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# The Impact of COVID-19 on P/C Insurance

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Sean Kevelighan, Chief Executive Officer  
Michel Leonard, PhD, CBE, Vice President and Senior Economist  
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038  
seank@iii.org ♦ michel@iii.org ♦ www.iii.org

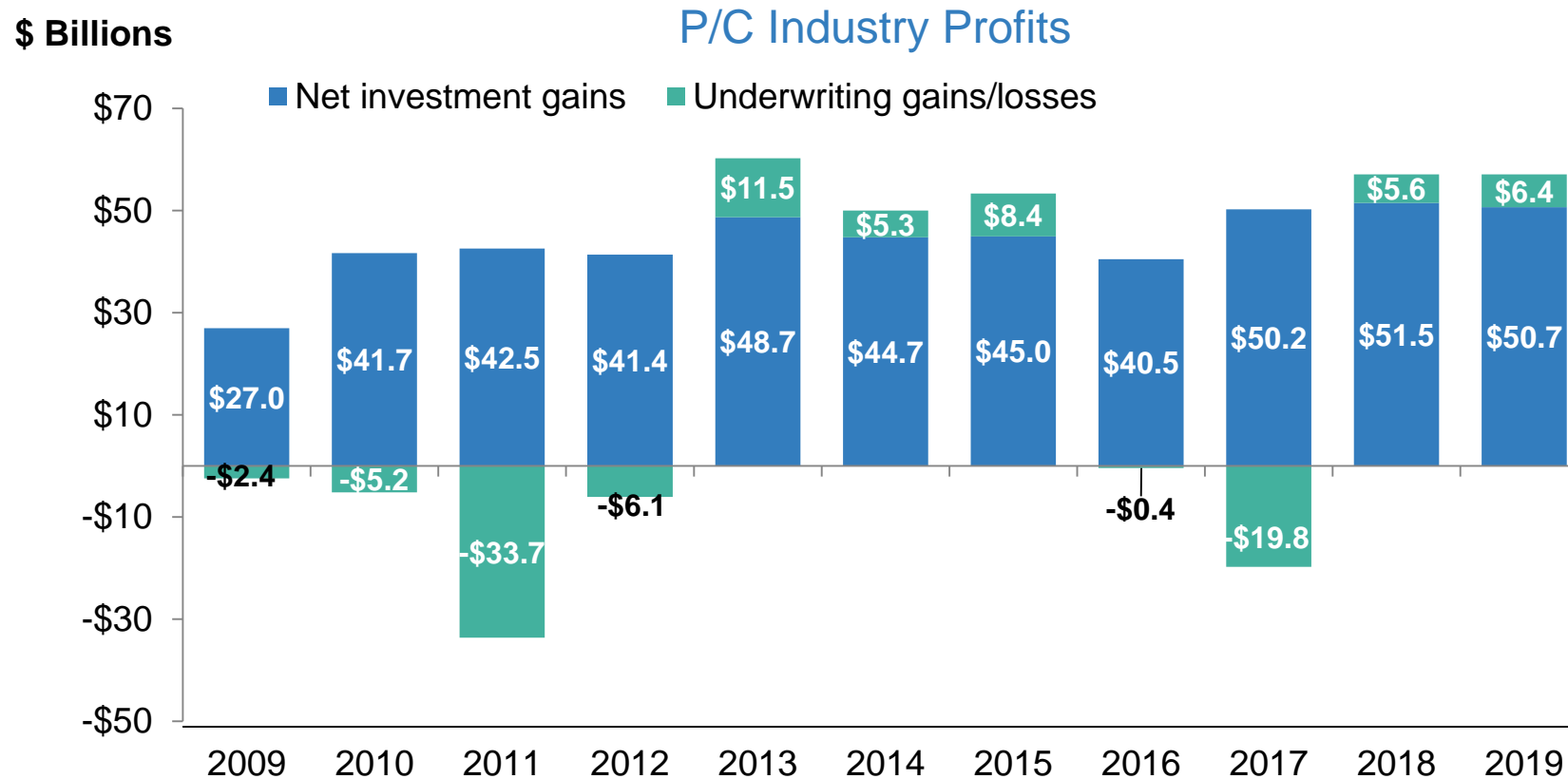
# KEY POINTS

P/C insurers are financially strong as a group and stand ready to pay the covered claims they receive

- ▲ Cumulative policyholders' surplus is more than \$800 billion as of 2019:Q3, eight times what P/C insurers paid for 2017's U.S. natural disasters
- ▲ Investment portfolios are diversified and able to withstand monetary loosening and equity market volatility
- ▲ Large share of carriers' exposure reinsured via global corporate companies with significant capital
- ▲ Business interruption claims not expected to impact P/C industry's strong fundamentals
- ▲ In unlikely individual insurer insolvency, existing state guaranty funds will pay claims on insurer's behalf

IMPACT	LINES
Highest:	Workers Comp
Moderate:	Liability, D&O
Lowest:	Auto, Property, BI

# Key Sources of P/C Insurer Profits



Through 2019:Q3  
Data before taxes and  
exclude extraordinary  
items.

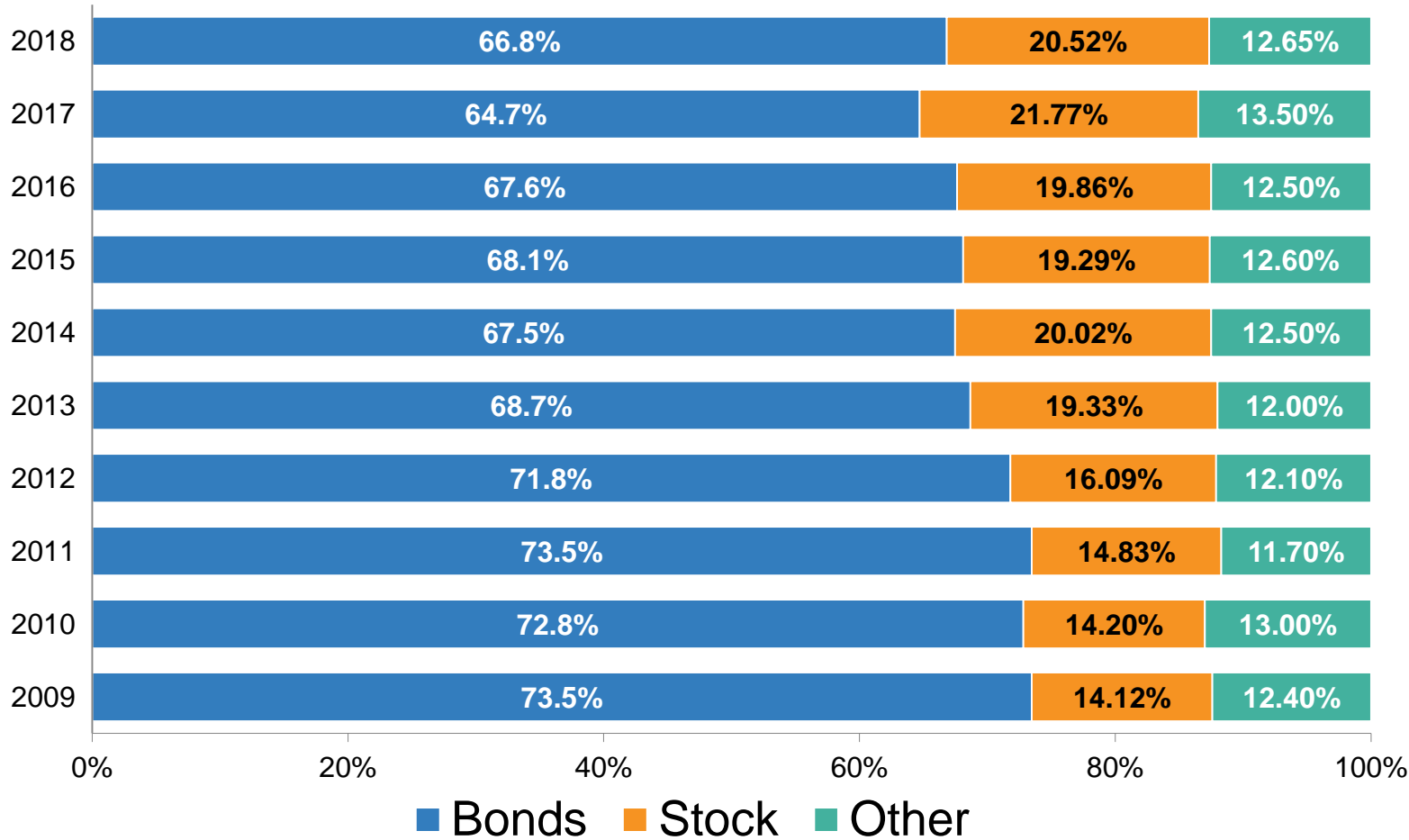
Source: NAIC, S&P  
Global Markets,  
Insurance Information  
Institute.

**Strong Capital Gains, Underwriting Result Lifted Profits.**



# The Changing Mix of Invested Assets: P/C Industry 2009-2018

P/C Industry Portfolio Allocation (As of Year-End 2018)



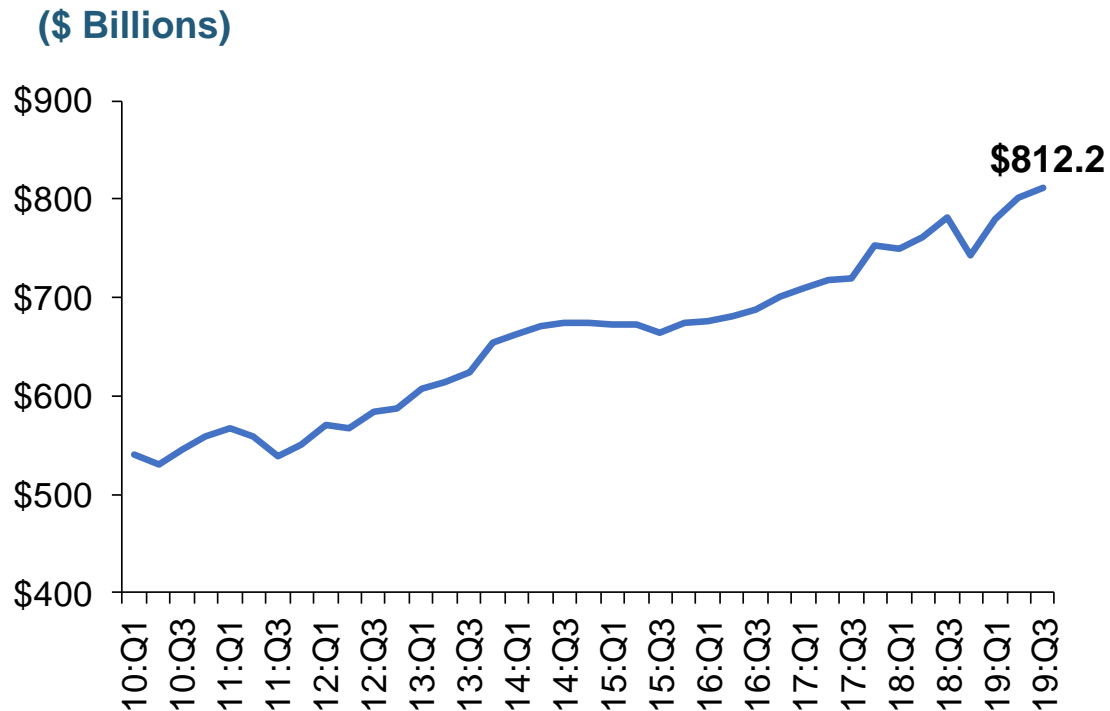
- 79% of P/C portfolio exposure is to non-stock assets
- At its 2017 peak, stocks allocation was 22%, in-line with the industry's history of prudent asset allocation
- The industry started reducing stock exposure in 2018 in anticipation of an economic slowdown well before Covid-19 volatility

Source: NAIC, S&P Global Markets, Insurance Information Institute.

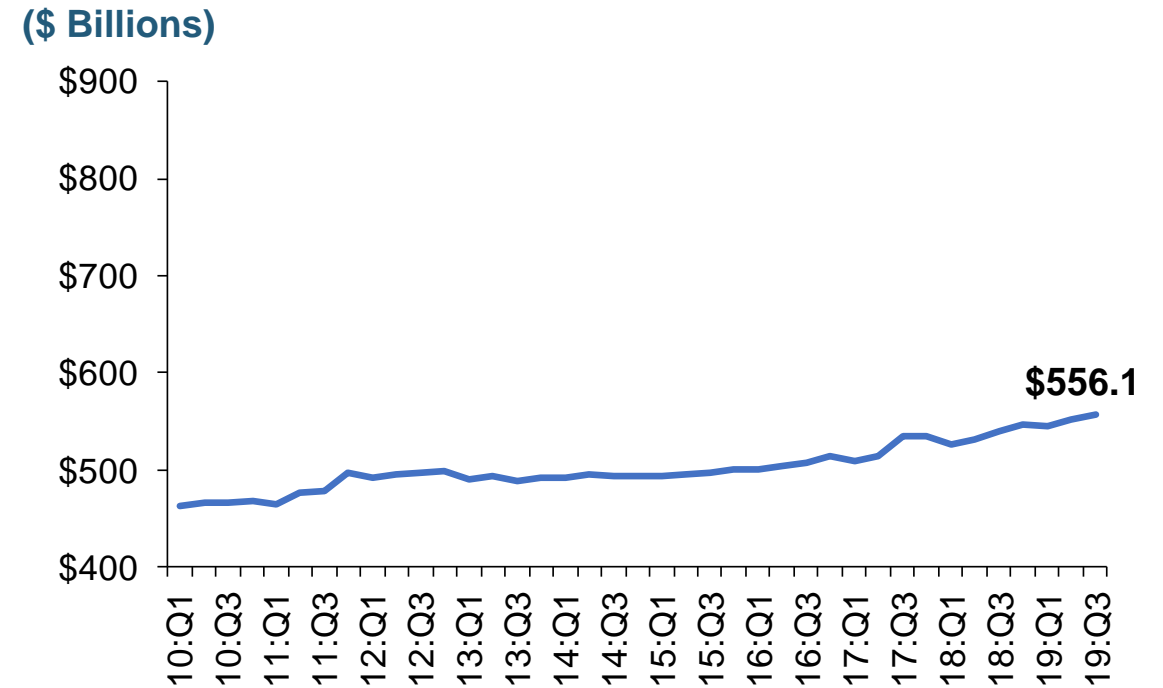


# The P/C Industry is Financially Strong

## Amount of Surplus



## Amount of Loss Reserves



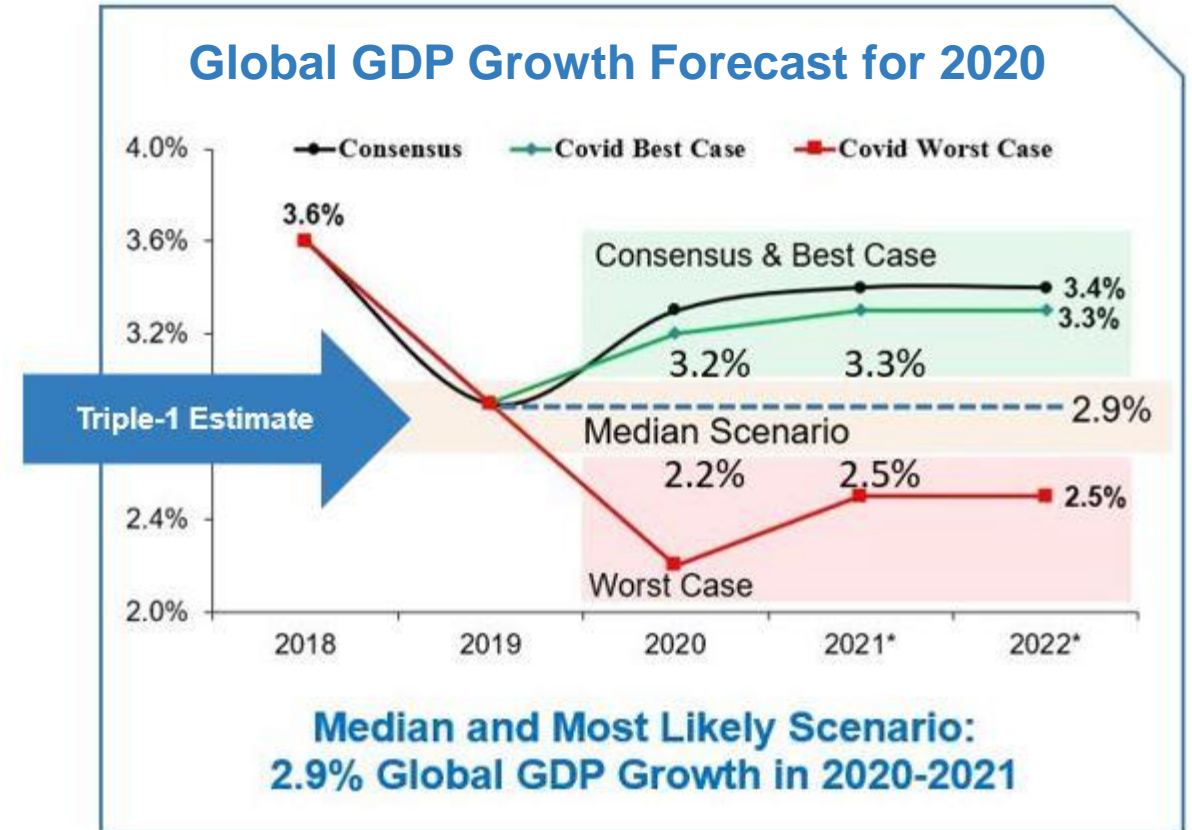
Through 2019:Q3. Data before taxes and exclude extraordinary items. Source: S&P, Insurance Information Institute

The industry has Surplus (excess of assets over reserves and other liabilities) such that, if losses spike well beyond current reserves, it has sufficient funds to handle the spike.



# Global Macro Background to Analysis

- 2020 GDP growth forecasts:
  - Global:** 2.9% (down from 3.3% in 2019 or -0.4%)
  - U.S.:** 1.5% (down from 2.3% in 2019 or -0.8%)
- Impact likely to continue into Q3/Q4 2020, push back recovery by 12 months
- Fiscal, monetary policy unlikely to be effective
- Macroeconomic forecasts based on a death rate assumption of between 200,000 and 400,000 worldwide by end of current pandemic



# Highest Impact: Workers Compensation

- ▲ Exposure highest for carriers providing coverage to:
  - Hospitals, Medical Services, EMT
  - Law Enforcement, Fire Departments, First Responders
  - Transportation and retail
- ▲ Need for greater education and communication about extent and gaps of product coverage with regards to Covid-19
  - Clarity around source of infection arising from work
  - Employers have exposure for workers working remotely but don't control work environment
  - Significant state-by-state differences



# Moderate Impact: Liability and D&O

- ▲ Exposure highest for carriers providing coverage to:
  - Healthcare and Pharma
  - Entertainment, transportation, and retail
  - Manufacturing
- ▲ Need for greater education and communication about claims and policy performance associated with:
  - Clarity about responsibility to protective equipment, masks, hand sanitizer, lack of hand sanitation stations
  - Liability exposure arising from failure to “adequately” follow and communicate public health guidelines
  - D&O exposure arising from publicly traded companies’ risk disclosure requirements on filings and financials





# Lowest Impact

## ▲ Property

- Physical damage or damage to insured property
- Some property policies also include sub-limited coverage for income loss, mostly for hospitality, retail, and entertainment

## ▲ Auto

- Reductions in movements of goods and people normally associated with lower economic activity
- Claims volume likely to decrease or see growth slow down on lower economic activity in 2020
- Some concerns over scarcity pricing for parts and repairs under worst case pandemic scenarios



# Specialty Lines

## ▲ Business Interruption, Trade Disruption

- Amongst lowest impact due to policy terms including long waiting periods, high deductibles/co-insurance, and requirements for direct property loss

## ▲ Event Cancellation, Travel Insurance

- Manuscripted policies, exclusions, reduce systemic exposure

## ▲ Cyber Risk

- Increases in number of employees working from home increases cyber vulnerability



# Triple-I Members Feedback / Key Related Considerations

- ▲ Lawsuits arising out of policyholder negligence
- ▲ Policyholders who believe business interruption policies cover them for COVID-19-caused business closures
- ▲ COVID-19's impact on their employees



# Q&A

# Thank You

