Insurance Leading Through Disruption

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Chief Executive Officer

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The Disruption Continuum

- Catastrophes
- COVID
- Economics
- Geopolitical
- Social Unrest
- Technology

INSURANCE
A New Milestone for Measuring Success

Economic Growth

Community Well-being

Capital Protections

Resilience

Fairness & Equality
## 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

<table>
<thead>
<tr>
<th>Customers</th>
<th>Community</th>
<th>Employees</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto insurers have returned <strong>$14 billion</strong> so far to customers' pockets around the country through premium relief</td>
<td>Insurers have pledged <strong>more than an estimated $280 million</strong> (according to III/Insurance Industry Charitable Foundation) in donations to the national and local organizations fighting this pandemic on the frontlines</td>
<td>Employing more than <strong>2.8 million Americans</strong>, Insurers are taking care of their employees—many pledging no layoffs during the ongoing crisis</td>
<td>Insurers are implementing <strong>innovative solutions</strong> to carrying out daily operations while respecting social distancing</td>
</tr>
</tbody>
</table>
Underwriting Trends
COVID-19’s Impact

Unprecedented Spread of Loss, Deterioration of Exposure

**Potential Loss Impact**

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

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

**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

**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.

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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.
Financial Trends
Surplus Has Rebounded from Q1 Decline Caused by Unrealized Capital Losses (Stock Declines). 78 Cents of Premium per Dollar of Surplus.
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
Regardless of Scenario, Retroactive Attempts to Include Pandemics in BI Causes Bankruptcy

**Retroactive BI Scenarios**

1. **Virus / Bacteria Exclusion Removal**
   - **Higher**
   - **Median**
   - **Lower**

2. **Expanded BI to All SMEs**
   - **Higher**
   - **Median**
   - **Lower**

<table>
<thead>
<tr>
<th>Monthly Range ($B)</th>
<th>0</th>
<th>50</th>
<th>100</th>
<th>150</th>
<th>200</th>
<th>250</th>
<th>300</th>
<th>350</th>
<th>400</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Higher</strong></td>
<td>150</td>
<td>100</td>
<td>50</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>100</td>
<td>80</td>
<td>60</td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td><strong>Lower</strong></td>
<td>50</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Key Assumptions**

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

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

Count of Stories Mentioning Business Interruption Insurance & COVID-19

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

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

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

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

Source: Bureau of Labor Statistics
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.
Working in Tandem to Overcome Unprecedented Challenges

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

www.iii.org