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# Profitability, Growth in P/C Industry Missouri and Beyond

St. Louis CPCU Chapter, September 13, 2016

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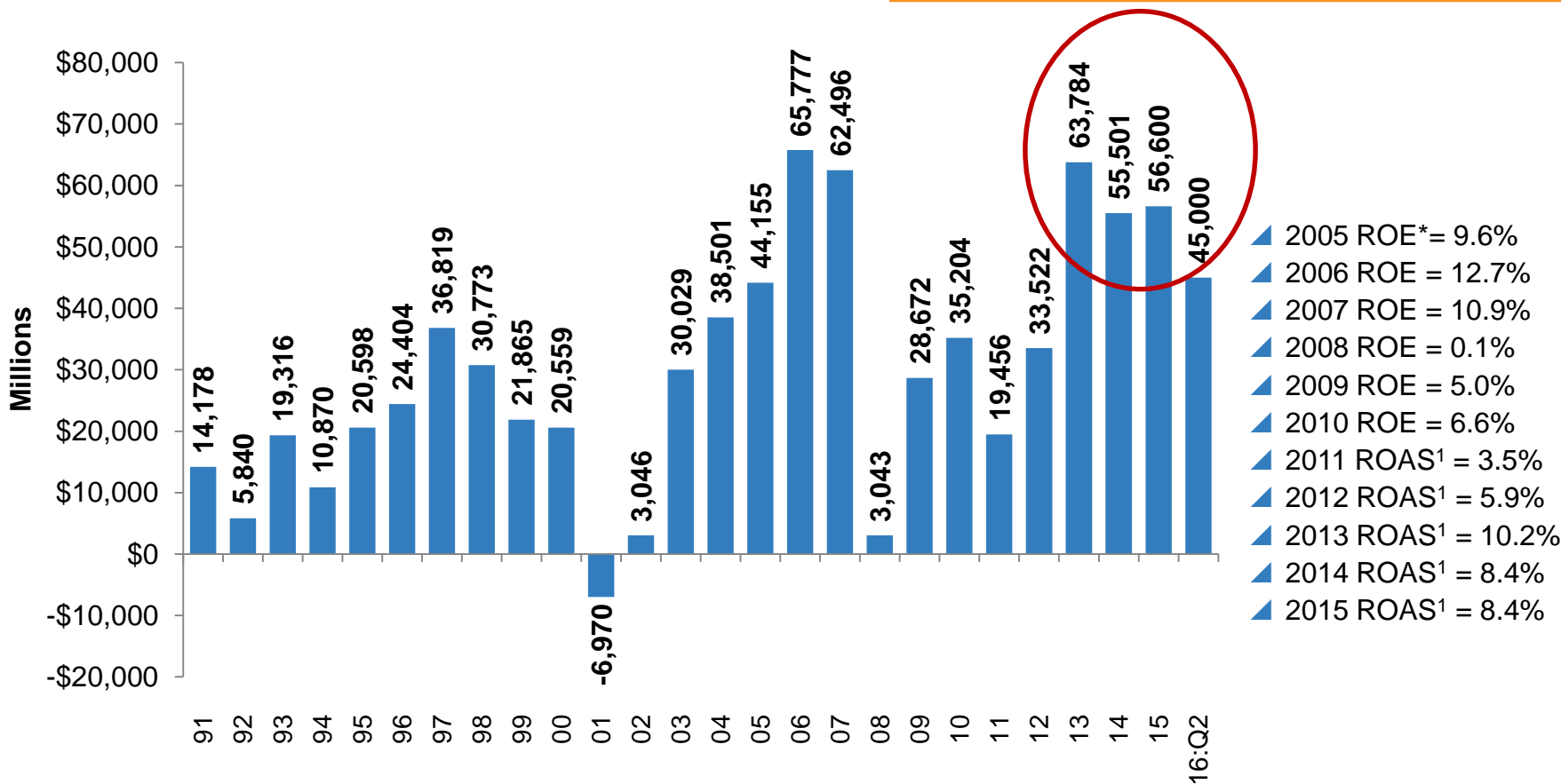
# Insurance Industry: Financial Update & Outlook

2015 Was a Reasonably Good Year  
and Similar to 2014

2016: Smarting from Catastrophes

# P/C Industry Net Income After Taxes 1991-2016:Q2 (preliminary)

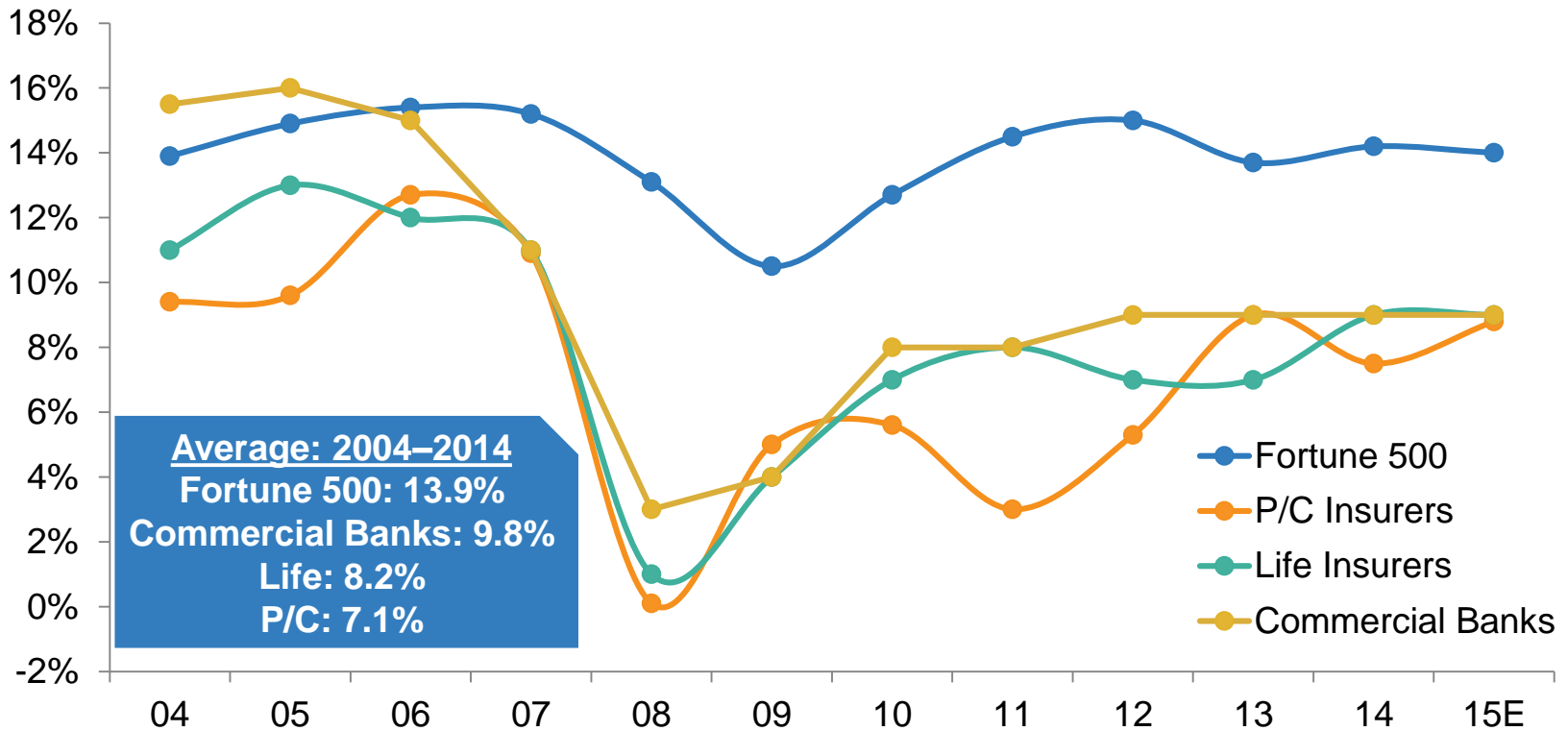
Profits Are 28 Percent Below Last Year Through Two Quarters. Little Cats, Weak Auto Results



\*ROE figures are GAAP; <sup>1</sup>Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 8.2% ROAS in 2014, 9.8% ROAS in 2013, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009. 2016:Q2 is annualized  
Sources: A.M. Best; ISO, a Verisk Analytics company; Insurance Information Institute.



# Return on Equity by Financial Services Sector vs. Fortune 500, 2004-2015\*



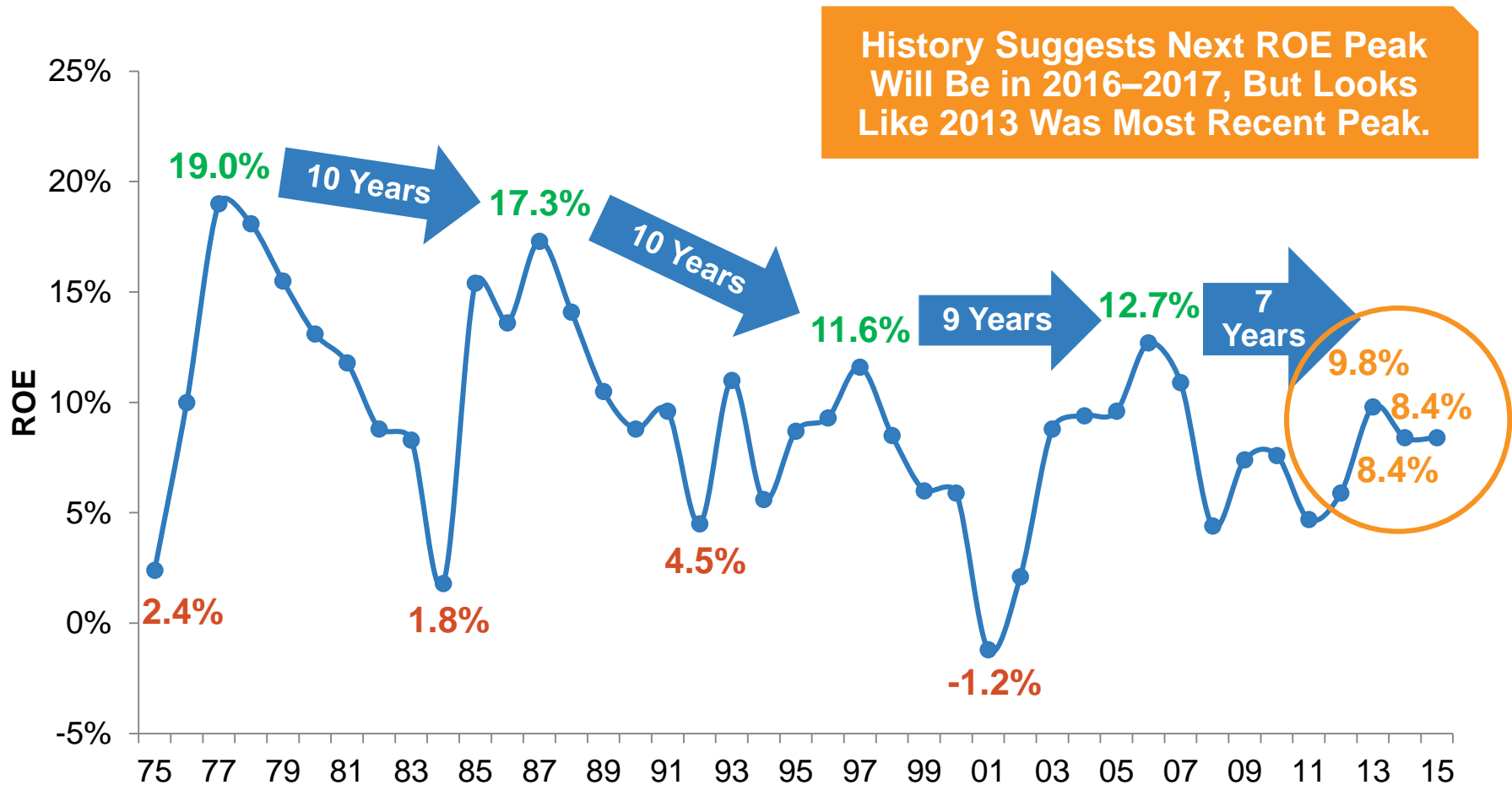
**Banks and Insurers Have Substantially Underperformed the Fortune 500 Since the Financial Crisis.**



\*GAAP basis.

Sources: ISO, a Verisk Analytics company; Fortune; Insurance Information Institute.

# Profitability Peaks & Troughs in the P/C Insurance Industry, 1975-2015



\*Profitability = P/C insurer ROEs. 2011-14 figures are estimates based on ROAS data.

Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.

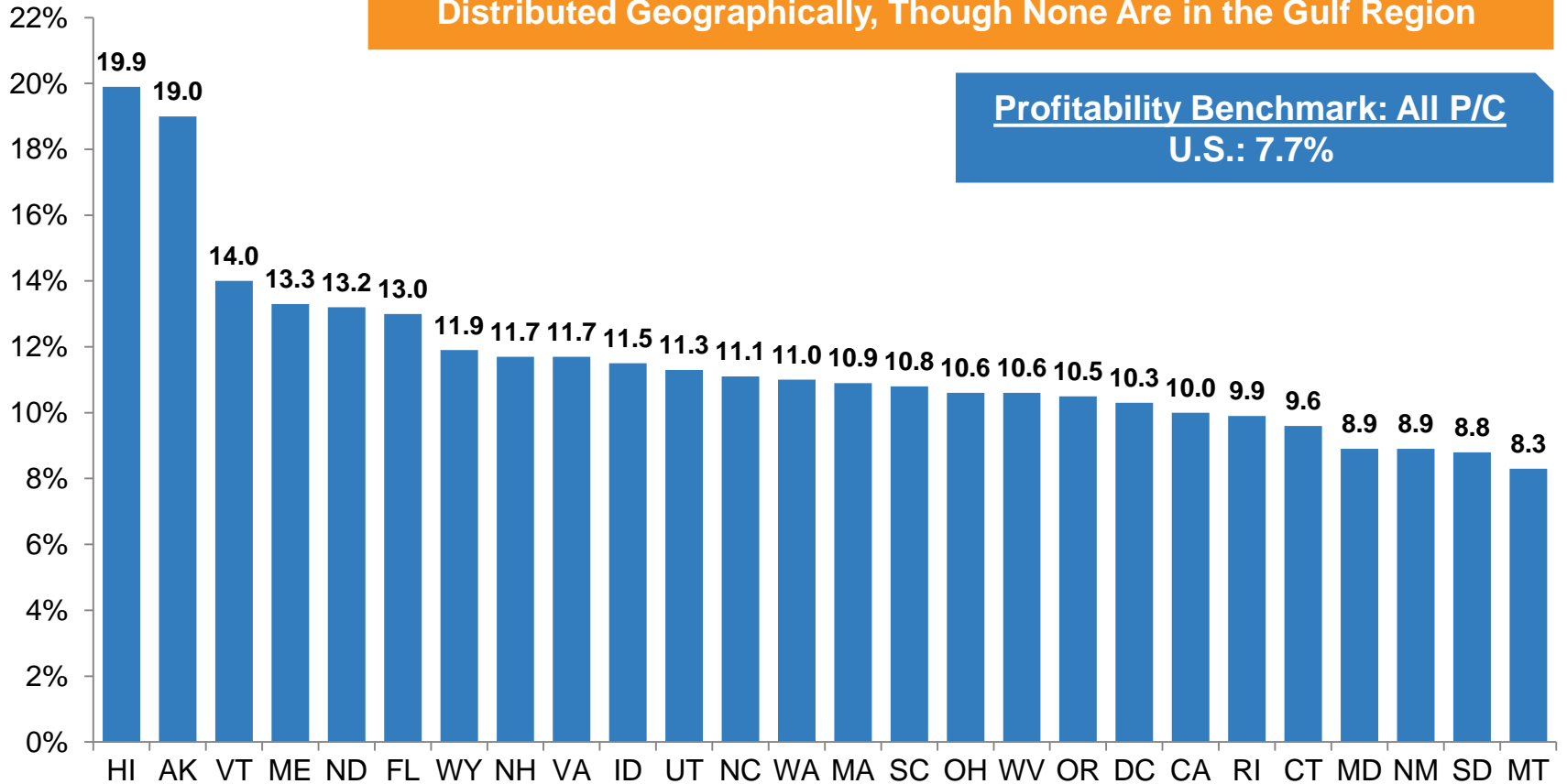
Sources: Insurance Information Institute; Natl. Assoc. of Insurance Comm.; ISO, a Verisk Analytics company; A.M. Best, Conning.



# RNW All Lines, 2005-2014 Average: Highest 25 States

The Most Profitable States Over the Past Decade Are Widely Distributed Geographically, Though None Are in the Gulf Region

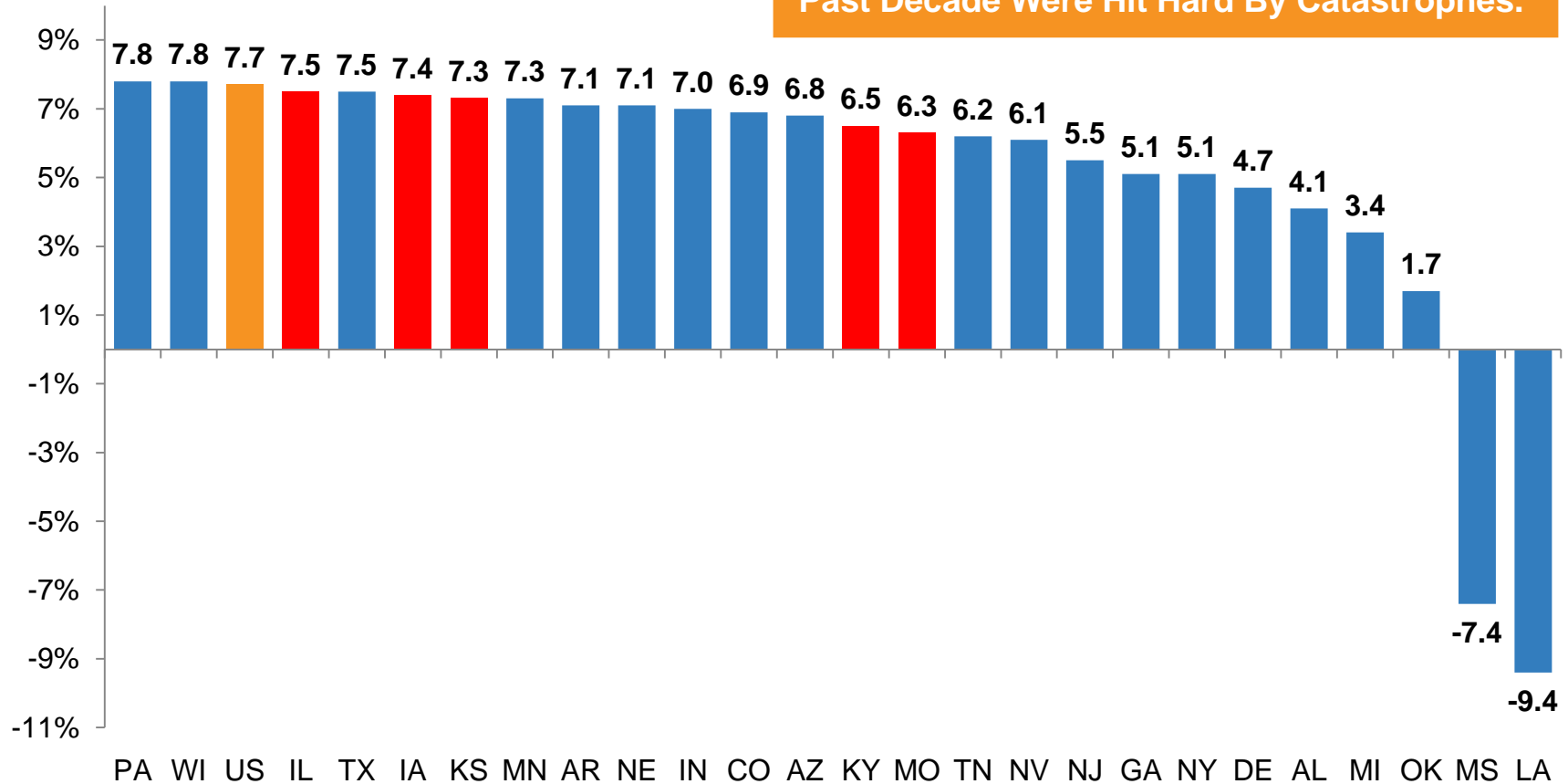
Profitability Benchmark: All P/C  
U.S.: 7.7%



Sources: National Association of Insurance Commissioners; Insurance Information Institute.

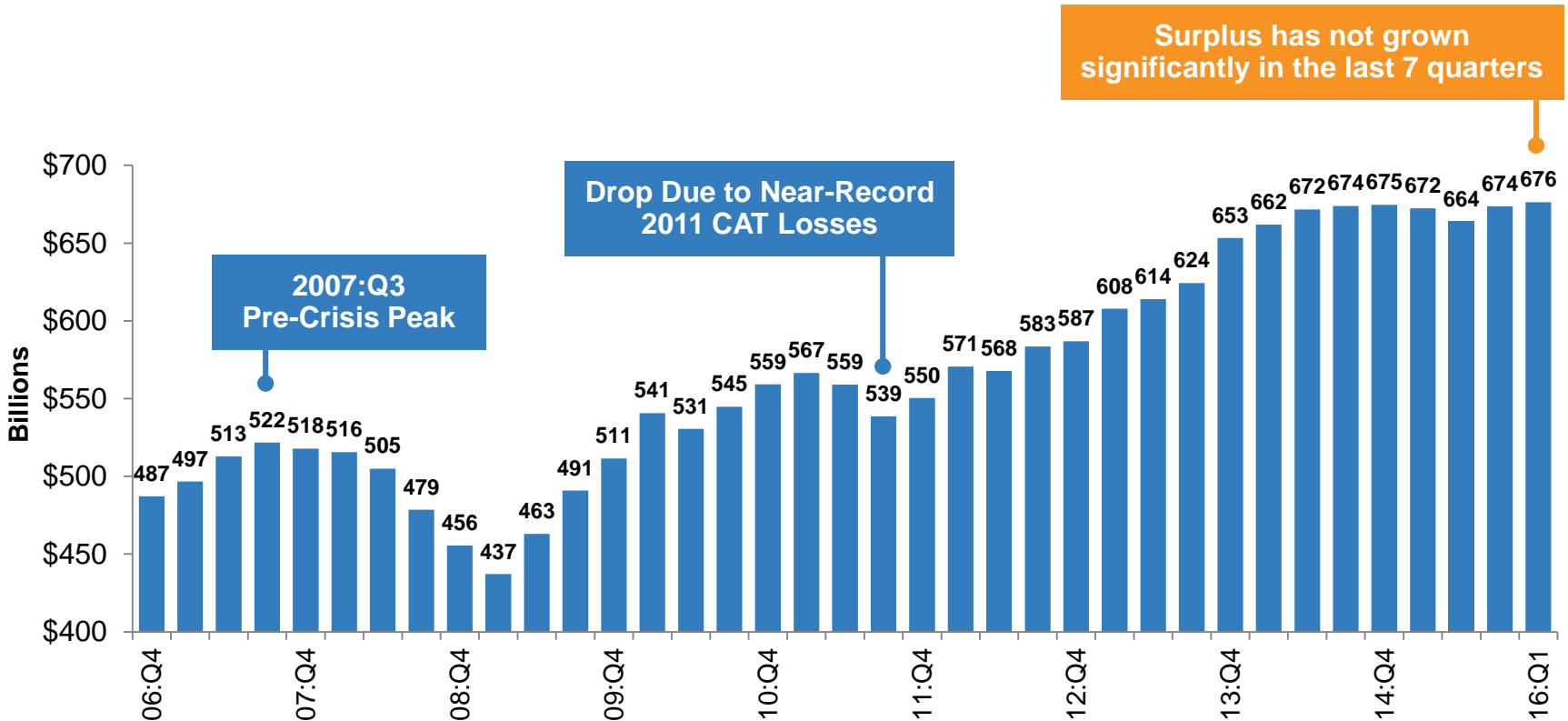
# RNW All Lines, 2005-2014 Average: Lowest 25 States

Some of the Least Profitable States Over the Past Decade Were Hit Hard By Catastrophes.



Sources: National Association of Insurance Commissioners; Insurance Information Institute.

# Policyholder Surplus, 2006:Q4-2016:Q1



**The Industry Now Has \$1 of Surplus for Every \$0.75 of NPW, Close to the Strongest Claims-paying Status in its History.**

**The P/C Insurance Industry Entered 2016 in Very Strong Financial Condition.**



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. Sources: ISO, a Verisk Analytics company; A.M. Best.



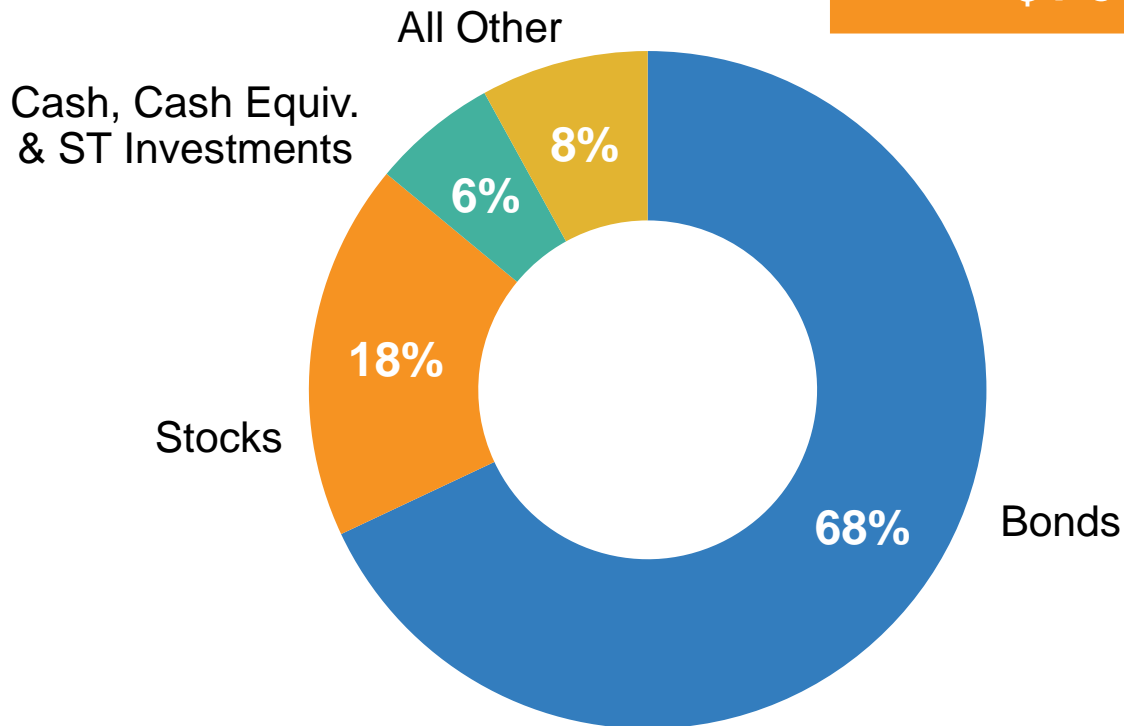
# Investments: The New [Grim] Reality

Investment Performance is a  
Key Driver of Profitability

Depressed Yields Will Necessarily  
Influence Underwriting & Pricing

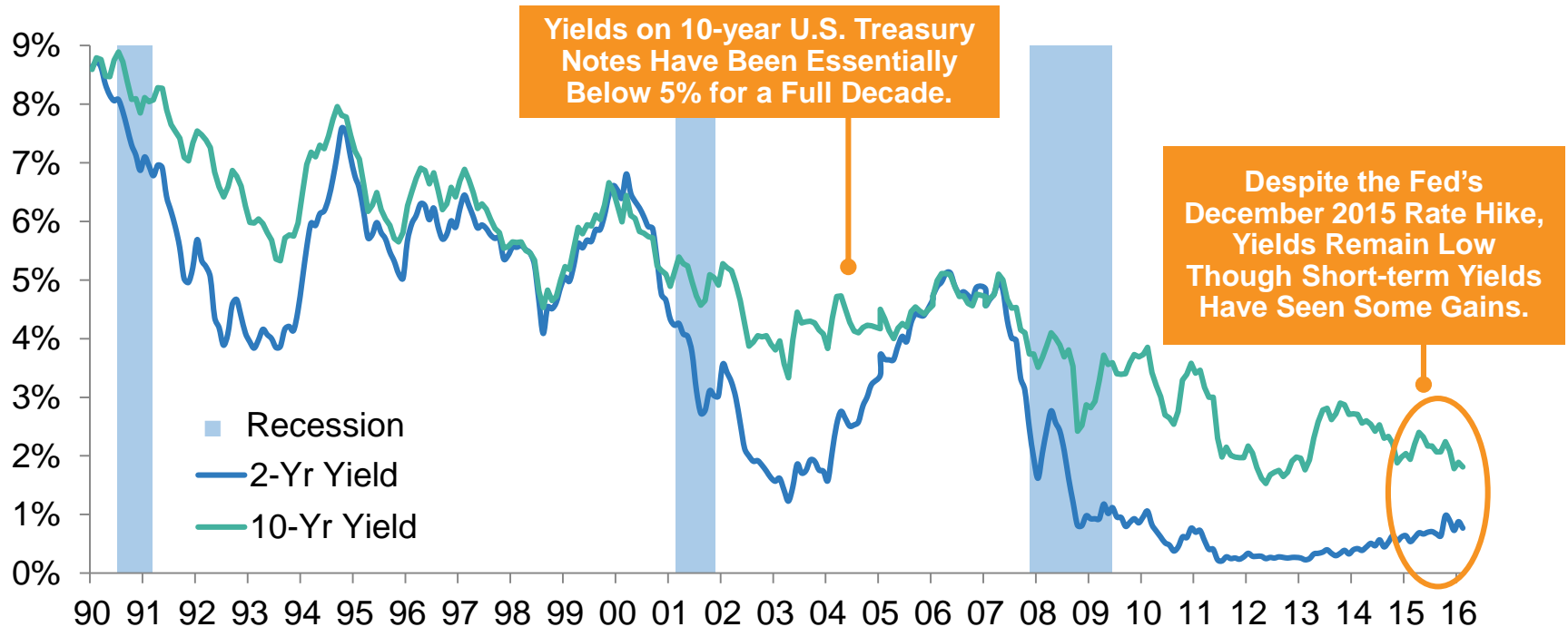
# Distribution of Invested Assets\*: P/C Insurance Industry, 2015

**Total Invested Assets=  
\$1.53 Trillion**



\*Unaffiliated investments  
Sources: SNL Financial; Insurance Information Institute

# U.S. Treasury Security Yields: A Long Downward Trend, 1990-2016\*



**Bonds constitute slightly more than 2/3 of P/C industry investments. Roughly 36% of P/C bonds are in 1-5-year durations, so they will respond to rising interest rates in just a few years. But nearly half of the bond portfolio is in 5-year or longer durations, which will take longer to rise.**

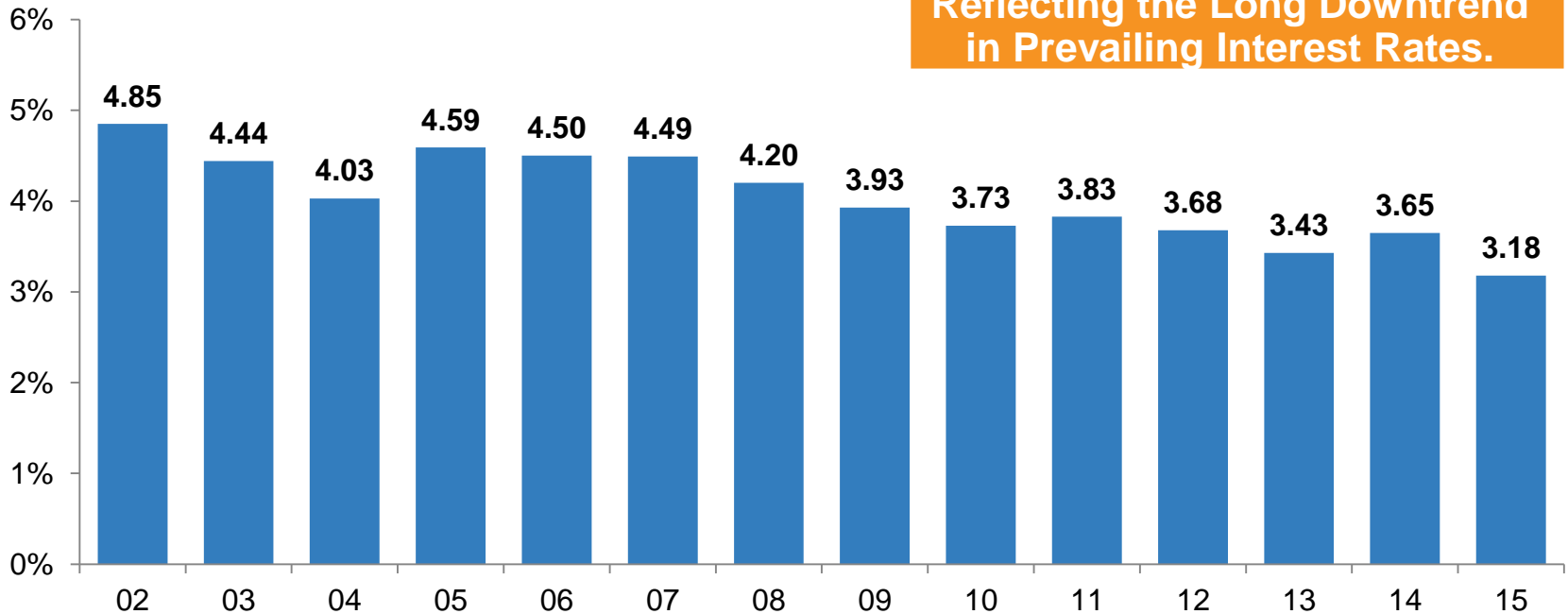
\*Monthly, constant maturity, nominal rates, through April 2016.

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



# P/C Insurer Portfolio Yields, 2002-2015

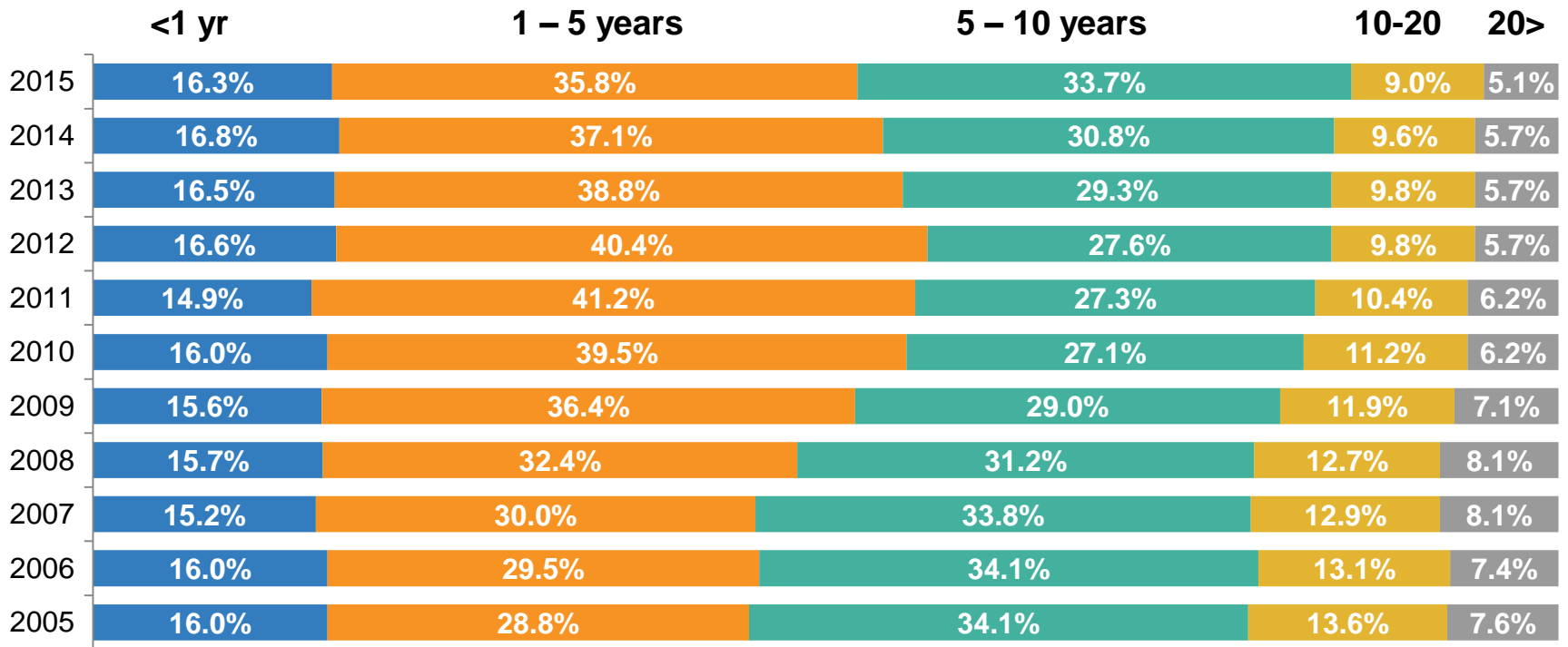
**P/C Carrier Yields Have Been Falling for Over a Decade, Reflecting the Long Downtrend in Prevailing Interest Rates.**



**Even as Prevailing Rates Rise in the Next Few Years, Portfolio Yields Are Unlikely to Rise Quickly, Since Low Yields of Recent Years Are “Baked In” to Future Returns.**



# Distribution of Bond Maturities, P/C Insurance Industry, 2005-2015

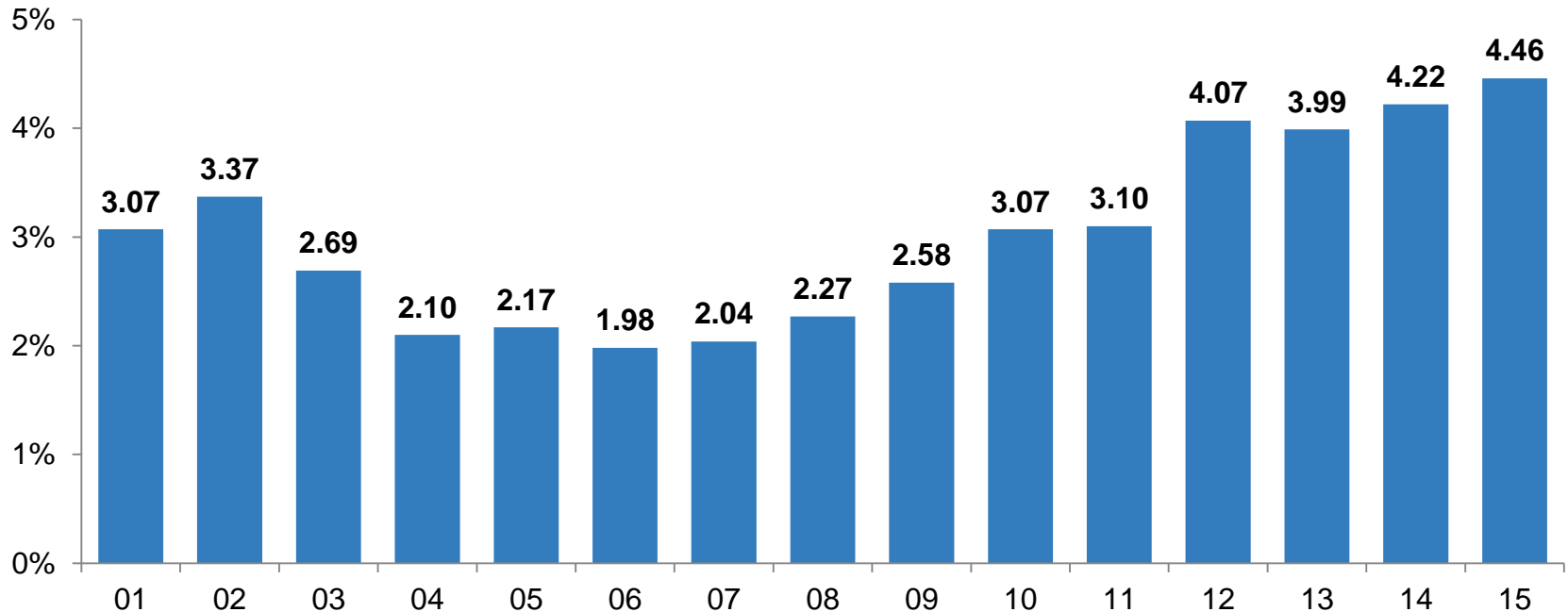


**Two main shifts over these years:**  
**From 2007 to 2011-12, from bonds with longer maturities to bonds with shorter maturities.**  
**But beginning in 2013, the reverse.**  
**Note, however, that the percentages in bonds with maturities over 10 years continues to drop.**



Sources: National Association of Insurance Commissioners data, sourced from S&P Global Market Intelligence; Insurance Information Institute.

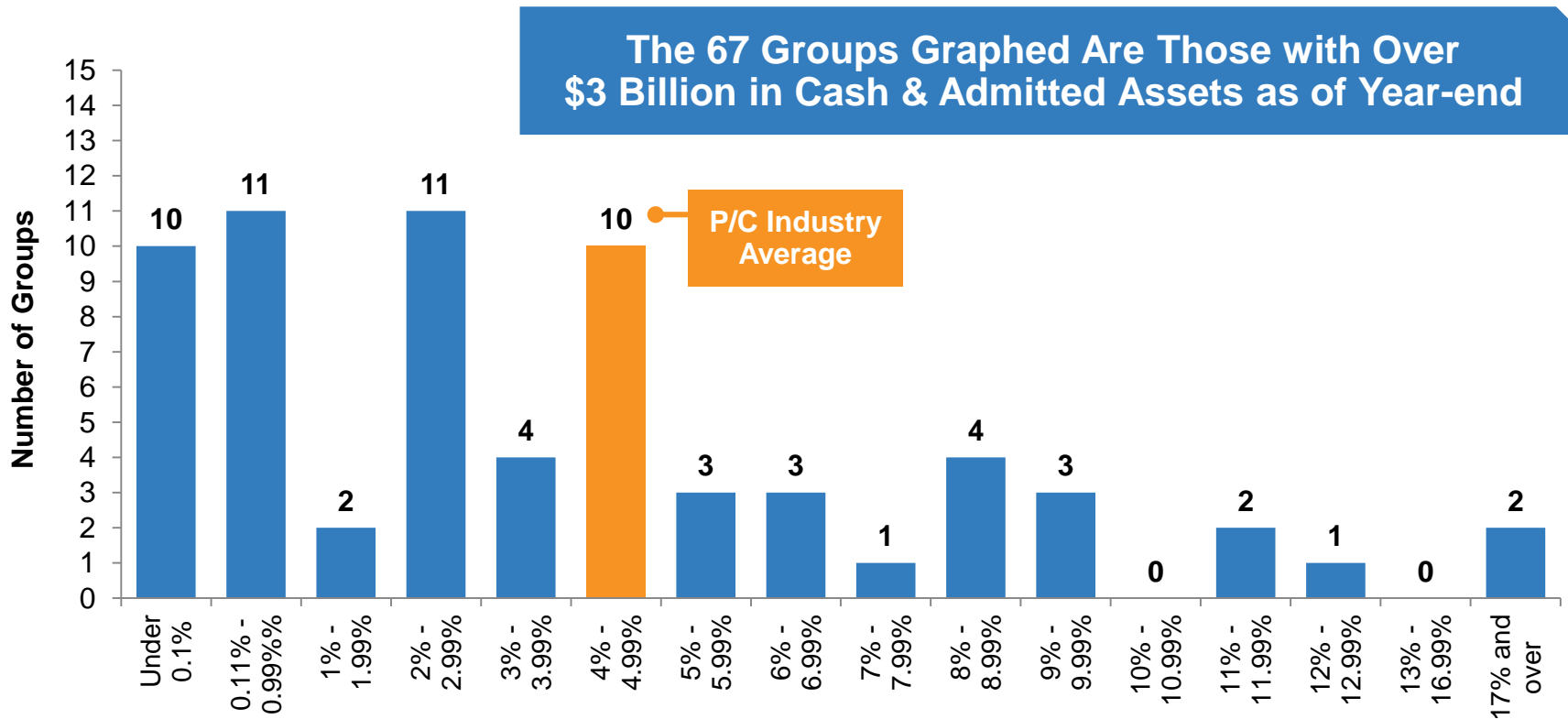
# P/C Insurers: Below-Investment-Grade (BIG) Bonds as a Percent of Total Bonds, 2001-2015



**Chasing Yield? As a Group, P/C Carriers Have Increased the Percentage of Bond Investments in Riskier Instruments. Since 2006, That Percentage Has Risen About 250 Basis Points. As Interest Rates Rise, Will This Percentage Return to Pre-recession Levels?**



# P/C Insurer Groups Holdings of BIG\* Bonds as a Percent of Total Bonds, 2014



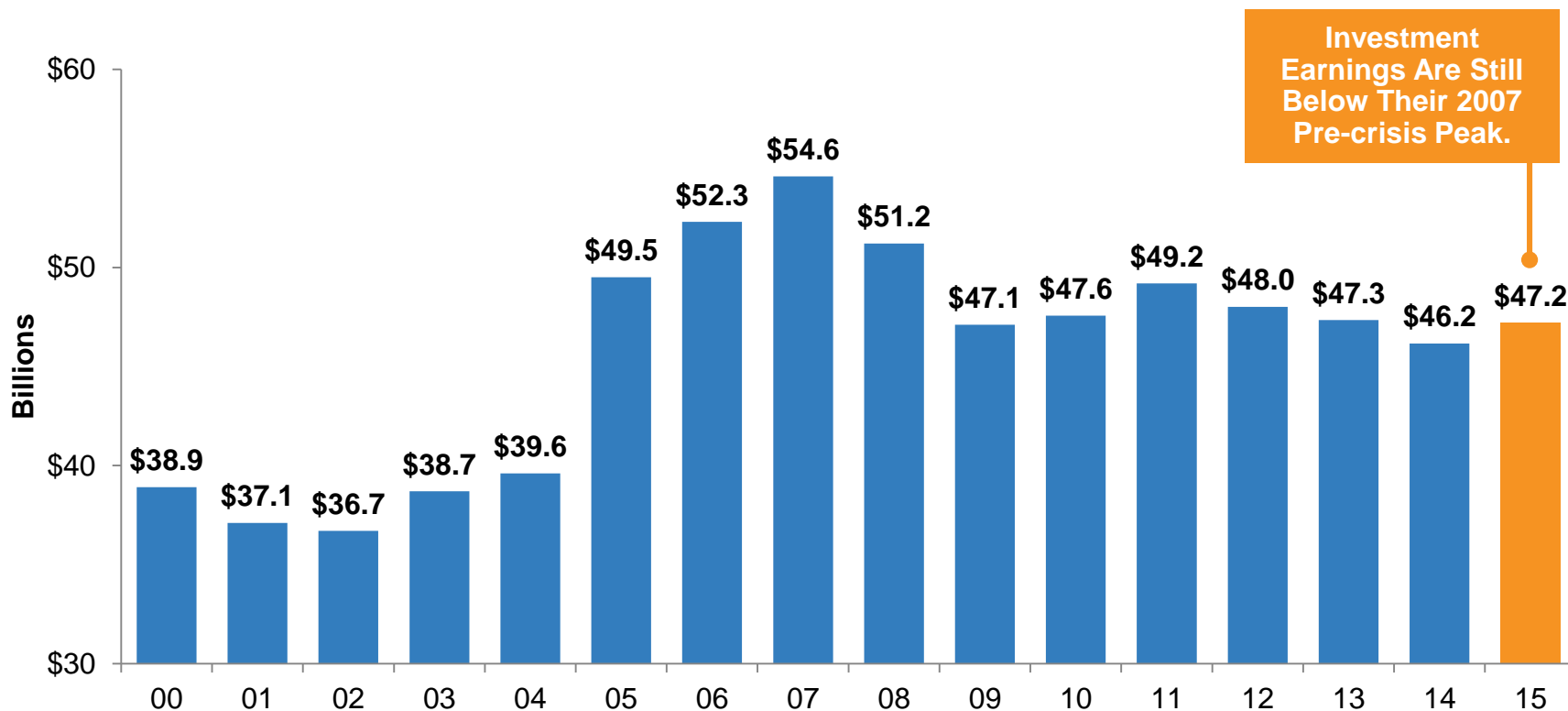
**There is a Wide Disparity Among Insurance Groups Regarding Holdings of Below-investment-grade Bonds. Some Hold None (Or Almost None); a Few Have Over 10% of Their Bond Portfolio in BIGs.**



\*Below Investment Grade

Sources: NAIC, via SNL Financial; Insurance Information Institute.

# Property/Casualty Insurance Industry Investment Income: 2000-2015<sup>1</sup>



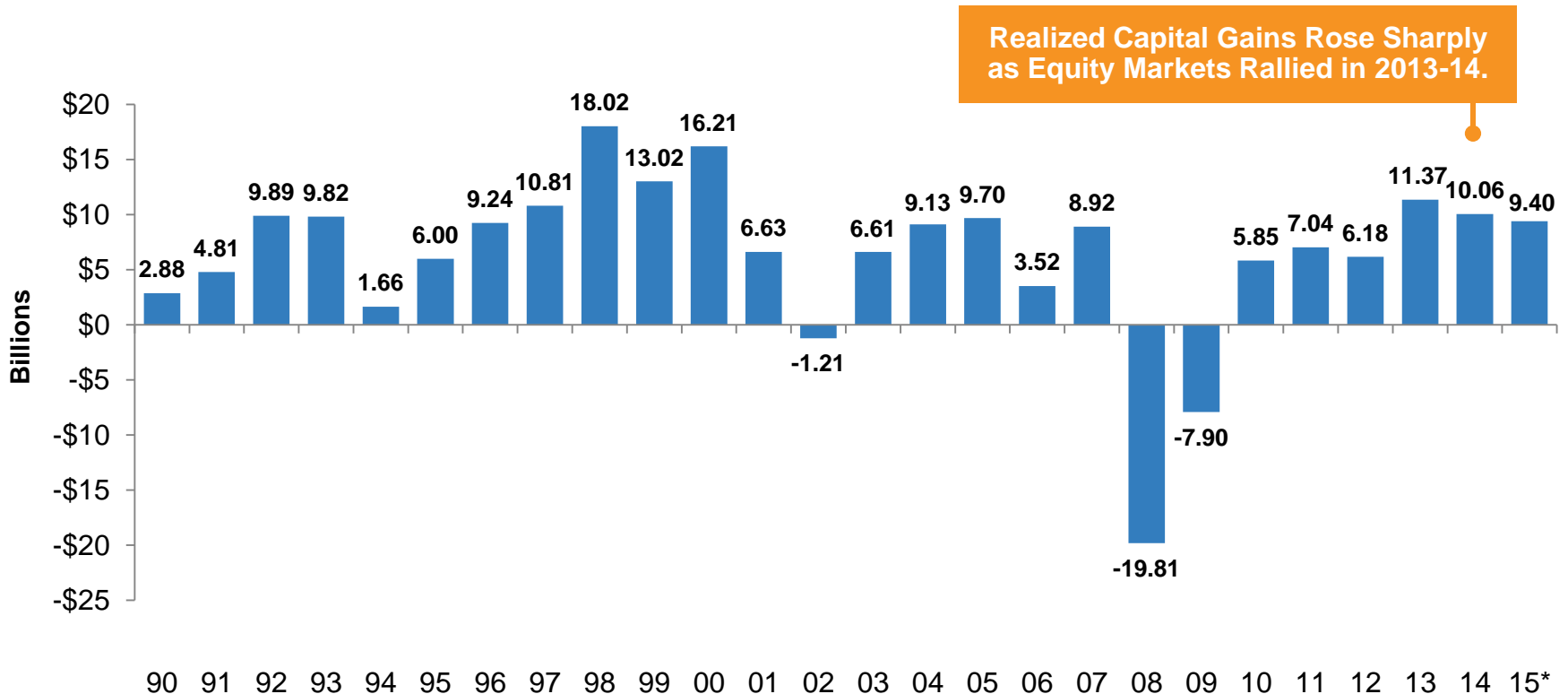
**Due to Persistently Low Interest Rates, Investment Income is Basically Stuck at its 2009 Level**



<sup>1</sup>Investment gains consist primarily of interest and stock dividends.  
Sources: ISO, a Verisk Analytics company; Insurance Information Institute.



# P/C Insurer Net Realized Capital Gains/Losses, 1990-2015

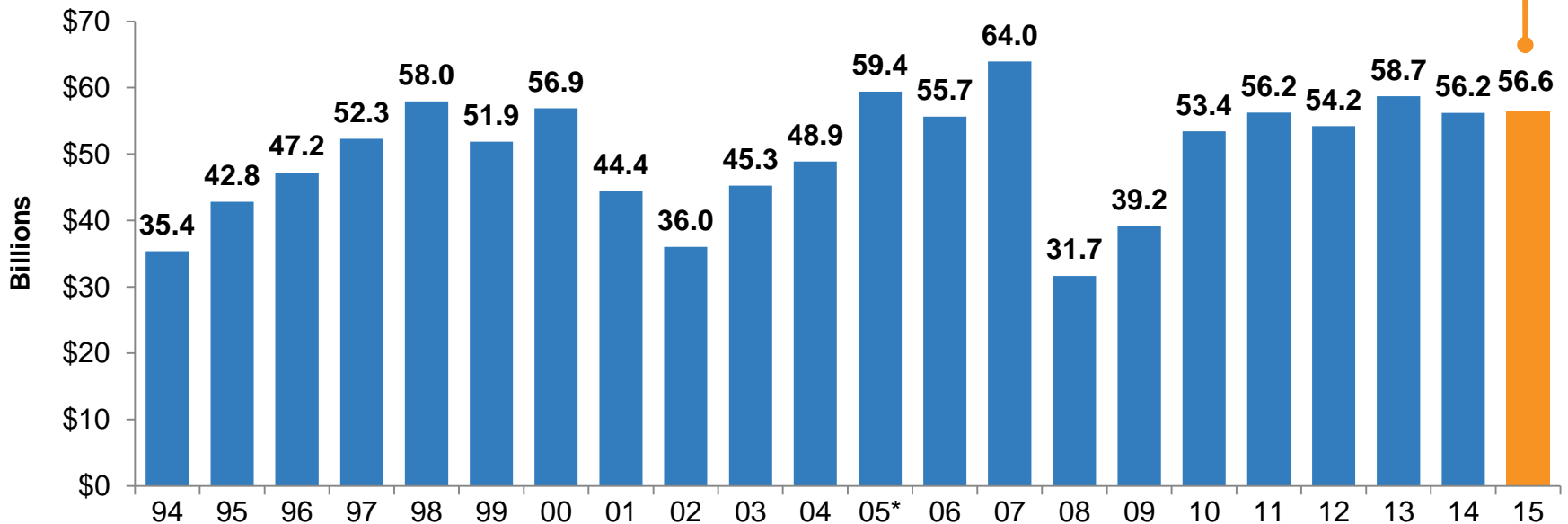


**Insurers Posted Net Realized Capital Gains in 2010-2014 Following Two Years of Realized Losses During the Financial Crisis. Realized Capital Losses Were a Primary Cause of 2008-09's Large Drop in Profits and ROE.**



# Property/Casualty Insurance Industry Investment Gain: 1994-2015<sup>1</sup>

Investment Gains in 2015 were Virtually the Same as Those Earned in 2010-14 but Still Well Below the Pre-crisis High.



**Total Investment Gains Were Flat in 2015 as Realized Capital Gains Remained Robust.**

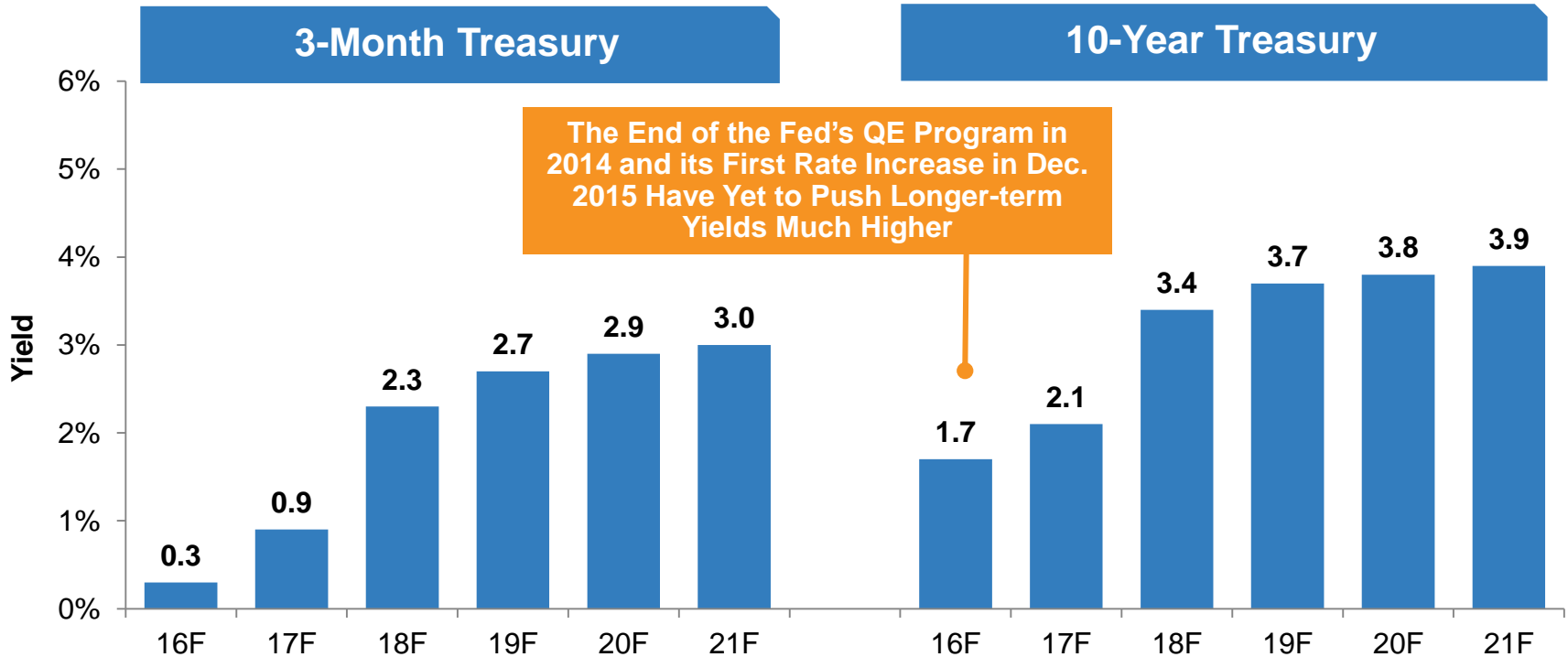
<sup>1</sup>Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.

\*2005 figure includes special one-time dividend of \$3.2B

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



# Interest Rate Forecasts: 2016-2021

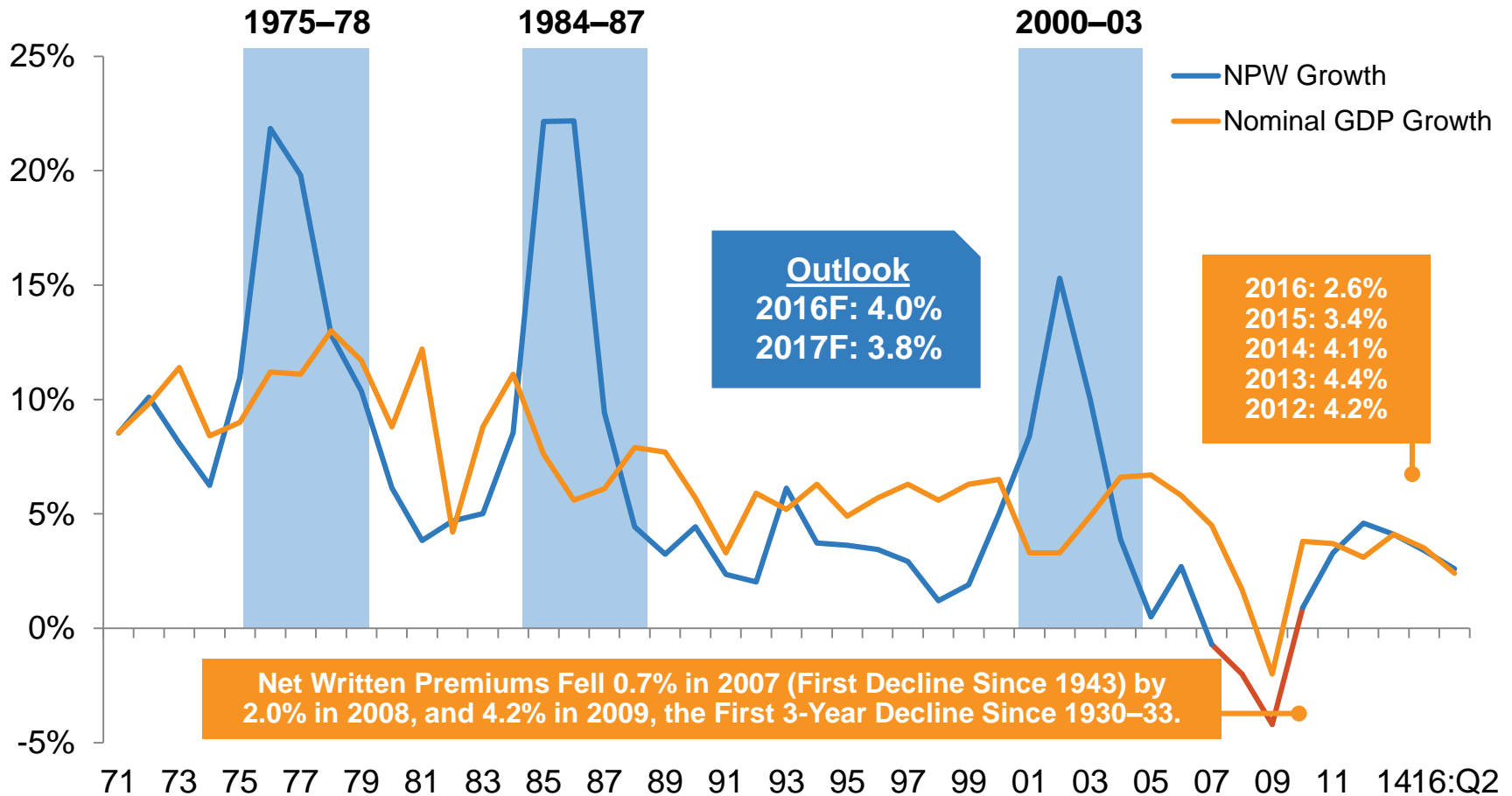


**A “Normalization” of Interest Rates is Unlikely Until 2019, More than a Decade After the Onset of the Financial Crisis. Note how flat the Yield Curve is Expected to be.**



# Underwriting Performance

# Net Premium Growth (All P/C Lines): Annual Change, 1971-2016

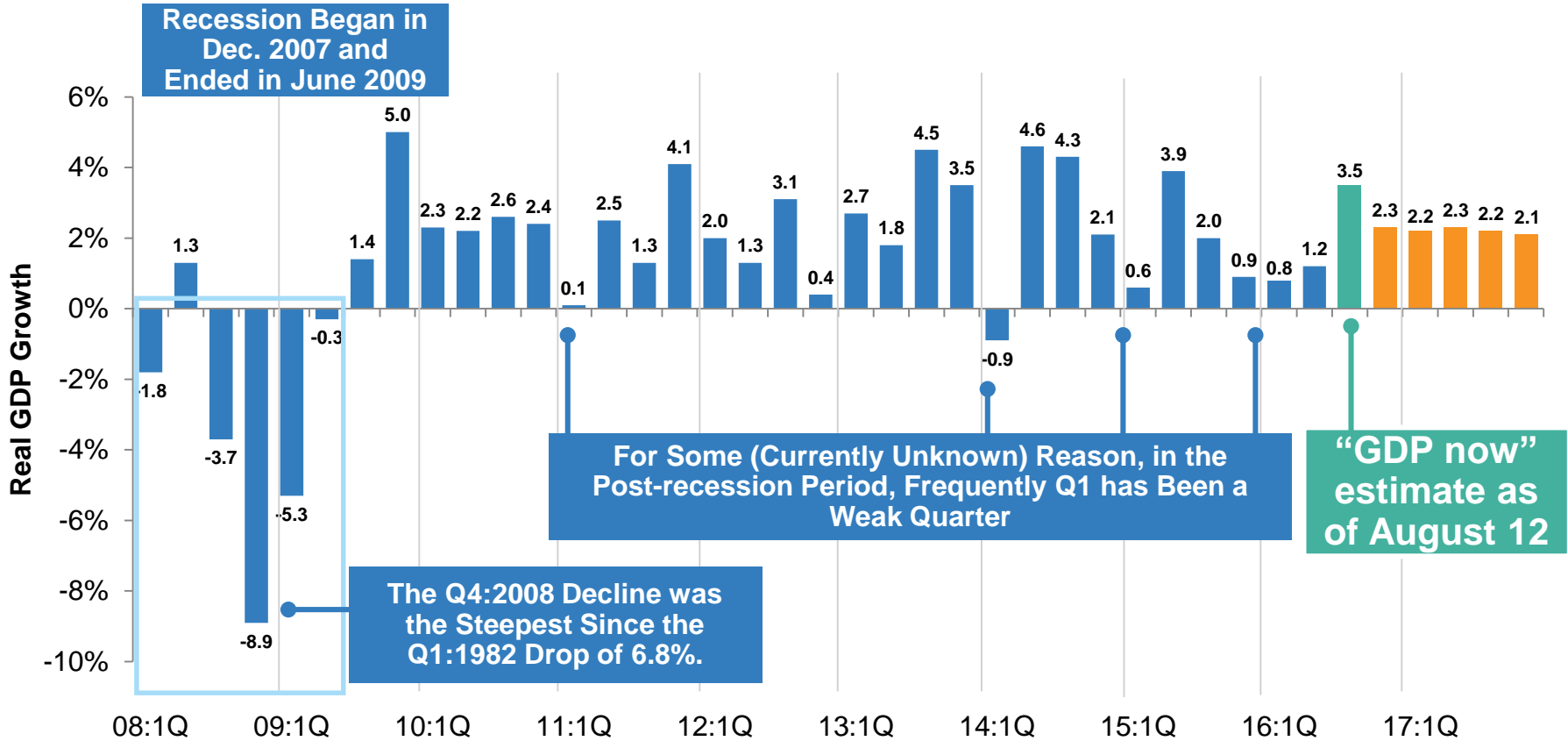


Shaded areas denote "hard market" periods

Sources: FRED Economic Data for GDP; A.M. Best (1971-2013), ISO (2014-15); NAIC data sourced from S&P Global Market Intelligence for 2016:Q2, Insurance Information Institute calculations.



# U.S. Real GDP Growth,\* Quarterly



**Demand for Insurance Should Increase Slowly in 2016 as GDP Growth Continues at a Steady, Albeit Moderate Pace and Gradually Benefits the Economy Broadly**

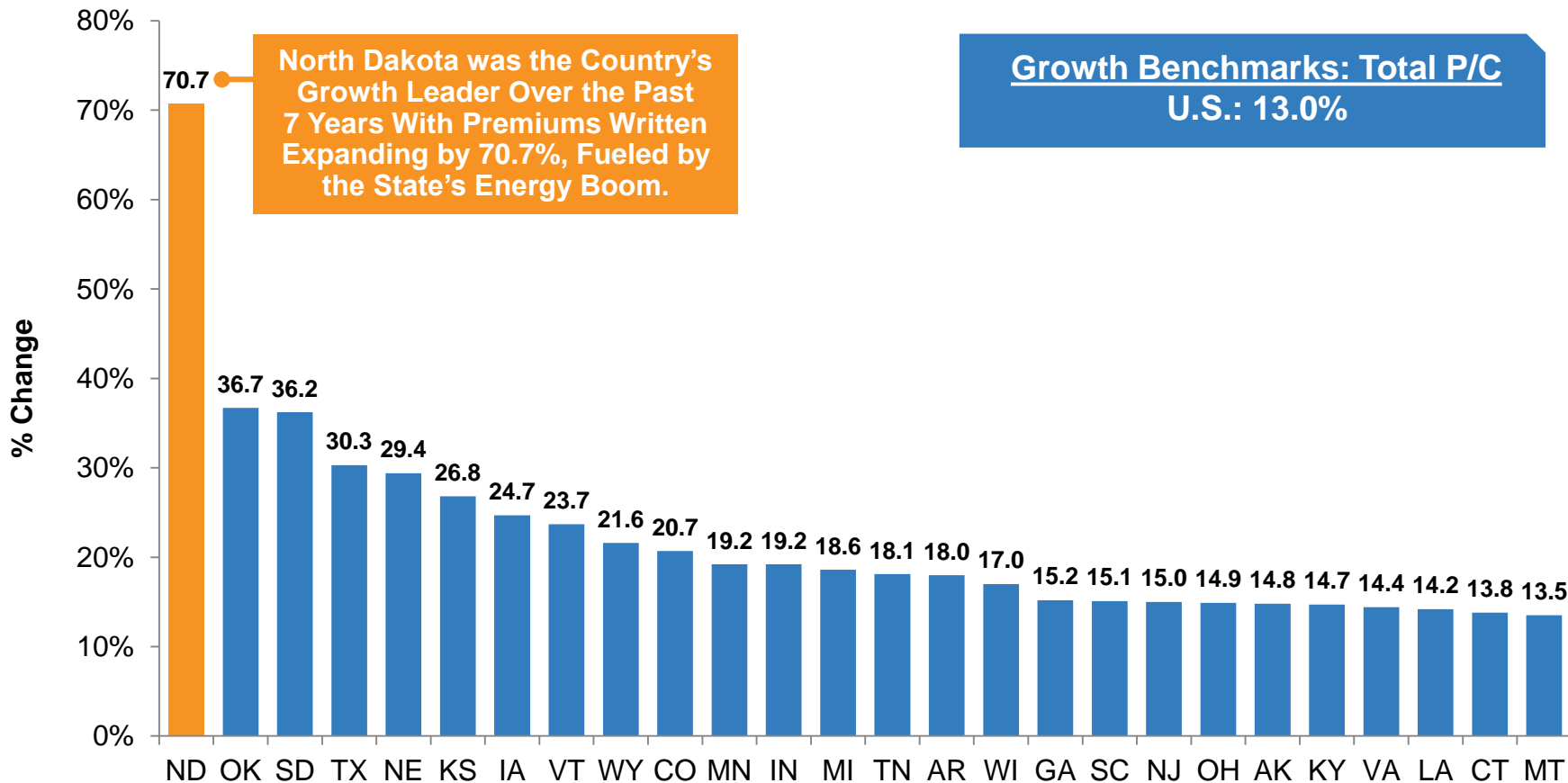


\*Estimates/Forecasts (gold bars) from Blue Chip Economic Indicators.

Sources: U.S. Department of Commerce, Blue Chip Economic Indicators 8/10; Insurance Information Institute.

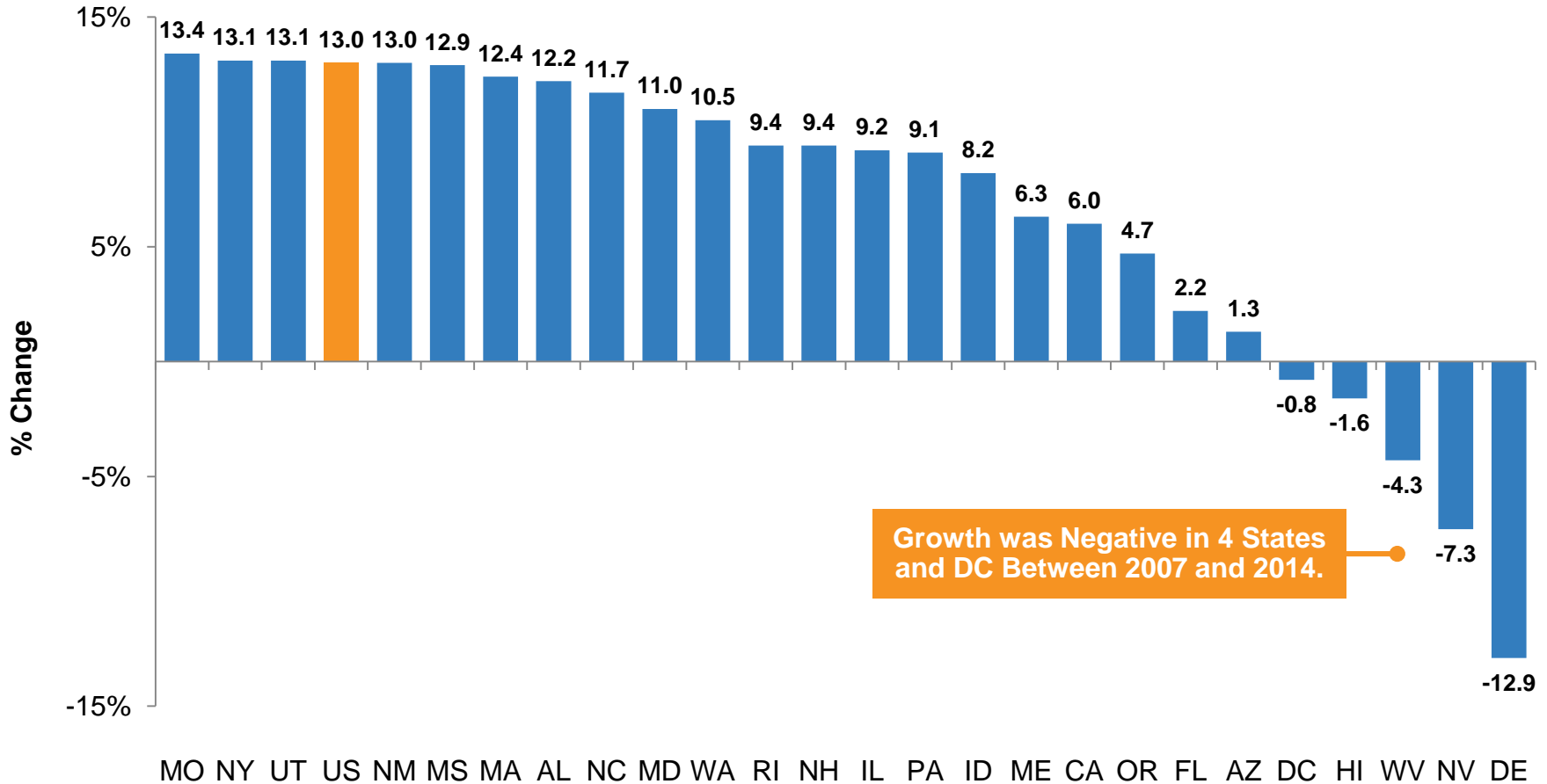
# Direct Premiums Written: Total P/C Percent Change by State, 2007-2014

## Top 25 States



# Direct Premiums Written: Total P/C Percent Change by State, 2007-2014

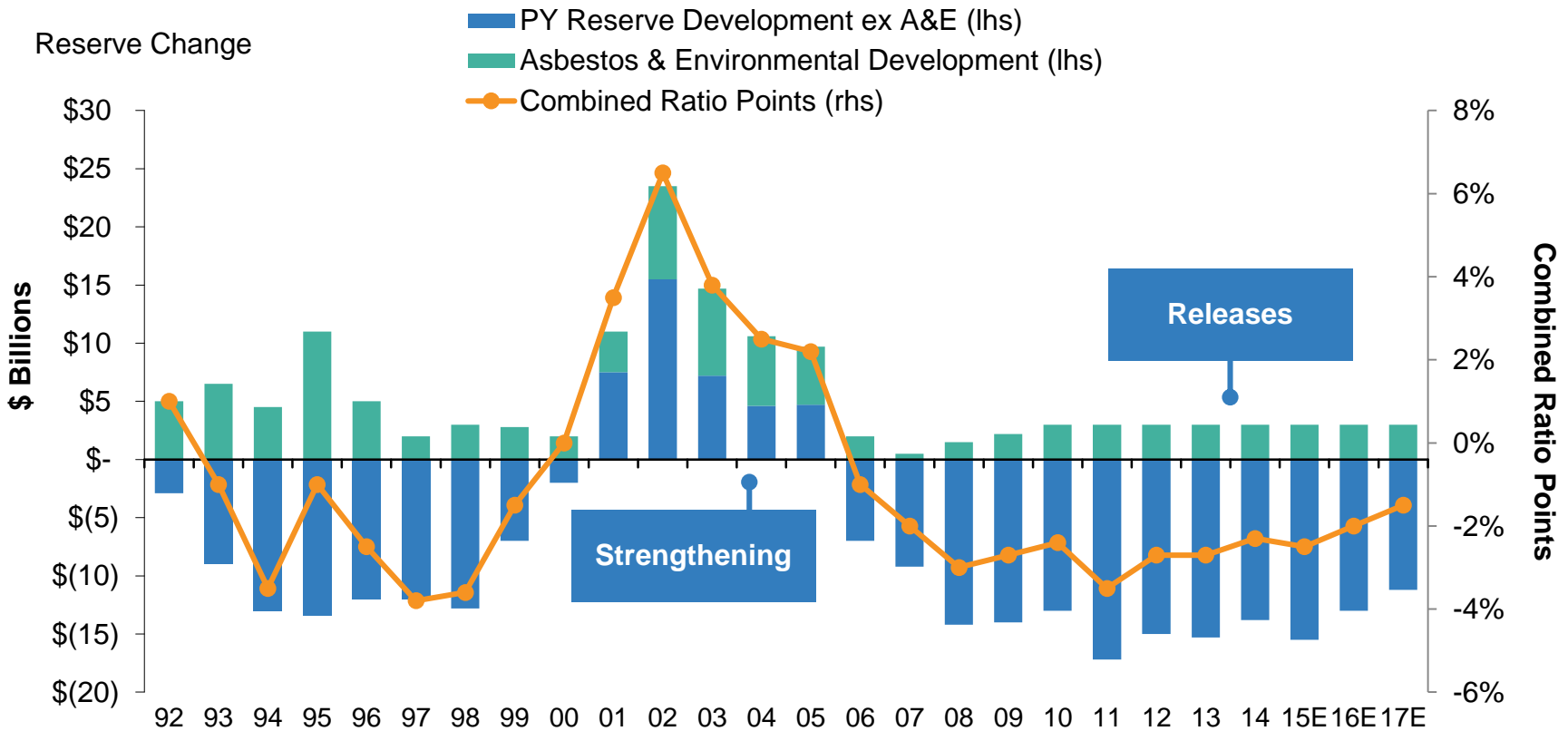
## Bottom 25 States





# P/C Insurance Loss Reserve Development, 1992-2017E\*

Reserve Releases Are Expected to Taper Off Slowly, But They Will Continue to Benefit the Bottom Line and Combined Ratio Through at Least 2017



Sources: A.M. Best; Barclays research for estimates.

# P/C Direct Written Premium by Line

(Billions of Dollars)

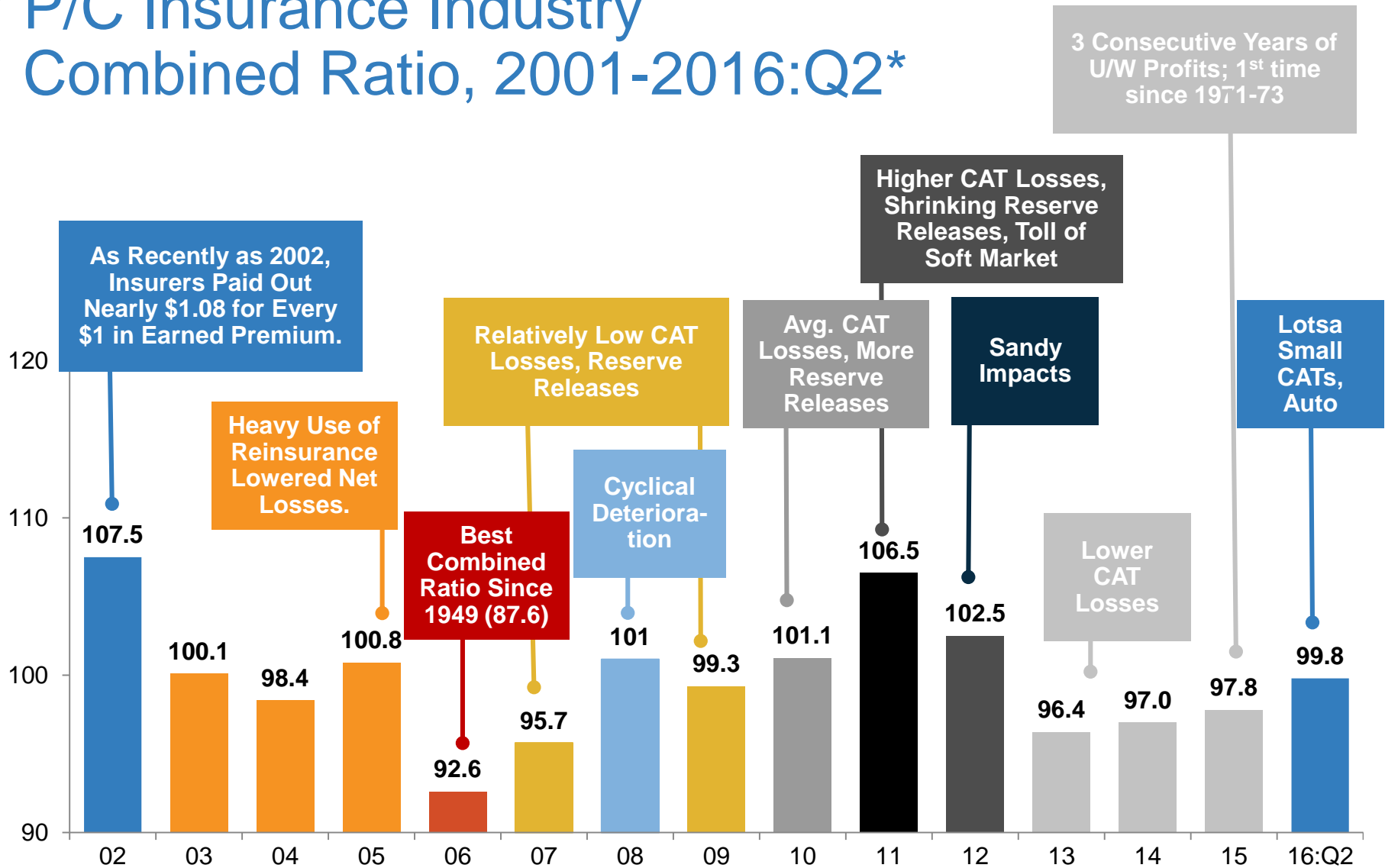
LOB	2016	2015	% Chg From Year Earlier
Personal Auto Liab	62.5	59.1	5.8%
Homeowners	46.4	45.3	2.3%
PhysDam (PA, CA)	46.4	43.4	7.1%
GL (incl Products)	32.9	32.1	2.4%
WC	29.5	28.8	2.5%
Fire & Allied Lines	17.3	18.3	-5.5%
CMP	20.2	20.1	0.5%
Comm Auto Liab	12.8	12.3	4.2%
Other	32.9	32.4	1.5%
<b>Total</b>	<b>300.9</b>	<b>291.8</b>	<b>3.1%</b>



Through Q2

Sources: NAIC data from S&P Global Intelligence, Insurance Information Institute.

# P/C Insurance Industry Combined Ratio, 2001-2016:Q2\*



\*Excludes Mortgage & Financial Guaranty insurers 2008-2014.

Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012=103.2; 2013=96.1; 2014=97.0.

Sources: A.M. Best; ISO, a Verisk Analytics company; 2010-2014 is from A.M. Best P/C Review and Preview, February 16, 2016; 2015 from I.I.I./PCI/ISO; 2016 Estimate from I.I.I. based on S&P Global Market Intelligence data.



# P/C Direct Incurred Loss Ratio by LOB

LOB	2016	2015	Chg From Year Earlier
Personal Auto Liab	72	68	4
Homeowners	56	55	1
PhysDam (PA, CA)	67	64	3
GL (incl Products)	52	51	1
WC	54	59	(5)
Fire & Allied Lines	56	55	1
CMP	51	48	3
Comm Auto Liab	64	62	3
Other	44	42	2
<b>Total</b>	<b>59</b>	<b>57</b>	<b>2</b>

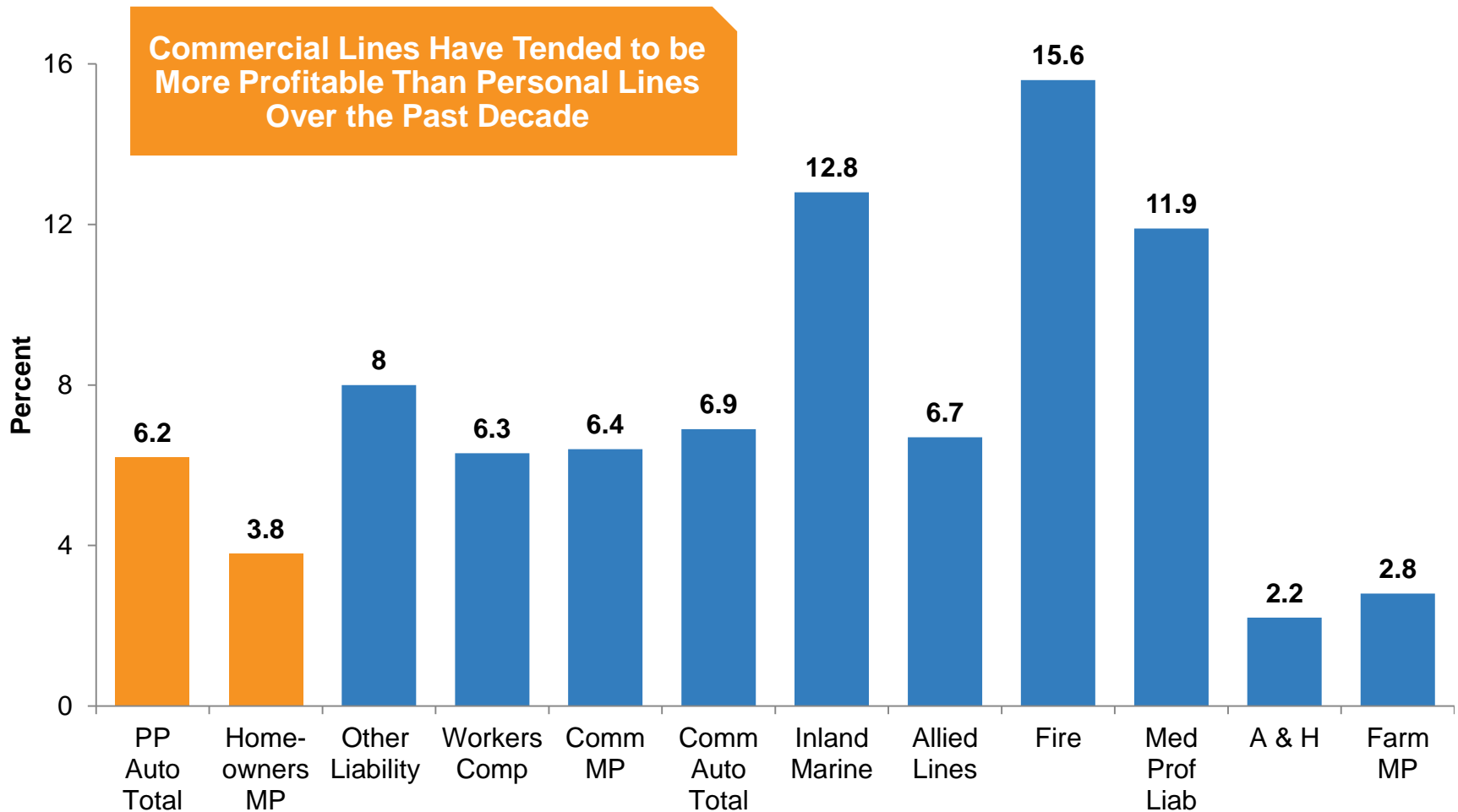
**Positive Number =  
Bad News**



Through Q2  
Sources: NAIC data from S&P Global Intelligence, Insurance Information Institute.

# Return on Net Worth (RNW)

## Largest Lines: 2005-2014 Average

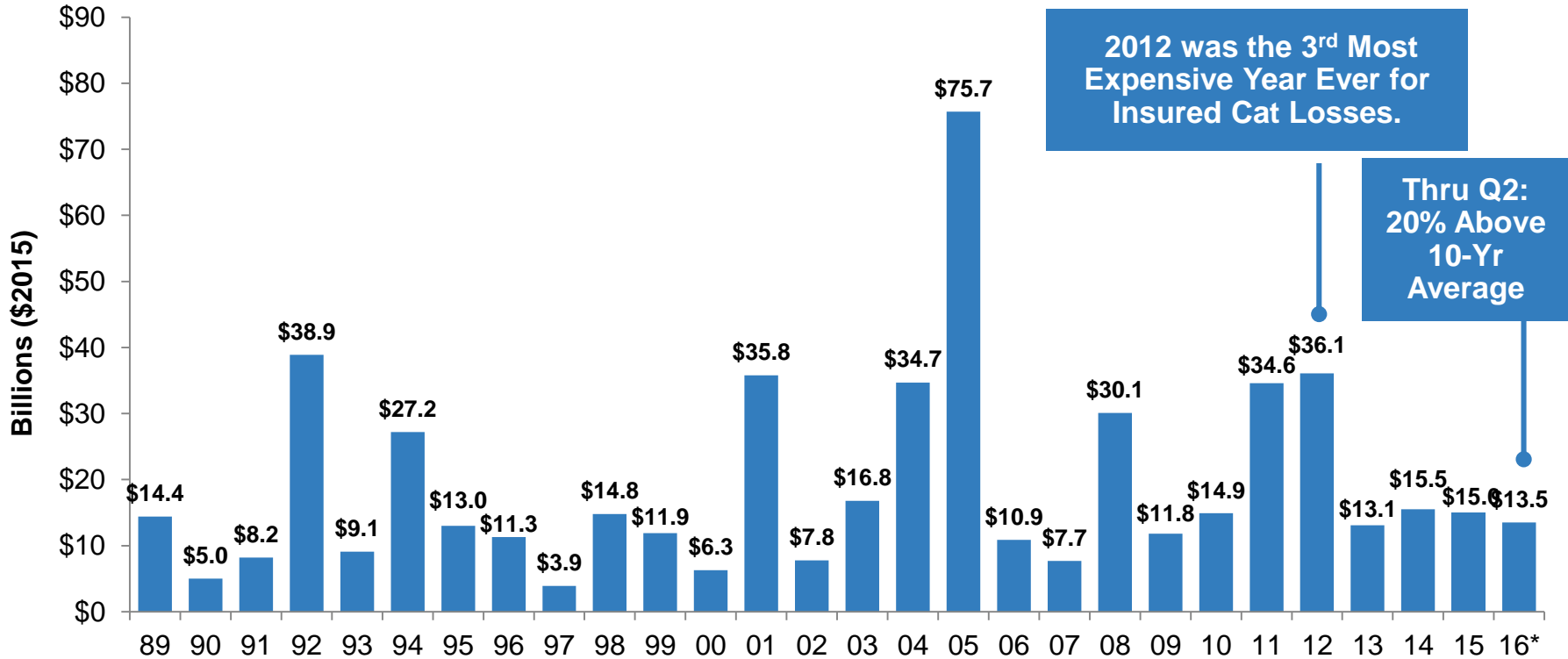


\*GAAP basis.

Sources: ISO, a Verisk Analytics company; Fortune; Insurance Information Institute.

# Catastrophes

# U.S. Insured Catastrophe Losses



**2013/14/15 Were Welcome Respites from 2011/12, Which Were Among the Costliest Years for Insured Disaster Losses in U.S. History. Longer-term Trend is for More – Not Fewer – Costly Events.**

\*Estimate through first quarter.

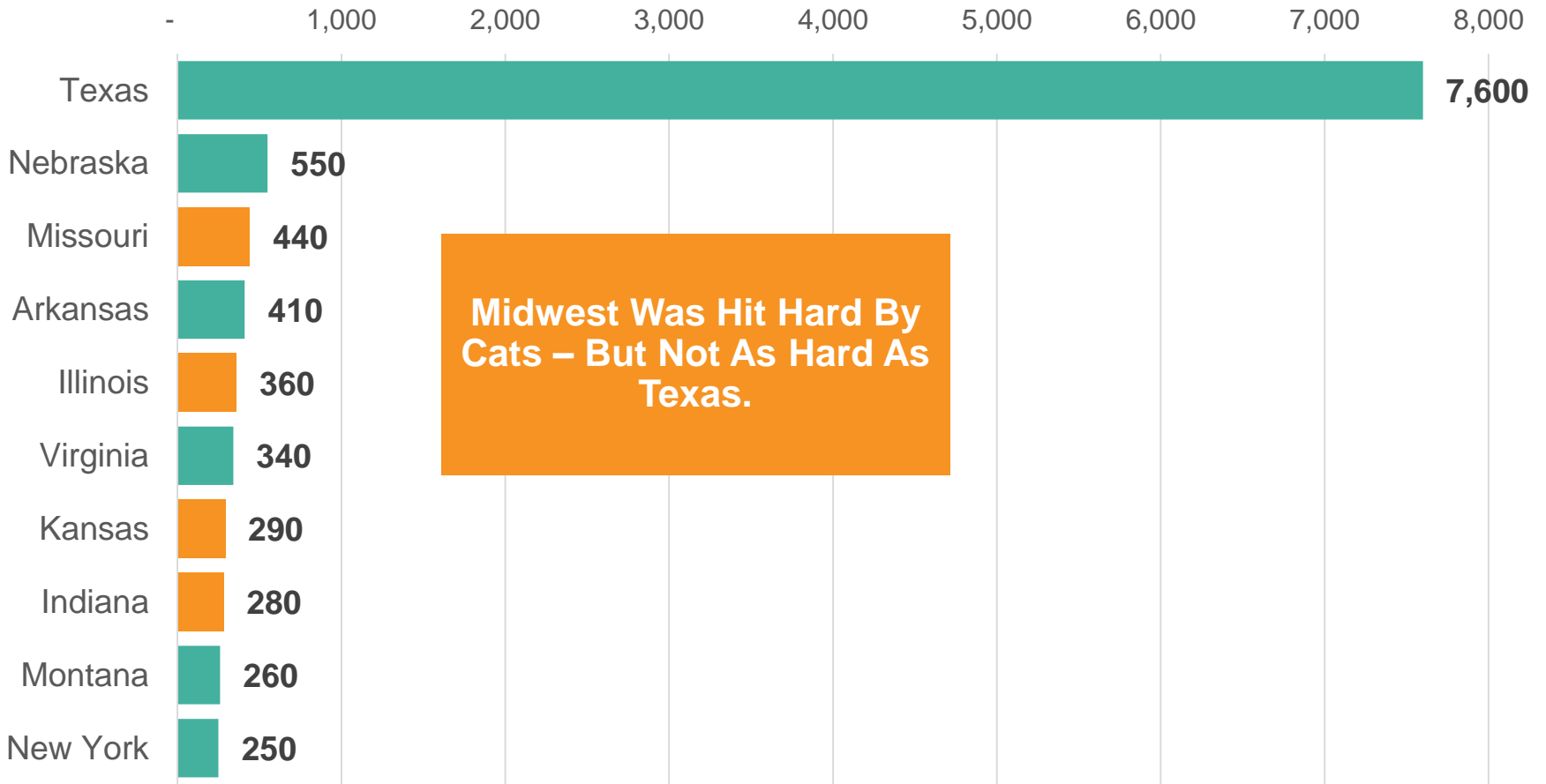
Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars).

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



# States Hit by Cats, First Half 2016

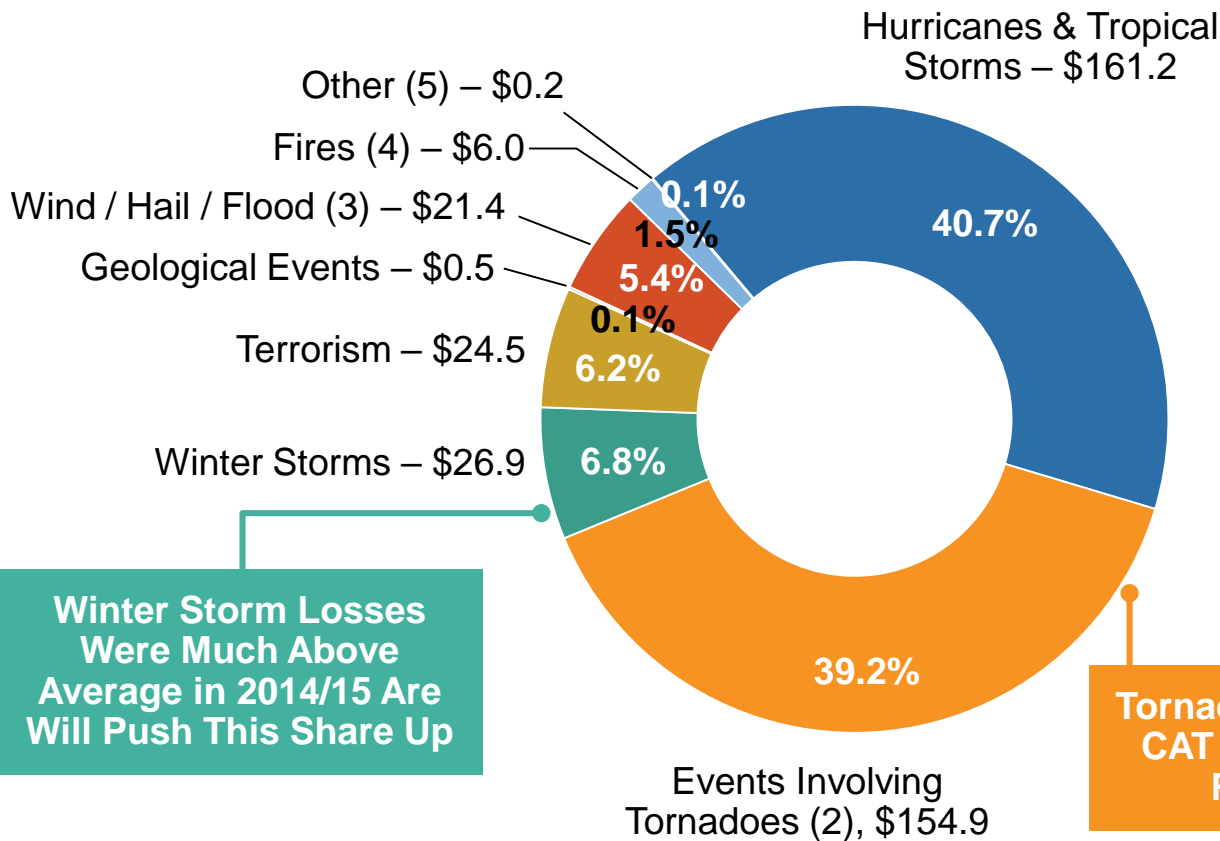
(Millions of Dollars)



Source: Property Claim Services.



# Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1995-2014<sup>1</sup>



**Insured Cat Losses from 1995-2014 Totaled \$395.6B, an Average of \$19.8B per Year or \$1.65B per Month**

**Wind Losses Are by Far Cause the Most Catastrophe Losses, Even if Hurricanes/TS Are Excluded**

**Winter Storm Losses Were Much Above Average in 2014/15 Are Will Push This Share Up**

**Tornado Share of CAT Losses is Rising**

<sup>1</sup>Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2014 dollars.

<sup>2</sup>Excludes snow.

<sup>3</sup>Does not include NFIP flood losses

<sup>4</sup>Includes wildland fires

<sup>5</sup>Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Amounts in billions of 2014 dollars. Source: ISO's Property Claim Services Unit.

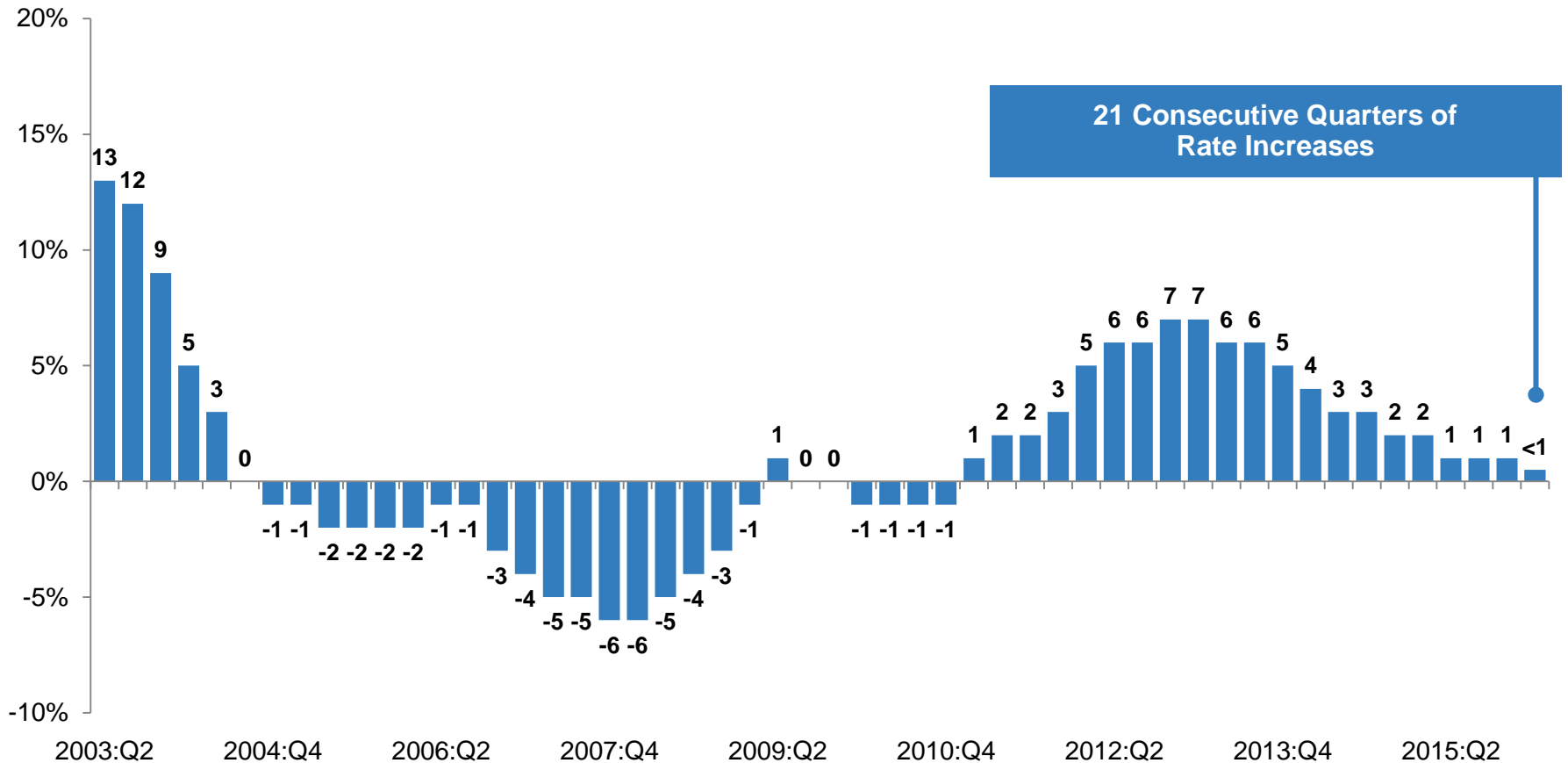


# Commercial Rates\*

Steady Going

*\*These Publicly Available Estimates May Differ Substantially  
From Events In Individual States and Markets*

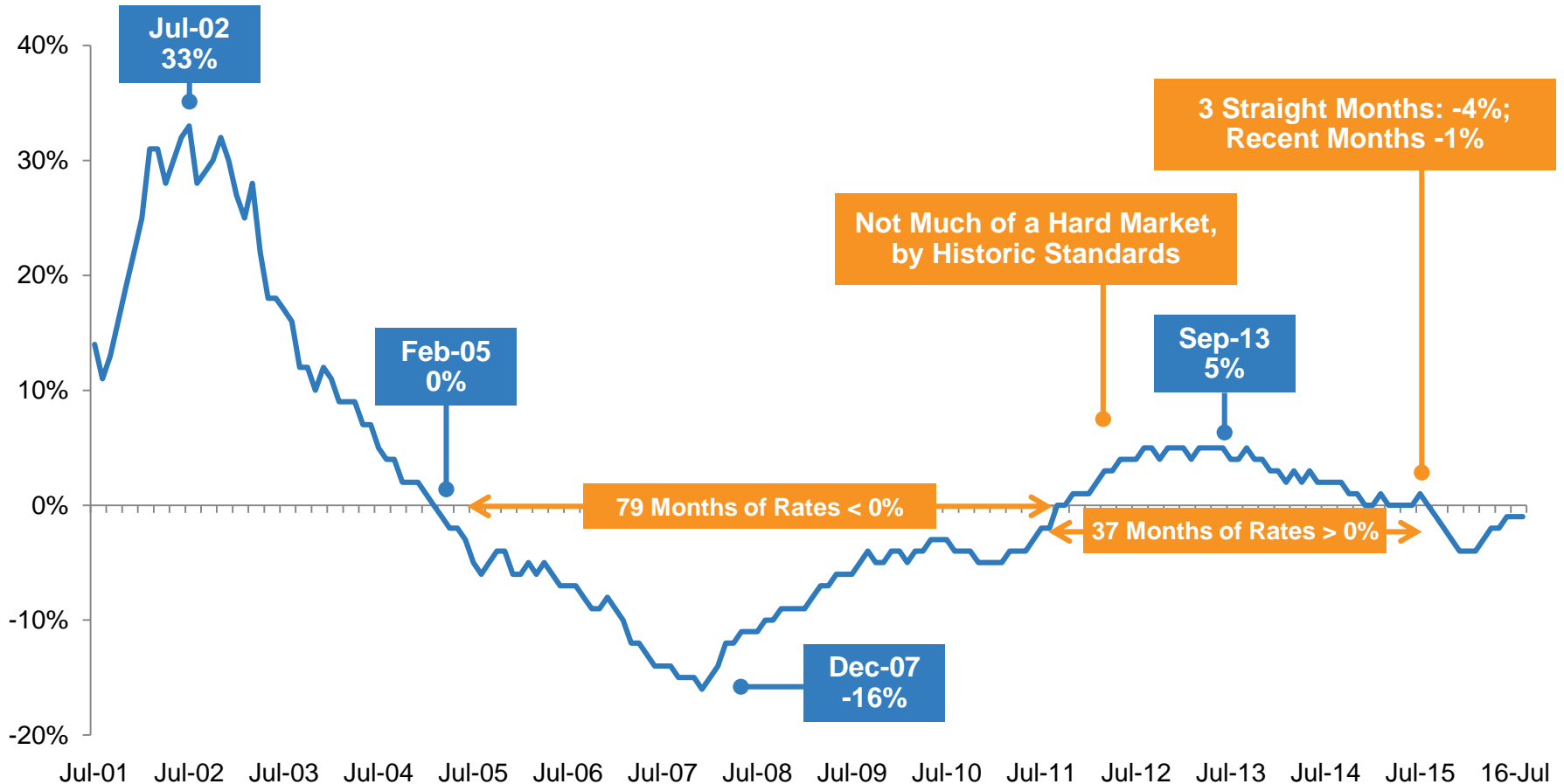
# Commercial Lines Rate Change by Quarter (vs. Year Earlier)



**First Quarter: <1% Decreases: WC, Property, D&O. 'Meaningful' Increases: Commercial Auto – similar to 2015:Q4**



# Commercial Lines Rate Change by Month (vs. Year Earlier)

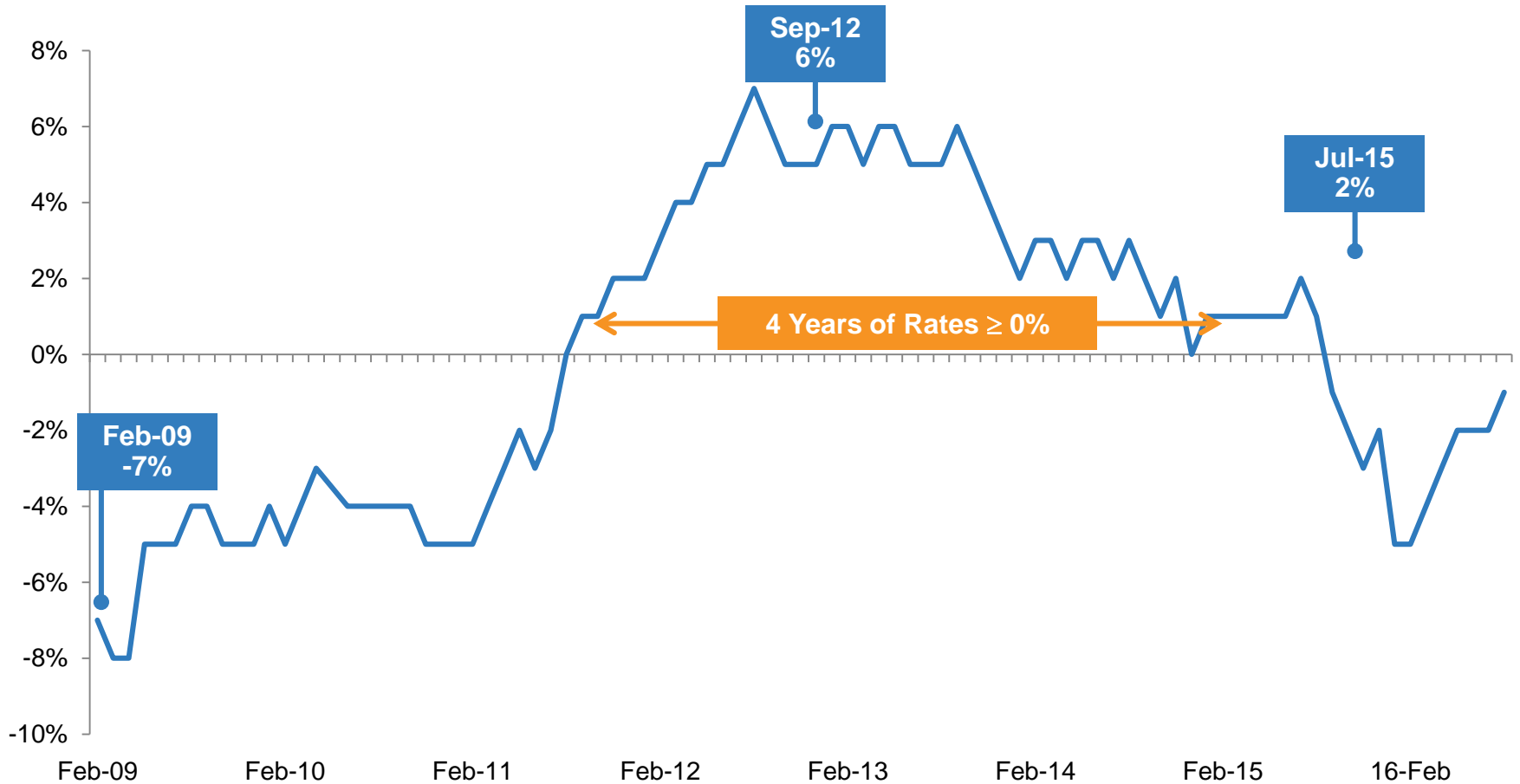


**Rates Are as Stable as They've Been in 15 Years. Modest Declines This Year but That May Be Ebbing. August: -1%**



Sources: MarketScout, Insurance Information Institute.

# Commercial Property Rate Change by Month (vs. Year Earlier)

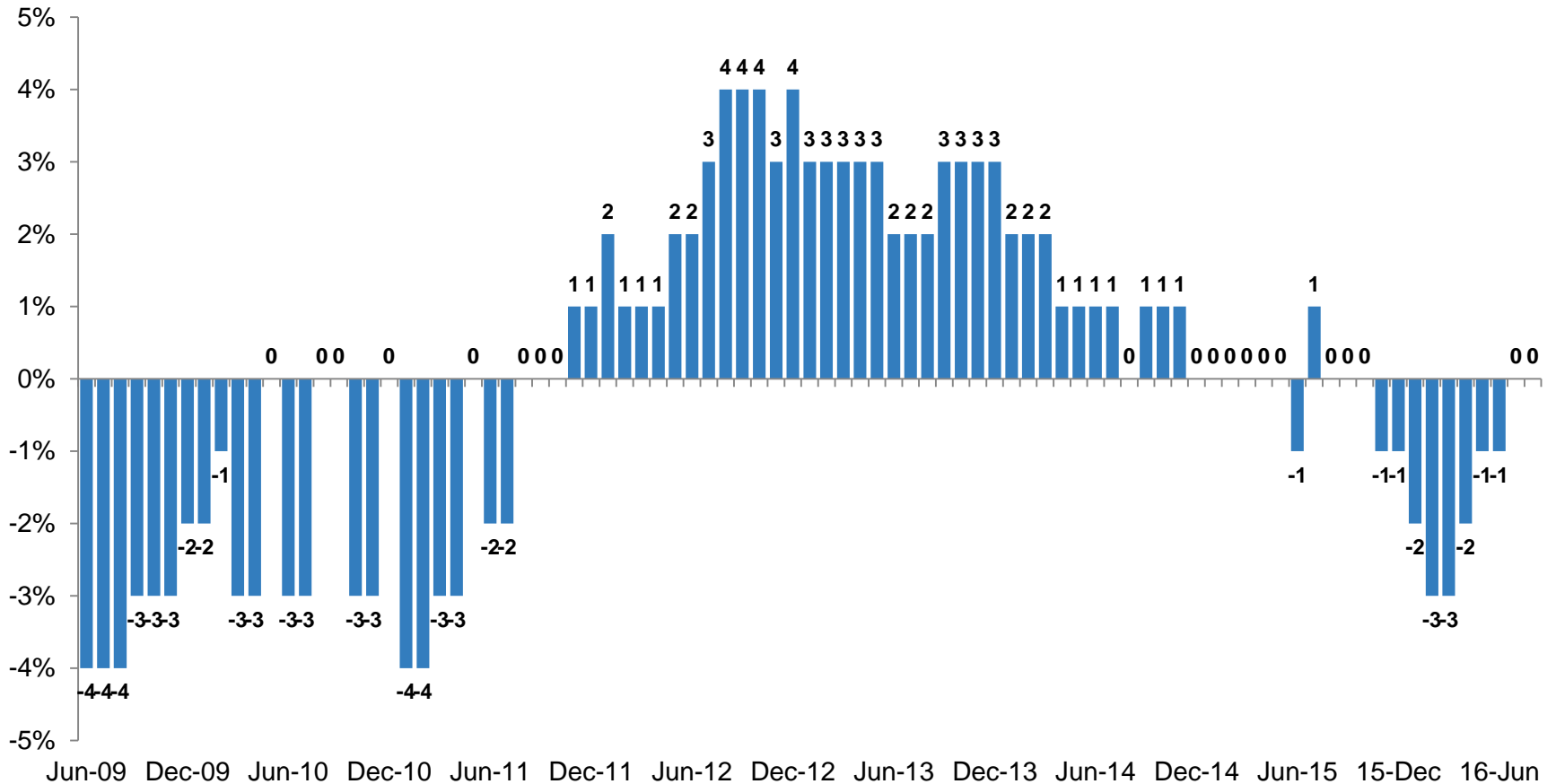


**Commercial Property Rates Track Closely with Commercial Rates Overall**

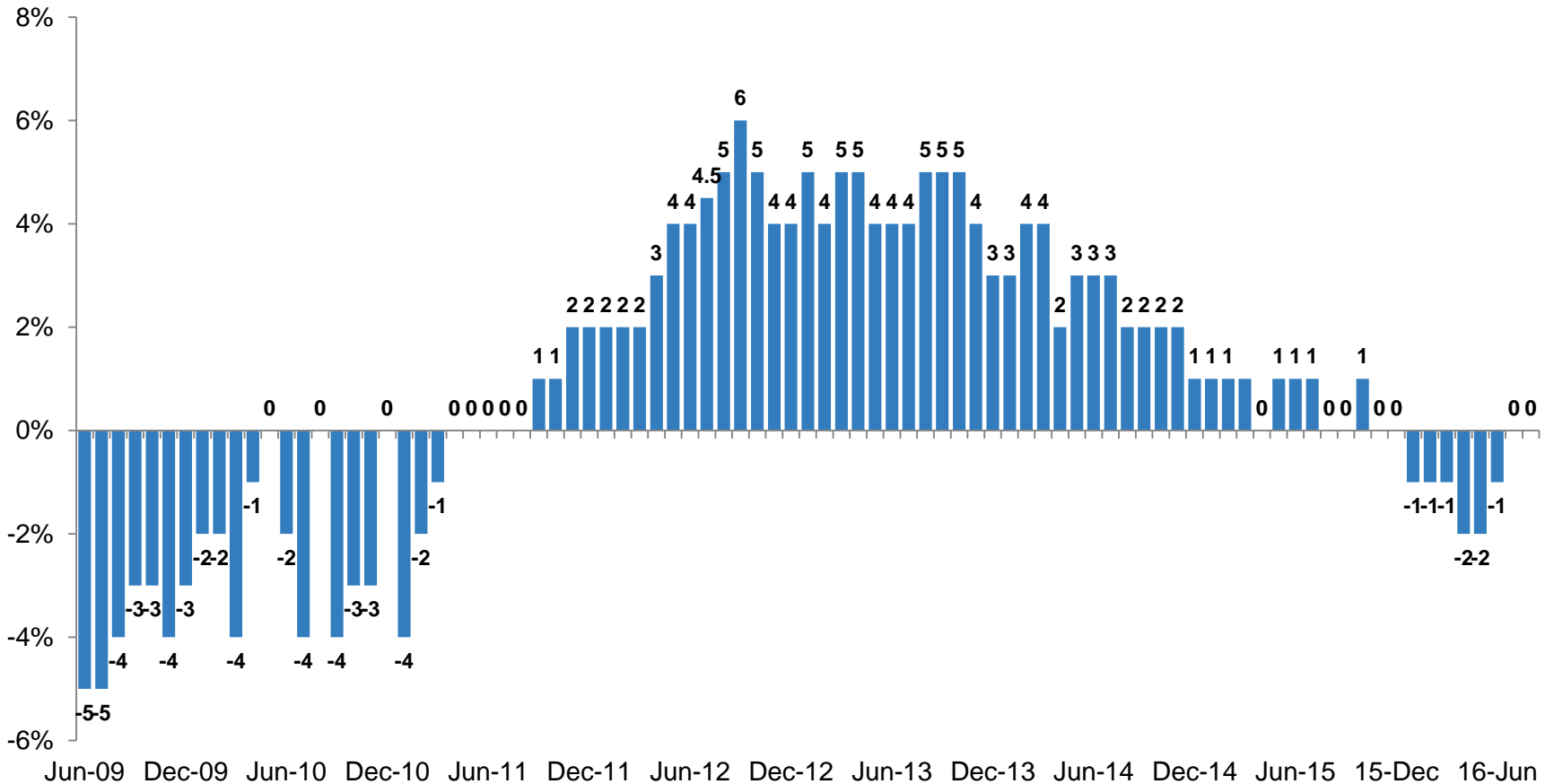


Sources: MarketScout, Insurance Information Institute.  
Interpolated Commercial Property Estimates for May, August, September 2010.

# Business Interruption Rate Change by Month (vs. Year Earlier)



# BOP Rate Change by Month (vs. Year Earlier)

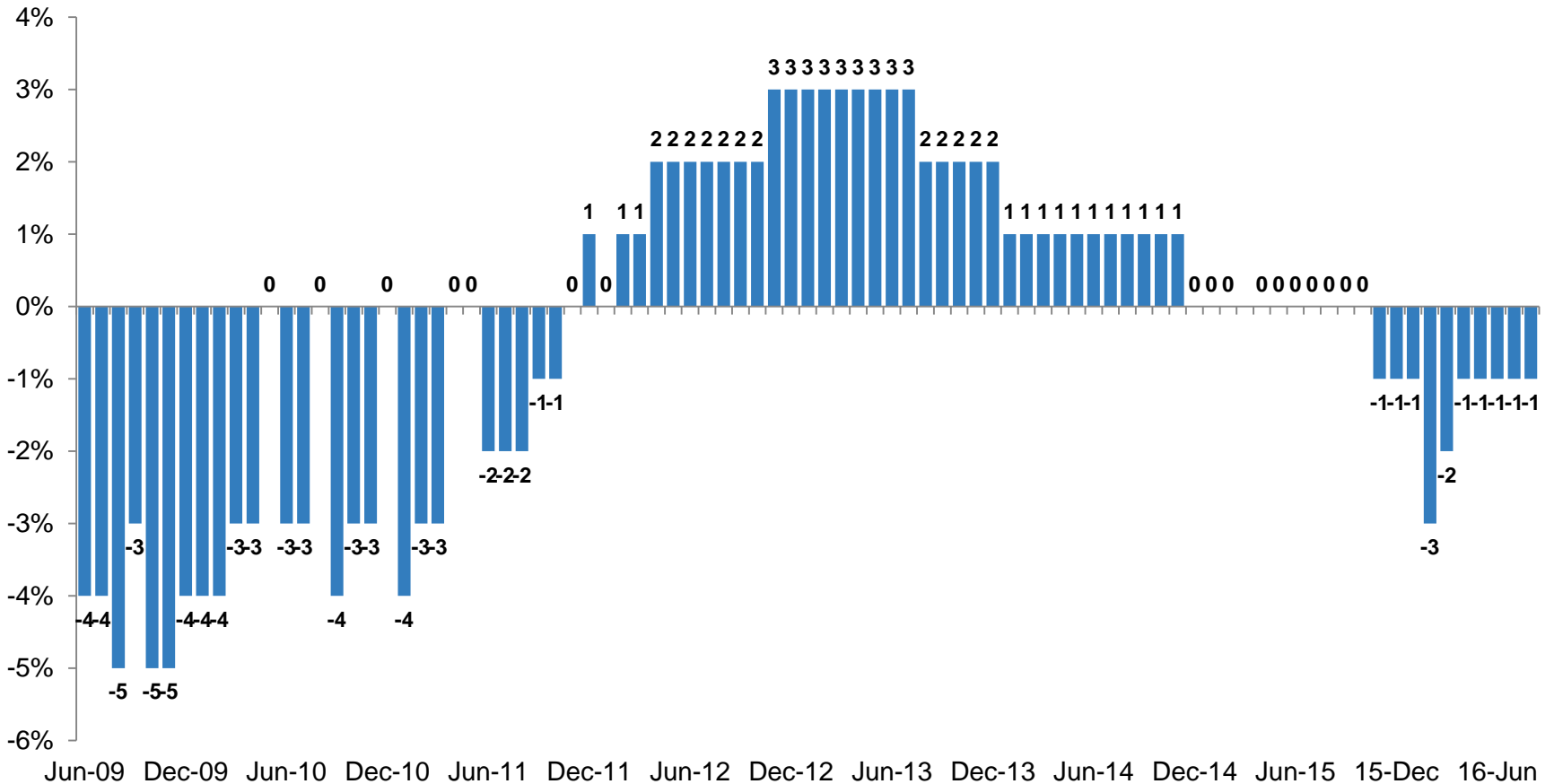


**Rate Change on Business Owners Policies Can Be Bellwether for Small Commercial Risks**



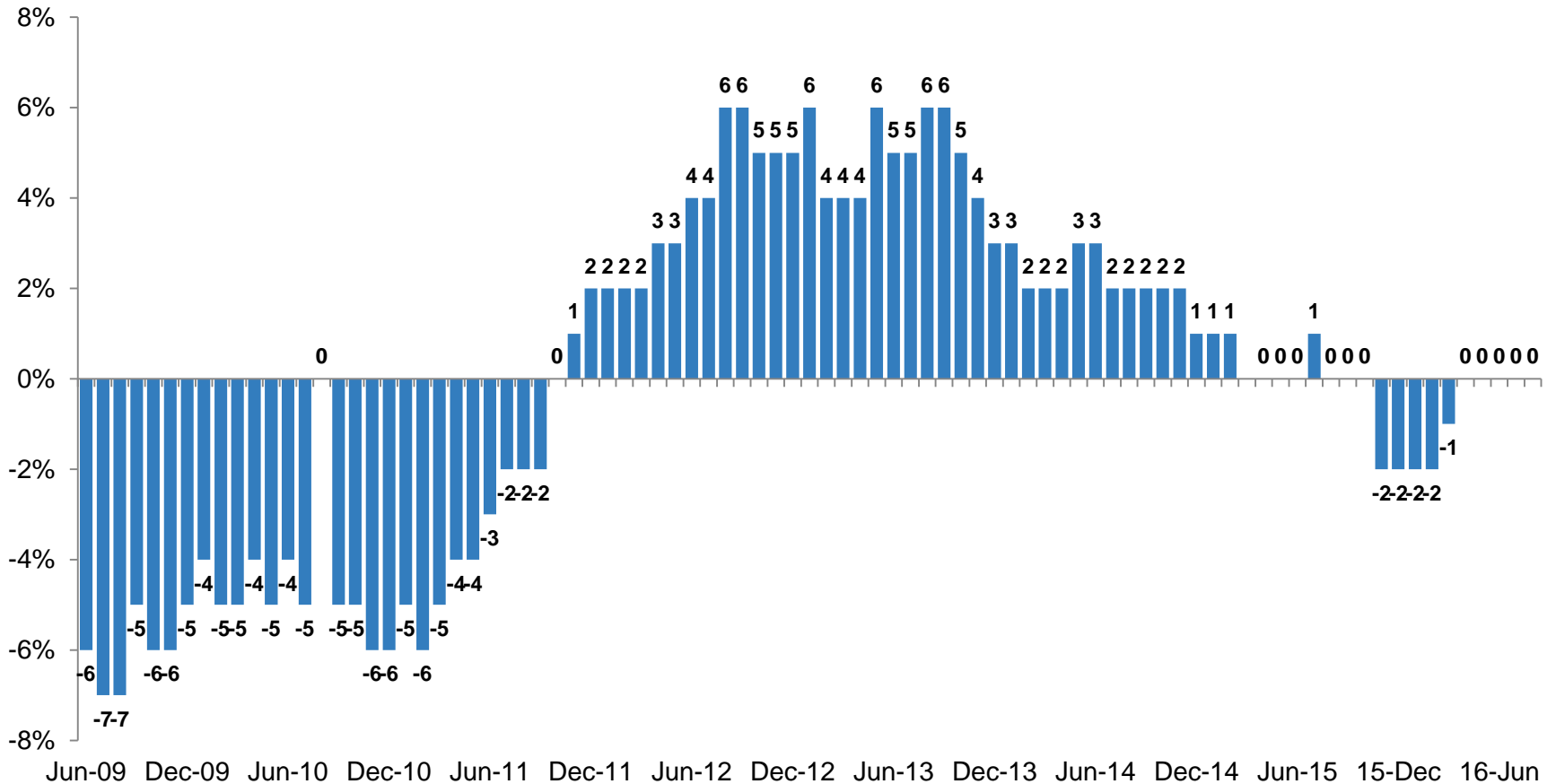
Sources: MarketScout, Insurance Information Institute. Interpolated Commercial Property Estimates for May, August, September 2010.

# Inland Marine Rate Change by Month (vs. Year Earlier)

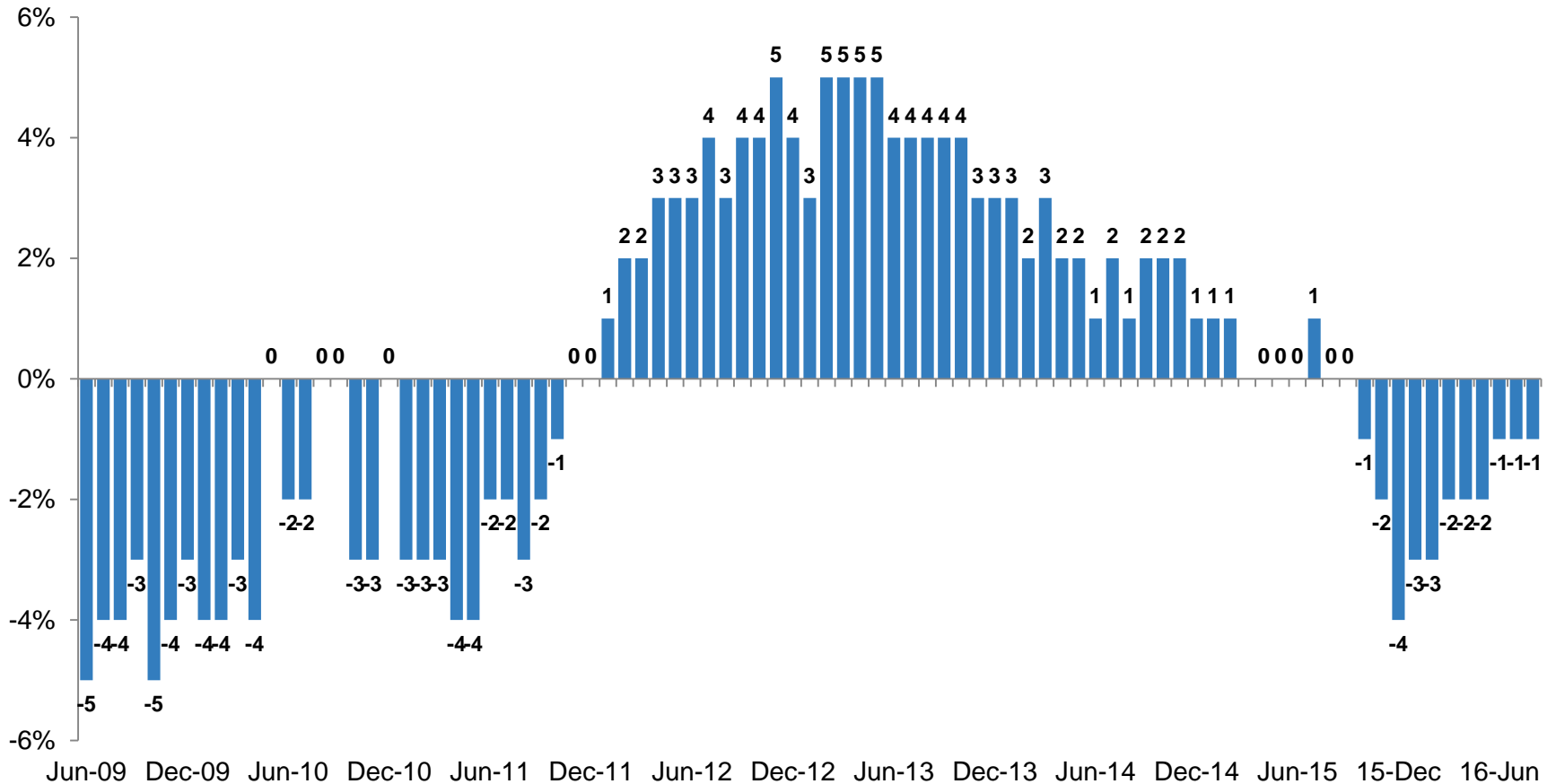




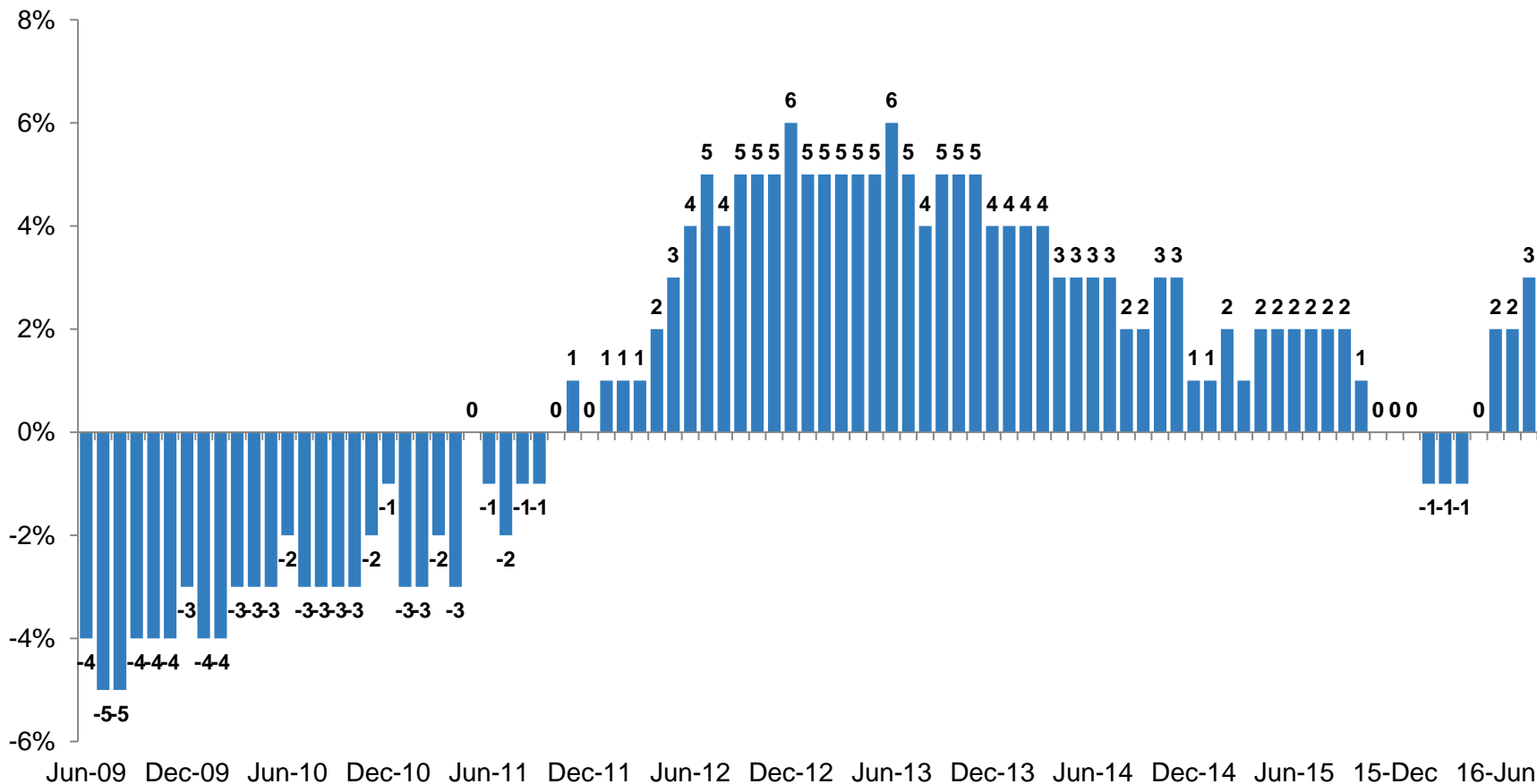
# General Liability Rate Change by Month (vs. Year Earlier)



# Umbrella/Excess Rate Change by Month (vs. Year Earlier)



# Commercial Auto Rate Change by Month (vs. Year Earlier)

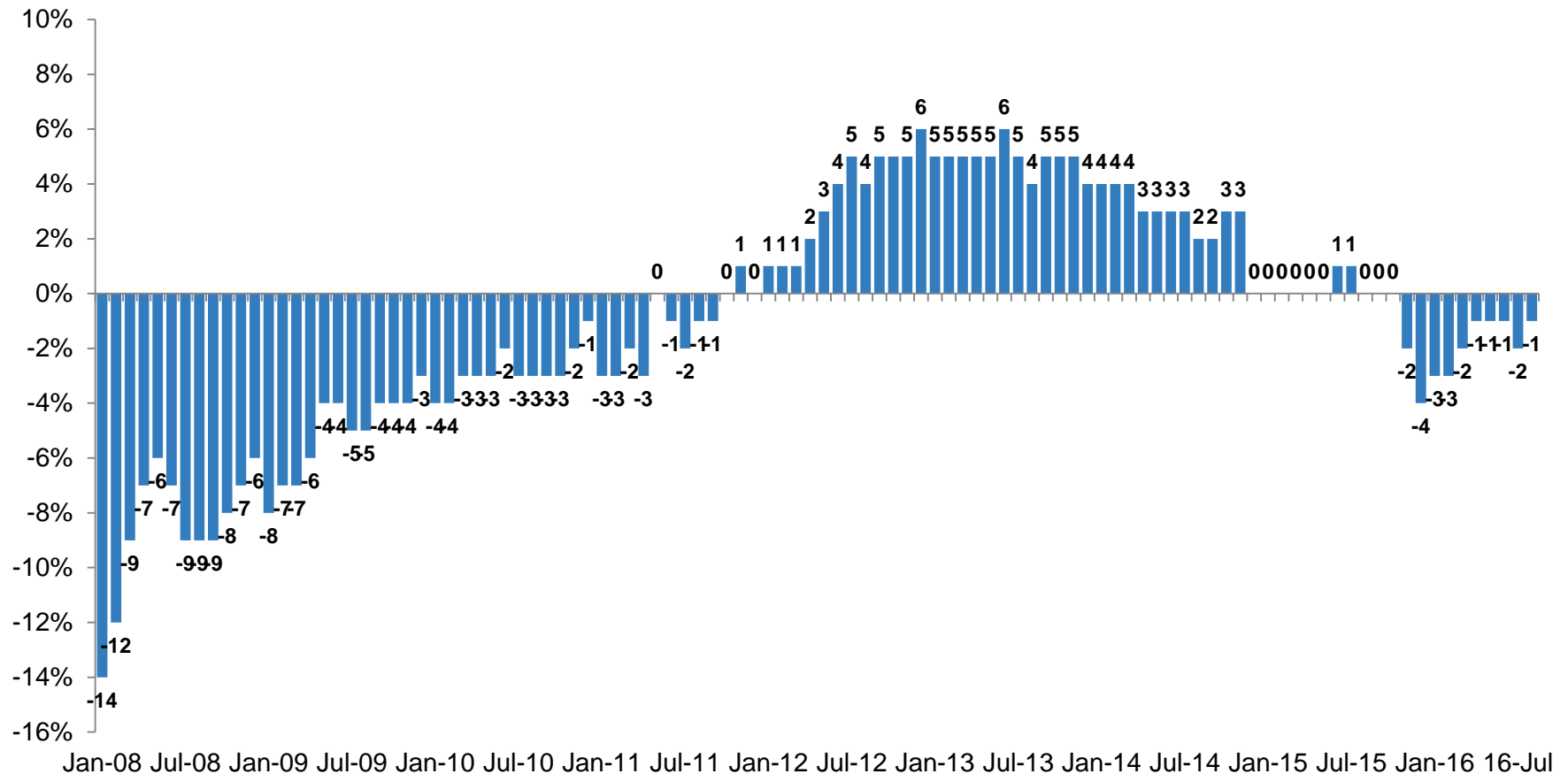


**Unlike Willis Towers Watson, MarketScout Sees Flat Commercial Auto Rates**



Sources: MarketScout, Insurance Information Institute.

# Workers Comp Rate Change by Month (vs. Year Earlier)

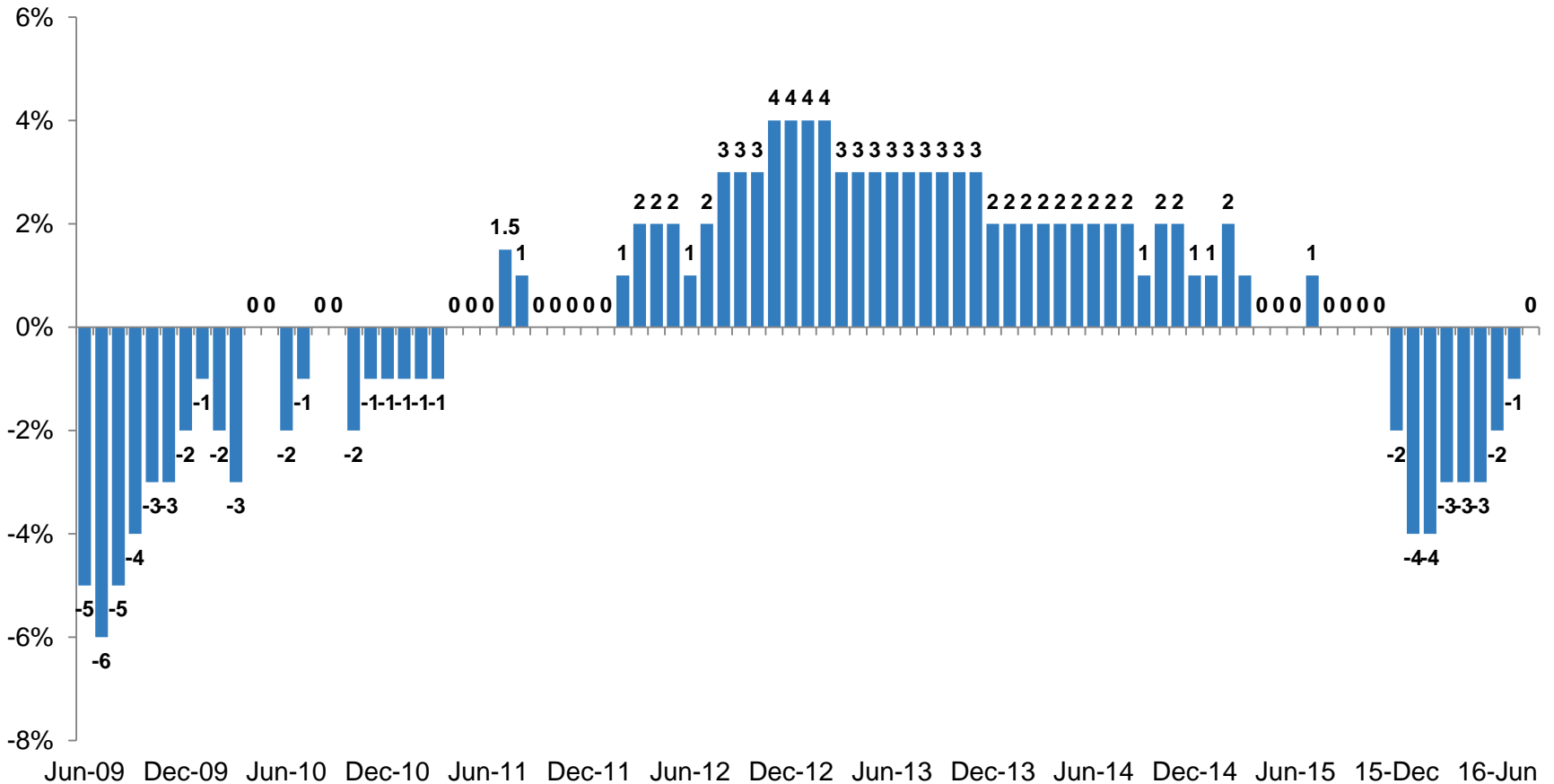


**Workers Comp Rates Often Have Their Own Dynamic Apart from Market**

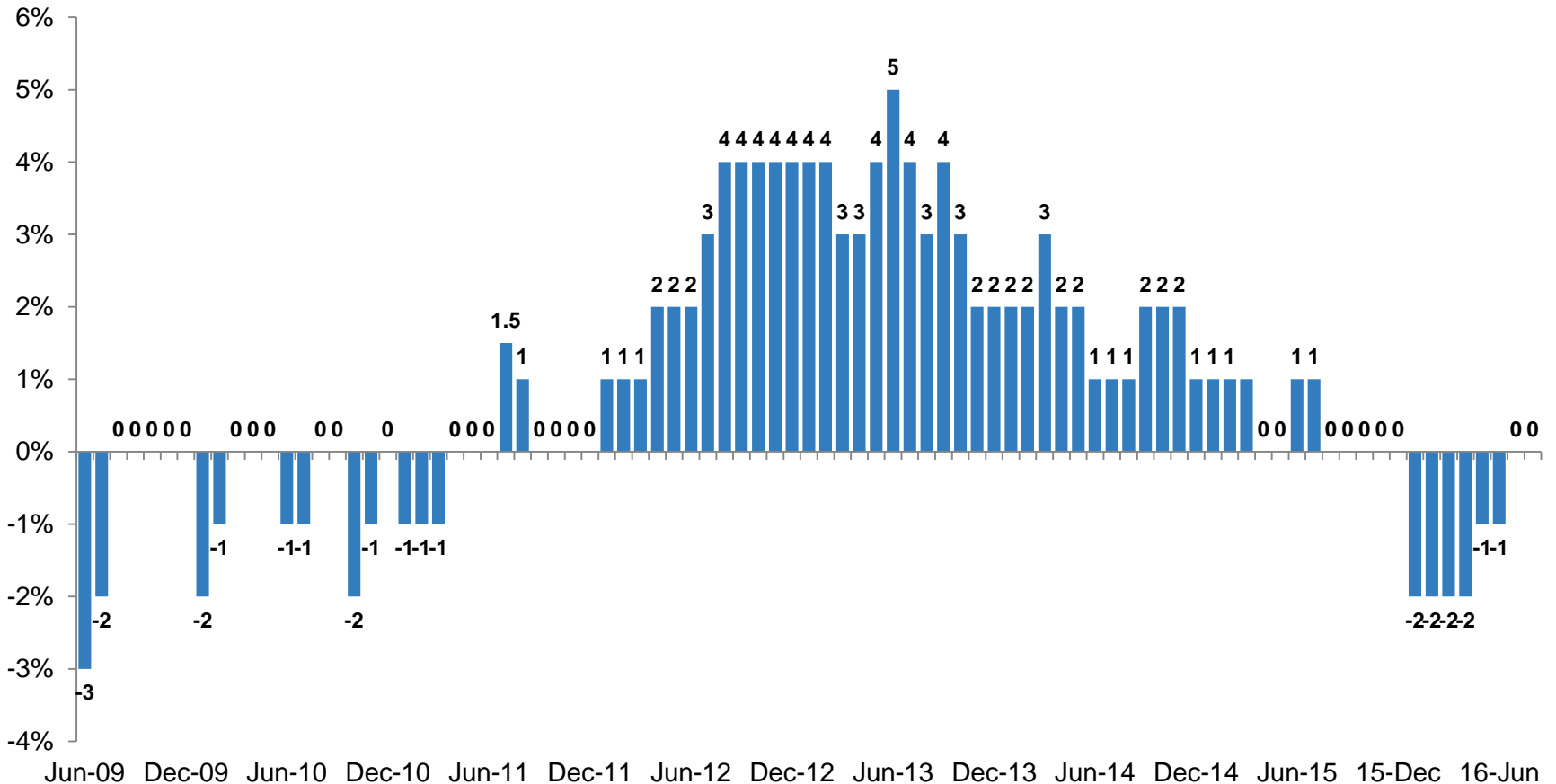


Sources: MarketScout, Insurance Information Institute.

# Professional Liability Rate Change by Month (vs. Year Earlier)



# D&O Liability Rate Change by Month (vs. Year Earlier)

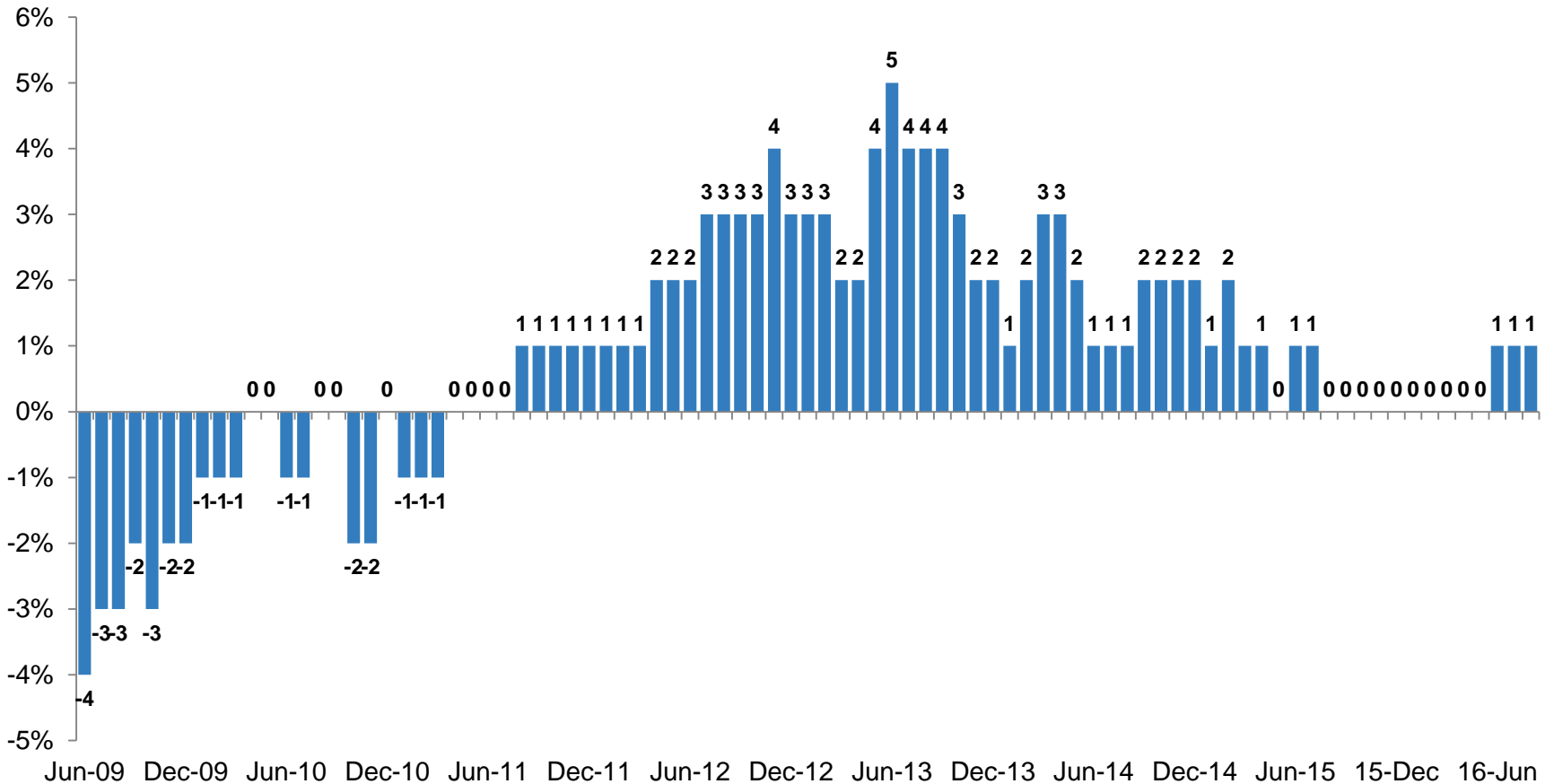


**Willis Towers Watson Notes Decreases in This Line.**

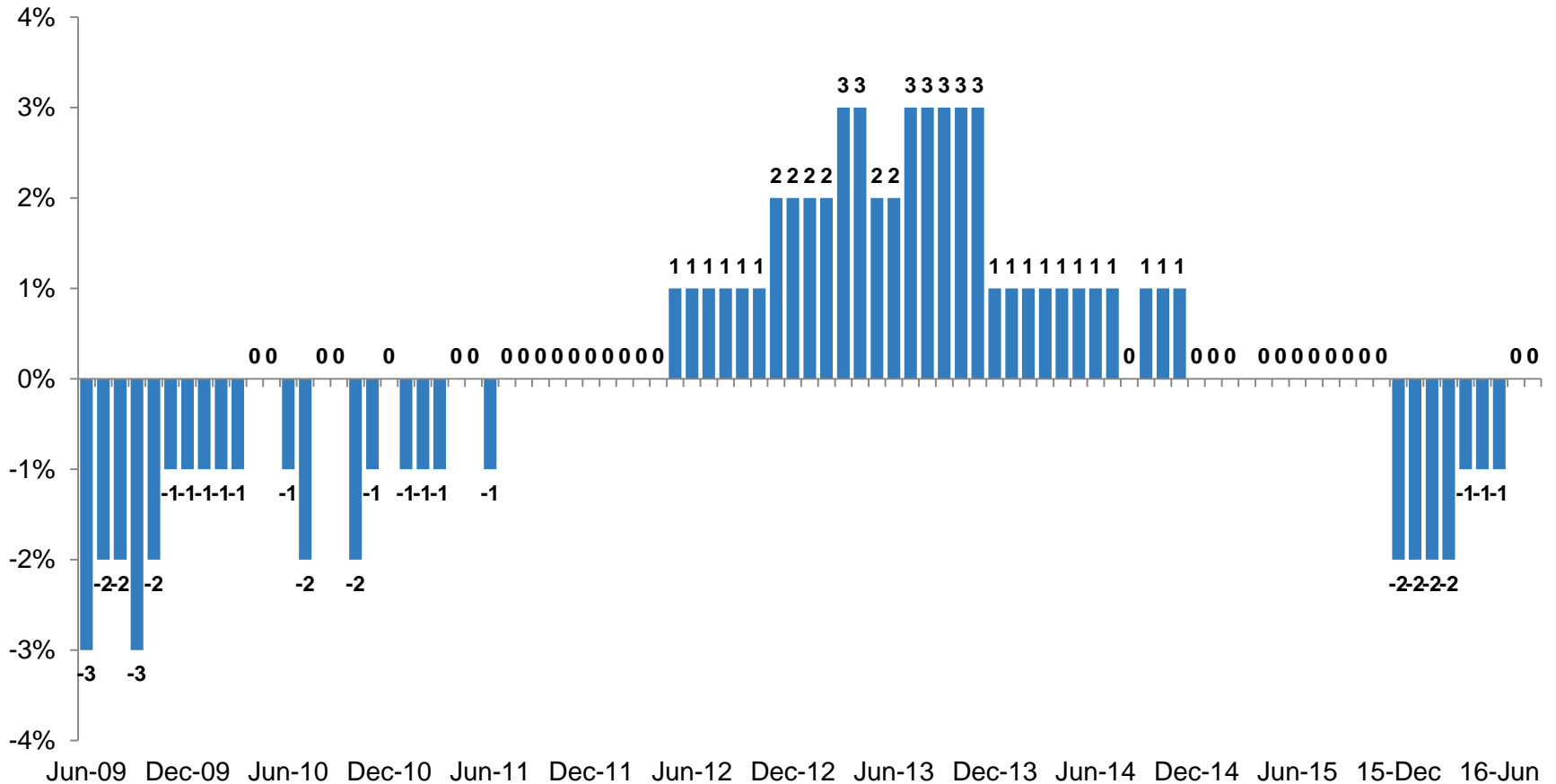


Sources: MarketScout, Insurance Information Institute.

# EPLI Rate Change by Month (vs. Year Earlier)

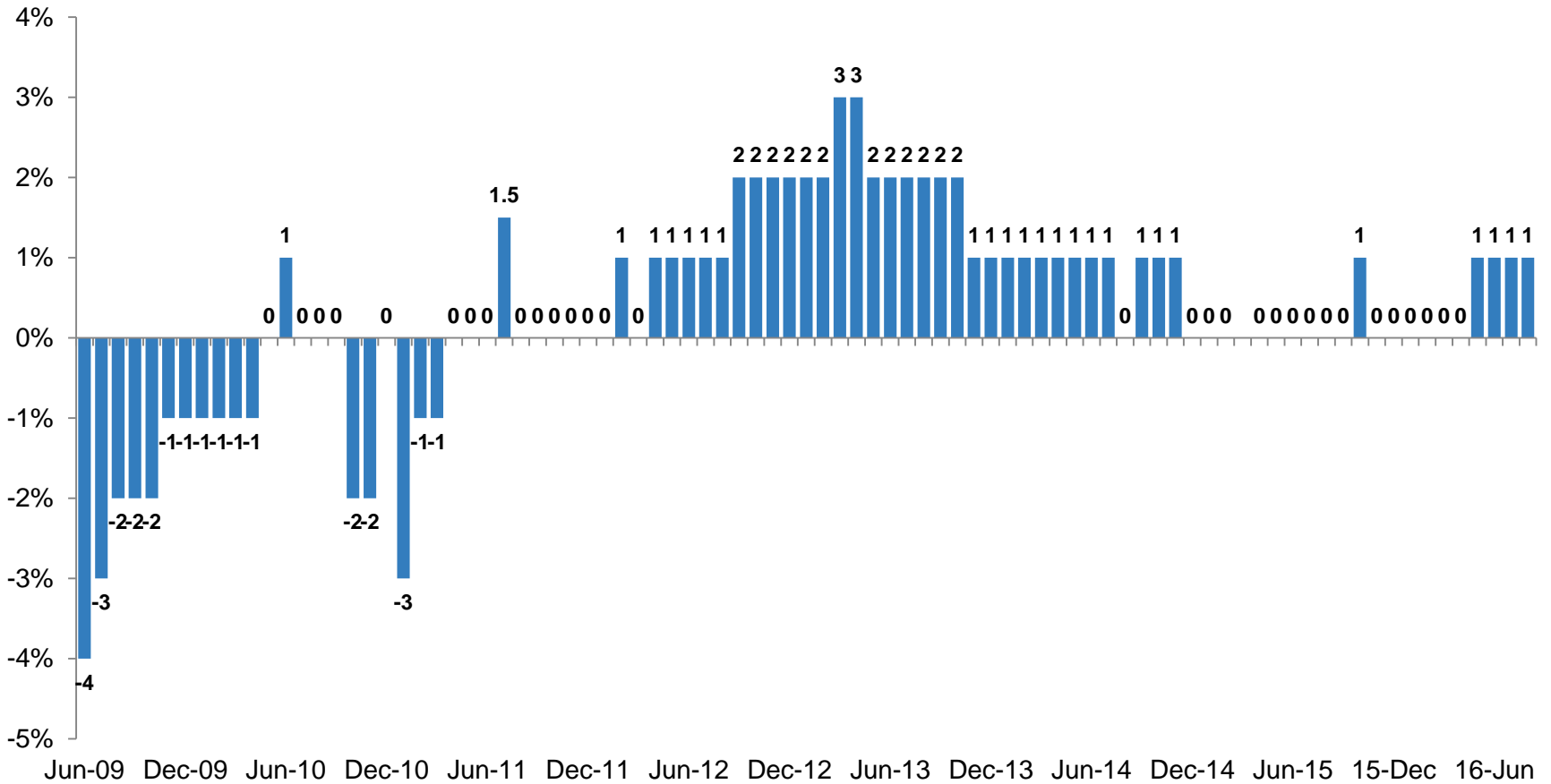


# Fiduciary Liability Rate Change by Month (vs. Year Earlier)

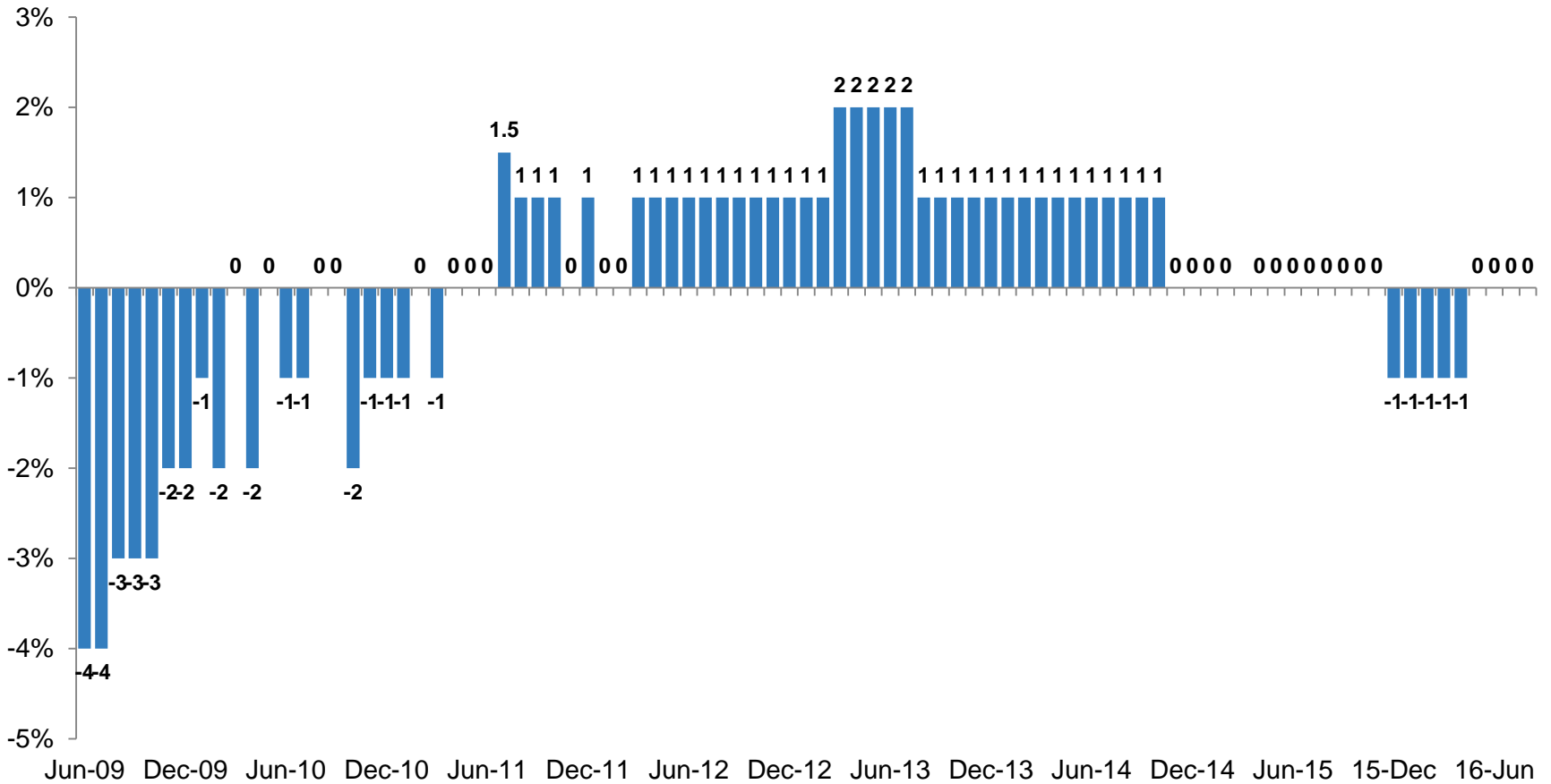




# Crime Rate Change by Month (vs. Year Earlier)



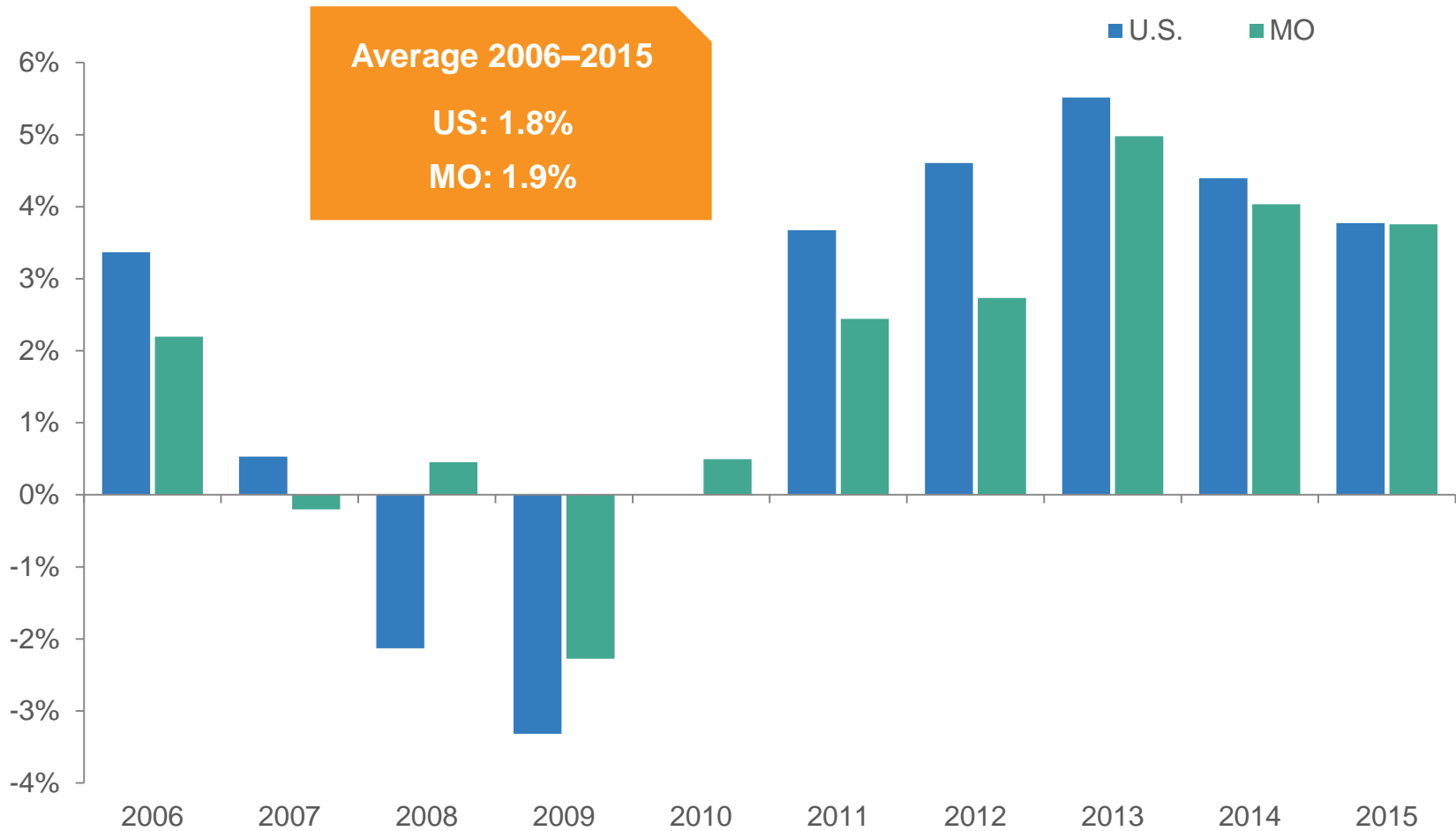
# Surety Rate Change by Month (vs. Year Earlier)



# Profitability and Growth in Missouri P/C Insurance Markets

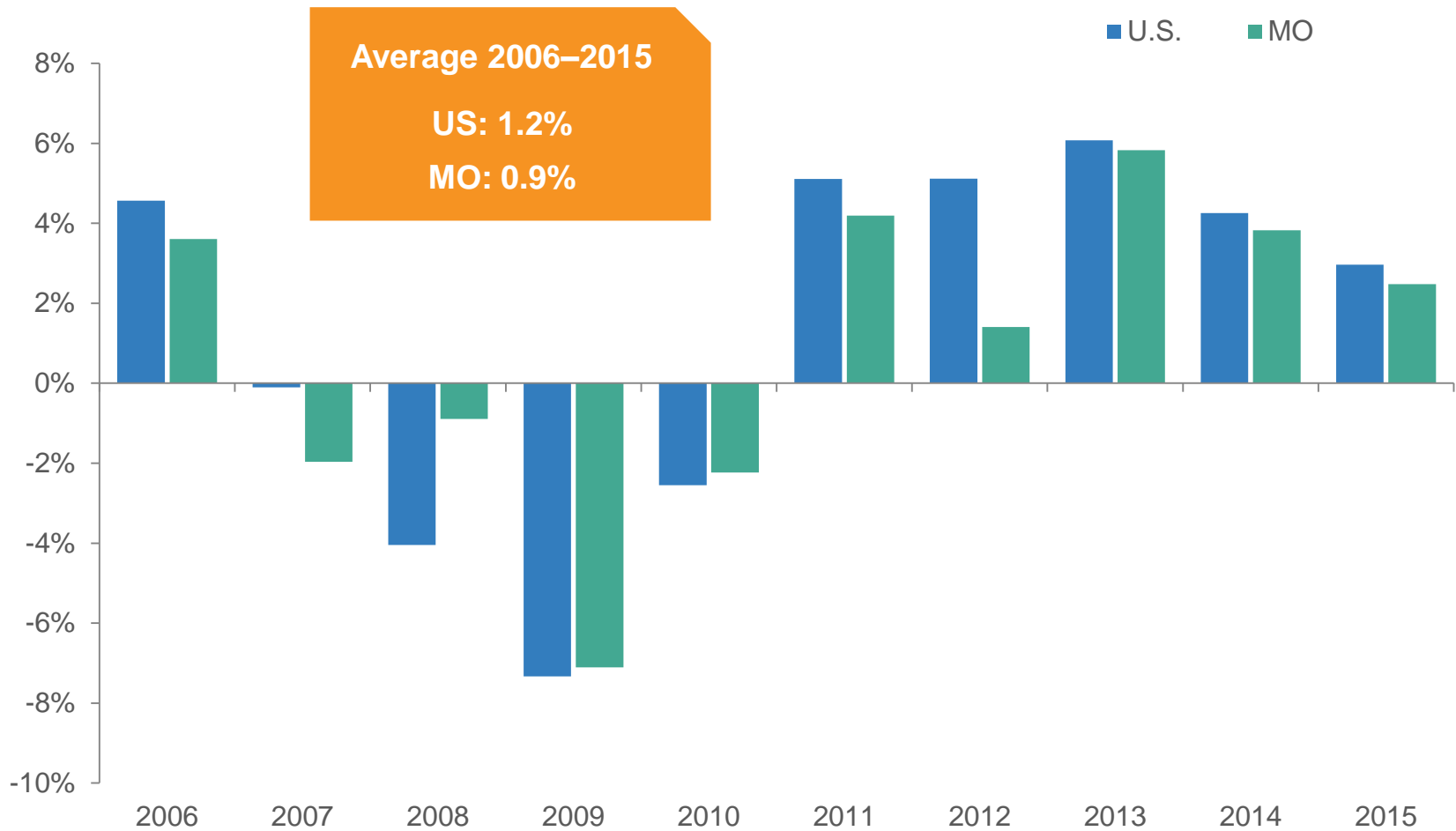
Analysis by Line and Nearby State Comparisons

# All Lines DWP Growth: MO vs. U.S., 2006–2015



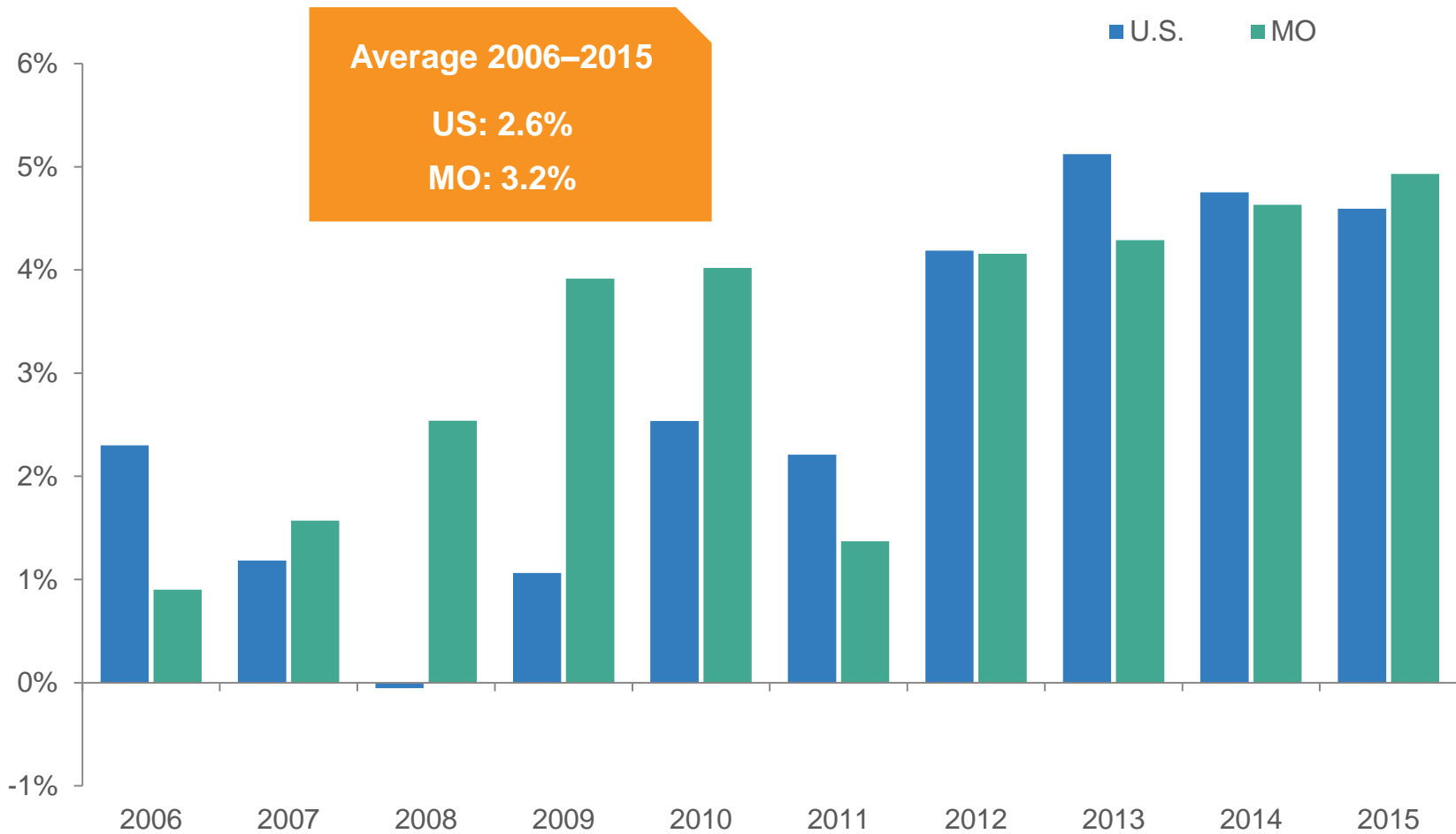
Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute

# Comm. Lines DWP Growth: MO vs. U.S., 2006–2015



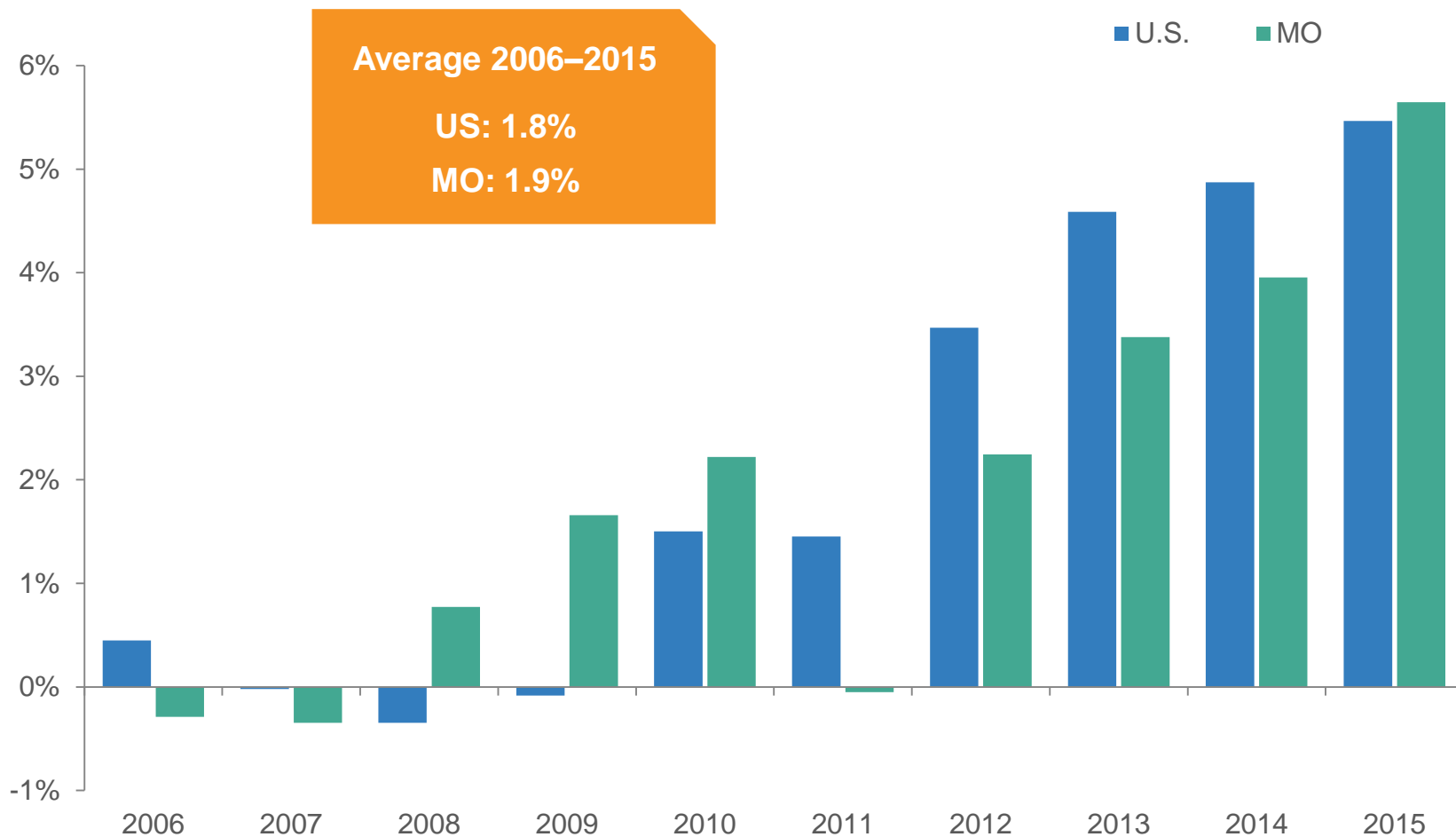
Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute

# Personal Lines DWP Growth: MO vs. U.S., 2006–2015



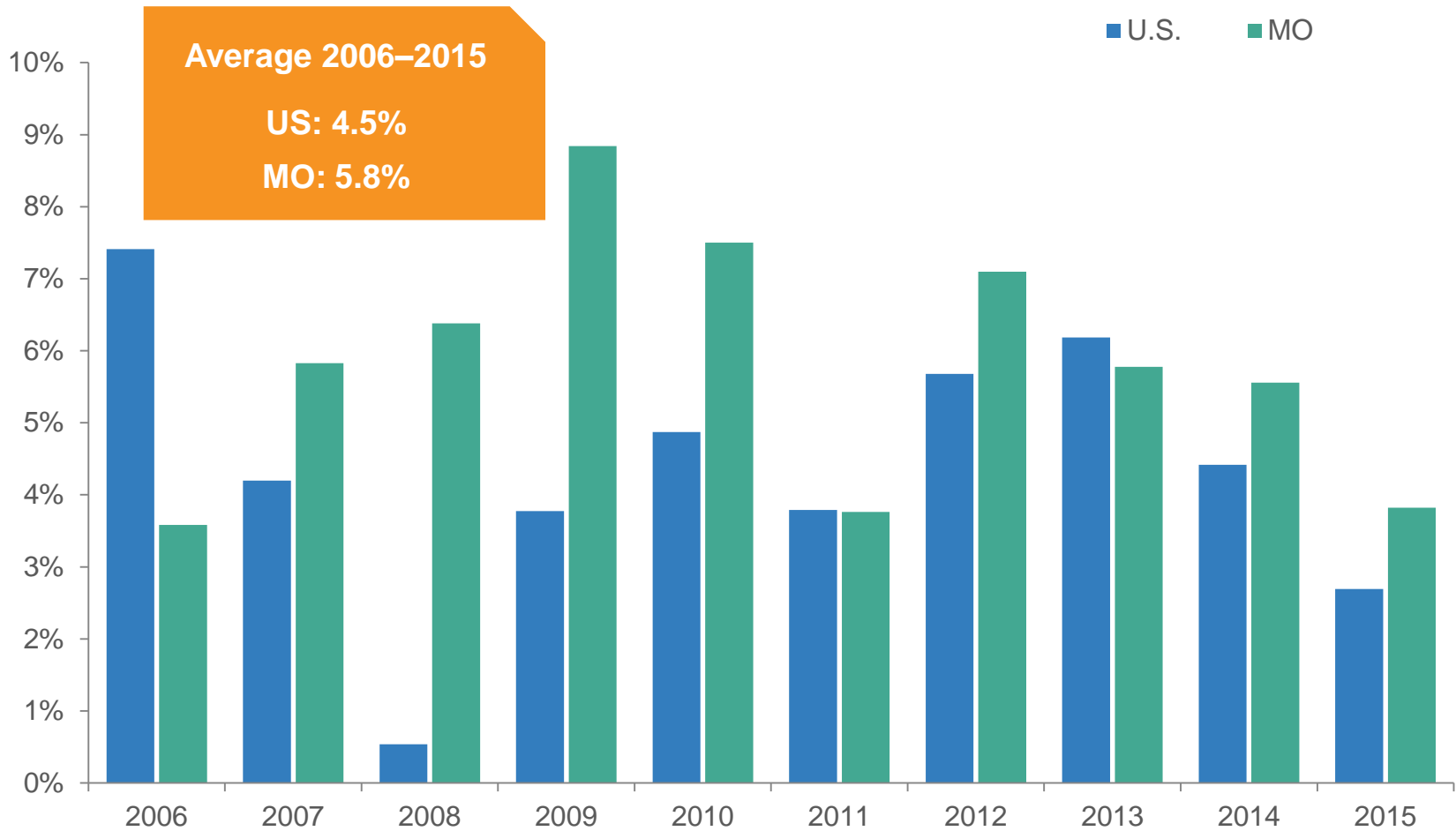
Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute

# Private Passenger Auto DWP Growth: MO vs. U.S., 2006–2015



Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute

# Homeowners MP DWP Growth: MO vs. U.S., 2006–2015



Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute



# Top Ten Most Expensive and Least Expensive States for Automobile Insurance, 2013<sup>1</sup>

Rank	Most Expensive States	Average Expenditure	Rank	Least Expensive States	Average Expenditure
1	New Jersey	\$1,254.10	1	Idaho	\$553.38
2	D.C.	1,187.49	2	Iowa	572.14
3	New York	1,181.86	3	South Dakota	580.99
4	Louisiana	1,146.29	4	Maine	592.82
5	Florida	1,143.83	5	North Dakota	604.58
6	Michigan	1,131.40	6	Wisconsin	621.05
7	Delaware	1,101.12	7	Indiana	621.71
8	Rhode Island	1,066.25	8	North Carolina	624.76
9	Connecticut	1,011.27	9	Nebraska	638.74
10	Massachusetts	1,007.98	10	Wyoming	639.71

**Missouri Ranked 34<sup>th</sup> in Average Expenditure for Auto Insurance in 2013. The Average Expenditure was \$704.22.**



<sup>1</sup>Based on average automobile insurance expenditures.  
Source: © 2016 National Association of Insurance Commissioners.

# Top Ten Most Expensive and Least Expensive States for Homeowners Insurance, 2013<sup>1</sup>

Rank	Most Expensive States	HO Average Premium	Rank	Least Expensive States	HO Average Premium
1	Florida	\$2,115	1	Idaho	\$561
2	Texas <sup>2</sup>	1,837	2	Oregon	568
3	Louisiana	1,822	3	Utah	609
4	Oklahoma	1,654	4	Wisconsin	665
5	Mississippi	1,395	5	Washington	676
6	Kansas	1,343	6	Nevada	687
7	Rhode Island	1,334	7	Delaware	709
8	Alabama	1,323	8	Arizona	724
9	Connecticut	1,274	9	Ohio	763
10	Massachusetts	1,263	10	Maine	776

**Missouri Ranked as the 18<sup>th</sup> Most Expensive State for Homeowners Insurance in 2013, with an Average Expenditure of \$1,143.**

<sup>1</sup> Includes policies written by Citizens Property Insurance Corp. (Florida) and Citizens Property Insurance Corp. (Louisiana), Alabama Insurance Underwriting Association, Mississippi Windstorm Underwriting Association, North Carolina Joint Underwriting Association and South Carolina Wind and Hail Underwriting Association. Other southeastern states have wind pools in operation and their data may not be included in this chart. Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides “all risks” coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property, and is the most common package written.

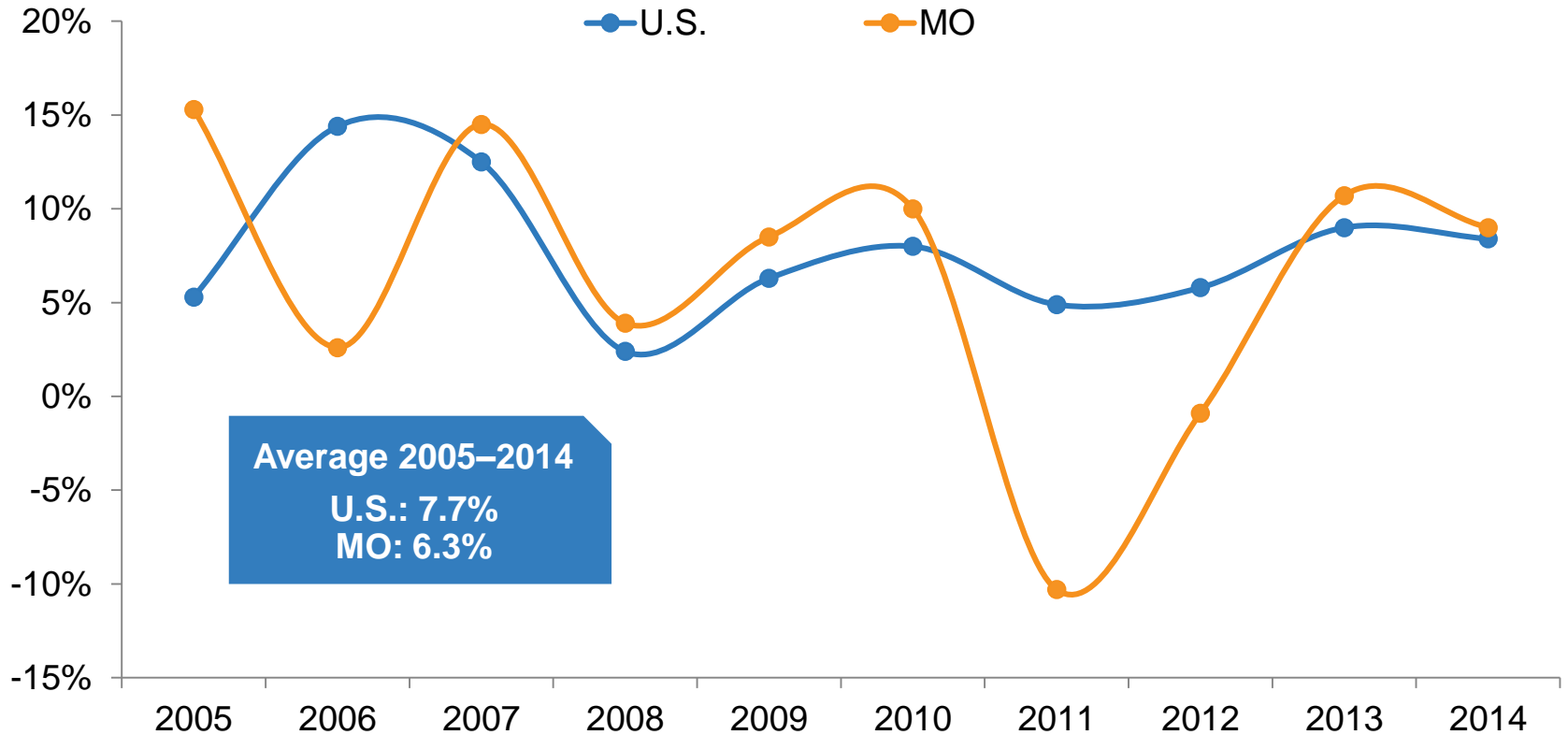
<sup>2</sup> The Texas Department of Insurance developed home insurance policy forms that are similar but not identical to the standard forms. In addition, due to the Texas Windstorm Association (which writes wind-only policies) classifying HO-1, 2 and 5 premiums as HO-3, the average premium for homeowners insurance is artificially high.

Note: Average premium=Premiums/exposure per house years. A house year is equal to 365 days of insured coverage for a single dwelling. The NAIC does not rank state average expenditures and does not endorse any conclusions drawn from this data.

Source: ©2016 National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

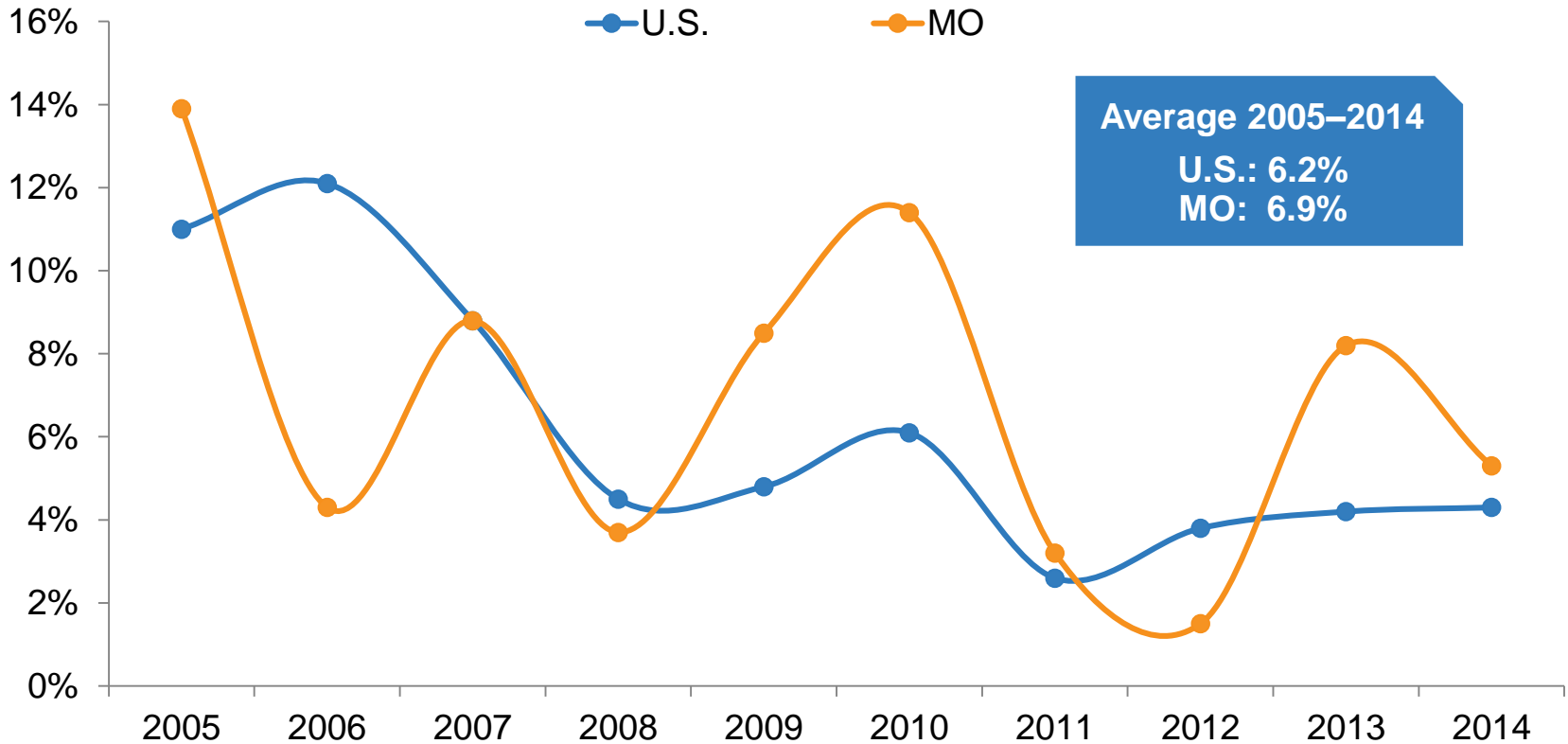


# RNW All Lines: MO vs. U.S., 2005–2014



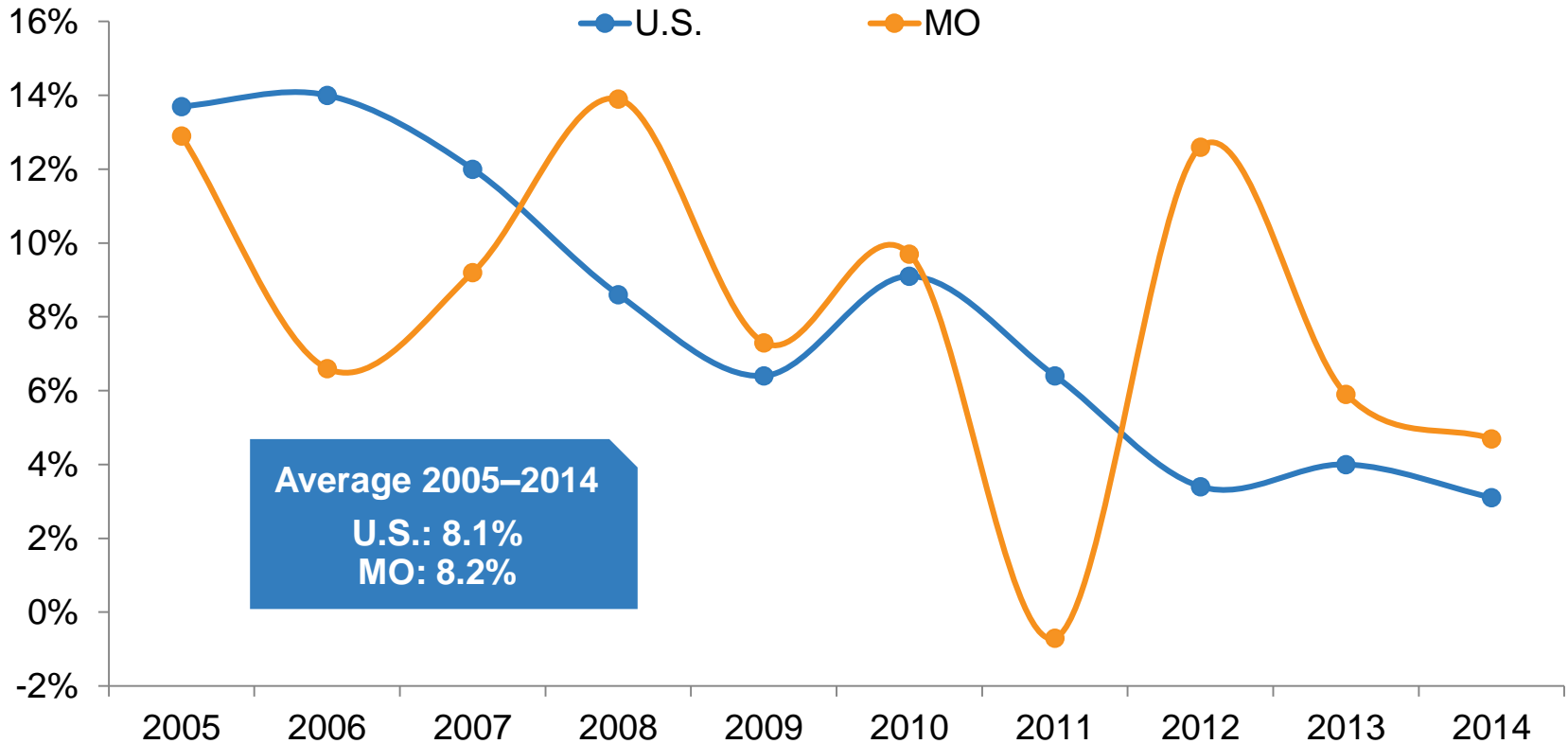
Source: NAIC.

# RNW PP Auto: MO vs. U.S., 2005–2014



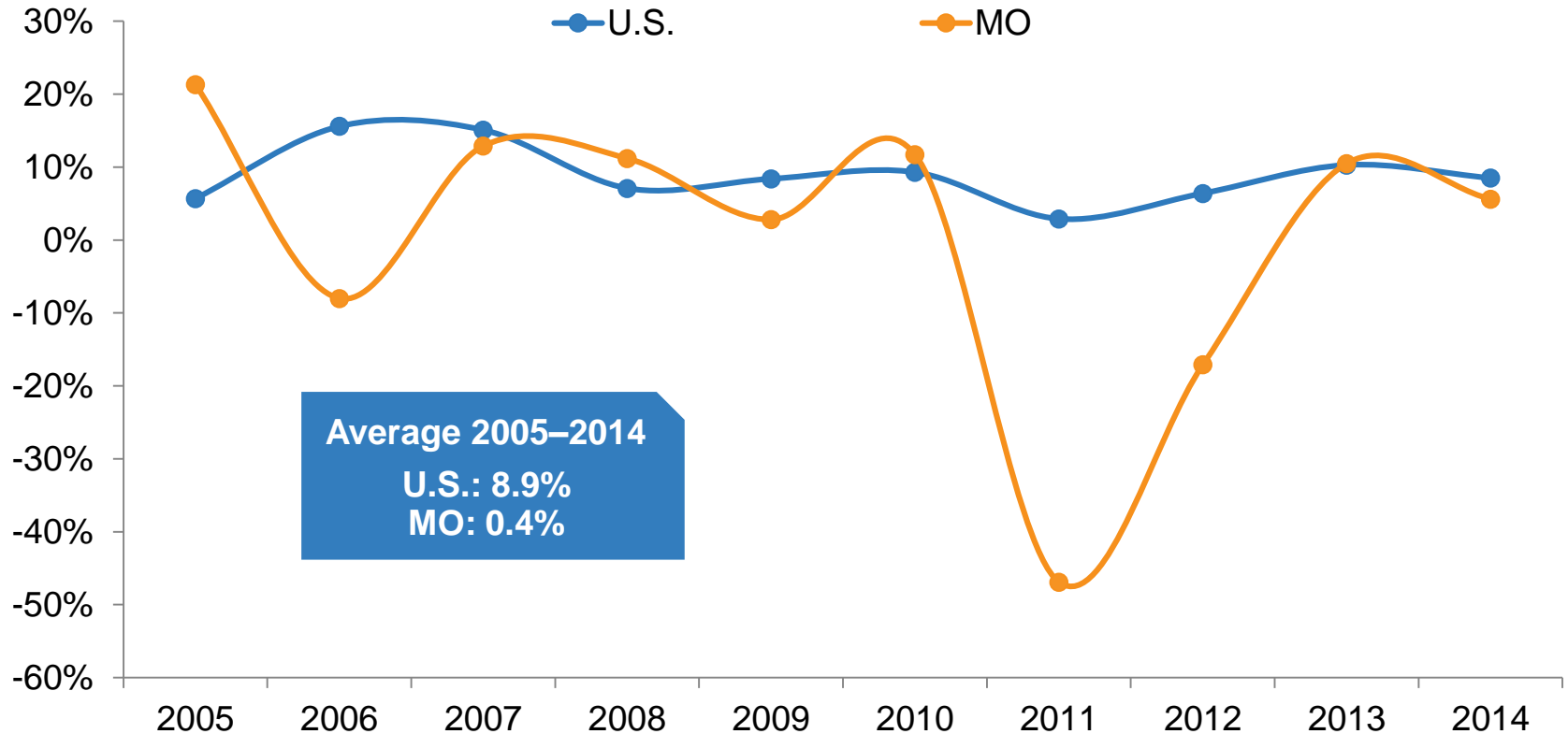
Source: NAIC.

# RNW Comm. Auto: MO vs. U.S., 2005–2014



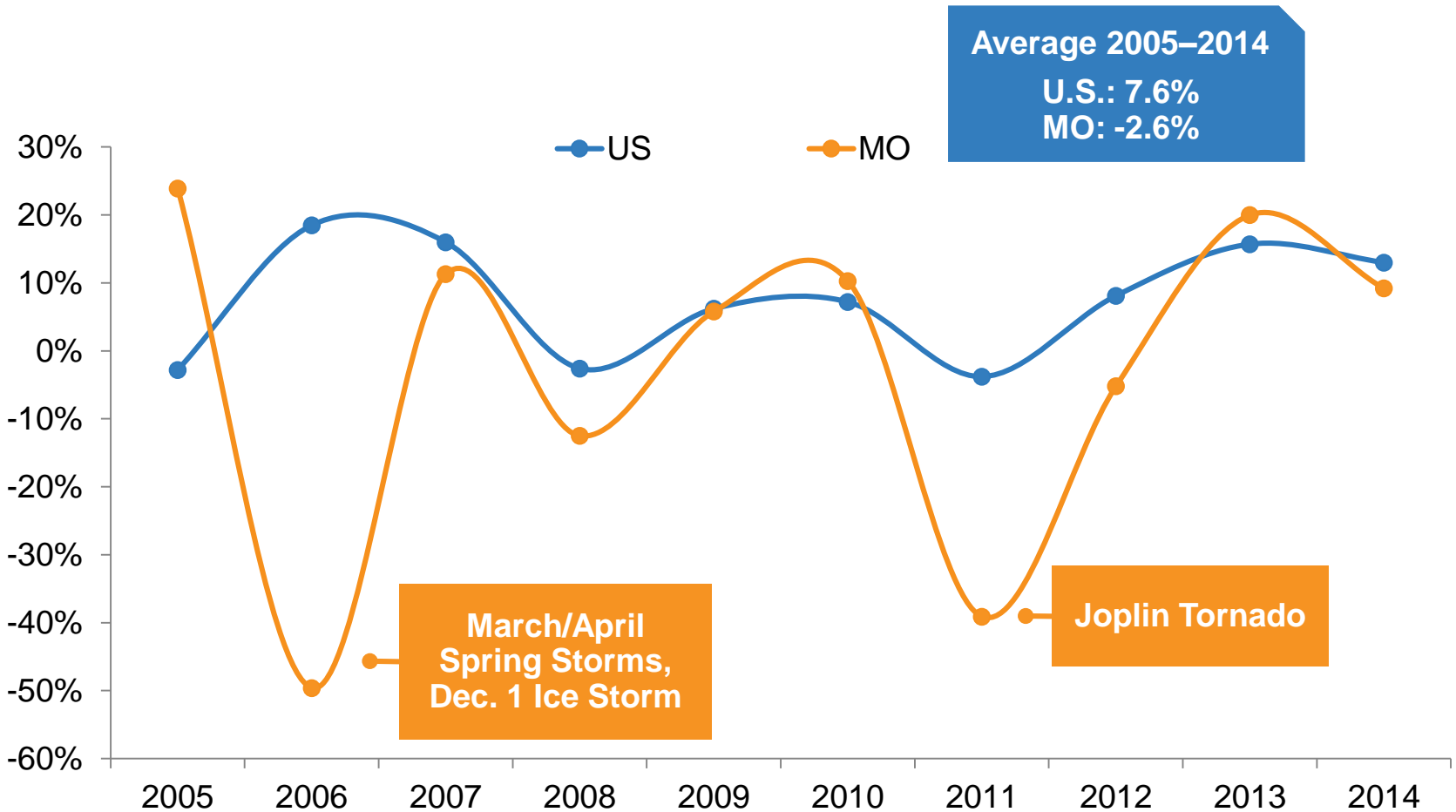
Source: NAIC.

# RNW Comm. Multi-Peril: MO vs. U.S., 2005–2014



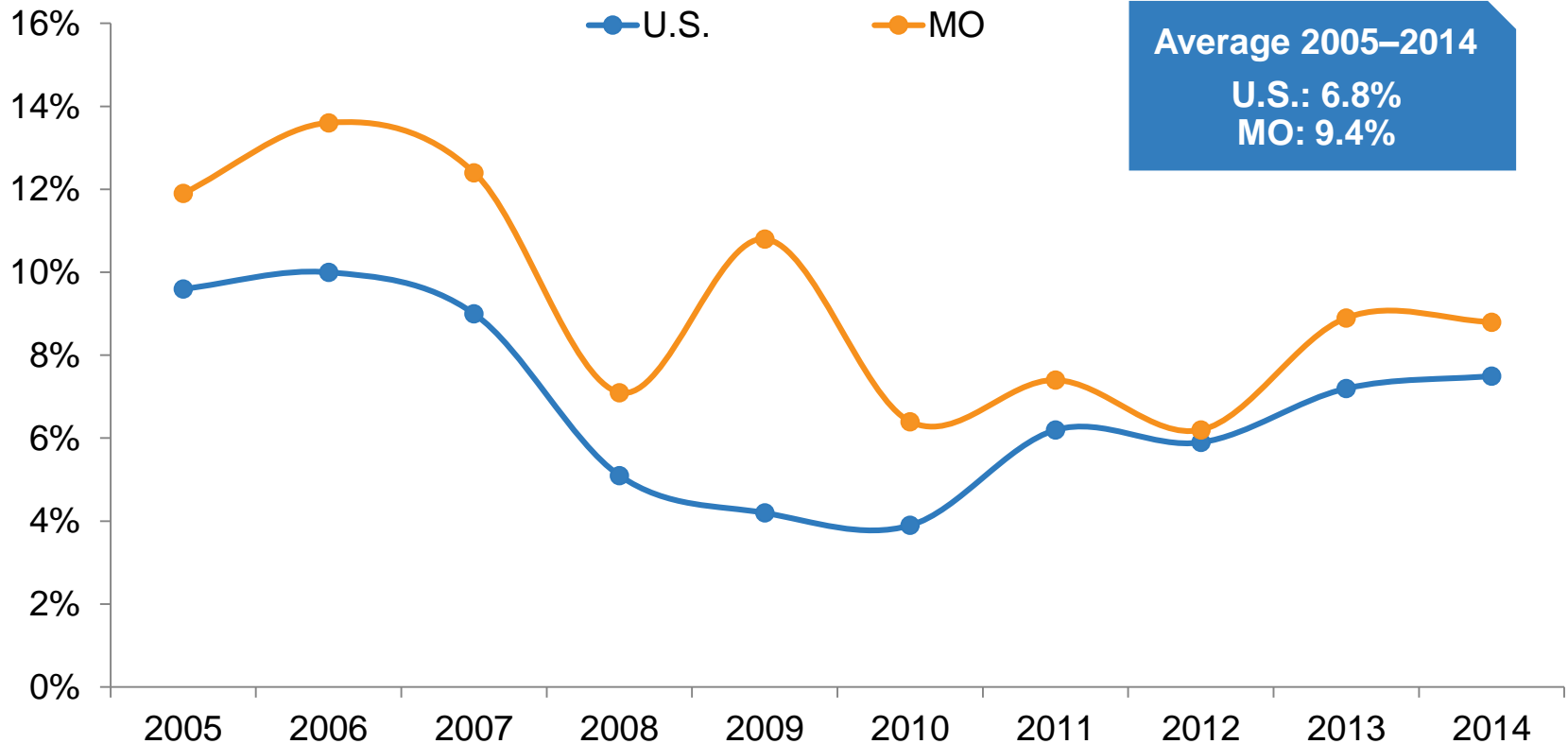
Source: NAIC.

# RNW Homeowners: MO vs. U.S., 2005–2014



Source: NAIC.

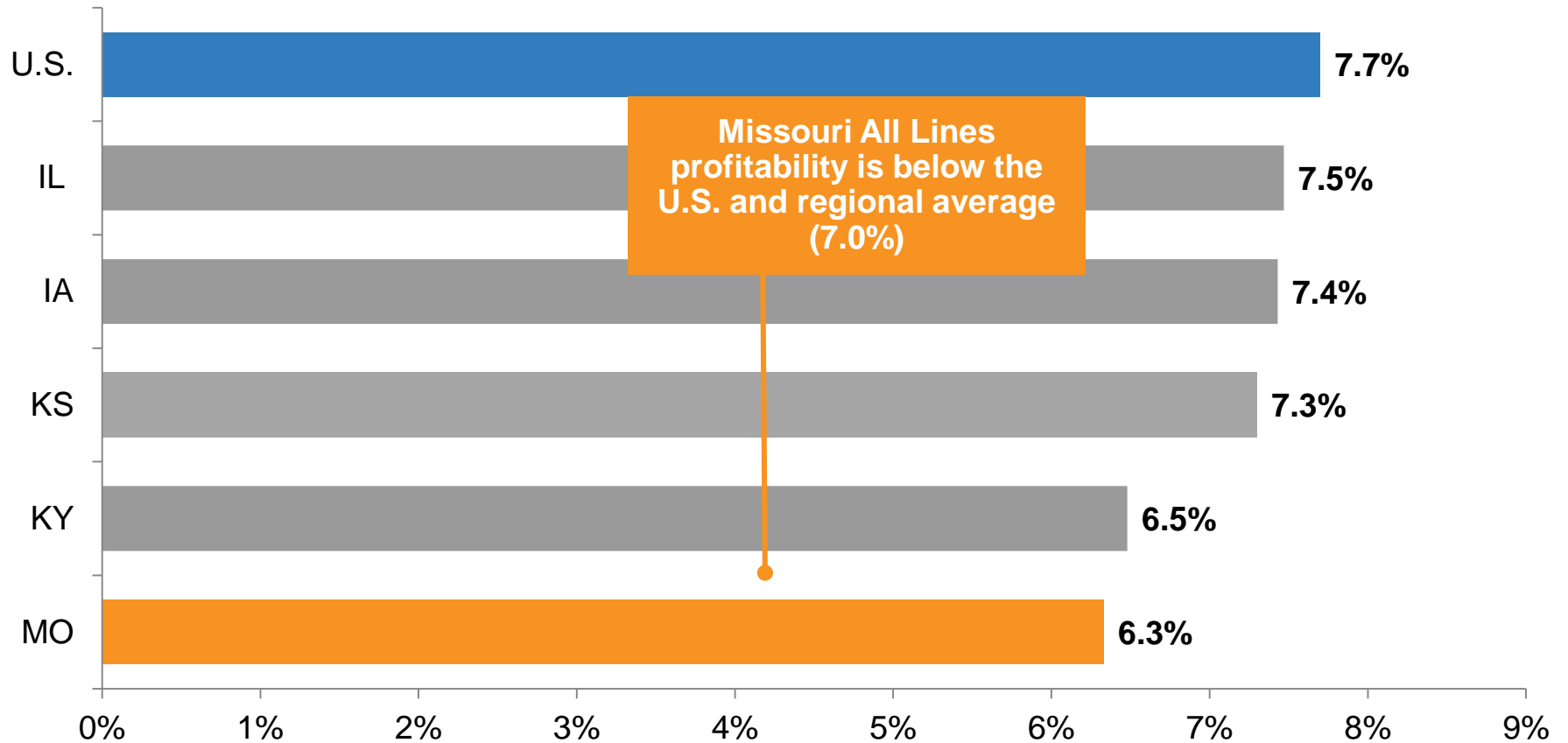
# RNW Workers Comp: MO vs. U.S., 2005–2014



Source: NAIC.

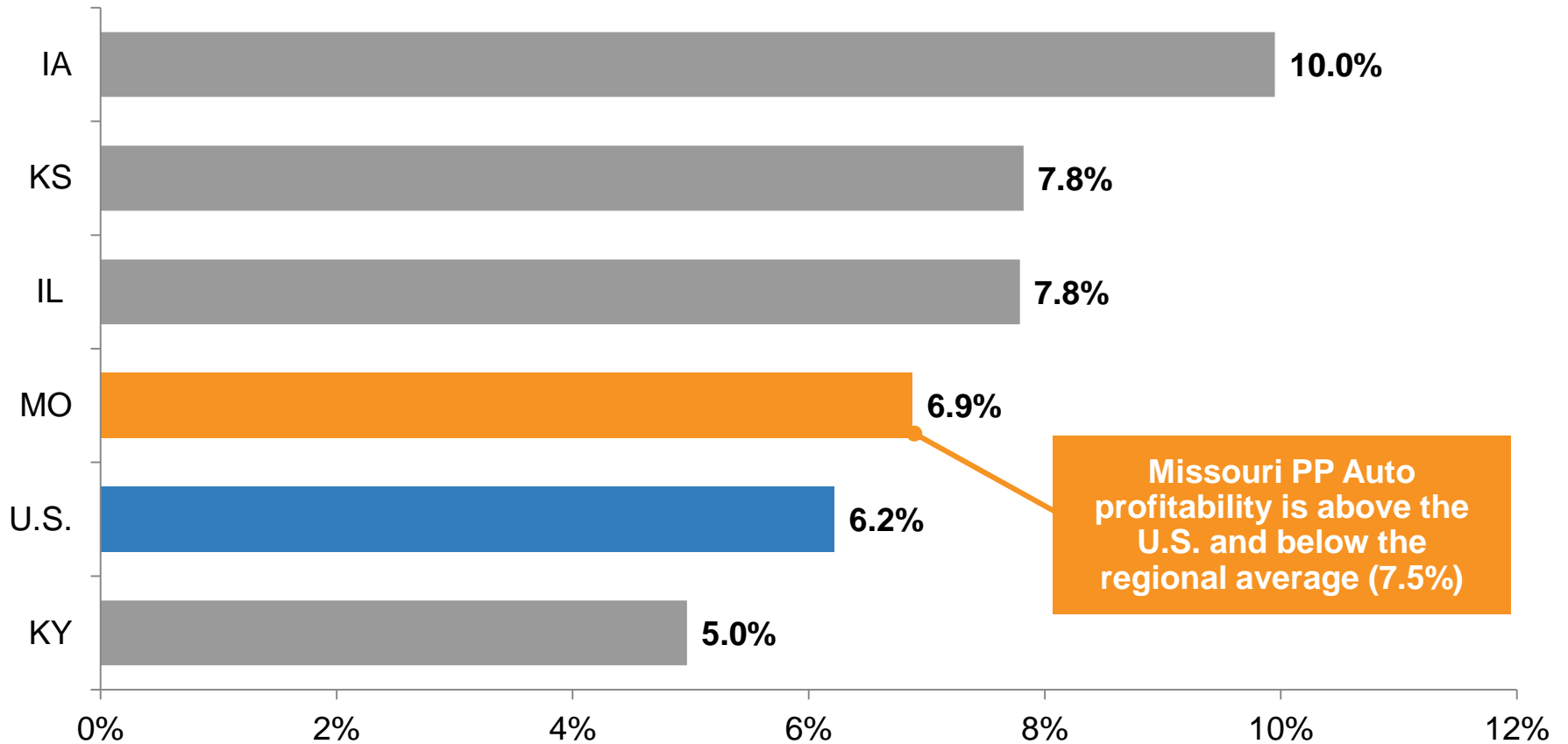


# All Lines: 10-Year Average RNW MO and Nearby States, 2005–2014



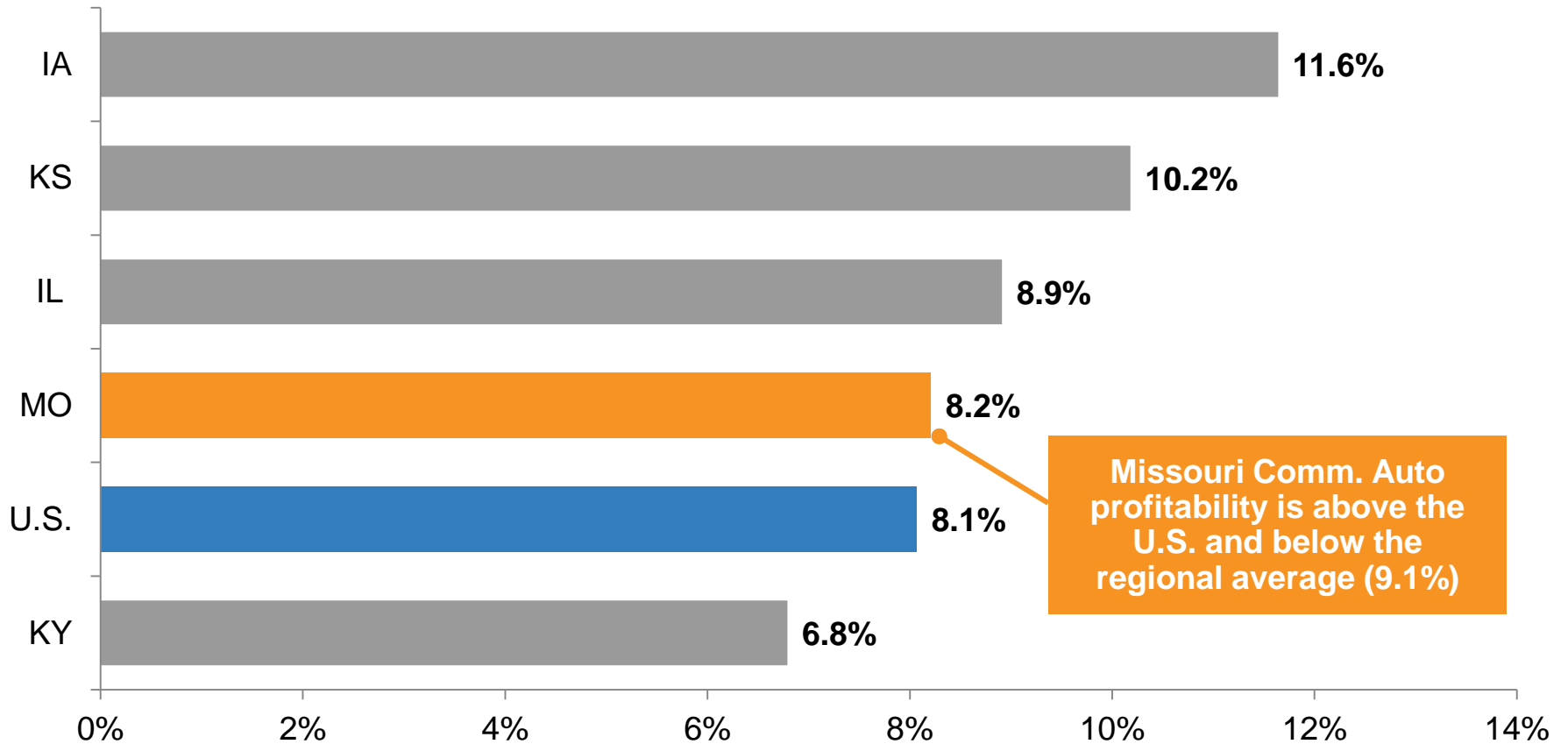
Sources: NAIC, Insurance Information Institute.

# PP Auto: 10-Year Average RNW MO and Nearby States, 2005–2014



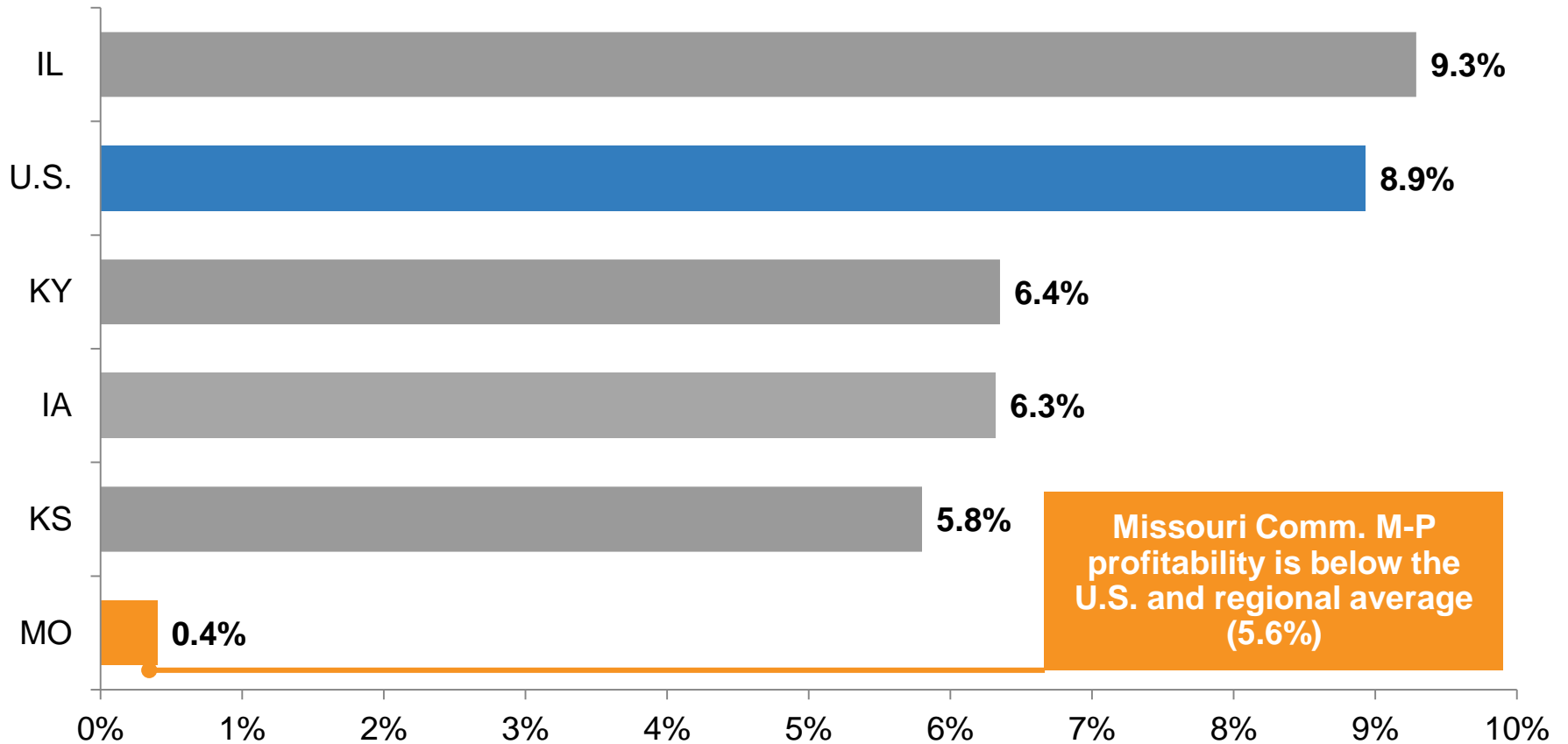
Sources: NAIC, Insurance Information Institute.

# Comm. Auto: 10-Year Average RNW MO and Nearby States, 2005–2014



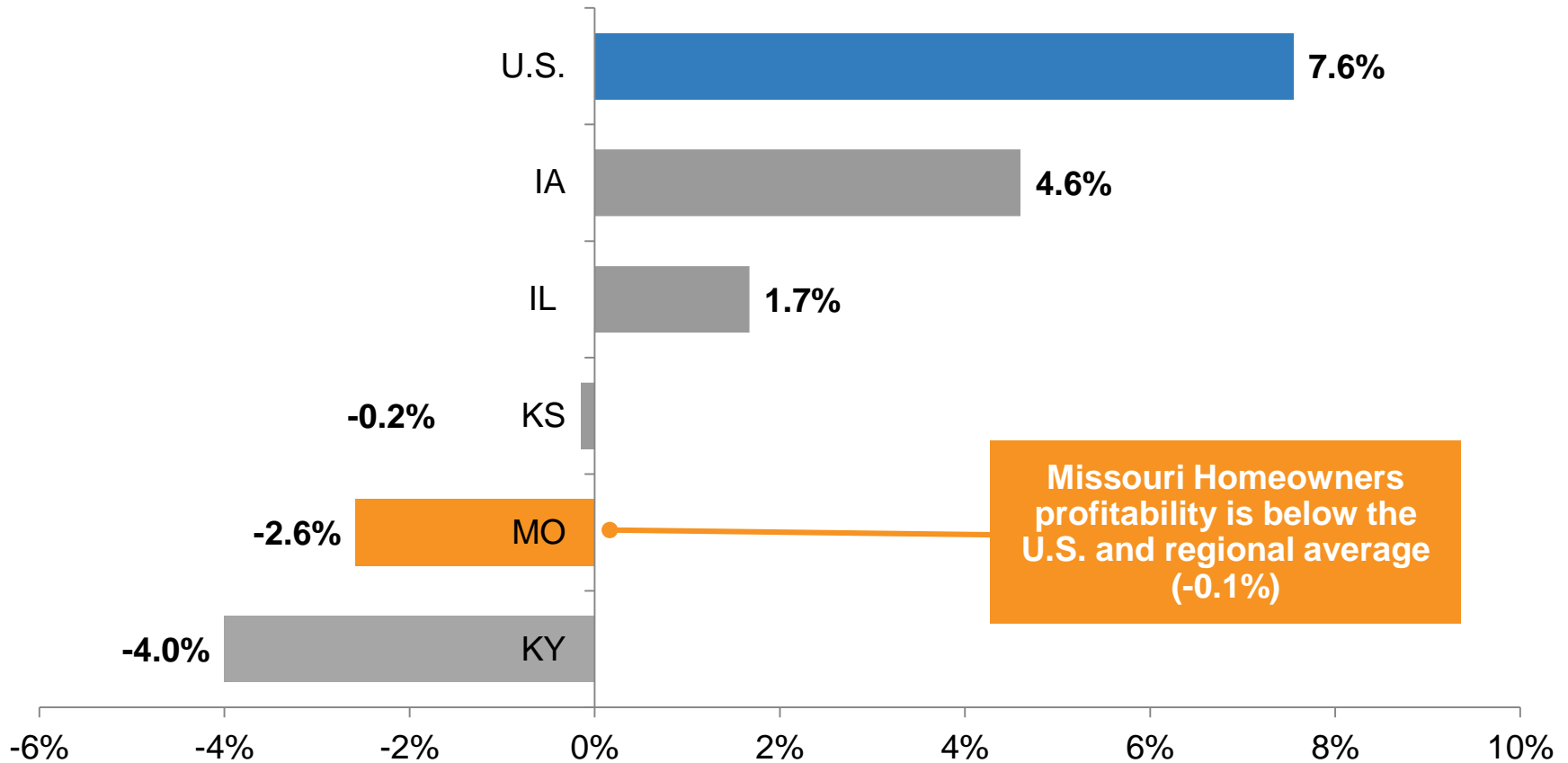
Sources: NAIC, Insurance Information Institute.

# Comm. M-P: 10-Year Average RNW MO and Nearby States, 2005–2014

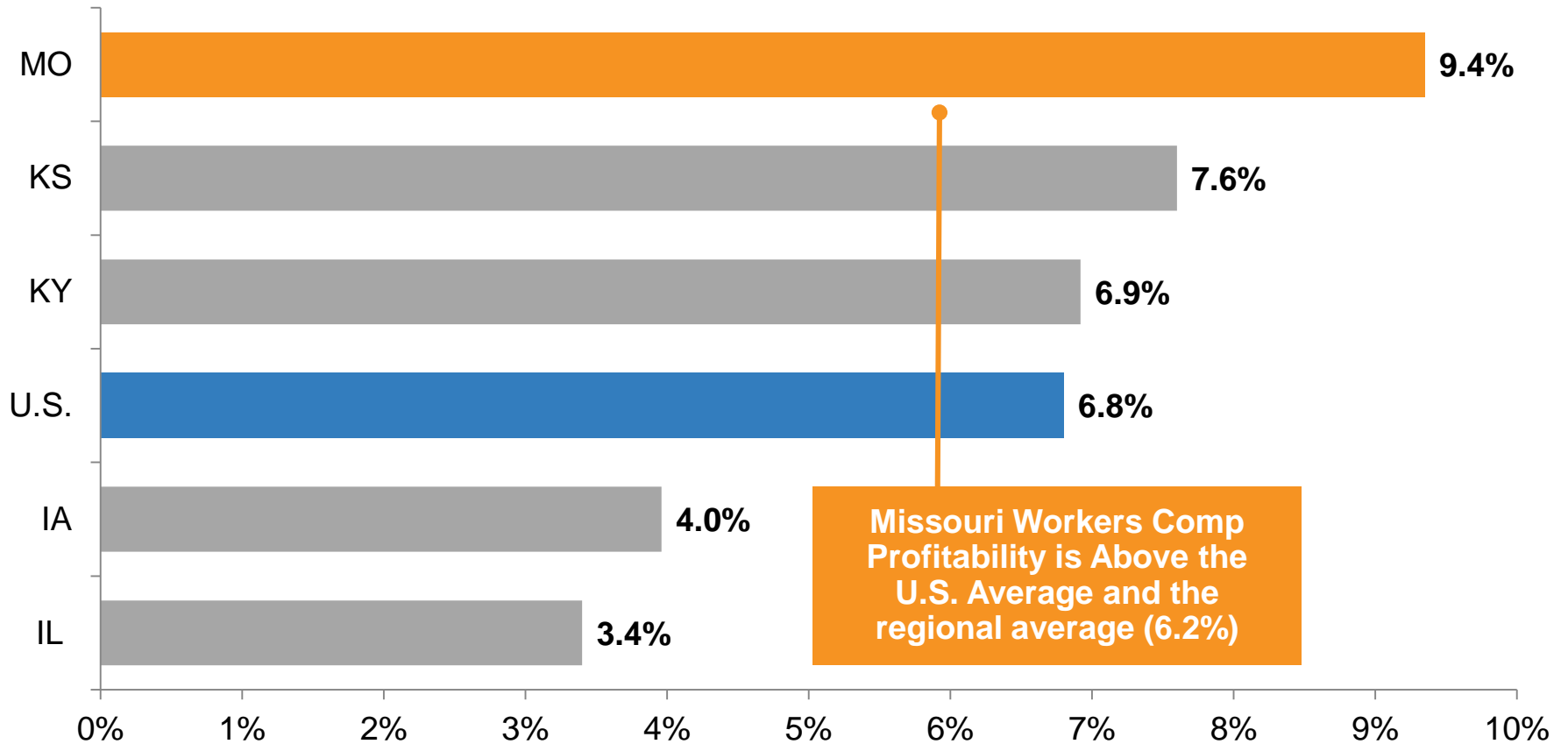


Sources: NAIC, Insurance Information Institute.

# Homeowners: 10-Year Average RNW MO & Nearby States, 2005–2014



# Workers Comp: 10-Year Average RNW MO & Nearby States, 2005–2014

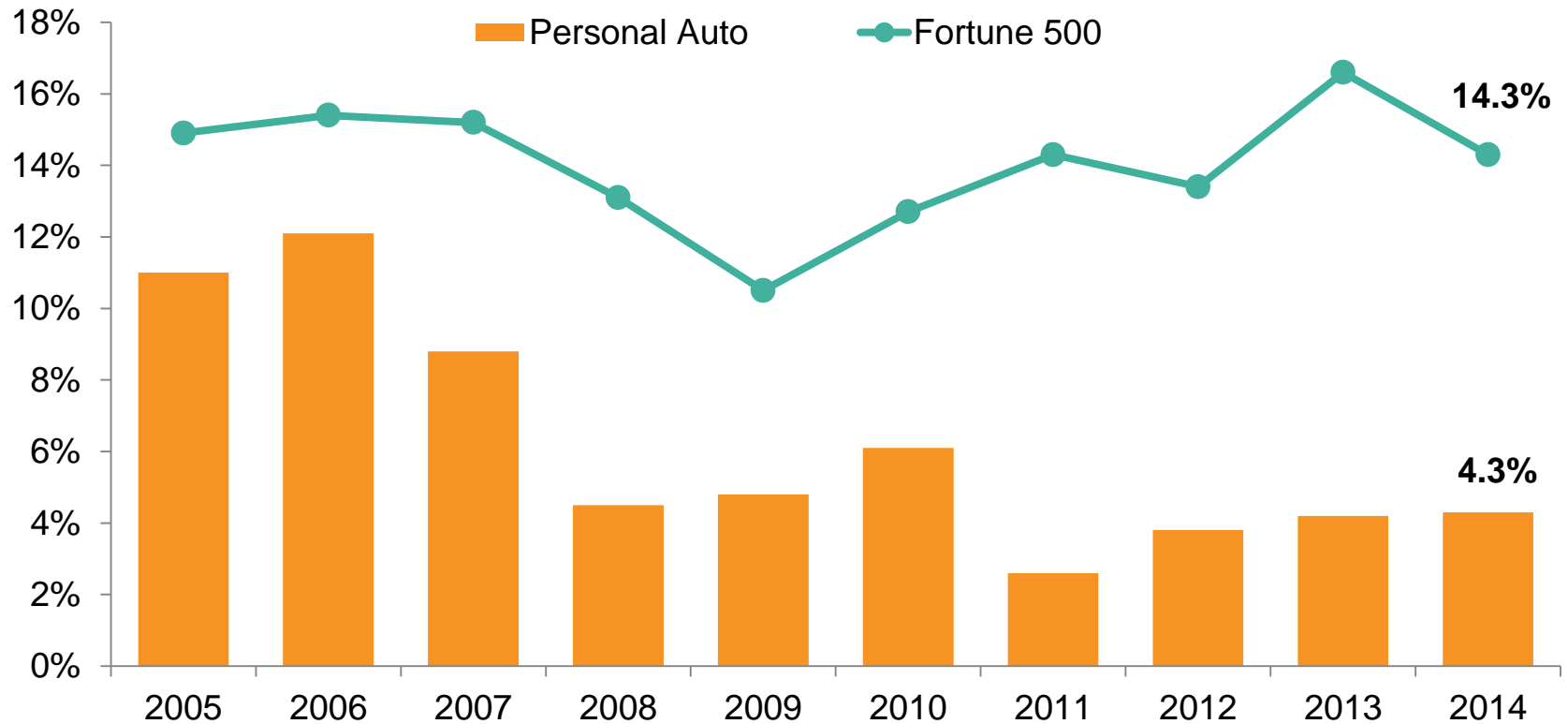


Sources: NAIC, Insurance Information Institute.

# Auto Insurance

Rising Frequency, Severity Pinching  
the Largest P/C Line

# Return on Net Worth: Personal Auto, 2005–2014



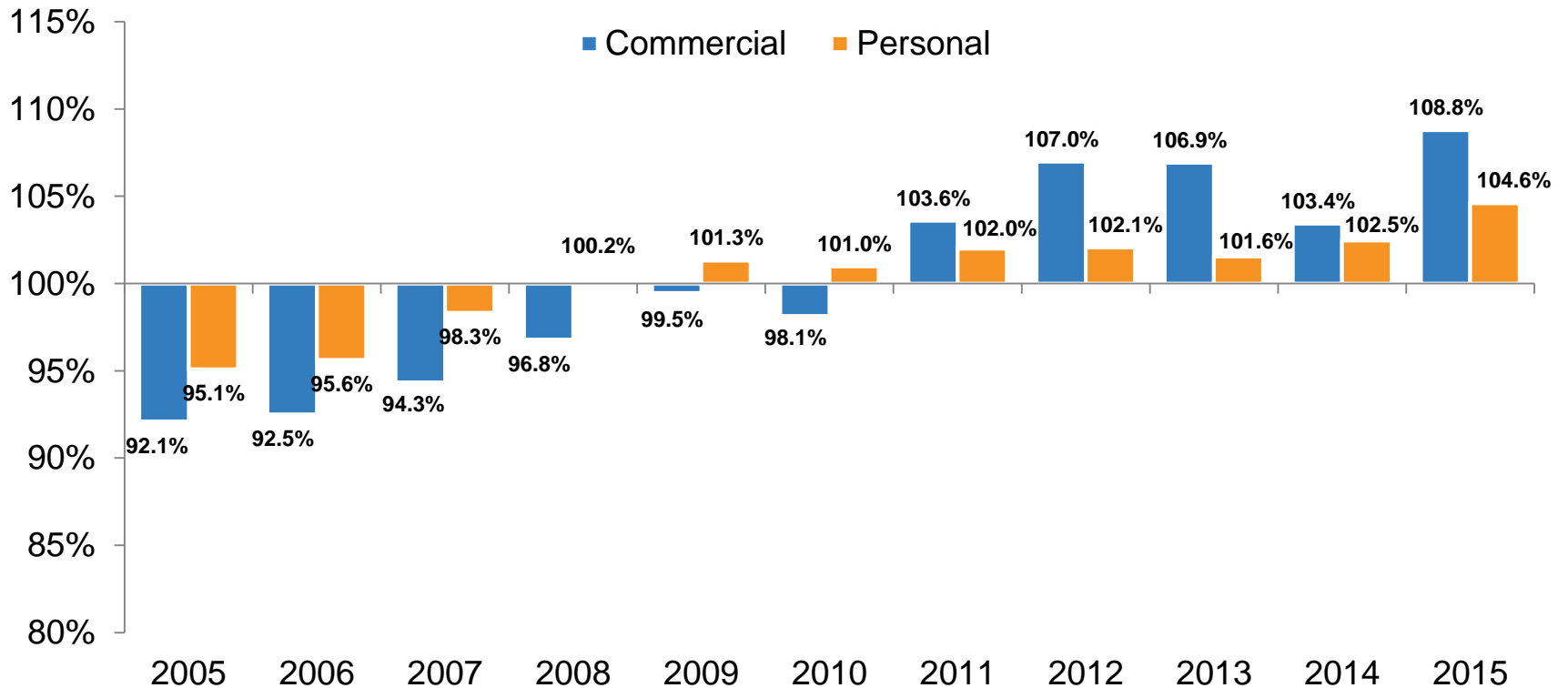
**Auto Insurance Profitability Has Been Stuck at Low Levels.**



Source: National Association of Insurance Commissioners.



# Net Combined Ratio, 2005-2015



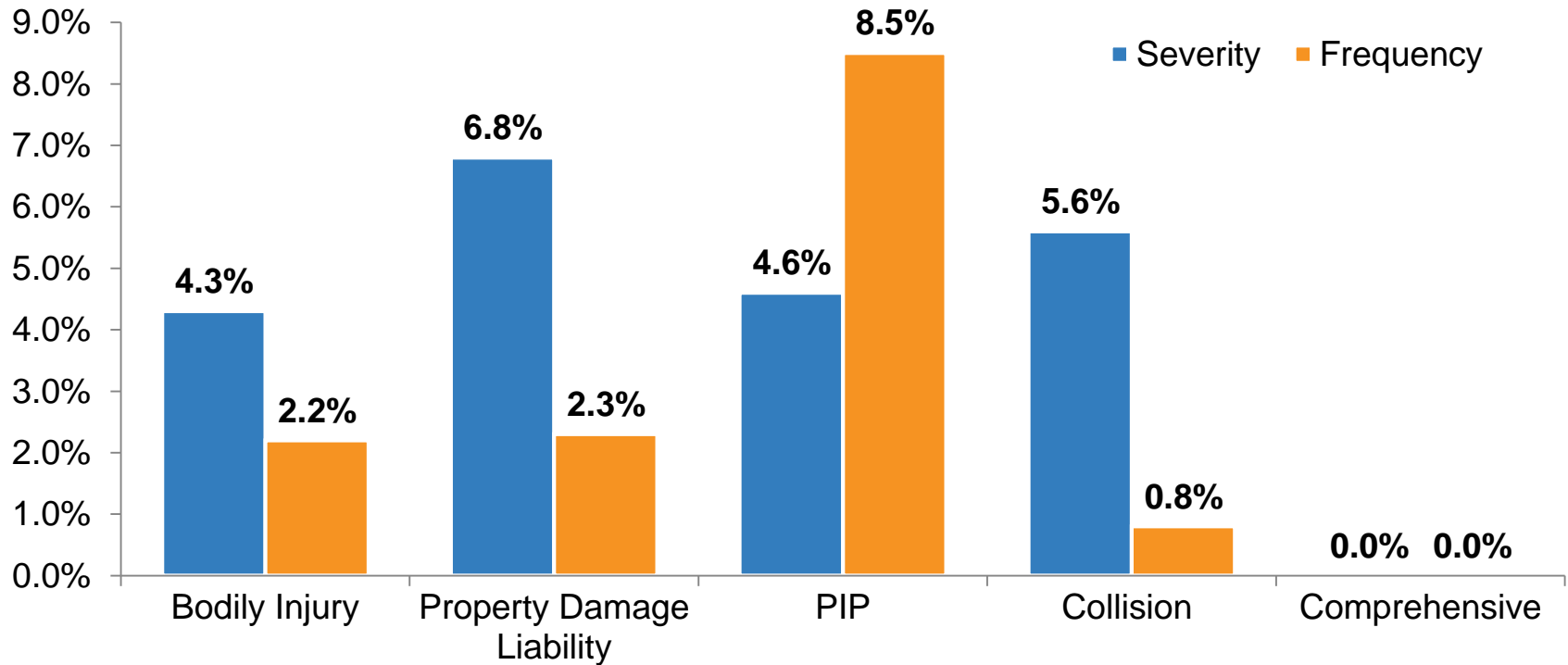
**Loss Ratios Have Been Rising for a Decade.  
2015 Return on Net Worth is Likely Close to Zero or Negative.**



Source: National Association of Insurance Commissioners data, sourced from S&P Global Market Intelligence; Insurance Information Institute.

# Why Personal Auto Loss Ratios are Rising: Severity & Frequency by Coverage, 2016 vs. 2015

Annual Change, 2016 Over 2015\*



**Across All Personal Coverage Types (Except Comprehensive) in 2015, Frequency and Severity Rose. This Pattern is Continuing in 2016.**



\*Four quarters ending in March.

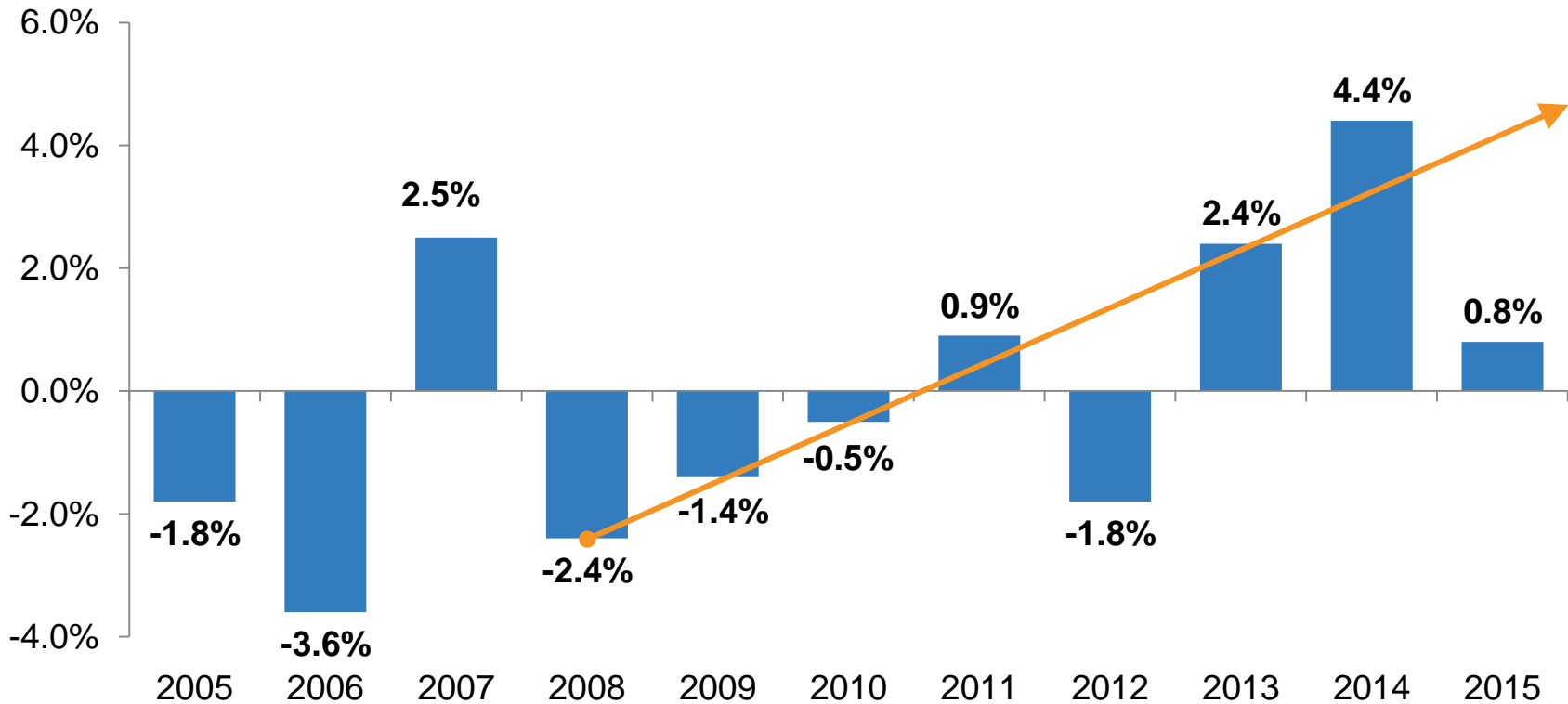
Source: ISO, a Verisk Analytics company; Insurance Information Institute.

# Claim Trends by Coverage

Focus on Collision

# Collision Claims: Frequency Trending Higher in 2015

Annual Change, 2005 through 2015



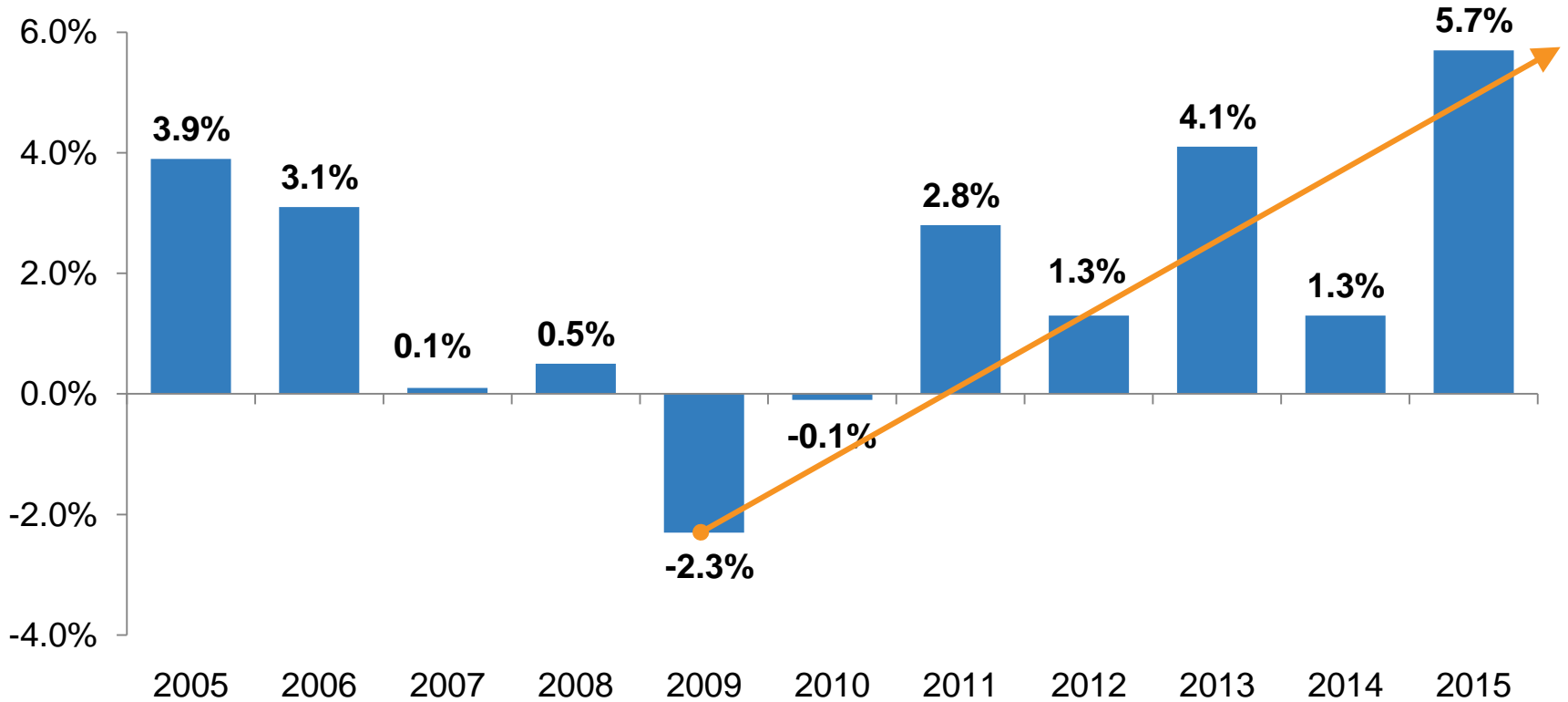
**For a Long Time, Claim Frequency Was Falling, But Since 2010 This Trend Seems to Have Reversed.**



Source: ISO, a Verisk Analytics company; Insurance Information Institute.

# Collision Claims: Severity Trending Higher in 2009-2015

Annual Change, 2005 through 2015

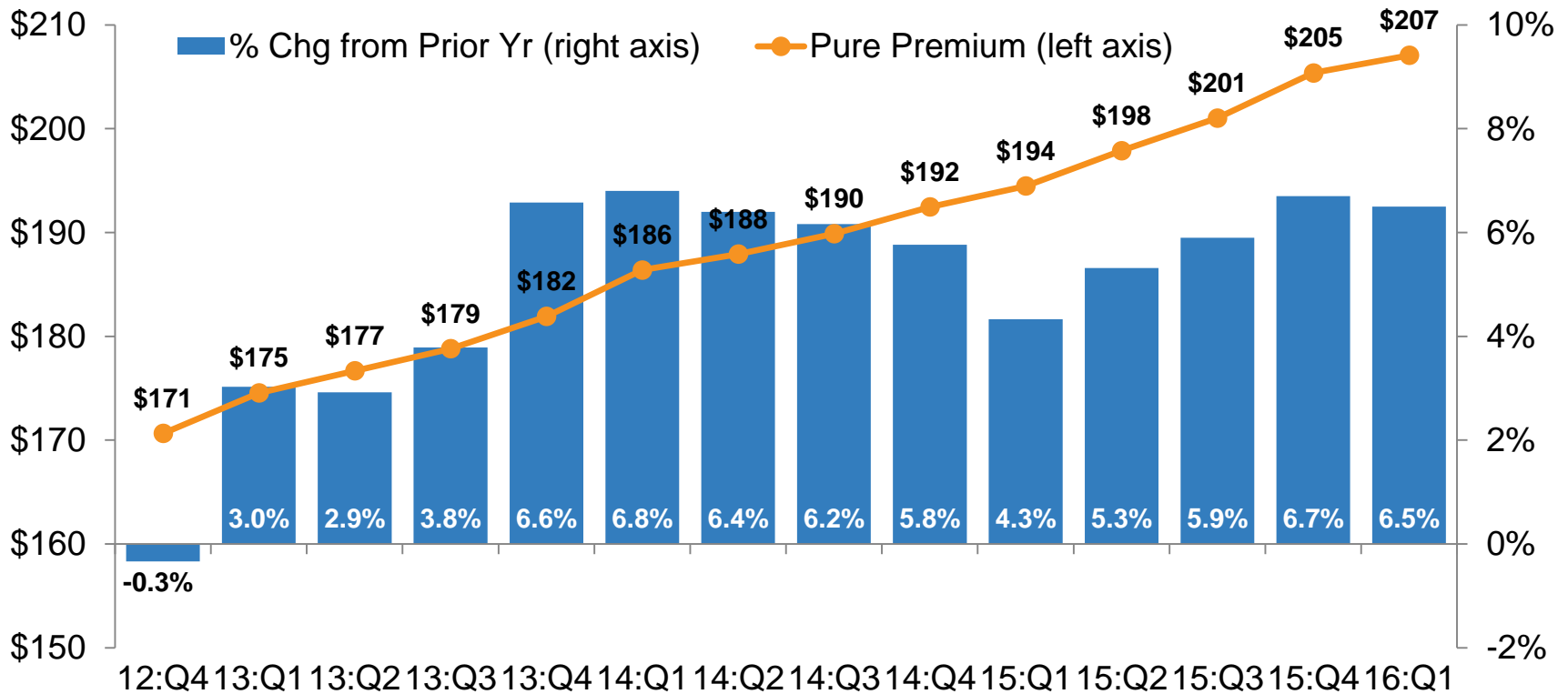


**The Great Recession and High Fuel Prices Helped to Temper Claim Severity, But These forces Have Clearly Reversed, Consistent with Experience from Past Recoveries.**



Source: ISO, a Verisk Analytics company; Insurance Information Institute.

# Collision Claims: Pure Premium (Losses per Insured Unit), 2012:Q4 to 2016:Q1



**Over the Latest Four Years,  
the Collision Pure Premium Rose by 22.2%.**



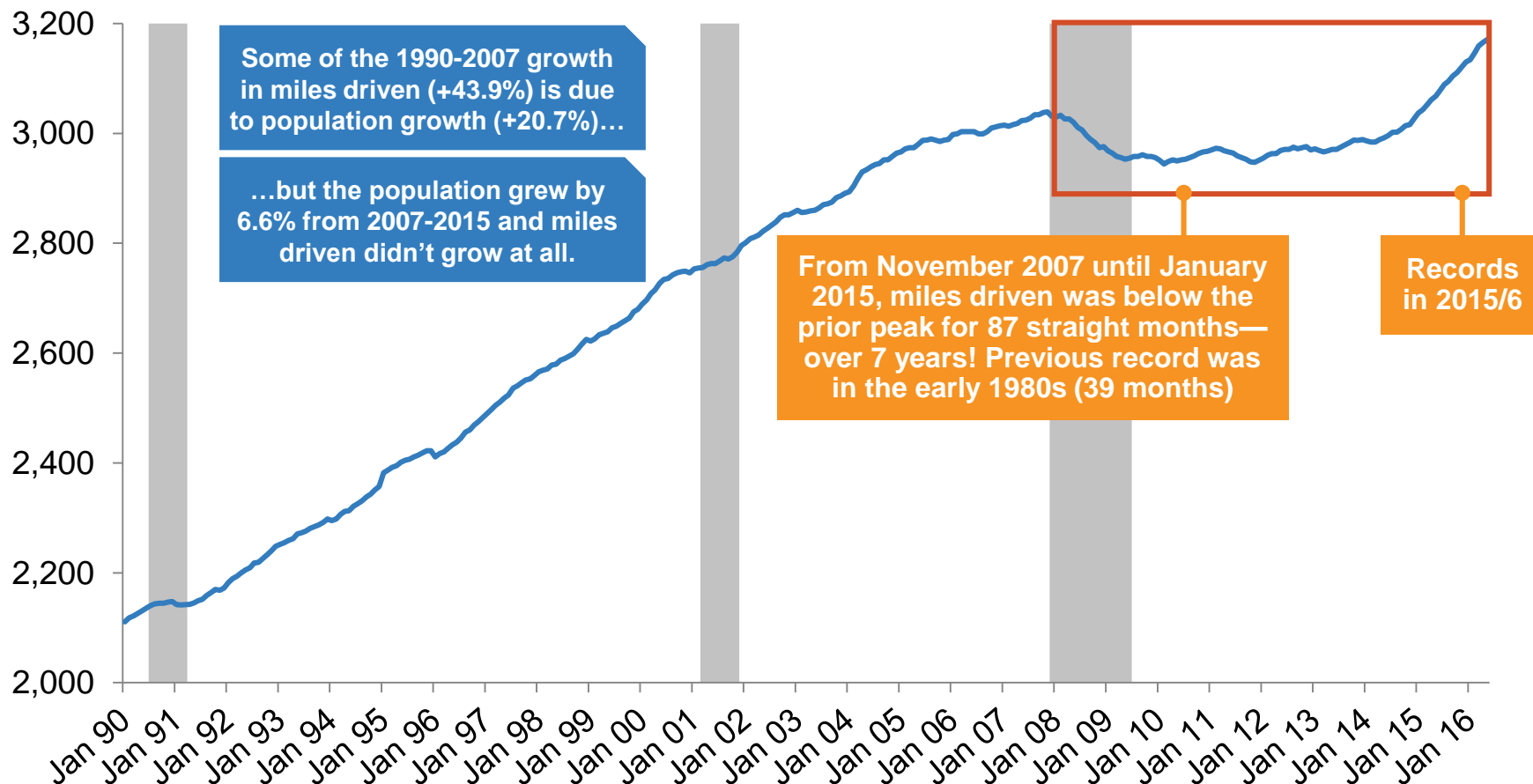
Note: Data is for four quarters ending in quarter shown.  
Source: ISO, a Verisk Analytics company; Insurance Information Institute.

# What's Driving These Trends?

Frequency; Severity

# America is Driving More Again: Total Miles Driven\*, 1990-2016

Billions of Miles Driven



\*Moving 12-month total. Data through May 2016, the latest available.

Note: Recessions indicated by shaded columns.

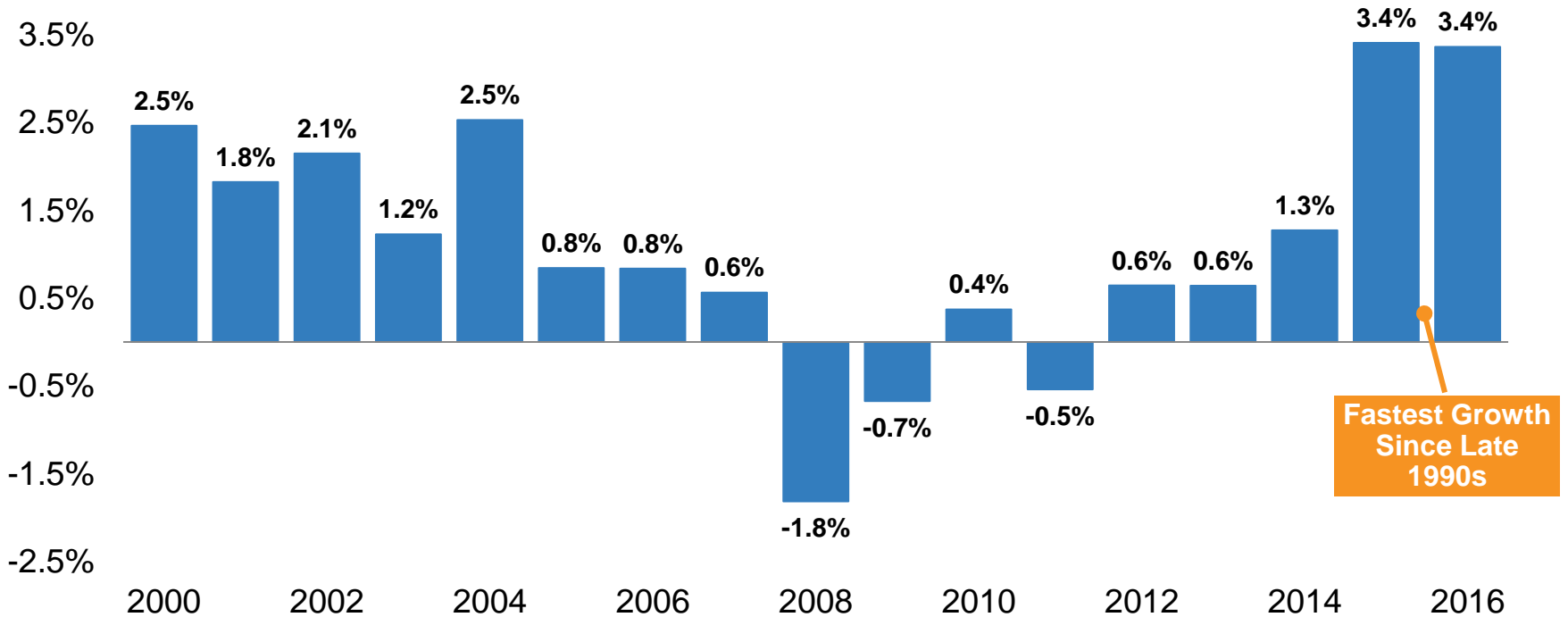
Sources: [Federal Highway Administration](#); National Bureau of Economic Research (recession dates); Insurance Information Institute.





# America is Driving More Again: 2000-2016

Percent Change, Miles Driven\*



**Tremendous Growth In Miles Driven. The More People Drive, The More Frequently They Get Into Accidents.**

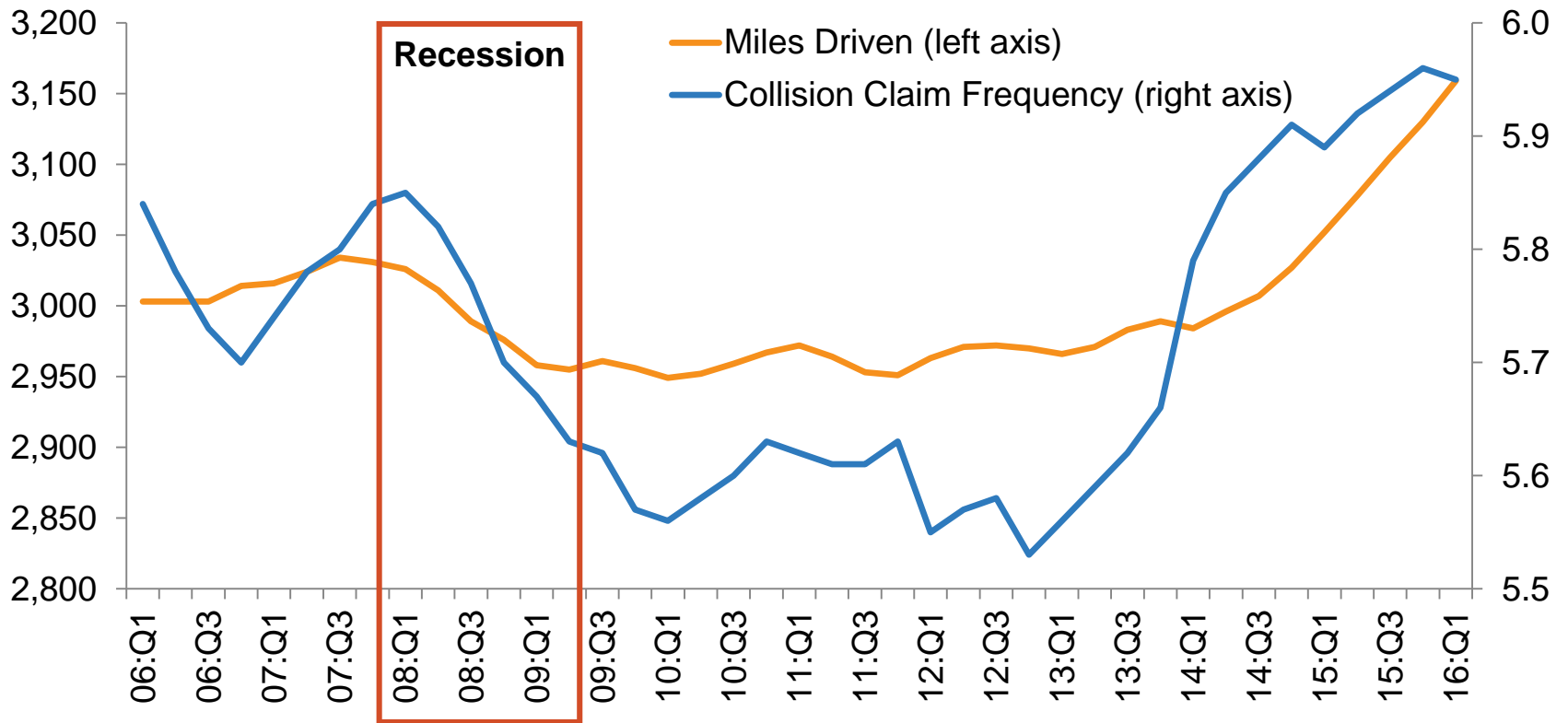


\*2000-2015: Moving 12-month total vs. prior year. 2016 data through May 2016, the latest available, vs. May 2015.  
Sources: [Federal Highway Administration](#); National Bureau of Economic Research (recession dates); Insurance Information Institute.

# More Miles Driven => More Collisions, 2006-2016

Billions of Miles Driven in Prior Year

Overall Collision Claims Per 100 Insured Vehicles



**The More Miles People Drive, the More Likely They are to Get in an Accident, Helping Drive Claim Frequency Higher.**

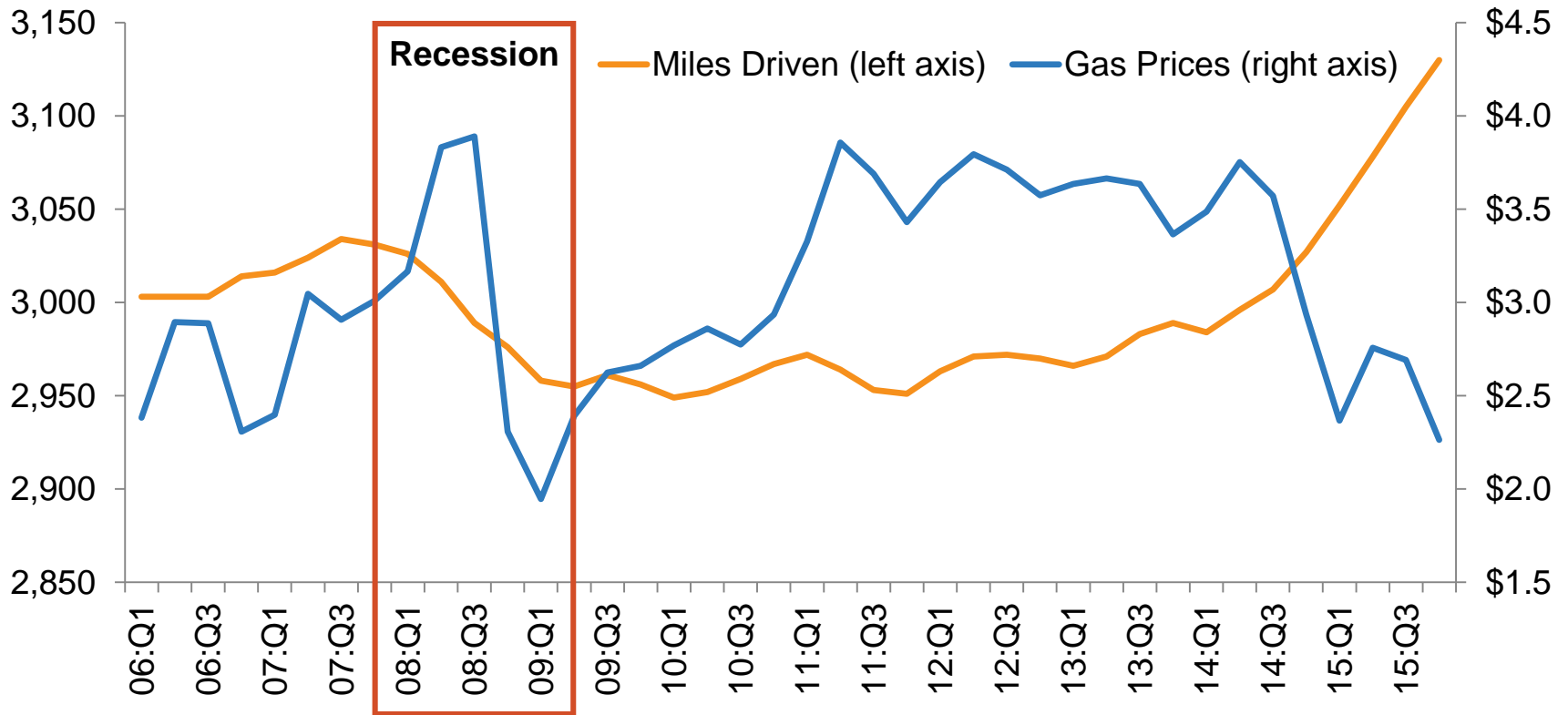


Sources: [Federal Highway Administration](#); Rolling four-quarter average frequency from ISO, a Verisk Analytics company; Insurance Institute for Highway Safety; Insurance Information Institute.

# Why Are People Driving More Miles? Cheap Gas?

Billions of Miles Driven in Prior Year

Average Price Per Gallon



**Gas Prices Don't Seem Correlated With Miles Driven.**

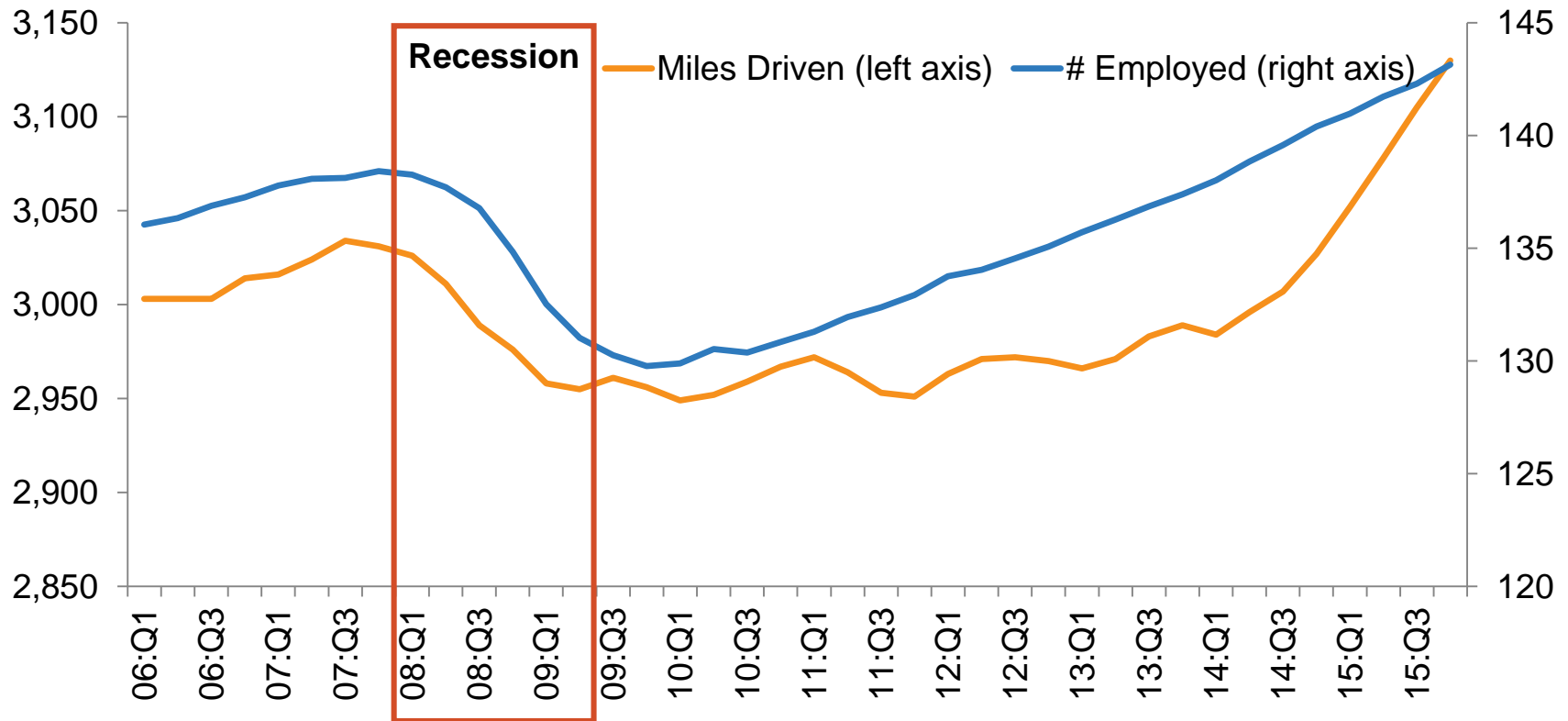


Sources: [Federal Highway Administration](#); Energy Information Administration; Insurance Institute for Highway Safety; Insurance Information Institute.

# Why Are People Driving More Miles? Jobs?

Billions of Miles Driven in Prior Year

Millions Employed



**People Drive to and from Work and Drive to Entertainment.  
Out of Work, They Curtail Their Movement.**

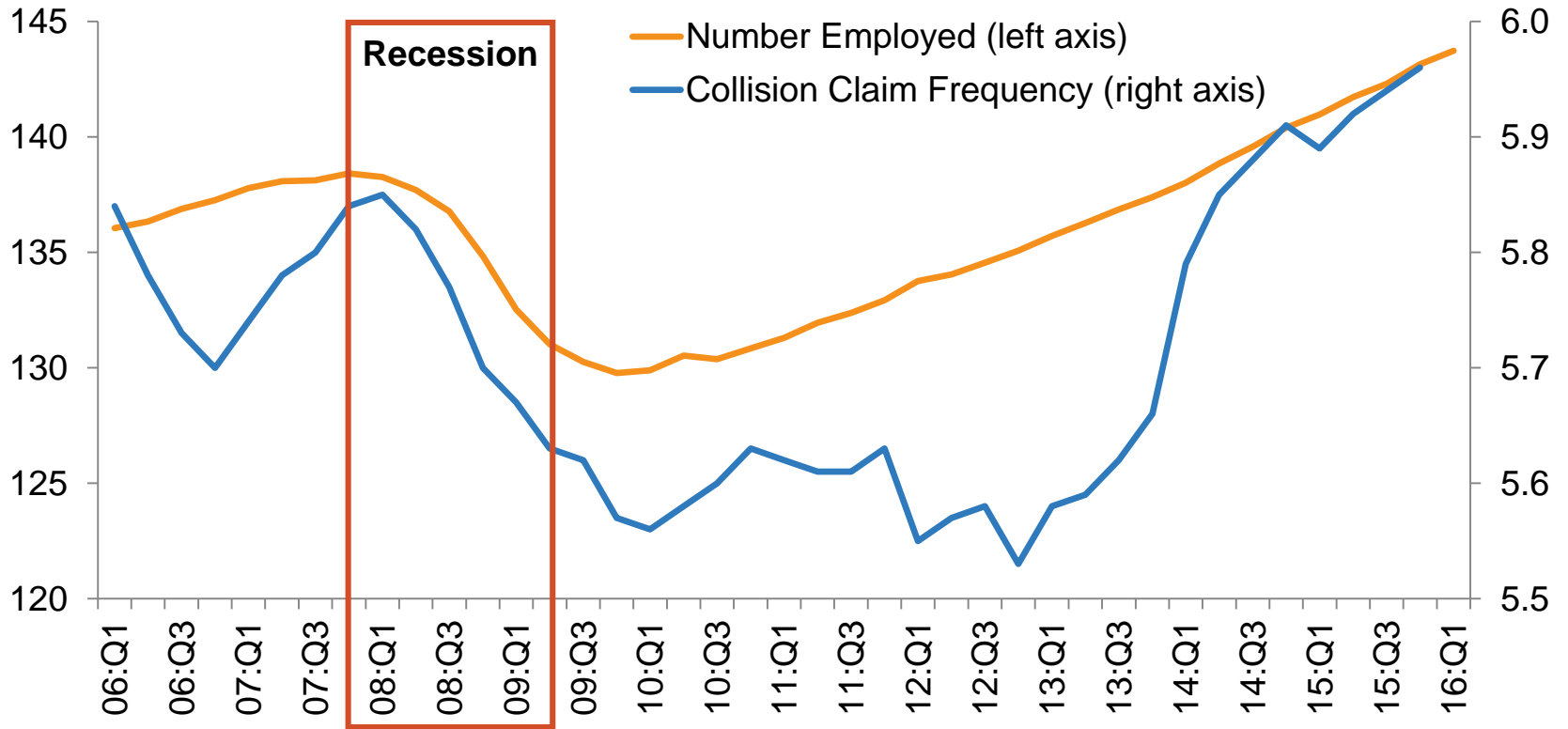


Sources: [Federal Highway Administration](#); Seasonally Adjusted Employed from Bureau of Labor Statistics; Insurance Institute for Highway Safety; Insurance Information Institute.

# More People Working and Driving => More Collisions, 2006-2016

Number Employed, Millions

Overall Collision Claims Per 100 Insured Vehicles



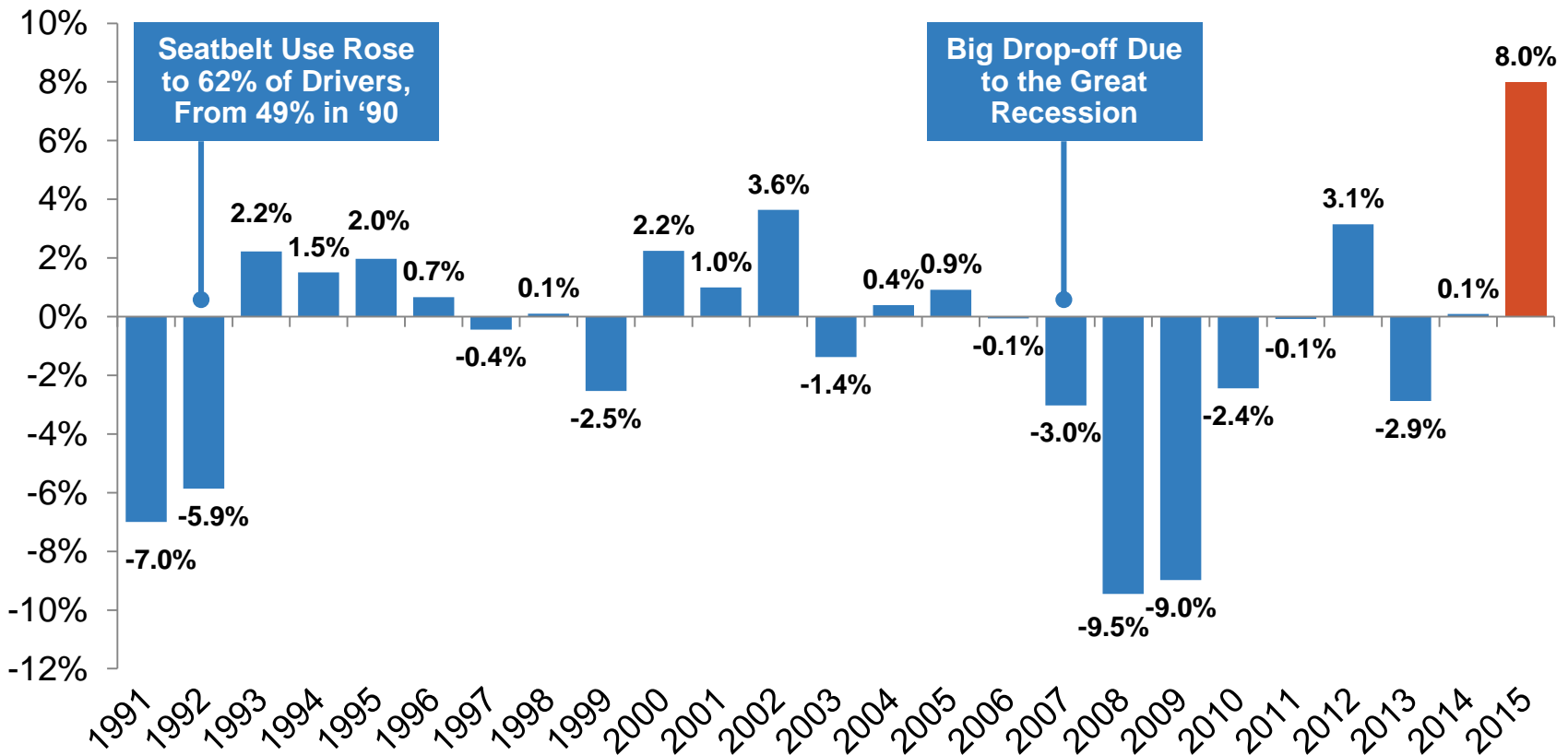
**When People are Out of Work, They Drive Less. When They Get Jobs, They Drive to Work, Helping Drive Claim Frequency Higher.**



Sources: Seasonally Adjusted Employed from Bureau of Labor Statistics; Rolling four-quarter average frequency from ISO, a Verisk Analytics company; Insurance Information Institute.

# Severity: Driving Fatalities are Rising

Annual Change in Motor Vehicle Deaths



**Driving Has Been Getting Safer for Decades, But Recent Trend is Discouraging—38,300 Deaths in 2015.**



Sources: National Safety Council, Insurance Information Institute.

# Summary

- ▲ The industry is in good financial shape with several years of modest profits.
- ▲ Interest rates look like they'll stay low; equity market is uncertain (as always)
- ▲ Recent years have had modest cuts; U.S. This year hurt by severe weather
- ▲ Flat commercial rates, perhaps softening
- ▲ Auto costs are rising (both frequency and severity)





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