



Is the World Becoming a Riskier Place?

Economic Overview and New York Insurance Market Outlook for 2012 & Beyond

Independent Insurance Agents & Brokers of New York
Albany, NY

January 30, 2012

Download at www.iii.org/presentations

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

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

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

Presentation Outline

- **Review of Recent Events**
 - ◆ What in the World is Going On?
- **Summary of P/C Financial Performance**
- **Catastrophe Loss Developments & Trends**
 - ◆ US, Global
- **Will the Market Turn? Four Necessary Criteria:**
 - ◆ Underwriting Loss Trends
 - ◆ Capital/Capacity
 - ◆ Reinsurance Markets
 - ◆ Pricing Discipline
- **Other Contributing Factors to the Underwriting Cycle**
 - ◆ Investment Environment
 - ◆ Tort/Casualty Environment
 - ◆ Inflation
- **Economic Overview & Outlook**
- **Q&A**

What in the World Is Going On?

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

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

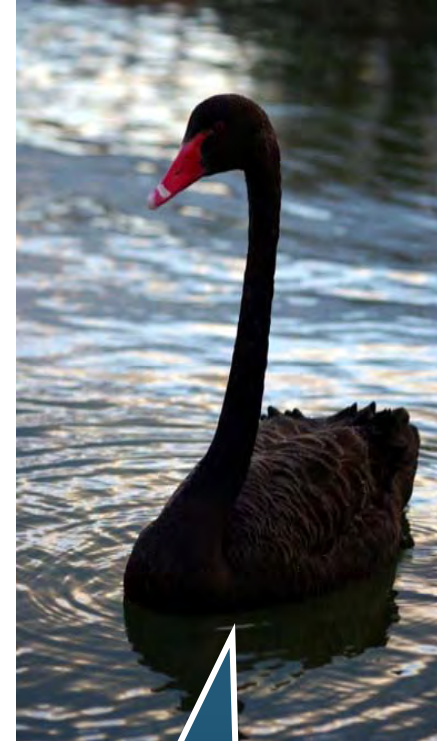
We Are Living in an Age of Elevated Global Economic Uncertainty

ECONOMIC & POLITICAL CONCERNS

- European Sovereign Debt, Bank & Currency Crises
- Global Economic Slowdown
- Echoes of the Financial Crisis & Financial Market Volatility
- Collapse of Major Financial Institutions
- U.S. Debt and Budget Crisis, S&P Downgrade & Tax Uncertainty
- Housing Crisis
- Persistently High Unemployment
- Inflation/Deflation
- Energy & Commodity Prices Volatility
- Political Upheaval in the Middle East (Arab Spring, Iran)
- Regulation & Regulatory Uncertainty
- New World Order: China's Economic and Military Ascendancy
- 2012 US Elections & Political Brinksmanship

CATASTROPHIC LOSS

- Japan, New Zealand, Chile, Haiti Earthquakes
- Nuclear Fears (Japan, Germany, US)
- Floods (Thailand, US)
- U.S.: Tornadoes, Flooding, Wildfires, Hurricanes, Winter Storms
- Manmade Disasters (e.g., Deepwater Horizon)
- Cyber Attacks
- Resurgent Terrorism Risk (Bin Laden, Gadhafi, Kim Jong Il deaths)



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

What is Going On in the US and Global Financial Markets?

1. Need for a Binding, Comprehensive Solution to Europe's Debt Problems

- ♦ 15 of 17 Eurozone countries put on negative credit watch by S&P on Dec. 5
- ♦ Current requires construction of a “fiscal union” to save Euro monetary union
- ♦ Requires rewriting EU treaties to mandate strict Debt/GDP ratios (3%) with sanctions to be imposed on violators
- ♦ Short-term Europe needs to build a financial “Firewall” (larger bailout fund) around Italy, Spain, Ireland, Portugal to avoid another “Big, Fat Greek Debt Disaster”
- ♦ Solution: Unified strategy similar to TARP; Monetary easing; Binding fiscal pact
- ♦ **OUTCOME**: Europeans will eventually stumble into a resolution

2. Realization that US Economic Growth Will Remain Lackluster

- ♦ Q1 GDP just 0.4%; Q2 only 1.3%; Q3 still a subpar 1.8%; Acceleration likely
- ♦ Job growth has been anemic for months and unemployment remains high at 8.5%
- ♦ Markets remain extremely volatile and jittery; Housing/Debt hangover
- ♦ **OUTCOME**: Tepid growth in the 2% - 2.5% range in 2012; Unemployment: 8% - 8.5%

3. View that Washington is Dysfunctional and “Rudderless”

- ♦ Lack of coherent, consistent medium and long term plan to deal with basic structural issues in the US economy (debt, taxes, employment, regulation, etc.)
- ♦ No confidence that 2012 political cycle will resolve these problems

4. Economic Slowdown in Emerging Markets

- ♦ China, other economies less able to stimulate global economy than in 2008

Déjà Vu? Lehman II?

Is This 2008 All Over Again?

Why Today is Not 2008 All Over Again

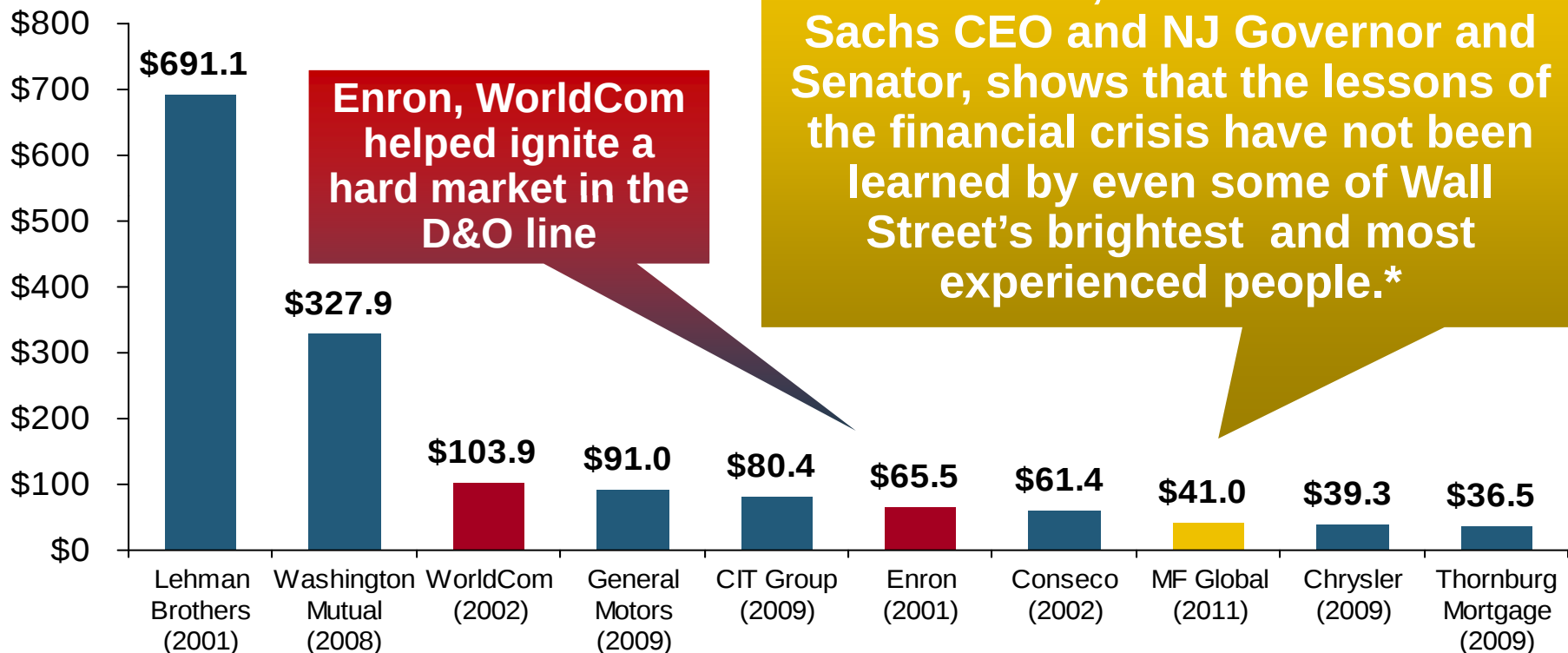
- The Situation Today is Very, Very Different from 2008
- Credit Markets Are Not Seizing; Some Contraction in Europe
- Bank Balance Sheets Are in Much Stronger Shape
 - ◆ Capital up, charge offs falling
- We Will Not Experience the Mega-Collapses/Near Collapses Like in 2008
 - ◆ No repeat of Lehman,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

What Would Be Helpful Now?

- Solution to European Bank/Sovereign Debt Problem (Thought We Had One!)
- Long-Term Fiscal and Monetary Policy Direction
- Fed on Aug. 9 stated rates would remain low “*at least through mid-2013*”
 - ◆ This is not only a signal that borrowing costs will remain low over an extended period of time and that inflation will remain muted; Also tells investors that they’ll need to take on risk in order to earn returns in the market.
 - ◆ Congress and the Administration need to remove regulatory and tax uncertainty ASAP and drive a pro-growth agenda

Top 10 US Corporate Bankruptcies, by Asset Size

Billions (\$)



All 10 of the Biggest Bankruptcies in US History Occurred Within the Past 10 Years With Varied Effects on D&O Market. MF Global Was the 8th Largest Bankruptcy in US History

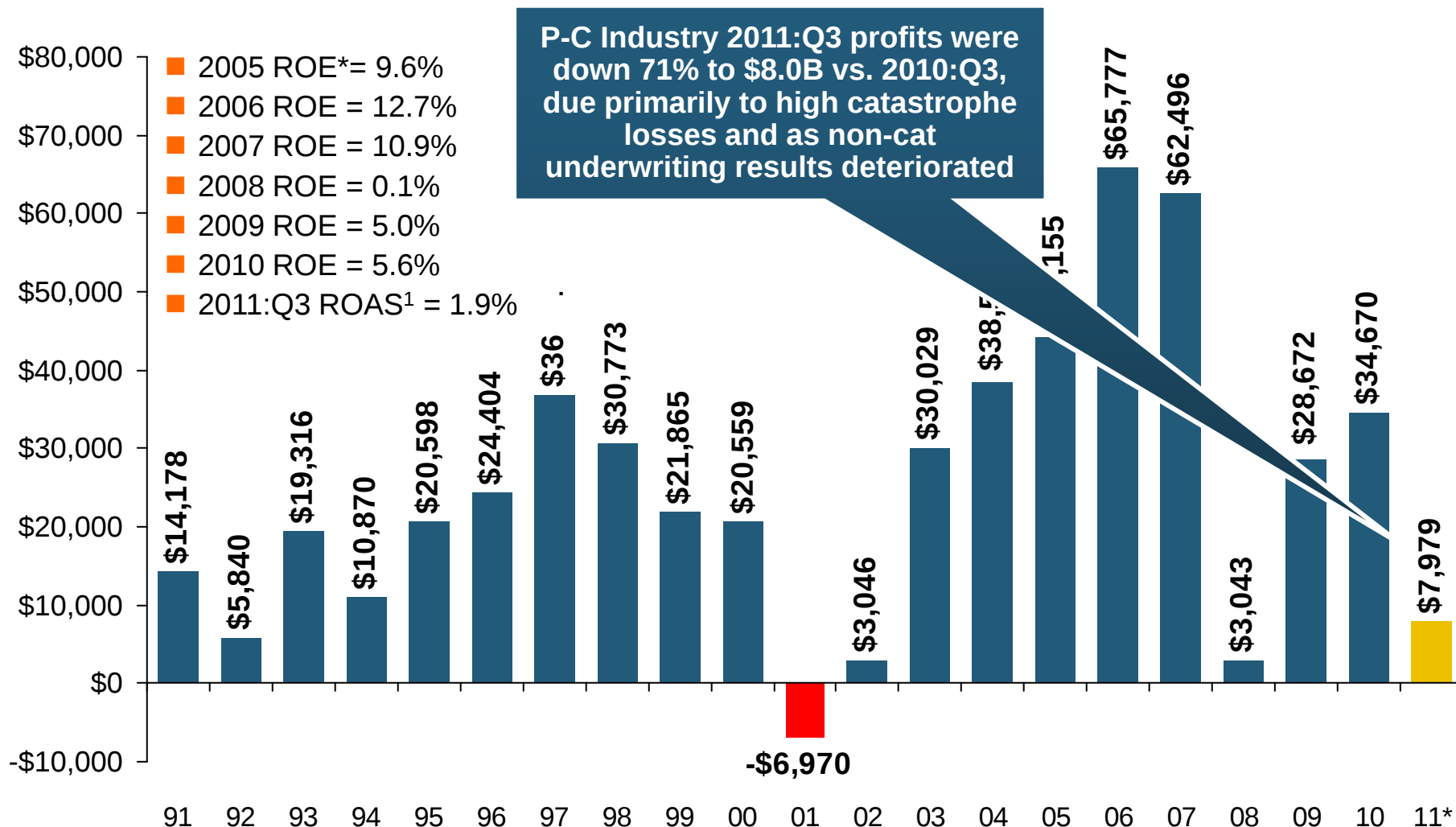
*MF Global filed for bankruptcy on October 31, 2011.

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

P/C Insurance Industry Financial Overview

**Profit Recovery Was Set Back
in 2011 by High Catastrophe
Loss & Other Factors**

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



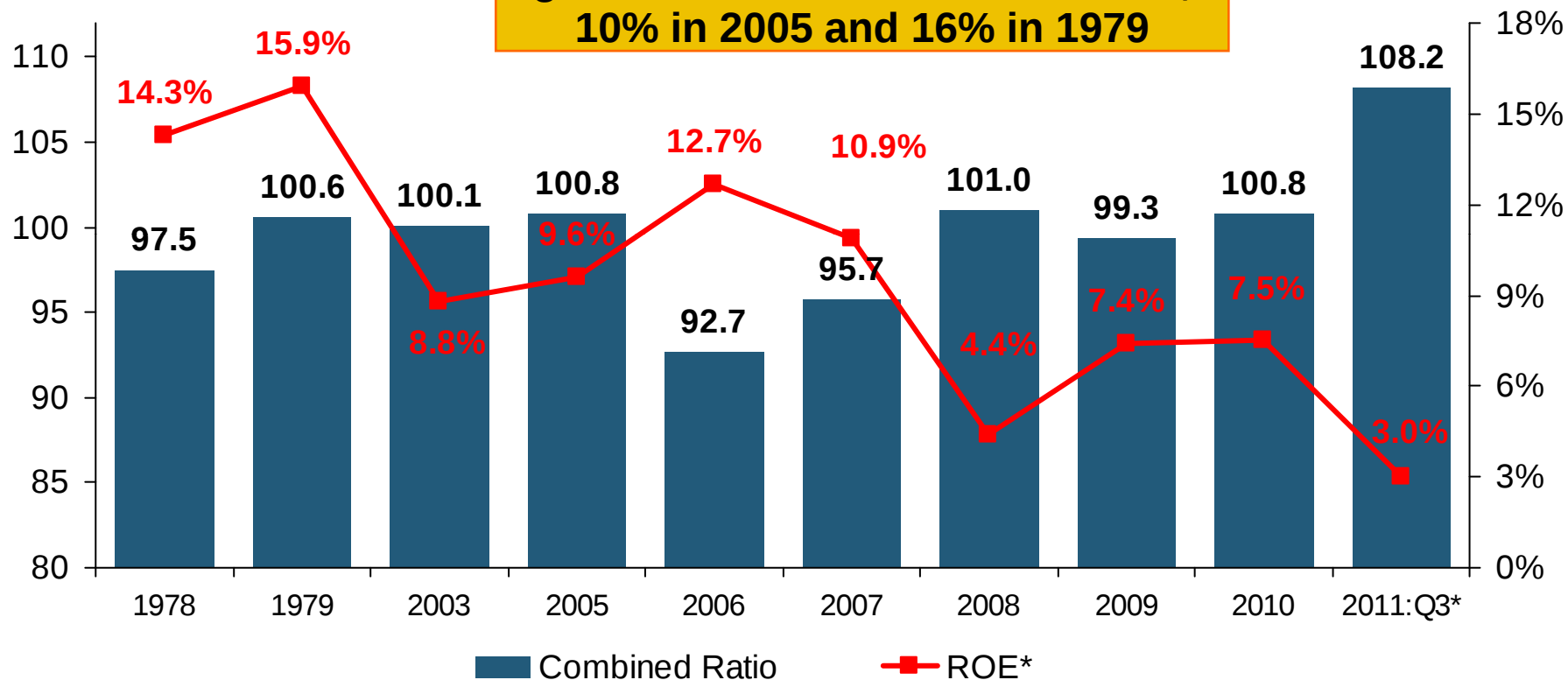
* ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 3.0% ROAS for 2011:Q3, 7.5% for 2010 and 7.4% for 2009.

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

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

Combined Ratio / ROE

A combined ratio of about 100 generated ~5.5% ROE in 2009/10, 10% in 2005 and 16% in 1979

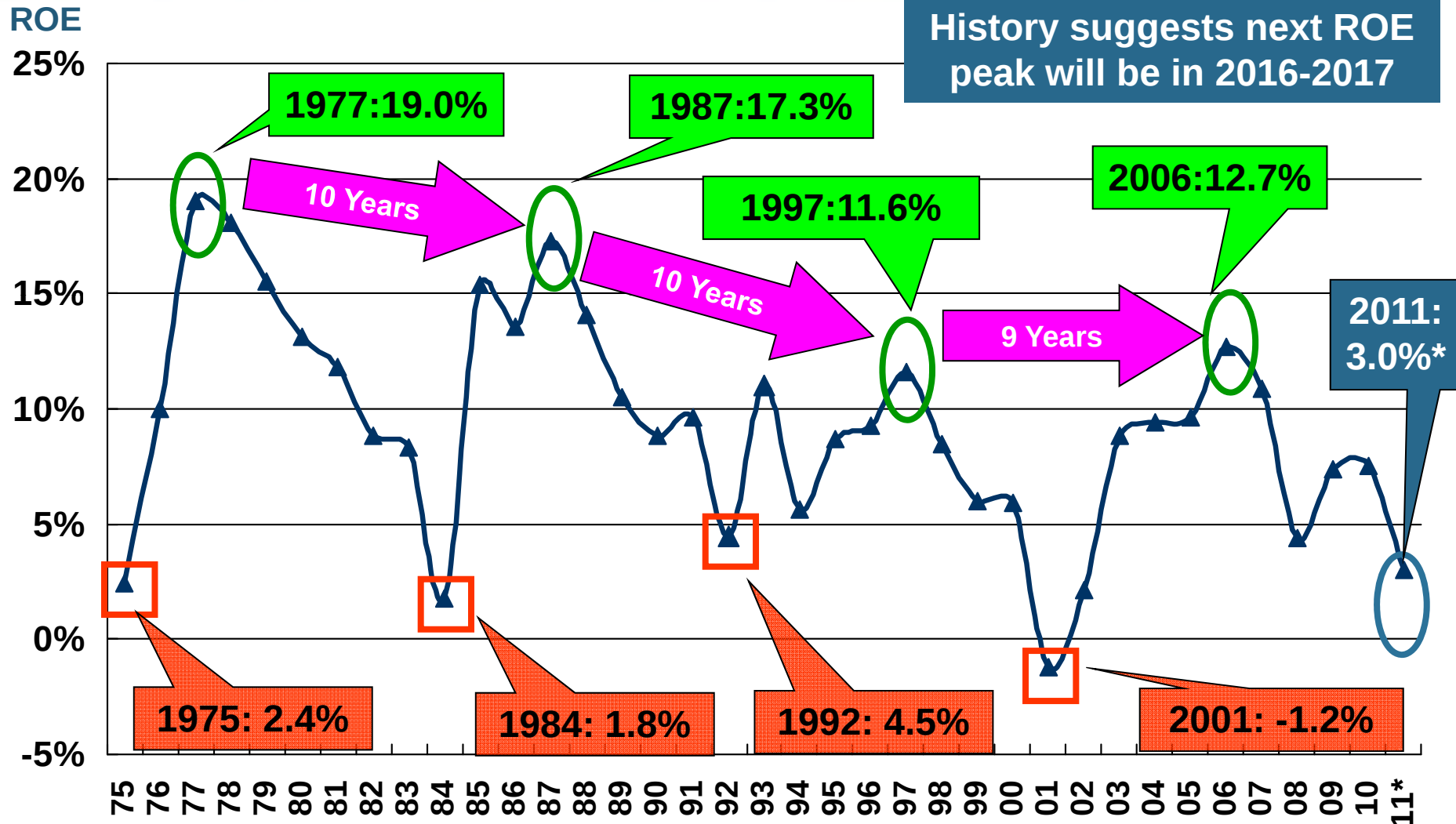


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2008 -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.

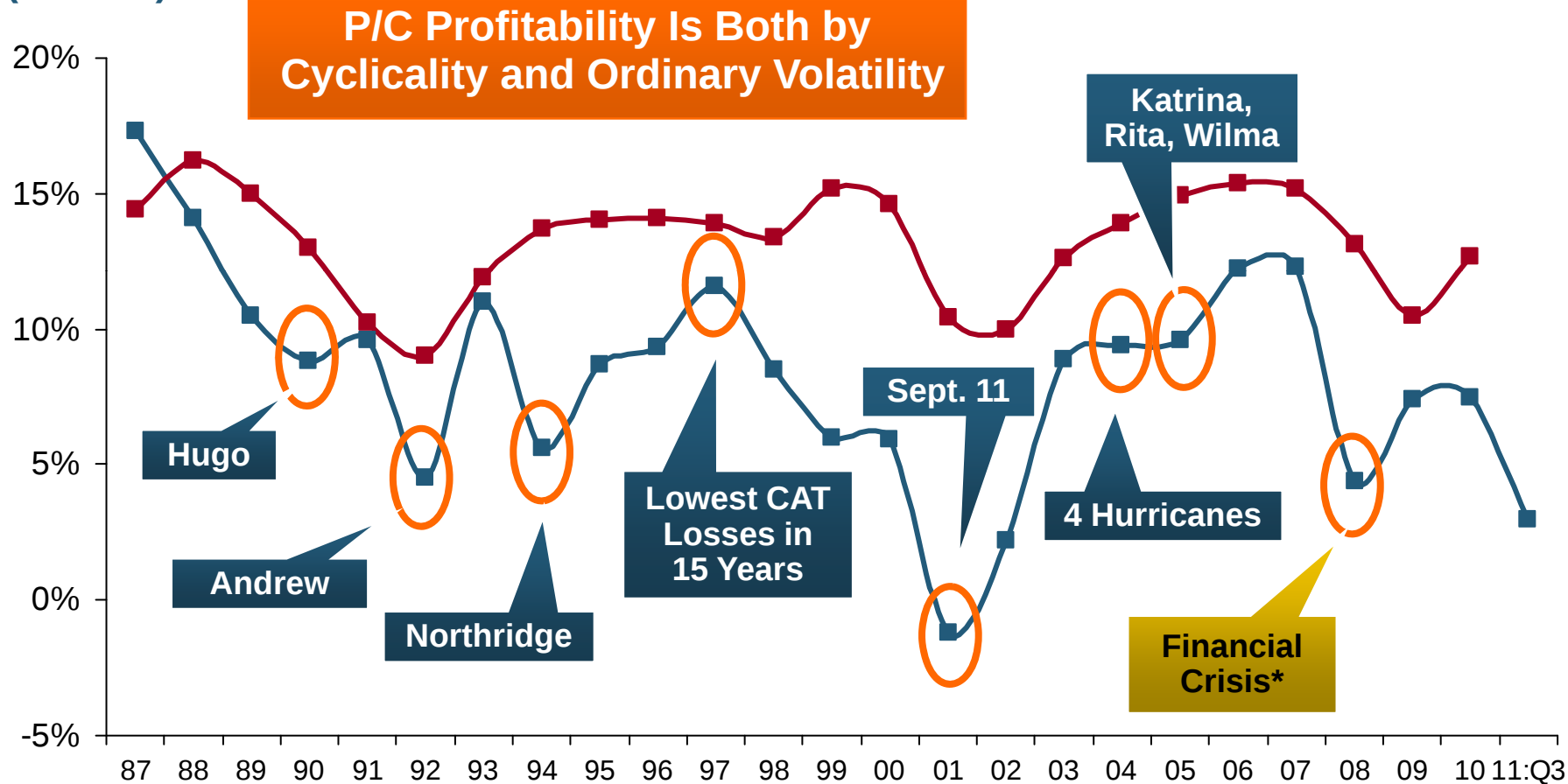
Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2011*



*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.

ROE: Property/Casualty Insurance vs. Fortune 500, 1987–2011:Q3*

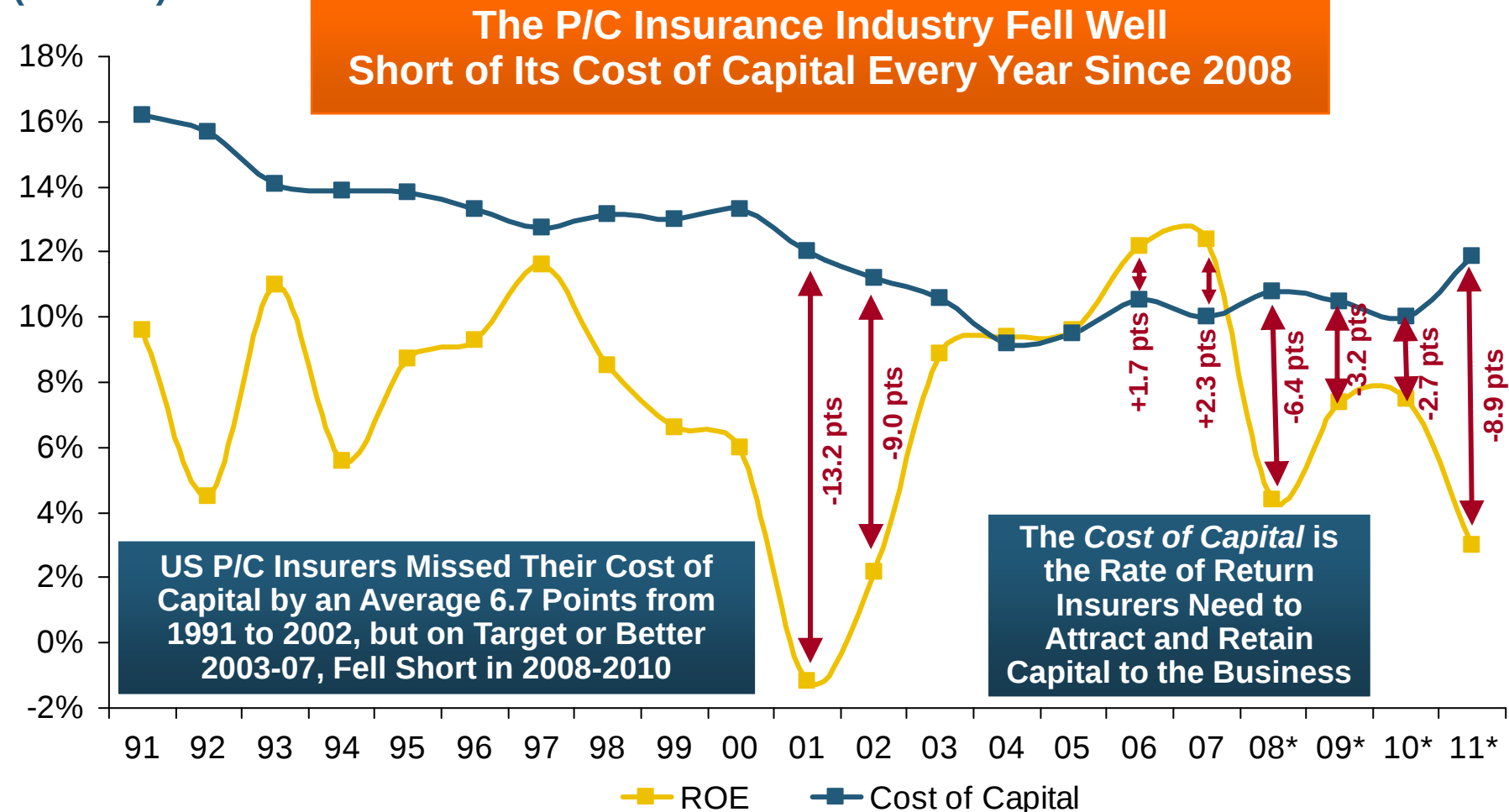
(Percent)



* Excludes Mortgage & Financial Guarantee in 2008 - 2011.
Sources: ISO, *Fortune*; Insurance Information Institute.

ROE vs. Equity Cost of Capital: U.S. P/C Insurance:1991-2011*

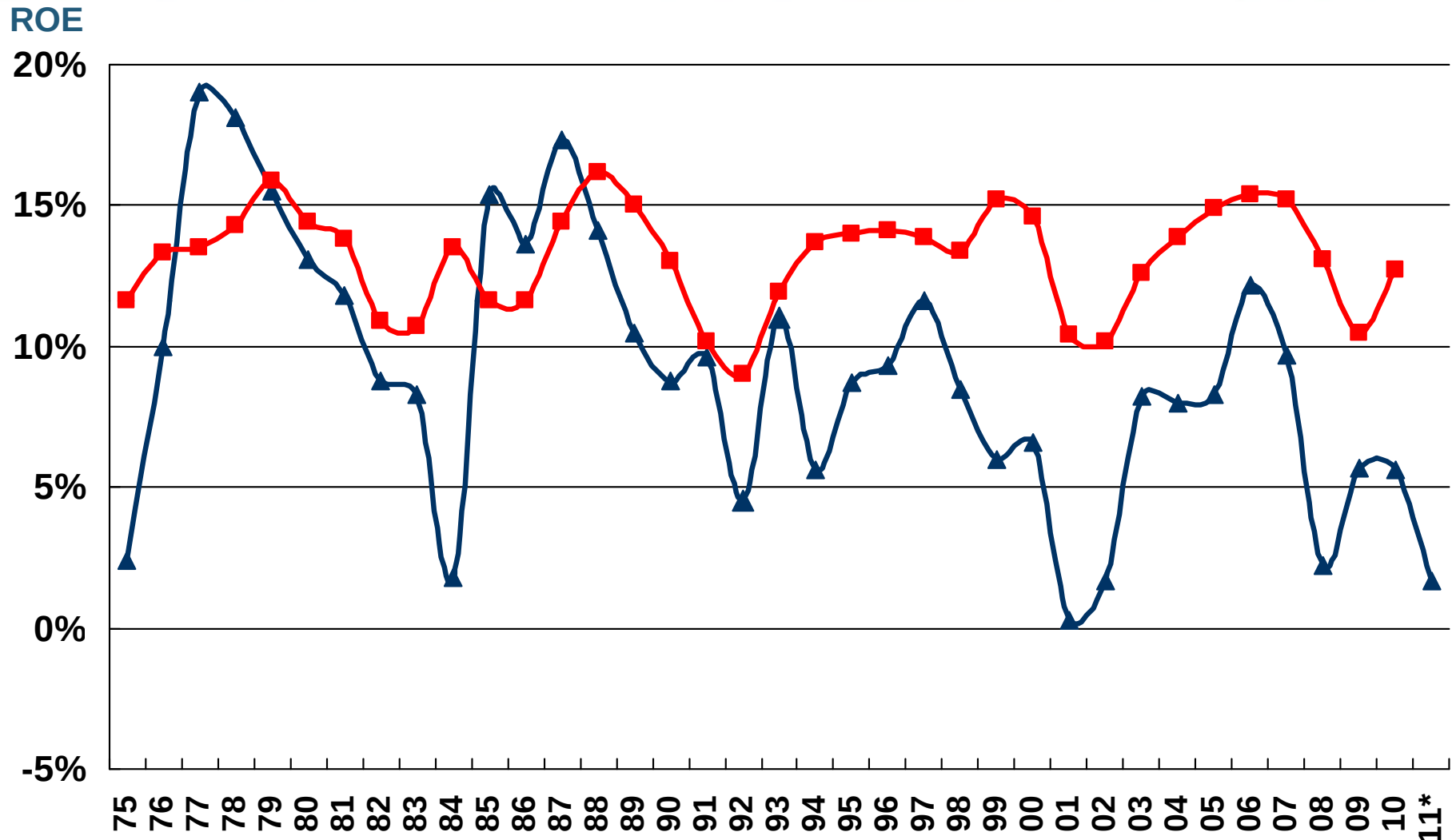
(Percent)



* Return on average surplus in 2008-2011 excluding mortgage and financial guaranty insurers.

Source: The Geneva Association, Insurance Information Institute

P/C Insurance Industry ROE vs. Fortune 500, 1975 – 2011*



For 2011:H1 ROAS.

Source: Insurance Information Institute; NAIC, ISO.

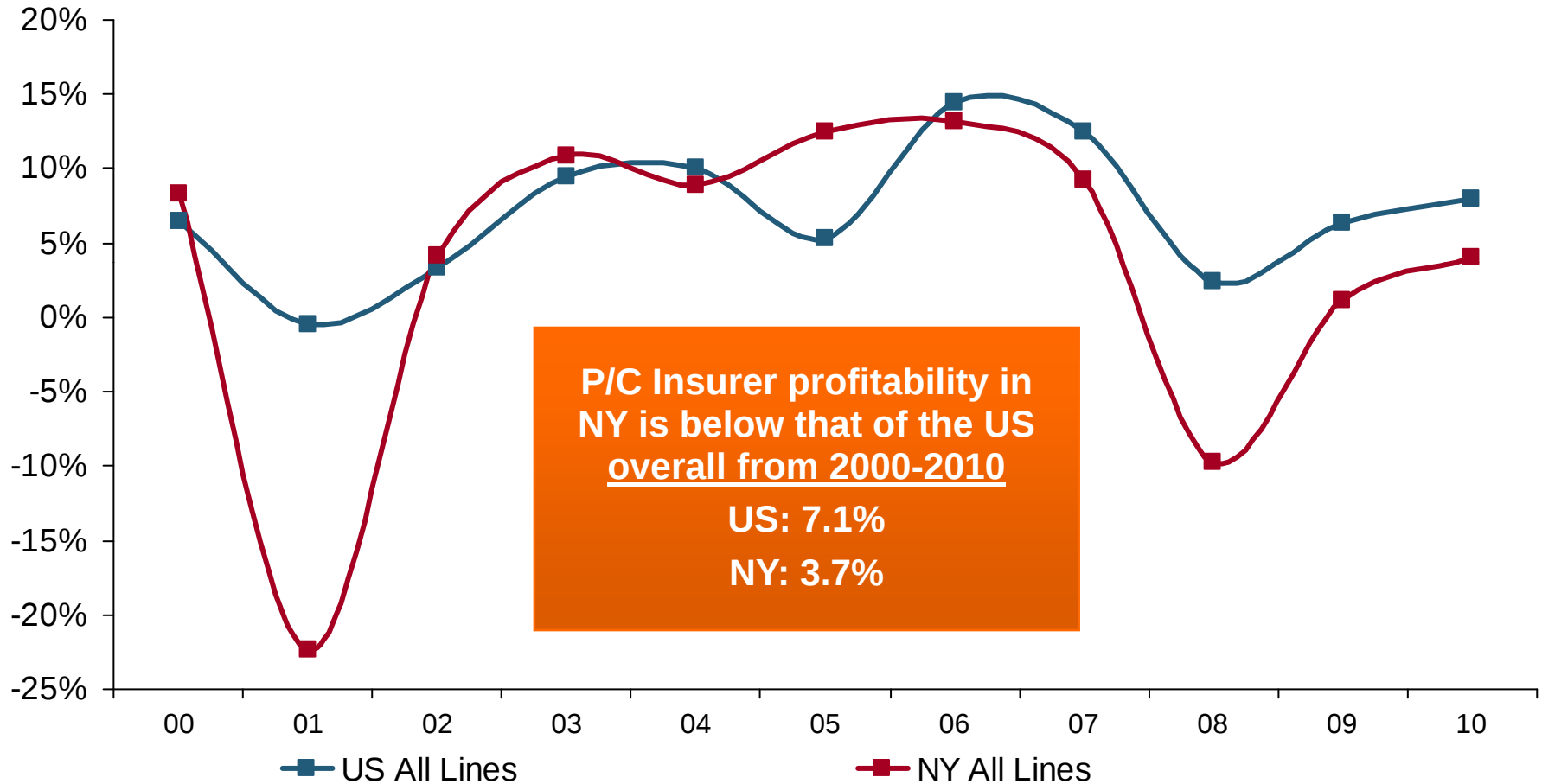


Profitability and Growth in New York P/C Insurance Markets

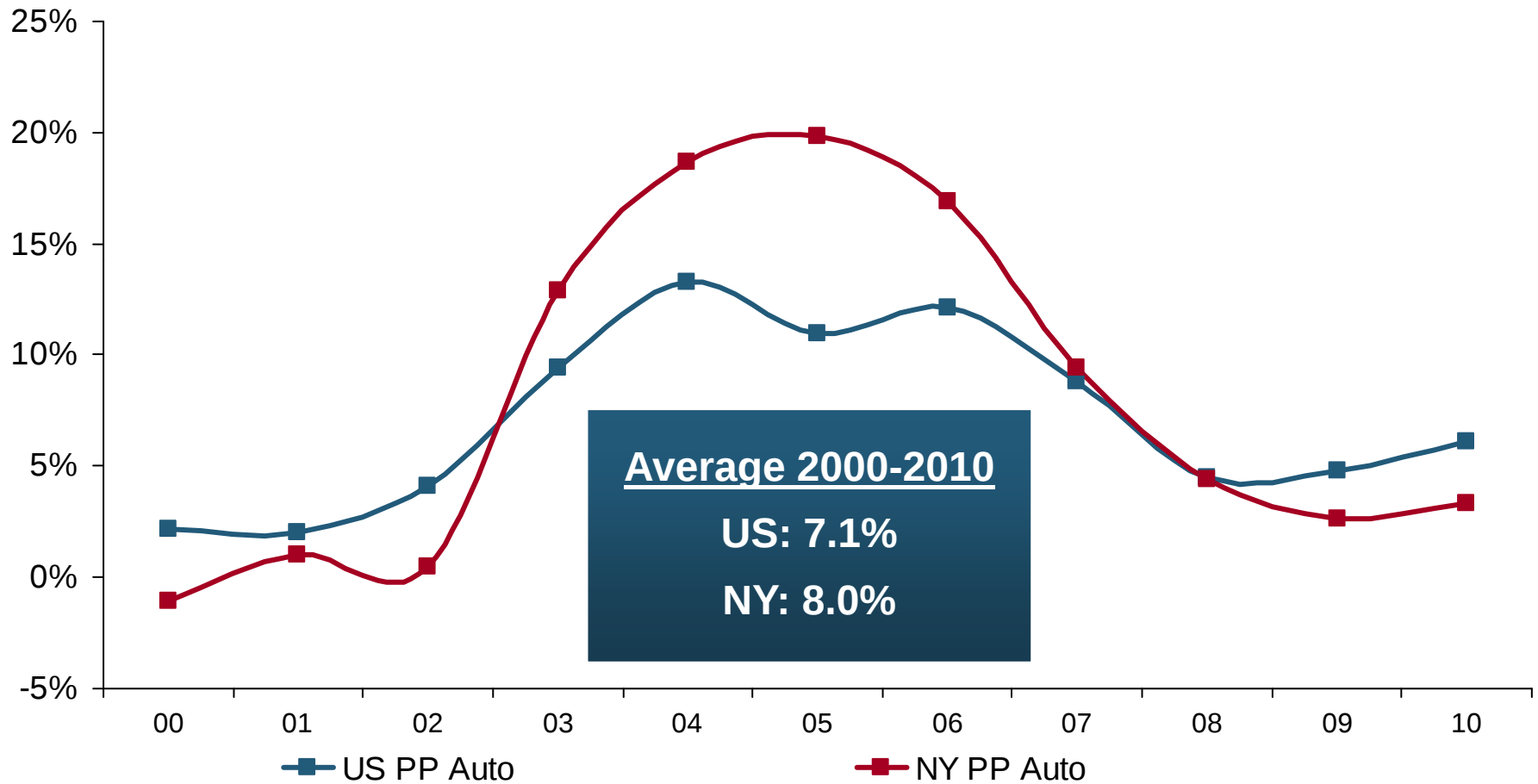
Analysis by Line and Nearby State Comparisons

RNW All Lines: NY vs. U.S., 2000-2010

(Percent)

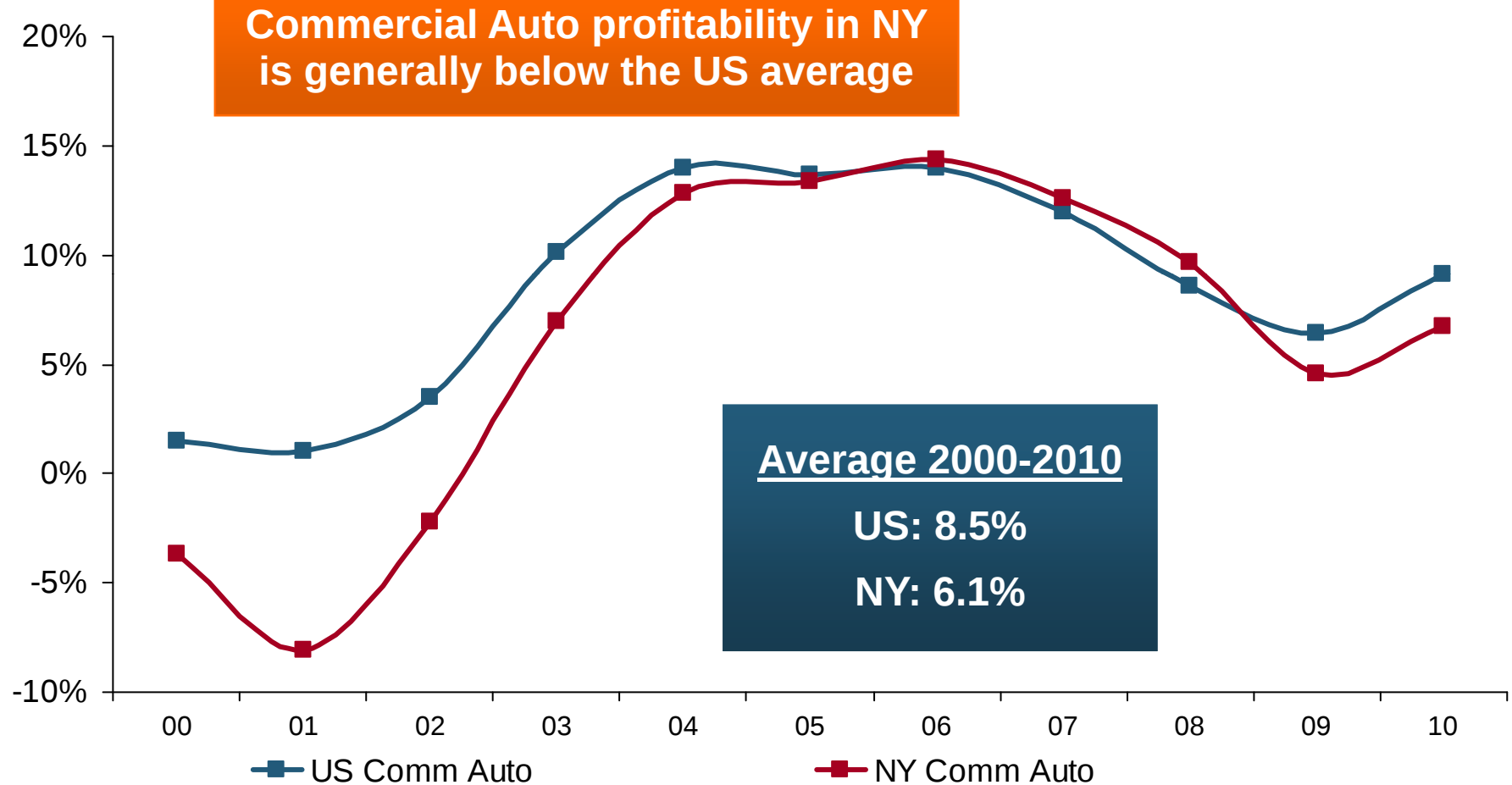


RNW PP Auto: NY vs. U.S., 2000-2010



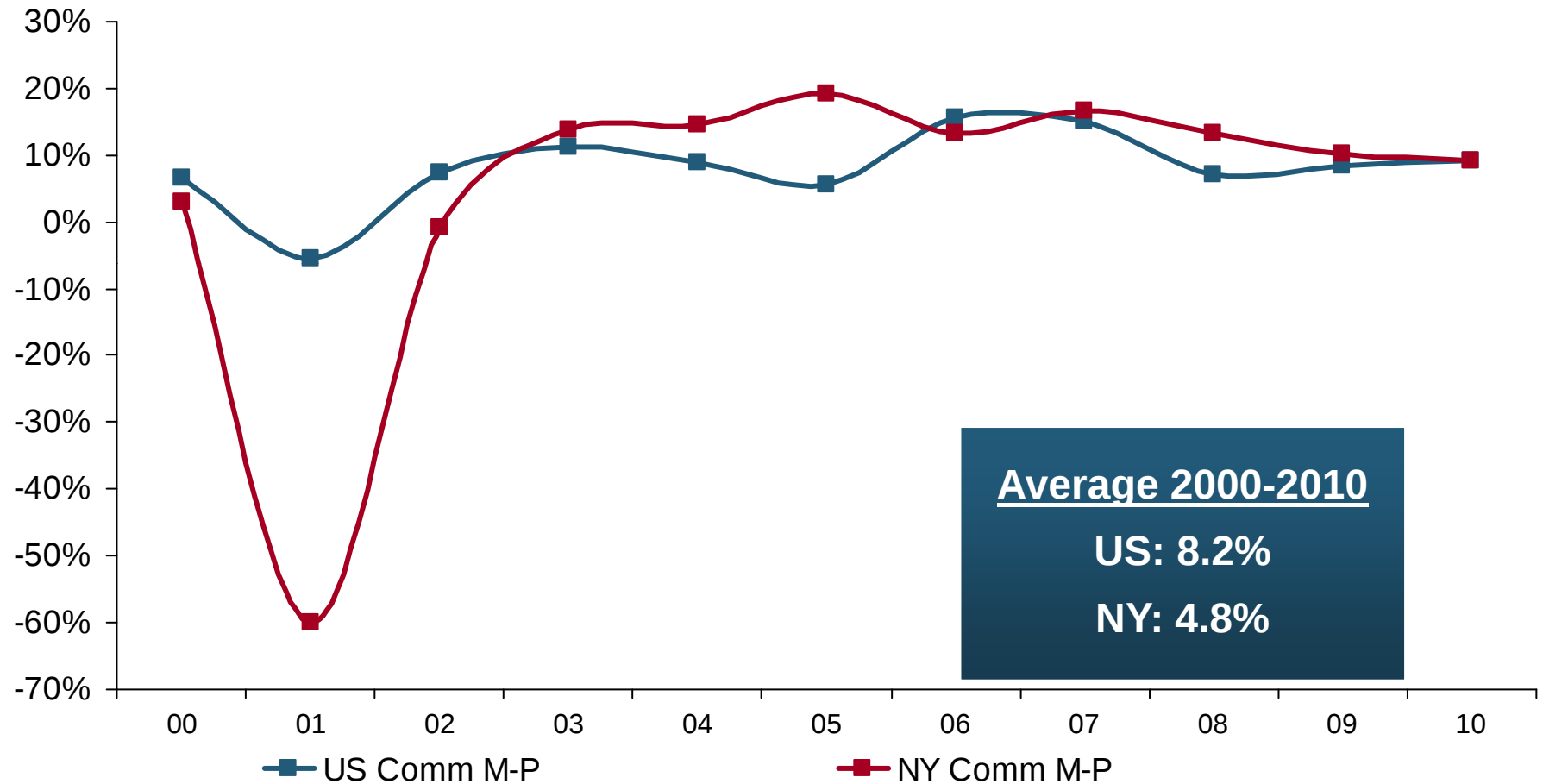
RNW Comm. Auto: NY vs. U.S., 2000-2010

(Percent)



RNW Comm. Multi-Peril: NY vs. U.S., 2000-2010

(Percent)



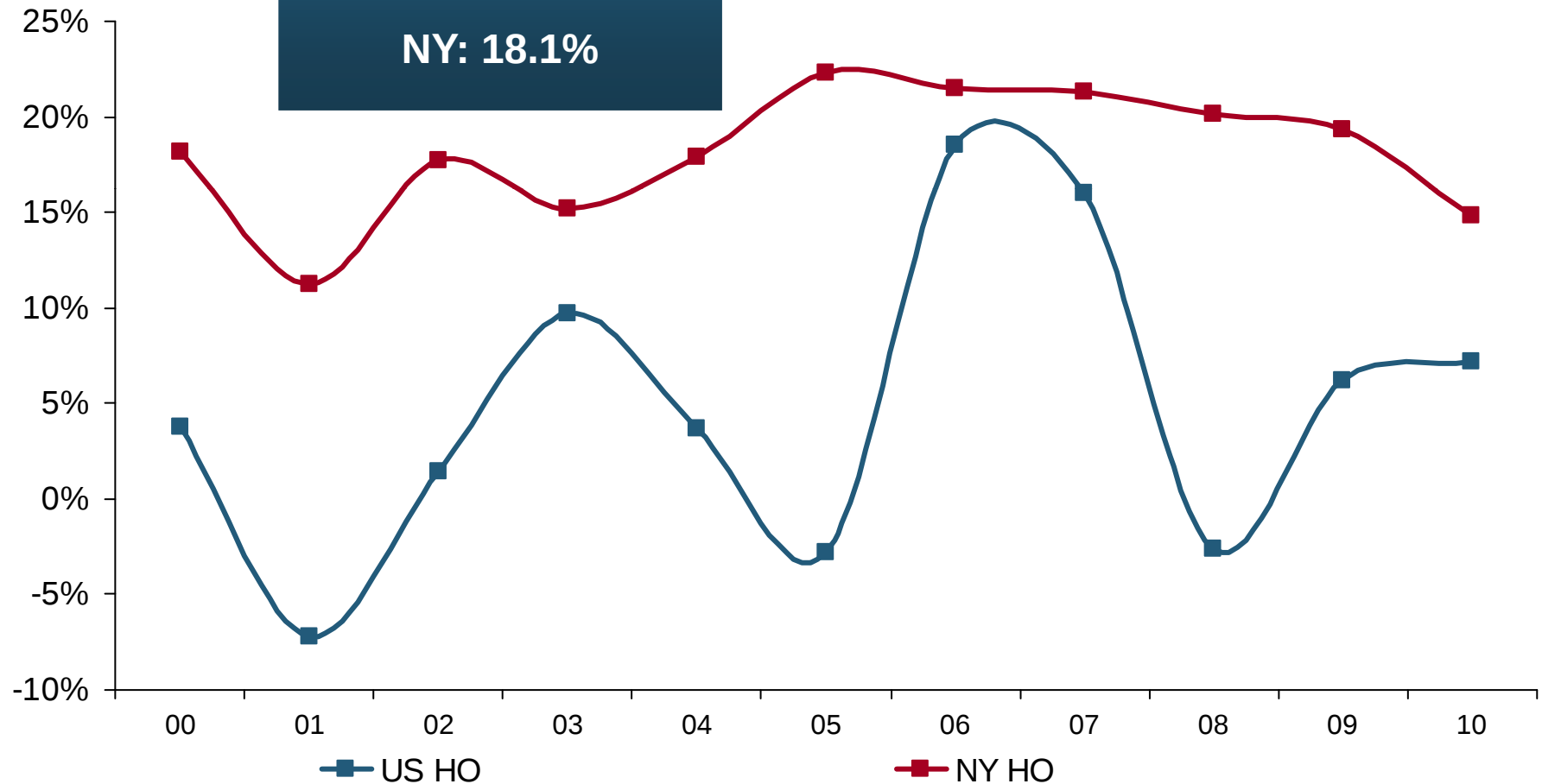
RNW Homeowners: NY vs. U.S., 2000-2010

(Percent)

Average 2000-2010

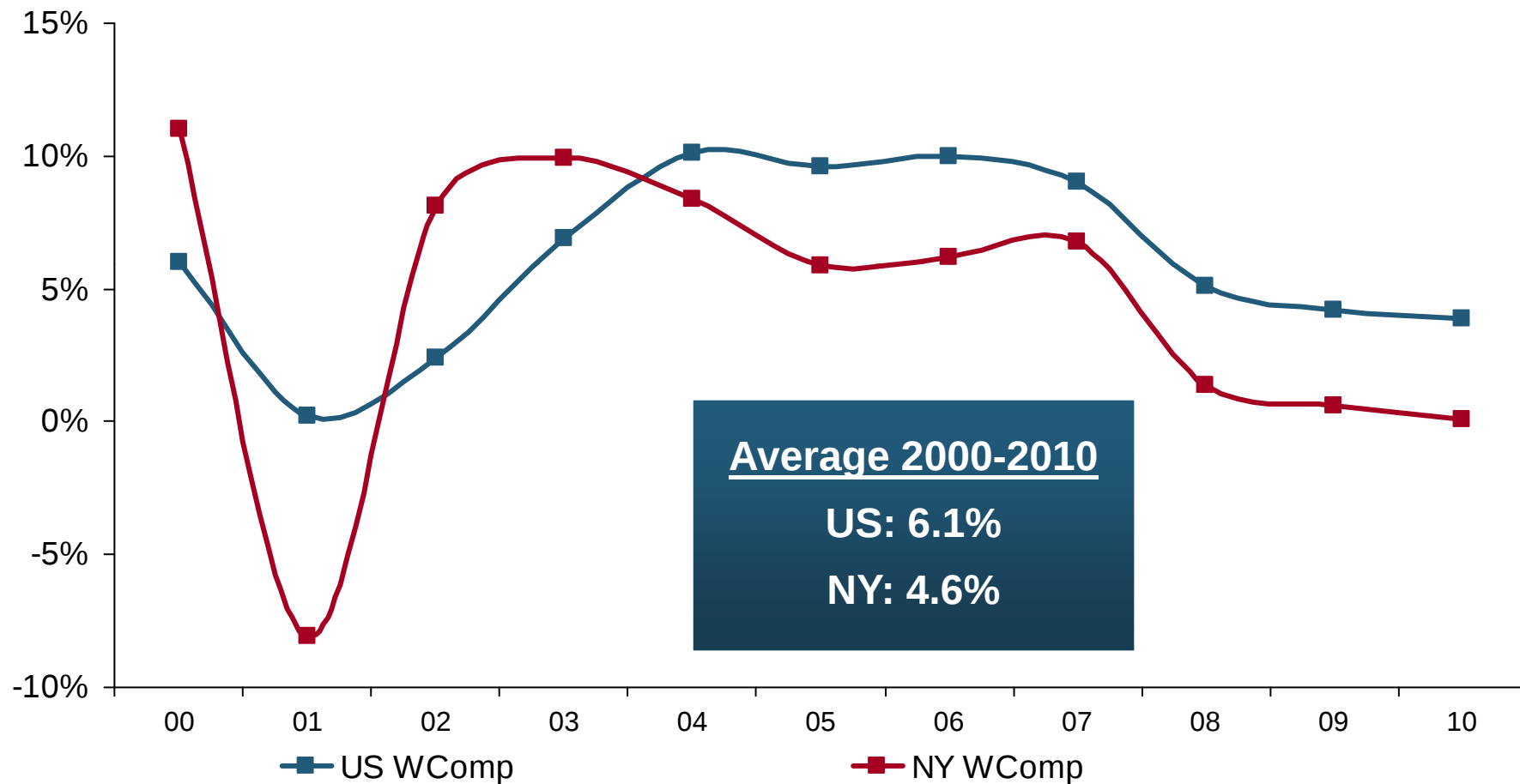
US: 4.9%

NY: 18.1%



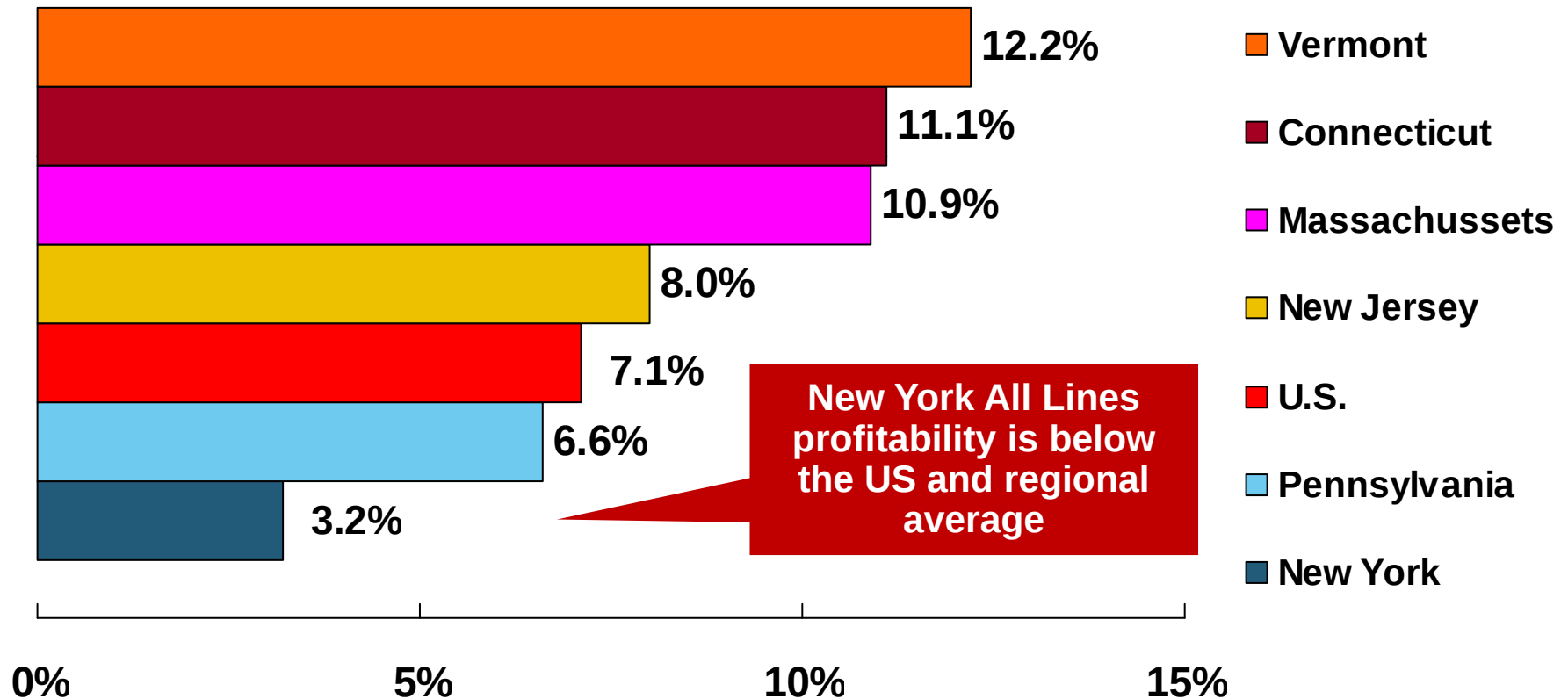
RNW Workers Comp: NY vs. U.S., 2000-2010

(Percent)



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

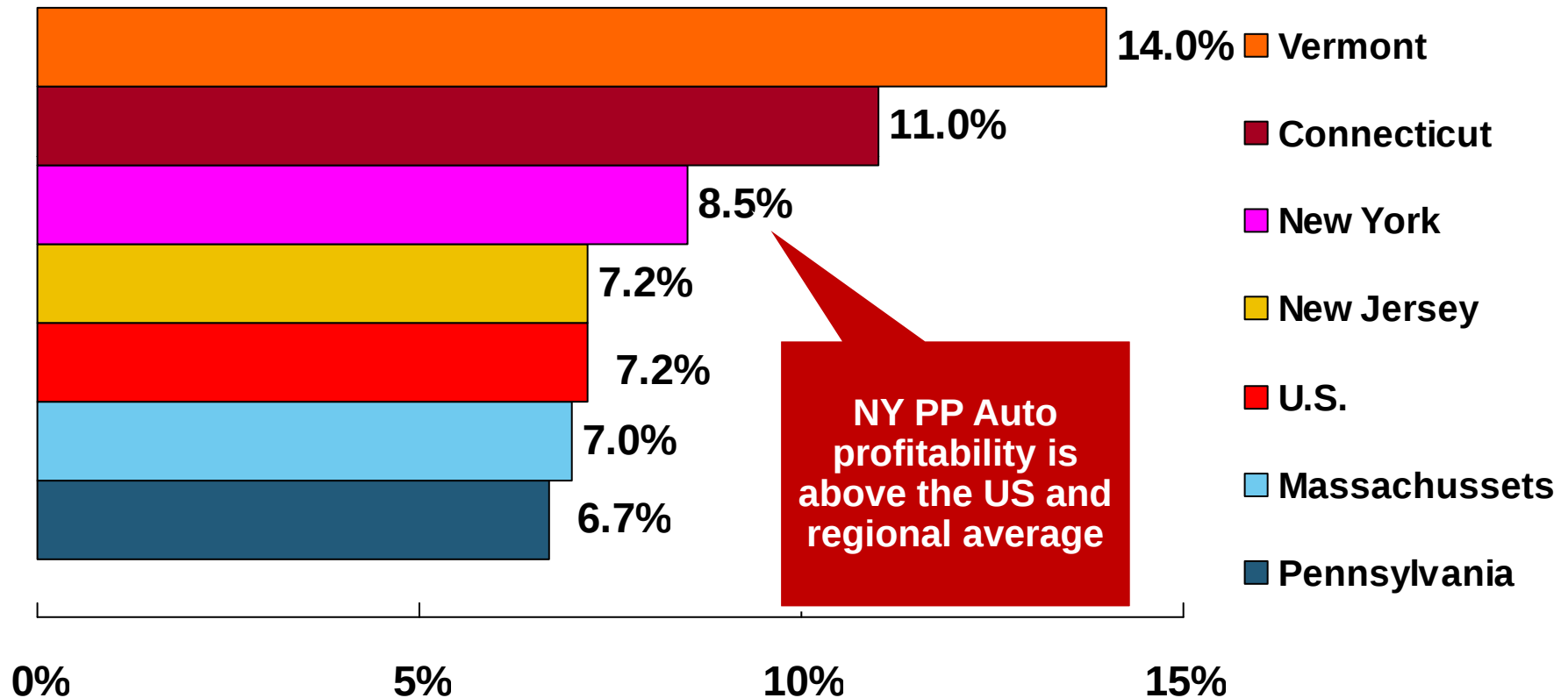
2001-2010



Source: NAIC, Insurance Information Institute

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

2000-2009



Source: NAIC, Insurance Information Institute

Top Ten Most Expensive And Least Expensive States For Automobile Insurance, 2009 (1)

Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	D.C.	\$1,128	1	North Dakota	\$510
2	New Jersey	1,101	2	South Dakota	521
3	Louisiana	1,099	3	Iowa	532
4	New York	1,057	4	Idaho	555
5	Delaware	1,021	5	Nebraska	559
6	Florida	1,006	6	Kansas	578
7	Rhode Island	969	7	Wisconsin	590
8	Nevada	944	8	Maine	598
9	Connecticut	952	9	North Carolina	610
10	Maryland	929	10	Indiana	620

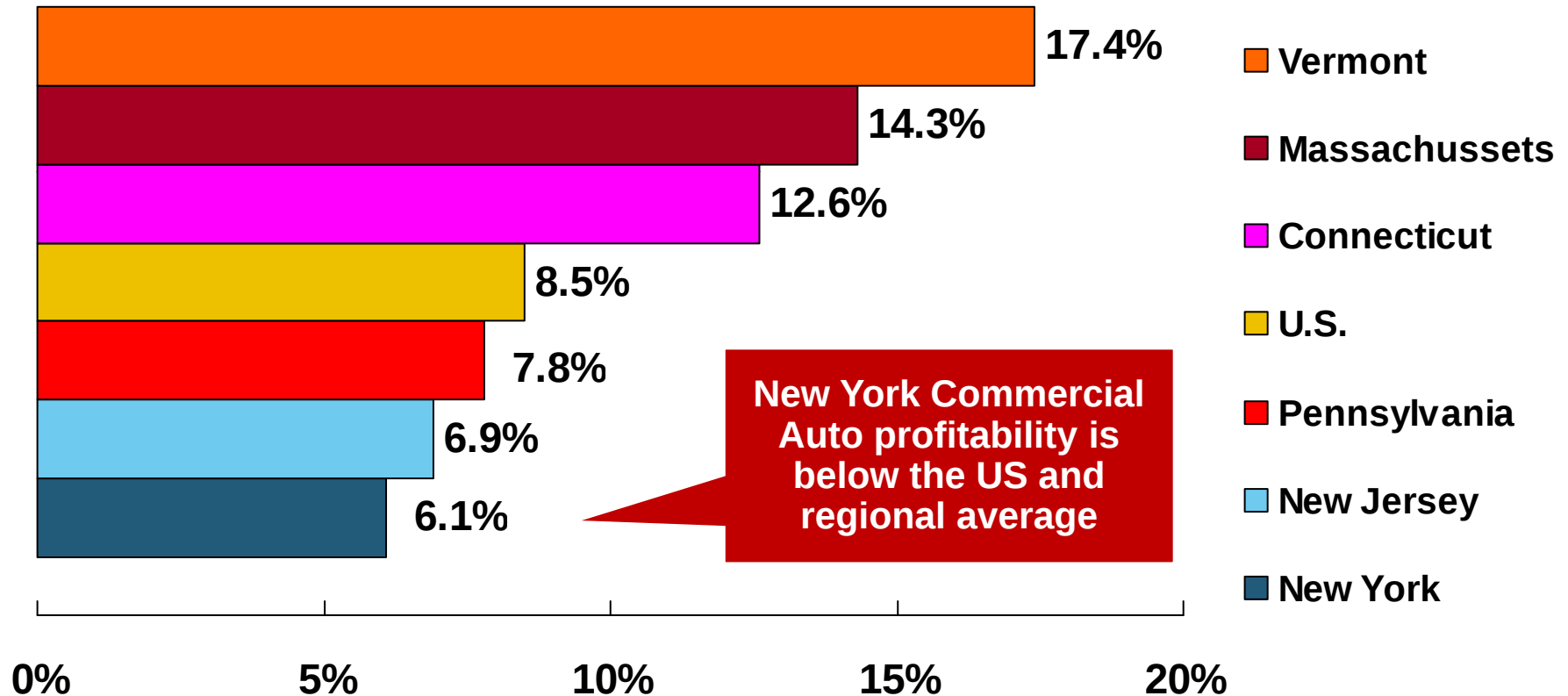
New York ranked 4th in 2009, with an average expenditure for auto insurance of \$1,057.

(1) Based on average automobile insurance expenditures.

Source: © 2011 National Association of Insurance Commissioners.

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

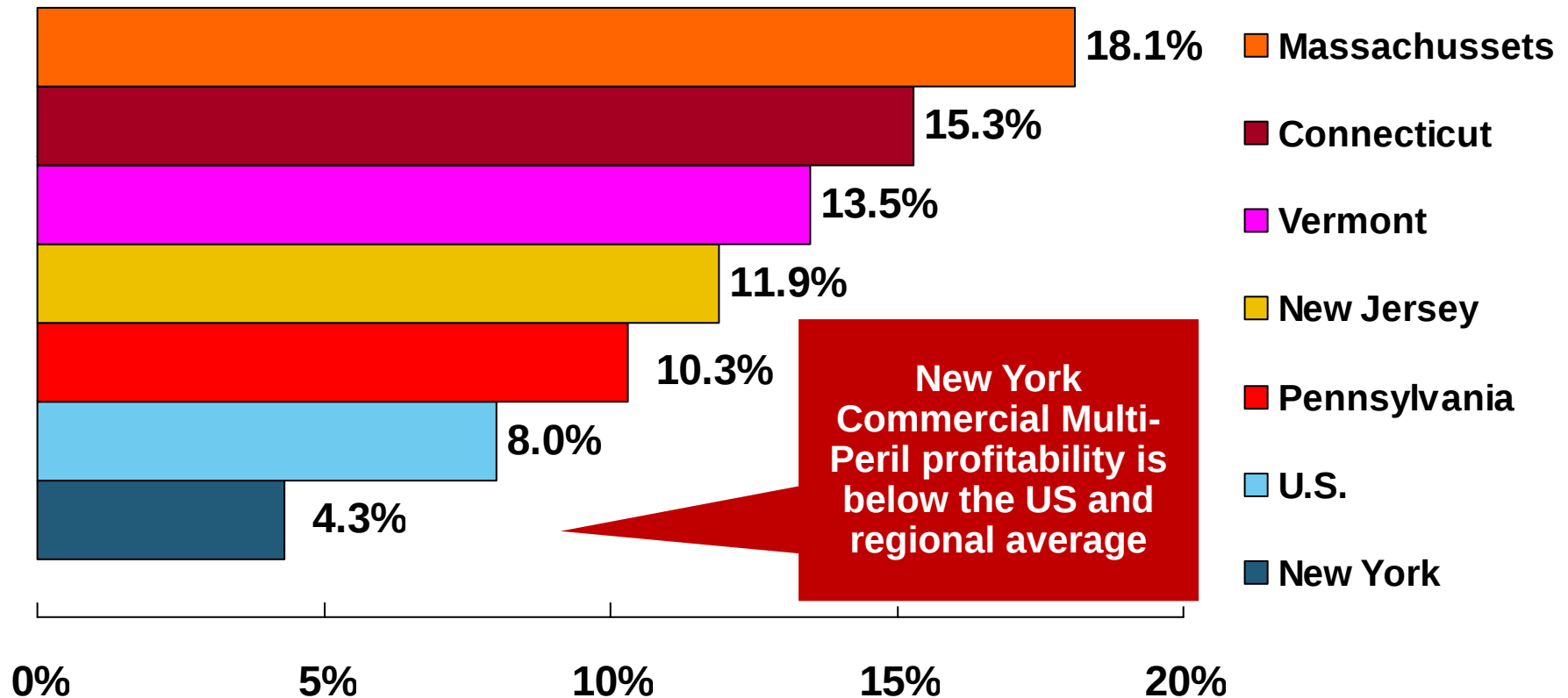
2000-2009



New York Commercial
Auto profitability is
below the US and
regional average

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

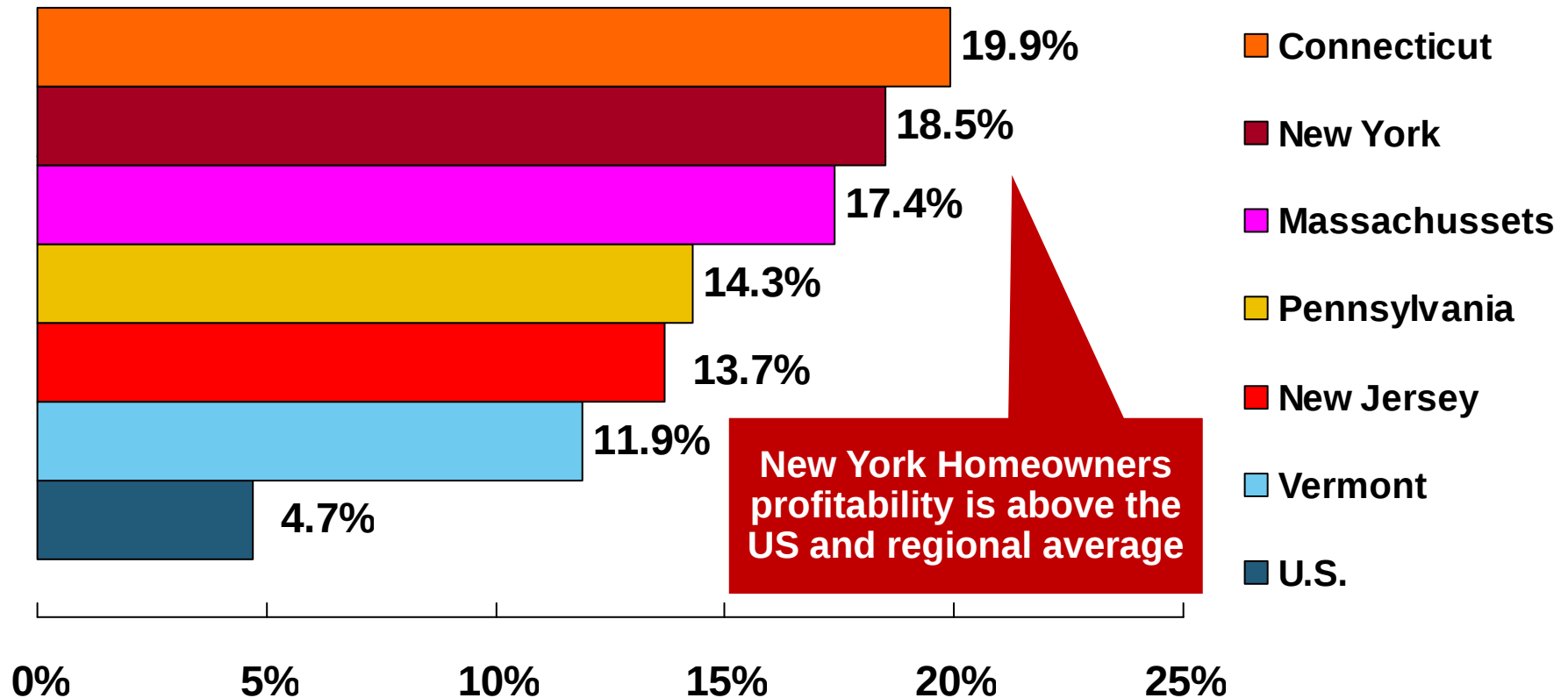
2000-2009



Source: NAIC, Insurance Information Institute

Homeowners: 10-Year Average RNW NY & Nearby States

2000-2009



Source: NAIC, Insurance Information Institute

Top Ten Most Expensive And Least Expensive States For Homeowners Insurance, 2008 (1)

New York ranked as the 6th least expensive state for homeowners insurance in 2008, with an average expenditure of \$983.

Rank	Most expensive states	Average expenditure	Rank	Least expensive states	Average expenditure
1	Texas (3)	\$1,460	1	Idaho	\$387
2	Florida (4)	1,390	2	Utah	432
3	Louisiana	1,155	3	Oregon	439
4	Oklahoma	1,048	4	Washington	471
5	Massachusetts	1,026	5	Wisconsin	503
6	New York	983	6	Delaware	535
7	Connecticut	980	7	Ohio	565
8	Mississippi	980	8	Maine	572
9	D.C.	926	9	Pennsylvania	586
10	Kansas	916	10	Kentucky	601

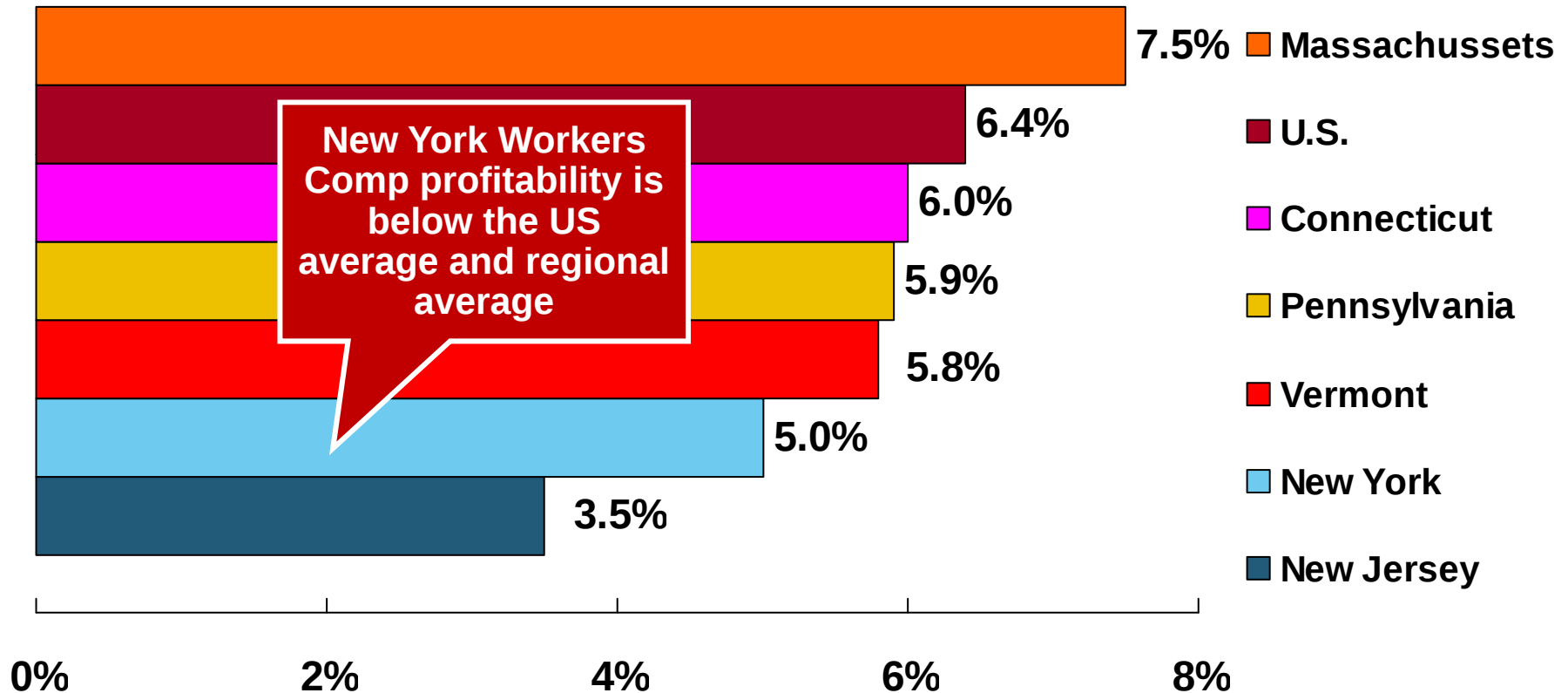
- (1) States with the same premium receive the same rank.
- (2) Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides “all risks” coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property, and is the most common package written.
- (3) The Texas Department of Insurance developed home insurance policy forms that are similar but not identical to the standard forms.
- (4) Florida data excludes policies written by Citizen's Property Insurance Corporation, the state's insurer of last resort, and therefore are not directly comparable to other states.

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

Source: © 2010 National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

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

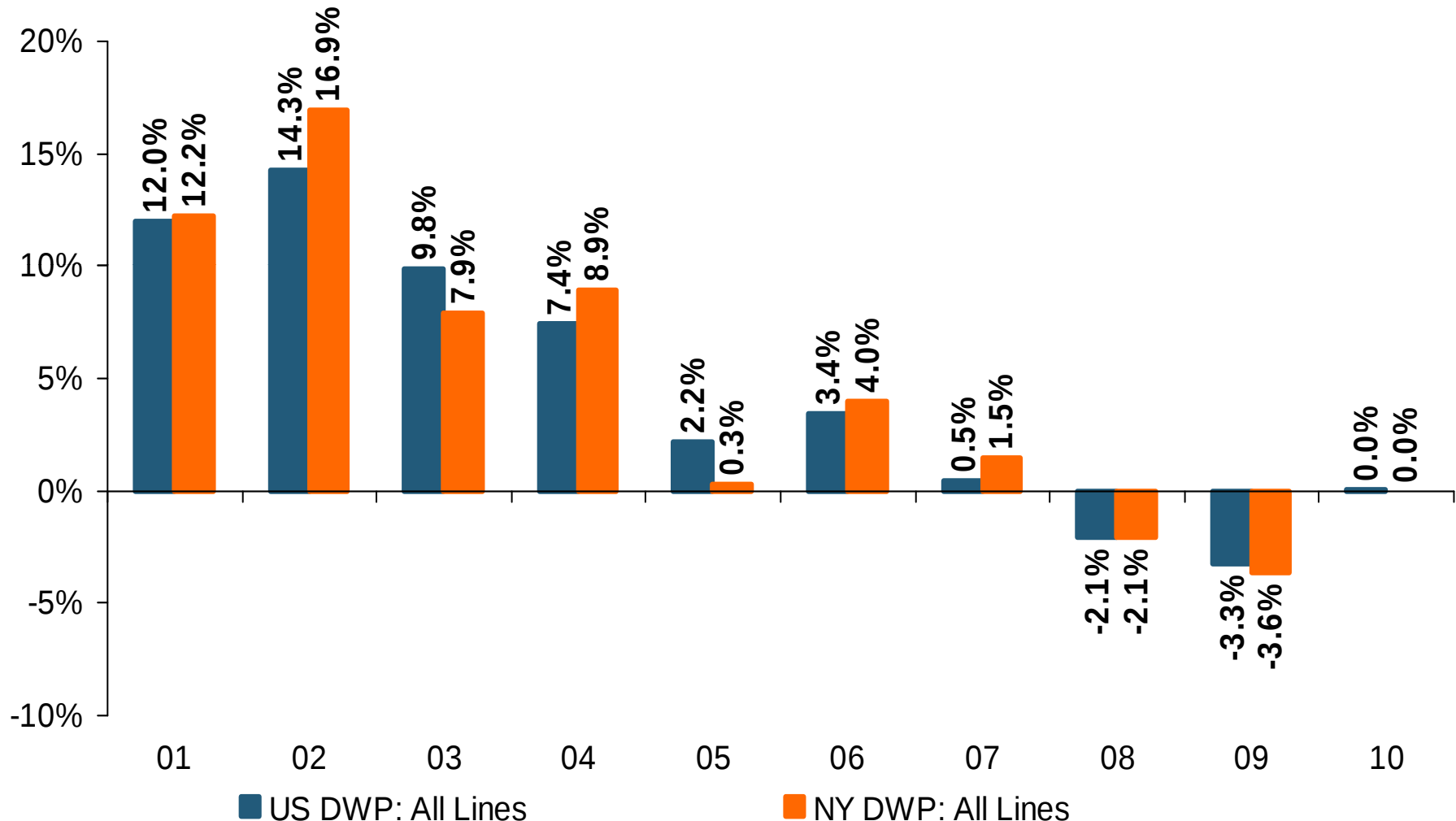
2000-2010



Source: NAIC, Insurance Information Institute

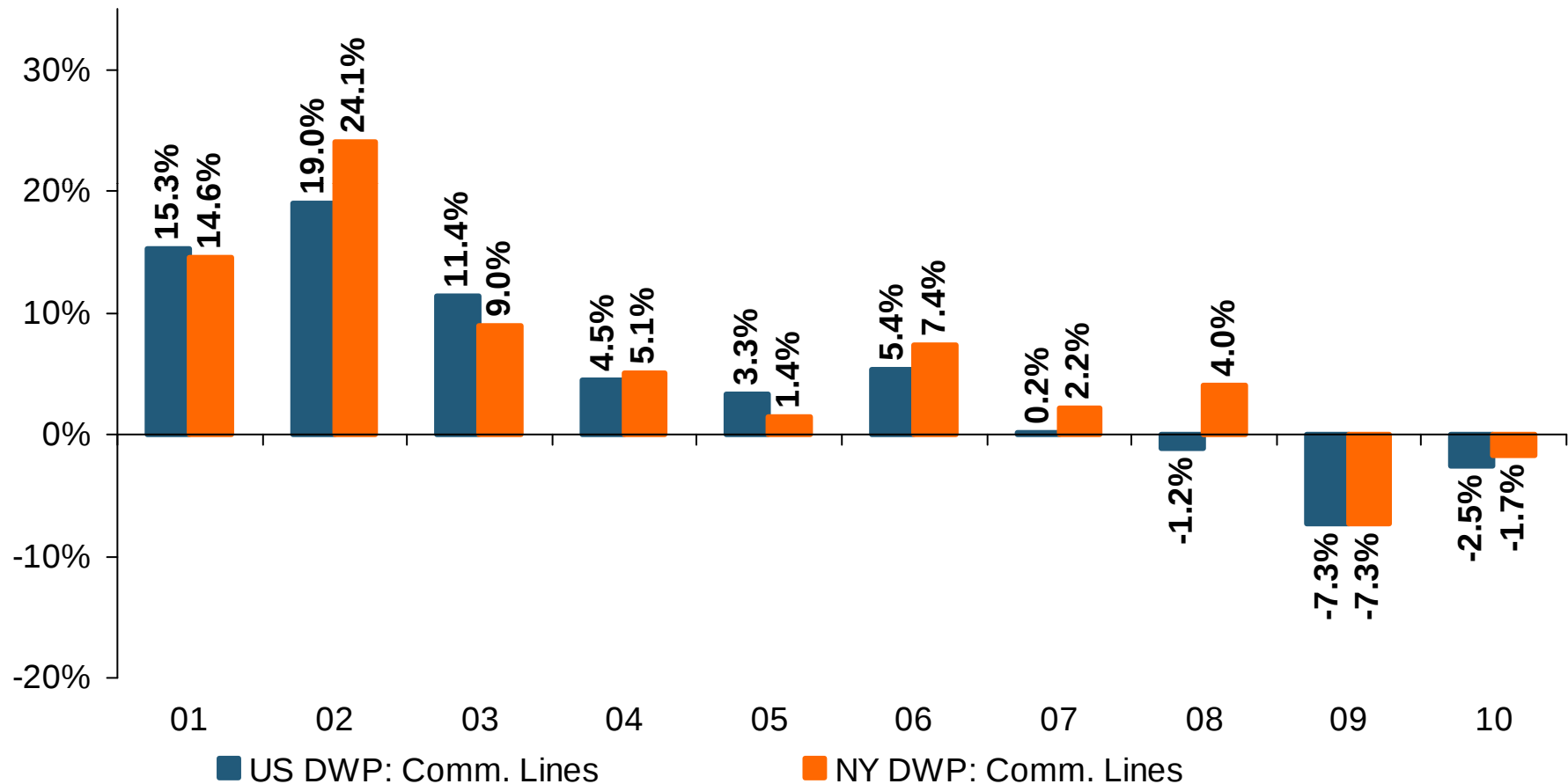
All Lines DWP Growth: NY vs. U.S., 2001-2010

(Percent)



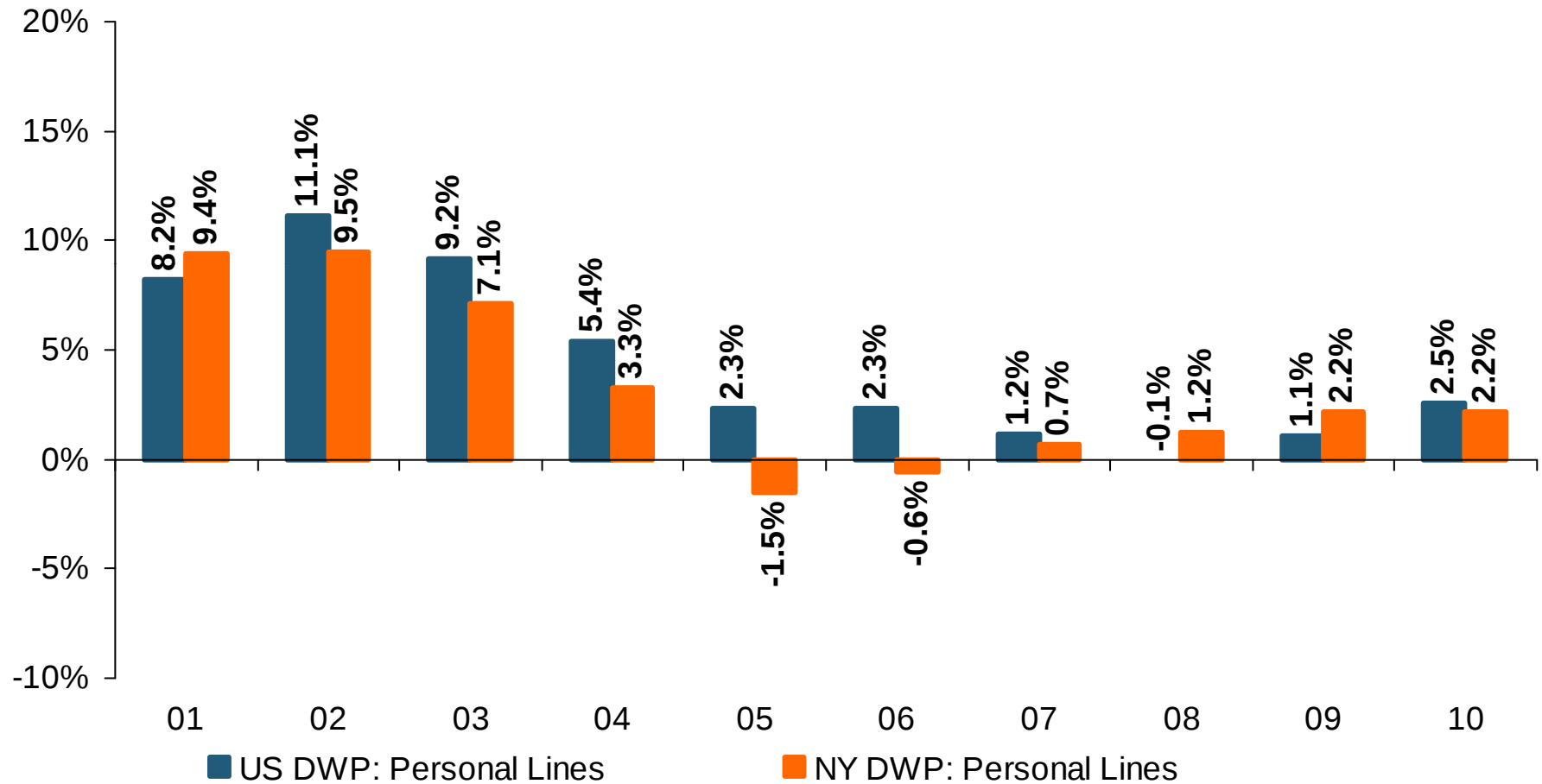
Comm. Lines DWP Growth: NY vs. U.S., 2001-2010

(Percent)



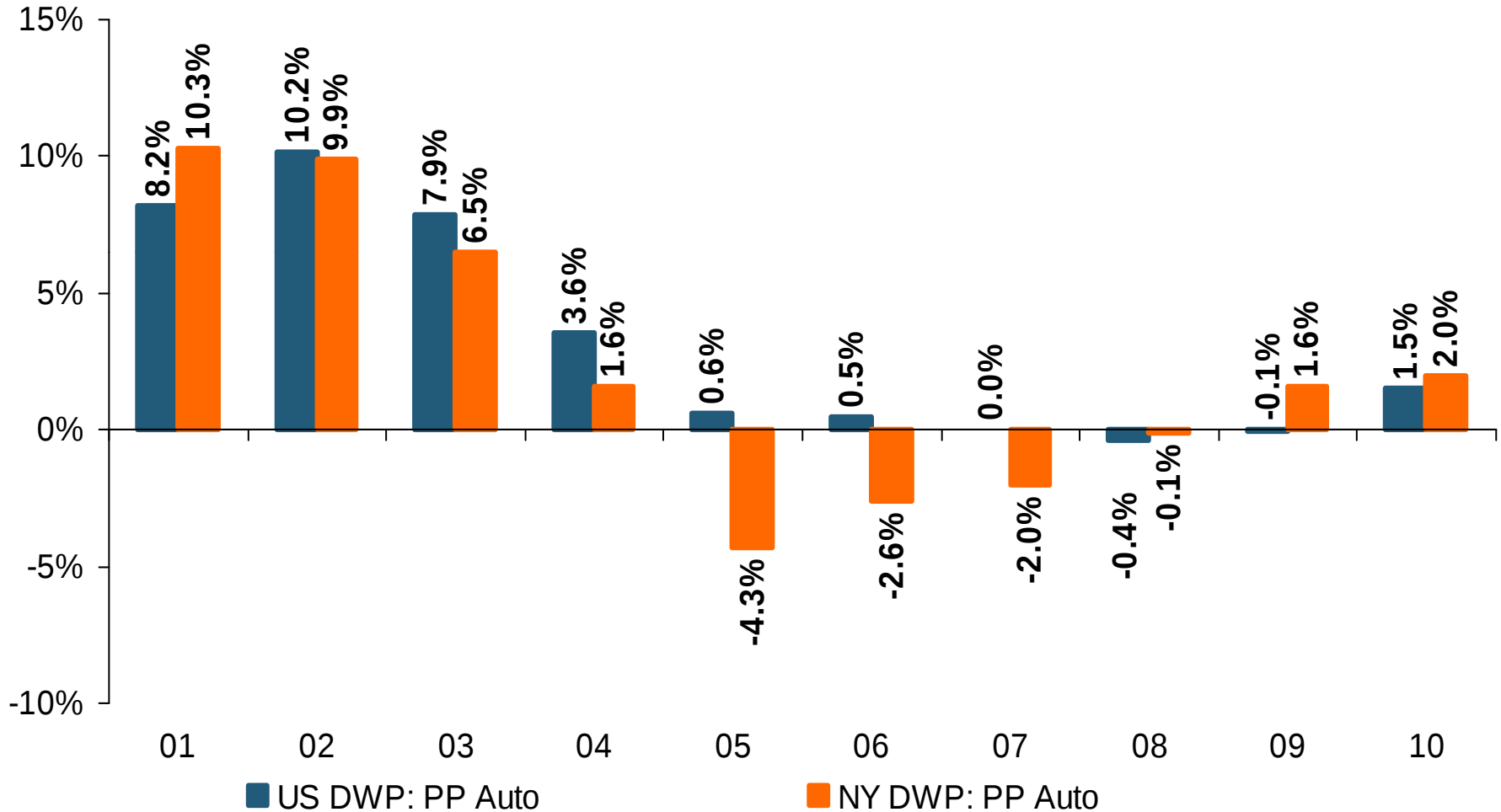
Personal Lines DWP Growth: NY vs. U.S. 2001-2010

(Percent)



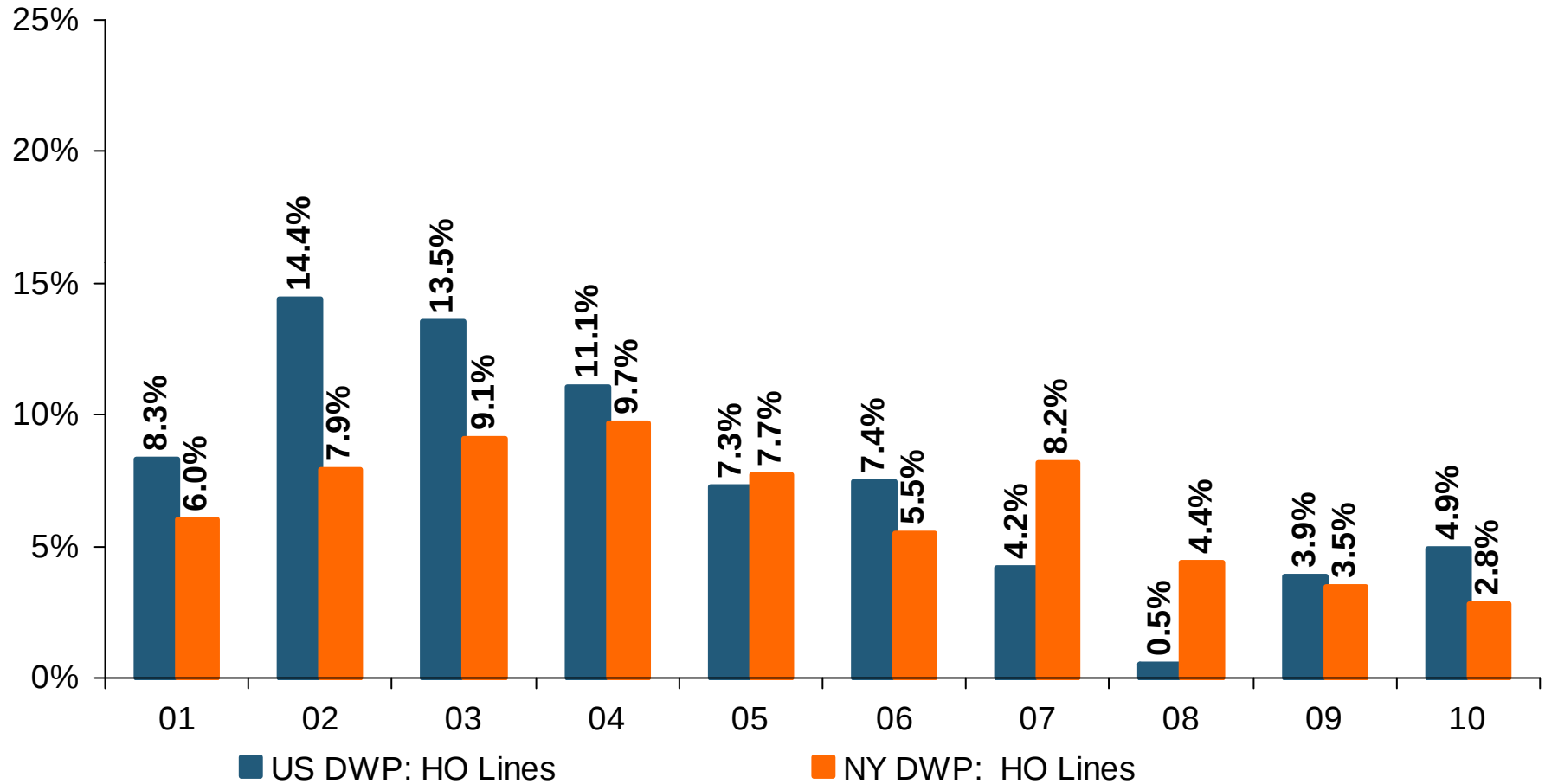
Private Passenger Auto DWP Growth: NY vs. U.S., 2001-2010

(Percent)



Homeowner's MP DWP Growth: NY vs. U.S., 2001-2010

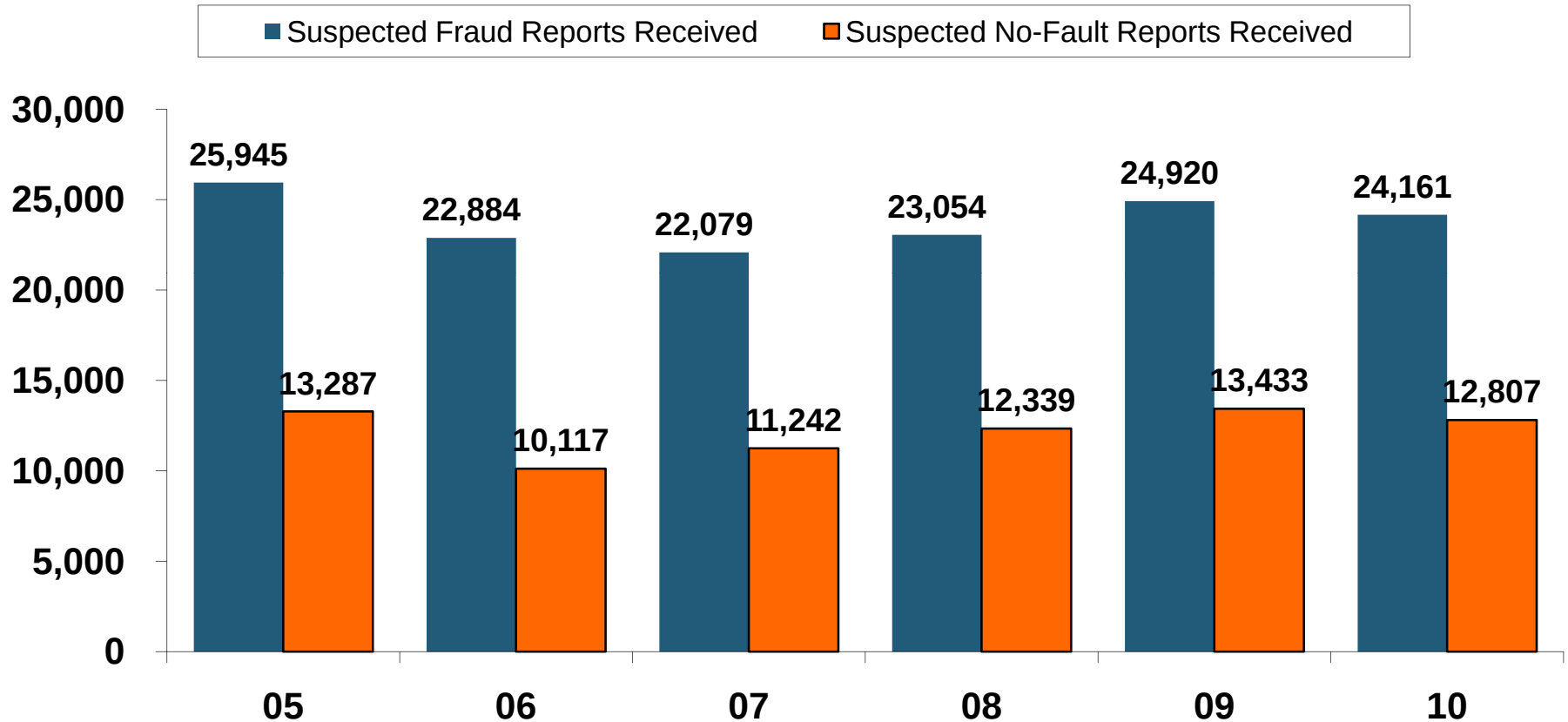
(Percent)



New York No-Fault Update

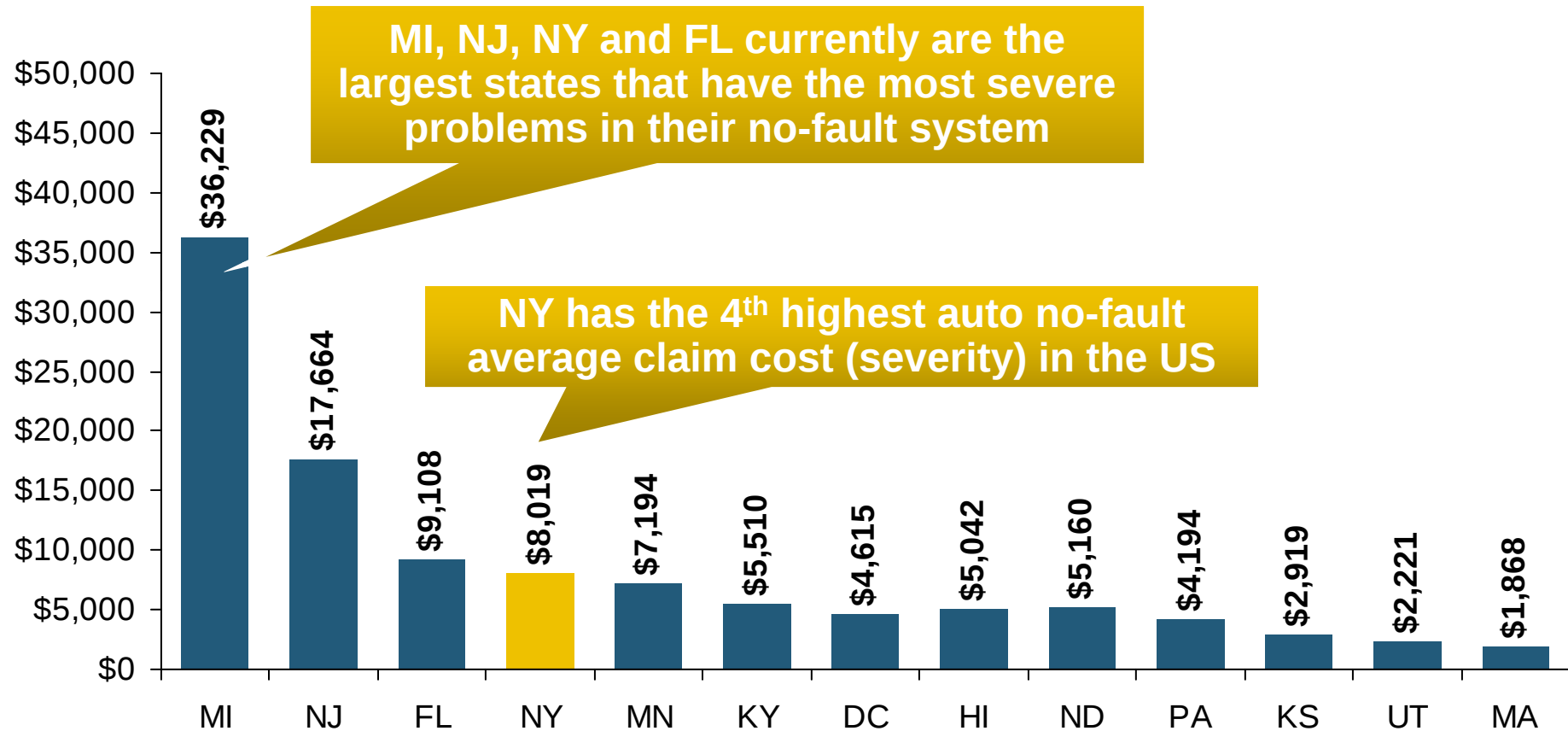
**Fraud and Abuse Have Cost
New Yorkers Nearly \$1 Billion
Since 2005**

New York State: Most Suspected Fraud Reports Involve No-Fault Claims



Sources: New York State Insurance Department, Insurance Frauds Bureau 2010 Annual Report; Insurance Information Institute.

Average No-Fault Claim Severity, 2011:Q3*

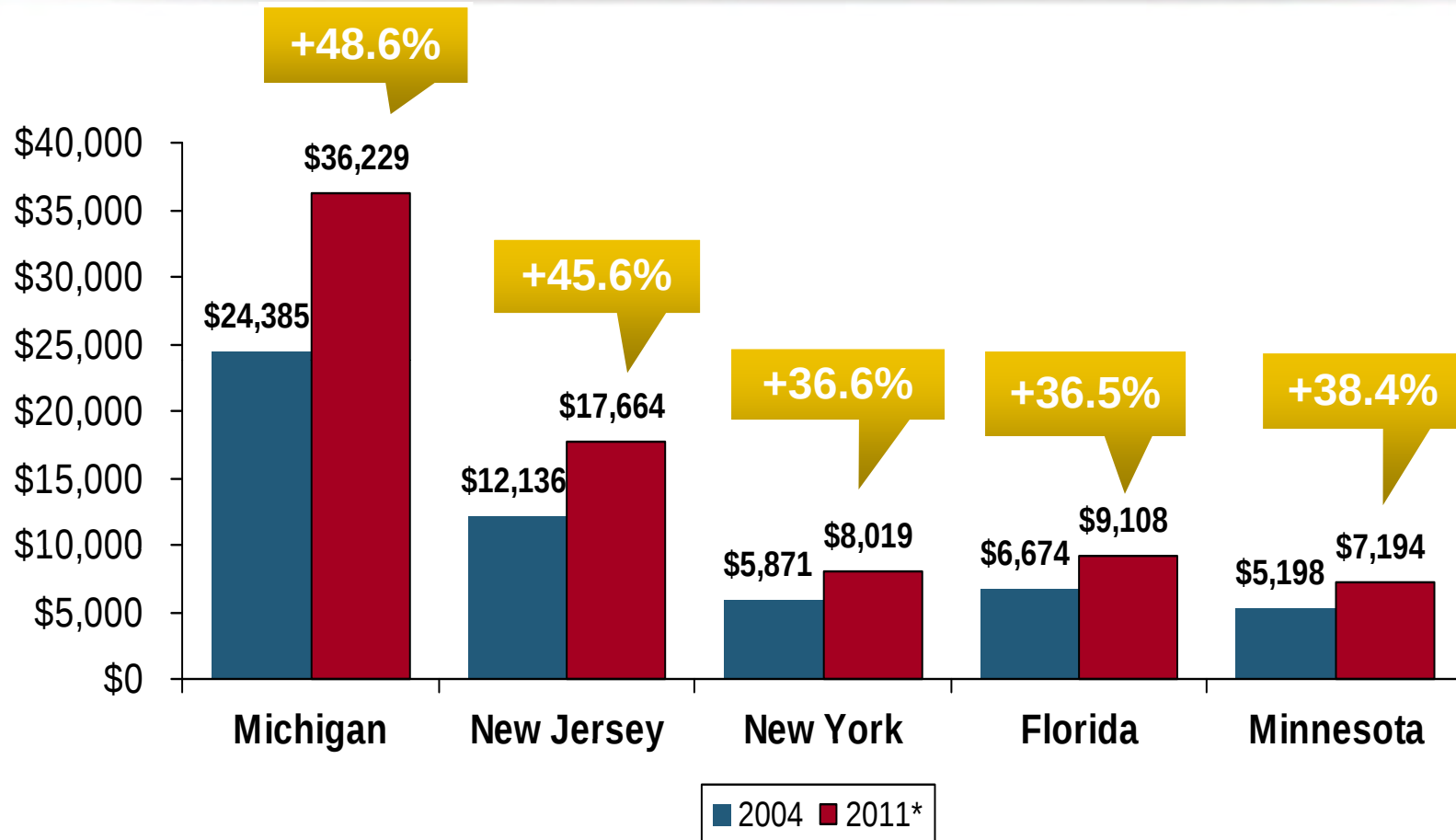


Several States Including NY Have Severe and Growing Problems With Rampant Fraud and Abuse in their No-Fault Systems. Claim Severities Are Up Sharply.

*Average of the four quarters ending 2011:Q3.

Source: ISO/PCI Fast Track data; Insurance Information Institute.

Increase in No-Fault Claim Severity: Selected States, 2004-2011*

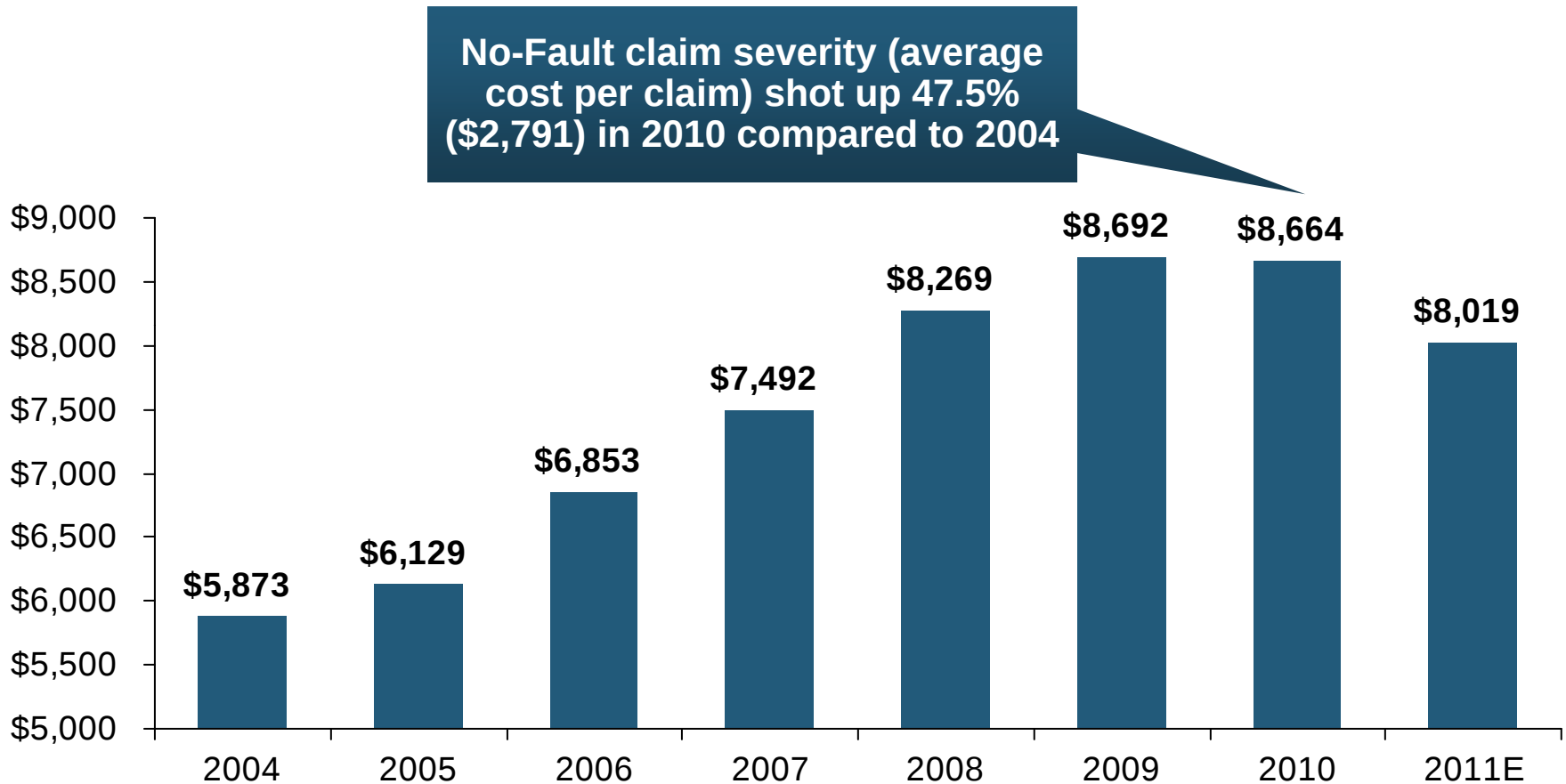


The no-fault systems in MI, NJ, NY, FL, and MN are under stress due to rising fraud and abuse, which leads to higher premiums for honest drivers.

*2011 figures are for the 4 quarters ending 2011:Q3.

Sources: Insurance Information Institute research from ISO/PCI *Fast Track* data.

NY No-Fault (PIP) Claim Severity Has Trended Up Sharply Upward, 2005-2011E*



The Average Cost of New York No-Fault Claims Rose Rapidly in Recent Years

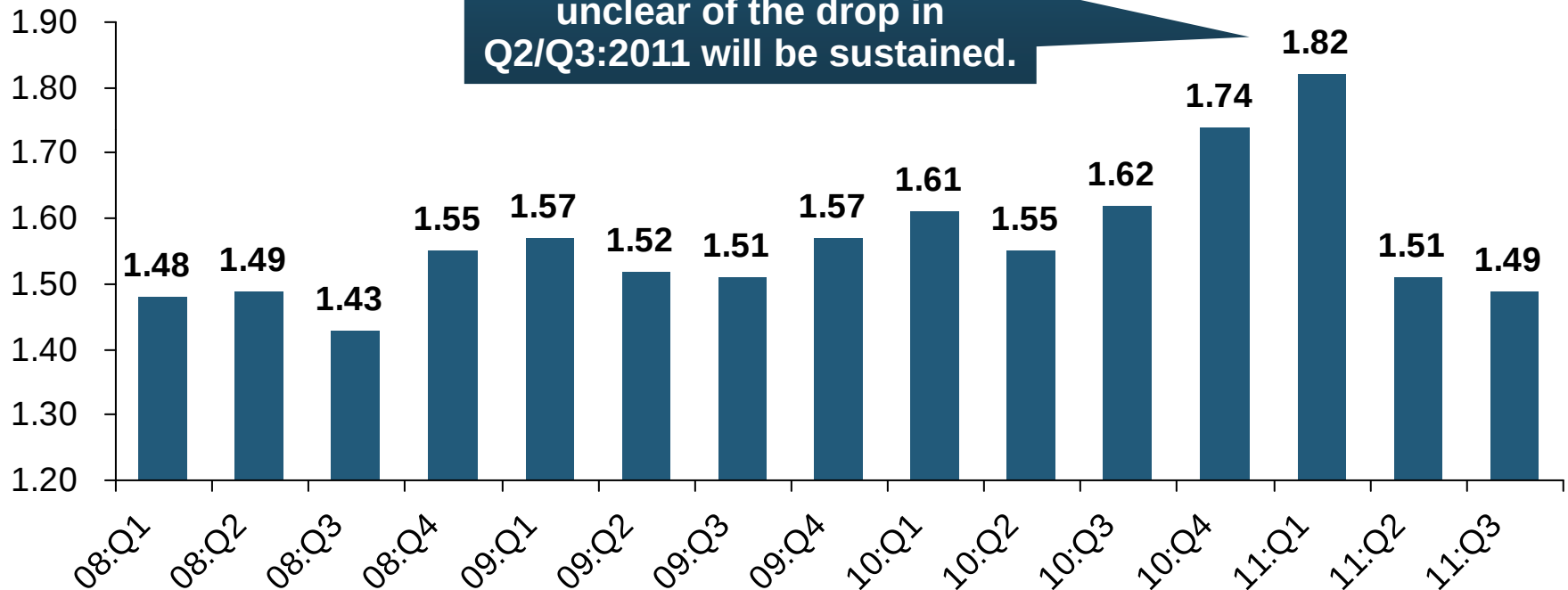
*2011 figure is based on data for the 4 quarters ending Q3:2011.

Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

New York No-Fault (PIP) Claim Frequency Is Trending Sharply Upward*

2008:Q1 through 2011:Q3

No-Fault claim frequency jumped by 27.3% between Q3:2008 and Q1:2011. It is unclear of the drop in Q2/Q3:2011 will be sustained.



The Number and Average Cost of NY No-Fault Claims Have Been Generally Rising Since 2004

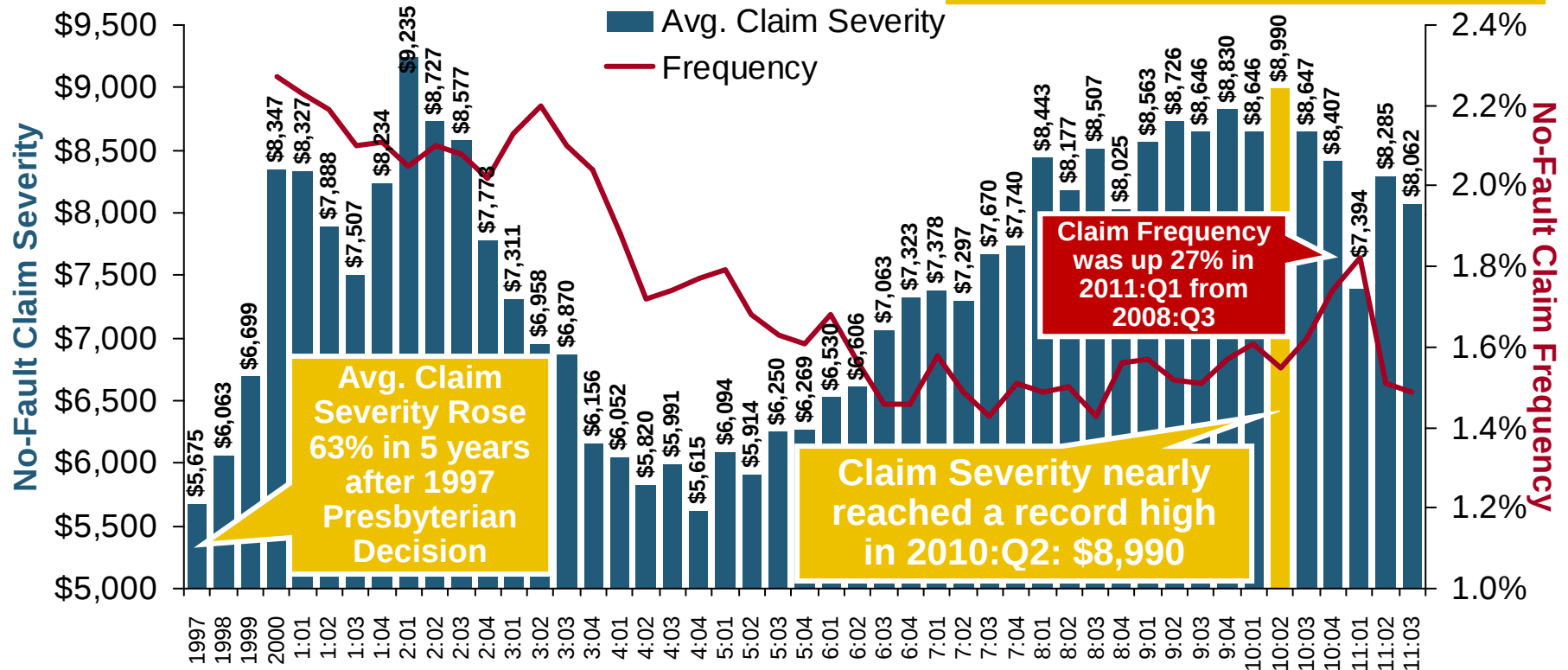
*Claim frequency is defined as the number of claims per 100 earned car years.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute

New York State No-Fault Claim Frequency and Severity, 1997–2011:Q3

No-Fault Claim Severity

Avg. Claim Severity is up 44% since 2004:Q4 though 2011:Q3



About 10% of No-Fault Claim Costs in 2011 Were Estimated to Be Attributable to Fraud and Abuse

*2011 figure is based on data for the 4 quarters ending Q3:2011.

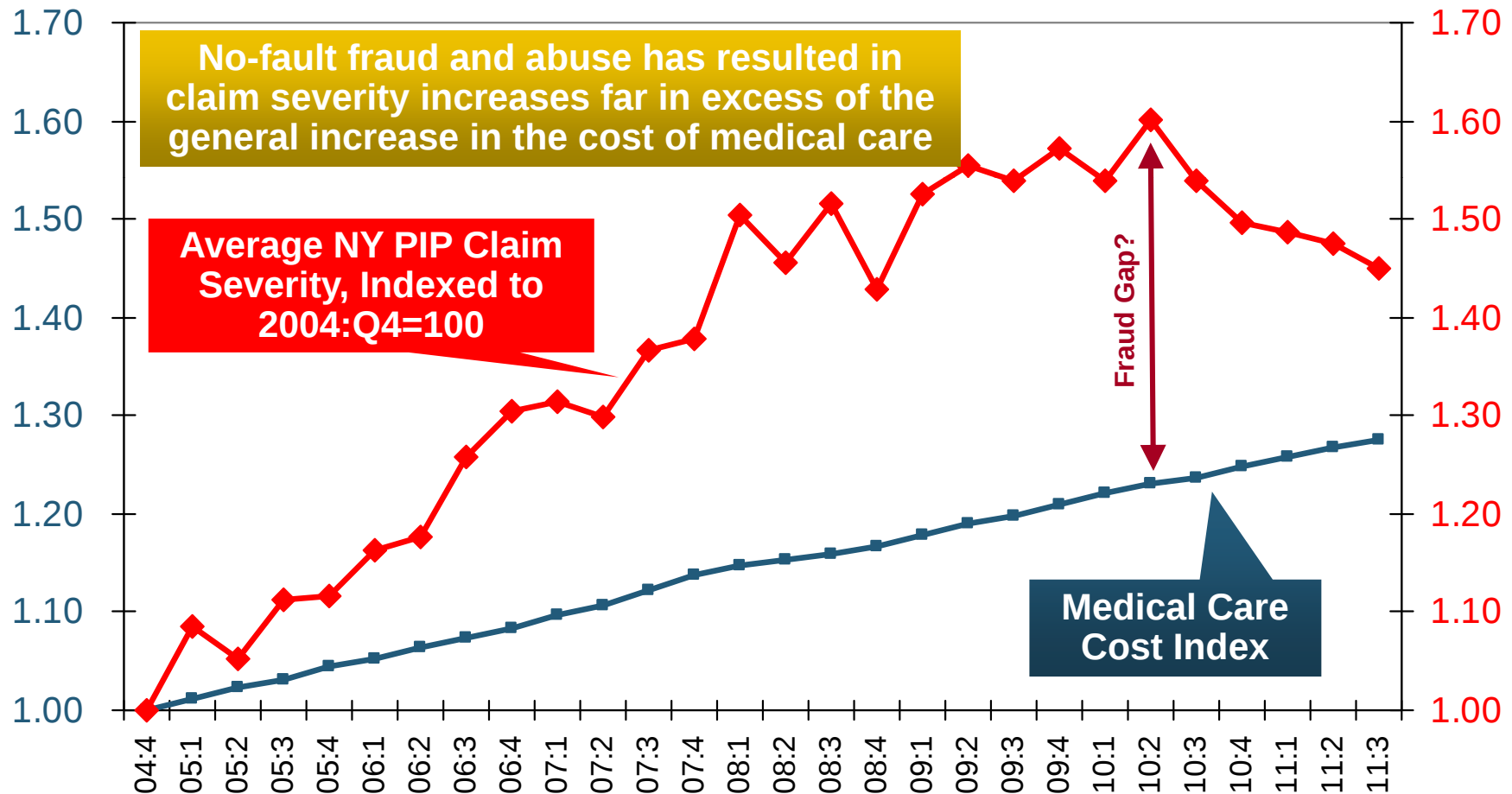
Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

New York's No-Fault Fraud Problem, Paid Claims Severity**

Medical
Care Cost
Index

—■— US city medical care index* —◆— NY PIP Avg claim severity

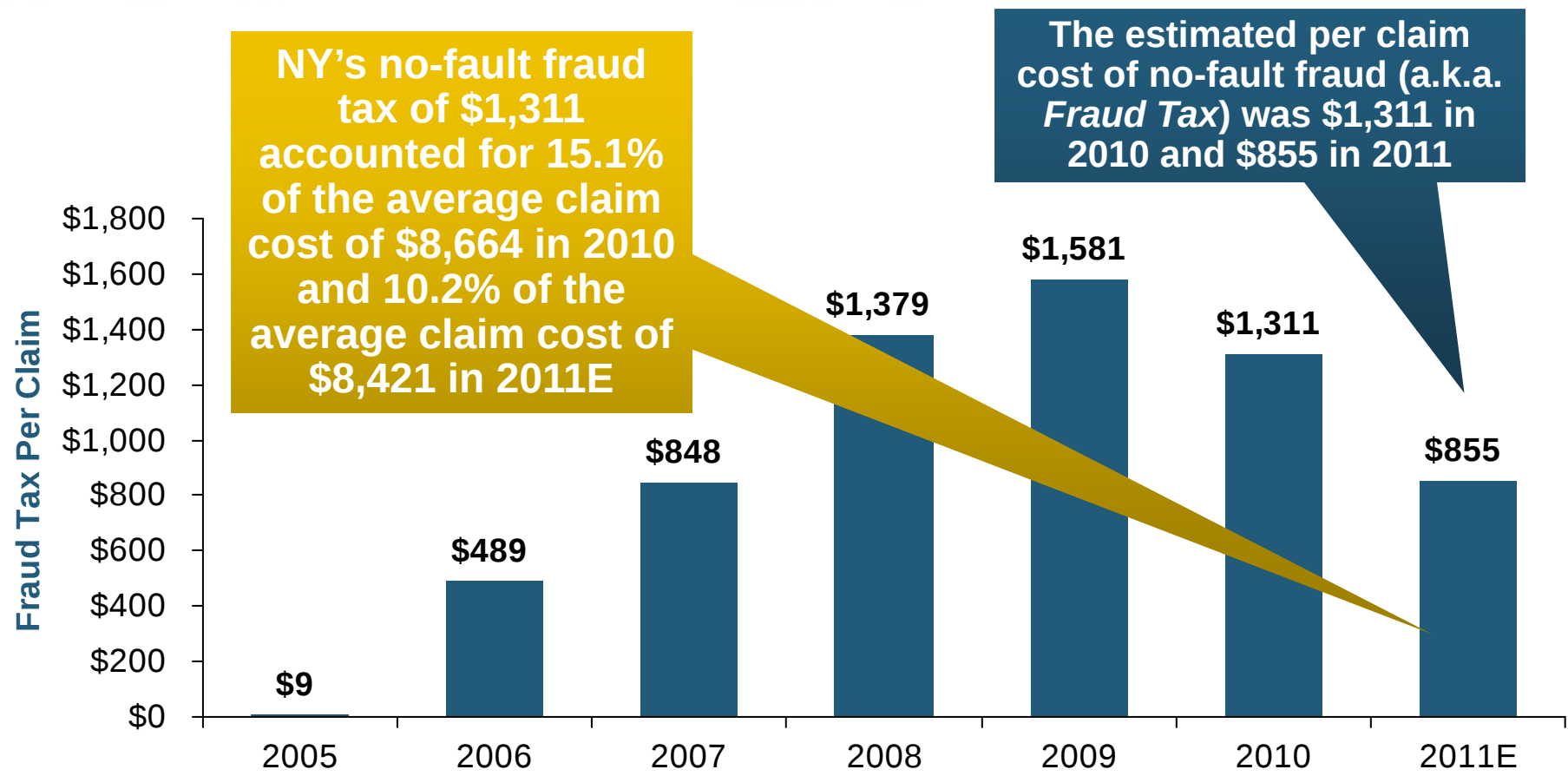
NY PIP
Severity
Index



*Middle month of quarter **For the four quarters ending in quarter indicated

Sources: Insurance Information Institute calculations based on ISO/PCI *Fast Track* Data and BLS Medical Care CPI

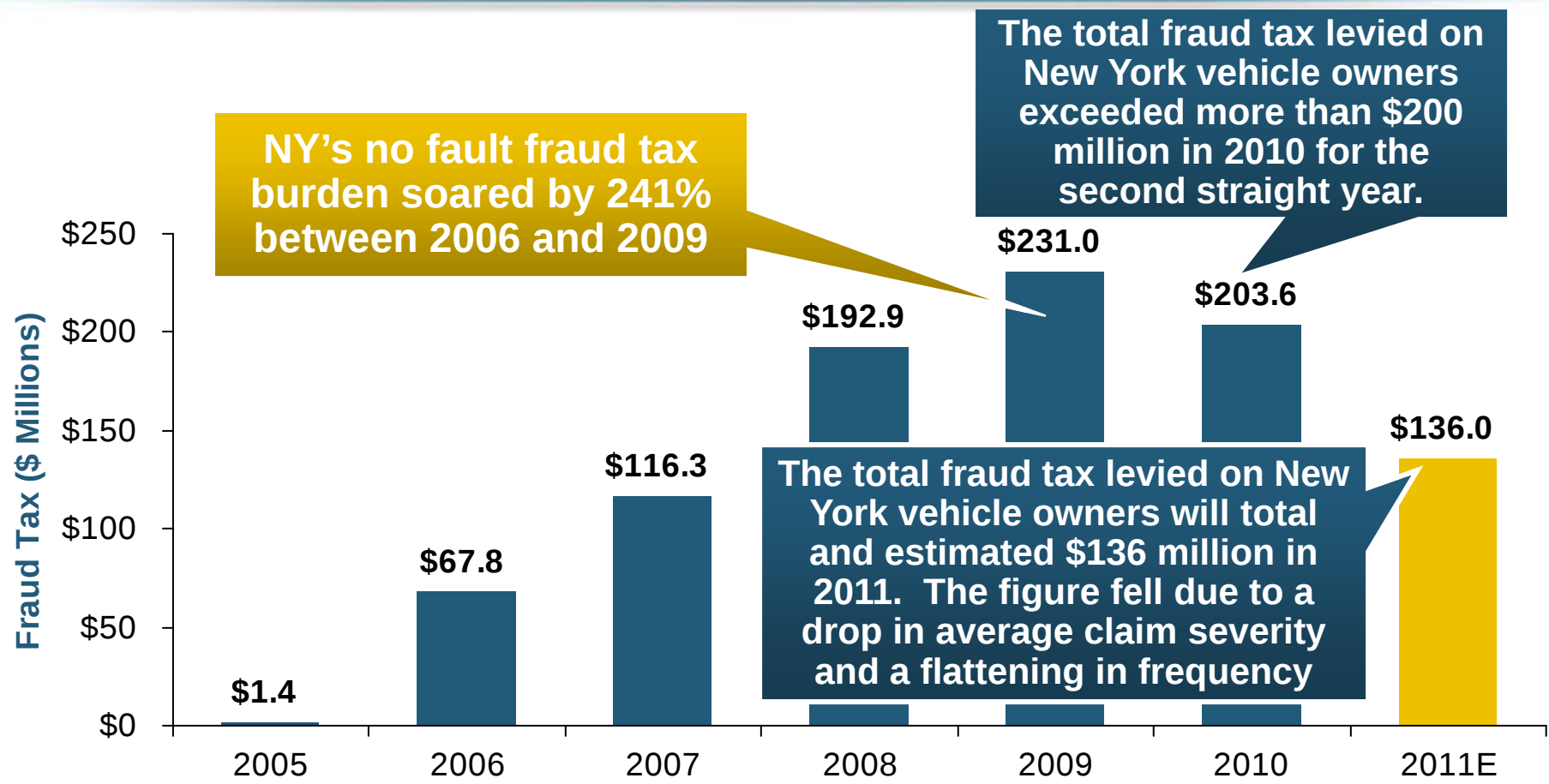
Estimated Per Claim Cost of No-Fault Fraud in New York State, 2005-2011E*



Fraud and Abuse Are Raising the Costs of Insurance in New York State

*2011 figure is based on data for the 4 quarters ending Q2:2011, adjusted by I.I.I. for 2011:Q1 data anomaly.
Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

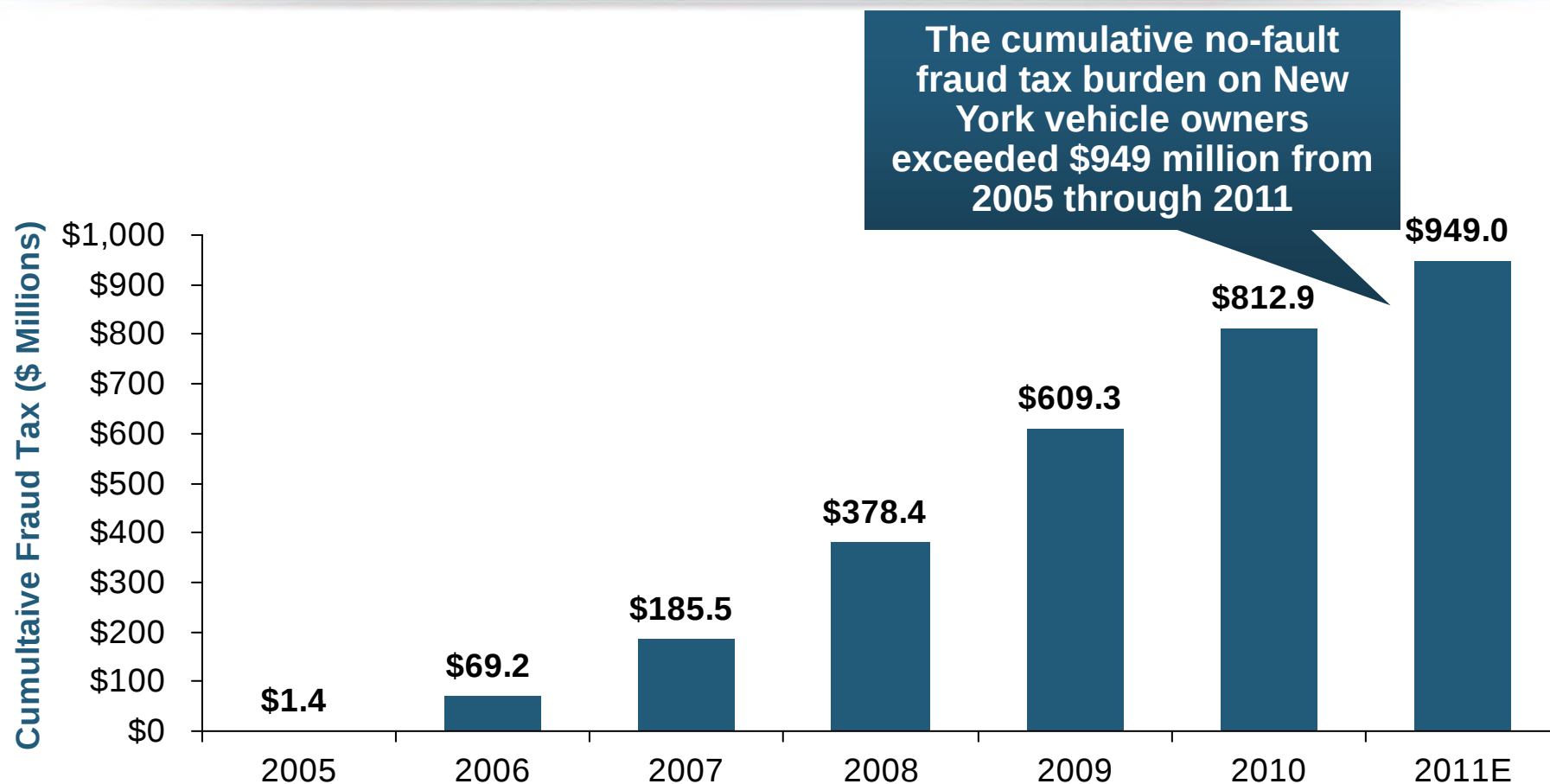
New York's No-Fault Fraud Tax: Estimated Aggregate Annual Cost, 2005-2011E (\$ Millions)*



No-Fault Fraud Is Costing Honest New York State Drivers Hundreds of Millions of Dollars

*2011 figure is based on data for the 4 quarters ending Q2:2011, adjusted by I.I.I. for 2011:Q1 data anomaly.
 Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

New York's No-Fault Fraud Tax: Estimated Cumulative Cost, 2005-2011E (\$ Millions)*

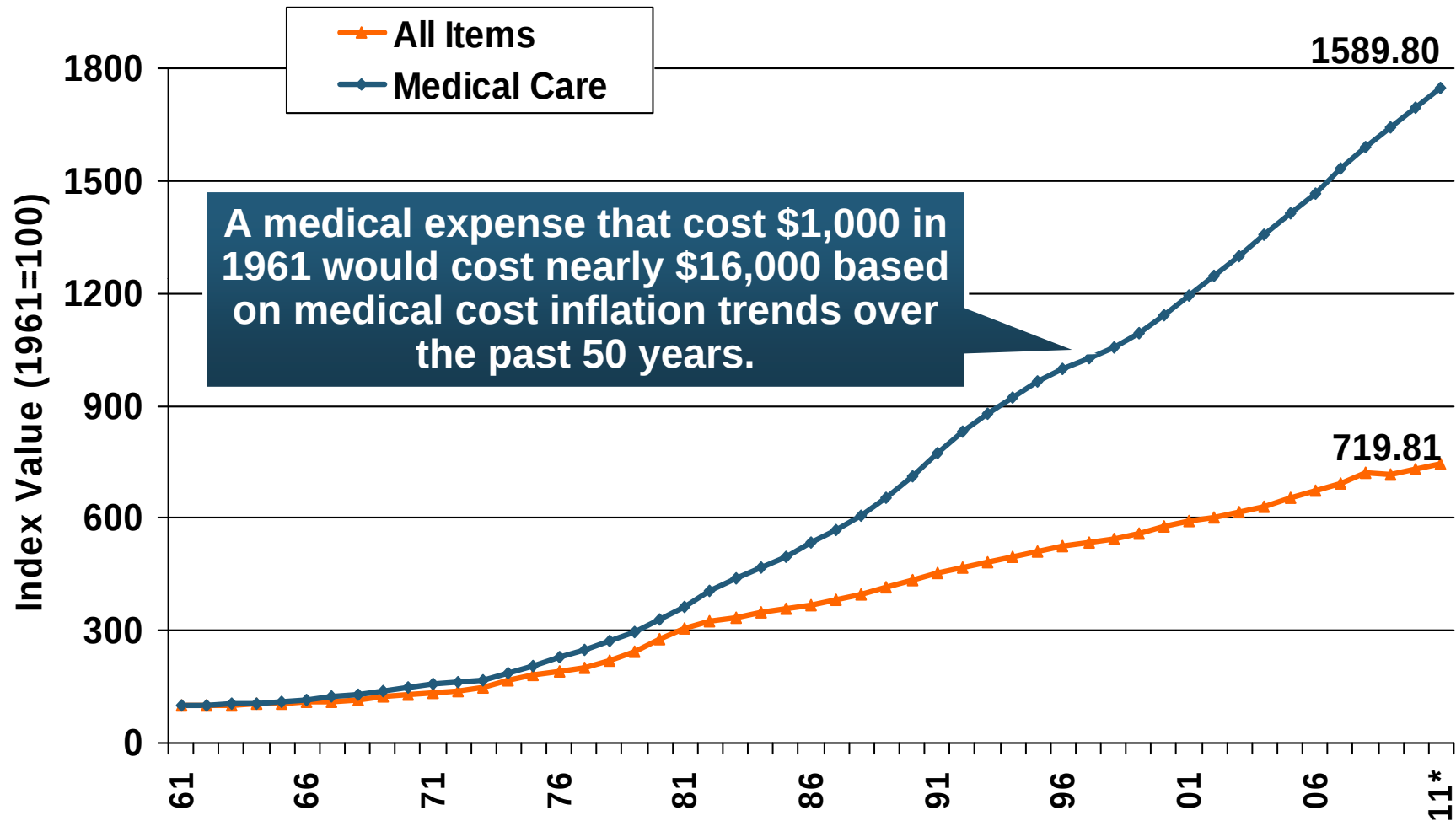


Cumulative No-Fault Fraud Has Cost Honest New York State Drivers and Their Insurers Nearly \$1 Billion Since 2005

*2011 figure is based on data for the 4 quarters ending Q2:2011, adjusted by I.I.I. for 2011:Q1 data anomaly.

Source: Insurance Information Institute calculations and research from ISO/PCI Fast Track data.

Medical Cost Inflation Has Outpaced Overall Inflation Over 50 Years



*Based on change from Feb. 2010 to Feb. 2011.

Source: Department of Labor (Bureau of Labor Statistics)

Figure 9.

No-Fault Fraud Was Front Page News a Decade Ago in 2001



DAILY NEWS
\$1.00 www.nydailynews.com NEW YORK'S HOMETOWN NEWSPAPER Sunday, July 22, 2001

SPECIAL REPORT

HIGHWAY ROBBERY

Increase in fraud is driving car insurance rates up dramatically

SEE STORIES PAGES 6-7

Minor accidents like this one could wind up costing drivers a lot more.

MARC HERMANN

DAILY NEWS
SPECIAL REPORT

FRAUD IS DRIVING AUTO INSURANCE SKY-HIGH

Firms say medical scams squeeze city motorists

By WILLIAM SHERMAN
Daily News Staff Writer

Better than a doctor, a state insurance investigator would make a fortune in the nation's medical mills. Insurers charge doctors, psychologists and other medical professionals...

state between \$75 and \$115 a year, according to Rob Hartwig, an economist for the Insurance Information Institute. Brooklyn has the highest fraudulent claim rate, with the Bronx second, Queens third and Manhattan fourth, according to studies by the institute. Because of the fraud, Brooklyn drivers pay the highest overall premiums in the city, according to Hartwig. As of March 1, a "clean" adult just under the six-month time limit, said Greg Serio, deputy superintendent of the state Insurance Department. "How do you review and track hundreds of tests and treatments six months after the fact, and do it in 30 days?" he asked. Under state law, physicians must prescribe tests and treatment and own the clinics. But medical mills involved in the scams are owned by criminals who pay off doctors for their fees. "And for two years was involved in three separate accidents with a dozen accident victims," said Tom Sullivan, chief of Grace's special investigations unit. "In another case, we found a woman who had run up thousands of dollars of claims because of an accident, and she told us she was never in any accident and had never been to the clinic in question." Once the policy numbers are...

DAILY NEWS
THURSDAY, MARCH 29, 2001
PAGE 2 OF 2

Fraud soaking drivers

Doc scams have state insurance rates on road to No. 1

By WILLIAM SHERMAN
Daily News Staff Writer

Crooked doctors working through mob-backed medical mills are costing New York drivers \$1 billion a year in insurance premiums and spiking no-fault rates to the highest in the nation. Consumer automobile insurance rates are soon expected to surpass New Jersey's, as accident scams and fraudulent medical bills deliver ever increasing payoffs, according to law en-

sions are among those treatments; the tests include everything from audiology to X-rays in abundance. For example, one Brooklyn doctor, indicted in a federal case, billed a "clean" adult...

DAILY NEWS
THURSDAY, MARCH 29, 2001
PAGE 5
PAGE 1 OF 2

Minor accidents like this one could wind up costing drivers a lot more.

MARC HERMANN

N.Y. INSURANCE FRAUD REPORTS
1995 '96 '97 '98 '99 '00
4,303 12,372

CLAIM FREQUENCIES
Rate per 100 cars
Brooklyn 4.27
Bronx 5.03
Queens 3.55
Manhattan 2.88

GROWTH IN CLAIMS COSTS*
Four quarters ending 2000: 3rd
New York 12.2%
Florida 10.8%
Illinois 10.4%
California 10.4%
New Jersey 10.2%
* Change in "pure premium"

Figure 10.

Sparking Interest in Action...

DAILY NEWS
FRIDAY, MARCH 30, 2001
PAGE 46

Slam brakes on auto scams

As reported yesterday in the Daily News' front-page story, "Highway Robbery," auto insurance scams are adding \$1 billion a year to drivers' premiums in New York. That's an extra \$75 to \$115 on every auto policy in the state — no matter how good, and honest, a motorist you are. Unless there is legislative reform, these bogus claims will drive rates even higher. The state Senate has acted. Now it's up to the Assembly.

Last year, New York's claim costs jumped by 32%. In New Jersey — long the butt of bad-driver jokes — they *dropped* by 12%, primarily because Trenton passed auto insurance reforms in 1998. Who's laughing now? While Jersey limits claims for certain exotic "medical" treatments, claimants in New York can milk insurance companies for such suspect treatments as aromatherapy and biofeedback. Because of this, the average bodily injury accident claim in New York is an astonishing 64% higher than in any other state.

The Brooklyn district attorney's office says Russian mobsters are behind many of the scams, setting up phony accidents and medical mills that rip off insurers. The gangs employ "runners" who recruit people to pose as crash "victims." Under a bill sponsored by state

NEW YORK POST
THURSDAY, MARCH 29, 2001
PAGE 30

Driving NYers Mad

Auto insurance is about to drive New Yorkers crazy. Or, maybe, out of state.

As The Post's Kenneth Lovett reported this week, New Yorkers are about to get socked with rate hikes as high as 26 percent.

Already, the Empire State boasts the second-highest rates in the nation. But Albany, it seems, won't be happy until New York is No. 1.

Why? Because lawmakers refuse to clamp down on the abuses that drive up rates in the first place.

As Manhattan Institute Senior Fellow Steve Malanga outlines in detail on the previous page, an entire industry of scam artists — con men, disreputable doctors, unscrupulous lawyers — thrives in New York, bilking insurance carriers with fraudulent claims.

Insurers who pay those claims pass their costs right back to — you guessed it — New York motorists.

Which sends premiums soaring.

And this kind of fraud is higher here

than in other states, thanks largely to New York's no-fault insurance laws.

And, of course, to lawmakers who prefer not to fix those laws, which would risk the loss of political donations from the doctors and lawyers who milk the system and would be put out of business were it fixed.

Indeed, reform would be a cinch, were lawmakers inclined to act.

For example:

- They could reduce the number of days claimants have to file claims, which now stands at an easily-changed 90 days.

THE ECONOMIST
JANUARY 27th, 2001
PAGE 73

The scent of a scam

NEW YORK

DRIVING in New York is war, casualties frequent. What better recovery for a car accident's unfortunate victim than to lie in a darkened room, inhaling the sweet smells of pungent lotions? And what better still than to get somebody else to pay for it?

In recent months, the claims department at a large property-casualty company has been getting a growing stream of claims for these services, known as aromatherapy. "It is a new, creative out-

larly those around the neck, are notoriously hard to diagnose and repair with any precision. With great gaps in knowledge still remaining, medicine remains part-art. Do insurance companies really know where to draw the line between scam and need?

Suffice to say that they would like to try. What angers the insurers about the legal status of treatment in New York is that many claims must be paid, no questions asked. Far from being pre-approved, bills

...And Urgent Calls for Reform

NEW YORK POST
THURSDAY, FEBRUARY 28, 2001
PAGE 31

POSTOPINION

Coming To N.Y.: America's Costliest Car Insurance

NEW York car owners are facing a stiff hike in insurance premiums because of soaring fraud and a surge in payments in accident cases. With other states enacting reforms to restrain the growth of lawsuits and cut down on insurance scams, New York drivers will almost certainly soon be paying the highest premiums in the country. And they've got lawyers, rip-off artists and legislators to thank for that.

Here's why.

The state's no-fault law requires a driver's insurance company to pay the first \$50,000 in medical bills for an accident, regardless of who's at fault. But it's virtually impossible for insurers to investigate fraudulent claims — because the law lets drivers wait up to six months after an accident to file medical claims.

Scam artists are having a field day with fake accidents, and payments from accident claims are going through the roof in the state. Fake auto-insurance claims uncovered by regulators nearly tripled in New York to 12,372 last year, from 4,393

tute recently warned that New York is on the verge of surpassing New Jersey as the state with the nation's highest average auto-insurance premium. In 1998, the Garden State passed reforms that studies estimate have cut the average annual cost of a premium by more than \$200, to below \$1,000. New York's average rate, meanwhile, was about \$1,110 in 1999, the last full year for which data are available, but is now clearly heading upward.

In the Empire State, insurers can raise rates up to 7 percent without asking permission from the state Insurance Department, a that could mean increases of more than \$100 on premiums this year, especially in New York City, where the average p

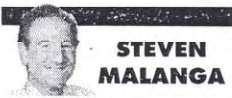
mium is already close to \$2,000 a year.

The Insurance Department has tried to put the breaks on fraud by adopting regulations to shorten the time required to file a medical claim, but trial lawyers successfully defeated the measure in court. They

NEW YORK POST
THURSDAY, MARCH 29, 2001
PAGE 29
PAGE 1 OF 2

Albany's War on Drivers

Fraud's making car insurance soar — but the Legislature won't crack down



**STEVEN
MALANGA**

THANKS to an epidemic of fraud, auto-insurance prices are soaring statewide. Prosecutors, regulators and insurance investigators say they know how to stop this fraud — but they need the help of Albany legislators in the form of tougher laws. And Albany isn't

probably responsible for a tidal wave of personal-injury claims — especially in the five boroughs of New York City.

Nationally, personal-injury costs have risen 33 percent in five years — but in the Empire State costs rose by nearly double that rate.

When they have to pay out more in claims, insurers must raise premiums (or abandon the New York market altogether). Rates have been climbing for several years now, and will soar this year.

within 45 days of an accident that they have begun medical treatments and intend to seek reimbursement for the care.

Present law lets those making a claim wait 180 days, and many scam artists use the law to dump months of bills all at once on an insurer. Since the company must pay up within 30 days, that gives it little time to sort through and investigate a mountain of bills received all at once.

"If an insurance company can make a credible case that a claim is suspicious, then it should be

NEW YORK POST
THURSDAY, MARCH 29, 2001
PAGE 14

No-fault drives up rates

By KENNETH LOVETT
Post Correspondent

ALBANY — New York's no-fault insurance system — considered the state's major factor behind the state's saw payments for accidents jump a nation-leading 18 percent last year, the Post

companies paid out \$1.9 billion in no-fault medical claims, \$19 in 1999, according to a data set to be released tomorrow by the Insurance Information Institute, a group.

That's 18 percent above the average nationally, said Kenneth Lovett, the institute's president.

The state's no-fault system pays up to \$50,000 for medical bills and lost wages due to automobile accidents, regardless of who is at fault.

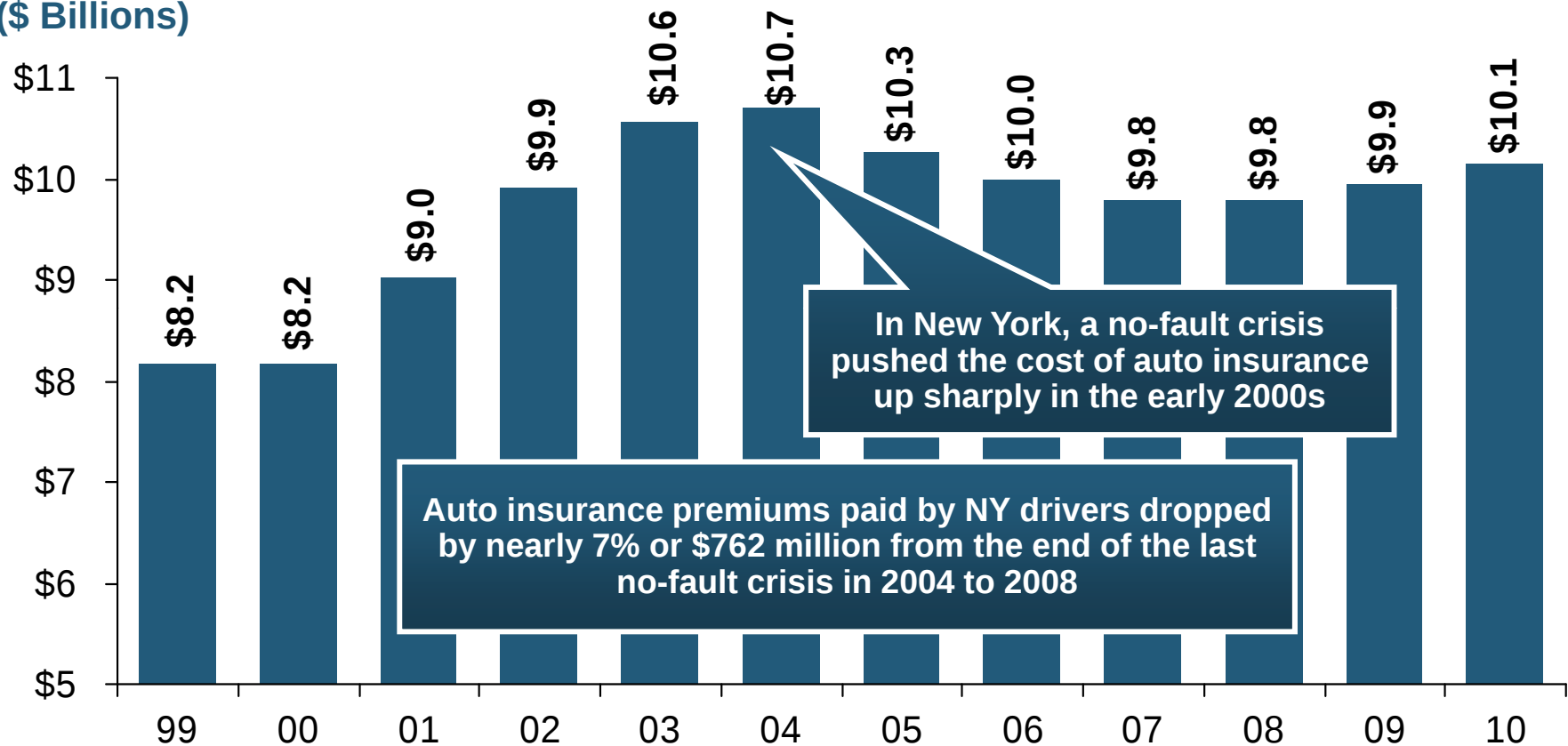
The frequency of claims and the number of no-fault fraud reports received by the state also were on the rise last year, according to the new numbers.

State officials and industry experts blame widespread and organized no-fault fraud and abuse as a major reason New York's overall auto insurance rates are the second highest in the nation, after New Jersey, and rising.

The Post reported earlier this week that rates for the 500,000 in the state assigned risk program are about to jump 18 percent.

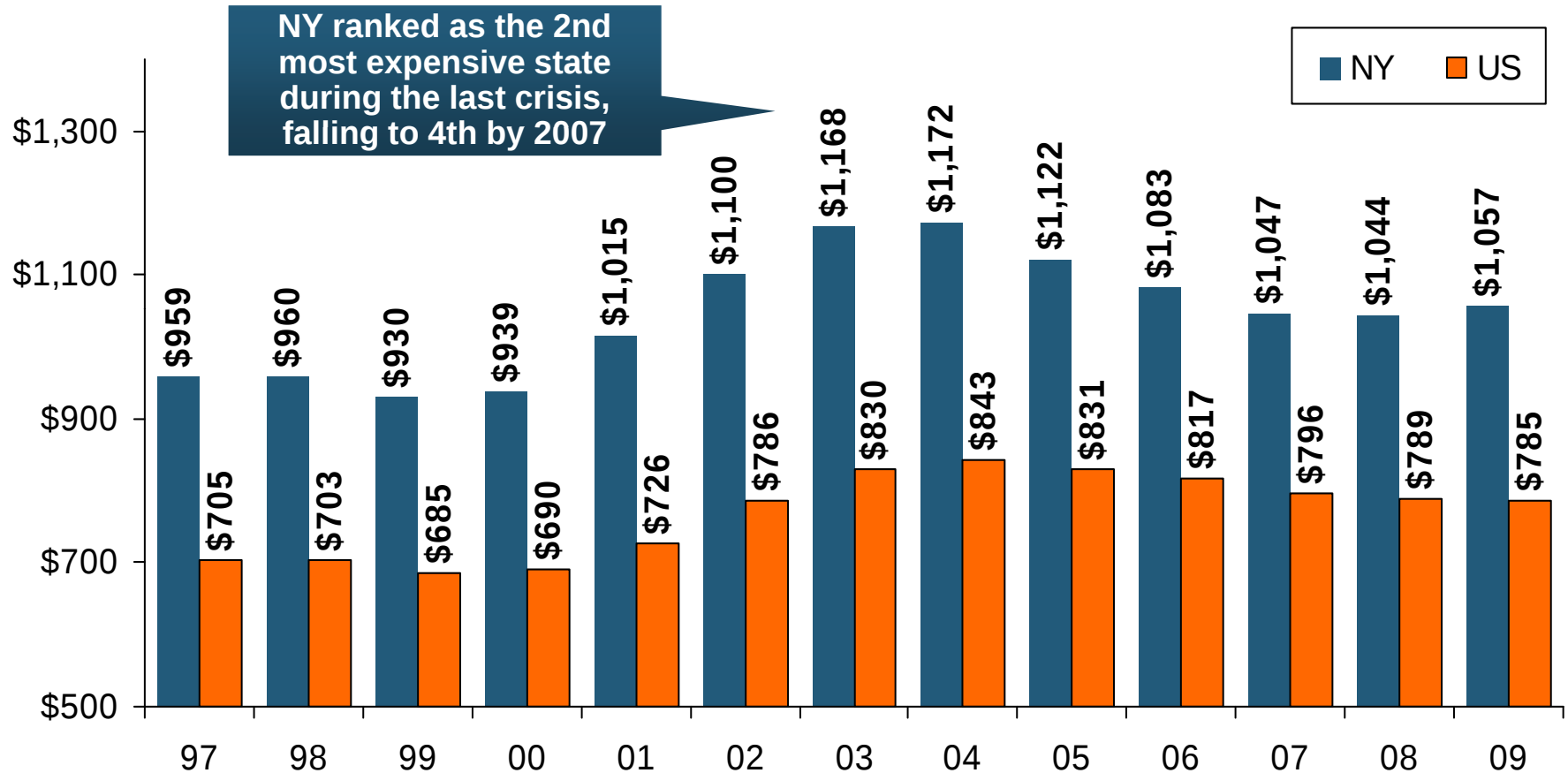
NY Direct Pvt. Passenger Auto Premiums Written, 1999-2010

(\$ Billions)



Savings achieved in New York's fraud crackdown were quickly passed along to drivers.

Average Expenditure on Auto Insurance, NY State vs. US: 1997-2000*



In the wake of NY's first no-fault crisis, the average expenditure on auto insurance in NY state fell by \$128 or 10.9% between 2004 and 2008, much more than the 6.4% drop in the US overall.

*Latest available.

Source: National Association of Insurance Commissioners.

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

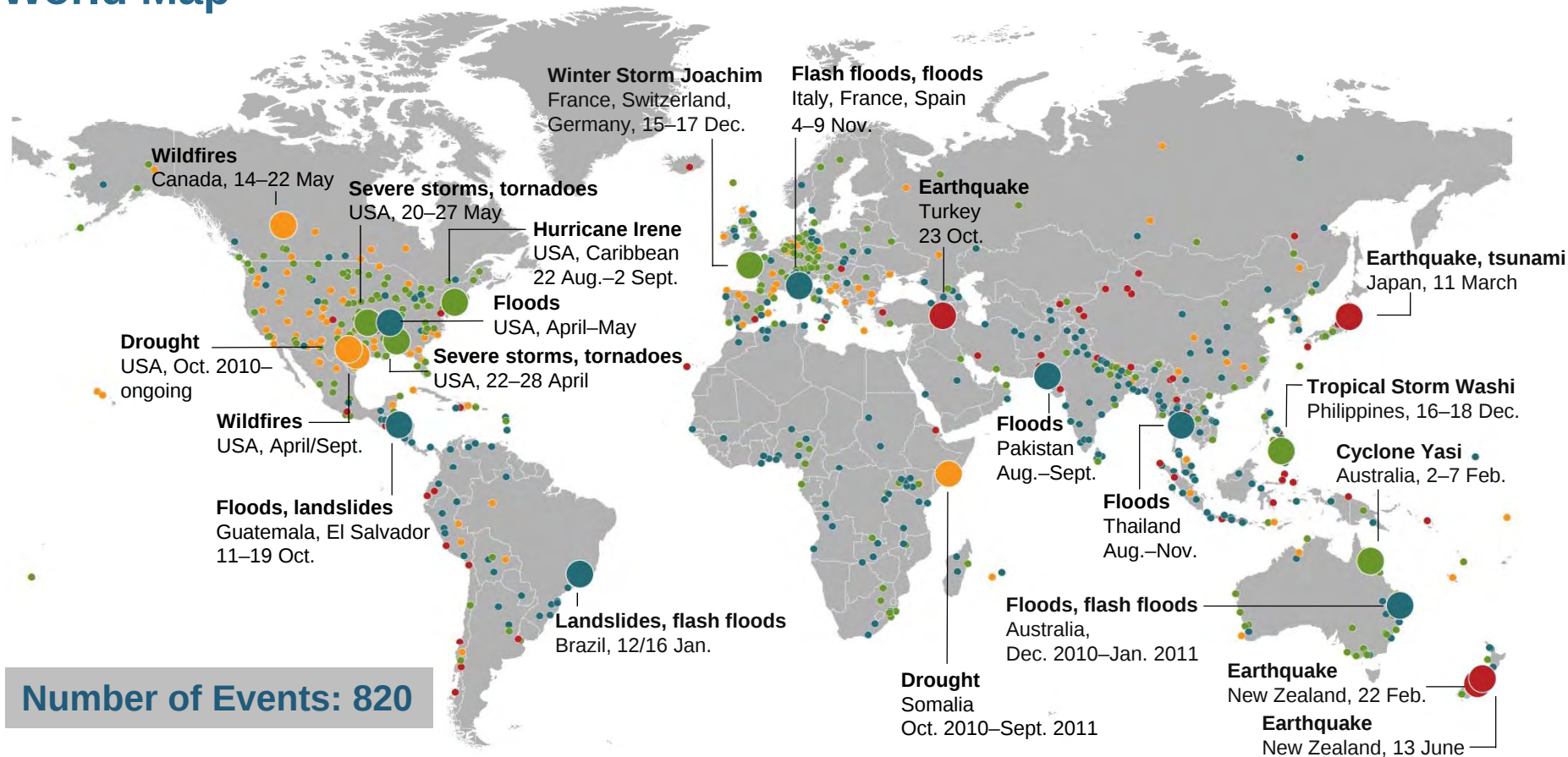
- ◆ Represents a 129% increase over the \$11.8 billion amount through the first half of 2010

■ \$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

Natural Loss Events, 2011

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)

Natural Catastrophes Worldwide, 2011

Overview and Comparison with Previous Years

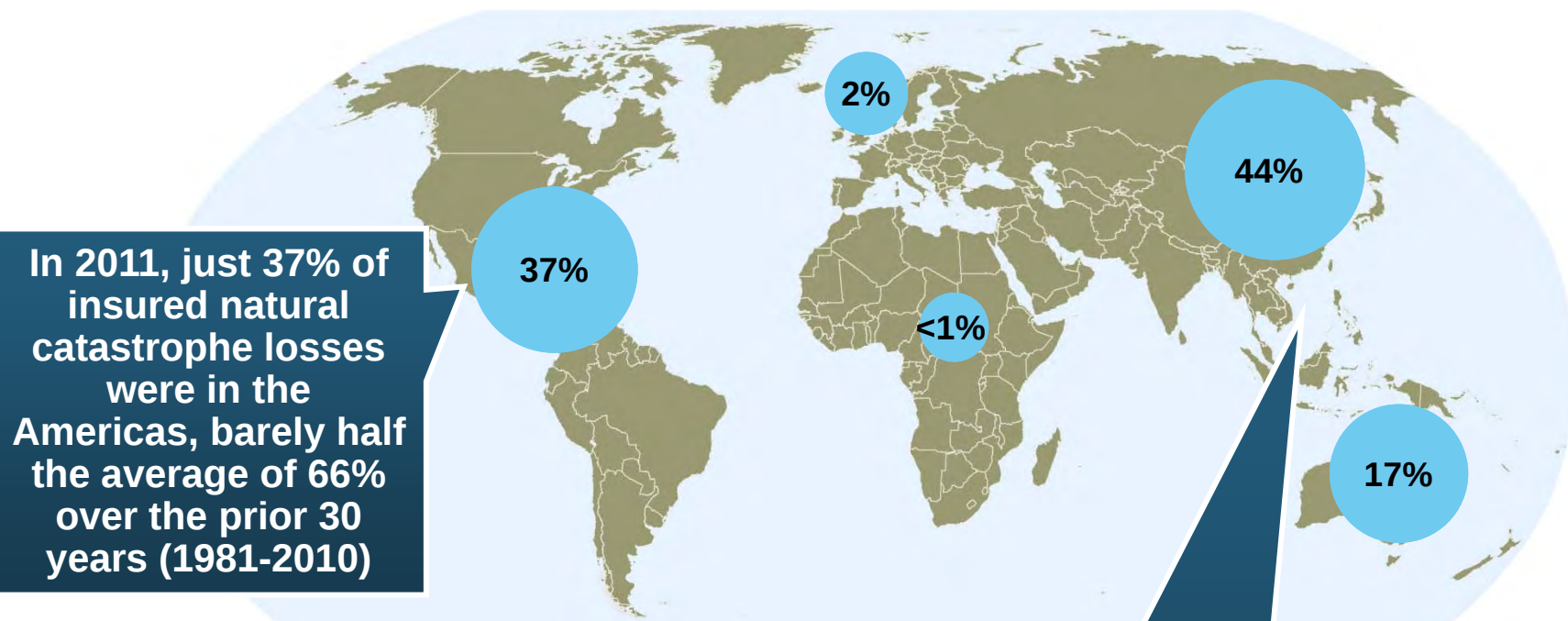
	2011	2010	Average of the last 10 years 2001-2010	Average of the last 30 years 1981-2010	Top Year 1981- 2010
Number of events	820	970	790	630	2007 (1,025)
Overall losses in US\$ m (original values)	380,000	152,000	113,000	75,000	2005 (227,000)
Insured losses in US\$ m (original values)	105,000	42,000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

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

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

Natural Catastrophes Worldwide 2011

Insured losses US\$ 105bn - Percentage distribution per continent



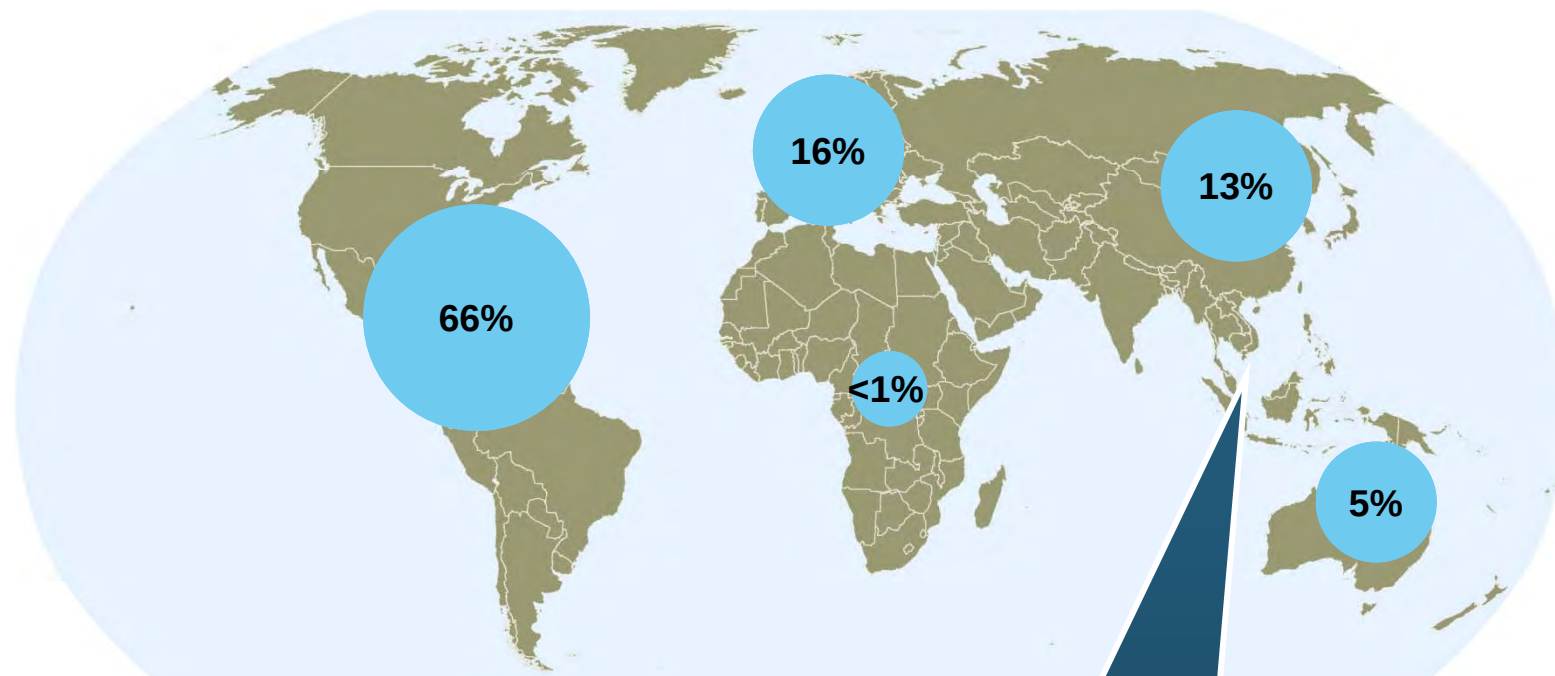
In 2011, just 37% of insured natural catastrophe losses were in the Americas, barely half the average of 66% over the prior 30 years (1981-2010)

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)

Natural Catastrophes Worldwide 1980 – 2011

Insured losses US\$ 870bn - Percentage distribution per continent



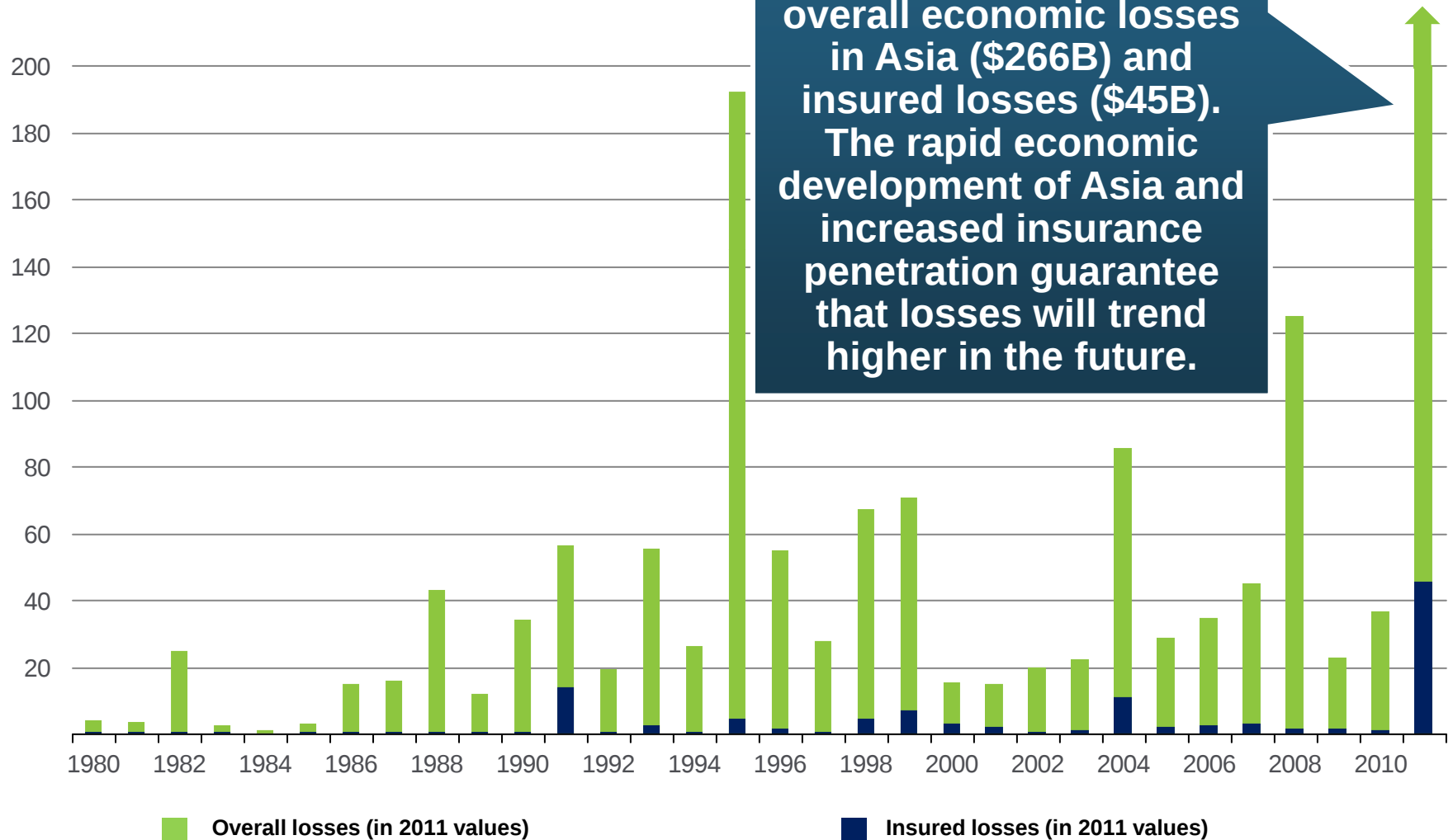
Continent	Insured losses US\$ m
America (North and South America)	566,000
Europe	146,000
Africa	2,000
Asia	115,000
Australia / Oceania	41,000

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)

Natural Catastrophes in Asia 1980 – 2011

Overall and insured losses in 2011 Dollars

(\$ Billions)



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

(Insured Losses, 2011 Dollars, \$ Billions)

Taken as a single event, the Spring 2011 tornado and thunderstorm season would likely become the 5th costliest event in global insurance history

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



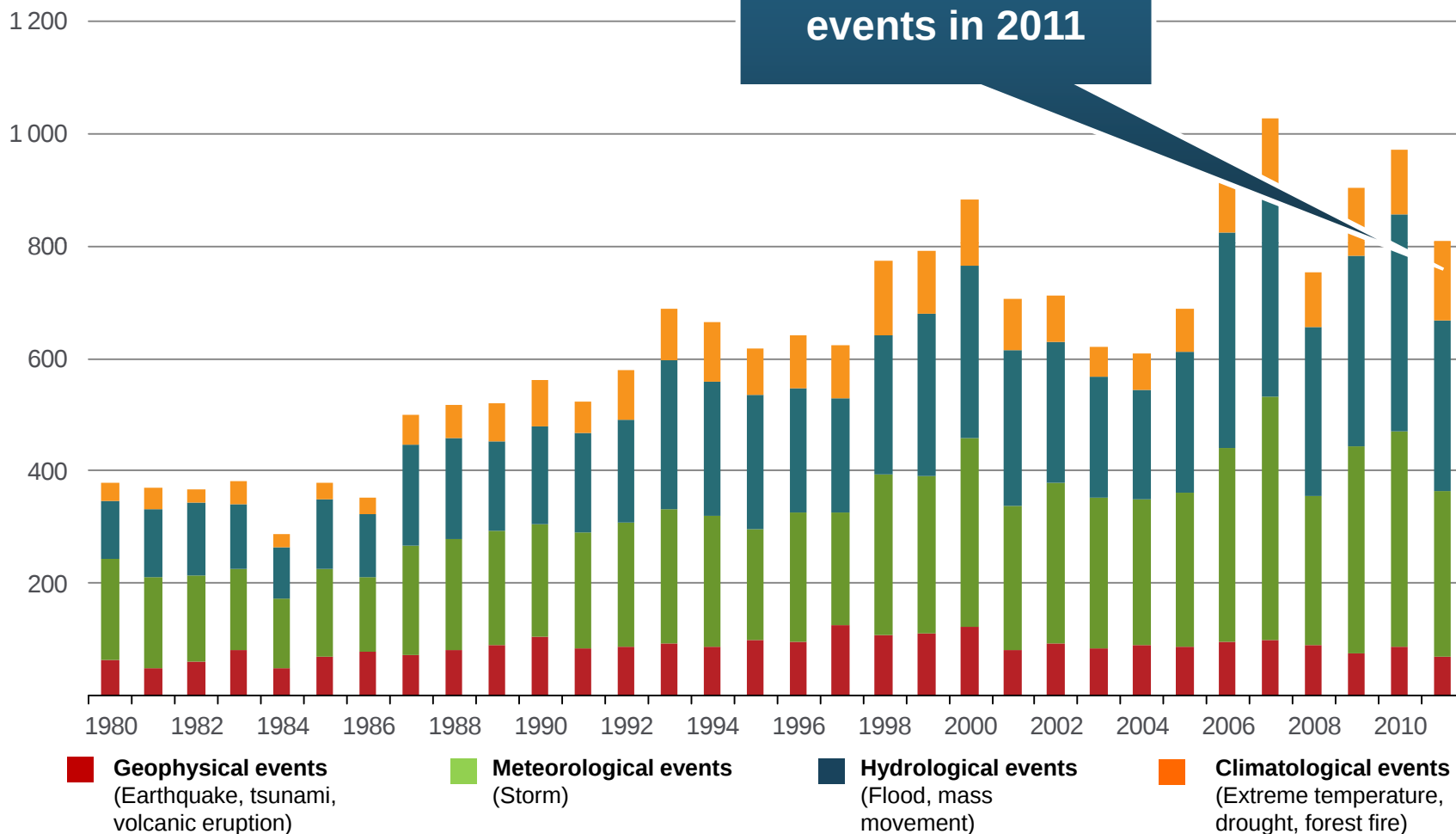
*Average of range estimates of \$35B - \$40B as of 1/4/12; Privately insured losses only.

**Figures do not include federally insured flood losses.

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

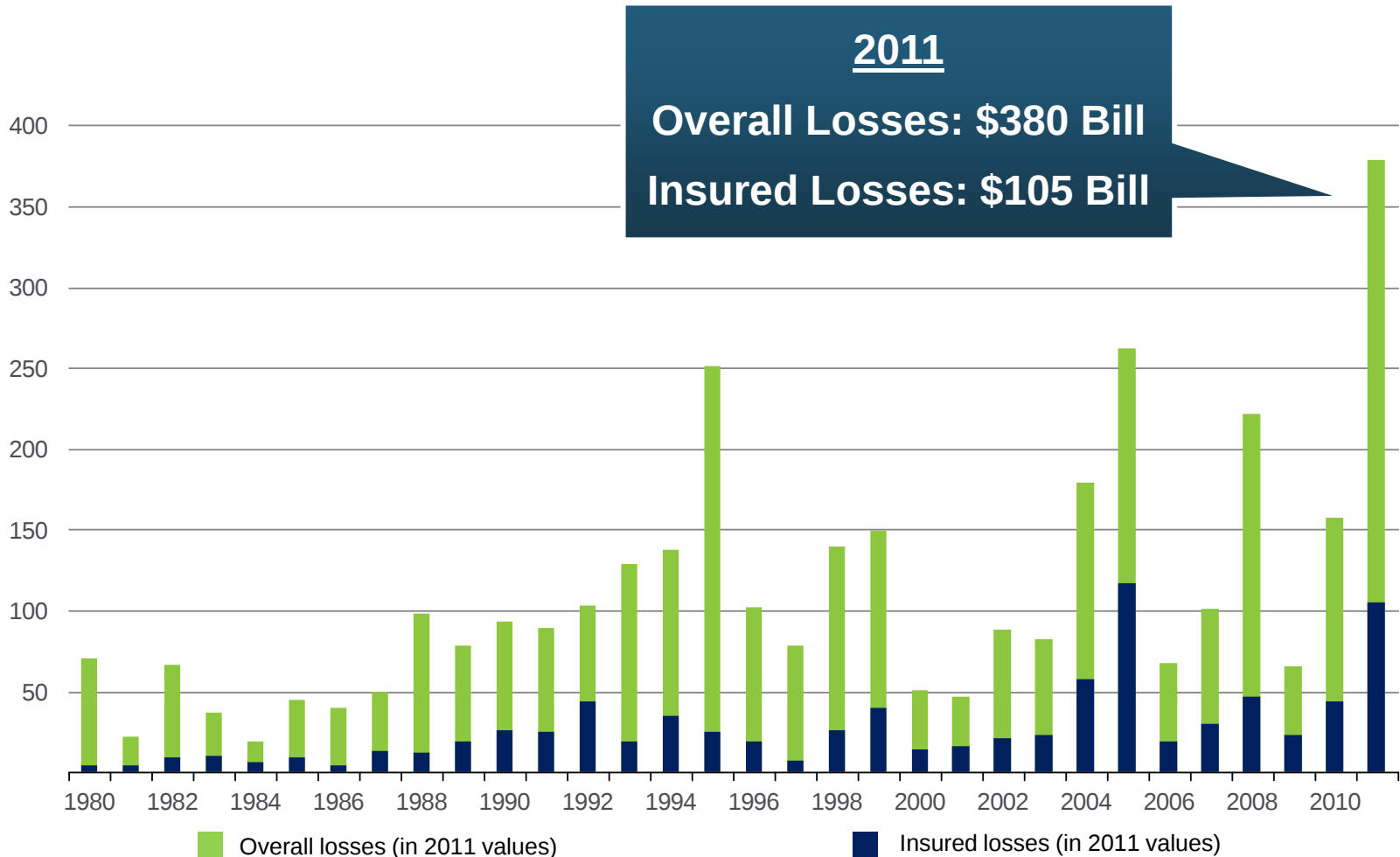
Worldwide Natural Disasters, 1980 – 2011

Number of Events



Worldwide Natural Disasters 1980–2011, Overall and Insured Losses

(Insured Losses, 2011 Dollars, \$ Billions)





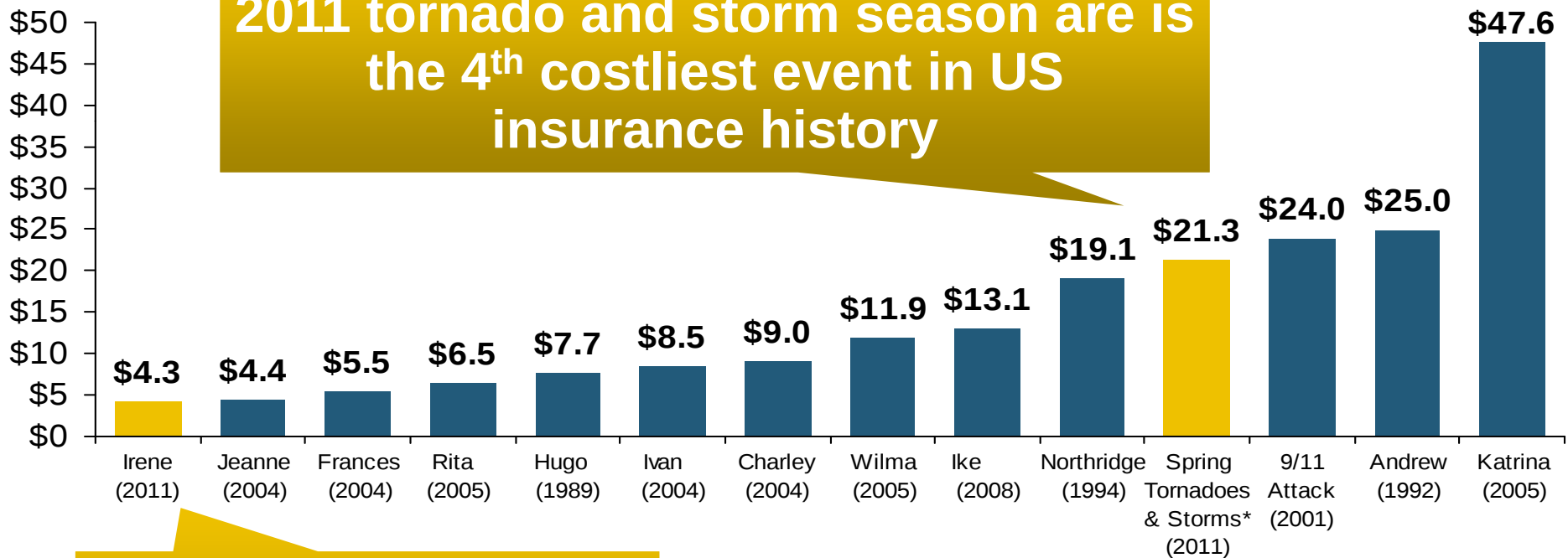
U.S. Insured Catastrophe Loss Update

**2011 Was One of the Most Expensive
Years on Record**

Top 14 Most Costly Disasters in U.S. History

(Insured Losses, 2011 Dollars, \$ Billions)

Taken as a single event, the Spring 2011 tornado and storm season are is the 4th costliest event in US insurance history

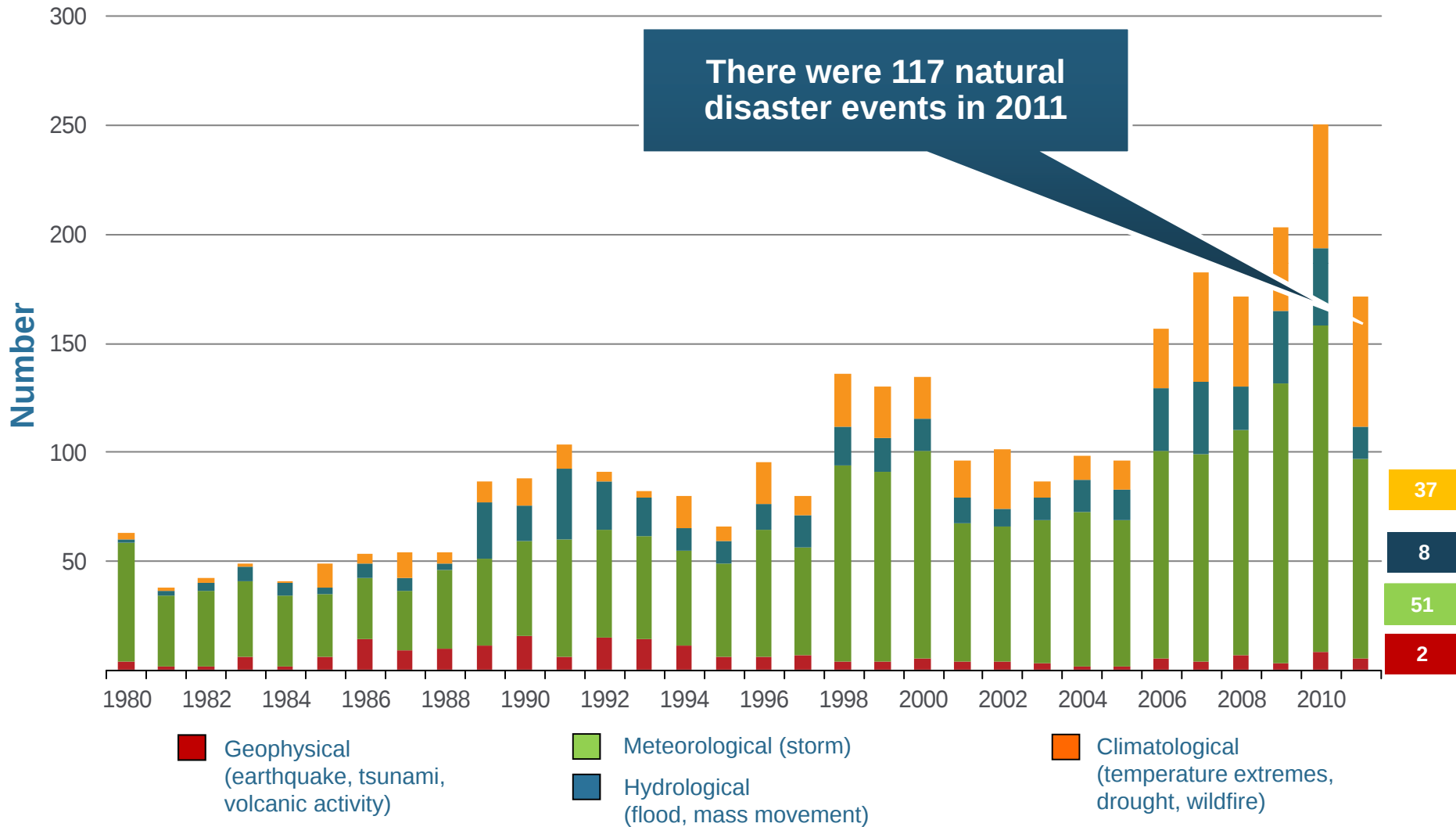


Hurricane Irene became the 11th most expensive hurricane in US history

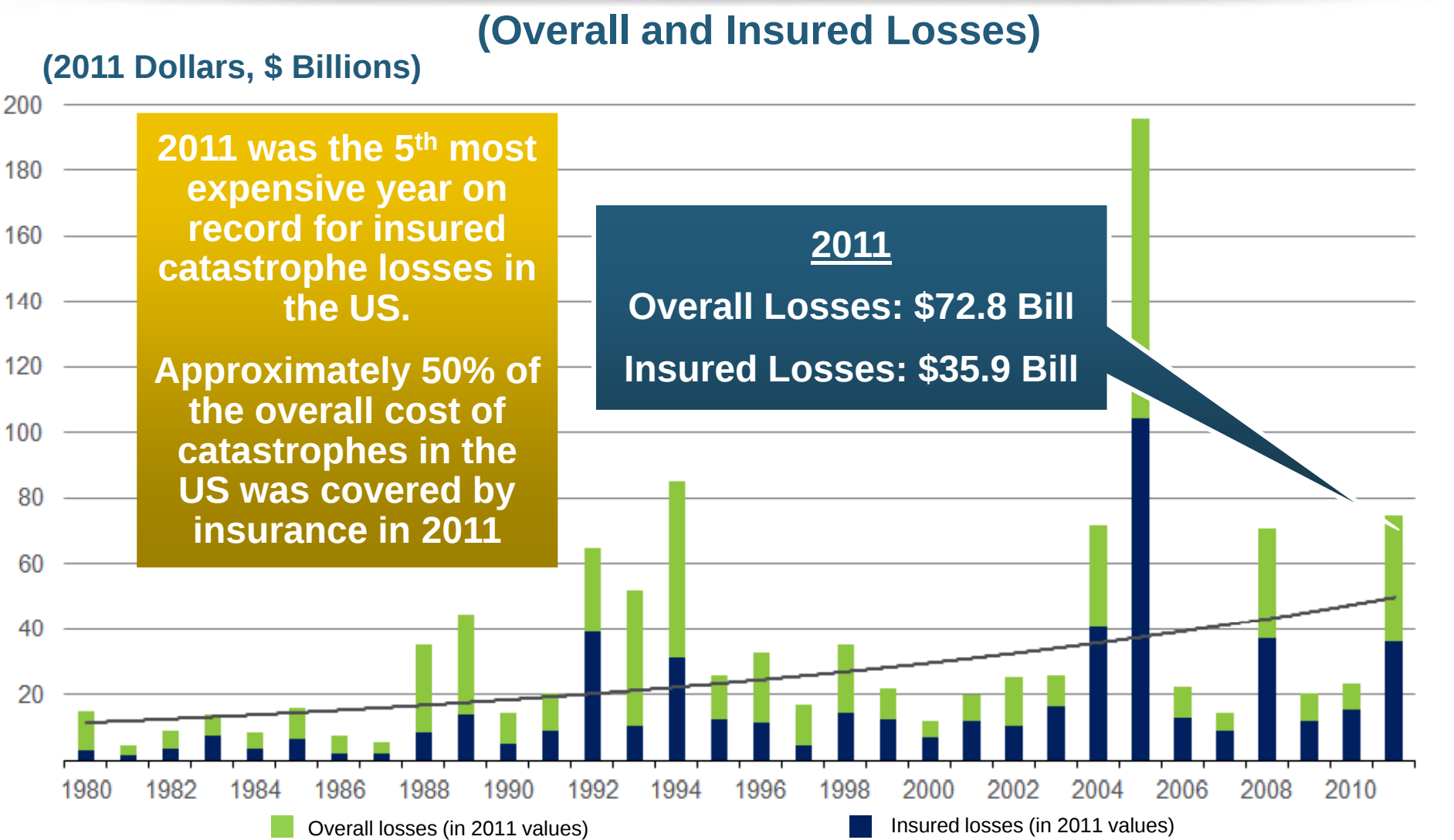
*Losses will actually be broken down into several "events" as determined by PCS. Includes losses for the period April 1 – June 30.
Sources: PCS; Insurance Information Institute inflation adjustments.

Natural Disasters in the United States, 1980 – 2011

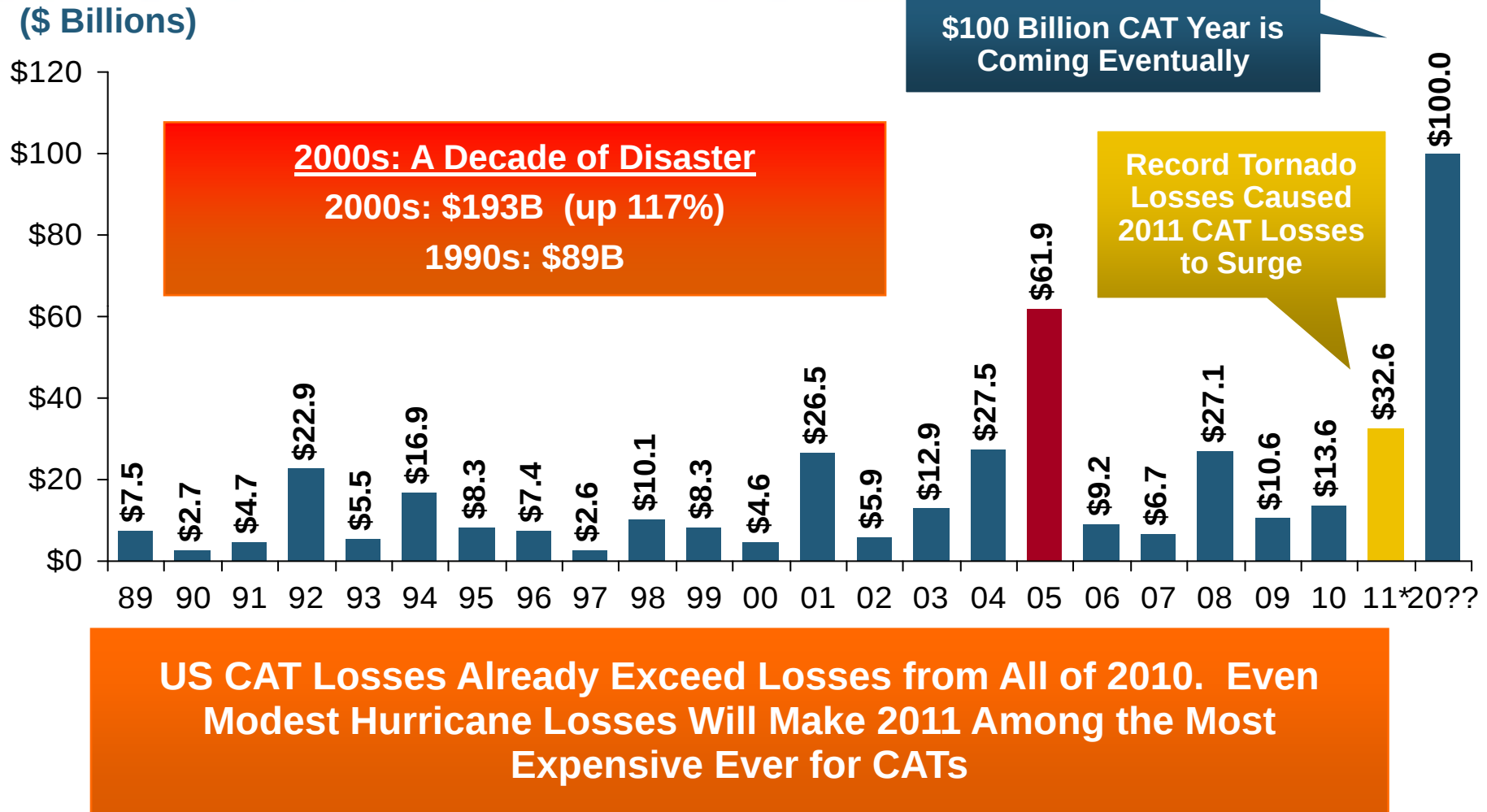
Number of Events (Annual Totals 1980 – 2011)



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



US Insured Catastrophe Losses



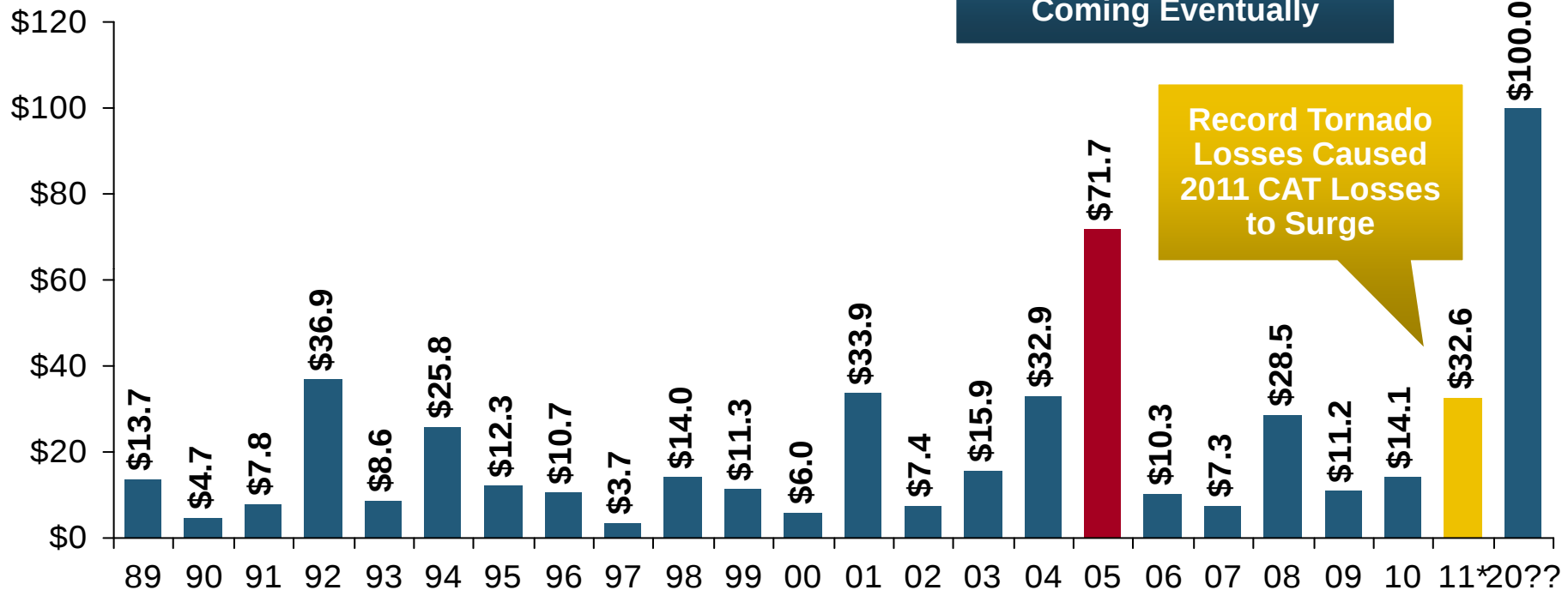
*PCS estimate through Sept. 30, 2011.

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

(\$ Billions, 2011 Dollars)



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

*PCS estimate through Sept. 30, 2011.

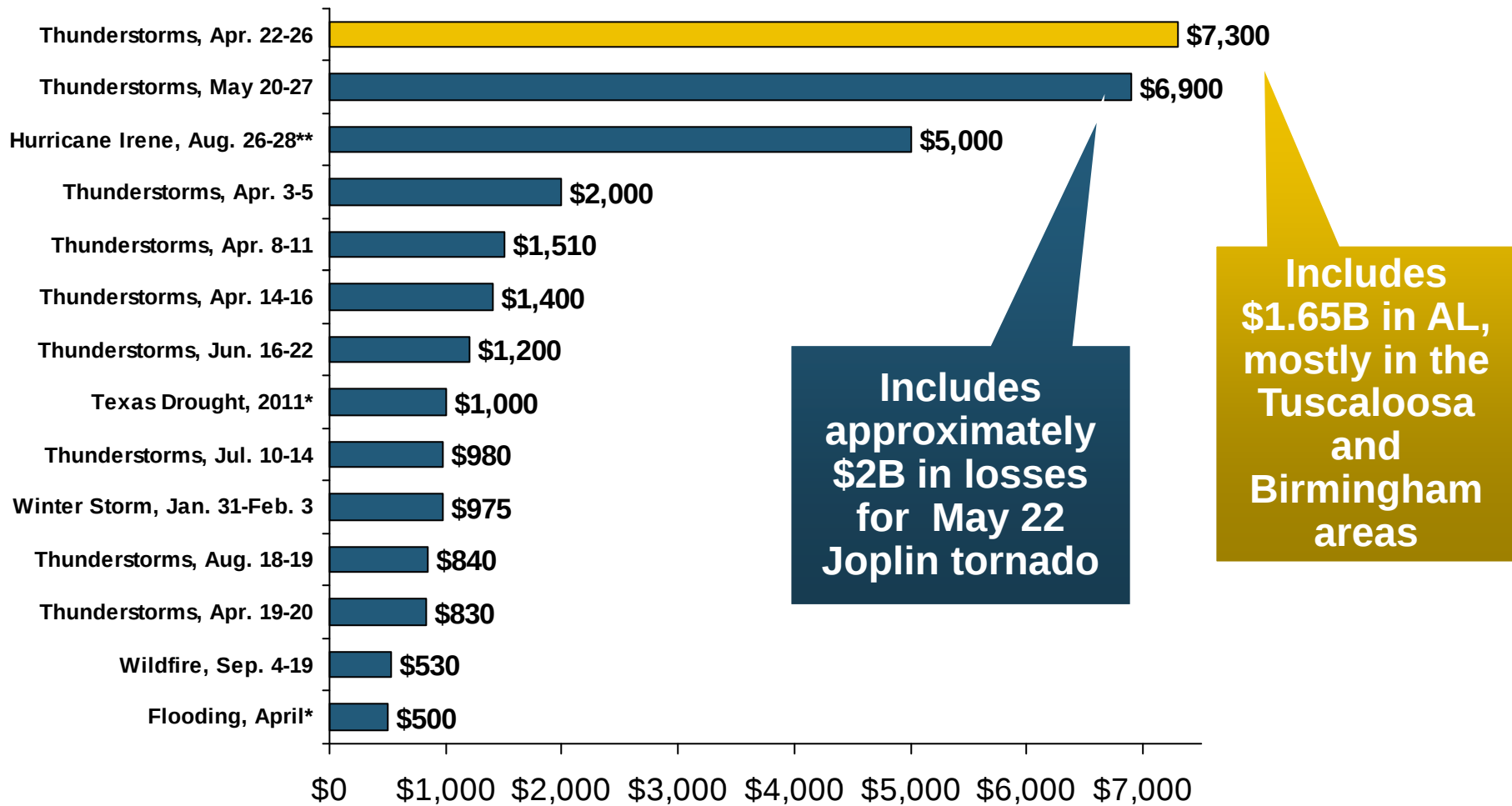
Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

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

2011's Most Expensive Catastrophes, Insured Losses

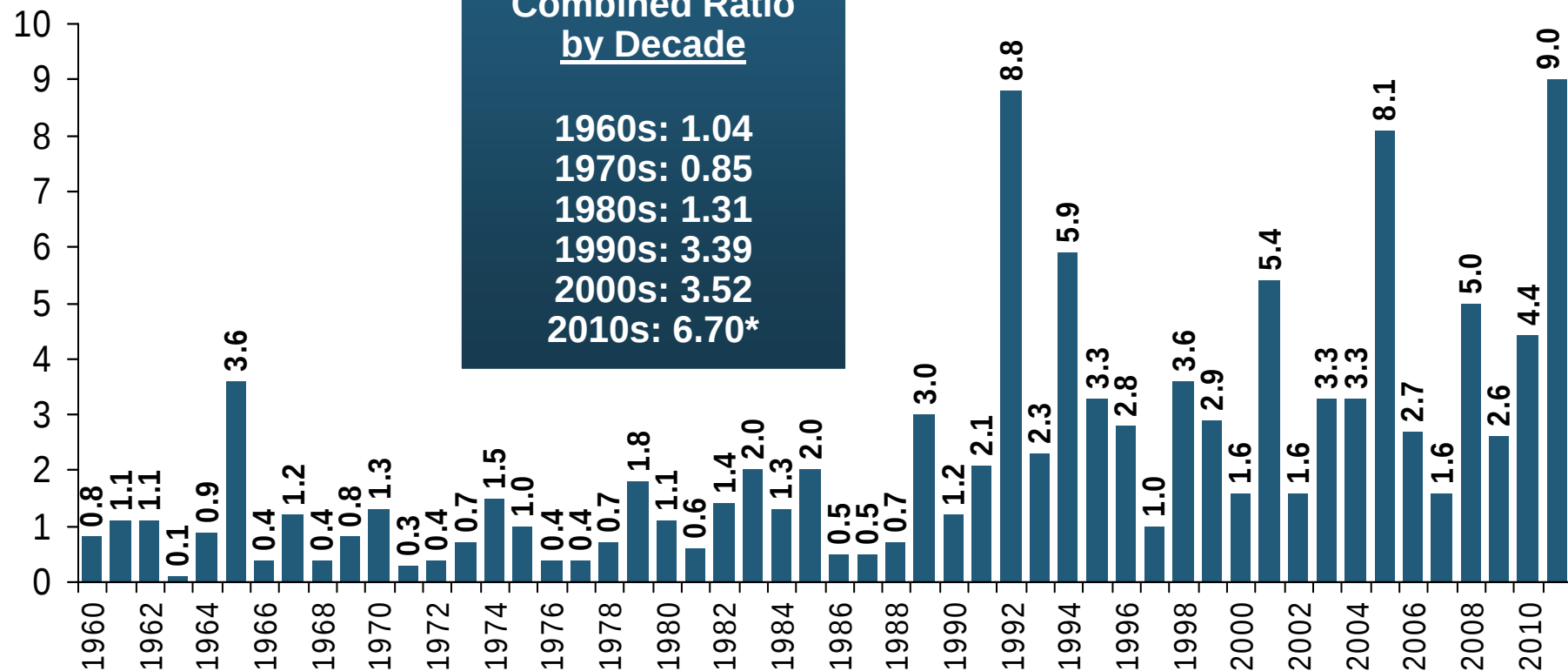


**Includes \$700 million in flood losses insured through the National Flood Insurance Program.

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



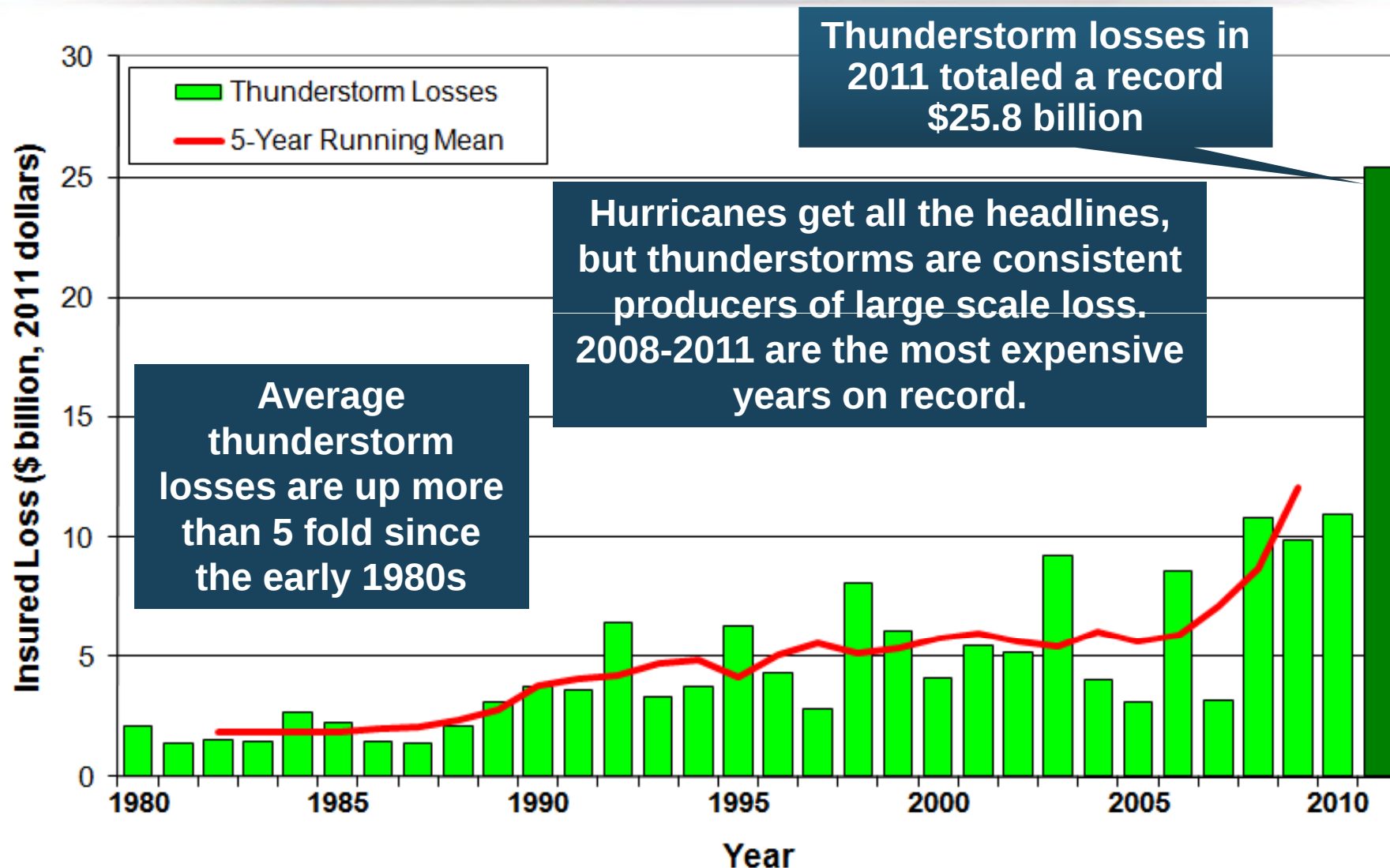
The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

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

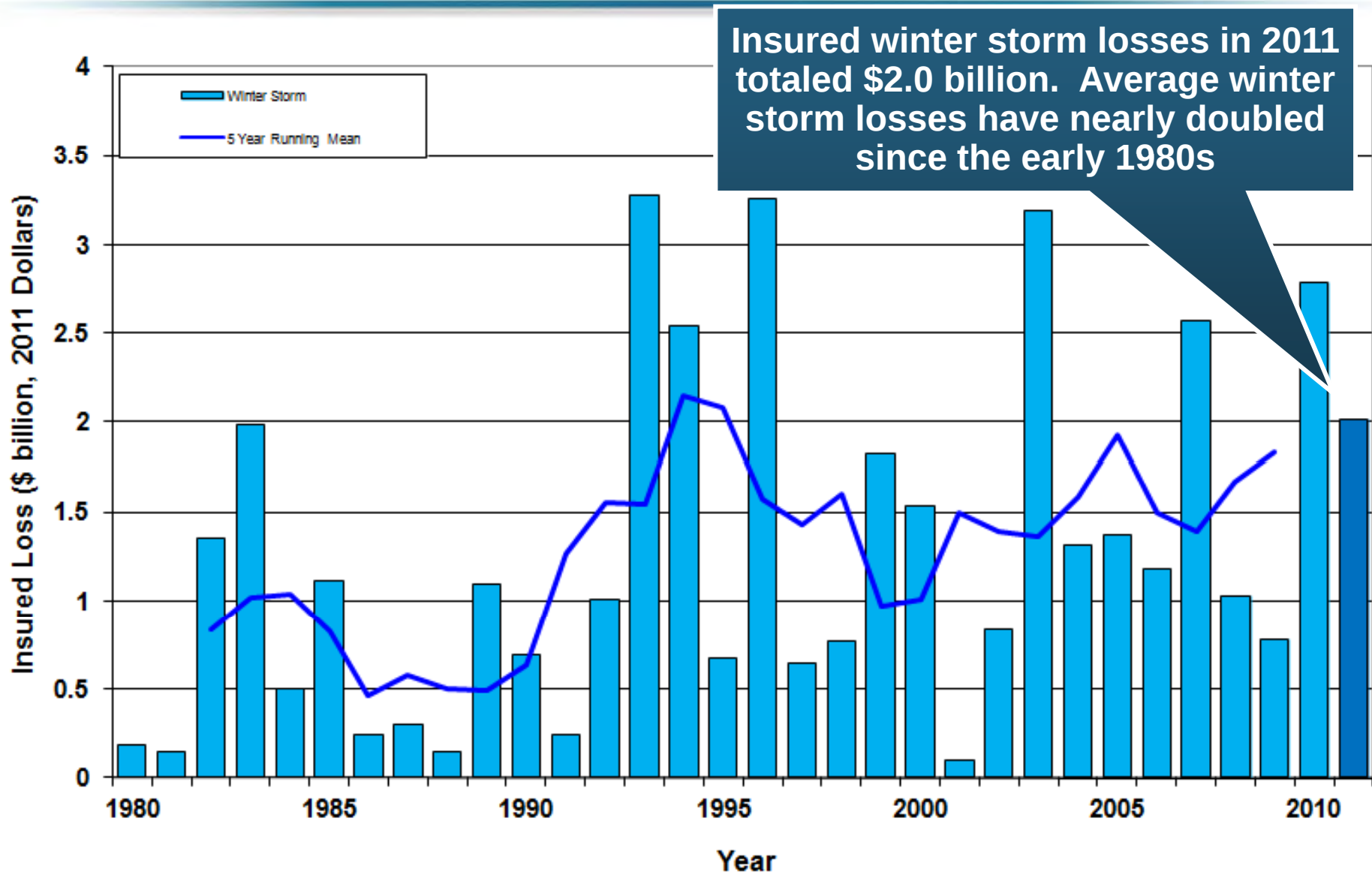
Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

Source: ISO; Insurance Information Institute.

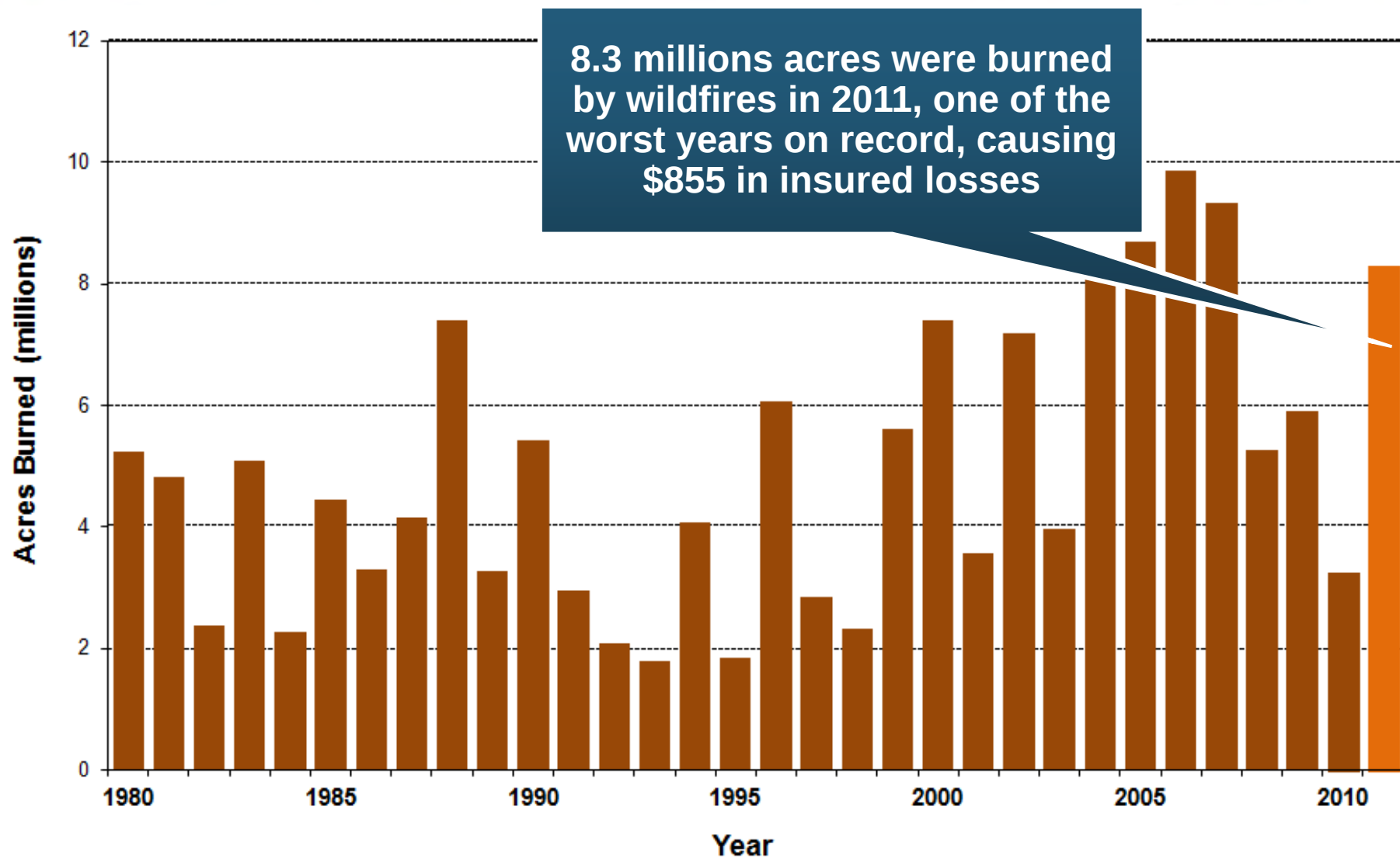
U.S. Thunderstorm Loss Trends, 1980 – 2011



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



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

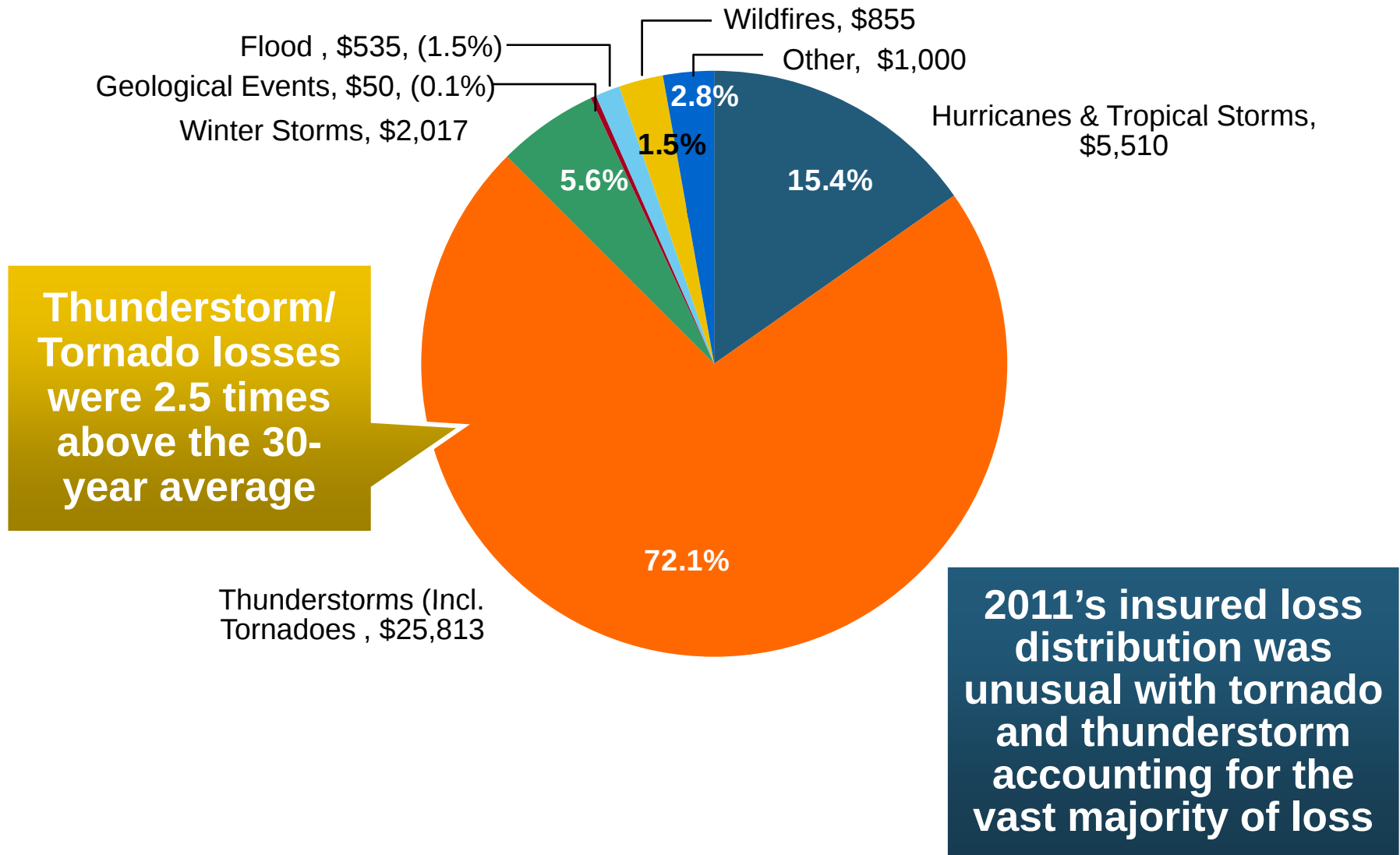


Notable Wildfires in 2011

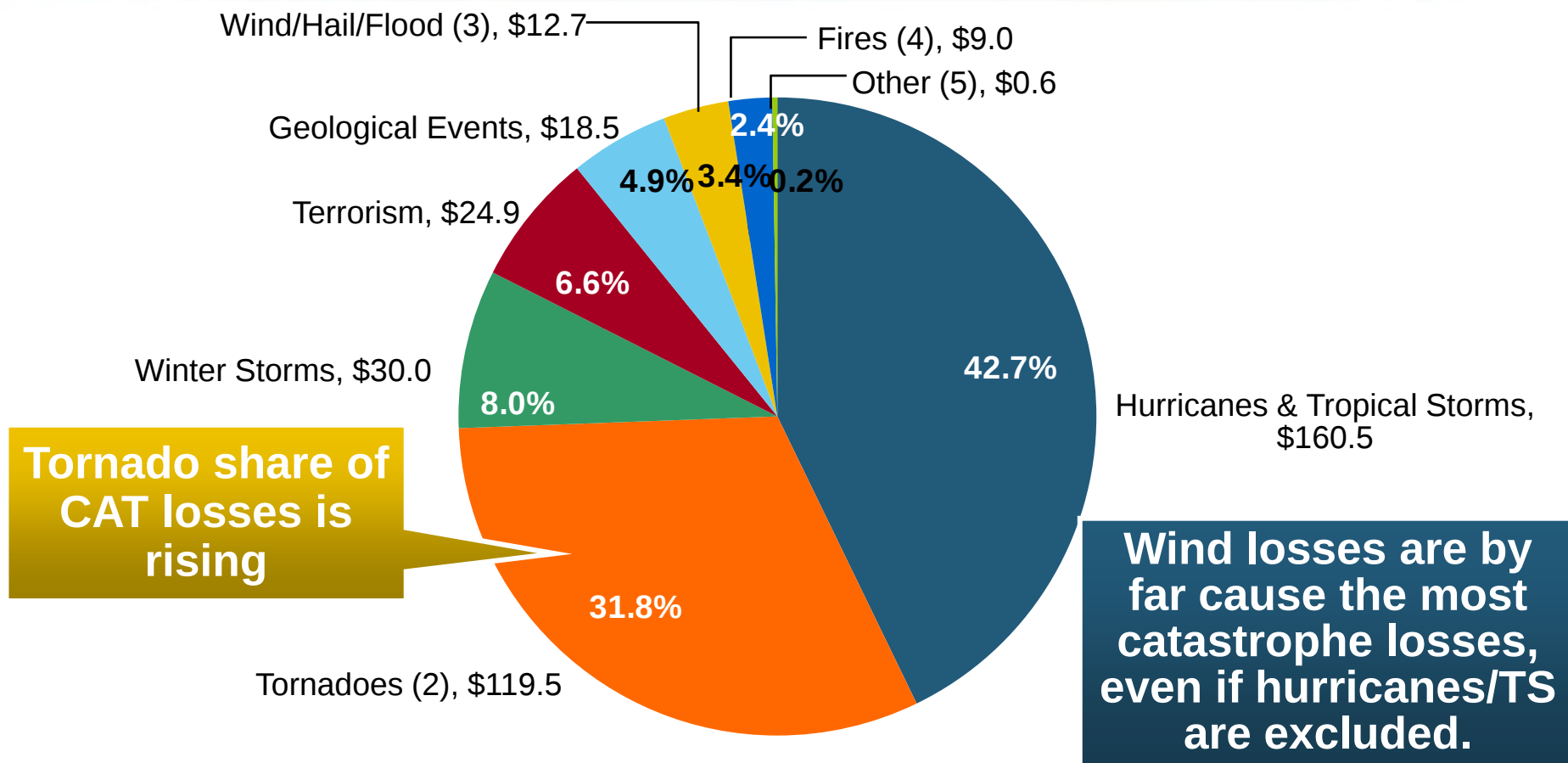
- Worst wildfire year on record in Texas due to persistent drought.
- **Spring:** Over 3 million acres burned in west Texas from 12 major seats of fire. Over 200 homes and businesses destroyed, \$50 million insured loss.
- **September:** Bastrop County Complex Fire near San Antonio destroys over 1,600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



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



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



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.

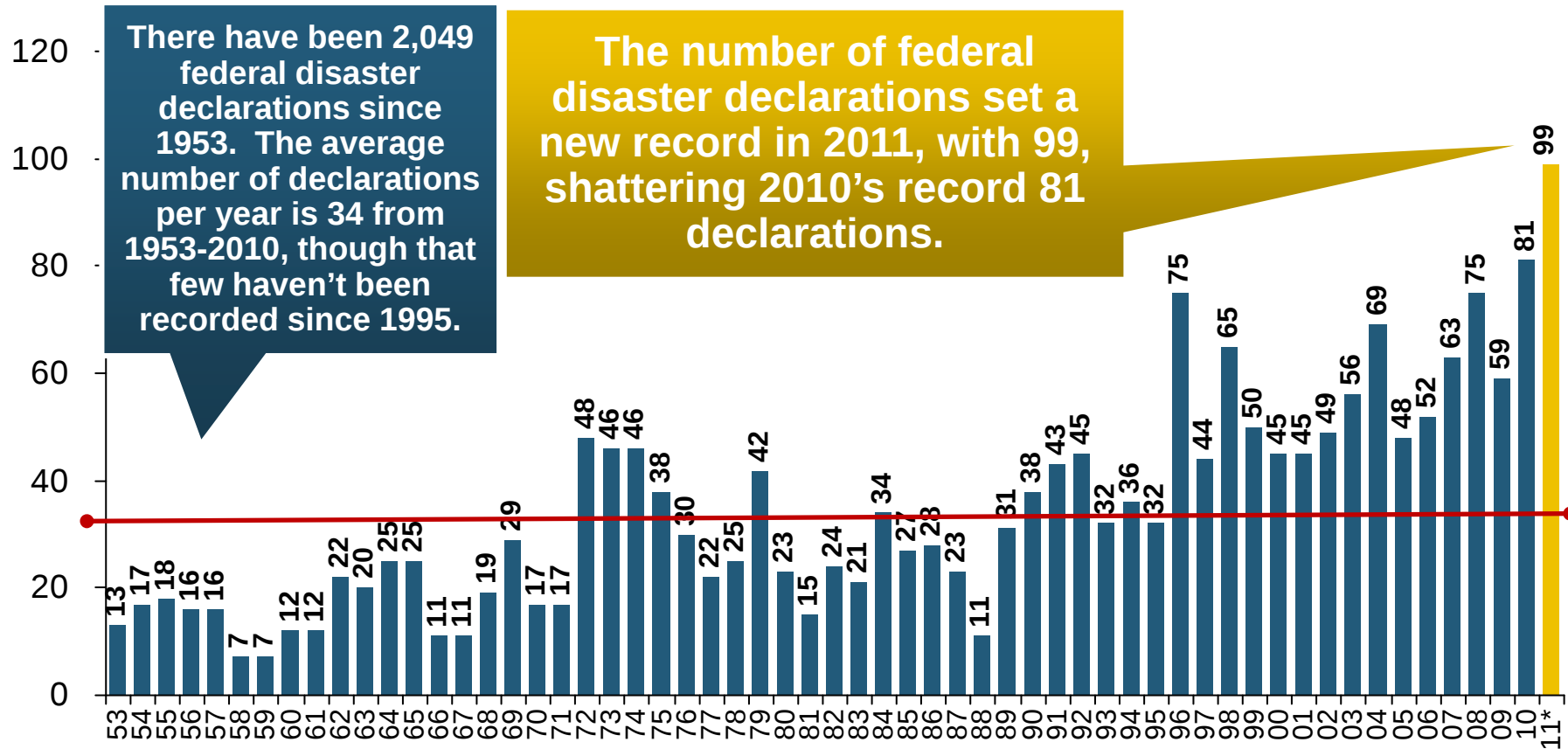
Source: ISO's Property Claim Services Unit.



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*

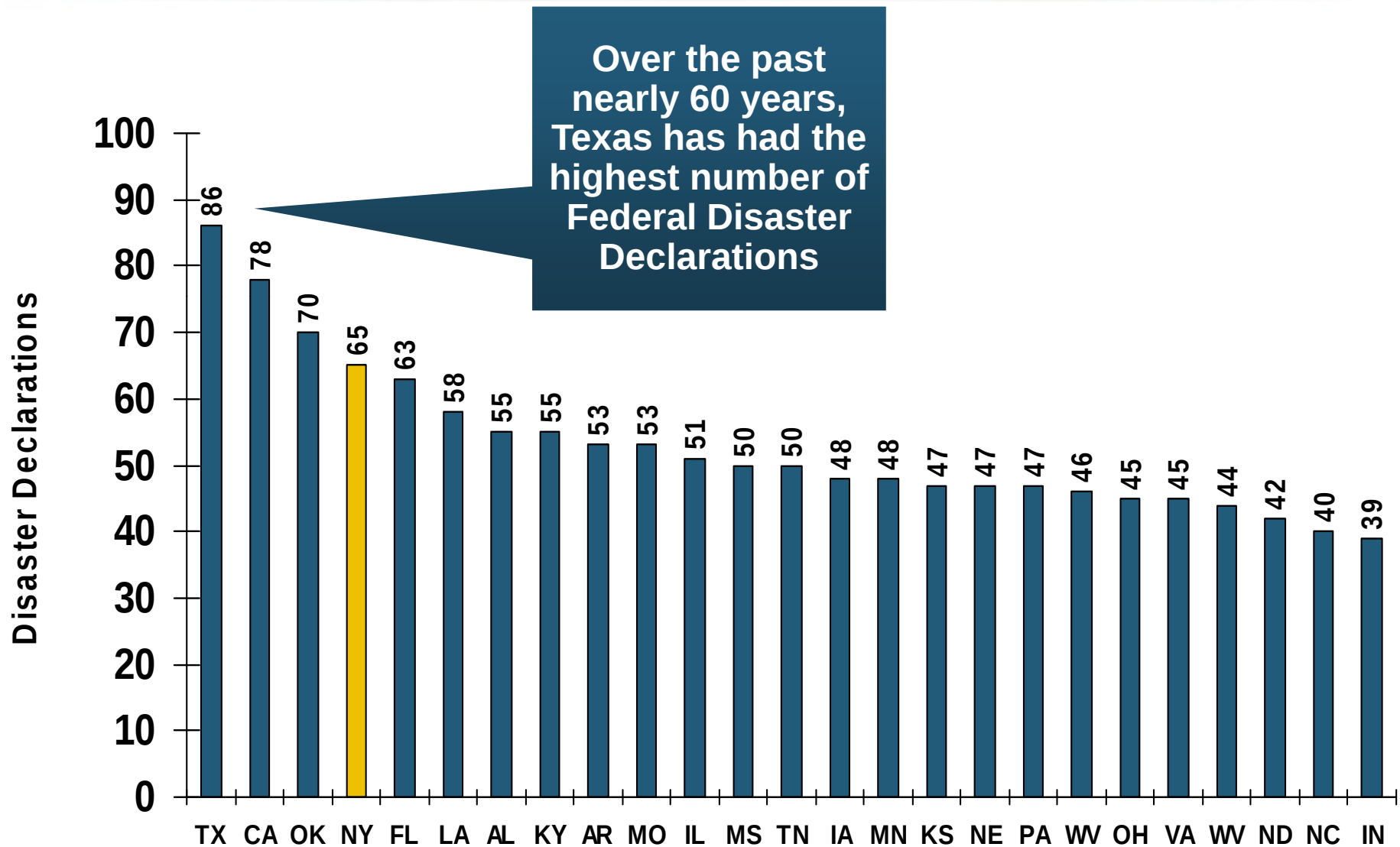


The Number of Federal Disaster Declarations Is Rising and Set a New Record in 2011

*Through December 31, 2011.

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

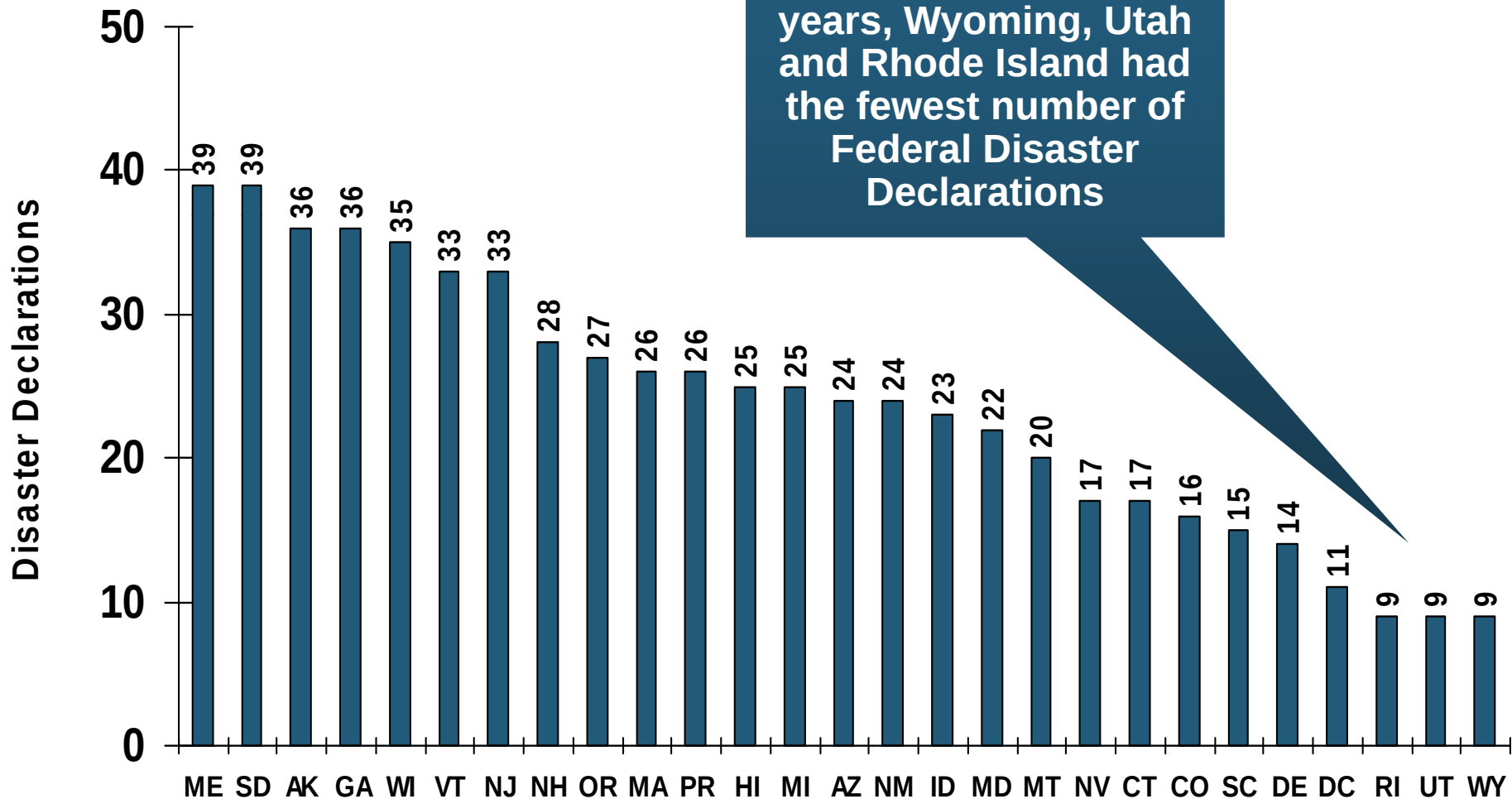
Federal Disasters Declarations by State, 1953 – 2011: Highest 25 States*



*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.

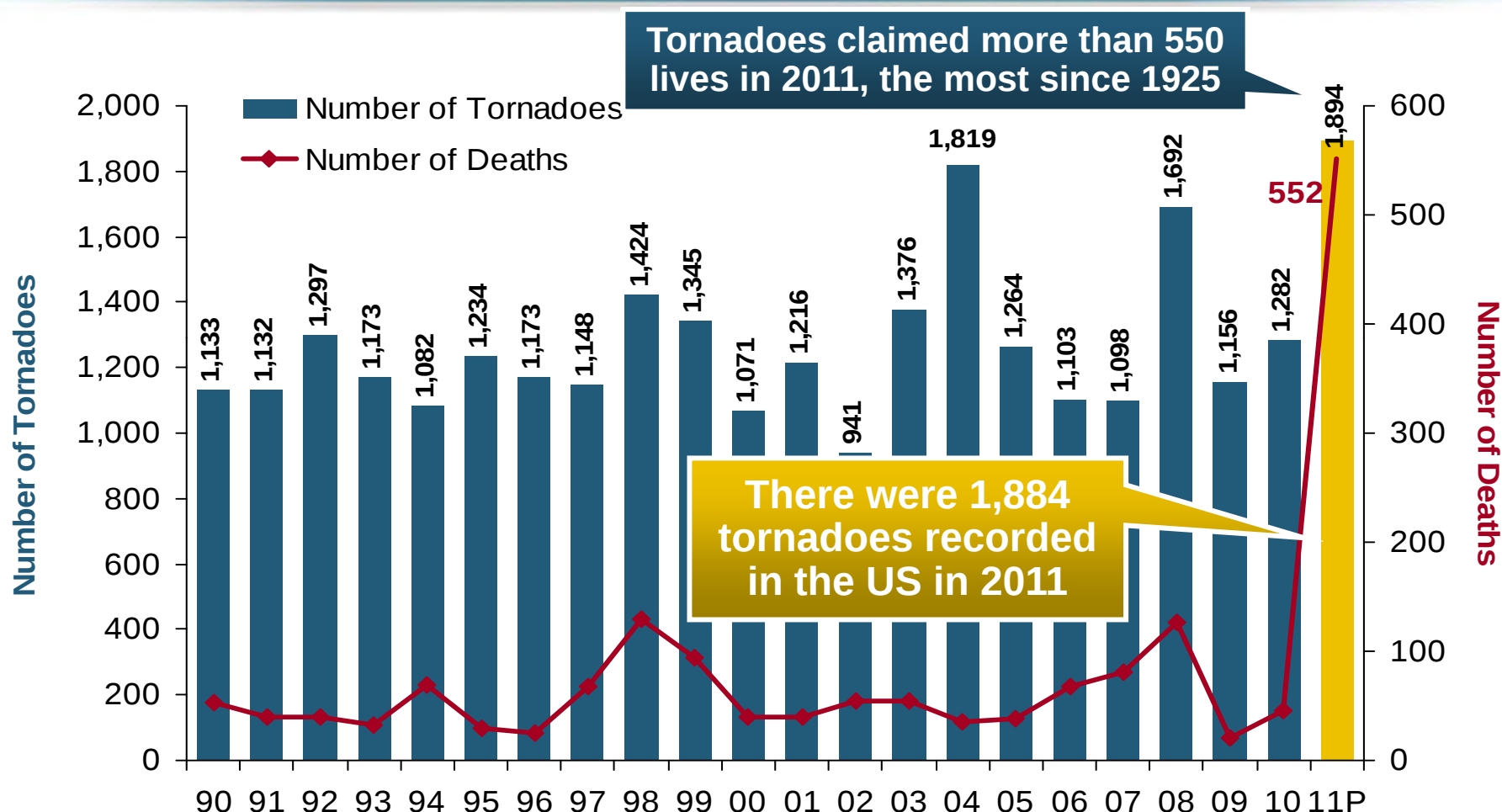
Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.



SPRING 2011 TORNADO & SEVERE STORM OUTBREAK

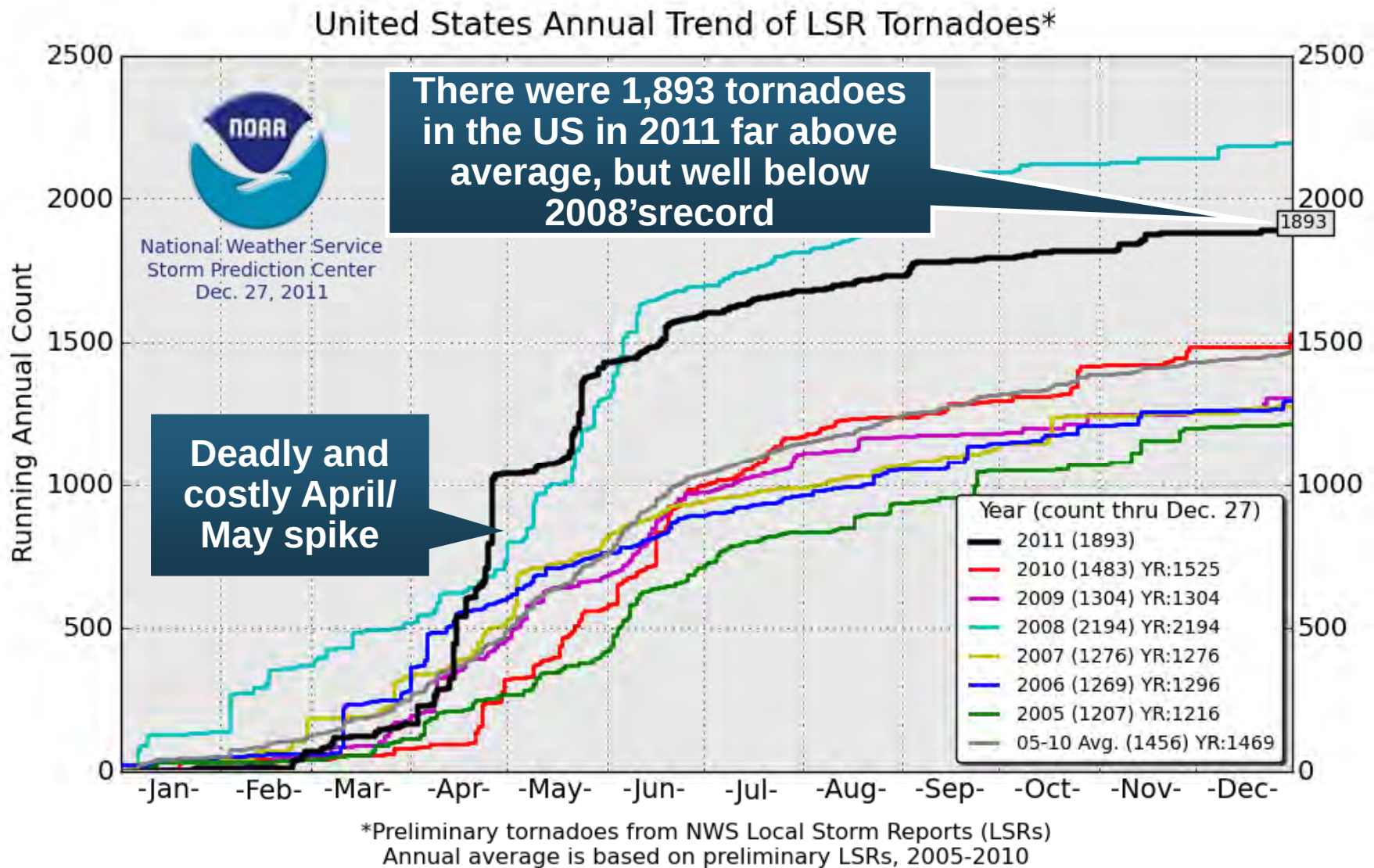
**2011 Losses Are Putting Pressure on
US P/C Insurance and Reinsurance Markets**

Number of Tornadoes and Related Deaths, 1990 – 2011

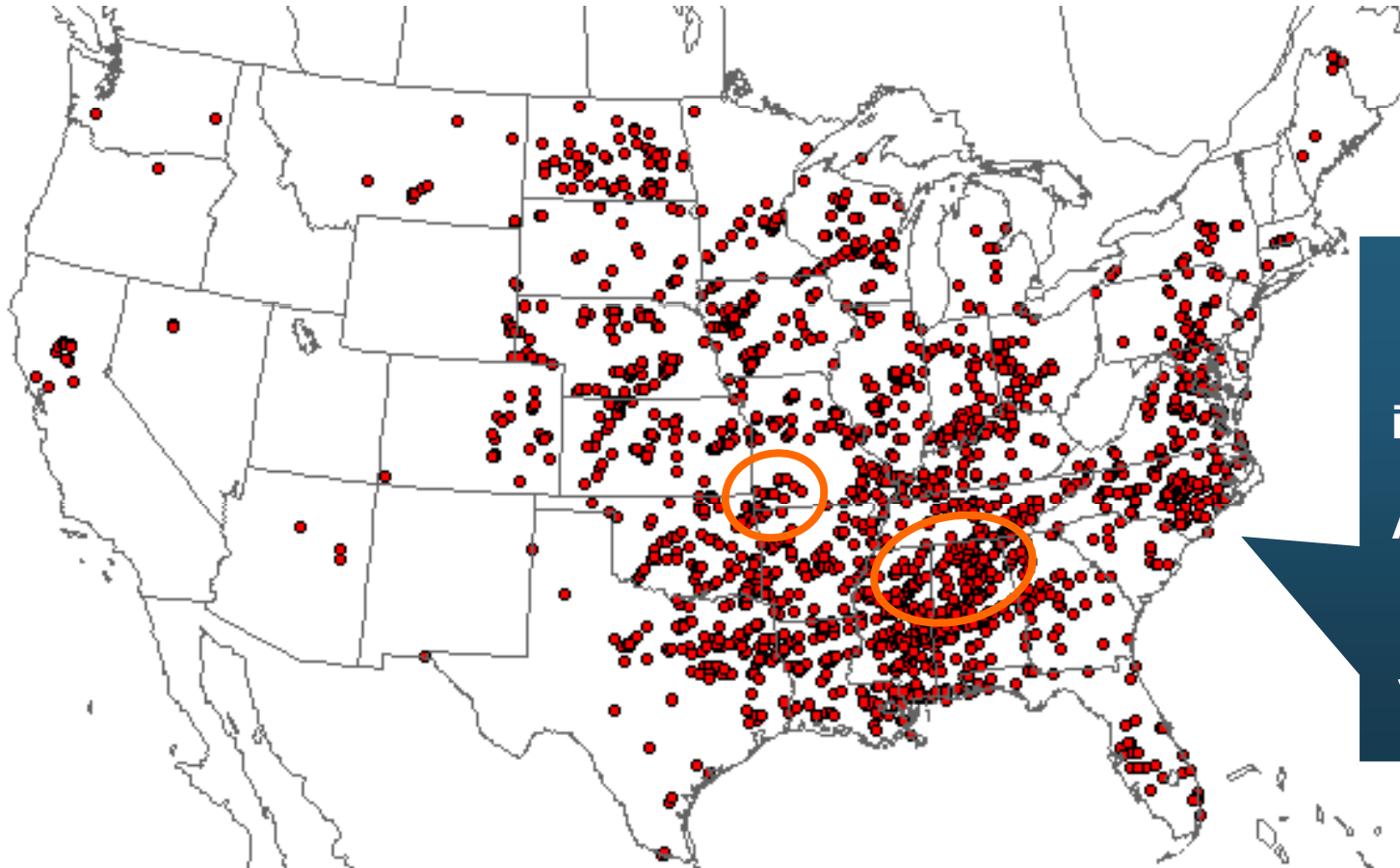


Insurers Expect to Pay at Least \$2 Billion Each for the April 2011 Tornadoes in Alabama and a Similar Amount for the May Storms in Joplin

U.S. Tornado Count, 2005-2011



Location of Tornadoes in the US, 2011



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



PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Tornado Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

Insurers Making a Difference in Impacted Communities

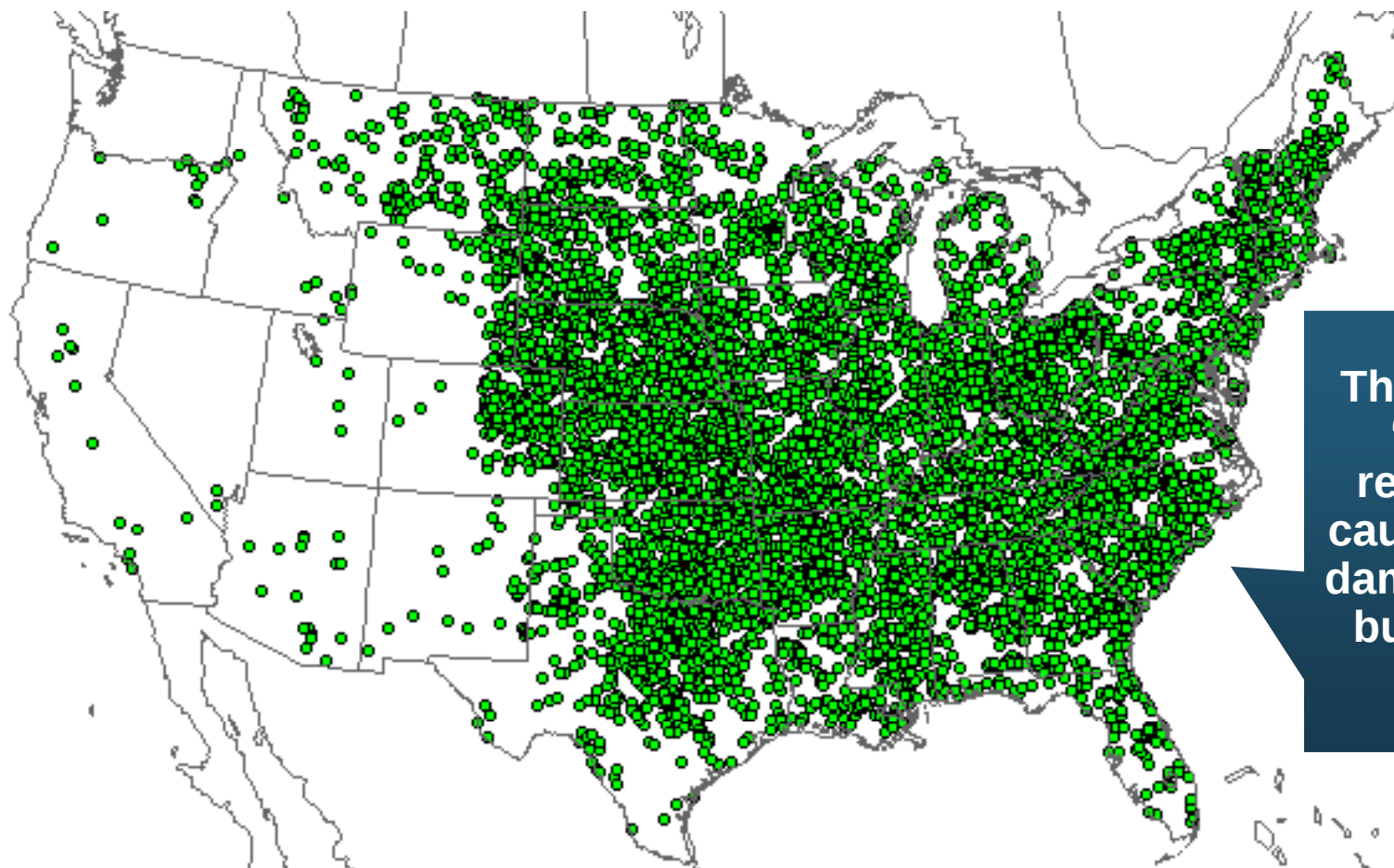


Destroyed home in Tuscaloosa. Insurers will pay some 165,000 claims totaling \$2 billion in the Tuscaloosa/Birmingham areas alone.

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



Location of Large Hail Reports in the US, 2011



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



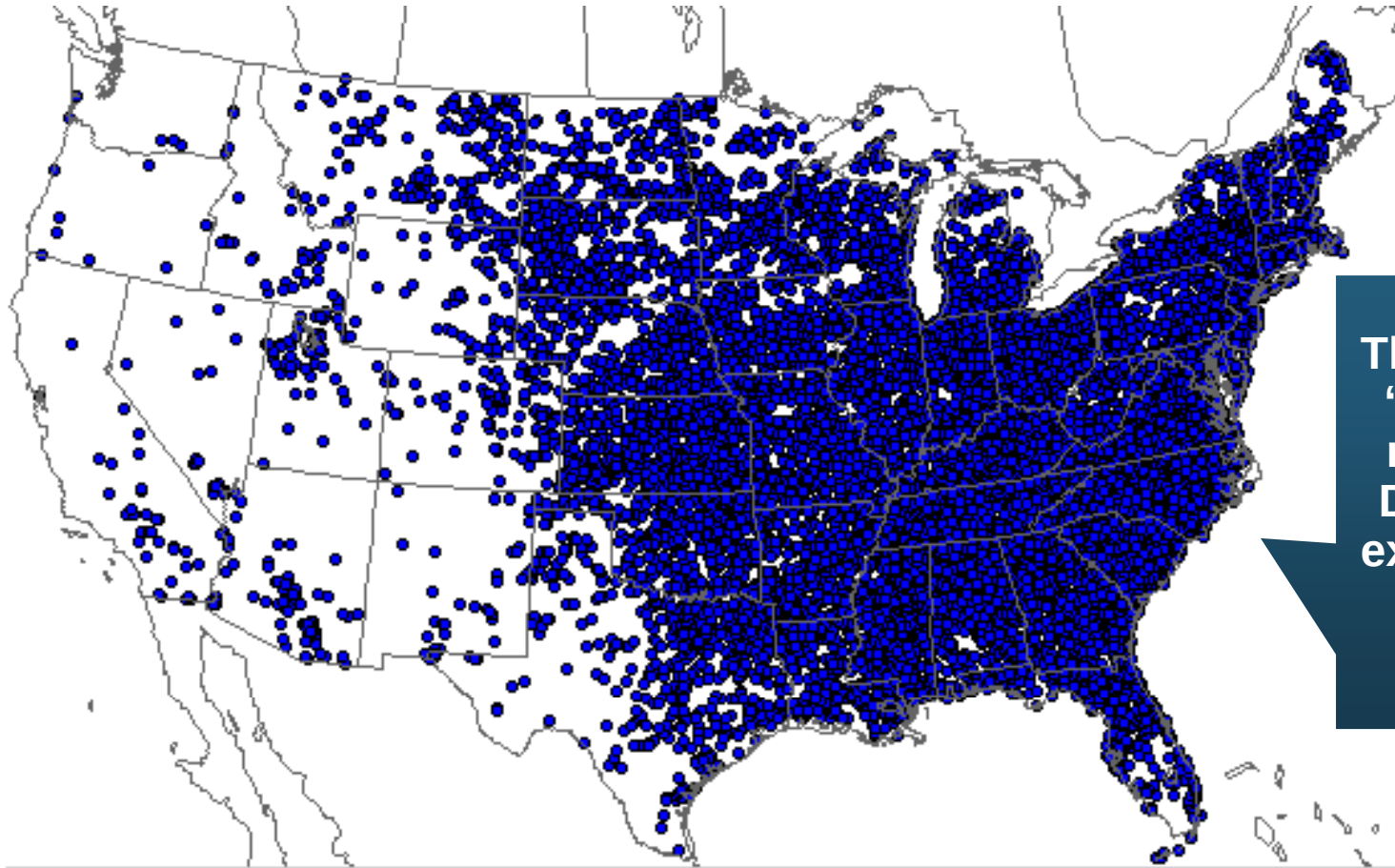
**PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)**

NOAA/Storm Prediction Center Norman, Oklahoma

**Hail Reports
January 01, 2011 - December 27, 2011**

Updated: Tuesday December 27, 2011 16:35 CT

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



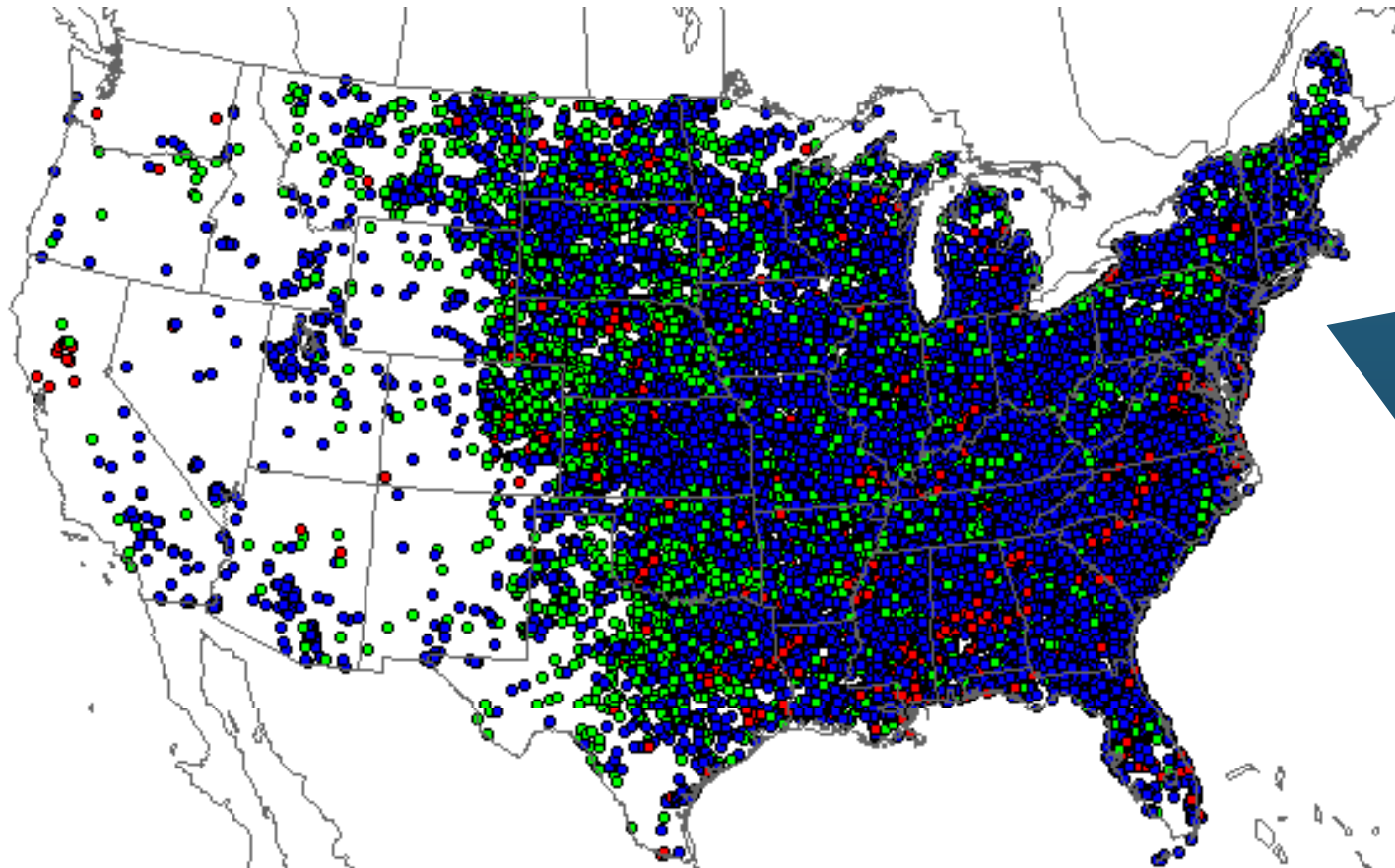
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Wind Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

Severe Weather Reports, 2011



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



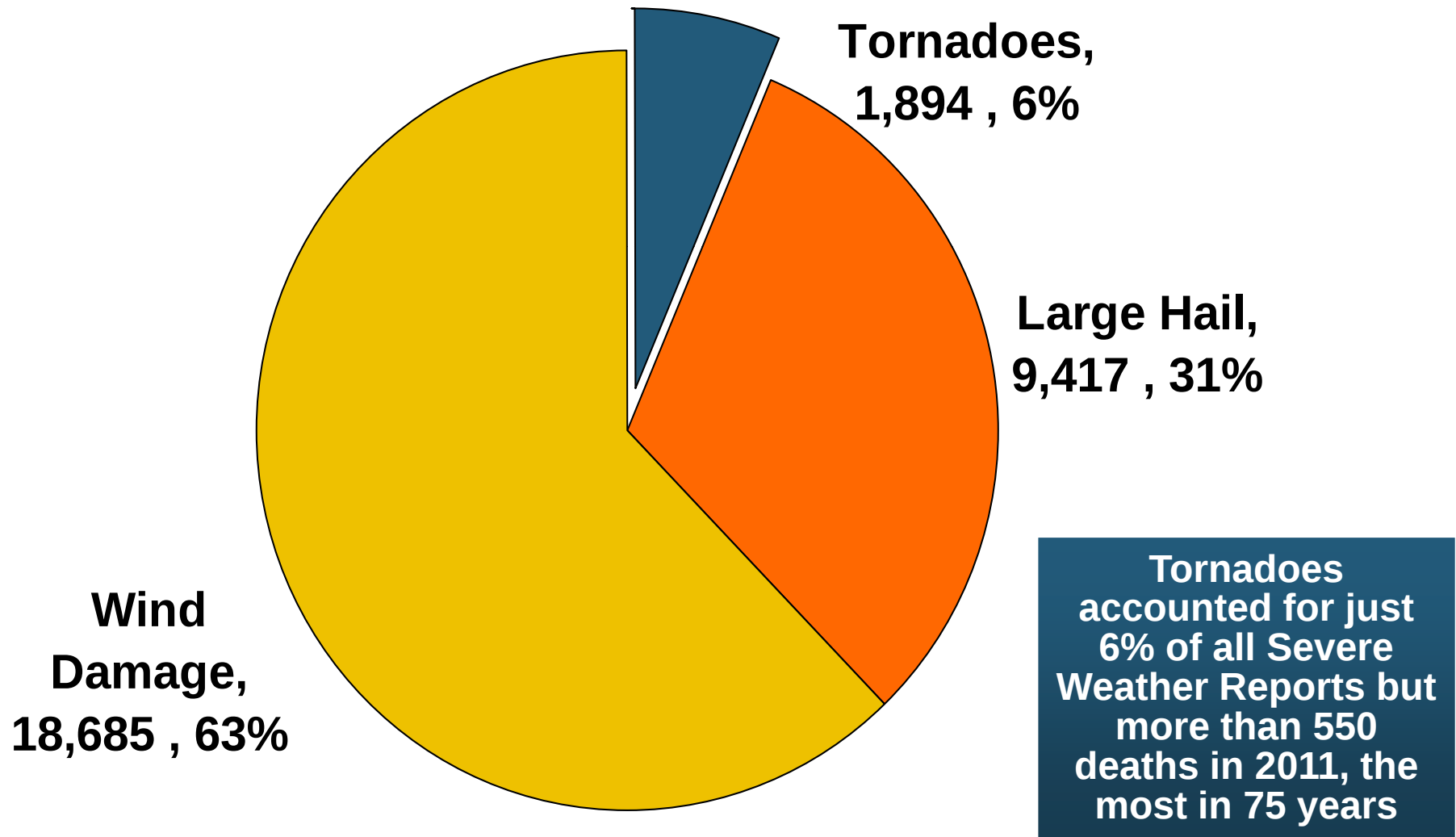
PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)

NOAA/Storm Prediction Center Norman, Oklahoma

Severe Weather Reports
January 01, 2011 - December 27, 2011

Updated: Tuesday December 27, 2011 16:35 CT

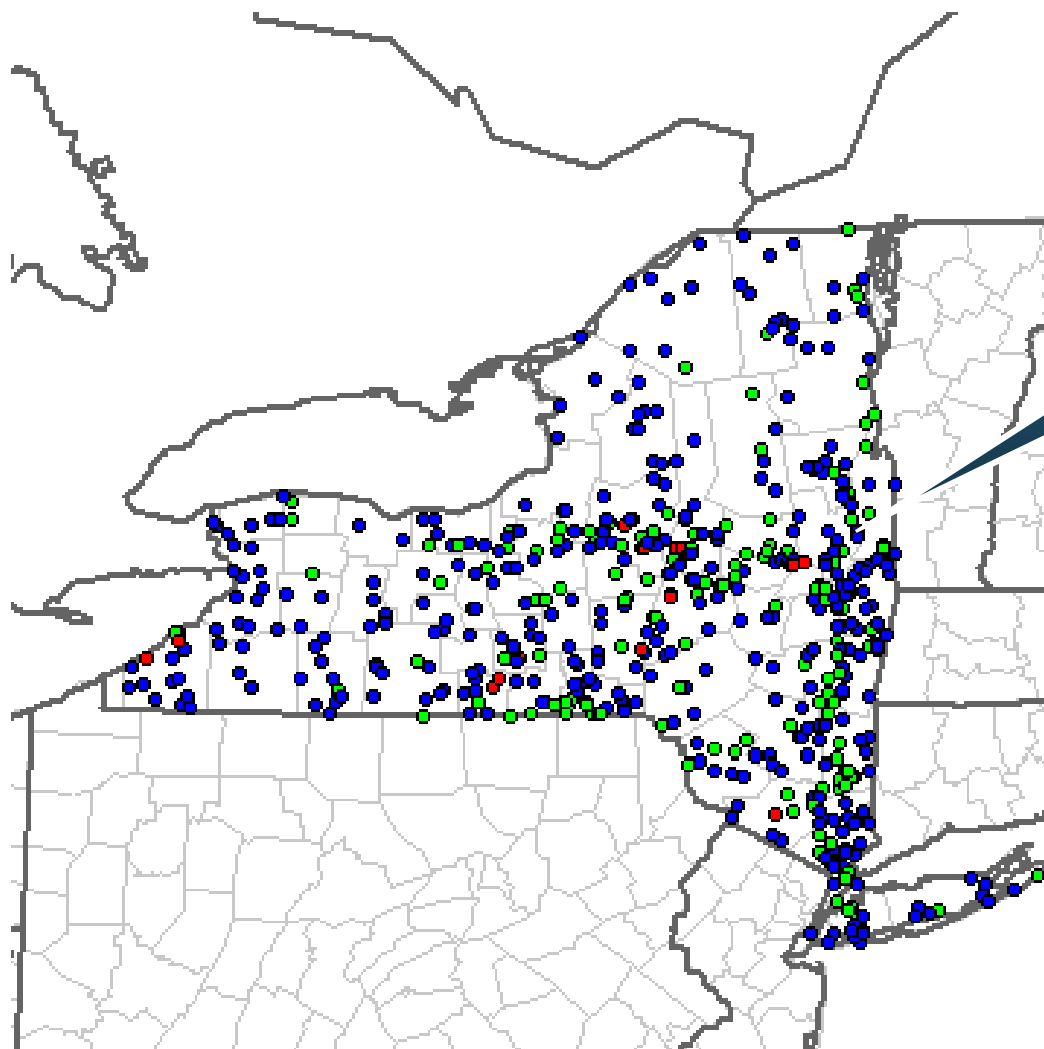
Number of Severe Weather Reports in US, by Type, 2011



New York's Catastrophe Loss History: 2011

**NY May Not Be a Gulf Coastal State,
but It is No Stranger to Catastrophe**

Severe Weather Reports in New York, January 1—December 31, 2011



There were 653
severe weather
reports in NY in 2011

MN

Total Reports = 653

Tornadoes = 17 (Red)

Hail Reports = 197 (Green)

Wind Reports = 439 (Blue)

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

Criteria	Status	Comments
Sustained Period of Large Underwriting Losses	<i>Early Stage, Inevitable</i>	• 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	<i>Entered 2011 At Record High; Since Fallen</i>	• 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	<i>Somewhat in Place</i>	• 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	<i>Some Firming esp. in Property, WC</i>	• 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

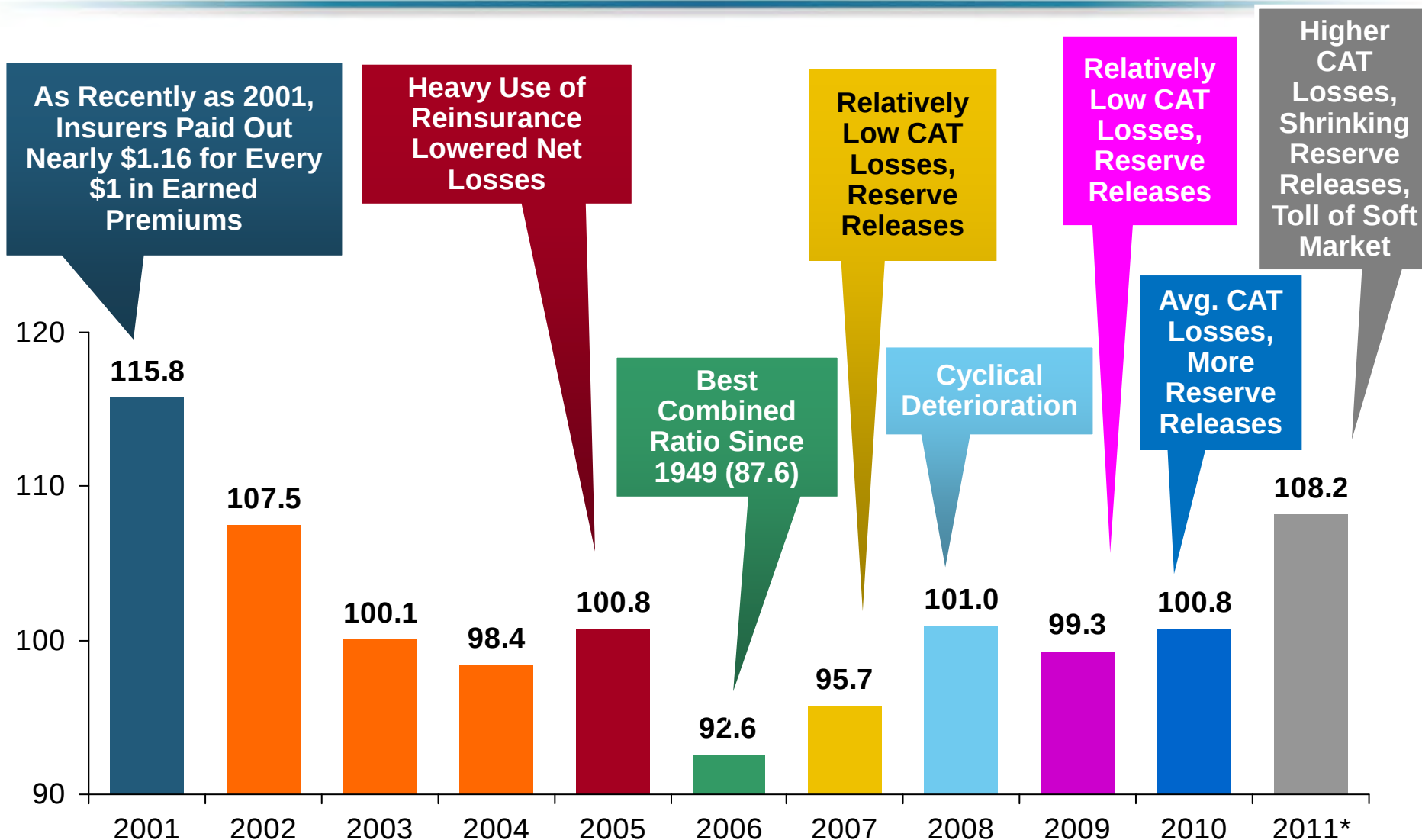
Do the Property Catastrophe Events of 2011 Impact Casualty Markets?

- **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

1. UNDERWRITING

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

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

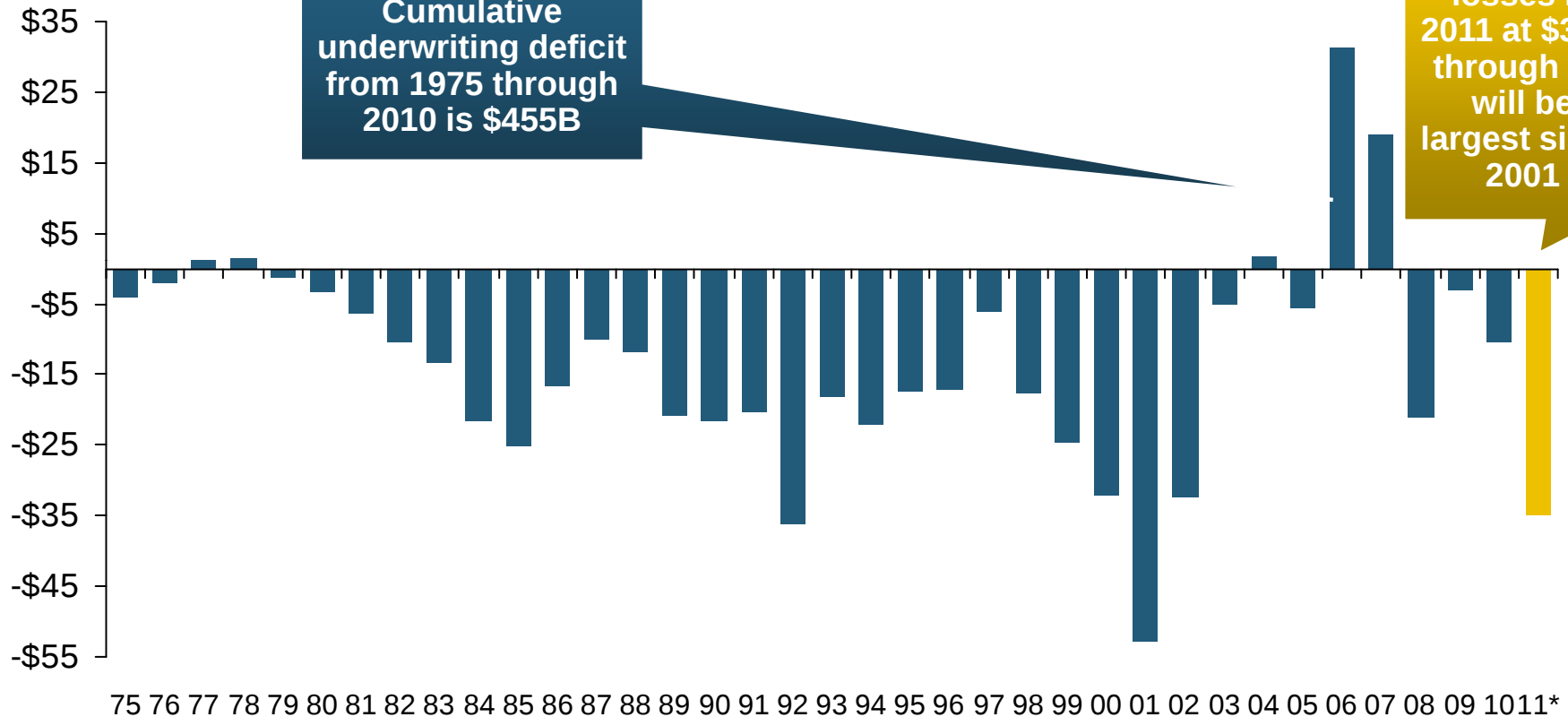


* Excludes Mortgage & Financial Guaranty insurers 2008--2011. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=109.9

Sources: A.M. Best, ISO.

Underwriting Gain (Loss) 1975–2011*

(\$ Billions)



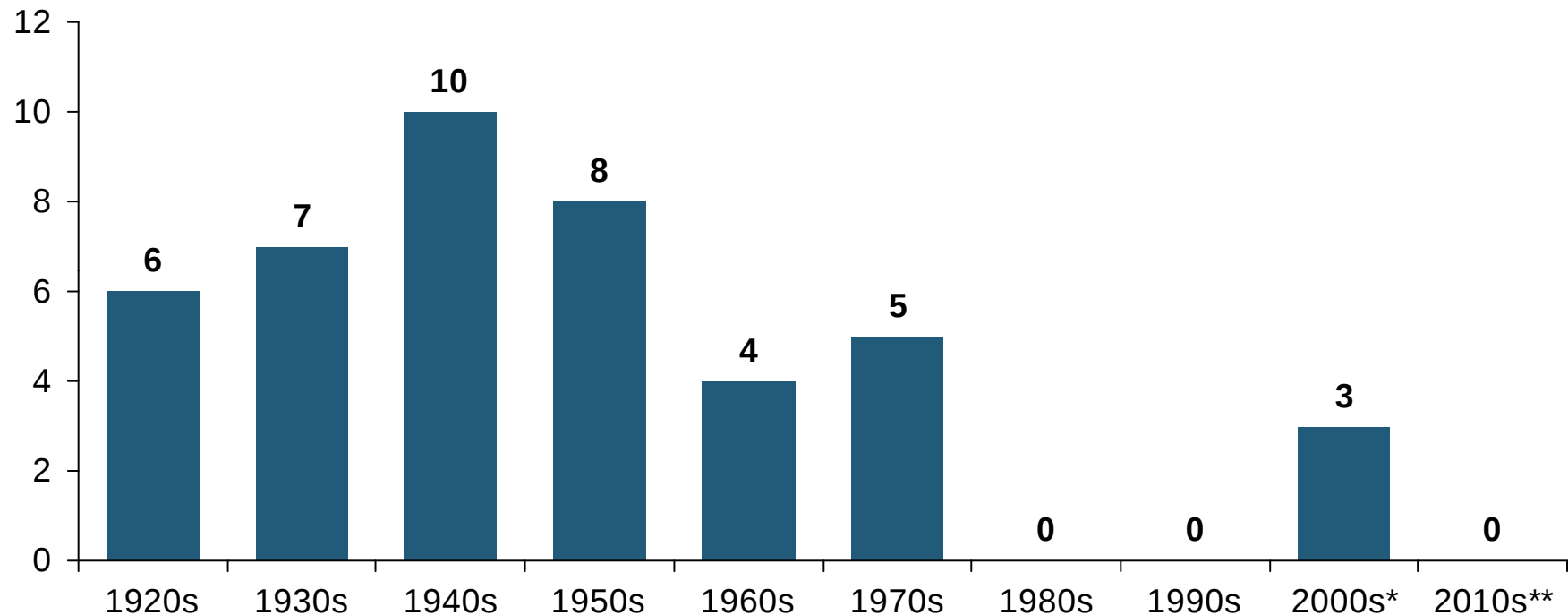
**Large Underwriting Losses Are *NOT* Sustainable
in Current Investment Environment**

* Includes mortgage and financial guaranty insurers in all years

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

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

Number of Years with Underwriting Profits



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

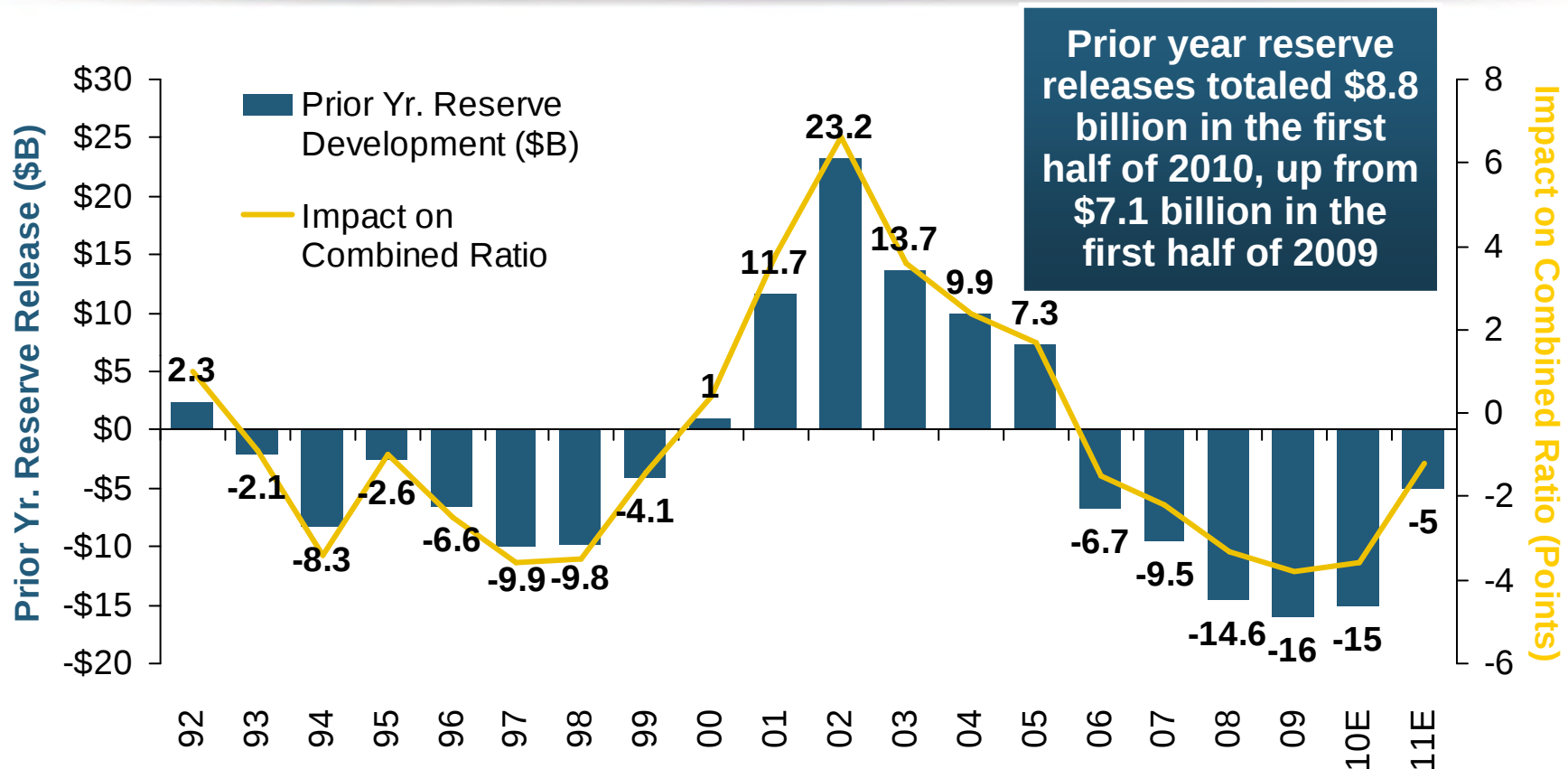
* 2009 combined ratio excl. mort. and finl. guar.anty insurers was 99.3, which would bring the 2000s total to 4 years with an u/w profit.

**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



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

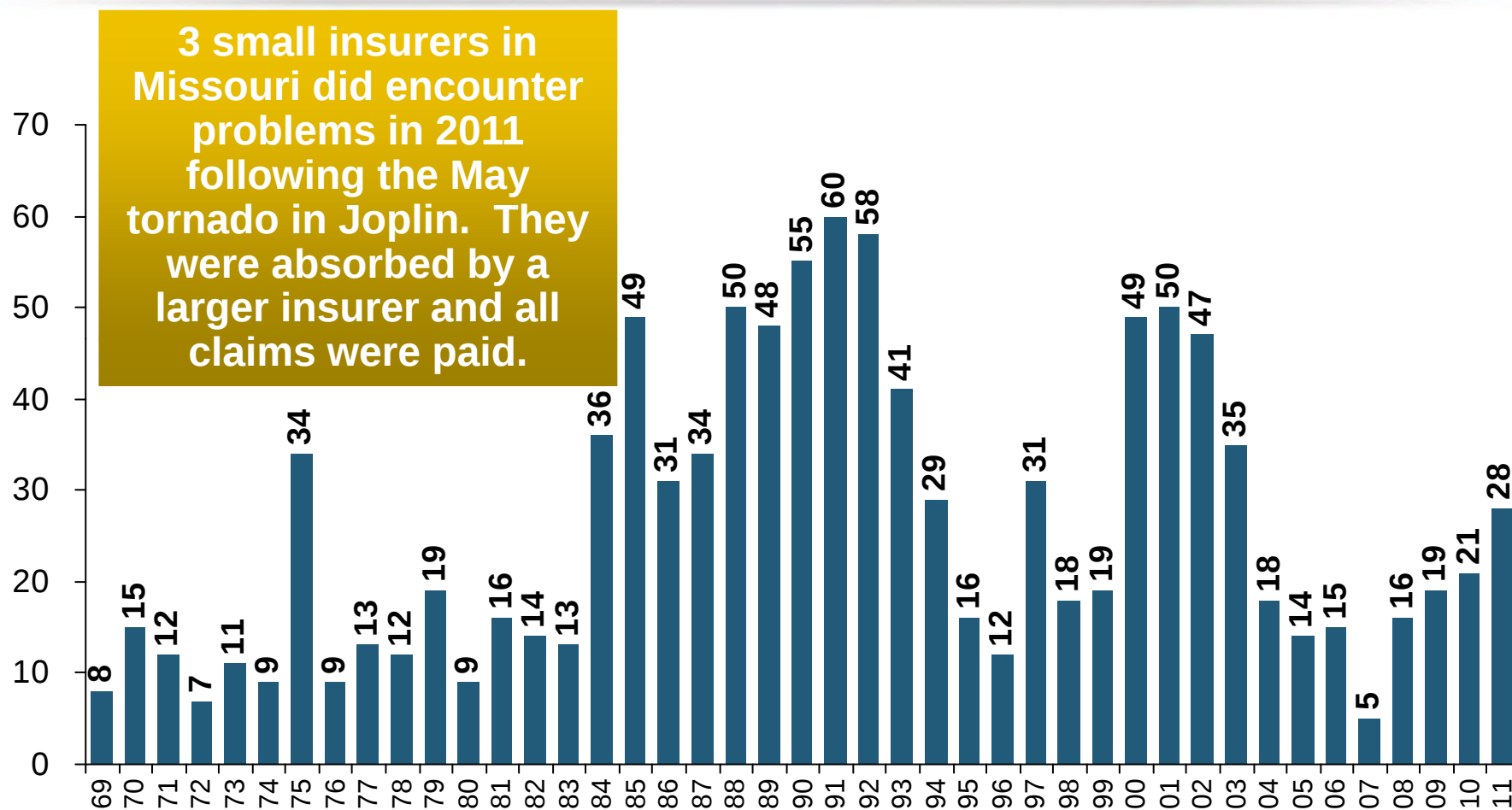
Note: 2005 reserve development excludes a \$6 billion loss portfolio transfer between American Re and Munich Re. Including this transaction, total prior year adverse development in 2005 was \$7 billion. The data from 2000 and subsequent years excludes development from financial guaranty and mortgage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

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

Financial Strength & Underwriting

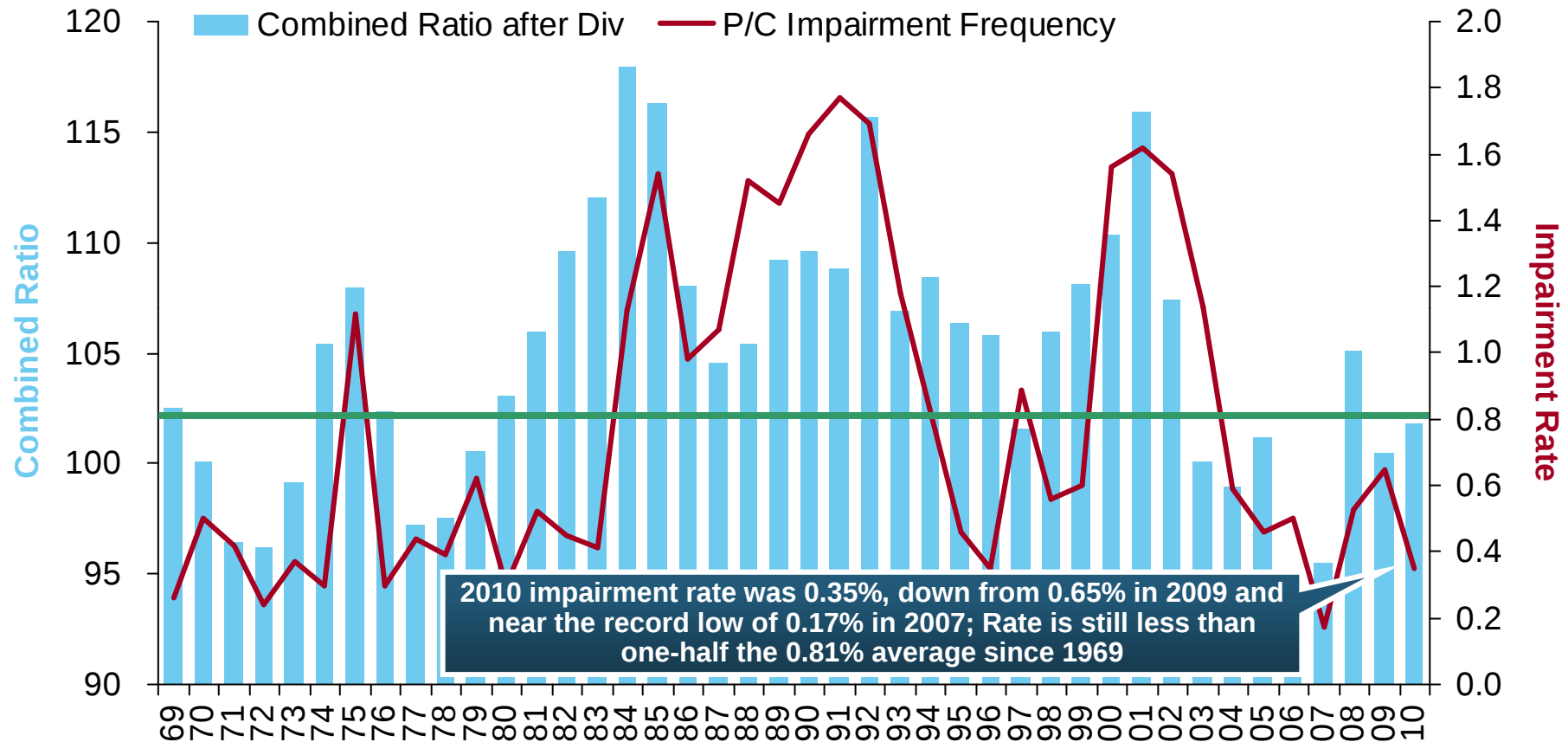
**Cyclical Pattern is P-C Impairment
History is Directly Tied to
Underwriting, Reserving & Pricing**

P/C Insurer Impairments, 1969–2011



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

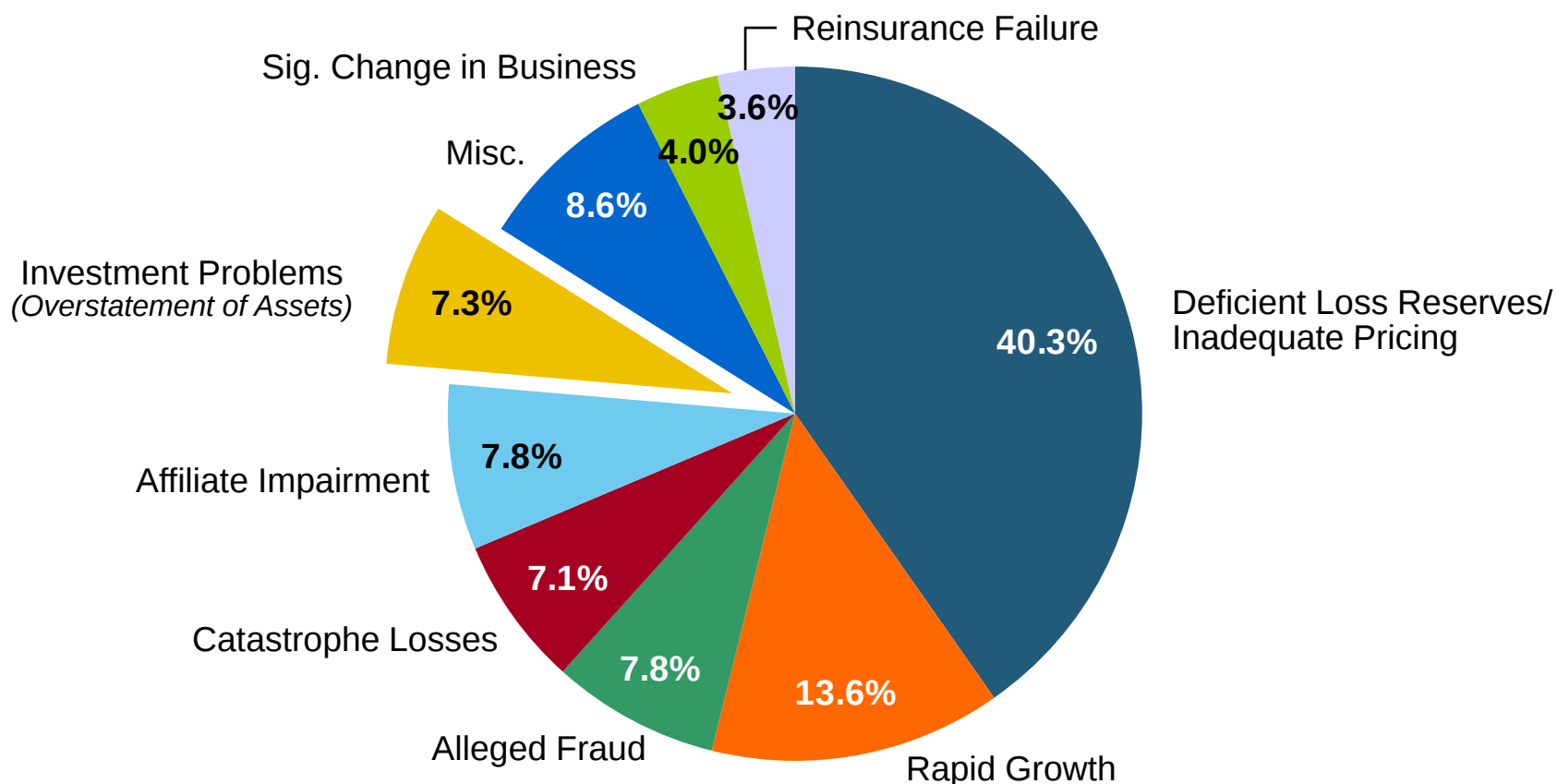
P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2010



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

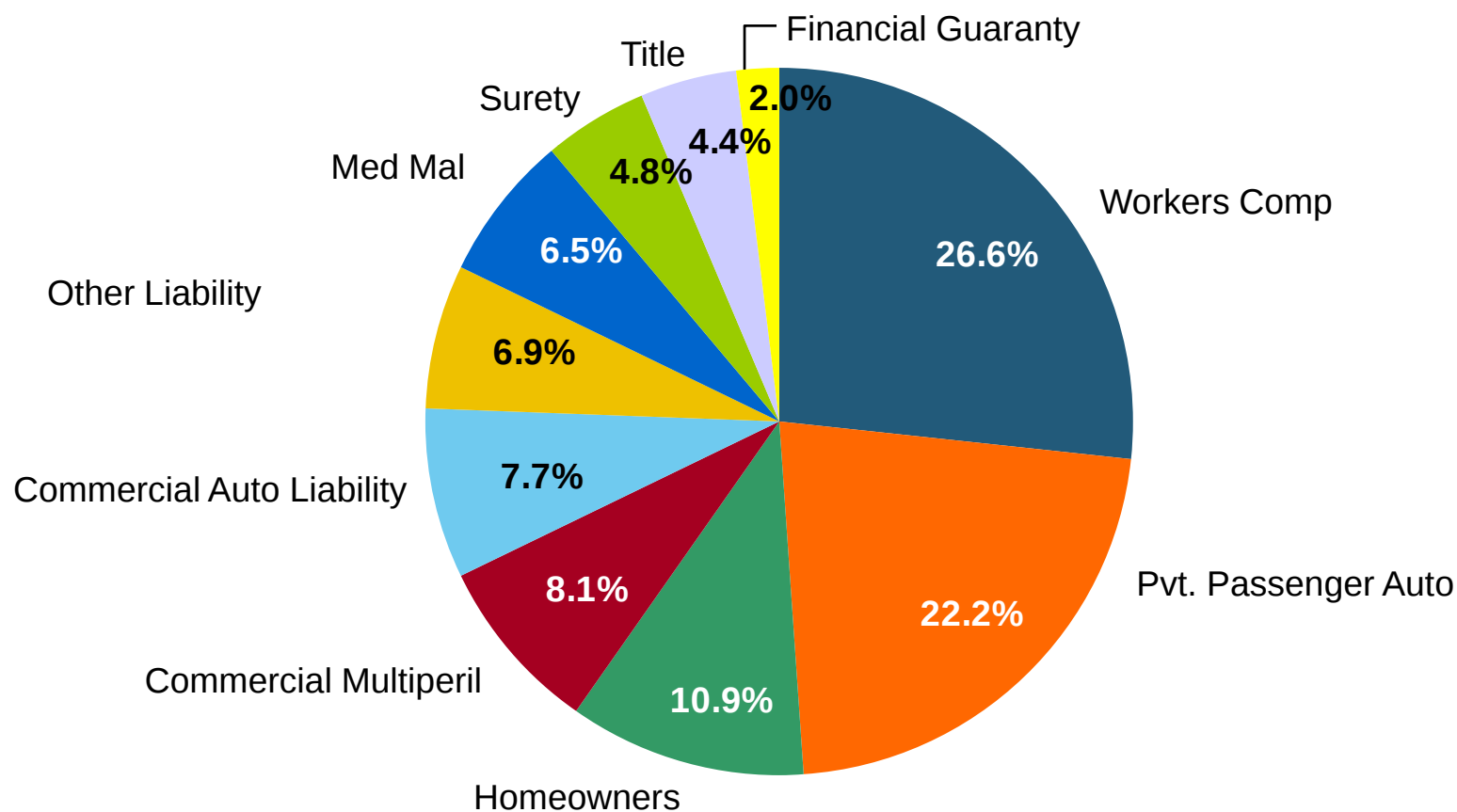
Reasons for US P/C Insurer Impairments, 1969–2010

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



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

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



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

Number of Recessions Since 1860

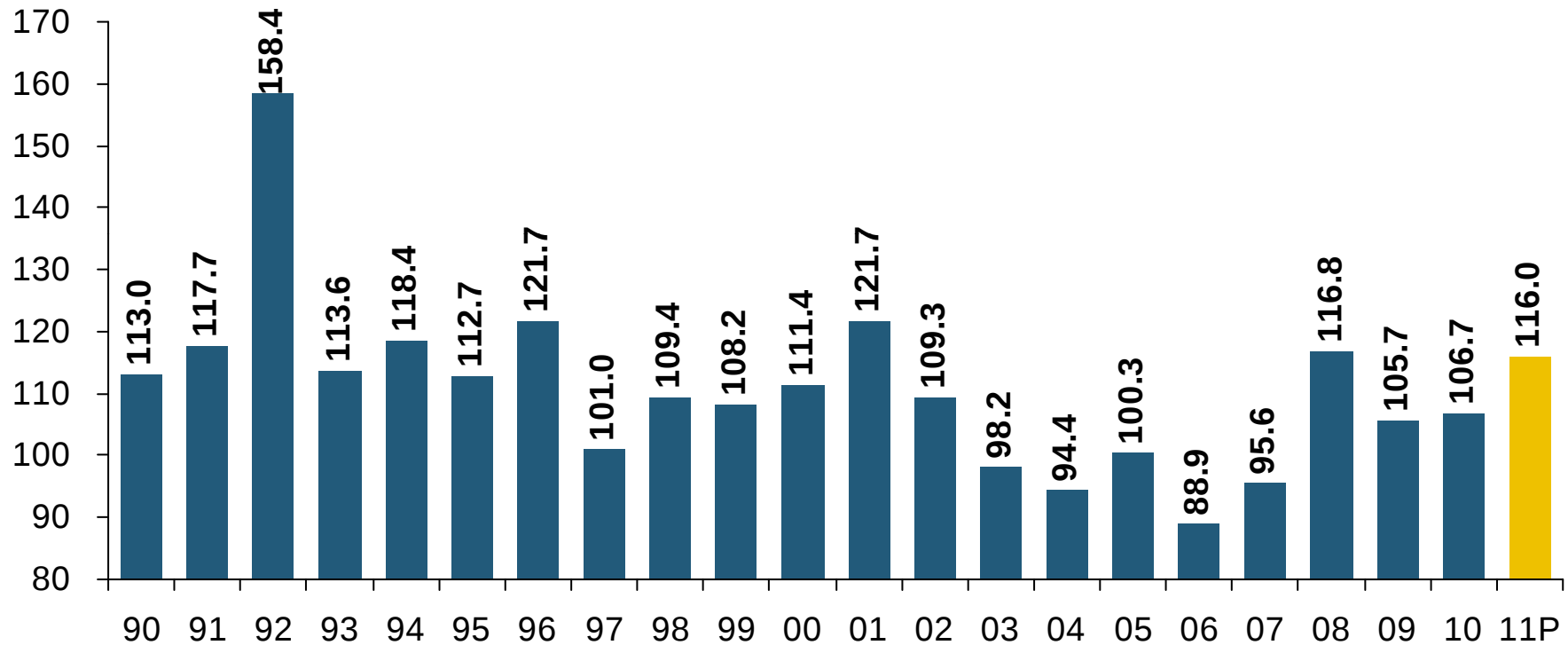


Many US Insurers Are Close to a Century Old or Older



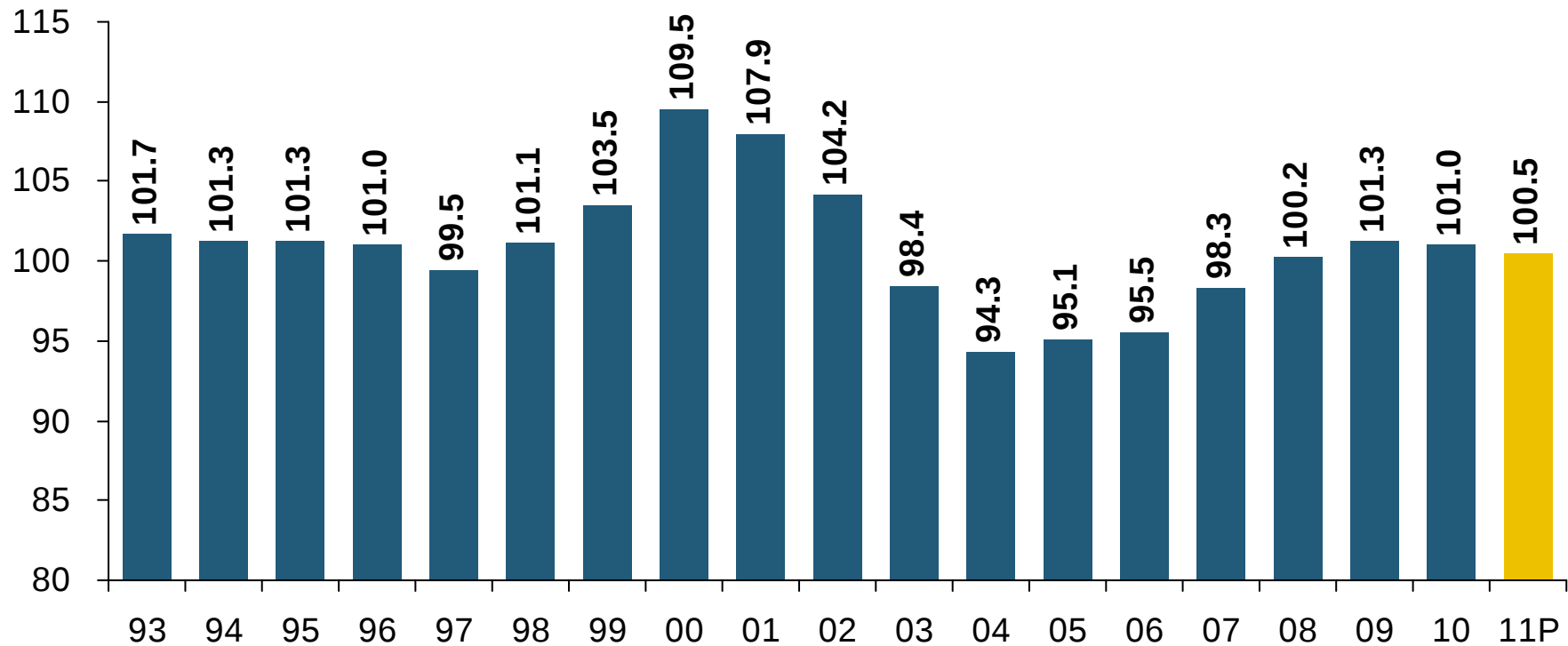
Performance by Segment: Personal & Commercial Lines

Homeowners Insurance Combined Ratio: 1990–2011P



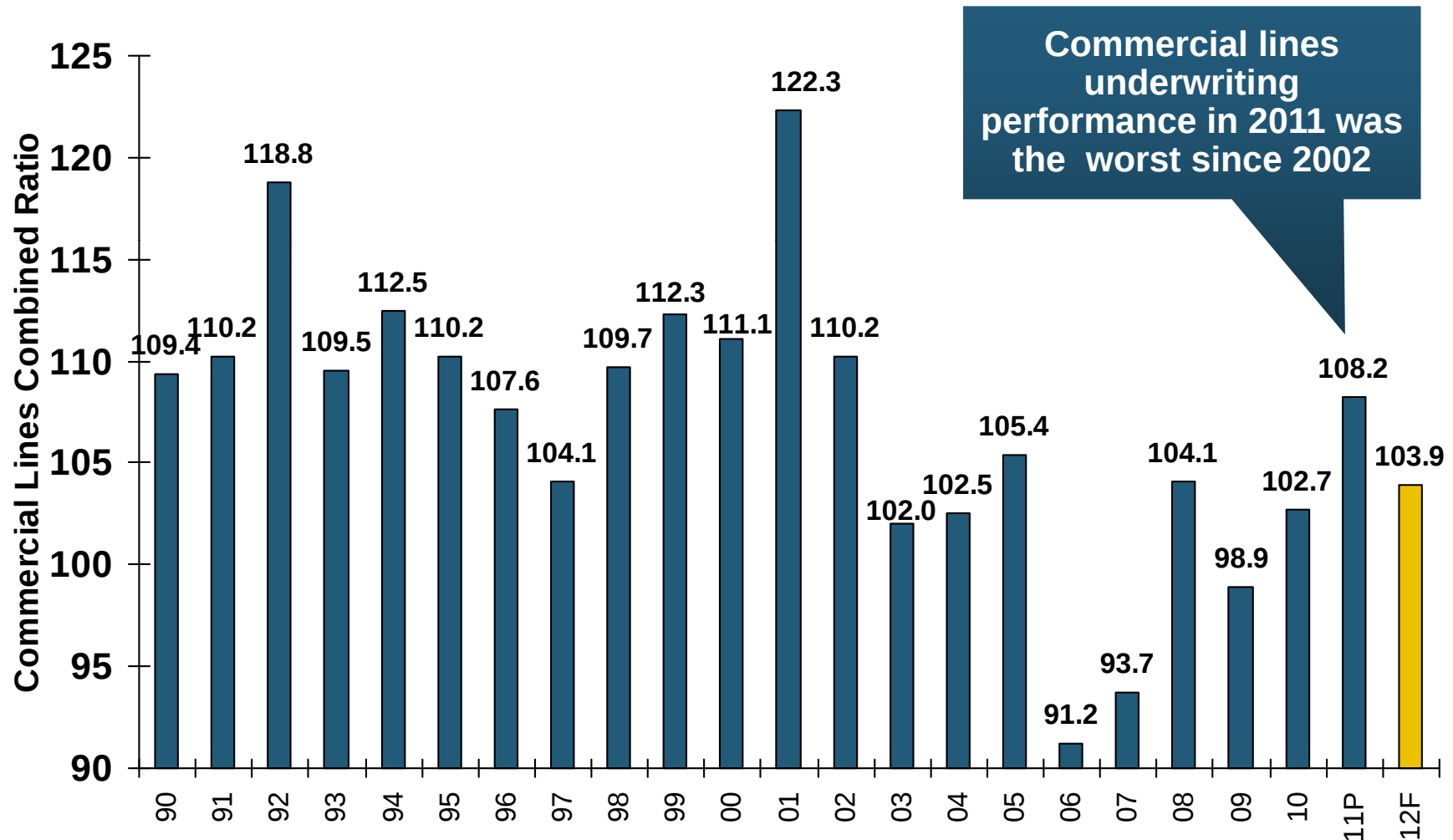
Homeowners Line Could Deteriorate in 2011 Due to Large Cat Losses. Extreme Regional Variation Can Be Expected Due to Local Catastrophe Loss Activity

Private Passenger Auto Combined Ratio: 1993–2011P

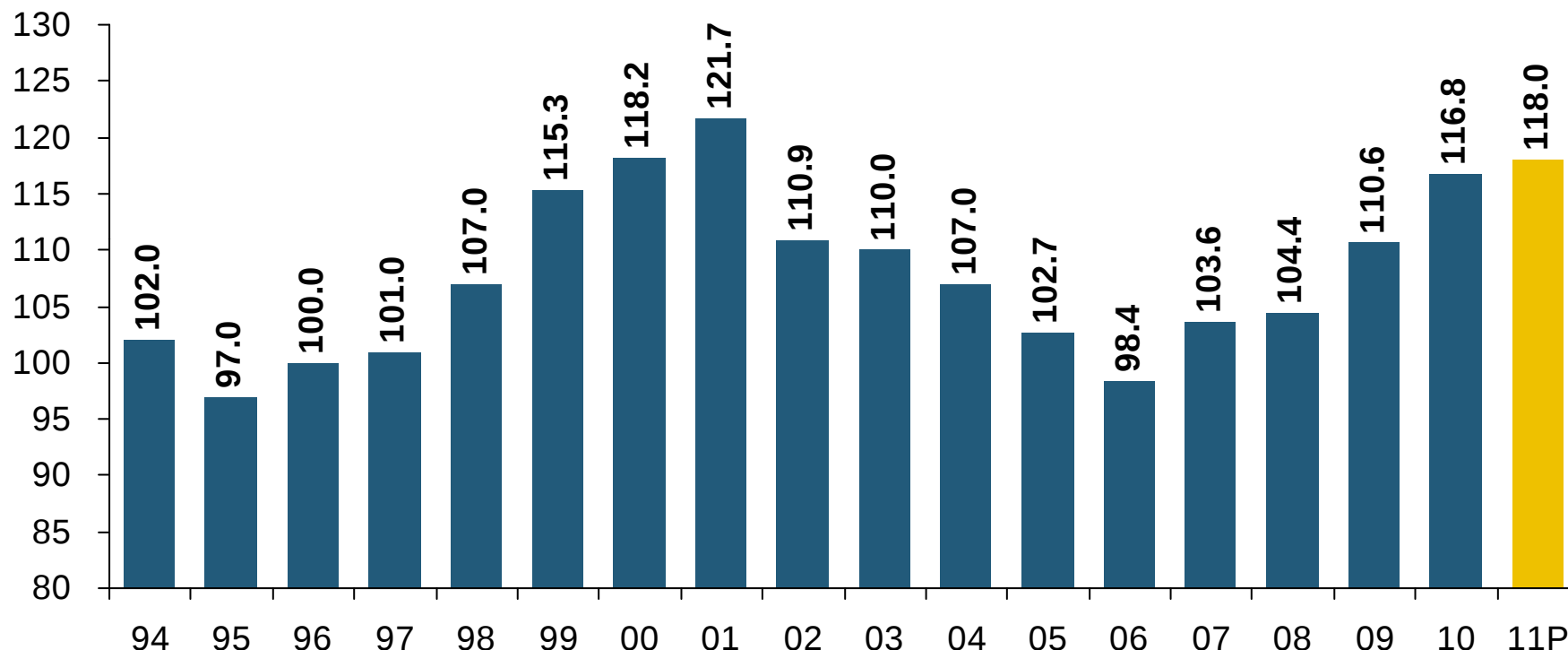


Private Passenger Auto Accounts for 34% of Industry Premiums and Remains the Profit Juggernaut of the P/C Insurance Industry

Commercial Lines Combined Ratio, 1990-2012F



Workers Compensation Combined Ratio: 1994–2011P



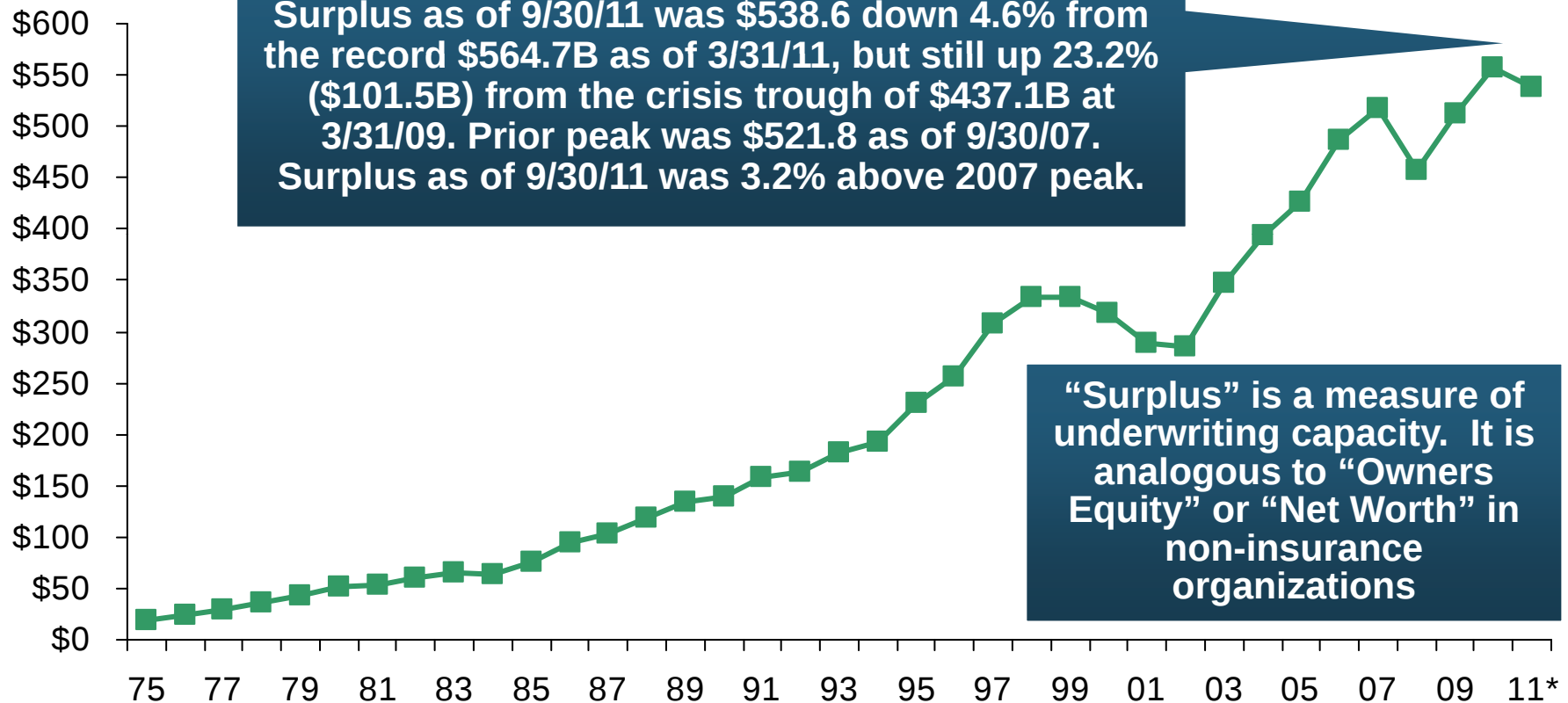
Workers Comp Underwriting Results Are Deteriorating Markedly and the Worst They Have Been in a Decade

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*

(\$ Billions)

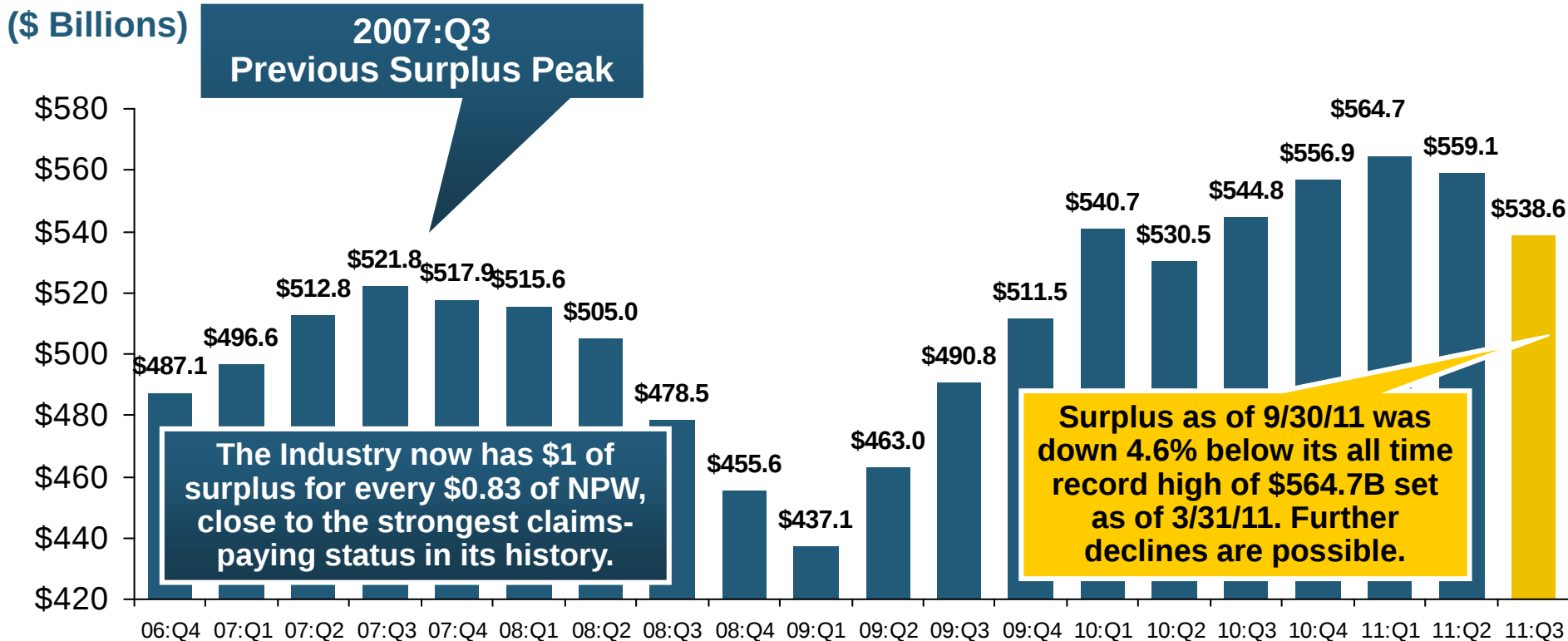


The Premium-to-Surplus Ratio Stood at \$0.83:\$1 as of 9/30/11, A Near Record Low (at Least in Recent History)*

* As of 9/30/11.

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

Policyholder Surplus, 2006:Q4–2011:Q3



*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.

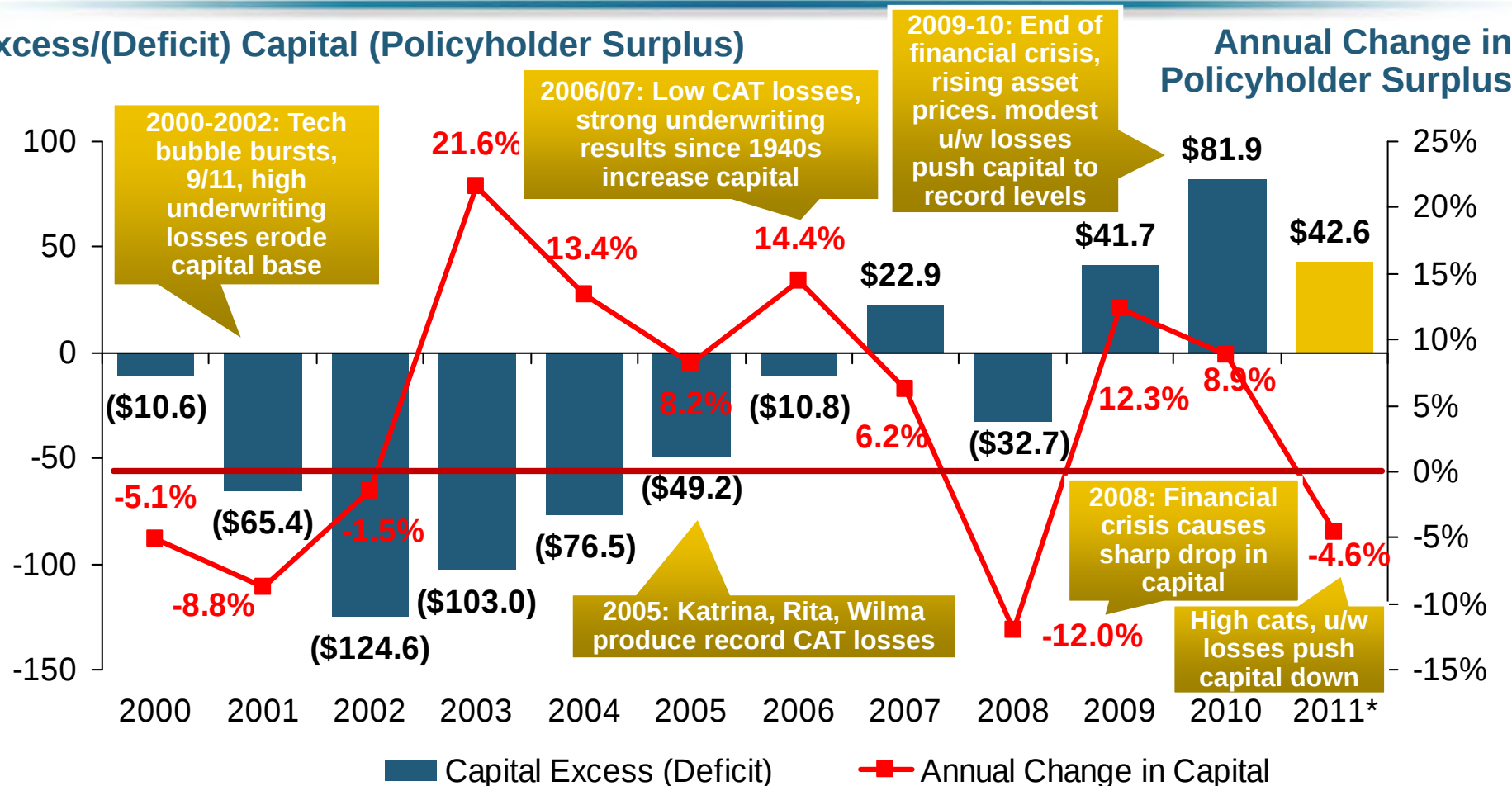
Quarterly Surplus Changes Since 2011:Q1 Peak

11:Q2: -\$5.6B (-1.0%)

11:Q3: -\$26.1B (-4.6%)

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

Excess/(Deficit) Capital (Policyholder Surplus)



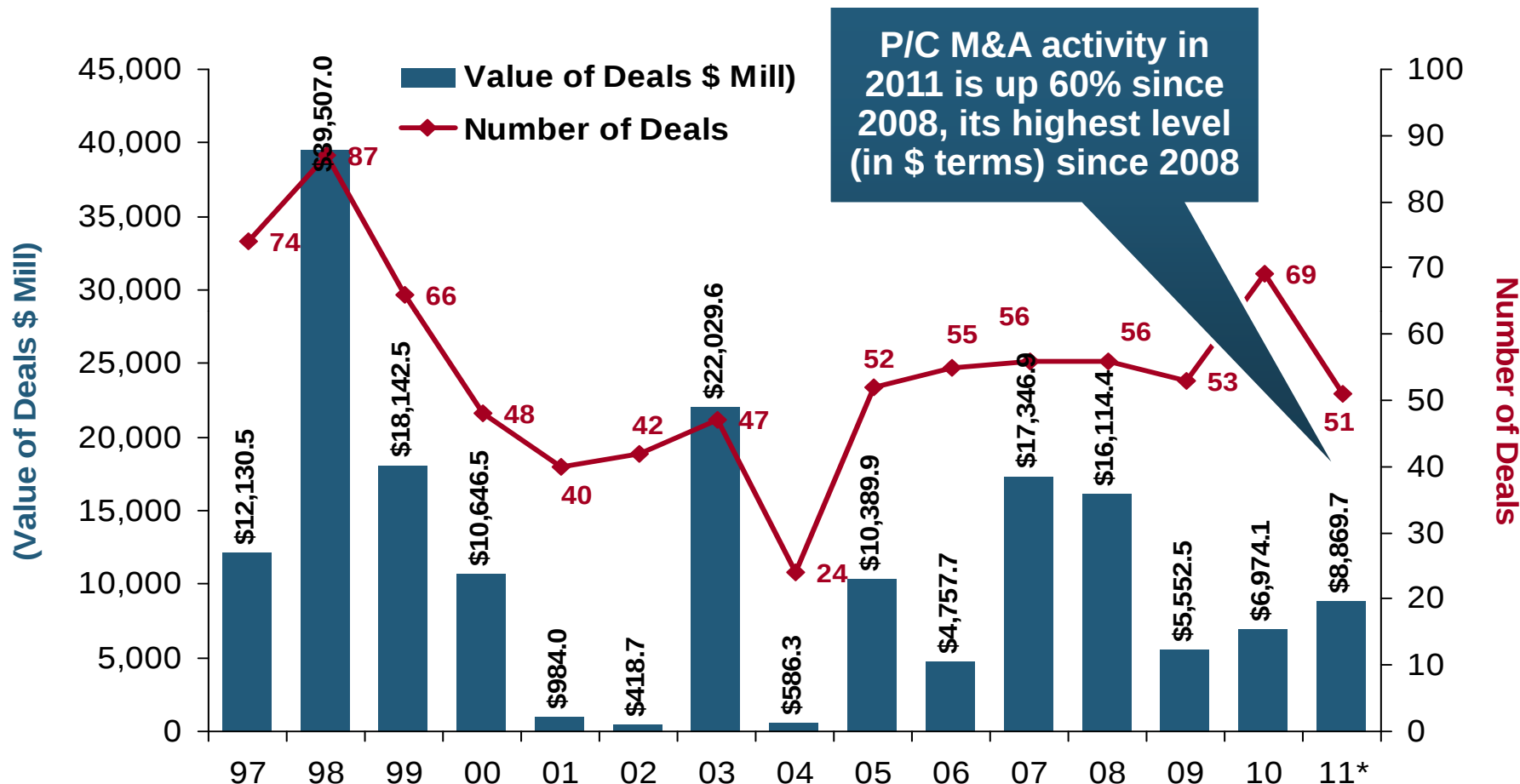
Record Policyholder Surplus (Capital) Resulted in Significant Excess Capital in the P/C Insurance Sector in 2010. Deteriorating Underwriting Losses, Higher CAT Activity, More Modest Market Returns Shrank Excess Capital in 2011 by Nearly Half.

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*



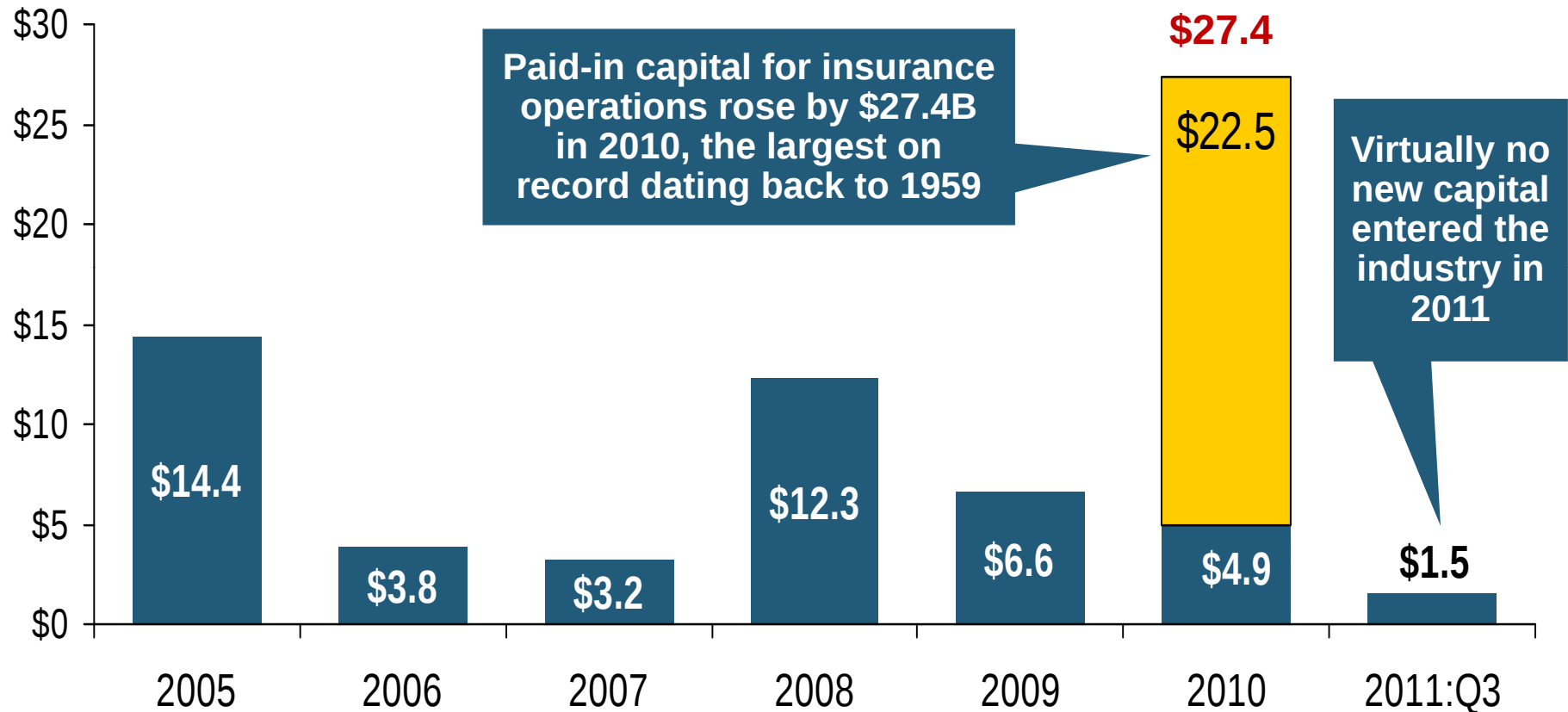
M&A Activity in the P/C Insurance Industry Remains Well Below its 1990s Peak

*2011 data are through December 1.

Source: SNL Securities; Insurance Information Institute.

Paid-in Capital, 2005–2011:Q3

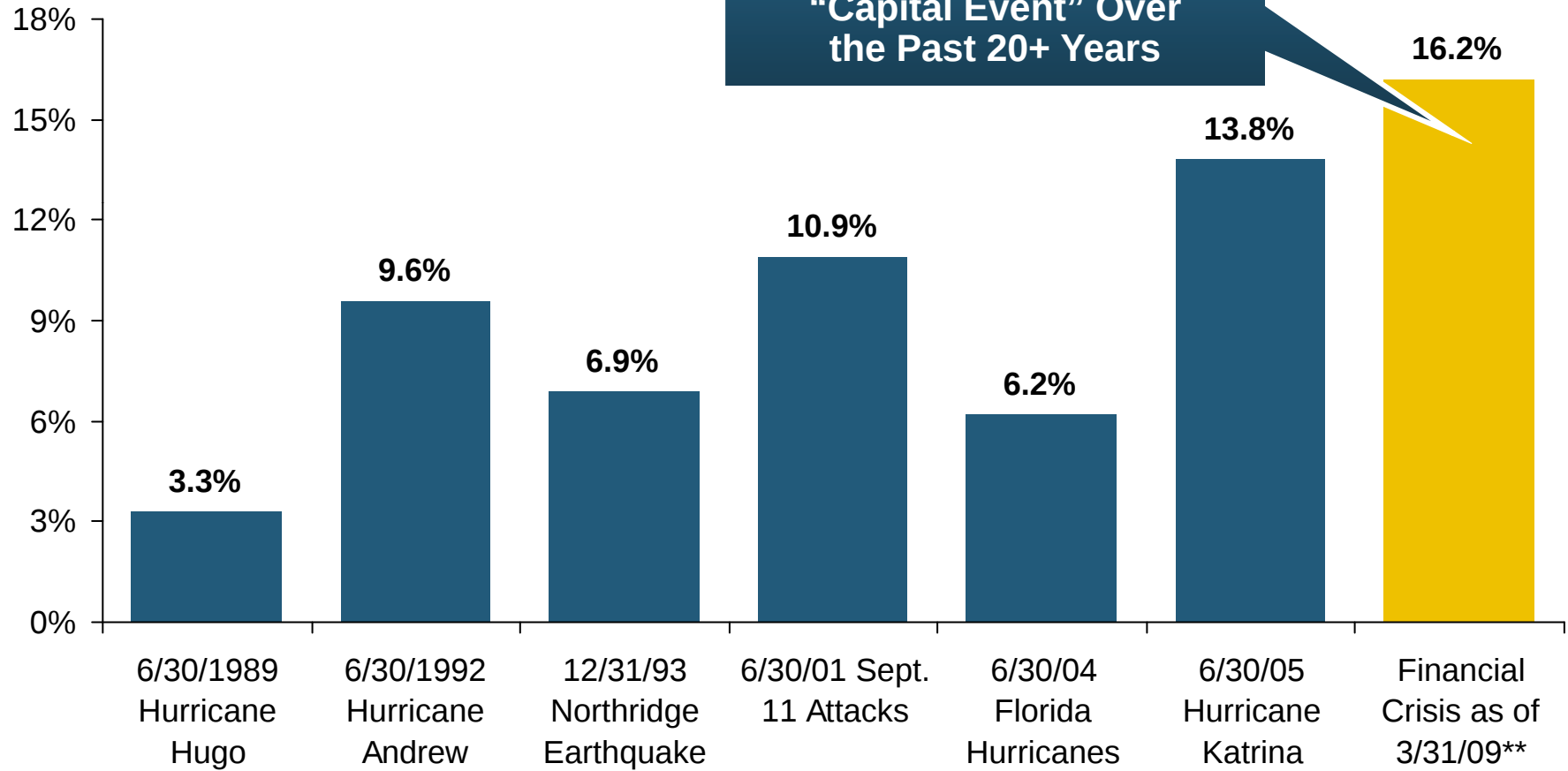
(\$ Billions)



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

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

(Percent)



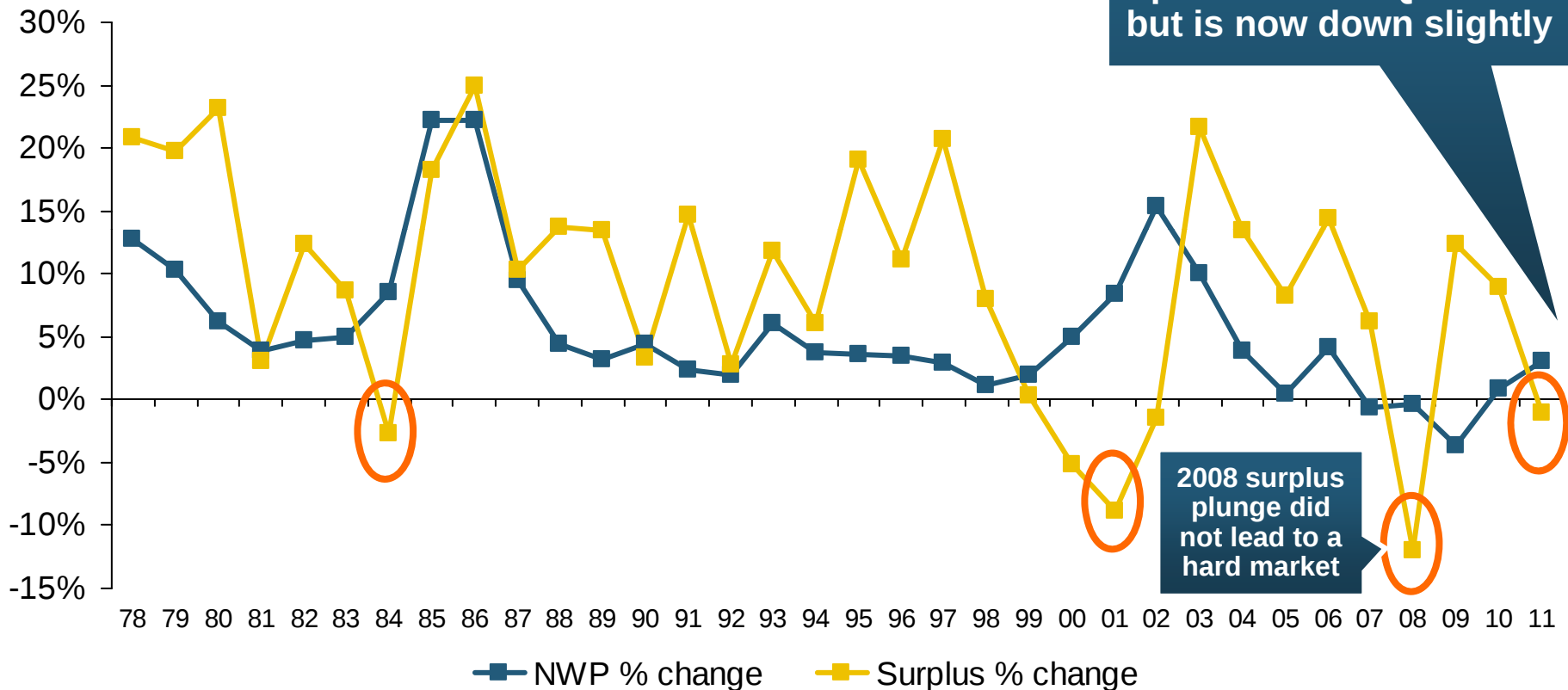
* Ratio is for end-of-quarter surplus immediately prior to event. Date shown is end of quarter prior to event

** 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*

(Percent)

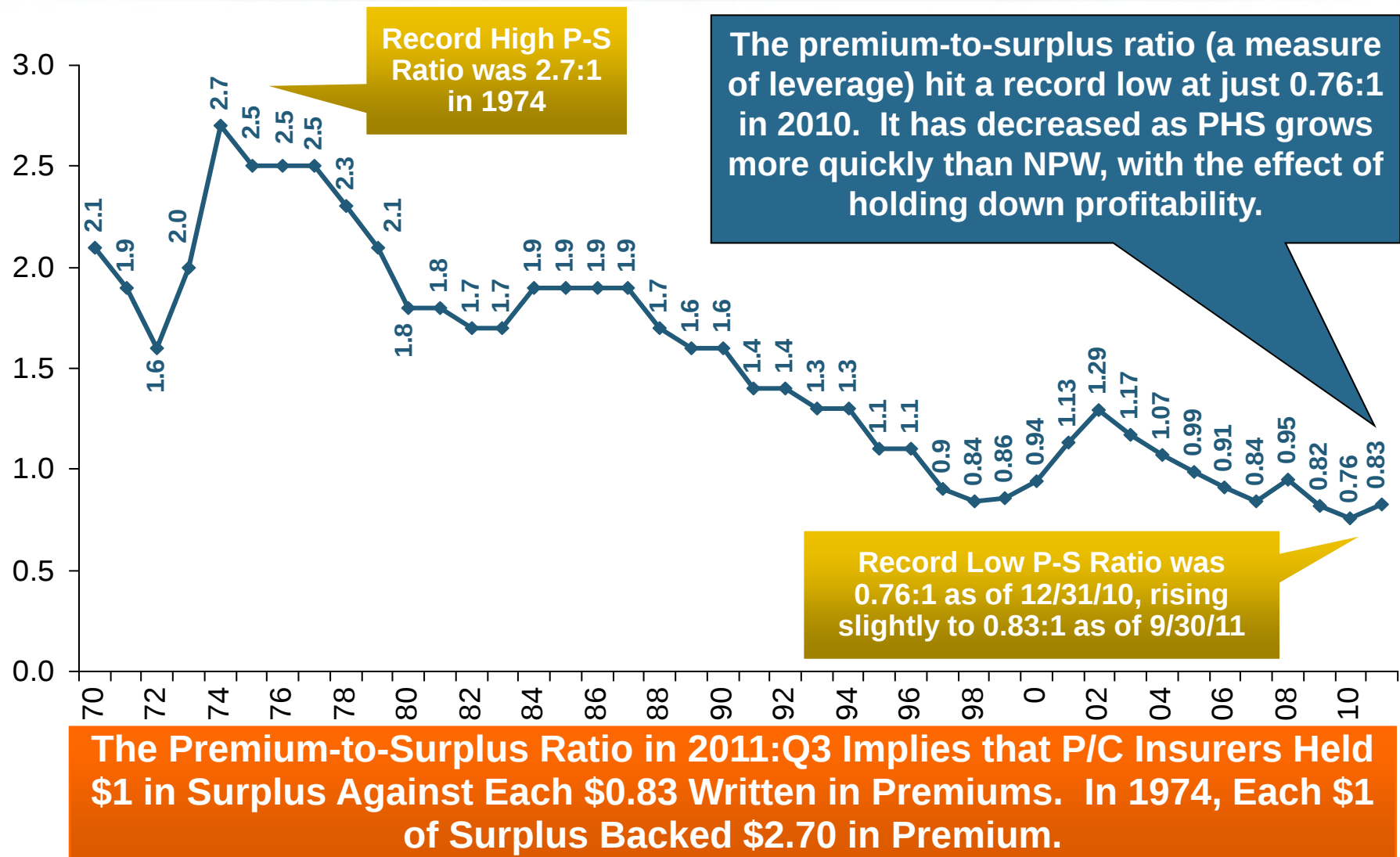


Sharp Decline in Capacity is a Necessary but Not Sufficient Condition for a True Hard Market

* 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*



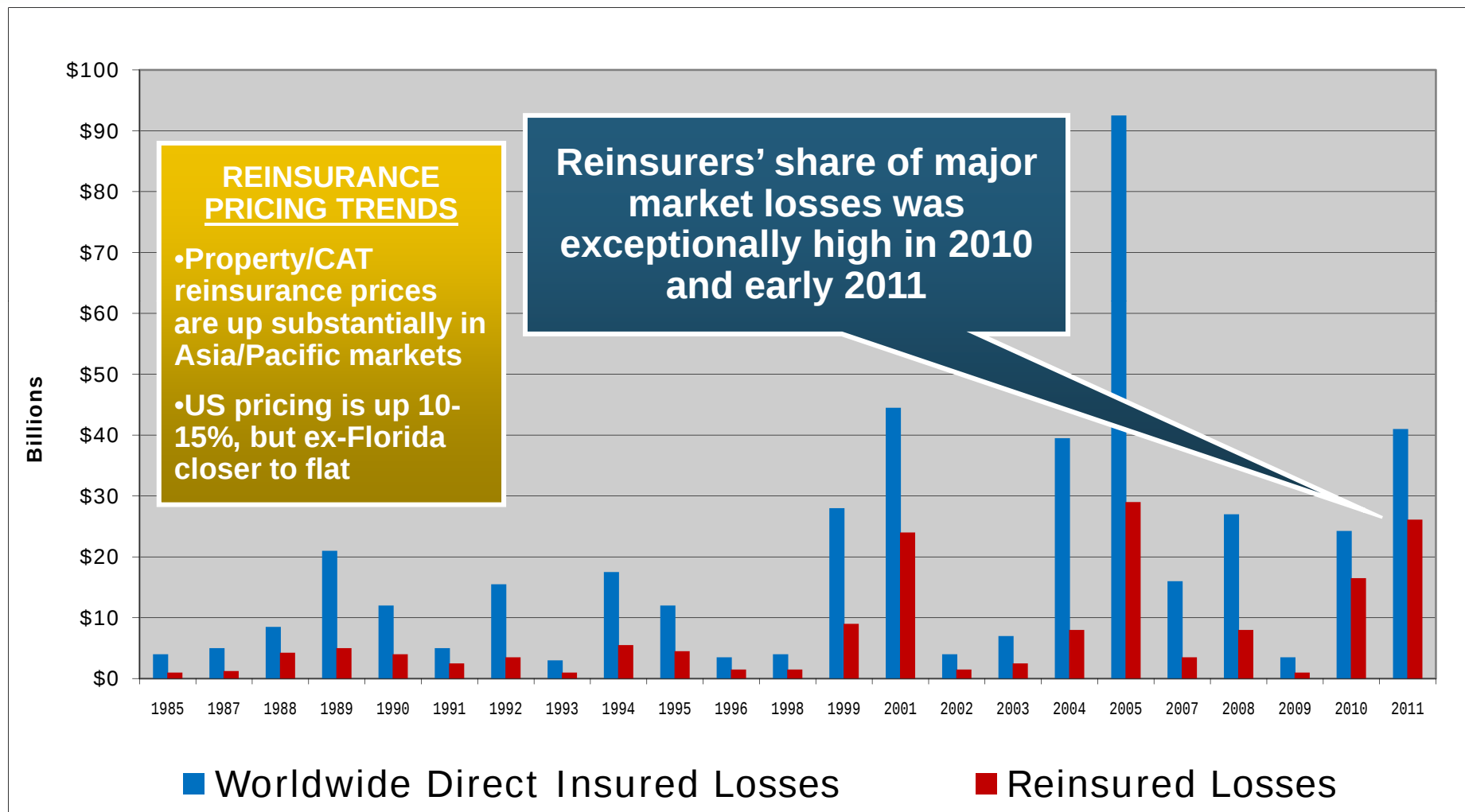
*2011 data are as of 9/30/11.

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*

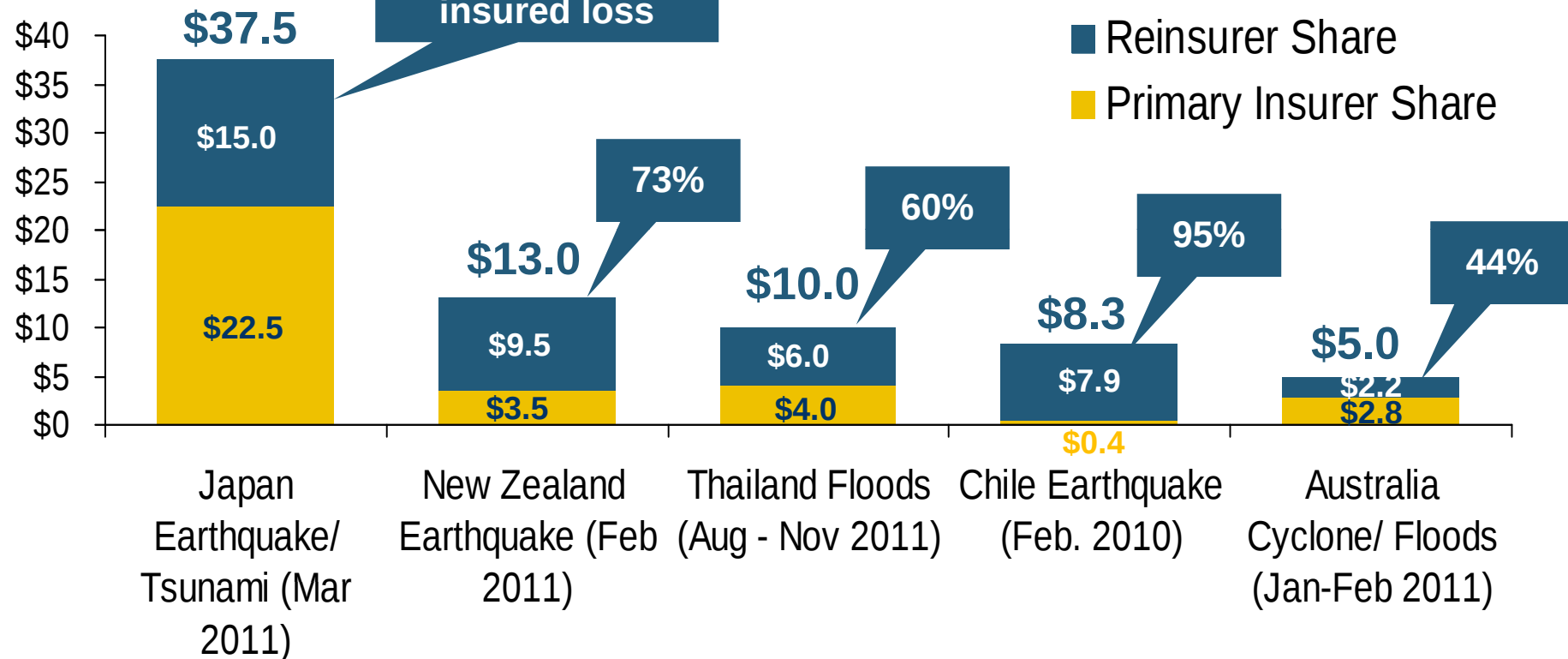


Source: Holborn; RAA.

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

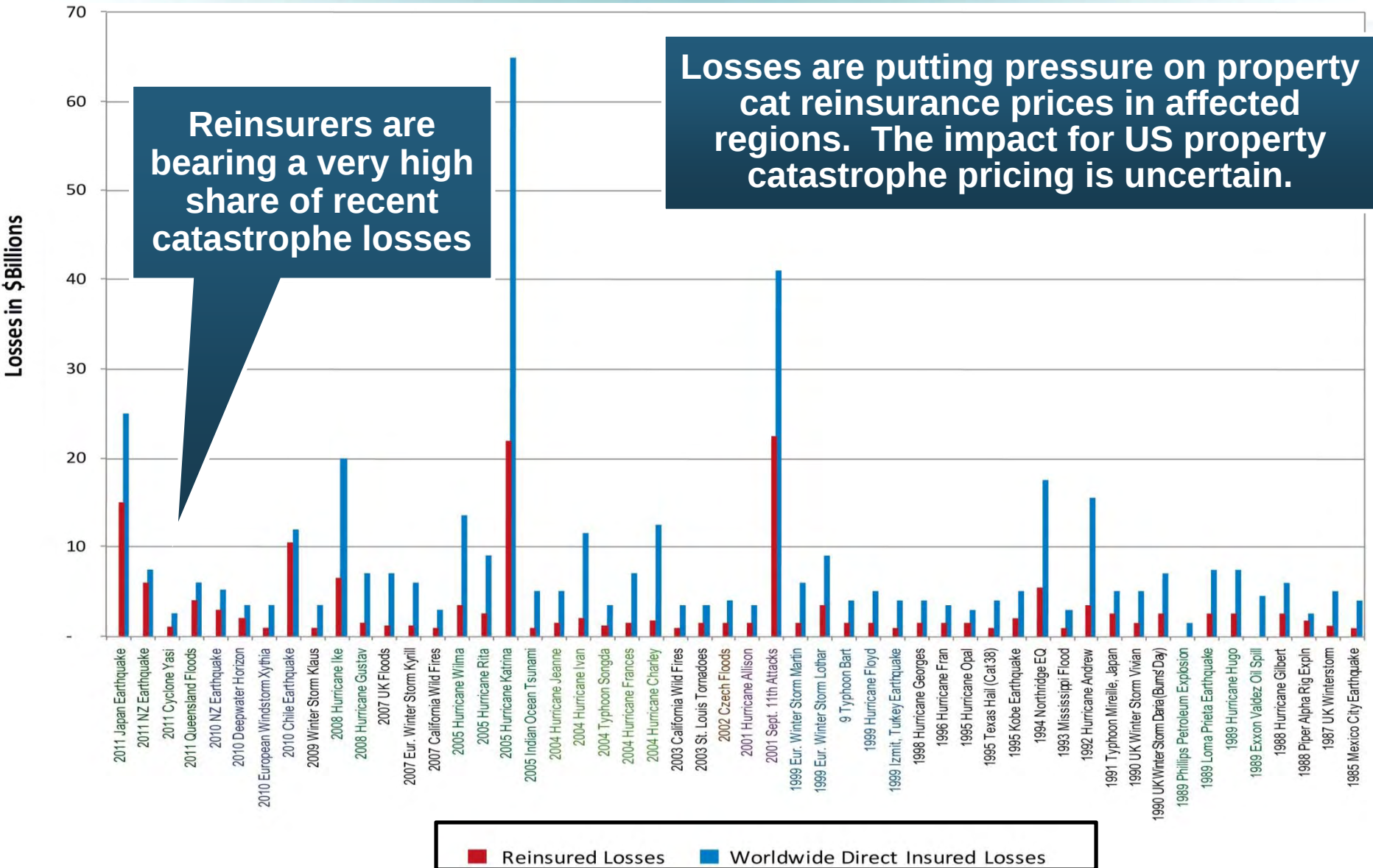
Reinsurer Share of Recent Significant Market Losses

Billions of 2011
Dollars



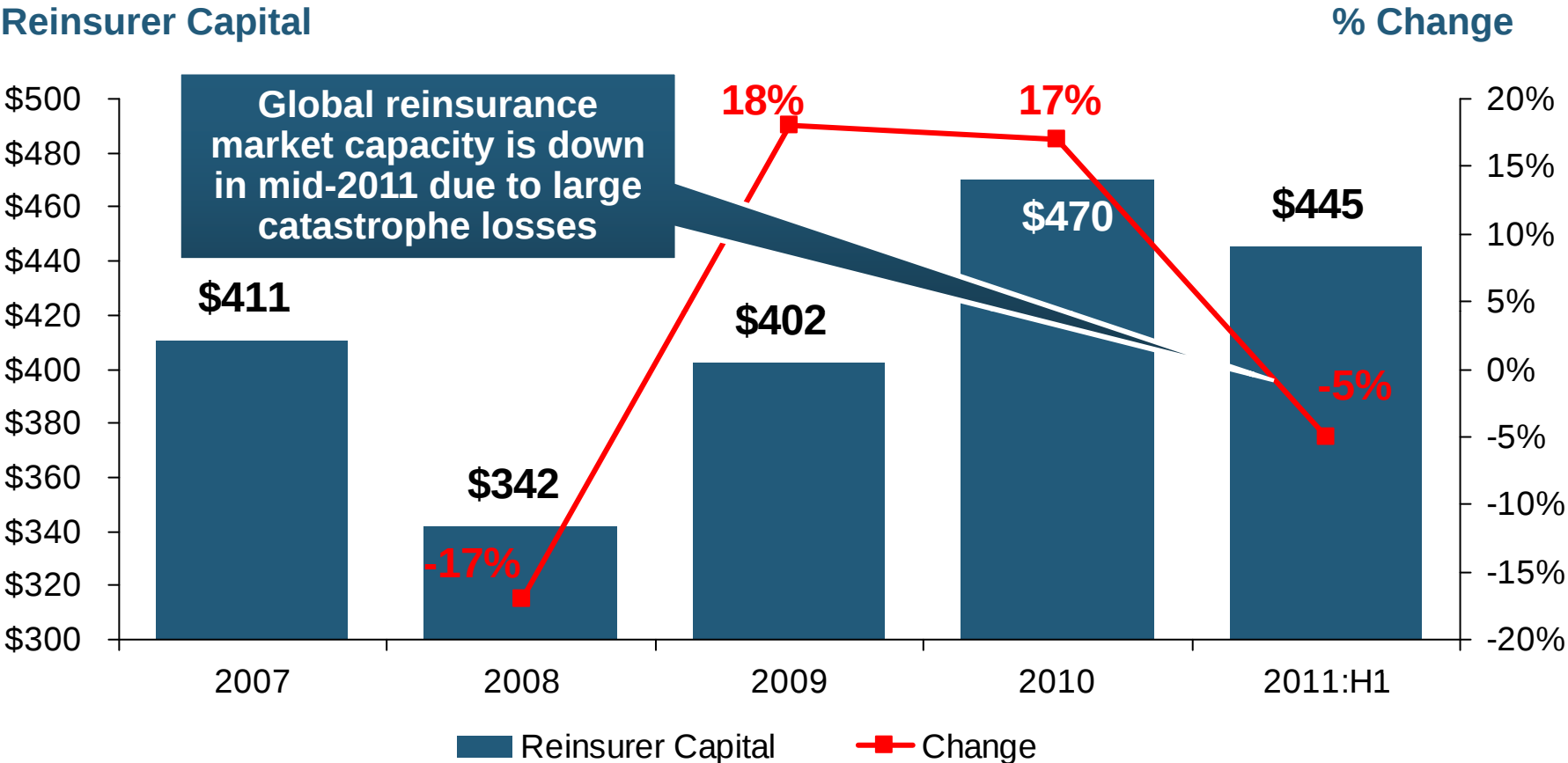
Reinsurers Paid a High Proportion of Insured Losses Arising from Major Catastrophic Events Around the World in Recent Years

Significant Market Losses by Event, 1985-2011*



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



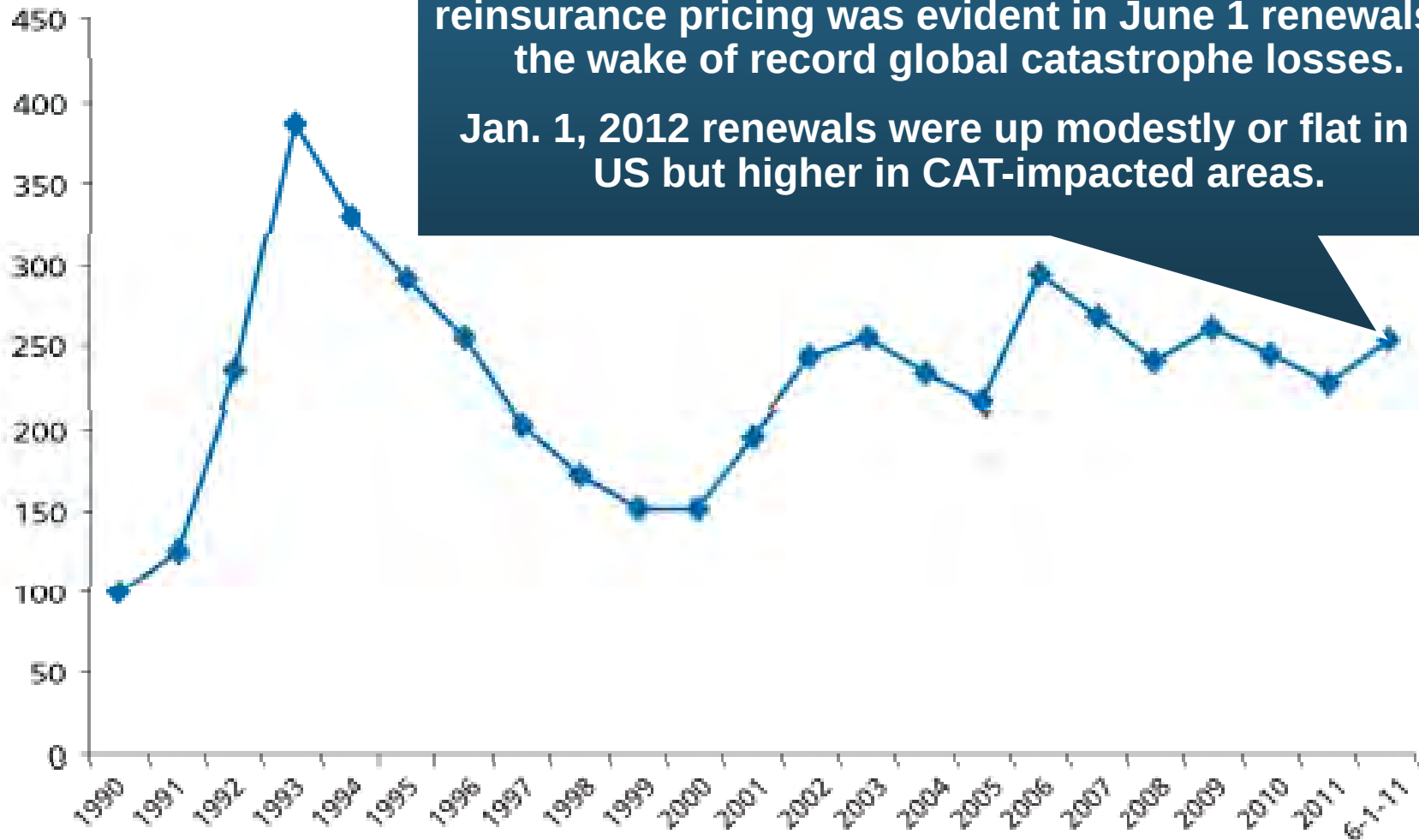
High Global Catastrophe Losses Have Had a Modest Adverse Impact on Global Reinsurance Market Capacity

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

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

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

Jan. 1, 2012 renewals were up modestly or flat in the US but higher in CAT-impacted areas.



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



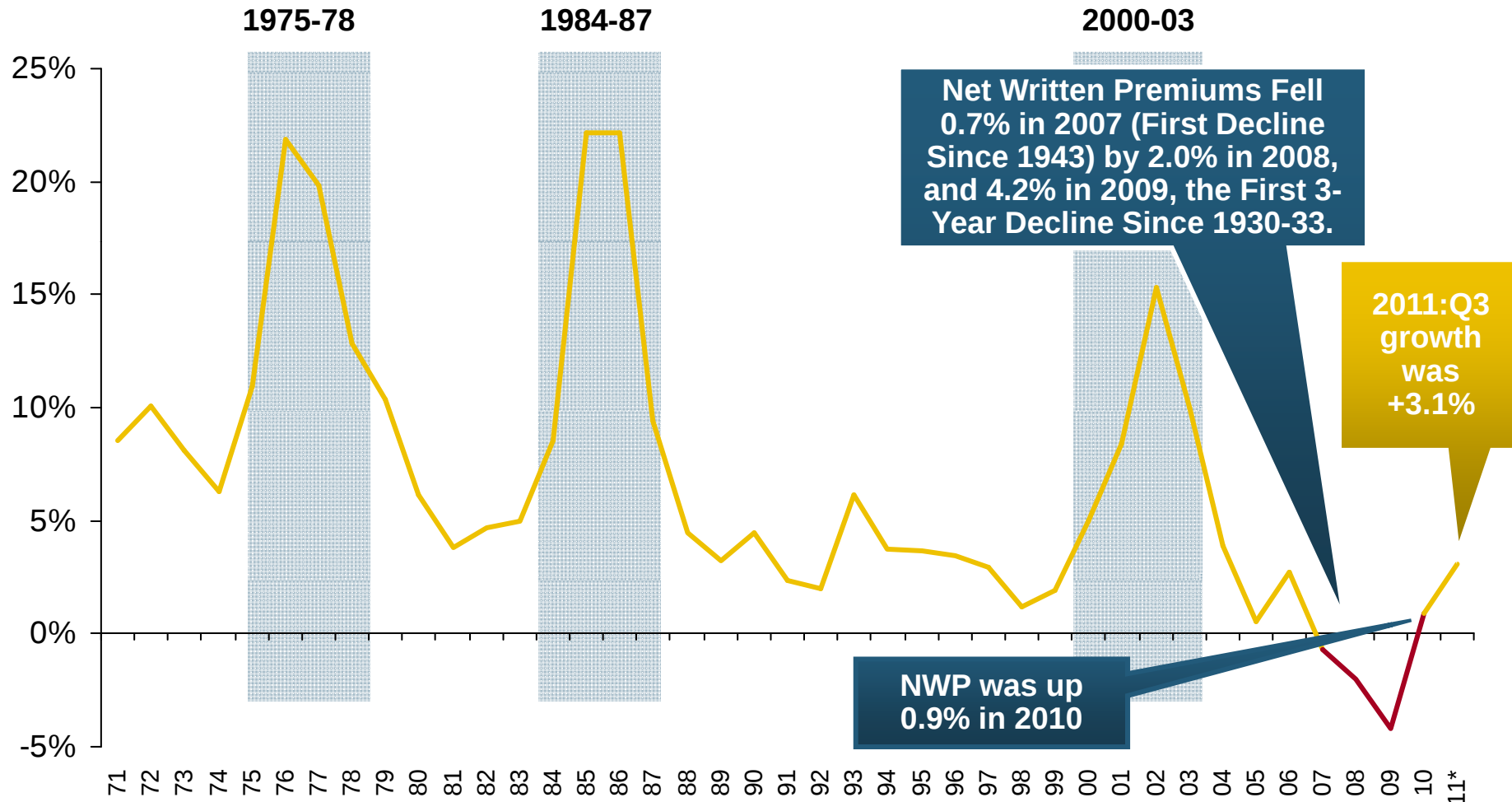
Most excess reinsurance capacity was removed from the market in 2011, but there does not appear to be a shortage, leading relatively flat 2012 reinsurance renewals except in areas hit hard by CATs.

4. RENEWED PRICING DISCIPLINE

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

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

(Percent)

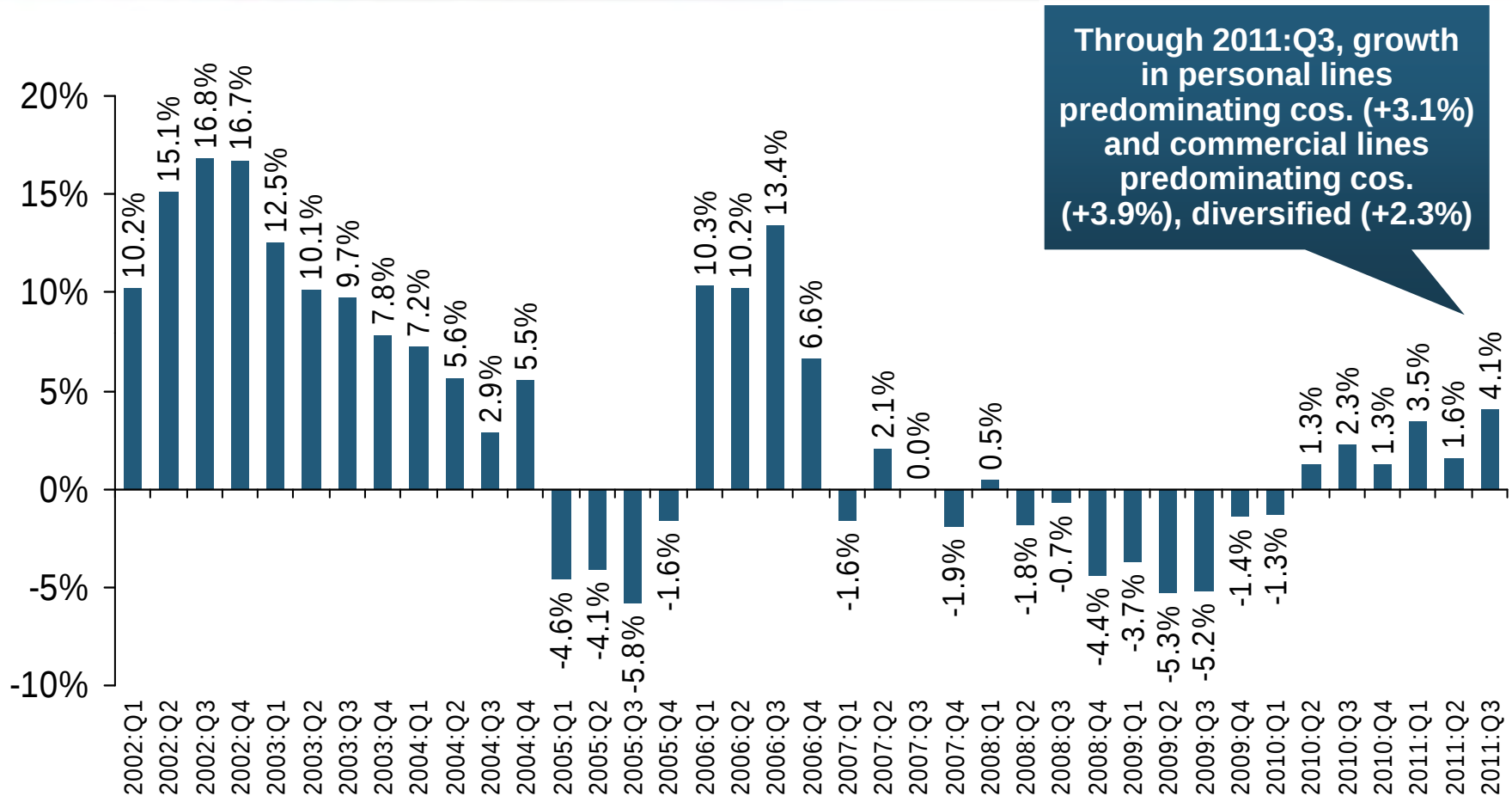


*2011 figure is through first 9 months vs. same period in 2010

Shaded areas denote "hard market" periods

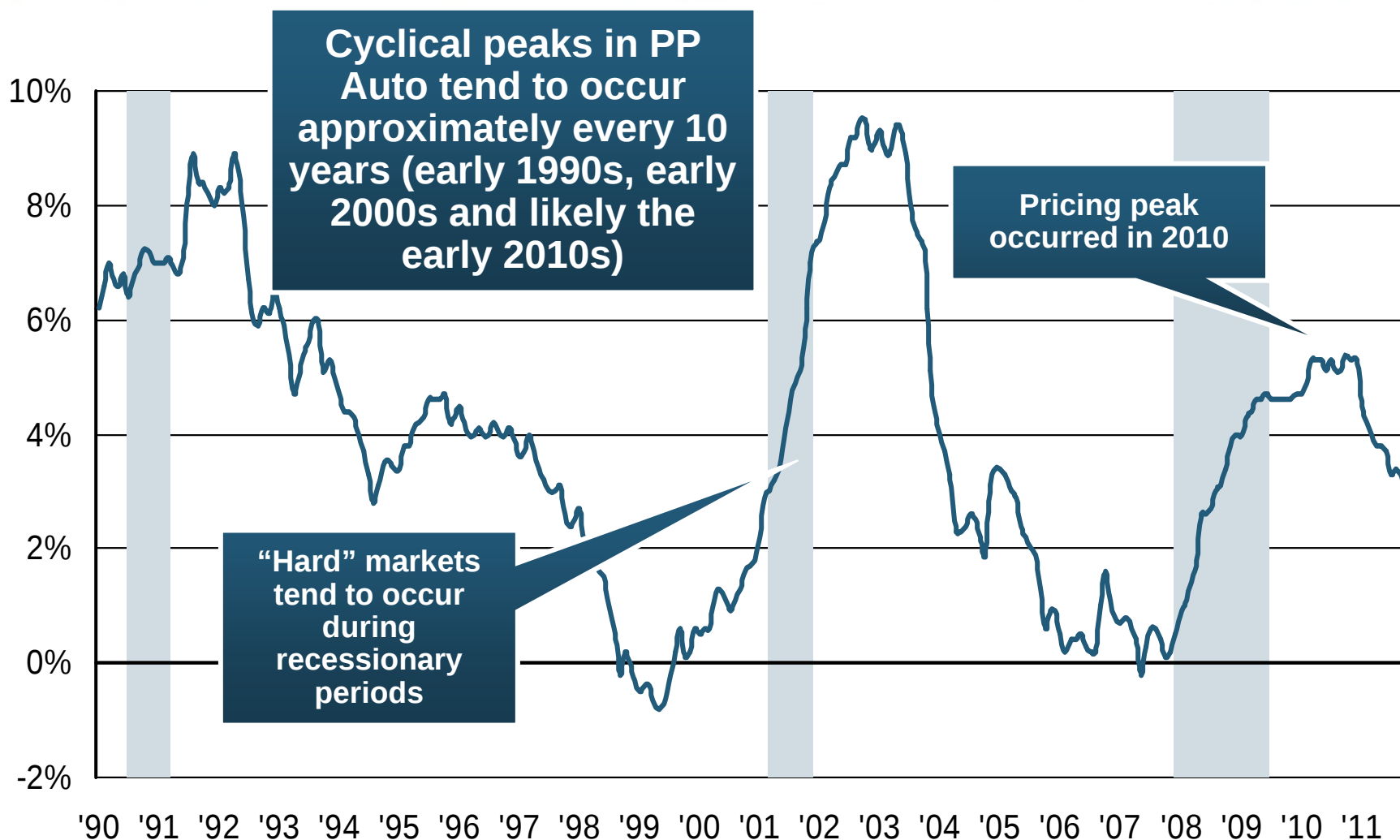
Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

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



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

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



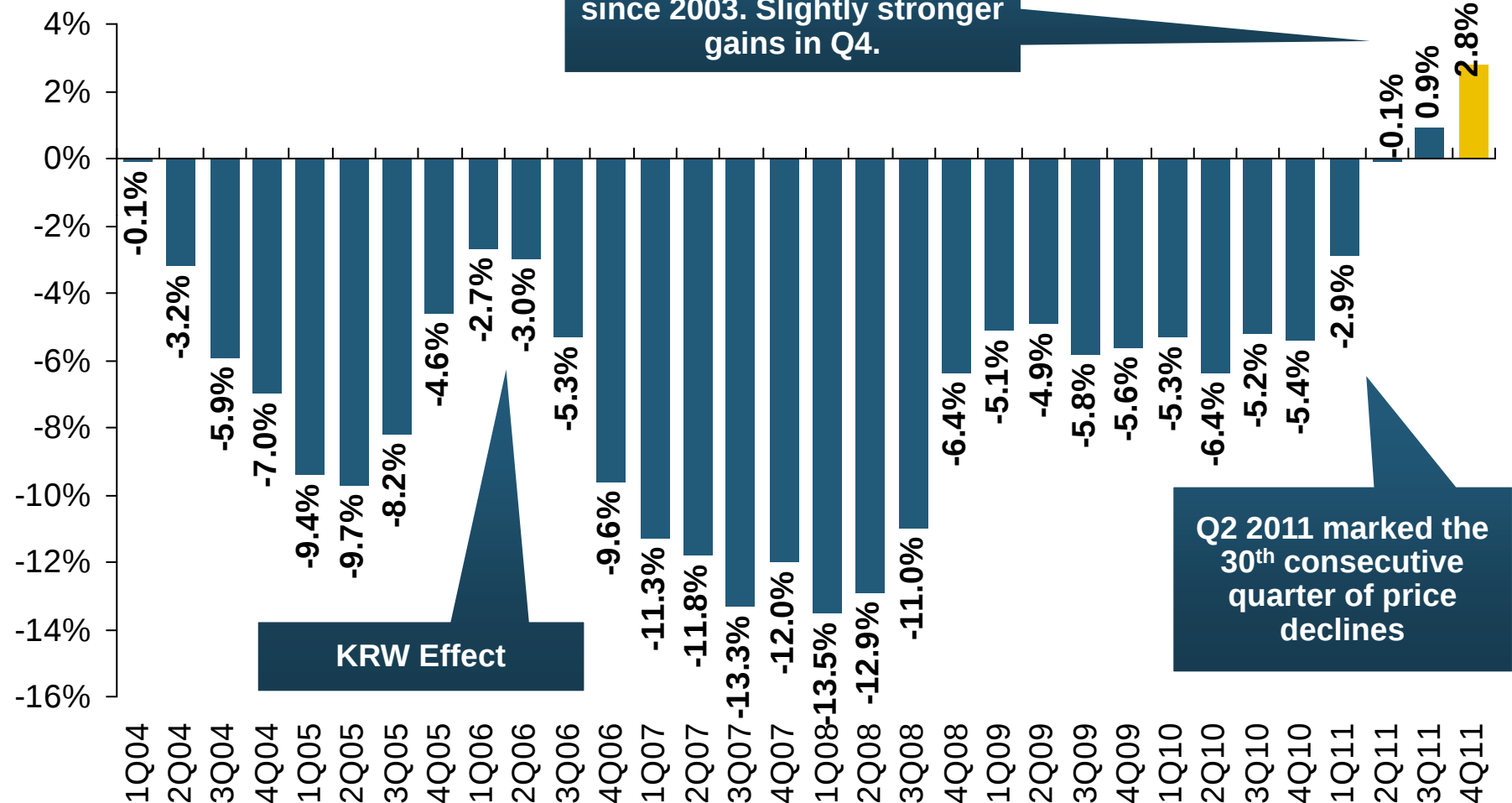
*Percentage change from same month in prior year; through October 2011; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

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

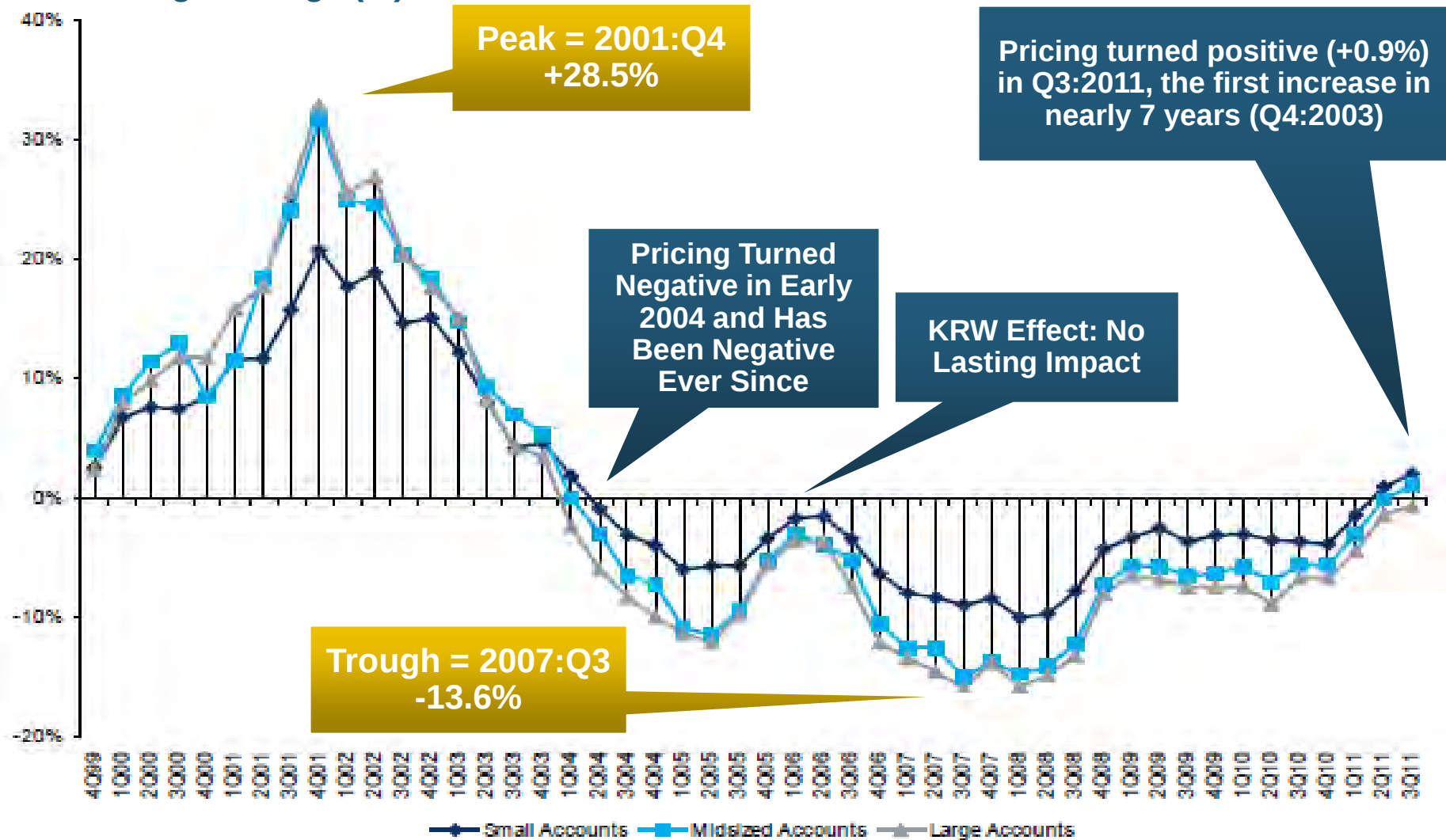
Average Commercial Rate Change, All Lines, (1Q:2004–4Q:2011)

(Percent)



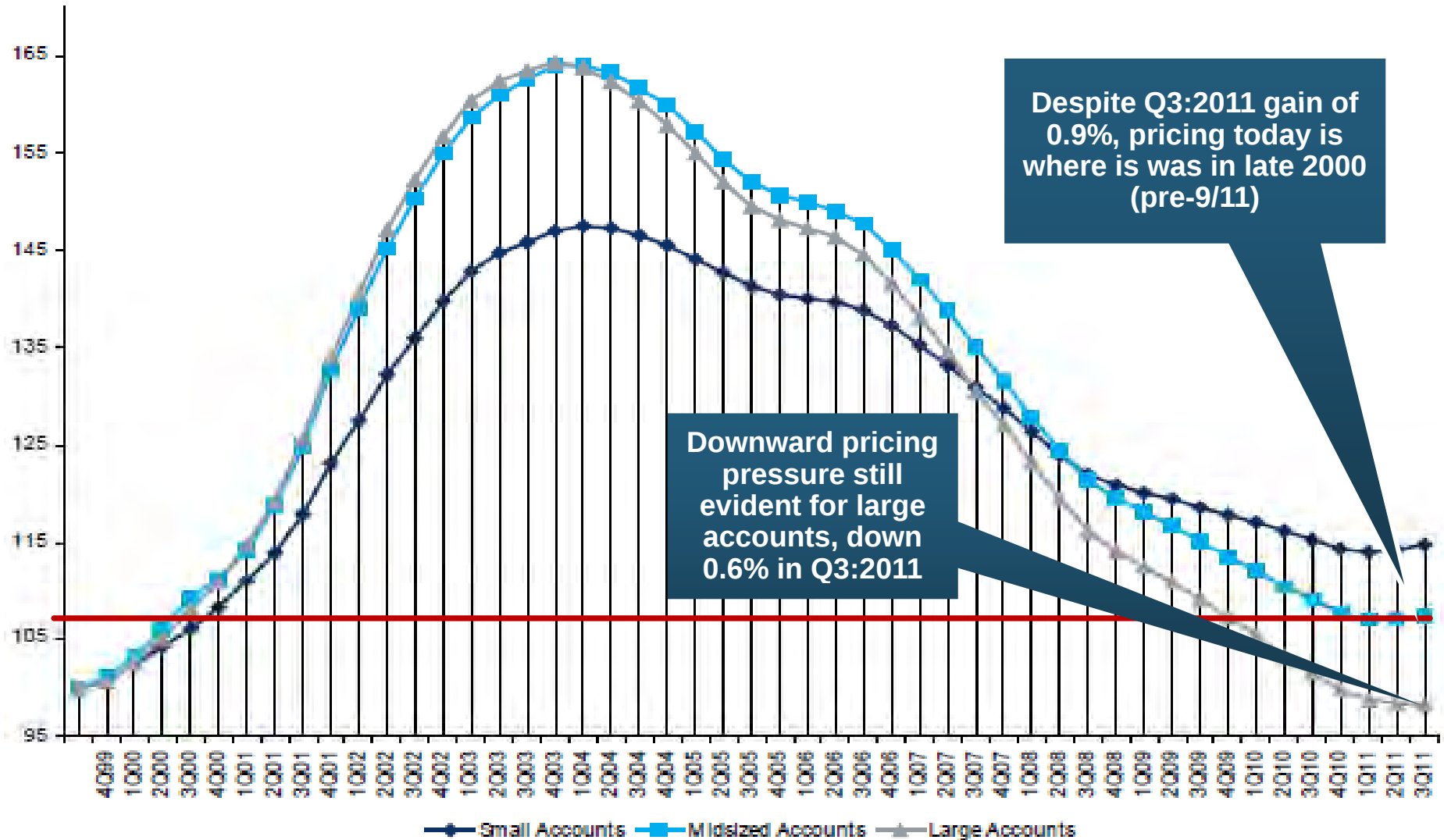
Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2011:Q3

Percentage Change (%)



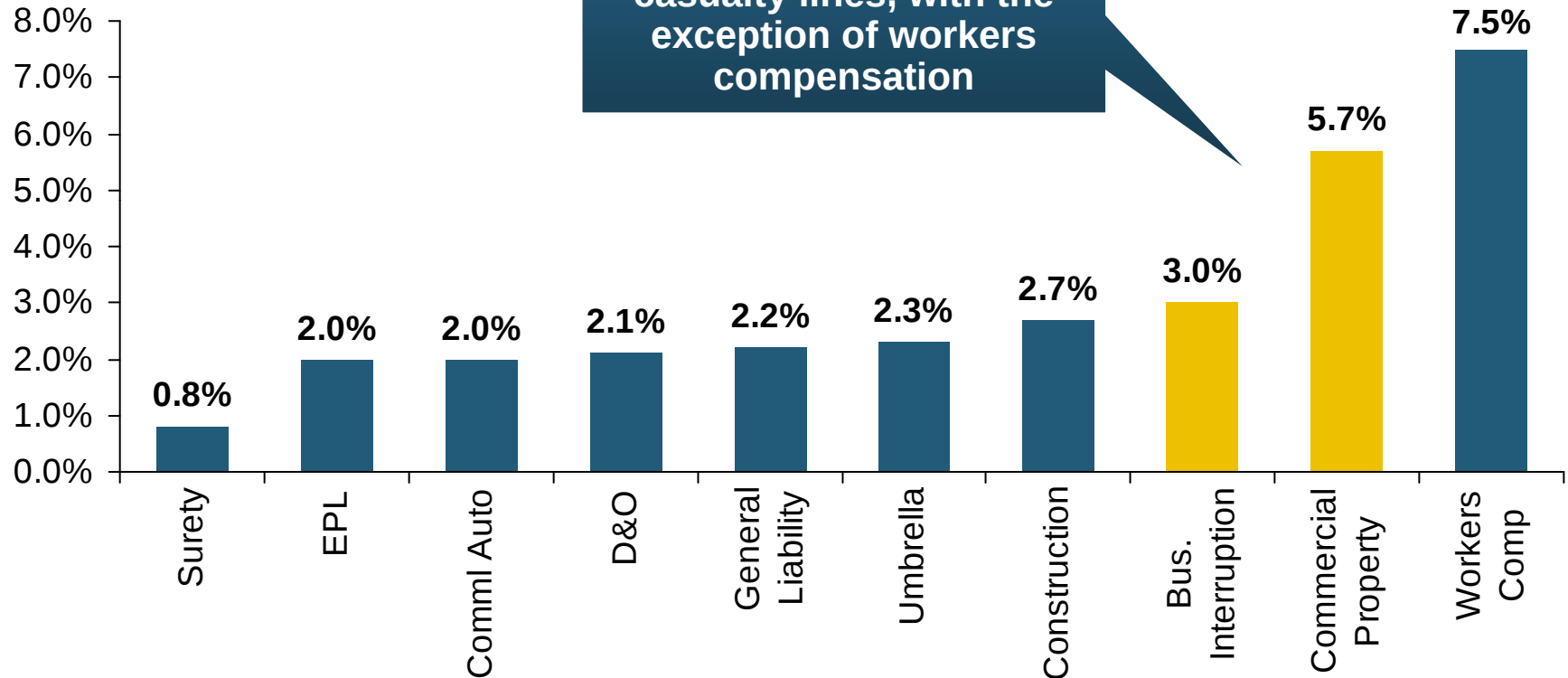
Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2011:Q3

1999:Q4 = 100



Change in Commercial Rate Renewals, by Line: 2011:Q4

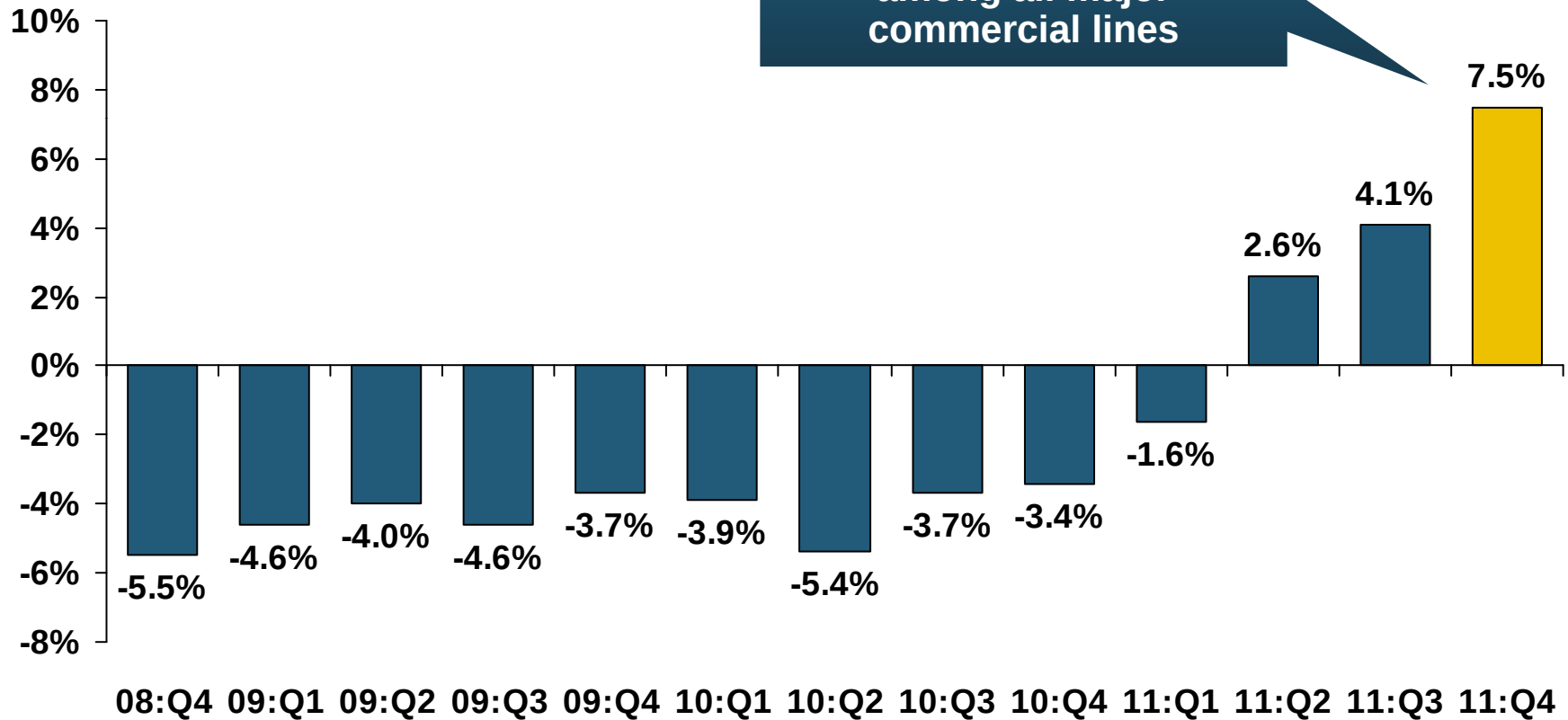
Percentage Change (%)



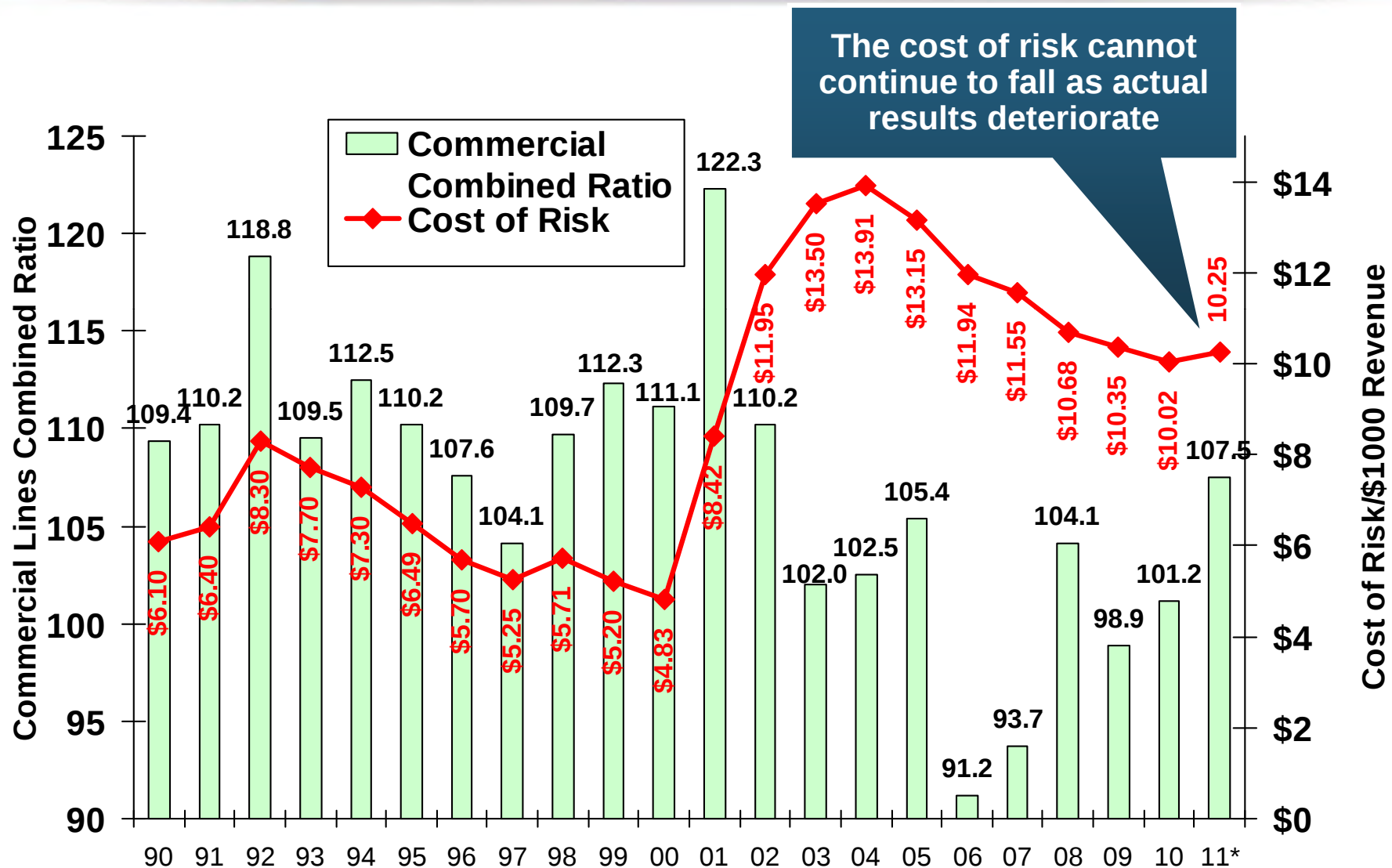
Major Commercial Lines Renewed Uniformly Upward in Q4:2011 for Only the Second Time Since 2003; Property Lines & Workers Comp Leading the Way

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

(Percent
Change)



Cost of Risk vs. Commercial Lines Combined Ratio



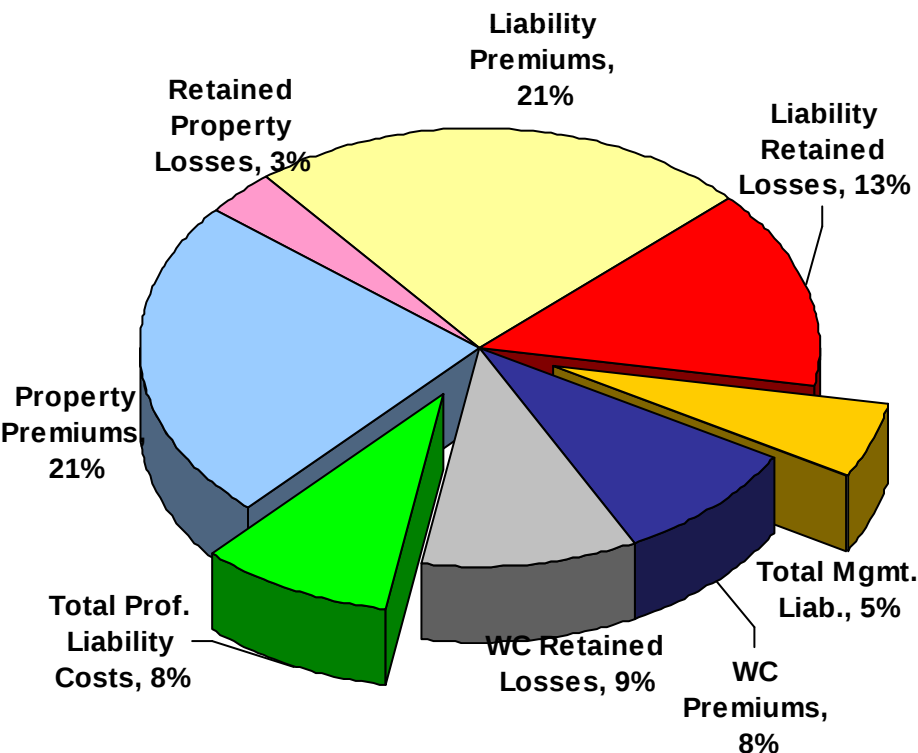
*Insurance Information Institute estimates for 2011.

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

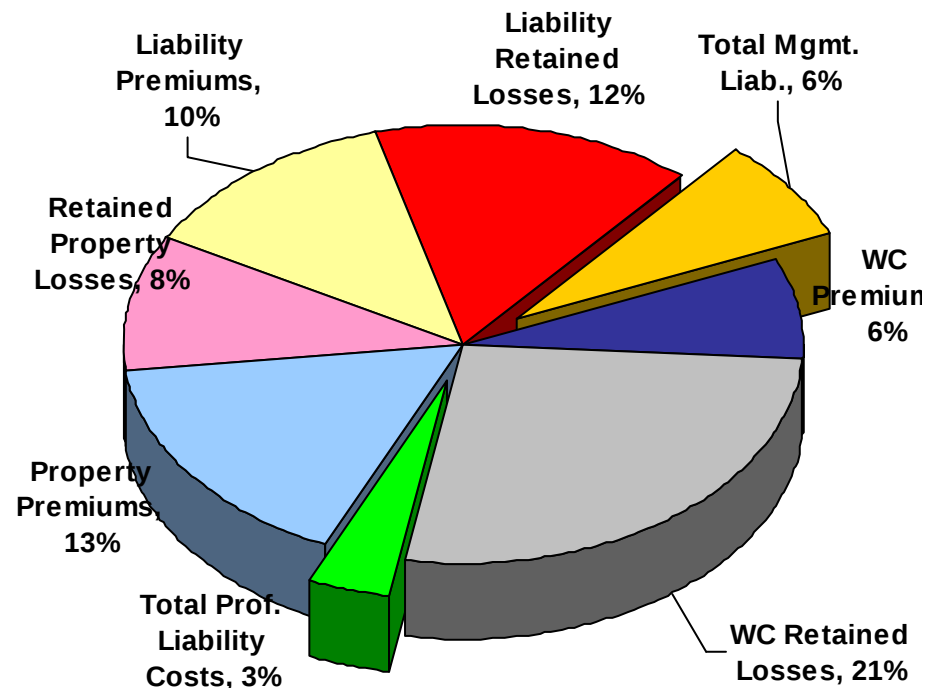
How the Risk Dollar is Spent (2011)

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

Firms w/Revenues < \$1 Billion

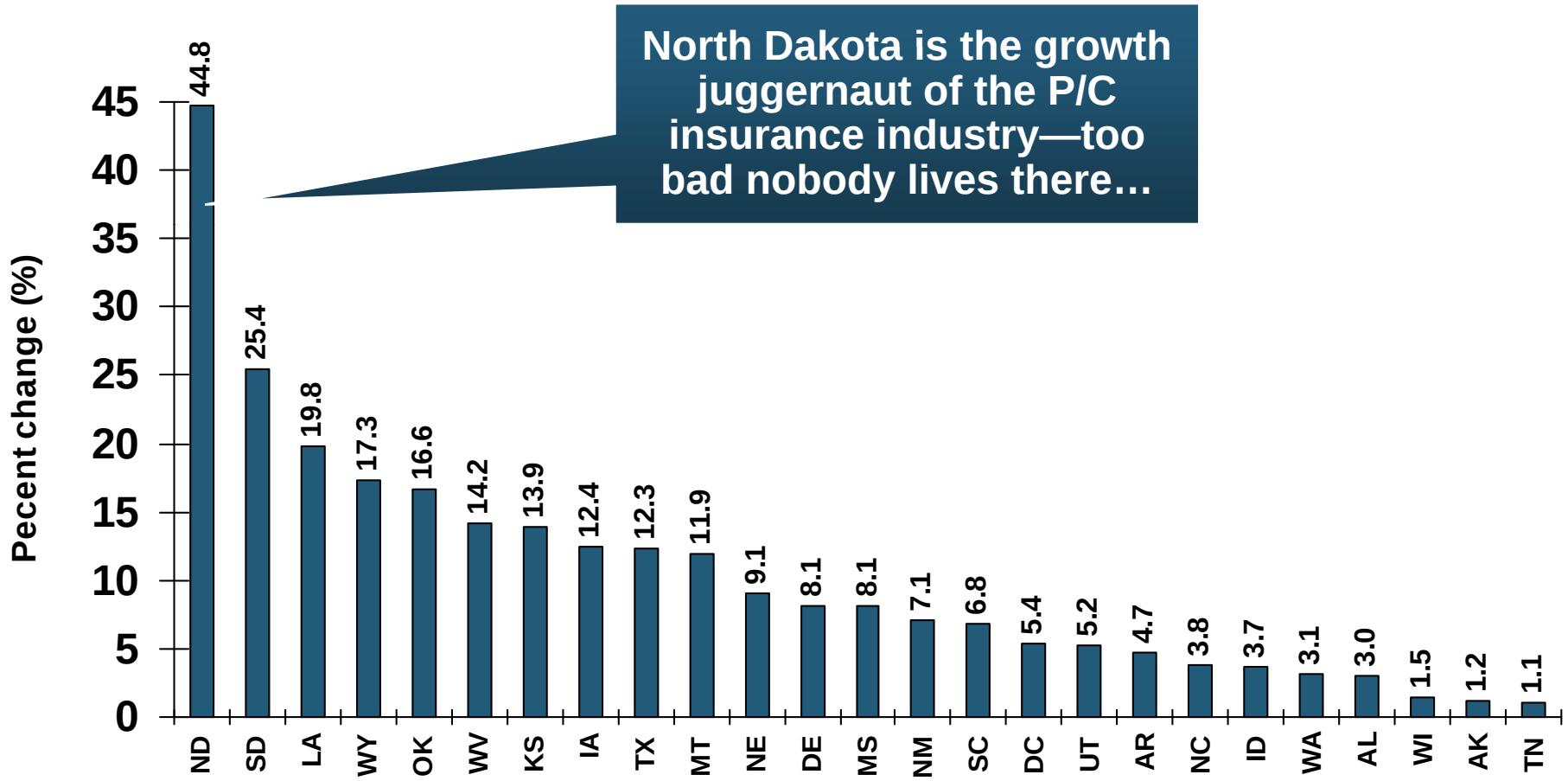


Firms w/Revenues > \$1 Billion



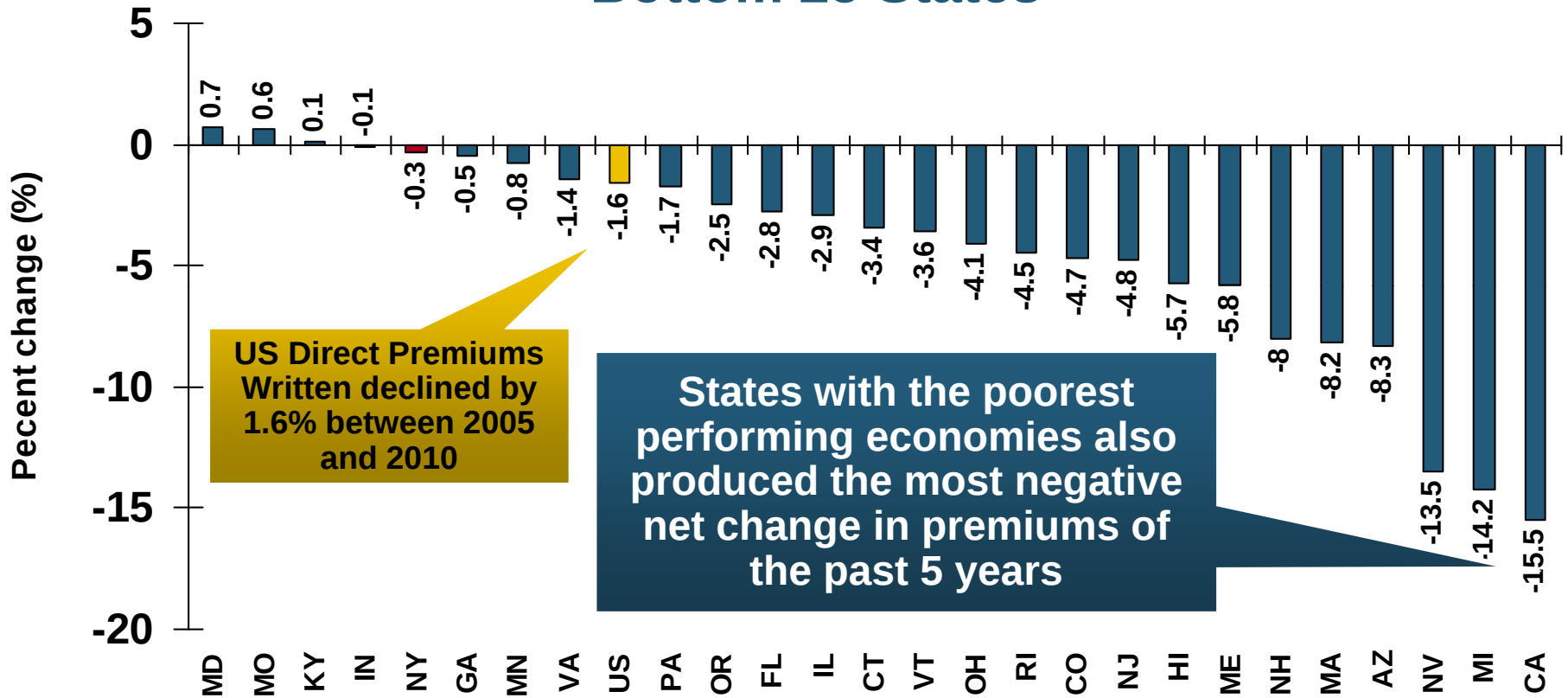
Direct Premiums Written: All P/C Lines Percent Change by State, 2005-2010

Top 25 States



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

Bottom 25 States



Other Cycle-Influencing Factors

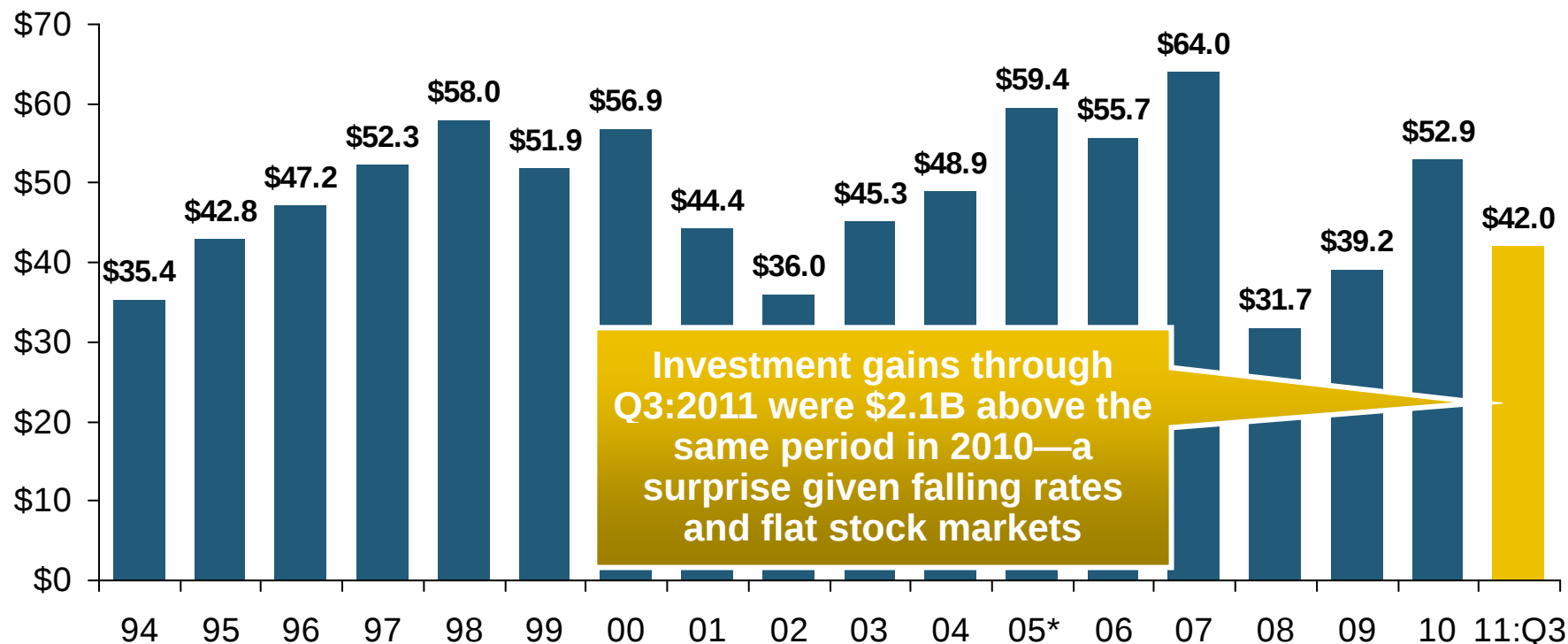
**Could Other Factors Act as
a Catalyst to Turn the
Market?**

INVESTMENTS: THE NEW REALITY

**Investment Performance is a
Key Driver of Profitability
*Does It Influence
Underwriting or Cyclicalities?***

Property/Casualty Insurance Industry Investment Gain: 1994–2011:Q3¹

(\$ 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

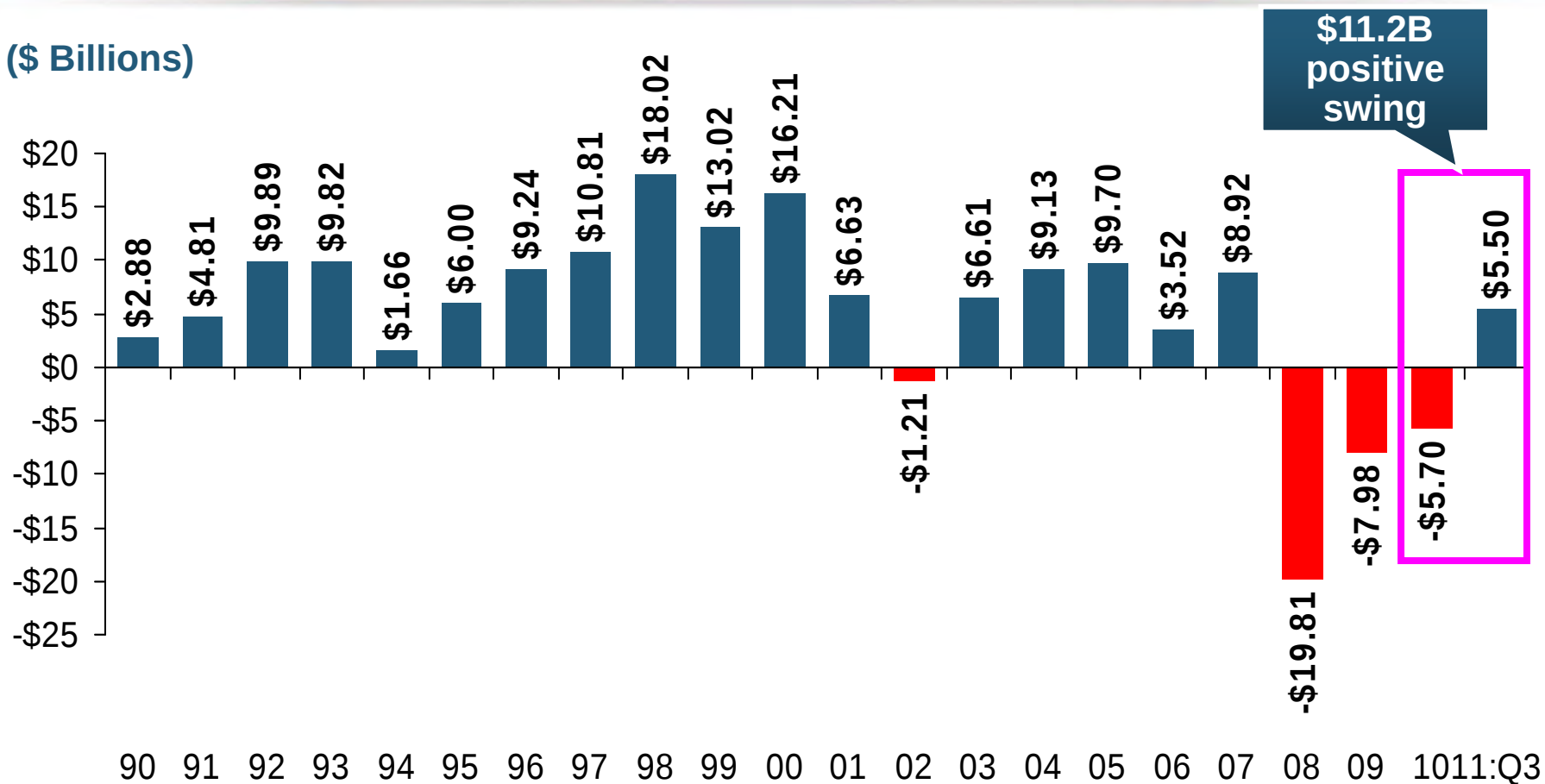
¹ Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

* 2005 figure includes special one-time dividend of \$3.2B.

Sources: ISO; Insurance Information Institute.

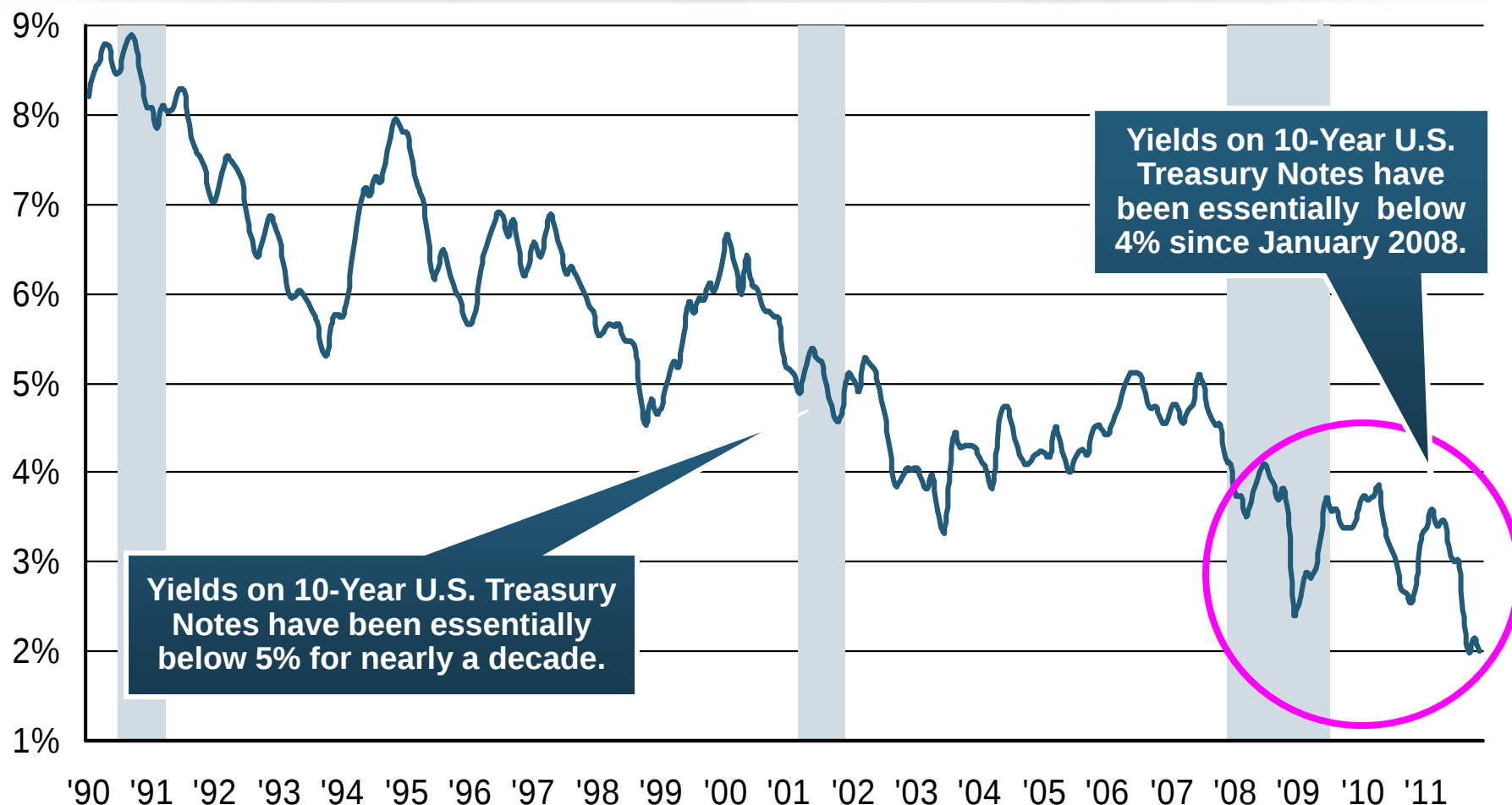
P/C Insurer Net Realized Capital Gains/Losses, 1990-2011:3Q

(\$ Billions)



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

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



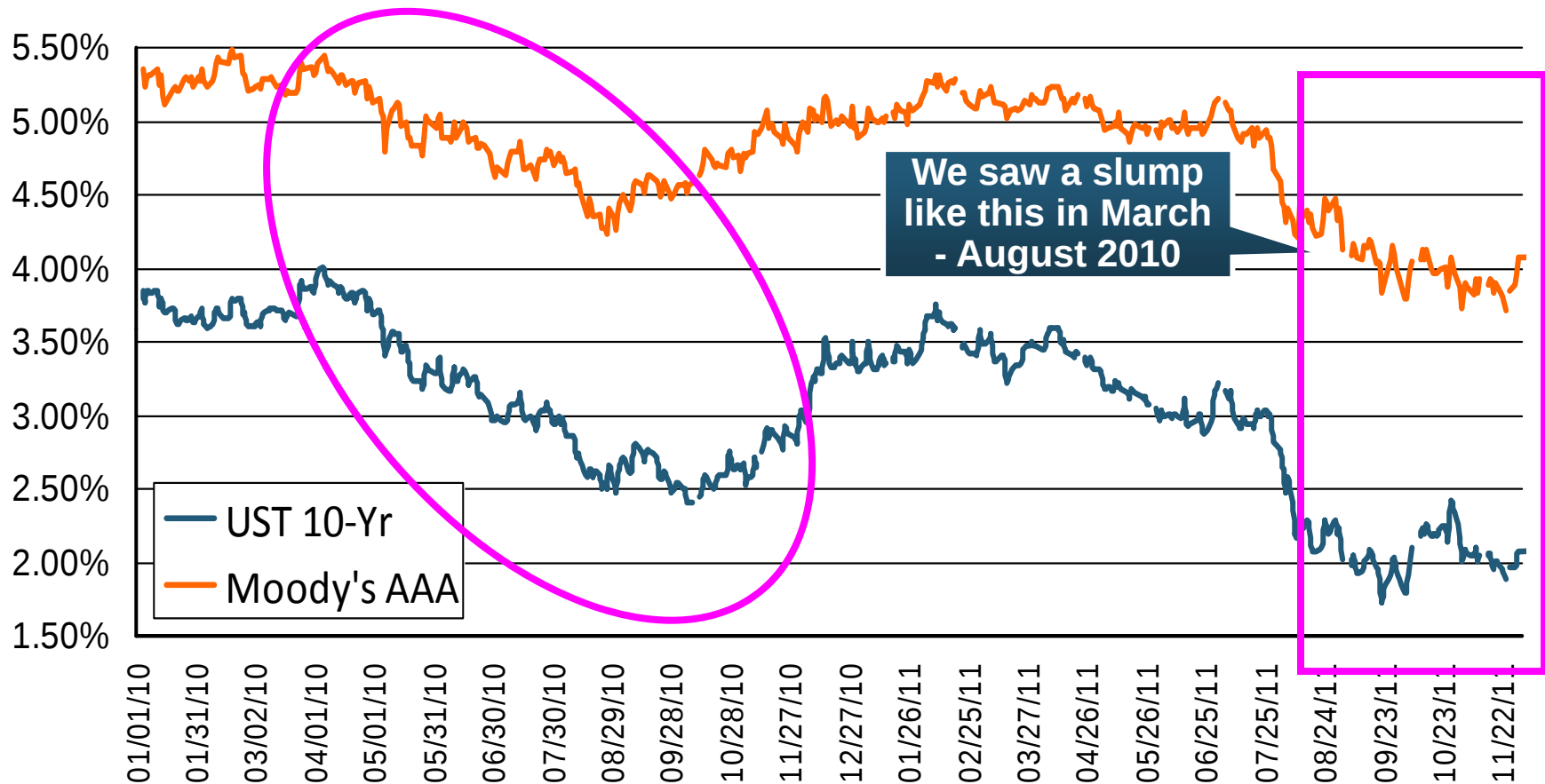
Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*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*

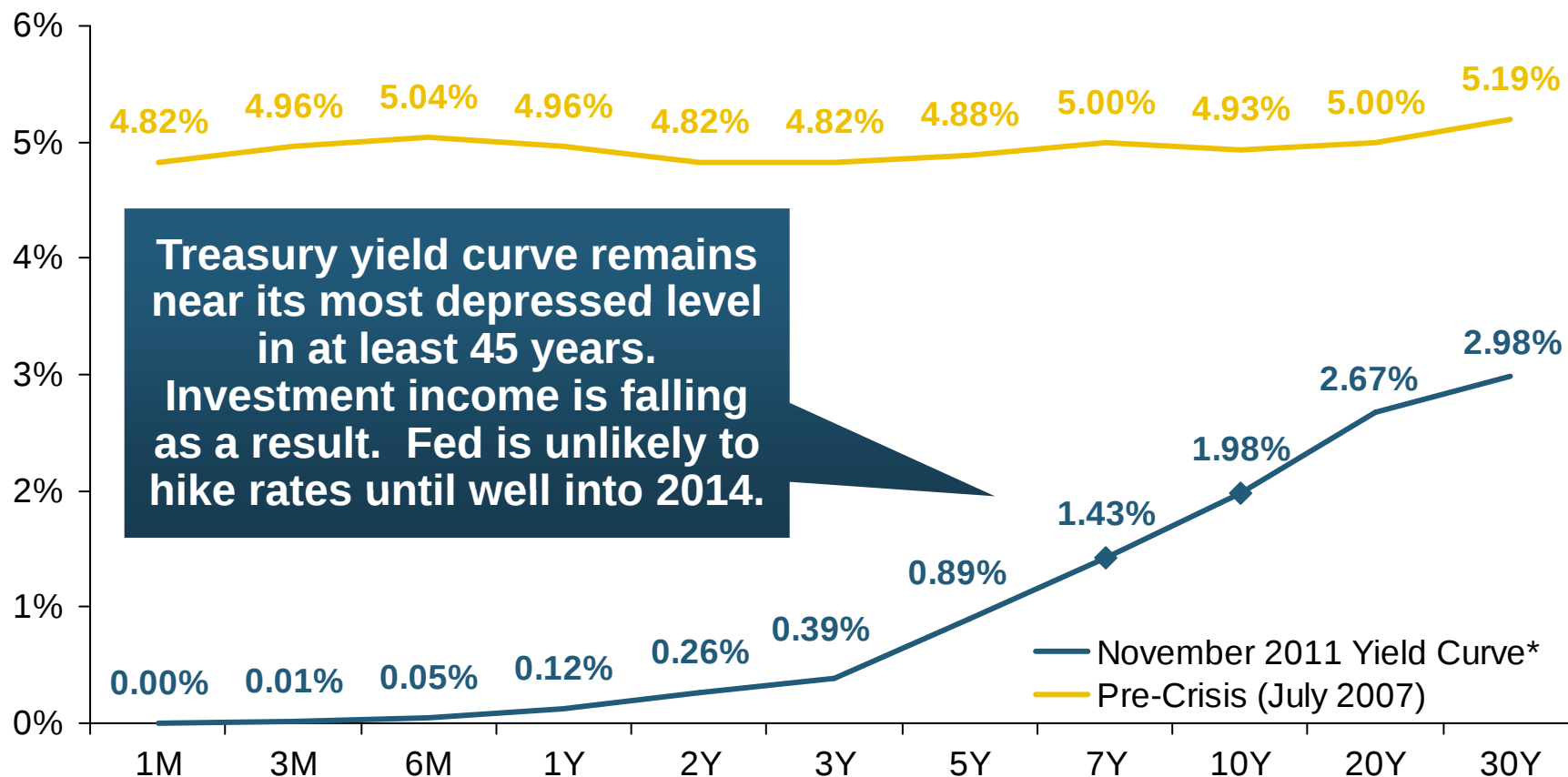


The spread between the two yields reflects confidence (or lack of it) in the economy's prospects. A wider spread indicates worry; narrower = confidence.

*through 11/30/2011

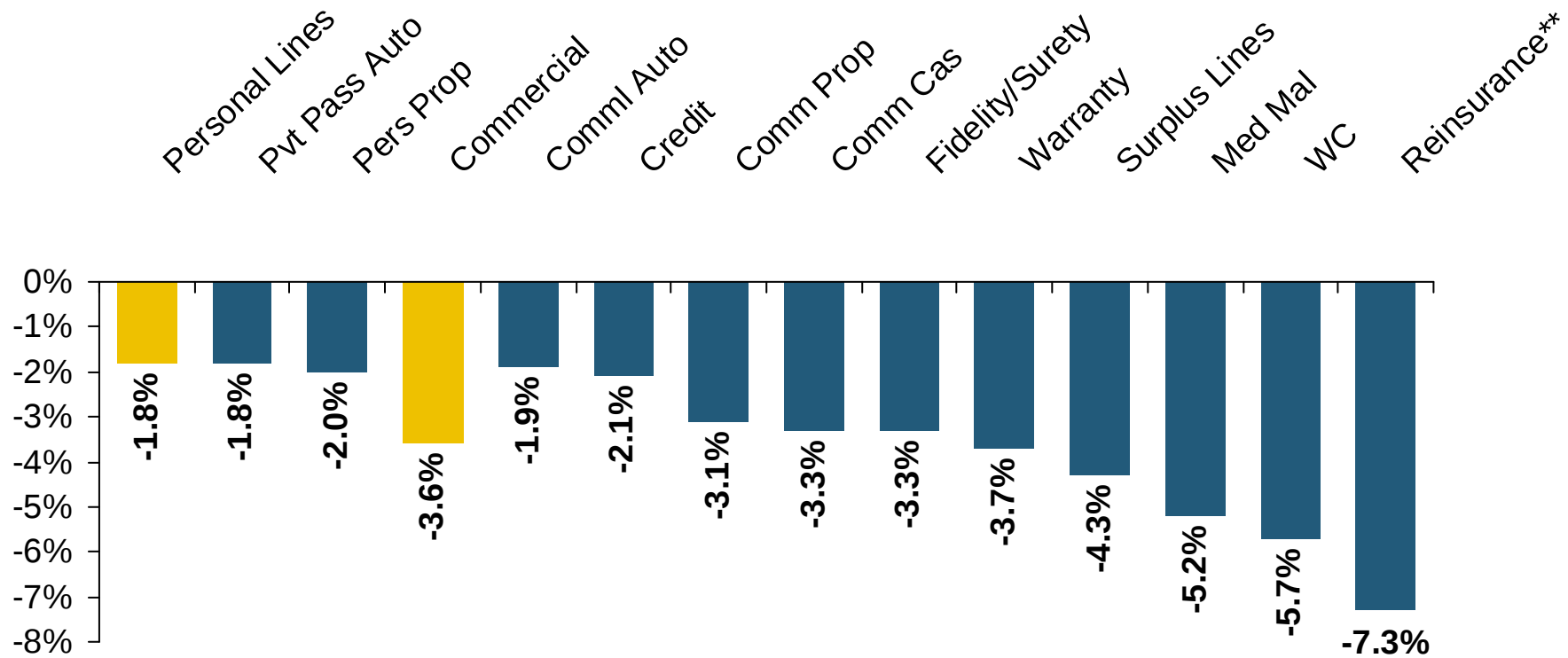
Sources: Federal Reserve Board at http://www.federalreserve.gov/releases/h15/data/Business_day/H15_TCMNOM_Y10.txt
and http://www.federalreserve.gov/releases/h15/data/Business_day/H15_AAA_NA.txt

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



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

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



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

*Based on 2008 Invested Assets and Earned Premiums

**US domestic reinsurance only

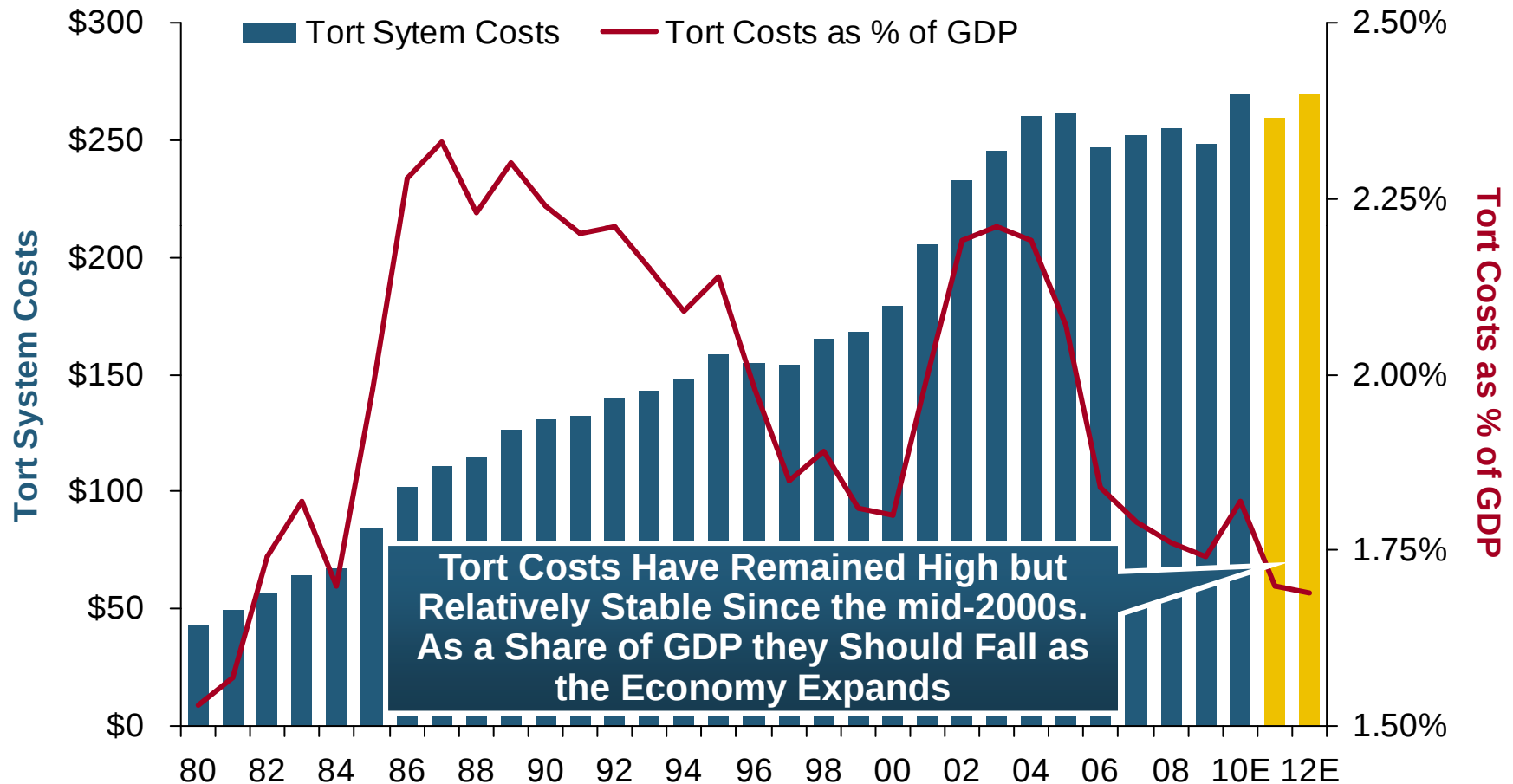
Source: A.M. Best; Insurance Information Institute.

Shifting Legal Liability & Tort Environment

Is the Tort Pendulum Swinging Against Insurers?

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

(\$ Billions)



Business Leaders Ranking of Liability Systems in 2010

Best States

1. Delaware
2. North Dakota
3. Nebraska
4. Indiana
5. Iowa
6. Virginia
7. Utah
8. Colorado
9. Massachusetts
10. South Dakota

New in 2010

- North Dakota
- Massachusetts
- South Dakota

Drop-offs

- Maine
- Vermont
- Kansas

Midwest/West has mix of good and bad states.

Worst States

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

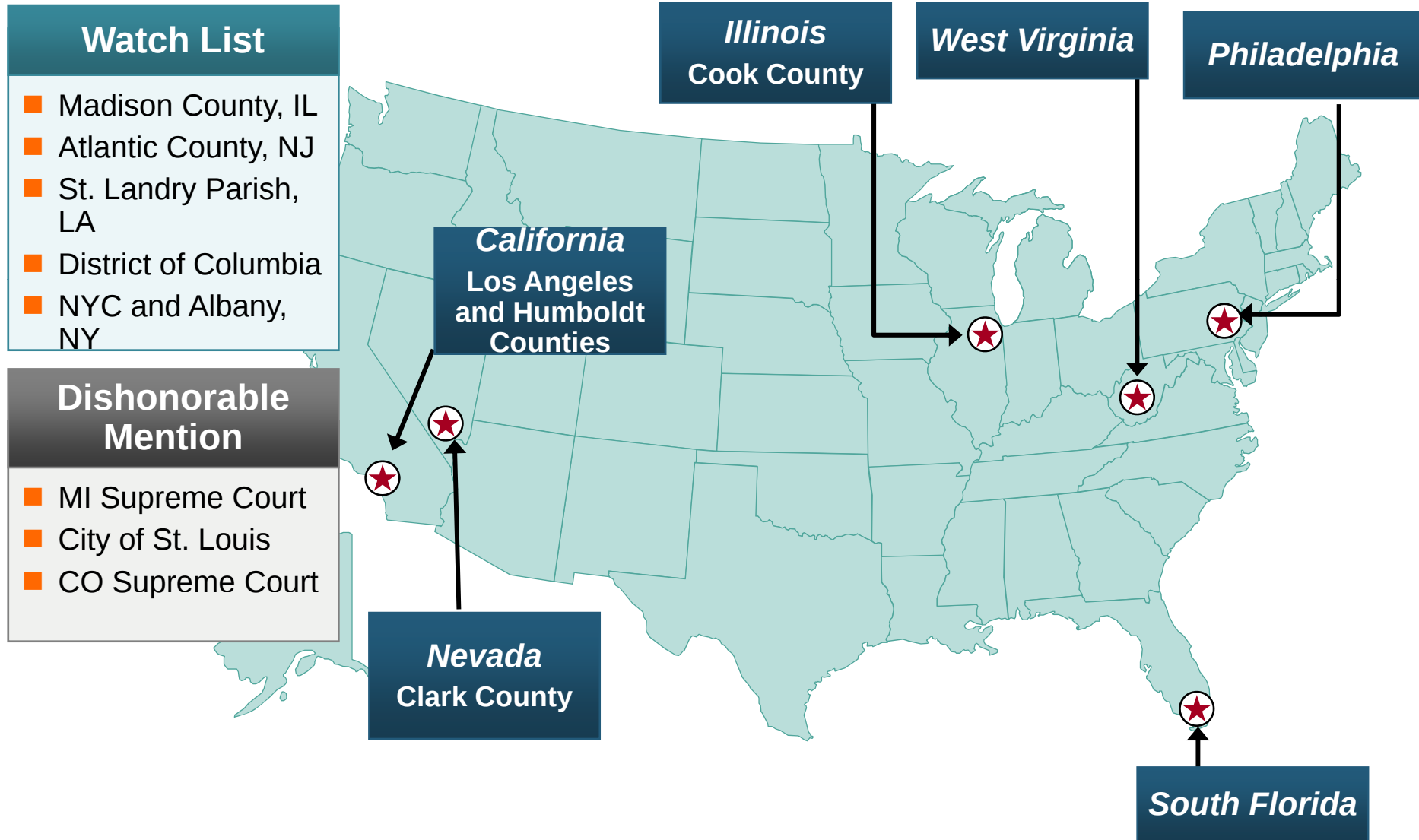
Newly Notorious

- New Mexico
- Montana
- Arkansas

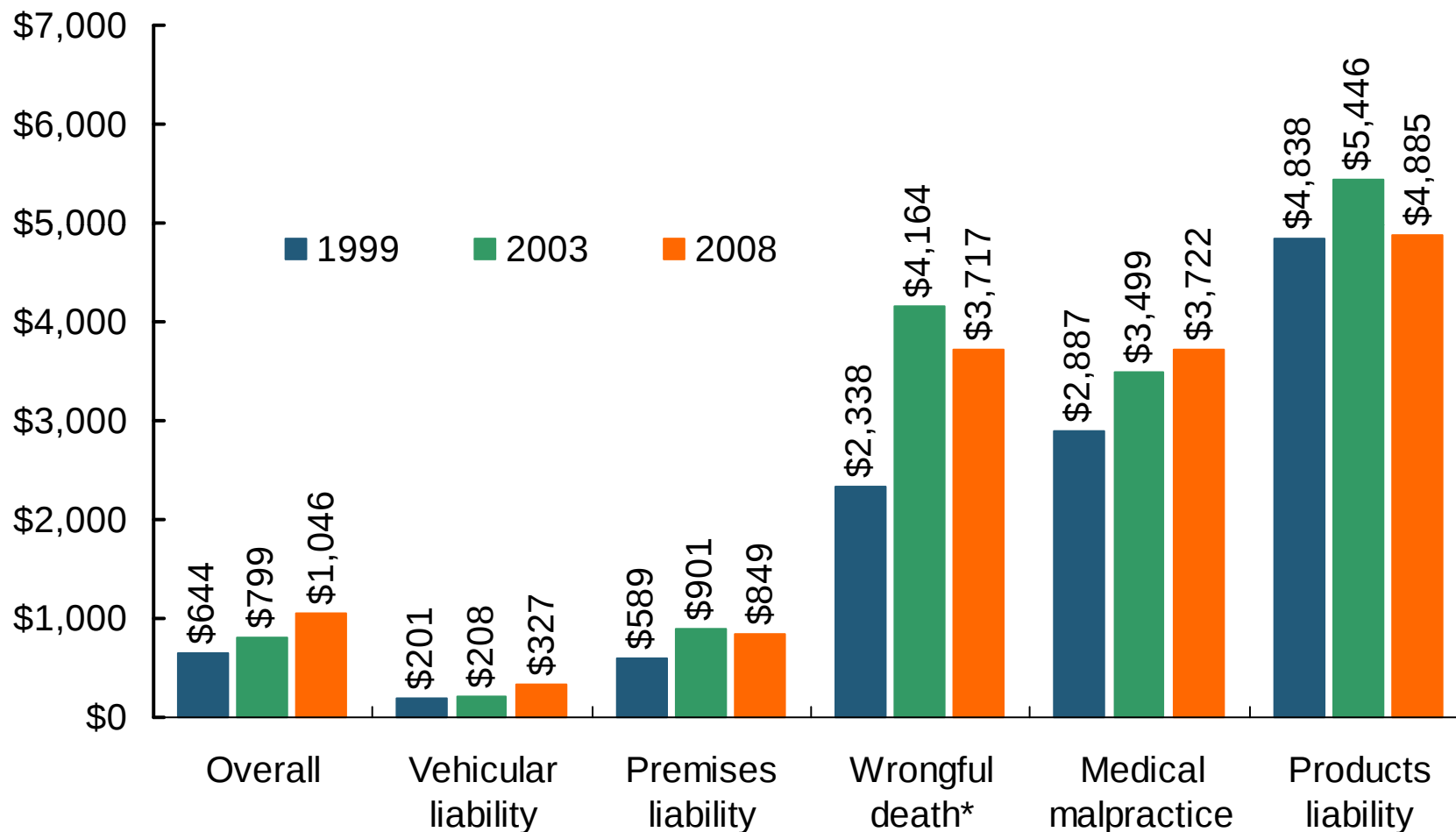
Rising Above

- **Texas**
- South Carolina
- Hawaii

The Nation's Judicial Hellholes: 2010



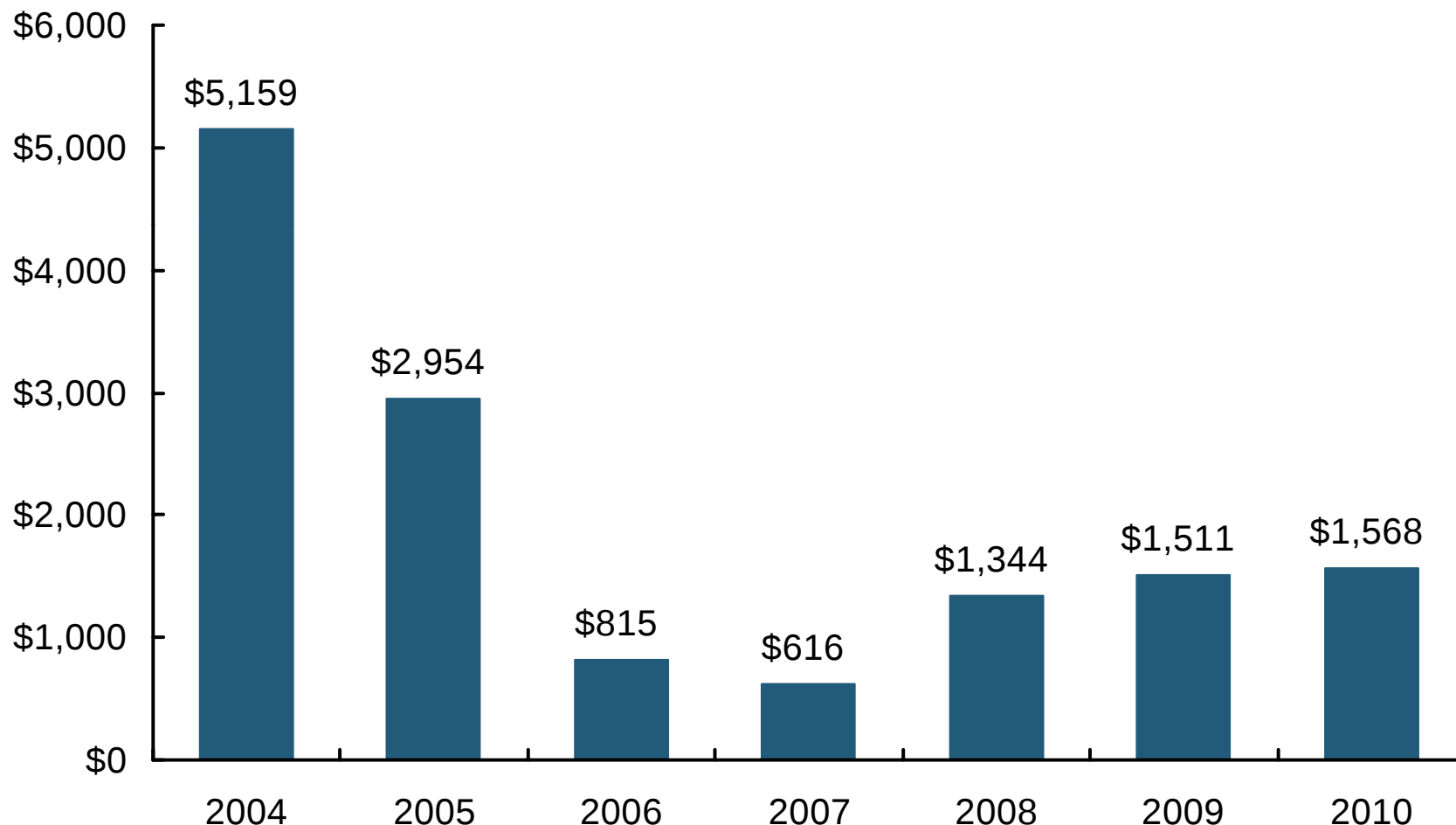
Avg. Jury Awards 1999 vs. 2003 and 2008



*Award trends in wrongful deaths of adult males.

Source: Jury Verdict Research; Insurance Information Institute.

Sum of Top 10 Jury Awards 2004-2010



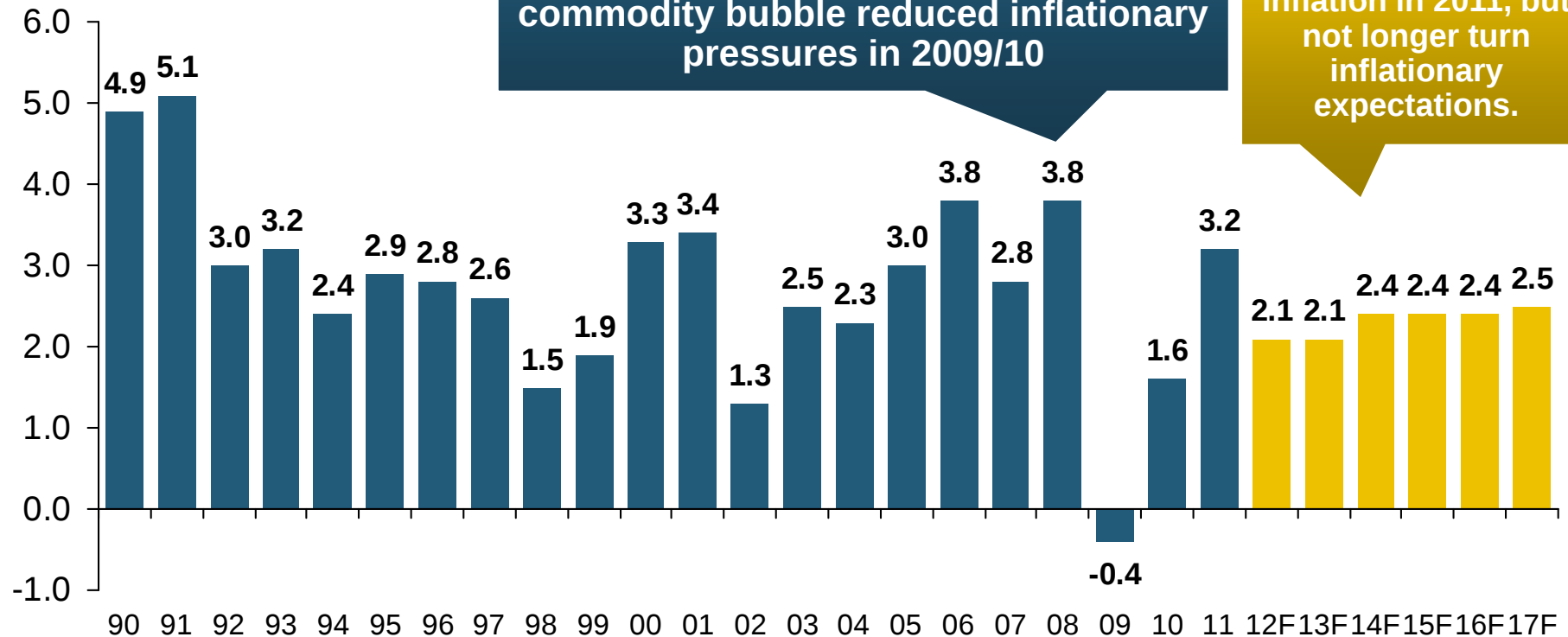
Source: Insurance Information Institute from Lawyers USA, January 2005, 2006, 2007, 2008, 2009, and 2010.

Inflation

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

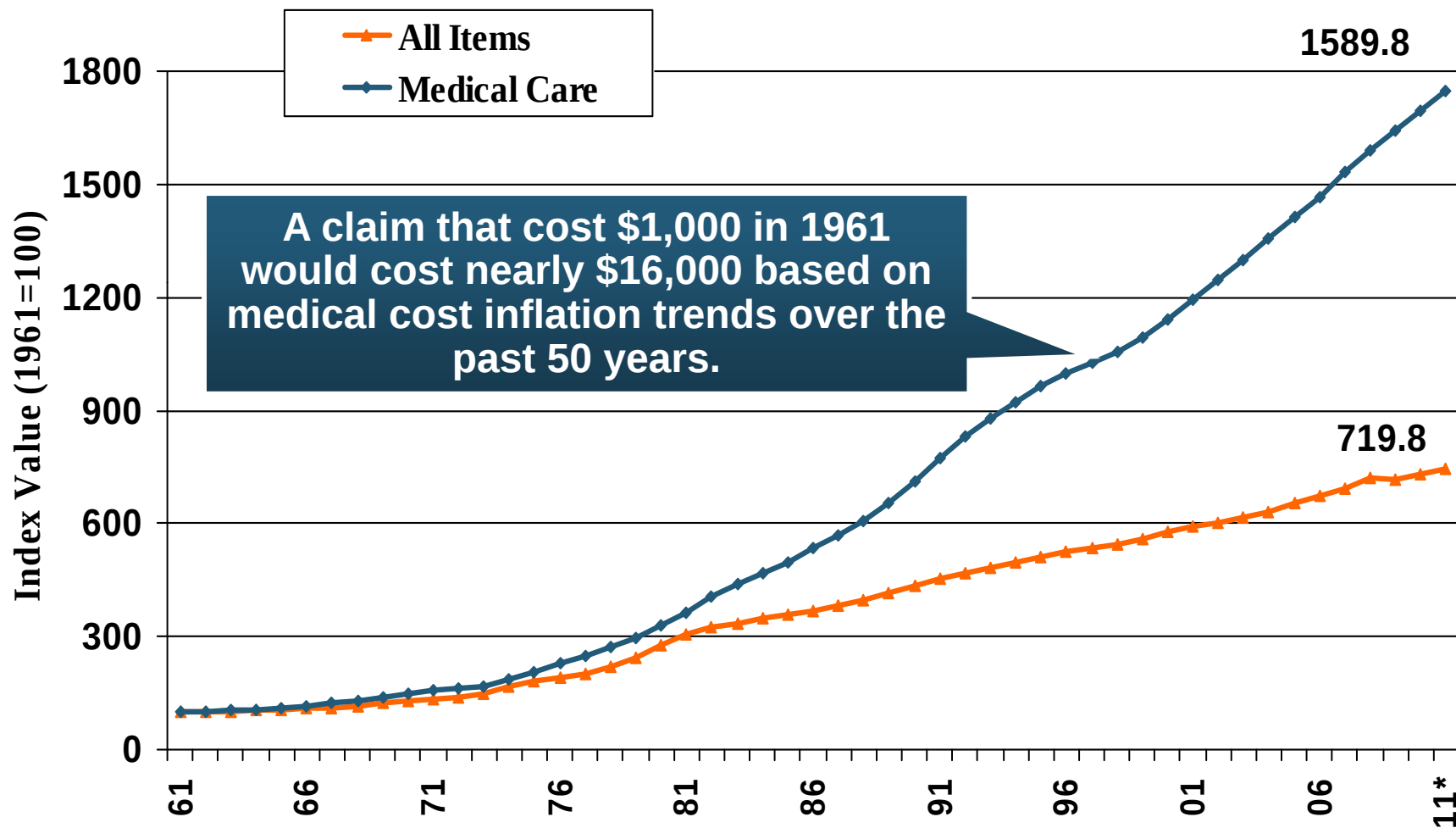
Annual Inflation Rates, (CPI-U, %), 1990–2017F

Annual Inflation Rates (%)



The slack in the U.S. economy suggests that inflationary pressures should remain subdued for an extended period of times. Energy, health care and commodity prices, plus U.S. debt burden, remain longer-run concerns

Medical Cost Inflation Has Outpaced Overall Inflation Over 50 Years



*Based on change from Feb. 2011 to Feb. 2010 (latest available)

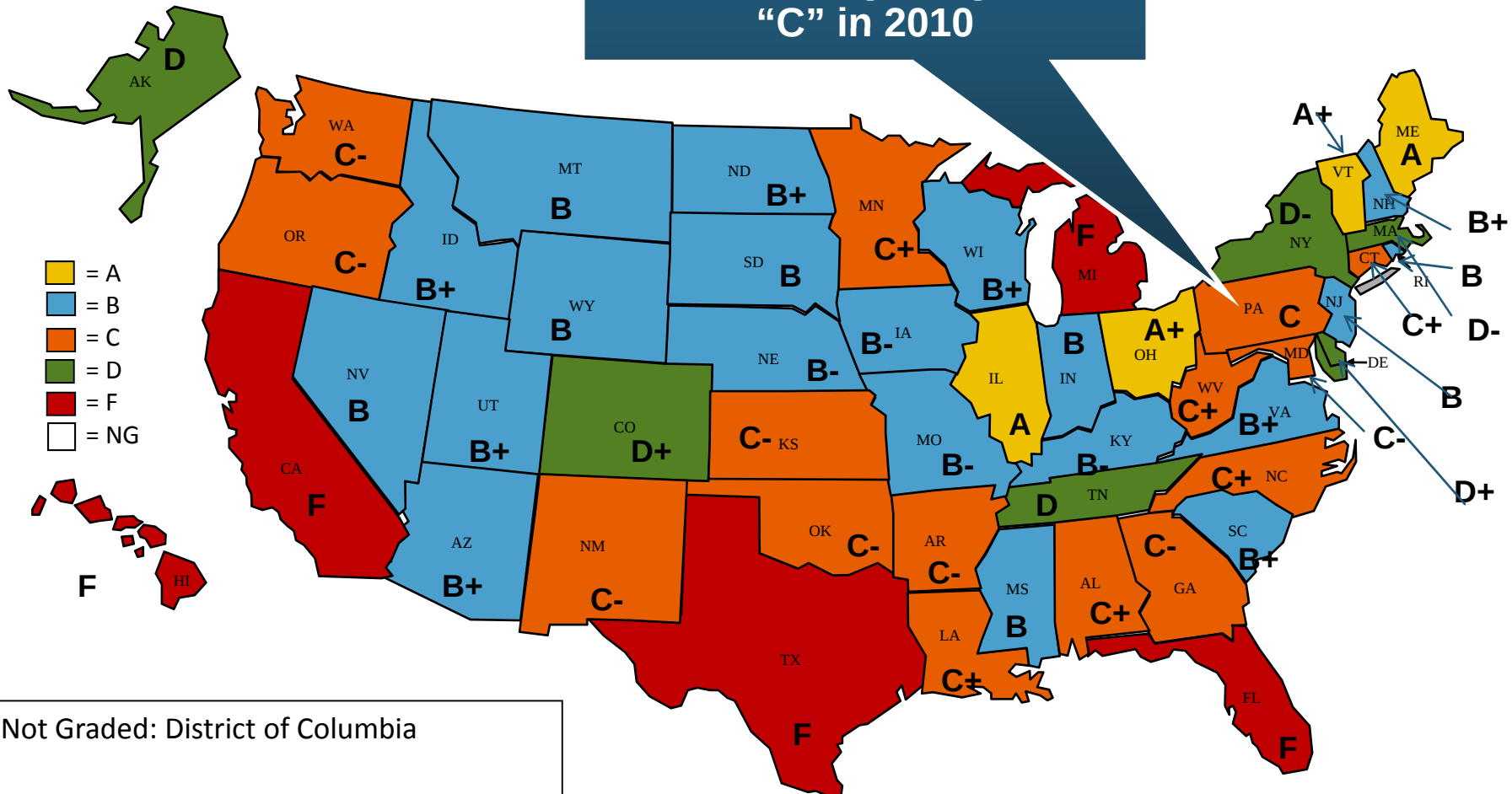
Source: Department of Labor (Bureau of Labor Statistics)

Regulatory Environment & Financial Services Reform

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

2010 Property and Casualty Insurance Regulatory Report Card

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



Dodd-Frank & Insurance One Year: *Status Report*

Expectations vs. Reality



Dodd-Frank Implementation

Status Report for Insurers: Slow Start

The Dodd-Frank Wall Street Reform and Consumer Protection Act

■ Financial Stability Oversight Council—*Slow to Consider Insurer Concerns*

- FSOC deliberates largely behind closed doors
- Criteria and process for designation of Systemically Important Financial Institutions (SIFIs) were not announced until October 12, 2011
 - ***Possible that small number of US insurers will be designated as SIFIs***
- Operated/deliberated until late September 2011 without a voting member representing the insurance industry
 - ***Roy Woodall, approved by Senate in Sept. 27, 2011, is the sole voting representative for the entire p/c and life insurance industry (was Kentucky Ins. Comm. 1966-1967; Worked in other insurance trade posts, Treasury)***
- Two non-voting FSOC members represent insurance interests:
 - ***FIO Director Michael McGraith (started June 1, 2011)***
 - ***Missouri Insurance Director John Huff (started in Sept. 2010)***
 - ***Not allowed to brief fellow regulators on FSOC discussions***

Dodd-Frank Implementation: *SYSTEMIC RISK CRITERIA*

The Dodd-Frank Act and Systemic Importance

- All Banks with Assets > \$50B Considered Systemically Important
- Non-Bank Financial Groups with Global Consolidated Assets > \$50B Will Be Examined for Systemic Riskiness, But Not Automatically Labeled as a Systemically Important Financial Institution (SIFI)
 - Foreign firms with assets in the US exceeding \$50 billion will also fall under review
- If Firm Exceeds the \$50B Threshold, a 3-Stage Test Applies
- **STAGE 1**: Non-Banks Financial Groups with \$50B+ Assets Will Be Evaluated on Five “Uniform Quantitative Thresholds,” at Least One of Which Will Have to Be Met to Trigger a Further (Stage 2) Review Potentially Leading to a SIFI Designation
 - **Leverage**: Would have to be leveraged more than 15:1 (insurers unlikely to trigger)
 - **ST Debt-to-Assets**: Would have to a ratio of ST debt (less than 12 months to maturity) to consolidate assets exceeding 10%
 - **Debt**: Have total debt exceeding \$20 billion (i.e., loans borrowed and bond issues)
 - **Derivative Liabilities**: Have derivative liabilities exceeding \$3.5 billion
 - **Credit Default Swaps**: Have more than \$30 billion CDS outstanding for which the nonbank financial firm is the reference entity (i.e., CDS written against firm’s failure)
- **Thresholds Considered to Be Guideposts**
 - Not all companies that breach a barrier will be deemed systemically important
 - Regulators retain right to include firms that do meet any of the criteria

Dodd-Frank Implementation: *SYSTEMIC RISK CRITERIA (continued)*

The Dodd-Frank Act and Systemic Importance

- **STAGE 2: Analysis of Firms Triggering Uniform Quantitative Thresholds**
 - Firms triggering one or more of the quantitative thresholds in Stage 1 will be analyzed using publicly available information in order to conduct a more thorough review
 - No data call will be required at this stage
 - Firms viewed as potentially systemically important (candidate SIFIs) will subject to a Stage 3 analysis
- **STAGE 3: Analysis of Candidate Systemically Important Financial Institutions**
 - Firms deemed in Stage 2 to be potentially systemically important will be subjected to more detailed analysis including data not available during the Stage 2 analysis
 - Stage 3 firms will be notified by the FSOC that they are under consideration and will have the opportunity to contest their consideration
- **SIFI DESIGNATION PROCEDURE: 2-Stage Voting Procedure by FSOC is Required Before a Final SIFI Designation is Made**
 - At the conclusion of the Stage 3, FSOC has the authority to propose a firm be designated as a SIFI
 - Requires 2/3 majority vote of FSOC members, including affirmation of the Chair (Treasury Secretary)
 - Potential SIFI firm will be given written explanation for the determination
 - Firm can request a hearing to contest the determination
 - Final determination requires another 2/3 majority of FSOC members and affirmation of the Chair

Dodd-Frank Implementation:

FSOC MEMBERS



The Dodd-Frank Act and Systemic Importance

Members of the Financial Stability Oversight Council

- There are 10 voting members of the FSCO
- **Treasury Secretary and FSOC Chair: Timothy Geithner**
- **Federal Reserve Chairman: Ben Bernanke**
- **Securities & Exchange Commission Chairman: Mary Shapiro**
- **Commodities Futures Trading Commission Chairman: Gary Gensler**
- **National Credit Union Administration Chairman: Debbie Matz**
- **(Acting) Comptroller of the Currency: John Walsh**
- **Federal Housing Finance Agency (Acting) Director: Edward DeMarco**
- **Consumer Financial Protection Bureau Director: *Position is Currently Vacant***
- **Independent Insurance Expert: Roy Woodall**
 - There are 2 nonvoting members of the FSOC representing insurance interests
 - Federal Insurance Office Director Mike McGraith
 - John Huff, Director of the Missouri Insurance Department

Dodd-Frank Implementation: *FSOC MEMBERS*

Members of the Federal Advisory Committee on Insurance

Members Announced on November 2, 2011:

- David Birnbaum, Economist and Executive Director, Center for Economic Justice
- Michael Consedine, Commissioner, Commonwealth of the Pennsylvania Department of Insurance
- Jacqueline Cunningham, Commissioner, State of Virginia Bureau of Insurance
- John Degnan, Senior Advisor to the CEO of the Chubb Corporation
- Brian Duperreault, President and Chief Executive Officer, Marsh & McLennan Companies
- Loretta Fuller, Chief Executive Officer, Insurance Solutions Associates
- Scott E. Harrington, Alan B. Miller Professor in the Health Care Management and Insurance and Risk Management departments at the Wharton School, University of Pennsylvania
- Benjamin Lawsky, Superintendent of Financial Services, State of New York
- Thomas Leonardi, Commissioner of the Connecticut Department of Insurance
- Monica Lindeen, State of Montana Commissioner of Securities and Insurance and State Auditor
- Christopher Mansfield, Senior Vice President and General Counsel, Liberty Mutual Group
- Sean McGovern, Director and General Counsel, Lloyd's North America
- Theresa Miller, Administrator, State of Oregon Insurance Division
- Michael E. Sproule, Executive VP and Chief Financial Officer, New York Life Insurance Co.
- Bill White, Commissioner, District of Columbia Department of Insurance

Dodd-Frank Implementation: *Federal Insurance Office: Very Quiet*

Federal Insurance Office Update: *Activity Update*

■ FIO's First Director Did Not Assume Office Until June 1, 2011

- Former Illinois Insurance Director Michael McGraith
- Small staff (10-12) and modest budget
- McGraith has made few appearances or public comments



■ Study on State of Insurance Regulation Due Jan. 21, 2012

- Report will likely review previously identified inefficiencies and strengths of current regulatory system with an eye toward modernization.

■ Treasury Will Likely Exert Heavy Influence on the Report



“The states remain the functional regulators, [but] the federal government will work toward modernizing and improving our system of insurance regulation.”

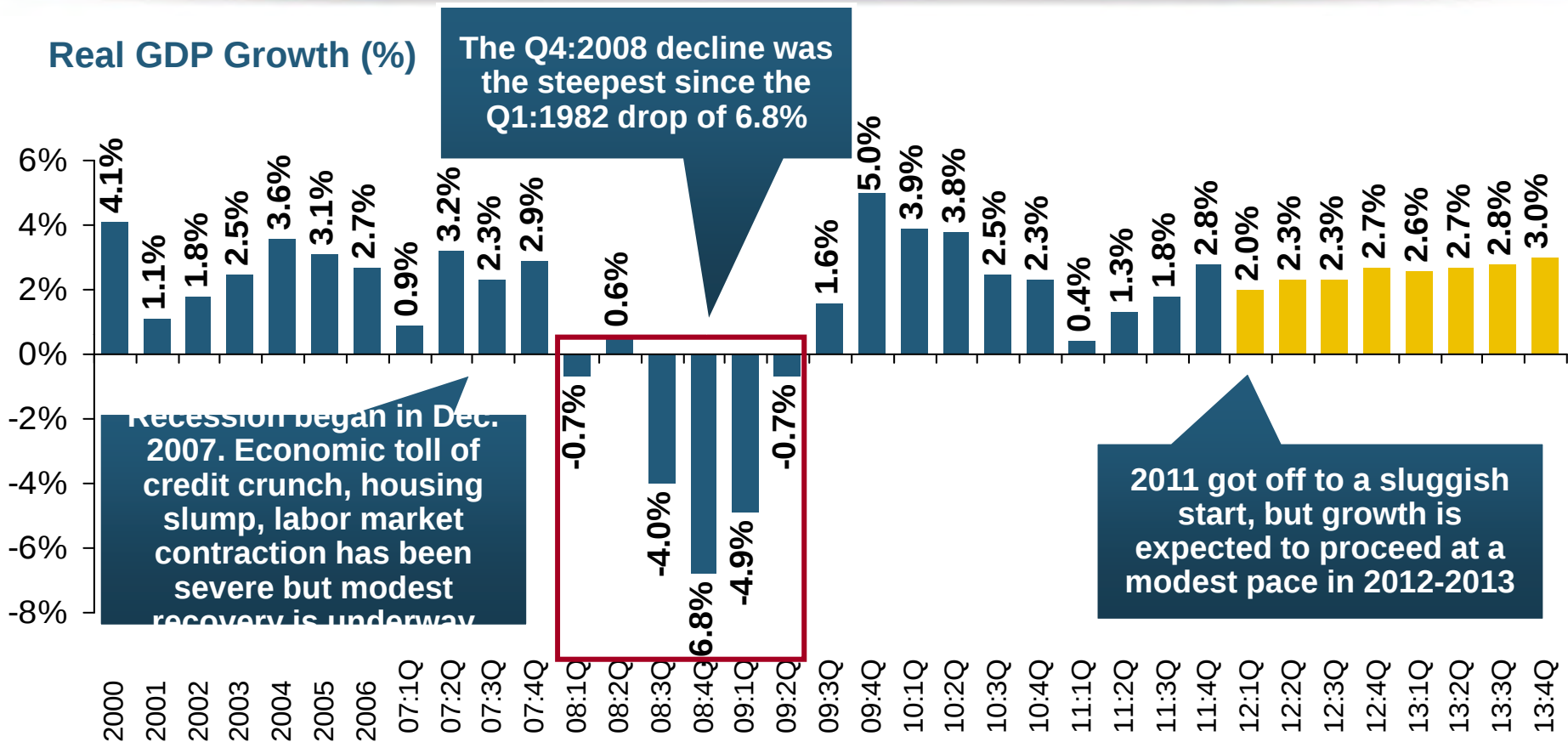
Neal Wolin, Deputy Secretary
Treasury Department

Former President of P/C
Insurance at The Hartford

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

**Growth Would Also Help Absorb
Excess Capital**

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

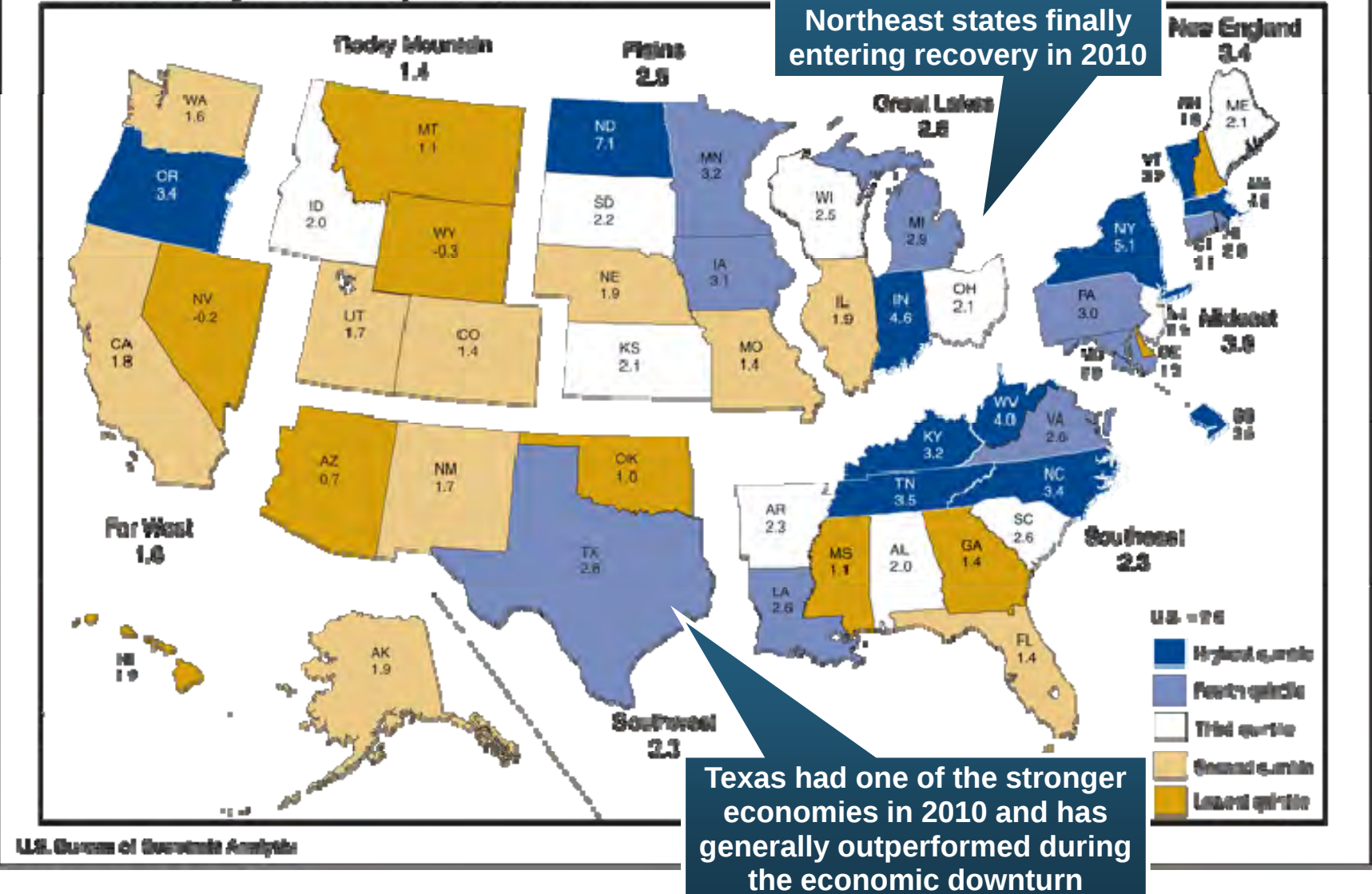
* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 1/12; Insurance Information Institute.

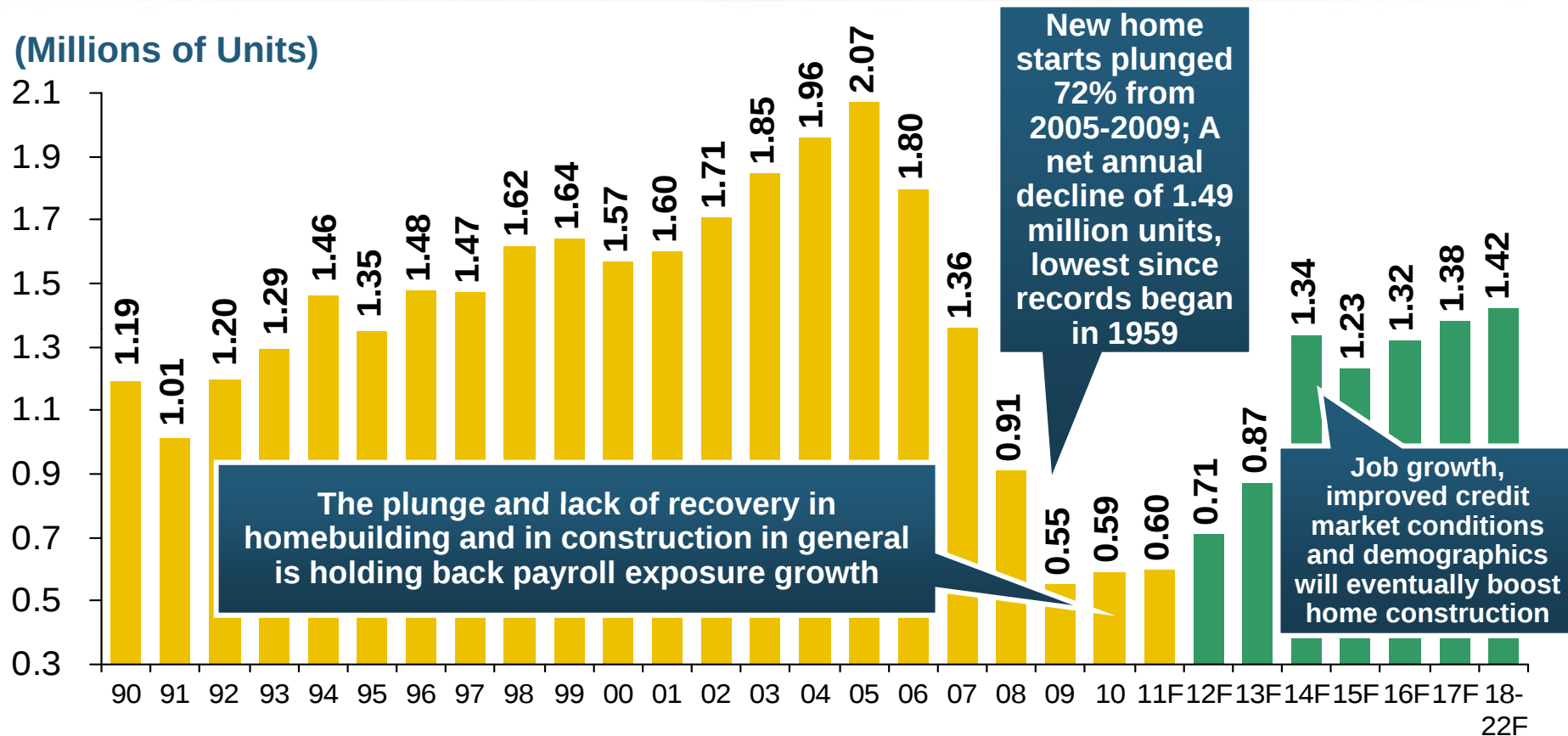
2011 Financial Overview

State Economic Growth Varied in 2010

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



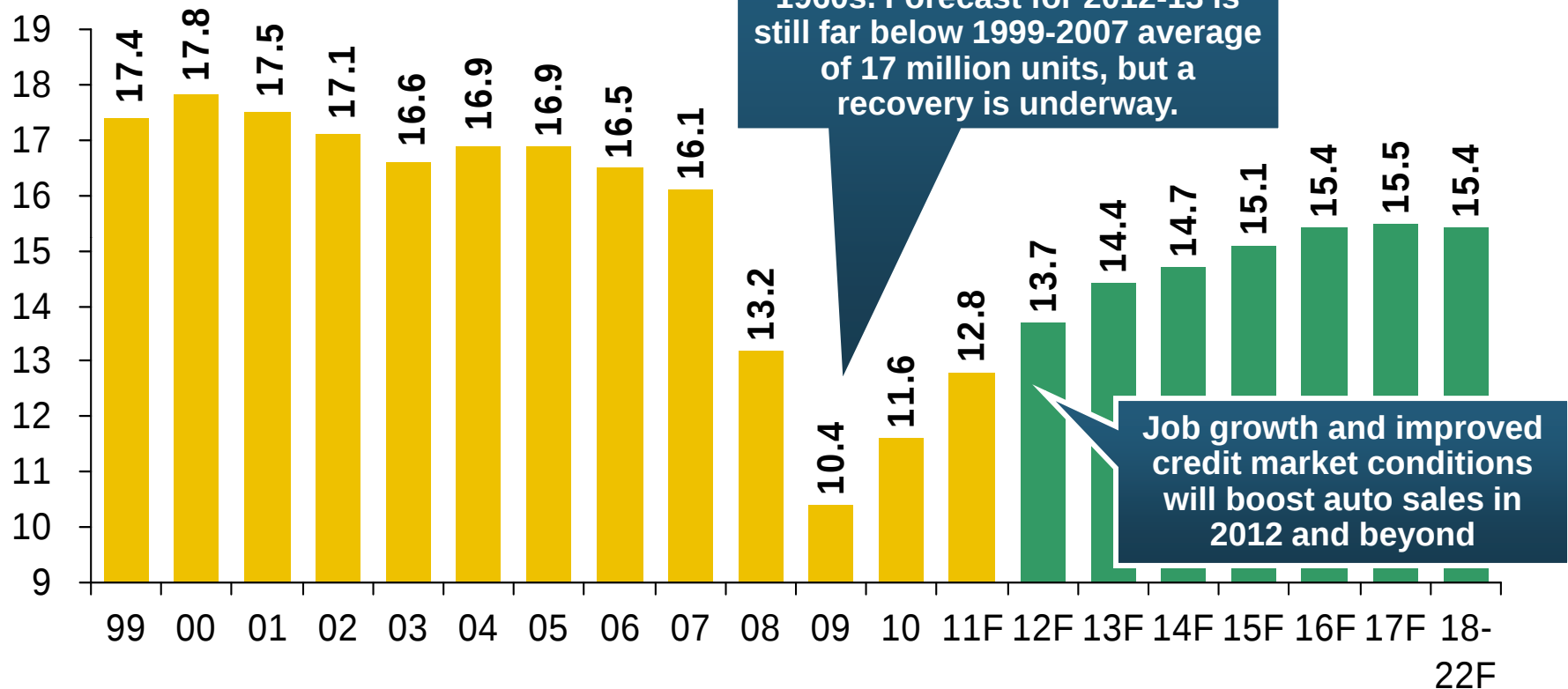
New Private Housing Starts, 1990-2022F



Little Exposure Growth Likely for Homeowners Insurers Until at least 2014. Also Affects Commercial Insurers with Construction Risk Exposure, Surety

Auto/Light Truck Sales, 1999-2022F

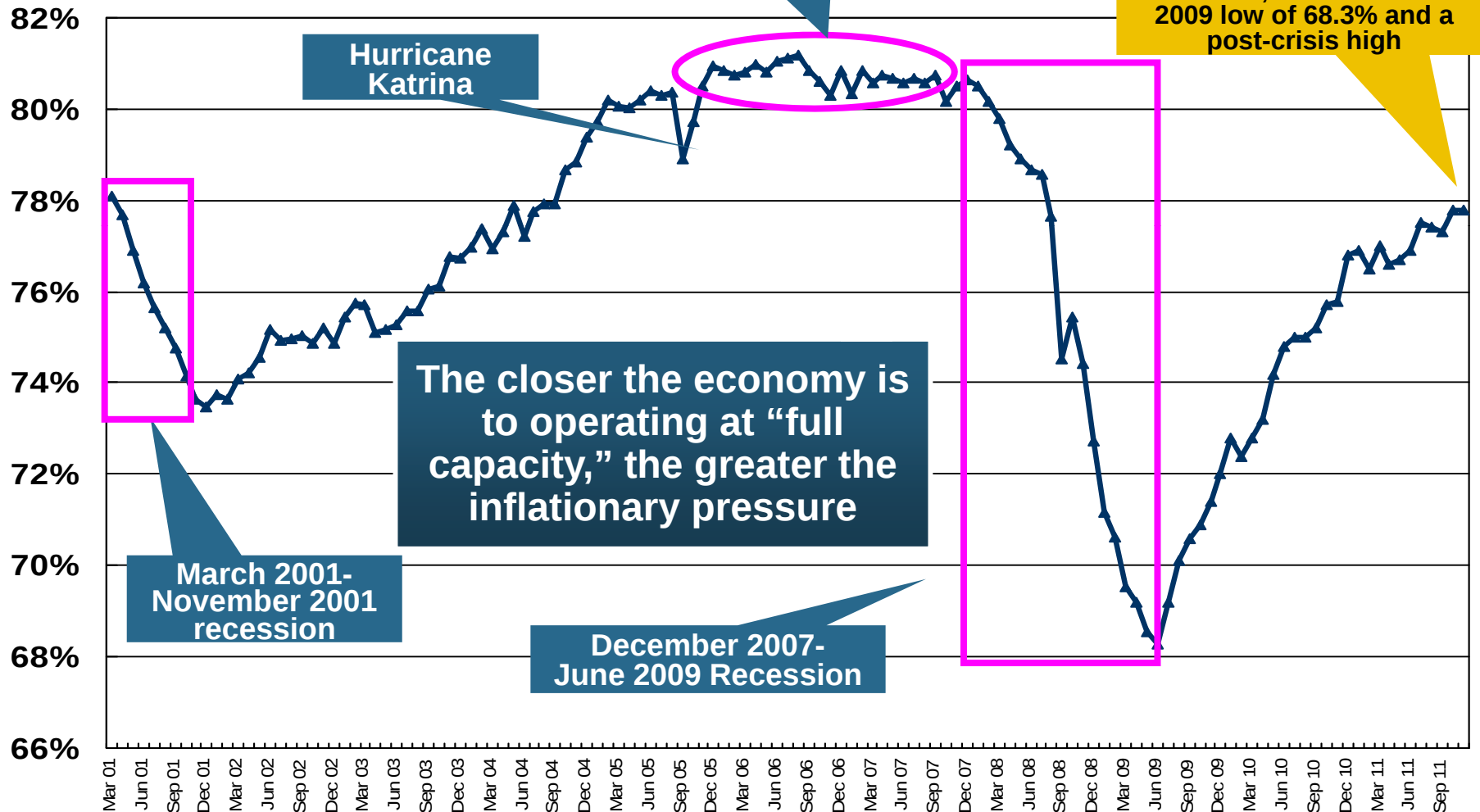
(Millions of Units)



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

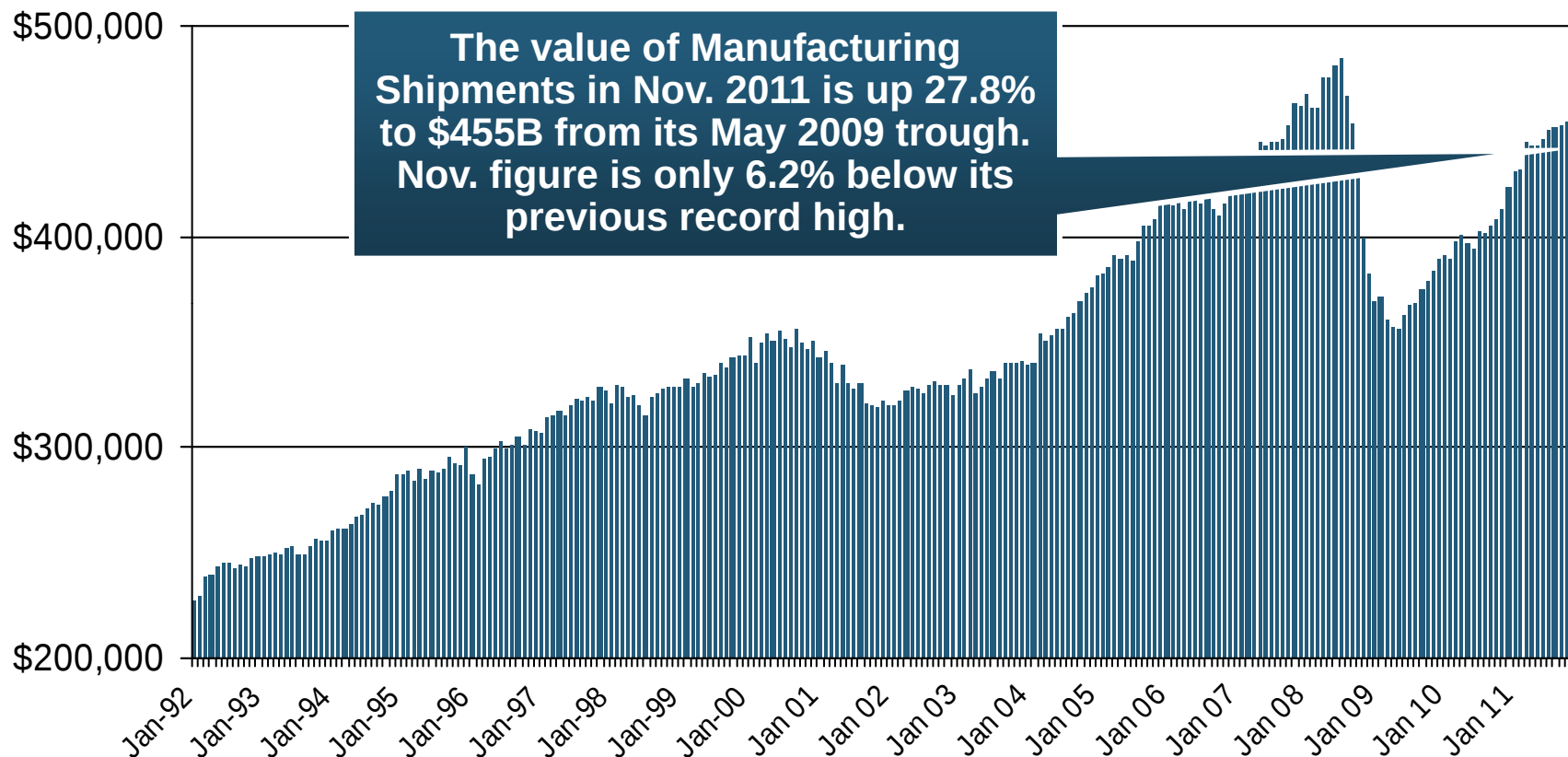
Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

Percent of
Industrial Capacity



Dollar Value* of Manufacturers' Shipments Monthly, Jan 1992-Nov 2011

\$ Millions



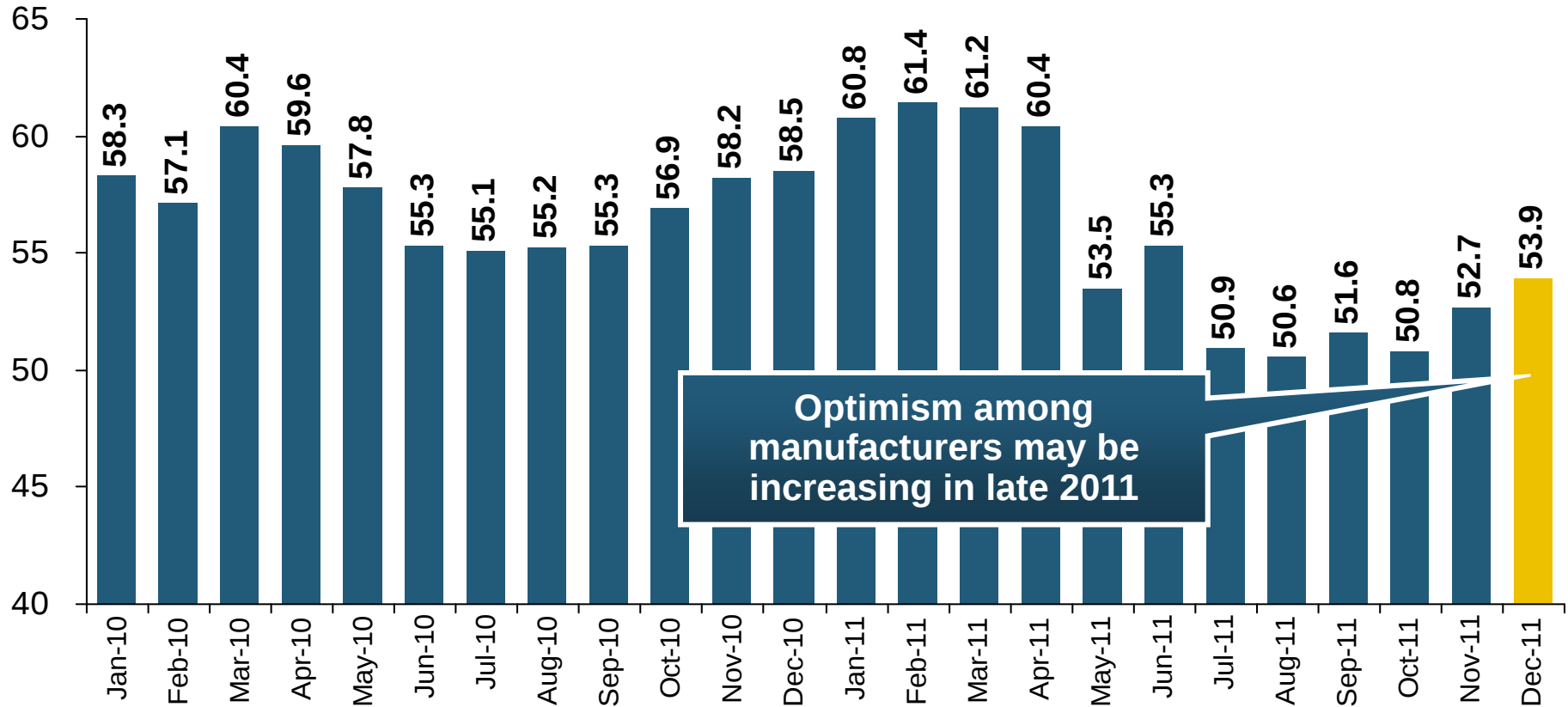
Monthly shipments are nearly back to peak (in July 2008, 6 months into the recession). Trough in May 2009. Growth from trough to November 2011 was 27.8%

*seasonally adjusted

Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders, November 2011*, Jan. 4, 2012

ISM Manufacturing Index (Values > 50 Indicate Expansion)

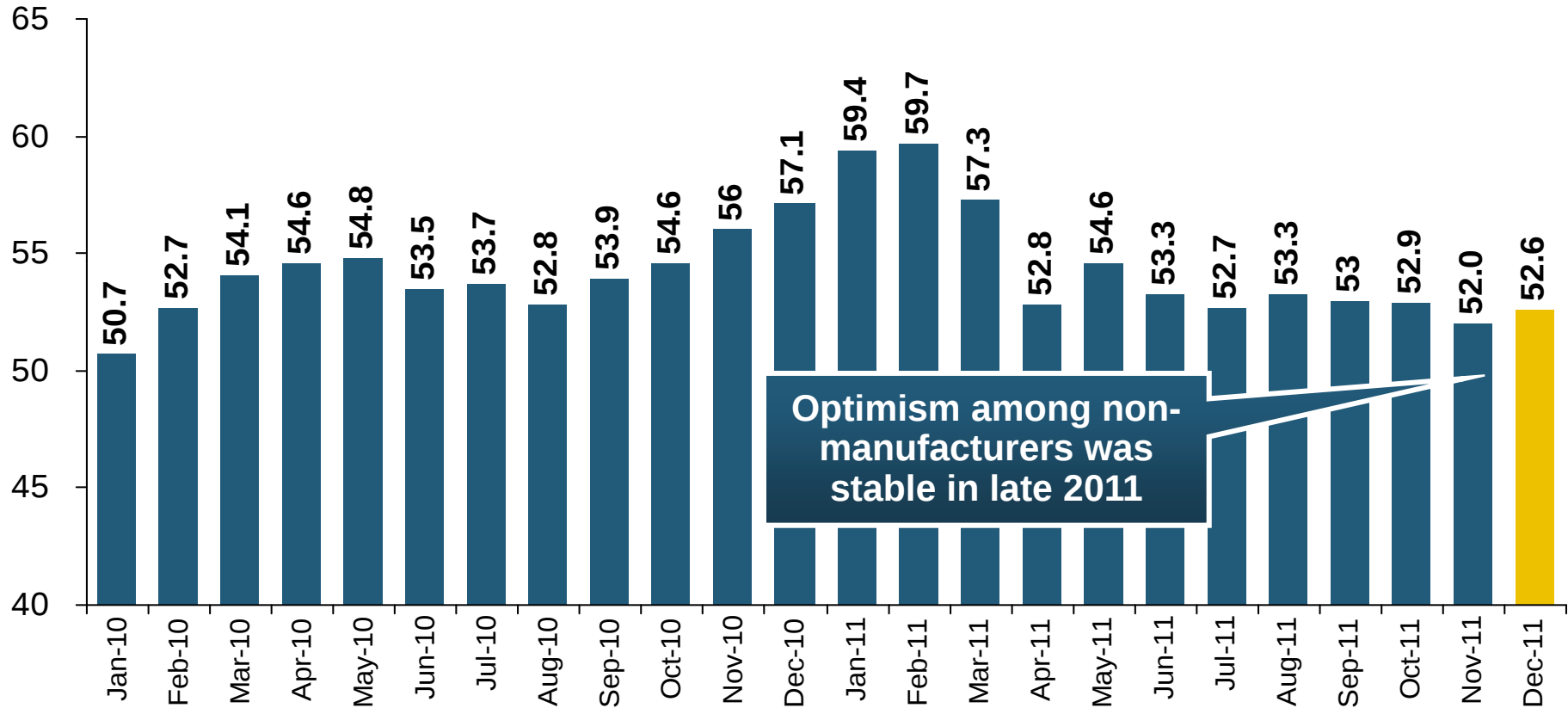
January 2010 through December 2011



**The manufacturing sector has been expanding and adding jobs.
The question is whether this will continue.**

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

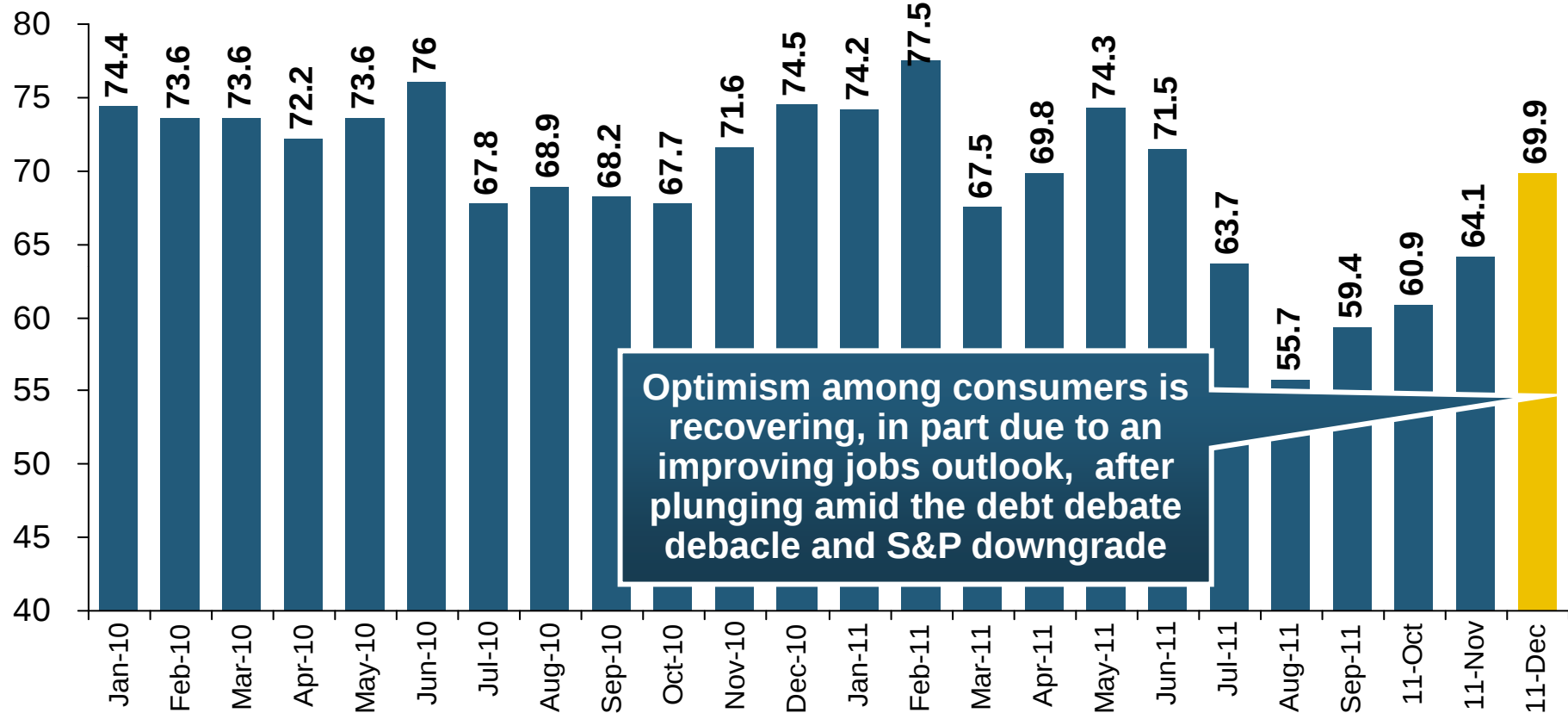
January 2010 through December 2011



Non-manufacturing industries have been expanding and adding jobs. The question is whether this will continue.

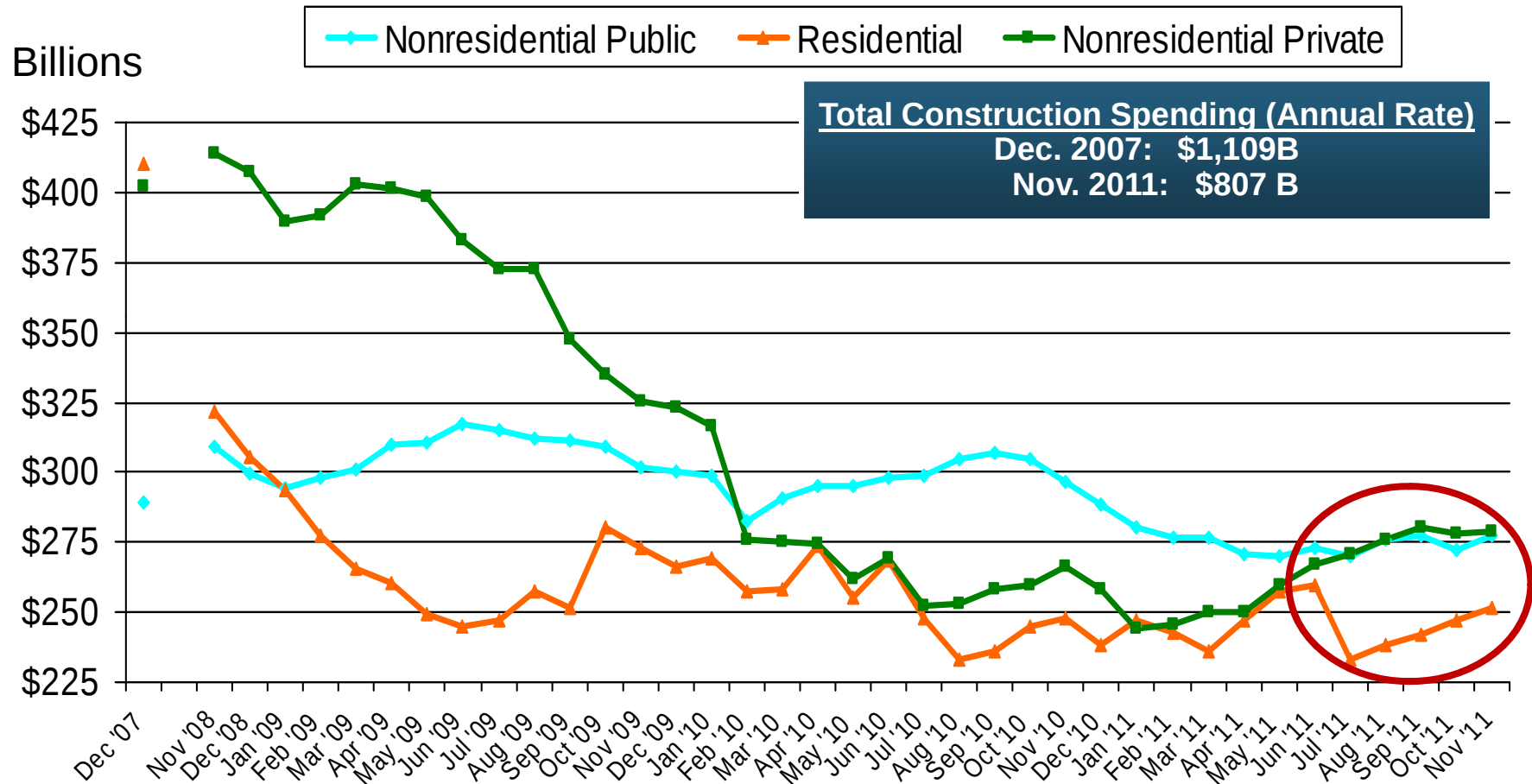
Consumer Sentiment Survey (1966 = 100)

January 2010 through December 2011



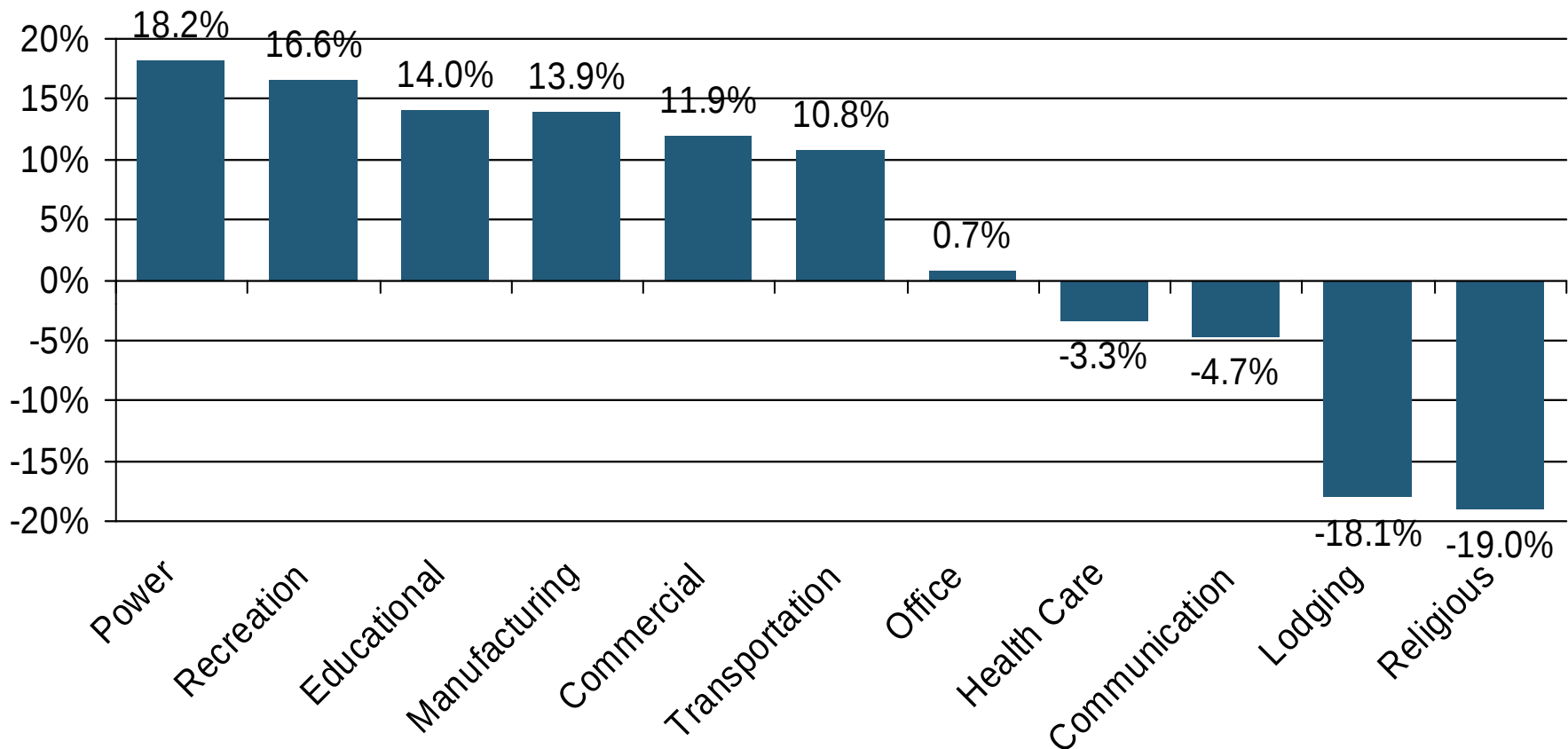
Consumer confidence has been low for years amid high unemployment, falling home prices and other factors adversely impact consumers, but improved substantially in late 2011

Value* of Construction Put In Place, Monthly, Nov '08-Nov '11



Since the recession started, private residential and nonresidential construction together are down \$302 billion (annual rate), a drop of 27%. Public construction has hardly moved.

Pct. Change in Private Nonresidential Construction Put in Place* Oct 2010-Oct 2011

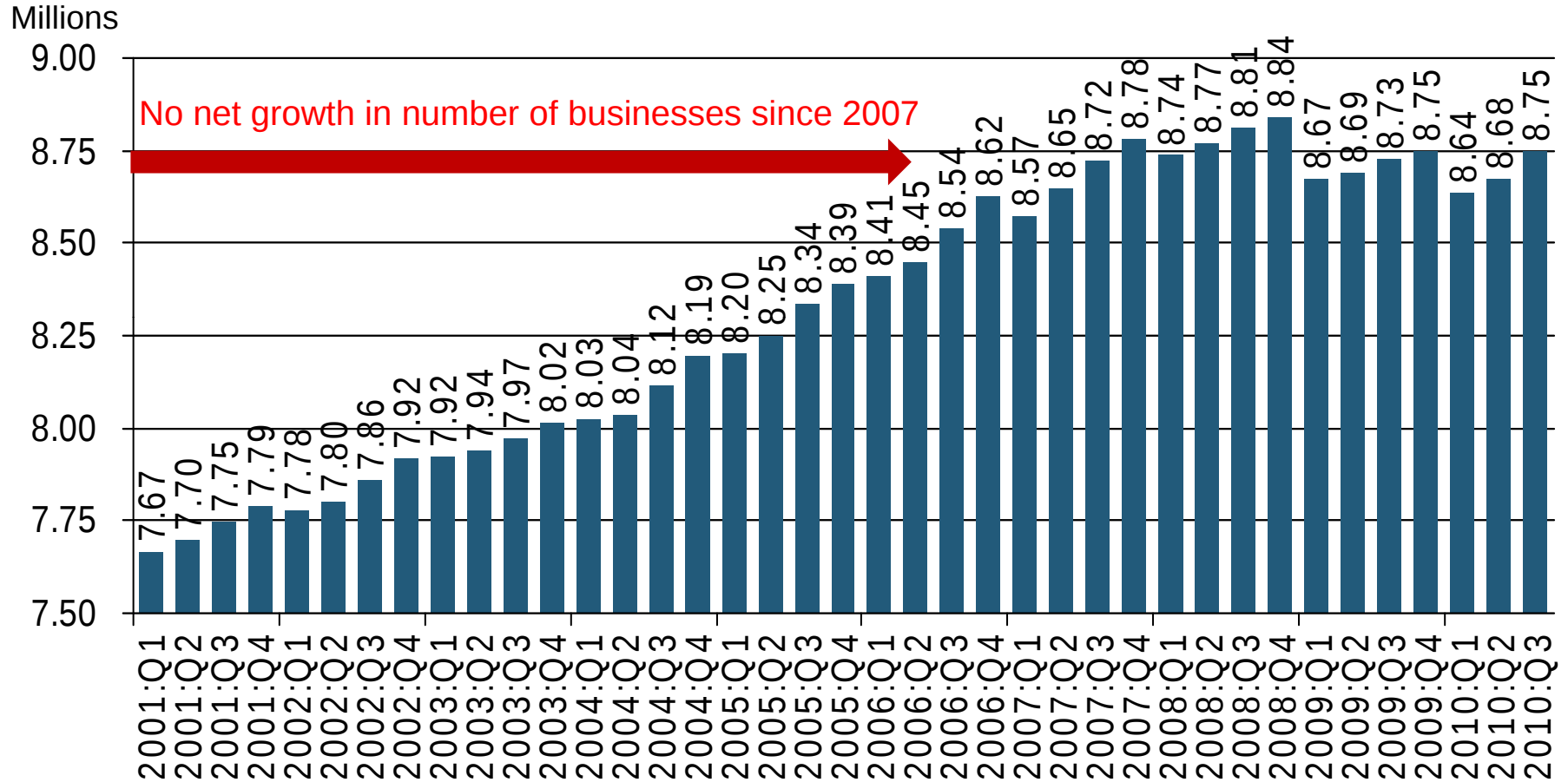


Outlays for energy exploration (mining, and exploration for petroleum and natural gas) and new power plants (including wind and solar) have accounted for 56% of the growth in private nonresidential construction in the past year.

*seasonally adjusted annual rate

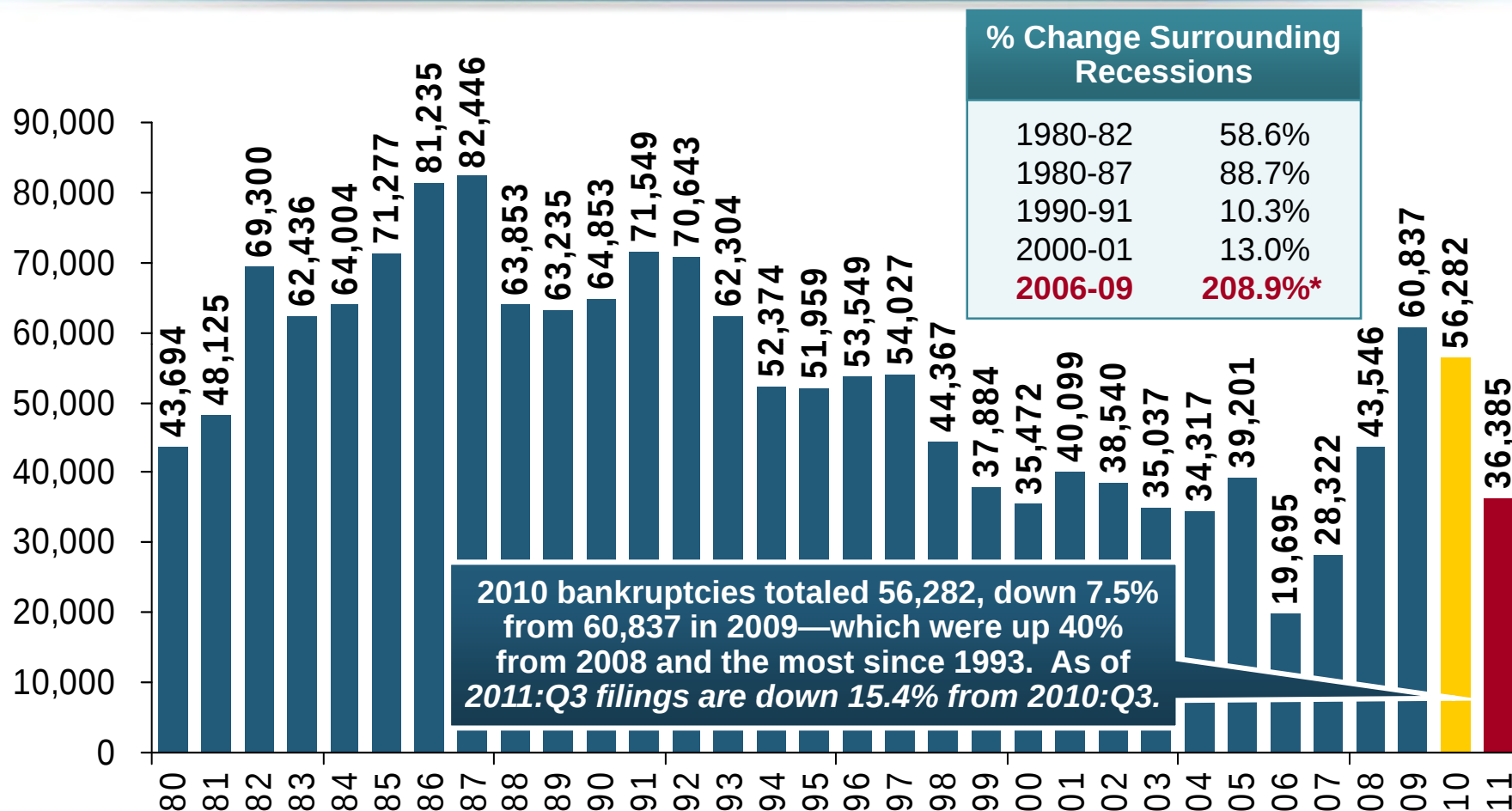
Sources: U.S. Census Bureau; Wells Fargo Securities, Economics Group, Dec. 5, 2011 report; Insurance Information Institute

Number of Private Business Establishments, 2001:Q1-2010:Q3



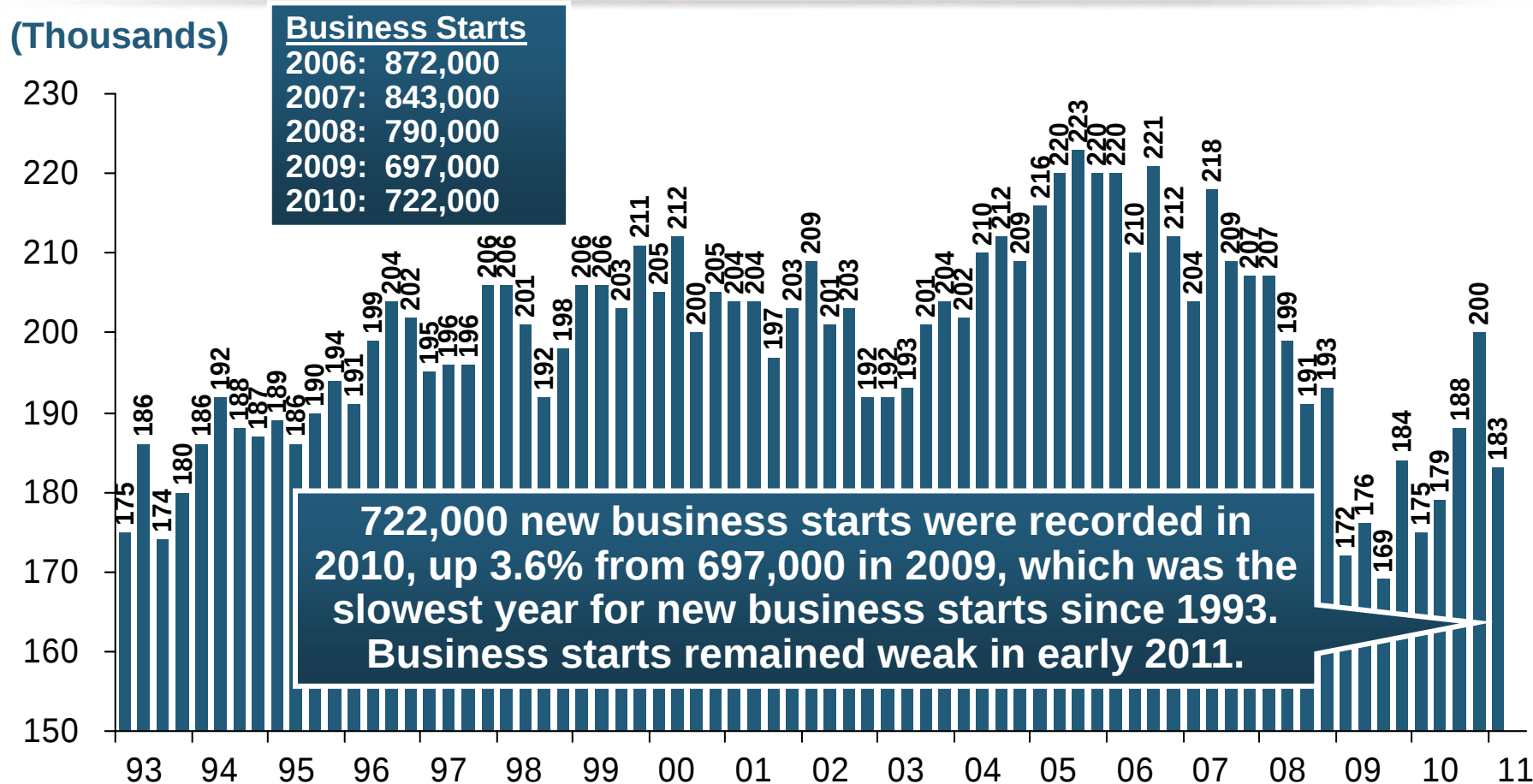
**In 2009:Q1 a net of 165,000 businesses disappeared.
By 2010:Q3 73,000 new ones appeared,
returning us to the level first attained three years before, in 2007:Q3.**

Business Bankruptcy Filings, 1980-2011:Q3



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

Private Sector Business Starts, 1993:Q2 – 2011:Q1*



**Business Starts Were Down Nearly 20% in the Recession,
Holding Back Most Types of Commercial Insurance Exposure**

* Data through March 31, 2011 are the latest available as of January 16, 2012; Seasonally adjusted

Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/cewbd.t08.htm>.

11 Industries for the Next 10 Years: Insurance Solutions Needed

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

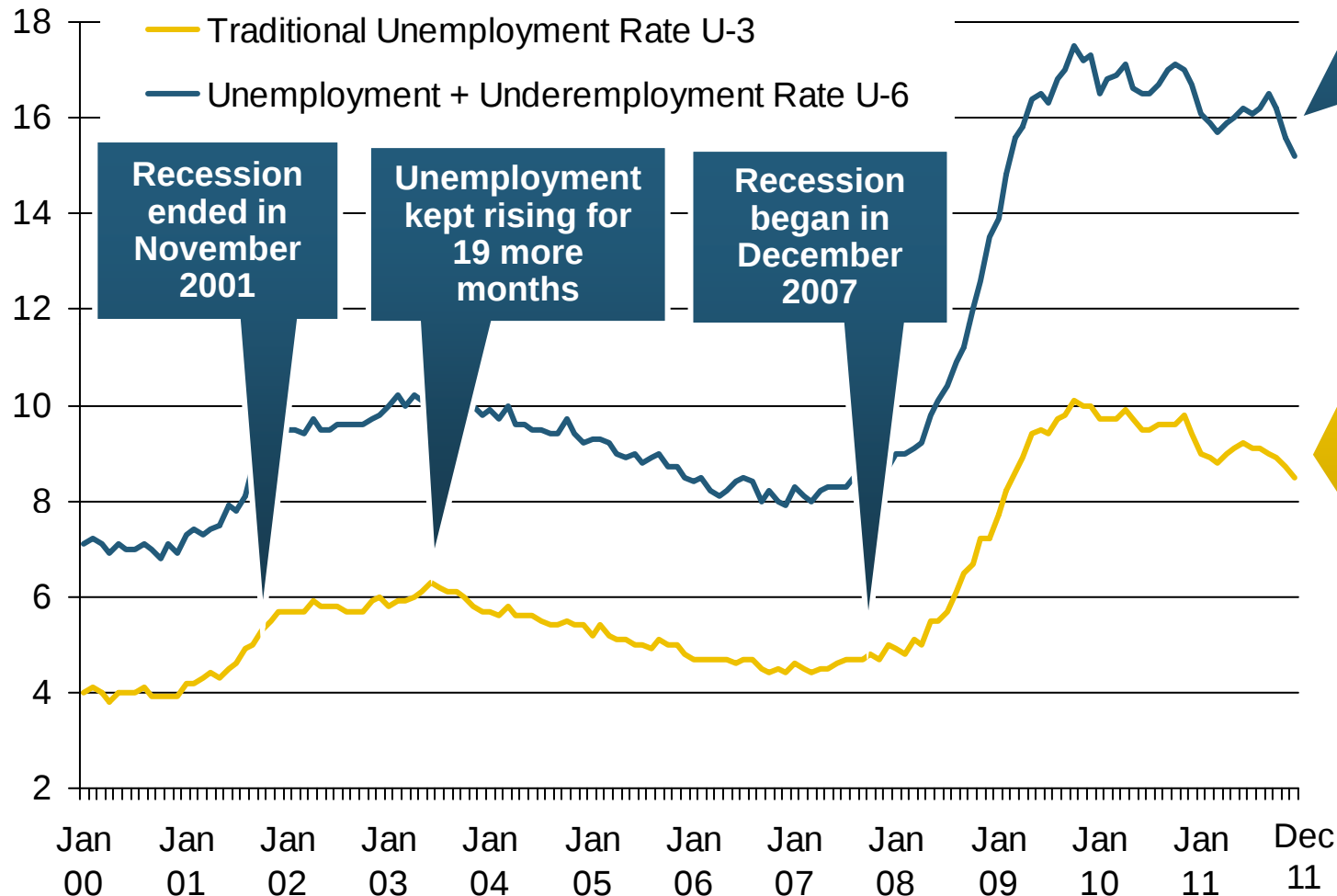
Many industries are poised for growth, but many insurers do not write in these economic segments

Labor Market Trends

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

Unemployment and Underemployment Rates: Stubbornly High in 2011, But Falling

January 2000 through December 2011, Seasonally Adjusted (%)



U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 15.2% in Dec. 2011

Unemployment stood at 8.5% in December

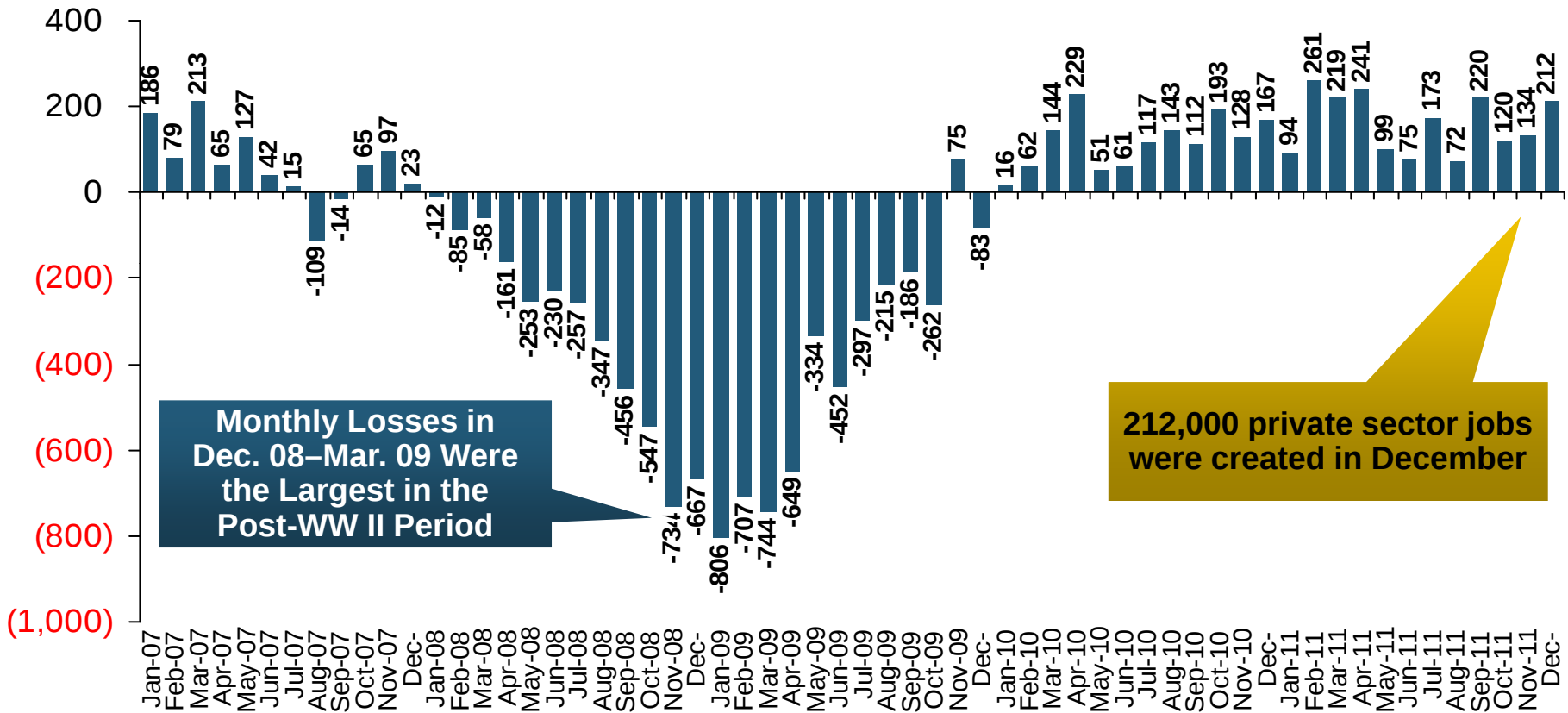
Unemployment peaked at 10.1% in October 2009, highest monthly rate since 1983.

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 might finally be improving

Monthly Change in Private Employment

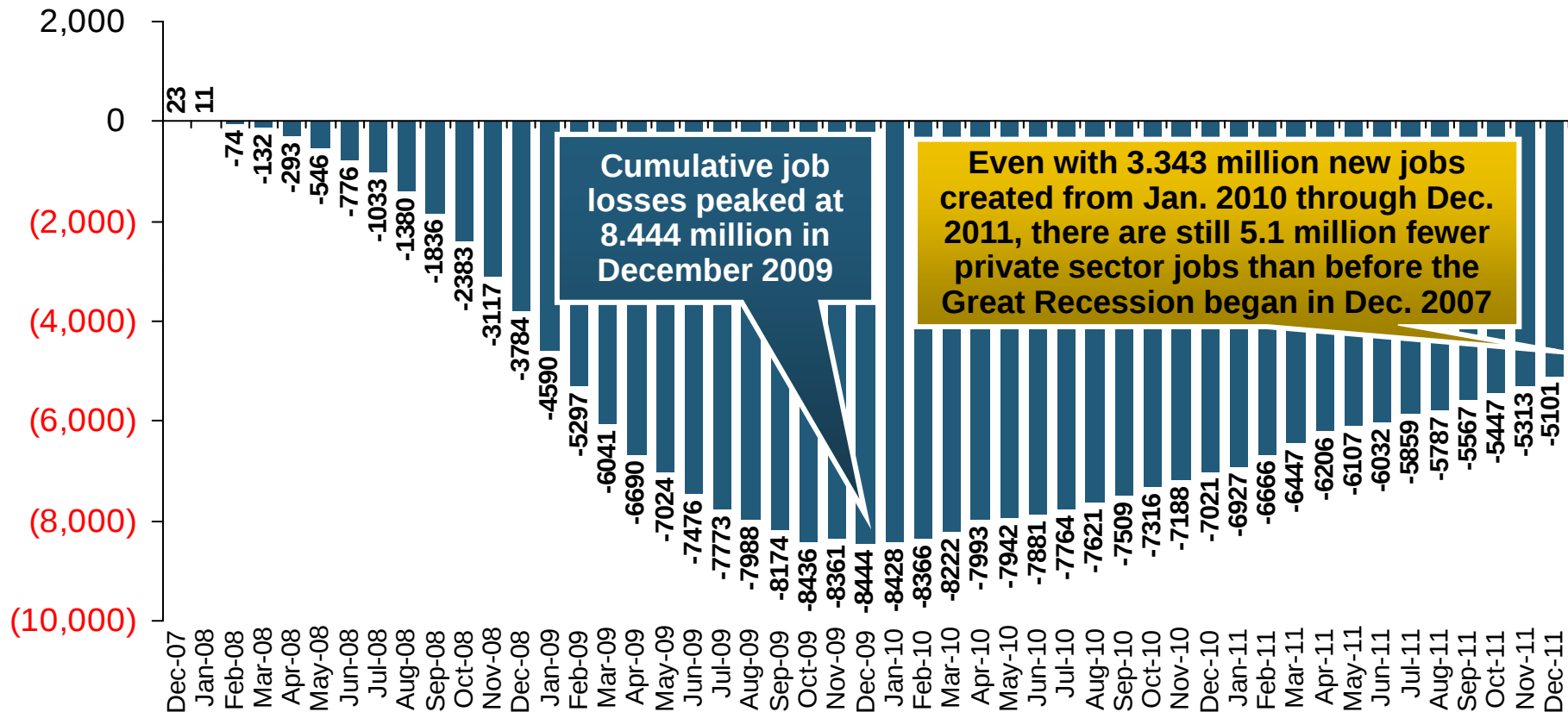
January 2008 through December 2011* (Thousands)



Private Employers Added 3.343 million Jobs Since Jan. 2010 After Having Shed 4.66 Million Jobs in 2009 and 3.81 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Cumulative Private Sector Job Losses

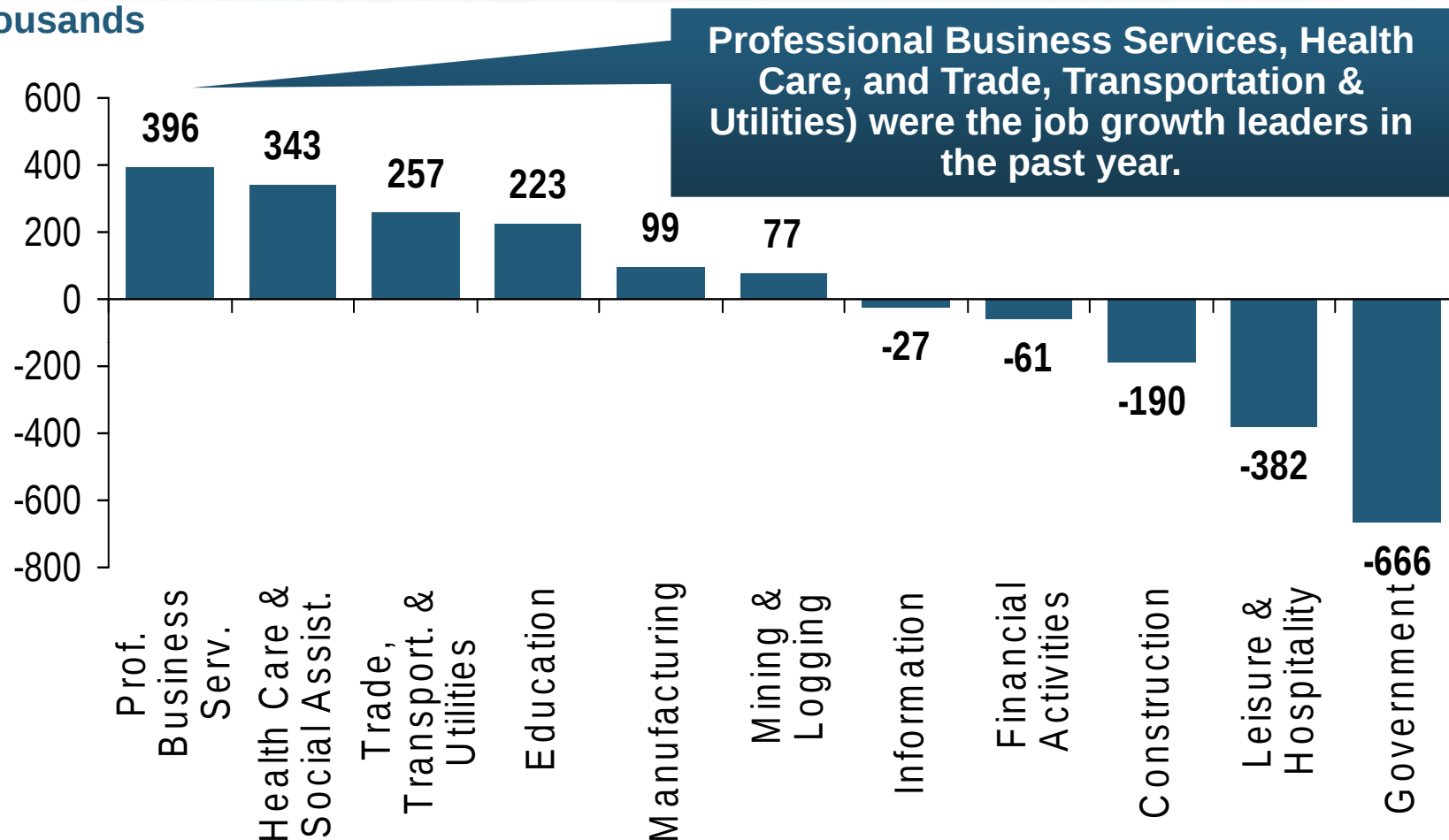
December 2007 through December 2011* (Thousands)



Private Employers Added 3.343 Million Jobs Since Jan. 2010 After Having Shed 4.66 Million Jobs in 2009 and 3.81 Million in 2008. It Is Unlikely that Private Sector Employment Will Fully Recoup All Jobs Lost Until Well into 2014.

Change in Number Employed in Select Industries, June 2011 vs. June 2010

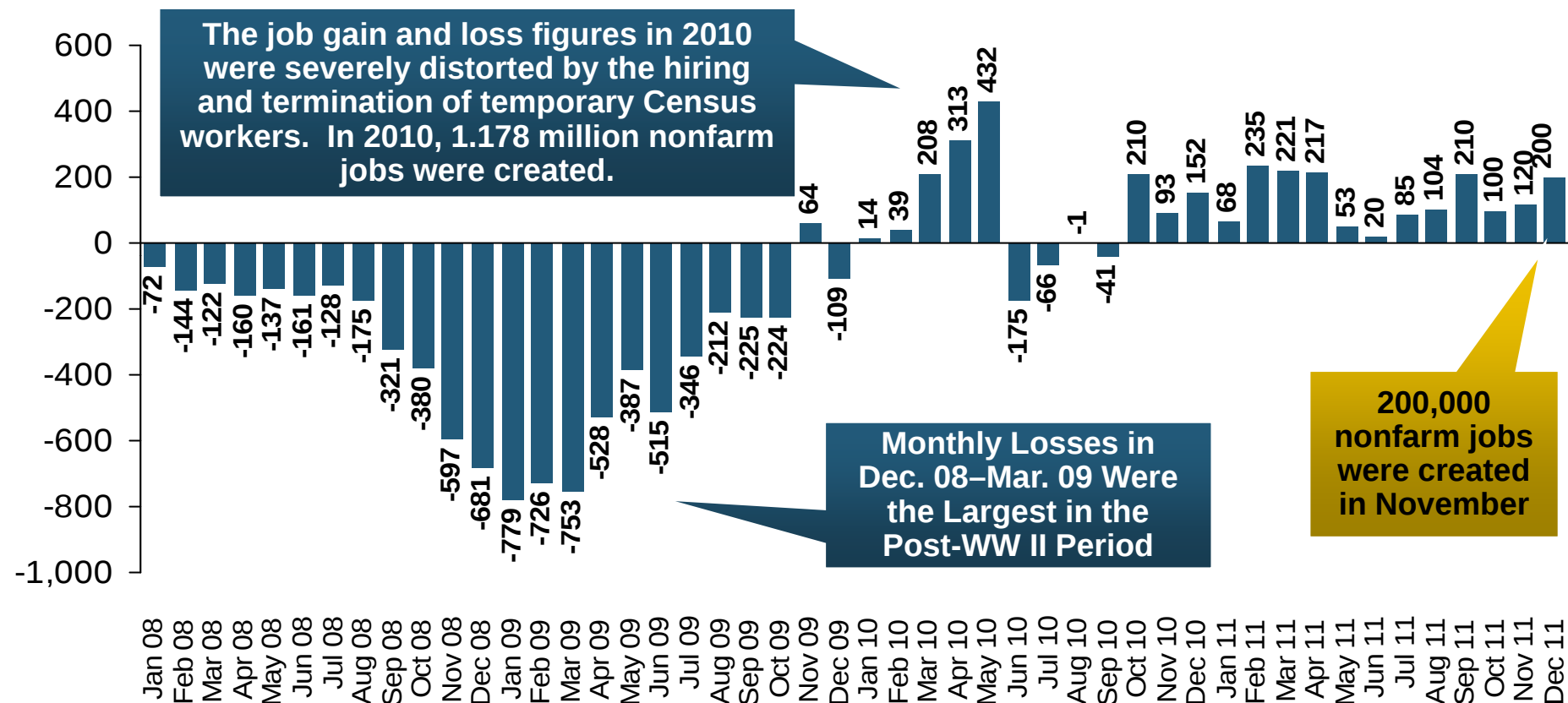
Thousands



There is a great deal of variation in employment growth by industry, indicating a very uneven and slow recovery

Monthly Change Employment*

January 2008 through December 2011* (Thousands)

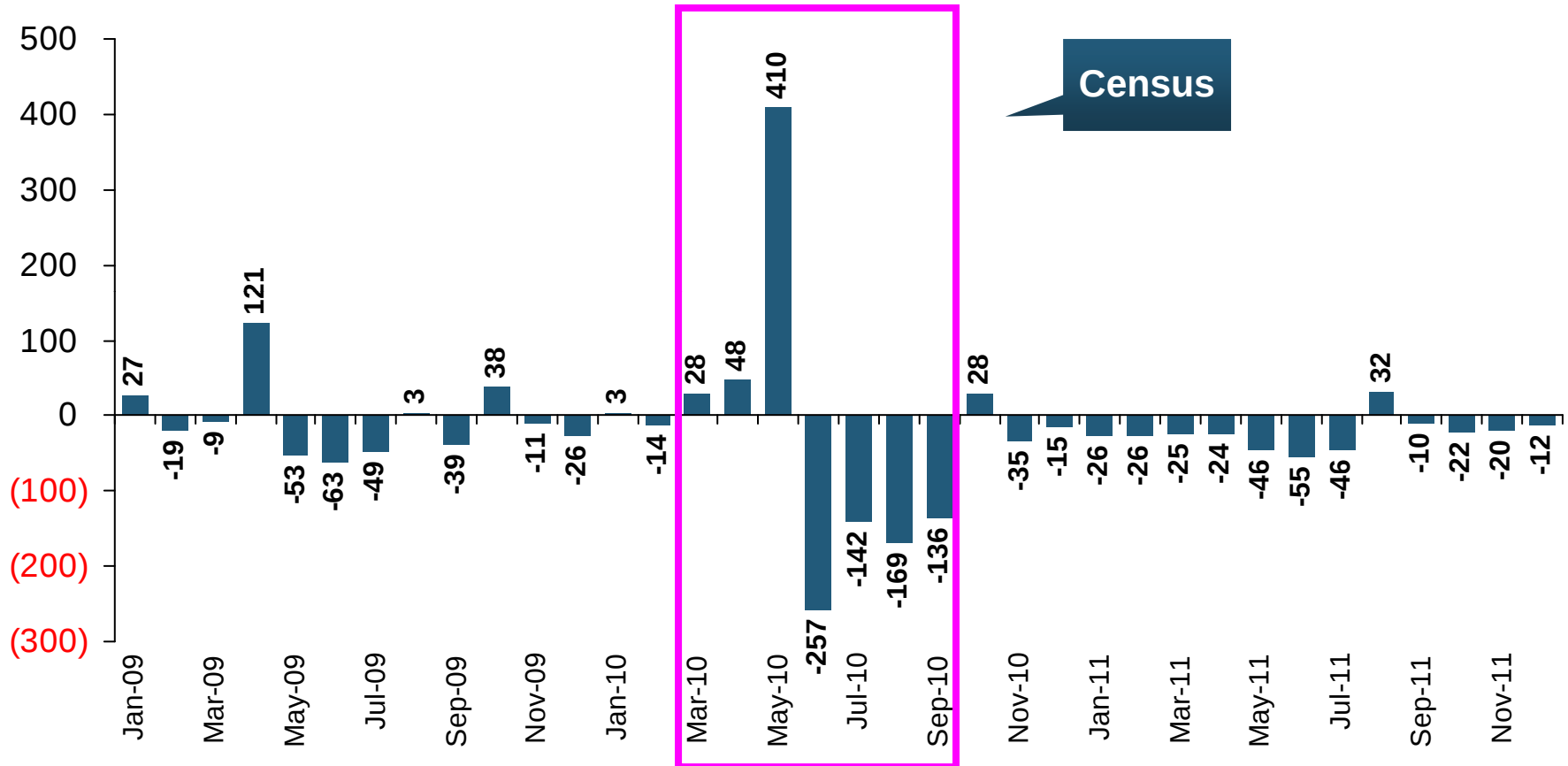


Job Losses Since the Recession Began in Dec. 2007 Peaked at 8.4 Mill in Dec. 09; 13.3 Million People are Now Defined as Unemployed

Monthly Change in Government Employment

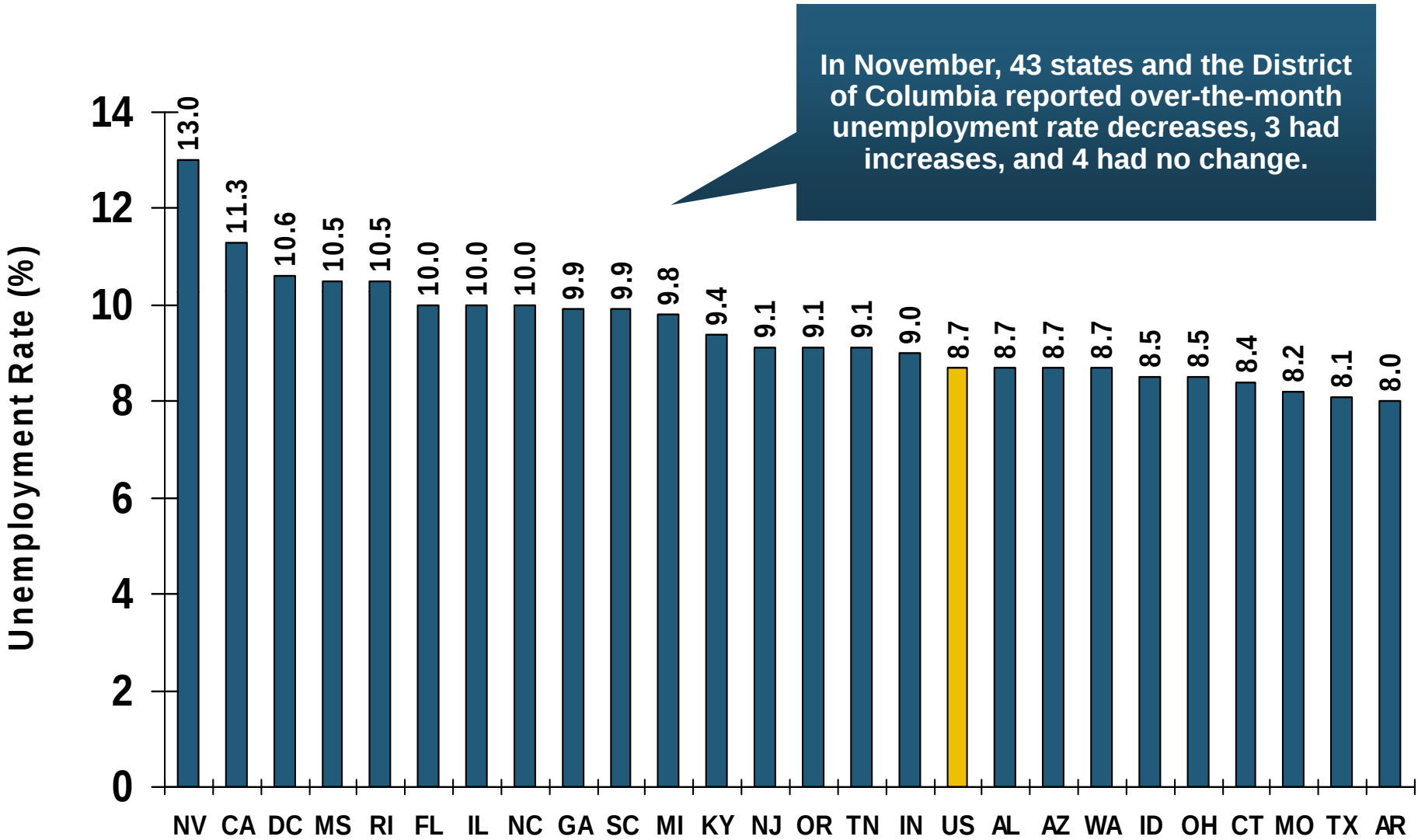
January 2009 through December 2011

(Thousands)



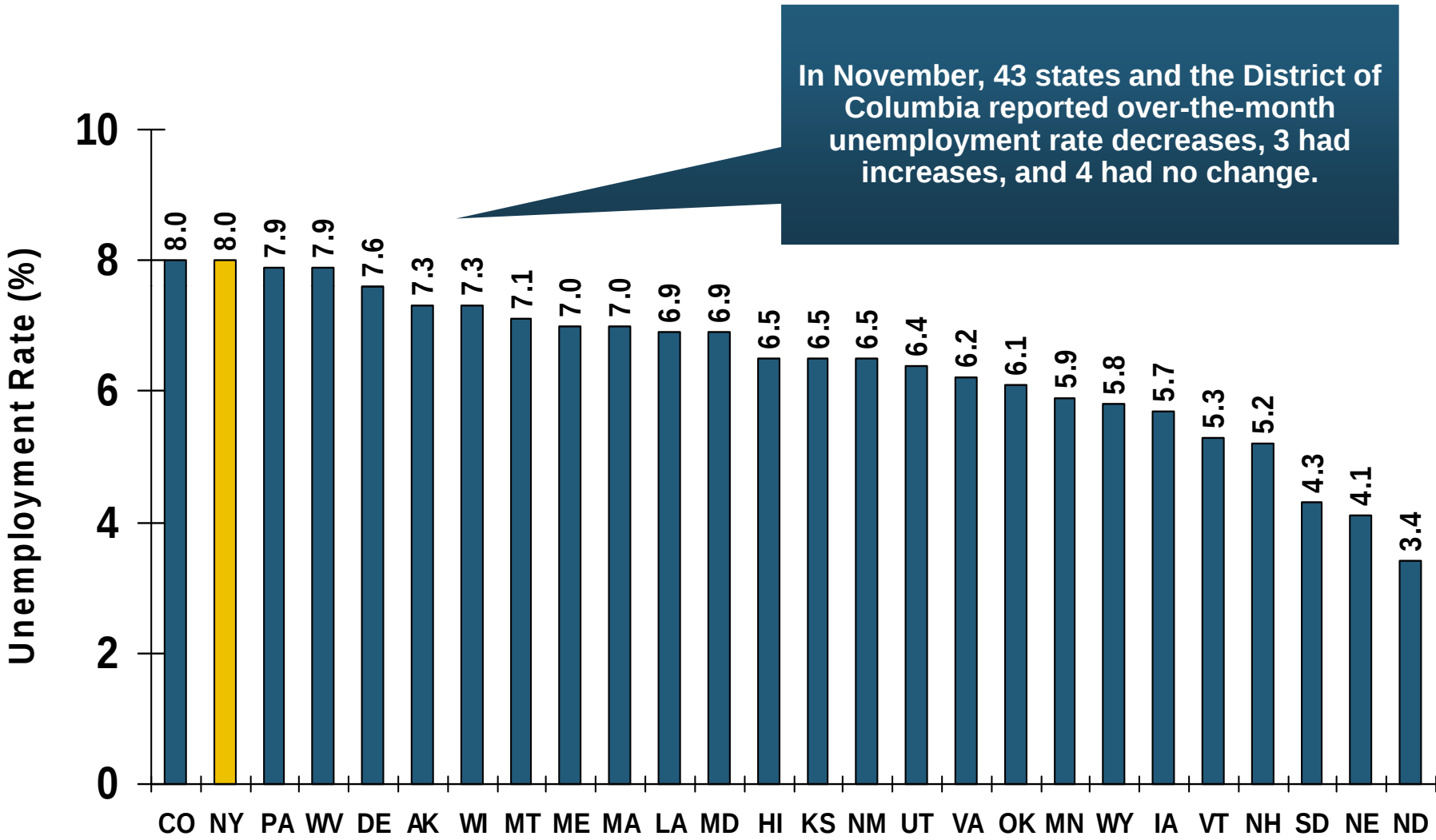
In 2011 employment by government at all levels dropped every month except August. Total (net) jobs lost in last twelve months: 280,000.

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



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

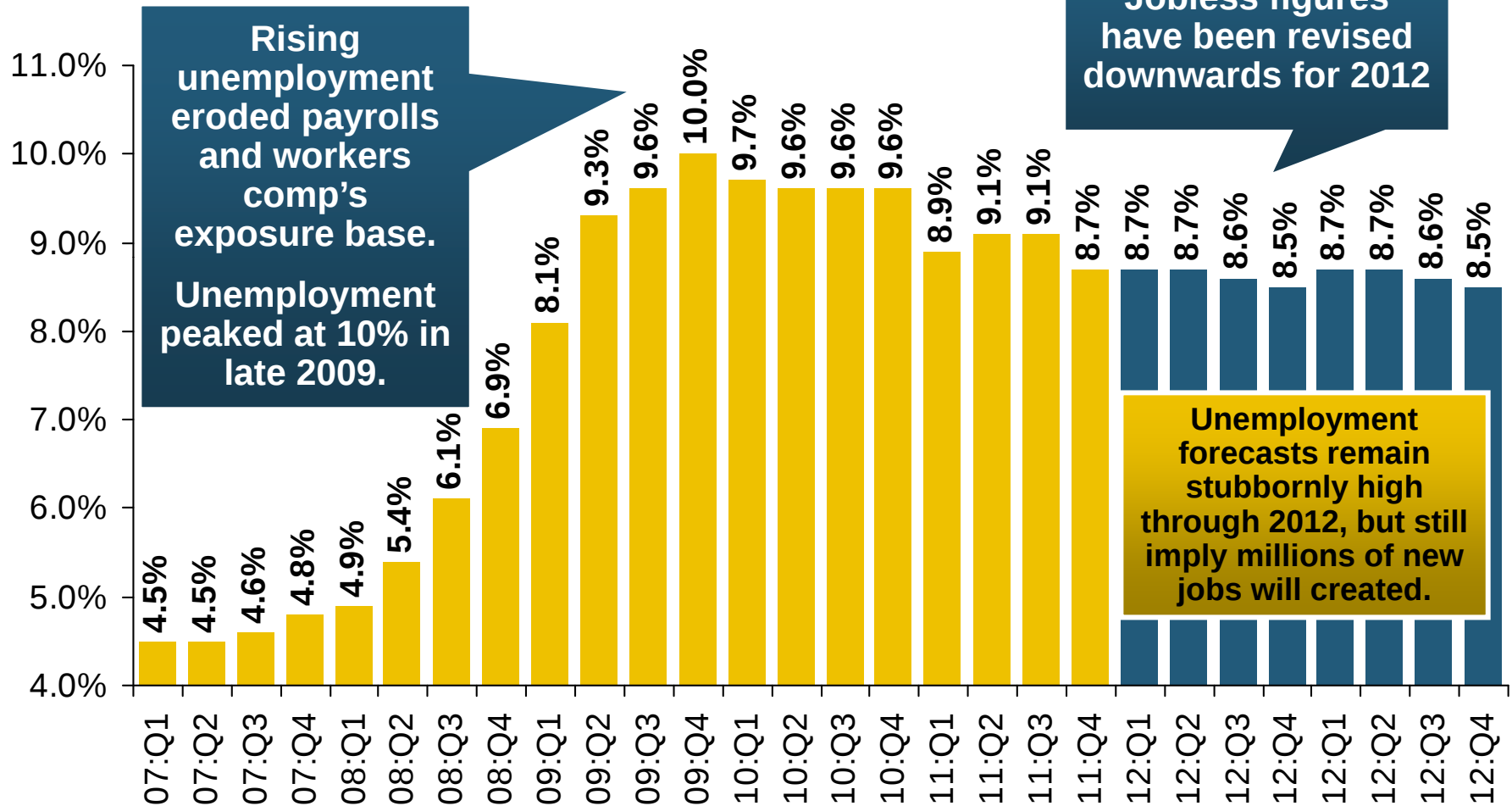
Unemployment Rates By State, November 2011: Lowest 25 States*



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

US Unemployment Rate

2007:Q1 to 2013:Q4F*

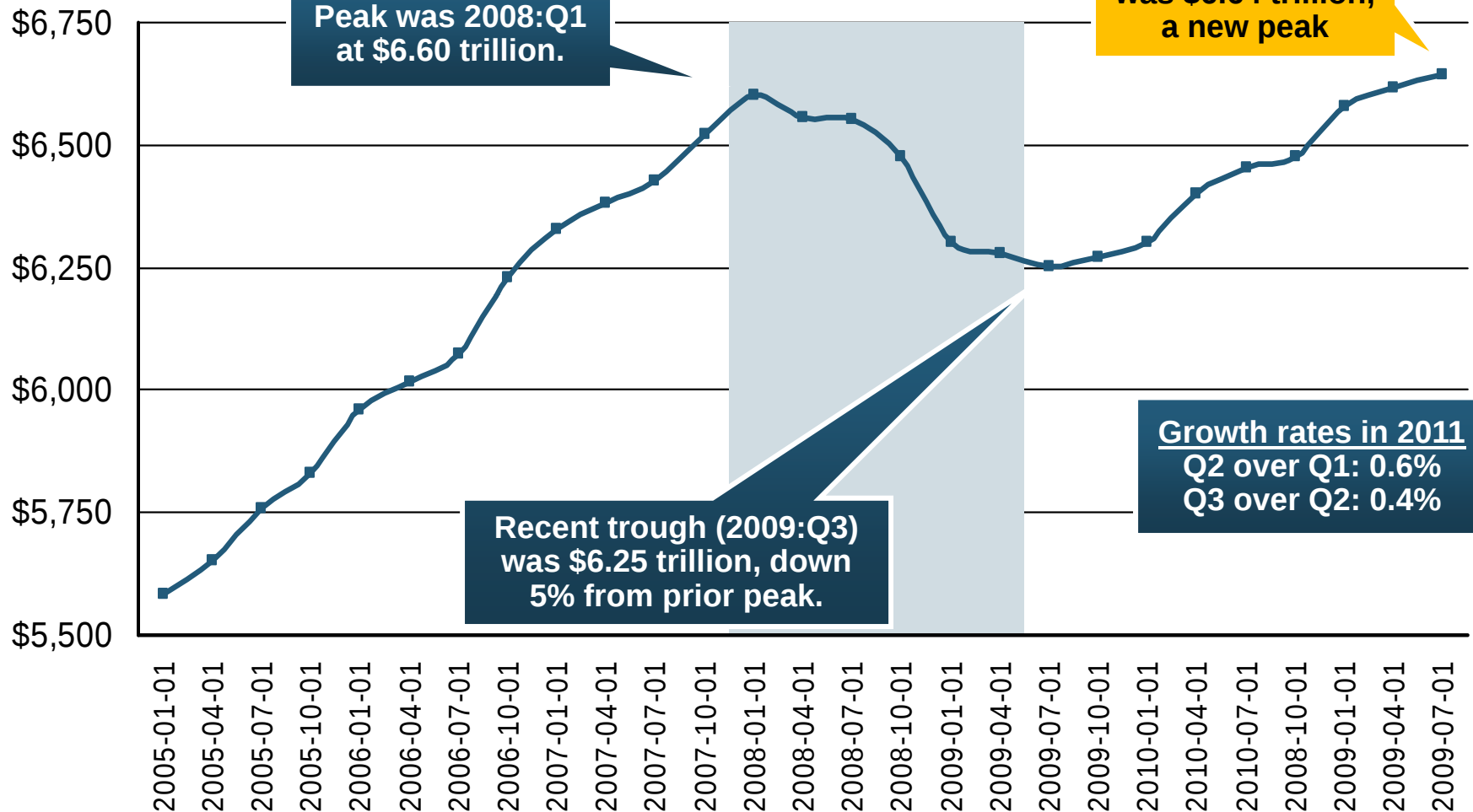


* ■ = actual; ■ = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (1/12); Insurance Information Institute

Nonfarm Payroll (Wages & Salaries): Quarterly, 2005–2011:Q3

Billions



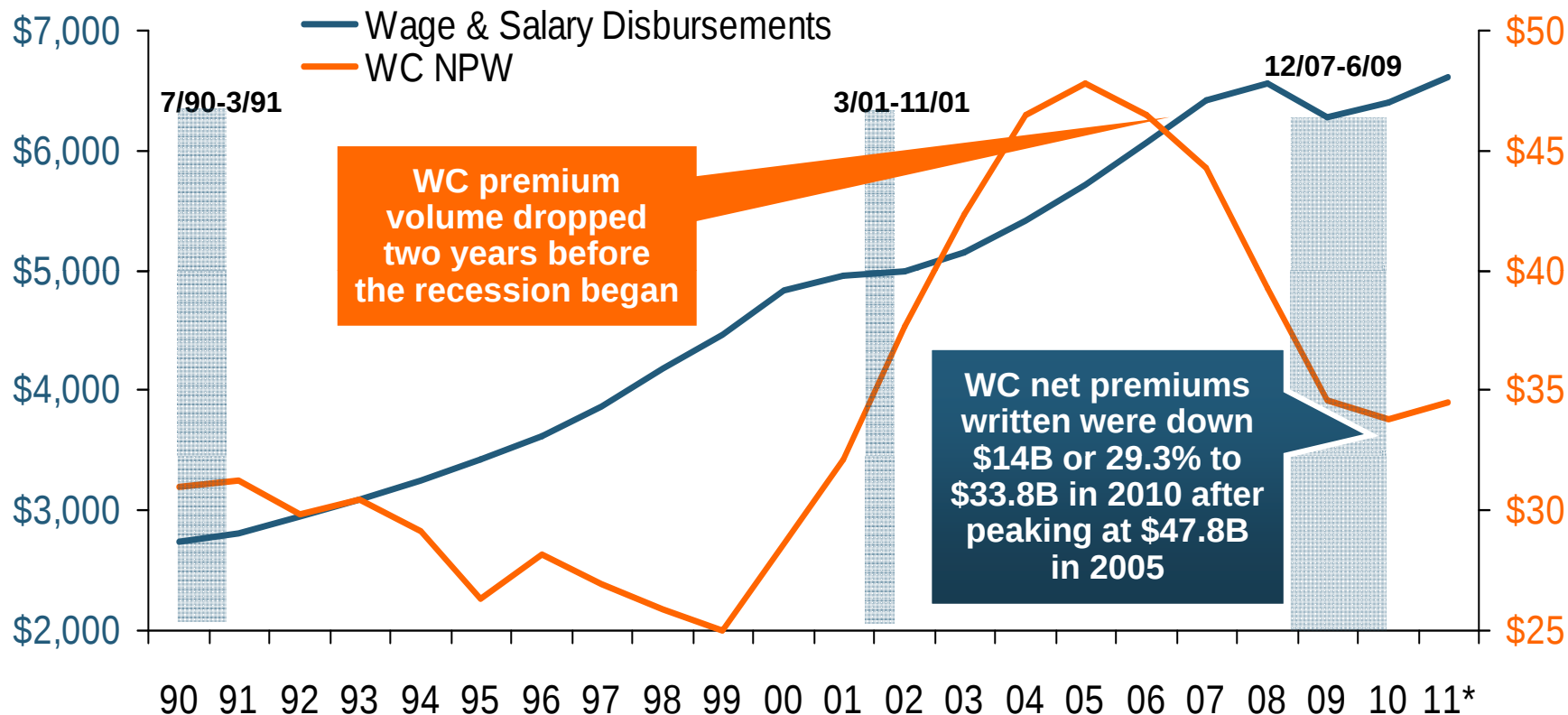
Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates

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

Payroll vs. Workers Comp Net Written Premiums, 1990-2011

Payroll Base*
\$Billions

WC NWP
\$Billions



Resumption of payroll growth and rate increases suggests WC NWP will grow again in 2012

*Private employment; Shaded areas indicate recessions. Payroll and WC premiums for 2011 is I.I.I. estimate

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

Insurance Information Institute Online:

www.iii.org

*Thank you for your time
and your attention!*

Twitter: twitter.com/bob_hartwig

Download at www.iii.org/presentations