P/C Insurance Industry Overview and Outlook:
Focus on the Construction Sector

Insurance Information Institute
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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 ♦ www.iii.org

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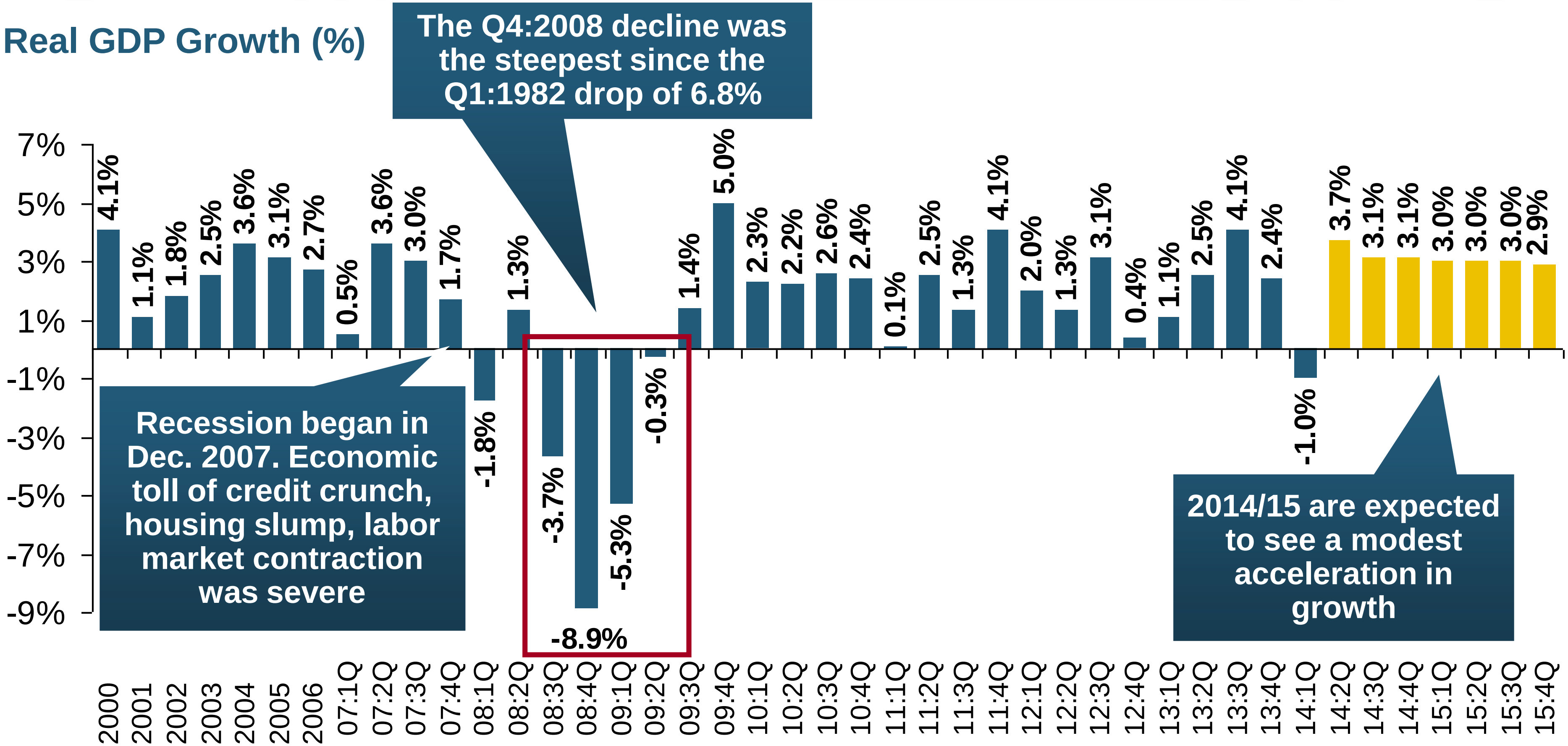
The Strength of the U.S. Economy Will Influence P/C Insurer Growth Opportunities

U.S. Growth Will Expand Insurer Exposure Base Across Most Lines

US Real GDP Growth*

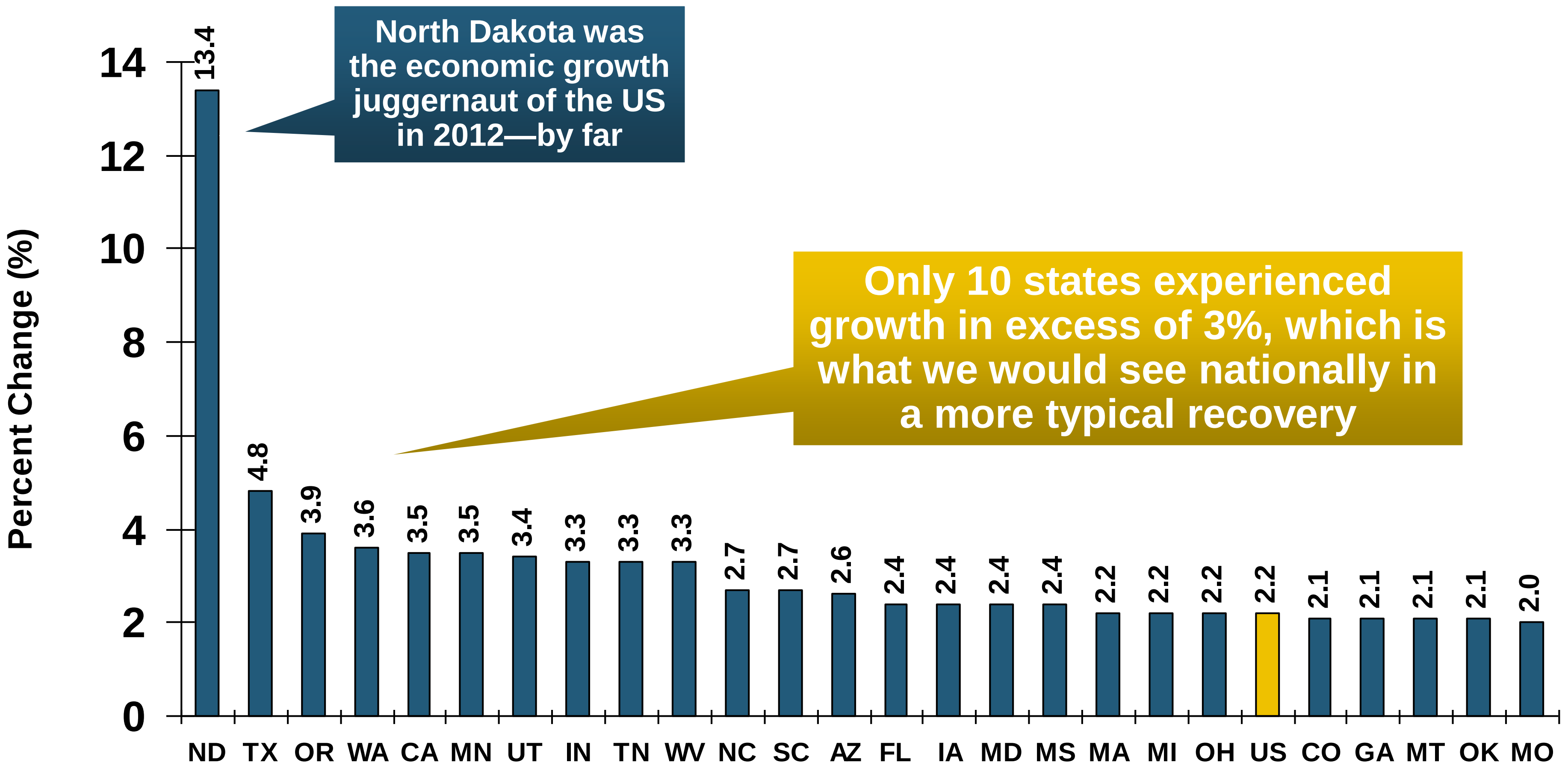


Demand for Insurance Should Increase in 2014/15 as GDP Growth Accelerates Modestly and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 6/14; Insurance Information Institute.

Real GDP by State Percent Change, 2012: Highest 25 States



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

Real GDP by State Percent Change, 2012: Lowest 25 States

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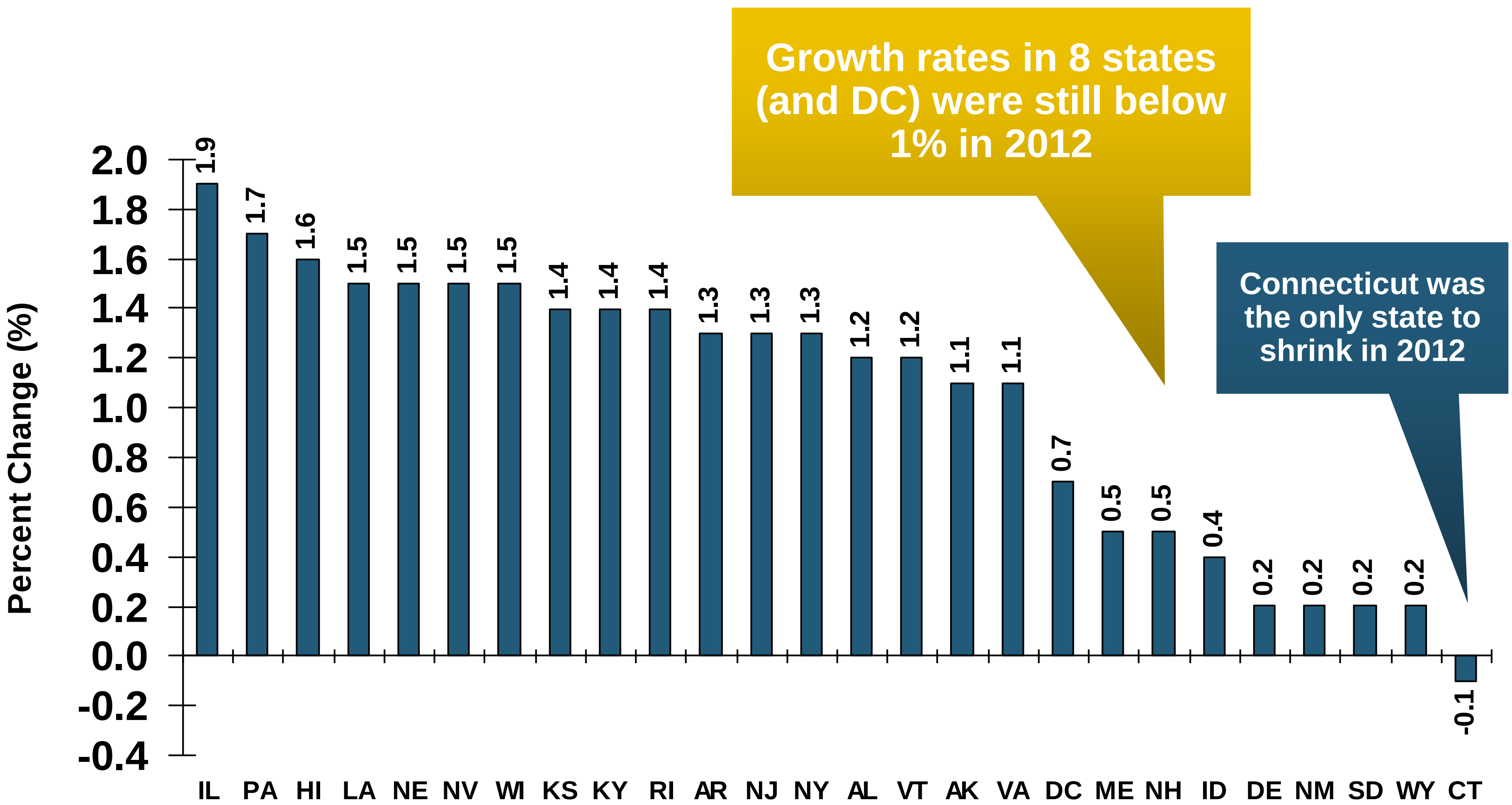
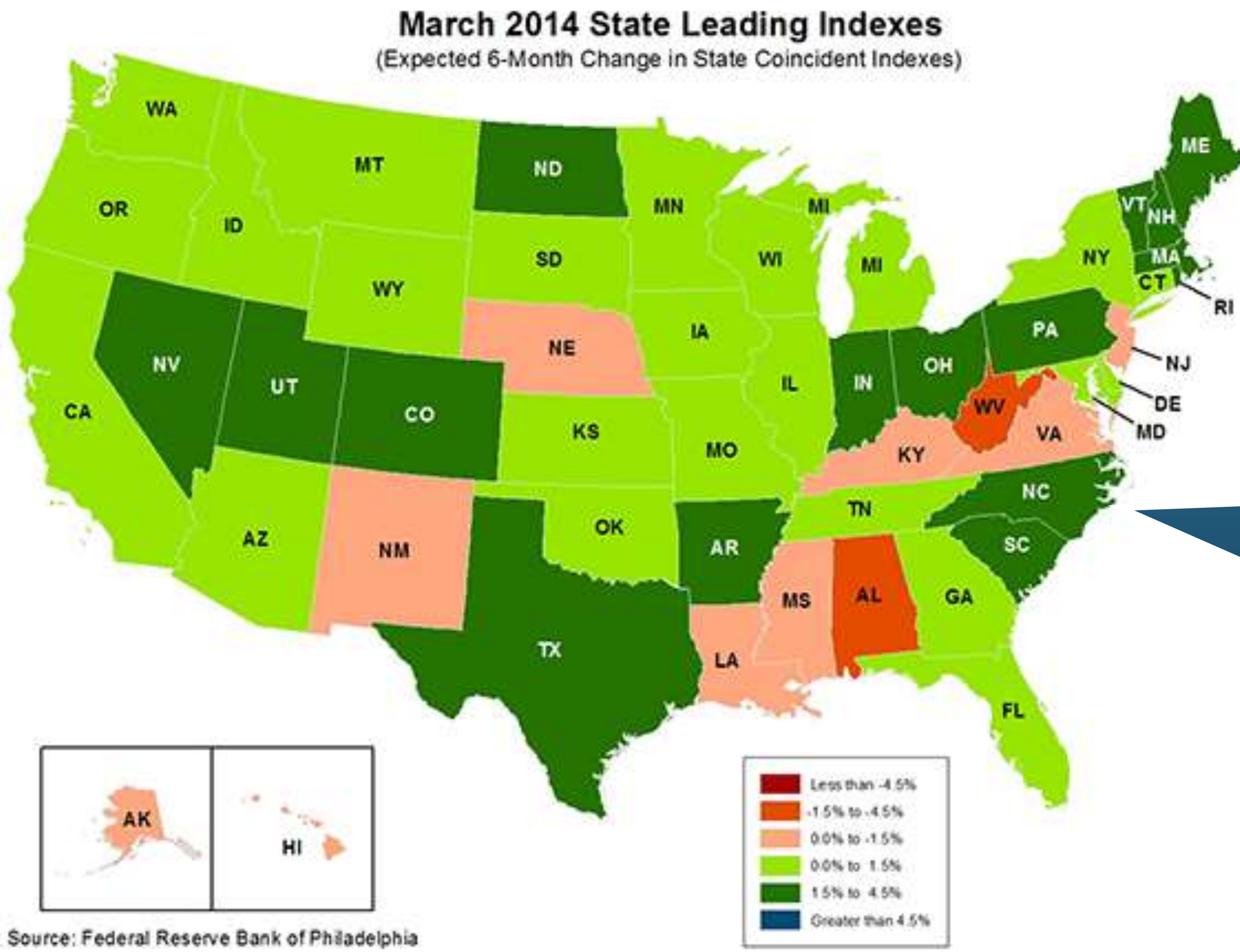


Sources: US Bureau of Labor Statistics; Insurance Information Institute.

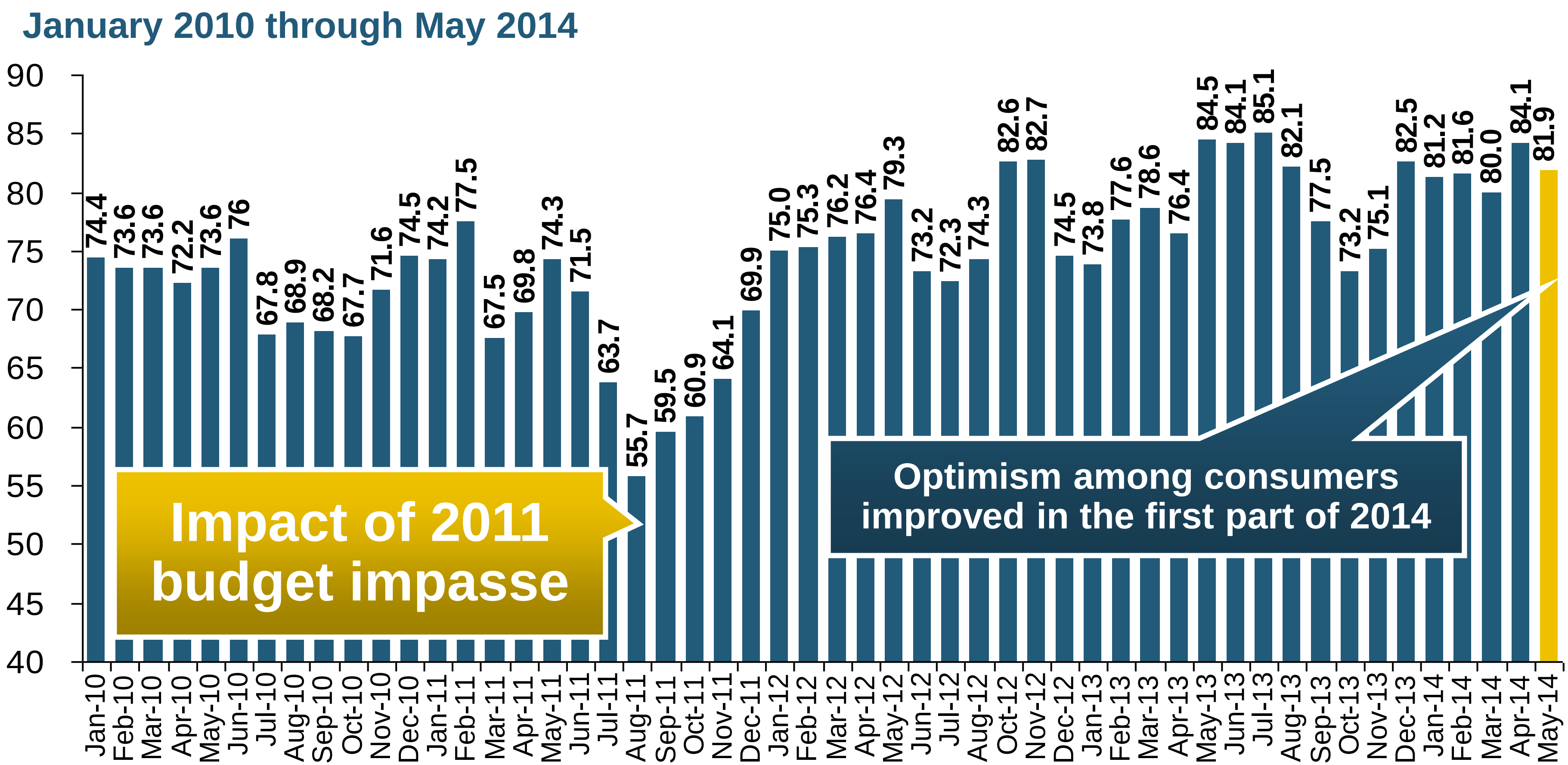
State-by-State Leading Indicators through 2014:Q3



The economic outlook for most of the US is generally positive, though negative for 9 states

Sources: Federal Reserve Bank of Philadelphia at http://www.philadelphiafed.org/index.cfm ;Insurance Information Institute.

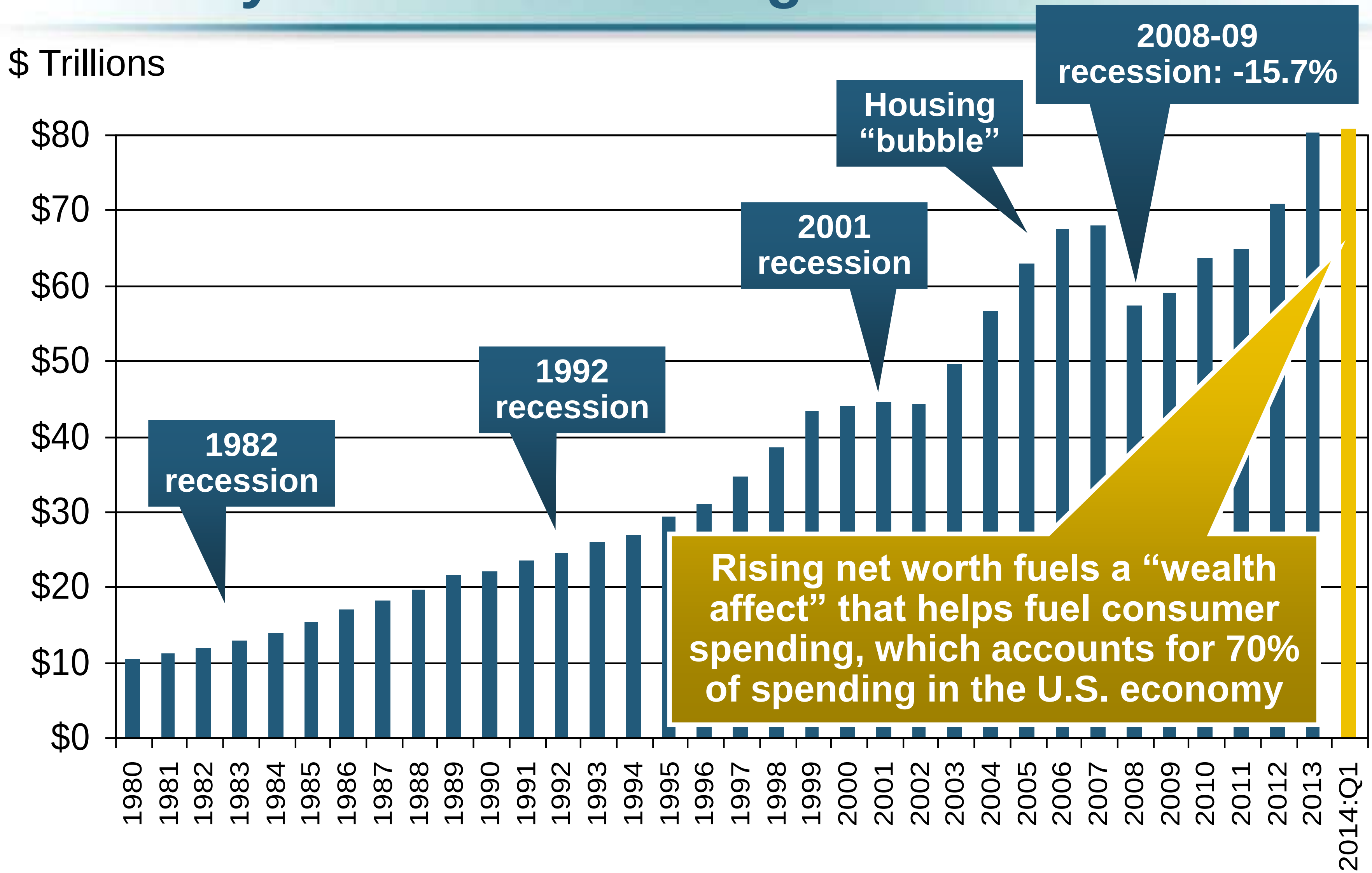
Consumer Sentiment Survey *(1966 = 100)*



Consumer confidence has been low for years amid high unemployment, falling home prices and other factors adversely impact consumers, but improved substantially over the past 2+ years, though uncertainty in Washington sometimes takes a toll.

Source: University of Michigan; Insurance Information Institute

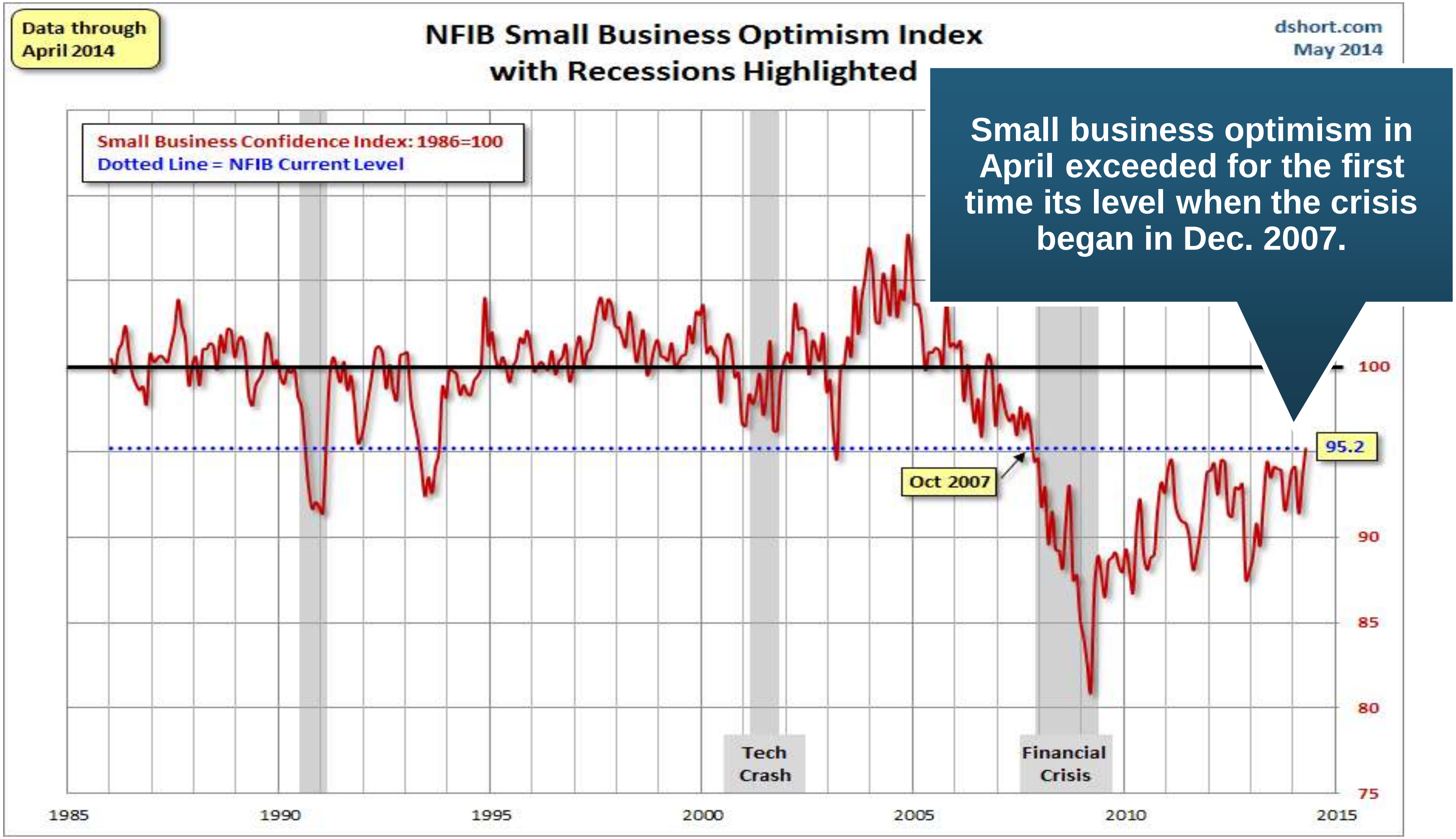
Net Worth of Households* Recently Hit A Historic High



*Includes nonprofit organizations. Data are not seasonally adjusted or inflation-adjusted.
Source: Federal Reserve Board: http://www.federalreserve.gov/releases/z1/current/z1r-5.pdf ; Insurance Information Institute.

NFIB Small Business Optimism Index

January 1985 through April 2014



Source: National Federation of Independent Business at http://www.advisorperspectives.com/dshort/charts/indicators/Sentiment.html?NFIB-optimism-index.gif ; Insurance Information Institute.

Household Financial Obligations Ratio Recently Hit A Historic Low

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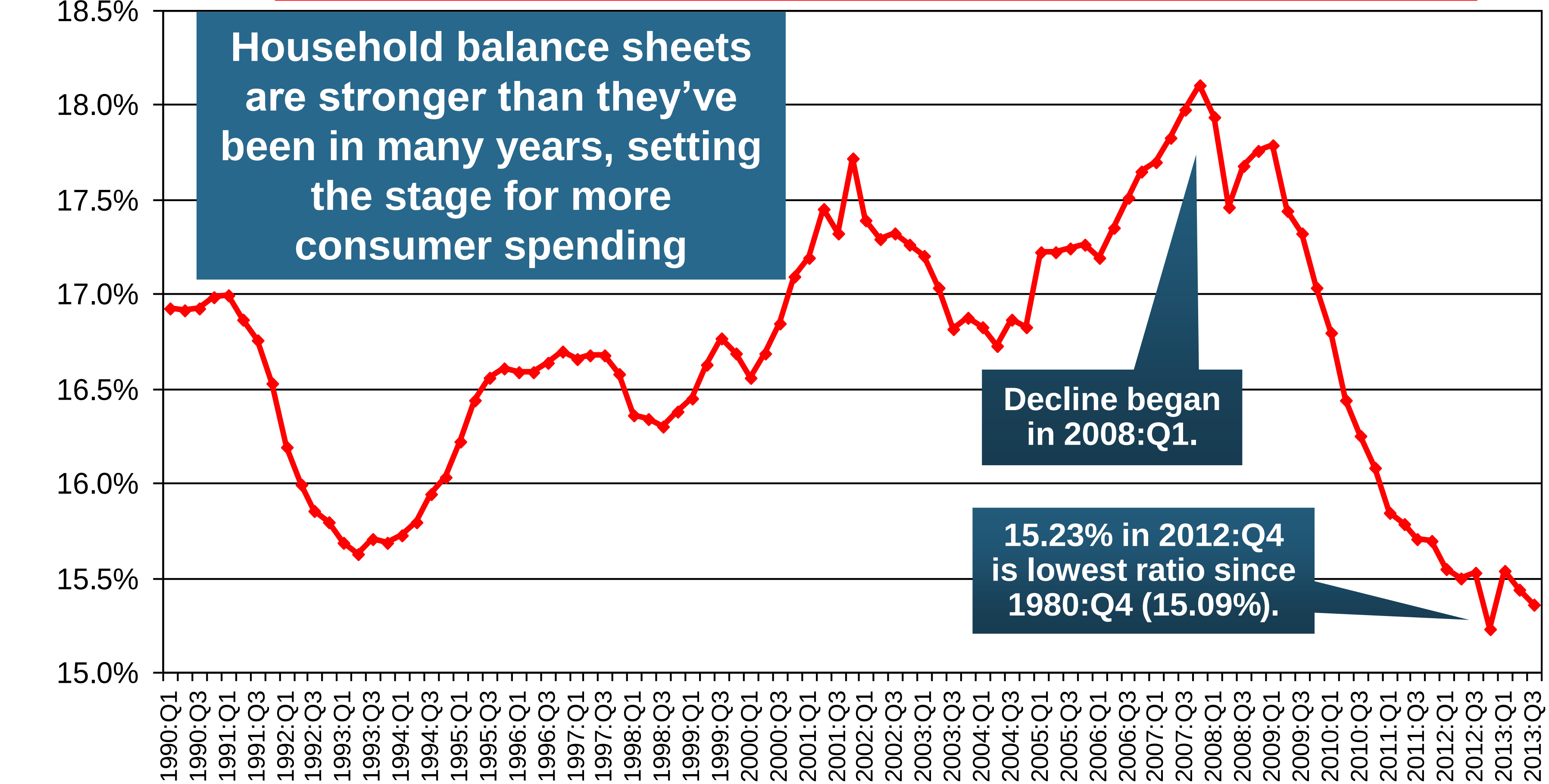
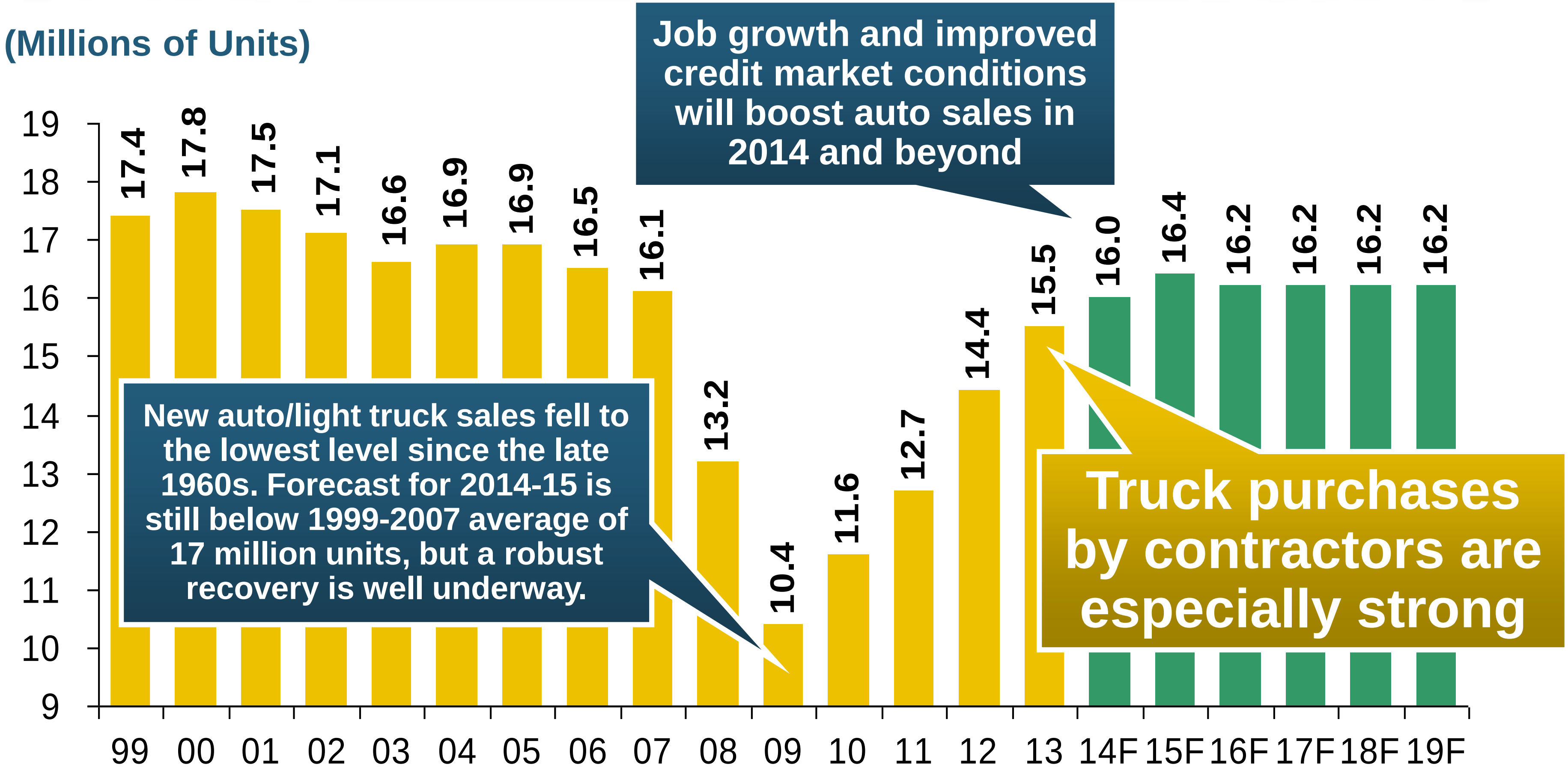
Financial Obligations Ratio: debt service (mortgage and consumer debt), auto lease, residence rent, HO insurance, and property tax payments as % of personal disposable income.



*through 2013:Q3 (data posted on Dec 13, 2013)
Source: Federal Reserve Board, at http://www.federalreserve.gov/releases/housedebt

Auto/Light Truck Sales, 1999-2019F



Car/Light Truck Sales Will Continue to Recover from the 2009 Low Point, Bolstering the Auto Insurer Growth and the Manufacturing Sector Along With Workers Comp Exposures

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (5/14 and 3/13); Insurance Information Institute.

Annual Inflation Rates, (CPI-U, %), 1990–2015F

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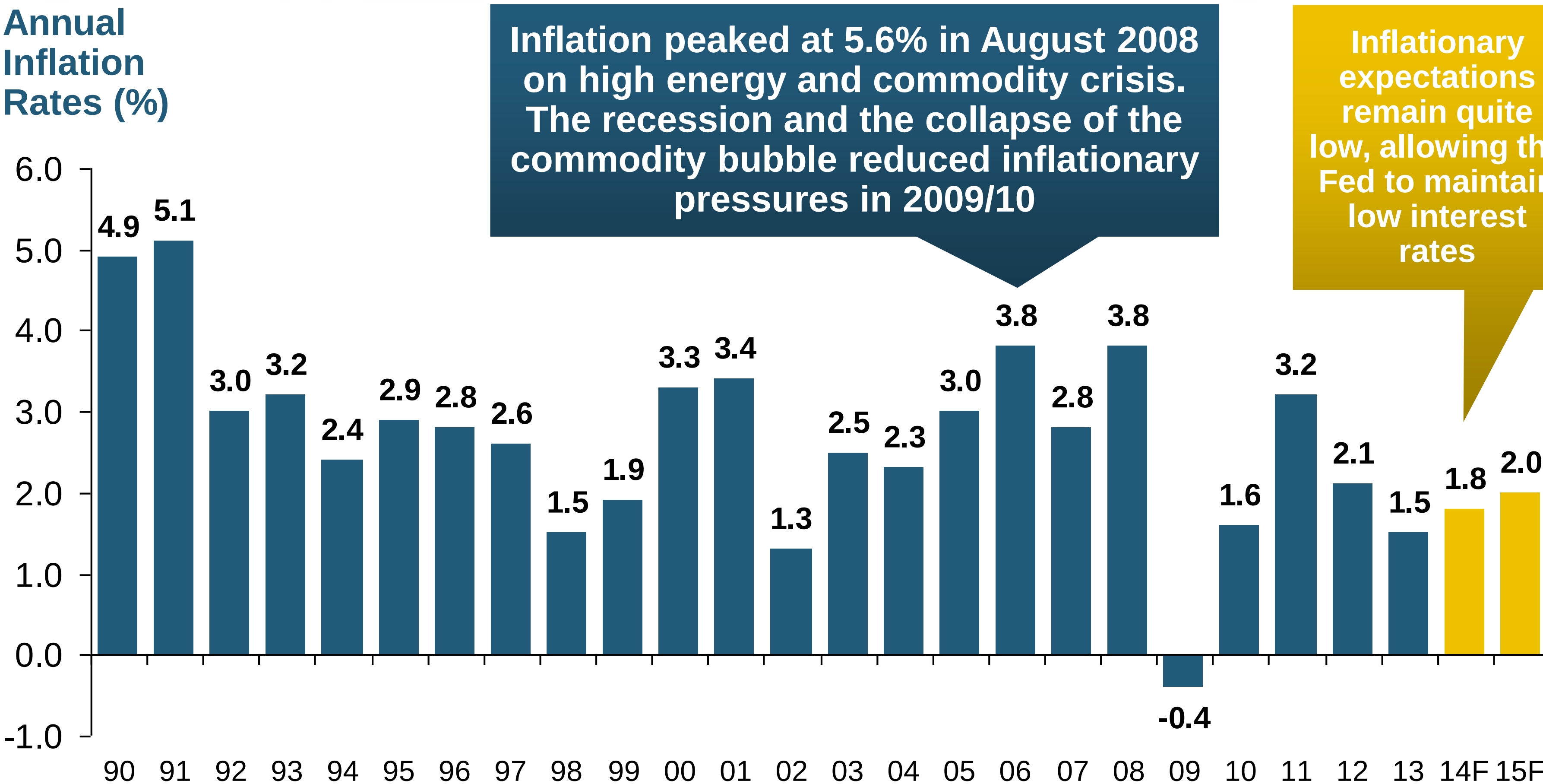
Inflation peaked at 5.6% in August 2008 on high energy and commodity crisis. The recession and the collapse of the commodity bubble reduced inflationary pressures in 2009/10

Inflationary expectations remain quite low, allowing the Fed to maintain low interest rates



The slack in the U.S. economy suggests that inflationary pressures should remain subdued for an extended period of times. Energy, health care and commodity prices, plus U.S. debt burden, remain longer-run concerns

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators, 6/14 (forecasts).

Business Bankruptcy Filings, 1980-2013

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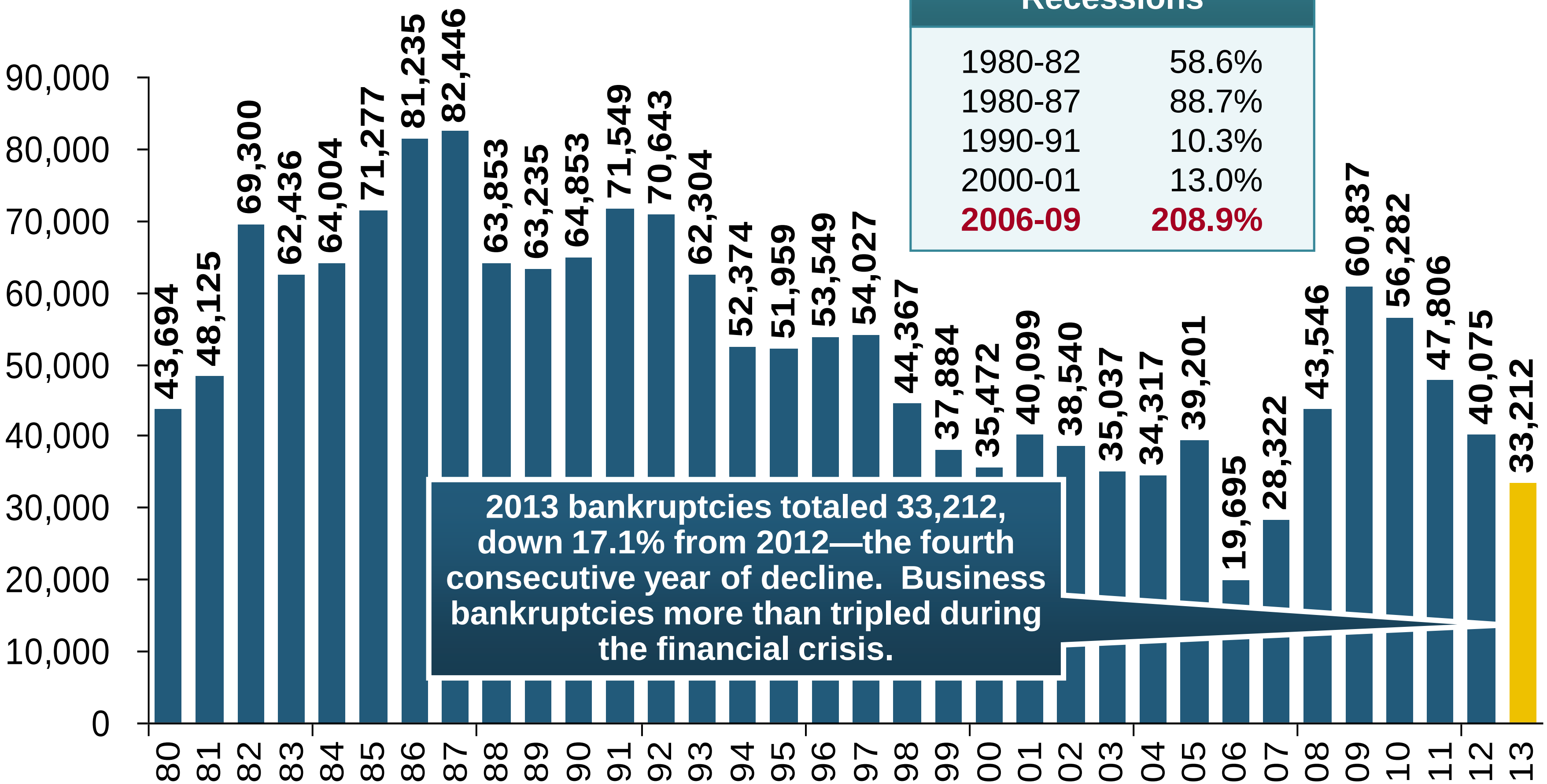
% Change Surrounding Recessions	
1980-82	58.6%
1980-87	88.7%
1990-91	10.3%
2000-01	13.0%
2006-09	**208.9%**



Significant Exposure Implications for All Commercial Lines as Business Bankruptcies Begin to Decline

Sources: American Bankruptcy Institute (1980-2012) at http://www.abiworld.org/AM/AMTemplate.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=61633; 2013 data from United States Courts at http://news.uscourts.gov; Insurance Information Institute.

ISM Non-Manufacturing Index *(Values > 50 Indicate Expansion)*

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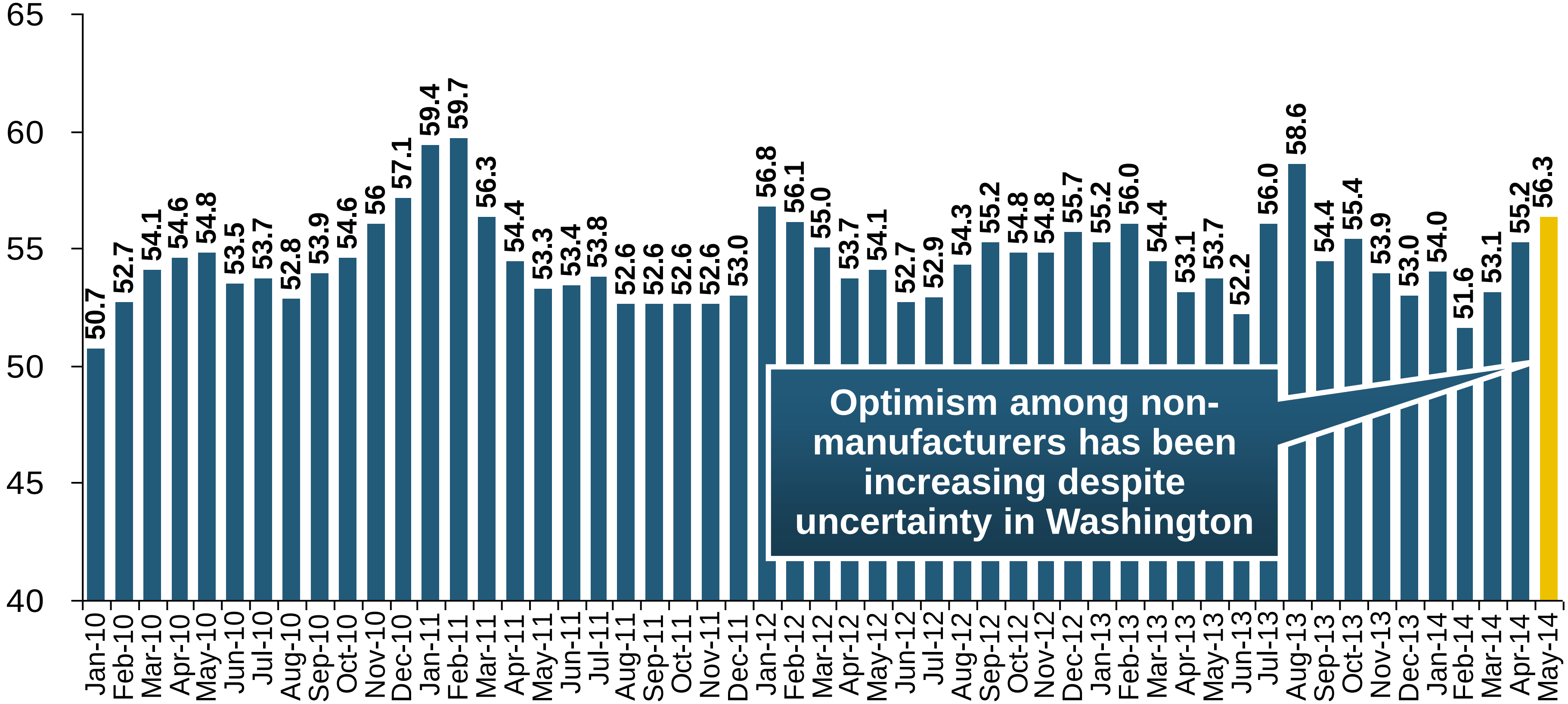
January 2010 through May 2014



Non-manufacturing industries have been expanding and adding jobs. This trend is likely to continue through 2014.

Source: Institute for Supply Management at http://www.ism.ws/ismreport/nonmfgrob.cfm; Insurance Information Institute.

NFIB Small Business Optimism Index

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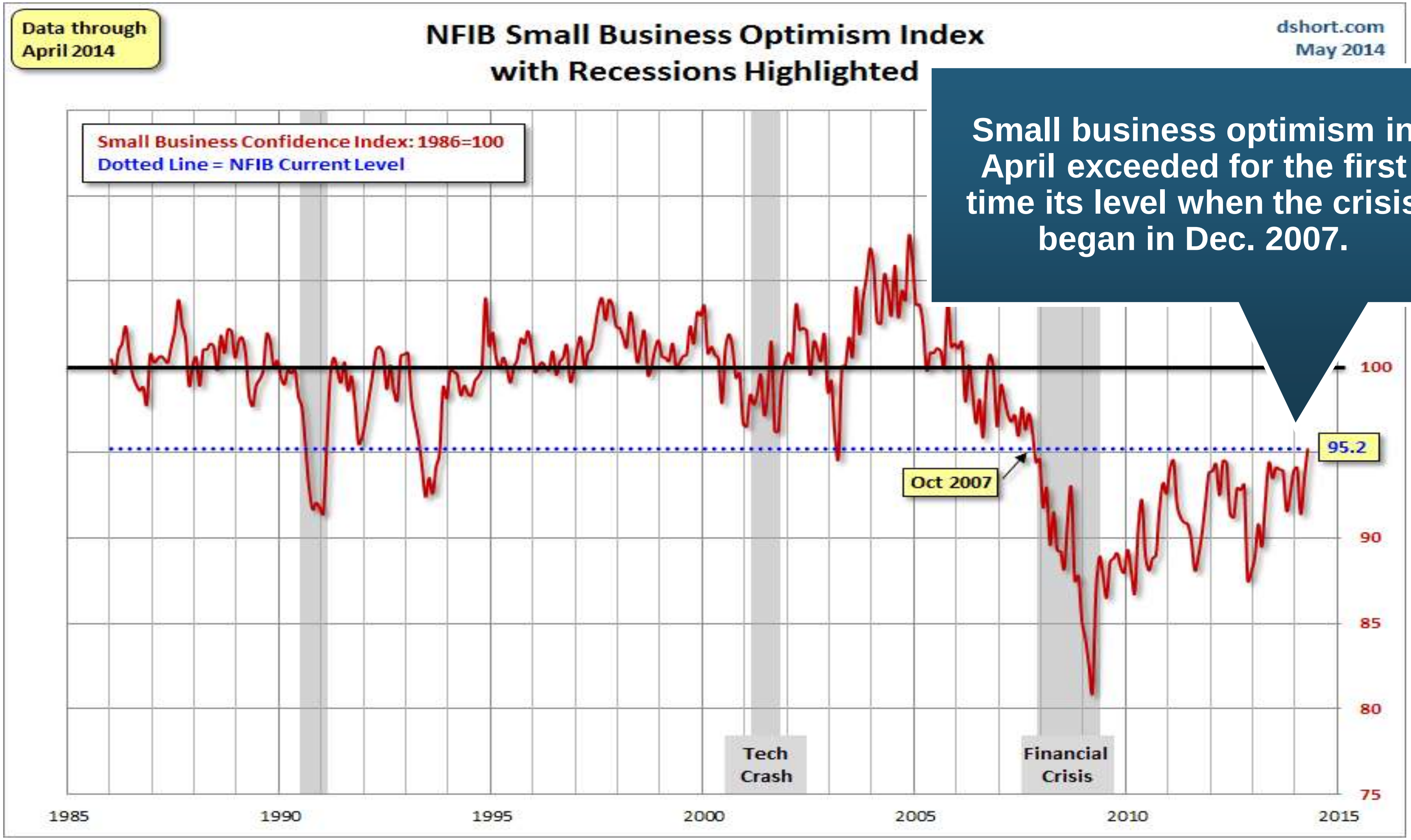
January 1985 through April 2014



Small business optimism in April exceeded for the first time its level when the crisis began in Dec. 2007.

Source: National Federation of Independent Business at http://www.advisorperspectives.com/dshort/charts/indicators/Sentiment.html?NFIB-optimism-index.gif ; Insurance Information Institute.

12 Industries for the Next 10 Years: Insurance Solutions Needed

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- Health Care
- Health Sciences
- Energy (Traditional)
- Alternative Energy
- Petrochemical
- Agriculture
- Natural Resources
- Technology (incl. Biotechnology)
- Light Manufacturing
- Insourced Manufacturing
- Export-Oriented Industries
- Shipping (*Rail*, *Marine*, Trucking, *Pipelines*)

Many industries are poised for growth, though insurers' ability to capitalize on these industries varies widely

Monthly Change in Private Employment

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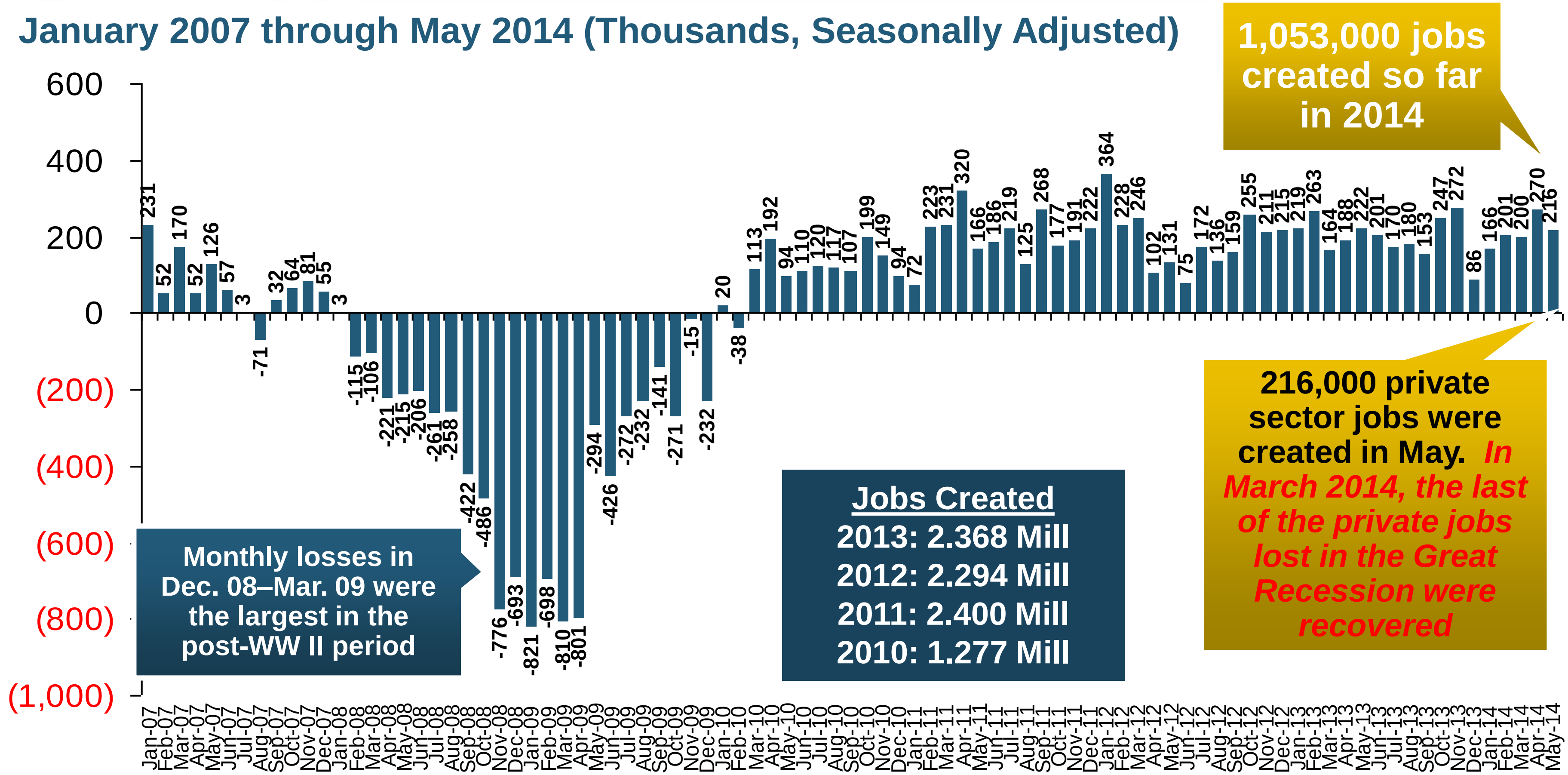
January 2007 through May 2014 (Thousands, Seasonally Adjusted)



Private Employers Added 9.39 million Jobs Since Jan. 2010 After Having Shed 5.01 Million Jobs in 2009 and 3.76 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Source: US Bureau of Labor Statistics: http://www.bls.gov/ces/home.htm; Insurance Information Institute

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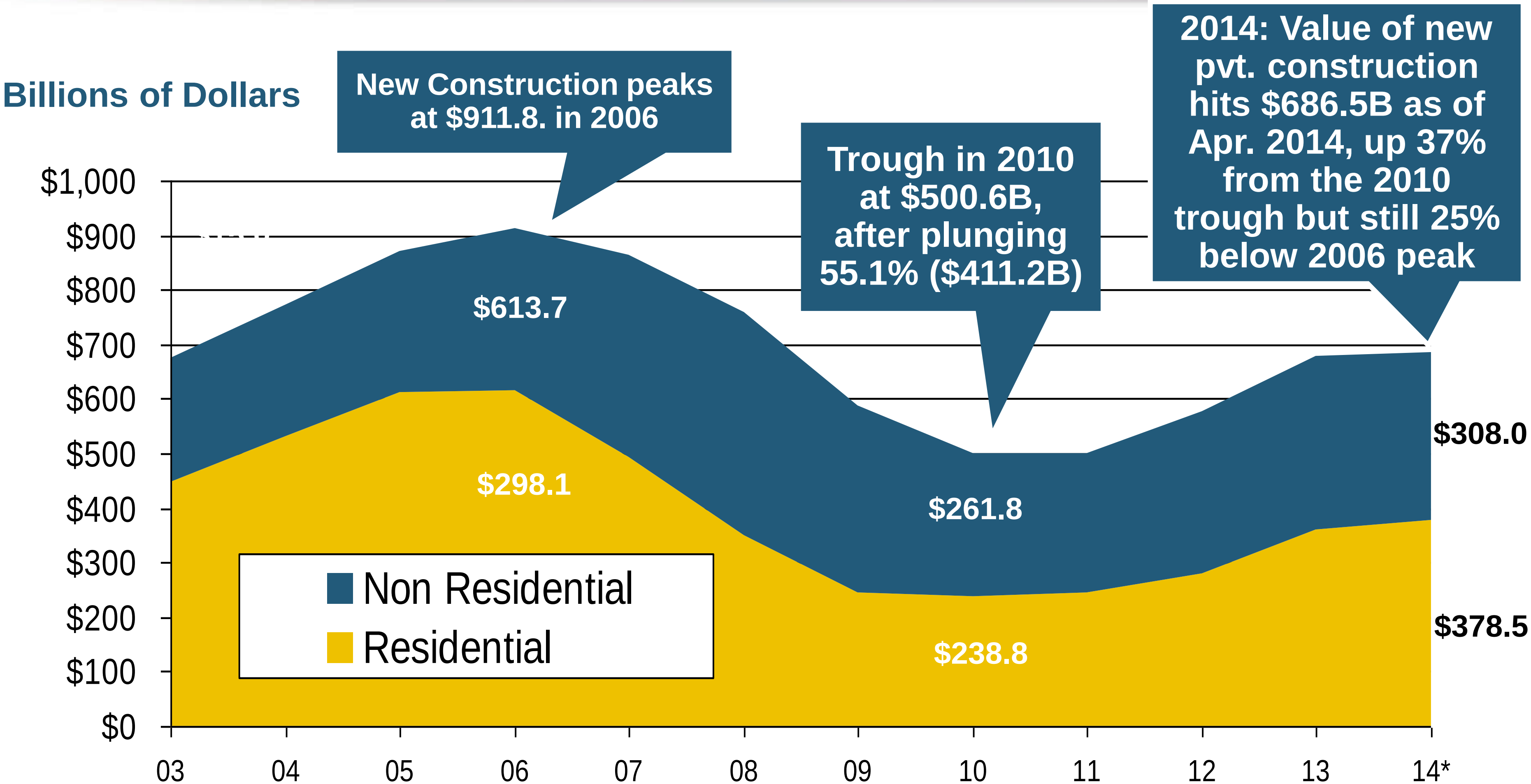
CONSTRUCTION INDUSTRY OVERVIEW & OUTLOOK

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

Value of New Private Construction: Residential & Nonresidential, 2003-2014*

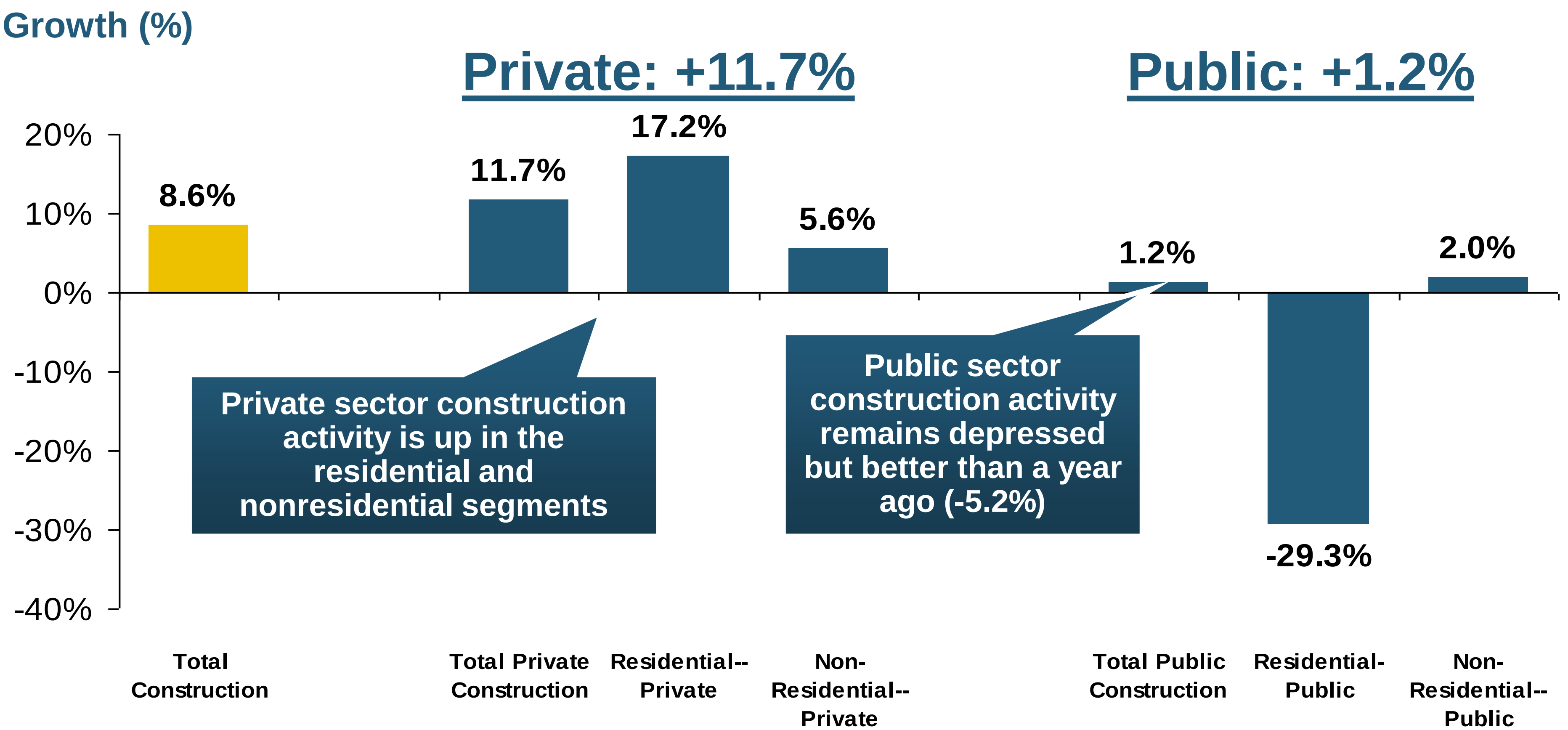


Private Construction Activity Is Moving in a Positive Direction though Remains Well Below Pre-Crisis Peak; Residential Dominates

*2014 figure is a seasonally adjusted annual rate as of April.

Sources: US Department of Commerce; Insurance Information Institute.

Value of Construction Put in Place, April 2014 vs. April 2013*

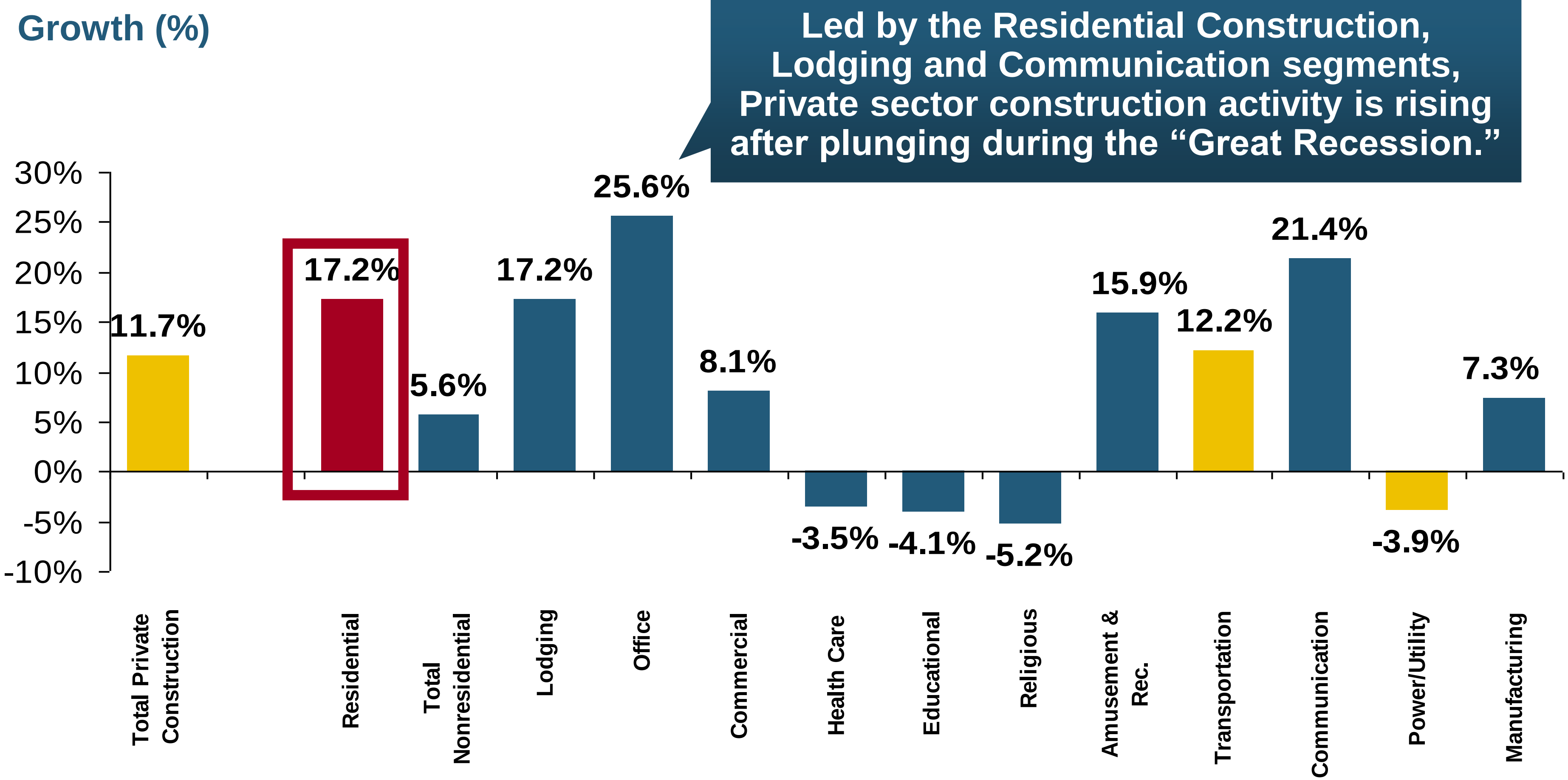


Overall Construction Activity is Up, But Growth Is Almost Entirely in the Private Sector as State/Local Government Budget Woes Continue

*seasonally adjusted
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, April 2014 vs. April 2013*

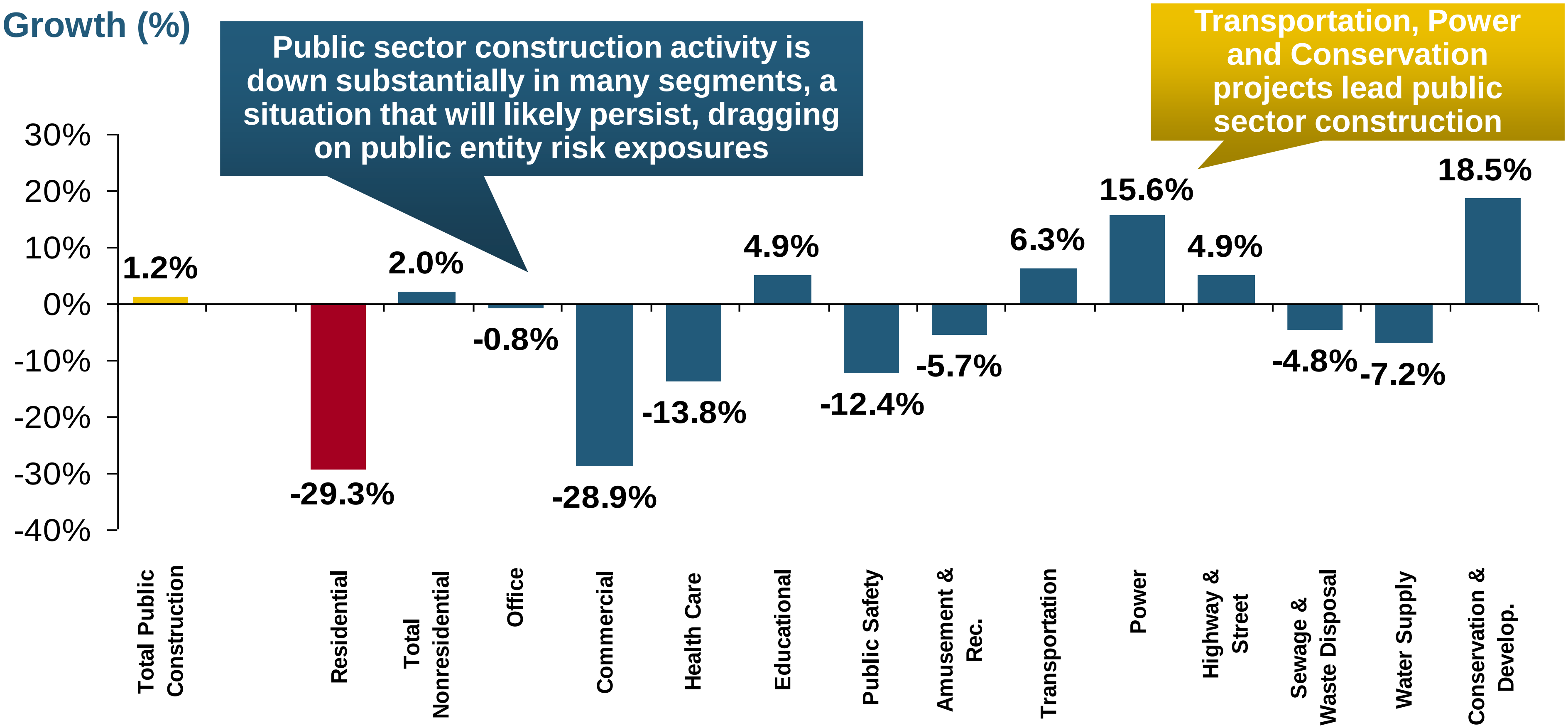
Led by the Residential Construction, Lodging and Communication segments, Private sector construction activity is rising after plunging during the “Great Recession.”



Private Construction Activity is Up in Many Segments, Including the Key Residential Construction Sector; Bodes Well for the Remainder of 2014

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

Value of Public Construction Put in Place, by Segment, Apr. 2014 vs. Apr. 2013*



Public Construction Activity is Down in Many Segments as State and Local Budgets Remain Under Stress; Improvement Possible in 2015.

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

Real (Inflation-Adjusted) Nonresidential Construction, 2000-2014*

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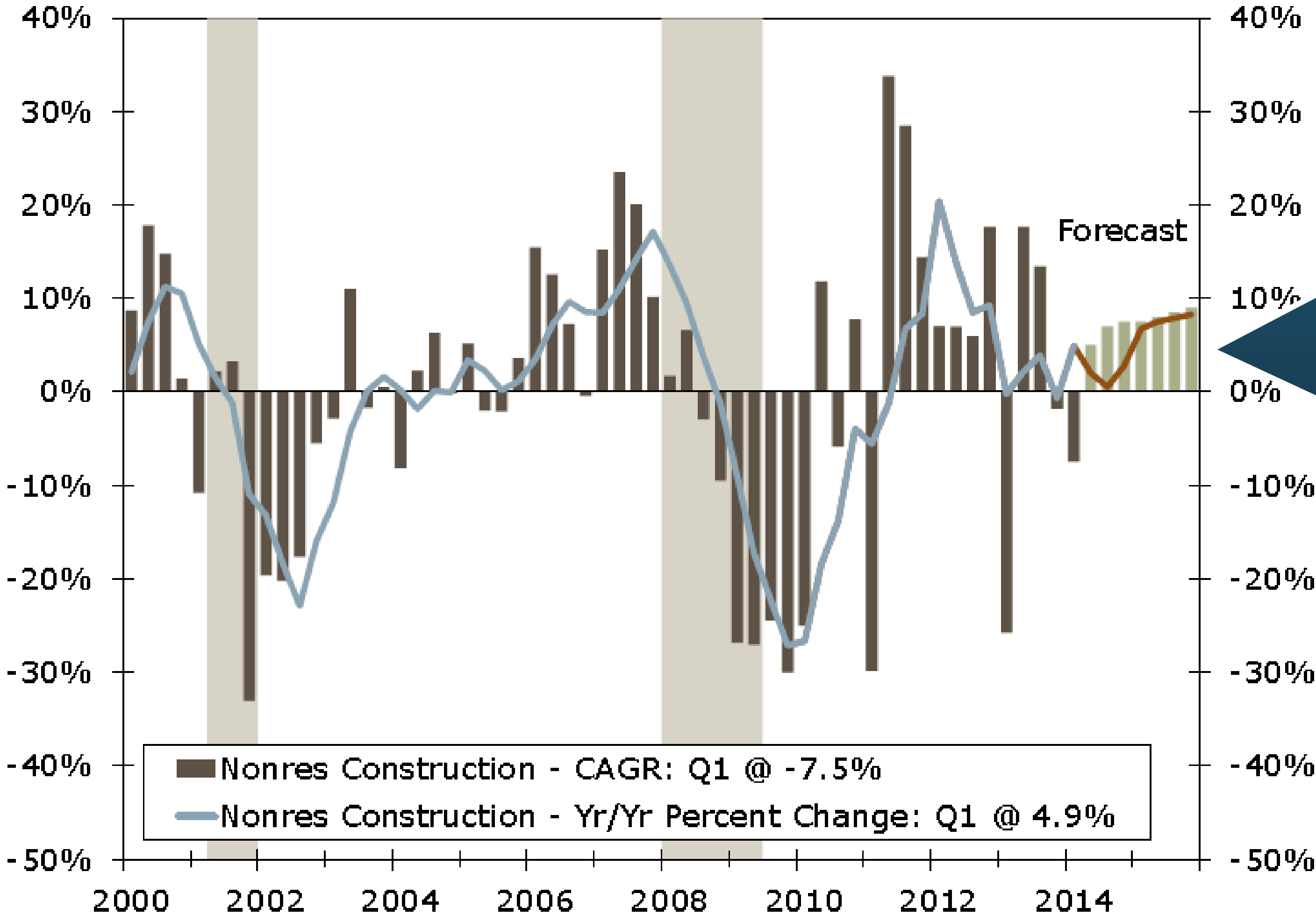
(Bar = CAGR; Line = Y/Y Growth Rate)



Construction activity has generally been positive since late 2010 but has occasionally be erratic. Forecast is for slowing improving growth

*Through Q1 2014.

Source: US Dept. of Commerce; Wells Fargo Securities (June 6, 2014 research report).

Commercial & Industrial Loans Outstanding at FDIC-Insured Banks, Quarterly, 2006-2014:Q1

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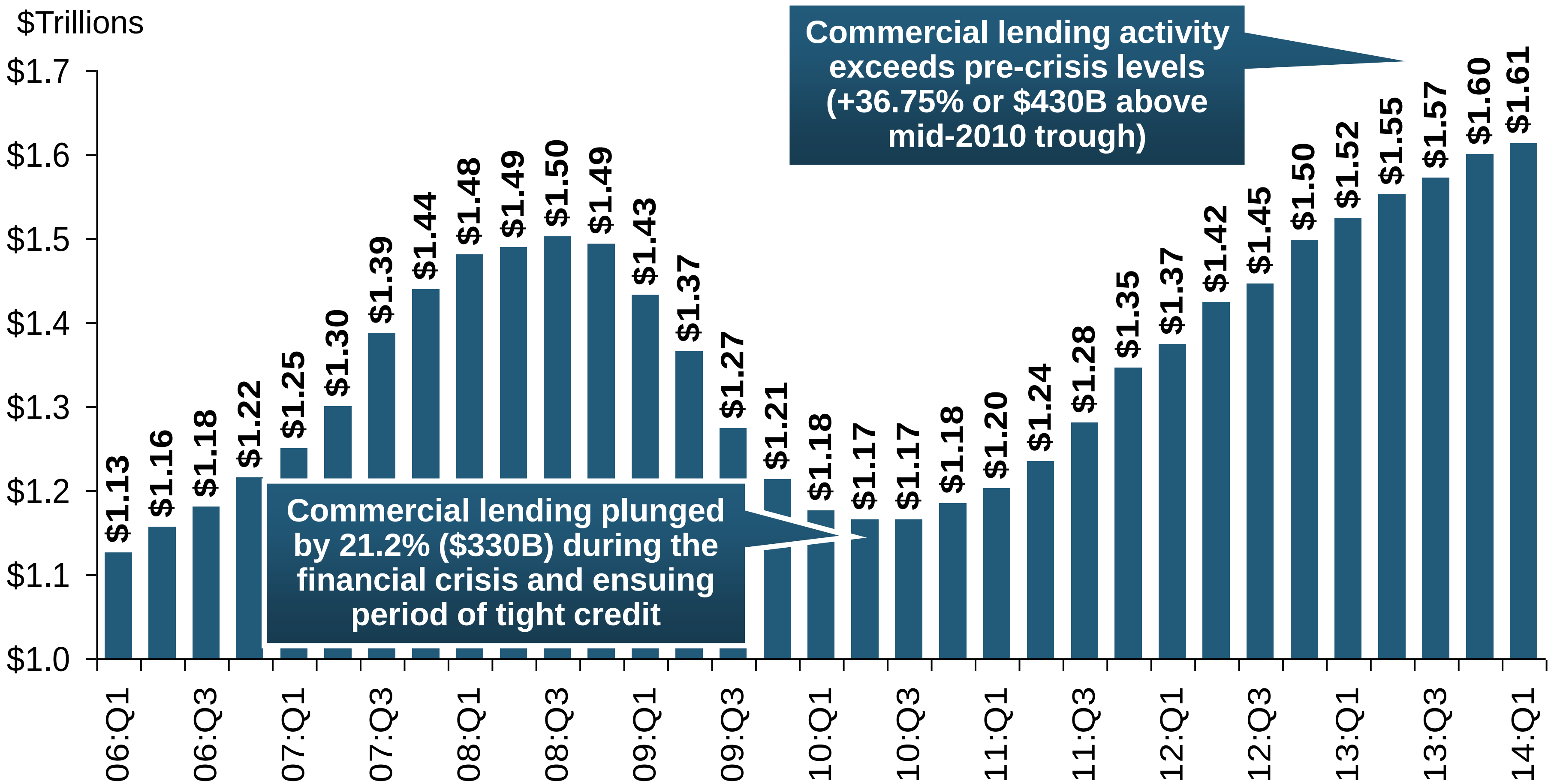

Outstanding Commercial Loan Volume Has Been Growing for Over Two Years and Is Now Nearly Back to Early Recession Levels. Bodes Very Well for the Creation of Current and Future Commercial Insurance Exposures

Source: FDIC at http://www2.fdic.gov/qbp/ (Loan Performance spreadsheet); Insurance Information Institute.

Percent of Non-current Commercial & Industrial Loans Outstanding at FDIC-Insured Banks,

Quarterly, 2006-2014:Q1

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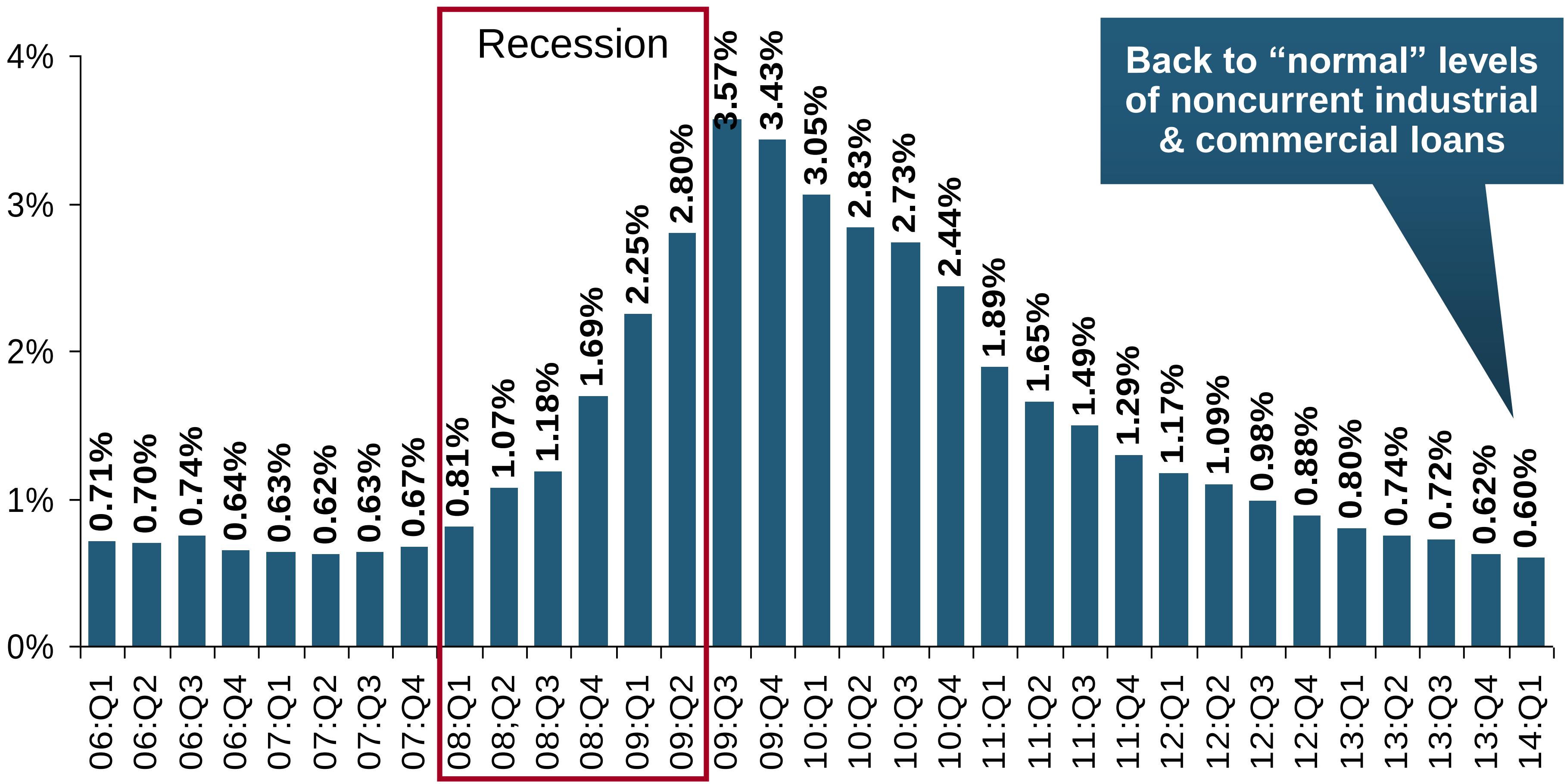
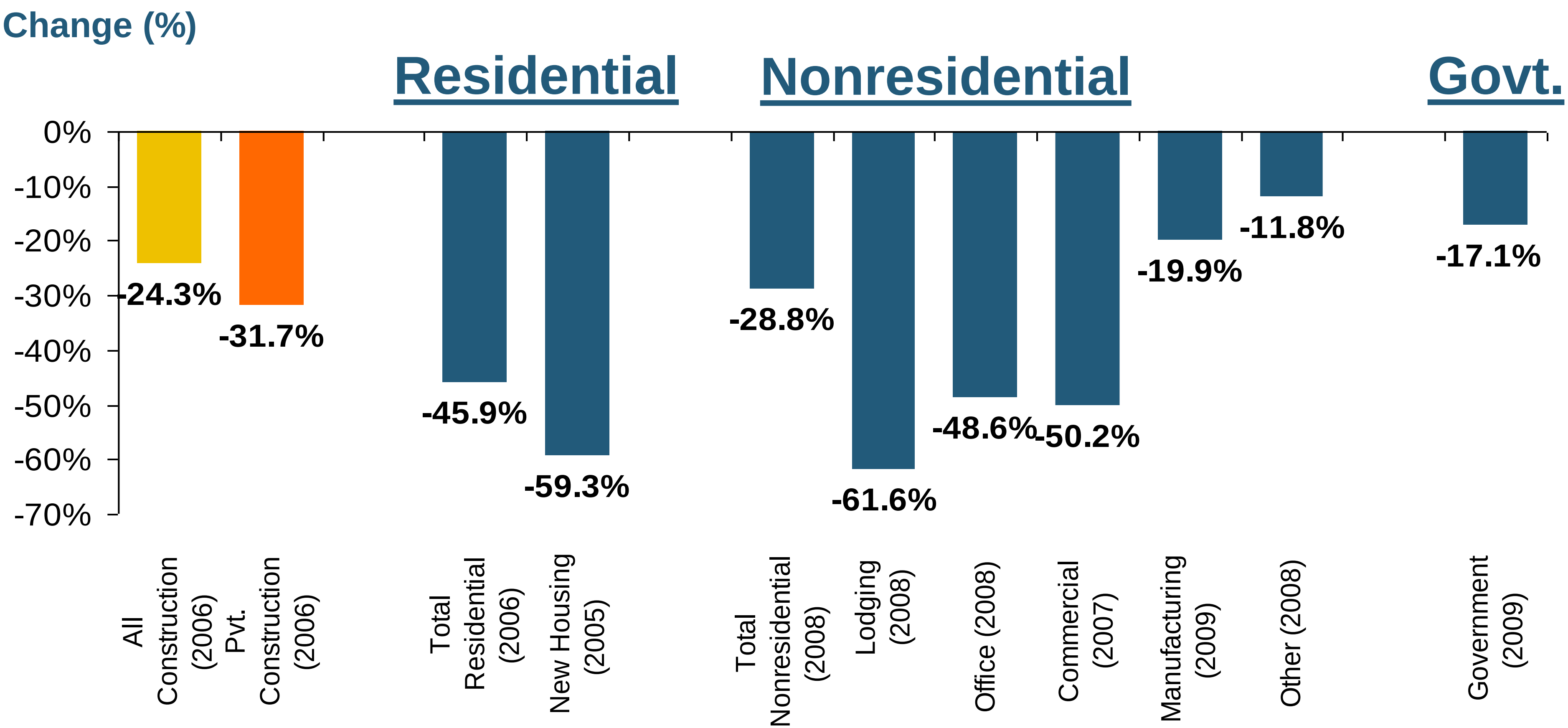


Non-current loans (those past due 90 days or more or in nonaccrual status) are below even pre-recession levels, fueling bank willingness to lend.

Source: FDIC at http://www2.fdic.gov/qbp/ (Loan Performance spreadsheet); Insurance Information Institute.

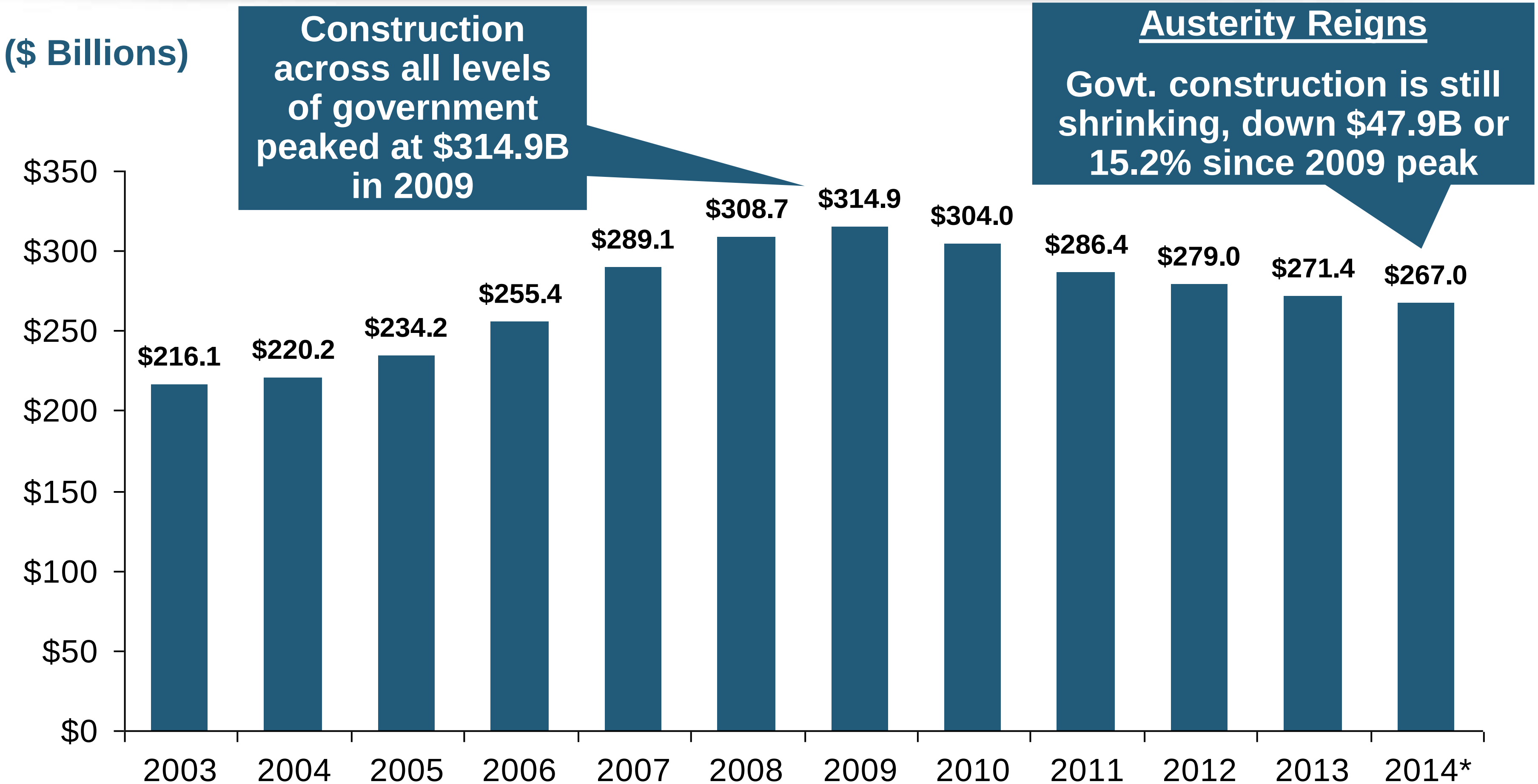
Change from Peak in New Construction Expenditures to 2013*



Despite Recent Improvements, Construction Activity (and Employment) Remains Far Below Pre-Crisis Peaks

Note: Year in parentheses is the year of peak expenditure.
*2013 figure is a seasonally adjusted annual rate as of June.
Sources: US Department of Commerce; Insurance Information Institute.

Value of New Federal, State and Local Government Construction: 2003-2014*



Government Construction Spending Peaked in 2009, Helped by Stimulus Spending, but Continues to Contract As State/Local Governments Grapple with Deficits and Federal Sequestration Takes Hold

*2014 figure is a seasonally adjusted annual rate as of April; http://www.census.gov/construction/c30/historical_data.html

Sources: US Department of Commerce; Insurance Information Institute.

New Private Housing Starts, 1990-2019F

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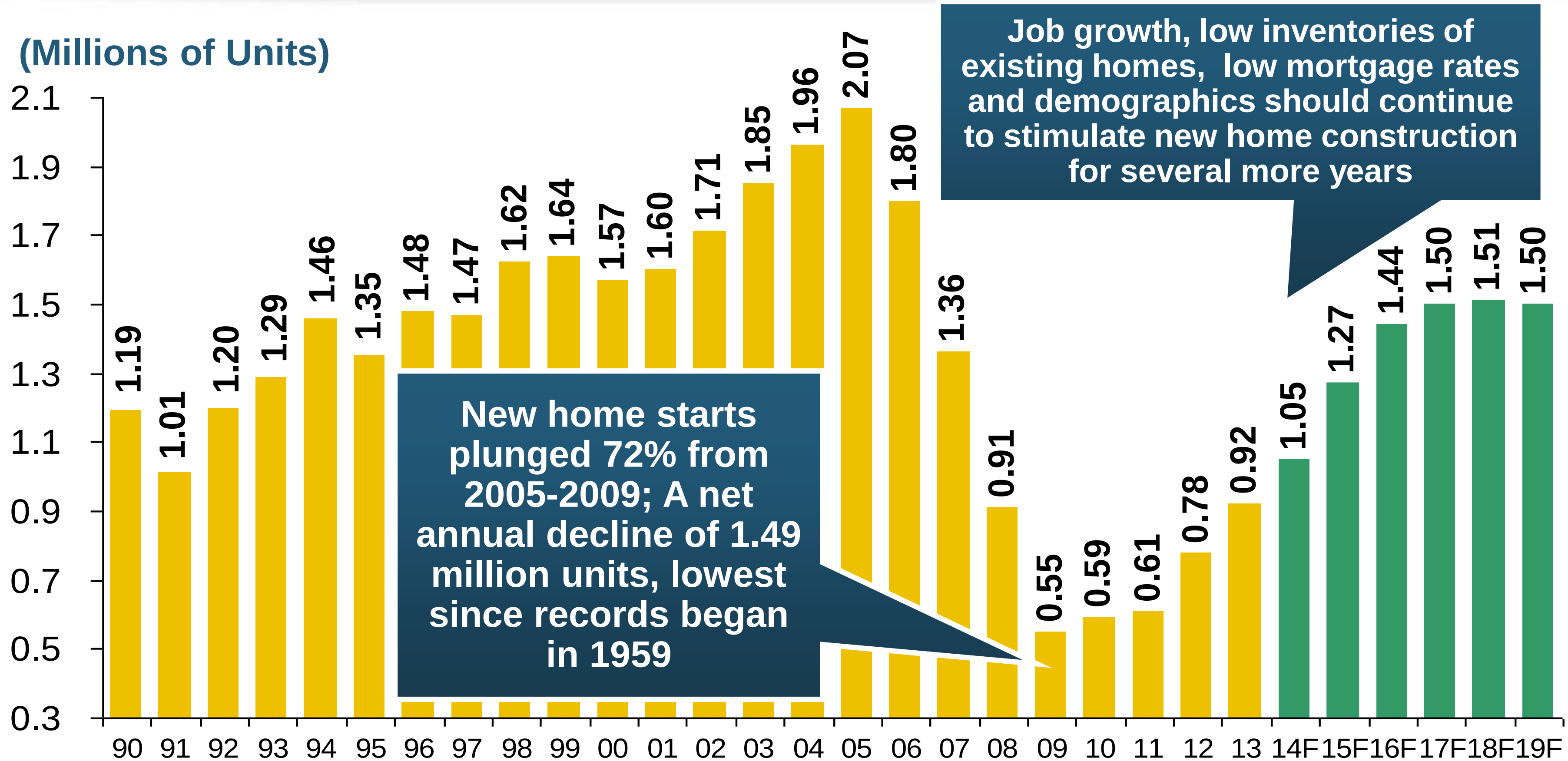

Insurers Are Continue to See Meaningful Exposure Growth in the Wake of the "Great Recession" Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (5/14 and 3/13); Insurance Information Institute.

Florida Total Private Housing Starts, 2000 – 2017F

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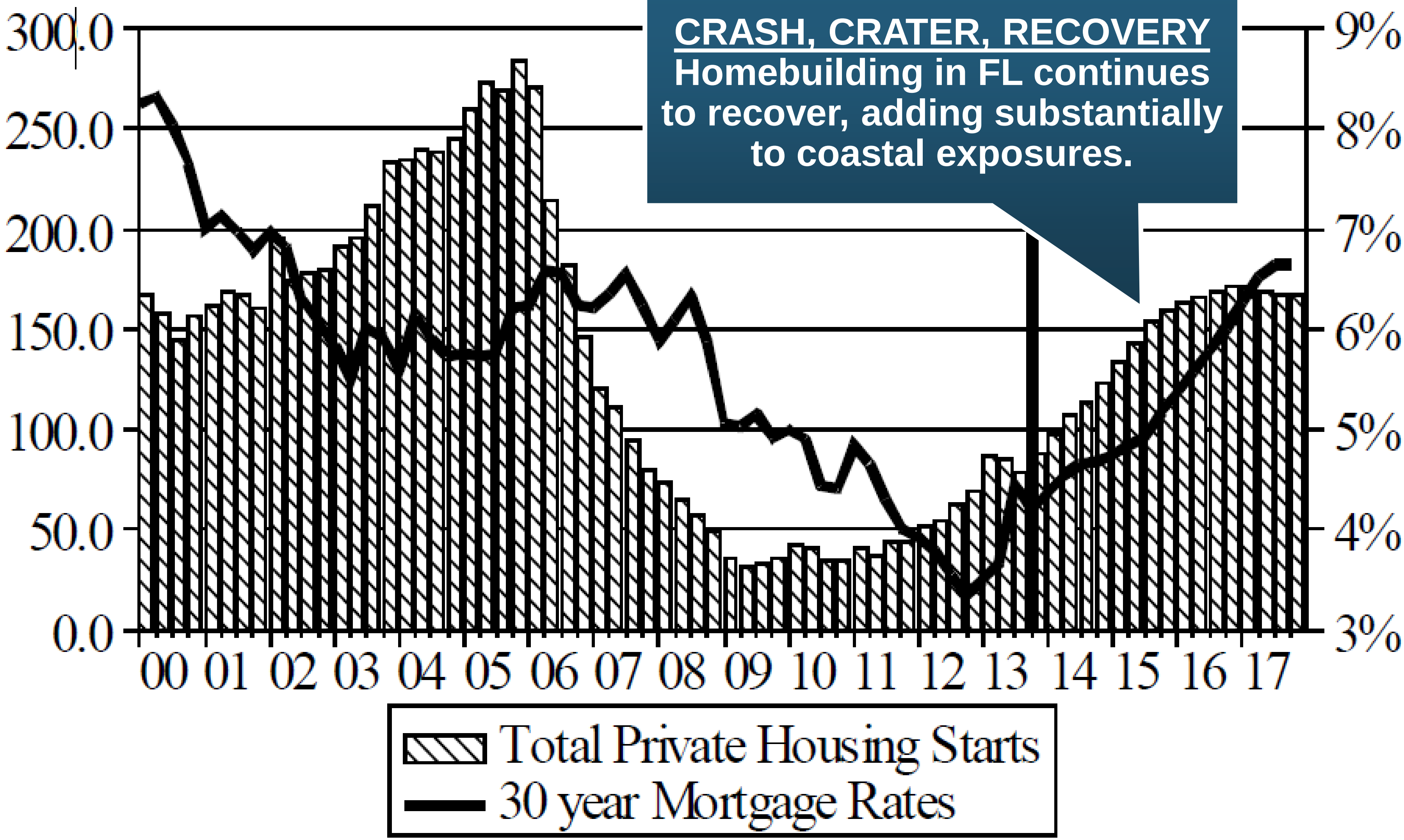
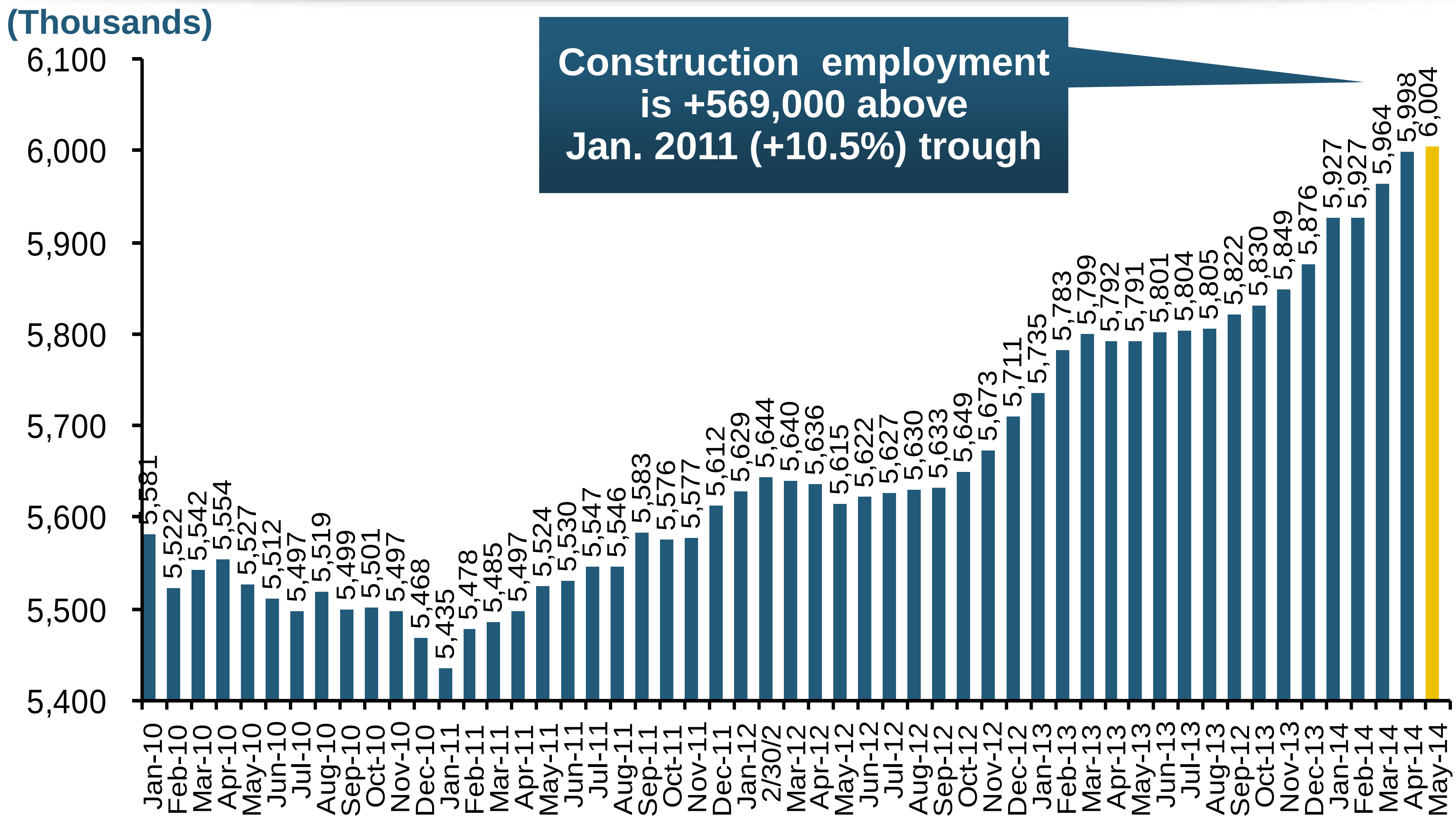
(Thousands of Units)



CRASH, CRATER, RECOVERY
Homebuilding in FL continues to recover, adding substantially to coastal exposures.

Source: University of Central Florida Institute for Economic Competitiveness: http://iec.ucf.edu/post/2014/01/07/Florida-Metro-Forecast-December-2013.aspx

Construction Employment, Jan. 2010—May 2014*

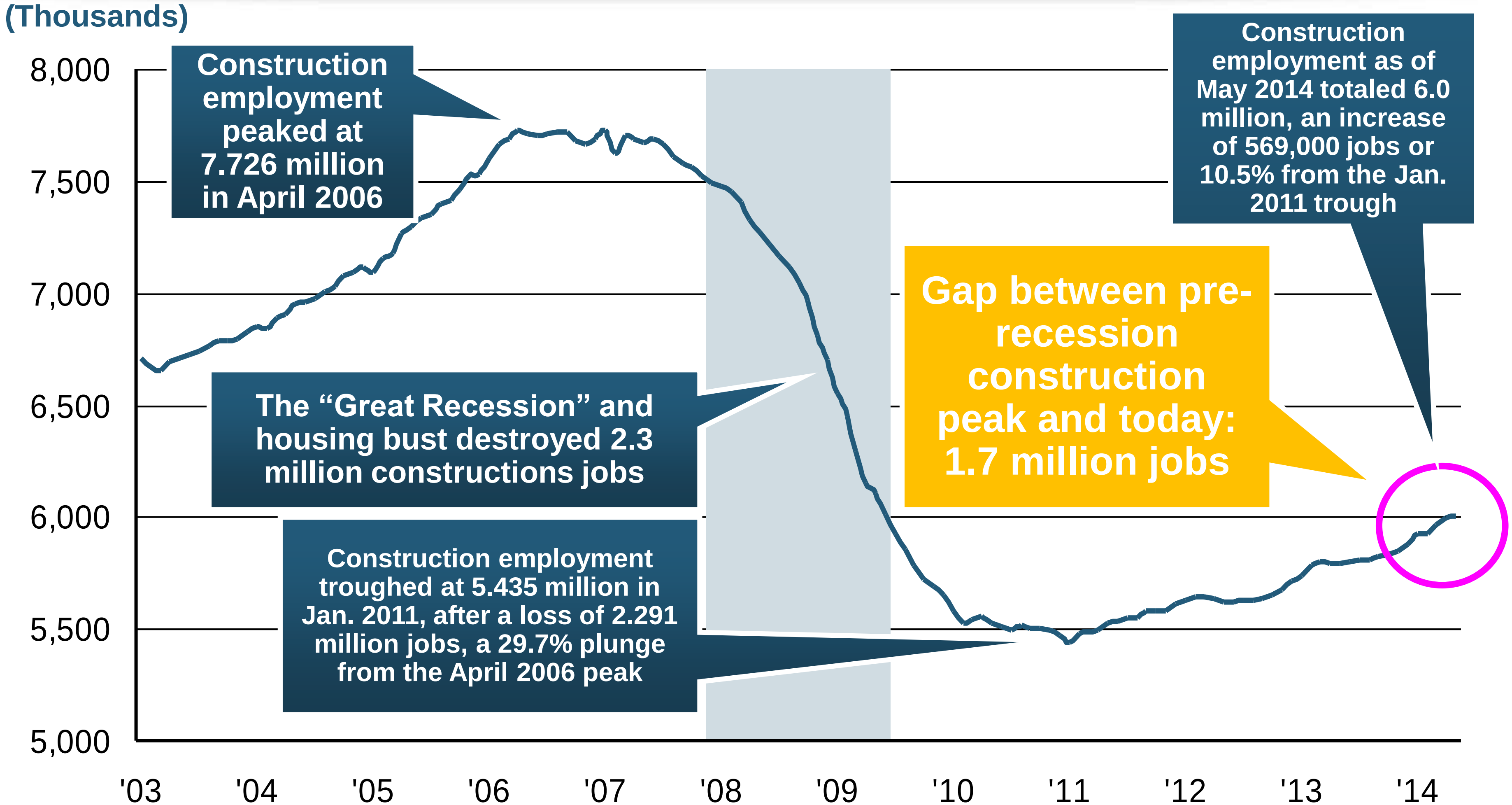


Construction and manufacturing employment constitute 1/3 of all payroll exposure.

*Seasonally adjusted.

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

Construction Employment, Jan. 2003–May 2014



The Construction Sector Could Be a Growth Leader in 2014 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.

Logging Employment, Jan. 2010—May 2014*

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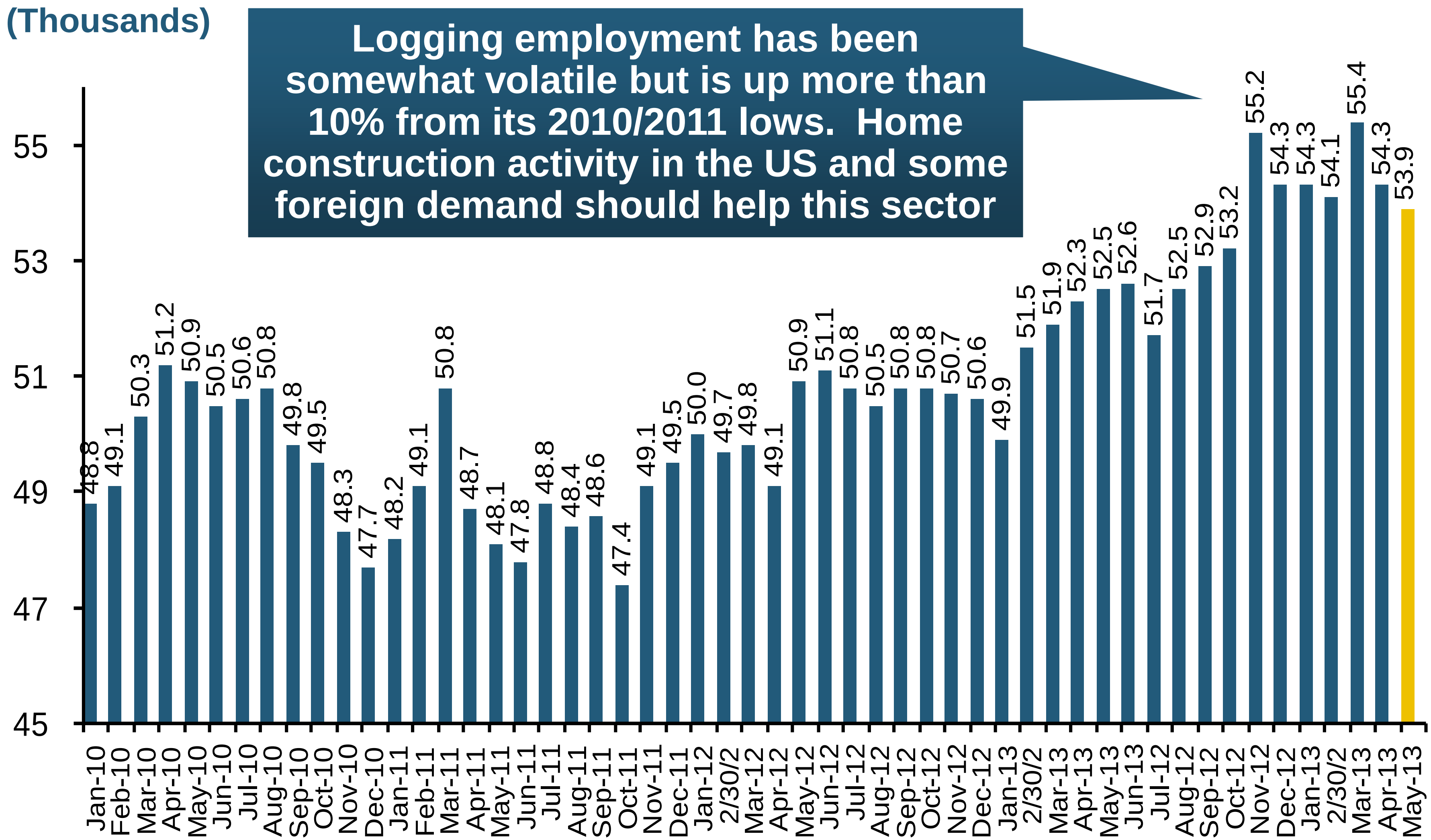
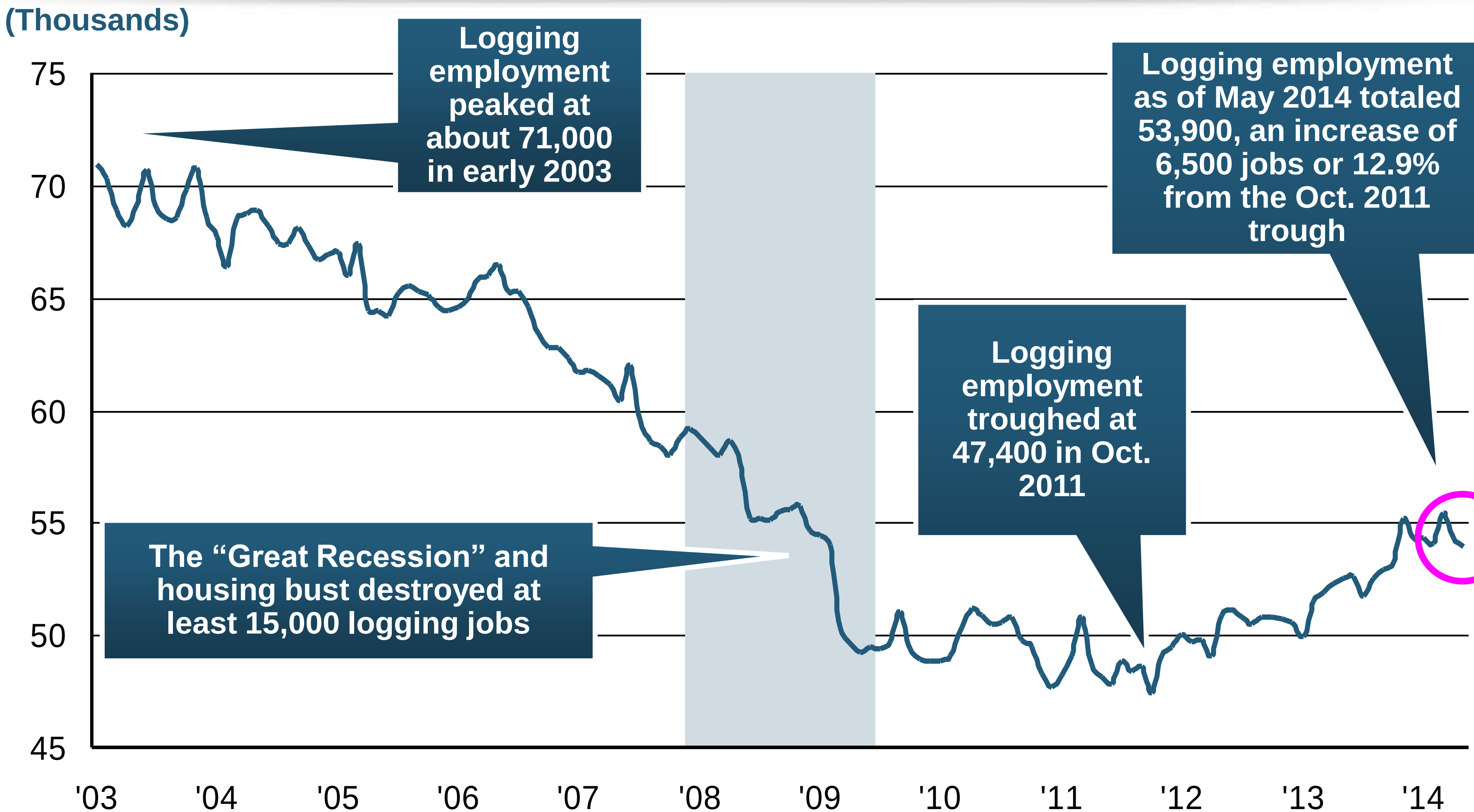


*Seasonally adjusted

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

Logging Employment, Jan. 2003–May 2014



The Logging Sector Is Benefitting from Residential Home Construction, Renewable Energy Regulations in Europe (encourage wood burning) and some Asian pulp demand

Note: Recession indicated by gray shaded column.

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

Construction Jobs: Largest Gains & Losses by Metro Area, Apr. 2014 vs. Apr. 2013*

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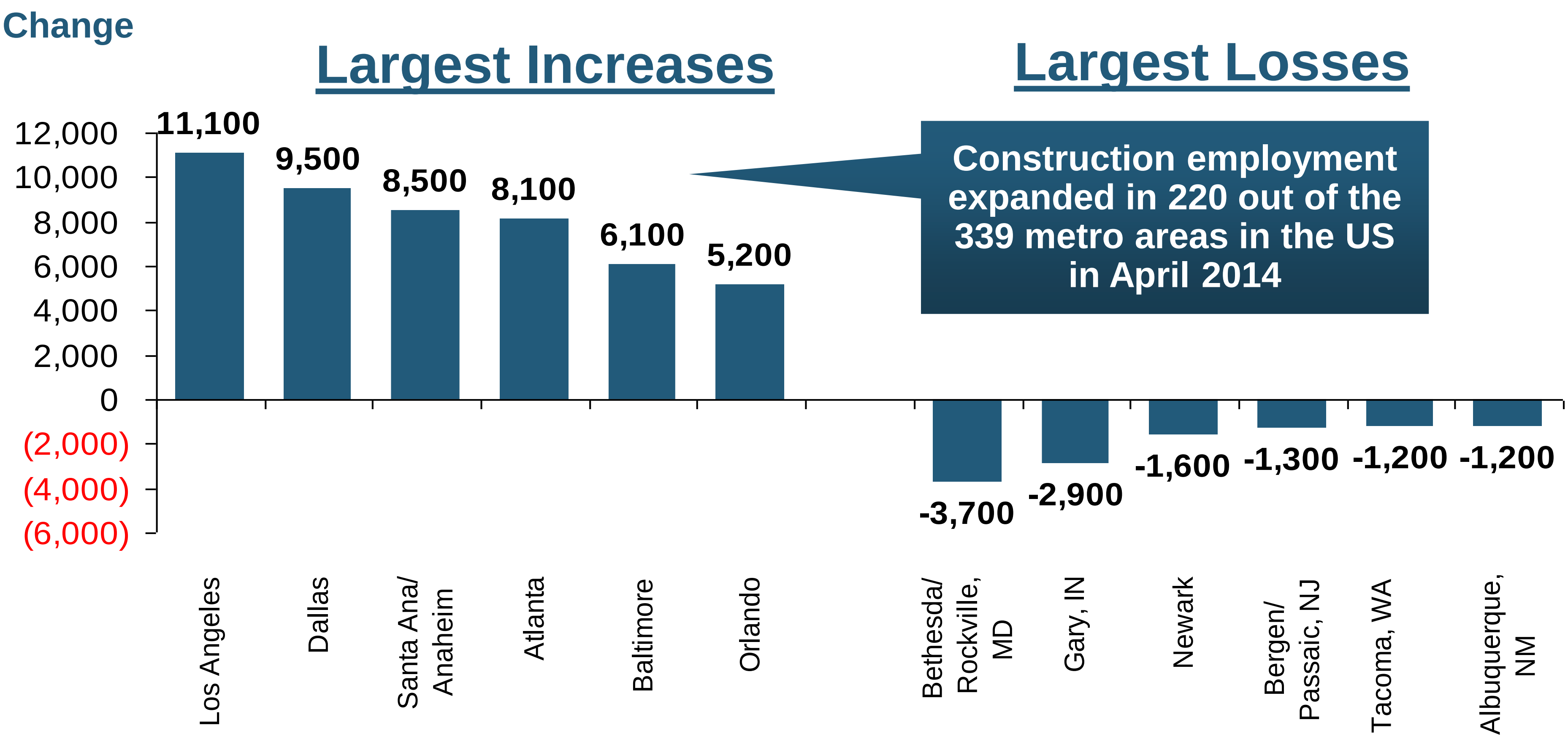
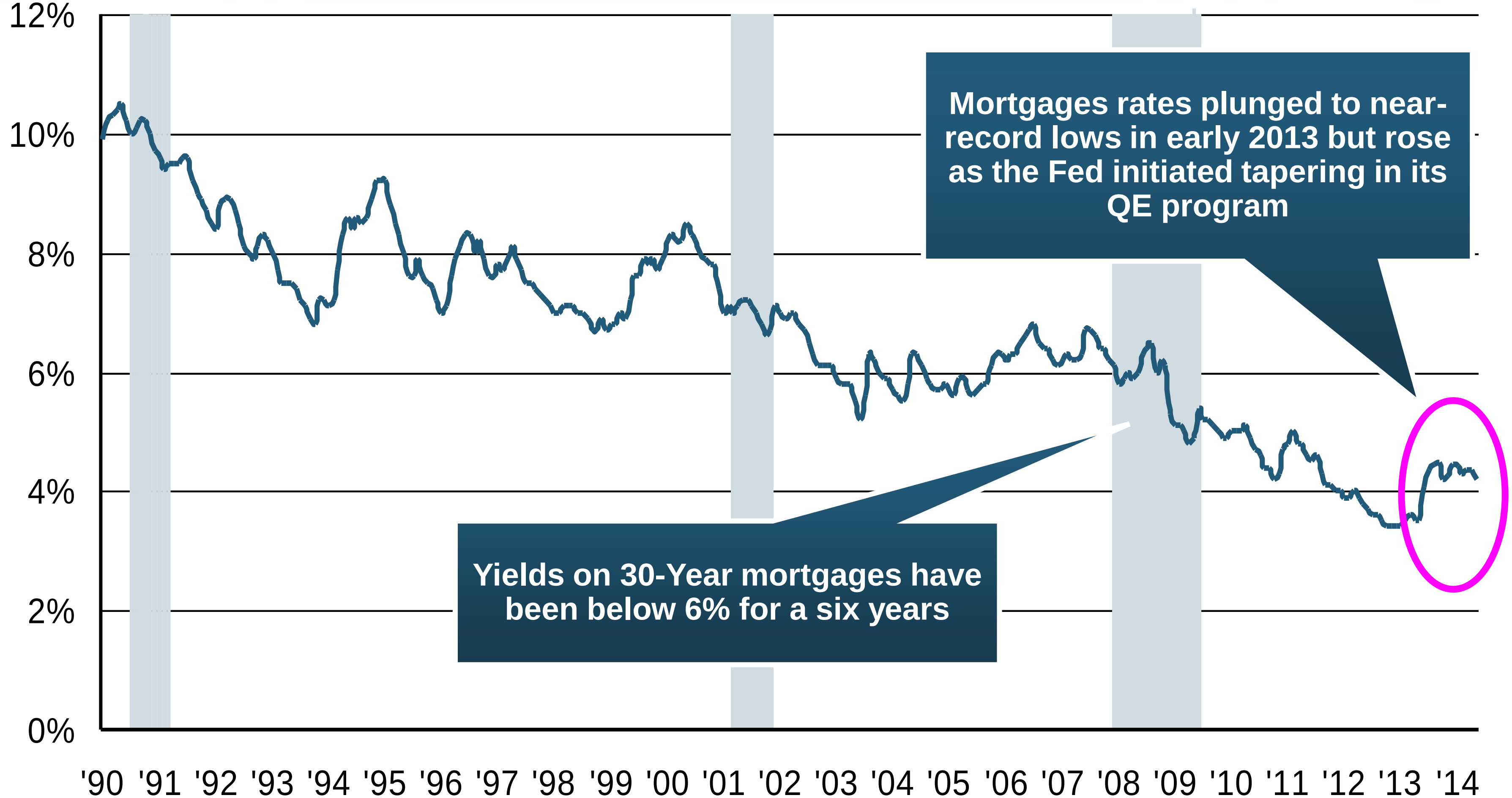


Construction Employment Is Expanding—Albeit Modestly—in Much of the US

*Seasonally adjusted;
Source: Associated General Contractors: http://www.agc.org/galleries/news/Metro_Empl_1404_Rank.pdf; Ins. Information Institute.

Interest Rate on Convention 30-Year Mortgages: Up a Bit, 1990–2014*



Rising mortgage interest rates have impacted home sales but are unlikely to derail the recovery on housing

*Monthly, through May 2014. Note: Recessions indicated by gray shaded columns.

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

30-Year Mortgages in 2014 Are Falling! What Will Be the Impact on Construction?

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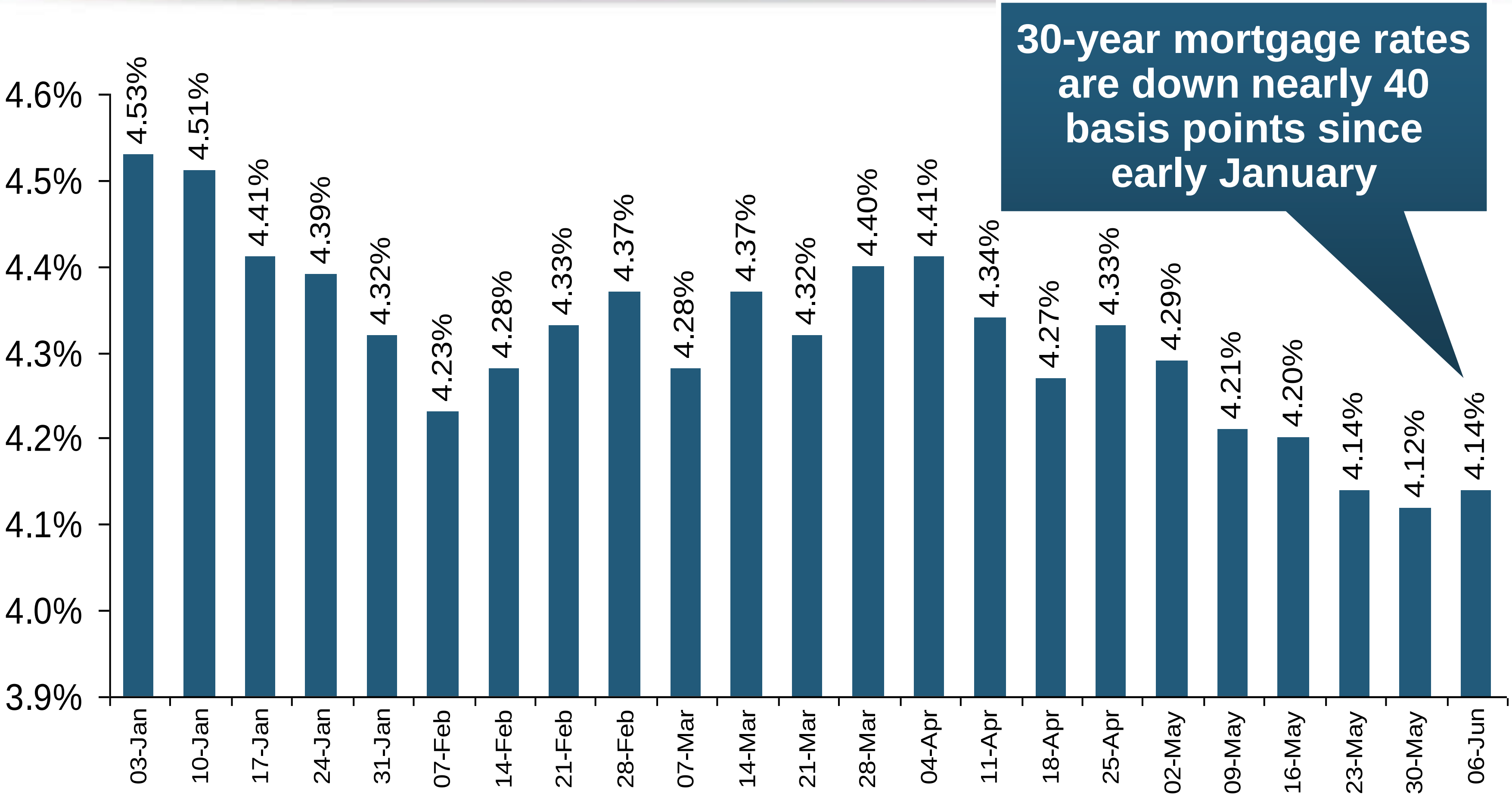

Mortgage Interest Rates Were Expected to Continue to Rise as the Fed Pursued Tapering and the Economy Recovered; Rates Are Still Low by Historical Standards

*Weekly through June 5, 2014.

Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data.htm.; Insurance Information Institutes.

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MANUFACTURING SECTOR OVERVIEW & OUTLOOK

The U.S. Is Experiencing a Mini Manufacturing Renaissance That Is Benefitting the US Economy and the P/C Insurance Industry

Manufacturing Employment, Jan. 2010—May 2014*

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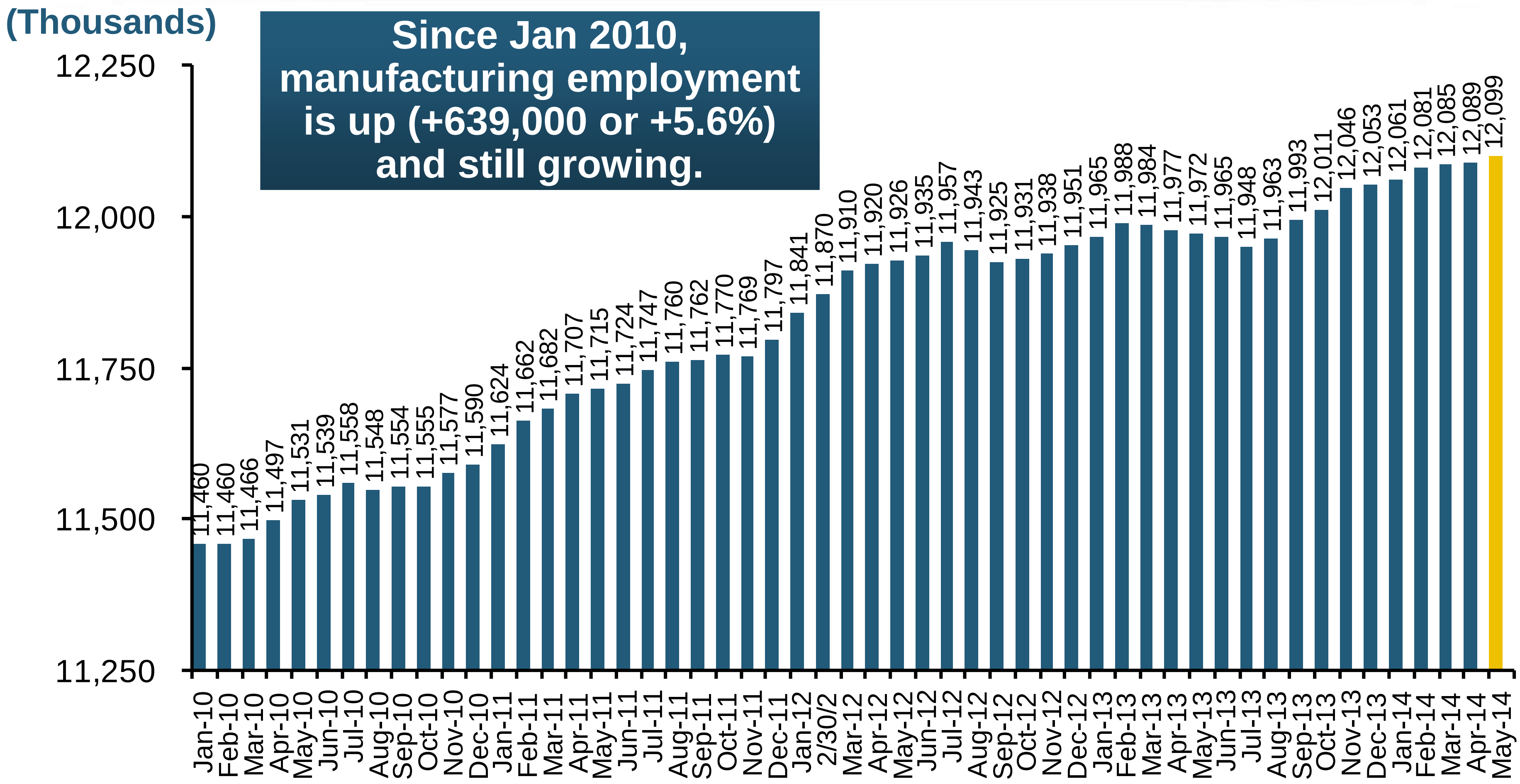
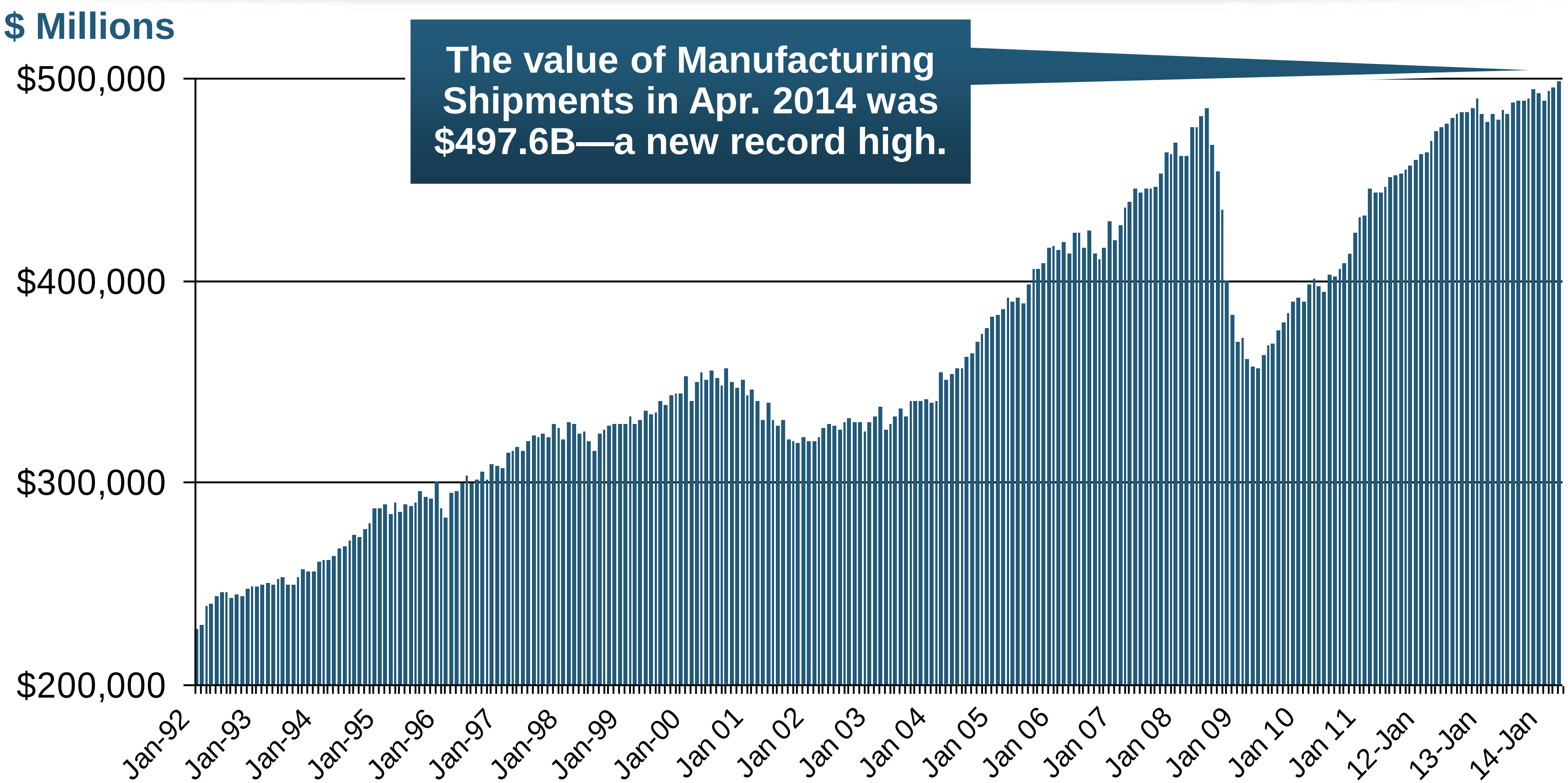


Manufacturing employment is a surprising source of strength in the economy. Employment in the sector is at a multi-year high.

*Seasonally adjusted.

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

Dollar Value* of Manufacturers' Shipments Monthly, Jan. 1992—Apr. 2014



Monthly shipments in Apr. 2014 exceeded the pre-crisis (July 2008) peak. Manufacturing is energy-intensive and growth leads to gains in many commercial exposures: WC, Commercial Auto, Marine, Property, and various Liability Coverages.

* Seasonally adjusted; Data published June 3, 2014.
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders*, http://www.census.gov/manufacturing/m3/

ISM Manufacturing Index
(Values > 50 Indicate Expansion)

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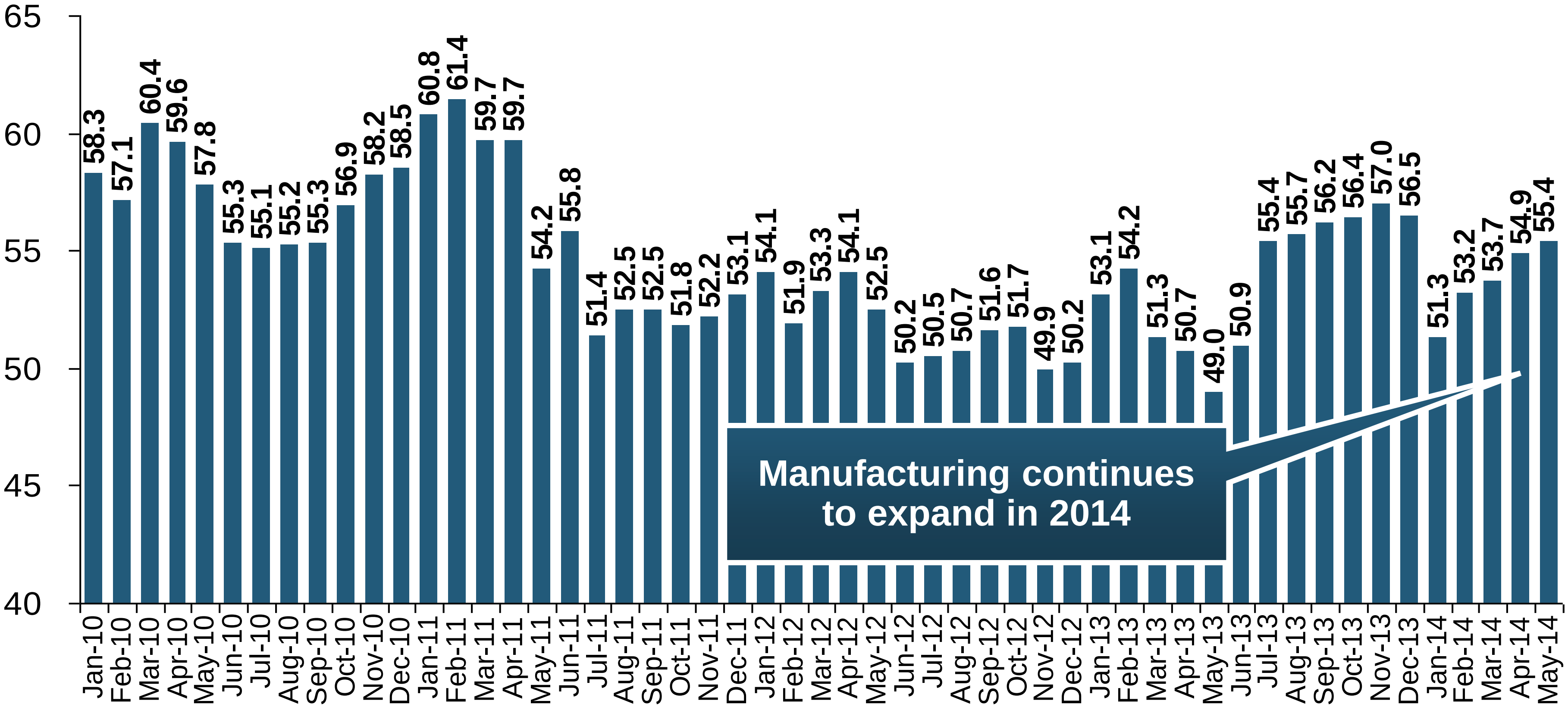
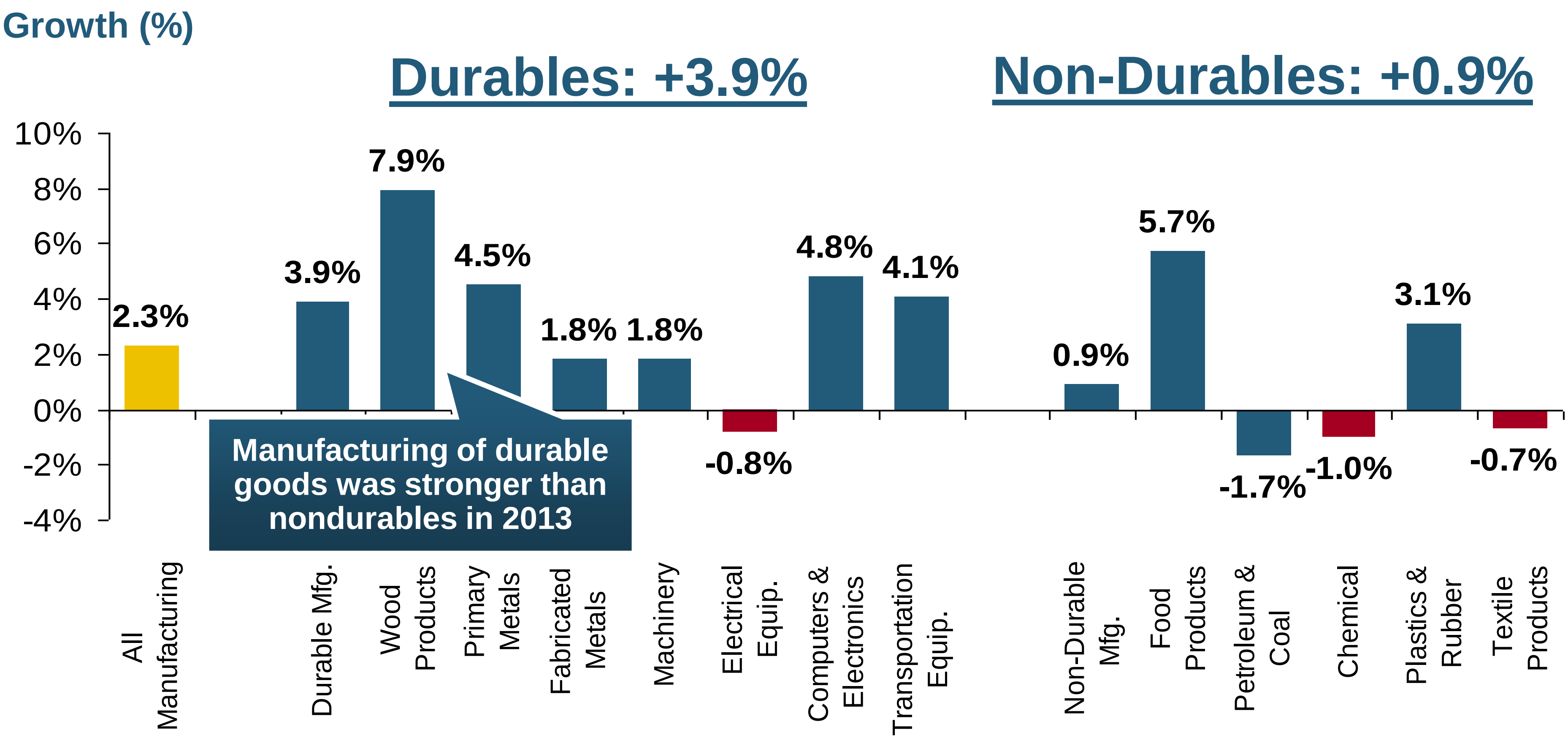
January 2010 through May 2014



The manufacturing sector expanded for 51 of the 53 months from Jan. 2010 through May 2014. Pace of recovery has been uneven due to economic turbulence in the U.S., Europe and China

Source: Institute for Supply Management at http://www.ism.ws/ismreport/mfgrob.cfm; Insurance Information Institute.

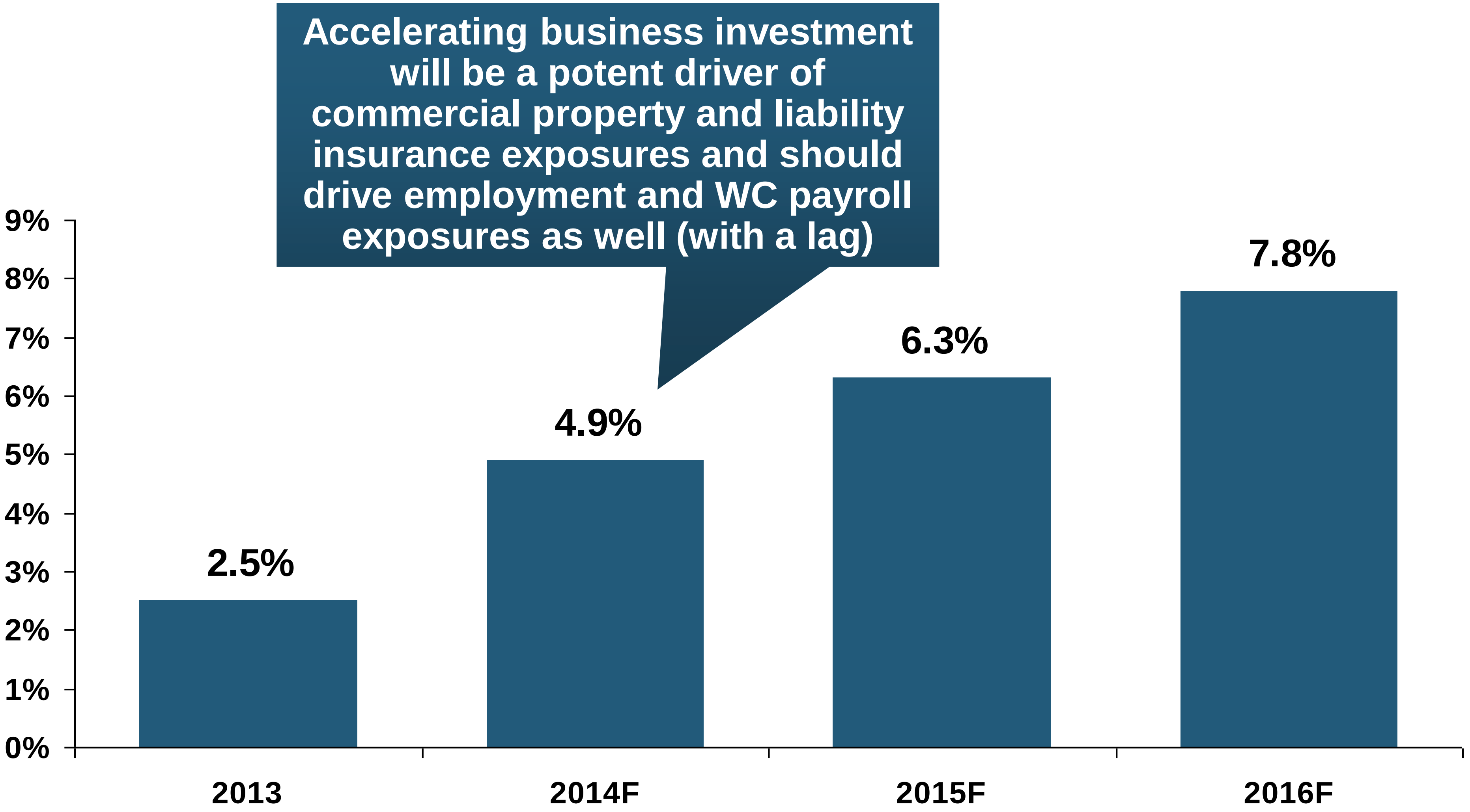
Manufacturing Growth for Selected Sectors, 2014 vs. 2013*



Manufacturing Is Expanding—Albeit Slowly—Across a Number of Sectors that Will Contribute to Growth in Insurable Exposures Including: WC, Commercial Property, Commercial Auto and Many Liability Coverages

*Seasonally adjusted; Date are YTD comparing data through May 2014 to the same period in 2013.
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders,* http://www.census.gov/manufacturing/m3/

Business Investment: Expected to Accelerate, Fueling Commercial Exposure Growth



Source: IHS Global Insights as of Jan. 13, 2014; Insurance Information Institute.

Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

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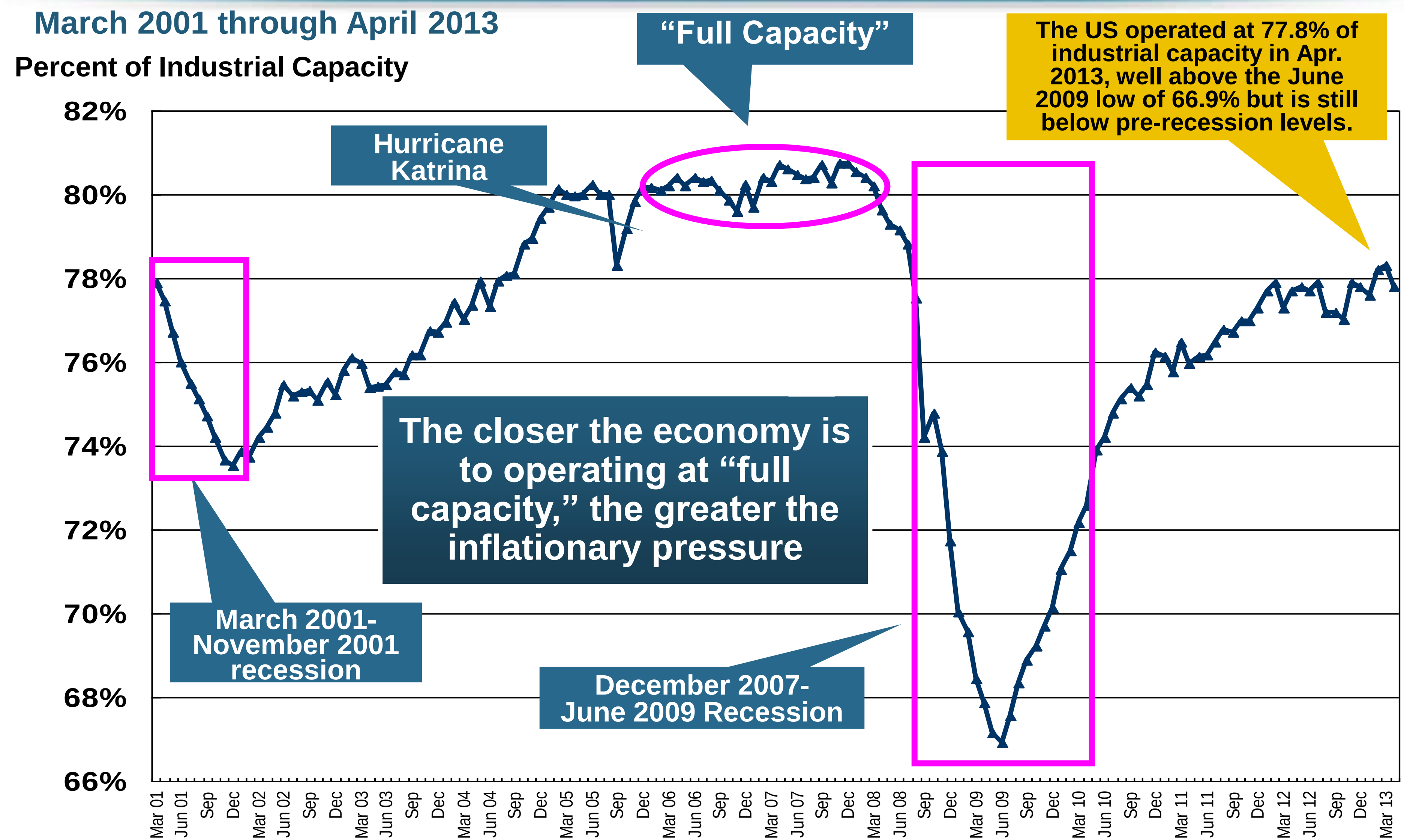

Source: Federal Reserve Board statistical releases at http://www.federalreserve.gov/releases/g17/Current/default.htm.

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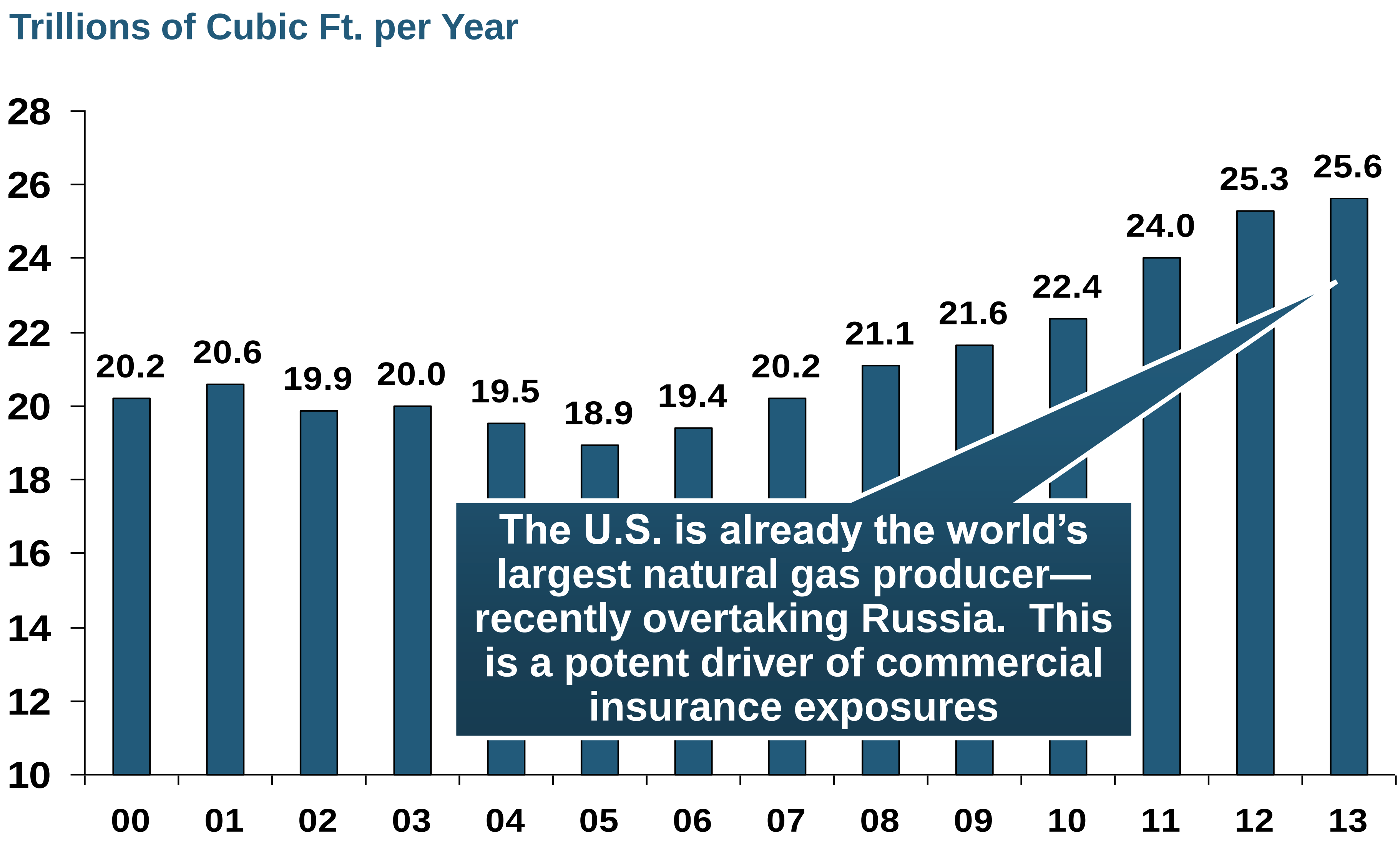
ENERGY SECTOR: OIL & GAS INDUSTRY FUTURE IS BRIGHT

US Is Becoming an Energy Powerhouse; Domestic Demand and Exports Are Key

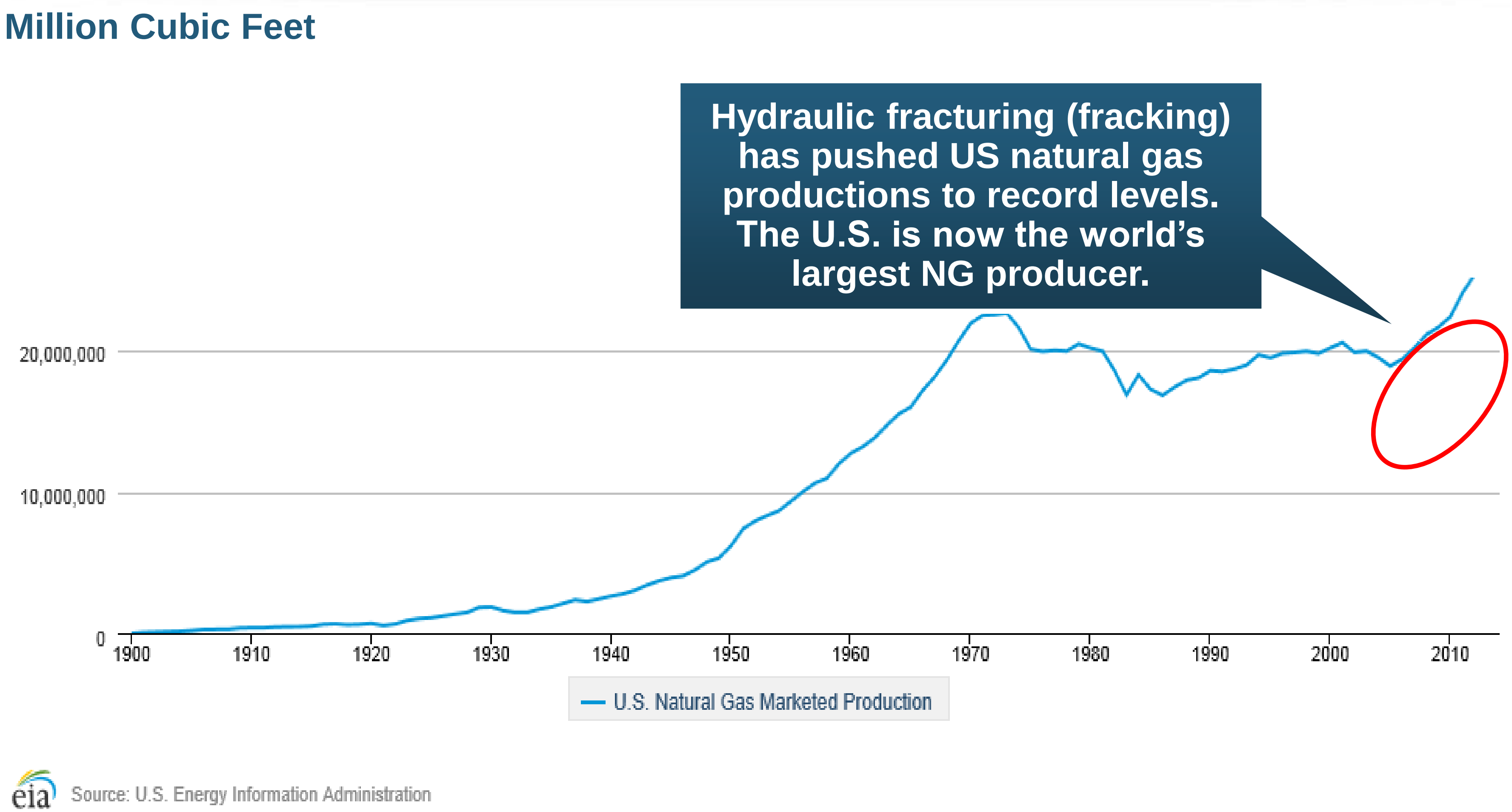
Need Infrastructure Investment

U.S. Natural Gas Production, 2000-2013



Source: Energy Information Administration, *Short-Term Energy Outlook* (April 8, 2014) , Insurance Information Institute.

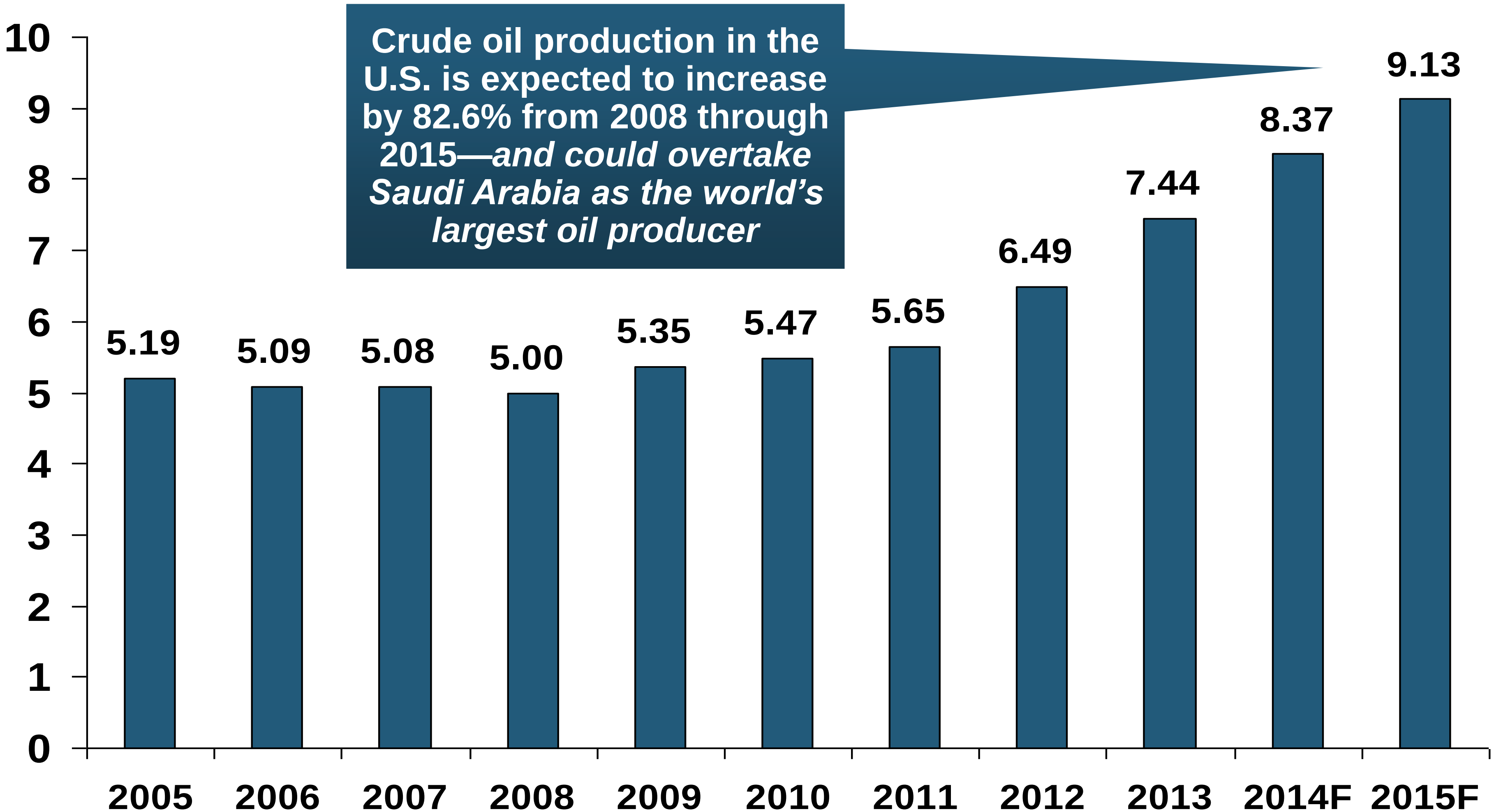
U.S. Natural Gas Marketed Production, 1900 - 2013



Source: U.S. Energy Information Administration, accessed 4/10/14 at http://www.eia.gov/dnav/ng/hist/n9050us2a.htm

U.S. Crude Oil Production, 2005-2015P

Millions of Barrels per Day



Source: Energy Information Administration, *Short-Term Energy Outlook* (April 8, 2014) , Insurance Information Institute.

Oil & Gas Extraction Employment, Jan. 2010—May 2014*

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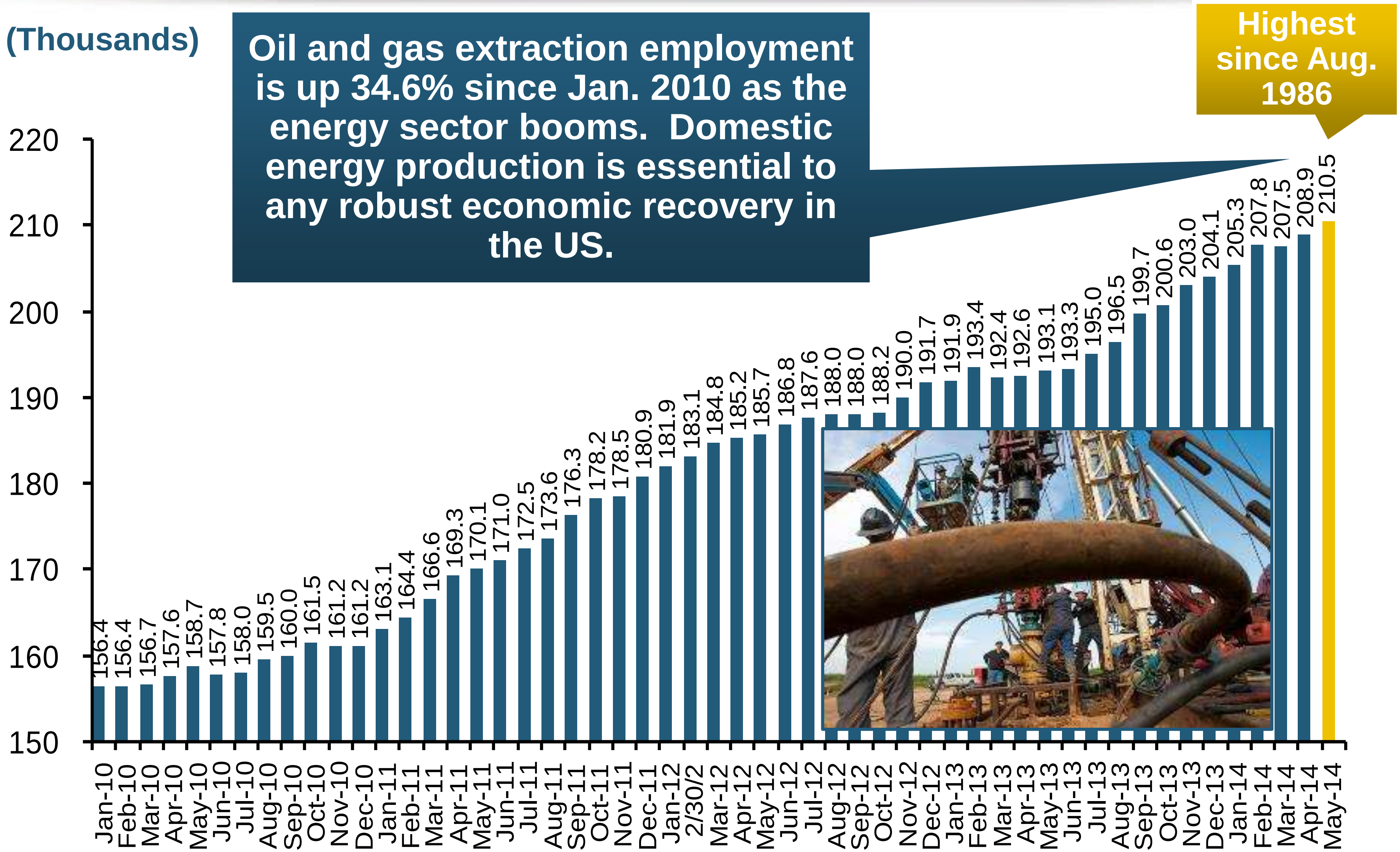
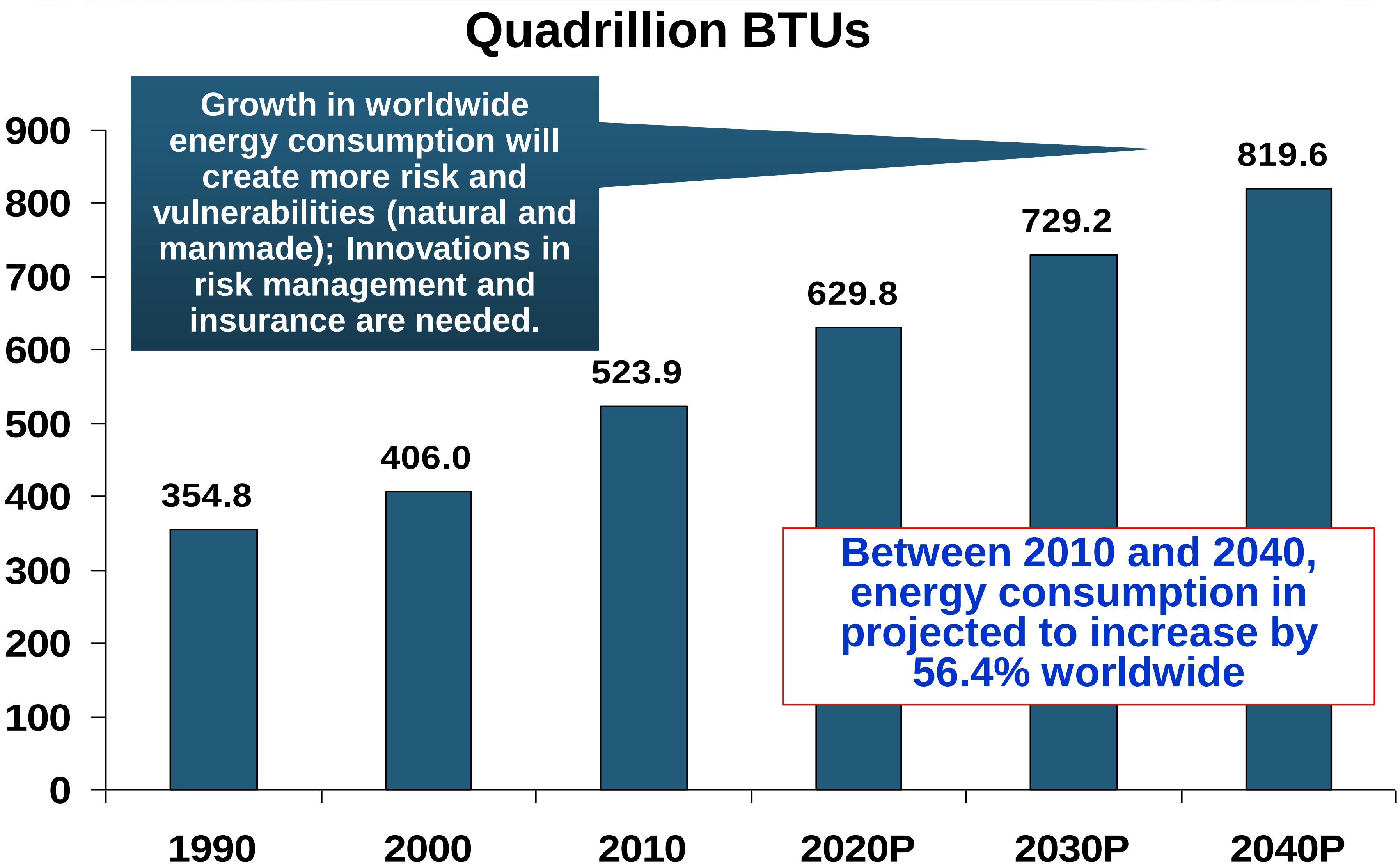


*Seasonally adjusted

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

World Primary Energy Consumption, 1990-2040P



Source: Energy Information Administration, *2013 International Energy Outlook*, Insurance Information Institute.

Cumulative Projected Investment in Global Energy Infrastructure, 2011-2035 ($ Trill.)

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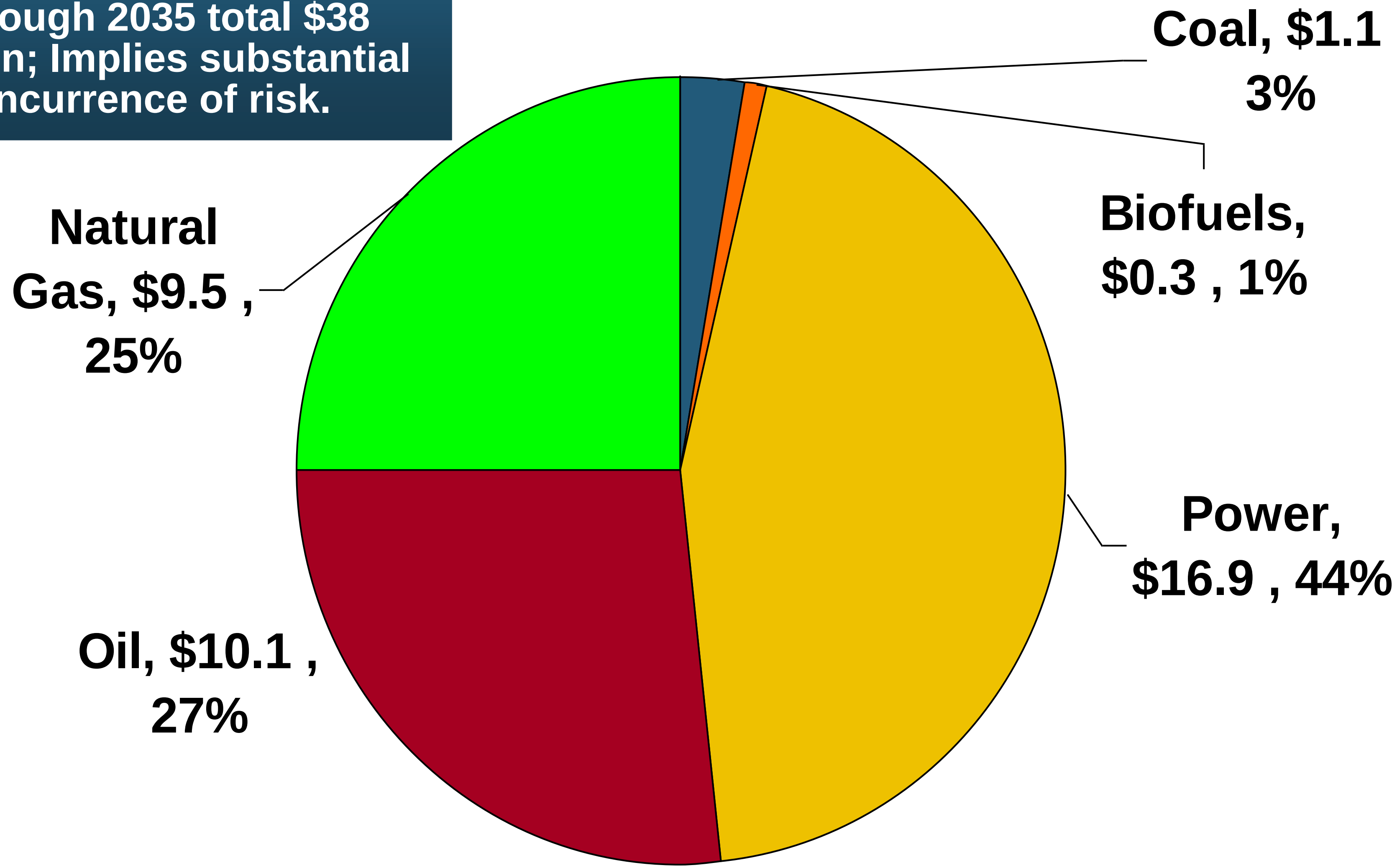
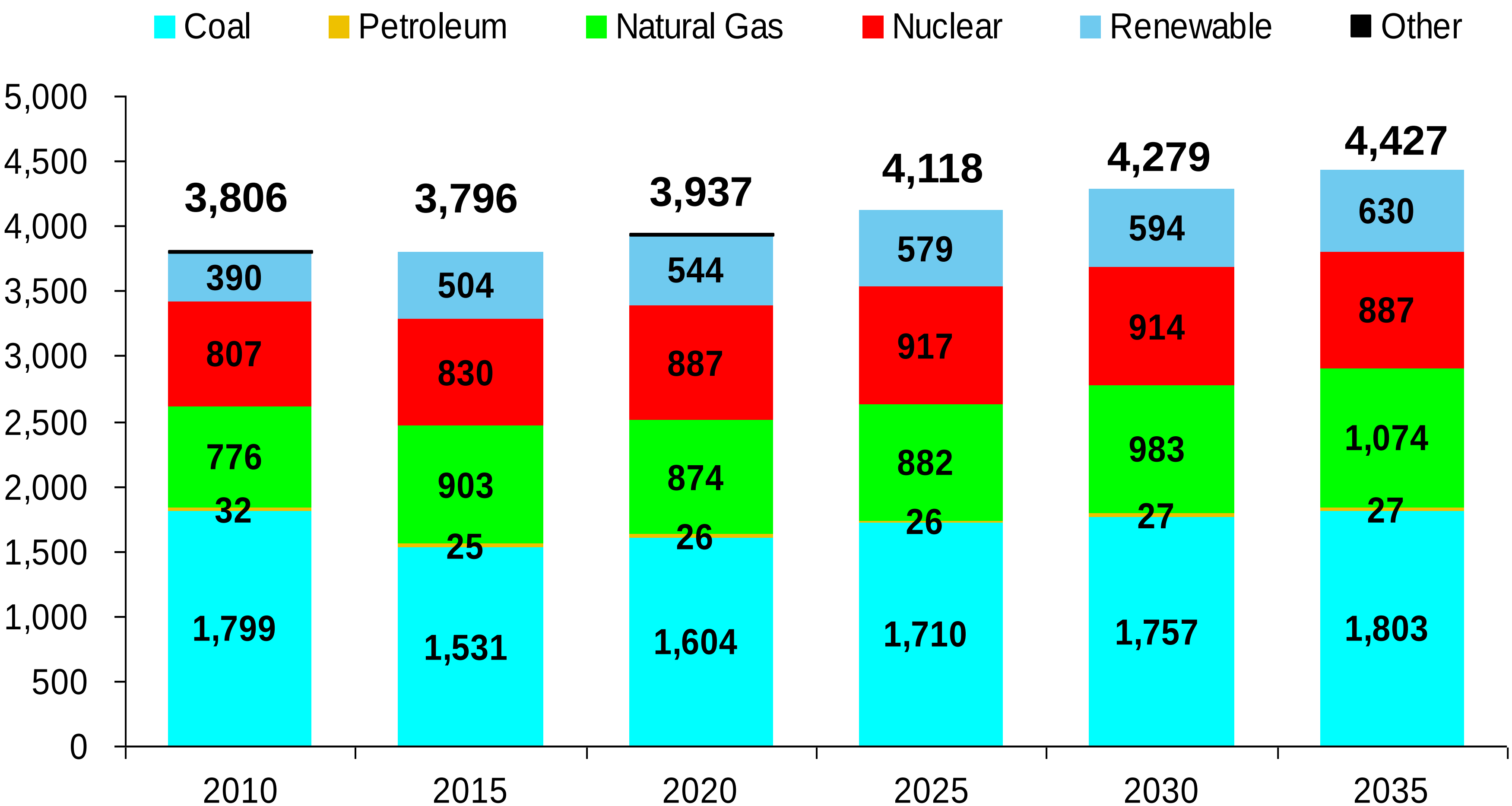
Projected energy infrastructure investment through 2035 total $38 trillion; Implies substantial incurrence of risk.



Source: International Energy Agency, *World Energy Outlook 2011.*

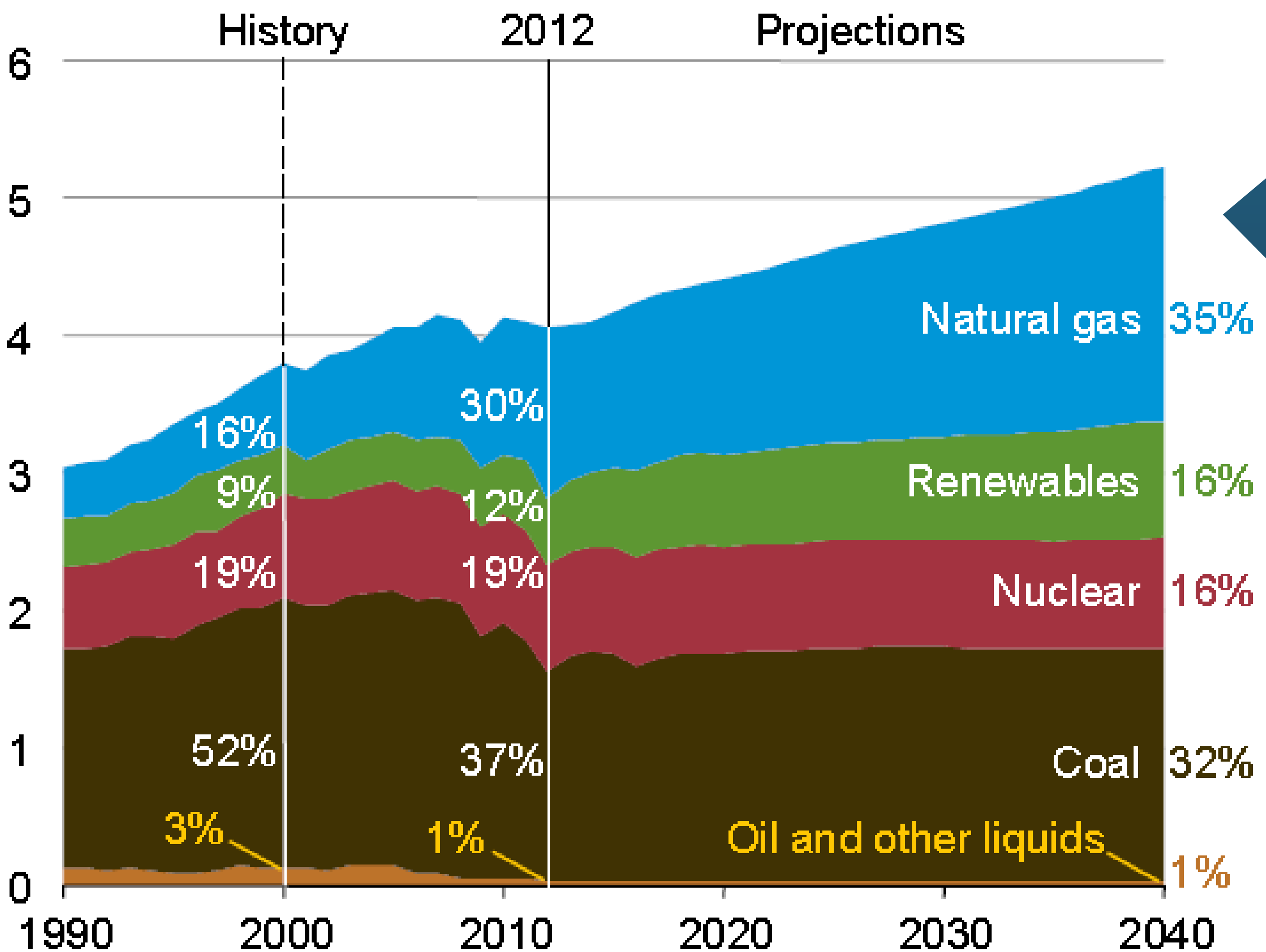
US Electric Power Generation by Fuel Source, 2010-2035F (Billions of Kilowatt Hours)



Demand for Electricity Is Expected to Grow at a 0.6% Annual Rate Through 2035. Renewables and Natural Gas Will Account for an Increasing Share of Fuel Source

Source: US Energy Information Administration, *Annual Energy Outlook 2012,* Appendix A7.

U.S. Electricity Generation by Fuel, 1990-2040F (Trillions of Kilowatt Hours)



Natural gas share of fossil fired generation will grow rapidly (more investment needed). Coal fired generation will remain flat but its share will fall due to abundant gas and EPA carbon regulations

Source: US Energy Information Administration, *2014 Annual Energy Outlook Early Release Overview*; Insurance Information Institute.

US Natural Gas Production and Non-Hydro Renewable Electricity Generation, 1990-2035P

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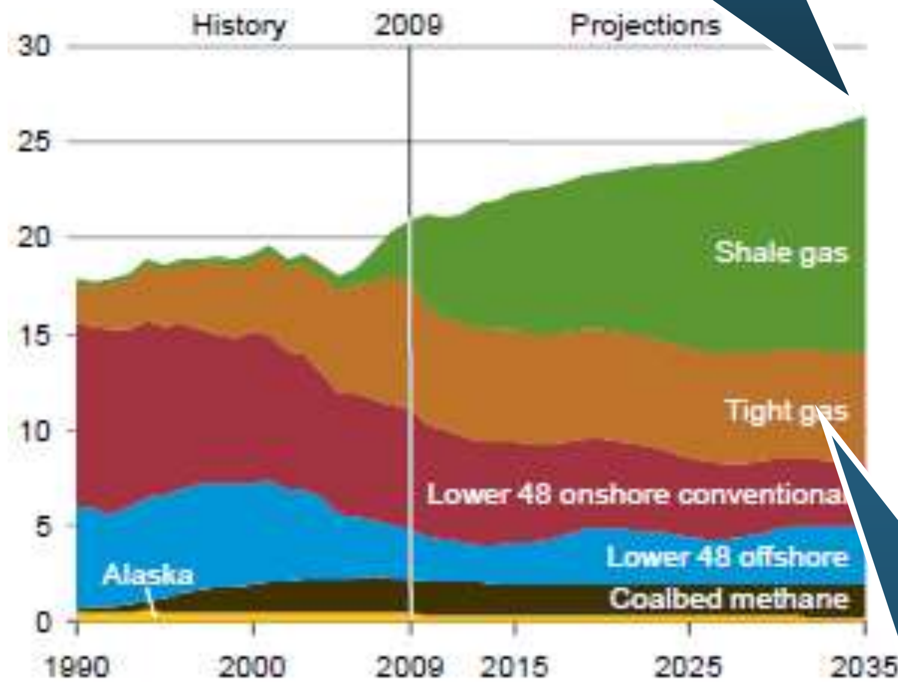
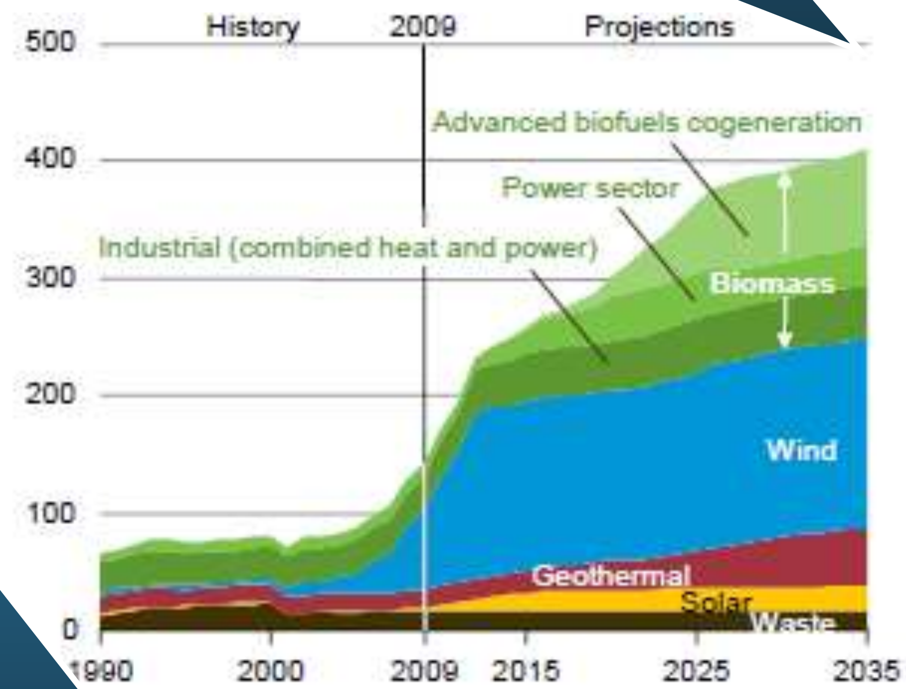
Shale gas production is expected to grow rapidly in the US

Wind is expected to account for the majority of renewable electricity generation

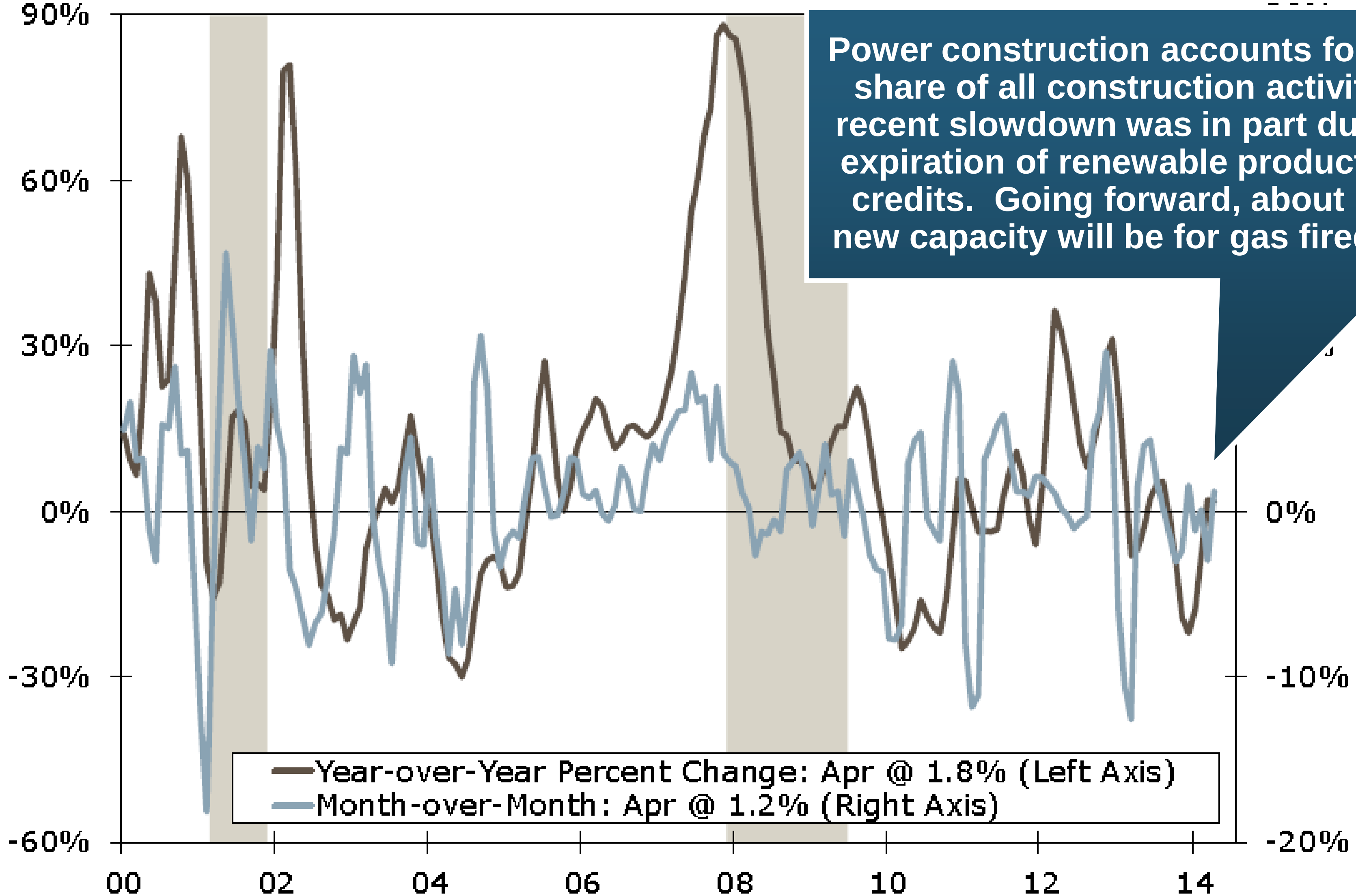




Tight gas production involves controversial hydraulic fracturing (fracking) techniques

Source: US Energy Information Administration, *Annual Energy Outlook 2011*; Insurance Information Institute.

U.S. Private Power Construction, 2000-2014* (% Change, 3-Month Moving Avg.)



Power construction accounts for a large share of all construction activity. The recent slowdown was in part due to the expiration of renewable production tax credits. Going forward, about 75% of new capacity will be for gas fired plants

*Through April 2014.

Source: US Dept. of Commerce; Energy Information Administration, Wells Fargo Securities (June 6, 2014 research report).

Labor Market Trends

Massive Job Losses Sapped the Economy and Commercial/Personal Lines Exposure, But Trend is Improving

Unemployment and Underemployment Rates: Still Too High, But Falling

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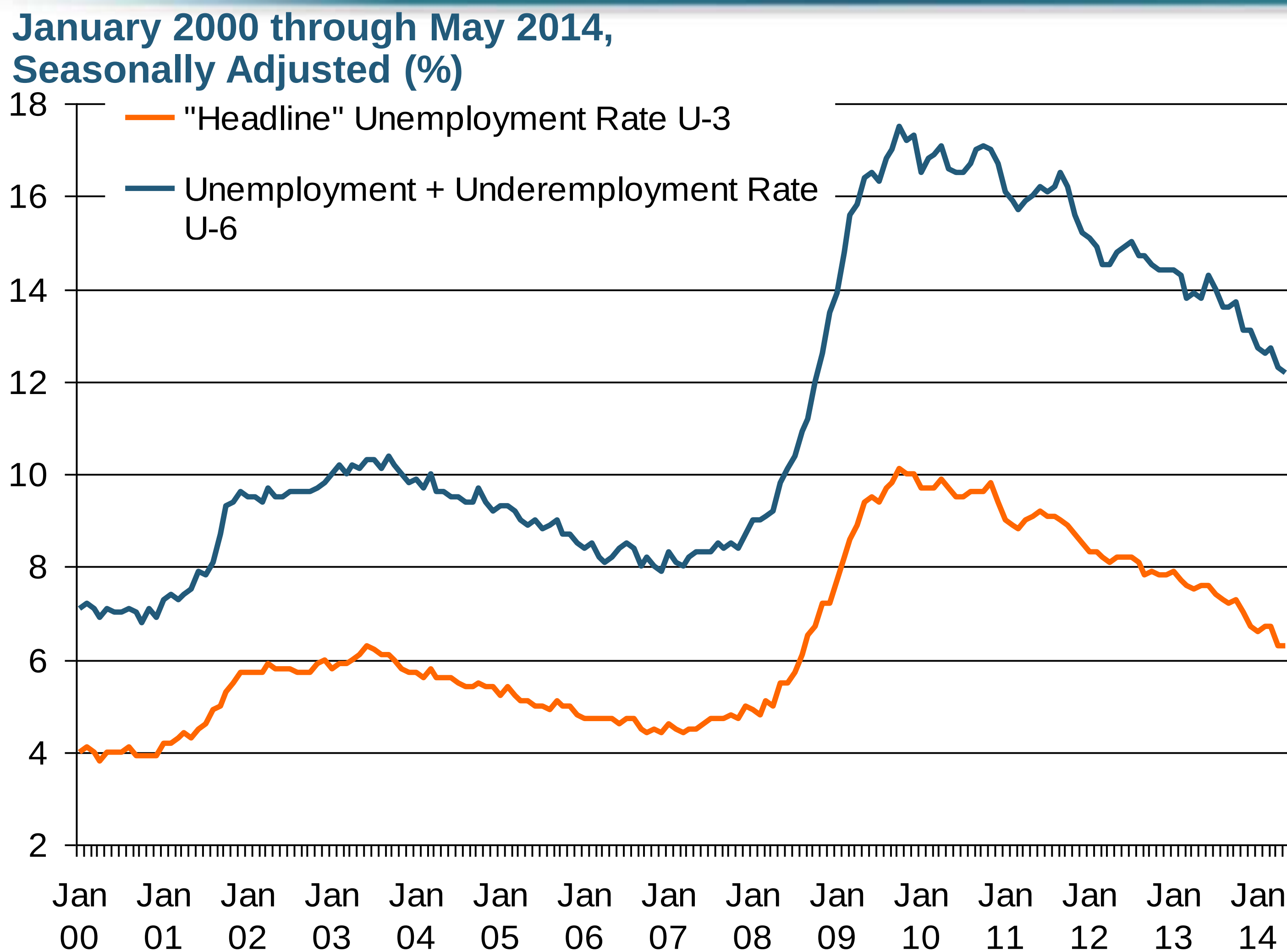


U-6 went from 8.0% in March 2007 to 17.5% in October 2009; Stood at 12.2% in May 2014. 8% to 10% is "normal."

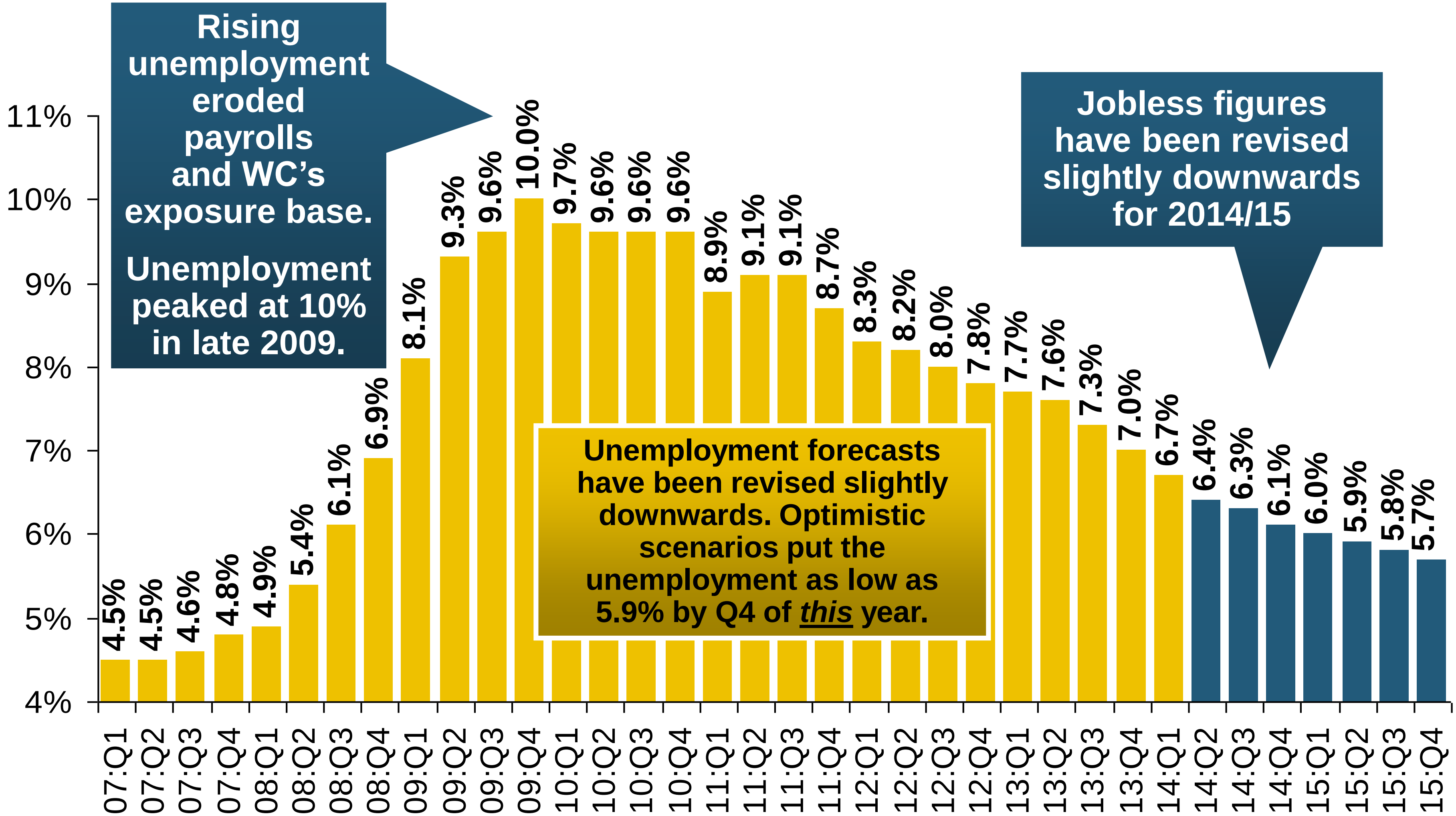
"Headline" unemployment was 6.3% in May 2014. 4% to 6% is "normal."

Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is now clearly improving.

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

US Unemployment Rate Forecast

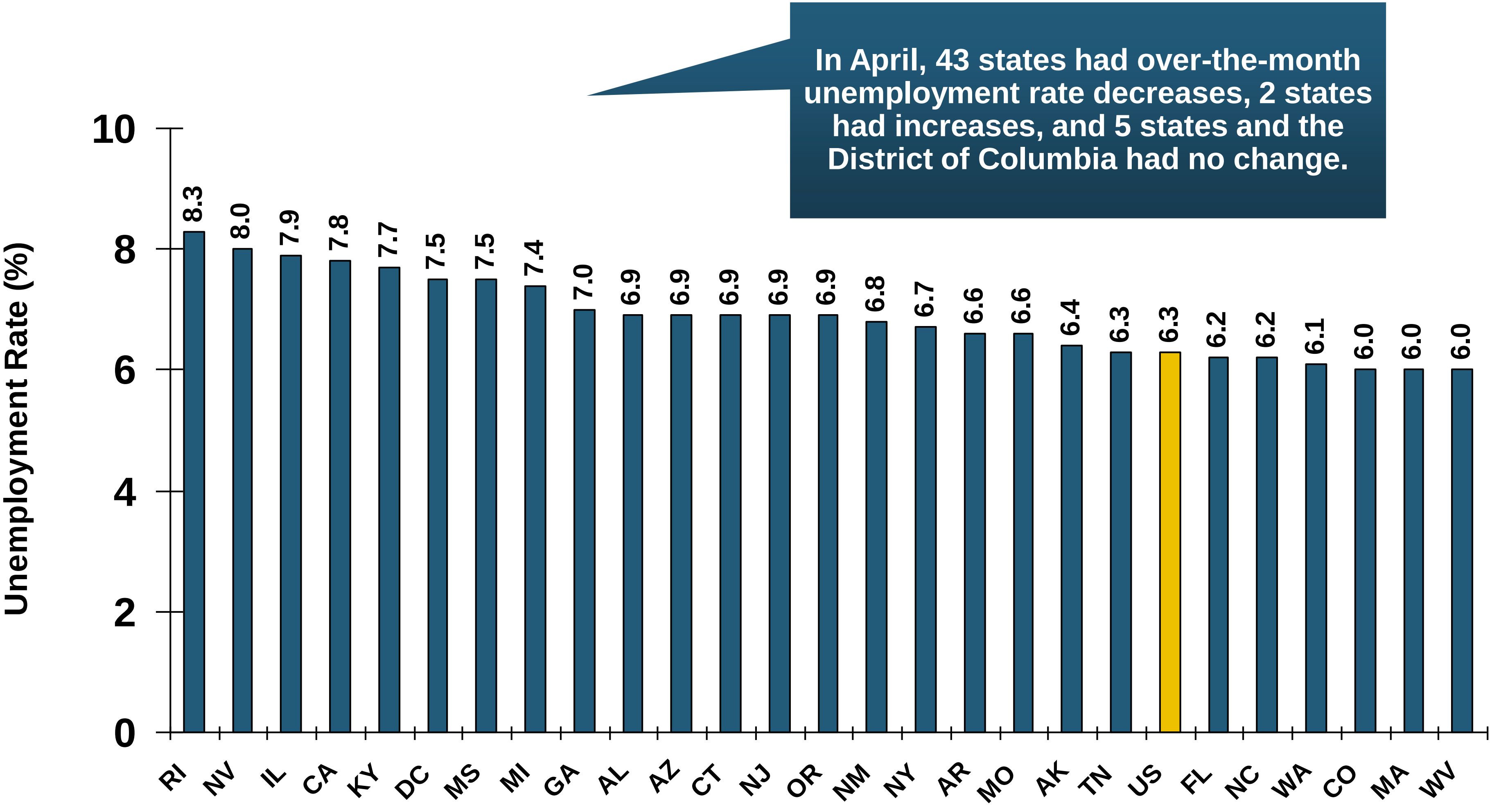
2007:Q1 to 2015:Q4F*



* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (6/14 edition); Insurance Information Institute.

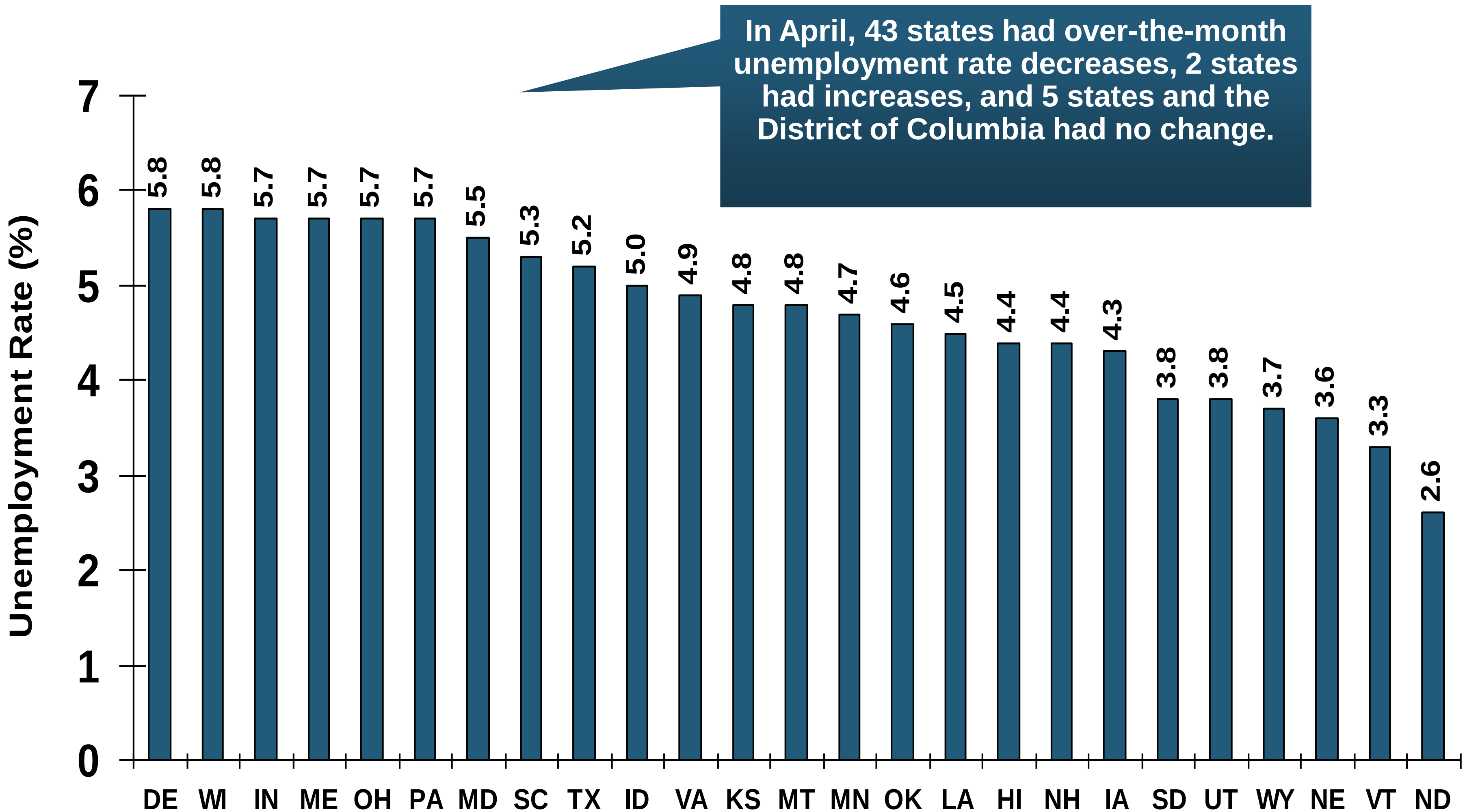
Unemployment Rates by State, April 2014: Highest 25 States*



*Provisional figures for April 2014, seasonally adjusted.

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

Unemployment Rates by State, April 2014: Lowest 25 States*



*Provisional figures for April 2014, seasonally adjusted.

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

Monthly Change in Private Employment

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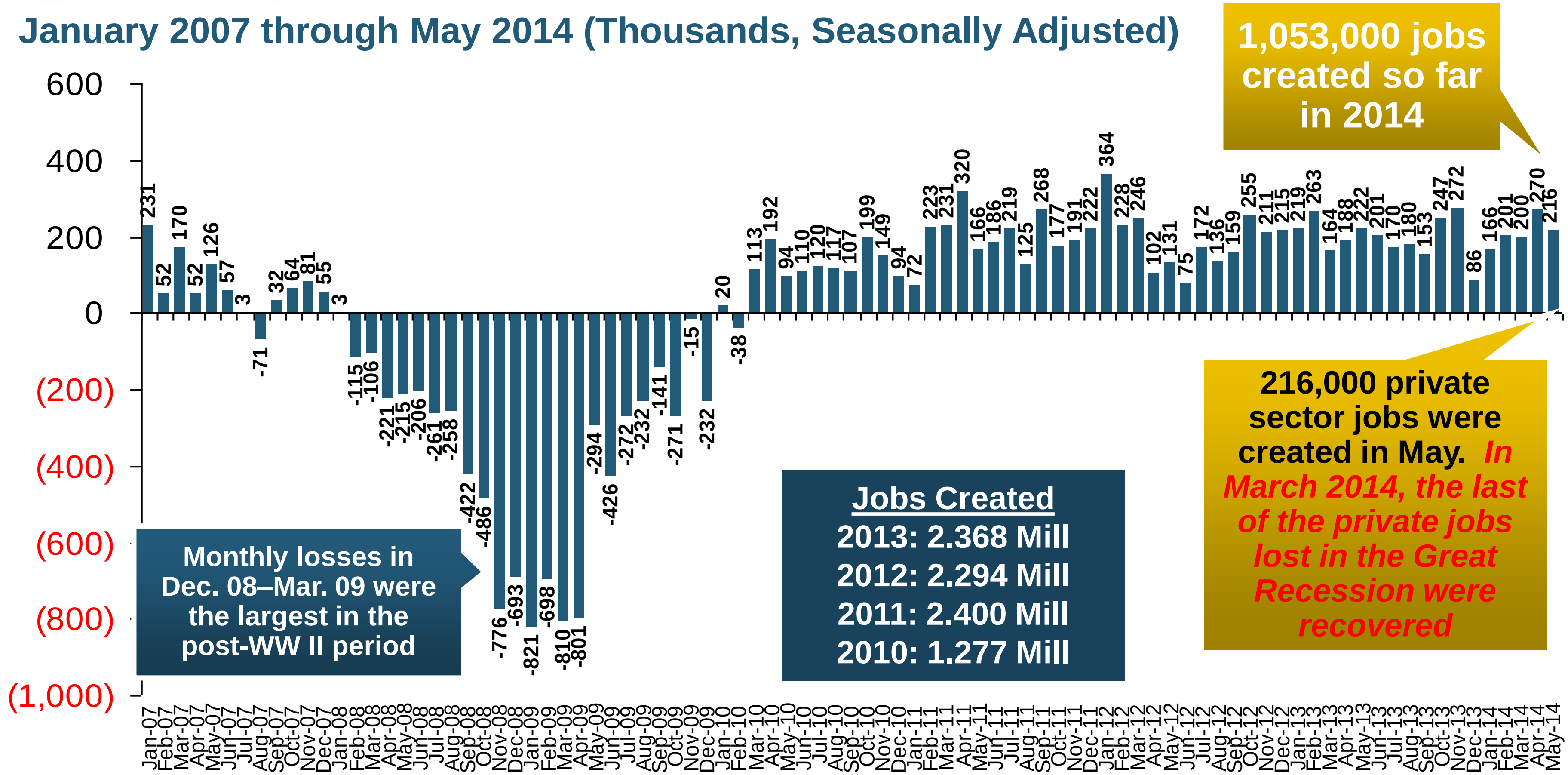

Private Employers Added 9.39 million Jobs Since Jan. 2010 After Having Shed 5.01 Million Jobs in 2009 and 3.76 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Source: US Bureau of Labor Statistics: http://www.bls.gov/ces/home.htm; Insurance Information Institute

Cumulative Change in Private Employment: Dec. 2007—May 2014

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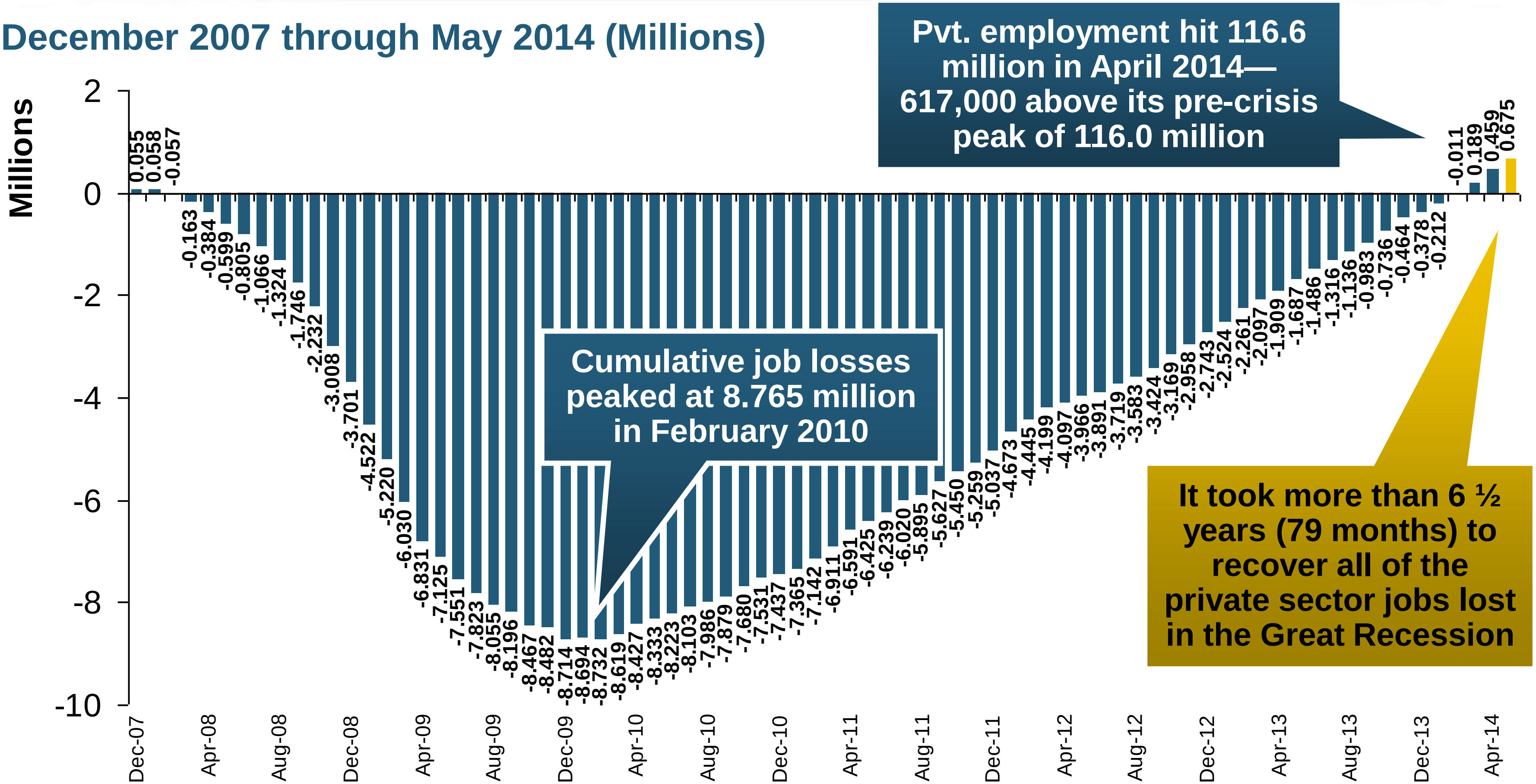
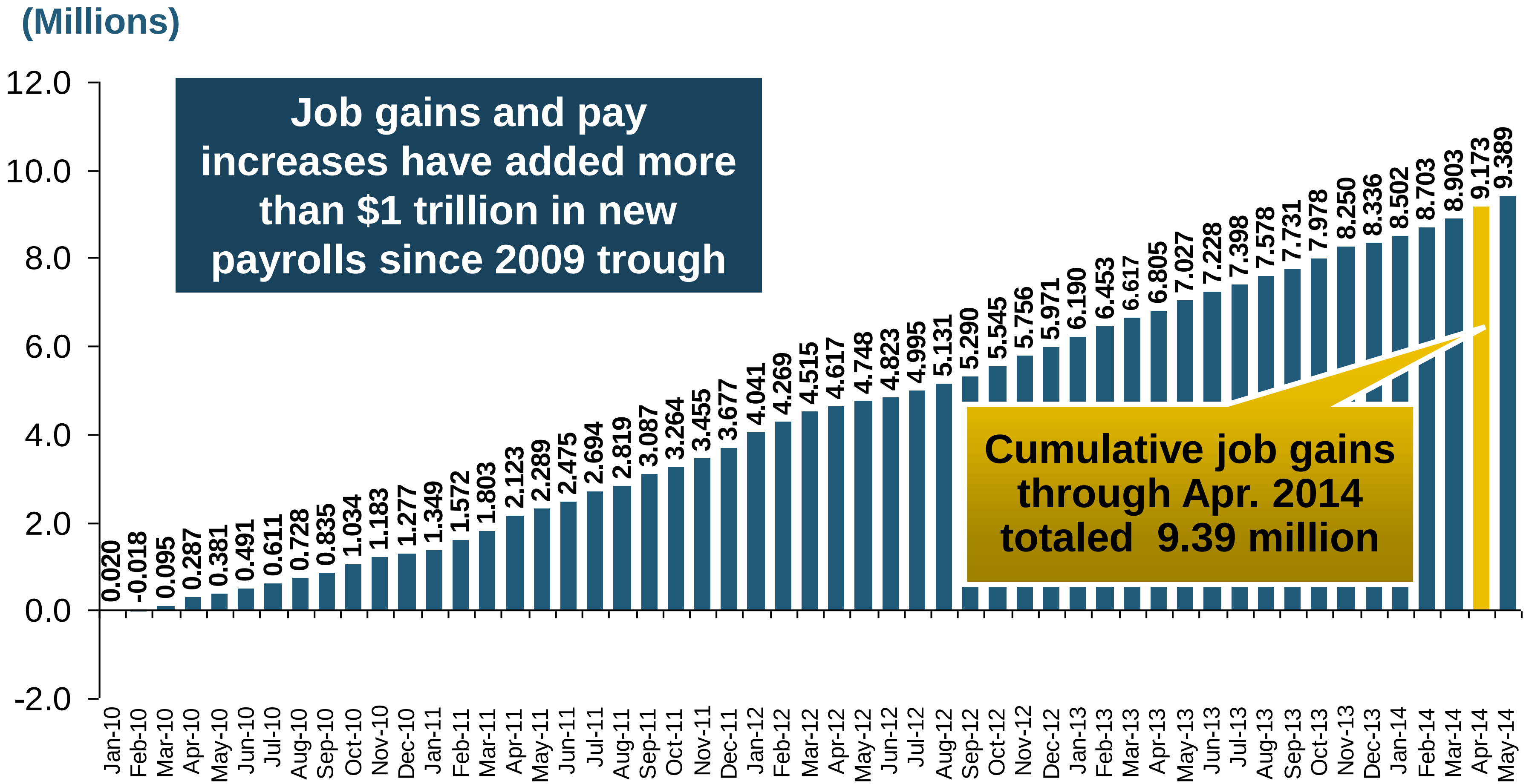
December 2007 through May 2014 (Millions)



Private Employers Added 9.39 million Jobs Since Jan. 2010 After Having Shed 4.98 Million Jobs in 2009 and 3.80 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Source: US Bureau of Labor Statistics: http://www.bls.gov/ces/home.htm; Insurance Information Institute

Cumulative Change in Private Sector Employment: Jan. 2010—May 2014



Private Employers Added 9.39 million Jobs Since Jan. 2010 After Having Shed 4.98 Million Jobs in 2009 and 3.80 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Source: US Bureau of Labor Statistics: http://www.bls.gov/ces/home.htm; Insurance Information Institute

Net Change in Government Employment: Jan. 2010—Apr. 2014

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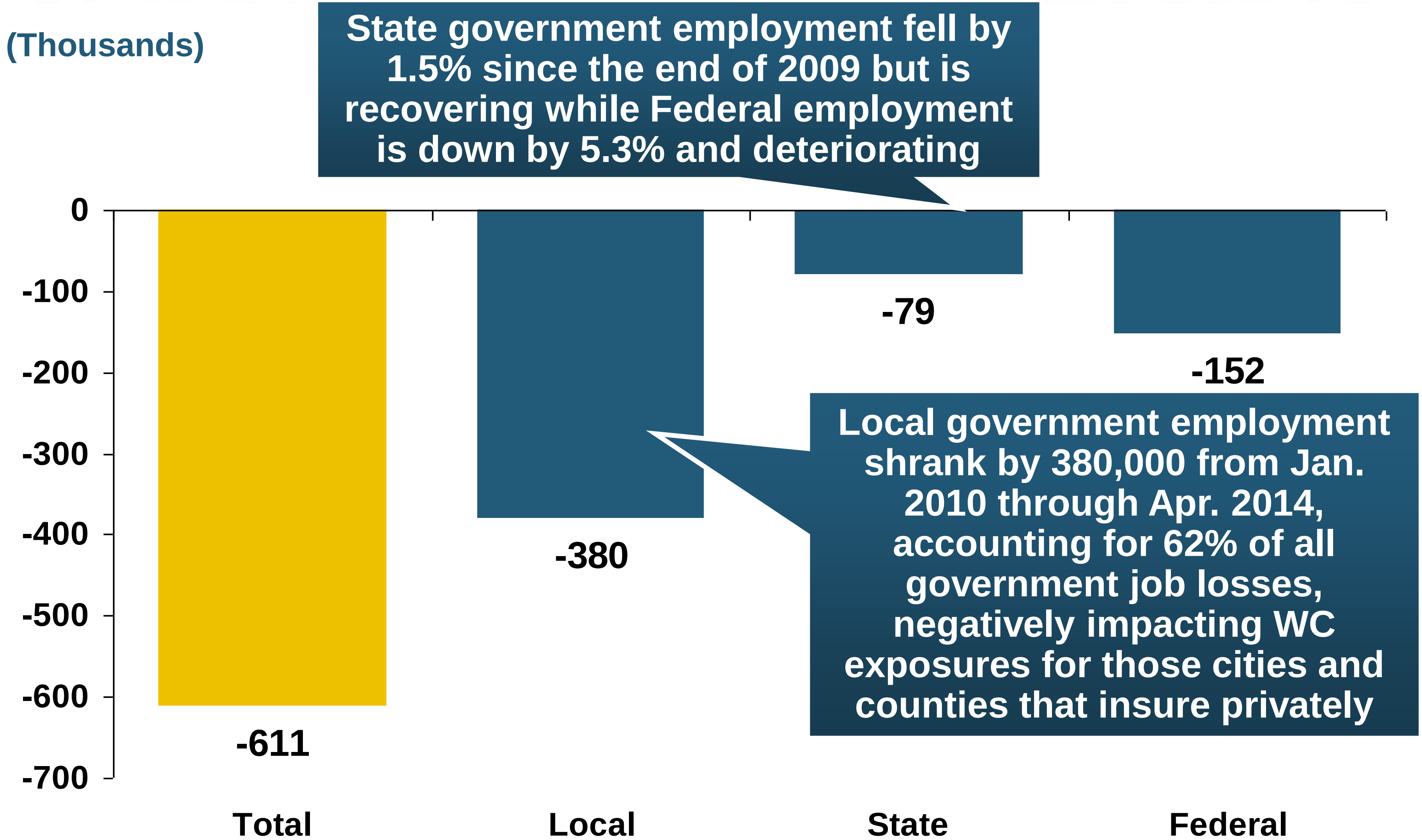

Source: US Bureau of Labor Statistics http://www.bls.gov/data/#employment; Insurance Information Institute

Cumulative Change in Government Employment: Jan. 2010—Dec. 2013

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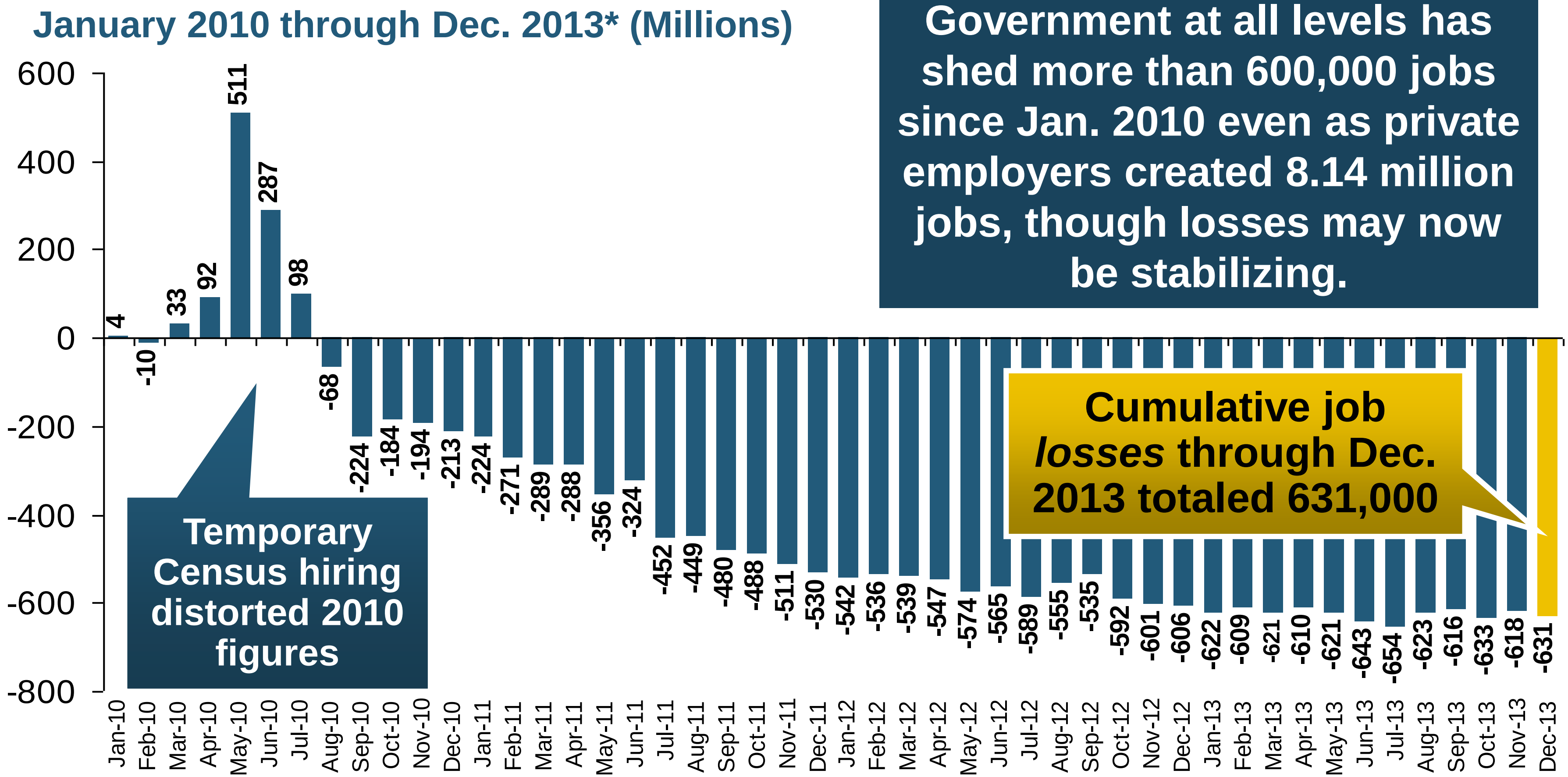
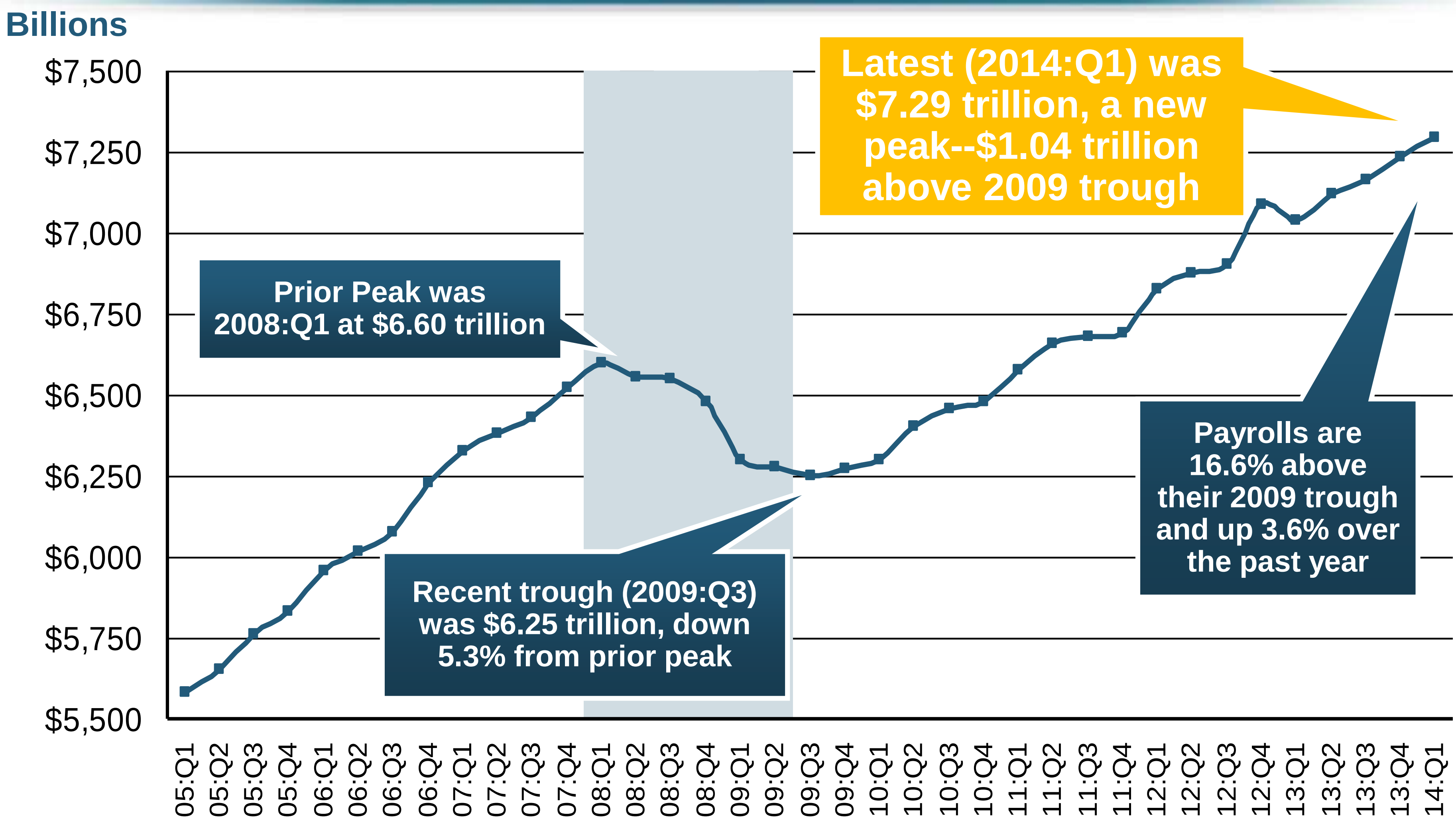
Government at all levels has shed more than 600,000 jobs since Jan. 2010 even as private employers created 8.14 million jobs, though losses may now be stabilizing.



Governments at All Levels are Under Severe Fiscal Strain As Tax Receipts Plunged and Pension Obligations Soared During the Financial Crisis: Sequestration Will Add to this Toll

Source: US Bureau of Labor Statistics http://www.bls.gov/data/#employment; Insurance Information Institute

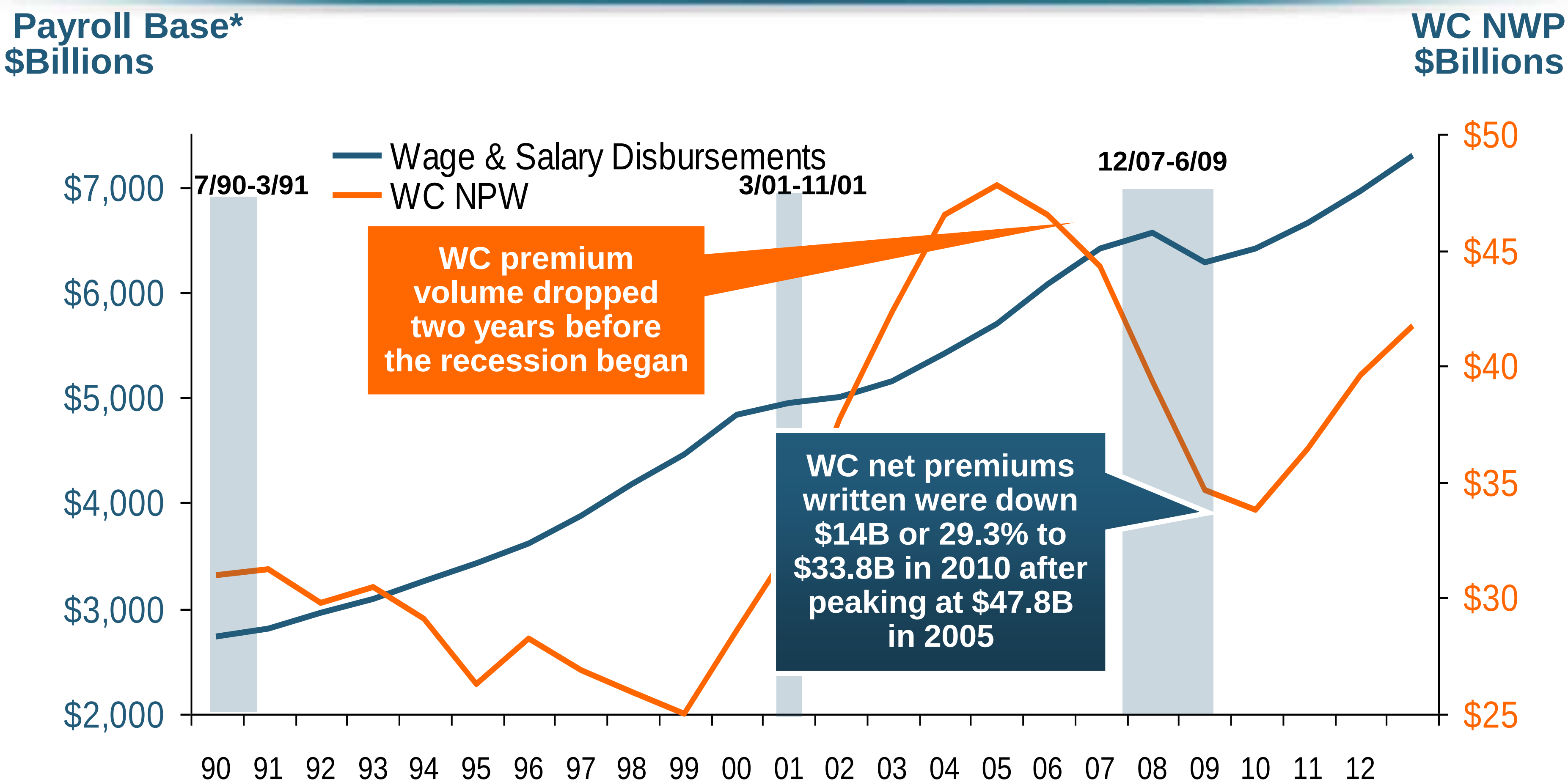
Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2014:Q1



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, 1990-2013P



Continued Payroll Growth and Rate Gains Suggest WC NWP Will Grow Again in 2014; +8.6% Growth Estimated for 2013

*Private employment; Shaded areas indicate recessions. WC premiums for 2012 are I.I.I. estimate based YTD 2013 actuals.
Sources: NBER (recessions); Federal Reserve Bank of St. Louis at http://research.stlouisfed.org/fred2/series/WASCUR ; NCCI; I.I.I.

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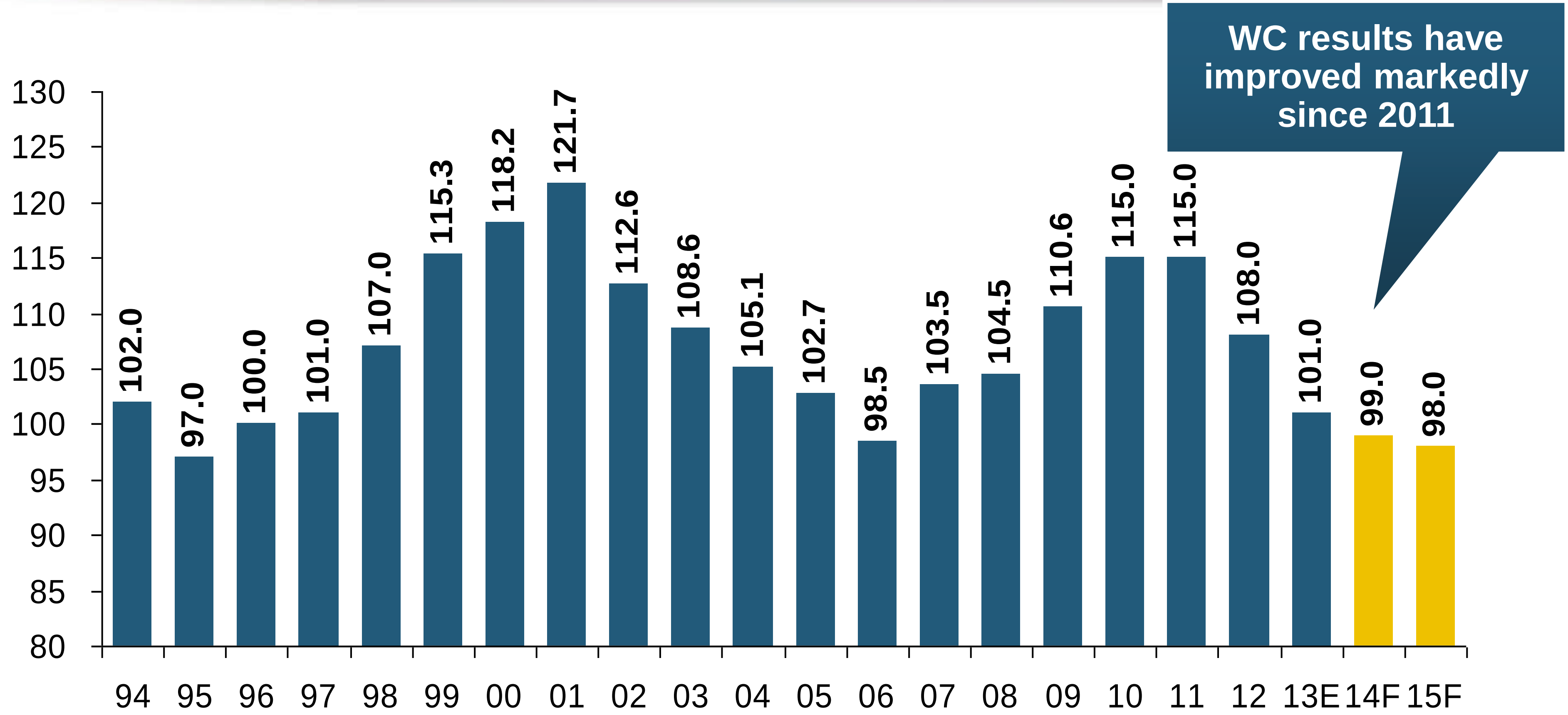
Workers Compensation Operating Environment

Workers Comp Results Have Improved Substantially in Recent Years

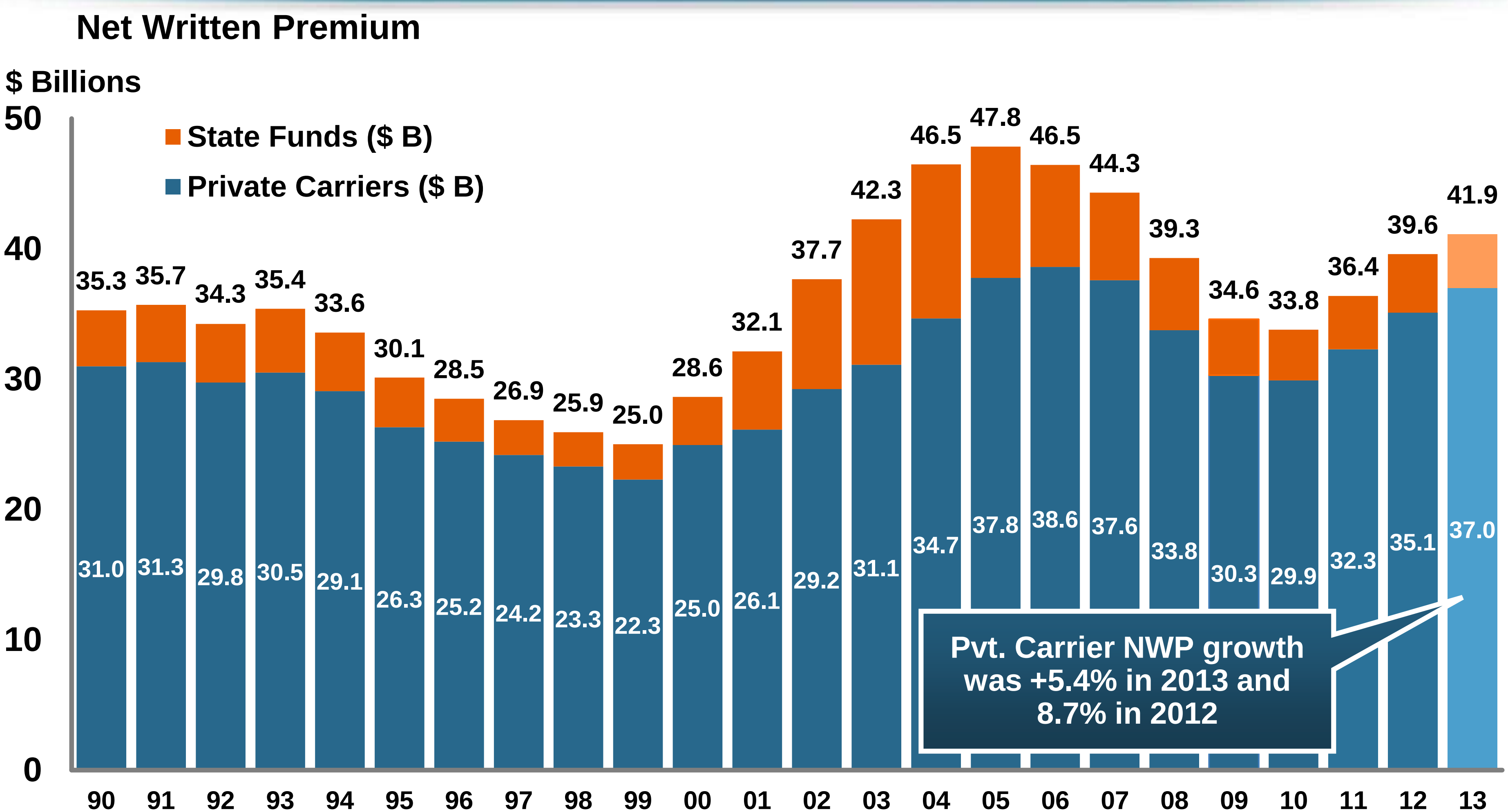
Workers Compensation Combined Ratio: 1994–2015F



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.

Sources: A.M. Best (1994-2009); NCCI (2010-2013P) and are for private carriers only; Insurance Information Institute (2014-15).

Workers Compensation Premium: Third Consecutive Year of Increase



p Preliminary

Source: 1990–2013p Private Carriers, Annual Statement Data, NCCI.
1996–2013p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
State Funds available for 1996 and subsequent

2013 Workers Compensation Direct Written Premium Growth, by State*

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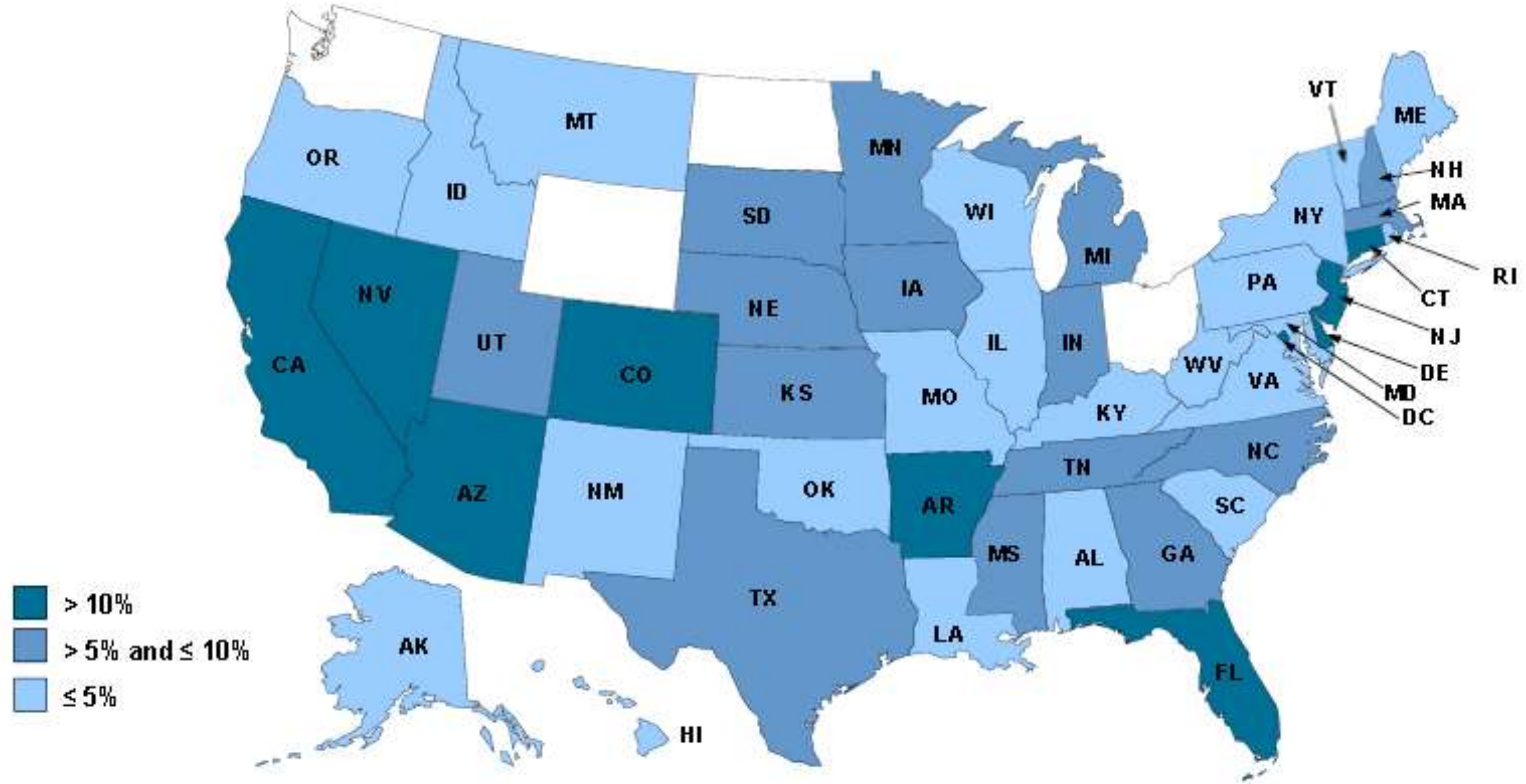
PRIVATE CARRIERS: Overall 2013 Growth = +5.4%

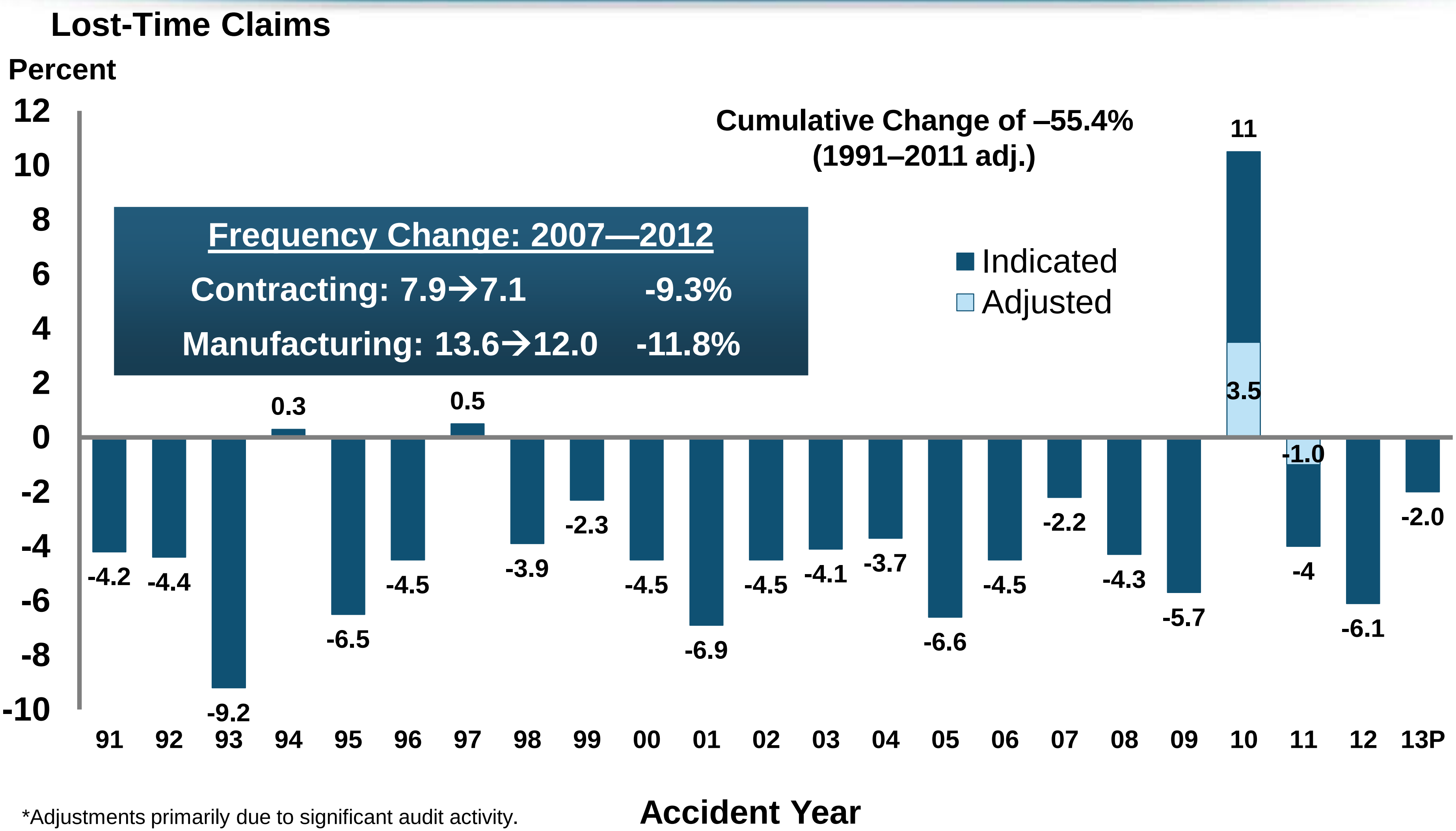
While growth rates varied widely, all states experienced positive growth in 2013



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

Source: NCCI.

Workers Compensation Lost-Time Claim Frequency Declined in 2013



*Adjustments primarily due to significant audit activity.
2013p: Preliminary based on data valued as of 12/31/2013
1991–2012: Based on data through 12/31/2012, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies
Frequency is the number of lost-time claims per $1M pure premium at current wage and voluntary loss cost level
Source: NCCI.

Workers Compensation Medical Severity Moderate Increase in 2013

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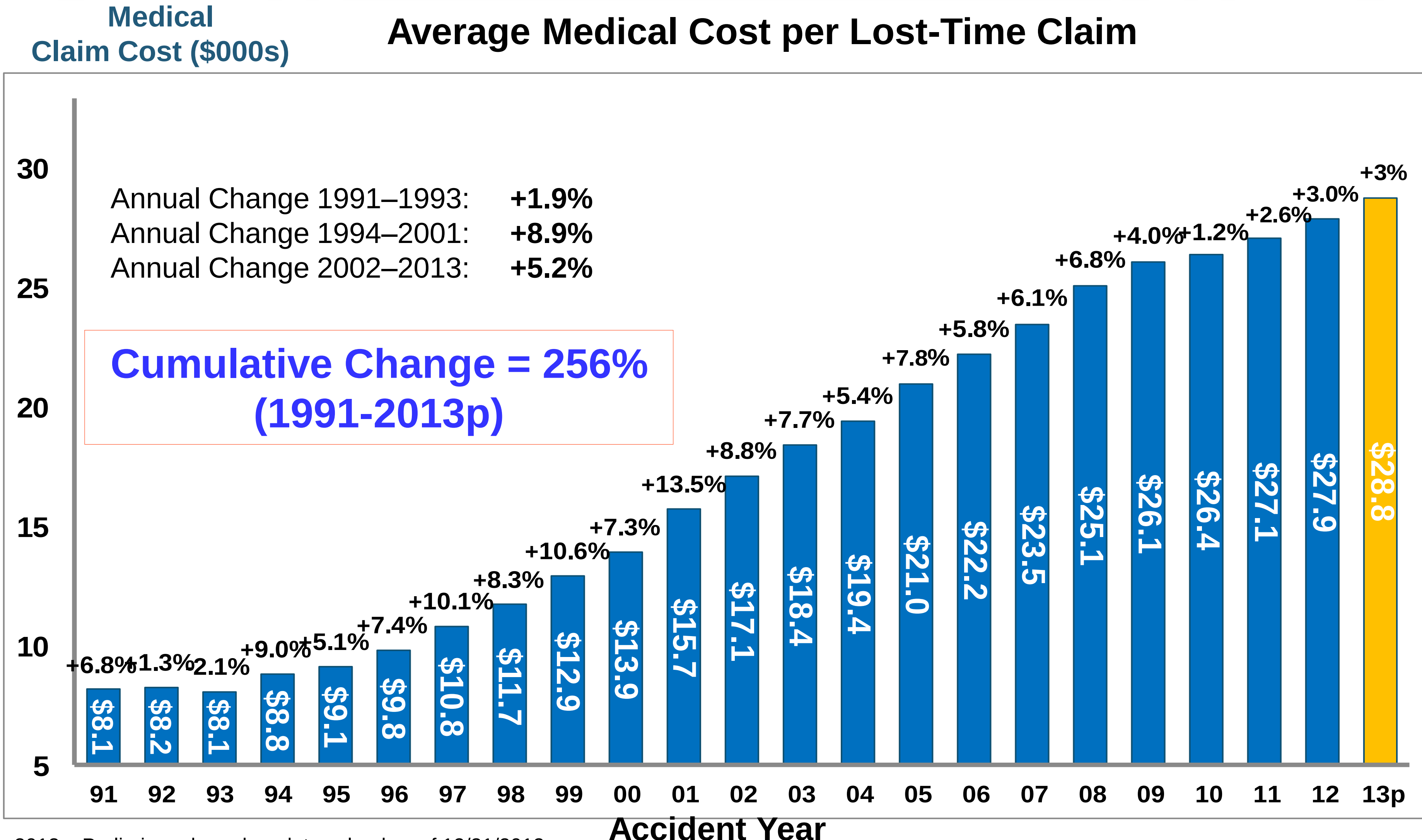

2013p: Preliminary based on data valued as of 12/31/2013.
1991-2012: Based on data through 12/31/2012, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

Change in Price Paid for Medical Professional Services in WC, 2002-2012*

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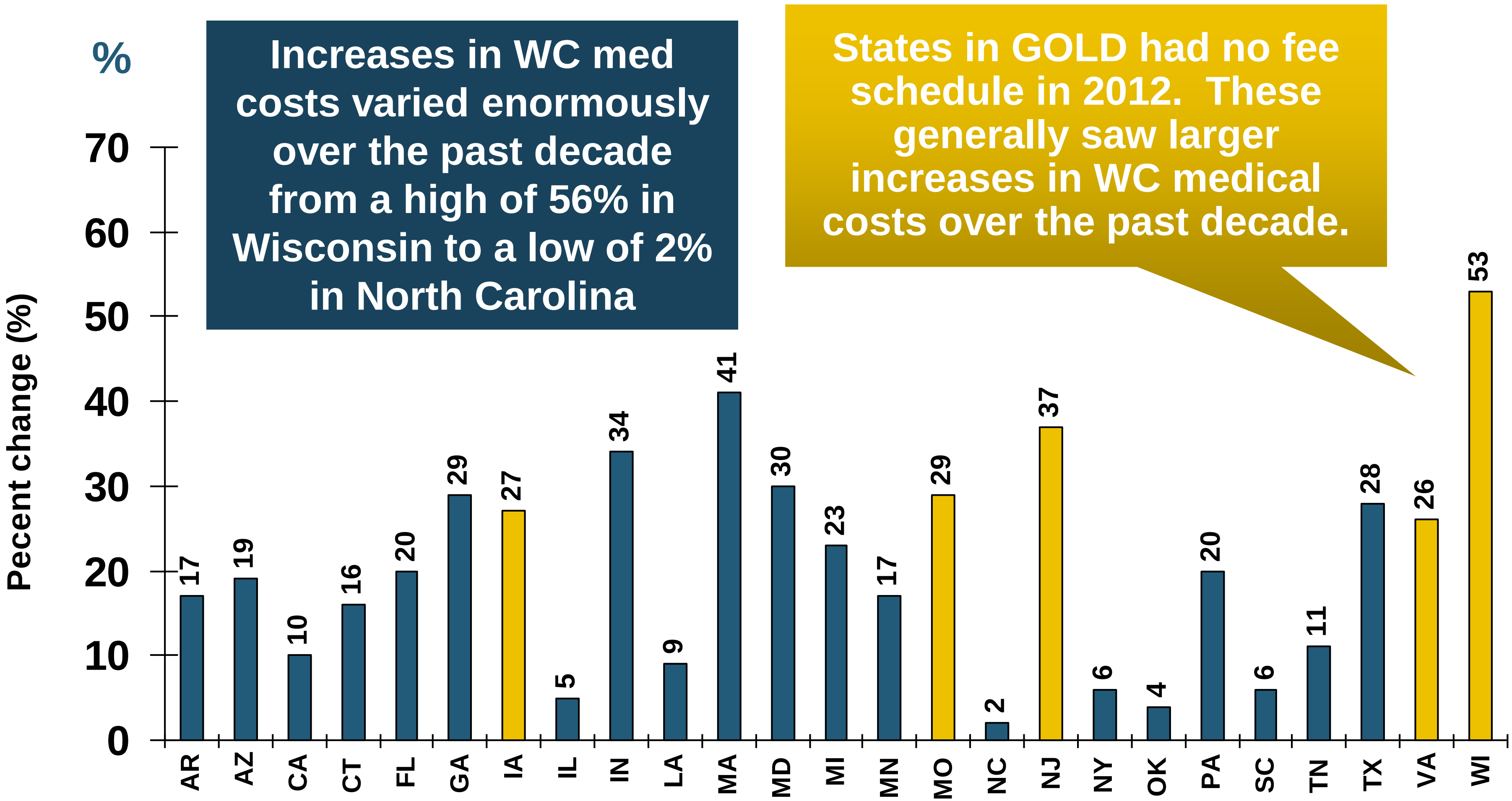
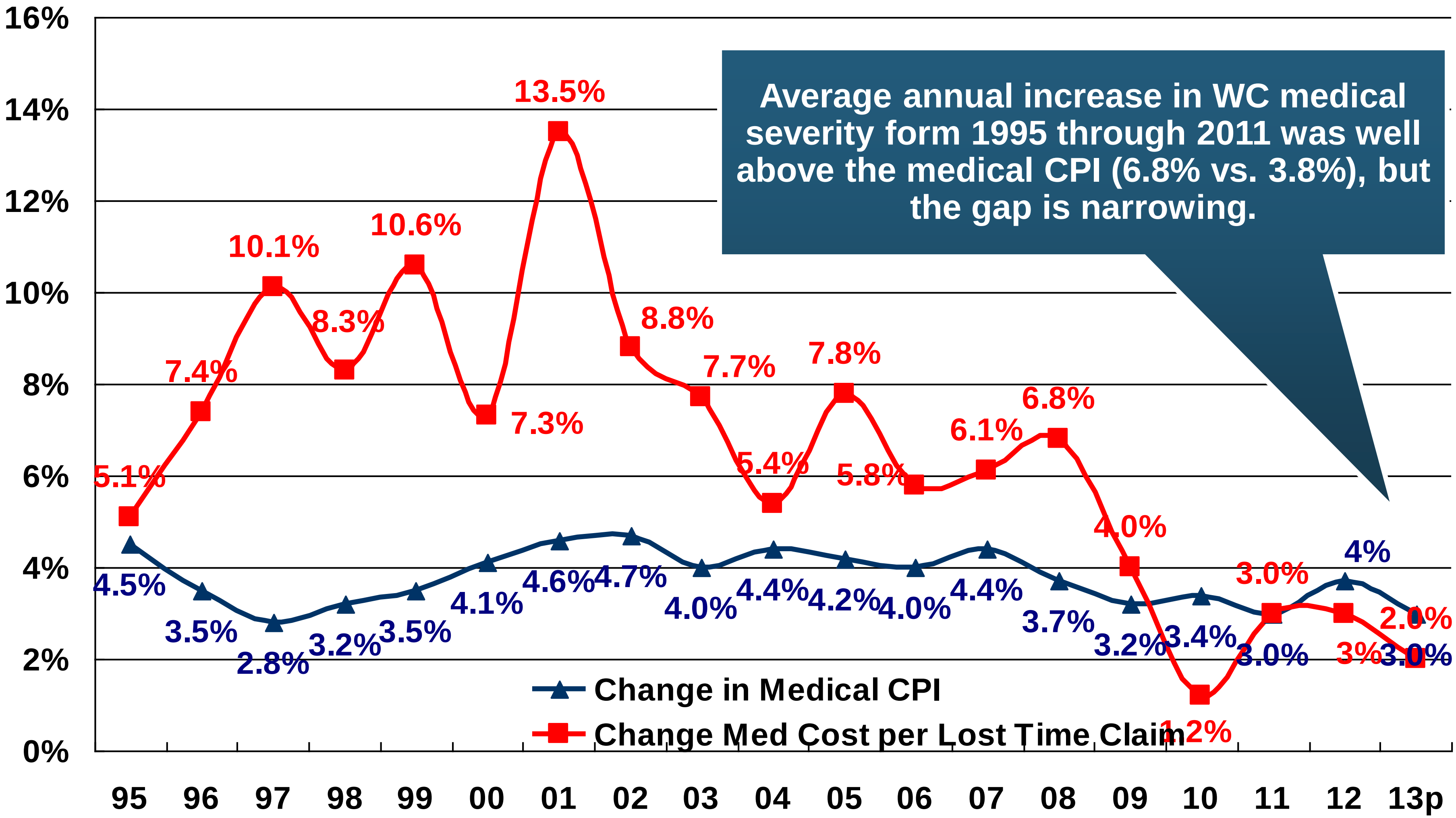


*Data are preliminary as of 6/30/12.

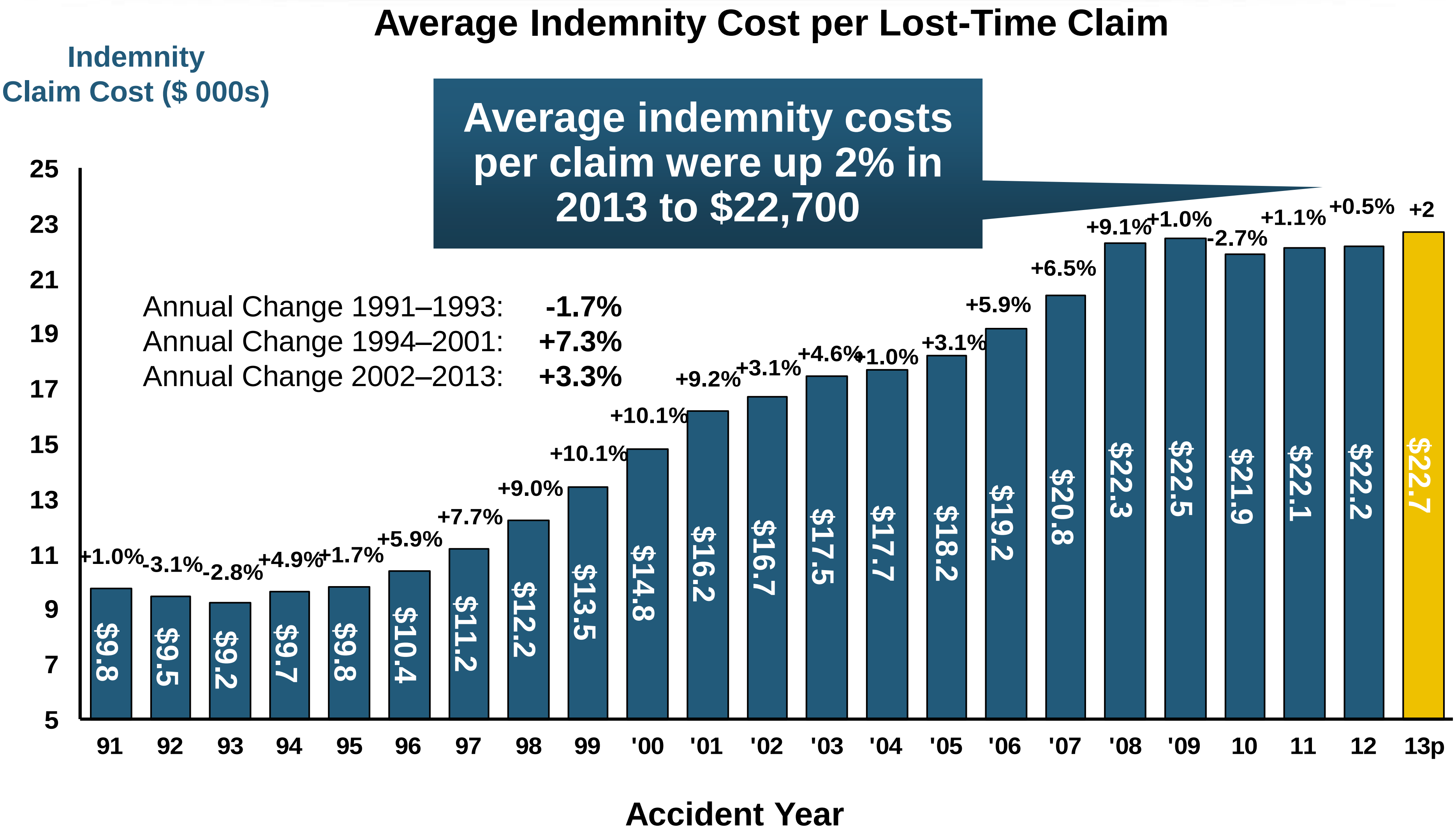
Sources: Workers Compensation Research Institute, *WCRI Medical Price Index for Workers Compensation, 5th Edition*; Ins. Info. Institute.

WC Medical Severity Generally Outpaces the Medical CPI Rate



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

Workers Comp Indemnity Claim Costs: Small Increase in 2013



2013p: Preliminary based on data valued as of 12/31/2013.
1991-2011: Based on data through 12/31/2011, 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 -2013p

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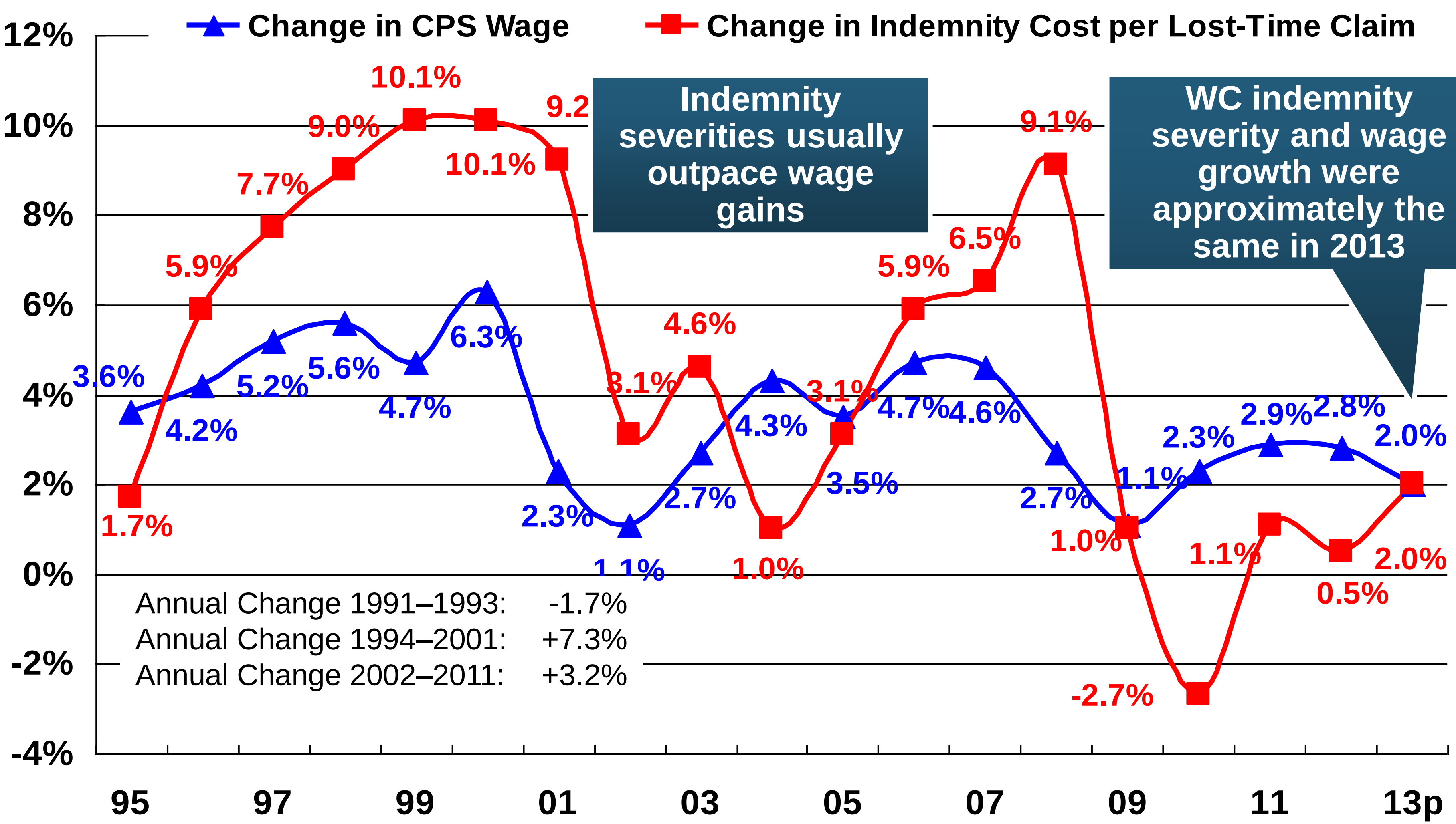

2013p: Preliminary based on data valued as of 12/31/2013; 1991-2012: Based on data through 12/31/2012, developed to ultimate. Based on the states where NCCI provides ratemaking services. Excludes the effects of deductible policies. CPS = Current Population Survey.
Source: NCCI.

Average Approved Bureau Rates/Loss Costs

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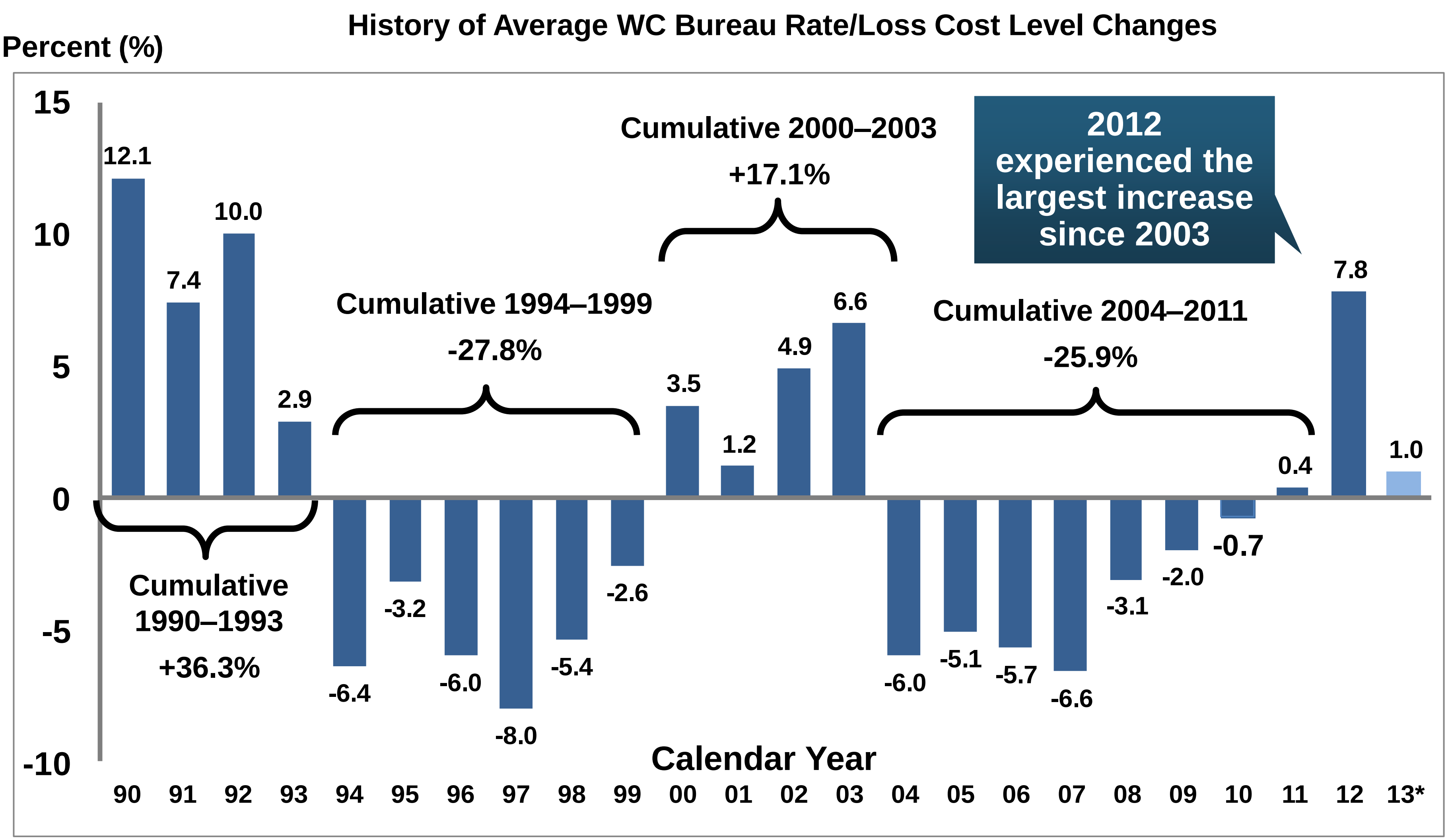


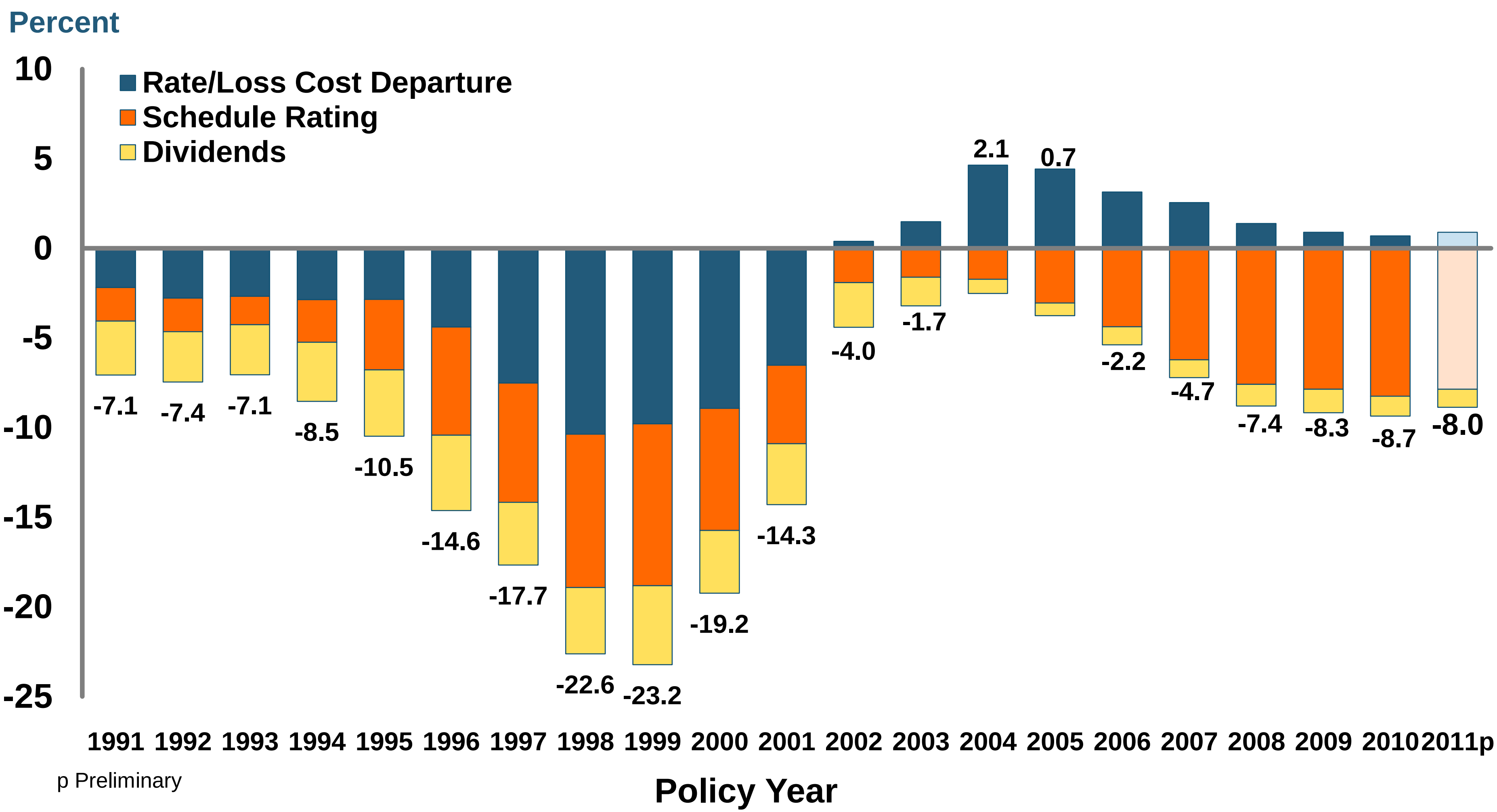
*States approved through 4/15/123

Note: Countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by applicable rating organization.

Source: NCCI.

Impact of Discounting on Workers Compensation Premium

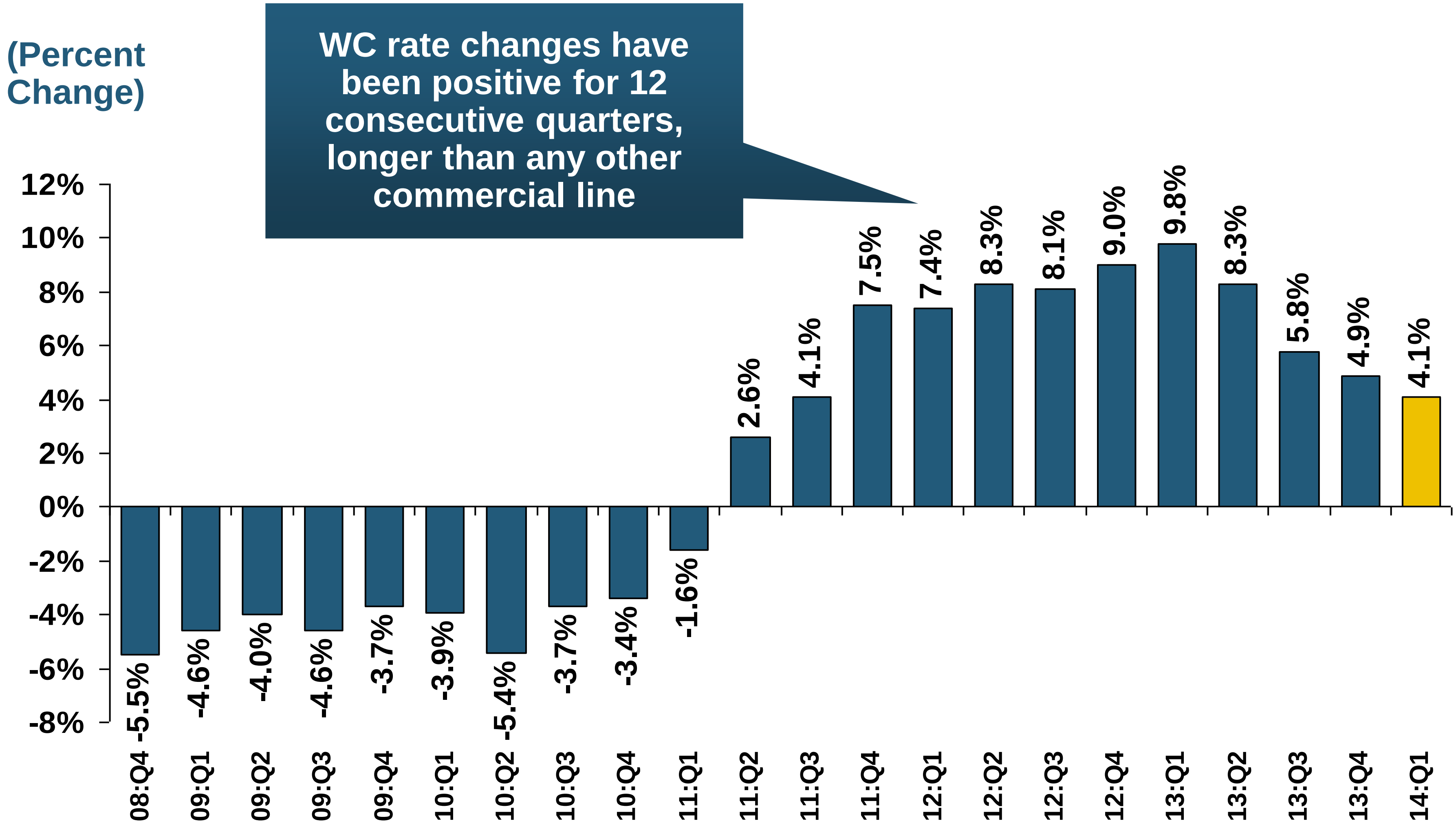
NCCI States—Private Carriers



p Preliminary

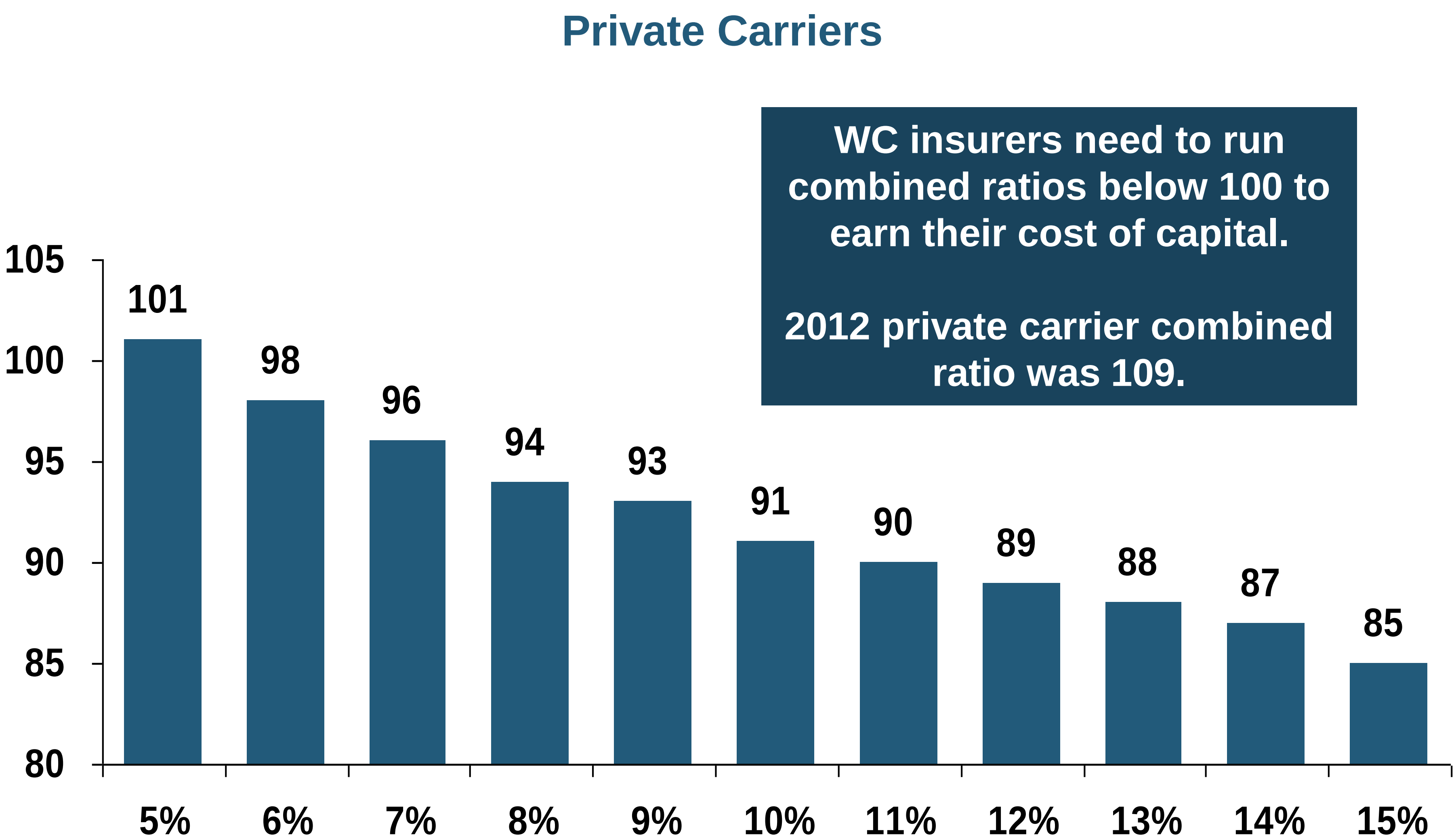
Dividend ratios are based on calendar year statistics
NCCI benchmark level does not include an underwriting contingency provision
Based on data through 12/31/2011 for the states where NCCI provides ratemaking services
Source: NCCI.

Workers Comp Rate Changes, 2008:Q4 – 2014:Q1



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; Information Institute.

Workers Comp Combined Ratio to Achieve Selected Cost of Capital in 2012



Source: NCCI; Insurance Information Institute..

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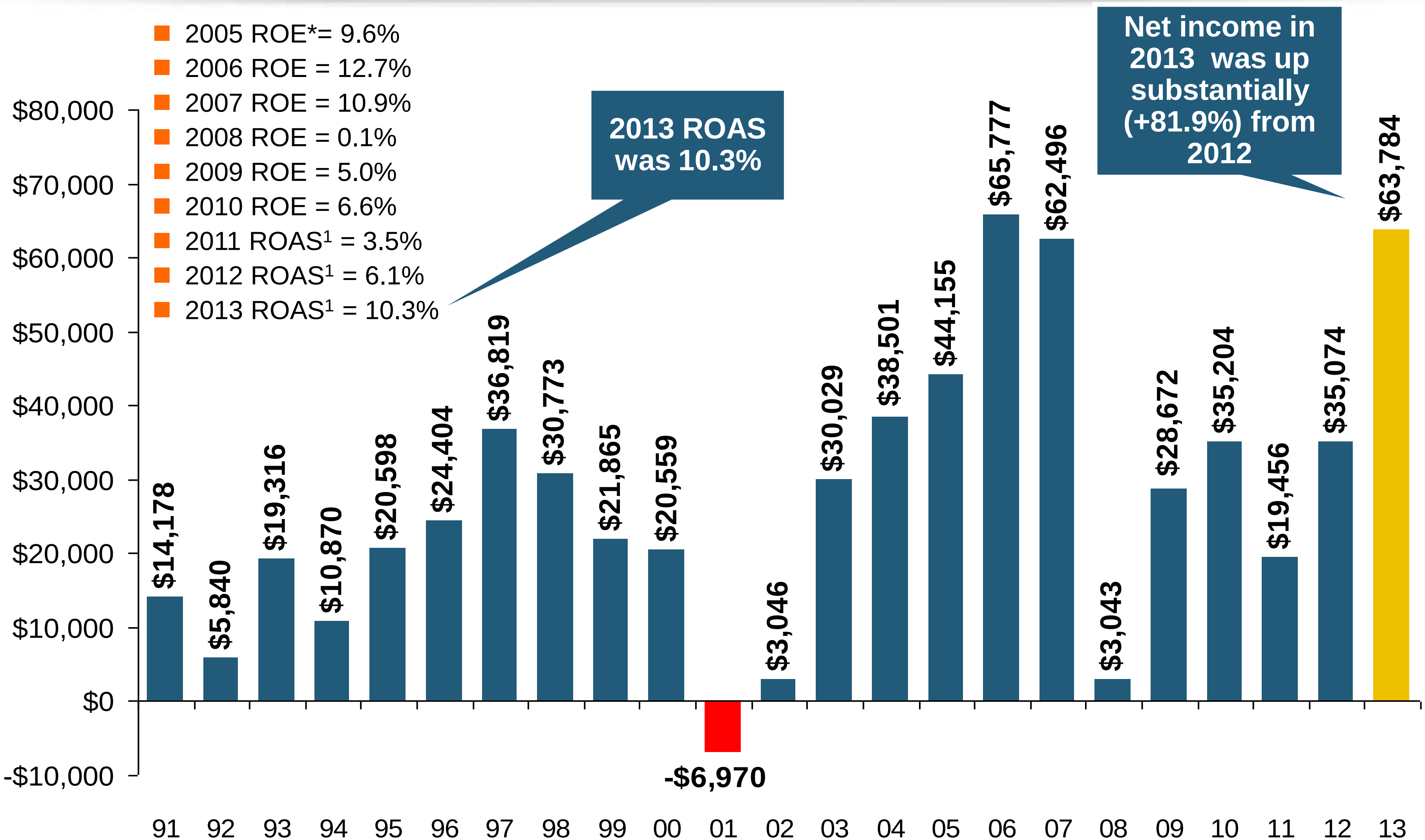
P/C Insurance Industry Financial Overview

2013: Best Year in the Post-Crisis Era

Performance Improved with Lower CATs, Strong Markets

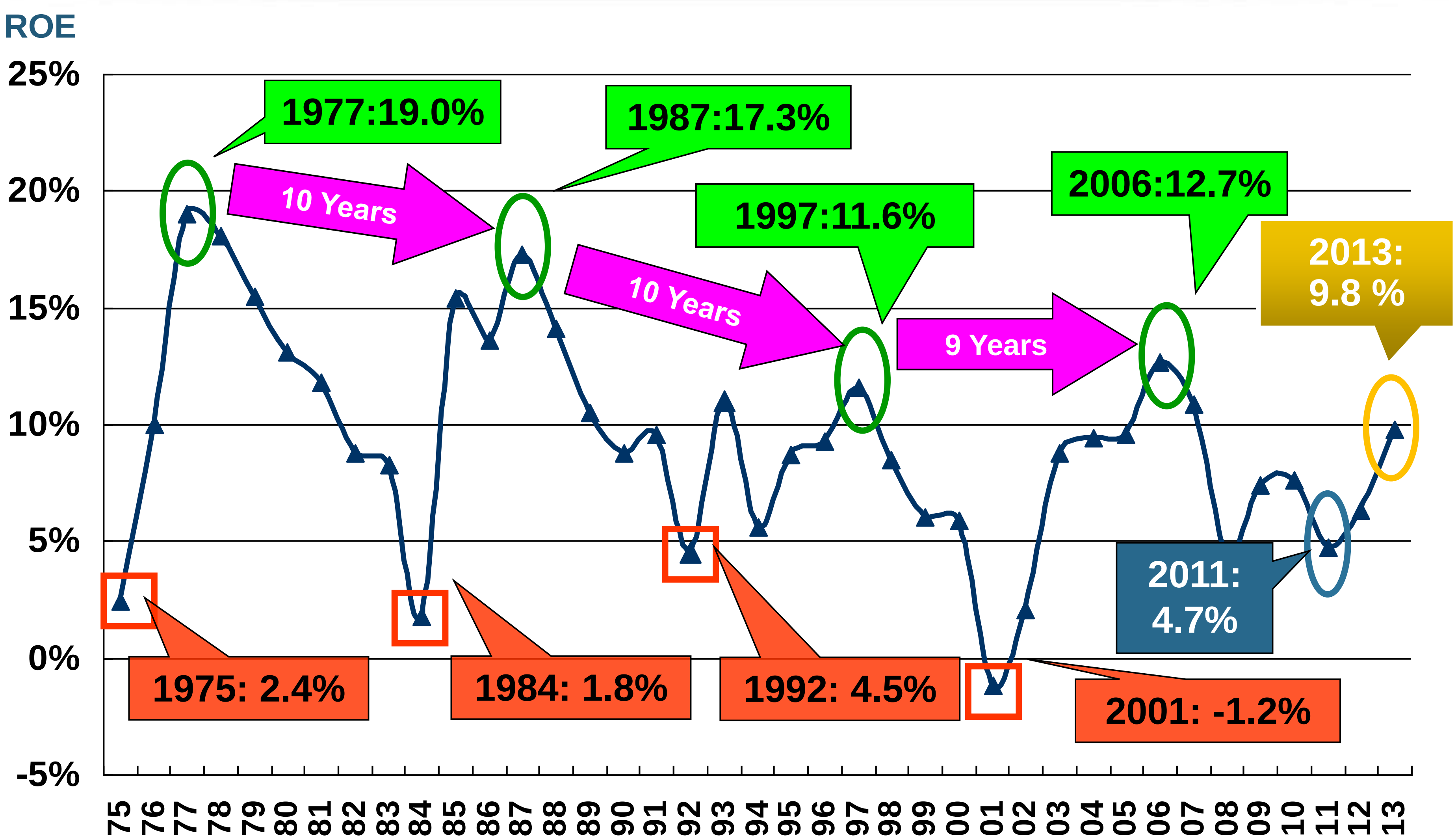
P/C Net Income After Taxes 1991–2013 ($ Millions)



•ROE figures are GAAP; [1]Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 9.8% ROAS in 2013, 6.3% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

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

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2013*



*Profitability = P/C insurer ROEs. 2011-13 figures are estimates based on ROAS data. Note: Data for 2008-2013 exclude mortgage and financial guaranty insurers.

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

A 100 Combined Ratio Isn't What It Once Was: Investment Impact on ROEs

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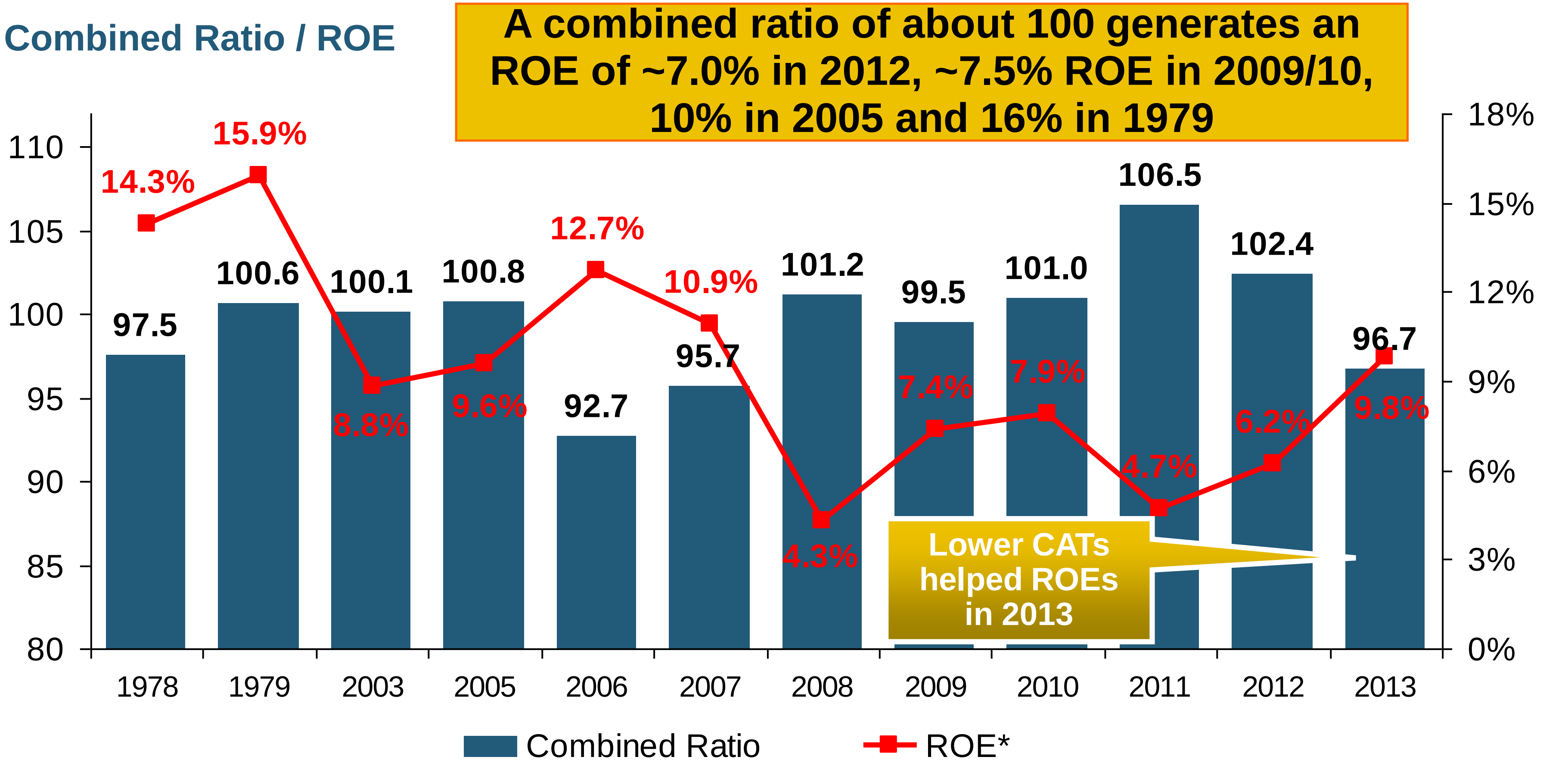
A combined ratio of about 100 generates an ROE of ~7.0% in 2012, ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979

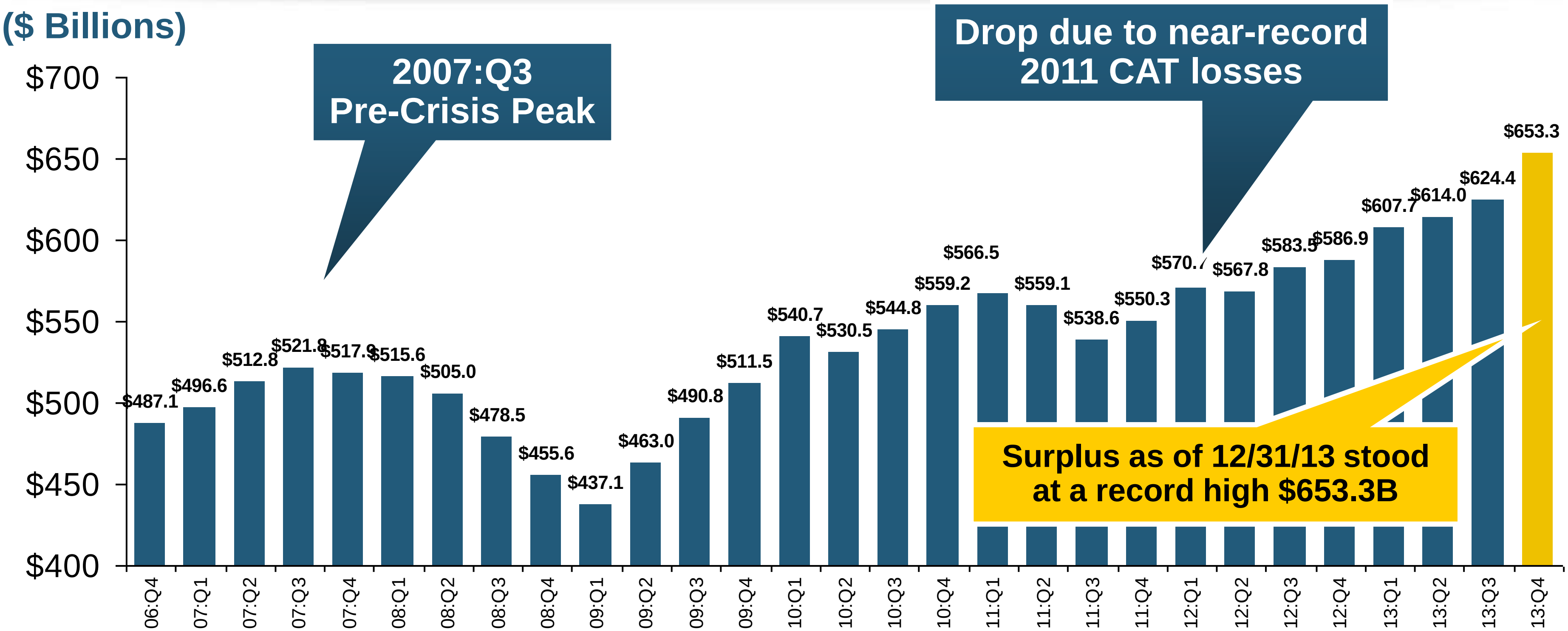


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2008 -2013 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2013 combined ratio including M&FG insurers is 96.1; 2012 =103.2, 2011 = 108.1, ROAS = 3.5%.

Source: Insurance Information Institute from A.M. Best and ISO Verisk Analytics data.

Policyholder Surplus, 2006:Q4–2013:Q4



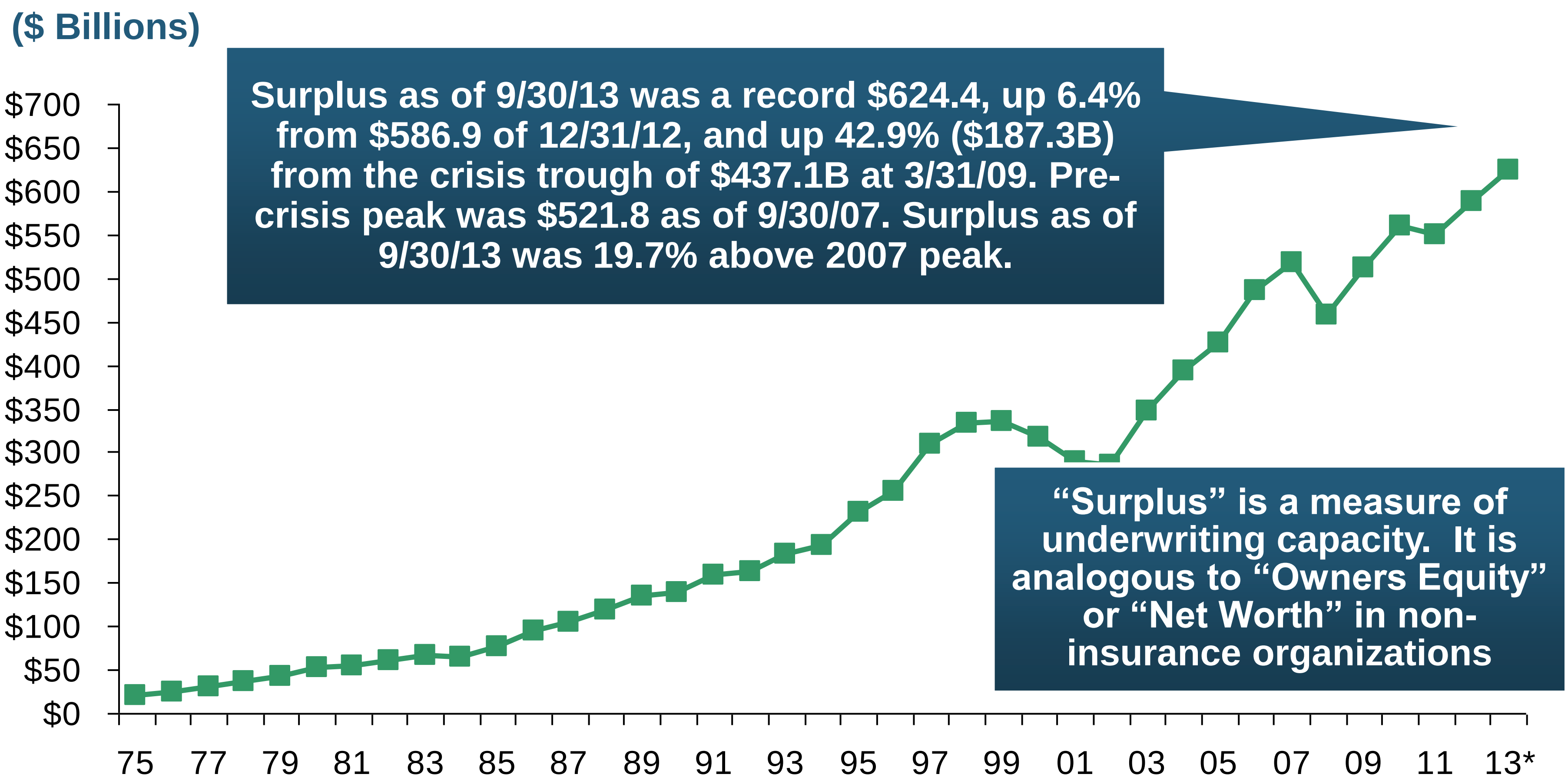
The industry now has $1 of surplus for every $0.73 of NPW, close to the strongest claims-paying status in its history.

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 .

The P/C insurance industry entered 2014 in very strong financial condition.

Sources: ISO, A.M .Best.

US Policyholder Surplus: 1975–2013*

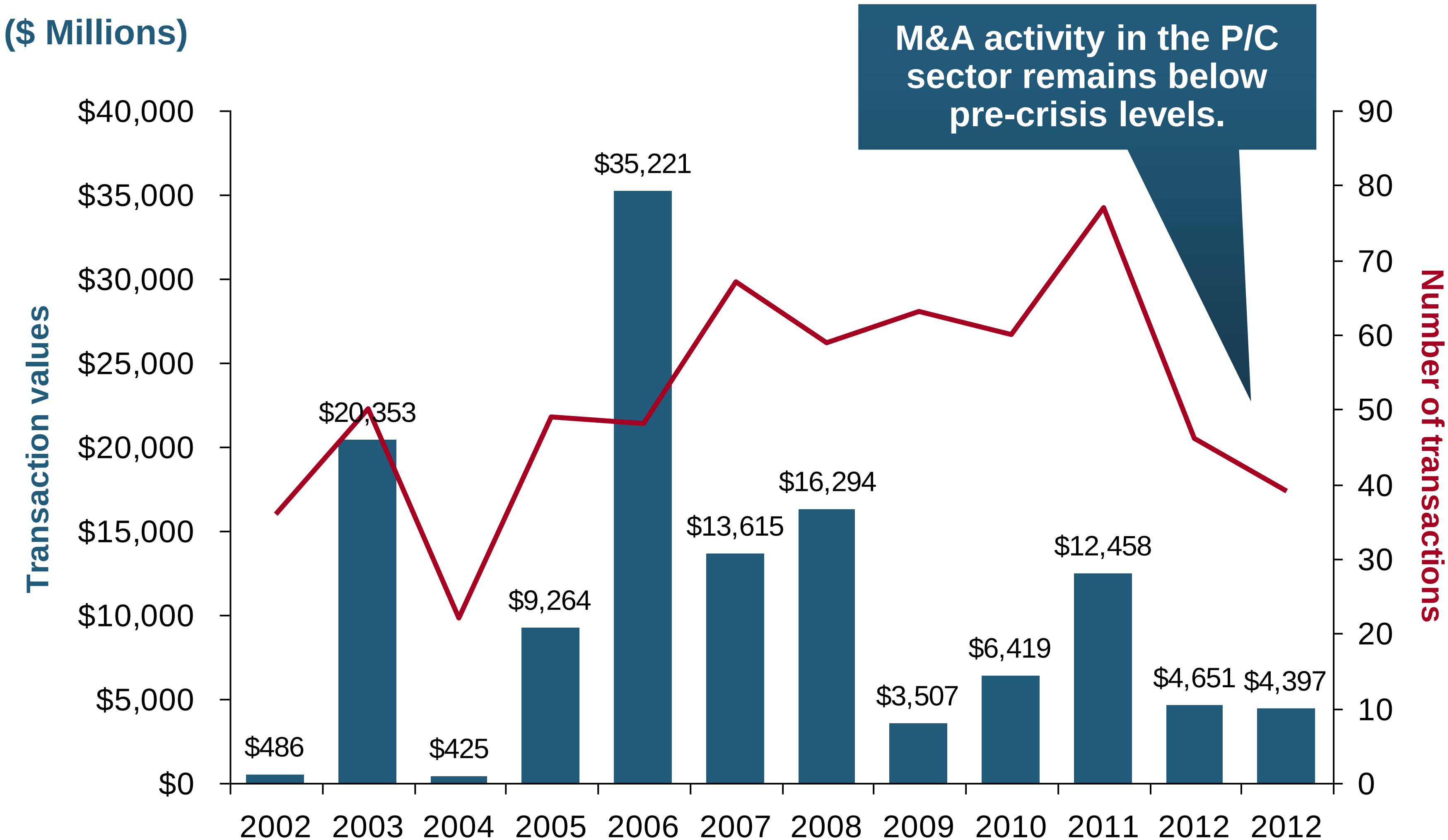


The Premium-to-Surplus Ratio Stood at $0.78:$1 as of 9/30/13, a Near Record Low (at Least in Recent History)*

* As of 9/30/13.

Source: A.M. Best, ISO, Insurance Information Institute.

U.S. INSURANCE MERGERS AND ACQUISITIONS, P/C SECTOR, 2002-2013 (1)



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

Source: Conning proprietary database.

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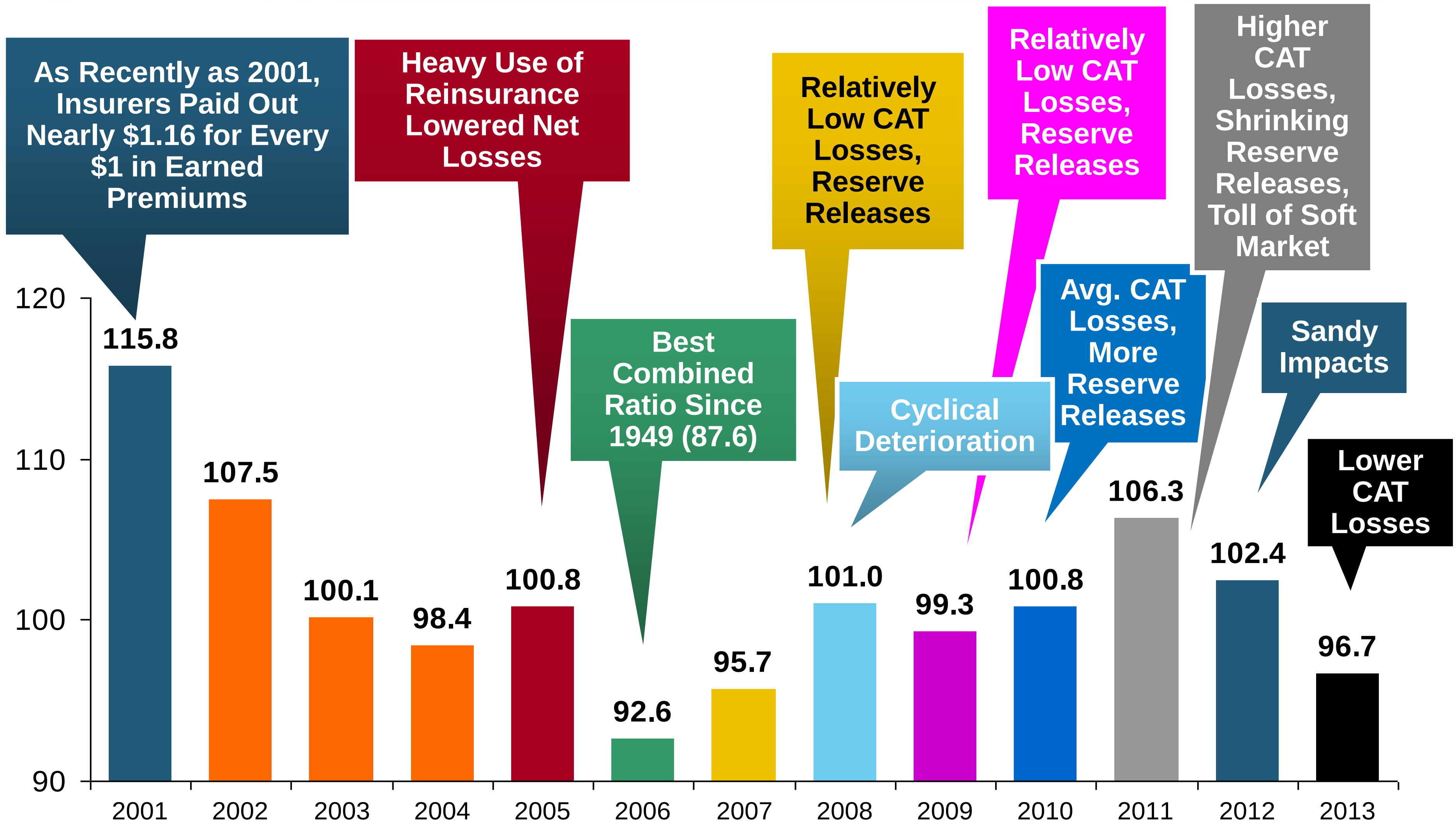
P/C UNDERWRITING

Underwriting Losses in 2013 Much Improved After High Catastrophe Losses in 2011/12

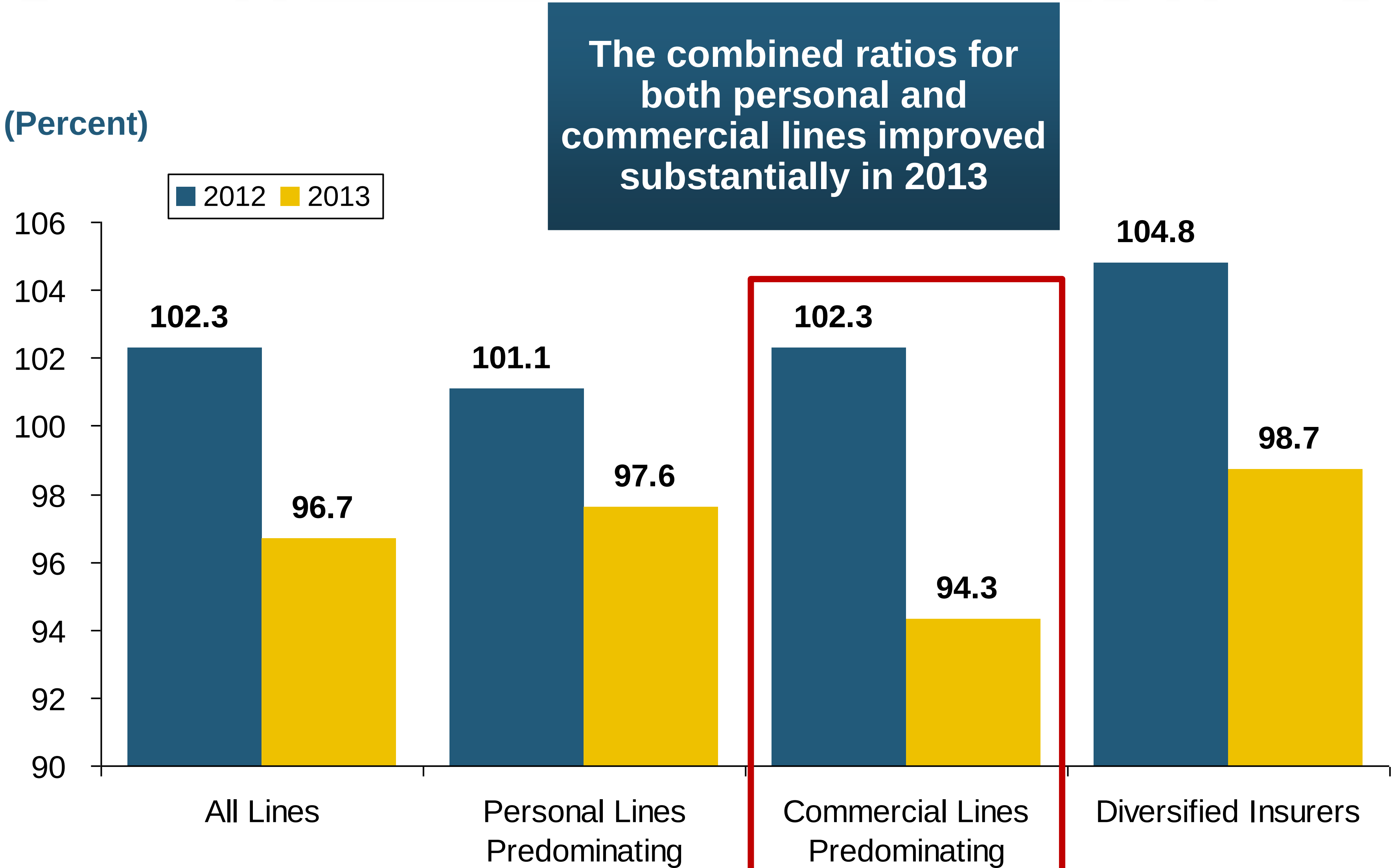
P/C Insurance Industry Combined Ratio, 2001–2013*



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

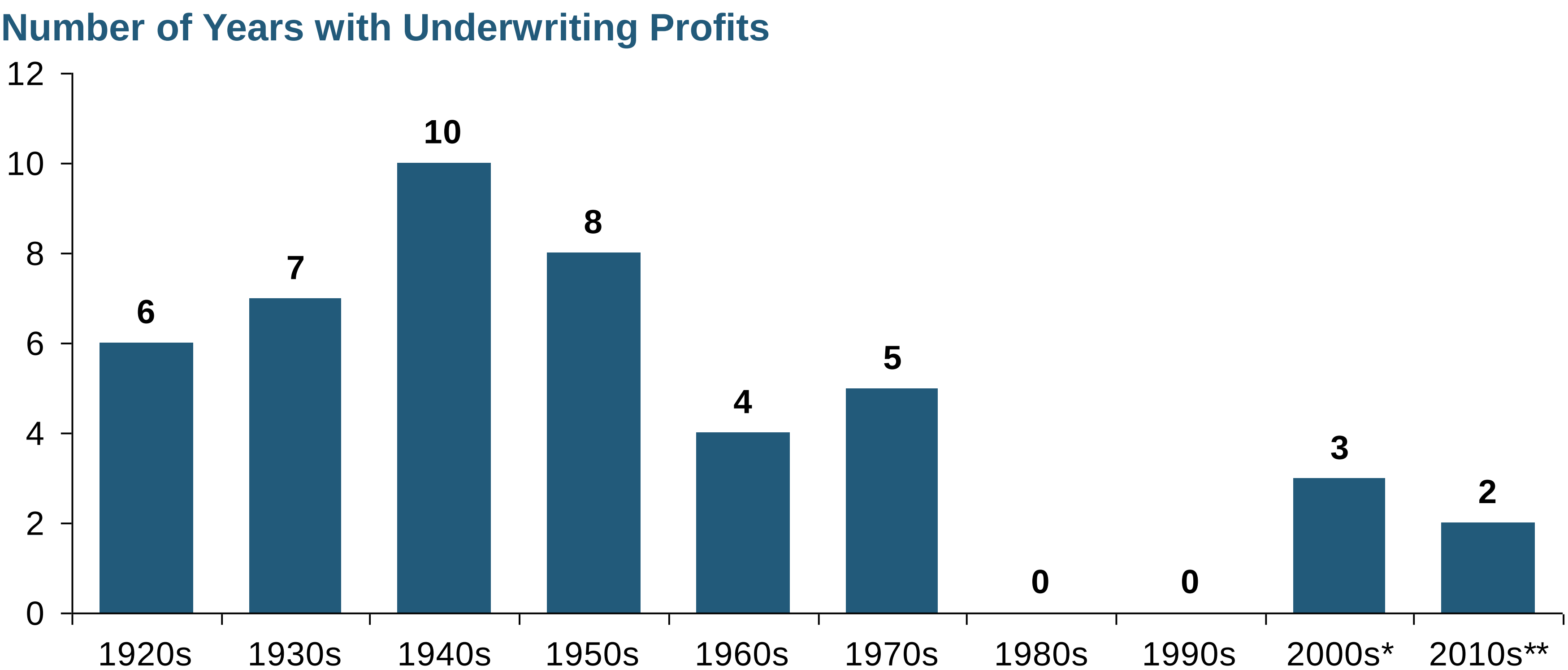
Sources: A.M. Best, ISO.

Combined Ratios by Predominant Business Segment, 2013 vs. 2012*



*Excludes mortgage and financial guaranty insurers.
Source: ISO/PCI; Insurance Information Institute

Number of Years with Underwriting Profits by Decade, 1920s–2010s



Underwriting Profits Were Common Before the 1980s (40 of the 60 Years Before 1980 Had Combined Ratios Below 100) – But Then They Vanished. Not a Single Underwriting Profit Was Recorded in the 25 Years from 1979 Through 2003

* 2009 combined ratio excl. mort. and finl. guaranty insurers was 99.3, which would bring the 2000s total to 4 years with an u/w profit.

**Data for the 2010s is for the period 2010 through 2013.

Note: Data for 1920–1934 based on stock companies only.

Sources: Insurance Information Institute research from A.M. Best Data.

Underwriting Gain (Loss) 1975–2013*

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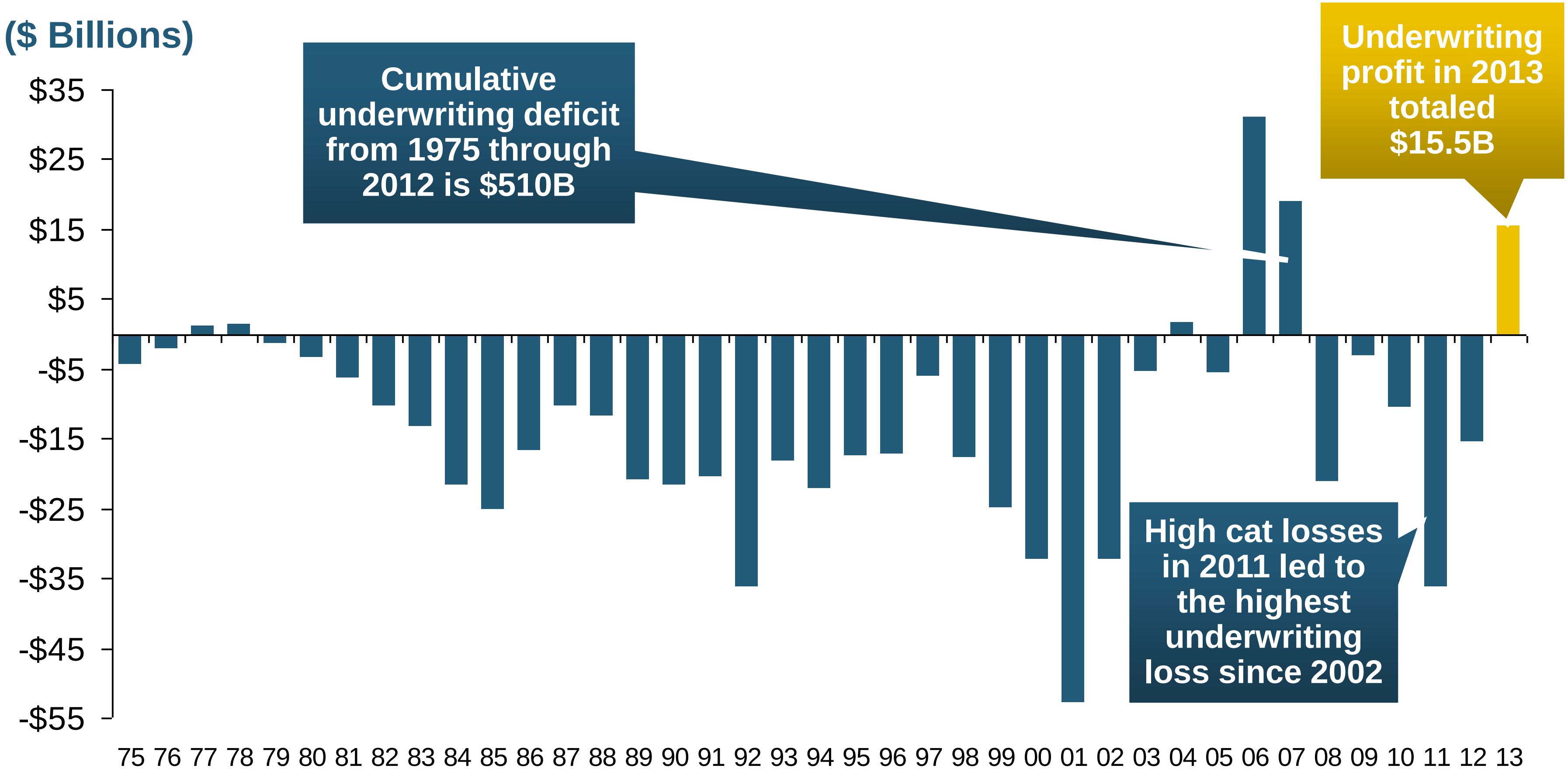
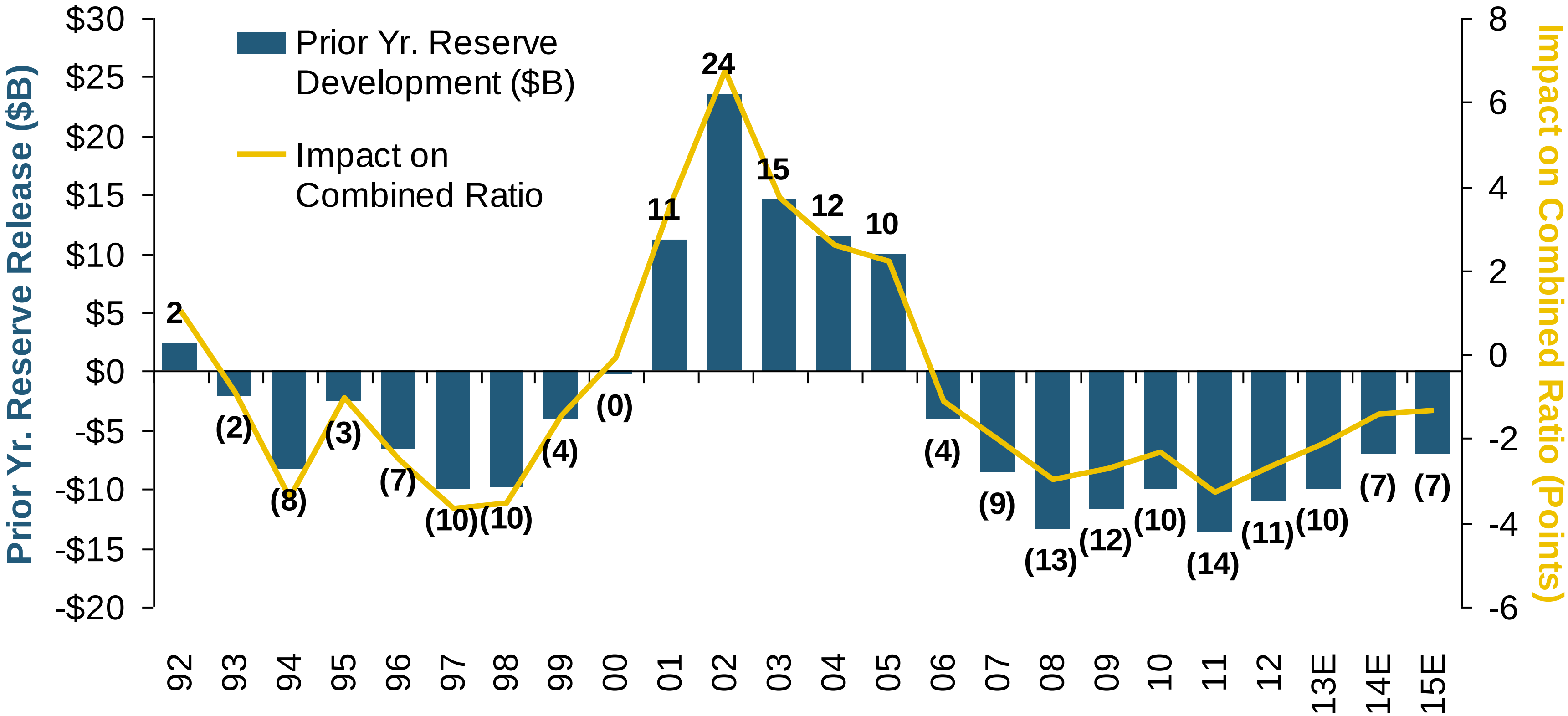


Large Underwriting Losses Are *NOT* Sustainable in Current Investment Environment

* Includes mortgage and financial guaranty insurers in all years.

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

P/C Reserve Development, 1992–2015E



Note: 2005 reserve development excludes a $6 billion loss portfolio transfer between American Re and Munich Re. Including this transaction, total prior year adverse development in 2005 was $7 billion. The data from 2000 and subsequent years excludes development from financial guaranty and mortgage insurance.

Sources: A.M. Best, ISO, Barclays Research (estimates for 2013-2015).

P/C Estimated Loss Reserve Deficiency/ (Redundancy), Excl. Statutory Discount

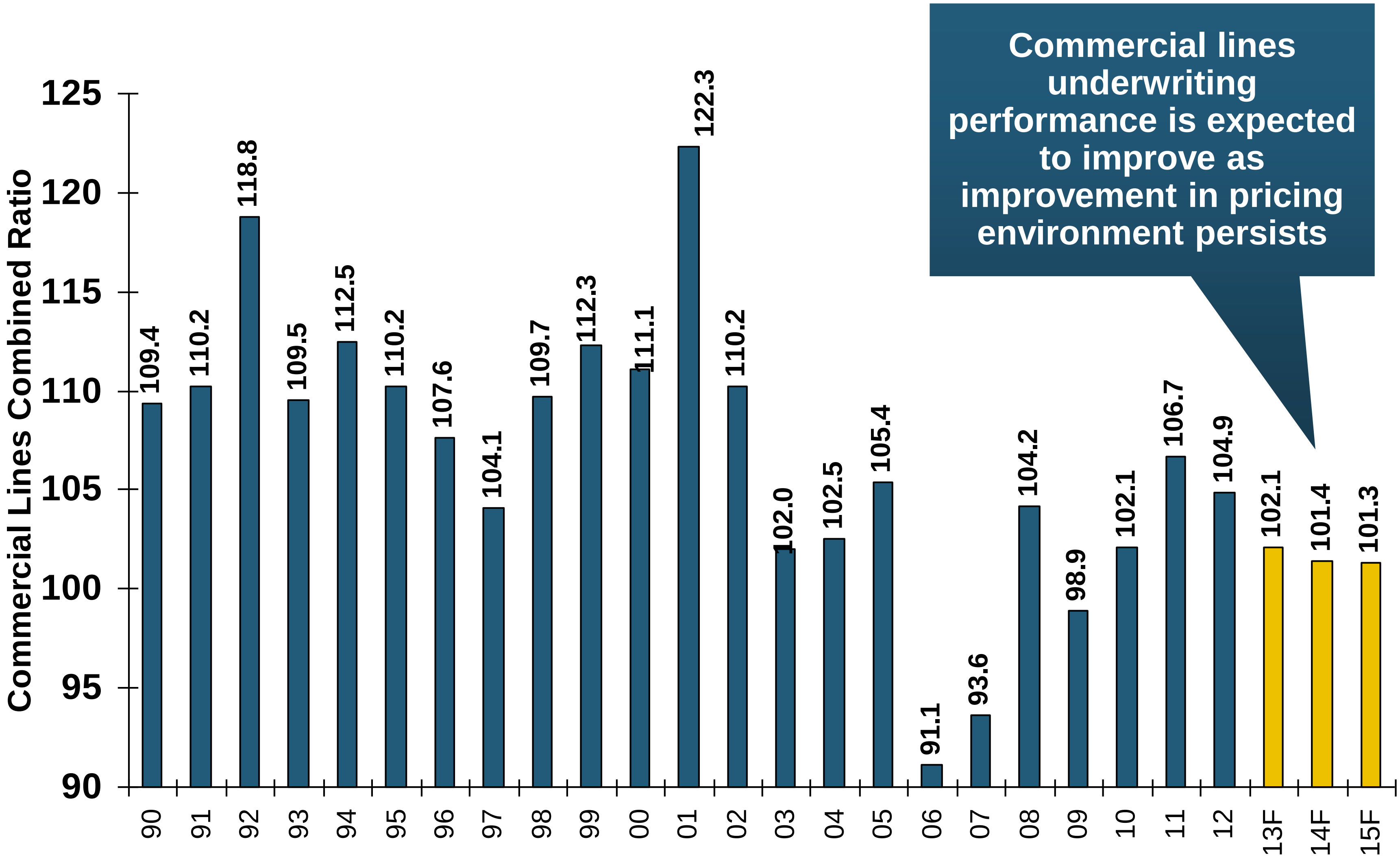
INSURANCE INFORMATION INSTITUTE

Line of Business	2013
Personal Auto Liability	-$3.9B
Homeowners	-$0.4
Other Liab (incl. Prod Liab)	$7.5
Workers Compensation	$11.1
Commercial Multi Peril	$1.9
Commercial Auto Liability	$0.7
Medical Professional Liab.	-$3.5
Reinsurance—Nonprop Assumed	$1.0
All Other Lines*	-$4.6
Total Core Reserves	**$9.8**
Asbestos & Environmental	$11.2
Total P/C Industry	**$21.0B**

Source: A.M. Best, *P/C Review/Preview 2014;* Insurance Information Institute. *Excluding mortgage and financial guaranty segments.

Performance by Segment

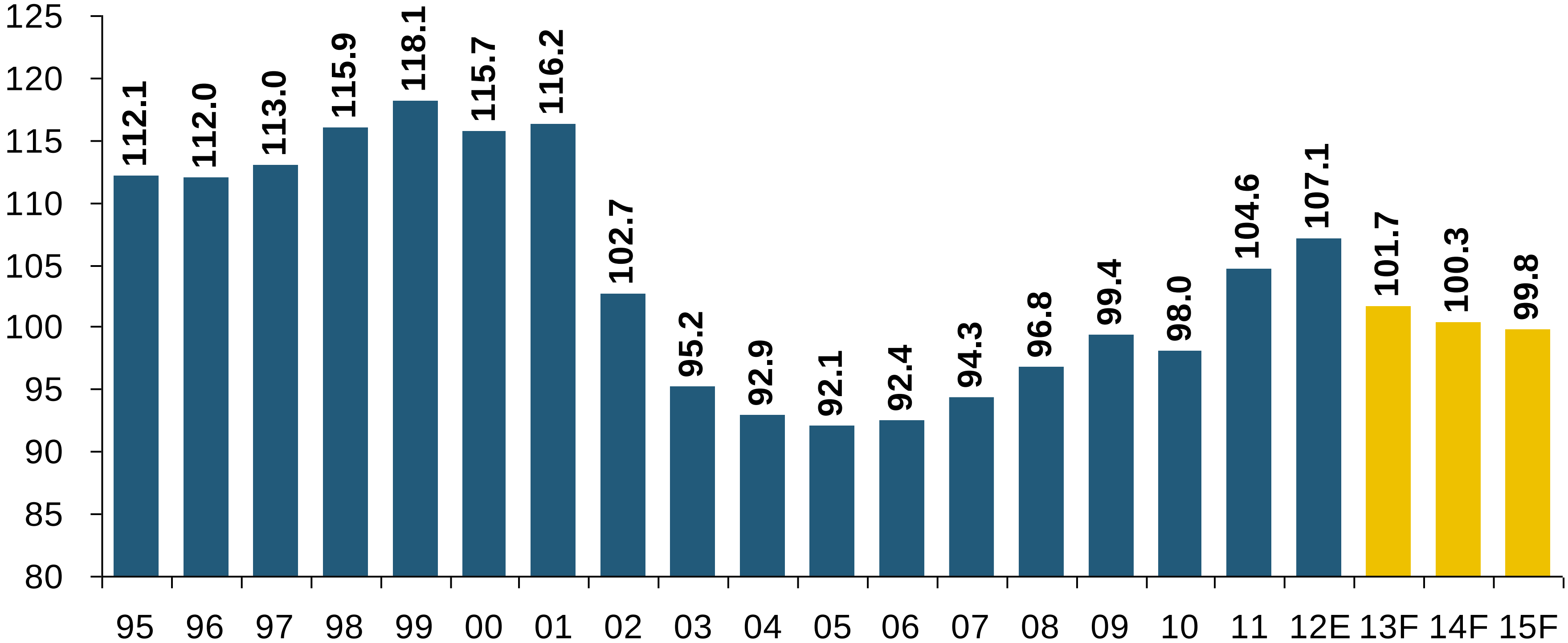
Commercial Lines Combined Ratio, 1990-2015F*



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

Source: A.M. Best (1990-2011); Conning (2012-2015F) Insurance Information Institute

Commercial Auto Combined Ratio: 1993–2015F

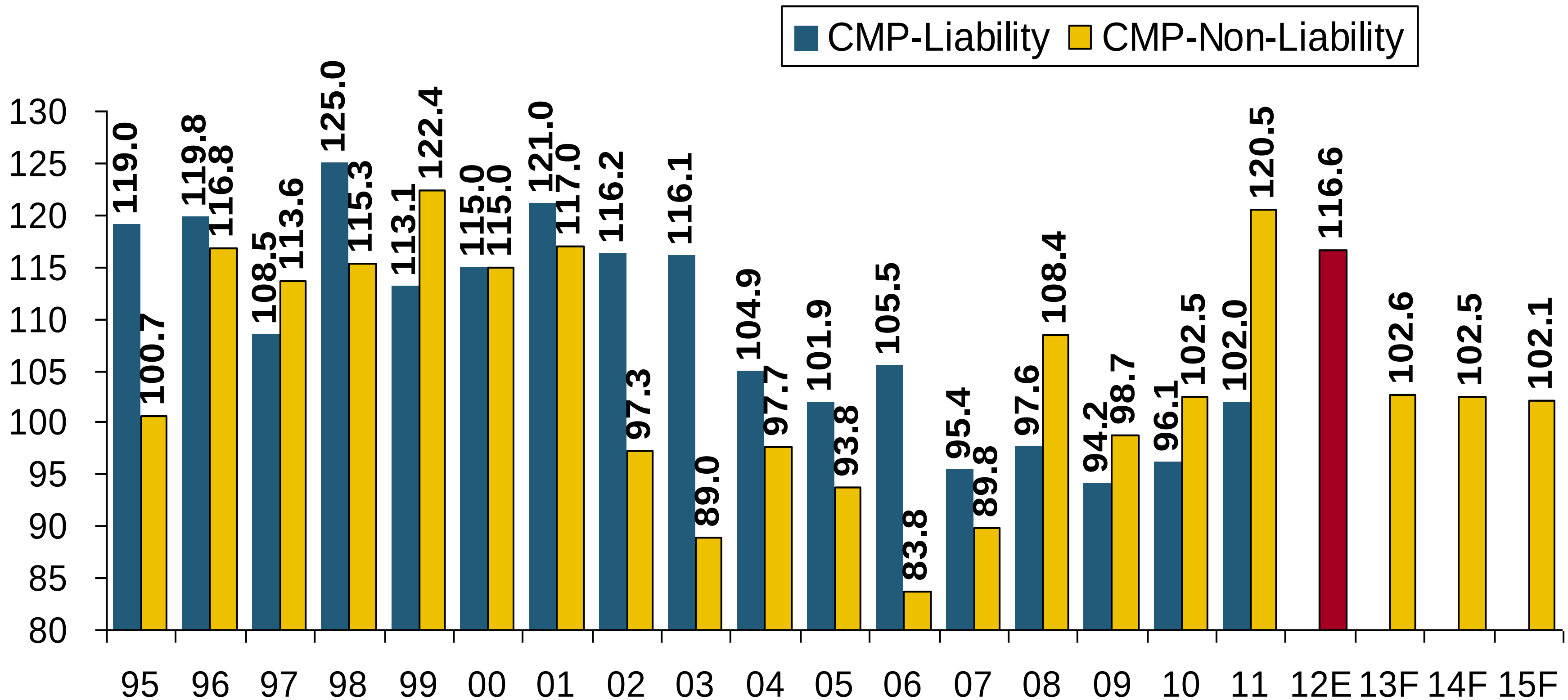


Commercial Auto is Expected to Improve as Rate Gains Outpace Any Adverse Frequency and Severity Trends

Sources: A.M. Best (1990-2012E);Conning (2012-2015F); Insurance Information Institute.

Commercial Multi-Peril Combined Ratio: 1995–2015F

INSURANCE INFORMATION INSTITUTE

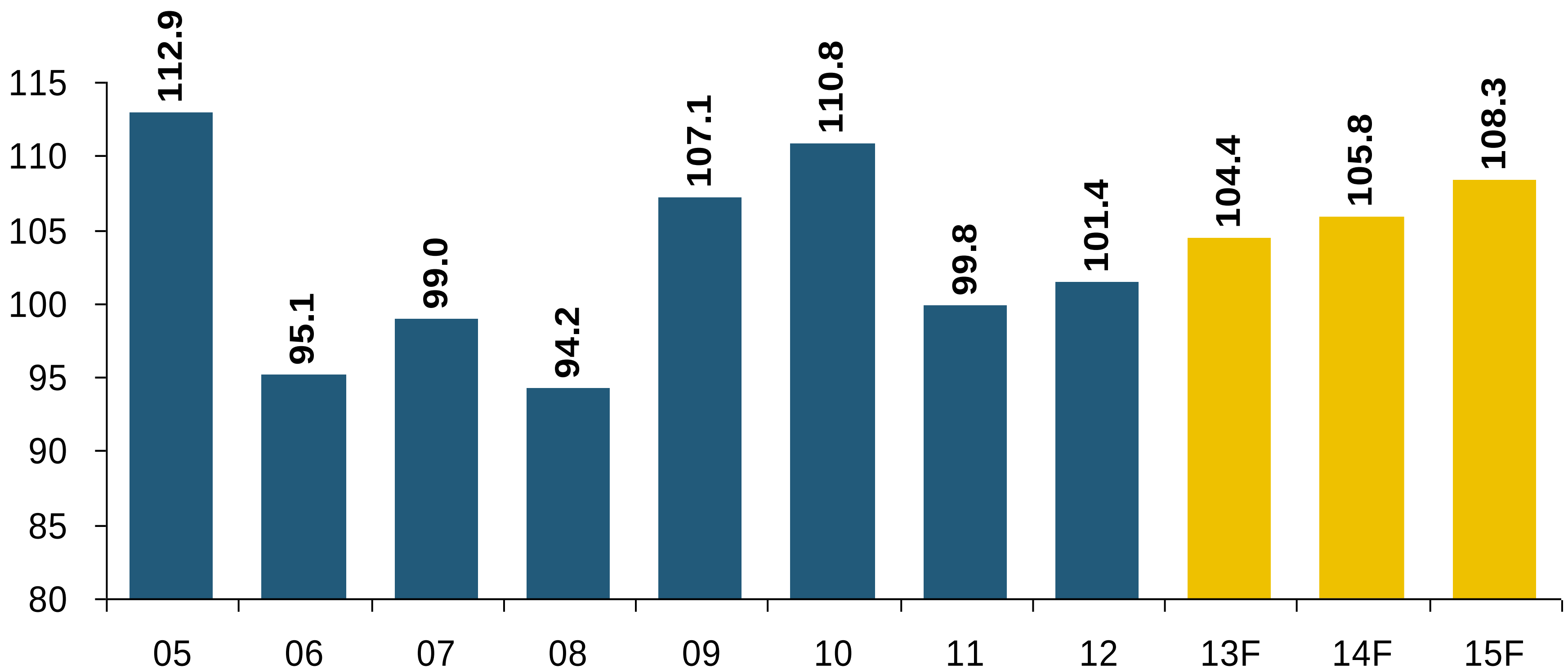


Commercial Multi-Peril Underwriting Performance is Expected to Improve in 2013 Assuming Normal Catastrophe Loss Activity

*2012-2013 figures are A.M. Best estimate/forecast for the combined liability and non-liability components. Same for Conning 2014-2015F figures.

Sources: A.M. Best; Conning; Insurance Information Institute.

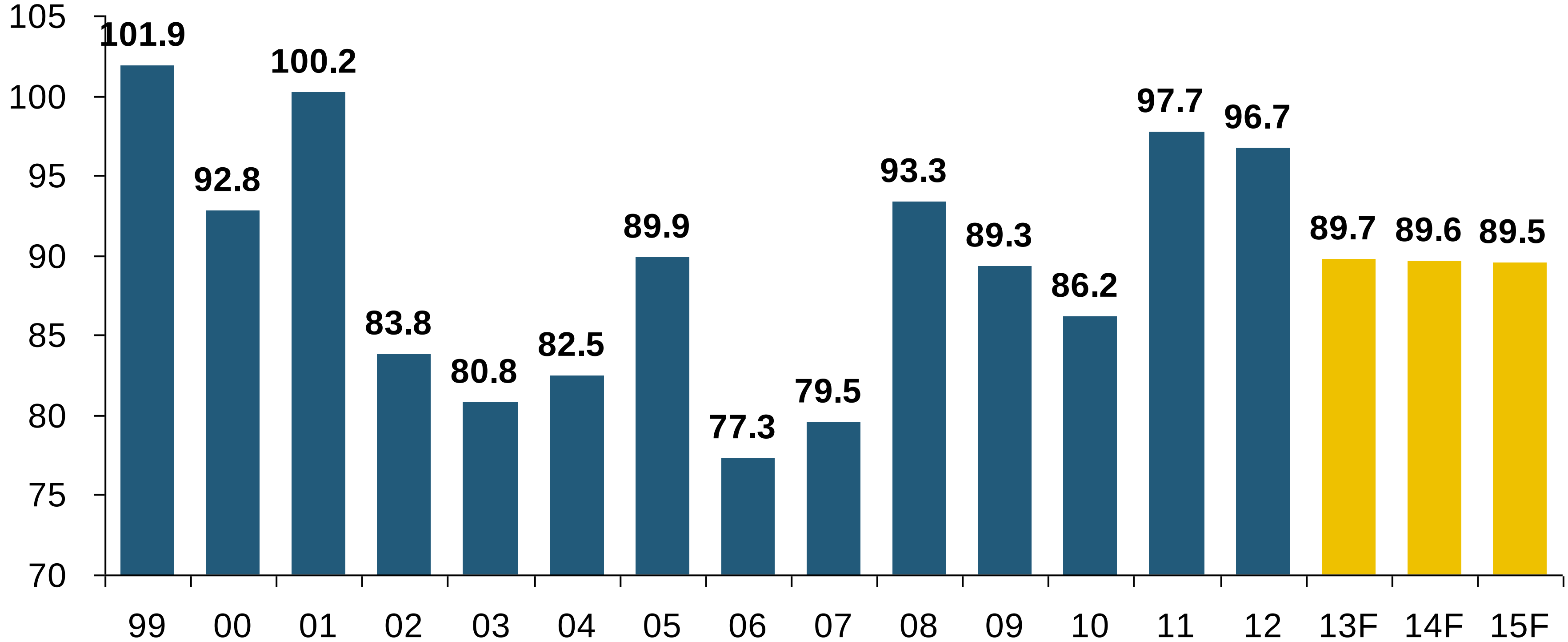
General Liability Combined Ratio: 2005–2015F



Commercial General Liability Underwriting Performance Has Been Volatile in Recent Years

Source: Conning Research and Consulting.

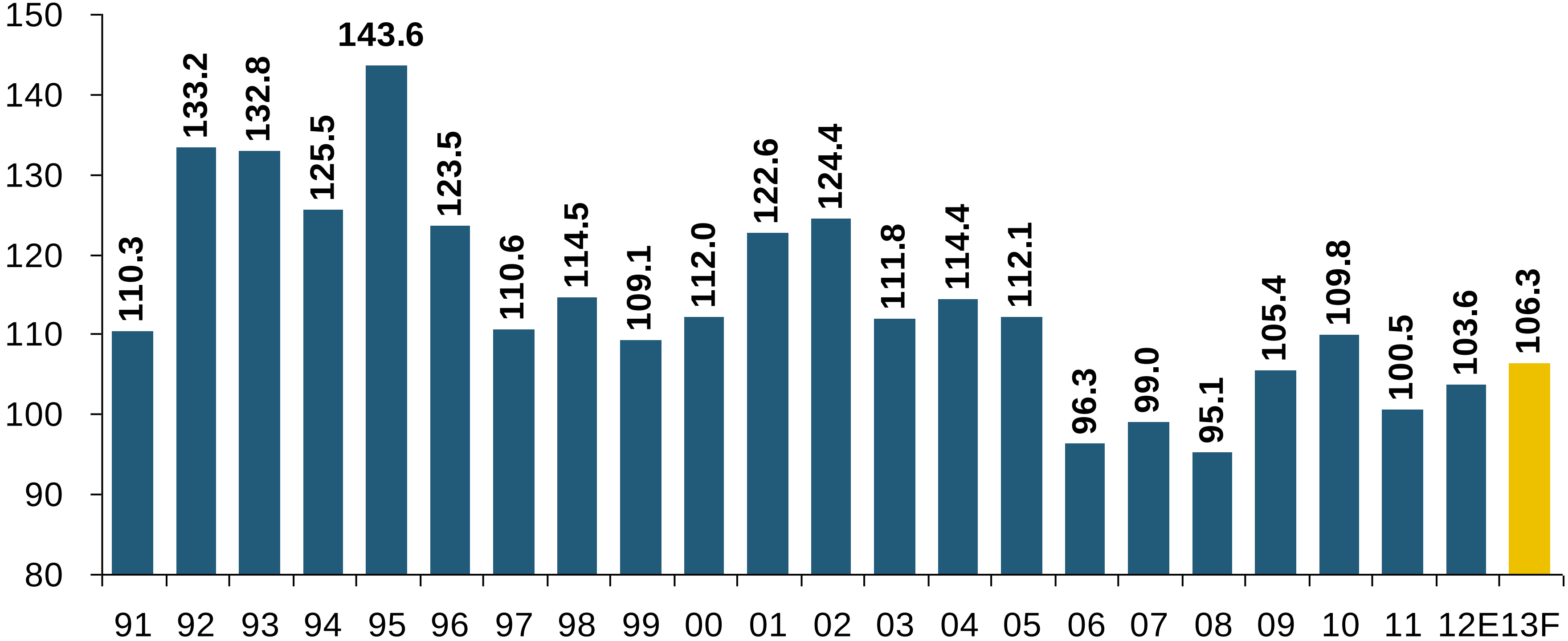
Inland Marine Combined Ratio: 1999–2015F



Inland Marine is Expected to Remain Among the Most Profitable of All Lines

Sources: A.M. Best (1999-2011); Conning (2012-2015F)

Other & Products Liability Combined Ratio: 1991–2013F



Liability Lines Have Performed Better in the Post-Tort Reform Era (~2005), but There Has Been Some Deterioration in Recent Years

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

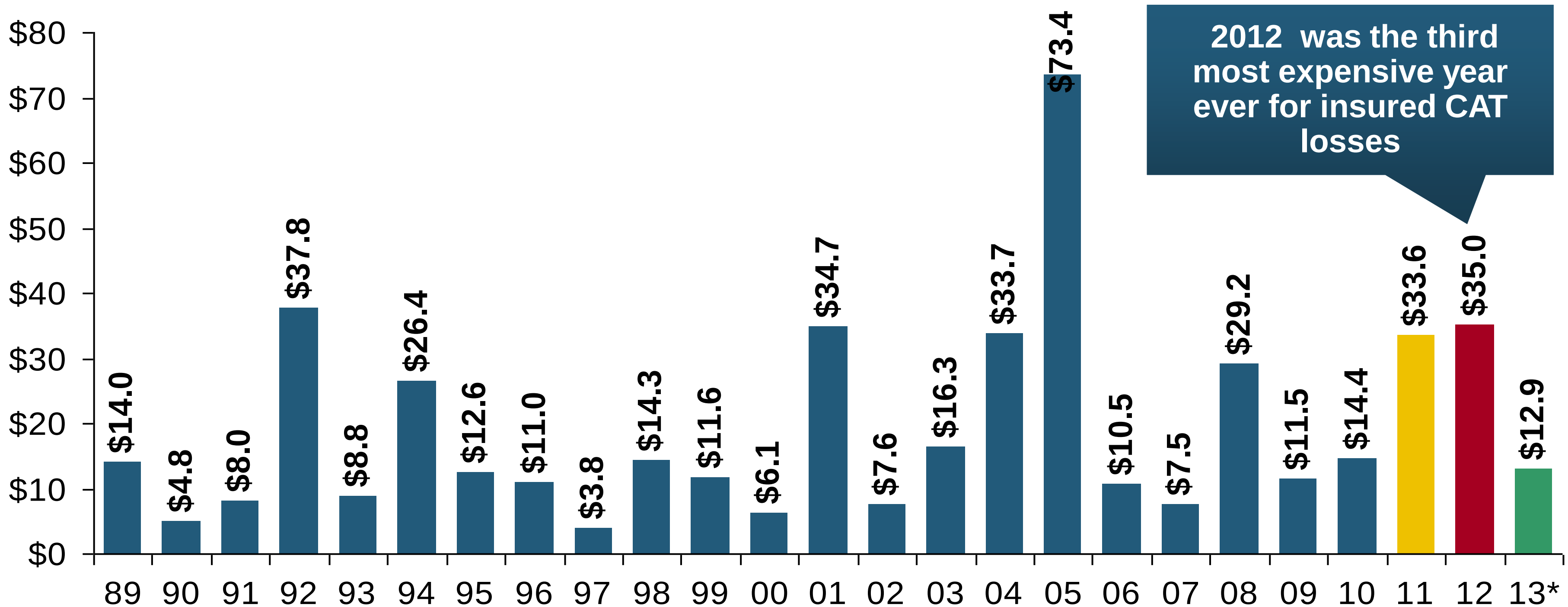
U.S. Insured Catastrophe Loss Update

2013 Was a Welcome Respite from the High Catastrophe Losses in Recent Years

U.S. Insured Catastrophe Losses

INSURANCE INFORMATION INSTITUTE

($ Billions, $ 2012)



2012 Was the 3rd Highest Year on Record for Insured Losses in U.S. History on an Inflation-Adj. Basis. 2011 Losses Were the 6th Highest. YTD 2013 Running Well Below 2011 and 2012 YTD Totals.

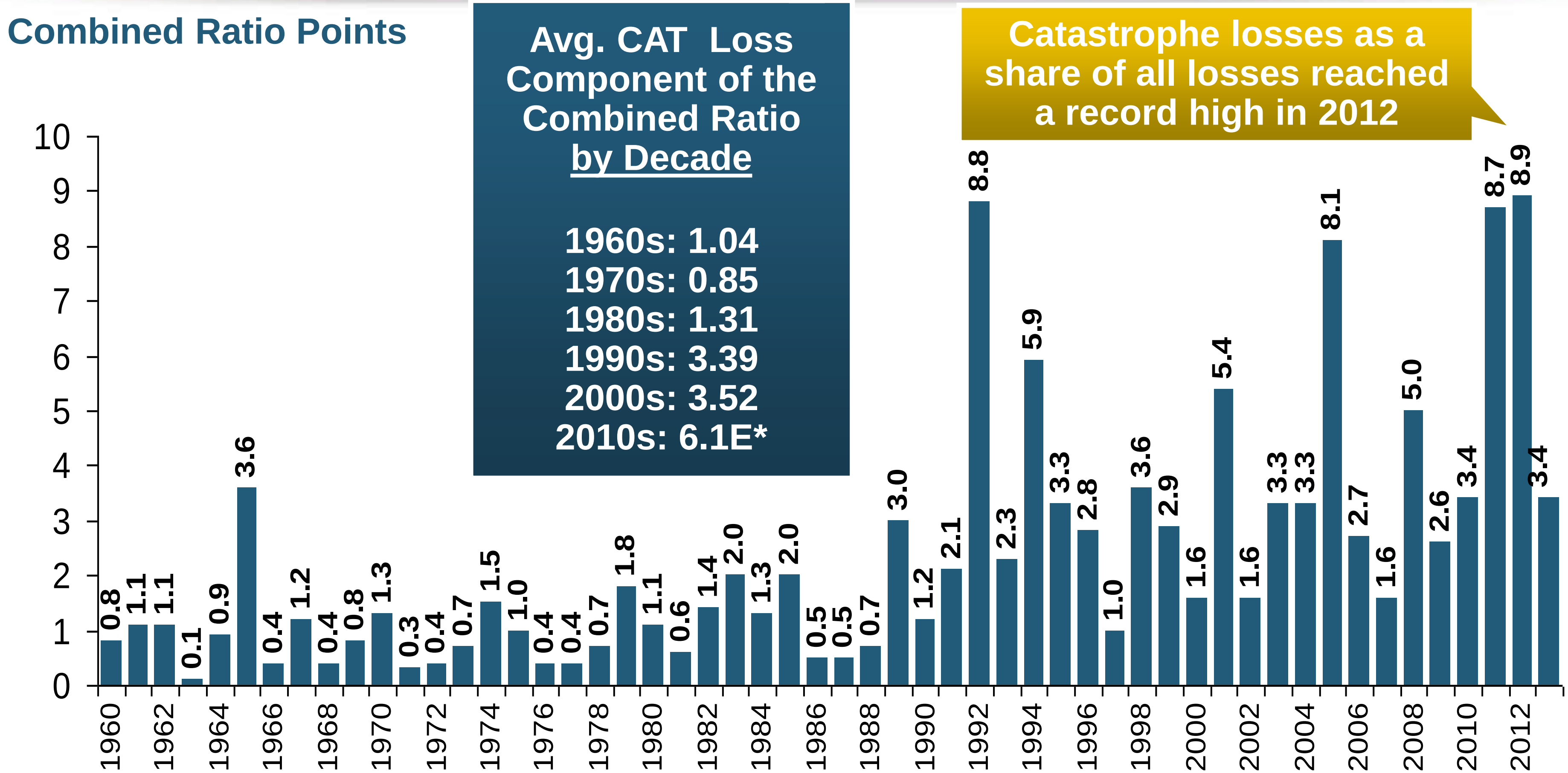
Record tornado losses caused 2011 CAT losses to surge

*Through 12/31/13.

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.

Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2013*



The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

*2010s represent 2010-2013.

Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

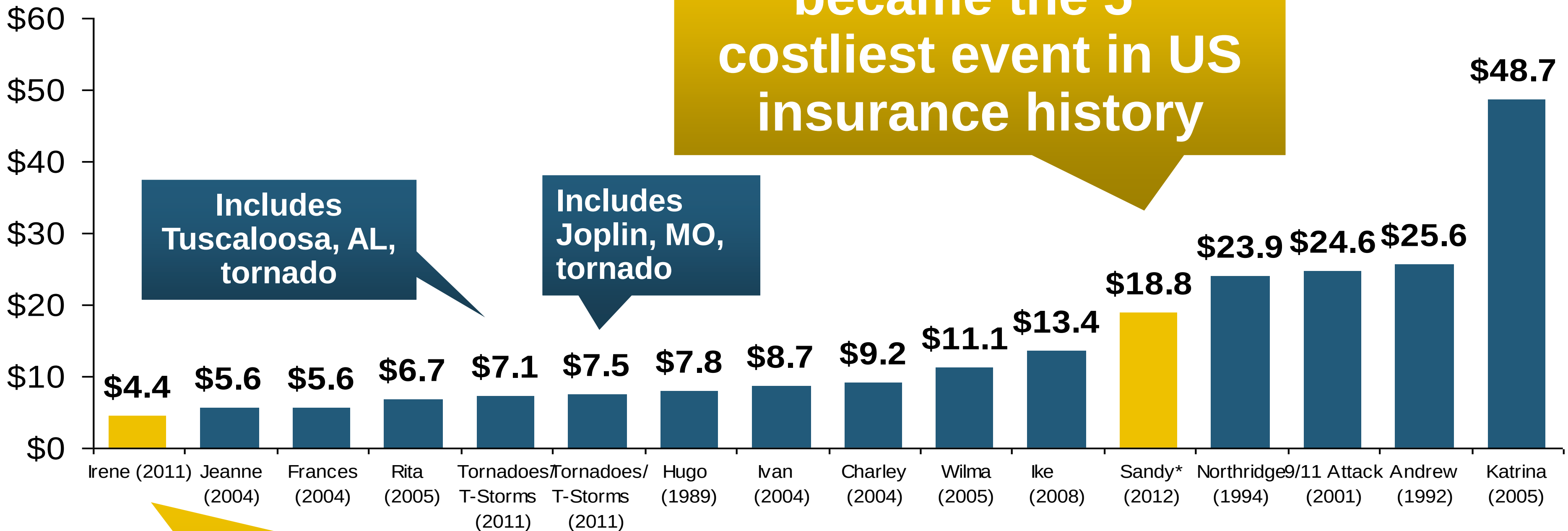
Source: ISO (1960-2011); A.M. Best (2012E) Insurance Information Institute.

Top 16 Most Costly Disasters in U.S. History

INSURANCE INFORMATION INSTITUTE

(Insured Losses, 2012 Dollars, $ Billions)

Hurricane Sandy became the 5th costliest event in US insurance history



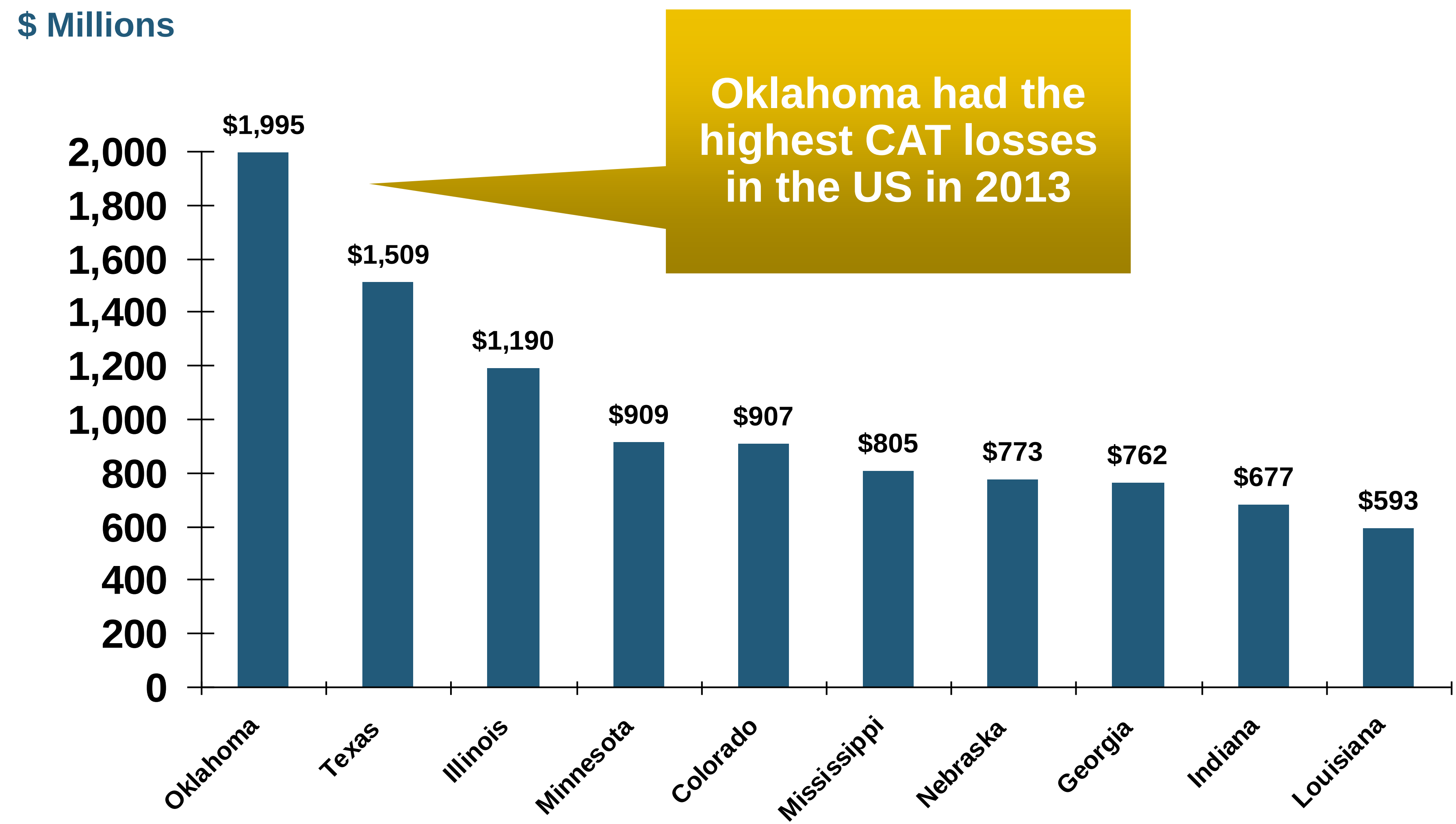
Hurricane Irene became the 12th most expense hurricane in US history in 2011

12 of the 16 Most Expensive Events in US History Have Occurred Over the Past Decade

*PCS estimate as of 4/12/13.

Sources: PCS; Insurance Information Institute inflation adjustments to 2012 dollars using the CPI.

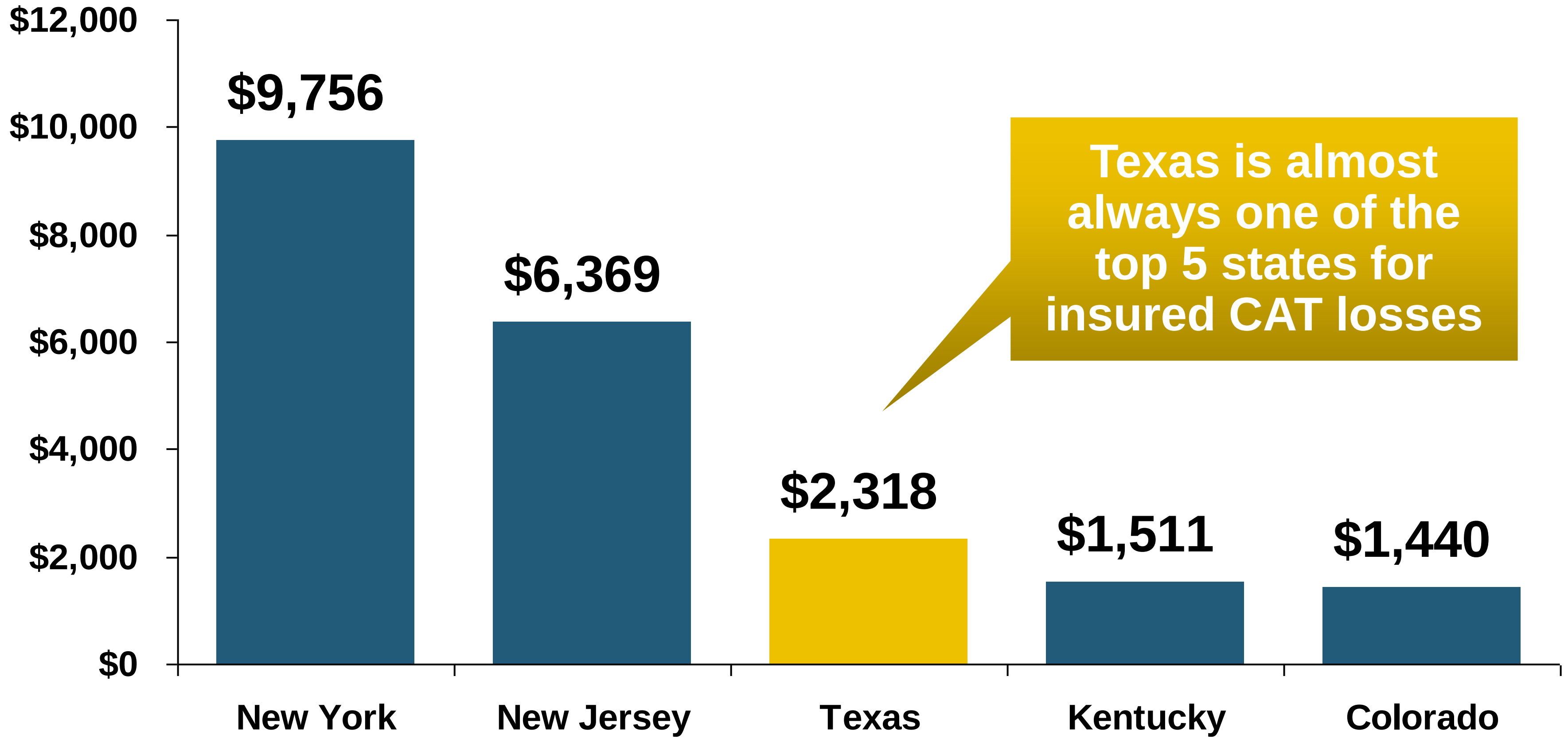
Top 10 States for Insured Catastrophe Losses, 2013



Source: The Property Claim Services (PCS) unit of ISO, a Verisk Analytics company.

Top 5 States by Insured Catastrophe Losses in 2012*

(2012, $ Billions)

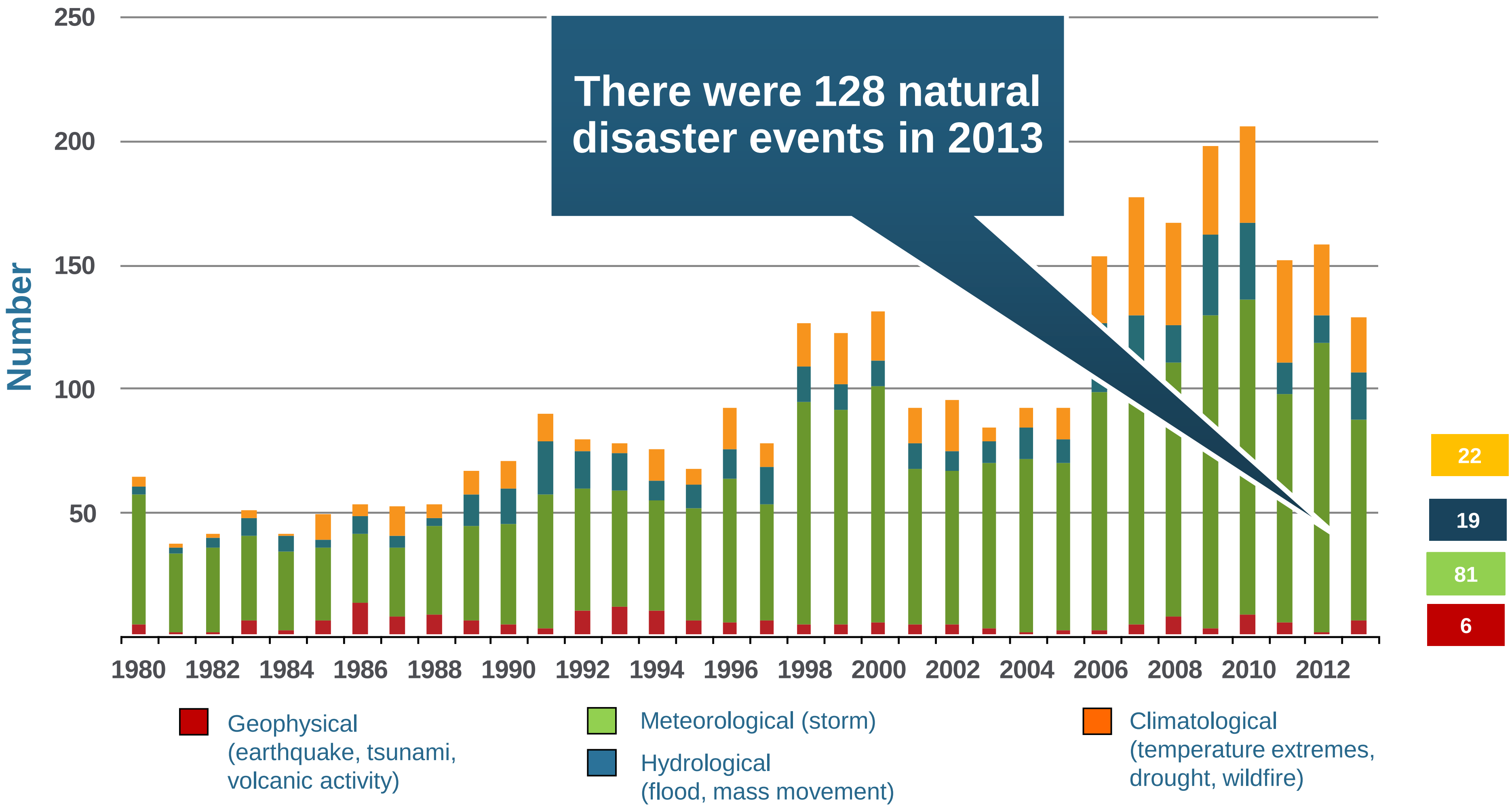


*Includes catastrophe losses of at least $25 million.

Sources: PCS unit of ISO; Insurance Information Institute.

Natural Disasters in the United States, 1980 – 2013

Number of Events (Annual Totals 1980 – 2013)



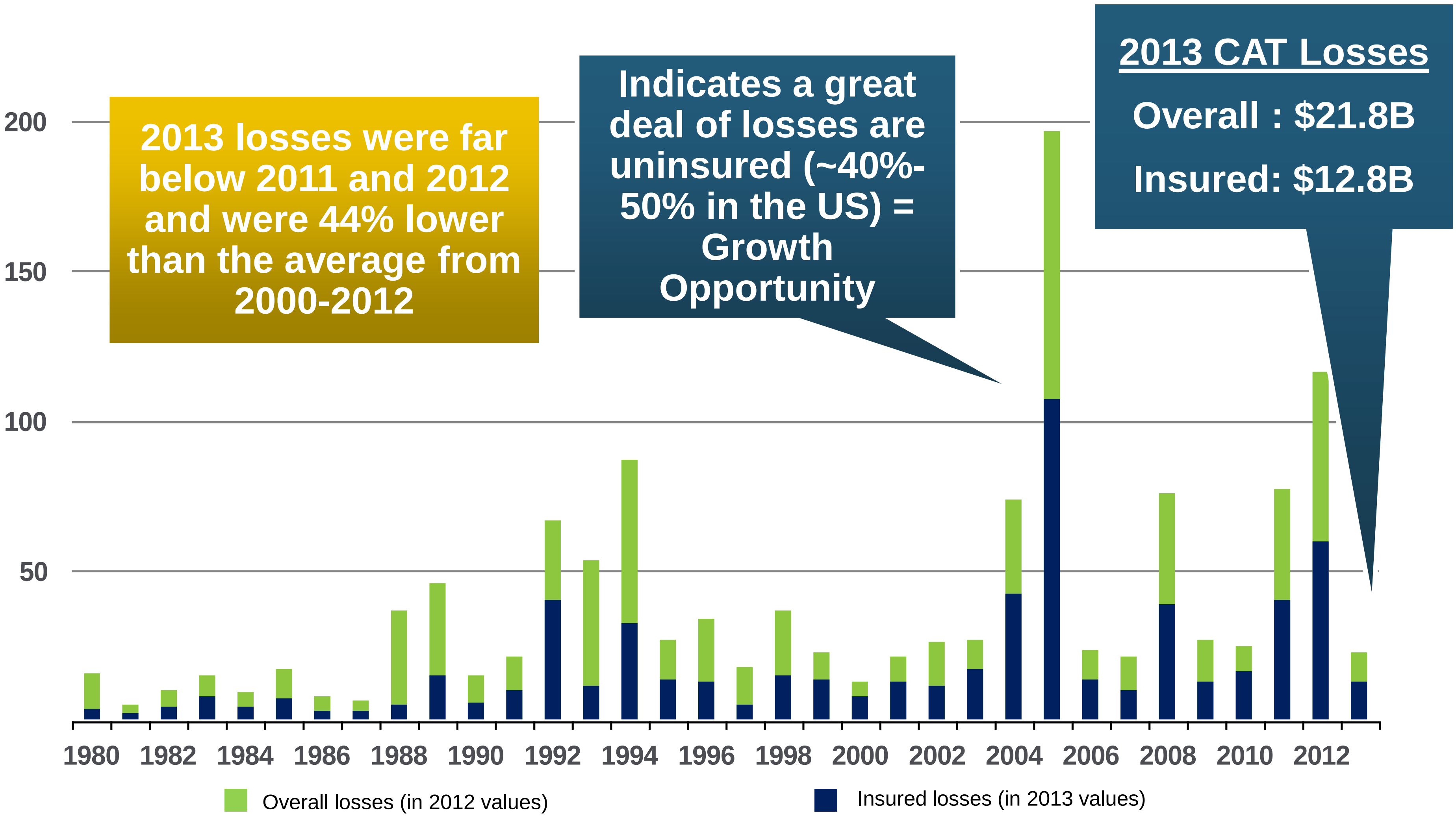
Source: MR NatCat*SERVICE*

Losses Due to Natural Disasters in the US, 1980–2013

INSURANCE INFORMATION INSTITUTE

(2013 Dollars, $ Billions)

(Overall and Insured Losses)



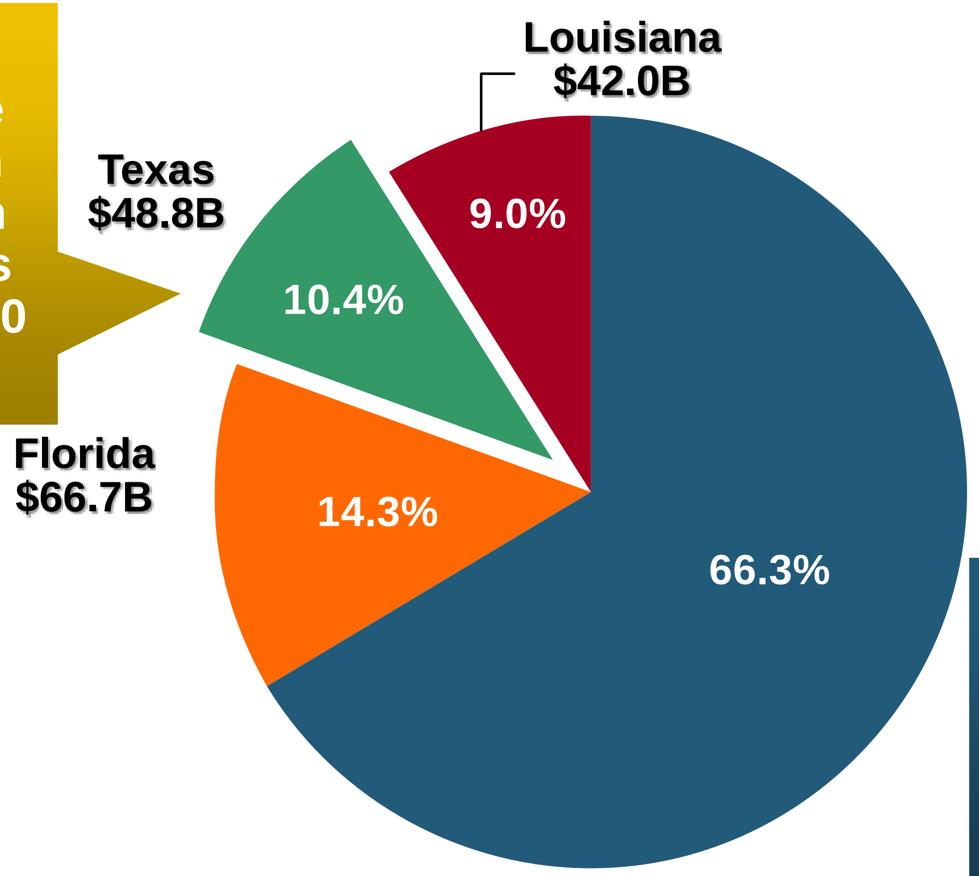
Source: MR NatCat*SERVICE*

Top States by Inflation-Adjusted Insured Catastrophe Losses, 1983–2012

INSURANCE INFORMATION INSTITUTE

Over the Past 30 Years Florida Has Accounted for the Largest Share of Catastrophe Losses in the U.S., Followed by Texas and Louisiana

TX is the 2nd costliest state for CATs, with nearly $50B in insured losses over the past 30 years

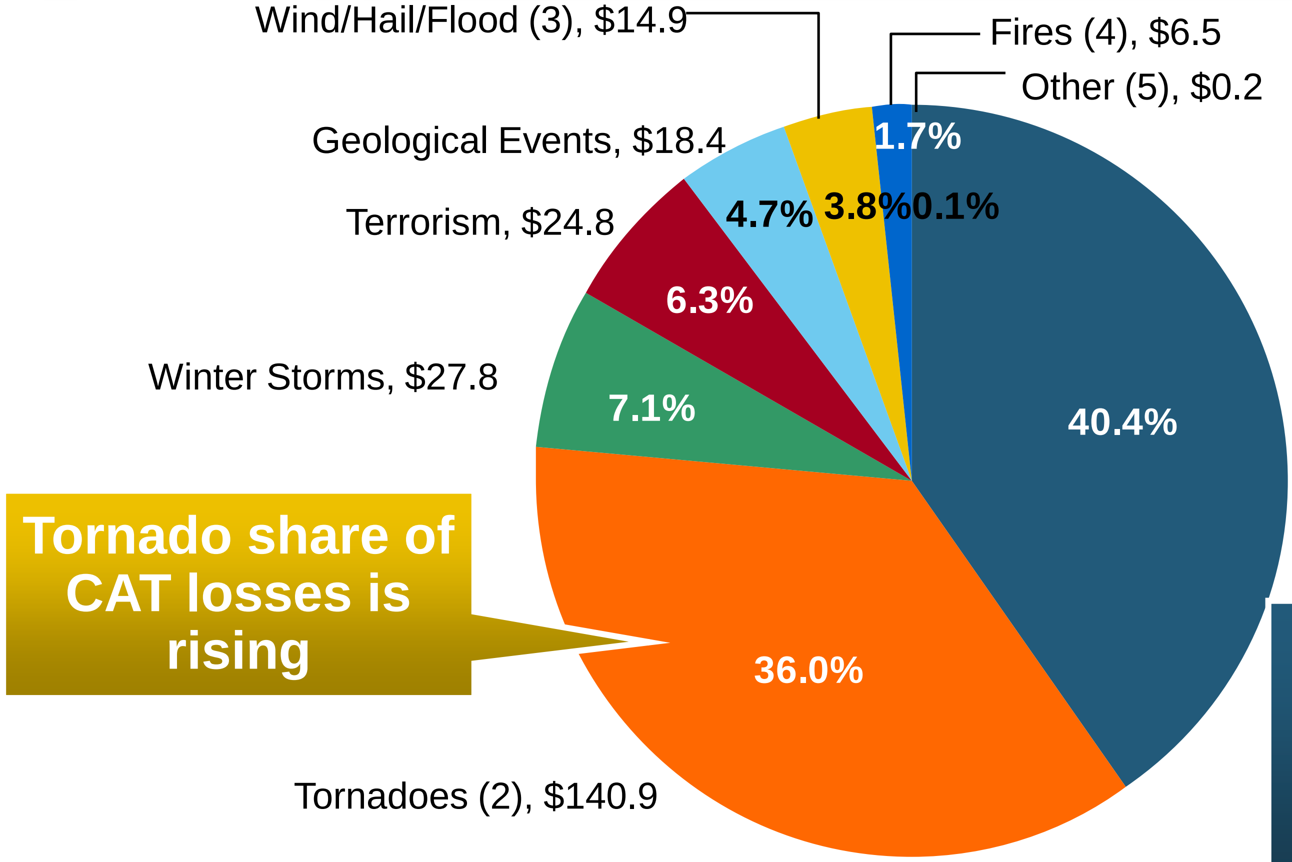


Total: $467.5 Billion, an average of $16.6B per year or $1.3B per month

Source: PCS unit of ISO, Verisk Company.; Insurance Information Institute.

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1993–2012[1]

INSURANCE INFORMATION INSTITUTE



Insured cat losses from 1993-2012 totaled $391.7B, an average of $19.6B per year or $1.6B per month

Wind losses are by far cause the most catastrophe losses, even if hurricanes/TS are excluded.

1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2012 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

Top 10 Winter Storm and Winter Damage Events in the US and Canada, 1980-2013*

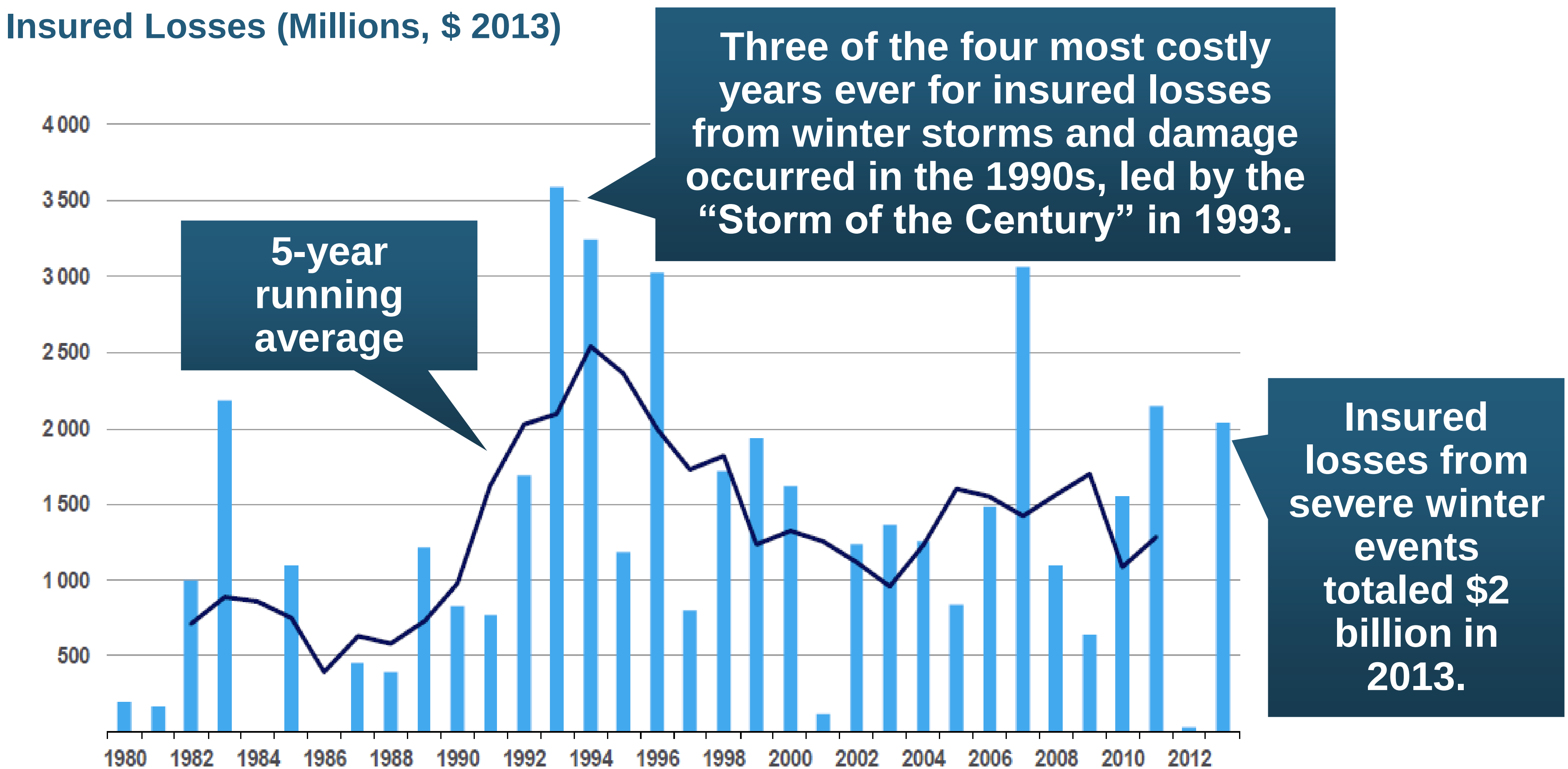
INSURANCE INFORMATION INSTITUTE

Ranked by Insured Loss, in Millions of $ 2013*

Period	Area	Economic Loss (in inflation-adjusted 2013 $US mill)	Insured Loss (in inflation-adjusted 2013 $US mill)	Fatalities
Mar. 11-14, 1993	CAN, USA	8,061	**3,224**	270
Dec. 17-30,1983	USA	2,339	**2,058**	500
Apr. 13-17, 2007	CAN, USA	2,247	**1,775**	23
Dec. 10-13, 1992	USA	4,981	**1,660**	19
Jan. 5-12, 1998	CAN, USA	4,145	**1,644**	45
Feb. 10-12, 1994	USA	4,716	**1,258**	9
Jan. 17-20, 1994	USA	1,572	**1,258**	70
Apr. 7-11, 2013	USA	1,600	**1,200**	N/A
Jan. 1-4, 1999	CAN, USA	1,398	**1,084**	25
Jan. 31-Feb. 2, 2011	USA	1,346	**1,010**	36

*Top 10 events in original insured loss dollars were adjusted to and ranked by the Insurance Information Institute to 2013 inflation-adjusted values.
Sources: Munich Re NatCatSERVICE; Insurance Information Institute.

Winter Storm and Winter Damage Events in the US and Canada, 1980-2013 (2013 US$)



Insured winter storm and damage losses in Jan. 2014 already totaled $1.5 billion. Continued severe weather since then makes it likely that 2014 will become one of the top 5 costliest winters since 1980.

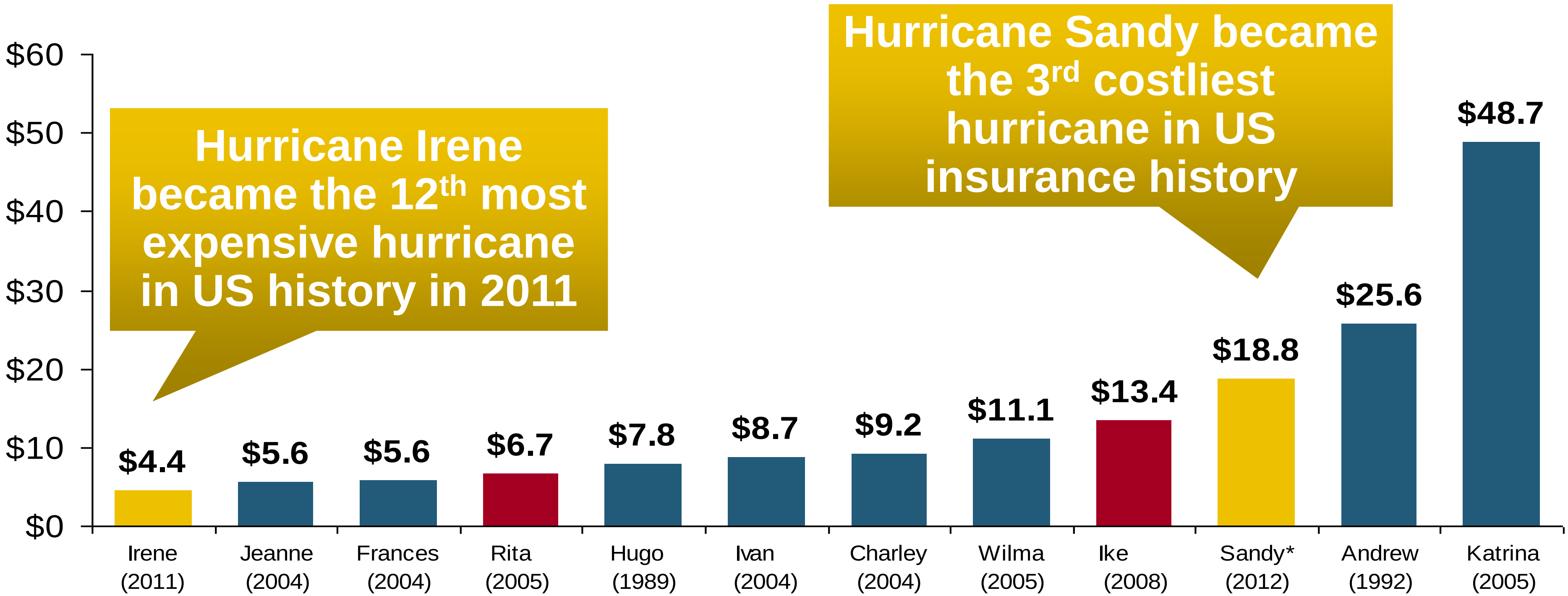
Sources: Munich Re NatCatSERVICE; Insurance Information Institute.

Top 12 Most Costly Hurricanes in U.S. History

INSURANCE INFORMATION INSTITUTE

(Insured Losses, 2012 Dollars, $ Billions)

10 of the 12 most costly hurricanes in insurance history occurred over the past 9 years (2004—2012)

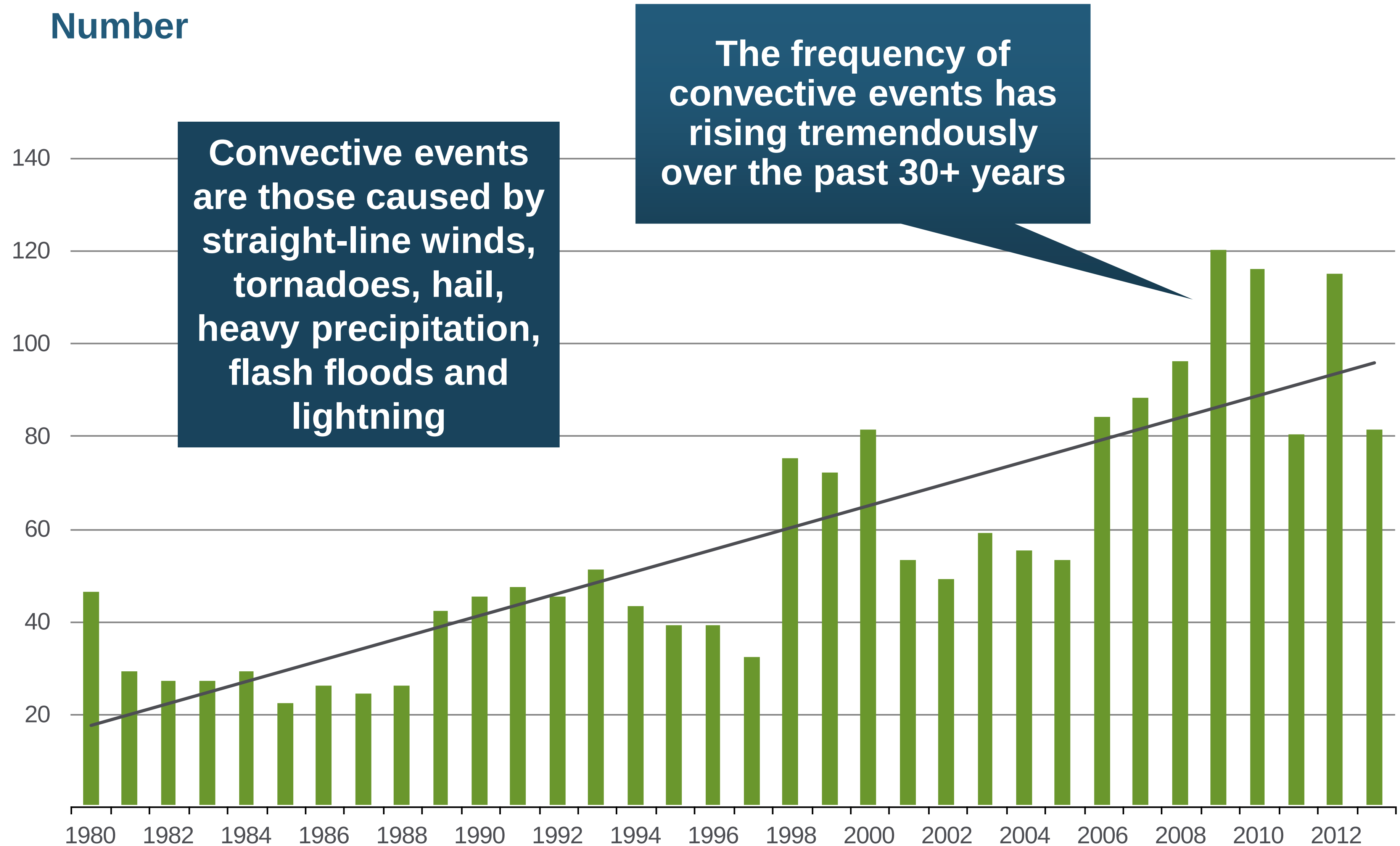


*PCS estimate as of 4/12/13.

Sources: PCS; Insurance Information Institute inflation adjustments to 2012 dollars using the CPI.

Convective Loss Events in the U.S.

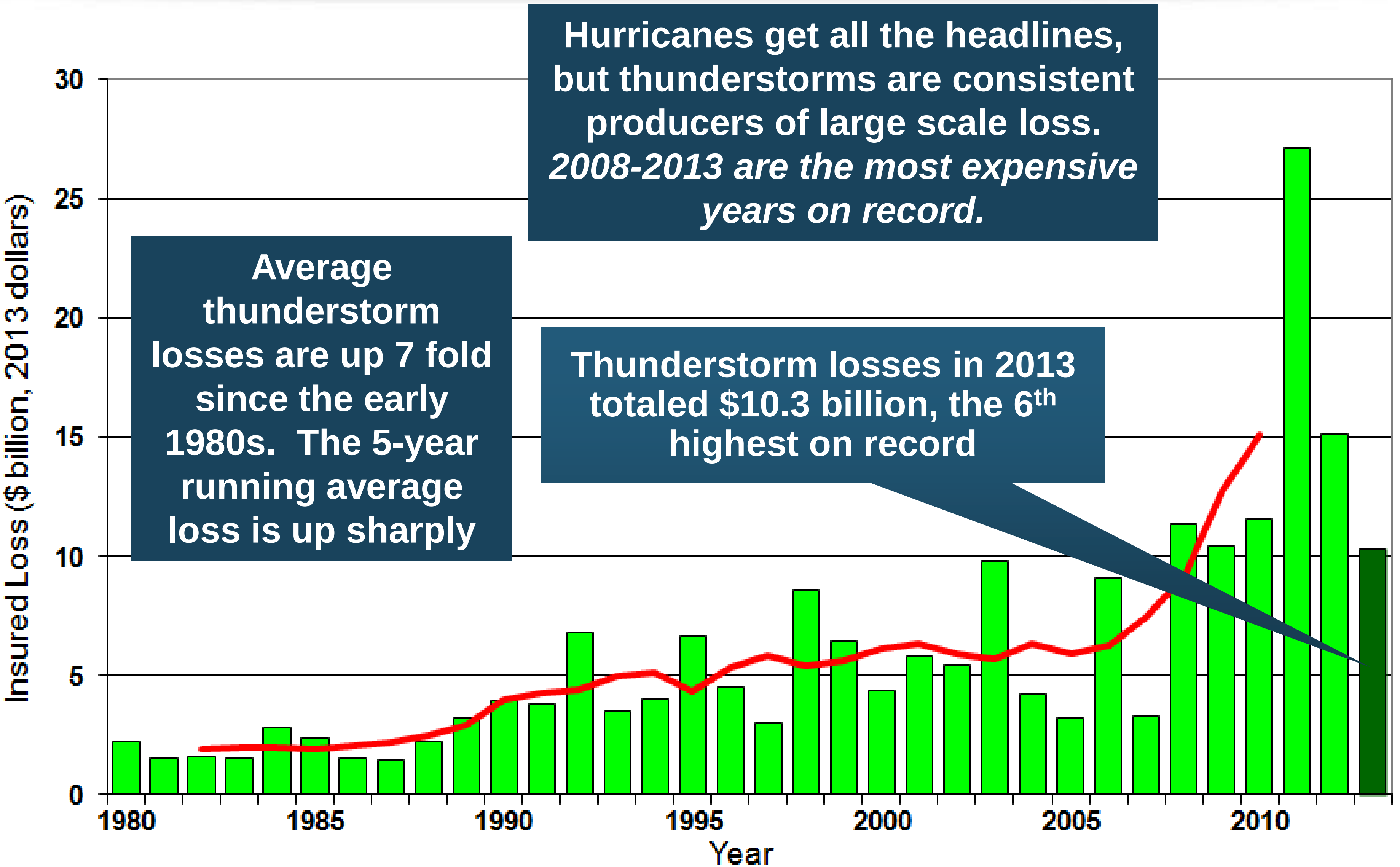
Number of events 1980 – 2013



Source: Geo Risks Research, NatCatSERVICE.

U.S. Thunderstorm Insured Loss Trends, 1980 – 2013

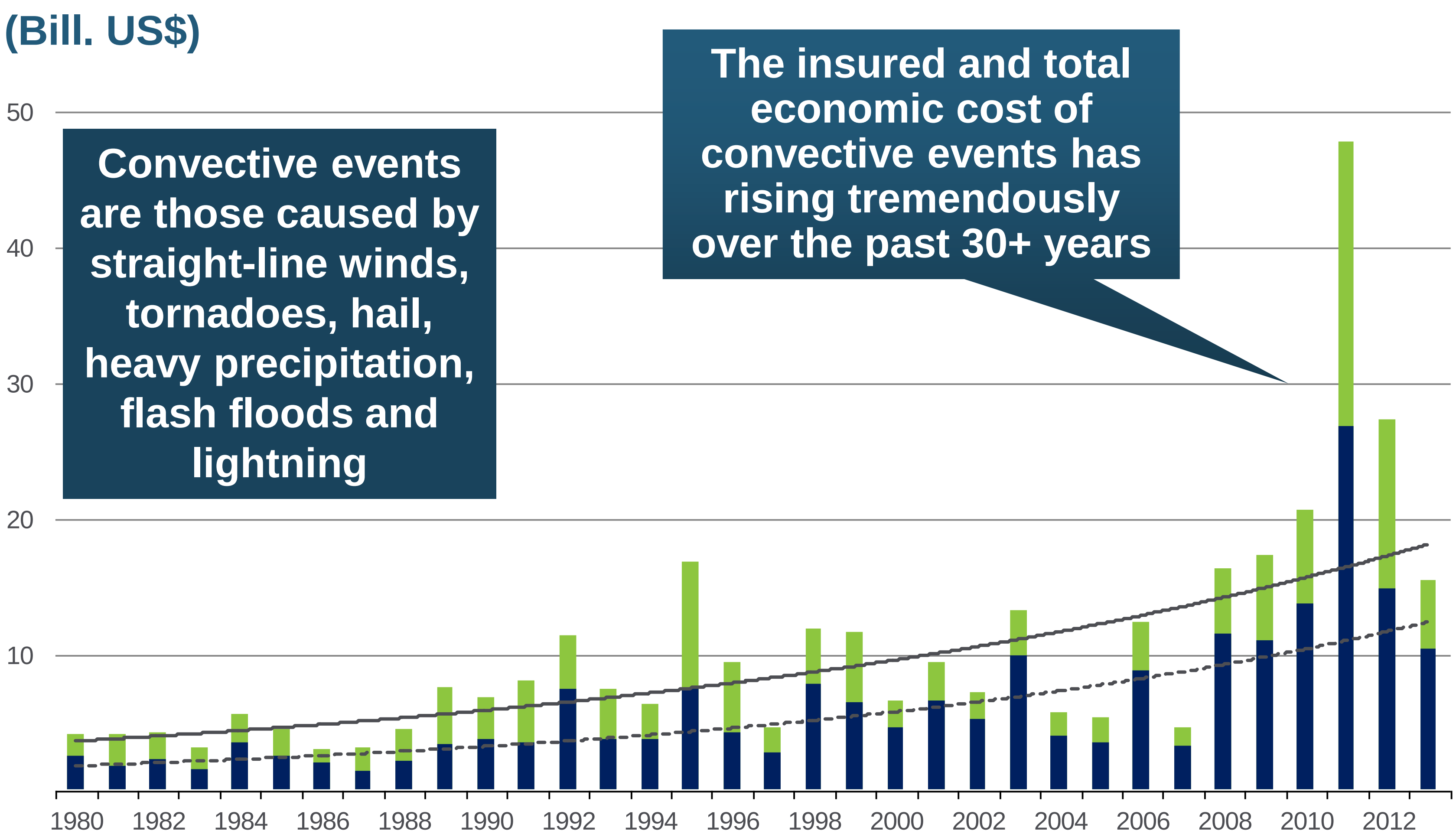
INSURANCE INFORMATION INSTITUTE



Source: Property Claims Service, MR NatCat*SERVICE*

Convective Loss Events in the U.S.

Overall and insured losses 1980 – 2012 and First Half 2013



Analysis contains: straight-line winds, tornadoes, hail, heavy precipitation, flash floods, lightning.

Overall losses (in 2013 values)   Insured losses (in 2013 values)

Source: Geo Risks Research, NatCatSERVICE.

Outlook for the 2014 Atlantic Hurricane Season

Somewhat Below Average Activity, Fewer Landfalls Expected

Outlook for 2014 Hurricane Season: 30% *Less* Active Than Typical Year

INSURANCE INFORMATION INSTITUTE

	Median*	2005 (Katrina Year)	2014F
Named Storms	12.0	28	10
Named Storm Days	60.1	115.5	40
Hurricanes	6.5	14	4
Hurricane Days	21.3	47.5	15
Major Hurricanes	2.0	7	1
Major Hurricane Days	3.9	7	3
Accumulated Cyclone Energy	92.0	NA	65
Net Tropical Cyclone Activity	103%	275%	**70%**

*Over the period 1981-2010.

Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, June 2, 2014.

Probability of Major Hurricane Landfall (CAT 3, 4, 5) in 2014

INSURANCE INFORMATION INSTITUTE

	Average*	2014F
Entire US Coast	52%	40%
US East Coast Including Florida Peninsula	31%	22%
Gulf Coast from FL Panhandle to Brownsville, TX	30%	23%
ALSO…Above-Average Major Hurricane Landfall Risk in Caribbean for 2011 (32% vs. 42%)		

*Average over the past century.

Source: Dr. Philip Klotzbach and Dr. William Gray, Colorado State University, June 2, 2014.

Total Value of Insured Coastal Exposure in 2012

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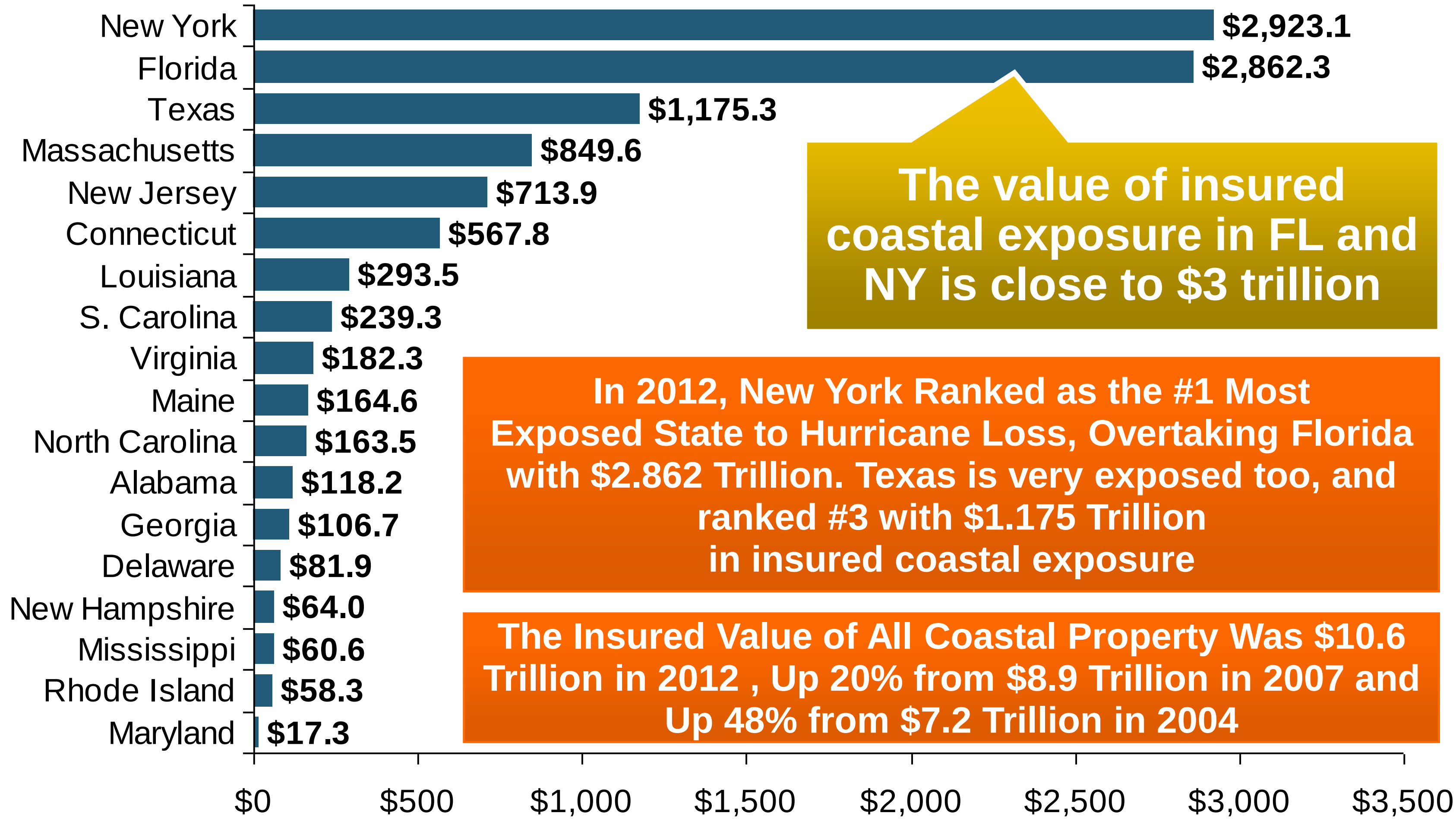
(2012, $ Billions)



The value of insured coastal exposure in FL and NY is close to $3 trillion

In 2012, New York Ranked as the #1 Most Exposed State to Hurricane Loss, Overtaking Florida with $2.862 Trillion. Texas is very exposed too, and ranked #3 with $1.175 Trillion in insured coastal exposure

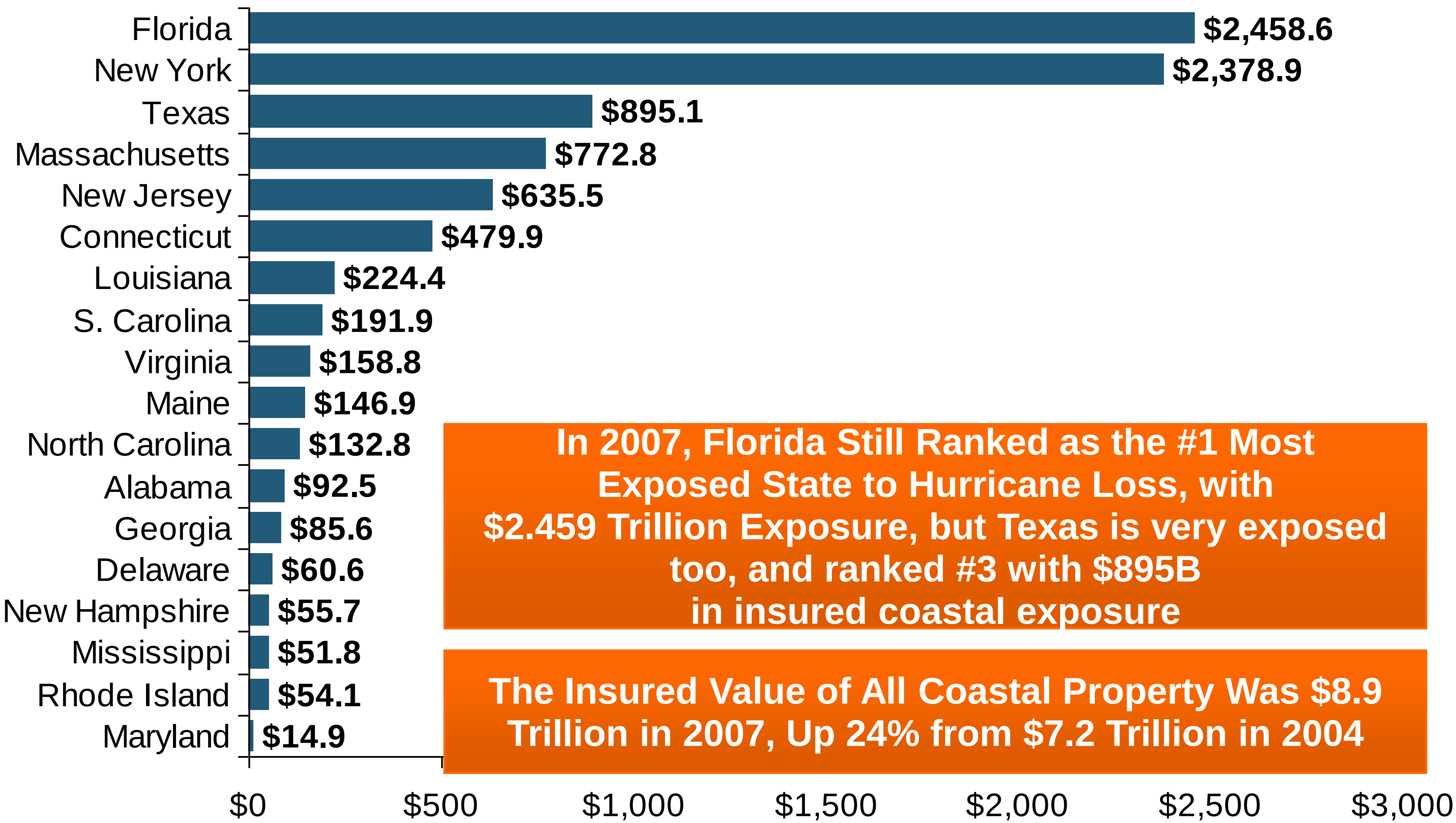
The Insured Value of All Coastal Property Was $10.6 Trillion in 2012 , Up 20% from $8.9 Trillion in 2007 and Up 48% from $7.2 Trillion in 2004

Source: AIR Worldwide

Total Value of Insured Coastal Exposure in 2007

INSURANCE INFORMATION INSTITUTE

(2007, $ Billions)



In 2007, Florida Still Ranked as the #1 Most Exposed State to Hurricane Loss, with $2.459 Trillion Exposure, but Texas is very exposed too, and ranked #3 with $895B in insured coastal exposure

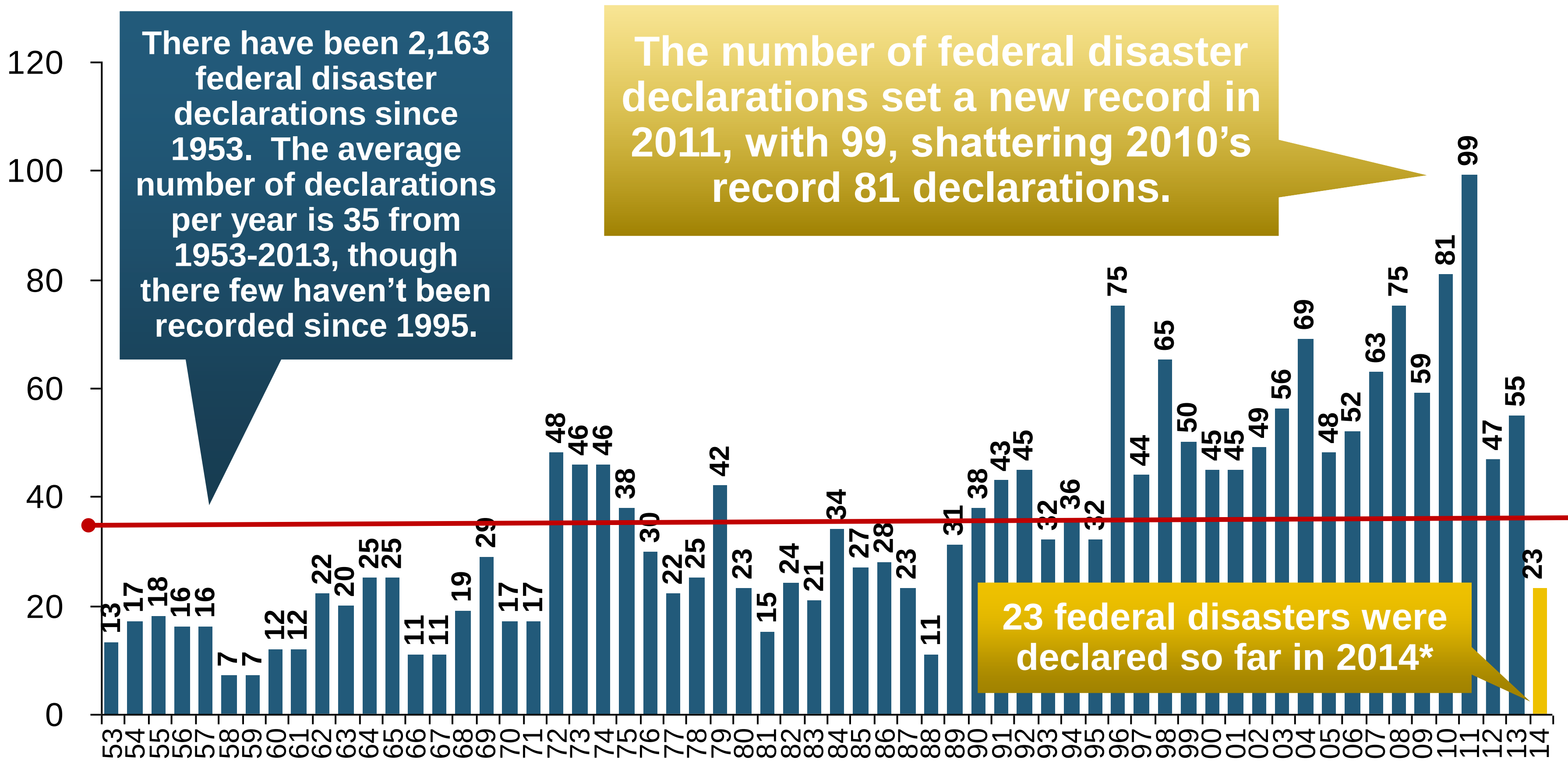
The Insured Value of All Coastal Property Was $8.9 Trillion in 2007, Up 24% from $7.2 Trillion in 2004

Source: AIR Worldwide

Federal Disaster Declarations Patterns: 1953-2014

Disaster Declarations Set New Records in Recent Years

Number of Federal Major Disaster Declarations, 1953-2014*

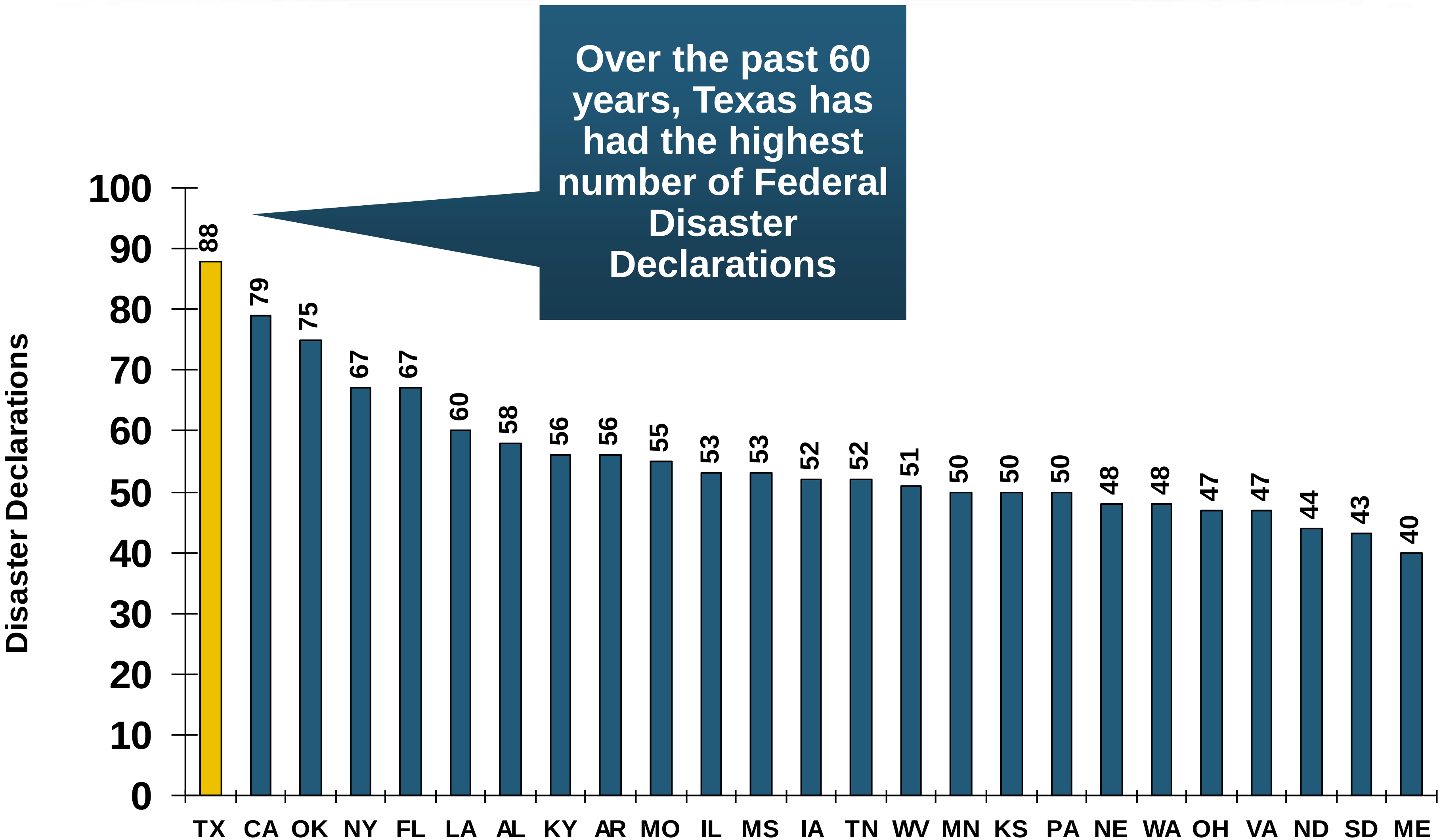


The Number of Federal Disaster Declarations Is Rising and Set New Records in 2010 *and* 2011 Before Dropping in 2012/13

*Through June 3, 2014.

Source: Federal Emergency Management Administration; http://www.fema.gov/disasters; Insurance Information Institute.

Federal Disasters Declarations by State, 1953 – 2014: Highest 25 States*



*Through June 3, 2014. Includes Puerto Rico and the District of Columbia.

Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

Federal Disasters Declarations by State, 1953 – 2014: Lowest 25 States*

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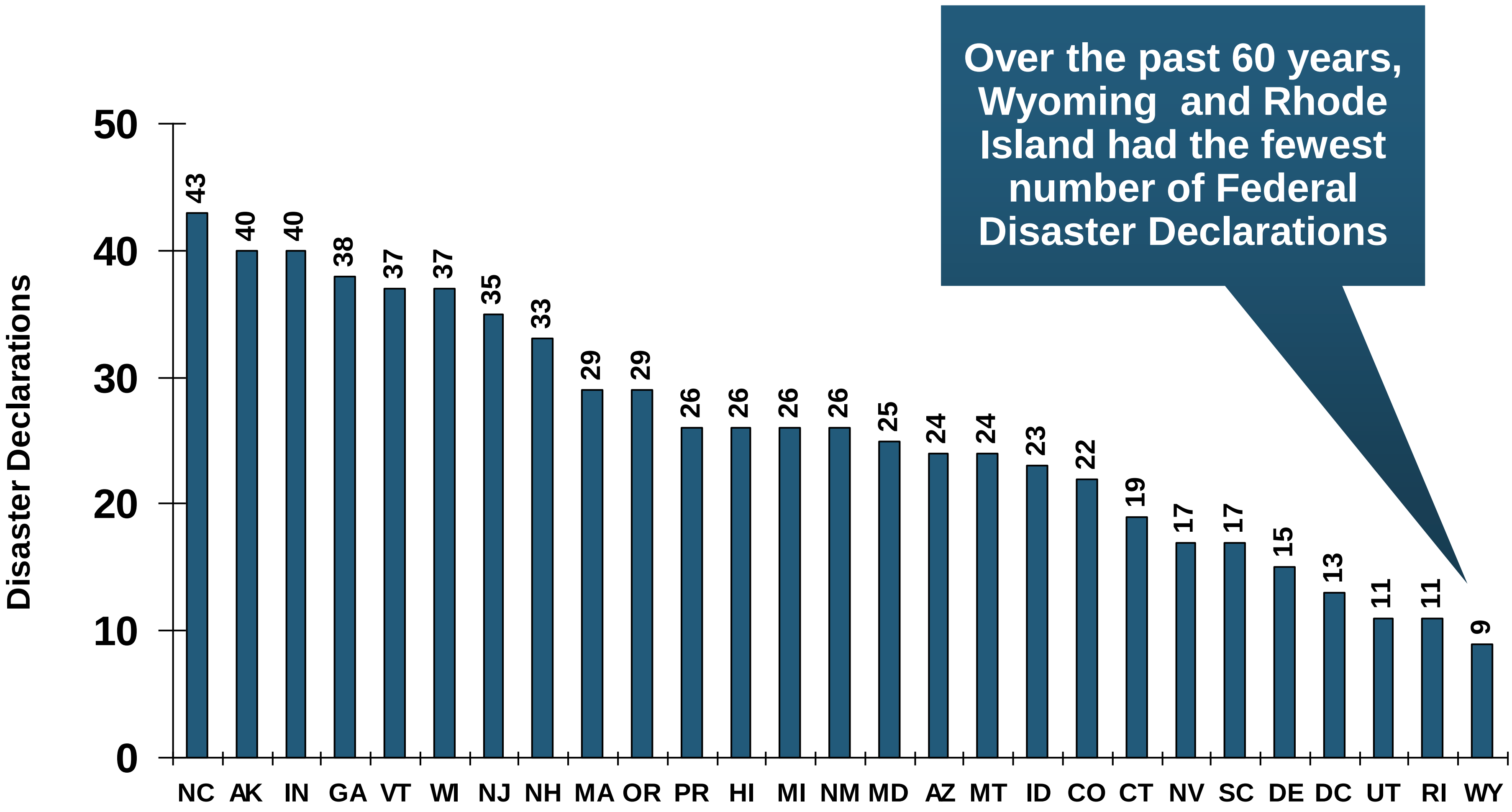


*Through June 3, 2014. Includes Puerto Rico and the District of Columbia.

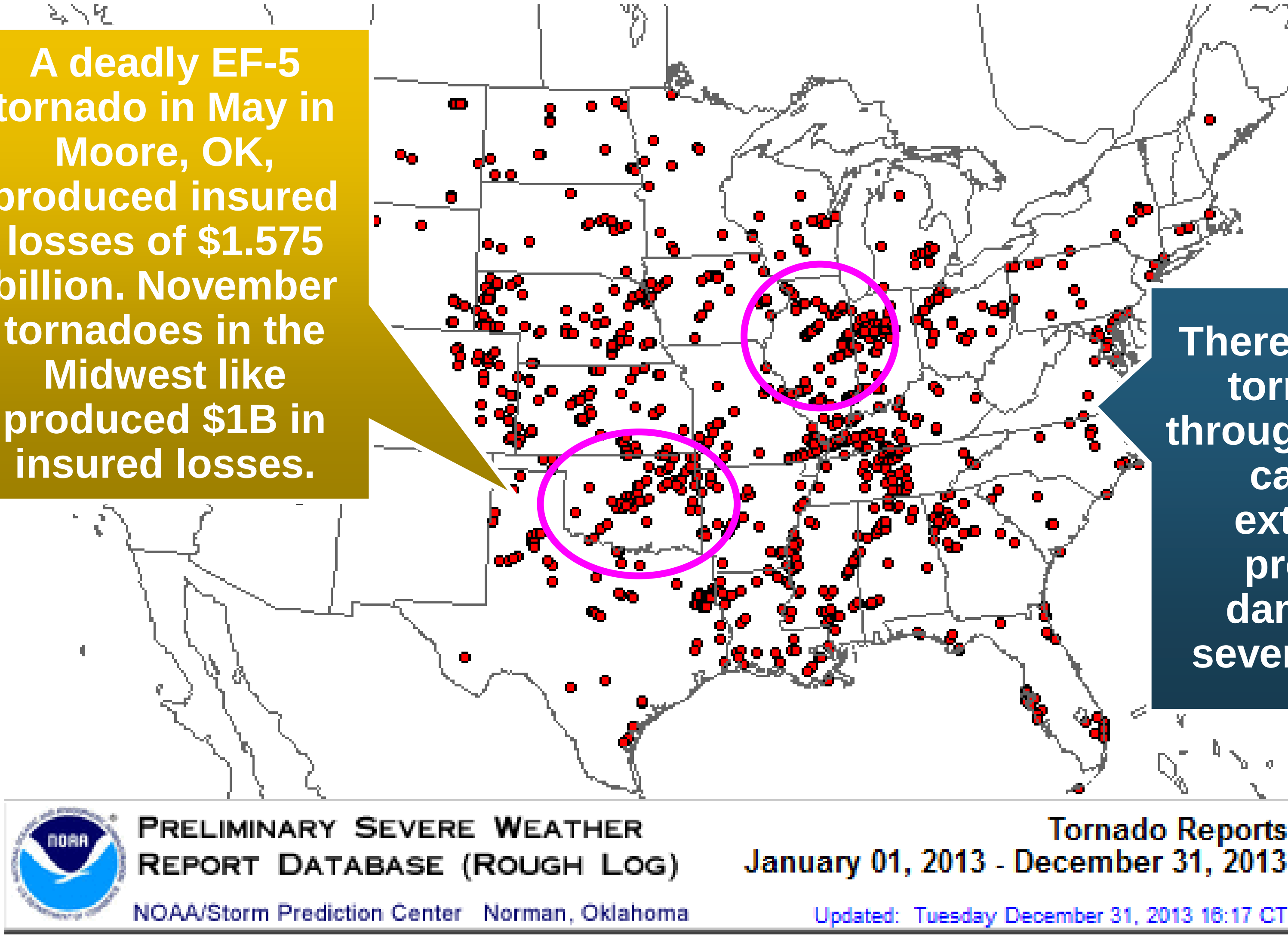
Source: FEMA: http://www.fema.gov/news/disaster_totals_annual.fema; Insurance Information Institute.

SEVERE WEATHER REPORT UPDATE: 2014

Damage from Tornadoes, Large Hail and High Winds Keep Insurers Busy

Location of Tornado Reports in 2013

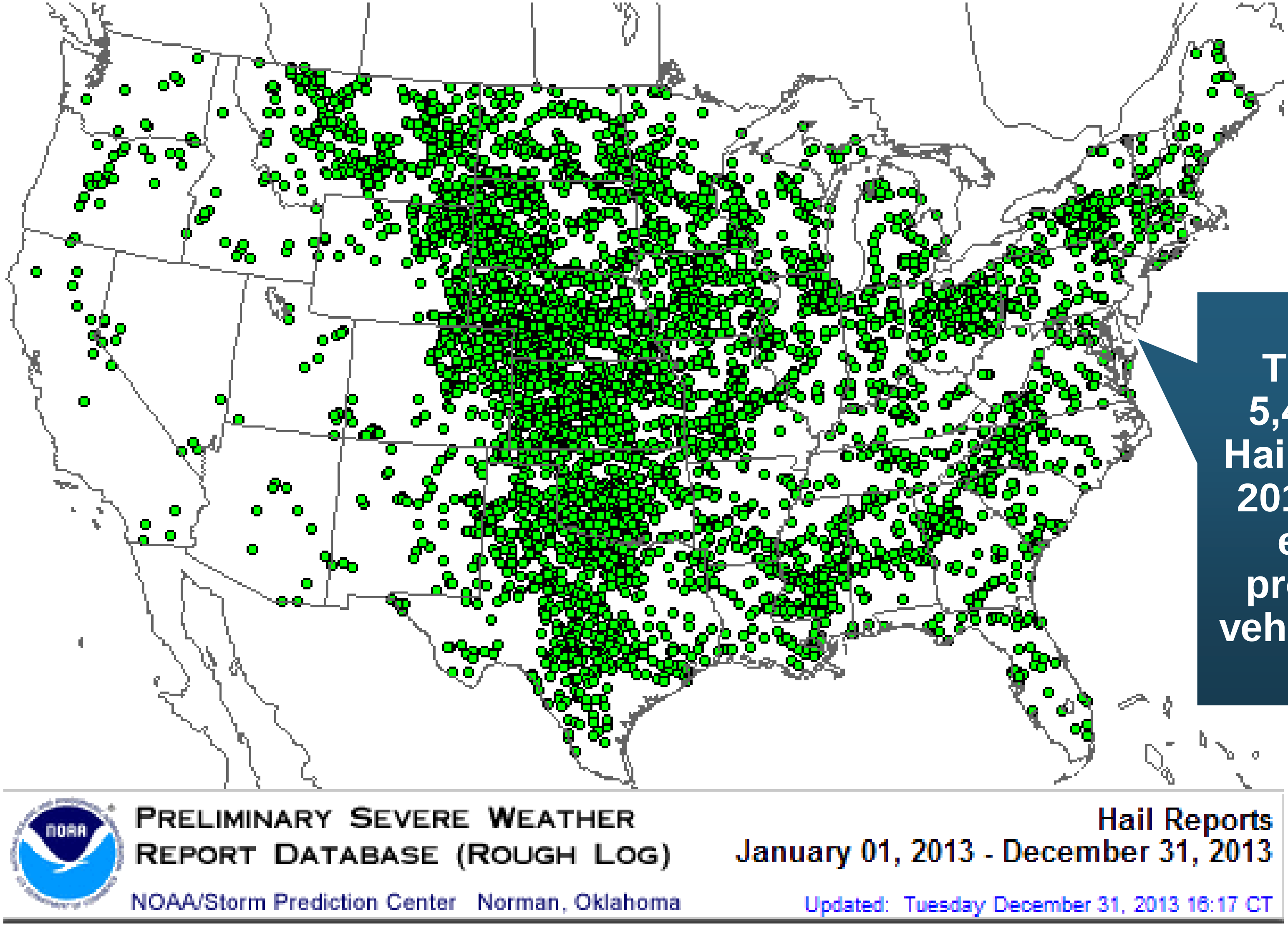
A deadly EF-5 tornado in May in Moore, OK, produced insured losses of $1.575 billion. November tornadoes in the Midwest like produced $1B in insured losses.



There were 943 tornadoes through Dec. 31, causing extensive property damage in several states

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2013_annual_summary.html#; PCS.

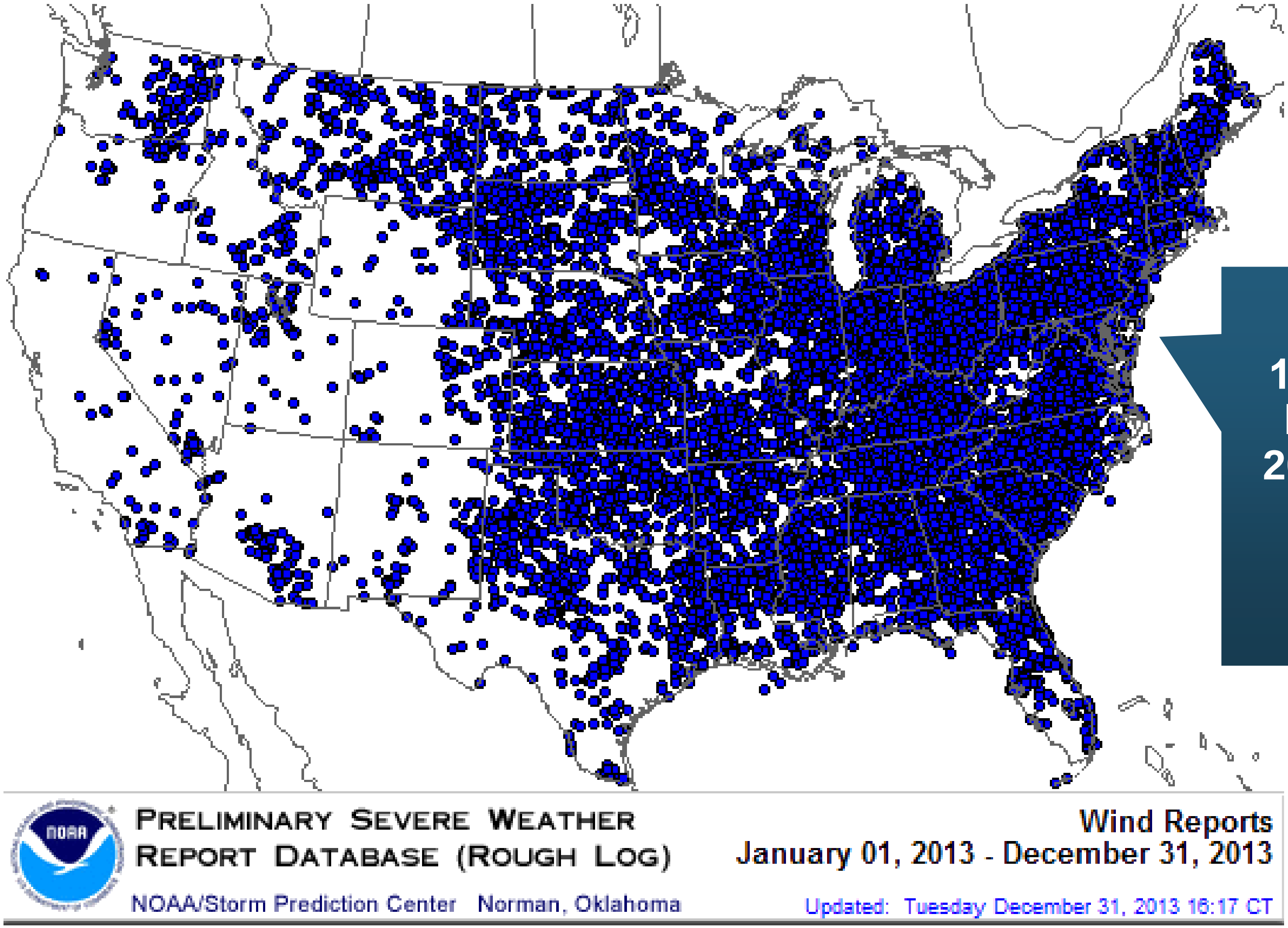
Location of Large Hail Reports: 2013



There were 5,457 "Large Hail" reports in 2013, causing extensive property and vehicle damage

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2013_annual_summary.html#

Location of High Wind Reports: 2013



There were 12,942 "Wind Damage" in 2013, causing extensive property damage

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2013_annual_summary.html#

Severe Weather Reports: 2013

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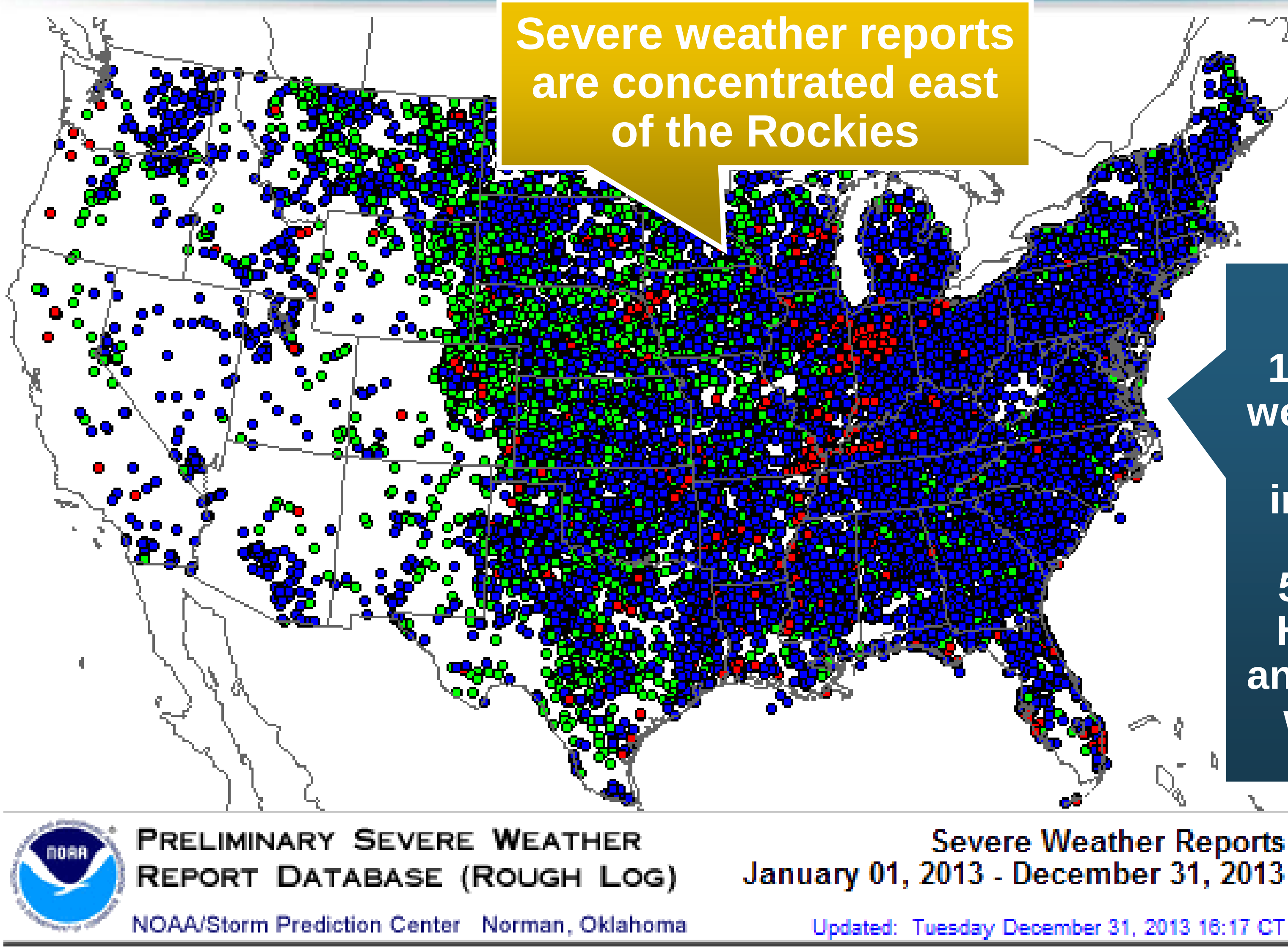
Severe weather reports are concentrated east of the Rockies



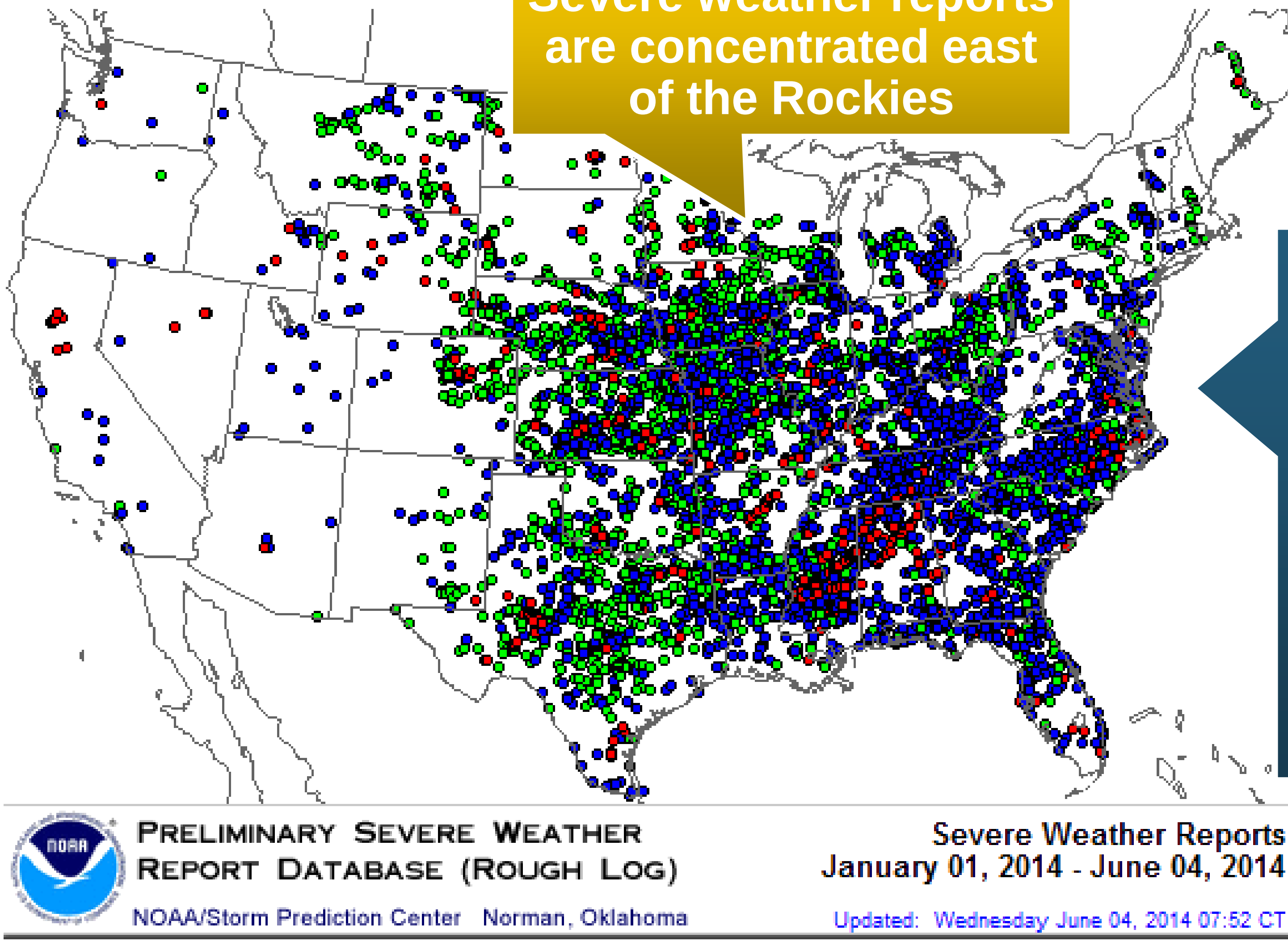
There were 19,342 severe weather reports in 2013; including 942 tornadoes; 5,457 "Large Hail" reports and 12,942 high wind events

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2013_annual_summary.html#

Severe Weather Reports: 2014*

INSURANCE INFORMATION INSTITUTE

Severe weather reports are concentrated east of the Rockies

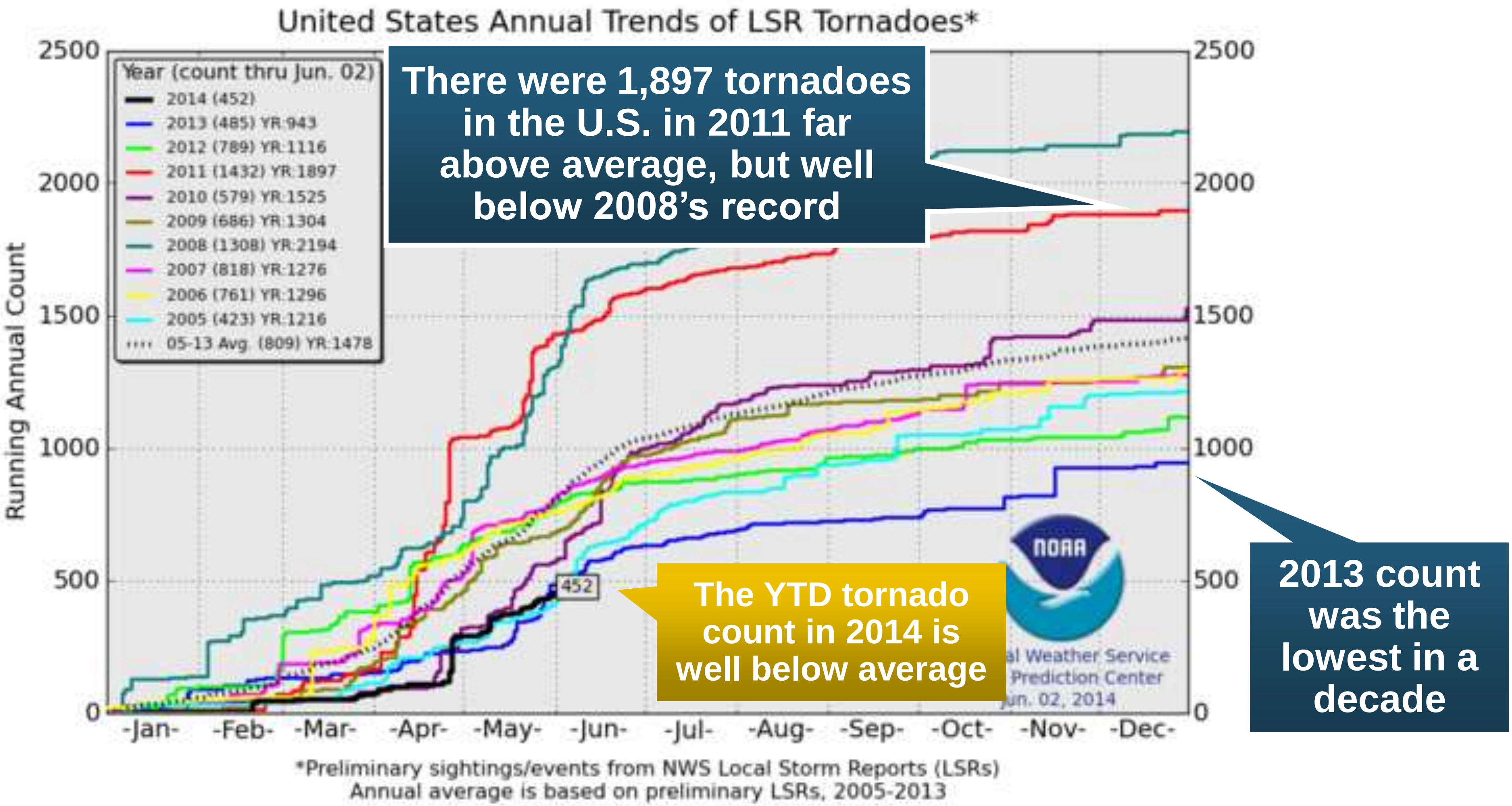


There were 5,881 severe weather reports so far in 2014; including 465 tornadoes; 2,419 "Large Hail" reports and 2,996 high wind events

*Through June 4.

Source: NOAA Storm Prediction Center; http://www.spc.noaa.gov/climo/online/monthly/2014_annual_summary.html#

U.S. Tornado Count, 2005-2014*



*Through June 2, 2014.
Source: http://www.spc.noaa.gov/wcm/.

Tornado Spheroids, Jan. 1 – May 28, 2005-2014

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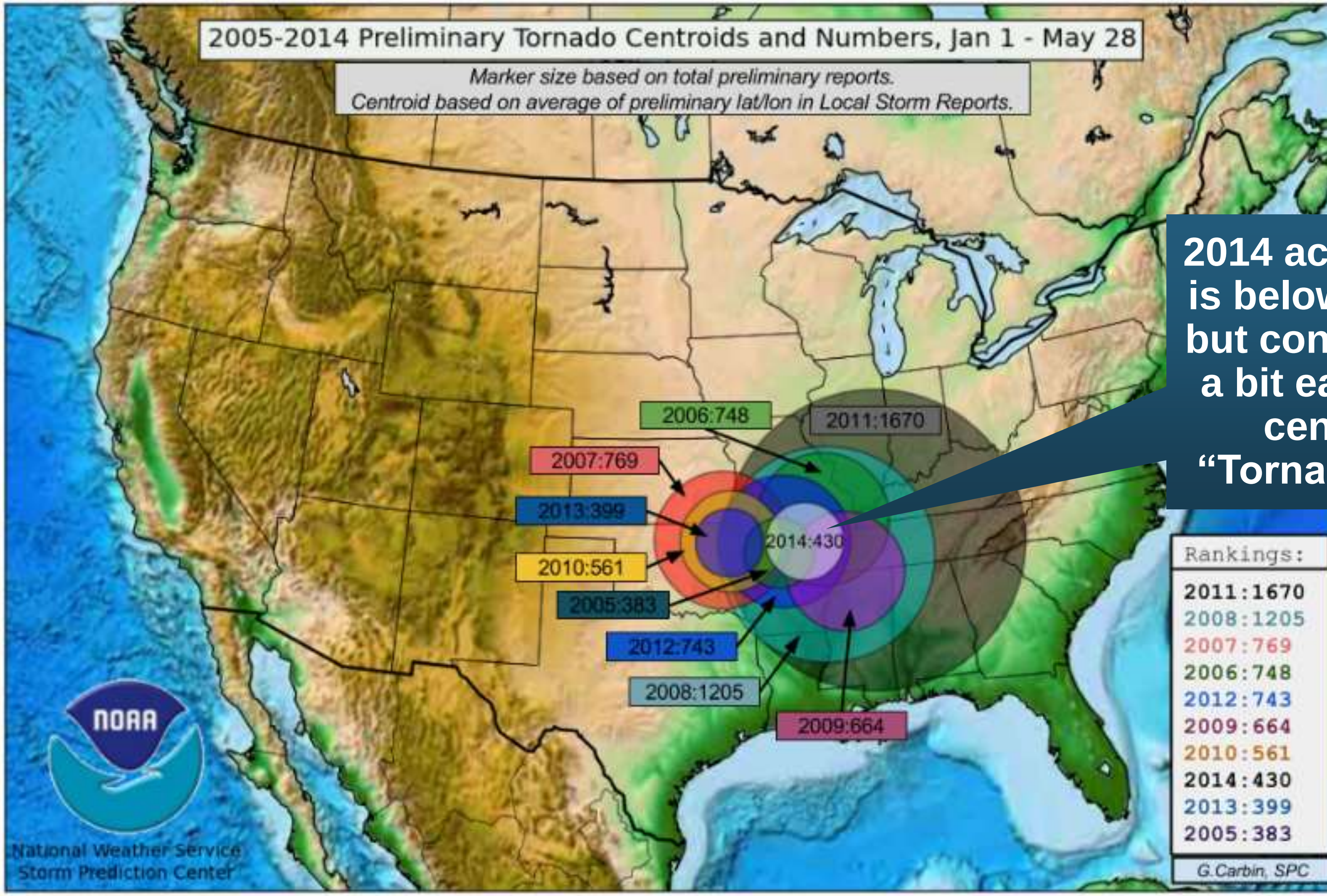

2014 activity YTD is below average but concentrated a bit east of the center of "Tornado Alley"

Source: http://www.spc.noaa.gov/wcm/.

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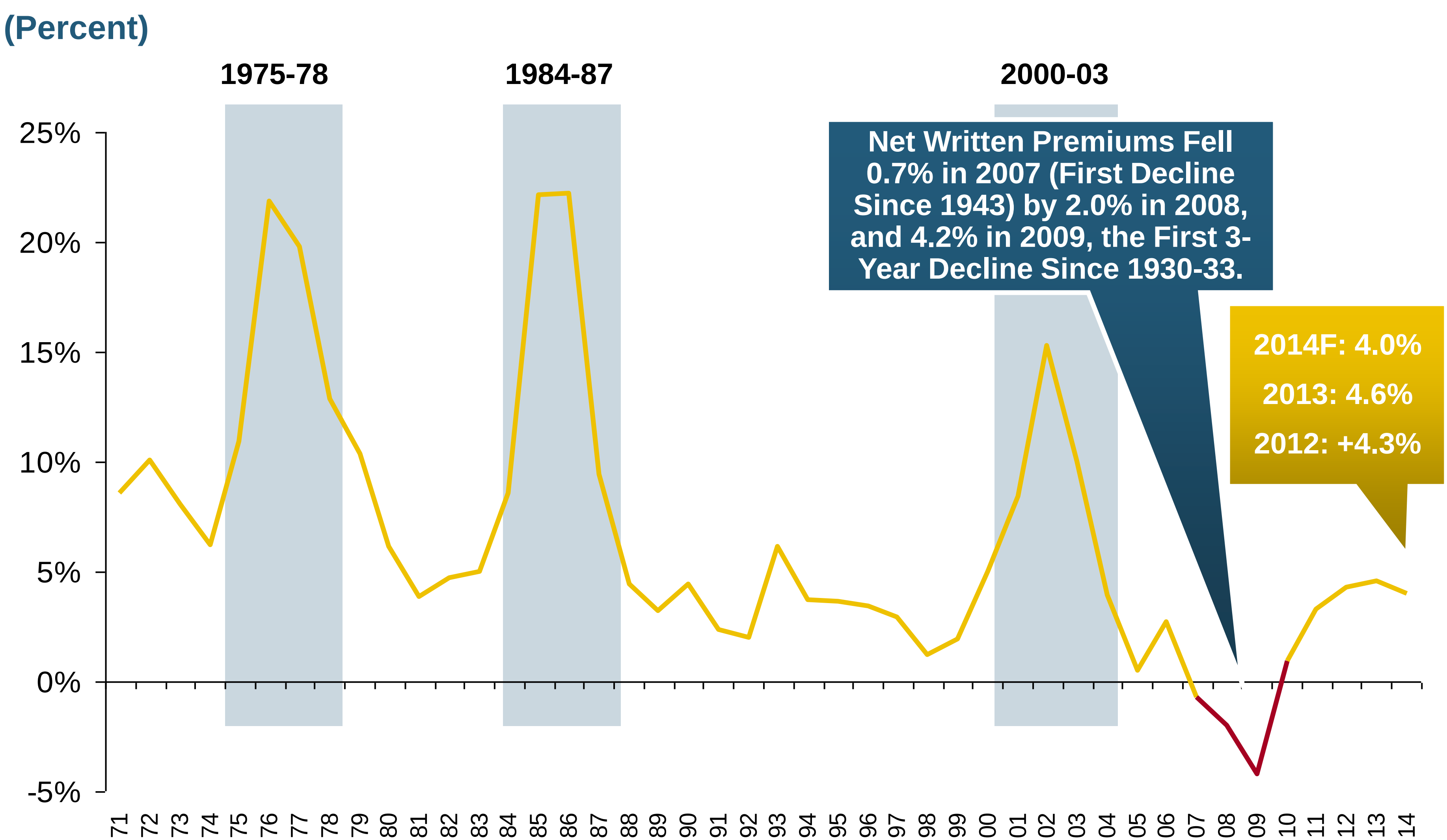
PRICING & GROWTH

P/C Insurance Industry Will Grow by $16B - $20B in 2014

Net Premium Growth: Annual Change, 1971—2014F

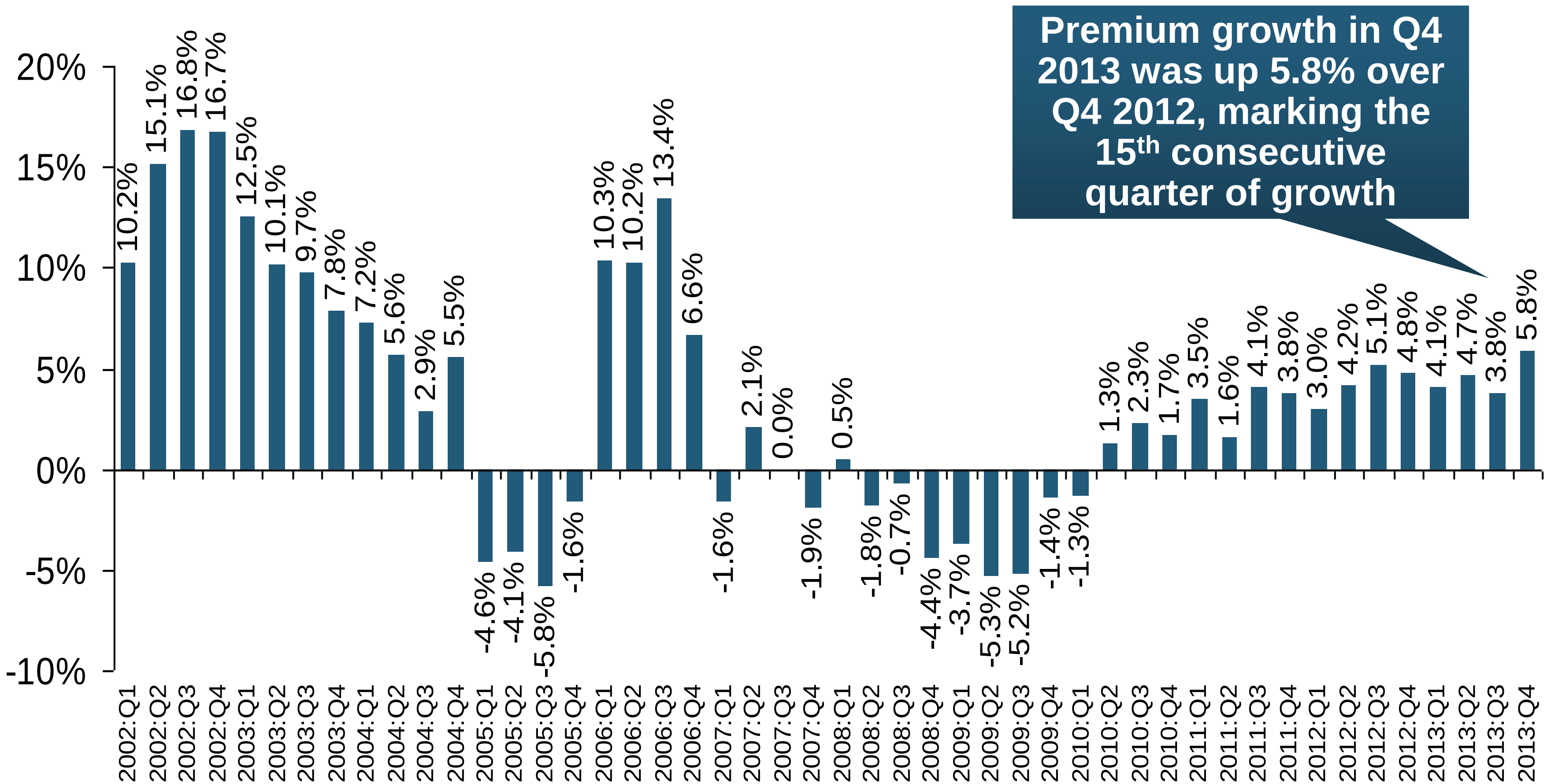


Shaded areas denote “hard market” periods

Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

P/C Net Premiums Written: % Change, Quarter vs. Year-Prior Quarter

INSURANCE INFORMATION INSTITUTE

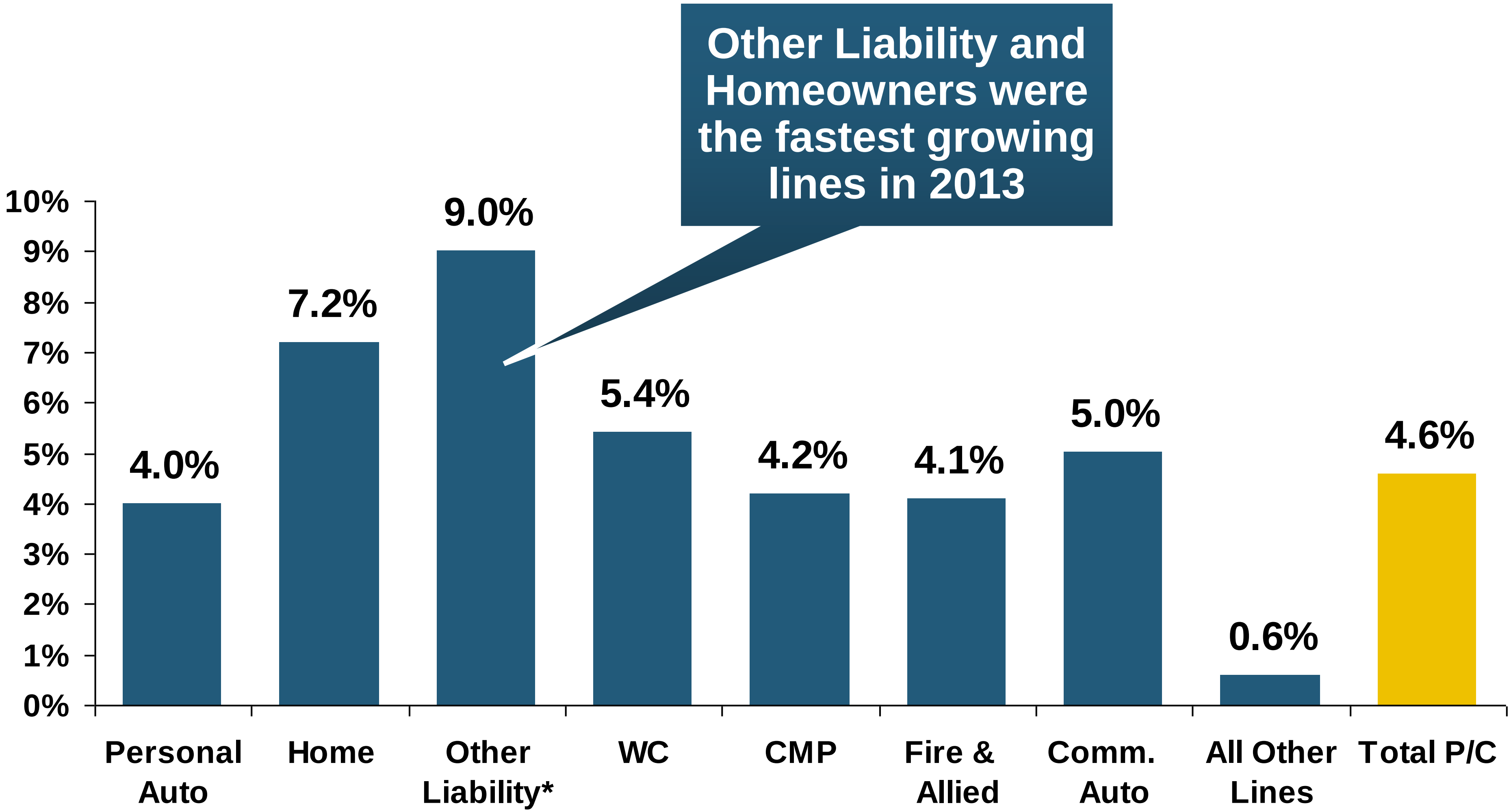


Sustained Growth in Written Premiums (vs. the same quarter, prior year) Will Continue through 2014

Sources: ISO, Insurance Information Institute.

Growth by Major P/C Line, 2013

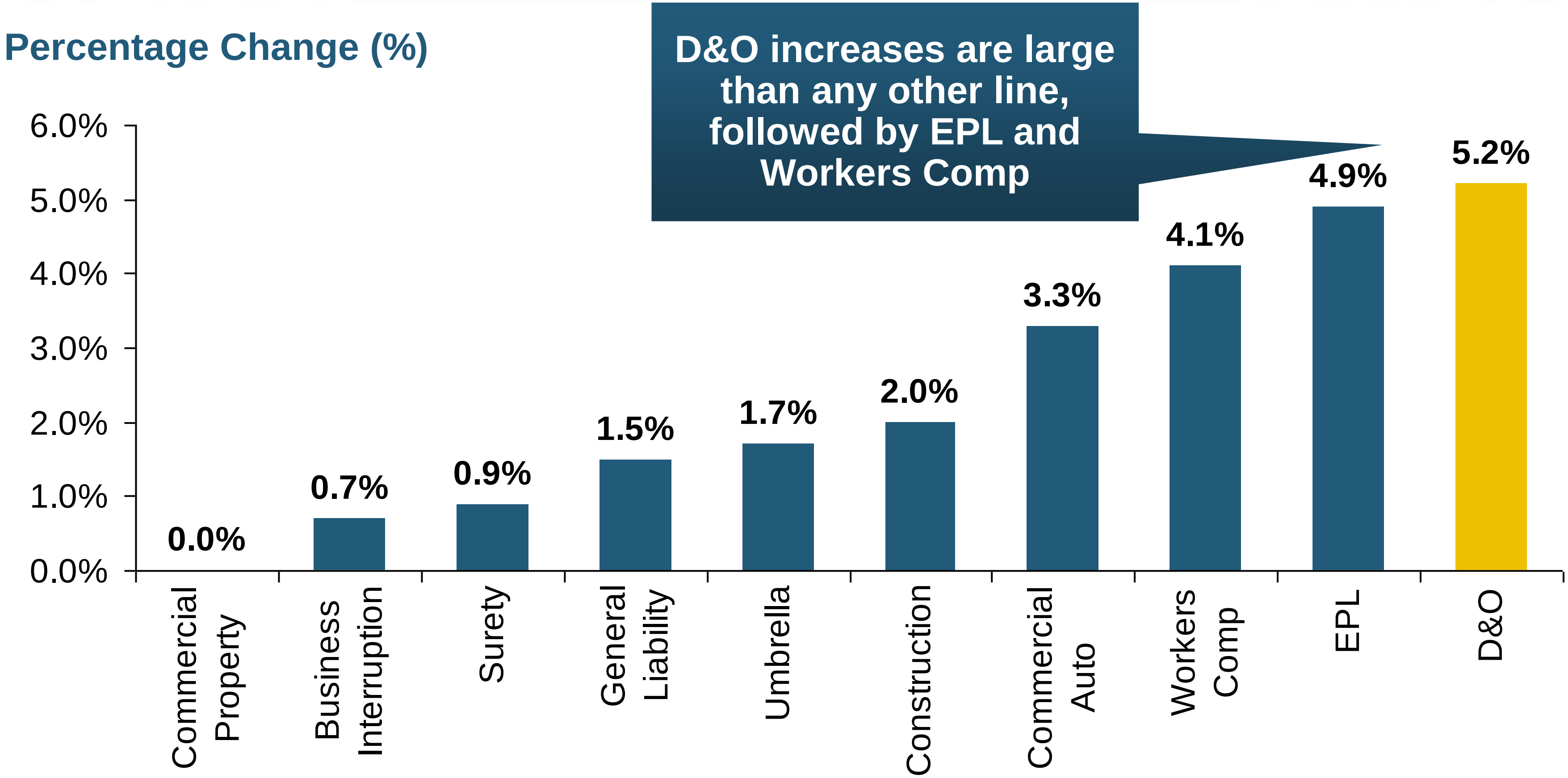
INSURANCE INFORMATION INSTITUTE



*Includes Products Liability.

Source: Annual Statement data for by line statistics; NCCI for WC; ISO for Total P/C; Insurance Information Institute.

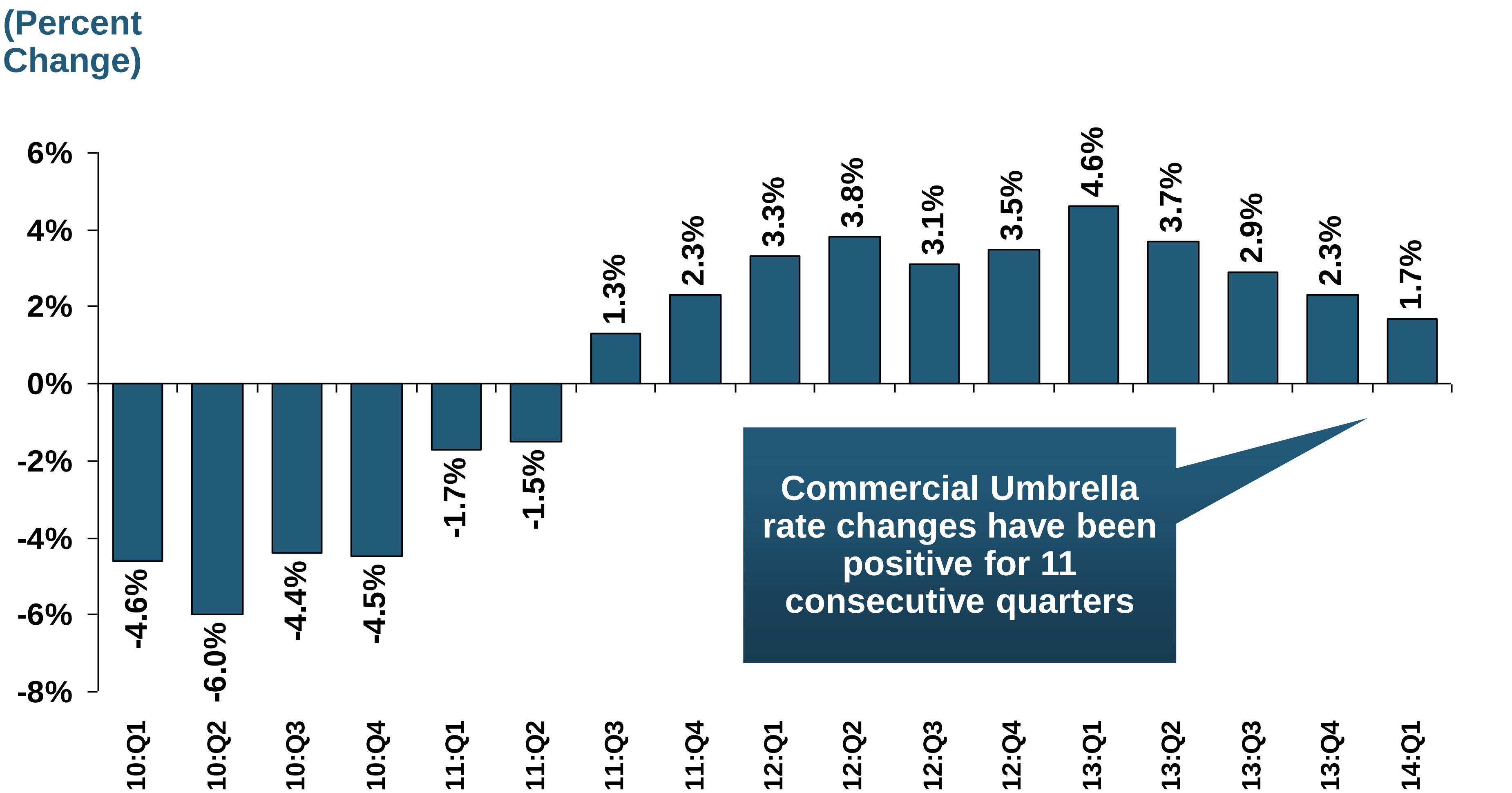
Change in Commercial Rate Renewals, by Line: 2014:Q1



Major Commercial Lines Renewed Generally Upward in Q4:2014 for the 11th Consecutive Quarter; D&O, Employment Practices and Workers Comp Leading the Way; Lower Cat Losses and Falling Reinsurance Prices Have Pressured Property Coverages Lower; Low Interest Rates Still Exert Upward Rate Pressure

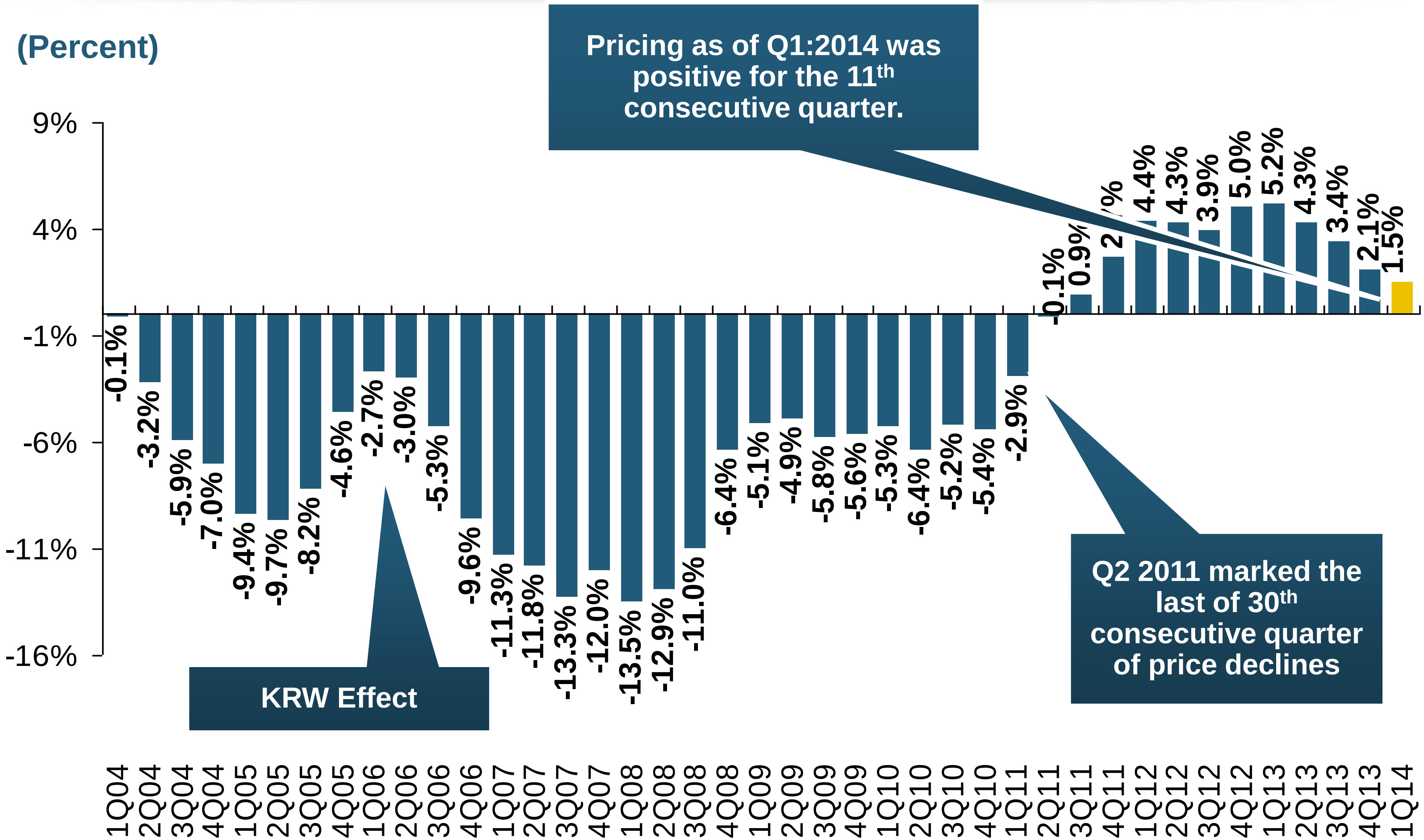
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Insurance Information Institute.

Commercial Umbrella Rate Changes, 2010:Q1 – 2014:Q1



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; Information Institute.

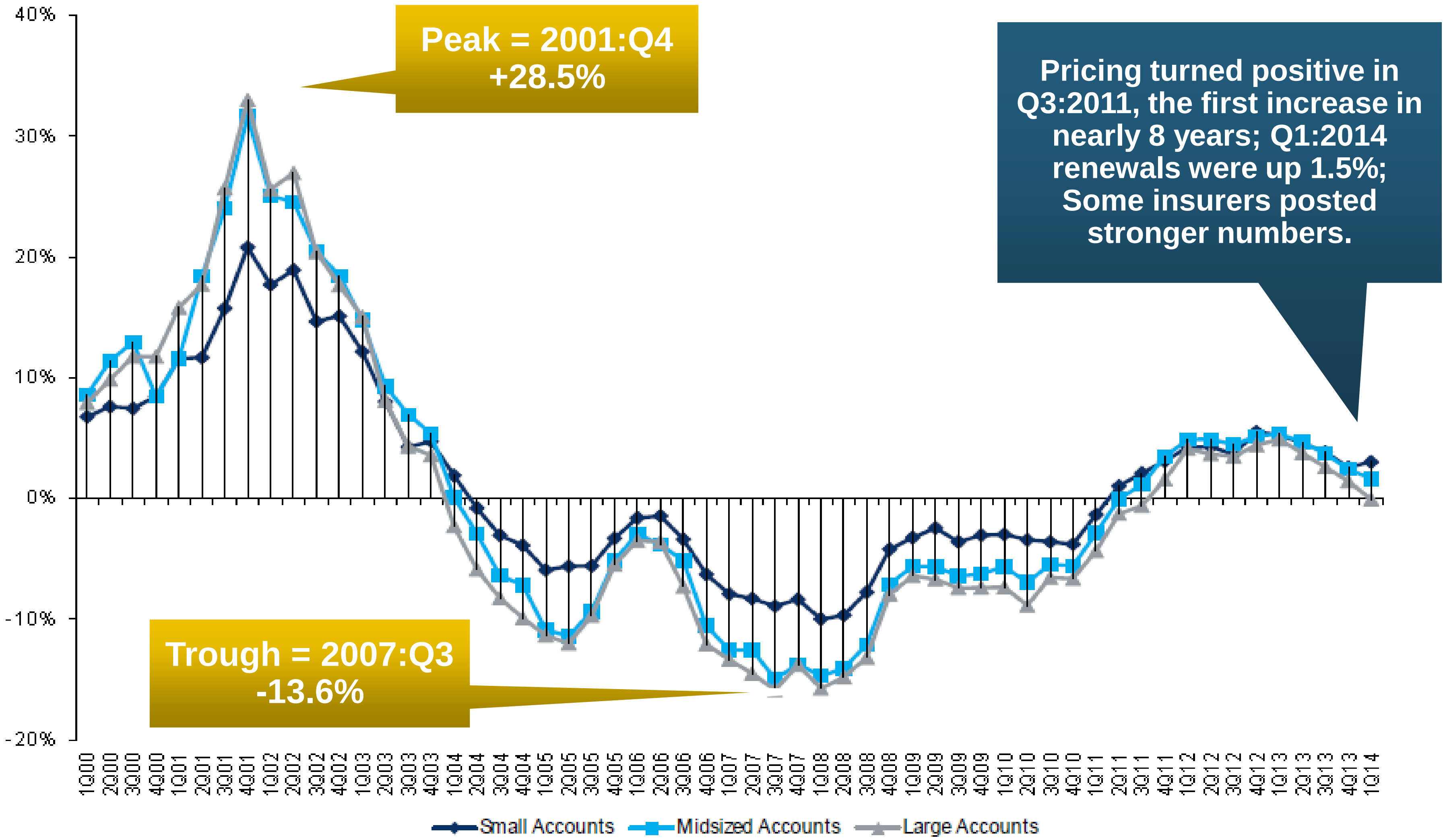
Average Commercial Rate Change, All Lines, (1Q:2004–1Q:2014)



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

Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2014:Q1

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 2014:Q1

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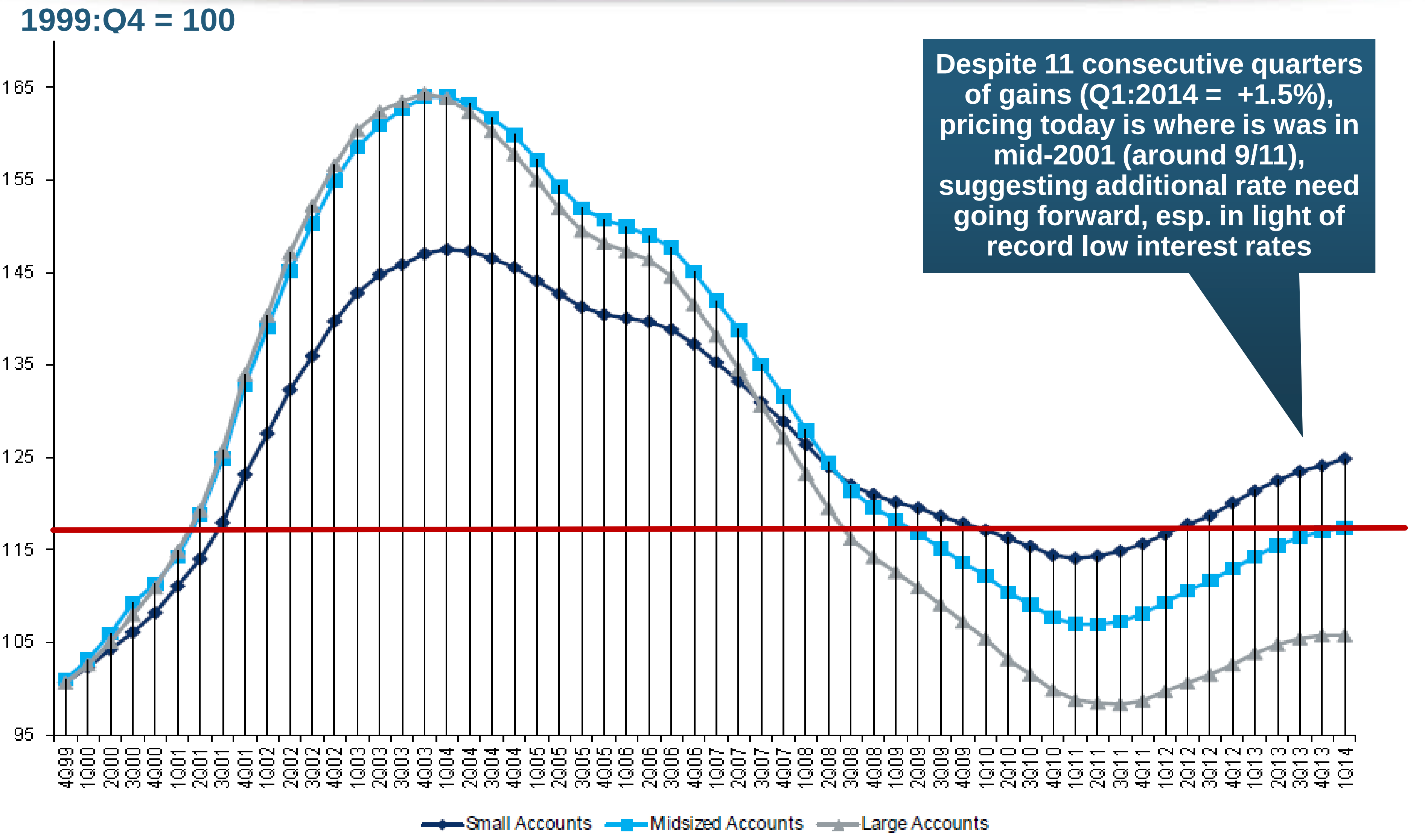

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

Cumulative Qtrly. Commercial Rate Changes, by Line: 1999:Q4 to 2014:Q1

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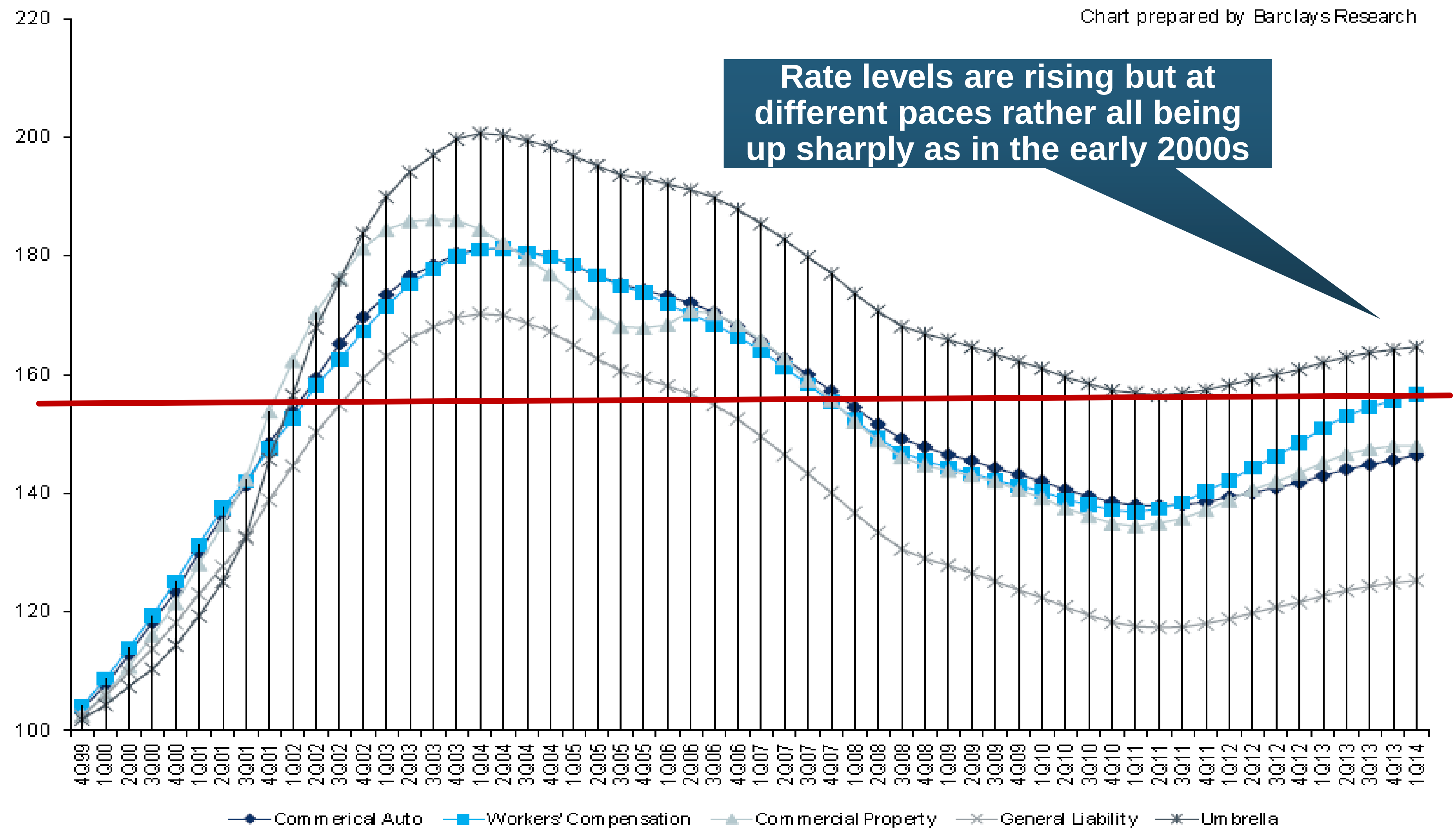
1999:Q4 = 100

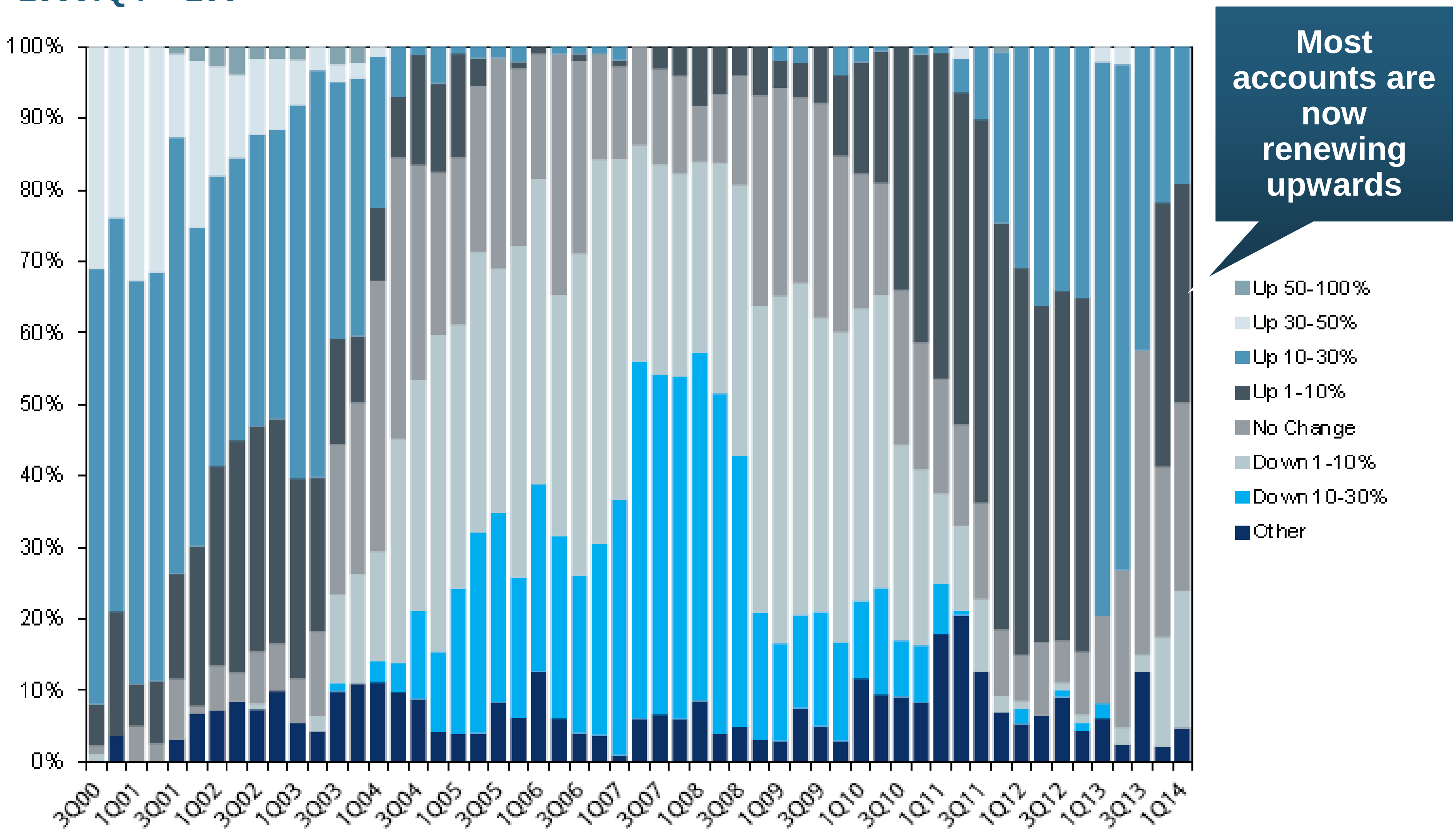


Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

Workers Comp. Quarterly Rate Changes, by Line: 2000:Q1 to 2014:Q1

INSURANCE INFORMATION INSTITUTE

1999:Q4 = 100



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.

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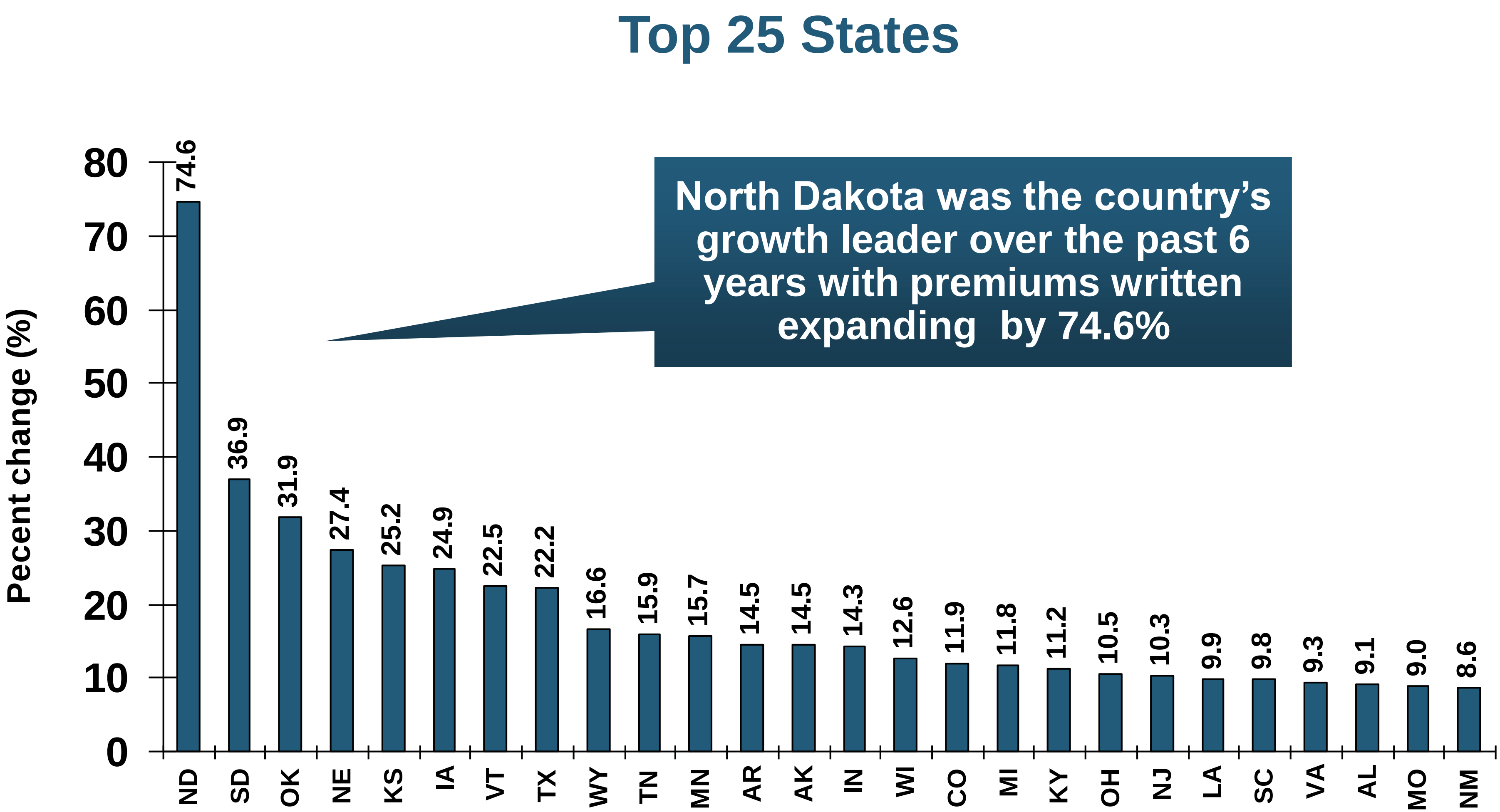
Growth Analysis by State and Business Segment

Post-Crisis Paradox?

Premium Growth Rates Vary Tremendously by State

Direct Premiums Written: Total P/C Percent Change by State, 2007-2013



Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Total P/C Percent Change by State, 2007-2013

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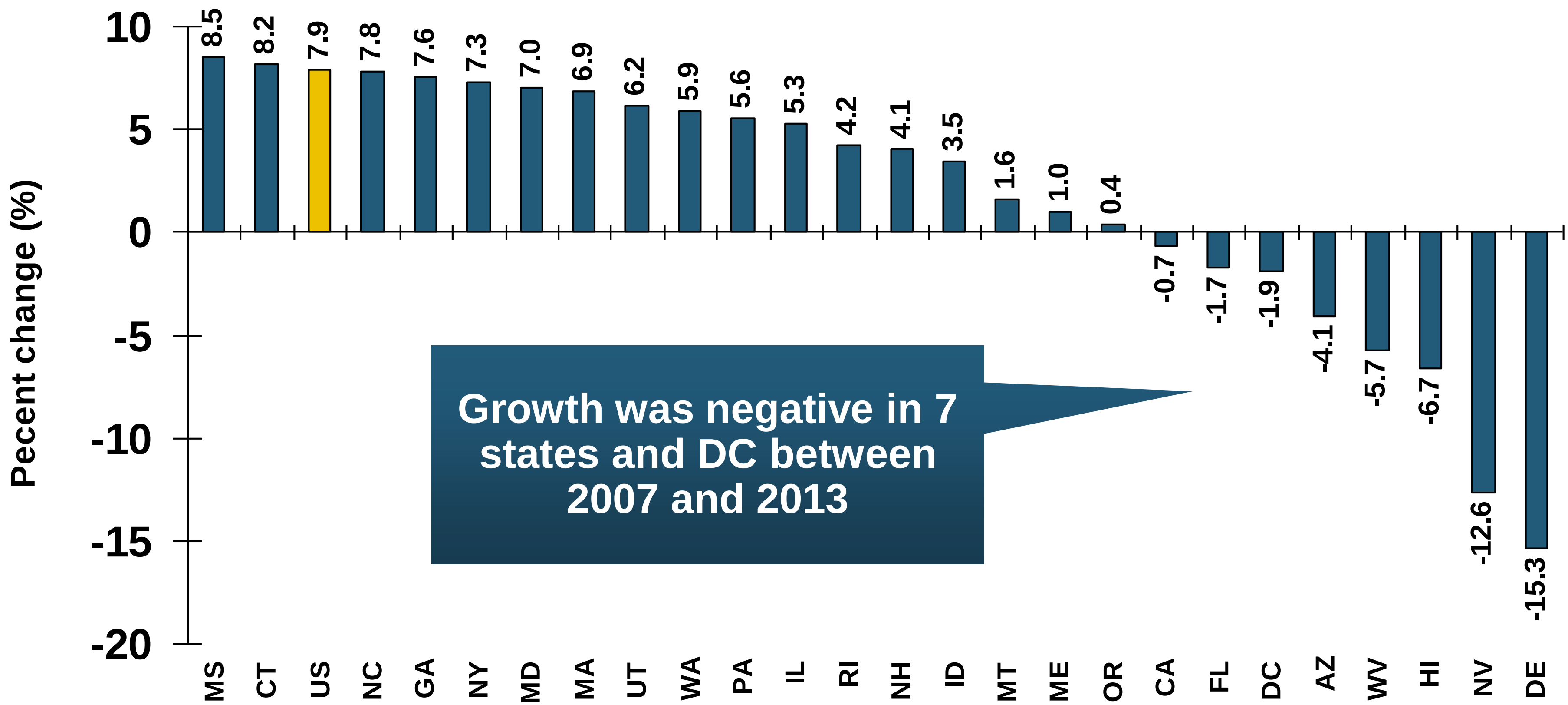
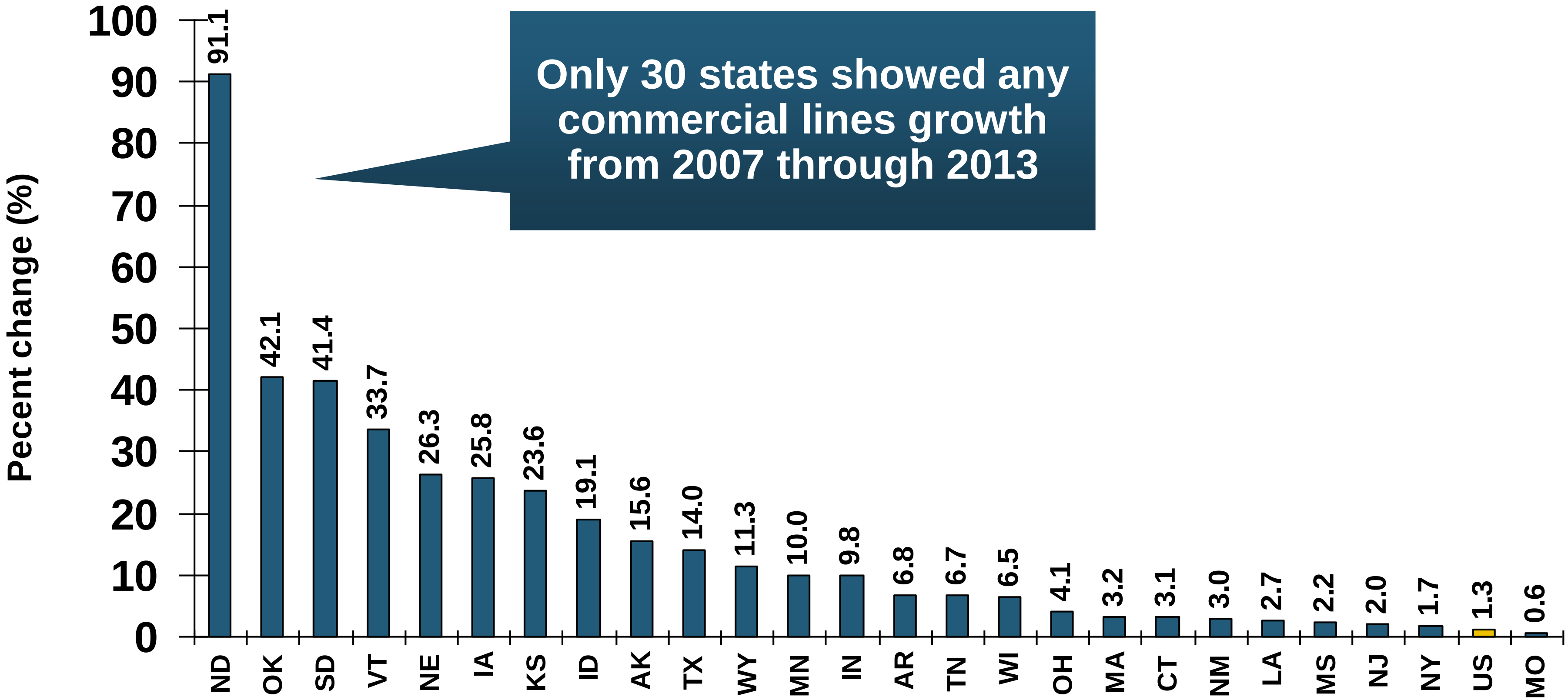
Bottom 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

Top 25 States



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

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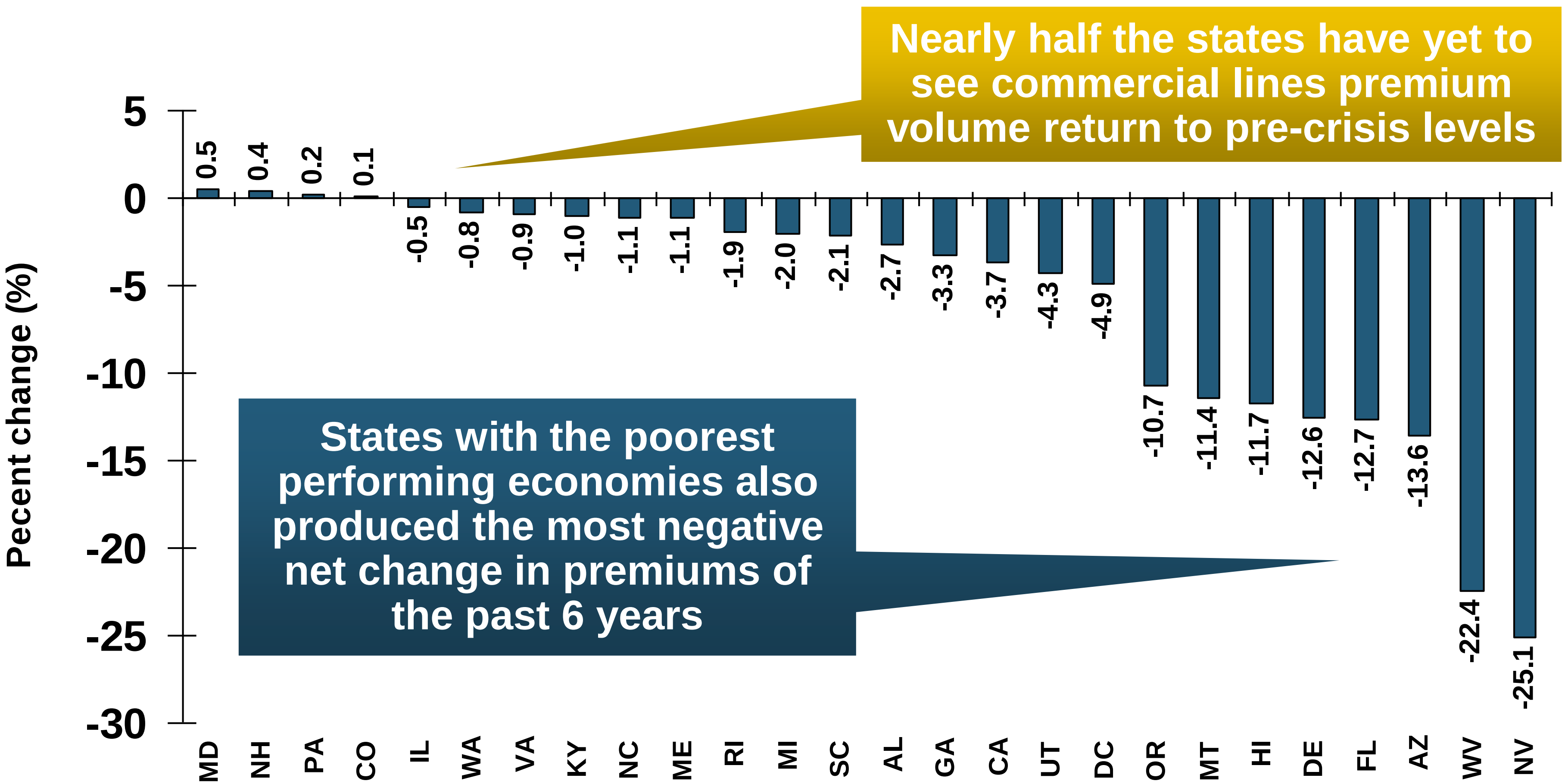
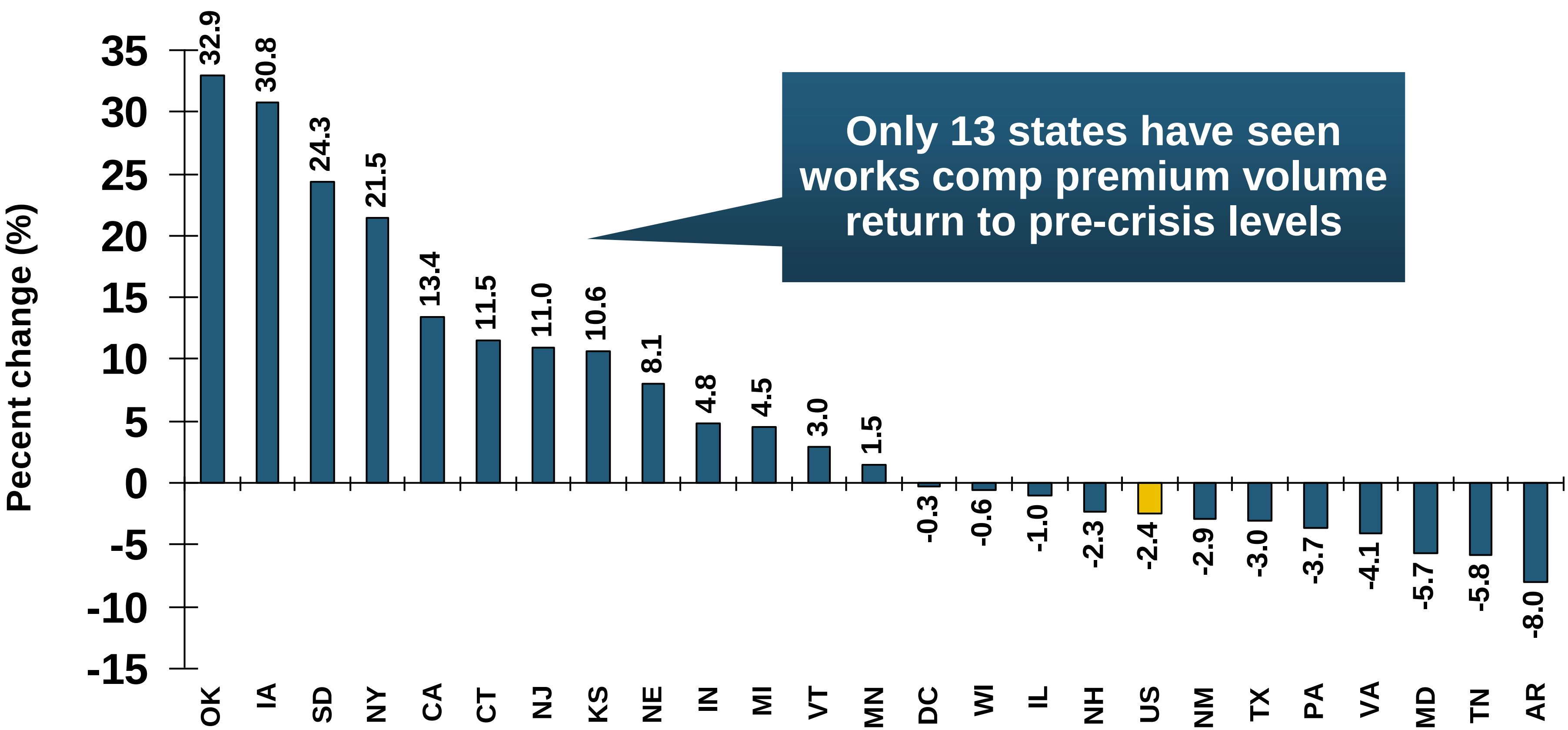
Bottom 25 States



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Workers' Comp Percent Change by State, 2007-2013*

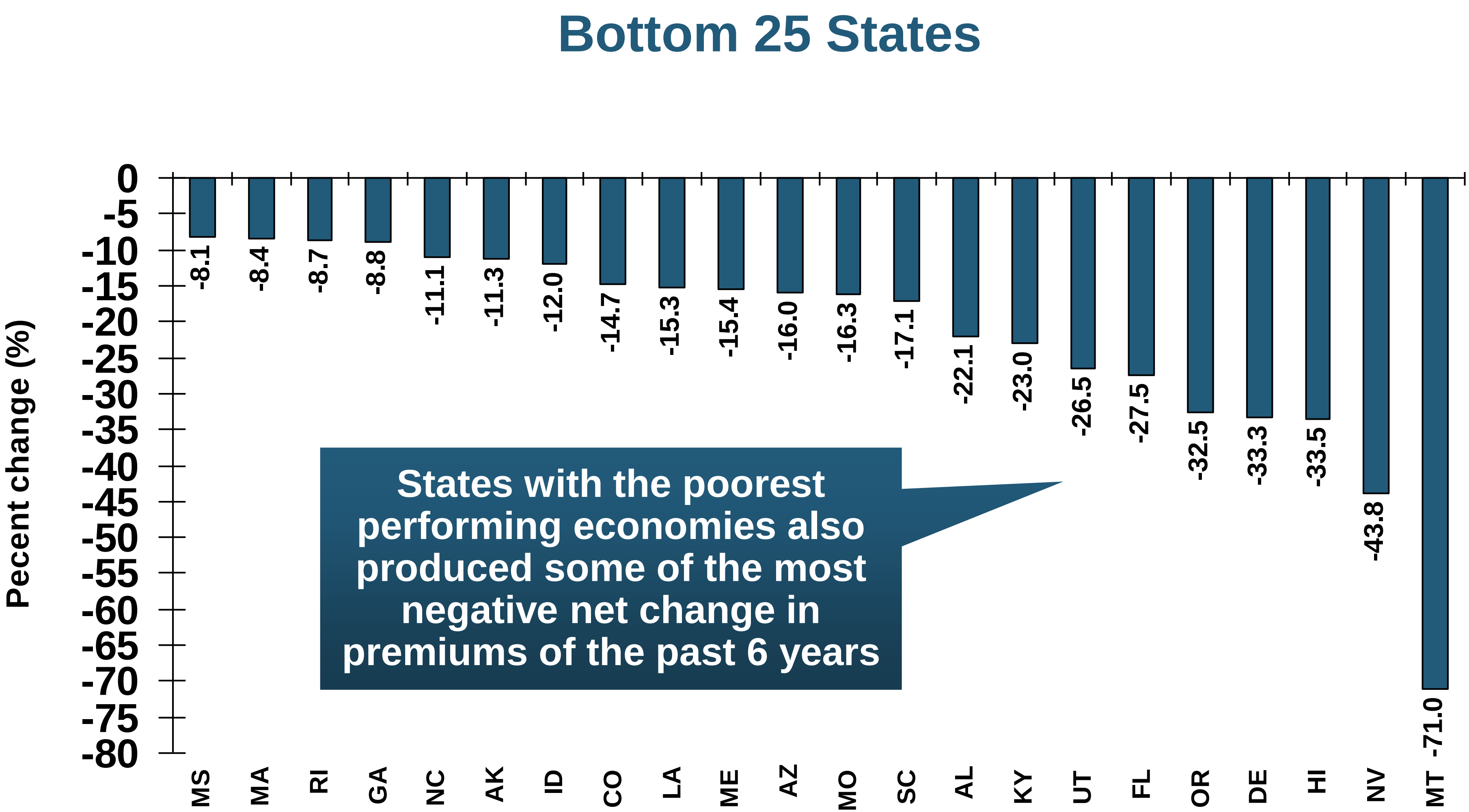
Top 25 States



*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Worker's Comp Percent Change by State, 2007-2013*



*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Terrorism Update

TRIA's Success

Consequences of Expiration

Download III's Terrorism Insurance Report at:

http://www.iii.org/white_papers/terrorism-risk-a-constant-threat-2014.html

Loss Distribution by Type of Insurance from Sept. 11 Terrorist Attack ($ 2013)

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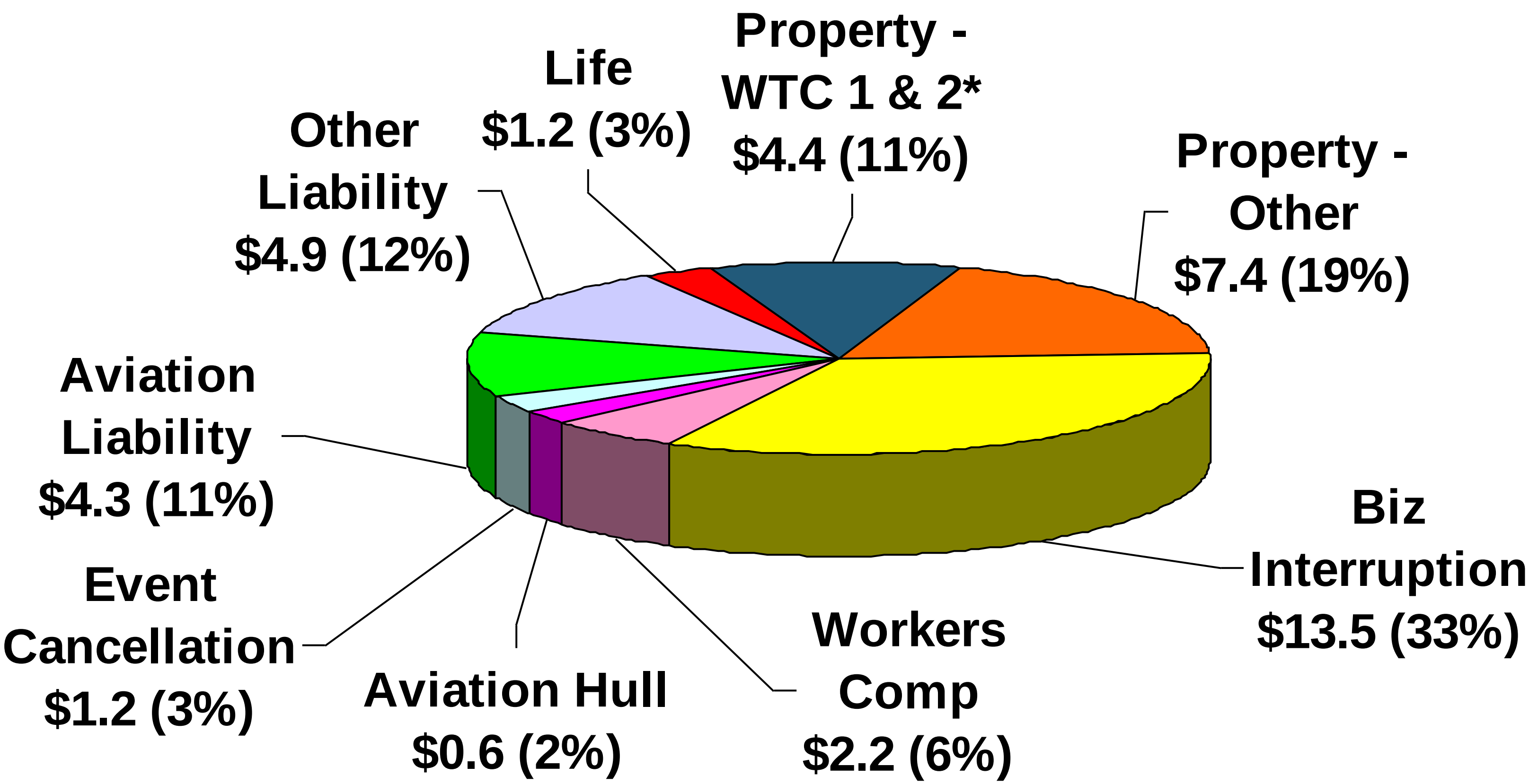
($ Billions)



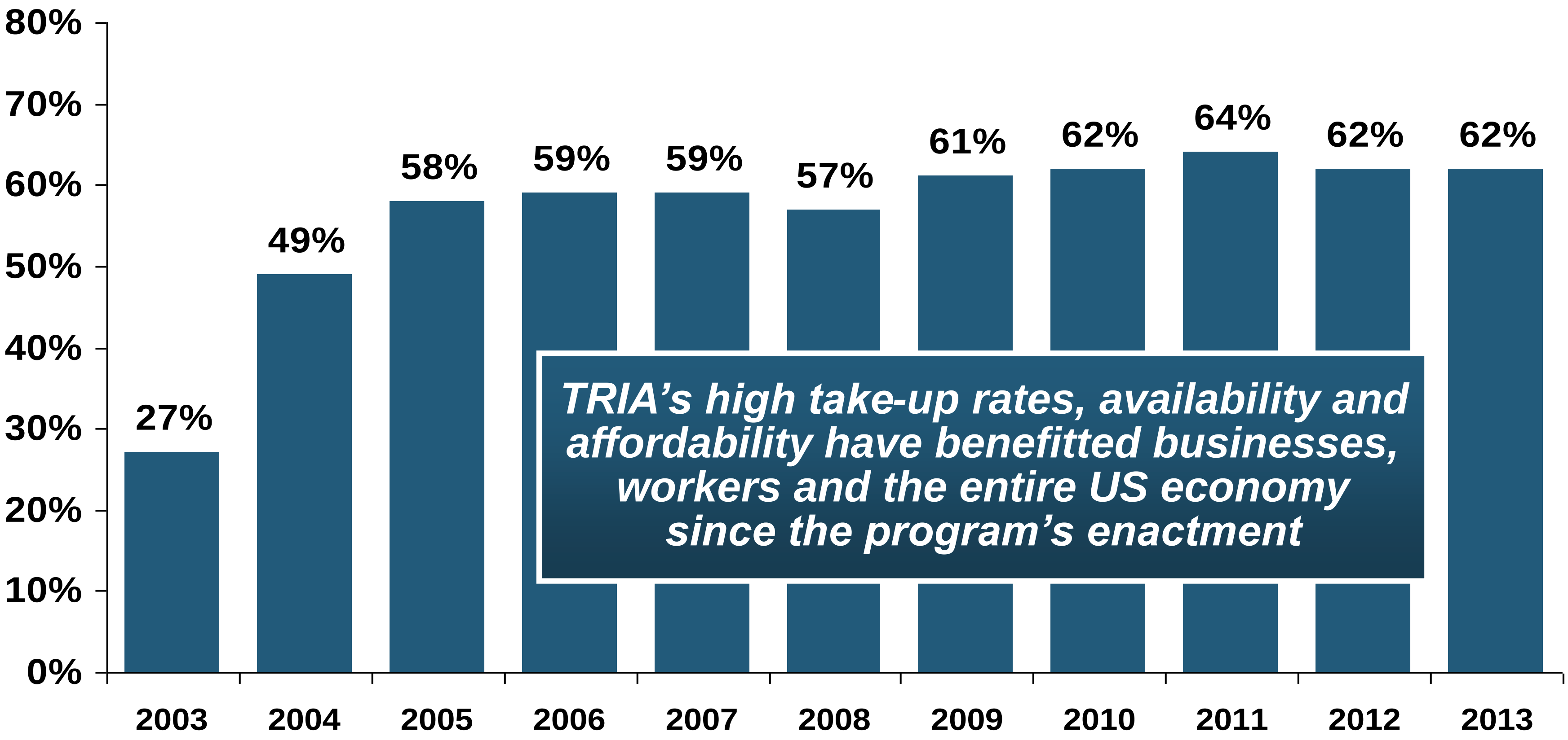
Total Insured Losses Estimate: $42.9B**

*Loss total does not include March 2010 New York City settlement of up to $657.5 million to compensate approximately 10,000 Ground Zero workers or any subsequent settlements.

**$32.5 billion in 2001 dollars.

Source: Insurance Information Institute.

Terrorism Insurance Take-up Rates, By Year, 2003-2013



In 2003, the first year TRIA was in effect, the terrorism take-up rate was 27 percent. Since then, it has increased steadily, remaining in the low 60 percent range since 2009.

Source: Marsh Global Analytics, *2014 Terrorism Risk Insurance Report,* April 2014 and earlier editions.

Terrorism Insurance Take-Up Rates by State for 2013*

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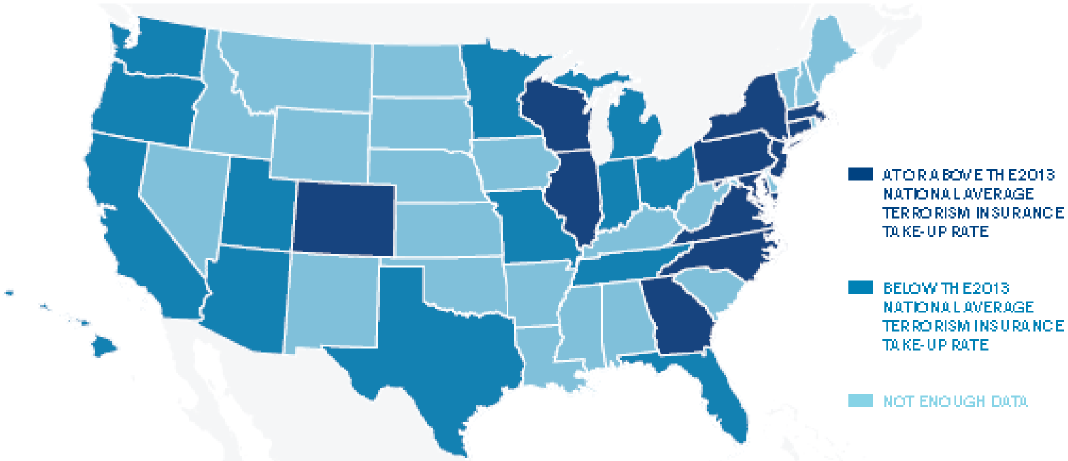

ARIZONA	CALIFORNIA	COLORADO	CONNECTICUT	DISTRICT OF COLUMBIA	FLORIDA
53%	56%	62%	71%	79%	47%
GEORGIA	HAWAII	ILLINOIS	INDIANA	MARYLAND	MASSACHUSETTS
73%	36%	73%	42%	81%	84%
MICHIGAN	MINNESOTA	MISSOURI	NEW JERSEY	NEW YORK	NORTH CAROLINA
41%	57%	50%	79%	80%	62%
OHIO	OREGON	PENNSYLVANIA	TENNESSEE	TEXAS	UTAH
44%	45%	74%	61%	54%	47%
VIRGINIA	WASHINGTON	WISCONSIN			
77%	60%	80%			

The 27 states listed met the minimum threshold of available 2013 peer data.

The overall US take-up rate for terrorism coverage was 62% in 2013 and ranged from a lows of 41% in Michigan to a high of 84% in Massachusetts (where demand likely increased due to the April 2013 Boston Marathon bombing)

*Data for 27 states with sufficient data.

Source: Marsh *2014 Terrorism Risk Insurance Report*; Insurance Information Institute.

I.I.I. White Paper (March 2014):
Terrorism Risk: A Constant Threat

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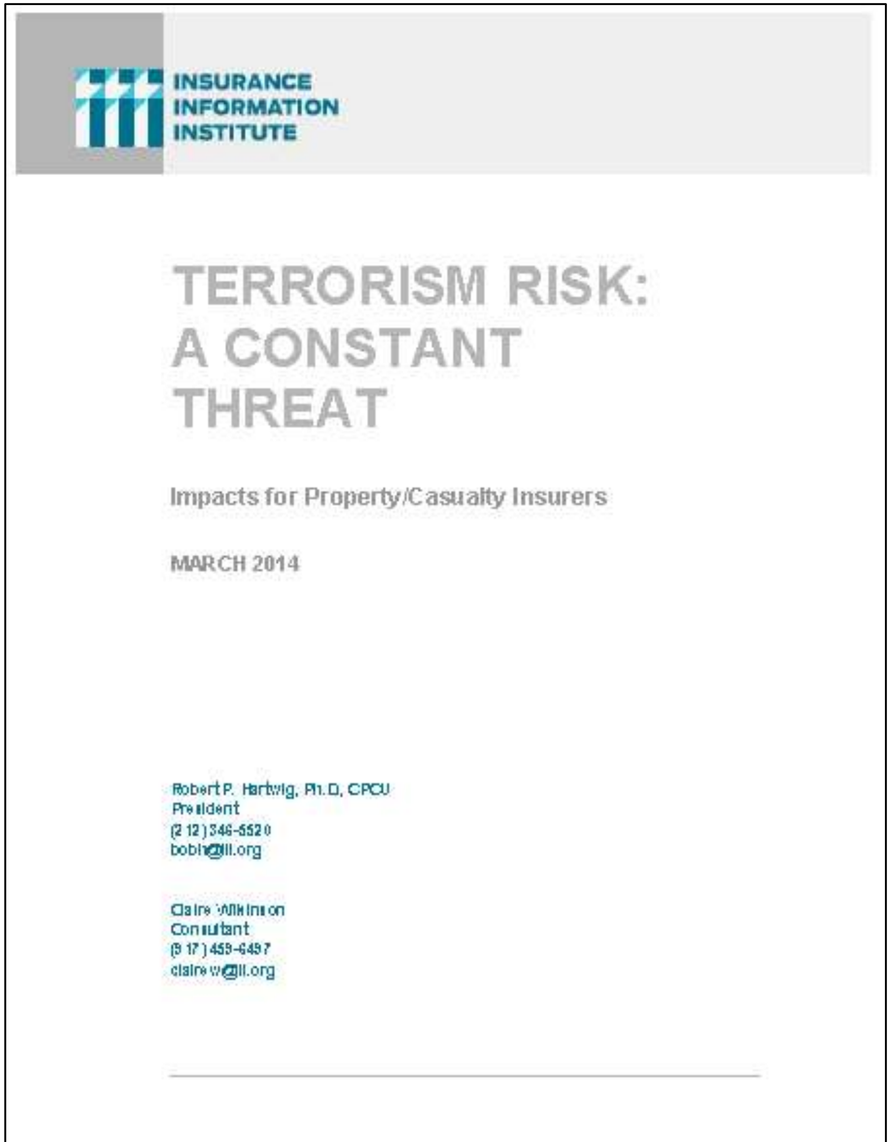
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TERRORISM RISK: A CONSTANT THREAT

Impacts for Property/Casualty Insurers

MARCH 2014

Robert P. Hartwig, Ph.D, CPCU
President
(212) 346-5520
bobh@iii.org

Claire Wilkinson
Consultant
(917) 459-6497
clairew@iii.org

- **Detailed history of TRIA**
- **How TRIA works**
- **Assessing the threat of terrorism**
- **Terrorism market conditions**
- **Global perspective**
- **Download at** ***http://www.iii.org/white_papers/terrorism-risk-a-constant-threat-2014.html***

Terrorism Risk Insurance Program

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- Testified before House Financial Services Nov. 2013
- Testified before Senate Banking Cmte. in Sept. 2013
- Provided testimony at NYC hearing in June 2013
- Provided Capitol Hill Joint House/Senate Staff Briefing in April 2014
- I.I.I. Published Several Updates to its Study on Terrorism Risk and Insurance

Senate Banking Committee, 9/25/13

House Financial Services Subcommittee, 11/13/13

Summary of President's Working Group Report on TRIA (April 2014)

- **Insurance for terrorism risk is available and affordable**
  - **Availability/affordability have has not changed appreciably since 2010**
- **Prices for terrorism risk insurance vary considerably depending on the policyholder's industry and location of risk**
- **Prices have declined since TRIA was enacted**
  - **Currently ~3% to 5% of commercial property insurance premiums**
- **Take-up rates have improved since adoption of TRIA**
  - **Overall take-up rate is steady at ~60% (62% in 2013 per Marsh)**
- ***Market capacity is currently tightening given uncertainty over TRIA reauthorization***
- ***The private market does not have the capacity to provide reinsurance for terror risk to the extent currently provided by TRIA***
- ***In the absence of TRIA, terrorism risk insurance would likely be less available. Coverage that would be available likely would be more costly and/or limited in scope***

Source: Report of the President's Working Group on Financial Markets, *The Long-Term Availability and Affordability of Insurance for Terrorism Risk*, April 2014.

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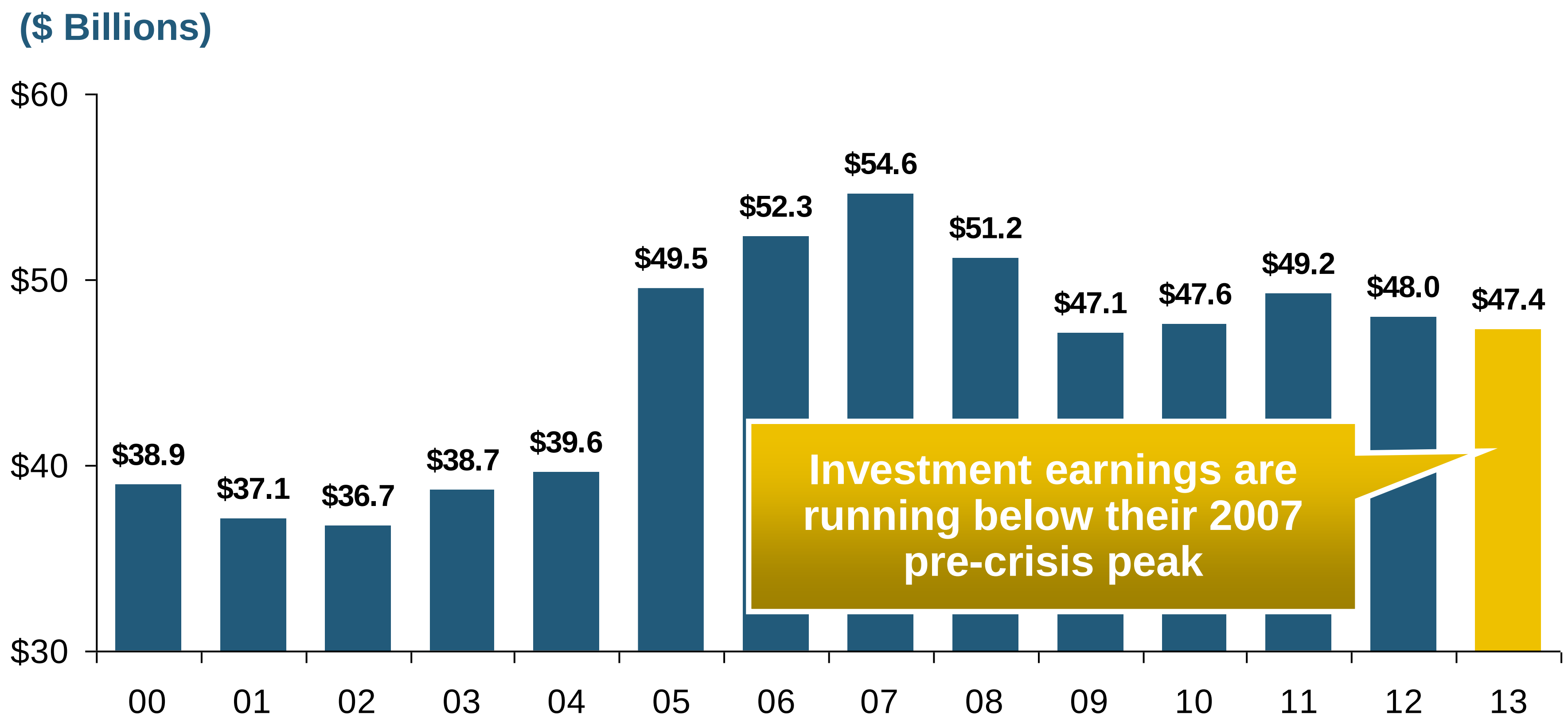
INVESTMENTS: THE NEW REALITY

Investment Performance is a Key Driver of Profitability

Depressed Yields Will Necessarily Influence Underwriting & Pricing

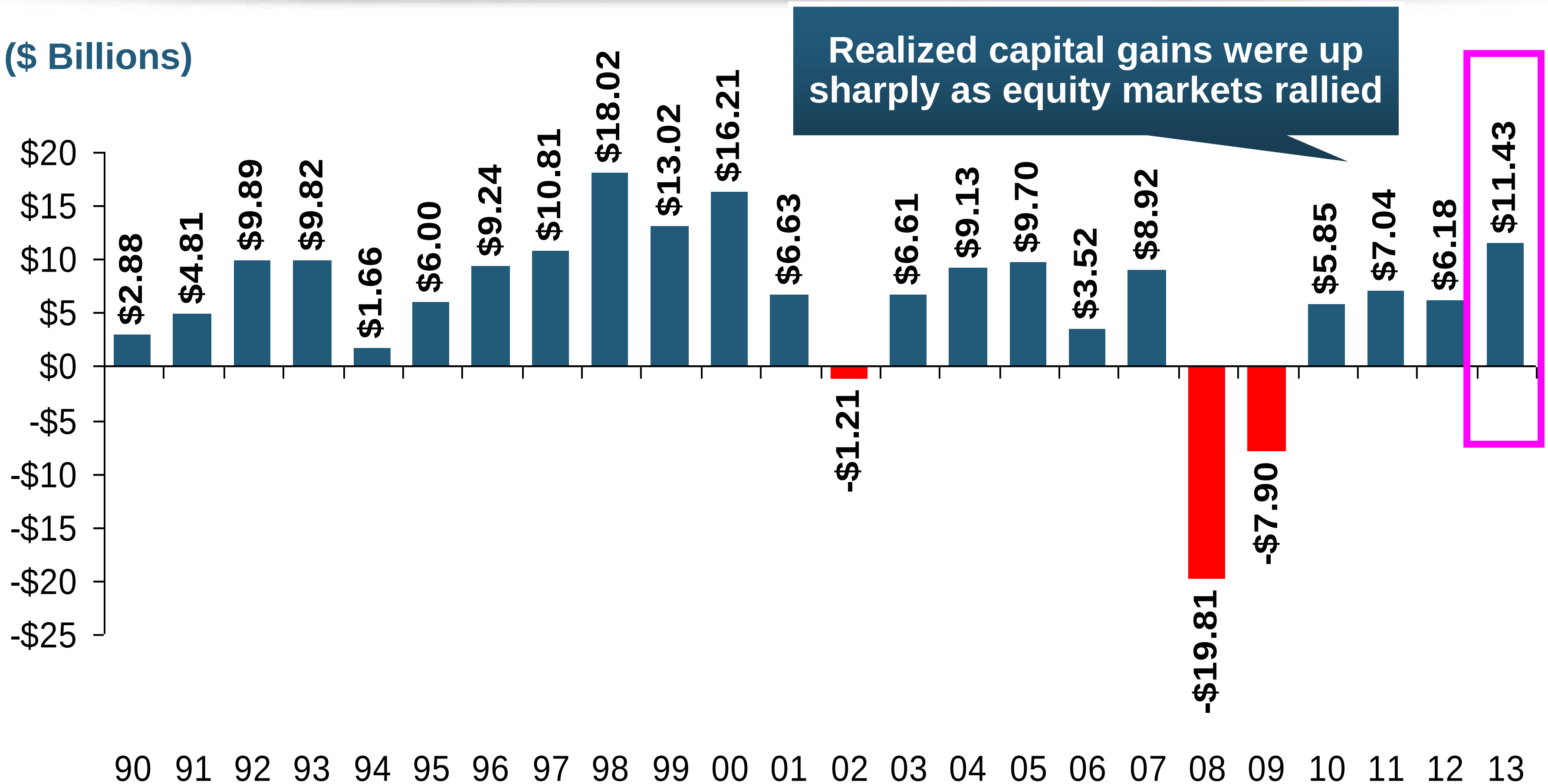
Property/Casualty Insurance Industry Investment Income: 2000–2013[1]



Investment Income Fell in 2012 and 2013 Due to Persistently Low Interest Rates, Putting Additional Pressure on (Re) Insurance Pricing

[1] Investment gains consist primarily of interest and stock dividends...
Sources: ISO; Insurance Information Institute.

P/C Insurer Net Realized Capital Gains/Losses, 1990-2013



Insurers Posted Net Realized Capital Gains in 2010 - 2013 Following Two Years of Realized Losses During the Financial Crisis. Realized Capital Losses Were the Primary Cause of 2008/2009's Large Drop in Profits and ROE

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

Property/Casualty Insurance Industry Investment Gain: 1994–2013[1]

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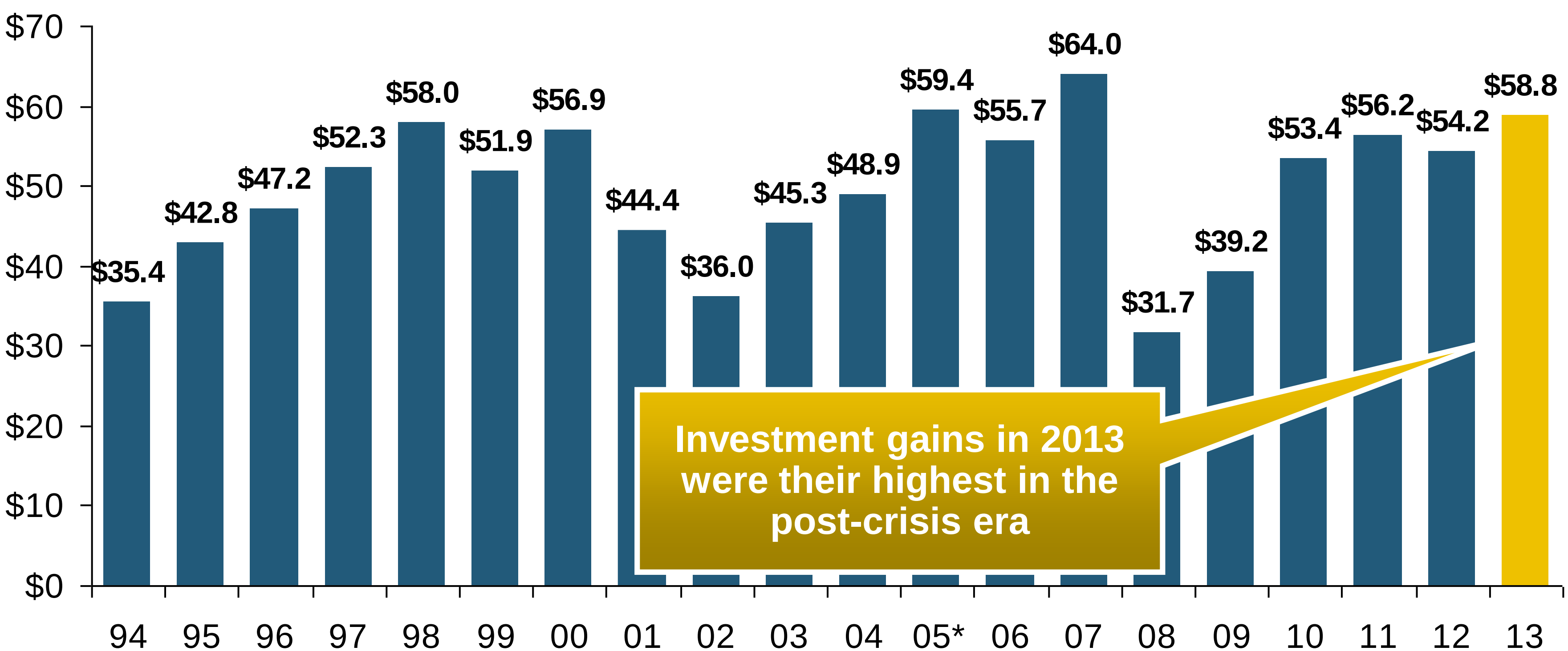
($ Billions)

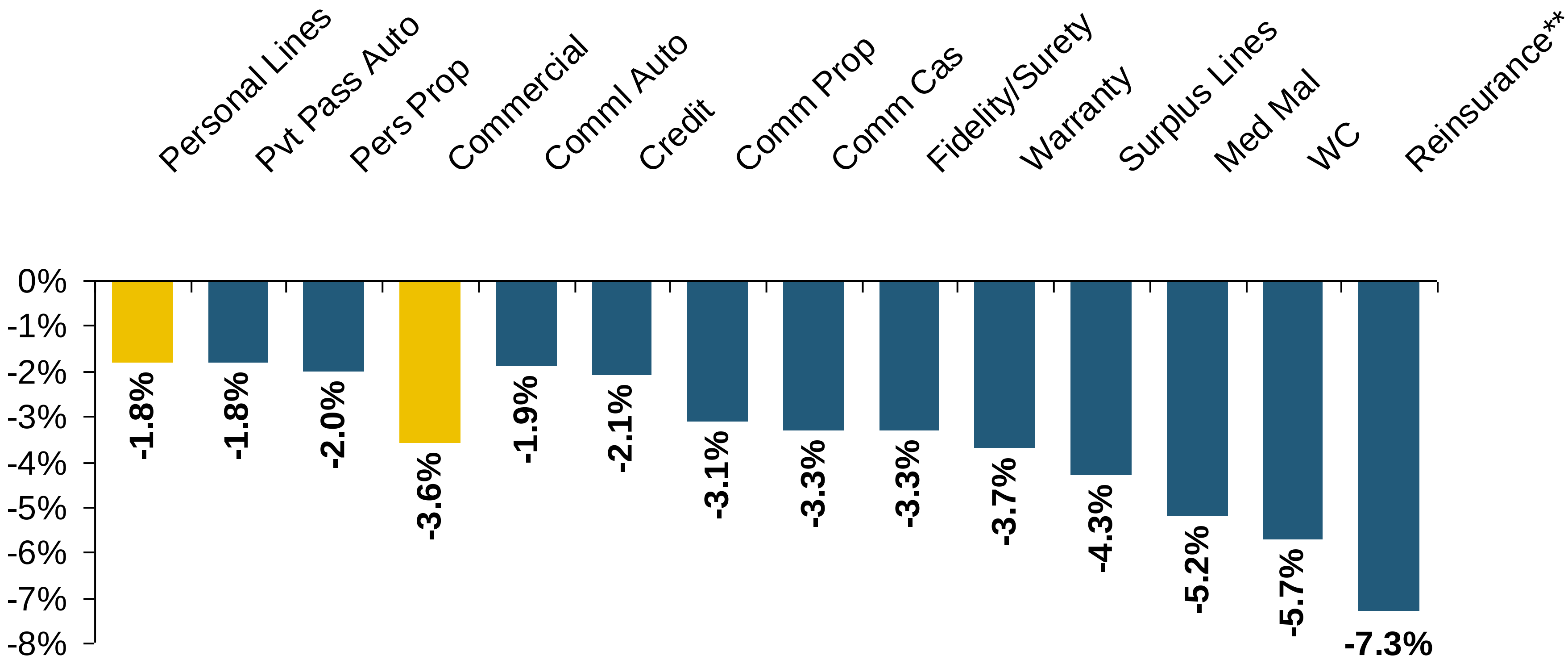


Investment Income Continued to Fall in 2013 Due to Low Interest Rates but Realized Investment Gains Were Up Sharply; The Financial Crisis Caused Investment Gains to Fall by 50% in 2008

[1] Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.
* 2005 figure includes special one-time dividend of $3.2B;
Sources: ISO; Insurance Information Institute.

Reduction in Combined Ratio Necessary to Offset 1% Decline in Investment Yield to Maintain Constant ROE, by Line*

INSURANCE INFORMATION INSTITUTE



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.

U.S. 10-Year Treasury Note Yields: A Long Downward Trend, 1990–2014*

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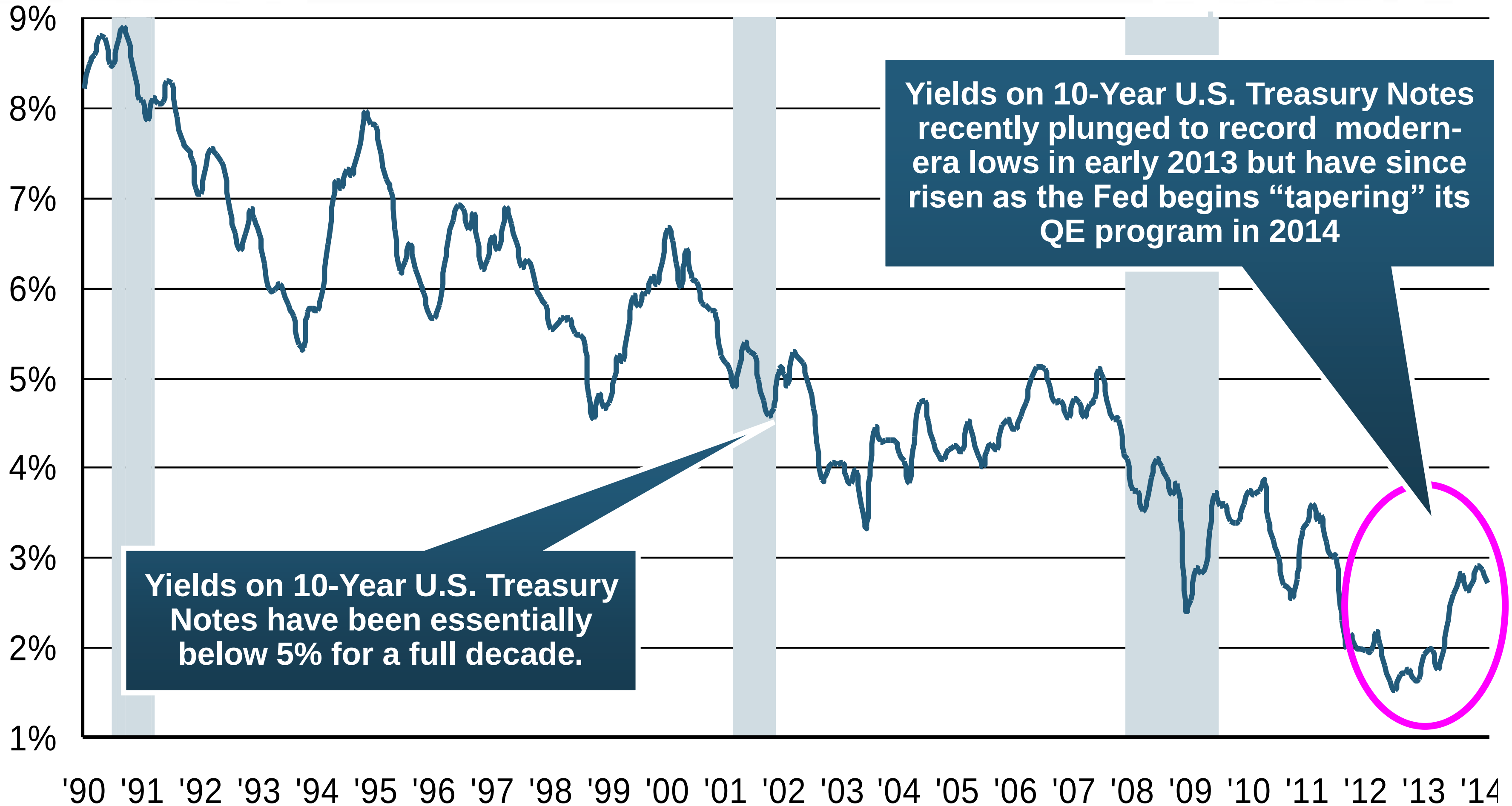

Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, through February 2014. Note: Recessions indicated by gray shaded columns.

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

U.S. Treasury Security Yields: A Long Downward Trend, 1990–2014*

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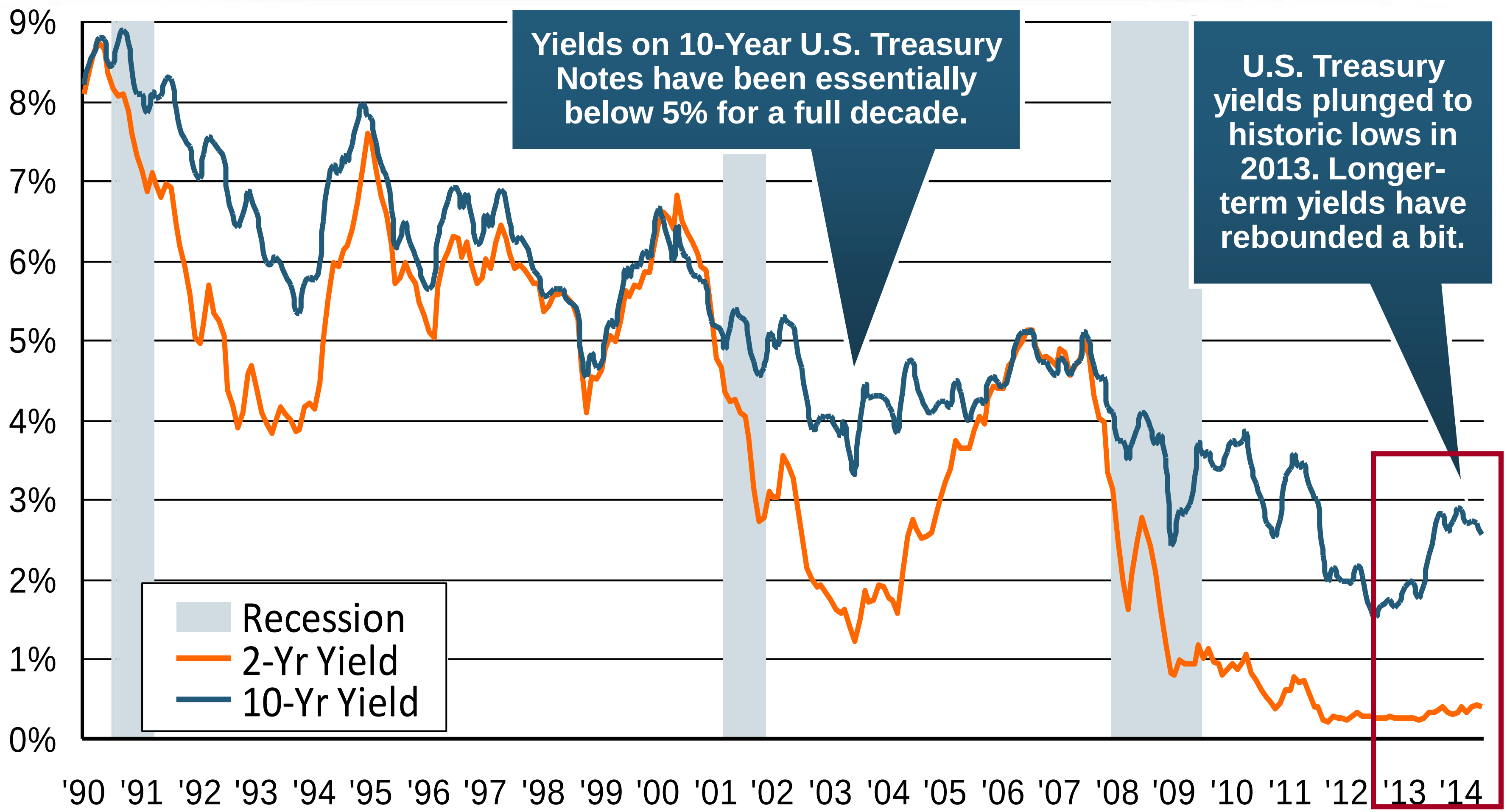
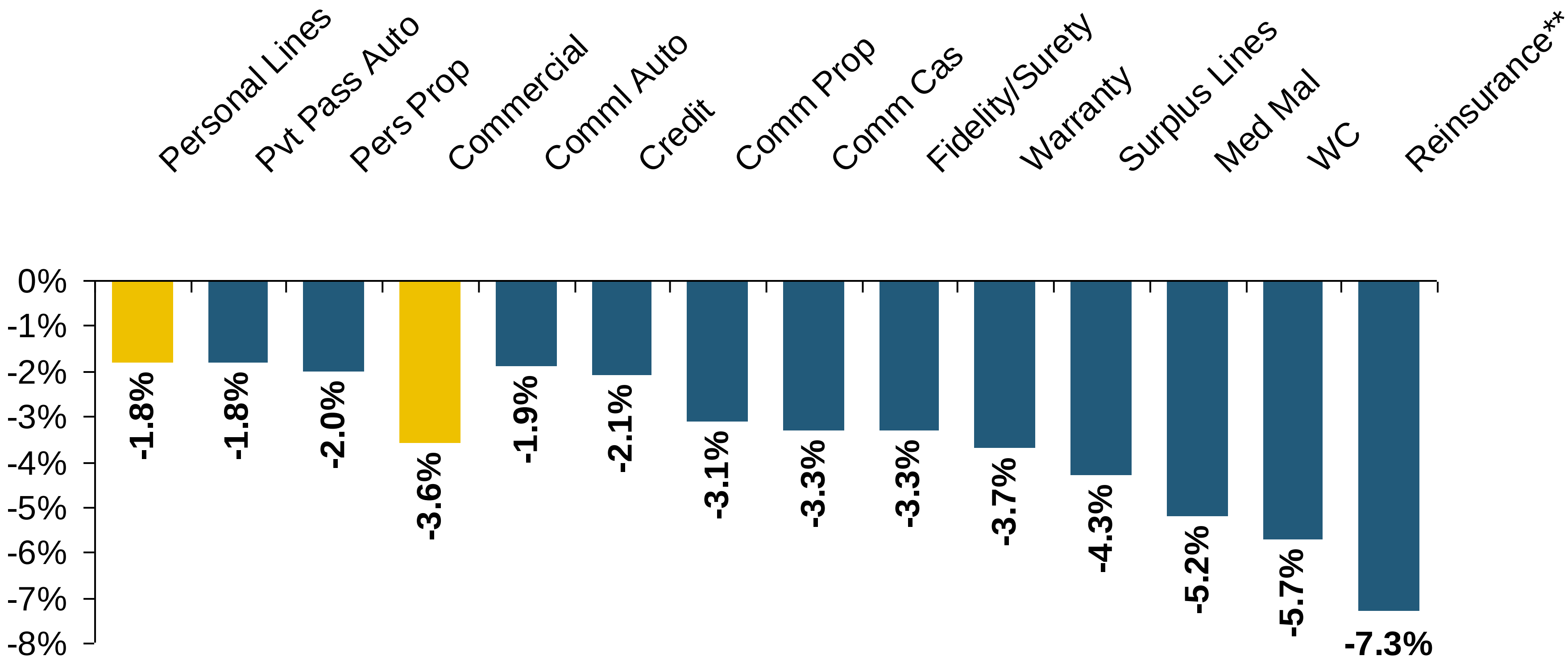


Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, constant maturity, nominal rates, through May 2014.

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

Distribution of Bond Maturities, P/C Insurance Industry, 2003-2013

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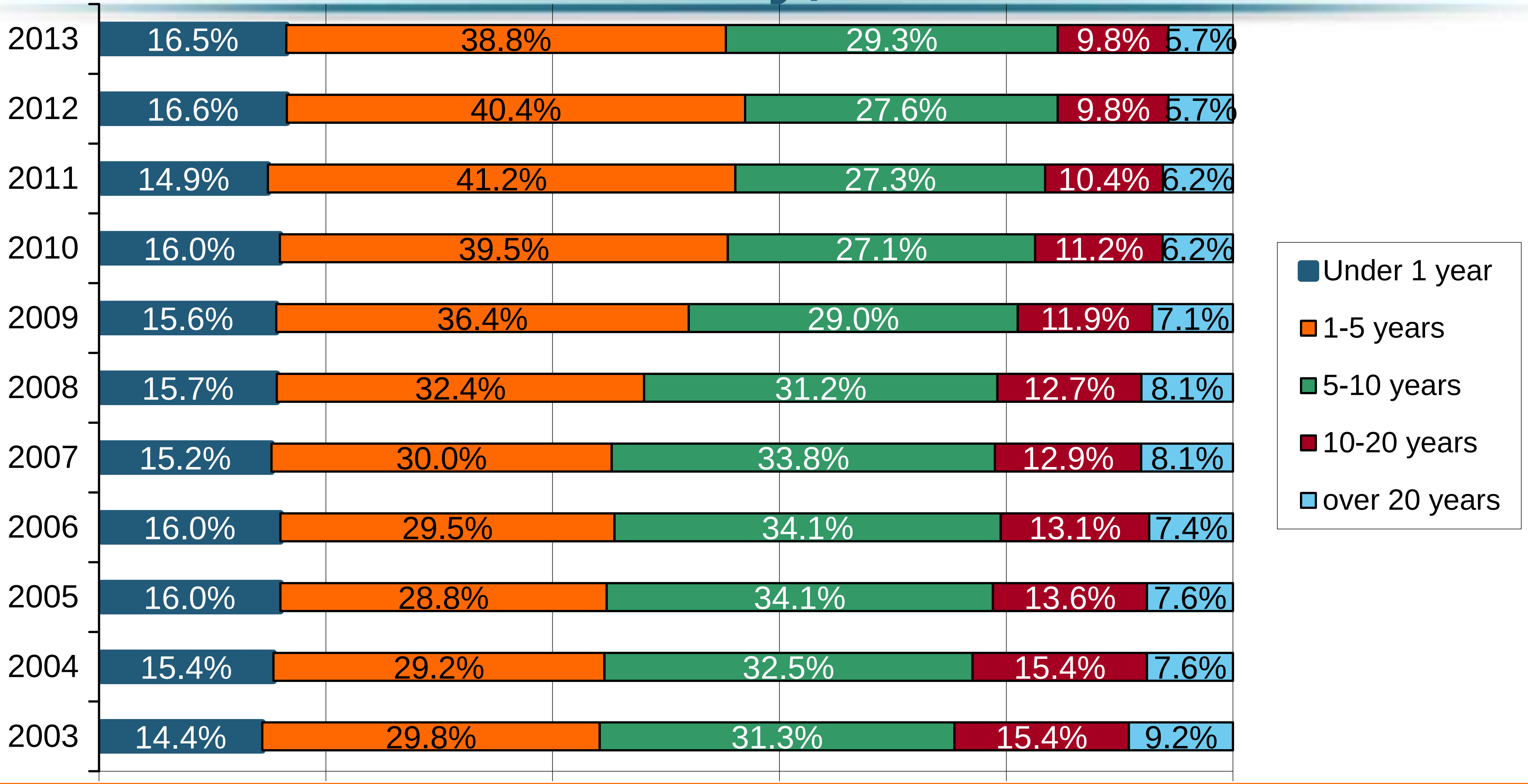


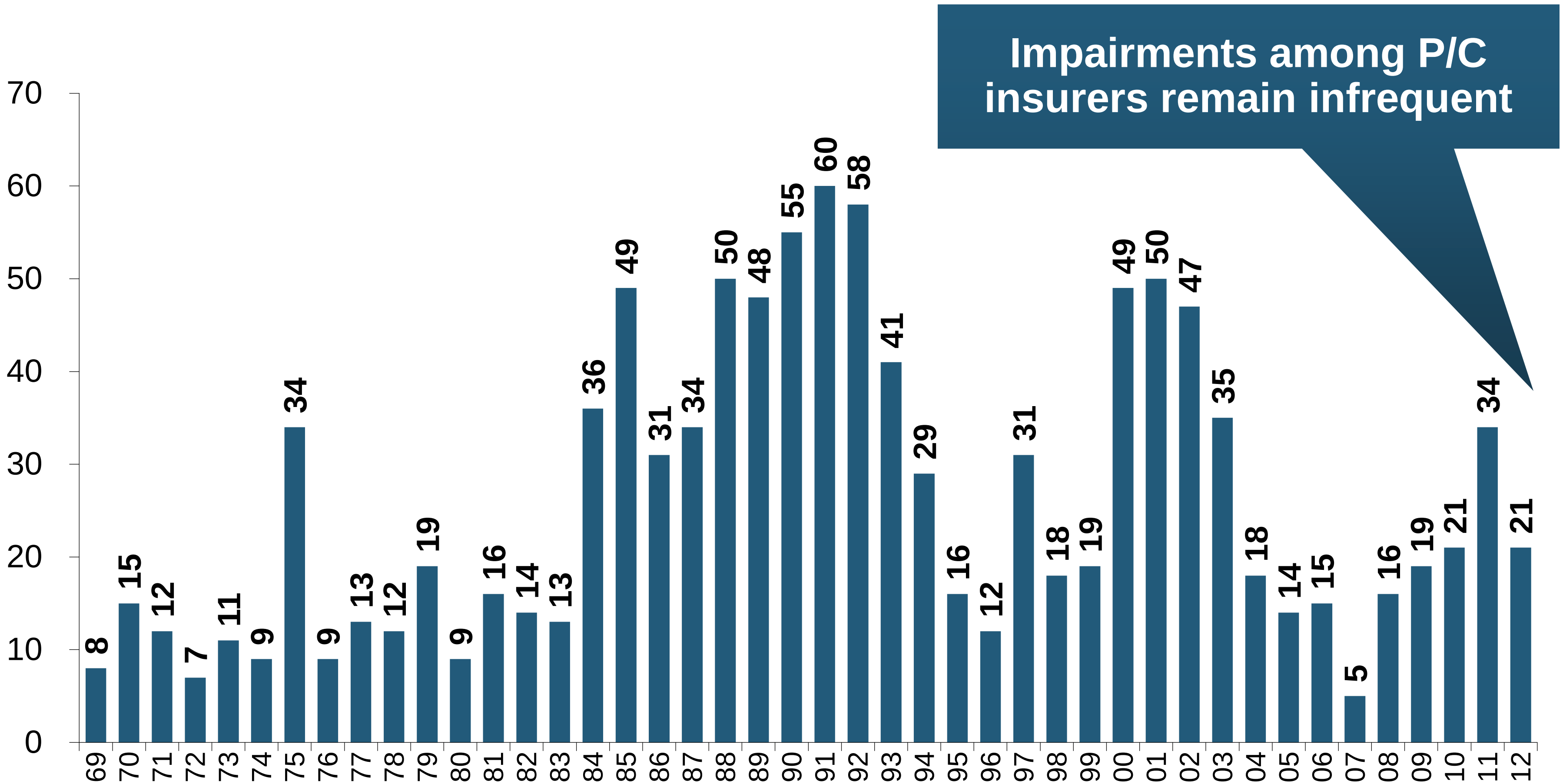
The main shift over these years has been from bonds with longer maturities to bonds with shorter maturities. The industry first trimmed its holdings of over-10-year bonds (from 24.6% in 2003 to 15.5% in 2012) and then trimmed bonds in the 5-10-year category (from 31.3% in 2003 to 27.6% in 2012) . Falling average maturity of the P/C industry's bond portfolio is contributing to a drop in investment income along with lower yields.

Sources: SNL Financial; Insurance Information Institute.

Financial Strength & Underwriting

Cyclical Pattern is P-C Impairment History is Directly Tied to Underwriting, Reserving & Pricing

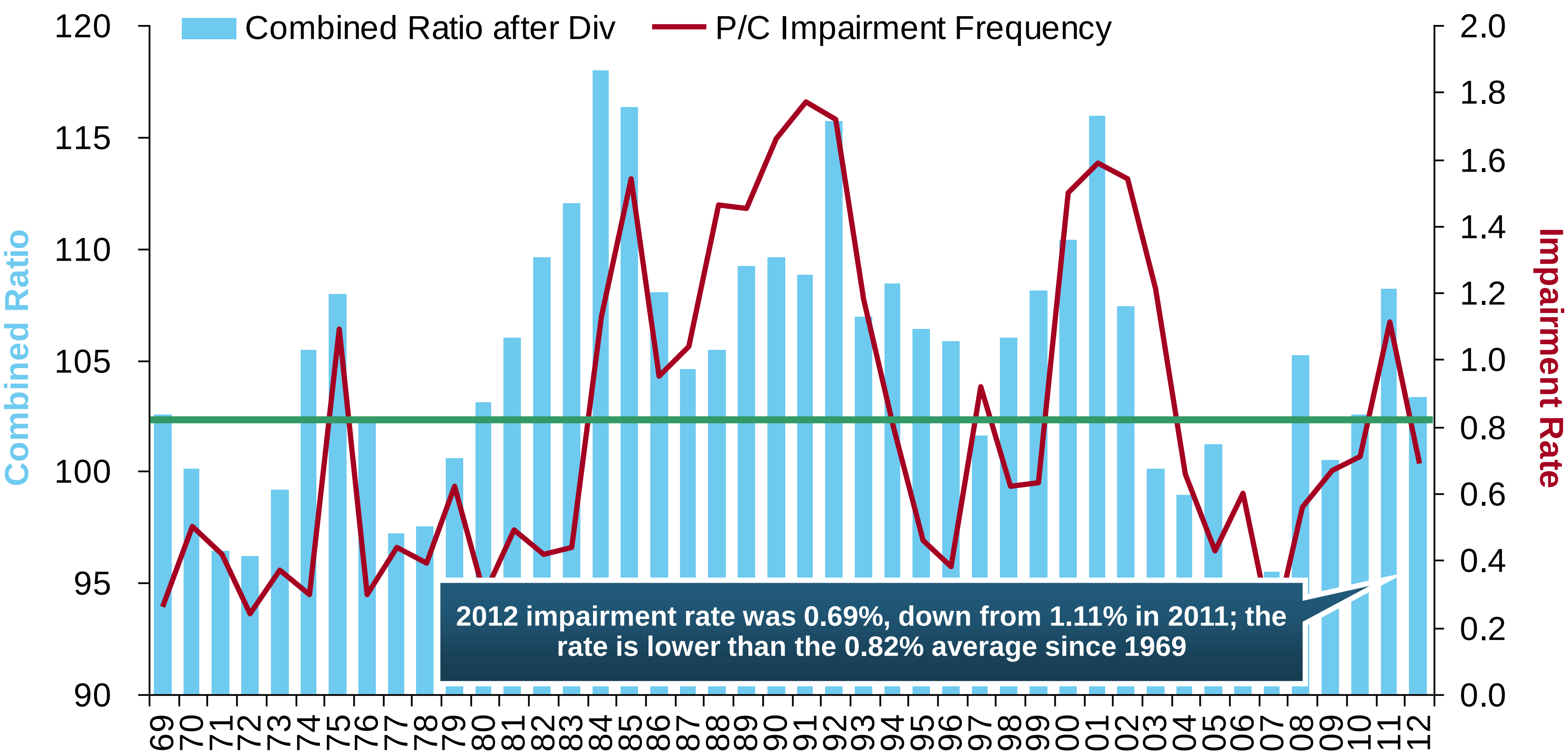
P/C Insurer Impairments, 1969–2012



The Number of Impairments Varies Significantly Over the P/C Insurance Cycle, With Peaks Occurring Well into Hard Markets

Source: A.M. Best Special Report "Pace of P/C Impairments Slowed in 2012; Auto Writers, RRGs Continued to Struggle," June 2013; Insurance Information Institute.

P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2012

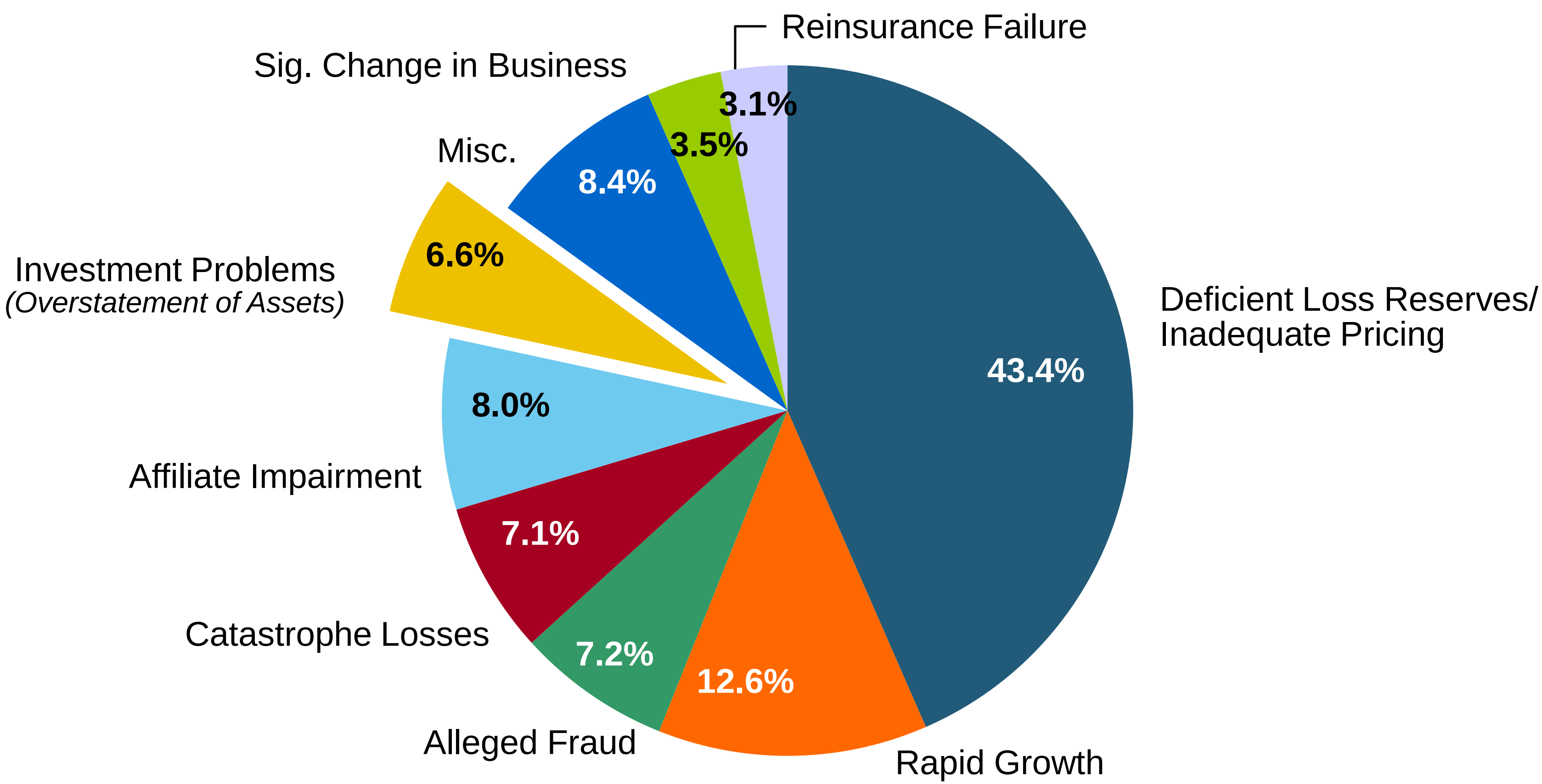


Impairment Rates Are Highly Correlated With Underwriting Performance and Reached Record Lows in 2007; Recent Increase Was Associated Primarily With Mortgage and Financial Guaranty Insurers and Not Representative of the Industry Overall

Source: A.M. Best; Insurance Information Institute

Reasons for US P/C Insurer Impairments, 1969–2012

Historically, Deficient Loss Reserves and Inadequate Pricing Are By Far the Leading Cause of P-C Insurer Impairments. Investment and Catastrophe Losses Play a Much Smaller Role

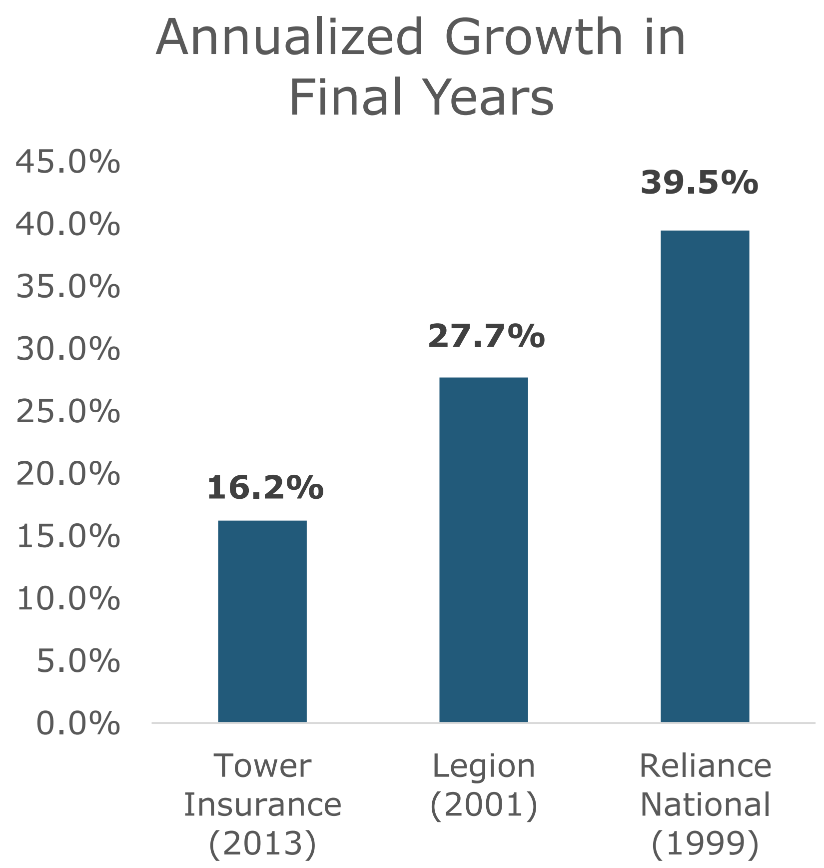


Source: A.M. Best Special Report "Pace of P/C Impairments Slowed in 2012; Auto Writers, RRGs Continued to Struggle," June 2013; Insurance Information Institute.

Rapid Growth 'A Leading Cause' of Impairment'

“The leading causes of impairment are deficient loss reserves (inadequate pricing) and **rapid growth**, together comprising more than 50 percent of annual impairments.”

- A.M. Best, 2013



Source: SNL Financial, Insurance Information Institute.

Top 10 Lines of Business for US P/C Impaired Insurers, 2000–2012

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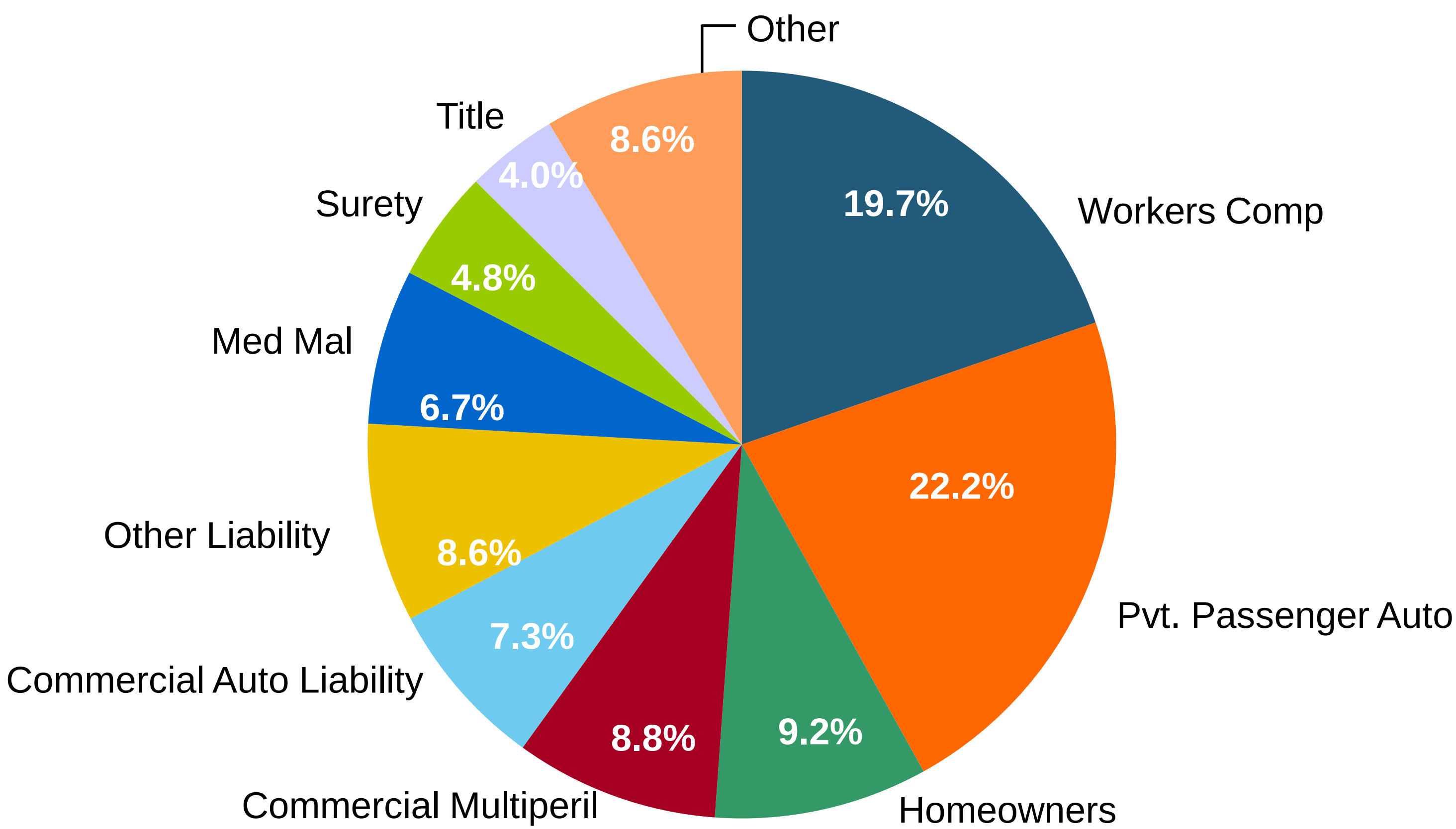
Workers Comp and Pvt. Passenger Auto Account for More Than 40 Percent of the Impaired Insurers Since 2000



Source: A.M. Best Special Report "Pace of P/C Impairments Slowed in 2012; Auto Writers, RRGs Continued to Struggle," June 2013; Insurance Information Institute.

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Number of Recessions Endured by P/C Insurers, by Number of Years in Operation

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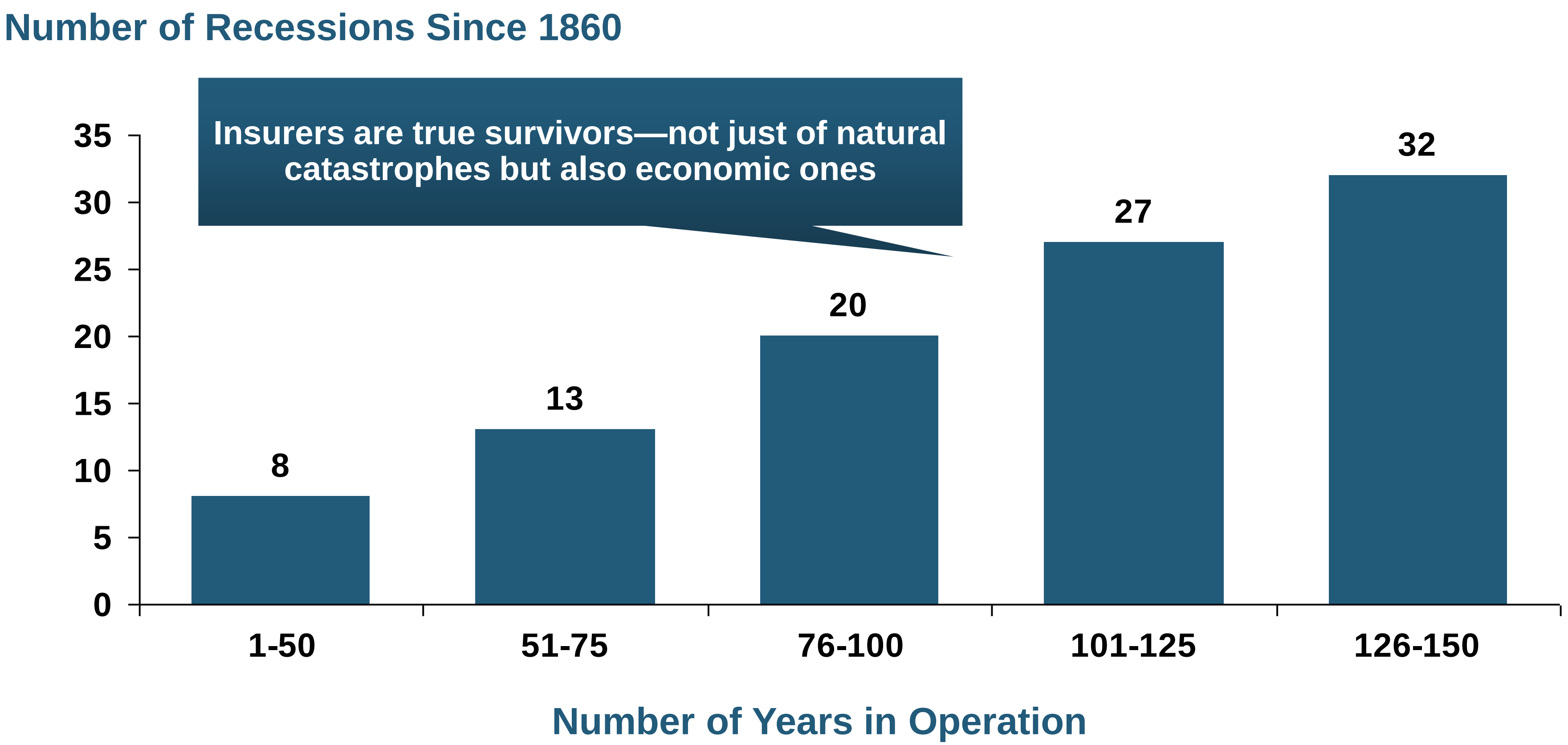


Many US Insurers Are Close to a Century Old or Older

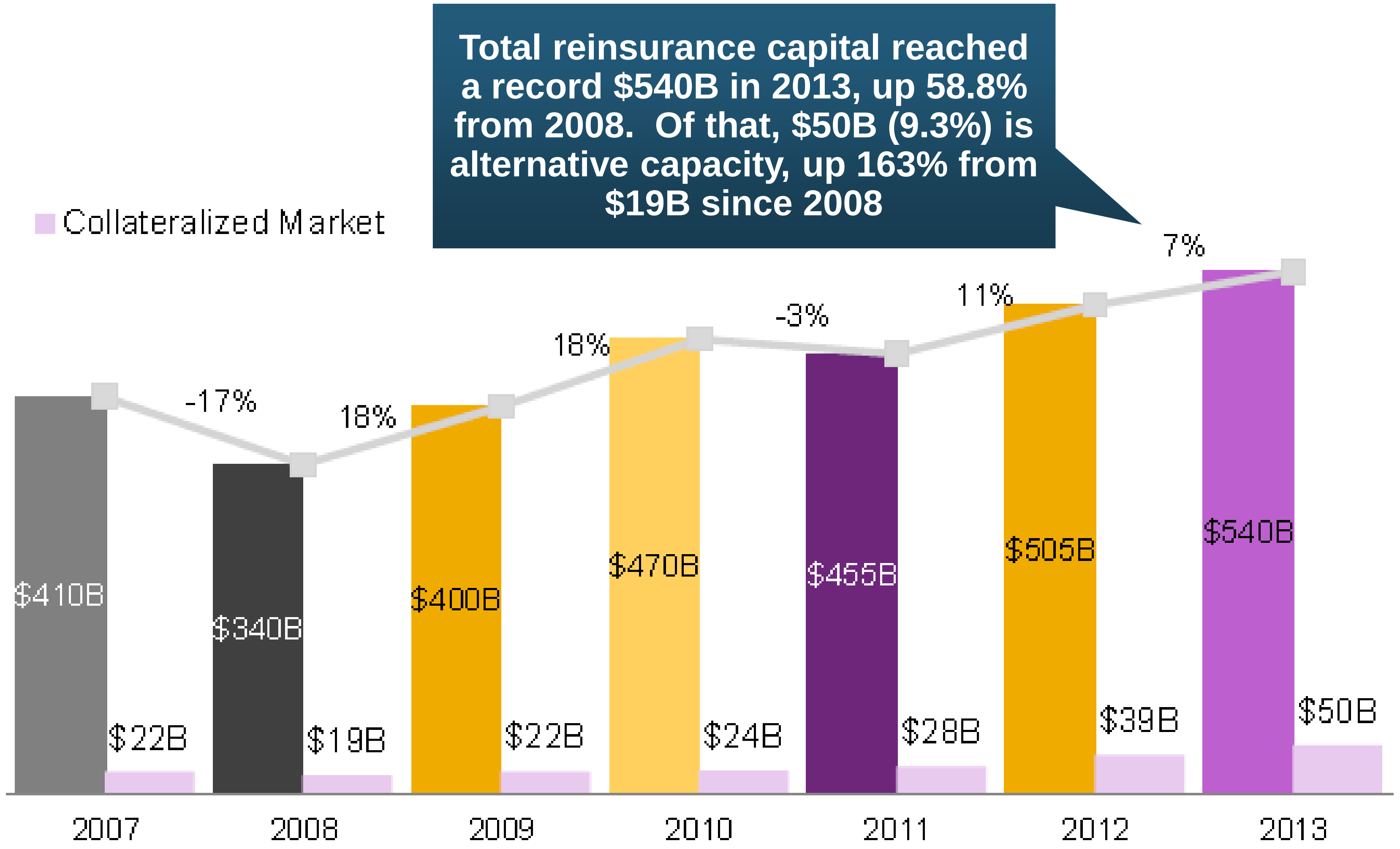
Sources: Insurance Information Institute research from National Bureau of Economic Research data.

REINSURANCE MARKET CONDITIONS

Ample Capacity as Alternative Capital is Transforming the Market—And Pushing Down Prices

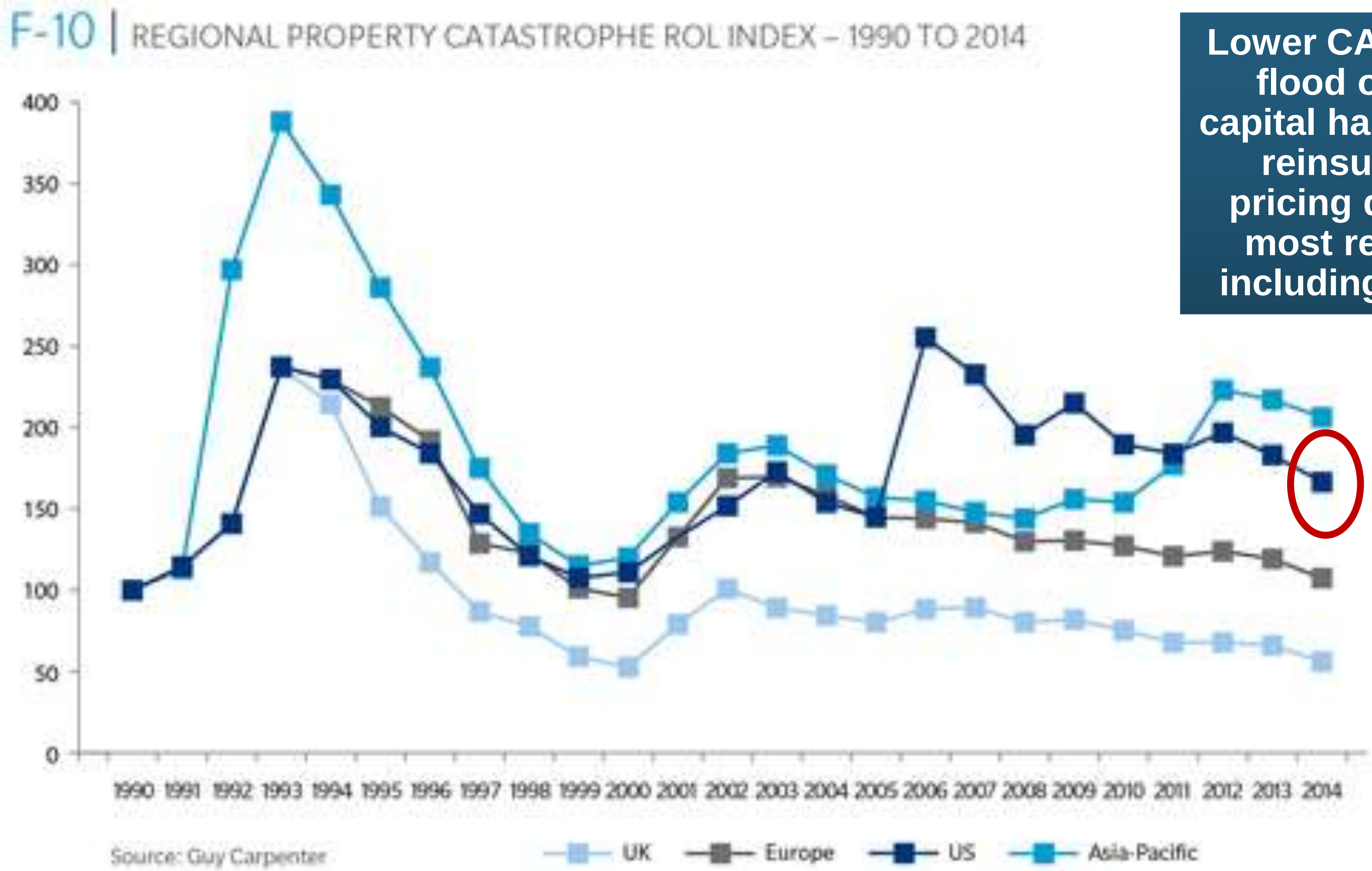
Global Reinsurance Capital (Traditional and Alternative), 2007 - 2013

INSURANCE INFORMATION INSTITUTE



Source: Aon Benfield *Reinsurance Market Outlook,* April 1, 2014; Insurance Information Institute.

Reinsurance Pricing: Rate-on-Line Index by Region, 1990 – 2014*

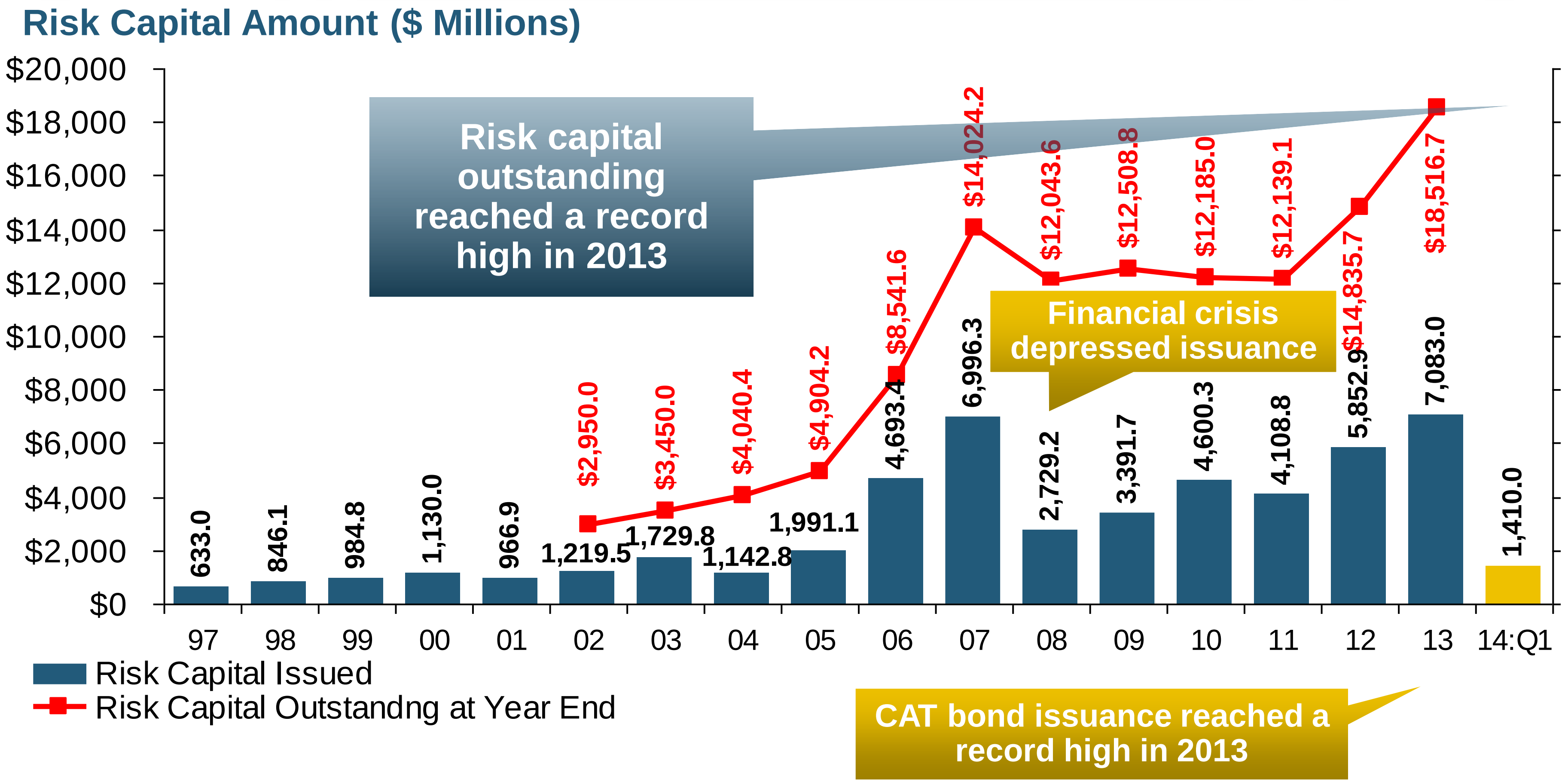


Lower CATs and a flood of new capital has pushed reinsurance pricing down in most regions, including the US

*As of Jan. 1.
Source: Guy Carpenter

Catastrophe Bonds: Issuance and Outstanding, 1997- 2014:Q1*

INSURANCE INFORMATION INSTITUTE



Catastrophe Bond Issuance Is Approaching Pre-Crisis Levels While Risk Capital Outstanding Stands at an All-Time Record

*Through Jan. 31, 2014.

Source: Guy Carpenter; Insurance Information Institute.

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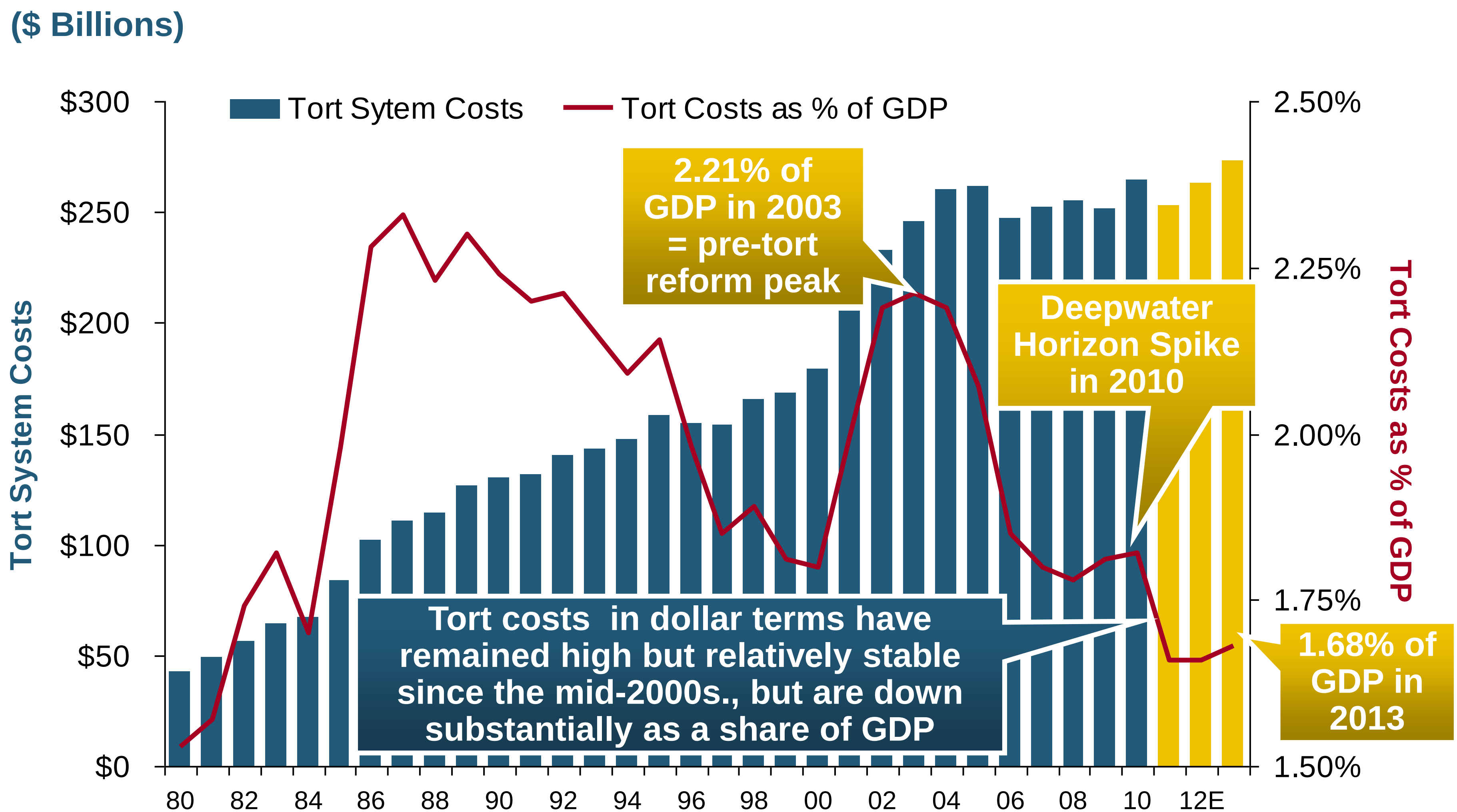
Shifting Legal Liability & Tort Environment

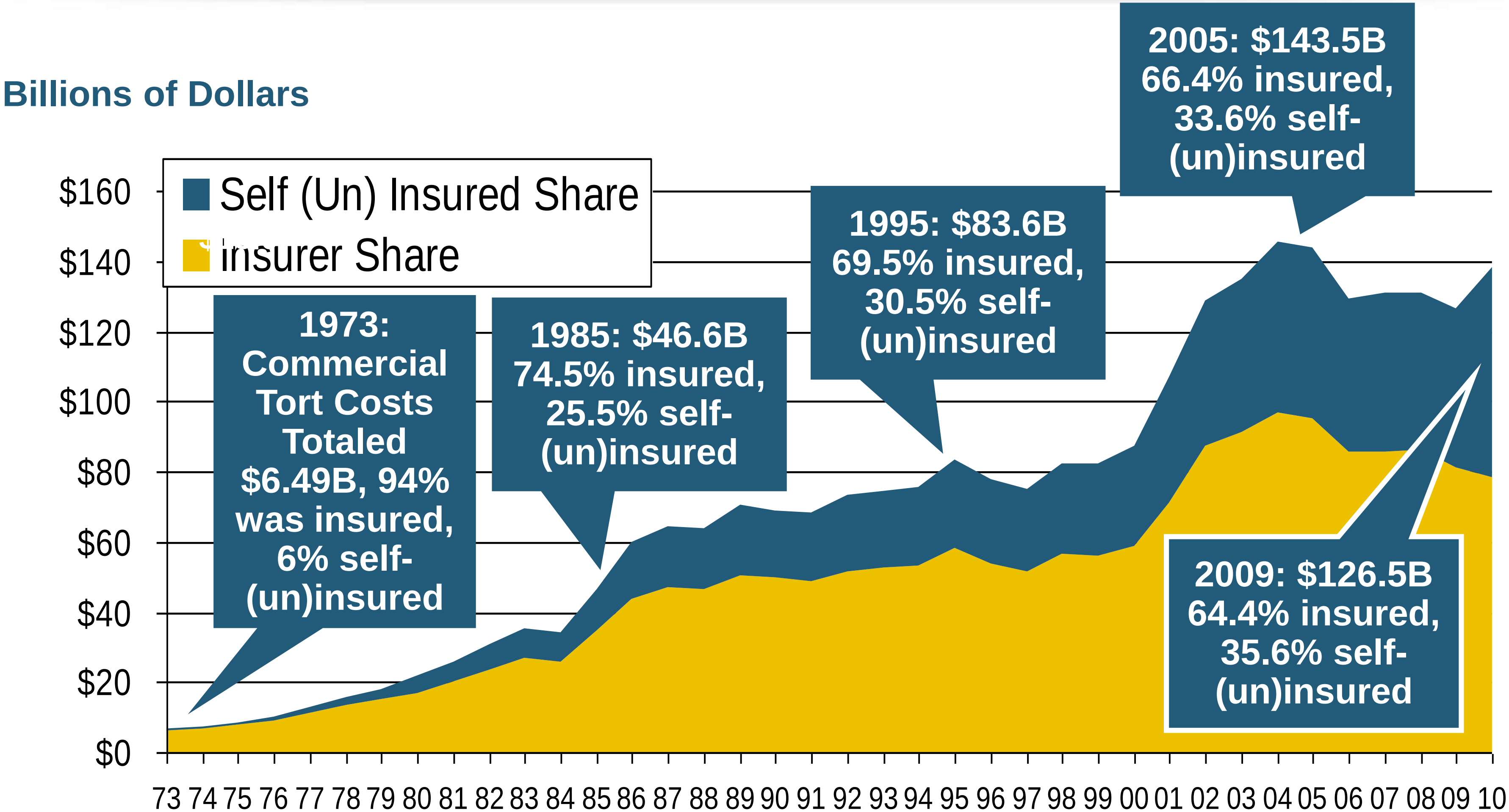
Will the Tort Pendulum Swing Against Insurers?

Over the Last Three Decades, Total Tort Costs as a % of GDP Appear Somewhat Cyclical, 1980-2013E



Sources: Towers Watson, *2011 Update on US Tort Cost Trends*, Appendix 1A

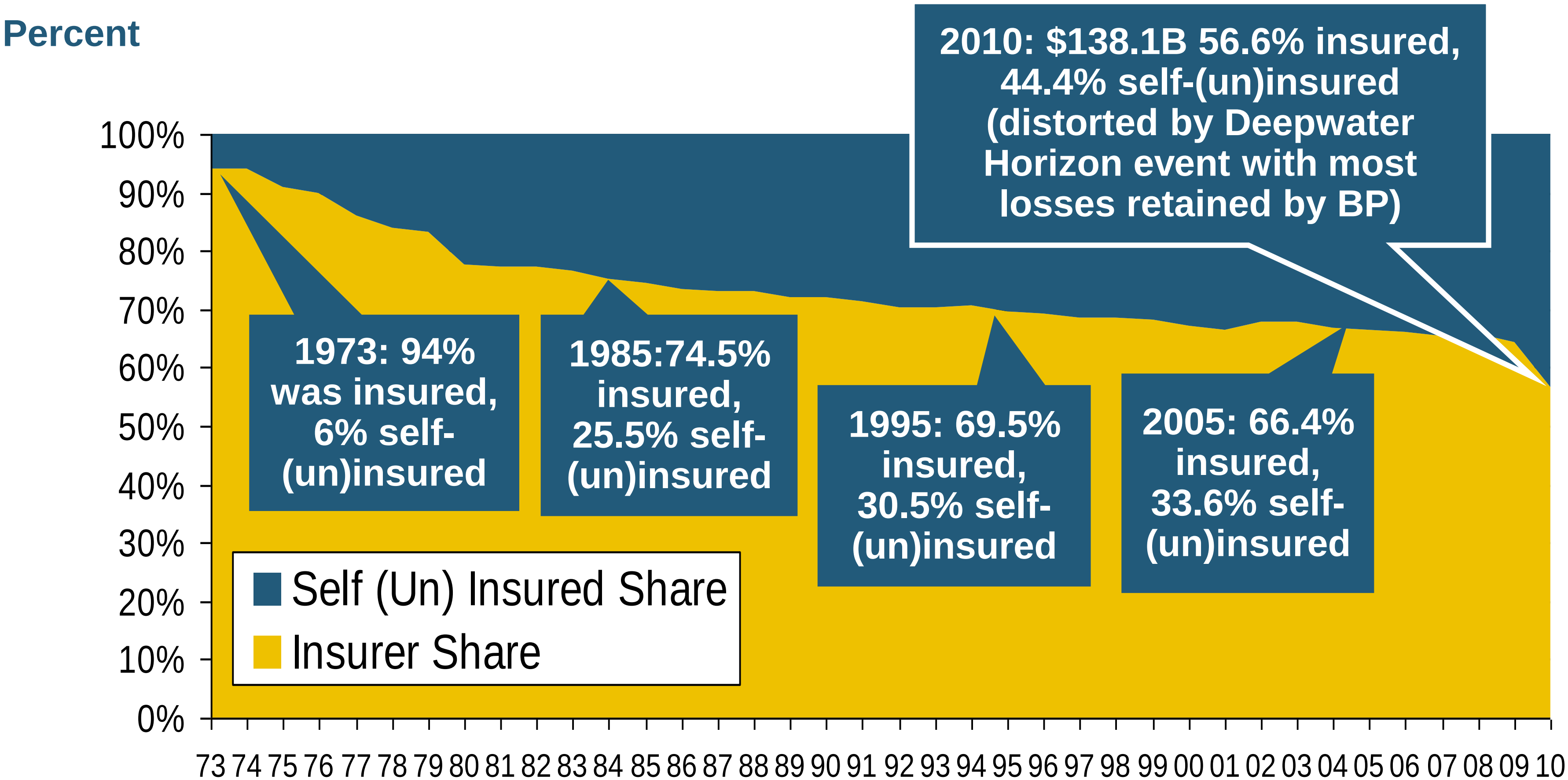
Commercial Lines Tort Costs: Insured vs. Self-(Un)Insured Shares, 1973-2010



Tort Costs and the Share Retained by Risks Both Grew Rapidly from the mid-1970s to mid-2000s, When Tort Costs Began to Fall But Self-Insurance Shares Continued to Rise

Sources: Towers Watson, *2011 Update on US Tort Cost Trends*, III Calculations based on data from Appendix 4.

Commercial Lines Tort Costs: Insured vs. Self-(Un)Insured Shares, 1973-2010



The Share of Tort Costs Retained by Risks Has Been Steadily Increasing for Nearly 40 Years. This Trend Contributes Has Left Insurers With Less Control Over Pricing.

Sources: Towers Watson, *2011 Update on US Tort Cost Trends*, III Calculations based on data from Appendix 4.

Business Leaders Ranking of Liability Systems in 2012

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Best States

1. Delaware
2. Nebraska
3. Wyoming
4. Minnesota
5. Kansas
6. Idaho
7. Virginia
8. North Dakota
9. Utah
10. Iowa

New in 2012

- Wyoming
- Minnesota
- Kansas
- Idaho

Drop-offs

- Indiana
- Colorado
- Massachusetts
- South Dakota

Worst States

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

Newly Notorious

- Oklahoma

Rising Above

- Arkansas

Source: US Chamber of Commerce 2012 State Liability Systems Ranking Study; Insurance Info. Institute.

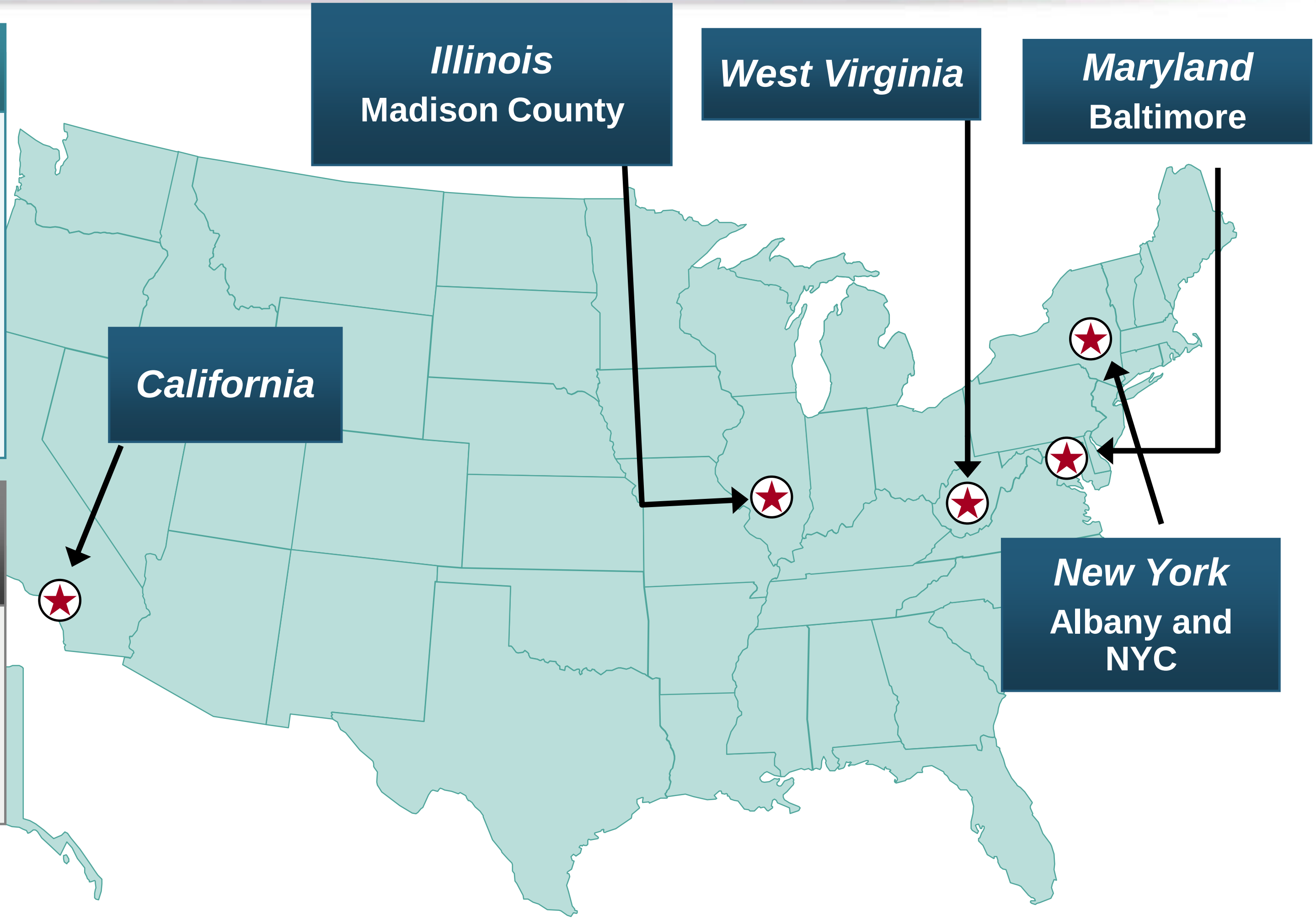
The Nation's Judicial Hellholes: 2012/2013

Watch List

- Philadelphia, Pennsylvania
- South Florida
- Cook County, Illinois
- New Jersey
- Nevada
- Louisiana

Dishonorable Mention

- MO Supreme Court
- WA Supreme Court



Source: American Tort Reform Association; Insurance Information Institute

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Twitter: twitter.com/bob_hartwig