



**INSURANCE  
INFORMATION**  
INSTITUTE

# Insurance Leading Through Disruption

*Sean Kevelighan*

*August 2021*

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seank@iii.org ♦ 212.346.5520 ♦ [www.iii.org](http://www.iii.org)

# Triple-I & Its Mission



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

.....to inform and empower  
consumers.

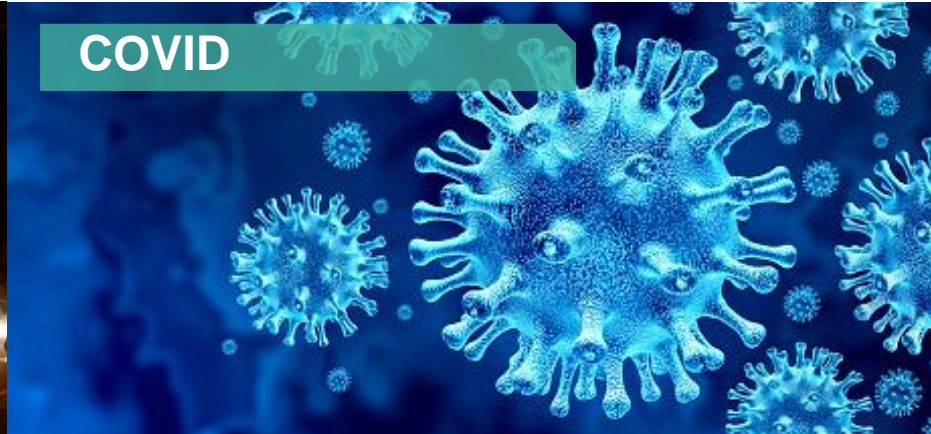


# The Disruption Continuum

Catastrophes



COVID



Economics



INSURANCE

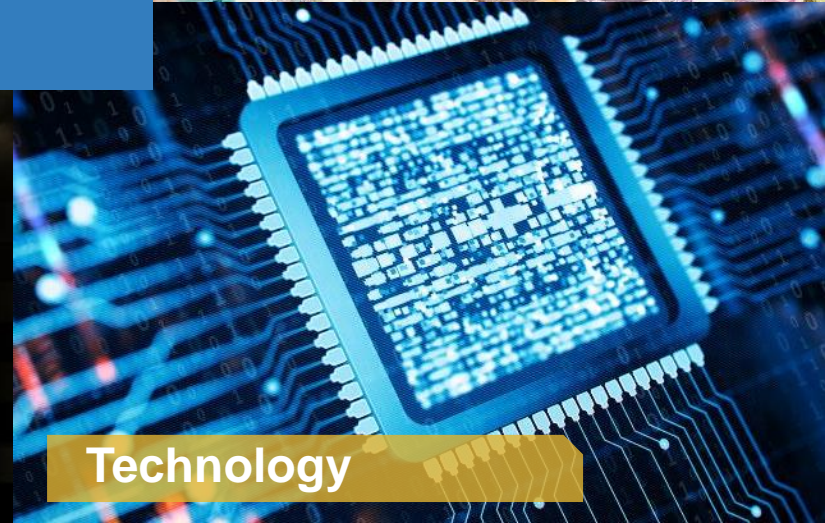
Geopolitical



Social Unrest



Technology





# Measuring Success

## Economic Growth



## Community Well-being



## Capital Protections



## Resilience



## Fairness & Equality



# COVID-19 and Insurance

# Stepping Up

## America's Insurers:

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

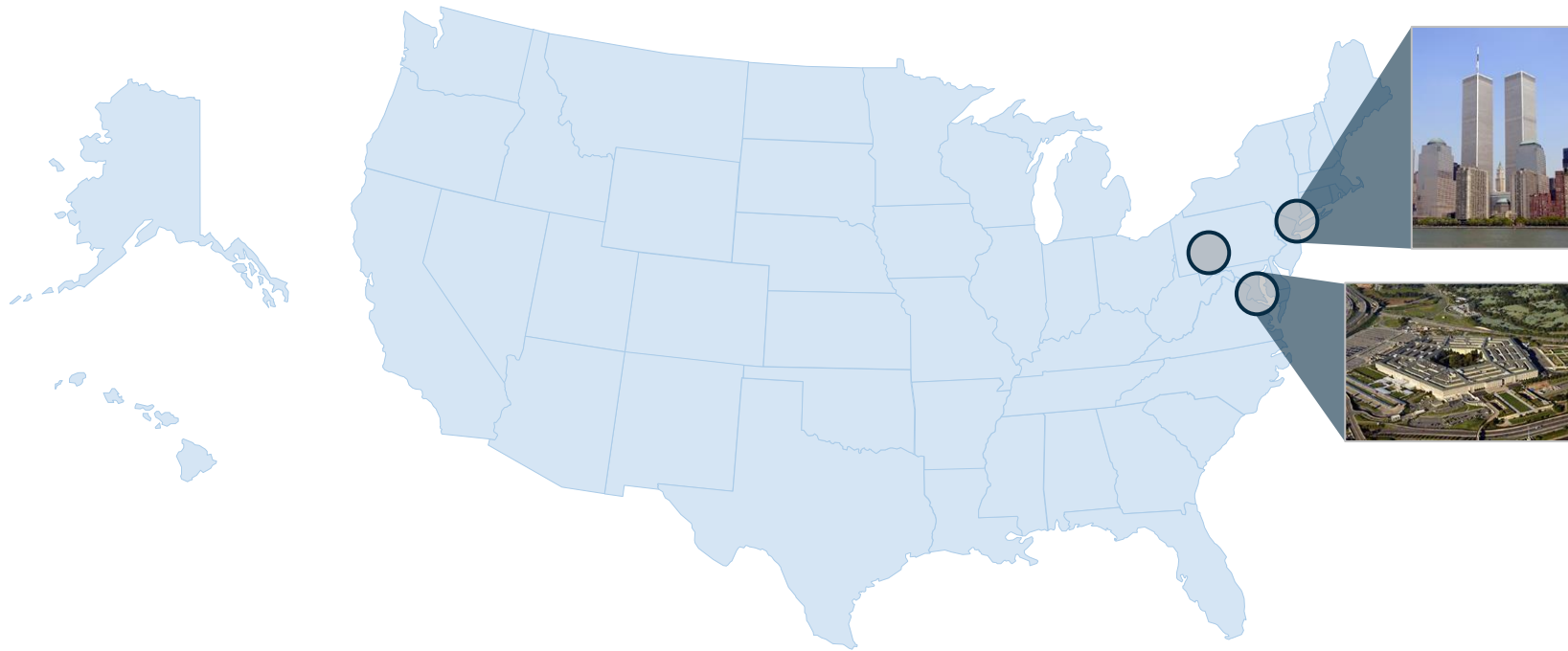
### Industry

Insurers are implementing **innovative solutions** to carrying out daily operations while respecting social distancing



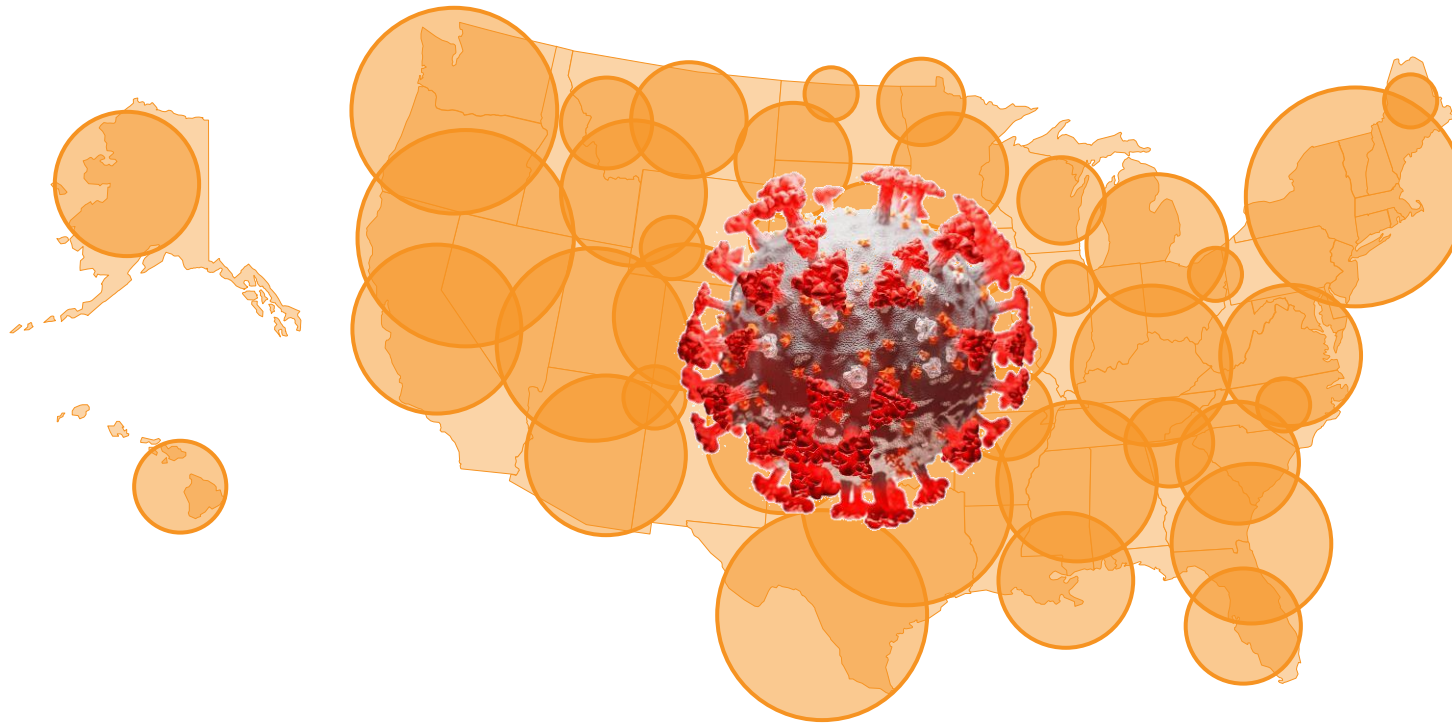
# Communications: Global pandemics are uninsurable

## Economic Impact of 9/11



# Communications: Global pandemics are uninsurable

## Economic Impact of Coronavirus

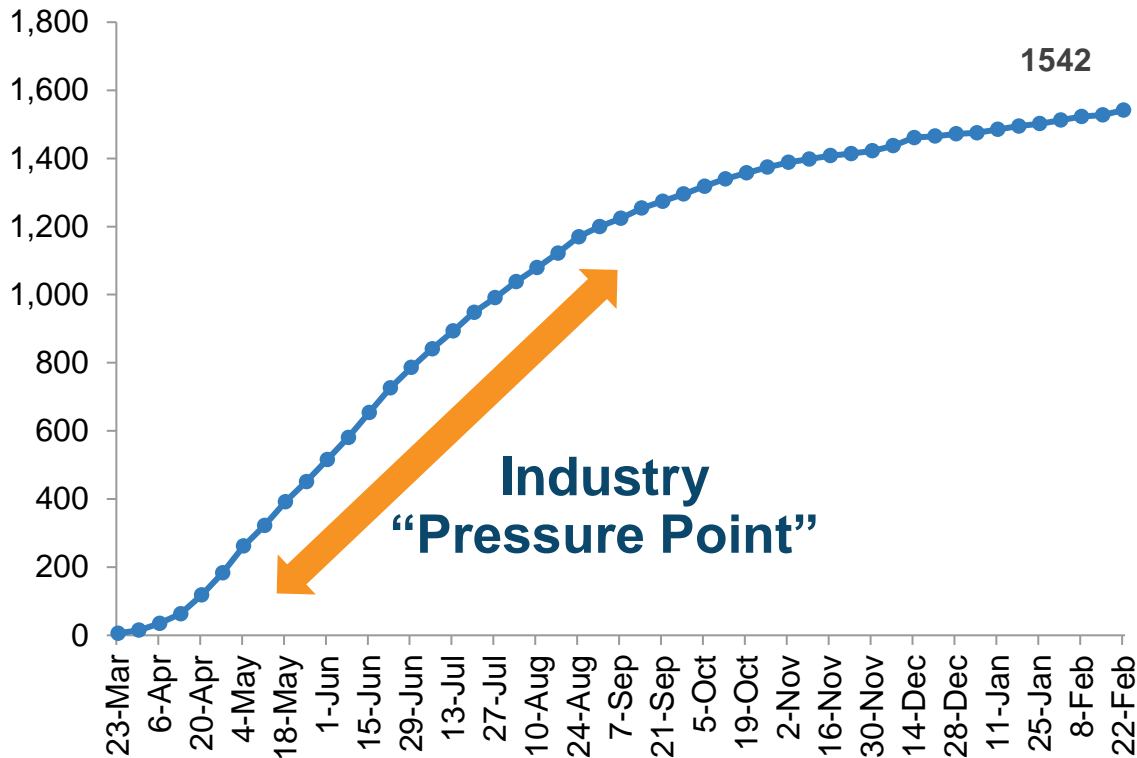




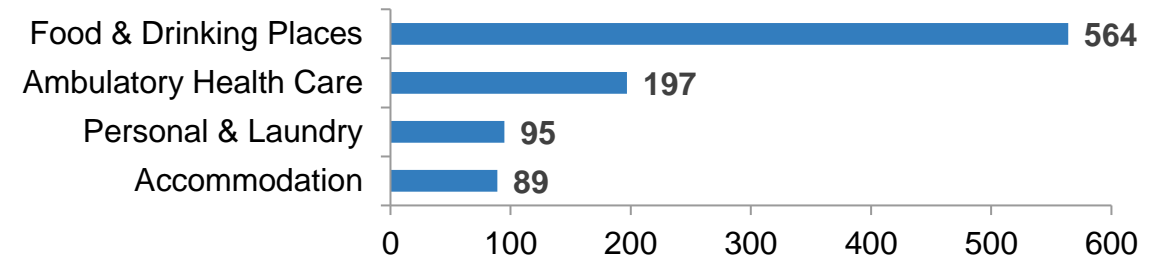
# Policy wording: Insurers minimized risk

Insurers understood threat of pandemics well before most

## Cumulative Filings



## Who Is Suing?



## Insurer Defenses

- ▲ No physical damage
- ▲ Exclusion for loss due to virus or bacteria (2006)



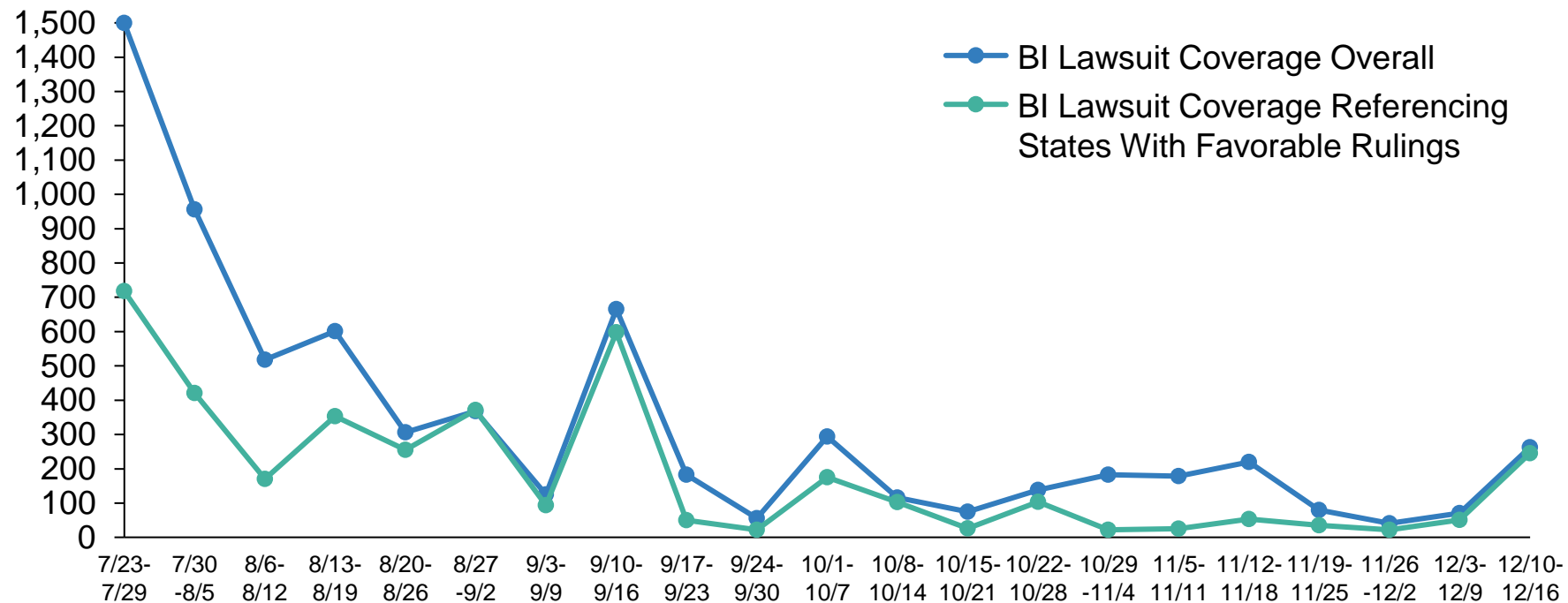
# Market challenge: An industry campaign



- ▲ The Future of American Insurance & Reinsurance (FAIR) campaign launched in May and has served as a source of education surrounding pivotal industry activity, including Congressional hearings, White House roundtables, state legislation, and media stories.
- ▲ With a separate website, valuable explanatory assets, stakeholder outreach, and digital promotions, this integrated campaign provides the Triple-I with a separate platform and voice to present information in a digestible, influential manner to key audiences.
- ▲ The campaign takes on overarching industry issues (i.e. business interruption) and emphasizes its essential role in supporting and rebuilding communities in these uncertain times.

# FAIR Campaign Educated Media and Created Positive Media Coverage for Insurers

Number Of Stories



- Through education and outreach to reporters, FAIR has been able to better contain spikes in negative coverage on pandemic-related business interruption lawsuits
- FAIR campaign also prompted a steady stream of content highlighting favorable court rulings for insurers and advocating for government-led solutions to pandemic insurance
- Given the decrease in BI coverage volume, FAIR will transition to other emerging industry issues in 2021





# A better place: 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.**

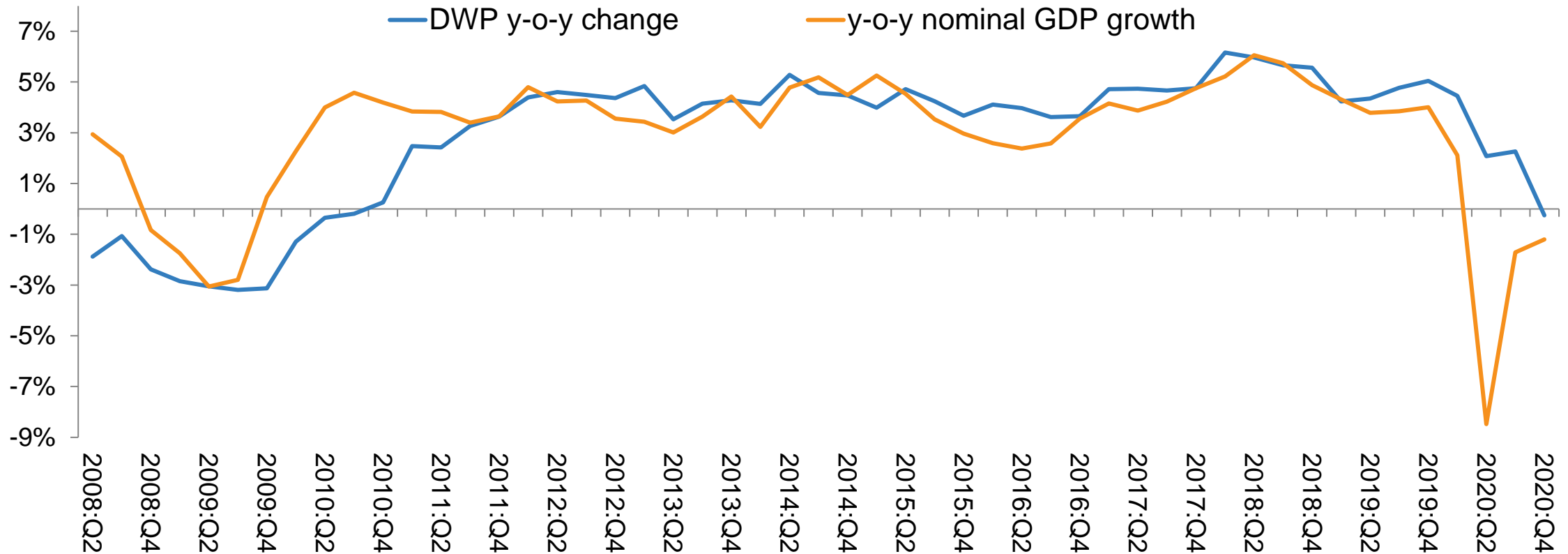
## **Proposed solutions must:**

- ▲ 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.

# Insurance Economics

# Economy Drives P/C Insurance Industry Premiums:

## Direct Premium Growth (all P/C lines) vs. Nominal GDP: Quarterly YOY Pct. Change



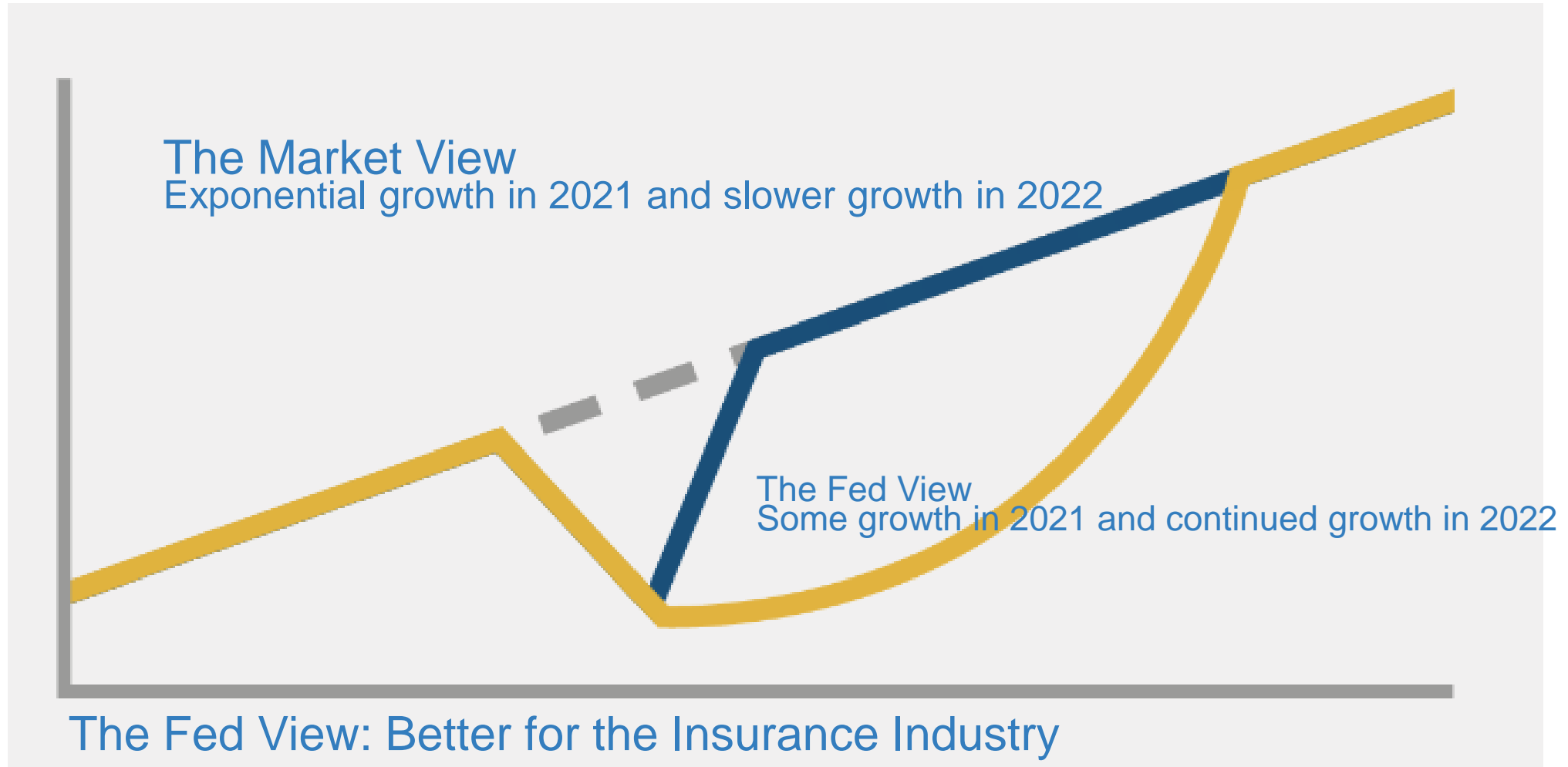
**Economic Environment: Negative**



Sources: NAIC data sourced through S&P Global Intelligence; Federal Reserve Bank of St. Louis (FRED); Insurance Information Institute.



# Economic Outlook and Recovery: Two Competing Views



# The Fed: All About Employment

## Employment

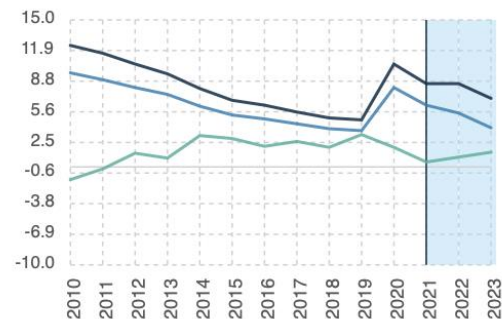


Q1: 6.3% (BLS)  
Aug: 6% (BLS)  
Fed Goal: 4-5%

2021  
U.S.  
**6.3%**  
- 1.9%

2021  
Insurance  
**0.5%**  
- 1.5%

Employment (Per Year % / Change YoY %)



## 'Not At All Likely' U.S. Will Reach Maximum Employment This Year: Fed Chair Powell

Sarah Hansen Forbes Staff

The New York Times

PLAY THE CROSSWORD

BIG CITY

### How New York Waiters Got the Upper Hand

Chronically underpaid and undervalued, restaurant workers are now in high demand, and the power balance may be shifting for good.

     442



Fed chair Jerome Powell on Thursday said that the labor market is nowhere near a full fledge that he's optimistic that hiring will pick up in the coming months—though that depends on the course of the ongoing coronavirus pandemic.



### Fed's Powell: January Unemployment Rate Was Nearly 10%—Not Previously Reported 6.3 %

Gina Heeb Forbes Staff  
Feb 10, 2021

# Markets: All About Inflation

Markets: Could reach as high as 8% in 2021

MarketWatch

MARKET SNAPSHOT

## Does the bond market have it wrong about inflation?

By Vivien Lou Chen

Published: Jul. 18, 2021, 4:54 p.m. EDT



POLITICO

Policy: Finance & Tax

## Fed's Powell feels heat from all sides as inflation spikes

Both the Fed and the Biden administration have said rapid price increases are being stoked by temporary factors.



Fed: Currently forecasted to reach 2.4% by year end

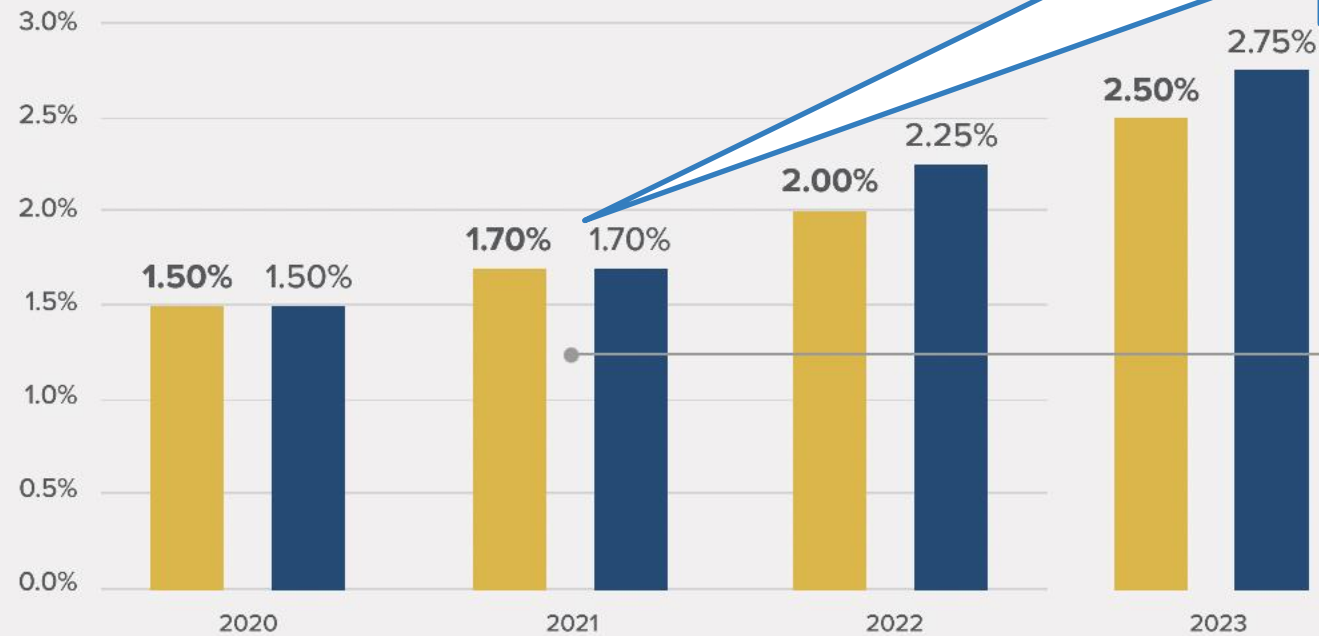


# Inflation Trends & Forecasts

## U.S. INFLATION

### U.S. INFLATION (Change YoY%)

Triple-I  
Fed



Fed raising forecast from 1.7% to 2.4%.

Inflation remains "transitory."

Both Triple-I and the Fed forecast 1.70% inflation in 2021

Awaiting Q2 results to revise our forecast.

Likely accelerating price increases.

# Runaway Inflation: The Meaning of “Transitionary”

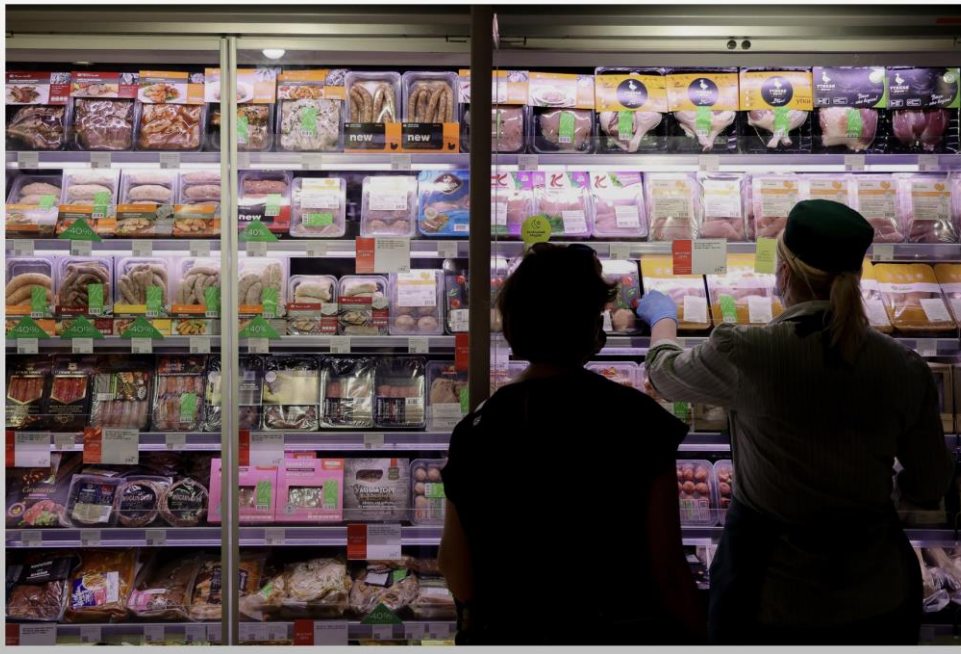
All inflation is local: significant differences across categories

Bloomberg

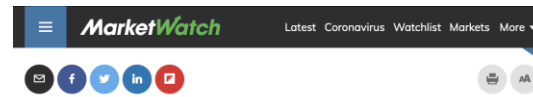
Subscriber Only

## Why Everyone's Experience of Inflation Is So Different

By Tracy Alloway and Joe Weisenthal, July 19, 2021, 4:00 AM EDT



YoY Change (%)	Jan	Feb	Mar	Apr	May	Jun
Poultry	6.1	4.8	4.4	0.7	0.4	1.2
Housing	1.8	1.8	2.1	2.6	2.9	3.1
Lumber	57.4	59.8	65.3	89.7	114.3	97.5
Motor Vehicles Parts	1.0	1.6	1.6	2.3	2.4	2.1



By Will Horner

A roundup of key agricultural commodity markets for the week of June 28-July 2 by Dow Jones Newswires in London.

### GRAINS & OILSEEDS

Grains futures rallied Monday amid dry weather concerns for U.S. growing regions and as focus turned to key reports due this week from the U. S. Department of Agriculture. Corn jumped 3.8% to \$5.39 a bushel while soybeans gained 3% to \$13.09 a bushel. Wheat rose 2.6% to \$6.58 a bushel.

"Heavy rains fell in some areas over the last few days, but the hot/dry pattern across the north/northwest corn-belt continues to cause problems there," said Doug Bergman, director of Ag Services at RCM Alternatives.

The USDA is set to release two major reports Wednesday. The quarterly stock report and the acreage report should show how many acres of row crops U.S. farmers planted this season.

### Poultry (chicken) Daily Price

1.17

Poultry (chicken), whole body price index based on southern states broiler/fryer parts, FOB dock, US Dollars per kilogram

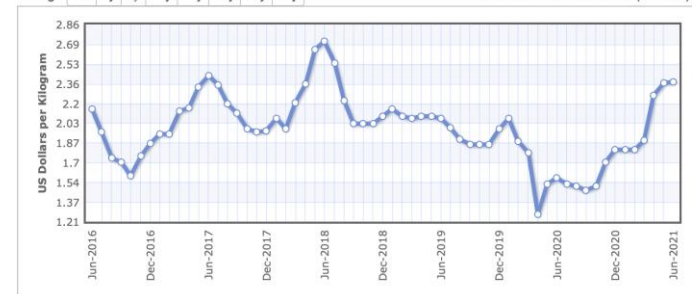
Price in US cents per pound: 53.26

As of: Friday, July 16, 2021

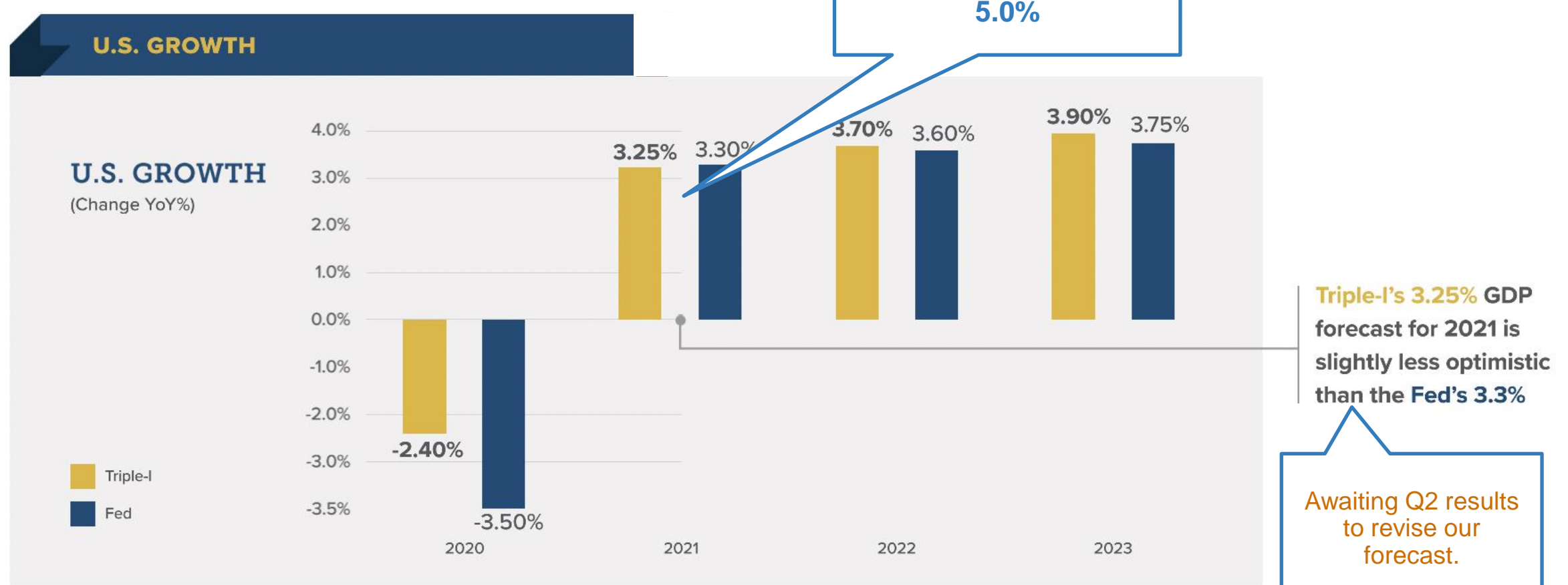
Source: USDA Market News

### Poultry (chicken) Monthly Price - US Dollars per Kilogram

Range 6m 1y 5y 10y 15y 20y 25y 30y Jun 2016 - Jun 2021: 0.230 (10.70 %)



# GDP Outlook and Forecasts



GDP Growth's Math:

0% < 3%:	Back to Q4 2019 Output
3% < 5%:	Back to Q4 2020 Output estimates pre-COVID
5% < 7%:	Back to Q2 2021 Output estimates pre-COVID
7% < :	Real above 5-year average 2021 growth



# Political and Economic Threats to Recovery

REUTERS

RETAIL

JULY 15, 2021 / 05:40 PM

## Yellen says concerned about housing prices but inflation to calm

By Reuters Staff



POLITICO

Policy: Finance & Tax

## The soaring market that threatens to derail the economic recovery

Housing costs could eventually boost inflation by as much as 2 percentage points by the end of next year, though the effects could be felt sooner, according to a forecast from Fannie Mae.



Forbes

## Fed Chair Powell Warns That Cyber Attacks And Covid-19 Spreading Again Are The Biggest Risks To The Economy

Jonathan Ponciano Forbes Staff  
Apr 11, 2021

Bloomberg

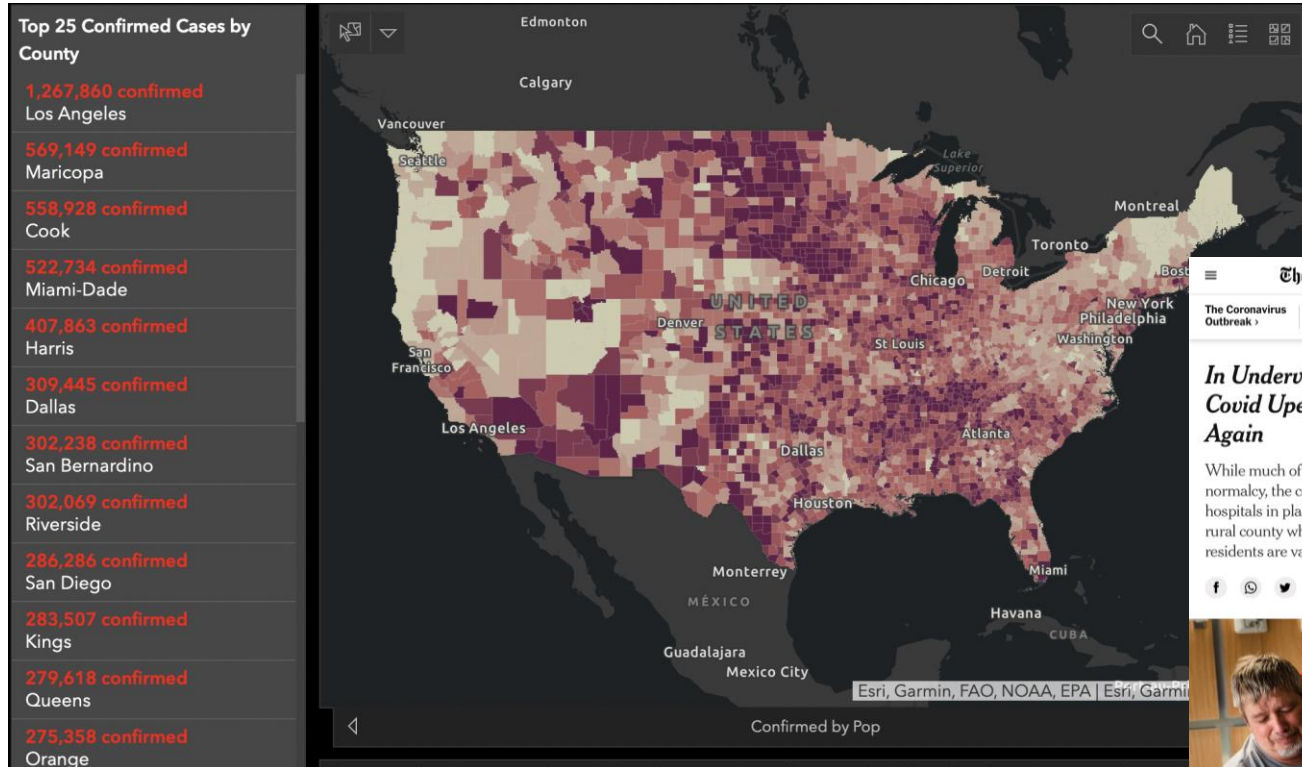


Cybersecurity

## Hackers Breached Colonial Pipeline Using Compromised Password

By William Turton and Kartikay Mehrotra  
June 4, 2021, 3:58 PM EDT

# COVID-19 and Variants Threat to Recovery



THEHILL



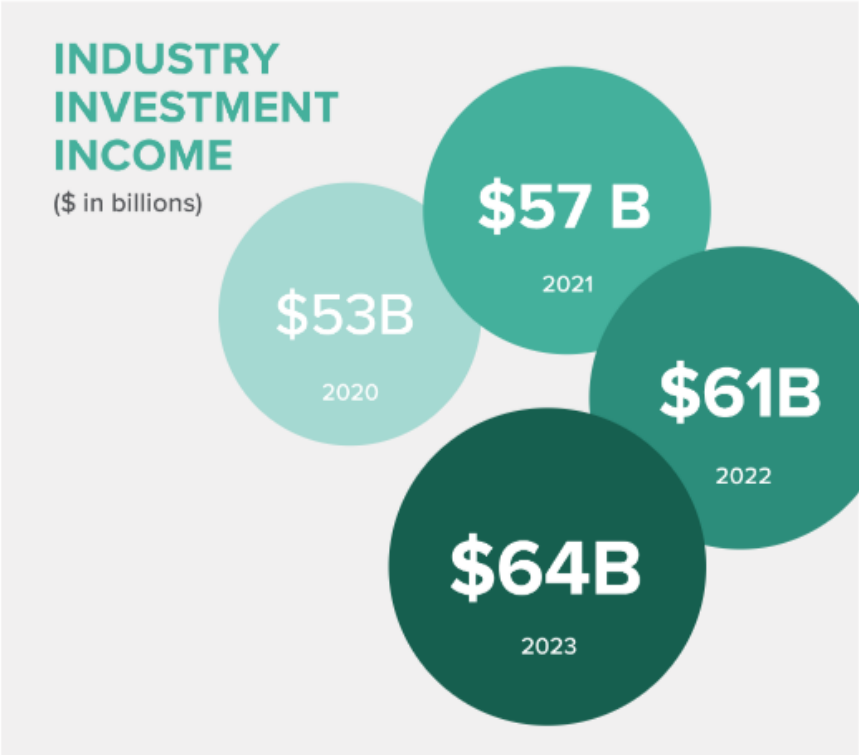
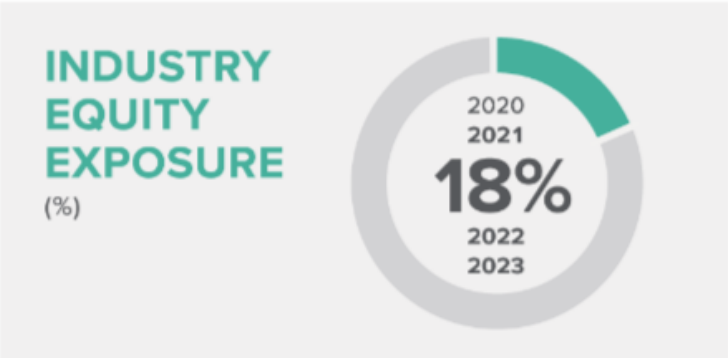
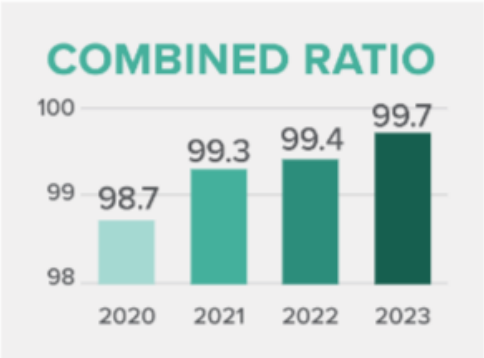
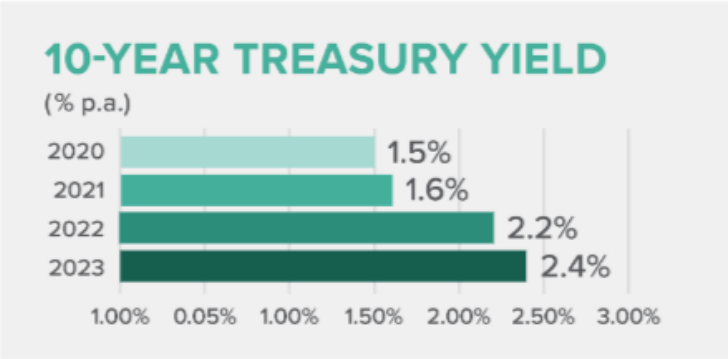
## Overnight Health Care: White House to send 'surge teams' to delta variant hot spots | St. Louis recommends vaccinated wear masks indoors | 120K people in Oklahoma gain Medicaid coverage

By Nathaniel Weixel, Peter Sullivan and Justine Coleman - 07/01/21 06:31 PM EDT



# Insurance Industry Performance

# Slow And Steady Wins The Race...



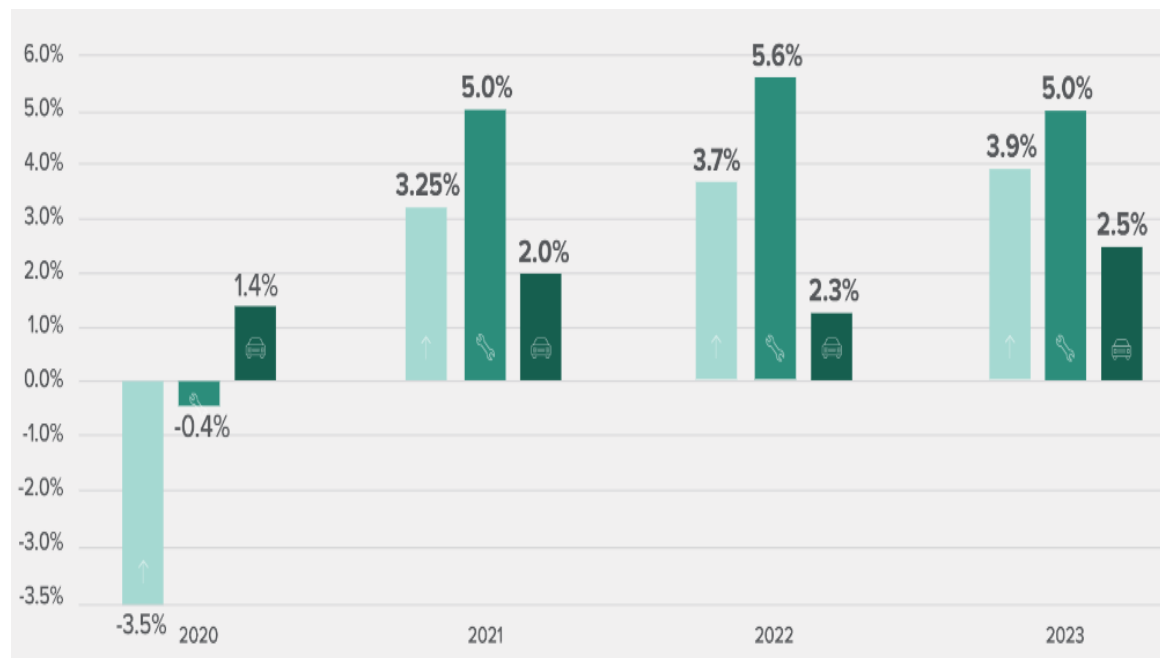
Source:  
**Triple-I**  
(in bold)  
and S&P



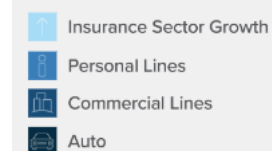
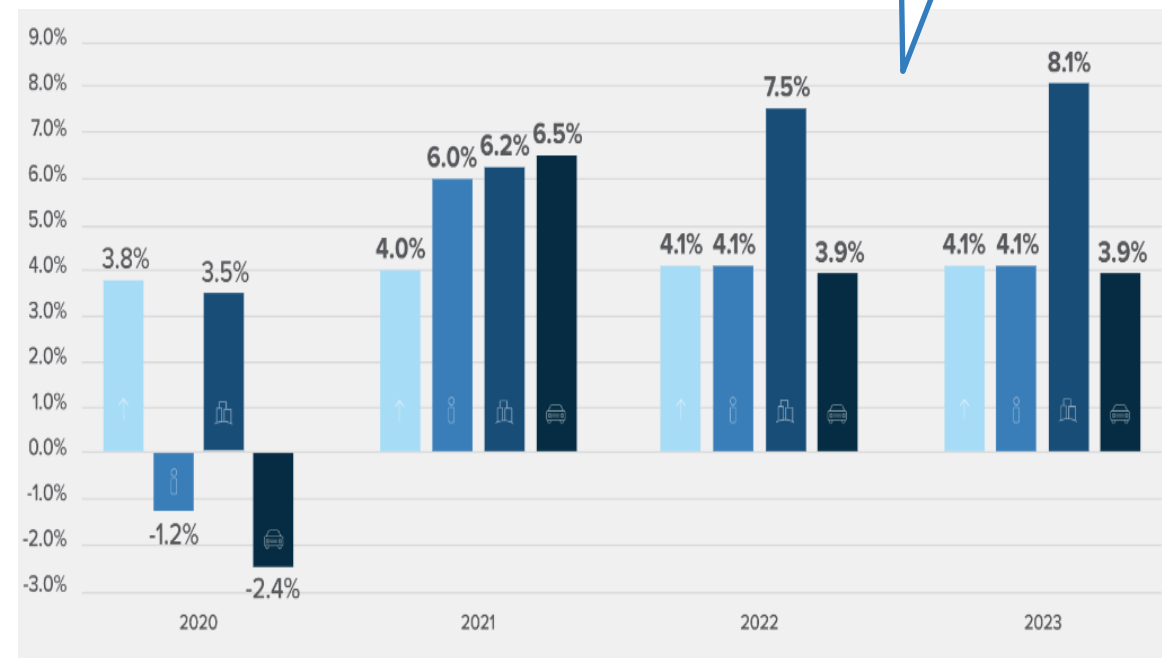
# Insurance NPW Still Outperforming Wider Economy

NPW above GDP  
+ Inflation

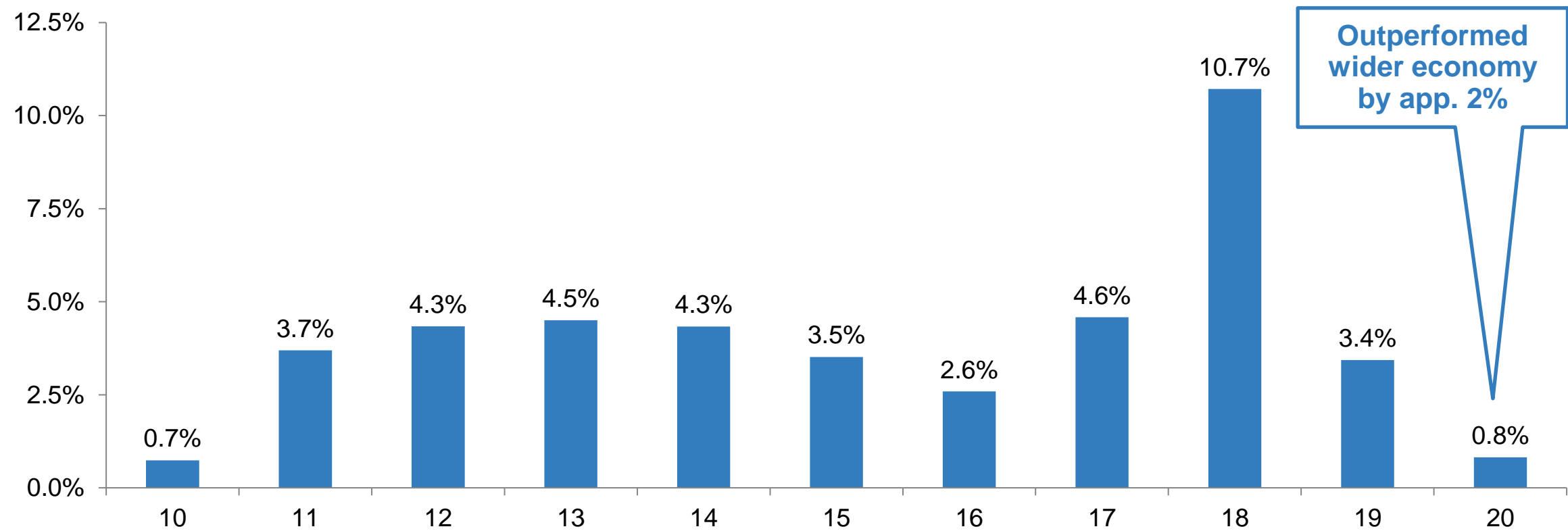
## U.S. Economic Drivers



## U.S. Premium Growth



# Net Premium Written Growth: 2010-2020 Yearly (all P/C lines)

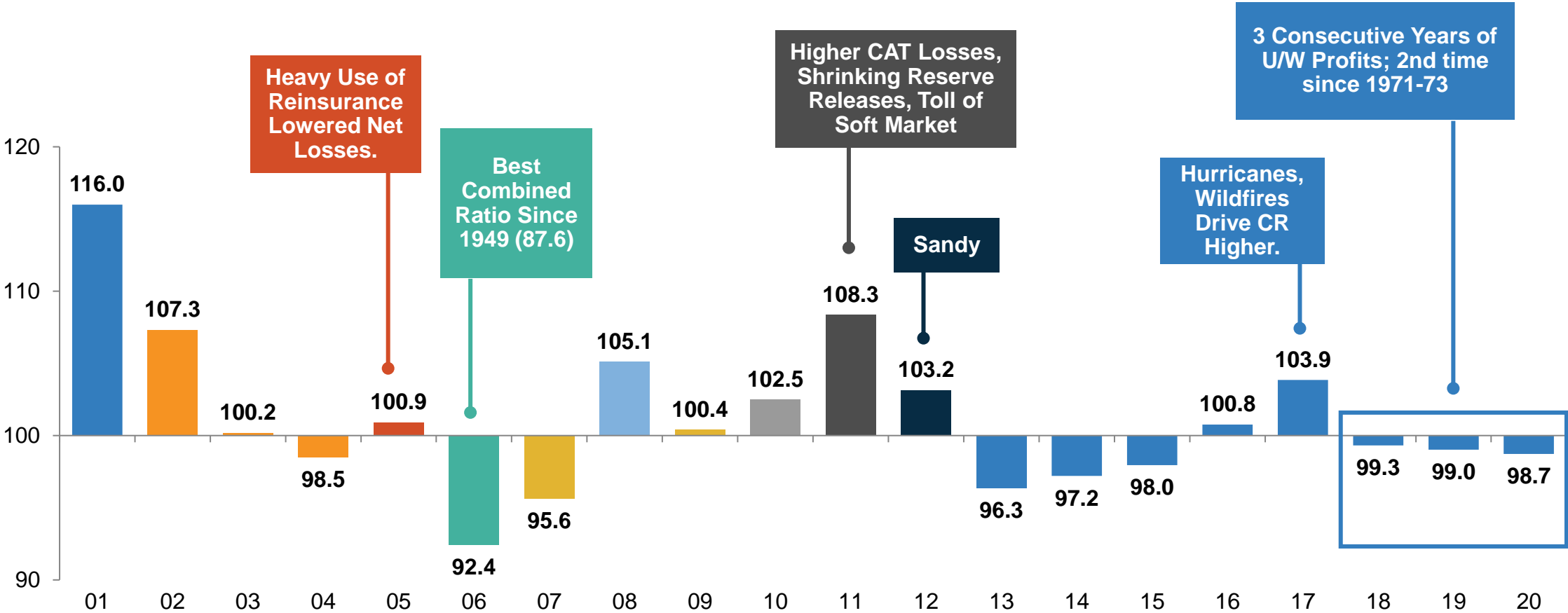


Premium Growth: Neutral

Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.



# Combined Ratio: 2001-2020 Yearly (all P/C lines)

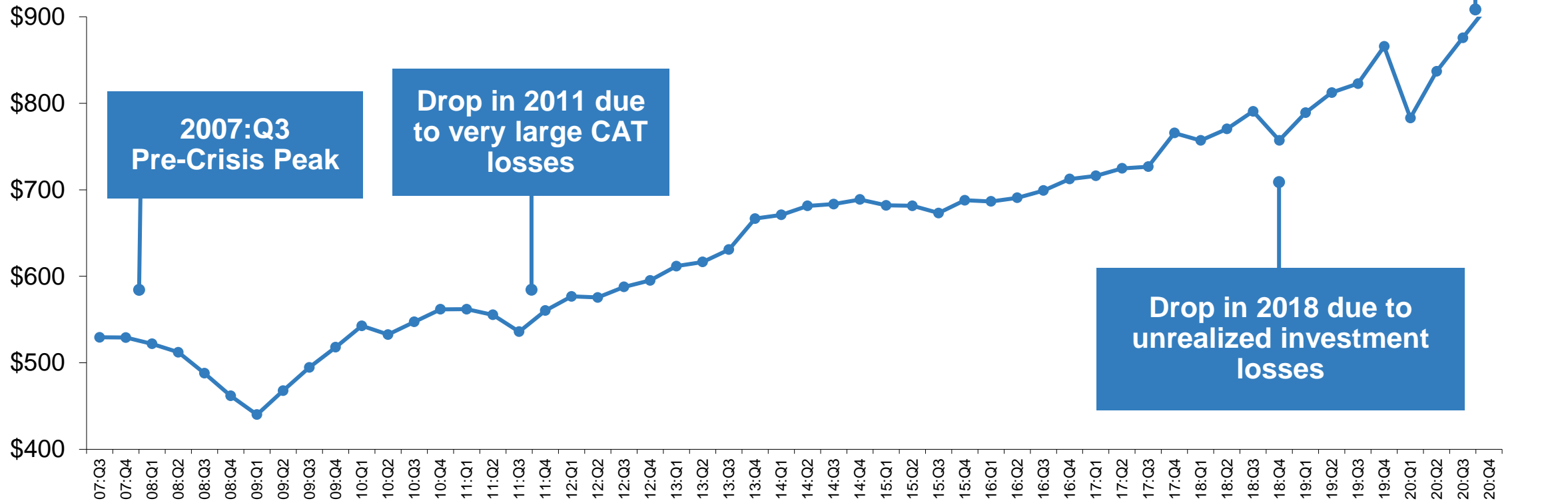


Combined Ratio: Positive



# Policyholder Surplus: 2007-2020 Quarterly

\$ Billions



**Policyholder Surplus: Positive**

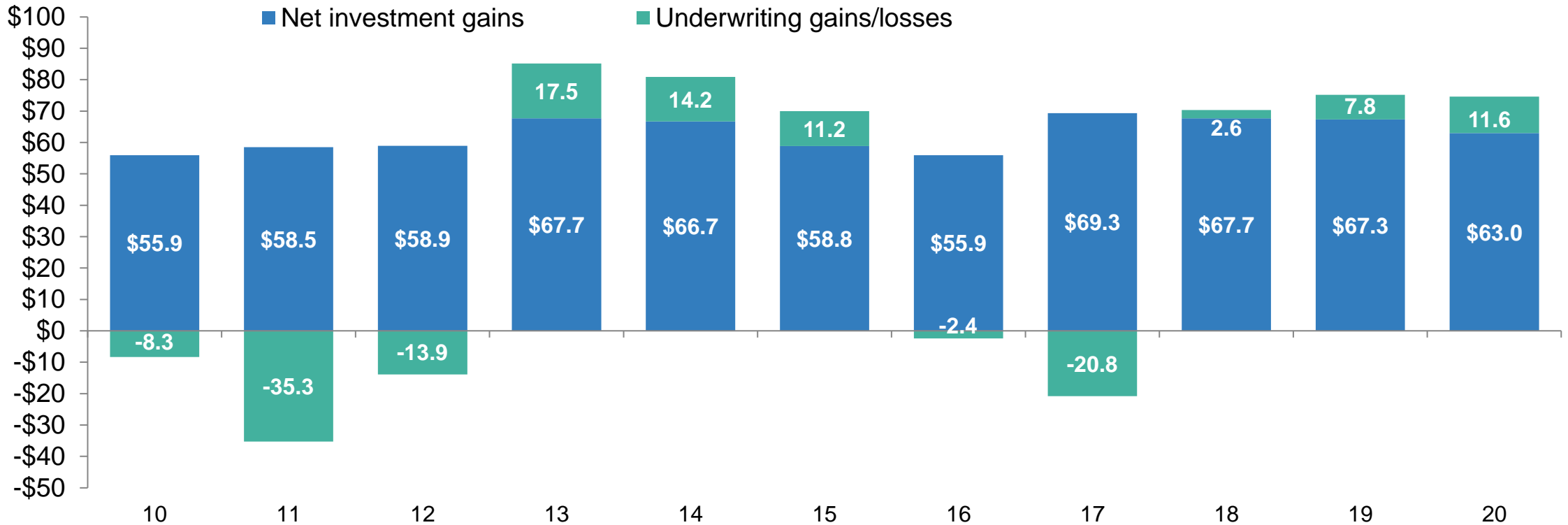
Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.





# Key Sources of P/C Insurer Profits

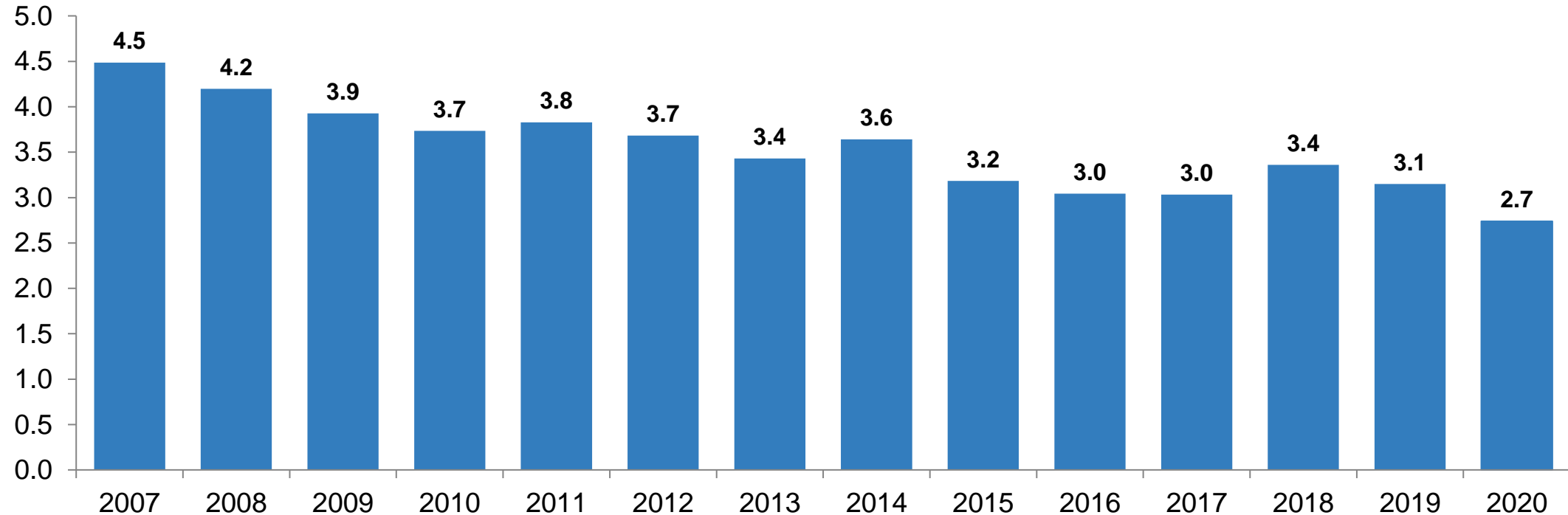
\$ Billions



**Lower investment income means UW income has to grow.**

Through fourth quarter. Not adjusted for inflation. Data are before taxes and exclude extraordinary items. Source: NAIC data, sourced from S&P Global Market Intelligence.

# Net Yield on Invested Assets

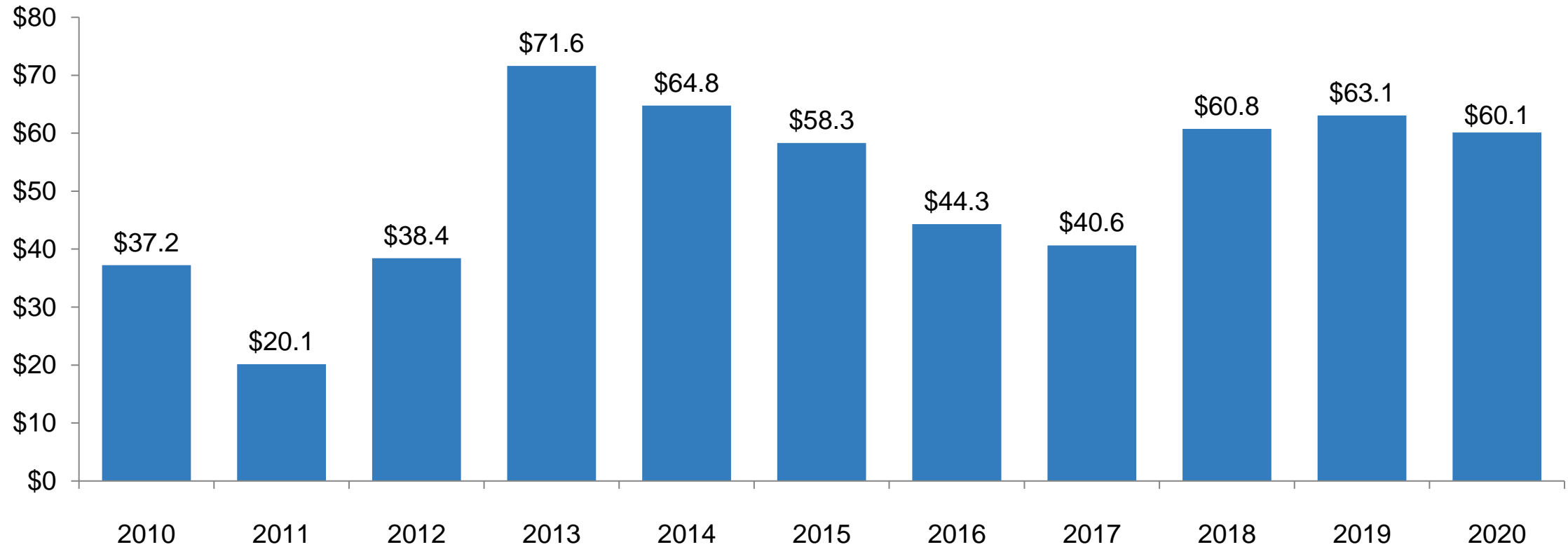


**Long-term decline in rates likely to shift starting Q1 2022**

Sources: NAIC data, sourced from S&P Global Market Intelligence.

# Net Income After Taxes: 2010-2020 Yearly

Billions

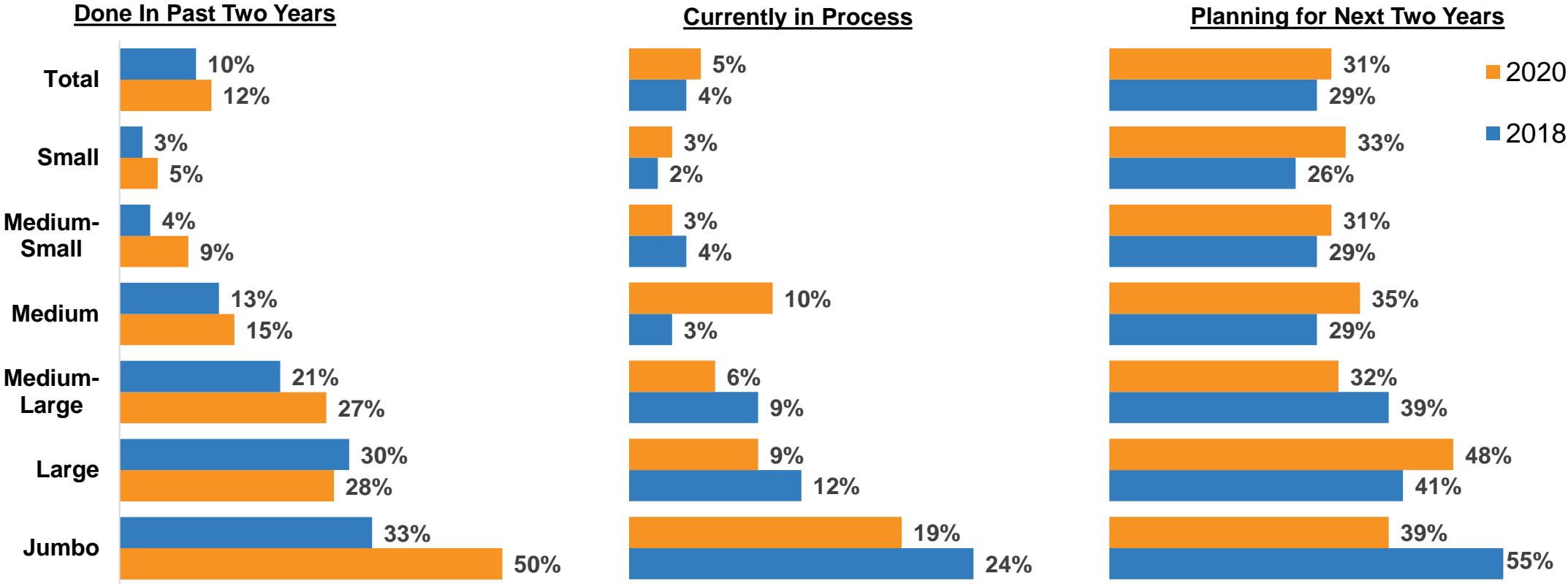


**Net Income After Tax: Positive**

Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.



# Agency Mergers & Acquisitions, 2018 – 2020



One in ten agencies have been involved in acquisitions or mergers within the past two years. M&A activity is widespread among medium-large, large and jumbo agencies.

Sources: Independent Insurance Agents of America (Big I), 2020 Agency Universe Report.

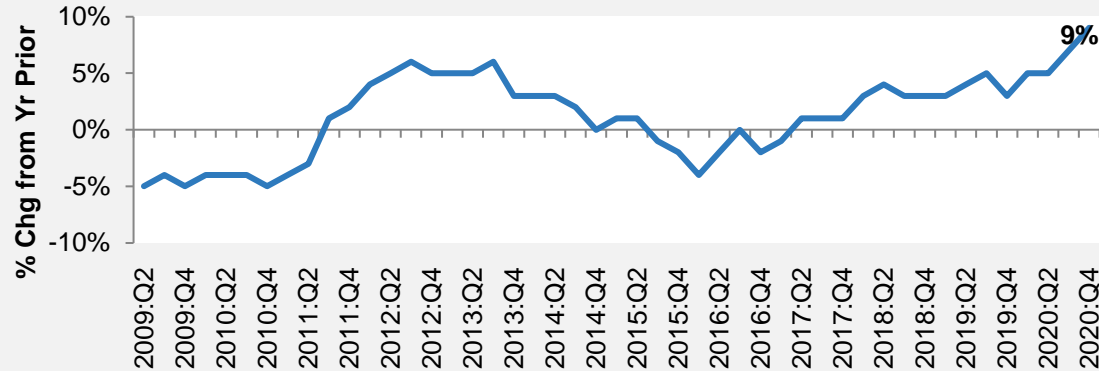




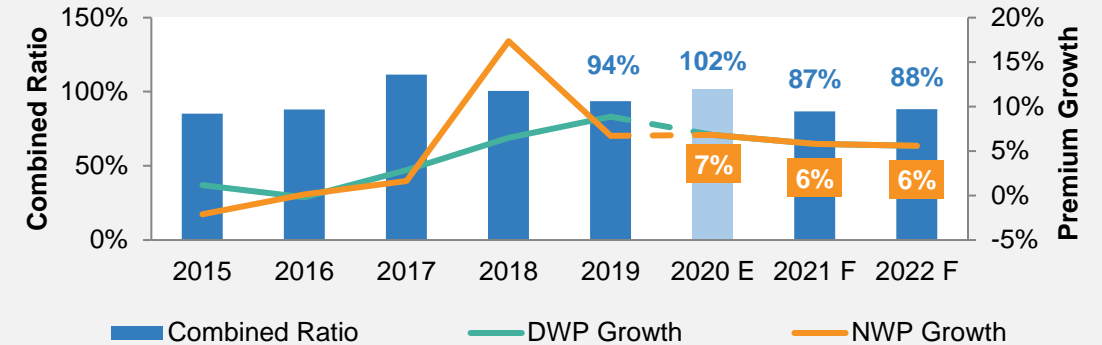
# Underwriting Trends

# Commercial Property

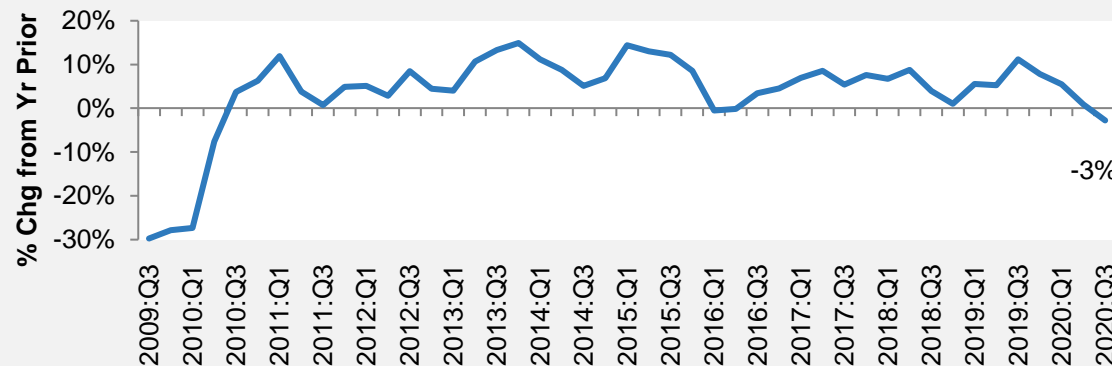
## Commercial Property Rate Change



## Calendar Year Written Premium and Net Combined Ratio Projections



## Commercial Real Estate Prices for the US



## Commentary

- Not just hurricanes – wildfires, derechos, tornadoes made it a record for number of cat events.
- Hard market brightens results – if average CATs (unlikely)
- **Watch for:** Vacancies could slowly rise as businesses adjust their need for space in the new flexible workplace.

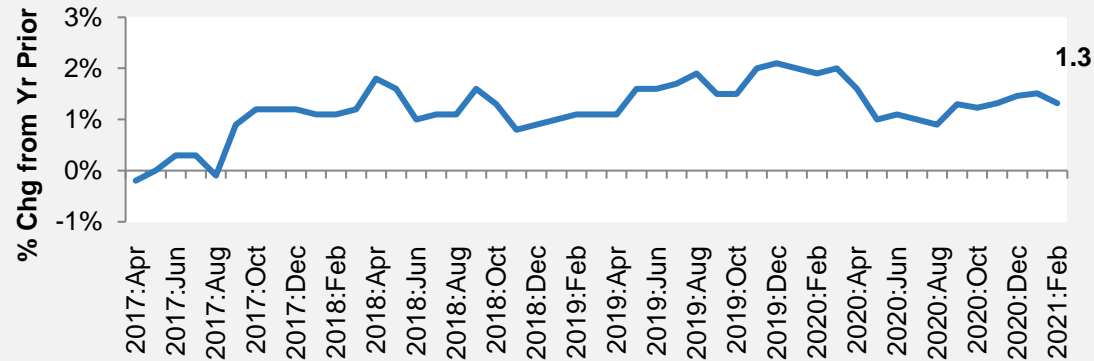
Data sources: NAIC data sourced through S&P Global Market Intelligence, MarketScout, Blue Chip Economic Indicators, Congressional Budget Office, PCS, Aon, Munich Re, Energy Information Agency, FRED (Federal Reserve Bank of St. Louis).

Analysis: Insurance Information Institute, Milliman.

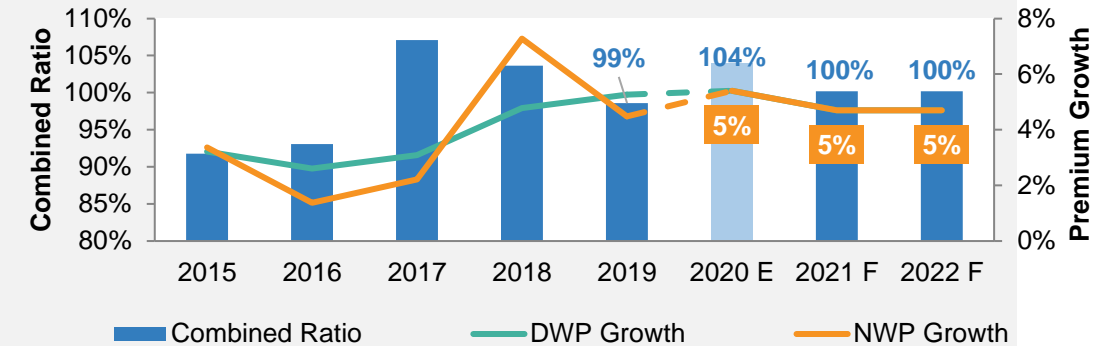


# Homeowners

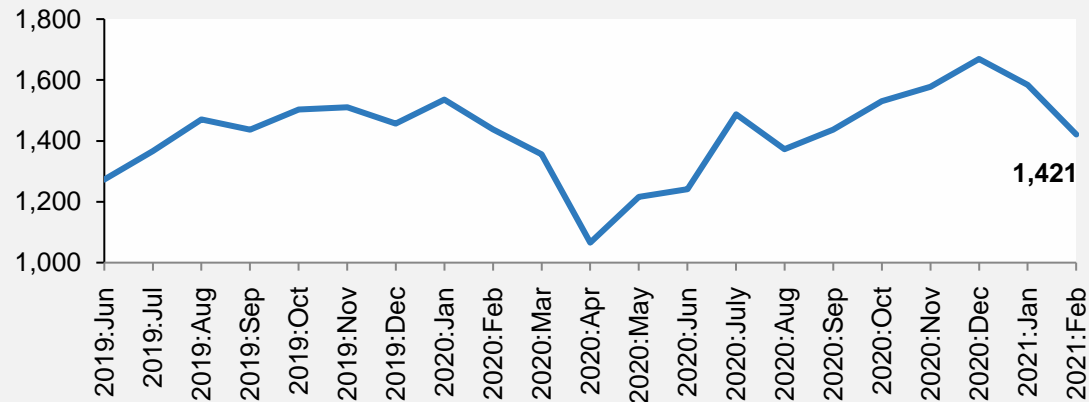
PPI for Homeowners Insurance



Calendar Year Written Premium and Net Combined Ratio Projections



Thousands of New Privately-Owned Housing Units



## Commentary

- Minimal impact from pandemic, recession
- Multiple small- to medium-sized cats hurt 2020 results
- **Watch for:** Above-average hurricane season

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.



# Hard Commodity Prices Driving Property Replacement Costs

BUSINESS INSIDER

## Falling lumber prices show inflation will be temporary: Fed's Powell

Emily Graffeo  
Jun 17, 2021 | 9:51 AM ET

CNBC

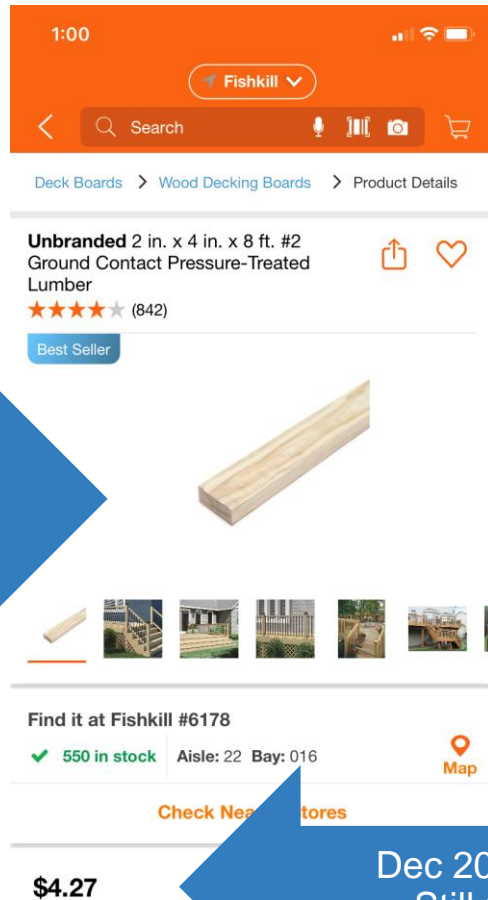
### Home construction costs soar despite big drop in lumber prices

Thursday, 8 Jul 2021 08:04 PM EDT

CNBC



NBC News' Cal Perry joins CNBC's "The News with Shepard Smith" to report on soaring home construction costs and shortages of key materials and appliances.



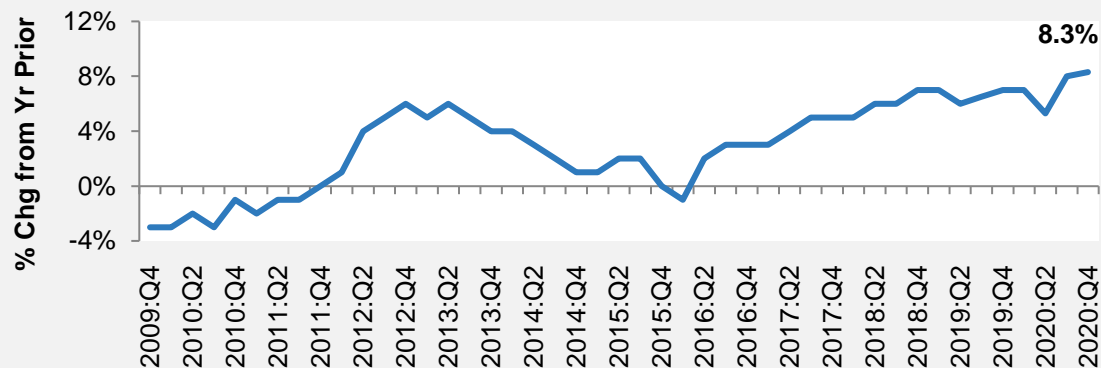
March: \$10.95:  
Now down 60%

Dec 2019: \$2.95  
Still up 45%

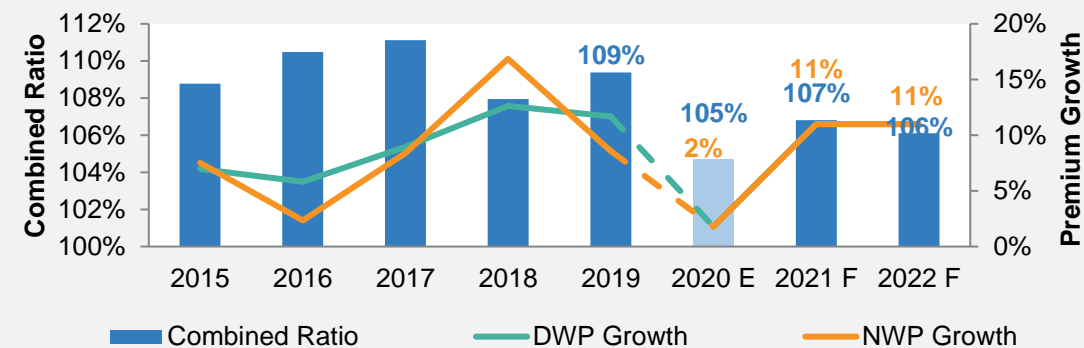


# Commercial Auto

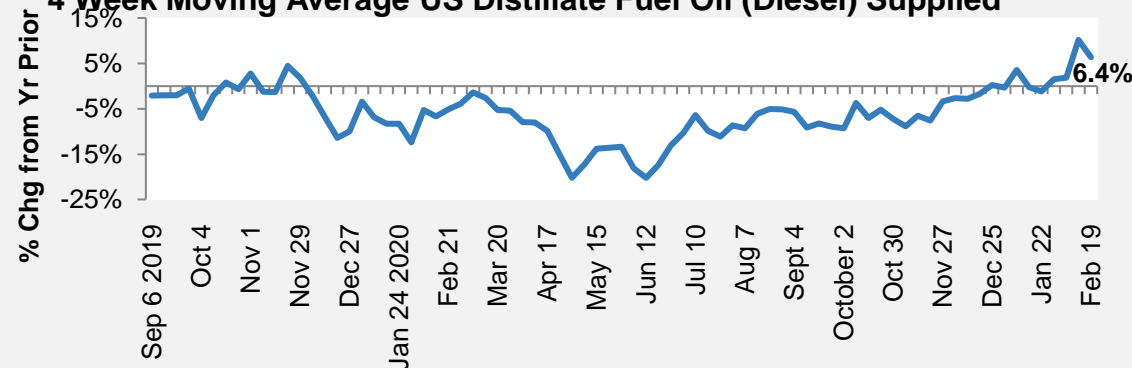
## Commercial Auto Rate Changes



## Calendar Year Written Premium and Net Combined Ratio Projections



## 4 Week Moving Average US Distillate Fuel Oil (Diesel) Supplied



## Commentary

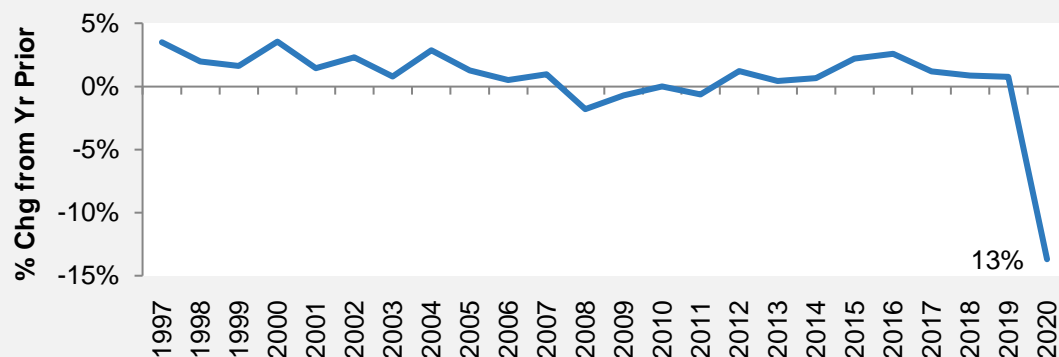
- Line was hard-hit by fall in exposures but will bounce back in 2021
- Decrease in accident frequency but increase in severity
- **Watch for:** Was 2020 end-of-year trends a fluke?



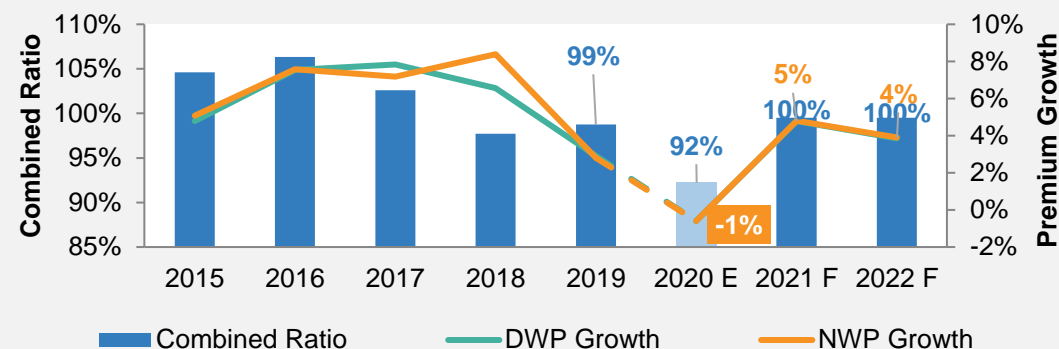


# Personal Auto

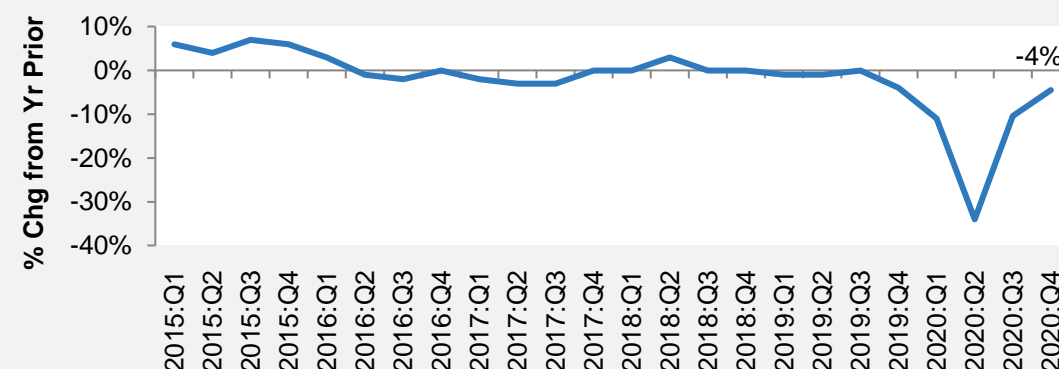
## YTD Vehicle Miles Traveled Through December



## Calendar Year Written Premium and Net Combined Ratio Projections



## Total Vehicle Sales



## Commentary

- Decrease in accident frequency but increase in severity
- Premium growth and underwriting results will return to normal.
- **Watch for:** Interest remains high in telematics; will post-pandemic stay-at-homes drive more near home?

# Trucks and Cars Getting More Expensive

autoblog

Chip shortage pushed production of cars, trucks and auto parts down 6.6%

Overall manufacturing production dipped 0.1%

Associated Press | Jul 17th 2021 at 11:04AM



The New York Times



## ***‘The Market Is Insane’: Cars Are Sold Even Before They Hit the Lot***

A shortage of computer chips is keeping automakers from producing enough cars to meet rising demand. Used cars are scarce, too.



# While Repair Costs Increase Even More

CollisionWeek

BREAKING NEWSOHIOUS & WORLD BUSINESSTECHENTERTAINMENTHEALTH

Home / Business / Car Repair Shop Profit-Lima News

Business

Car Repair Shop Profit-Lima News

Kevin Sewell · 2 days ago




OHIO NEWS TIME

CNN BUSINESSMarketsTechMediaSuccessPerspectivesVideosLIVE TV

These are the real winners from the record car prices

By Chris Iandolo, CNN BusinessUpdated 8:26 AM ET, Mon July 19, 2021



MARKETS NOW  
USED CAR PRICES SURGE  
BILL NASH | PRESIDENT & CEO, CARMAX

MORE FROM CNN BUSI  
Key Watergate would pay to h  
Neiman Marcus robbed by at le  
Recomm

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YOU ARE HERE: [HOME](#) / [RESEARCH](#) / U.S. AUTO BODY REPAIR PRICES UP 5.1% IN JUNE COMPARED TO 2020

## U.S. Auto Body Repair Prices Up 5.1% in June Compared to 2020

JULY 14, 2021 BY COLLISIONWEEK EDITOR — [LEAVE A COMMENT](#)

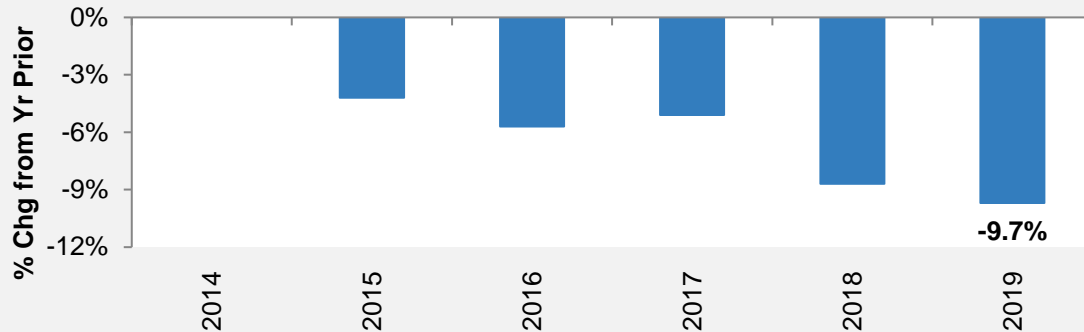
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The increase in body repair prices was below the rate of inflation for the third month in a row after 32 straight months increasing at a higher rate.

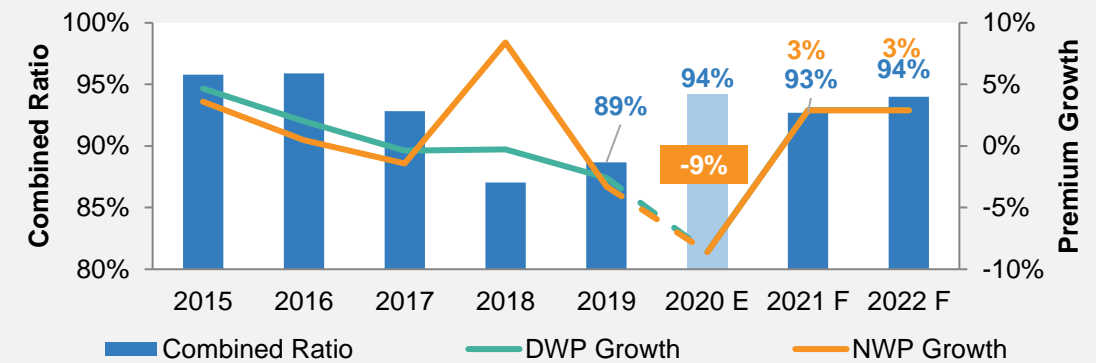


# Workers' Compensation

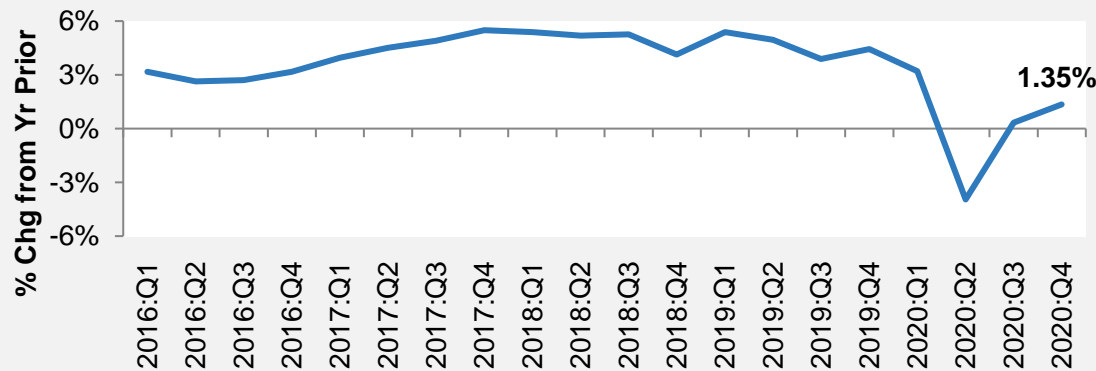
## Rate Changes



## Calendar Year Written Premium and Net Combined Ratio Projections



## Employee Compensation



## Commentary

- Through Q4, 2020 results were similar to 2019.
- WC exposures usually recover from recession more slowly than other lines.
- Exposures may be further depressed by stay-at-homes post pandemic
- **Watch for:** Expansion of presumptive claims; long-haul COVID cases. How will the variant coronavirus affect the return to work?

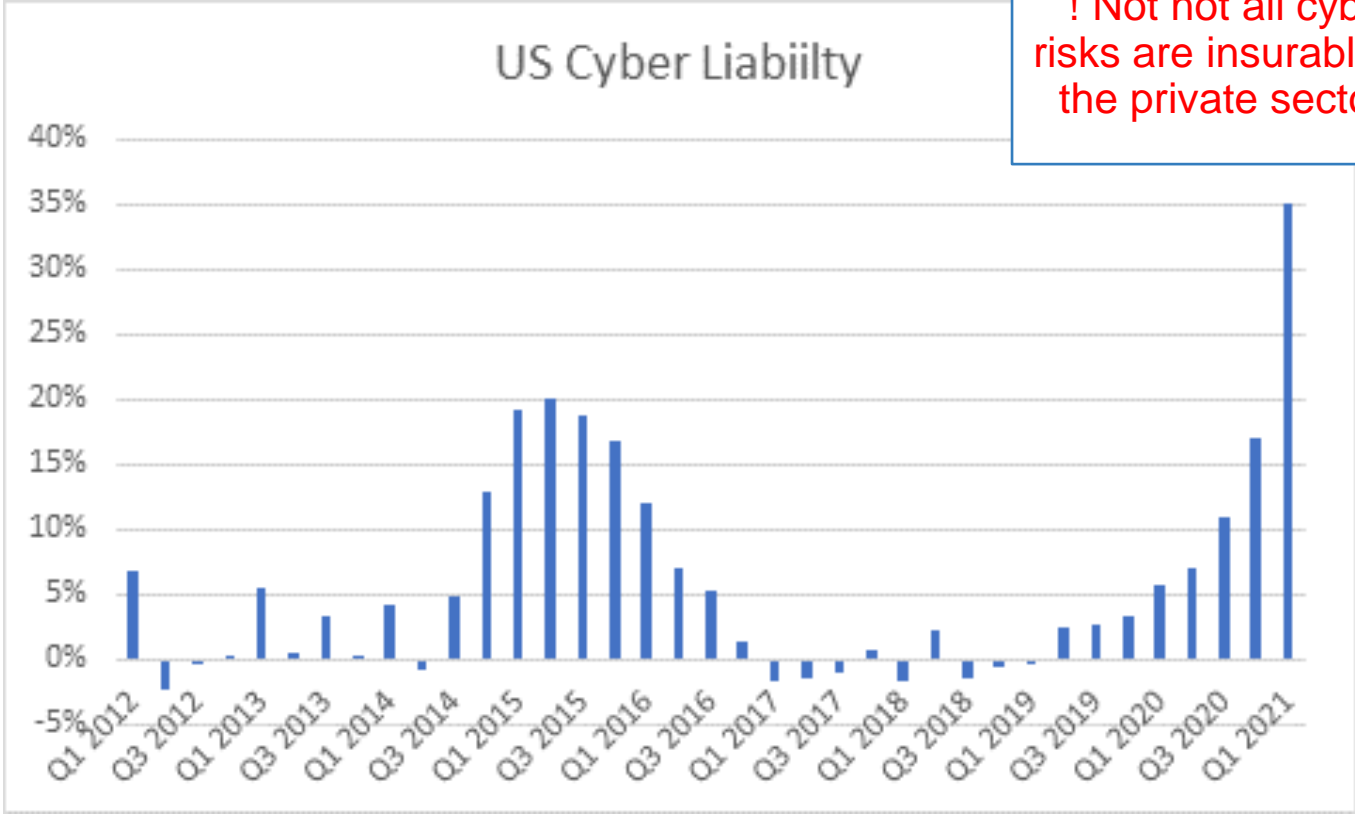
Data sources: NAIC data sourced through S&P Global Market Intelligence, MarketScout, Blue Chip Economic Indicators, Congressional Budget Office, PCS, Aon, Munich Re, Energy Information Agency, FRED (Federal Reserve Bank of St. Louis).

Analysis: Insurance Information Institute, Milliman.



# U.S. Cyber Liability Insurance Renewal Rate

! Not not all cyber risks are insurable by the private sector !



## U.S. Formally Accuses China of Hacking Microsoft

The Biden administration is also expected to organize a broad group of allies to condemn Beijing for cyberattacks around the world, but stop short of taking concrete punitive steps.

Facebook icon, WhatsApp icon, Twitter icon, Gift icon, Share icon, Bookmark icon, 313 comments



Cyber rates up 35% in Q1 2021, double the increase in Q4 2020 and largest increase since 2015.

Source: Marsh, Global Insurance Market Index, May 2021





# US PRICING: INCREASES CONTINUE; PLATEAU EXPECTED

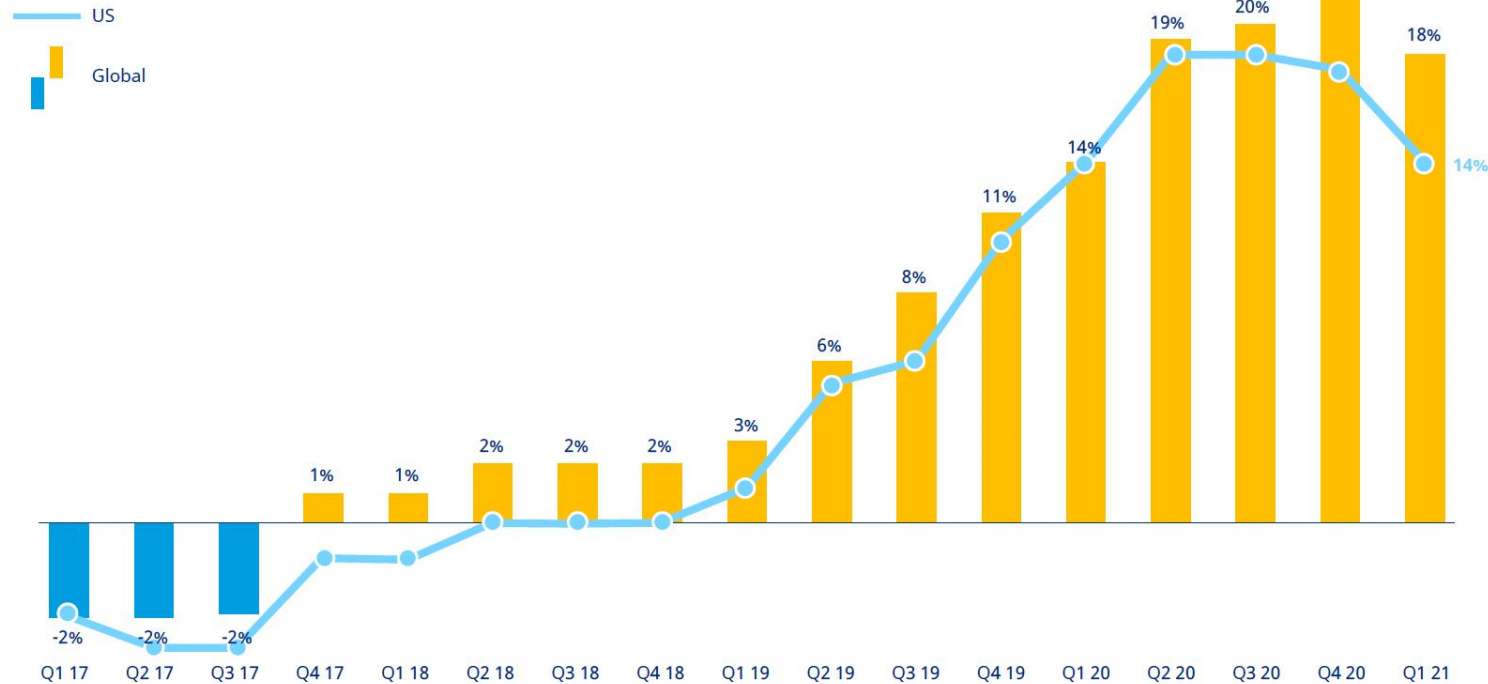
Insurance pricing in the first quarter of 2021 in the US increased 14%, year-over-year (see Figure 4). Although pricing continued to increase, the rate of increase slowed for the second consecutive quarter (see Figure 5).

**Property** insurance pricing increased by 15%, the fourteenth consecutive quarter of increase.

- Pricing increases slowed each month of the first quarter, with greater reductions on catastrophe (CAT) risks.

- Multi-layered programs generally renewed at a higher rate, an average of 22%, while single-layer programs generally renewed with smaller increases, averaging 12%.
- Rates appeared to be at, if not above, technical pricing levels. Some insurers were more assertive, and writing new business.
- New capital providers entered the property market.
- Pricing increased in 80% of renewing placements; 26% of programs reduced limits.

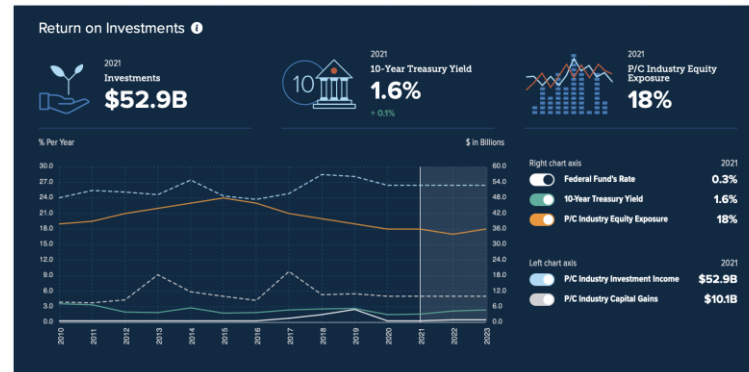
## 04| US composite insurance pricing change



Source: Marsh Specialty and Global Placement

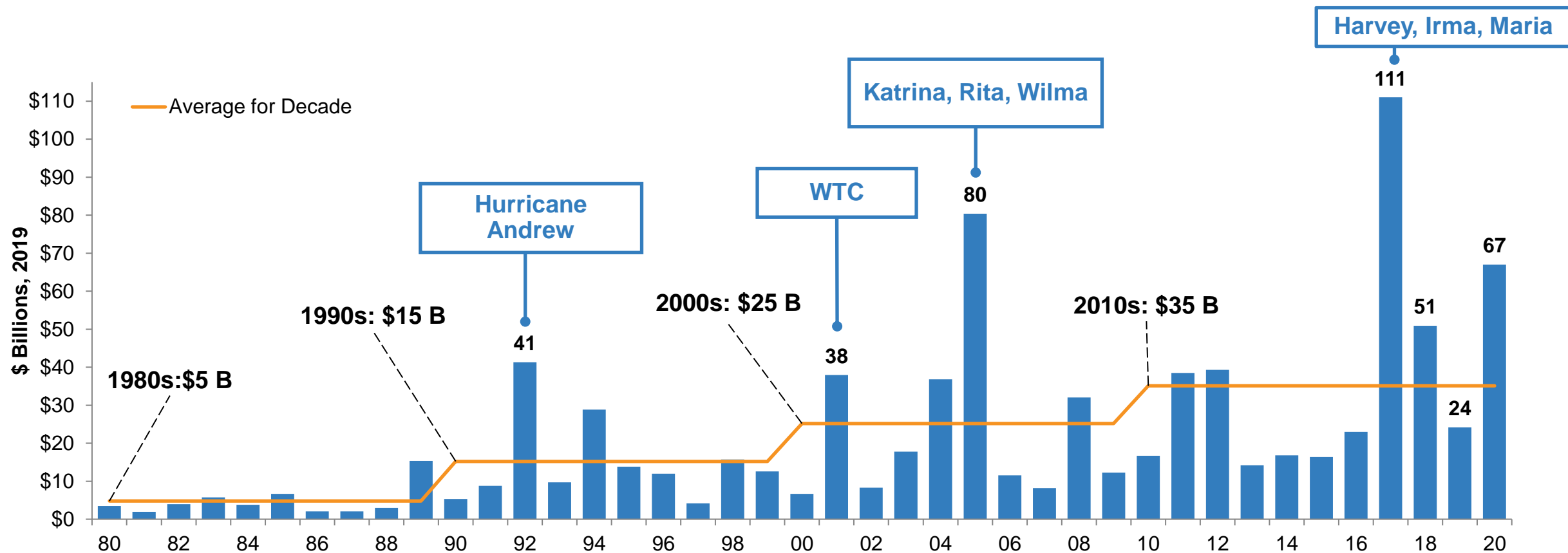
# Triple-I's Insurance Economics Outlook and Dashboard

[economics.iii.org](https://economics.iii.org)



# Insurance and ESG

# U.S. Inflation-Adjusted Insured Cat Losses

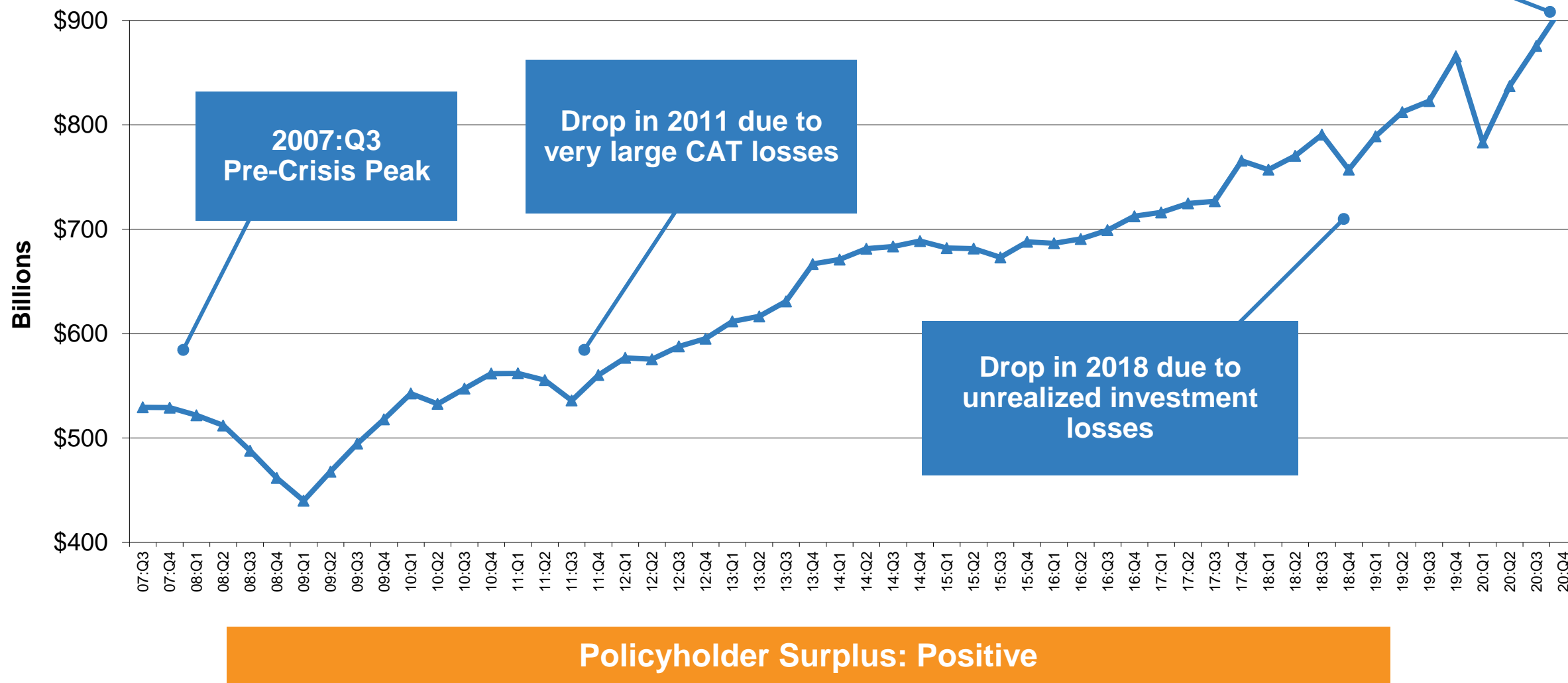


**Insured Cat Losses Are Increasing At An Alarming Rate –Nearly 700% Since 80's**

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



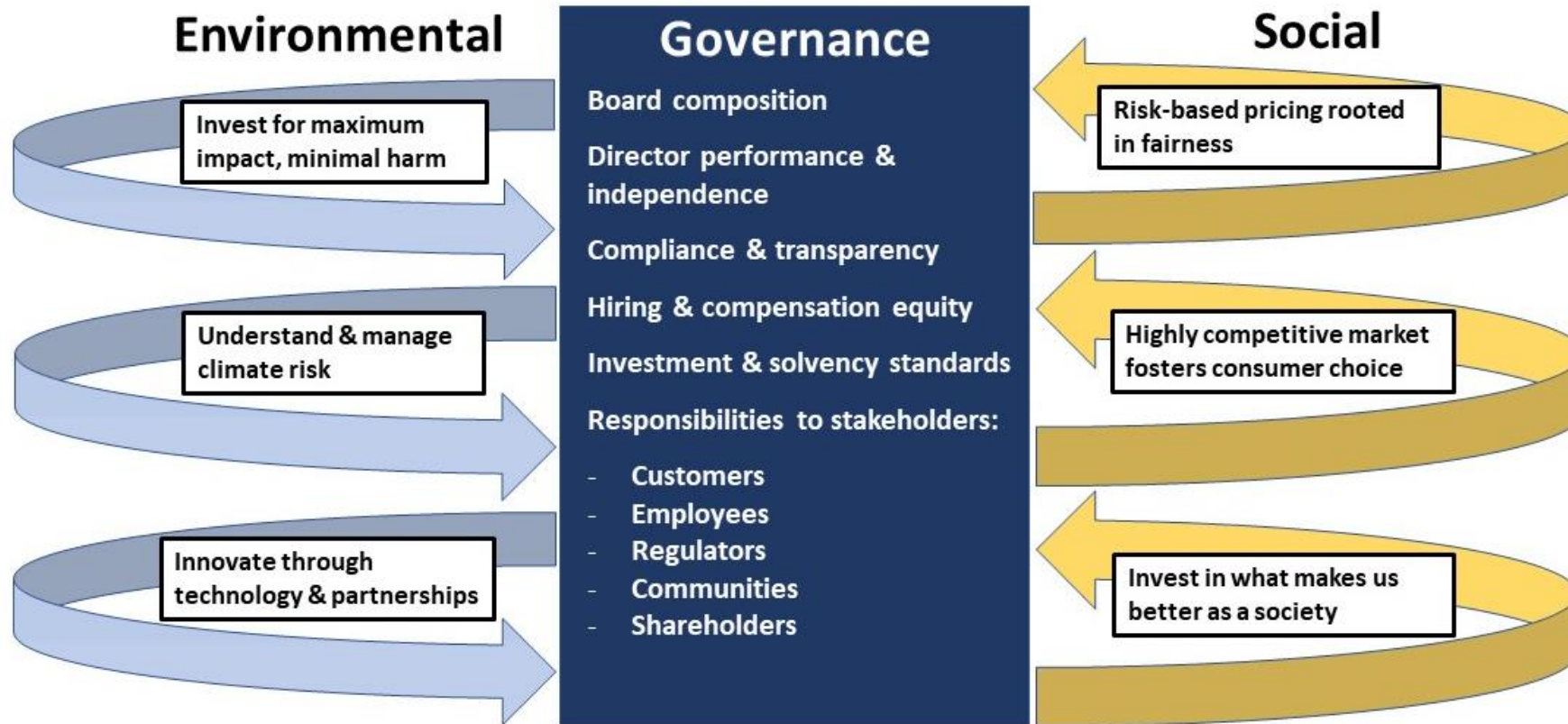
# Macro Solvency a.k.a. Policyholders Surplus 2007-2020 Quarterly



Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.



# ESG: Is In Insurers' DNA



## Bottom Line:

- Regulated by 50+ jurisdictions
- NAIC Risk Management & Own Risk and Solvency Assessment (ORSA) model
- Climate risk/resilience research/information sharing (e.g., Triple-I Resilience Accelerator)
- Investment in diverse, inclusive work force; community aid; financial literacy; and other social goods

# Insurers' ESG Focus At A Glance

## Driving Resilience



- ▲ From “recovery and repair” to “predict and prevent”
- ▲ Risk partners and financial first responders for families, businesses, and communities
- ▲ Sophisticated hazard modeling and data-driven loss control support informed risk taking

## Giving Back



### COVID:

- ▲ U.S. auto insurers returned over \$14 billion to customers in response to reduced driving during COVID-19 pandemic
- ▲ Insurers have pledged more than \$280 million in donations to organizations fighting the pandemic

## Sharing Insights



Nonprofits driving understanding of insurance for diverse audiences:

- ▲ Griffith Foundation
- ▲ Insurance Information Institute
- ▲ Insurance Institute for Business and Home Safety
- ▲ Insurance Research Council
- ▲ National Association of Insurance Commissioners
- ▲ Society of Insurance Research





# RESILIENCE ACCELERATOR

Minimize Risk | Speed Recovery

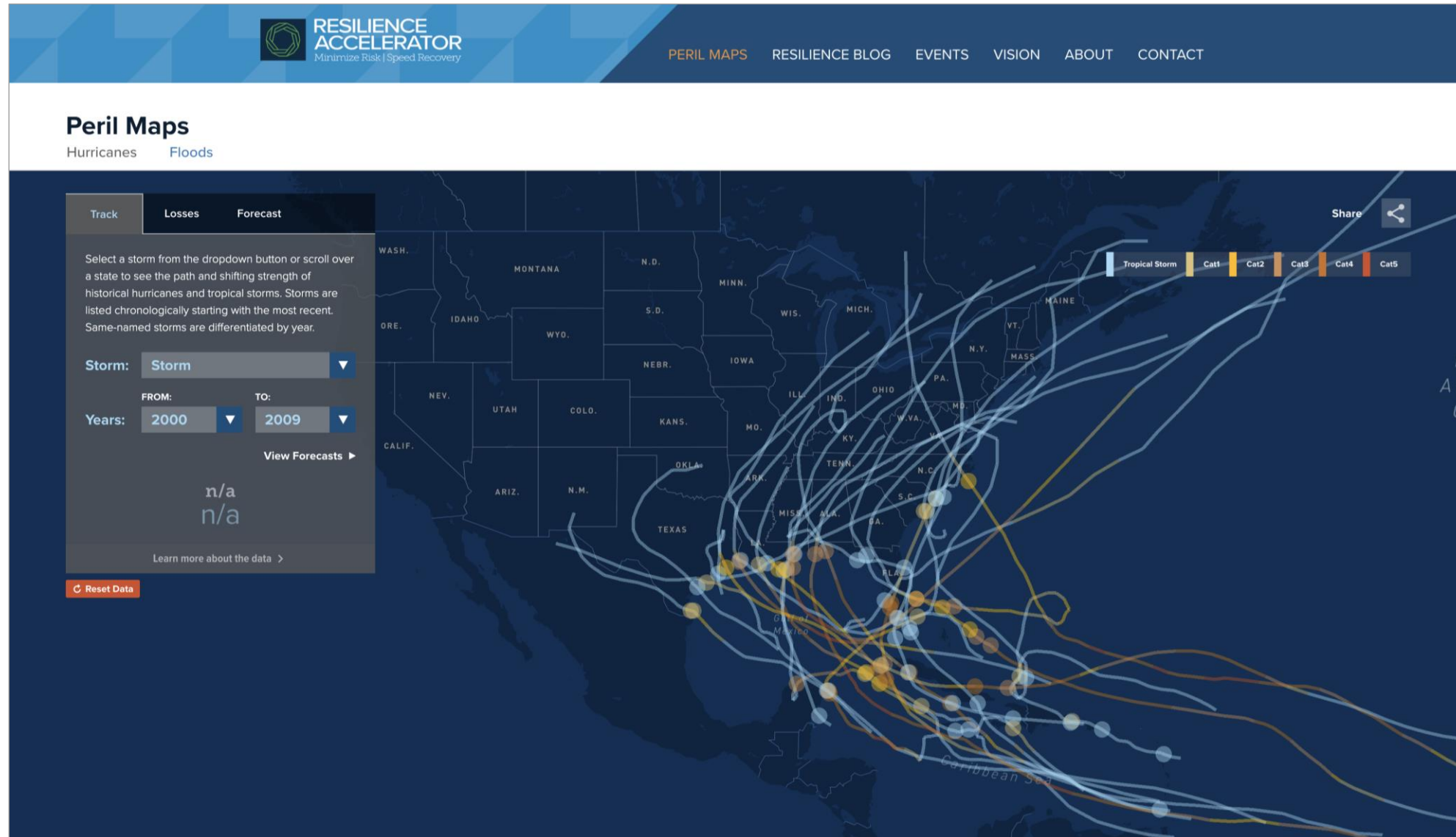


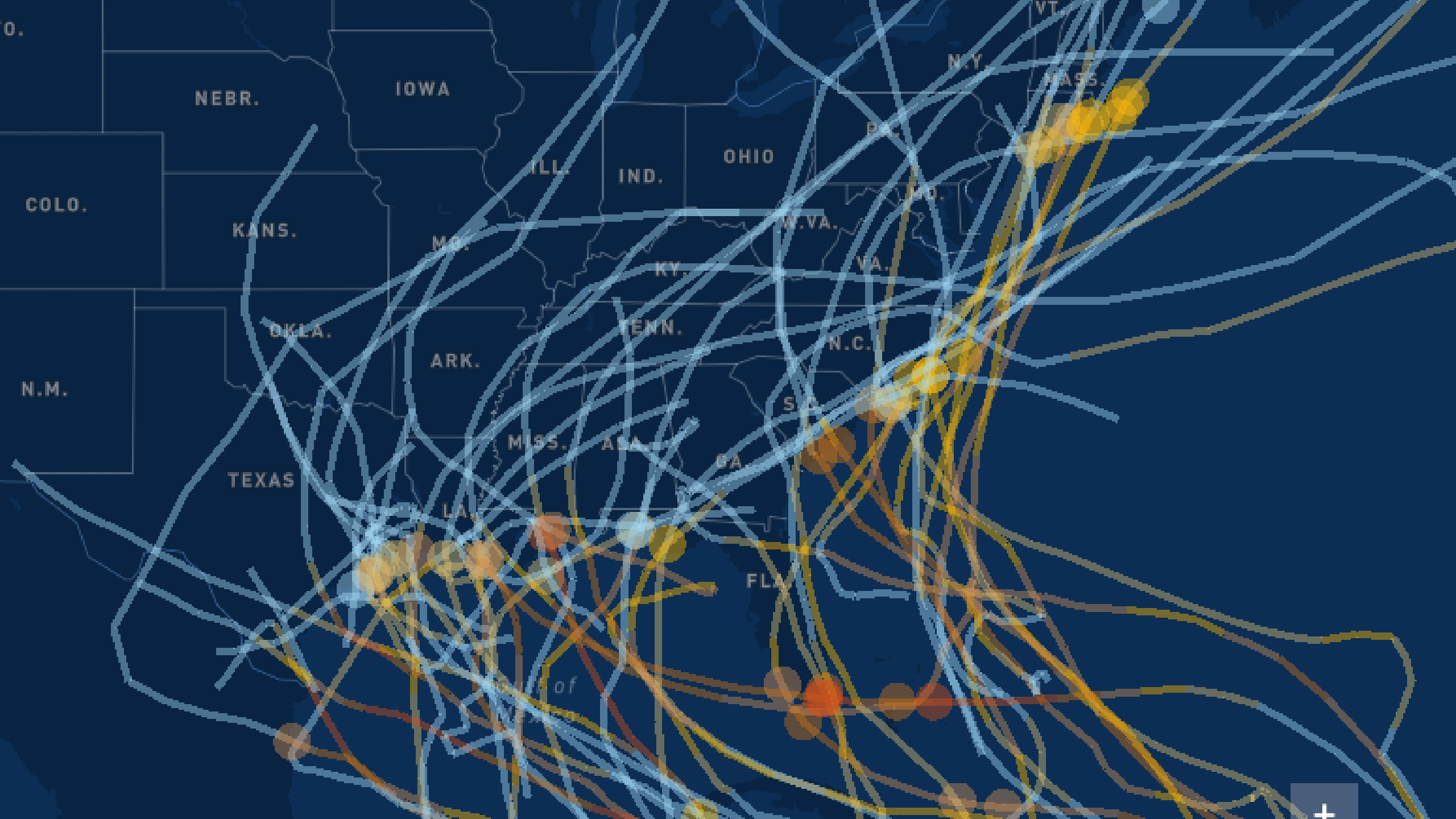
INSURANCE  
INFORMATION  
INSTITUTE

An initiative of the



# 2000 to 2009 Hurricane Track







# 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





# Action Partners



- ▲ Triple-I Members
- ▲ Carriers, Reinsurers and Brokers
- ▲ Insurance Trade Associations
- ▲ Nonprofits and Foundations
- ▲ Regulators
- ▲ Academia



**FEMA**



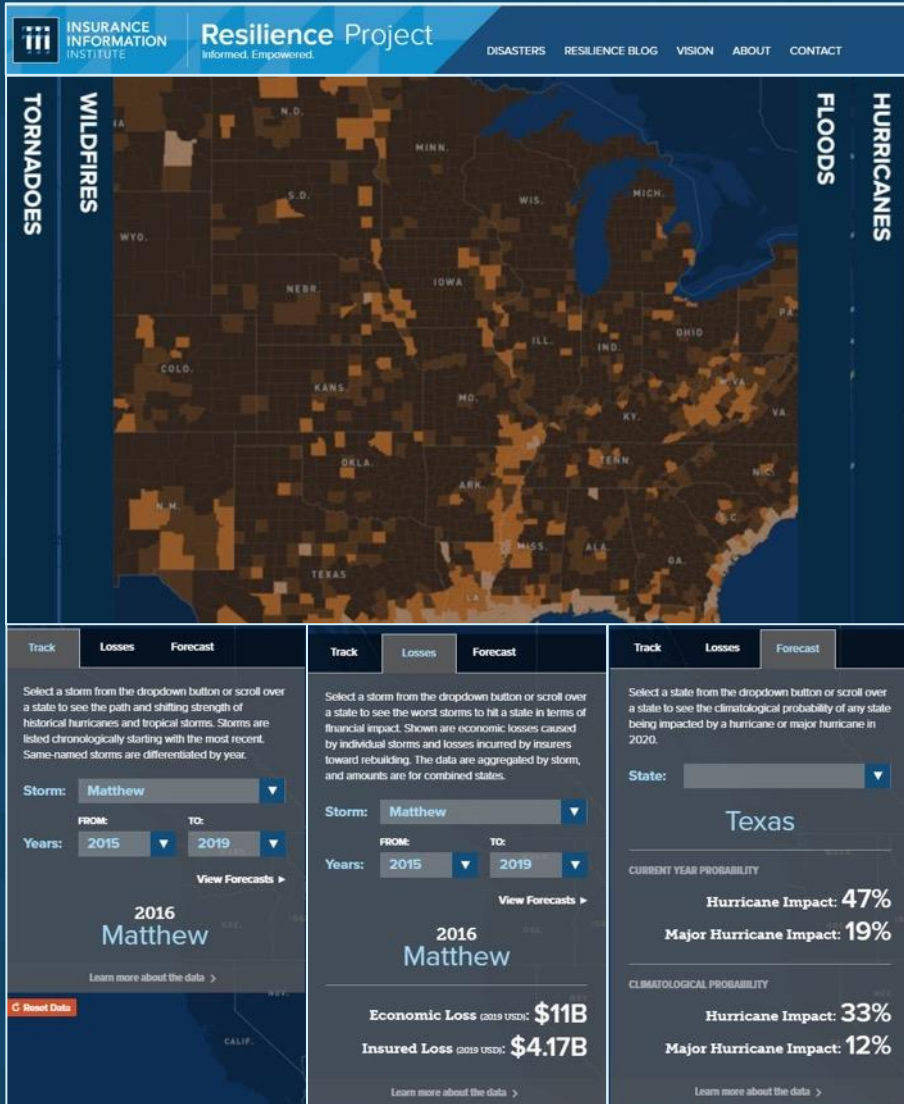
**AON**



**ResilientH2O Partners**  
Innovative Tech | Integrated Risk Mitigation



**Wharton**  
UNIVERSITY of PENNSYLVANIA



## 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

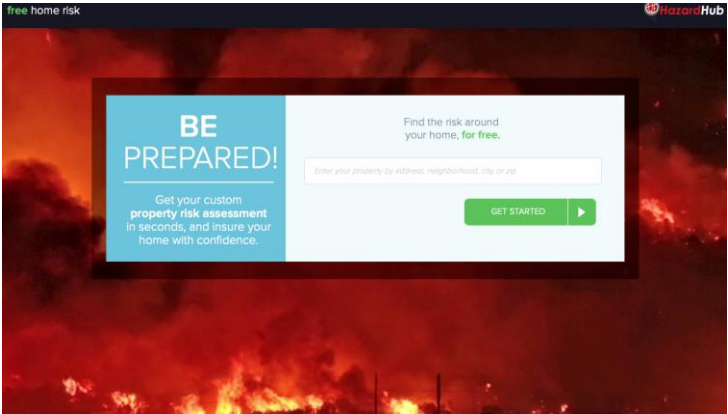


We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.

July 10, 2020







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+  
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[ ]

free home risk Risk Property Scan

2000 15th St N, Arlington, VA, 22201-2610

We searched our database for Hazards that could affect this property's risk profile

34 risk checks completed  
23 trigger for your address

EARTH

Fracking Earthquake

Fault Earthquake

Designated Fault

Earthquake

Mine Subsidence

Radon

Landslide Susceptibility

Volcano

FIRE

Fire Protection Class

Wildfire

Drought

Fire Hydrants

AIR

Hurricane

Wind

Hail

Tornado

Lightning

Wind Pool

Special Wind Regions

Wind Born Debris

Thunderstorms

WATER

Tsunami

FEMA Flood Grade

Hazard Hub Flood

Sinkhole

Surge Max

MAN-MADE

Brownfield

Superfund

Crime

Nuclear Site

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# Final Thoughts







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Informed. Empowered.

Thank you!

[www.iii.org](http://www.iii.org)