



INSURANCE
INFORMATION
INSTITUTE

NAIC 2020 Insurance Summit Financial Keynote Presentation

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Chief Executive Officer

September 8, 2020

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The Triple-I & Its Mission



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

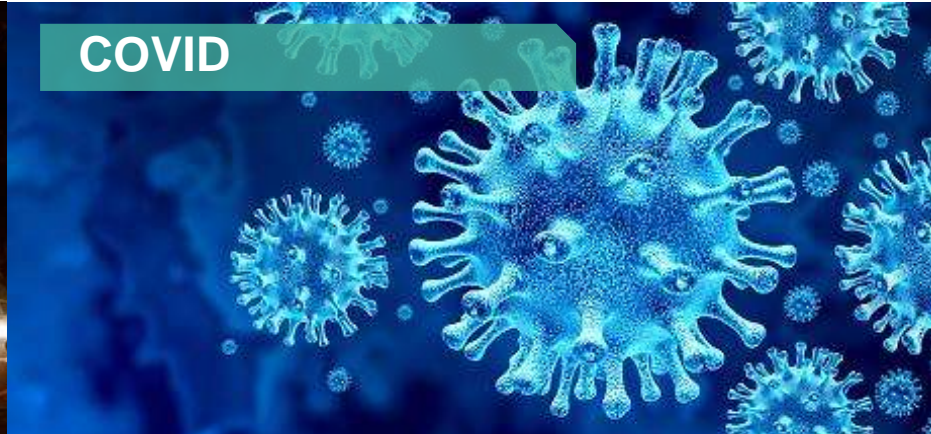
**.....to inform and empower
consumers.**

The Disruption Continuum

Catastrophes



COVID



Economics



INSURANCE

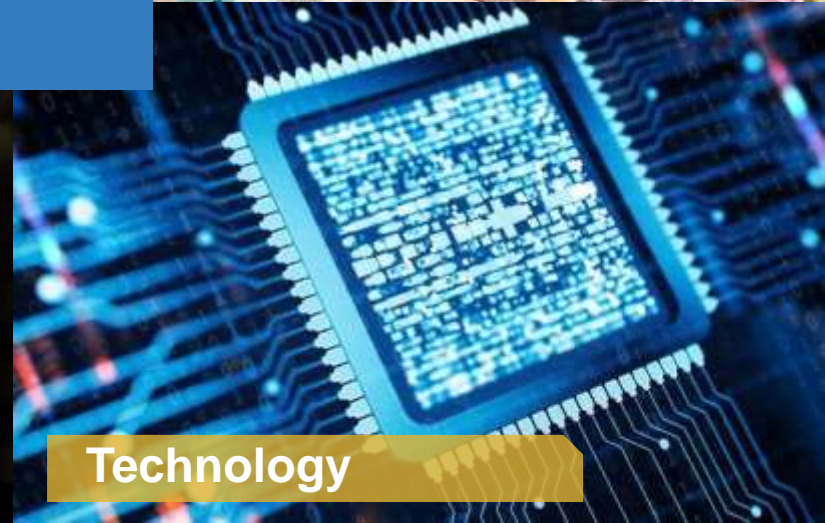
Geopolitical



Social Unrest



Technology

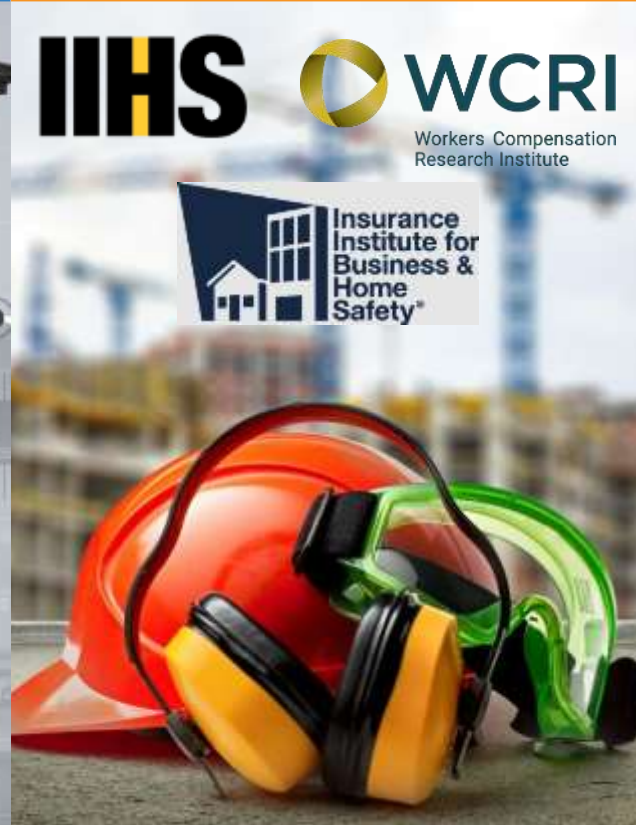


How Insurance Defines Success

Economic Growth



Community Well-being



Capital Protections



Resilience



A New Milestone for Measuring Success

Economic Growth



Community Well-being



Capital Protections



Resilience



Fairness & Equality



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



Insurance & Economic Leadership

Sustainable Business Model

2010



Bank Failures: 157

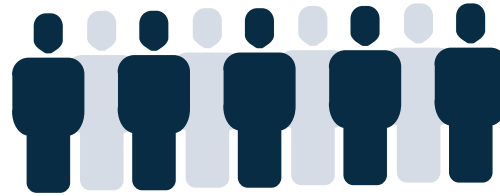


Insurance Impairments¹: 4

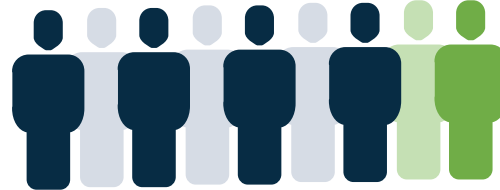
.....
Policyholder Surplus:

~\$772B ➡ End Q1/20

Strong Jobs Pool/ Provider

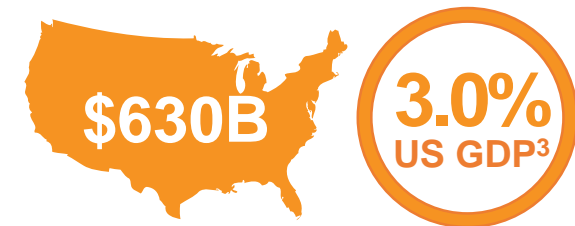


2.8M Employed



Need to Fill
400K+ by 2022²

Economic Growth Promoter/Facilitator



.....
Premium Taxes Paid⁴ \$23.6B

.....
Muni Bond Investment⁵ \$500B

.....
Charity/Volunteerism⁶ \$280M
.....



¹AM Best and FDIC; ²PC 360, Insurance Industry Crisis; ³U.S. Bureau of Economic Analysis, 2020; ⁴U.S. Department of Commerce, 2020; ⁵Federal Reserve, 2019; ⁶2011–2014, Insurance Industry Charitable Foundation – amount donated so far to fight Covid-19.

America's Insurers: Stepping Up

for Customers, Communities, and Employees

The insurance Industry is Applying Forward-thinking Solutions to Take Care of Its Customers, Communities, and Employees During the COVID-19 Crisis

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



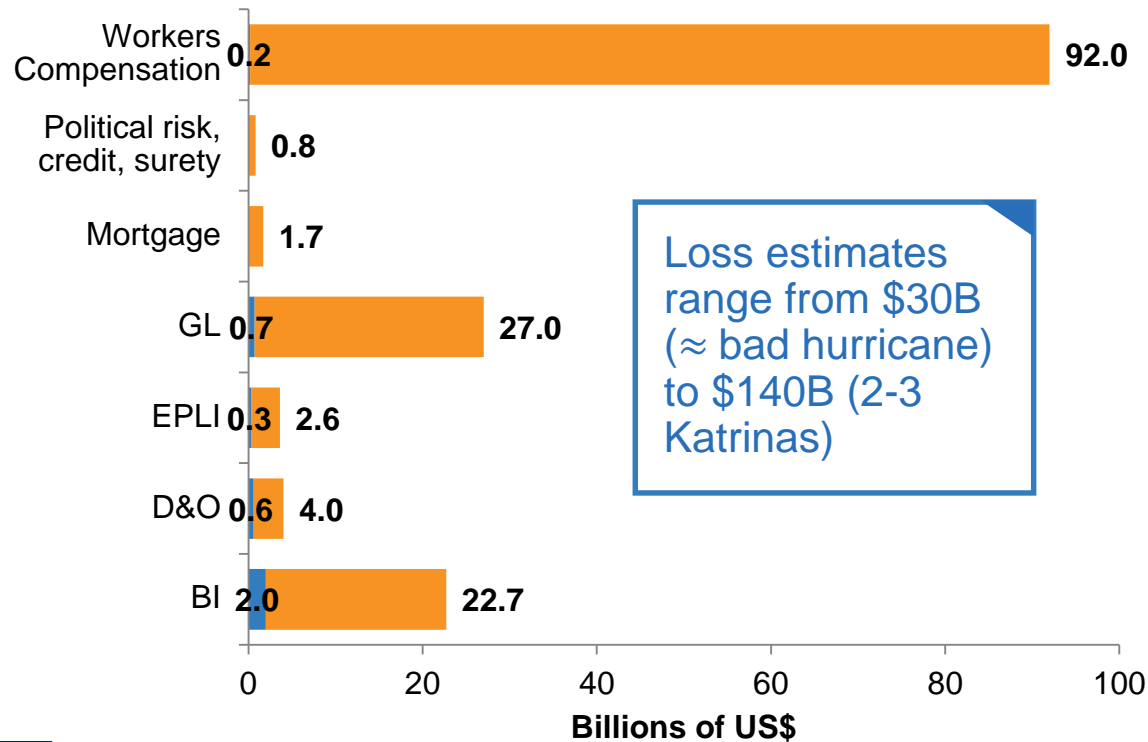
Underwriting Trends



COVID-19's Impact

Unprecedented Spread of Loss, Deterioration of Exposure

Potential Loss Impact



Exposure Impact

- ▲ \$14B auto premium
- ▲ Employment related exposures (GL, WC)

Investment

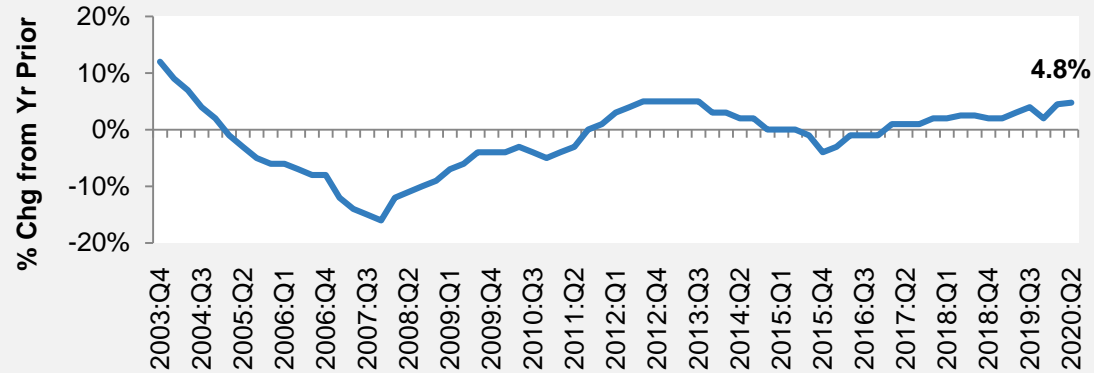
- ▲ Volatile stocks, bond yields plunging
- ▲ Lloyd's estimate: \$96B in investment losses



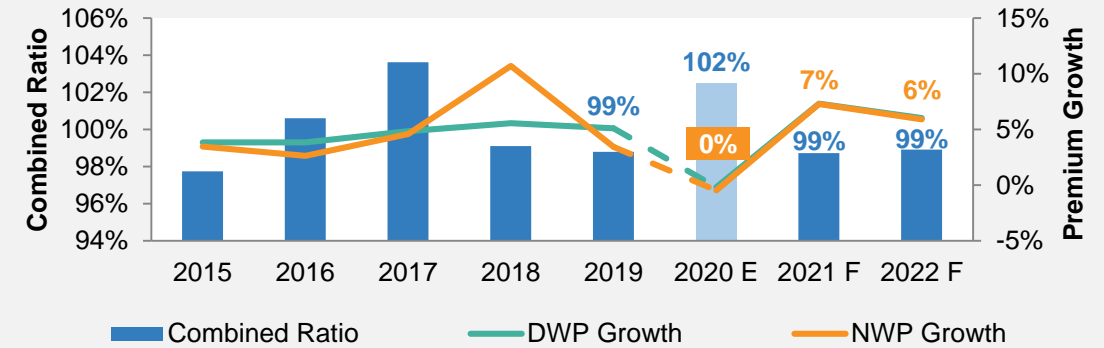
Source: Willis Towers Watson, Insurance Information Institute..

Industry Outlook

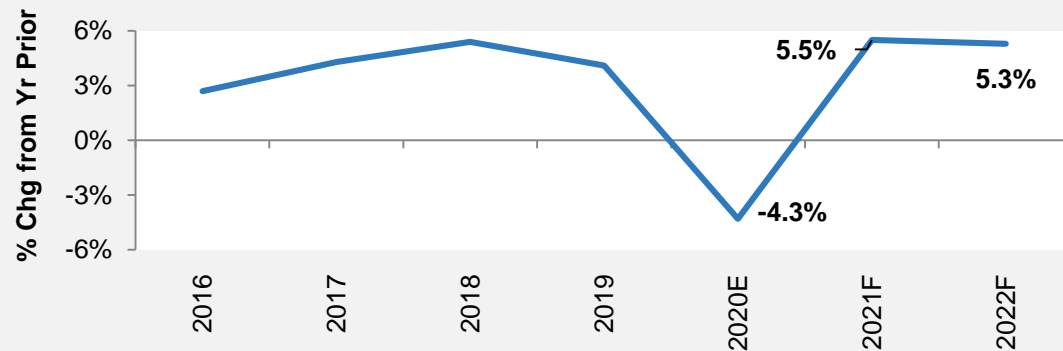
Commercial Lines Rate Change



Calendar Year Written Premium and Net Combined Ratio Projections



Growth in Nominal GDP (Real GDP + Inflation)

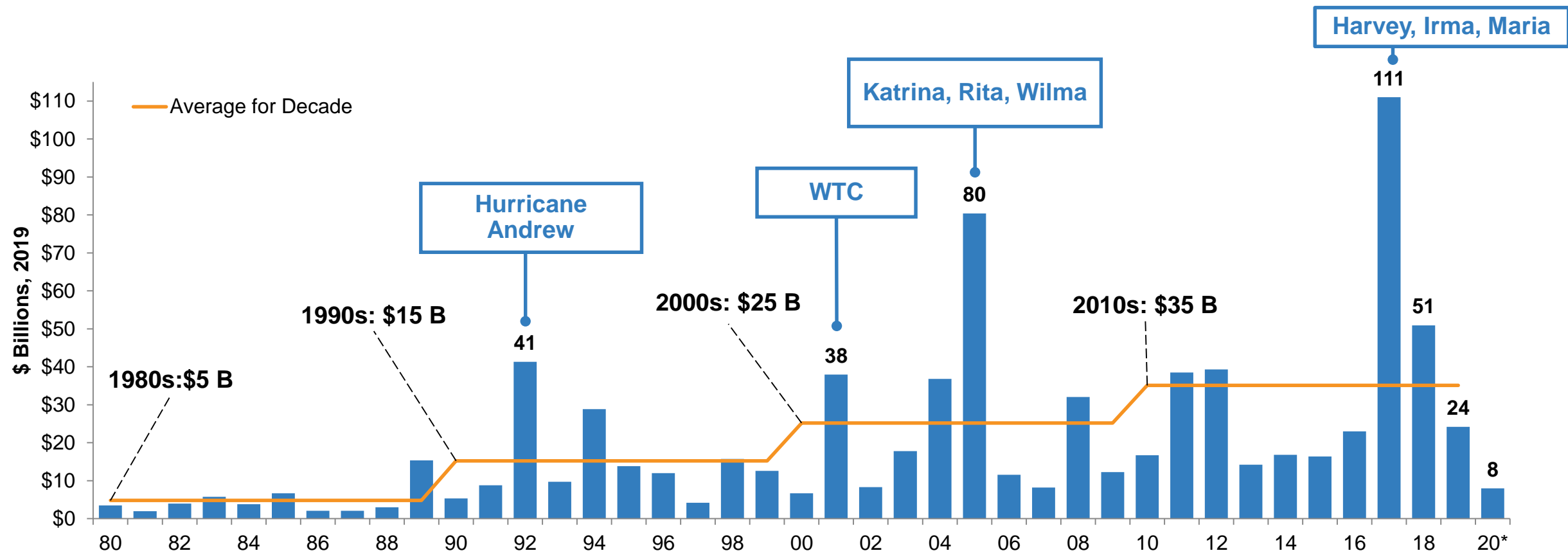


2020 Commentary

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



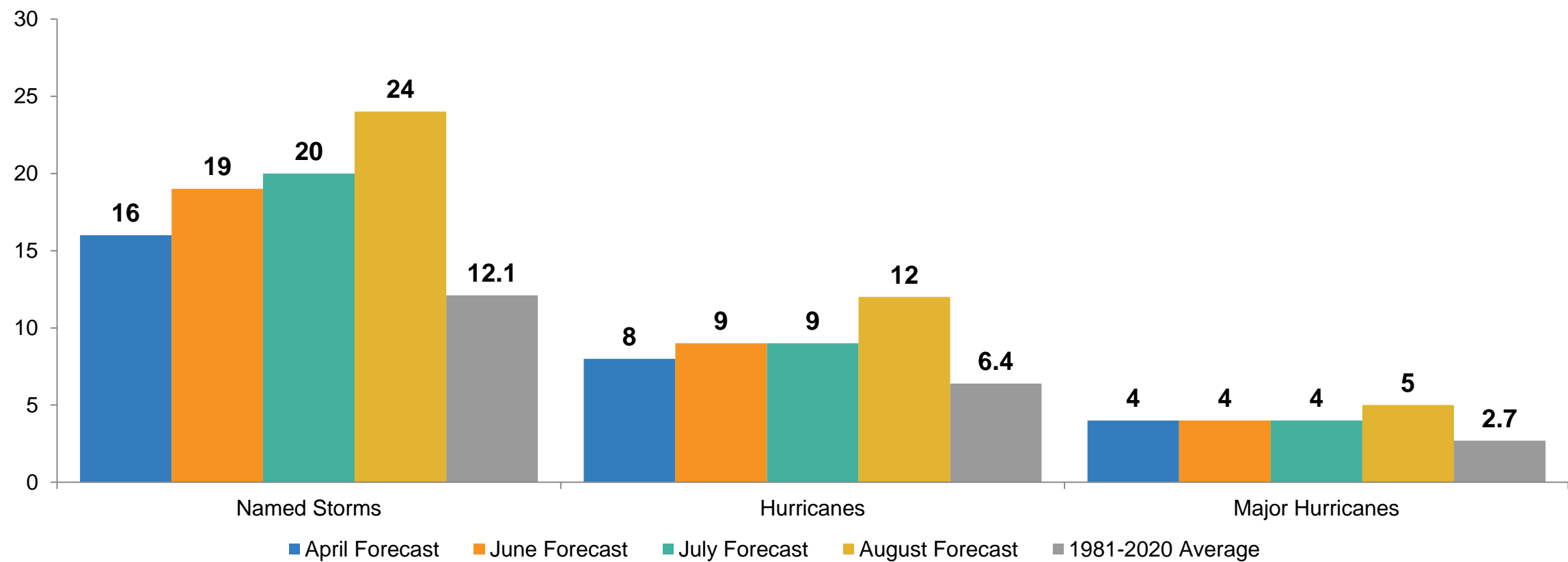
2019 Was a Relatively Mild Year; 2020 Faces Pandemic, Above-average Hurricane Forecast



*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.

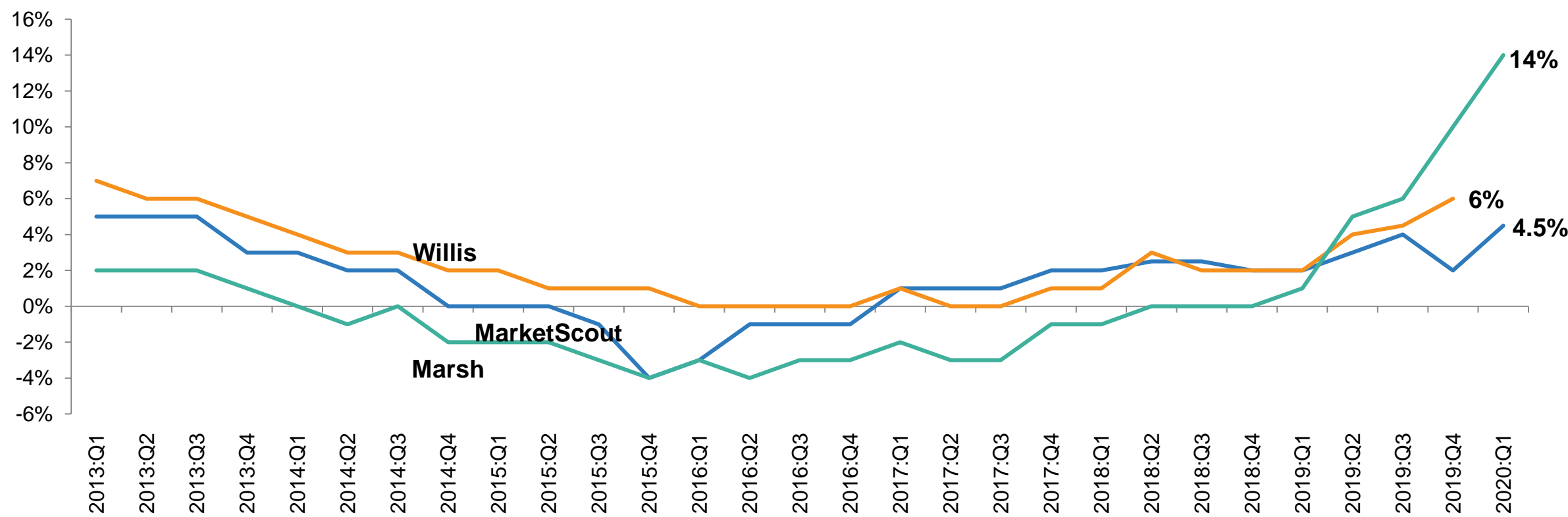
Hurricane Forecast

Grim



Source: Colorado State University Tropical Meteorology Project.

Commercial Lines Rate Changes



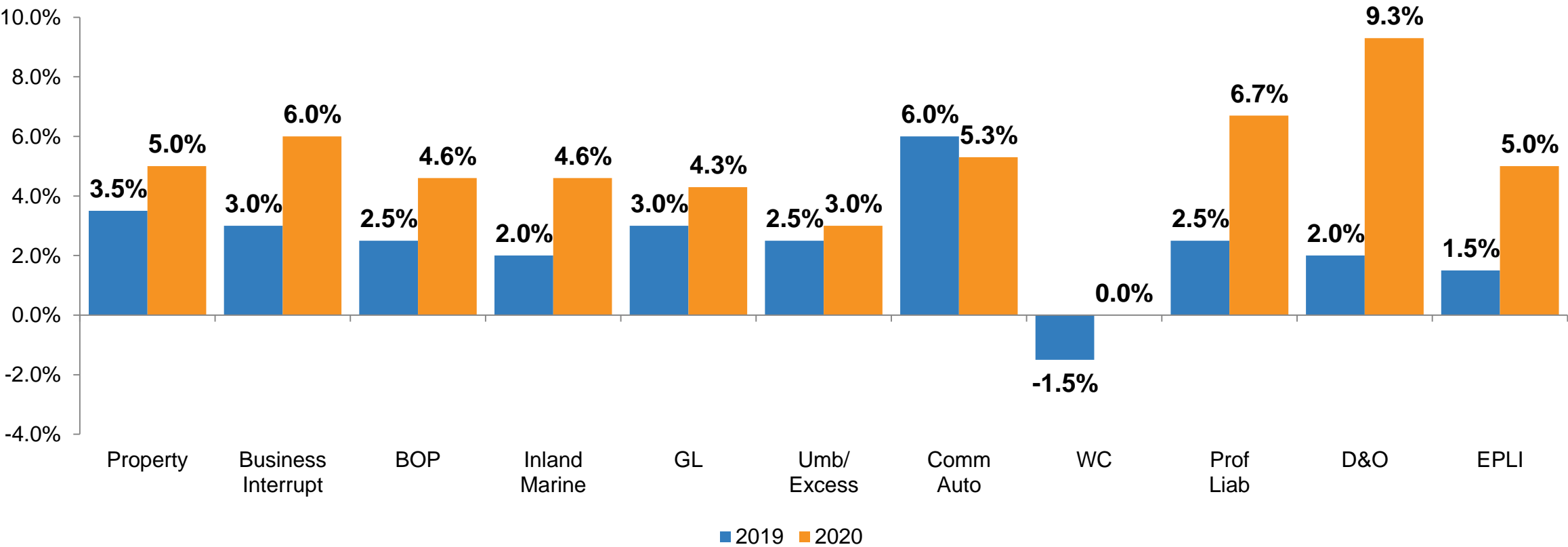
Rates Have Been Rising. Is It A Hard Market?



Sources: Willis Towers Watson, MarketScout, Marsh.

Commercial Rate Changes

By Line, as of Second Quarter

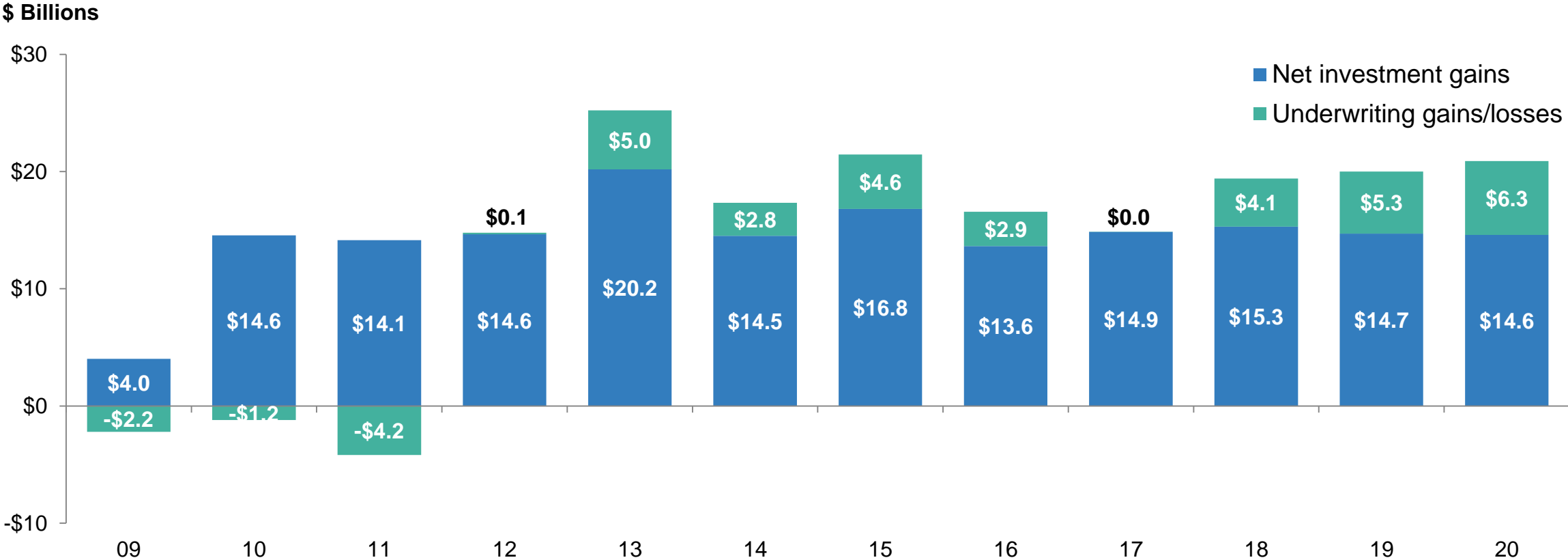


Source: MarketScout.

Financial Trends



Key Sources of P/C Insurer Profits



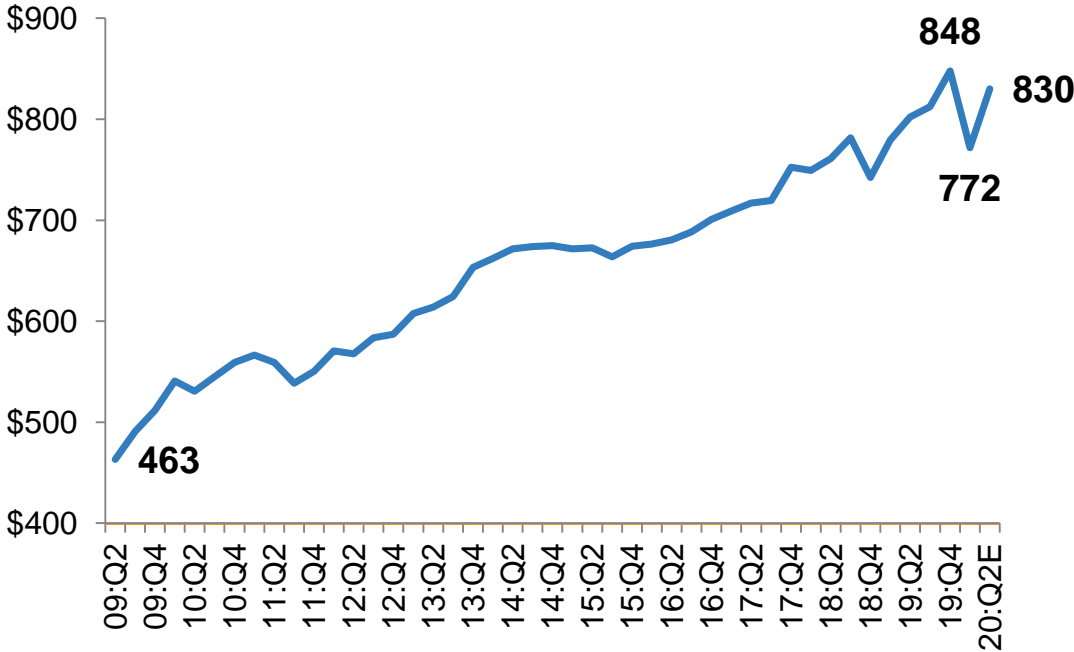
Steady Investment Gains, Good Underwriting Results Lifted Profits in Most Years



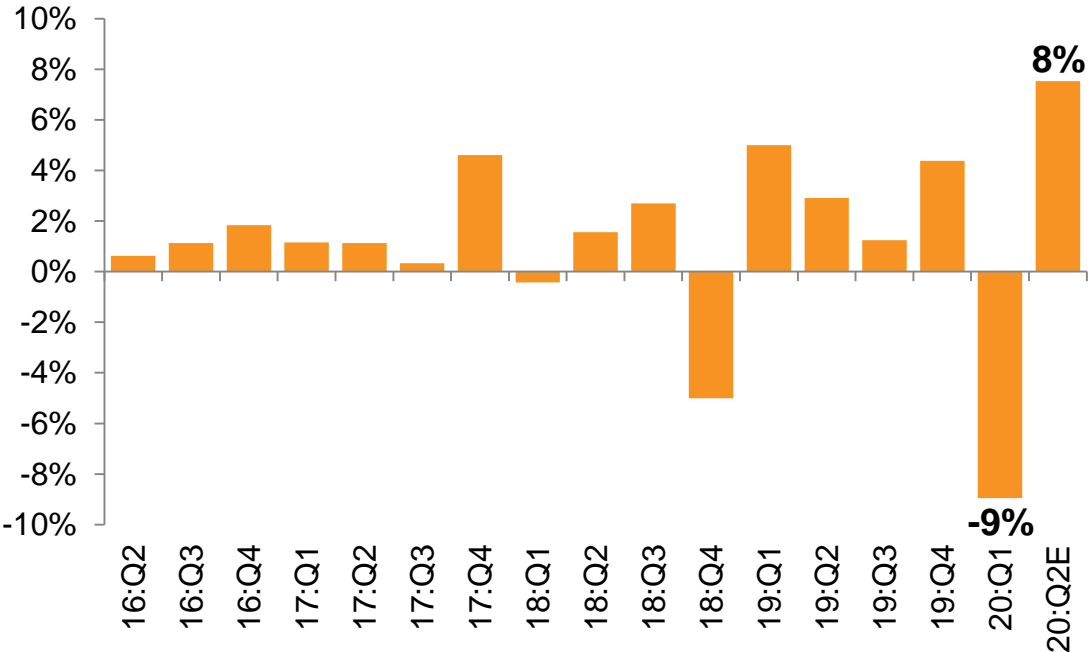
Through first quarter.
Data are before taxes and exclude extraordinary items.
Source: NAIC data, sourced from S&P Global Market Intelligence.

Policyholder Surplus by Quarter

Amount of Surplus (\$ Billions)



Change from Prior Quarter

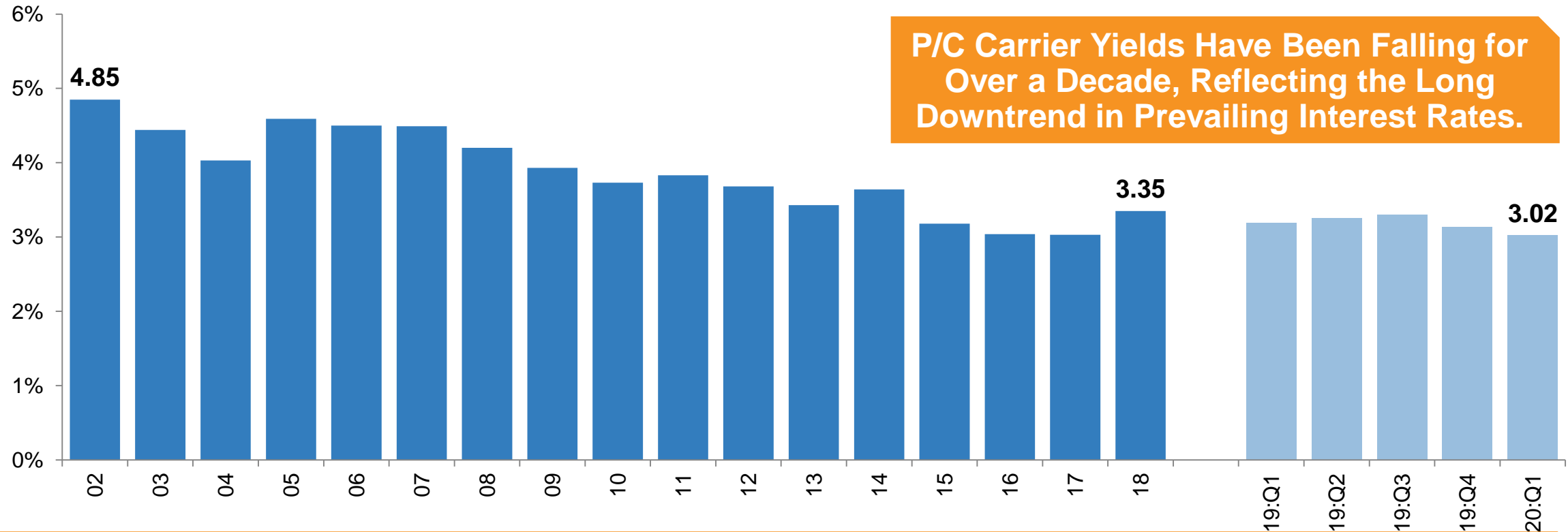


Surplus Has Rebounded from Q1 Decline Caused by Unrealized Capital Losses (Stock Declines).
78 Cents of Premium per Dollar of Surplus.



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

P/C Insurer Portfolio Yields, 2002–2020:Q1

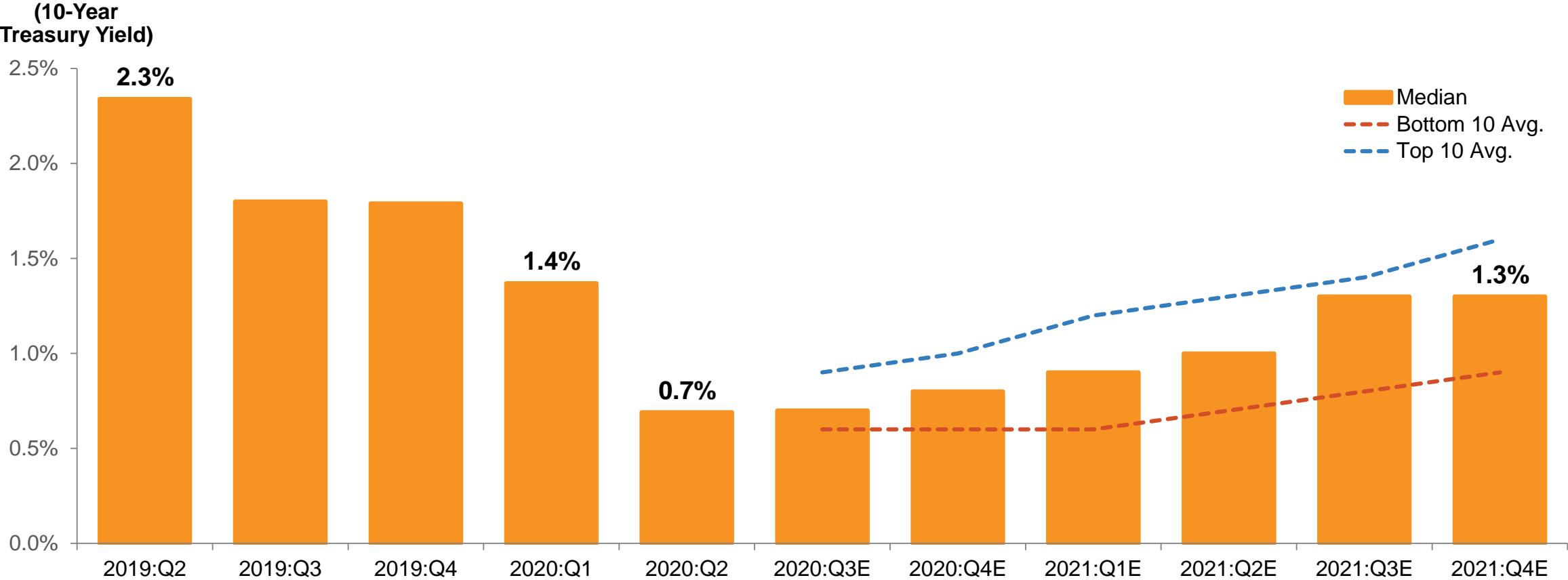


Even if Rates Rise in the Next Few Years, Portfolio Yields Are Unlikely to Rise Quickly Since Low Yields of Recent Years Are “Baked In” to Future Returns.



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

Interest Rates Tumbled, Will Recover Slowly



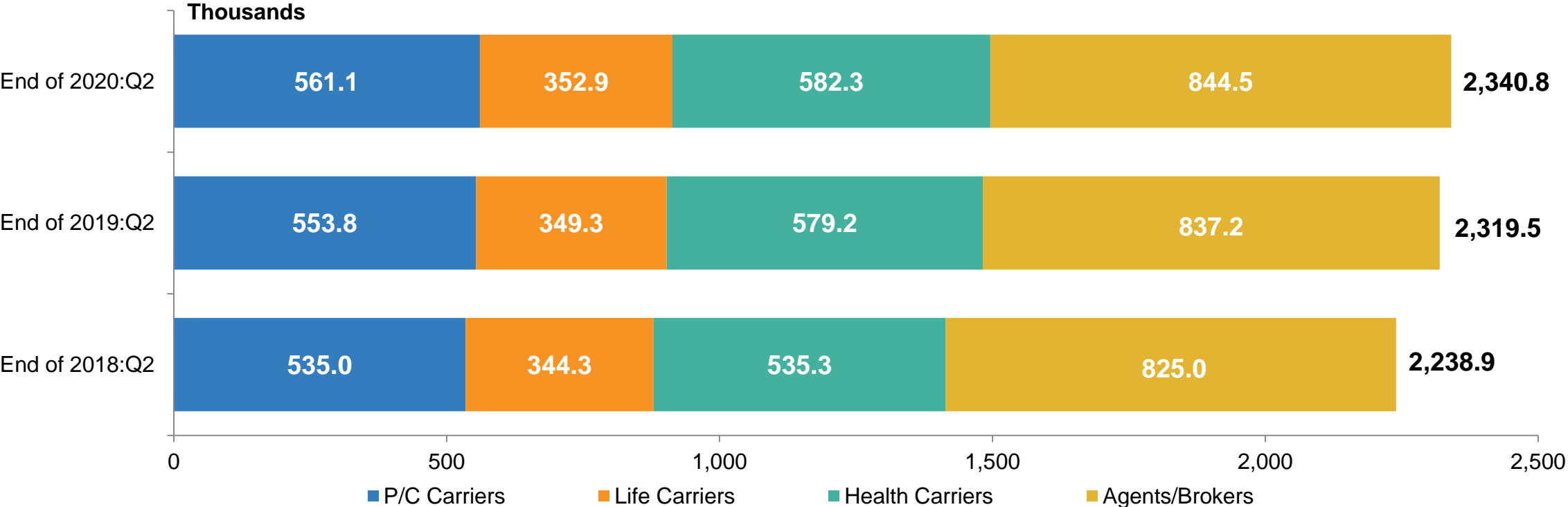
The Forecasts in the Blue Chip Survey See a Common Direction for the Yield of 10-year T-bonds in 2020–21 But Not Much Relief.



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

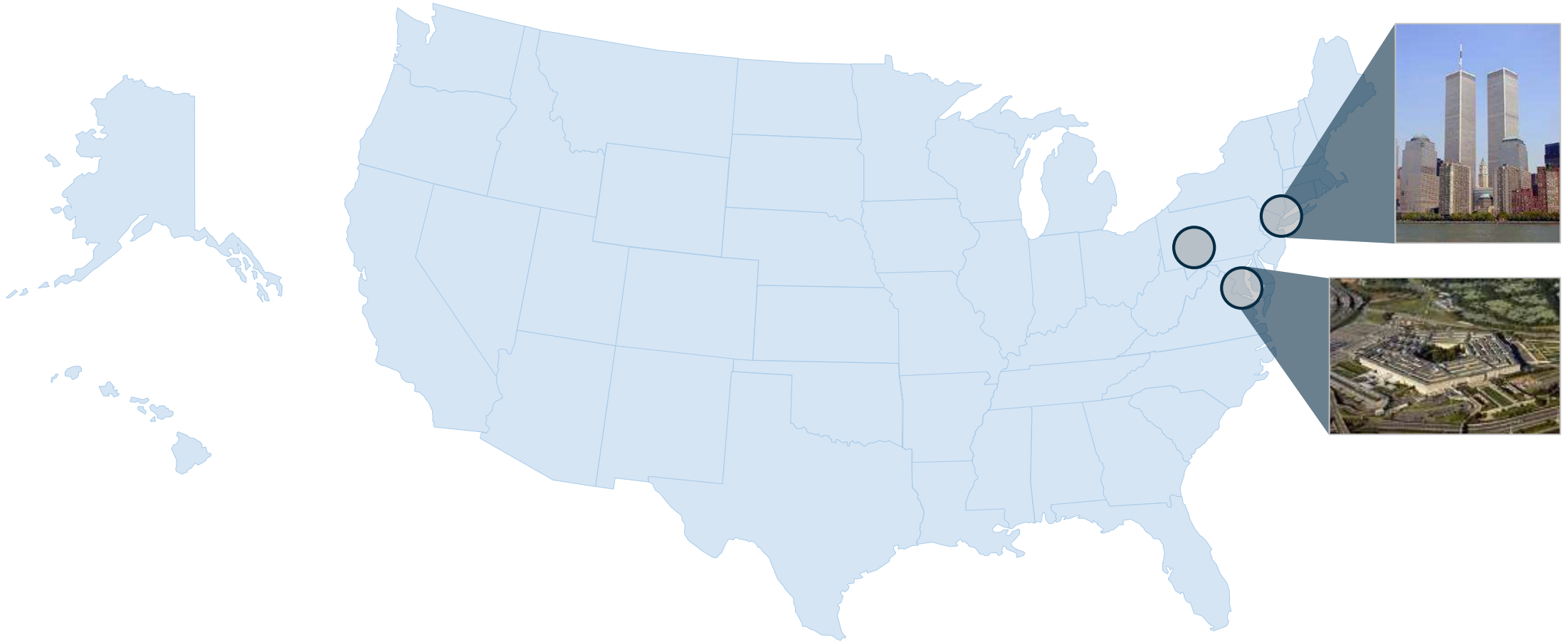
COVID-19

Economic and Cultural Impacts:
An Industry's Response



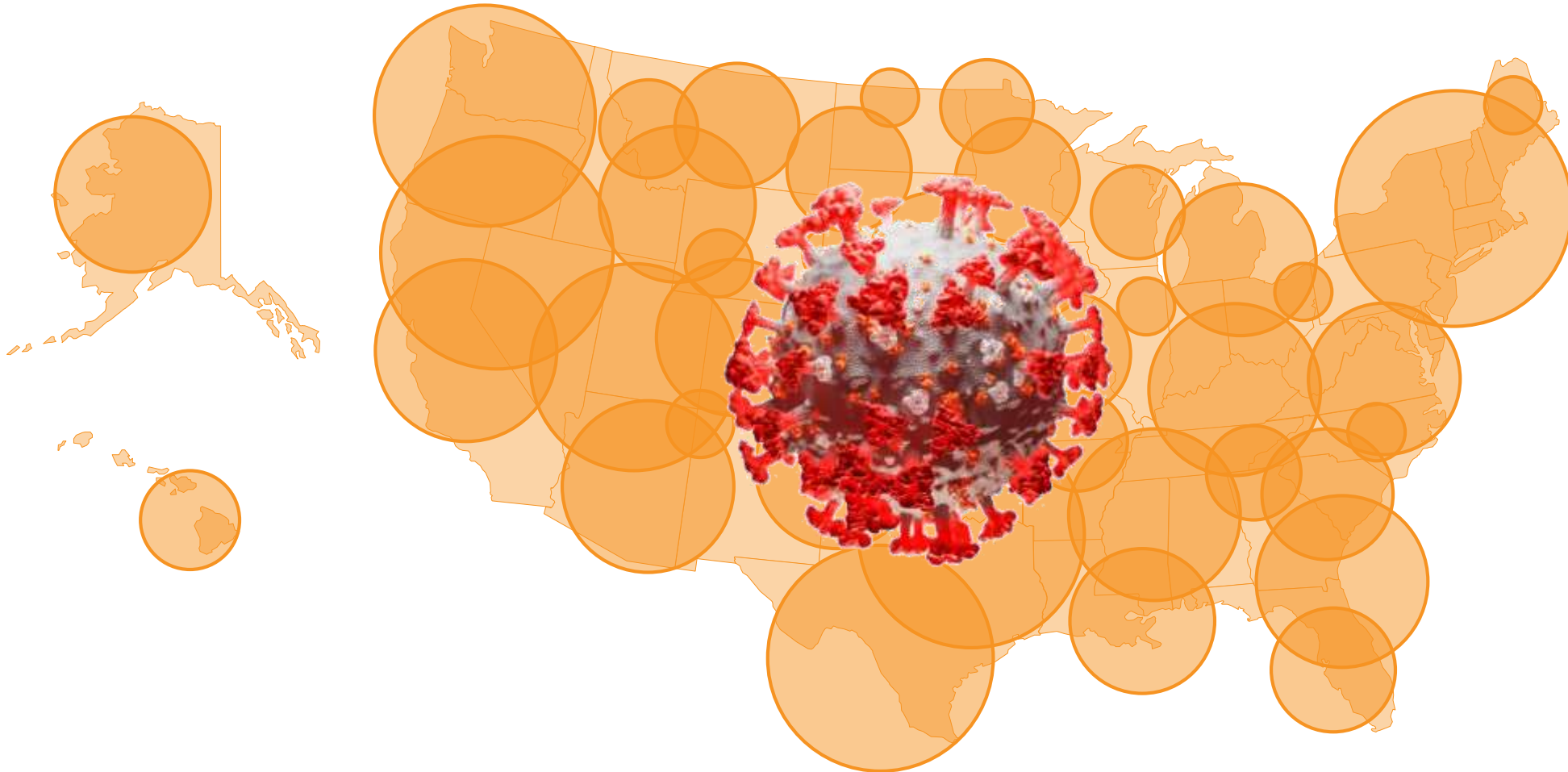
Global Pandemics Are Uninsurable

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**



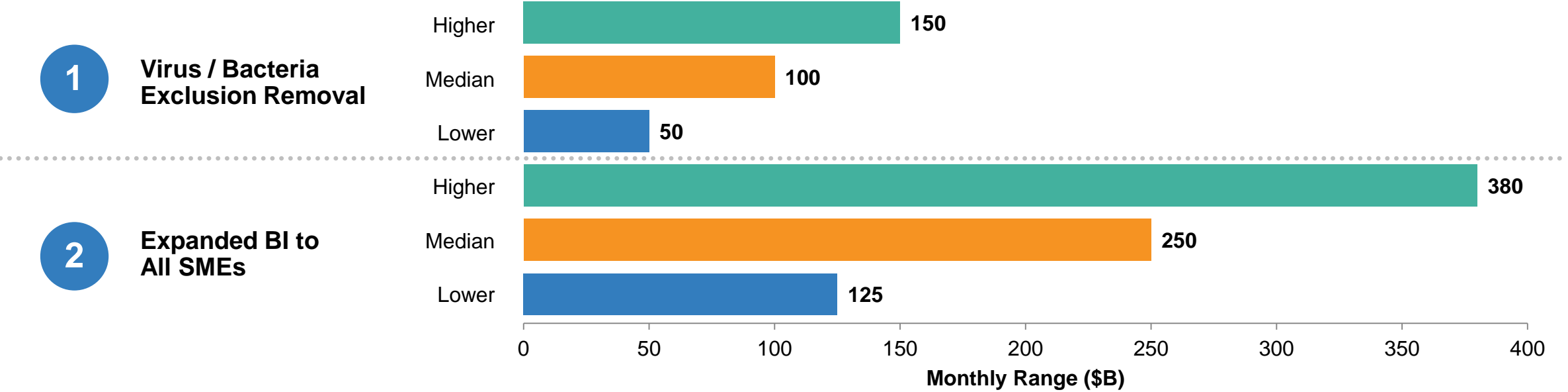
**Social
Distancing**



Monthly Costs of Retroactive Changes to SME BI Policies

Regardless of Scenario, Retroactive Attempts to Include Pandemics in BI Causes Bankruptcy

Retroactive BI Scenarios



Key Assumptions

Scenario 1: 40% take-up rate

Scenario 2: 100% take-up rate

Loss basis: Compensation, profits, adjustment costs 7 days waiting period

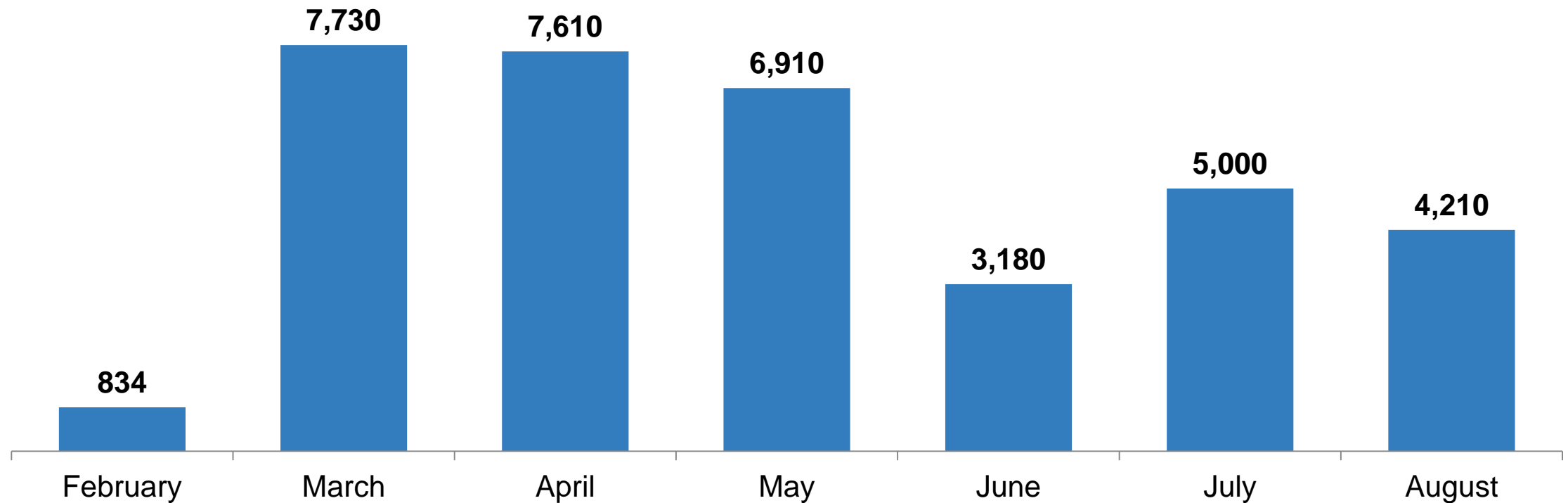
Retained loss of 10% of total loss



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



Source: Meltwater

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



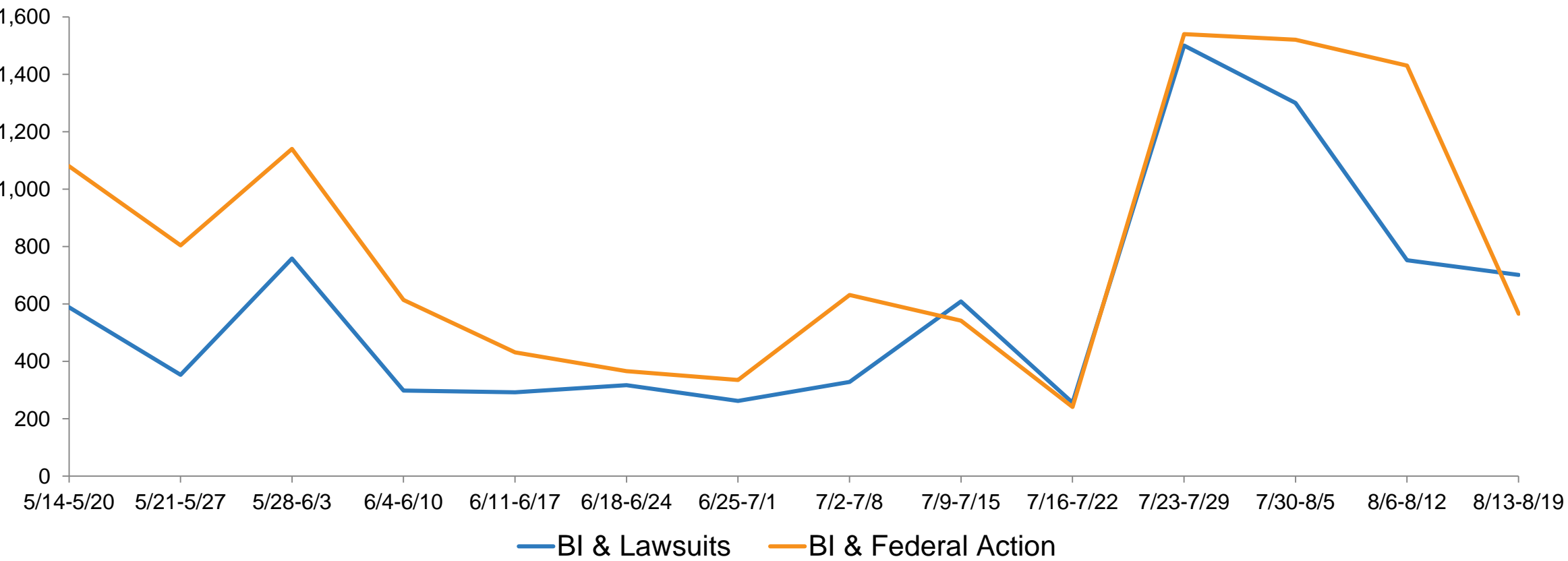
- ▲ The 'Future of American Insurance & Reinsurance' campaign launched in May and has served as a source of education and information surrounding pivotal industry activity, including Congressional hearings, White House roundtables, state legislation, and media stories.
- ▲ With a separate website and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



Summer 2020



RESILIENCE ACCELERATOR

Minimize Risk | Speed Recovery

An initiative of the



INSURANCE
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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

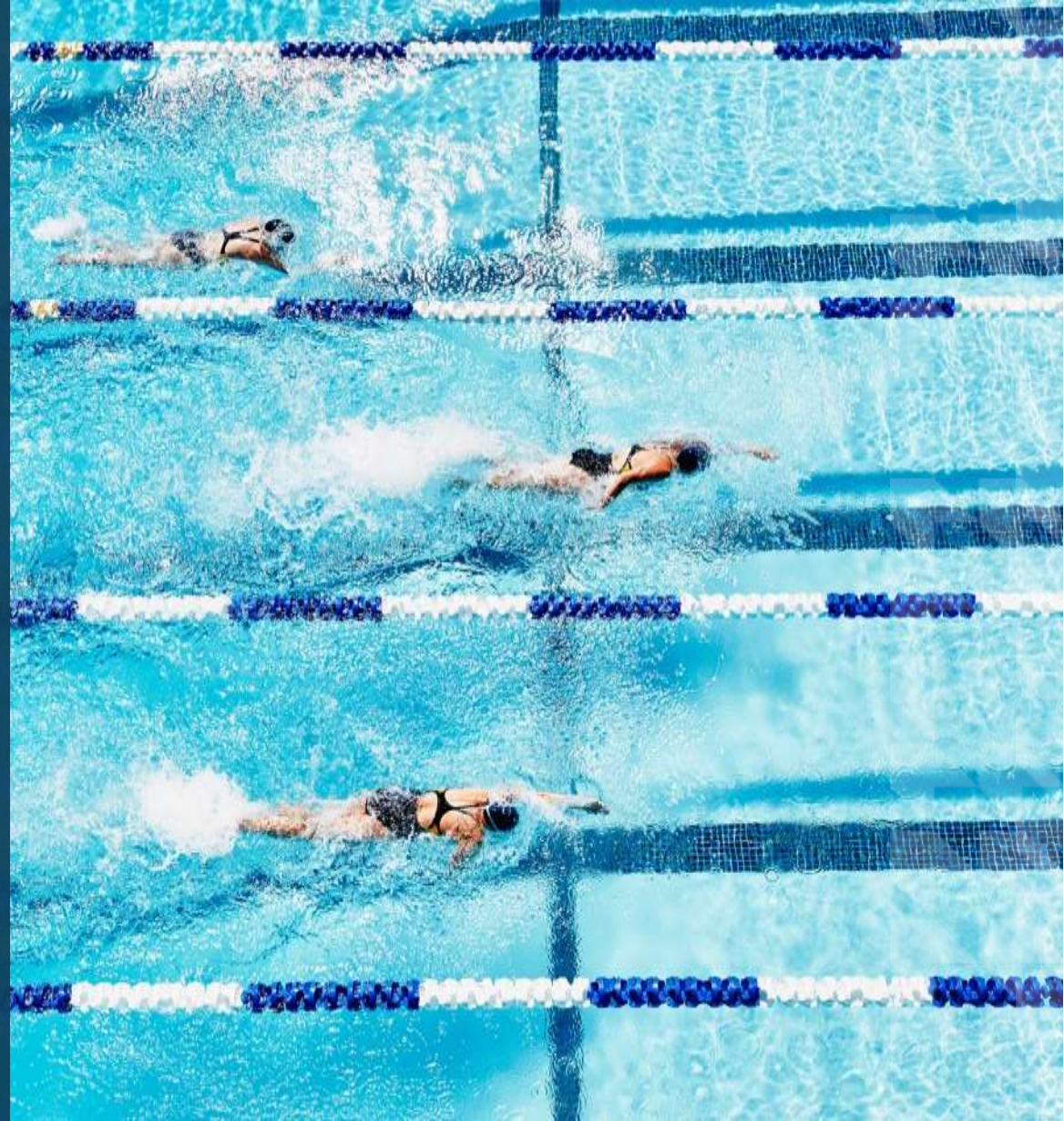
Fast-track the use of cost effective tools to drive risk mitigation, transfer and retention



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



FEMA



AON



ResilientH2O Partners
Innovative Tech | Integrated Risk Mitigation

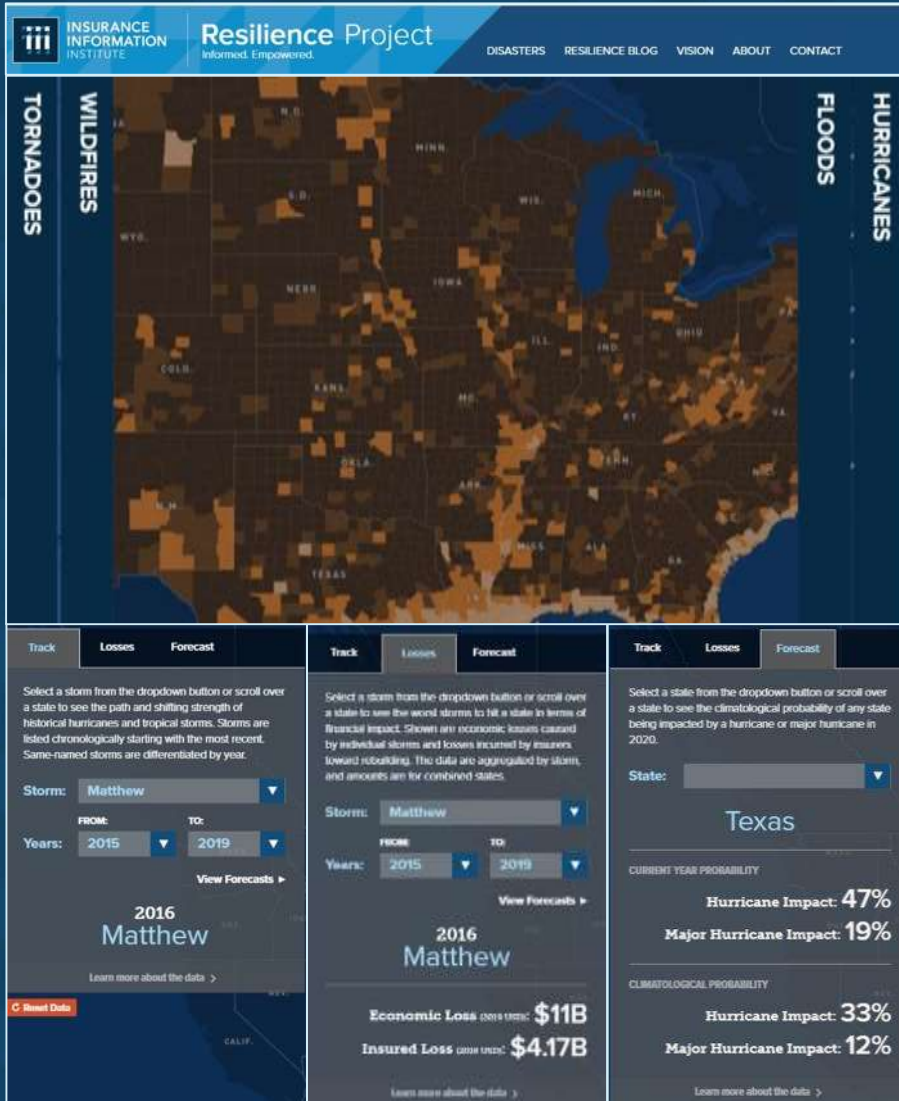


Wharton
UNIVERSITY of PENNSYLVANIA

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 (Triple-I) 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



Florida Weekly Update



We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.

July 10, 2020



Fairness and Equality



Fairness and Equality:

In the Workplace



Employed Persons by Occupation, Sex, Race, and Hispanic or Latino Ethnicity, 2019

Occupation	Total Employed (in 000s)	% of Total Employed			
		Women	Black or African American	Asian	Hispanic or Latino
Total, 16 Years and Over	157,538	47.0%	12.3%	6.5%	17.6%
Business and Financial Operations Occupations	7,996	54.0%	9.9%	9.0%	9.5%
Insurance Sales Agents	595	50.6%	10.1%	5.6%	13.4%
Claims Adjusters, Appraisers, Examiners, and Investigators	318	62.1%	19.5%	4.4%	9.5%
Insurance Claims and Policy Processing Clerks	269	81.7%	21.8%	2.4%	15.5%
Insurance Underwriters	105	51.1%	5.9%	5.4%	6.2%
Actuaries	33	N/A	N/A	N/A	N/A

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

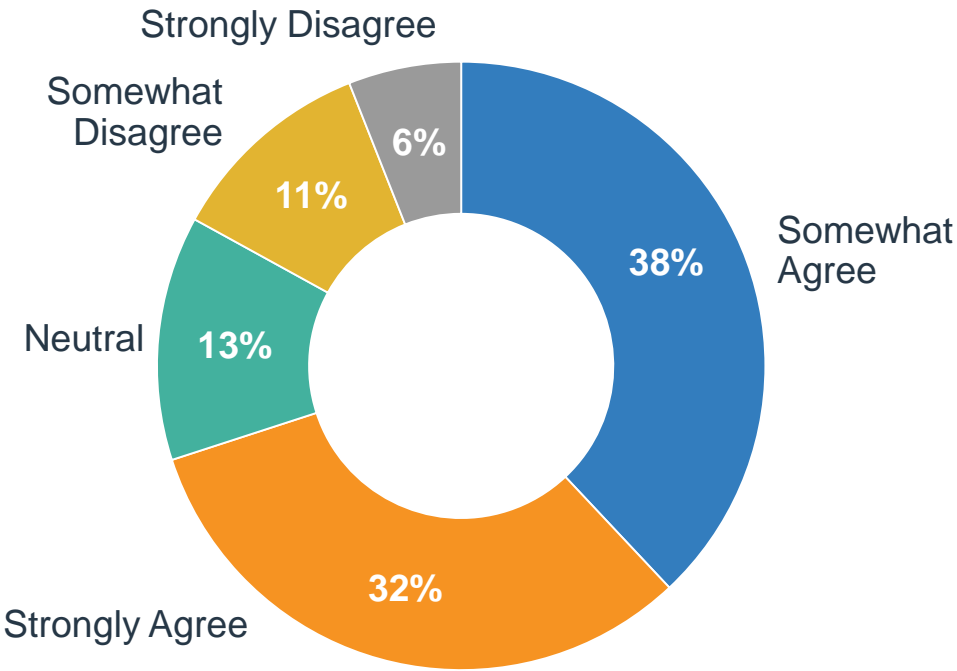
African-Americans Are Particularly Under-represented

70%

Agreed or Strongly Agreed

that there are greater obstacles for African Americans compared with other minorities

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



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

Key Barriers for Minorities in Insurance

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



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

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



Solutions?

- ▲ 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"

It Takes a Movement to Build a Stronger, More Resilient America



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

RealClearMarkets

Taking Insurers to Court Won't Help Business. Government Must Step In

By **Sen. Ben Nelson (Ret.)**
July 20, 2020



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





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Informed. Empowered.

Thank you!

www.iii.org