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# COVID-19 – The Good, the Bad and the Ugly

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# The insurance value chain

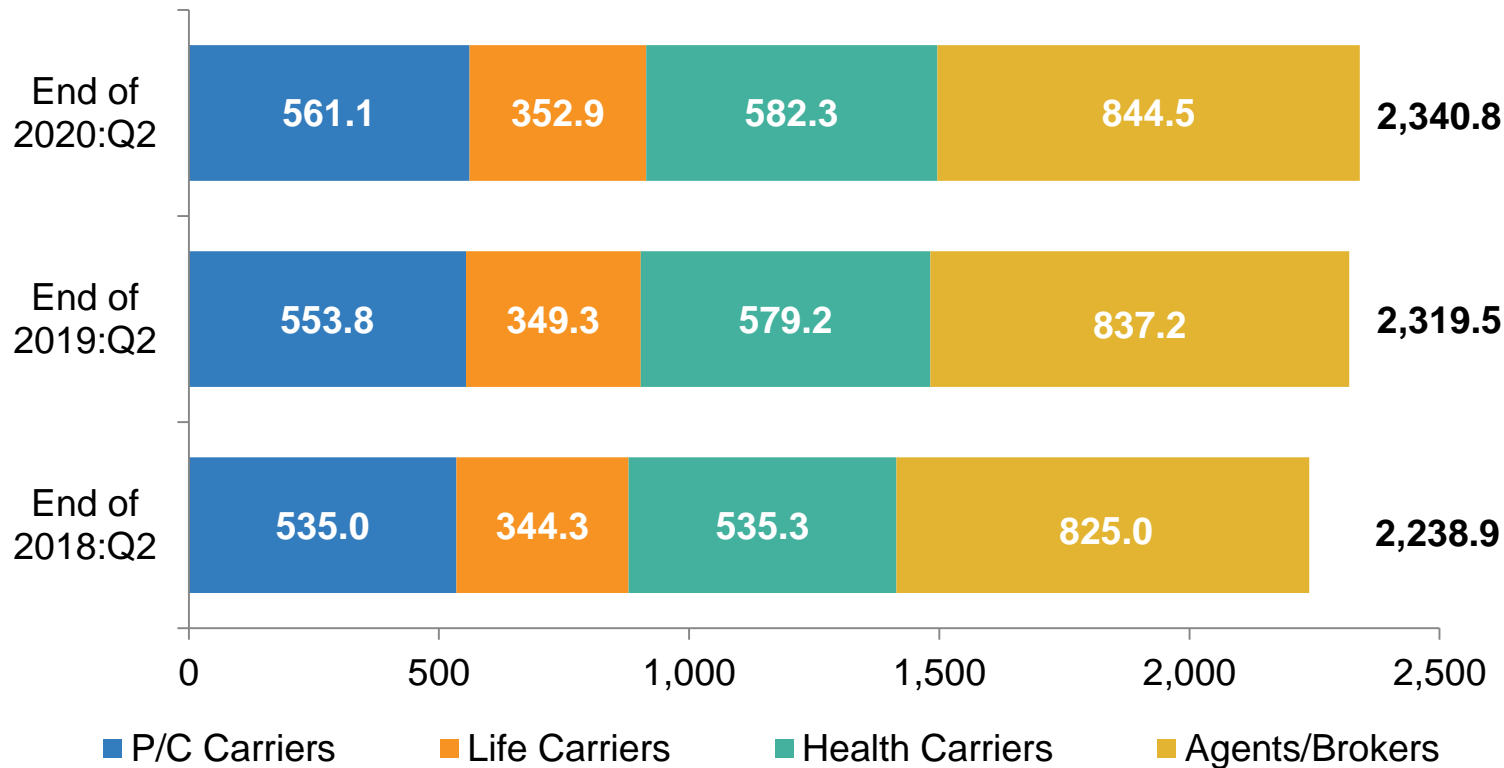
How insurance contributes to society



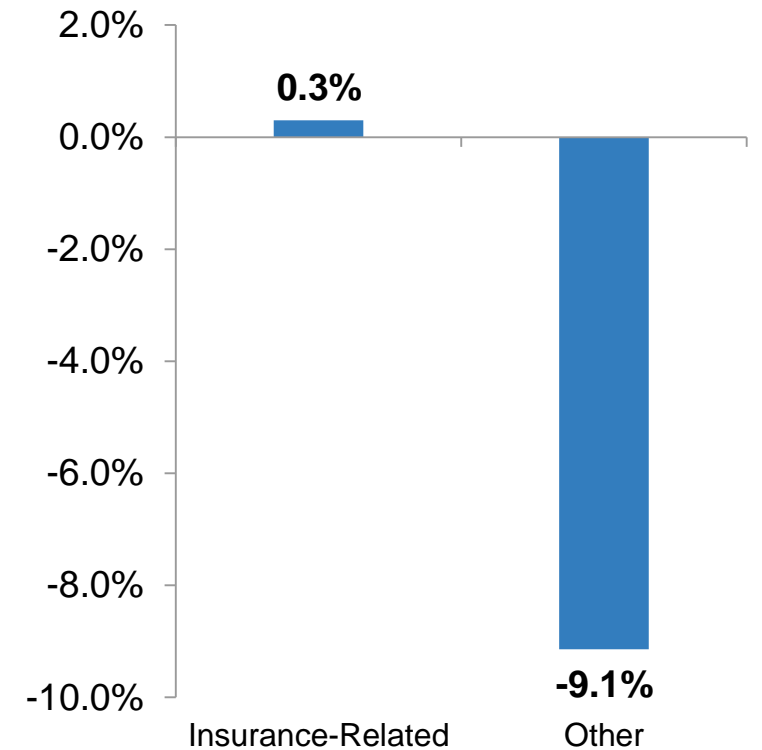
# Brains: Industry is preserving its human capital

Steady employment among all four insurance sectors despite the recession

Thousands



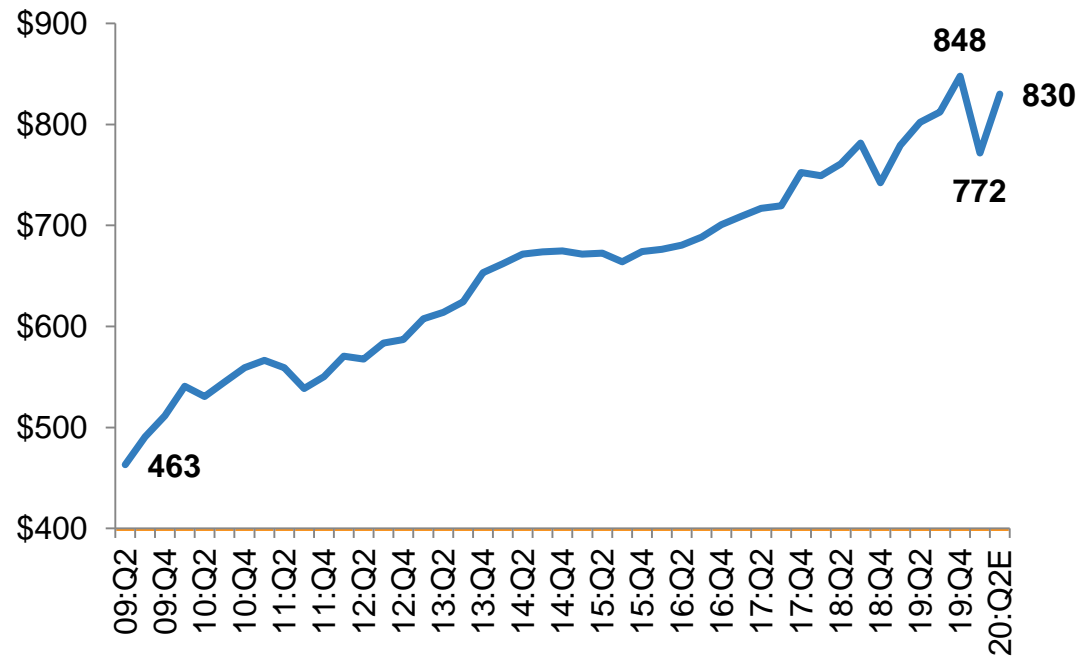
2020 Employment Change Through August



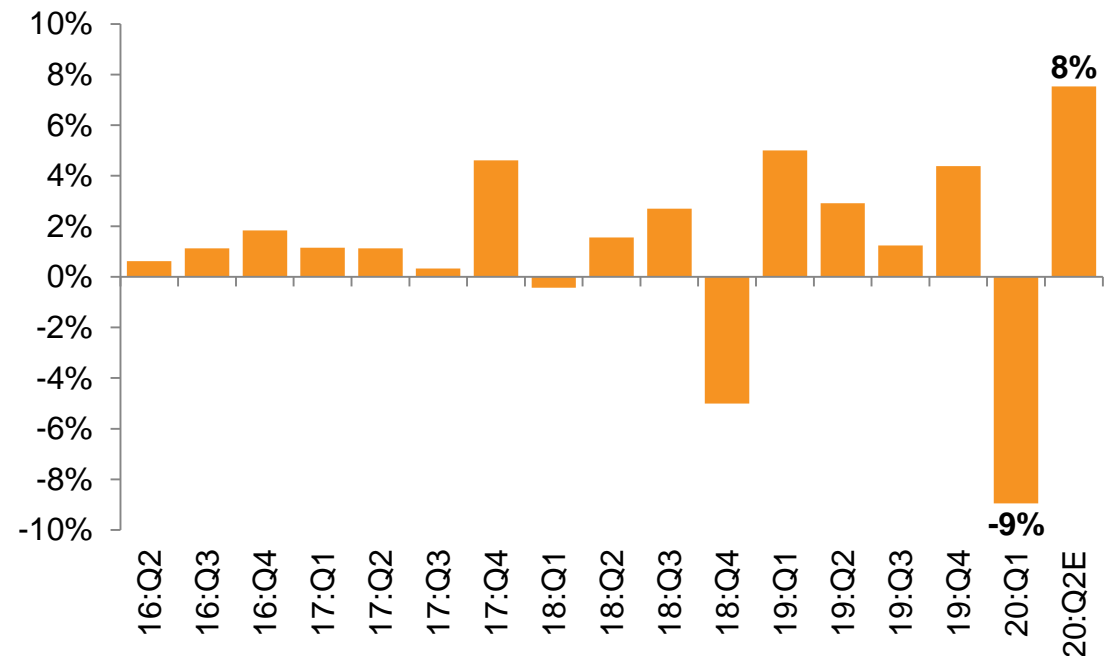
Data are seasonally adjusted.  
Sources: BLS; Insurance Information Institute.

# The bank account – Damage, then recovery

## Amount of Surplus (\$ Billions)



## Change from Prior Quarter



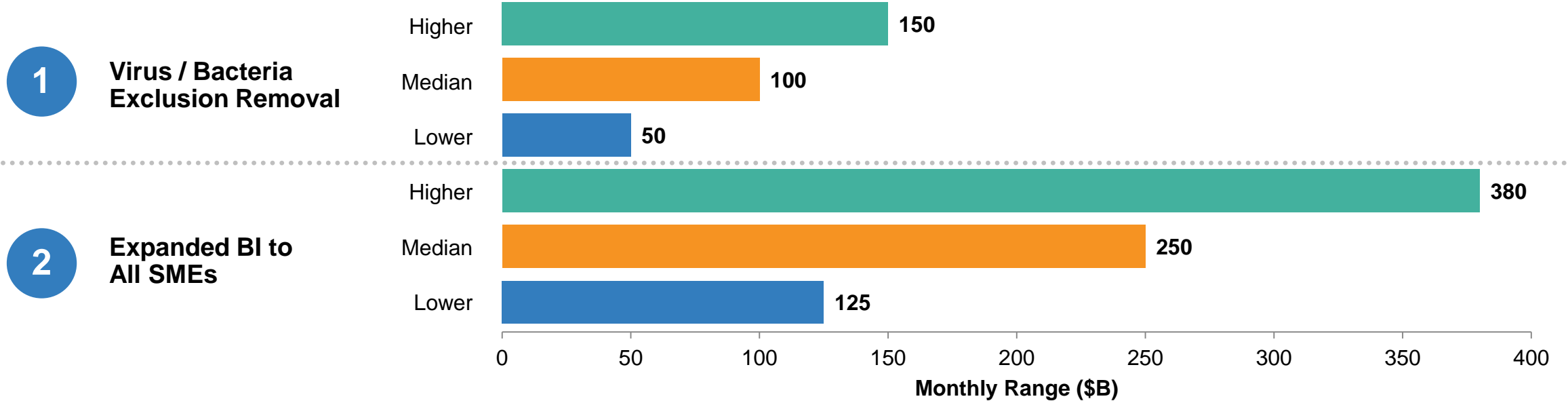
Surplus has rebounded from Q1 decline caused by unrealized capital losses (stock declines).



# Monthly costs of retroactive changes to SME BI policies

Regardless of scenario, retroactive attempts to include pandemics in BI causes bankruptcy

## Retroactive BI Scenarios



### Key Assumptions

Scenario 1: 40% take-up rate  
Scenario 2: 100% take-up rate  
Loss basis: Compensation, profits, adjustment costs 7 days waiting period  
Retained loss of 10% of total loss

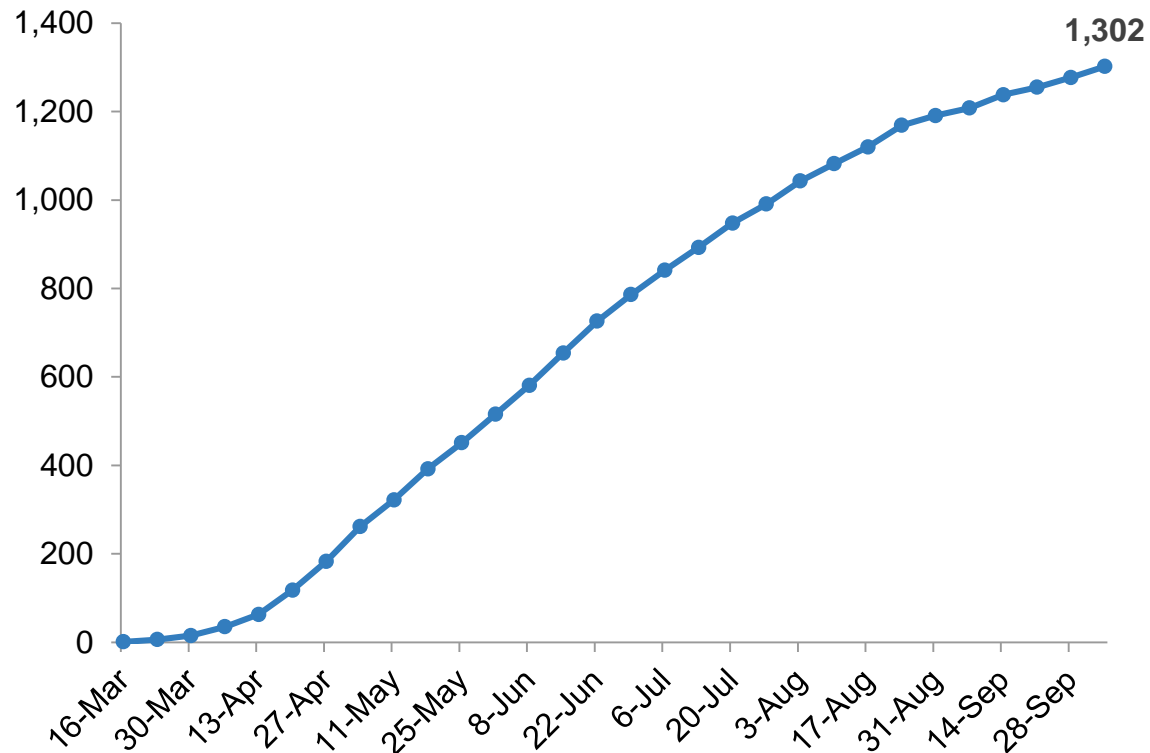


Median estimates are model-driven. The higher and lower estimates assume a standard distribution for BI losses anchored in the model-driven median loss estimates.

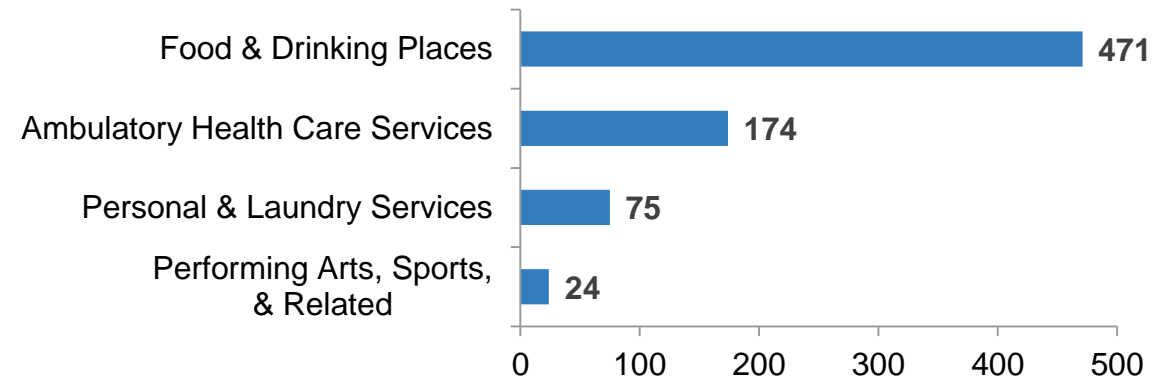
# Policy wording: Insurers minimized risk

Insurers understood threat of pandemics well before most

## Cumulative Filings



## Who Is Suing?



## Insurer Defenses

- ▲ No physical damage
- ▲ Exclusion for loss due to virus or bacteria (2006)



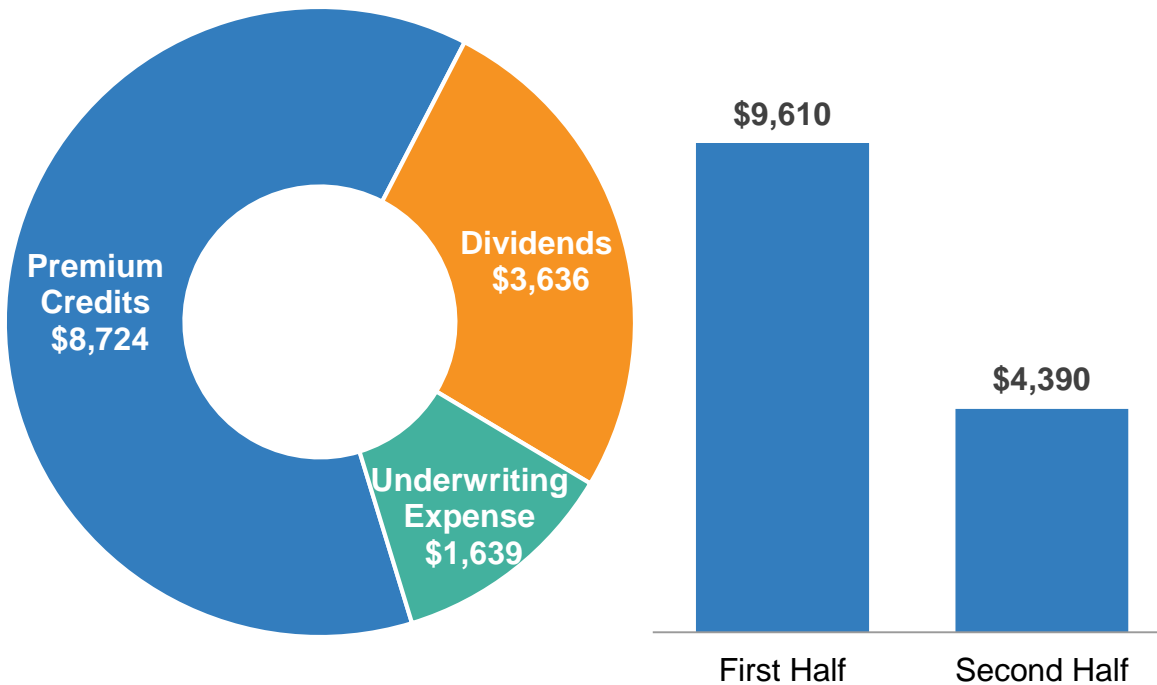
# Pricing: Adjusting on the fly

Insurers reacted nimbly to fulfill regulatory needs

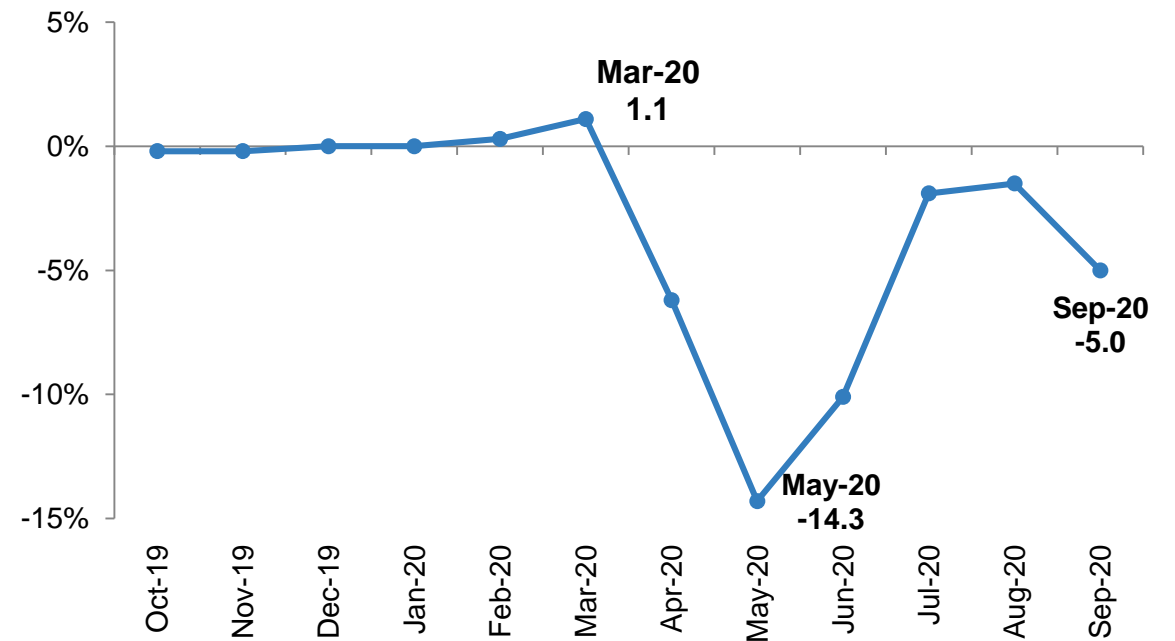
**\$14B in Personal Auto Givebacks**

**Consumer Price Index – Personal Auto**

In Millions



Percentage change from year earlier

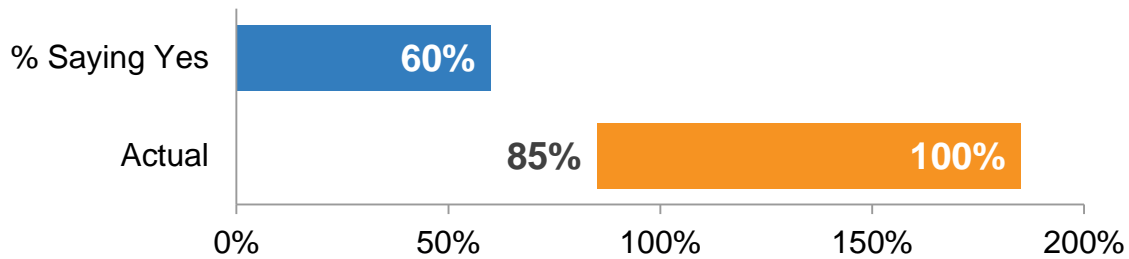


Sources: Insurance Information Institute, Bureau of Labor Statistics.

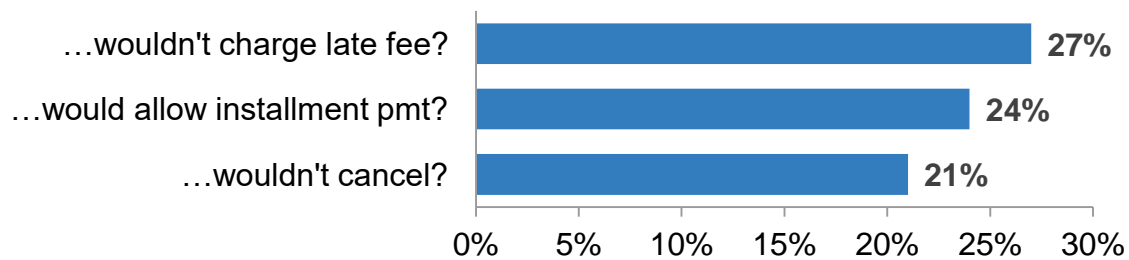
# Marketing opportunities

Too few knew industry gave back billions, but telematics shone

## Did you receive either refund or credit?

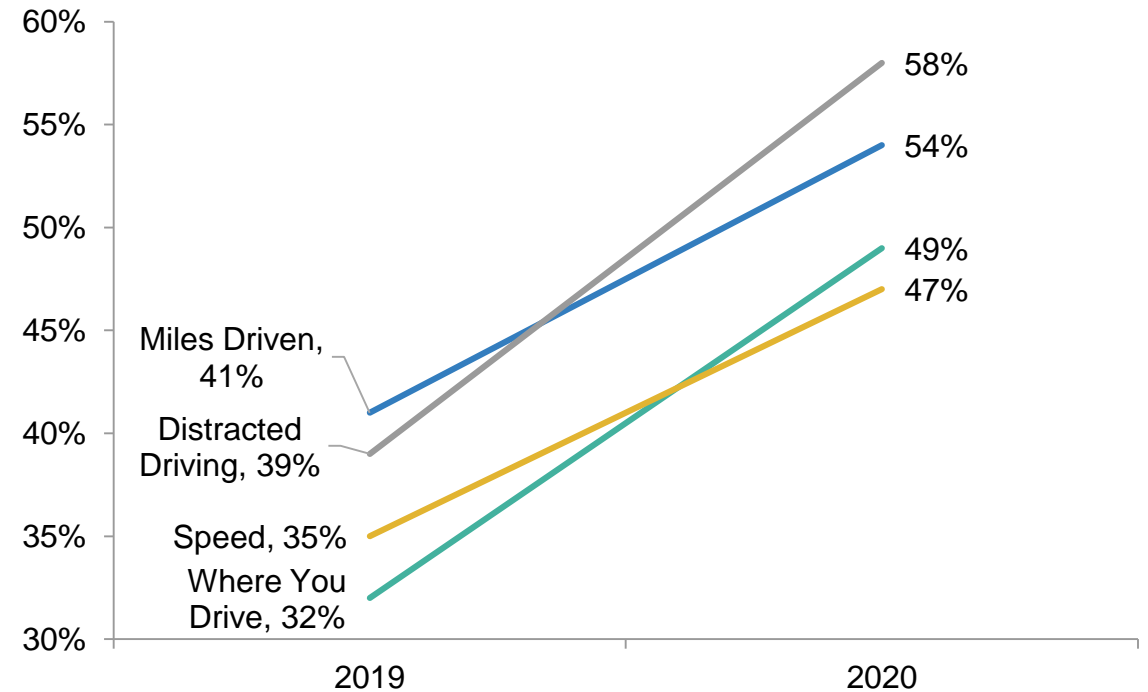


## Did insurer tell you it...



## Growing embrace of telematics

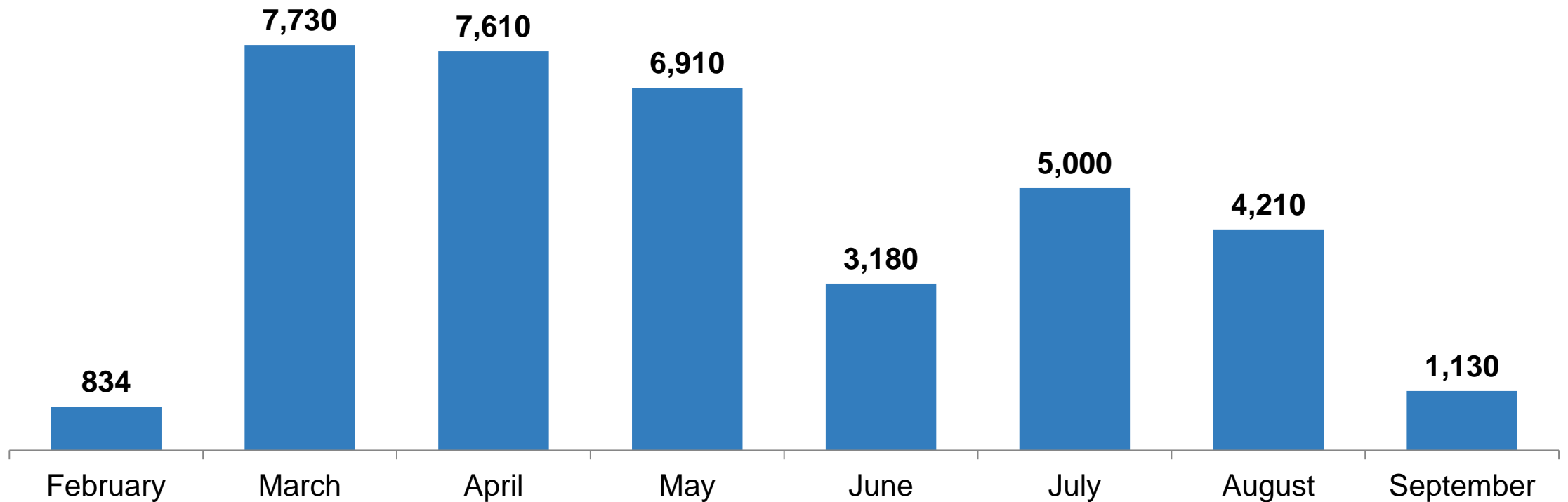
### Percent comfortable with use in pricing





# Market challenge: A surge in business interruption media coverage

## Count of Stories Mentioning Business Interruption Insurance & COVID-19



Source: Meltwater.

# Market challenge: An industry campaign

Changing insurance contracts would threaten the ability of insurers to cover claims for paying policyholders.

Only the federal government has the financial wherewithal to cover pandemic risks.

Learn more.

FAIR Future of American Insurance & Reinsurance

Get Involved Contact

Keeping promises made to Main Street, ensuring fairness for all customers.

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FAIR Future of American Insurance & Reinsurance

Insurers are keeping their promises to Main Street.

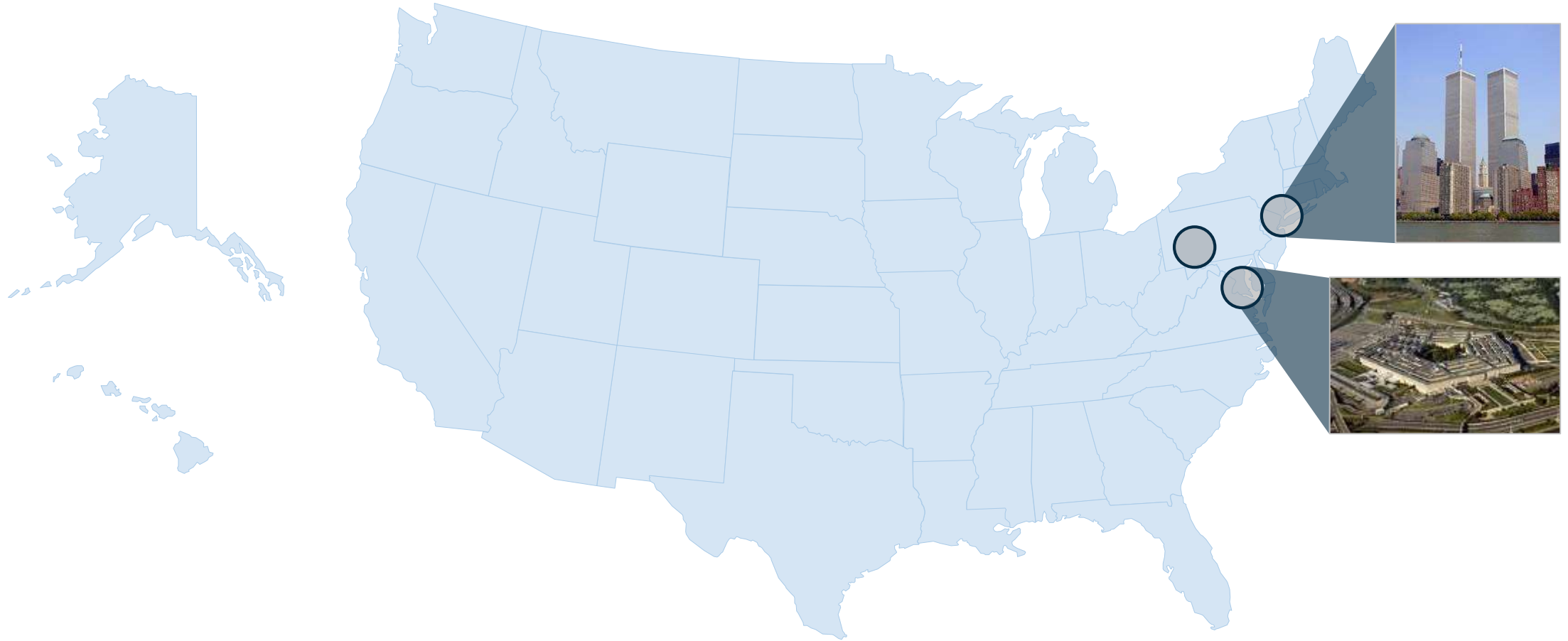
See how.

- ▲ The Future of American Insurance & Reinsurance (FAIR) campaign launched in May and has served as a source of education surrounding pivotal industry activity, including Congressional hearings, White House roundtables, state legislation, and media stories.
- ▲ With a separate website, valuable explanatory assets, stakeholder outreach, and digital promotions, this integrated campaign provides the Triple-I with a separate platform and voice to present information in a digestible, influential manner to key audiences.
- ▲ The campaign takes on overarching industry issues (i.e. business interruption) and emphasizes its essential role in supporting and rebuilding communities in these uncertain times.



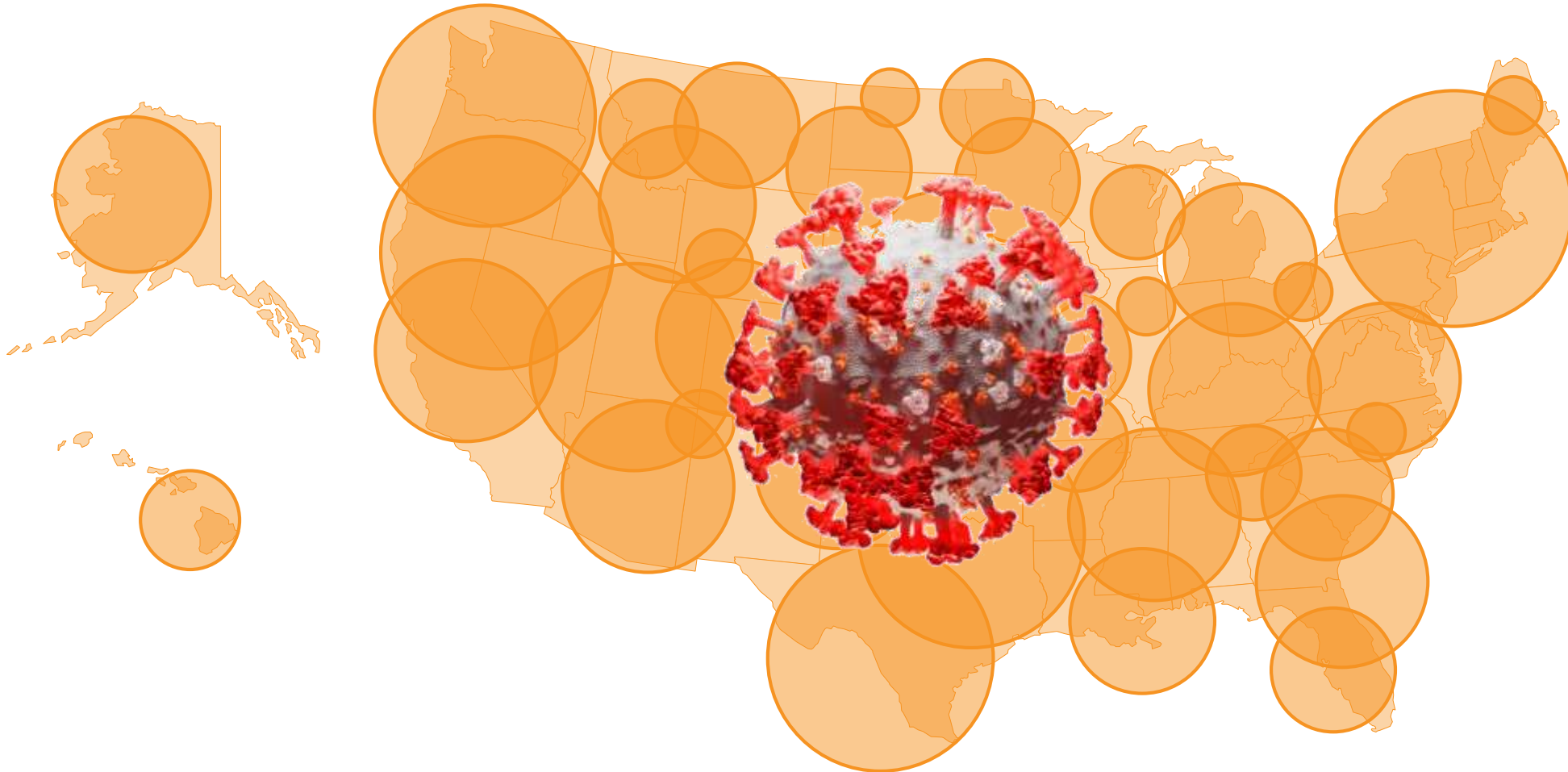
# Communications: Global pandemics are uninsurable

## Economic Impact of 9/11



# Communications: Global pandemics are uninsurable

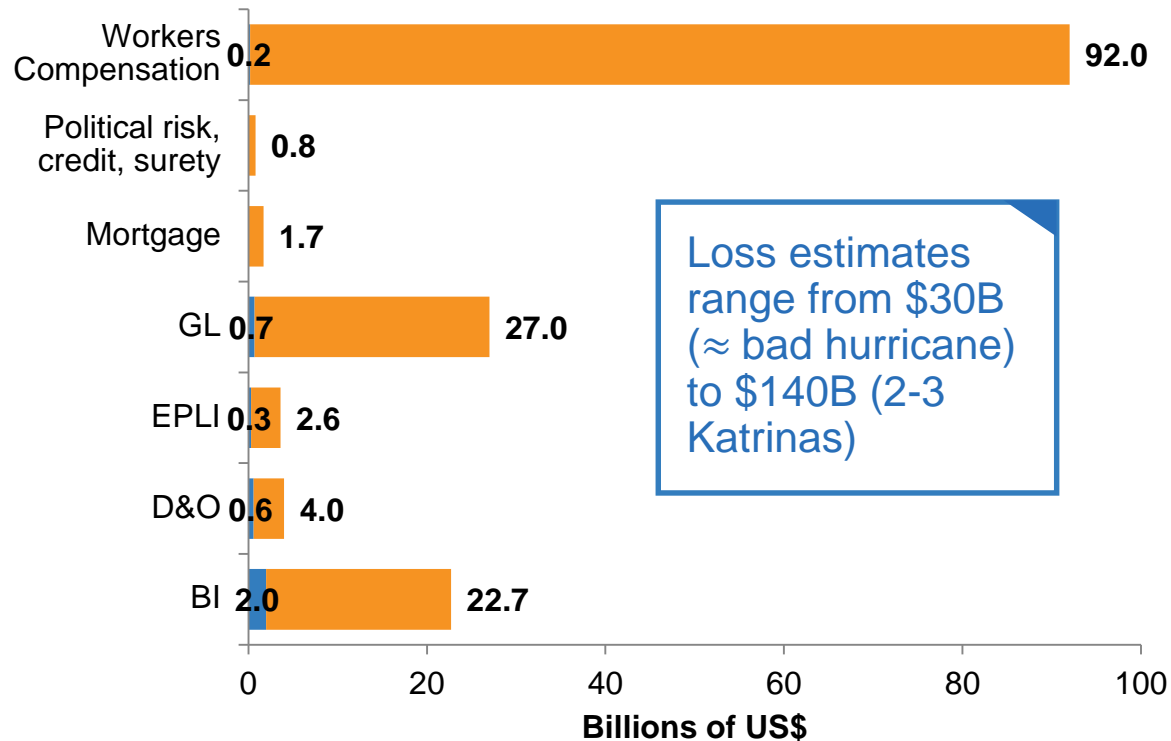
## Economic Impact of Coronavirus



# Settling claims: COVID-19's claims impact

Losses spread across many lines, but amount is uncertain

## Potential Loss Impact



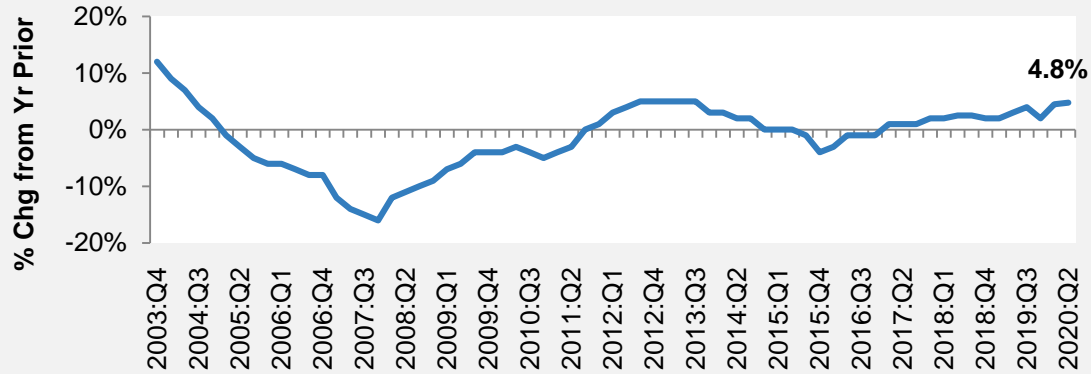
## Industrywide Toll

- ▲ Lloyd's estimate (May, worldwide) \$107B
- ▲ Reported (through September 12, worldwide): \$22.4B
- ▲ Triple-I estimate: equivalent in US to a significant hurricane (\$10B - \$50B)

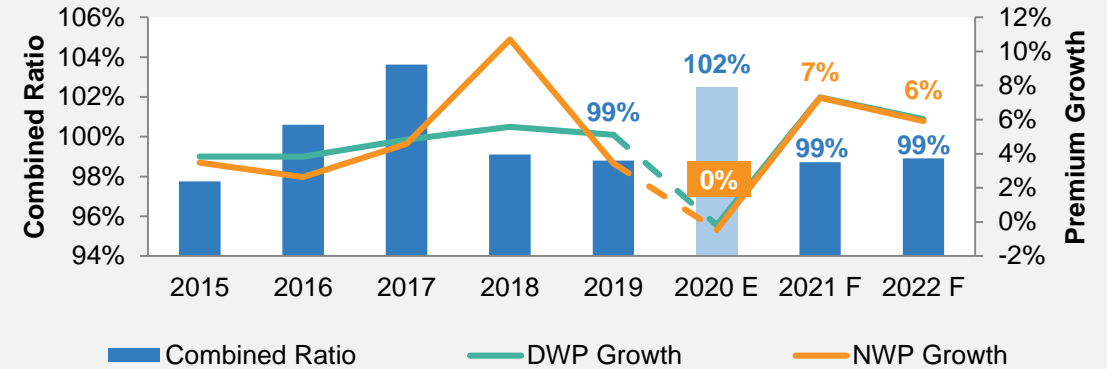


# A better place: Industry outlook

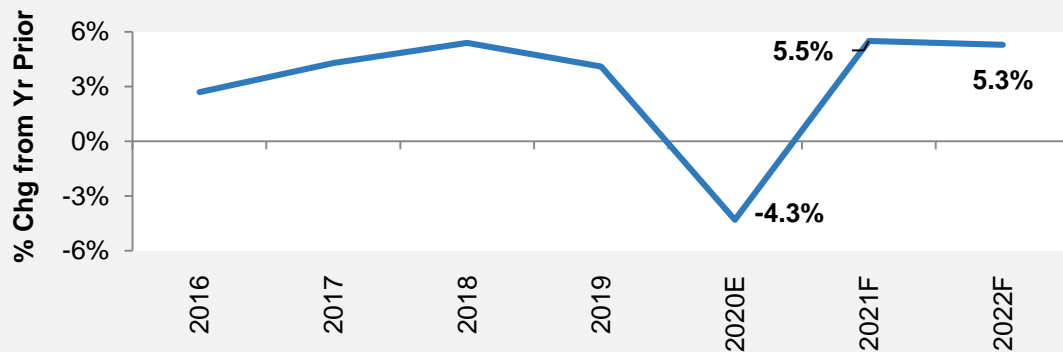
### Commercial Lines Rate Change



### Calendar Year Written Premium and Net Combined Ratio Projections



### Growth in Nominal GDP (Real GDP + Inflation)



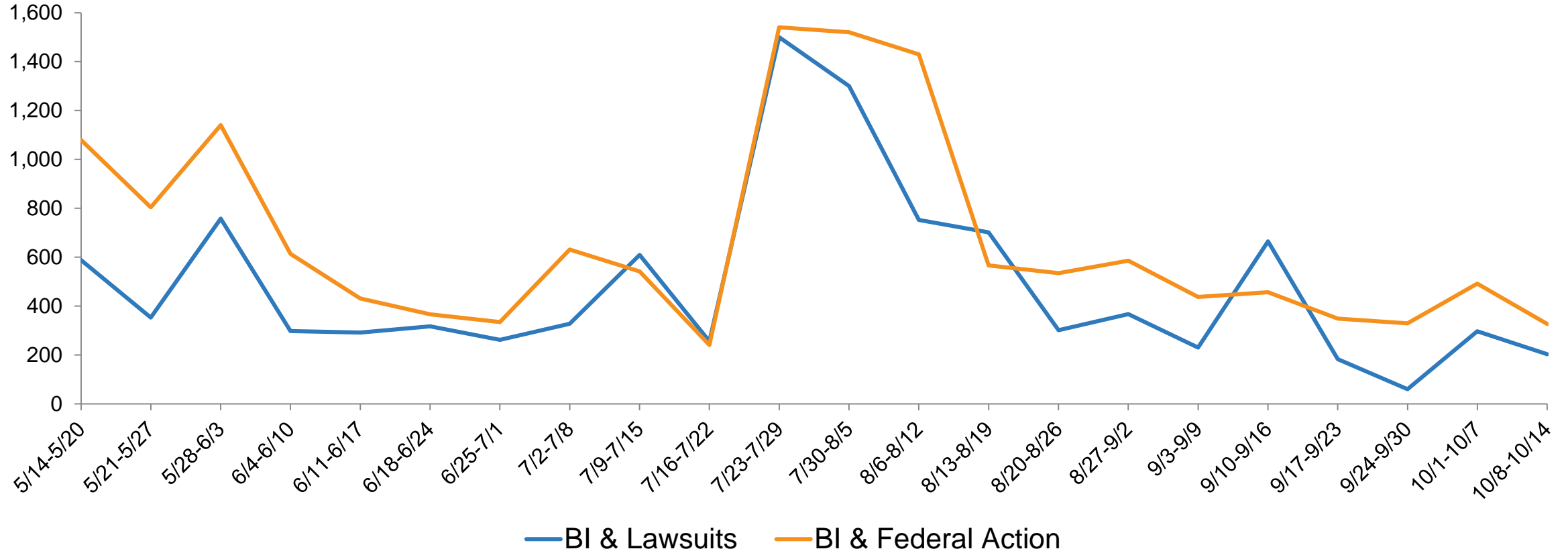
## 2020 Commentary

Overall premium projected to be flat. Underwriting result deteriorates.

- Pandemic and recession reduce exposure in personal auto, several commercial lines.
- Rate increases make up for lower exposures somewhat.
- Tremendous uncertainty due to pandemic's impact on several lines.
- We assume normal cat year, despite bleak hurricane forecast.

# A better place: Six months into COVID-19, news coverage discusses federal policy solution

Number of Stories



# A better place: FAIR guiding principles: A defined perspective on potential policy solutions

**Given their universal scope, pandemics are largely uninsurable. Therefore, only the government has the financial capacity to provide the relief small and large businesses need to weather this crisis.**

## **Proposed solutions must:**

- ▲ Maintain the federal government as a primary provider of relief, reflecting the reality that pandemic risks are not privately insurable.
- ▲ Provide widely accessible relief payments to businesses in a fast and efficient manner once a pandemic is declared by the government, with minimal chance of abuse.
- ▲ Protect businesses from losses, and incentivize businesses to retain employees, without jeopardizing insurers' existing commitments.



# America's Insurers: Stepping Up

for Customers, Communities, and Employees

The insurance industry is applying forward-thinking solutions to take care of its customers, communities, and employees during the COVID-19 crisis

## Customers

Auto insurers have returned **\$14 billion** so far to customers' pockets around the country through premium relief

## Community

Insurers have pledged **more than an estimated \$280 million** (according to III/Insurance Industry Charitable Foundation) in donations to the national and local organizations fighting this pandemic on the frontlines

## Employees

Employing more than **2.8 million Americans**, Insurers are taking care of their employees—many pledging no layoffs during the ongoing crisis

## Industry

Insurers are implementing **innovative solutions** to carrying out daily operations while respecting social distancing





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