



# **2016 Insurance Industry Disruptors: *The Casualty View***

**Advisen Casualty Insights Conference  
New York, NY**

**March 31, 2016**

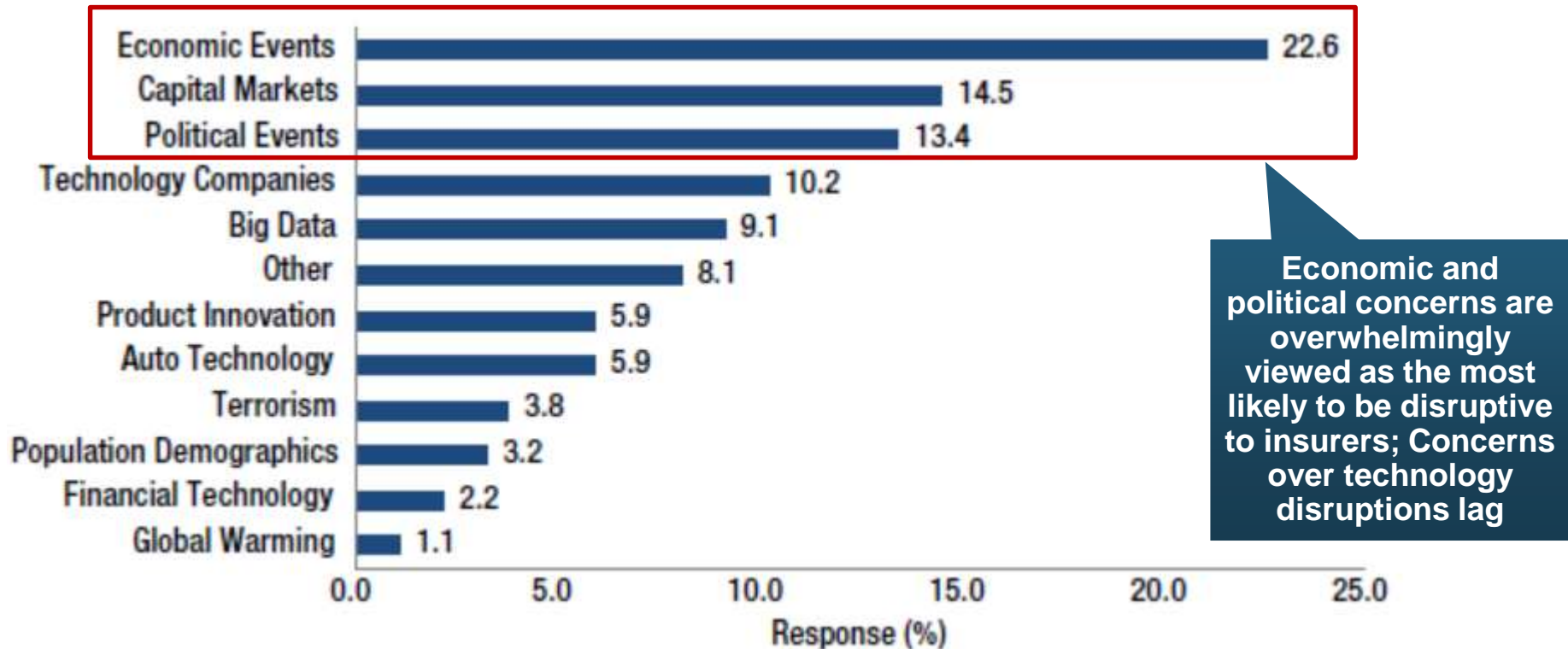
***Download at [www.iii.org/presentations](http://www.iii.org/presentations)***

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

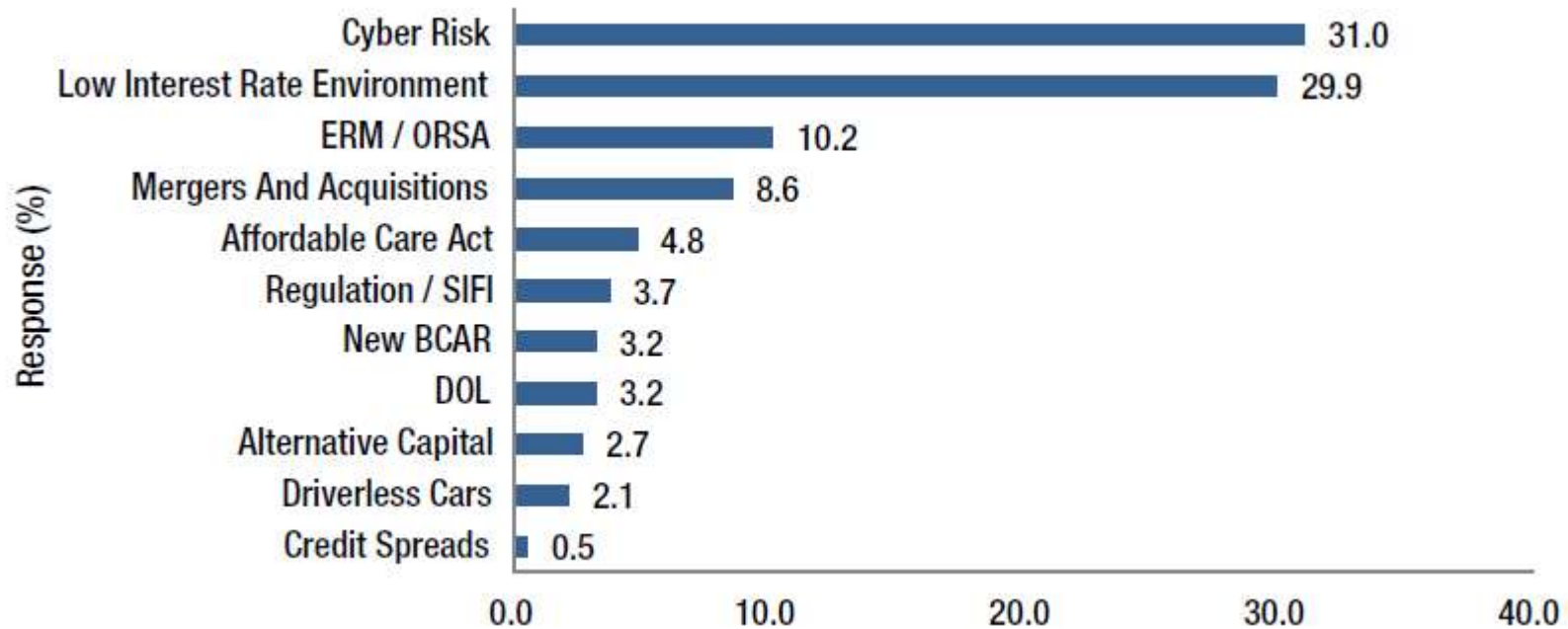
**Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038**

**Tel: 212.346.5520 ♦ Cell: 917.453.1885 ♦ [bobh@iii.org](mailto:bobh@iii.org) ♦ [www.iii.org](http://www.iii.org)**

# Leading Disruptive Forces for the Insurance Industry Over the Next 5 Years



# A.M. Best Survey: Top Insurance Industry Concerns



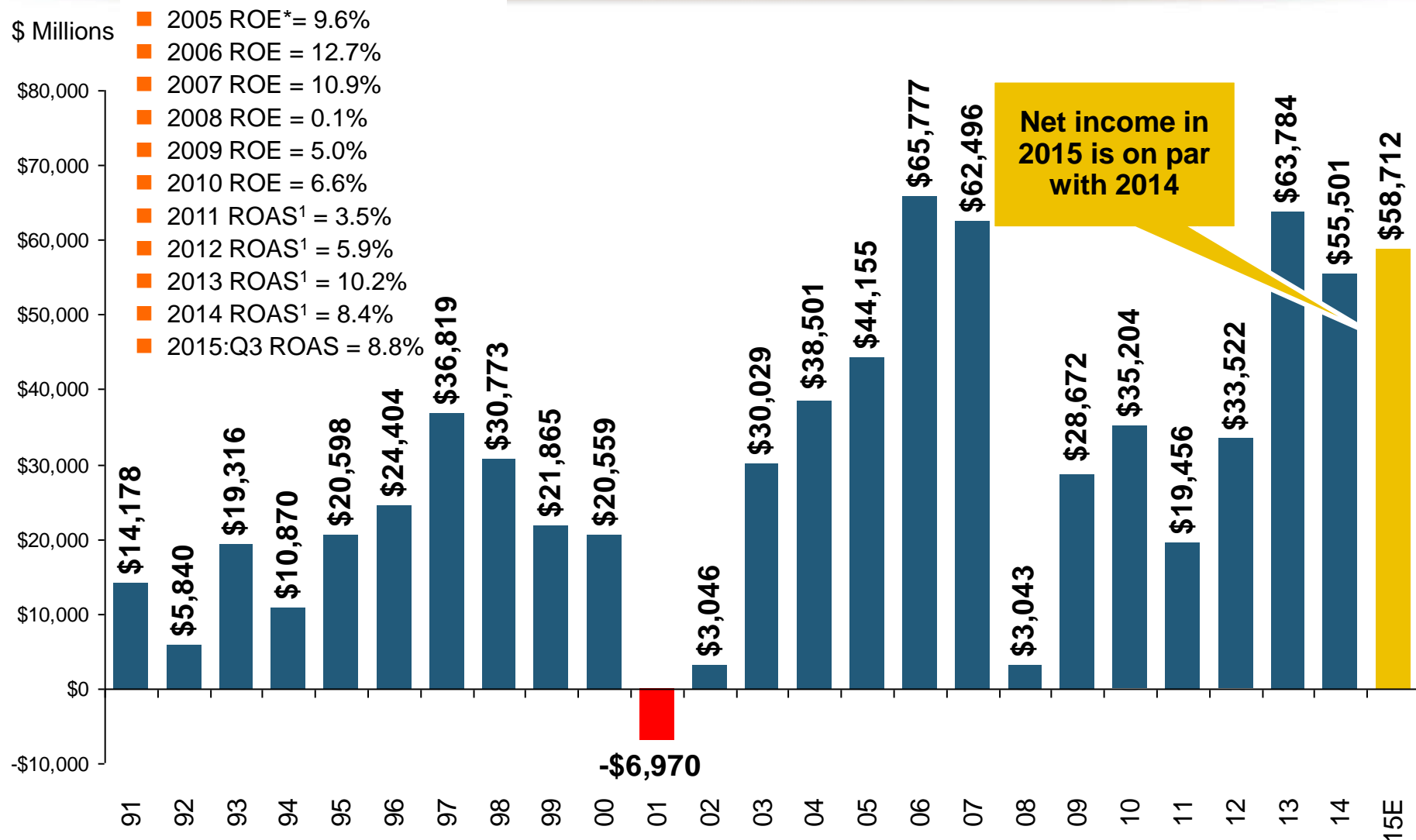


# **Insurance Industry:** ***Financial Update & Outlook***

***2015 Was a Reasonably Good Year  
and Similar to 2014***

***2016: Could Be Similar to 2015***

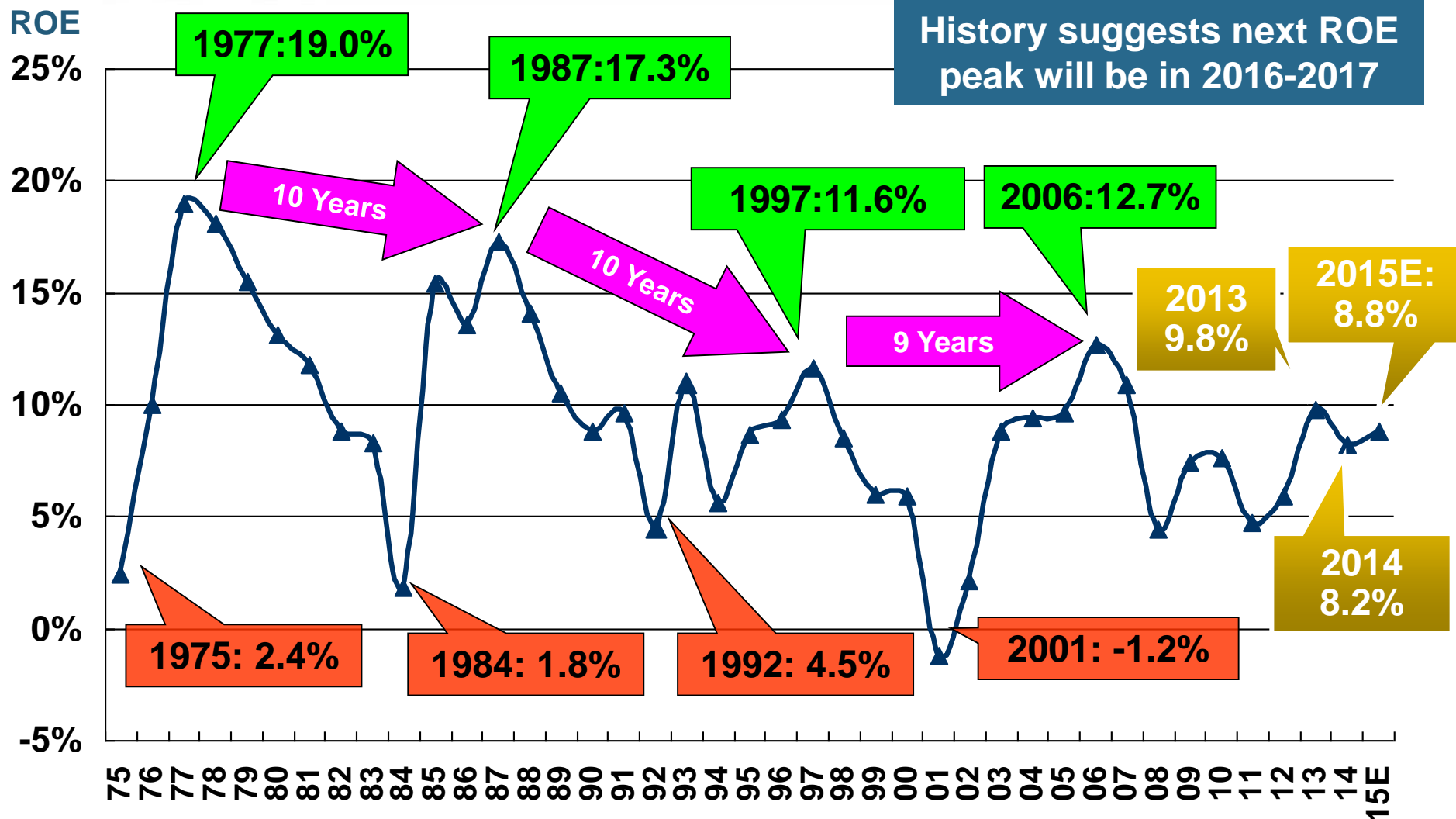
# P/C Industry Net Income After Taxes 1991–2015E



\*ROE figures are GAAP; <sup>1</sup>Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 8.2% ROAS in 2014, 9.8% ROAS in 2013, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009; 2015E is annualized figure based actual figure through Q3 of \$44.0

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

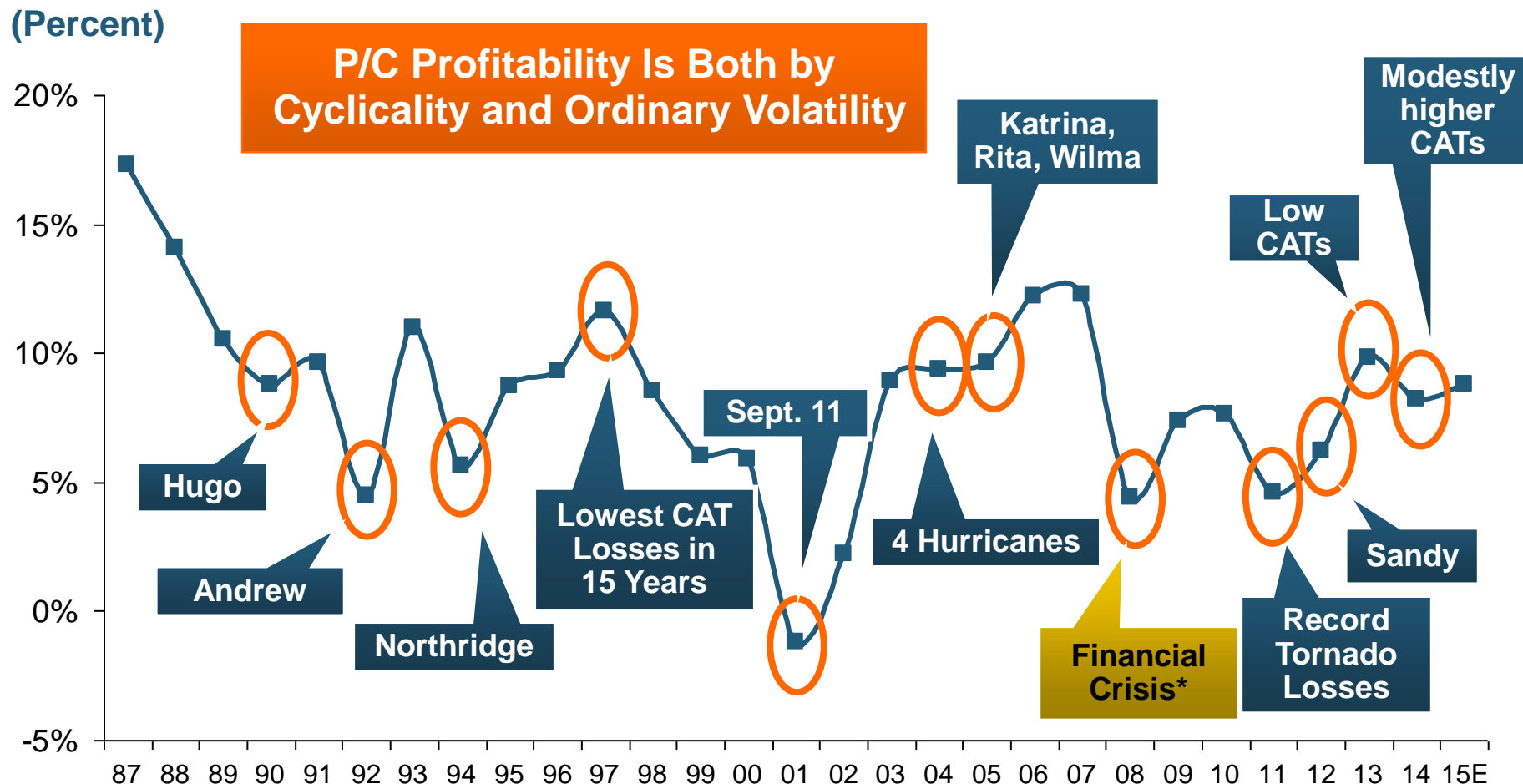
# Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2015E



\*Profitability = P/C insurer ROEs. 2011-14 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.

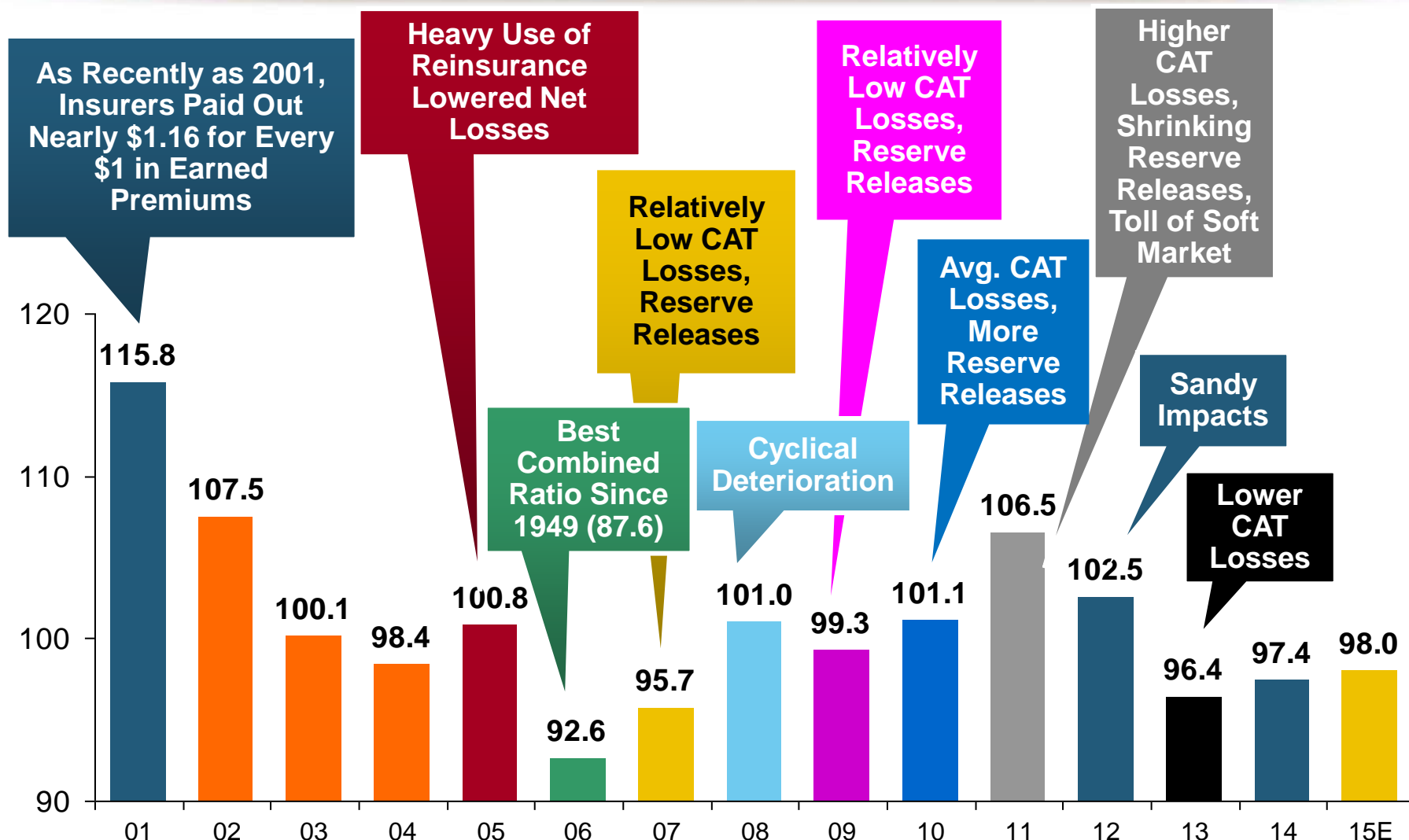
Source: Insurance Information Institute; NAIC, ISO, A.M. Best, Conning

# ROE: Property/Casualty Insurance by Major Event, 1987–2015E



\* Excludes Mortgage & Financial Guarantee in 2008 – 2014.  
Sources: ISO, *Fortune*; Insurance Information Institute.

# P/C Insurance Industry Combined Ratio, 2001–2015:Q3 (Est.)\*



\* Excludes Mortgage & Financial Guaranty insurers 2008--2014. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012:=103.2; 2013: = 96.1; 2014: = 97.0.

Sources: A.M. Best, ISO; Figure for 2010-2015E is from A.M. Best P&C Review and Preview, Feb. 16, 2016.

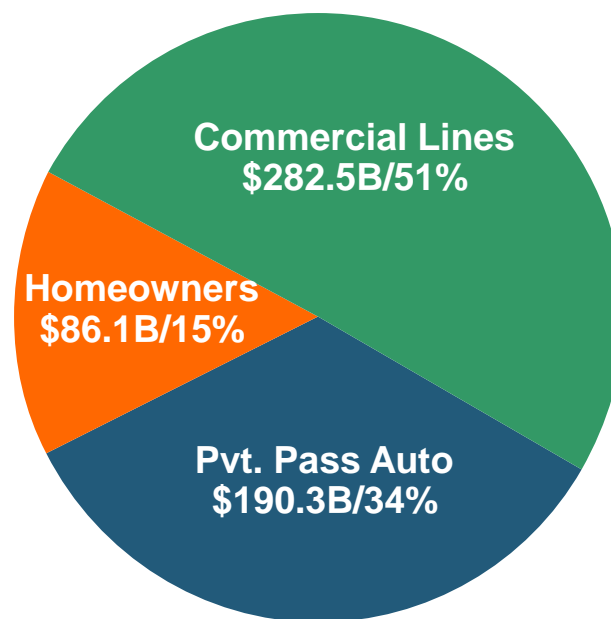


# Distribution of Direct Premiums Written by Segment/Line, 2014

## Distribution Facts

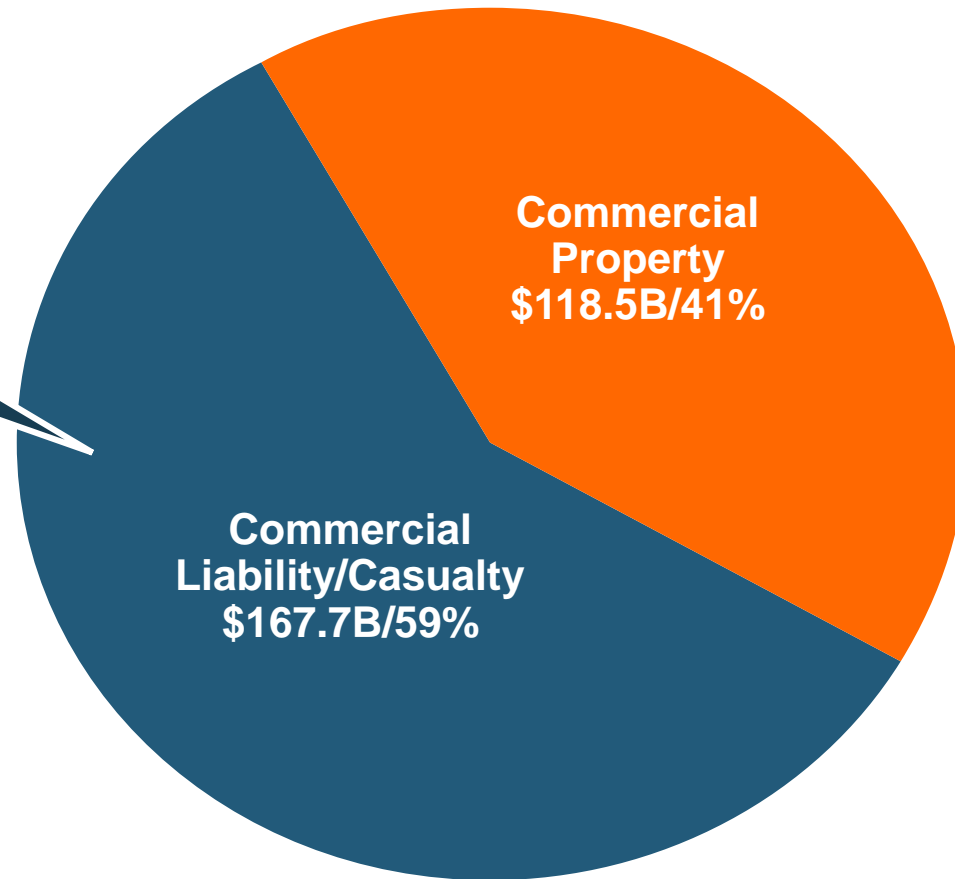
- Personal/Commercial lines split has been about 50/50 for many years
- Personal lines growth now exceeds Commercial lines; Industrywide, Private Passenger Auto is by far the largest line of insurance and is currently the most important source of industry profits
- Commercial lines growth in a flat rate environment is highly dependent on exposure growth driven by the expanding economy and product innovation

2014

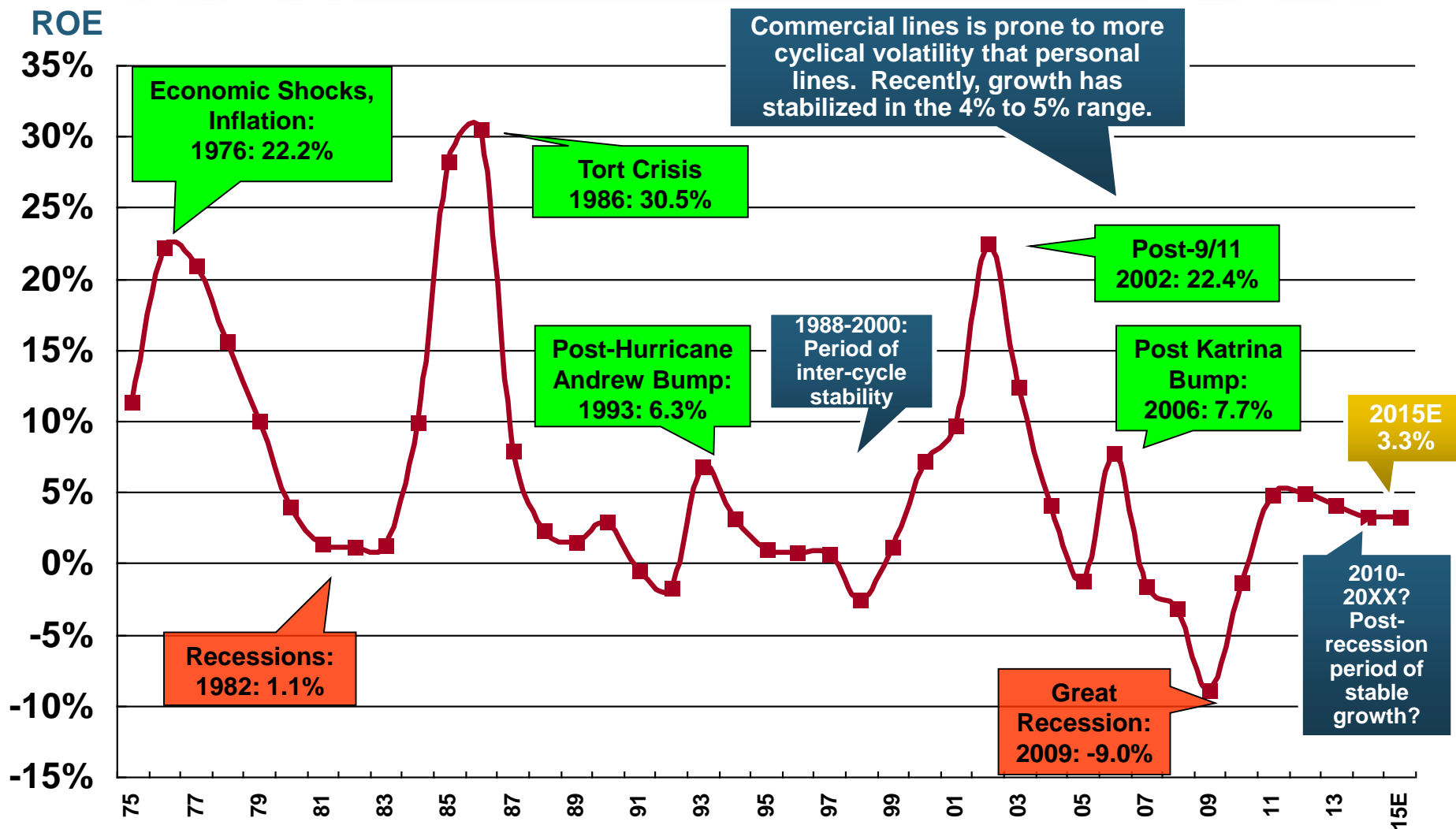


# Distribution of Commercial Lines Premiums: Property vs. Liability, 2015

**Commercial casualty/liability lines account for 59% of commercial premiums written vs. 41% for property lines**



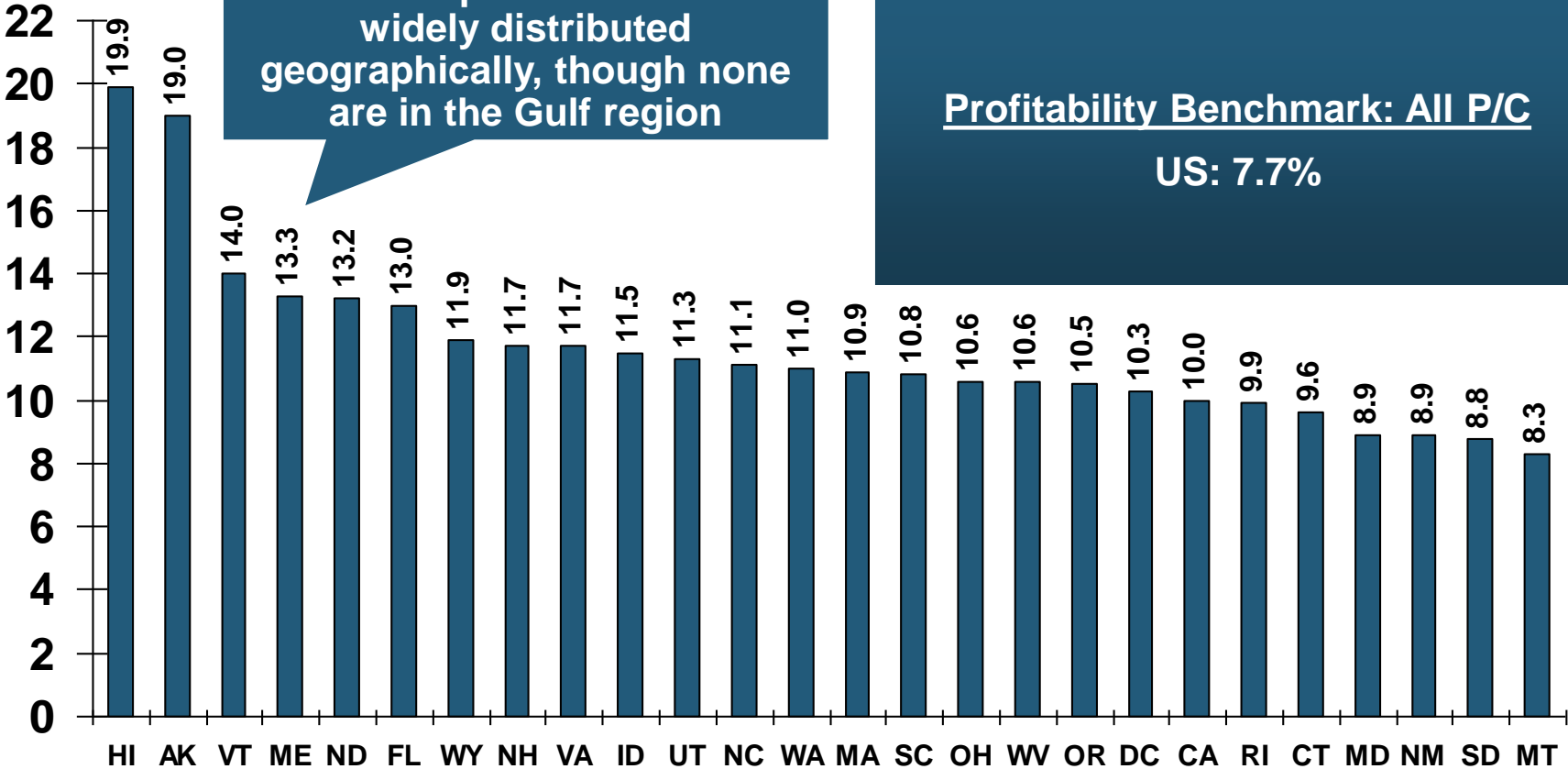
# Commercial Lines NPW Premium Growth: 1975 – 2015E



Note: Data include state funds beginning in 1998.  
Source: A.M. Best; Insurance Information Institute.

# RNW All Lines, 2005-2014 Average: Highest 25 States

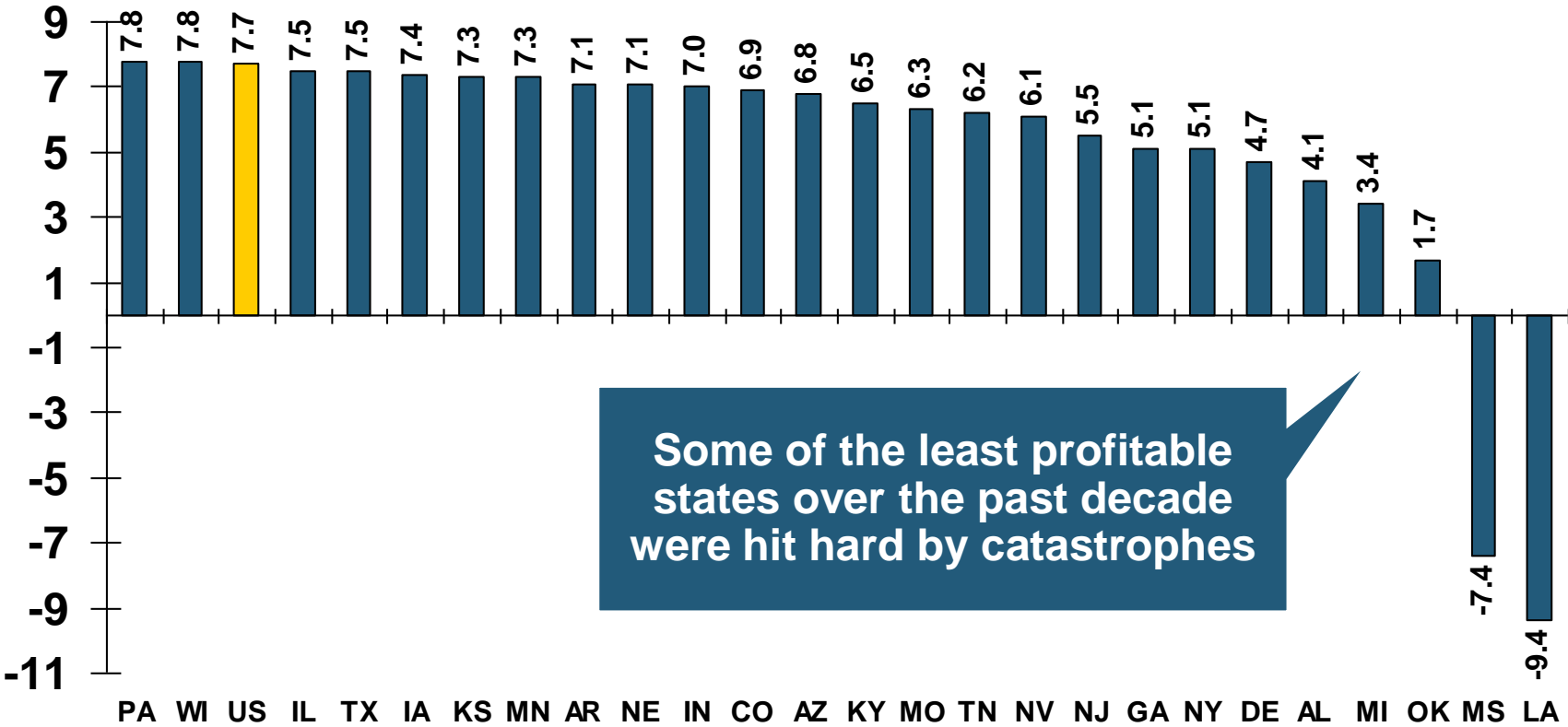
(Percent)



Source: NAIC; Insurance Information Institute.

# RNW All Lines, 2005-2014 Average: Lowest 25 States

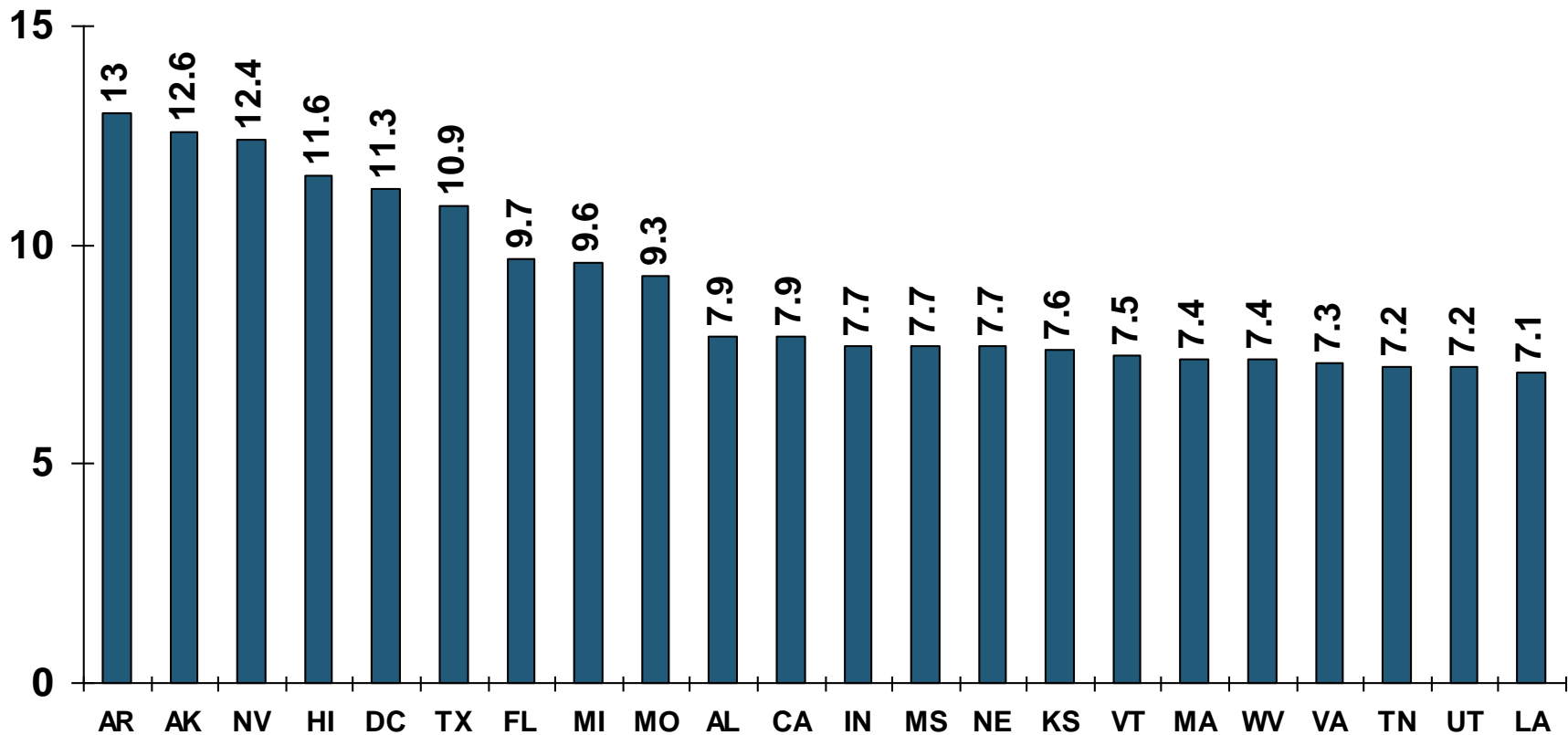
(Percent)



Source: NAIC; Insurance Information Institute.

# RNW Workers Compensation, 2005-2014 Average: Highest 25 States

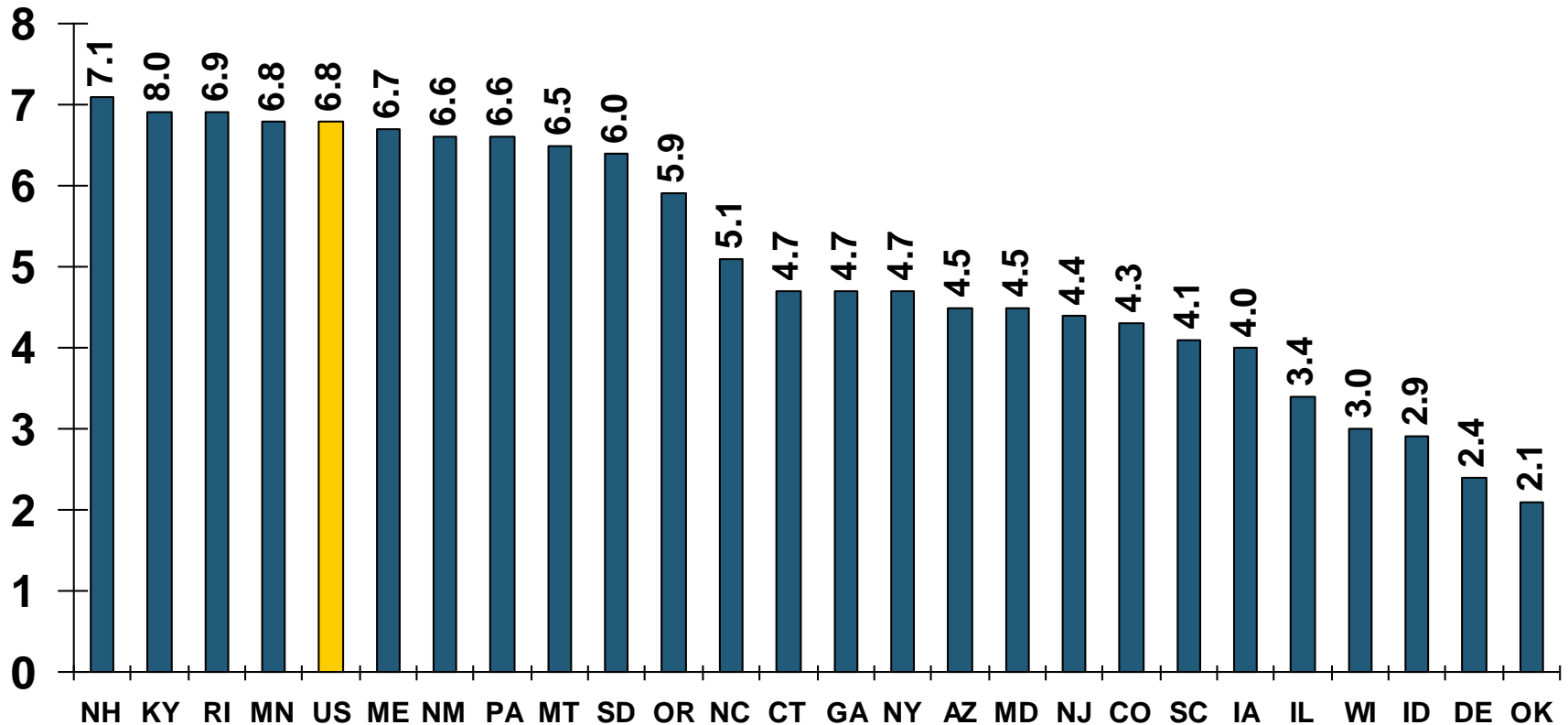
(Percent)



Sources: NAIC; Insurance Information Institute

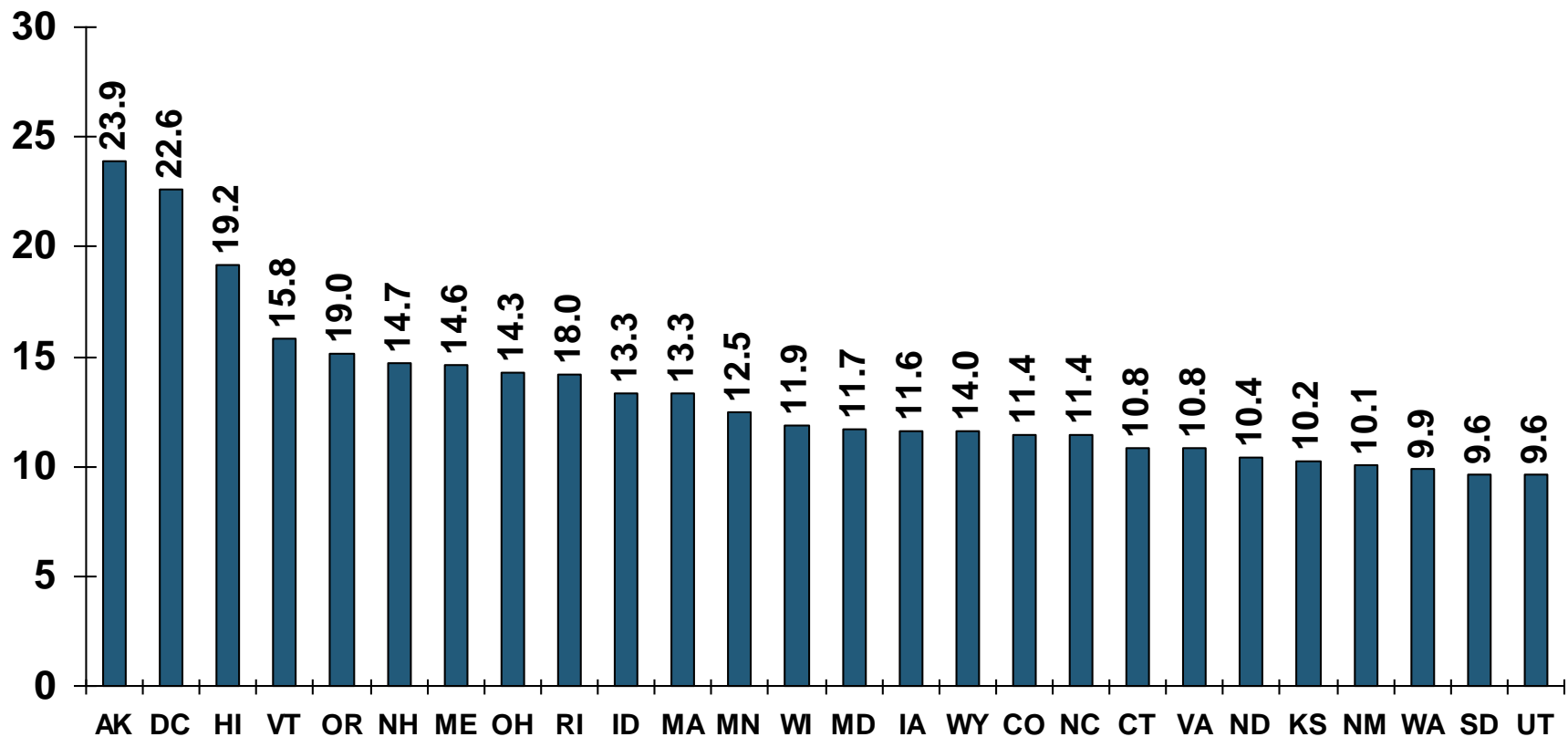
# RNW Workers Compensation, 2005-2014 Average: Lowest 25 States

(Percent)



# RNW Commercial Auto, 2005-2014 Average: Highest 25 States

(Percent)

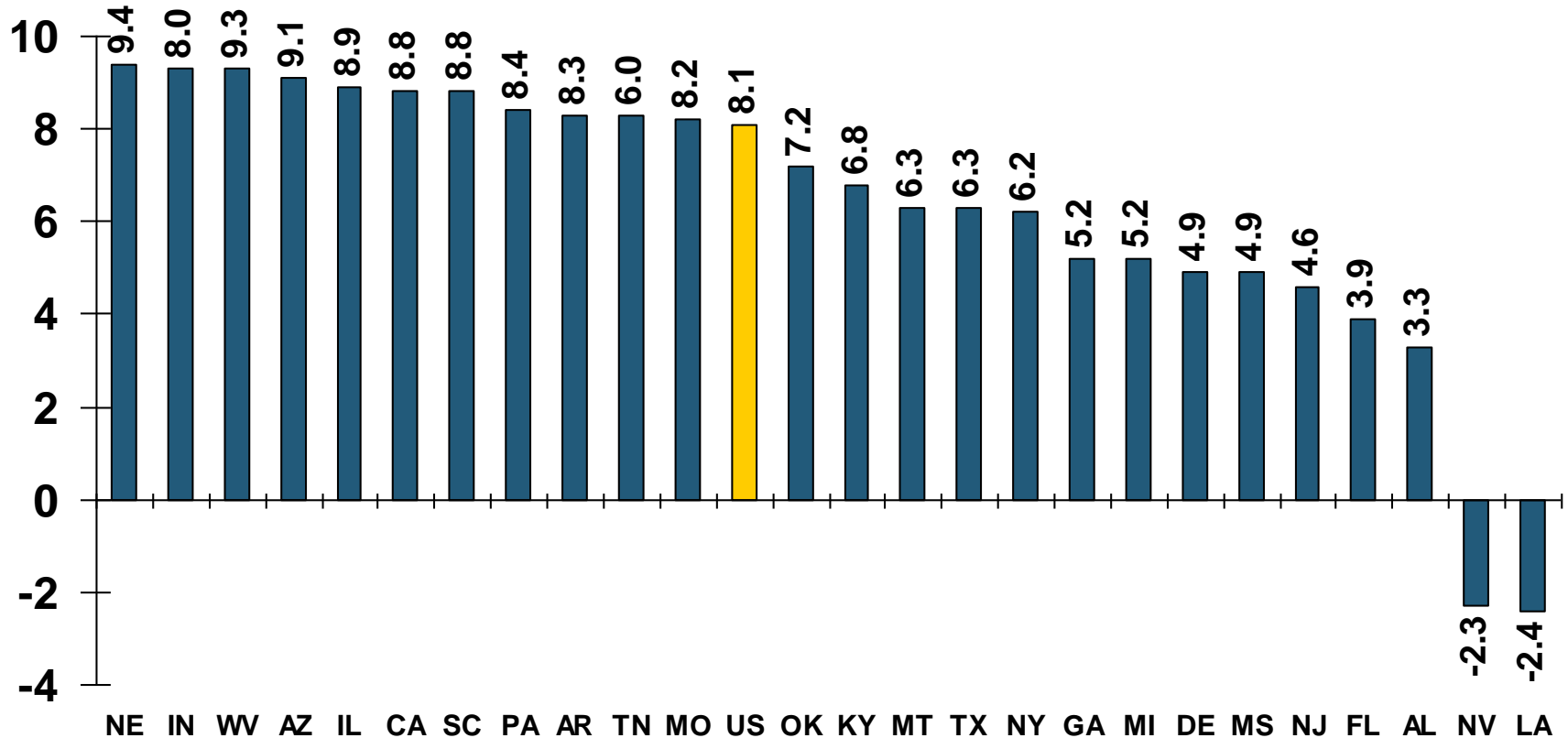


Sources: NAIC; Insurance Information Institute



# RNW Commercial Auto, 2005-2014 Average: Lowest 25 States

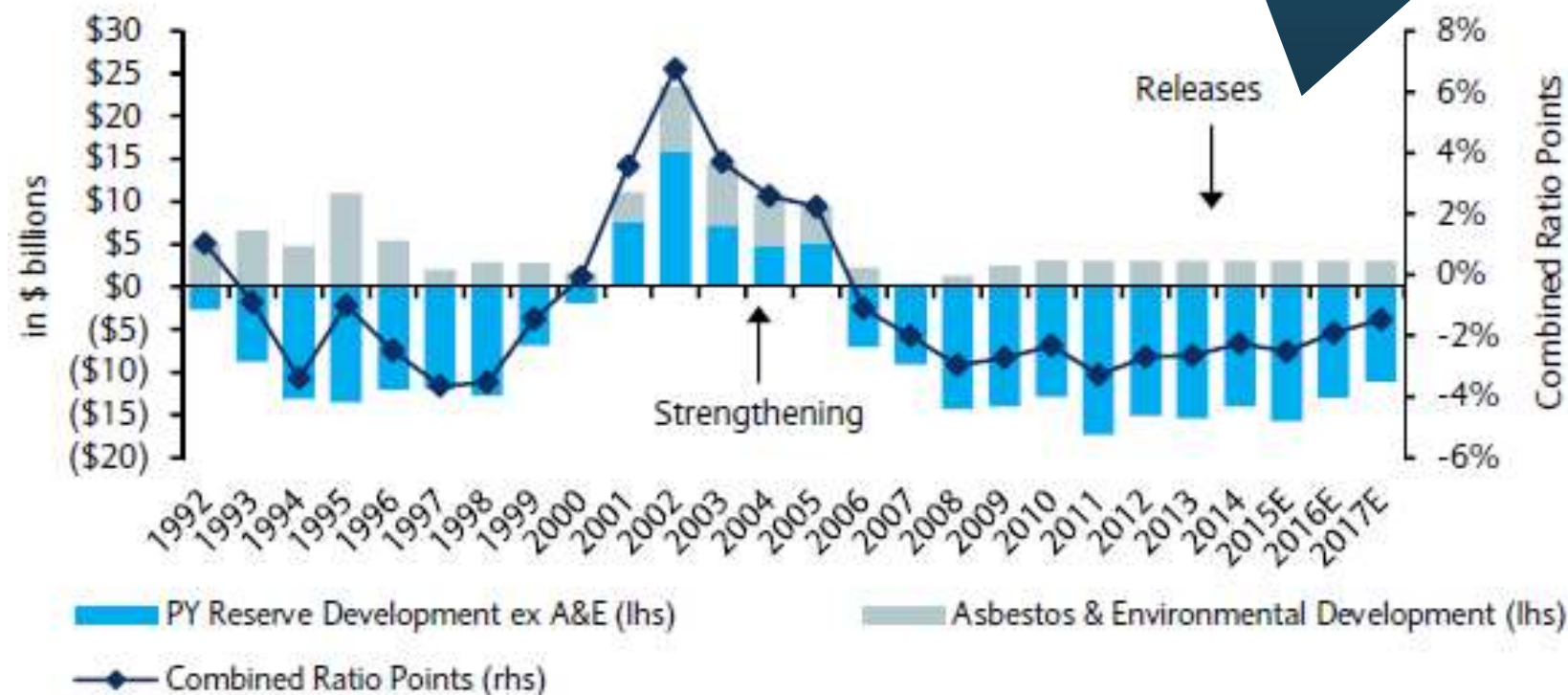
(Percent)



# P/C Insurance Loss Reserve Development, 1992 – 2017E\*

## Reserve Change

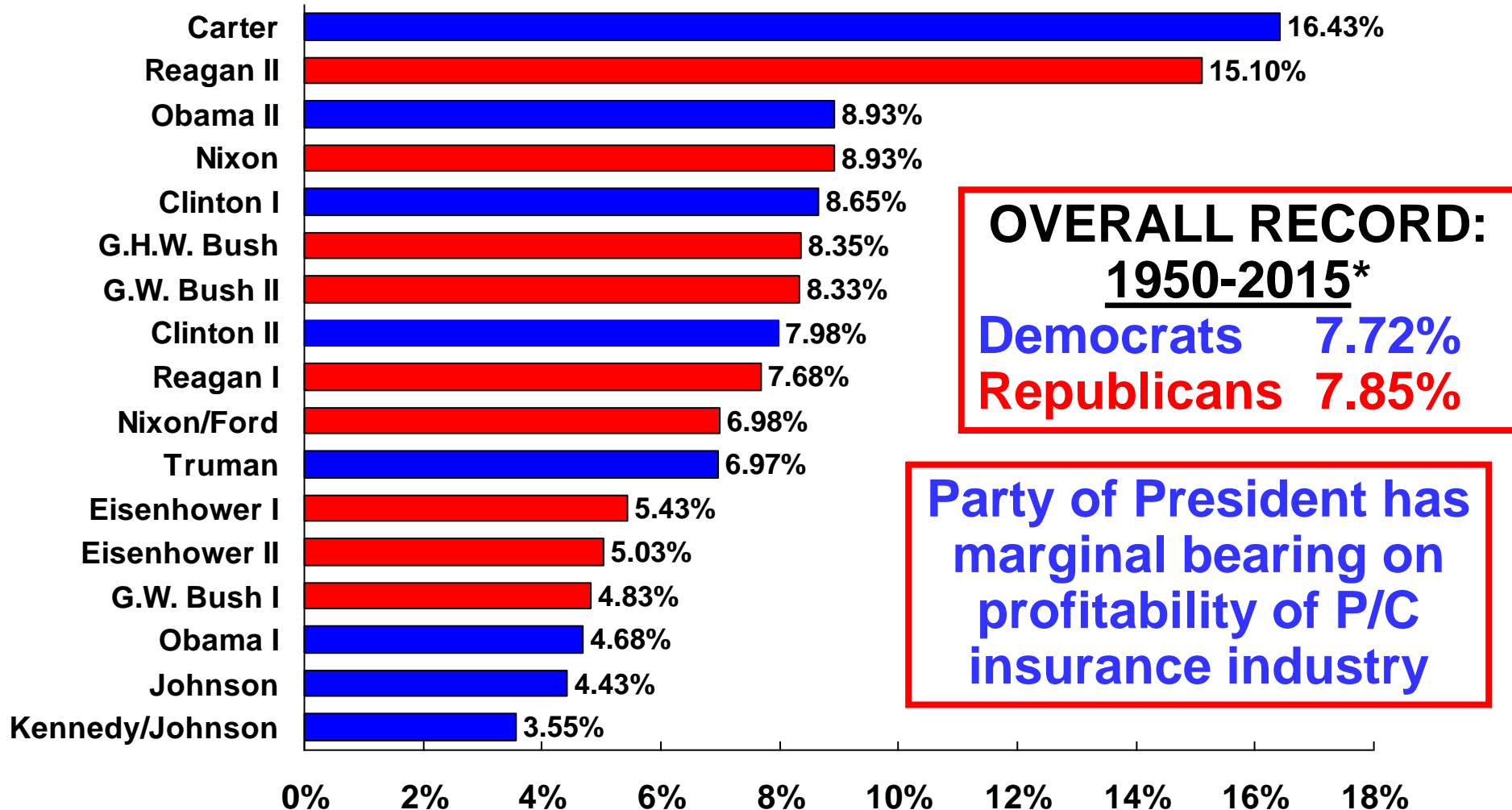
Reserve releases are expected to gradually taper off slowly, but will continue to benefit the bottom line and combined ratio through at least 2017



# Profitability & Politics

***How Is Profitability Affected by  
the President's Political Party?***

# P/C Insurance Industry ROE by Presidential Administration, 1950-2015\*



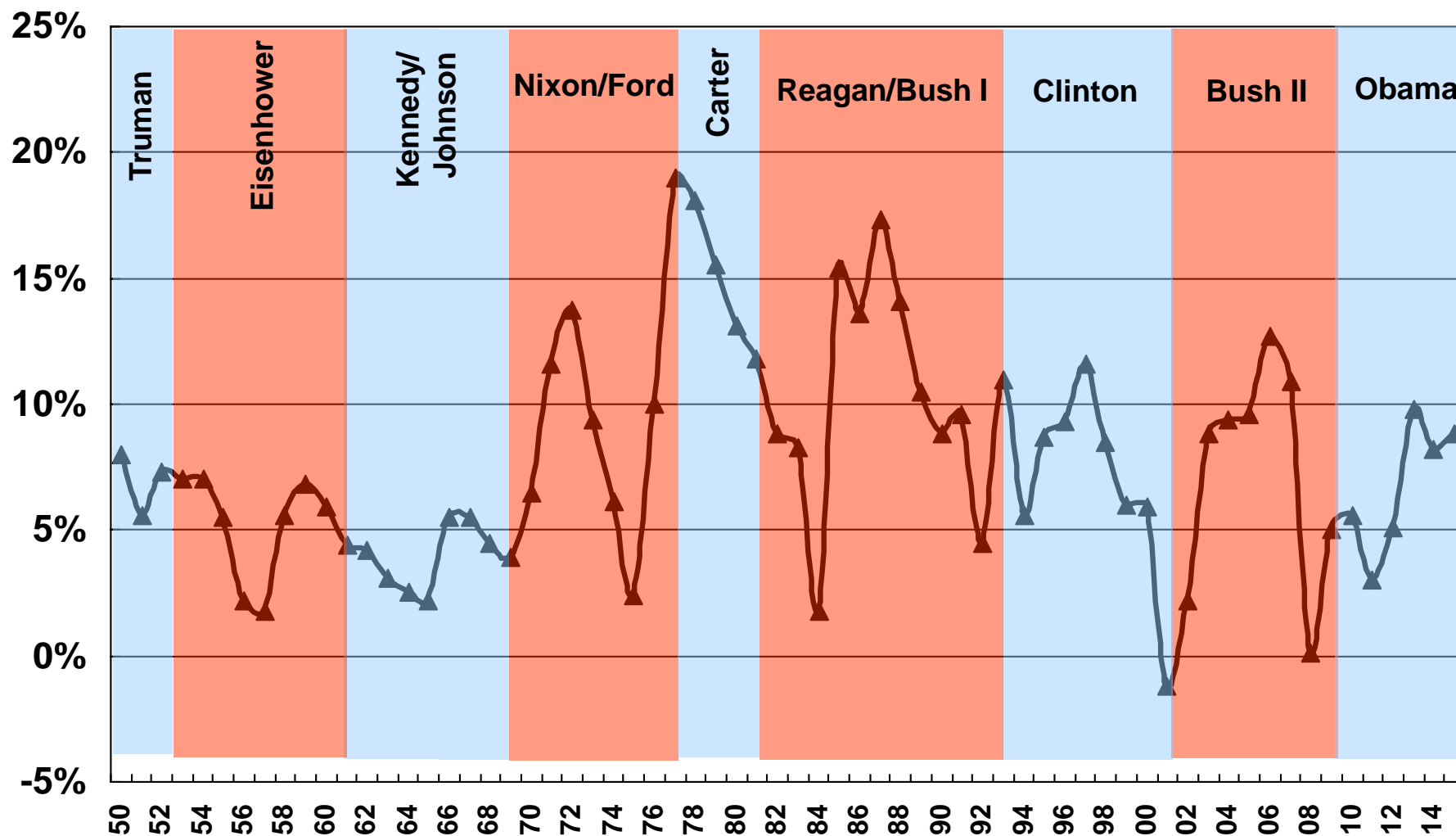
\*Truman administration ROE of 6.97% based on 3 years only, 1950-52;.

Source: Insurance Information Institute

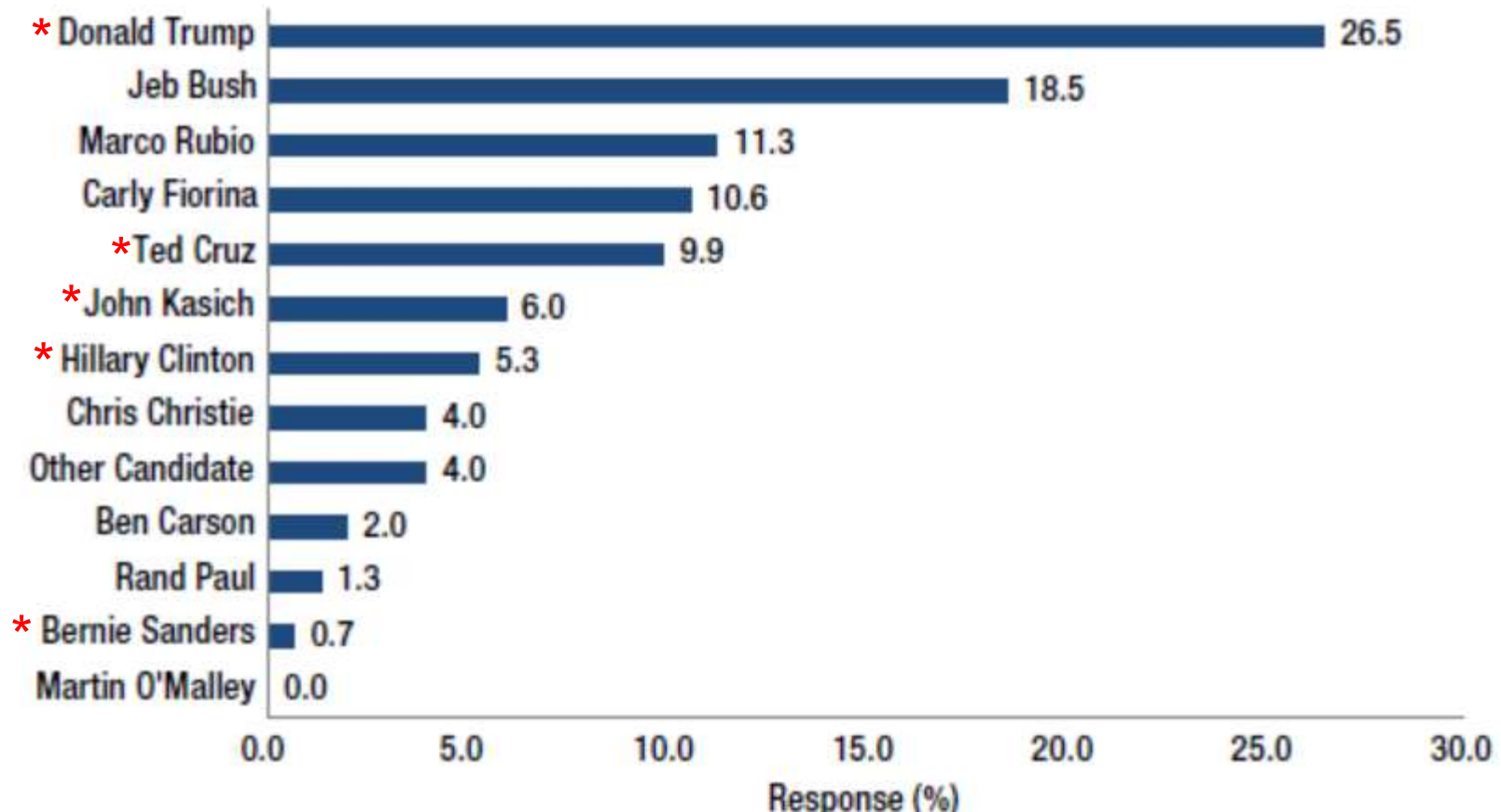
# P/C insurance Industry ROE by Presidential Party Affiliation, 1950- 2015

**BLUE** = Democratic President

**RED** = Republican President



# Presidential Candidate Anticipated as Having the Most Favorable Policies for the P/C Insurance Industry



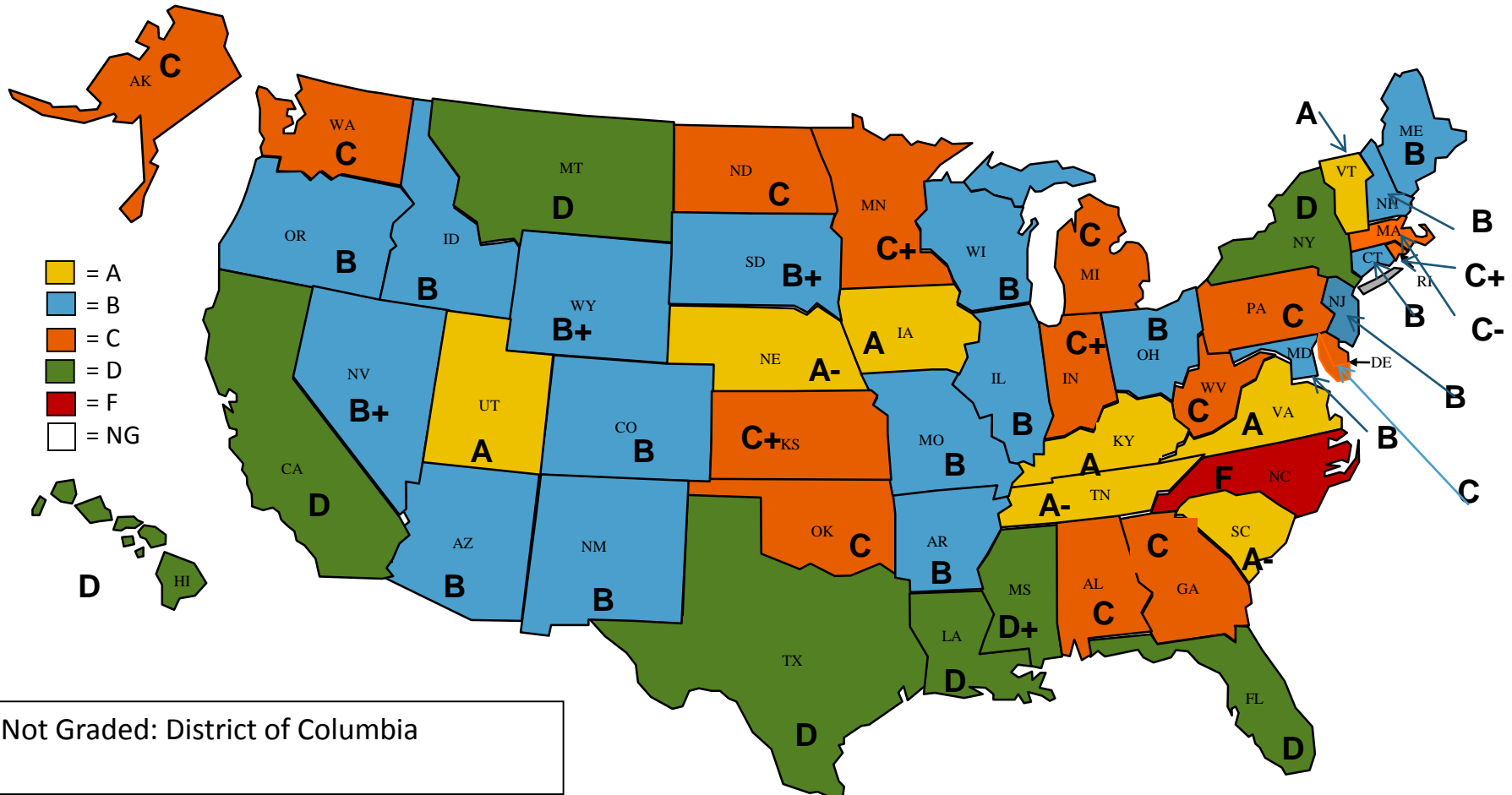
\*Still in the race as of March 31, 2016.

Sources: A.M. Best Winter 2015/2016 Insurance Industry Survey, March 2016; Insurance Information Institute.

# Trump vs. Clinton: Issues that Matter to P/C Insurers

Issue	Trump	Clinton
Economy	<b><i>Supply Side-Like Philosophy:</i></b> Lower taxes→Faster real GDP growth; Deficits likely grow as tax cuts are combined with targeted increased spending on Homeland Security, Defense, etc.	<b><i>Keynesian Philosophy:</i></b> More government spending on infrastructure, education, social services; Deficits likely increase as tax increases likely difficult to pass
Interest Rates	May trend higher with larger deficits; Shift from monetary policy to fiscal focus (tax cuts, government spending)	Status quo at the Fed; Net impact on interest rates unclear
Taxes	Favors lower tax rates for corporate and personal income tax rates; Tax code overhaul?	Unlikely to reduce taxes or embark on major overhaul of tax code
International Trade	Protectionist Tendencies	Has criticized Trans-Pacific Partnership but is a realist on international matters
Tort System	Doesn't like trial lawyers but seems to like filing lawsuits	Status Quo

# 2015 Property and Casualty Insurance Regulatory Report Card



Source: R Street Insurance Regulation Report Card,  
December 2015



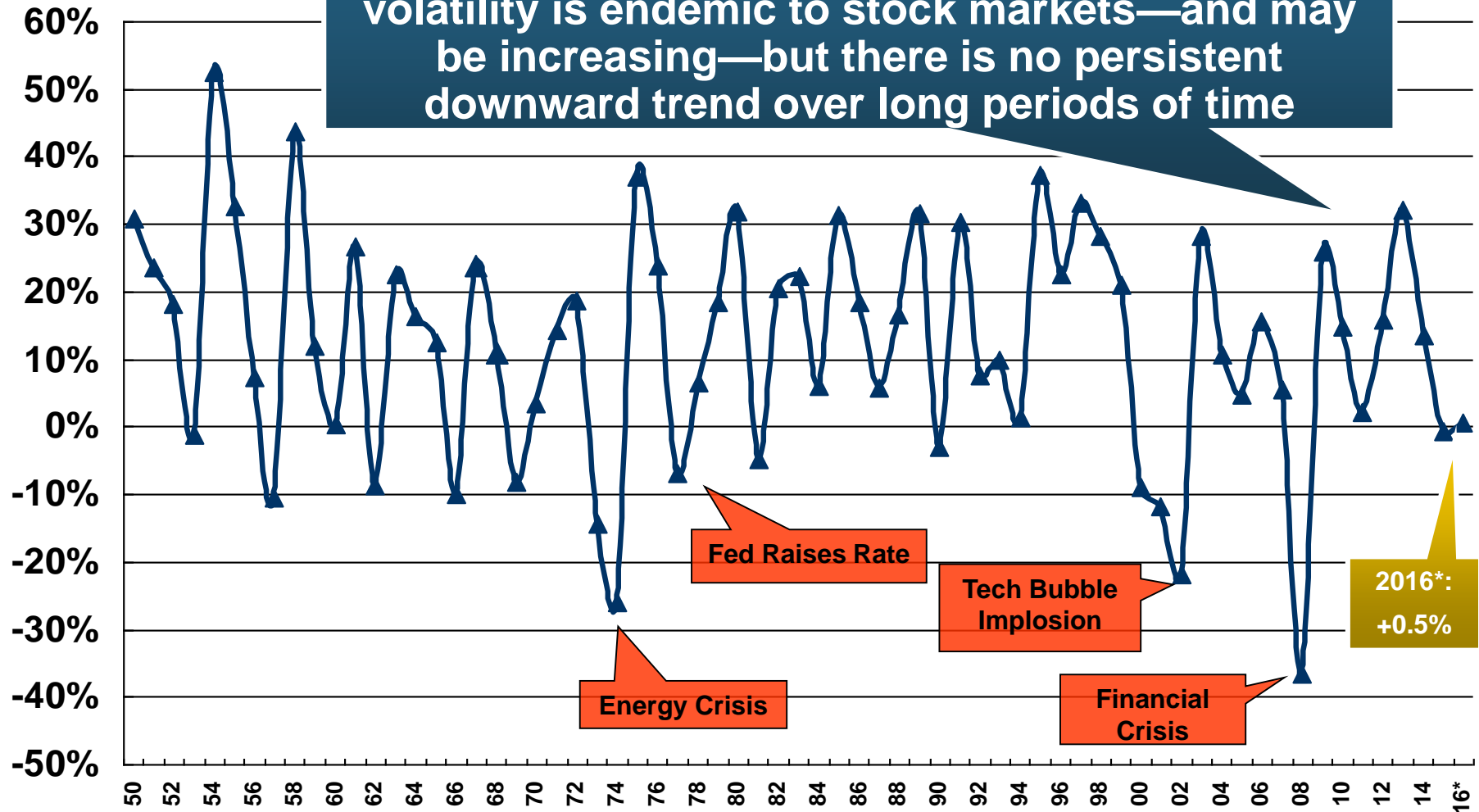
# **INVESTMENTS: THE NEW REALITY**

**Investment Performance is a Key  
Driver of Profitability**

***Depressed Yields Will Necessarily  
Influence Underwriting & Pricing***

# S&P 500 Index Returns, 1950 – 2016\*

Annual Return

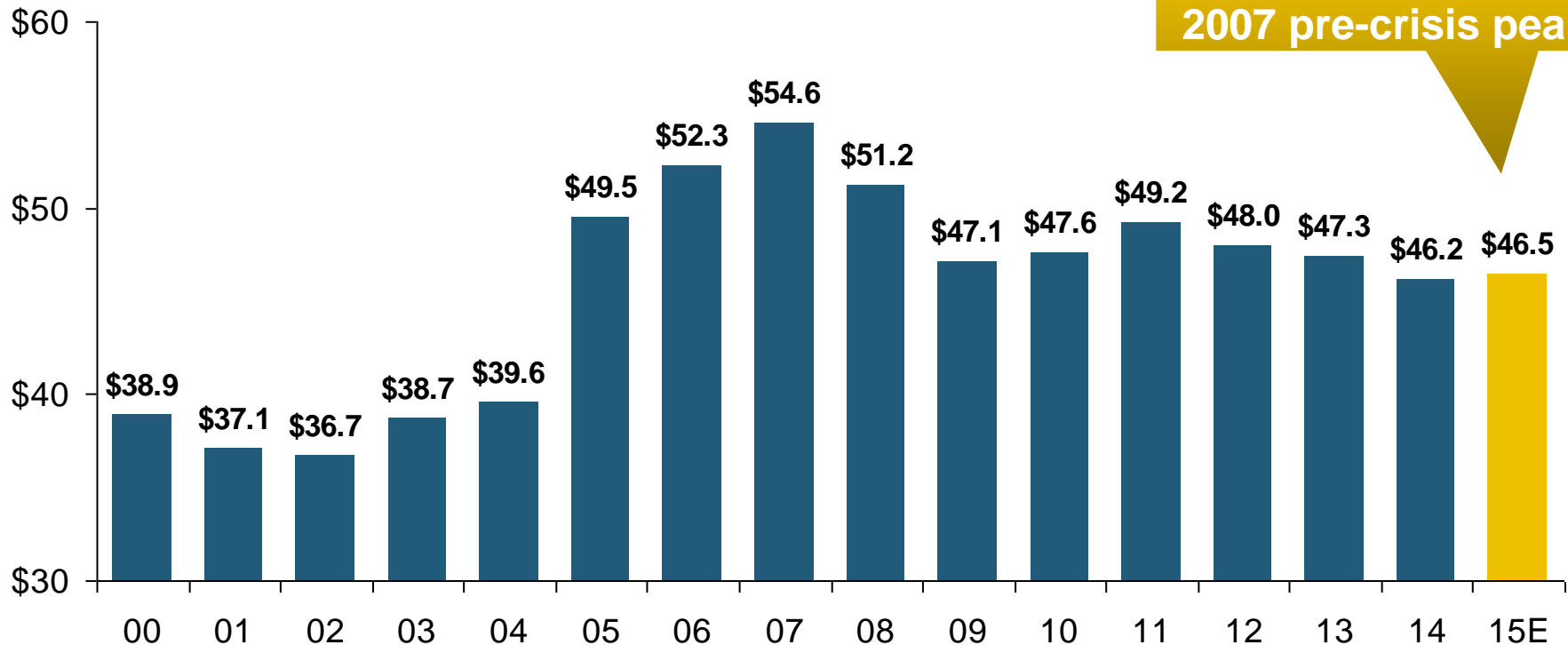


\*Through March 29, 2016.

Source: NYU Stern School of Business: [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datafile/histretSP.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html) Ins. Info. Inst.

# Property/Casualty Insurance Industry Investment Income: 2000–2015E<sup>1</sup>

(\$ Billions)



Investment earnings  
are still below their  
2007 pre-crisis peak

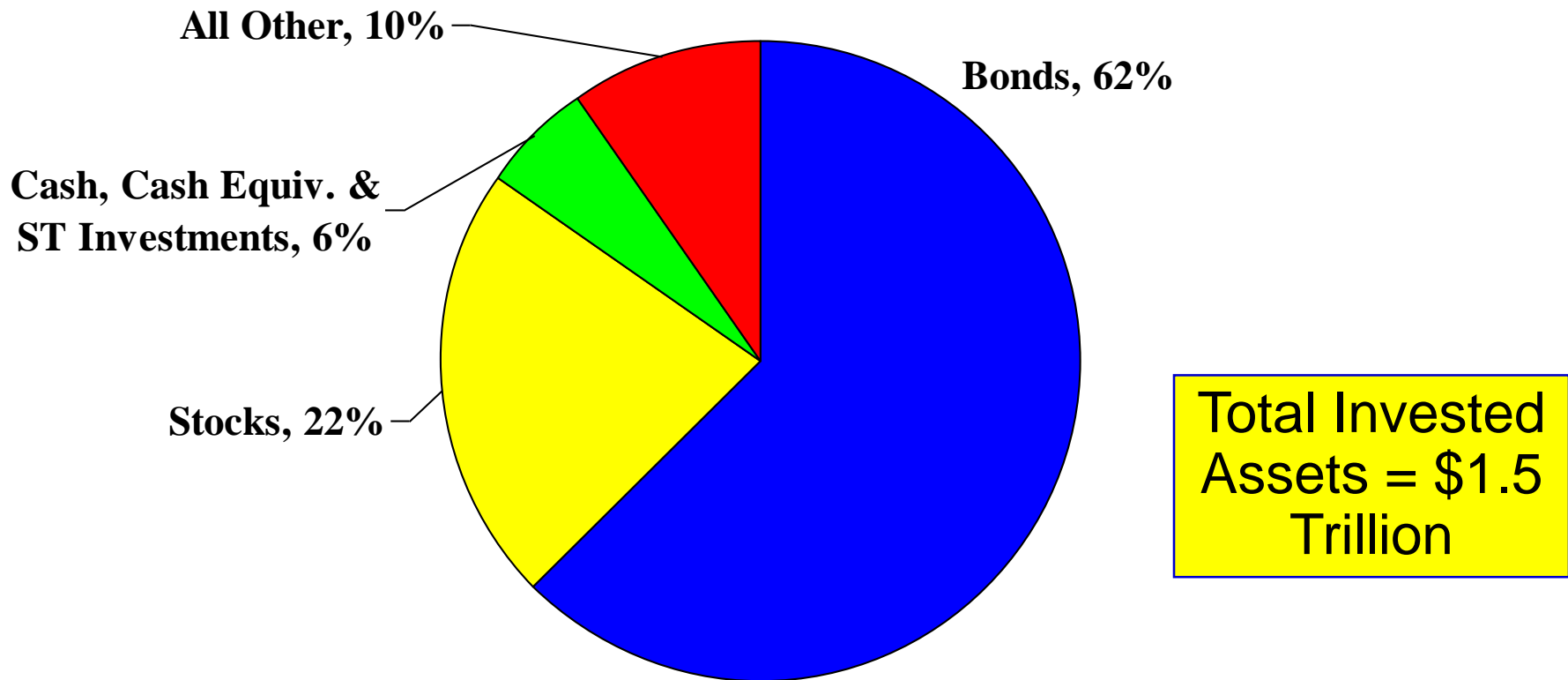
**Due to persistently low interest rates,  
investment income fell in 2012, 2013 and 2014.**

<sup>1</sup> Investment gains consist primarily of interest and stock dividends.  
Sources: ISO; Insurance Information Institute.

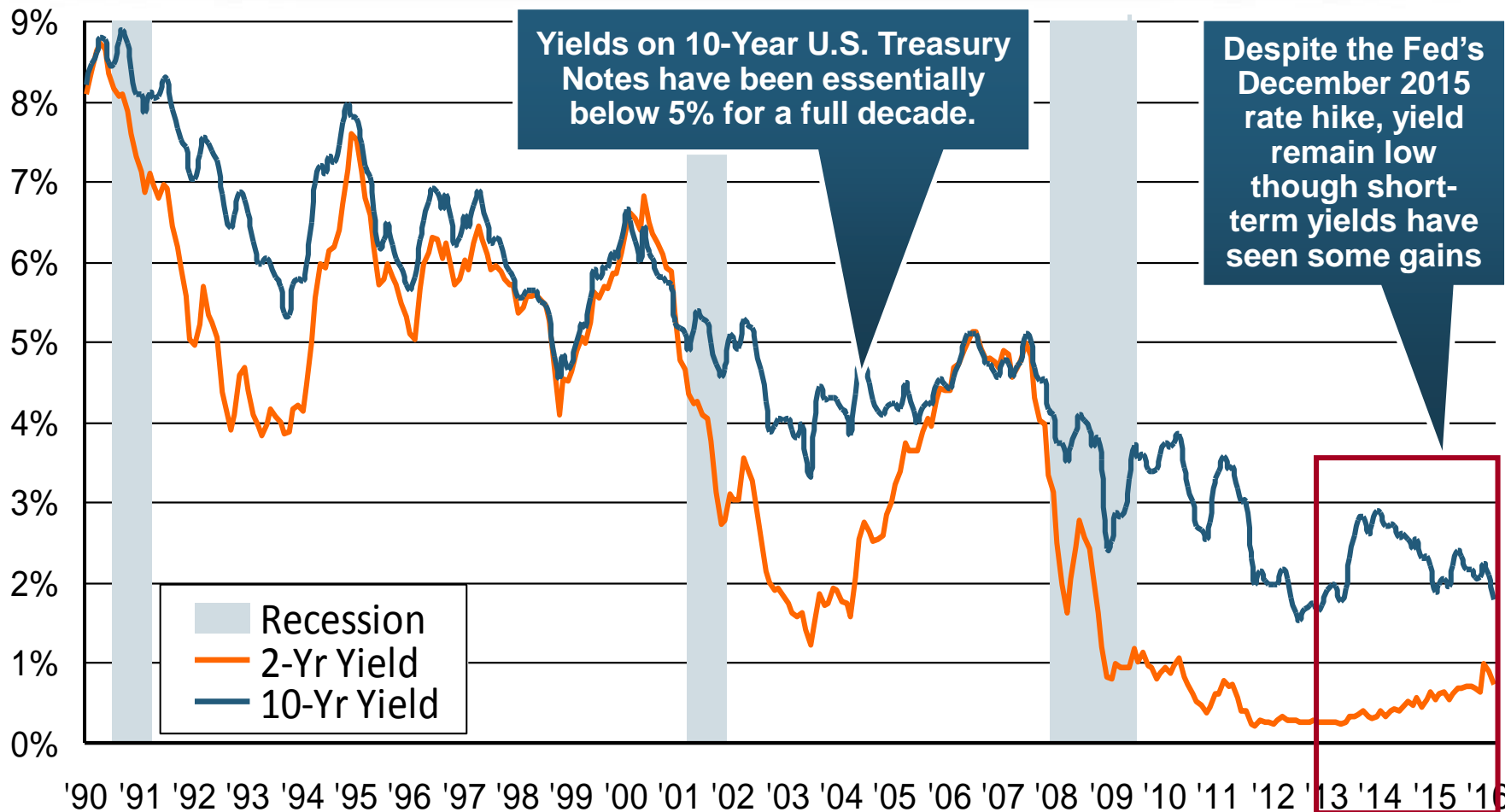
\*2015 figure is estimated based on annualized data through Q3.

# Distribution of Invested Assets: P/C Insurance Industry, 2013

**\$ Billions**



# U.S. Treasury Security Yields: A Long Downward Trend, 1990–2016\*

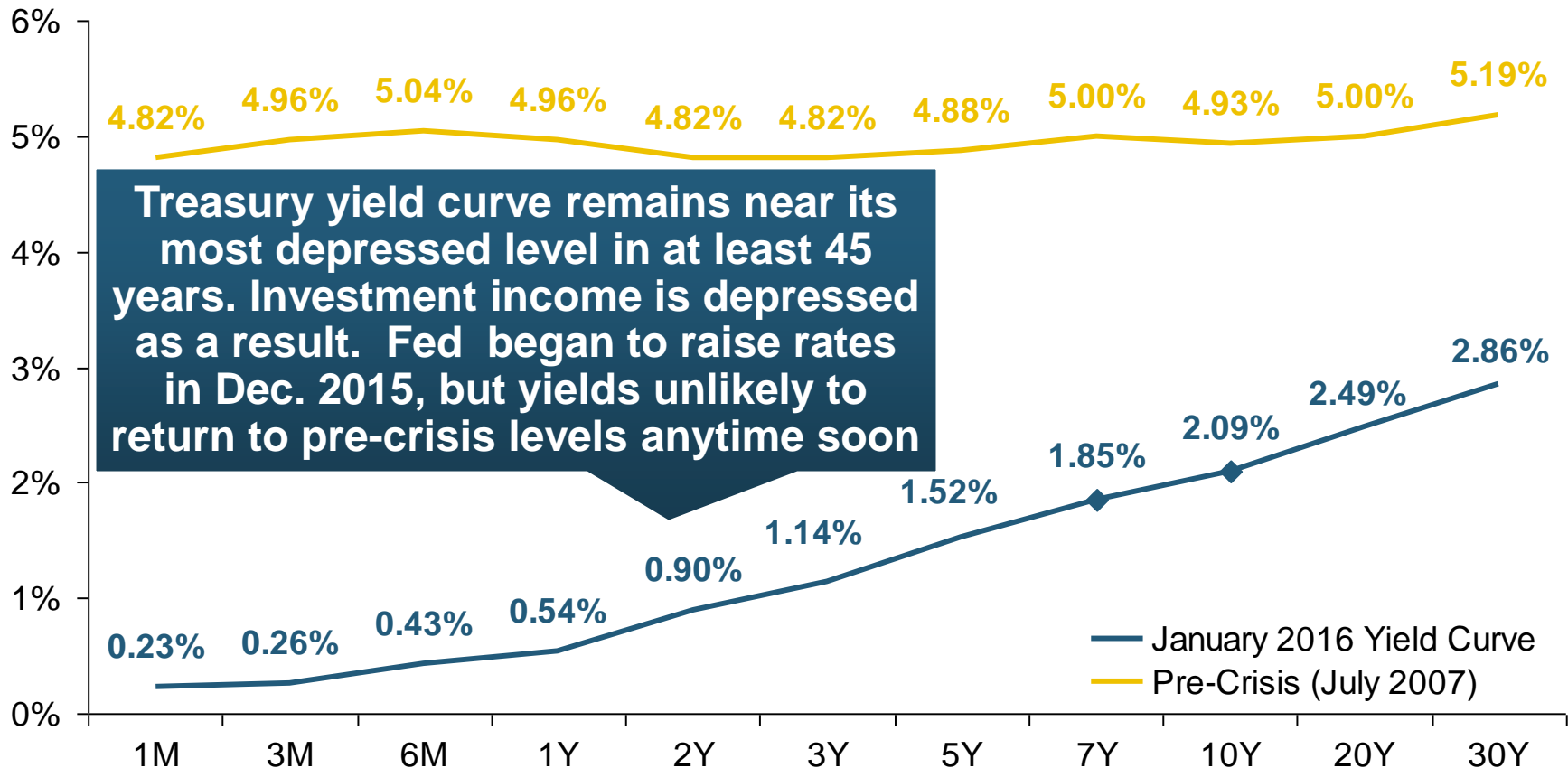


**Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.**

\*Monthly, constant maturity, nominal rates, through February 2016.

Sources: Federal Reserve Bank at <http://www.federalreserve.gov/releases/h15/data.htm>. National Bureau of Economic Research (recession dates); Insurance Information Institute.

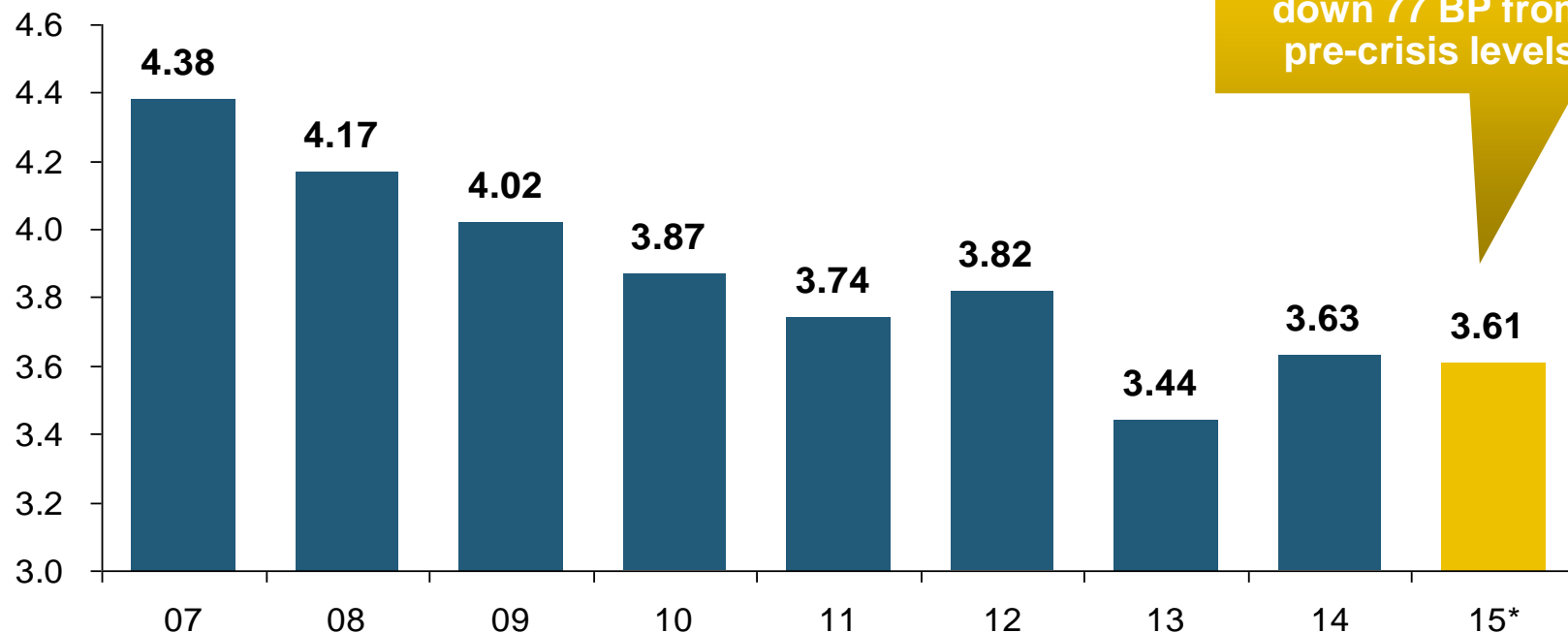
# Treasury Yield Curves: Pre-Crisis (July 2007) vs. January 2016



**The Fed Began to Raise Rates in Dec. 2015 but Market Volatility and Weakness Abroad Will Make It Difficult for the Fed to Raise Rates in Early 2016**

# Net Yield on Property/Casualty Insurance Invested Assets, 2007–2015\*

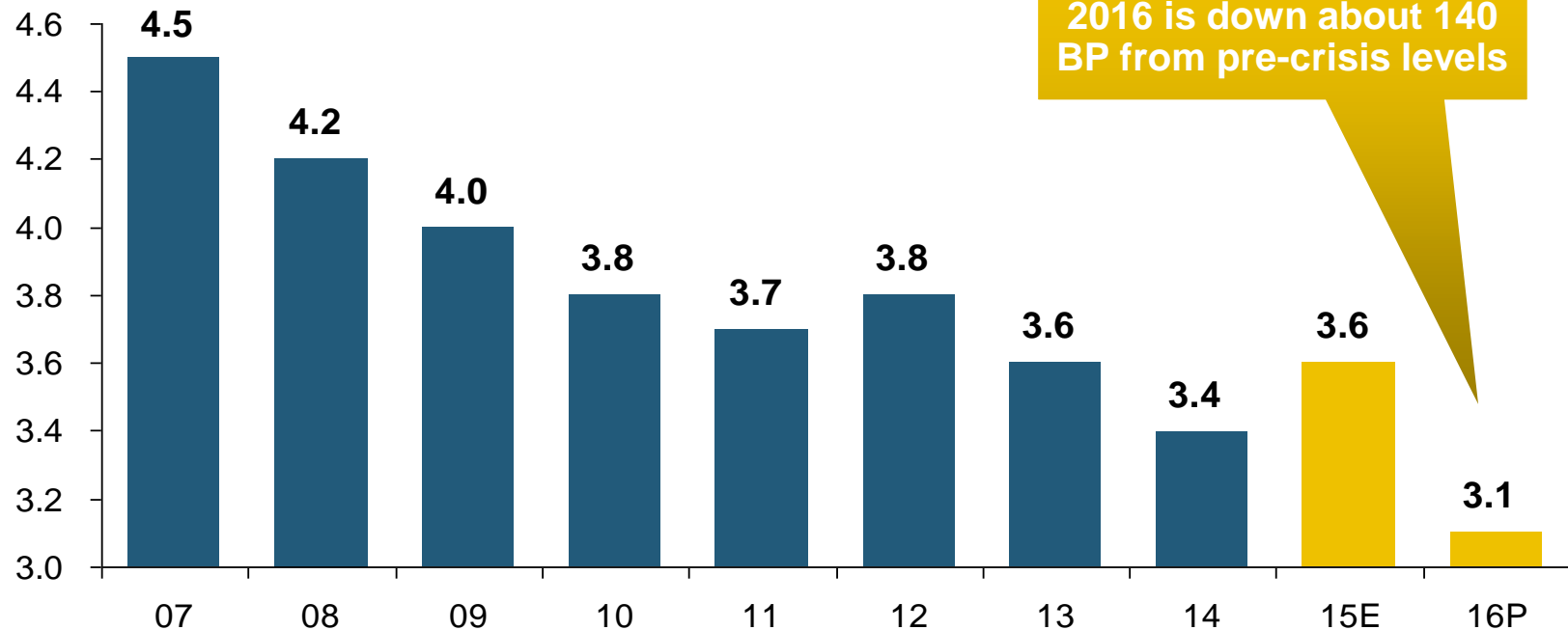
(Percent)



The yield on invested assets remains low relative to pre-crisis yields. The Fed's plan to raise interest rates in late 2015 has already pushed up some yields, albeit quite modestly.

# Net Investment Yield on Property/ Casualty Insurance Invested Assets, 2007–2016P\*

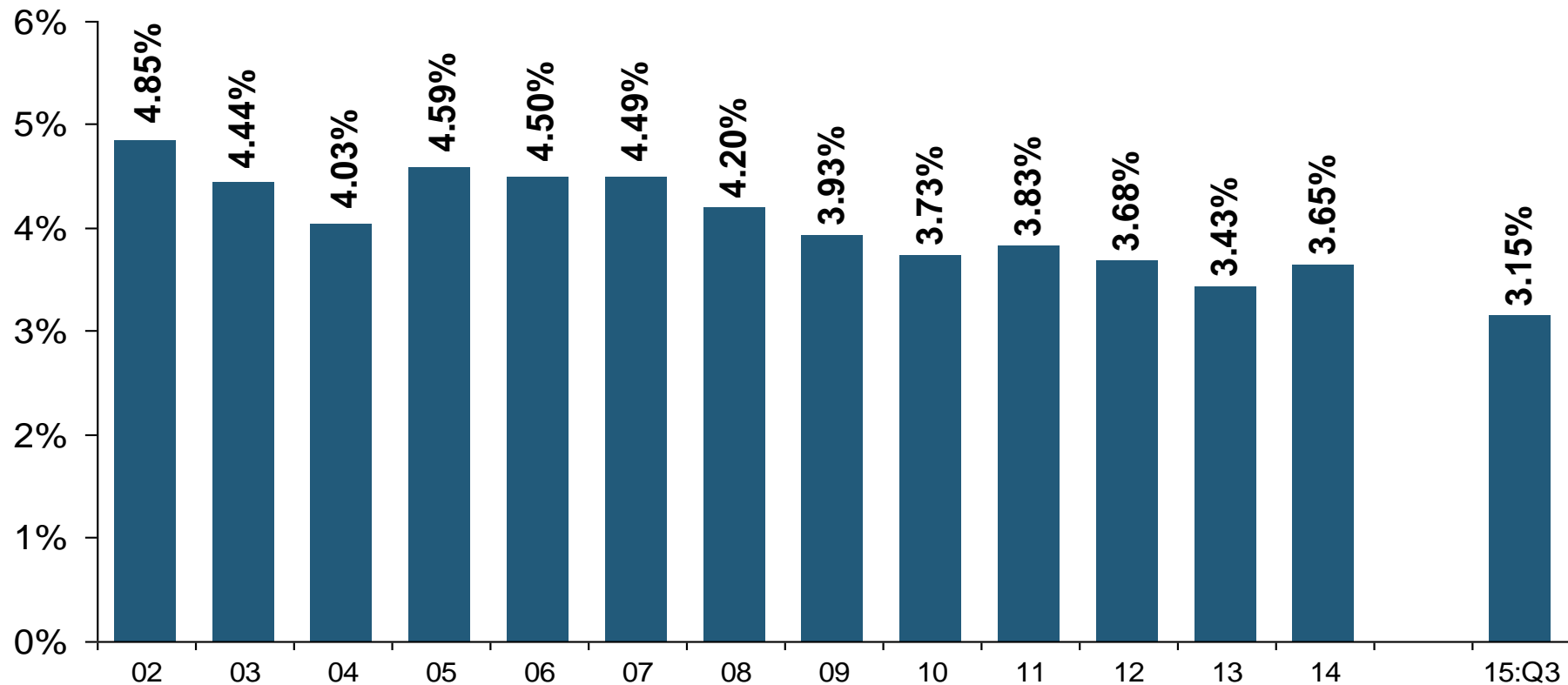
(Percent)



The yield on invested assets remains low relative to pre-crisis yields. The Fed's plan to raise interest rates in late 2015 has pushed up some yields, albeit quite modestly.

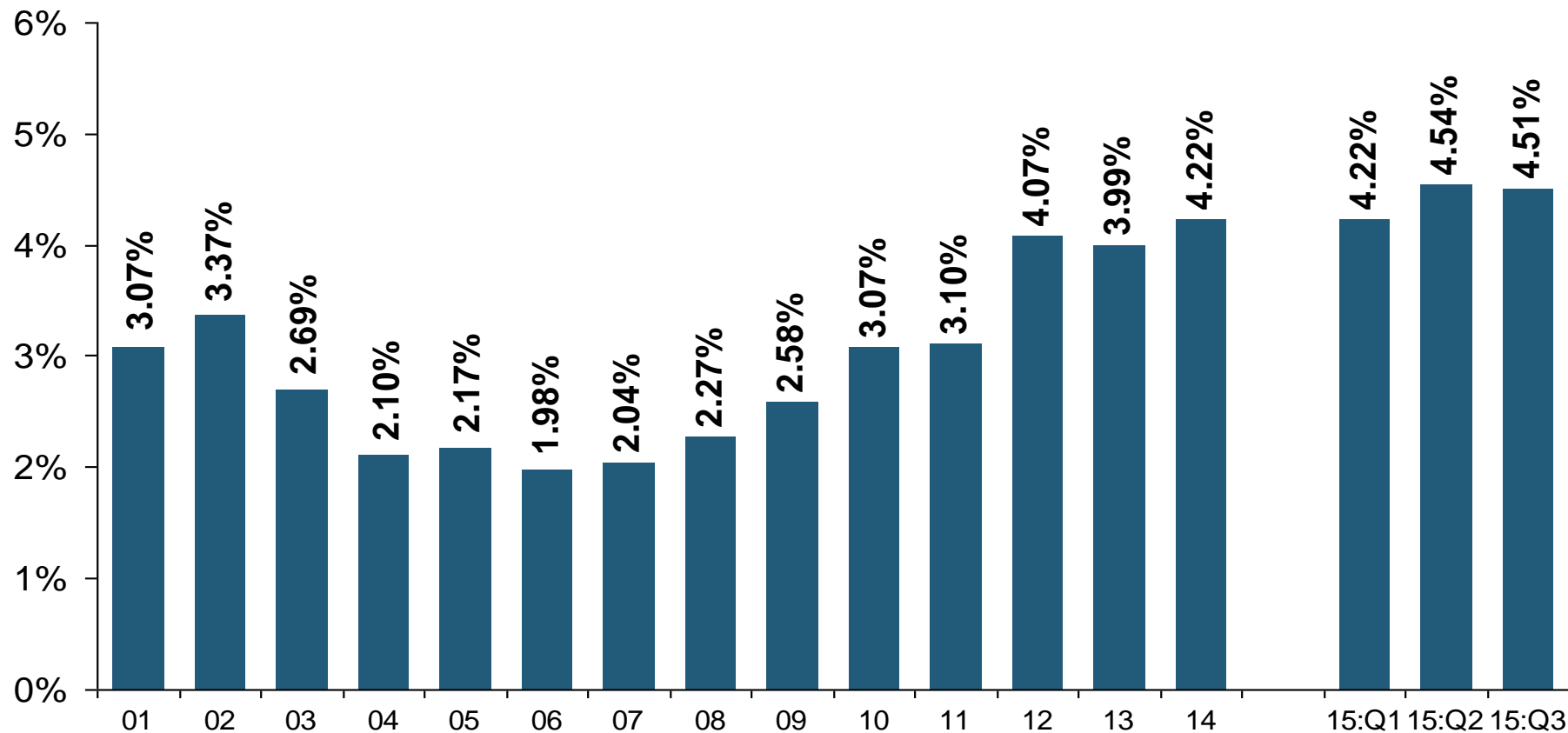


# P/C Insurer Portfolio Yields, 2002-2015:Q3



**P/C carrier yields have been falling for over a decade, reflecting the long downtrend in prevailing interest rates. Even as prevailing rates rise in the next few years, portfolio yields are unlikely to rise quickly, since low yields of recent years are “baked in” to future returns.**

# P/C Insurers Below-Investment-Grade (BIG) Bonds as a Percent of Total Bonds, 2001-2015:Q3

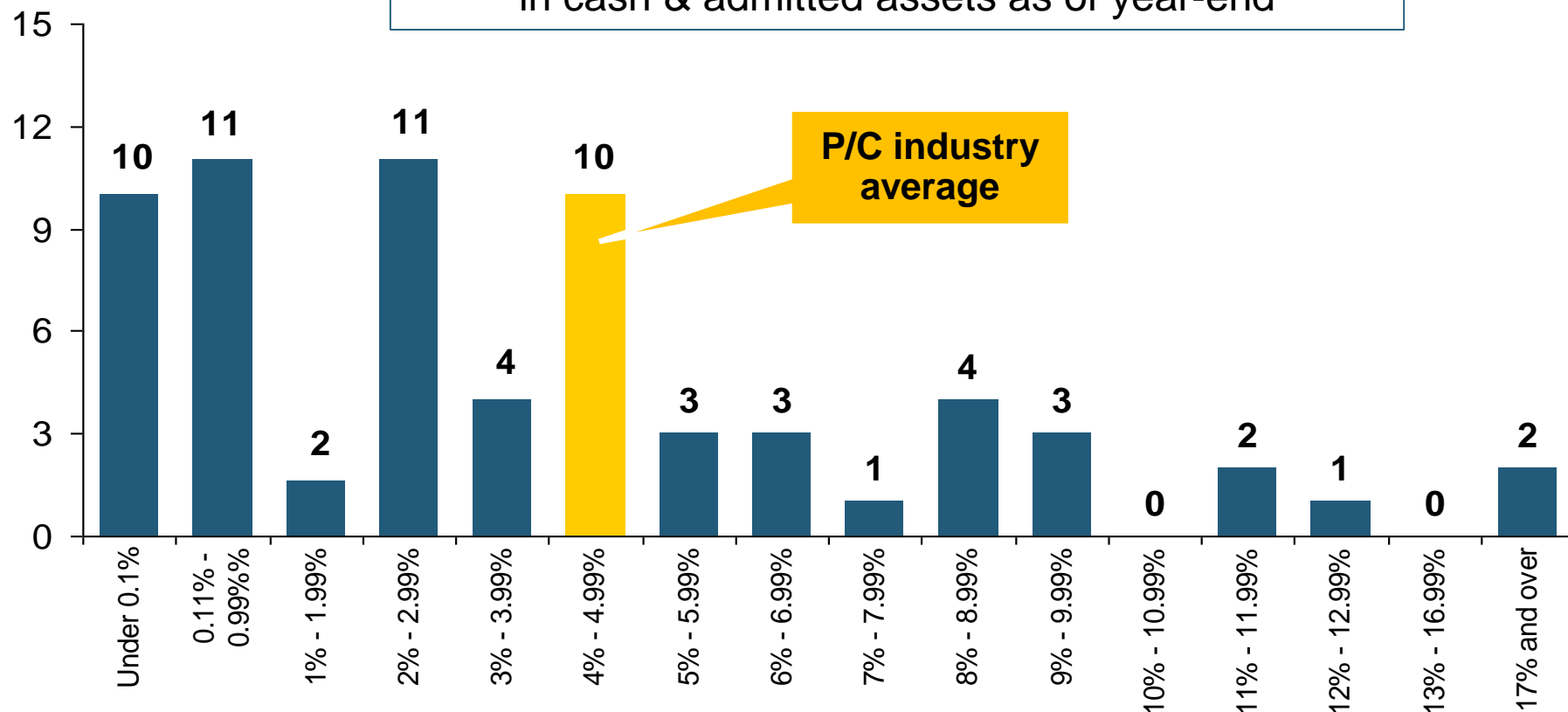


**As a group, P/C carriers have increased the percentage of bond investments in riskier instruments. Since 2006-07, that percentage has risen over 200 basis points (double what it was). As interest rates rise, will this percentage return to pre-recession levels?**

# P/C Insurer Groups Holdings of BIG\*\* Bonds as a Percent of Total Bonds, 2014

Number of  
Groups

The 67 groups graphed are those with over \$3 billion in cash & admitted assets as of year-end



**There is a wide disparity among insurance groups regarding holdings of below-investment-grade bonds. Some hold none (or almost none); a few have over 10% of their bond portfolio in BIGs.**

\*Below Investment Grade

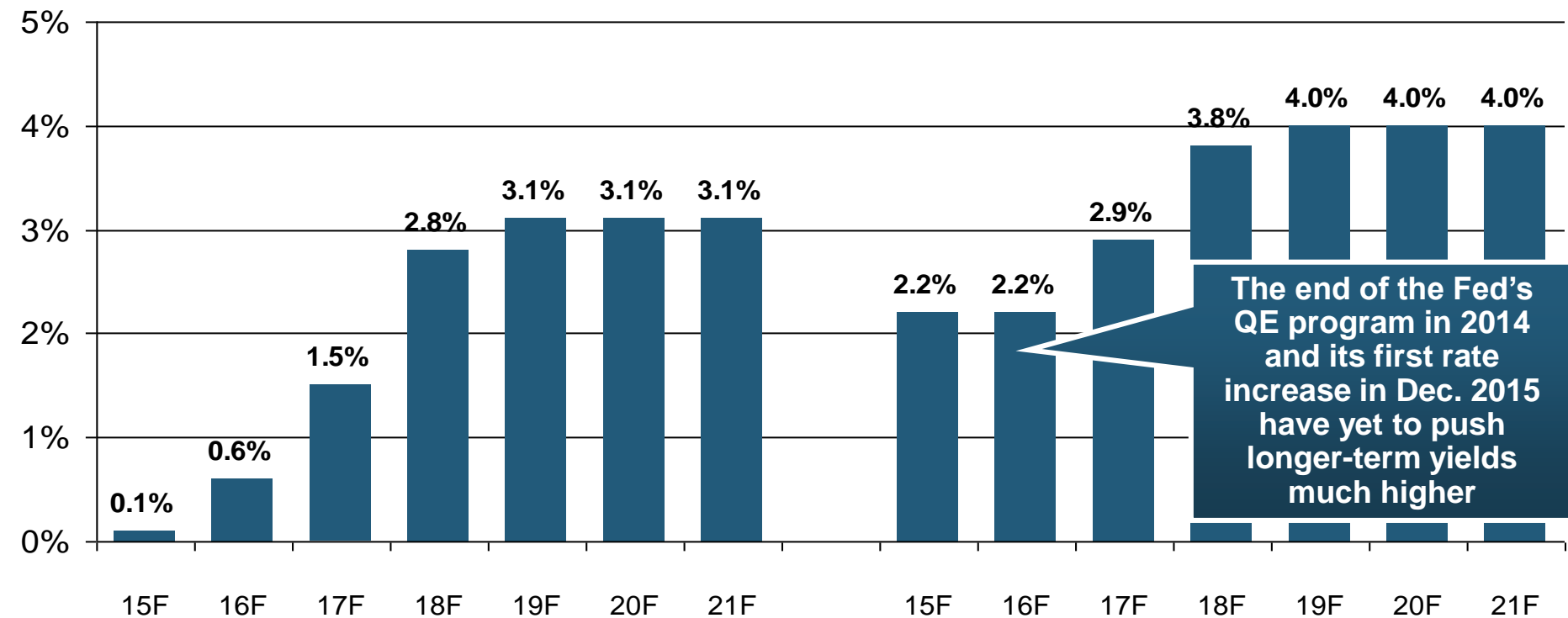
Sources: NAIC, via SNL Financial; Insurance Information Institute.

# Interest Rate Forecasts: 2015 – 2021

Yield (%)

## 3-Month Treasury

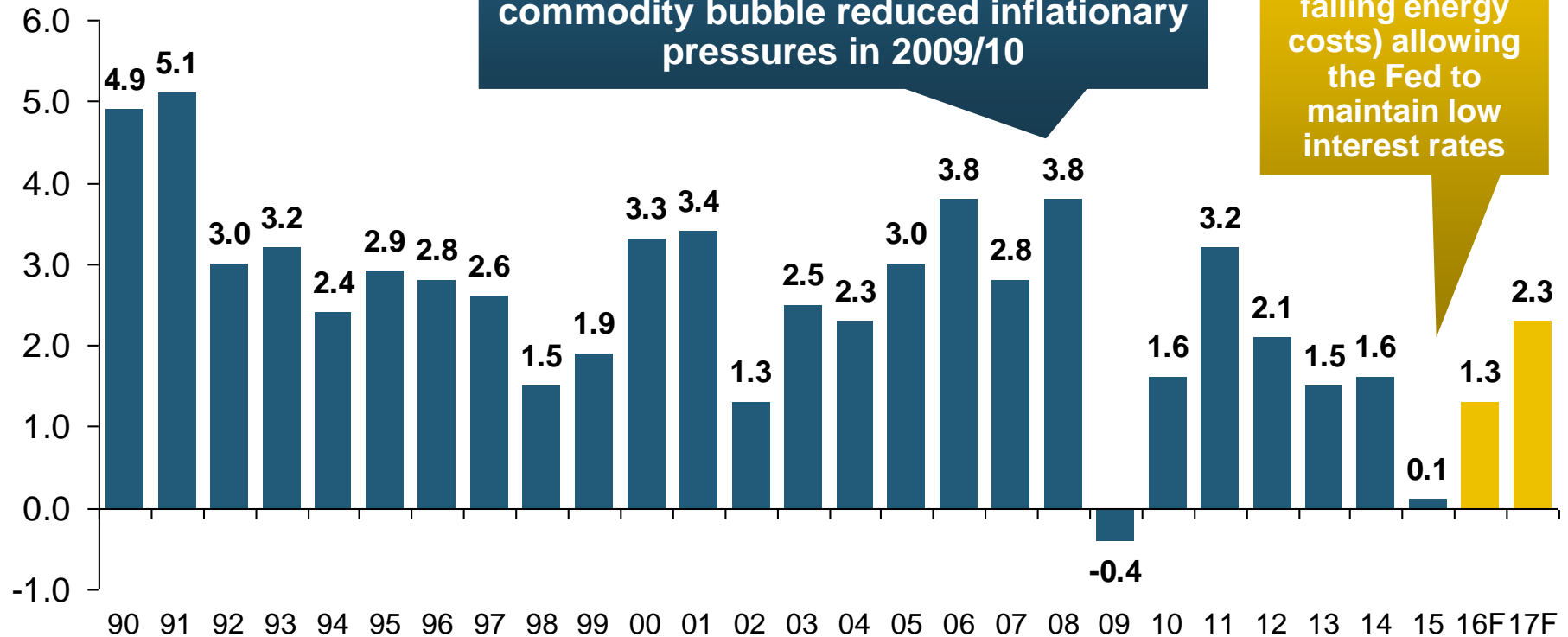
## 10-Year Treasury



**A full normalization of interest rates is unlikely until 2019, more than a decade after the onset of the financial crisis.**

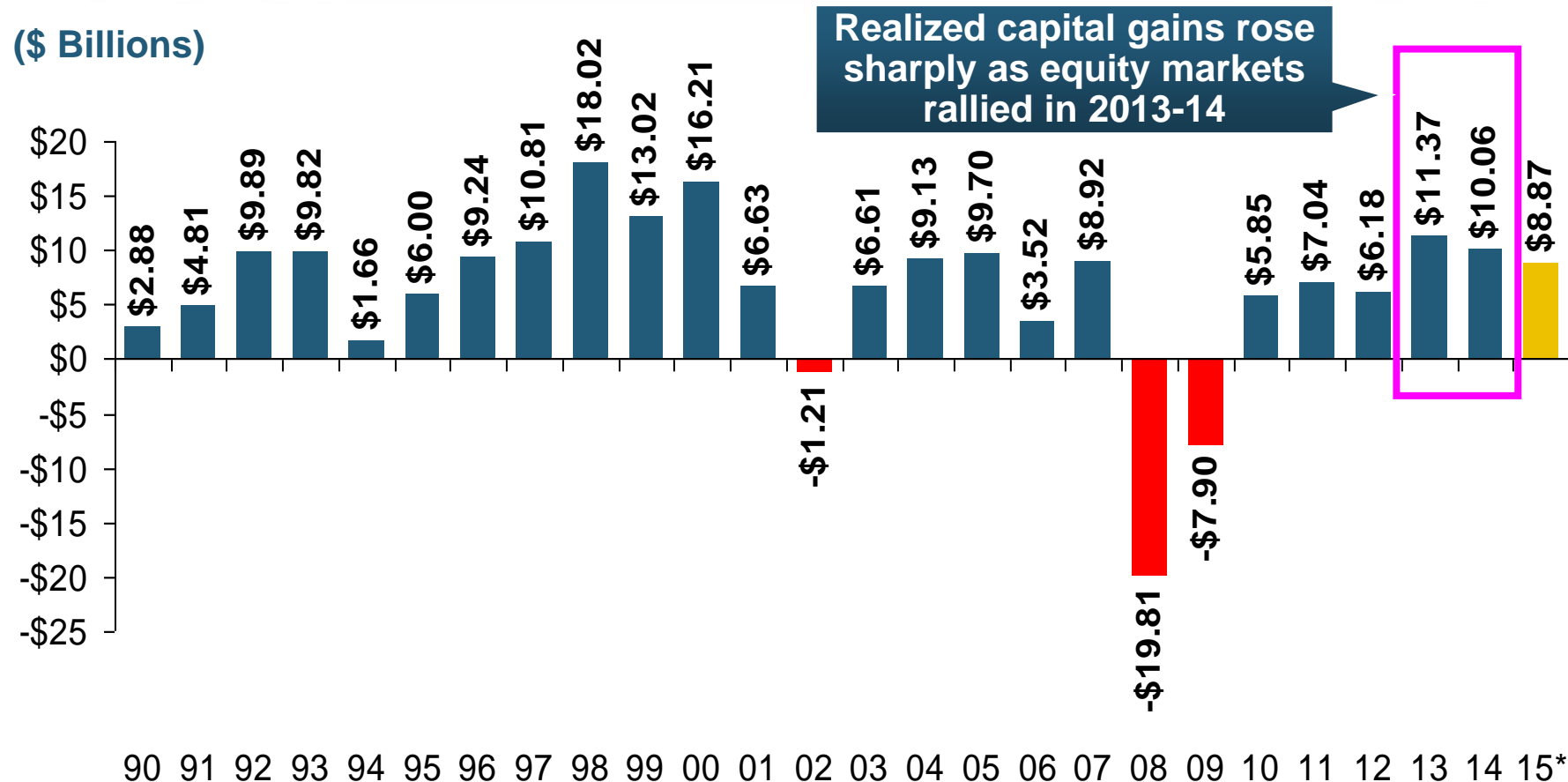
# Annual Inflation Rates, (CPI-U, %), 1990–2017F

## Annual Inflation Rates (%)



Slack in the U.S. economy and falling energy prices suggests that inflationary pressures should remain subdued for an extended period of times

# P/C Insurer Net Realized Capital Gains/Losses, 1990-2015:Q3\*



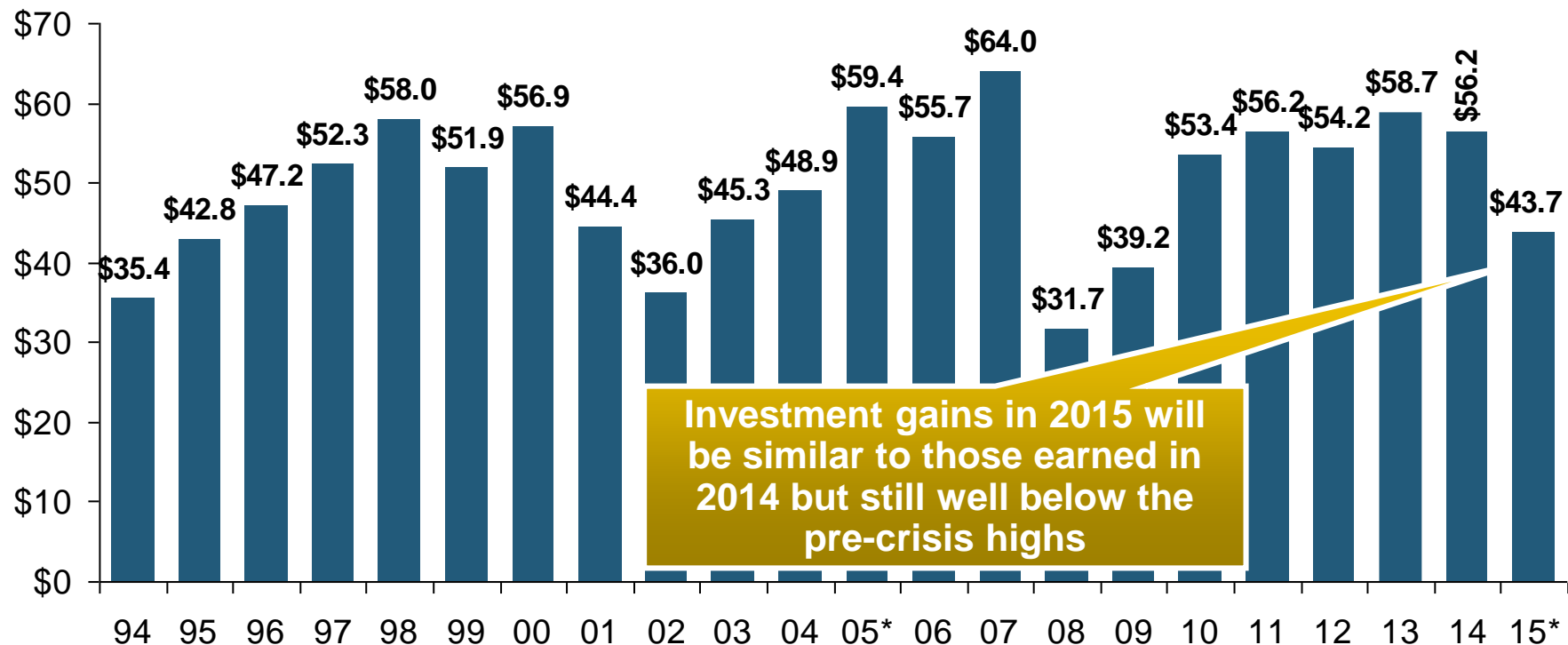
**Insurers Posted Net Realized Capital Gains in 2010 - 2014 Following Two Years of Realized Losses During the Financial Crisis. Realized Capital Losses Were a Primary Cause of 2008/2009's Large Drop in Profits and ROE.**

\*Through Q3 2015.

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

# Property/Casualty Insurance Industry Investment Gain: 1994–2015:Q3<sup>1</sup>

(\$ Billions)



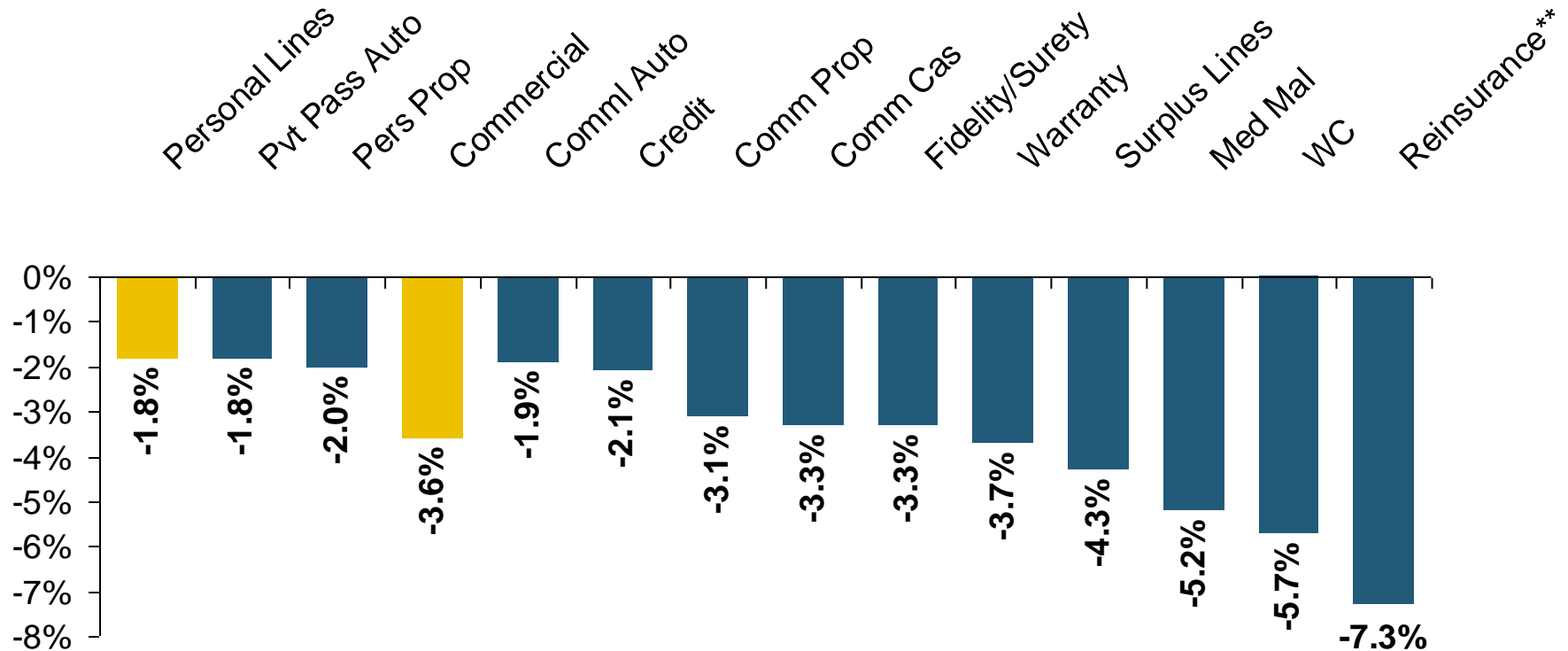
**Total Investment Gains Were Down Slightly in 2014 as Low Interest Rates Pressured Investment Income but Realized Capital Gains Remained Robust**

<sup>1</sup> Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

\* 2005 figure includes special one-time dividend of \$3.2B; 2015 figure is through Q3 2015.

Sources: ISO, SNL; Insurance Information Institute.

# 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.



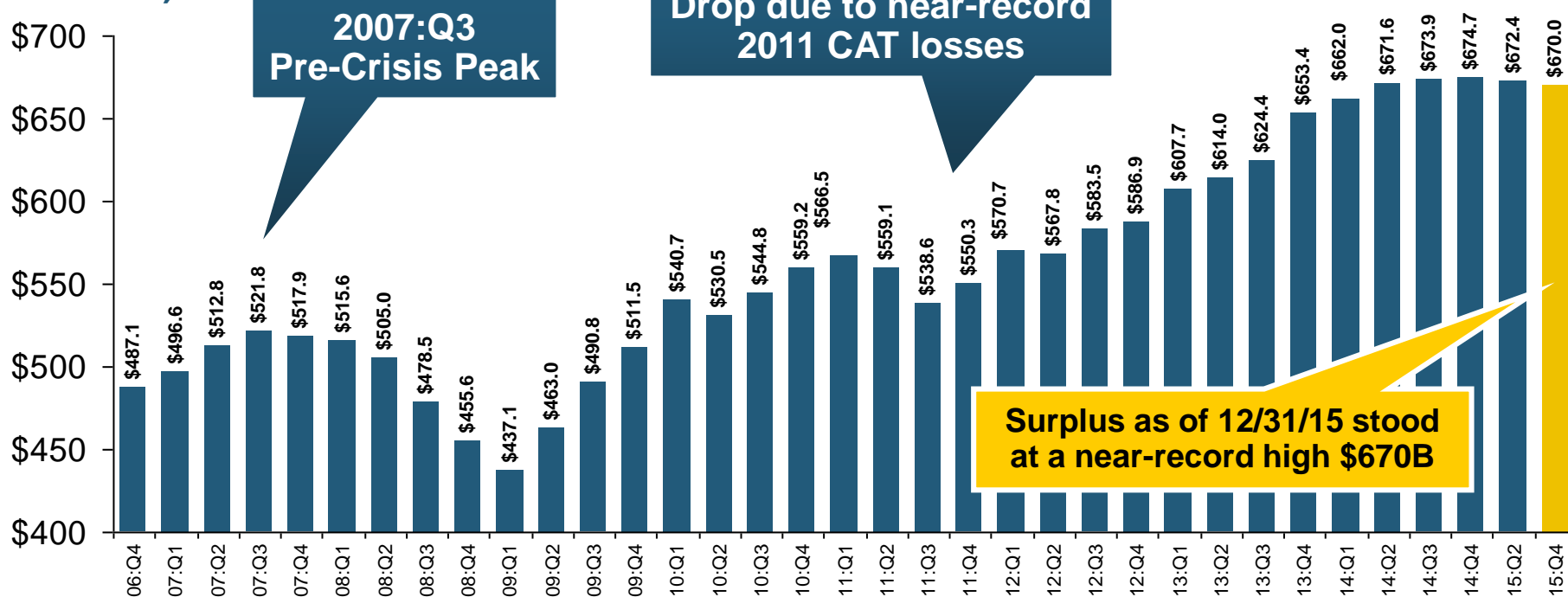
# CAPITAL/CAPACITY

**Capital Accumulation Has  
Multiple Impacts**

***Alternative Capital Impacts?***

# Policyholder Surplus, 2006:Q4–2015:Q4E

(\$ Billions)



**The industry now has \$1 of surplus for every \$0.73 of NPW, close to the strongest claims-paying status in its history.**

2010:Q1 data includes \$22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business.

Sources: ISO, A.M. Best.

**The P/C insurance industry entered 2016 in very strong financial condition.**

# Alternative Capital

**New Investors Continue to Change  
the Reinsurance Landscape**

***First I.I.I. White Paper on Issue Was  
Released in March 2015***

# Global Reinsurance Capital (Traditional and Alternative), 2006 - 2014

Total reinsurance capital reached a record \$570B in 2013, up 68% from 2008.

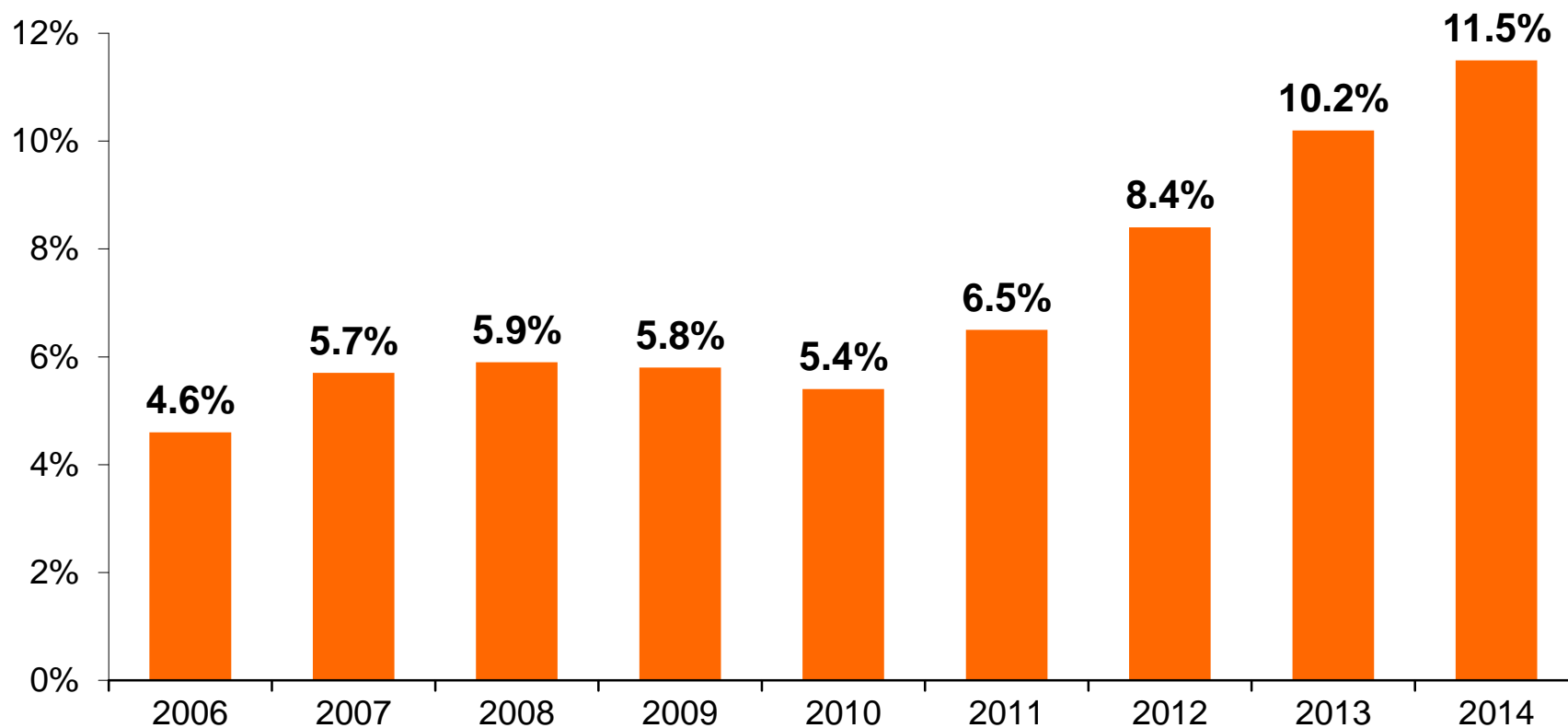


**But alternative capacity has grown 210% since 2008, to \$50B. It has more than doubled in the past three years.**

2014 data is as of June 30, 2014.

Source: Aon Benfield Analytics; Insurance Information Institute.

# Alternative Capital as a Percentage of Traditional Global Reinsurance Capital



**Alternative Capital's Share of Global Reinsurance Capital Has More Than Doubled Since 2010.**

2014 data is as of June 30, 2014.

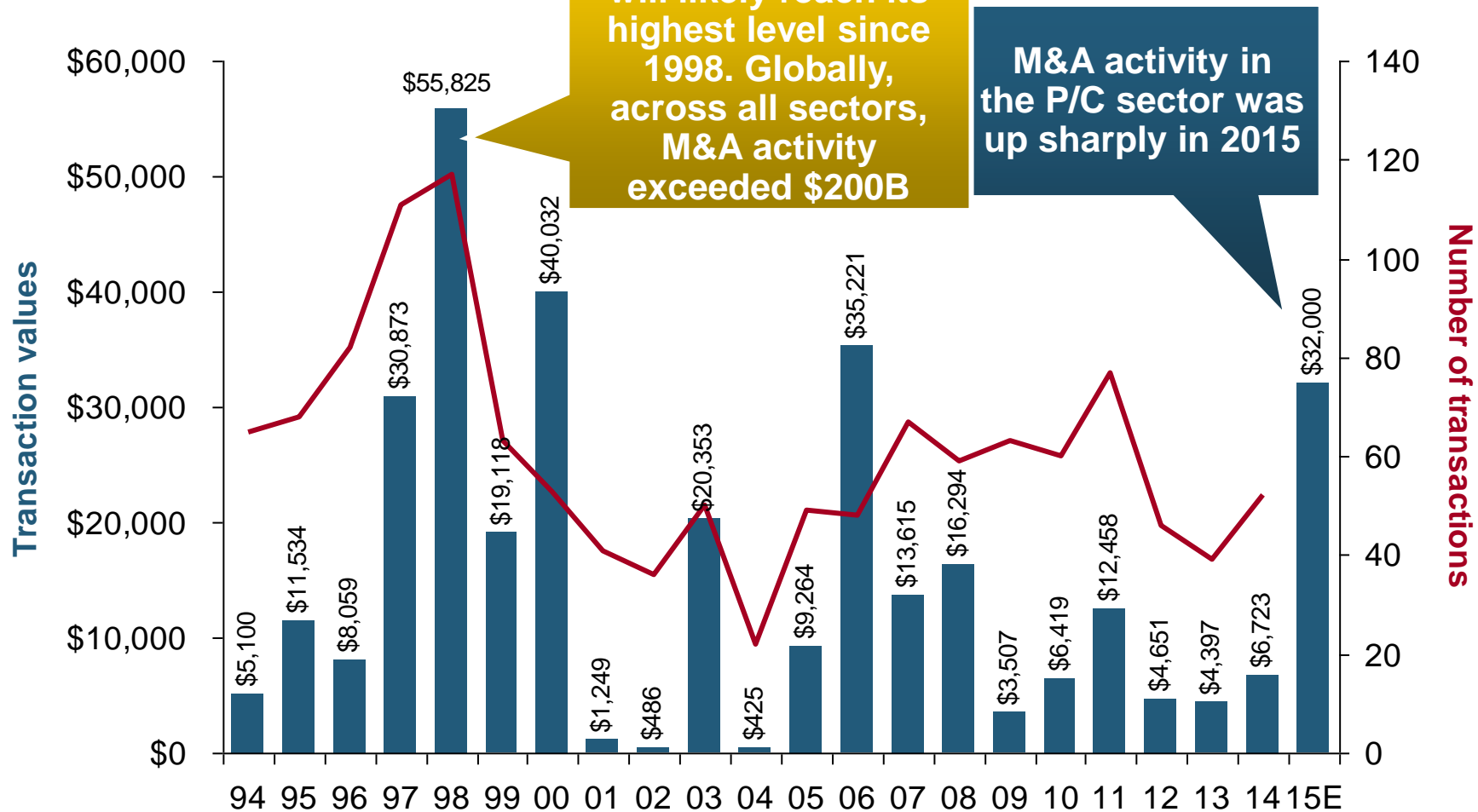
Source: Aon Benfield Analytics; Insurance Information Institute.

## **GLOBAL M&A UPDATE: *A PATH TO GROWTH?***

**Are Capital Accumulation, Drive  
for Growth and Scale Stimulating  
M&A Activity?**

# U.S. INSURANCE MERGERS AND ACQUISITIONS, P/C SECTOR, 1994-2015E (1)

(\$ Millions)



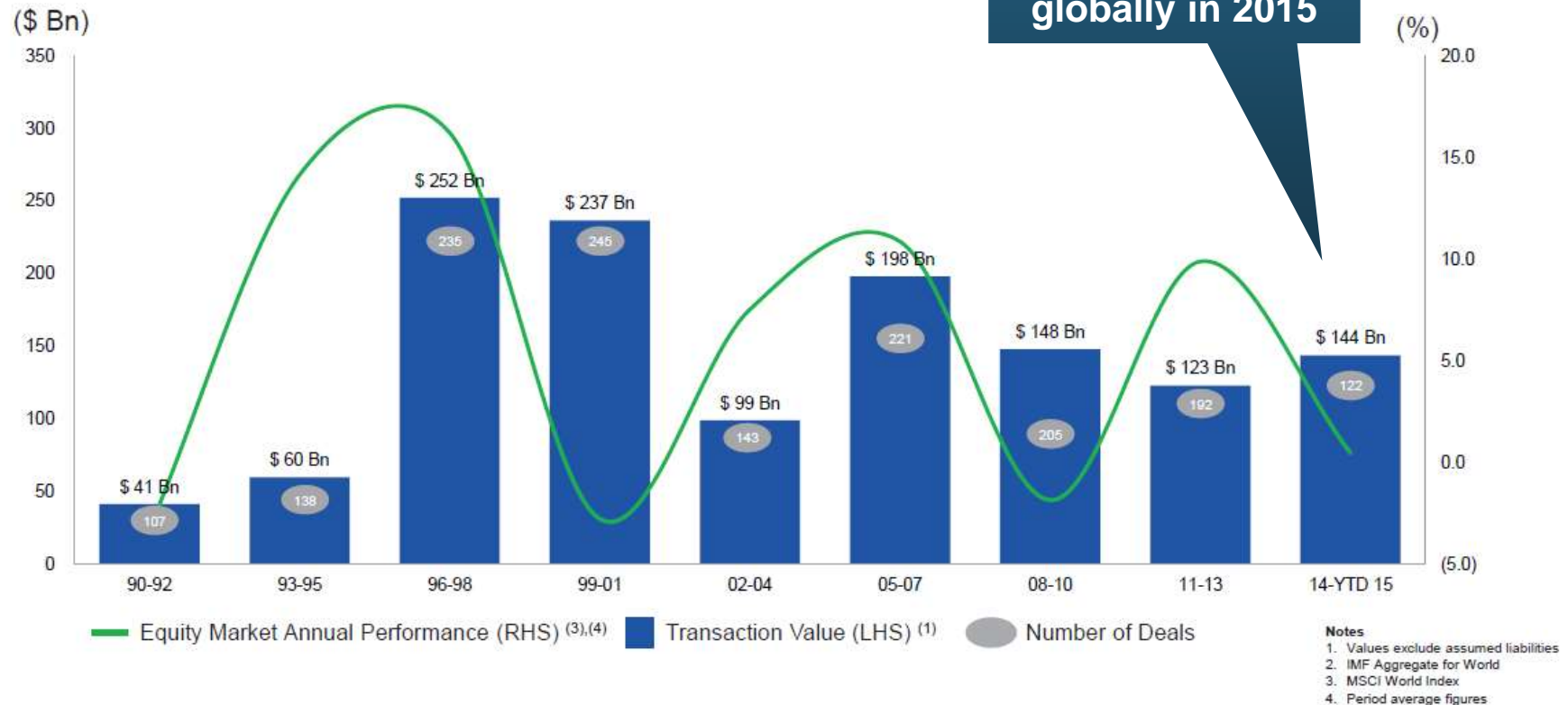
(1) Includes transactions where a U.S. company was the acquirer and/or the target.

Source: Conning proprietary database; 2015 I.I.I. estimate.

# Global M&A Activity Tends to Follow Equity Market Performance

**Total Insurance M&A Volumes**  
Deals of value > \$100M - Since 1990

The number and volume of insurance M&A deals was up globally in 2015



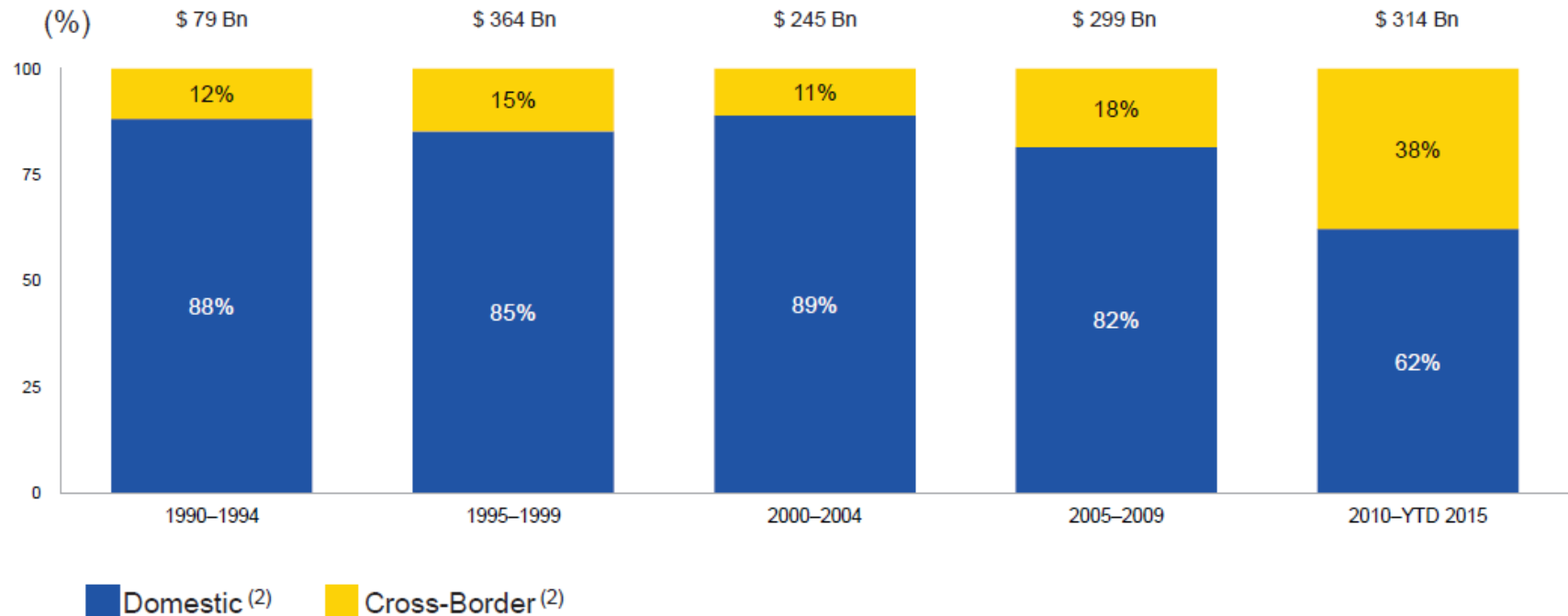
Source: Thomson Reuters, Capital IQ as of Oct. 2015 and IMF from Geneva Association Newsletter *Insurance and Finance*, Jan. 2016, presentation "Facts vs. Sentiment: Deals in the Insurance Sector," by Aviva CEO Mark Wilson.



# Huge Shift from Domestic M&A Activity to Cross-Border

The share of M&A deal volume that was cross-border more than doubled in 2015

**Insurance M&A Volumes**  
Deals of value > \$100M (Since 1990)



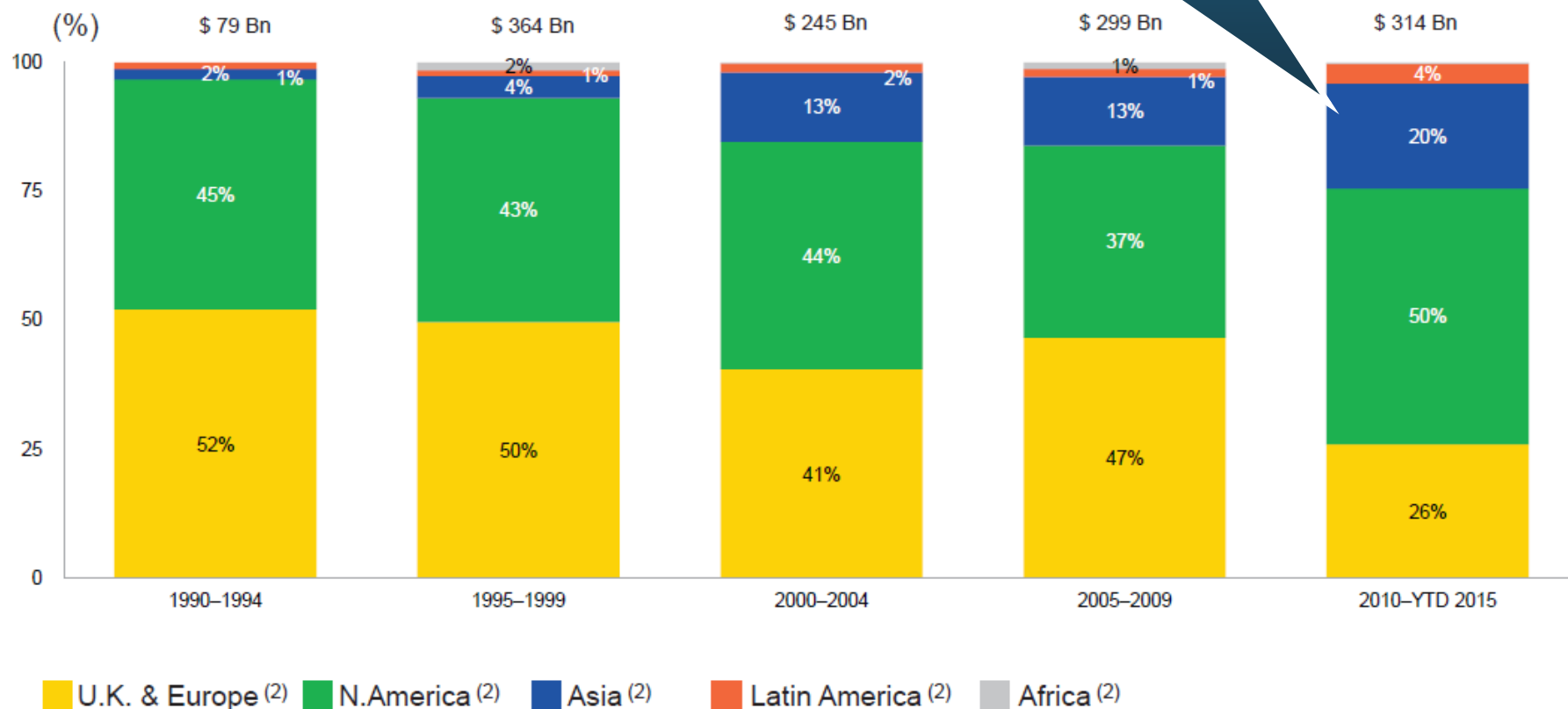
**Notes**

1. Split based on target's region
2. Values exclude assumed liabilities

Source: Thomson Reuters as of Oct. 2015 from Geneva Association Newsletter *Insurance and Finance*, Jan. 2016, presentation “*Facts vs. Sentiment: Deals in the Insurance Sector*,” by Aviva CEO Mark Wilson.

# M&A Activity Has Shifted Away from Europe and Towards Asia and N. America

Asian, N. American  
deal volumes were up  
sharply in 2015

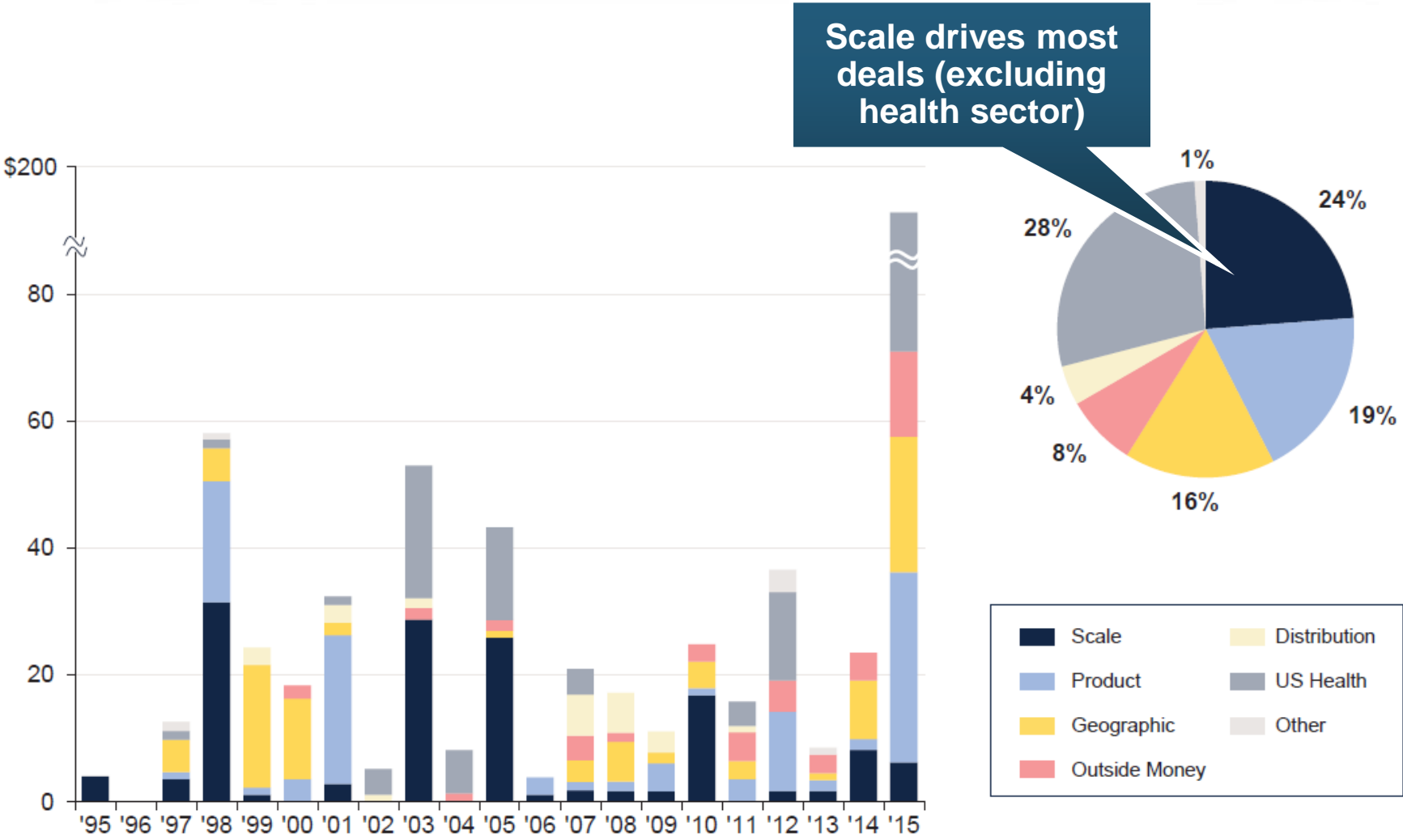


**Notes**

1. Split based on target's region
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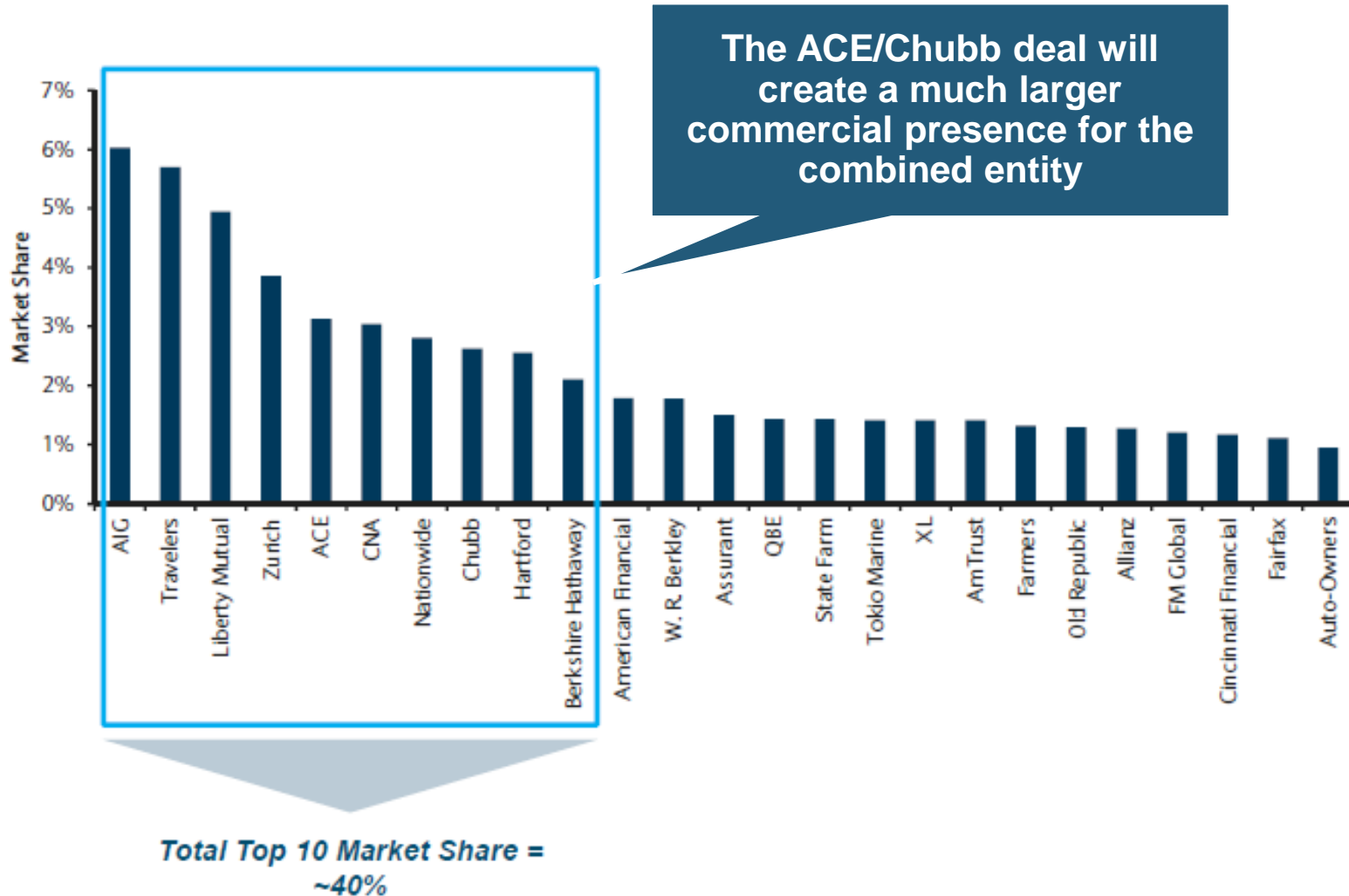
Source: Thomson Reuters as of Oct. 2015 from Geneva Association Newsletter *Insurance and Finance*, Jan. 2016, presentation "*Facts vs. Sentiment: Deals in the Insurance Sector*," by Aviva CEO Mark Wilson.

# M&A: Deal Rationale by Dollar Amount



Source: SNL Financial and WCMA estimates from Geneva Association Newsletter *Insurance and Finance*, Jan. 2016, presentation “What is the Logic Behind Consolidation? And Does It Create Value? A View from Outside,” by Brian Shea, Head of Willis Capital Markets & Advisory Europe (WCMA).

# Top 25 US P/C Insurers by Direct Premiums Written, 2014

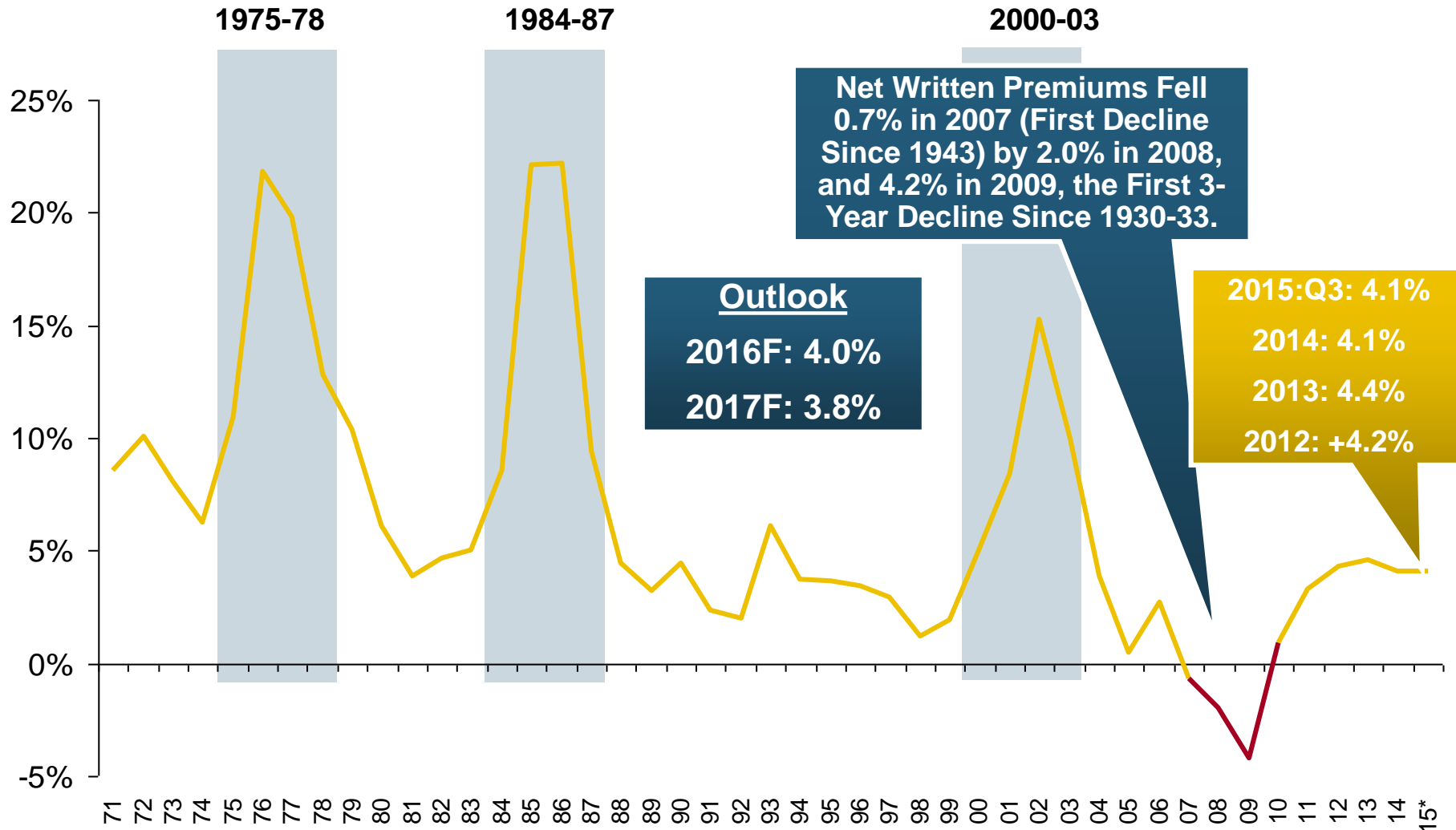


# Growth

**Premium Growth Rates Vary  
Tremendously by State and  
Over Time, But...**

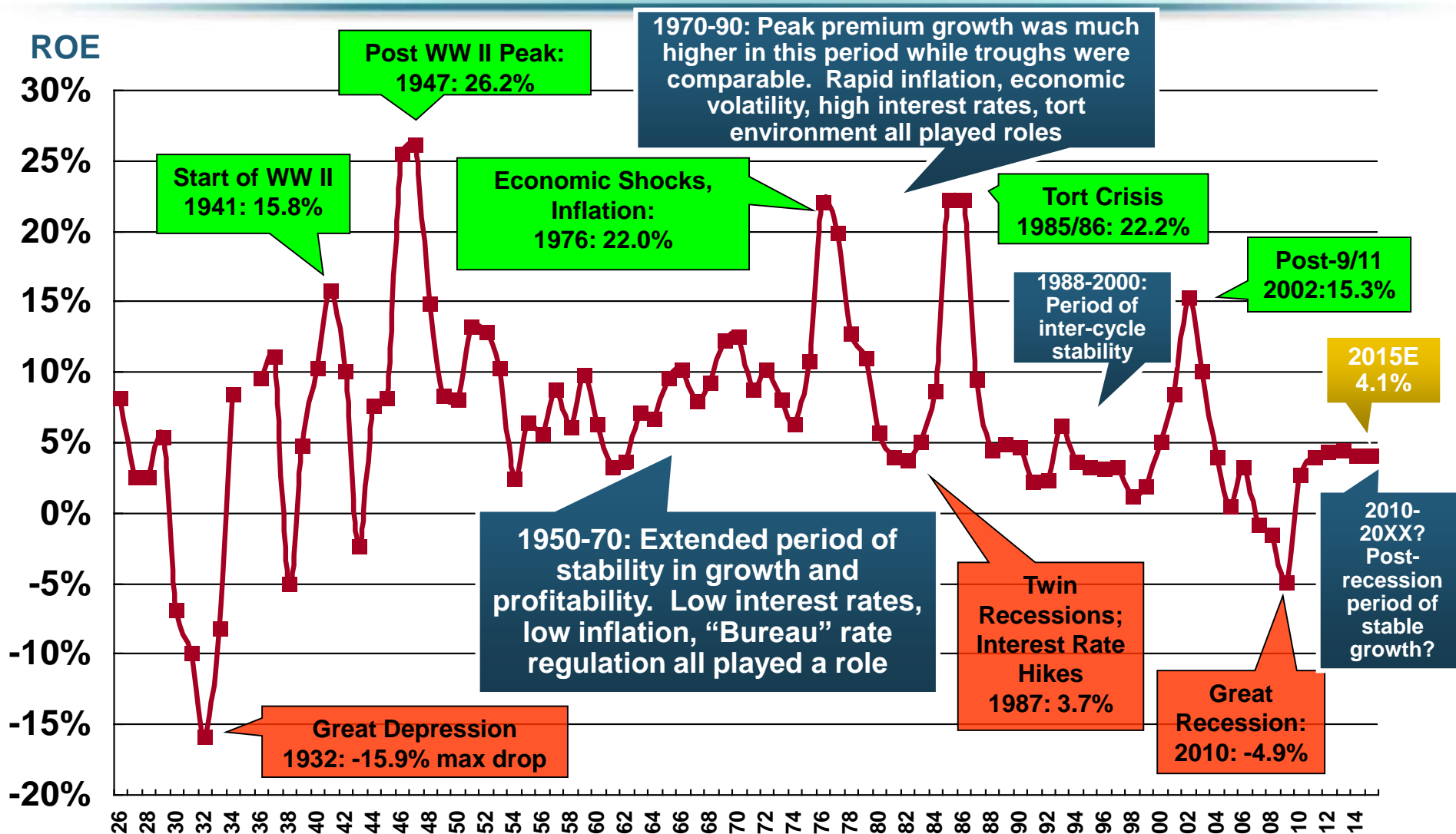
# Net Premium Growth (All P/C Lines): Annual Change, 1971—2015:Q3

(Percent)



Shaded areas denote "hard market" periods  
Sources: A.M. Best (1971-2013), ISO (2014-15).

# NPW Premium Growth: Peaks & Troughs in the P/C Insurance Industry, 1926 – 2015E



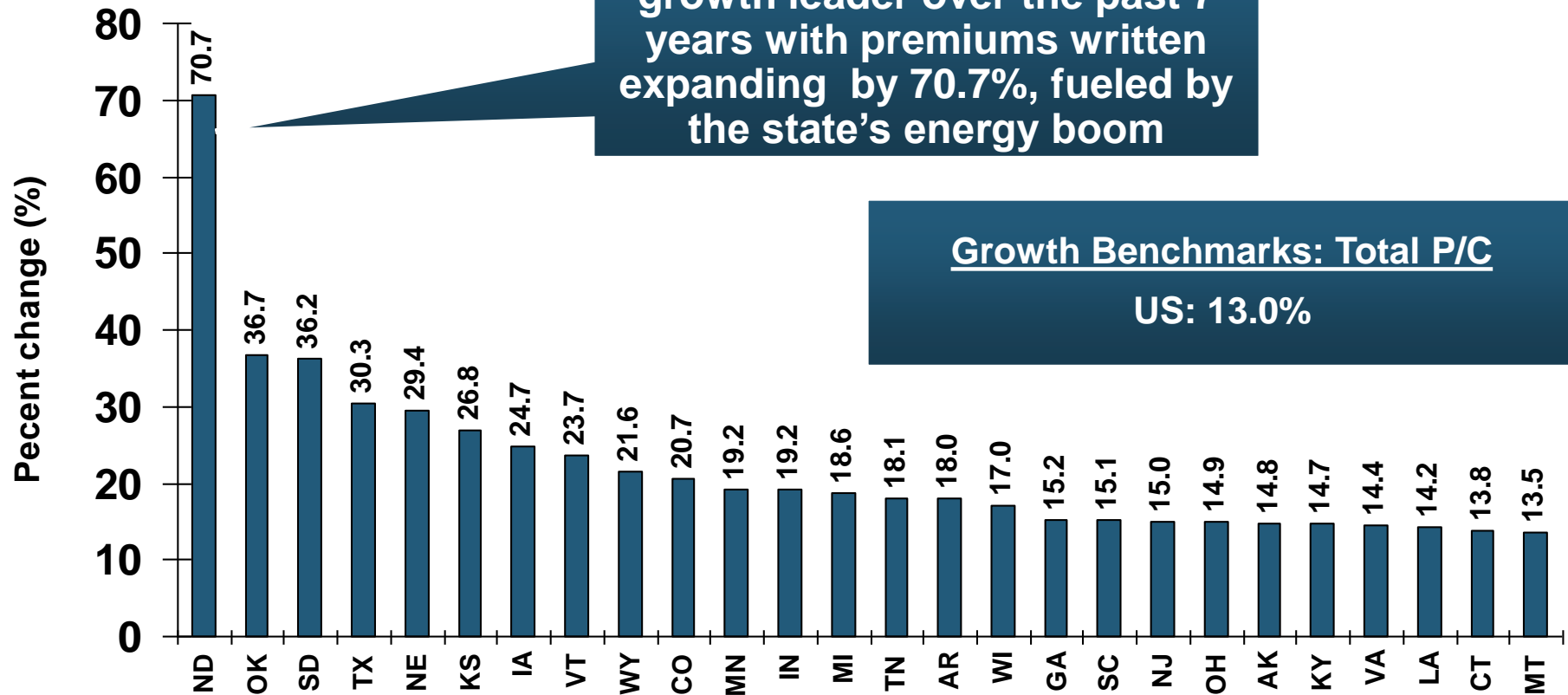
Note: Data through 1934 are based on stock companies only. Data include state funds beginning in 1998.

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

# Direct Premiums Written: Total P/C Percent Change by State, 2007-2014

## Top 25 States

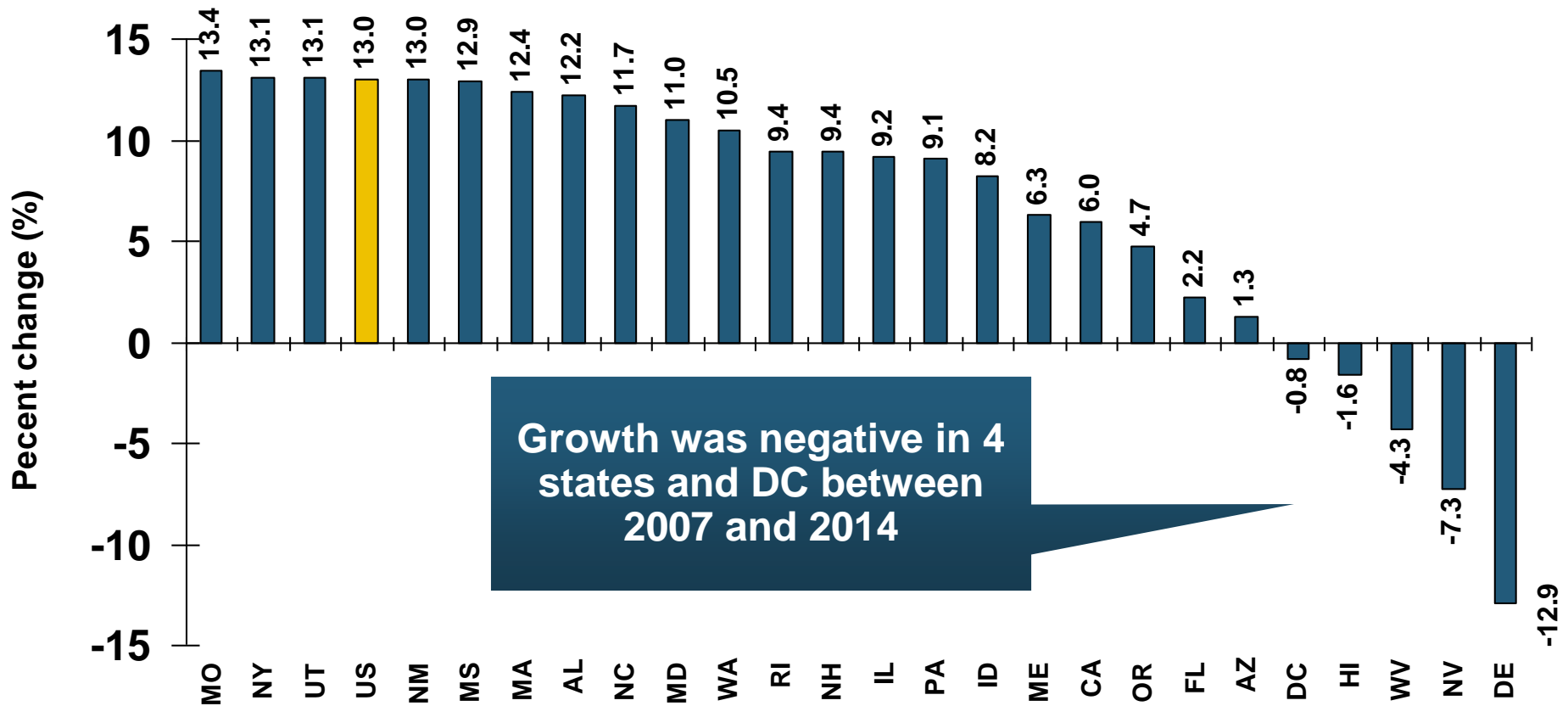
North Dakota was the country's growth leader over the past 7 years with premiums written expanding by 70.7%, fueled by the state's energy boom





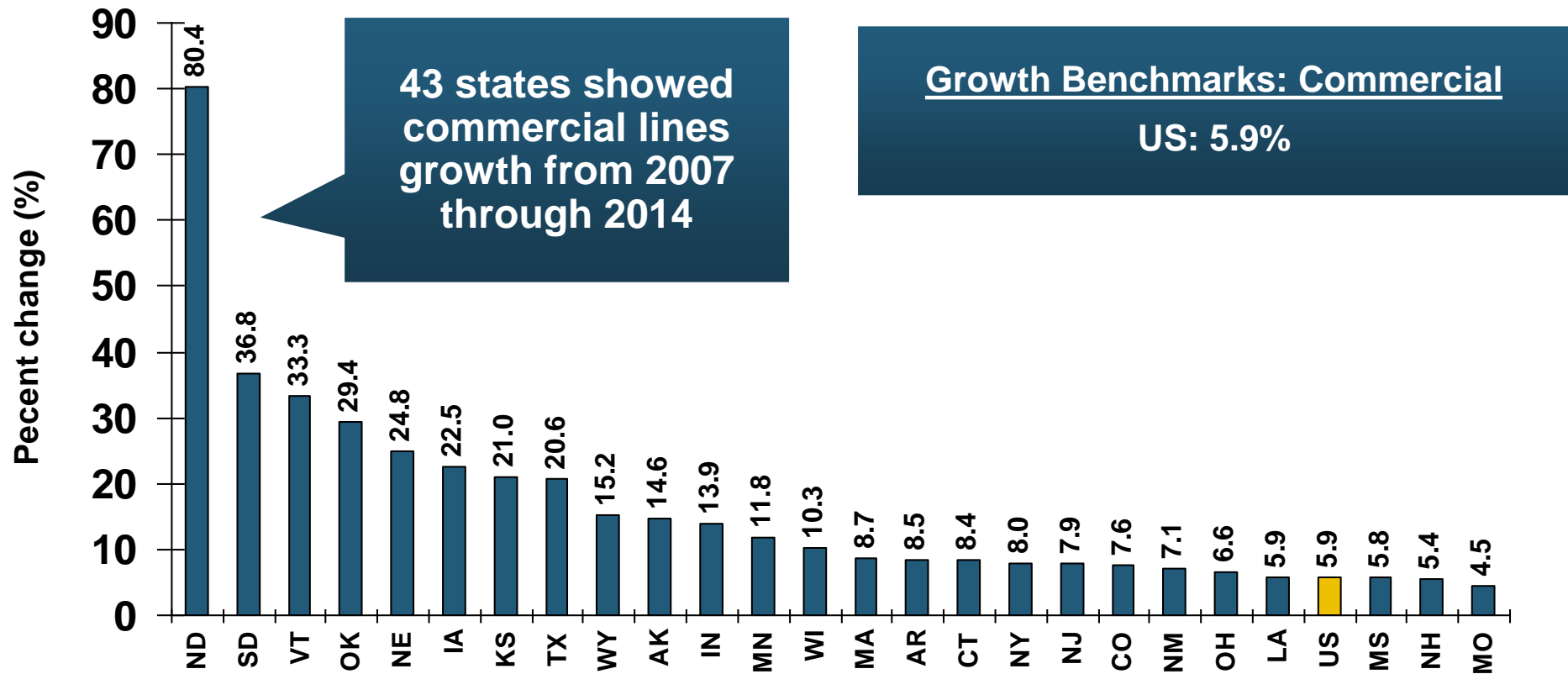
# Direct Premiums Written: Total P/C Percent Change by State, 2007-2014

## Bottom 25 States



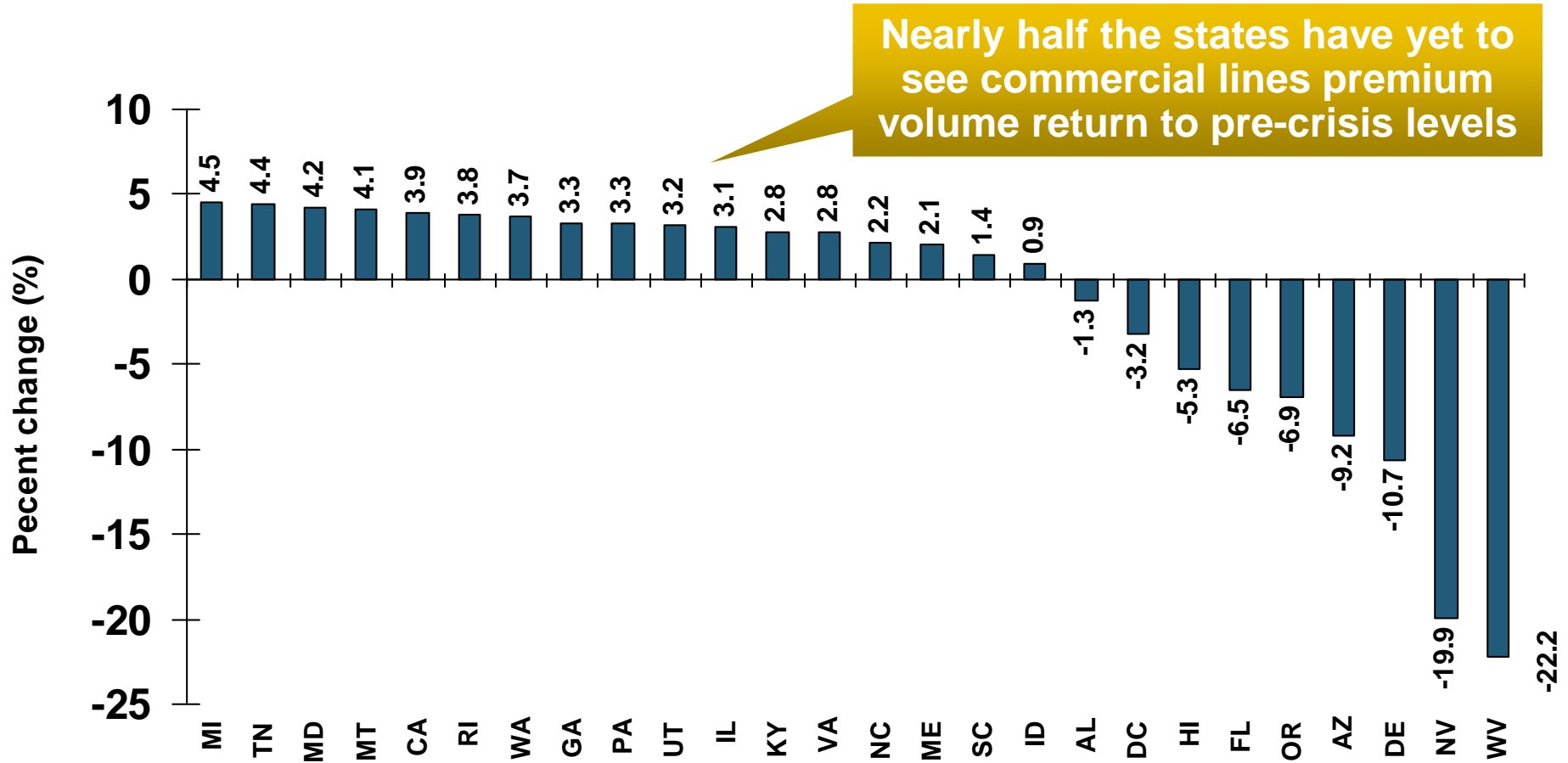
# Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2014

## Top 25 States



# Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2014

## Bottom 25 States

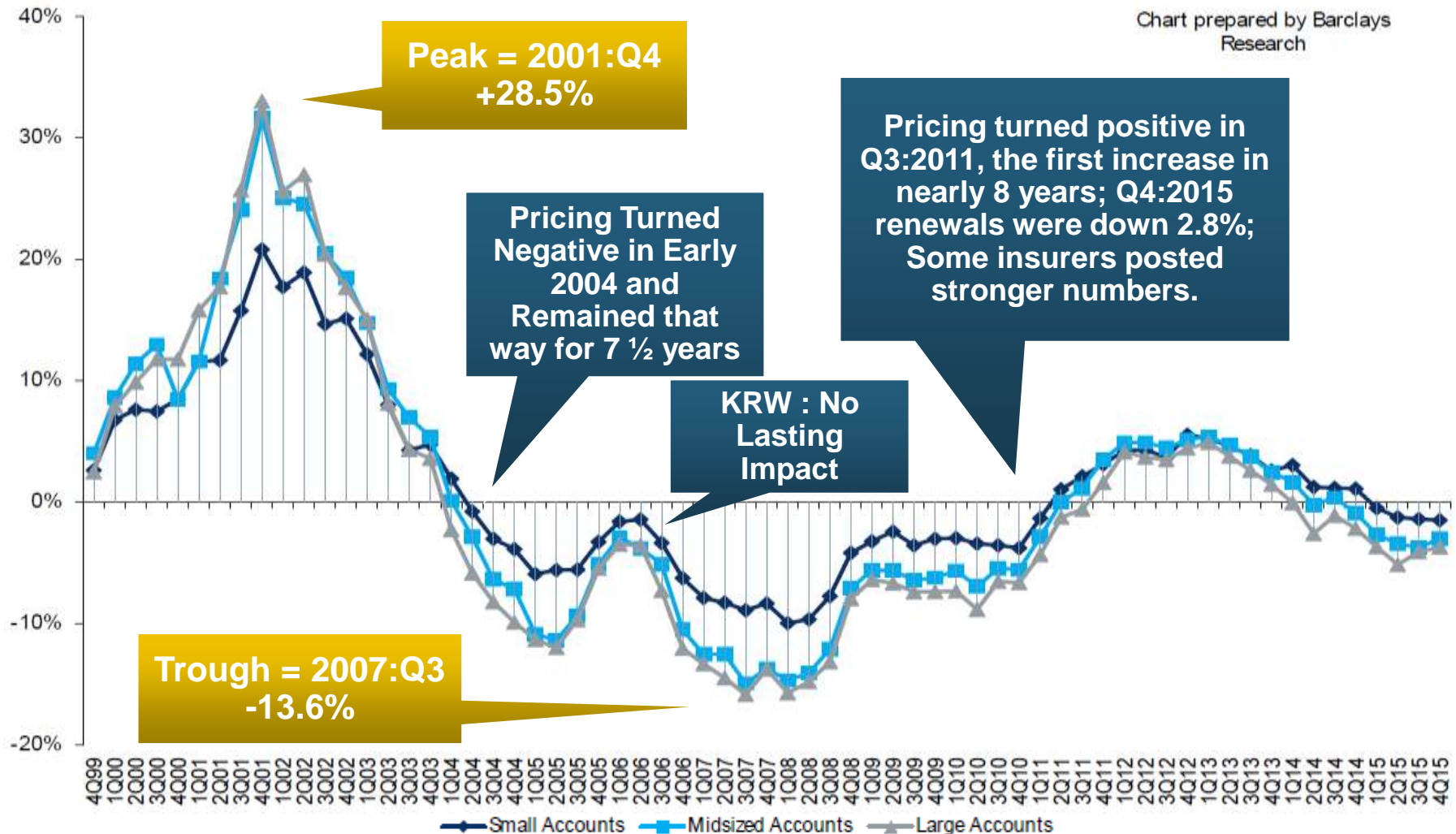


# Pricing Trends

**Personal Lines Pricing Is Up  
Survey Results Suggest  
Commercial Pricing Has  
Flattened Out**

# Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2015:Q4

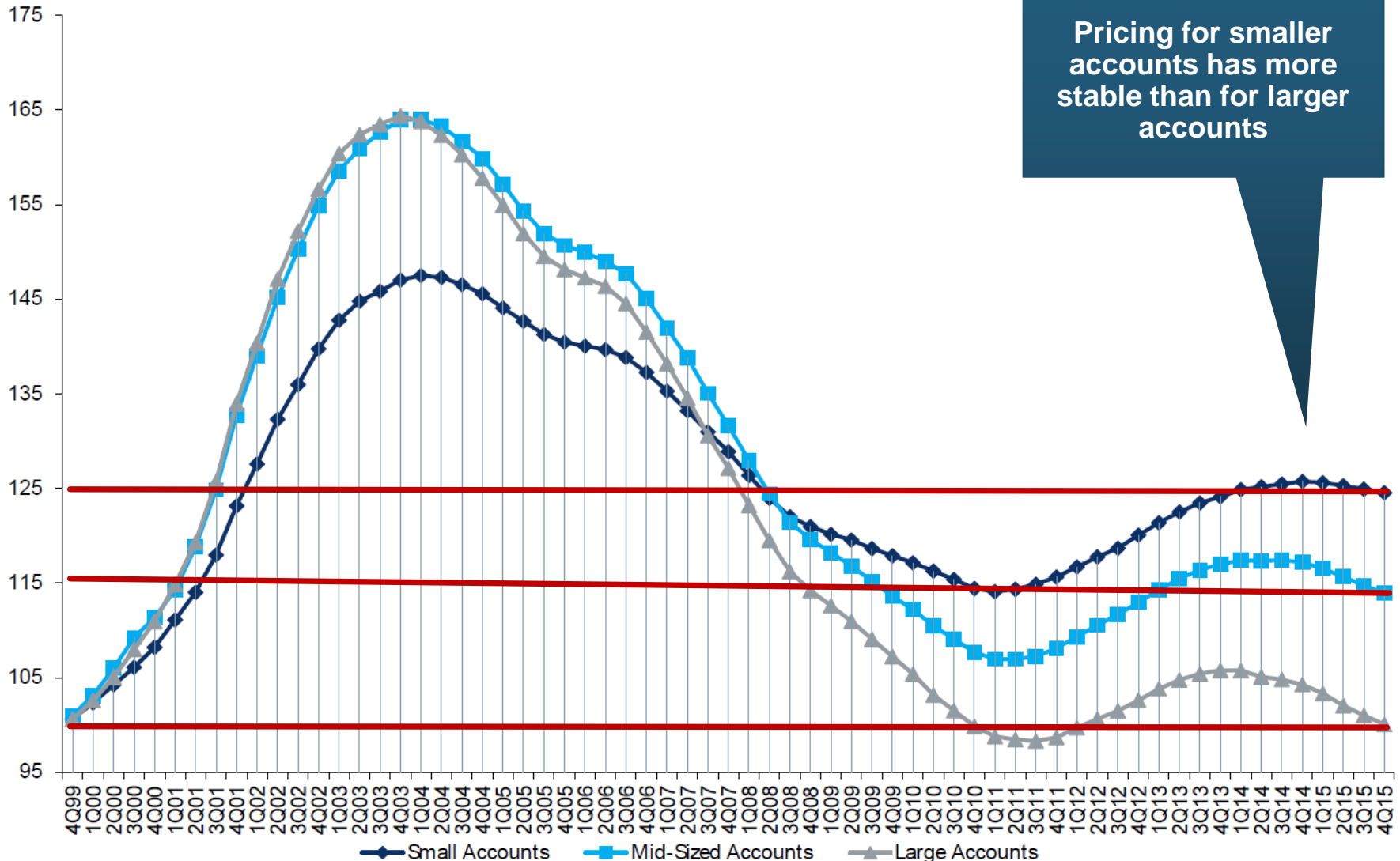
Percentage Change (%)



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

# Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2015:Q4

1999:Q4 = 100

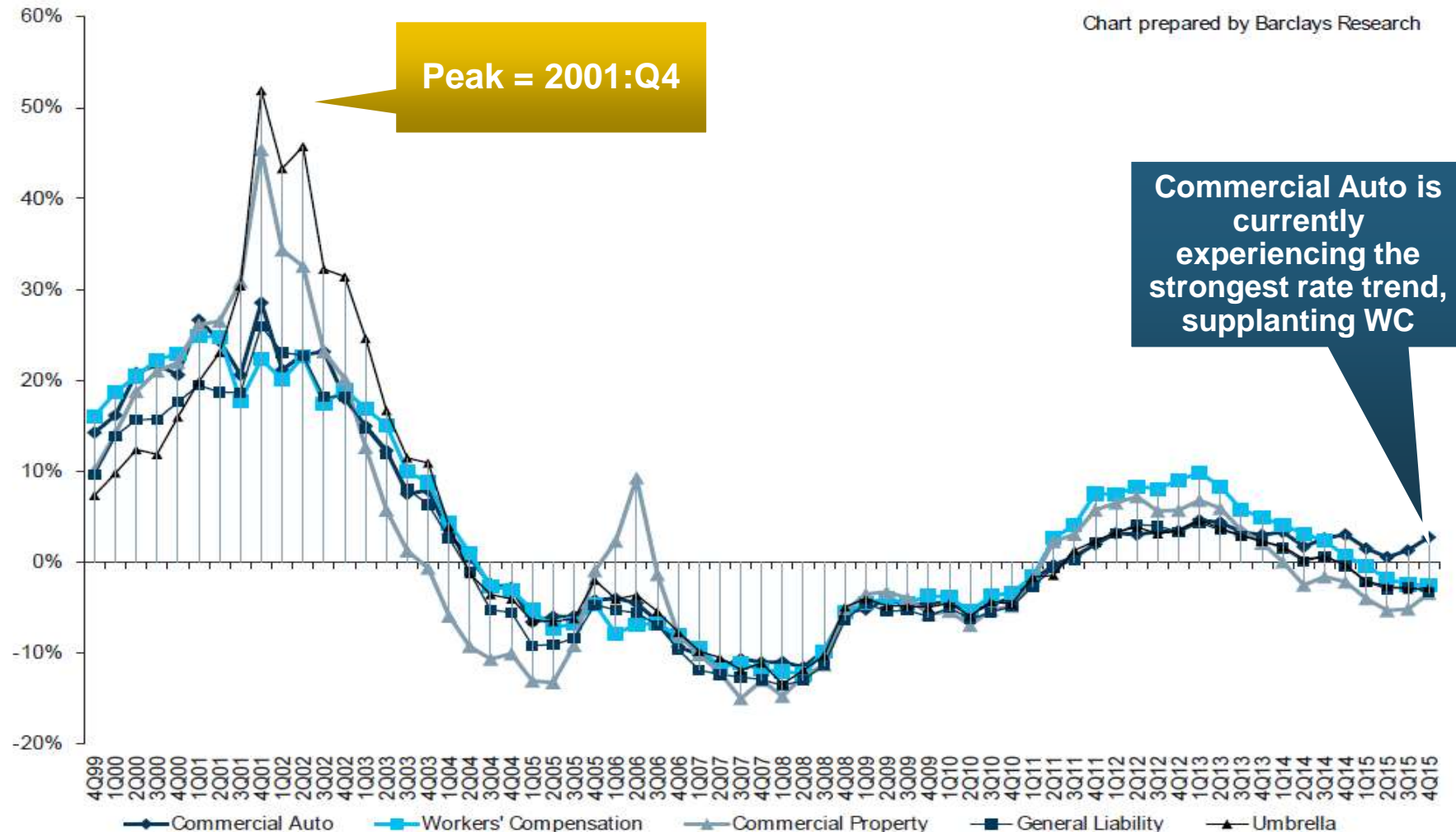


Pricing for smaller accounts has more stable than for larger accounts

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

# Change in Commercial Rate Renewals, by Line: 1999:Q4 to 2015:Q4

Percentage Change (%)

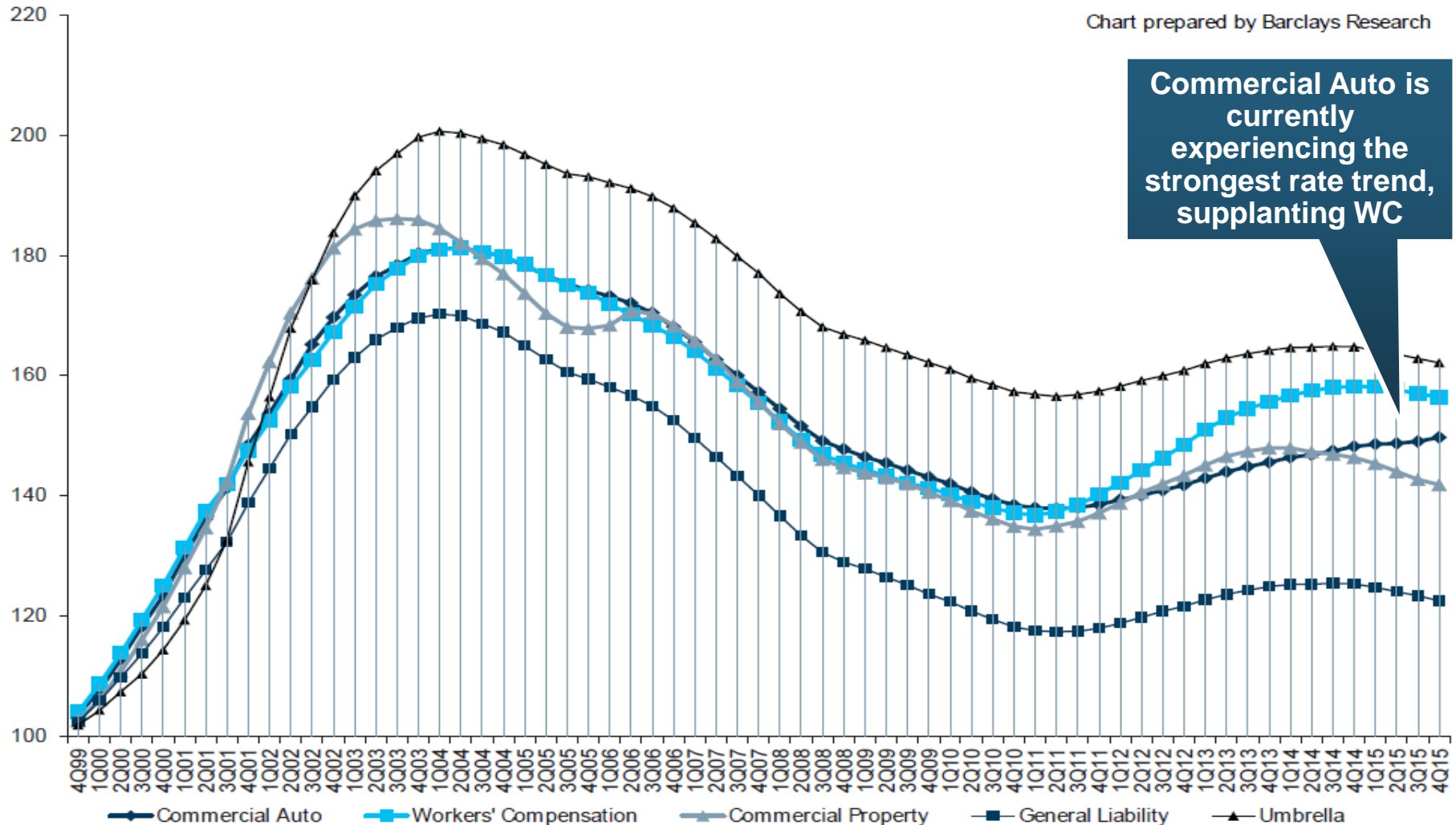


Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.  
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

# Cumulative Qtrly. Rate Changes, by Line: 1999:Q4 to 2015:Q4

1999:Q4 = 100

Chart prepared by Barclays Research

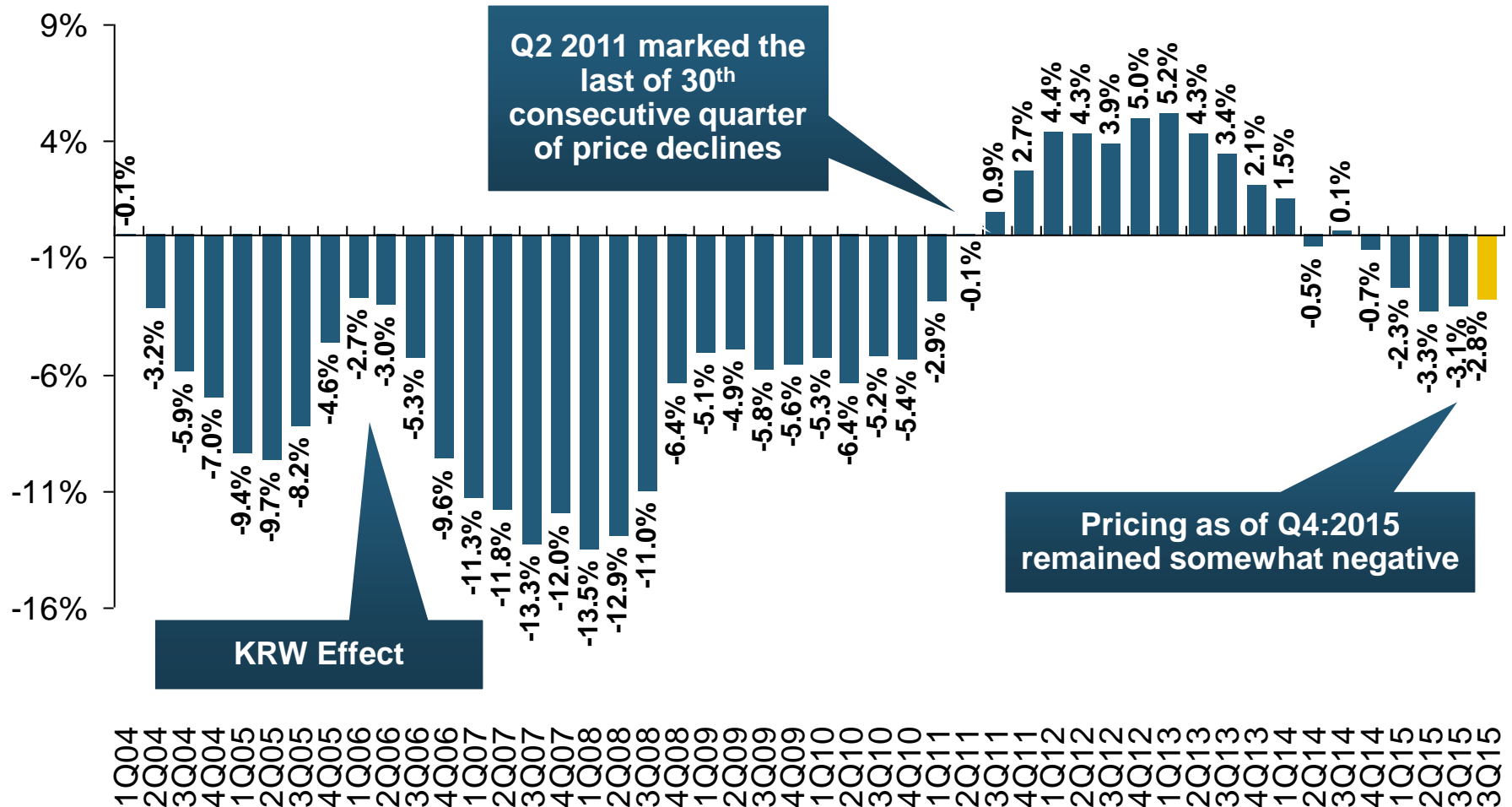


Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.  
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.



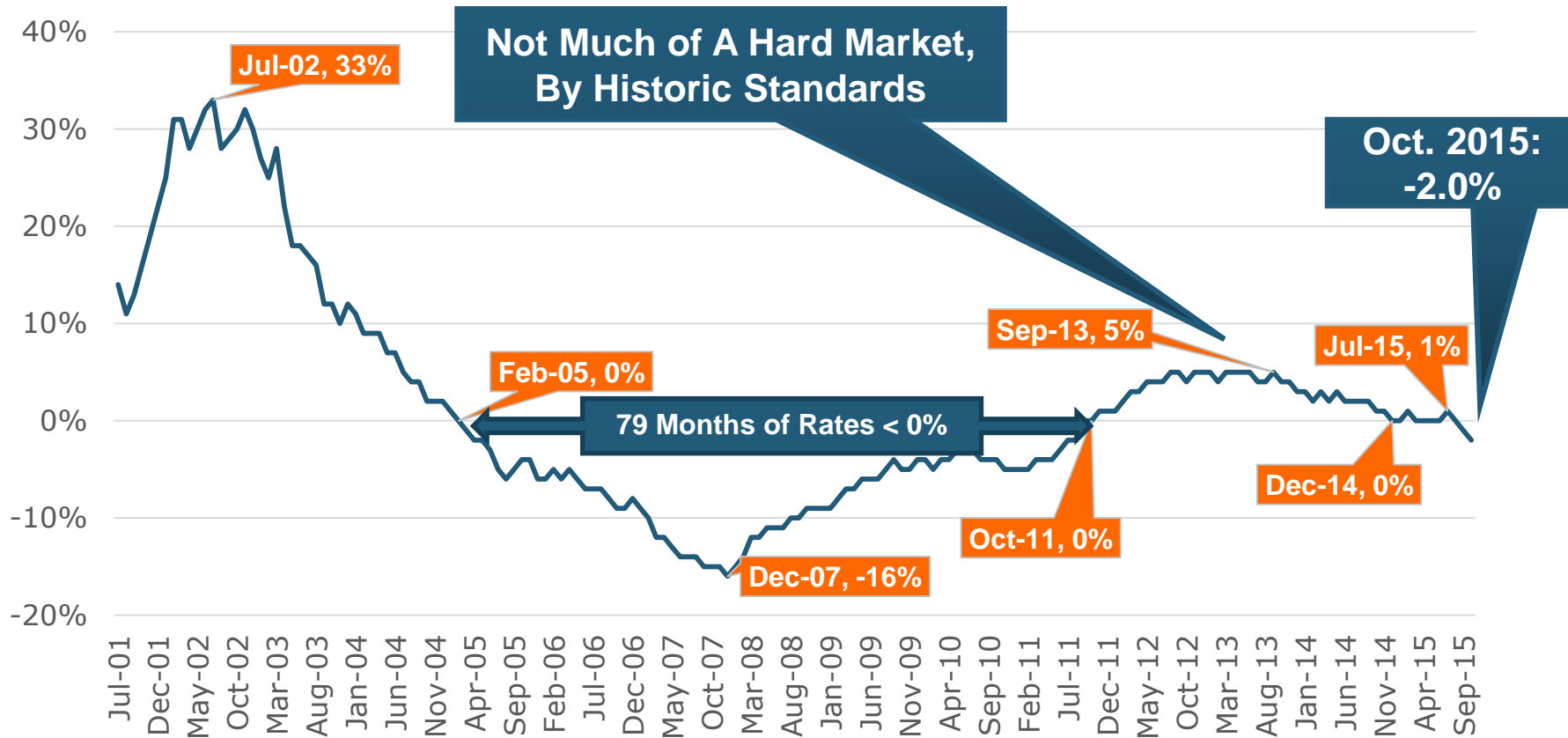
# CIAB: Average Commercial Rate Change, All Lines, (1Q:2004–4Q:2015)

(Percent)



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

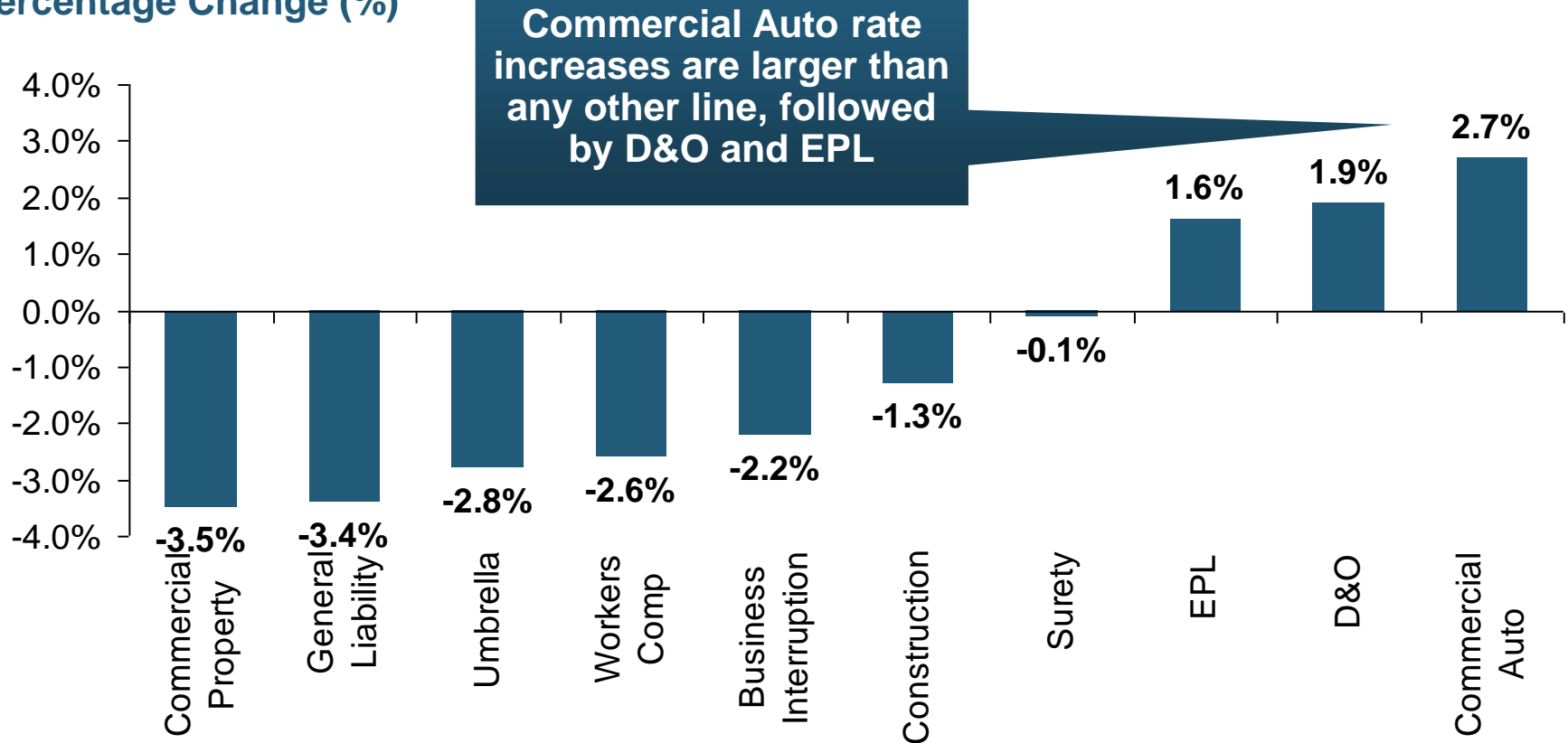
# Commercial Lines Rate Change by Month (vs. Year Earlier), July 2001 – Oct. 2015



**Commercial Insurance Rate Changes Are Flat to Slightly Down**

# Change in Commercial Rate Renewals, by Line: 2015:Q4

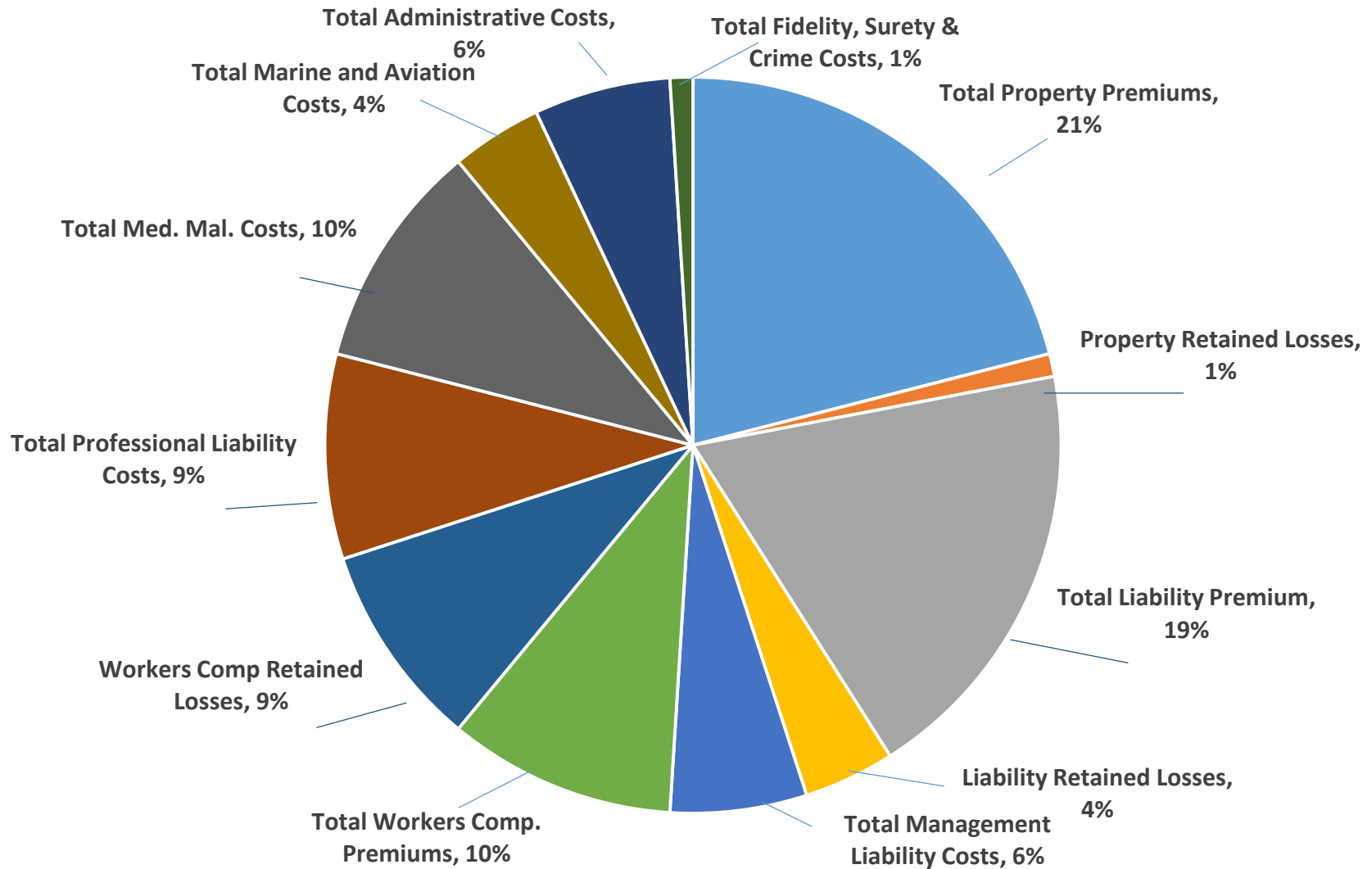
## Percentage Change (%)



**Major Commercial Lines Renewals Were Mixed to Down in Q4:2015; EPL, D&O and Commercial Auto Saw Gains**

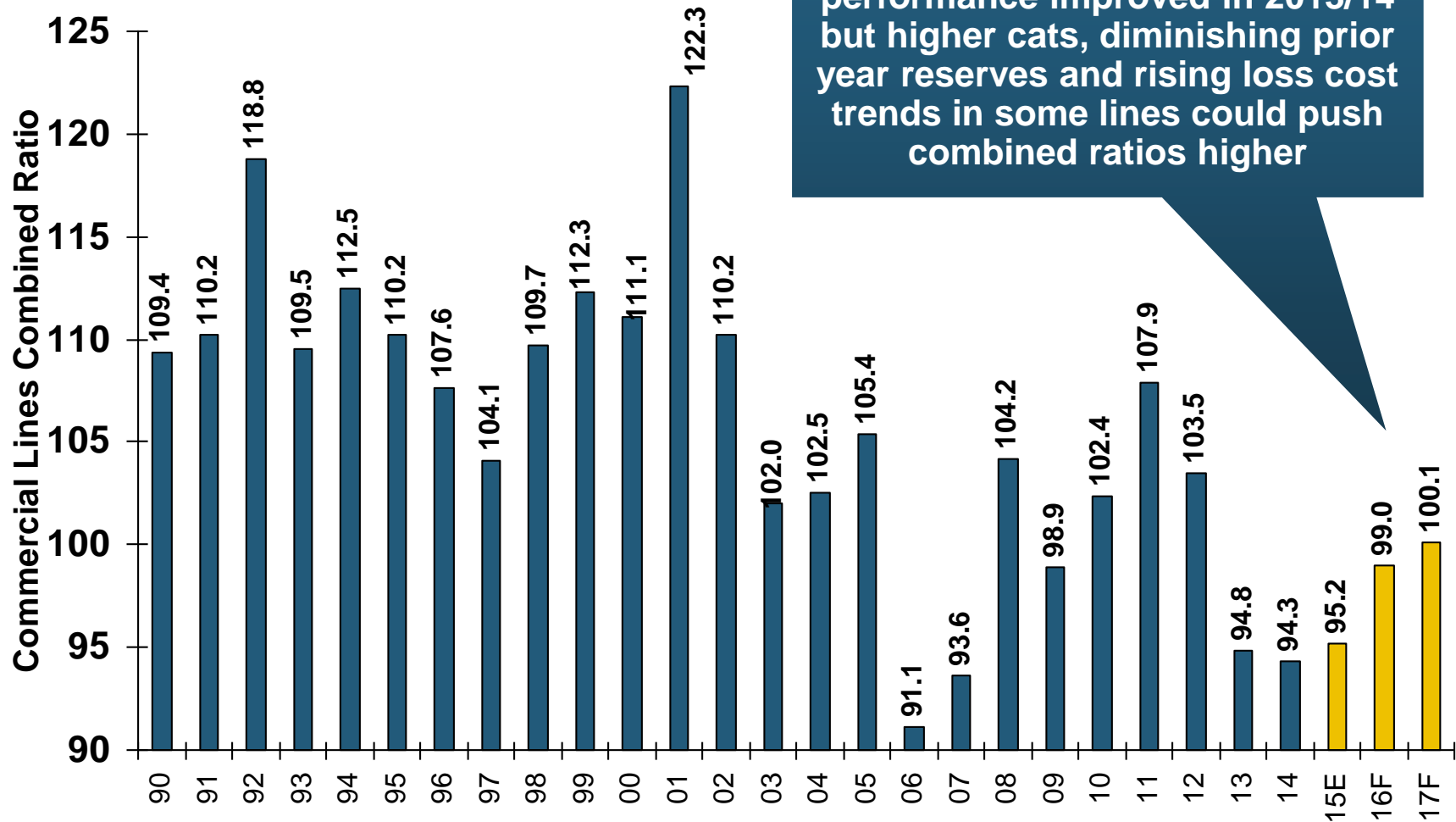
# How the Risk Dollar is Spent

## *(U.S. Firms with Revenues Under \$1 Bill)*



# Underwriting Performance

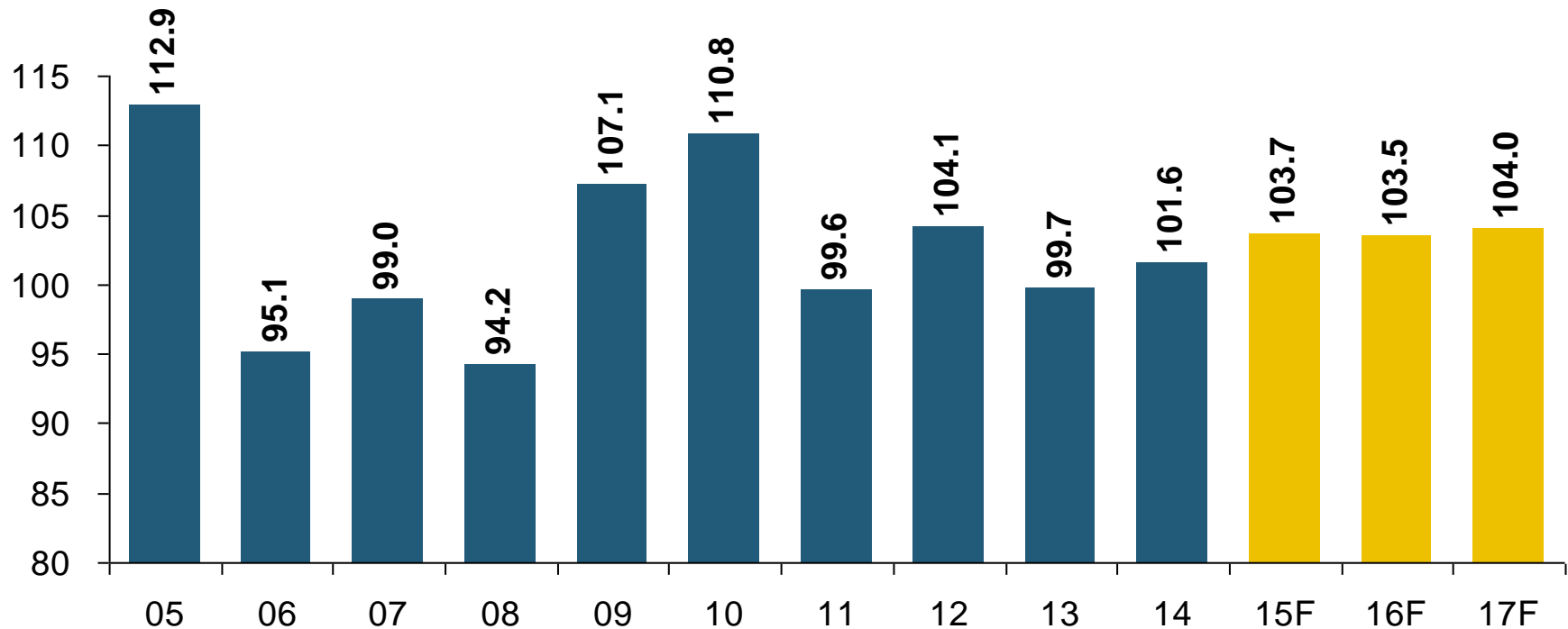
# Commercial Lines Combined Ratio, 1990-2017F\*



\*2007-2012 figures exclude mortgage and financial guaranty segments.

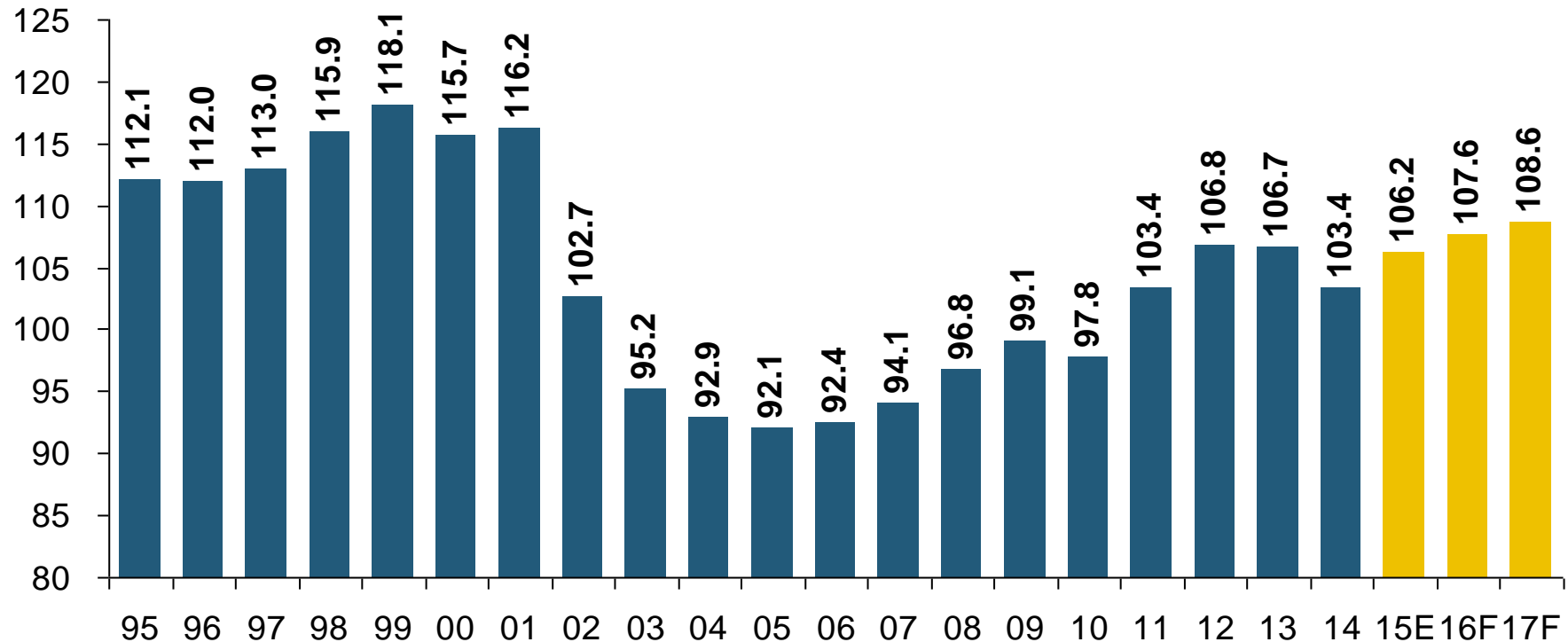
Source: A.M. Best (1990-2014); Conning (2015E-17F) Insurance Information Institute.

# General Liability Combined Ratio: 2005–2017F



**Commercial General Liability Underwriting  
Performance Has Been Volatile in Recent Years**

# Commercial Auto Combined Ratio: 1993–2017F

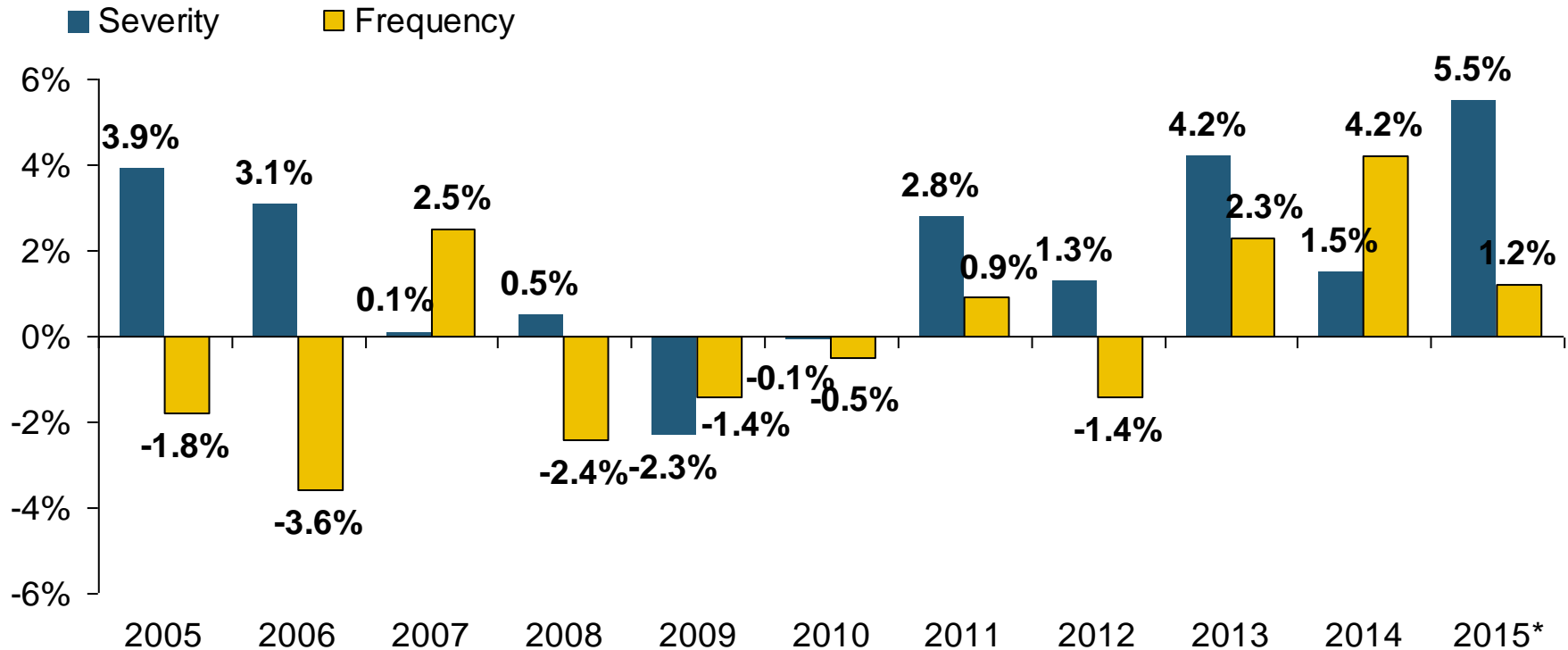


**Commercial Auto Results Are Challenged as Rate Gains Barely Have Yet to Offset Adverse Frequency and Severity Trends**



# Collision Coverage: Severity & Frequency Trends Are Both Higher in 2015\*

Annual Change, 2005 through 2015\*

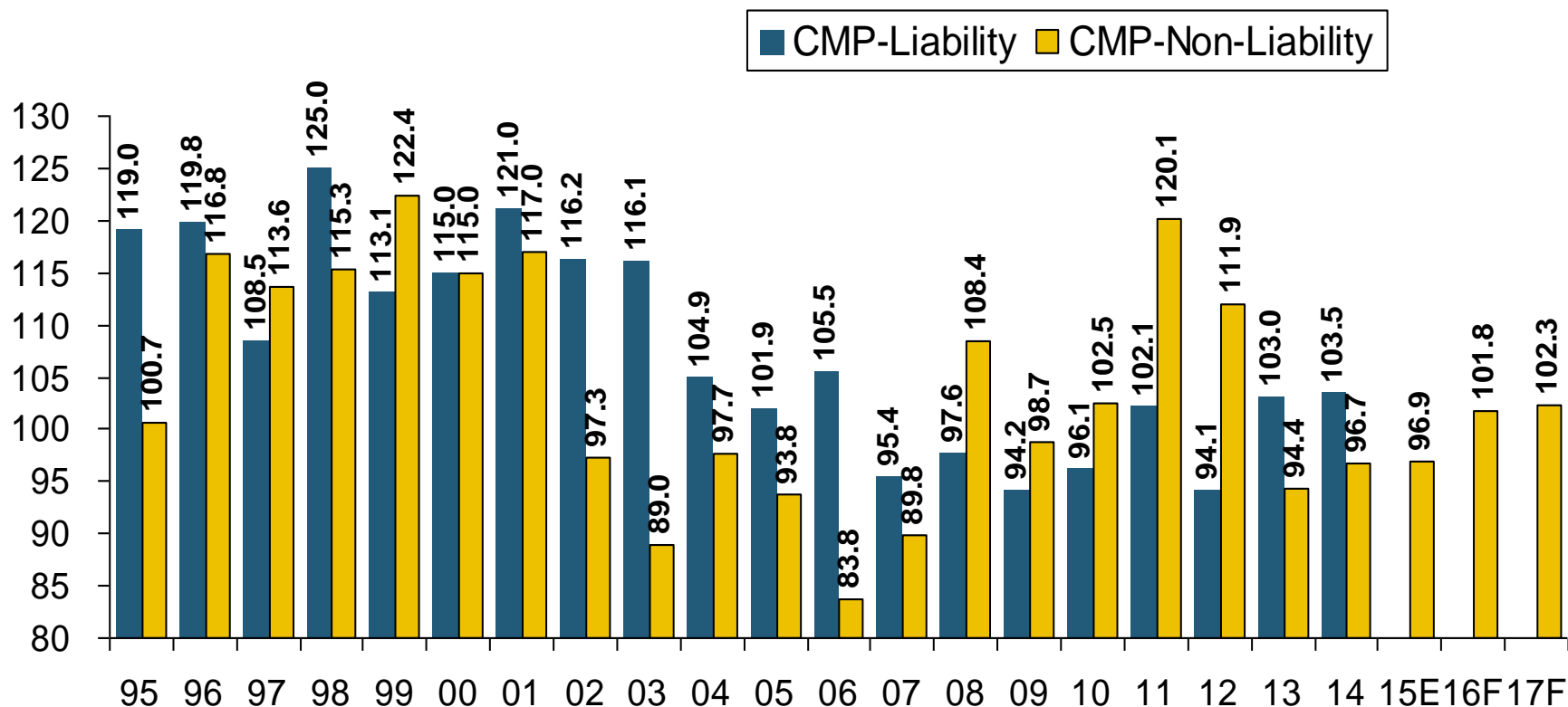


**The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries**

\*2015 figure is for the 4 quarters ending with 2015:Q3.

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

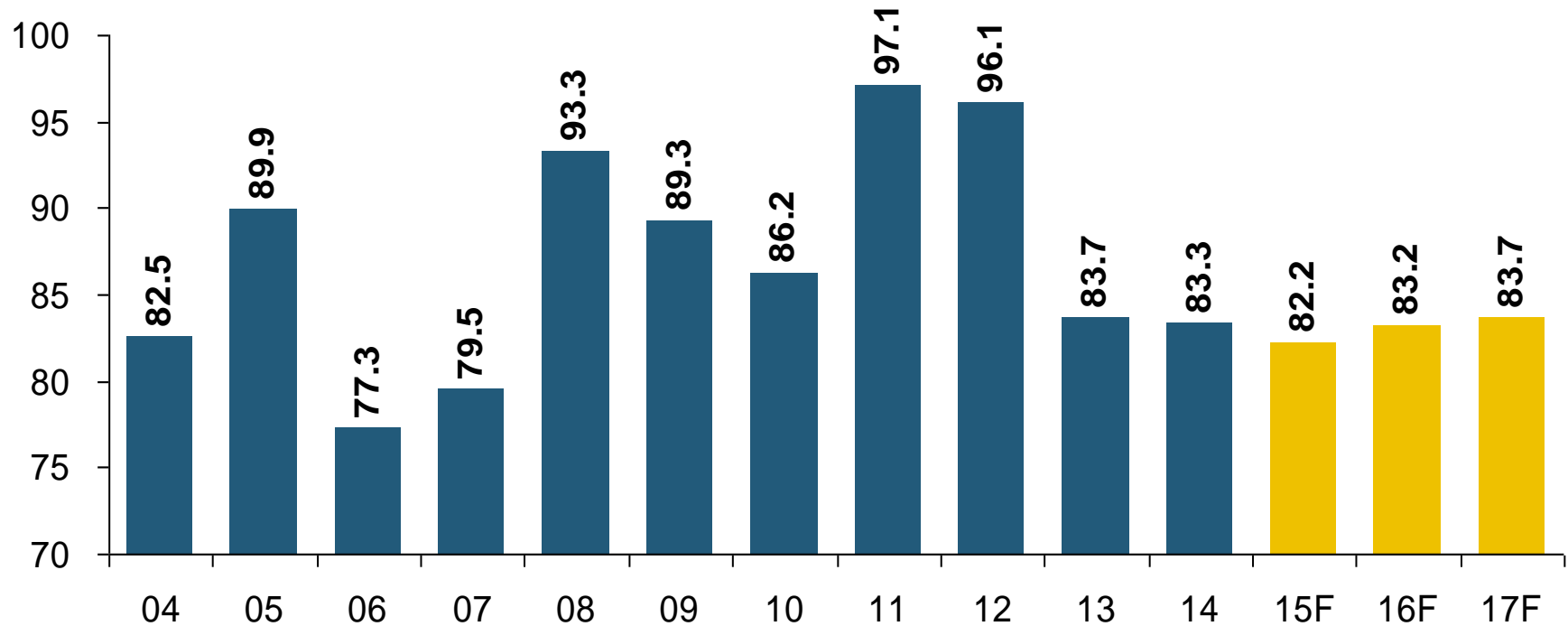
# Commercial Multi-Peril Combined Ratio: 1995–2017F



**Commercial Multi-Peril Underwriting Performance is Expected to Deteriorate Slightly in the 2015 - 2017 Period Assuming Normal Catastrophe Loss Activity**

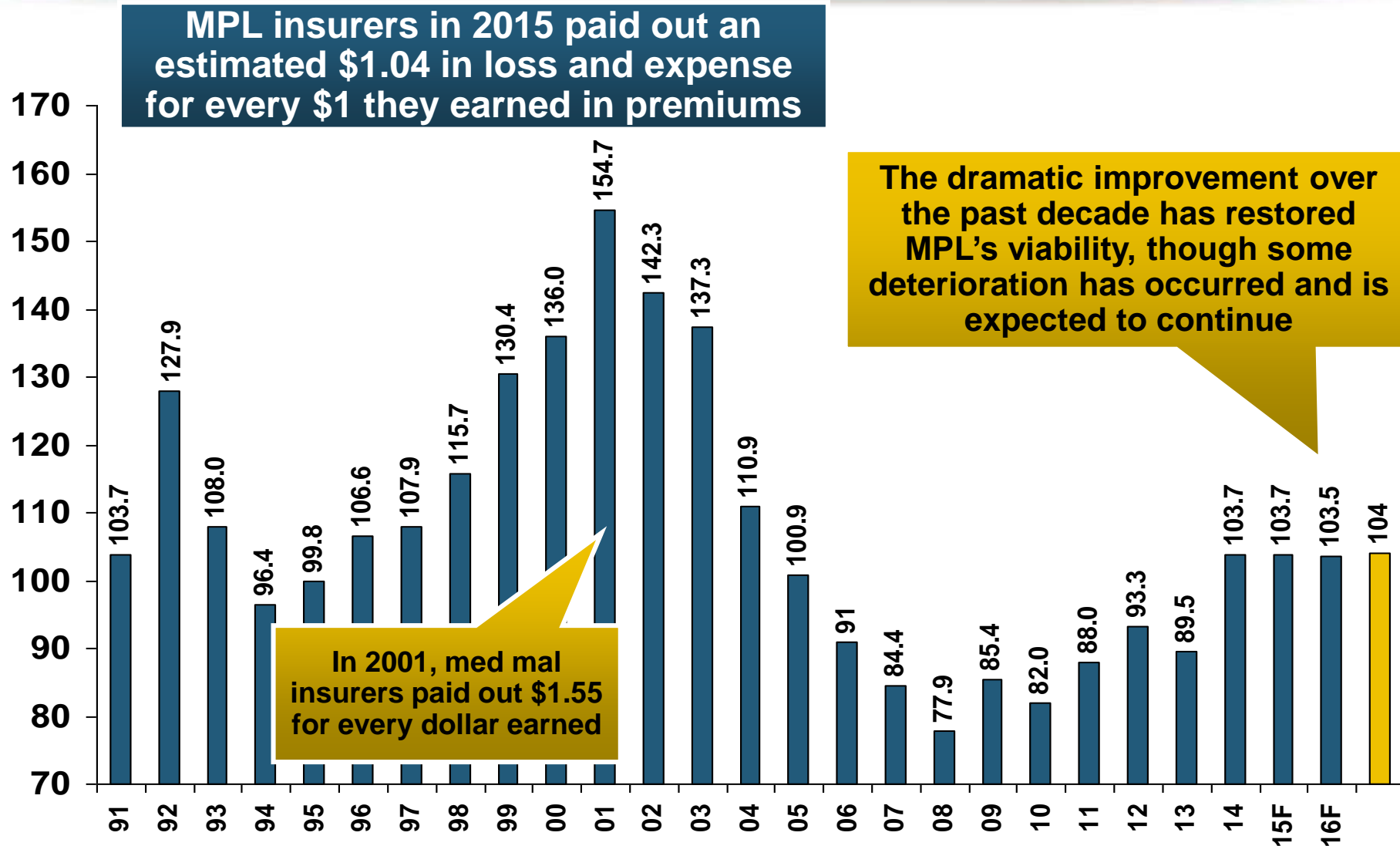
\*2015E-2017F figures are Conning figures for the combined liability and non-liability components.  
Sources: A.M. Best; Conning; Insurance Information Institute.

# Inland Marine Combined Ratio: 2004–2017F

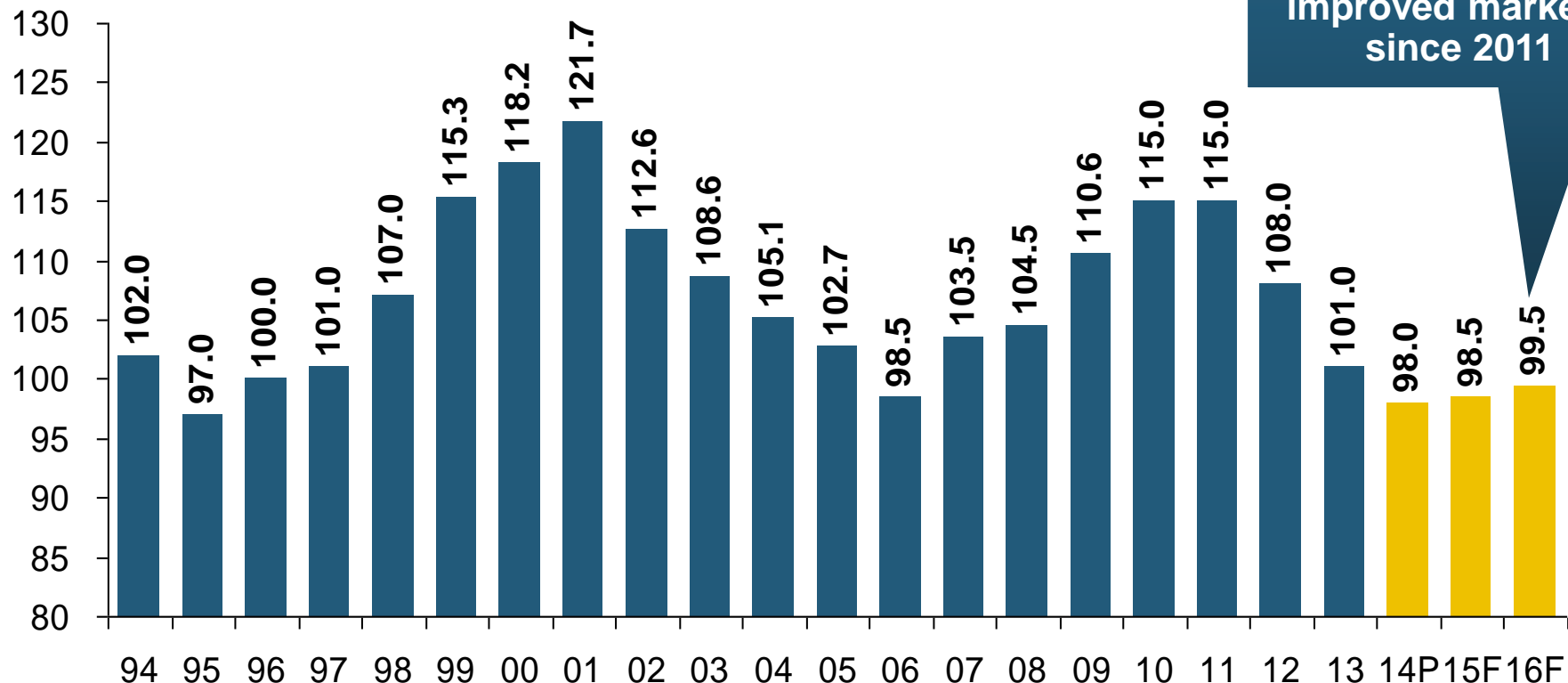


**Inland Marine Underwriting Performance Has Been  
Consistently Strong for Many Years**

# Medical Malpractice Combined Ratio vs. All Lines Combined Ratio, 1991-2017F



# Workers Compensation Combined Ratio: 1994–2016F



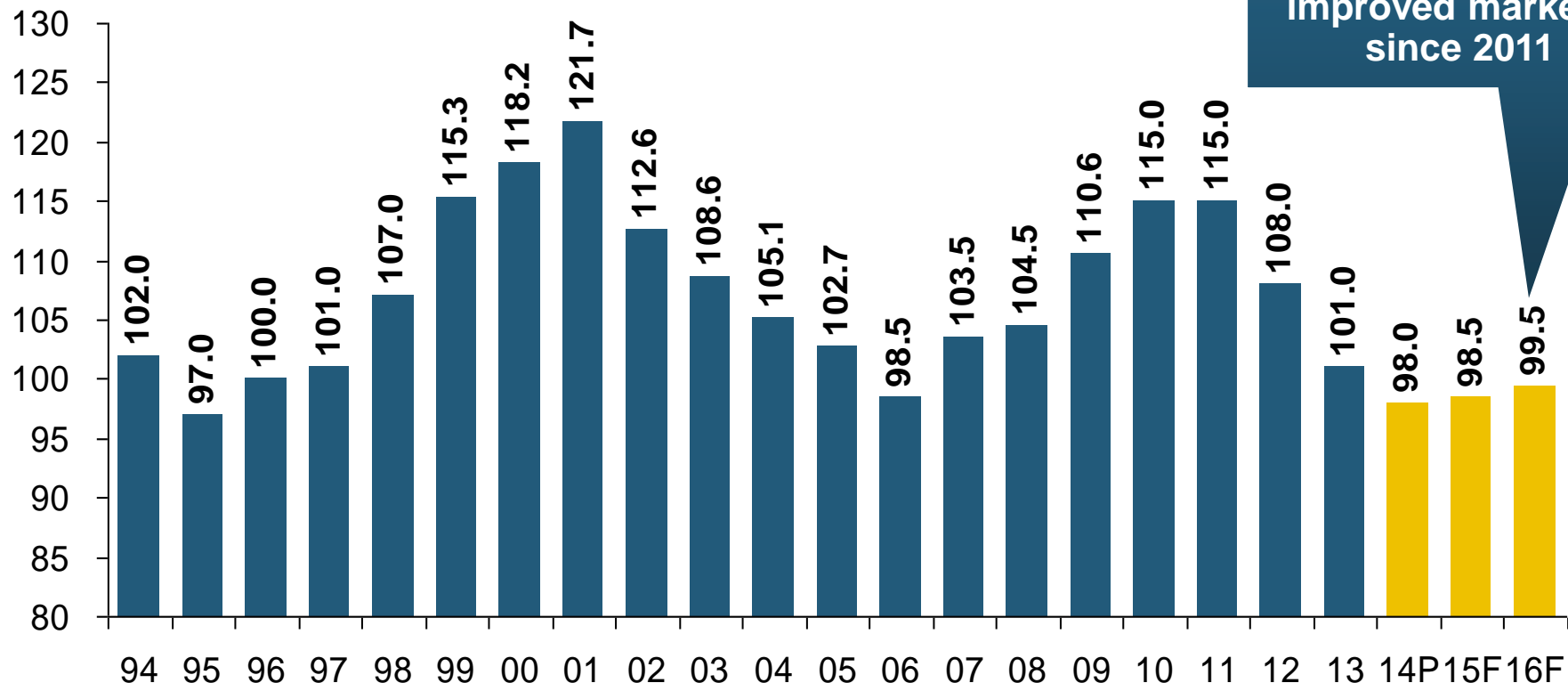
**Workers Comp Results Began to Improve in 2012.  
Underwriting Results Deteriorated Markedly from 2007-  
2010/11 and Were the Worst They Had Been in a Decade.**



# **Workers Compensation Operating Environment**

**Workers Comp Results Have Improved  
Substantially in Recent Years**

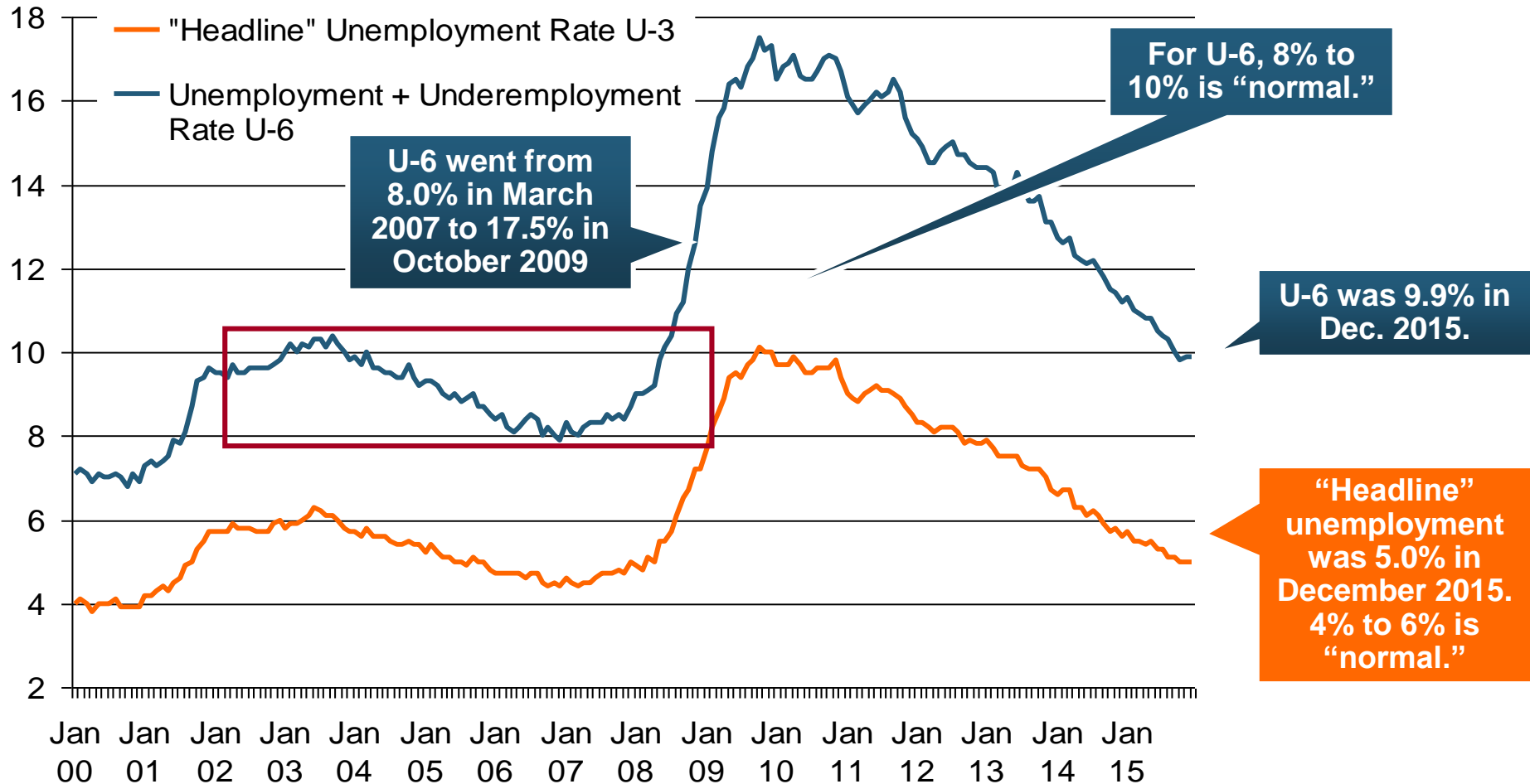
# Workers Compensation Combined Ratio: 1994–2016F



**Workers Comp Results Began to Improve in 2012.  
Underwriting Results Deteriorated Markedly from 2007-  
2010/11 and Were the Worst They Had Been in a Decade.**

# Unemployment and Underemployment Rates: Still Falling

January 2000 through December 2015,  
Seasonally Adjusted (%)

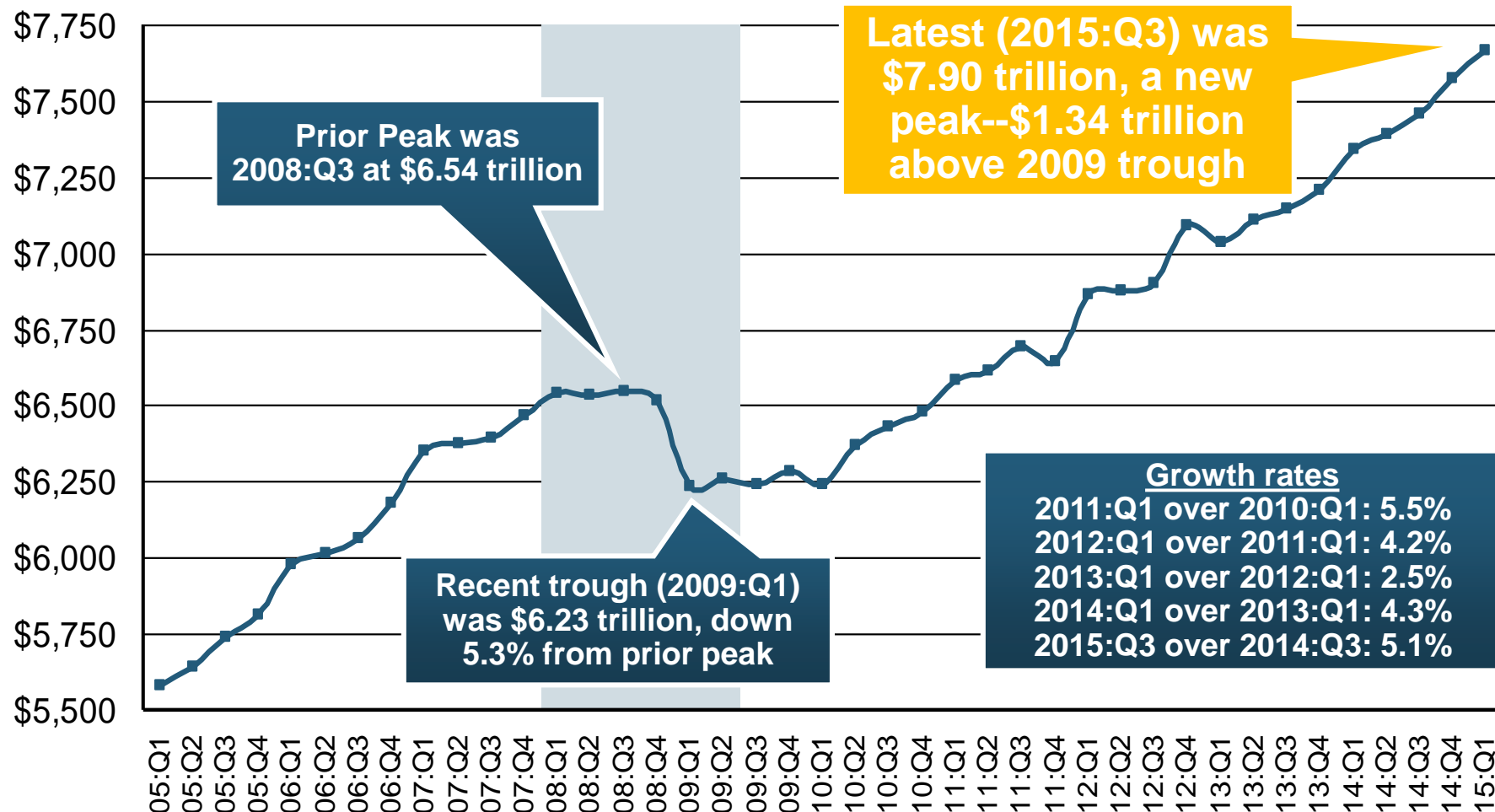


**High unemployment and underemployment still constrain overall economic growth, but the job market is now clearly improving.**



# Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2015: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 Institute.

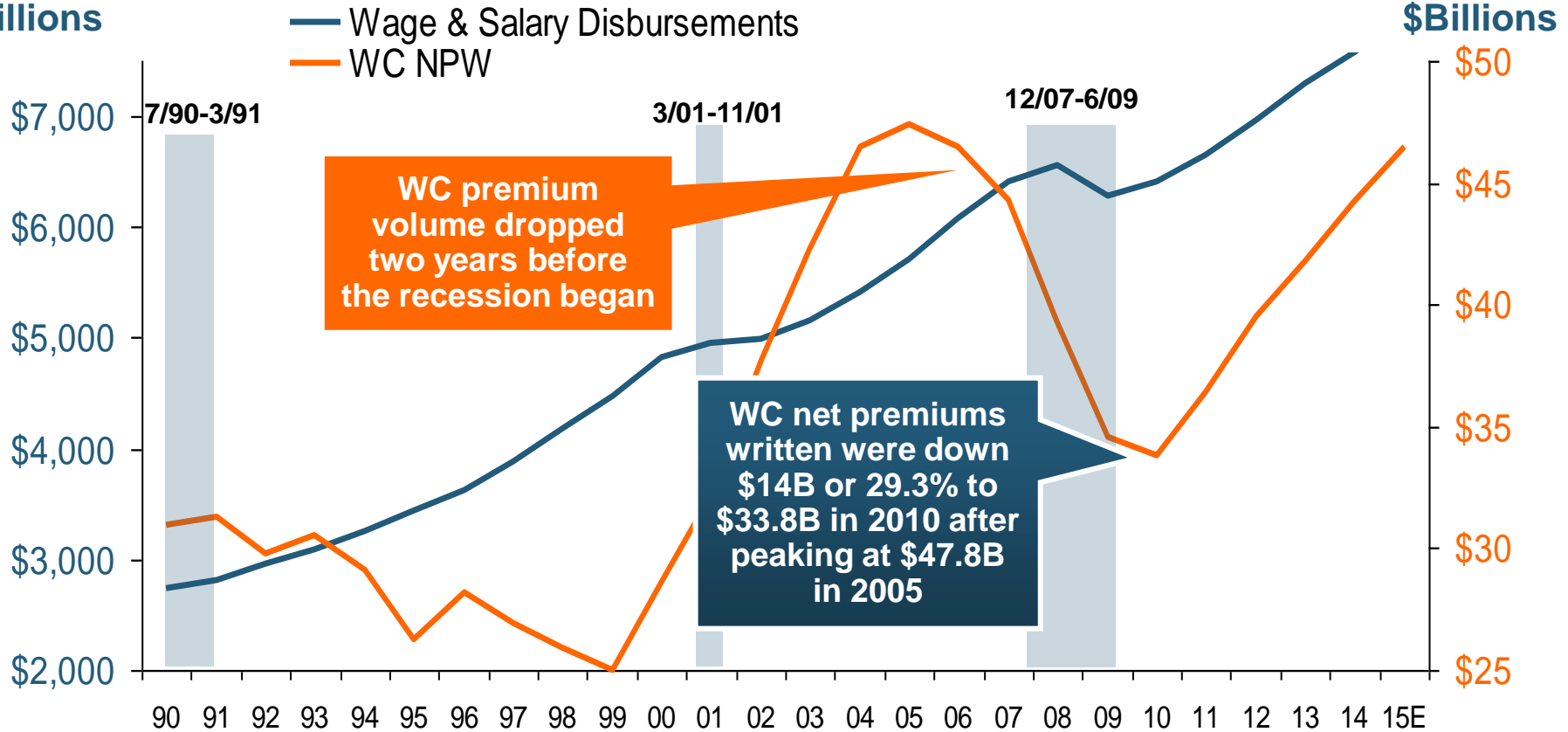
# Payroll vs. Workers Comp Net Written Premiums, 1990-2015E

Payroll Base\*

WC NWP

\$Billions

\$Billions



**Continued Payroll Growth and Rate Gains Suggest WC NWP Will Grow Again in 2016**

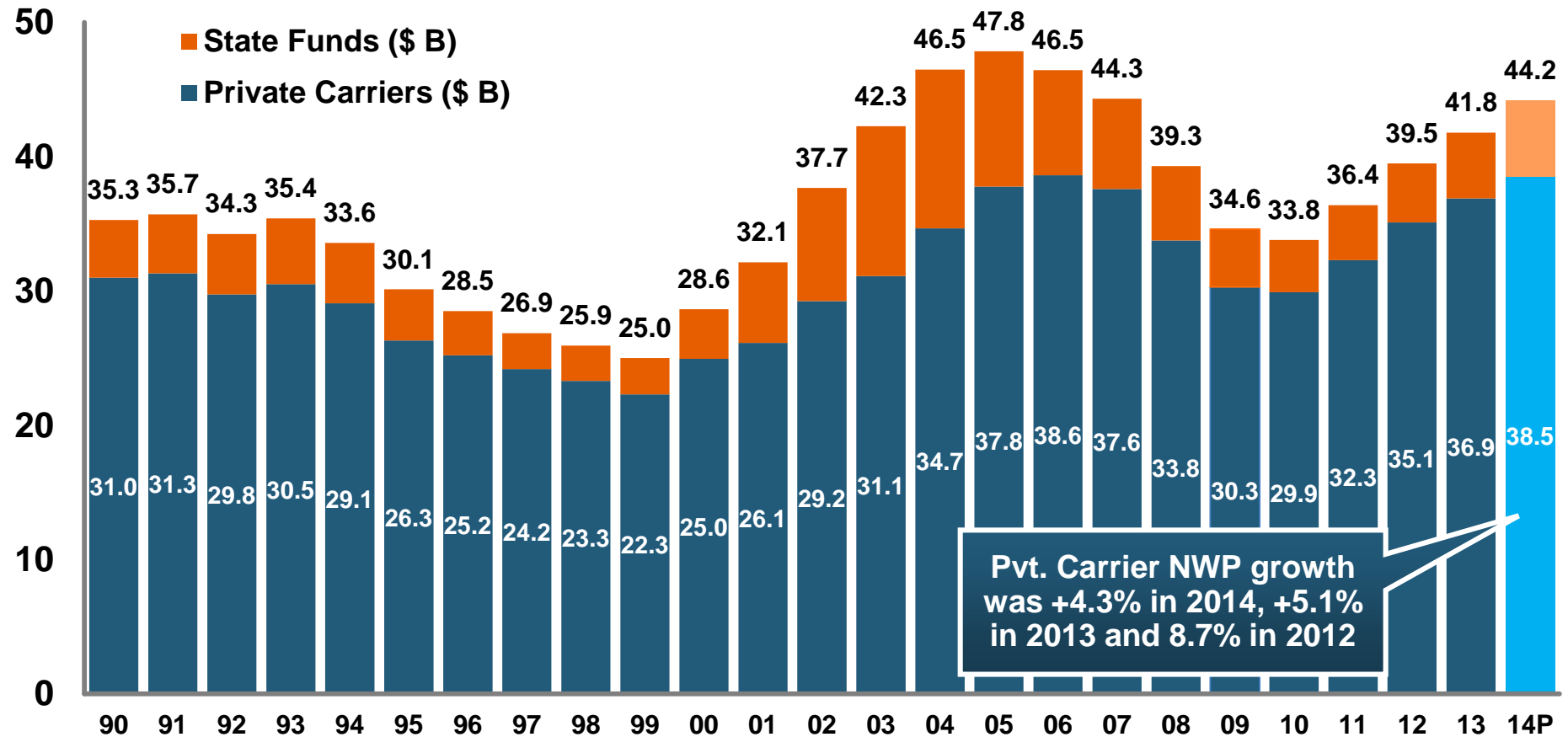
\*Private employment; Shaded areas indicate recessions. WC premiums are from NCCI through 2014; I.I.I. estimate for 2015.

Sources: NBER (recessions); Federal Reserve Bank of St. Louis at <http://research.stlouisfed.org/fred2/series/WASCUR> (annualized as of Q3 2015); NCCI; I.I.I.

# Workers Compensation Premium: Fourth Consecutive Year of Increase

## Net Written Premium

\$ Billions



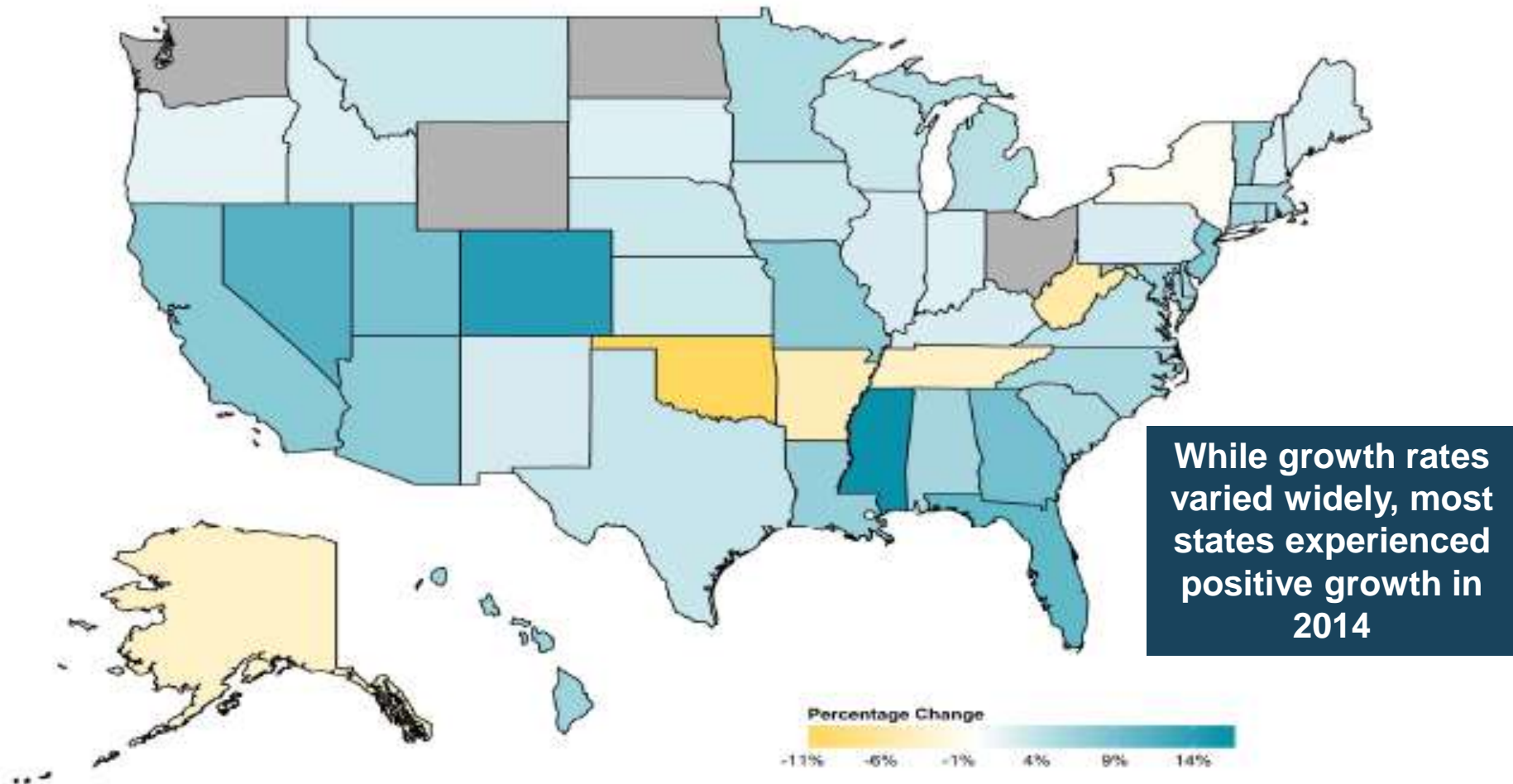
p Preliminary

Source: NCCI from Annual Statement Data.

Includes state insurance fund data for the following states: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT.  
Each calendar year total for State Funds includes all funds operating as a state fund that year.

# 2014 Workers Compensation Direct Written Premium Growth, by State\*

PRIVATE CARRIERS: Overall 2014 Growth = +4.6%



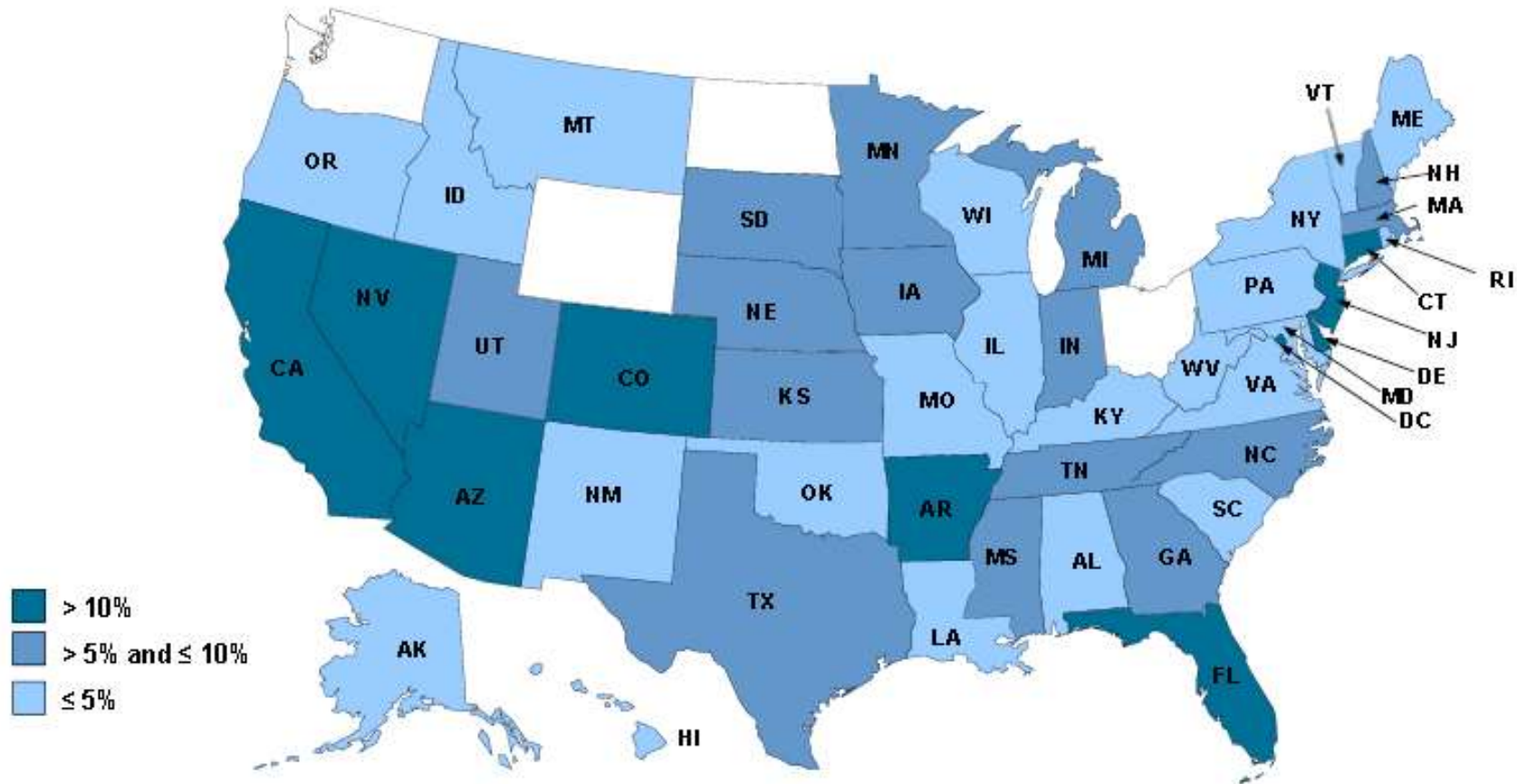
\*Excludes monopolistic fund states (in gray): OH, ND, WA and WY.

Source: NCCI.

# 2013 Workers Compensation Direct Written Premium Growth, by State\*

PRIVATE CARRIERS: Overall 2013 Growth = +5.4%

While growth rates varied widely, all states experienced positive growth in 2013



\*Excludes monopolistic fund states (in white): OH, ND, WA and WY.

Source: NCCI.

# Workers Compensation Components of Written Premium Change, 2013 to 2014

## Written Premium Change from 2013 to 2014

<b>Net Written Premium—Countrywide</b>	<b>+4.6%</b>
<b>Direct Written Premium—Countrywide</b>	<b>+4.6%</b>
<b>Direct Written Premium—NCCI States</b>	<b>+4.5%</b>
<b>Components of DWP Change for NCCI States</b>	
Change in Carrier Estimated Payroll	+4.7%
Change in Bureau Loss Costs and Mix	-1.4%
Change in Carrier Discounting	+0.4%
Change in Other Factors	+0.8%
<b>Combined Effect</b>	<b>+4.5%</b>

**Growth is now almost entirely payroll driven**

Sources: Countrywide: Annual Statement data.

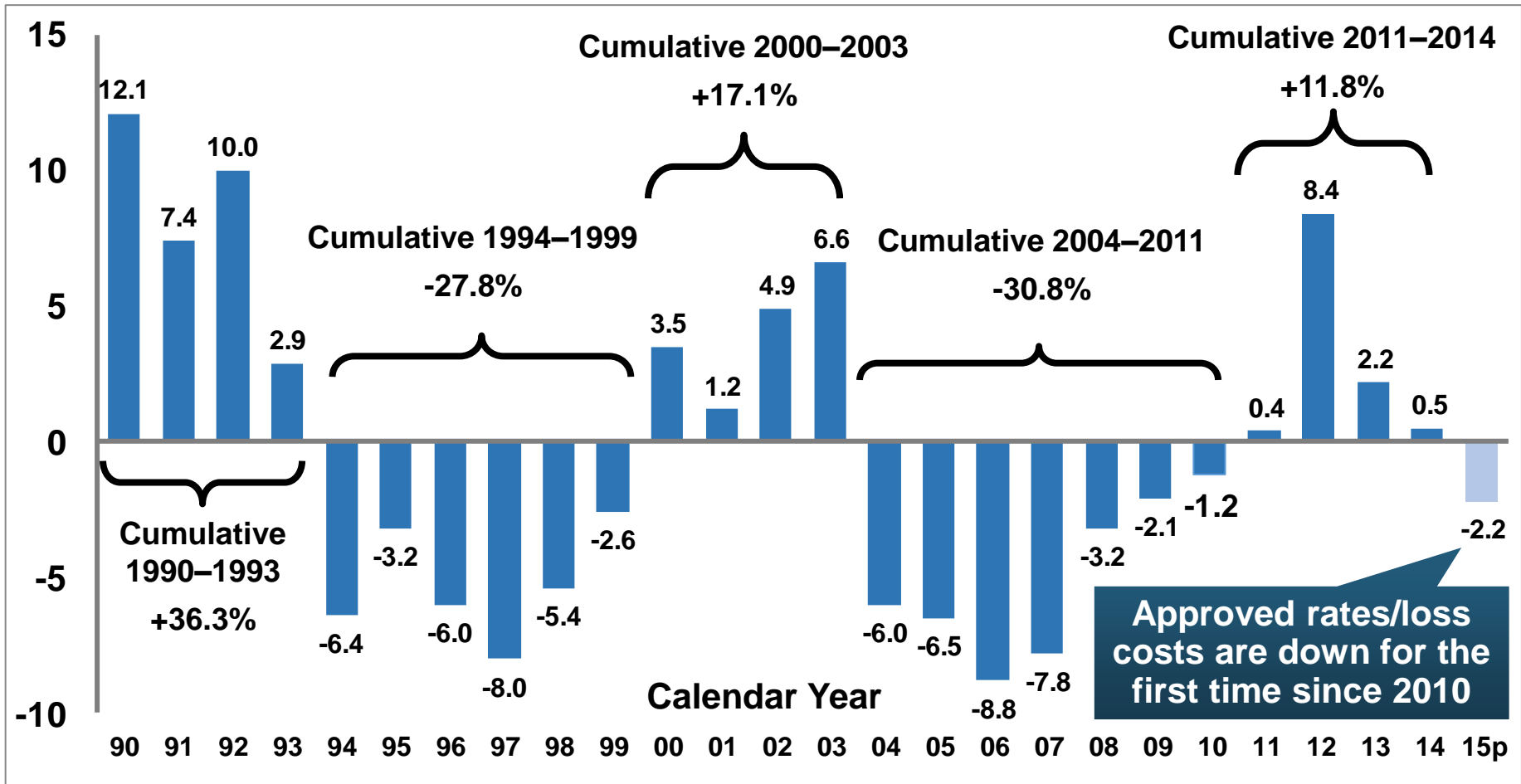
NCCI States: Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services.

Components: NCCI Policy data.

# WC Approved Changes in Bureau Premium Level (Rates/Loss Costs)

By Effective Date for Total Market

Percent



\*States approved through 4/24/15.

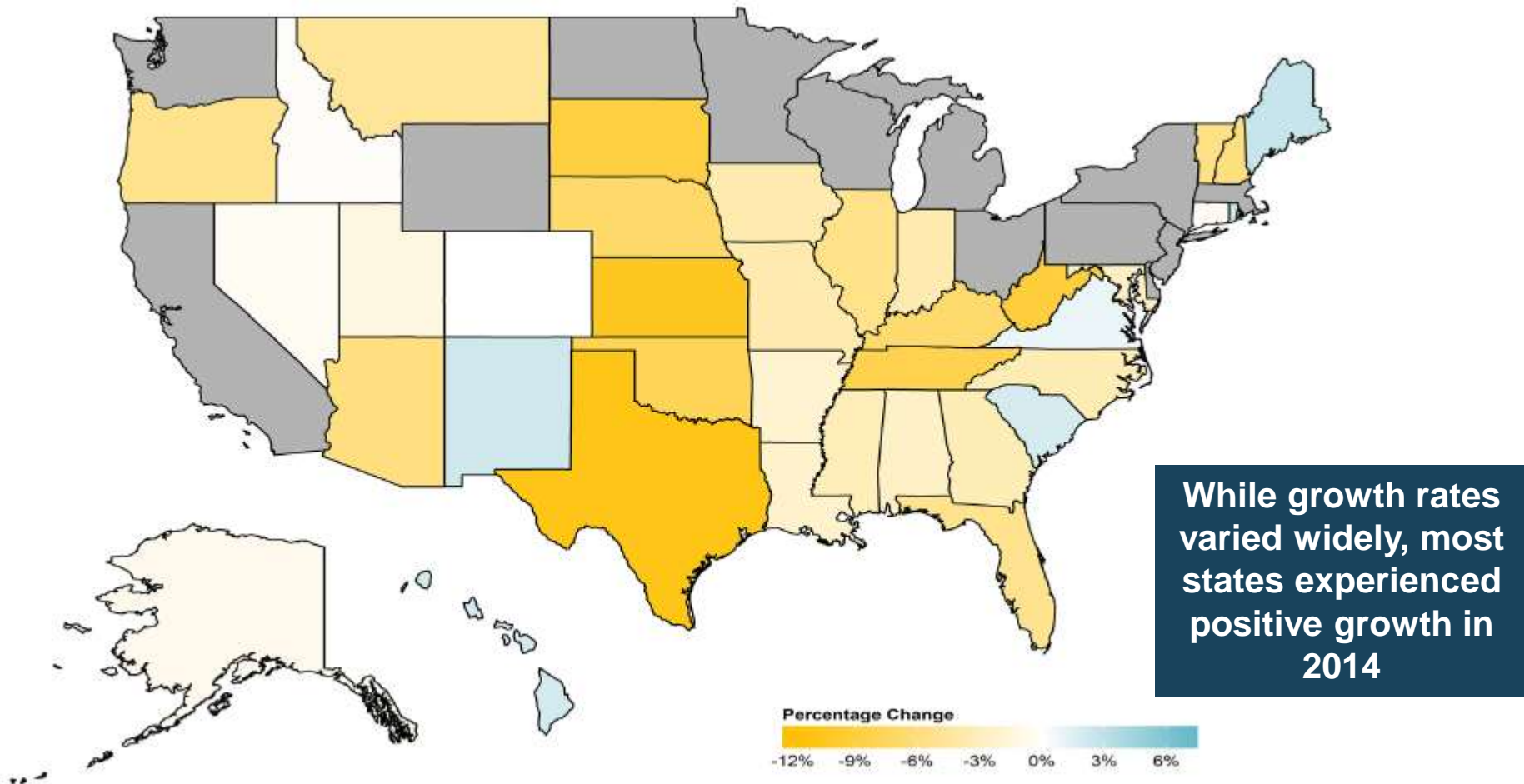
Note: Bureau premium level changes are countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by applicable rating organization, relative to those previously approved.

Source: NCCI.



# WC Approved or Filed and Pending Change in NCCI Premium Level by State

## Latest Change for Voluntary Market



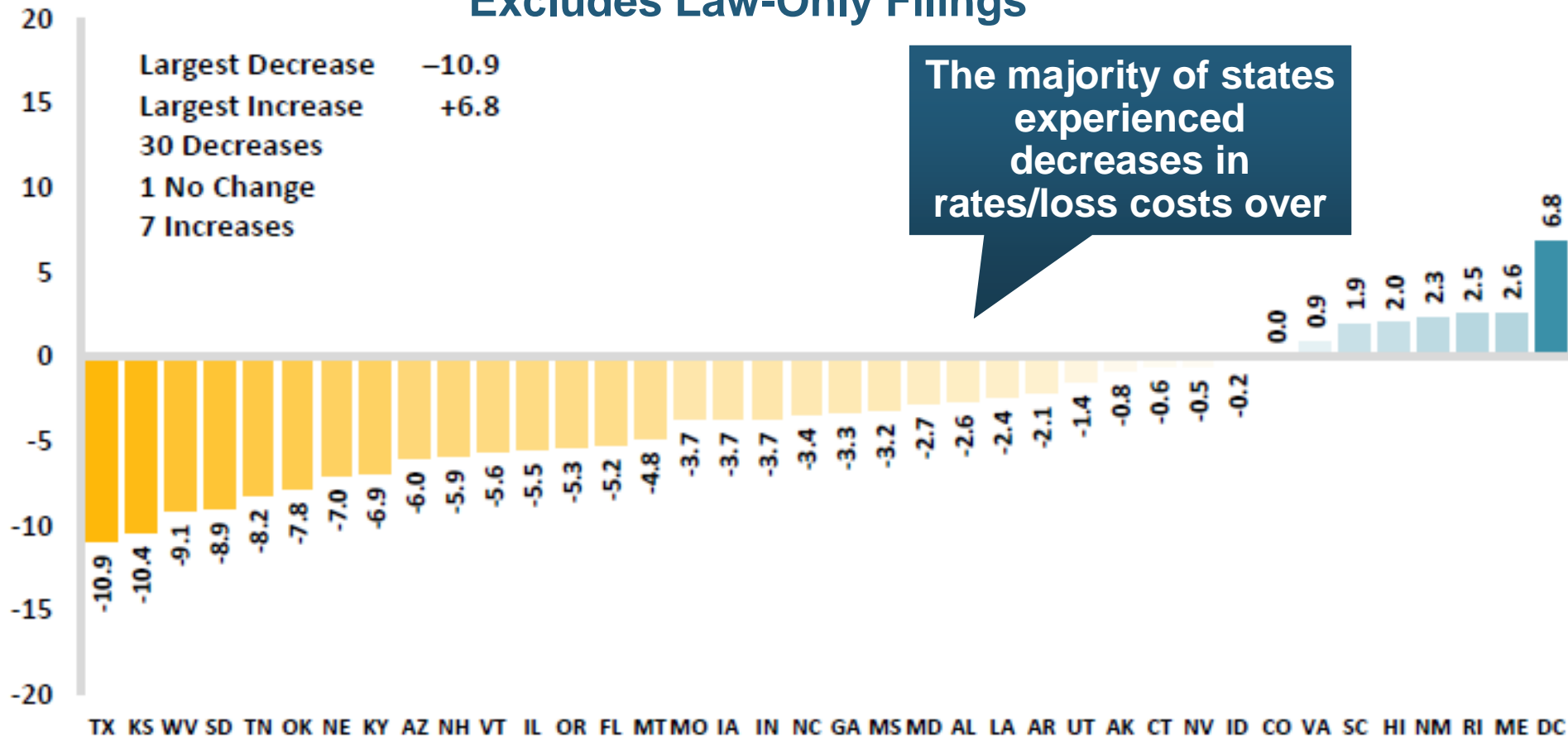
\*Excludes monopolistic fund states (in gray): OH, ND, WA and WY.

Source: NCCI.



# WC Approved or Filed and Pending Change in NCCI Premium Level by State

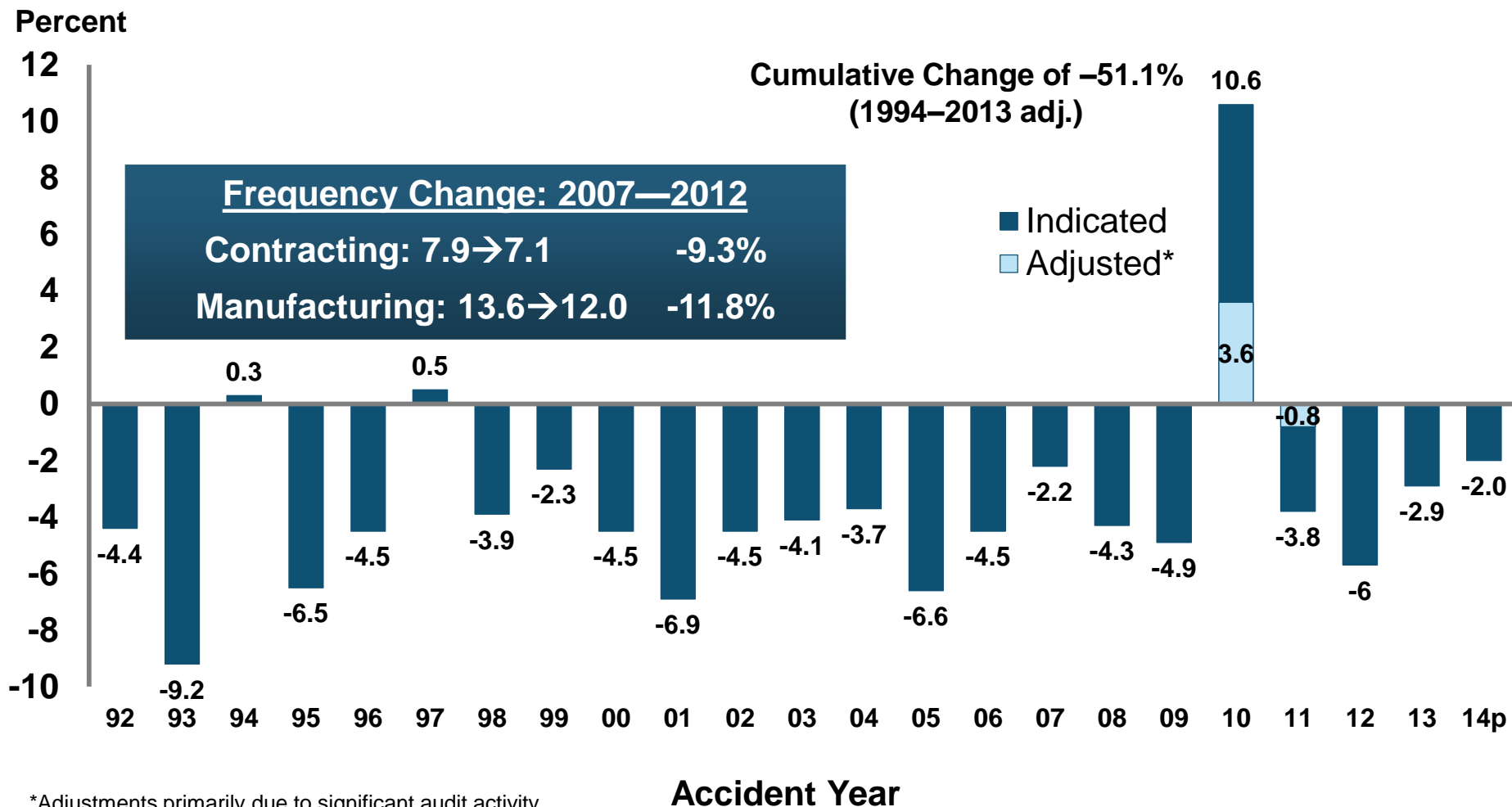
## Latest Change for Voluntary Market Excludes Law-Only Filings



Note: Premium level changes are approved changes are approved or filed and pending changes in advisory rates, loss costs and rating values as of 4/24/15 as filed by applicable rating organization, relative to those previously approved. SC is filed and pending. IN and NC are in cooperation with state rating bureaus.

Source: NCCI.

# Workers Compensation Lost-Time Claim Frequency Declined in 2014



\*Adjustments primarily due to significant audit activity.

2014p: Preliminary based on data valued as of 12/31/2014.

Source: NCCI Financial Call data, developed to ultimate and adjusted to current wage and voluntary loss cost level; Excludes high deductible policies; 1994-2013: Based on data through 12/31/13. Data for all states where NCCI provides ratemaking services, excluding WV.

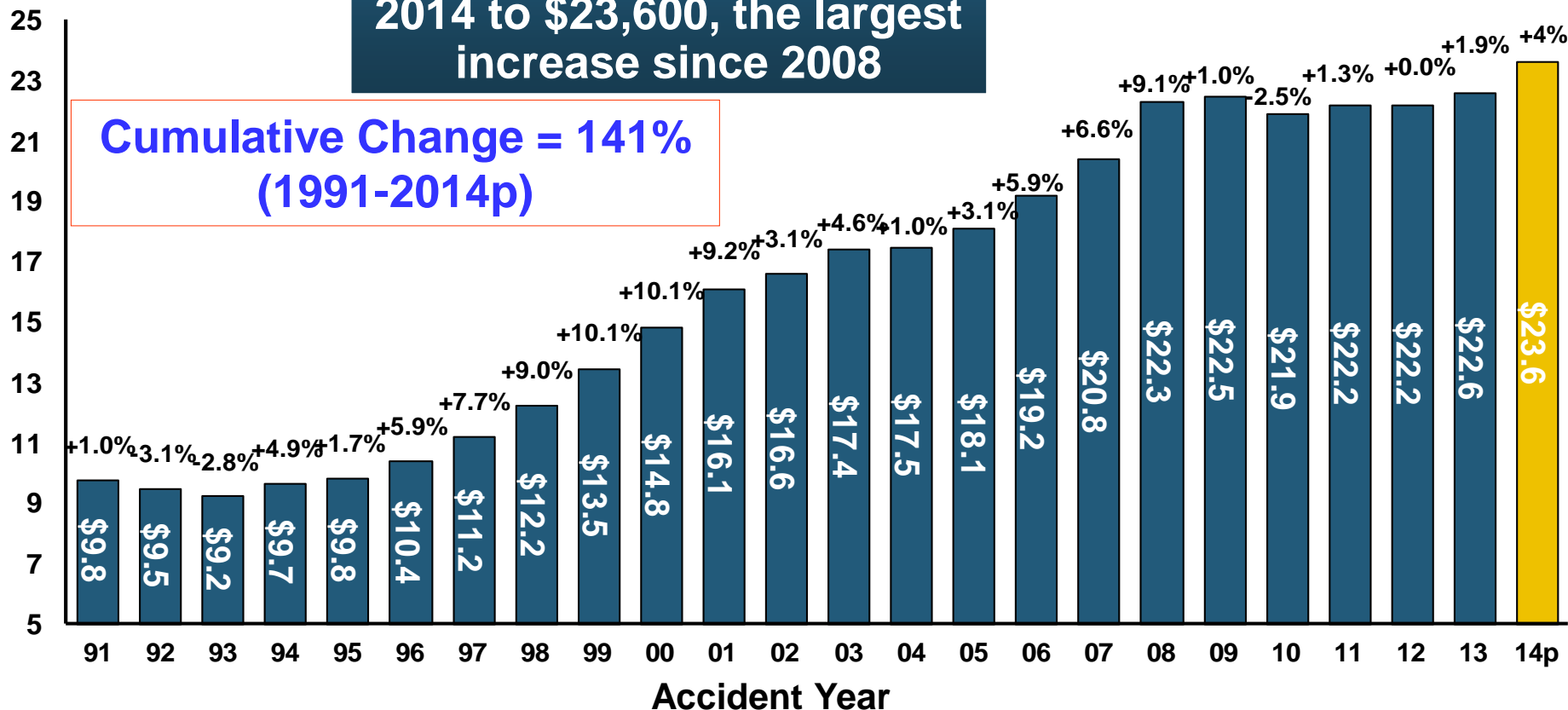
Frequency is the number of lost-time claims per \$1M pure premium at current wage and voluntary loss cost level

# Workers Comp Indemnity Claim Costs: Modest Increase in 2014

## Average Indemnity Cost per Lost-Time Claim

Average indemnity costs per claim were up 4% in 2014 to \$23,600, the largest increase since 2008

Cumulative Change = 141%  
(1991-2014p)

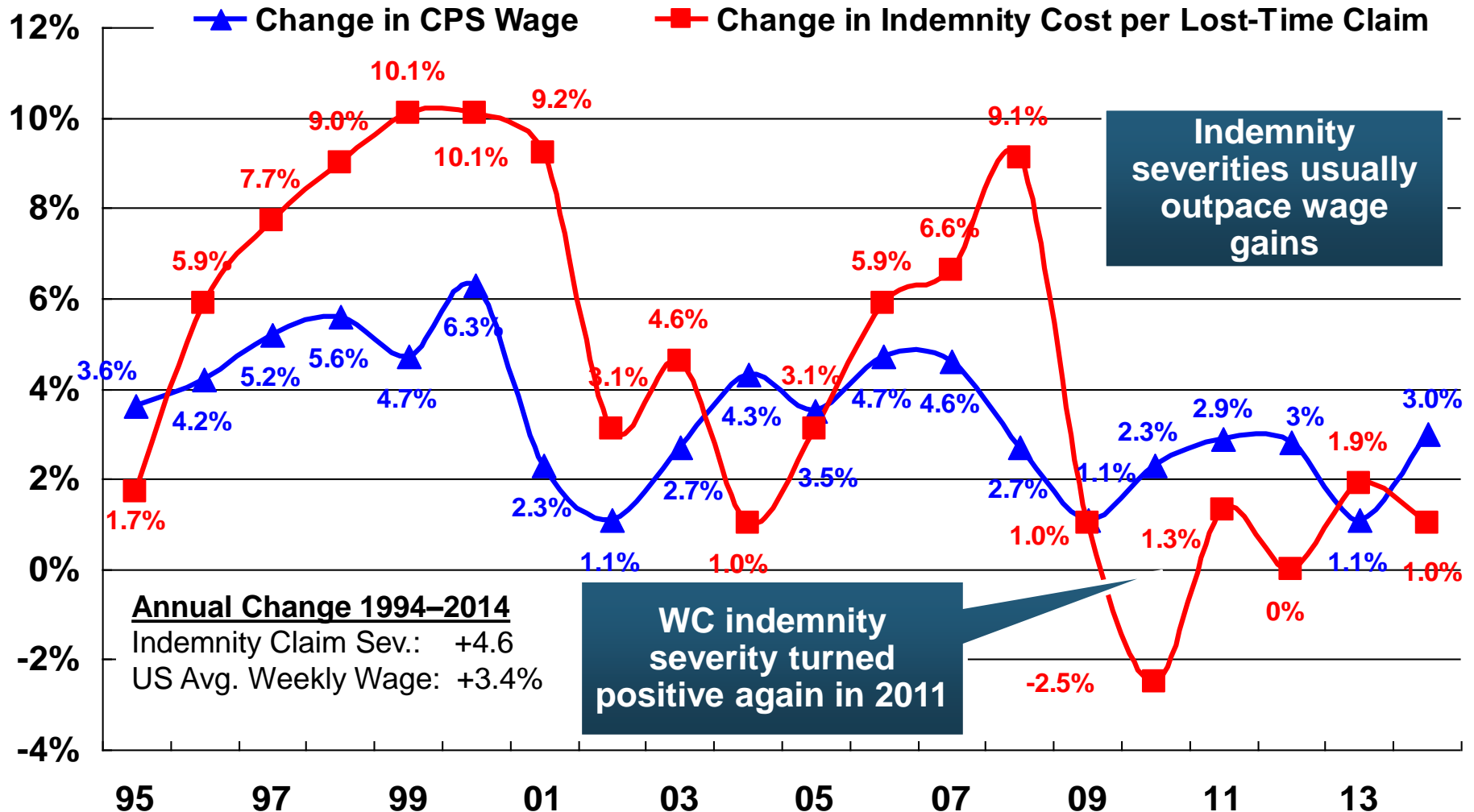


2014p: Preliminary based on data valued as of 12/31/2014.

1991-2013: Based on data through 12/31/2013, developed to ultimate

Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

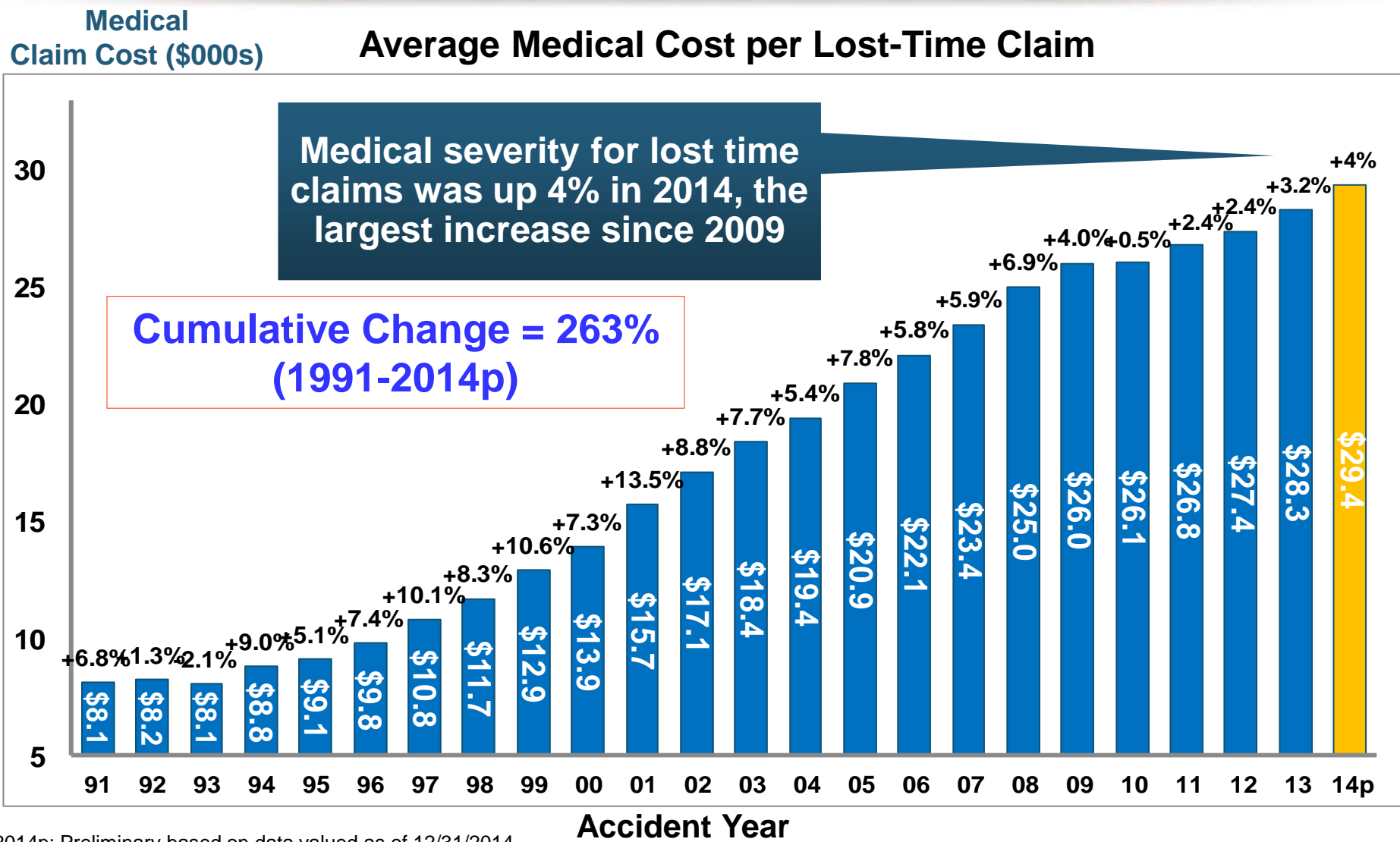
# WC Indemnity Severity vs. Wage Inflation, 1995 -2014p



2014p: Preliminary based on data valued as of 12/31/2014; 1991-2010: Based on data through 12/31/2010, developed to ultimate. Based on the states where NCCI provides ratemaking services. Excludes the effects of deductible policies. CPS = Current Population Survey.

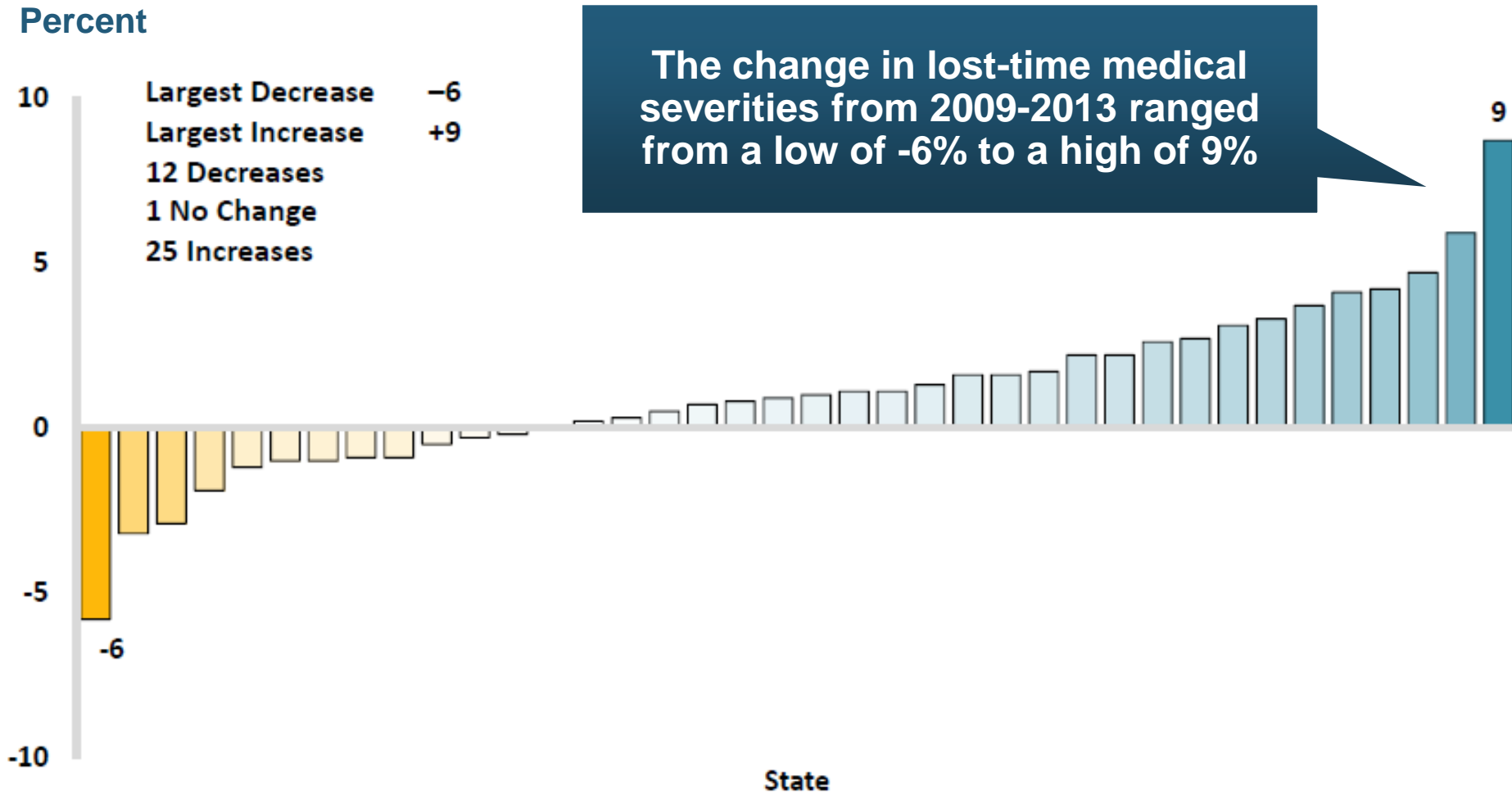
Source: NCCI

# Workers Compensation Medical Severity: Moderate Increase in 2014



2014p: Preliminary based on data valued as of 12/31/2014.  
1991-2013: Based on data through 12/31/2013, developed to ultimate  
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

# Workers Comp Change in Medical Severity by State, Avg. Annual Change, 2009-2013



Source: NCCI's Analysis of Frequency and Severity of Claims Across the Country as of 12/31/13 on [ncci.com](http://ncci.com).

Values reflect methodology and state data underlying the most recent rate/lost cost filing.

TX changes are for the years 2010-2013.

# Annual Inflation Rates, (CPI-U, %), 1990–2016F

## Annual Inflation Rates (%)

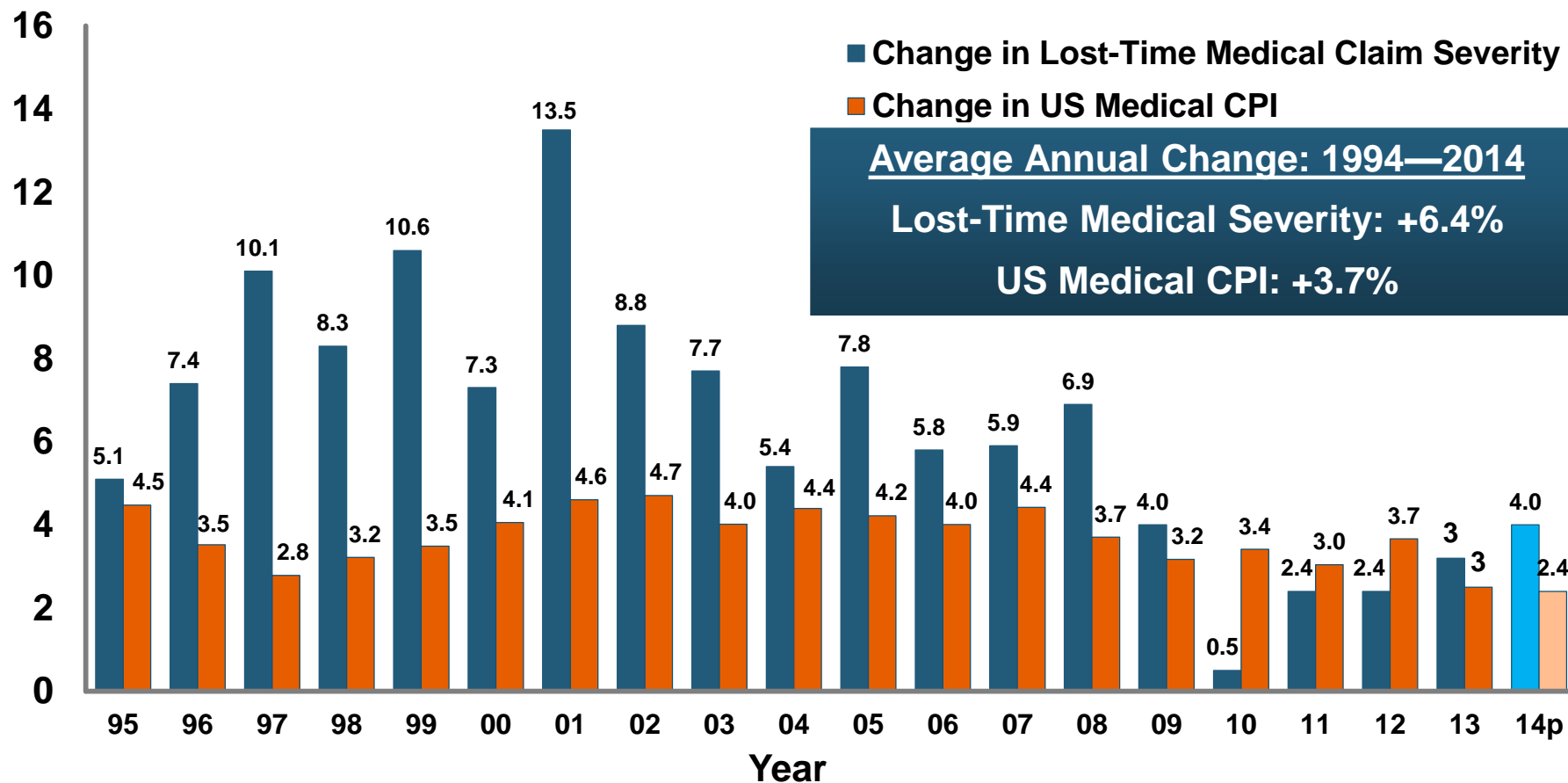


**Slack in the U.S. economy and falling energy prices suggests that inflationary pressures should remain subdued for an extended period of times**

# Workers Compensation Change in Medical Severity

Comparison to Change in Medical Consumer Price Index (CPI)

Percent Change



2014p: Preliminary based on data valued as of 12/31/2014.

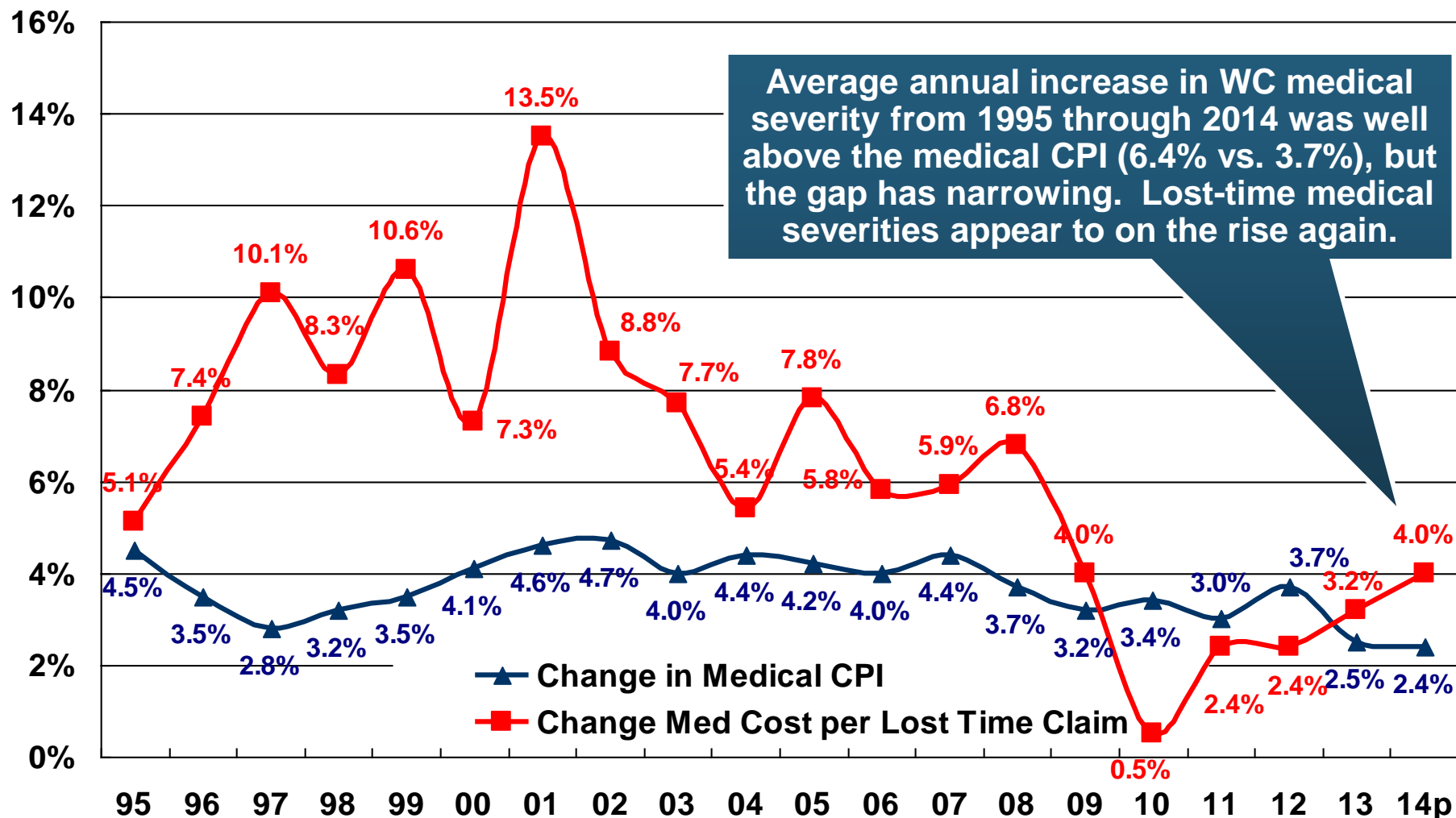
Sources: Severity: 995-2013: Based on data through 12/31/2013, developed to ultimate

Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

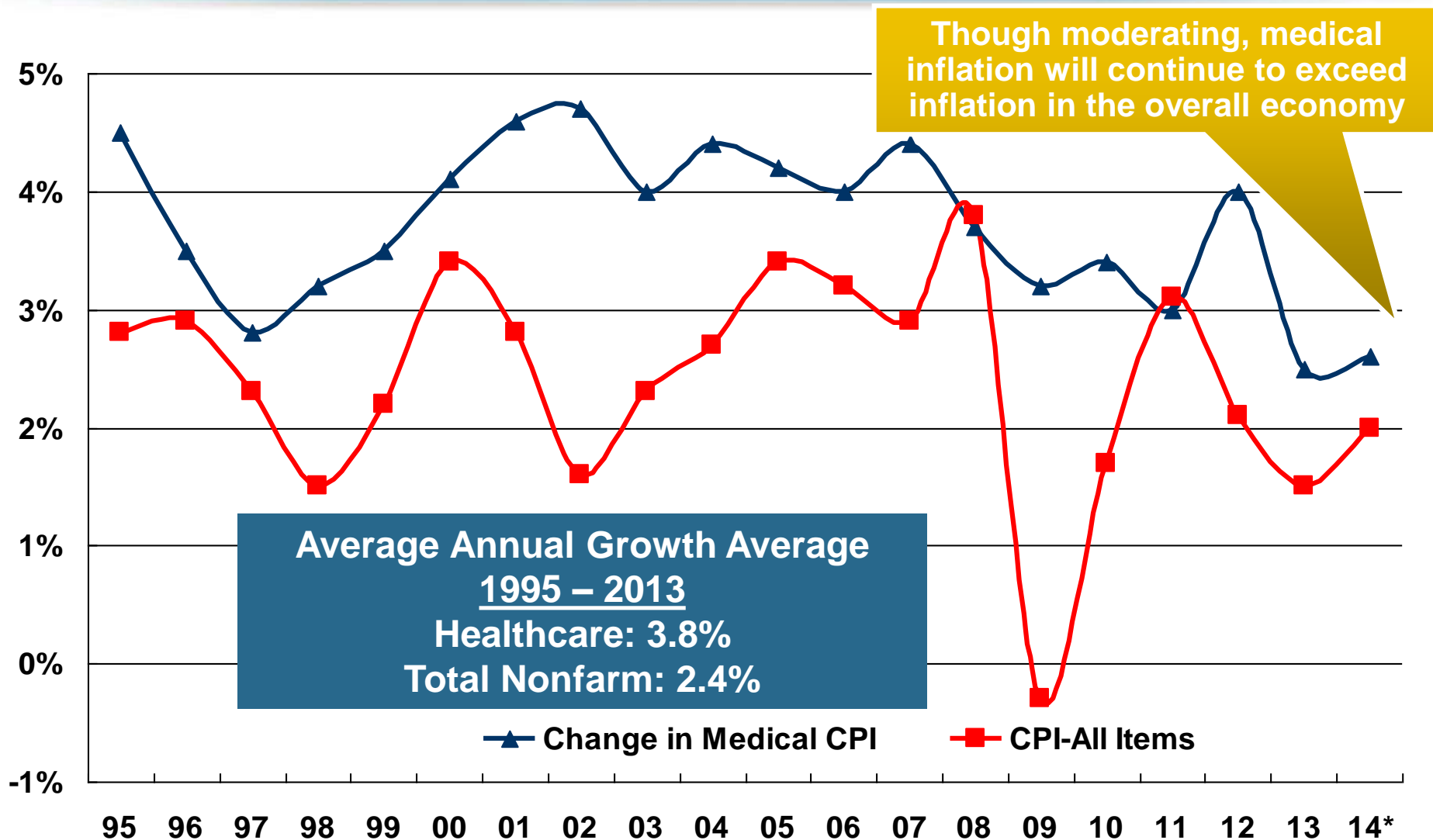
US Medical CPI: US Bureau of Labor Statistics.



# WC Medical Severity Generally Outpaces the Medical CPI Rate



# Medical Cost Inflation vs. Overall CPI, 1995 – 2014\*

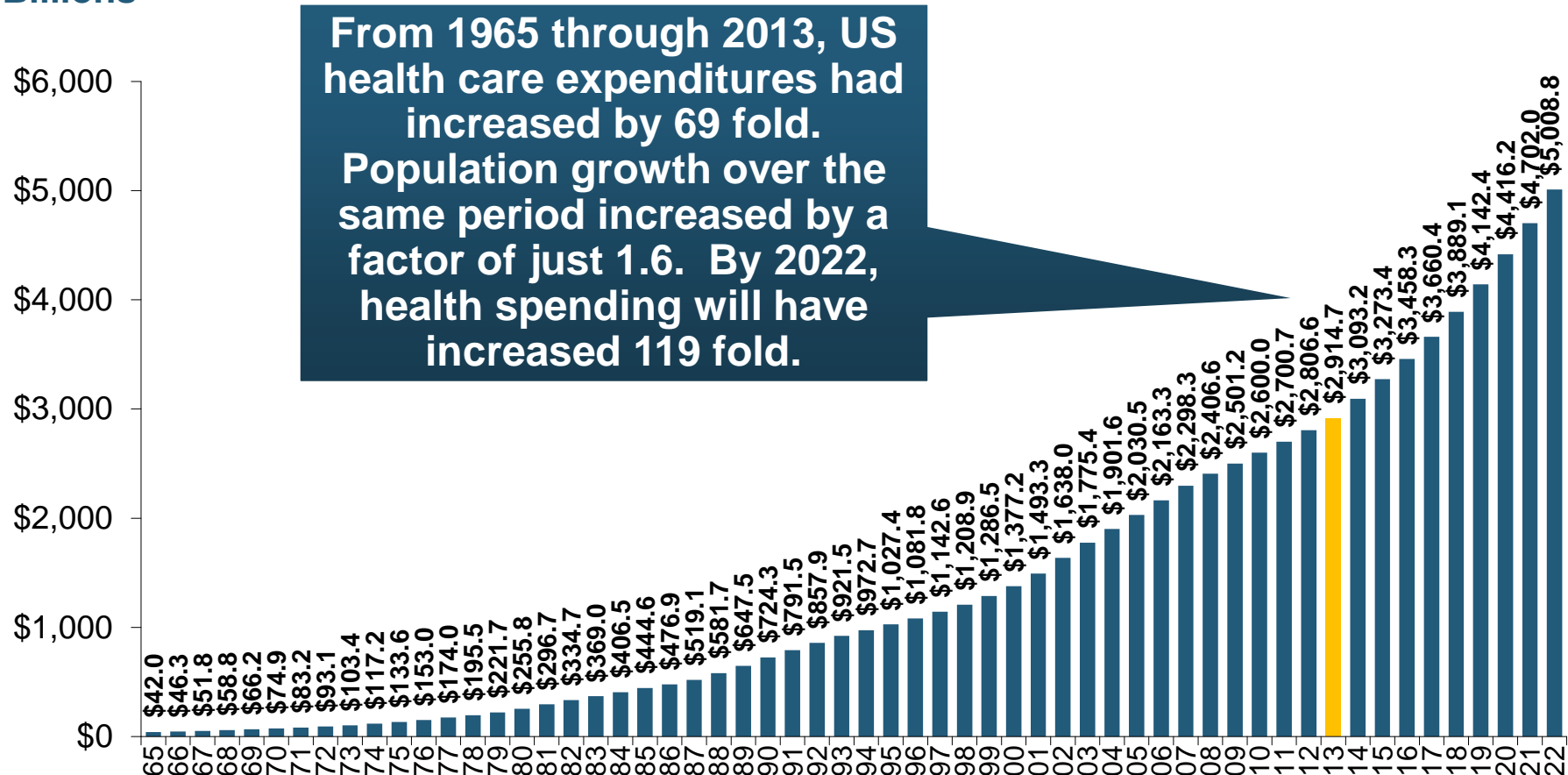


\*July 2014 compared to July 2013.

Sources: Med CPI from US Bureau of Labor Statistics, WC med severity from NCCI based on NCCI states.

# U.S. Health Care Expenditures, 1965–2022F

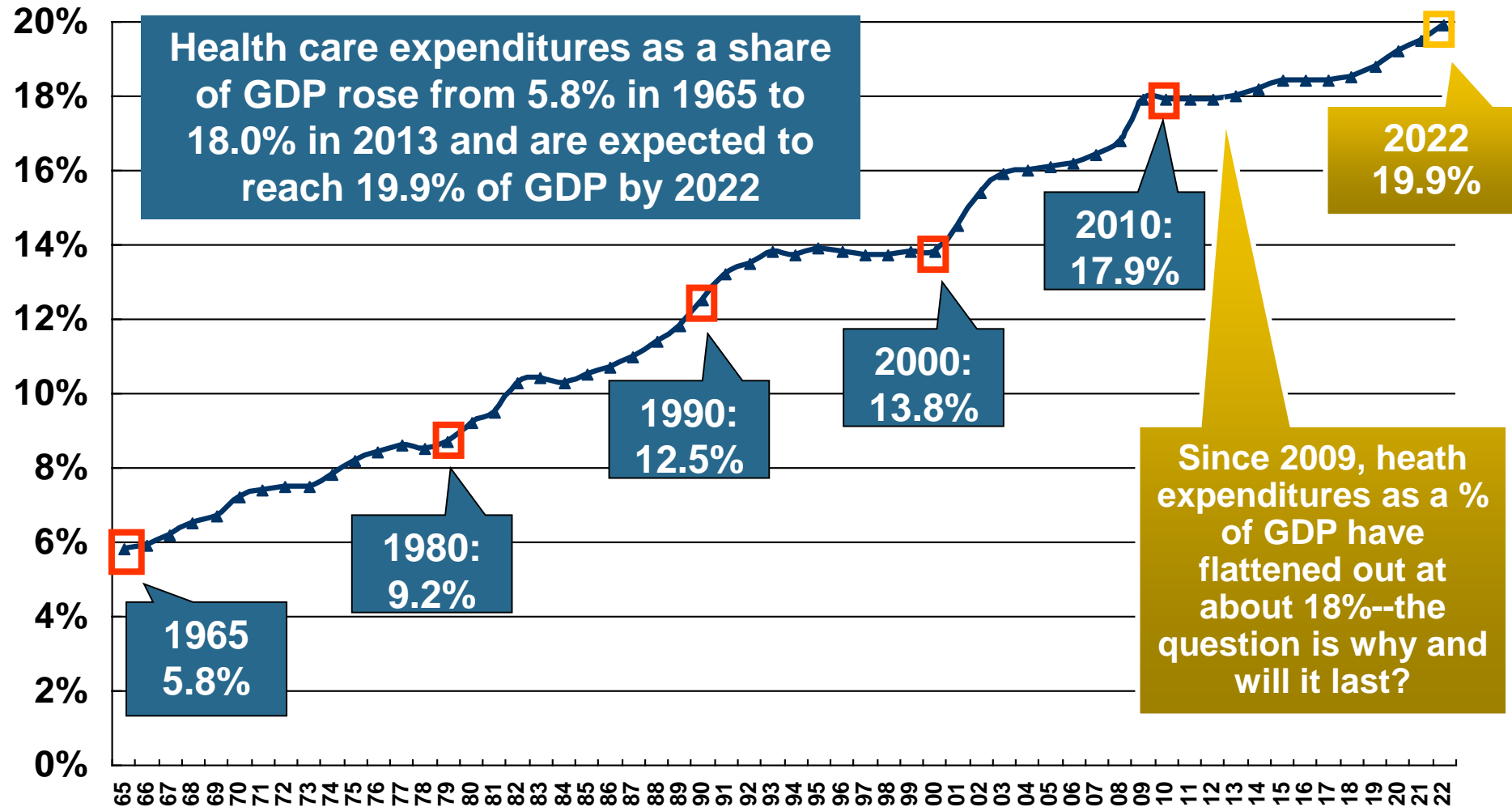
\$ Billions



**U.S. health care expenditures have been on a relentless climb for most of the past half century, far outstripping population growth, inflation of GDP growth**

# National Health Care Expenditures as a Share of GDP, 1965 – 2022F\*

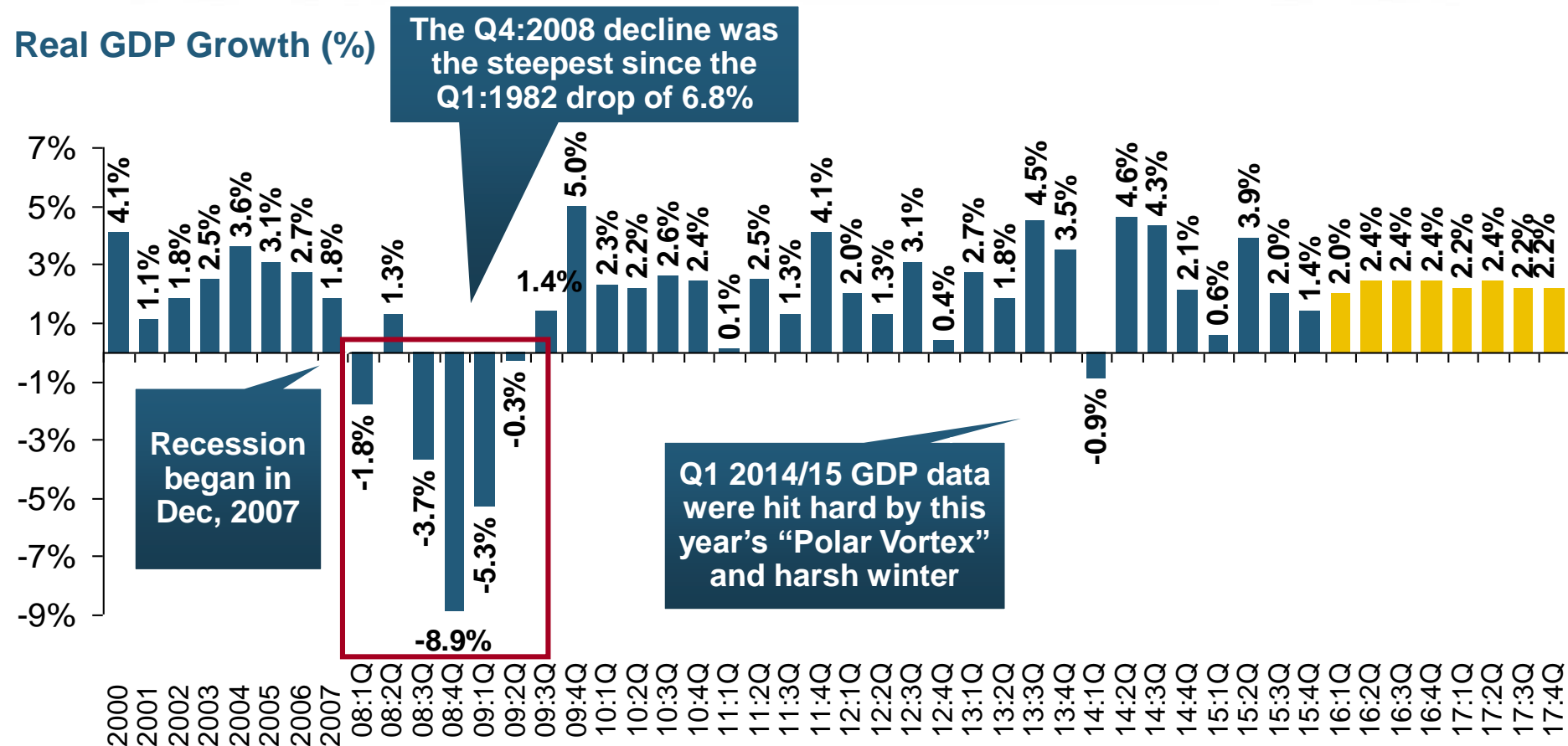
% of GDP



# **THE ECONOMY**

**The Strength of the Economy Will Greatly  
Influence Insurer Exposure Base  
Across Most Lines**

# US Real GDP Growth\*

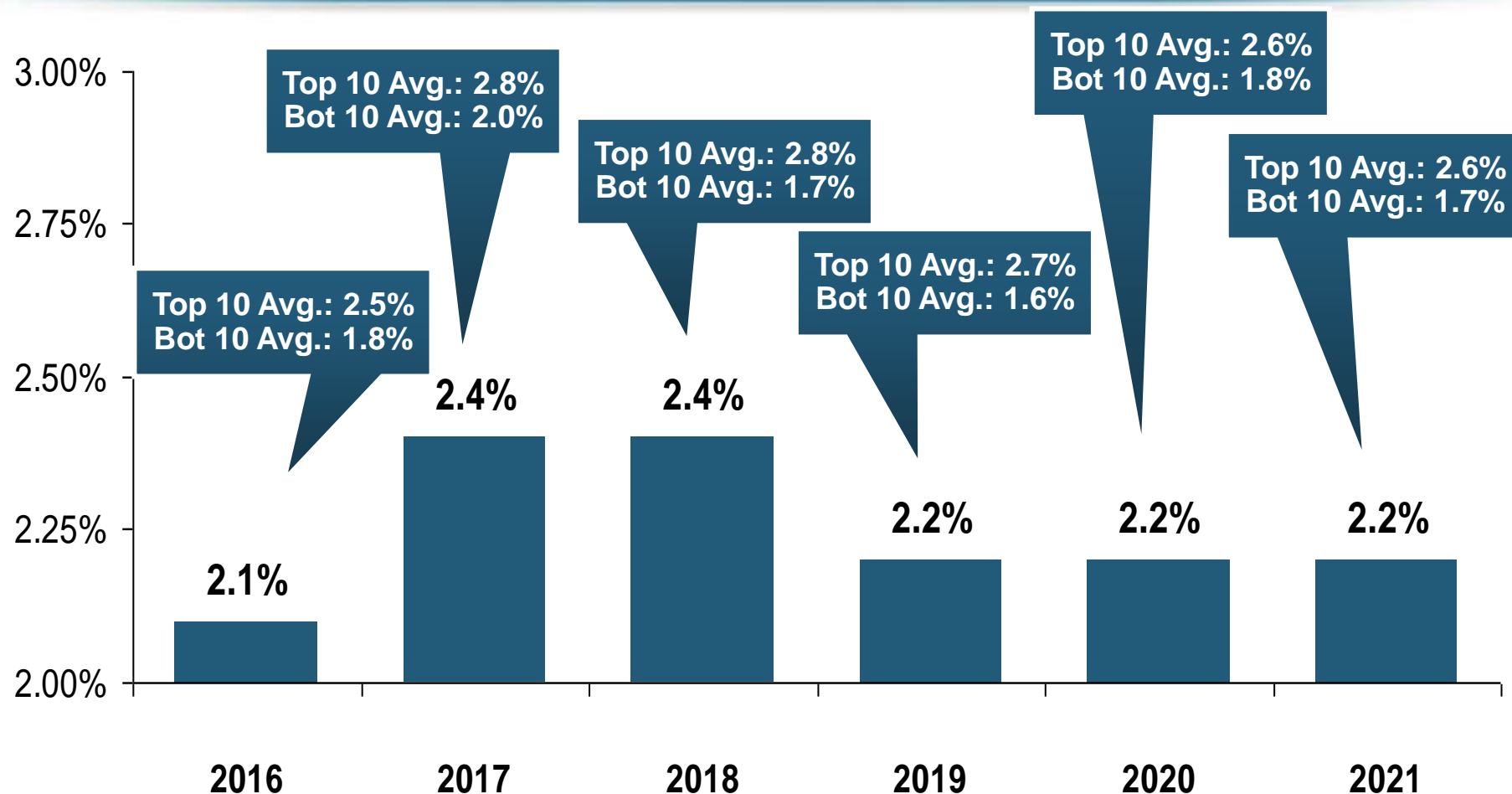


**Demand for Insurance Should Increase in 2016 as GDP Growth Continues at a Steady, Albeit Moderate Pace and Gradually Benefits the Economy Broadly**

\* Estimates/Forecasts from Blue Chip Economic Indicators.

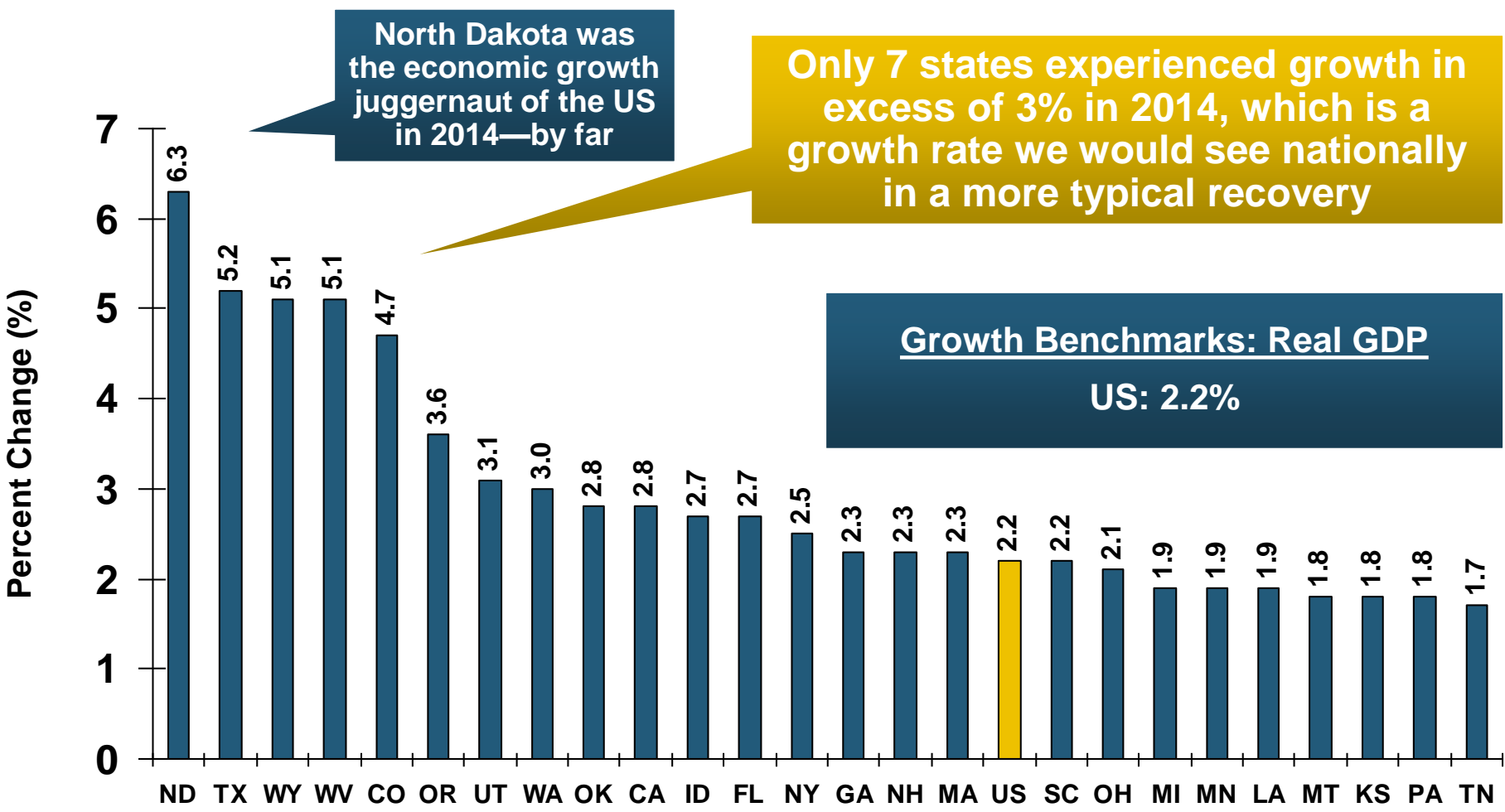
Source: US Department of Commerce, Blue Economic Indicators 3/16; Insurance Information Institute.

# 2016-2021 Real GDP Growth: Median Forecast for the US



**All forecasts expect US growth to be moderate in 2016-18  
and to slow in the last years of the decade,  
perhaps expecting a recession in that time frame.**

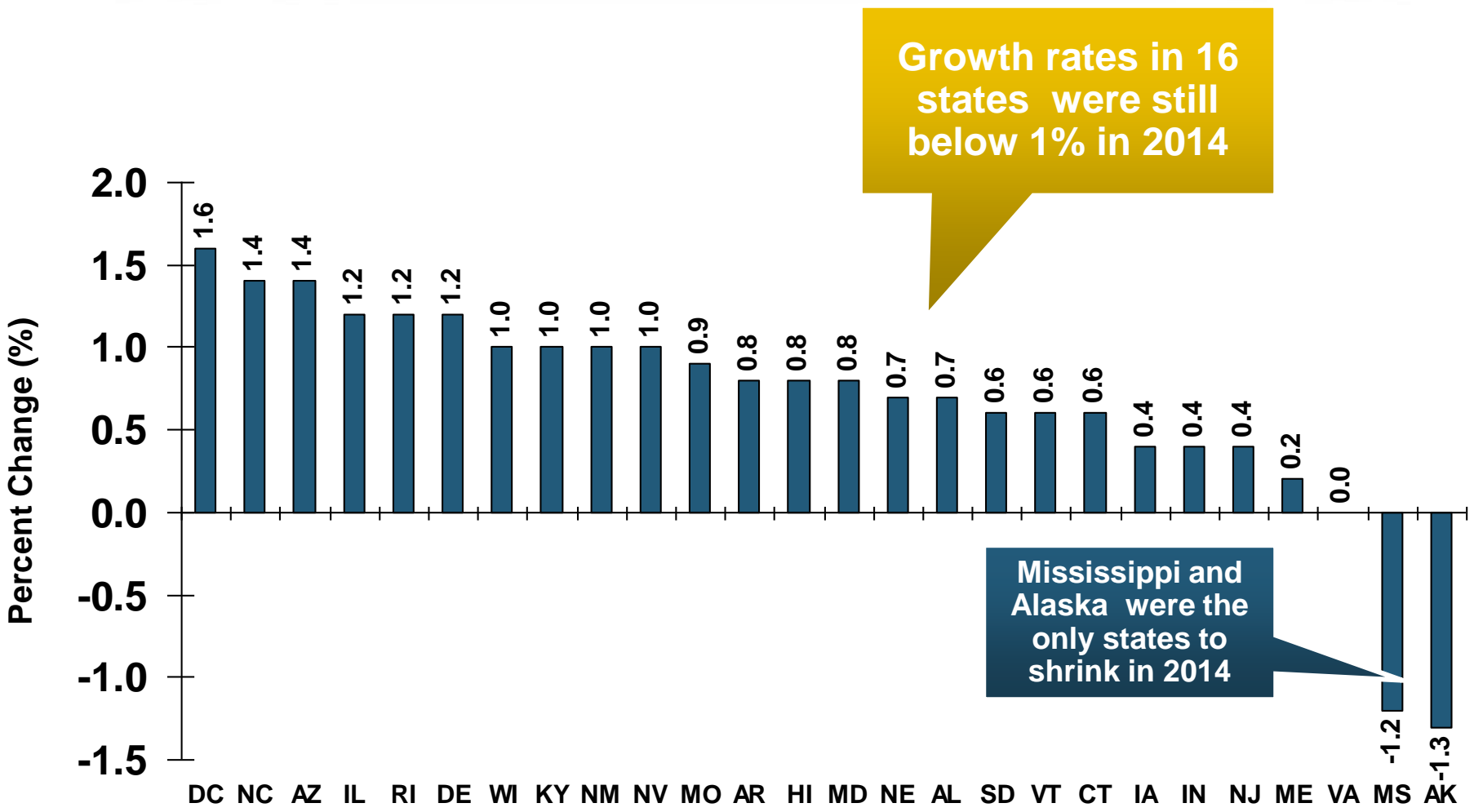
# Real GDP by State Percent Change, 2014\*: Highest 25 States



\*Advance statistics  
Sources: [U.S. Bureau of Economic Analysis](#); Insurance Information Institute.



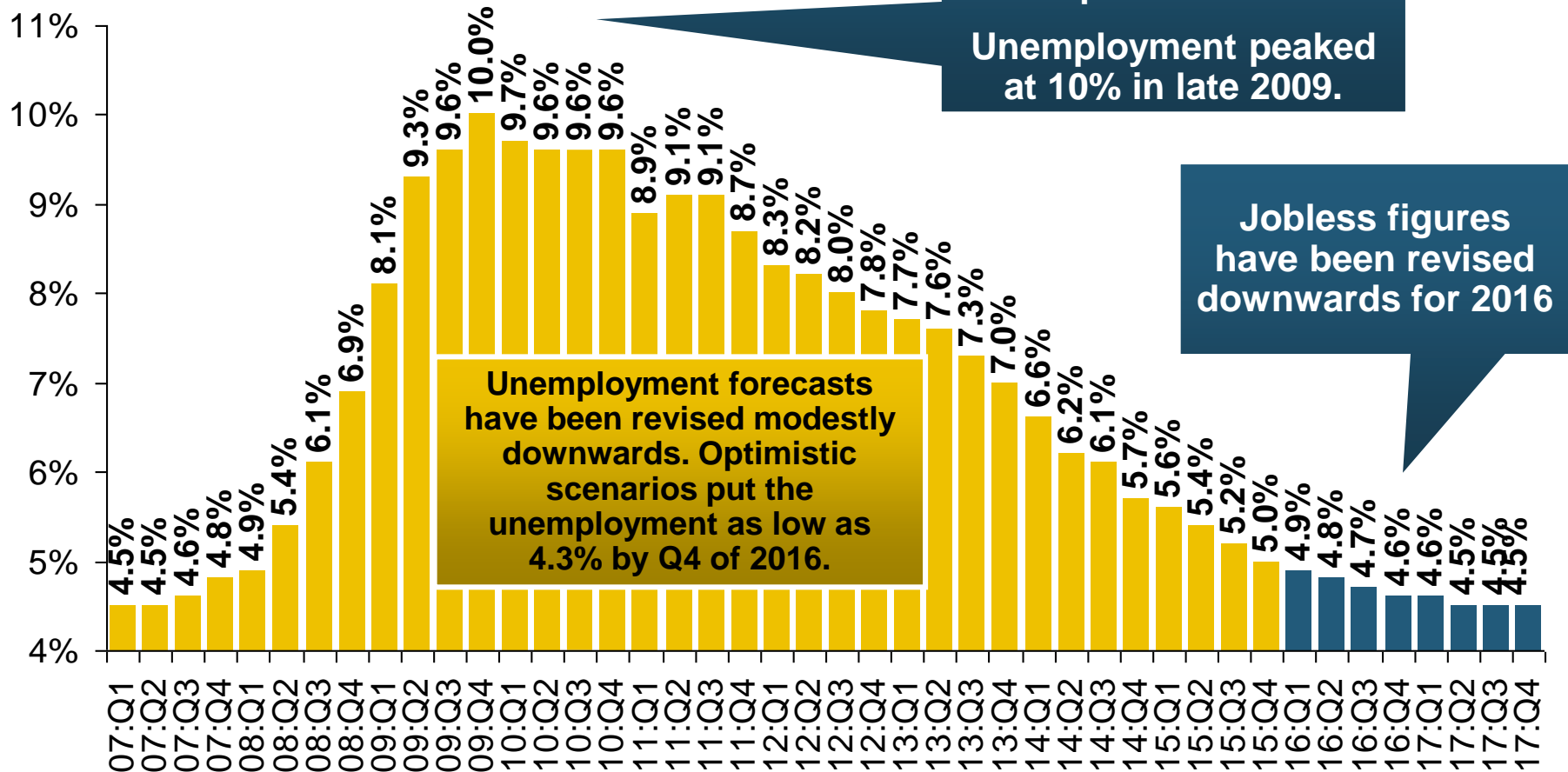
# Real GDP by State Percent Change, 2014\*: Lowest 25 States



\*Advance statistics  
Sources: [US Bureau of Economic Analysis](#); Insurance Information Institute.

# US Unemployment Rate Forecast

2007:Q1 to 2017:Q4F\*



\* ■ = actual; ■ = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (3/16 edition); Insurance Information Institute.

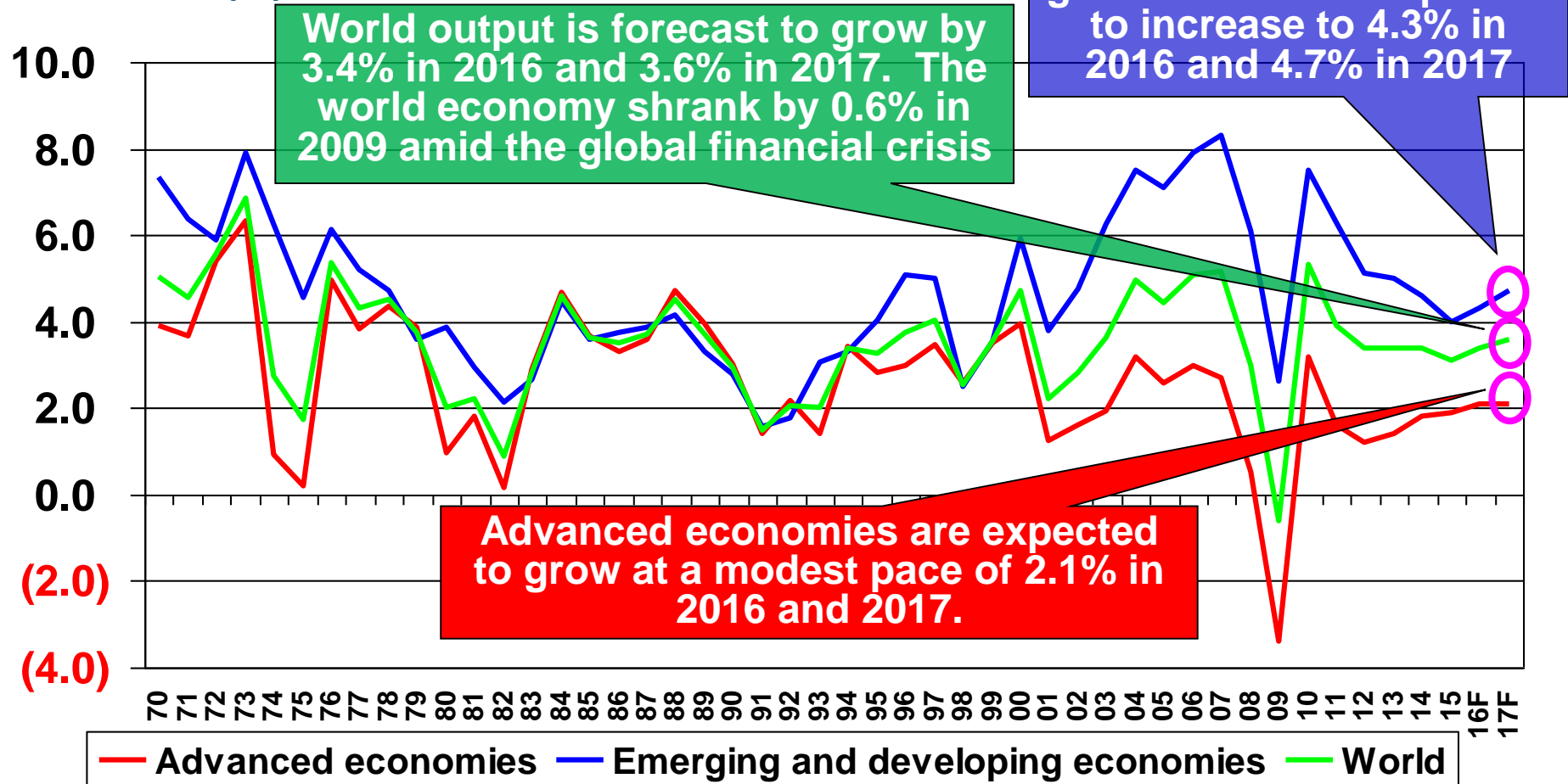
# **Global Insurance Market Comparisons**

**US Will Generate More Premium Volume  
than Any Other Country**

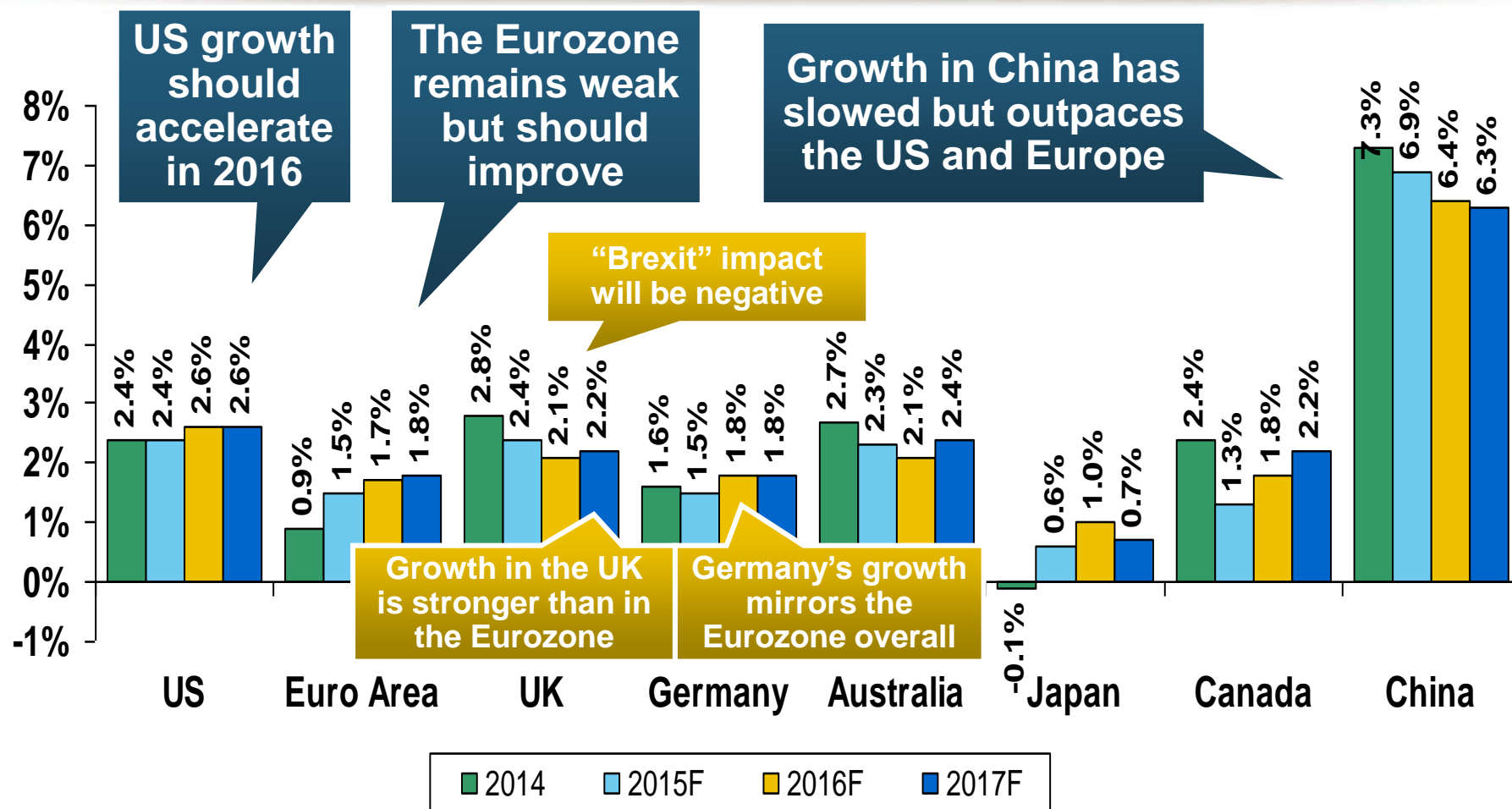
***Premium Growth in Emerging  
Economies Will Slow Due to  
Economic Weakness***

# GDP Growth: Advanced & Emerging Economies vs. World, 1970-2016F

GDP Growth (%)



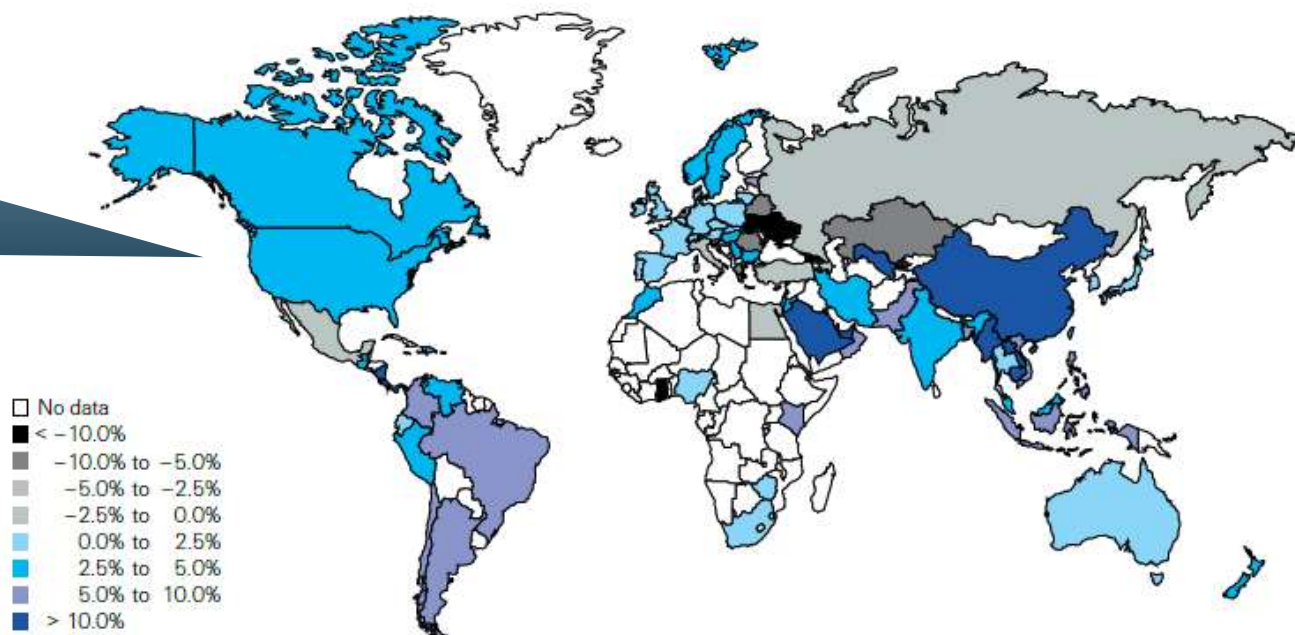
# Real GDP Growth Forecasts: Major Economies: 2014 – 2017F



**Growth Prospects Vary Widely by Region; US and the UK Lead the Advanced Economies; Germany Leads in the Euro Area; China Has Slowed**

# Non-Life Insurance: Global Real (Inflation Adjusted) Premium Growth, 2014

Real nonlife premium growth was stronger in the US in 2014 than in most of Europe

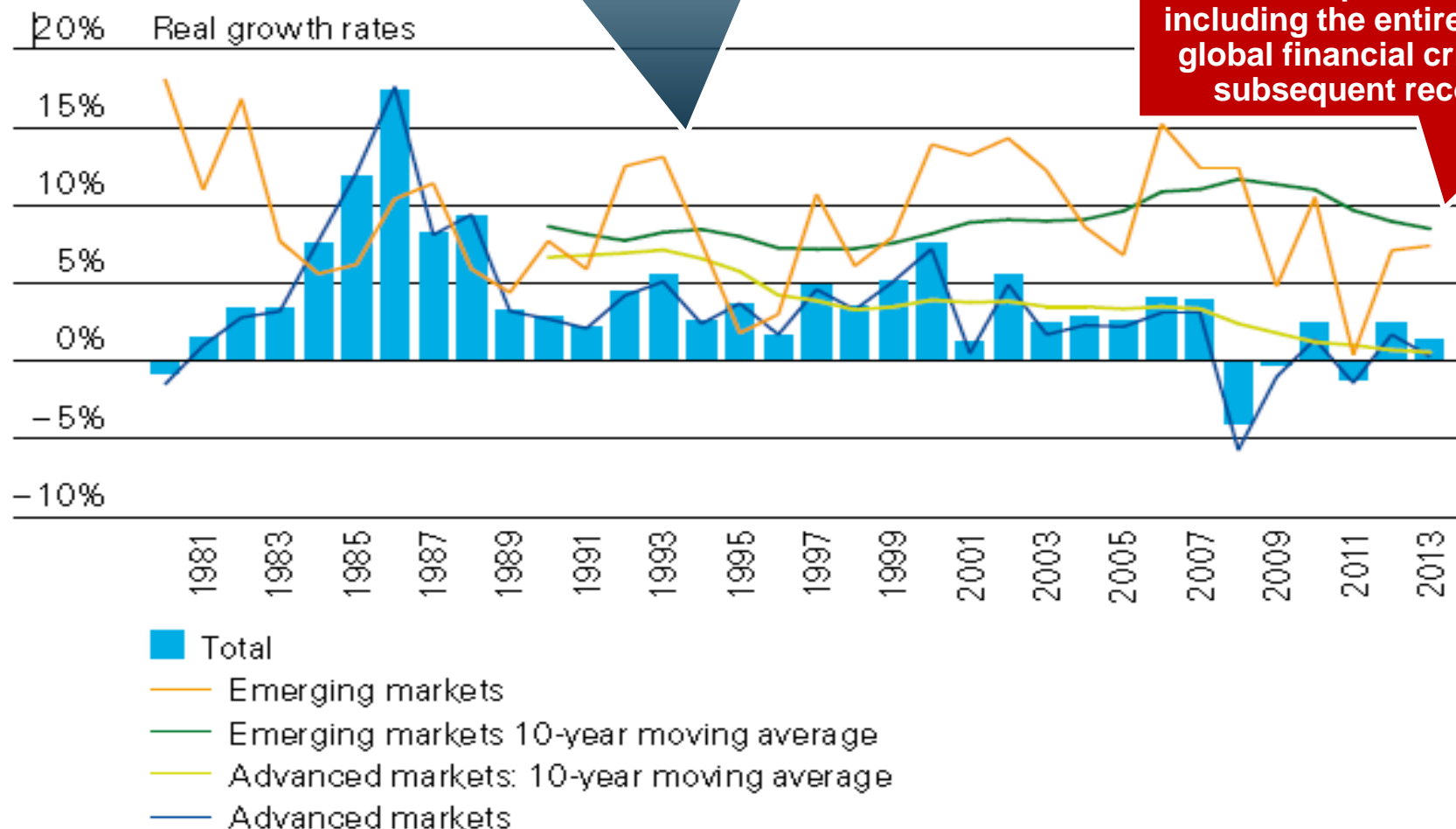


Market	Life	Non-Life	Total
Advanced	3.8	1.8	2.9
Emerging	6.9	8.0	7.4
World	4.3	2.9	3.7

# Global Real (Inflation Adjusted) Premium Growth: 1980-2013

Premium growth is very erratic in part to inflation volatility in emerging markets as well as a lack of consistent cyclicality

Emerging market growth has exceeded that of industrialized countries in 30 of the past 34 years, including the entirety of the global financial crisis and subsequent recovery

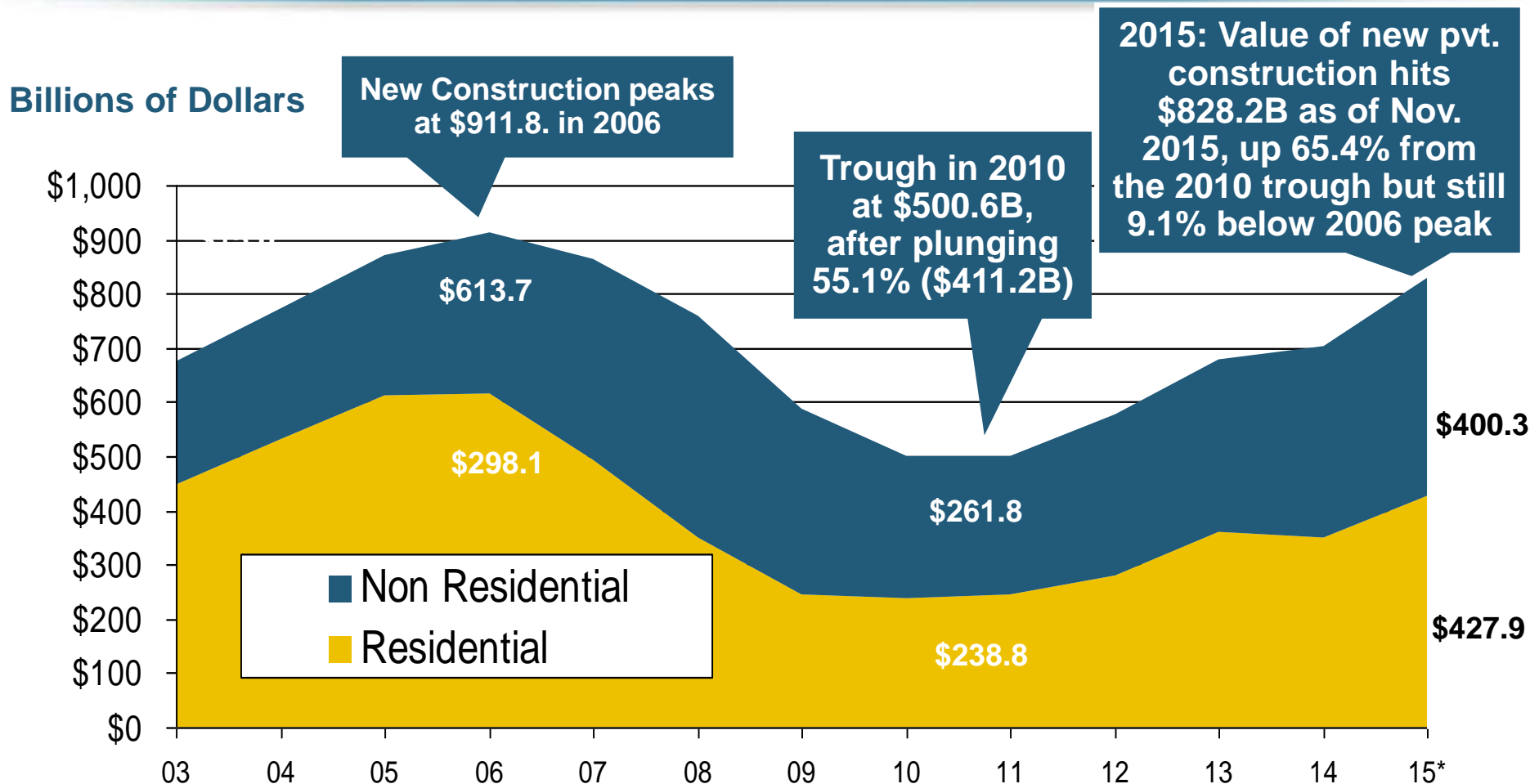


# **CONSTRUCTION INDUSTRY OVERVIEW & OUTLOOK**

**The Construction Sector Is  
Critical to the Economy and  
the P/C Insurance Industry**



# Value of New Private Construction: Residential & Nonresidential, 2003-2015\*



**Private Construction Activity Is Moving in a Positive Direction though Remains Well Below Pre-Crisis Peak; Residential Dominates**

\*2015 figure is a seasonally adjusted annual rate as of November.

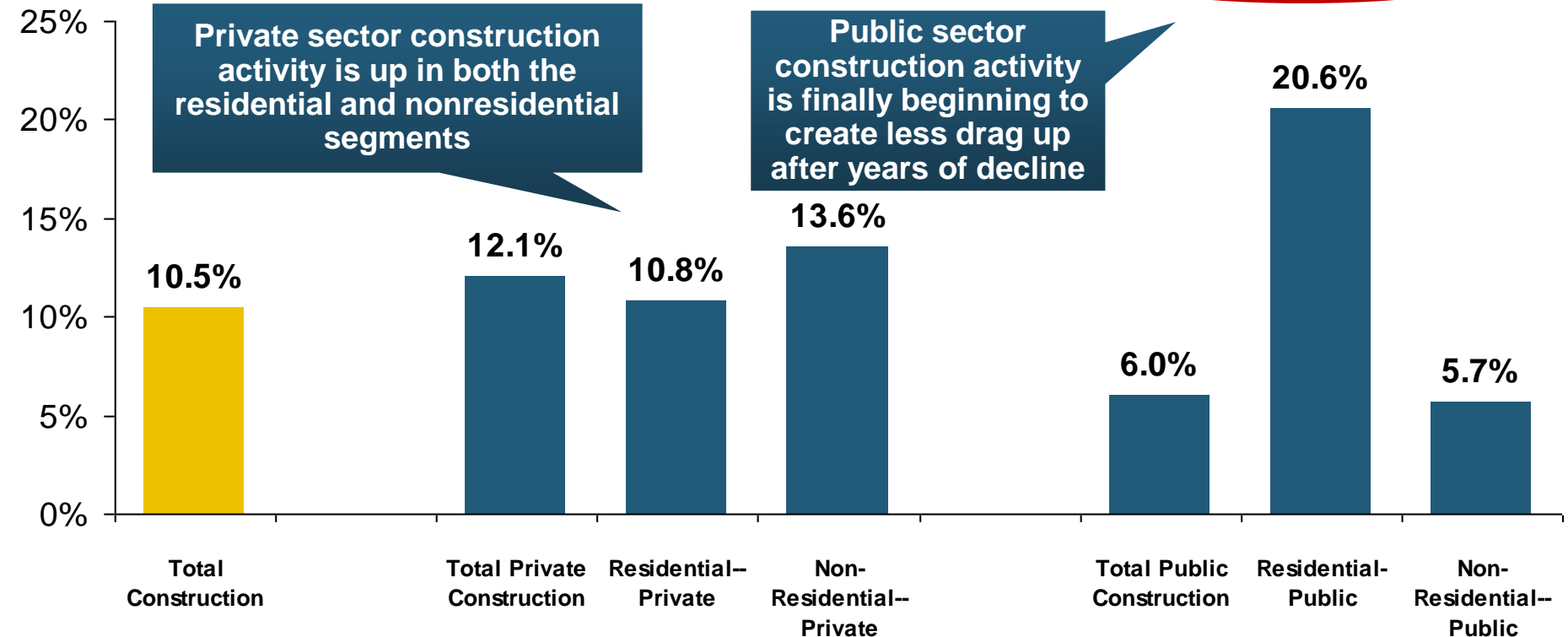
Sources: US Department of Commerce <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

# Value of Construction Put in Place, 2015 vs. 2014\*

Growth (%)

**Private: +12.1%**

**Public: +6.0%**



**Overall Construction Activity is Up Again After Languishing in Early 2015; State/Local Sector Government Sector May Be Recovering as Budget Woes Ease in Some Jurisdictions**

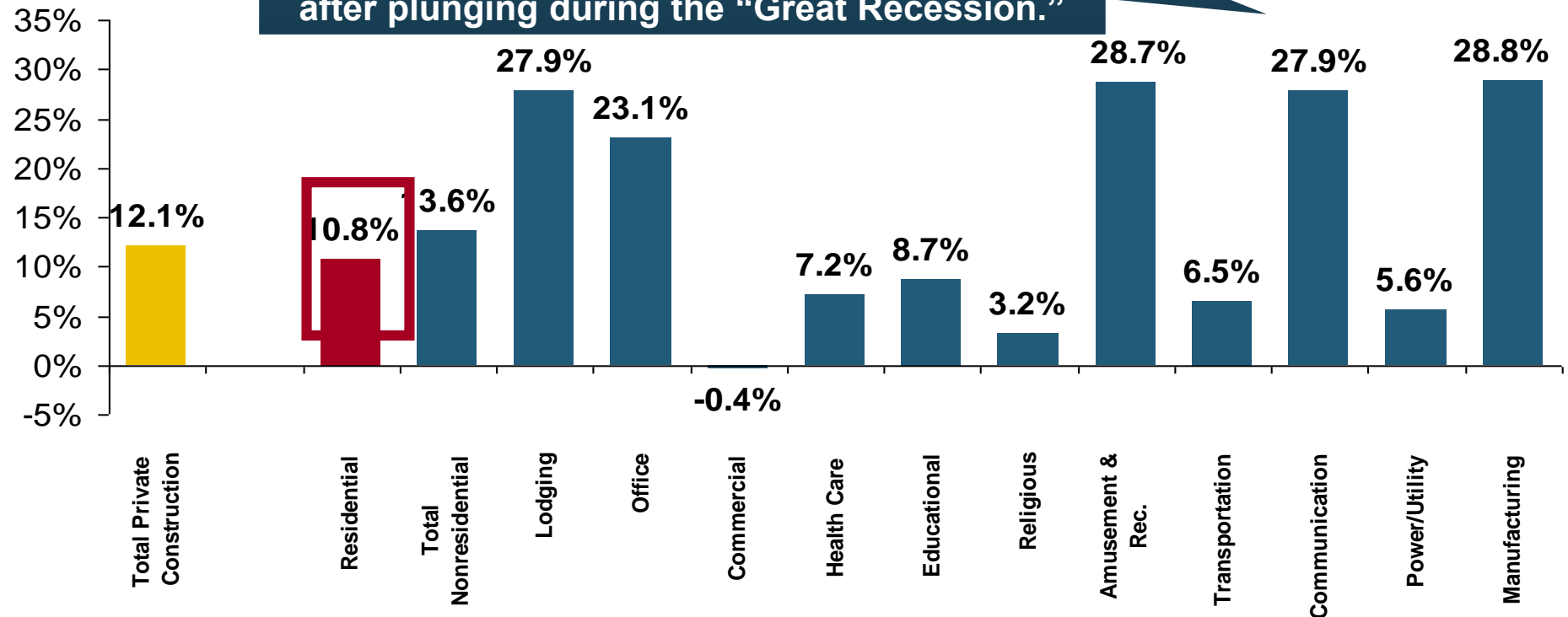
\*seasonally adjusted data through November.

Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

# Value of Private Construction Put in Place, by Segment, 2015 vs. 2014\*

Growth (%)

Led by the Manufacturing, Lodging, Communications and Amusement & Recreations segments, Private nonresidential sector construction activity continues to rise after plunging during the "Great Recession."

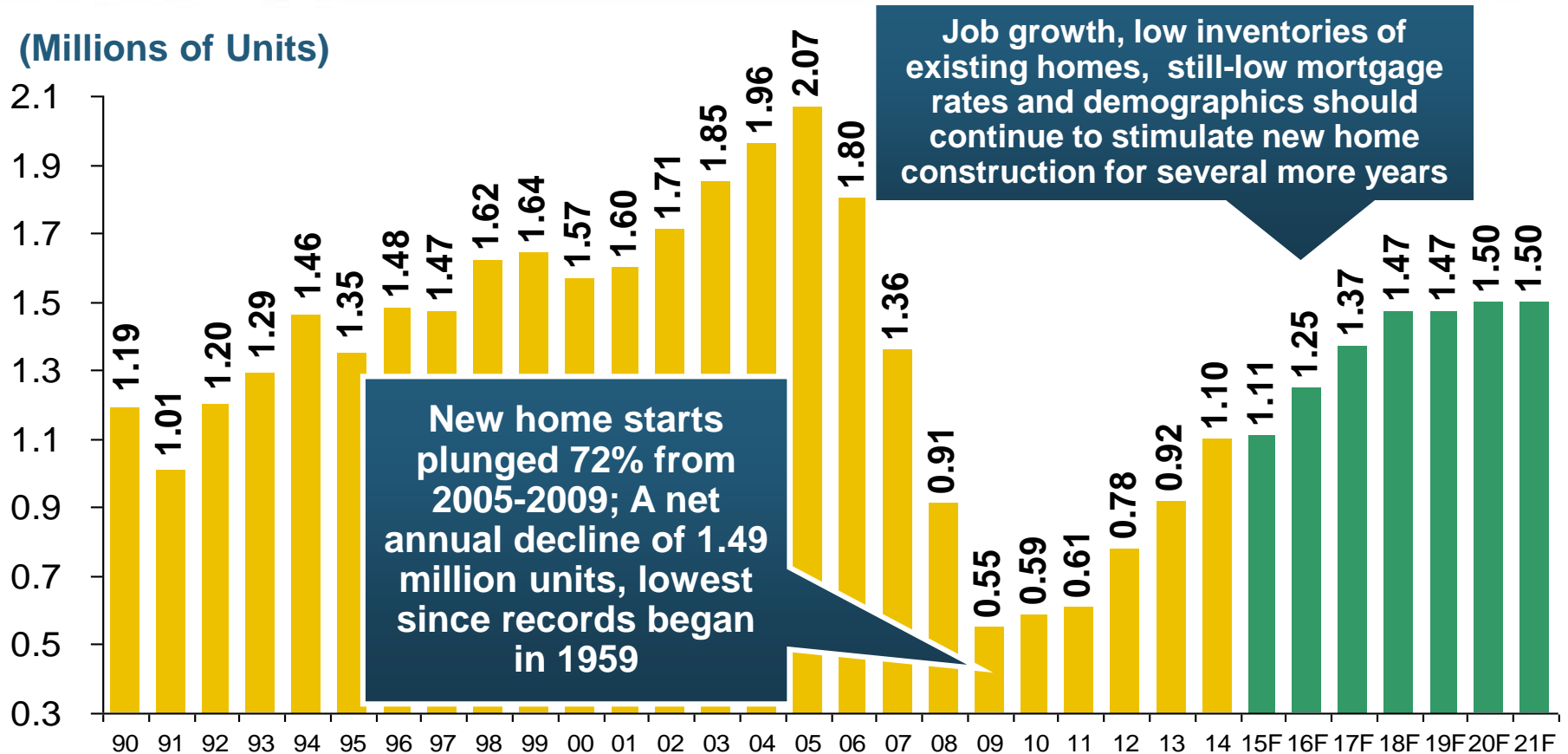


**Private Construction Activity is Up in Most Segments in the Second Half of 2015; Expansion Should Continue**

\*seasonally adjusted through Nov. 2015.

Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

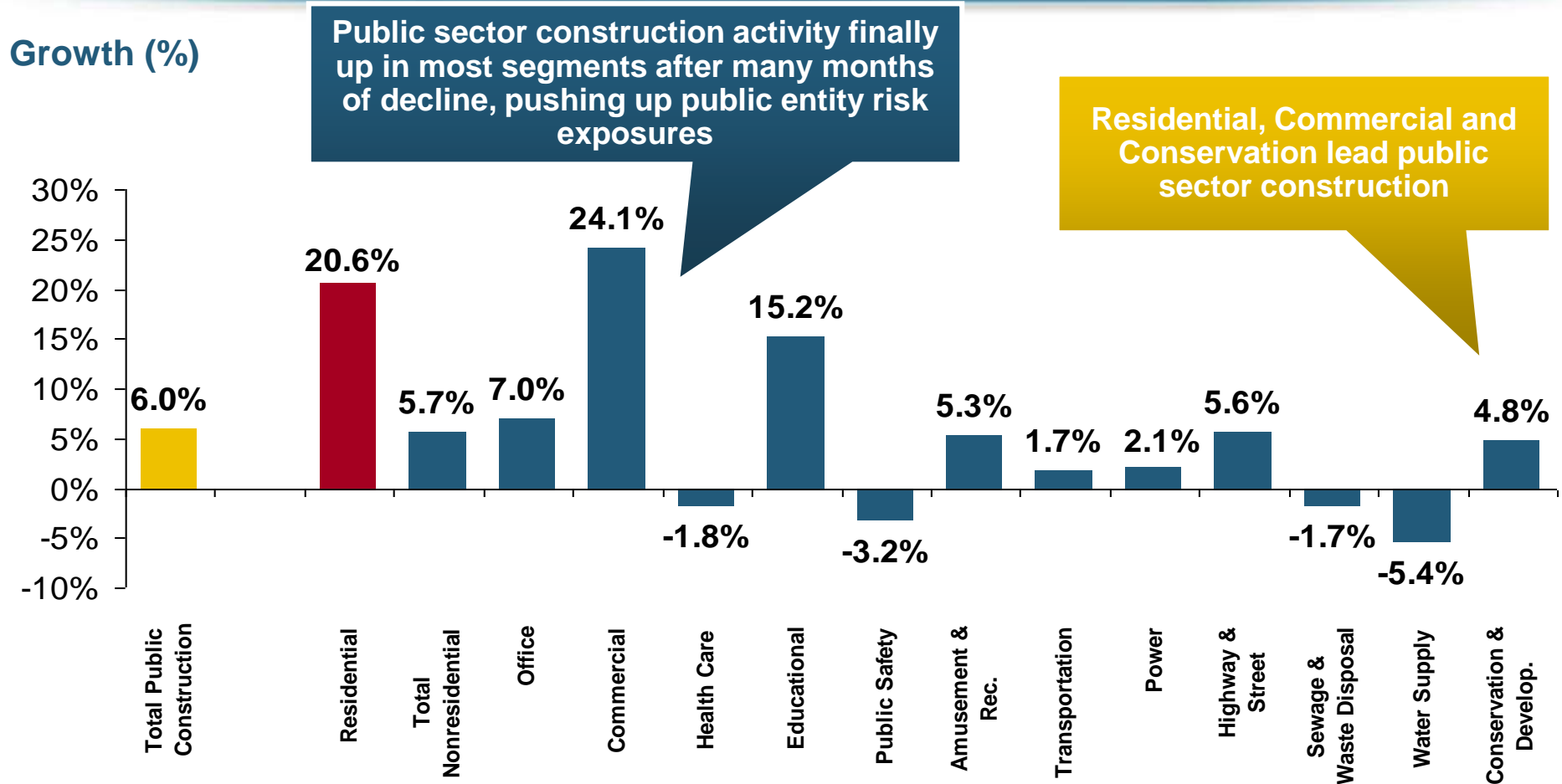
# New Private Housing Starts, 1990-2021F



**Insurers Are Continue to See Meaningful Exposure Growth in the Wake of the “Great Recession” Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure**

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (2/16 for 2016-17; 10/15 for 2018-21F; Insurance Information Institute.

# Value of Public Construction Put in Place, by Segment, Nov. 2015 vs. Nov. 2014\*

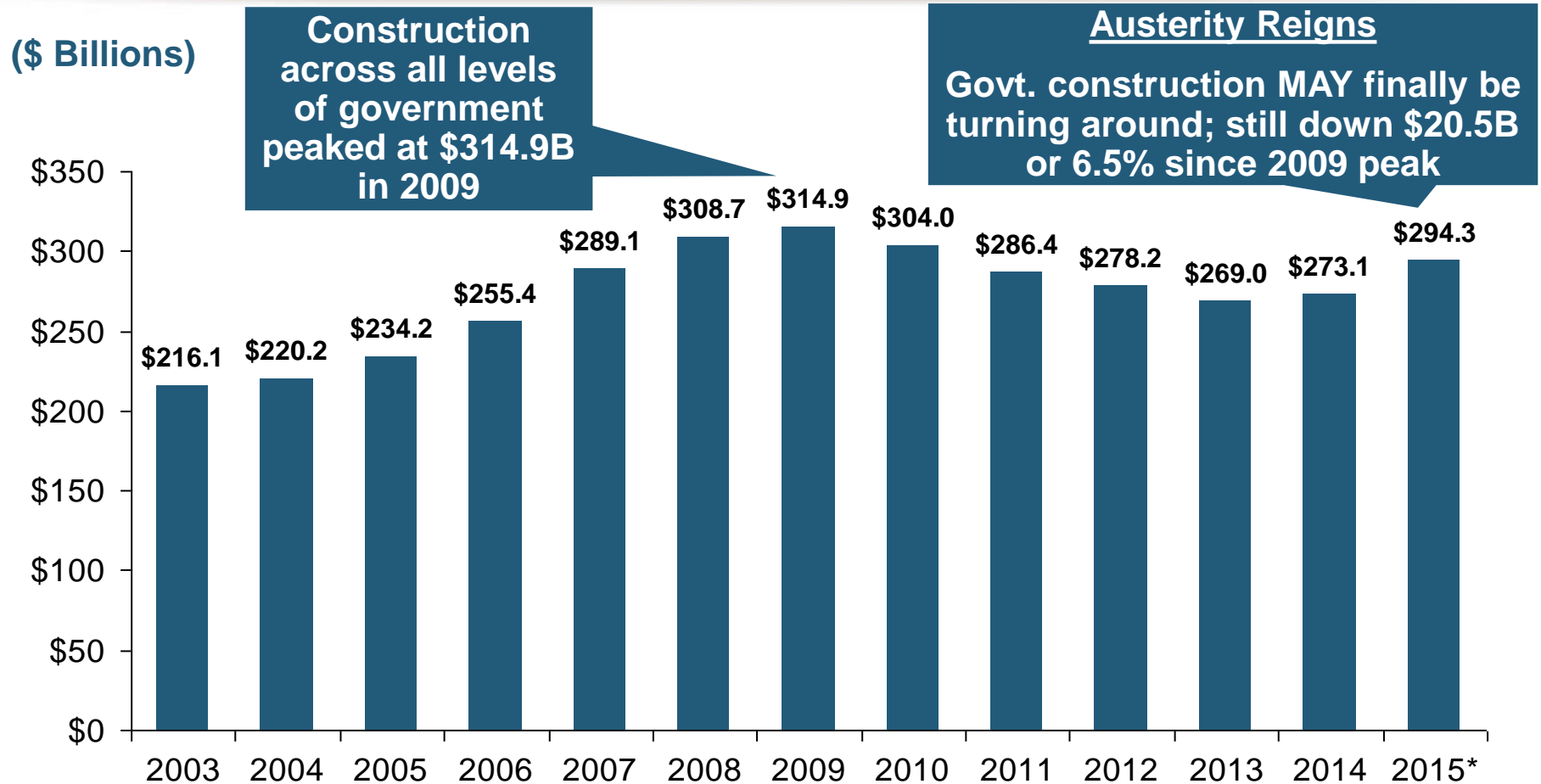


**Public Construction Activity is Beginning to Recover from its Long Contraction which Will Drive Demand in Many Commercial Insurance Lines**

\*seasonally adjusted

Source: U.S. Census Bureau, <http://www.census.gov/construction/c30/c30index.html> ; Insurance Information Institute.

# Value of New Federal, State and Local Government Construction: 2003-2015\*



**Government Construction Spending Peaked in 2009, Helped by Stimulus Spending, but Contracted As State/Local Governments Grappled with Deficits and Federal Sequestration; Only Now Recovering**

\*2015 figure is a seasonally adjusted annual rate as of November; [http://www.census.gov/construction/c30/historical\\_data.html](http://www.census.gov/construction/c30/historical_data.html)

Sources: US Department of Commerce; Insurance Information Institute.

# Construction Employment, Jan. 2010—Dec. 2015\*

(Thousands)



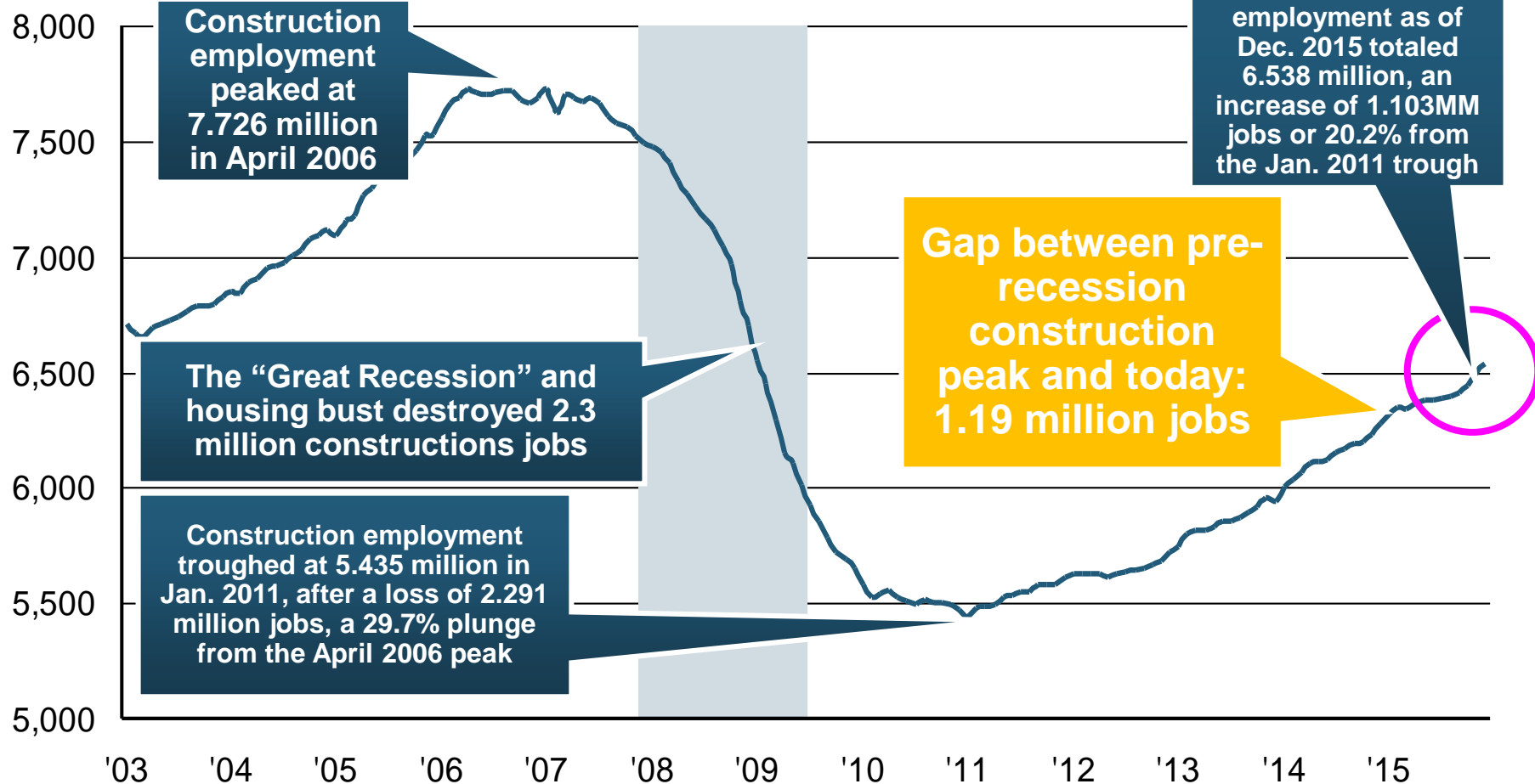
**Construction and manufacturing employment constitute 1/3 of all WC payroll exposure.**

\*Seasonally adjusted.

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

# Construction Employment, Jan. 2003–Dec. 2015

(Thousands)



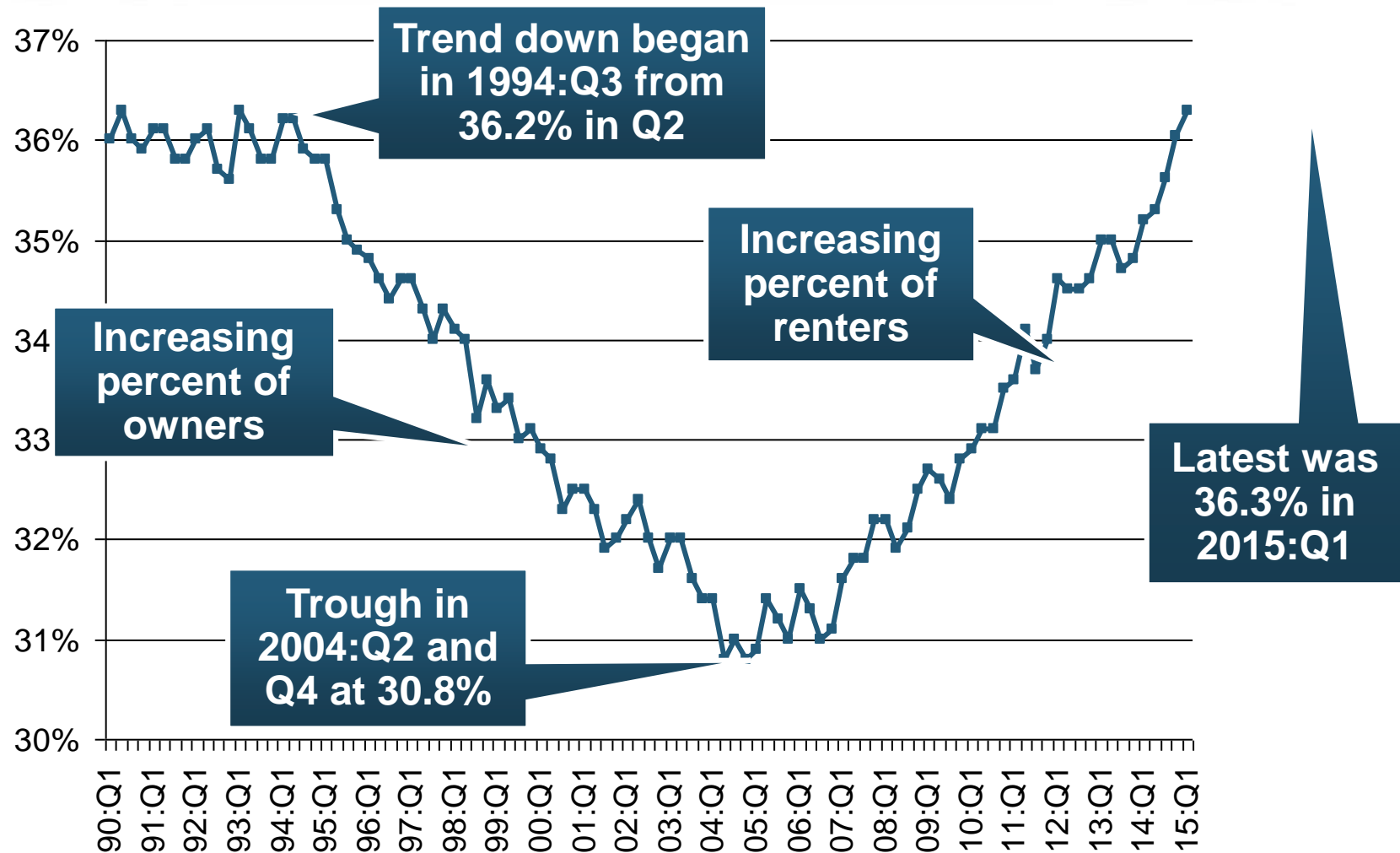
**The Construction Sector Was a Growth Leader in 2014-15 as the Housing Market, Private Investment and Govt. Spending Recover. WC Insurers Will Benefit.**

Note: Recession indicated by gray shaded column.

Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute.



# Rental-Occupied Housing Units as % of Total Occupied Units, Quarterly, 1990:Q1-2015:Q1



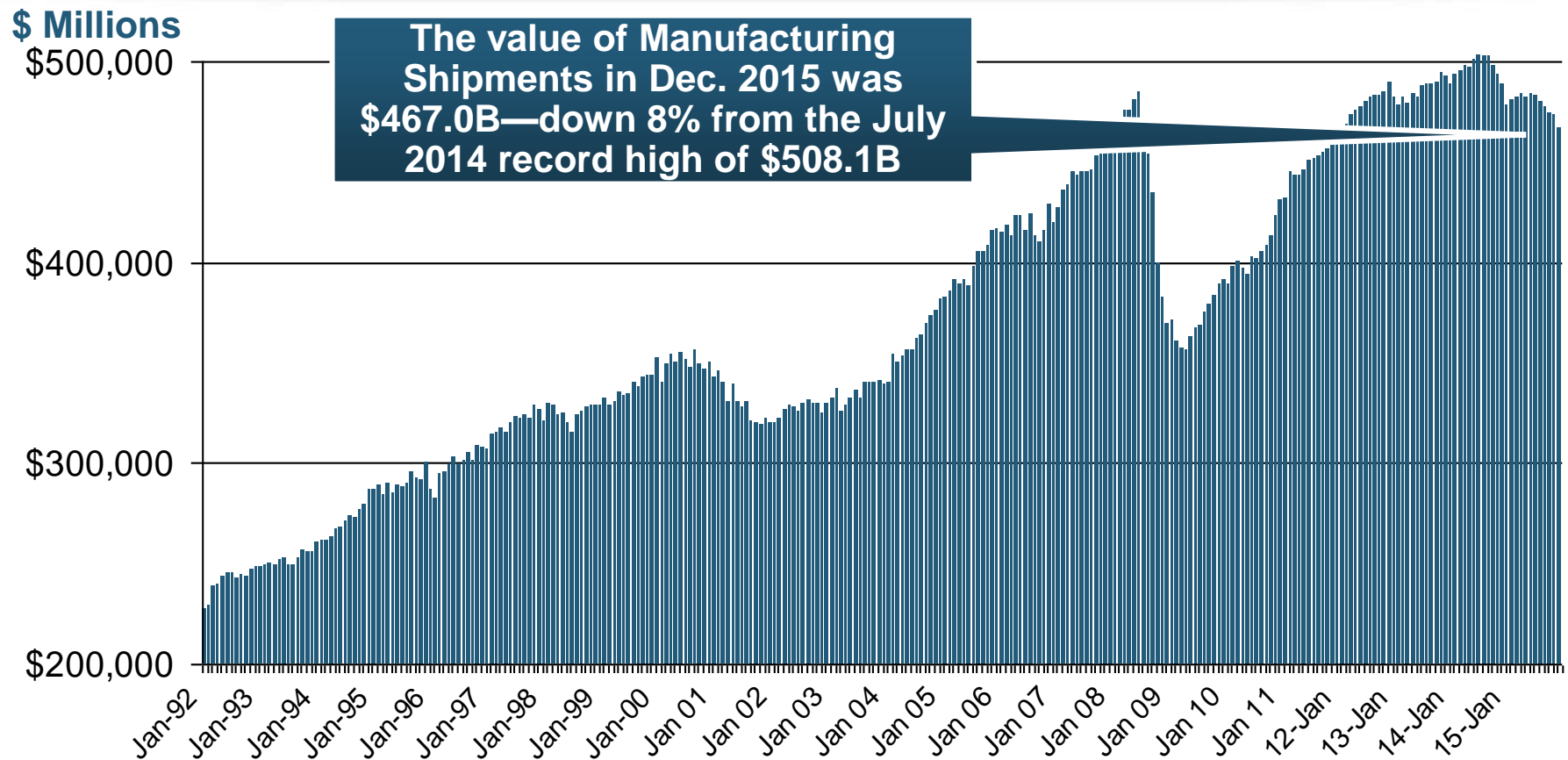
**Since the Great Recession ended in June 2009, renters occupied 5.7 million more units (+15.6%).**

Sources: US Census Bureau, *Residential Vacancies & Home Ownership in the First Quarter of 2015* (released April 28, 2015) and earlier issues; Insurance Information Institute. Next Census Bureau report to be released on July 28, 2015.

# **MANUFACTURING SECTOR OVERVIEW & OUTLOOK**

**The U.S. Manufacturing Sector Is  
Being Buffeted by a High Dollar,  
Weak Export Markets and  
Plunging Oil Prices**

# Dollar Value\* of Manufacturers' Shipments Monthly, Jan. 1992—December 2015



**Monthly shipments in Nov. 2014 exceeded the pre-crisis (July 2008) peak but has declined in recent months. Weakness abroad, falling energy prices and a strong dollar are hurting the sector, especially exports. Manufacturing growth leads to gains in many commercial exposures: WC, Commercial Auto, Marine, Property, and various Liability Coverages.**

\* Seasonally adjusted; Data published Feb. 4, 2016.

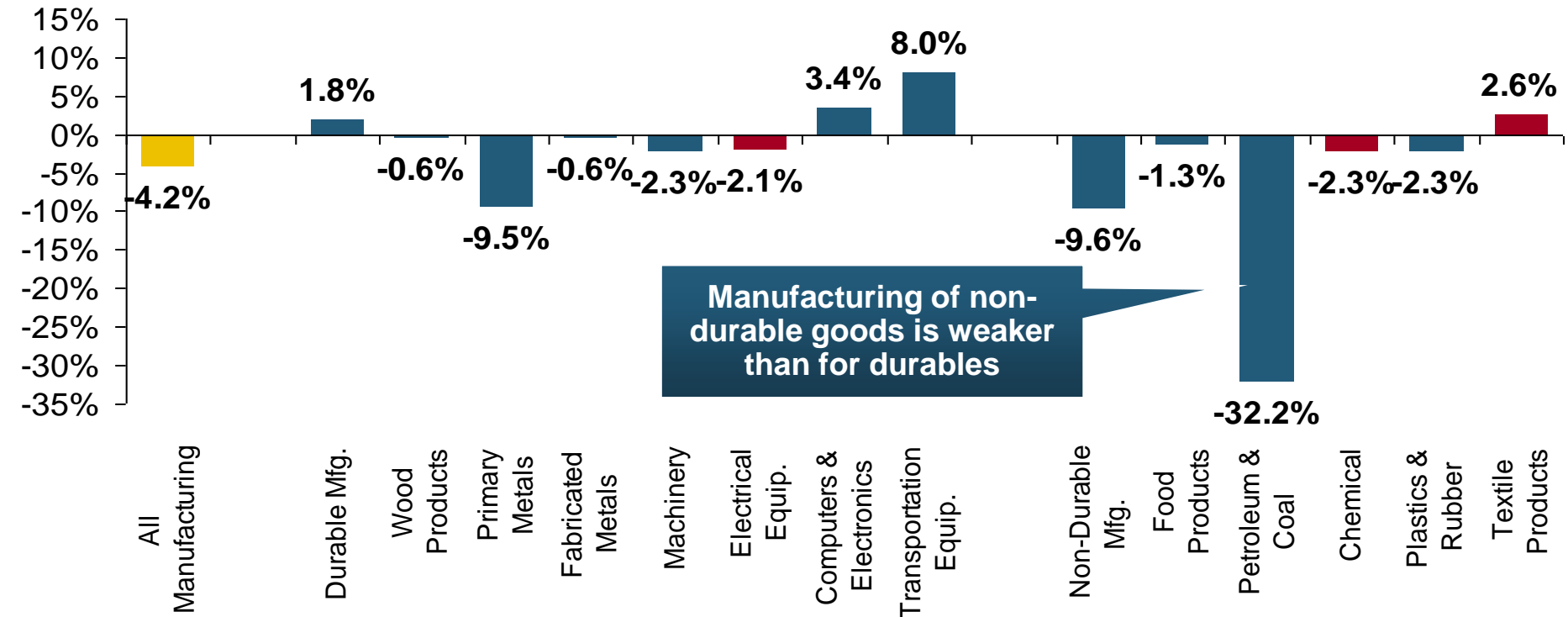
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders*, <http://www.census.gov/manufacturing/m3/>

# Manufacturing Growth for Selected Sectors, 2015 vs. 2014\*

Growth (%)

**Durables: +1.8%**

**Non-Durables: -9.6%**

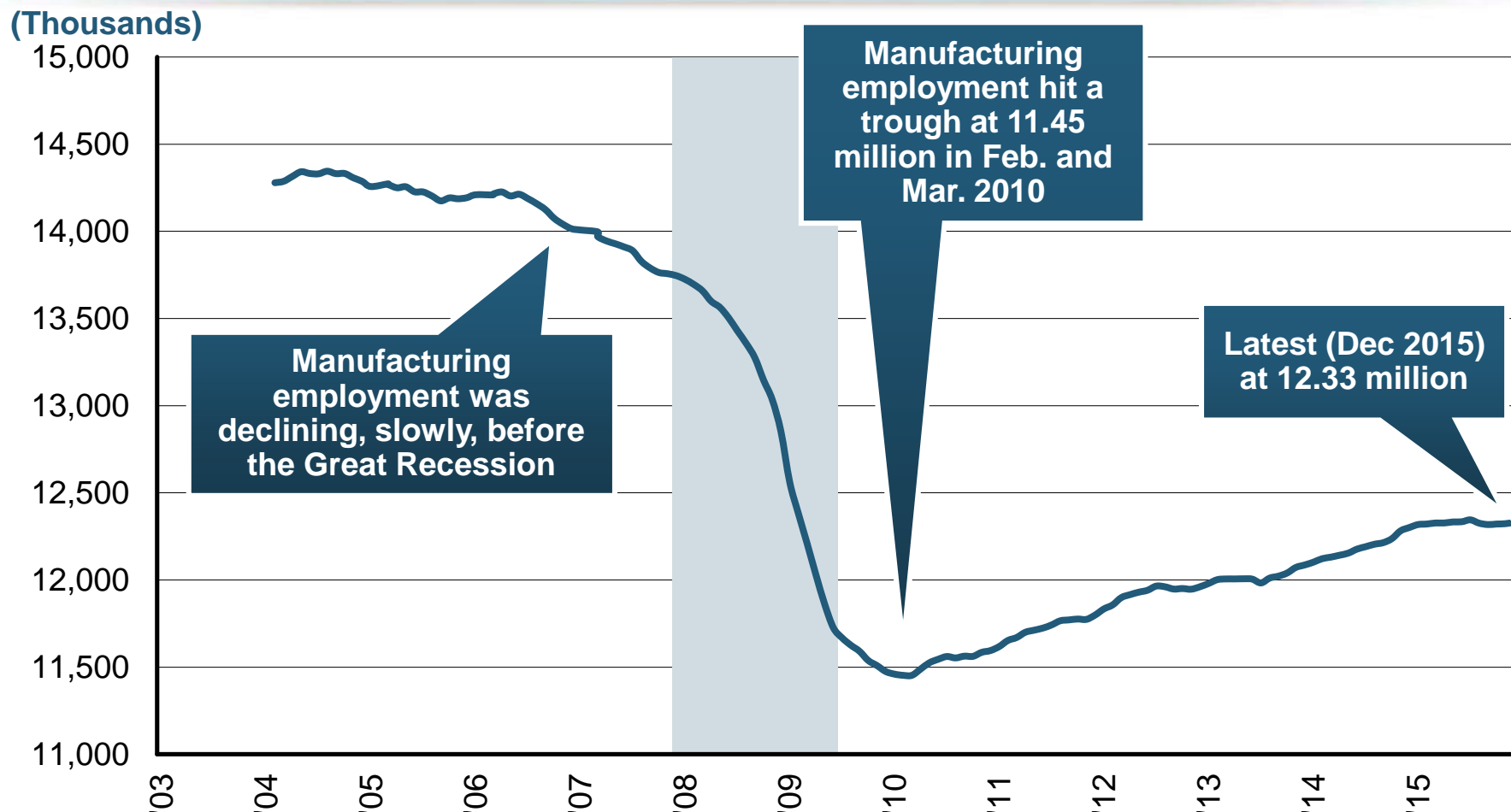


**Manufacturing Is Contracting Across a Number of Sectors, Especially Petroleum. Adverse Exposure Impacts Are Likely for: WC, Commercial Property, Commercial Auto and Certain Liability Coverages**

\*Seasonally adjusted; Date are YTD comparing data through November 2015 to the same period in 2014.

Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders*, <http://www.census.gov/manufacturing/m3/>

# Manufacturing Employment, Jan. 2003–December 2015

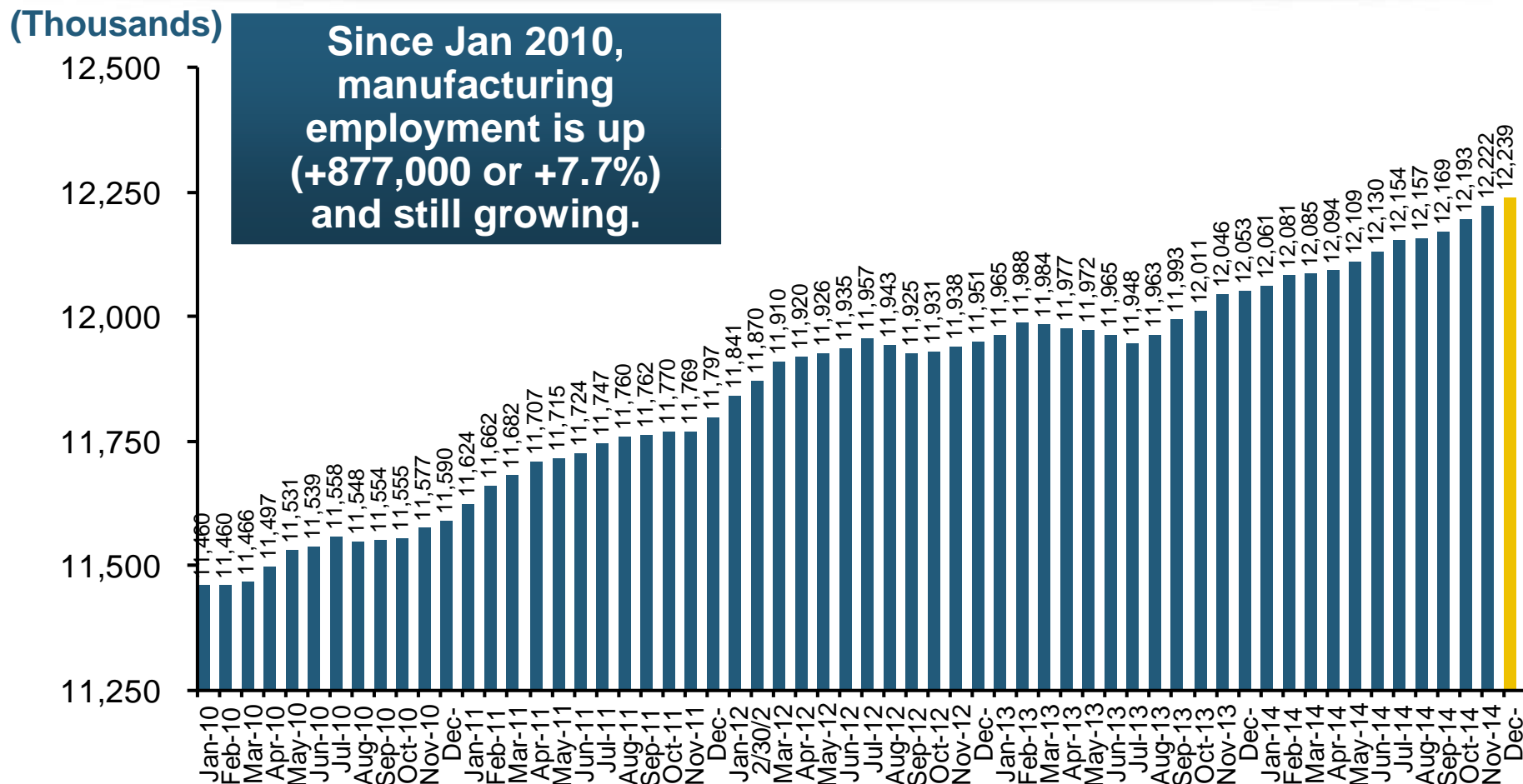


**Manufacturing employment was growing slowly but steadily from 2010 through 2014 but has been flat in 2015. Automation, a slowing world economy, the strong dollar and other factors have held the growth rate down.**

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

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

# Manufacturing Employment, Jan. 2010—December 2014\*

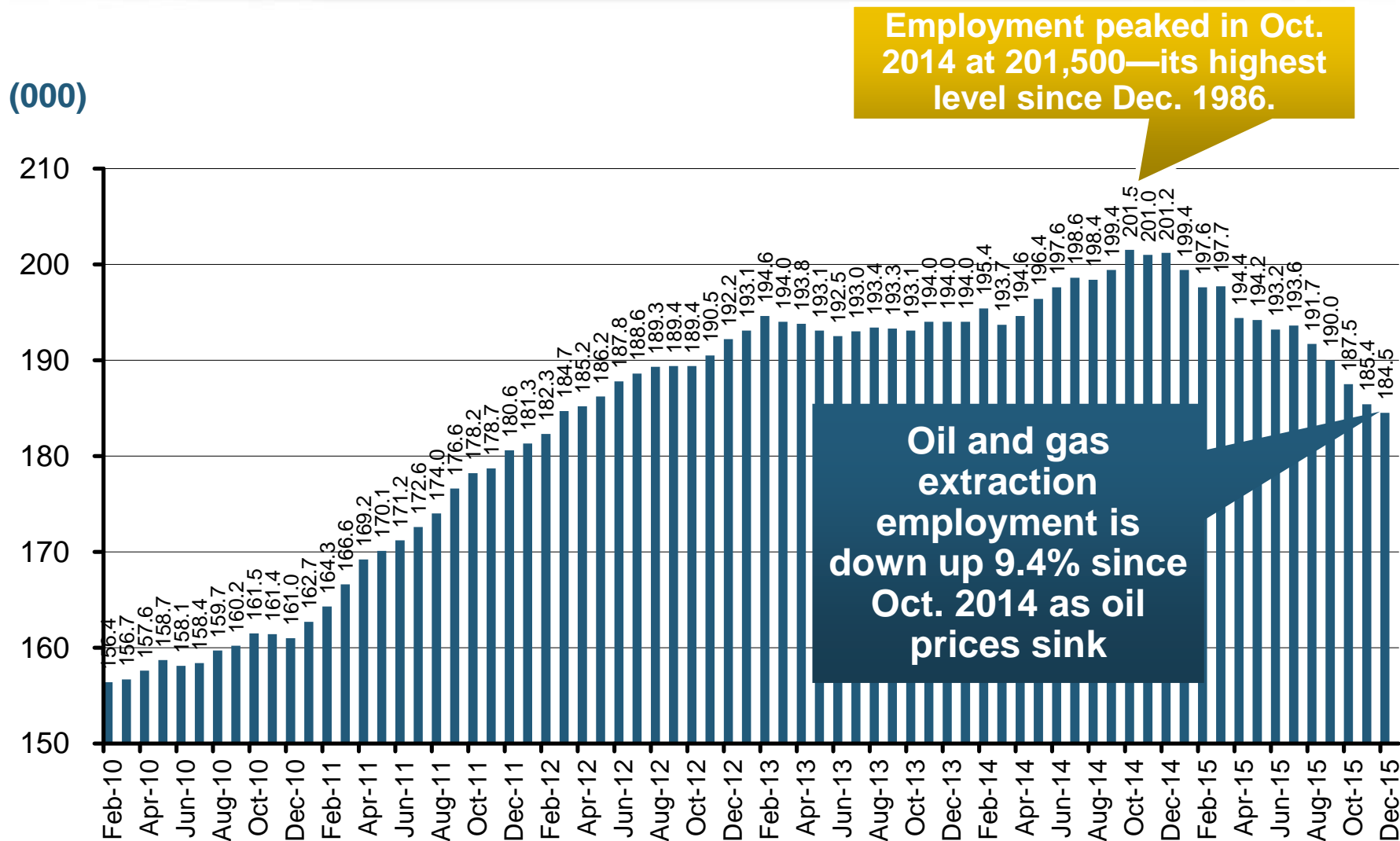


**Manufacturing employment is a surprising source of strength in the economy. Employment in the sector is at a multi-year high.**

\*Seasonally adjusted.

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

# Employment in Oil & Gas Extraction, Jan. 2010—Dec. 2015\*

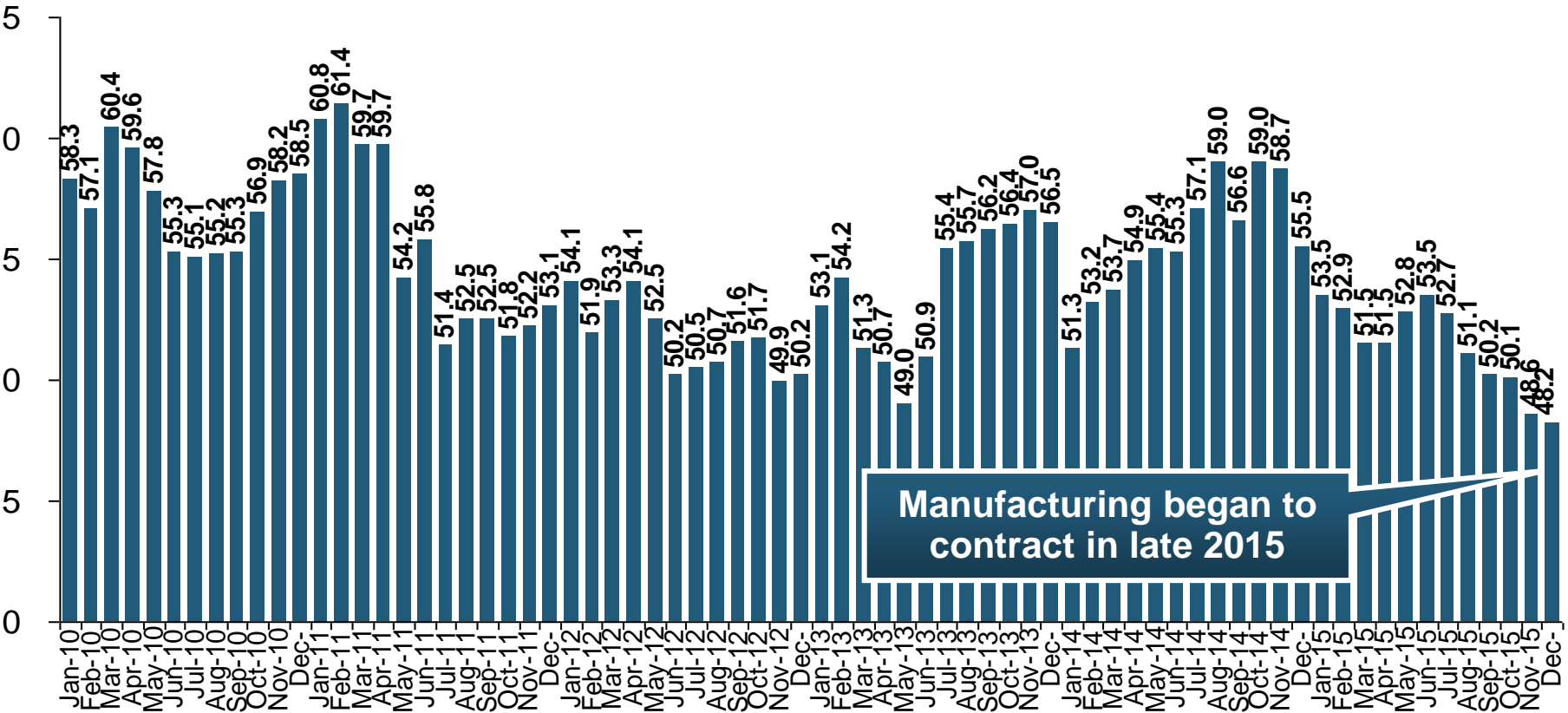


\*Seasonally adjusted

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

# ISM Manufacturing Index (Values > 50 Indicate Expansion)

January 2010 through December 2015

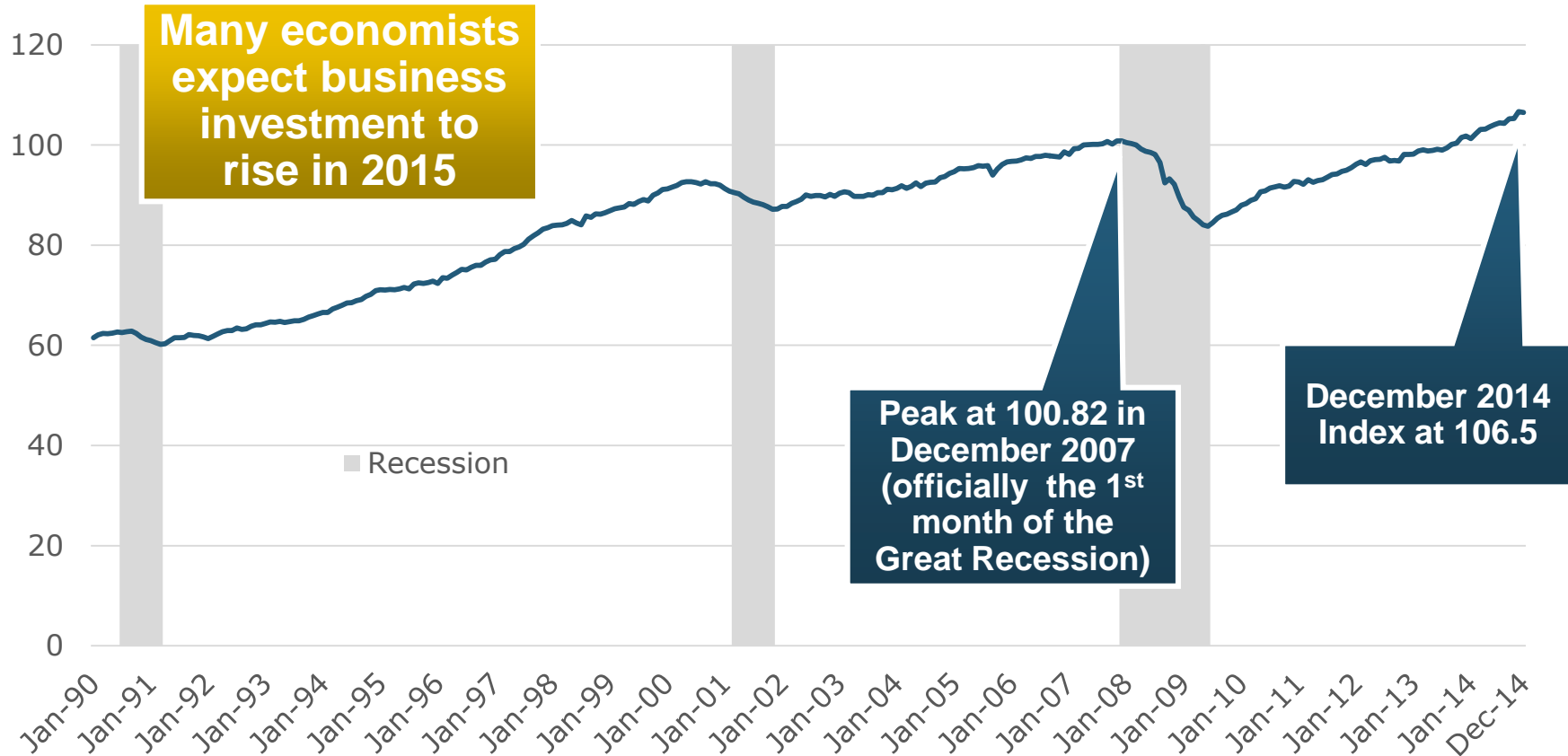


**The manufacturing sector expanded for 68 of the 72 months from Jan. 2010 through Dec. 2015. Manufacturing sector now appears to be in contraction due to weakness abroad, strong dollar and collapse in oil prices**



# Index of Total Industrial Production:\*

## A Near Peak as of December 2014



**Insurance exposures for industrial production will continue growing in 2015, and commercial insurance premium volume with them. Y-o-Y growth to December 2014 was 4.6%. Both production and premium volume growth for 2015 should exceed this.**

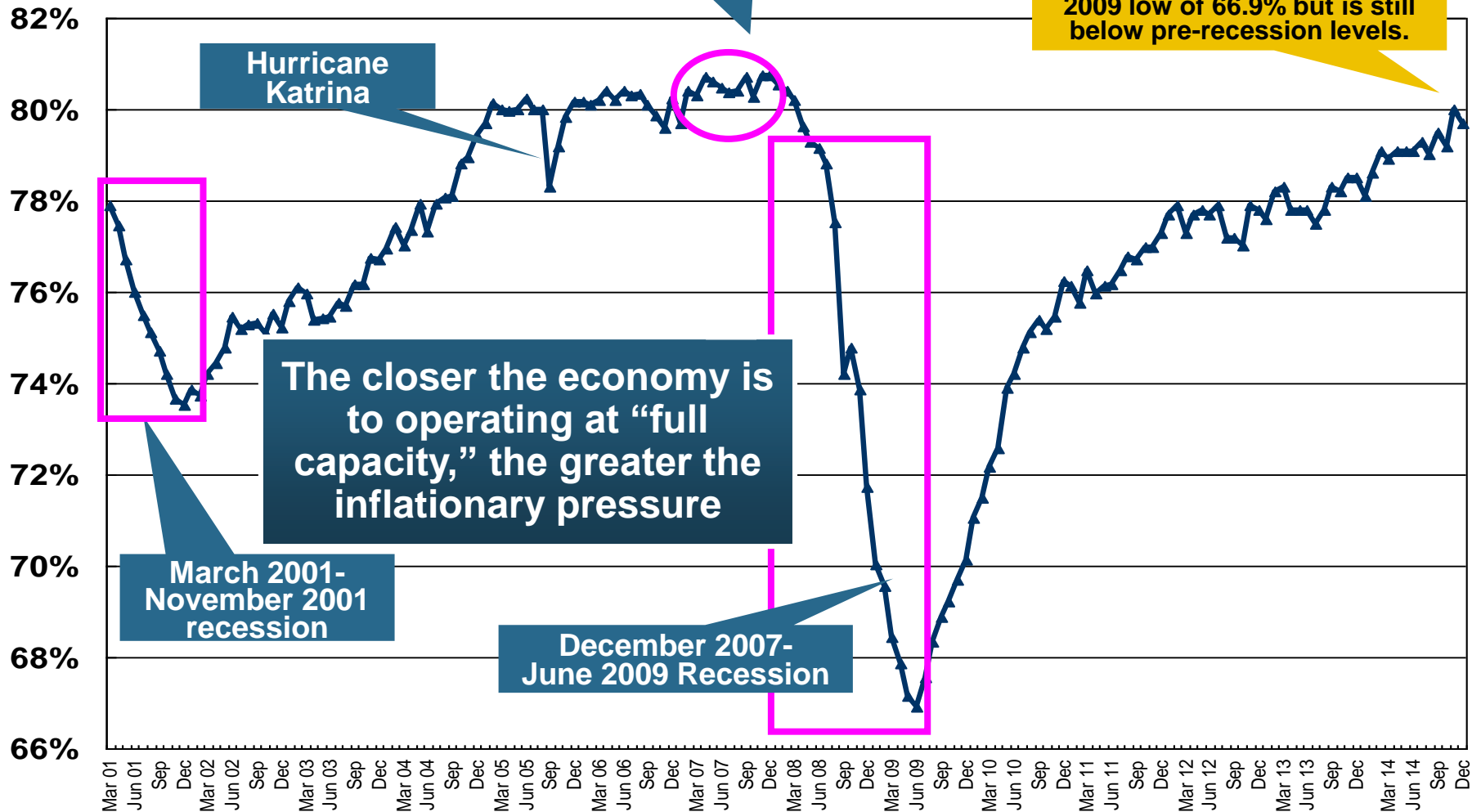
\*Monthly, seasonally adjusted, through December 2014 (which is preliminary). Index based on year 2007 = 100

Sources: Federal Reserve Board at [http://www.federalreserve.gov/releases/g17/ipdisk/ip\\_sa.txt](http://www.federalreserve.gov/releases/g17/ipdisk/ip_sa.txt).  
National Bureau of Economic Research (recession dates); Insurance Information Institute.

# Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

March 2001 through Dec. 2014

Percent of Industrial Capacity



Source: Federal Reserve Board statistical releases at <http://www.federalreserve.gov/releases/g17/Current/default.htm>.

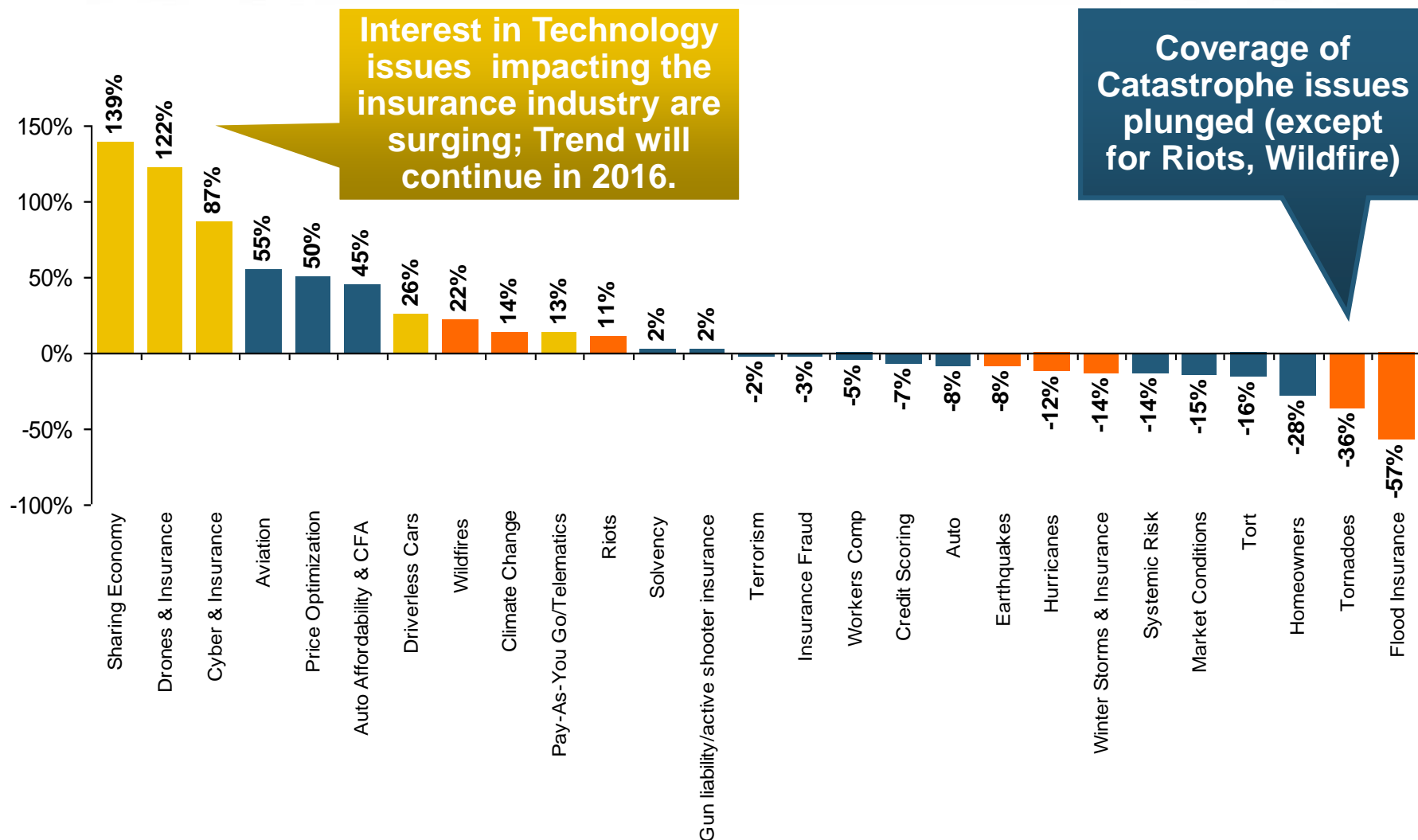


# **Top Insurance Issues:** *What's Hot, What's Not*

## **Technology Spiked, Catastrophes Crashed**

# I.I.I. Media Index, P/C, 2014 vs 2015\*

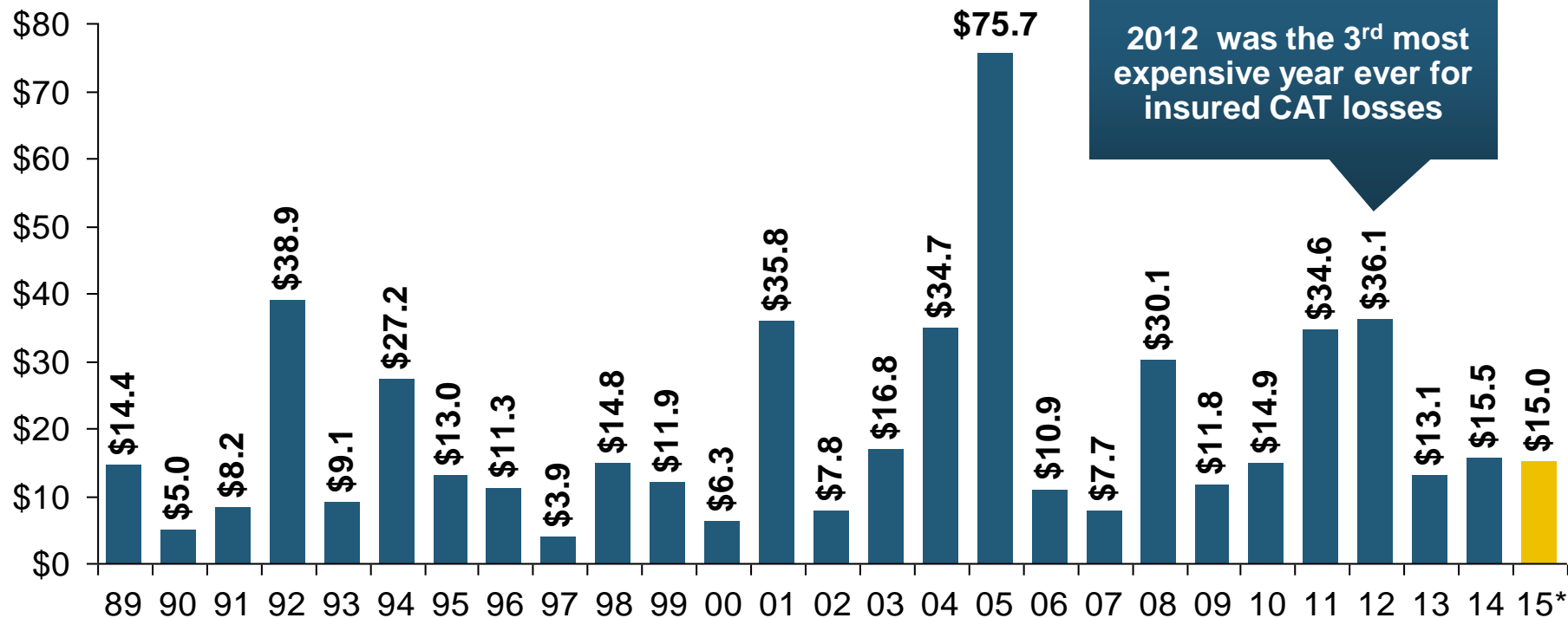
Percent increase/decrease from previous year



\*Based on a search of Lexis/Nexis (January 1-December 15)

# U.S. Insured Catastrophe Losses

(\$ Billions, \$ 2015)



2012 was the 3<sup>rd</sup> most expensive year ever for insured CAT losses

**2013/14 Were Welcome Respites from 2011/12, among the Costliest Years for Insured Disaster Losses in US History. Longer-term Trend is for more—not fewer—Costly Events**

\$15B in insured CAT losses though 12/31/15 (est.)

\*Estimate through 12/31/15 in 2015 dollars.

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.

# **TECHNOLOGY, DISRUPTORS AND INSURANCE**

**Applications of Technology in P/C  
Insurance Have Gripped the Media as  
Have Industry Solutions**

# Interest in Technology Issues and Insurance Is Surging: Presents Opportunity

- Insurers are at the intersection of many of the most important technological innovations of the early 21<sup>st</sup> century
  - ◆ Problem→Solution→Opportunity
- Industry is too often depicted as a technology laggard
- I.I.I. is highlighting the industry as being on the technological cutting edge—an innovative, nimble industry with solutions for managing countless new risks of the current era:
  - ◆ Sharing economy                      Cyber                      Auto Technology
  - ◆ Supply Chain                      Climate Risk      Drones
  - ◆ Wearable devices                      The “Internet of Things”
- Positions industry well with customers, investors, current and prospective workers/Millennials, regulators/legislators and (tech) media

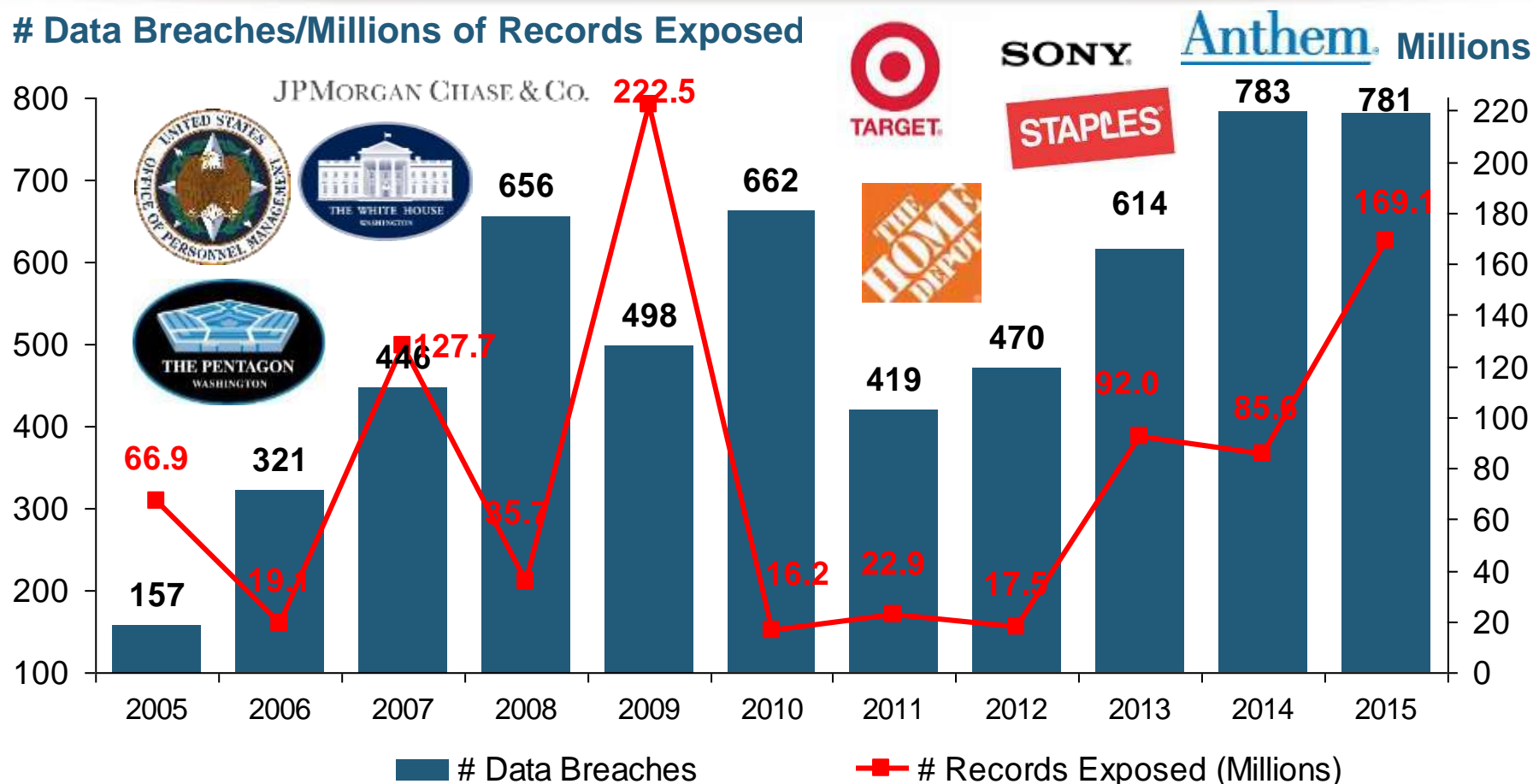
## **CYBER RISK AND INSURANCE**

**Cyber Risk is a Rapidly Emerging  
Exposure for Businesses Large and  
Small in Every Industry**



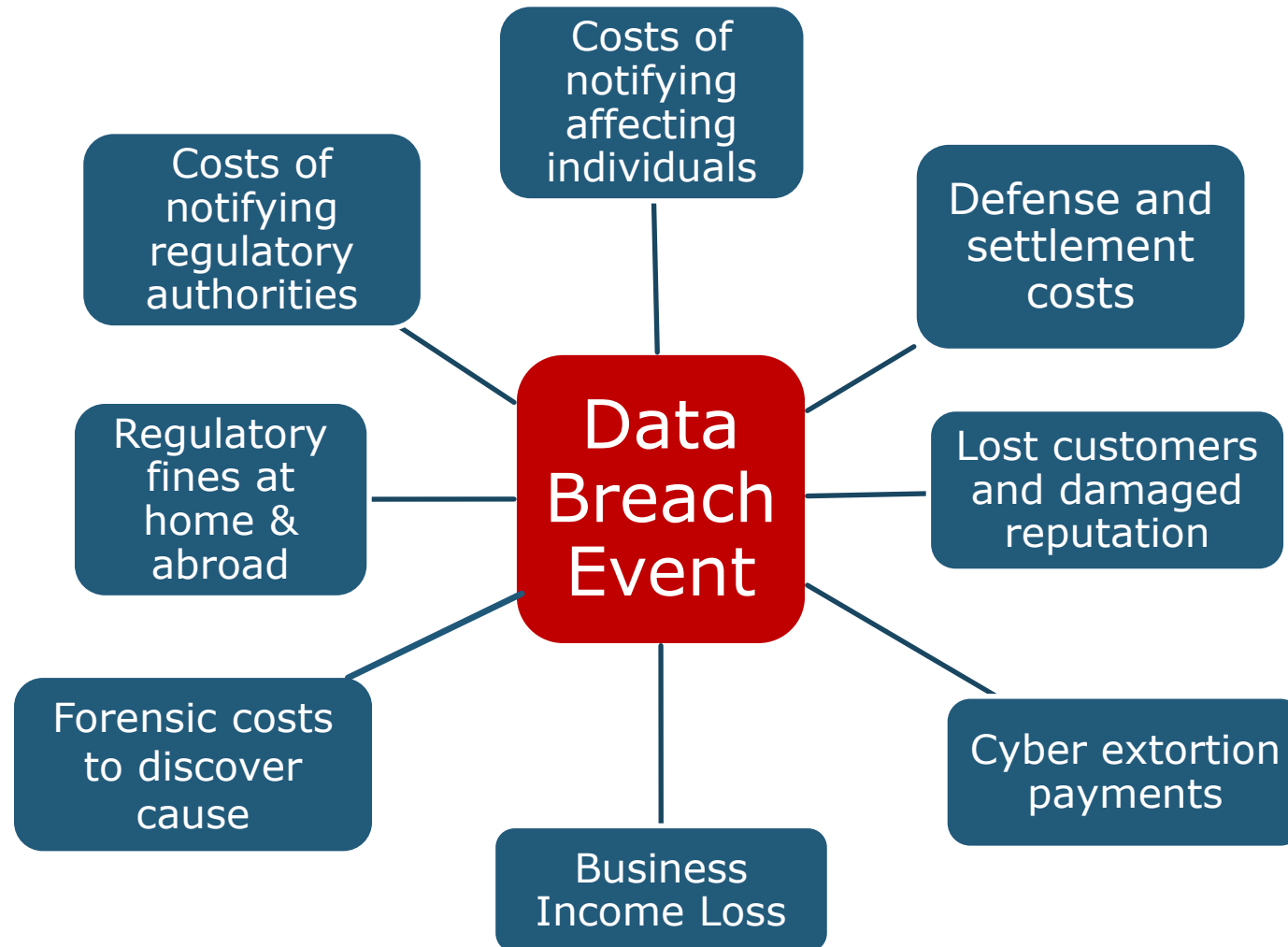
# Data Breaches 2005-2015, by Number of Breaches and Records Exposed

# Data Breaches/Millions of Records Exposed



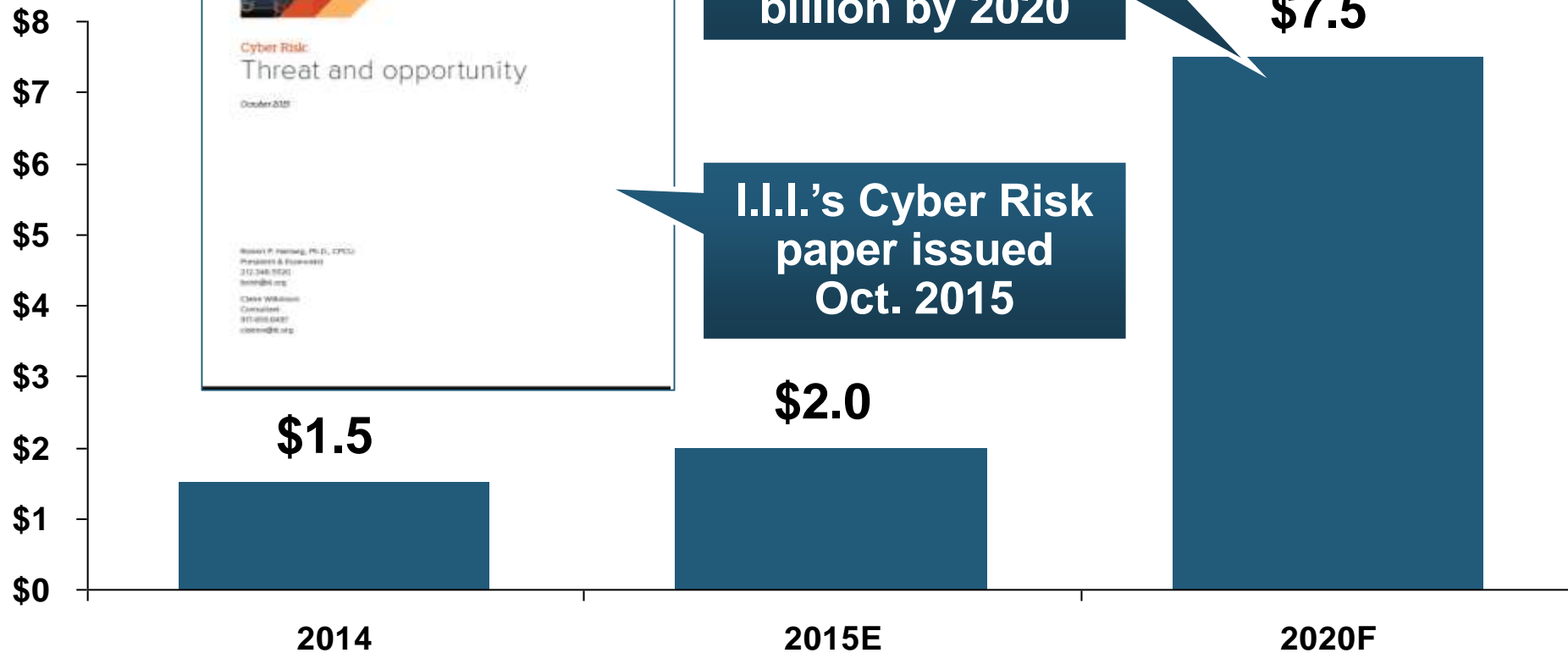
**The 781 reported data breaches in 2015 was virtually unchanged from the record 783 reported in 2014. The number of exposed records soared to 169.1 million, and increase of 97.5%.**

# Data/Privacy Breach: Many Potential Costs Can Be Insured



# Estimated Cyber Insurance Premiums Written, 2014 – 2020F

\$ Billions



## **THE SHARING (ON-DEMAND) ECONOMY**

**Area of Extreme Interest—And Insurers  
Are Providing Solutions for this  
Dynamic Economic Segment**

# Sharing/On-Demand/Peer-to-Peer Economy Impacts Many Lines of Insurance

- The “On-Demand” Economy is or will impact many segments of the economy important to P/C insurers
  - ◆ Auto (personal and commercial)
  - ◆ Homeowners/Renters
  - ◆ Many Liability Coverages
  - ◆ Professional Liability
  - ◆ Workers Comp
- Many insurance questions have arisen
- Insurance solutions are increasingly available to fill the many insurance gaps that arise



U B E R



# Labor on Demand: Huge Implications for the US Economy, Workers & Insurers

Will **YOUR** job  
be reduced to  
an app?

**THE WALL STREET JOURNAL.**  
**There's an Uber for Everything Now**  
Apps do your chores: shopping, parking, cooking, cleaning, packing, shipping and more



# **Regulation, Politics and the Sharing Economy**

**Insurers Need to Operate in a  
Complex and Rapidly Changing  
Regulatory Environment**



# Political Skepticism About the 'Gig' Economy



*"Many Americans are making extra money renting out a spare room, designing a website ... even driving their own car. This on demand or so called 'gig' economy is creating exciting opportunities and unleashing innovation, **but it's also raising hard questions about workplace protections** and what a good job will look like in the future."*

--Hillary Clinton, July 13, 2015





## In California, Uber Driver Is Employee, Not contractor: Agency

By [Sarah McBride](#) and [Dan Levine](#)

*A driver for Uber is an **employee, not a contractor**, according to a California ruling that eventually could push up costs for the smartphone-based ride hailing service and hurt the closely watched start-up's valuation.*

*The California Labor Commissioner's decision could ripple through the burgeoning industry of providing services via smartphones, with **potential implications for other “crowdsourced” services such as Uber rival Lyft, chore service TaskRabbit, and cleaning service Homejoy.***

--Reuters, June 18, 2015

## **AUTO TECHNOLOGY & THE FUTURE OF AUTO INSURANCE**

**Technology Promises Safer Cars and Highways, *BUT* Some Analysts, Media and Many in Silicon Valley Are Predicting Doom for Auto Insurers**



Hacking Your Ride:

# Transportation Safety and Risk

**#RiskyRide**



SXSW

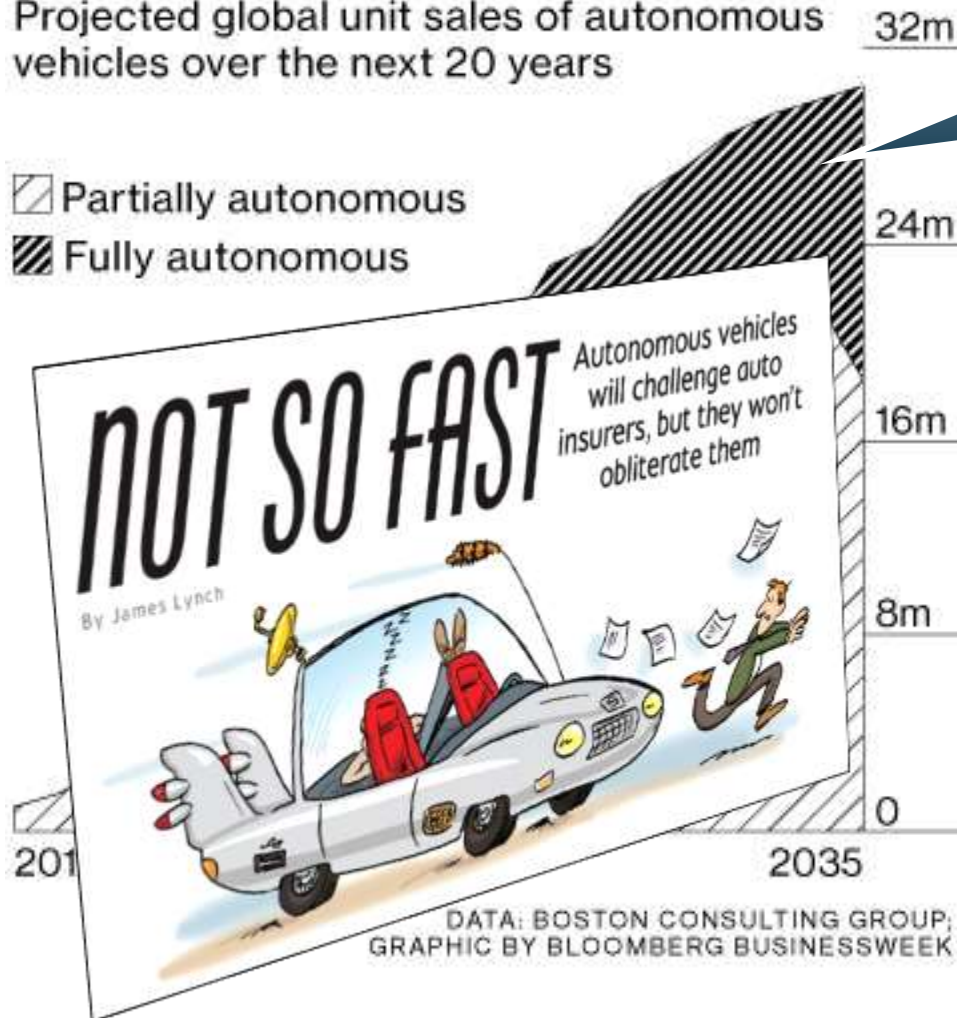
March 13, 2016, Austin, TX

# Media is Obsessed with Driverless Vehicles: Often Predicting the Demise of Auto Insurance

## Hands-Free

Projected global unit sales of autonomous vehicles over the next 20 years

-  Partially autonomous  
 Fully autonomous



By 2035, it is estimated that 25% of new vehicle sales could be fully autonomous models

## Questions

- Are auto insurers monitoring these trends?
- How are they reacting?
- Will Google take over the industry?
- Will the number of auto insurers shrink?
- How will liability shift?

# 2015: Transportation Incidents on the Rise



“Is It Possible for Passengers to Hack Commercial Aircraft?”

- *Federal Highway Administration Report, 1997*

“Fiat Chrysler Issues Recall Over Hacking”

- *The New York Times, July 24, 2015*



“Hackers Show They Can Take Control of Moving Jeep Cherokee”

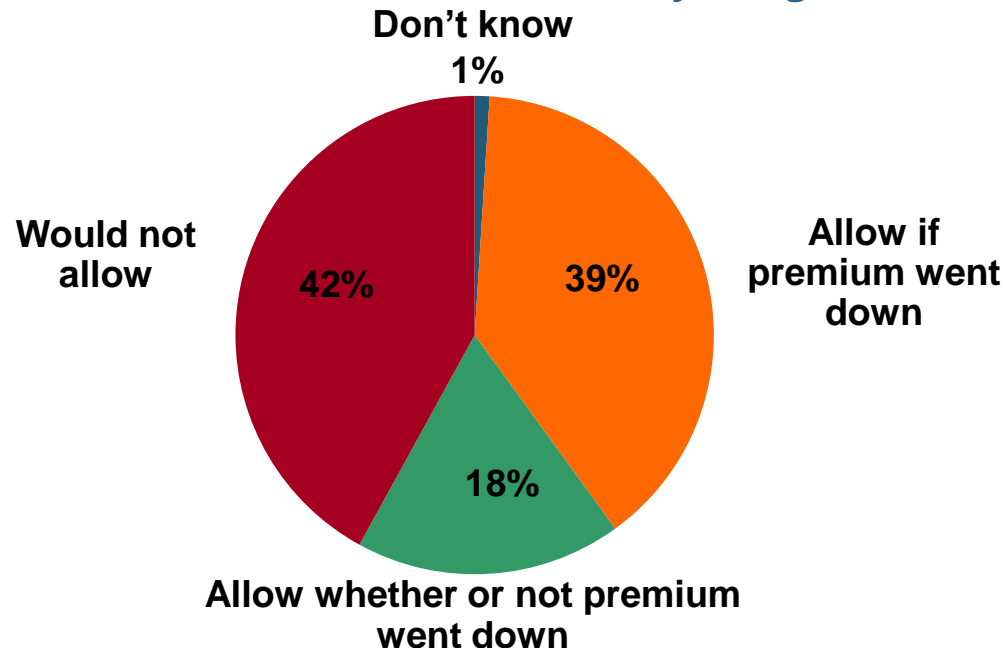
- *Wall Street Journal, July 21, 2015*

“Hackers Cut a Corvette’s Brakes Via a Common Car Gadget”

- *Wired, August 11, 2015*

# I.I.I. Poll: Telematics

**Q. I'm going to ask you a question about your opinion of insurance companies collecting information about how and when you drive in order to set your auto insurance premium. Please tell me which statement you agree with. Would you...<sup>1</sup>**



**More Than Half of Auto Policyholders Would Allow Their Insurer to Collect Their Driving Information In Order to Set Premiums.**

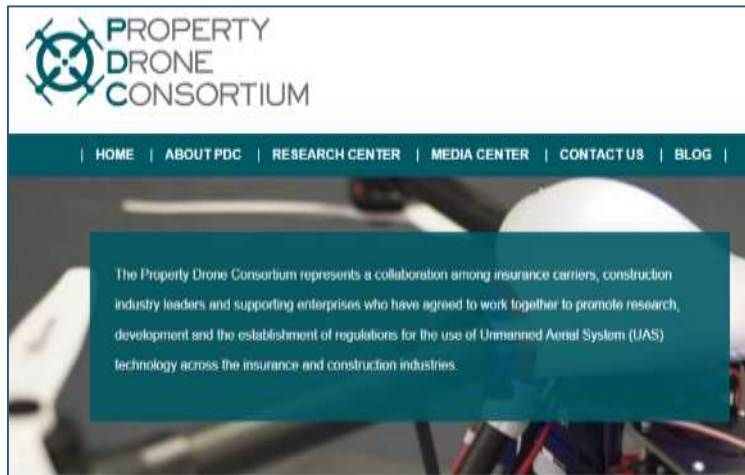
<sup>1</sup>Asked of those who auto insurance.



# Send in the Drones: Potential Rapid Adoption in Industry; Media Loves It



- Drones or Unmanned Aerial Vehicle (UAV) technology is seeing rapid adoption rate in many industries, including insurance
- FAA granting Section 333 exemptions for commercial use and testing of UAS
- At least 5 insurers have received permission to test
- Wide variety of applications: claims, pre-event property inspections...
- Insurers partnering with construction industry to guide R&D and regulation of UAV use via *Property Drone Consortium*: [www.propertydrone.org](http://www.propertydrone.org)

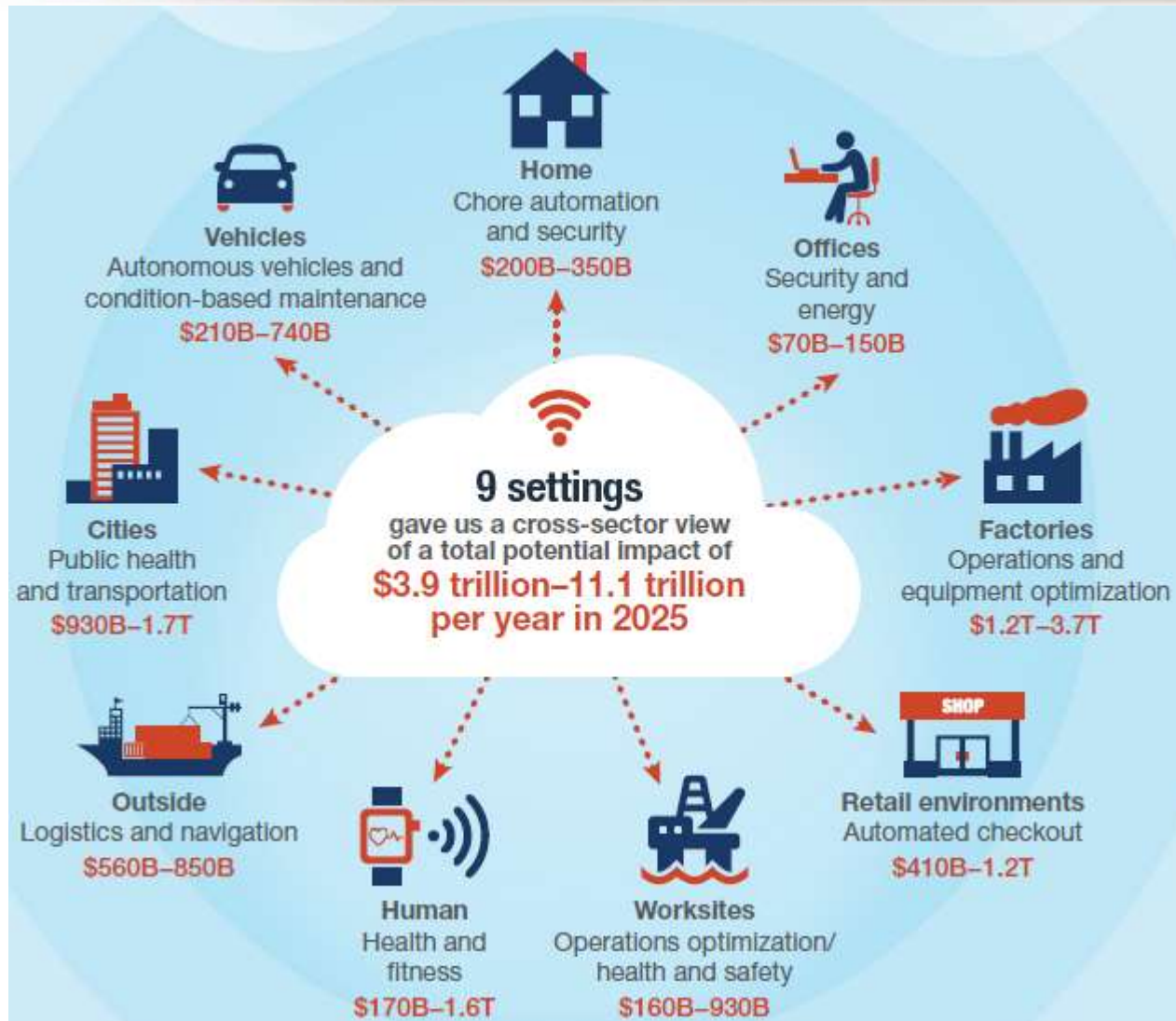


# **THE ‘INTERNET OF THINGS’**

## **Capturing Economic Value Amid a Shifting Insurer Value Chain**



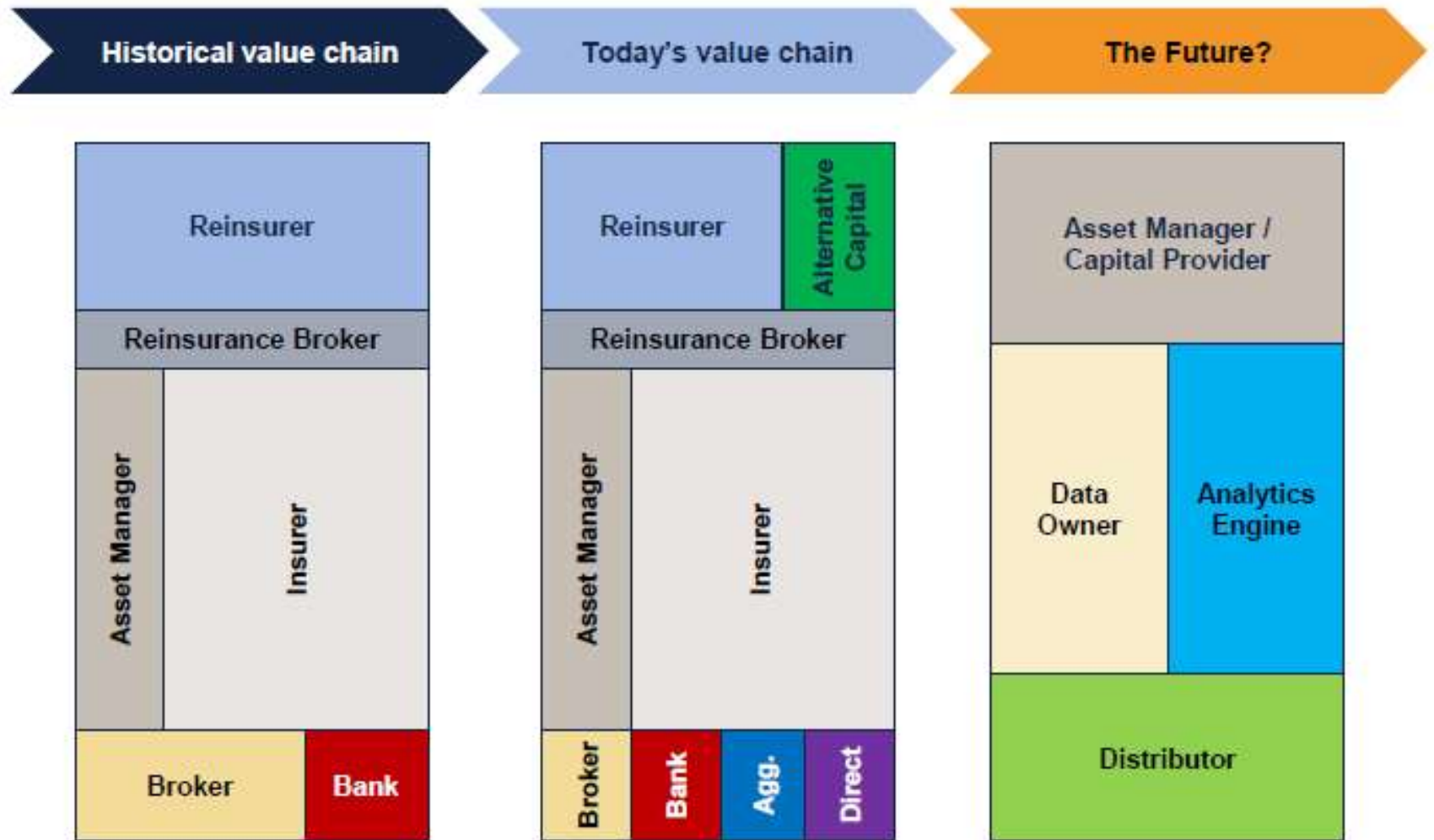
# The Internet of Things and the Insurance Industry



- The “Internet of Things” will create trillions in economic value throughout the global economy by 2025
- What opportunities, challenges will this create for insurers?
- What are the impact on the insurance industry “value chain”?

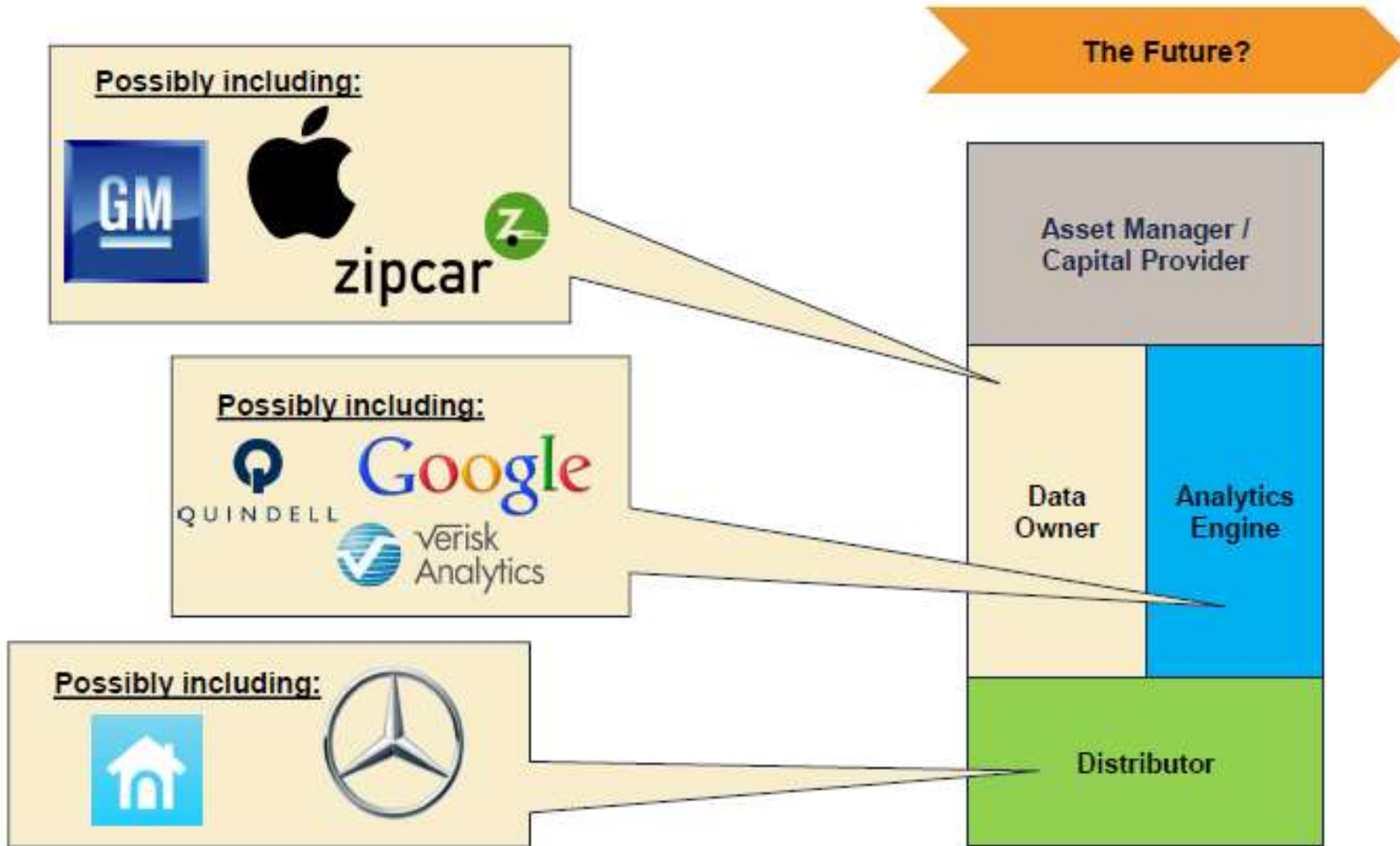
Sources: McKinsey Global Institute, *The Internet of Things: Mapping the Value Beyond the Hype*, June 2015; Insurance Information Institute.

# The Internet of Things and the Insurance Industry Value Chain



**The Insurance Industry Value Chain Is Changing for Many Reasons**

# The Internet of Things, Data and the Insurance Industry Value Chain



**Who owns the data? Where does It flow? Who does the analytics?  
Who is the capital provider?**

# **Wearables and Beyond...**

**Where The Internet of Things  
Meets Health, Disability and Workers  
Compensation Insurance**

# Wearables Show Significant Potential to Reduce Workplace Injury, Death

## ■ Wearables Today Can Monitor:

- ◆ Location
- ◆ Heart rate
- ◆ Temperature
- ◆ Steps/Exertion
- ◆ Sweat
- ◆ Sleep



## ■ In the Near Future Could Monitor:

- ◆ Glucose level
- ◆ Oxygen levels
- ◆ Pain
- ◆ Nausea

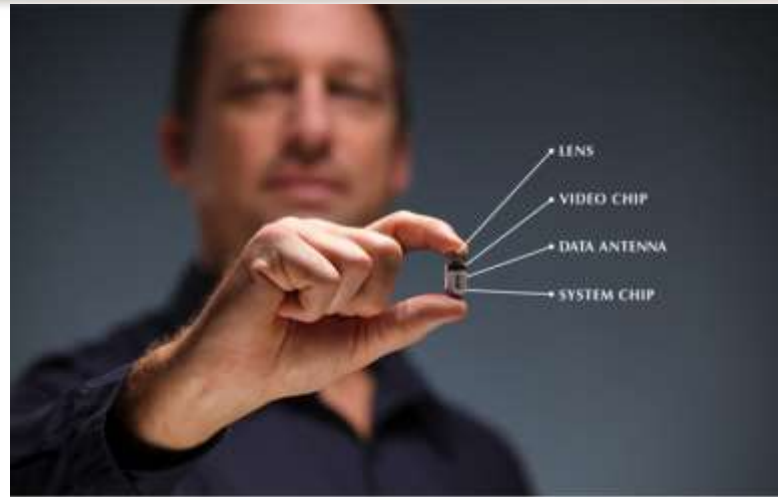




# Beyond Wearables: Ingestibles and Implantables, VR Could Have Big Impacts Too

## ■ Ingestibles:

- ◆ Body chemistry
- ◆ View malignancies
- ◆ Detect diseases
- ◆ Medication adherence



## ■ Implantables

## ■ Smart Fabrics

## ■ Virtual Reality

- ◆ Computer simulated reality



## ■ Augmented Reality

- ◆ Real world environment supplemented by computer generated inputs

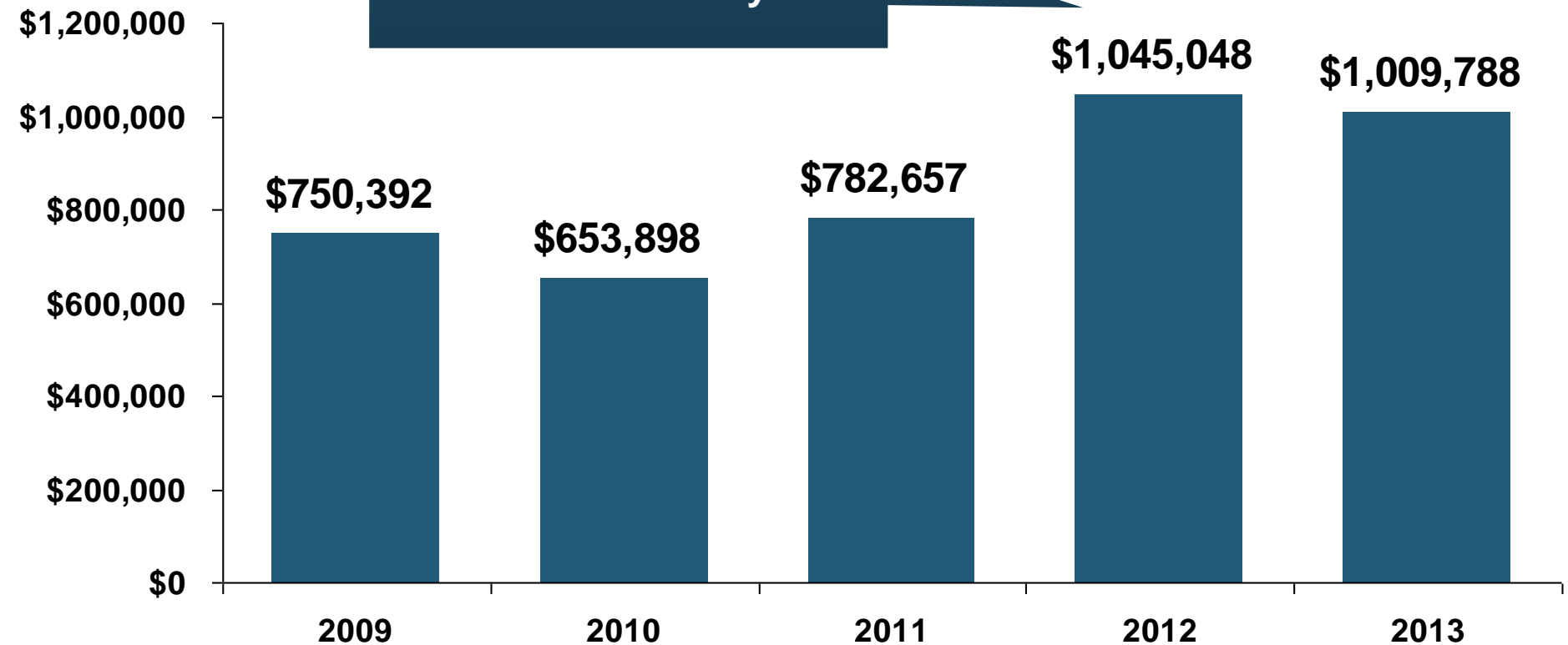


# **Shifting Legal Liability & Tort Environment**

## **Will the Tort Pendulum Swing Against Insurers?**

# Average Personal Injury Jury Award, 2009 – 2013

Average awards in  
Personal Injury cases  
have increased by more  
than 1/3 in recent years



Source: *Current Award Trends in Personal Injury*, 54<sup>th</sup> Edition; Insurance Information Institute.



# Business Leaders Ranking of Liability Systems in 2015

## ■ Best States

1. Delaware
2. Vermont
3. Nebraska
4. Iowa
5. New Hampshire
6. Idaho
7. North Carolina
8. Wyoming
9. South Dakota
10. Utah

### New in 2015

- Vermont
- New Hampshire
- North Carolina
- South Dakota

### Drop-offs

- Minnesota
- Kansas
- Virginia
- North Dakota

## ■ Worst States

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

### Newly Notorious

- Arkansas
- Missouri

### Rising Above

- Oklahoma
- Montana

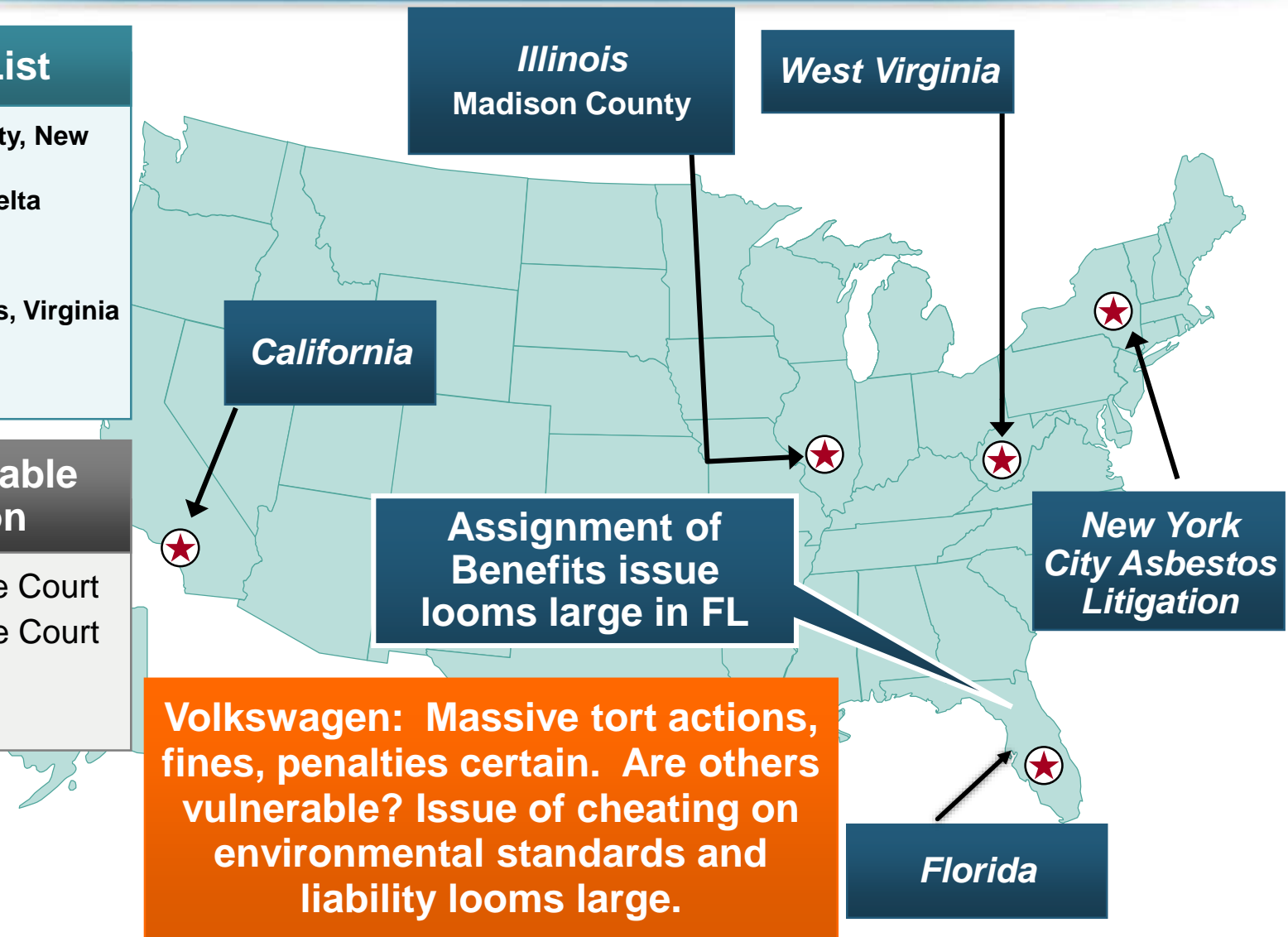
# The Nation's Judicial "Hellholes": 2014/2015

## Watch List

- Atlantic County, New Jersey
- Mississippi Delta
- Montana
- Nevada
- Newport News, Virginia
- Philadelphia, Pennsylvania

## Dishonorable Mention

- AL Supreme Court
- PA Supreme Court



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