



INSURANCE
INFORMATION
INSTITUTE

Insurance: Vanguard of the Resilient

Elevate Conference
Salt Lake City, Utah
February 12, 2019

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I.I.I. Mission Statement



Improving public understanding
of insurance...

...what it does and how it works.

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

An Age of Disruption

Economics



Strengthening
Fundamentals:

All OECD economies
growing – 1st in 10 yrs.



Tepid monetary policies;
keeping interest rates at
historical lows — moving
slow...



Fiscal policies, i.e. tax
reform and deregulation
surfacing.

Geopolitical



Rise in Nationalism: Brexit,
U.S. – Populist vote in
Europe tripled since 2000*.



Political gridlock in
Congress, with 2018
election lurking.



“Major conflict threat
greatest since WWII” – US
Intelligence Report to
Congress

* Source: Harvard University, Tony Blair Institute

Technology



Robotics
Artificial Intelligence



“The Fourth Industrial
Revolution”
Cyber meets Physical



Big Data
Internet of Things
Social Economy

Catastrophes

Extreme Weather Threatens Union

1982 Union, Missouri, Flood

A Storm for the Ages



Bourbeuse River
Record Crest
33.8 feet
12/5/1982

2015 Union, Missouri, Flood

A Storm for the Ages



Bourbeuse River
Record Crest
34.3 feet
12/29/2015



Sources: CBSnews.com; fox2news.com

2017 Union, Missouri, Flood

“Unfortunately, it’s a river and Mother Nature.
And we can’t control her.”



Bourbeuse River
Crest
30.1 feet
May 2-3, 2017

Extreme Events: A Troubling Trend

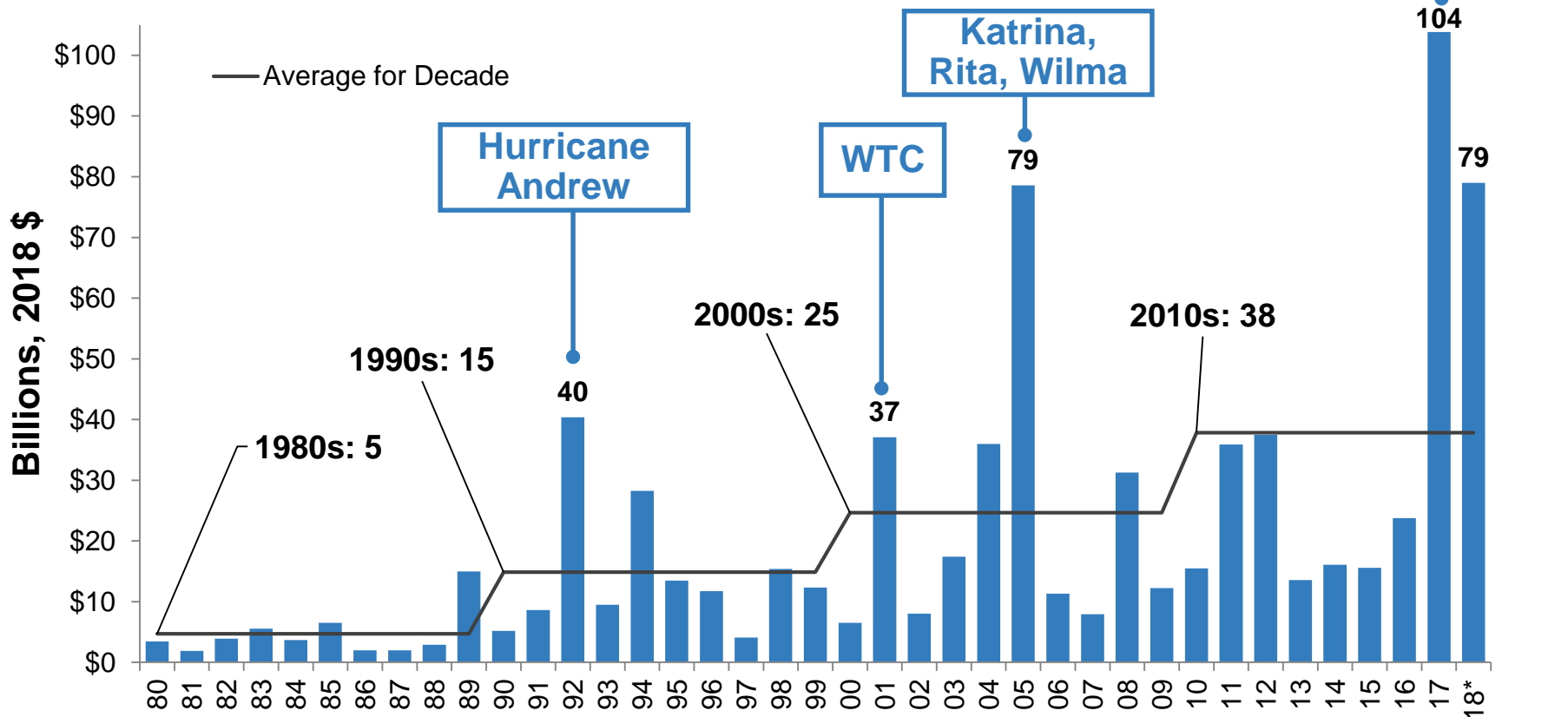
Rank	Date	Event	Cause
1	Aug. 2005	Hurricane Katrina	Hurricane
2	Sep. 2017	Hurricane Maria	Hurricane
3	Sep. 2017	Hurricane Irma	Hurricane
4	Sep. 2001	September 11 Events	Terrorism
5	Oct. 2012	Hurricane Sandy	Hurricane
6	Aug. 2017	Hurricane Harvey	Hurricane
7	Aug. 1992	Hurricane Andrew	Hurricane
8	Jan. 1994	Northridge, CA earthquake	Earthquake
9	Sep. 2008	Hurricane Ike	Hurricane
10	Oct. 2005	Hurricane Wilma	Hurricane

Three of 10 Worst US Catastrophes Occurred in 2017.



Source: The Property Claim Services® (PCS®) unit of ISO®, a Verisk Analytics® company.

U.S. Inflation-Adjusted Cat Losses



**2018 – Second worst year for U.S. Insured Catastrophe Losses.
Average Insured Loss per Year for 1980-2018 is \$18.5 B.**

*2018: Inflation-adjusted PCS estimate, subject to change. 2010s is average of 2010 to 2018.
Sources: Property Claims Service, a Verisk Analytics business; Swiss Re; Insurance Information Institute.



Disruptive Forces in the World – The New Norm

Catastrophes

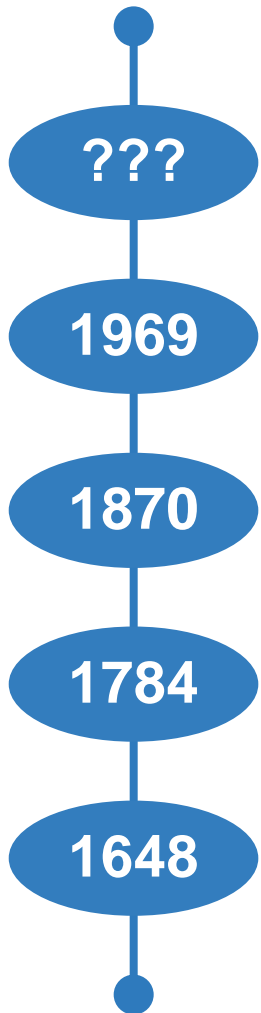
Economics

Geopolitical

Technology



Insurance Leading Throughout History



Cyber-Physical Systems

Insurance: Leading the Way

Education & Analysis

Closing the Coverage Gap

- ▲ 2005-2015: \$1.3 Trillion in Uninsured Losses
- ▲ 70 Percent of Catastrophe Losses Are Uninsured



Extreme weather Insurance industry initiatives



■ I.I.I. white paper



■ The Actuaries Climate Index: USA and Canada by Region, 2018 Winter

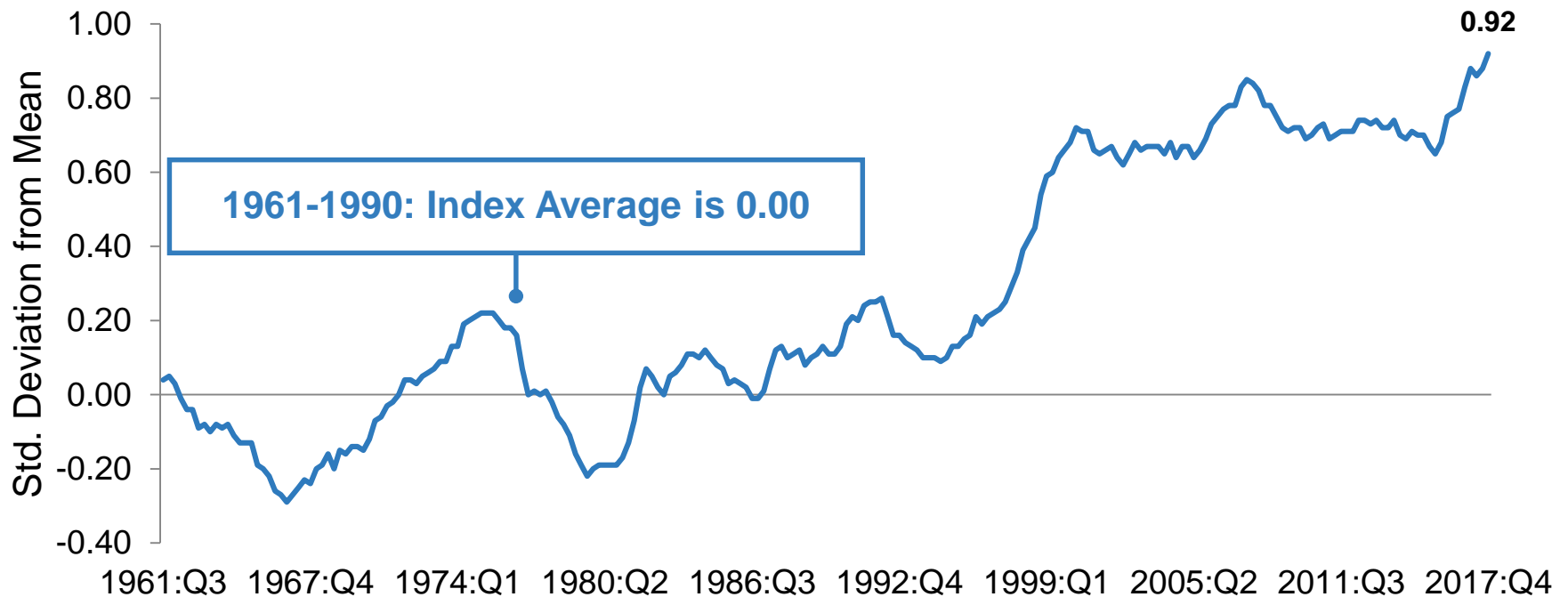


■ IBHS resources

Education & Analysis

Actuaries Climate Index – Measuring Weather Extremes

Seasonal Five-Year Moving Average, United States



Index Measures Frequency of Extreme Events (Heat, Cold, Drought, Wind, Rain, Sea Level) Vs. 1961-1990 Average

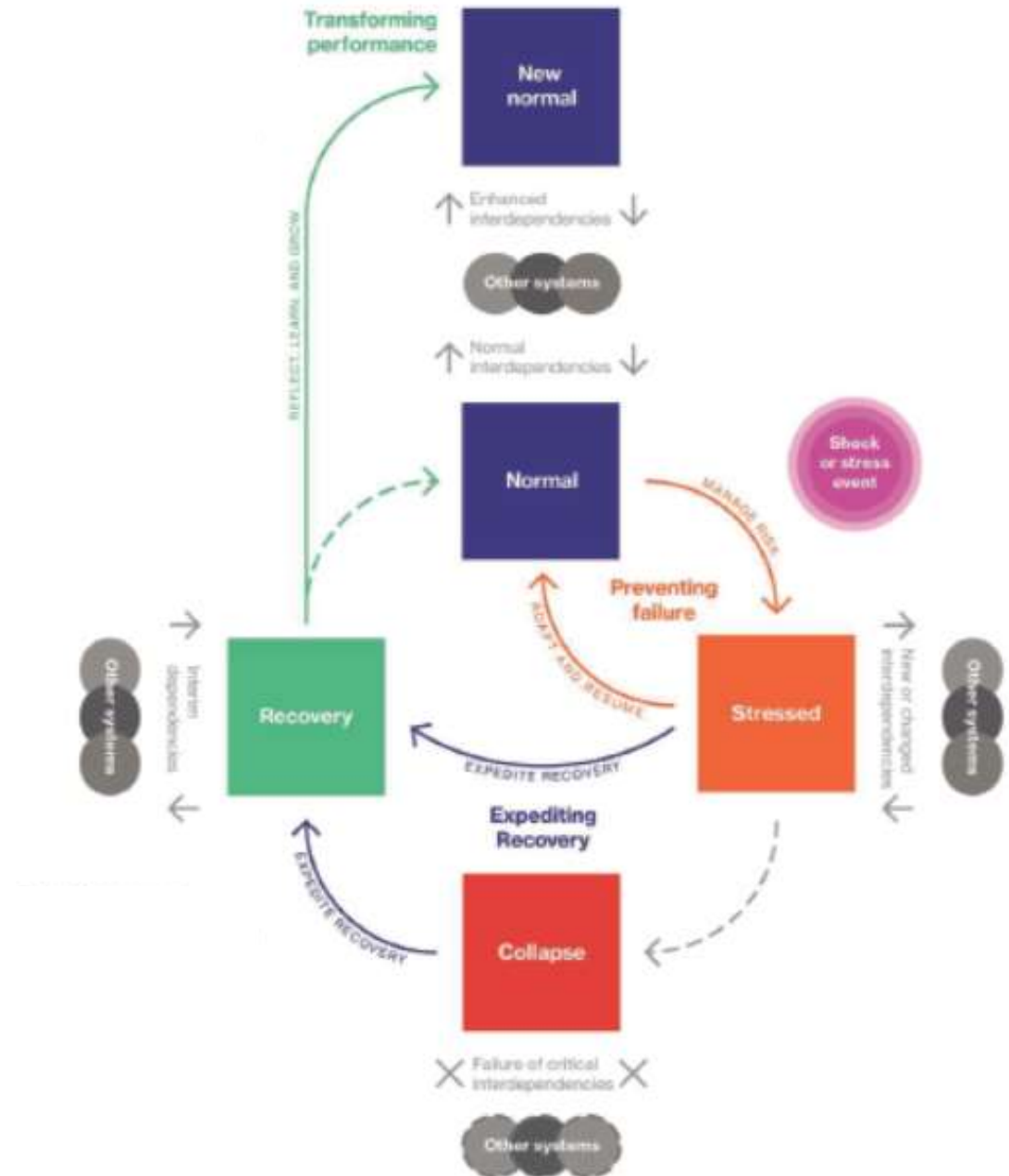


Future Cities

Lloyd's Initiative

To Improve Resilience

- ▲ Prevent Failure
- ▲ Expedite Recovery
- ▲ Transform Performance



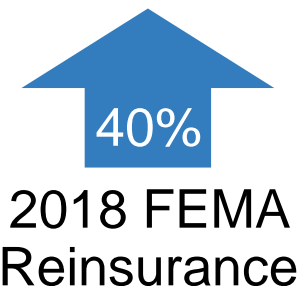
(Re)insurance Products

Private Industry

Case Studies

FEMA Reinsurance

- Through a \$150 million purchase of private reinsurance products, FEMA was able to recover approximately \$1 billion, or an eighth of its total 2017 losses.



NFIP NatCat Bonds

- By issuing new natural catastrophe bonds geared towards institutional investors, the NFIP can bring an estimated \$500 million of additional reinsurance coverage.



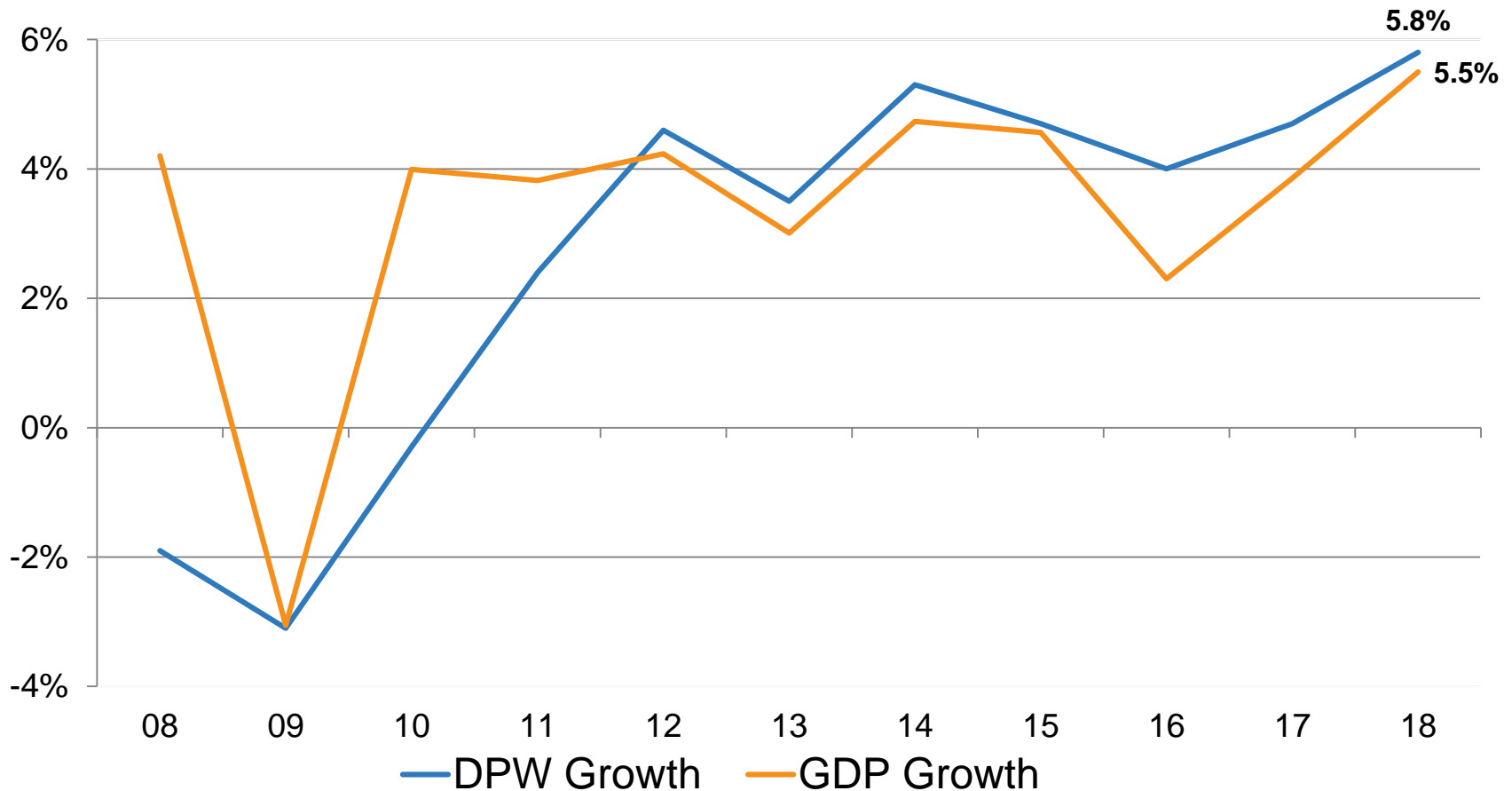
Private Market Flood Products

- During 2017, the private flood insurance market added 50 new carriers. Direct private flood insurance premiums written reached \$630 million, an increase of \$217 million over 2016.



Insurance Industry Economic Trends

Direct Premium Growth, Annual Change



▼ Direct Premiums Continue to Track Economic Growth

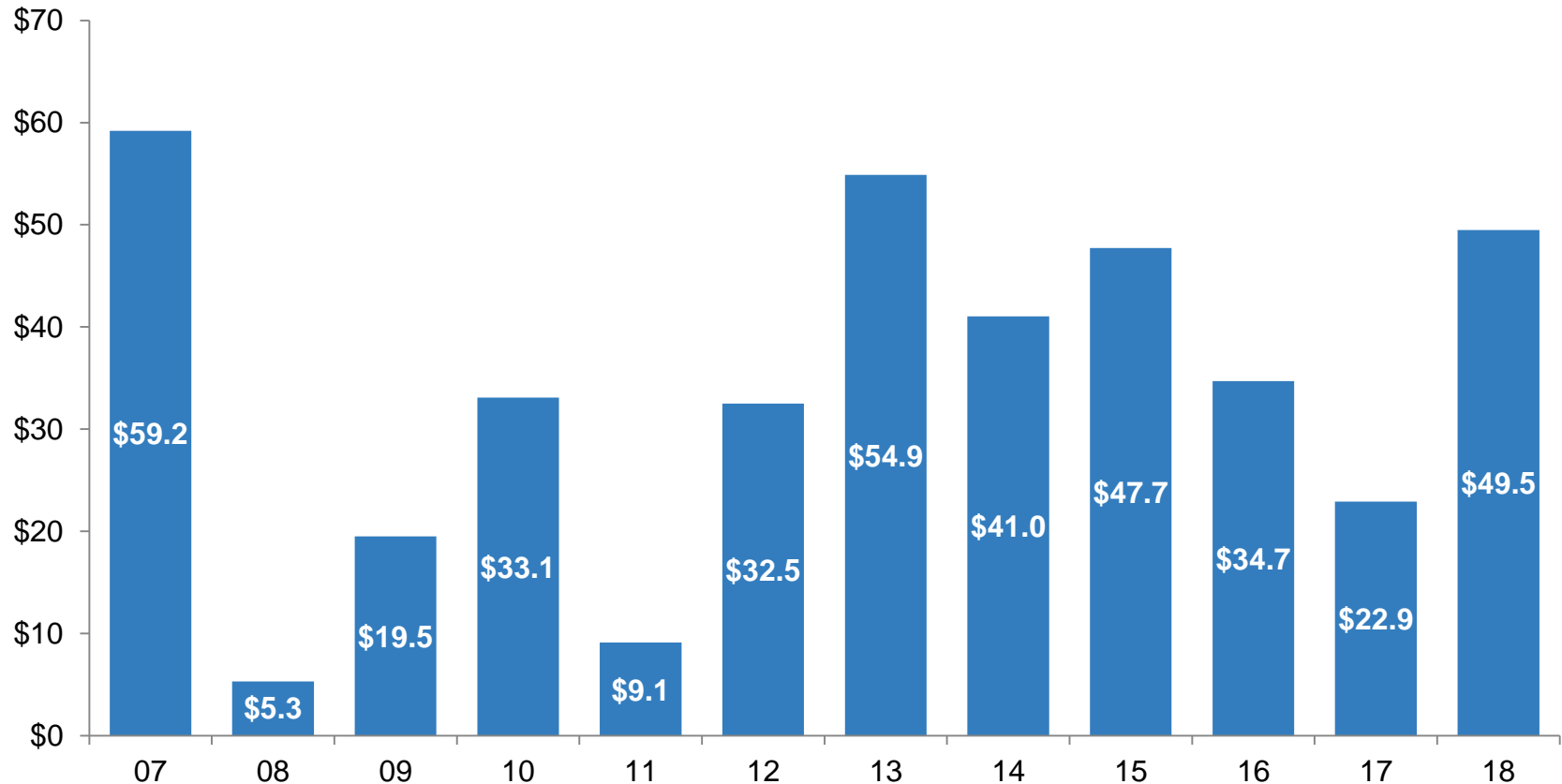


All data through second quarter.

SOURCES: NAIC data sourced through S&P Global Intelligence, Bureau of Economic Affairs, Insurance Information Institute.

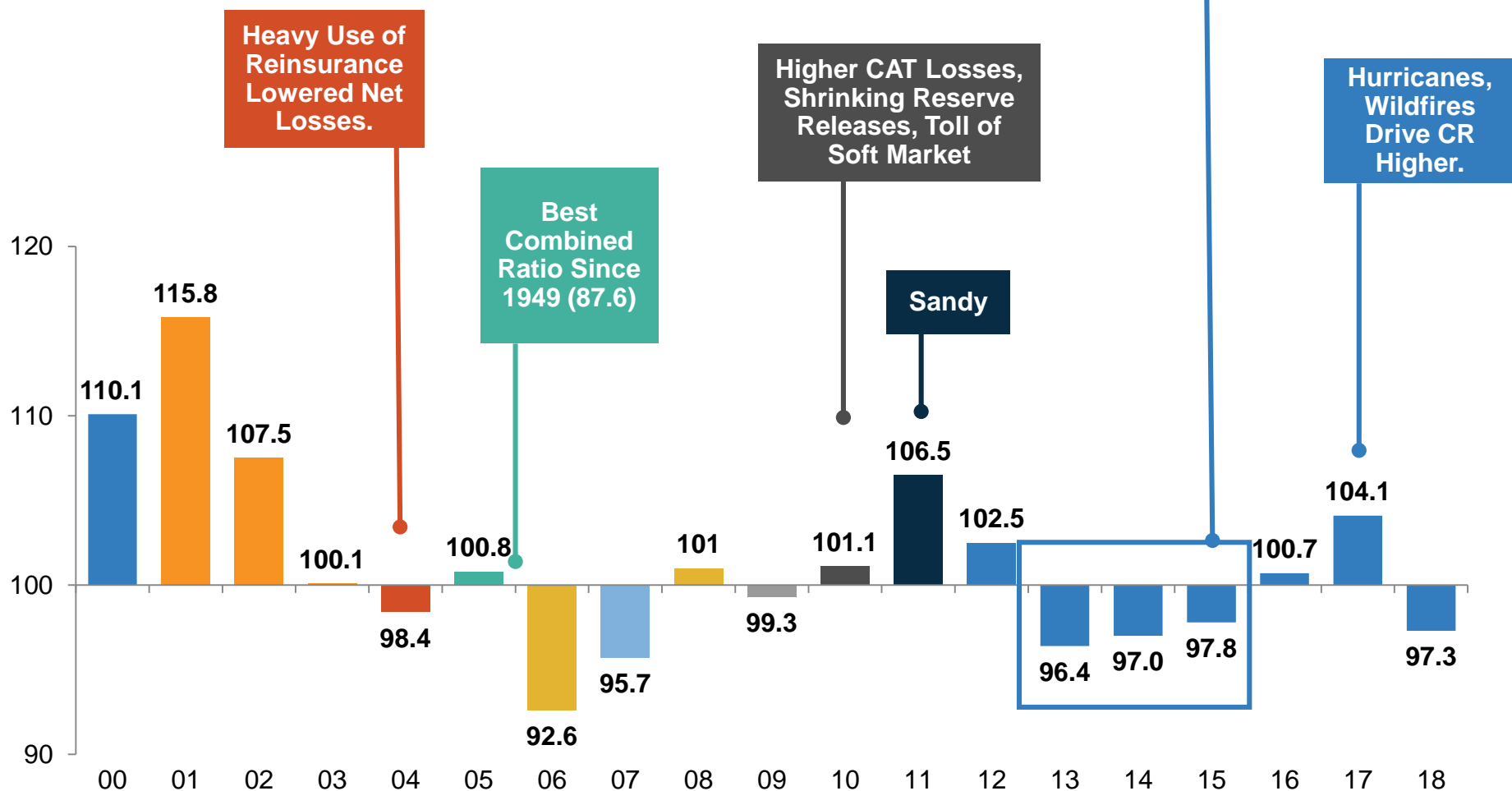
P/C industry net income after taxes

Billions, 2018 dollars



▼ Catastrophes Drove Earnings Down in 2017, Continuing a Four-Year Slide in Inflation-Adjusted Profits.

P/C Insurance Industry Combined Ratio, 2000-2018*



*Excludes Mortgage & Financial Guaranty insurers 2008-2014.

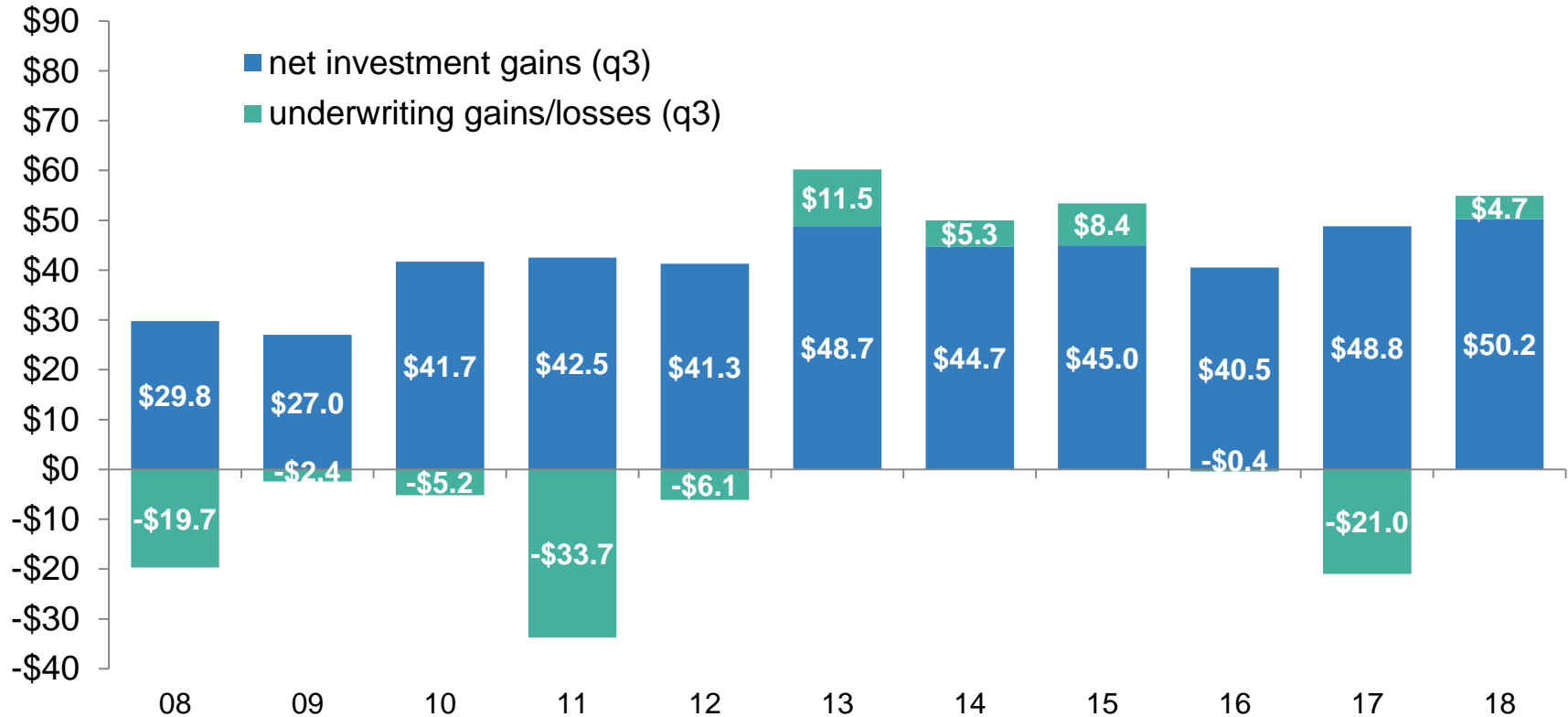
Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012=103.2; 2013= 96.1; 2014= 97.0.

Sources: A.M. Best; ISO, a Verisk Analytics company; I.I.I. estimate for 2018.



Key sources of P/C insurer profits

\$ Billions

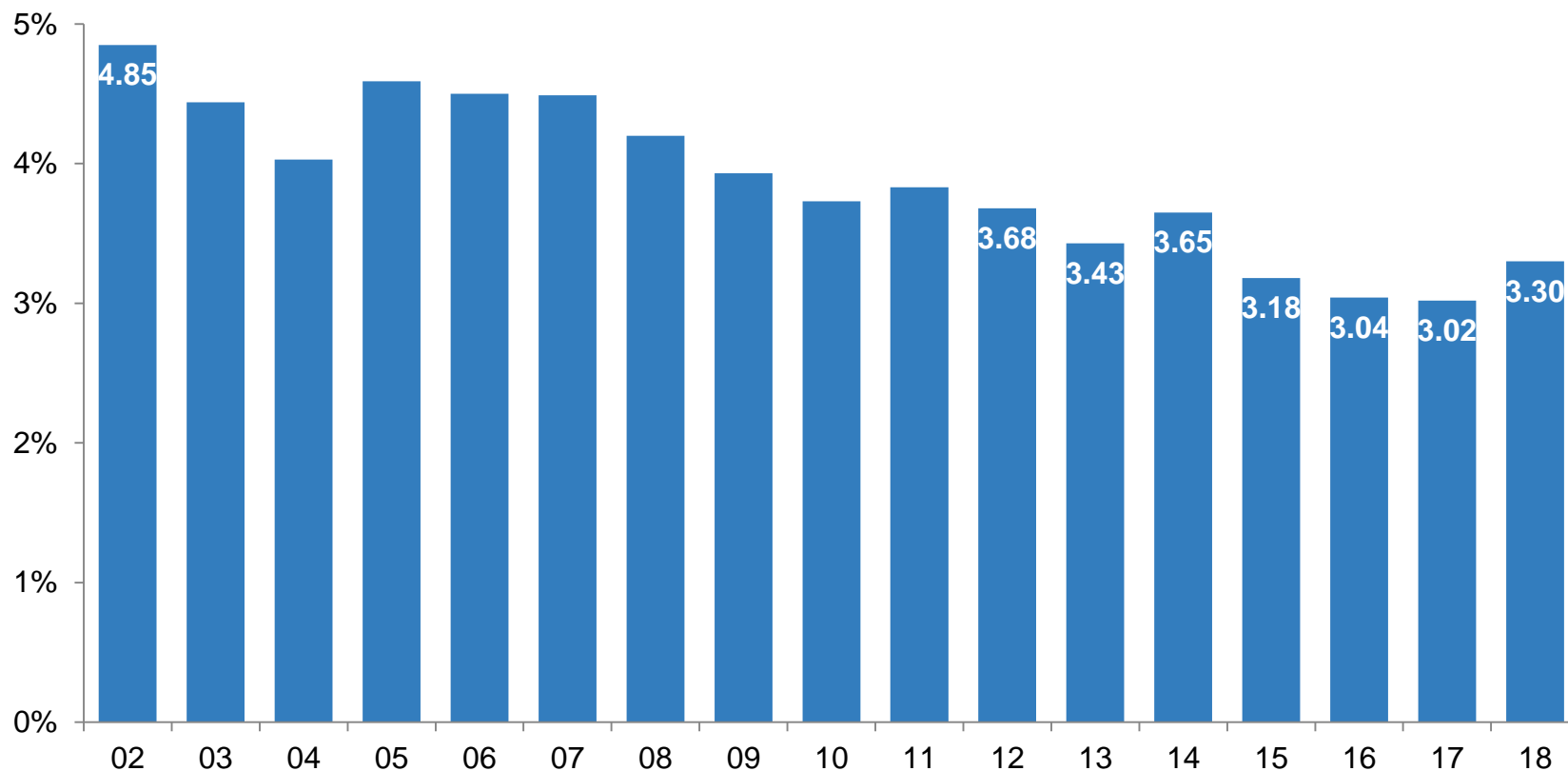


Data are before taxes and exclude extraordinary items.

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



P/C Insurer Portfolio Yields



▼ **Yields Have Been Falling for Over a Decade, Reflecting the Long Downward Trend in Prevailing Interest Rates.**

Insurance: Disruption or Transformation?

The (Re)Insurance Value Chain

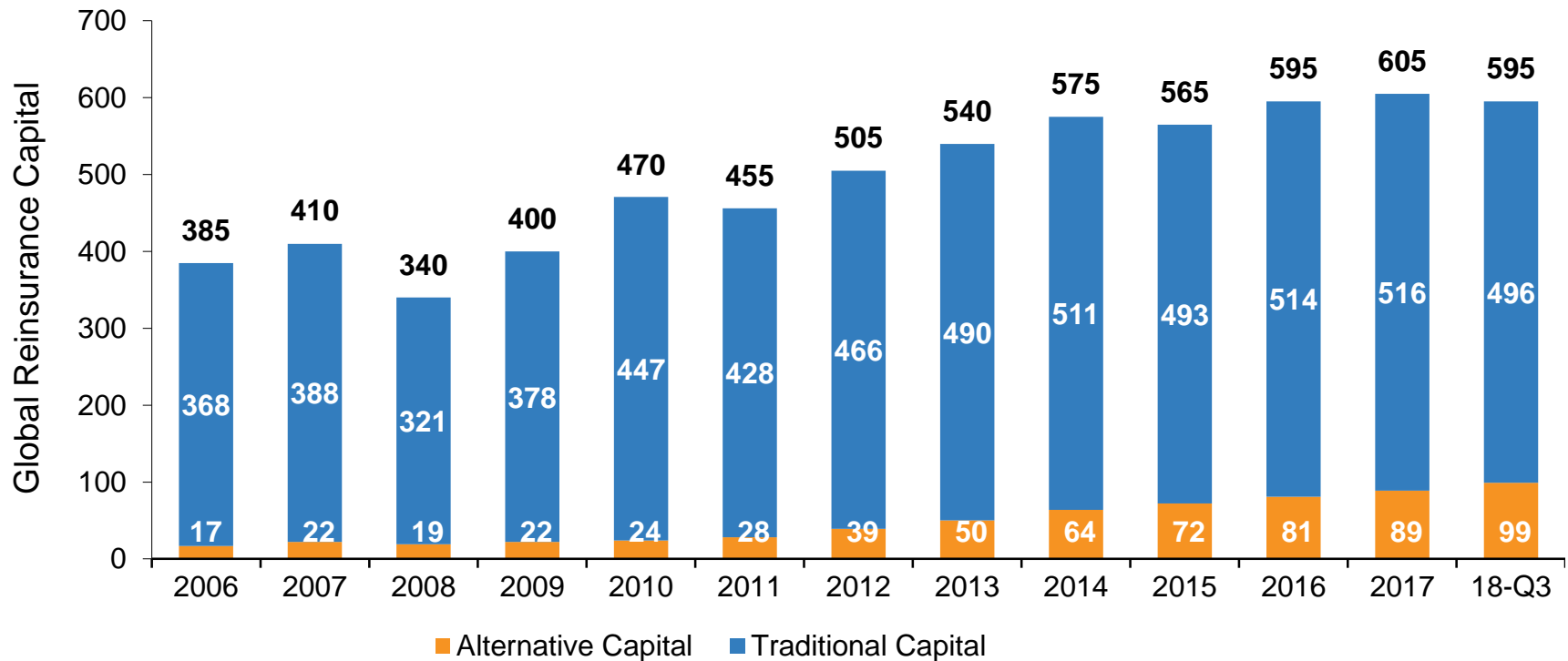
Where Could Disruption/Transformation Lie?



These Disruptions Usually Start in Personal Insurance, Will Move to Commercial Insurance.

Alternative Capital Potentially Disrupting the Bank Account

(Billions of USD)



Alternative Capacity Has Grown 480% Since 2006. It Has More Than Quadrupled in the Past Six Years.



Source: Aon Benfield Analytics; Insurance Information Institute.

The Internet

Will It Disrupt Marketing?

▲ Lead Generators

- ◆ InsWeb, NetQuote, Insurance.com
- ◆ Site allows comparison shopping, sells lead to insurer

▲ Call Center Agencies

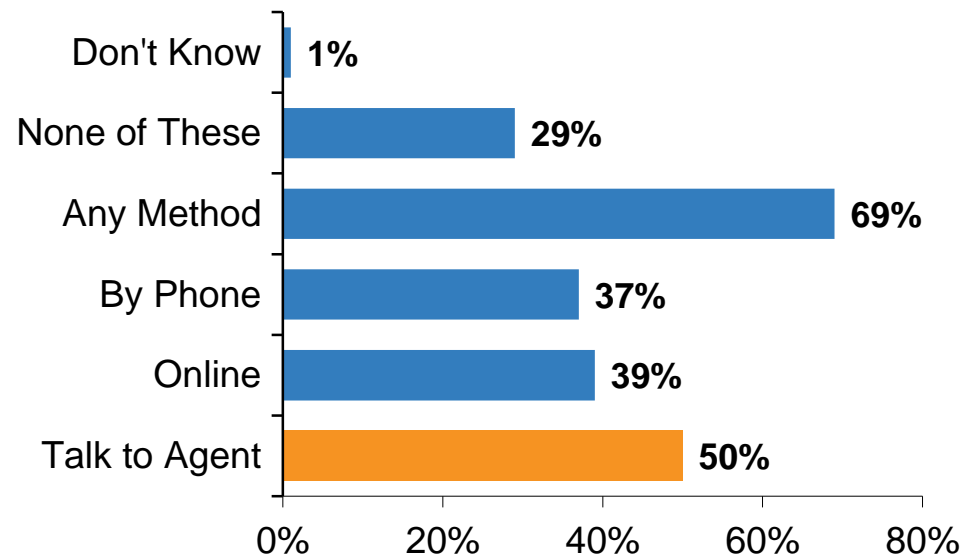
- ◆ SelectQuote, Goji
- ◆ Call center employs agents

▲ Digital agencies

- ◆ Esurance, Policy Genius
- ◆ Quote and buy online

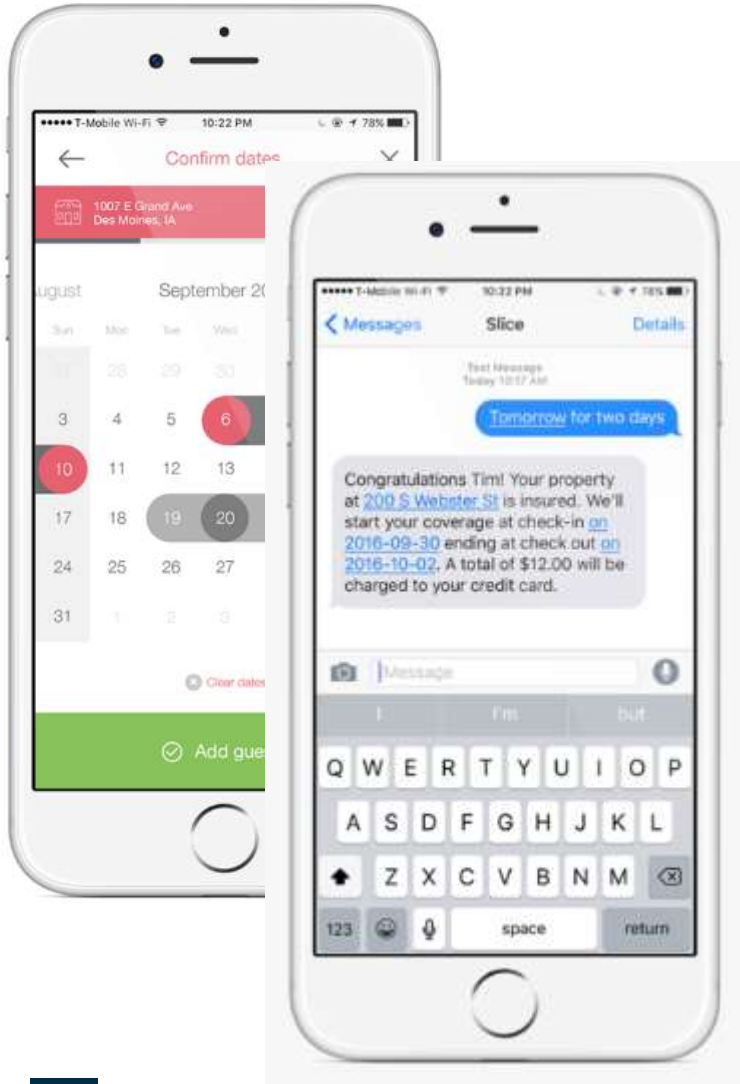
But Customers Still Like Agents

▲ Did You Compare Prices When Your Auto Policy Was Up for Renewal?



SOURCES: The New Age of Insurance Aggregators, <http://insurancethoughtleadership.com/the-new-age-of-insurance-aggregators/>; Insurance Information Institute November 2015 Pulse Survey.

Pricing Disruptor: The Fragmented Risk



Loss Control Disruptor

The Internet of Things

Telematics Today



Telematics Tomorrow

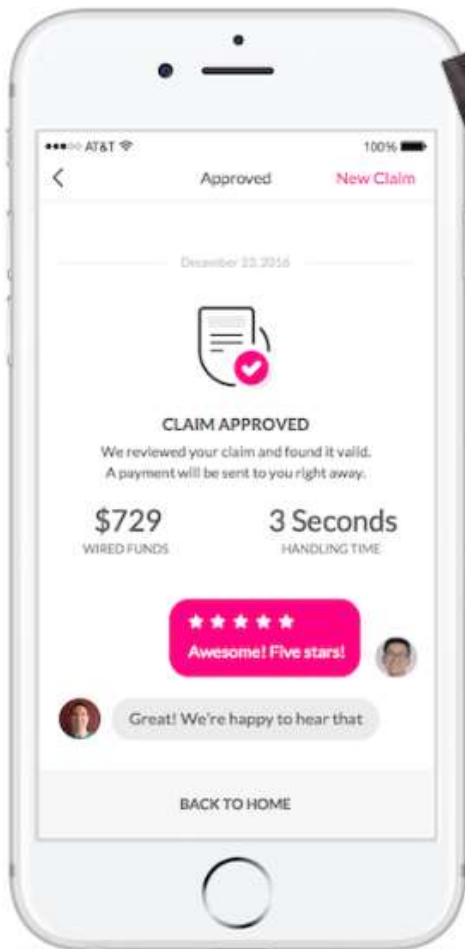


Apple iWatch





























Claims Disruptor

Artificial Intelligence + Behavioral Economics

Lemonade



InsurTech Startups Have Broad Range...BUT...

Risk	Health
Insurance Marketplace <div>        </div>	
Digital Brokers <div>     </div>	
Peer to Peer <div>     </div>	Health Navigators <div>         </div>
Micro-duration Coverage <div>   </div>	
Telematics <div>    </div>	



Source: Aon.

...With Broad Incumbent Support

metromile



\$205M

CoverHound



\$57M

ONE, INC.



\$37M

policygenius



\$21M

Slice



\$4M



Note: Total funding.
Source: Aon.



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Thank you!

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