



**INSURANCE
INFORMATION**
INSTITUTE

Insurance Trends & COVID-19

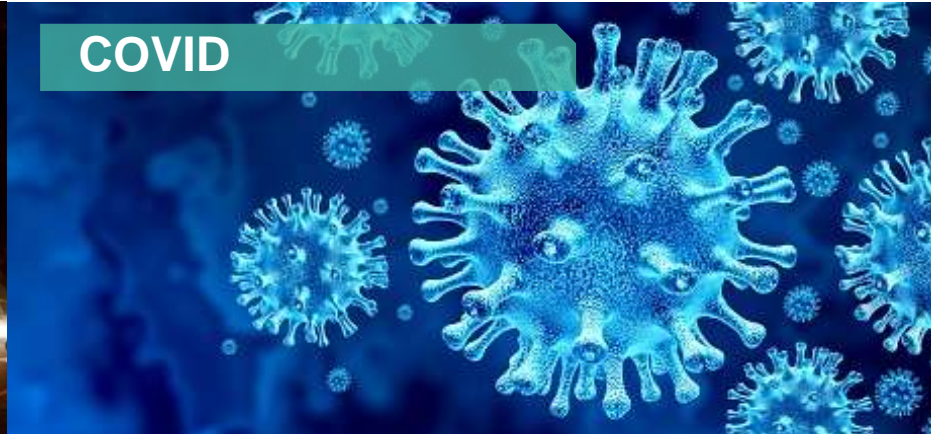
Leading Through Disruption

The Disruption Continuum

Catastrophes



COVID



Economics



INSURANCE



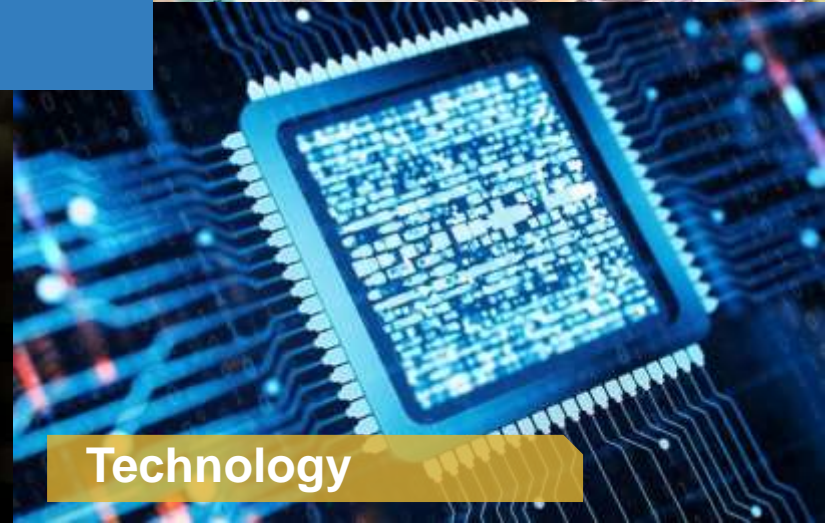
Geopolitical



Social Unrest



Technology



Stepping Up

America's Insurers:

for Customers, Communities, and Employees

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

Customers

Auto insurers have returned **\$14 billion** so far to customers' pockets around the country through premium relief

Community

Insurers have pledged **more than an estimated \$280 million** (according to III/Insurance Industry Charitable Foundation) in donations to the national and local organizations fighting this pandemic on the frontlines

Employees

Employing more than **2.8 million Americans**, Insurers are taking care of their employees—many pledging no layoffs during the ongoing crisis

Industry

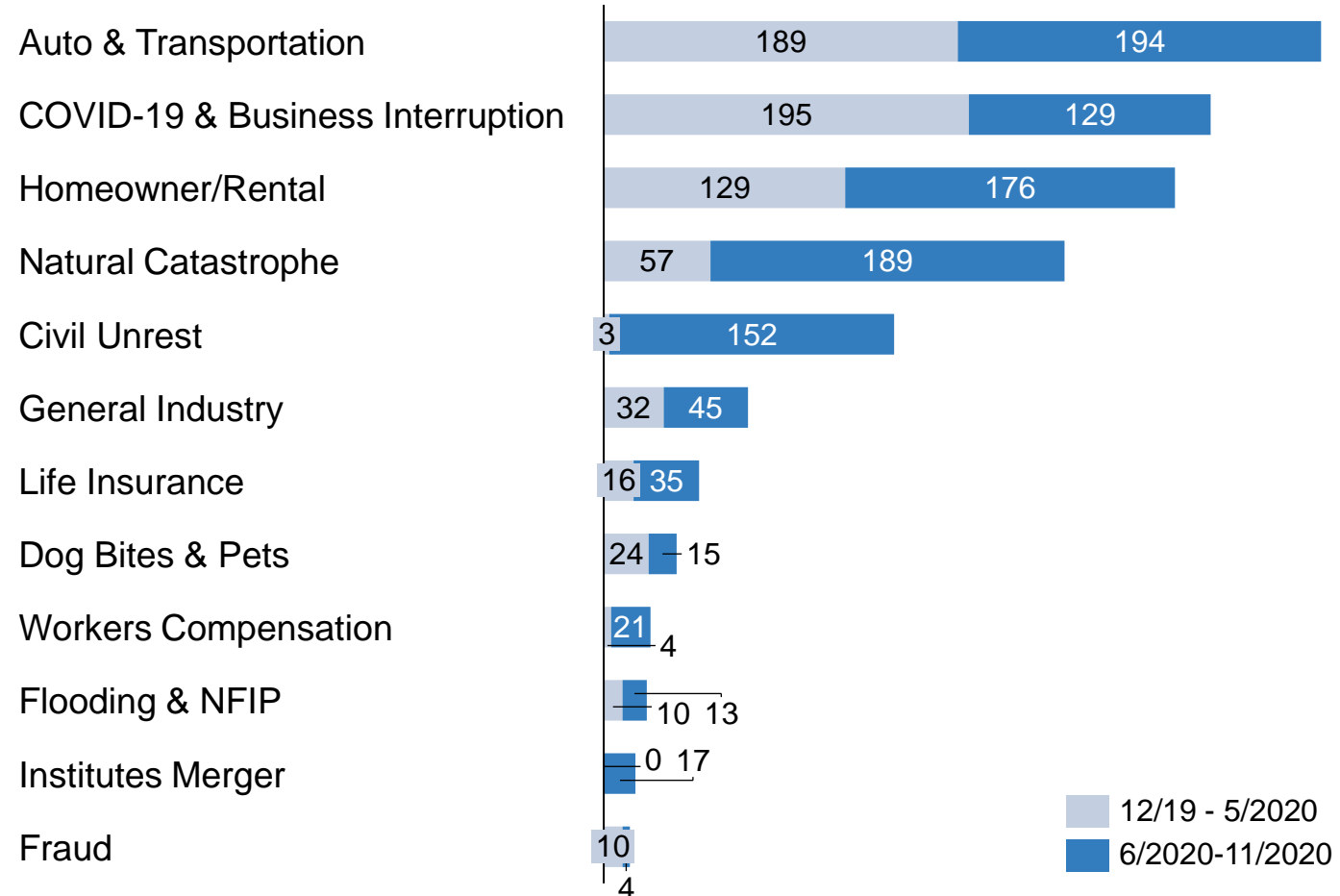
Insurers are implementing **innovative solutions** to carrying out daily operations while respecting social distancing



Emerging News Cycles Created New Opportunities For The Triple-I To Engage Media

- Over the last six months, business interruption and civil unrest remain two key topics that Triple-I has been mentioned on, along with historically owned areas including auto, homeowners, and natural catastrophes.

Media Citations By Category

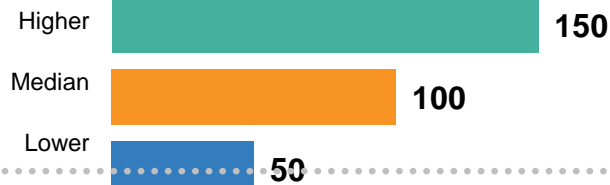


Initial News/Calls for Retro BI Contracts “Touch and Go”

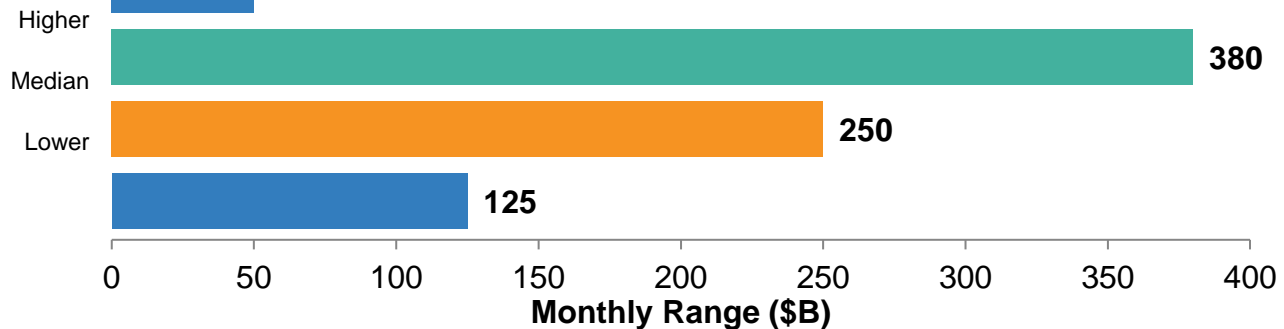
Regardless of scenario, retroactive attempts to include pandemics in BI causes bankruptcy

Retroactive BI Scenarios

1 Virus / Bacteria Exclusion Removal



2 Expanded BI to All SMEs



Key Assumptions

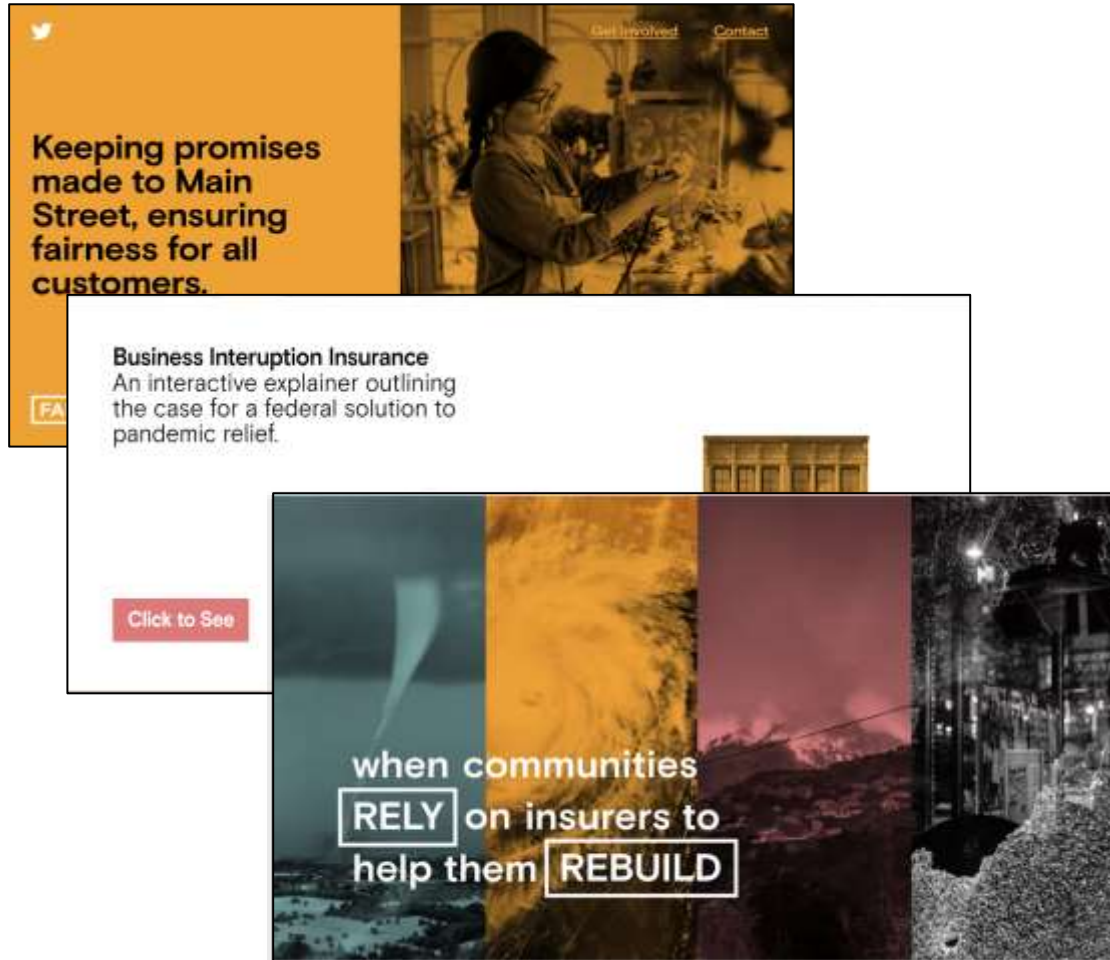
Scenario 1: 40% take-up rate
Scenario 2: 100% take-up rate
Loss basis: Compensation, profits, adjustment costs 7 days waiting period
Retained loss of 10% of total loss

Median estimates are model-driven. The higher and lower estimates assume a standard distribution for BI losses anchored in the model-driven median loss estimates.

Source: Insurance Information Institute.



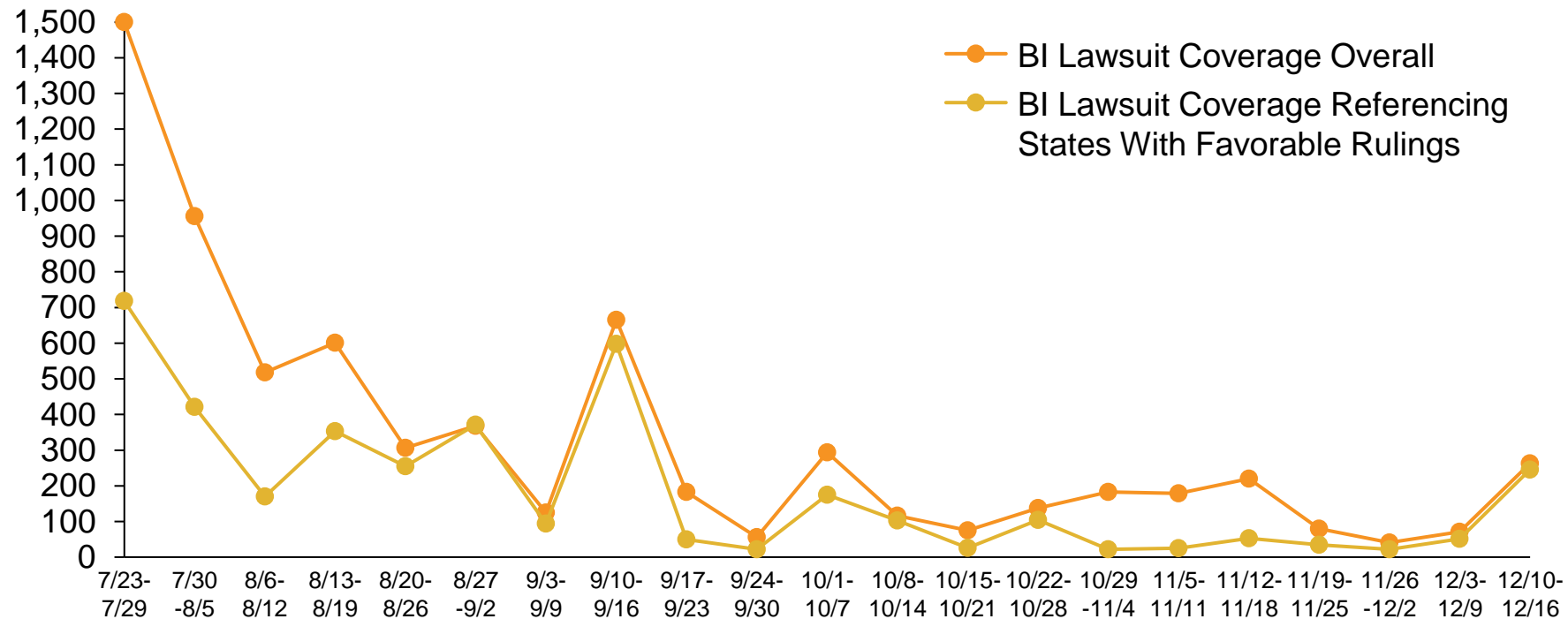
The FAIR Campaign Provided A Credible, Uniform Industry Voice Amid Increased Scrutiny



- The "Future of American Insurance & Reinsurance (FAIR)" campaign, launched during a pivotal week of increased scrutiny for the industry, has been critical in the business interruption debate.
- FAIR's platform has grown to include a collection of valuable digital assets, presenting key messaging in a digestible manner to stakeholders via various channels (i.e. website, outreach, social media, digital campaigns).

The FAIR Campaign Educated The Media And Created Positive Media Coverage For Insurers

Number Of Stories



- Through education and outreach to reporters, FAIR has been able to better contain spikes in negative coverage on pandemic-related business interruption lawsuits.
- The 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 coverage volume, FAIR will continue to campaign in maintenance mode, monitoring for media opportunities.

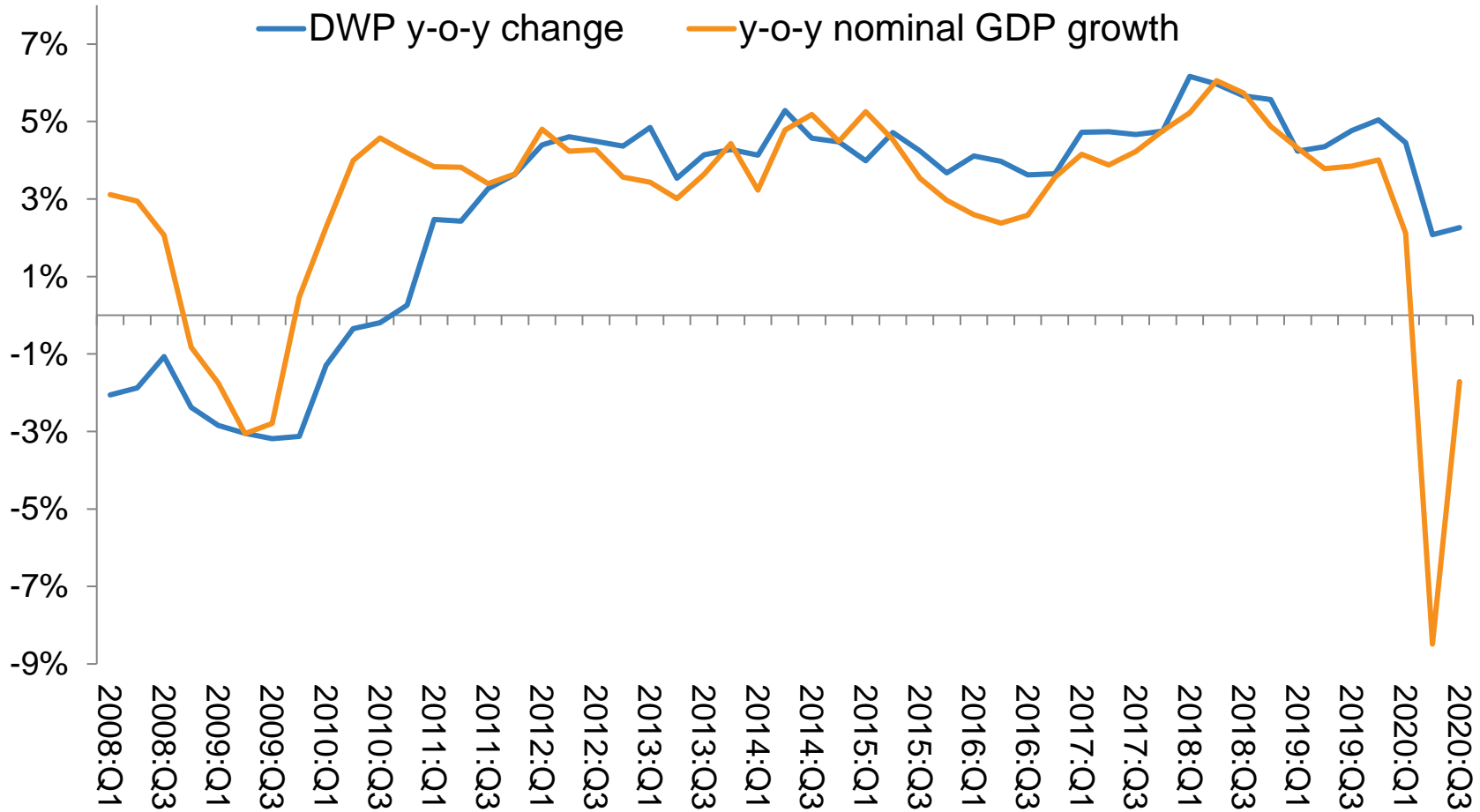


Industry Economic Impact

February 2021

The Economy Drives P/C Insurance Industry Premiums:

Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change

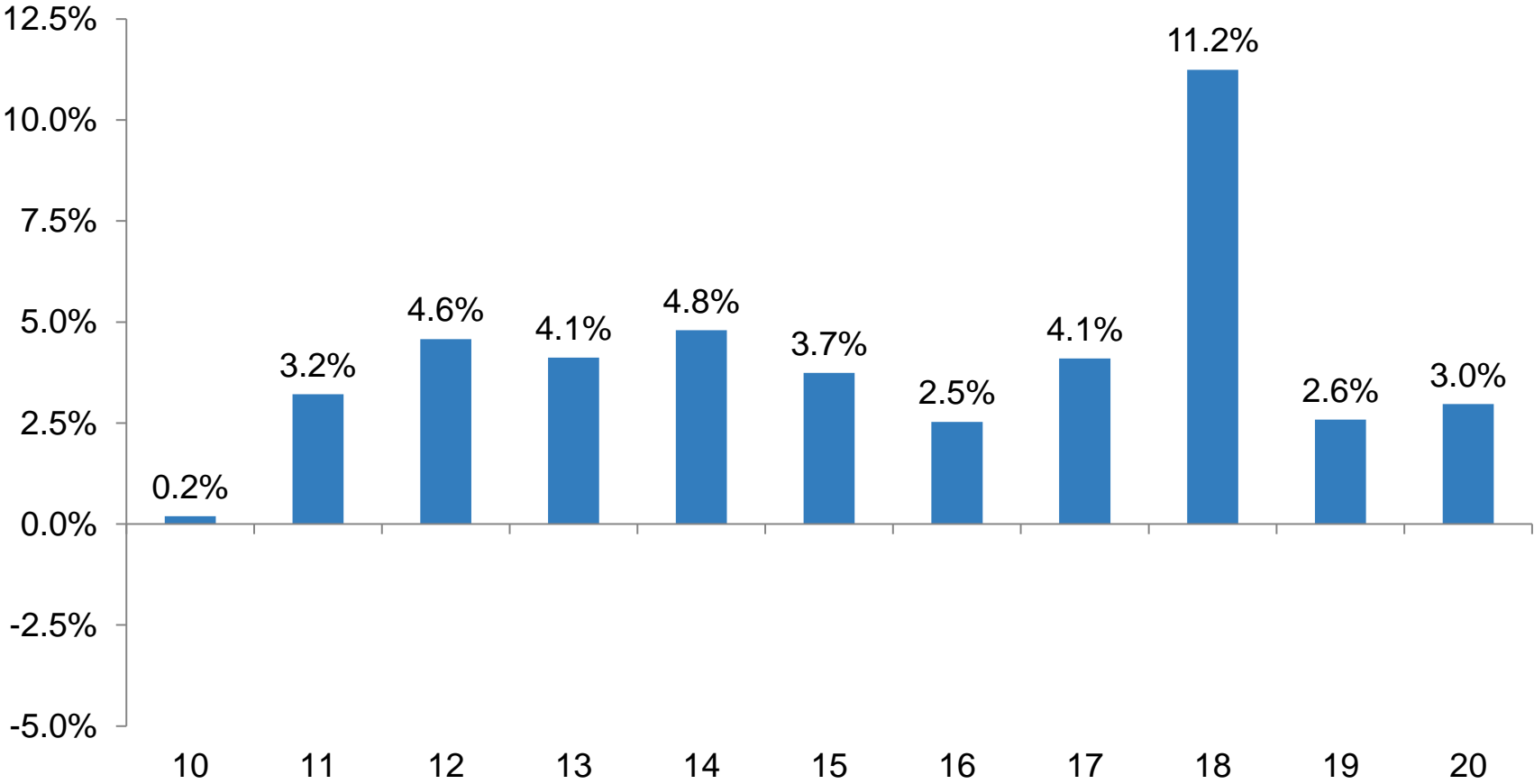


Economic Environment: Negative

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



Net Written Premium Growth 2008-2019 Yearly as of Q3 (All P/C Lines)



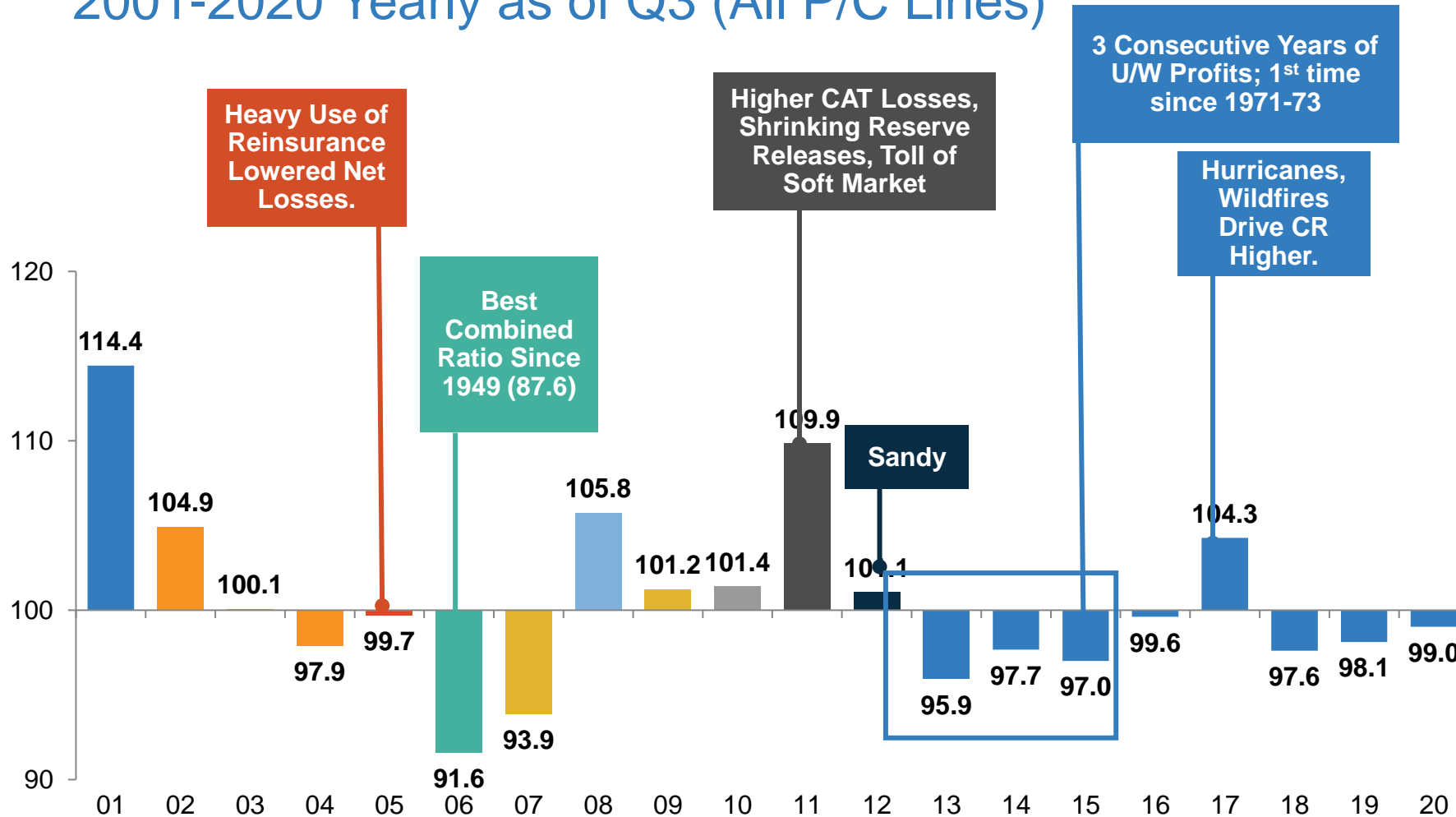
Premium Growth: Neutral



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

Combined Ratio

2001-2020 Yearly as of Q3 (All P/C Lines)



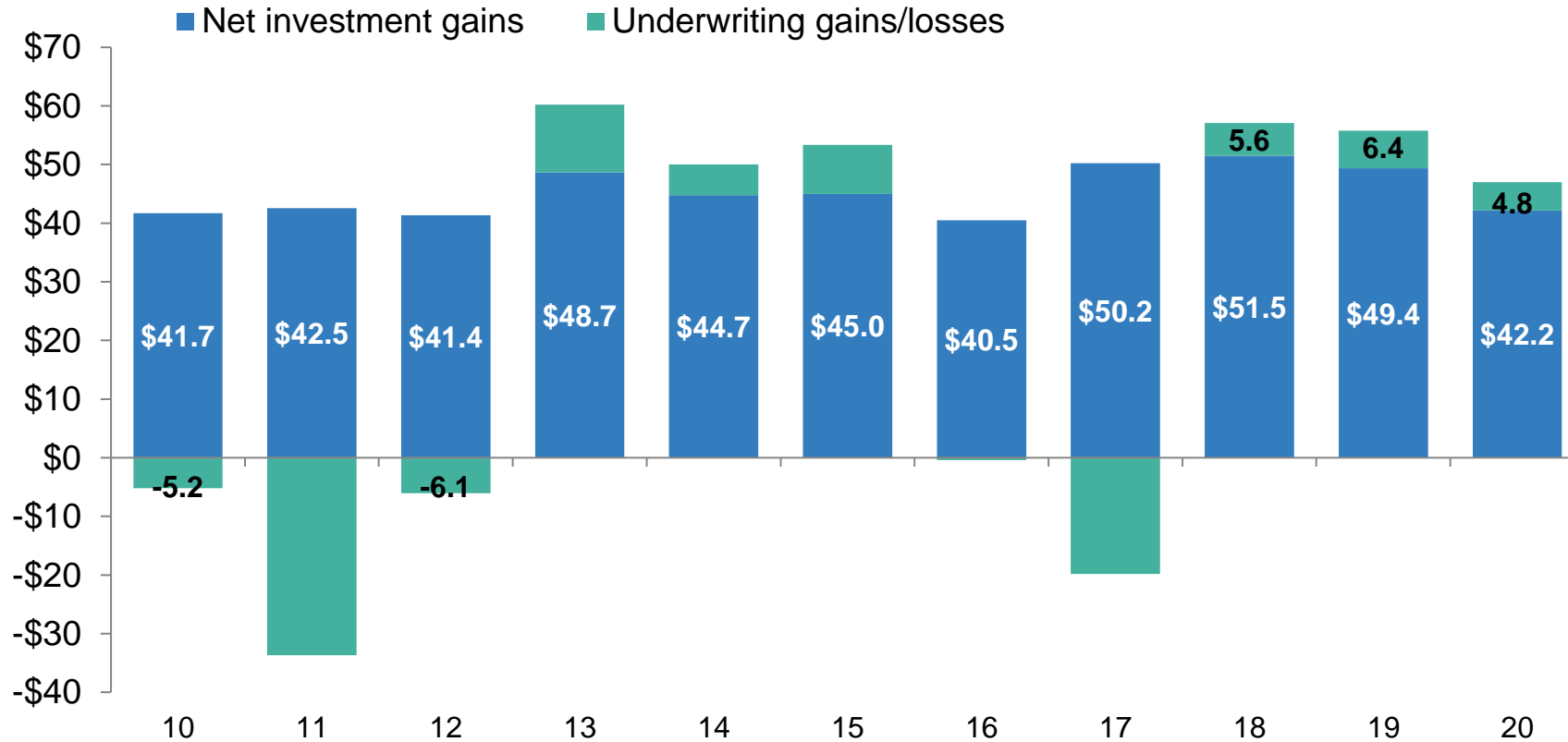
Combined Ratio: Neutral



Data through Q3
Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.

Key sources of P/C insurer profits

\$ Billions

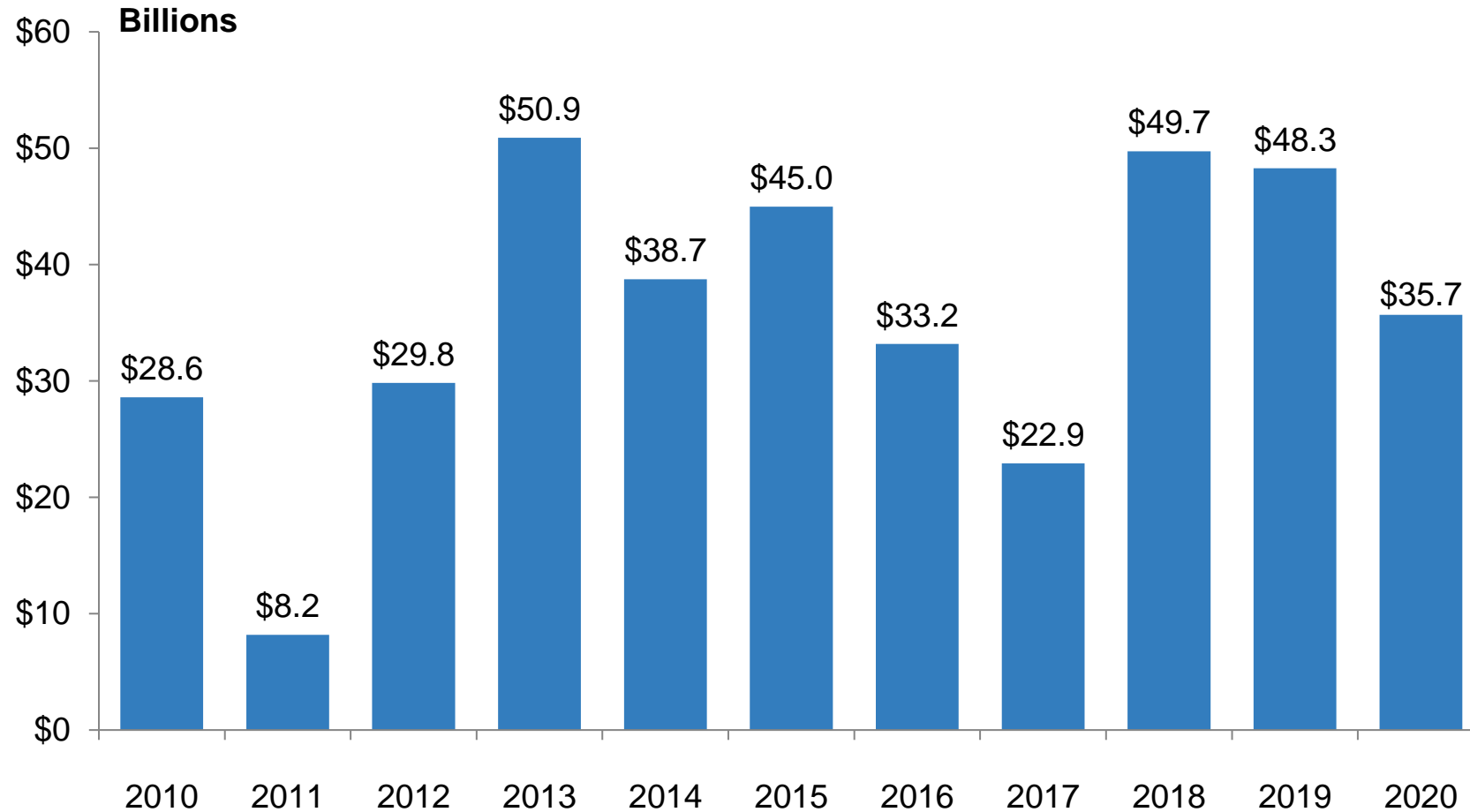


Lower investment income means UW income has to grow.

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



Net Income After Taxes 2010-2020 Yearly as of Q3

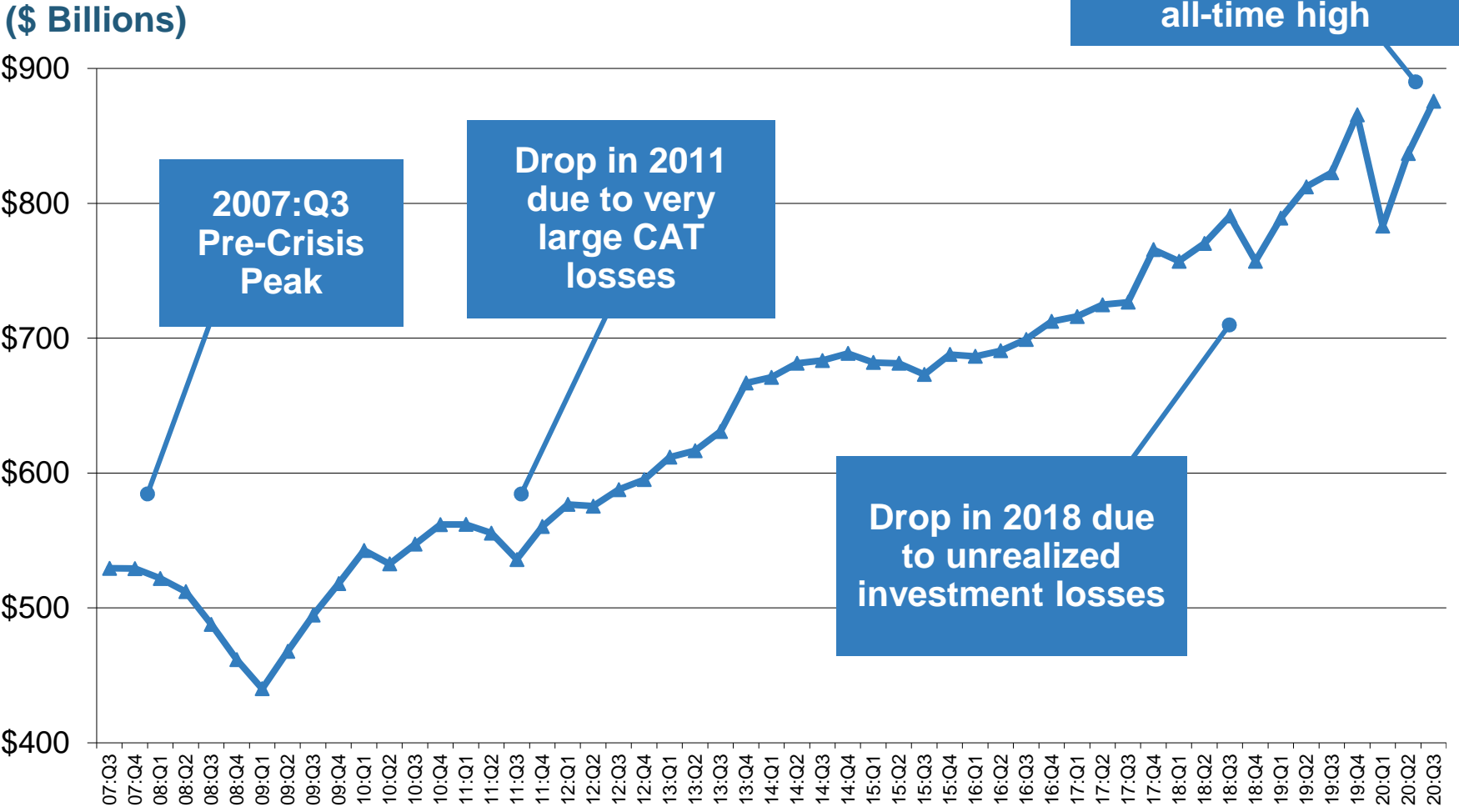


Net Income After Tax: Positive



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

Policyholder Surplus 2007-2020 Quarterly



Policyholder Surplus: Positive



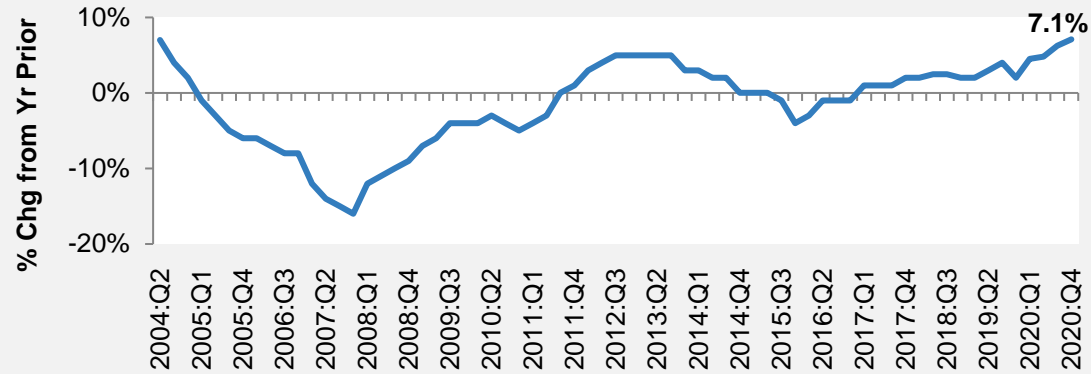
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Forecasting Trends

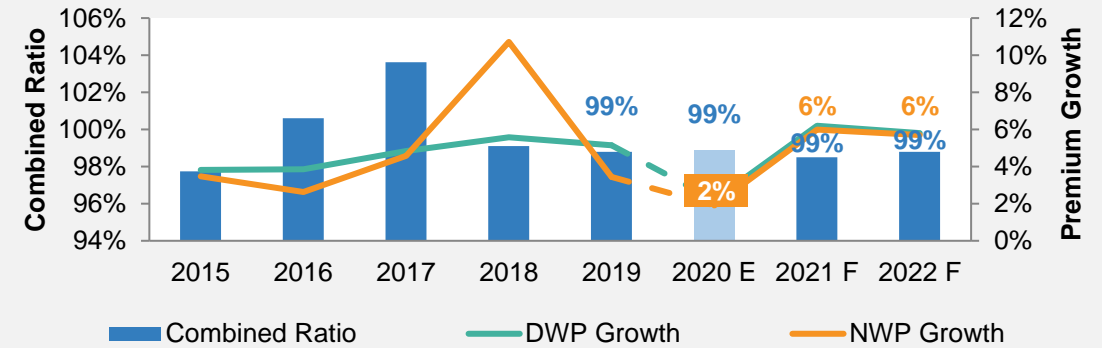
February 2021

Industry Outlook

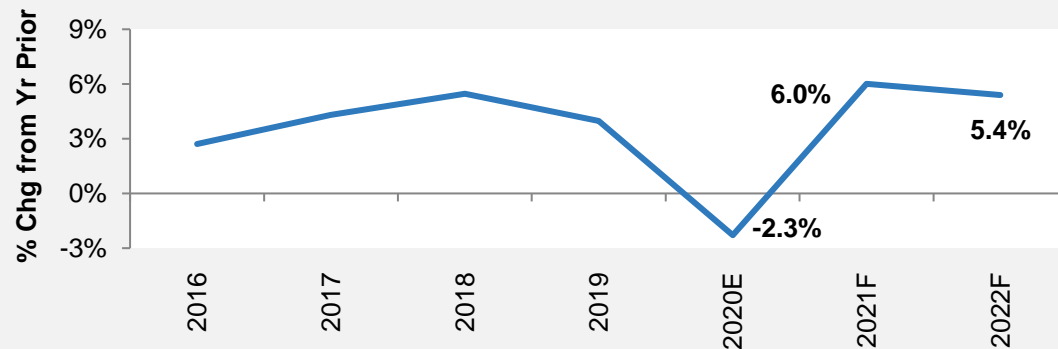
Commercial Lines Rate Change



Calendar Year Written Premium and Net Combined Ratio Projections



Growth in Nominal GDP (Real GDP + Inflation)



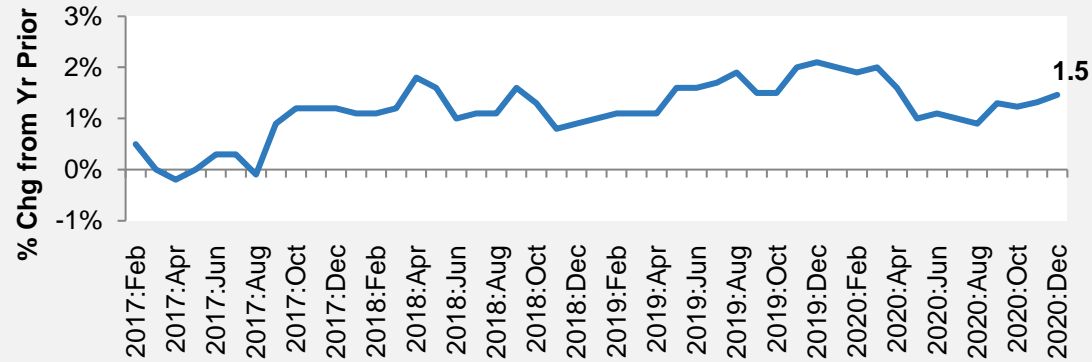
2021 Commentary

Healthy premium growth this year thanks to recovery and hard market

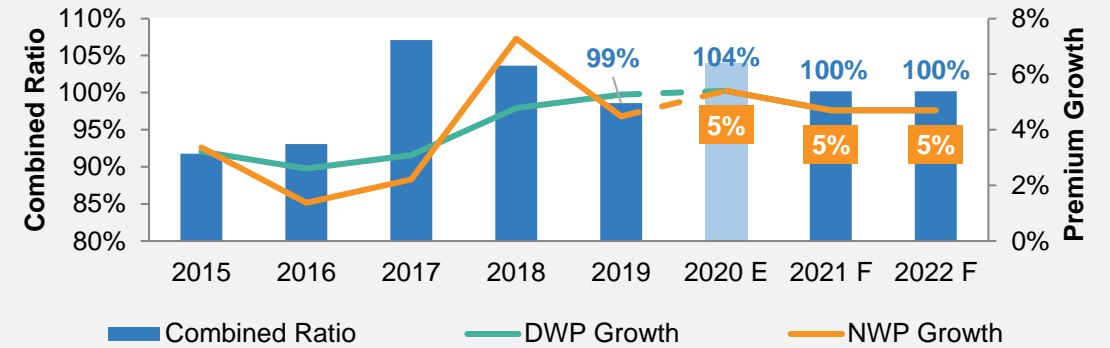
- Interest rates will stay low, pressuring rates and the need for underwriting profits.
- Uncertainty from COVID will continue to put pressure on rates.
- We assume an average year for cats.

Homeowners

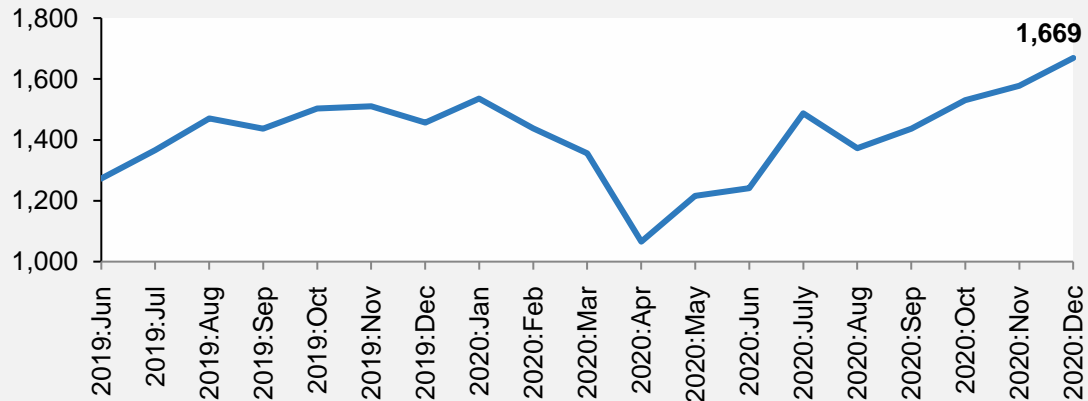
PPI for Homeowners Insurance



Calendar Year Written Premium and Net Combined Ratio Projections



Thousands of New Privately-Owned Housing Units



2020/2021 Commentary

- Minimal impact from pandemic, recession
- Multiple small- to medium-sized cats hurt 2020 results

Watch for:
An early take: La Niña portends above-average hurricane season.

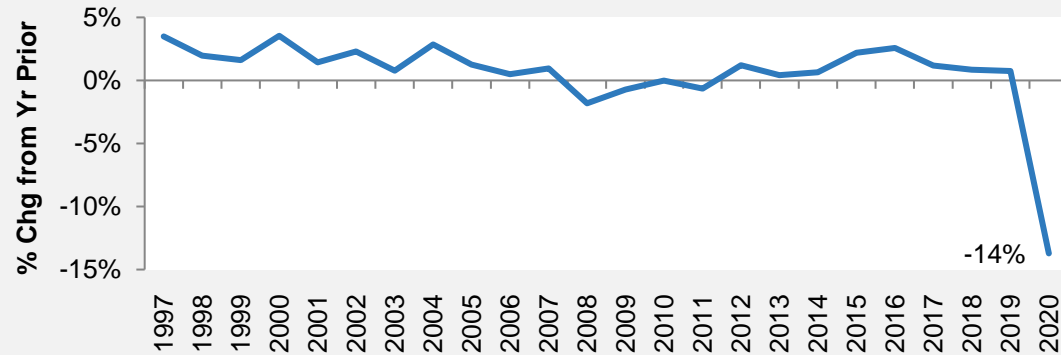
Data sources: NAIC data sourced through S&P Global Market Intelligence, MarketScout, Blue Chip Economic Indicators, Congressional Budget Office, PCS, Aon, Munich Re, Energy Information Agency, FRED (Federal Reserve Bank of St. Louis).

Analysis: Insurance Information Institute, Milliman.

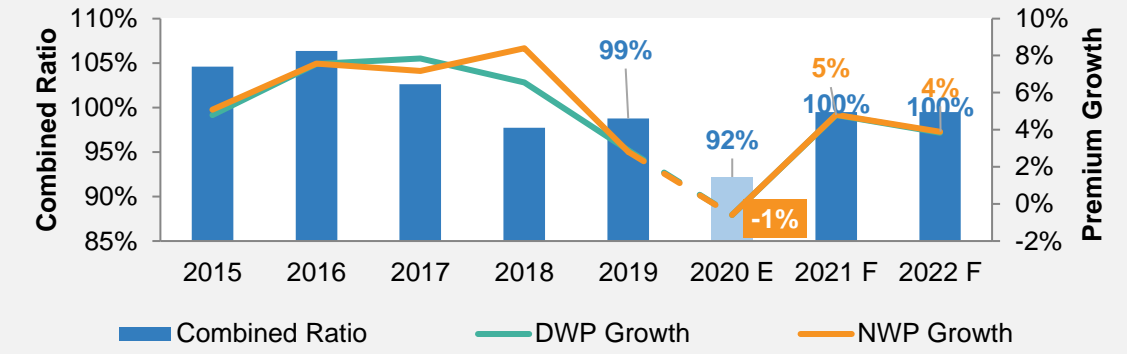


Personal Auto

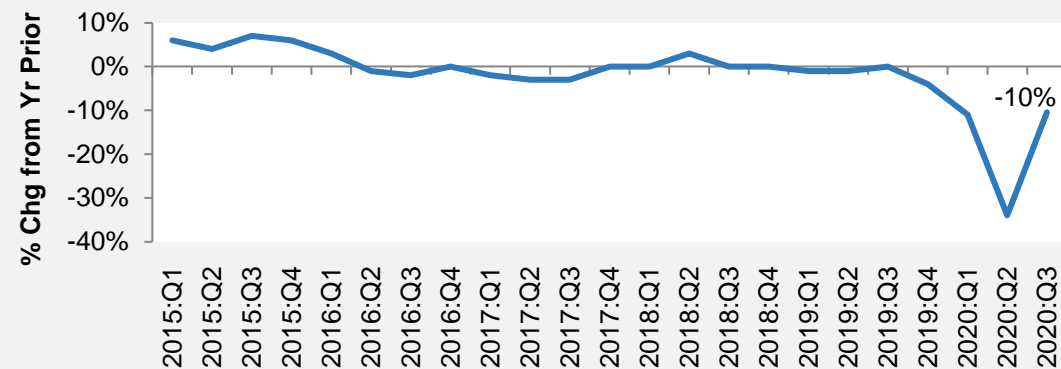
YTD Vehicle Miles Traveled Through November



Calendar Year Written Premium and Net Combined Ratio Projections



Total Vehicle Sales



2020/2021 Commentary

- Excellent 2020 results from changes in driving patterns.
- Premium growth and underwriting results will return to normal.

Watch for: Interest remains high in telematics; will post-pandemic stay-at-homes drive more near home?

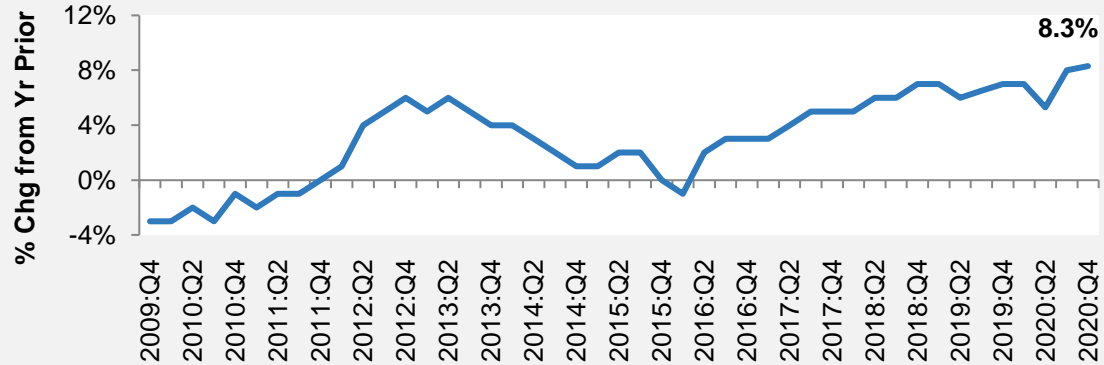
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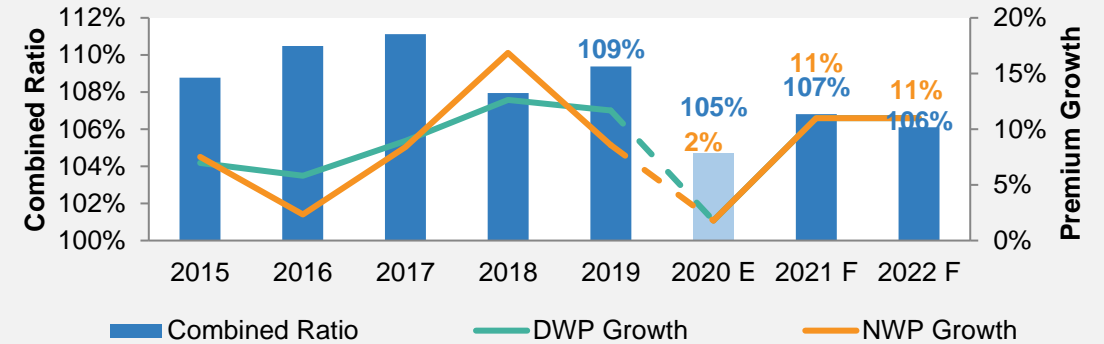


Commercial Auto

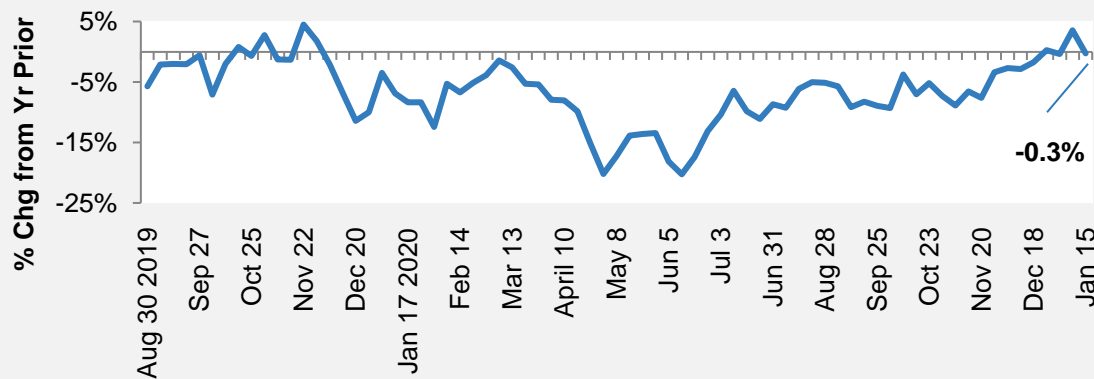
Commercial Auto Rate Changes



Calendar Year Written Premium and Net Combined Ratio Projections



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



2020/2021 Commentary

- Q2-Q3 close in on underwriting profits!
- Line was hard-hit by fall in exposures but will bounce back in 2021.

➤ **Watch for:**
Were Q2/Q3 a fluke?

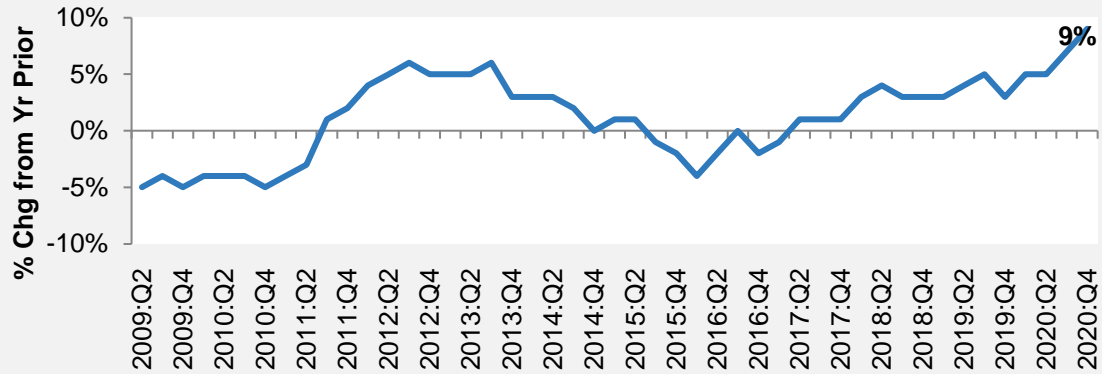
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Analysis: Insurance Information Institute, Milliman.

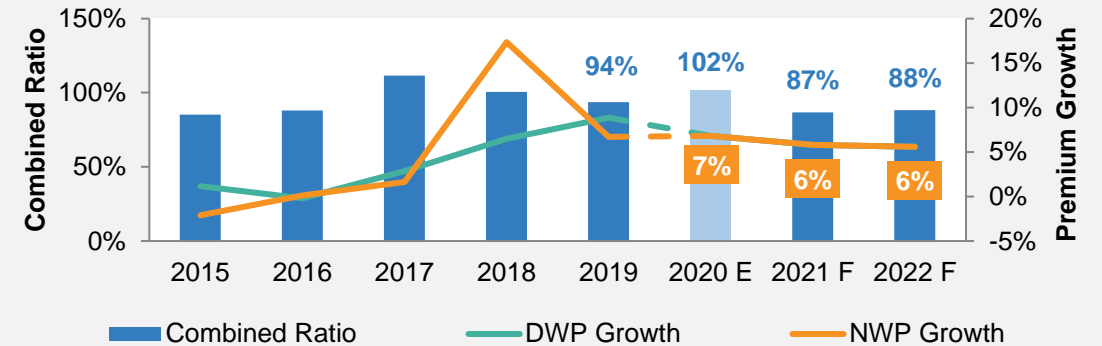


Commercial Property

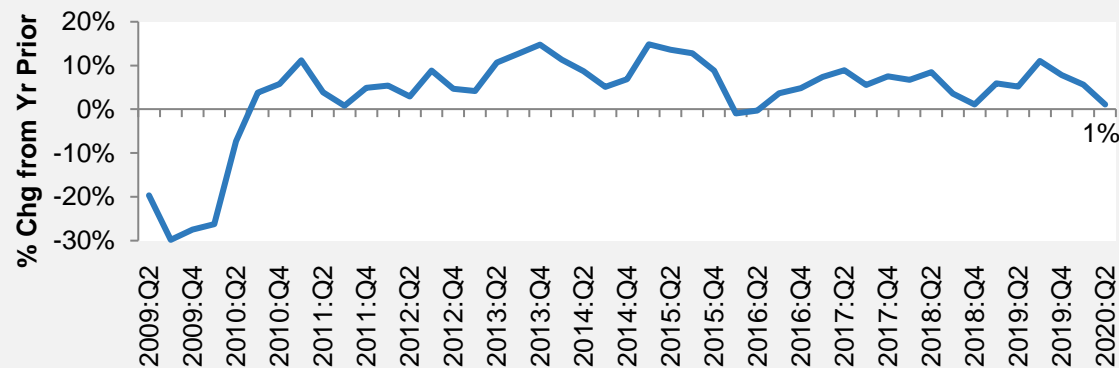
Commercial Property Rate Change



Calendar Year Written Premium and Net Combined Ratio Projections



Commercial Real Estate Prices for the US



2020/2021 Commentary

- Not just hurricanes – wildfires, derechos, tornadoes made it a record for number of cat events.
- Hard market brightens results – if cats stay calm.

Watch for:
 ▶ Vacancies could slowly rise as businesses adjust their need for space in the new flexible workplace.

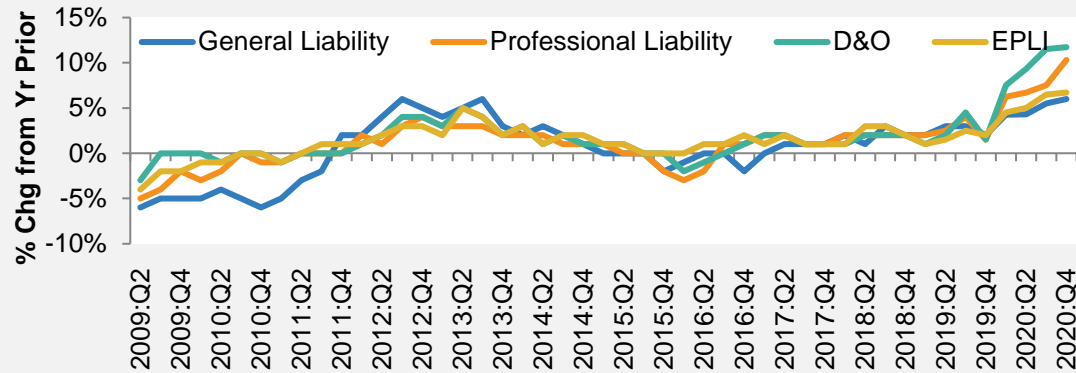
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Analysis: Insurance Information Institute, Milliman.

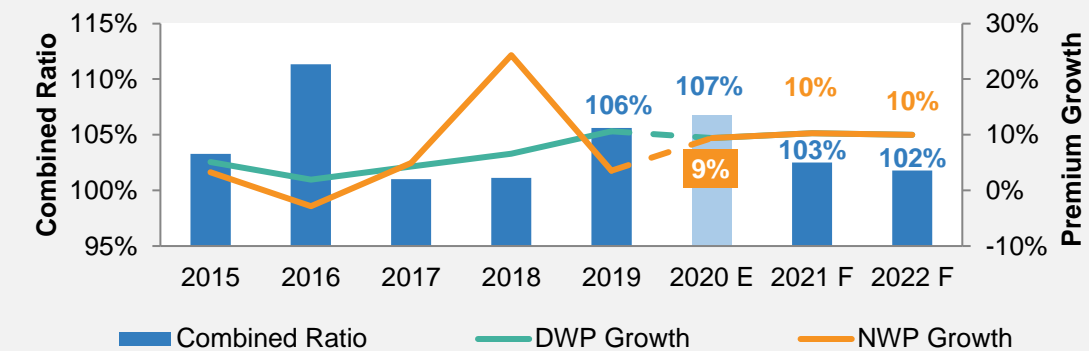


General Liability

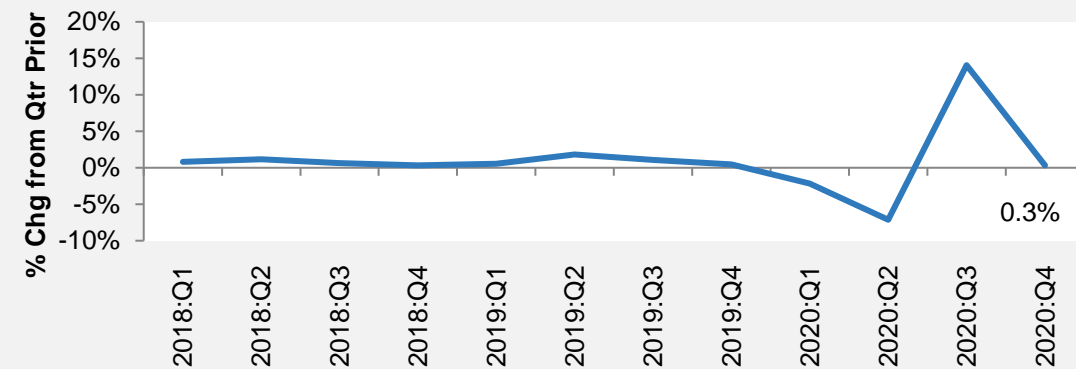
Liability Rate Changes



Calendar Year Written Premium and Net Combined Ratio Projections



Advance Retail Sales



2020/2021 Commentary

- Social inflation has been expanding from commercial auto to this line, but rate increases will improve results.
- Pandemic liability will affect results.

Watch for:

Continued rate increases, especially in lines whose rates run hot and cold, like D&O.

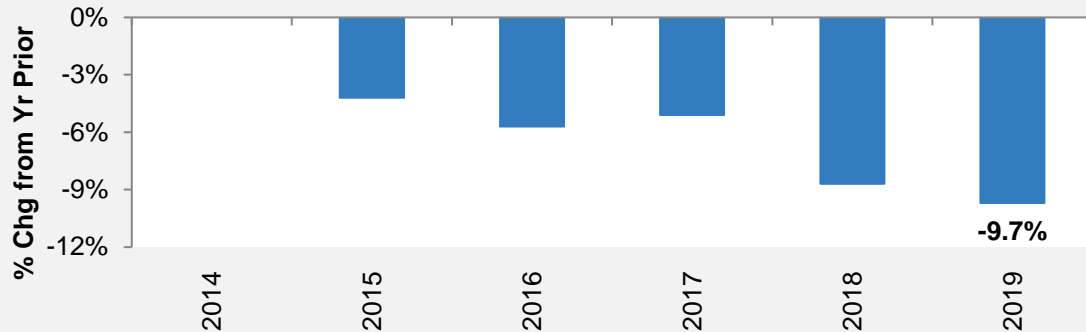
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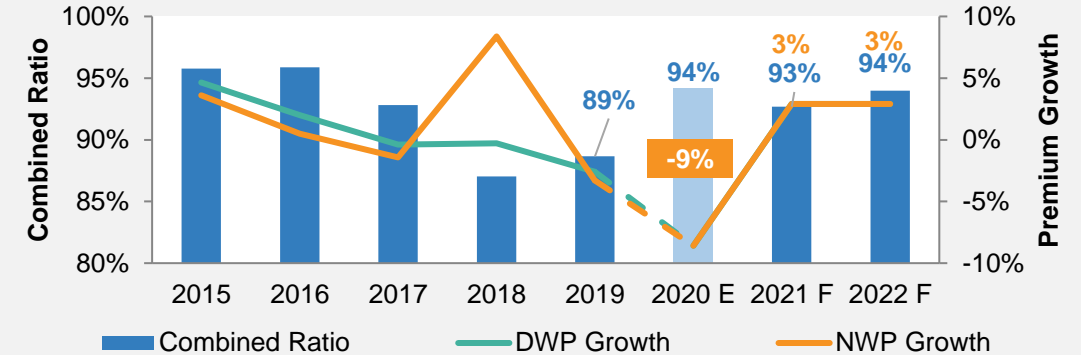


Workers Compensation

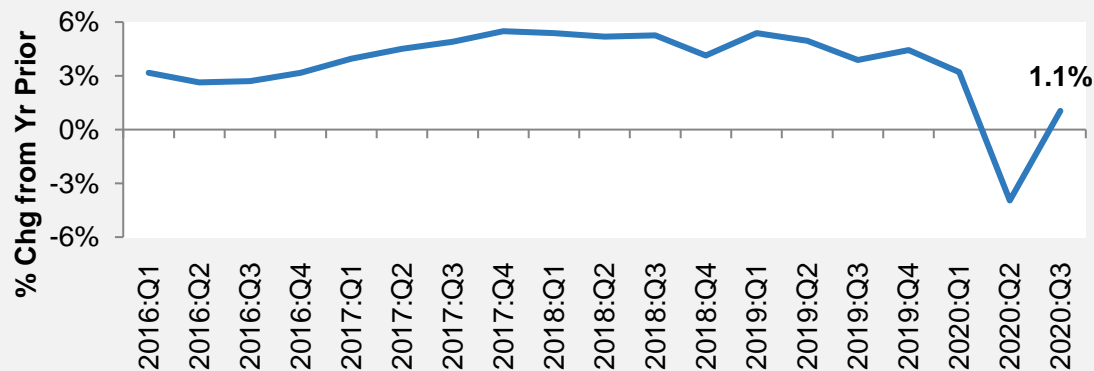
Rate Changes



Calendar Year Written Premium and Net Combined Ratio Projections



Employee Compensation



2020/2021 Commentary

- Through Q3, 2020 results look just like 2019.
- WC exposures usually recover from recession more slowly than other lines.
- Exposures further depressed by the stay-at-homes who stay at home post pandemic.

Watch for: Expansion of presumptive claims; long-haul COVID cases. How will the variant coronavirus affect the return to work?

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

Analysis: Insurance Information Institute, Milliman.



Final Thoughts:

- ▲ 2020 Proved How Insurance Leads Through Disruption
- ▲ Opportunities and Challenges Ahead in Coming Years
- ▲ Continued Proactive Communications and Engagement → Success Drivers



Informed. Empowered.

Thank you!

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