

# Financial Crisis and the Future of the P/C Insurance Industry

## *Challenges Amid the Global Economic Storm*

**New York Society of Securities Analysts  
13<sup>th</sup> Annual Insurance Conference  
New York, NY**



**February 9, 2009**

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# *Presentation Outline*

- **Financial Crisis & The Weakening Global Economy: Insurance Impacts**
  - Banks vs. Insurers
  - Economic Growth & Recession
  - Financial Strength & Ratings
- **P/C Insurance Industry Overview & Outlook**
  - Profitability
  - Premium Growth
  - Underwriting Performance
  - Financial Market Impacts
- **Capital & Capacity**
- **Regulatory Response to Crisis**
  - Emerging Blueprint of Regulatory Overhaul
- **Important Threats Facing P/C Insurers in 2009**

**Q & A**

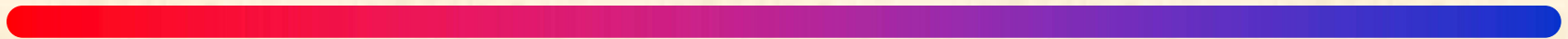


# THE ECONOMIC STORM

*What a Weakening Economy and  
Financial Crisis Mean for the  
Insurance Industry*



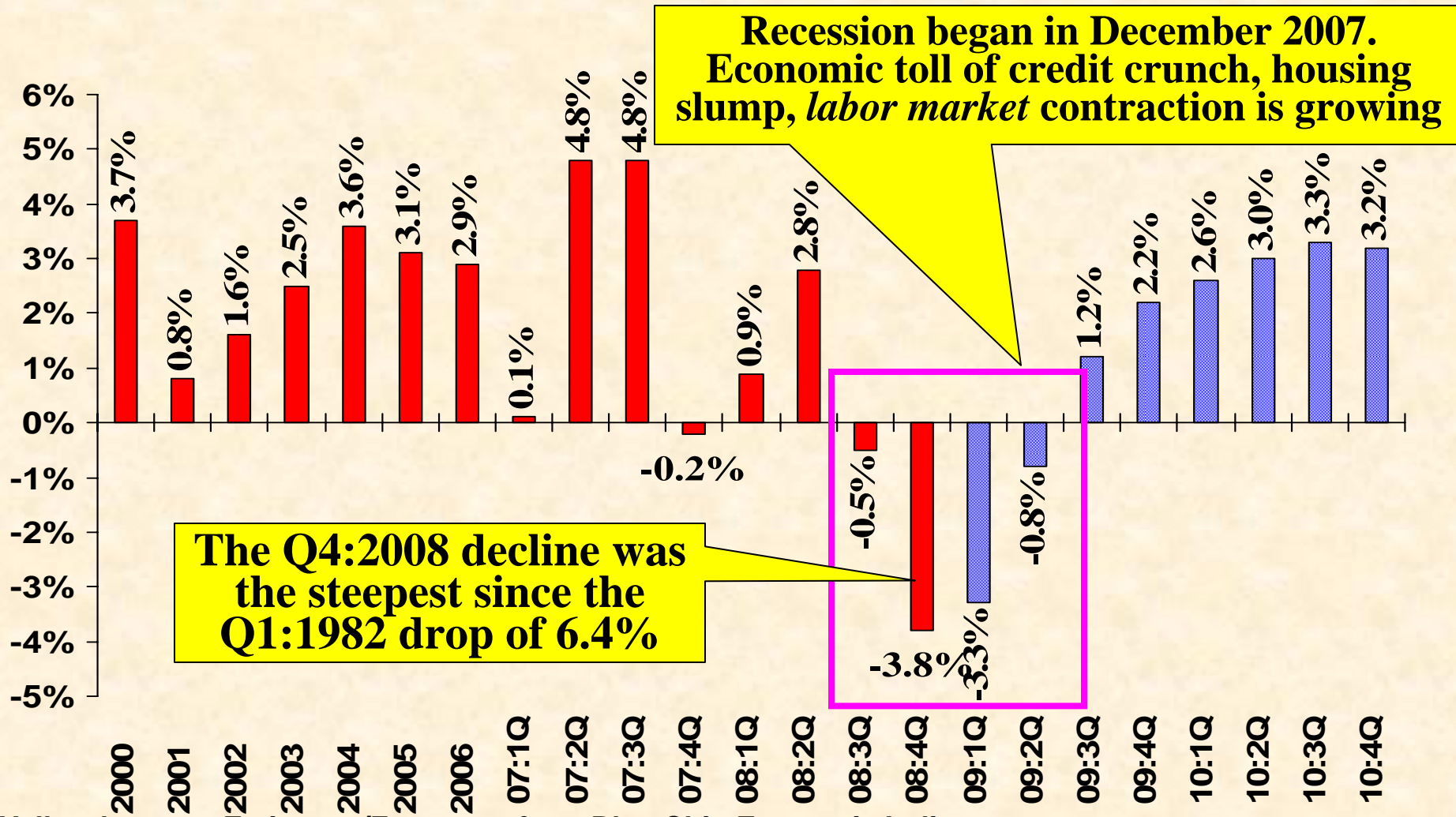
**Exposure & Claim  
Cost Effects**







# Real GDP Growth\*



\*Yellow bars are Estimates/Forecasts from Blue Chip Economic Indicators.

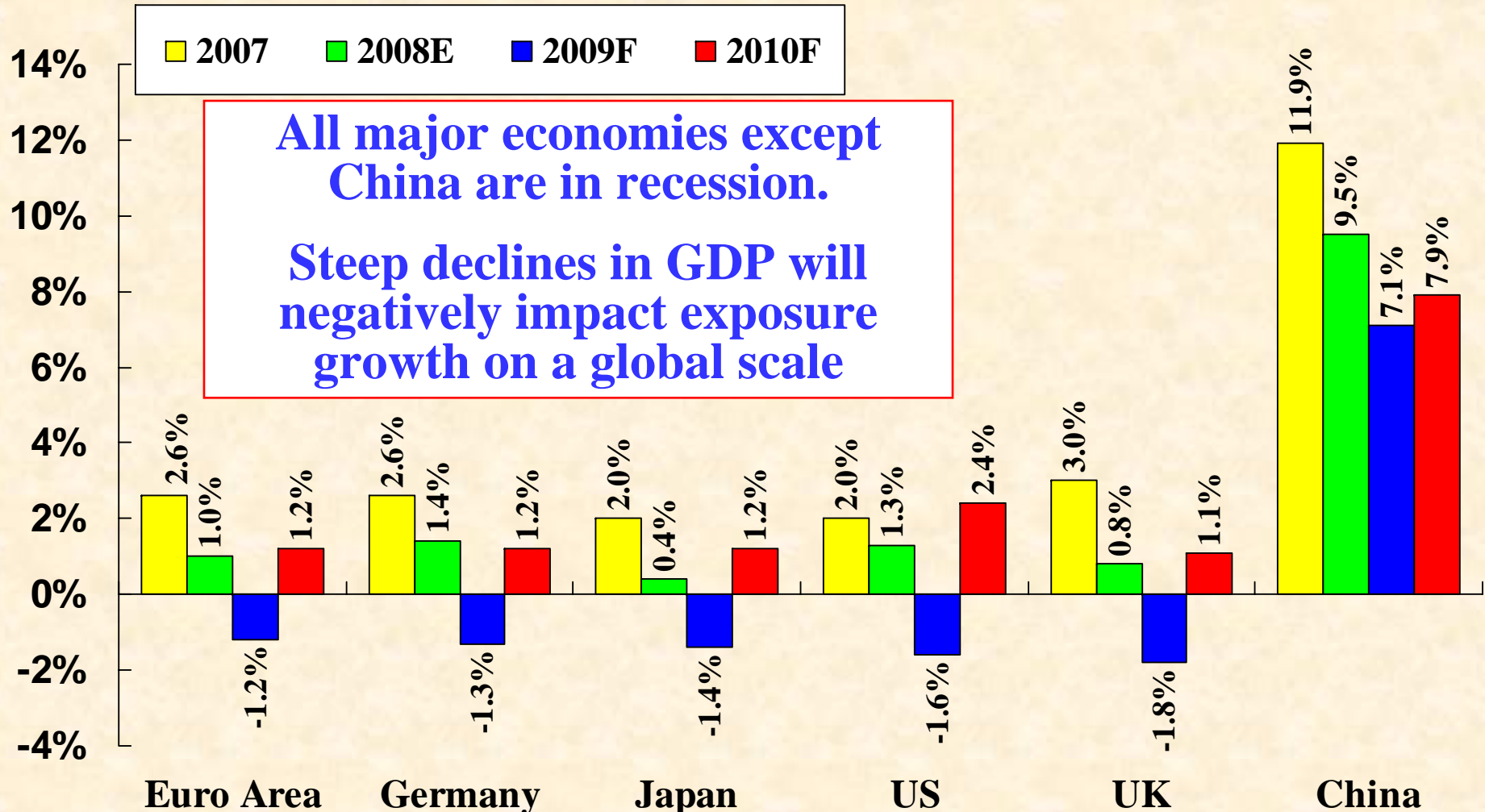
Source: US Department of Commerce, Blue Economic Indicators 1/09; Insurance Information Institute.





# *Real GDP By Market 2007-2010F*

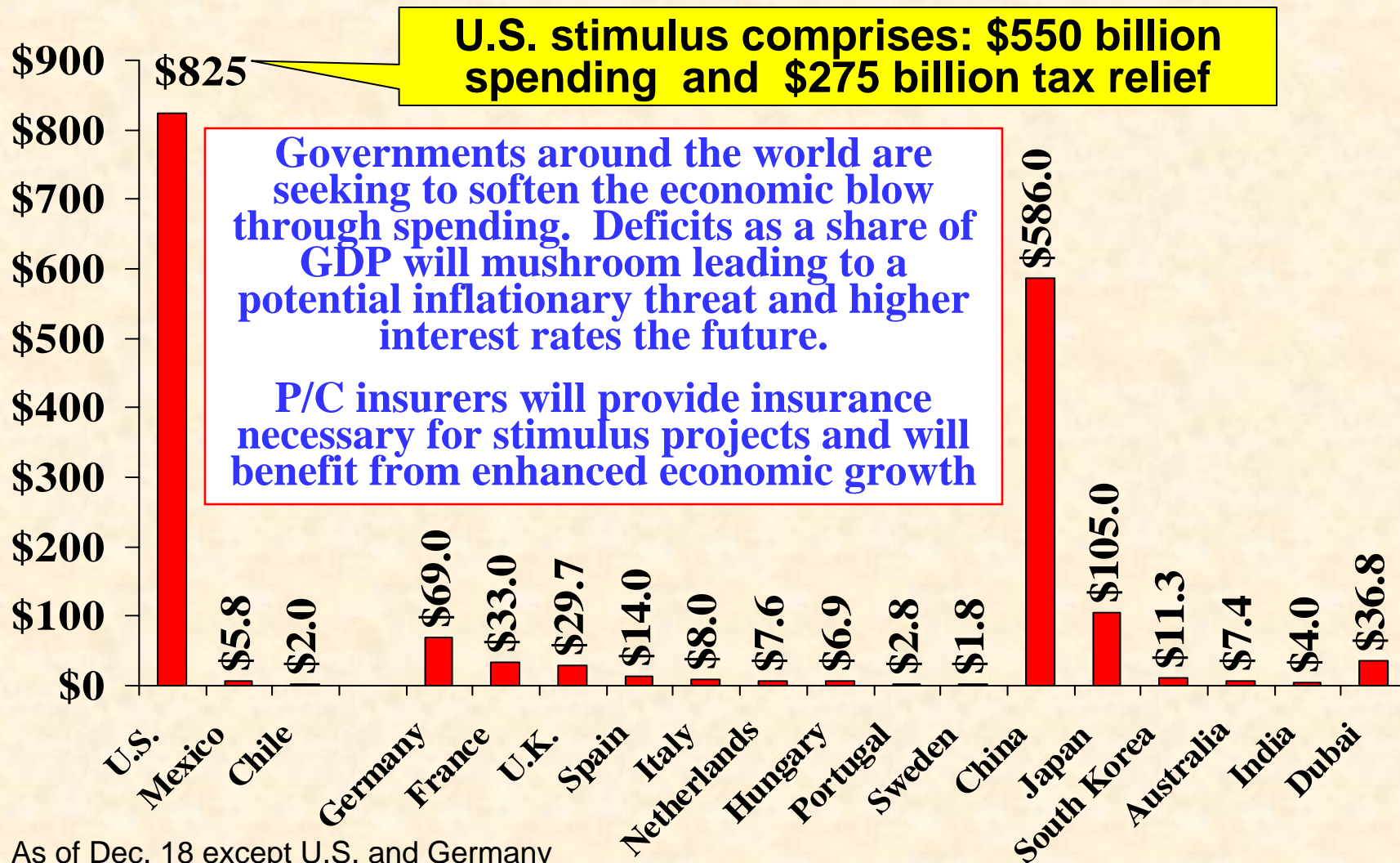
*(% change from previous year)*







# *Announced Economic Stimulus Packages Worldwide (\$ Billions)\**



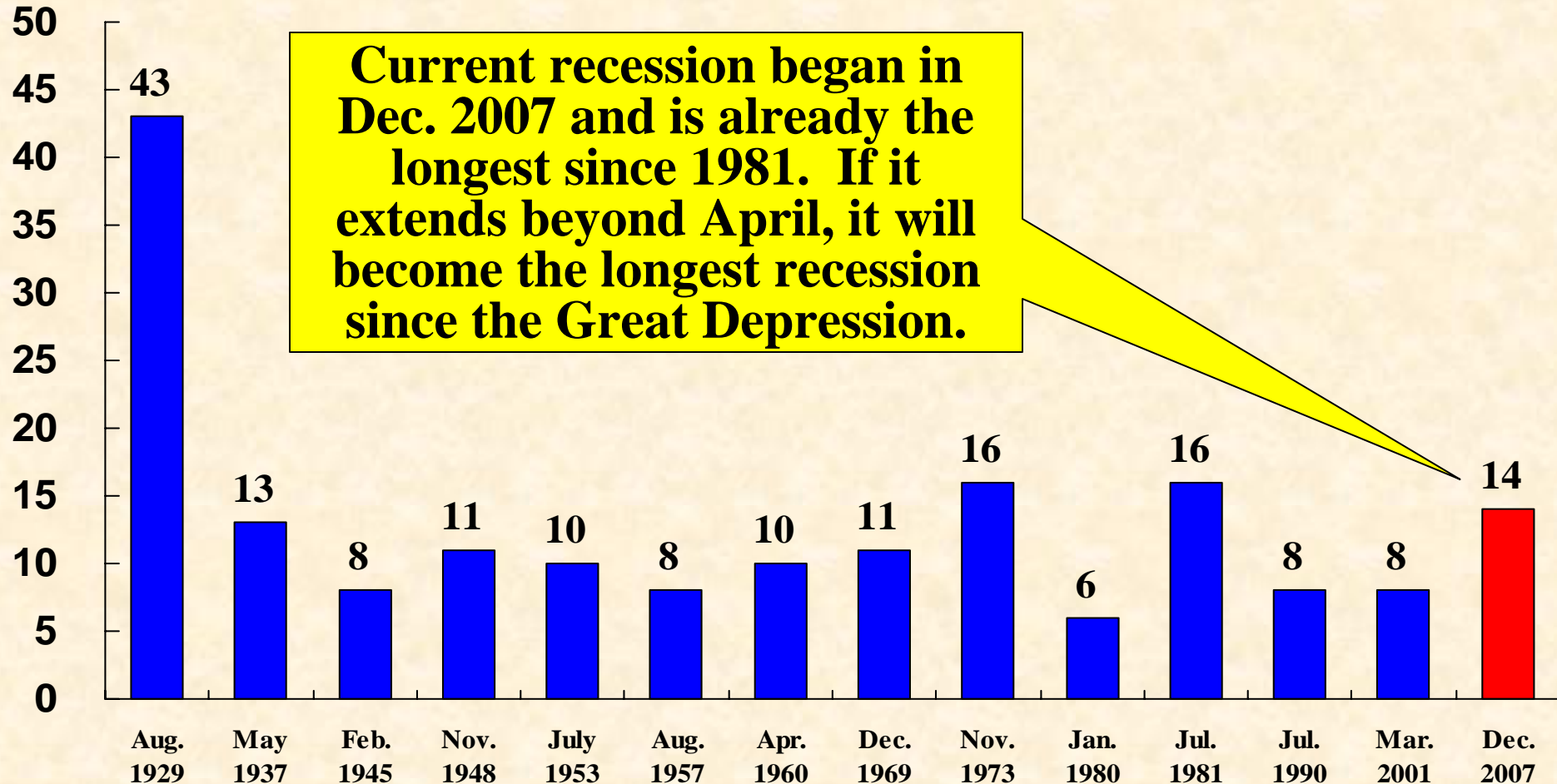
Sources: Wall Street Journal, January 8, 2009; Institute of International Finance.





# *Length of US Recessions, 1929-Present\**

## Months in Duration



\* As of February 2009

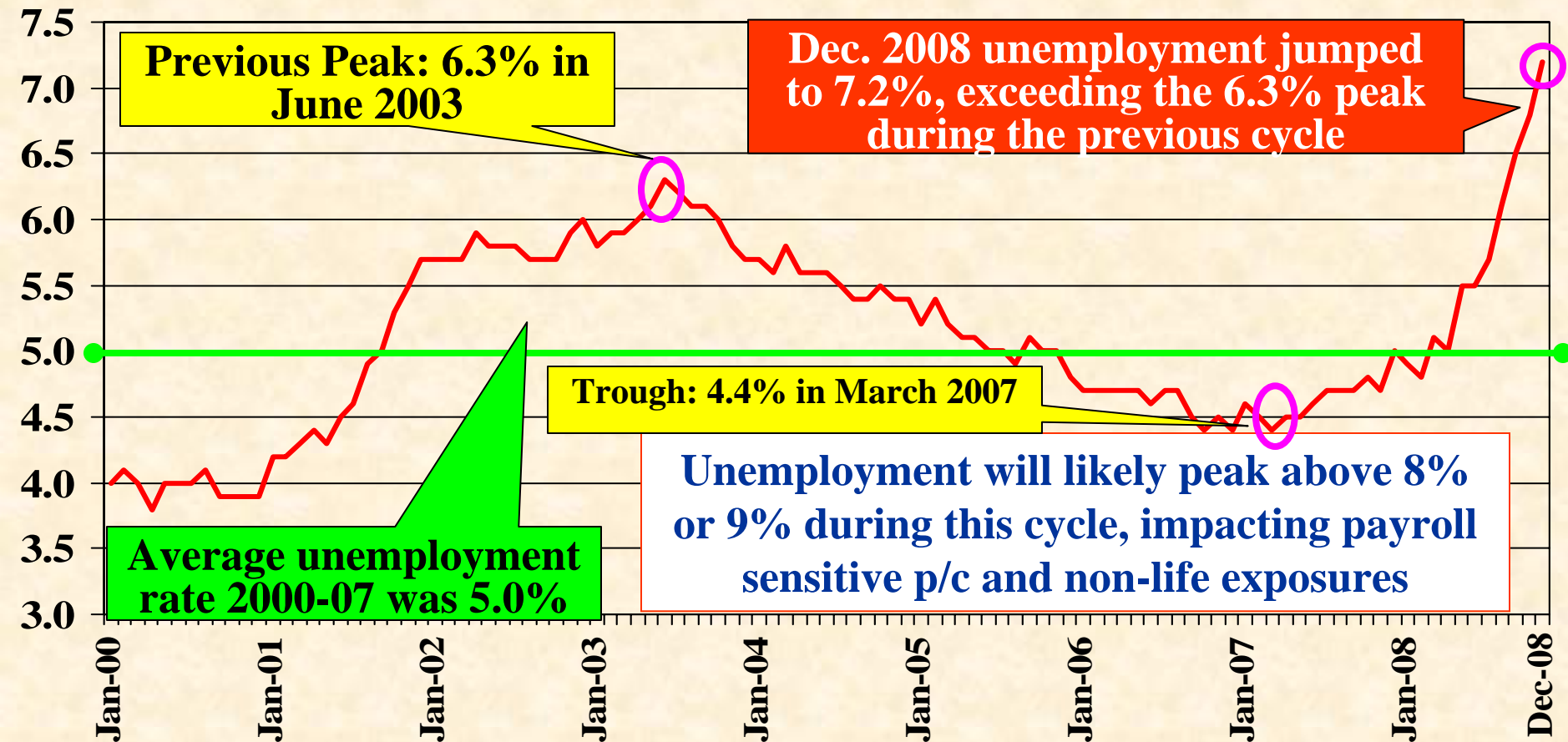
Sources: National Bureau of Economic Research; Insurance Information Institute.





# *Unemployment Rate: On the Rise*

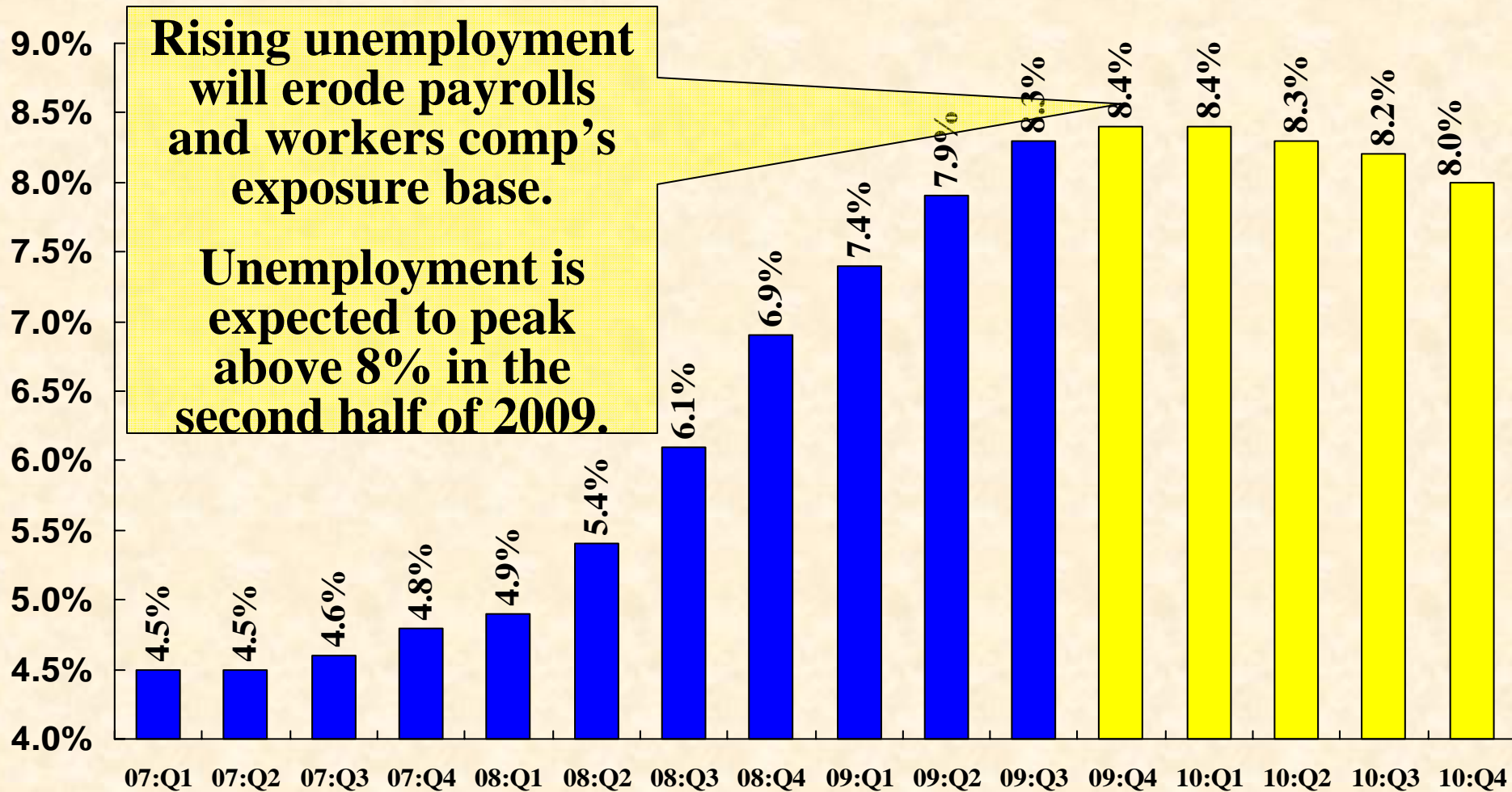
**January 2000 through December 2008**







# *U.S. Unemployment Rate, (2007:Q1 to 2010:Q4F)\**



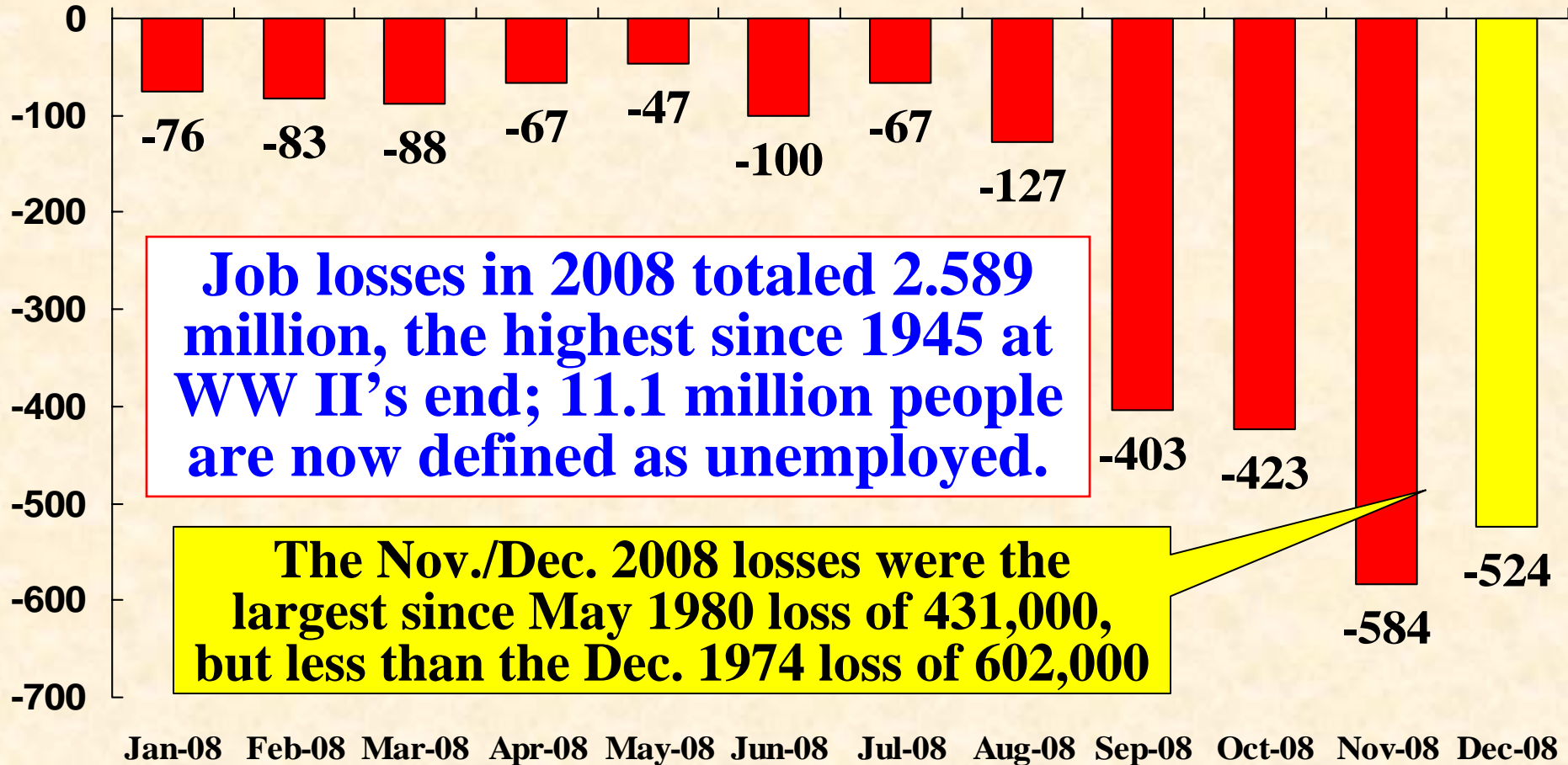
\* Blue bars are actual; Yellow bars are forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (1/09); Insurance Info. Inst.





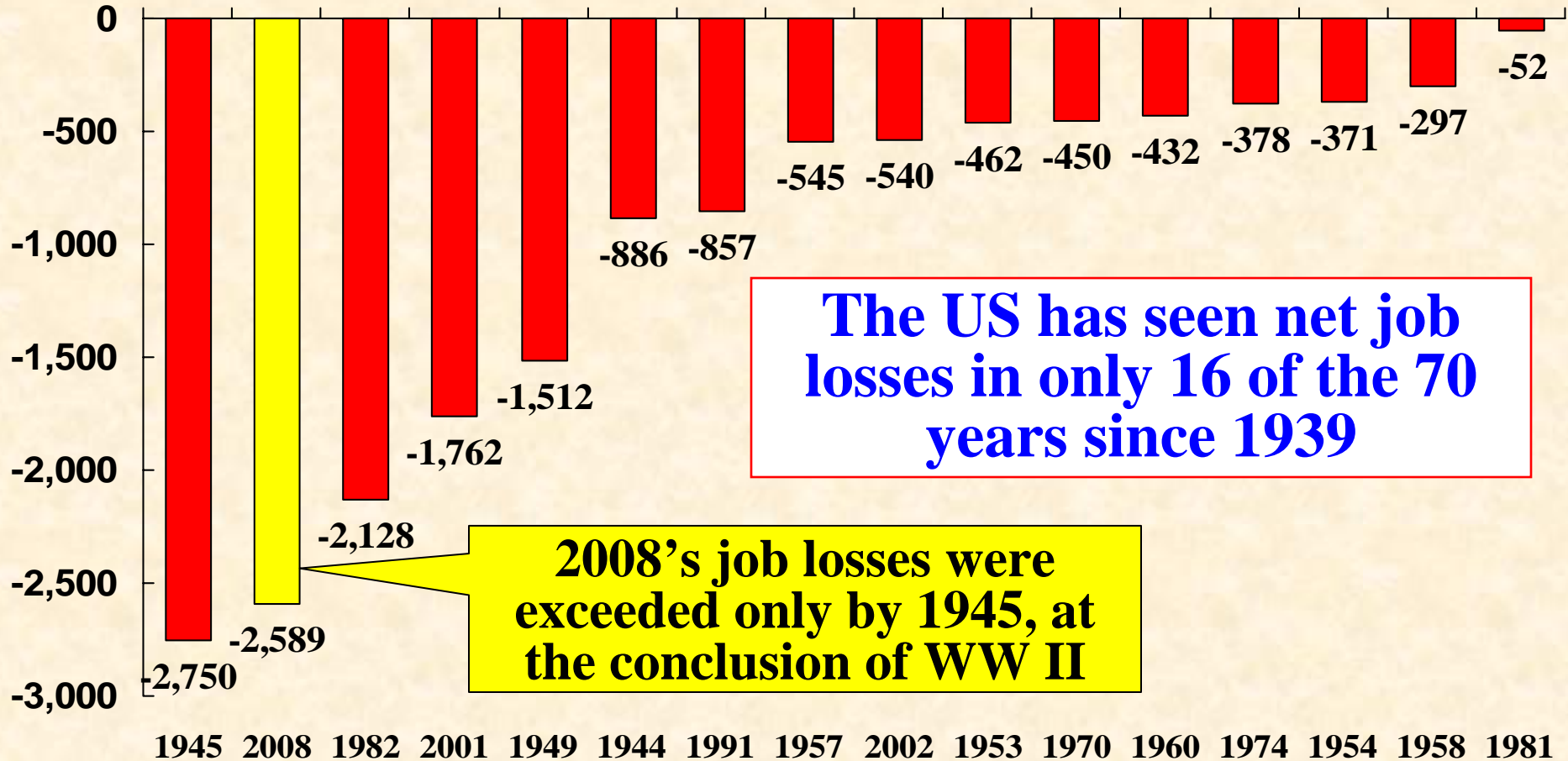
# Monthly Change Employment\* (Thousands)







# *Years With Job Losses: 1939-2008\** (Thousands)





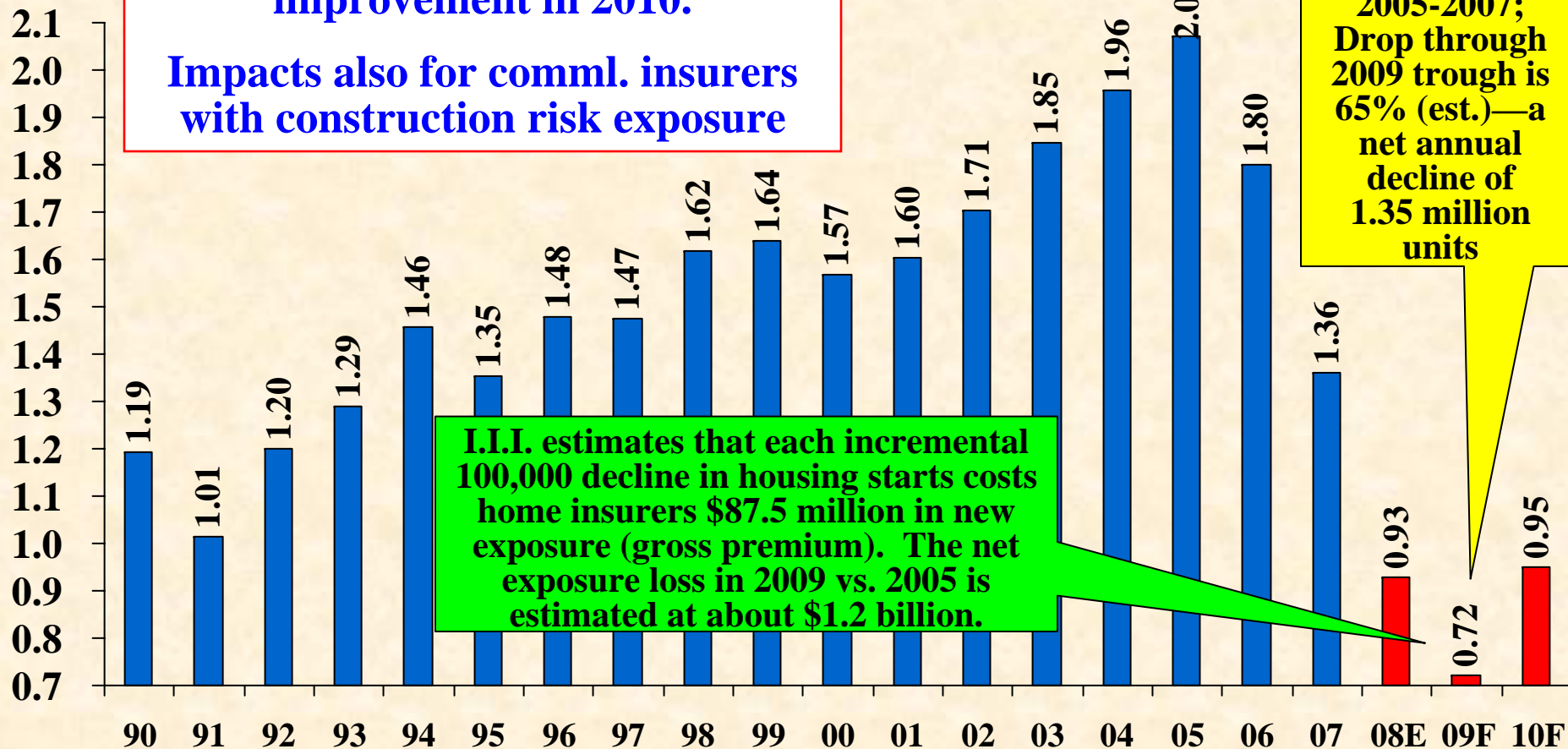


# *New Private Housing Starts, 1990-2010F (Millions of Units)*

Exposure growth forecast for HO insurers is dim for 2009 with some improvement in 2010.

Impacts also for comml. insurers with construction risk exposure

New home starts plunged 34% from 2005-2007; Drop through 2009 trough is 65% (est.)—a net annual decline of 1.35 million units



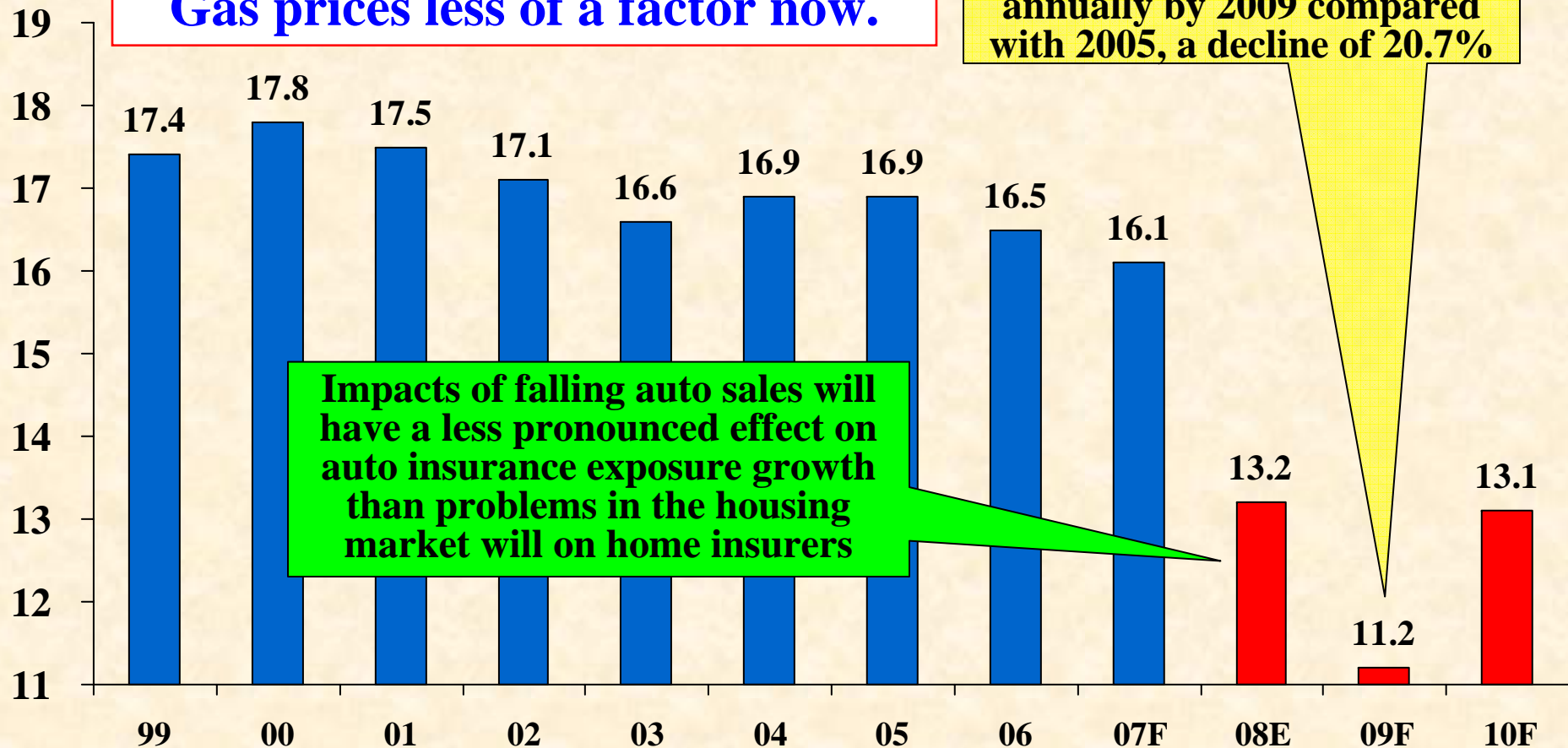




# *Auto/Light Truck Sales, 1999-2010F (Millions of Units)*

**Weakening economy, credit  
crunch are hurting auto sales;  
Gas prices less of a factor now.**

**New auto/light truck sales are  
expected to experience a net  
drop of 5.7 million units  
annually by 2009 compared  
with 2005, a decline of 20.7%**



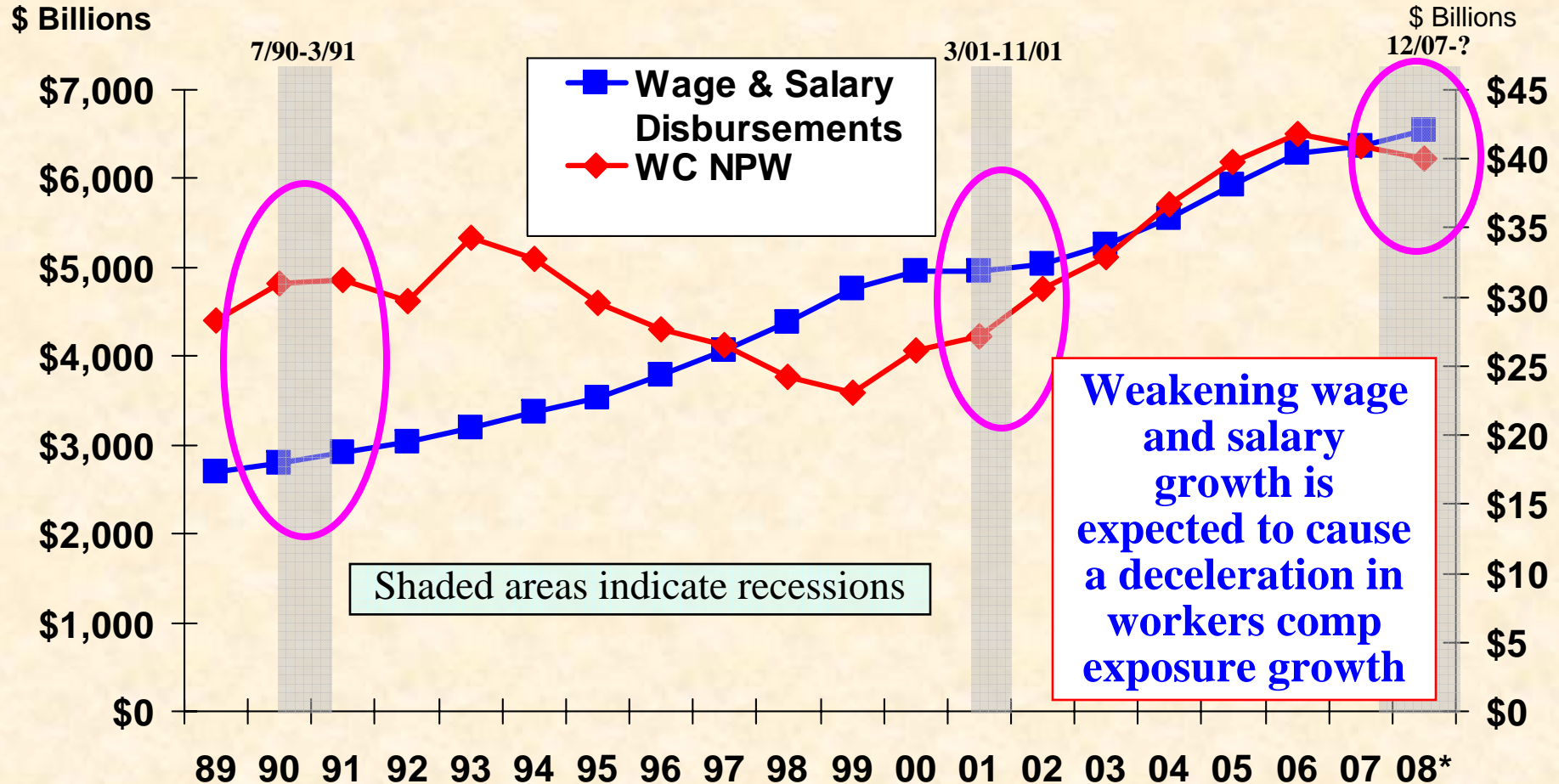
**Impacts of falling auto sales will  
have a less pronounced effect on  
auto insurance exposure growth  
than problems in the housing  
market will on home insurers**





# Wage & Salary Disbursements (Payroll Base) vs. Workers Comp Net Written Premiums

Wage & Salary Disbursement (Private Employment) vs. WC NWP



\*9-month data for 2008

Source: US Bureau of Economic Analysis; Federal Reserve Bank of St. Louis at

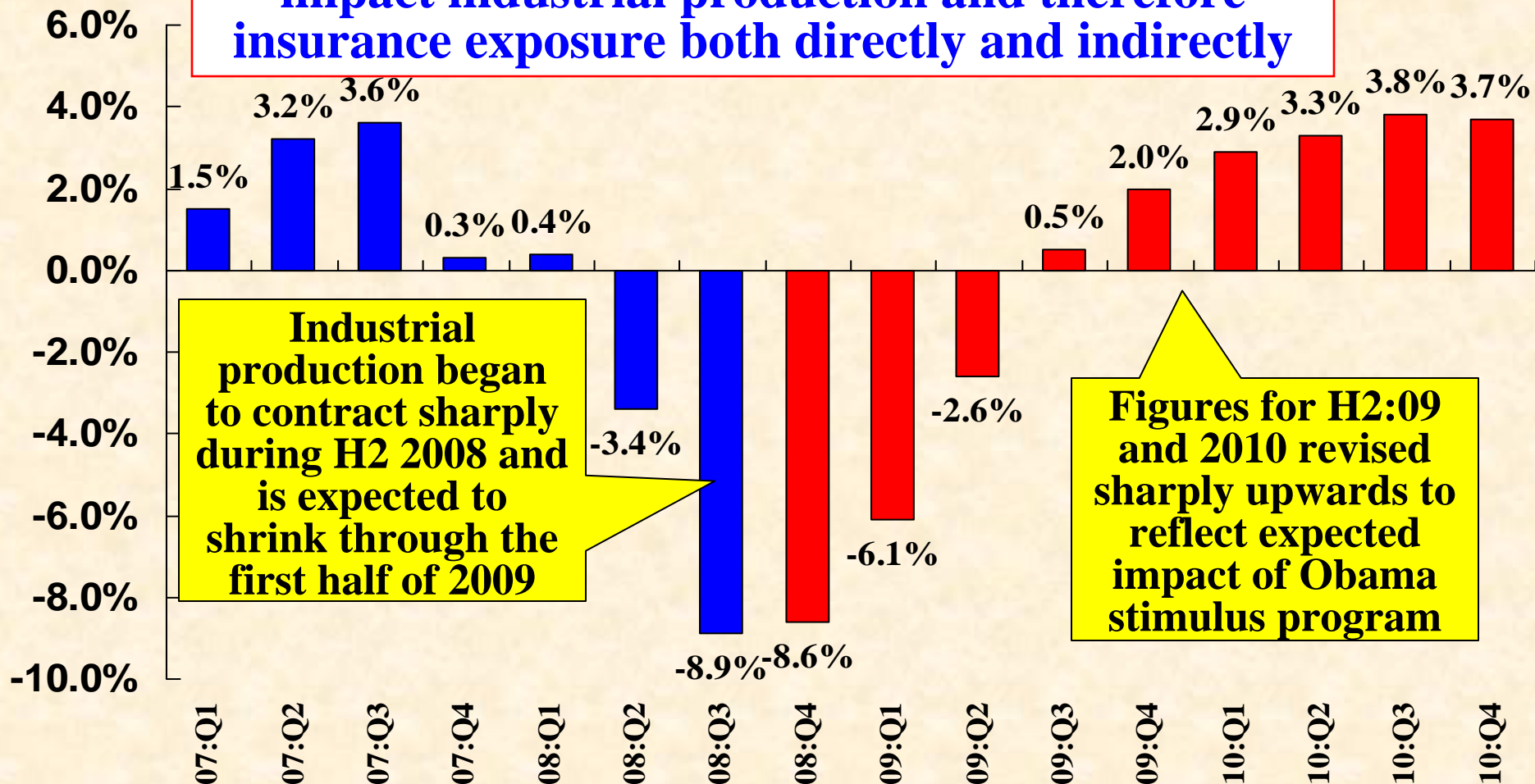
<http://research.stlouisfed.org/fred2/series/WASCUR>; I.I.I. Fact Books





# *Total Industrial Production, (2007:Q1 to 2010:Q4F)*

**Obama stimulus program is expected benefit  
impact industrial production and therefore  
insurance exposure both directly and indirectly**

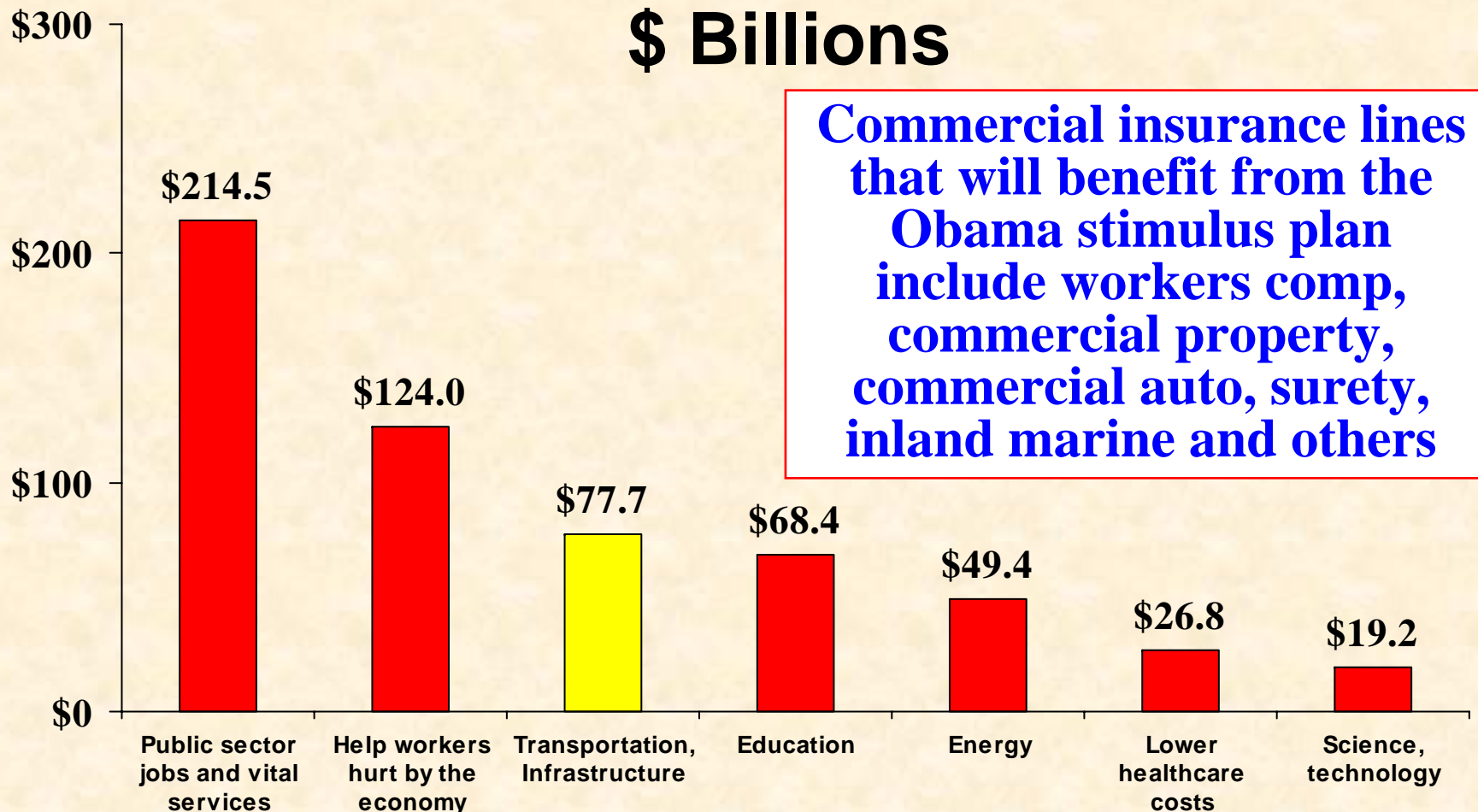


Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (1/09); Insurance Info. Inst.

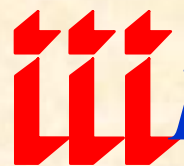




# *U.S. \$825B Economic Stimulus Package, By Category*

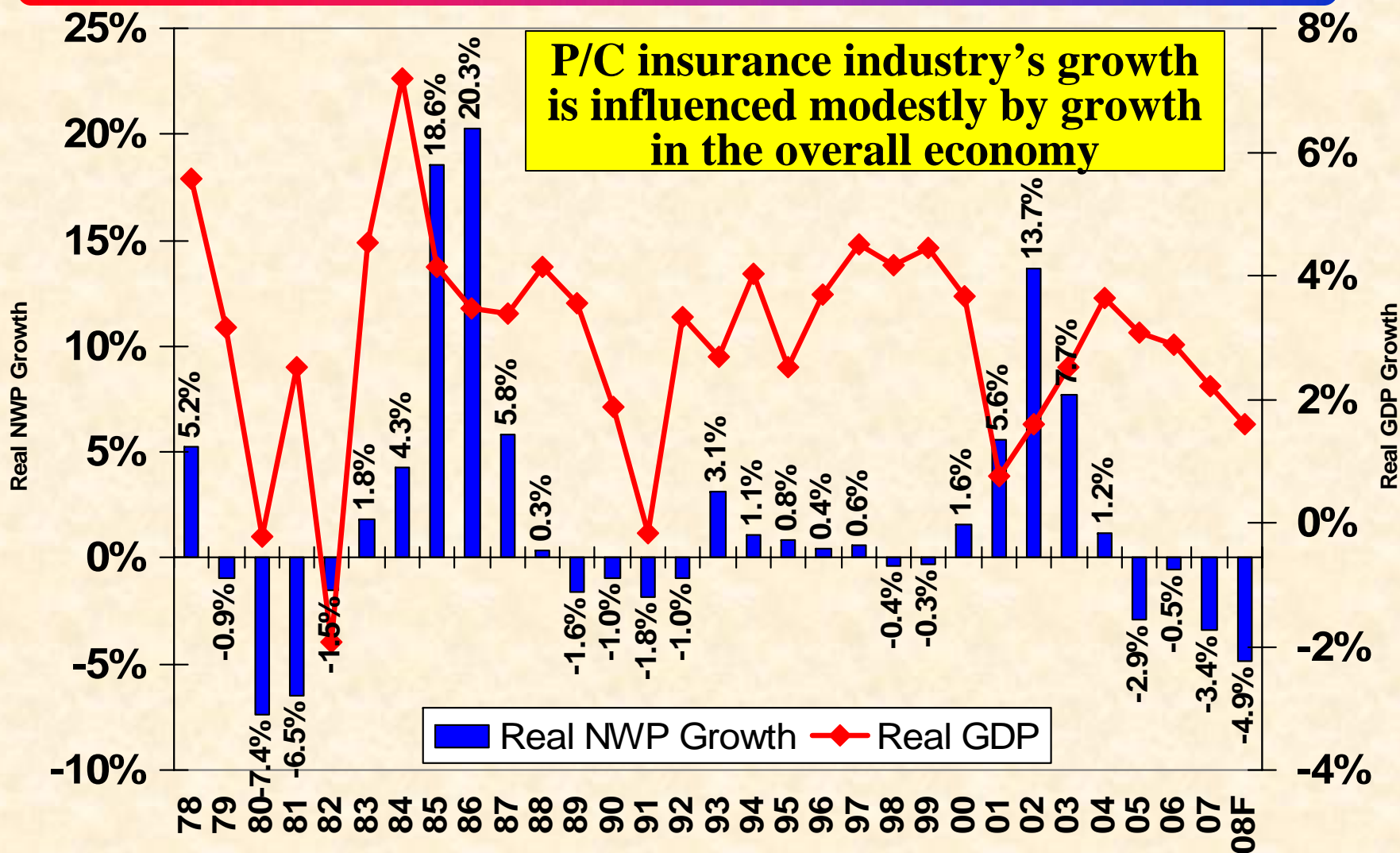






# Real GDP Growth vs. Real P/C

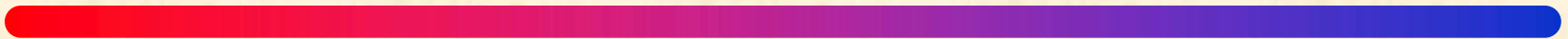
## Premium Growth: Modest Association





# FINANCIAL STRENGTH & RATINGS

Industry Has Weathered  
the Storms Well

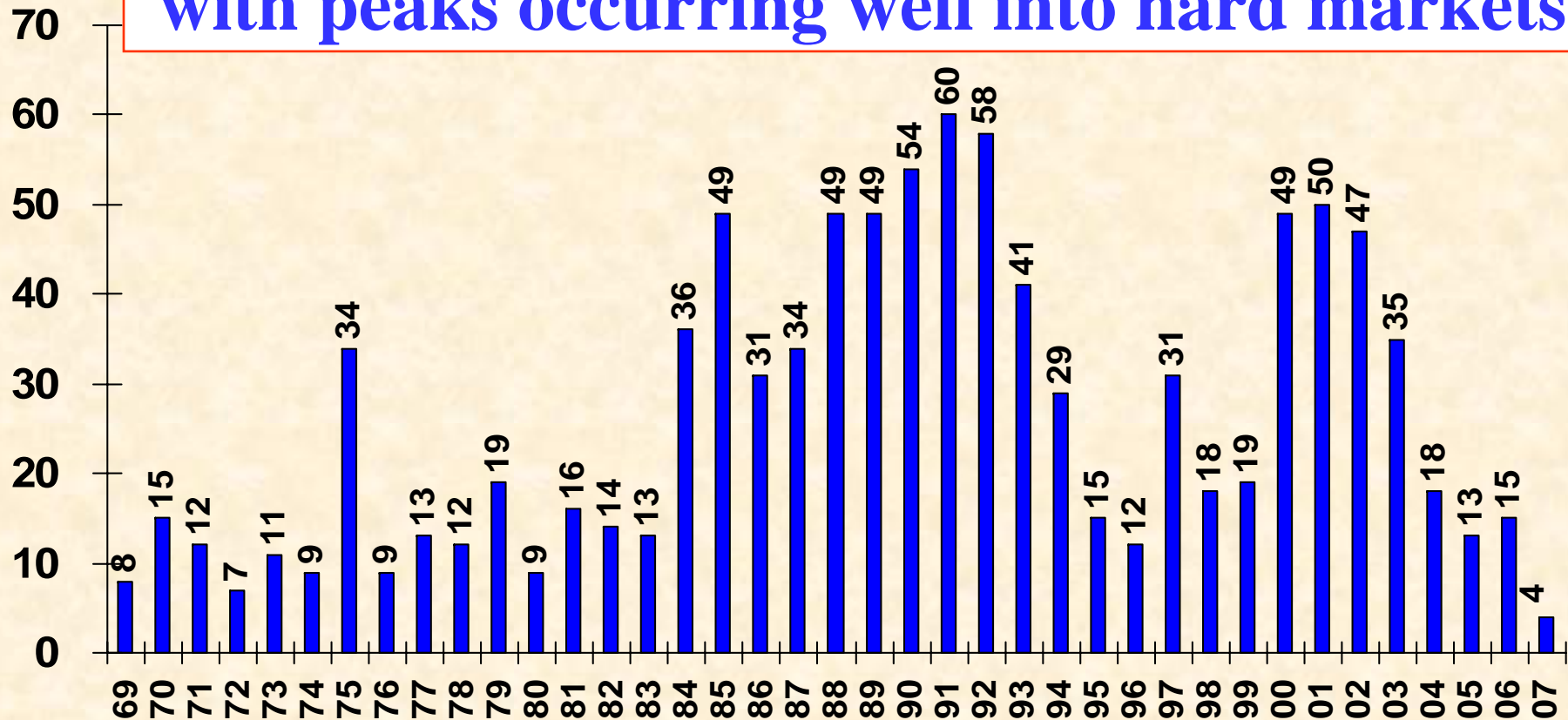






# *P/C Insurer Impairments, 1969-2007*

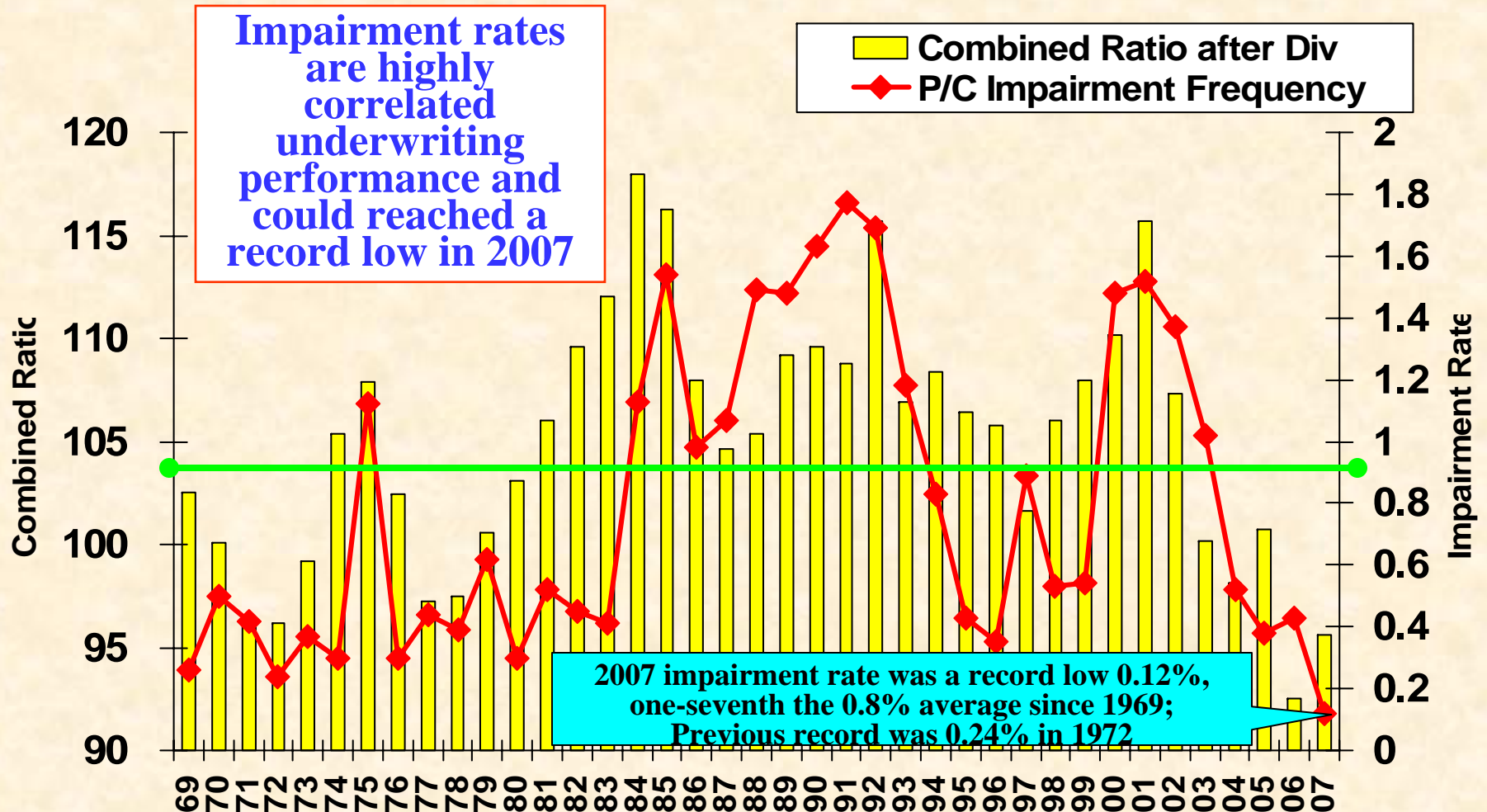
The number of impairments varies significantly over the p/c insurance cycle, with peaks occurring well into hard markets







# *P/C Insurer Impairment Frequency vs. Combined Ratio, 1969-2007*



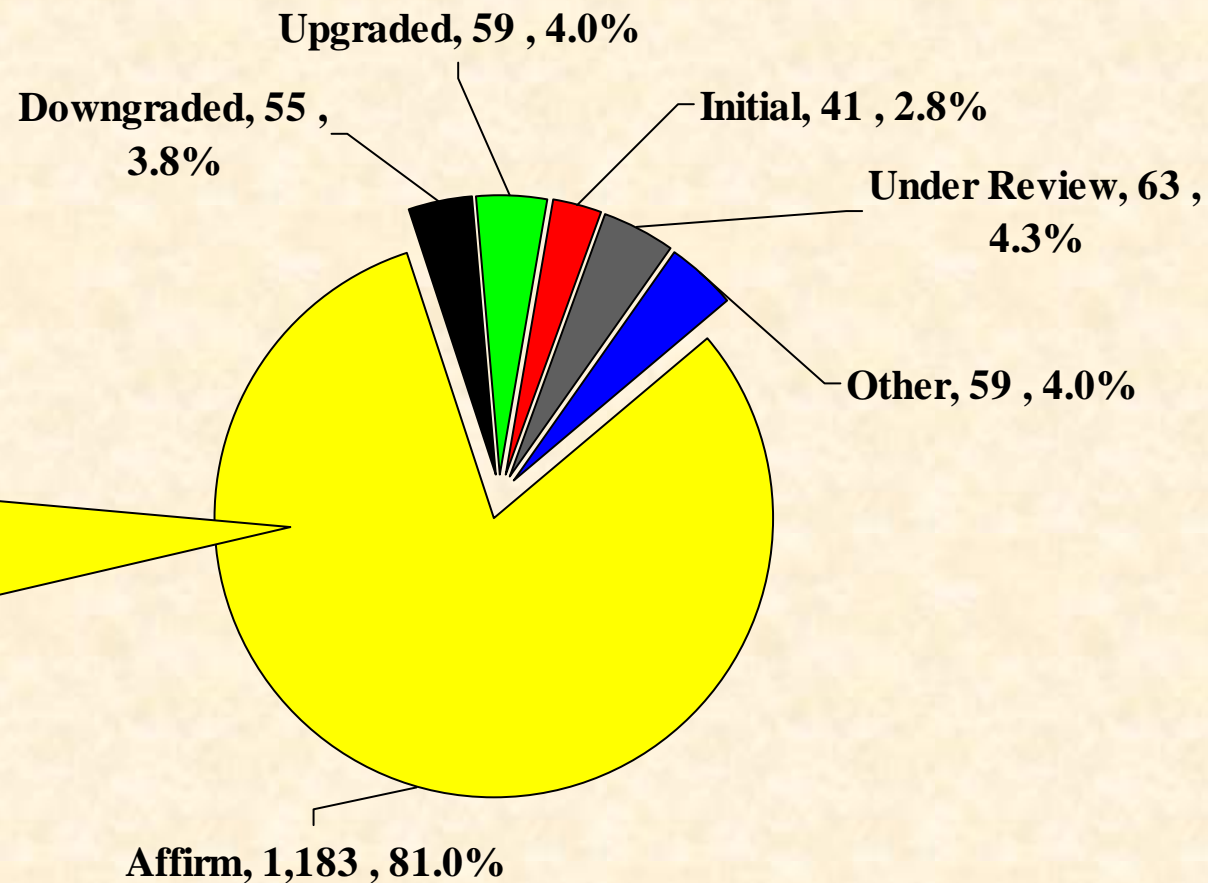




# Summary of A.M. Best's P/C Insurer Ratings Actions in 2008\*

P/C insurance is by design a resilient in business. The dual threat of financial disasters and catastrophic losses are anticipated in the industry's risk management strategy.

Despite financial market turmoil, high cat losses and a soft market in 2008, 81% of ratings actions by A.M. Best were affirmations; just 3.8% were downgrades and 4.0% upgrades



\*Through December 19.

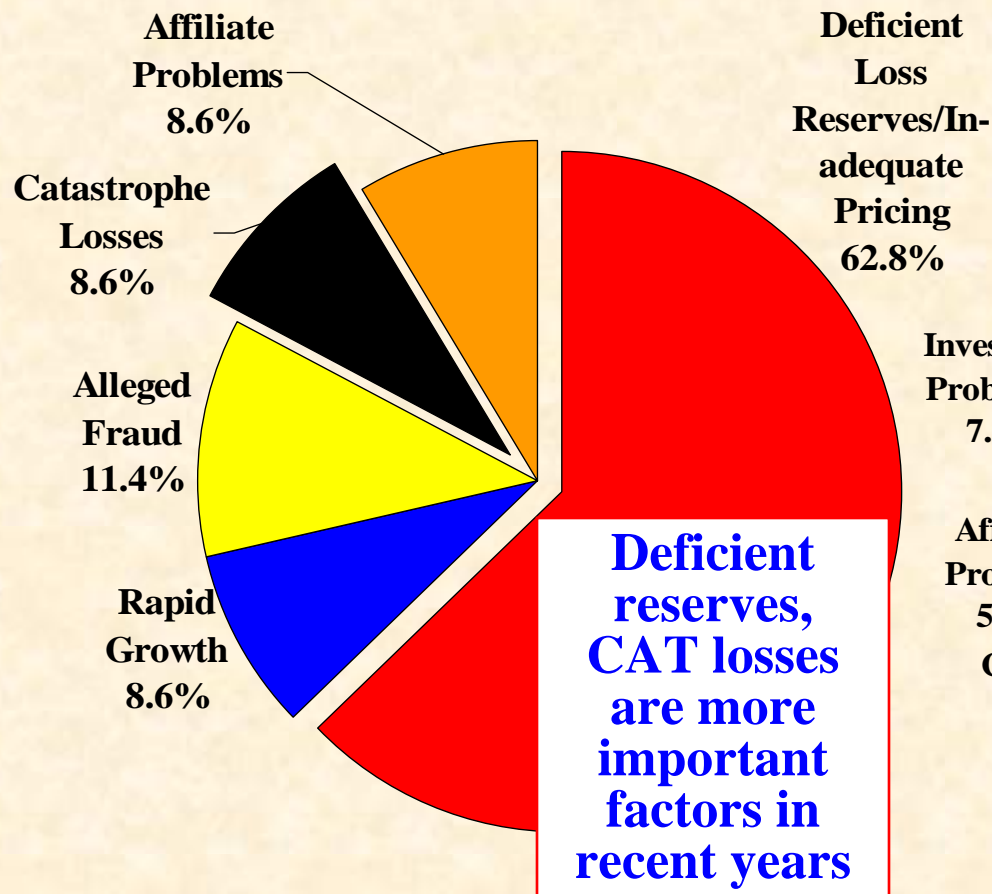
Source: A.M. Best.



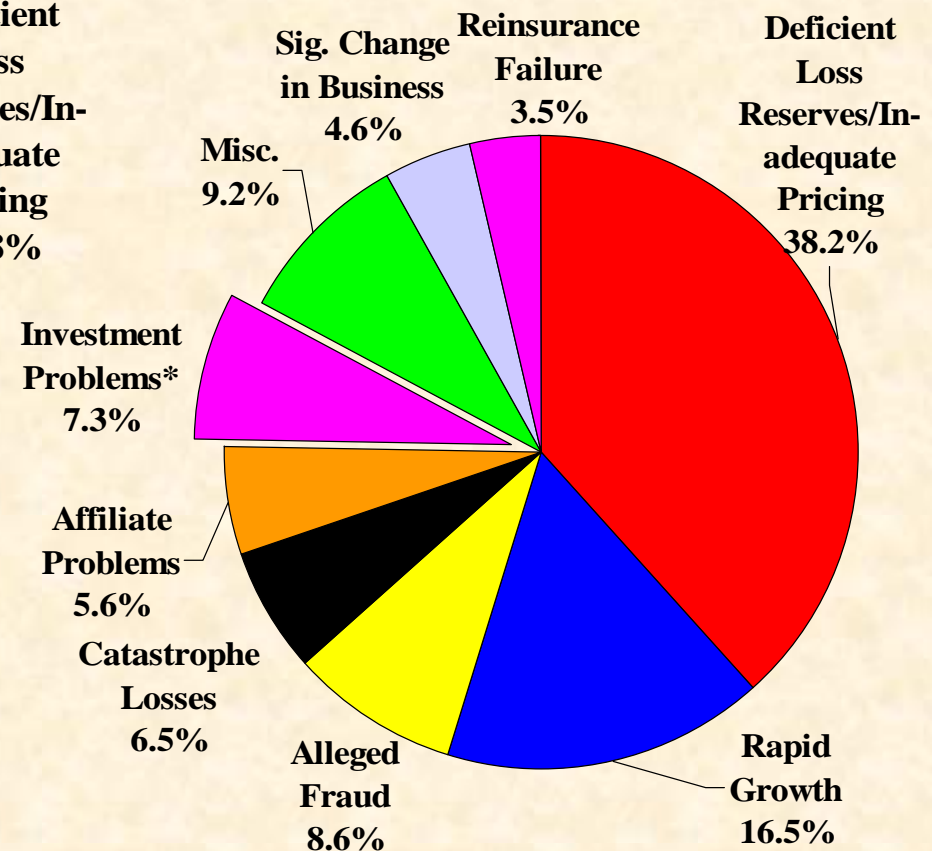


# *Reasons for US P/C Insurer Impairments, 1969-2005*

**2003-2005**



**1969-2005**



\*Includes overstatement of assets.

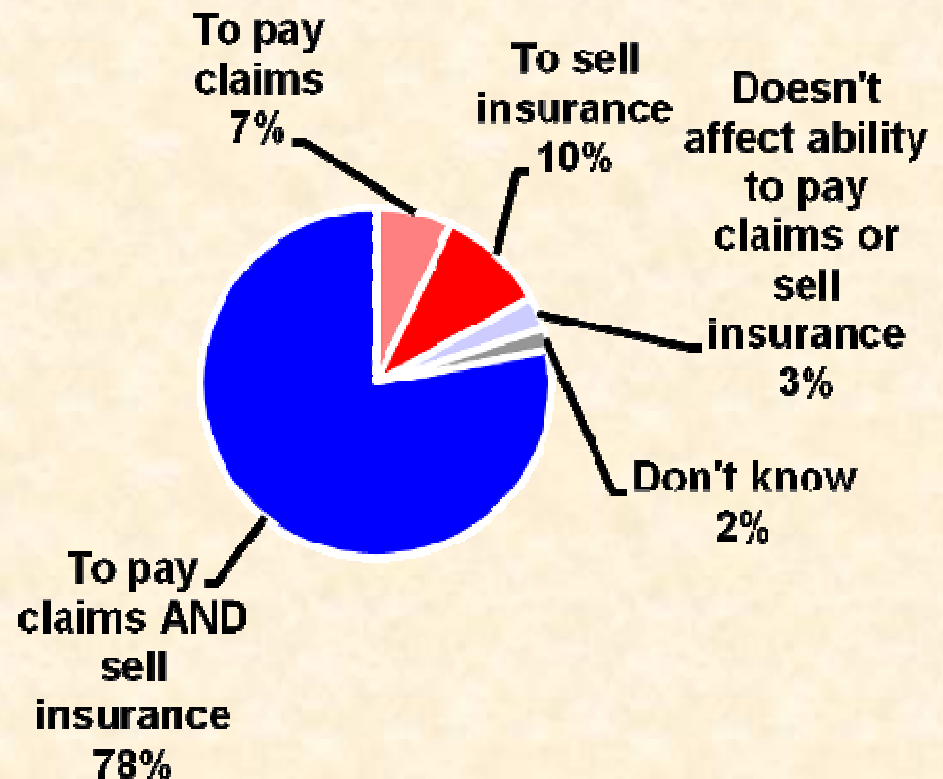




# CONSUMER POLL: 2008 I.I.I. PULSE SURVEY

**Q. DO YOU THINK THAT THESE PROBLEMS (THE MORTGAGE PROBLEMS SOME AMERICANS FACE, THE DROP IN THE STOCK MARKET AND JOB LAYOFFS) AFFECT THE ABILITY OF INSURANCE COMPANIES TO PAY THEIR CLAIMS, TO SELL MORE INSURANCE, BOTH, NONE OF THESE (DOESN'T AFFECT ABILITY TO PAY CLAIMS OR SELL INSURANCE) OR DON'T KNOW?**

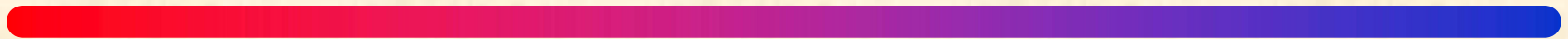
**95% Americans think that the downturn in the economy affects the basic business of the insurance industry: the ability to pay claims and/or sell insurance**





# Critical Differences Between P/C Insurers and Banks

**Superior Risk Management Model  
& Low Leverage Make  
a Big Difference**







# *How Insurance Industry Stability Has Benefitted Consumers*

## **BOTTOM LINE:**

- **Insurance Markets—Unlike Banking—Are Operating *Normally***
- **The Basic Function of Insurance—the Orderly Transfer of Risk from Client to Insurer—Continues *Uninterrupted***
- **This Means that Insurers Continue to:**
  - **Pay claims (whereas 27 banks have gone under)**
    - *The Promise is Being Fulfilled*
  - **Renew existing policies (banks are reducing and eliminating lines of credit)**
  - **Write new policies (banks are turning away people who want or need to borrow)**
  - **Develop new products (banks are scaling back the products they offer)**





# Reasons Why P/C Insurers Have Fewer Problems Than Banks: A Superior Risk Management Model

- **Emphasis on Underwriting**
  - Matching of risk to price (via experience and modeling)
  - Limiting of potential loss exposure
  - *Some banks sought to maximize volume and fees and disregarded risk*
- **Strong Relationship Between Underwriting and Risk Bearing**
  - **Insurers always maintain a stake in the business they underwrite, keeping “skin in the game” at all times**
  - *Banks and investment banks package up and securitize, severing the link between risk underwriting and risk bearing, with (predictably) disastrous consequences—straightforward moral hazard problem from Econ 101*
- **Low Leverage**
  - Insurers do not rely on borrowed money to underwrite insurance or pay claims → *There is no credit or liquidity crisis in the insurance industry*
- **Conservative Investment Philosophy**
  - High quality portfolio that is relatively less volatile and more liquid
- **Comprehensive Regulation of Insurance Operations**
  - The business of insurance remained comprehensively regulated whereas a separate banking system had evolved largely outside the auspices and understanding of regulators (e.g., hedge funds, private equity, complex securitized instruments, credit derivatives—CDS's)
- **Greater Transparency**
  - Insurance companies are an open book to regulators and the public



# The Financial Crisis in Perspective

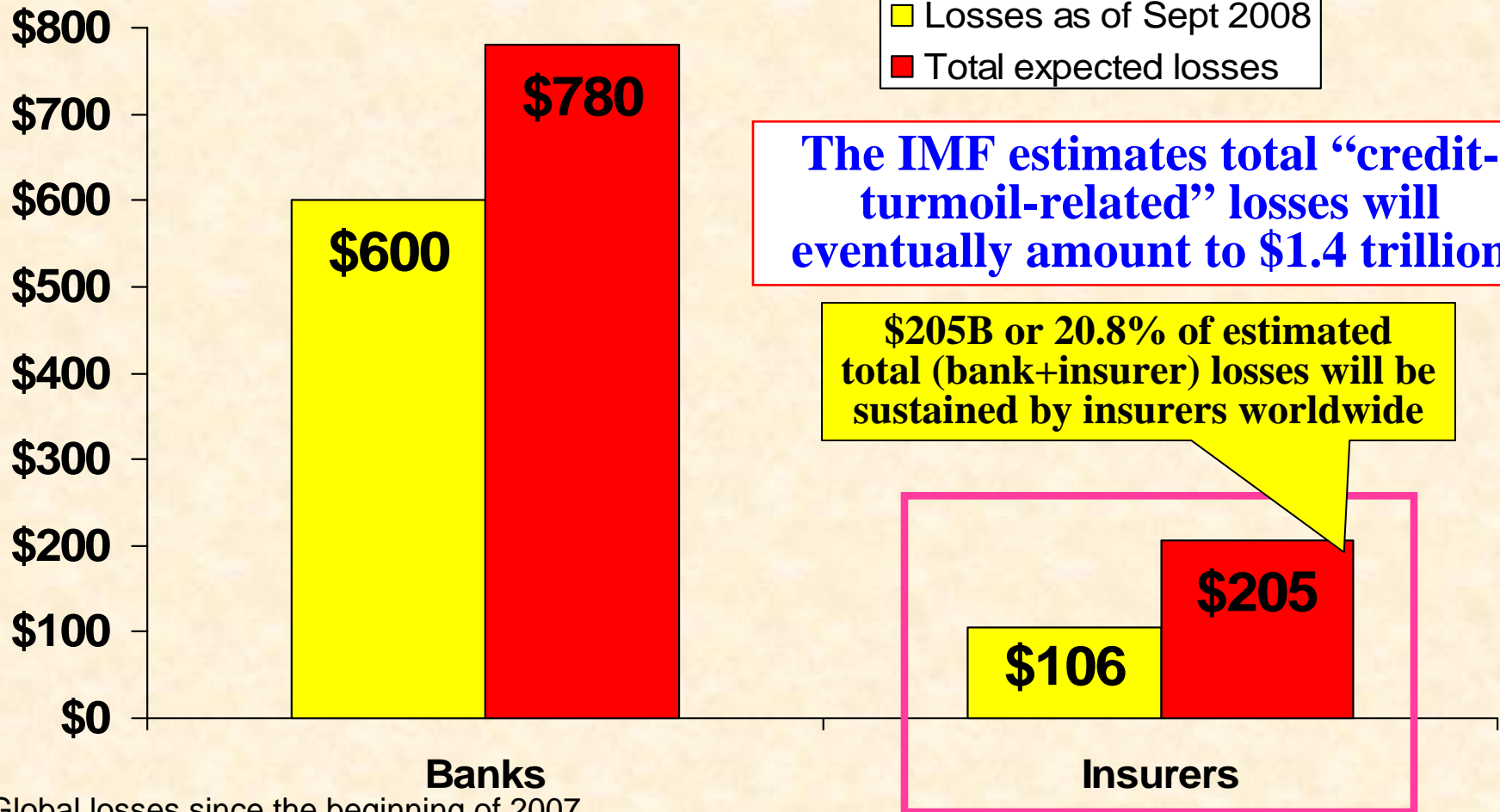
**Bank vs. Insurer Impacts**





# *Financial Institutions Globally Facing Huge Losses from the Credit Crunch\**

Billions



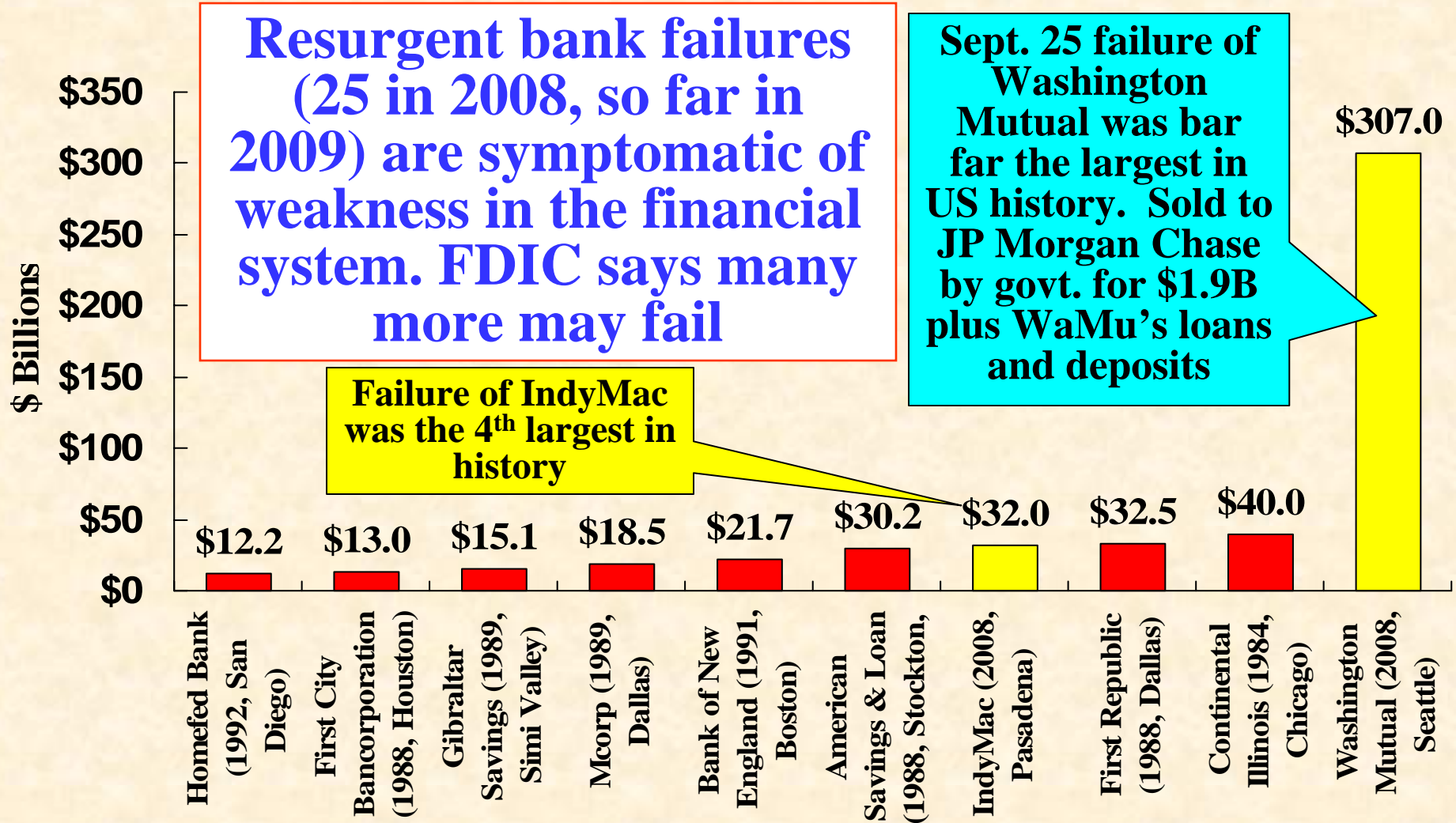
\*Global losses since the beginning of 2007.

Source: IMF Global Financial Stability Report, October 2008, IIF, Bloomberg, cited in a presentation by Thomas Hess (Chief Economist, Swiss Re) October 23, 2008, accessed via Geneva Association web site.





# Top 10 Largest Bank Failures

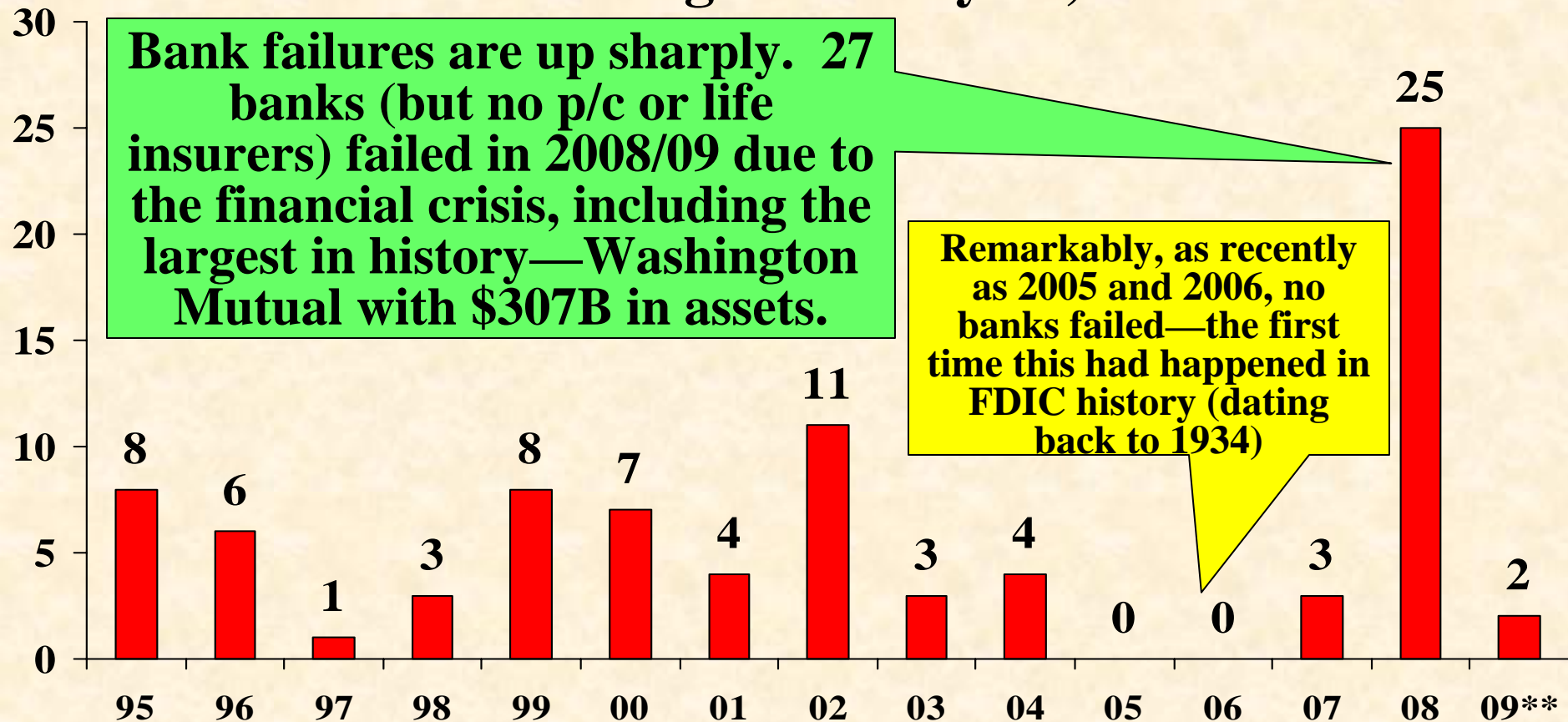






# *US Bank Failures:\** *1995-2009\*\**

**Through January 23, 2009**



\*Includes all commercial banking and savings institutions. \*\*Through Jan. 23.

Source: FDIC: <http://www.fdic.gov/bank/historical/bank/index.html>; Insurance Info. Institute

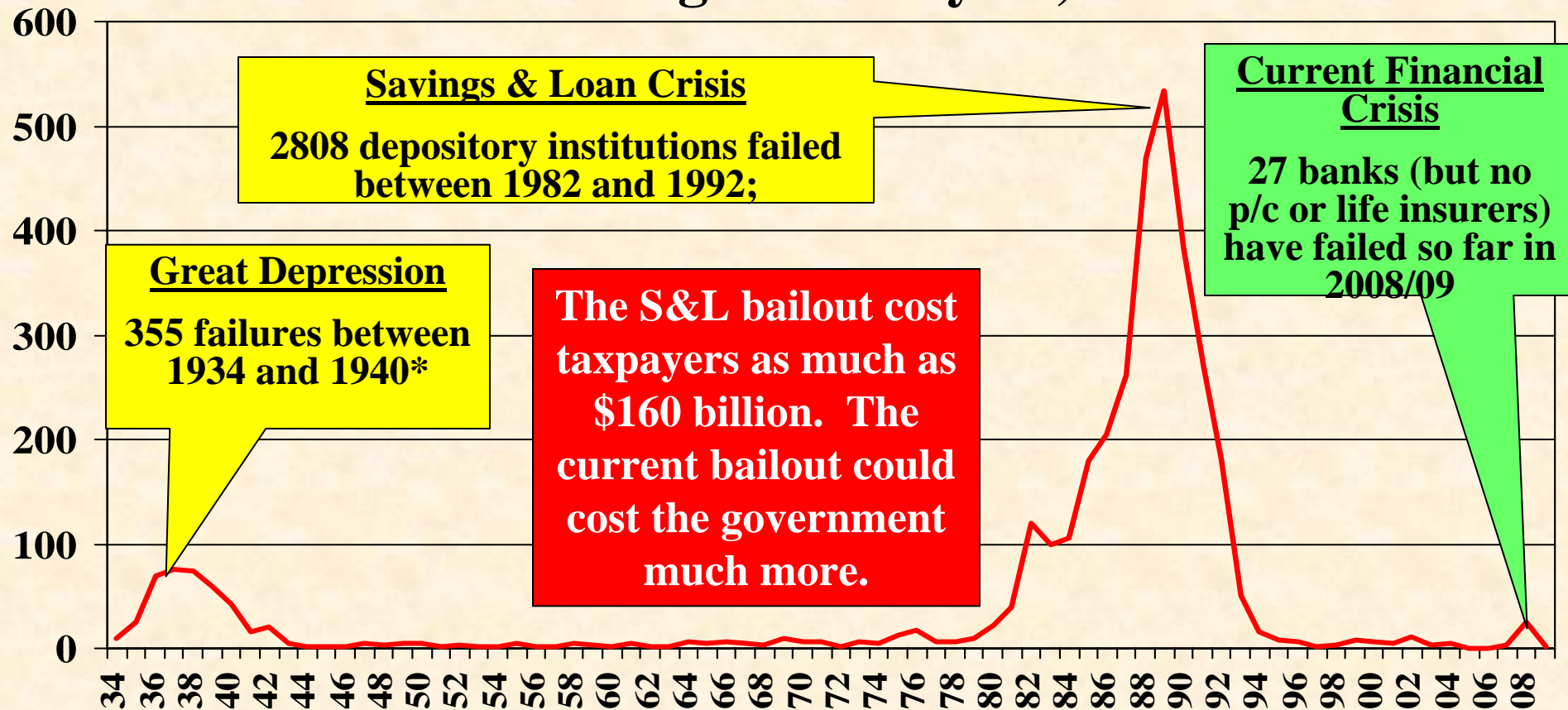




# *US Bank Failures:\**

## *1934-2009\*\**

**Through January 23, 2009**



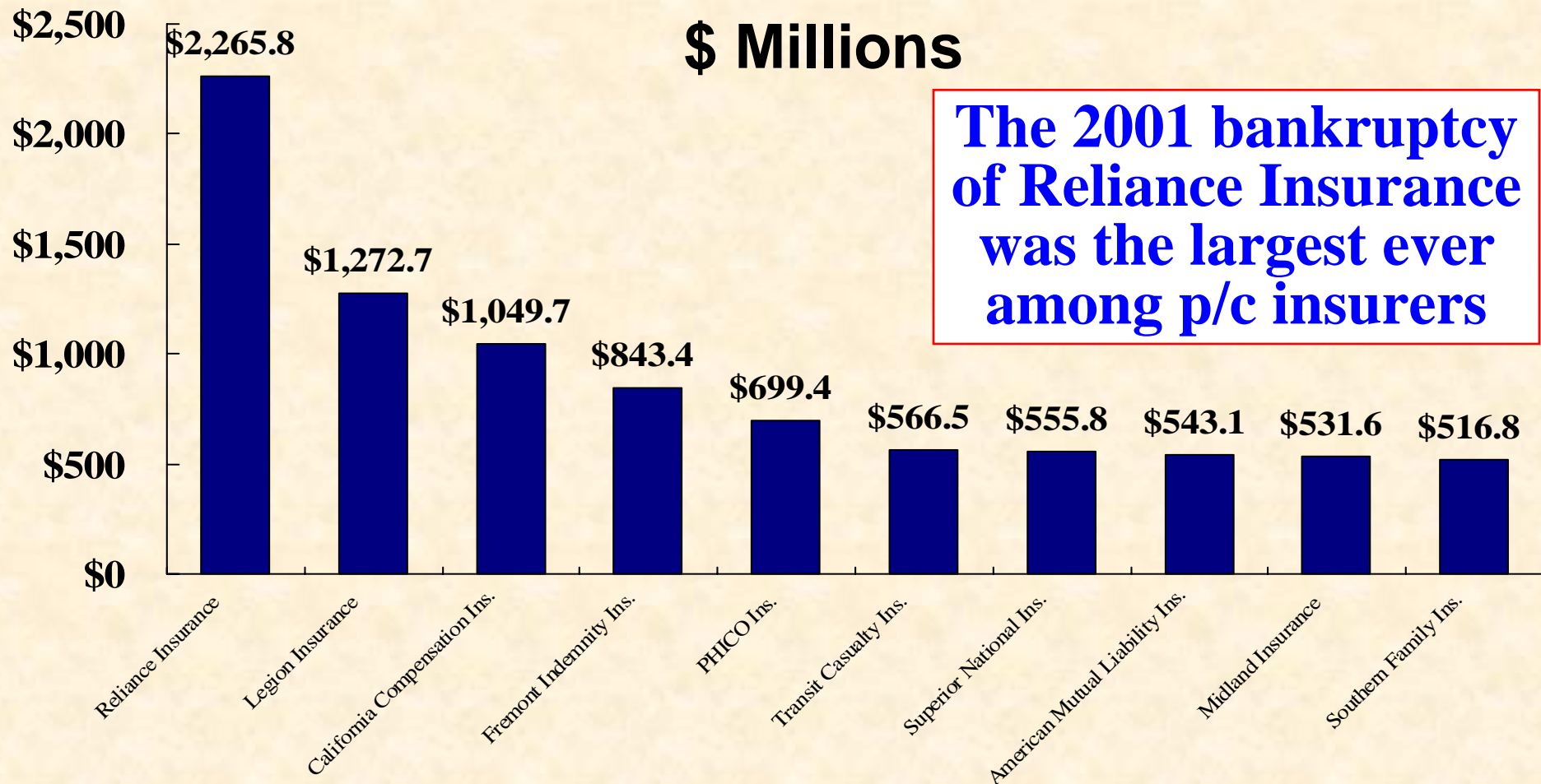
\*Includes all commercial banking and savings institutions.

\*\*Data begin in 1934, the year the FDIC was established.

Source: FDIC: <http://www.fdic.gov/bank/historical/bank/index.html>; Insurance Info. Institute



# *Top 10 P/C Insolvencies, Based Upon Guaranty Fund Payments\**



\* Disclaimer: This is not a complete picture. If anything the numbers are understated as some states have not reported in certain years.

Source: National Conference of Insurance Guaranty Funds, as of September 17, 2008.



# **P/C INSURANCE FINANCIAL PERFORMANCE**

**A Resilient Industry in  
 Challenging Times**

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# Profitability

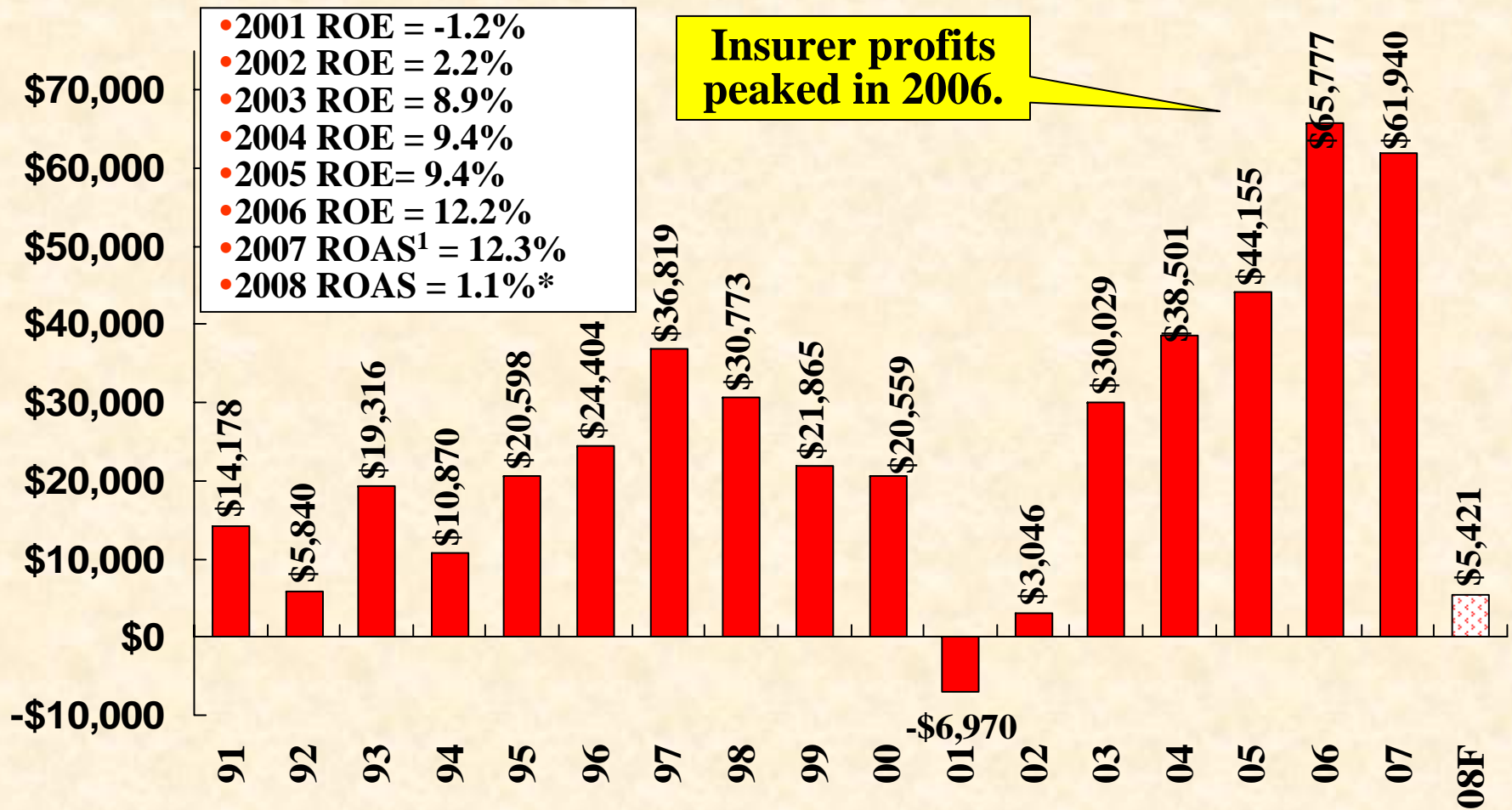
**Historically Volatile**







# *P/C Net Income After Taxes 1991-2009F (\$ Millions)\**



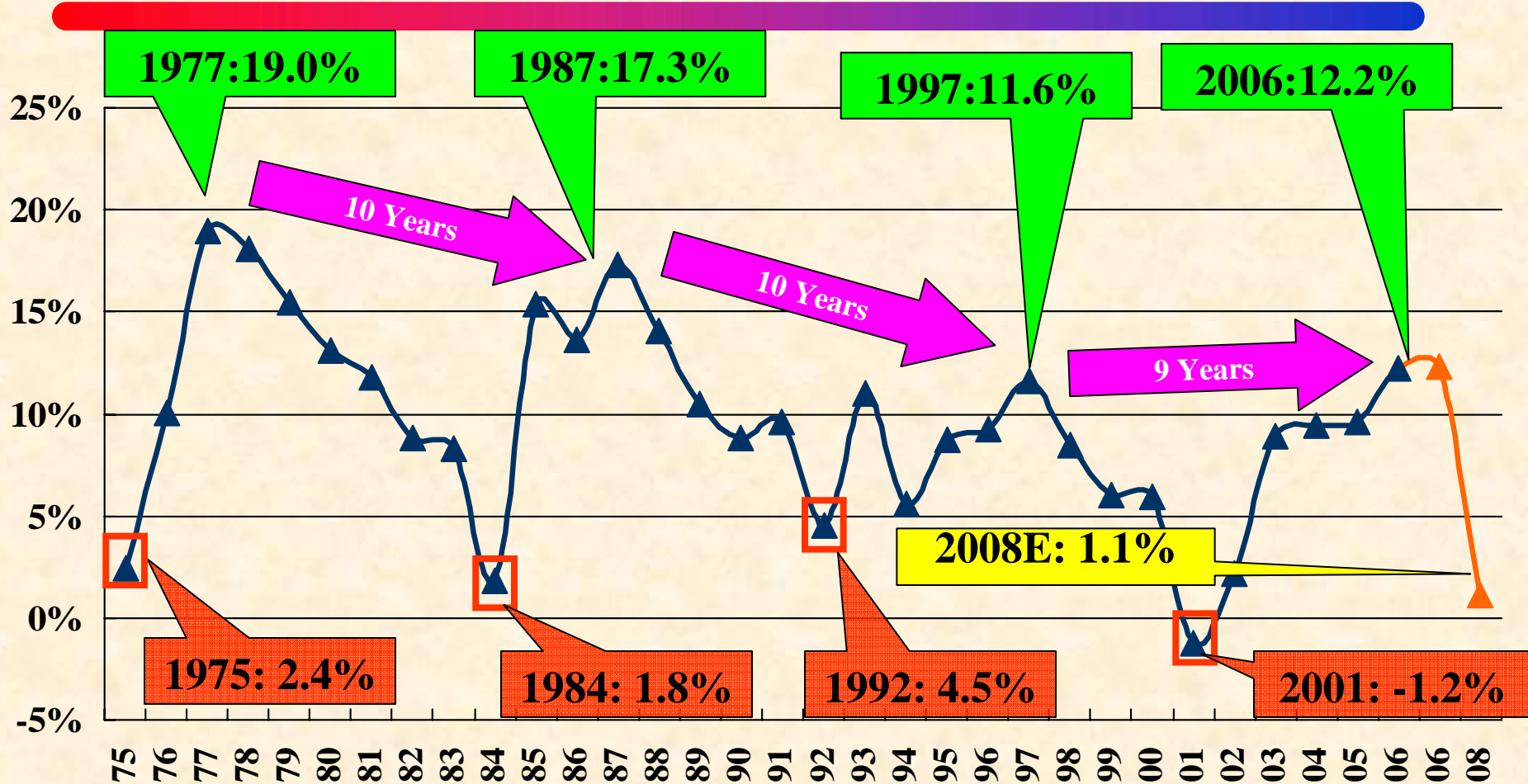
\*ROE figures are GAAP; <sup>1</sup>Return on avg. surplus. 2008 numbers are annualized based on 9-mos. Actual of \$4.066 billion.

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





# *P/C Insurance Industry ROEs, 1975 – 2008E\**

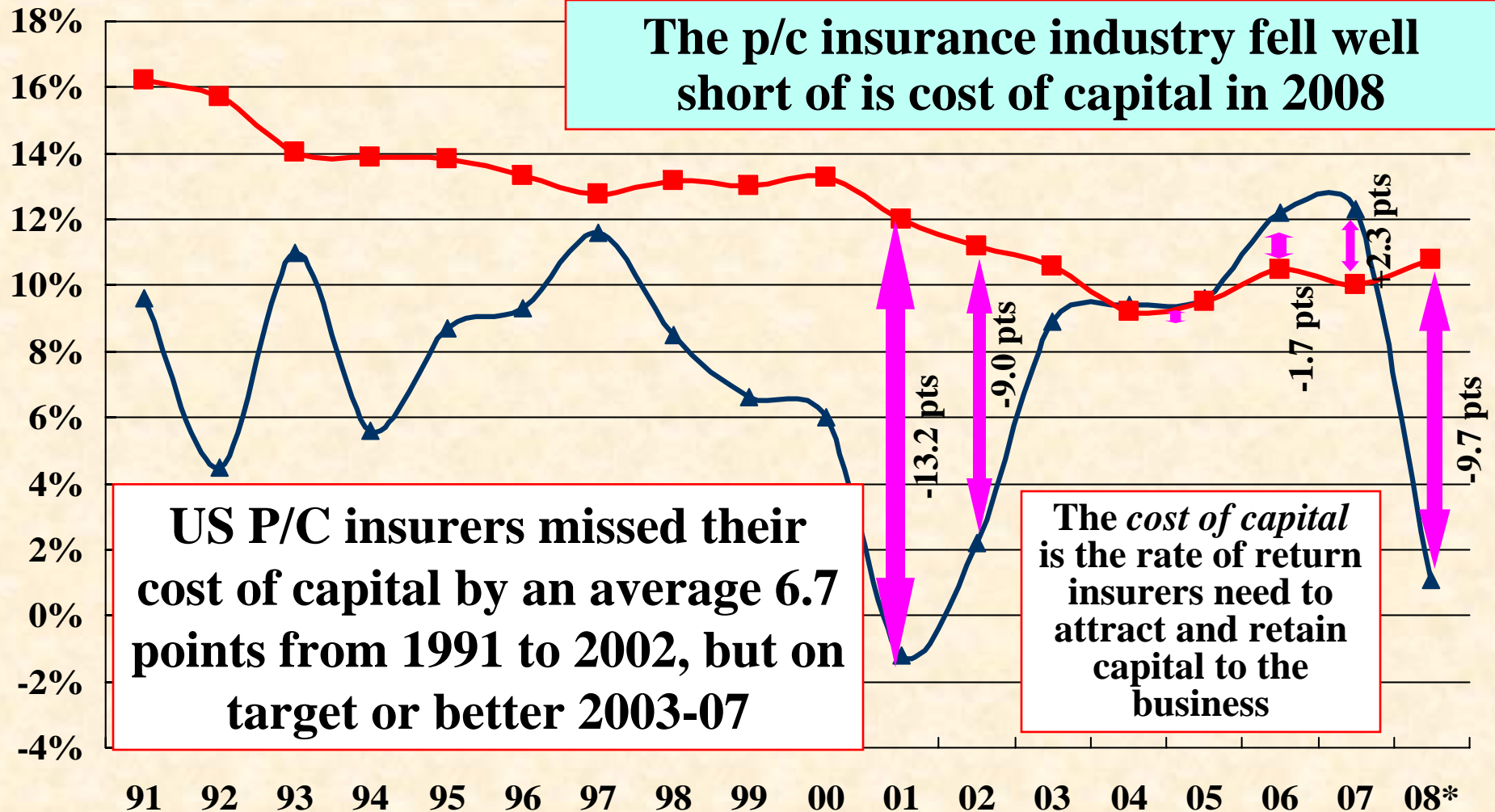


Note: 2009 figure is actual 9-month result.  
Sources: ISO; Insurance Information Institute.



# ROE vs. Equity Cost of Capital:

## US P/C Insurance: 1991-2008:Q3



\*Excludes mortgage and financial guarantee insurers.  
Source: The Geneva Association, Ins. Information Inst.

—▲ ROE —■ Cost of Capital



# Presidential Politics & P/C Insurance

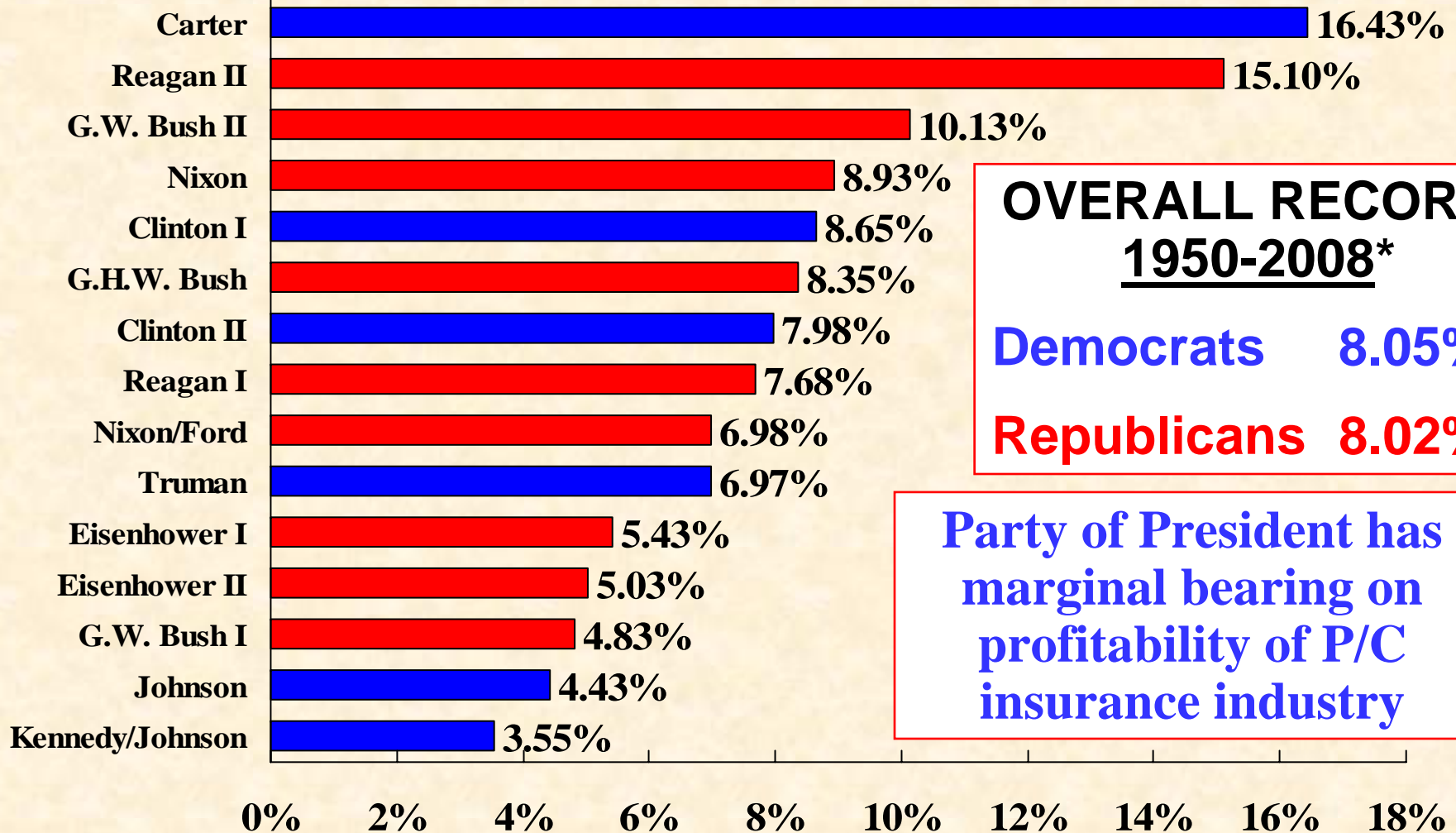
*How is Profitability Affected by the  
President's Political Party?*







# *P/C Insurance Industry ROE by Presidential Administration, 1950-2008\**



**OVERALL RECORD:  
1950-2008\***

**Democrats 8.05%**

**Republicans 8.02%**

**Party of President has  
marginal bearing on  
profitability of P/C  
insurance industry**

\*ROE for 2008 based on H1 data. Truman administration ROE of 6.97% based on 3 years only, 1950-52.

Source: Insurance Information Institute

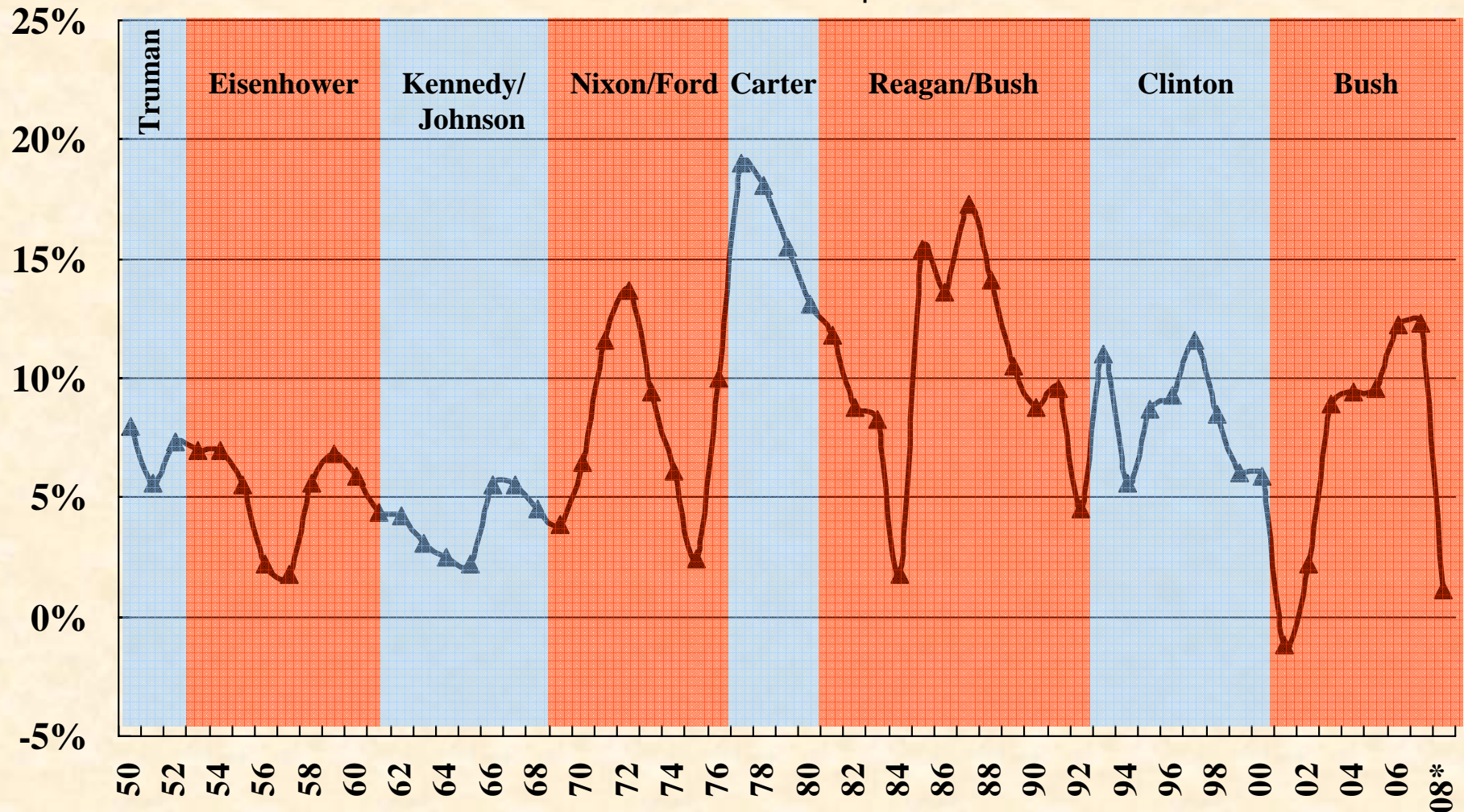




# *P/C Insurance Industry ROE by Presidential Party Affiliation, 1950–2008\**

**BLUE** = Democratic President

**RED** = Republican President



Source: Insurance Information Institute. \*2008 based 9-month data.



# Investment Performance

*Investments are the Principle  
Source of Declining  
Profitability*





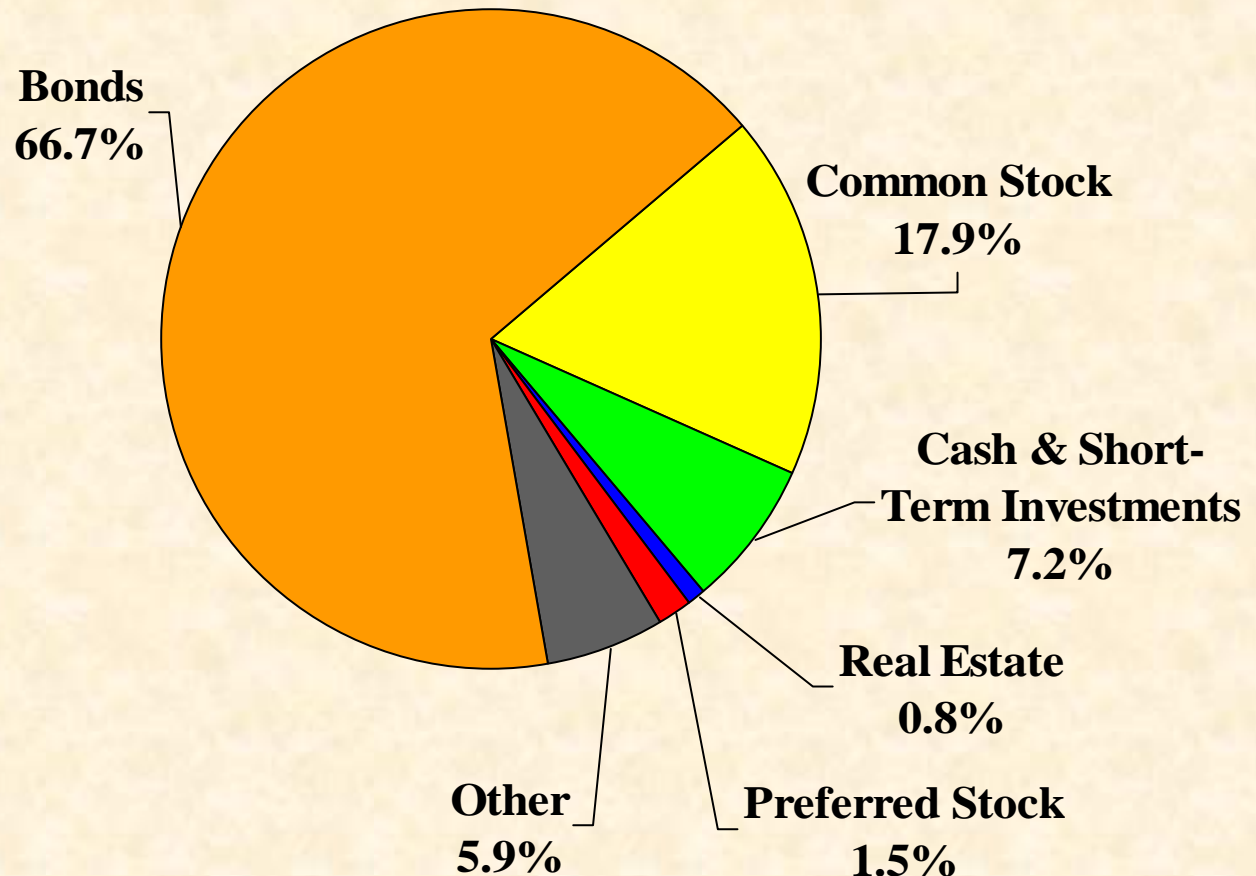


# *Distribution of P/C Insurance Industry's Investment Portfolio*

**As of December 31, 2007**

## Portfolio Facts

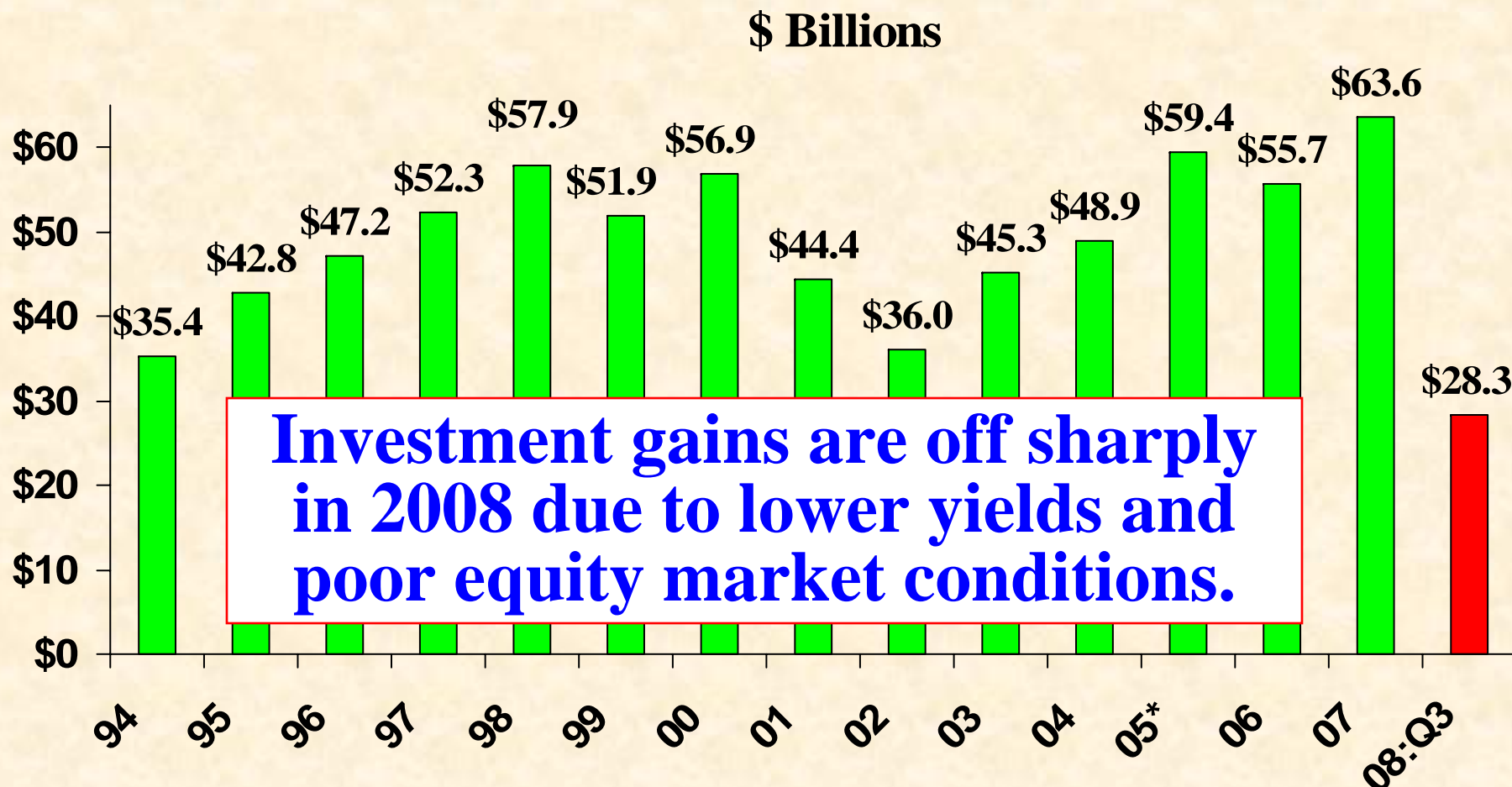
- Invested assets totaled \$1.3 trillion as of 12/31/07
- Insurers are generally conservatively invested, with 2/3 of assets invested in bonds as of 12/31/07
- Only about 18% of assets were invested in common stock as of 12/31/07
- Even the most conservative of portfolios was hit hard in 2008







# Property/Casualty Insurance Industry Investment Gain: 1994- 2008:Q3 <sup>1</sup>



<sup>1</sup>Investment gains consist primarily of interest, stock dividends and realized capital gains and losses. 2006 figure consists of \$52.3B net investment income and \$3.4B realized investment gain.

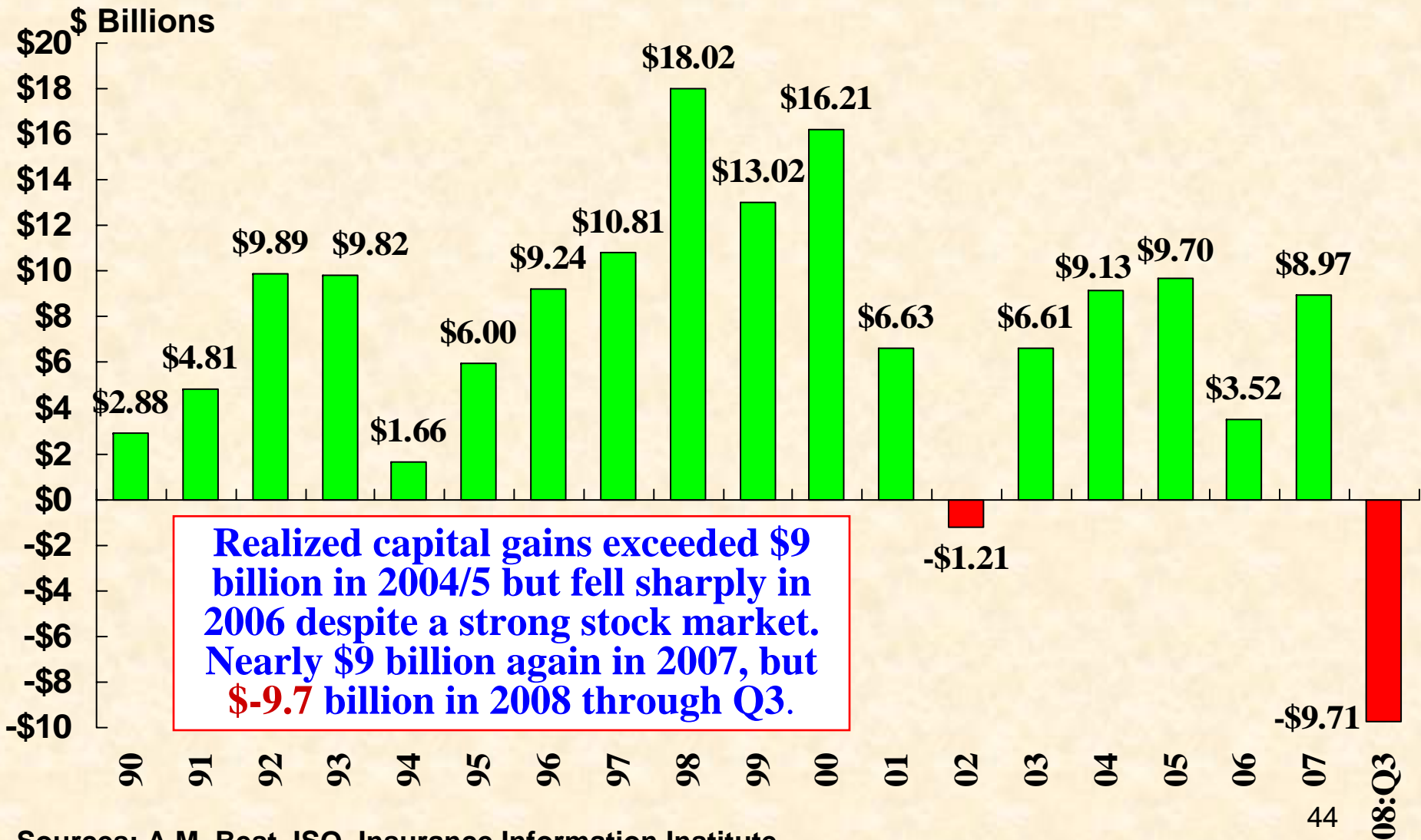
\*2005 figure includes special one-time dividend of \$3.2B.

Sources: ISO; Insurance Information Institute.





# *P/C Insurer Net Realized Capital Gains, 1990-2008:Q3*

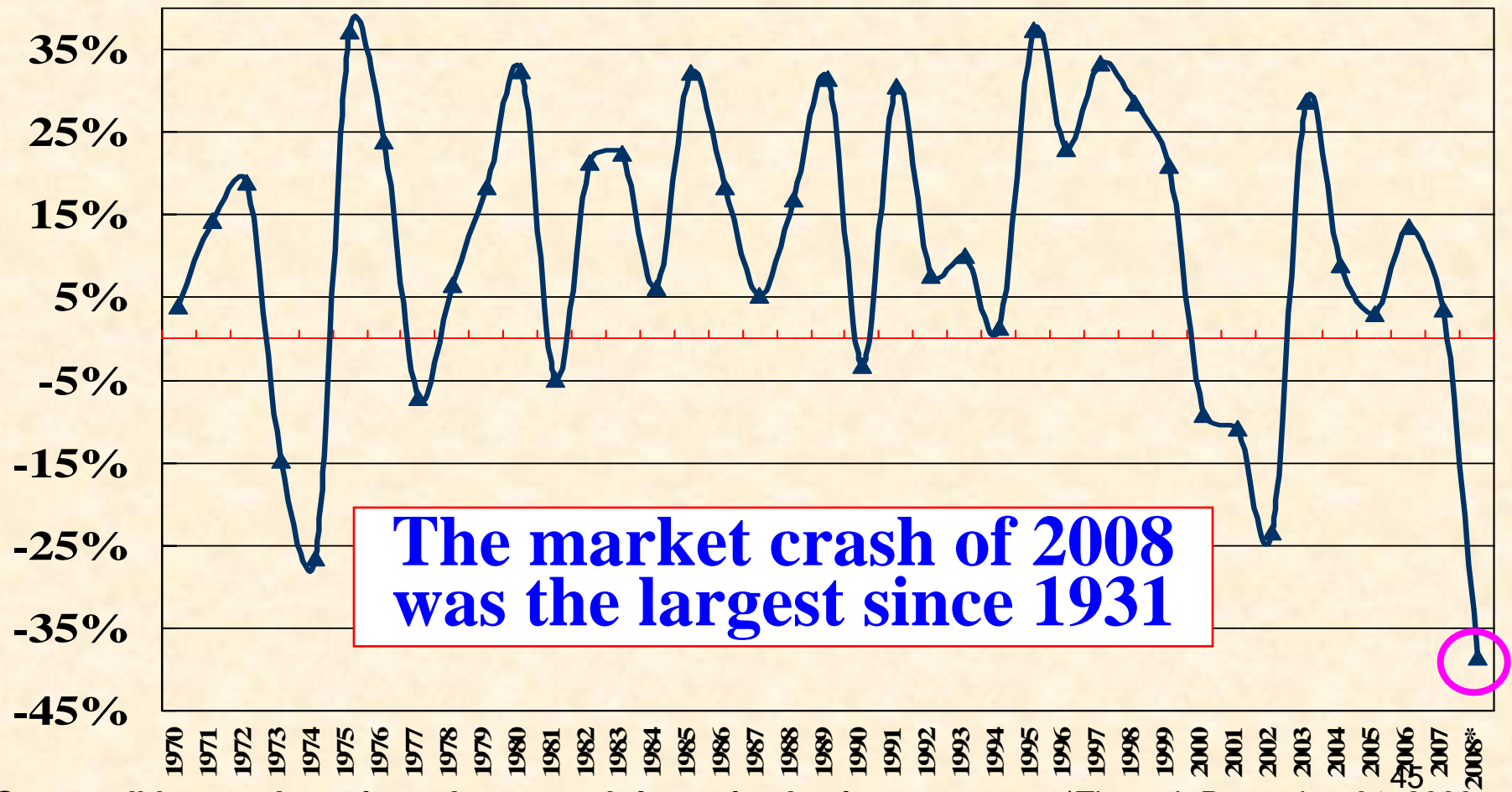






# *Total Returns for Large Company Stocks: 1970-2008\**

**S&P 500 was down 38.5% in 2008\***



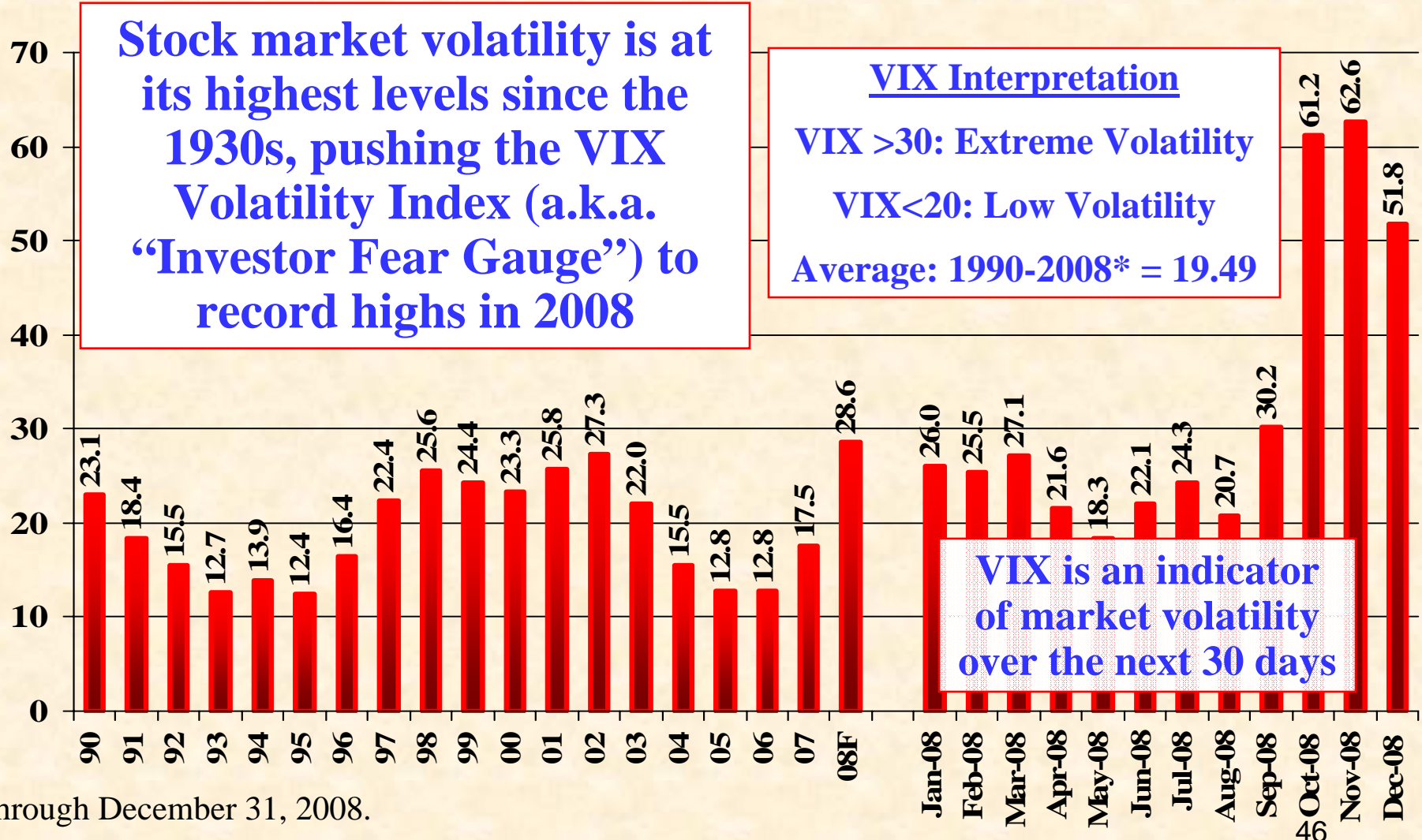
Source: Ibbotson Associates, Insurance Information Institute.

\*Through December 31, 2008.





# *VIX Volatility Index: Stock Market Volatility at Record Highs in 2008\**

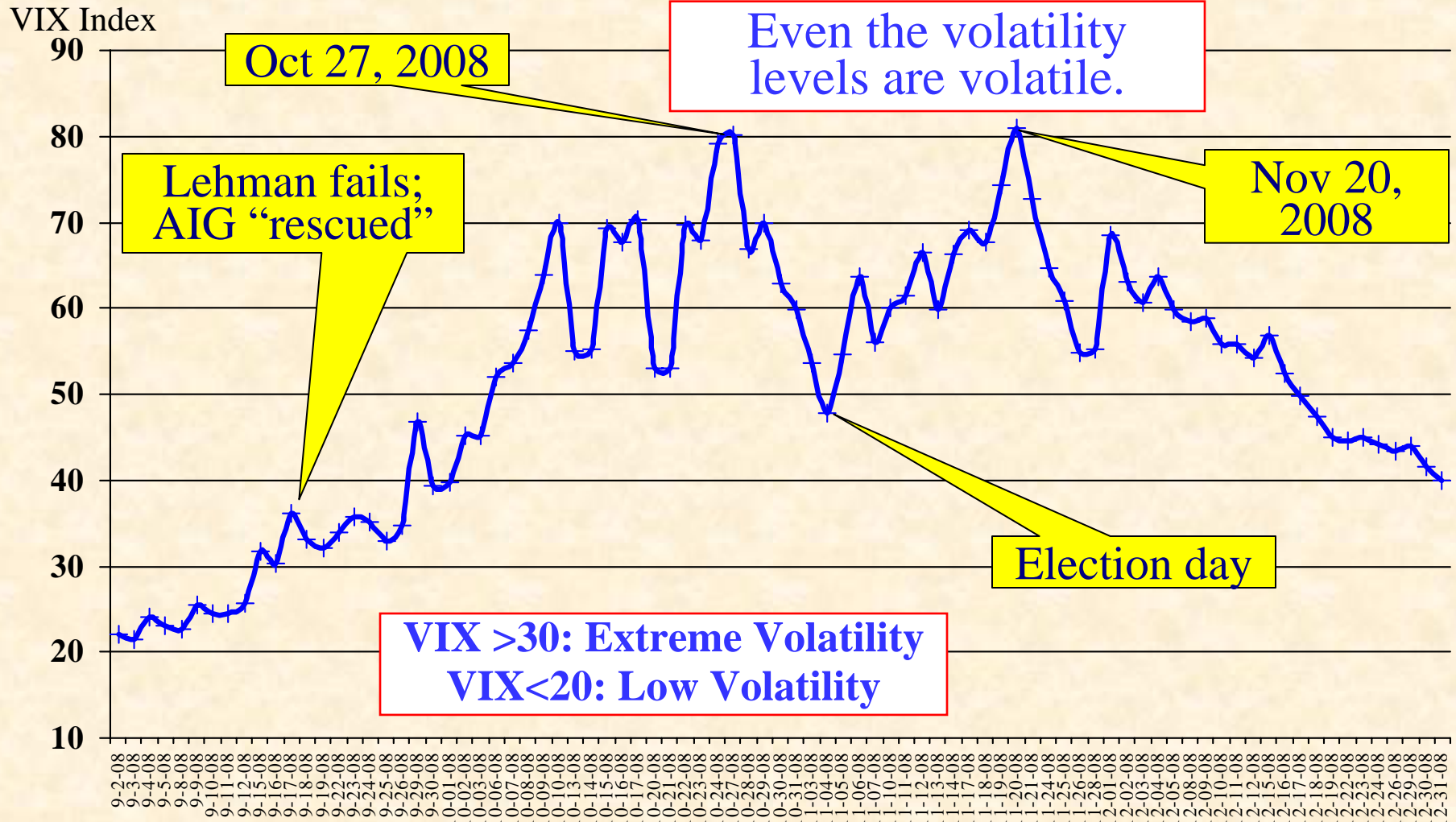


Sources: Chicago Board Options Exchange: <http://www.cboe.com/micro/vix/historical.aspx>





# Stock Market Daily Volatility in 2008\*: Heading to “Normal”?



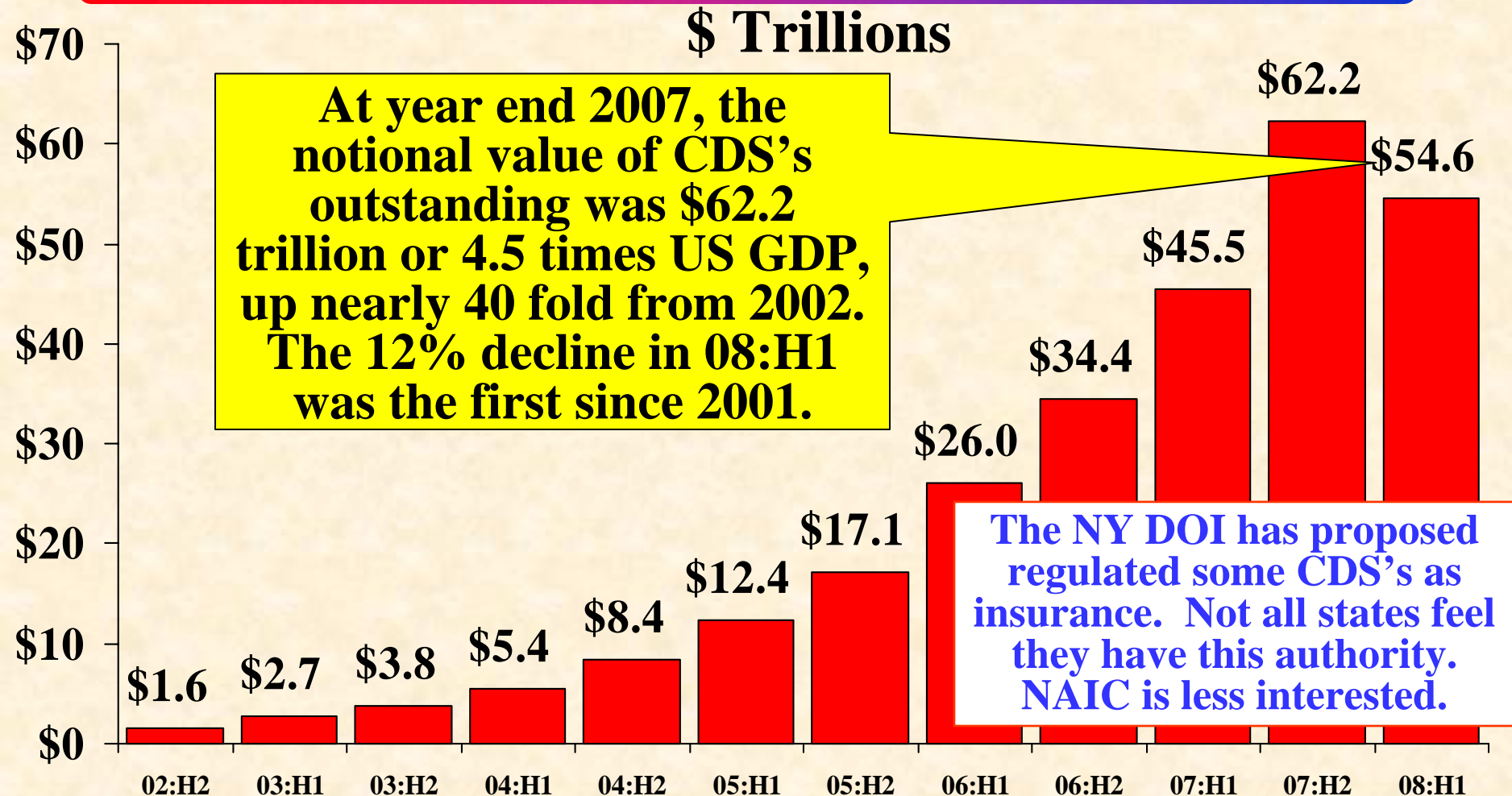
\*September 2 to December 31, 2008.

Source: Chicago Board Options Exchange: <http://www.cboe.com/micro/vix/historical.aspx>





# *Credit Default Swaps: Notional Value Outstanding, 2002:H2 – 2008:H1\**



\*End of calendar half (H1 = June 30, H2 = December 31).

Source: International Swaps and Derivatives Association: <http://www.isda.org/statistics/recent.html>



# Underwriting Trends

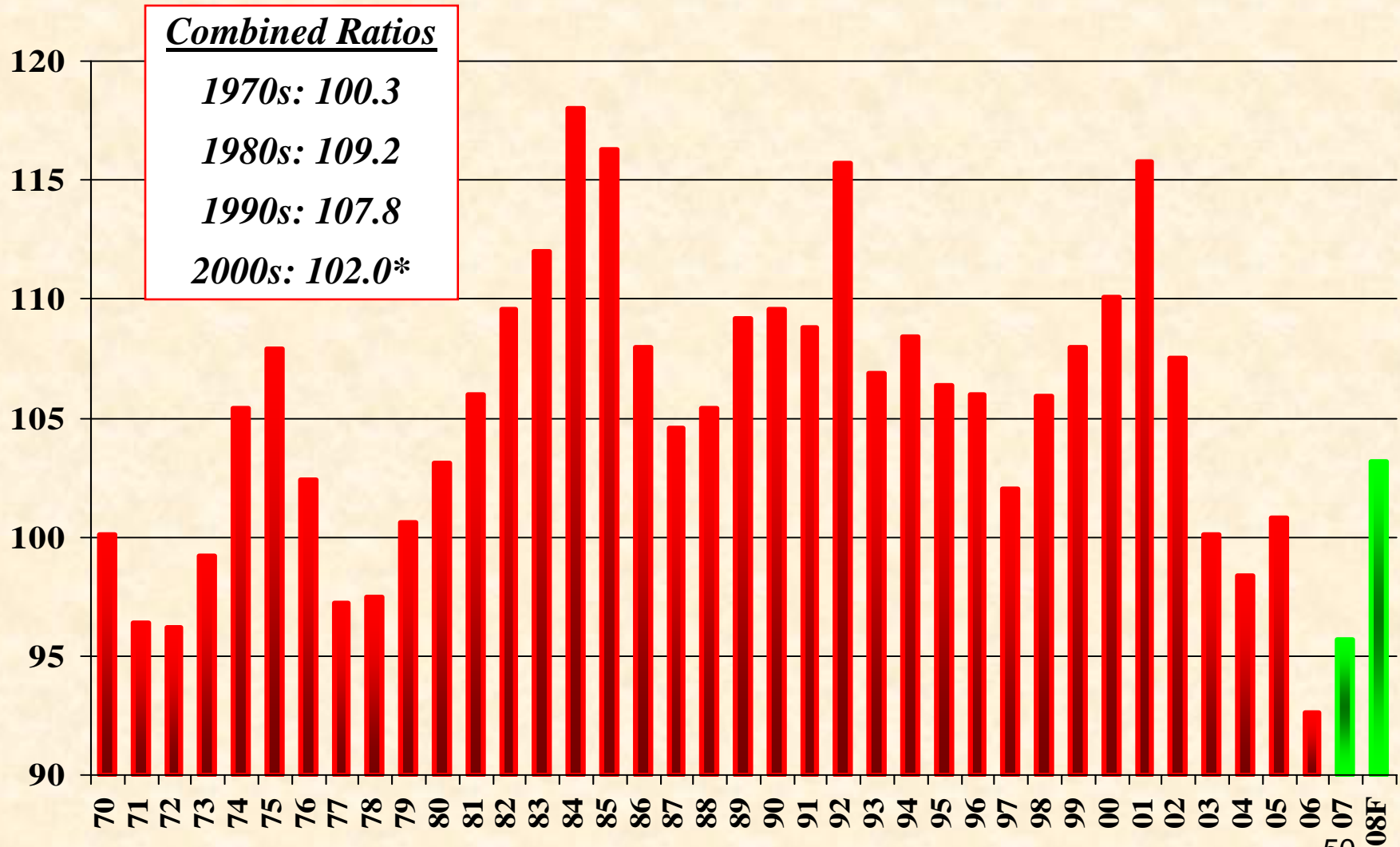
**Financial Crisis Does Not Directly  
Impact Underwriting  
Performance: Cycle, Catastrophes  
Were 2008's Drivers**







# *P/C Insurance Combined Ratio, 1970-2008F\**



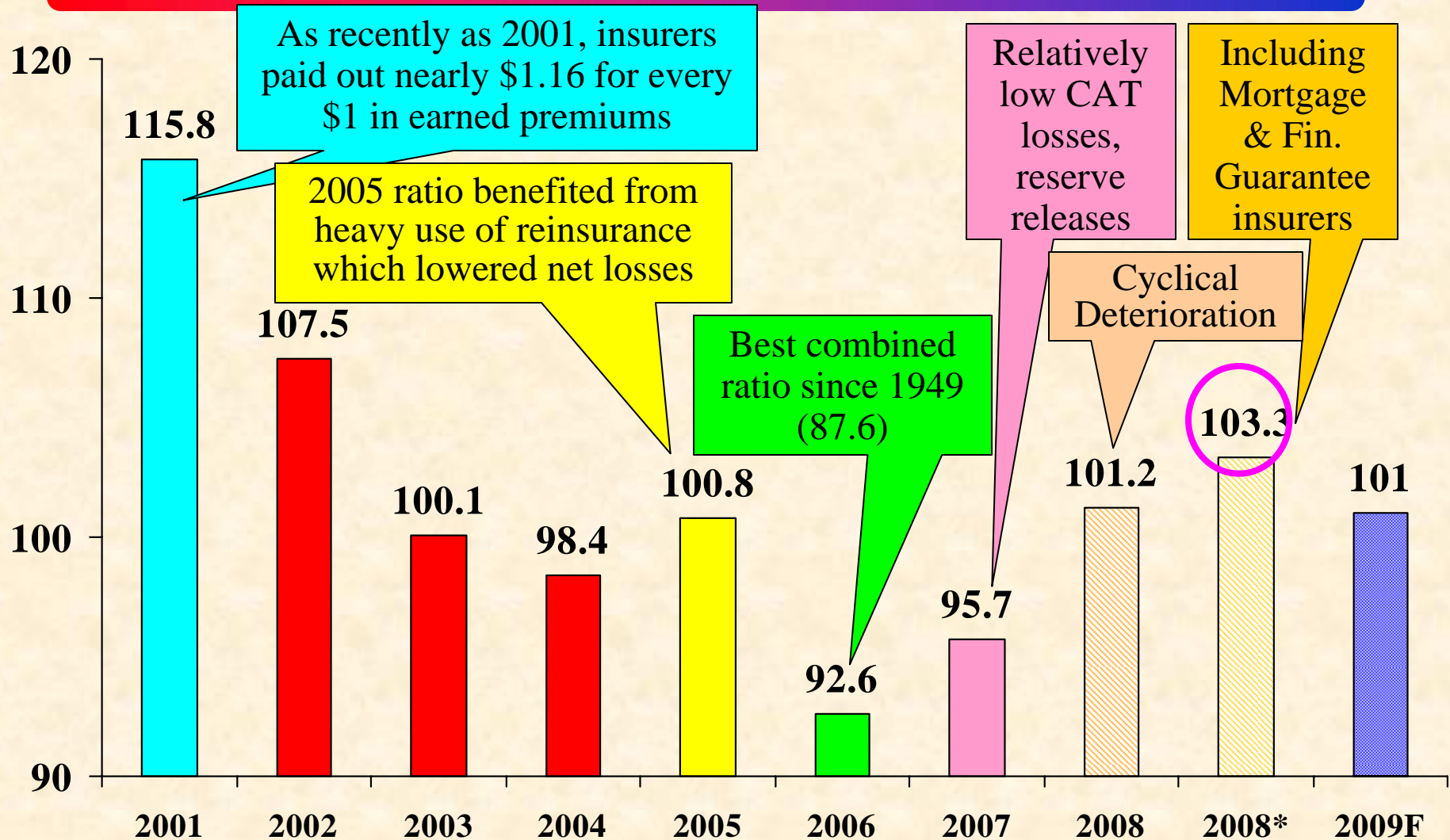
50

Sources: A.M. Best; ISO, III      \*A.M. Best year end estimate of 103.2; Actual 9-mos. result was 105.6.





# *P/C Insurance Industry Combined Ratio, 2001-2009E*



\*Includes Mortgage & Financial Guarantee insurers.

Sources: A.M. Best.

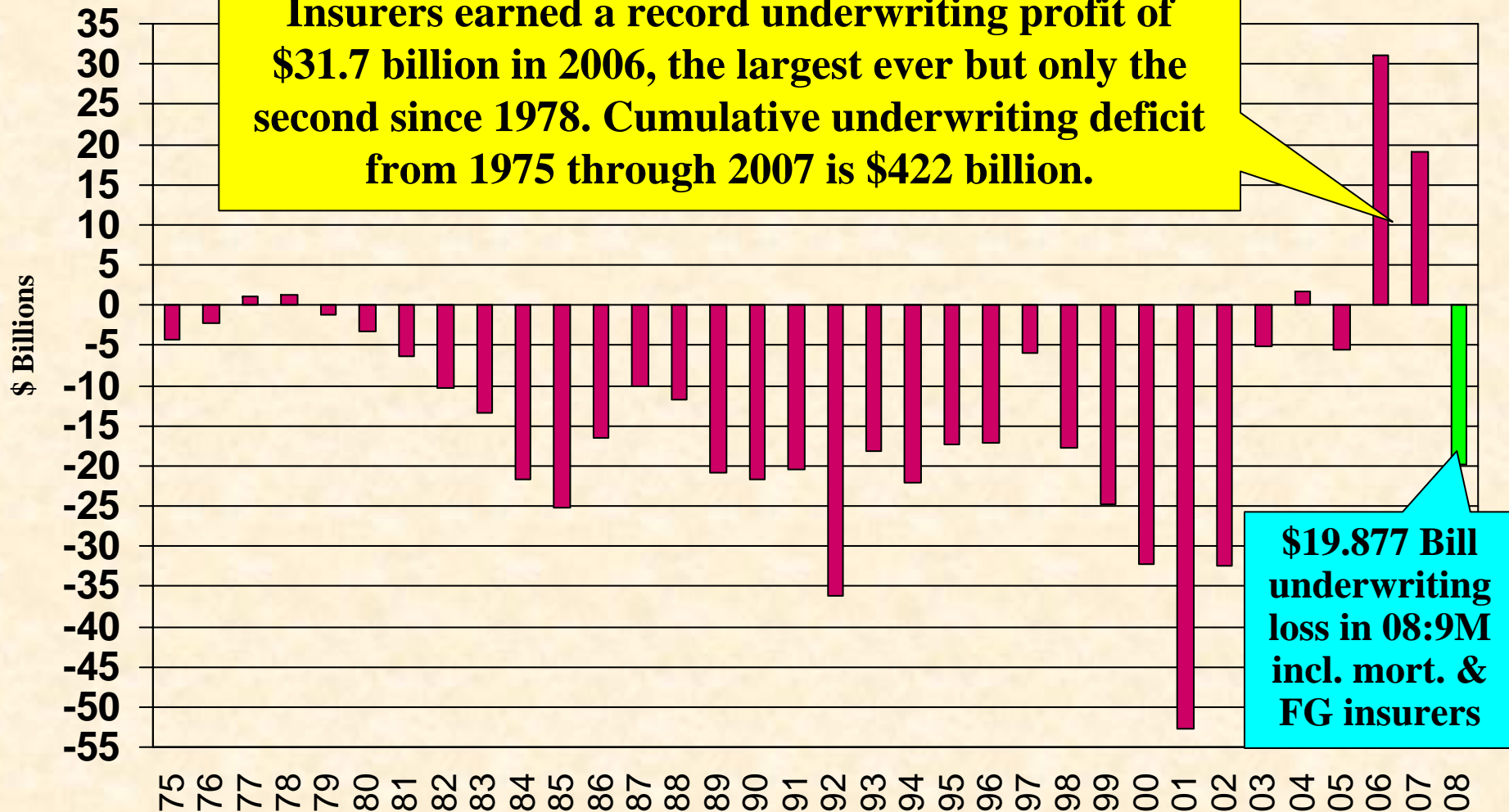




# *Underwriting Gain (Loss)*

## *1975-2008:Q3\**

**Insurers earned a record underwriting profit of \$31.7 billion in 2006, the largest ever but only the second since 1978. Cumulative underwriting deficit from 1975 through 2007 is \$422 billion.**



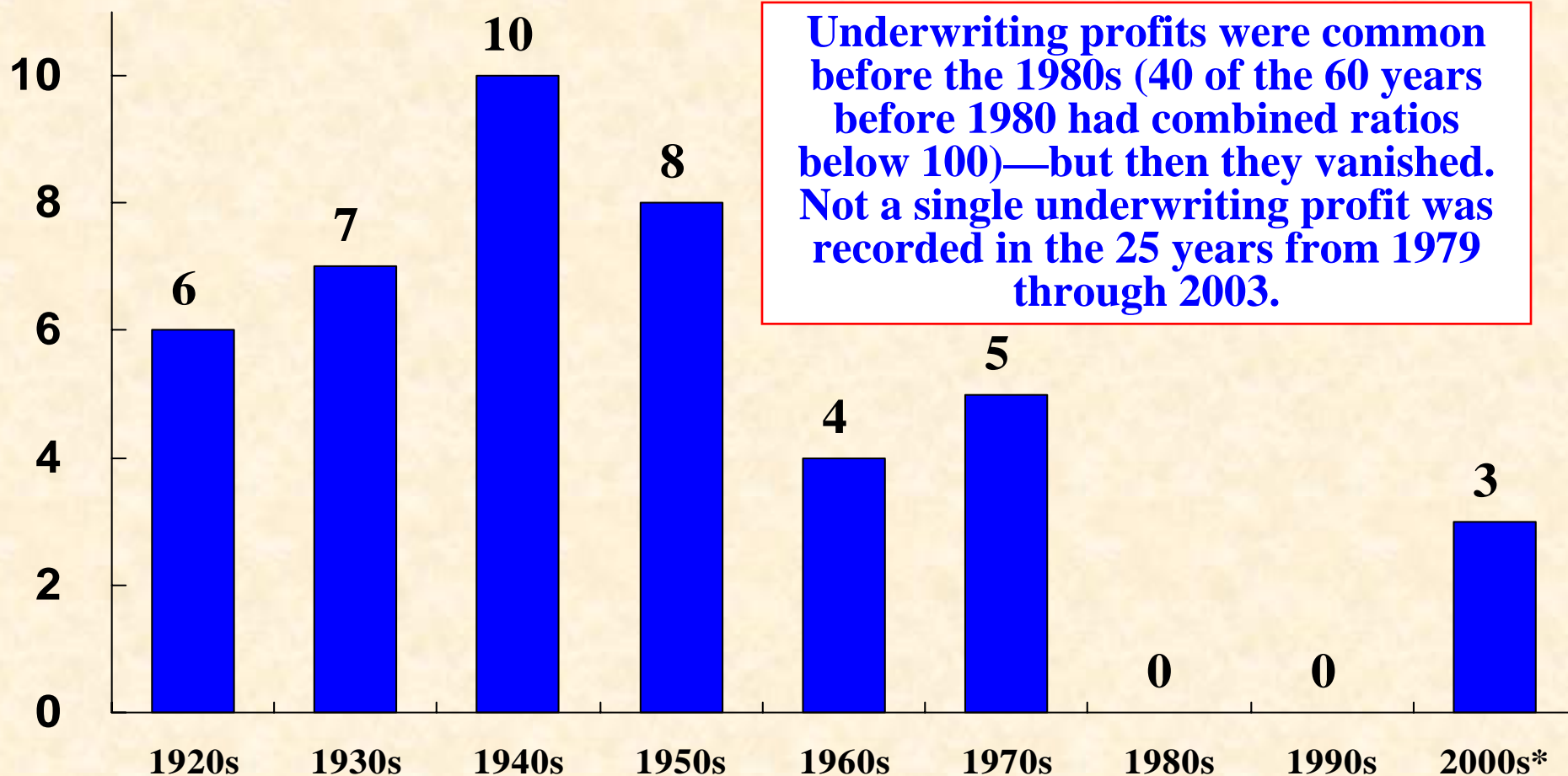
**\$19.877 Bill  
underwriting  
loss in 08:9M  
incl. mort. &  
FG insurers**





# *Number of Years With Underwriting Profits by Decade, 1920s – 2000s*

## Number of Years with Underwriting Profits



Underwriting profits were common before the 1980s (40 of the 60 years before 1980 had combined ratios below 100)—but then they vanished. Not a single underwriting profit was recorded in the 25 years from 1979 through 2003.

Note: Data for 1920 – 1934 based on stock companies only.

Sources: Insurance Information Institute research from A.M. Best Data.



# Personal Lines

**Auto (~75% of Market)**

**Home (~25%)**

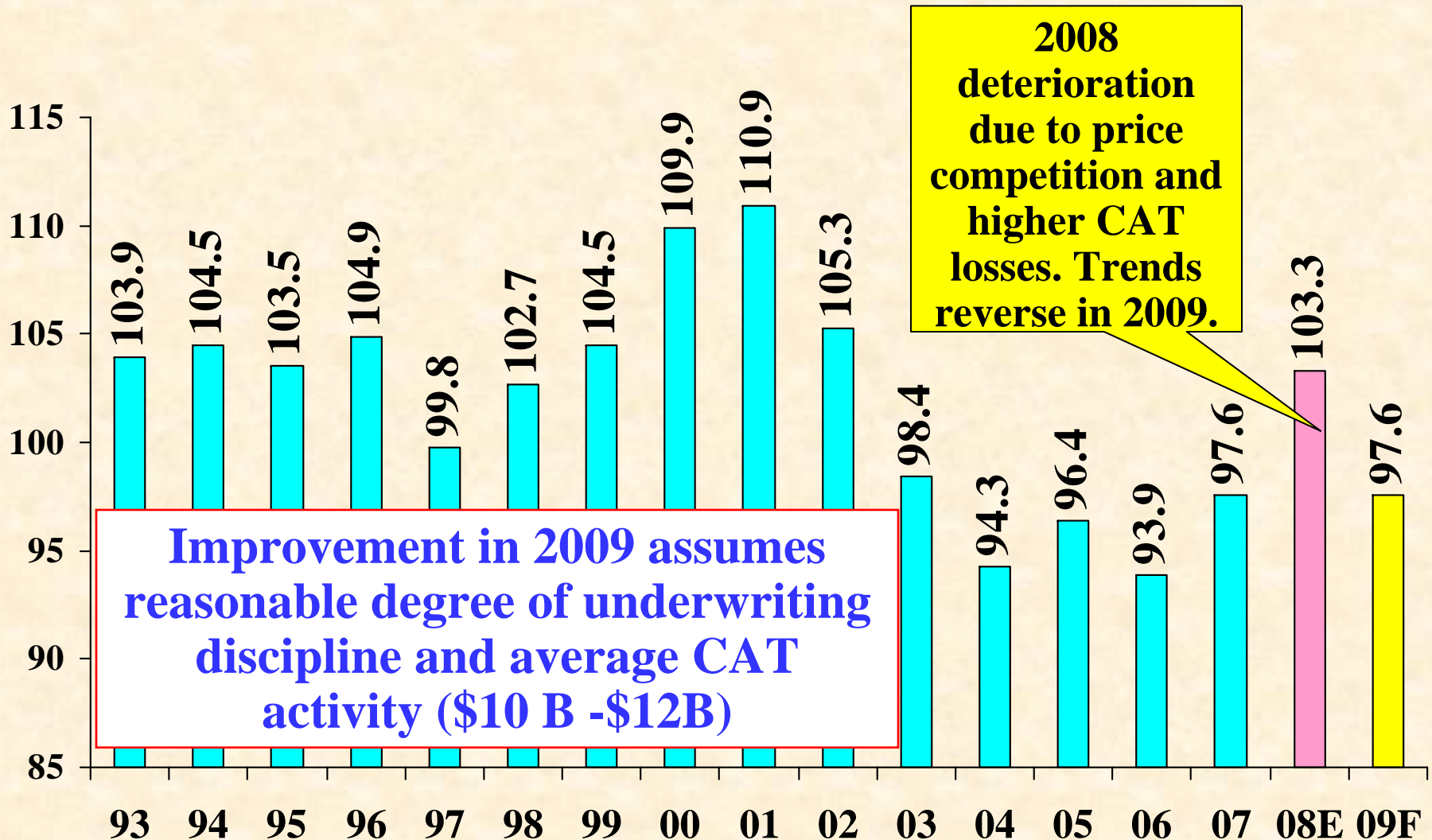






# *Personal Lines*

## *Combined Ratio, 1993-2009F*

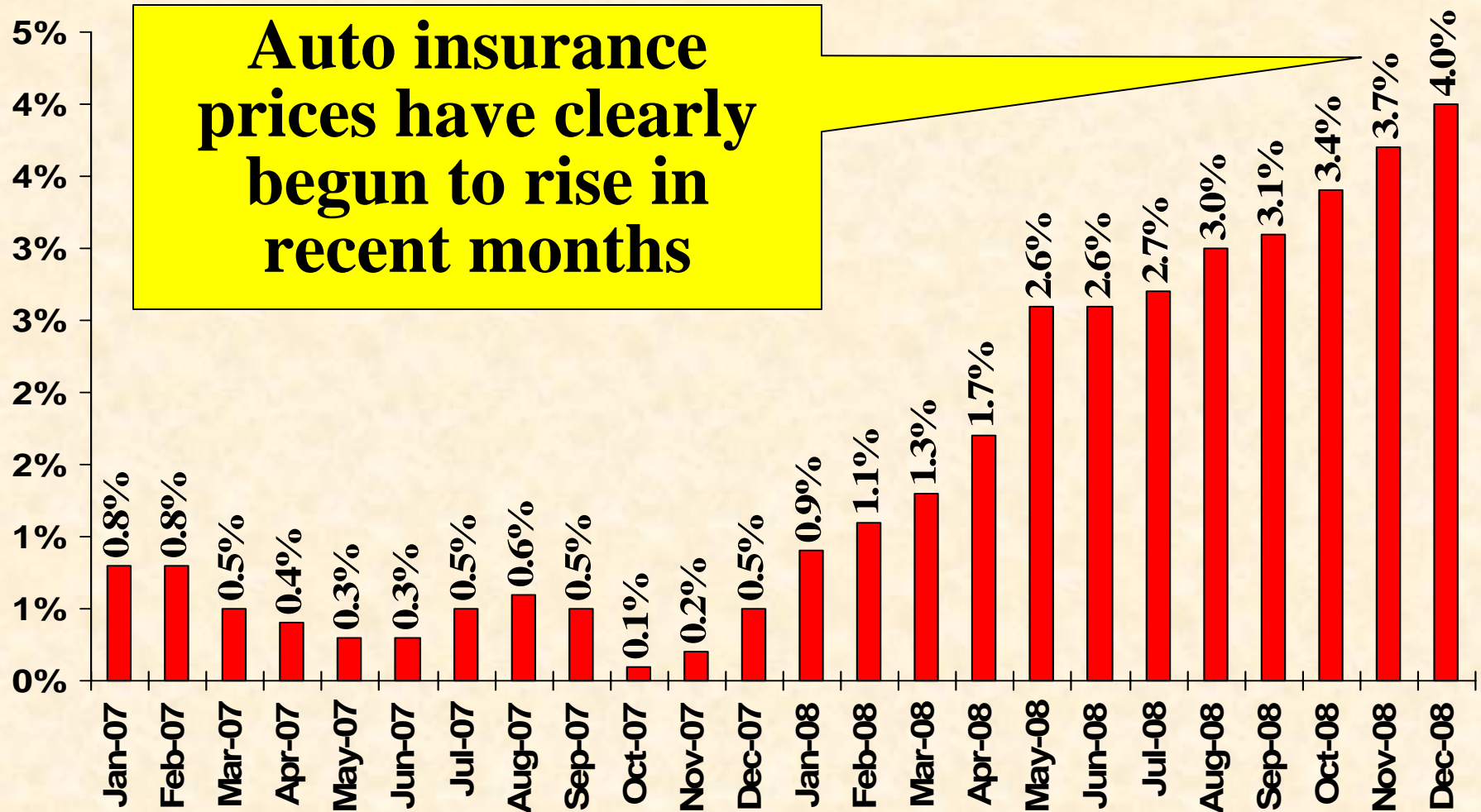


Source: A.M. Best (historical and forecast).





# *Monthly Change in Auto Insurance Prices\**



\*Percentage change from same month in prior year.

Source: US Bureau of Labor Statistics



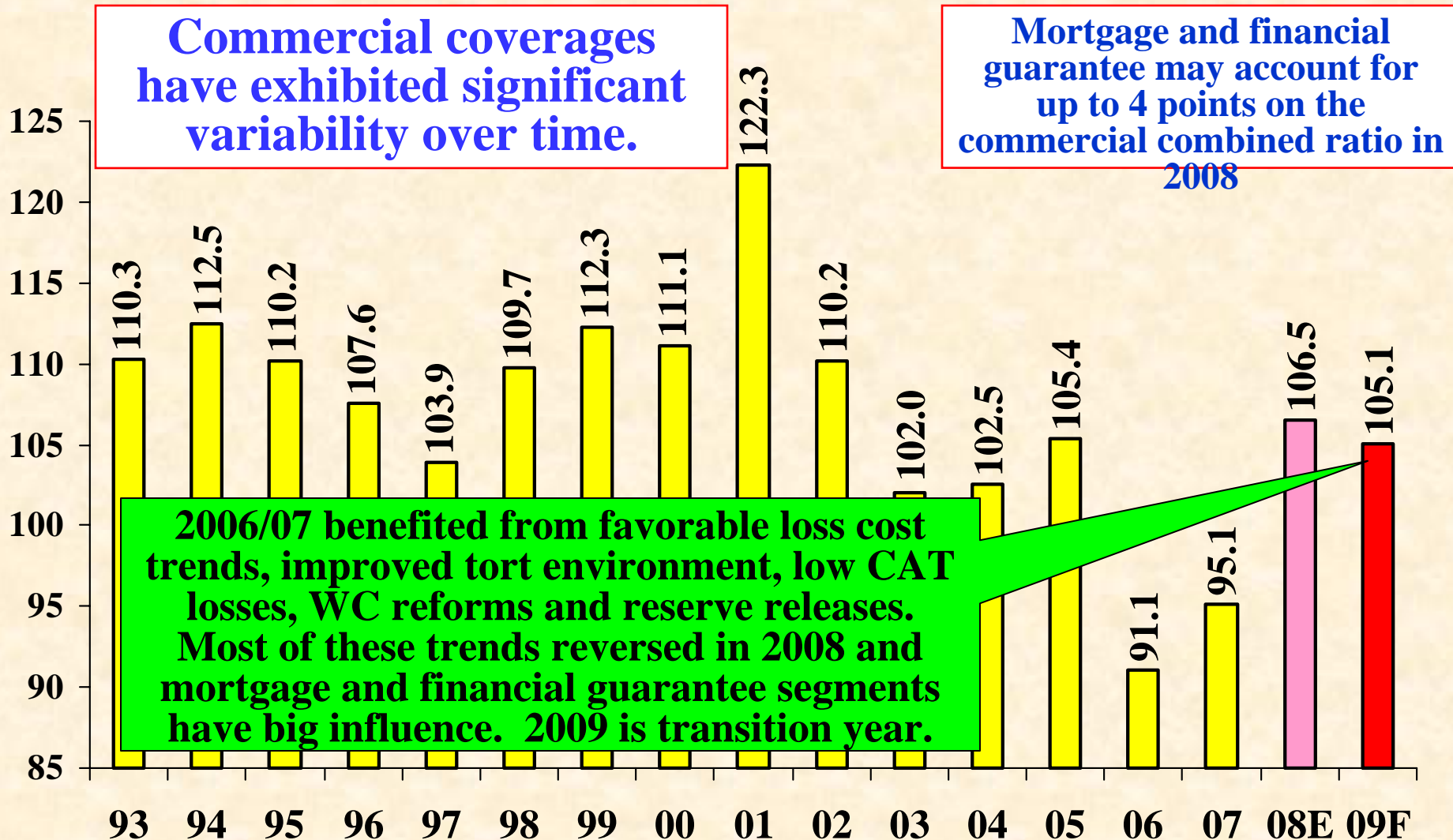
# Commercial Lines







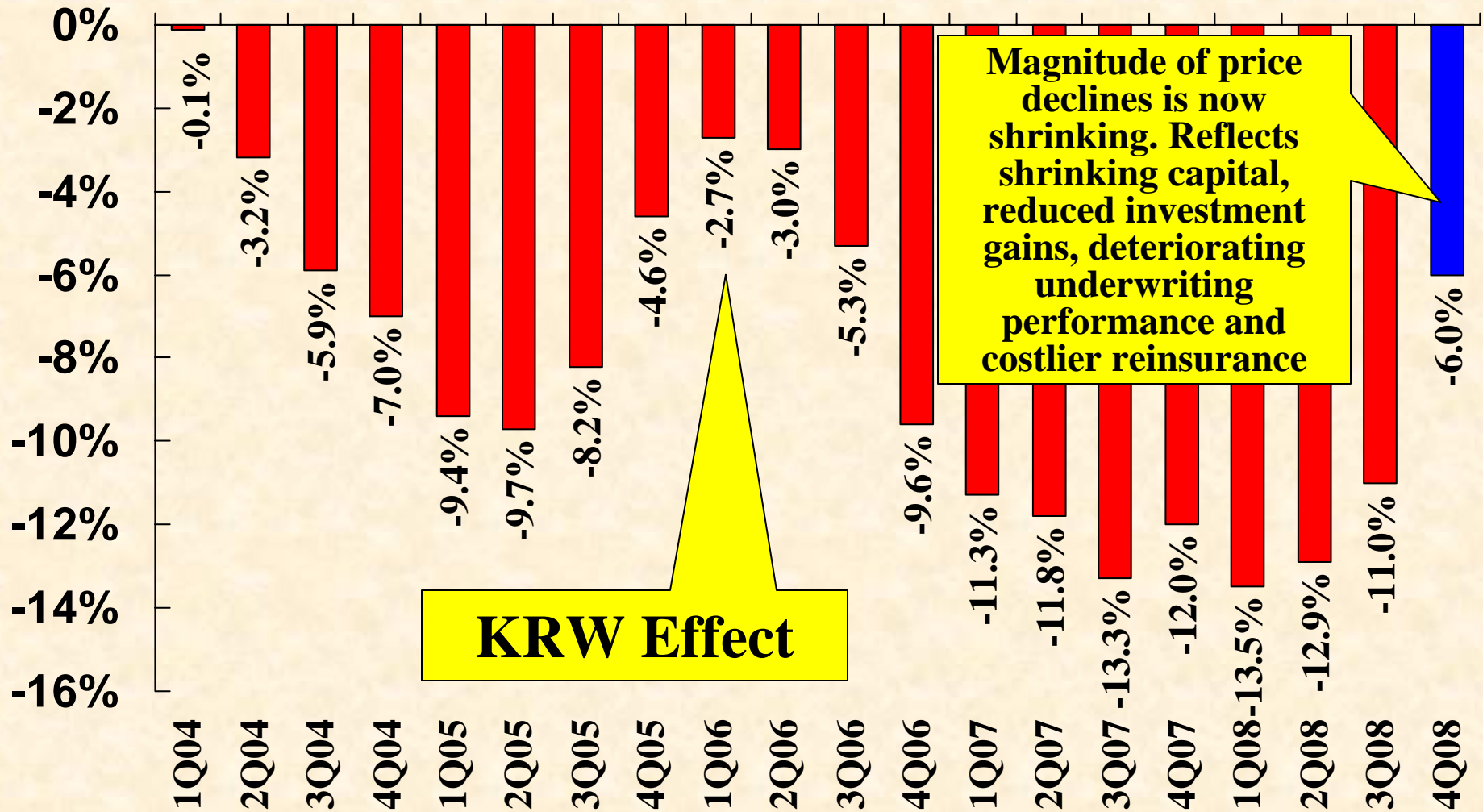
# *Commercial Lines Combined Ratio, 1993-2009F*







# Average Commercial Rate Change, All Lines, (1Q:2004 – 4Q:2008)

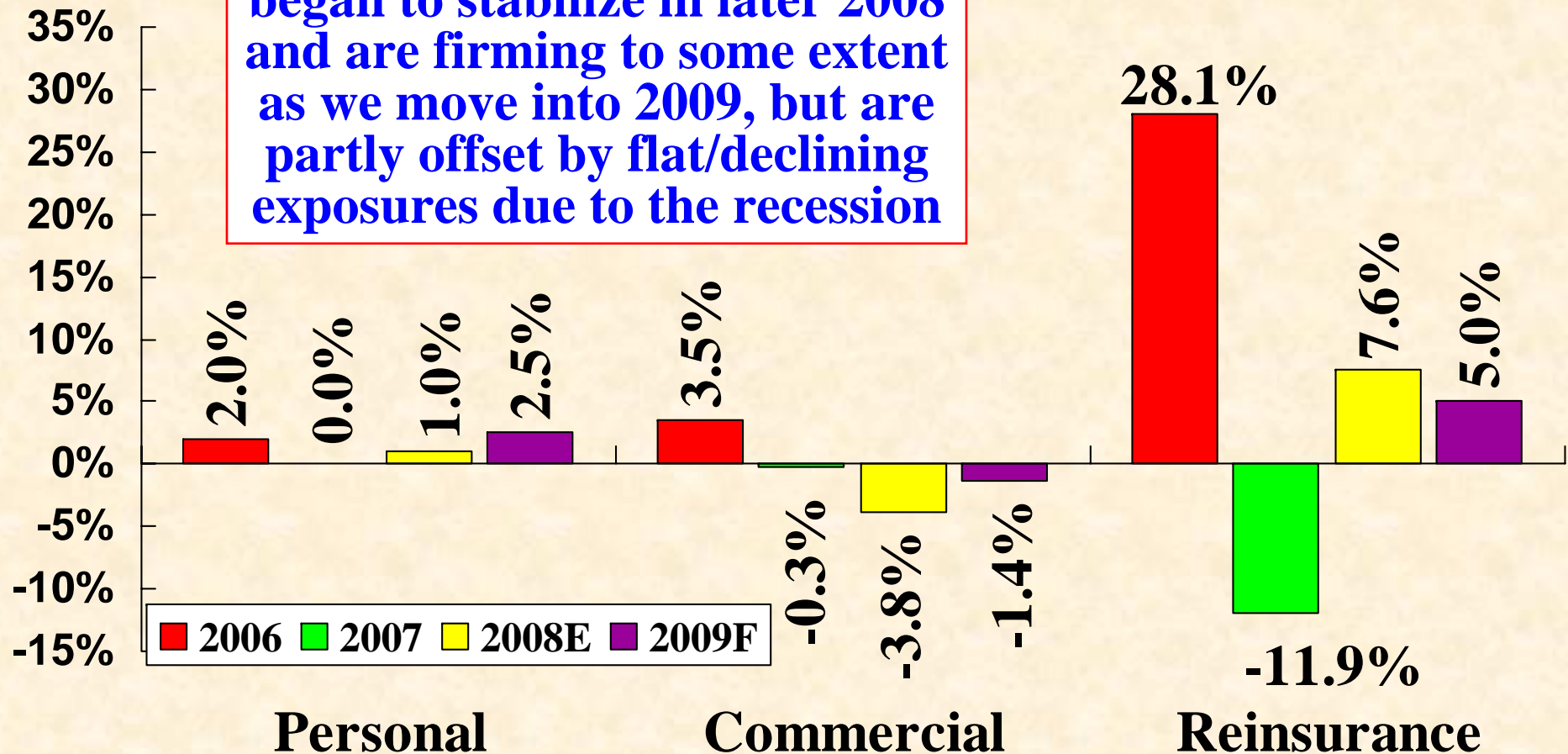






# *Personal/Commercial Lines & Reinsurance NPW Growth, 2006-2009F*

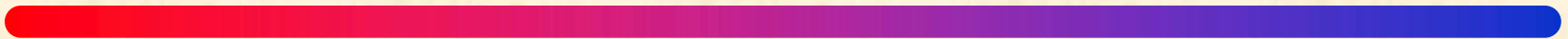
**Declines in premium growth began to stabilize in later 2008 and are firming to some extent as we move into 2009, but are partly offset by flat/declining exposures due to the recession**





# Advertising

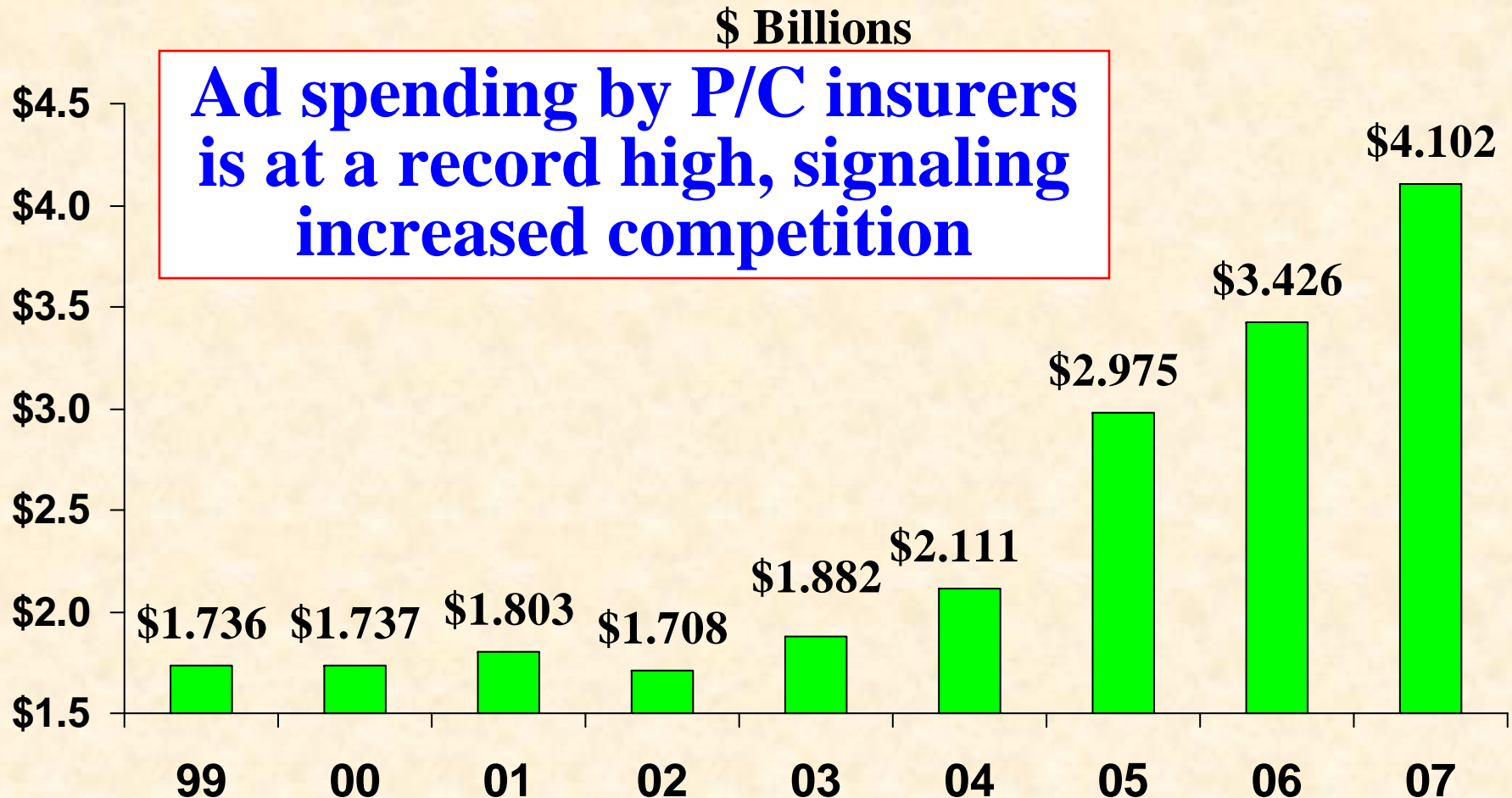
**Unlike in Post 9/11 Period,  
Insurer Advertising Likely to  
Remain Strong**







# *Advertising Expenditures by P/C Insurance Industry, 1999-2007*



Source: Insurance Information Institute from consolidated P/C Annual Statement data.





# *Why Advertising Will Likely Remain Strong?*

- **DIRECT MARKETERS: No Agents = Advertising**
  - Collectively, direct marketers have a larger market share
  - GEICO, 21<sup>st</sup> Century (formerly AIG Direct) and others are committed to the direct model
  - EA/IA companies sometimes have direct channels (some which bypass the agent, some which complement the agent)
- **PERFORMANCE: U/W Results Not that Bad**
  - Advertising is cut back when line is performing poorly from an underwriting perspective; Not generally the case today.
- **SLOW GROWTH: Hope to Stimulate Demand**
- **INTERNET: Advertising Must Include New Media**
  - Will appear more ubiquitous even if ad spend flat
- **REBRANDING: Some Insurers Recasting Themselves**
  - Want to emphasize affordability in down economy



# Catastrophe Losses

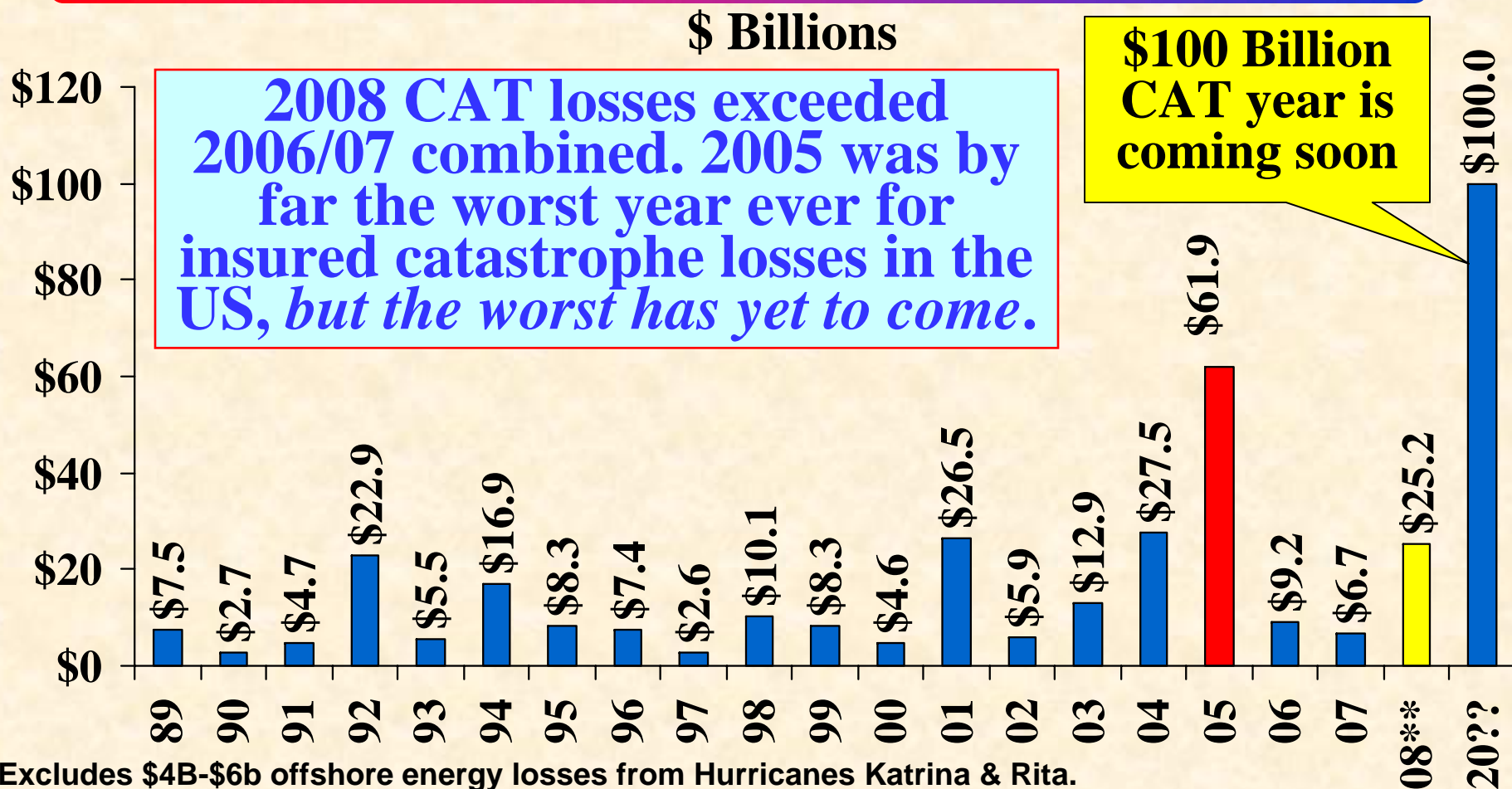
**Impacting Underwriting  
Results and the Bottom Line**







# U.S. Insured Catastrophe Losses\*



\*Excludes \$4B-\$6b offshore energy losses from Hurricanes Katrina & Rita.

\*\*Based on PCS data through Dec. 31. PCS \$2.1B loss of for Gustav. \$10.655B for Ike of 12/05/08.

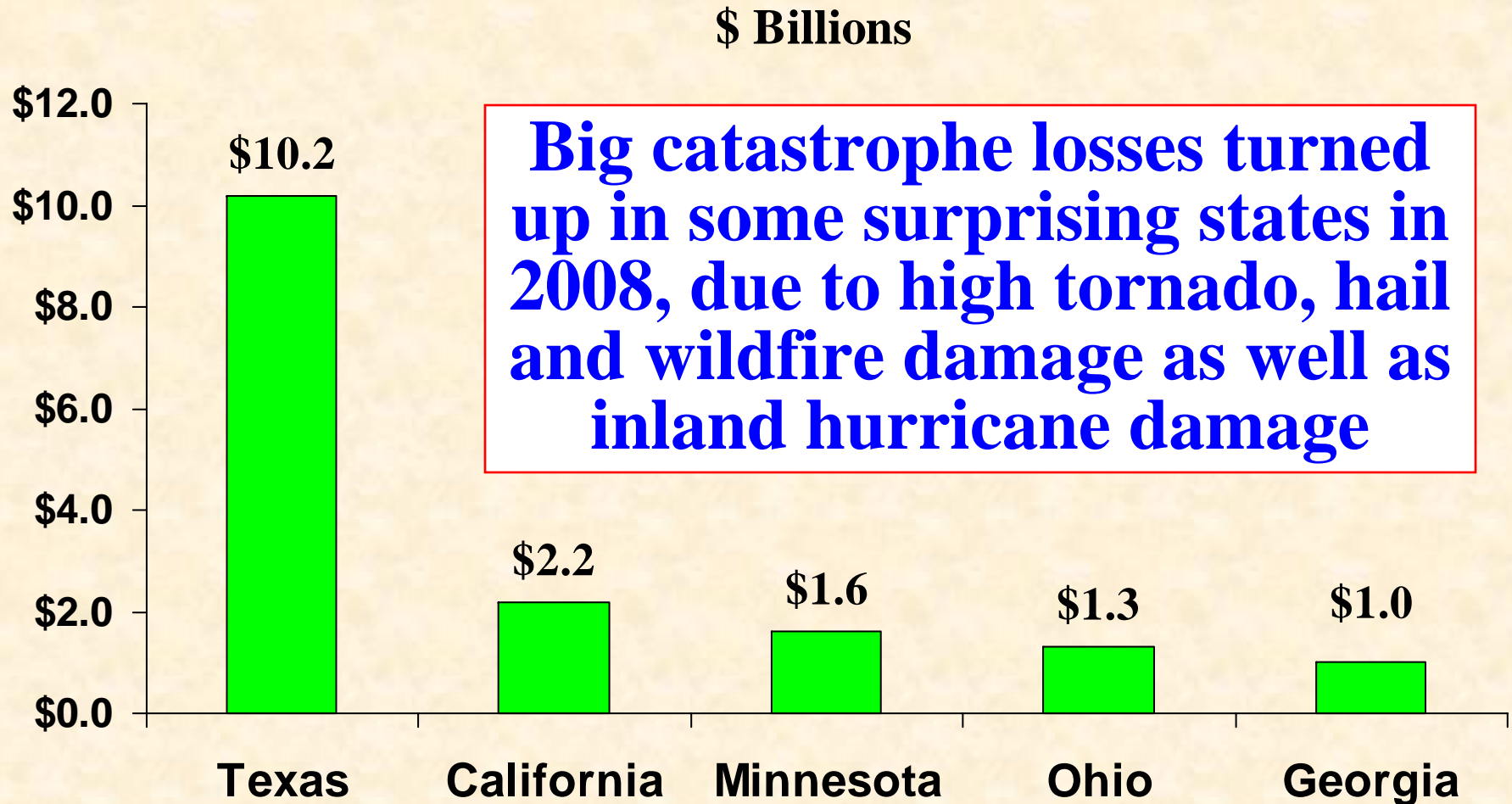
**Note:** 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01. Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B. 65

Source: Property Claims Service/ISO; Insurance Information Institute





# *States With Highest Insured Catastrophe Losses in 2008*







# *Top 12 Most Costly Disasters in US History, (Insured Losses, \$2007)*



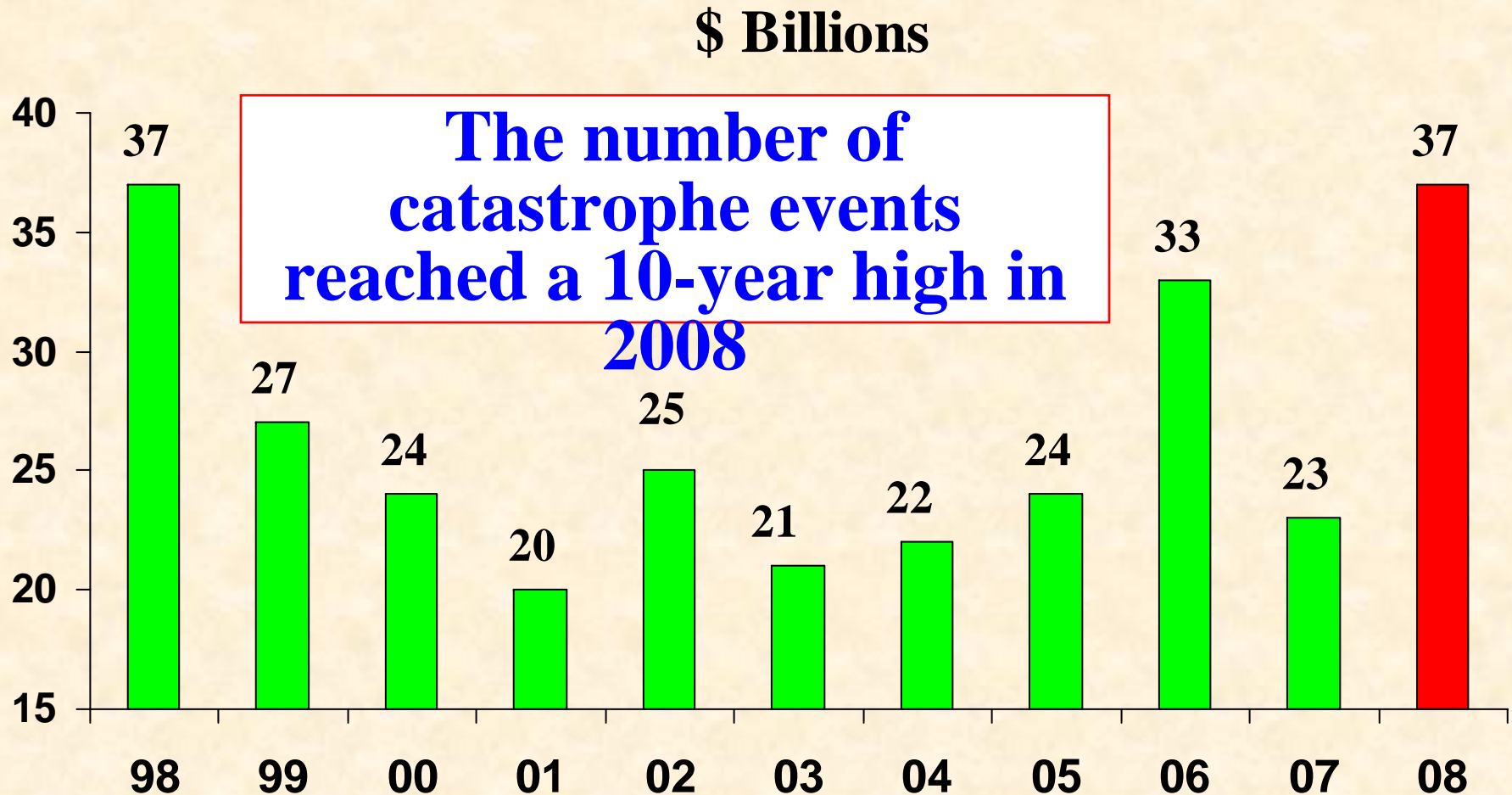
\*PCS estimate as of 12/15/08.

Sources: ISO/PCS; AIR Worldwide, RMS, Egecat; Insurance Information Institute inflation adjustments.





# *Number of PCS Catastrophe Events, 1998-2008\**



\*PCS defines a catastrophe as an even that caused at least \$25 million in insured property damage and affects and significant number of policyholders and insurers.

Source: PCS; Insurance Information Institute



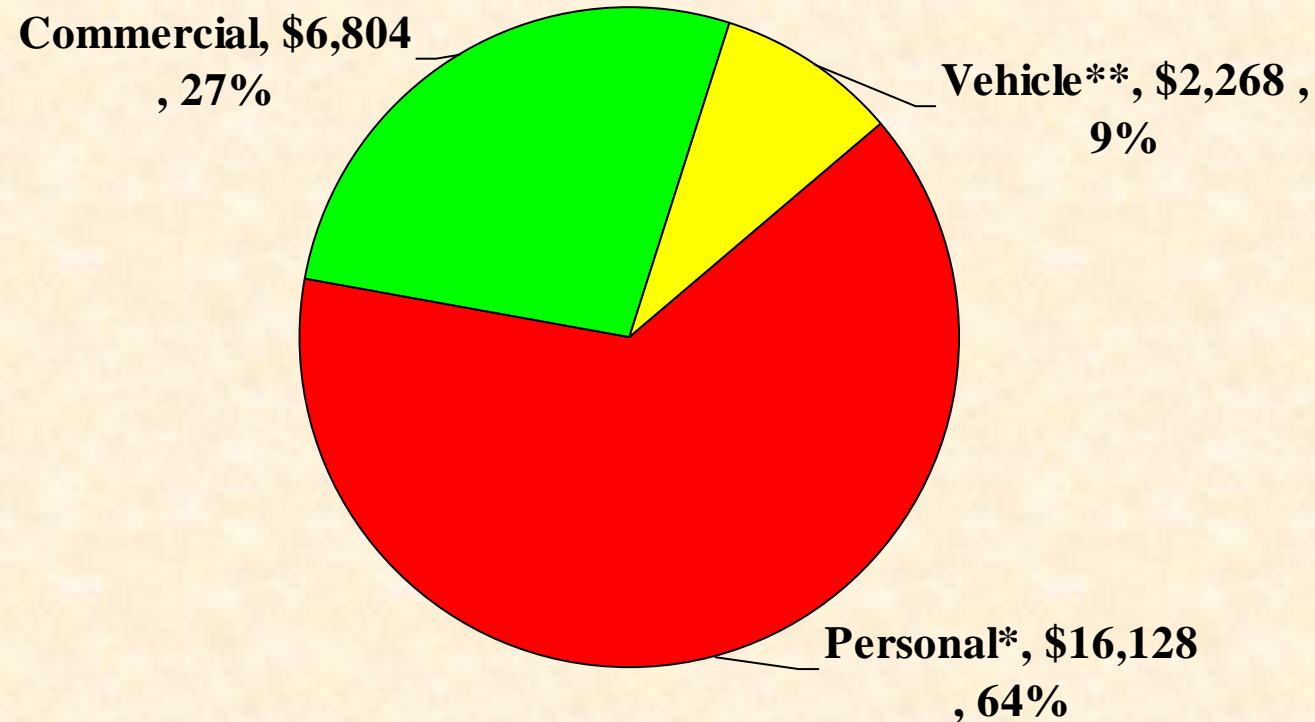


# *2008 Insured Catastrophe Loss Distribution by Category*

**\$ Millions**

## 2008 CAT FACTS

- The \$25.2 billion in insured losses was the 4<sup>th</sup> highest ever, behind only, 2005, 2004 and 2001
- There were 37 designated catastrophes in 2008, the highest since 1998 (also 37)
- Commercial losses accounted for 27% of insured losses but just 9% of claims



\*Includes homeowners, condominium and rental policies.

\*\*Includes commercial and private passenger vehicles

Source: PCS; Insurance Information Institute research.



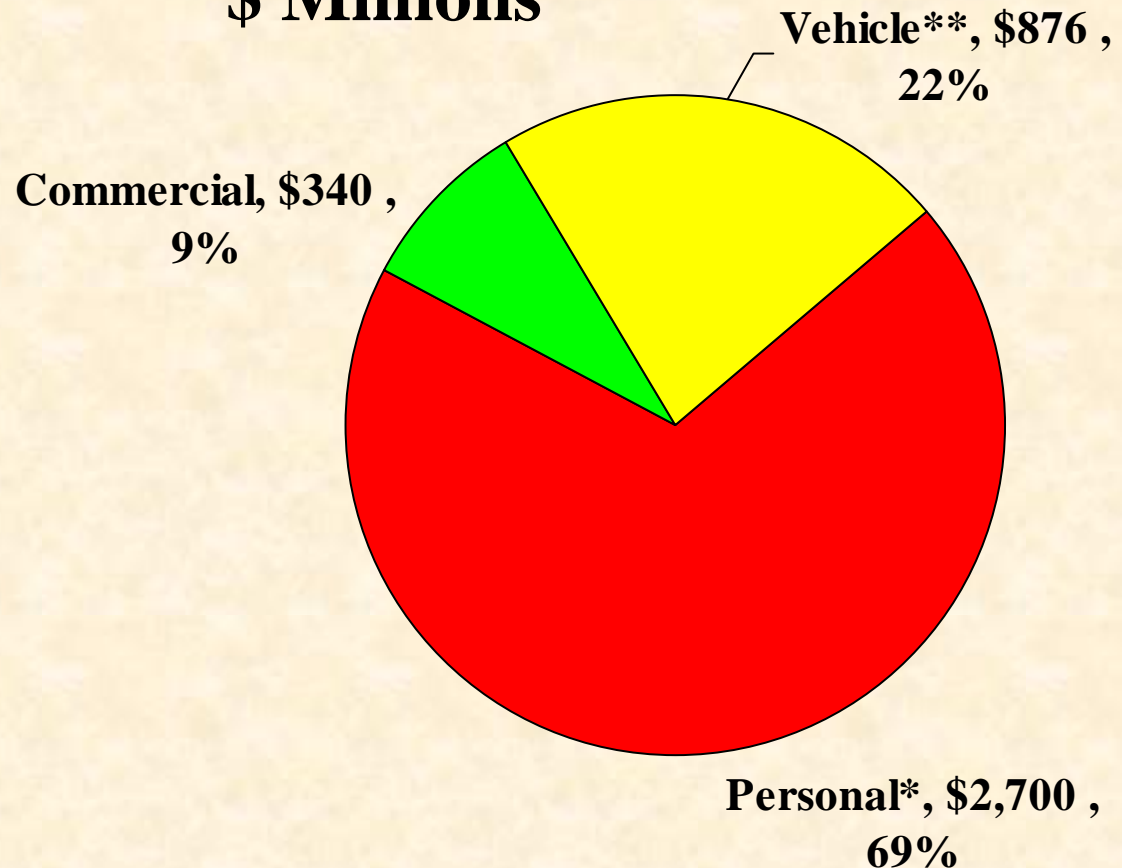


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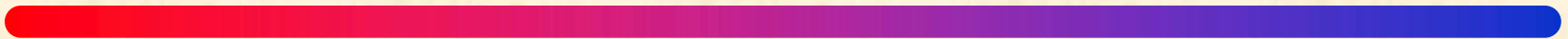
\*\*Includes commercial and private passenger vehicles

Source: PCS; Insurance Information Institute research.



# Capital/ Policyholder Surplus

Shrinkage, but  
Capital is Within  
Historic Norms





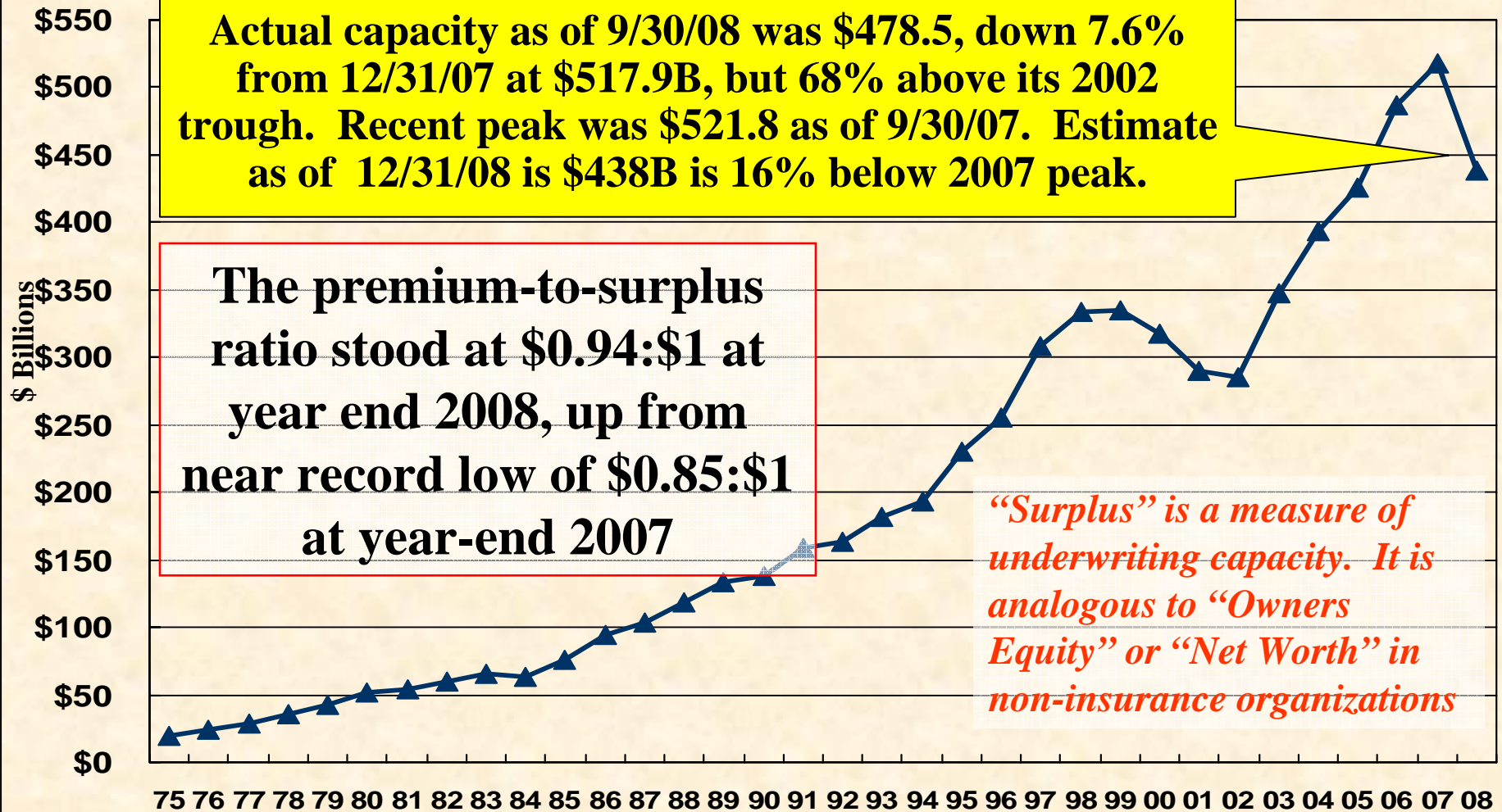


# *U.S. Policyholder Surplus: 1975-2008\**

**Actual capacity as of 9/30/08 was \$478.5, down 7.6% from 12/31/07 at \$517.9B, but 68% above its 2002 trough. Recent peak was \$521.8 as of 9/30/07. Estimate as of 12/31/08 is \$438B is 16% below 2007 peak.**

**The premium-to-surplus ratio stood at \$0.94:\$1 at year end 2008, up from near record low of \$0.85:\$1 at year-end 2007**

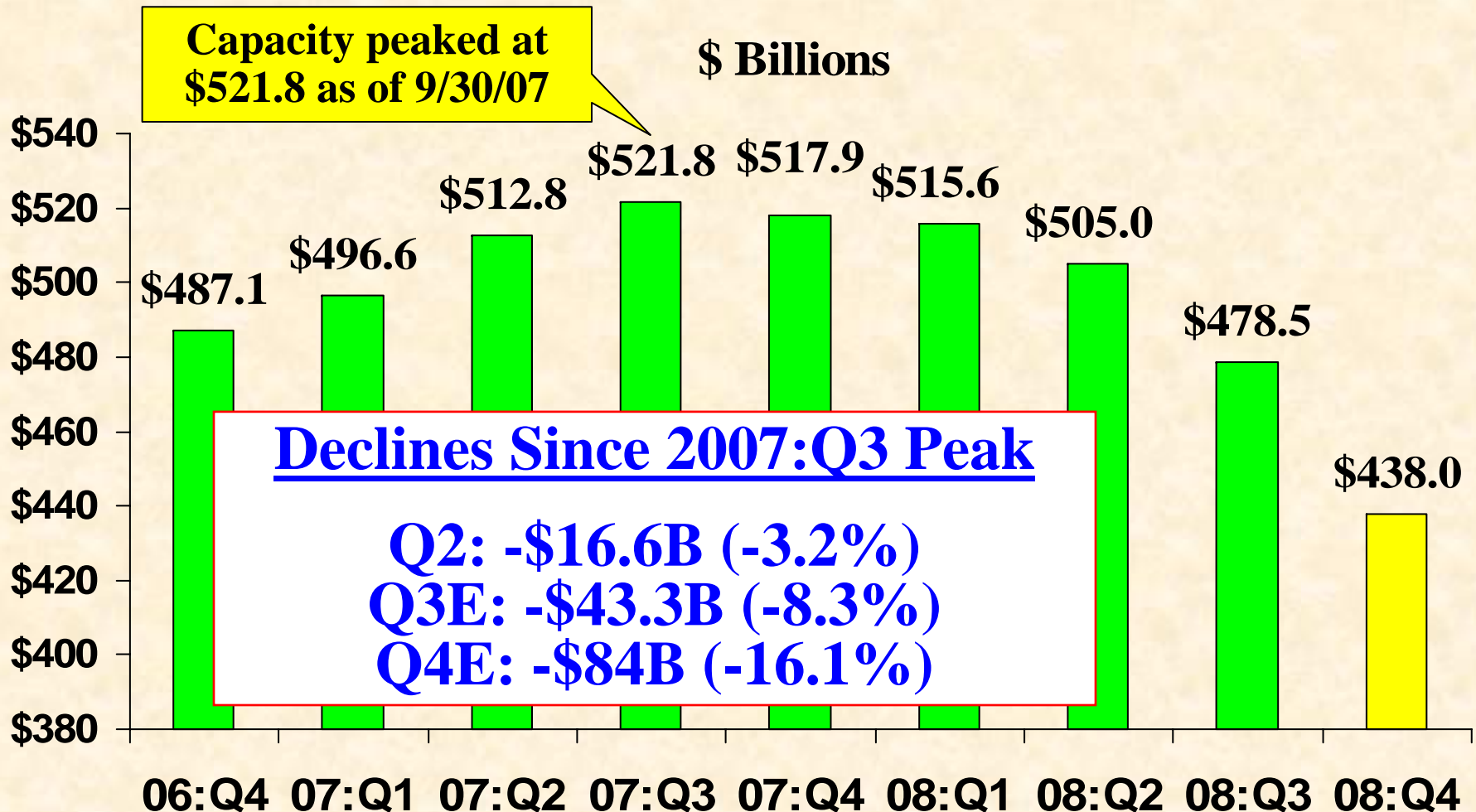
*“Surplus” is a measure of underwriting capacity. It is analogous to “Owners Equity” or “Net Worth” in non-insurance organizations*







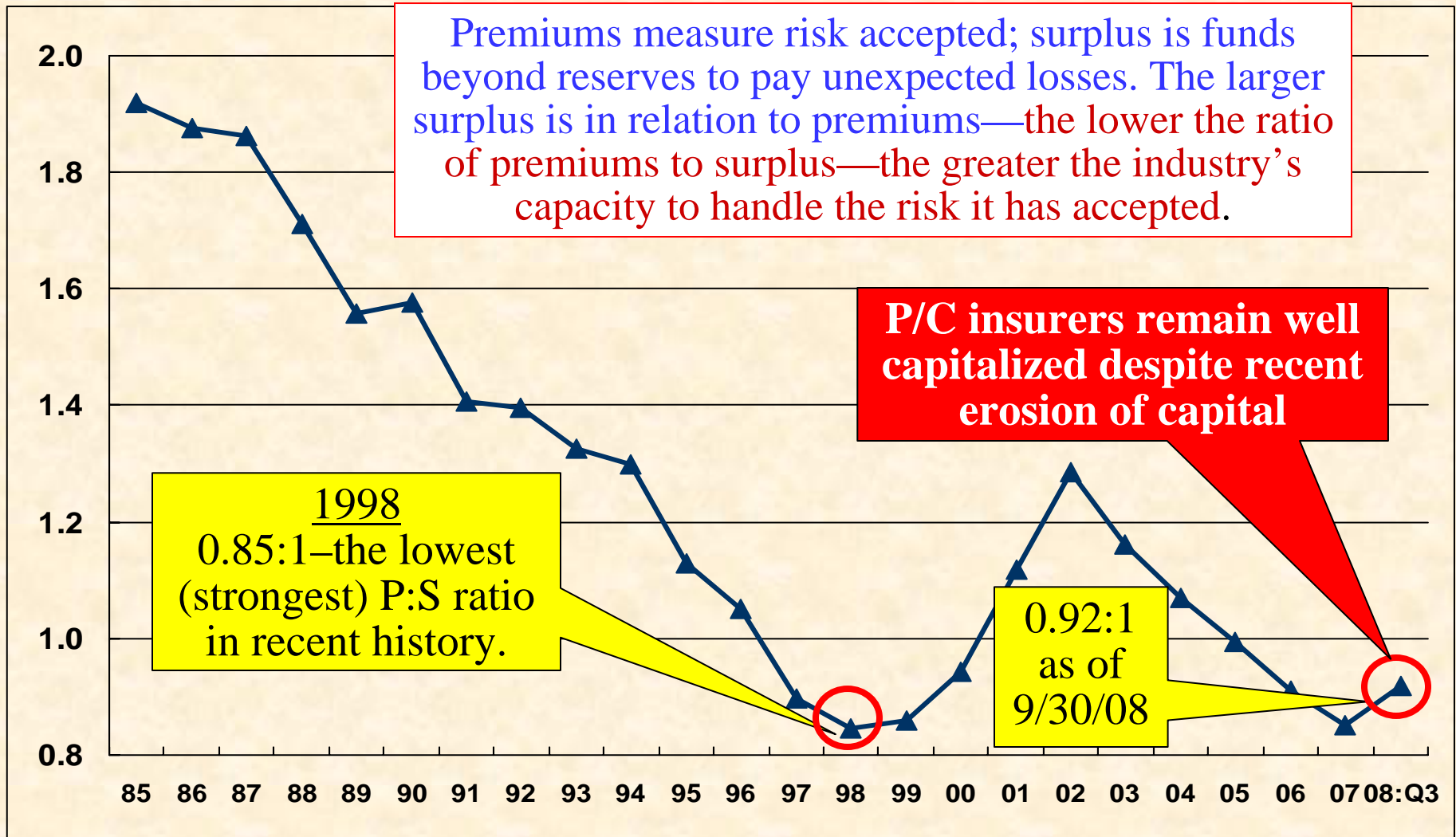
# *Policyholder Surplus, 2006:Q4 – 2008:Q4(Est.)*







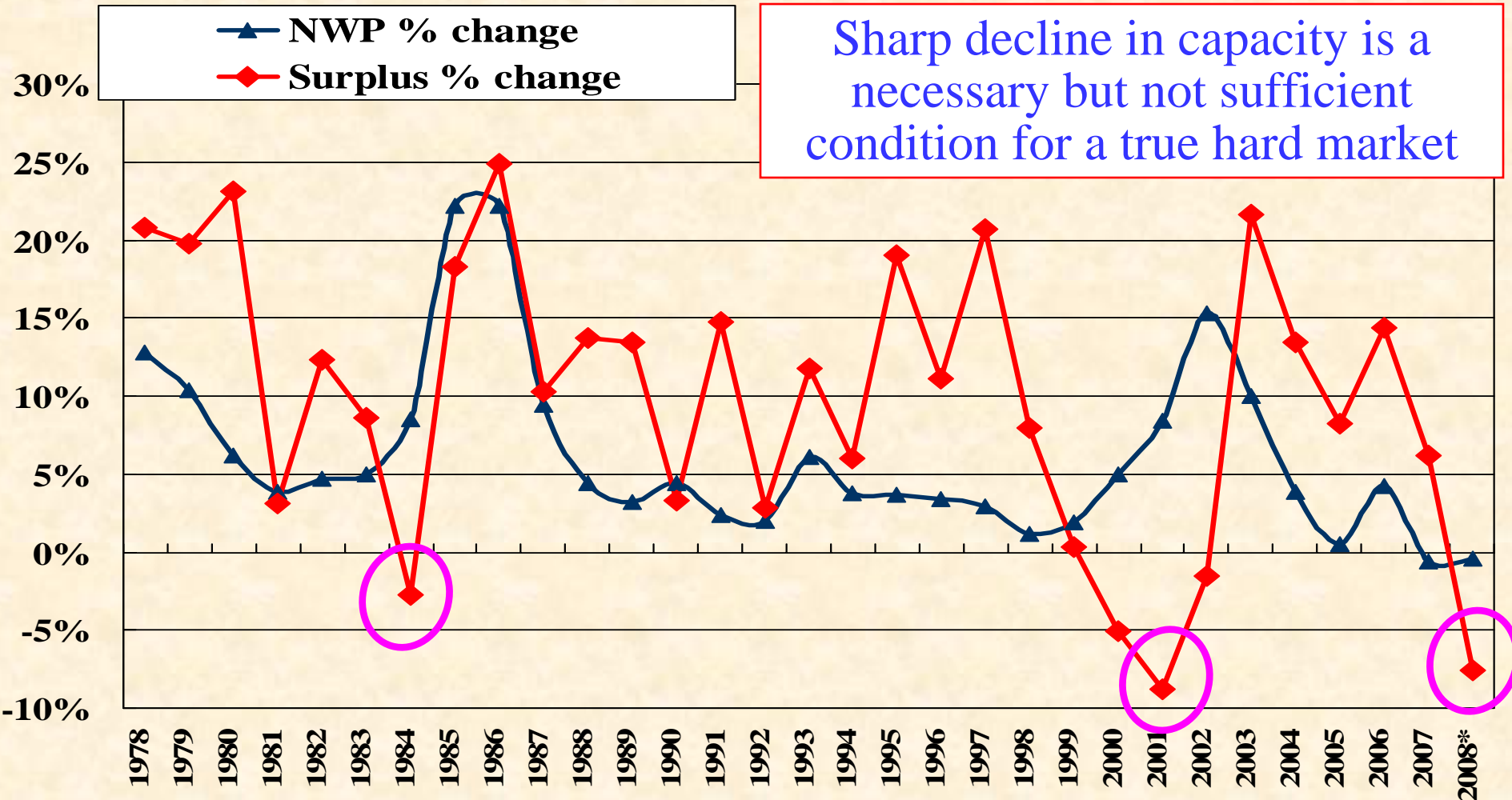
# *U.S. P/C Industry Premiums-to-Surplus Ratio: 1985-2008:Q3*







# *Historically, Hard Markets Follow When Surplus “Growth” is Negative*



\*Actual 9-month 2008 result.

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



# P/C Premium Growth

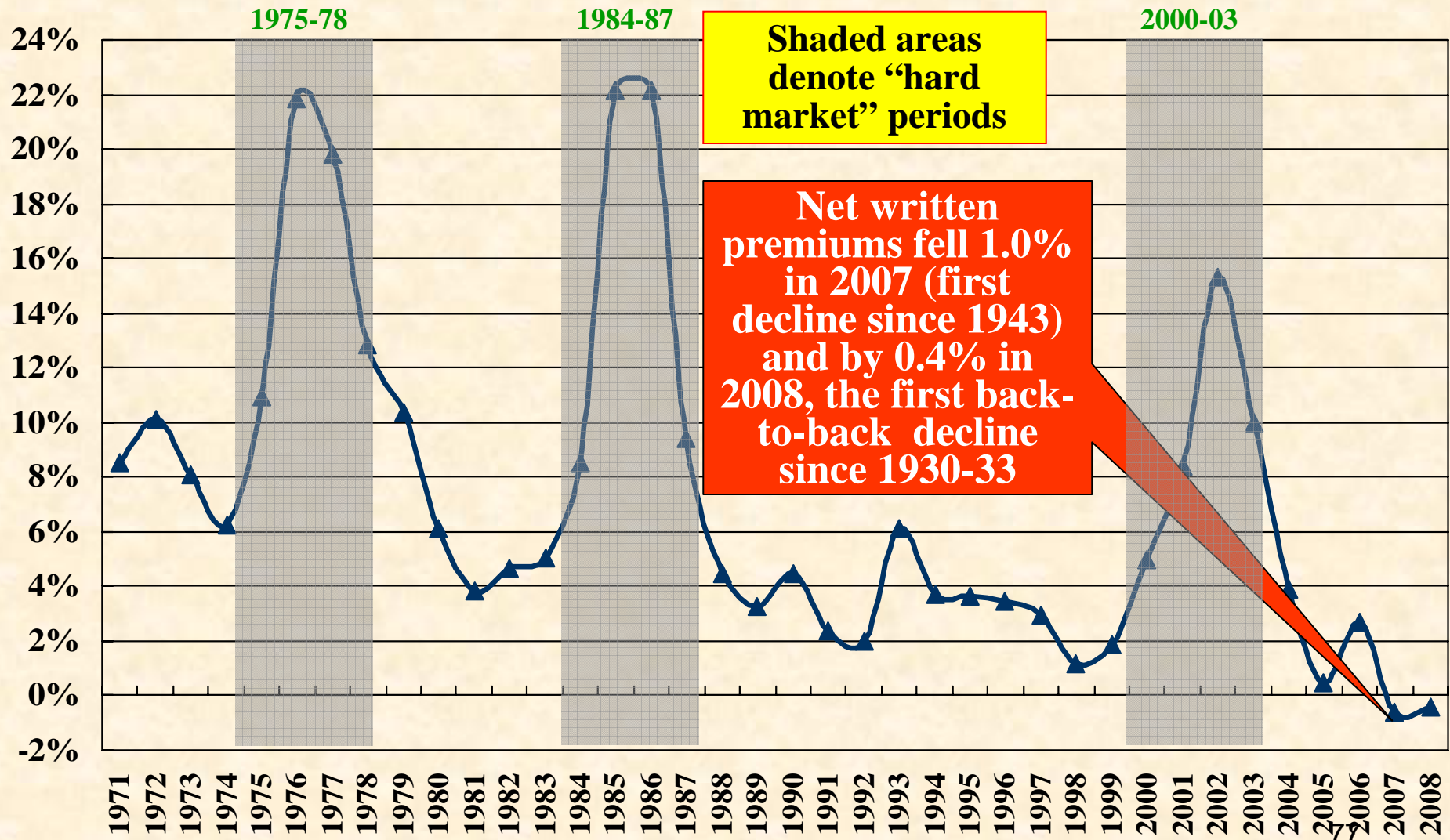
**Primarily Driven by the  
Industry's Underwriting  
Cycle, Not the Economy**







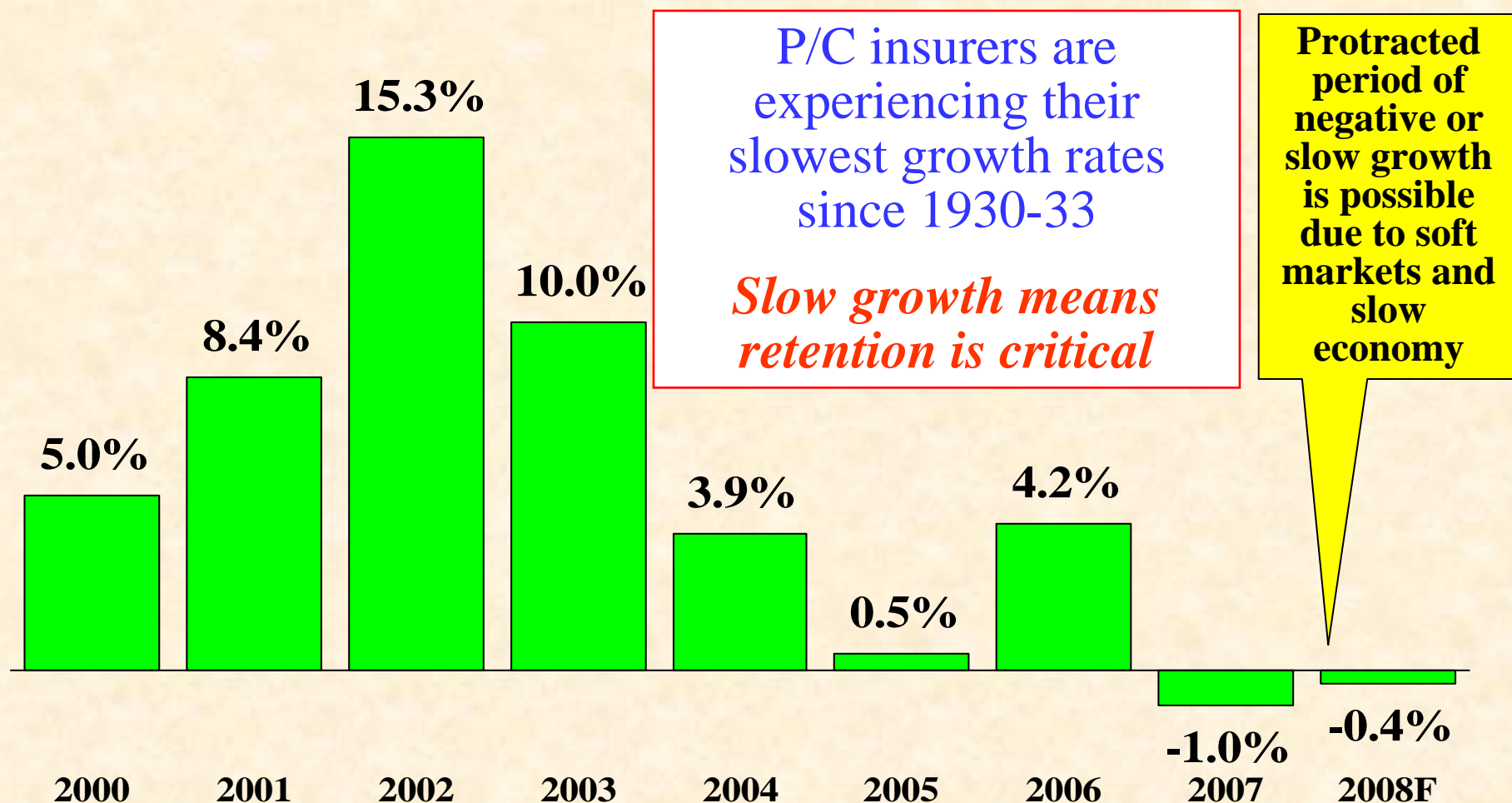
# *Strength of Recent Hard Markets by NWP Growth*







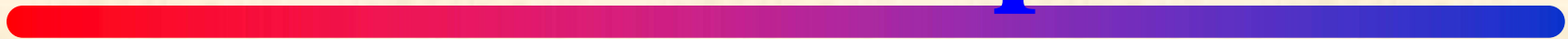
# *Year-to-Year Change in Net Written Premium, 2000-2008E\**





# **AFTERSHOCK: Regulatory Response Could Be Harsh**

**All Financial Segments  
Including Insurers  
Will Be Impacted**







# *Post-Crunch: Fundamental*

## *Issues To Be Examined Globally*

- **Failure of Risk Management, Control & Supervision at Financial Institutions Worldwide: Global Impact**
  - Colossal failure of risk management (and regulation)
  - Counterparty risk and collateral management were systemic failure points
  - Implications for Enterprise Risk Management (ERM)?
  - Misalignment of management financial incentives
- **Focus Will Be on Risk Controls: Implies More Stringent Capital & Liquidity Requirements; *Prevention of Systemic Risks***
  - Data reporting requirements also likely to be expanded
  - Non-Depository Financial Institutions in for major regulation
  - Changes likely under US and European regulatory regimes
  - Will new regulations be globally consistent?
  - Can overreactions be avoided?
- **Accounting Rule Changes??**
  - Problems arose under FAS, IAS
  - Asset Valuation, including Mark-to-Market
  - Structured Finance & Complex Derivatives
- **Ratings on Financial Instruments**
  - New approaches to reflect type of asset, nature of risk





# *CFO Turnover Rate: The Fall Guy in Risk Management Failures*



\*2008 figure based on data for first 7 months of 2008.

Source: Crist|Kolder Associates from “Corporate Financial Chiefs Face New Pressures,” *WSJ*, 12/1/08, p. B5; I.I.I.





# *Emerging Blueprint for Financial Services Regulatory Overhaul*

## **Phase I: Systemic Risk Regulation/Regulator**

- Identification of systemic risk points in the financial system
- Design of appropriate regulation to prevent future collapses
- Will require international consultation (US can't manage systemic risk alone)
- **Oversight Responsibility: Likely With Federal Reserve**
  - Fed would have capacity and power to assess risk across financial markets regardless of corporate form and to intervene when appropriate \*
  - Fed could oversee (according to House FS Committee Chairman Barney Frank:
    - Hedge funds (need to ensure “complete transparency”)
    - Credit ratings agencies
    - Executive compensation (to curb “perverse risk incentives”)
  - **TIMELINE:** Frank wants “general outline” by April 2 meeting of G20 industrialized and developing nations

\*<http://financialservices.house.gov/press110/press0320082.shtml>





# *Emerging Blueprint for Financial Services Regulatory Overhaul (cont'd)*

## **Phase I: Systemic Risk Regulation/Regulator: OTHER (cont'd)**

- **Unification of federal bank regulatory agencies**
- **Creation of a Financial Products Safety Commission to vet products before sold to investors**
- **Creation of federal insurance program for muni bonds paid via premiums**
- **Support for status quo on mark-to-market**

## **Phase II: Sectoral Reform/Overhaul**

- **Each segment of the financial services industry will be examined and subject to regulation specific to its function, risks and other factors**
- **TIMELINE: August 2009 or later**





# *Post-Crunch: Fundamental Regulatory Issues & Insurance*

- **Federal Encroachment on Regulation of Insurance in Certain Amid a Regulatory Tsunami**
  - **\$150 billion in aid to AIG makes increased federal involvement in insurance regulation a certainty**
  - **States will lose some of their regulatory authority**
  - **What Feds get/what states lose is unclear**
- **Removing the “O” from “OFC”?**
  - **Treasury in March proposed moving solvency and consumer protection authority to a federal “Office of National Insurance”**
  - **Moving toward more universal approach for regulation of financial services, perhaps under Fed/Treasury?**
  - **Is European (e.g., FSA) approach in store?**
  - **Treasury proposed assuming solvency and consumer protection roles while also eliminating rate regulation**
  - **Expect battle over federal regulatory role to continue to be a divisive issue within the industry**
  - **States will fight to maximize influence, arguing that segments of the financial services industry under their control had the least problems**





# *Possible Regulatory Scenarios for P/C Insurers as of Year-End 2009*

- **Status Quo:** P/C Insurers Remain Entirely Under Regulatory Supervision of the States
  - Unlikely, but some segments of the industry might welcome this outcome above all others
- **Federal Regulation:** Everything is Regulated by Feds
  - Unlikely that states will be left totally in the cold
- **Optional Federal Charter (OFC):** Insurers Could Choose Between Federal and State Regulation
  - Unlikely to be implemented as envisioned for past several years by OFC supporters
- **Dual Regulation:** Federal Regulation Layer Above State
  - Feds assume solvency regulation, states retain rate/form regulation
- **Hybrid Regulation:** Feds Assume Regulation of Large Insurers at the Holding Company Level
- **Systemic Risk Regulator:** Feds Focus on Regulation of Systemic Risk Points in Financial Services Sector
  - What are these points for insurers? P/C vs. Life?



# *Major Regulatory Considerations for Insurance Regulation in 2009*

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- **Power Sharing:** Will Feds and States Divide Regulatory Authority & How?
  - Holding company (federal) and operating company/insurer (state)?
- **Pre-Emption:** Will Congress Pass Legislation Pre-Empting State Authority?
- **Regulatory Consolidation:** Will Regulatory Authority (now spread over 4+ agencies) be Consolidated Into One Entity? Will it Involve States?
- **Life vs. P/C:** Will Separate Regulatory Structures Emerge?
- **Guaranty Fund System:** FDIC has suggested federalization of system
- **State Run Insurers:** Who Would Regulate State-Run Insurers (Property, WC)?
  - Many coastal states have large state-run entities
  - About 25 states operate workers comp state funds or monopolistic insurers
- **Regulation of Credit Default Swaps as Insurance:** Will Feds take this up?
- **Insurer Divisiveness:** Industry is Not United on Many Key Issues





# *Insurance Information Institute On-Line*

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YOUR ATTENTION!***