



**INSURANCE
INFORMATION**
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Insurance Industry and Business Landscape Post Election

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Disruption is Everywhere

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Catastrophes – Increases in frequency and severity

Natural Catastrophes



Earthquake

Economic Uncertainty

Global Growth...

*Since **2008** we've had the **longest period of relative trade stagnation** since **World War II**...



US Growth...



Investment
Growth



...Monetary vs. Fiscal Policy

- ♦ **Monetary:** Low interest rates mean insurers are struggling to meet interest rate guarantees for life insurance and annuities must diversify their investment portfolios
- ♦ **Fiscal:** Supply-side debate heating up, i.e., tax reform

Globalization

Geopolitical Polarization

Rise of Nationalism

**Regional
Tensions**

**Global Trends
Impacting
Domestic Market**



Regulatory Trends

"Conduct of Business"

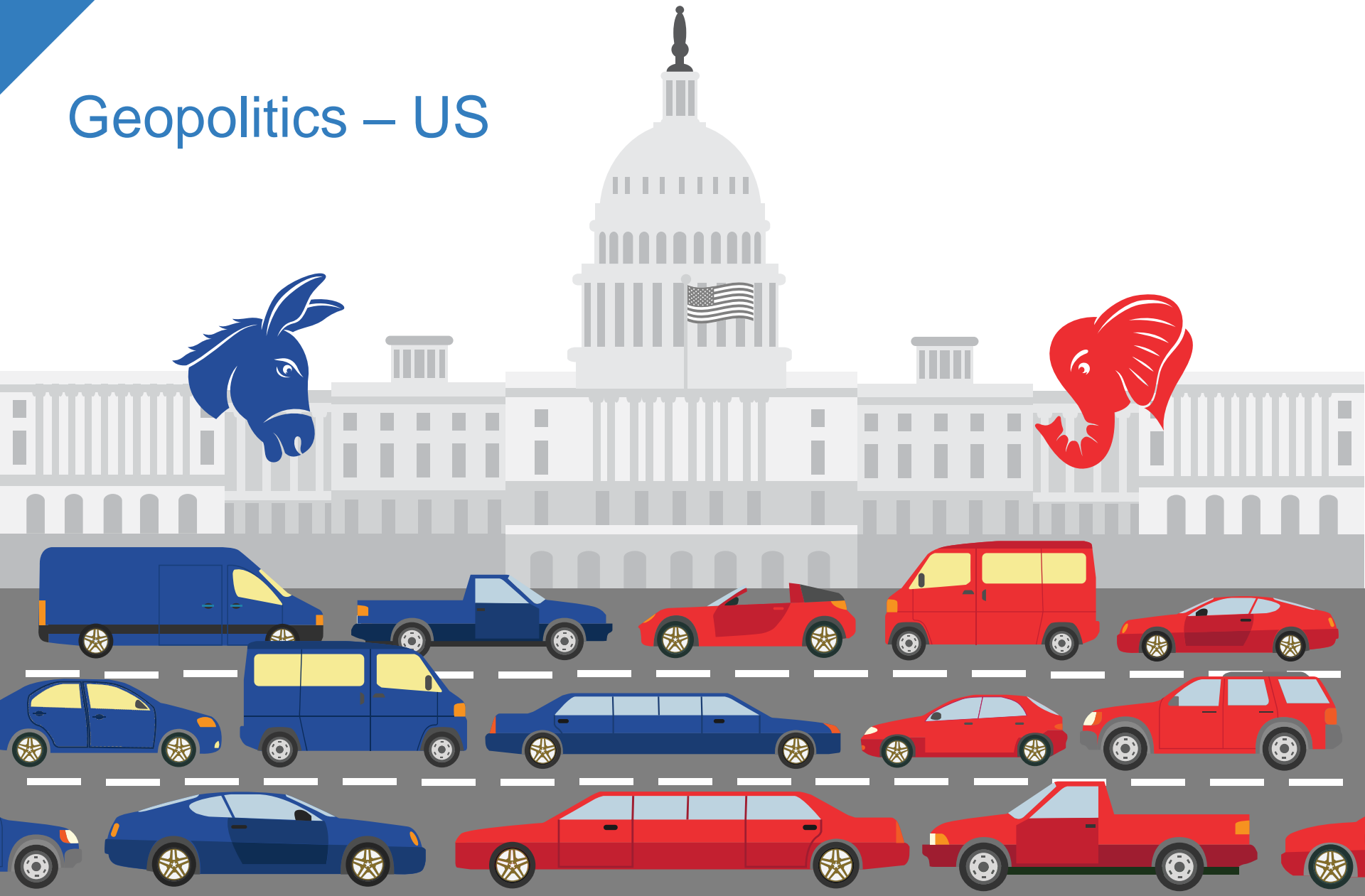
Capital/Solvency

Dodd-Frank



* Mainland purchases of insurance and related investment policies in the nine months ended September 2016 surged to a record high.

Geopolitics – US



The 'Bully Pulpit' Evolution

Trump has potential to change the game...



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Donald J. Trump
@realDonaldTrump

TWEETS 34.3K FOLLOWING 42 FOLLOWERS 19.8M LIKES 46



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Messages



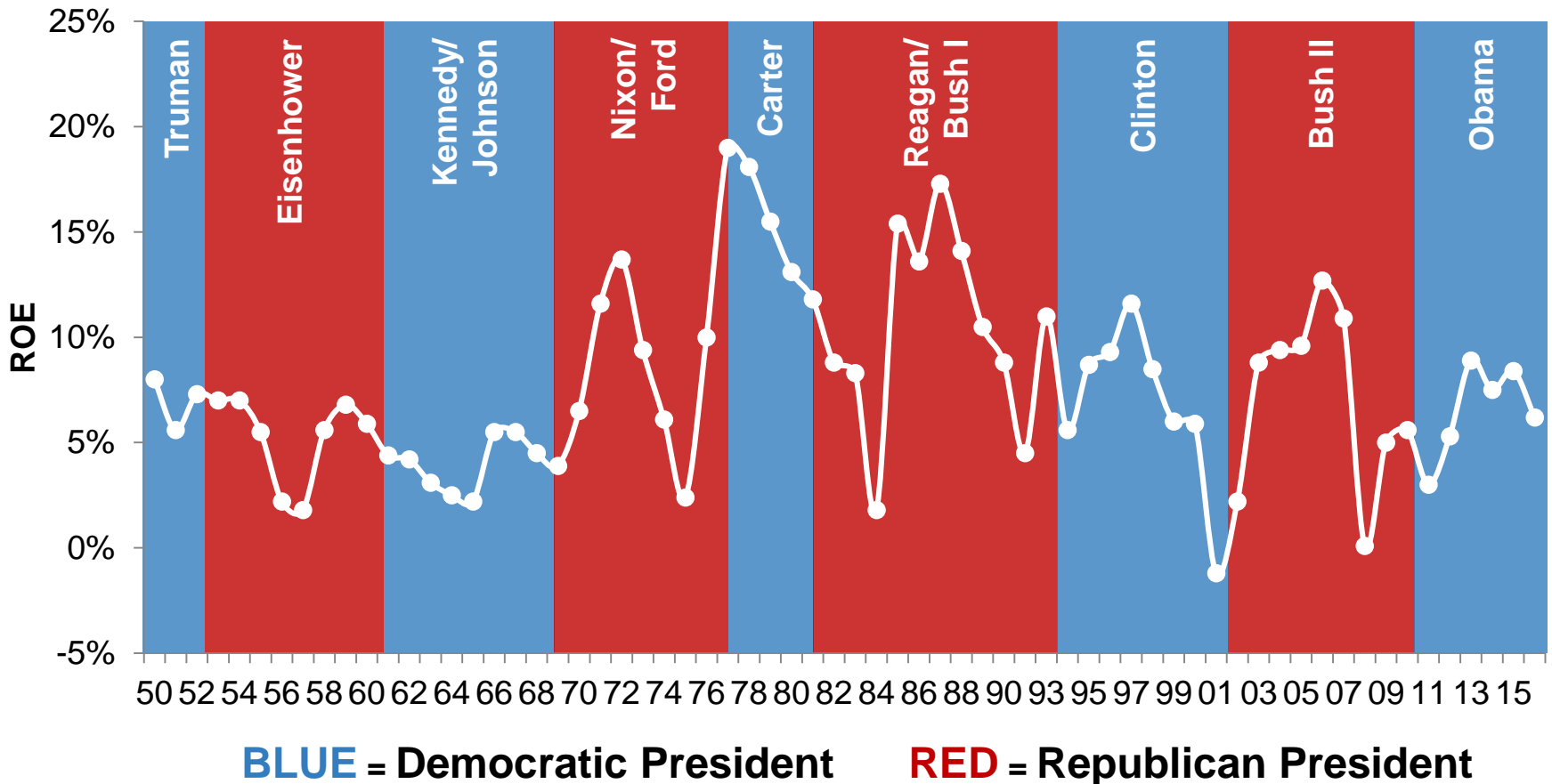
@USTreasSec where is
#TaxReform? Get R done!

@USAG #Waterboarding
will #MakeAmericaGreat!

Does It Matter?

P/C Insurance Industry ROE by Presidential Party Affiliation

1950-2016*



*2016 data is through Q3.

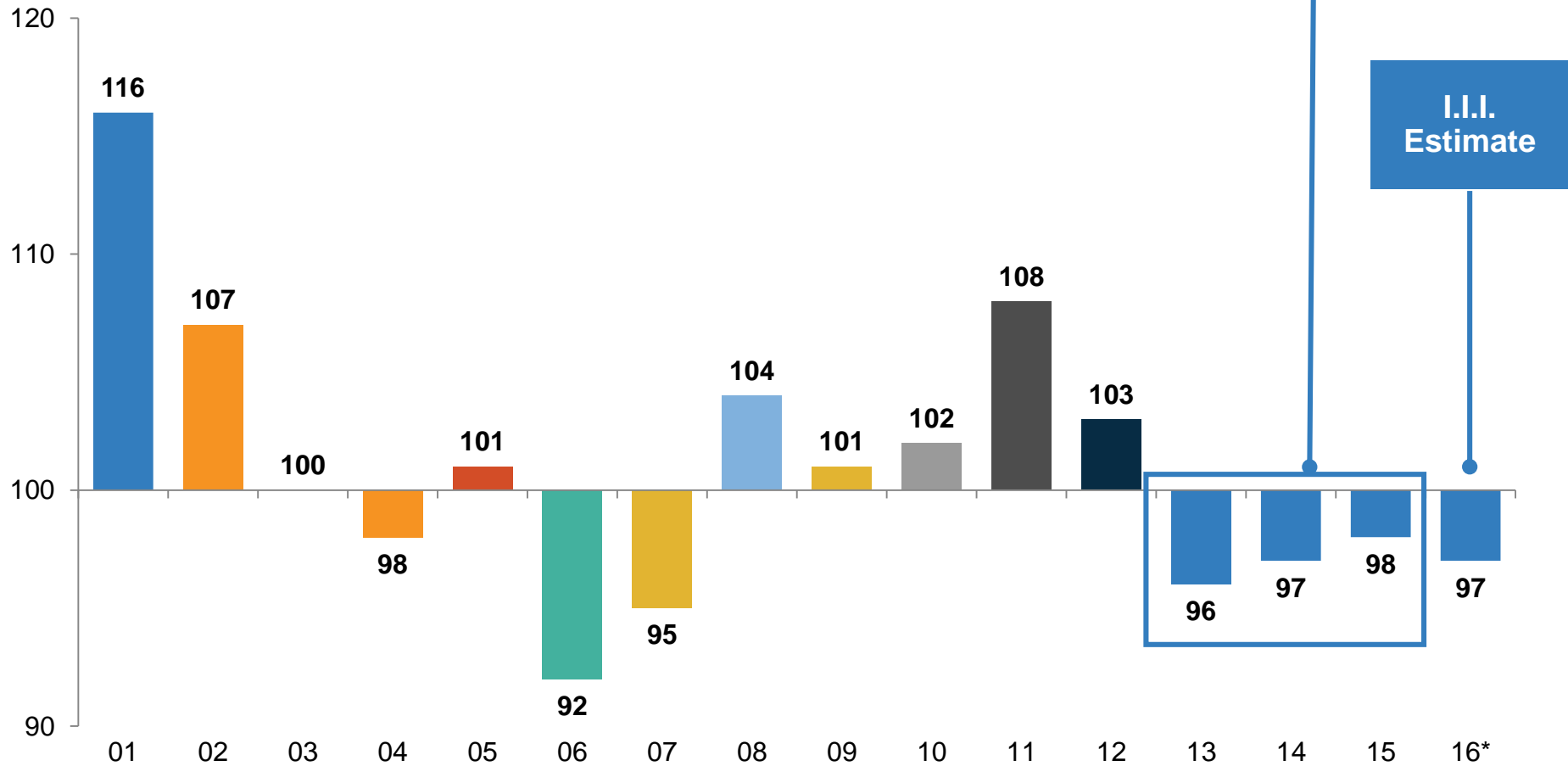
Source: Insurance Information Institute

Affordable Care Act

Going Going ... Maybe Not Going Anywhere



Workers Comp Private Carrier Combined Ratio, 2001-2016*



*Projected.

SOURCES: NCCI, Insurance Information Institute (2016 projection).

Rates by Line & Account Size, Q4 2016

By Account Size

	Down > 10%	Down 1-10%	No Change	Up 1-10%	Up > 10%	N/A
Small (<25K)	4.49%	38.20%	29.22%	21.35%	1.12%	5.62%
Medium (25-100K)	6.74%	62.92%	21.35%	7.87%	0.00%	1.12%
Large (100K+)	15.73%	55.06%	19.10%	4.49%	0.00%	5.62%

This Survey is
Based on
Agent
Estimates.

By Line of Business

	Down > 10%	Down 1-10%	No Change	Up 1-10%	Up > 10%	N/A
Commercial Auto	1.14%	5.68%	13.64%	68.18%	10.22%	1.14%
Commercial Property	15.90%	47.73%	22.73%	9.09%	0.00%	4.55%
Cyber	2.27%	19.32%	61.36%	6.82%	1.14%	9.09%
D&O	2.35%	17.65%	49.41%	23.53%	1.18%	5.88%
General Liability	1.15%	55.17%	34.48%	5.75%	0.00%	3.45%
Terrorism	2.30%	12.64%	57.47%	4.60%	0.00%	22.99%
Umbrella	0.00%	45.45%	35.23%	17.05%	0.00%	2.27%
Workers Compensation	7.95%	52.27%	25.00%	10.24%	2.27%	2.27%

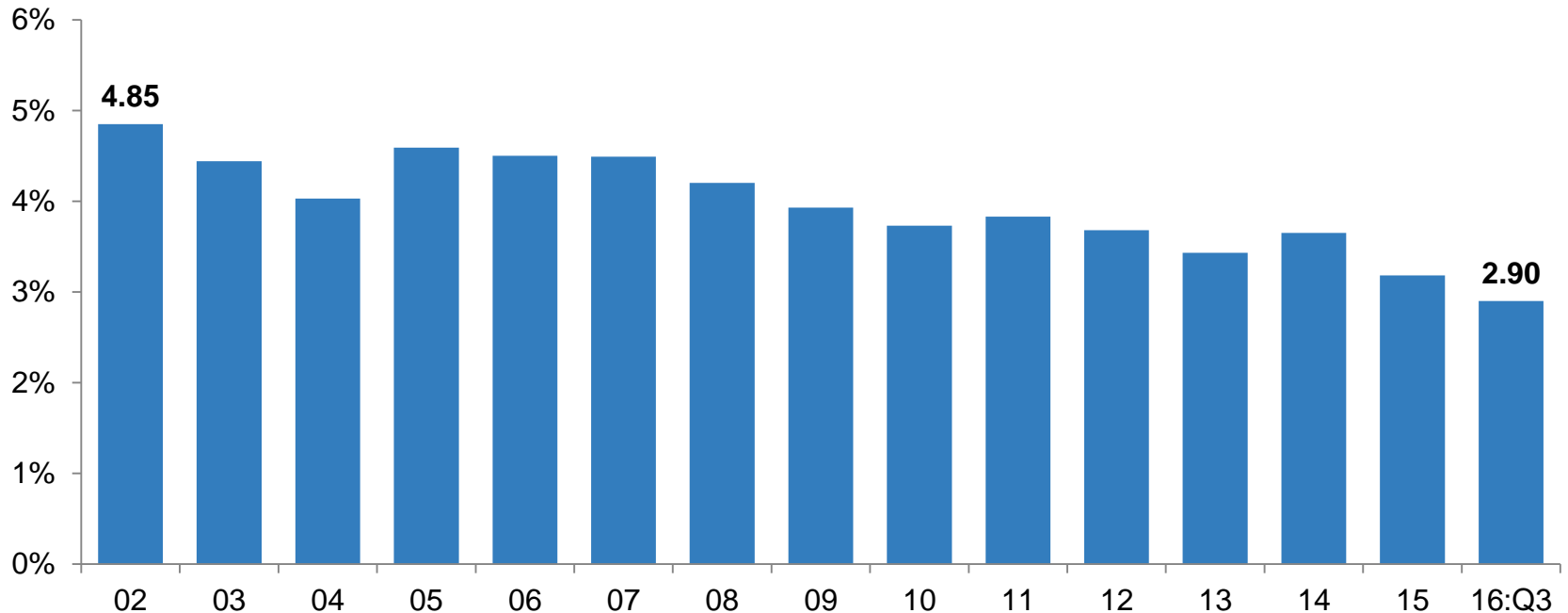
Rate Changes Can Vary Significantly Within States, Lines of Business or Individual Markets.



SOURCE: Council of Insurance Agents & Brokers, Insurance Information Institute.

P/C Insurer Portfolio Yields, 2002-2016

(Yield on Invested Assets)



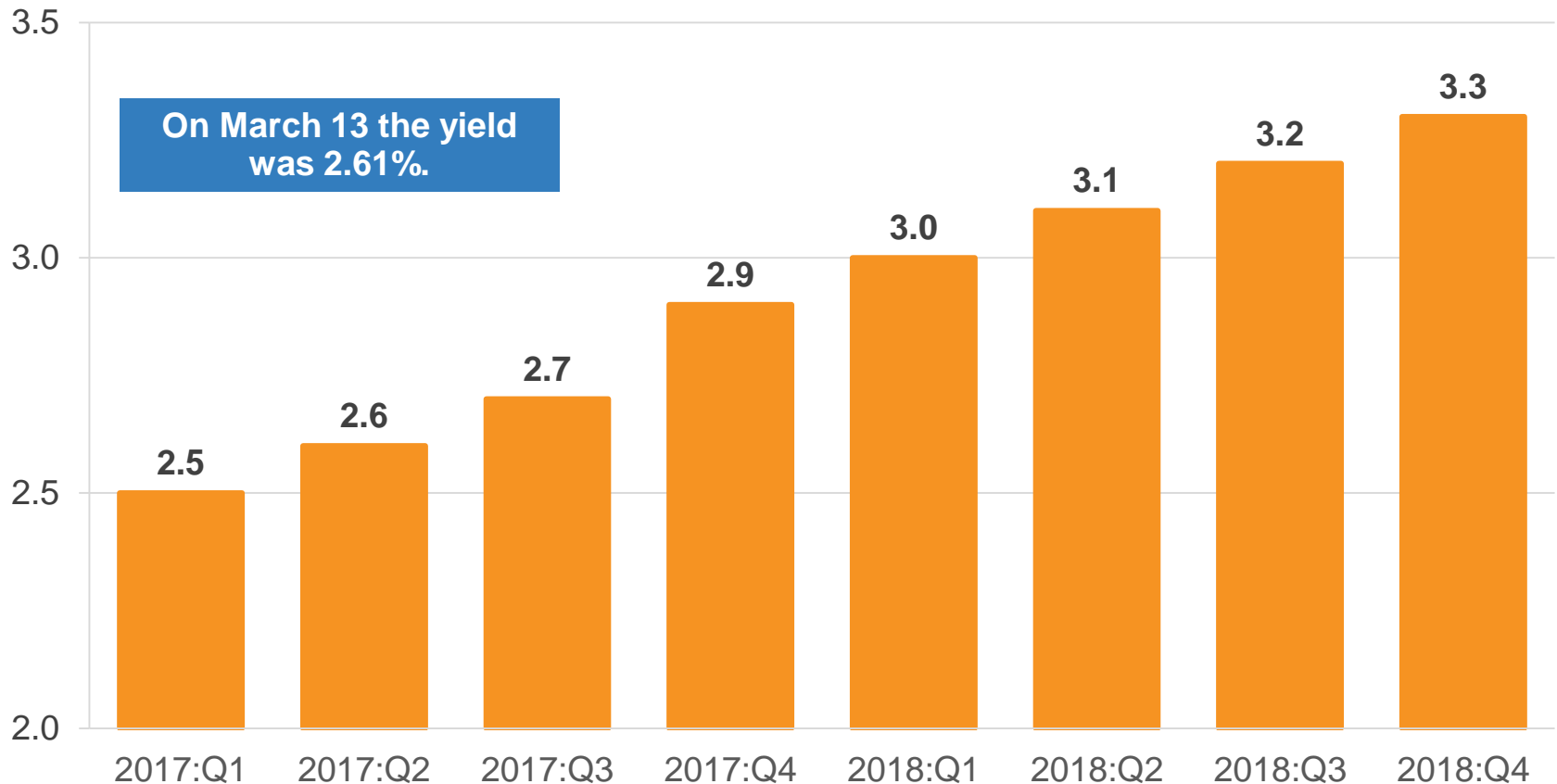
P/C Carrier Yields Have Been Falling for Over a Decade, Reflecting the Long Downtrend in Prevailing Interest Rates.



Sources: NAIC data, sourced from S&P Global Market Intelligence; ISO, a Verisk Analytics company; Insurance Information Institute.

10-Year Treasury Forecast

Yield (%)

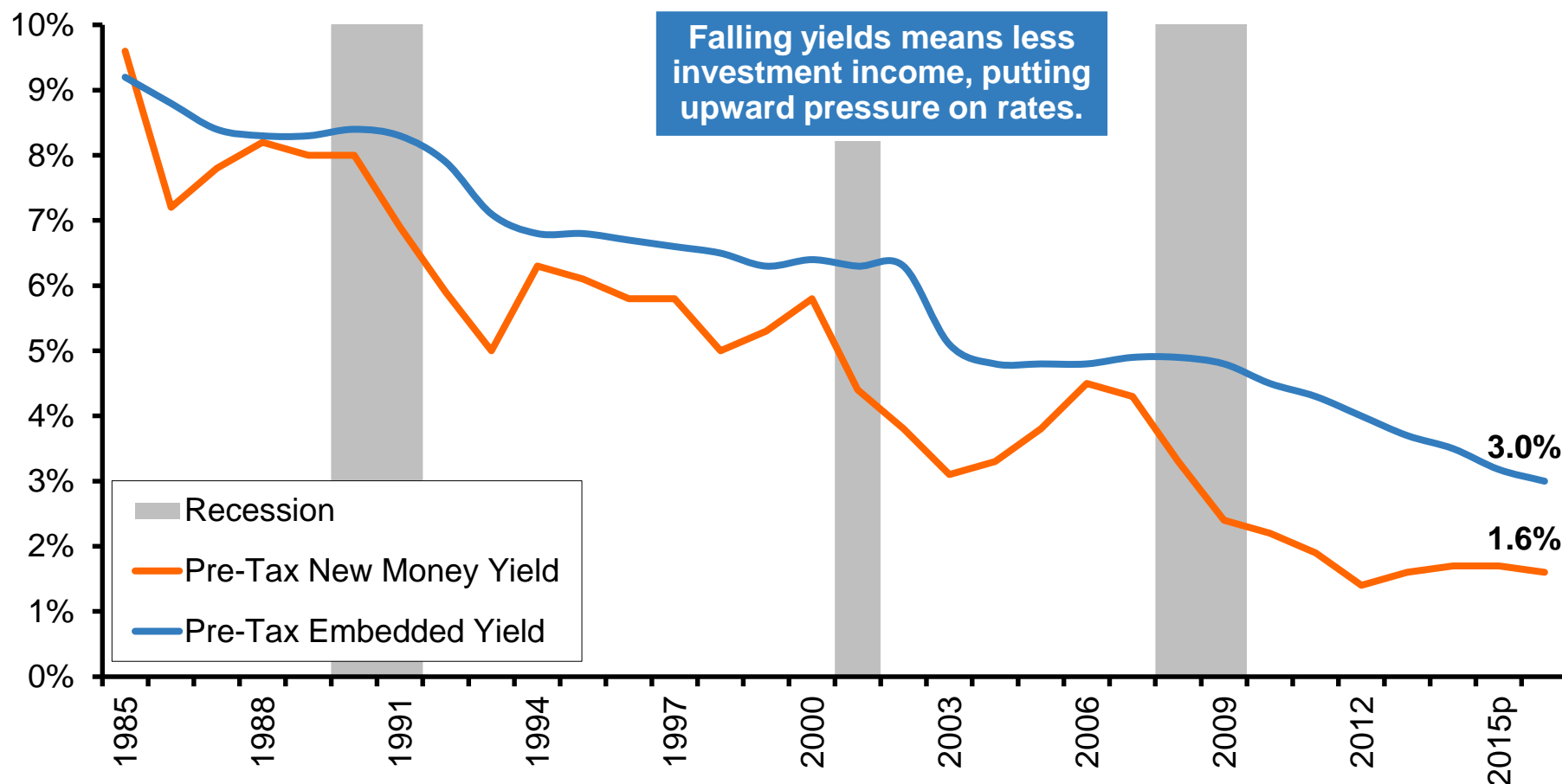


Virtually all of the 53 forecasts in the Blue Chip survey expect continual increases in the yield of long-term bonds in 2017-18.



Sources: Blue Chip Economic Indicators (3/13); Insurance Information Institute

New Money vs. Embedded Yields, U.S. Insurers, 1985-2016



As long as new money rates are below the rates of maturing bonds, the portfolio yield will continue to sink.

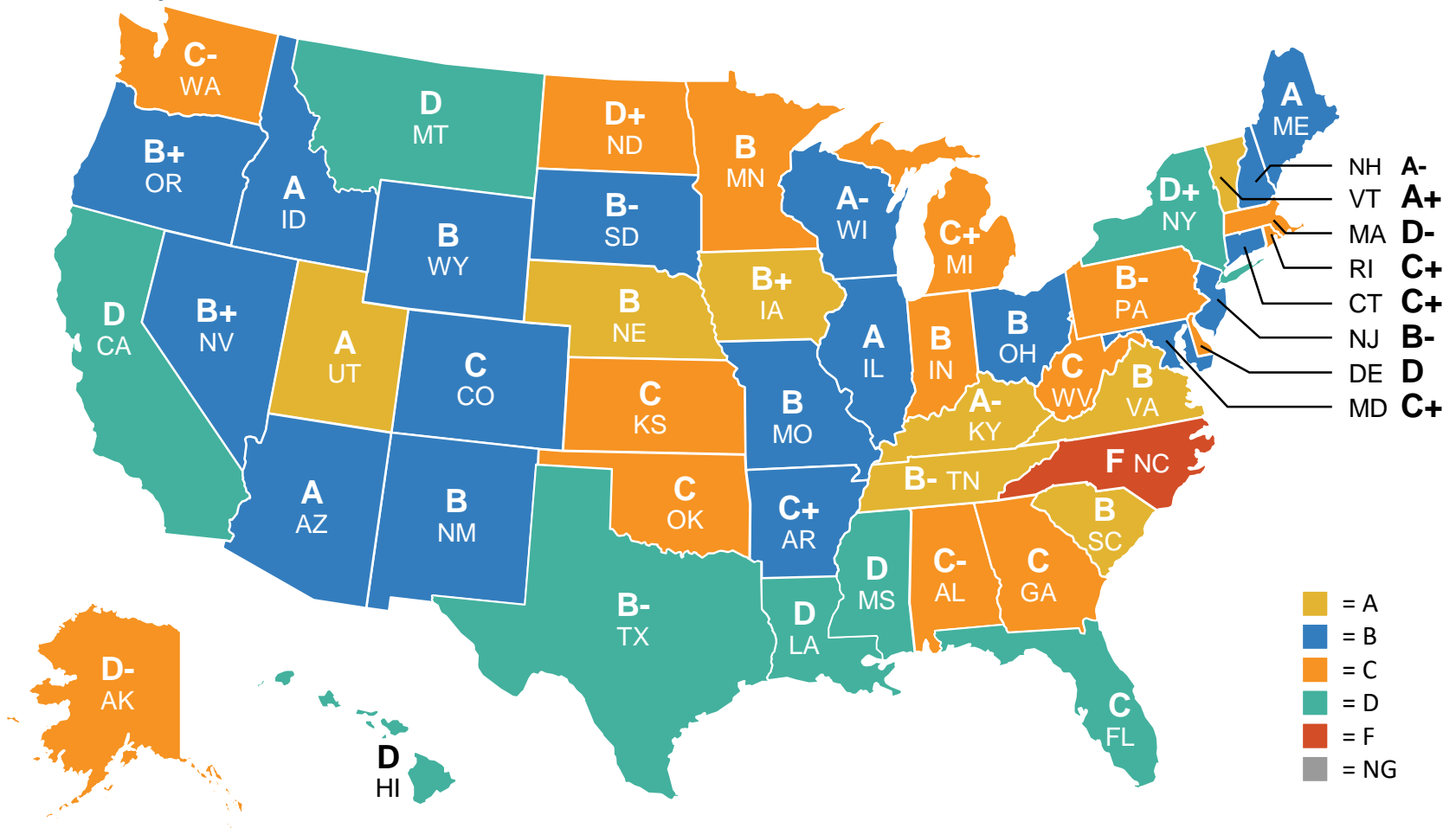
p: Preliminary

Sources: NCCI, ISO, a Verisk Analytics company, U.S. Treasury (5-year note as proxy for new money yield); Insurance Information Institute.



But State Politics Drives Insurance

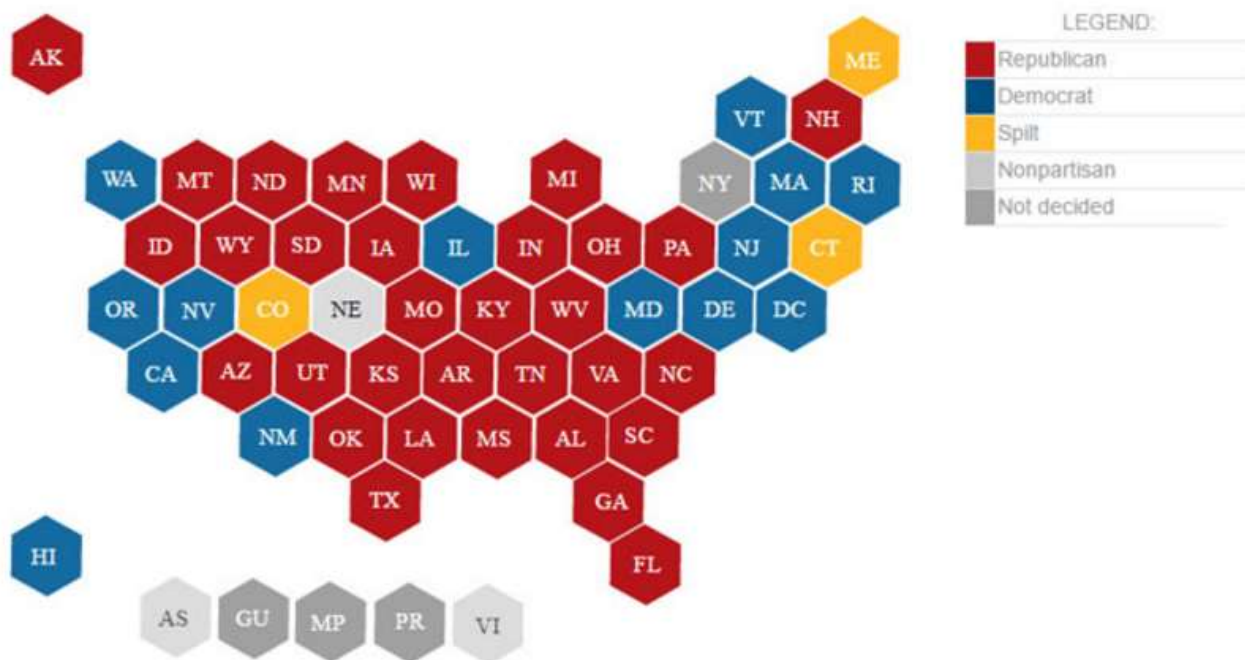
And Every State is Different



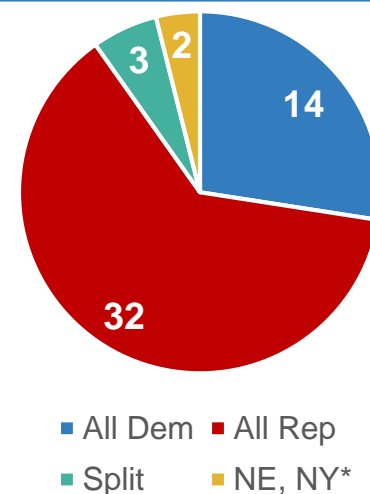
Source: R Street Insurance Regulation Report Card, December 2016

Republicans Control Most States . . .

In The November Election They Lost One Legislature Overall



Makeup Today



Seven chambers flipped control after the November 2016 elections.

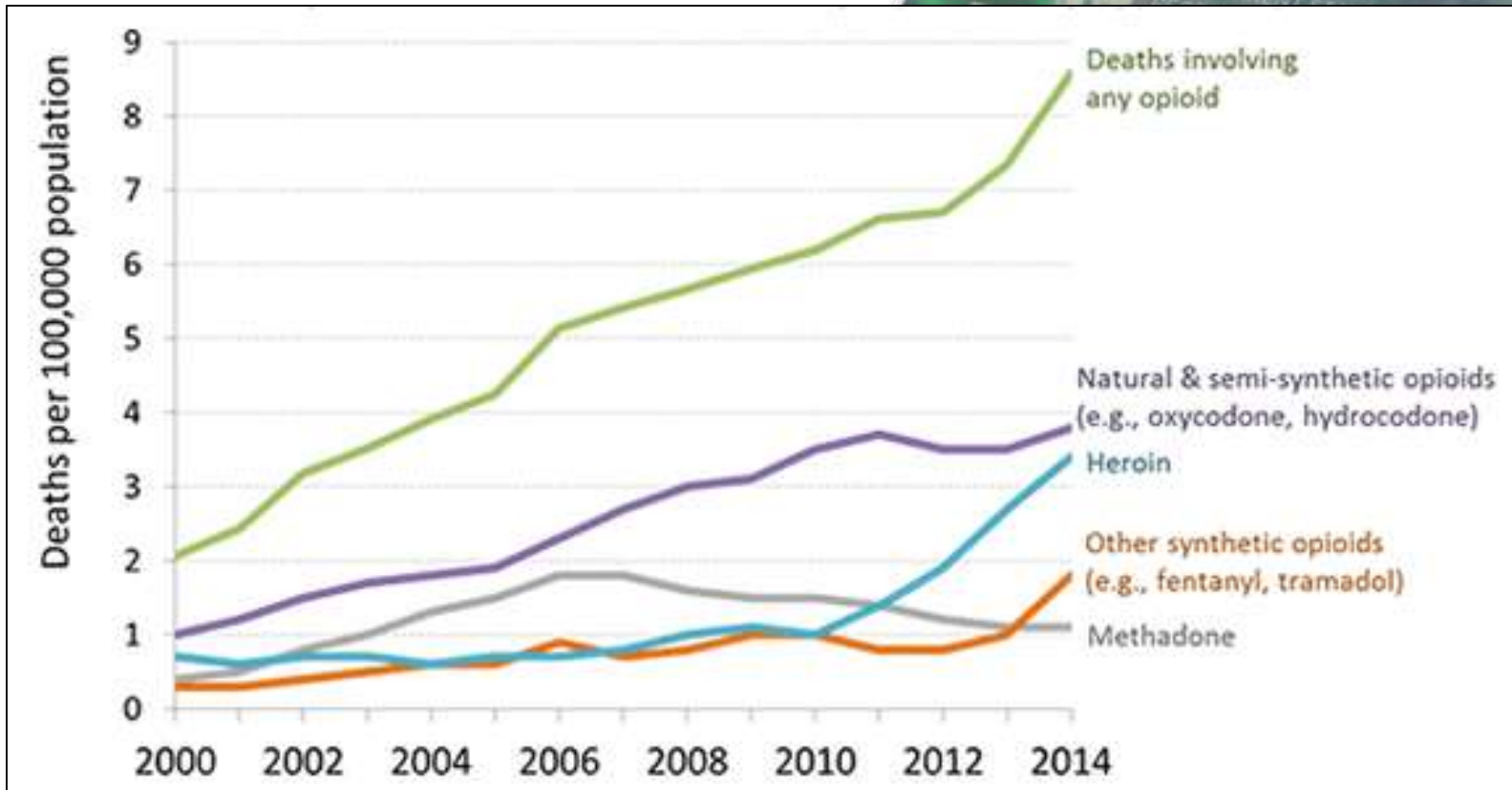
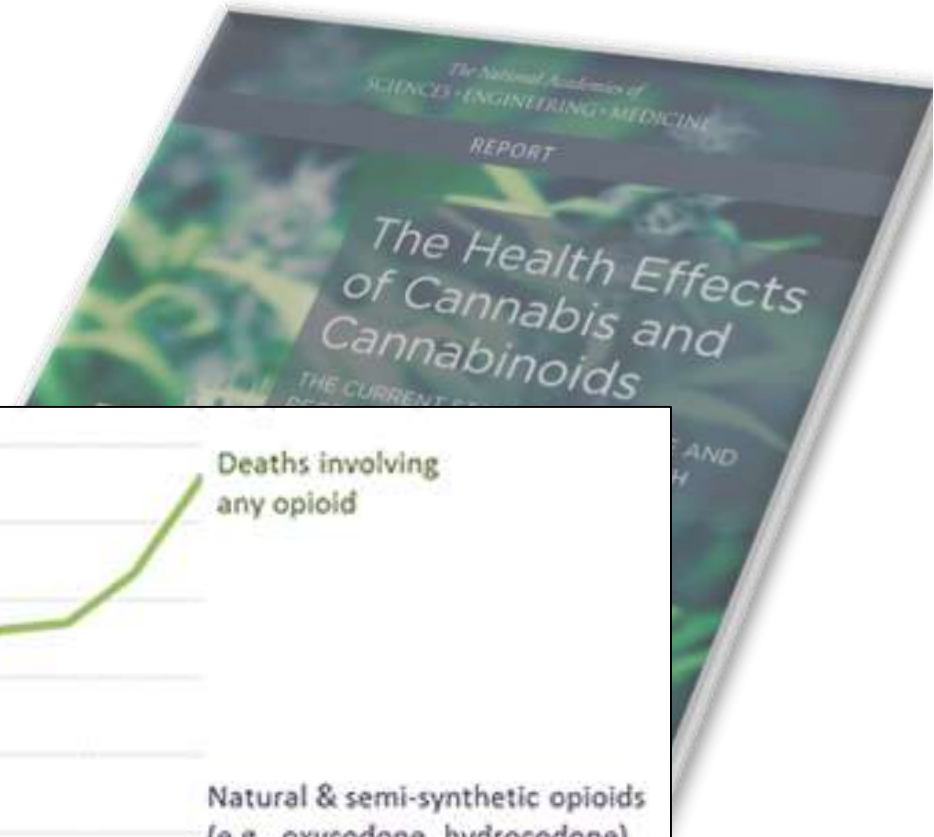


* Nebraska: Unicameral, nonpartisan, Republican dominated. New York: not decided.
Source: National Conference of State Legislatures, Ballotpedia, Insurance Information Institute.

Medical Marijuana

Comp Caught in the Middle

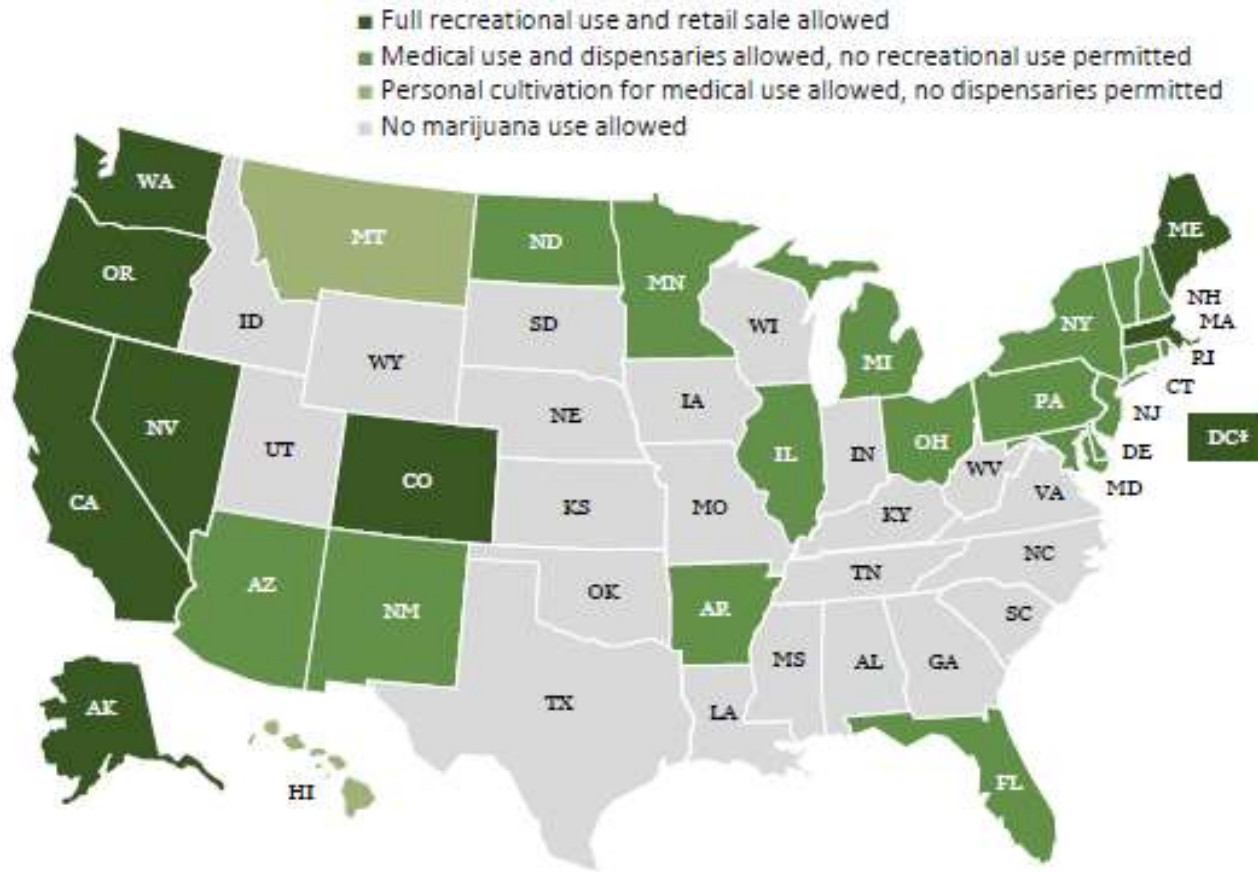
Opioid Alternative?



<https://www.nap.edu/catalog/24625/the-health-effects-of-cannabis-and-cannabinoids-the-current-state>

Medical Marijuana

Comp Caught in the Middle



Congressional Cannabis Caucus



Rohrbacher
(CA)



Blumenauer
(OR)



Young
(AK)



Polis
(CO)

Summary

- ▲ Political leaders face a complex disruptive environment.
- ▲ Monetary and fiscal forces, though at odds, are likely to drive interest rates higher, affecting workers comp and other long-tailed lines.
- ▲ Comp finds itself in the crosshairs in important issues, especially the federal-state divide on marijuana use.

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Improving public understanding
of insurance...

...what it does and how it works



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Thank You!