



**INSURANCE
INFORMATION**
INSTITUTE

Insurance Leading Through Disruption

Sean Kevelighan
Chief Executive Officer

May 2021

Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038
seank@iii.org ♦ 212.346.5520 ♦ www.iii.org

Triple-I & Its Mission



**We are the trusted source of unique,
data-driven insights on insurance...**

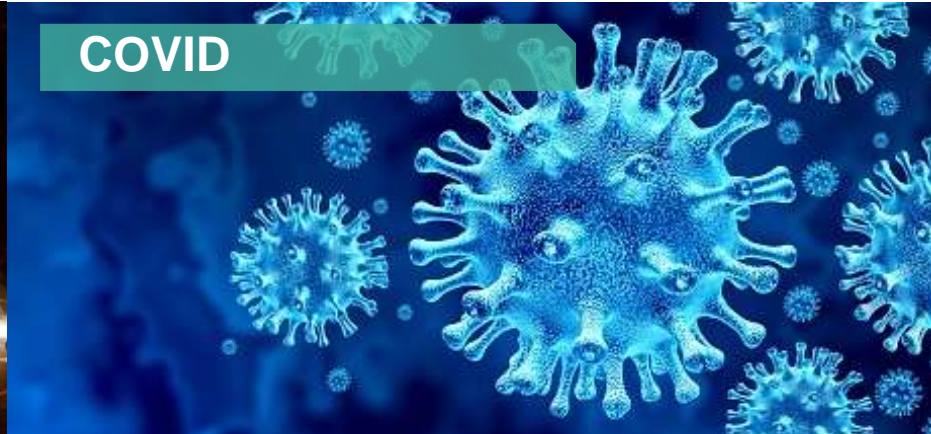
**.....to inform and empower
consumers.**

The Disruption Continuum

Catastrophes



COVID



Economics



INSURANCE

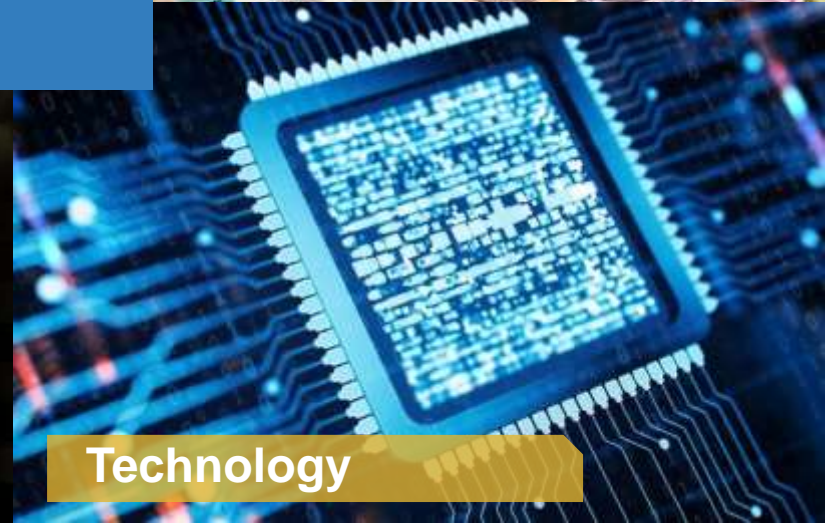
Geopolitical



Social Unrest



Technology



A New Milestone for Measuring Success

Economic Growth



Community Well-being



Capital Protections



Resilience



Fairness & Equality



COVID-19 and Insurance

Stepping Up

America's Insurers:

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

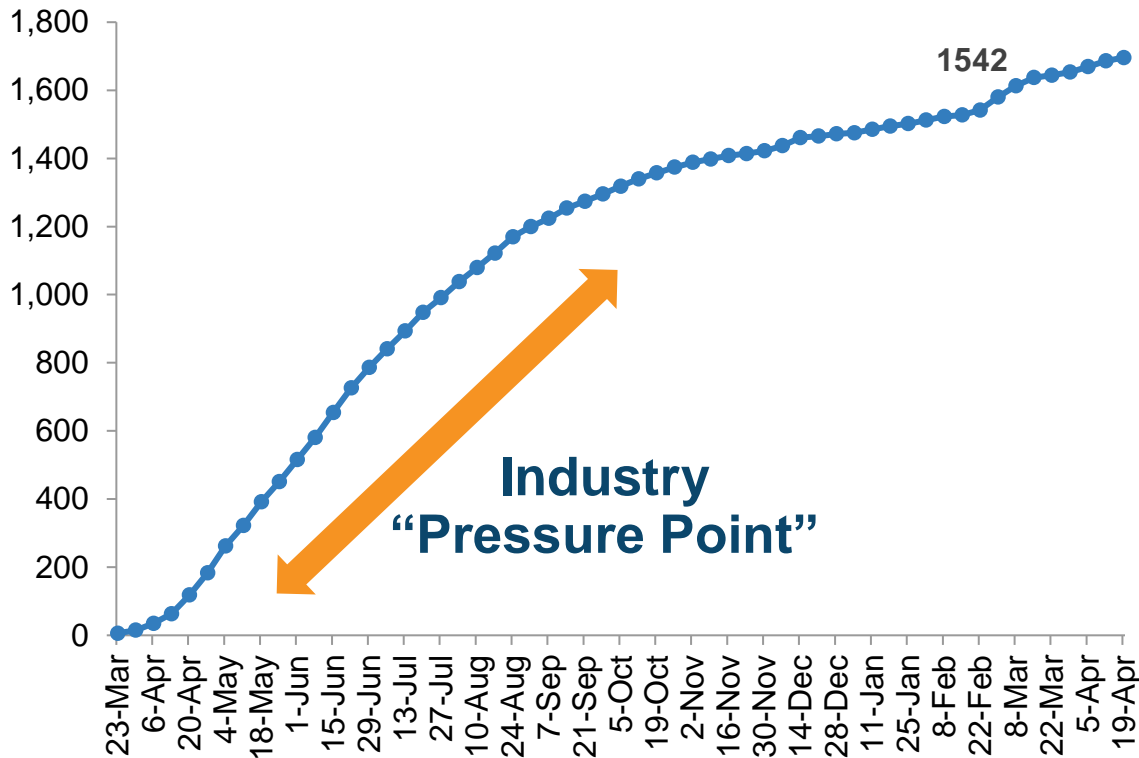
Insurers are implementing **innovative solutions** to carrying out daily operations while respecting social distancing



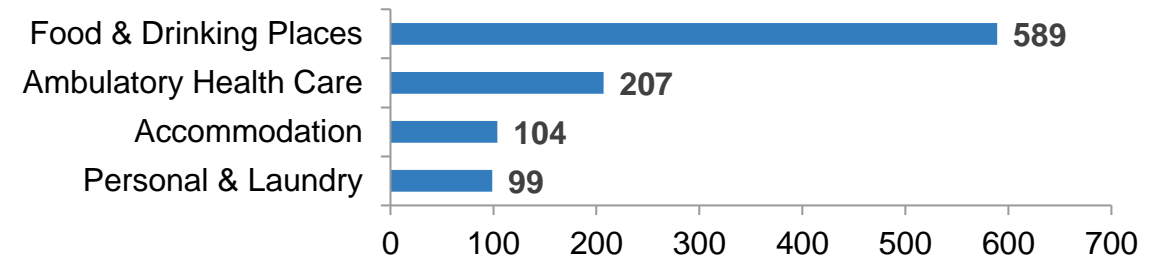
Policy wording: Insurers minimized risk

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)



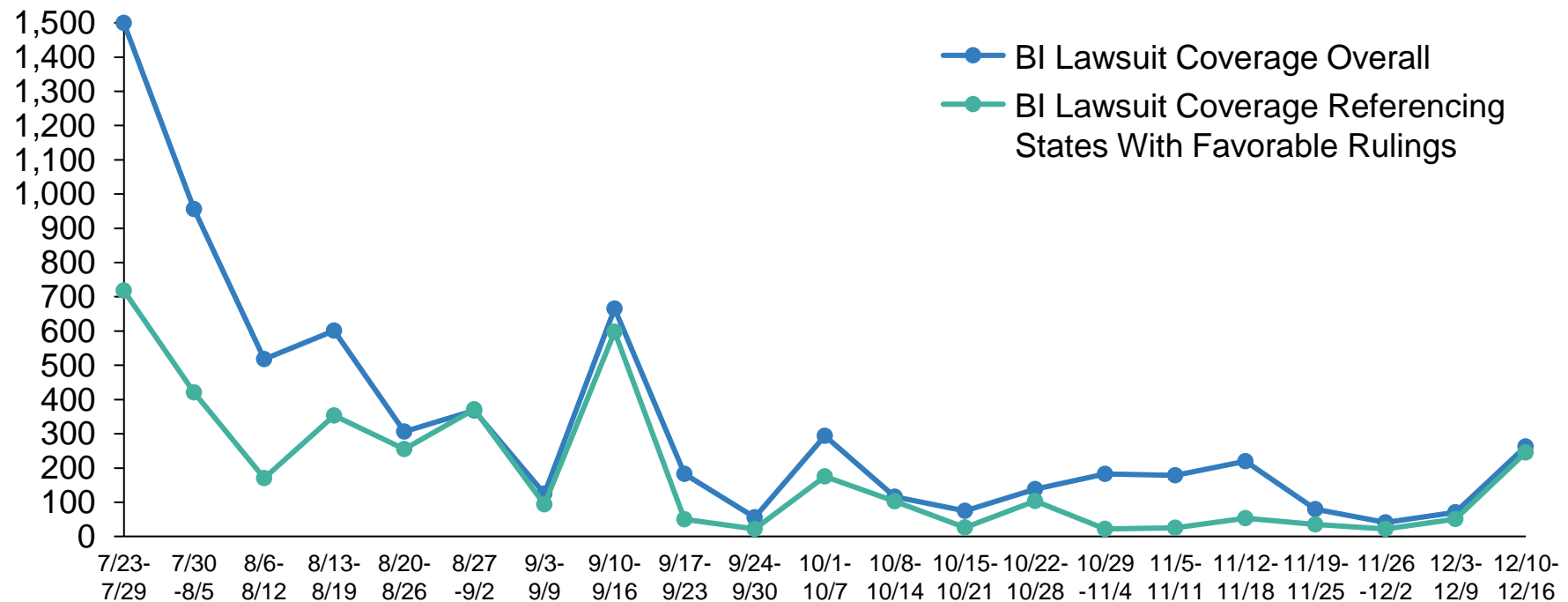
Market challenge: An industry campaign



- ▲ 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.

FAIR Campaign Educated Media and Created Positive Media Coverage for Insurers

Number Of Stories



- Through education and outreach to reporters, FAIR has been able to better contain spikes in negative coverage on pandemic-related business interruption lawsuits
- FAIR campaign also prompted a steady stream of content highlighting favorable court rulings for insurers and advocating for government-led solutions to pandemic insurance
- Given the decrease in BI coverage volume, FAIR will transition to other emerging industry issues in 2021



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.

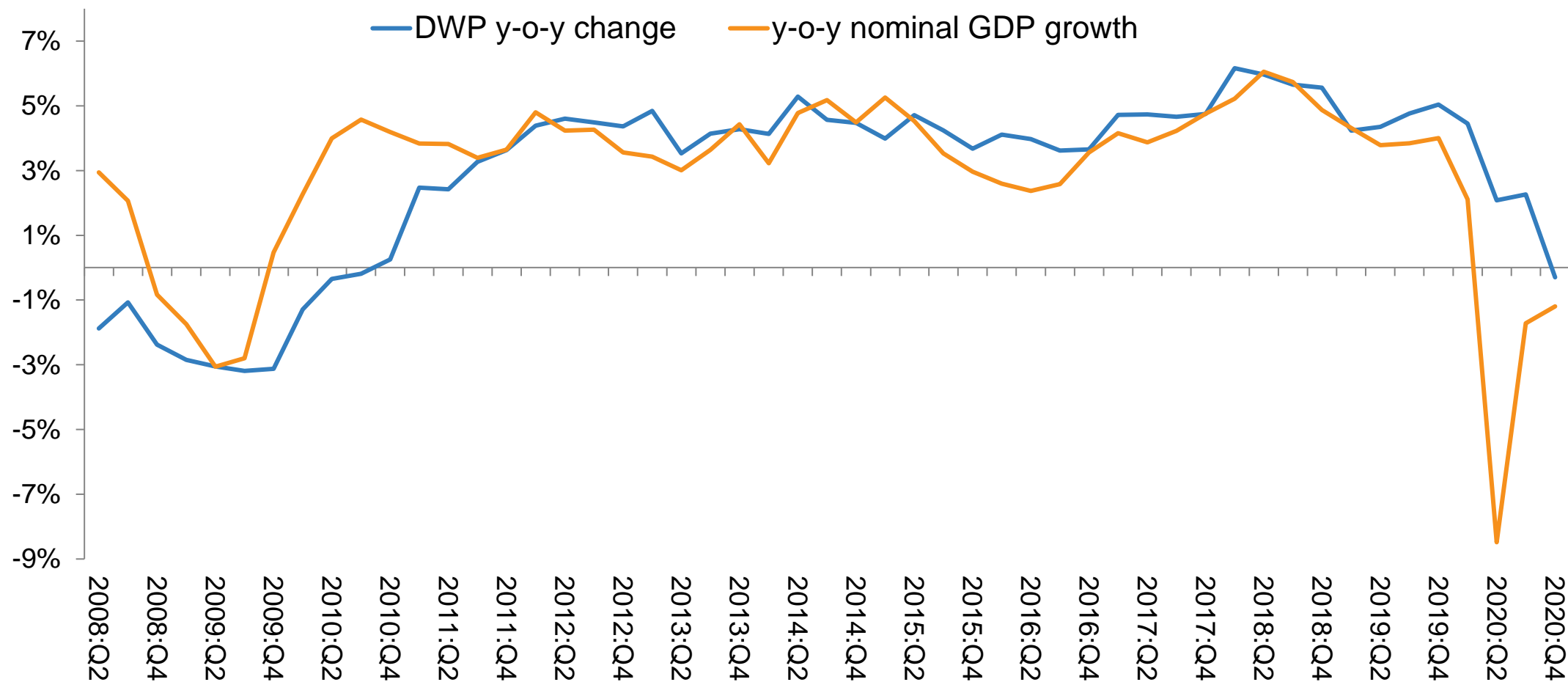


Industry Economic Impact

May 2021

The Economy Drives P/C Insurance Industry Premiums:

Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change

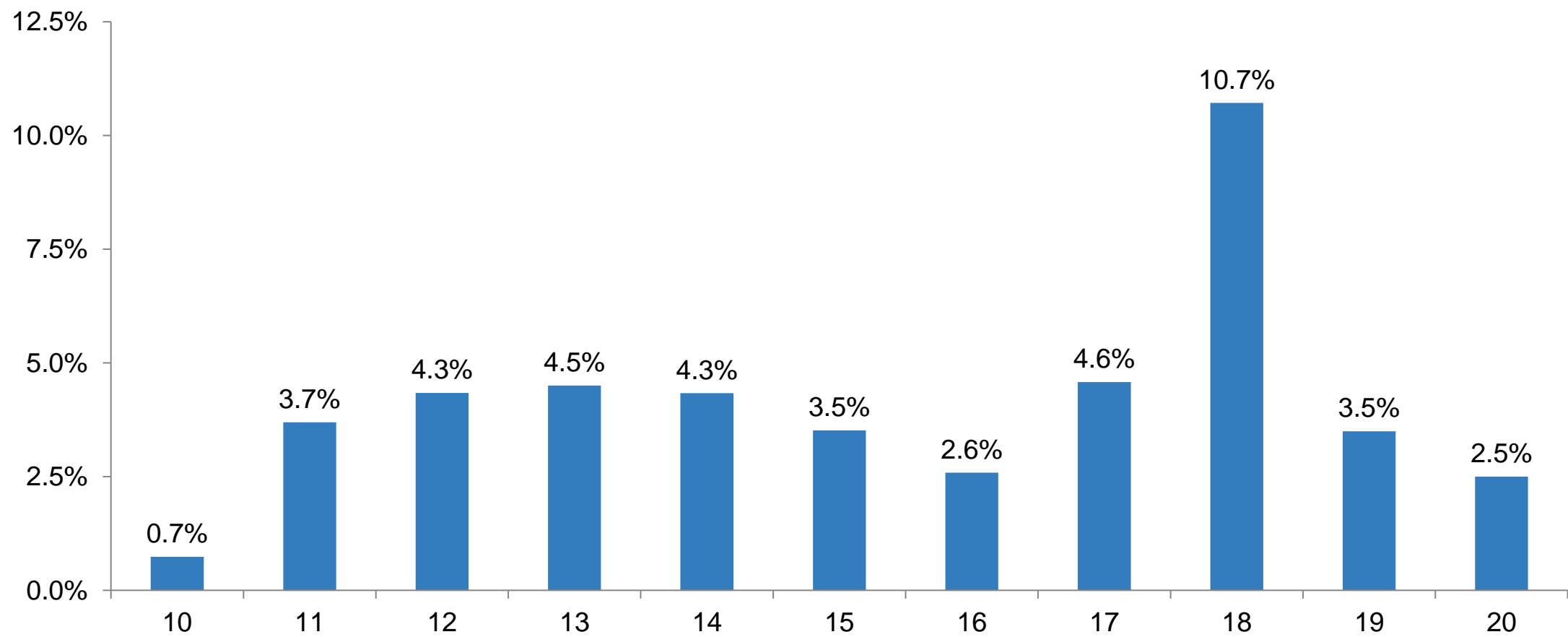


Economic Environment: Negative



Sources: NAIC data sourced through S&P Global Intelligence; Federal Reserve Bank of St. Louis (FRED); Insurance Information Institute.

Net Written Premium Growth 2010-2020 Yearly (All P/C Lines)

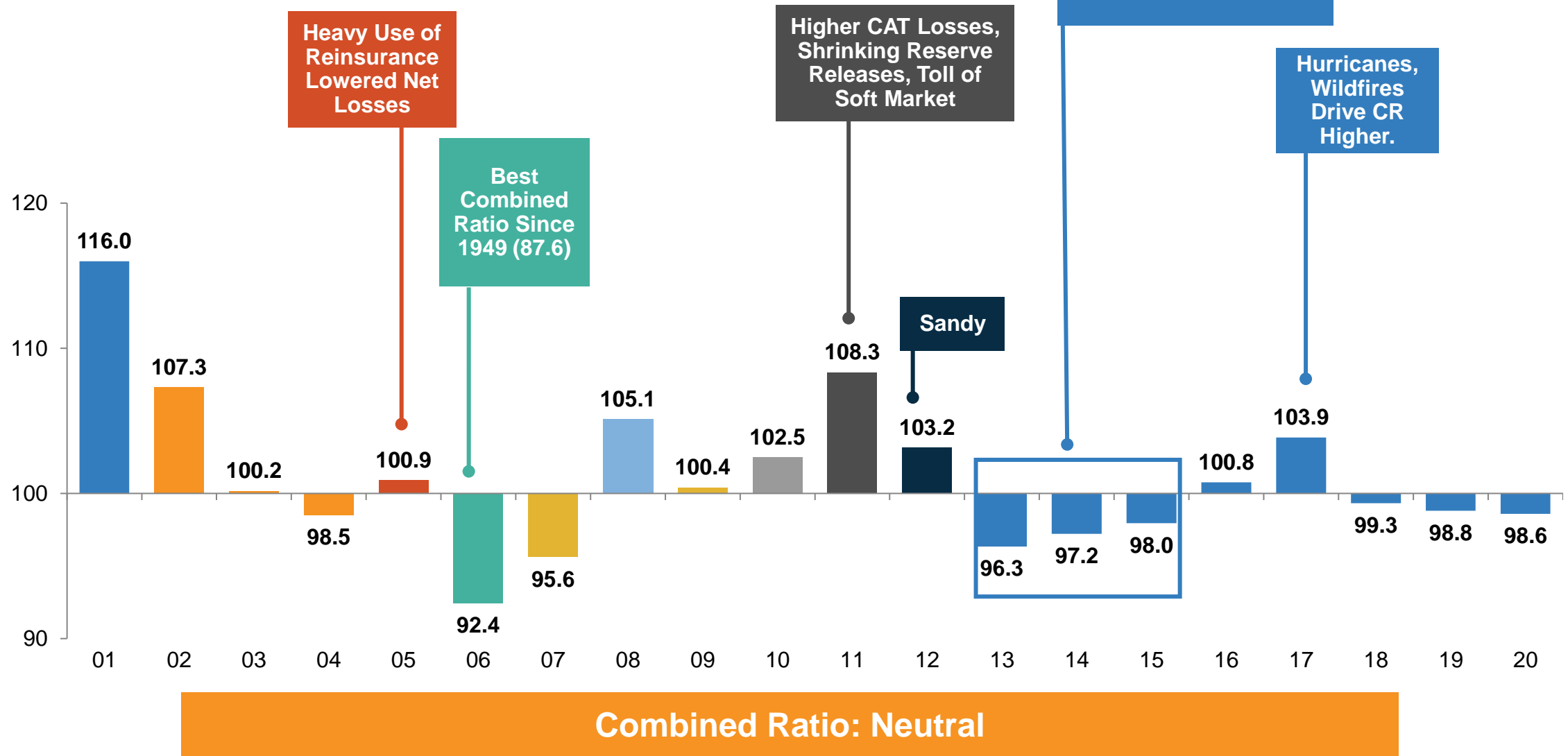


Premium Growth: Neutral



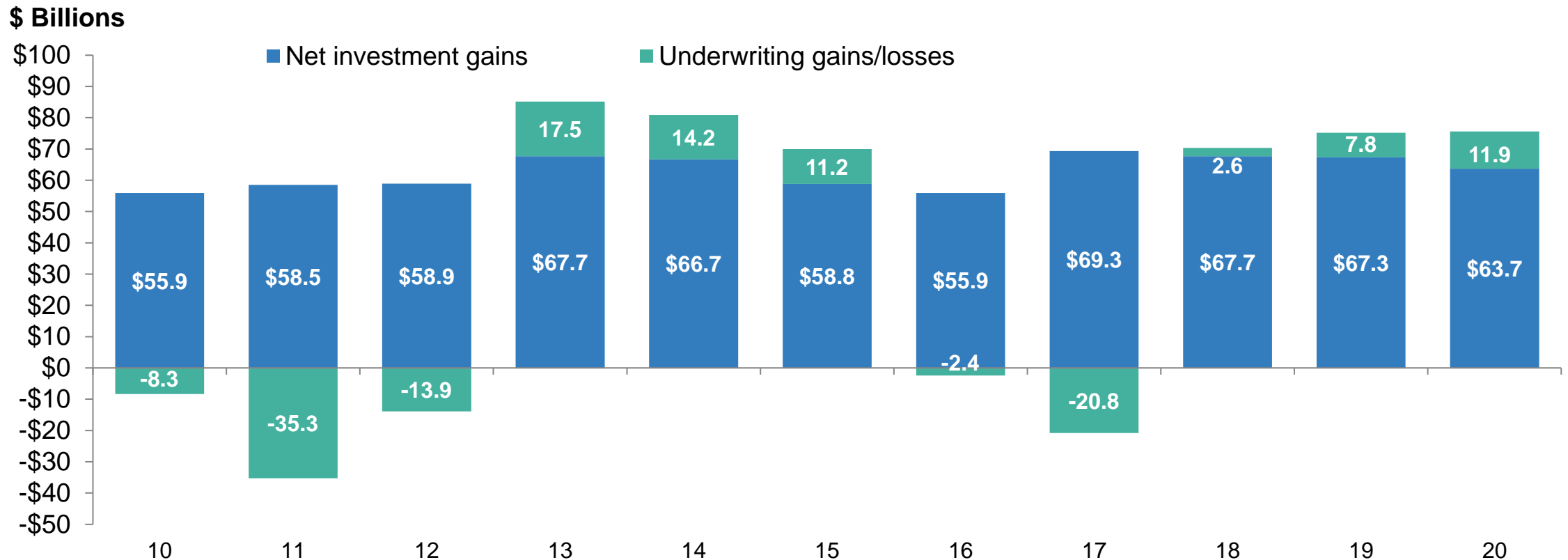
Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.

Combined Ratio 2001-2020 Yearly (All P/C Lines)



Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.

Key Sources of P/C Insurer Profits



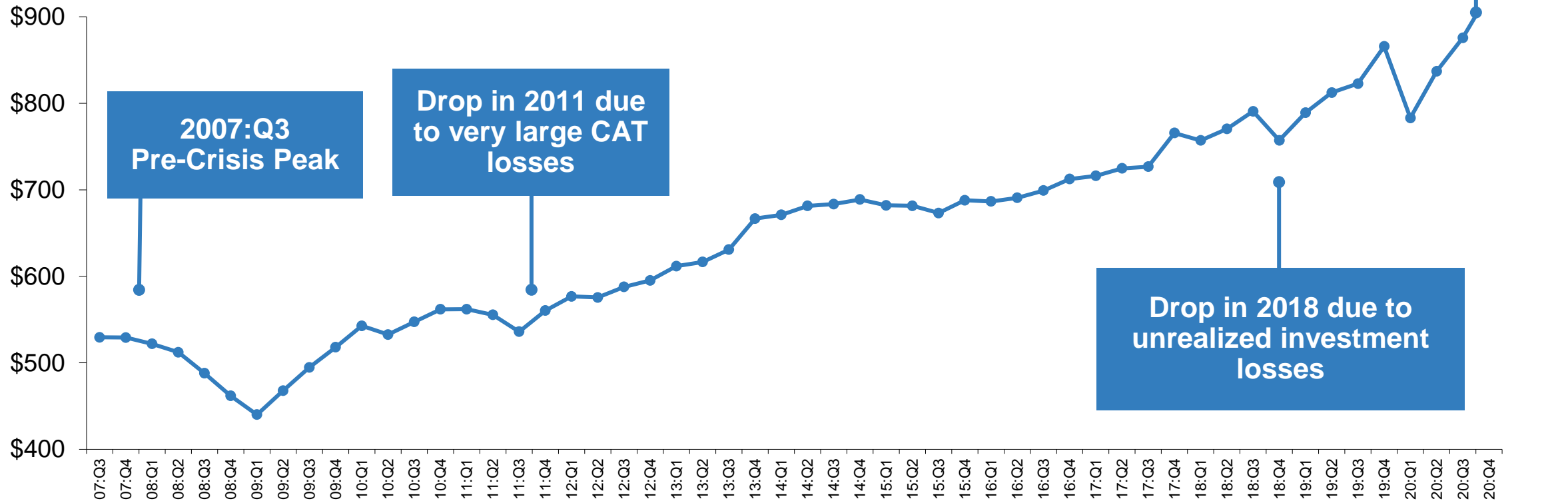
Lower investment income means UW income has to grow.



Through fourth quarter. Not adjusted for inflation. Data are before taxes and exclude extraordinary items.
Source: NAIC data, sourced from S&P Global Market Intelligence.

Policyholder Surplus 2007-2020 Quarterly

\$ Billions



Policyholder Surplus: Positive



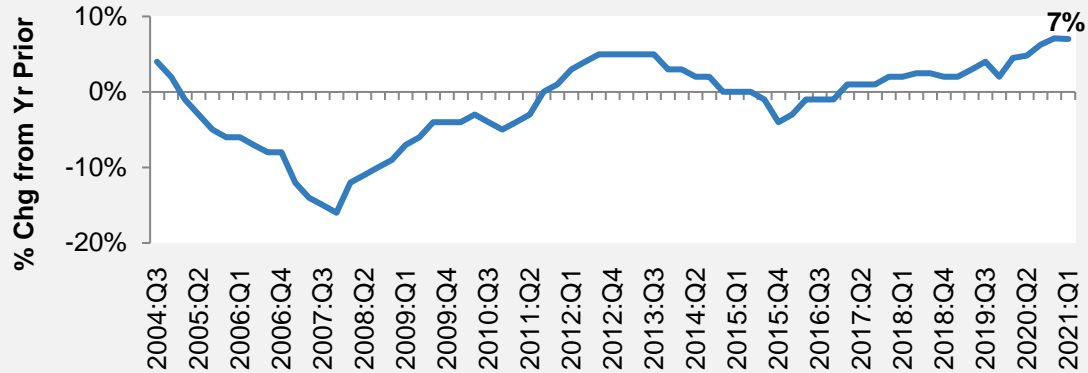
Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.

Forecasting Trends

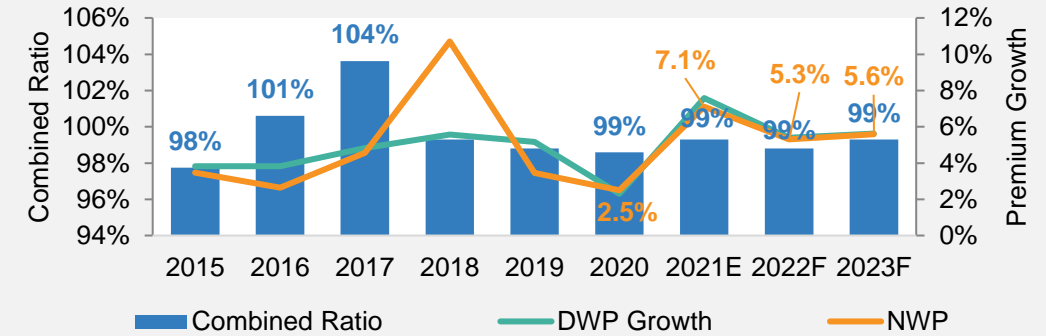
May 2021

Industry Outlook

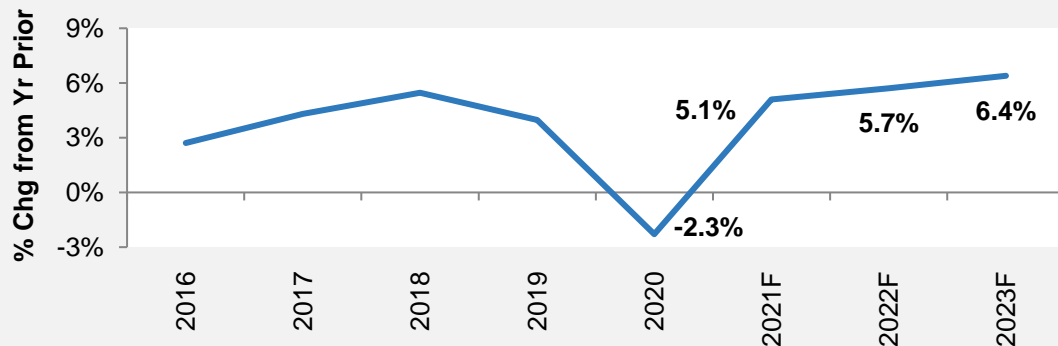
Commercial Lines Rate Change



Calendar Year Written Premium and Net Combined Ratio Projections



Growth in Nominal GDP (Real GDP + Inflation)



2021 Commentary

- A growing economy means more exposures to insure – good news
- Hard market will persist particularly in lines hit hard by social inflation, like commercial auto, D&O and general liability
- Q1 Texas storms a bumpy start for catastrophes this year, homeowners will struggle with profitability

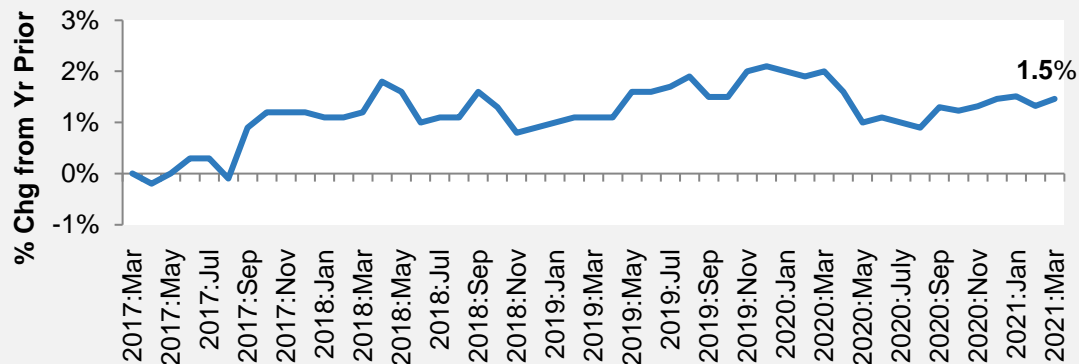
Data sources: NAIC data sourced through S&P Global Market Intelligence, MarketScout, Blue Chip Economic Indicators, Congressional Budget Office, PCS, Aon, Munich Re, Energy Information Agency, FRED (Federal Reserve Bank of St. Louis).

Analysis: Insurance Information Institute, Milliman.

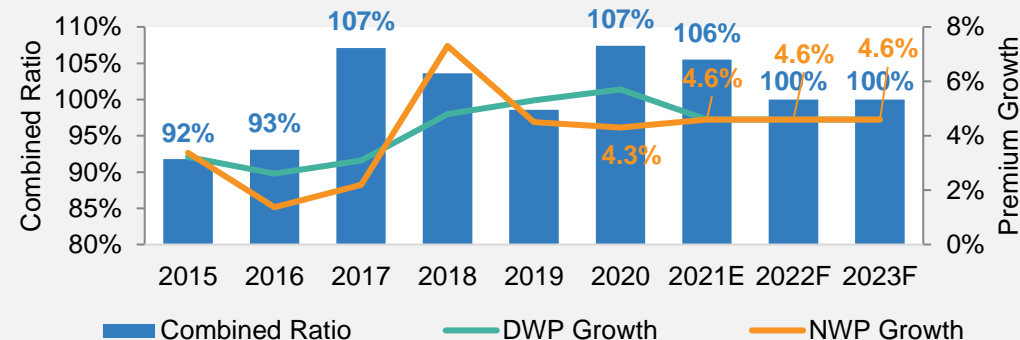


Homeowners

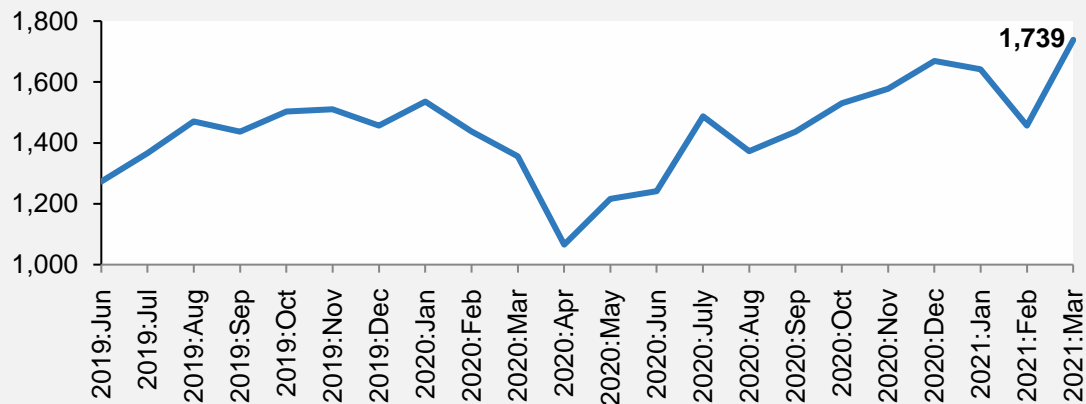
PPI for Homeowners Insurance



Calendar Year Written Premium and Net Combined Ratio Projections



Thousands of New Privately-Owned Housing Units



2020/2021 Commentary

- The combined ratio in 2020 was 107.4, thanks to lots of hurricanes, convective storms, wildfires and the occasional derecho
- First quarter rarely has mega-cats, so the 2021 Texas freeze meant losses were about \$10 billion more than the normal Q1

Watch for:

➤ Another above-average hurricane season is expected

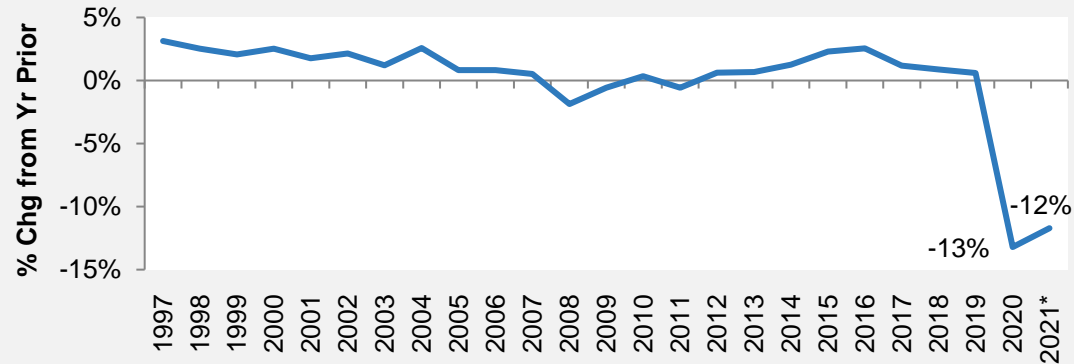
Data sources: NAIC data sourced through S&P Global Market Intelligence, MarketScout, Blue Chip Economic Indicators, Congressional Budget Office, PCS, Aon, Munich Re, Energy Information Agency, FRED (Federal Reserve Bank of St. Louis).

Analysis: Insurance Information Institute, Milliman.

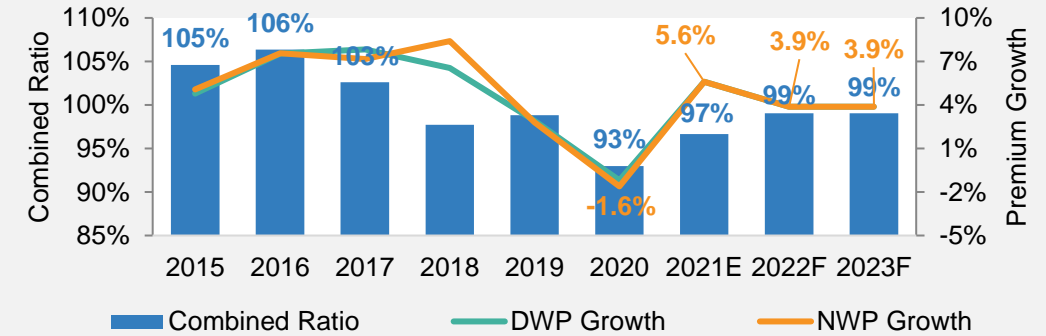


Personal Auto

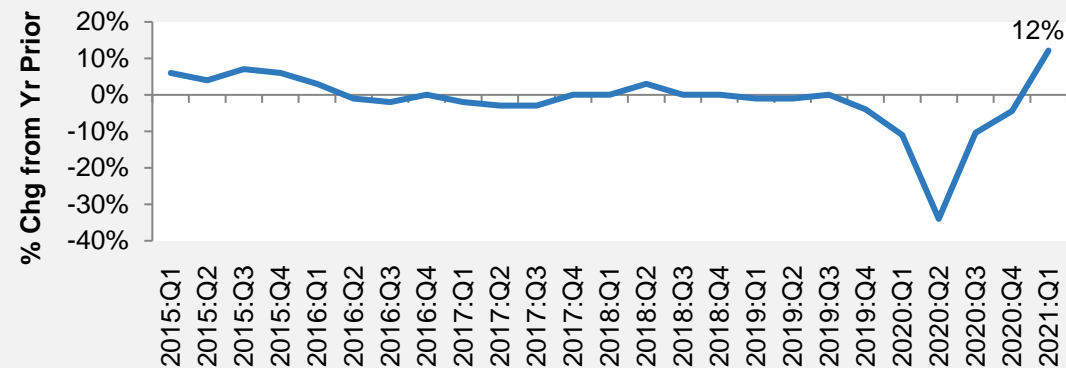
YTD Vehicle Miles Traveled



Calendar Year Written Premium and Net Combined Ratio Projections



Total Vehicle Sales



2020/2021 Commentary

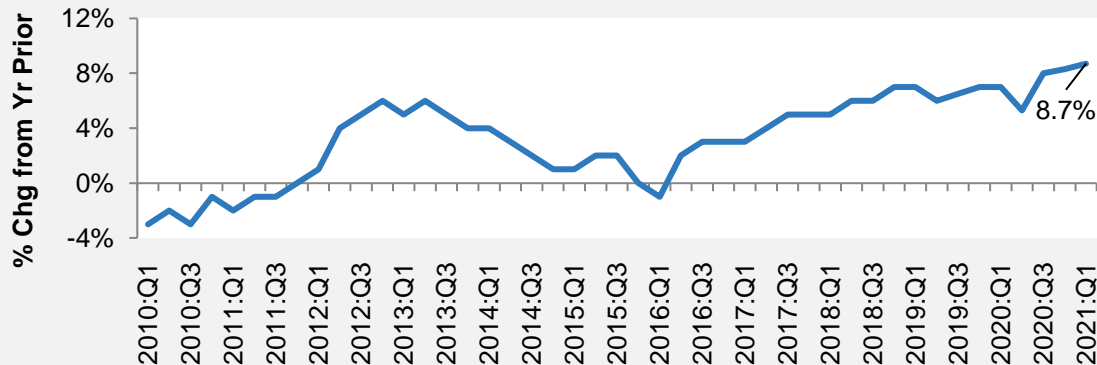
- Excellent 2020 results from changes in driving patterns
- Through Q1 2021 miles driven remained about 15 percent below pre-pandemic levels. Bad driving behaviors picked up when the roads were empty.

Watch for:
 ➤ Cars now contain more expensive parts and there are supply chain issues in getting parts.

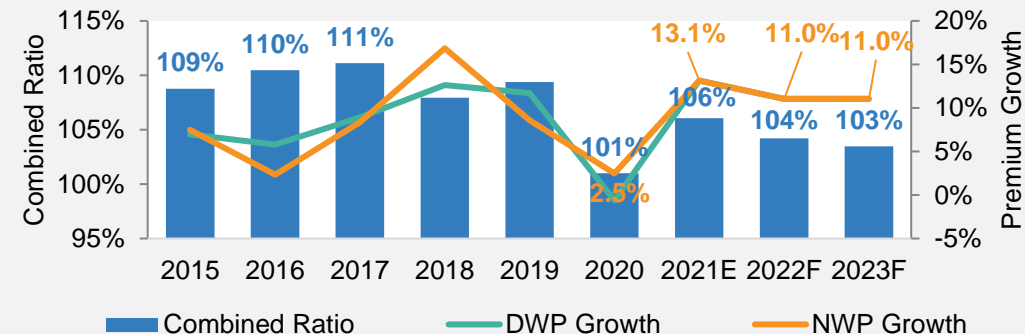


Commercial Auto

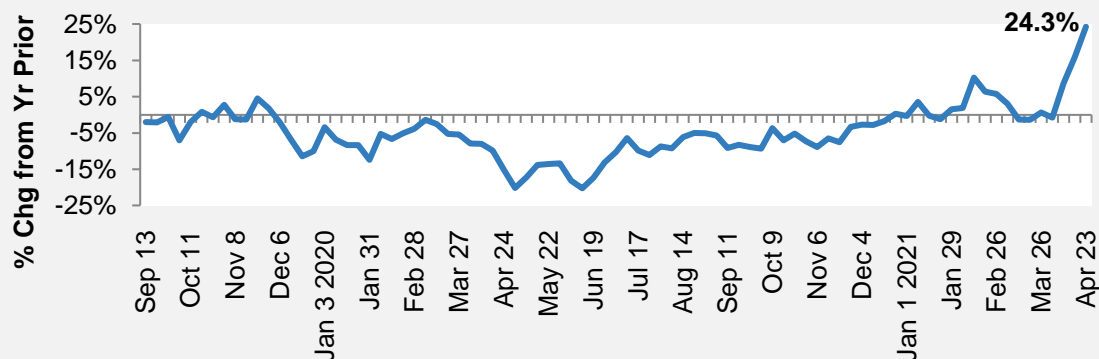
Commercial Auto Rate Changes



Calendar Year Written Premium and Net Combined Ratio Projections



4 Week Moving Average US Distillate Fuel Oil (Diesel) Supplied



2020/2021 Commentary

- Liability loss ratios deteriorated from the third to the fourth quarter of 2020.
- Projected combined ratio for 2021 will be 106.1. Thanks to the continued hard market, that's better than 2019.

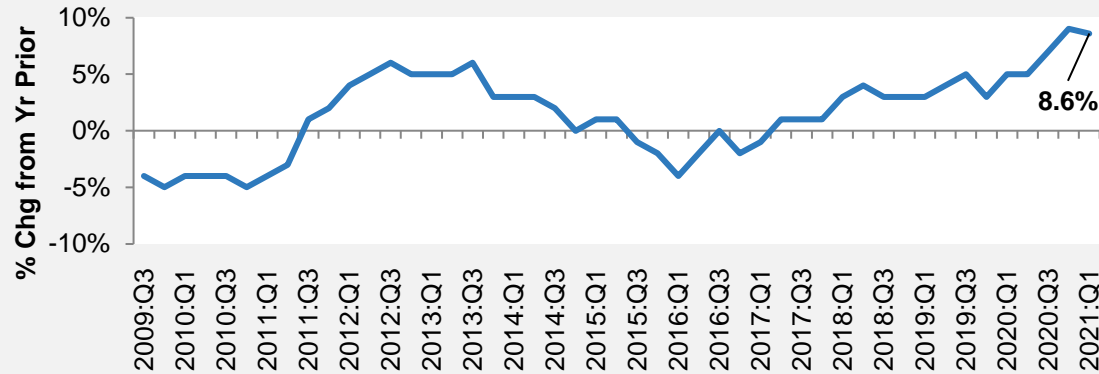
Watch for:

Adverse development issues

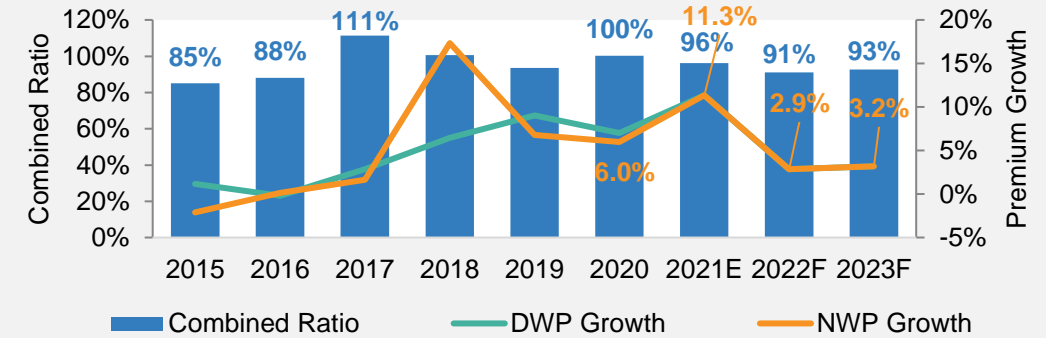


Commercial Property

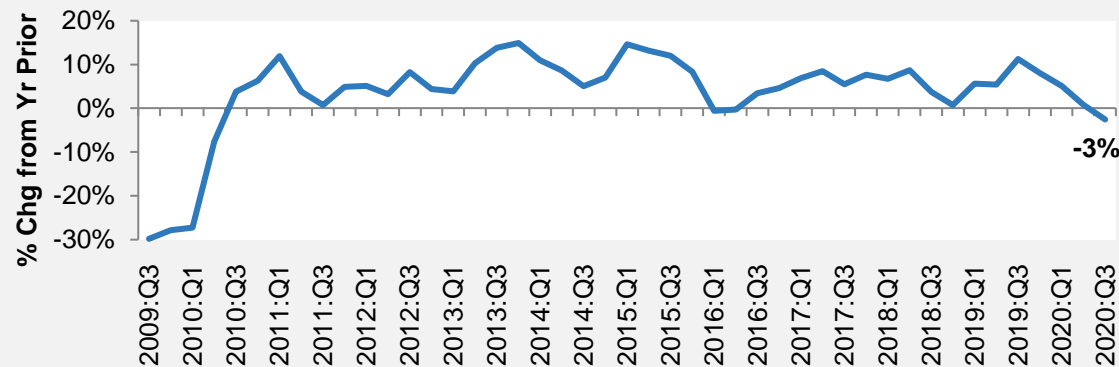
Commercial Property Rate Change



Calendar Year Written Premium and Net Combined Ratio Projections



Commercial Real Estate Prices for the US



2020/2021 Commentary

- 2020 had exposure from nat cats: hurricanes, wildfires, tornadoes, an enormous derecho, and as well, social unrest.
- A slow improvement in office vacancies is in the cards for commercial real estate.

Watch for:
Drought conditions will bring more wildfires in the West.



Data sources: NAIC data sourced through S&P Global Market Intelligence, MarketScout, Blue Chip Economic Indicators, Congressional Budget Office, PCS, Aon, Munich Re, Energy Information Agency, FRED (Federal Reserve Bank of St. Louis).

Analysis: Insurance Information Institute, Milliman.



RESILIENCE ACCELERATOR

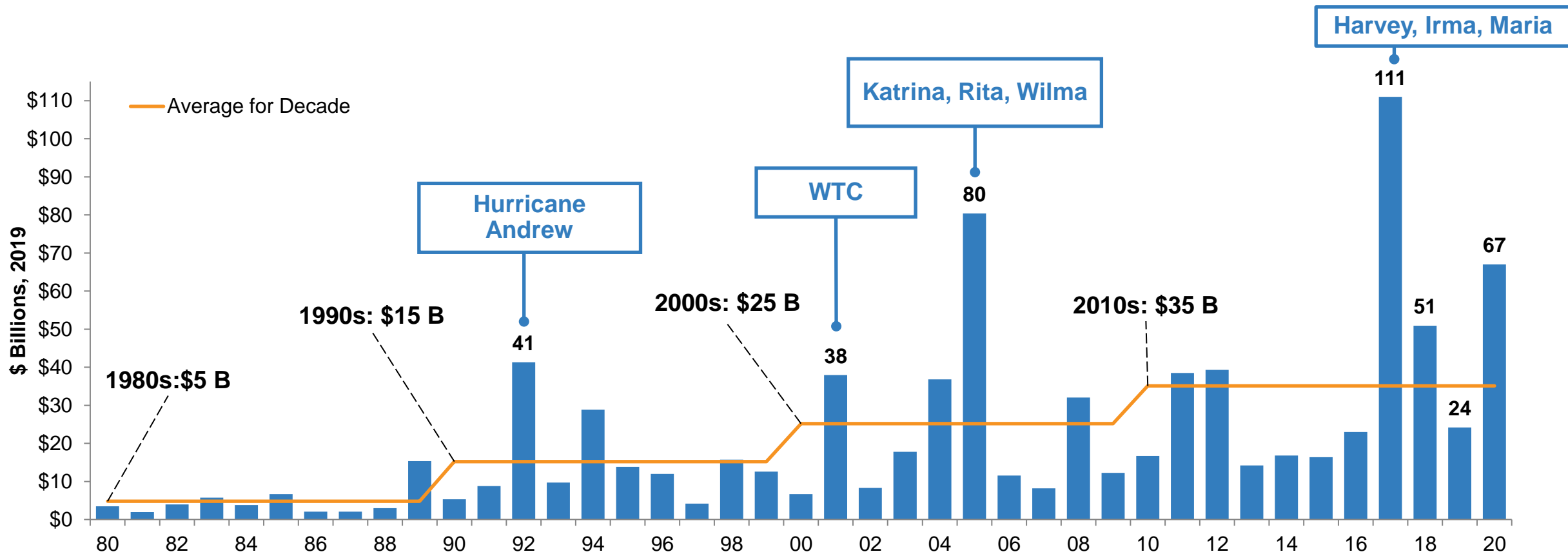
Minimize Risk | Speed Recovery

An initiative of the



INSURANCE
INFORMATION
INSTITUTE

U.S. Inflation-Adjusted Insured Cat Losses

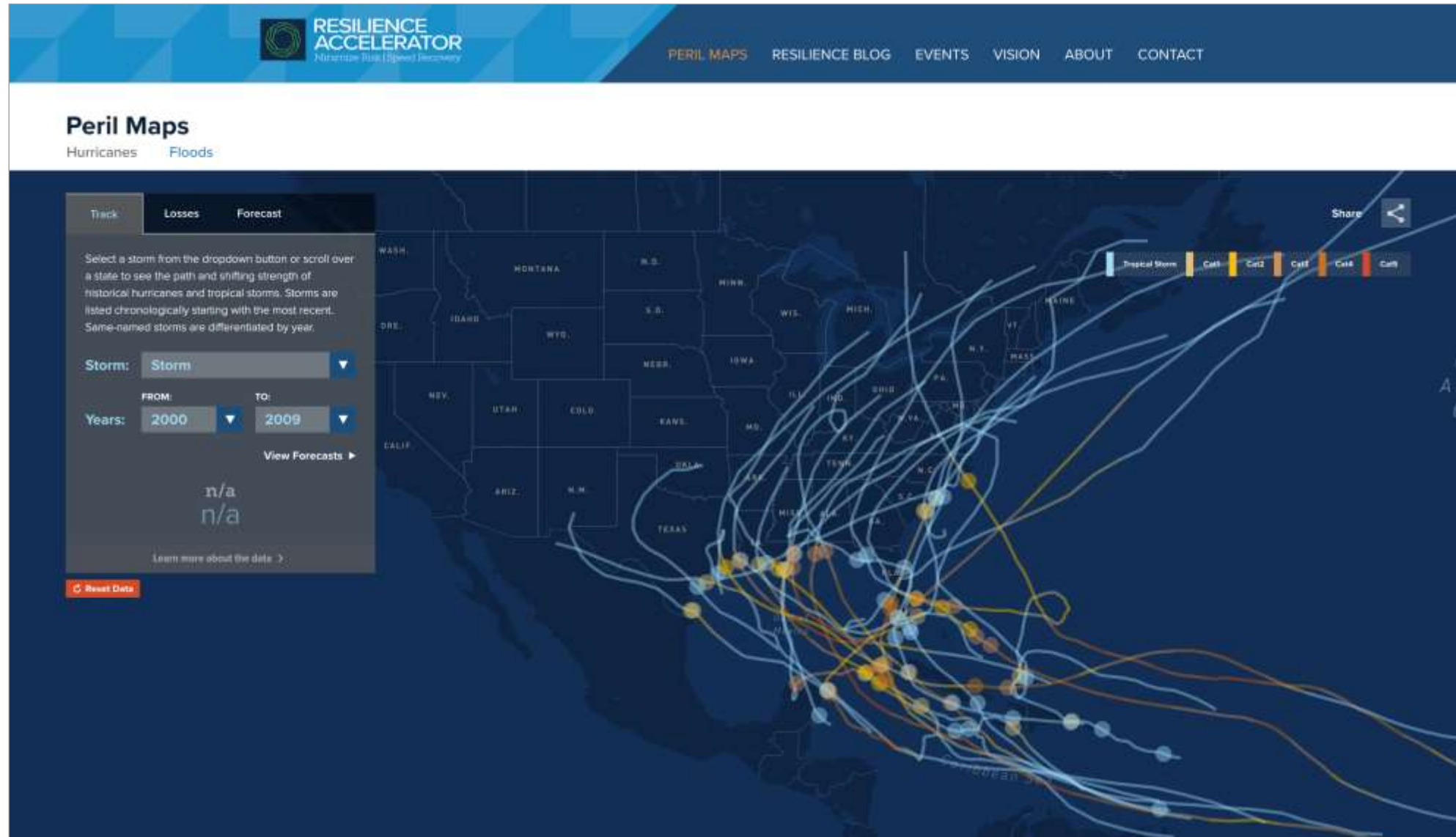


Insured Cat Losses Are Increasing At An Alarming Rate –Nearly 700% Since 80's

*Sources: Property Claims Service, a Verisk Analytics business; Aon; Insurance Information Institute.



2000 to 2009 Hurricane Track





Objective

Drive **behavioral change** to help people and communities better manage risk and become more resilient



Strategies

Create a resilience movement giving households and communities a stake in risk mitigation

Educate and empower stakeholders about protection gaps and their impact on their recovery

Fast-track the use of cost-effective tools to drive risk mitigation, transfer and retention



Action Partners



- ▲ Triple-I Members
- ▲ Carriers, Reinsurers and Brokers
- ▲ Insurance Trade Associations
- ▲ Nonprofits and Foundations
- ▲ Regulators
- ▲ Academia



FEMA



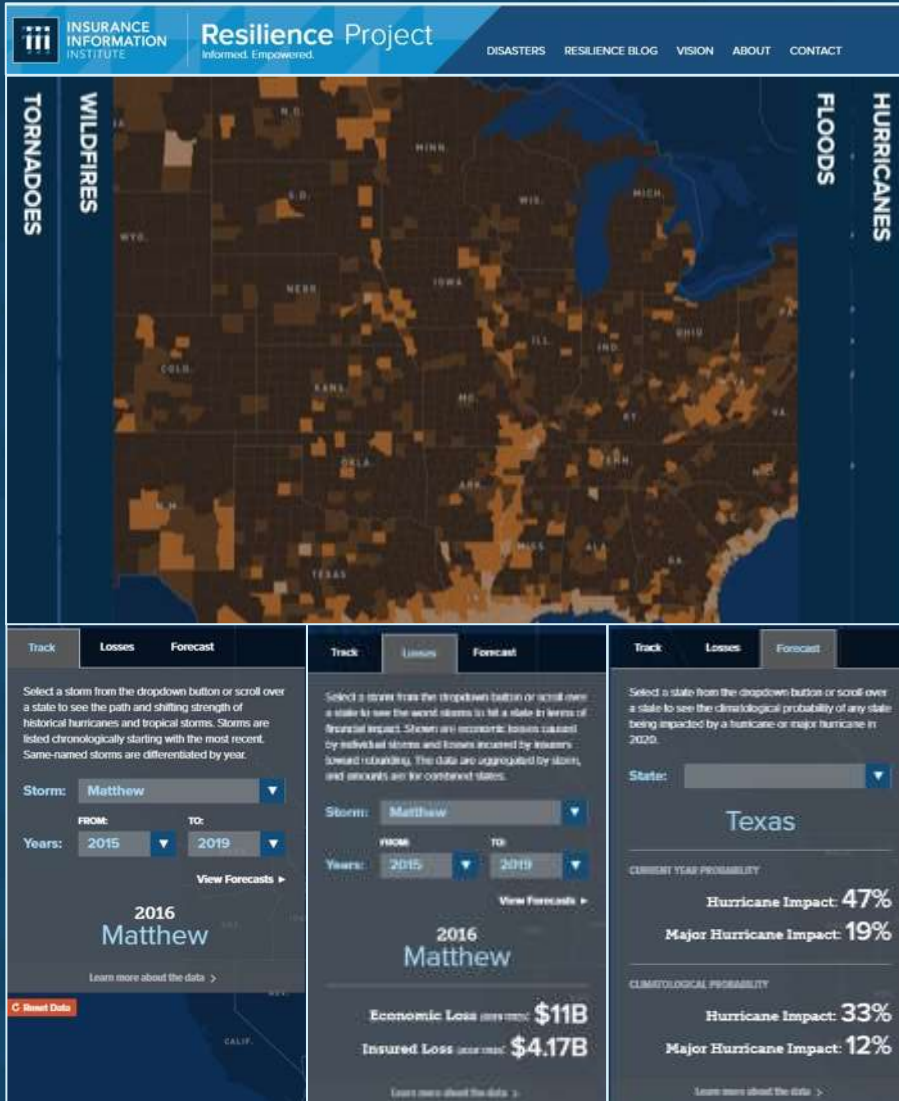
AON



ResilientH2O Partners
Innovation Tech | Integrated Risk | Engagement



Wharton
UNIVERSITY OF PENNSYLVANIA



Resilience Blog



UNCATEGORIZED

Lightning Rounds: Investing in disaster and risk management technology

July 17, 2020 The Insurance Information Institute (Triple-I) yesterday hosted a webinar showcasing technology companies whose products mitigate the impact of severe [...]

HURRICANES

Hurricane Modeling and Forecasting: Marrying Technology to Local Knowledge

FLOODS

Mangroves and Coral Reefs: How Insurance Can Protect the Protectors



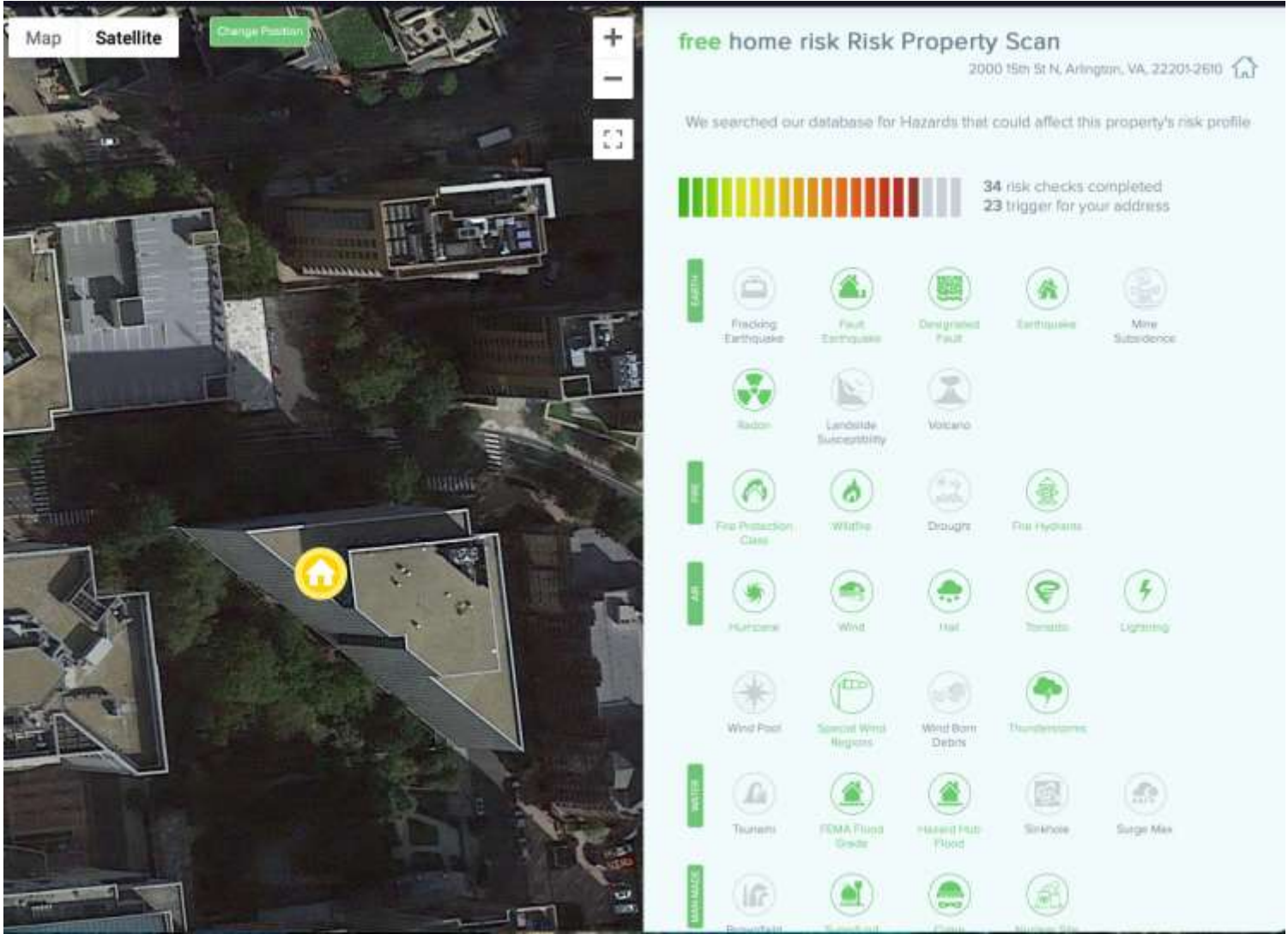
Florida Weekly Update



We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.

July 10, 2020





Final Thoughts





INSURANCE
INFORMATION
INSTITUTE

Informed. Empowered.

Thank you!

www.iii.org