The Triple-I & Its Mission

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

……to inform and empower consumers.
The Disruption Continuum

Catastrophes

COVID

Economics

Geopolitical

Social Unrest

Technology

INSURANCE
How Insurance Defines Success

Economic Growth

Community Well-being

Capital Protections

Resilience
A New Milestone for Measuring Success

Economic Growth

Community Well-being

Capital Protections

Resilience

Fairness & Equality

2020 NAIC INSURANCE SUMMIT
How Insurance Drives Economic Growth

**Safety/Security**
1. Insurers are financial first responders
2. Insurers are risk mitigators

**Economic/Financial Stability**
3. Insurers are capital protectors
4. Insurance is a partner in social policy
5. Insurance sustains the supply chain
6. Insurers are capital infusers

**Development**
7. Insurers are community builders
8. Insurance enables infrastructure improvements
9. Insurers are innovation catalysts
10. Insurers are credit facilitators

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2020 NAIC INSURANCE SUMMIT
Insurance & Economic Leadership

Sustainable Business Model

2010

Bank Failures: 157

Insurance Impairments¹: 4

Policyholder Surplus:

≈ $772B ➔ End Q1/20

Strong Jobs Pool/Provider

2.8M Employed

Need to Fill 400K+ by 2022²

Economic Growth Promoter/Facilitator

$630B 3.0% US GDP³

Premium Taxes Paid⁴: $23.6B

Muni Bond Investment⁵: $500B

Charity/Volunteerism⁶: $280M

### Customers
Auto insurers have returned $14 billion so far to customers' pockets around the country through premium relief

### Community
Insurers have pledged more than an estimated $280 million (according to III/Insurance Industry Charitable Foundation) in donations to the national and local organizations fighting this pandemic on the frontlines

### Employees
Employing more than 2.8 million Americans, insurers are taking care of their employees—many pledging no layoffs during the ongoing crisis

### Industry
Insurers are implementing innovative solutions to carrying out daily operations while respecting social distancing
Underwriting Trends
COVID-19’s Impact

Unprecedented Spread of Loss, Deterioration of Exposure

### Potential Loss Impact
- Workers Compensation: $0.2B
- Political risk, credit, surety: $0.8B
- Mortgage: $1.7B
- GL: $0.7B
- EPLI: $0.3B
- D&O: $0.6B
- BI: $0.2B

### Exposure Impact
- $14B auto premium
- Employment related exposures (GL, WC)

### Investment
- Volatile stocks, bond yields plunging
- Lloyd’s estimate: $96B in investment losses

Loss estimates range from $30B (≈ bad hurricane) to $140B (2-3 Katrinas)

Industry Outlook

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

2020 Commentary

Overall premium projected to be flat. Underwriting result deteriorates.

- Pandemic and recession reduce exposure in personal auto, several commercial lines.
- Rate increases make up for lower exposures somewhat.
- Tremendous uncertainty due to pandemic’s impact on several lines.
- We assume normal cat year, despite bleak hurricane forecast.
U.S. Inflation-Adjusted Insured Cat Losses

2019 Was a Relatively Mild Year; 2020 Faces Pandemic, Above-average Hurricane Forecast

* Aon estimate through April. 2010s is average of 2010 to 2019. All losses are Direct.
Sources: Property Claims Service, a Verisk Analytics business; Aon; Insurance Information Institute.
Hurricane Forecast

Grim

Source: Colorado State University Tropical Meteorology Project.
Commercial Lines Rate Changes

Rates Have Been Rising. Is It A Hard Market?

Sources: Willis Towers Watson, MarketScout, Marsh.
Commercial Rate Changes

By Line, as of Second Quarter

Source: MarketScout.
Financial Trends
Key Sources of P/C Insurer Profits

Steady Investment Gains, Good Underwriting Results Lifted Profits in Most Years

Through first quarter.
Data are before taxes and exclude extraordinary items.
Source: NAIC data, sourced from S&P Global Market Intelligence.
Surplus Has Rebounded from Q1 Decline Caused by Unrealized Capital Losses (Stock Declines). 78 Cents of Premium per Dollar of Surplus.

Sources: ISO, A.M. Best, Insurance Information Institute.
P/C Insurer Portfolio Yields, 2002–2020:Q1

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

Even if 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.

Sources: NAIC data, sourced from S&P Global Market Intelligence; Insurance Information Institute.
Interest Rates Tumbled, Will Recover Slowly


Sources: Federal Reserve Economic Data (FRED); Blue Chip Economic Indicators (8/20); Insurance Information Institute.
Employment in Major Subsectors of the Insurance Industry: A Surprise

Over the Last Two Years, All Four Major Insurance Industry Subsectors Have Grown Employment Despite the Recession That Began in February 2020

Data are seasonally adjusted
Sources: BLS; Triple-I
COVID-19

Economic and Cultural Impacts:
An Industry’s Response
Global Pandemics Are Uninsurable

Economic Impact of 9/11
Global Pandemics Are Uninsurable

Economic Impact of Coronavirus
Adopting and Adapting: Workarounds in the Workflow

- Zoom Meetings
- Restaurant Take Out
- Staying Home
- Social Distancing
Regardless of Scenario, Retroactive Attempts to Include Pandemics in BI Causes Bankruptcy

Retroactive BI Scenarios

1. Virus / Bacteria Exclusion Removal
   - Higher: 150
   - Median: 100
   - Lower: 50

2. Expanded BI to All SMEs
   - Higher: 380
   - Median: 250
   - Lower: 125

Key Assumptions
- Scenario 1: 40% take-up rate
- Scenario 2: 100% take-up rate
- Loss basis: Compensation, profits, adjustment costs
- 7 days waiting period
- Retained loss of 10% of total loss

Median estimates are model-driven. The higher and lower estimates assume a standard distribution for BI losses anchored in the mode-driven median loss estimates.
The Surge in Business Interruption Media Coverage Created an Opportunity for Triple-I to Serve as Industry Voice and Educator

Count of Stories Mentioning Business Interruption Insurance & COVID-19

- February: 834
- March: 7,730
- April: 7,610
- May: 6,910
- June: 3,180
- July: 5,000
- August: 4,210

Source: Meltwater
With Increased Attention and Scrutiny on Industry, Triple-I Identified the Need to Launch an Industry Campaign

- The ‘Future of American Insurance & Reinsurance’ campaign launched in May and has served as a source of education and information surrounding pivotal industry activity, including Congressional hearings, White House roundtables, state legislation, and media stories.

- With a separate website and public presences, this campaign provides the Triple-I with a separate platform and voice.

- The campaign will take on overarching industry issues and emphasize its essential role in supporting and rebuilding communities in these uncertain times.

www.fairinsure.org
Six Months into COVID-19, News Coverage Continues to Shine Light on Growing Need for a Federal Policy Solution

Number of Stories

Source: Meltwater
FAIR Guiding Principles:
A Defined Perspective on Potential Policy Solutions

Given their universal scope, pandemics are largely uninsurable. Therefore, only the government has the financial capacity to provide the relief small and large businesses need to weather this crisis.

Proposed solutions must:

- Maintain the federal government as a primary provider of relief, reflecting the reality that pandemic risks are not privately insurable.
- Provide widely accessible relief payments to businesses in a fast and efficient manner once a pandemic is declared by the government, with minimal chance of abuse.
- Protect businesses from losses, and incentivize businesses to retain employees, without jeopardizing insurers' existing commitments.
Objective

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

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

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

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

1. Quantify, track and improve resilience ratings for 50 cities
2. Connect 5,000 decision-makers
3. Bring-to-market 5 resilience tools
4. Change how 50,000 businesses and households manage risk
5. Integrate risk mitigation into 5% of residential and commercial policies

“Five by 2025”
Action Partners

- Triple-I Members
- Carriers, Reinsurers and Brokers
- Insurance Trade Associations
- Non-Profits and Foundations
- Regulators
- Academia
Toolkit

- Hubs, Blog, and Updates
- Ratings Tracker
- Media Outreach and Rapid Response
- Virtual Townhalls
- Lightning Rounds
- Insurance Programs
- Scholars and Fellows
Resilience Blog

UNCATEGORIZED

Lightning Rounds: Investing in disaster and risk management technology

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

HURRICANES

Hurricane Modeling and Forecasting: Marrying Technology to Local Knowledge

FLOODS

Mangroves and Coral Reefs: How Insurance Can Protect the Protectors
Fairness and Equality
Fairness and Equality:

In the Workplace
## Employed Persons by Occupation, Sex, Race, and Hispanic or Latino Ethnicity, 2019

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Total Employed (in 000s)</th>
<th>% of Total Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Women</td>
</tr>
<tr>
<td>Total, 16 Years and Over</td>
<td>157,538</td>
<td>47.0%</td>
</tr>
<tr>
<td>Business and Financial Operations Occupations</td>
<td>7,996</td>
<td>54.0%</td>
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<tr>
<td>Insurance Sales Agents</td>
<td>595</td>
<td>50.6%</td>
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<tr>
<td>Claims Adjusters, Appraisers, Examiners, and Investigators</td>
<td>318</td>
<td>62.1%</td>
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<tr>
<td>Insurance Claims and Policy Processing Clerks</td>
<td>269</td>
<td>81.7%</td>
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<tr>
<td>Insurance Underwriters</td>
<td>105</td>
<td>51.1%</td>
</tr>
<tr>
<td>Actuaries</td>
<td>33</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The Industry is More Diverse and Inclusive Than It Was 20 Years Ago, But Women, People of Color and Other Minority Groups Are Still Significantly Underrepresented at Senior Levels

Source: Bureau of Labor Statistics
African-Americans Are Particularly Under-represented

70% Agreed or Strongly Agreed that there are greater obstacles for African Americans compared with other minorities.

Source: Source: Marsh, Journey of African American Insurance Professionals, 2018

There Are Greater Obstacles for African Americans in the Insurance Industry Compared to Those for Other Minorities or Under-represented Groups

- Strongly Agree: 32%
- Somewhat Agree: 38%
- Neutral: 13%
- Somewhat Disagree: 11%
- Strongly Disagree: 6%
Key Barriers for Minorities in Insurance

- Lack of exposure
- Lack of networks
- Lack of experience
- Racial bias
- Gender bias
- Lack of educational preparation

The Higher Up One Goes the Less Diverse It Gets

- **Two percent** of established agencies have at least one African American principal.

- **Four percent** of independent agencies have an African American Principal or Senior Manager.

Source: Independent Insurance Agents Study, 2018
Fairer Outcomes for All
The NAIC's newly formed committee on race and insurance will address practices that potentially disadvantage minorities – the industry will engage with the NAIC to review the recommended steps.
Where Do We Go from Here?

Without targets that are clearly articulated around initiatives and strategies, it’s hard to conceive that diversity, equity or inclusion will really be achieved

– Dr. Leroy D. Nunery II, Founder and Principal, PlusUltré LLC

Sources: P/C 360, D&I study: Issues, opportunities for women in insurance, May 28, 2020
Final Thoughts
Insurers Are Financially Sound and Have the Resources* to Keep America Resilient

Despite setbacks due to COVID-19, the insurance industry stands ready to live up to its promises to keep households, communities and the American economy more secure, productive and stronger.

*See COVID-19 “Final Thought”
Greater catastrophe risks demand greater mitigation and resilience tools to reduce loss of lives and money. The Resilience Accelerator and its partners advance this cause by building a Resilience Movement to empower all.
Commitment to Creating and Empowering Structure to Ensure Diversity and Inclusion at All Levels

Diversity and inclusion in our industry won’t just “happen.” We’ve made organic gains in the 21st century and are creating new structures by devoting energy and resources necessary to make the insurance industry a leader in breaking down barriers and building truly inclusive workforce.
COVID-19 is Beyond the Scope of Insurers/Reinsurers
Working in Tandem to Overcome Unprecedented Challenges

The insurance industry is proud of its continued success in these areas—in large part because this success is built on a foundation of working in close partnership with consumers and regulators.
Thank you!

www.iii.org