Workers Compensation and the New Economy: *Trends, Challenges and Opportunities*

Insurance Information Institute

June 1, 2015

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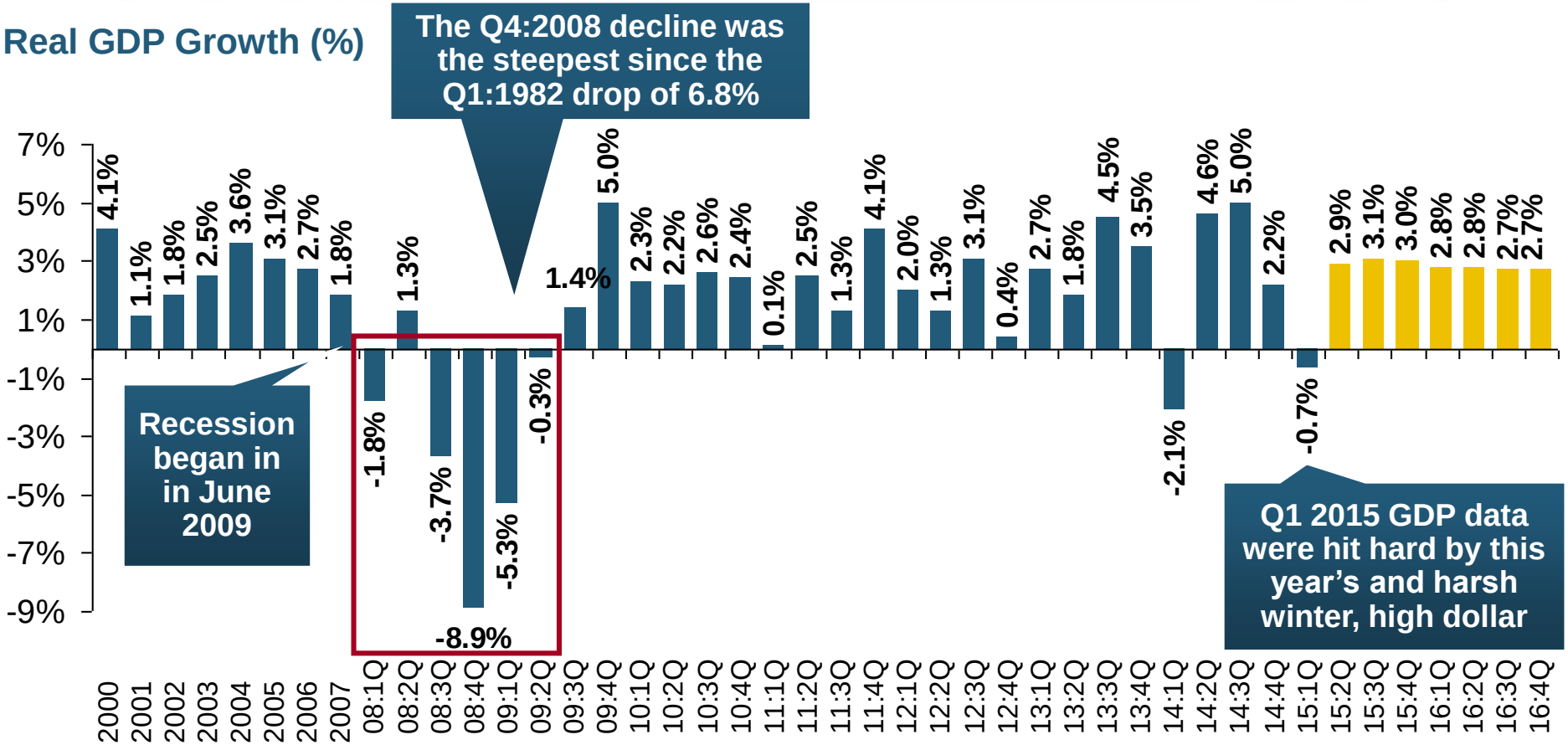
The Economy Will Impact Workers Compensation Growth and Performance

Workers Comp Is Among the Fastest Growing Major Commercial Lines

US Real GDP Growth*



Demand for Insurance Should Increase in 2015 as GDP Growth Accelerates Modestly and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 5/15; Insurance Information Institute.

State-by-State Leading Indicators through September 2015

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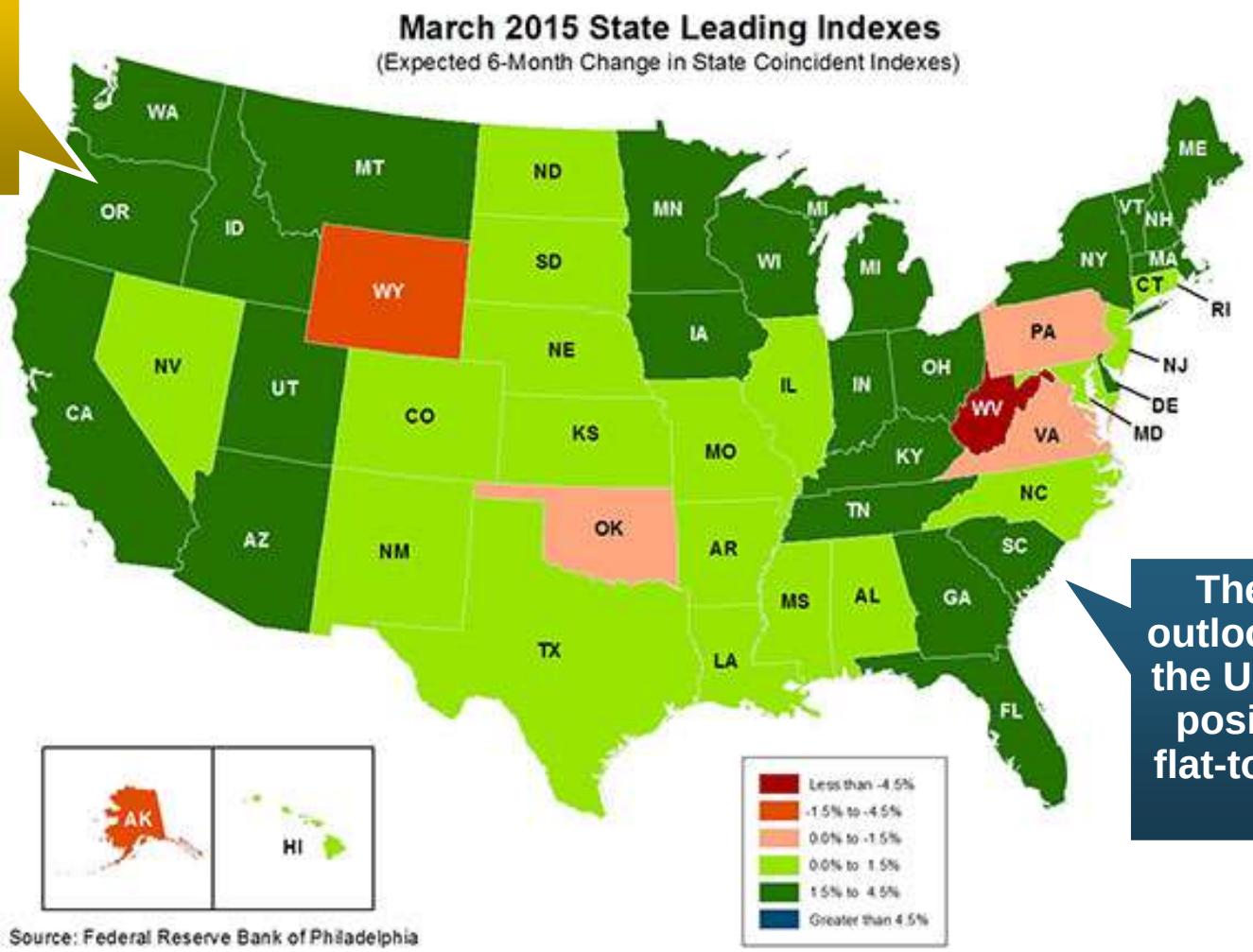
Growth in the West is finally beginning to pick up



The economic outlook for most of the US is generally positive, though flat-to-negative for 2 states

Sources: Federal Reserve Bank of Philadelphia at http://www.philadelphiafed.org/index.cfm ;Insurance Information Institute.

Real GDP by State Percent Change, 2013: Highest 25 States

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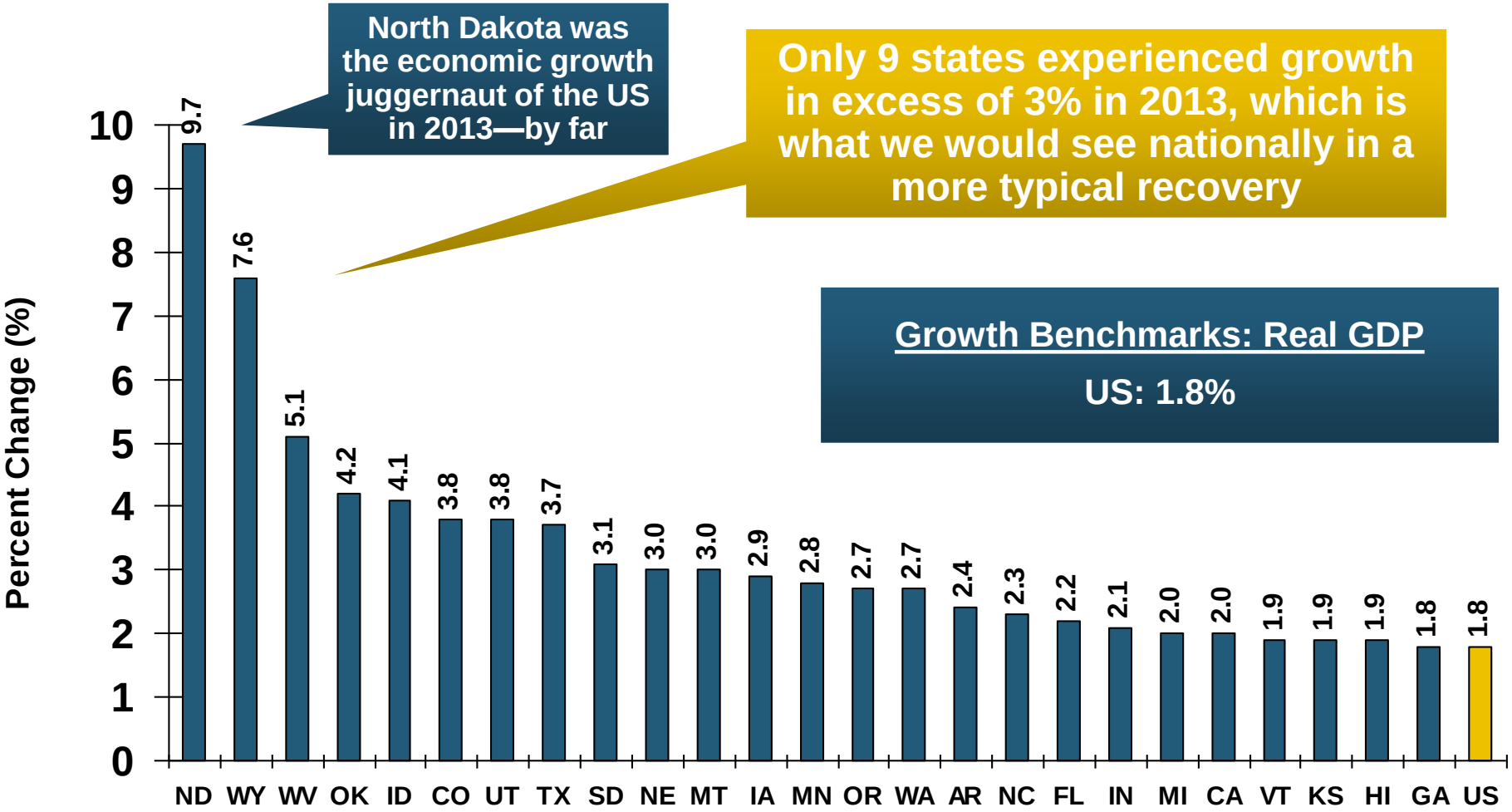
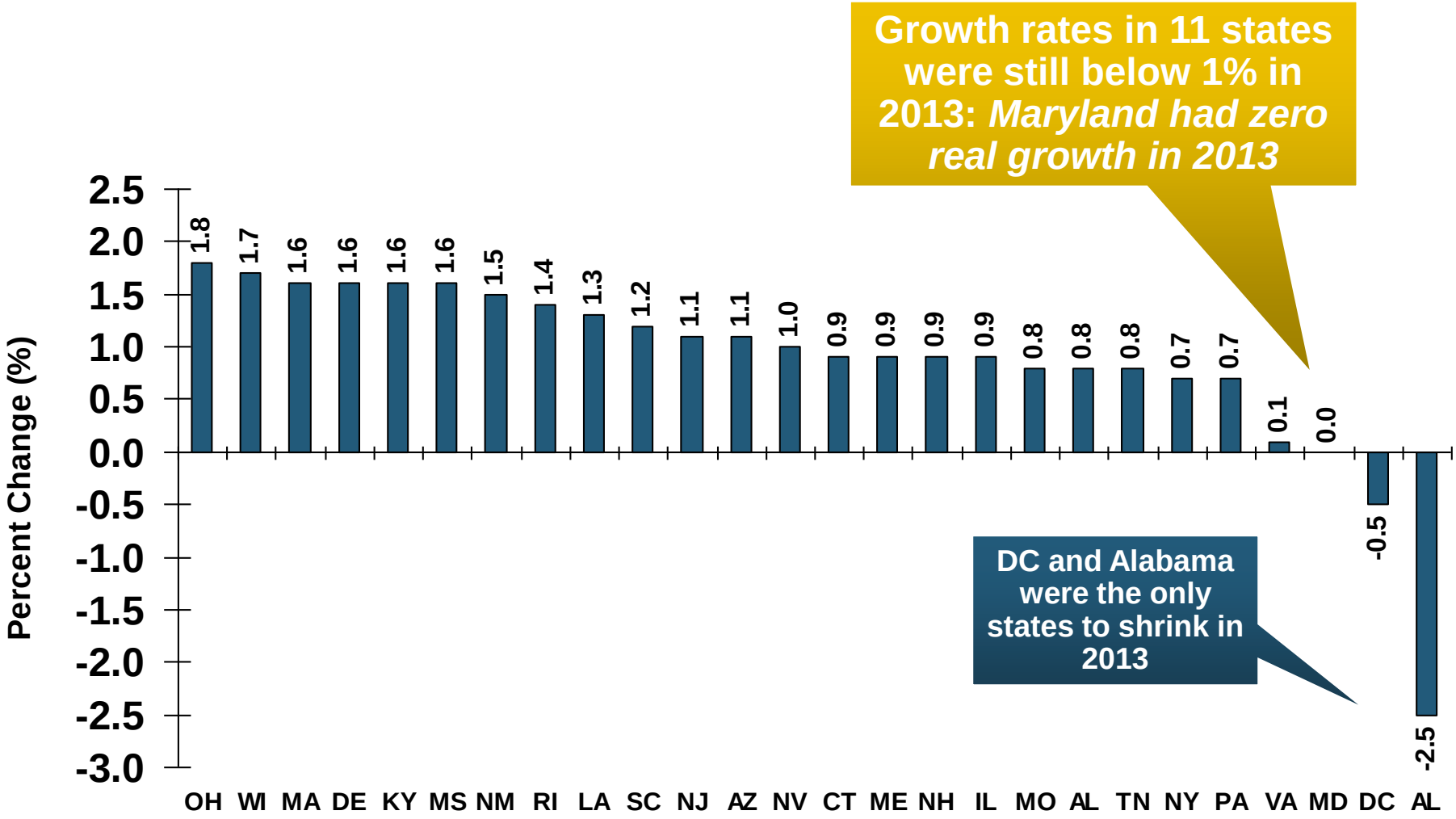


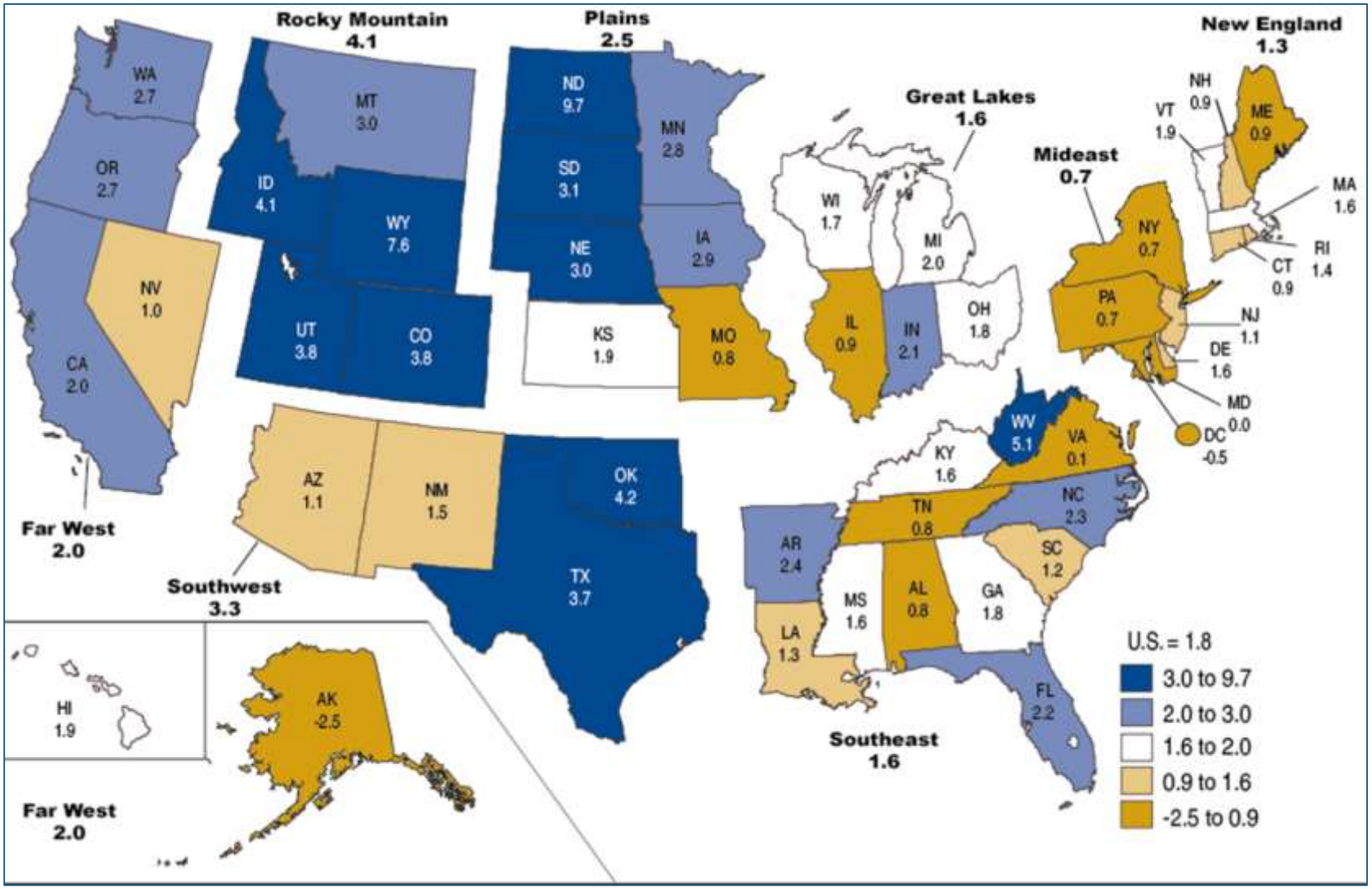
Sources: U.S. Bureau of Economic Analysis; Insurance Information Institute.

Real GDP by State Percent Change, 2013: Lowest 25 States



Sources: US Bureau of Economic Analysis; Insurance Information Institute.

Percent Change in Real GDP by State, 2013



Sources: US Bureau of Economic Analysis; Insurance Information Institute.

NFIB Small Business Optimism Index

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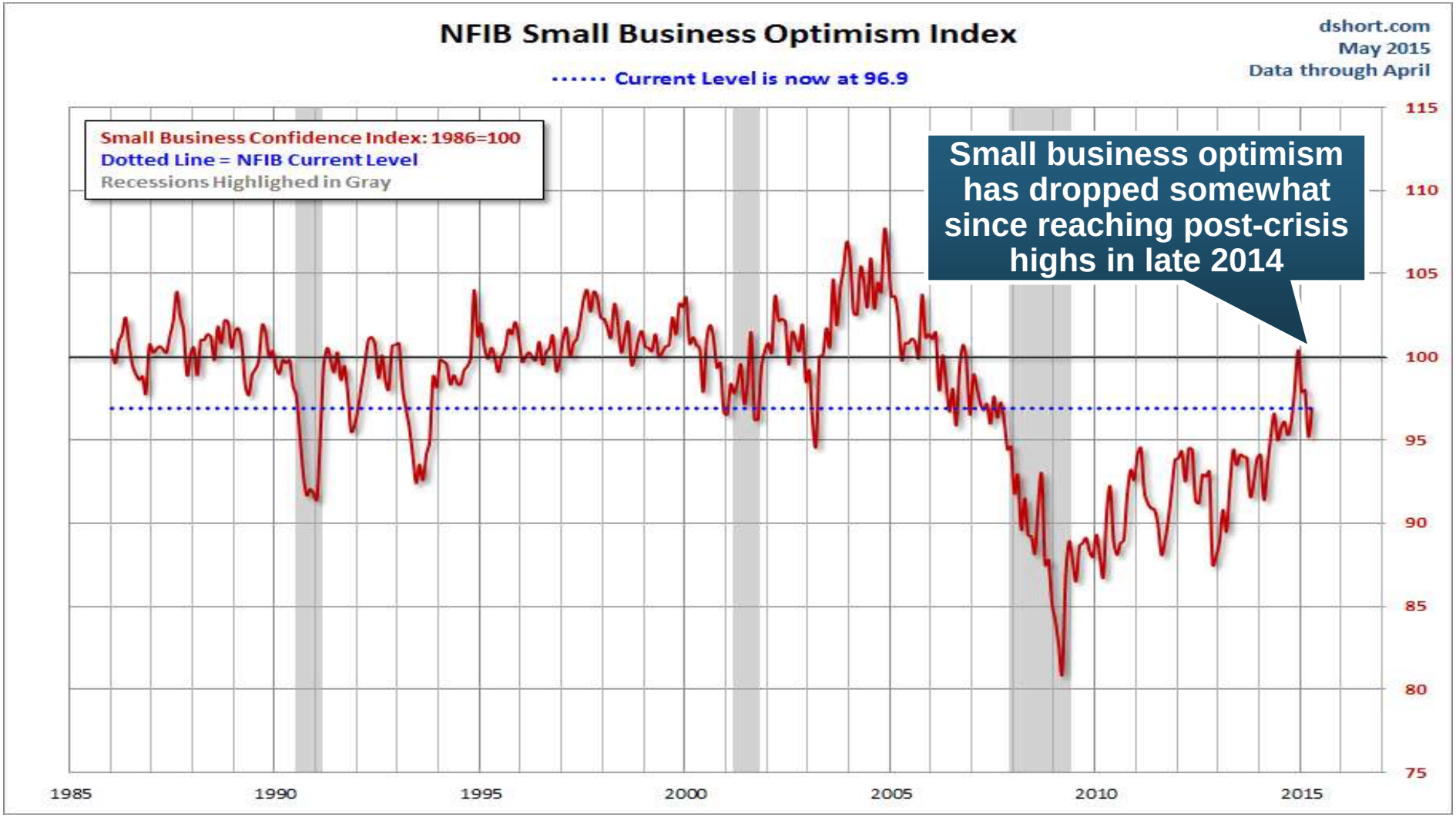
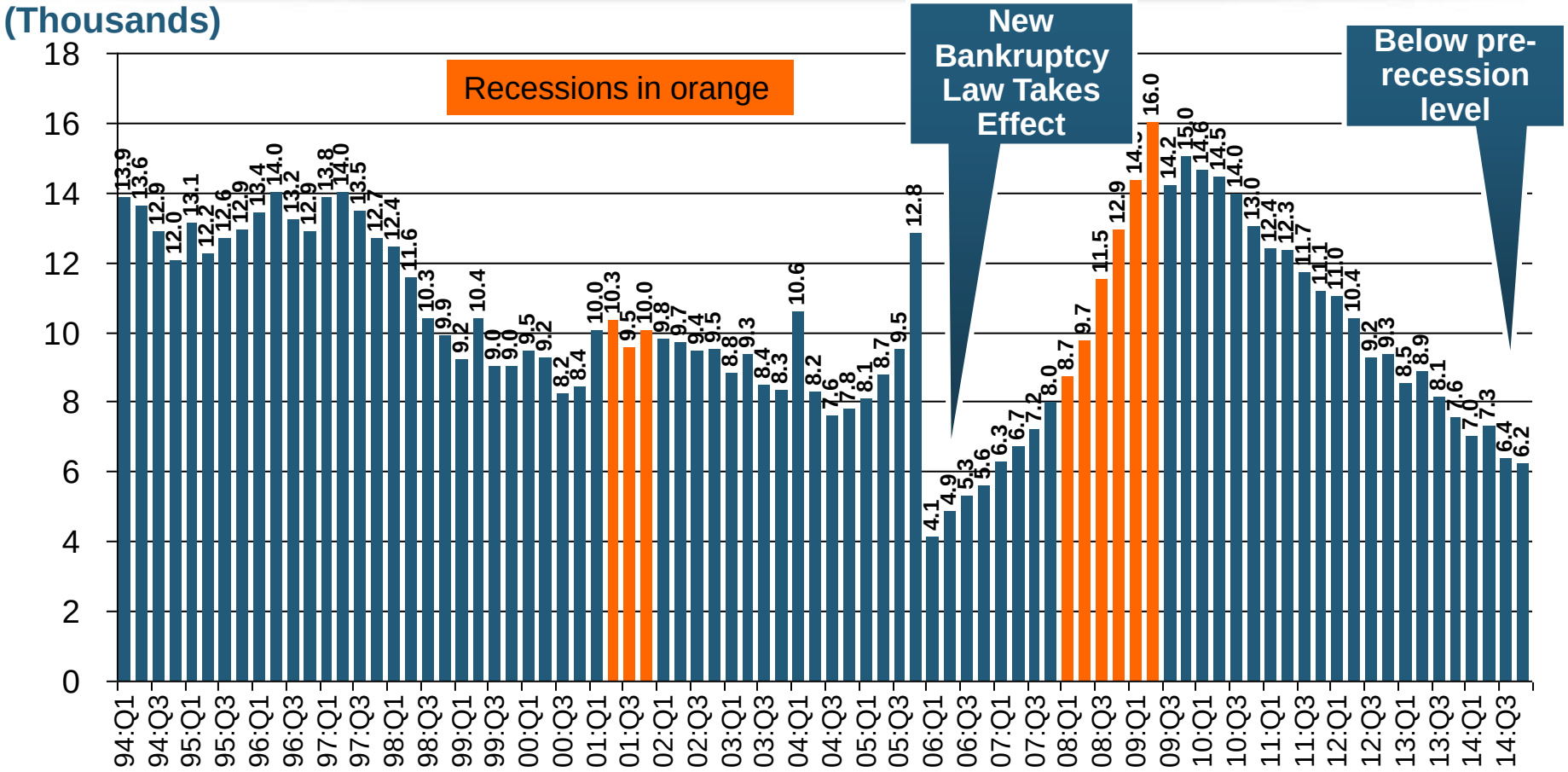
January 1985 through April 2015



Source: National Federation of Independent Business at http://www.advisorperspectives.com/dshort/charts/indicators/Sentiment.html?NFIB-optimism-index.gif ; Insurance Information Institute.

Business Bankruptcy Filings: Still Falling
(1994:Q1 – 2014:Q4)



Business bankruptcies in 2014 were below both the Great Recession levels and the 2003:Q3-2005:Q1 period (the best five-quarter stretch in the last 20 years). Bankruptcies restrict exposure growth in all commercial lines.

Sources: U.S. Courts at http://www.uscourts.gov/; Insurance Information Institute

Business Bankruptcy Filings, 1980-2014

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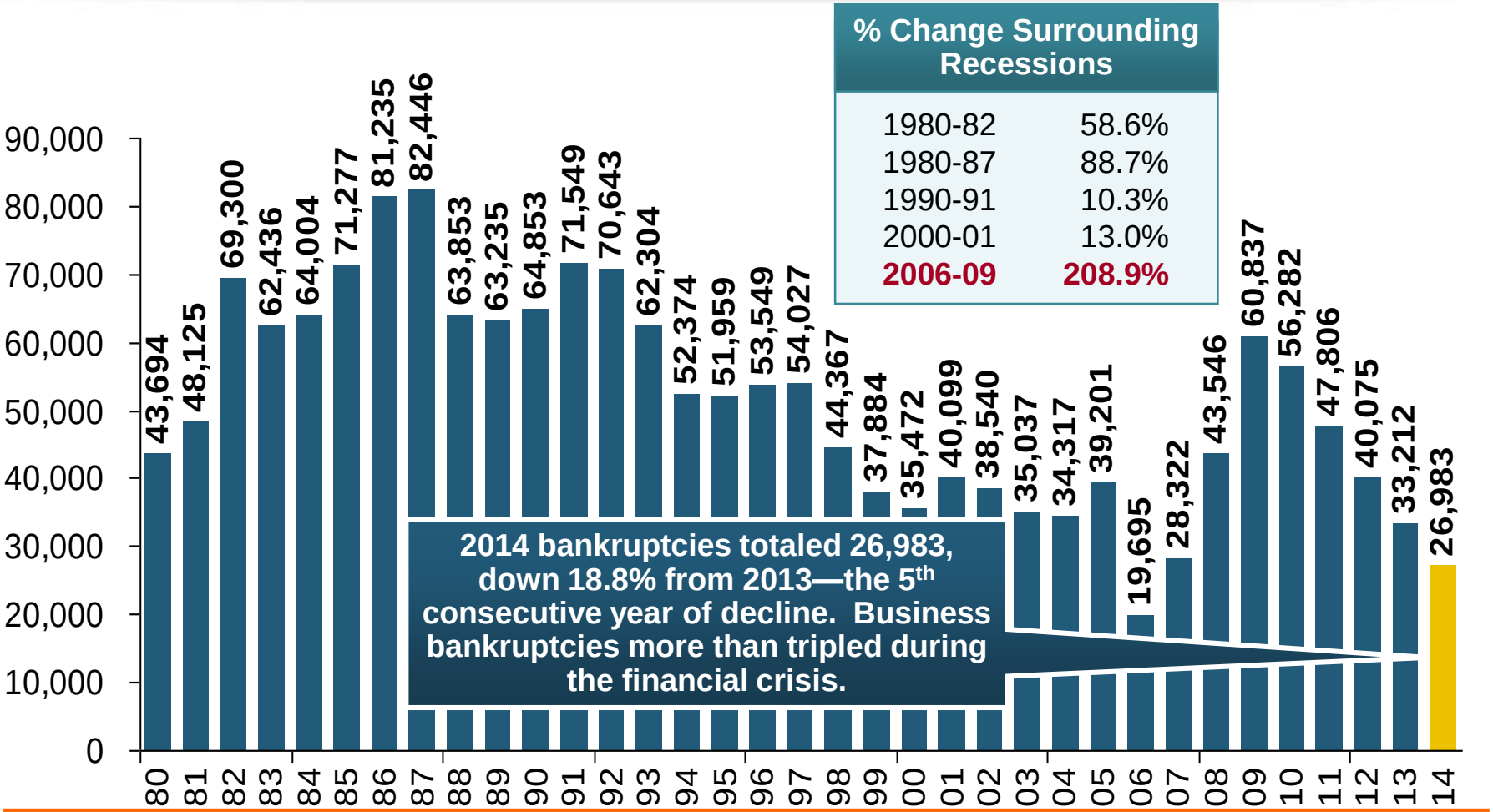

% Change Surrounding Recessions	
1980-82	58.6%
1980-87	88.7%
1990-91	10.3%
2000-01	13.0%
2006-09	**208.9%**

Significant Exposure Implications for All Commercial Lines as Business Bankruptcies Begin to Decline

Sources: American Bankruptcy Institute (1980-2012) at http://www.abiworld.org/AM/AMTemplate.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=61633; 2013-14 data from United States Courts at http://news.uscourts.gov; Insurance Information Institute.

Private Sector Business Starts: 1993:Q2 – 2013:Q4* As Strong as Ever?

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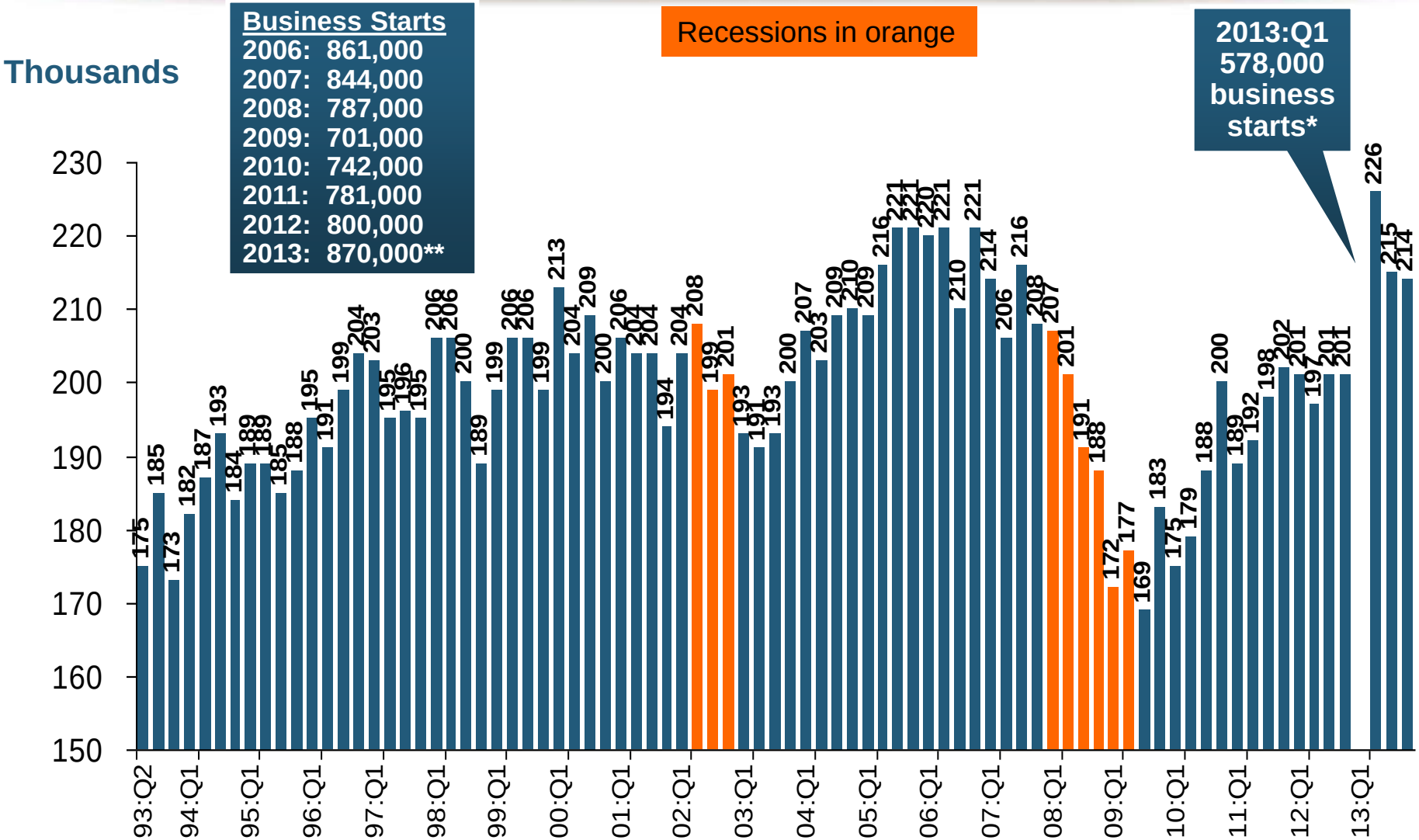

*A classification change in 2013:Q1 resulted in a report of 578,000 businesses started in that quarter. Seasonally adjusted. **2014 number assumes 1st quarter equaled average of other three quarters

Sources: Bureau of Labor Statistics, http://www.bls.gov/news.release/cewbd.t08.htm. NBER (recession dates)

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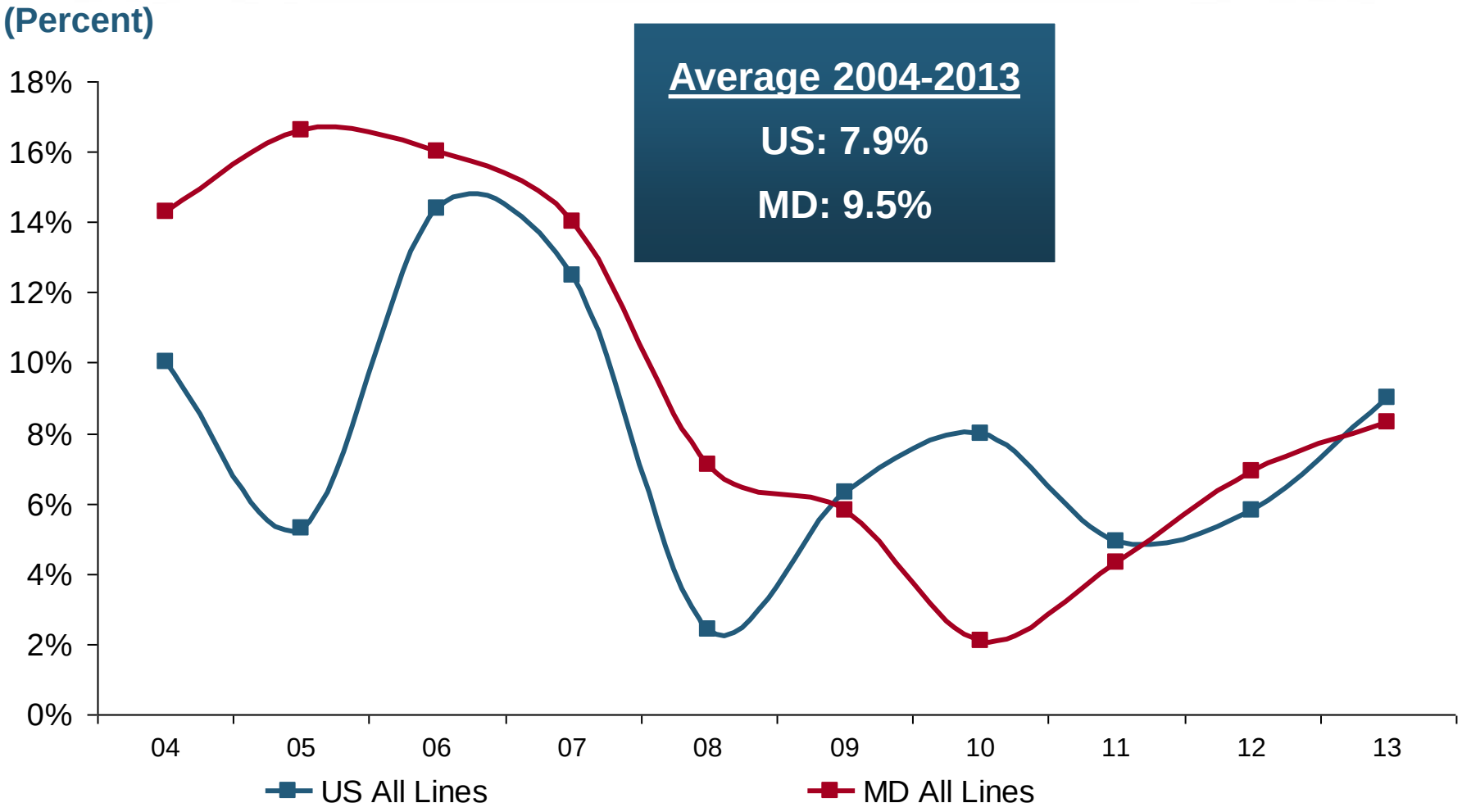
Profitability and Growth in Maryland Overall P/C and WC Insurance Markets

Maryland and Nearby State Comparisons

RNW All Lines: MD vs. U.S., 2004-2013



Source: NAIC, Insurance Information Institute

RNW Workers Comp: MD vs. U.S., 2004-2013

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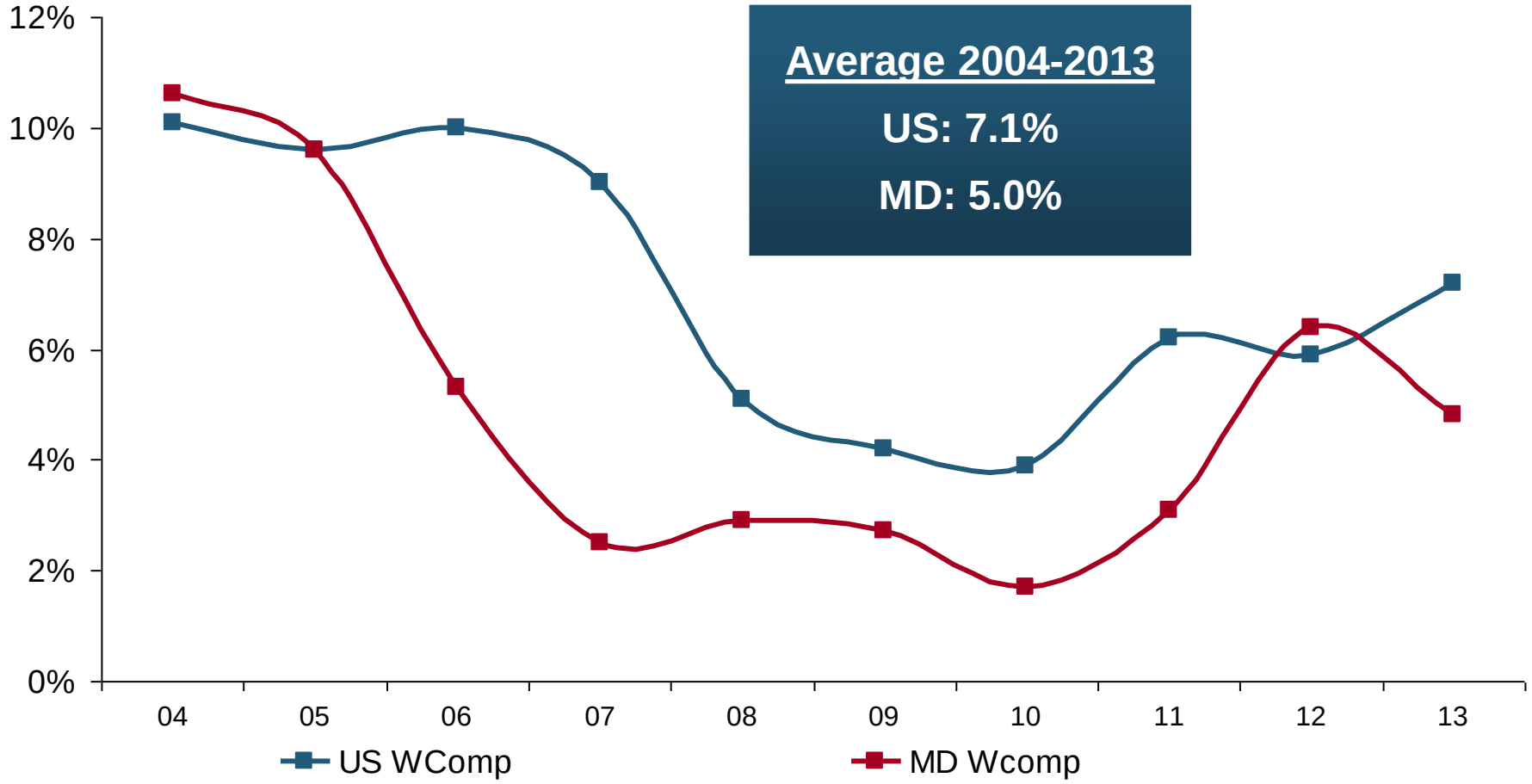
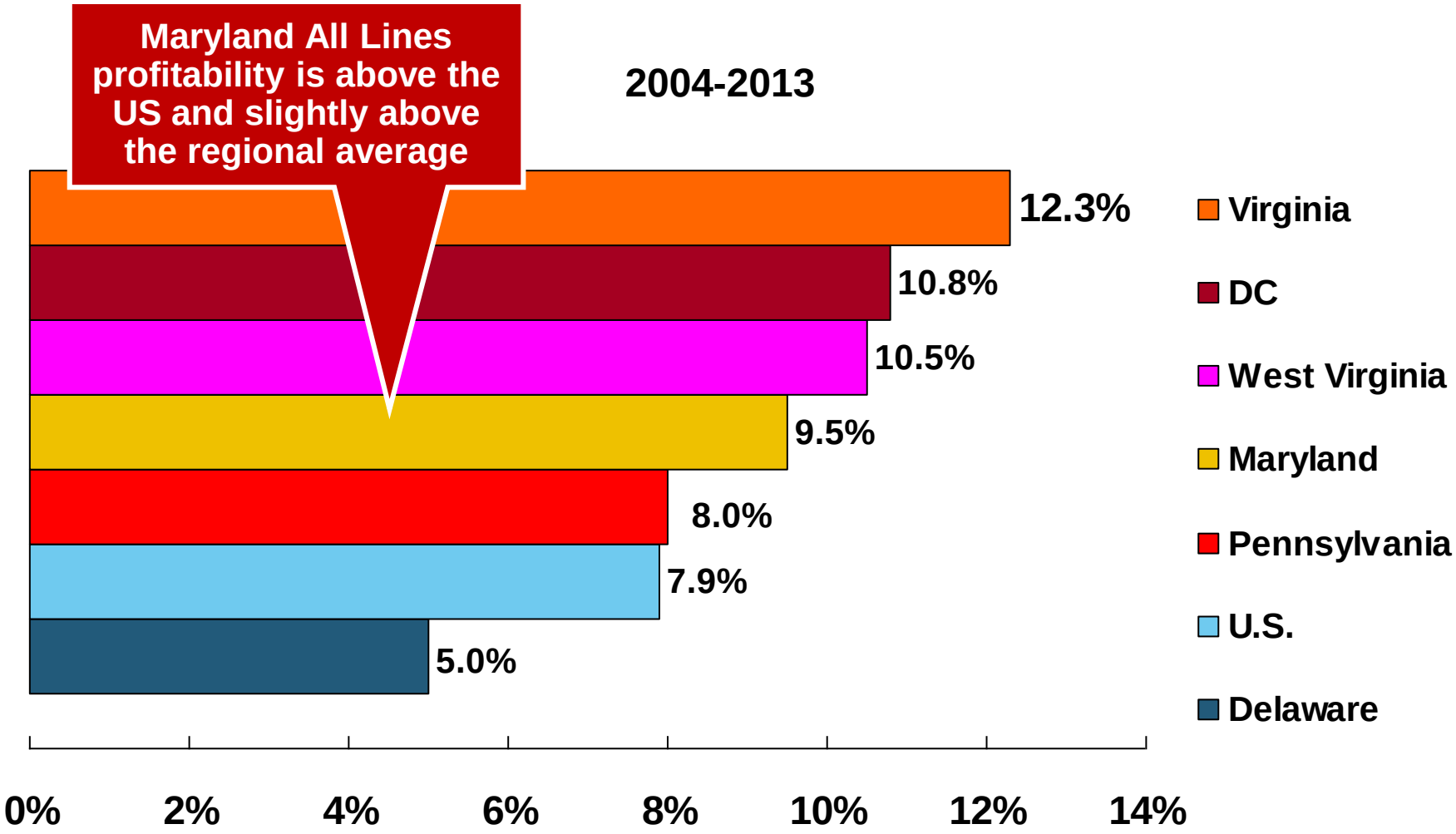
(Percent)



Source: NAIC, Insurance Information Institute

All Lines: 10-Year Average RNW MD & Nearby States



Source: NAIC, Insurance Information Institute

Workers Comp: 10-Year Average RNW MD & Nearby States

Source: NAIC, Insurance Information Institute

Workers Comp. DWP Growth: MD vs. U.S., 2004-2013

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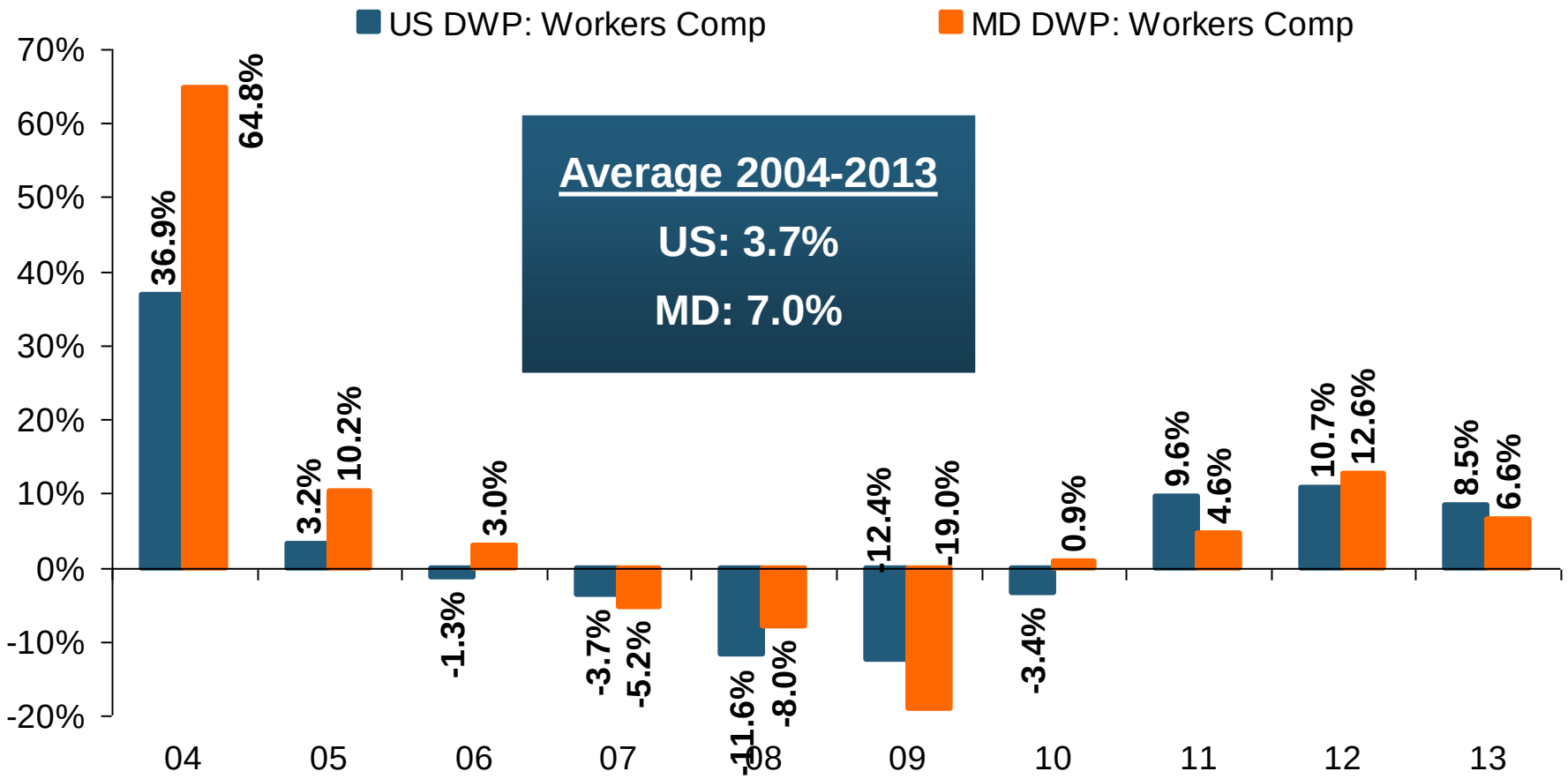
(Percent)



Source: SNL Financial.

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Labor Markets Trends:

Recovery Continues in 2015

2014

Largest Increase in Jobs Since 1997

Unemployment Rate Fell to Lowest Level Since 2008

Payrolls Expanded to Record High

Unemployment and Underemployment Rates: Still Too High, But Falling

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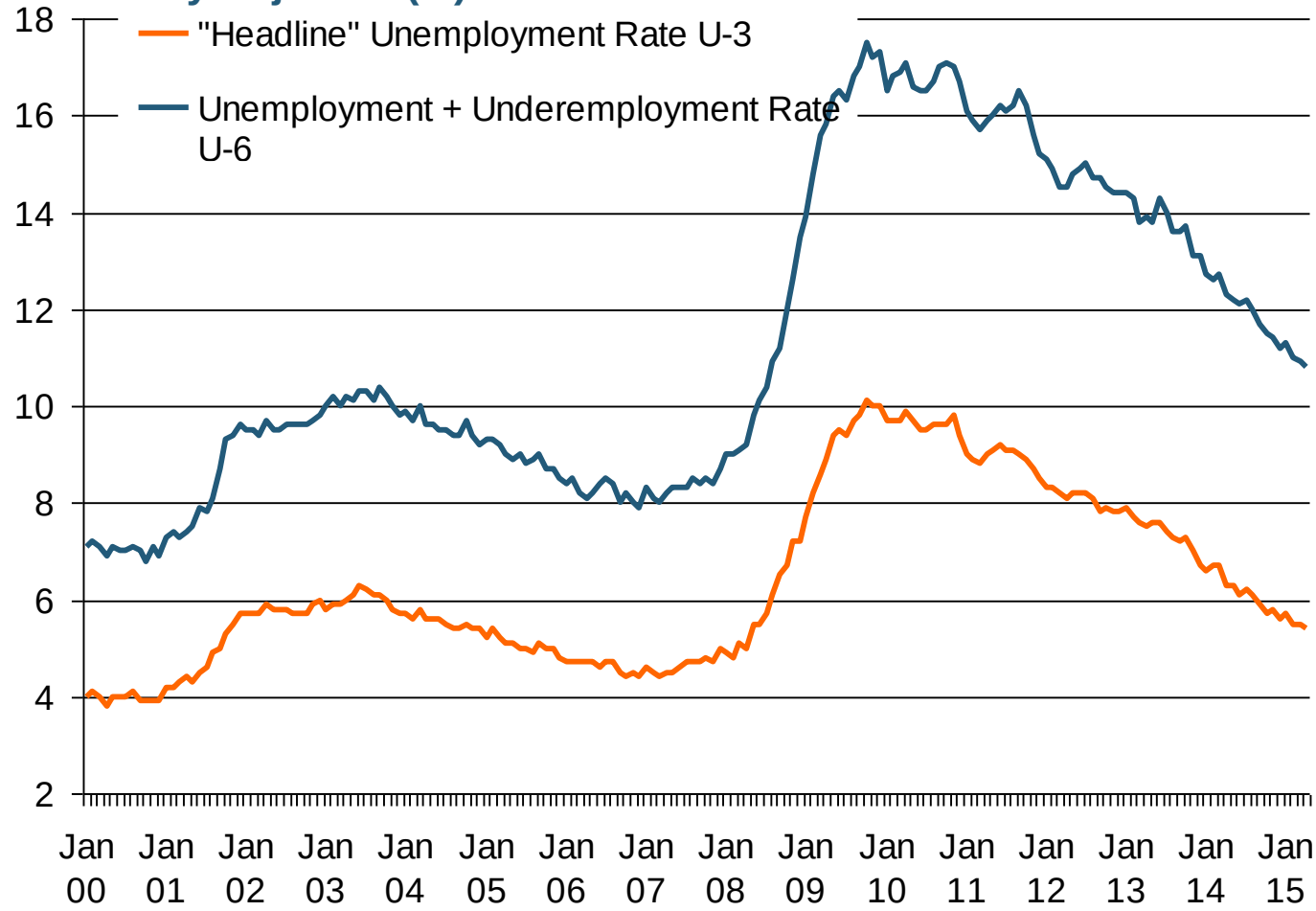
January 2000 through April 2015, Seasonally Adjusted (%)



U-6 soared from 8.0% in March 2007 to 17.5% in October 2009; Stood at 10.8% in Apr. 2015. 8% to 10% is "normal."

"Headline" unemployment was 5.4% in Apr. 2015. 4.5% to 5.5% is "normal."

Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is continuing to improve.

Source: US Bureau of Labor Statistics; Insurance Information Institute.

US Unemployment Rate Forecast

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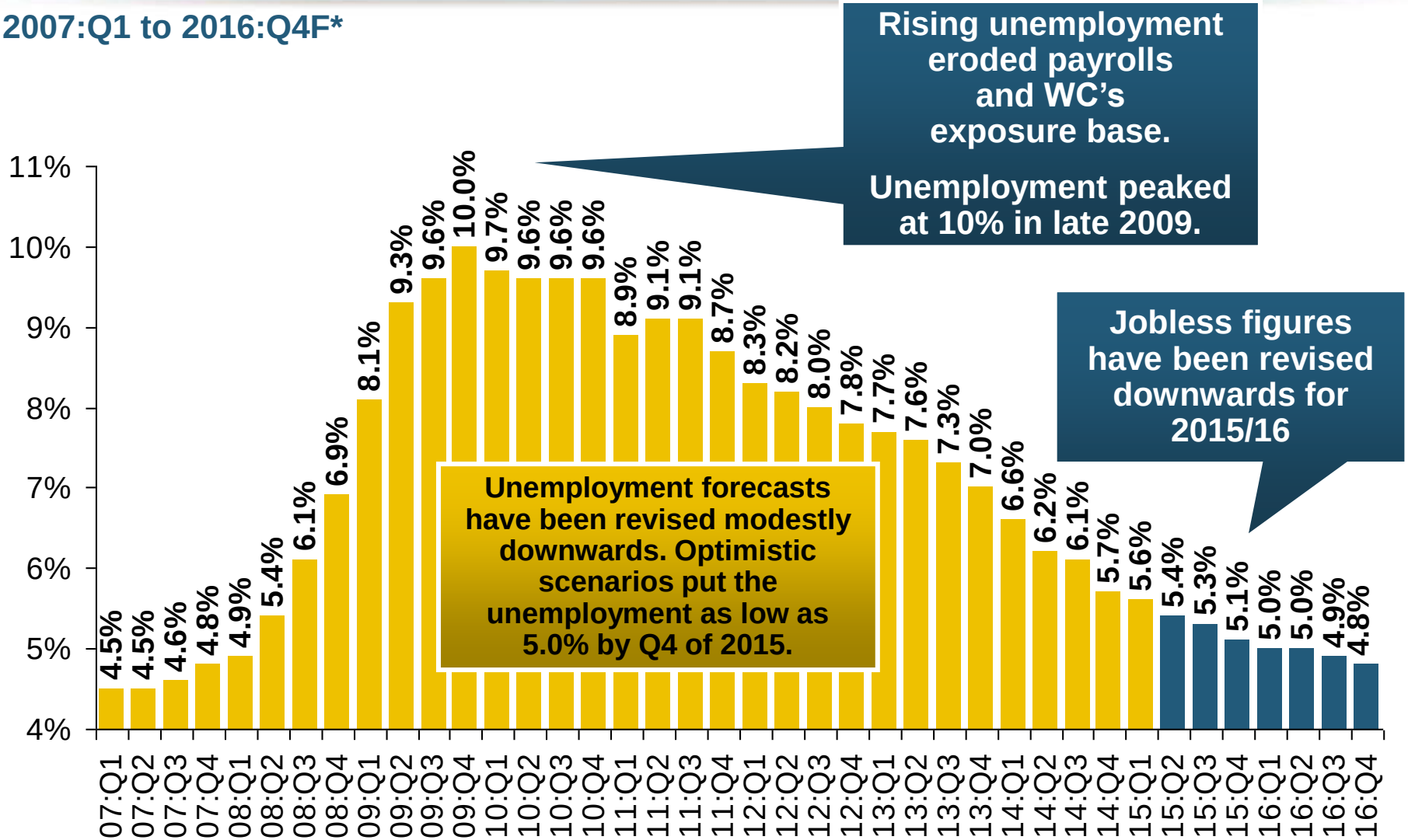
2007:Q1 to 2016:Q4F*



* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (5/15 edition); Insurance Information Institute.

Unemployment Rates by State, April 2015: Highest 25 States*

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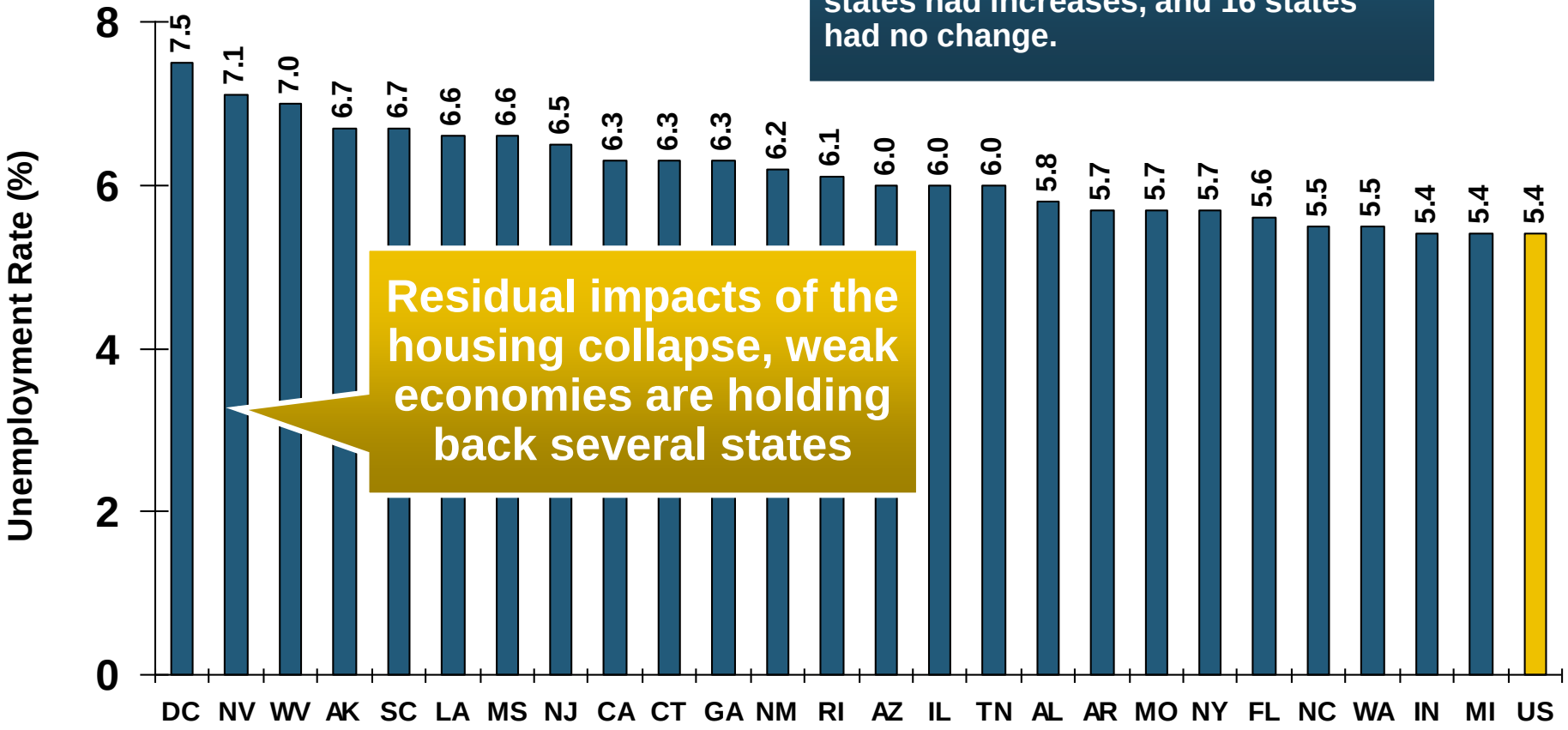
In April, 23 states and the District of Columbia had over-the-month unemployment rate decreases, 11 states had increases, and 16 states had no change.



Residual impacts of the housing collapse, weak economies are holding back several states

*Provisional figures for April 2015, seasonally adjusted.

Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Unemployment Rates by State, April 2015: Lowest 25 States*

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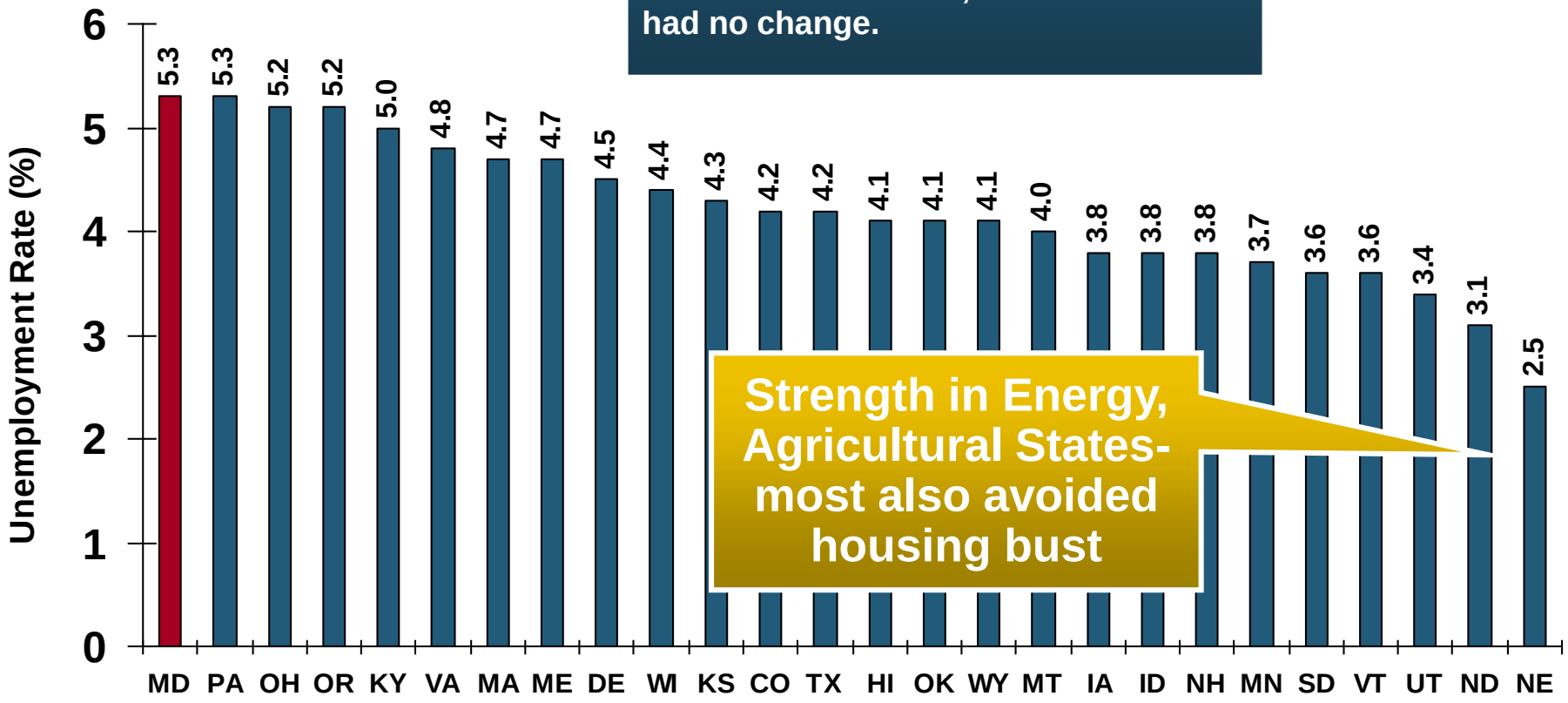
In April, 23 states and the District of Columbia had over-the-month unemployment rate decreases, 11 states had increases, and 16 states had no change.



Strength in Energy, Agricultural States- most also avoided housing bust

*Provisional figures for April 2015, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Monthly Change in Private Employment

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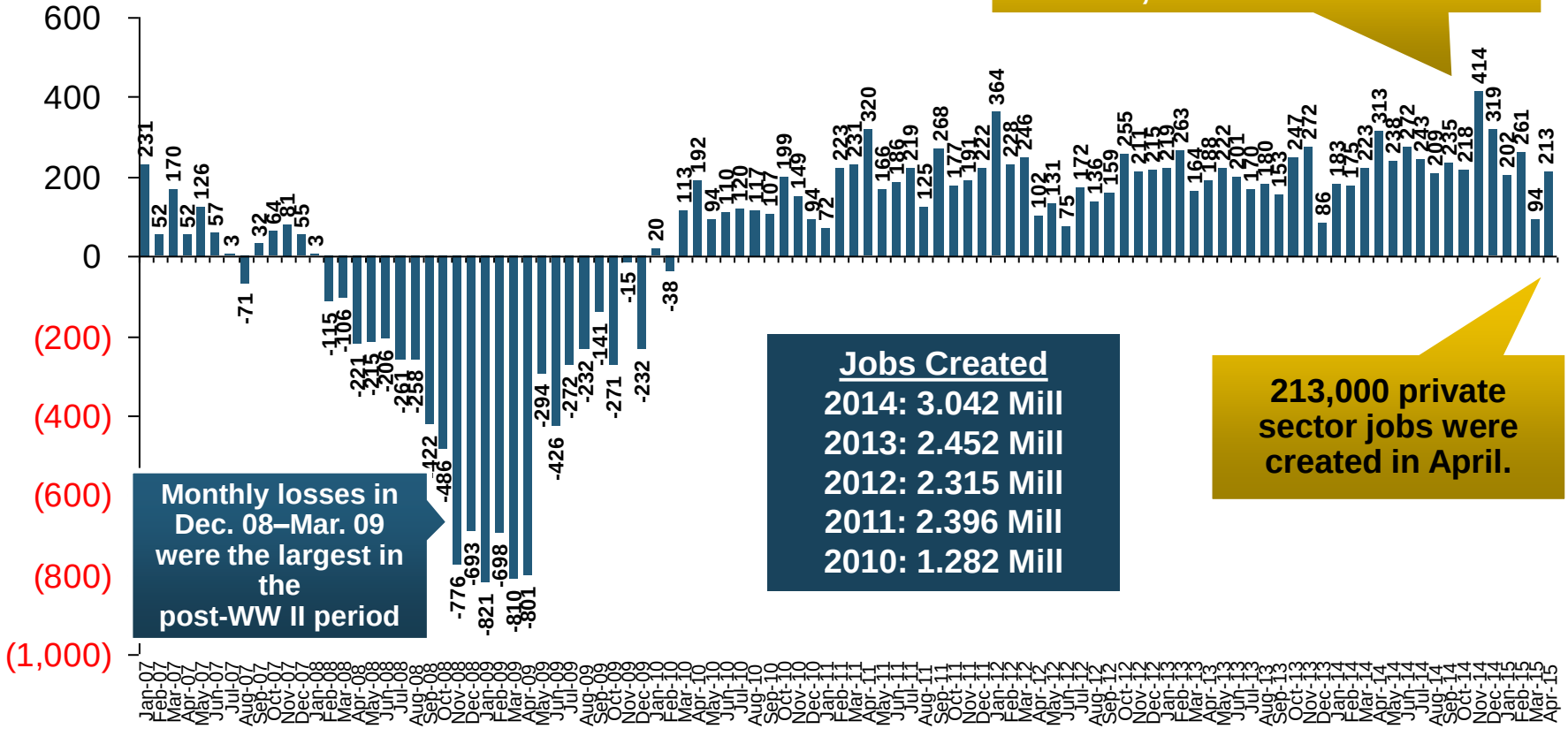
January 2007 through Apr. 2015 (000s, Seasonally Adj.)

3,042,000 jobs were created in 2014, the most since 1997



Monthly losses in Dec. 08–Mar. 09 were the largest in the post-WW II period

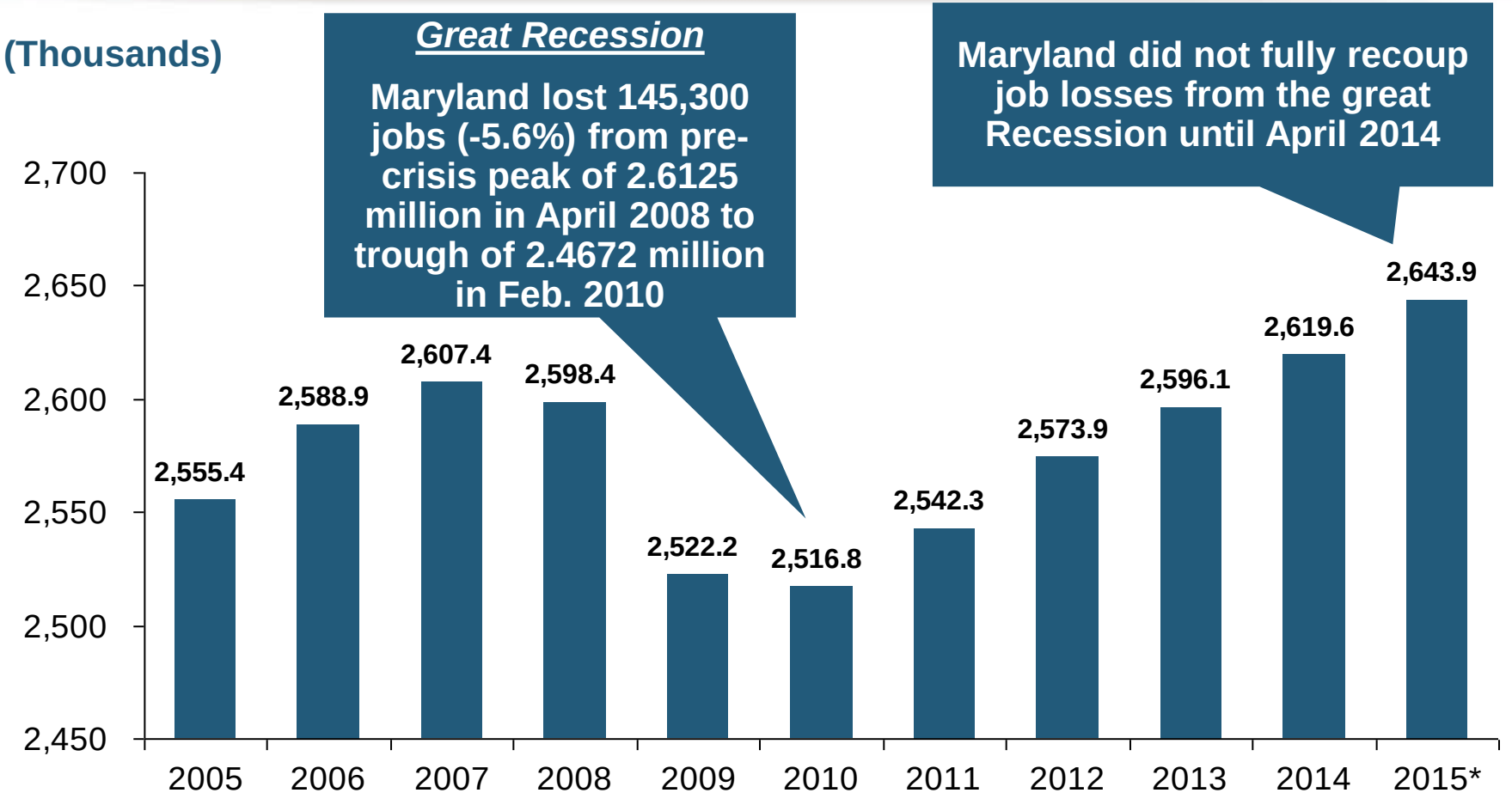
Jobs Created
2014: 3.042 Mill
2013: 2.452 Mill
2012: 2.315 Mill
2011: 2.396 Mill
2010: 1.282 Mill

213,000 private sector jobs were created in April.

Private Employers Added 11.97 Million Jobs Since Jan. 2010 After Having Shed 5.01 Million Jobs in 2009 and 3.76 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

Source: US Bureau of Labor Statistics: http://www.bls.gov/ces/home.htm; Insurance Information Institute

Number of Employed Persons in Maryland (annual averages): 2005-2015*

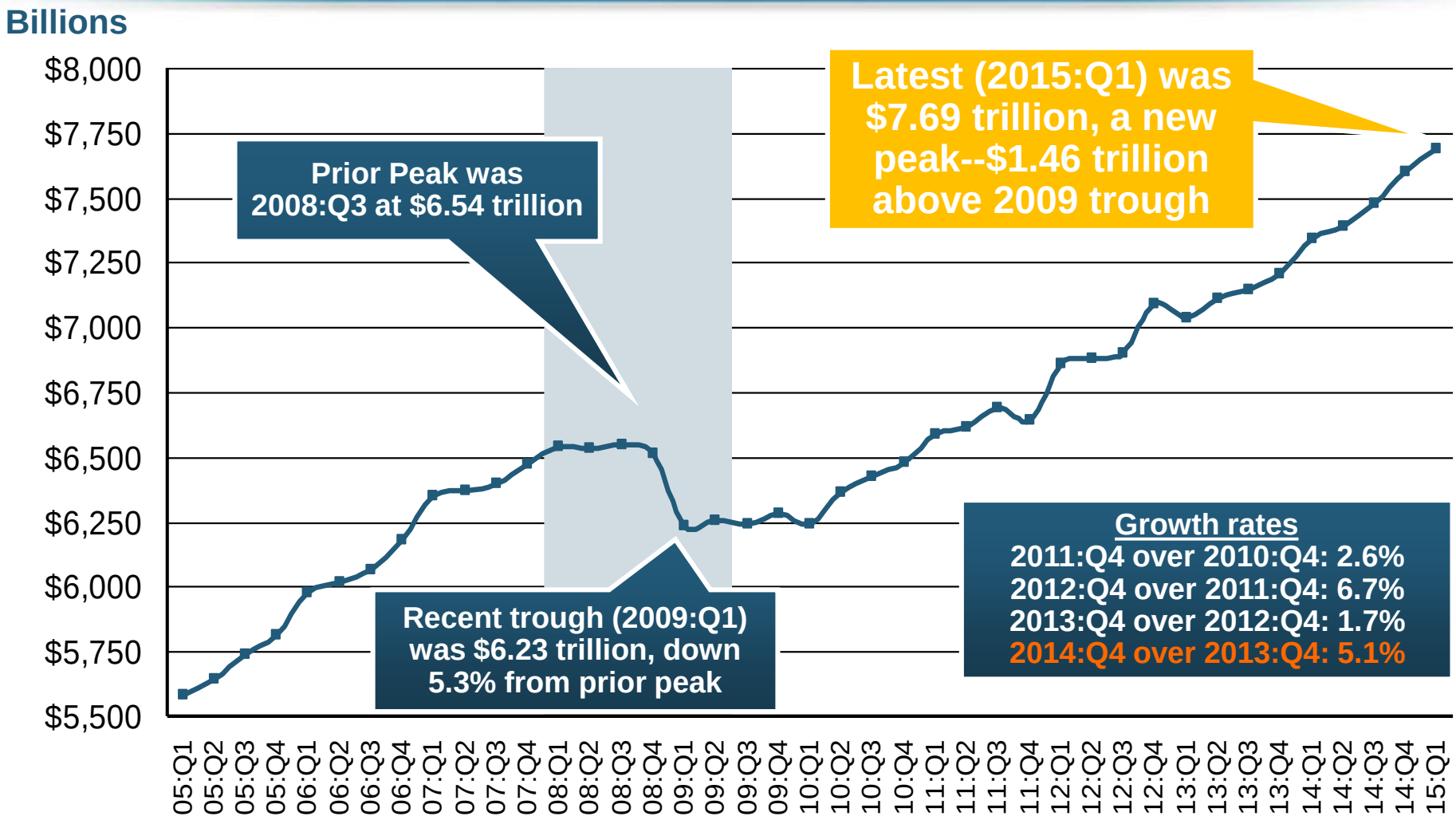


Healthcare ending Peaked in 2009, Helped by Stimulus Spending, but Contracted As State/Local Governments Grappled with Deficits and Federal Sequestration

*2015 figure is a seasonally adjusted annual rate as of April; http://www.census.gov/construction/c30/historical_data.html

Sources: US Bureau of Labor Statistsics; Insurance Information Institute.

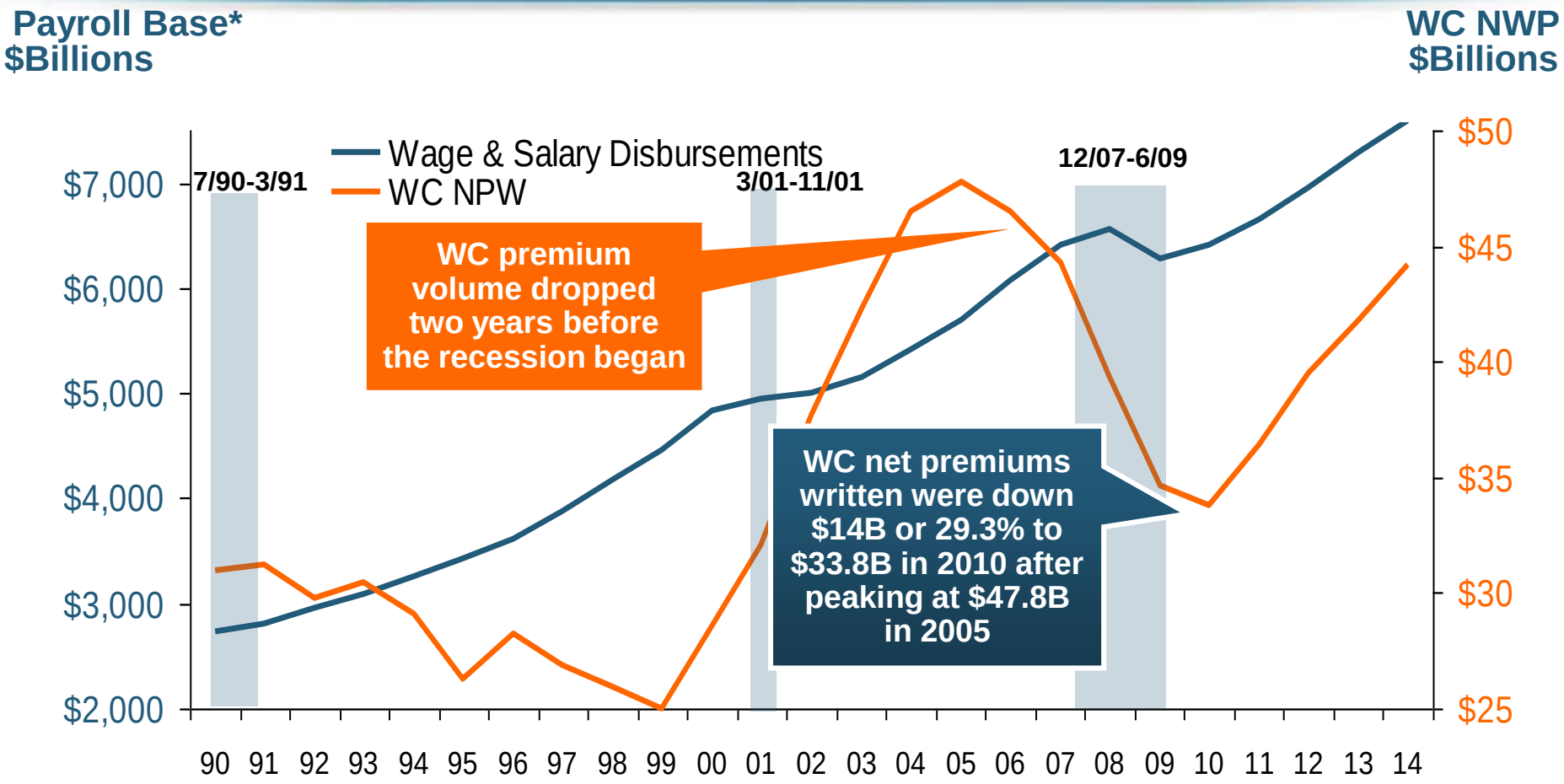
Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2015:Q1



Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.

Sources: http://research.stlouisfed.org/fred2/series/WASCUR; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Payroll vs. Workers Comp Net Written Premiums, 1990-2014P



Continued Payroll Growth and Rate Gains Suggest WC NWP Will Grow Again in 2015

*Private employment; Shaded areas indicate recessions. WC premiums for 2014 are from NCCI.

Sources: NBER (recessions); Federal Reserve Bank of St. Louis at http://research.stlouisfed.org/fred2/series/WASCUR ; NCCI; I.I.I.

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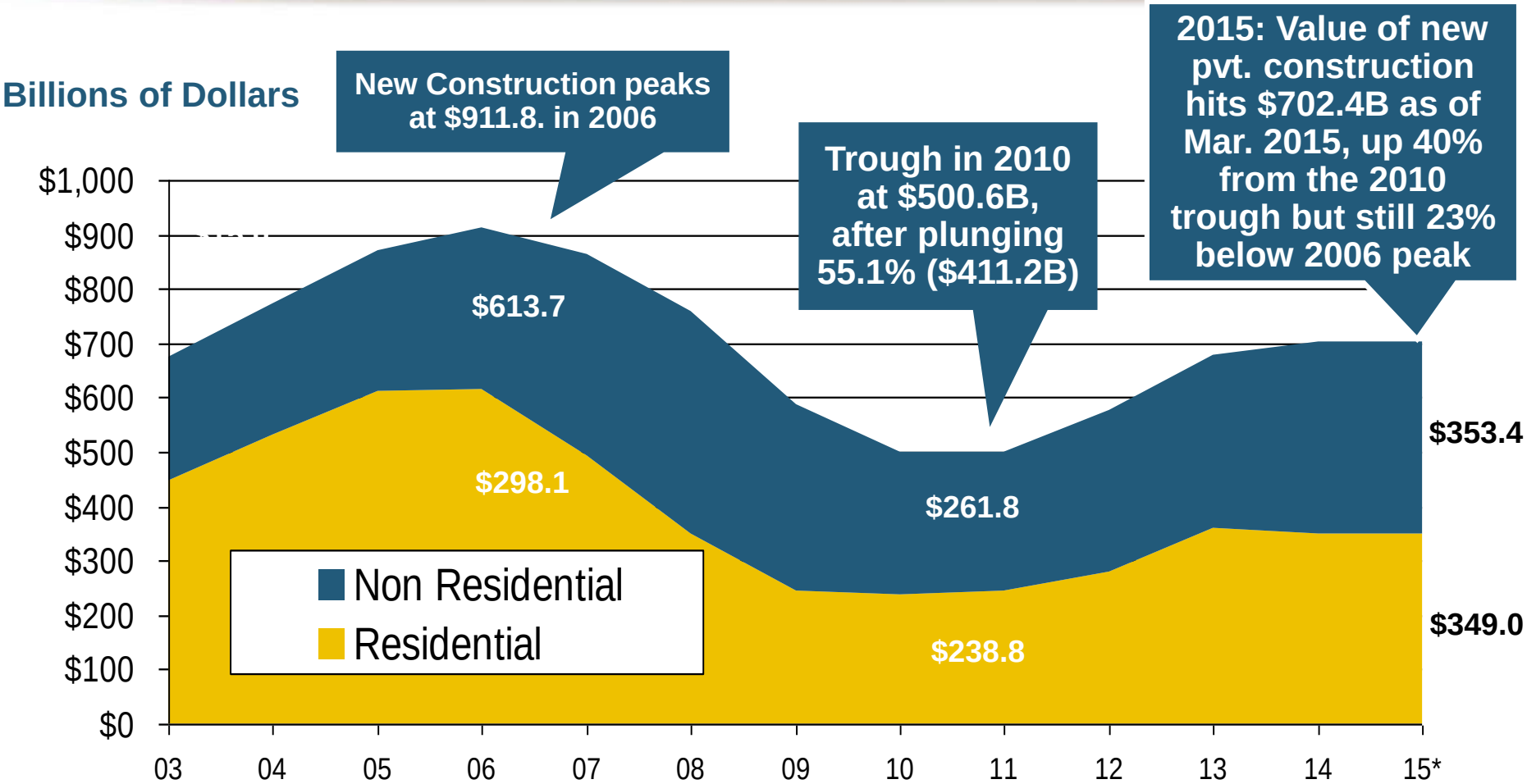
CONSTRUCTION, MANUFACTURING & ENERGY OUTLOOK

Key Sectors Critical to the Economy and the P/C Insurance Industry

Value of New Private Construction: Residential & Nonresidential, 2003-2015*

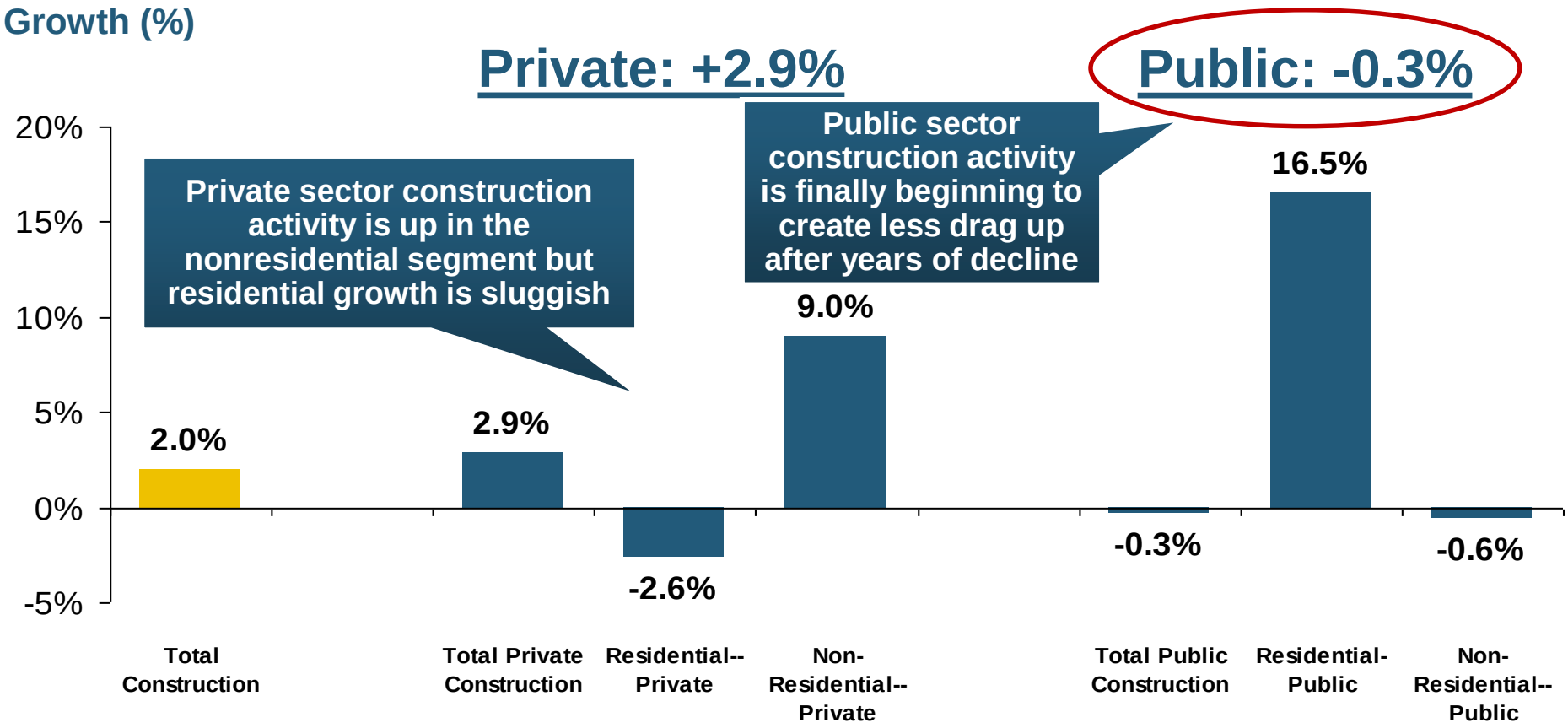


Private Construction Activity Is Moving in a Positive Direction though Remains Well Below Pre-Crisis Peak; Residential Dominates

*2015 figure is a seasonally adjusted annual rate as of March.

Sources: US Department of Commerce http://www.census.gov/construction/c30/c30index.html ; Insurance Information Institute.

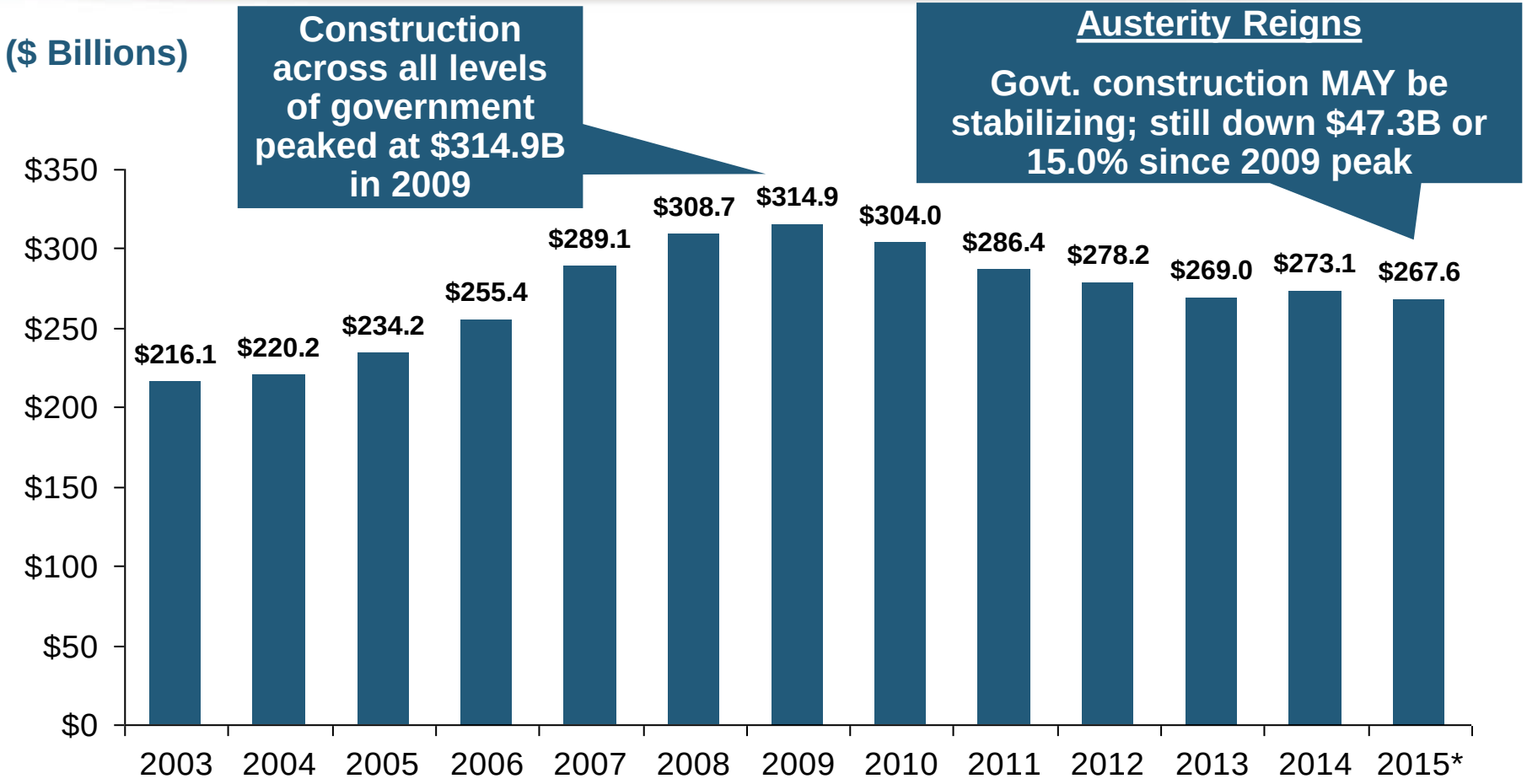
Value of Construction Put in Place, March 2015 vs. March 2014*



Overall Construction Activity is Up, But Growth In the Private Sector Slowed in Late 2014 While Picking Up in the State/Local Sector Government Sector as Budget Woes Ease in Some Jurisdictions

*seasonally adjusted
Source: U.S. Census Bureau, http://www.census.gov/construction/c30/c30index.html ; Insurance Information Institute.

Value of New Federal, State and Local Government Construction: 2003-2015*

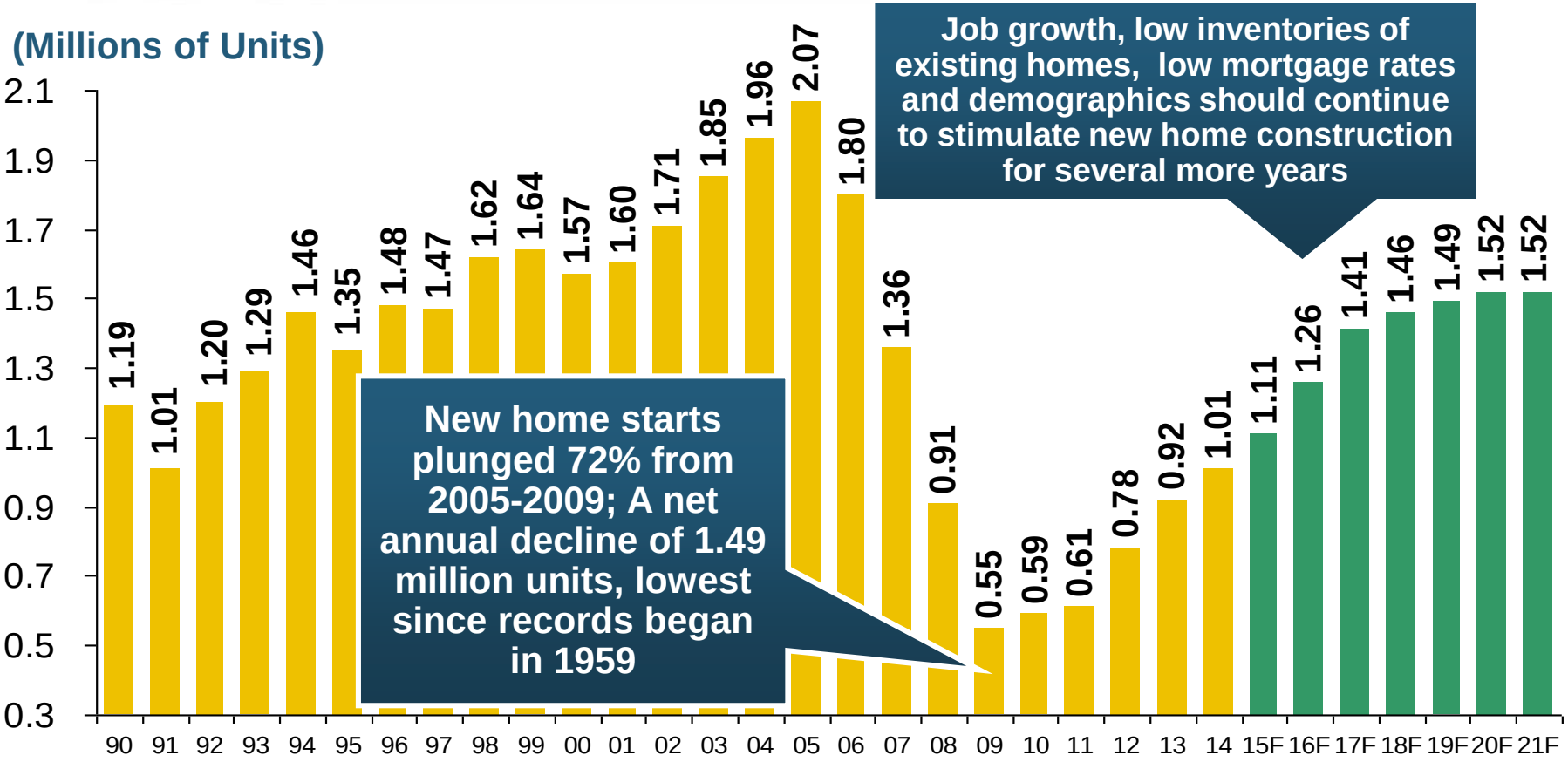


Government Construction Spending Peaked in 2009, Helped by Stimulus Spending, but Contracted As State/Local Governments Grappled with Deficits and Federal Sequestration

*2015 figure is a seasonally adjusted annual rate as of March; http://www.census.gov/construction/c30/historical_data.html

Sources: US Department of Commerce; Insurance Information Institute.

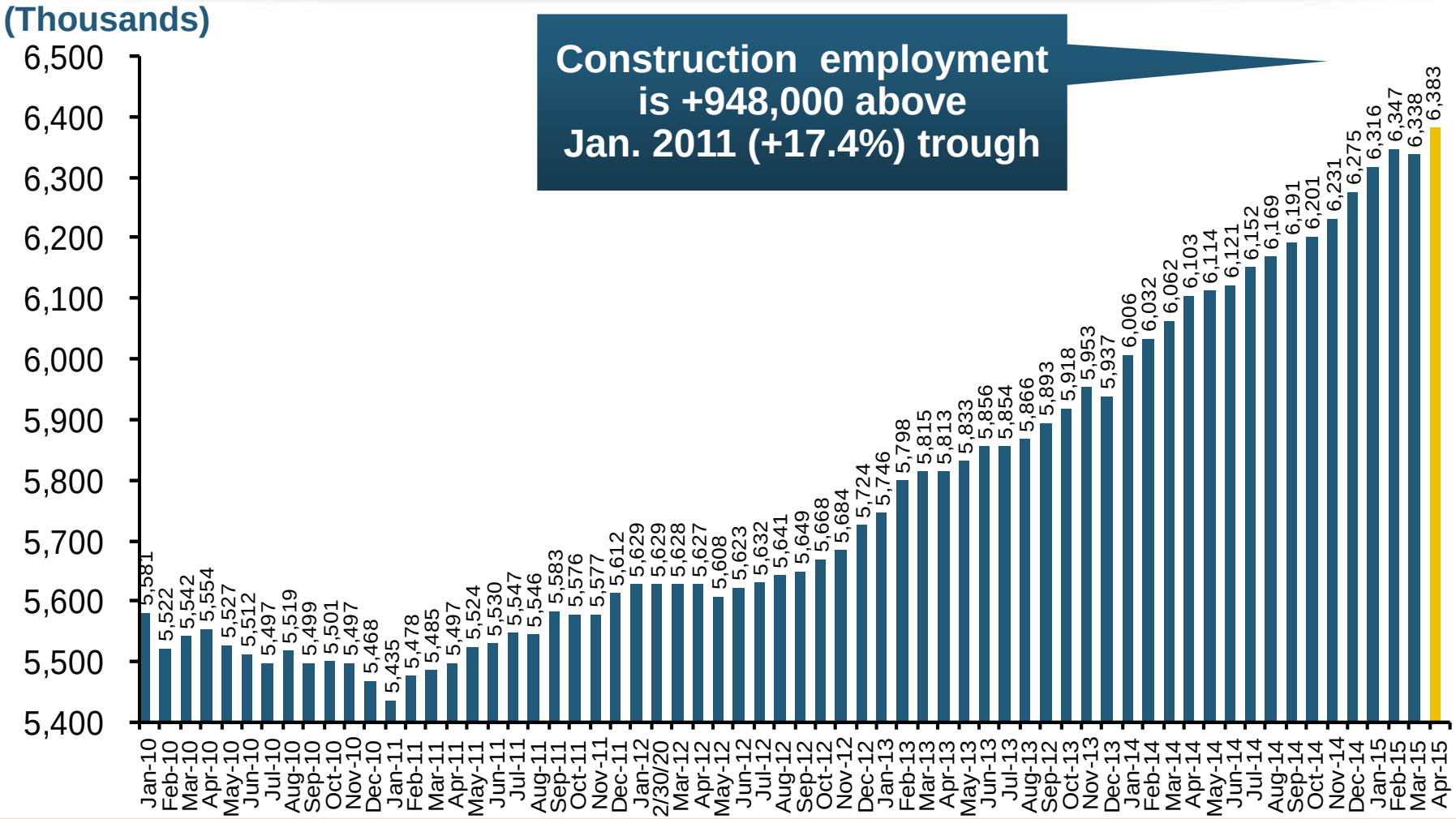
New Private Housing Starts, 1990-2021F



Insurers Are Continue to See Meaningful Exposure Growth in the Wake of the "Great Recession" Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (5/15 and 3/15); Insurance Information Institute.

Construction Employment, Jan. 2010—April 2015*

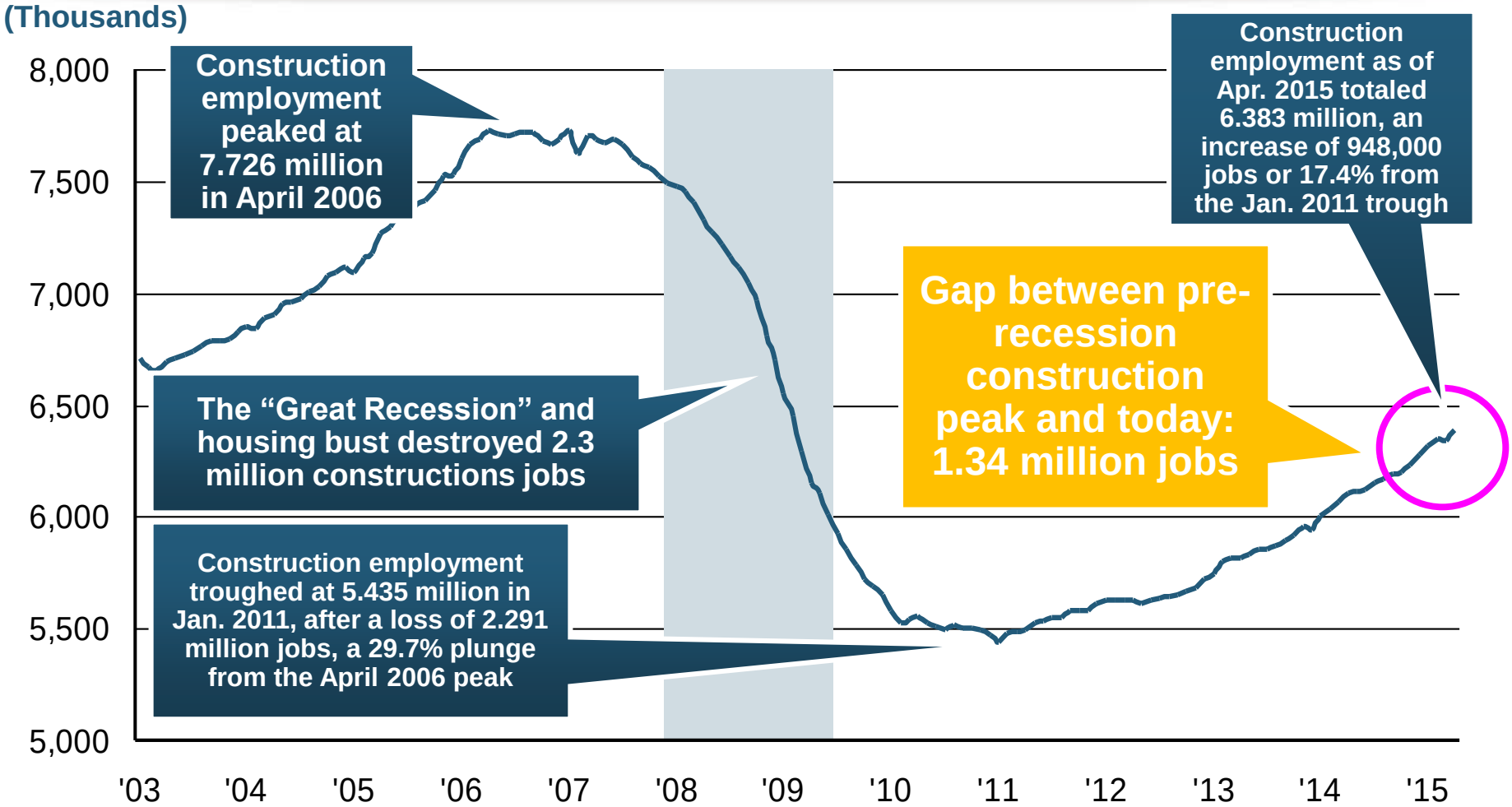


Construction and manufacturing employment constitute 1/3 of all WC payroll exposure.

*Seasonally adjusted.

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

Construction Employment, Jan. 2003–April 2015



The Construction Sector Was a Growth Leader in 2014 as the Housing Market, Private Investment and Govt. Spending Recover. WC Insurers Will Benefit.

Note: Recession indicated by gray shaded column.

Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute.

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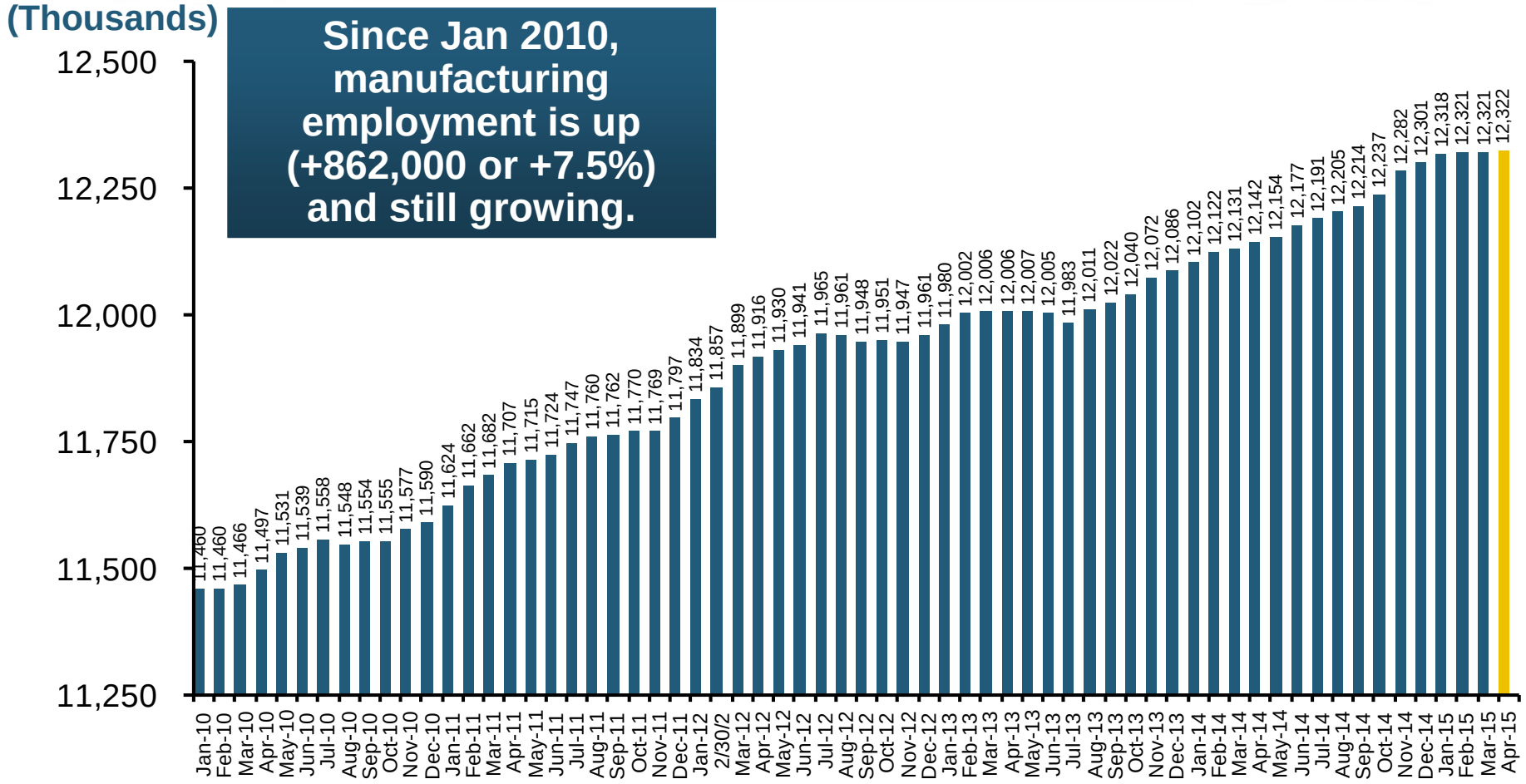
MANUFACTURING SECTOR

A Potent Driver of Jobs, Workers Comp Payroll Exposure

America's Manufacturing Renaissance Has Hit a Rough Patch with the High Dollar and Collapse in Oil Prices

Manufacturing Employment, Jan. 2010—April 2015*

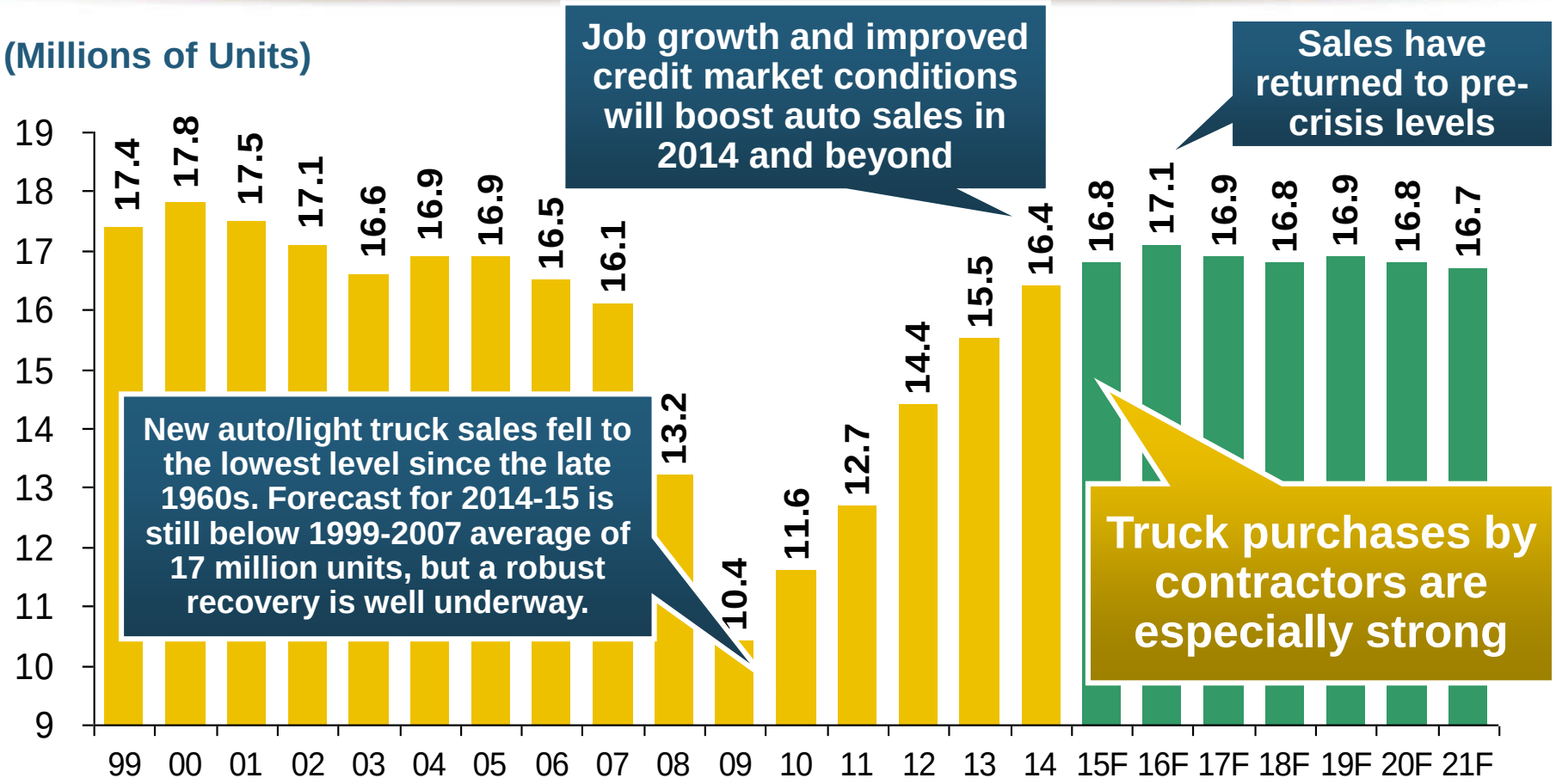


Manufacturing employment is a surprising source of strength in the economy. Employment in the sector is at a multi-year high.

*Seasonally adjusted.

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

Auto/Light Truck Sales, 1999-2021F



Yearly car/light truck sales will likely continue at current levels, in part replacing cars that were held onto in 2008-12. New vehicles will generate more physical damage insurance coverage but will be more expensive to repair. PP Auto premium might grow by 5% - 6%.

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (5/15 and 3/15); Insurance Information Institute.

ISM Manufacturing Index
(Values > 50 Indicate Expansion)

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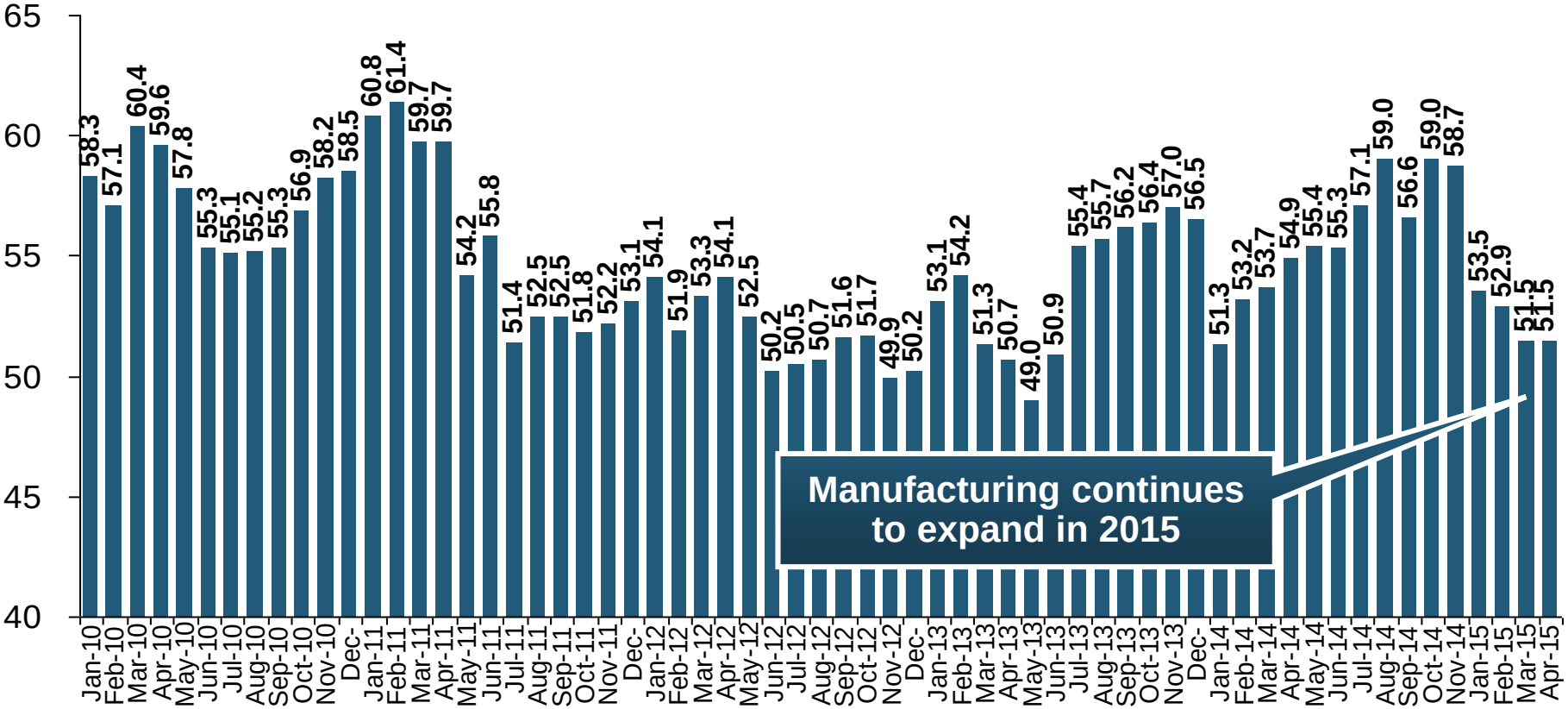
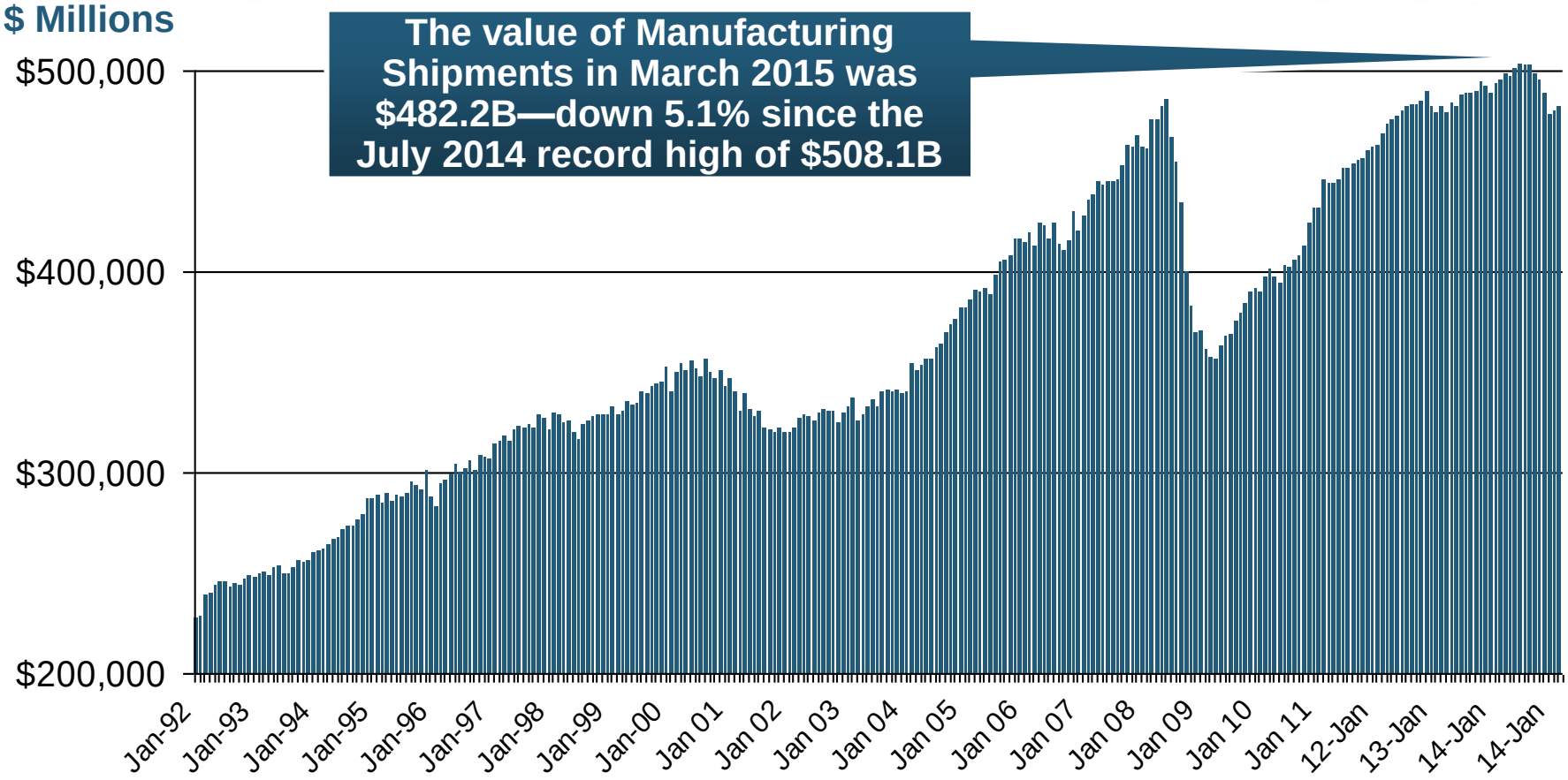
January 2010 through April 2015



The manufacturing sector expanded for 62 of the 64 months from Jan. 2010 through Apr. 2015. Pace of recovery has been uneven due to economic turbulence in the U.S., Europe and China and the high dollar.

Source: Institute for Supply Management at http://www.ism.ws/ismreport/mfgrob.cfm; Insurance Information Institute.

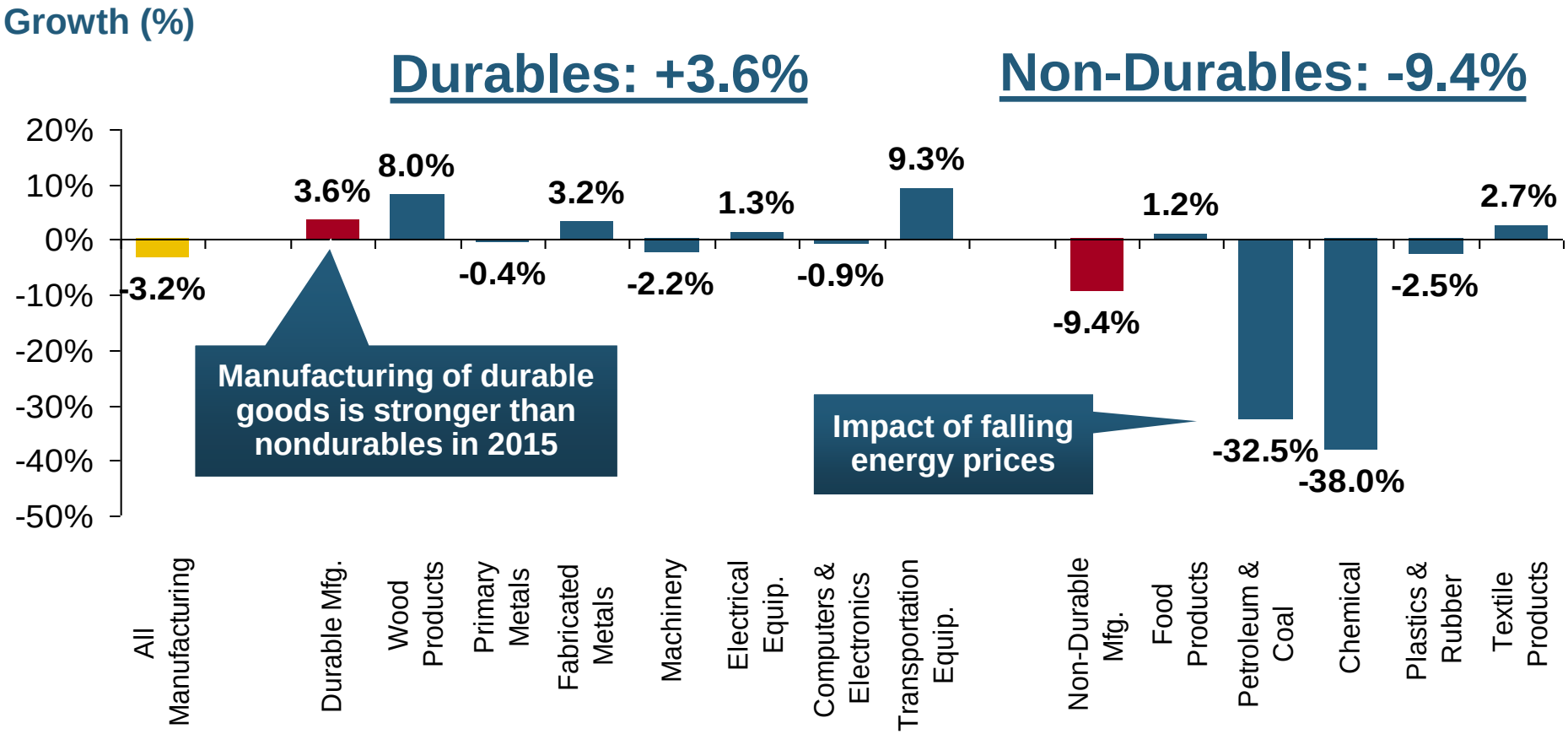
Dollar Value* of Manufacturers' Shipments Monthly, Jan. 1992—March 2015



Monthly shipments in March 2015 are similar to pre-crisis (July 2008) peak but has declined in recent months due to the strong US dollar and weakness abroad. Manufacturing is energy-intensive and growth leads to gains in many commercial exposures: WC, Commercial Auto, Marine, Property, and various Liability Coverages.

* Seasonally adjusted; Data published May 4, 2015.
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders,* http://www.census.gov/manufacturing/m3/

Manufacturing Growth for Selected Sectors, 2015 vs. 2014*



Manufacturing Is Expanding in Many Sectors But Declining Energy Prices Are Dragging Down Industry Figures. Continued Gortwh Across a Number of Sectors that Will Contribute to Growth in Insurable Exposures Including: WC, Commercial Property, Commercial Auto and Many Liability Coverages

*Seasonally adjusted; Date are YTD comparing data through March 2015 to the same period in 2014.
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders*, http://www.census.gov/manufacturing/m3/

Recovery in Capacity Utilization is a Positive Sign for Commercial Exposures

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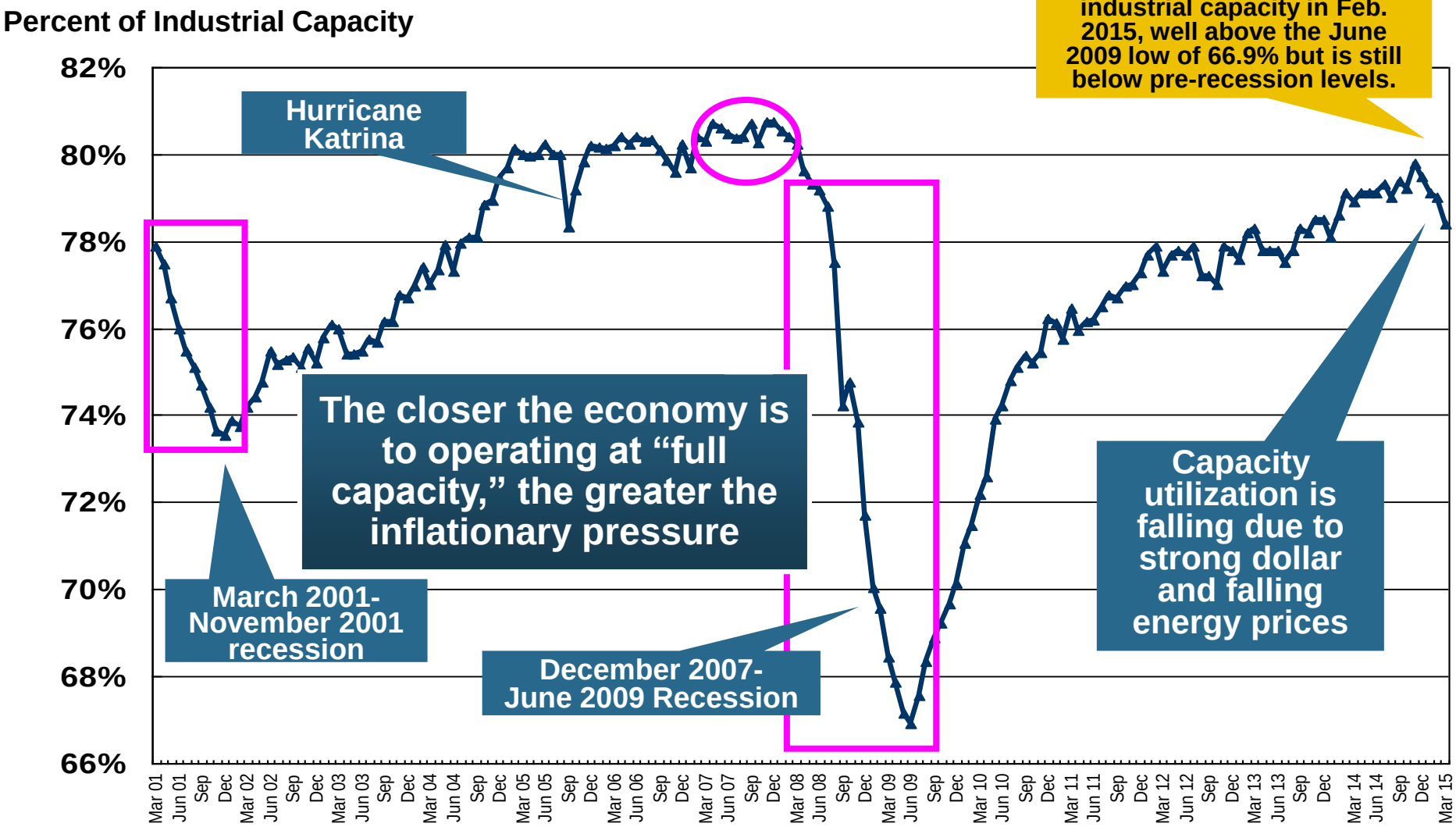
March 2001 through March 2015



Source: Federal Reserve Board statistical releases at http://www.federalreserve.gov/releases/g17/Current/default.htm.

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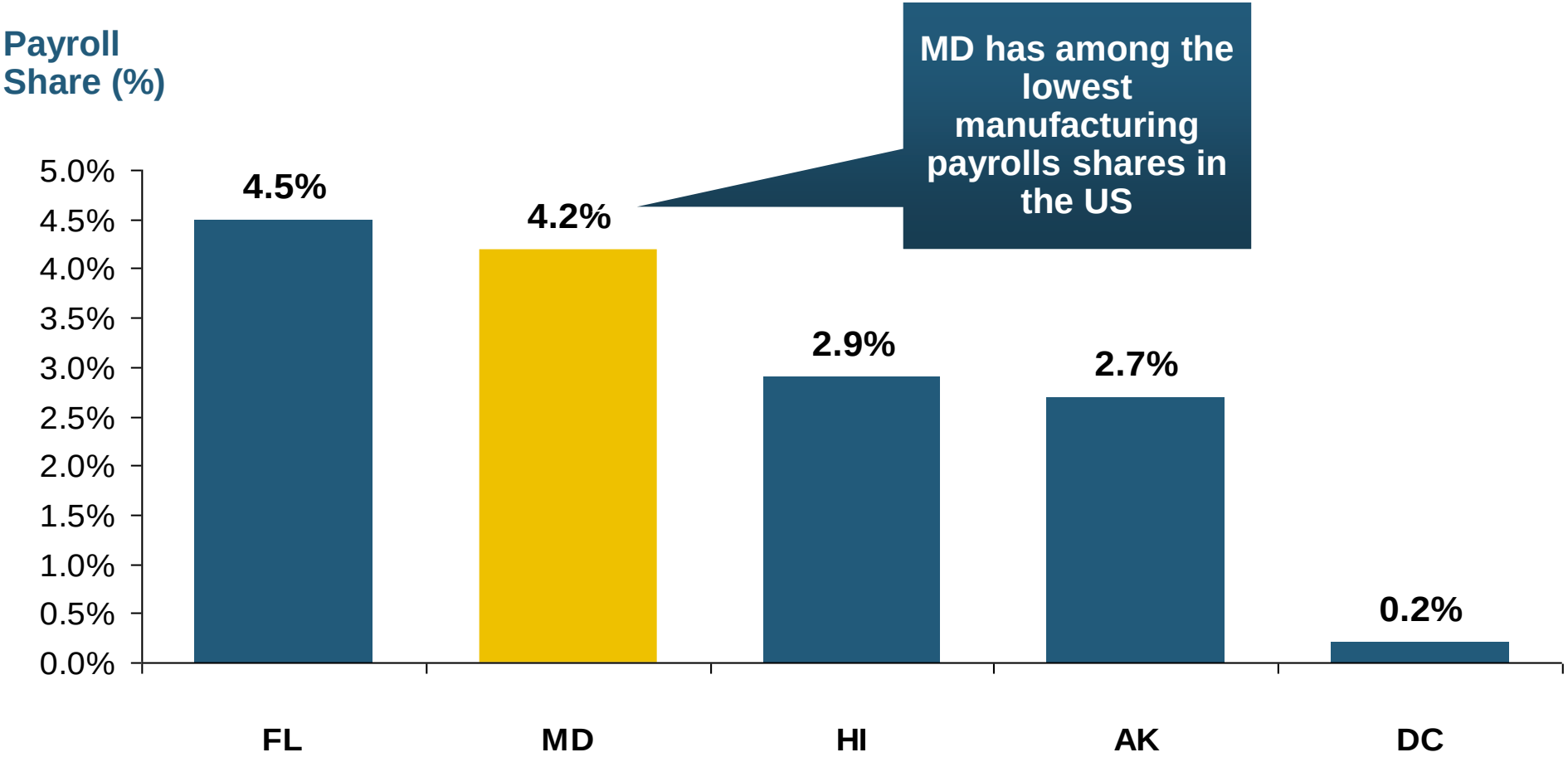
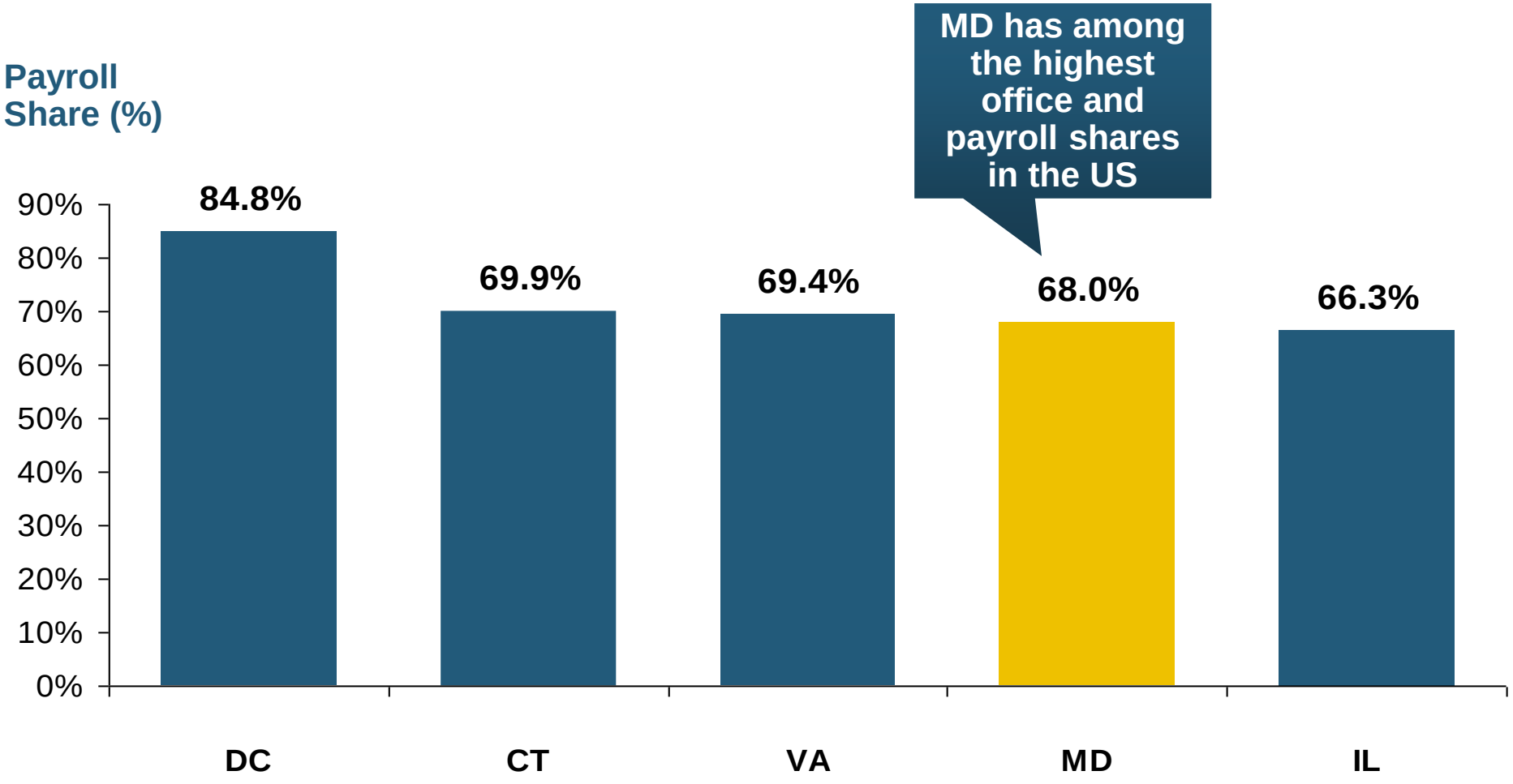
States with Lowest Average Manufacturing Payroll Distribution



Source: NCCI (2015 Regulatory and Legislative Trends Workshop, May 14, 2015); Insurance Information Institute.

States with Highest Office and Clerical Payroll Distribution



Source: NCCI (2015 Regulatory and Legislative Trends Workshop, May 14, 2015); Insurance Information Institute.

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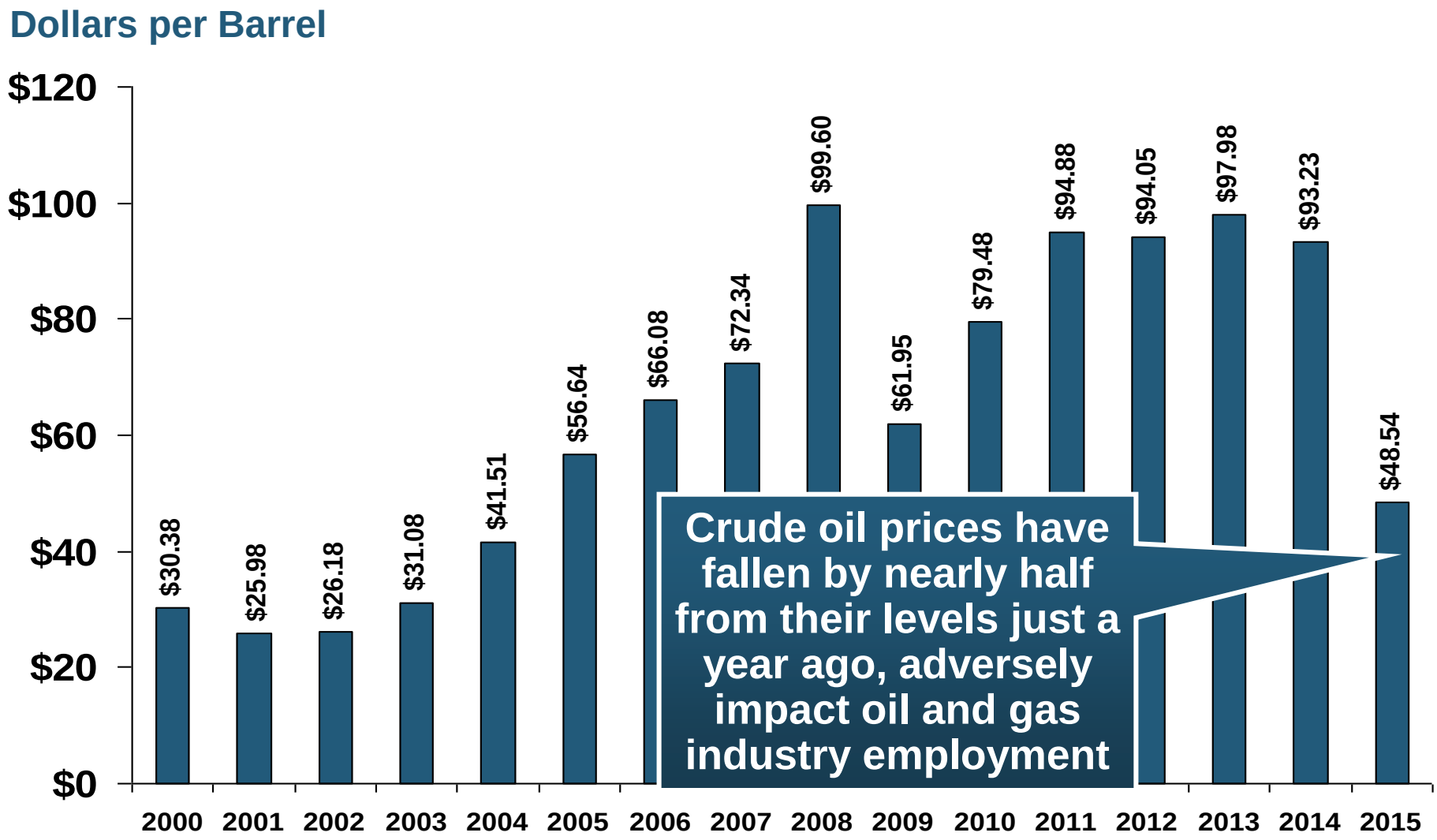
ENERGY SECTOR

America's Energy Boom Has Been a Strong Driver of the Economic Recovery, but Prices Are Falling

Workers Comp Have Benefited from the Energy Boom, But Exposures Will Suffer as Energy Prices Swoon

Price of Crude Oil (West Texas Intermediate), 2000 – 2015*



*Through March 2015.
Source: Energy Information Administration; Insurance Information Institute.

Oil & Gas Extraction Employment, Jan. 2010—April 2015*

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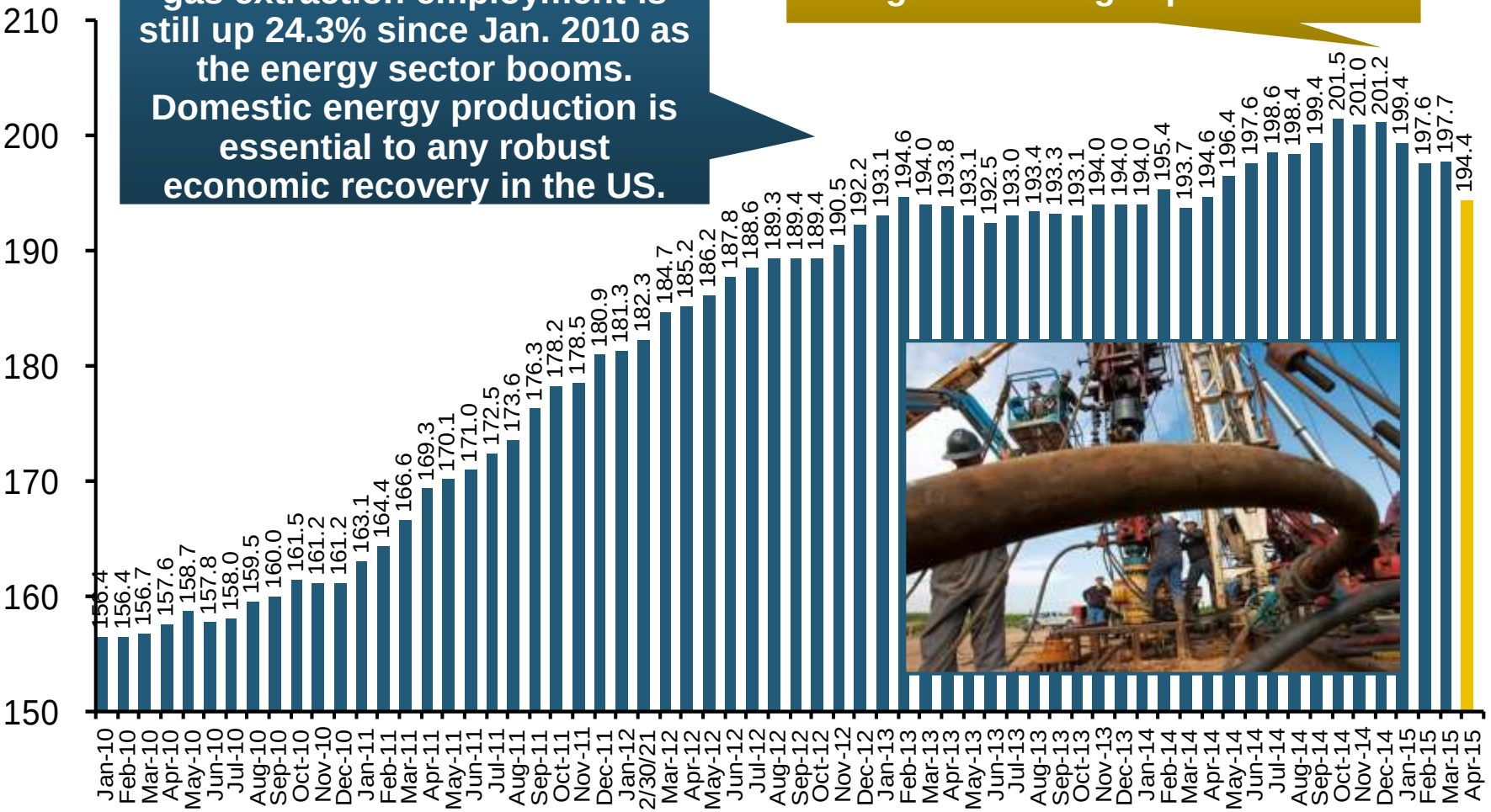
(Thousands)

Despite recent declines, Oil and gas extraction employment is still up 24.3% since Jan. 2010 as the energy sector booms. Domestic energy production is essential to any robust economic recovery in the US.

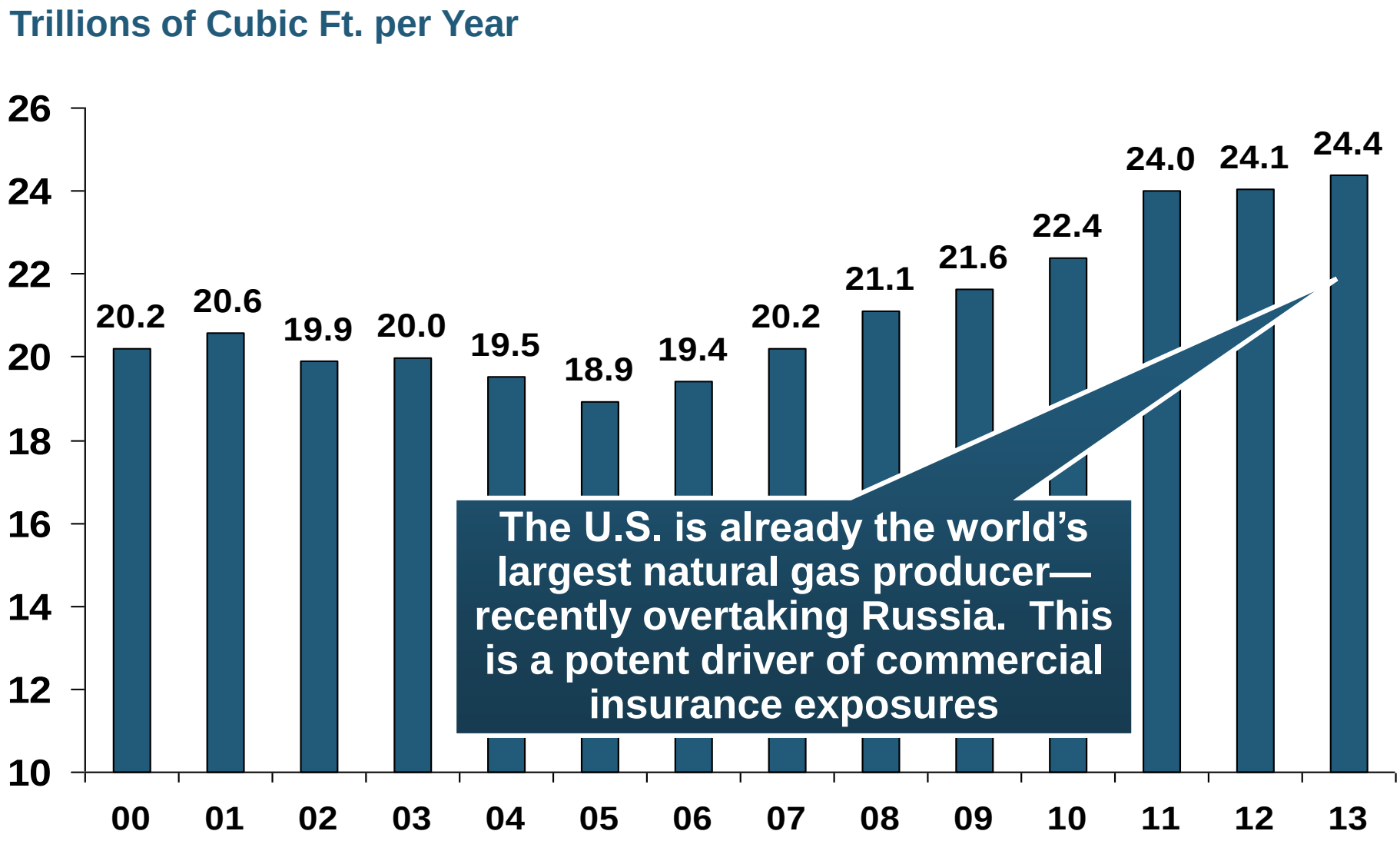
After peaking at its highest level since 1986, O&G employment is falling as oil and gas prices decline



*Seasonally adjusted

Sources: US Bureau of Labor Statistics at http://data.bls.gov; Insurance Information Institute.

U.S. Natural Gas Production, 2000-2013



Source: Energy Information Administration, *Short-Term Energy Outlook* (April 2015) , Insurance Information Institute.

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POSITIVE LABOR MARKET DEVELOPMENTS

Key Factors Driving Workers Compensation Exposure

Average Weekly Hours of All Private Workers, Mar. 2006—April 2015

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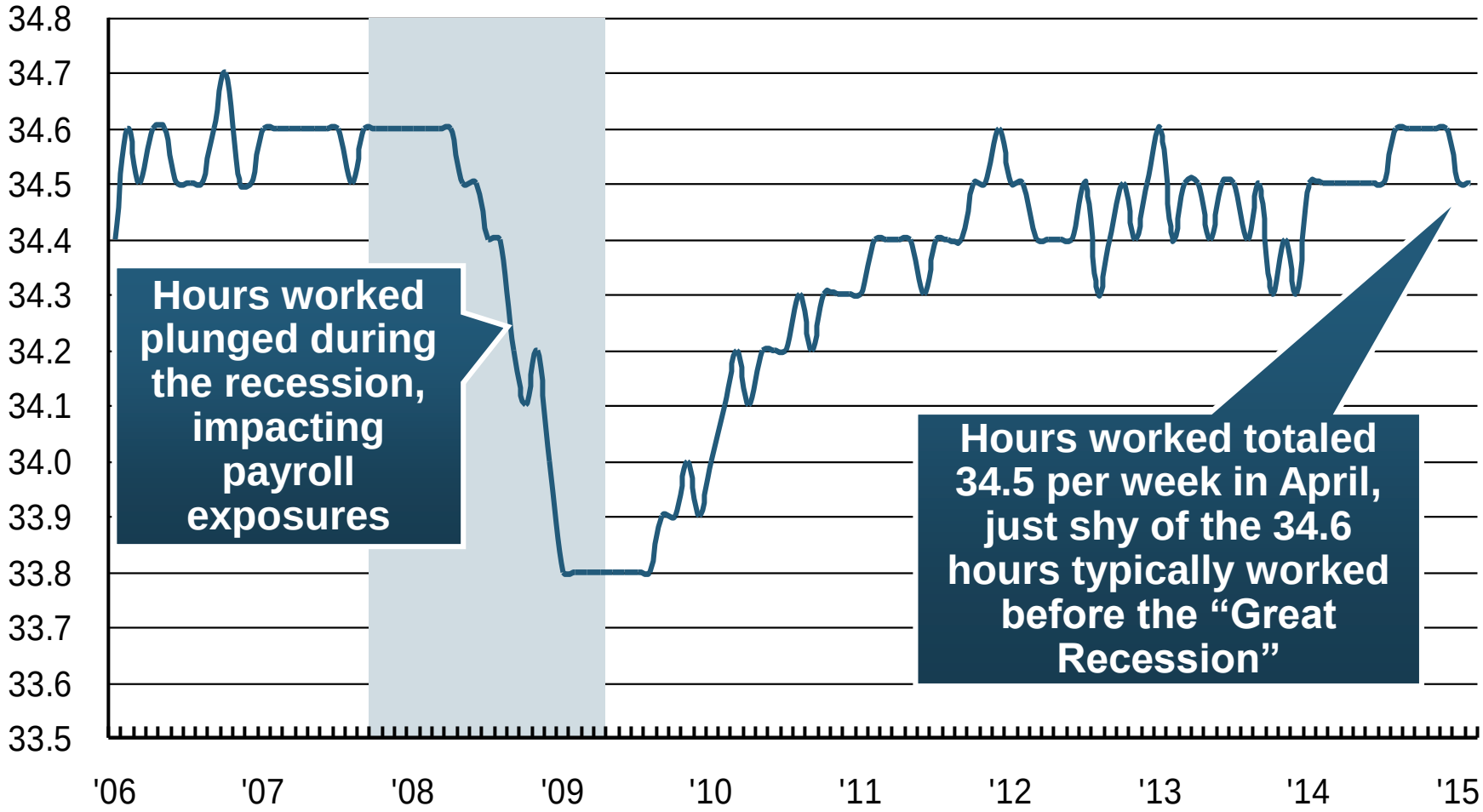
(Hours Worked)

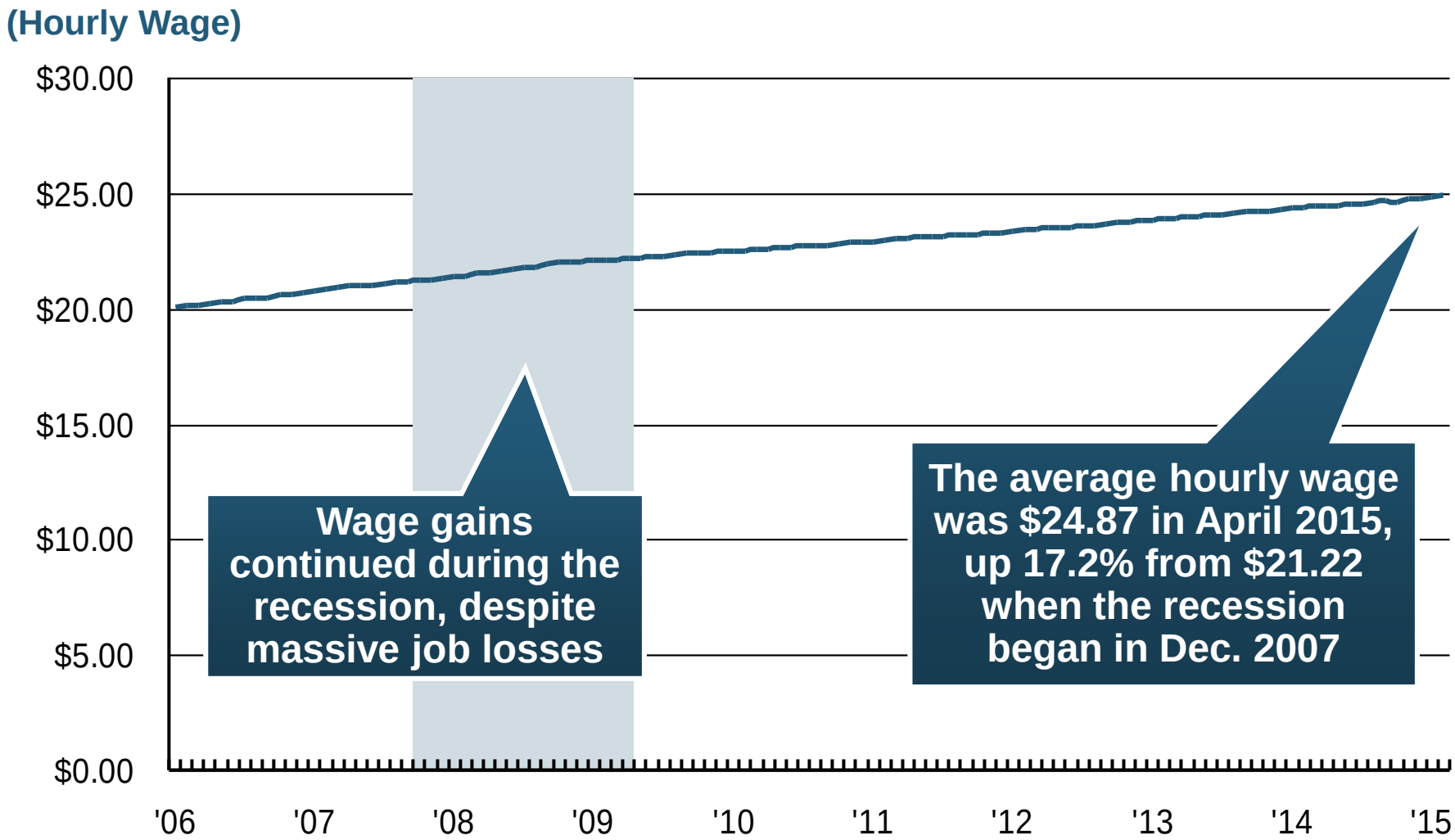


*Seasonally adjusted

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics at http://www.bls.gov/data/#employment; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Average Hourly Wage of All Private Workers, Mar. 2006—April 2015



*Seasonally adjusted

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics at http://www.bls.gov/data/#employment; National Bureau of Economic Research (recession dates); Insurance Information Institute.

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ADVERSE LONG-TERM LABOR MARKET DEVELOPMENTS

Key Factors Harming Workers Compensation Exposure and the Overall Economy

Labor Force Participation Rate, Jan. 2002—April 2015*

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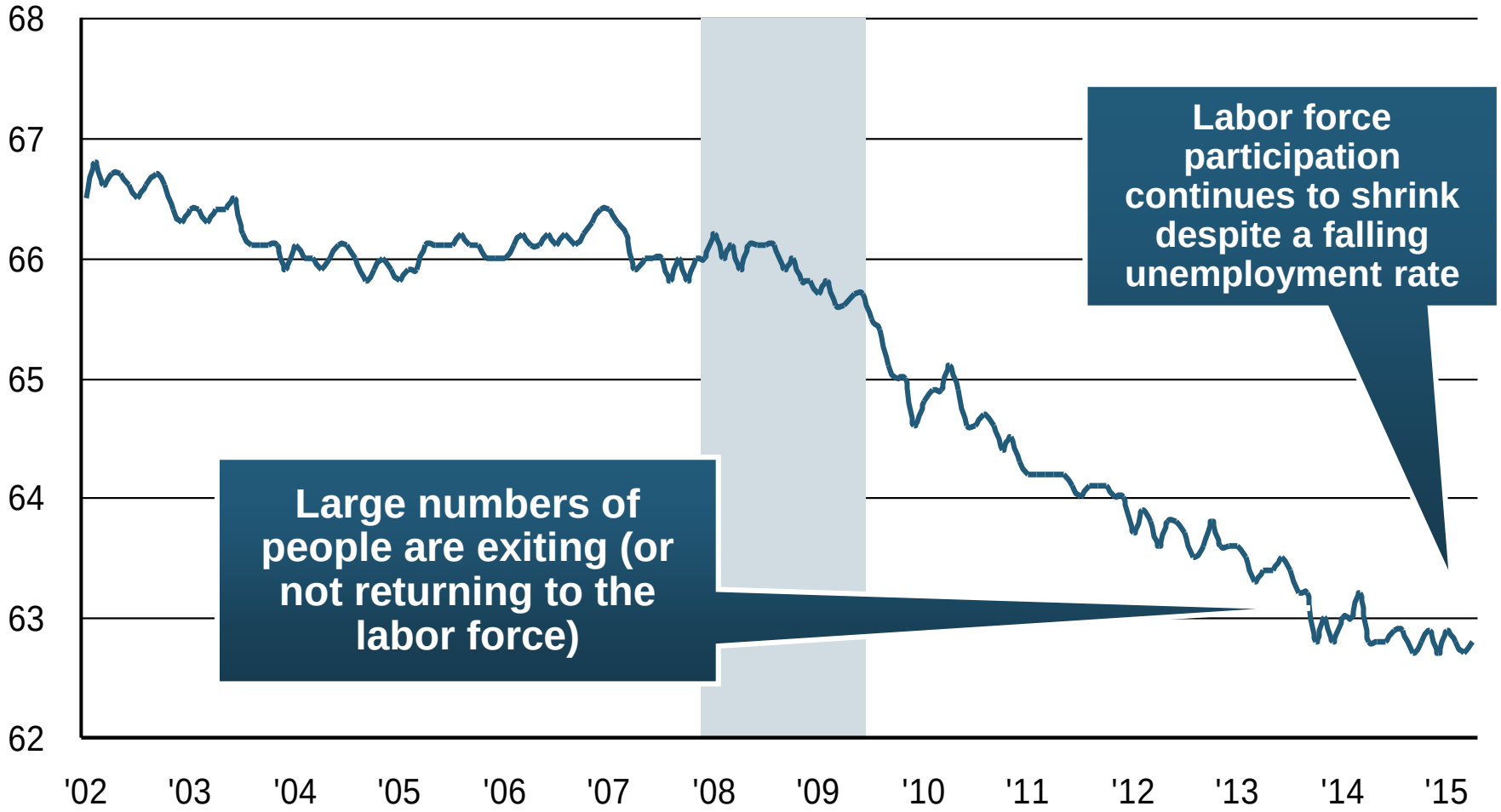
Labor Force Participation as a % of Population



*Defined as the percentage of working age persons in the population who are employed or actively seeking work.

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics at http://www.bls.gov/data/; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Number of "Discouraged Workers," Jan. 2002—April 2015

In recent good times, the number of discouraged workers ranged from 200,000-400,000 (1995-2000) or from 300,000-500,000 (2002-2007).

Notes: Recessions indicated by gray shaded columns. Data are seasonally adjusted.

Sources: Bureau of Labor Statistics http://www.bls.gov/news.release/empsit.a.htm ; NBER (recession dates); Ins. Info. Inst.

Growth in Temporary Workers vs. All Nonfarm Employment, 2010-2015*

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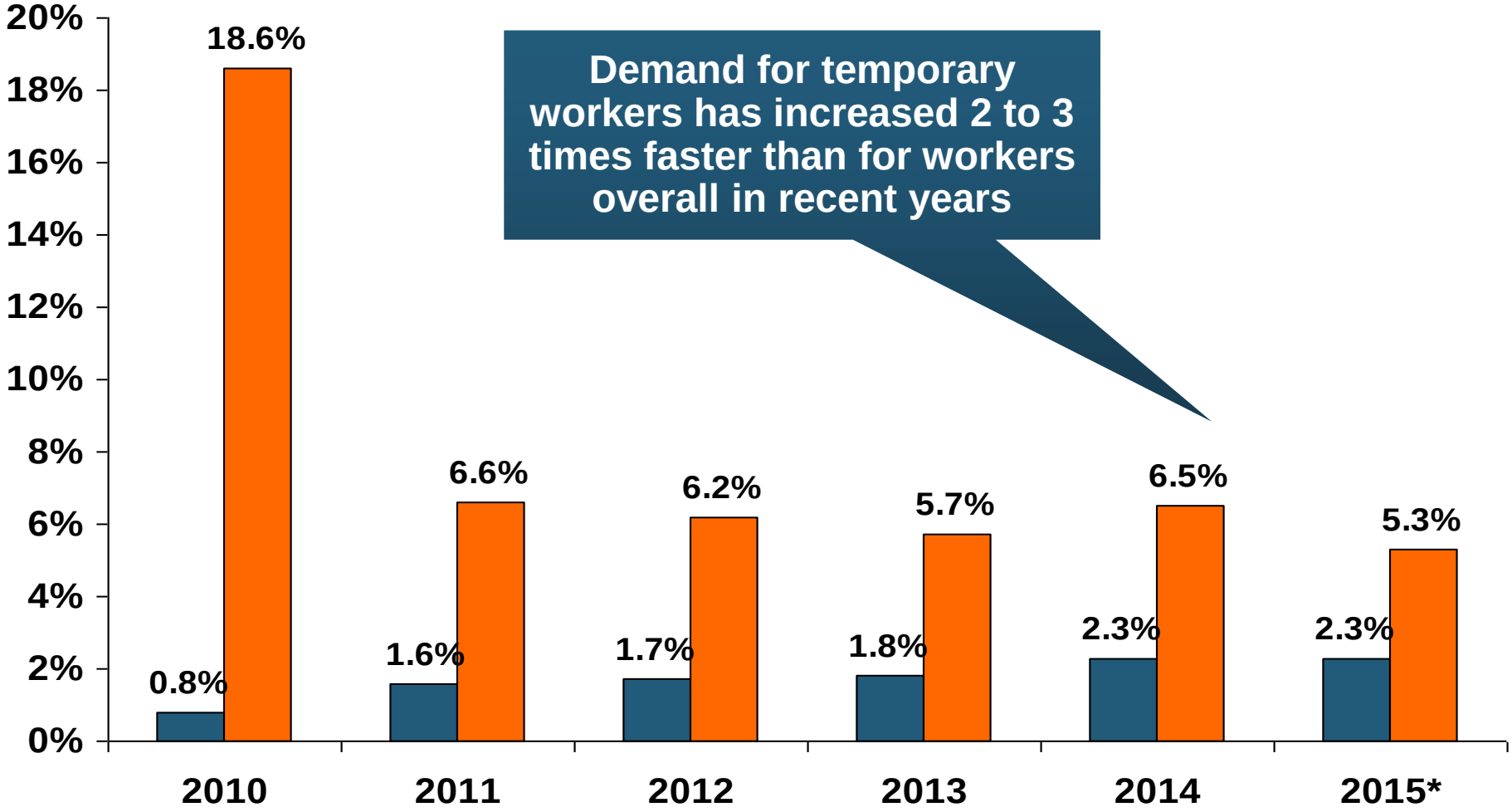
Annual Percent Change



*Through March 2015.
Source: US Bureau of Labor Statistics , Insurance Information Institute.

Labor on Demand: Huge Implications for the US Economy, Workers & Insurers

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Will YOUR job be reduced to an app?


THE WALL STREET JOURNAL.

There's an Uber for Everything Now

Apps do your chores: shopping, parking, cooking, cleaning, packing, shipping and more

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The "On-Demand" (Sharing) Economy

The On-Demand Economy Will Transform the American Workforce and the P/C Insurance Industry Too, Including Workers Comp

On-Demand/Sharing/Peer-to-Peer Economy Impacts Many Lines of Insurance

- **The "On-Demand" Economy is or will impact many segments of the economy important to P/C insurers**
  - **Auto (personal and commercial)**
  - **Homeowners/Renters**
  - **Many Liability Coverages**
  - **Professional Liability**
  - ***Workers Comp***
- **Many unanswered insurance questions**
- **Insurance solutions are increasingly available to fill the many insurance gaps that arise**

The On-Demand Economy and American Workers: What Is Happening?

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- **Technology is Fundamentally Transforming How Resources are Allocated and Used in the Economy**
- **Labor is No Exception to this Transformation**
- **Technology Offers New Opportunities to Match Labor to Jobs**
  - **Owners of spare capacity (workers with time and skill) can be paired at low cost with those with a demand for that time and skill**
  - **Bringing together labor and those who employ labor is not new**
  - **BUT: Pairing occurs with a speed and breadth never before possible**
- **Witnessing the Demise of the Traditional Understanding of What is Meant by a "Good" Job**
  - **Concept born in the Industrial Age (1880-1980), is eroding**
  - **Disintermediation of the firm as the place where labor, jobs matched**
- **Accelerating Trends that Started with Labor Strife, Globalization and Automation that Began in the 1970s and 1980s**

What's In Store for the American Worker, Labor Force and Workers Comp

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THE NEW AMERICAN WORKER: Two Schools of Thought

- ***OPTIMISTIC OUTLOOK***
  - **Technology frees workers from the bonds of centralized, hierarchical institutions (the firm)**
  - **Enhanced coordination of "haves" with "needs" that bypass firms as intermediaries**
- **Who Benefits?**
  - **"Flexers": People who value or require flexibility in work arrangements (stay-at-home parents, retirees, students, disabled)**
  - **Professionals: People with portable skills that can be offered through online platforms (semi and high-skilled trades, professional services)**
  - **Unemployed/Underemployed: Offers at least some opportunity to offer and utilize skills and generate income**

Sources: Wall Street Journal; The Economist; Insurance Information Institute research.

What's In Store for the American Worker, Labor Force and Workers Comp

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- ***PESSIMISTIC OUTLOOK***
  - **On-Demand companies are software-driven marketplaces and position themselves as "*platforms*" rather than "*employers*"**
  - **Enormous valuations (e.g., $40B for Uber on $2B in earnings) reflect the extraction of resources that otherwise would go to benefits, investments in safety, training, etc.**
    - **Uber's valuation was greater than that of 72% of the S&P500 at YE 2014**
    - **Valued more than Delta Airlines, Kraft Foods, CBS, Macy's, Hilton, Aflac…**
  - **Jobs reduced to freelanced, temporary "gigs"**
  - **Low skill workers and those who lack flexibility are left further behind**
  - **Workers treated as independent contractors without intrinsic or basic economic rights**
- **What Is Potentially Lost or Compromised?**
  - **Stability, Retirement Benefits, Sick Pay, Maternity Leave, Overtime**
  - **Health Insurance, Liability Coverage, *Workers Comp* Coverage**

Sources: Wall Street Journal; The Economist; Fortune; Insurance Information Institute research.

Potential Consequences for Insurers

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- **On-Demand Platforms Have Struggled with Concepts of Liability**
- **There Has Been a General Resistance to Assuming Liability or Responsibility Unless Compelled to Do So**
- **Companies Have Sought to Keep as Much Liability as Possible on the Individual Offering their (Contracted) Labor or Resources**
- **Minding the Gap**
  - **Traditional insurance will often not cover a worker engaged in offering labor or resources through these platforms**
  - **E.g., Auto ins. generally won't cover you if you while driving for Uber**
  - **Home ins. won't cover for other than occasional rentals of property**
  - **Unless self-procured, on-demand worker (independent contactors) will generally have no workers comp recourse if injured on the job**
- **Long Legislative and Court Battles Lie Ahead**
- **Insurance Solutions Becoming More Common**

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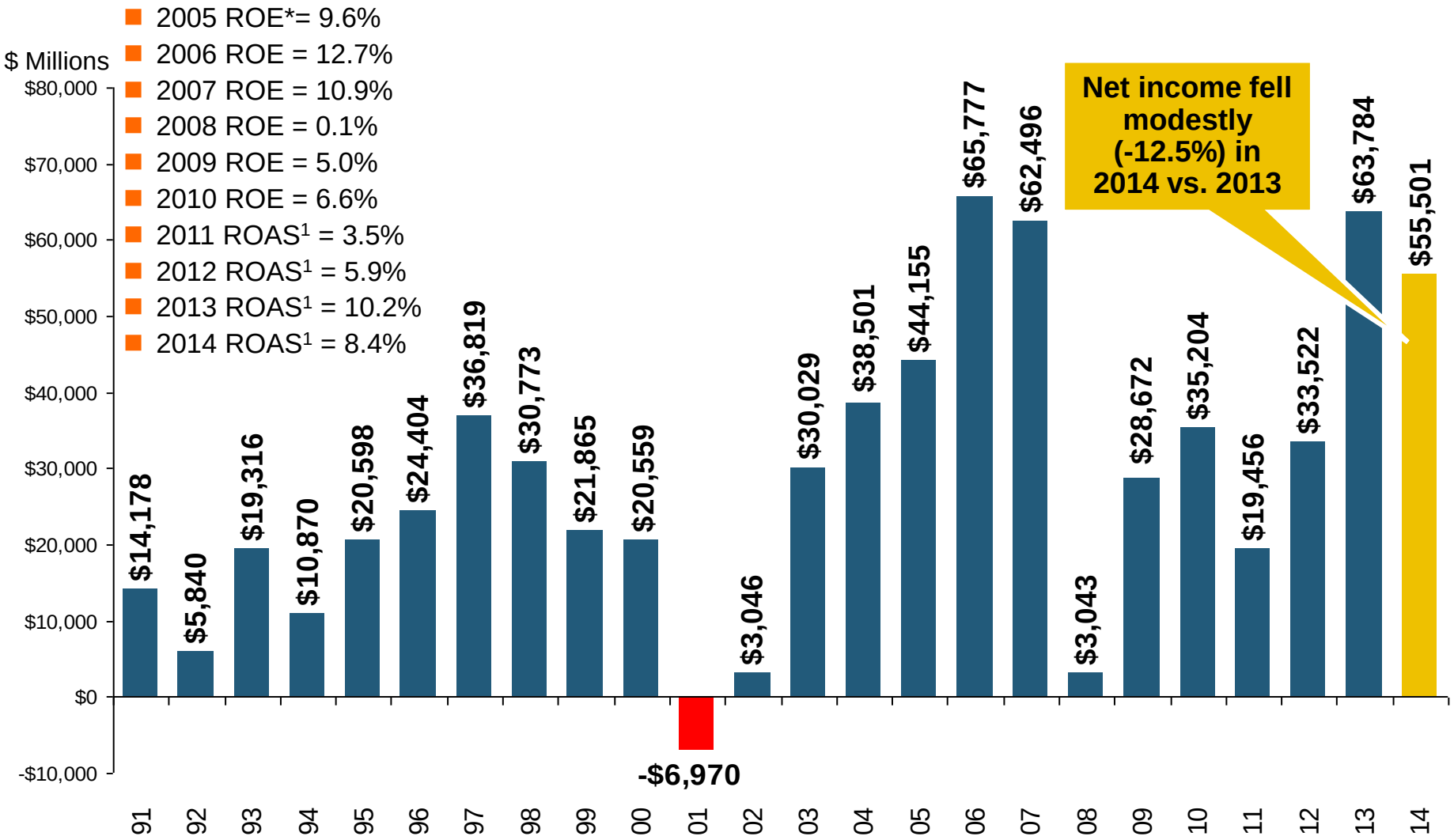
P/C Insurance Industry Financial Overview

2014: Second-Best Year in the Post-Crisis Era

Modest CATs, Strong Markets

Workers Comp Improvement Helped Too

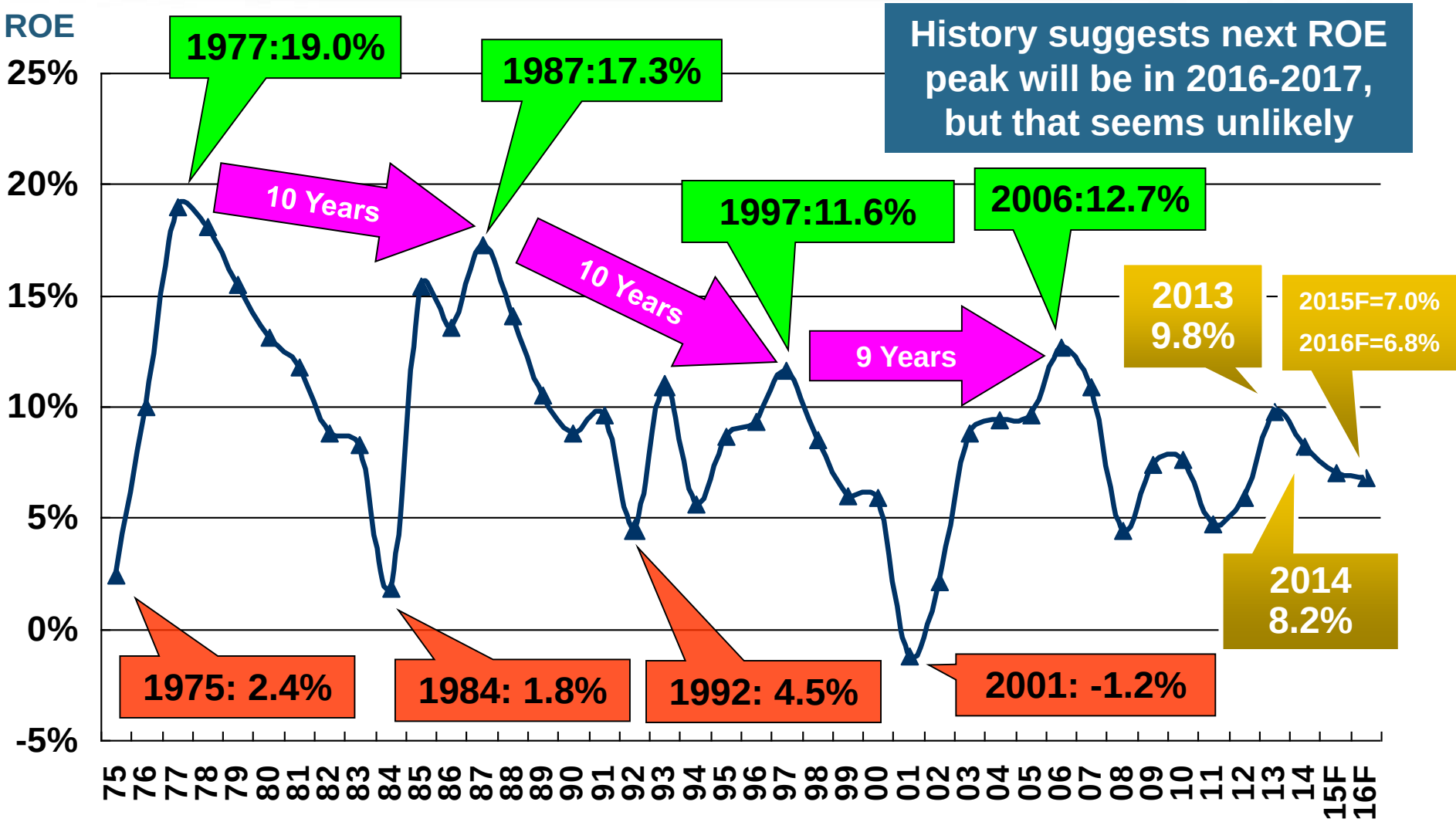
P/C Industry Net Income After Taxes 1991–2014



•ROE figures are GAAP; [1]Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 8.2% ROAS in 2014, 9.8% ROAS in 2013, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

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

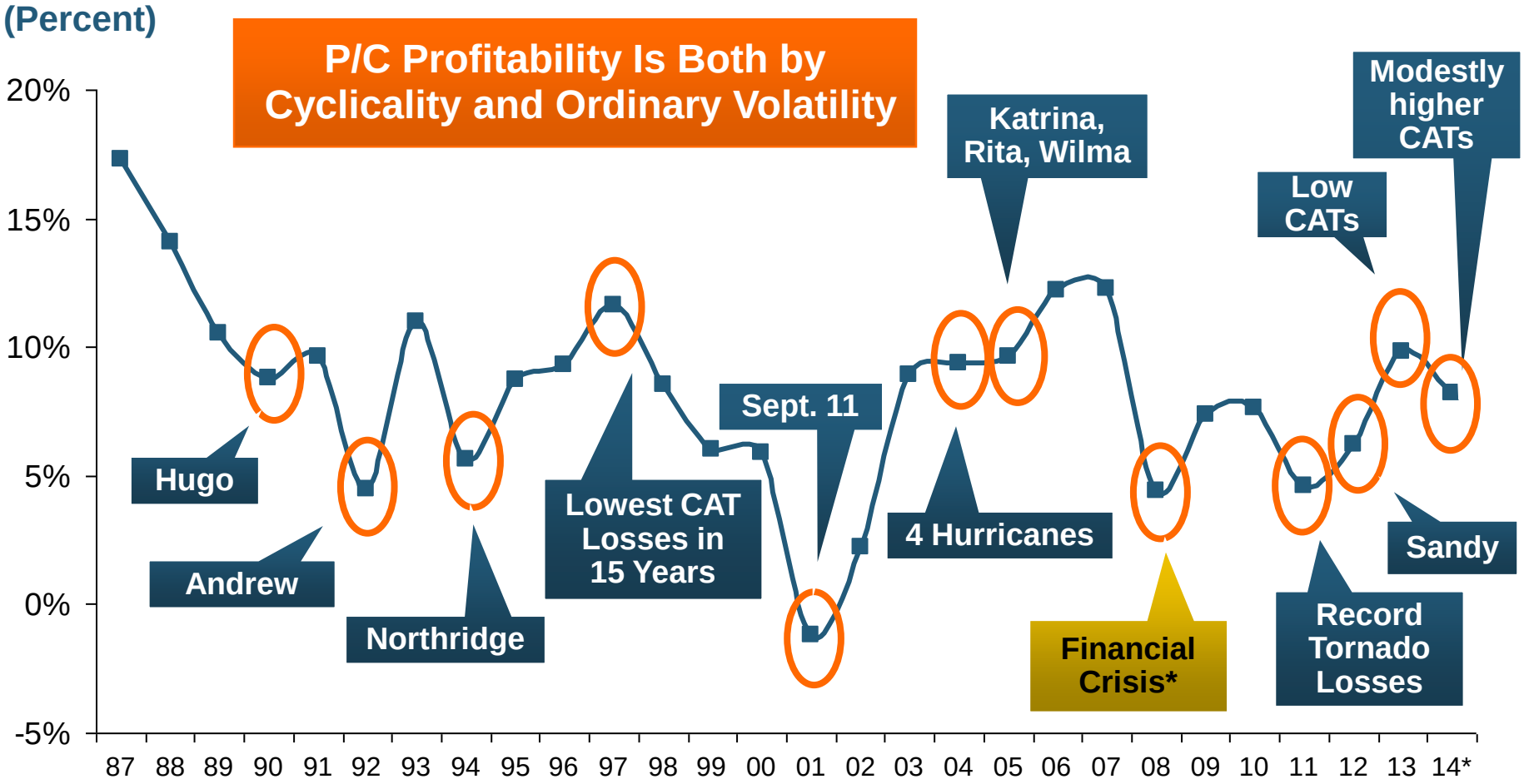
Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2016F



*Profitability = P/C insurer ROEs. 2011-14 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.

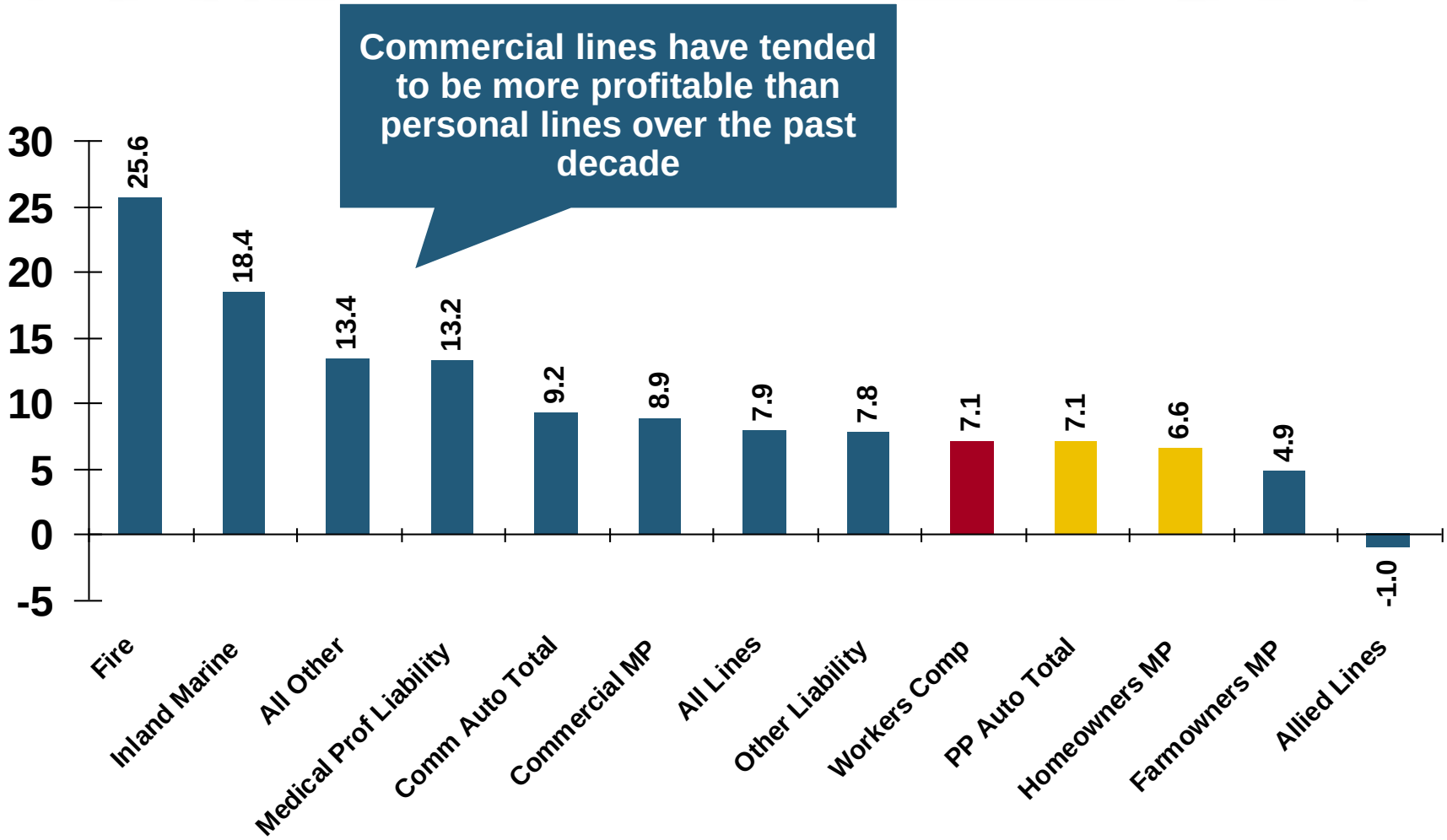
Source: Insurance Information Institute; NAIC, ISO, A.M. Best, Conning

ROE: Property/Casualty Insurance by Major Event, 1987–2014



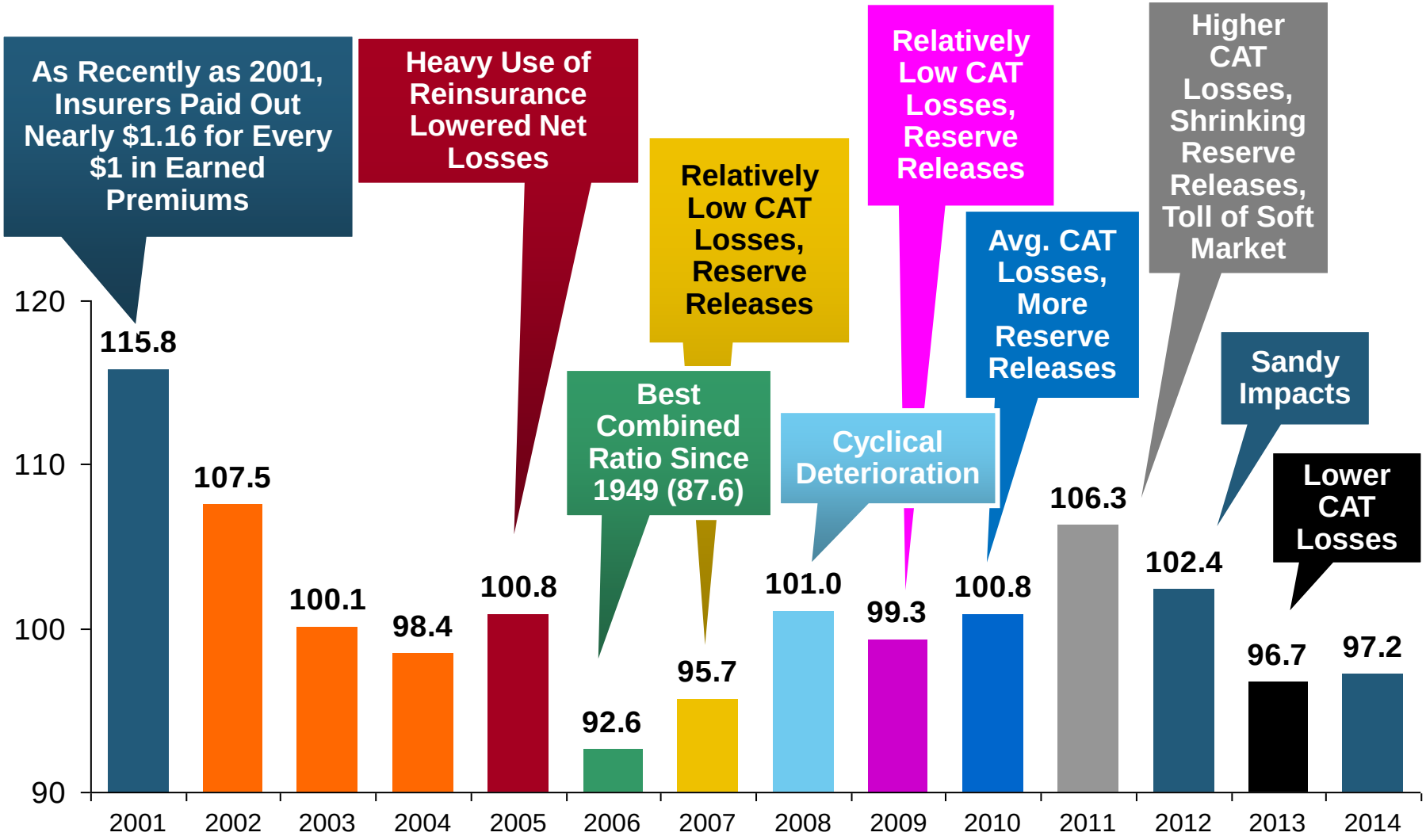
* Excludes Mortgage & Financial Guarantee in 2008 – 2014.
Sources: ISO, *Fortune*; Insurance Information Institute.

Return on Net Worth (RNW) All Lines: 2004-2013 Average



Source: NAIC; Insurance Information Institute.

P/C Insurance Industry Combined Ratio, 2001–2014*



* 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 100 Combined Ratio Isn't What It Once Was: Investment Impact on ROEs

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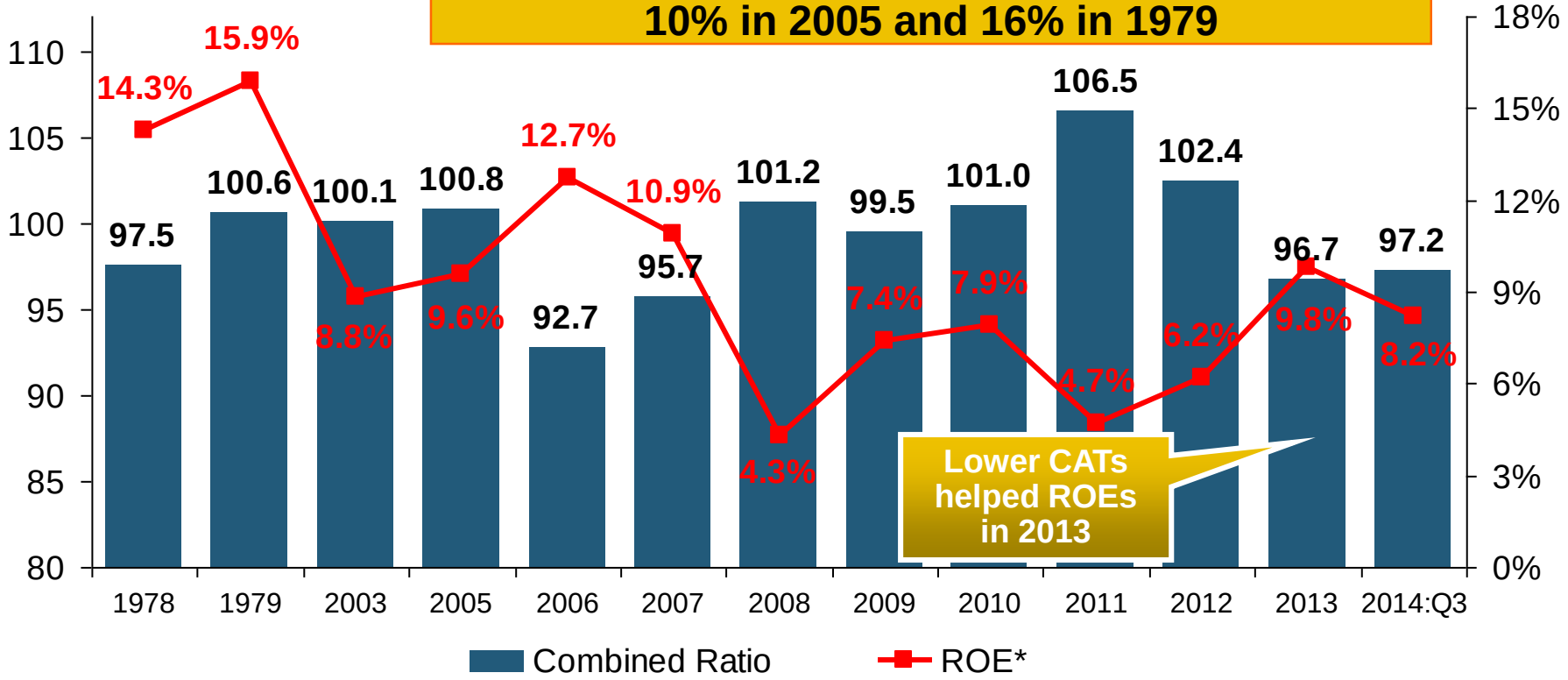
A combined ratio of about 100 generates an ROE of ~7.0% in 2012/13, ~7.5% ROE in 2009/10, 10% in 2005 and 16% in 1979

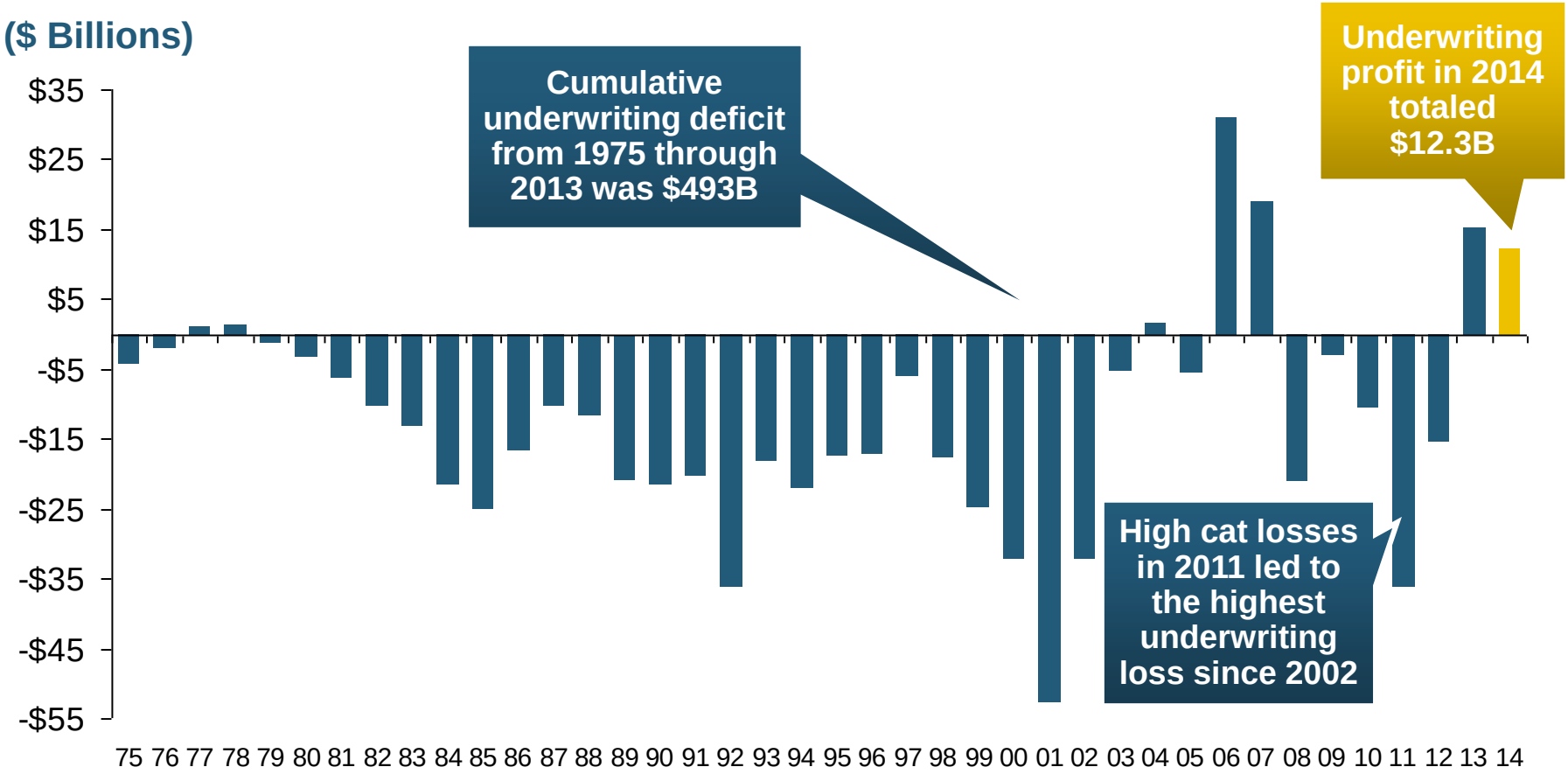


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

* 2008 -2014 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2014 combined ratio including M&FG insurers is 97.0; 2013 = 96.1; 2012 =103.2, 2011 = 108.1, ROAS = 3.5%.

Source: Insurance Information Institute from A.M. Best and ISO Verisk Analytics data.

Underwriting Gain (Loss) 1975–2014*



Large Underwriting Losses Are *NOT* Sustainable in Current Investment Environment

* Includes mortgage and financial guaranty insurers in all years.

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

P/C Insurance Loss Reserve Development, 1992 – 2016E*

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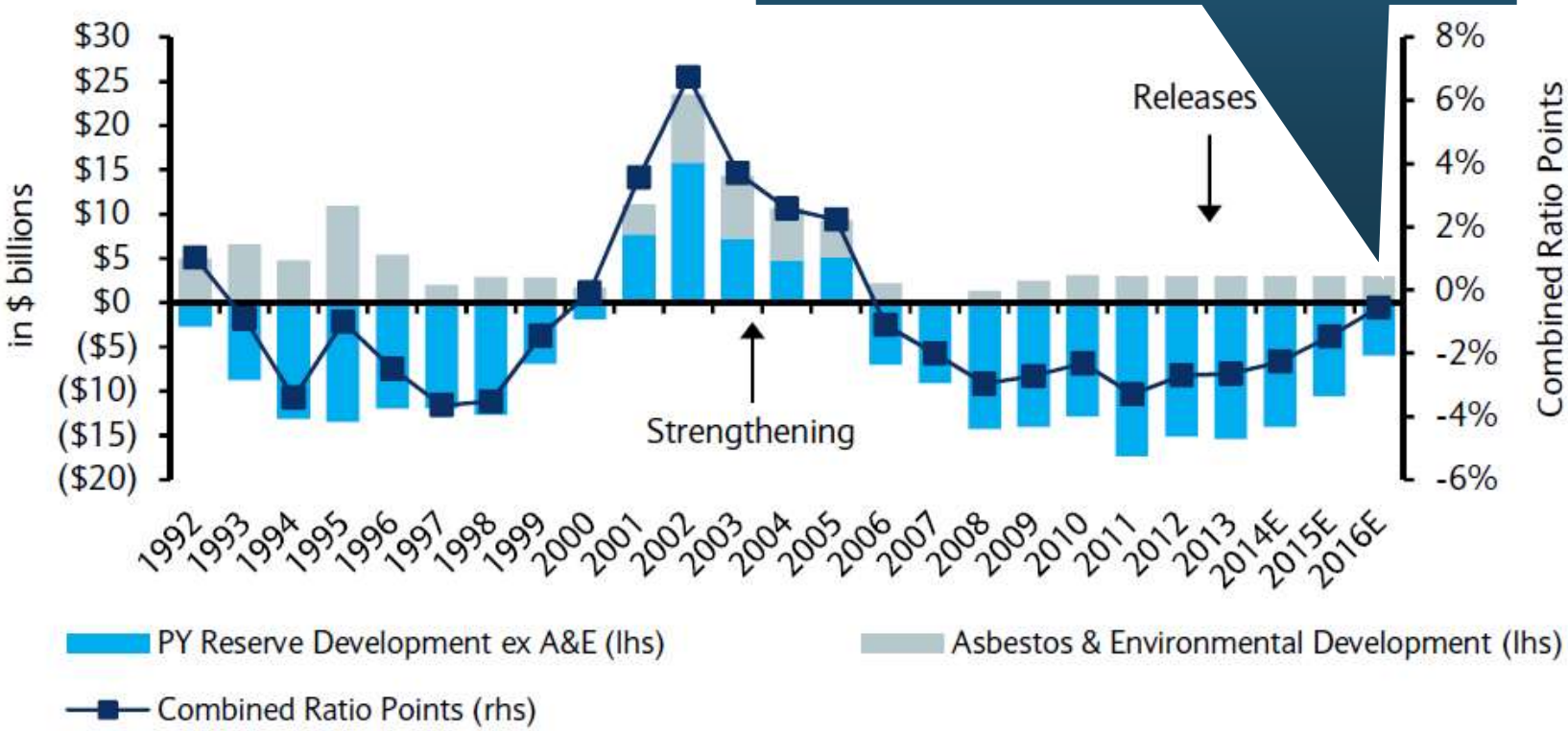
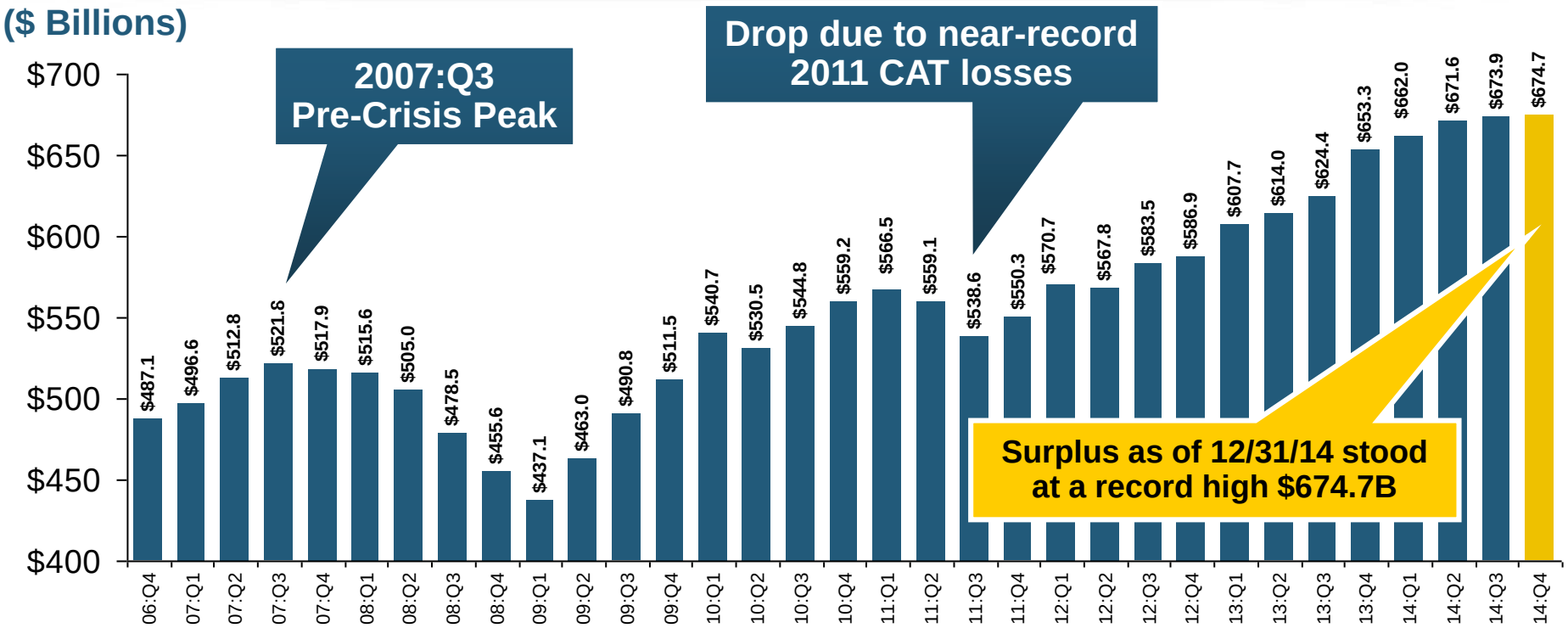
Reserve releases are expected to gradually taper off, but will continue to benefit the bottom line and combined ratio through at least 2016

Reserve Change



Source: A.M. Best; Barclays research for estimates.

Policyholder Surplus, 2006:Q4–2014:Q4



The industry now has $1 of surplus for every $0.74 of NPW, close to the strongest claims-paying status in its history.

2010:Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business .

The P/C insurance industry entered 2015 in very strong financial condition.

Sources: ISO, A.M .Best.

US P/C Insurance Industry Excess Capital Position: 1994–2016E

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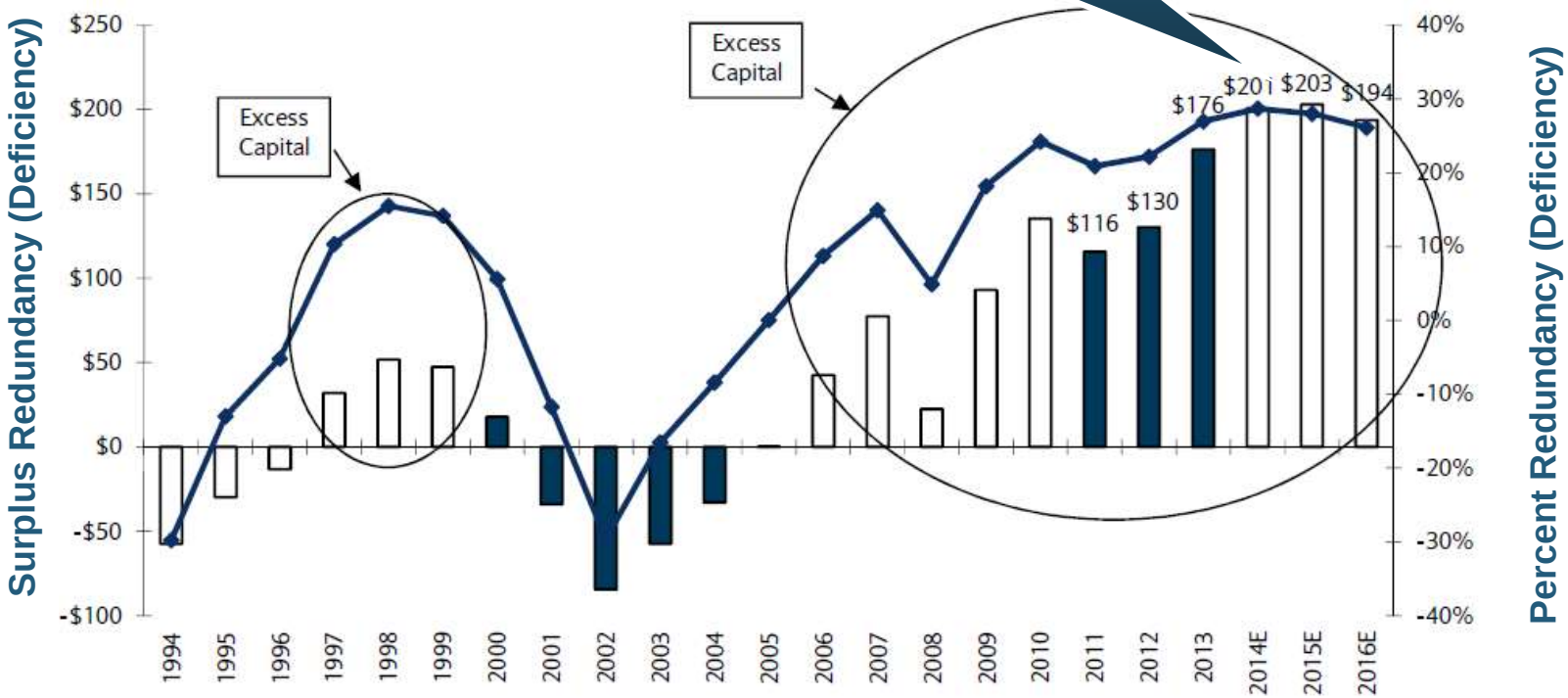
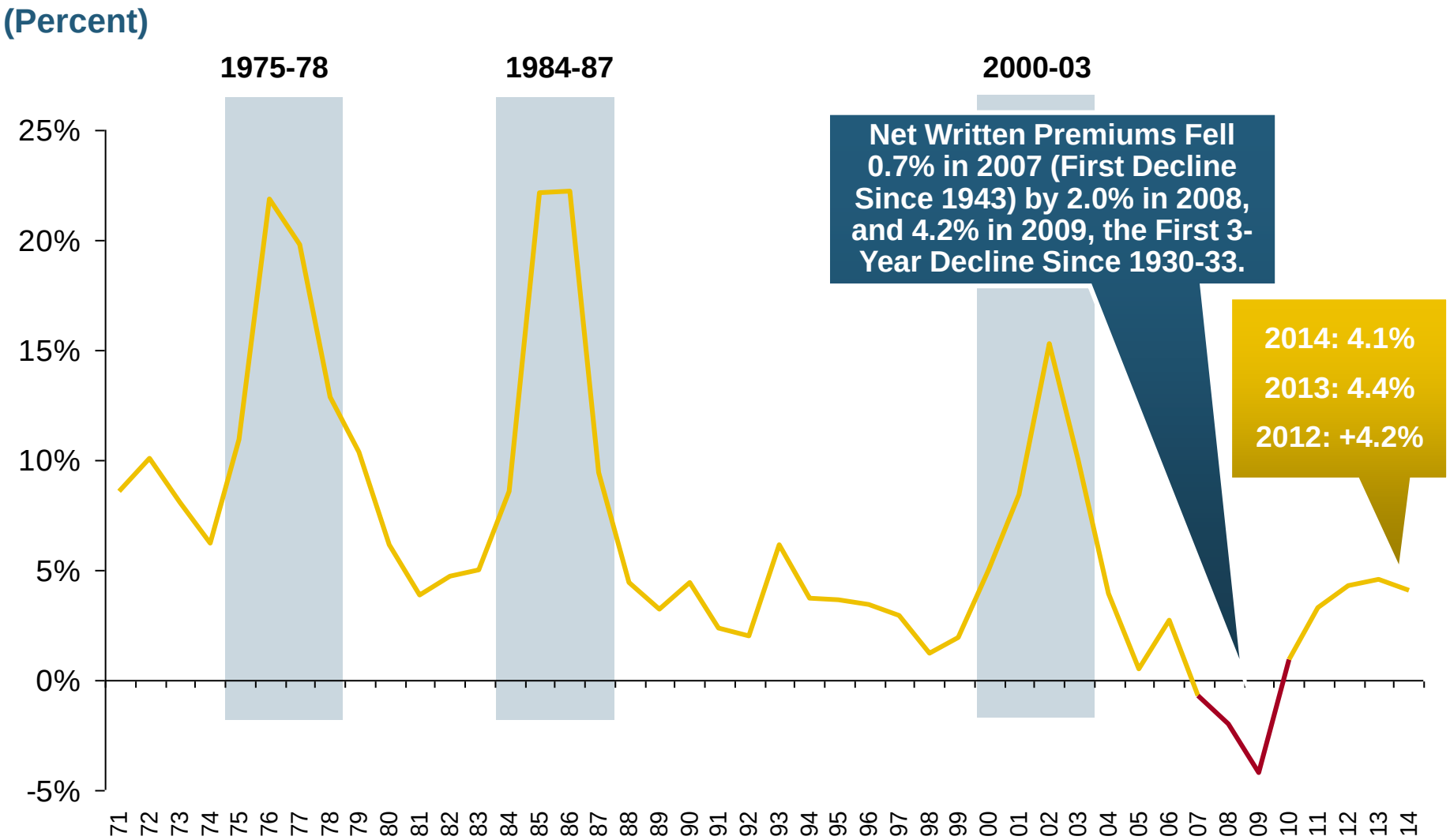
Barclay's suggests that surplus is approximately $200B (~30%)



The Industry's Strong Capital Position Suggests Insurers Are in a Good Position to Increase Risk Appetite, Repurchase Shares and Pursue Acquisitions

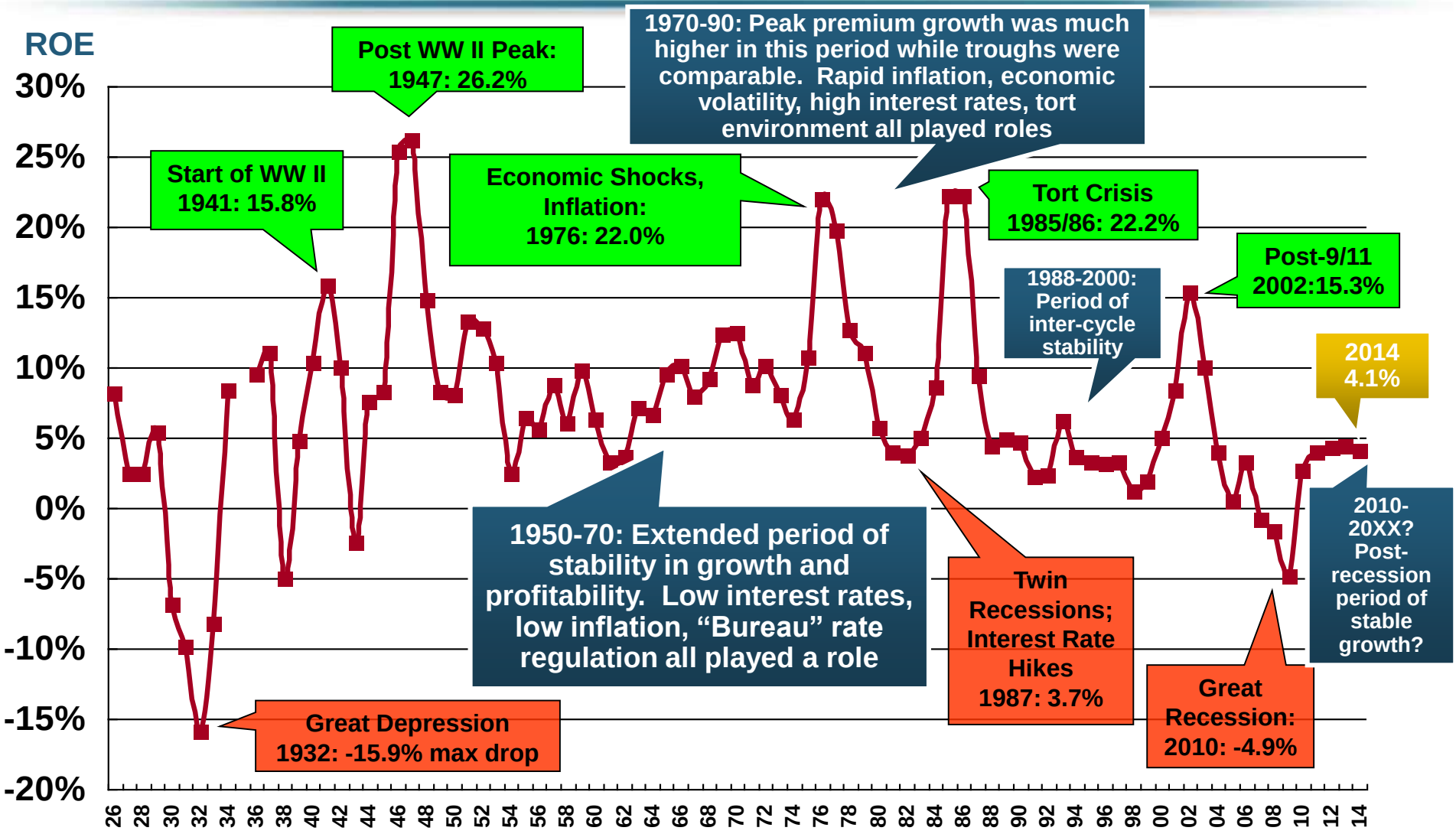
Source: Barclays Research estimates.

Net Premium Growth (All P/C Lines): Annual Change, 1971—2014



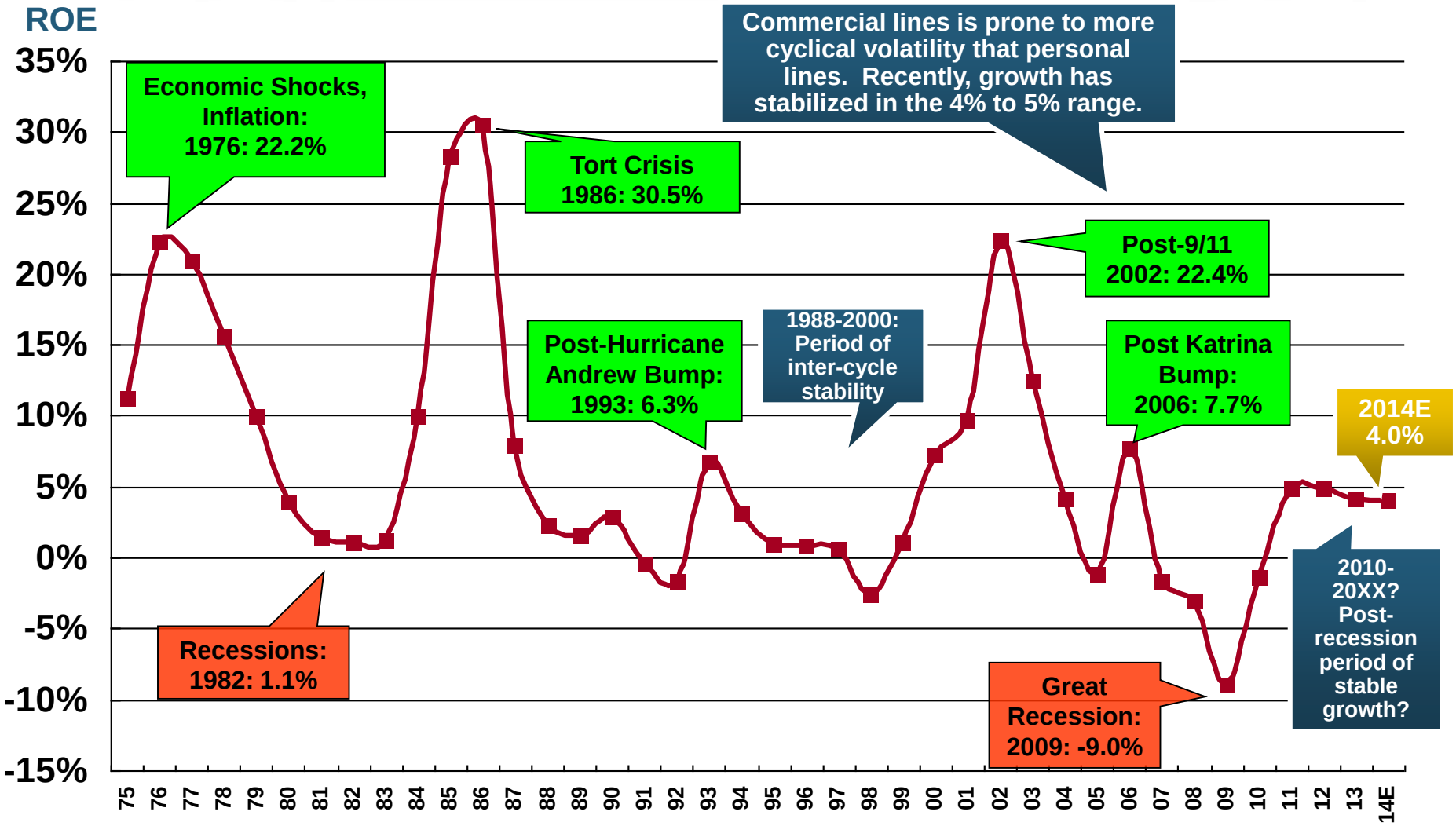
Shaded areas denote "hard market" periods
Sources: A.M. Best (1971-2013), ISO (2014), Insurance Information Institute.

NPW Premium Growth: Peaks & Troughs in the P/C Insurance Industry, 1926 – 2014



Note: Data through 1934 are based on stock companies only. Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute.

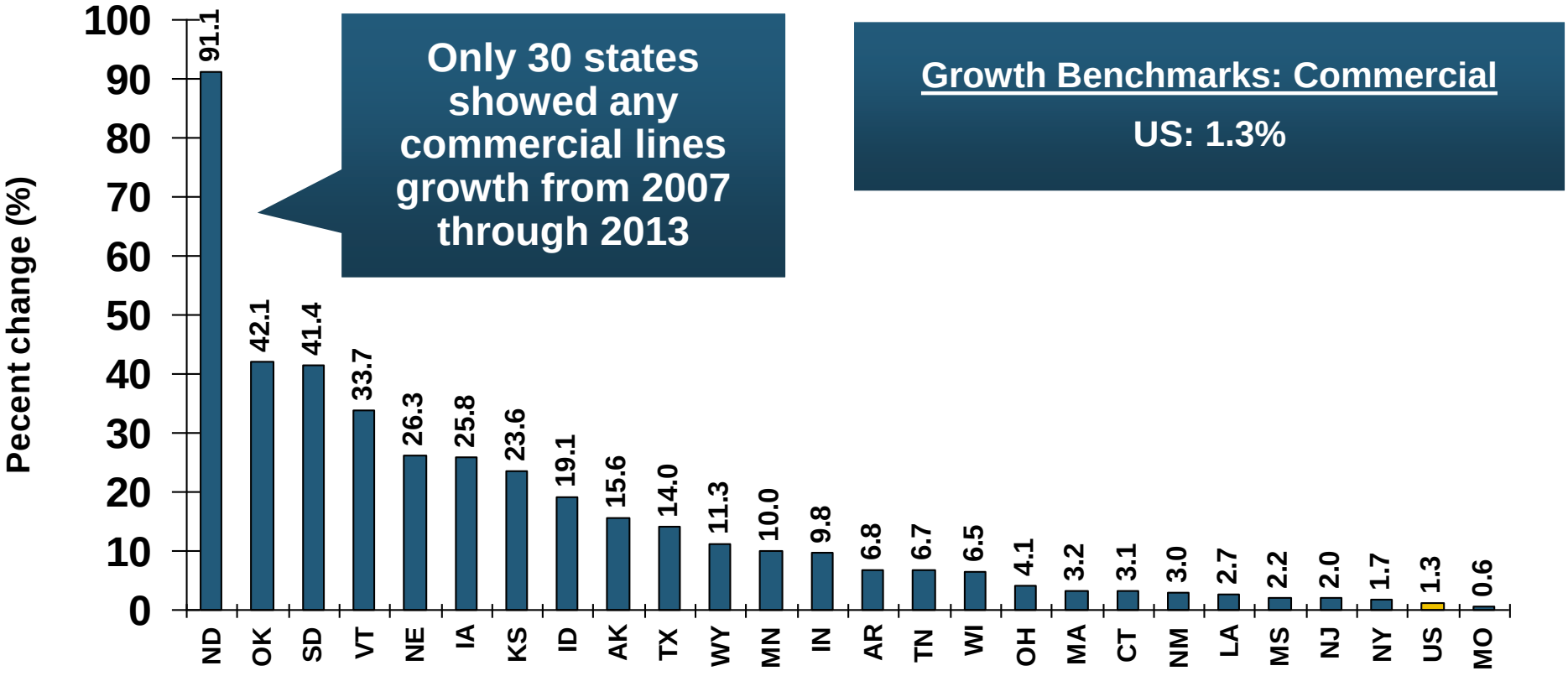
Commercial Lines NPW Premium Growth: 1975 – 2014E



Note: Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute.

Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

Top 25 States



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

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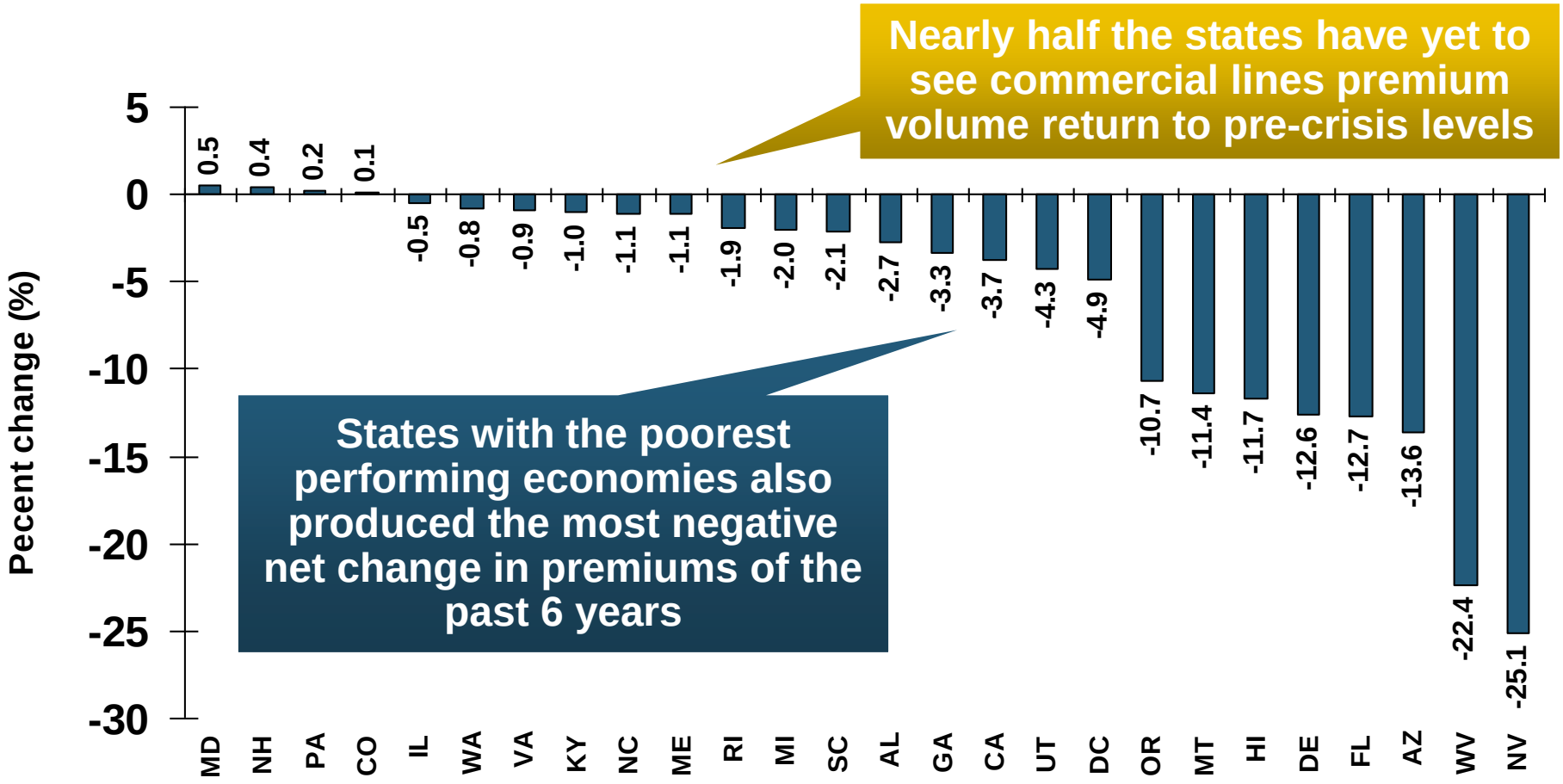
Bottom 25 States



Sources: SNL Financial LLC.; Insurance Information Institute.

Direct Premiums Written: Workers' Comp Percent Change by State, 2007-2013*

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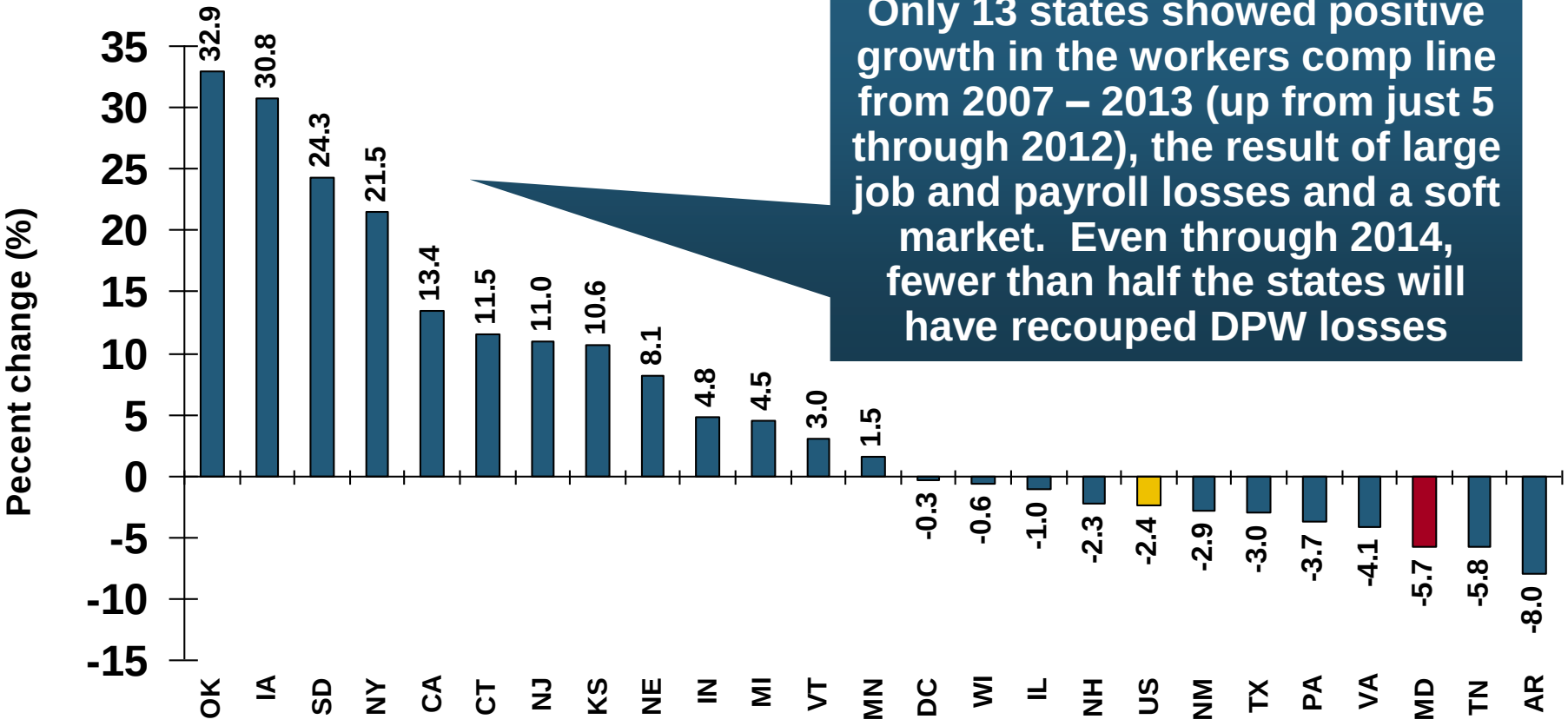
Top 25 States



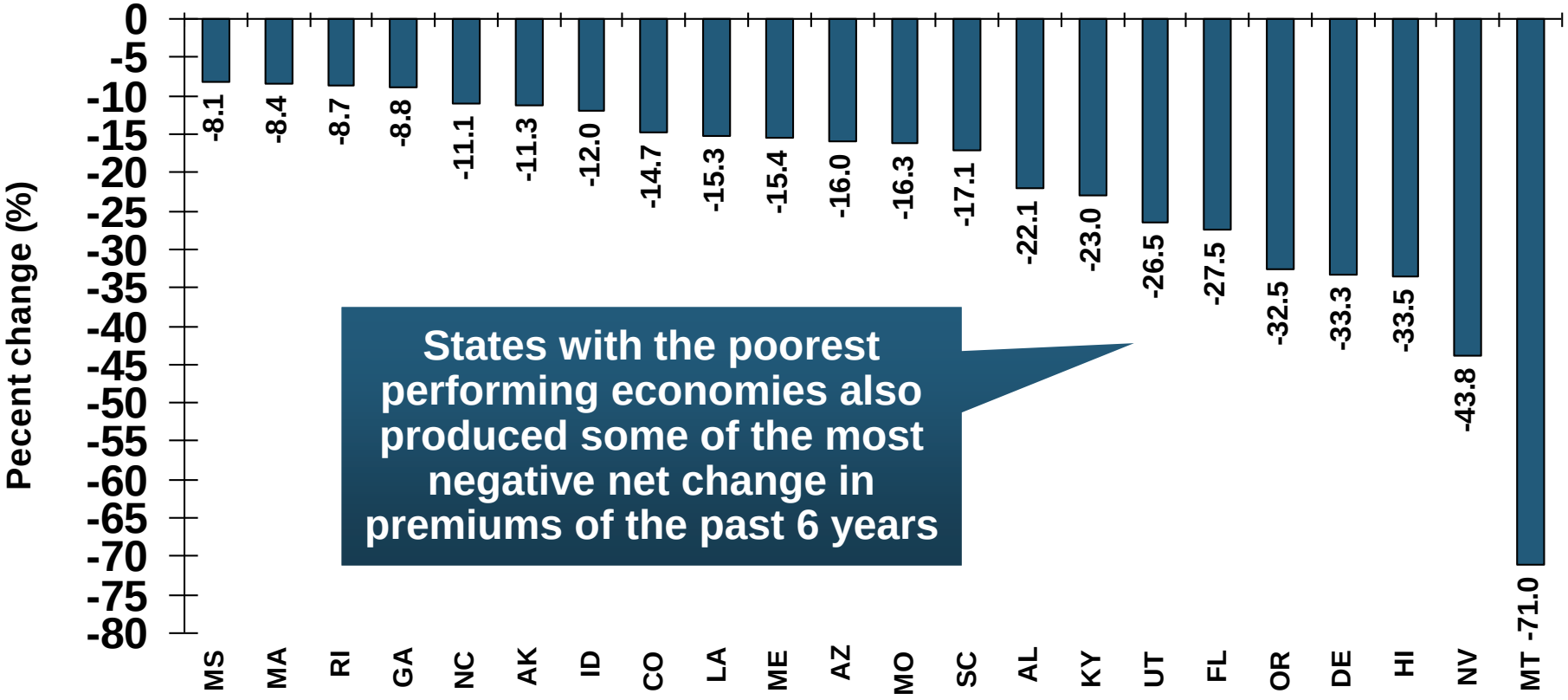
Only 13 states showed positive growth in the workers comp line from 2007 – 2013 (up from just 5 through 2012), the result of large job and payroll losses and a soft market. Even through 2014, fewer than half the states will have recouped DPW losses

*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Worker's Comp Percent Change by State, 2007-2013*

Bottom 25 States



*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

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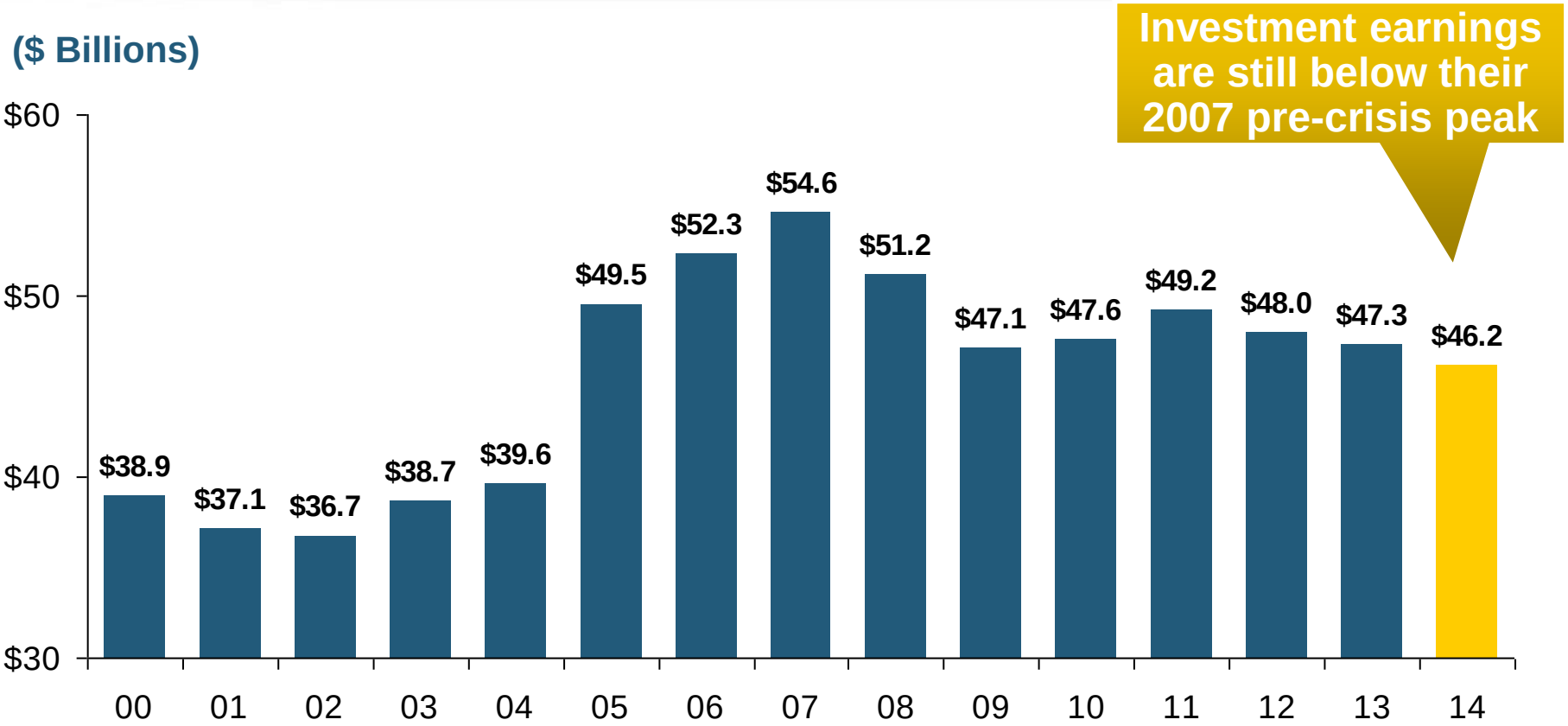
INVESTMENTS: THE NEW REALITY

Investment Performance is a Key Driver of Profitability

Low Yields Have an Especially Large Influence on Profitability of Long-Tailed Lines Like WC

Property/Casualty Insurance Industry Investment Income: 2000–2014[1]

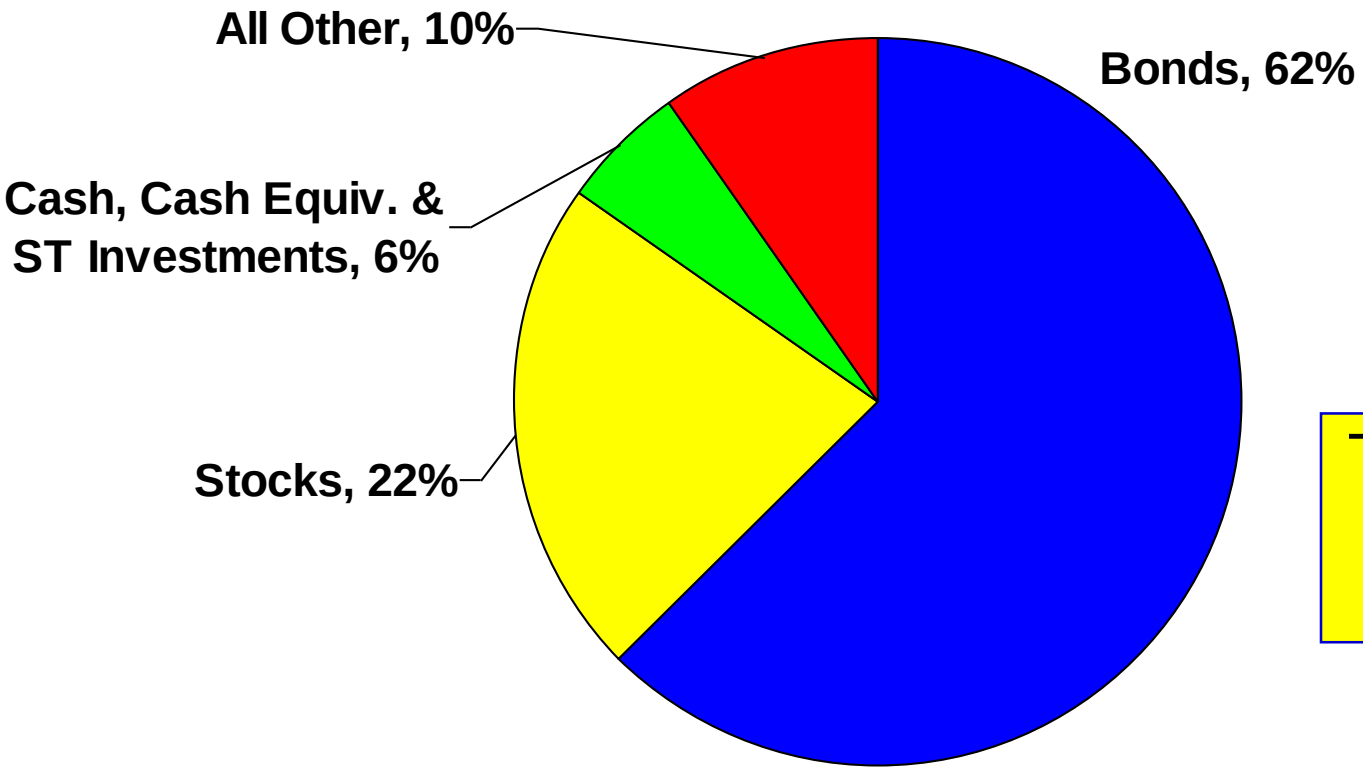


Due to persistently low interest rates, investment income fell in 2012, 2013 and 2014.

[1] Investment gains consist primarily of interest and stock dividends.
*Sources: ISO; Insurance Information Institute.

Distribution of Invested Assets: P/C Insurance Industry, 2013

$ Billions



Total Invested Assets = ***$1.5 Trillion***

Source: Insurance Information Institute *Fact Book 2015,* A.M. Best.

U.S. Treasury Security Yields: A Long Downward Trend, 1990–2015*

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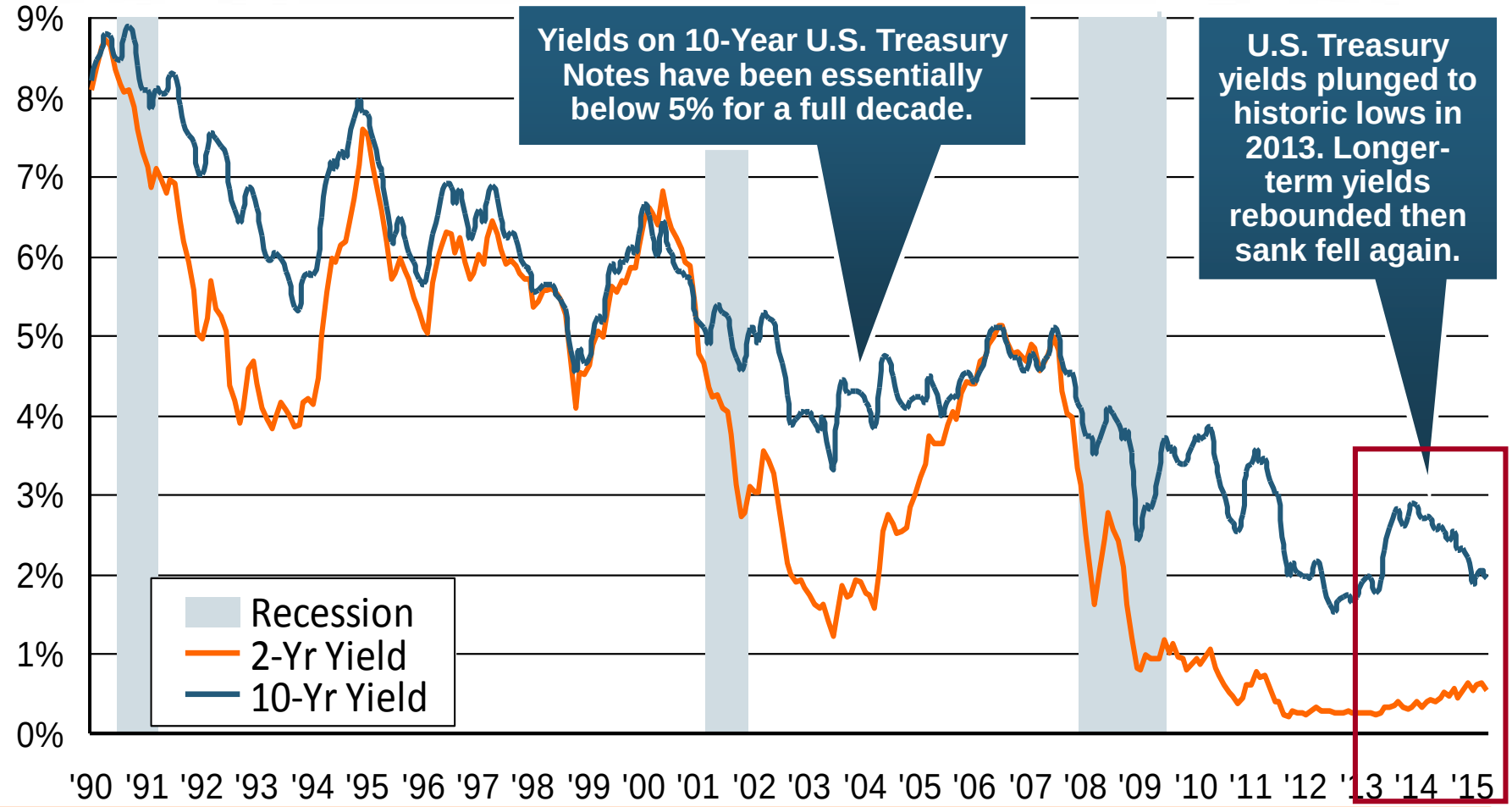
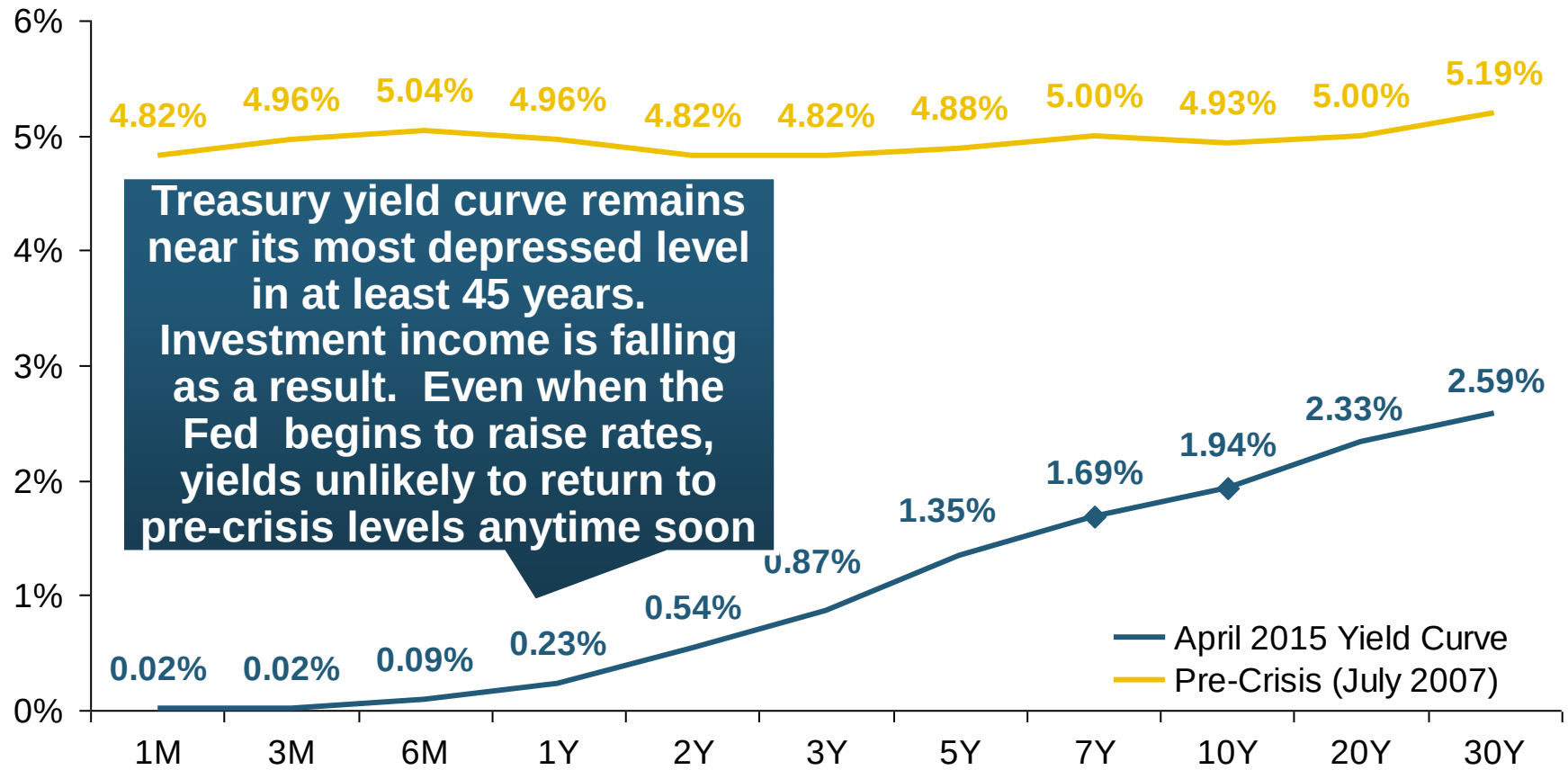


Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, constant maturity, nominal rates, through April 2015.

Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data.htm. National Bureau of Economic Research (recession dates); Insurance Information Institute.

Treasury Yield Curves: Pre-Crisis (July 2007) vs. April 2015



The Fed Is Actively is Signaling that it Is Like to Begin to Raise Rates But No Sooner than June and Probably Later

Source: Federal Reserve Board of Governors; Insurance Information Institute.

Book Yield on Property/Casualty Insurance Invested Assets, 2007–2016F

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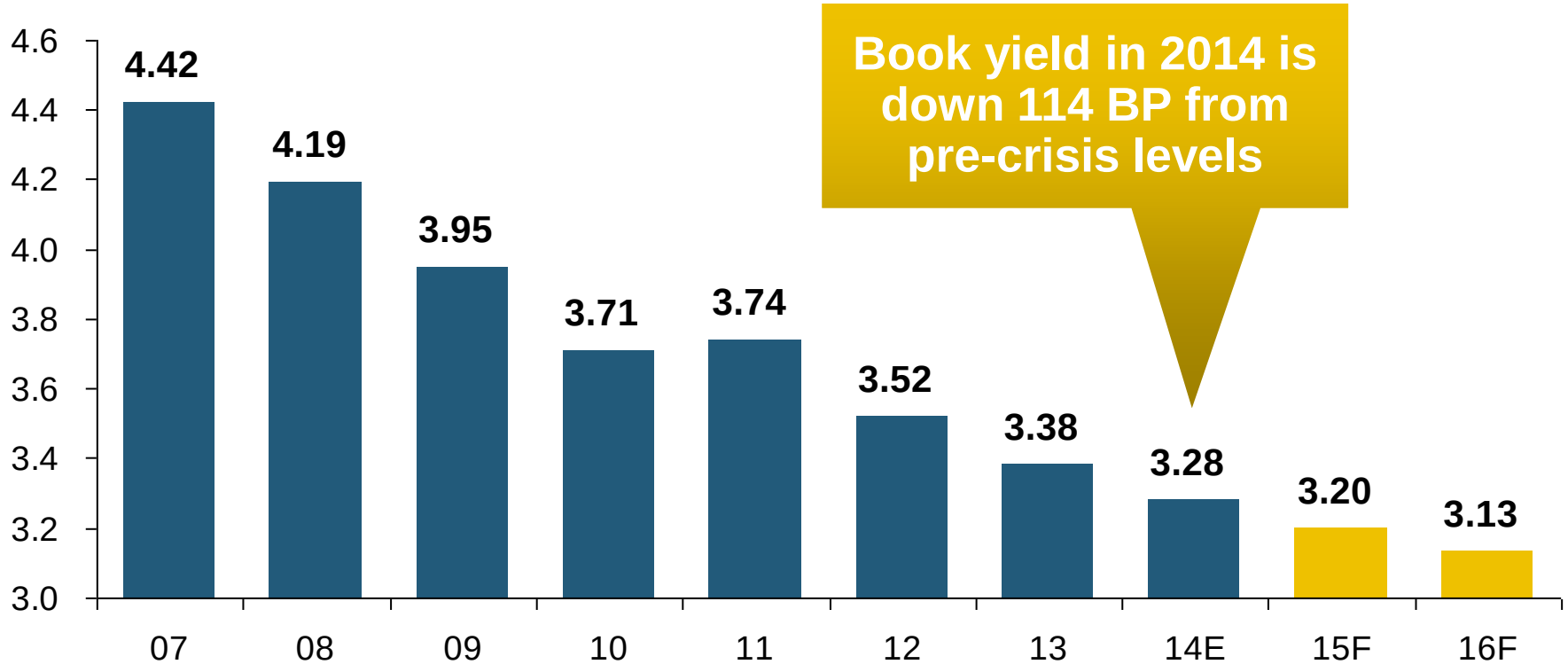
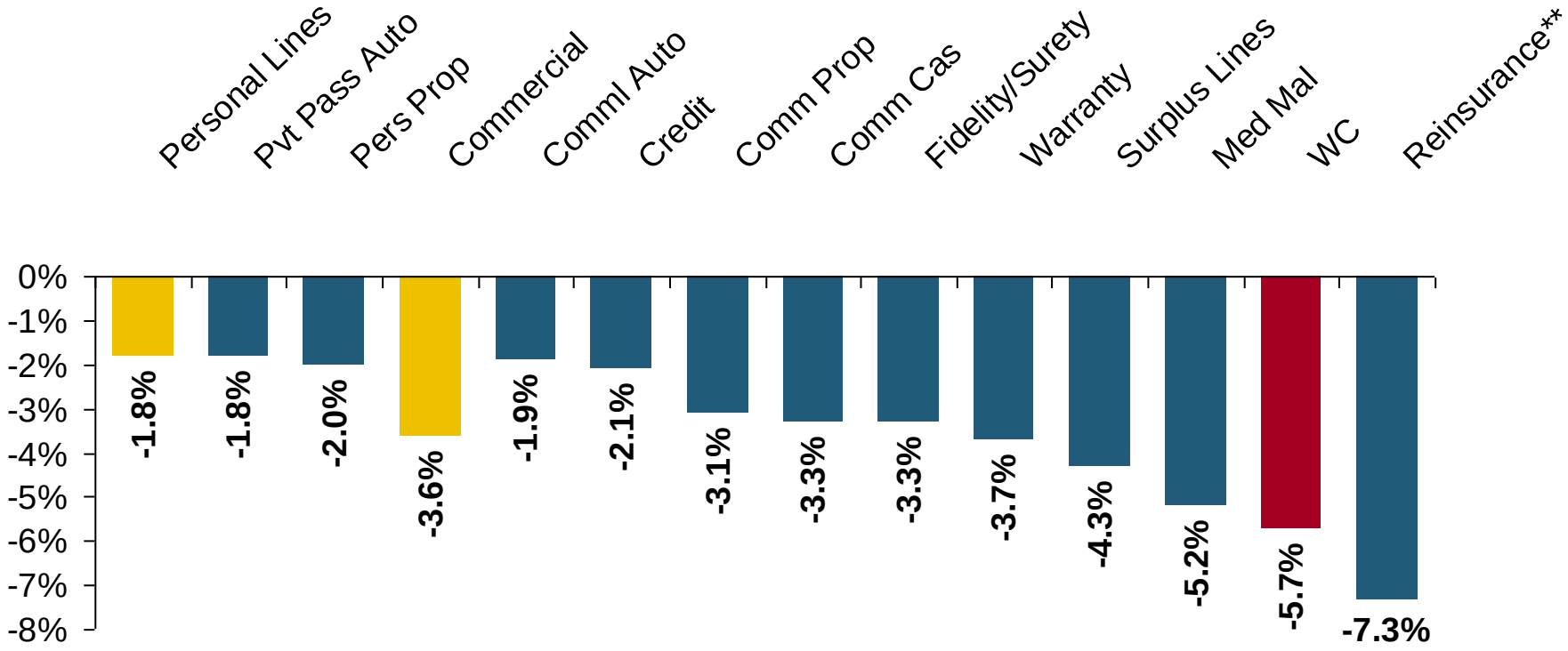
(Percent)



The yield on invested assets continues to decline as returns on maturing bonds generally still exceed new money yields. The end of the Fed's QE program in Oct. 2014 should allow some increase in longer maturities while short term interest rate increases are unlikely until mid-to-late 2015

Sources: Conning.

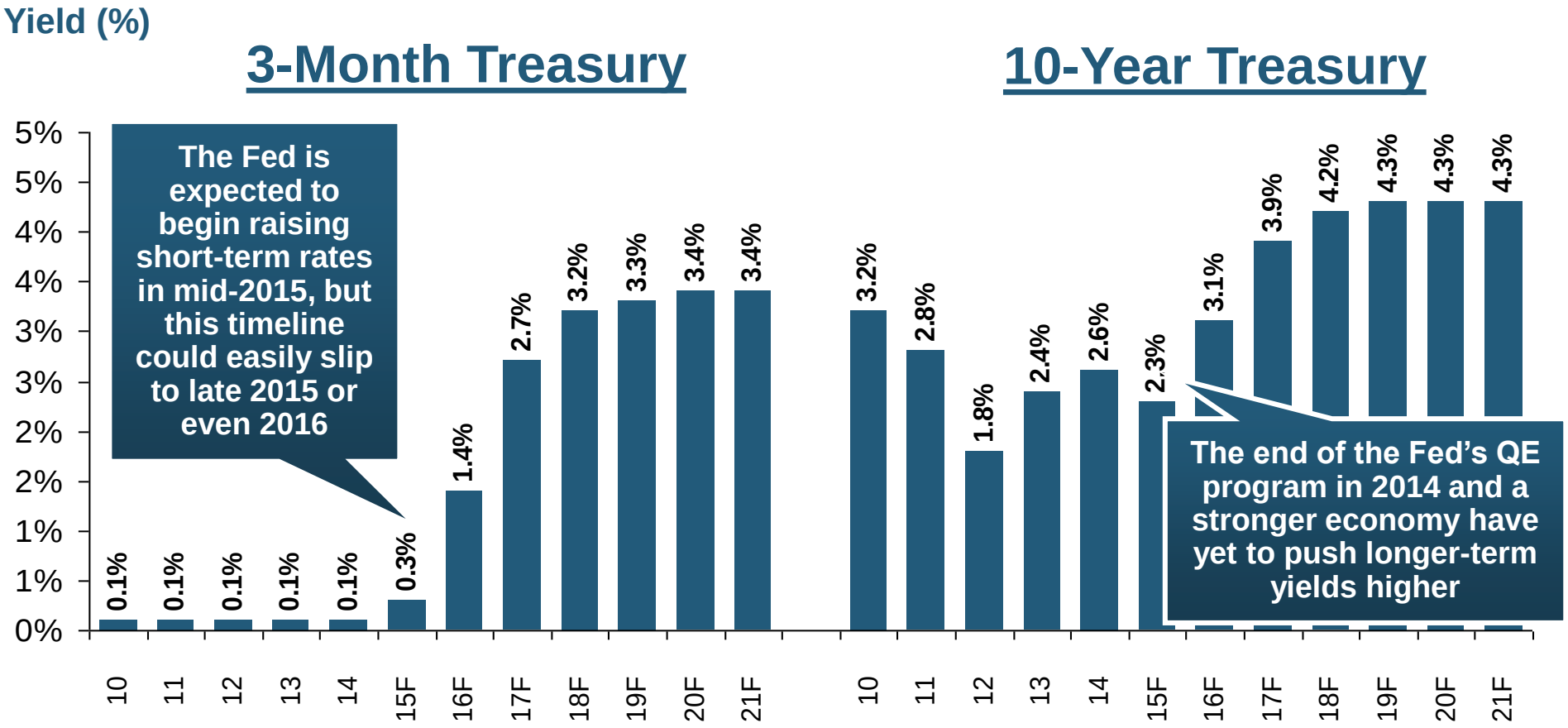
Reduction in Combined Ratio Necessary to Offset 1% Decline in Investment Yield to Maintain Constant ROE, by Line*



Lower Investment Earnings Place a Greater Burden on Underwriting and Pricing Discipline

*Based on 2008 Invested Assets and Earned Premiums
**US domestic reinsurance only
Source: A.M. Best; Insurance Information Institute.

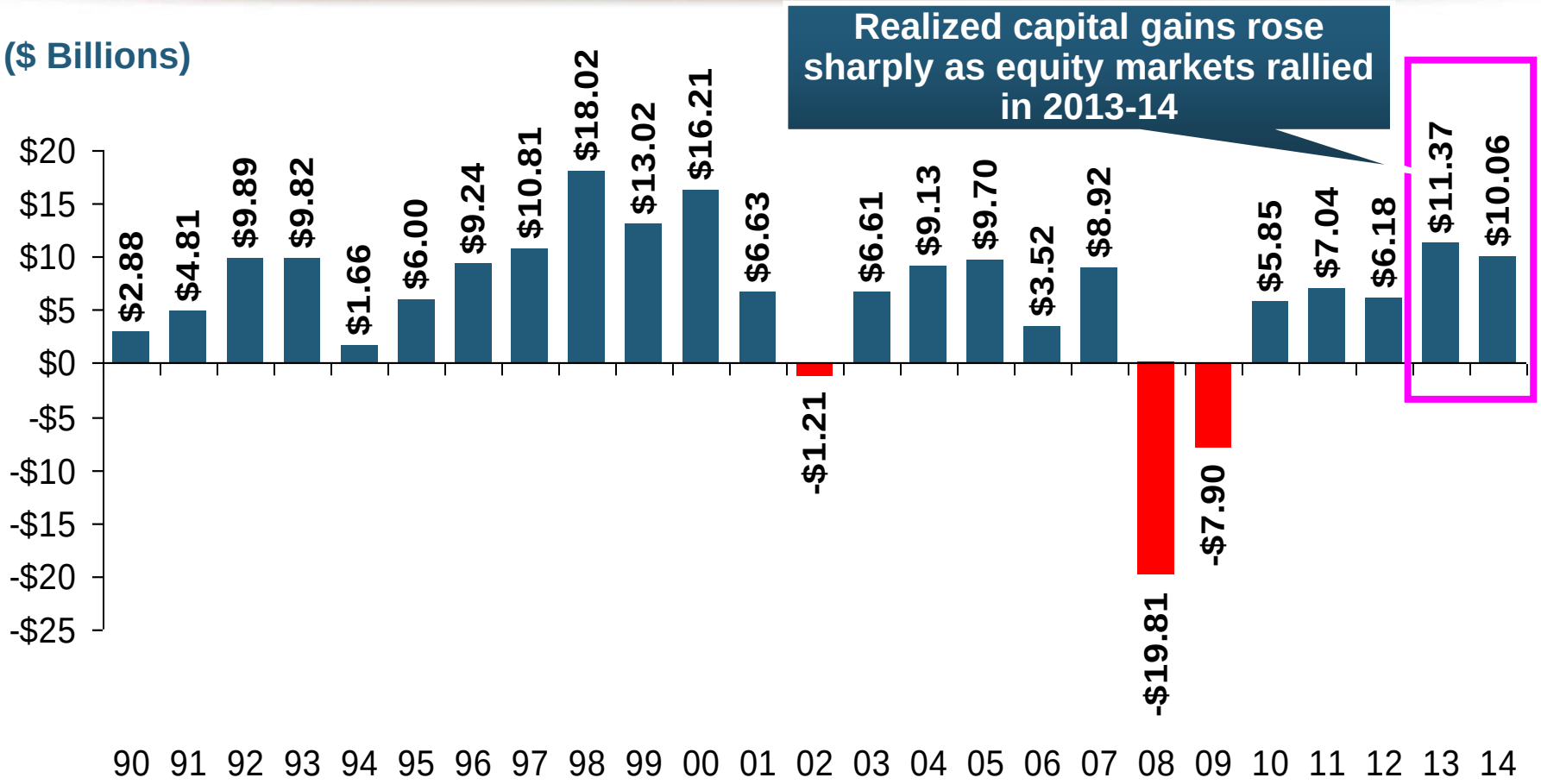
Interest Rate Forecasts: 2015 – 2021



A Full Normalization of Interest Rates Is Unlikely Until 2018 or Later, More than a Decade After the Onset of the Financial Crisis

Sources: Federal Reserve Board of Governors (historical); Blue Chip Economic Indicators (4/15 for 2015 and 2016; for 2017-2021 3/15 issue); Insurance Info. Institute.

P/C Insurer Net Realized Capital Gains/Losses, 1990-2014



Insurers Posted Net Realized Capital Gains in 2010 - 2014 Following Two Years of Realized Losses During the Financial Crisis. Realized Capital Losses Were a Primary Cause of 2008/2009's Large Drop in Profits and ROE

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

Property/Casualty Insurance Industry Investment Gain: 1994–2014[1]

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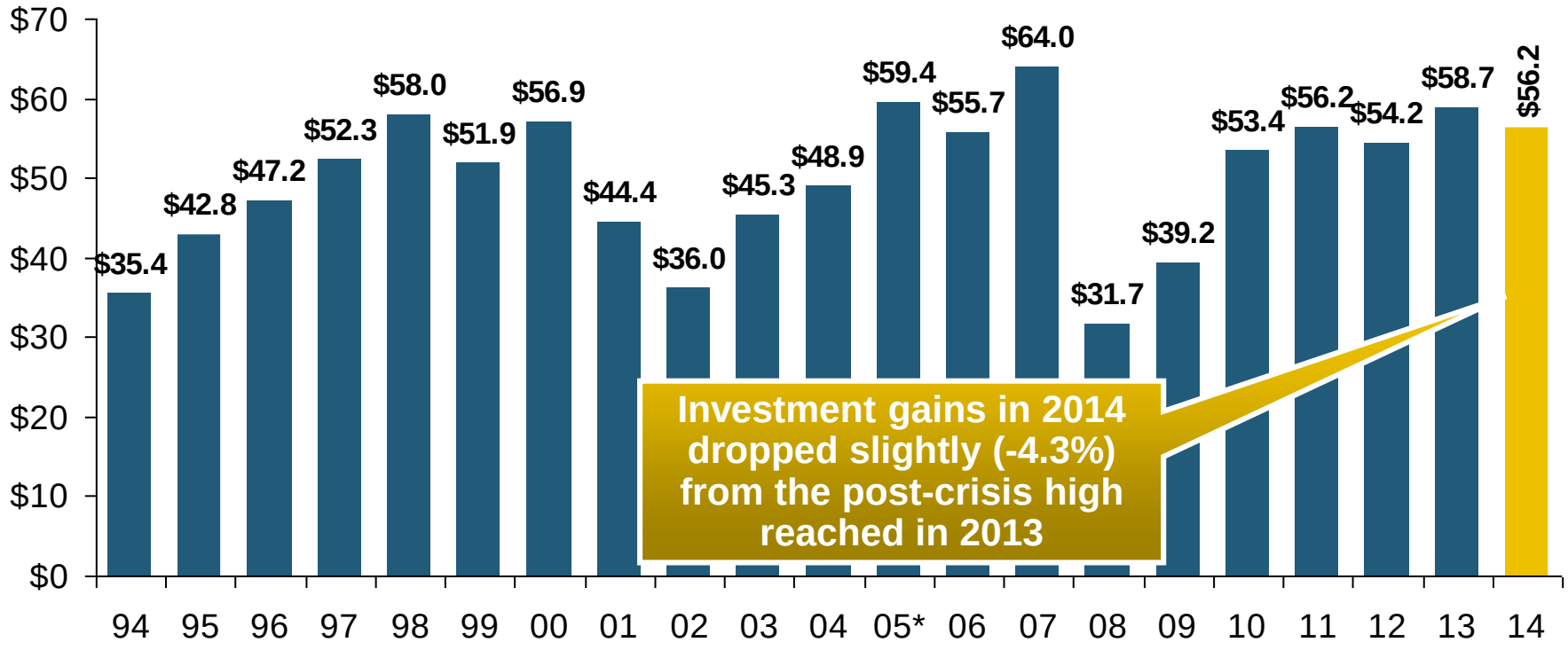
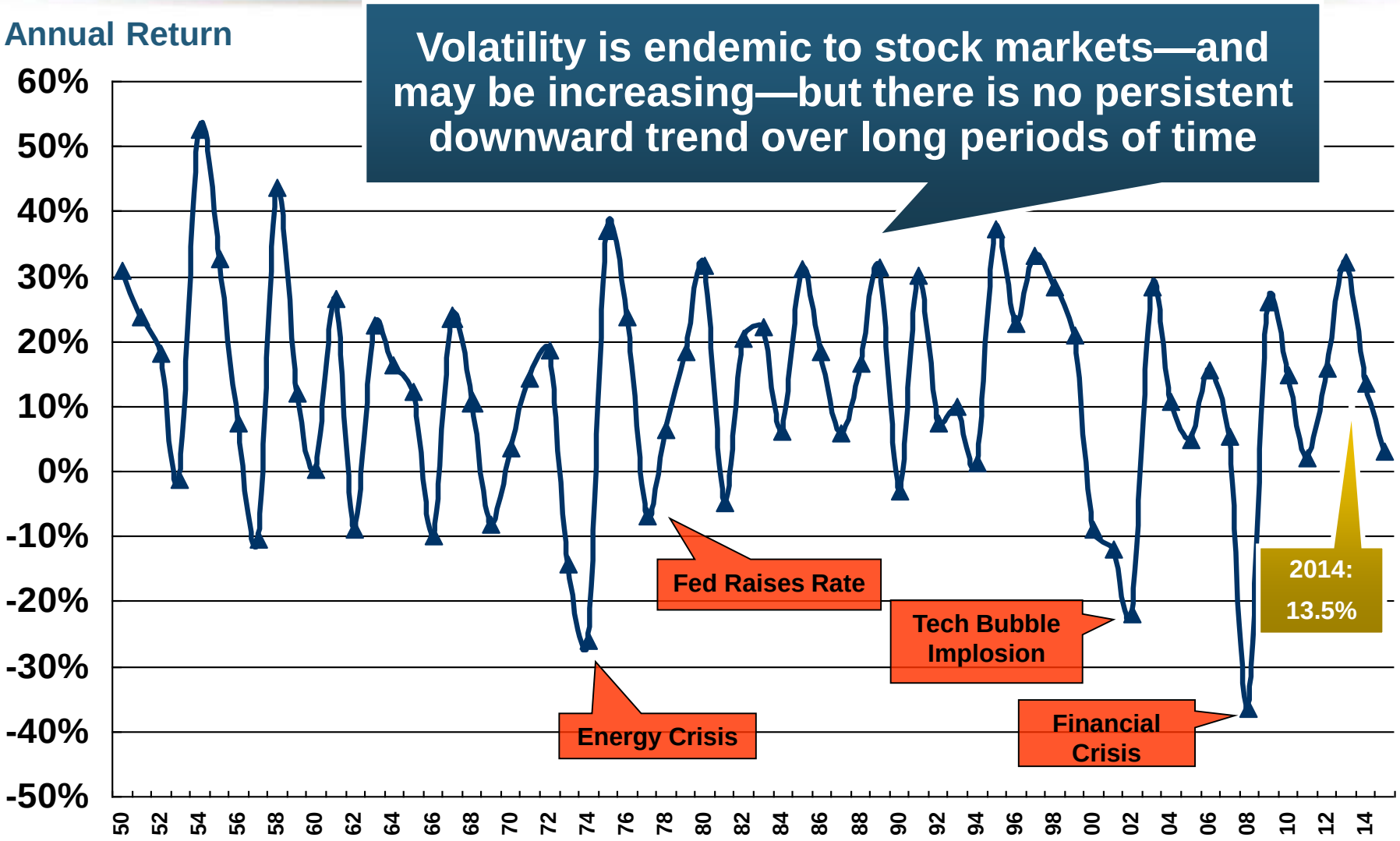
($ Billions)



Total Investment Gains Were Relatively Flat in 2014 as Low Interest Rates Pressured Investment Income but Realized Capital Gains Remained Robust

[1] Investment gains consist primarily of interest, stock dividends and realized capital gains and losses.
* 2005 figure includes special one-time dividend of $3.2B;
Sources: ISO; Insurance Information Institute.

S&P 500 Index Returns, 1950 – 2015*



*Through May 28, 2015.

Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html Ins. Info. Inst.

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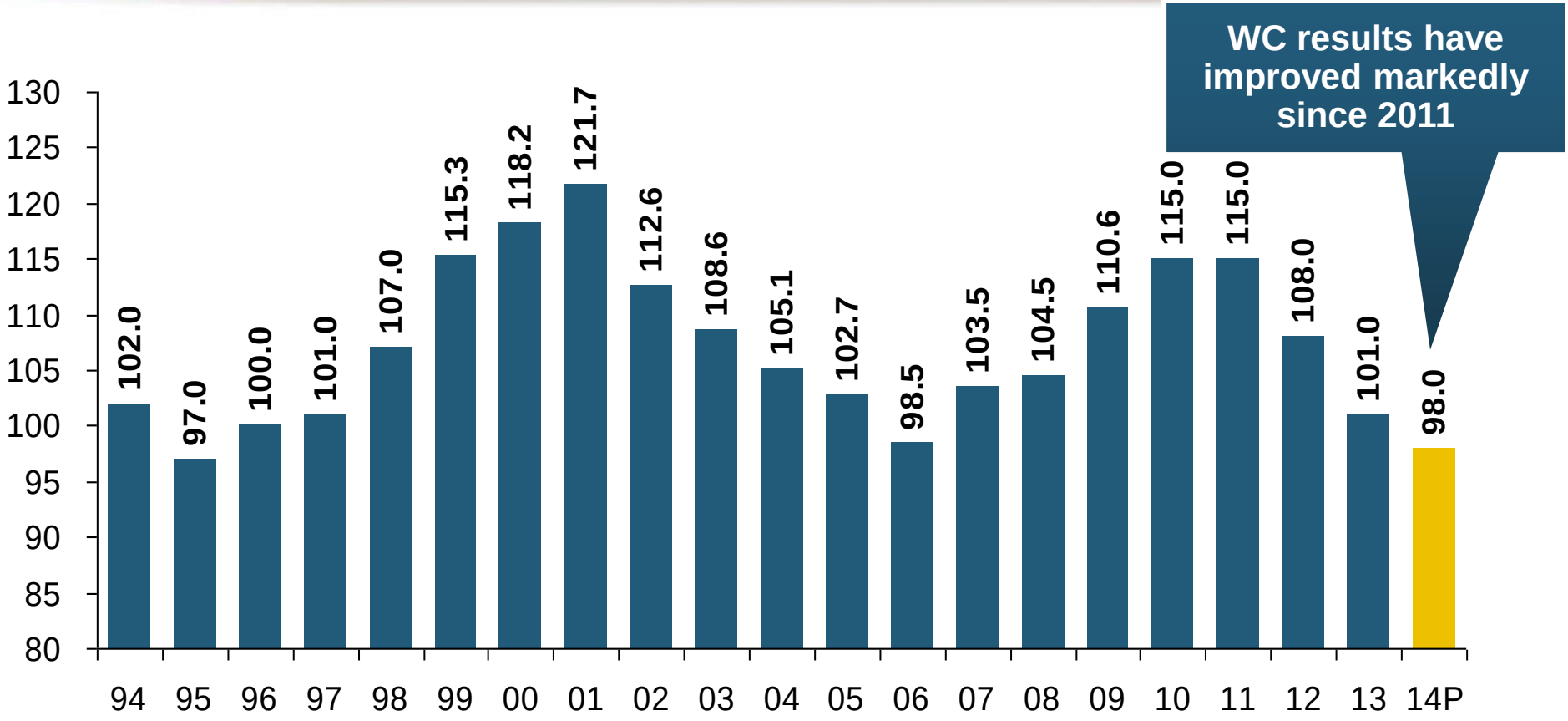
Workers Compensation Operating Environment

Workers Comp Results Have Improved Substantially in Recent Years

Can Gains Be Maintained?

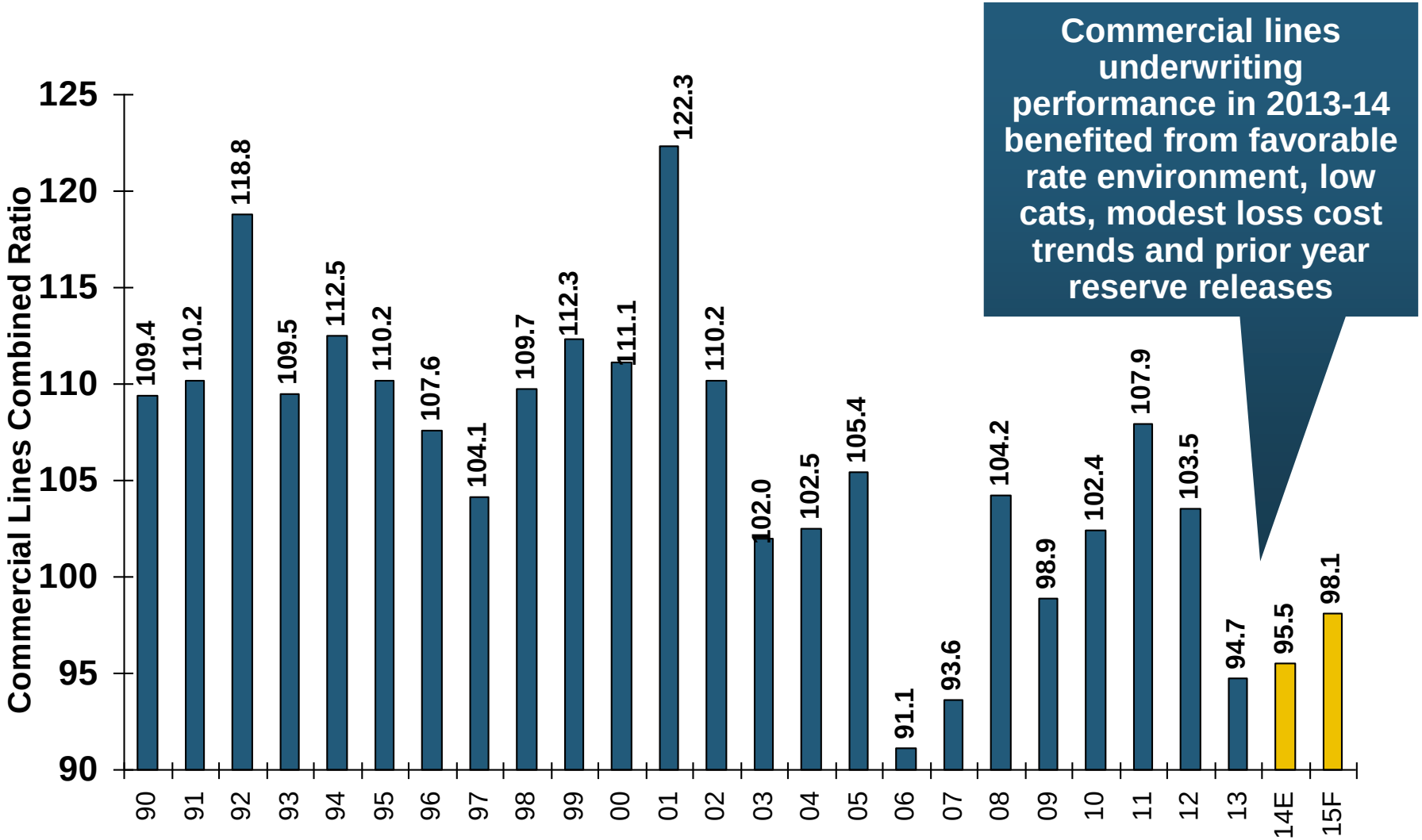
Workers Compensation Combined Ratio: 1994–2014P



Workers Comp Results Began to Improve in 2012. Underwriting Results Deteriorated Markedly from 2007-2010/11 and Were the Worst They Had Been in a Decade.

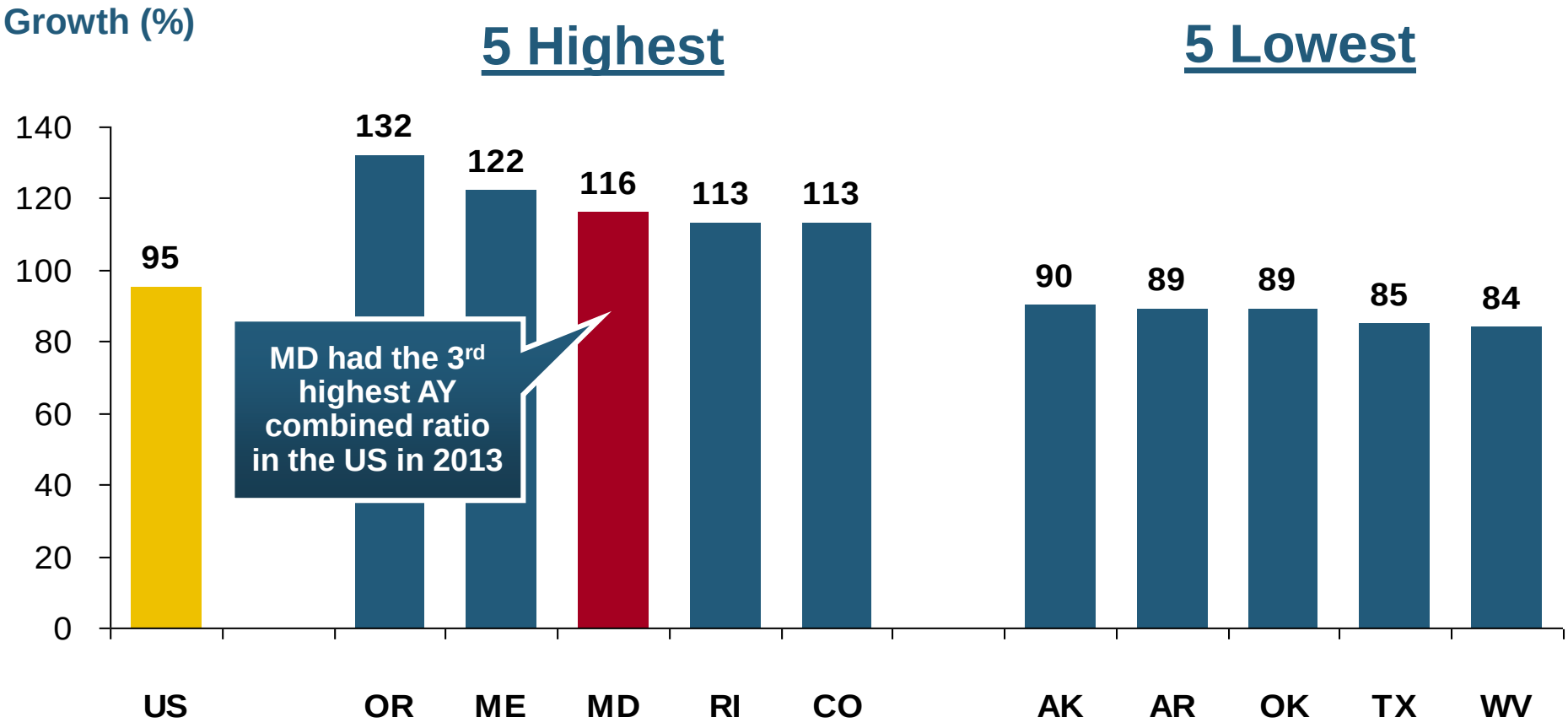
Sources: A.M. Best (1994-2009); NCCI (2010-2014P) and are for private carriers only; Insurance Information Institute.

Commercial Lines Combined Ratio, 1990-2015F*



Source: A.M. Best (1990-2013); Conning (2014E-2015F) Insurance Information Institute.

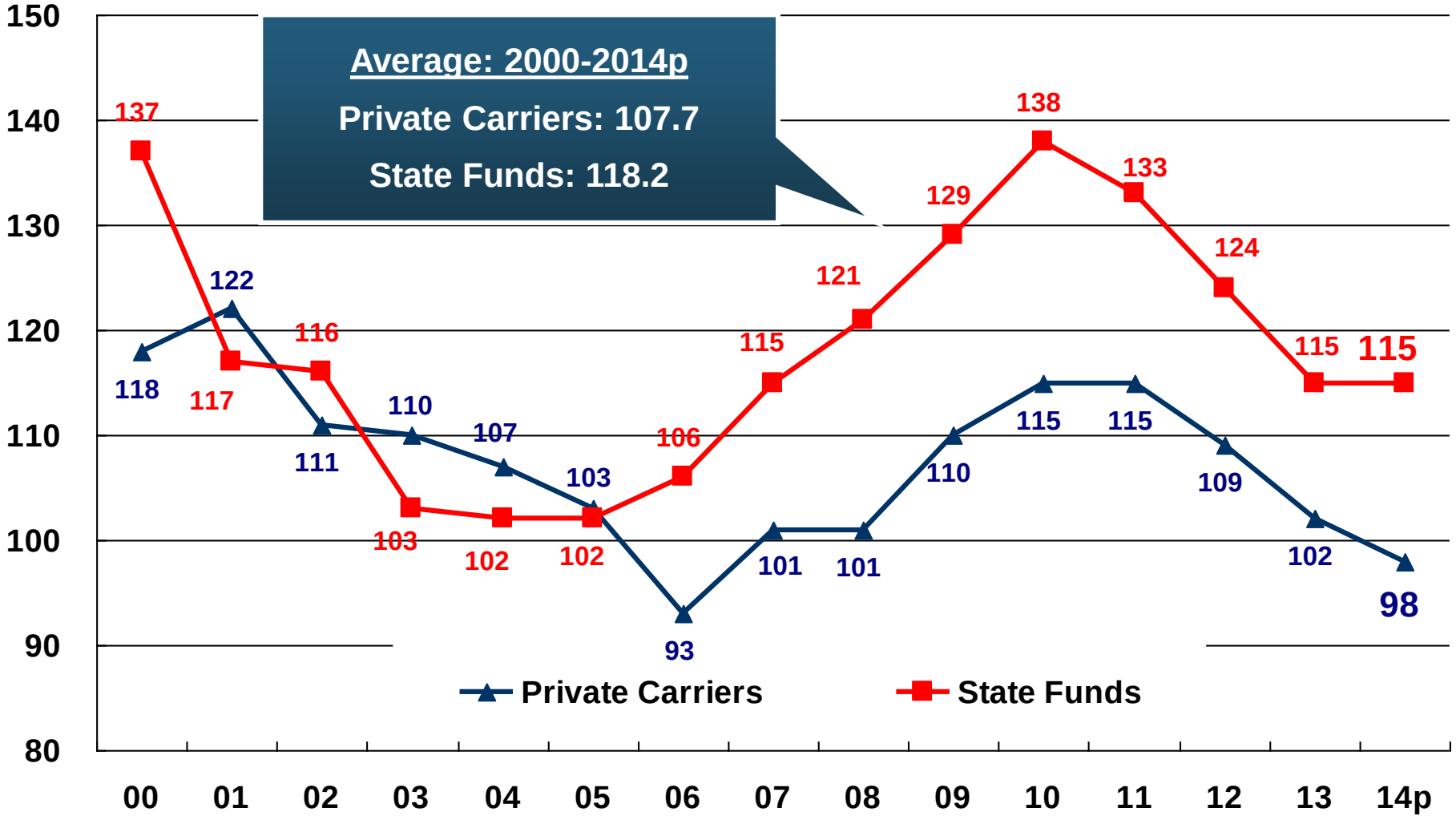
States with Highest and Lowest WC Combined Ratios for AY 2013



There is Enormous Variation in Accident Year Combined Ratios Across States

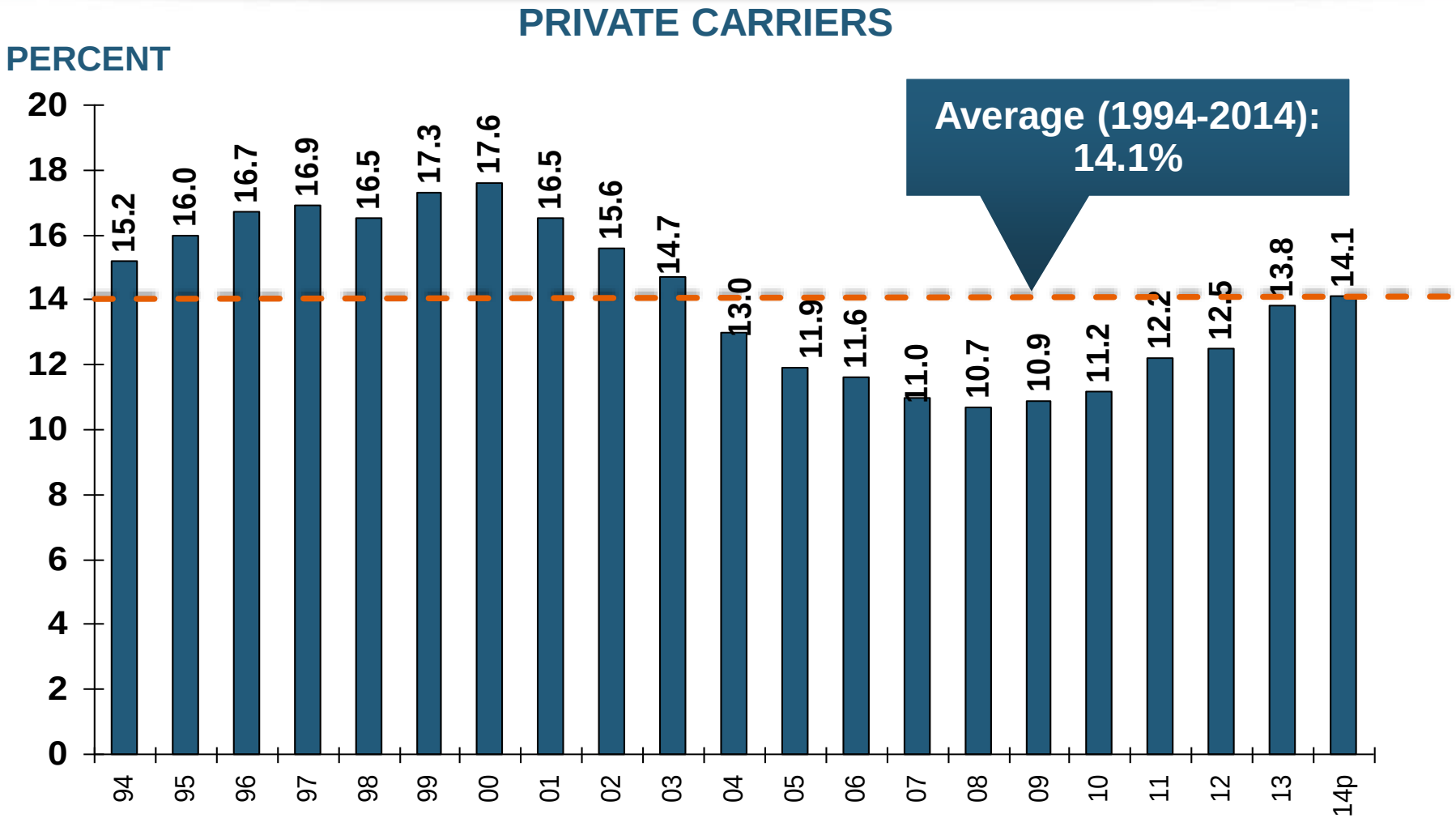
Source: NCCI (2015 Regulatory and Legislative Trends Workshop, May 14, 2015); Insurance Information Institute.

WC Net Combined Ratios: Private Carriers vs. State Funds, 2000 – 2014p



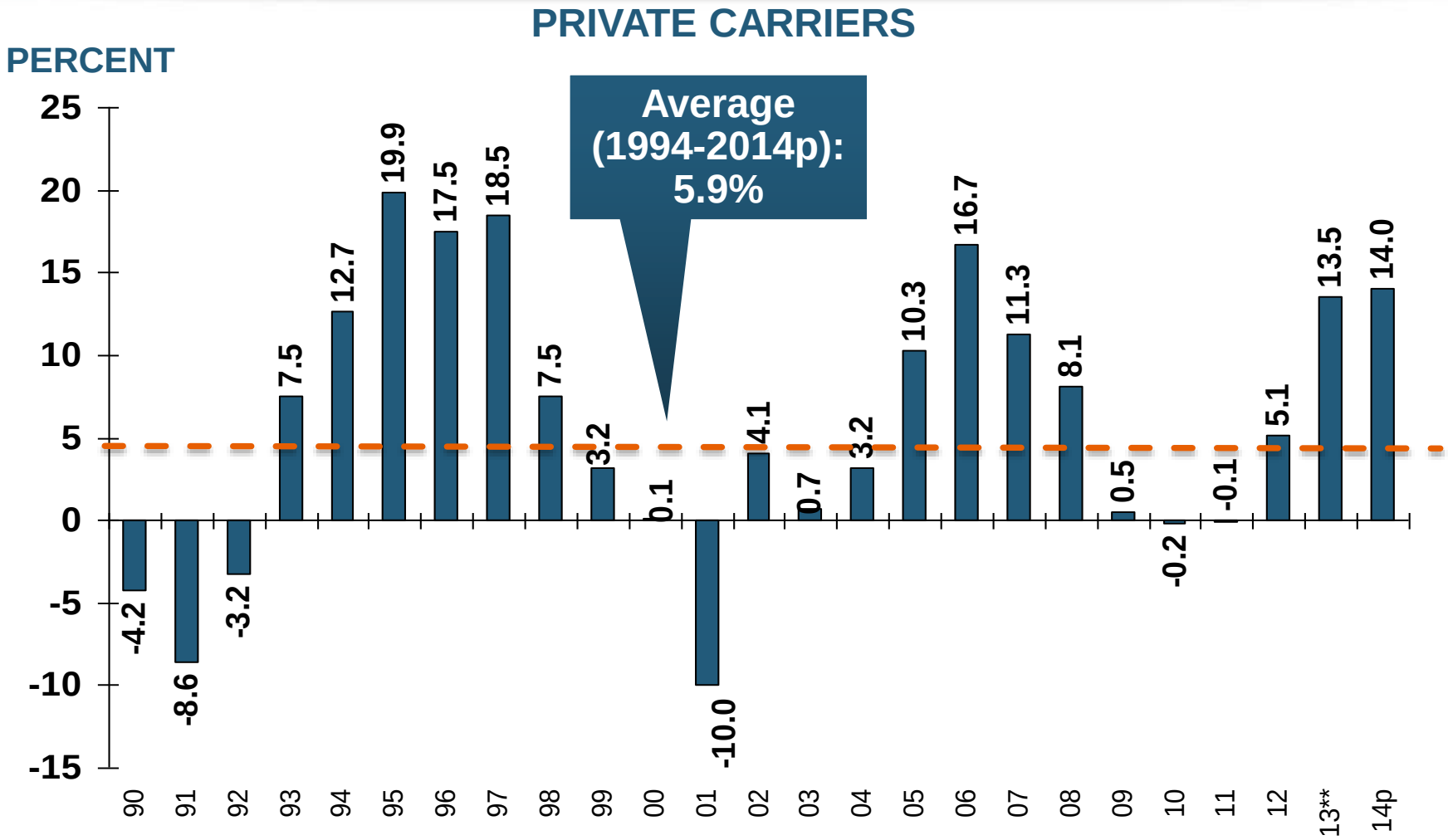
Source: NCCI (2015 Regulatory and Legislative Trends Workshop, May 14, 2015); Insurance Information Institute.

WC Investment Gain on Insurance Transactions: 5-Year Moving Average



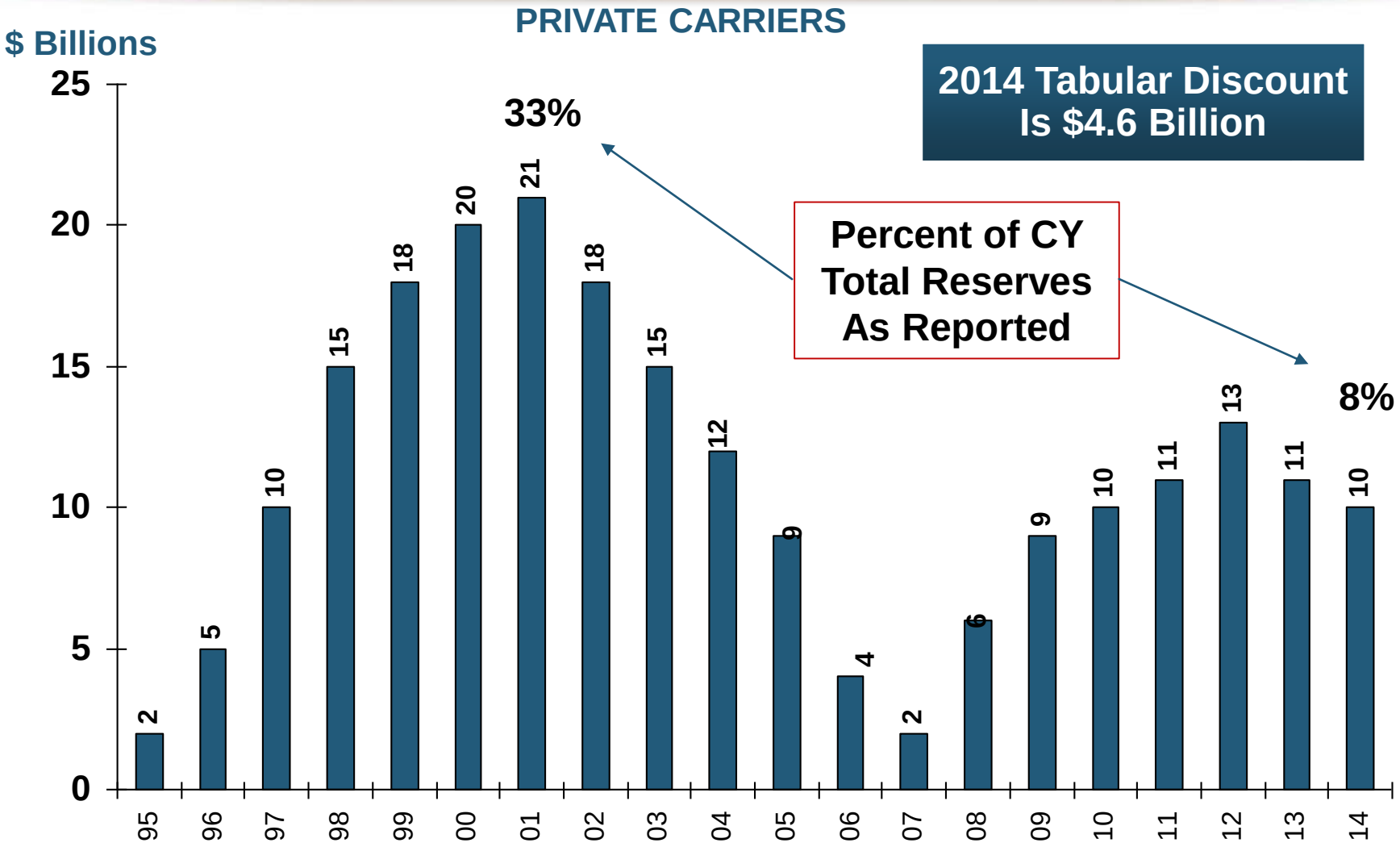
Source: NCCI analysis based on Annual Statement data.
Investment Gain on Insurance Transactions Includes Other Income.
Averages reflect the following adjustments: 1990-91: adjusted to include realized capital gains to be consistent with 1992 and subsequent years; 2013: adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring.

WC Pretax Operating Gain



Source: NCCI analysis based on Annual Statement data.
Investment Gain Equals 1.00 minus (Combined Ratio less Investment Gains on Insurance Transactions and Other Income).
Averages reflect the following adjustments: 1990-91: adjusted to include realized capital gains to be consistent with 1992 and subsequent years; **2013: adjusted to exclude a material realized gain resulting from a single company transaction that involved corporate restructuring. Excluding the adjustment the operating gain is 17.7%.

Workers Compensation Loss and LAE Net Reserve Deficiencies, 1995 - 2014



Source: NCCI analysis based on Annual Statement data.
Considers all reserve discounts as deficiencies.

Workers Compensation Premium: Fourth Consecutive Year of Increase

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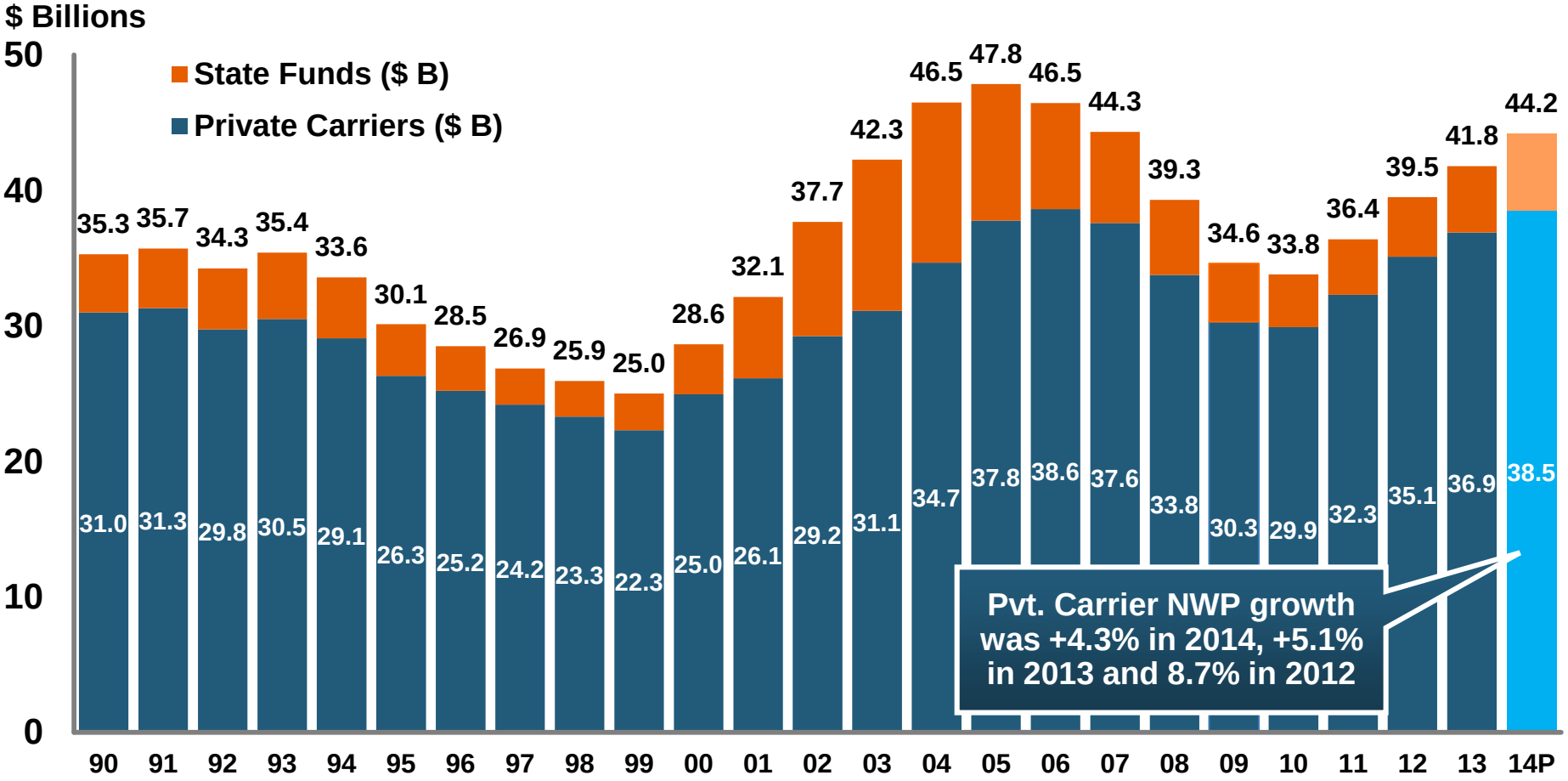
Net Written Premium



p Preliminary

Source: NCCI from Annual Statement Data.
Includes state insurance fund data for the following states: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT.
Each calendar year total for State Funds includes all funds operating as a state fund that year.

2014 Workers Compensation Direct Written Premium Growth, by State*

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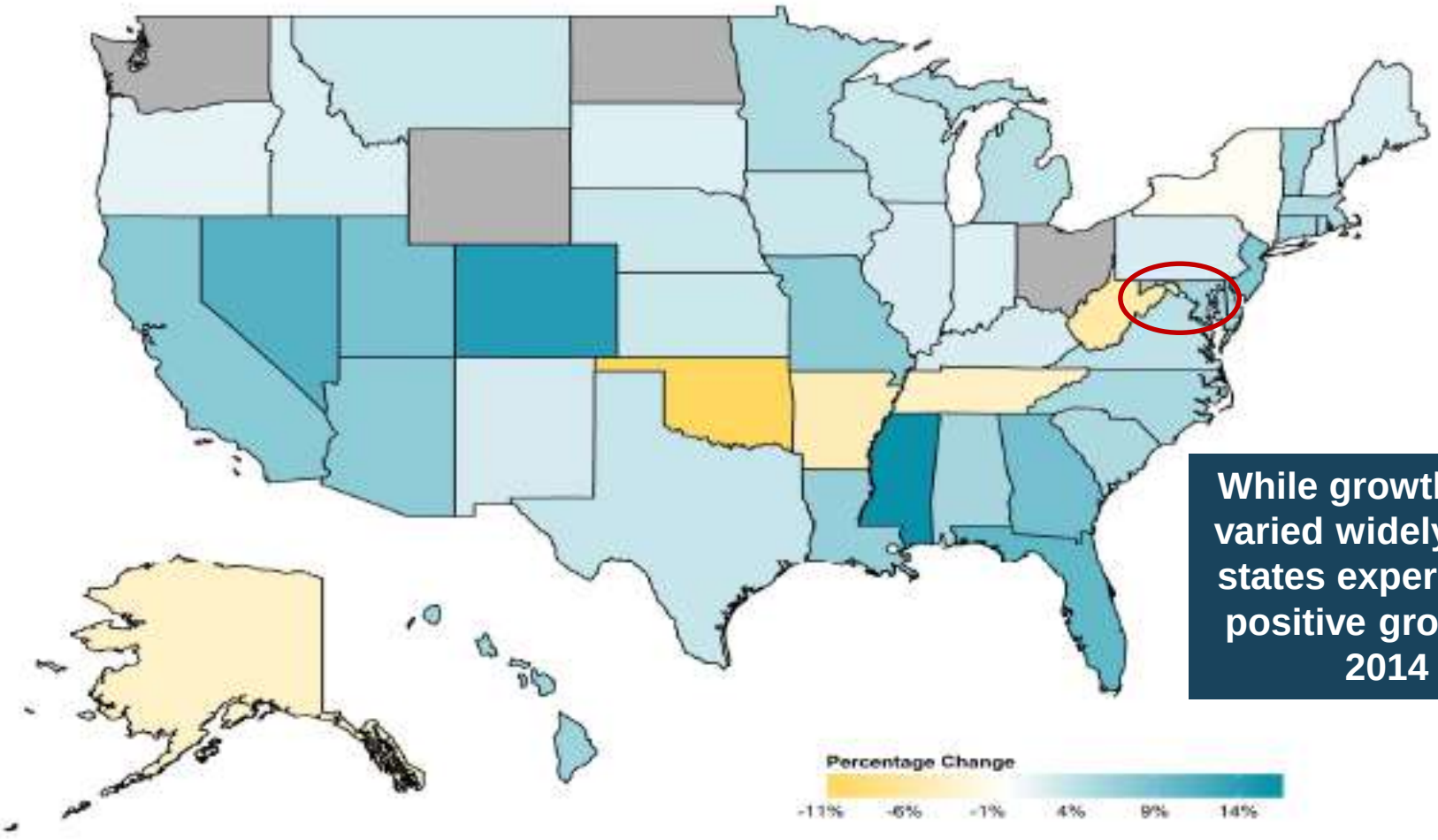
PRIVATE CARRIERS: Overall 2014 Growth = +4.6%



While growth rates varied widely, most states experienced positive growth in 2014

*Excludes monopolistic fund states (in gray): OH, ND, WA and WY.
Source: NCCI.

2013 Workers Compensation Direct Written Premium Growth, by State*

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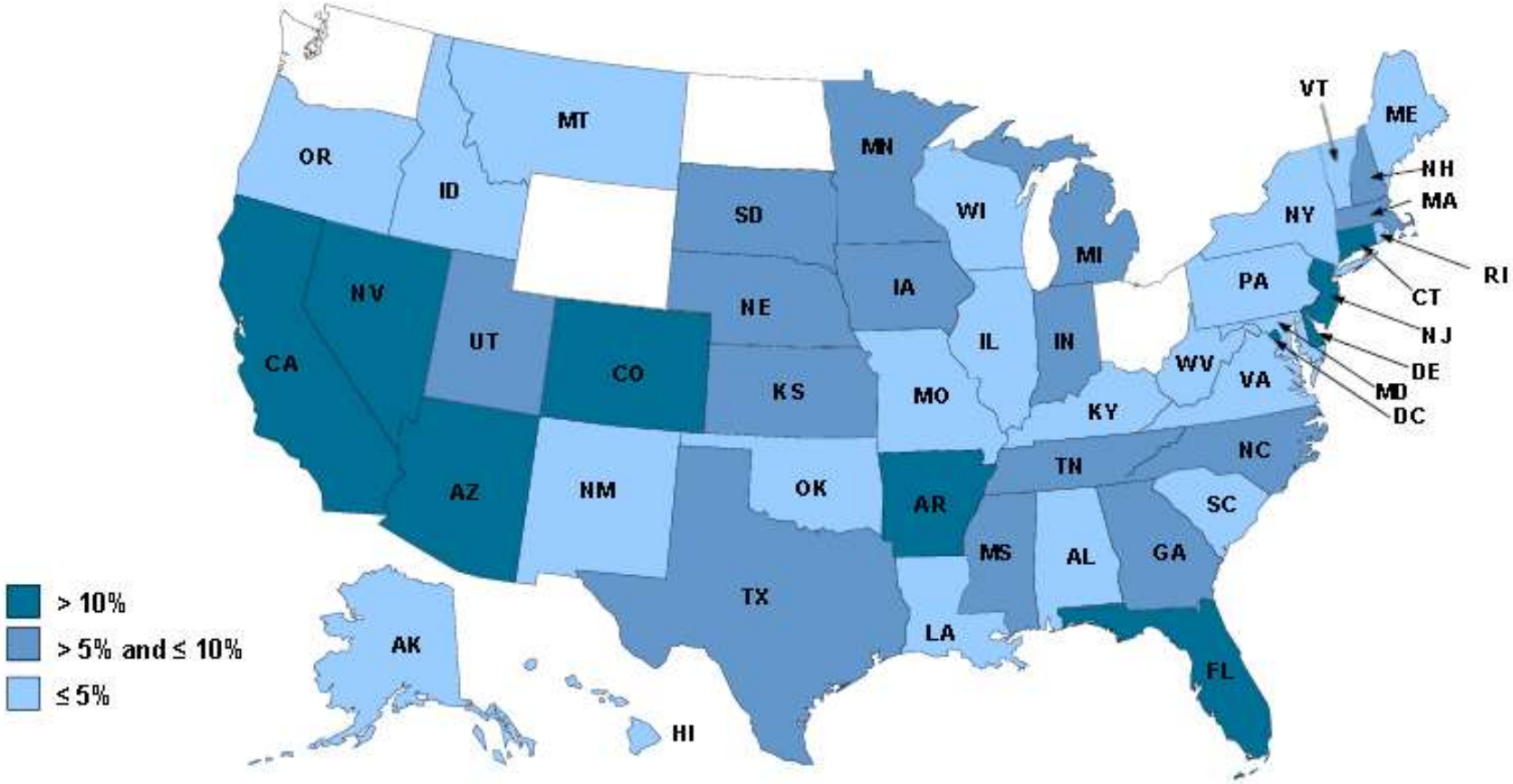
PRIVATE CARRIERS: Overall 2013 Growth = +5.4%

While growth rates varied widely, all states experienced positive growth in 2013



*Excludes monopolistic fund states (in white): OH, ND, WA and WY.

Source: NCCI.

Workers Compensation Components of Written Premium Change, 2013 to 2014

INSURANCE INFORMATION INSTITUTE

Written Premium Change from 2013 to 2014	
Net Written Premium—Countrywide	**+4.6%**
Direct Written Premium—Countrywide	**+4.6%**
Direct Written Premium—NCCI States	**+4.5%**
Components of DWP Change for NCCI States	
Change in Carrier Estimated Payroll	+4.7%
Change in Bureau Loss Costs and Mix	-1.4%
Change in Carrier Discounting	+0.4%
Change in Other Factors	+0.8%
Combined Effect	**+4.5%**

Growth is now almost entirely payroll driven

Sources: Countrywide: Annual Statement data.
NCCI States: Annual Statement Statutory Page 14 for all states where NCCI provides ratemaking services.
Components: NCCI Policy data.

WC Approved or Filed and Pending Change in NCCI Premium Level by State

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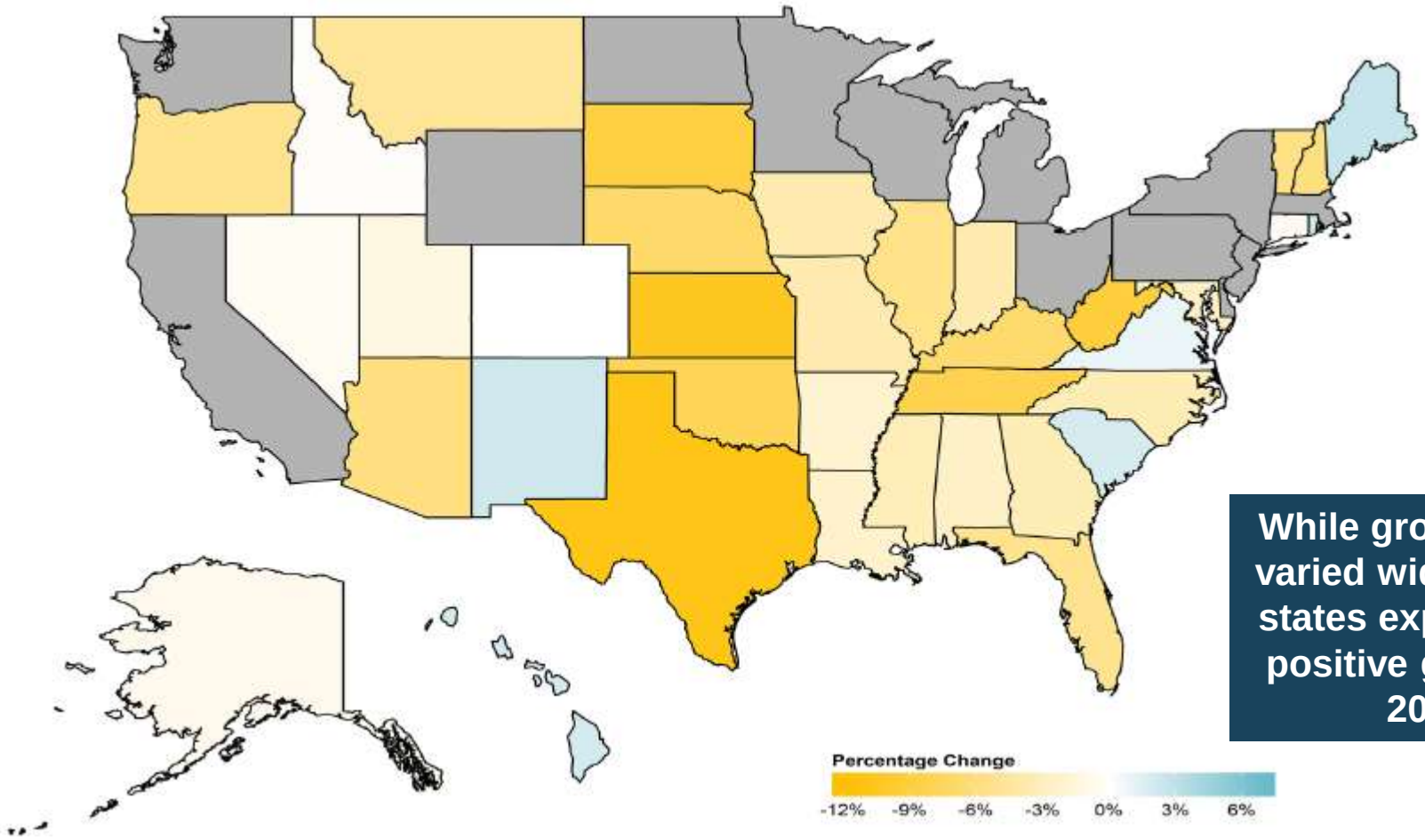
Latest Change for Voluntary Market



While growth rates varied widely, most states experienced positive growth in 2014

*Excludes monopolistic fund states (in gray): OH, ND, WA and WY.
Source: NCCI.

WC Approved or Filed and Pending Change in NCCI Premium Level by State

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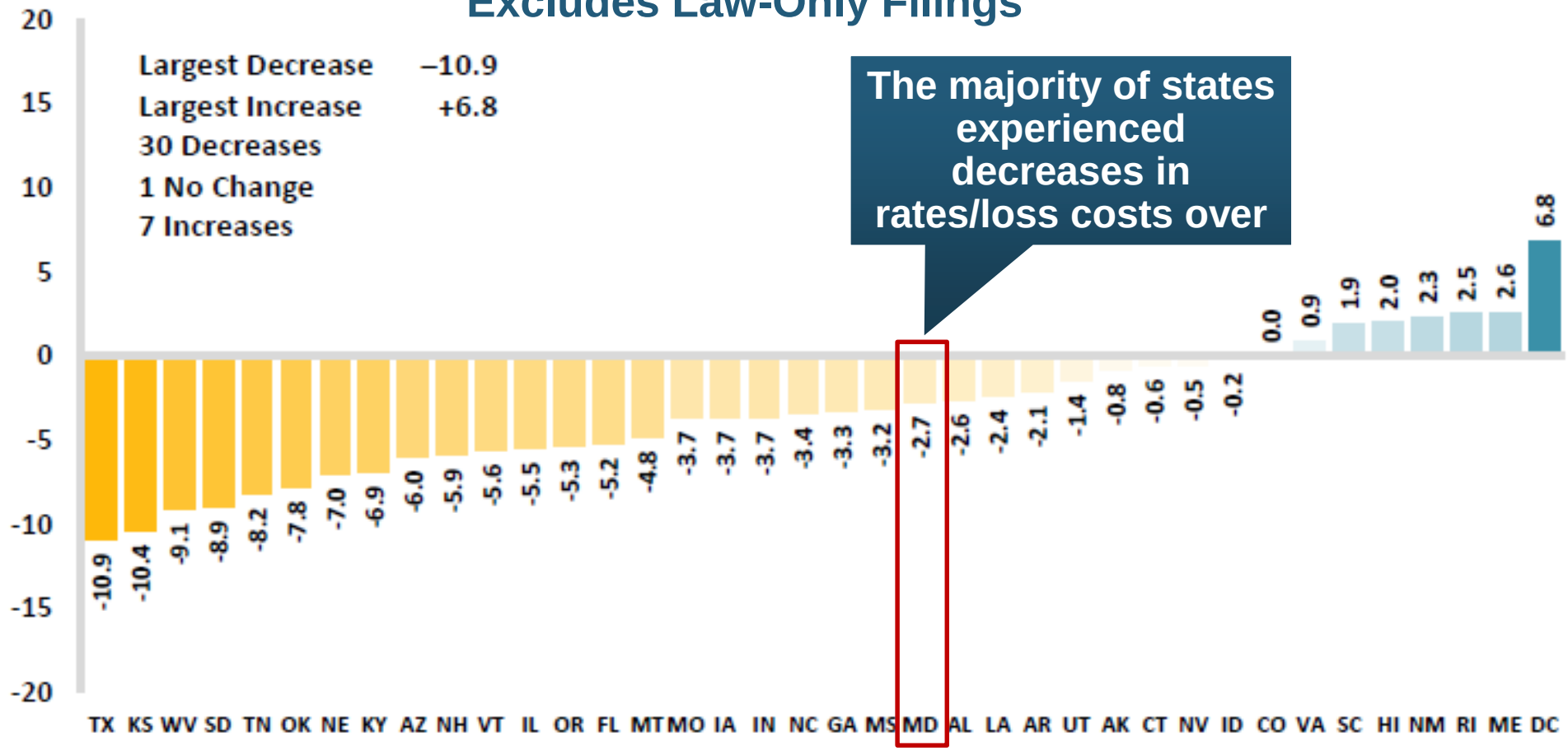
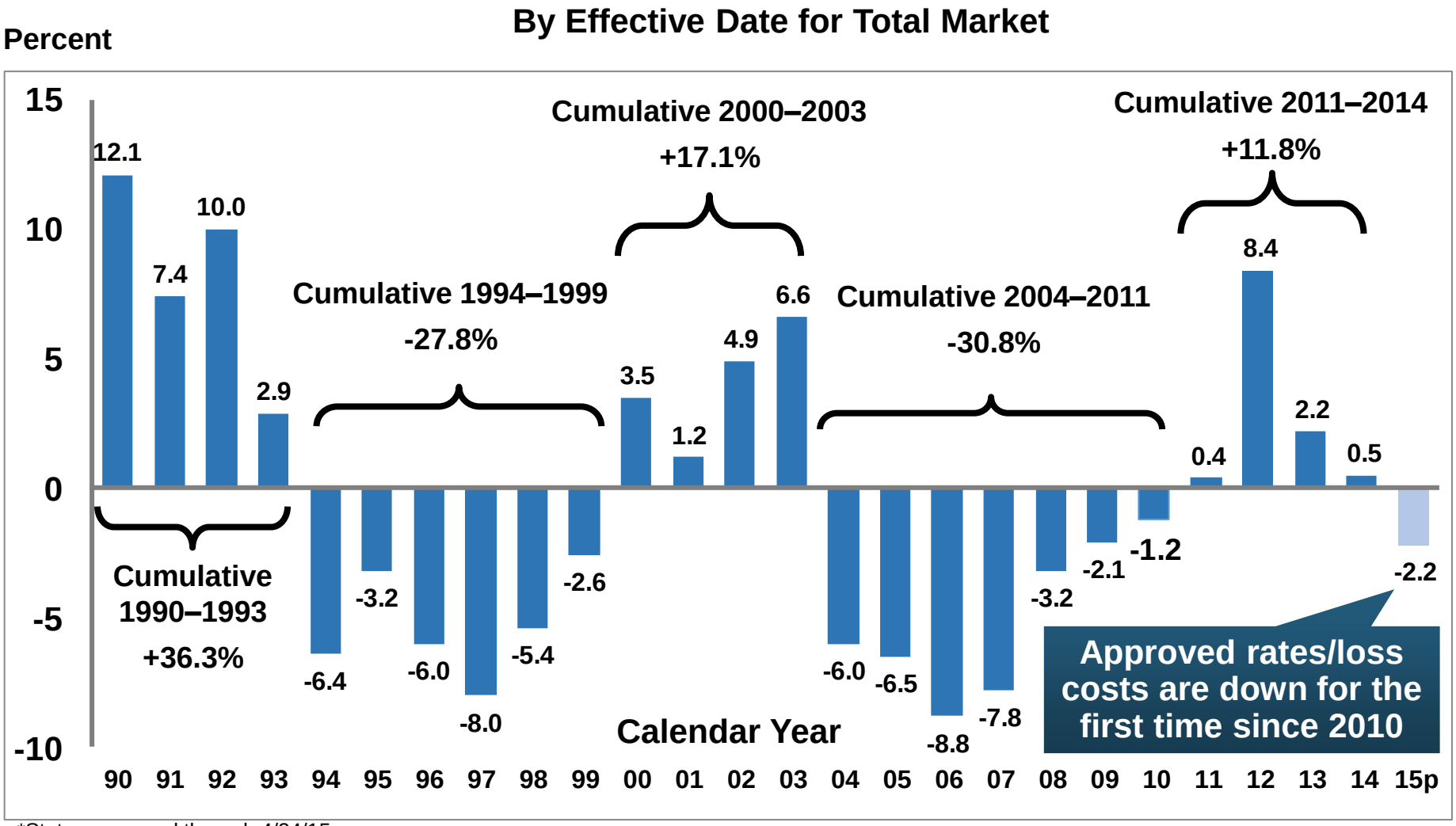
Latest Change for Voluntary Market
Excludes Law-Only Filings



Note: Premium level changes are approved changes are approved or filed and pending changes in advisory rates, loss costs and rating values as of 4/24/15 as filed by applicable rating organization, relative to those previously approved. SC is filed and pending. IN and NC are in cooperation with state rating bureaus.
Source: NCCI.

WC Approved Changes in Bureau Premium Level (Rates/Loss Costs)



*States approved through 4/24/15.
Note: Bureau premium level changes are countrywide approved changes in advisory rates, loss costs and assigned risk rates as filed by applicable rating organization, relative to those previously approved.
Source: NCCI.

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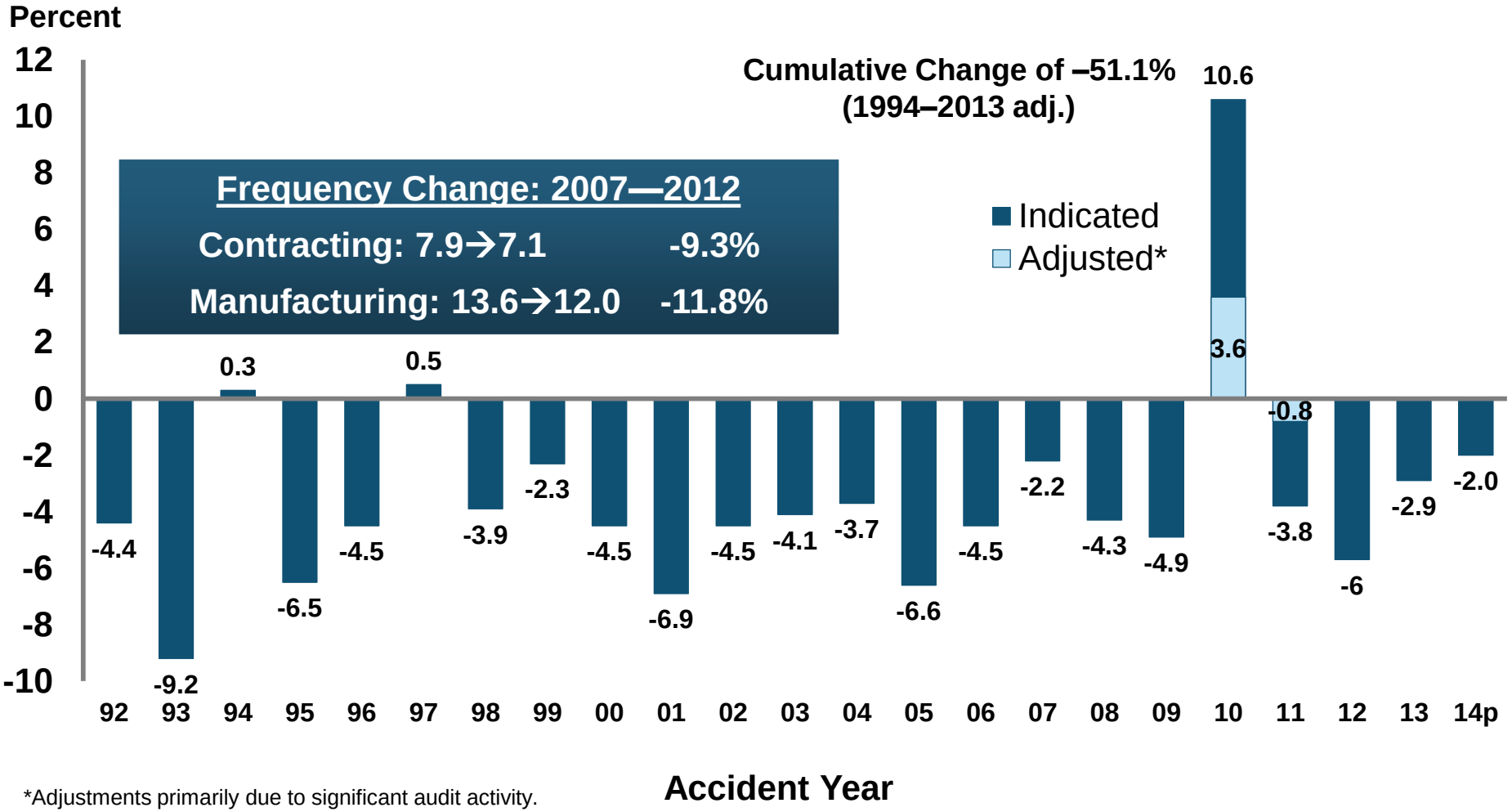
WC COST DRIVERS

Medical and Indemnity Factors

Workers Compensation Lost-Time Claim Frequency Declined in 2014



*Adjustments primarily due to significant audit activity.
2014p: Preliminary based on data valued as of 12/31/2014.
Source: NCCI Financial Call data, developed to ultimate and adjusted to current wage an voluntary loss cost level; Excludes high deductible policies; 1994-2013: Based on data through 12/31/13. Data for all states where NCCI provides ratemaking services, excluding WV.
Frequency is the number of lost-time claims per $1M pure premium at current wage and voluntary loss cost level

Workers Comp Indemnity Claim Costs: Modest Increase in 2014

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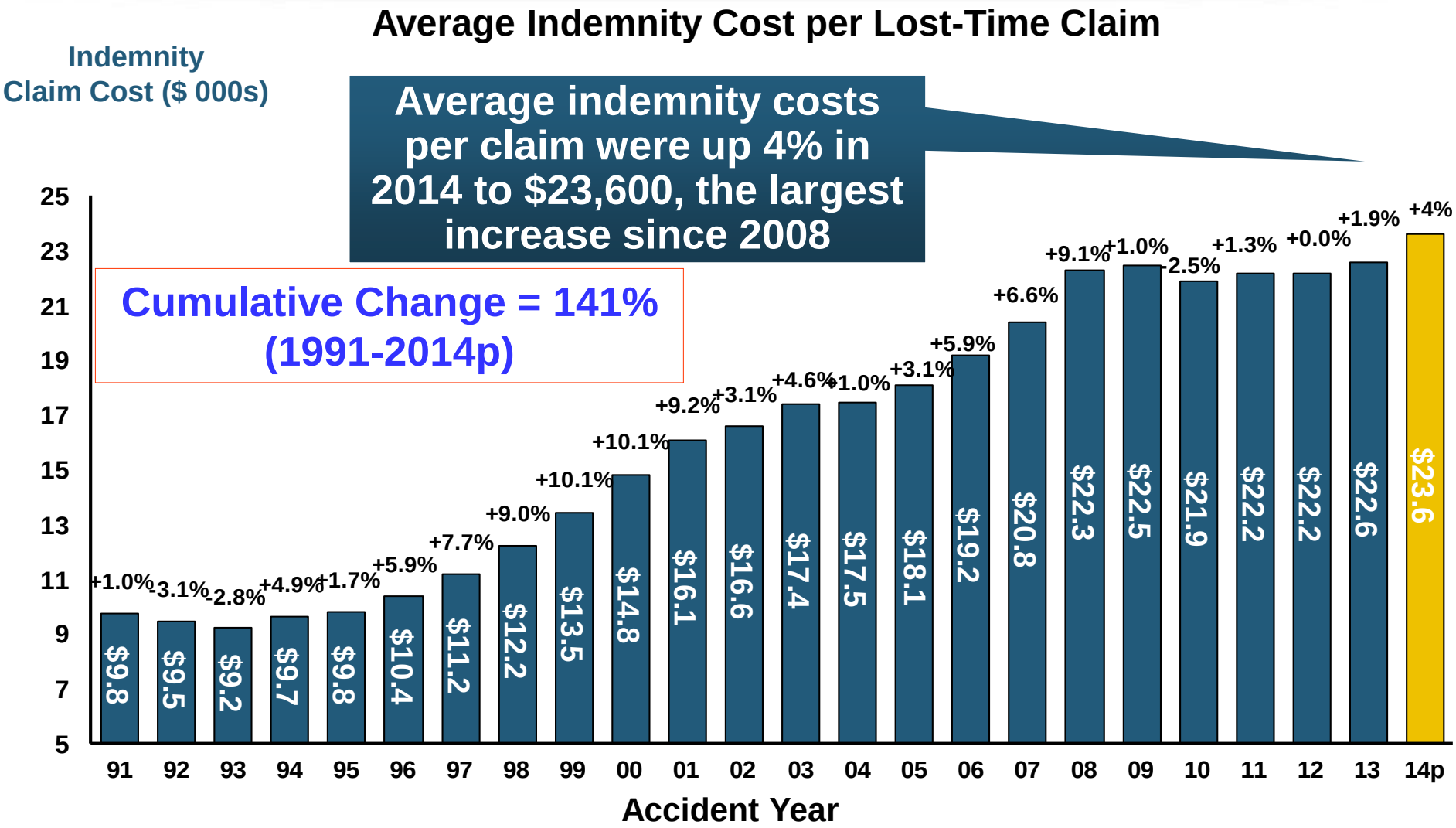
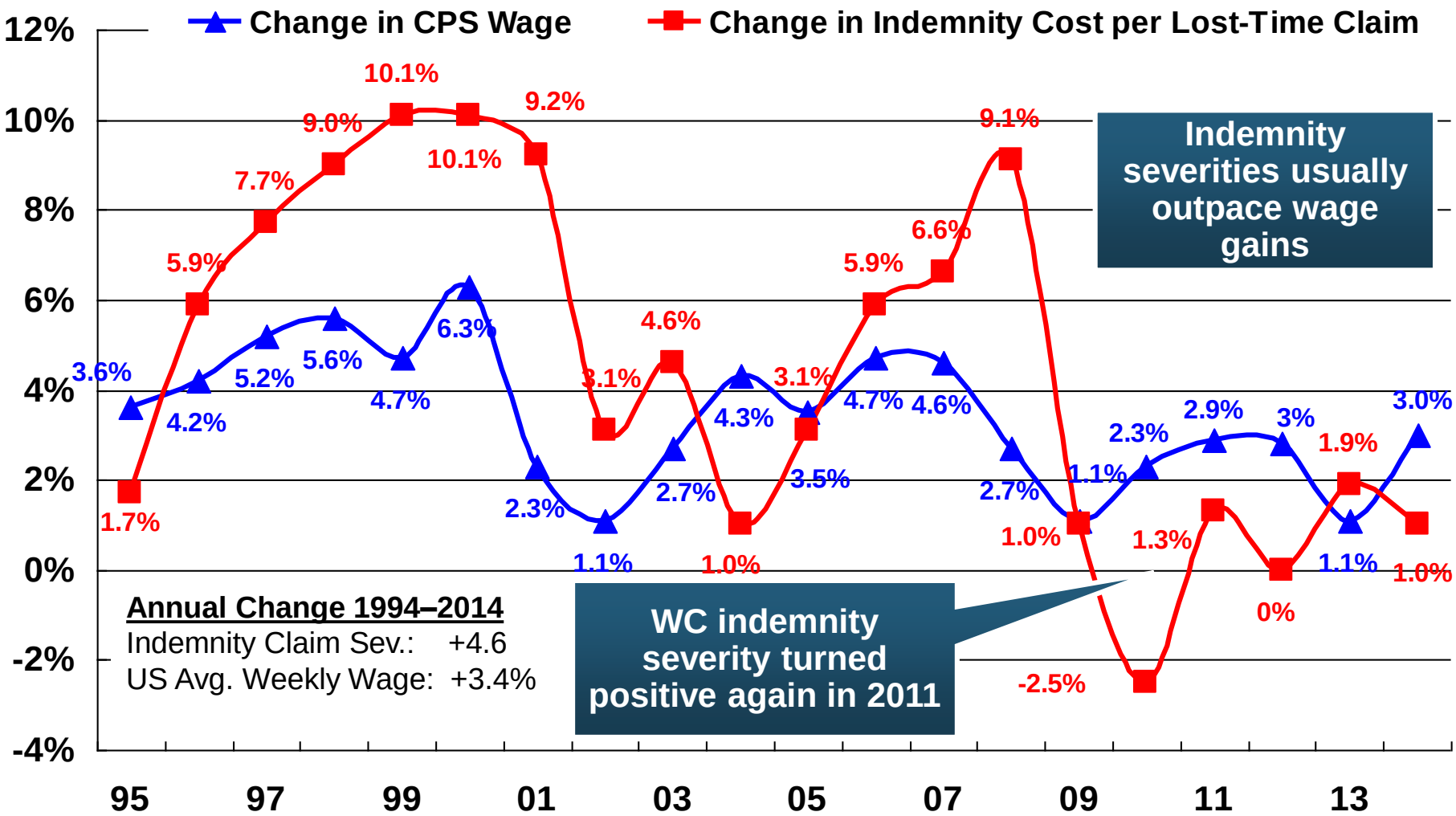


2014p: Preliminary based on data valued as of 12/31/2014.
1991-2013: Based on data through 12/31/2013, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

WC Indemnity Severity vs. Wage Inflation, 1995 -2014p



2014p: Preliminary based on data valued as of 12/31/2014; 1991-2010: Based on data through 12/31/2010, developed to ultimate. Based on the states where NCCI provides ratemaking services. Excludes the effects of deductible policies. CPS = Current Population Survey.
Source: NCCI

States with Top 5 Highest Approved Indemnity Loss Ratio Trend*

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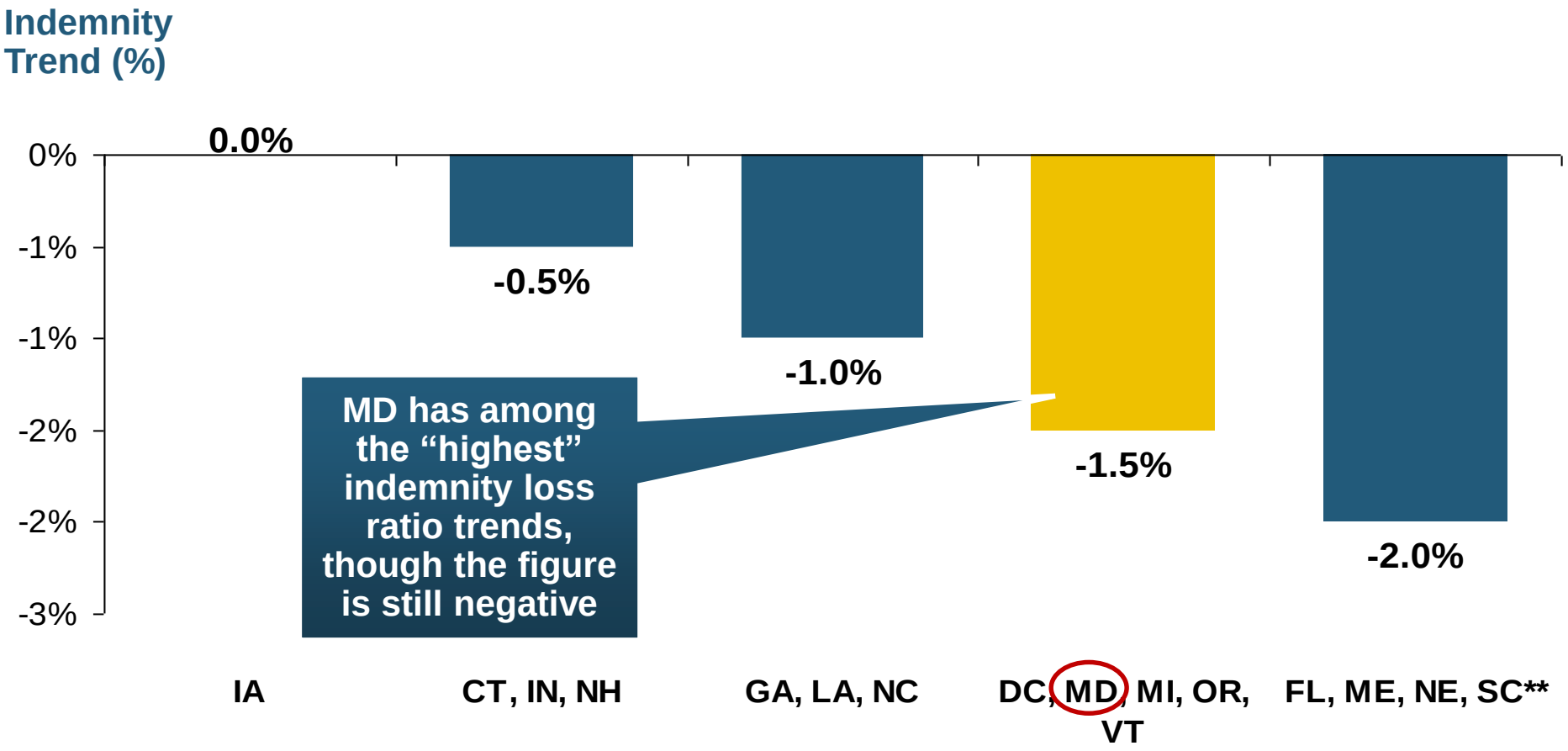
2014-2015 Rate Filing Season*



*NCCI states only. Filings with effective dates between 10/1/14 and 9/1/15.

Source: NCCI (2015 Regulatory and Legislative Trends Workshop, May 14, 2015); Insurance Information Institute.

Workers Compensation Medical Severity: Moderate Increase in 2014

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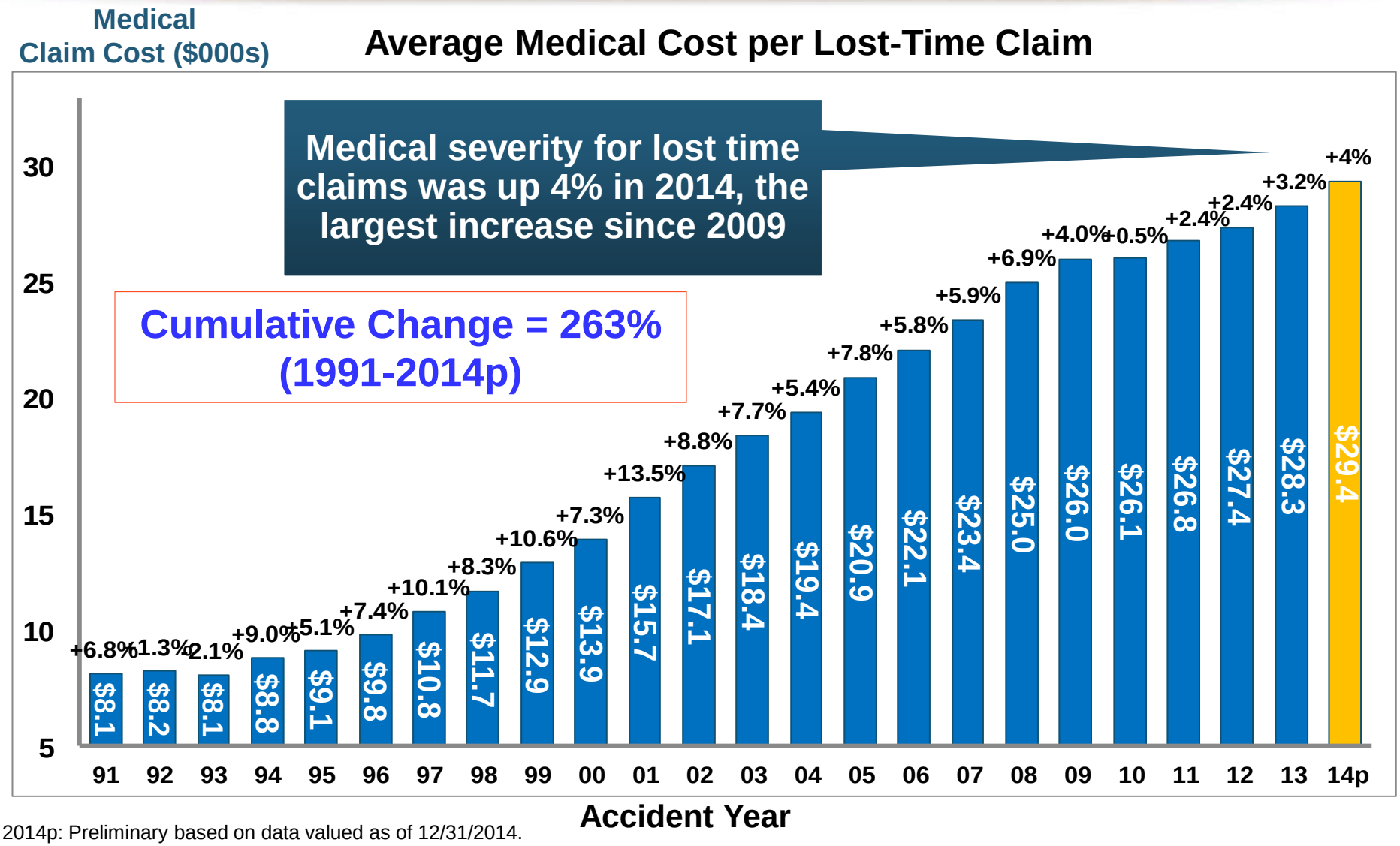
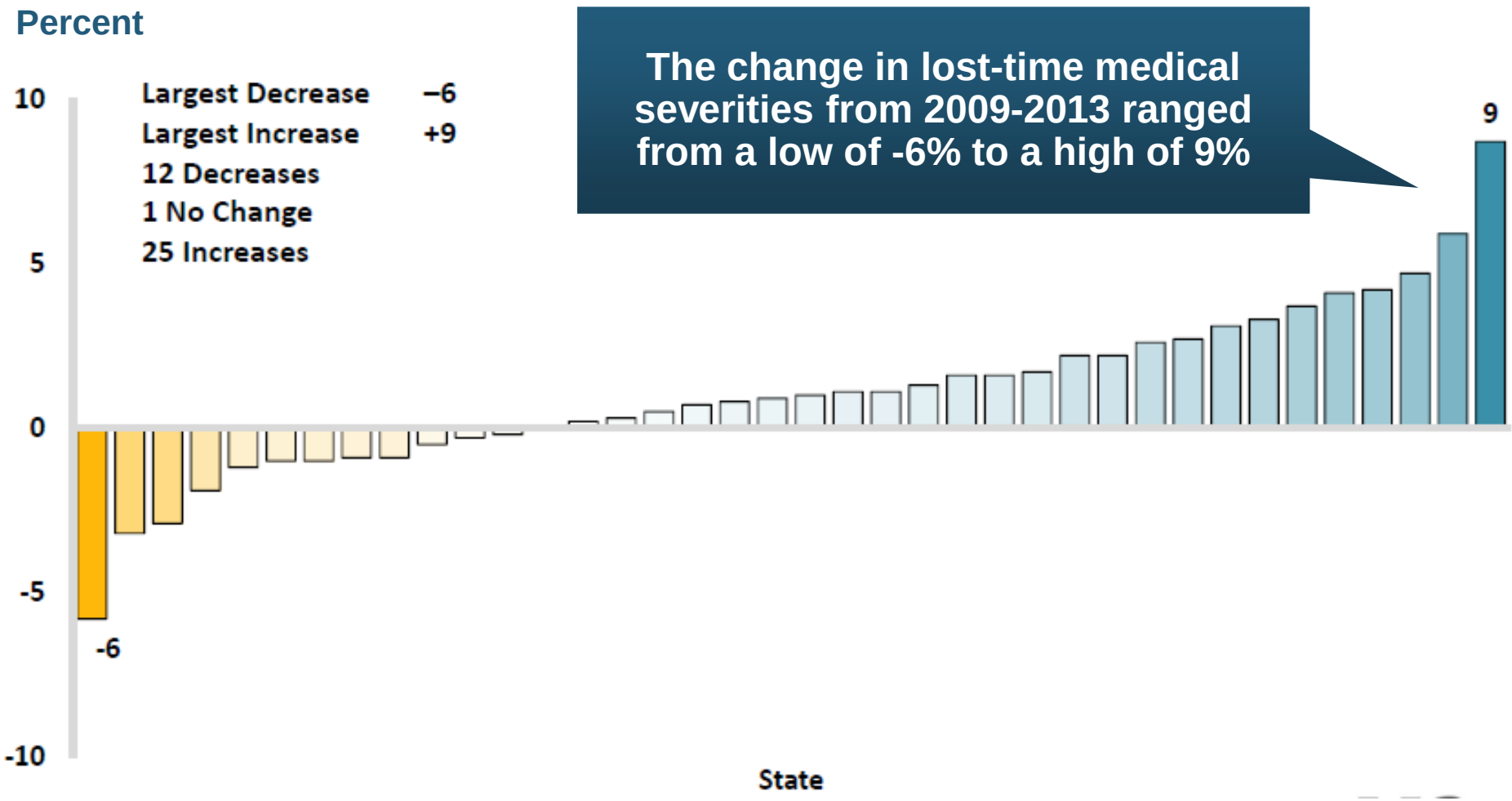


2014p: Preliminary based on data valued as of 12/31/2014.
1991-2013: Based on data through 12/31/2013, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

Workers Comp Change in Medical Severity by State, Avg. Annual Change, 2009-2013

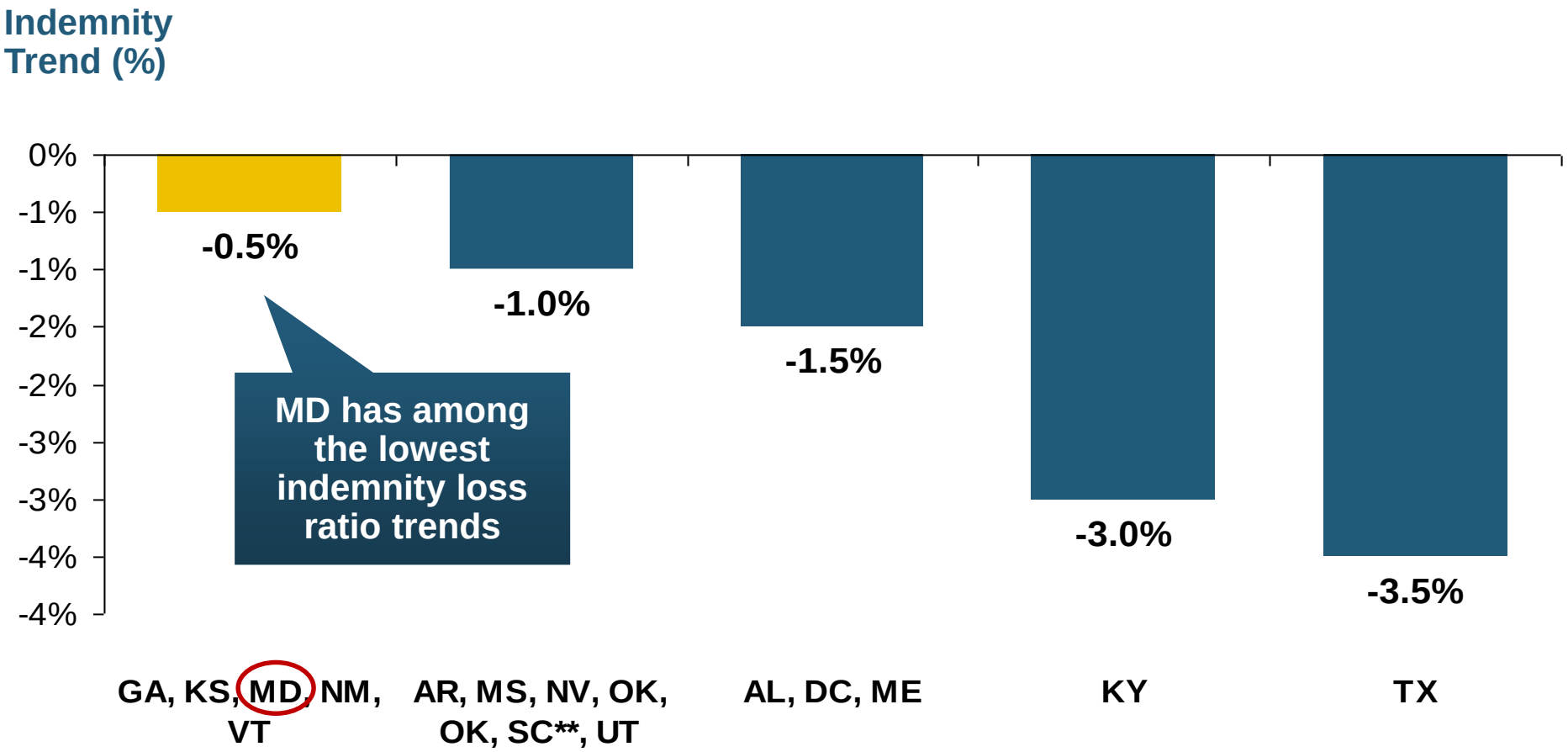


Source: NCCI's Analysis of Frequency and Severity of Claims Across the Country as of 12/31/13 on ncci.com.
Values reflect methodology and state data underlying the most recent rate/lost cost filing.
TX changes are for the years 2010-2013.

States with Top 5 Lowest Approved Medical Loss Ratio Trend*

INSURANCE INFORMATION INSTITUTE

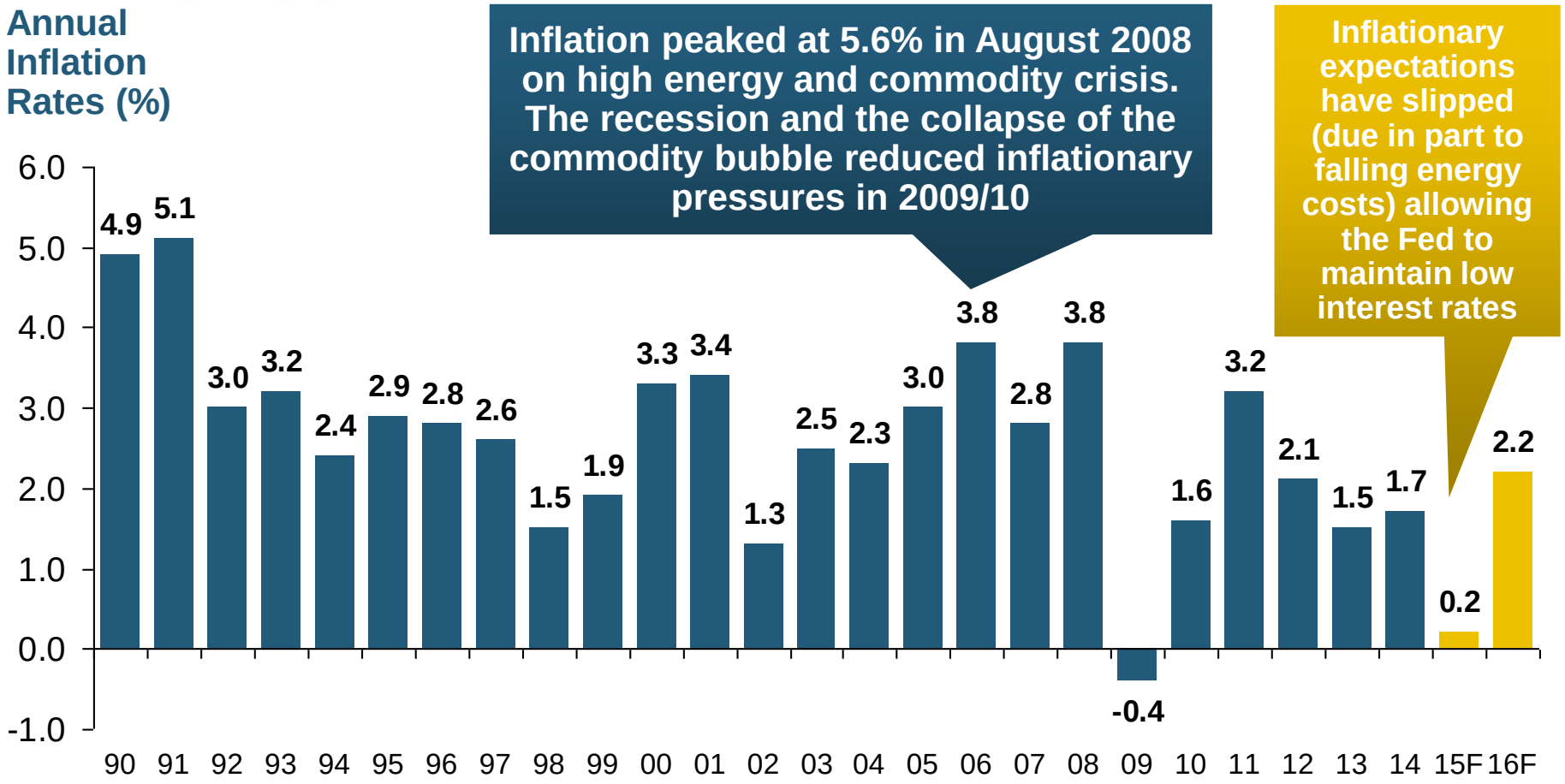
2014-2015 Rate Filing Season*



*NCCI states only. Filings with effective dates between 10/1/14 and 9/1/15.

Source: NCCI (2015 Regulatory and Legislative Trends Workshop, May 14, 2015); Insurance Information Institute.

Annual Inflation Rates, (CPI-U, %), 1990–2016F



Slack in the U.S. economy and falling energy prices suggests that inflationary pressures should remain subdued for an extended period of times

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators, 5/15 (forecasts).

Workers Compensation
Change in Medical Severity

Comparison to Change in Medical Consumer Price Index (CPI)

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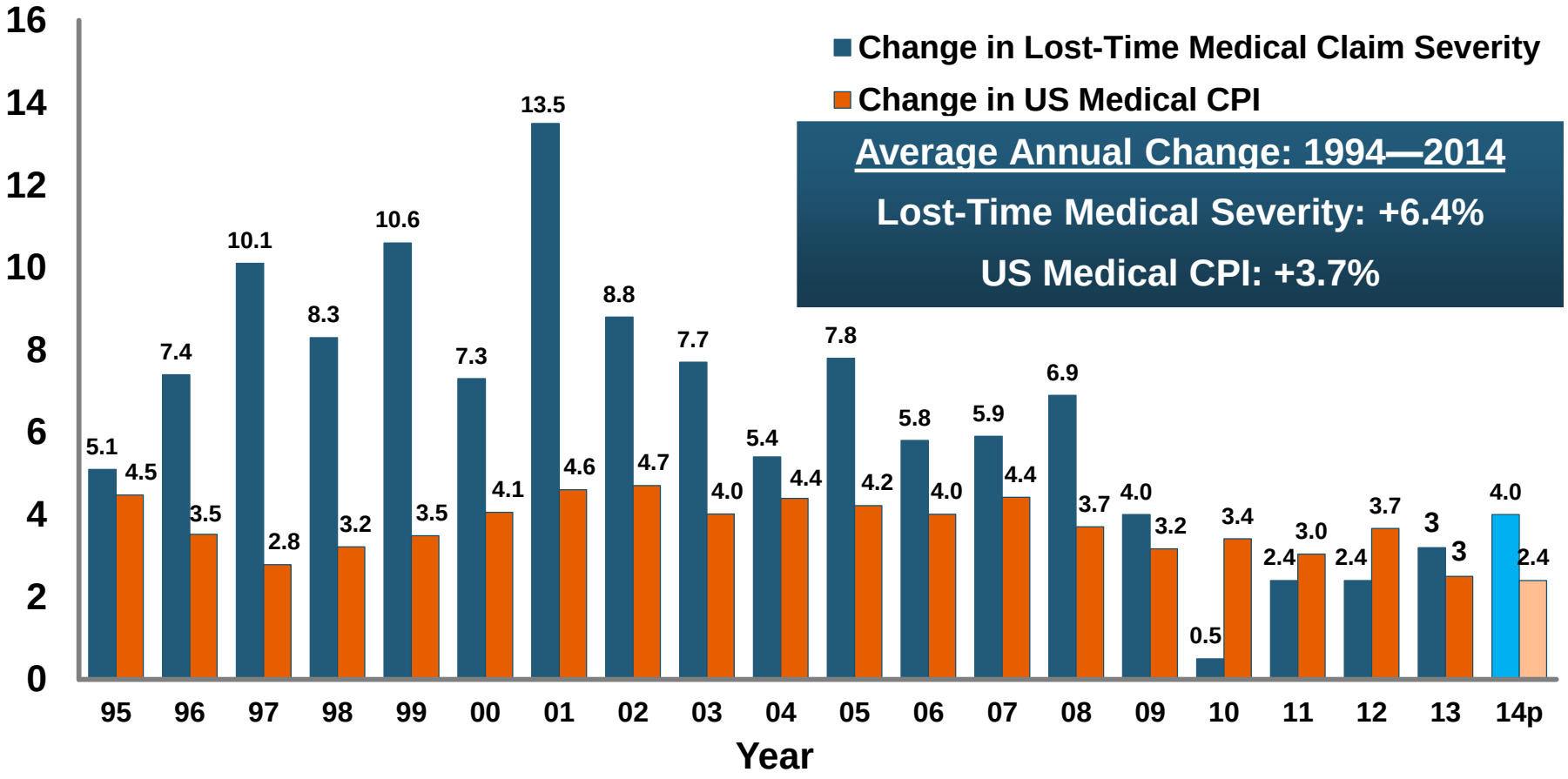
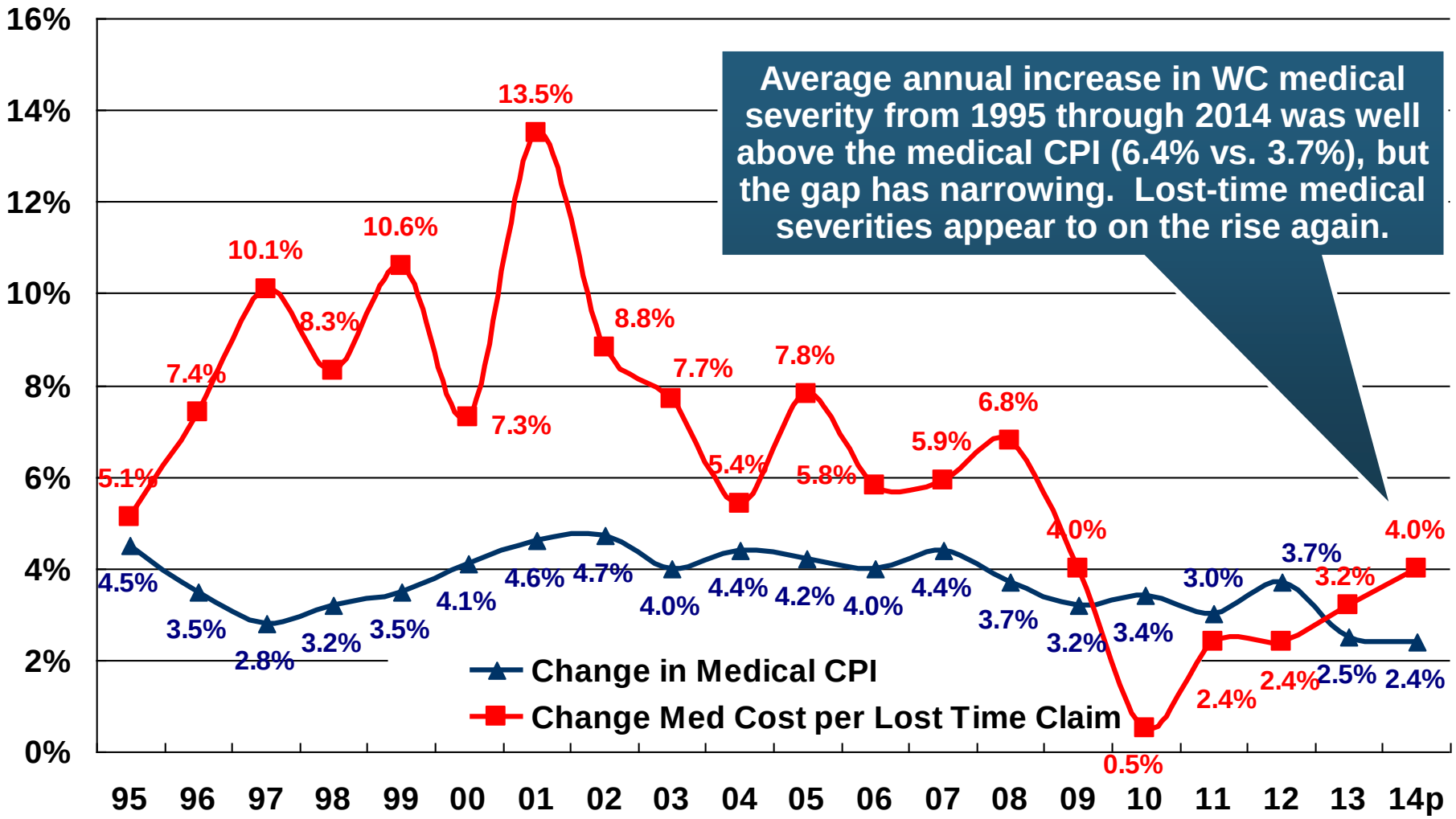
Percent Change



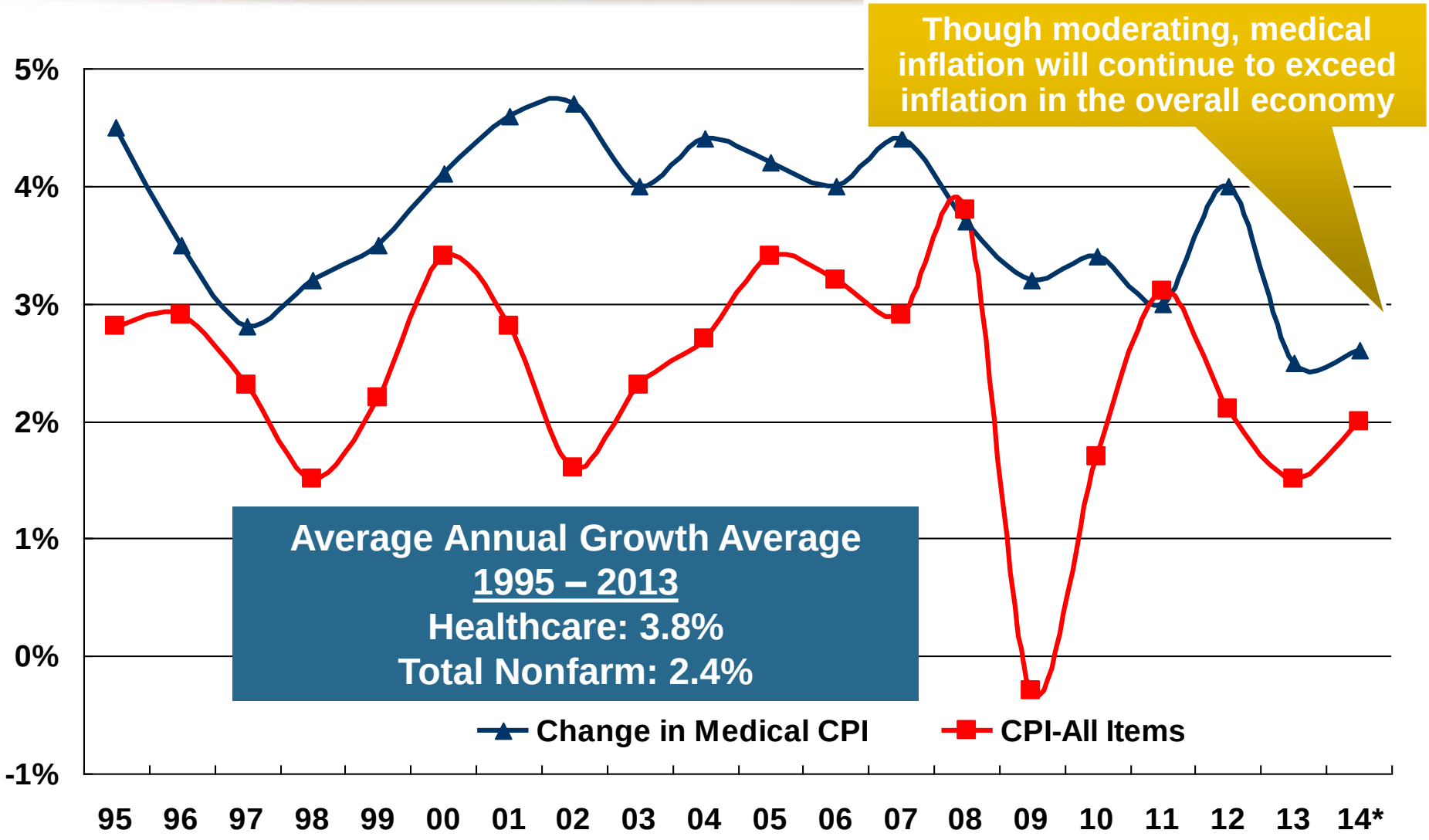
2014p: Preliminary based on data valued as of 12/31/2014.
Sources: Severity: 995-2013: Based on data through 12/31/2013, developed to ultimate
Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.
US Medical CPI: US Bureau of Labor Statistics.

WC Medical Severity Generally Outpaces the Medical CPI Rate



Sources: Med CPI from US Bureau of Labor Statistics, WC med severity from NCCI based on NCCI states.

Medical Cost Inflation vs. Overall CPI, 1995 – 2014*



*July 2014 compared to July 2013.
Sources: Med CPI from US Bureau of Labor Statistics, WC med severity from NCCI based on NCCI states.

U.S. Health Care Expenditures, 1965–2022F

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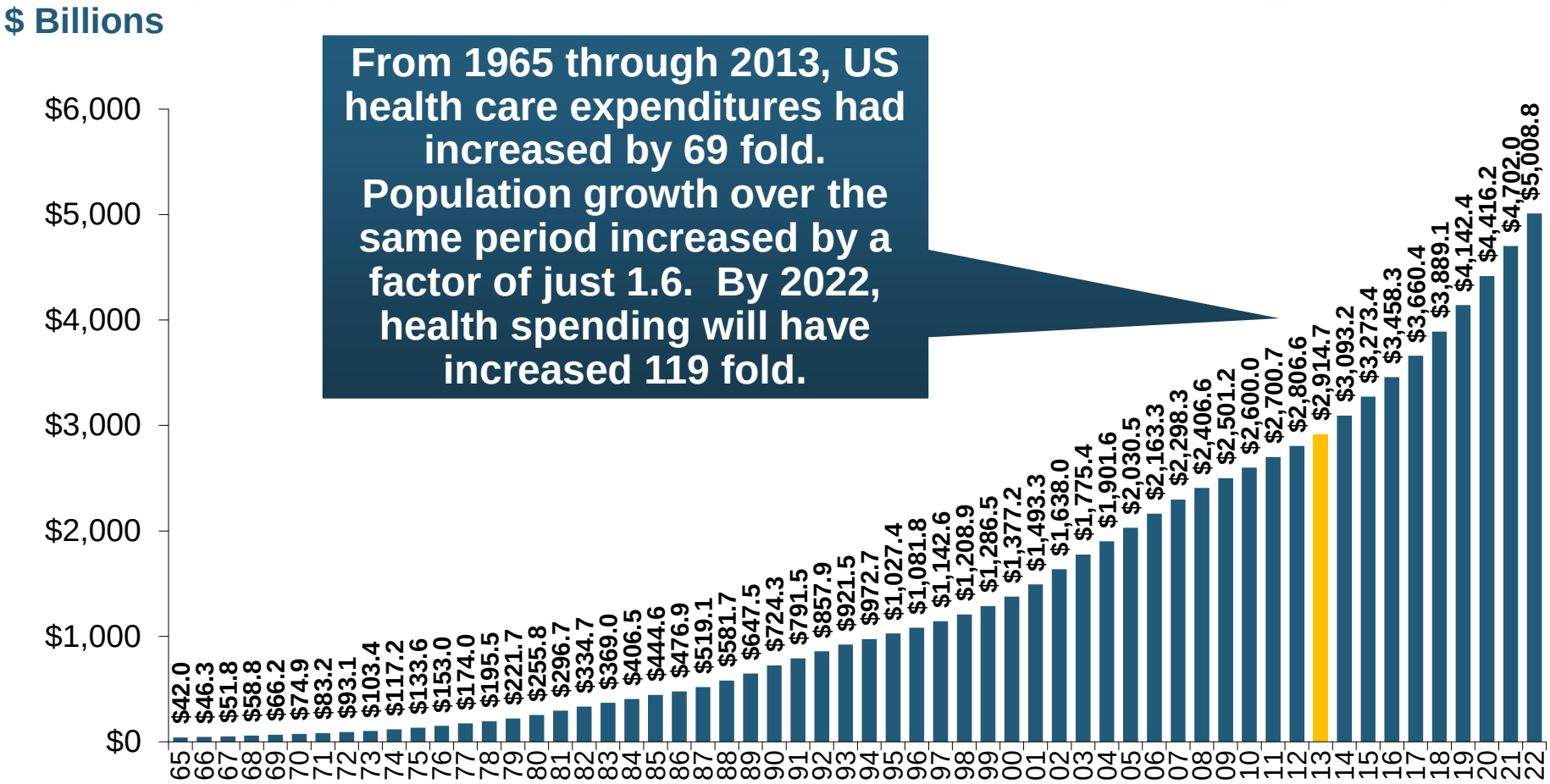
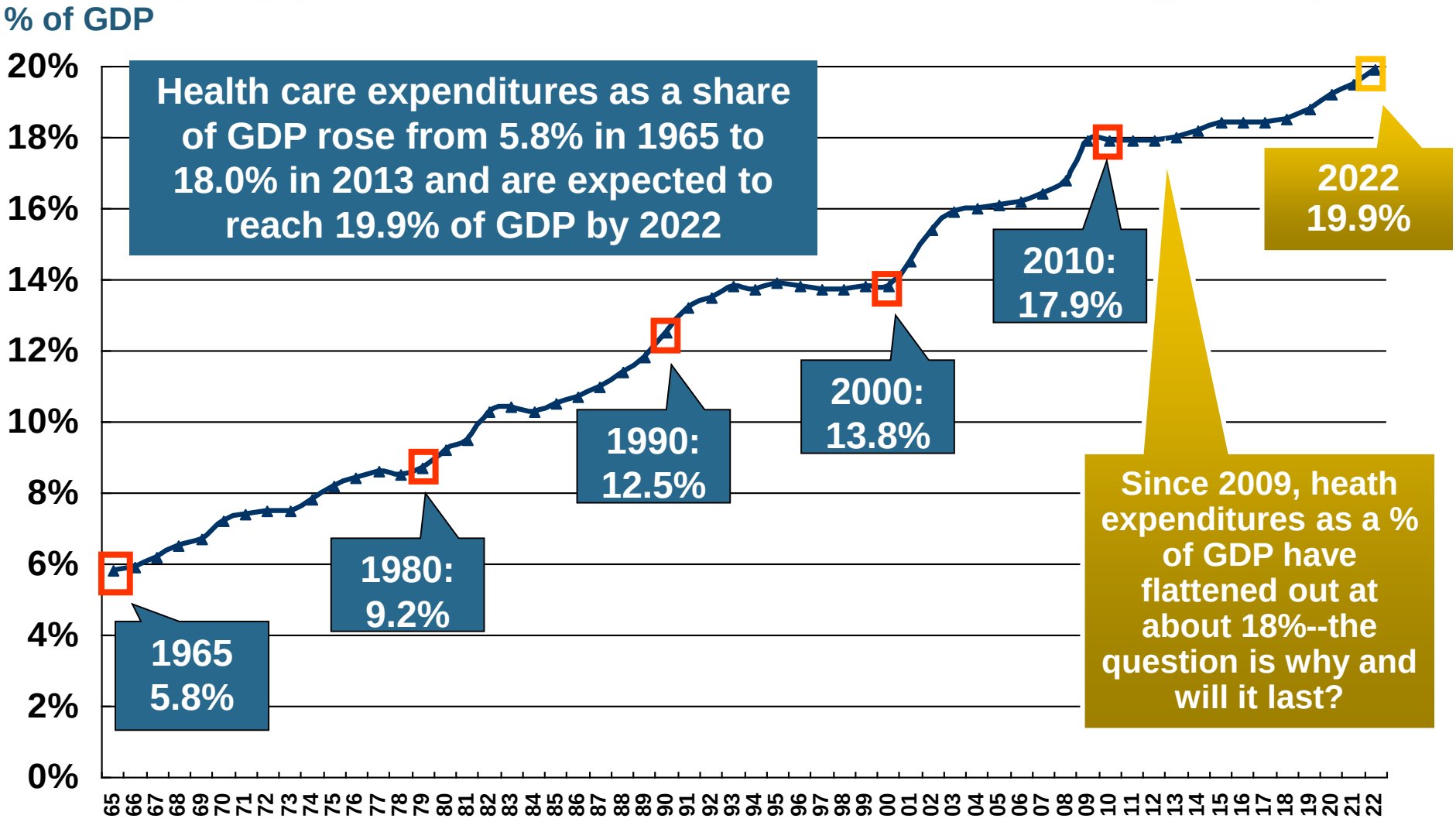


U.S. health care expenditures have been on a relentless climb for most of the past half century, far outstripping population growth, inflation of GDP growth

Sources: Centers for Medicare & Medicaid Services, Office of the Actuary at http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html accessed 3/14/14; Insurance Information Institute.

National Health Care Expenditures as a Share of GDP, 1965 – 2022F*



Sources: Centers for Medicare & Medicaid Services, Office of the Actuary at http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html accessed 3/14/14; Insurance Information Institute.

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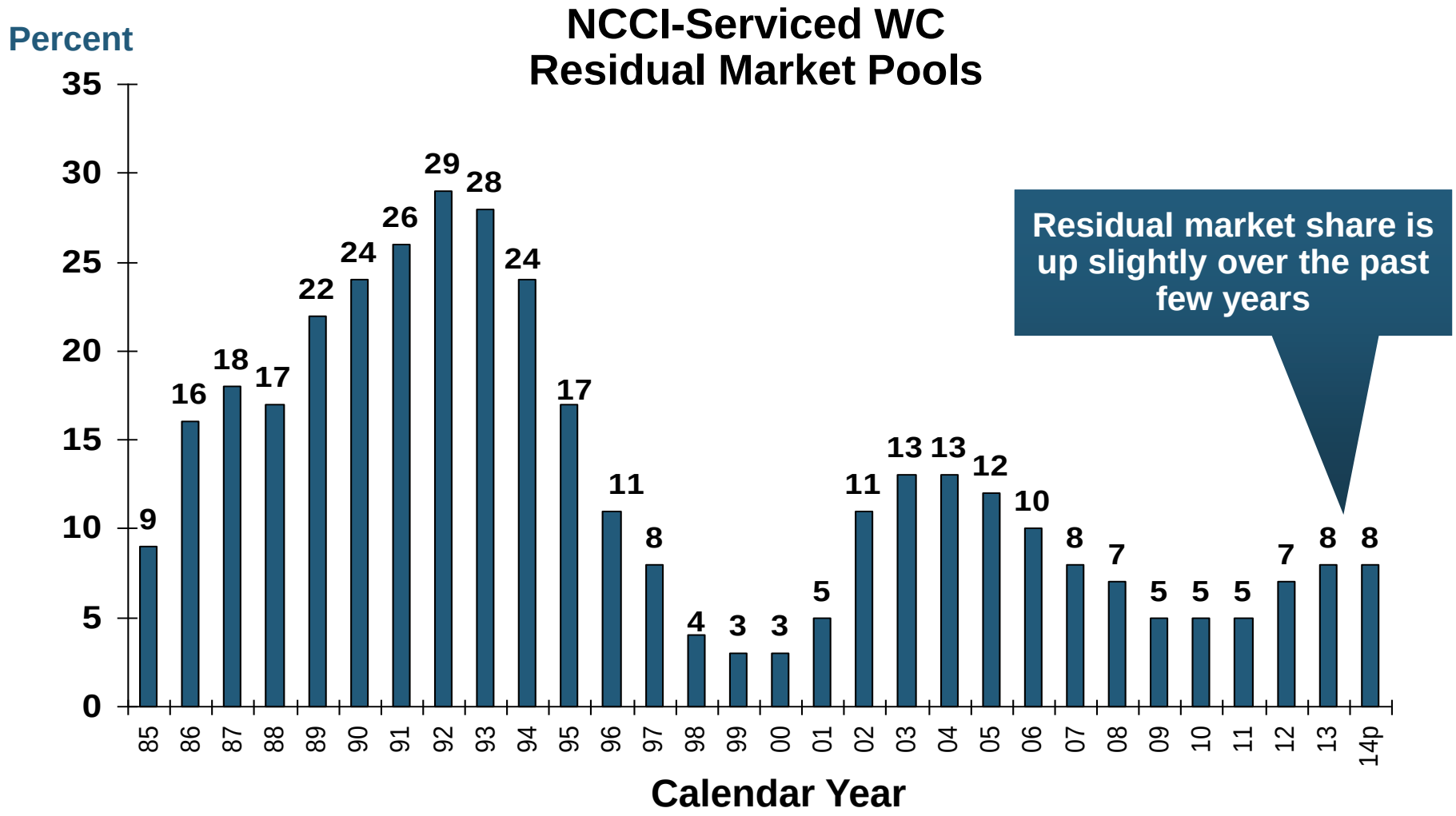
WC RESIDUAL MARKETS

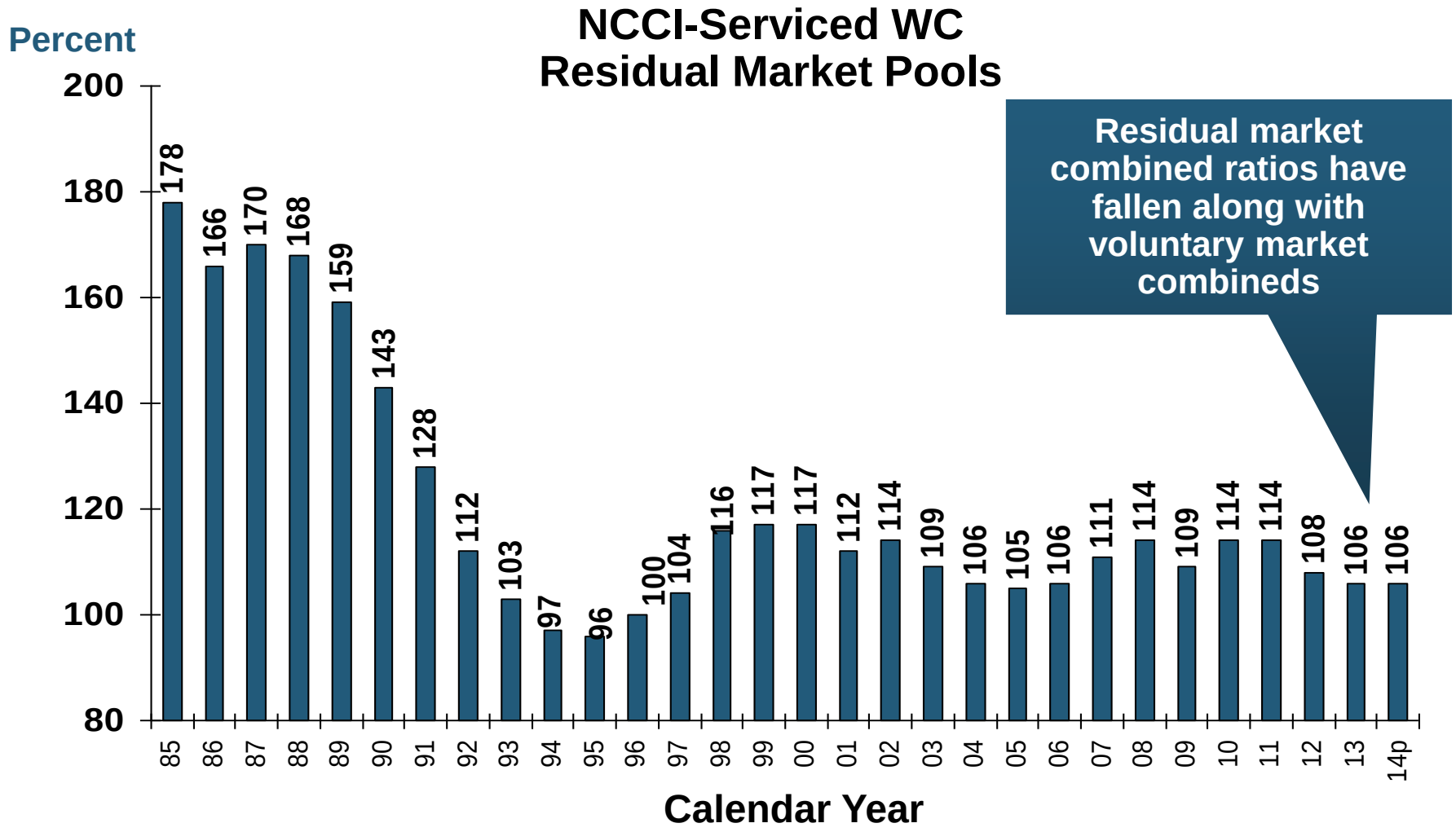
WC Residual Markets Remain Fairly Stable

WC Residual Market Share, 1985-2014p



Includes pool and direct assignment data for all NCCI-serviced WC residual market pool states.
Source: NCCI, *Residual Market Management Summary.*

WC Residual Market Combined Ratio, 1985-2014p



Includes pool and direct assignment data for all NCCI-serviced WC residual market pool states.
Source: NCCI, *Residual Market Management Summary.*

Commercial Lines Pricing Trends

Survey Results Suggest Commercial Pricing Has Flattened Out

Average Commercial Rate Change, All Lines, (1Q:2004–1Q:2015)

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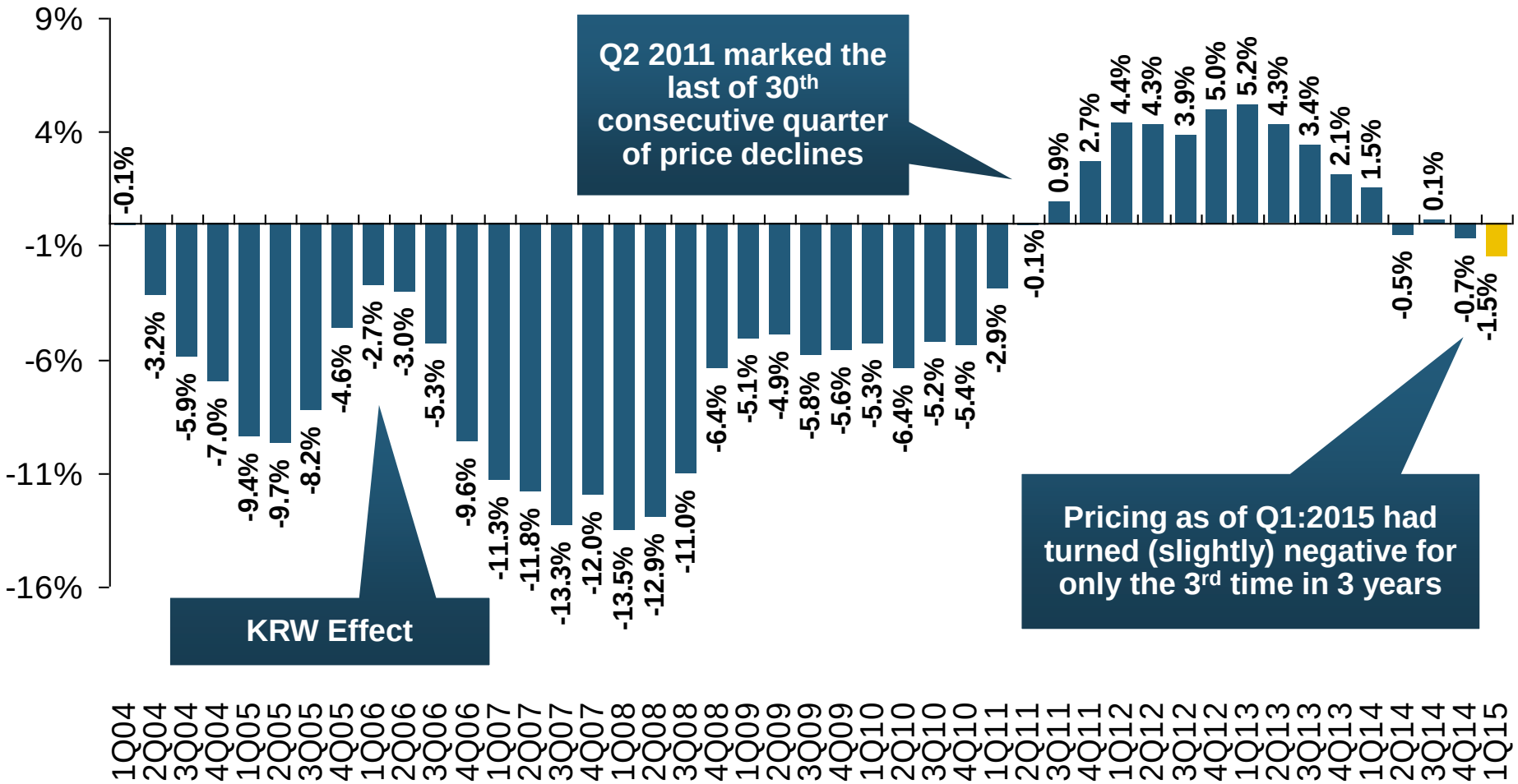
(Percent)



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Insurance Information Institute

Change in Commercial Rate Renewals, by Account Size: 1999:Q4 to 2015:Q1

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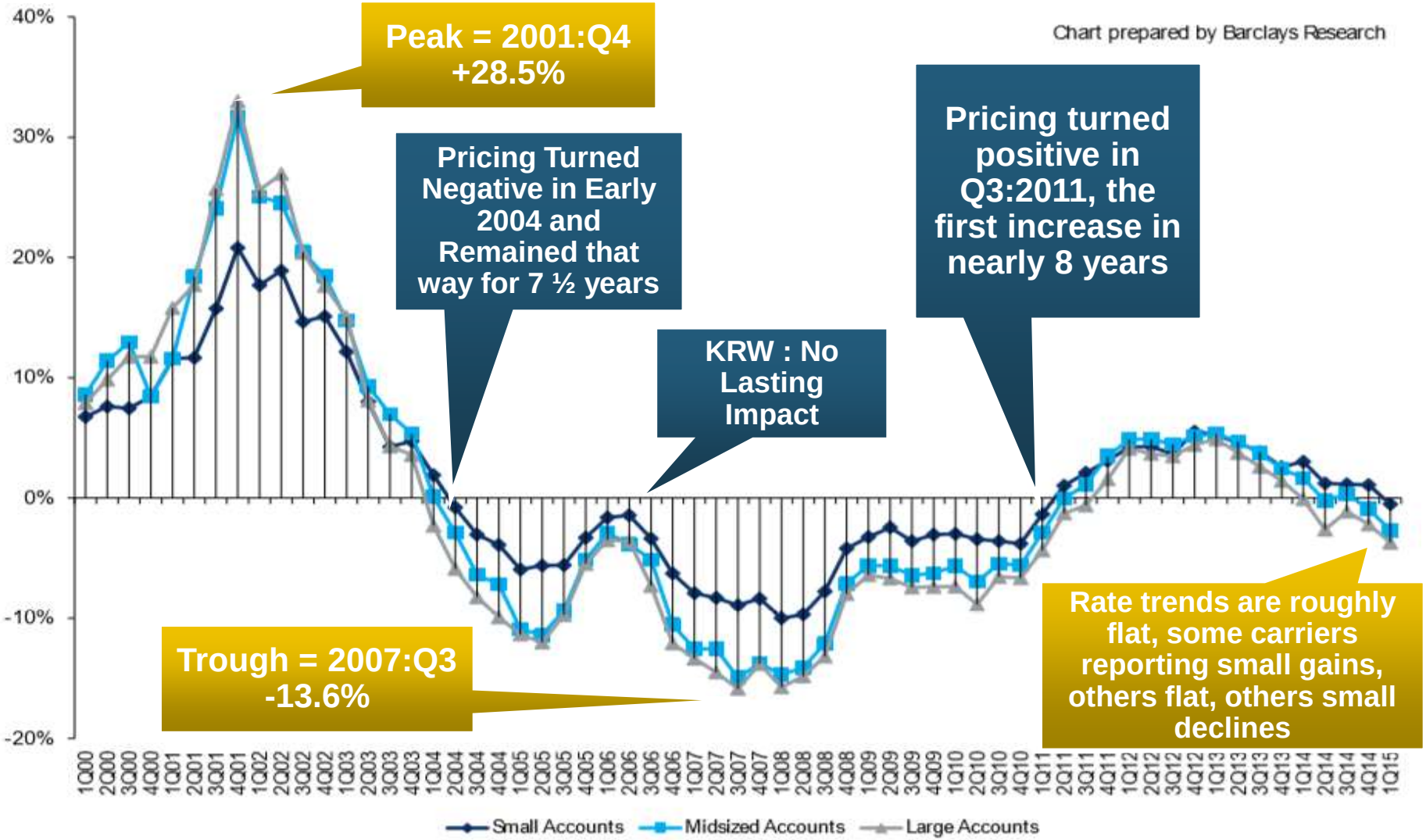
Percentage Change (%)



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

Cumulative Qtrly. Commercial Rate Changes, by Account Size: 1999:Q4 to 2015:Q1

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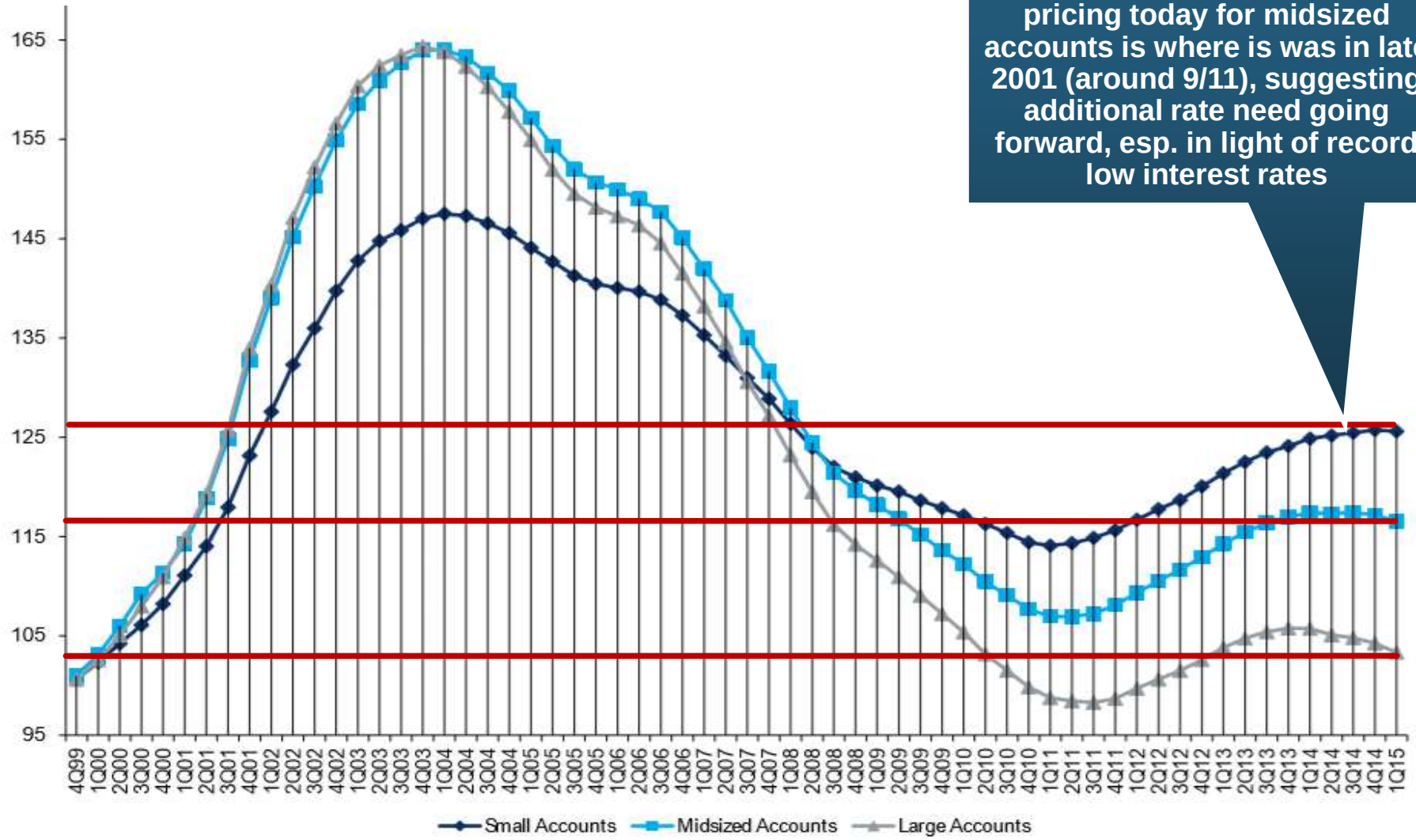
1999:Q4 = 100

Despite several years of gains, pricing today for midsized accounts is where is was in late 2001 (around 9/11), suggesting additional rate need going forward, esp. in light of record low interest rates



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Barclay's Capital; Insurance Information Institute.

Directional Pricing Trend in Large Account P/C Renewals

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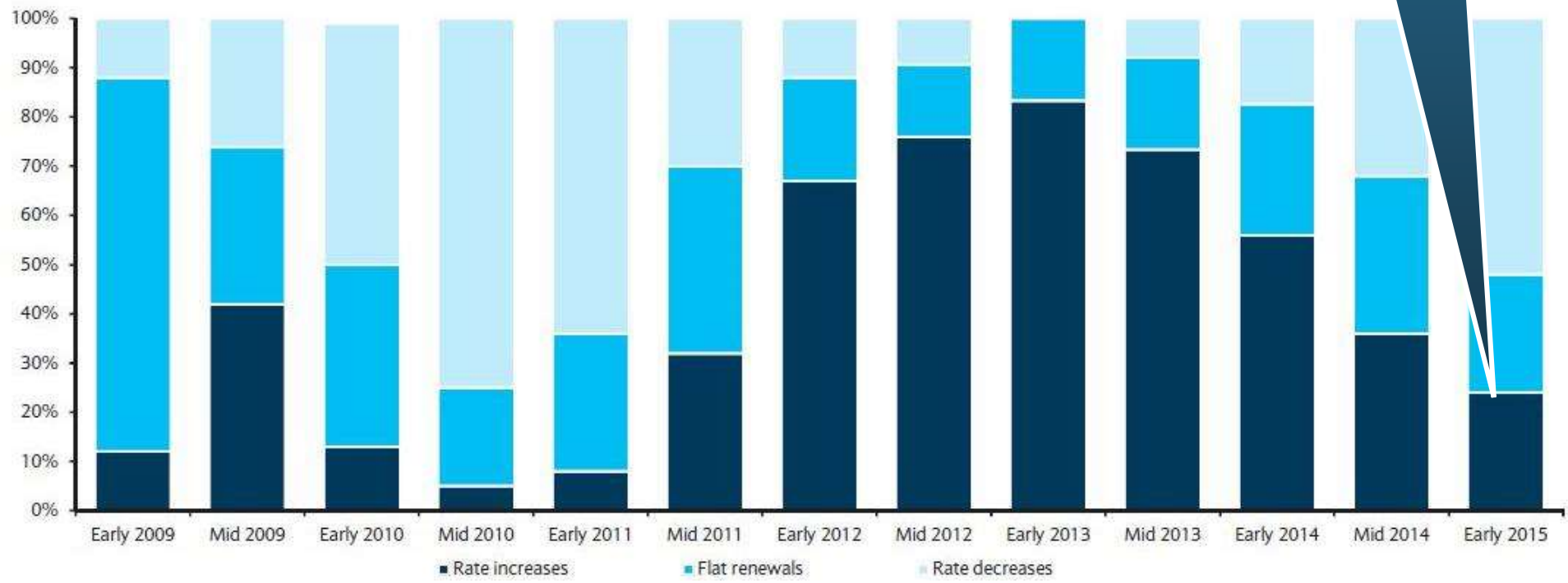
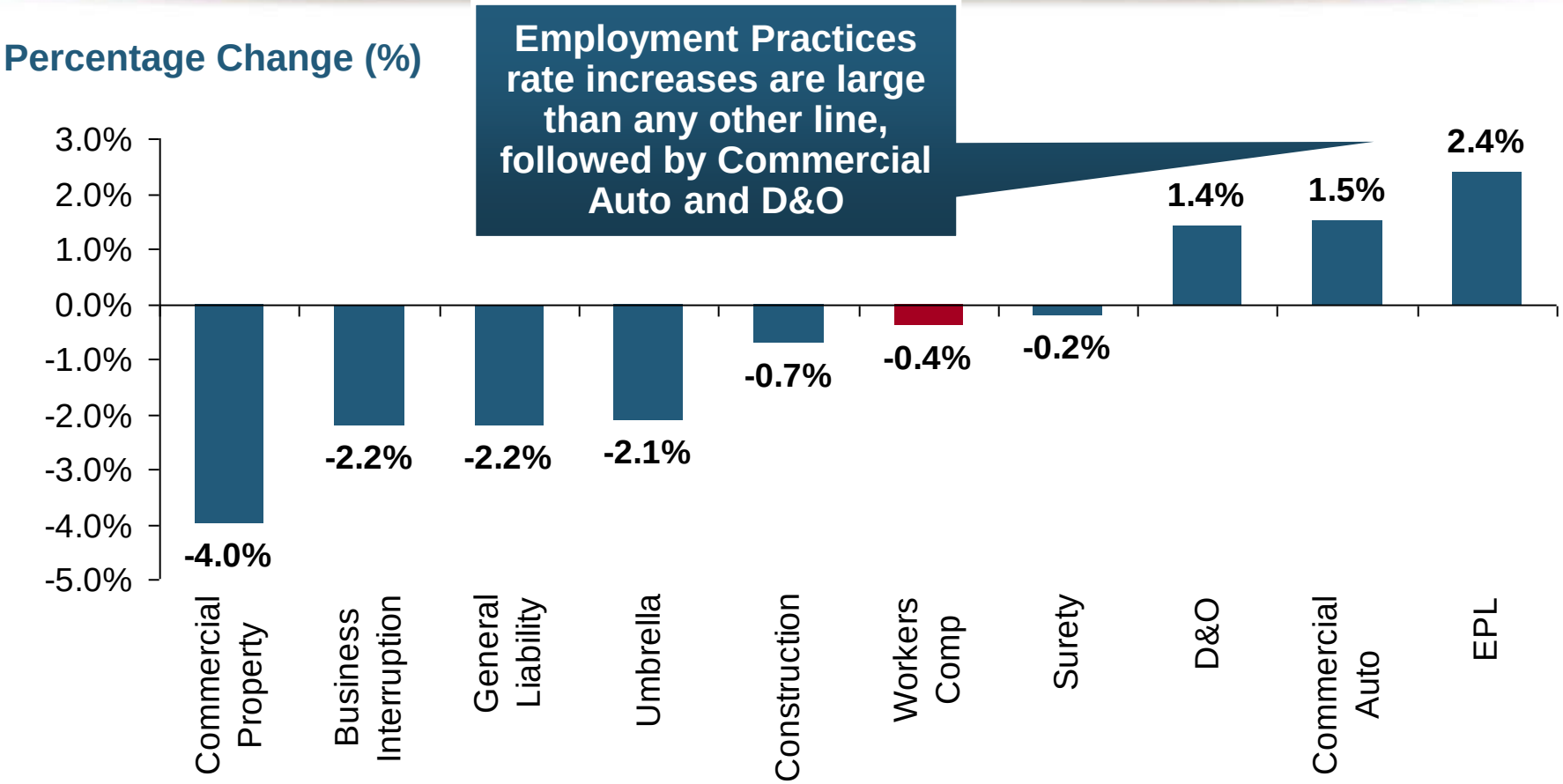
Early 2009 through Early 2015

Few accounts are seeing increases



Source: Barclays' Commercial Insurance Buyers Survey.

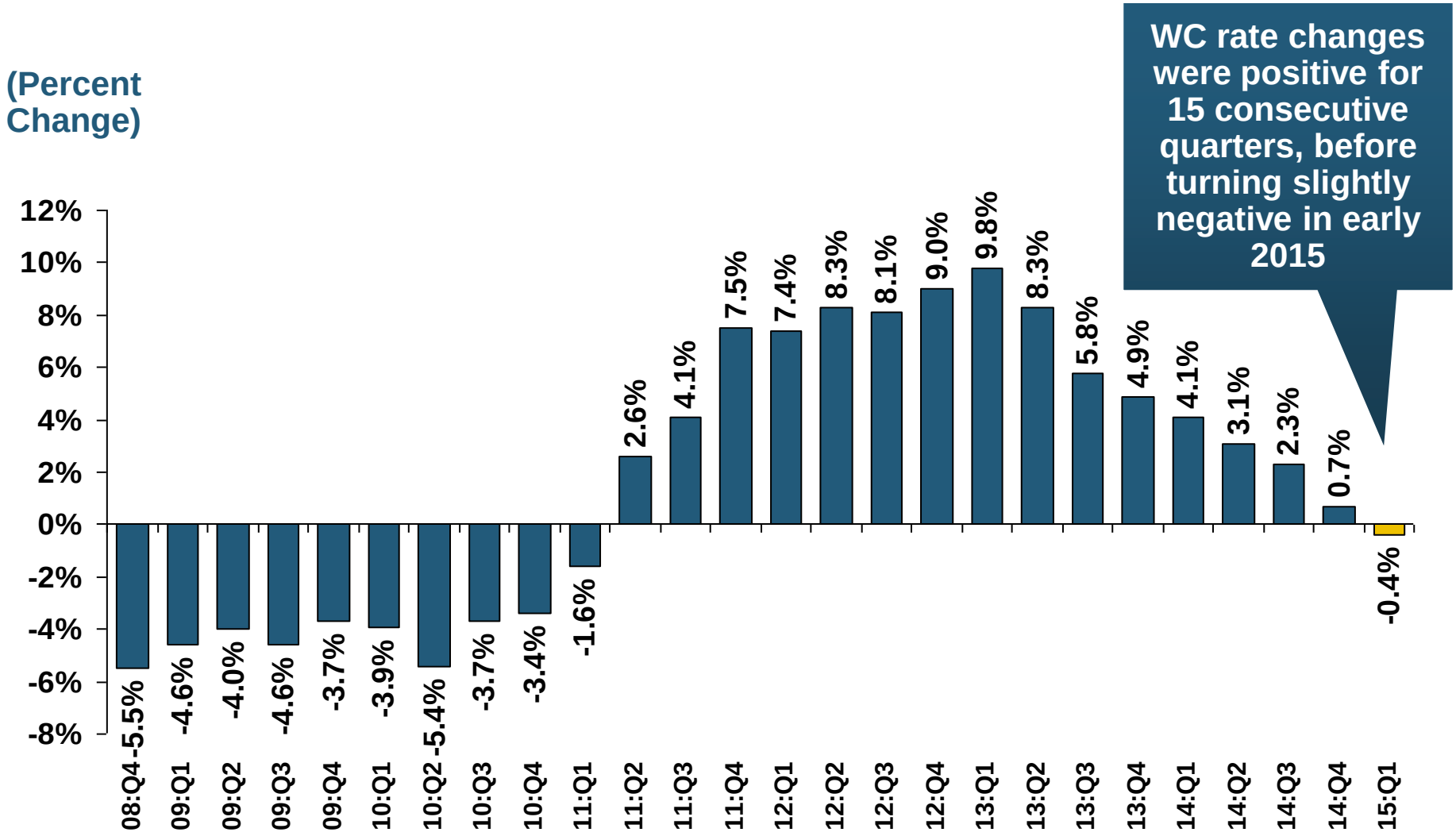
Change in Commercial Rate Renewals, by Line: 2015:Q1



Major Commercial Lines Renewals Were Mixed to Flat in Q1:2015; EPL and Commercial Auto Led the Way

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Insurance Information Institute.

Workers Comp Rate Changes, 2008:Q4 – 2015:Q1



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents and Brokers; Information Institute.

Workers Comp. Quarterly Rate Changes, by Line: 2000:Q1 to 2015:Q1

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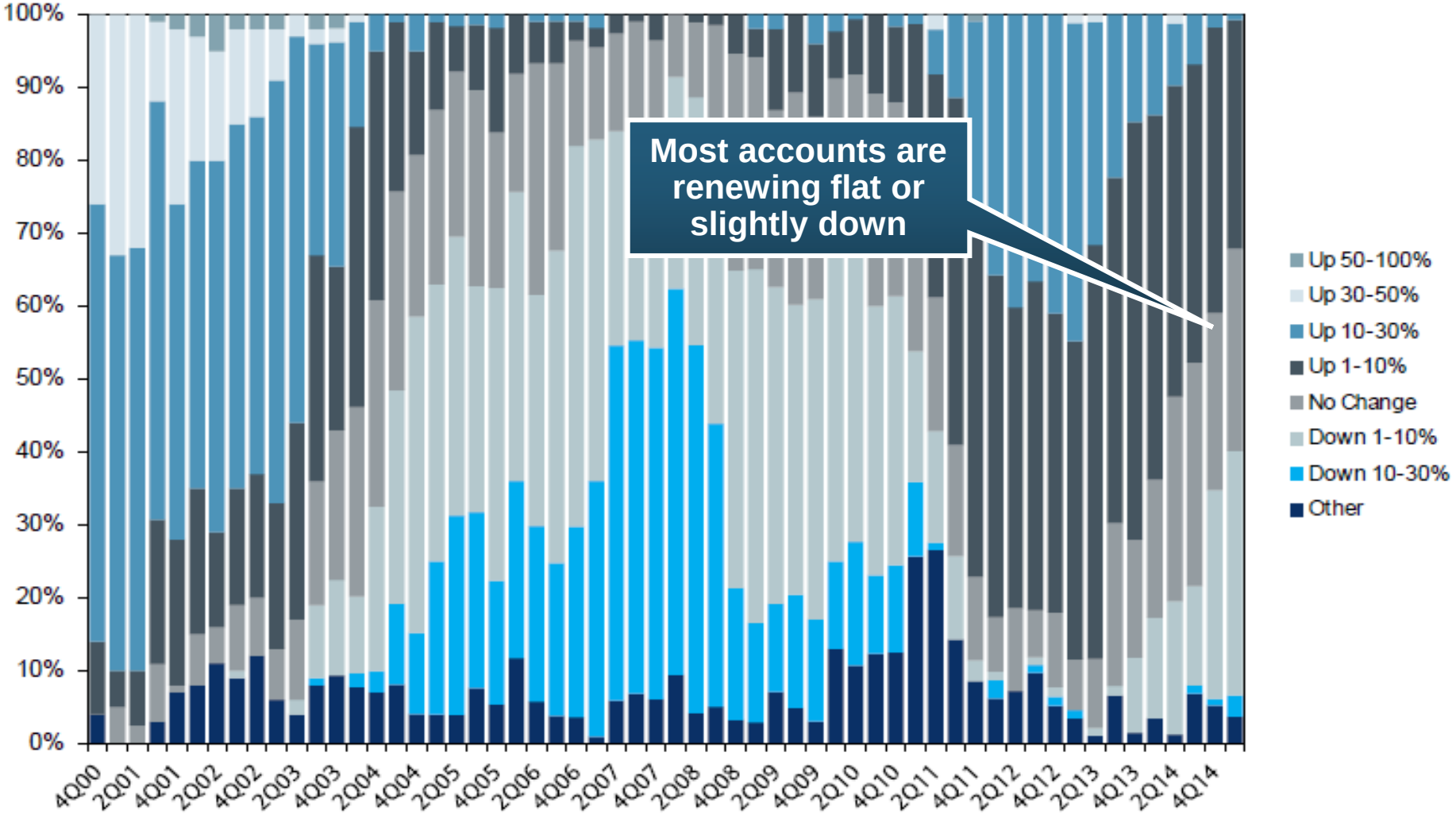
1999:Q4 = 100



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Insurance Information Institute

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Selected Challenges in the Workers Comp Market

A Number of Issues Have Stirred Interest in Workers Compensation in the First Part of 2015

Challenges Raised in the Workers Comp Line

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- **Opt Out Legislation:** Coalition of large employers is aggressively pushing for legislation that would allow them to forego purchasing WC coverage in favor of creating their own programs while also seeking to specify the criteria for claiming and the size of benefits
  - Allowed in TX for many years and passed in OK in 2014
  - Failed in TN in 2015; Lobbying in AL, FL, GA, NC, SC
- **Challenges to Exclusive Remedy:** Assertion that after reforms in several states the WC "Grand Bargain" has been breached and that benefits are now insufficient
  - Objective of trial lawyers is to tap into the tort system

Recent Challenges Raised in the Workers Comp Line (continued)

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- **ProPublica/NPR Attack Series: "*The Demolition of Workers Comp*" (Published in March 2015)**
- **Thesis: WC benefits have been hollowed out and that workers were often no longer well served by the system**
  - **Claims 33 states watered down benefits under the guise of reform**
- **Series relied on a number of anecdotal cases of claimants who believed they were adversely impacted**
- **I.I.I. made forceful rebuttal focusing on:**
  - **Magnitude of insurer payouts to injured workers**
  - **Material improvements in workplace safety, in part due to WC incentives**
  - **Benefits of cost controls without compromising outcomes**

http://www.iii.org/article/a-letter-to-the-editor-about-workers-compensation

Five Leading WC Proposal Categories to Watch in 2015

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- **Drug Formularies:** A few states have formularies and interested is increasing as studies show formularies can save money

- **Medical Marijuana:** Not priceable (no data). Some states take position that medical marijuana is not reimbursable (even if legal in state). Impact on drug-free workplace credit?

- **Fee Schedules:** Most states have fee schedules but 9 still do not. CT, NC added schedules in 2015, AK expected soon. Failed to introduce in NH and VA. Cost savings are often significant.

- **Attorney Fees:** Fee caps being challenged. Moving from a fee schedule to an uncapped "reasonable" fee standard is expected result in a significant increase in costs. Should fee be paid out of the award or by insurer/employer?

- **Opt Out:** Effort by some large corporations to restructure WC system

Insurance Information Institute Online:

www.iii.org

Thank you for your time and your attention!

Twitter: twitter.com/bob_hartwig

Download at www.iii.org/presentations

APPENDIX:
The “On-Demand” Economy

The "On-Demand" World is Not New…

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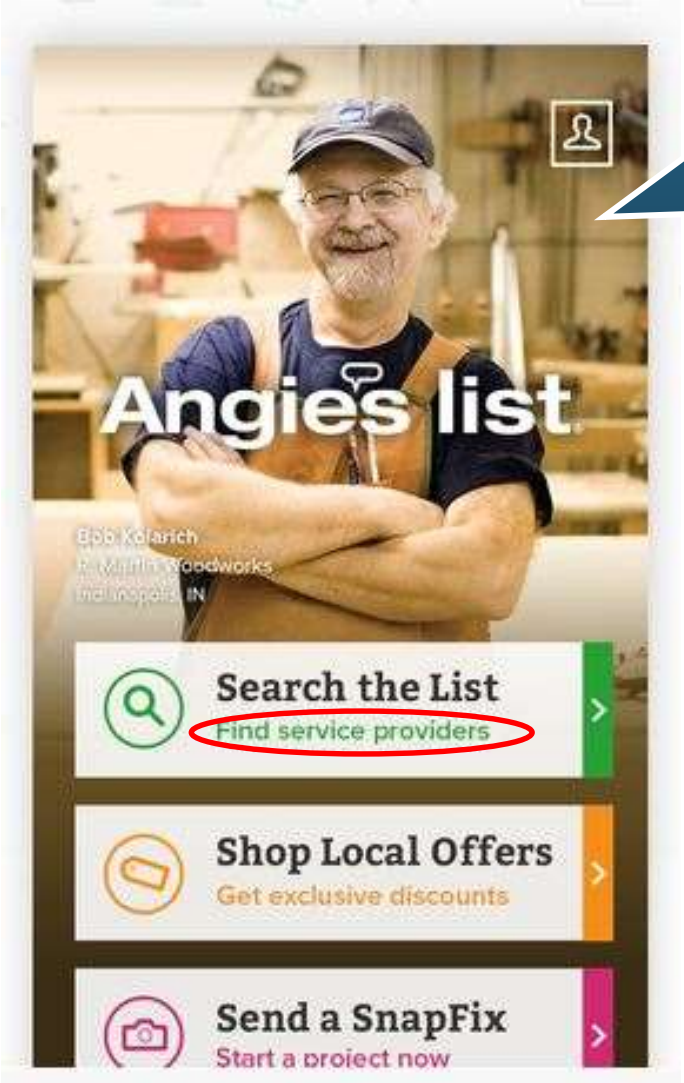

Companies like Angie's List (established in 1995 and going online in 1999) have been around for decades

The Geek Squad has been around since 1994…

Peapod sprouted way back in 1989!

Source: Insurance Information Institute.

…But the "On-Demand" World is Exploding as Is the Demand for "On-Tap" Workers

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handy

Need something done around the house…Click on Handy

washio

Hate doing laundry? Washio will do it for you…

TaskRabbit

Hate doing just about everything? Taskrabbit will take on virtually all your "tasks"…

Source: Insurance Information Institute.

You Can Live Your Life with the Swipe of a Finger…

INSURANCE INFORMATION INSTITUTE

Get married…

…Move

Lawyers.com

…And if it doesn't work out…

Some Players in the On-Demand Economy Have Become Household Names

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airbnb

Rent a place…

lyft

…Need a Lyft?

UBER

…This ride has taken Wall Street to the stratosphere

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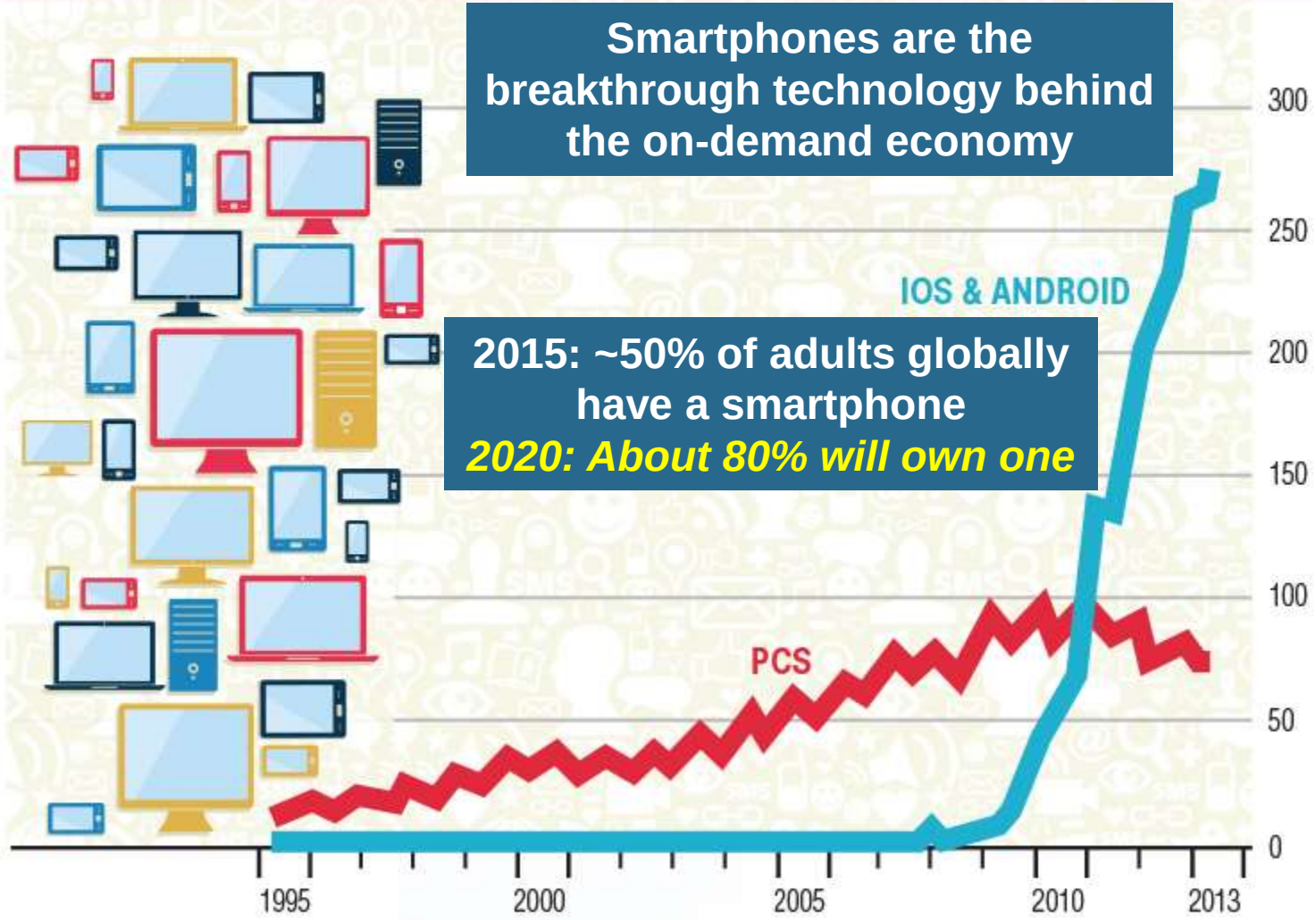
Technology and Employment

What Makes the On-Demand Economy Possible?

Why Does It Matter for Insurers?

CHANGING PLATFORMS:

GLOBAL SHIPMENTS OF SMARTPHONES (MILLIONS)



Source: Benedict Evans, Andreessen Horowitz

Growth in Temporary Workers vs. All Nonfarm Employment, 2010-2015*

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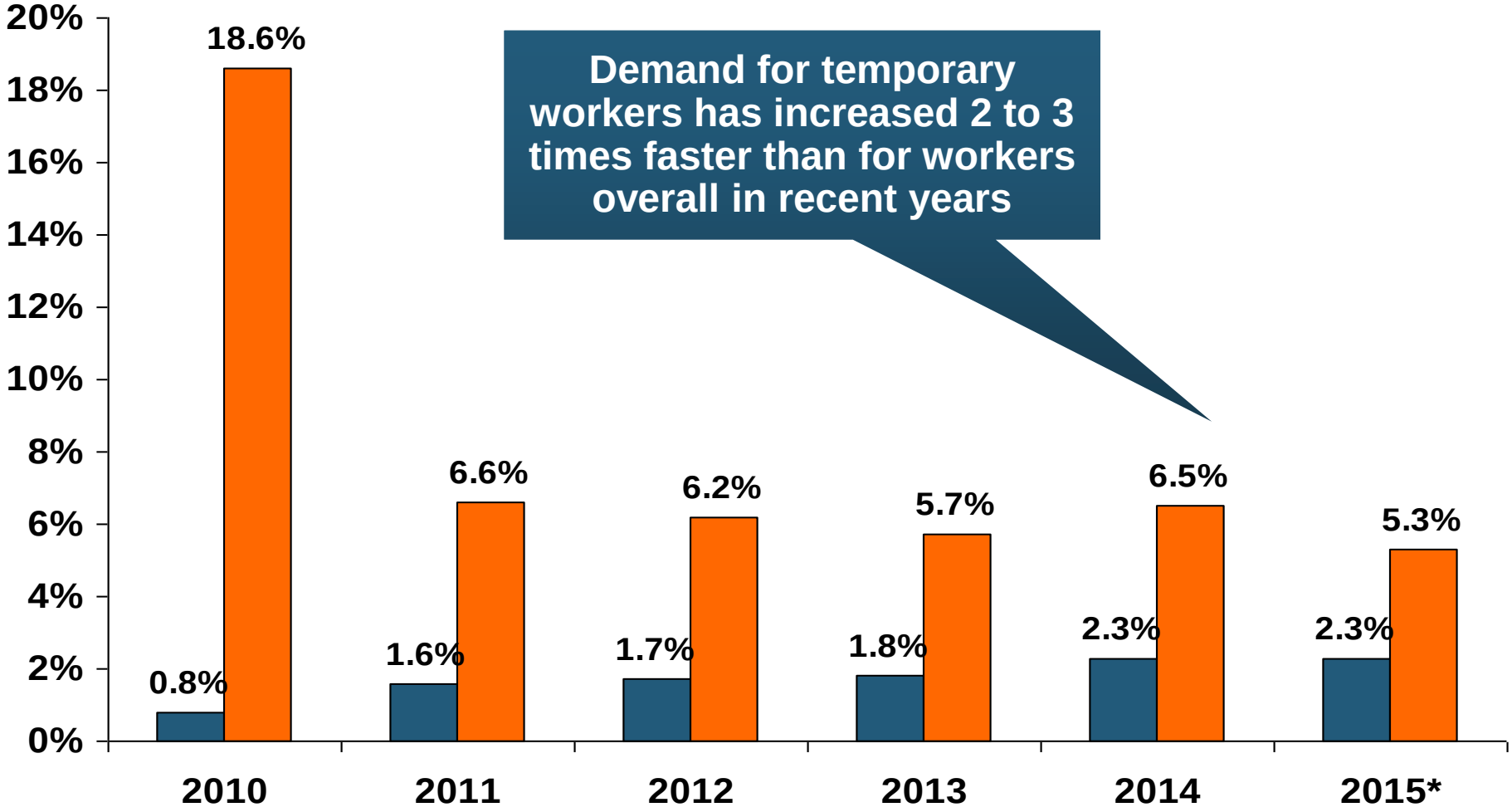
Annual Percent Change



*Through March 2015.
Source: US Bureau of Labor Statistics , Insurance Information Institute.

THE CASUAL LOOK

UNITED STATES, % OF EMPLOYED

Source: Bureau of Labor Statistics

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The "On-Demand" (Sharing) Economy

The On-Demand Economy Will Transform the American Workforce and the P/C Insurance Industry Too

On-Demand/Sharing/Peer-to-Peer Economy Impacts Many Lines of Insurance

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- **The "On-Demand" Economy is or will impact many segments of the economy important to P/C insurers**
  - **Auto (personal and commercial)**
  - **Homeowners/Renters**
  - **Many Liability Coverages**
  - **Professional Liability**
  - ***Workers Comp***
- **Many unanswered insurance questions**
- **Insurance solutions are increasingly available to fill the many insurance gaps that arise**

UBER

lyft

airbnb

TaskRabbit

The On-Demand Economy and American Workers: What Is Happening?

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- **Technology is Fundamentally Transforming How Resources are Allocated and Used in the Economy**
- **Labor is No Exception to this Transformation**
- **Technology Offers New Opportunities to Match Labor to Jobs**
  - **Owners of spare capacity (workers with time and skill) can be paired at low cost with those with a demand for that time and skill**
  - **Bringing together labor and those who employ labor is not new**
  - **BUT: Pairing occurs with a speed and breadth never before possible**
- **Witnessing the Demise of the Traditional Understanding of What is Meant by a "Good" Job**
  - **Concept born in the Industrial Age (1880-1980), is eroding**
  - **Disintermediation of the firm as the place where labor, jobs matched**
- **Accelerating Trends that Started with Labor Strife, Globalization and Automation that Began in the 1970s and 1980s**

What's In Store for the American Worker, Labor Force and Workers Comp

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THE NEW AMERICAN WORKER: Two Schools of Thought

- ***OPTIMISTIC OUTLOOK***
  - **Technology frees workers from the bonds of centralized, hierarchical institutions (the firm)**
  - **Enhanced coordination of "haves" with "needs" that bypass firms as intermediaries**
- **Who Benefits?**
  - **"Flexers": People who value or require flexibility in work arrangements (stay-at-home parents, retirees, students, disabled)**
  - **Professionals: People with portable skills that can be offered through online platforms (semi and high-skilled trades, professional services)**
  - **Unemployed/Underemployed: Offers at least some opportunity to offer and utilize skills and generate income**

Sources: Wall Street Journal; The Economist; Insurance Information Institute research.

What's In Store for the American Worker, Labor Force and Workers Comp

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- ***PESSIMISTIC OUTLOOK***
  - **On-Demand companies are software-driven marketplaces and position themselves as "*platforms*" rather than "*employers*"**
  - **Enormous valuations (e.g., $40B for Uber on $2B in earnings) reflect the extraction of resources that otherwise would go to benefits, investments in safety, training, etc.**
    - **Uber's valuation was greater than that of 72% of the S&P500 at YE 2014**
    - **Valued more than Delta Airlines, Kraft Foods, CBS, Macy's, Hilton, Aflac…**
  - **Jobs reduced to freelanced, temporary "gigs"**
  - **Low skill workers and those who lack flexibility are left further behind**
  - **Workers treated as independent contractors without intrinsic or basic economic rights**
- **What Is Potentially Lost or Compromised?**
  - **Stability, Retirement Benefits, Sick Pay, Maternity Leave, Overtime**
  - **Health Insurance, Liability Coverage, Workers Comp Coverage**

Sources: Wall Street Journal; The Economist; Fortune; Insurance Information Institute research.

Potential Consequences for Insurers

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- On-Demand Platforms Have Struggled with Concepts of Liability
- There Has Been a General Resistance to Assuming Liability or Responsibility Unless Compelled to Do So
- Companies Have Sought to Keep as Much Liability as Possible on the Individual Offering their (Contracted) Labor or Resources
- Minding the Gap
  - Traditional insurance will often not cover a worker engaged in offering labor or resources through these platforms
  - E.g., Auto ins. generally won't cover you if you while driving for Uber
  - Home ins. won't cover for other than occasional rentals of property
  - Unless self-procured, on-demand worker (independent contactors) will generally have no workers comp recourse if injured on the job
- Long Legislative and Court Battles Lie Ahead
- Insurance Solutions Becoming More Common

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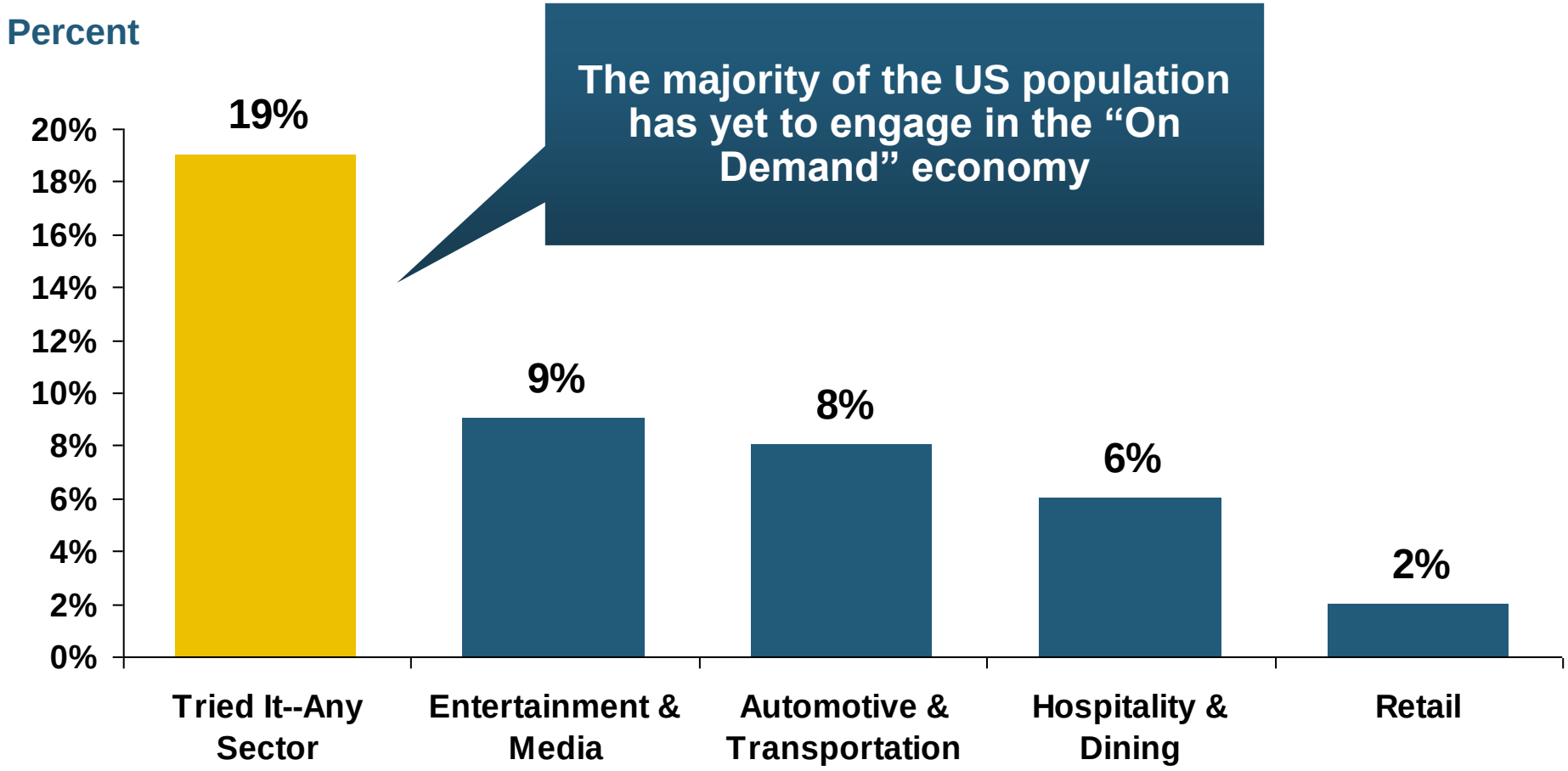
On-Demand Workers

Who Are They?

And Who's Driving Demand for Them?

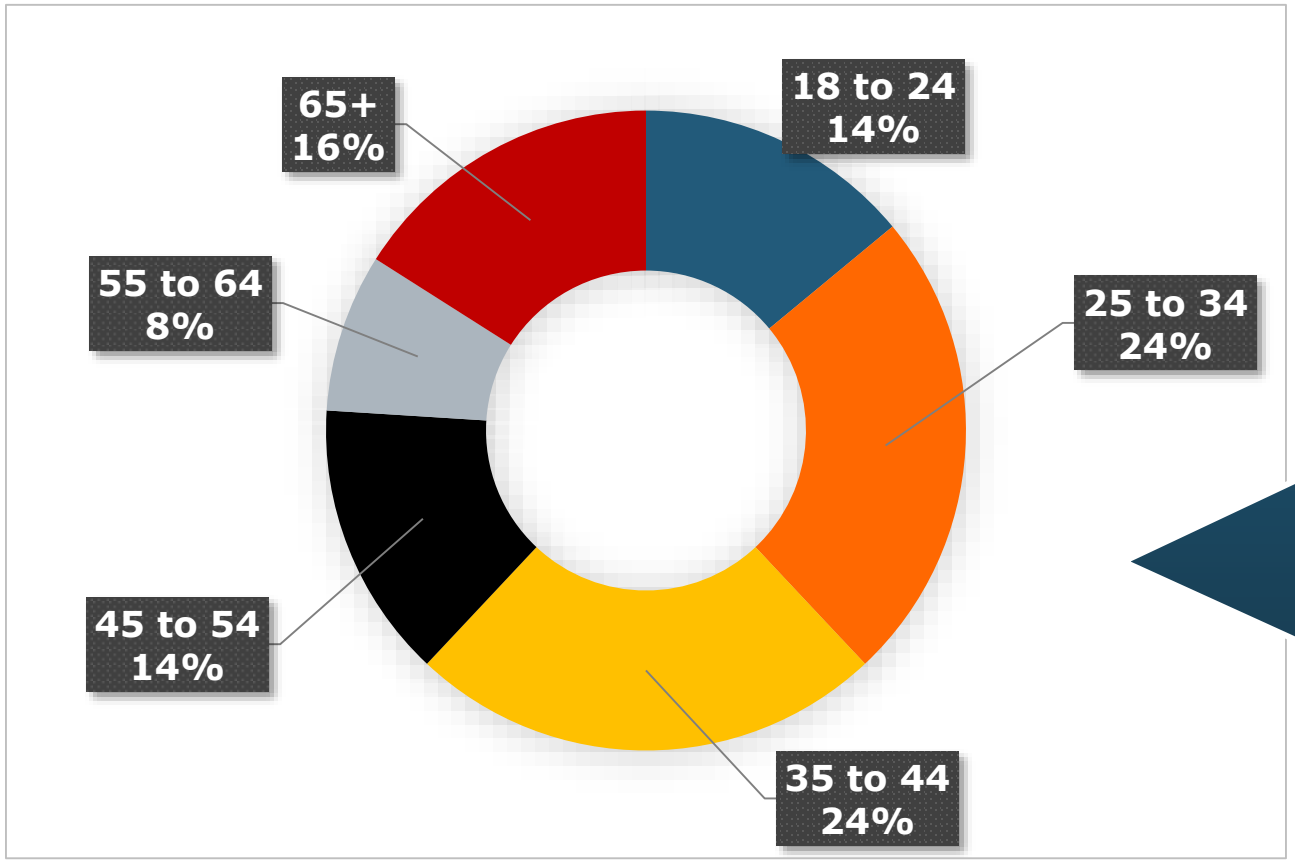
Percent of People Who Have Engaged in an "On Demand/Sharing Economy" Transaction



About 19% of the US population has engaged in an "On Demand/Sharing Economy" Transaction

Sources: PwC survey of 1,000 adults in the U.S., conducted online, December 2014; Insurance Information Institute.

Age of People Who are *Providing* the Sharing/On-Demand Economy

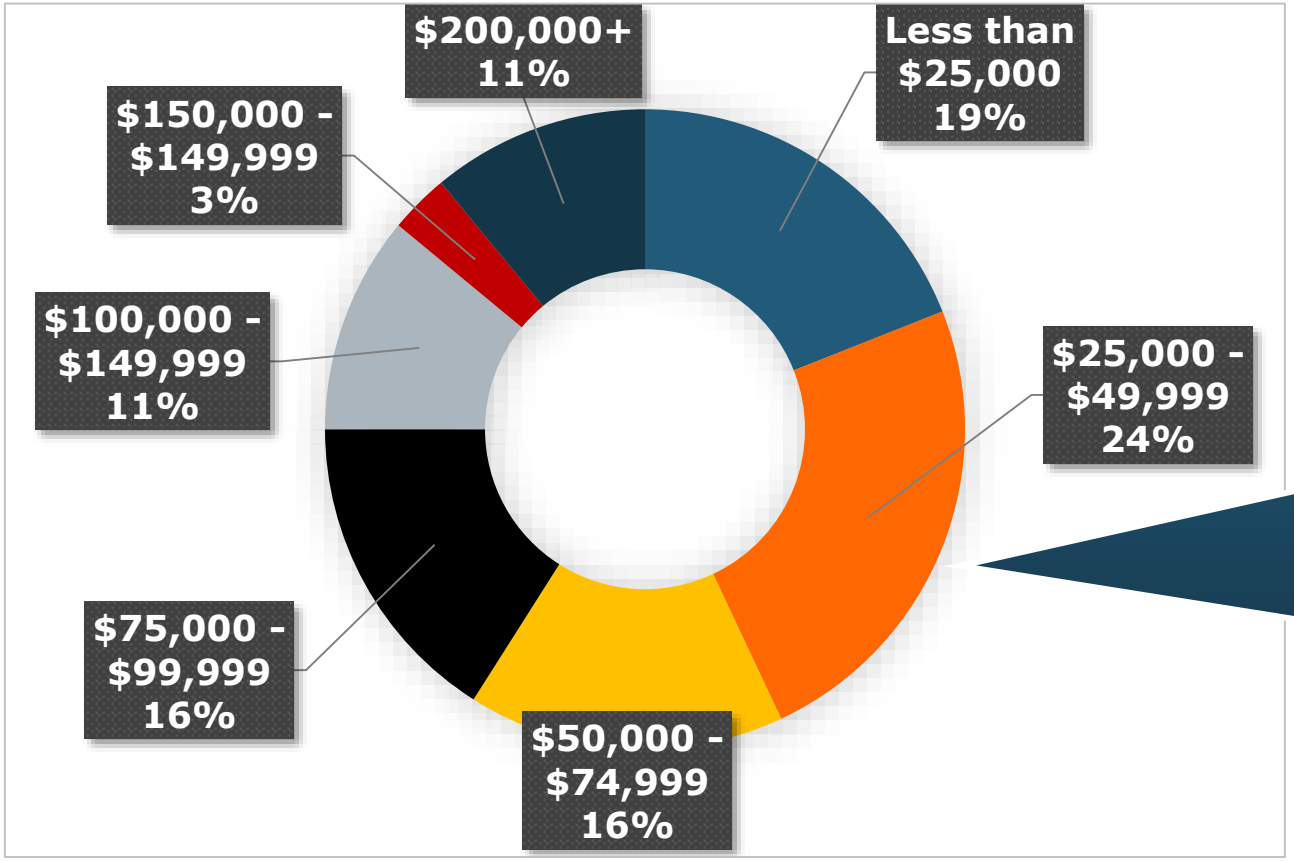


Being a provider of services in the Sharing/On-Demand Economy is attractive to workers in the 25-44 age range (who want flexibility in raising families) as well as seniors age 65+ who see the offering their services on-demand as a way to augment retirement income

About 7% of US population are providers in the Sharing Economy, cutting across age and incomes;
51% of those familiar with the concept could see them selves as providers within the next two years.

Sources: PwC survey of 1,000 adults in the U.S., conducted online, December 2014; Insurance Information Institute.

Household Income: *Providers* of the Sharing/On-Demand Economy



Being a provider of services in the Sharing/On-Demand Economy is particularly attractive to workers with household incomes under $50,000

About 7% of US population are providers in the Sharing Economy, cutting across age and incomes;
51% of those familiar with the concept could see them selves as providers within the next two years.

Sources: PwC survey of 1,000 adults in the U.S., conducted online, December 2014; Insurance Information Institute.

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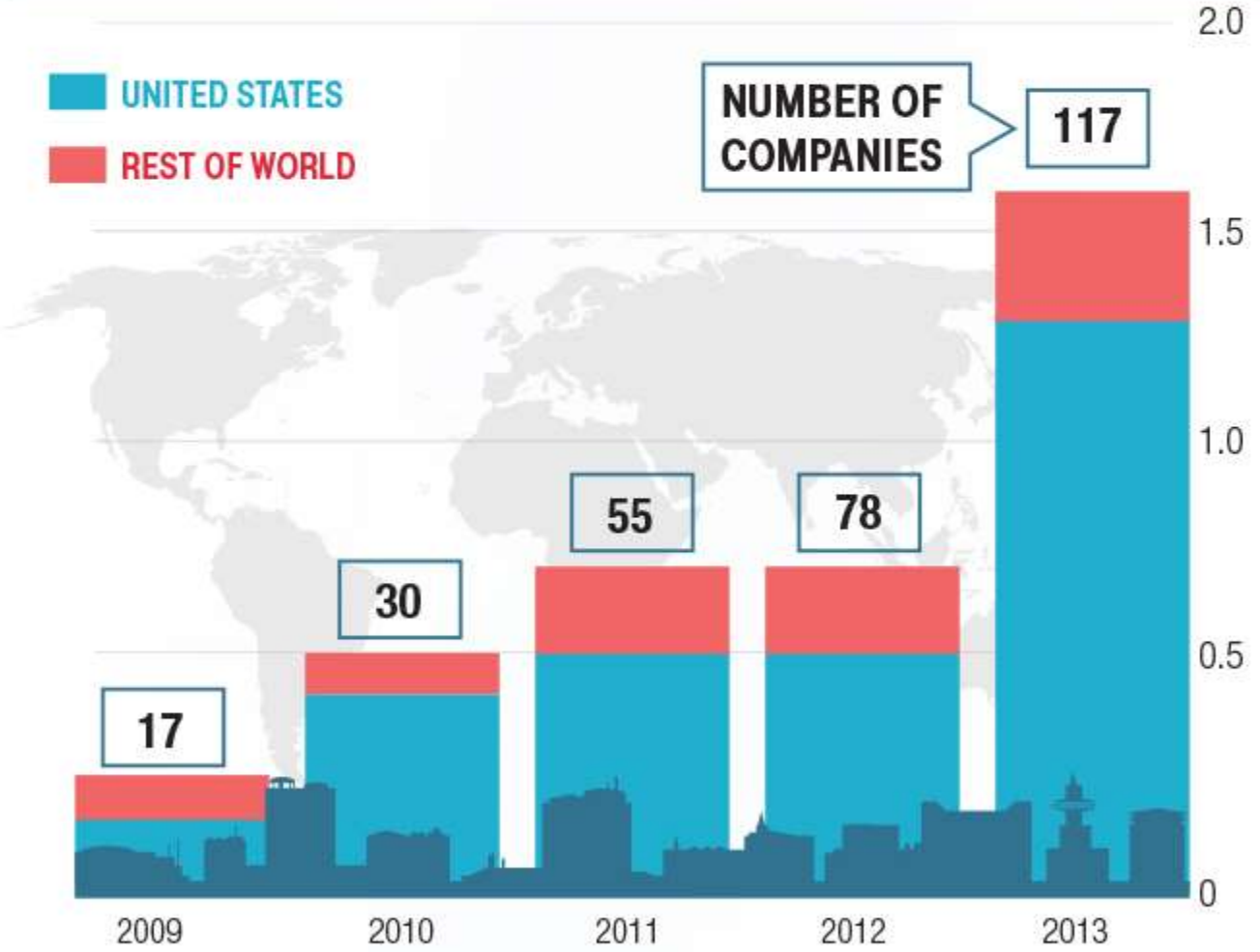
The On-Demand Economy and Wall Street

Wall Street Loves the On-Demand Economy

Labor Markets, Insurance Markets Will Be Impacted

HERE'S AN IDEA

VENTURE-CAPITAL INVESTMENT IN THE ON-DEMAND ECONOMY, $BN



Source: Crunchbase

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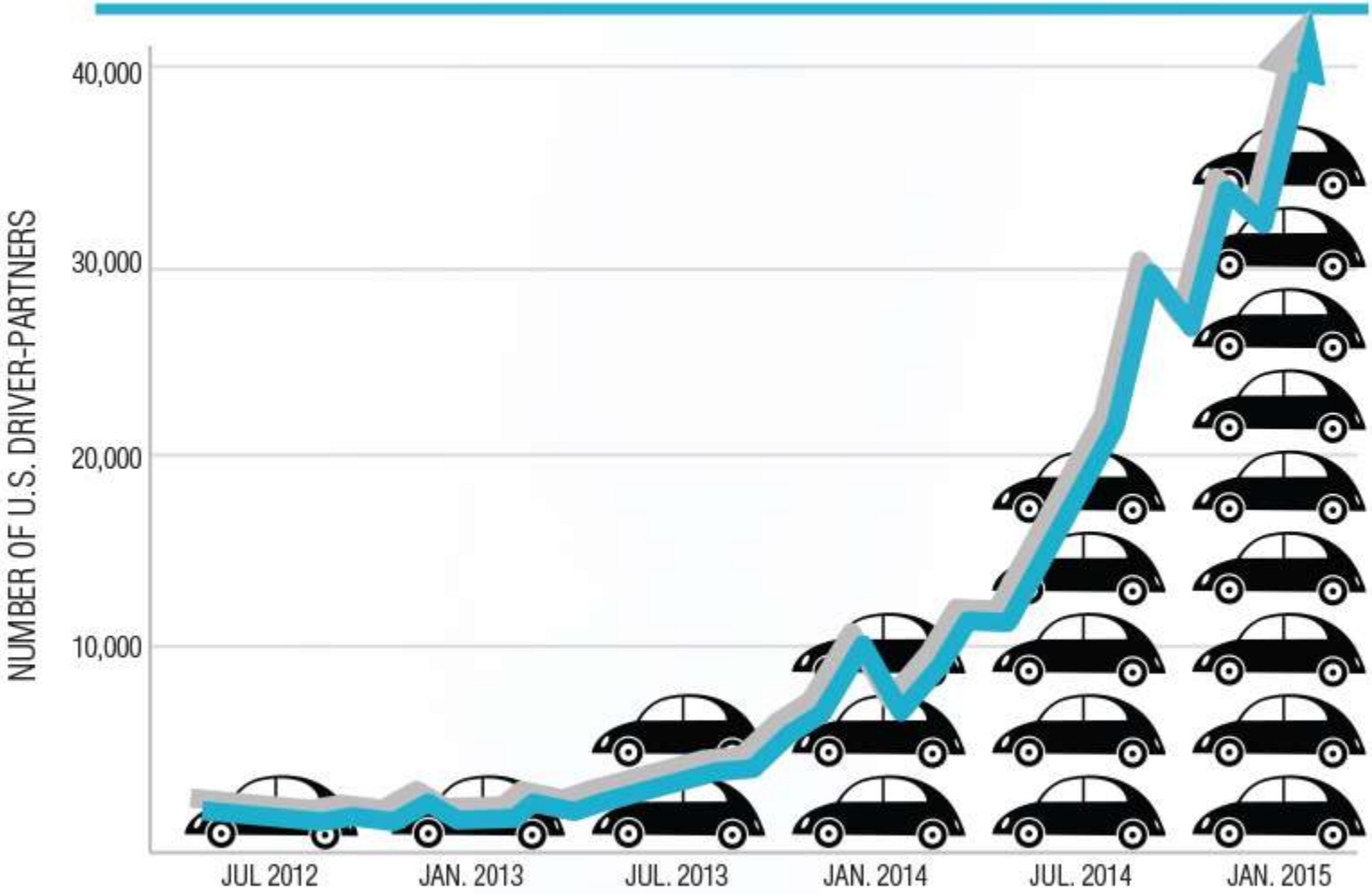
An UBER Case Study

Uber is the Best Known of the On-Demand Companies

Wall Street Loves Uber

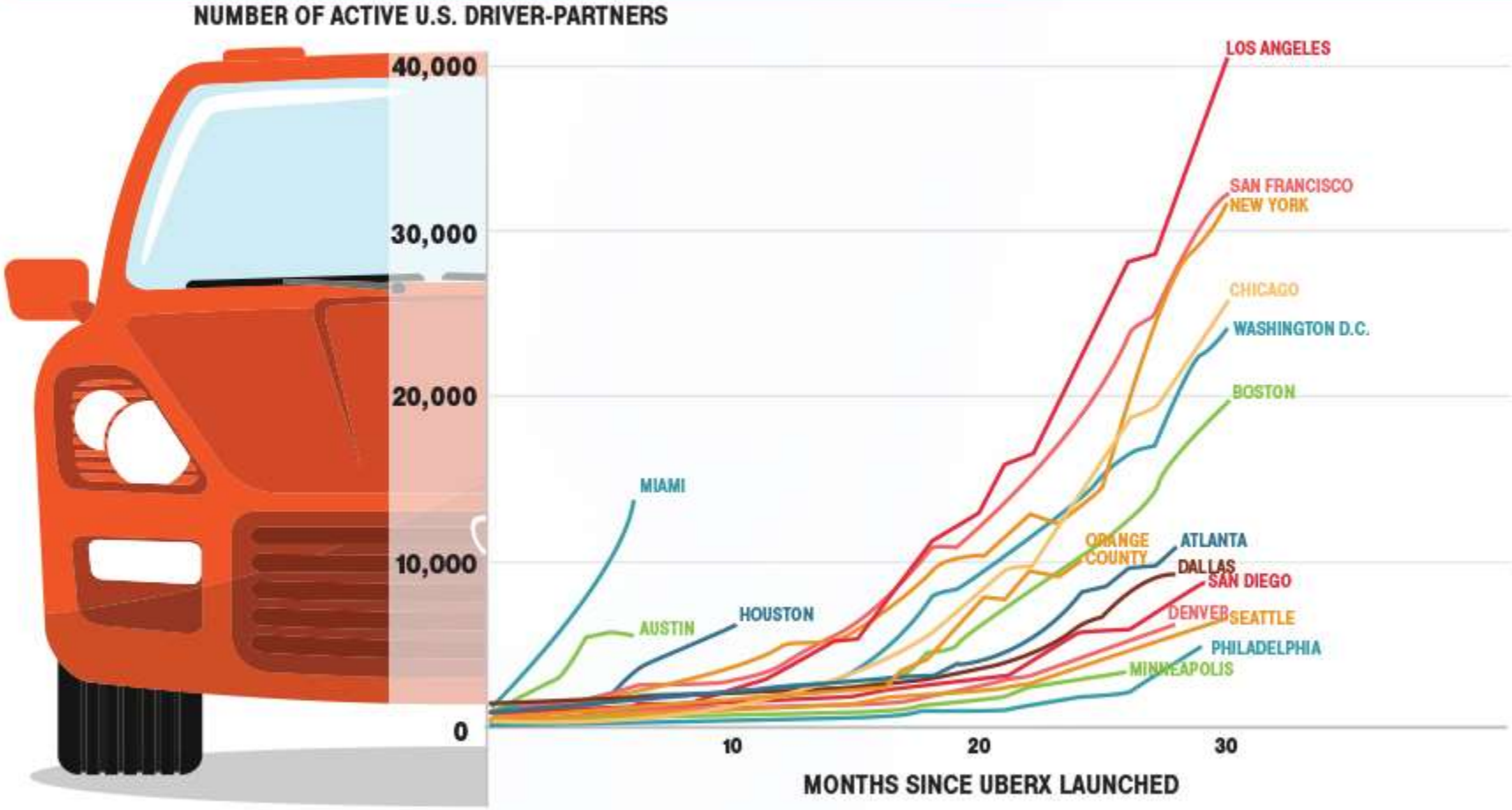
Vested Interests Hate Uber

NUMBER OF NEW DRIVER-PARTNERS STARTING EACH MONTH IN THE UNITED STATES



Note: Figure based on U.S. UberBLACK and uberX driver-partners who have joined since June 2012 (303,985 individuals), based on Uber data.

ACTIVE U.S. DRIVER-PARTNERS OVER TIME, BY CITY



Note: Figure reports the number of U.S. UberBLACK and uberX driver-partners making at least one trip in the specified month, indexed to the number of months since Uber began in the city or June 2012, whichever came later.

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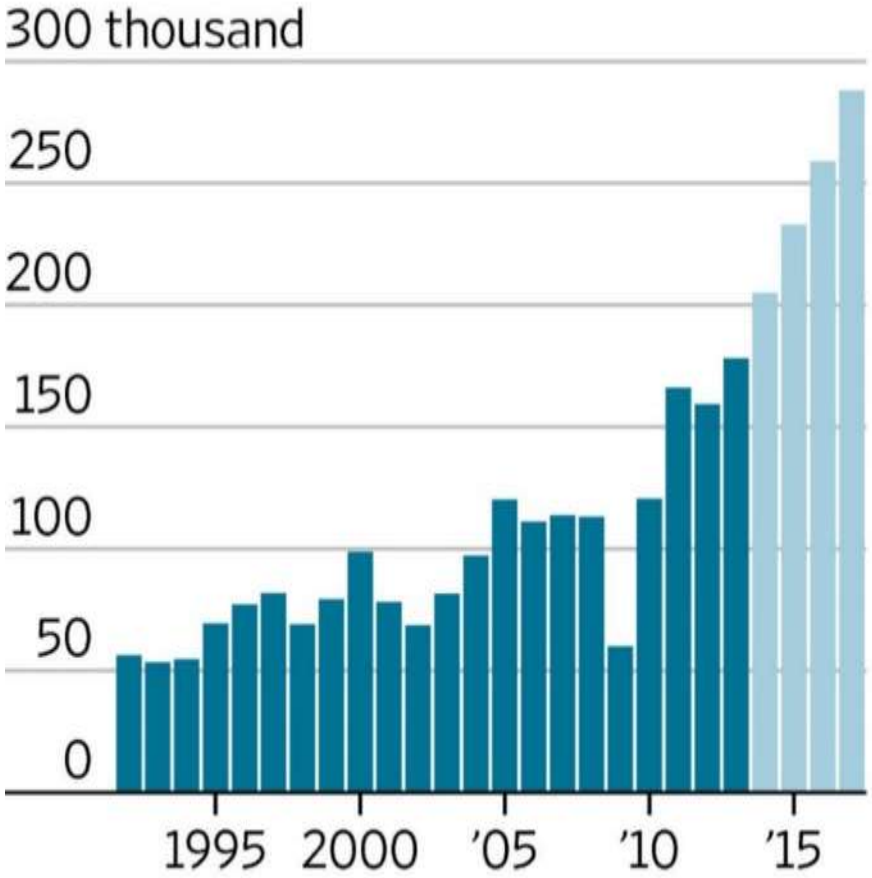
Looking Ahead: *Disruptive Forces Rule*

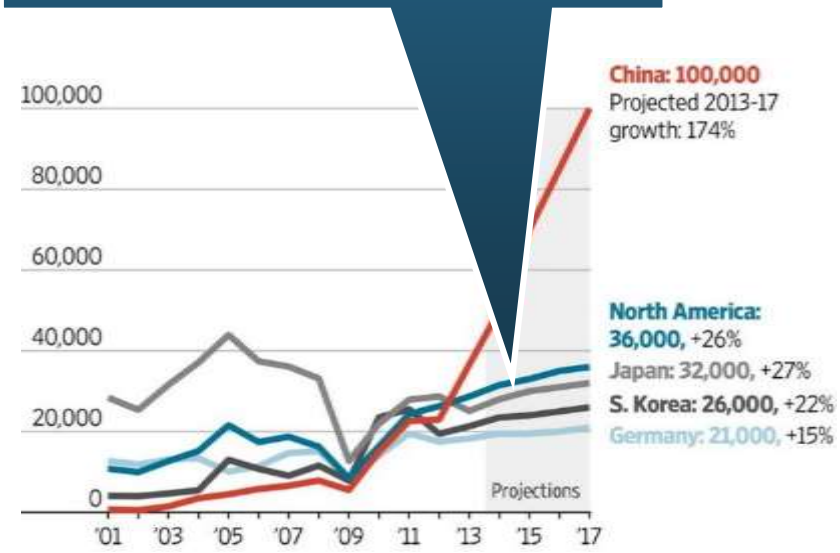
Technology's Impacts on the Economy, the Workforce and the Insurance Industry Will Be Significant

Worldwide Industrial Robot Installations, 1992-2017F



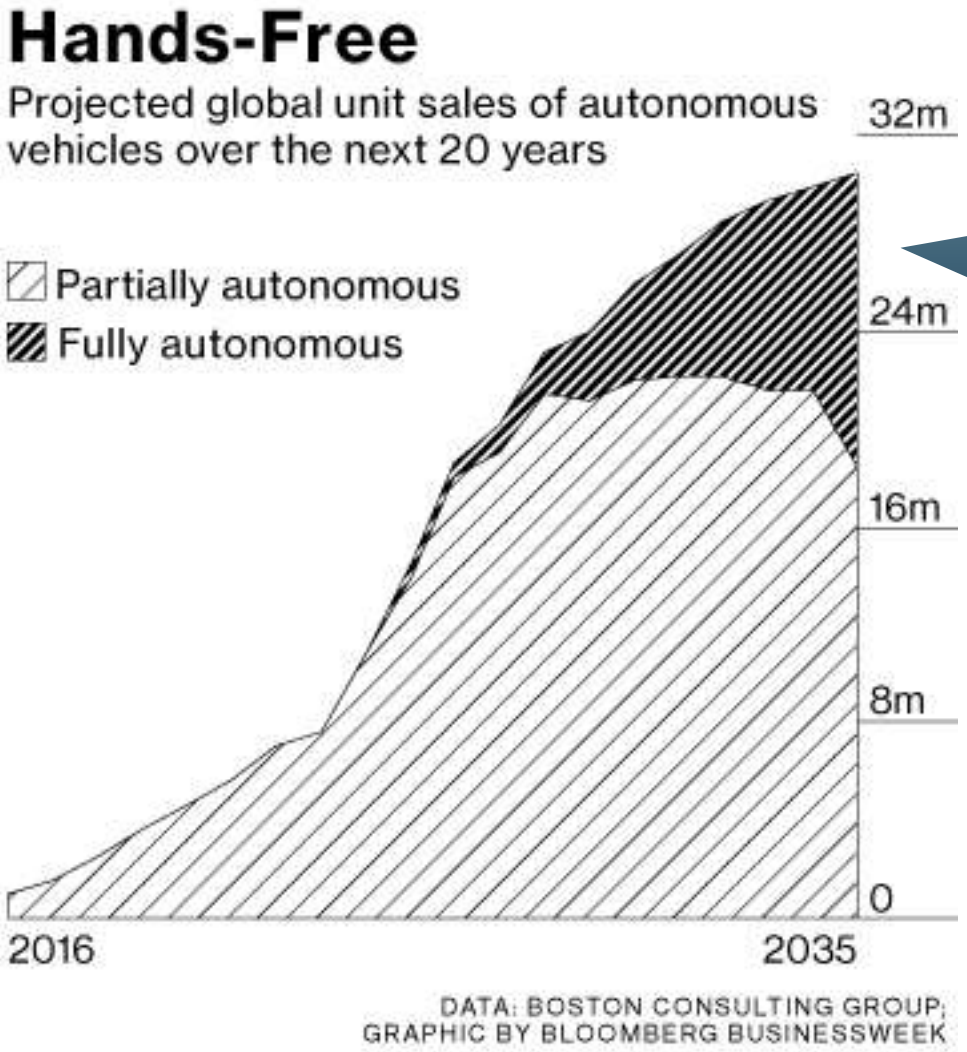
Worldwide installations of industrial robots exceeded 200,000 in 2014—a new record and will approach 300,000 by 2017

36,000 installations are expected in North America by 2017



*Estimate.
Sources: *Outlook on World Robotics 2014*, International Federation of Robotics; Insurance Information Institute.

Future Shock: Many More Transformative Technologies Are Around the Corner



By 2035, it is estimated that 25% of new vehicle sales could be fully autonomous models *(more than 4 million people work in transportation occupations today)*

Up Next

- **Driverless cars**
- **Driverless trucks, trains, planes and ships**
- **Wearable devices**
- **Implantable devices**
- **Artificial intelligence**
- **Advanced robotics**

Source: Boston Consulting Group.