Inflation and the P/C Insurance Industry

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CPI, Monthly, 2007-2020

Year-over-year percent change

Source: BLS
The Core CPI is the CPI minus price changes for food and energy.
CPI Forecasts for 2020-2021

Note: Data are percent change from prior quarter, at an annual rate.
Sources: Blue Chip, May 2020; Insurance Information Institute.
Inflation Measurement: Methodological Challenges

Comparing Prices of Identical Items

• Some prices can’t be compared
  • New products (e.g., new drugs)
  • New services (e.g. new medical treatment)
• Prices of some goods or services must be adjusted to remove the price-effect of new elements
  • Cars with new safety features
  • Improved cell-phone service
  • Higher prices for output from places of business (e.g., restaurants, factories) with new Covid-19 protection

Premium Refunds: BLS treats premium refunds in one of two ways, depending on its form.

• If the refund results in a lower premium, that is reflected in the price.
• If the refund is sent as a separate amount, available to be spend on anything (not just the insurance premium giving rise to the refund, that is not reflected in the price.)
Price Changes for Auto Insurance and Tenants’ Insurance, Monthly, 2007-2020

Year-over-year percent change

The 2008-09 recession didn’t cause personal lines premiums to drop

-8%  -6%  -4%  -2%  0%  2%  4%  6%  8%  10%


Auto  Tenant's

Source: BLS
Price Changes for Inpatient and Outpatient Hospital Services, Monthly, 2007-2020

Year-over-year percent change

Inpatient

Outpatient

Recession

Jan 07 - Jul 09

Jan 10 - Jul 11

Jan 12 - Jul 13

Jan 14 - Jul 15

Jan 16 - Jul 17

Jan 18 - Jul 19

Jan 20

Source: BLS
Price Changes for Prescription Drugs, Monthly, 2007-2020

Year-over-year percent change

Source: BLS
Price Changes for Auto Repair, Body Work, and Parts & Equipment, Monthly, 2007-2020

Year-over-year percent change

-3% -2% -1% 0% 1% 2% 3% 4% 5% 6% 7% 8%

Jan 07 Jul 07 Jan 08 Jul 08 Jan 09 Jul 09


Recession

Source: BLS
Changes in Median Wage Growth, Quarterly, 2007-2020

Median wages grew in 2020:Q1 because low-wage workers lost their jobs.

Year-over-year percent change

Source: BLS

Recession
Moody’s Seasoned AAA Corporate Bond Yields, Monthly, 2009-2020

Yield

Source: BLS