Insurance Leading Through Disruption

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Chief Executive Officer

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

......to inform and empower consumers.
The Disruption Continuum

Catastrophes

COVID

Economics

INSURANCE

Geopolitical

Social Unrest

Technology
A New Milestone for Measuring Success

Economic Growth

Community Well-being

Capital Protections

Resilience

Fairness & Equality
COVID-19 and Insurance
**Stepping Up**

**America’s Insurers:**
for Customers, Communities, and Employees

The insurance industry is applying forward-thinking solutions to take care of its customers, communities, and employees during the COVID-19 crisis

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

Insurers understood threat of pandemics well before most

Cumulative Filings

Who Is Suing?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Cumulative Filings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Drinking Places</td>
<td>564</td>
</tr>
<tr>
<td>Ambulatory Health Care</td>
<td>197</td>
</tr>
<tr>
<td>Personal &amp; Laundry</td>
<td>95</td>
</tr>
<tr>
<td>Accommodation</td>
<td>89</td>
</tr>
</tbody>
</table>

Insurer Defenses

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

Source: COVID Coverage Litigation Tracker, cclt.law.upenn.edu
Market challenge: An industry campaign

The Future of American Insurance & Reinsurance (FAIR) campaign launched in May and has served as a source of education surrounding pivotal industry activity, including Congressional hearings, White House roundtables, state legislation, and media stories.

With a separate website, valuable explanatory assets, stakeholder outreach, and digital promotions, this integrated campaign provides the Triple-I with a separate platform and voice to present information in a digestible, influential manner to key audiences.

The campaign takes on overarching industry issues (i.e. business interruption) and emphasizes its essential role in supporting and rebuilding communities in these uncertain times.
FAIR Campaign Educated Media and Created Positive Media Coverage for Insurers

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

Source: Meltwater.
A better place: FAIR guiding principles:
A defined perspective on potential policy solutions

Given their universal scope, pandemics are largely uninsurable. Therefore, only the government has the financial capacity to provide the relief small and large businesses need to weather this crisis.

Proposed solutions must:

- Maintain the federal government as a primary provider of relief, reflecting the reality that pandemic risks are not privately insurable.

- Provide widely accessible relief payments to businesses in a fast and efficient manner once a pandemic is declared by the government, with minimal chance of abuse.

- Protect businesses from losses, and incentivize businesses to retain employees, without jeopardizing insurers' existing commitments.
The Economy Drives P/C Insurance Industry Premiums:

Economic Environment: Negative

Sources: NAIC data sourced through S&P Global Intelligence; Federal Reserve Bank of St. Louis (FRED); Insurance Information Institute.
Net Written Premium Growth
2010-2020 Yearly (All P/C Lines)

Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.
Combined Ratio
2001-2020 Yearly (All P/C Lines)

- **Combined Ratio: Neutral**

**Sources:** NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.
Lower investment income means UW income has to grow.

Through fourth quarter. Not adjusted for inflation. Data are before taxes and exclude extraordinary items.
Source: NAIC data, sourced from S&P Global Market Intelligence.
Policyholder Surplus
2007-2020 Quarterly

Surplus at end of 2020 stood at $914.3B, an all-time high

2007:Q3 Pre-Crisis Peak

Drop in 2011 due to very large CAT losses

Drop in 2018 due to unrealized investment losses

Policyholder Surplus: Positive

Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.
Bouncing back from a low point

**Gross Domestic Product**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>18.8</th>
<th>18.6</th>
<th>19.1</th>
<th>19.0</th>
<th>17.3</th>
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<tbody>
<tr>
<td>Q1-20</td>
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<td>Q3-20</td>
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<td>Q4-20</td>
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<tr>
<td>Q1-21E</td>
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<td>Q4-21E</td>
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<td>Q1-22E</td>
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<td>Q2-22E</td>
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<td>Q3-22E</td>
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<td>Q4-22E</td>
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</tbody>
</table>

Sources: Board of Governors of the Federal Reserve System, Blue Chip Economic Forecasts (January), Insurance Information Institute.
Industry Outlook

### 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.

### Graphs:
1. **Commercial Lines Rate Change**
   - % Chg from Yr Prior
   - Calendar Year Written Premium and Net Combined Ratio Projections
2. **Growth in Nominal GDP (Real GDP + Inflation)**
   - % Chg from Yr Prior

### 2021 Commentary
- A growing economy means more exposures to insure – good news
- Hard market will persist particularly in lines hit hard by social inflation, like commercial auto, D&O and general liability
- Q1 Texas storms a bumpy start for catastrophes this year, homeowners will struggle with profitability
Homeowners

PPI for Homeowners Insurance

% Chg from Yr Prior

Thousands of New Privately-Owned Housing Units

Calendar Year Written Premium and Net Combined Ratio Projections

2020/2021 Commentary

• The combined ratio in 2020 was 107.4, thanks to lots of hurricanes, convective storms, wildfires and the occasional derecho
• First quarter rarely has mega-cats, so the 2021 Texas freeze meant losses were about $10 billion more than the normal Q1

Watch for:
Another above-average hurricane season is expected

Personal Auto

**YTD Vehicle Miles Traveled**

- % Chg from Yr Prior
  - 1997: 0%
  - 1998: 0%
  - 1999: 0%
  - 2000: 0%
  - 2001: 0%
  - 2002: 0%
  - 2003: 0%
  - 2004: 0%
  - 2005: 0%
  - 2006: 0%
  - 2007: 0%
  - 2008: 0%
  - 2009: 0%
  - 2010: 0%
  - 2011: 0%
  - 2012: 0%
  - 2013: 0%
  - 2014: 0%
  - 2015: 0%
  - 2016: 0%
  - 2017: 0%
  - 2018: 0%
  - 2019: 0%
  - 2020: 0%
  - 2021: -12%

**Total Vehicle Sales**

- % Chg from Yr Prior
  - 2015Q1: 12%
  - 2015Q2: 12%
  - 2015Q3: 12%
  - 2015Q4: 12%
  - 2016Q1: 12%
  - 2016Q2: 12%
  - 2016Q3: 12%
  - 2016Q4: 12%
  - 2017Q1: 12%
  - 2017Q2: 12%
  - 2017Q3: 12%
  - 2017Q4: 12%
  - 2018Q1: 12%
  - 2018Q2: 12%
  - 2018Q3: 12%
  - 2018Q4: 12%
  - 2019Q1: 12%
  - 2019Q2: 12%
  - 2019Q3: 12%
  - 2019Q4: 12%
  - 2020Q1: 12%
  - 2020Q2: 12%
  - 2020Q3: 12%
  - 2020Q4: 12%
  - 2021Q1: 12%

**Calendar Year Written Premium and Net Combined Ratio Projections**

- Combined Ratio
  - 2015: 105%
  - 2016: 106%
  - 2017: 103%
  - 2018: 92%
  - 2019: 97%
  - 2020: 99%
  - 2021F: 106%
  - 2022F: 103%
  - 2023F: 99%

- DWP Growth
  - 2015: 20%
  - 2016: 20%
  - 2017: 20%
  - 2018: 20%
  - 2019: 20%
  - 2020: 20%
  - 2021F: 20%
  - 2022F: 20%
  - 2023F: 20%

- NPW Growth
  - 2015: 20%
  - 2016: 20%
  - 2017: 20%
  - 2018: 20%
  - 2019: 20%
  - 2020: 20%
  - 2021F: 20%
  - 2022F: 20%
  - 2023F: 20%

**2020/2021 Commentary**

- Excellent 2020 results from changes in driving patterns
- Through Q1 2021 miles driven remained about 20 percent below pre-pandemic levels. Bad driving behaviors picked up when the roads were empty.

**Watch for:**

Cars now contain more expensive parts and there are supply chain issues in getting parts.

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. (*2021 change from Feb 2020 to Feb 2021*)
### Commercial Auto Rate Changes

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

- **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.

### Calendar Year Written Premium and Net Combined Ratio Projections

#### 2020/2021 Commentary
- Liability loss ratios deteriorated from the third to the fourth quarter of 2020.
- Projected combined ratio for 2021 will be 106.1. Thanks to the continued hard market, that's better than 2019.

#### Watch for:
Adverse development issues
Commercial Property

**Commercial Property Rate Change**

<table>
<thead>
<tr>
<th>Year</th>
<th>% Chg from Yr Prior</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009:Q3</td>
<td>-10%</td>
</tr>
<tr>
<td>2010:Q1</td>
<td>-5%</td>
</tr>
<tr>
<td>2010:Q3</td>
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<tr>
<td>2020:Q3</td>
<td>88%</td>
</tr>
<tr>
<td>2021:Q1</td>
<td>91%</td>
</tr>
<tr>
<td>2021:Q3</td>
<td>93%</td>
</tr>
</tbody>
</table>

**Calendar Year Written Premium and Net Combined Ratio Projections**

- 2015: 85%
- 2016: 88%
- 2017: 111%
- 2018: 100%
- 2019: 11.3%
- 2020: 91%
- 2021F: 93%
- 2022F: 100%
- 2023F: 111%

**2020/2021 Commentary**

- 2020 had a tremendous amount of exposure from nat cats: hurricanes, wildfires, tornadoes and an enormous derecho.
- A slow improvement in office vacancies is in the cards for commercial real estate.

**Watch for:**

Drought conditions will bring more wildfires in the West.

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.
RESILIENCE ACCELERATOR
Minimize Risk | Speed Recovery
Insured Cat Losses Are Increasing At An Alarming Rate –Nearly 700% Since 80’s

*Sources: Property Claims Service, a Verisk Analytics business; Aon; Insurance Information Institute.*
2000 to 2009 Hurricane Track
Objective

Drive **behavioral change** to help people and communities better manage risk and become more resilient.
Strategies
Create a resilience movement giving households and communities a stake in risk mitigation

Educate and empower stakeholders about protection gaps and their impact on their recovery

Fast-track the use of cost-effective tools to drive risk mitigation, transfer and retention
Action Partners

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

UNCATEGORIZED

Lightning Rounds: Investing in disaster and risk management technology

July 17, 2020 The Insurance Information Institute (Triple-I) yesterday hosted a webinar showcasing technology companies whose products mitigate the impact of severe [...]

HURRICANES

Hurricane Modeling and Forecasting: Marrying Technology to Local Knowledge

FLOODS

Mangroves and Coral Reefs: How Insurance Can Protect the Protectors
BE PREPARED!

Find the risk around your home. Be Ready!

Find your custom property risk assessment. Is safe? And know your home with confidence.

Resilience Accelerator

Minimize Risk. Speed Recovery

HazardHub
Final Thoughts
Thank you!

www.iii.org

Informed. Empowered.
Panel Discussion

Sean Kevelighan
Chief Executive Officer
Insurance Information Institute

Jason Busti
President of North America
AXIS Re