Presentation to the IPRC
Challenges & Opportunities for Insurers
During and Economic Catastrophe

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I.I.I. & the Economic Downturn
I.I.I. Insurance Pulse
Communications Challenges & Opportunities
Resources
Questions for Discussion
For the last nine months, the economy has been the primary issue for the I.I.I.

The Executive Communications Committee has identified it as the dominant issue for the remainder of the year.

It has permeated every aspect of the I.I.I.’s communications program and the majority of the presentations that Dr. Hartwig has created on behalf of the industry. It is also the primary media issue.
DOWNLOAD PRESENTATIONS

State specific PowerPoint Presentations can be found at http://www.iii.org/media/industry/.

- The Financial Crisis & Its Impacts on the Insurance Industry: Challenges Amid the Economic and Regulatory Storm (April 23, 2009)
- Financing Catastrophe Losses Amid a Financial Catastrophe: A Growing Challenge (April 16, 2009)
- Financing Catastrophe Losses Amid a Financial Catastrophe: A Growing Challenge (April 10, 2009) - This PowerPoint report, presented by Robert Hartwig, president of the Insurance Information Institute, before the National Hurricane Center Conference in Austin, Texas, focuses on the major changes facing catastrophe financing in the midst of the financial crisis and the insurance impacts of the weakening global economy.

To be added to the presentation distribution list, please click here.
# III. Media Index -- First Quarter 2009

## Property/Casualty

The following table compares the number of newspaper, magazine, and newswire stories that focused on selected insurance industry issues, in corresponding periods in 2008 and 2009. *(Media Index By Topic By Month)*

<table>
<thead>
<tr>
<th>Top Issues</th>
<th>2008</th>
<th>2009</th>
<th>% Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter 2008 vs. First Quarter 2009</td>
<td>2,141</td>
<td>5,983</td>
<td>179%</td>
</tr>
<tr>
<td>Solvency</td>
<td>3,113</td>
<td>5,500</td>
<td>44%</td>
</tr>
<tr>
<td>Market Conditions</td>
<td>6,411</td>
<td>2,424</td>
<td>-62%</td>
</tr>
<tr>
<td>Bond Insurance</td>
<td>1,885</td>
<td>1,763</td>
<td>-11%</td>
</tr>
<tr>
<td>Asbestos</td>
<td>2,141</td>
<td>1,562</td>
<td>-27%</td>
</tr>
<tr>
<td>Workers Comp</td>
<td>1,467</td>
<td>1,450</td>
<td>-1%</td>
</tr>
<tr>
<td>Auto</td>
<td>1,582</td>
<td>1,398</td>
<td>-12%</td>
</tr>
<tr>
<td>Hurricanes</td>
<td>490</td>
<td>1,384</td>
<td>182%</td>
</tr>
<tr>
<td>Investigations</td>
<td>1,125</td>
<td>1,002</td>
<td>-11%</td>
</tr>
<tr>
<td>Homeowners</td>
<td>665</td>
<td>755</td>
<td>-13%</td>
</tr>
<tr>
<td>Terrorism</td>
<td>675</td>
<td>634</td>
<td>-6%</td>
</tr>
<tr>
<td>Global Warming/Climate Change</td>
<td>704</td>
<td>582</td>
<td>-17%</td>
</tr>
<tr>
<td>Medical Malpractice</td>
<td>295</td>
<td>303</td>
<td>2%</td>
</tr>
<tr>
<td>Tort</td>
<td>284</td>
<td>242</td>
<td>-5%</td>
</tr>
<tr>
<td>Tornadoes</td>
<td>741</td>
<td>208</td>
<td>-72%</td>
</tr>
<tr>
<td>Mold</td>
<td>79</td>
<td>166</td>
<td>110%</td>
</tr>
<tr>
<td>Wildfires</td>
<td>217</td>
<td>149</td>
<td>-31%</td>
</tr>
<tr>
<td>Silica</td>
<td>5</td>
<td>2</td>
<td>-50%</td>
</tr>
<tr>
<td>CLUE</td>
<td>23</td>
<td>21</td>
<td>-9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>24,317</td>
<td>23,586</td>
<td>-3%</td>
</tr>
</tbody>
</table>

*Based on a search of Lexis/Nexis*
Q. DO YOU THINK THAT THESE PROBLEMS (THE MORTGAGE PROBLEMS SOME AMERICANS FACE, THE DROP IN THE STOCK MARKET AND JOB LAYOFFS) AFFECT THE ABILITY OF INSURANCE COMPANIES TO PAY THEIR CLAIMS, TO SELL MORE INSURANCE, BOTH, NONE OF THESE (DOESN’T AFFECT ABILITY TO PAY CLAIMS OR SELL INSURANCE) OR DON’T KNOW?

95% Americans think that the downturn in the economy affects the basic business of the insurance industry: the ability to pay claims and/or sell insurance.

More than 50 percent of Americans believe that banks are the industry most affected by the financial crisis.

About 60 percent of people believe that the price of insurance will go up because of the financial crisis.

Nearly 80 percent of people surveyed believe the insurance industry should be more tightly regulated, compared with 85 percent for banks, 81 percent for securities firms and 74 percent for mutual fund firms.

About one-half of purchasers of fixed annuities believe their annuity is as safe as when they first purchased it.

One-third of Americans said that they have tried to save money on auto or home insurance because of the financial crisis.
Challenges

- Speaking for the entire industry
- Differentiating between the property/casualty insurance business and banks
- Differentiating between life insurance, annuities and the property/casualty insurance businesses.
- Communicating that the industry has the financial strength to pay claims this hurricane season
- Legislative Education
Opportunities

- Use the economy as an effective news hook in consumer-related releases.
- It has provided the opportunity to educate consumers about important but “evergreen” topics such as saving money on insurance, annuity suitability, uninsured motorist coverage (IRC study), insurance fraud and others.
- Provided a sense of urgency to prepare for disasters because in most cases – it costs little to prepare for a disaster but could save much need money when a disaster strikes.
- Provided an opportunity to educate the media and other key stakeholders about the financial guaranty system in the U.S.
Trying to Save Money on Insurance? Proceed With Caution, Warns the I.I.I.

Six Mistakes to Avoid in a Struggling Economy

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NEW YORK, March 11, 2009 — With increasing job instability and the value of paychecks a investments going down, you may be tempted to cut corners on your insurance. While there many smart ways to save money on insurance, the insurance information institute (I.I.I.) alerts consumers that there are also mistakes that could result in being dangerously underinsured.

"Asking about available discounts and comparison shopping are excellent ways to cut insurance costs," said Jeanne M. Salvatore, senior vice president and consumer spokesperson for the. "Consumers should not try to save money by reducing or dropping necessary coverage. That could result in a financial disaster if there is a fire, hurricane, severe winter weather or other catastrophe."

Following are the six biggest insurance mistakes you should avoid:

1. **Insuring a Home for its Real Estate Value Rather than the Cost of Rebuilding**

   With the value of real estate going down, some home buyers may think that they can reduce the amount of insurance on their home. Insurance, however, is designed to cover the cost of rebuilding a home. It is not linked to the sale price of the home. Homeowners should be careful to purchase enough insurance coverage to completely rebuild their home and replace their belongings.

   **A Better Way to Save Money**: Take a higher deductible. Consider a deductible of at least $500. If you can raise the deductible to as much as $1,000, you may save up to 20 percent on many home insurance policies. The average person only files a claim every eight to 10 years so most homeowners will save money over time.

2. **Selecting an Insurance Company by Price Alone**
INDUSTRY FINANCIALS AND OUTLOOK

FORECASTS & FINANCIALS

Each quarter the Insurance Information Institute’s President and Economist, Dr. Robert P. Hartwig, shares his insights into the latest financial developments in the property/casualty insurance industry.

Each quarter’s commentary contains detailed discussions on premiums, losses, profits, the view from Wall Street, the outlook for the future and much more. A detailed income statement for the industry is also included.

- 2008 - Year End Results
- 2008 - First Nine Months Results
- 2008 - First Half Results
- 2008 - First Quarter Results
- SPECIAL REPORT: Earlybird Forecast 2008

Dr. Robert P. Hartwig, CPC
President
Insolvencies/Guaranty Funds

THE TOPIC

APRIL 2009

The regulation of insurance company solvency is a function of the state. State regulators monitor the financial health of companies licensed to provide insurance in their state through analysis of the detailed annual financial statements that insurers are required to file and per on-site examinations. When a company is found to be in poor financial condition, regulators take various actions to try to save it. Insolvencies do occur, however, despite the best efforts of regulators.

All states have procedures through which the property/casualty insurance industry covers claims against insolvent insurers. New York has a pre-assessment system, which requires insurers to contribute to a permanent insolvency fund, while the other states have established insurance guaranty associations (known as guaranty funds). Insurers are required to be members of guaranty associations as a condition of licensing. When there is an insolvency, they are assessed based on business they do in that state so that claims can be paid.

The National Association of Insurance Commissioners (NAIC) moved to strengthen solvency regulation in the 1980s. It developed an accreditation program that requires state insurance departments to meet certain prescribed standards. It also established minimum capital and other requirements for insurers, based on the riskiness of their business, and it continues to refine these regulations.

RECENT DEVELOPMENTS

- Solvency Modernization: The NAIC has created a high level Solvency Modernization Initiative (SMI) Task Force that will report directly to the Executive Committee, suggesting that work on improving solvency regulation will receive greater prominence. The NAIC began work on its SMI in September 2008, the aim of which is to determine whether current U.S. solvency requirements need to be modified in light of regulations in other countries and the changes now being contemplated in the European Union under Solvency II. The analysis will include the solvency work of the International Association of Insurance Supervisors, of which NAIC is a member, as well as Solvency II.

- Key elements in the EU’s Solvency II, a project to strengthen and standardize solvency regulations.
MESSAGE POINTS

- Attacks on the Integrity of the Claims Process (01/2008)
- Challenges to Underwriting Criteria and Predictive Modeling Systems (01/2008)
- Climate Change (01/2008)
- Credit Based Insurance Scoring (04/10/2009)
- Financial Crisis and Insurance (11/2008)
- Florida Related Issues (01/2008)
- Impact of Fraud on the Insurance Market (01/2008)
- Industry Financial Performance and Market Conditions (01/2008)
- Natural Disasters and the Cost and Availability of Coverage (01/2008)
- Rapid Response to High Profile Crisis (01/2008)
- Regulatory Modernization (01/2008)
- Terrorism and Insurance (01/2008)
Questions for Discussion

- How has your role as insurance company communicator changed?
- Has it been harder or easier than other disasters?
- Is this a big issue for internal communications?
- Are you spending more time supporting the IR function?
- Do you have any suggestions for I.I.I. communications?
- Any ideas for big outside the box communications?
If you would like a copy of this presentation, please give me your business card with e-mail address.

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