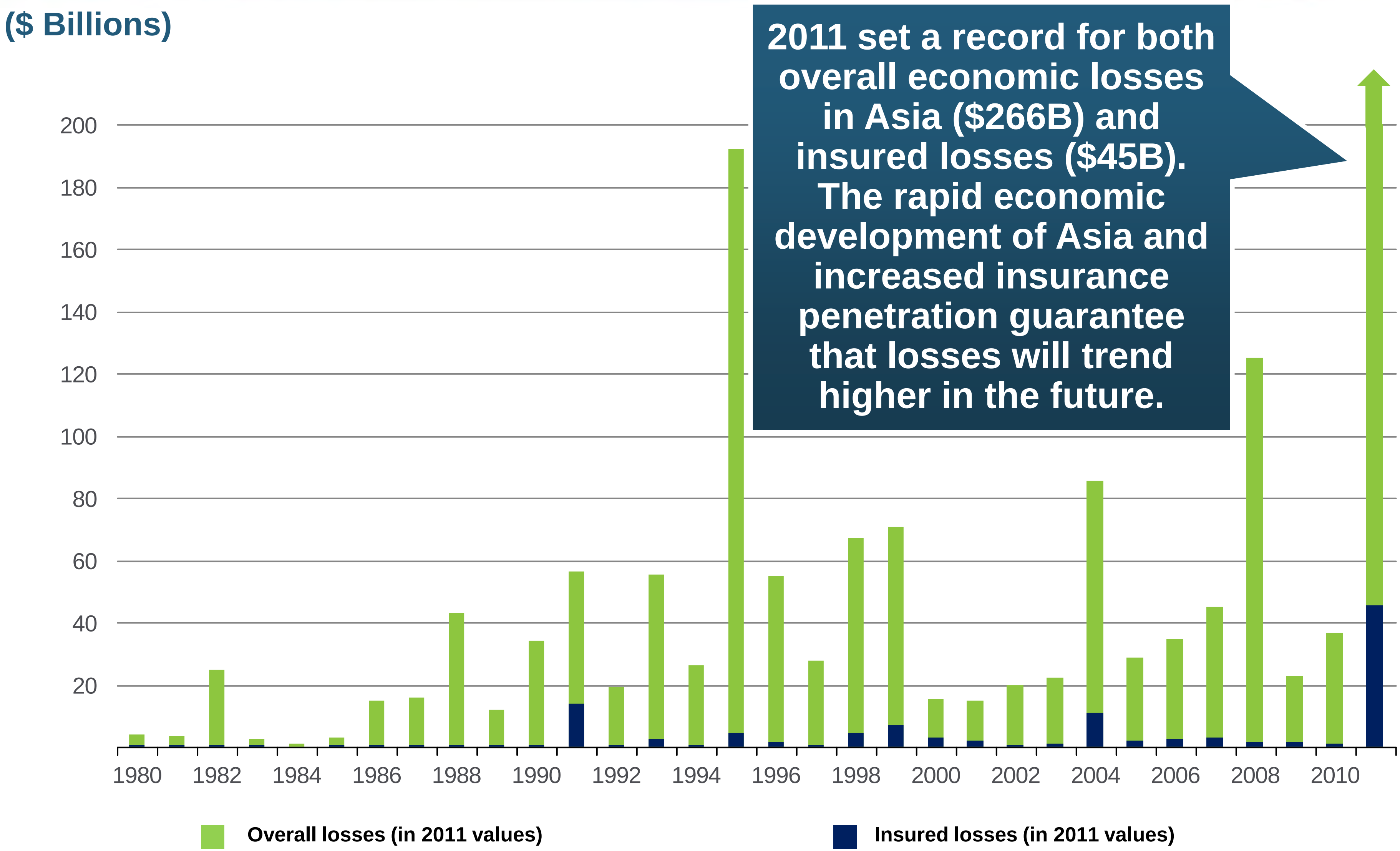

Source: MR NatCat*SERVICE*

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

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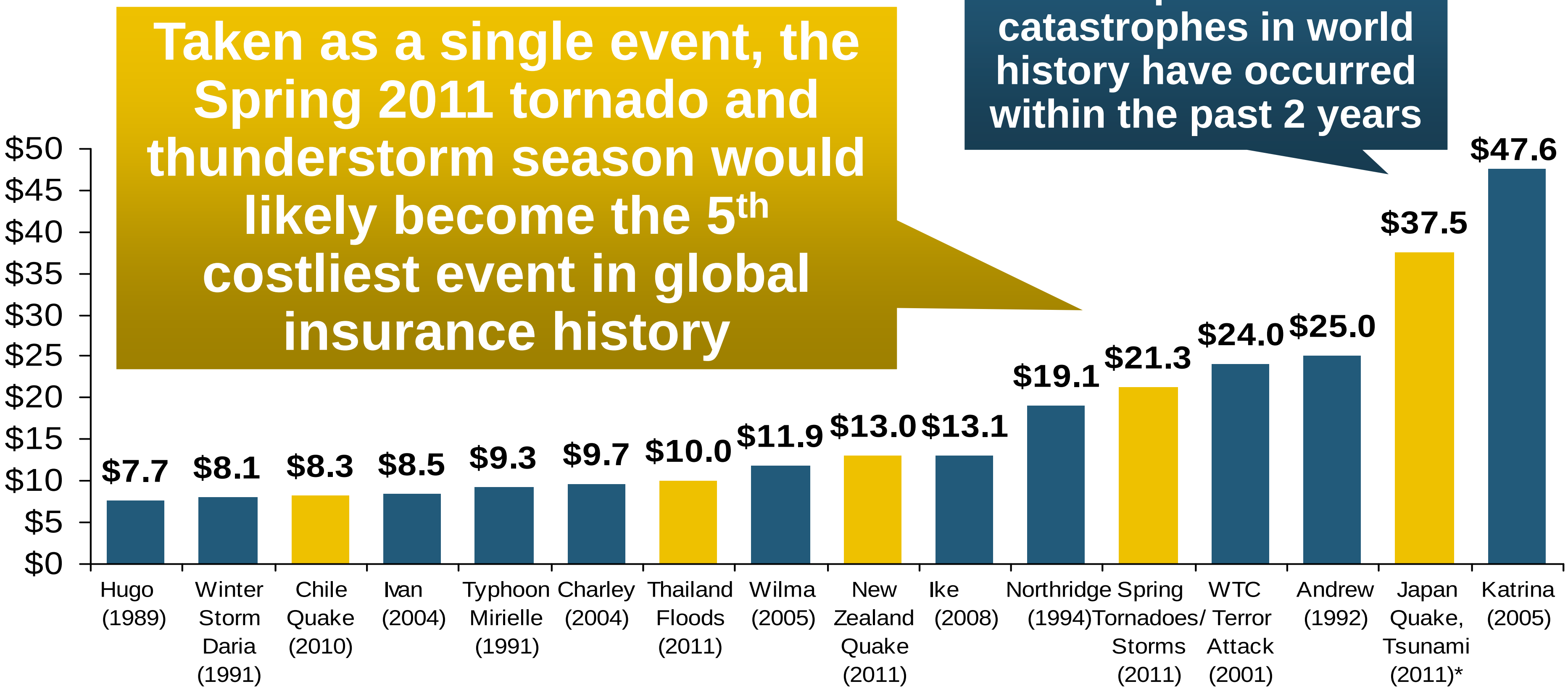
(Insured Losses, 2011 Dollars, $ Billions)

5 of the top 14 most expensive catastrophes in world history have occurred within the past 2 years



*Average of range estimates of $35B - $40B as of 1/4/12; Privately insured losses only.

**Figures do not include federally insured flood losses.

Sources: Swiss Re *sigma 1/2011*; Munich Re; Insurance Information Institute research.

Worldwide Natural Disasters, 1980 – 2011

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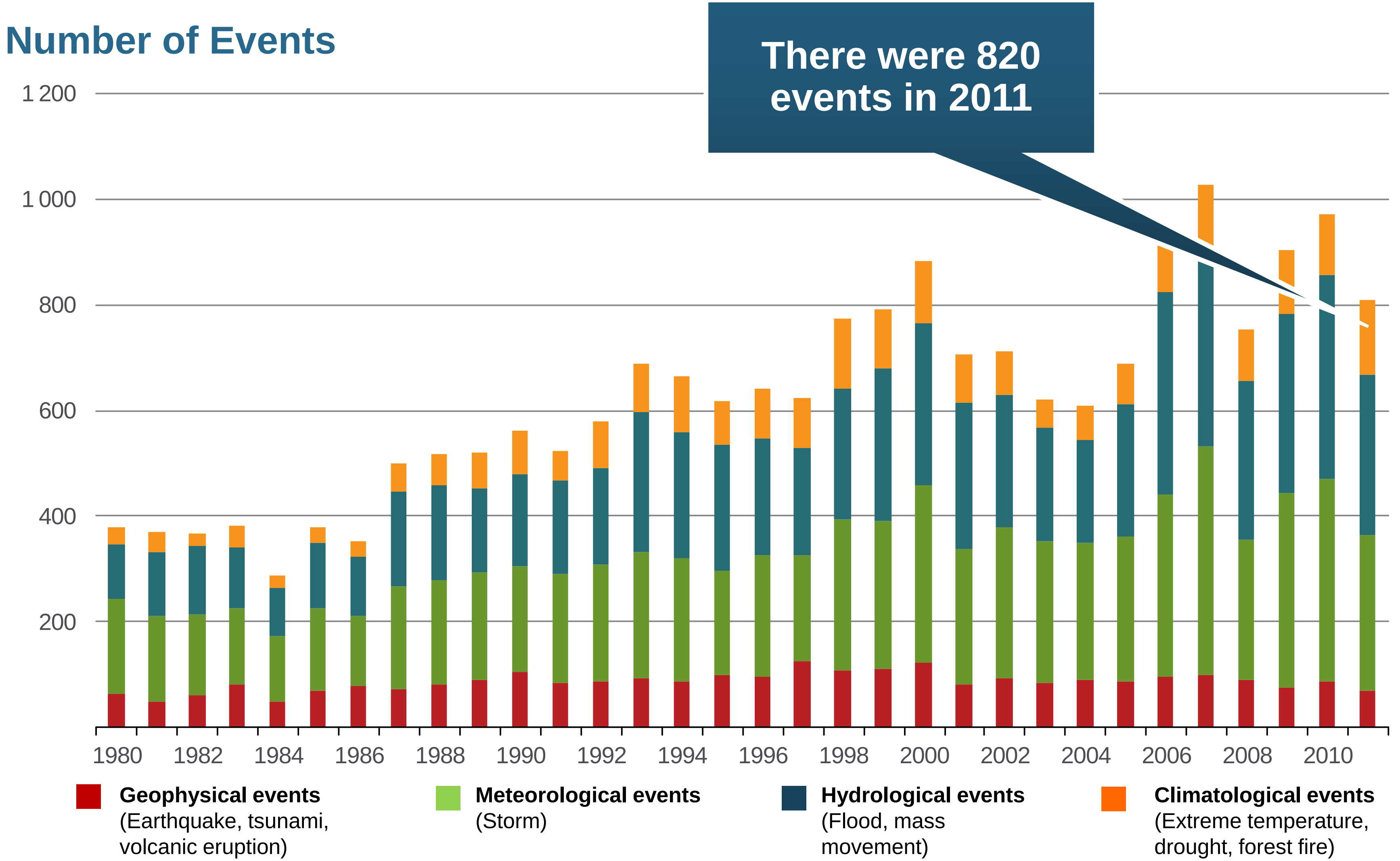
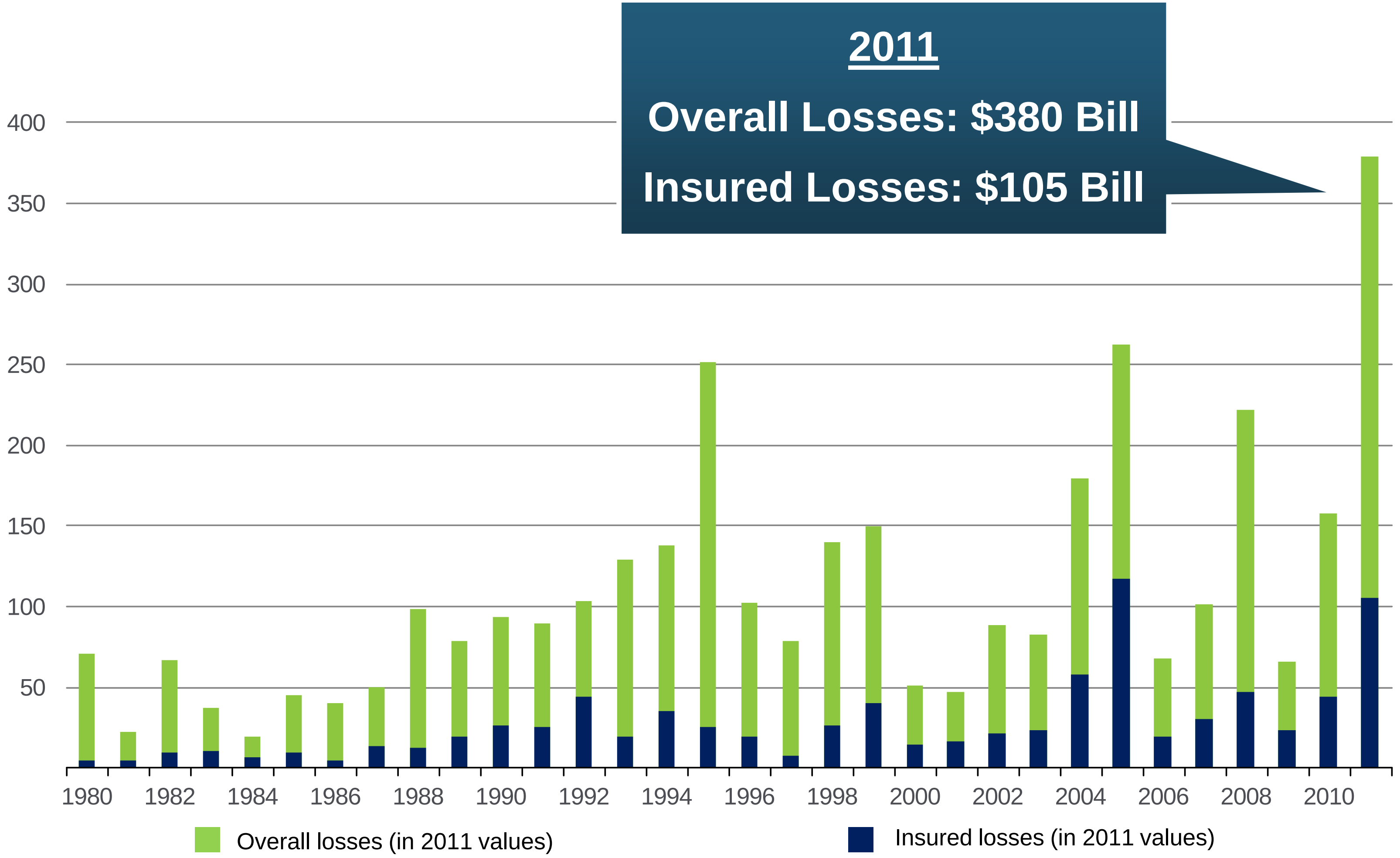


Source: MR NatCat*SERVICE*

Worldwide Natural Disasters 1980–2011, Overall and Insured Losses

(Insured Losses, 2011 Dollars, $ Billions)



Source: MR NatCat*SERVICE*

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U.S. Insured Catastrophe Loss Update

2011 Was One of the Most Expensive Years on Record

Top 14 Most Costly Disasters in U.S. History

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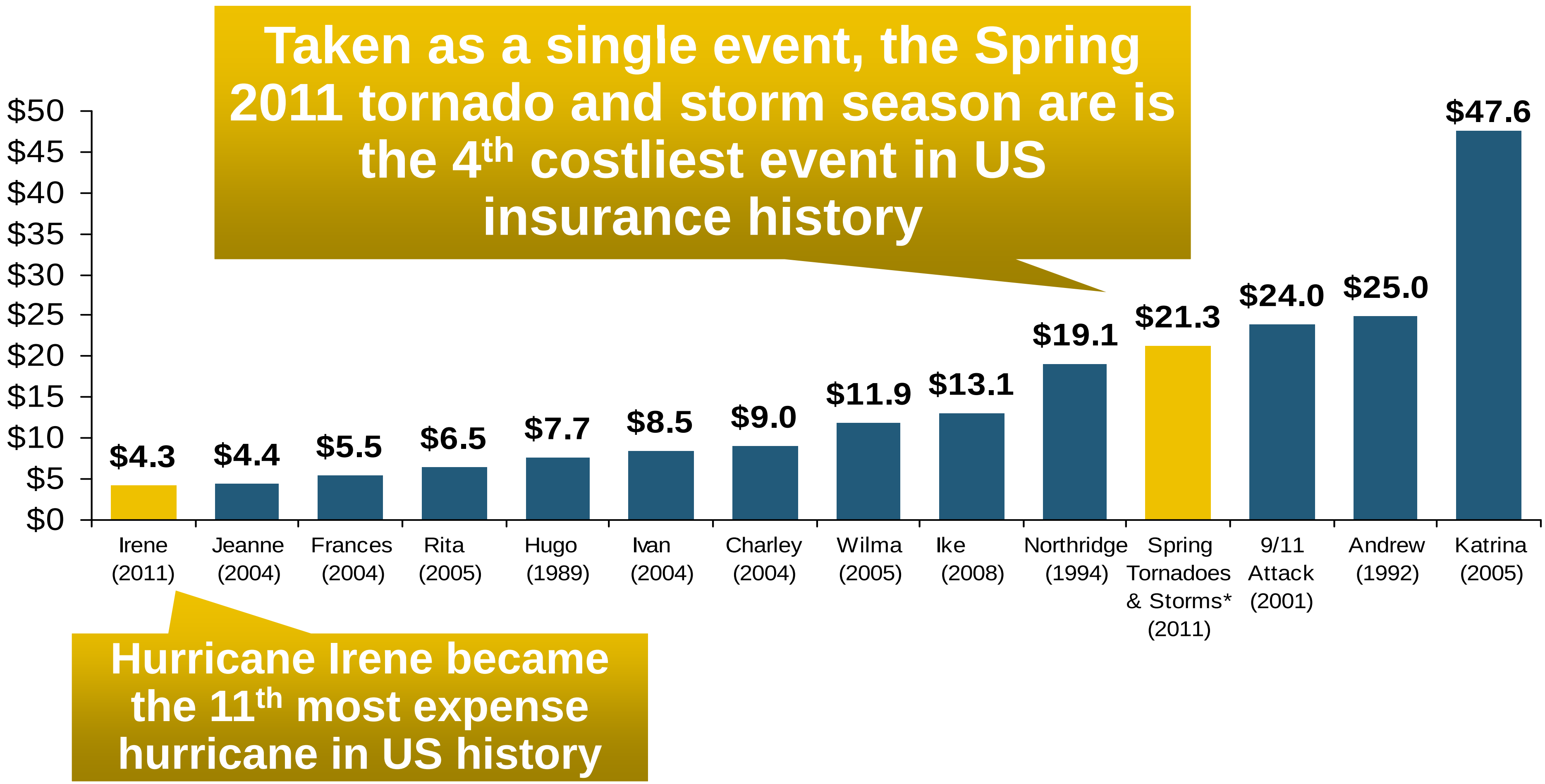
(Insured Losses, 2011 Dollars, $ Billions)

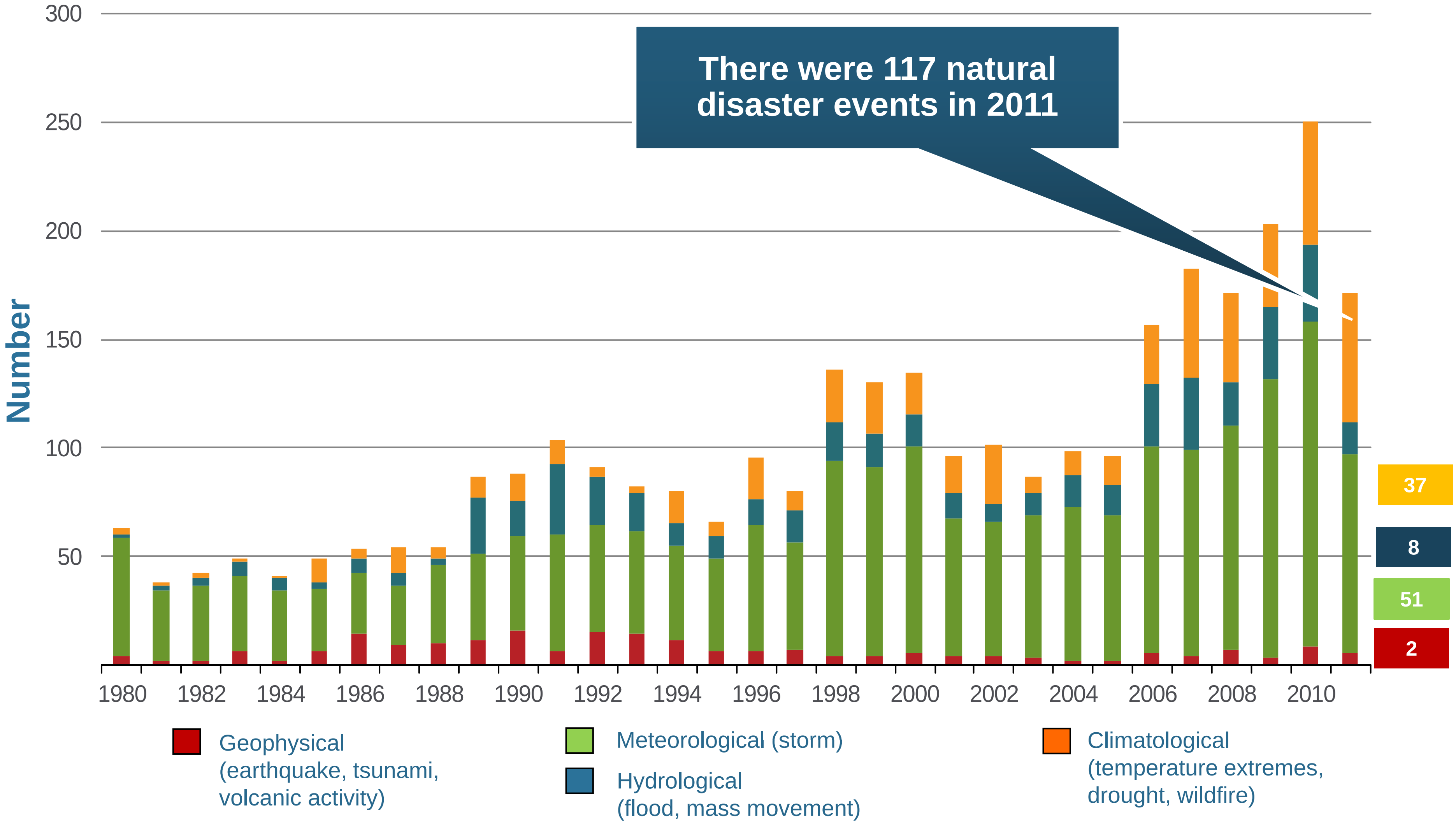


*Losses will actually be broken down into several "events" as determined by PCS. Includes losses for the period April 1 – June 30.

Sources: PCS; Insurance Information Institute inflation adjustments.

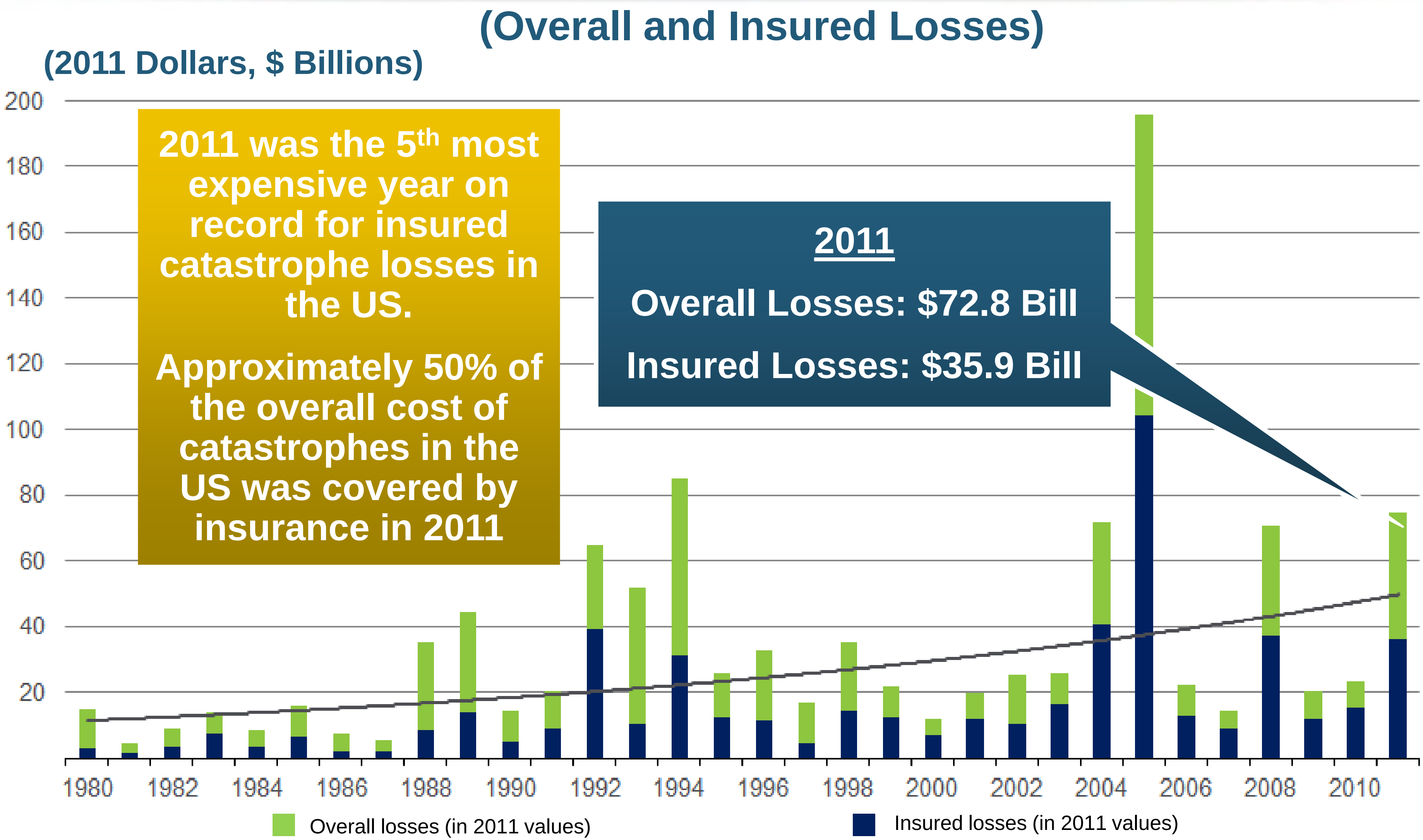
Natural Disasters in the United States, 1980 – 2011

Number of Events (Annual Totals 1980 – 2011)



Source: MR NatCat*SERVICE*

Losses Due to Natural Disasters in the US, 1980–2011 (Overall & Insured Losses)



2011 was the 5th most expensive year on record for insured catastrophe losses in the US.

Approximately 50% of the overall cost of catastrophes in the US was covered by insurance in 2011

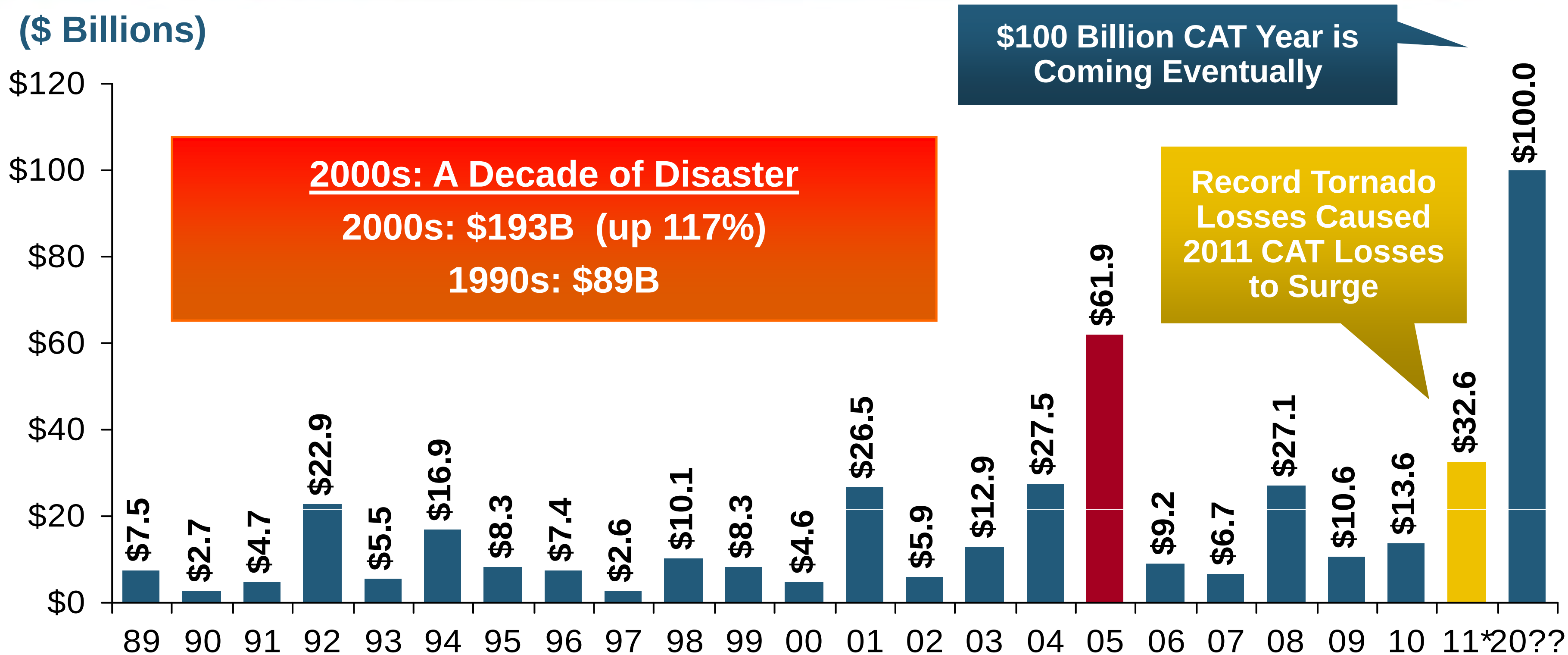
2011

Overall Losses: $72.8 Bill

Insured Losses: $35.9 Bill

Source: MR NatCat*SERVICE*

US Insured Catastrophe Losses



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

*PCS estimate through Sept. 30, 2011.

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

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

US Insured Catastrophe Losses

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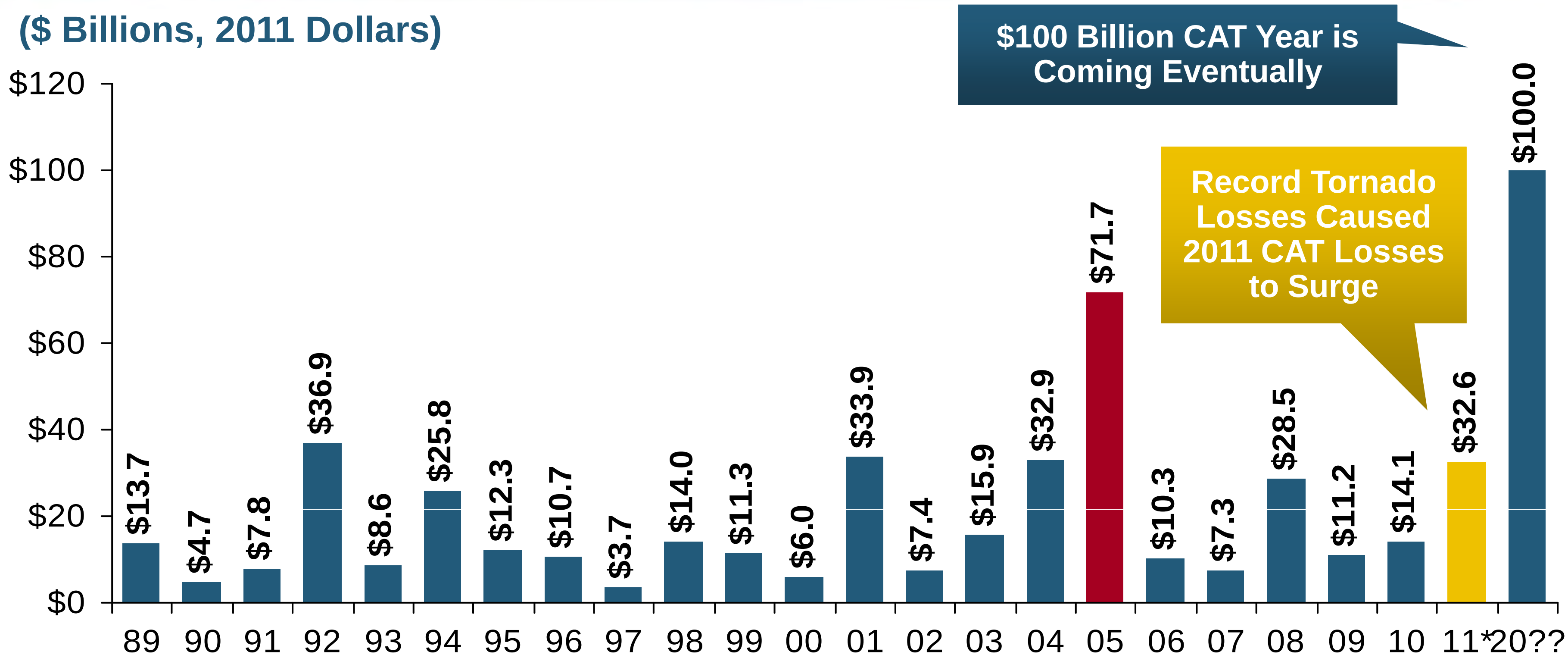

US CAT Losses in 2011 Were the 5th Highest in US History on An Inflation Adjusted Basis

*PCS estimate through Sept. 30, 2011.

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.

Natural Disaster Losses in the United States: 2011

As of Jan. 1, 2012	Number of Events	Fatalities	Estimated Overall Losses (US $m)	Estimated Insured Losses (US $m)
Severe Thunderstorm	69	617	46,548	25,813
Winter Storm	9	67	2,708	2,017
Flood	14	20	2,705	535
Earthquake	5	1	257	50
Tropical Cyclone	3	0	10,700	5,510
Wildfire	58	15	1,922	855
Other	2	33	8,000	1,000

Source: MR NatCat*SERVICE*

2011's Most Expensive Catastrophes, Insured Losses

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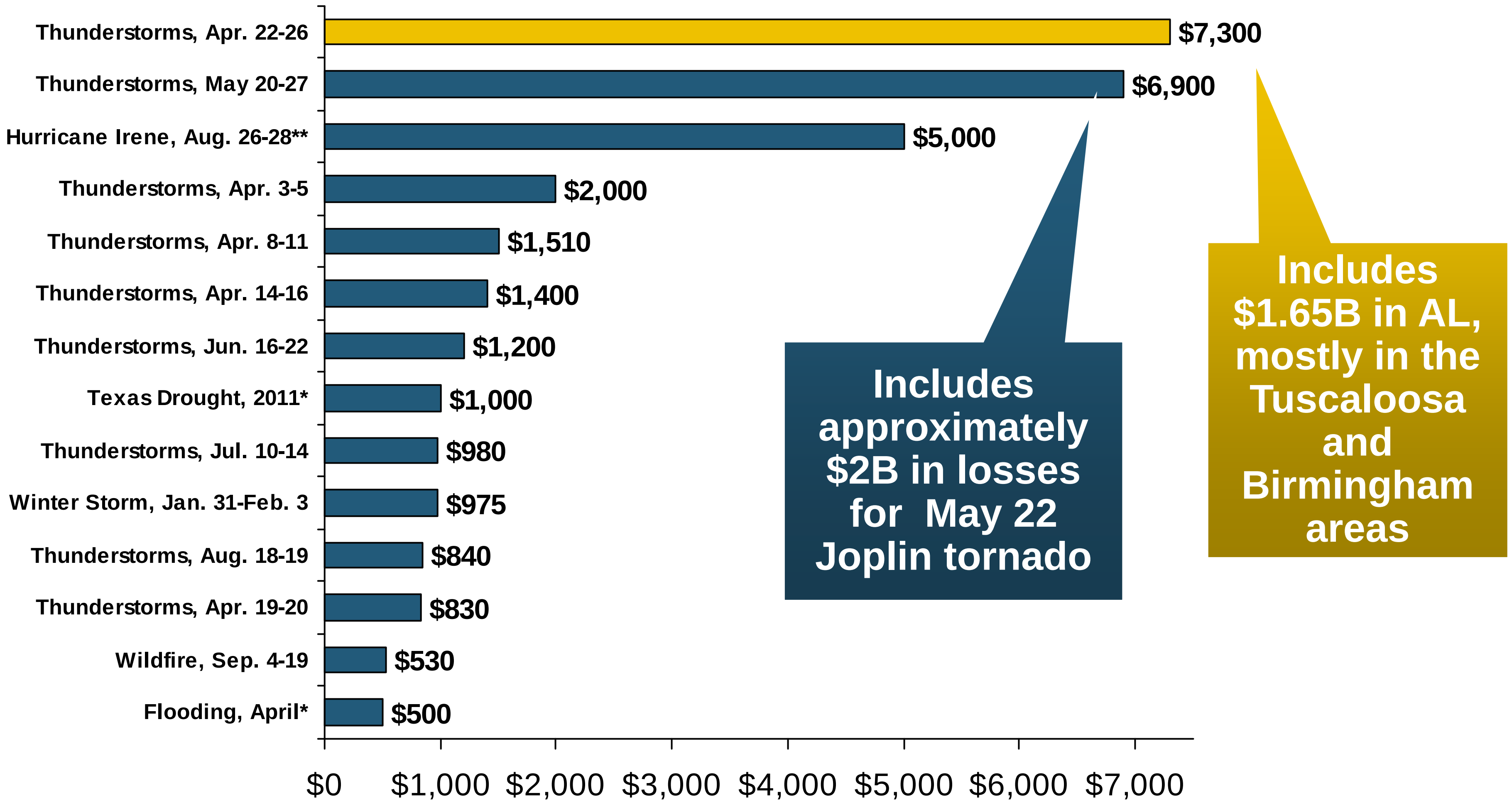
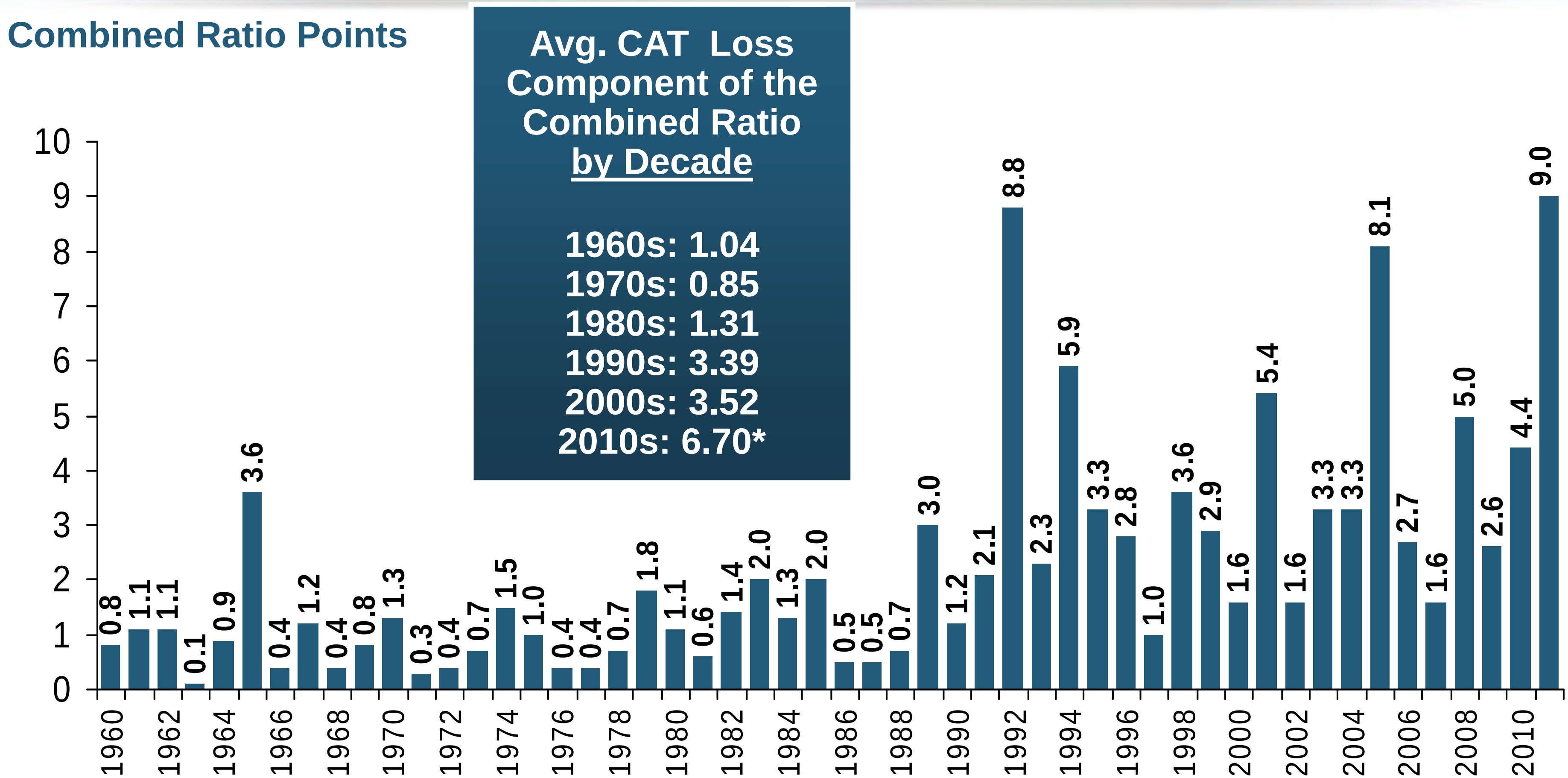


**Includes $700 million in flood losses insured through the National Flood Insurance Program.
Source: PCS except as noted by "*" which are sourced to Munich Re; Insurance Information Institute.

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2011*

Combined Ratio Points



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

*Insurance Information Institute estimates for 2010 and 2011 based on A.M. Best data.

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

Source: ISO; Insurance Information Institute.

U.S. Thunderstorm Loss Trends, 1980 – 2011

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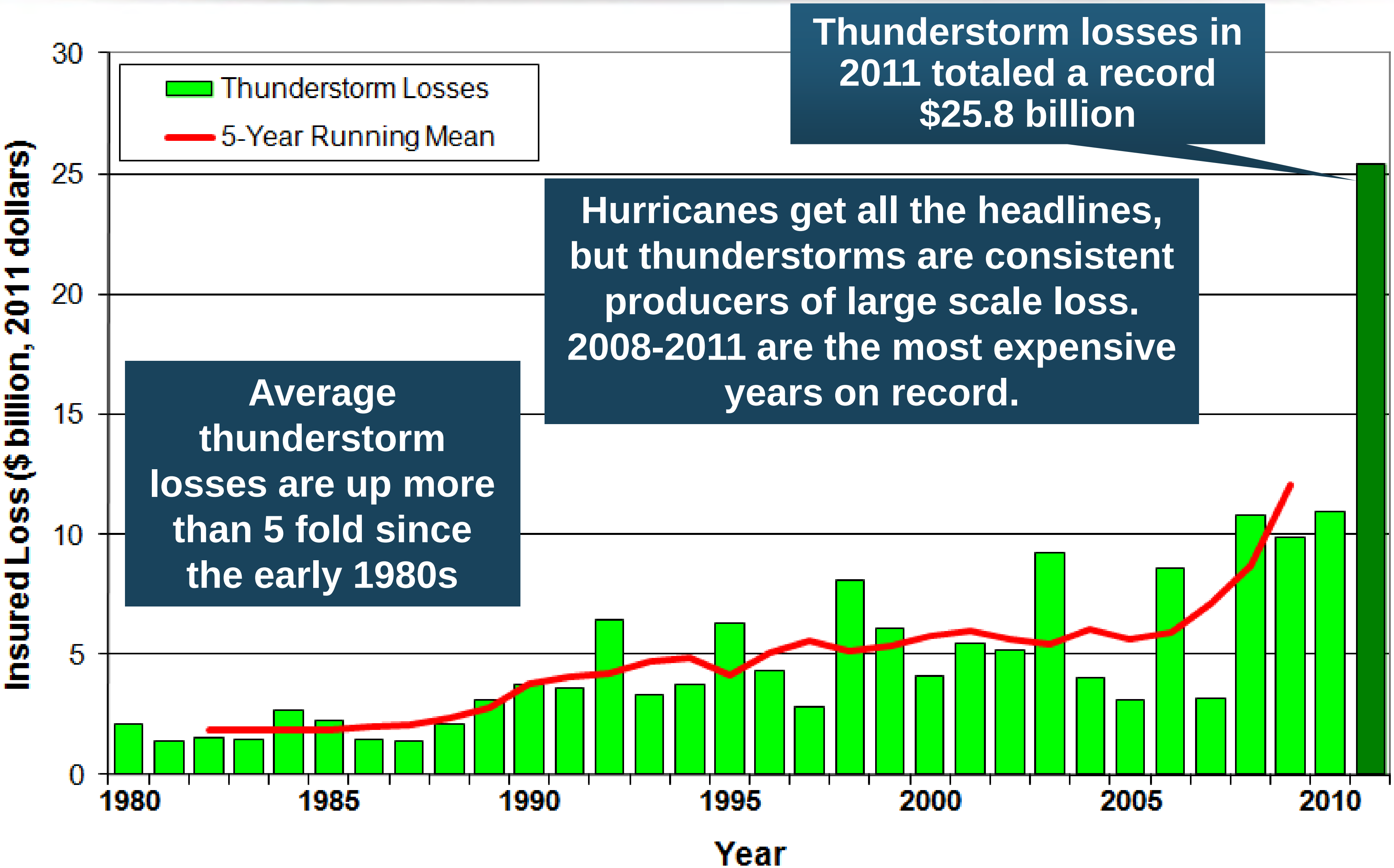
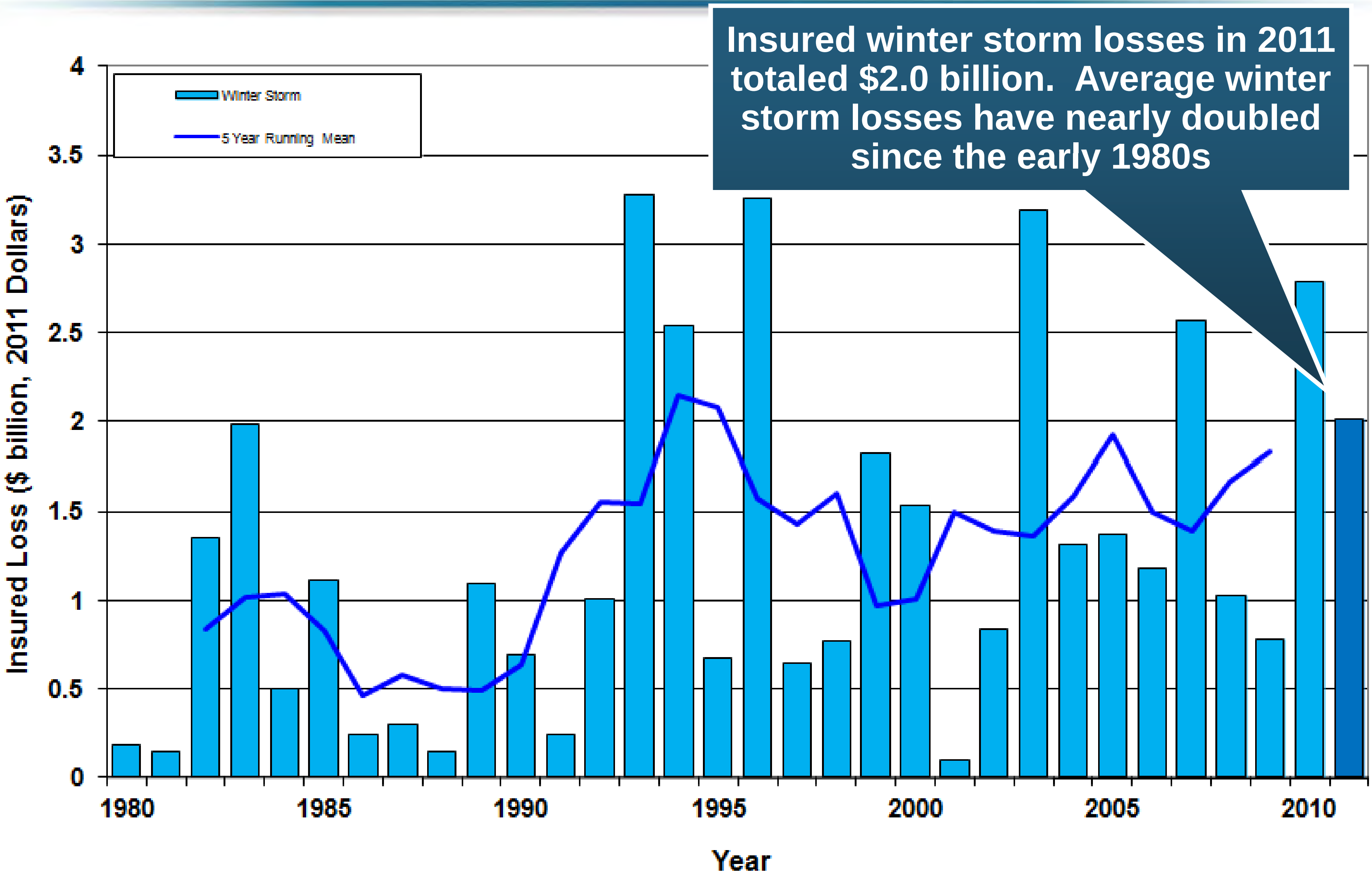


Source: Property Claims Service, MR NatCat*SERVICE*

U.S. Winter Storm Loss Trends, 1980 – 2011



Source: Property Claims Service, MR NatCat*SERVICE*

U.S. Acreage Burned by Wildfires, 1980 – 2011

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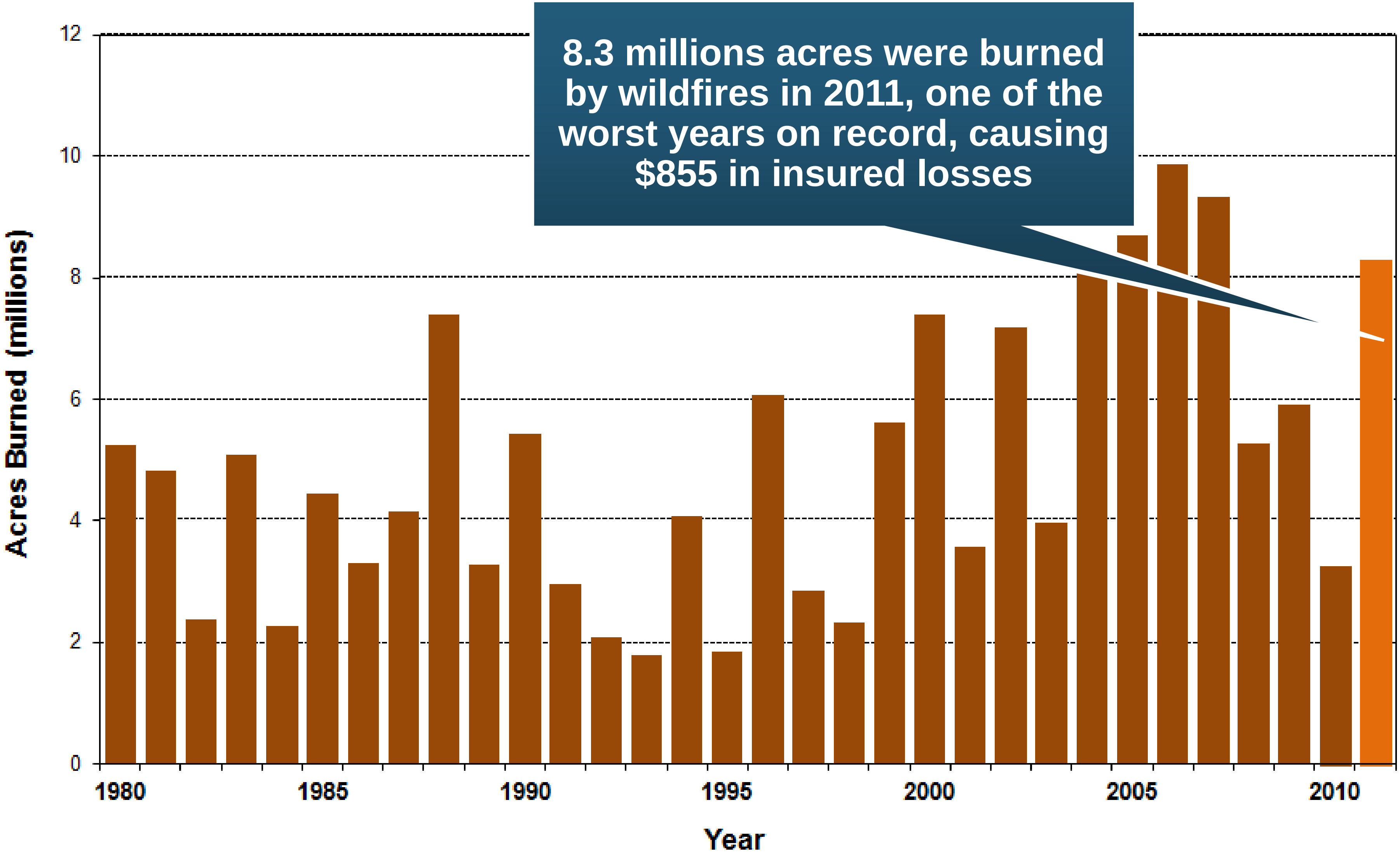

Source: National Forest Service, MR Nat*CatSERVICE*

Notable Wildfires in 2011

- Worst wildfire year on record in Texas due to persistent drought.
- **Spring:** Over 3 million acres burned in west Texas from 12 major seats of fire. Over 200 homes and businesses destroyed, $50 million insured loss.
- **September:** Bastrop County Complex Fire near San Antonio destroys over 1,600 homes, insured loss of $530 million.


Source: FEMA

U.S. Insured Catastrophe Losses by Cause of Loss, 2011 ($ Millions)

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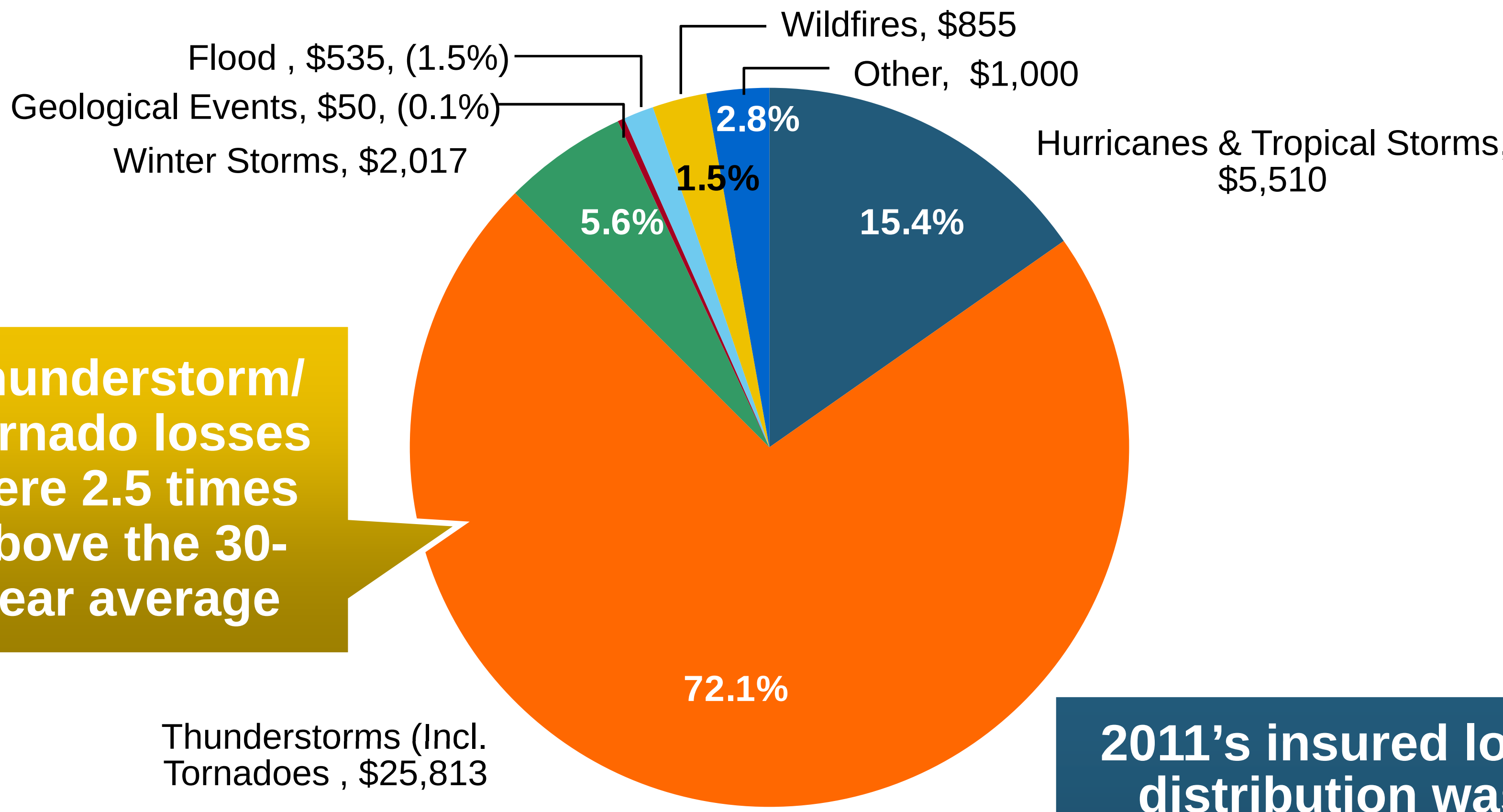
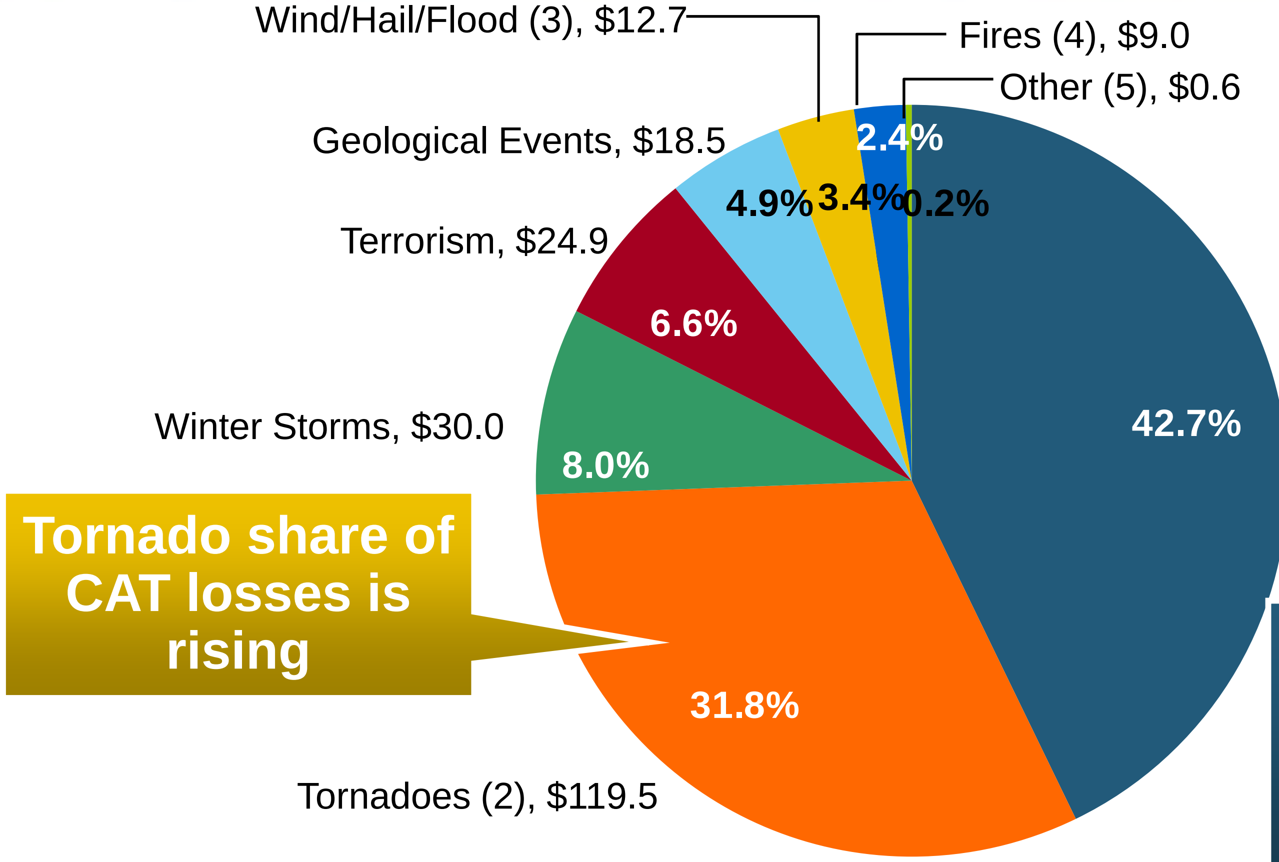


Thunderstorm/ Tornado losses were 2.5 times above the 30-year average

2011's insured loss distribution was unusual with tornado and thunderstorm accounting for the vast majority of loss

Source: ISO's Property Claim Services Unit, Munich Re; Insurance Information Institute.

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1990–2011:H1[1]



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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2011: Nowhere to Run, Nowhere to Hide

Most of the Country East of the Rockies Suffered Severe Weather in 2011, Impacting Most Insurers

Number of Federal Disaster Declarations, 1953-2011*

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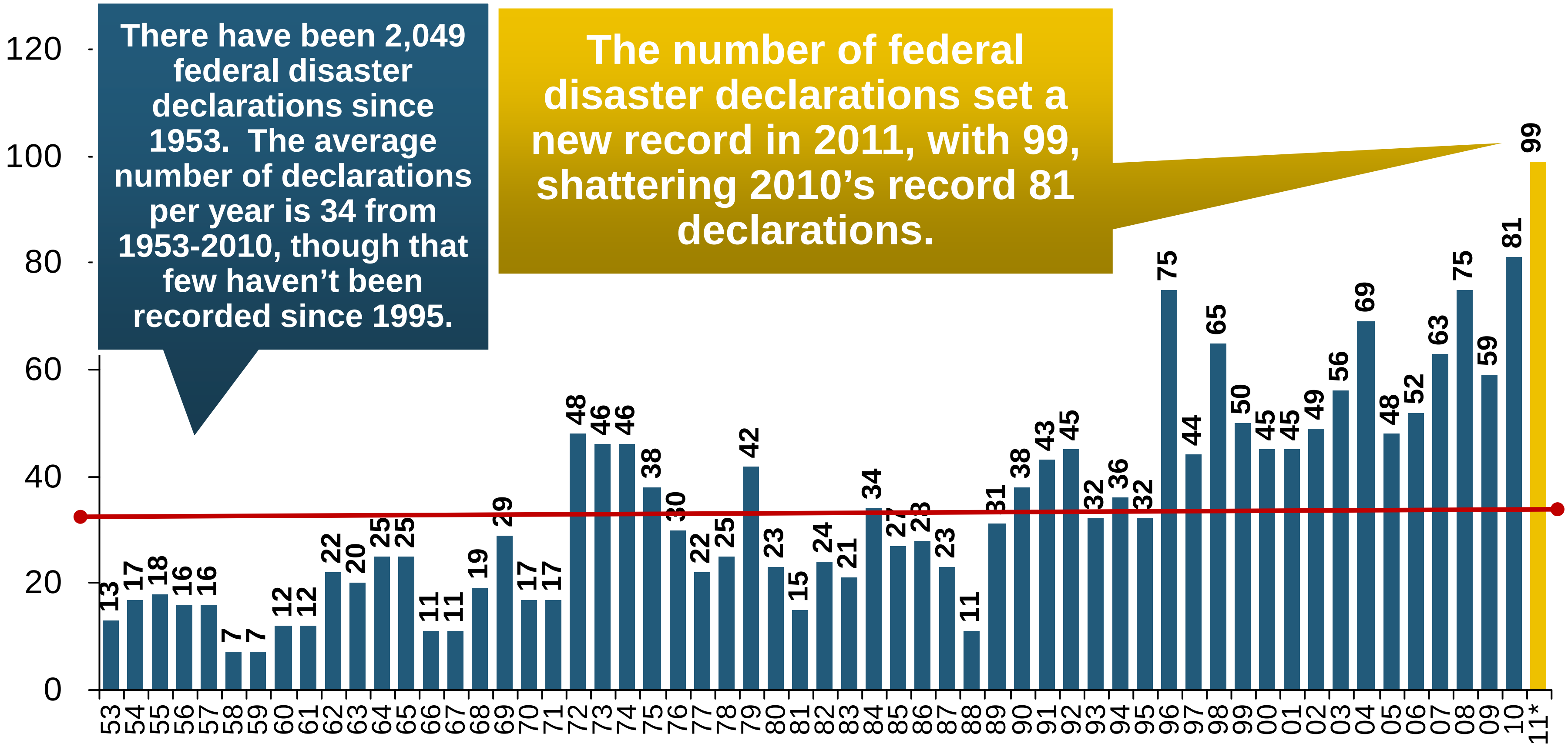
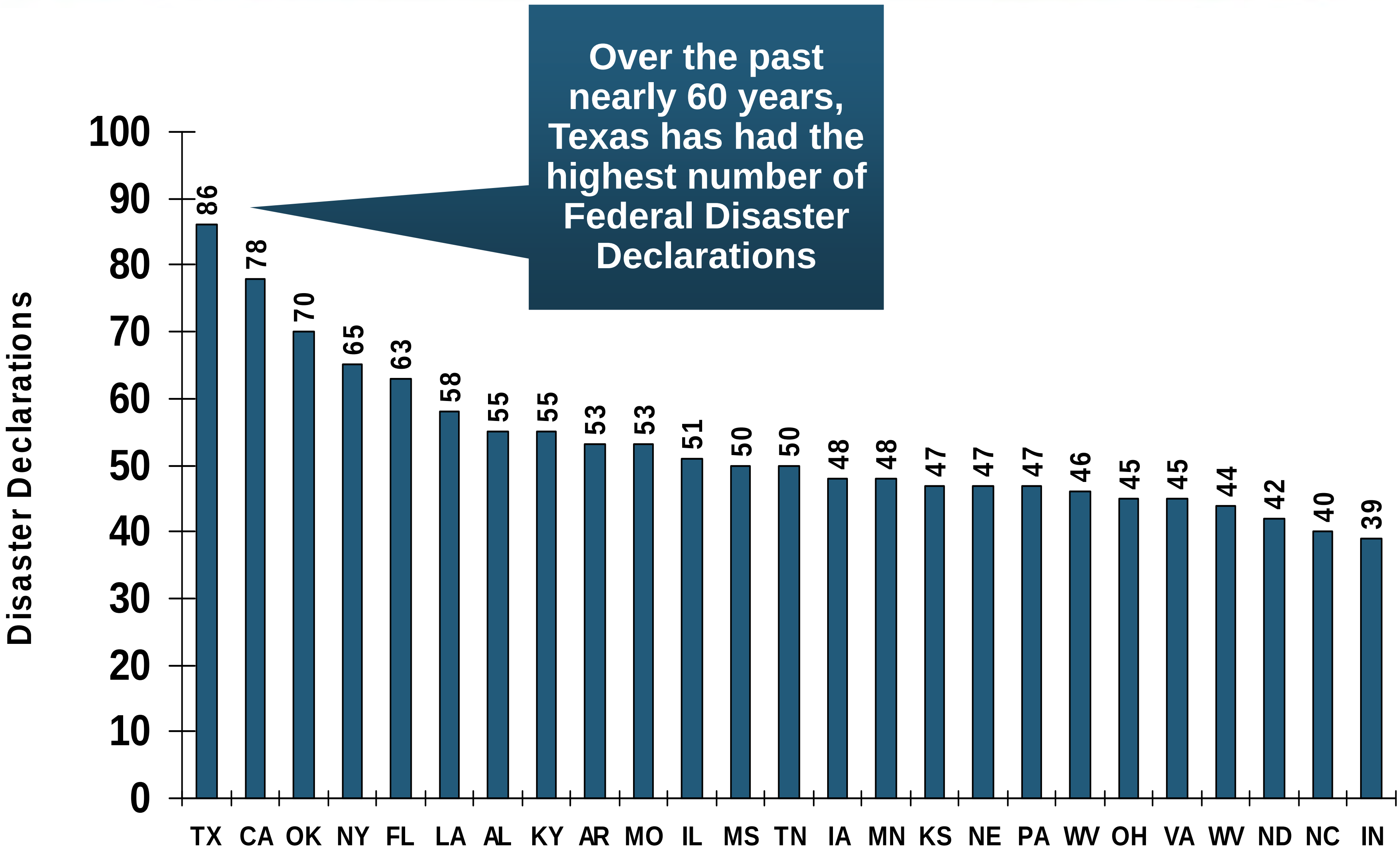


The Number of Federal Disaster Declarations Is Rising and Set a New Record in 2011

*Through December 31, 2011.

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

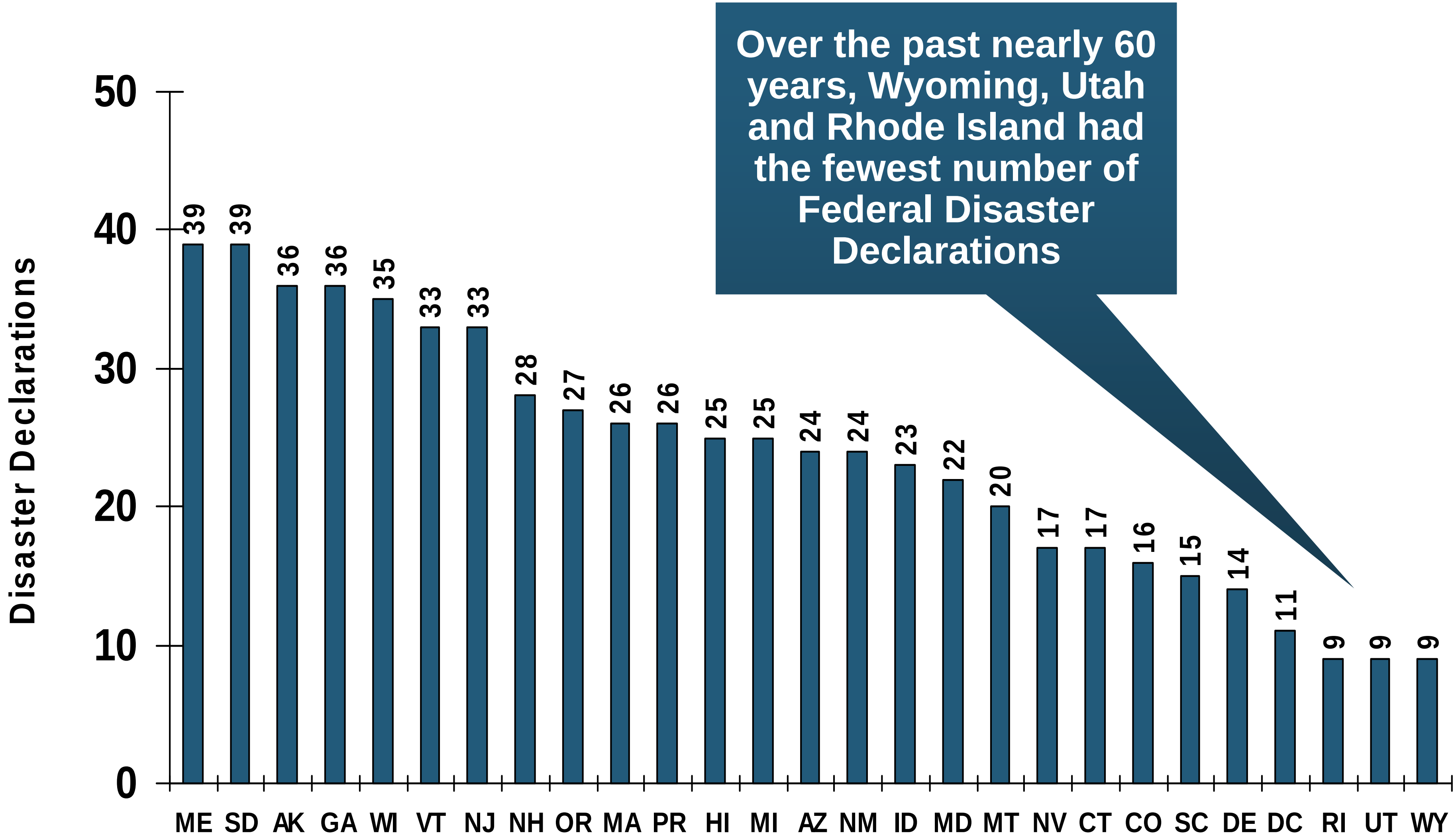
Federal Disasters Declarations by State, 1953 – 2011: Highest 25 States*



*Through Dec. 31, 2011.

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

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



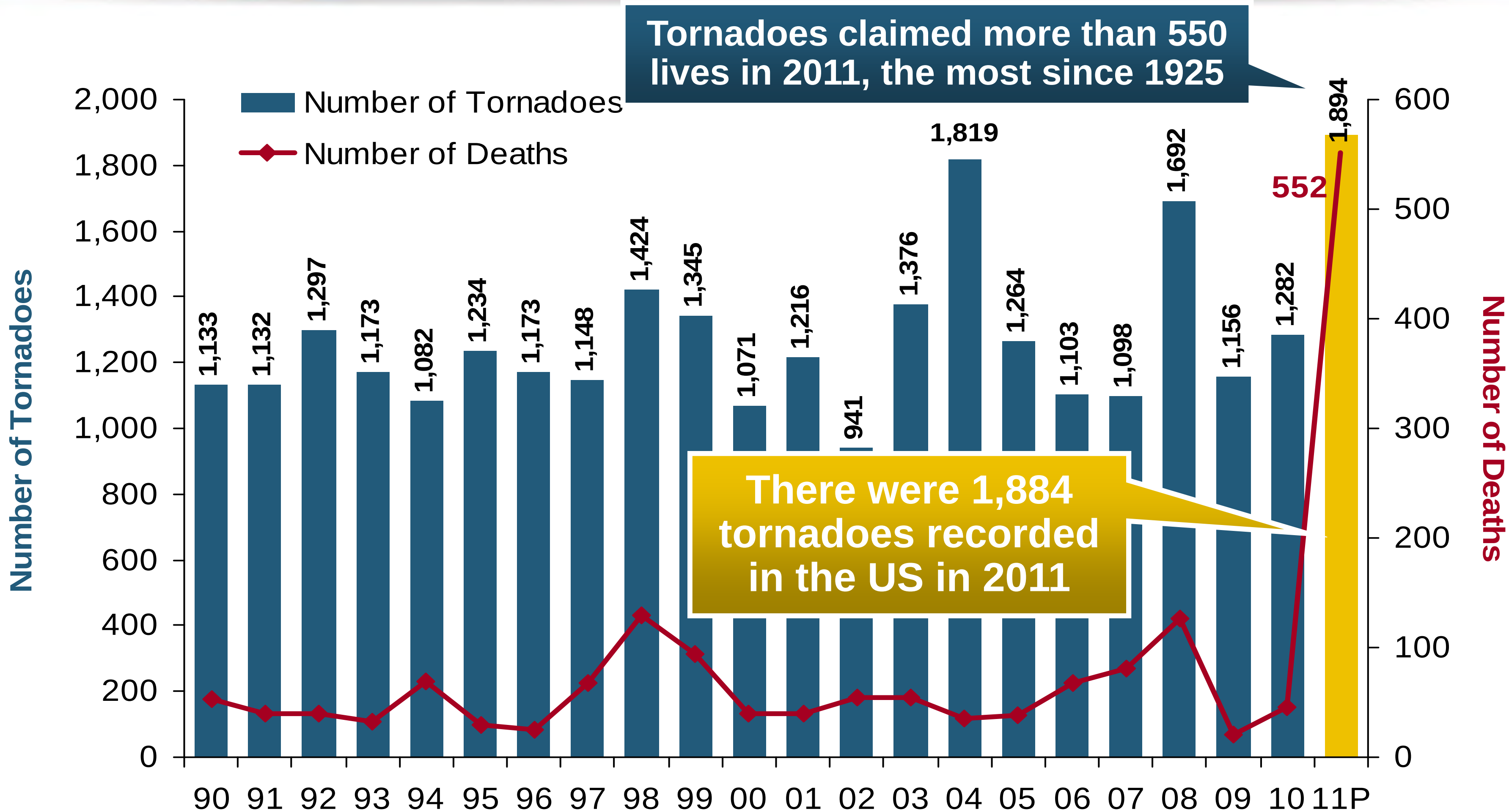
*Through Dec. 31. Includes Puerto Rico and the District of Columbia.

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

SPRING 2011 TORNADO & SEVERE STORM OUTBREAK

2011 Losses Are Putting Pressure on US P/C Insurance and Reinsurance Markets

Number of Tornadoes and Related Deaths, 1990 – 2011



Insurers Expect to Pay at Least $2 Billion Each for the April 2011 Tornadoes in Alabama and a Similar Amount for the May Storms in Joplin

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

U.S. Tornado Count, 2005-2011

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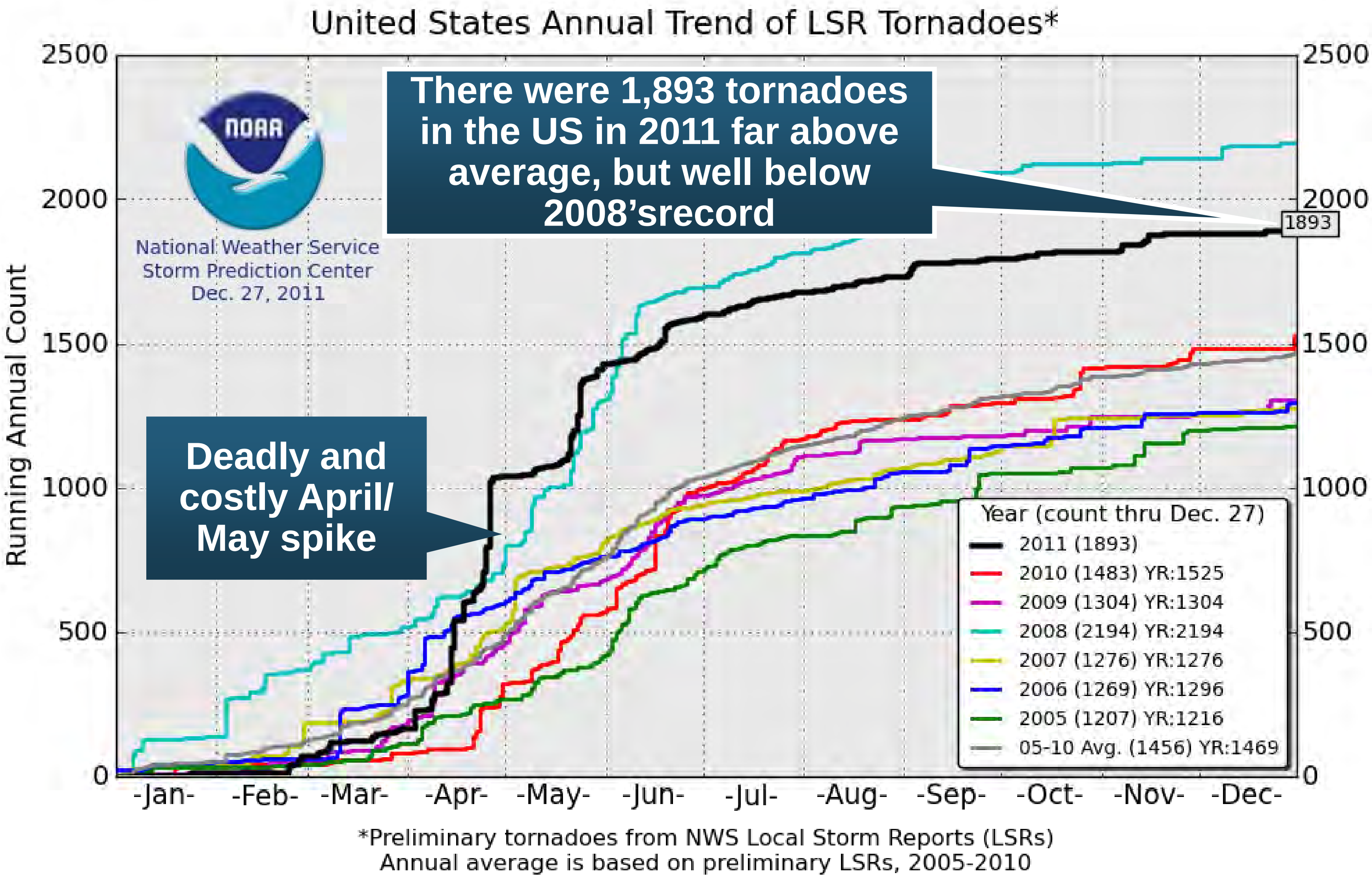

Source: http://www.spc.noaa.gov/wcm/

Insurers Making a Difference in Impacted Communities

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Destroyed home in Tuscaloosa. Insurers will pay some 165,000 claims totaling $2 billion in the Tuscaloosa/ Birmingham areas alone.

Presentation of a check to Tuscaloosa Mayor Walt Maddox to the Tuscaloosa Storm Recovery Fund

Source: Insurance Information Institute

Location of Tornadoes in the US, 2011

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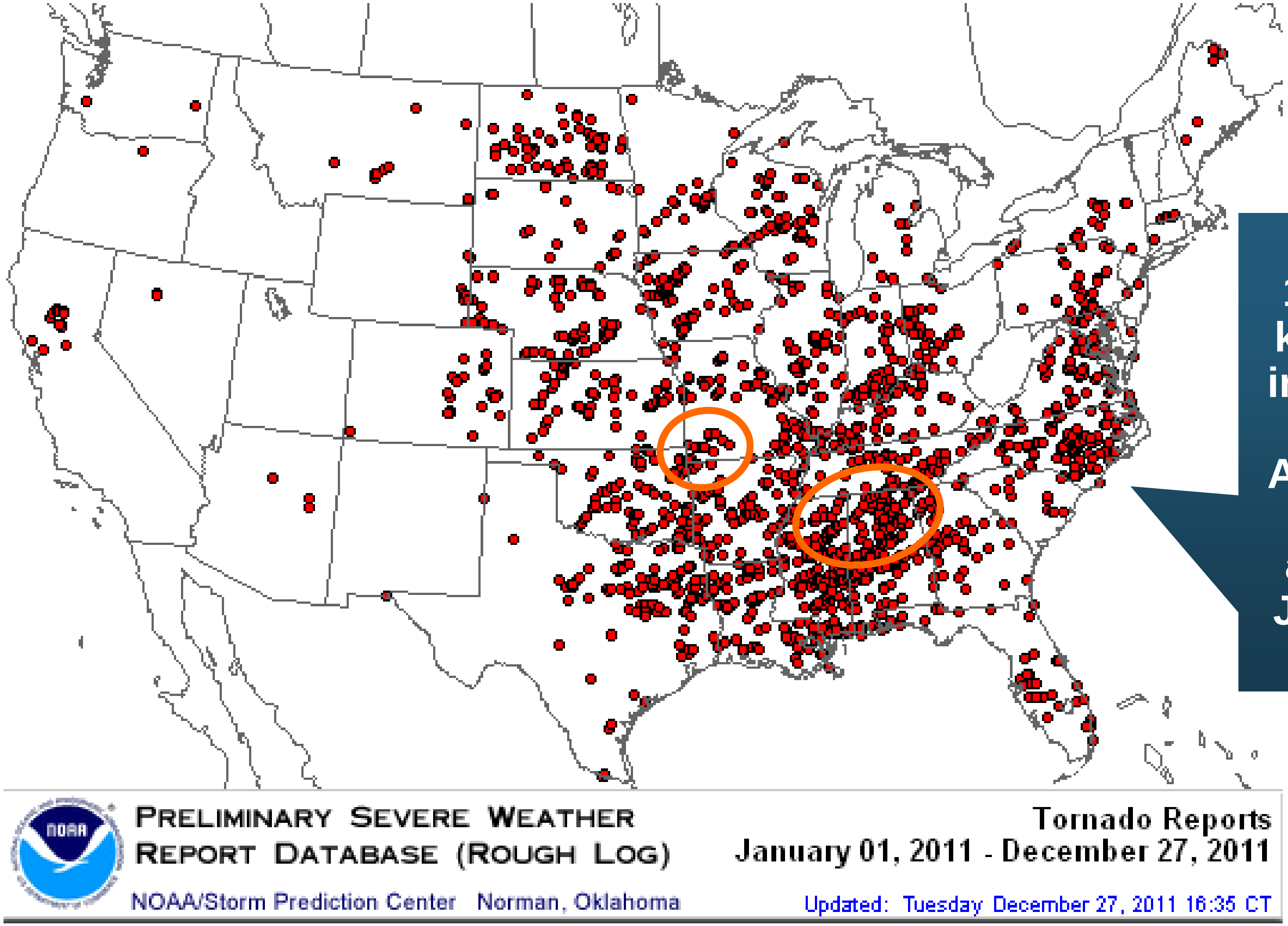

1,894 tornadoes killed 552 people in 2011, including at least 340 on April 26 mostly in the Tuscaloosa area, and 130 in Joplin on May 22

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#

Location of Large Hail Reports in the US, 2011

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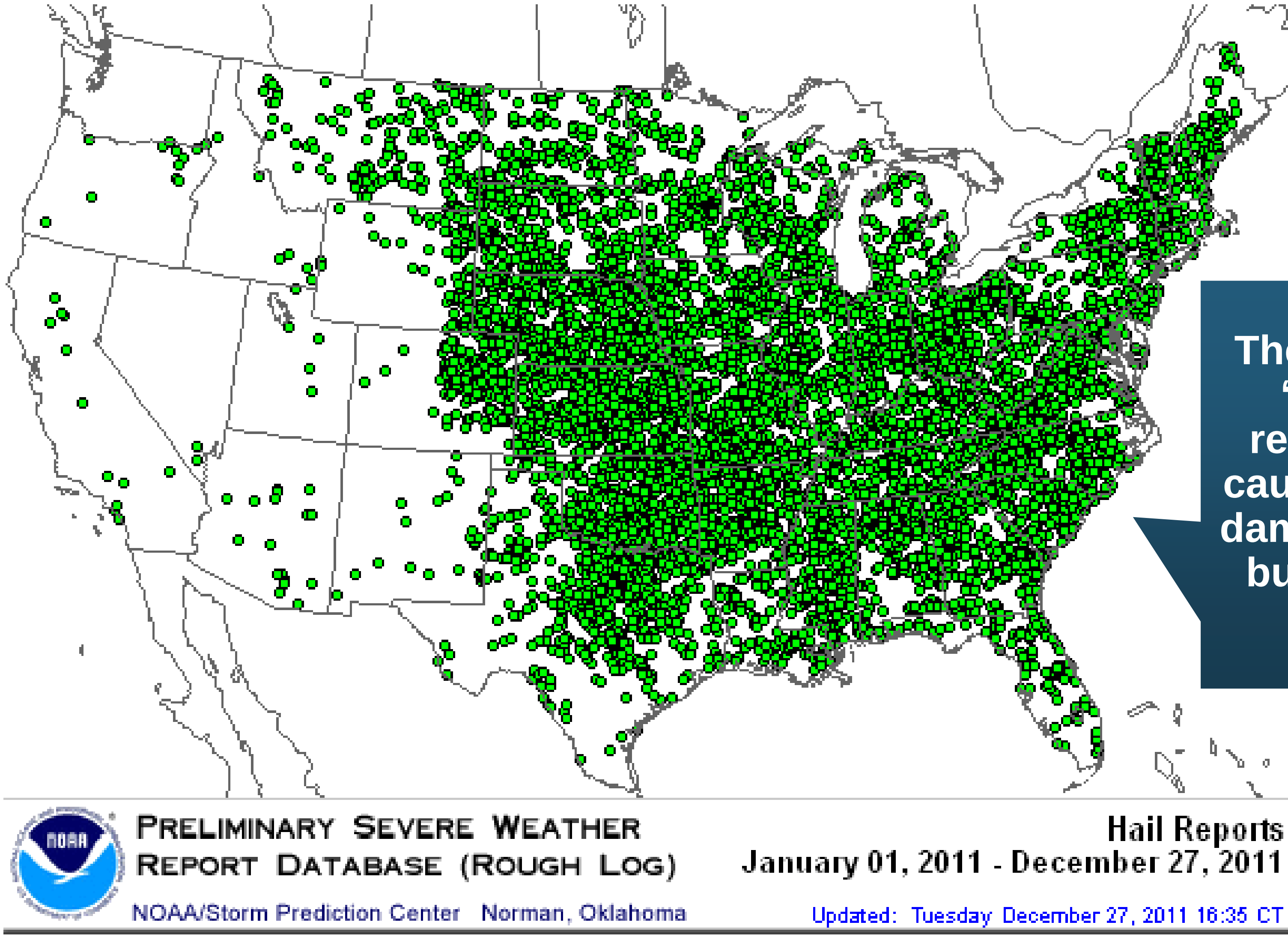
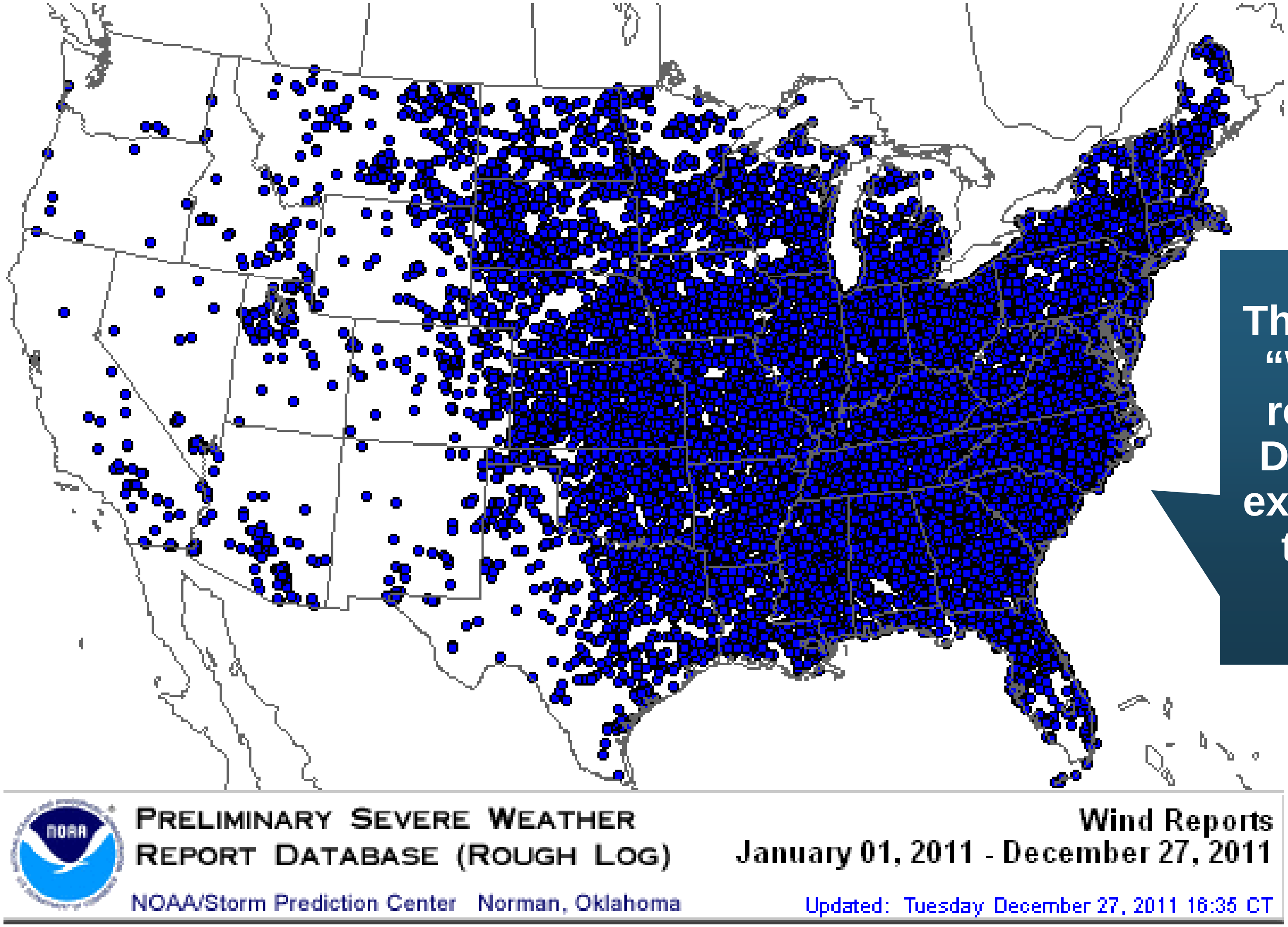


There were 9,417 "Large Hail" reports in 2011, causing extensive damage to homes, businesses and vehicles

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#

Location of Wind Damage Reports in the US, 2011



There were 18,685 "Wind Damage" reports through Dec. 27, causing extensive damage to homes and, businesses

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#

Severe Weather Reports, 2011

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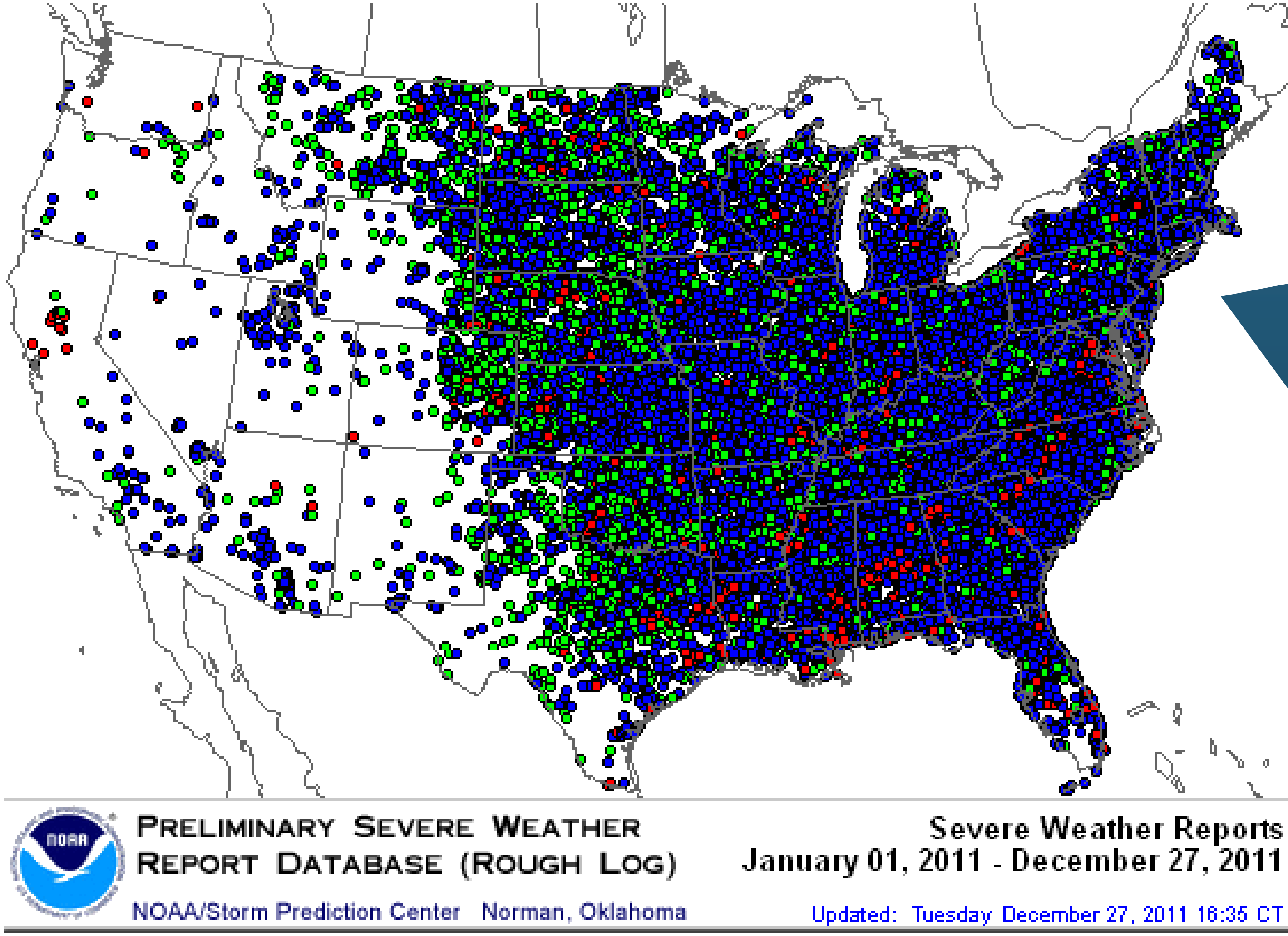

There were 29,996 severe weather reports in 2011; including 1,894 tornadoes; 9,417 "Large Hail" reports and 18,685 high wind events

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#

Number of Severe Weather Reports in US, by Type, 2011

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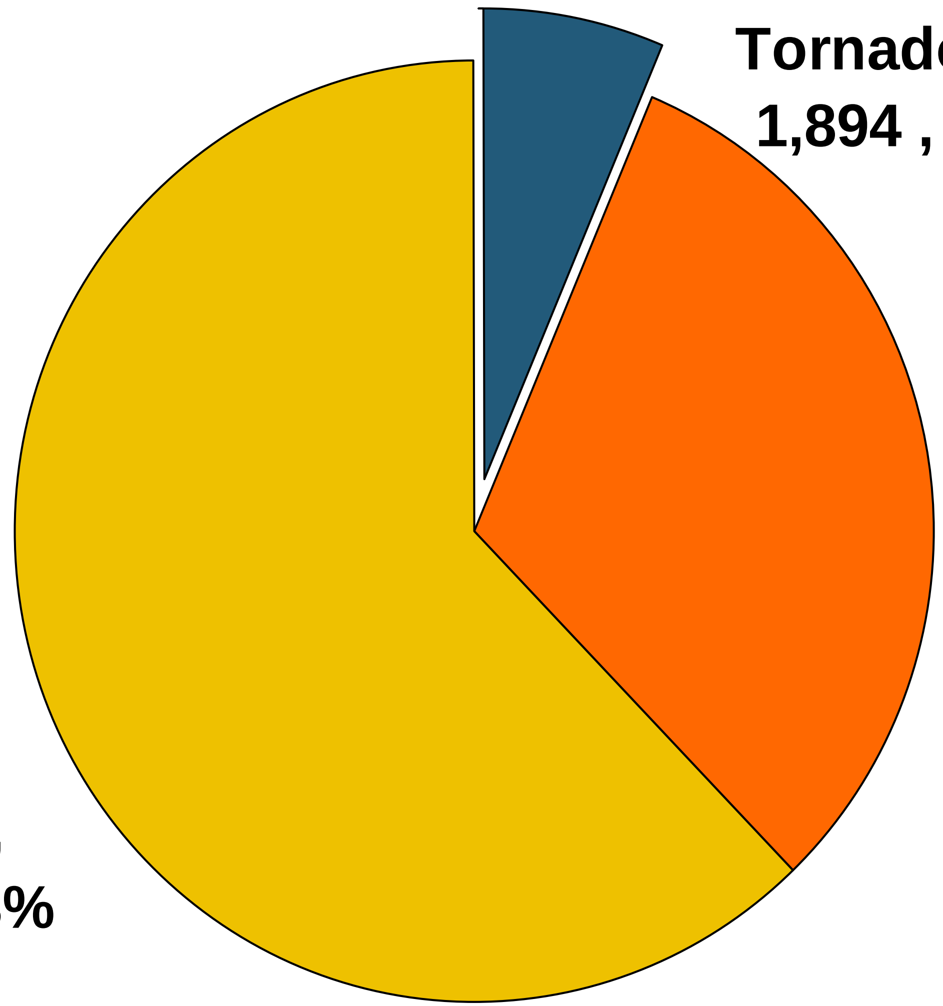

Tornadoes accounted for just 6% of all Severe Weather Reports but more than 550 deaths in 2011, the most in 75 years

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2011_annual_summary.html#

The BIG Question: When Will the Market Turn?

Are Catastrophes and Other Factors Pressuring Insurance Markets?

Criteria Necessary for a "Market Turn": *All Four Criteria Must Be Met*

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Criteria	Status	Comments
Sustained Period of Large Underwriting Losses	*Early Stage, Inevitable*	•Apart from 2011 CAT losses, overall p/c underwriting losses remain modest •Combined ratios (ex-CATs) still in low 100s (vs. 110+ at onset of last hard market) •Prior-year reserve releases continue to reduce u/w losses, boost ROEs, though more modestly
Material Decline in Surplus/ Capacity	*Entered 2011 At Record High; Since Fallen*	•Surplus hit a record \$565B as of 3/31/11 •Fell by 4.6% through 9/30/11 (latest available) •Little excess capacity remains in reinsurance markets •Weak growth in demand for insurance is insufficient to absorb much excess capacity
Tight Reinsurance Market	*Somewhat in Place*	•Much of the global "excess capacity" was eroded by cats •Higher prices in Asia/Pacific •Modestly higher pricing for US risks
Renewed Underwriting & Pricing Discipline	*Some Firming esp. in Property, WC*	•Commercial lines pricing trends have turned from negative to flat or up in some lines (property, WC); Casualty is flat. •Competition remains intense as many seek to maintain market share

Sources: Barclays Capital; Insurance Information Institute.

Do the Property Catastrophe Events of 2011 Impact Casualty Markets?

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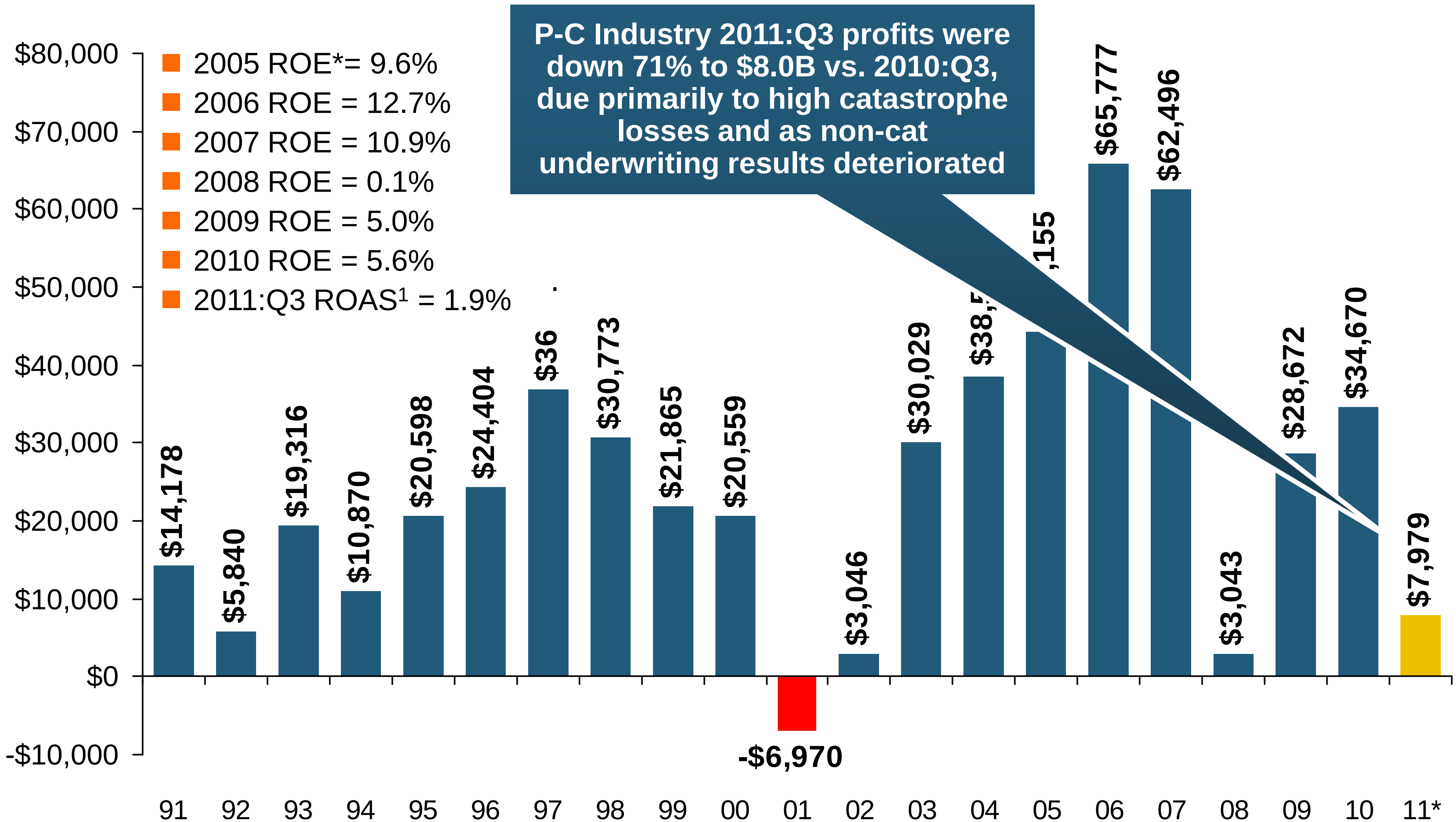
- Unlikely that Record 2011 Property CAT Loss Will Impact Casualty Markets in Any Material Way, Including Professional Liability Lines
- Global P/C & Reinsurance Industries Entered 2011 w/ Record Capital
  - Events so far in 2011 are earnings events, rather than capital events
- Natural Catastrophe and Casualty Risks Are Largely Uncorrelated
  - Risks are different
  - Geographically, mostly distinct primary carriers: Japan-Australia-NZ-US
  - Casualty markets generally don't influence property markets
- Property and Casualty Risks Are Largely Siloed
- Record Property Losses in 2004/2005 Did Not Impact Casualty Mkts.
- Casualty Markets Have Their Own Issues
  - Tort environment
  - Inflation
  - Public policy

P/C Insurance Industry Financial Overview

Profits, Underwriting Were Significantly Impacted by High Catastrophe Loss in 2011

P/C Net Income After Taxes 1991–2011:Q3 ($ Millions)



* ROE figures are GAAP; [1]Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 3.0% ROAS for 2011:Q3, 7.5% for 2010 and 7.4% for 2009.

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

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

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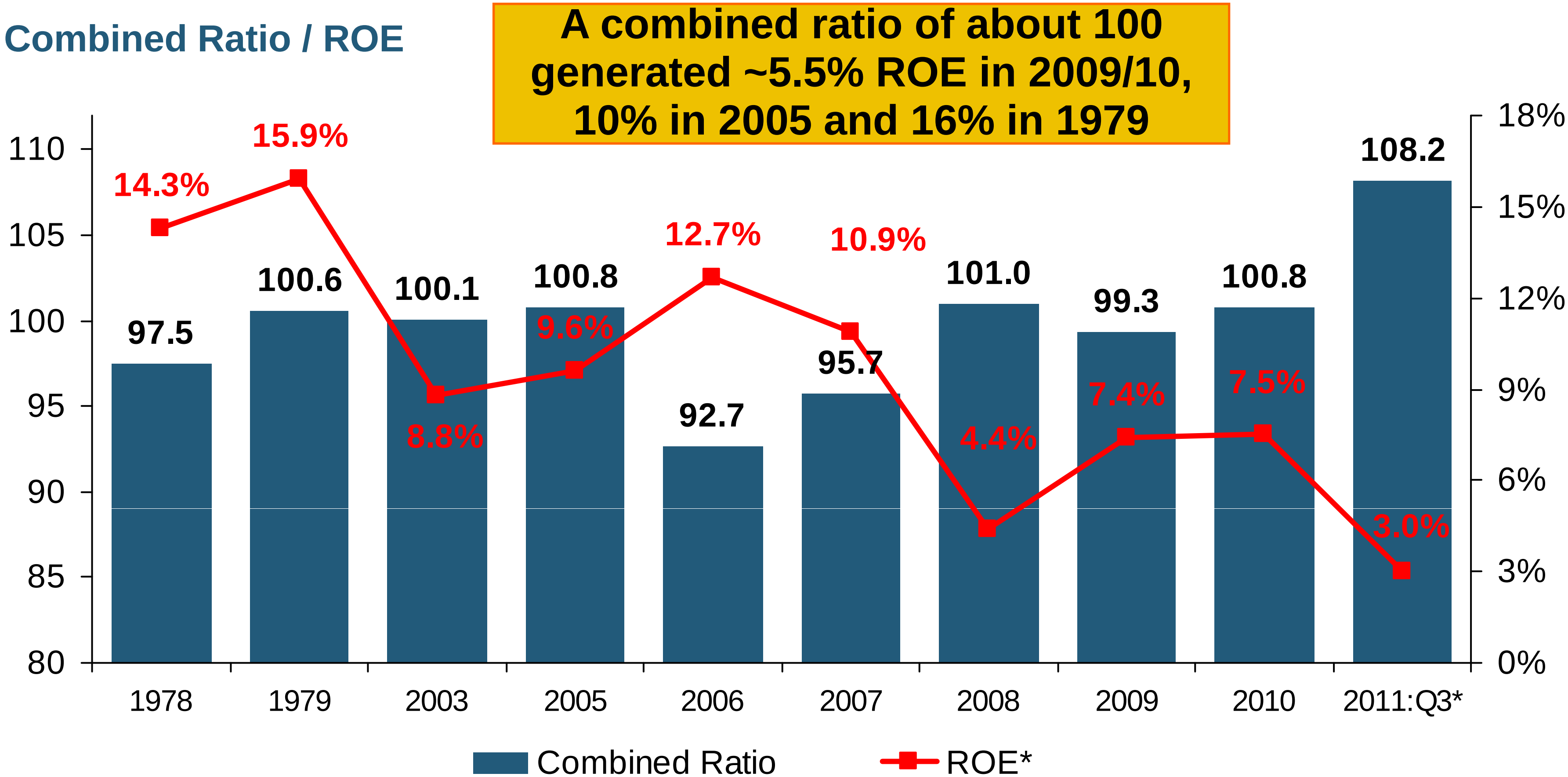
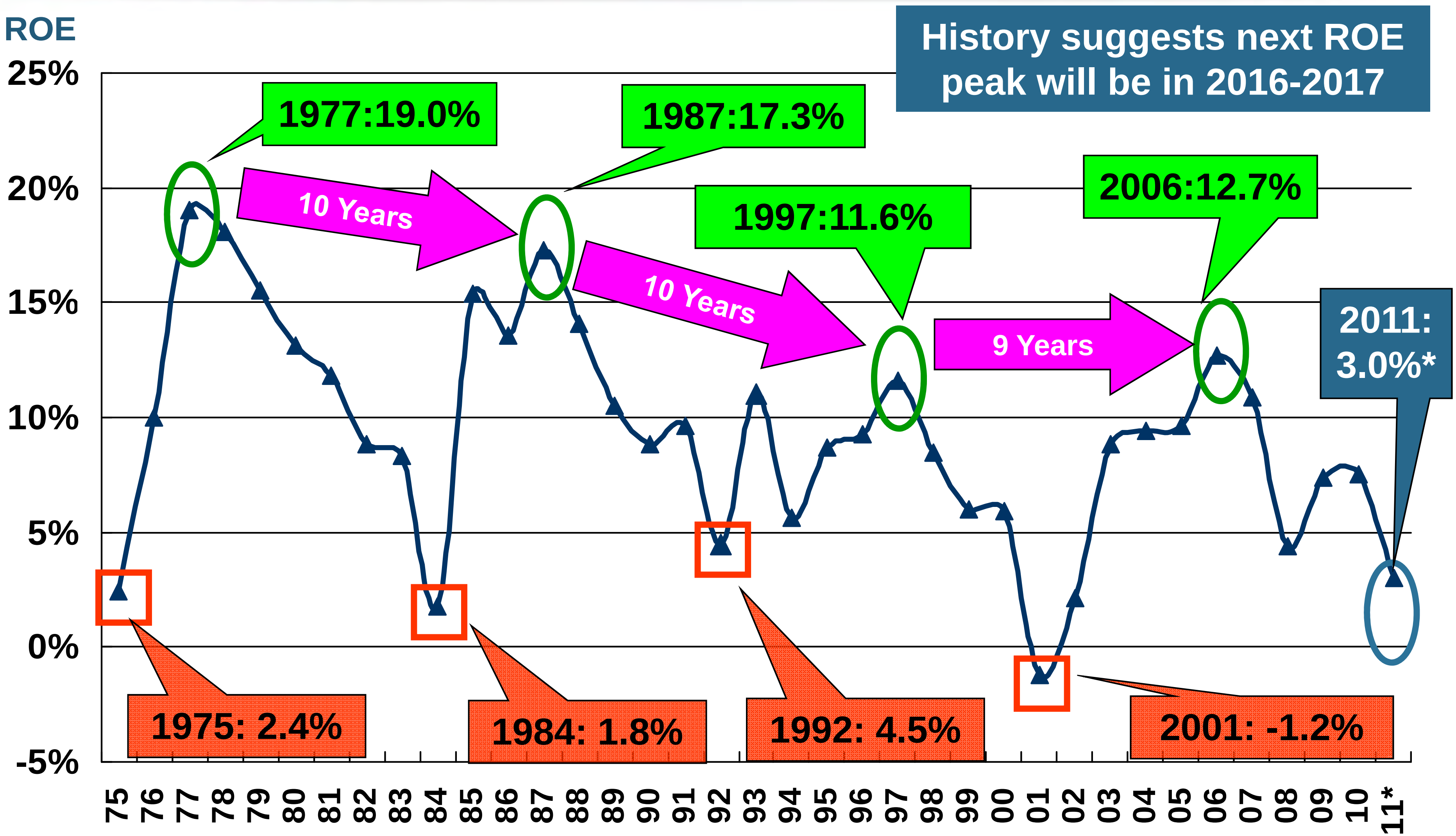


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2008 -2011 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2011:Q3 combined ratio including M&FG insurers is 109.9, ROAS = 1.9%.

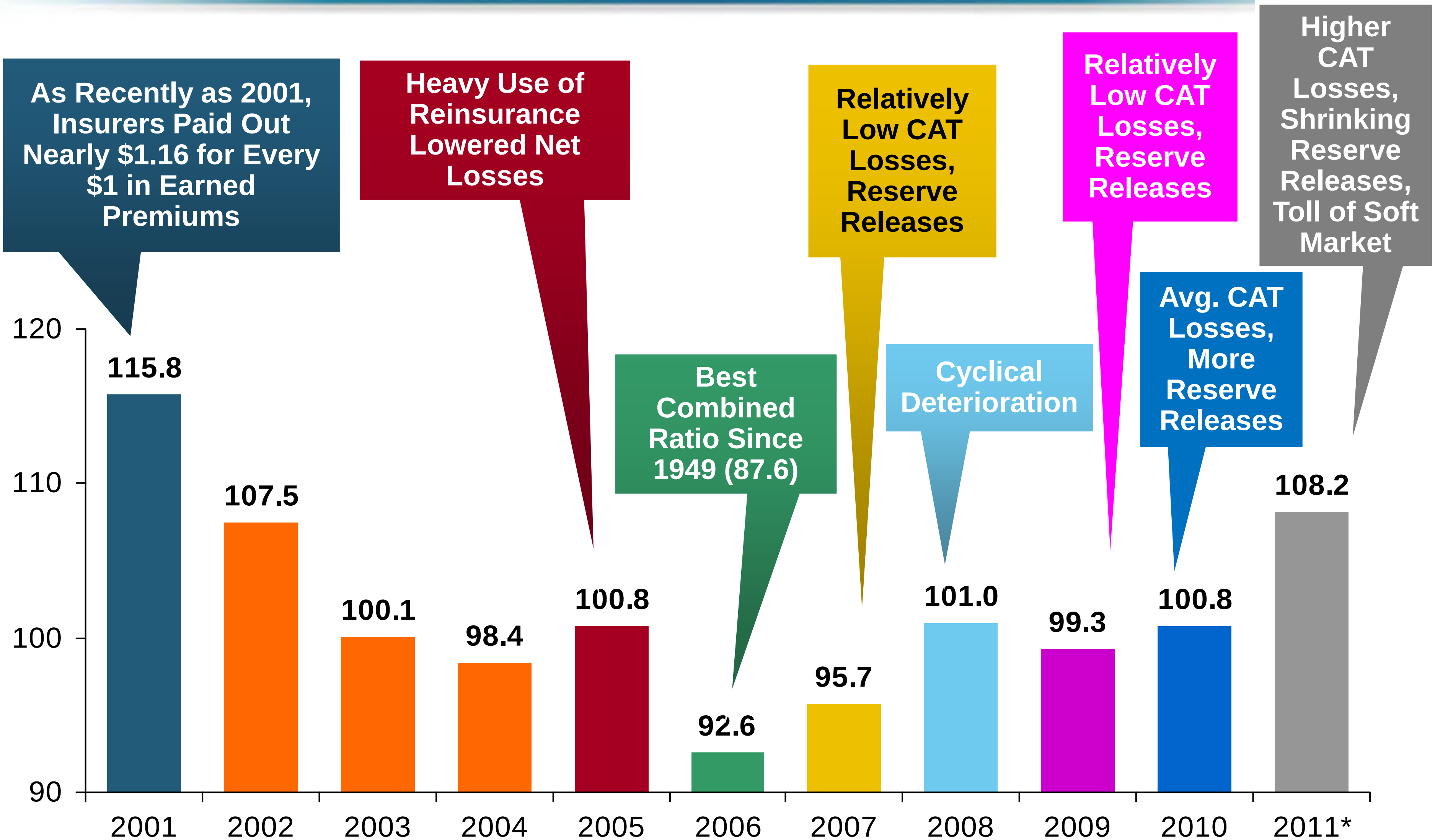
Source: Insurance Information Institute from A.M. Best and ISO data.

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2011*



*Profitability = P/C insurer ROEs are I.I.I. estimates. 2011 figure is an estimate based on annualized ROAS through Q3 data.
Note: Data for 2008-2011 exclude mortgage and financial guaranty insurers. For 2011:Q3 ROAS = 1.9% including M&FG.
Source: Insurance Information Institute; NAIC, ISO, A.M. Best.

P/C Insurance Industry Combined Ratio, 2001–2011:Q3*



* Excludes Mortgage & Financial Guaranty insurers 2008--2011. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=109.9
Sources: A.M. Best, ISO.

Underwriting Gain (Loss) 1975–2011*

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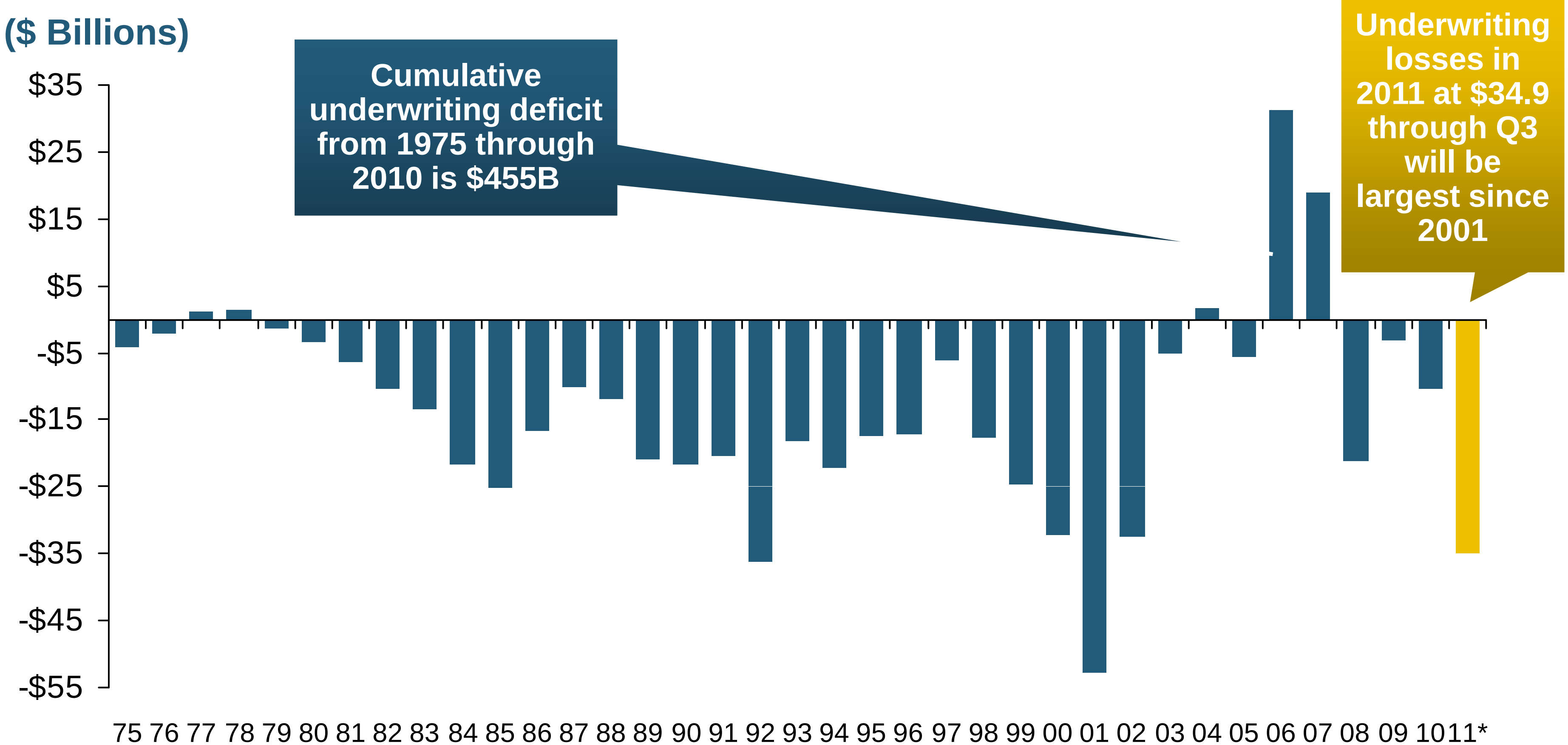

Large Underwriting Losses Are *NOT* Sustainable in Current Investment Environment

* Includes mortgage and financial guaranty insurers in all years

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

Policyholder Surplus, 2006:Q4–2011:Q3

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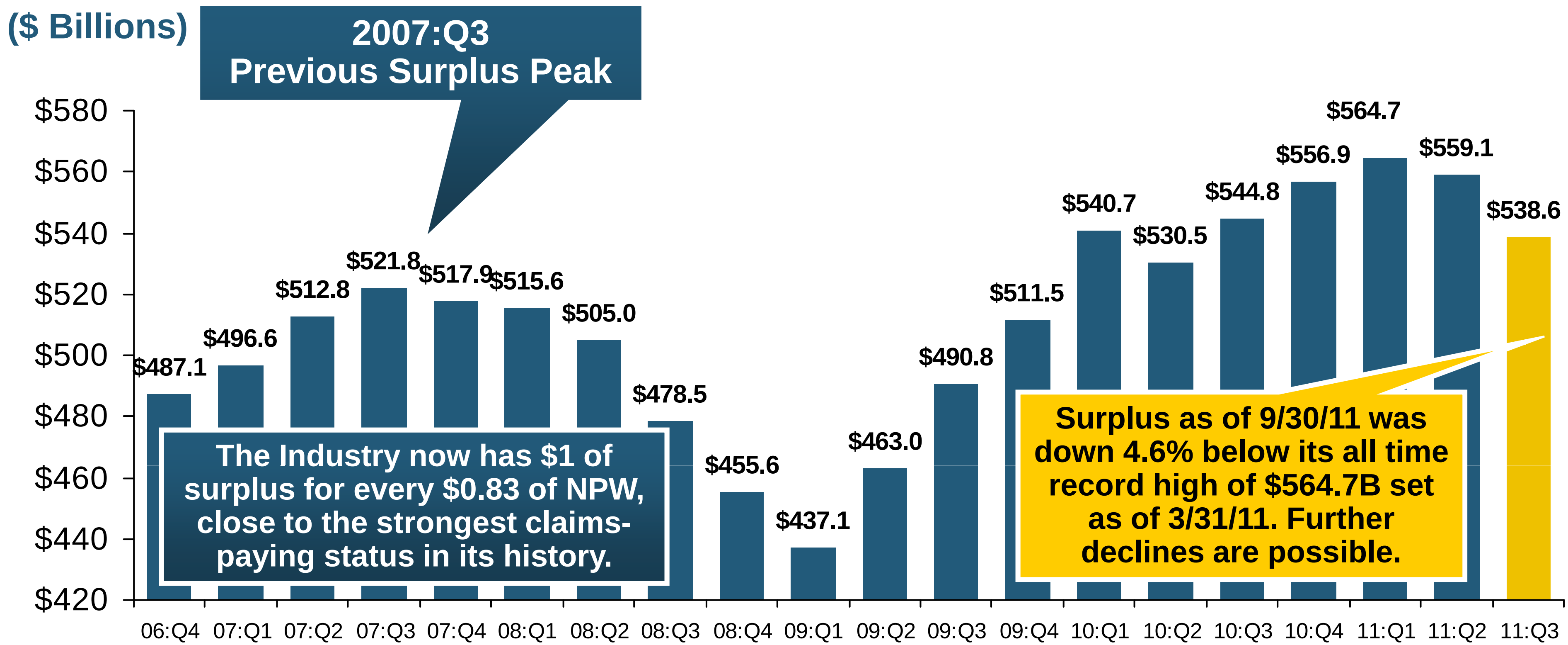

*Includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business in early 2010.

Quarterly Surplus Changes Since 2011:Q1 Peak

11:Q2: -$5.6B (-1.0%) *11:Q3: -$26.1B (-4.6%)*

Sources: ISO, A.M .Best.

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

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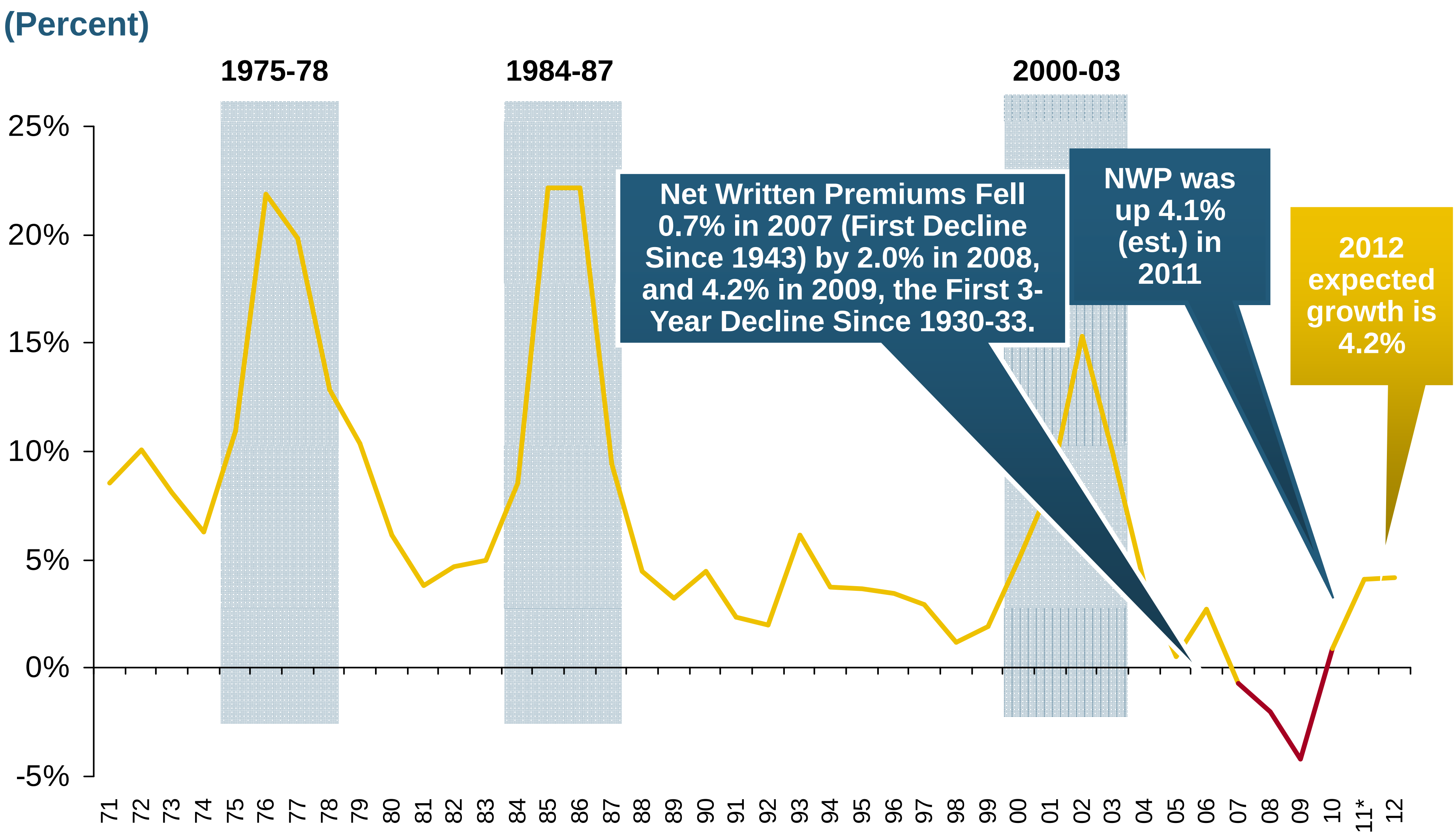
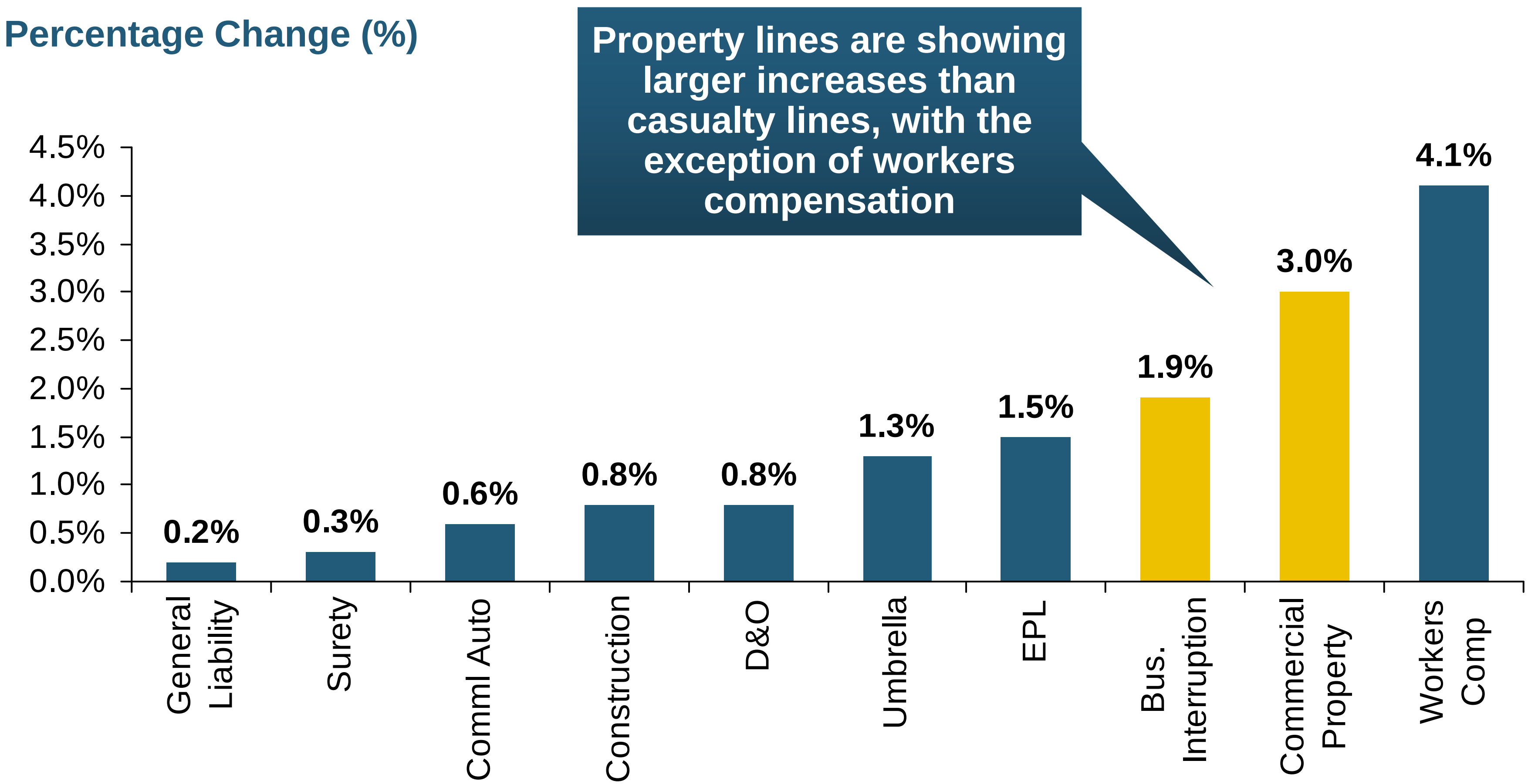


*2011 and 2012 figures are A.M. Best Estimates

Shaded areas denote “hard market” periods

Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

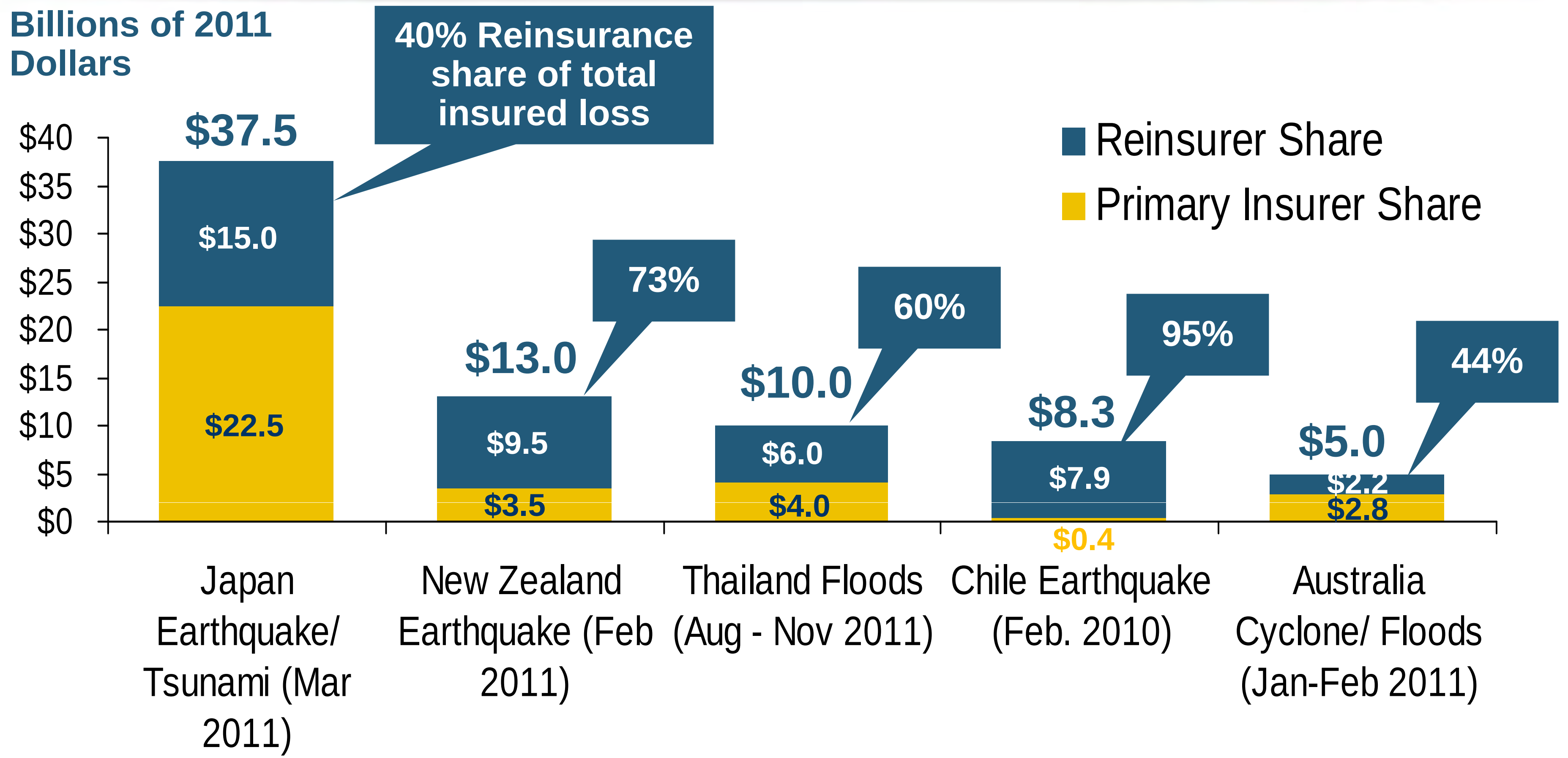
Change in Commercial Rate Renewals, by Line: 2011:Q3



Major Commercial Lines Renewed Uniformly Upward in Q3:2011 for the First Time Since 2003; Property Lines & Workers Comp Leading the Way

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

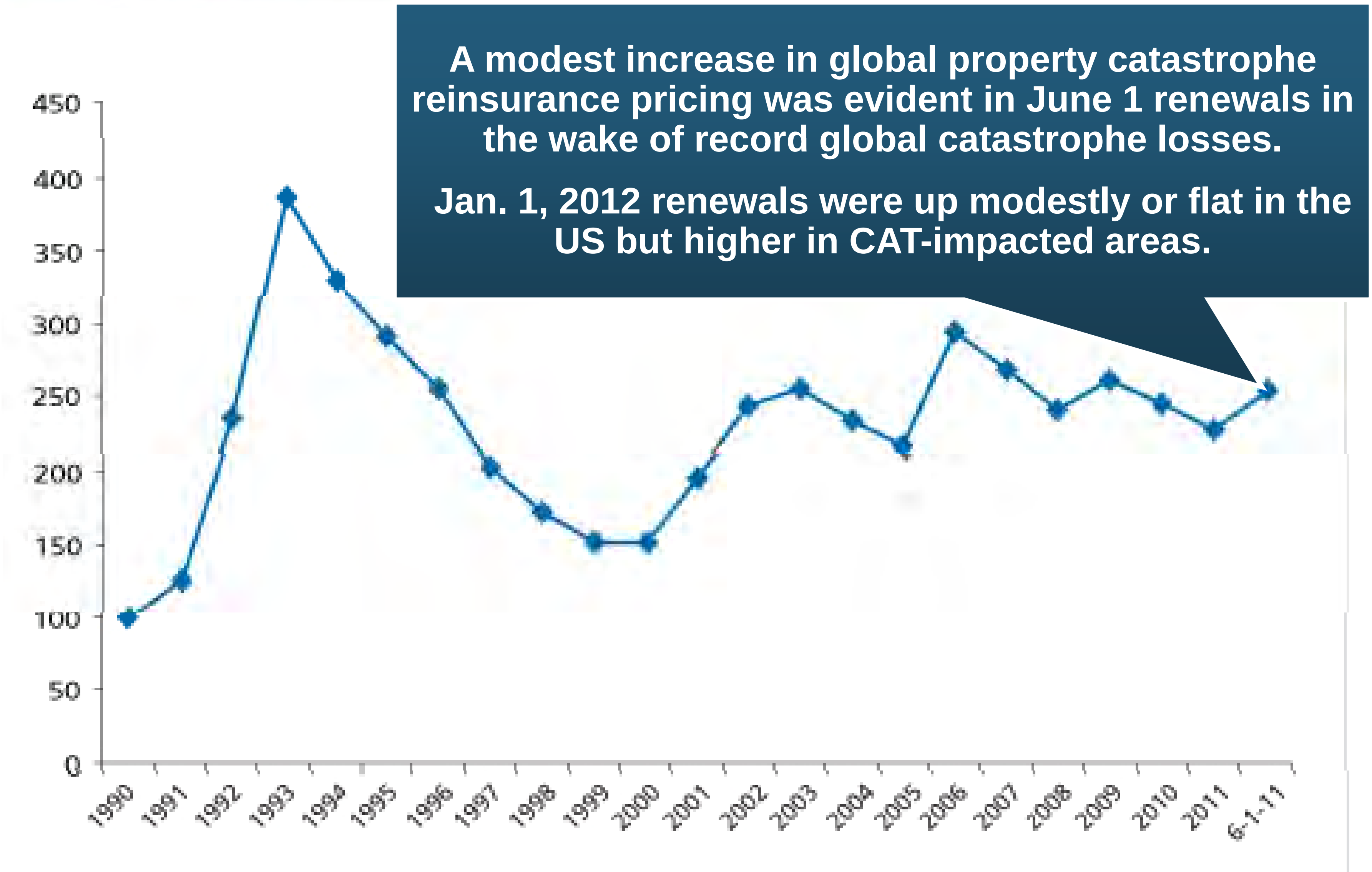
Reinsurer Share of Recent Significant Market Losses



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.

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



Source: Guy Carpenter, *GC Capital Ideas.com,* September 26, 2011.

Historical Capital Levels of Guy Carpenter Reinsurance Composite, 1998—2Q11

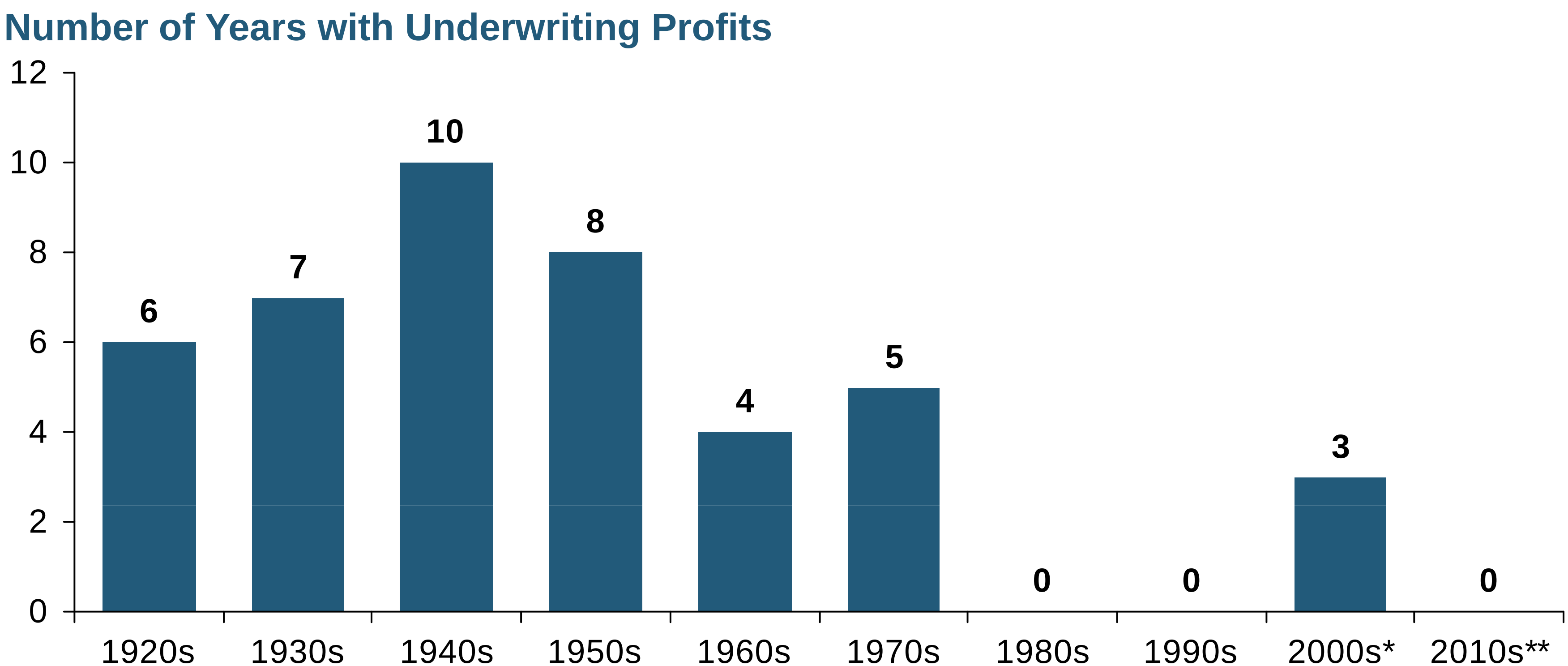
Most excess reinsurance capacity was removed from the market in 2011, but there does not appear to be a shortage, leading relatively flat 2012 reinsurance renewals except in areas hit hard by CATs.

Source: Guy Carpenter, *GC Capital Ideas.com,* November 23, 2011.

1. UNDERWRITING

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

Number of Years with Underwriting Profits by Decade, 1920s–2010s



Underwriting Profits Were Common Before the 1980s (40 of the 60 Years Before 1980 Had Combined Ratios Below 100) – But Then They Vanished. Not a Single Underwriting Profit Was Recorded in the 25 Years from 1979 Through 2003

* 2009 combined ratio excl. mort. and finl. guar.anty insurers was 99.3, which would bring the 2000s total to 4 years with an u/w profit.

**Data for the 2010s includes 2010 and 2011.

Note: Data for 1920–1934 based on stock companies only.

Sources: Insurance Information Institute research from A.M. Best Data.

P/C Reserve Development, 1992–2011E

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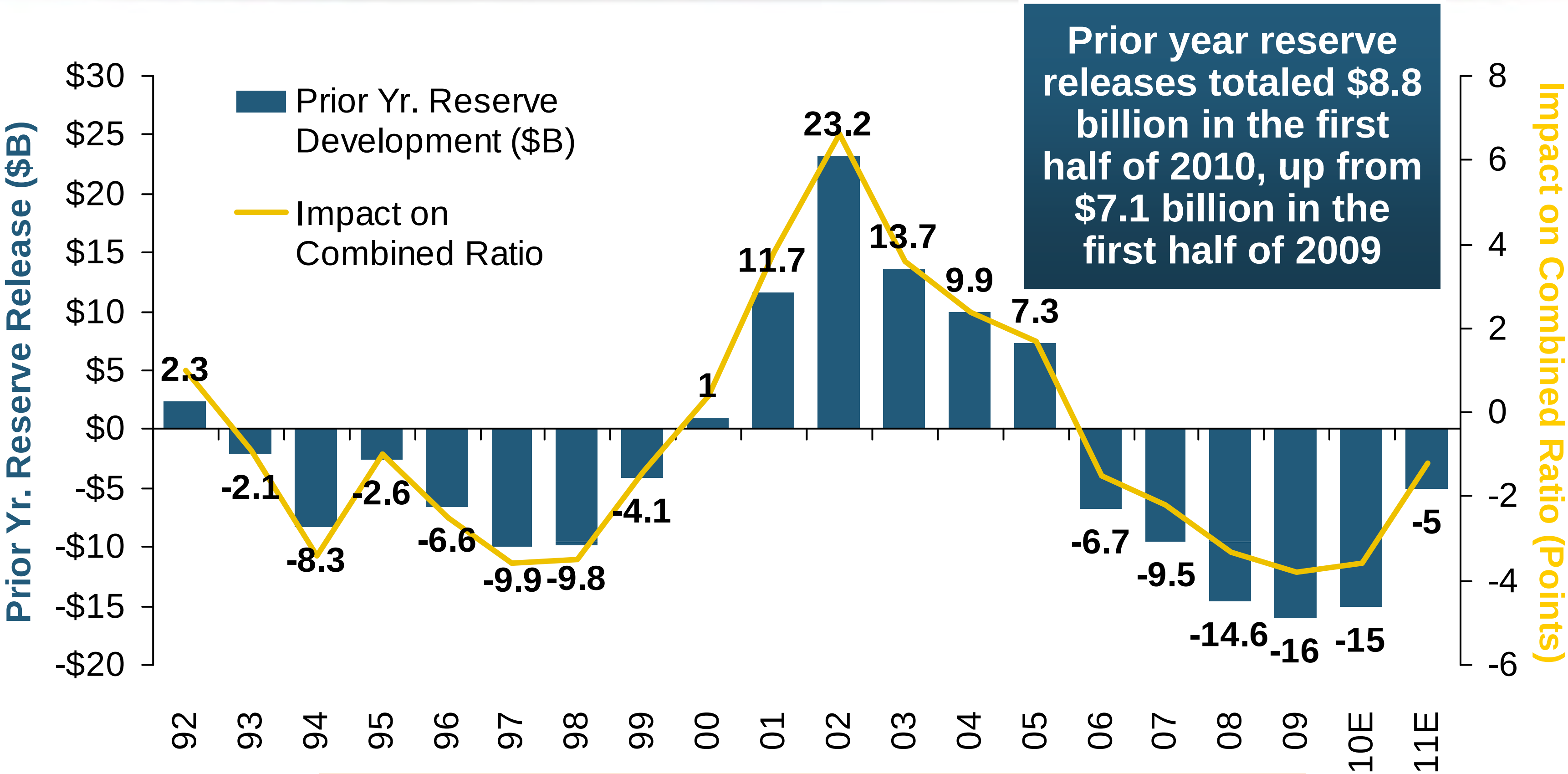

Reserve Releases Are Remained Strong in 2010 But Should Begin to Taper Off in 2011

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

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

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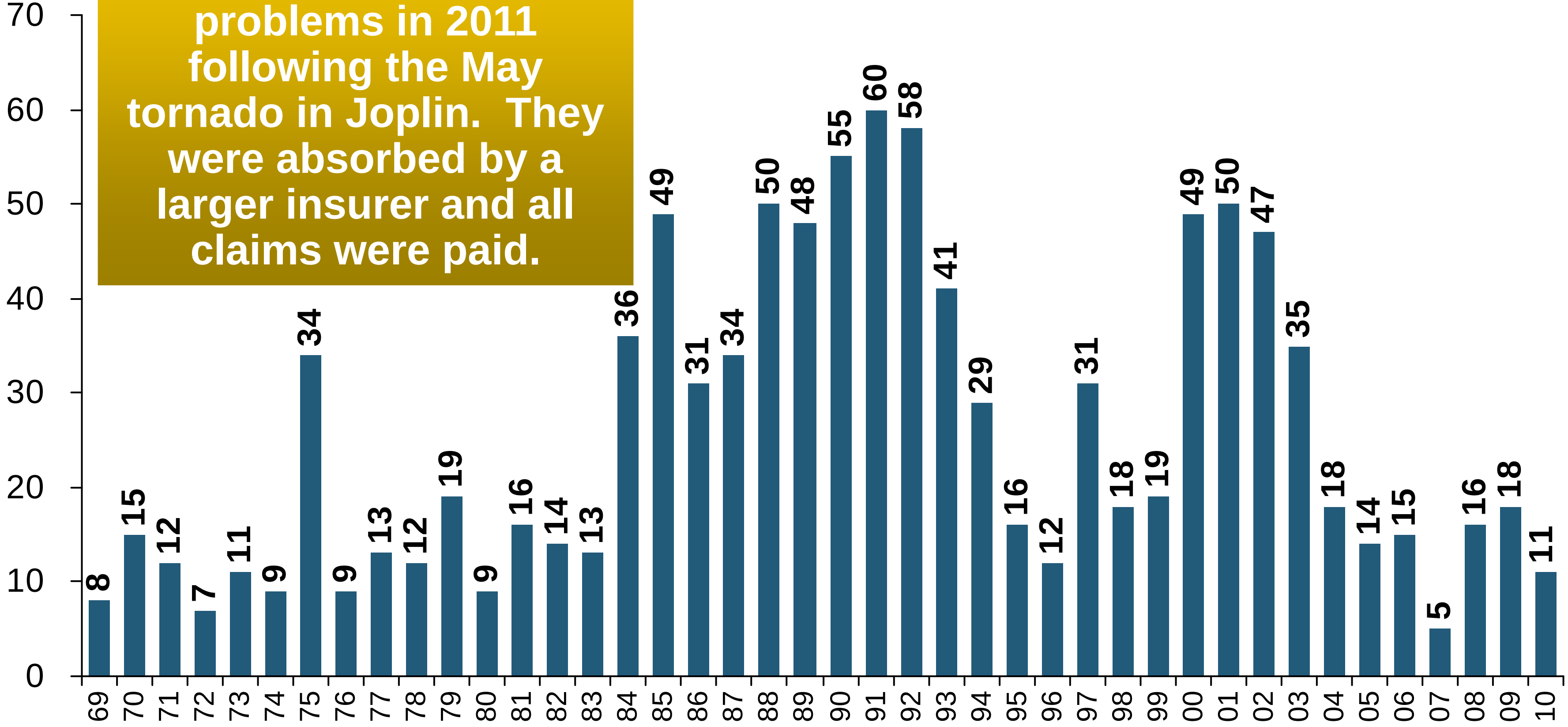
Financial Strength & Underwriting

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

P/C Insurer Impairments, 1969–2010

INSURANCE INFORMATION INSTITUTE

3 small insurers in Missouri did encounter problems in 2011 following the May tornado in Joplin. They were absorbed by a larger insurer and all claims were paid.



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

Source: A.M. Best Special Report "1969-2010 Impairment Review," June 21, 2011; Insurance Information Institute.

P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2010

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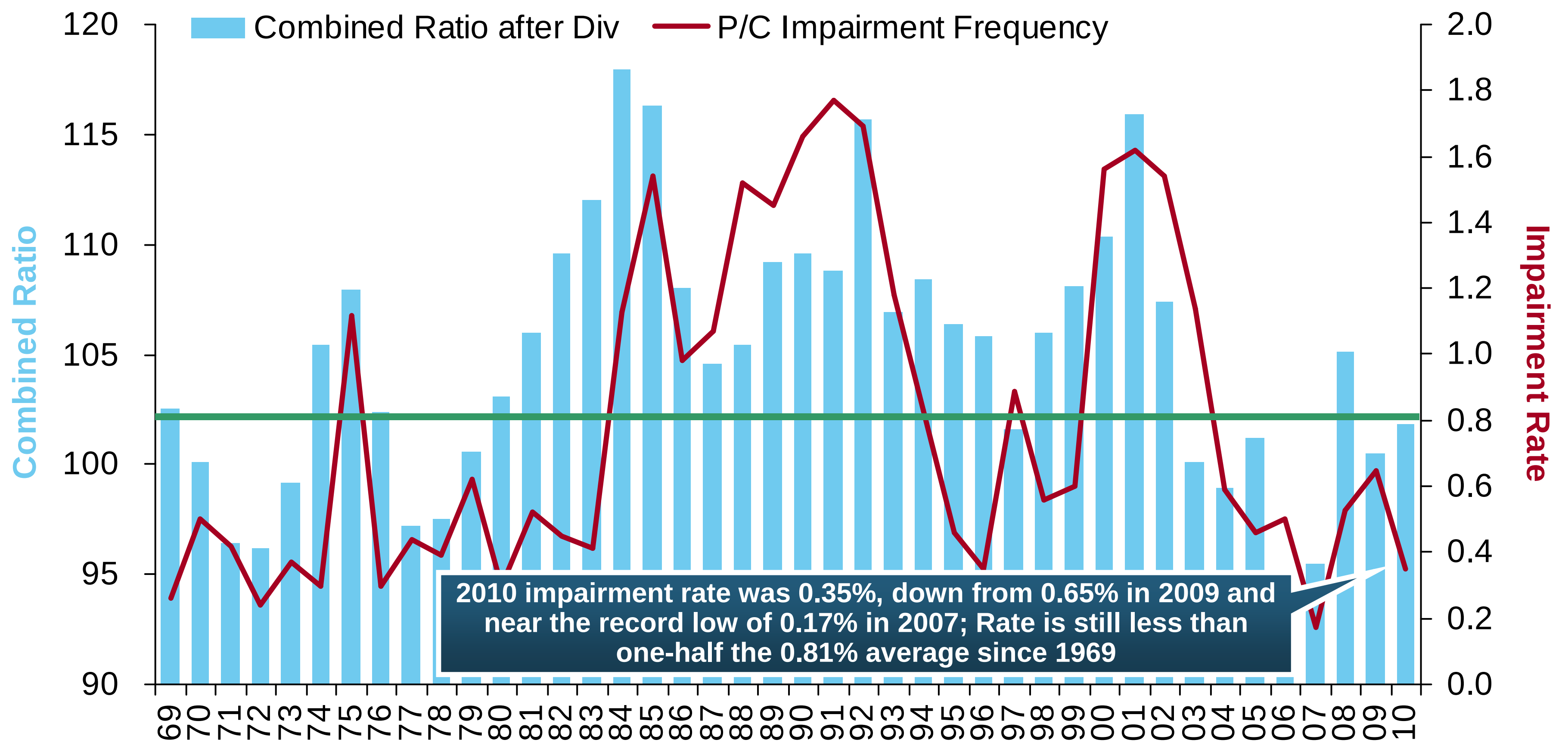


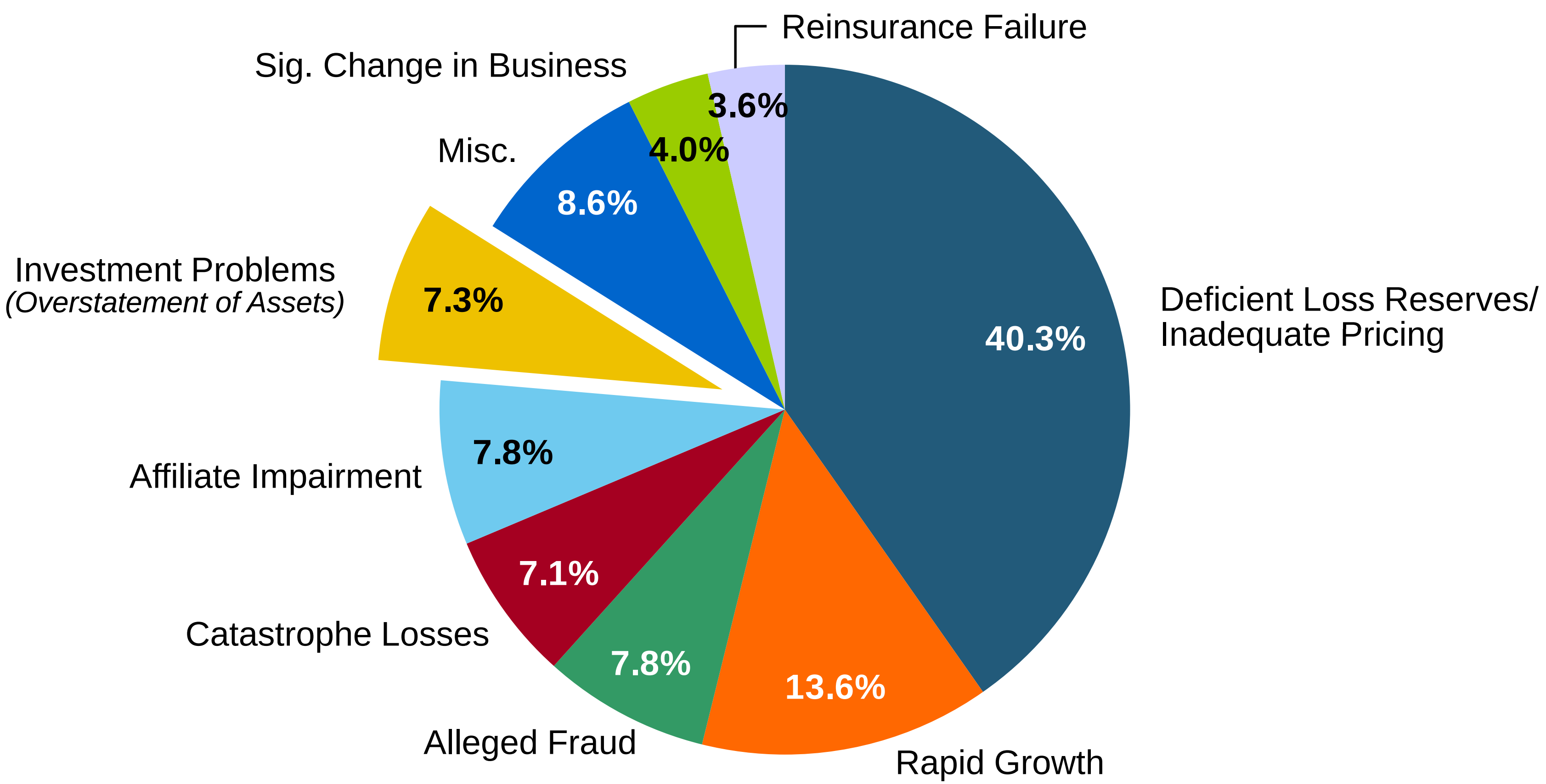
Impairment Rates Are Highly Correlated With Underwriting Performance and Reached Record Lows in 2007

Source: A.M. Best; Insurance Information Institute

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

INSURANCE INFORMATION INSTITUTE

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

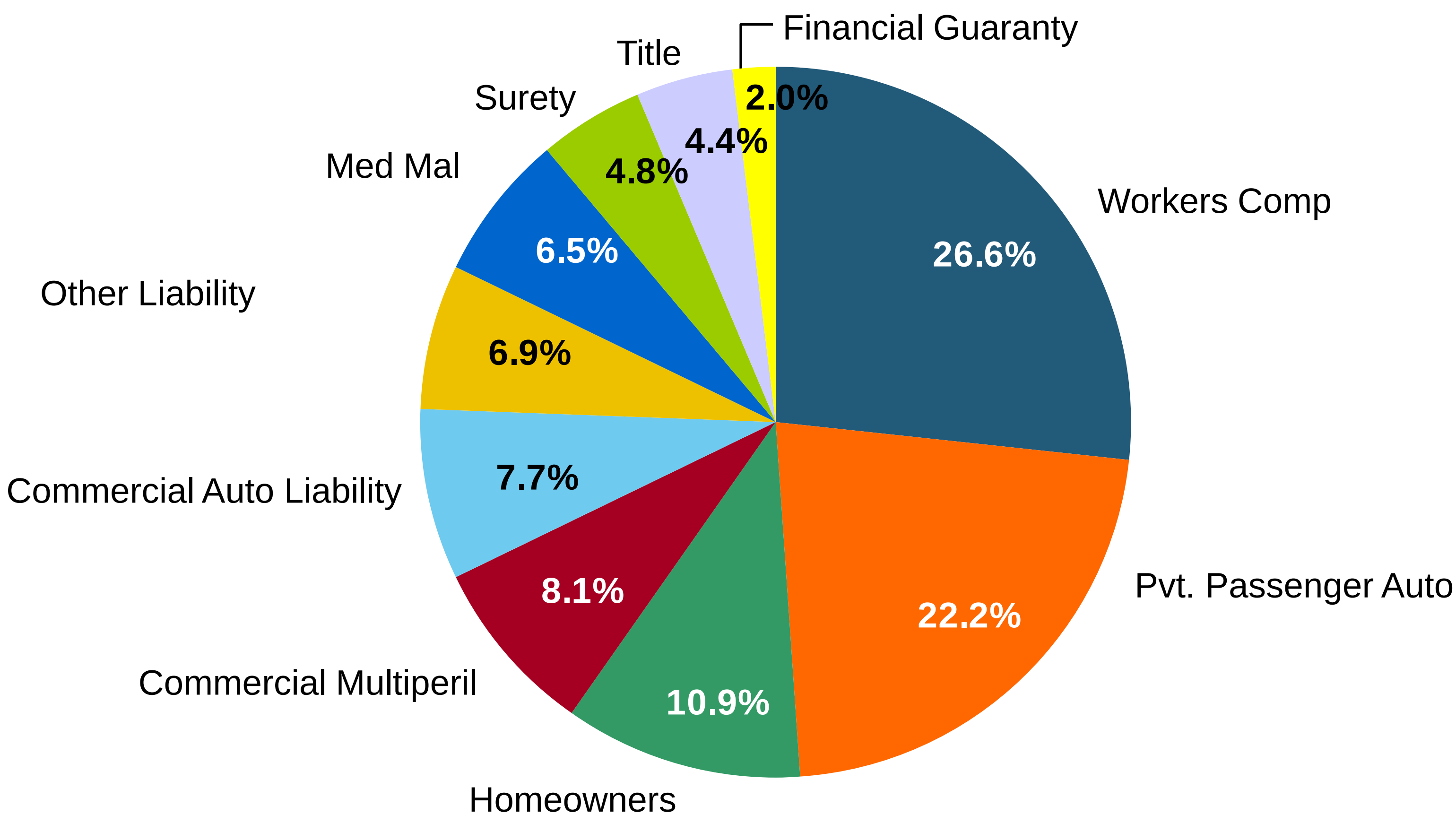


Source: A.M. Best: *1969-2010 Impairment Review*, Special Report, April 2011.

Top 10 Lines of Business for US P/C Impaired Insurers, 2000–2010

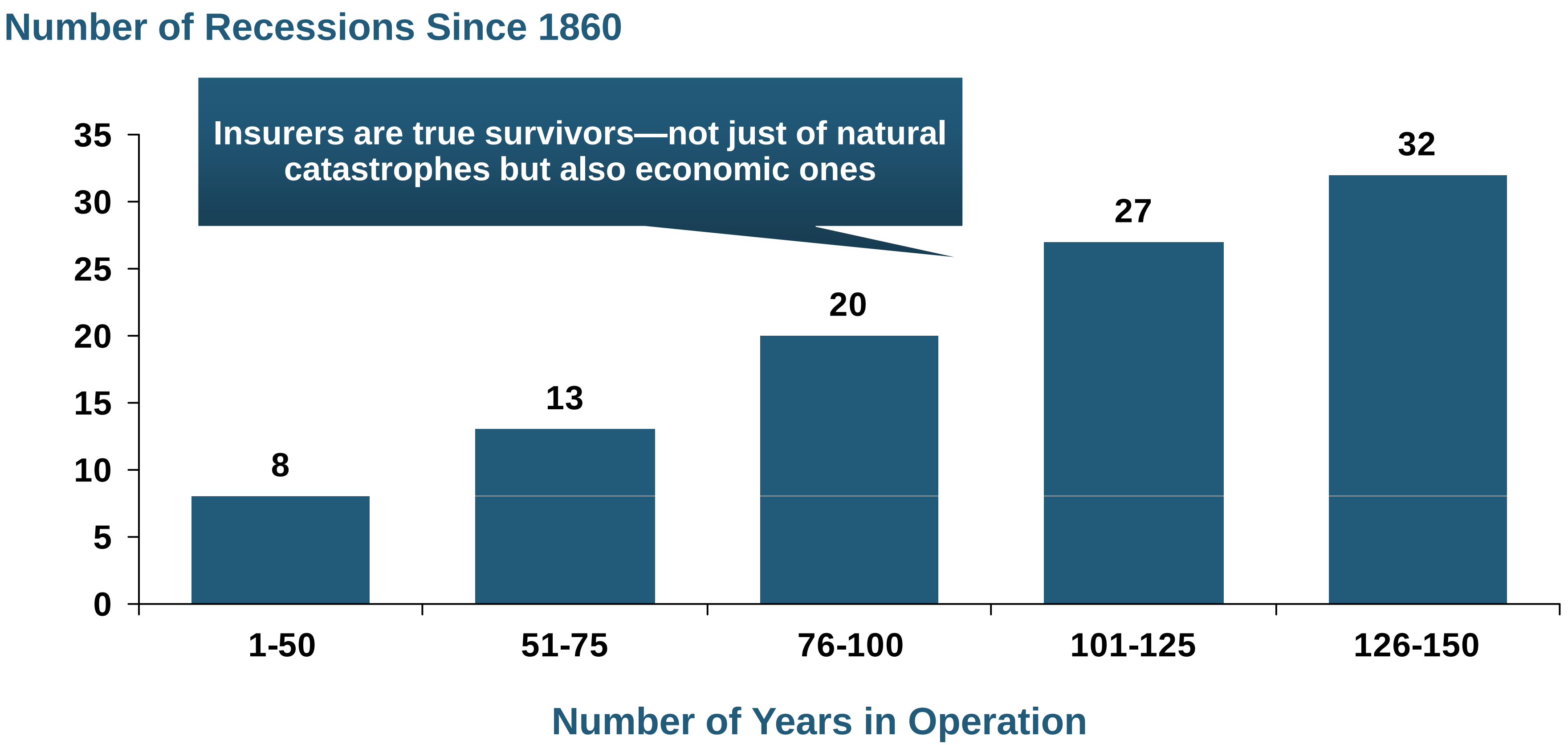
INSURANCE INFORMATION INSTITUTE

Workers Comp and Pvt. Passenger Auto Account for Nearly Half of the Premium Volume of Impaired Insurers Over the Past Decade



Source: A.M. Best: *1969-2010 Impairment Review*, Special Report, April 2011.

Number of Recessions Endured by P/C Insurers, by Number of Years in Operation

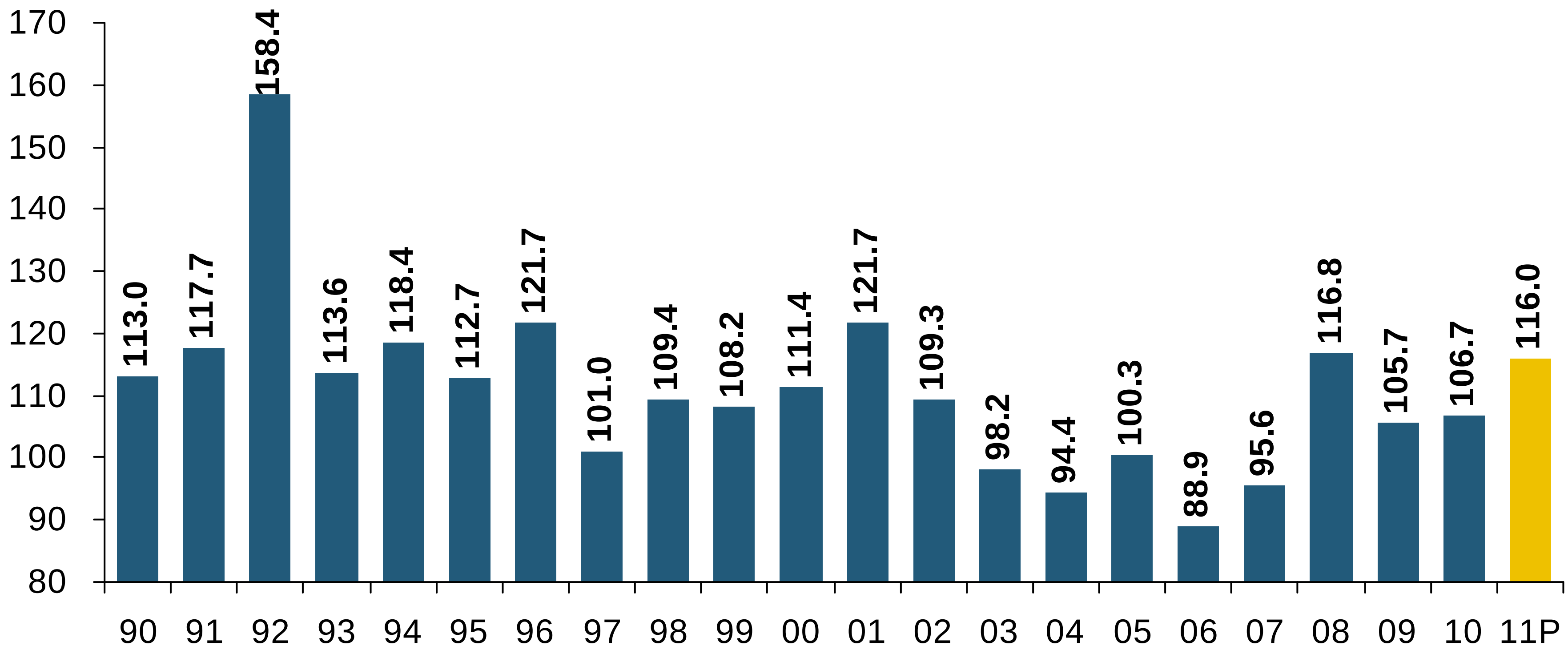


Many US Insurers Are Close to a Century Old or Older

Sources: Insurance Information Institute research from National Bureau of Economic Research data.

Performance by Segment: Personal & Commercial Lines

Homeowners Insurance Combined Ratio: 1990–2011P



Homeowners Line Could Deteriorate in 2011 Due to Large Cat Losses. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

Sources: A.M. Best (1990-2010); Insurance Information Institute (2011P).

Private Passenger Auto Combined Ratio: 1993–2011P

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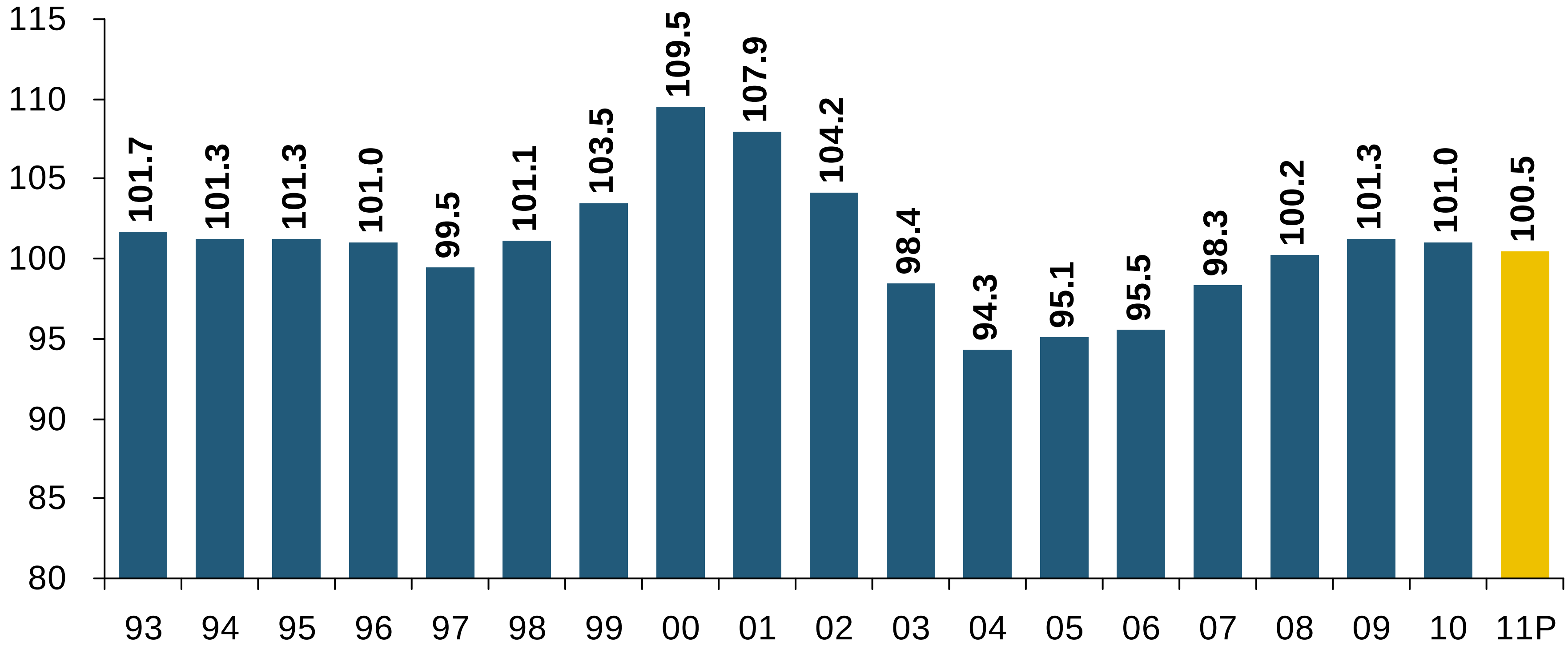
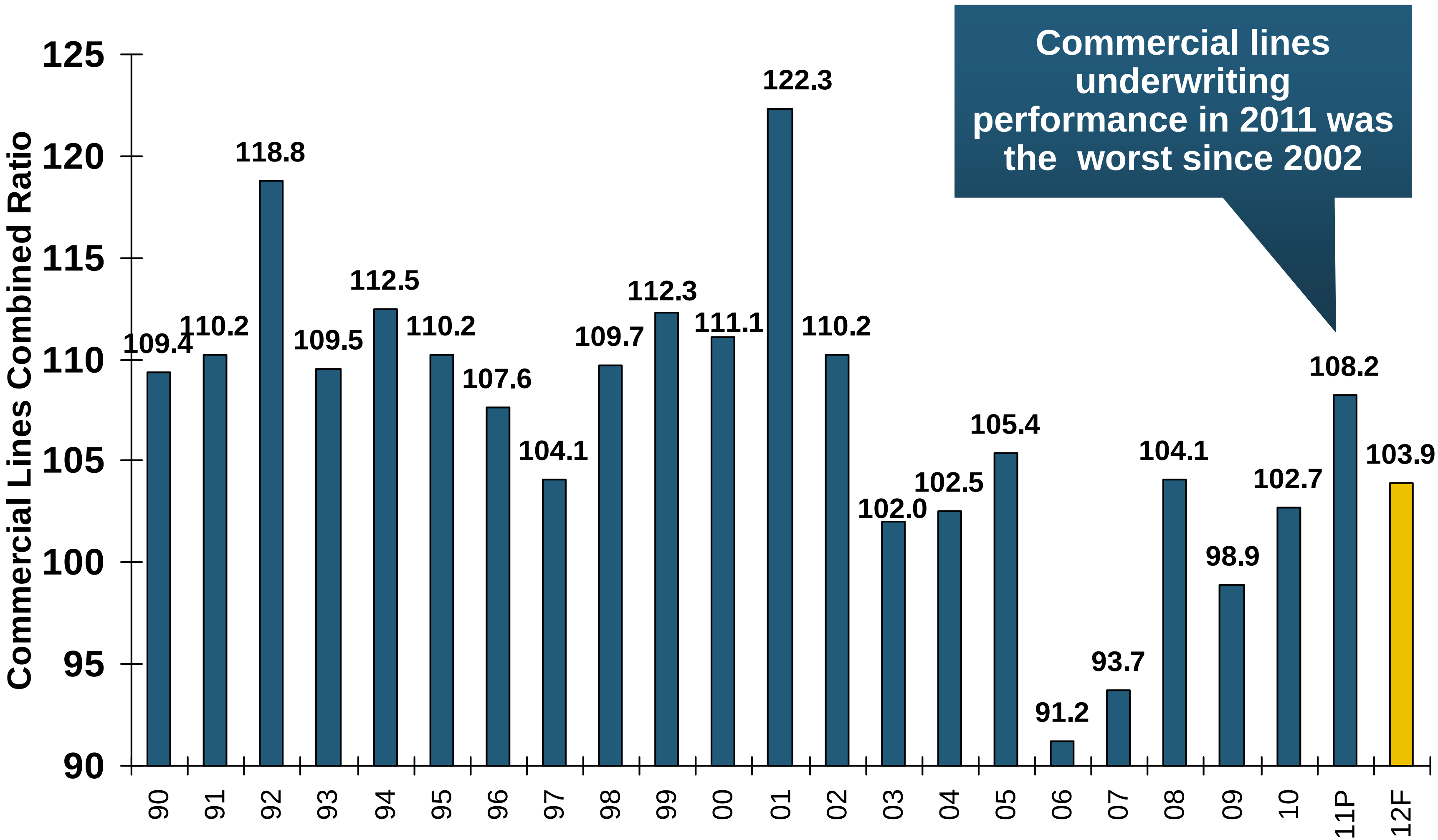


Private Passenger Auto Accounts for 34% of Industry Premiums and Remains the Profit Juggernaut of the P/C Insurance Industry

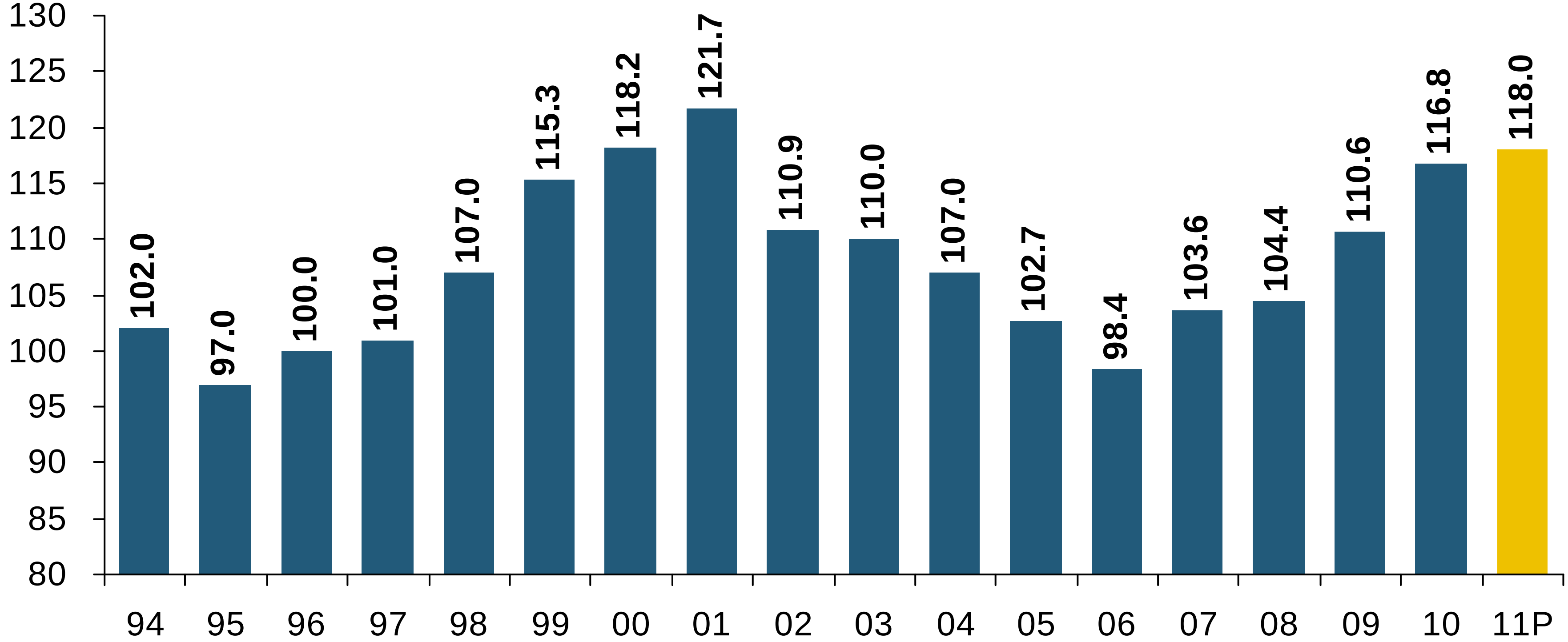
Sources: A.M. Best (1990-2010); Insurance Information Institute (2011P).

Commercial Lines Combined Ratio, 1990-2012F



Source: A.M. Best; Insurance Information Institute

Workers Compensation Combined Ratio: 1994–2011P



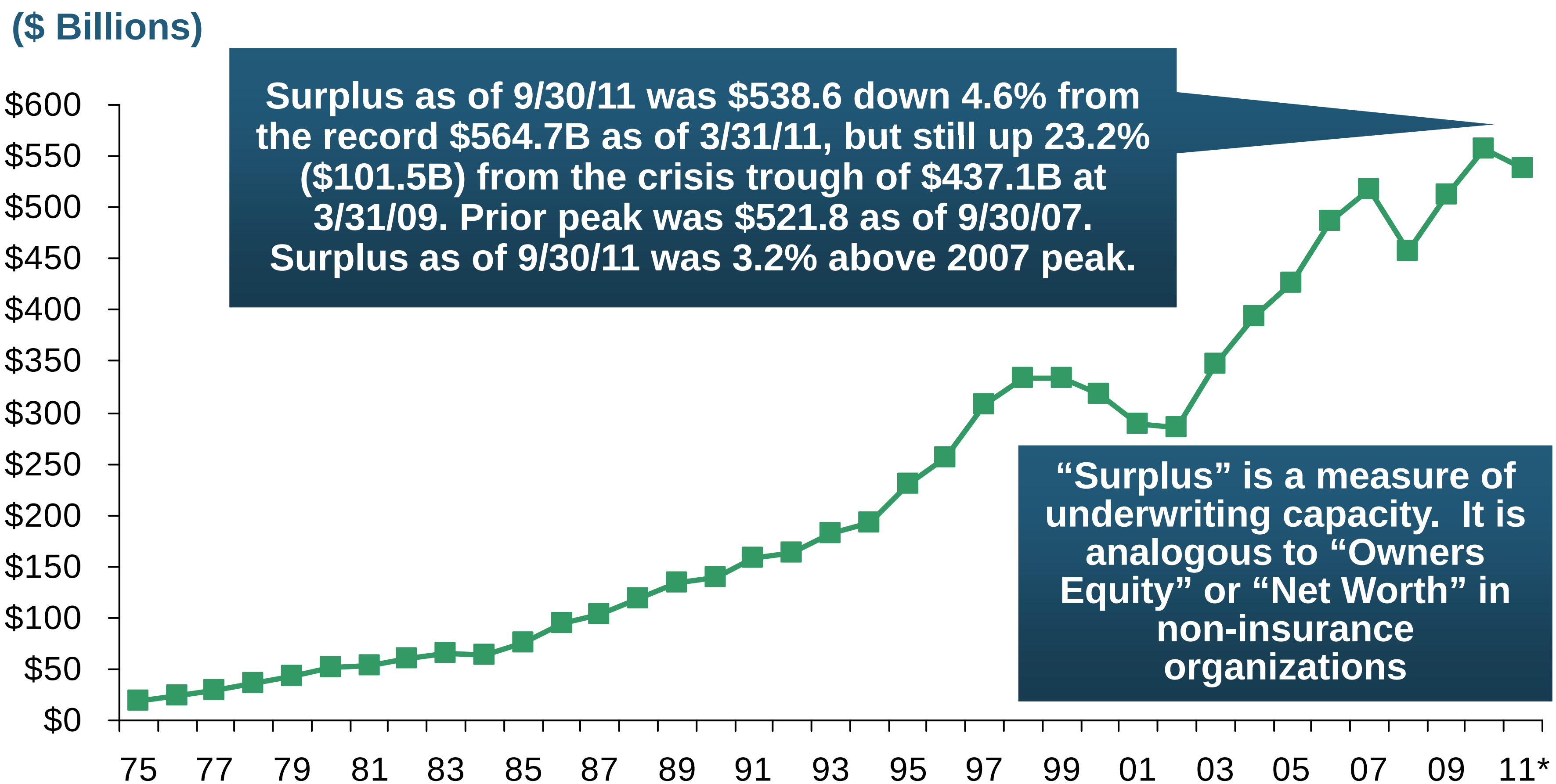
Workers Comp Underwriting Results Are Deteriorating Markedly and the Worst They Have Been in a Decade

Sources: A.M. Best (1994-2010); Insurance Information Institute (2011P).

2. SURPLUS/CAPITAL/CAPACITY

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

US Policyholder Surplus: 1975–2011*



The Premium-to-Surplus Ratio Stood at $0.83:$1 as of 9/30/11, A Near Record Low (at Least in Recent History)*

* As of 9/30/11.

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

Implied Excess (Deficit) Capital Assuming Premium/Surplus Ratio = 0.9:1

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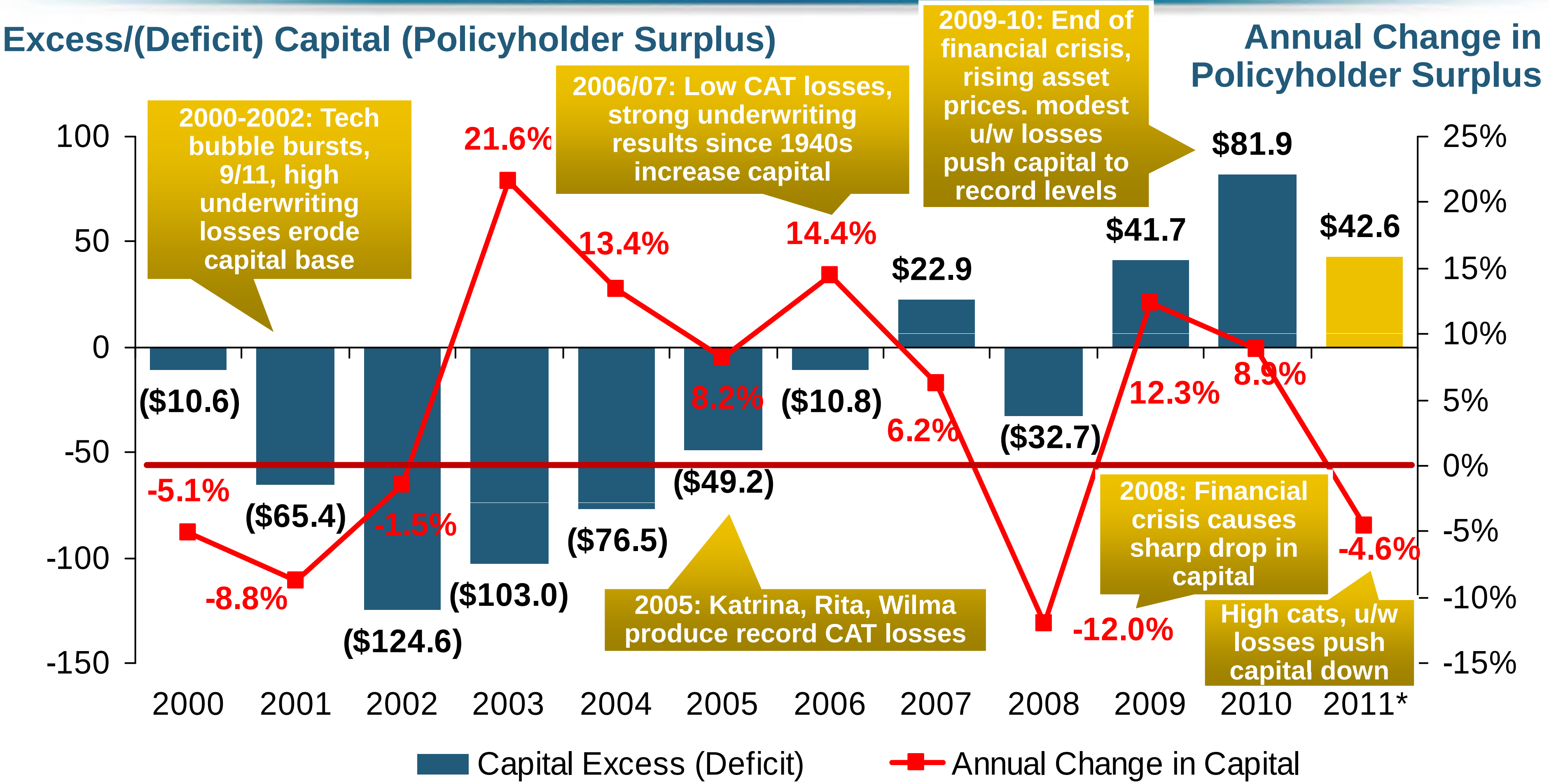


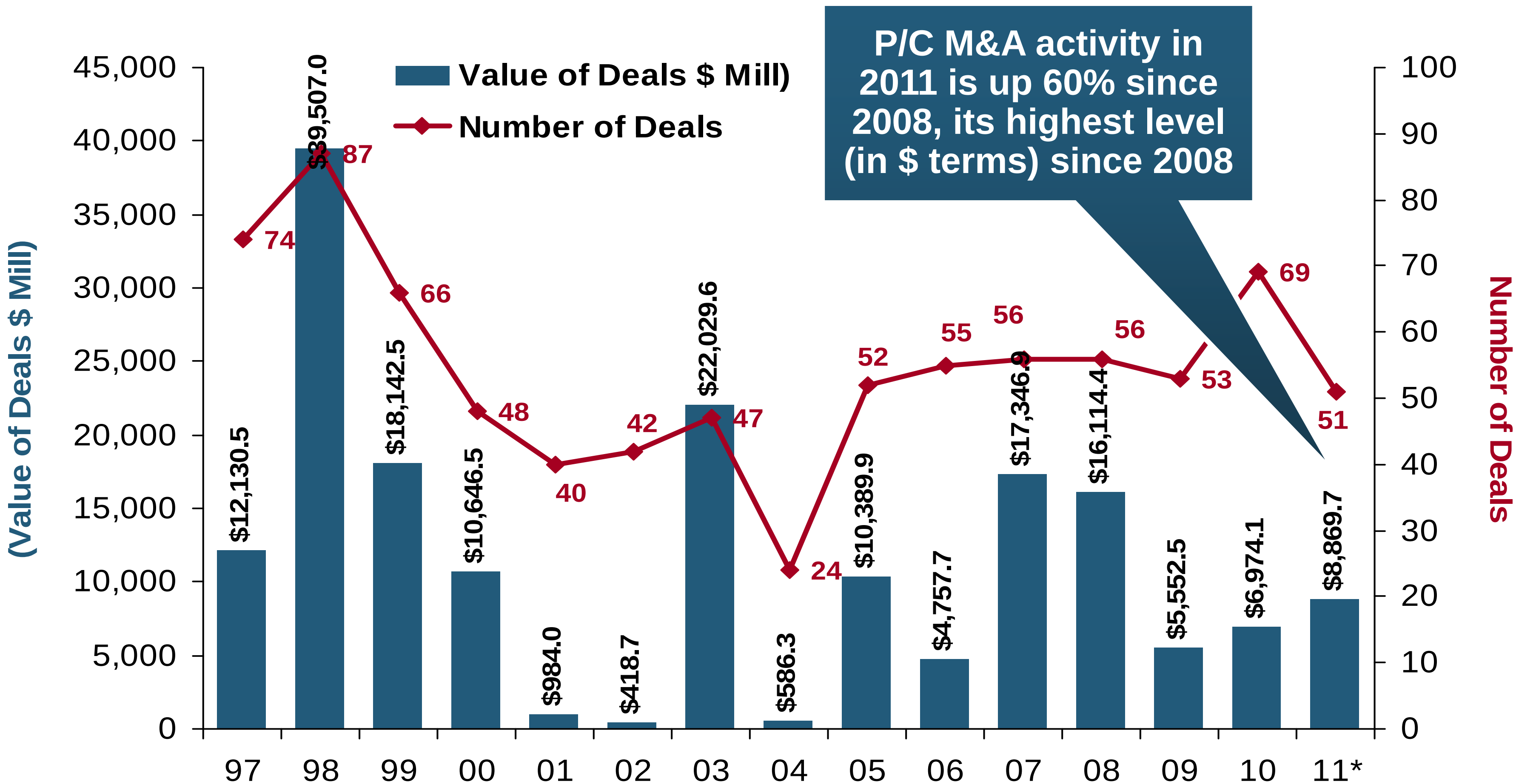
Record Policyholder Surplus (Capital) Resulted in Significant Excess Capital in the P/C Insurance Sector in 2010. Deteriorating Underwriting Losses, Higher CAT Activity, More Modest Market Returns Shrank Excess Capital in 2011 by Nearly Half.

Note: The assumption of a 0.9:1 P/S ratio is derived from a Feb. 2011 announcement by Advisen, Ltd., that the US P/C insurance industry has $74 billion in excess capital. The implied P/S ratio (calculated by III) is 0.88:1, which was rounded to 0.9:1.

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

* Net Premiums Written

M&A Activity in the US P/C Insurance Industry, 1997-2011*



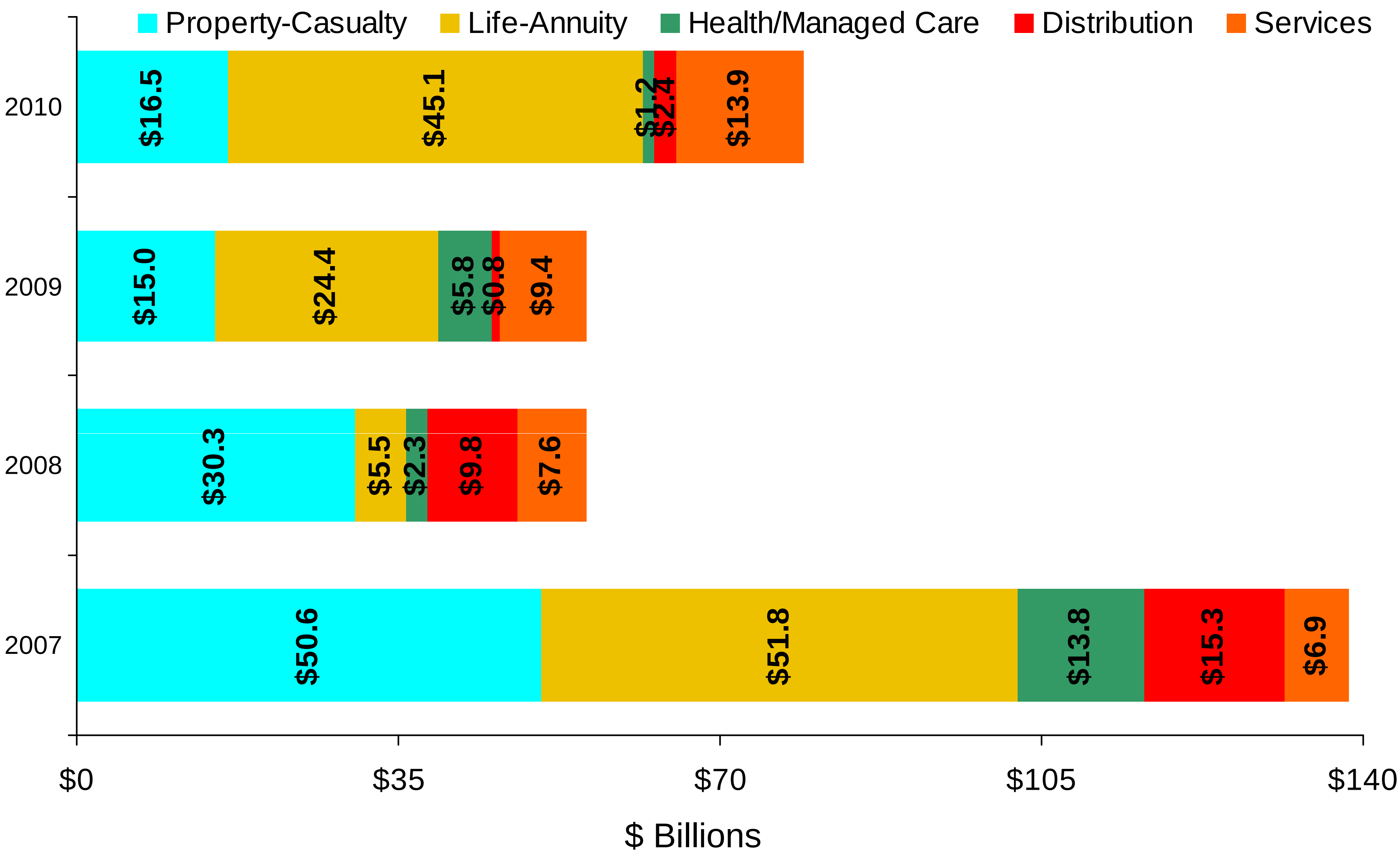
M&A Activity in the P/C Insurance Industry Remains Well Below its 1990s Peak

*2011 data are through December 1.

Source: SNL Securities; Insurance Information Institute.

M&A Activity Globally Among P/C Insurers Remains Subdued: Little Capacity Leaving

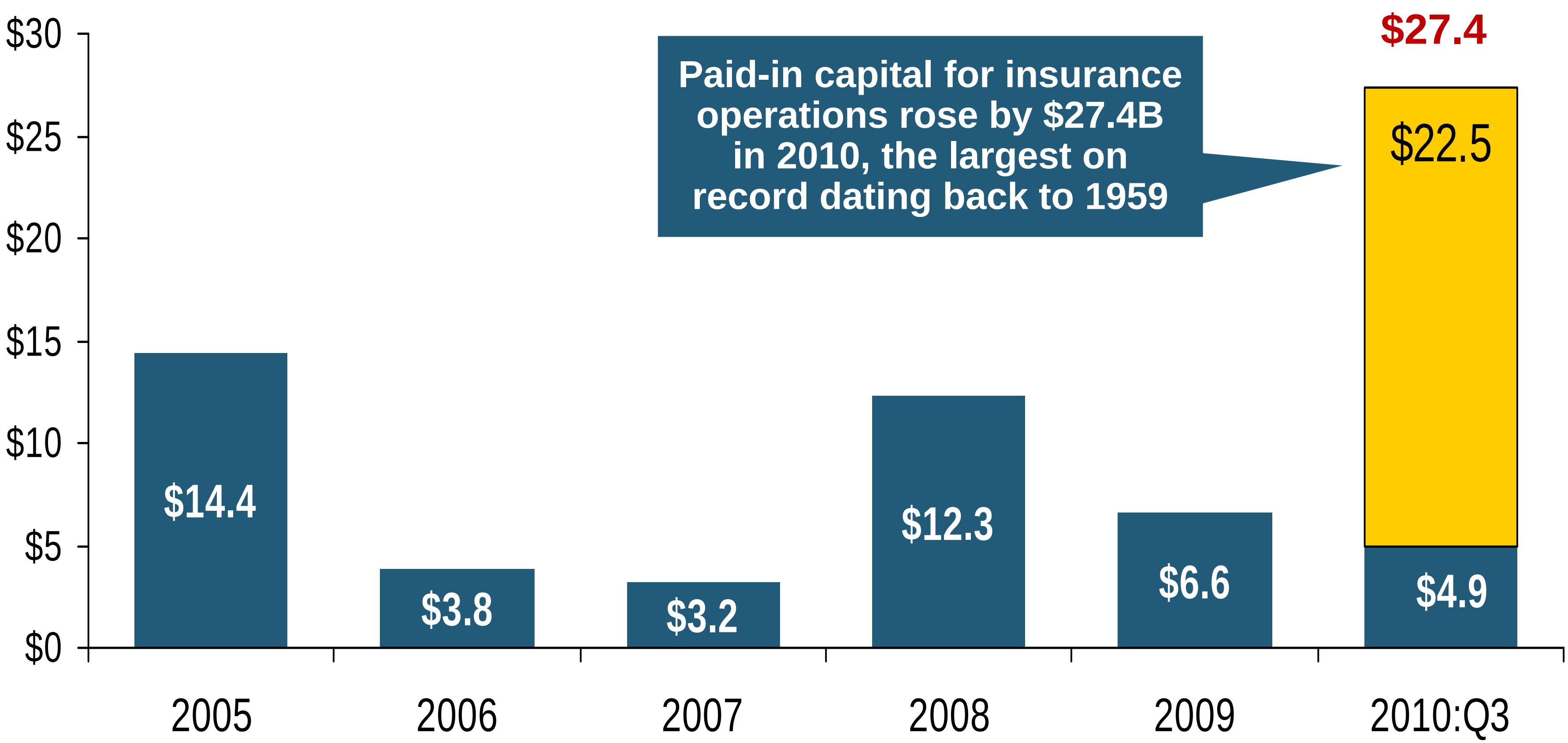
INSURANCE INFORMATION INSTITUTE



Sources: Conning Research; Insurance Information Institute.

Paid-in Capital, 2005–2010

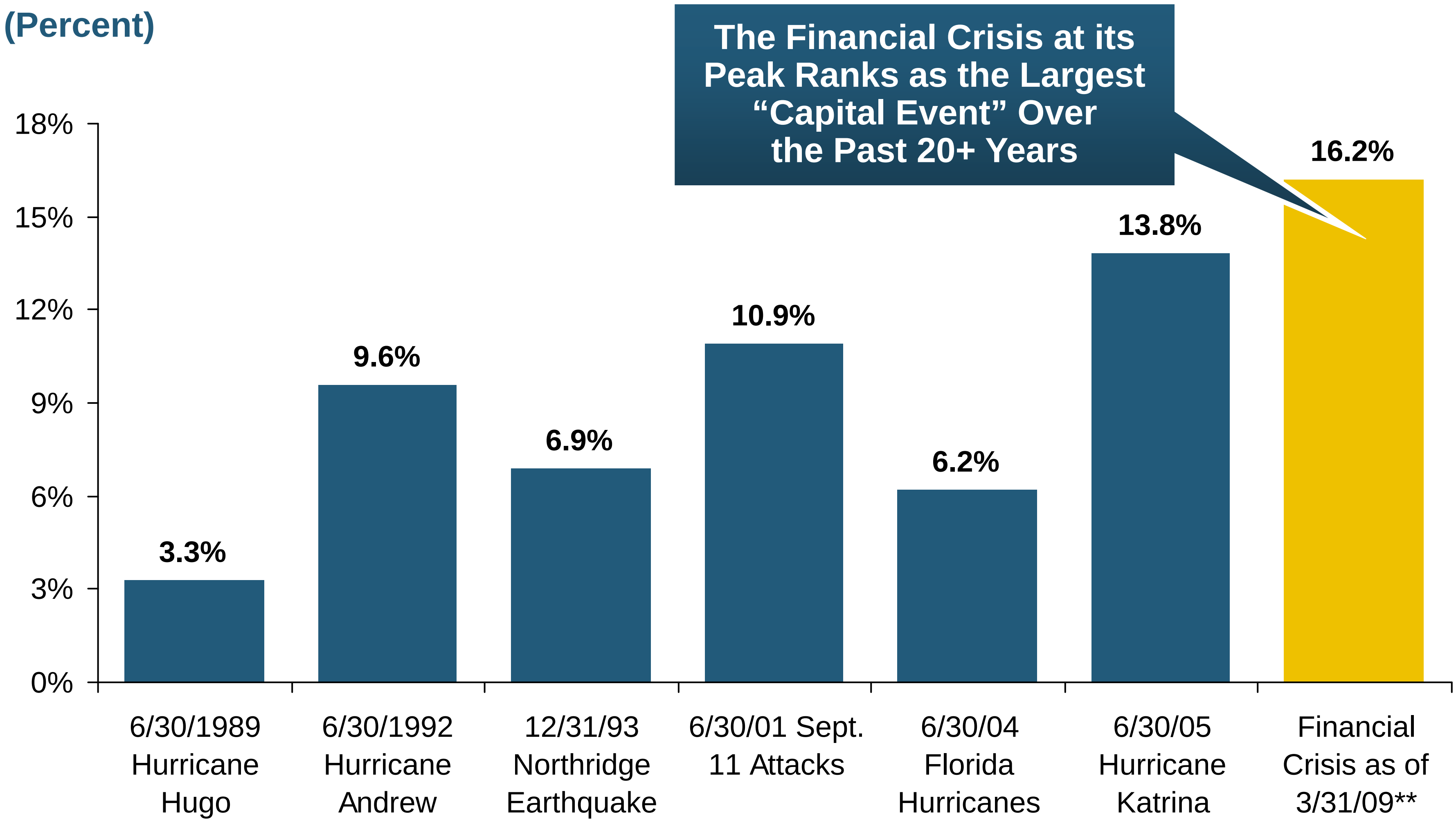
($ Billions)



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

Source: ISO; Insurance Information Institute.

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

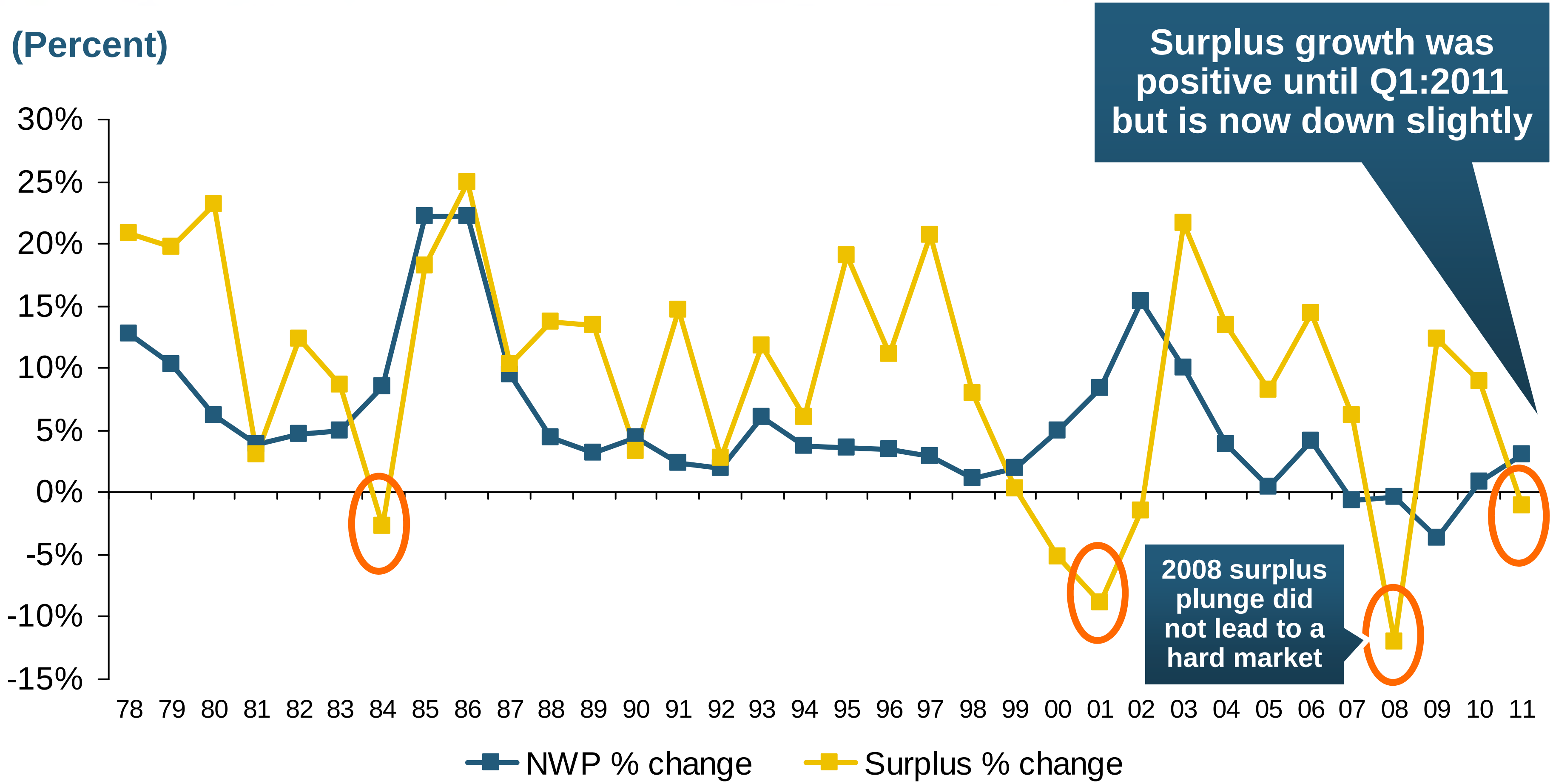


* Ratio is for end-of-quarter surplus immediately prior to event. Date shown is end of quarter prior to event

** Date of maximum capital erosion; As of 9/30/09 (latest available) ratio = 5.9%

Source: PCS; Insurance Information Institute

Historically, Hard Markets Follow When Surplus "Growth" is Negative*



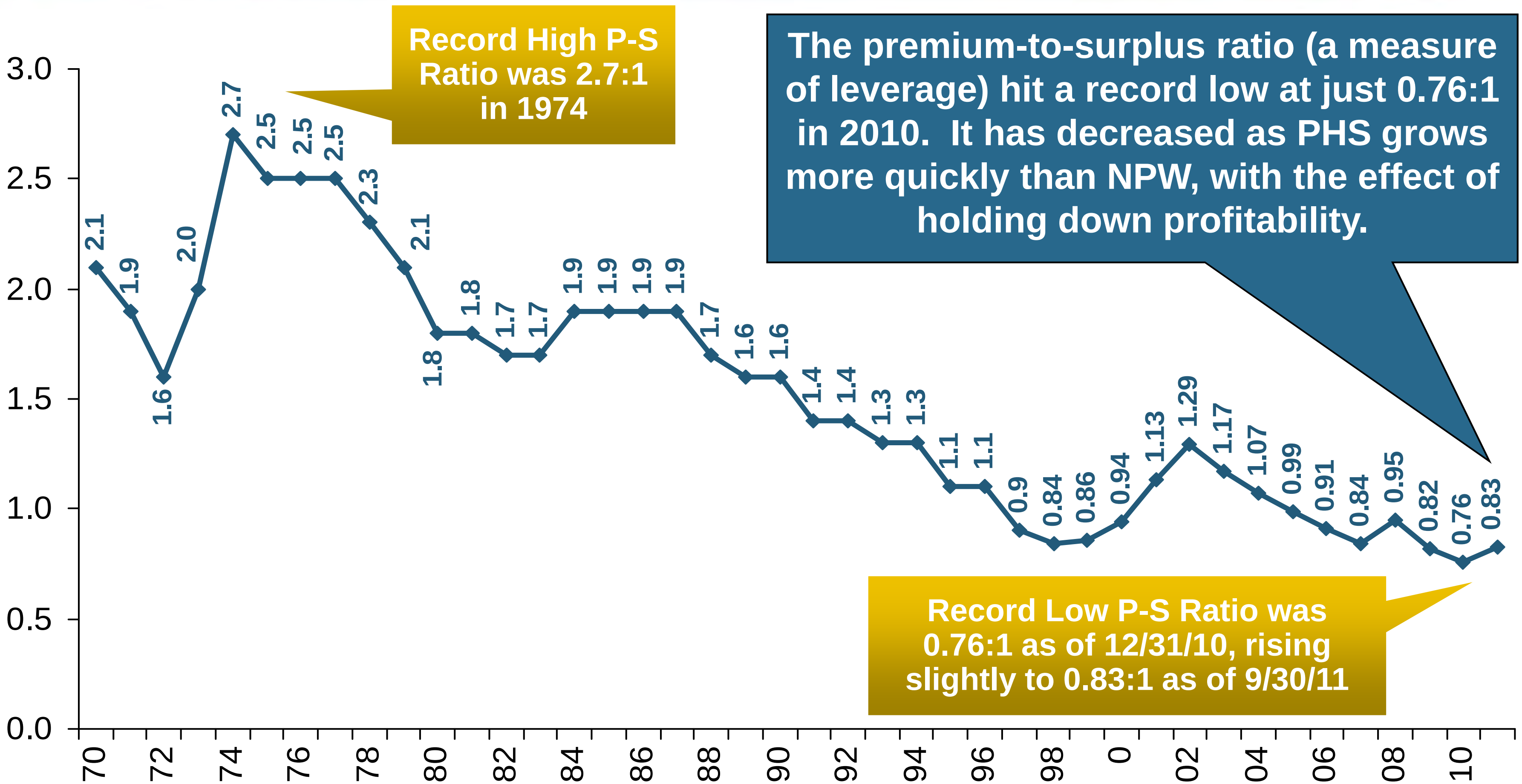
Sharp Decline in Capacity is a Necessary but Not Sufficient Condition for a True Hard Market

* 2011 NWP and Surplus figures are % changes as of Q3:11 vs. Q3:10.

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

Ratio of Net Premiums Written to Policyholder Surplus, 1970-2011*

INSURANCE INFORMATION INSTITUTE



The Premium-to-Surplus Ratio in 2011:Q3 Implies that P/C Insurers Held $1 in Surplus Against Each $0.83 Written in Premiums. In 1974, Each $1 of Surplus Backed $2.70 in Premium.

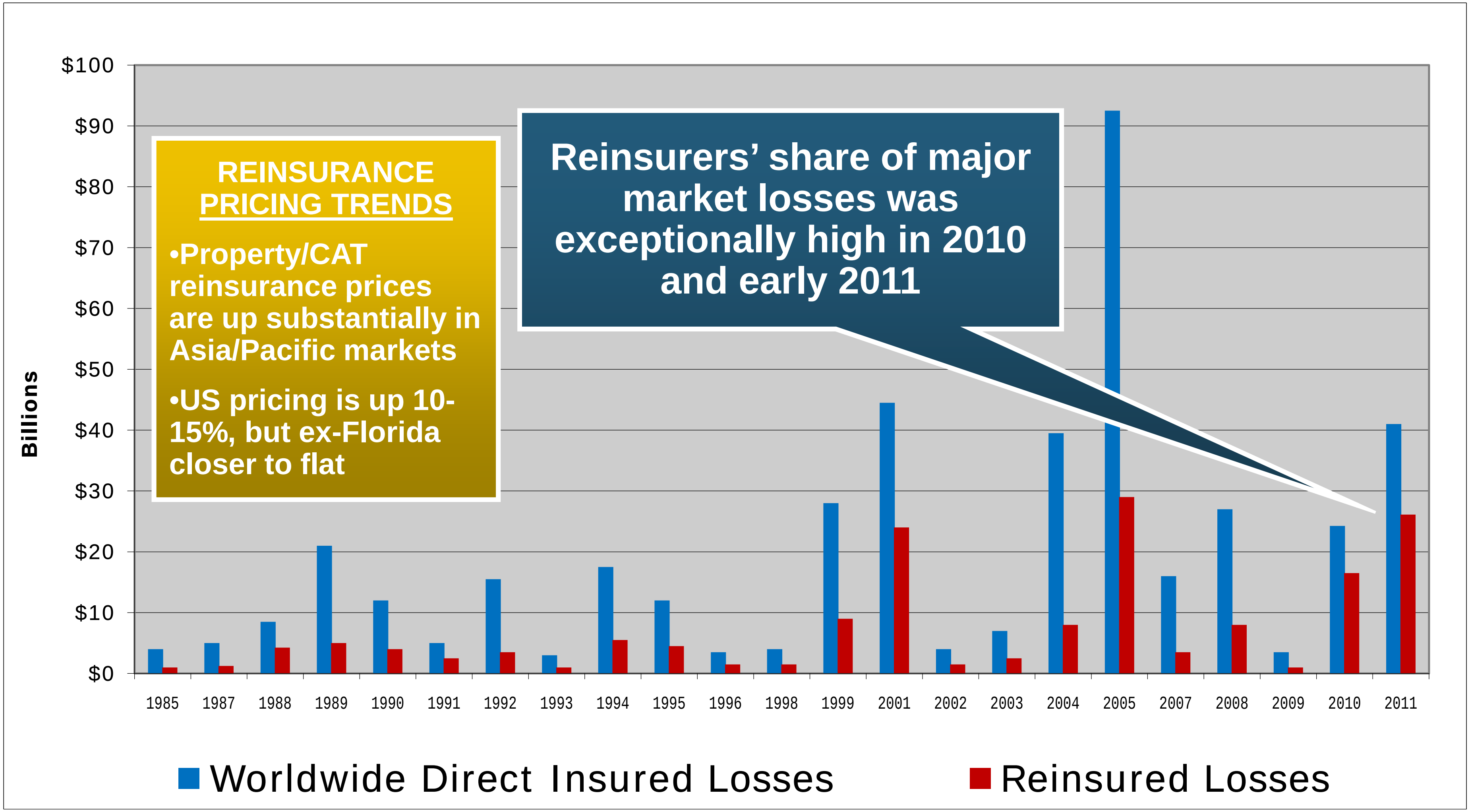
*2011 data are as of 9/30/11.

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

3. REINSURANCE MARKET CONDITIONS

Record Global Catastrophes Activity is Pressuring Pricing

Significant Market Losses, 1985-2011*

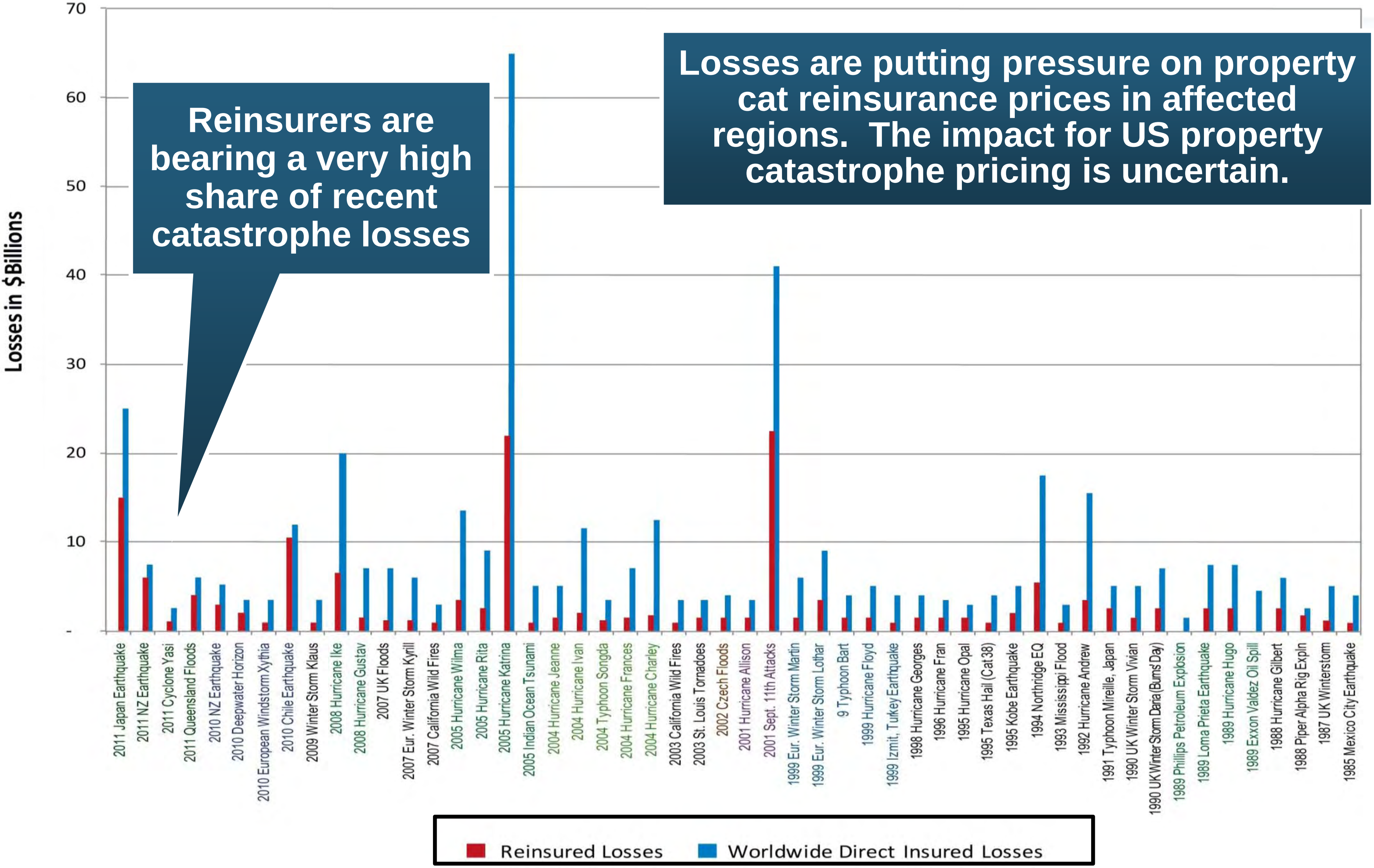


Source: Holborn; RAA.

* 2011 events are as of March 31 and are preliminary and may change as loss estimates are refined further.

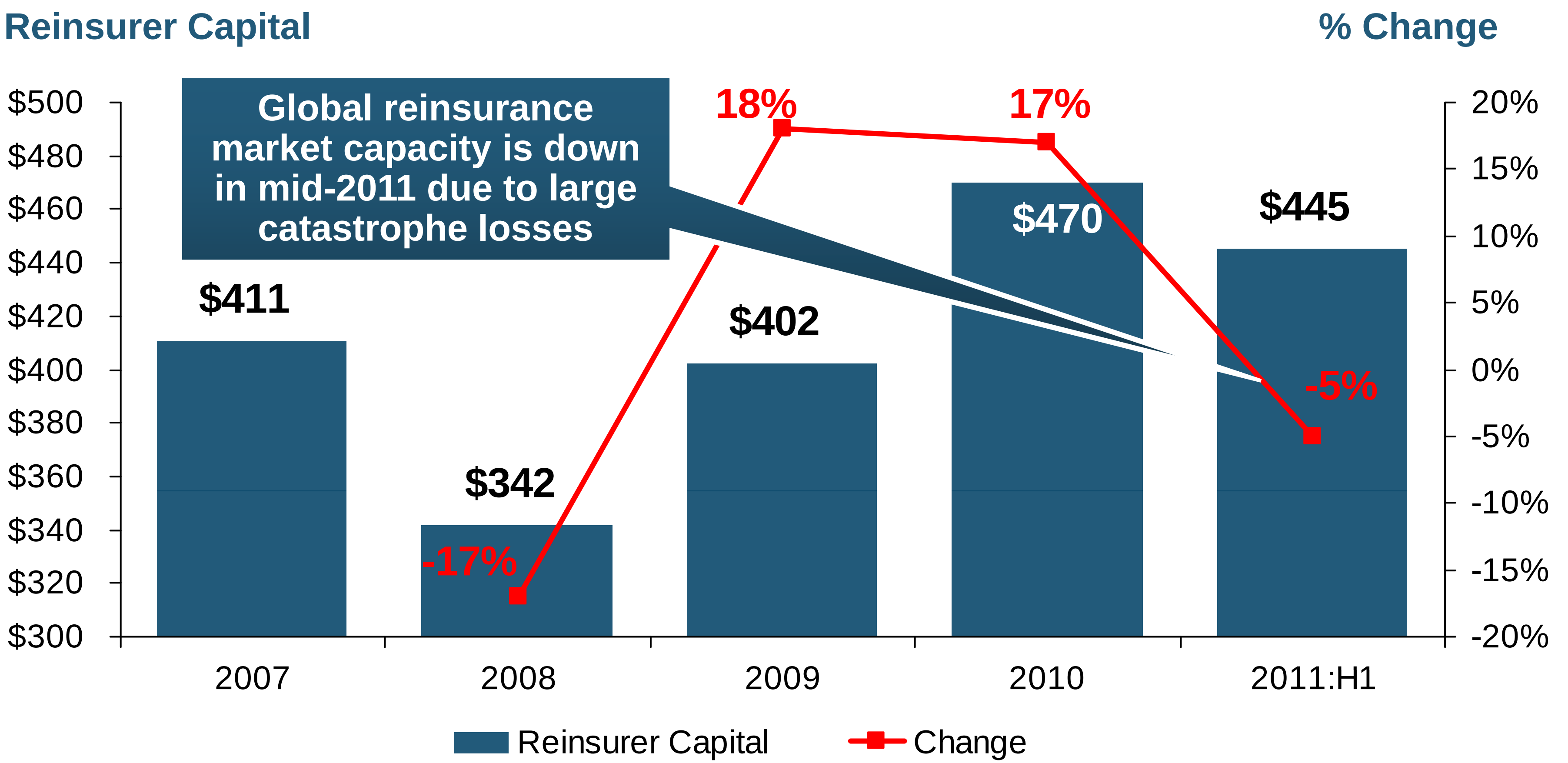
Significant Market Losses by Event, 1985-2011*

INSURANCE INFORMATION INSTITUTE



Source: Holborn, RAA. *2011 events as of March 31 are preliminary and may change as loss estimates are refined further.

Global Reinsurance Capital, 2007-2011:H1



High Global Catastrophe Losses Have Had a Modest Adverse Impact on Global Reinsurance Market Capacity

Source: Aon Reinsurance Market Outlook, September 2011 from Individual Company and AonBenfield Analytics; Insurance Information Institute.

4. RENEWED PRICING DISCIPLINE

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

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

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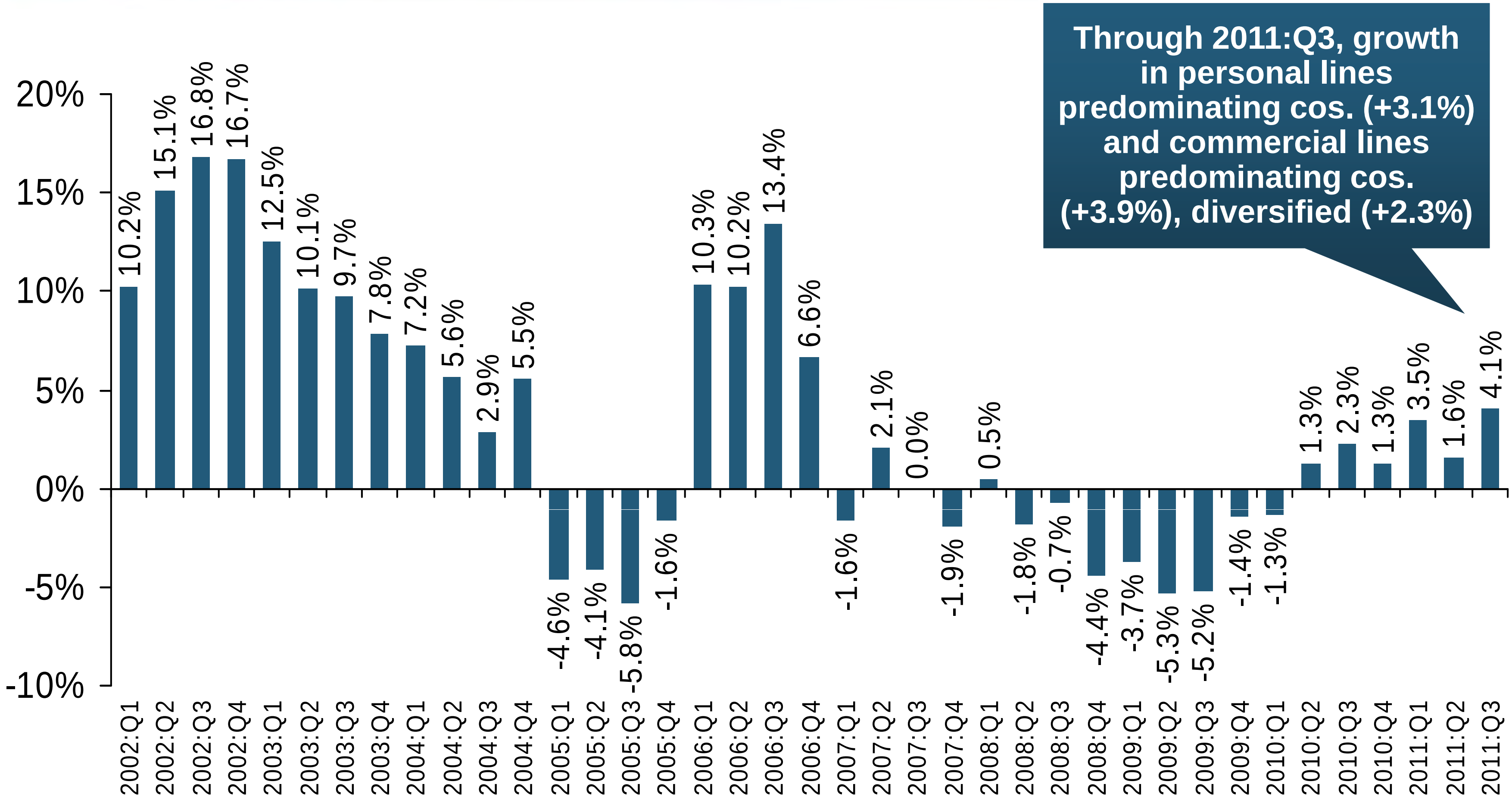
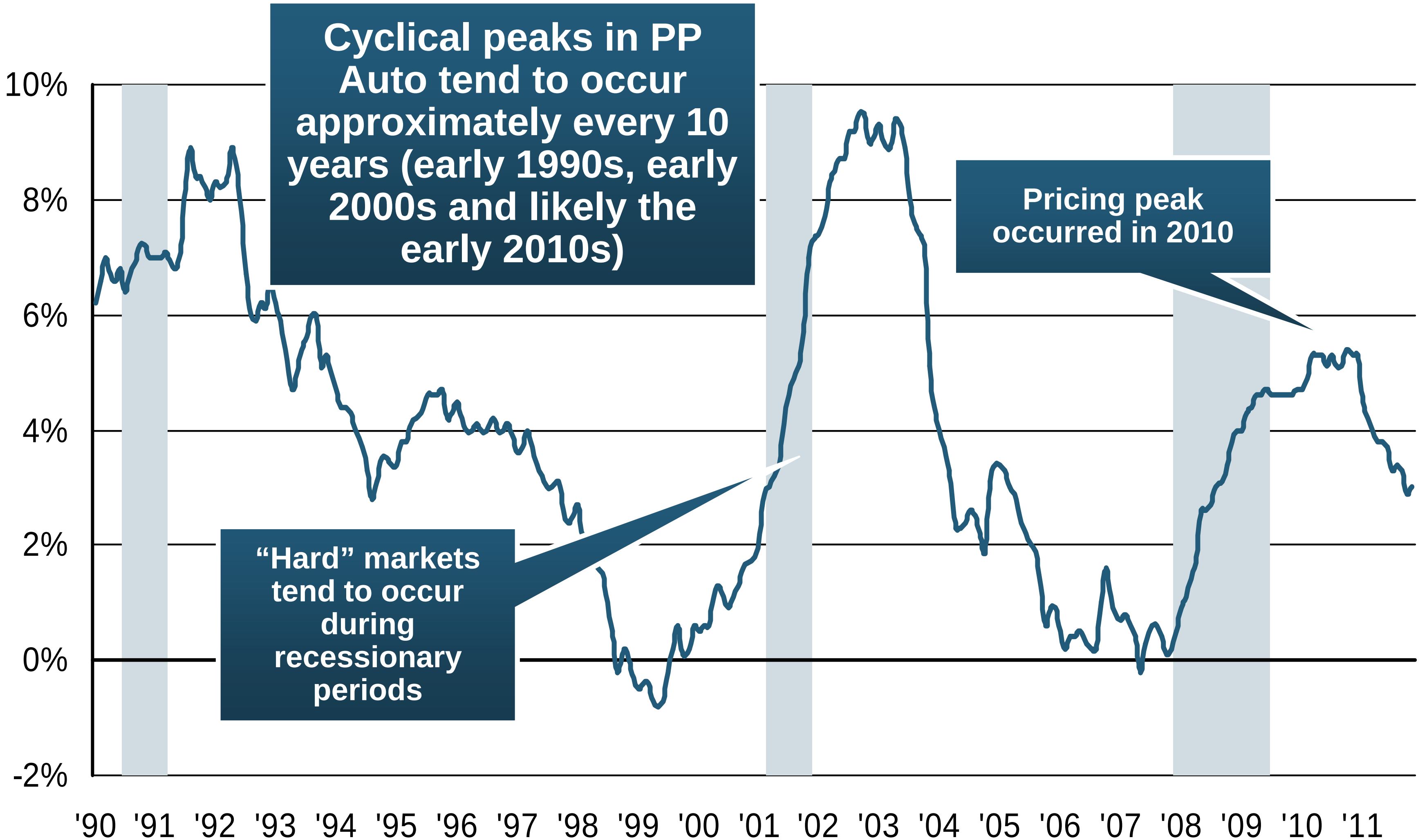


Finally! Back-to-back quarters of net written premium growth (vs. the same quarter, prior year)

Sources: ISO, Insurance Information Institute.

Monthly Change* in Auto Insurance Prices, 1991–2011*

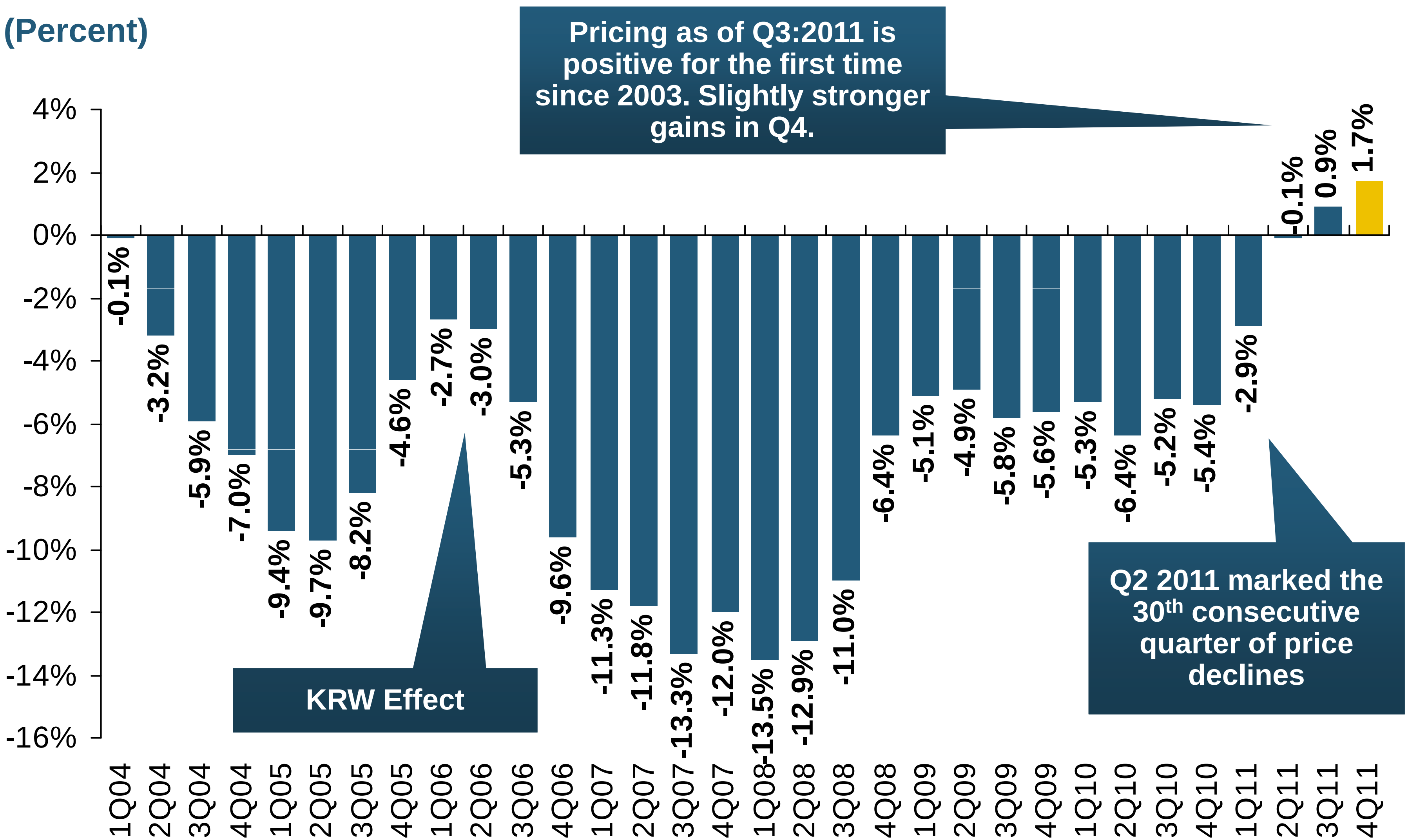


*Percentage change from same month in prior year; through November 2011; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

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

Average Commercial Rate Change, All Lines, (1Q:2004–4Q:2011E*)

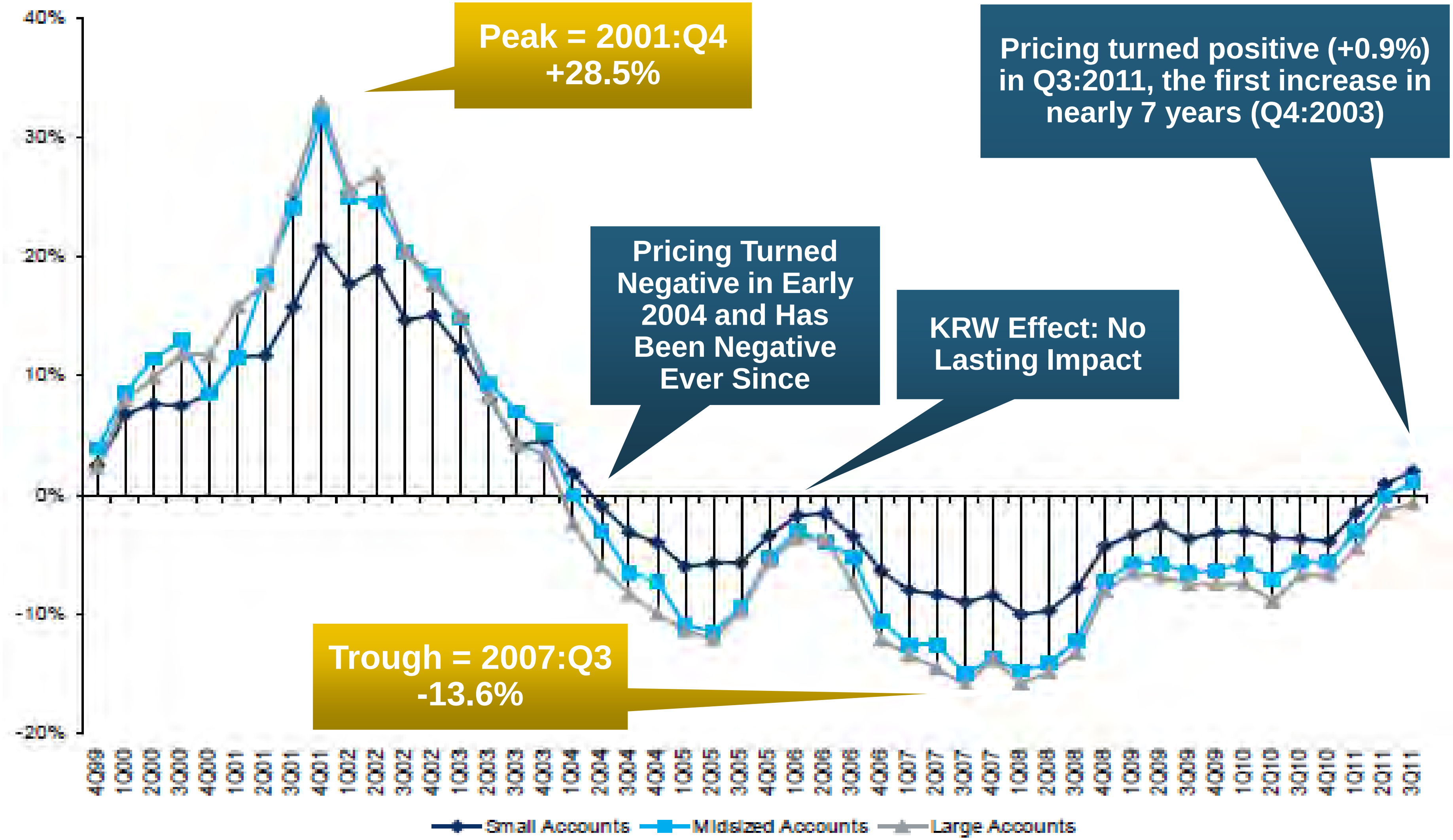


Source: Council of Insurance Agents & Brokers (1Q04-4Q11); Marsh (Q411E); Insurance Information Institute

Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2011:Q3

INSURANCE INFORMATION INSTITUTE

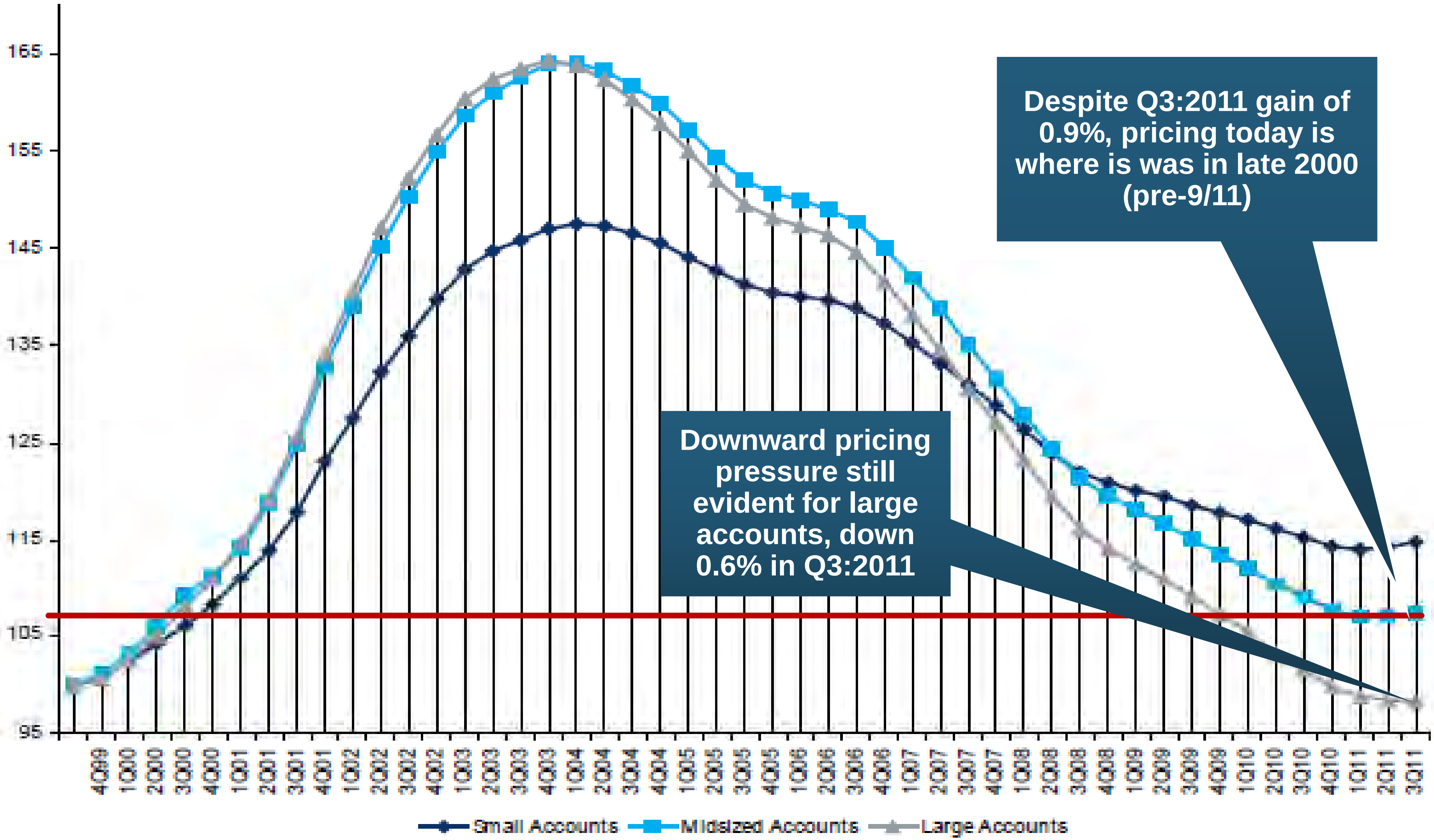
Percentage Change (%)



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

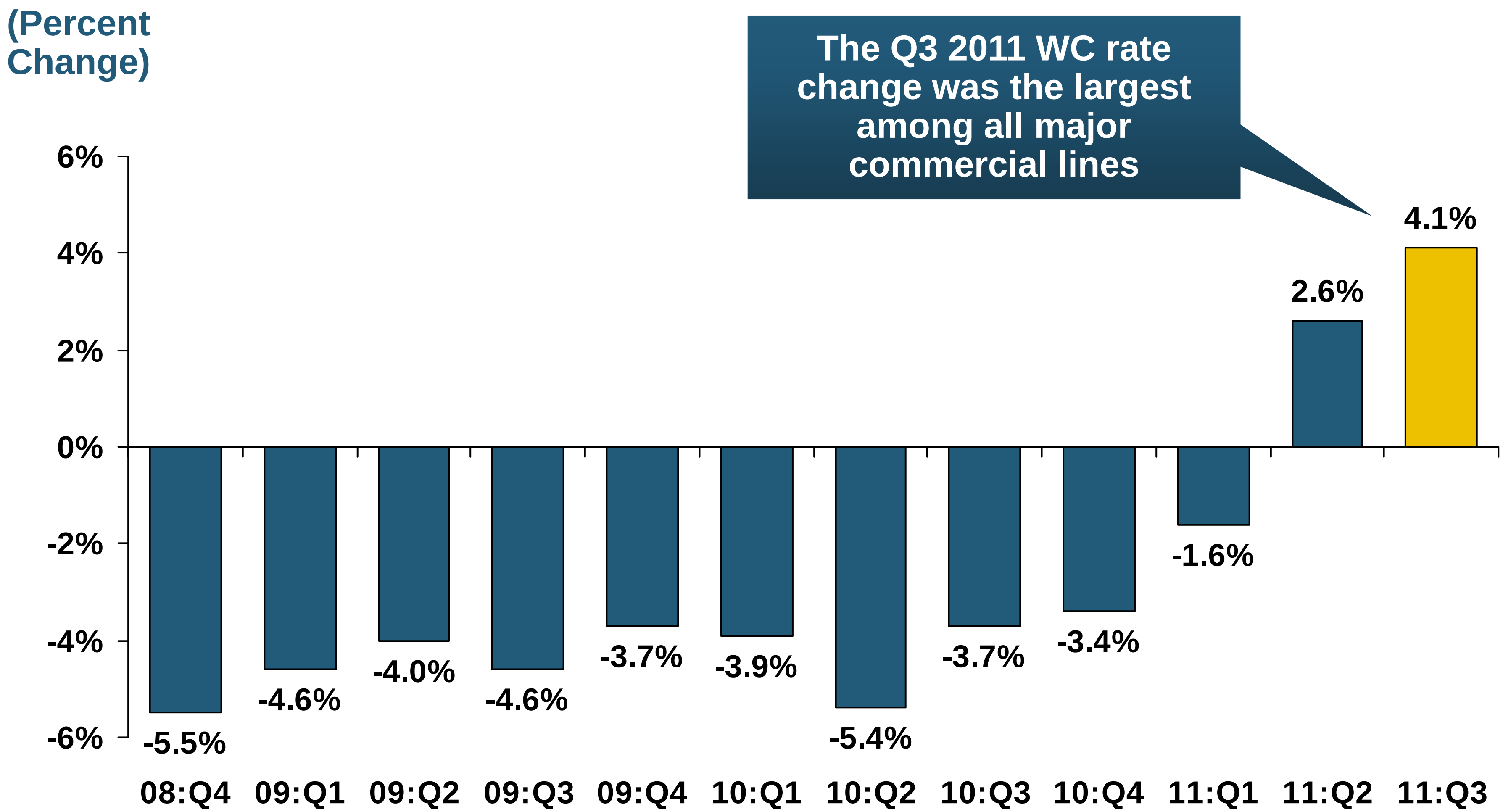
Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2011:Q3

1999:Q4 = 100



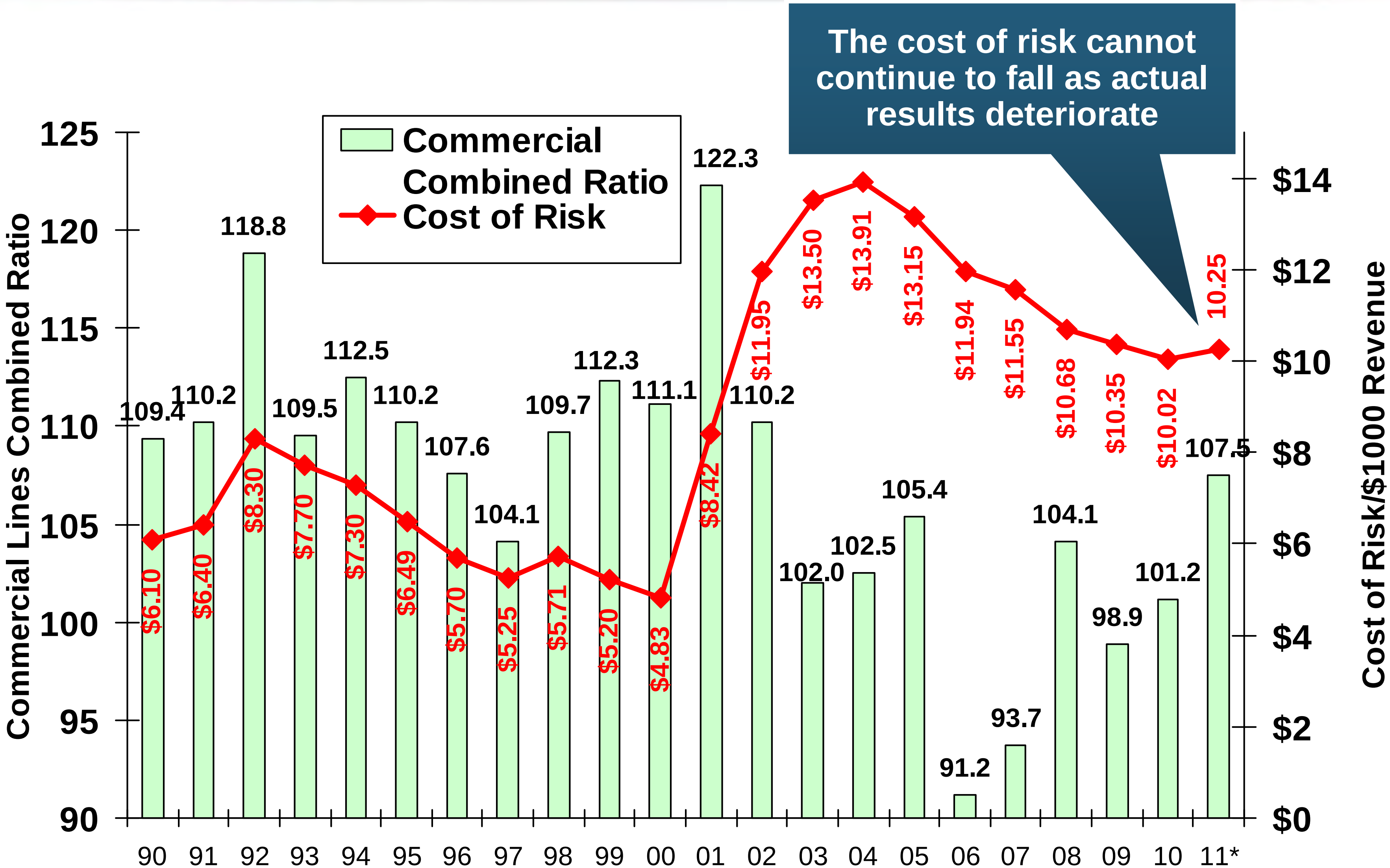
Source: Council of Insurance Agents and Brokers; Insurance Information Institute.

Workers Comp Rate Changes, 2008:Q4 – 2011:Q3



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

Cost of Risk vs. Commercial Lines Combined Ratio



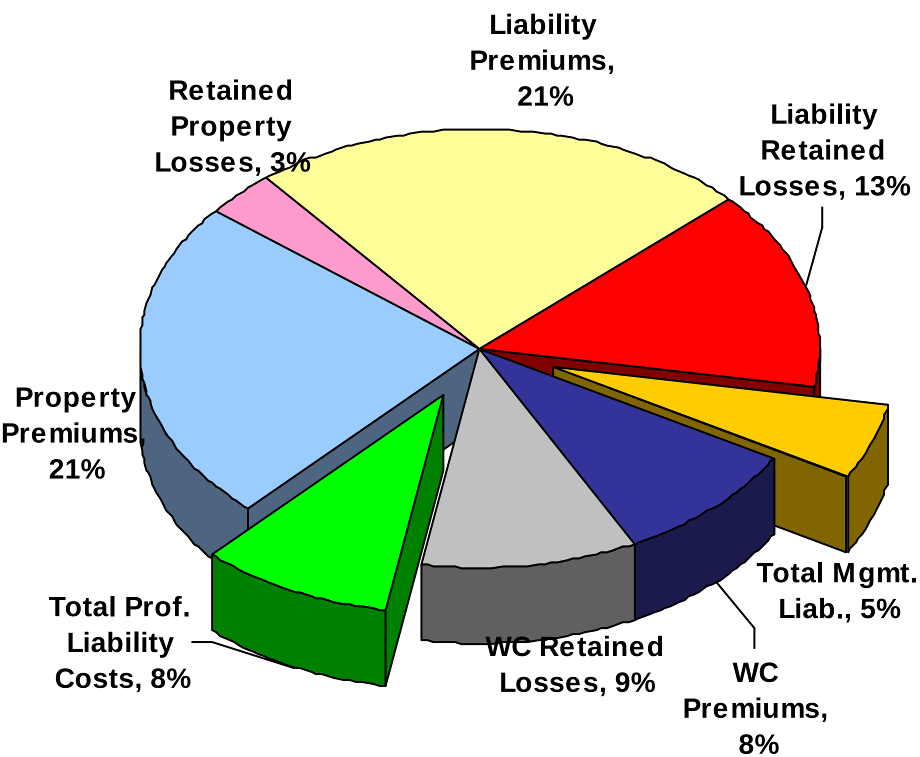
*Insurance Information Institute estimates for 2011.

Source: 2011 RIMS Benchmark Survey; A.M. Best; Insurance Information Institute

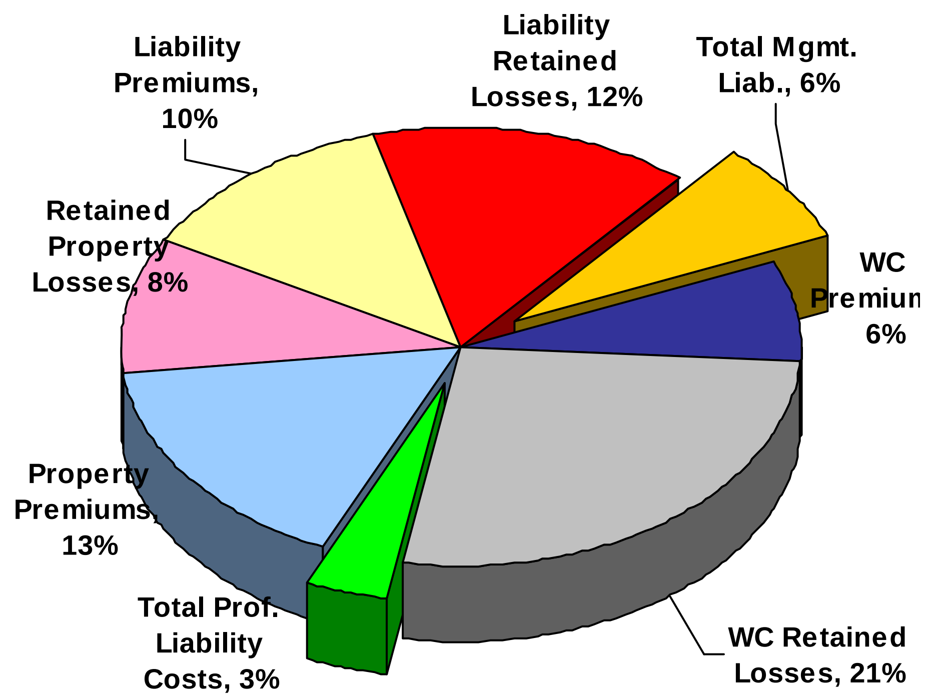
How the Risk Dollar is Spent (2011)

Management & Professional Liability Costs Account for 9% - 13% of the Risk Dollar

Firms w/Revenues < $1 Billion



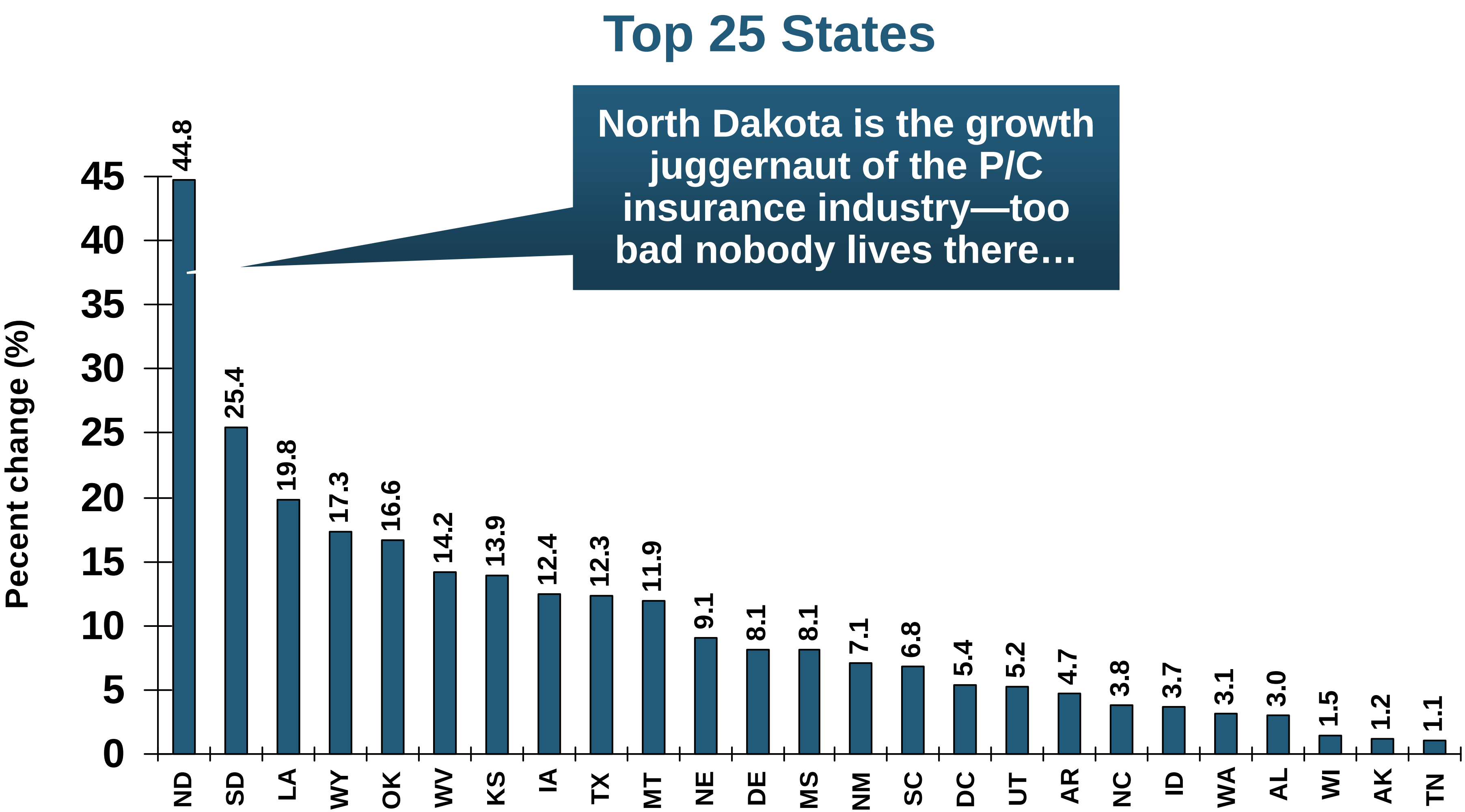
Firms w/Revenues > $1 Billion



Source: 2011 RIMS Benchmark Survey, Advisen; Insurance Information Institute

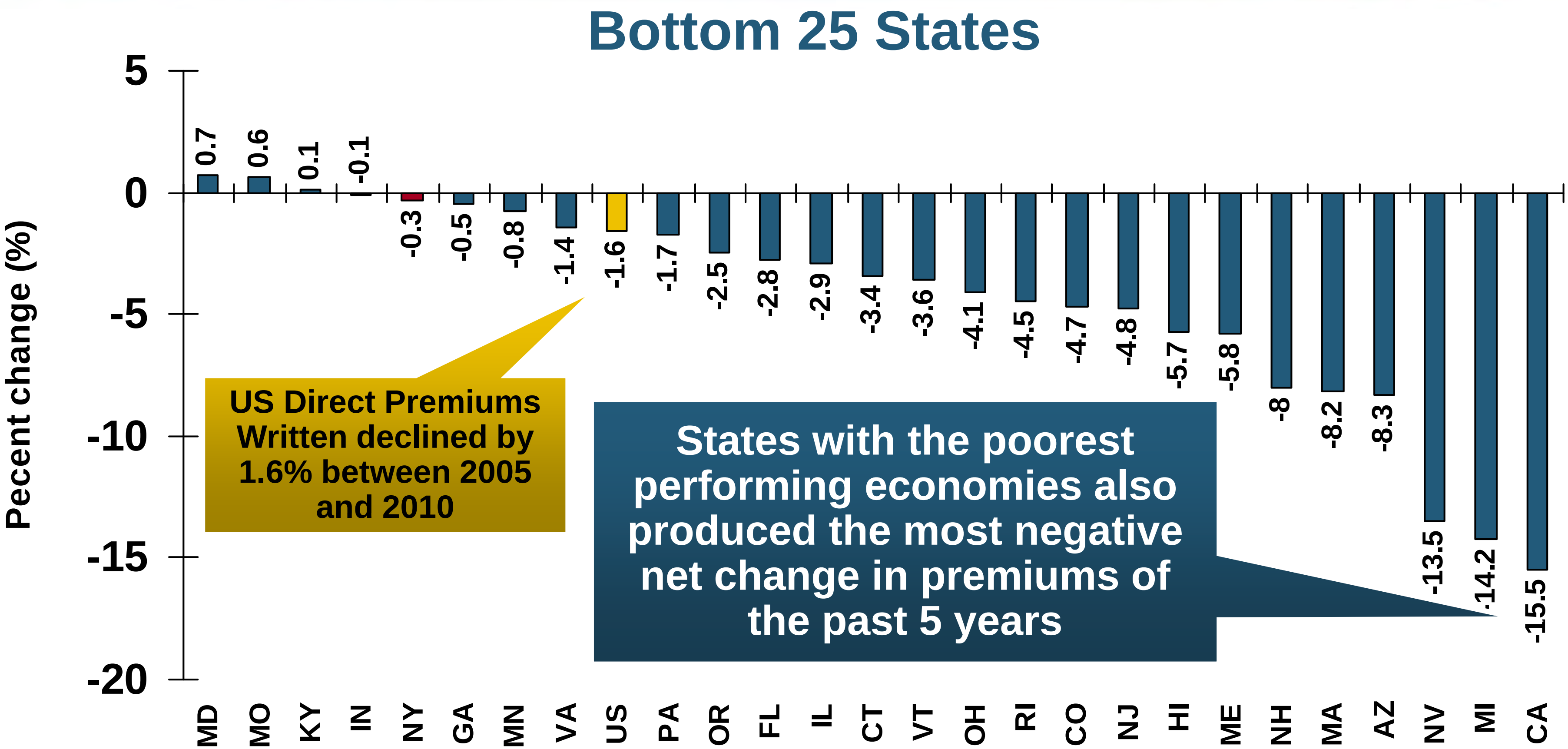
Direct Premiums Written: All P/C Lines Percent Change by State, 2005-2010

INSURANCE INFORMATION INSTITUTE



Sources: SNL Financial LC.; Insurance Information Institute.

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



Sources: SNL Financial LC; Insurance Information Institute.

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Other Cycle-Influencing Factors

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

INVESTMENTS:
THE NEW REALITY

Investment Performance is a Key Driver of Profitability

Does It Influence Underwriting or Cyclicality?

Property/Casualty Insurance Industry Investment Gain: 1994–2011:Q3[1]

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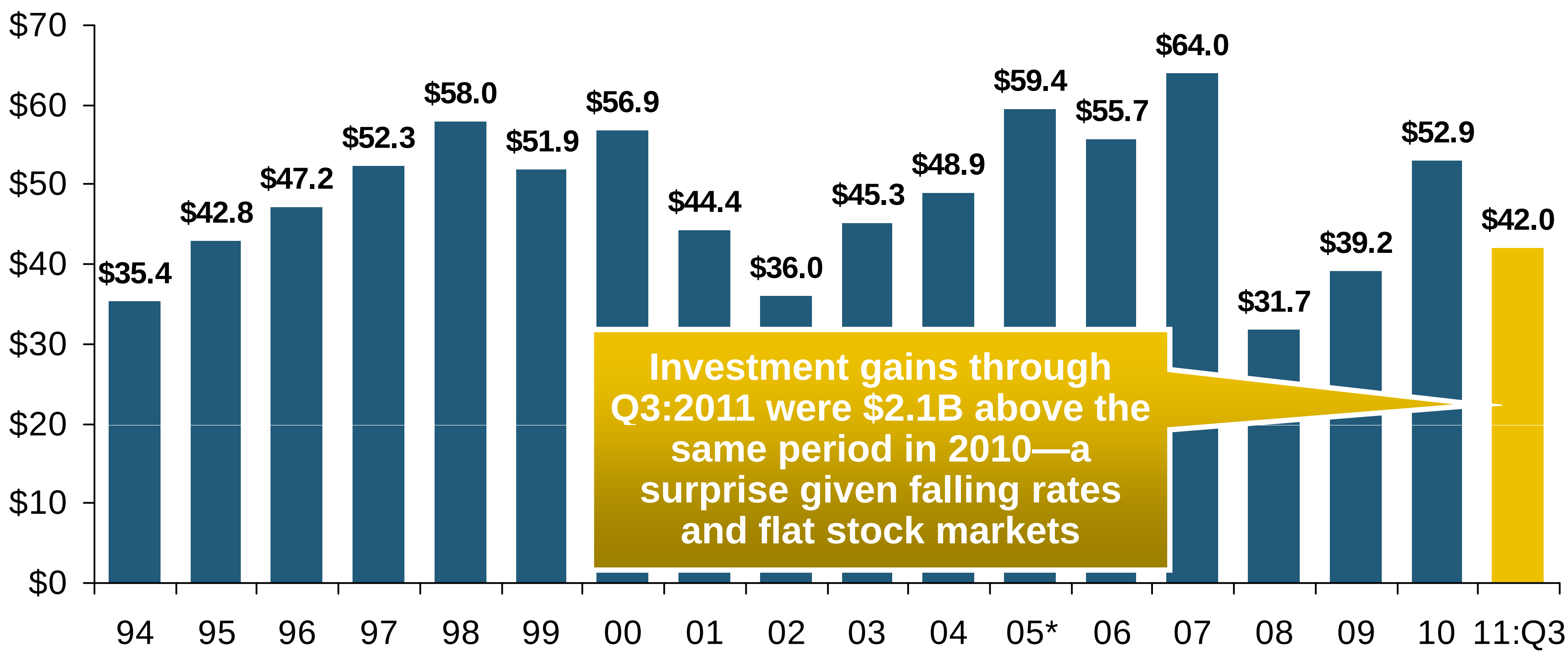
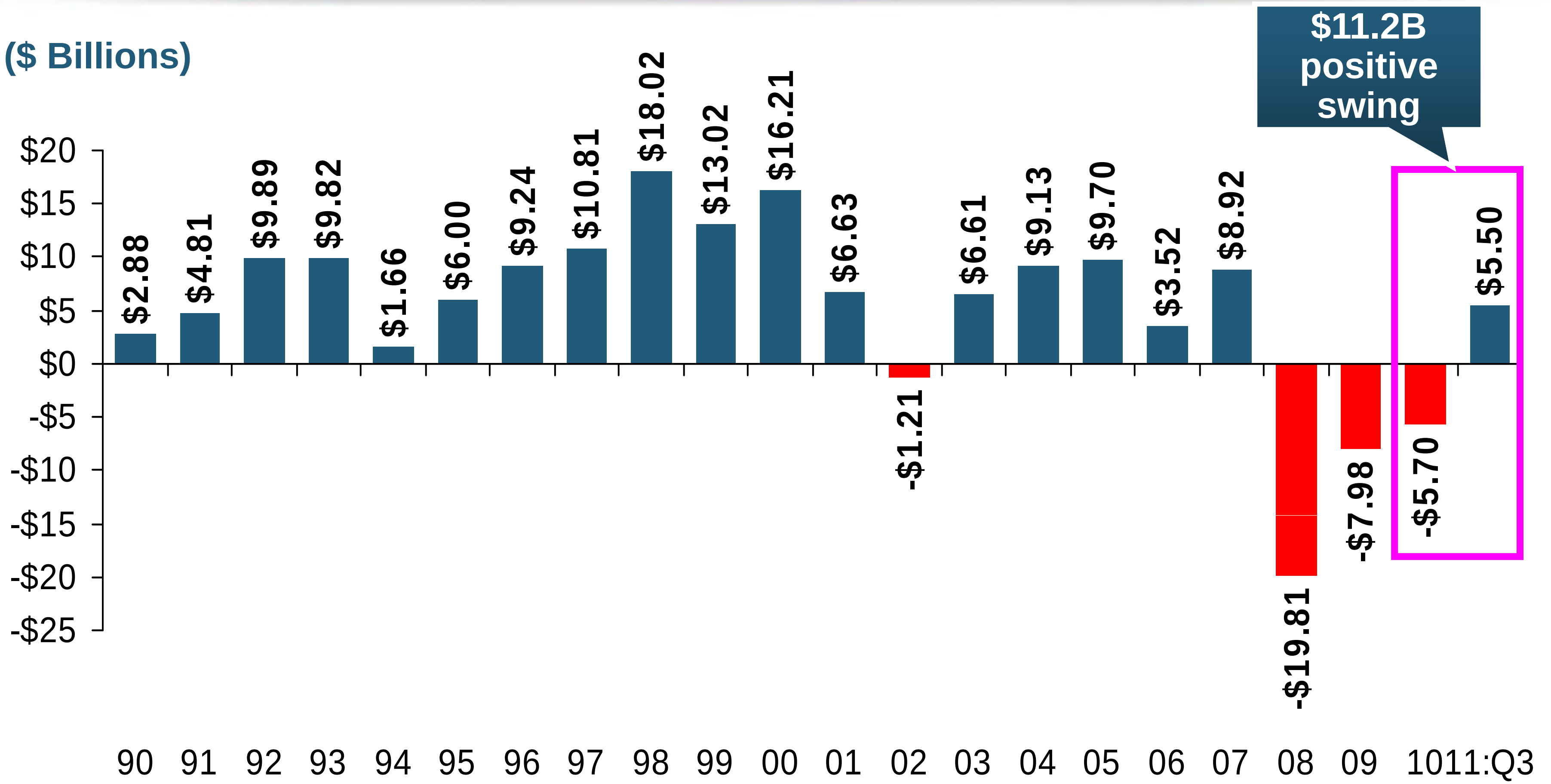
($ Billions)



Investment Gains through Q3:2011 Were Surprisingly Robust. Investment Gains Recovered Significantly in 2010 Due to Realized Investment Gains; The Financial Crisis Caused Investment Gains to Fall by 50% in 2008

[1] Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.
* 2005 figure includes special one-time dividend of $3.2B.
Sources: ISO; Insurance Information Institute.

P/C Insurer Net Realized Capital Gains/Losses, 1990-2011:3Q



Insurers Are Posting Net Realized Capital Gains in 2011 for the First Time Since 2007. Realized Capital Losses Were the Primary Cause of 2008/2009's Large Drop in Profits and ROE

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

U.S. 10-Year Treasury Note Yields: A Long Downward Trend, 1990–2011*

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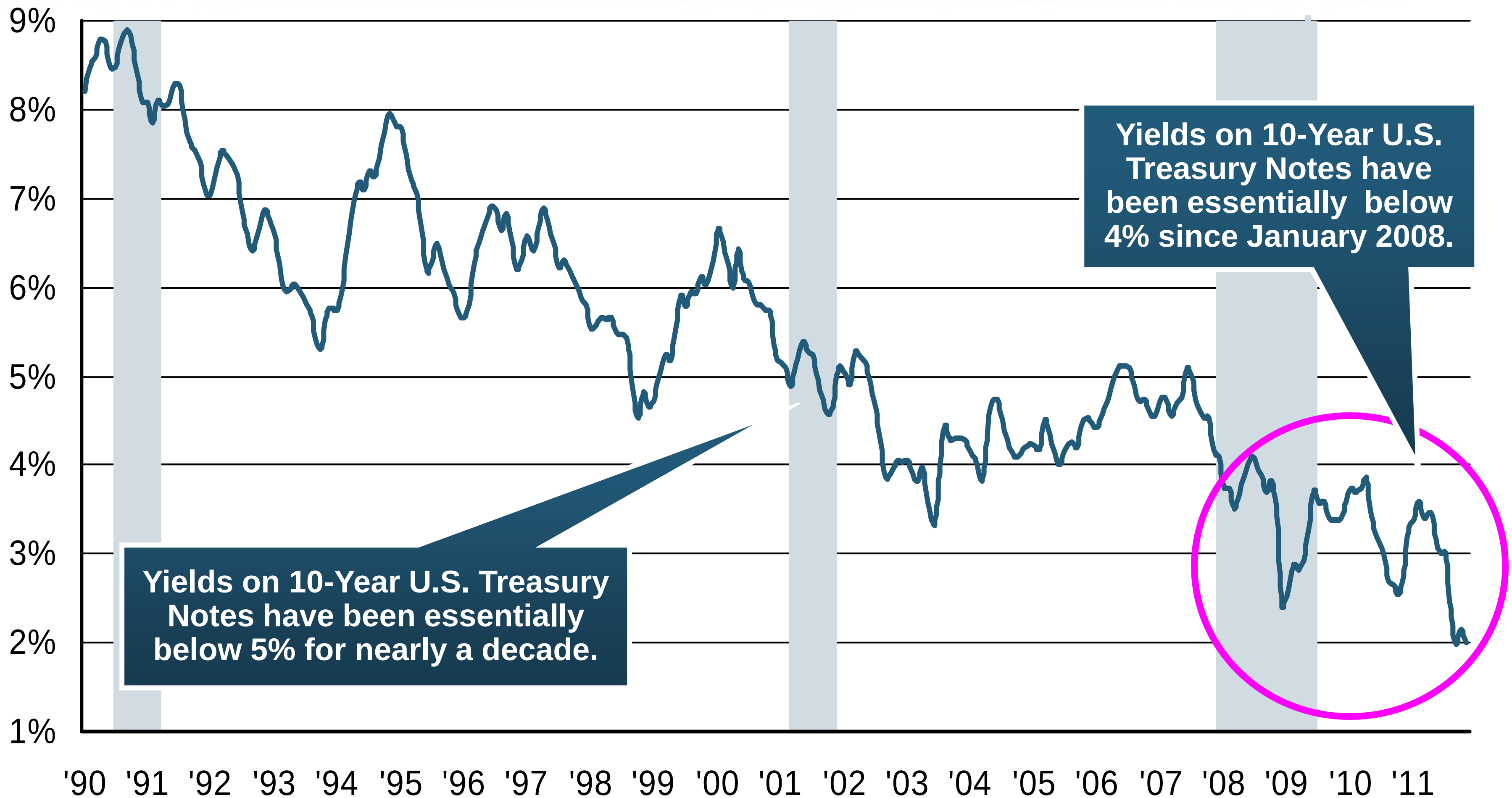

Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, through November 2011 Note: Recessions indicated by gray shaded columns.

Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data/Monthly/H15_TCMNOM_Y10.txt
National Bureau of Economic Research (recession dates); Insurance Information Institutes.

Daily Yields, 10-Year U.S. T-Notes vs. Moody's Seasoned AAAs, 2010-2011*

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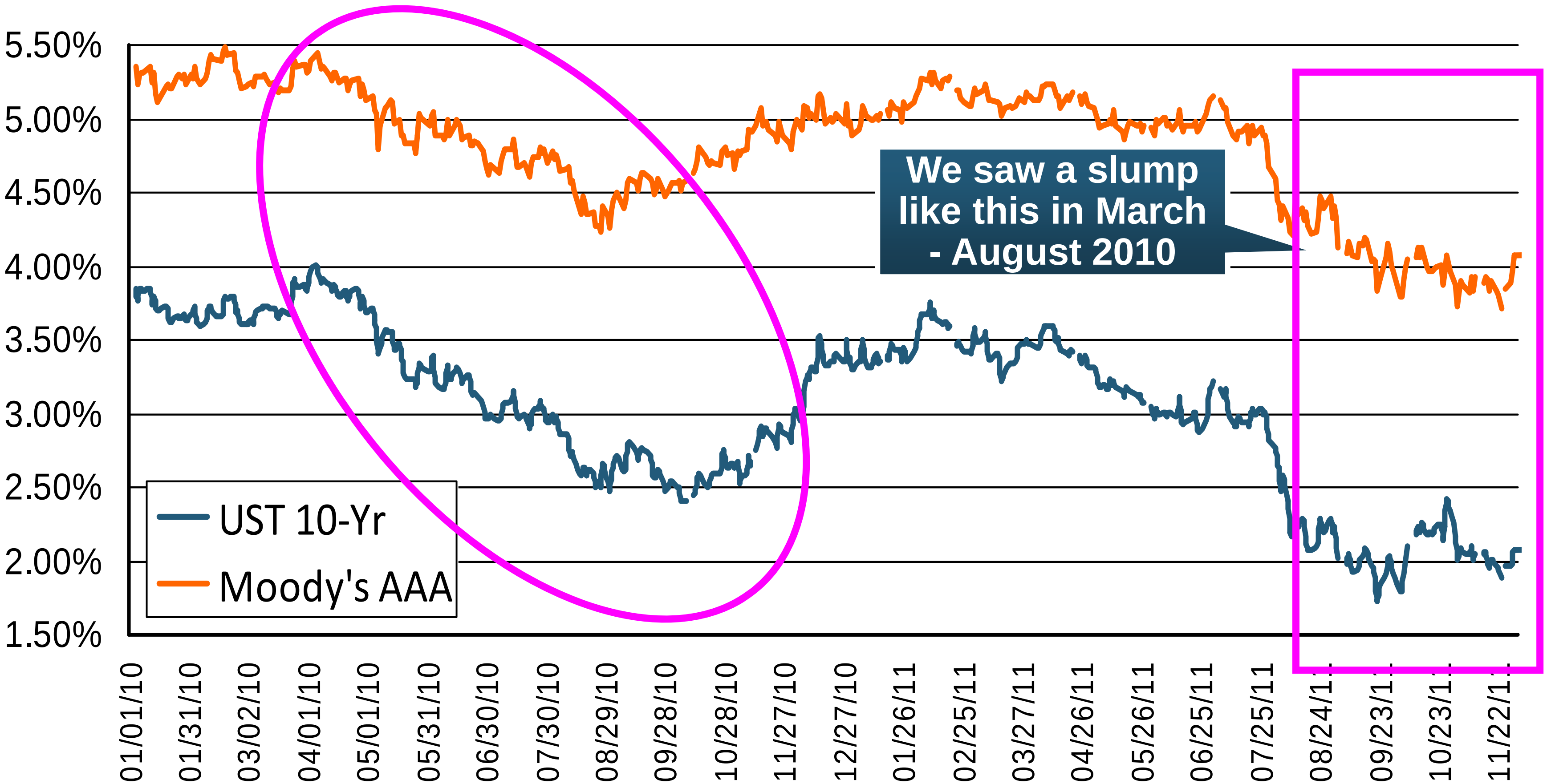

The spread between the two yields reflects confidence (or lack of it) in the economy's prospects. A wider spread indicates worry; narrower = confidence.

*through 11/30/2011
Sources: Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data/Business_day/H15_TCMNOM_Y10.txt and http://www.federalreserve.gov/releases/h15/data/Business_day/H15_AAA_NA.txt

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

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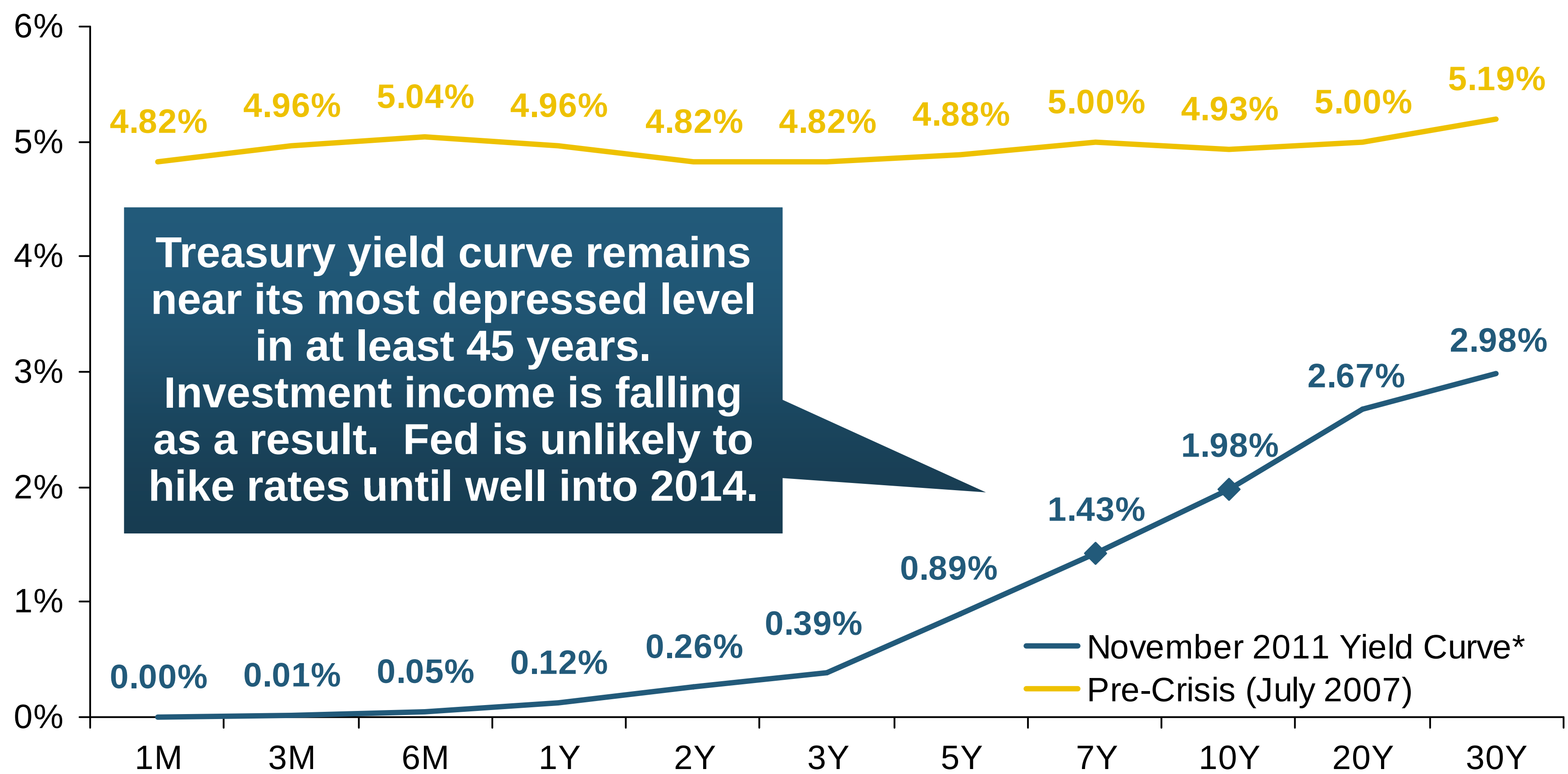

The Fed Is Actively Signaling that it Is Determined to Keep Rates Low Through 2013 and Possibly into 2014

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

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

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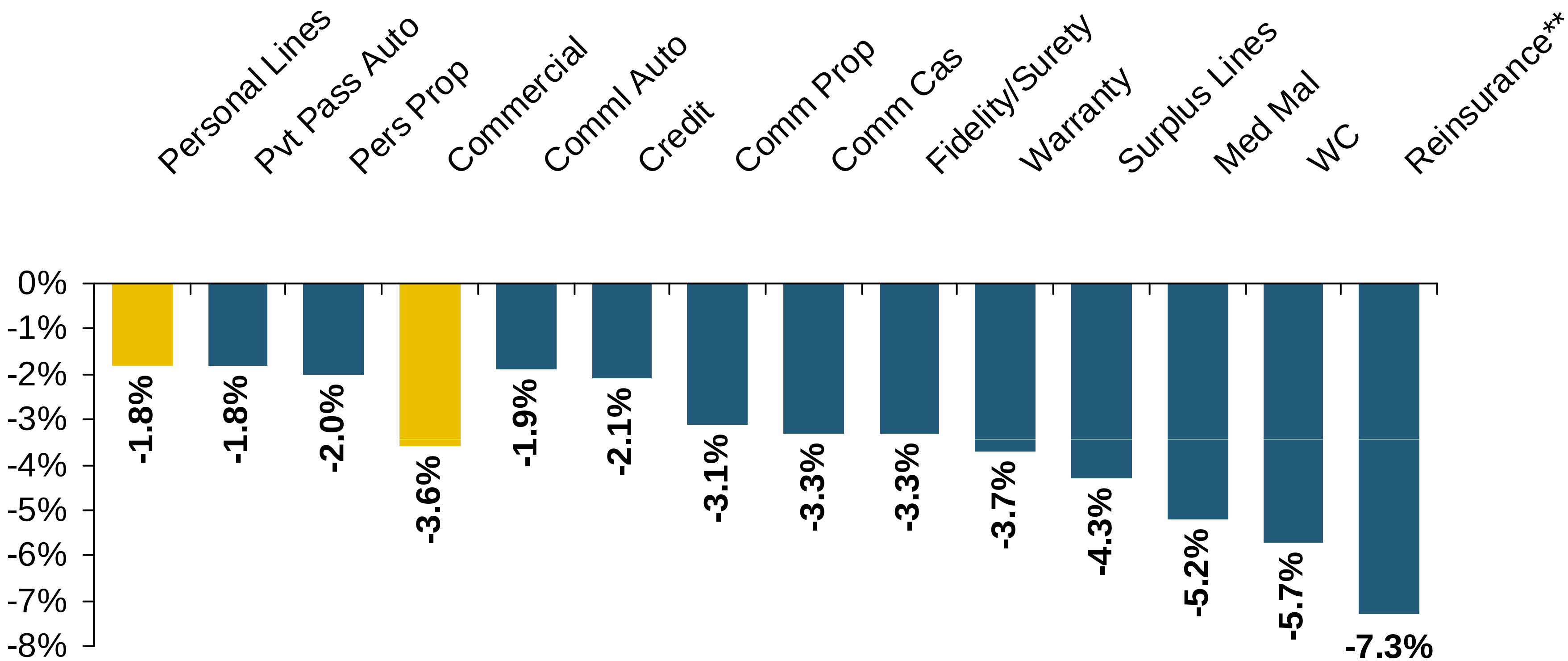

Lower Investment Earnings Place a Greater Burden on Underwriting and Pricing Discipline

*Based on 2008 Invested Assets and Earned Premiums

**US domestic reinsurance only

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

Insurance Information Institute Online:

www.iii.org

Thank you for your time and your attention!

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