



Overview & Outlook for the Commercial P/C Insurance Industry

Trends, Challenges & Opportunities

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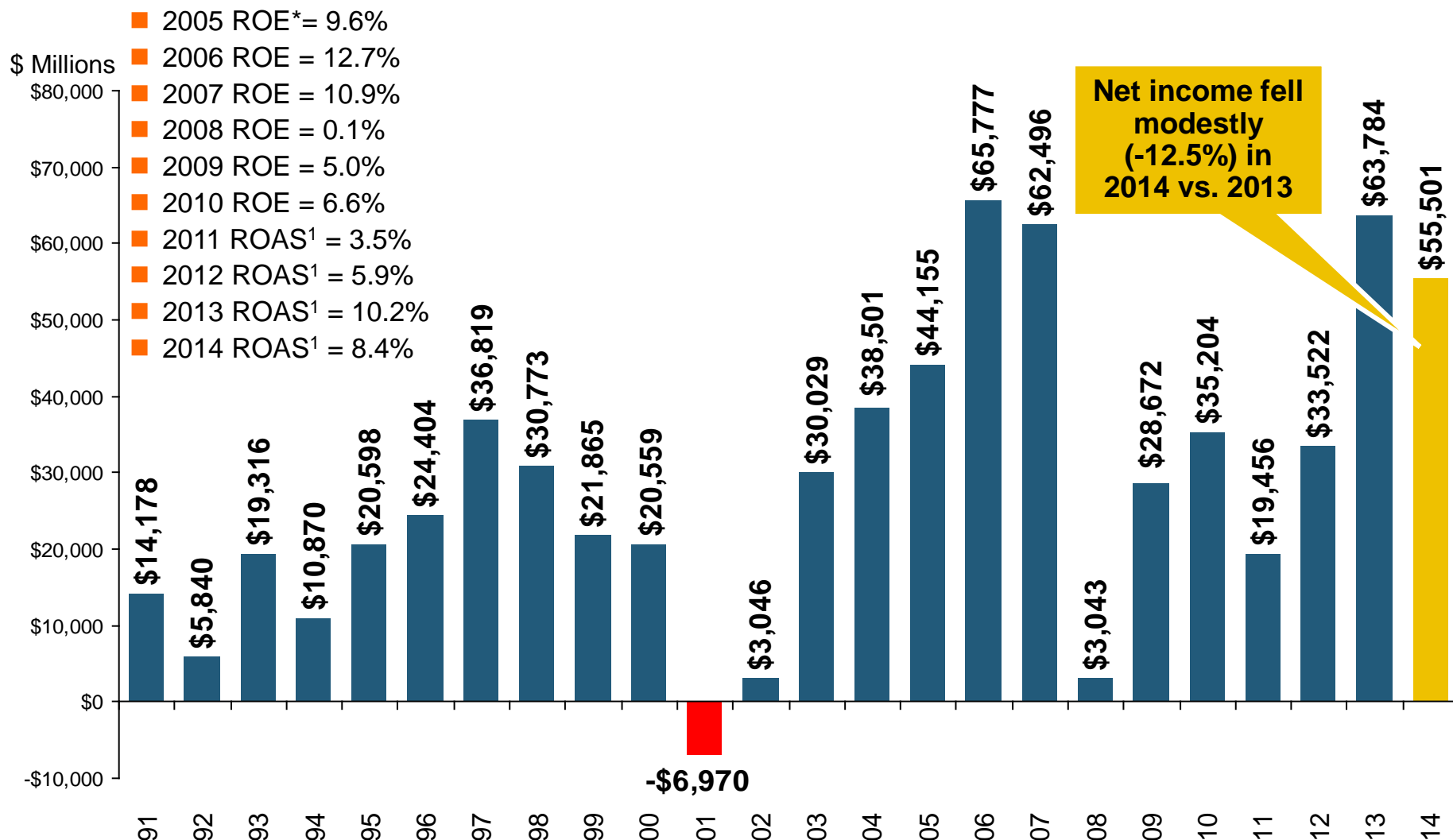
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Insurance Industry: ***Financial Update & Outlook***

2014 Was a Reasonably Good Year
2015: A Repeat of 2014?

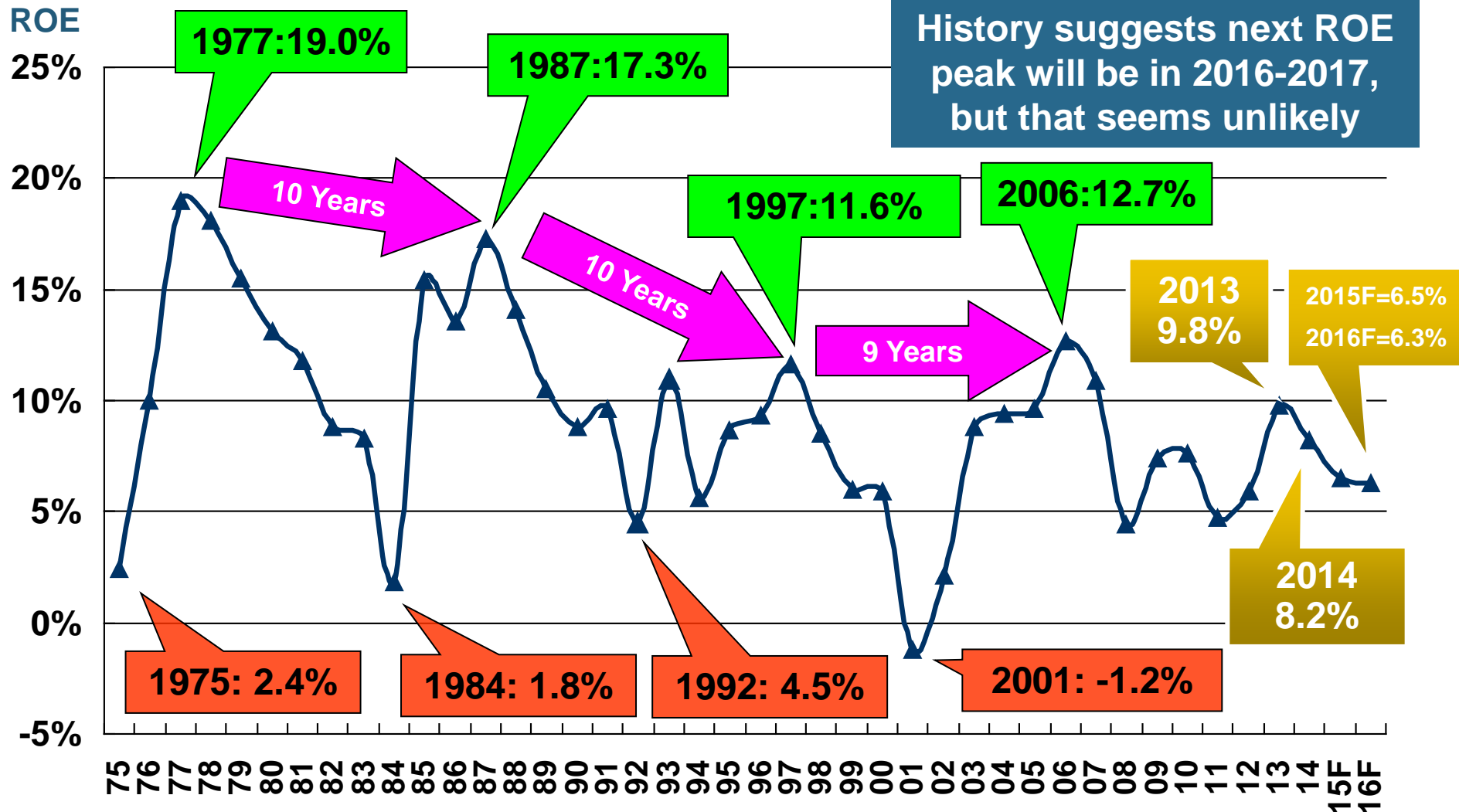
P/C Industry Net Income After Taxes 1991–2014



• ROE figures are GAAP; ¹Return 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

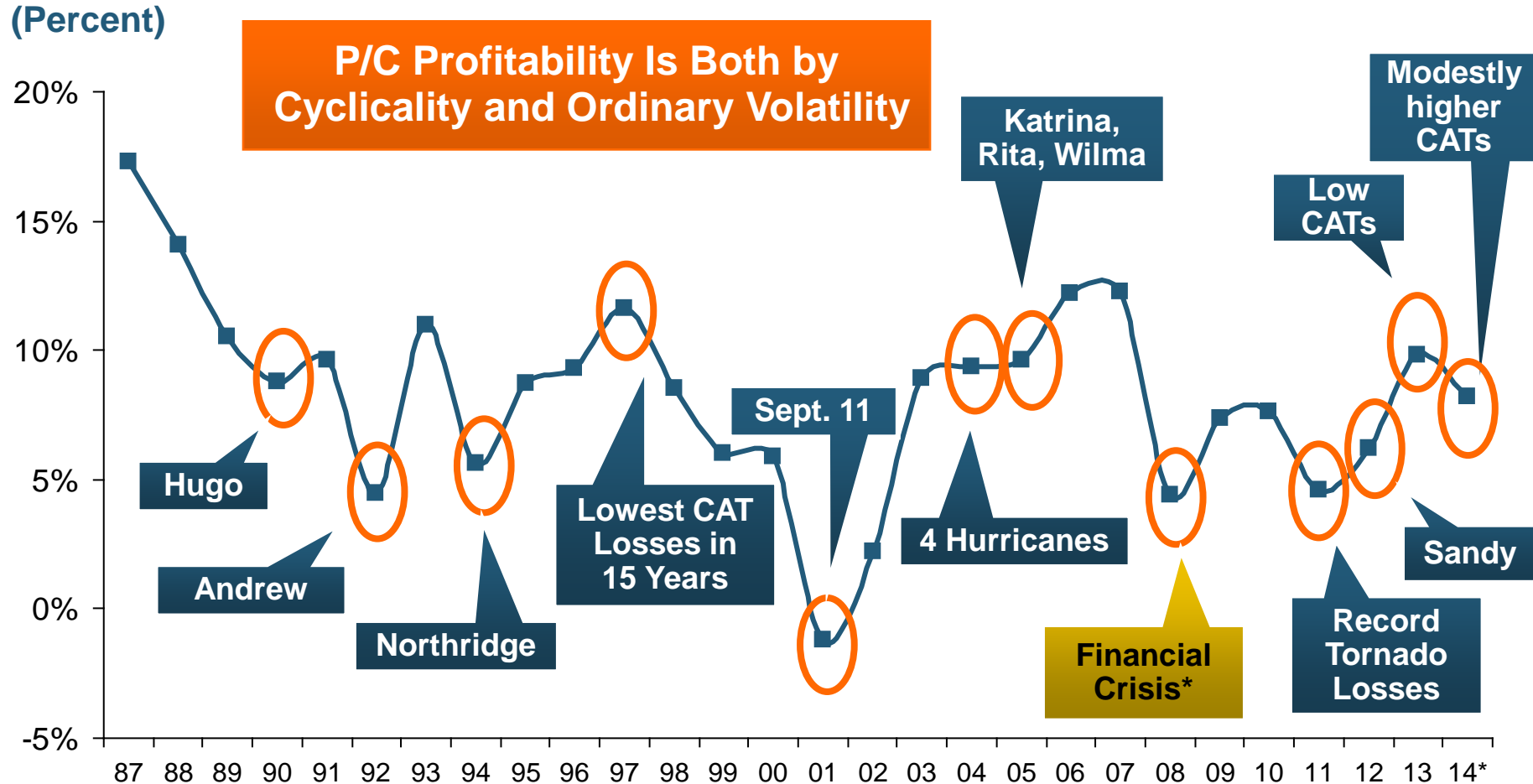
Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2016F



*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.

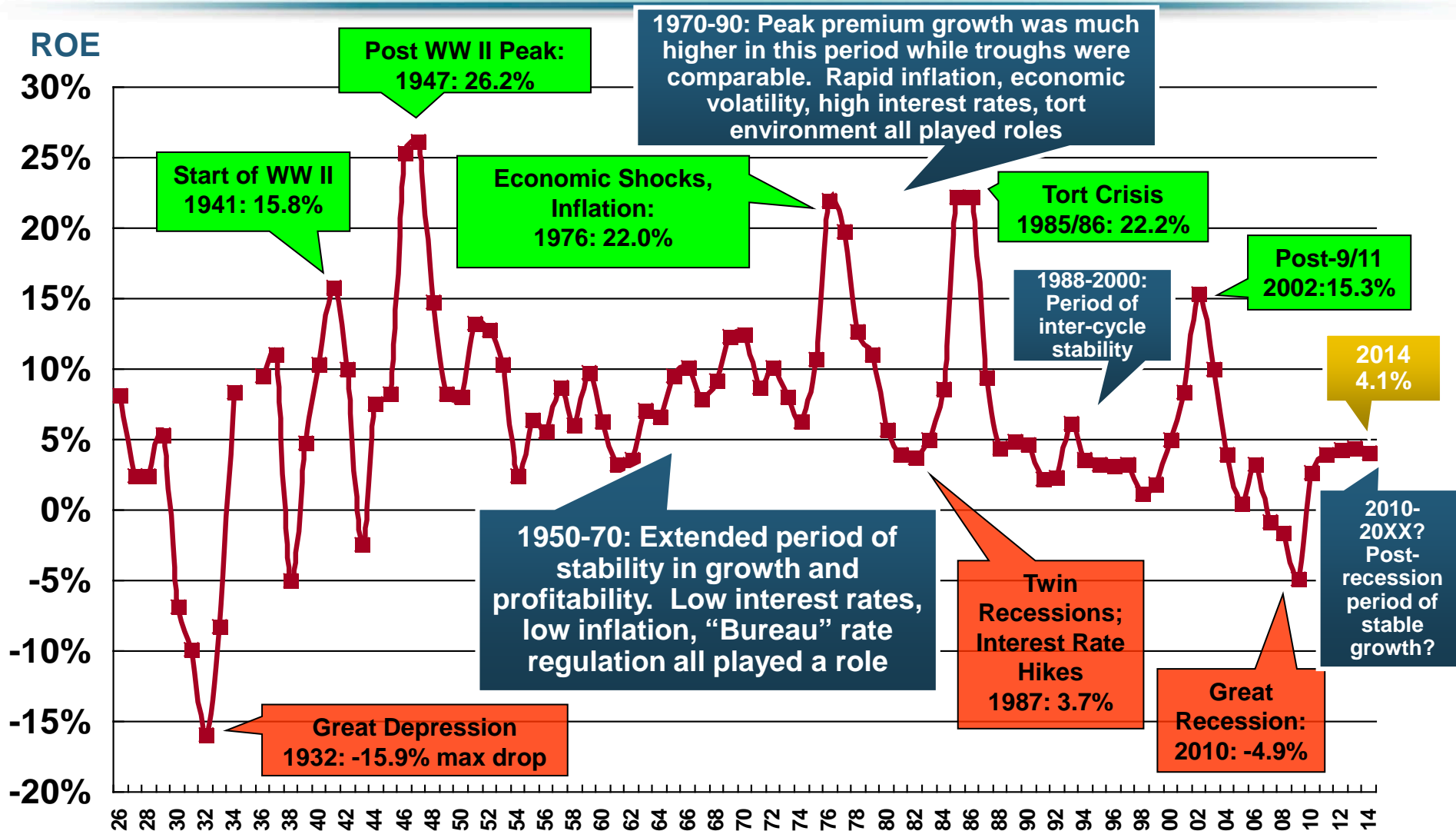
Source: Insurance Information Institute; NAIC, ISO, A.M. Best, Conning

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



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

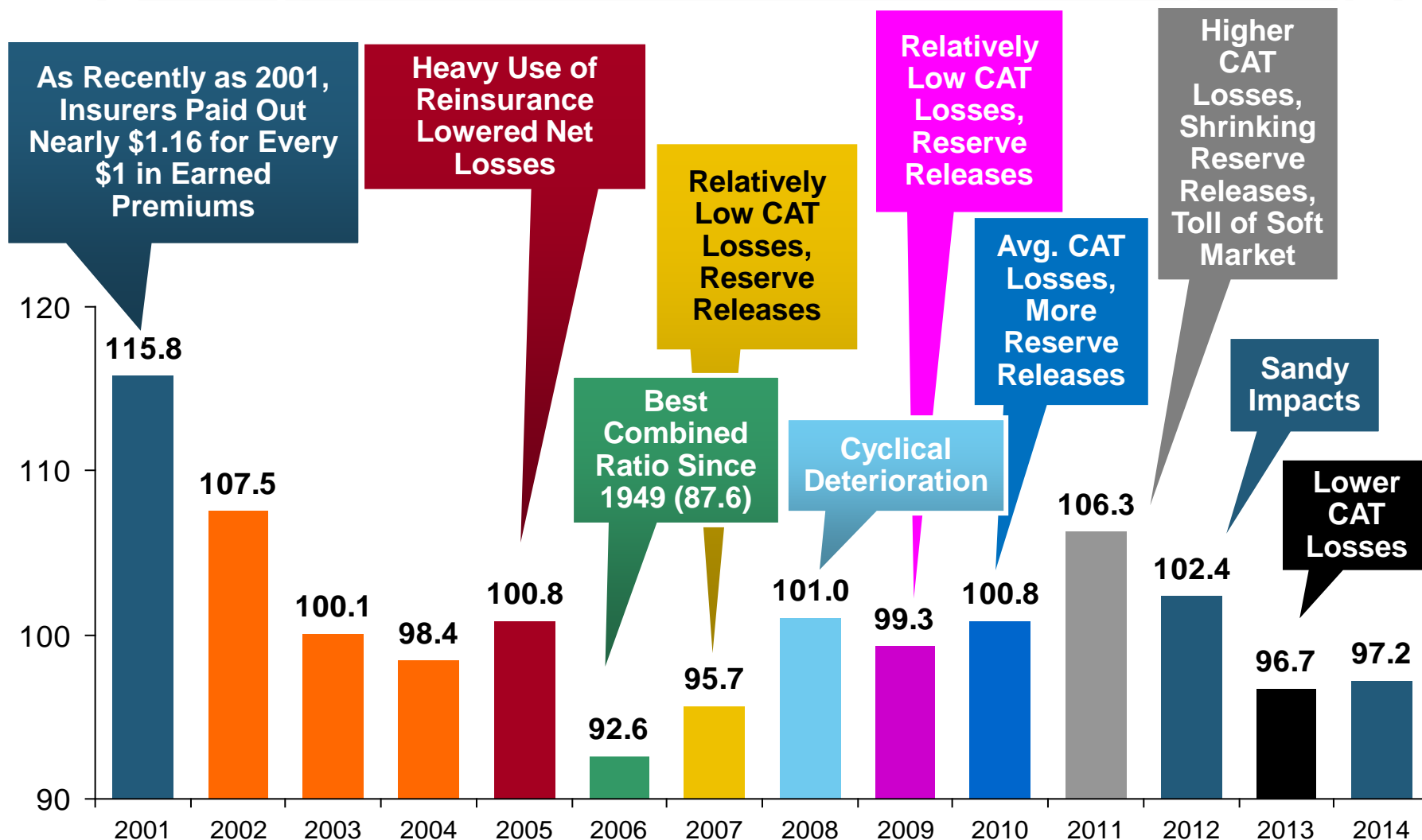
NPW Premium Growth: Peaks & Troughs in the P/C Insurance Industry, 1926 – 2014



Note: Data through 1934 are based on stock companies only. Data include state funds beginning in 1998.

Source: A.M. Best; Insurance Information Institute.

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



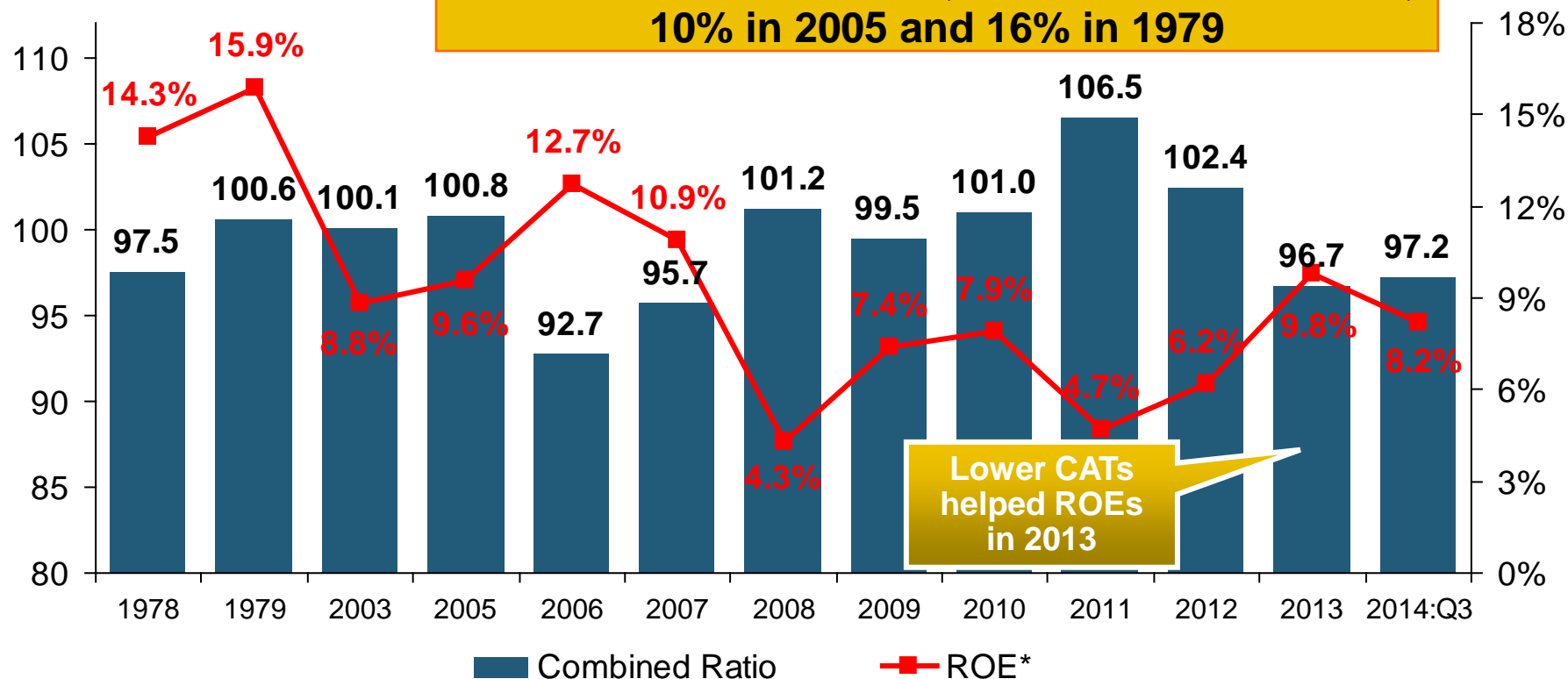
* Excludes Mortgage & Financial Guaranty insurers 2008--2014. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012:=103.2; 2013: = 96.1; 2014: = 97.0.

Sources: A.M. Best, ISO.

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

Combined Ratio / ROE

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

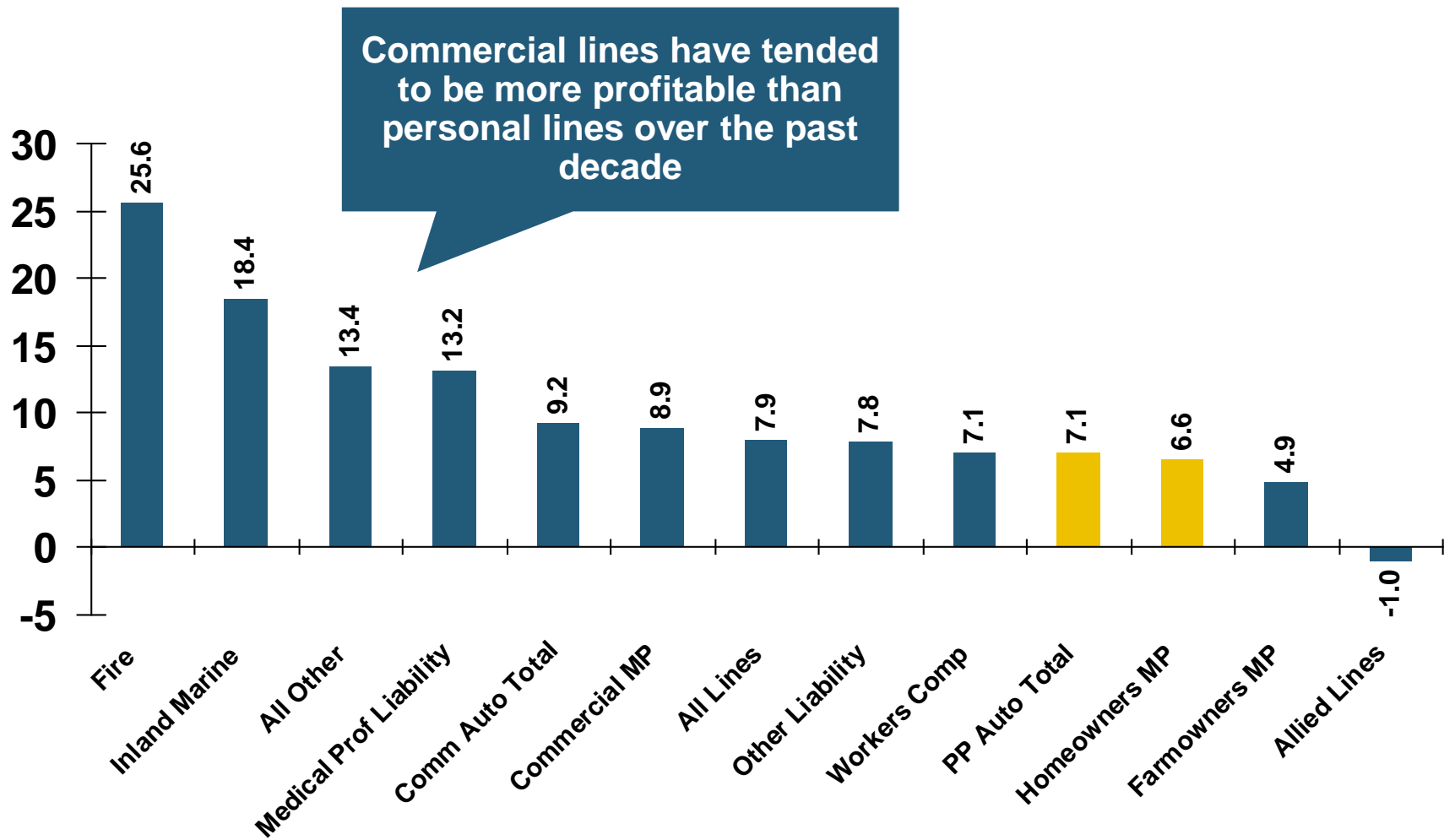


Combined Ratios Must Be Lower in Today's Depressed Investment Environment to Generate Risk Appropriate ROEs

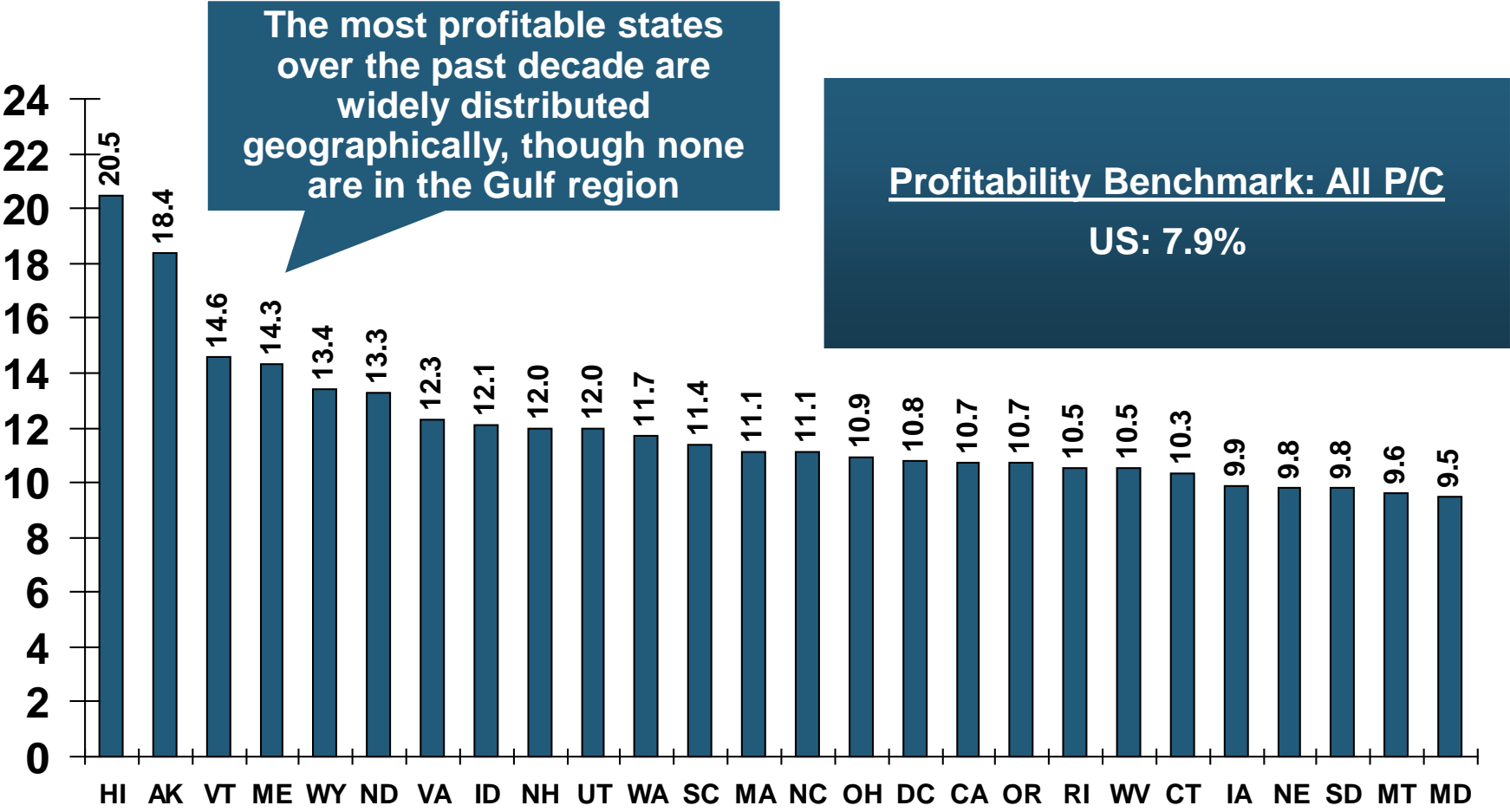
* 2008 -2014 figures are return on average surplus and exclude mortgage and financial guaranty insurers. 2014 combined ratio including M&FG insurers is 97.0; 2013 = 96.1; 2012 =103.2, 2011 = 108.1, ROAS = 3.5%.

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

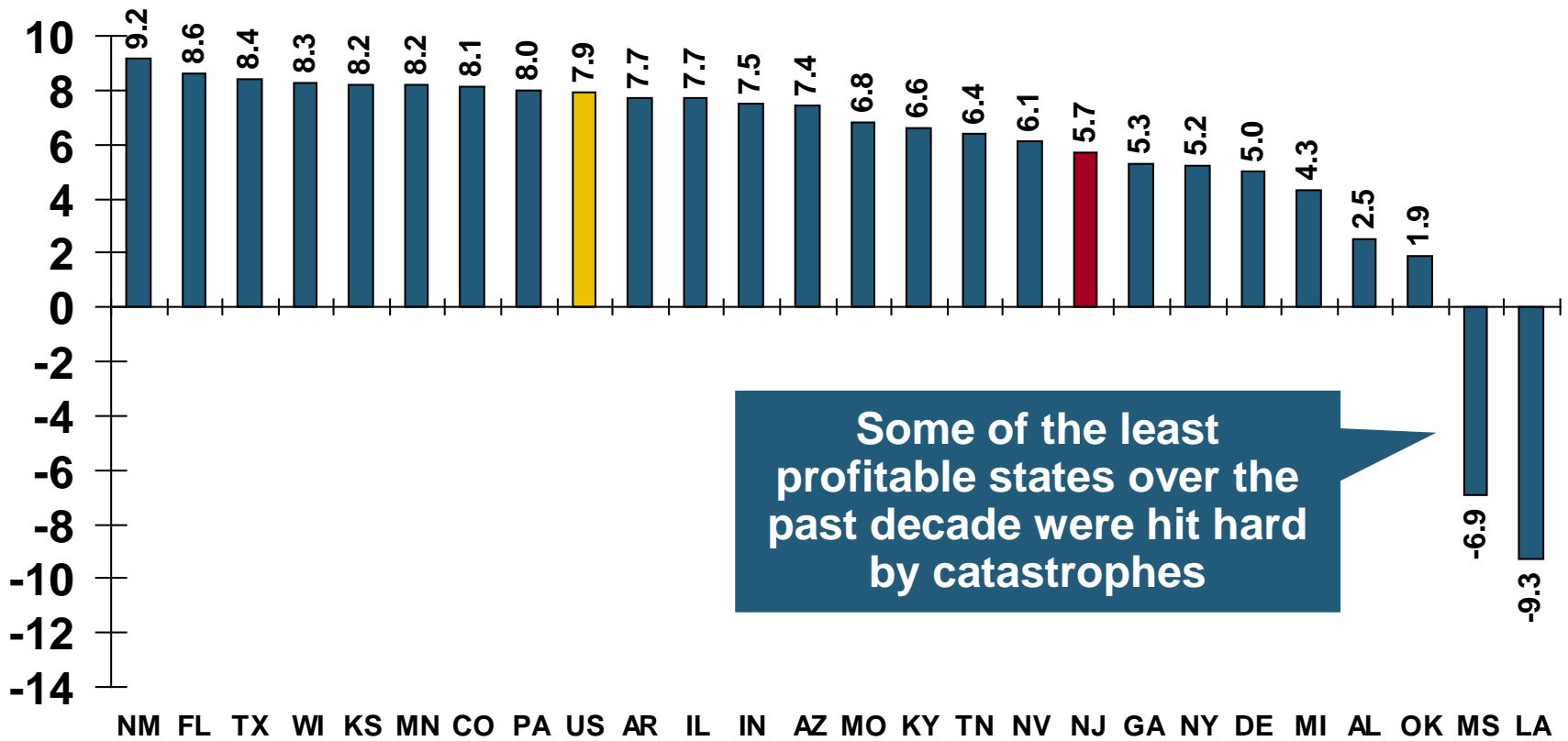
Return on Net Worth (RNW) All Lines: 2004-2013 Average



RNW All Lines by State, 2004-2013 Average: Highest 25 States



RNW All Lines by State, 2004-2013 Average: Lowest 25 States



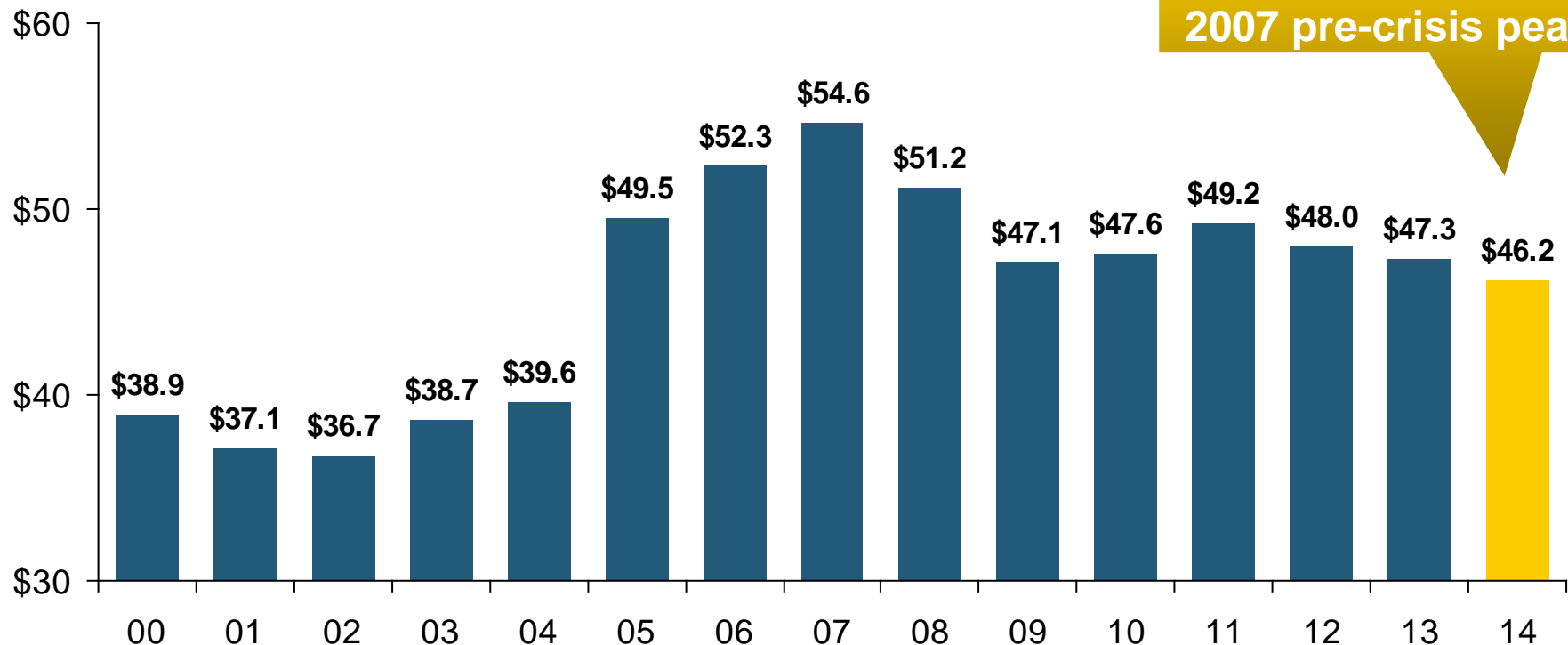
INVESTMENTS: THE NEW REALITY

**Investment Performance is a Key
Driver of Profitability**

***Depressed Yields Will Necessarily
Influence Underwriting & Pricing***

Property/Casualty Insurance Industry Investment Income: 2000–2014¹

(\$ Billions)



Investment earnings
are still below their
2007 pre-crisis peak

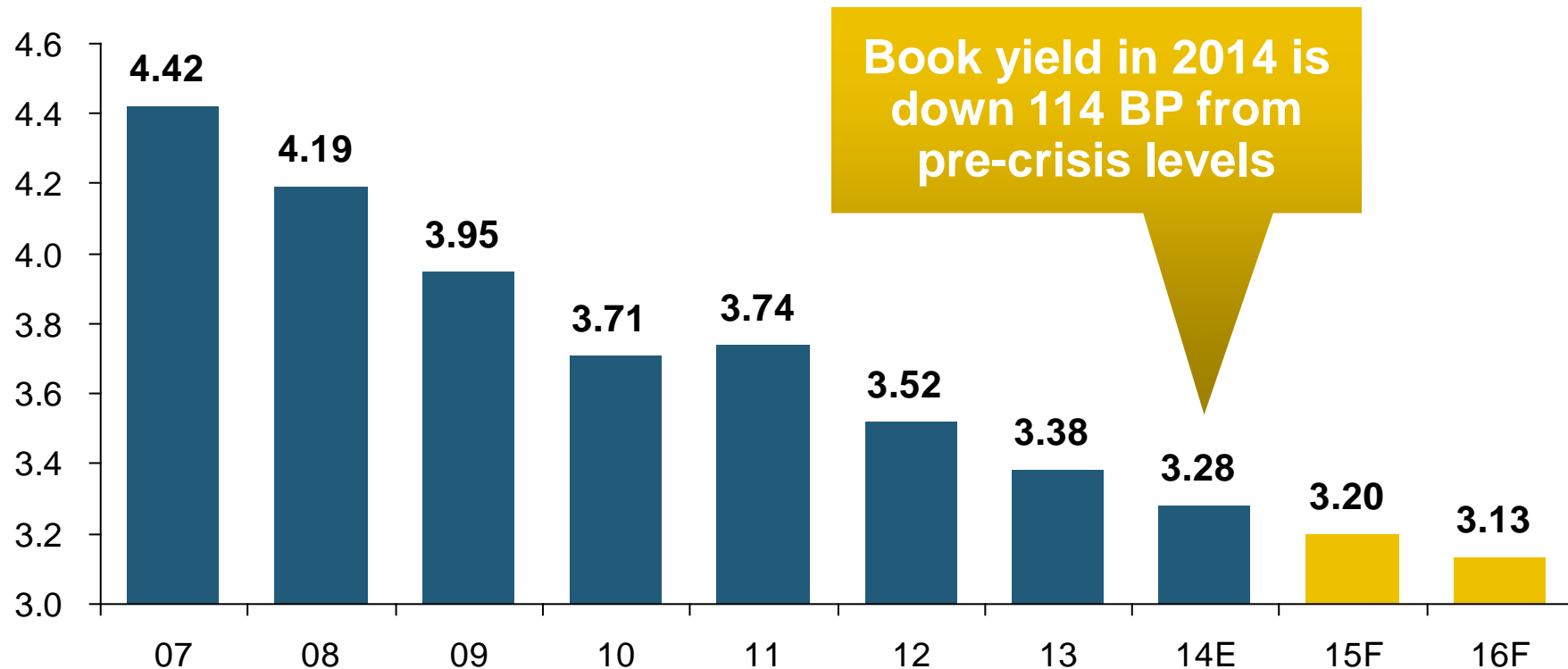
**Due to persistently low interest rates,
investment income fell in 2012, 2013 and 2014.**

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

*2014 figure is estimated based on annualized data through Q3.

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

(Percent)



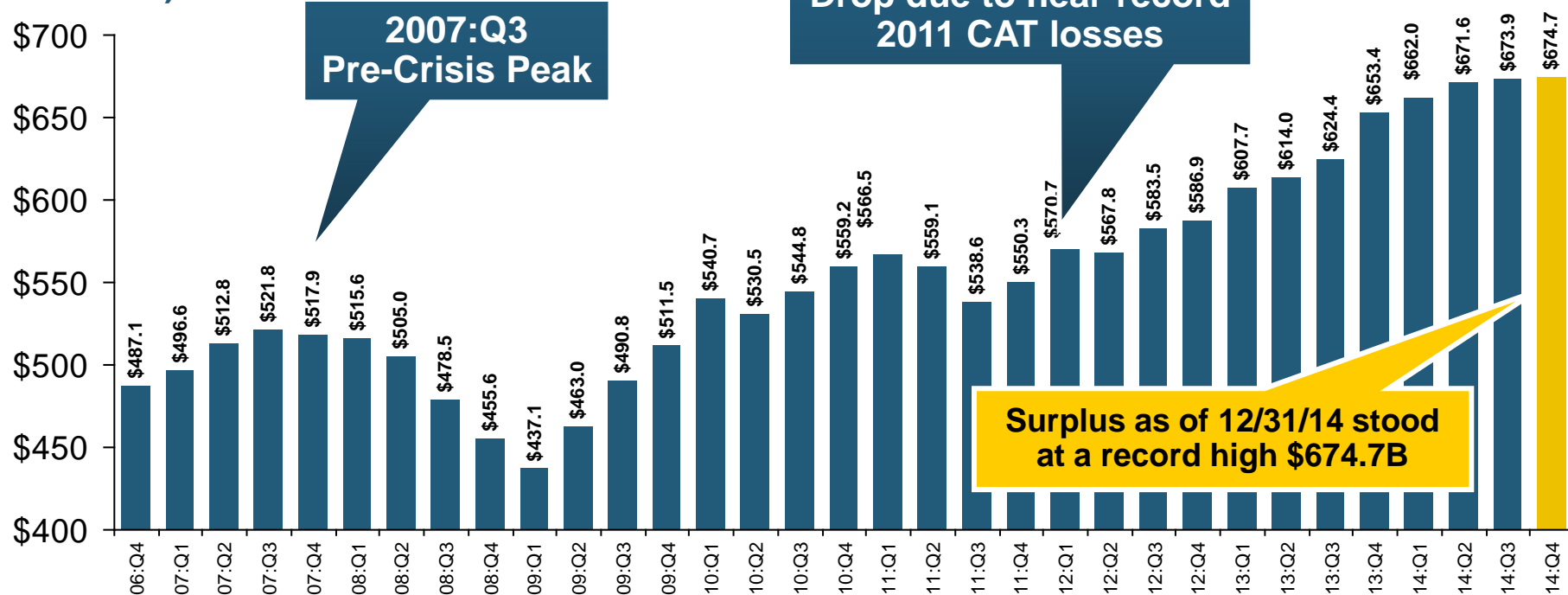
The yield on invested assets continues to decline as returns on maturing bonds generally still exceed new money yields. The end of the Fed's QE program in Oct. 2014 should allow some increase in longer maturities while short term interest rate increases are unlikely until mid-to-late 2015

CAPITAL/CAPACITY

**Capital Accumulation Has
Multiple Impacts**

Policyholder Surplus, 2006:Q4–2014:Q4

(\$ Billions)



The industry now has \$1 of surplus for every \$0.73 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.

Sources: ISO, A.M. Best.

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

Alternative Capital

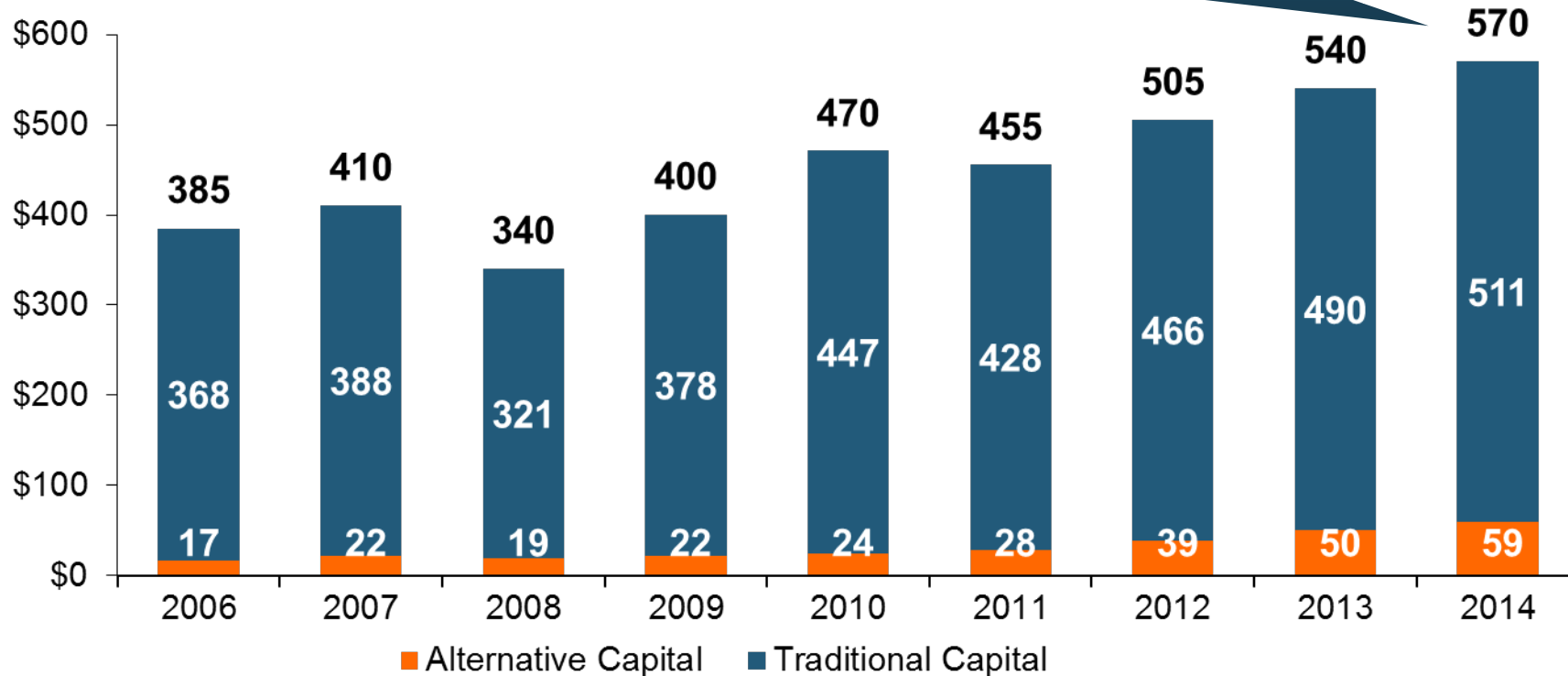
**New Investors Continue to Change
the Reinsurance Landscape**

***First I.I.I. White Paper on Issue Was
Released in March 2015***

Global Reinsurance Capital (Traditional and Alternative), 2006 - 2014

Total reinsurance capital reached a record \$570B in 2013, up 68% from 2008.

(Billions of USD)

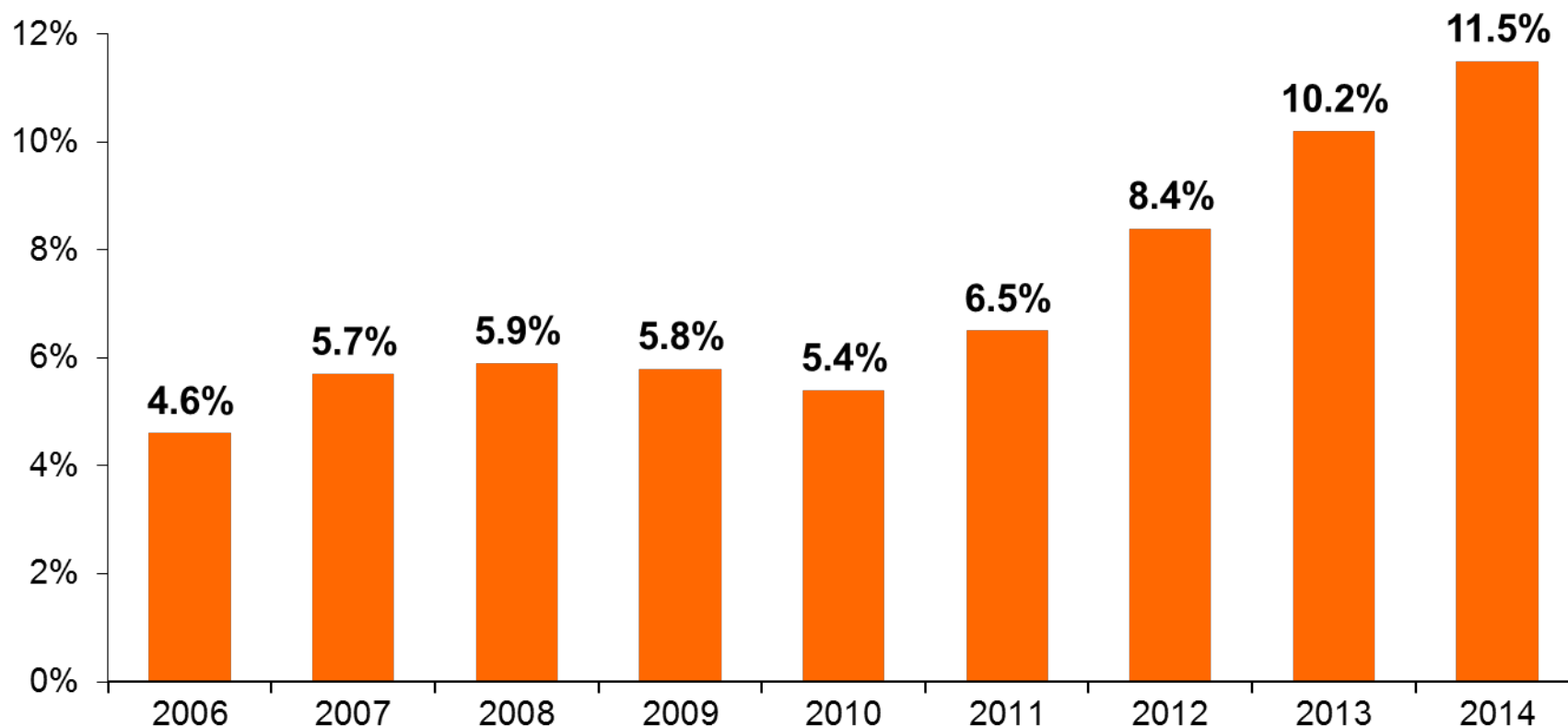


But alternative capacity has grown 210% since 2008, to \$50B. It has more than doubled in the past three years.

2014 data is as of June 30, 2014.

Source: Aon Benfield Analytics; Insurance Information Institute.

Alternative Capital as a Percentage of Traditional Global Reinsurance Capital



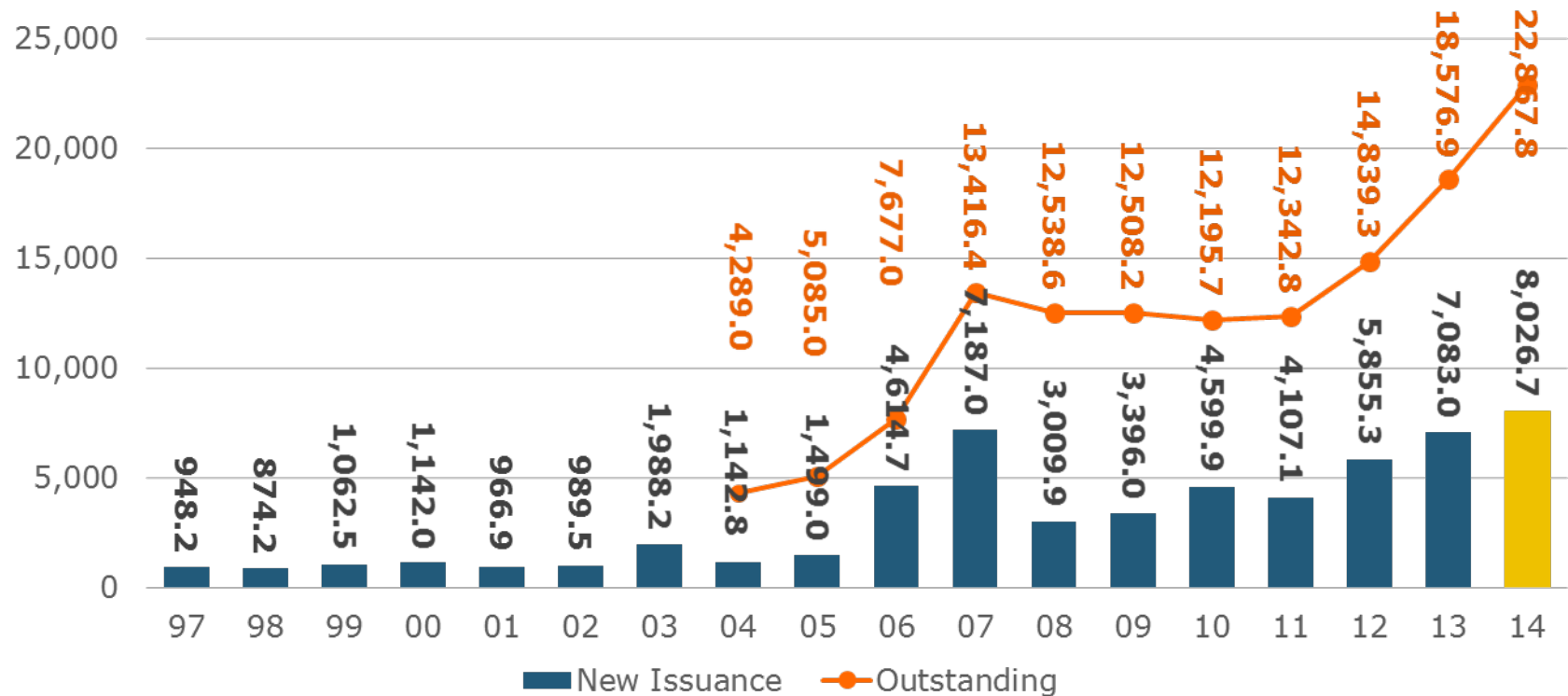
Alternative Capital's Share of Global Reinsurance Capital Has More Than Doubled Since 2010.

2014 data is as of June 30, 2014.

Source: Aon Benfield Analytics; Insurance Information Institute.

Catastrophe Bond Issuance and Outstanding: 1997-2014

Risk Capital Amount (\$ Millions)

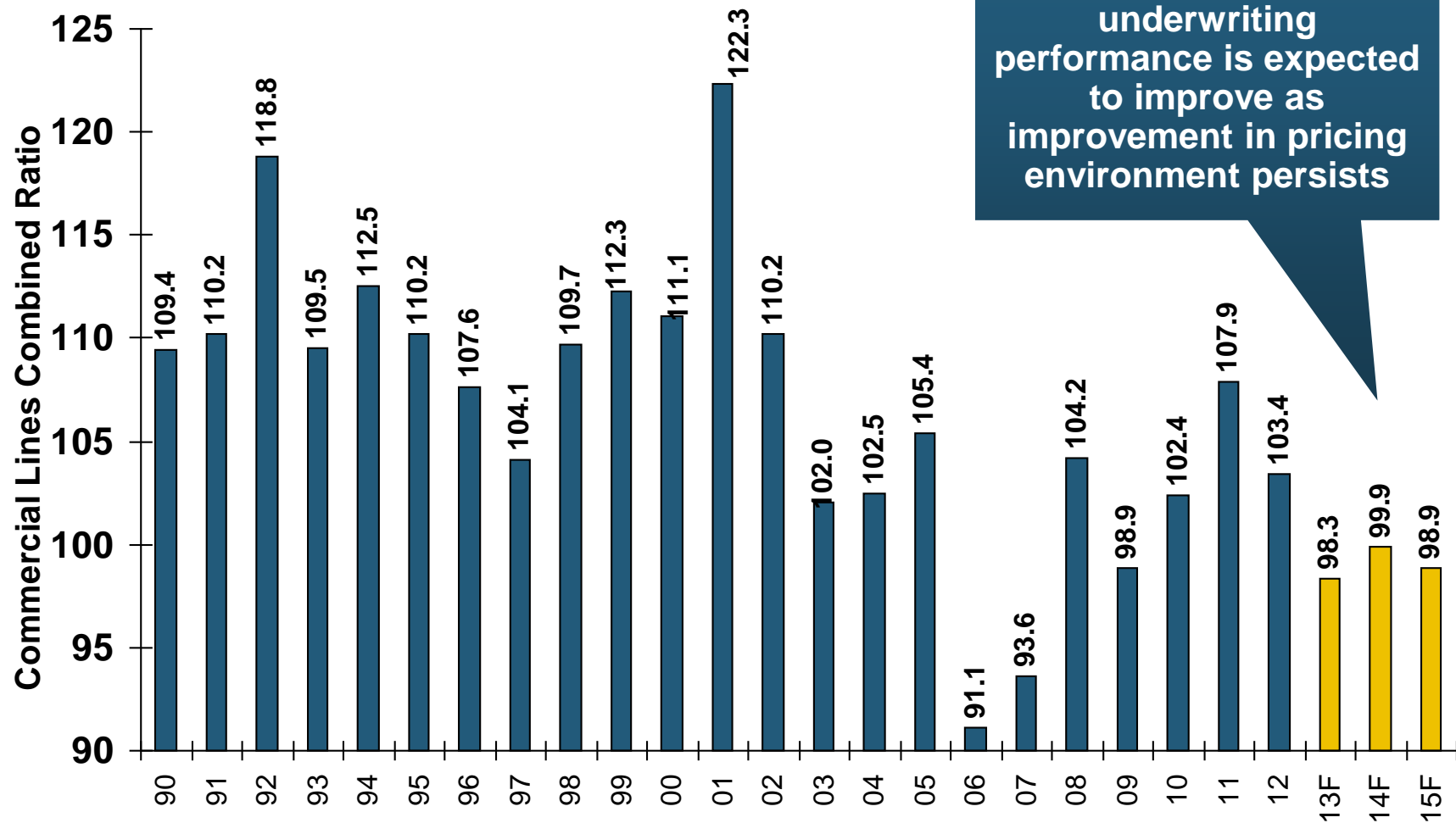


**2014 Has Seen the Largest Cat Bond Ever - \$1.5 Billion (Florida Citizens).
Bond Issuance Set a Record.**

Source: Guy Carpenter.

Performance by Segment

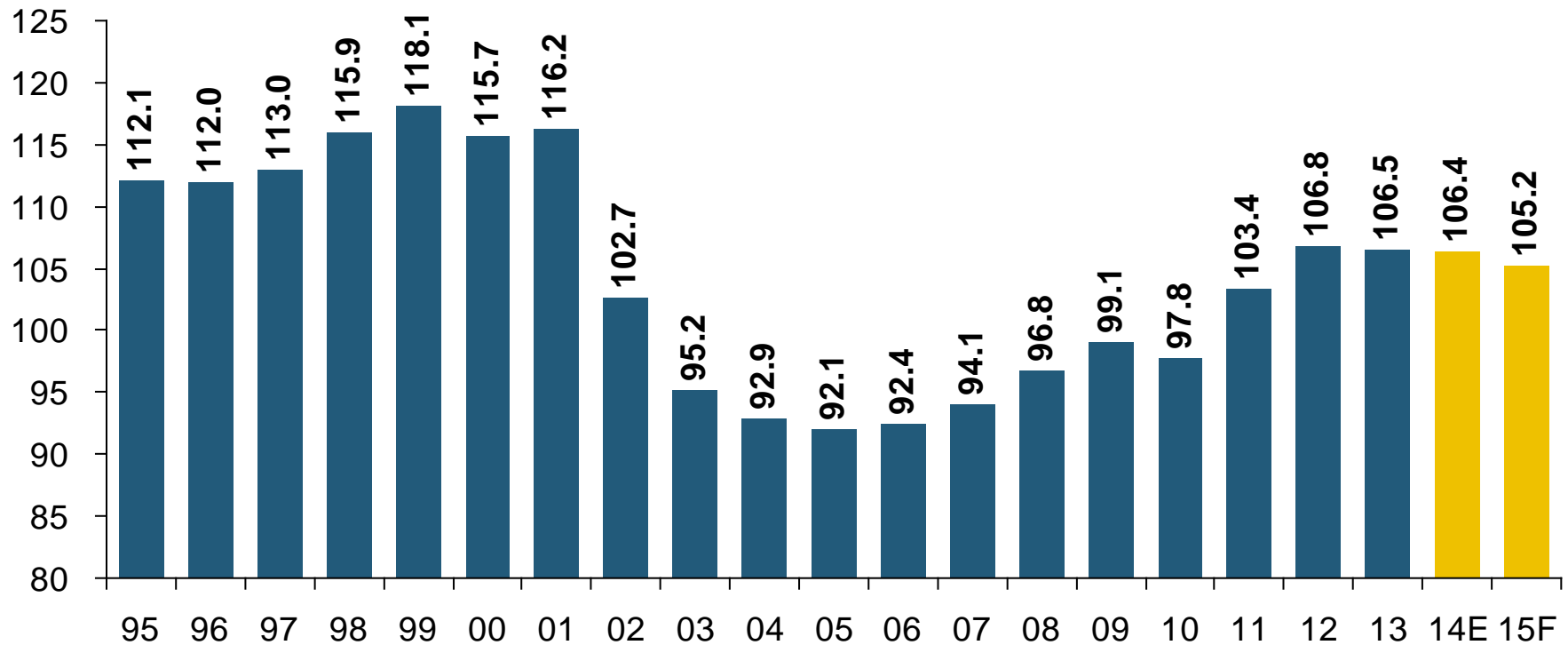
Commercial Lines Combined Ratio, 1990-2015F*



*2007-2012 figures exclude mortgage and financial guaranty segments.

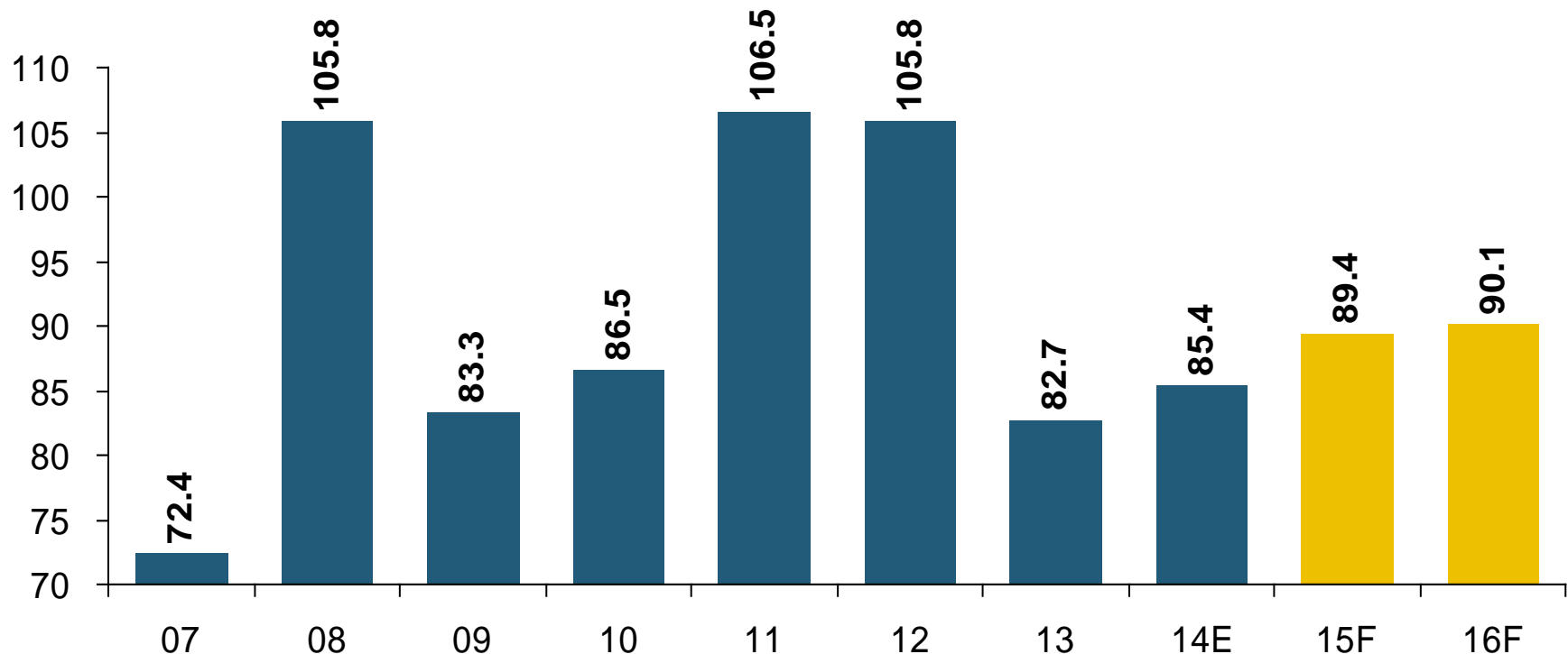
Source: A.M. Best (1990-2014F); Conning (2015F) Insurance Information Institute.

Commercial Auto Combined Ratio: 1993–2015F



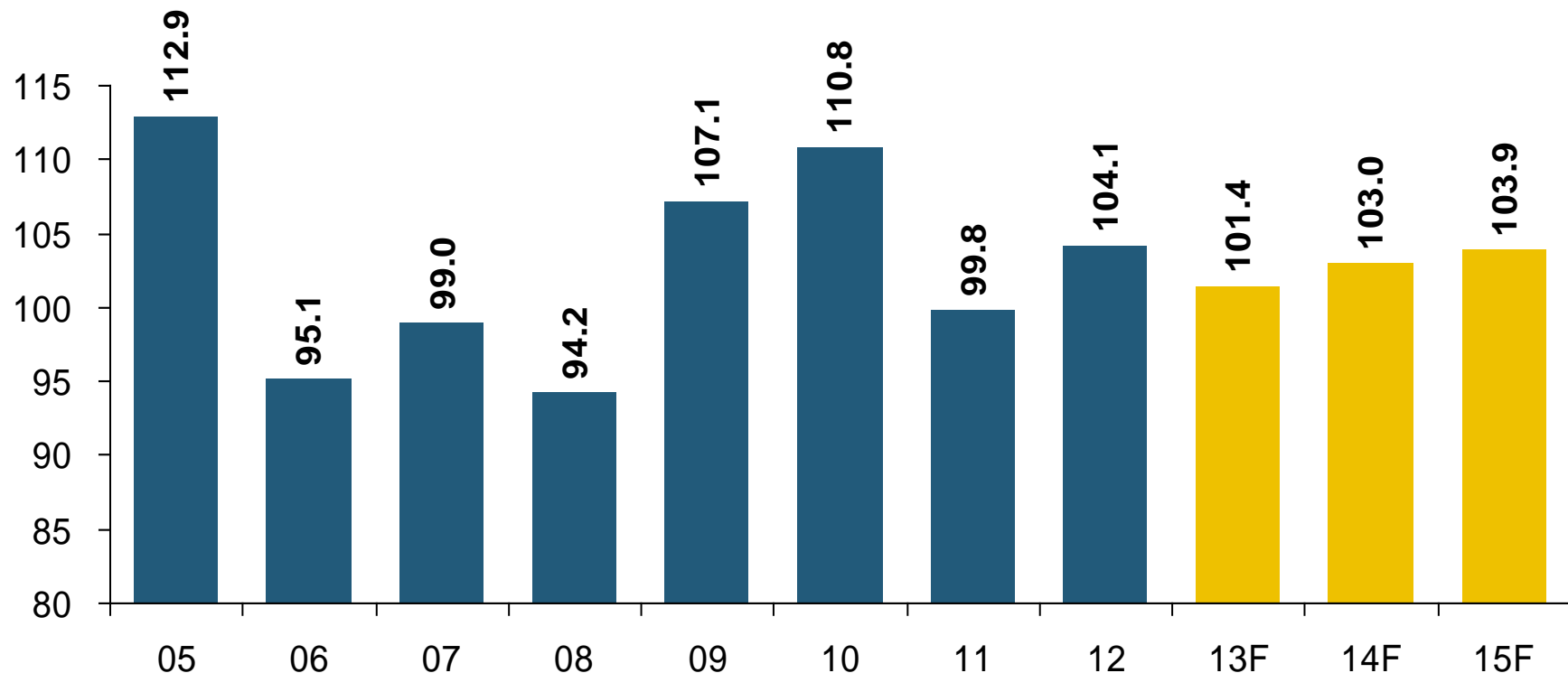
Commercial Auto is Expected to Improve Only Slowly as Rate Gains Barely Offset Adverse Frequency and Severity Trends

Commercial Property Combined Ratio: 2007–2016F



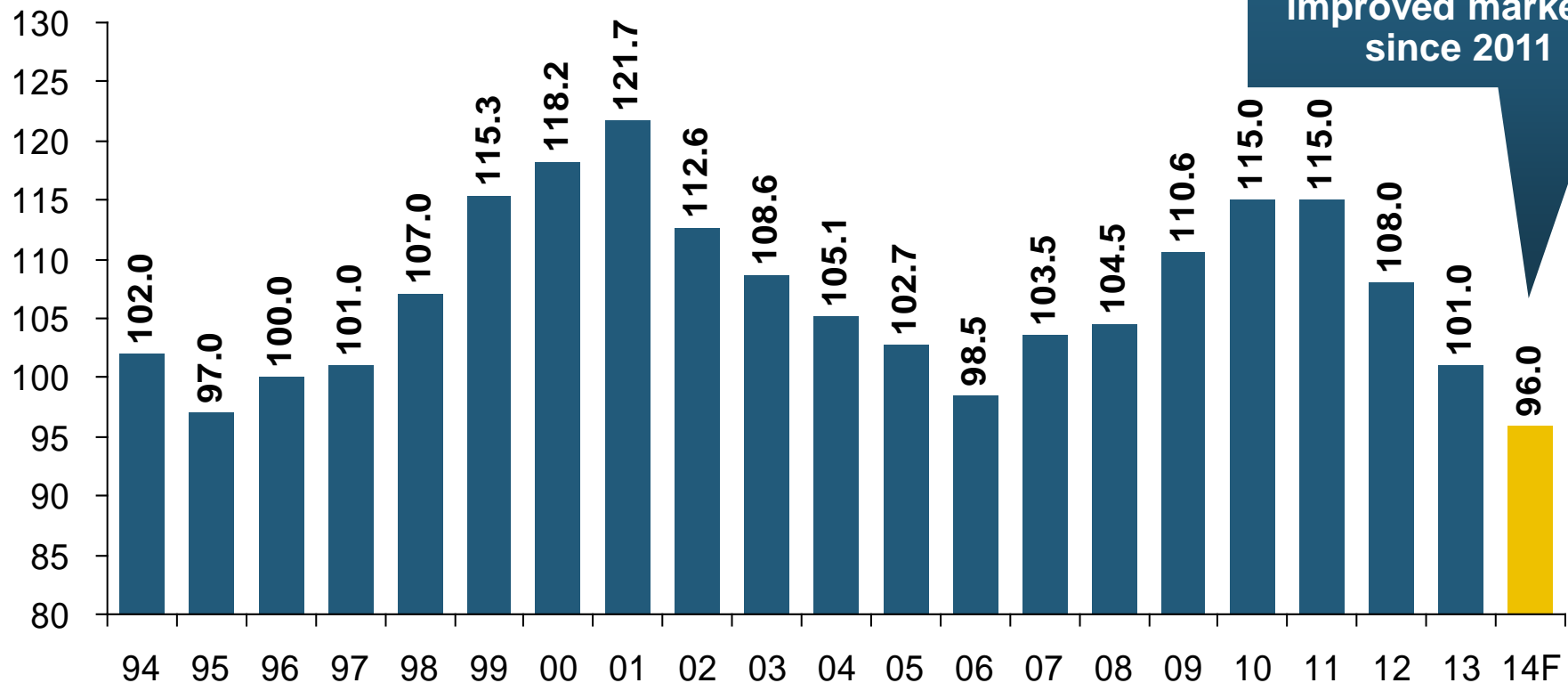
**Commercial Property Underwriting Performance
Has Been Volatile in Recent Years, Largely Due to
Fluctuations in CAT Activity**

General Liability Combined Ratio: 2005–2015F



**Commercial General Liability Underwriting
Performance Has Been Volatile in Recent Years**

Workers Compensation Combined Ratio: 1994–2014E



**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.**

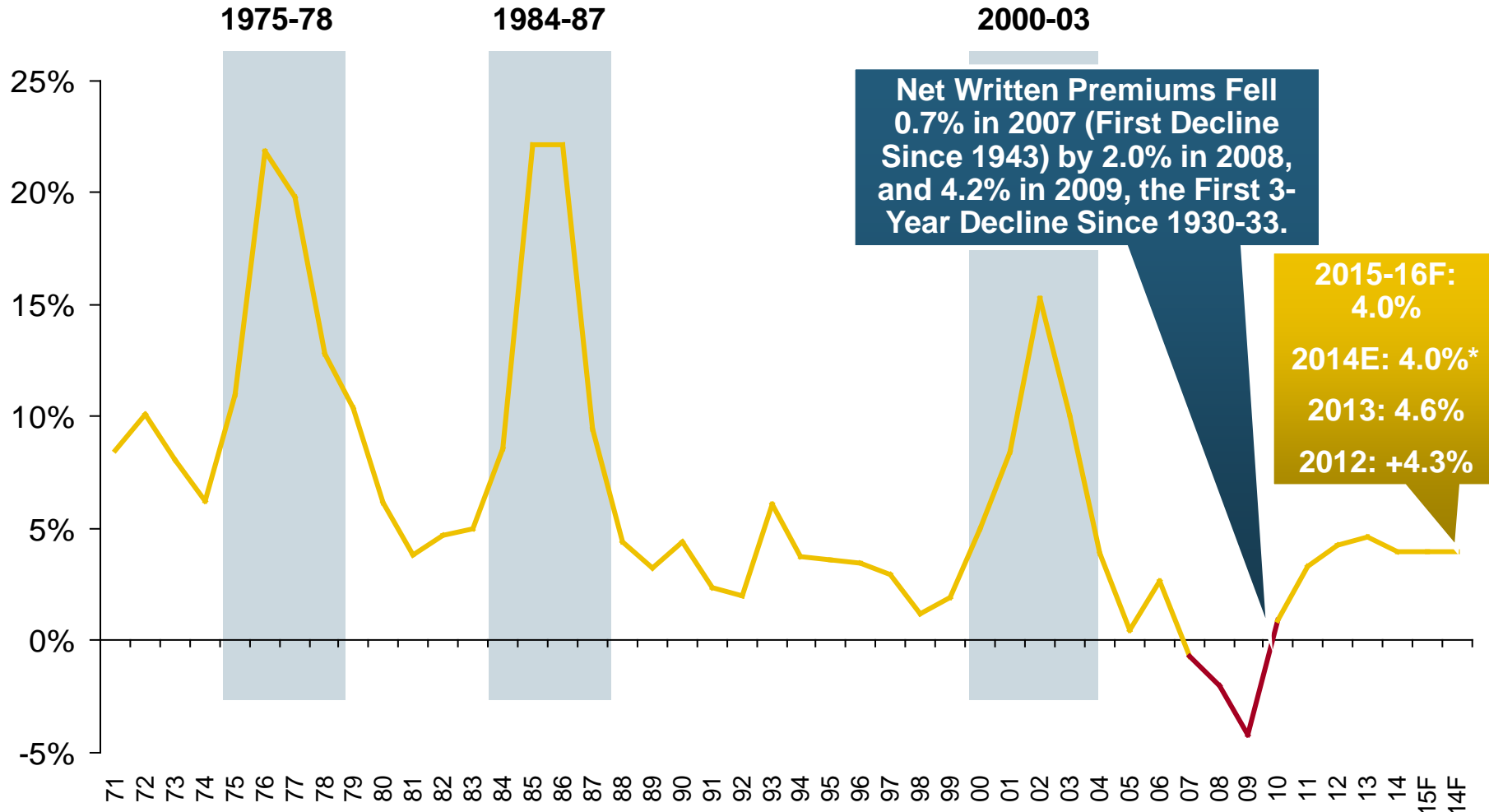
Growth Analysis by State and Business Segment

Post-Crisis Paradox?

***Premium Growth Rates Vary
Tremendously by State***

Net Premium Growth: Annual Change, 1971—2016F

(Percent)



*Actual figure based on data through Q3 2014.

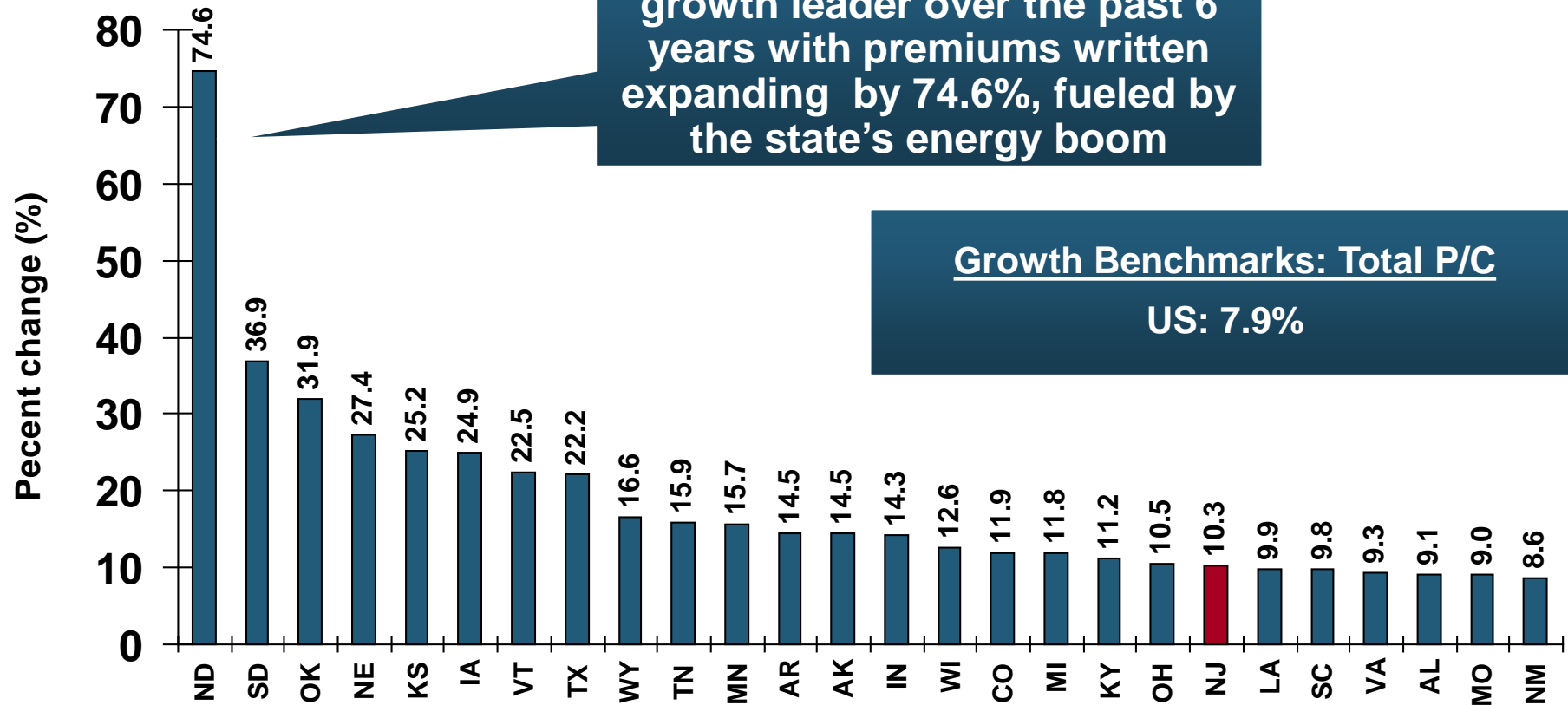
Shaded areas denote "hard market" periods

Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

Direct Premiums Written: Total P/C Percent Change by State, 2007-2013

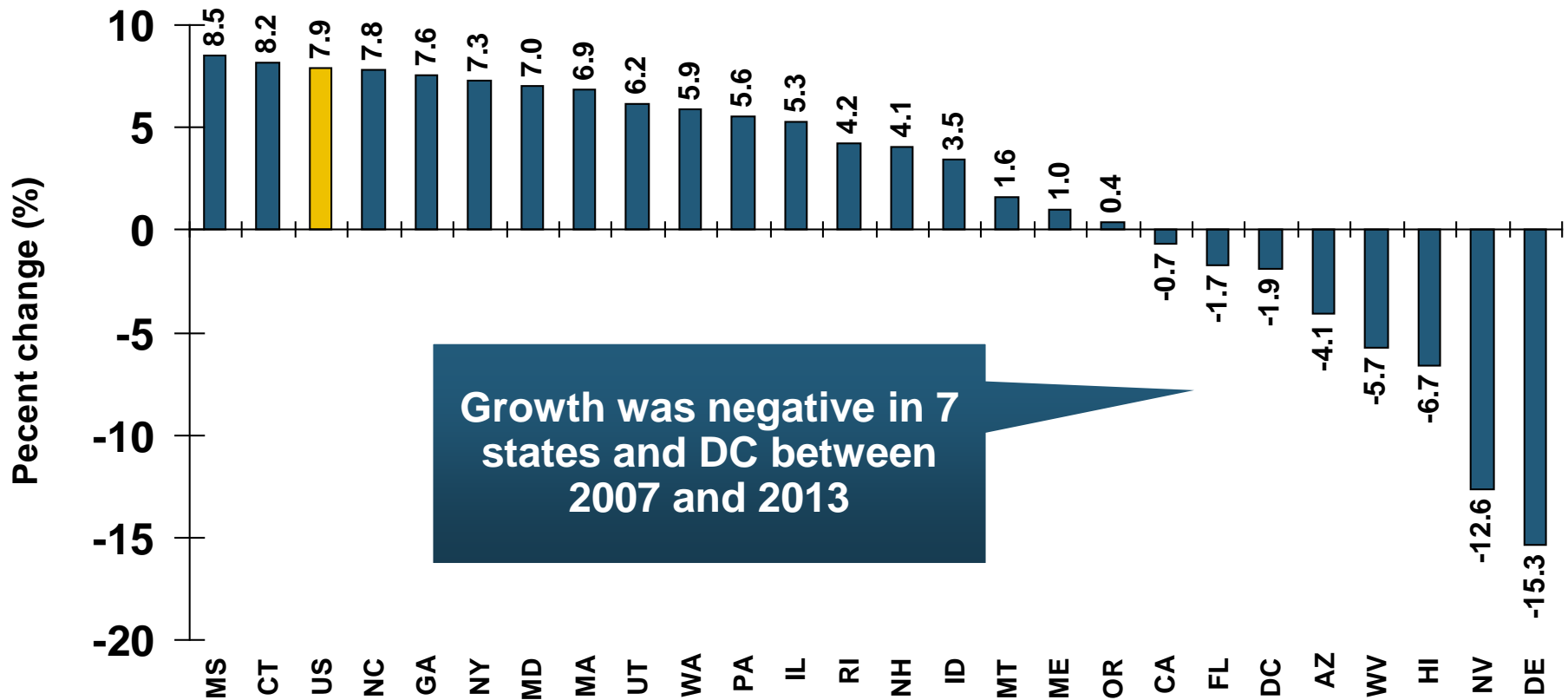
Top 25 States

North Dakota was the country's growth leader over the past 6 years with premiums written expanding by 74.6%, fueled by the state's energy boom



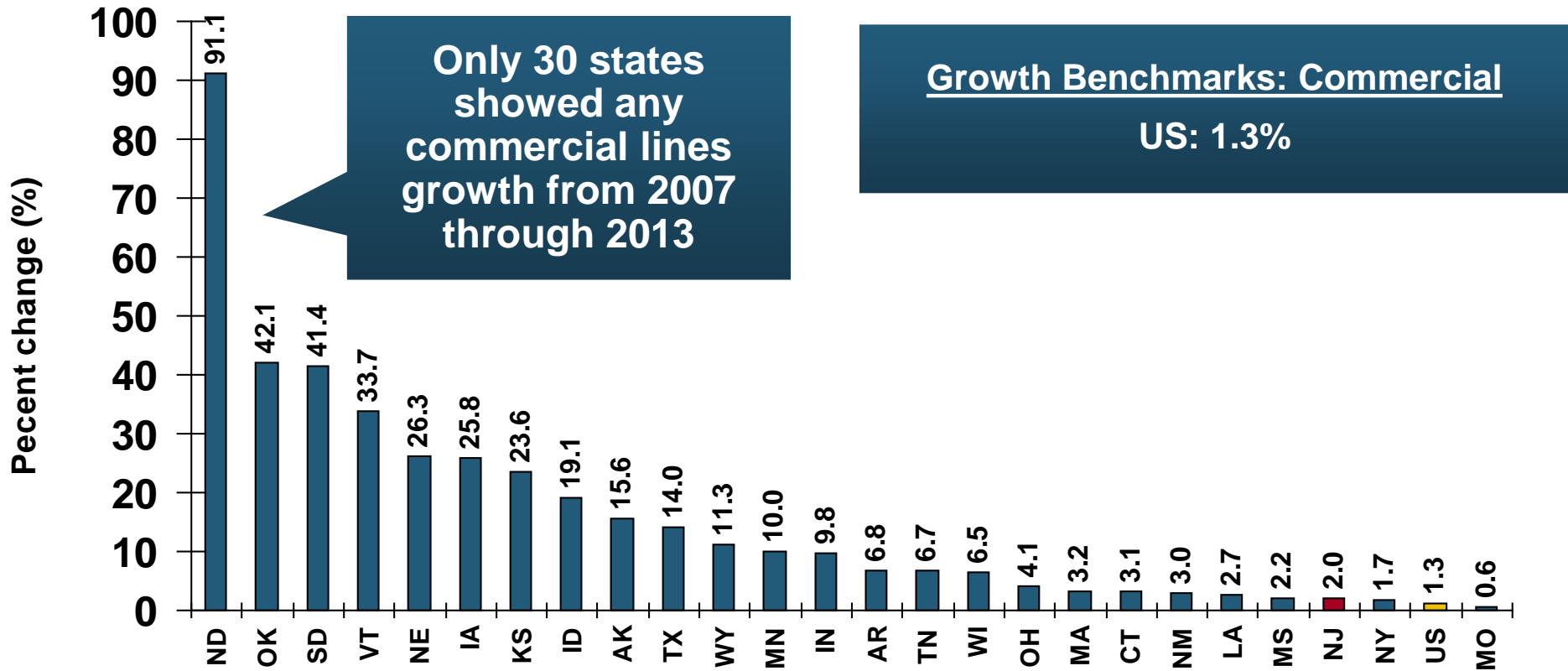
Direct Premiums Written: Total P/C Percent Change by State, 2007-2013

Bottom 25 States



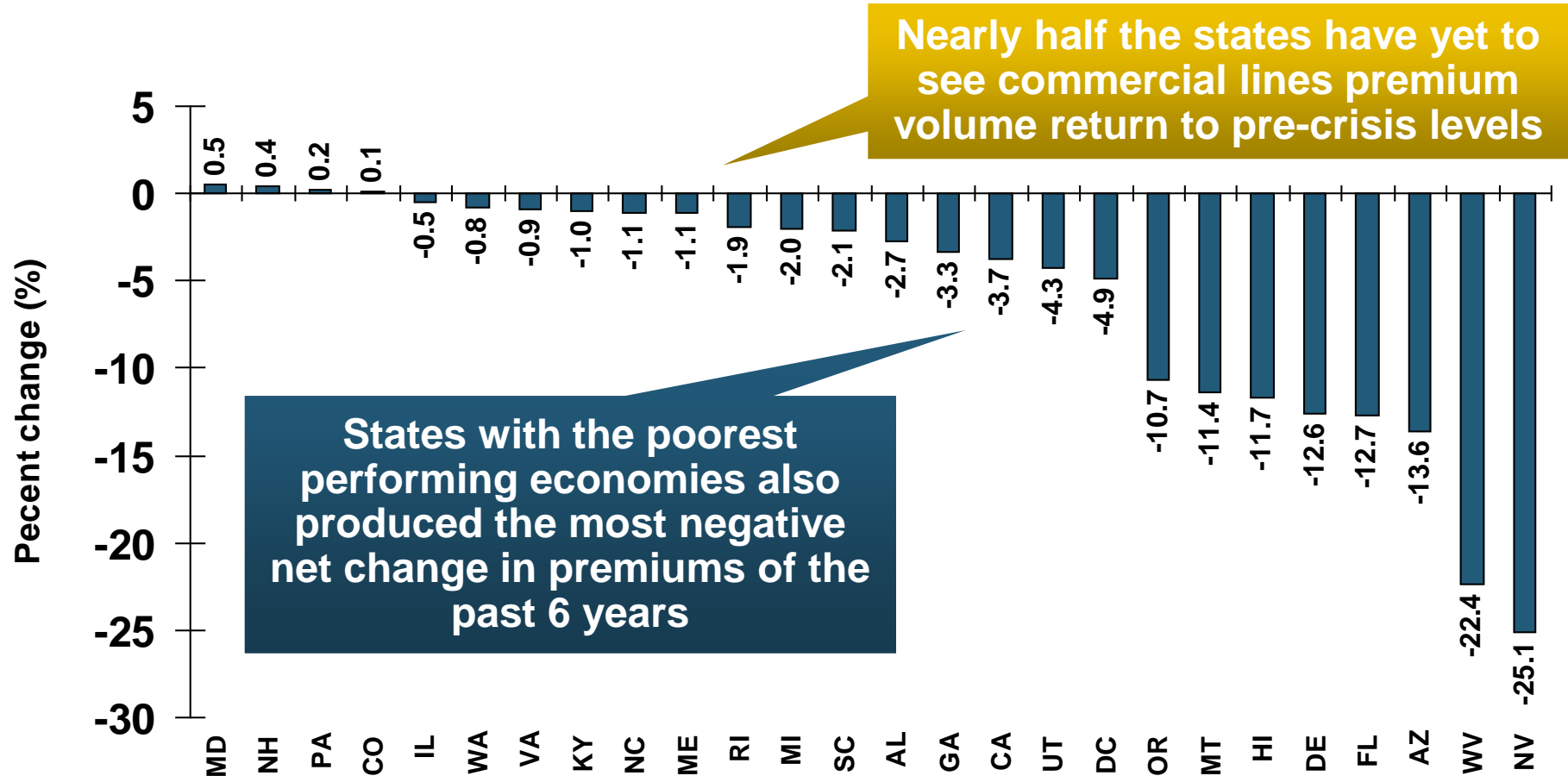
Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

Top 25 States



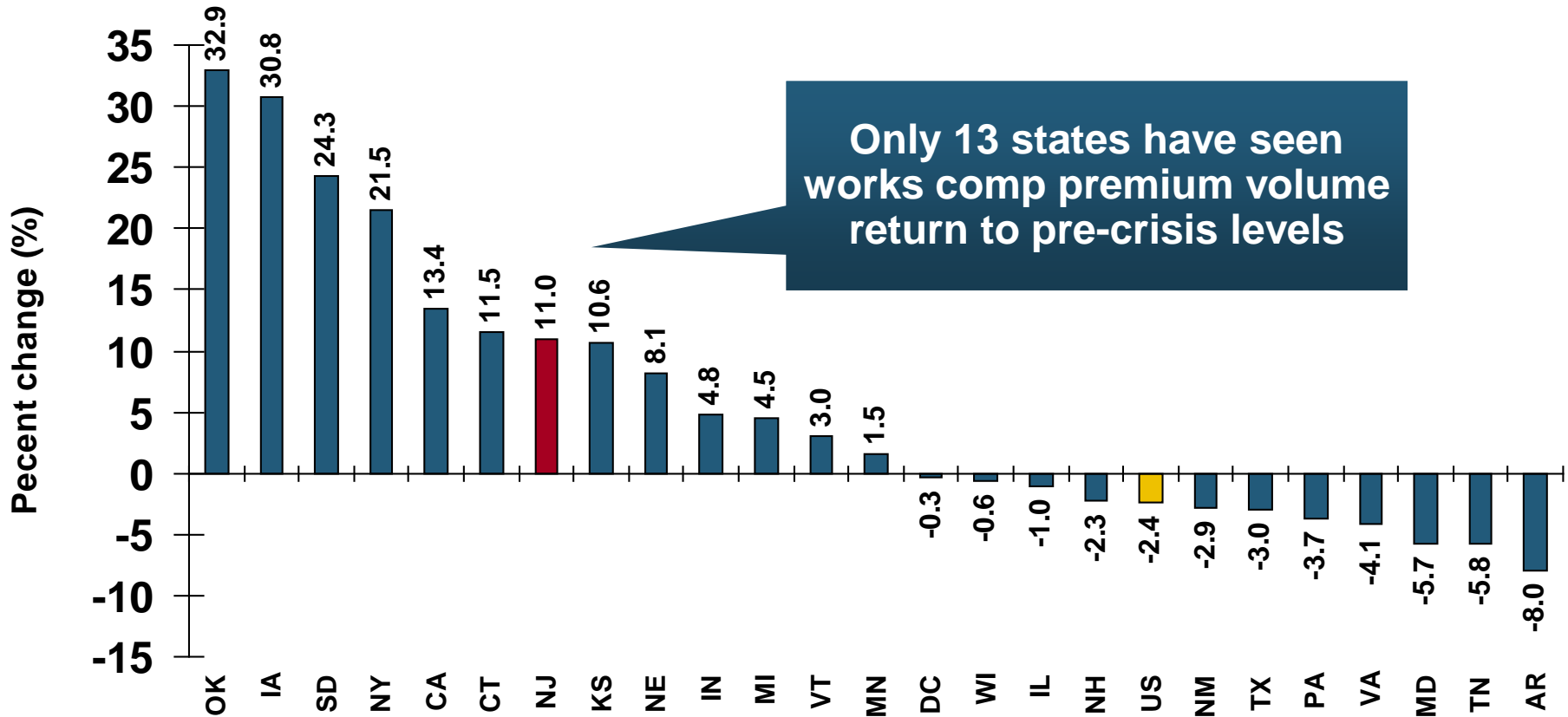
Direct Premiums Written: Comm. Lines Percent Change by State, 2007-2013

Bottom 25 States



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

Top 25 States

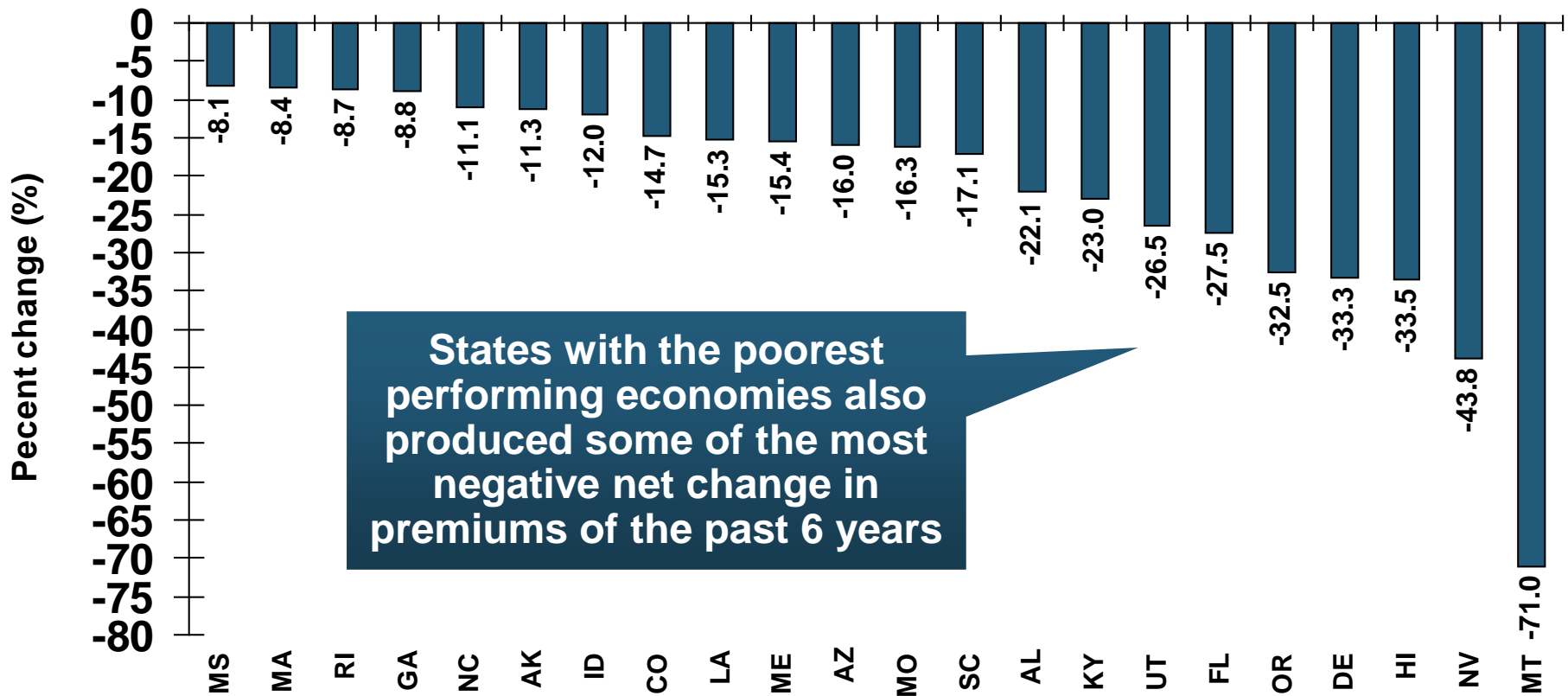


*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

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

Bottom 25 States



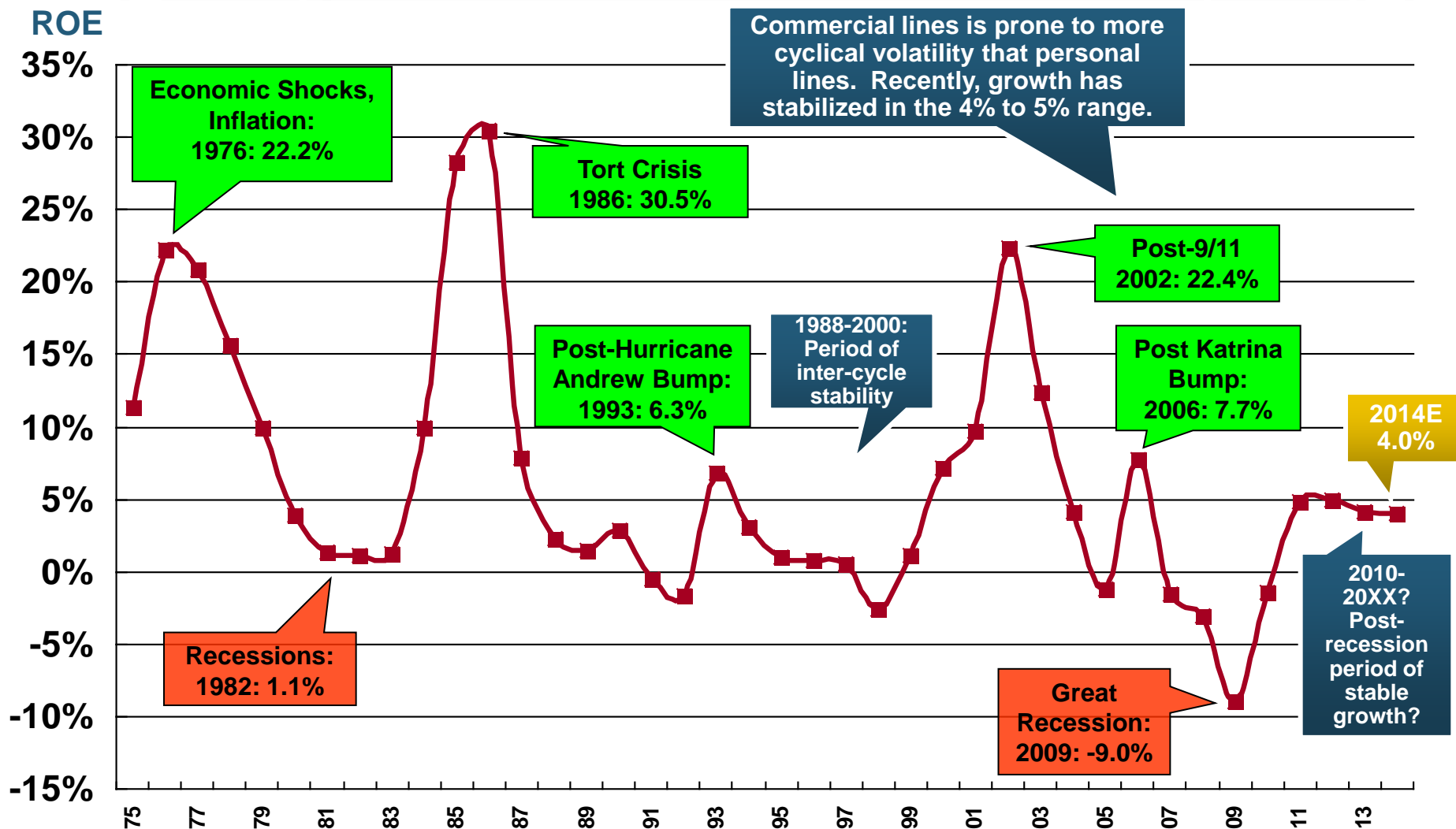
*Excludes monopolistic fund states: ND, OH, WA, WY as well as WV, which transitioned to a competitive structure during this period.

Sources: SNL Financial LC.; Insurance Information Institute.

Commercial Lines Pricing Trends

**Survey Results Suggest
Commercial Pricing Has
Flattened Out**

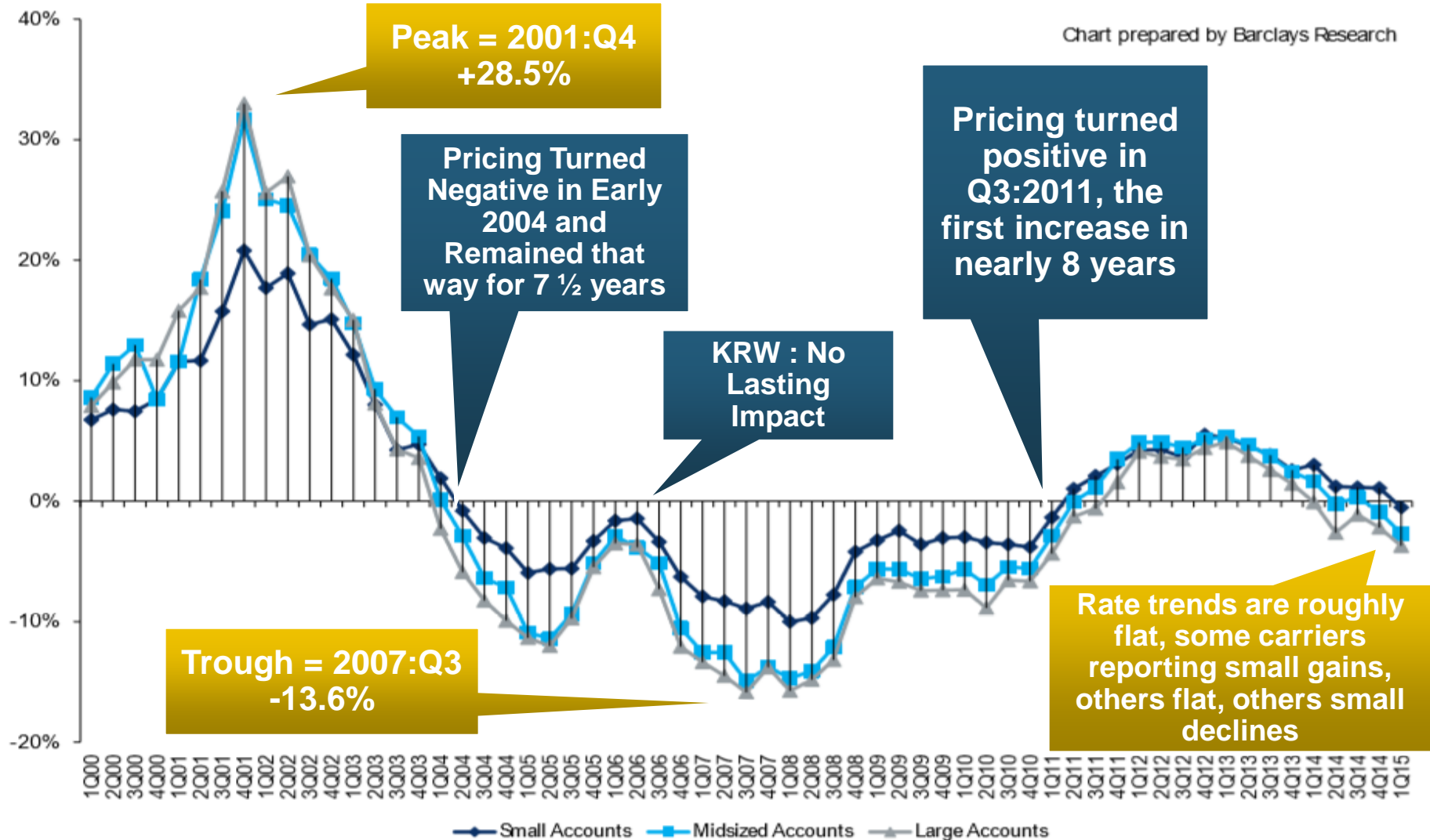
Commercial Lines NPW Premium Growth: 1975 – 2014E



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

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

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.



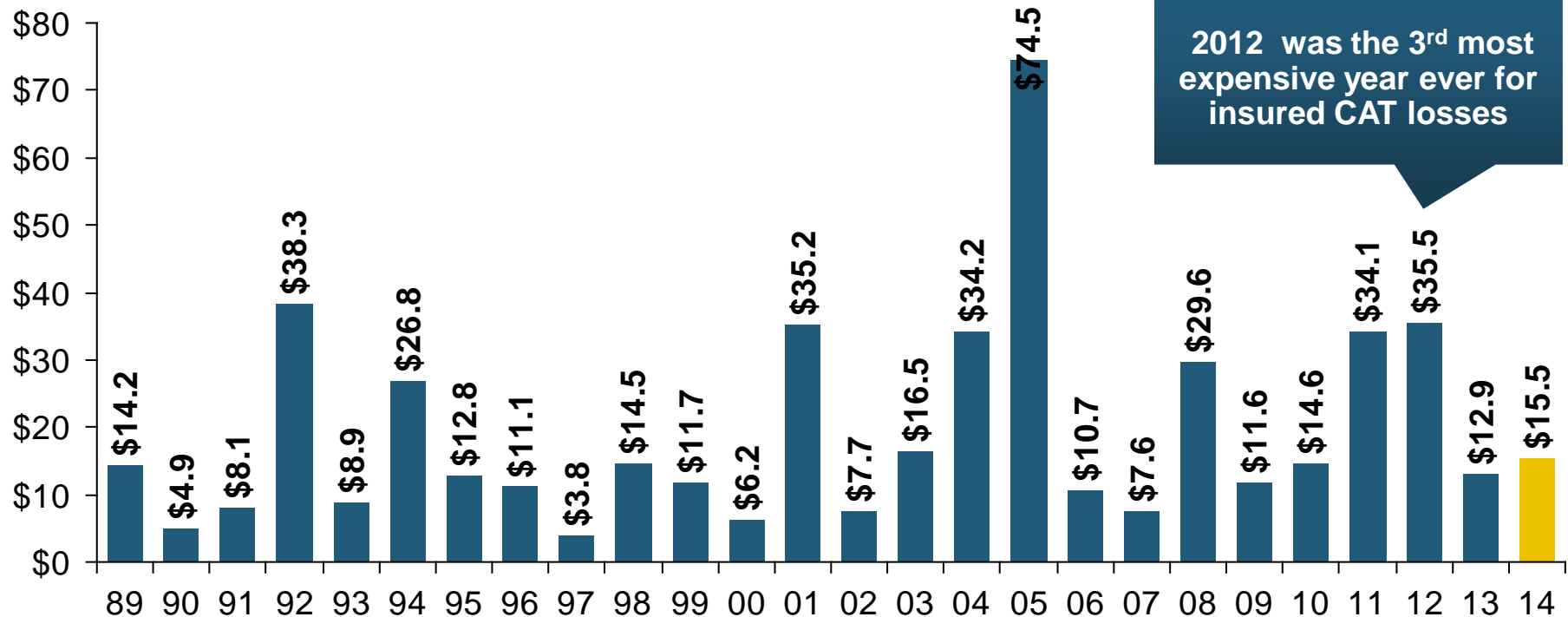
U.S. Insured Catastrophe Loss Update

**2013/14 Experienced Below Average CAT
Activity After Very High CAT Losses in
2011/12**

***Winter Storm Losses Far Above Average in
2014 and 2015***

U.S. Insured Catastrophe Losses

(\$ Billions, \$ 2013)



2012 was the 3rd most expensive year ever for insured CAT losses

2013/14 Were Welcome Respites from 2011/12, among the Costliest Years for Insured Disaster Losses in US History. Longer-term Trend is for more—not fewer—Costly Events

\$15.5 billion in insured CAT losses in 2014

*Through 12/31/14.

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.

Loss events in the US, 1980 – 2014

Number of events

Number of Events

**2014 Total:
119 Events**

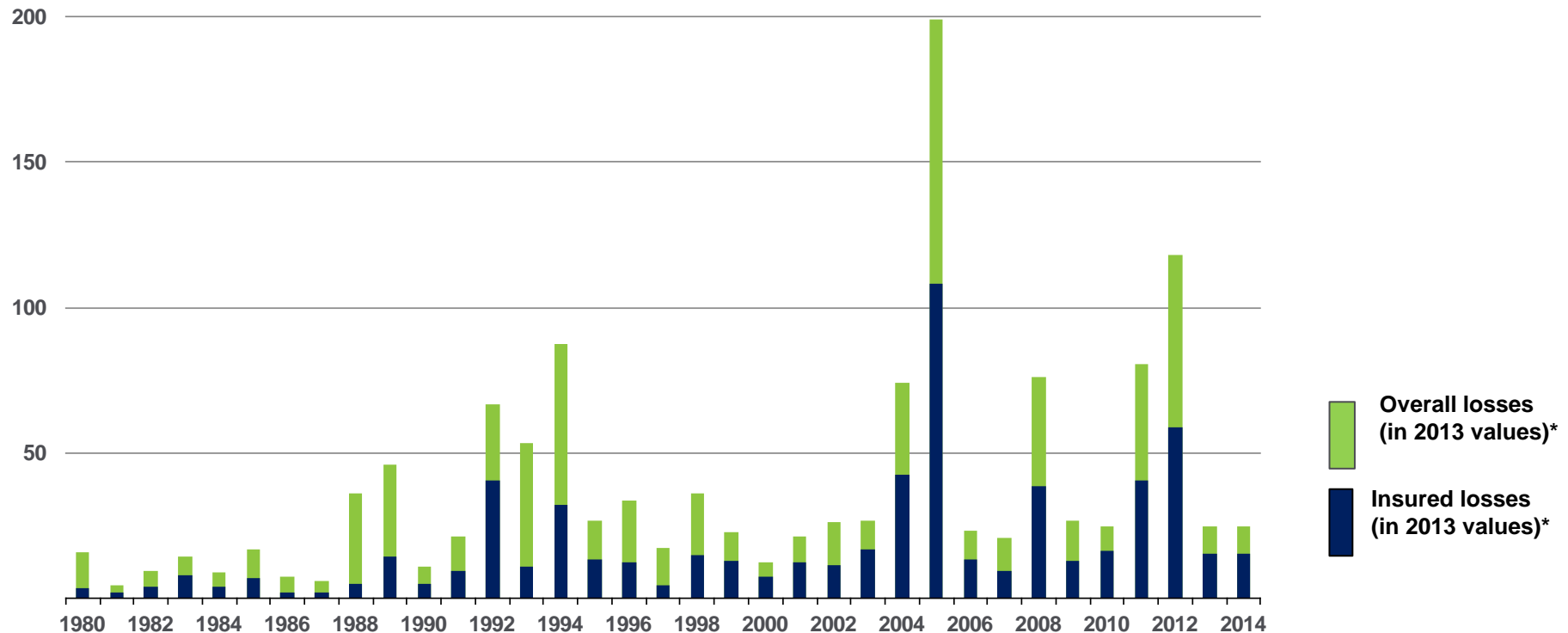


Loss Events in the US, 1980 – 2014

Overall and insured losses

Overall losses totaled US\$ 25bn; Insured losses totaled US\$ 15.3bn

\$ Billions



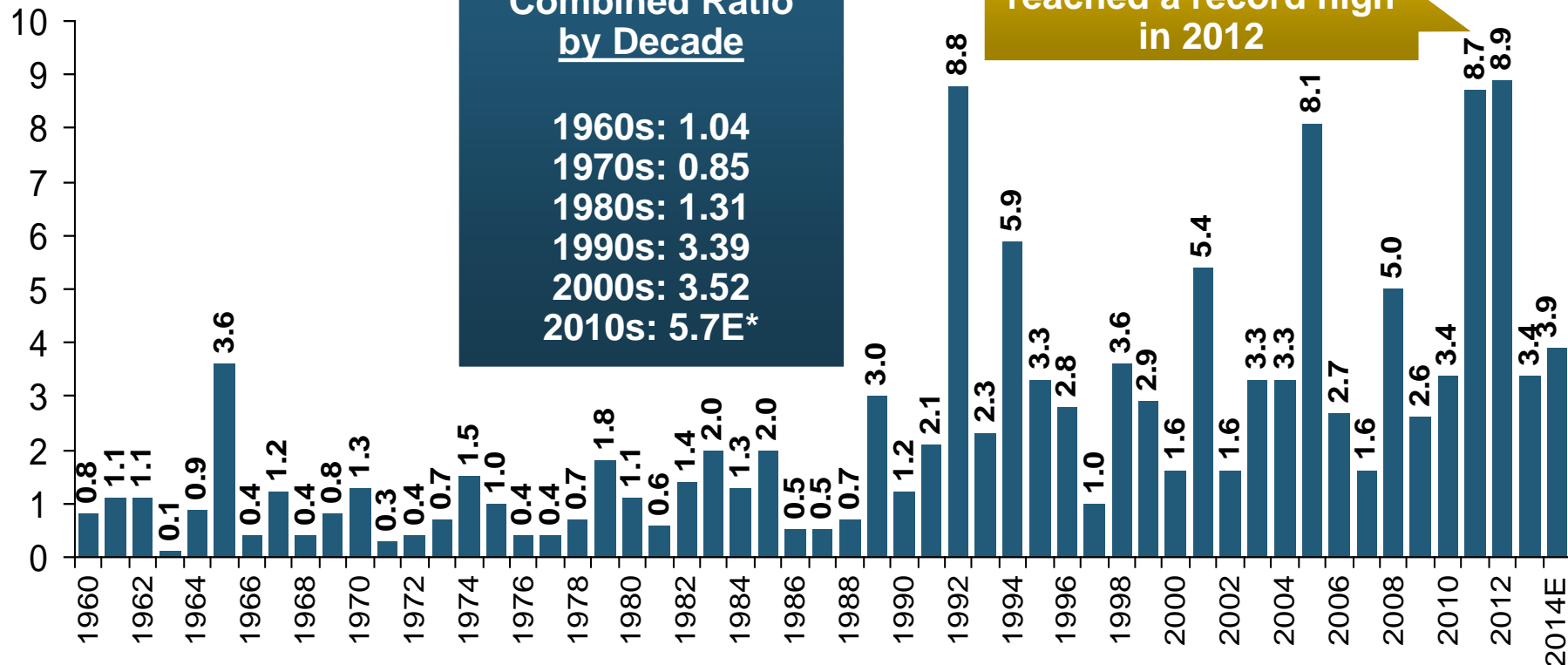
Combined Ratio Points Associated with Catastrophe Losses: 1960 – 2014E*

Combined Ratio Points

**Avg. CAT Loss
Component of the
Combined Ratio
by Decade**

1960s: 1.04
1970s: 0.85
1980s: 1.31
1990s: 3.39
2000s: 3.52
2010s: 5.7E*

**Catastrophe losses as
a share of all losses
reached a record high
in 2012**



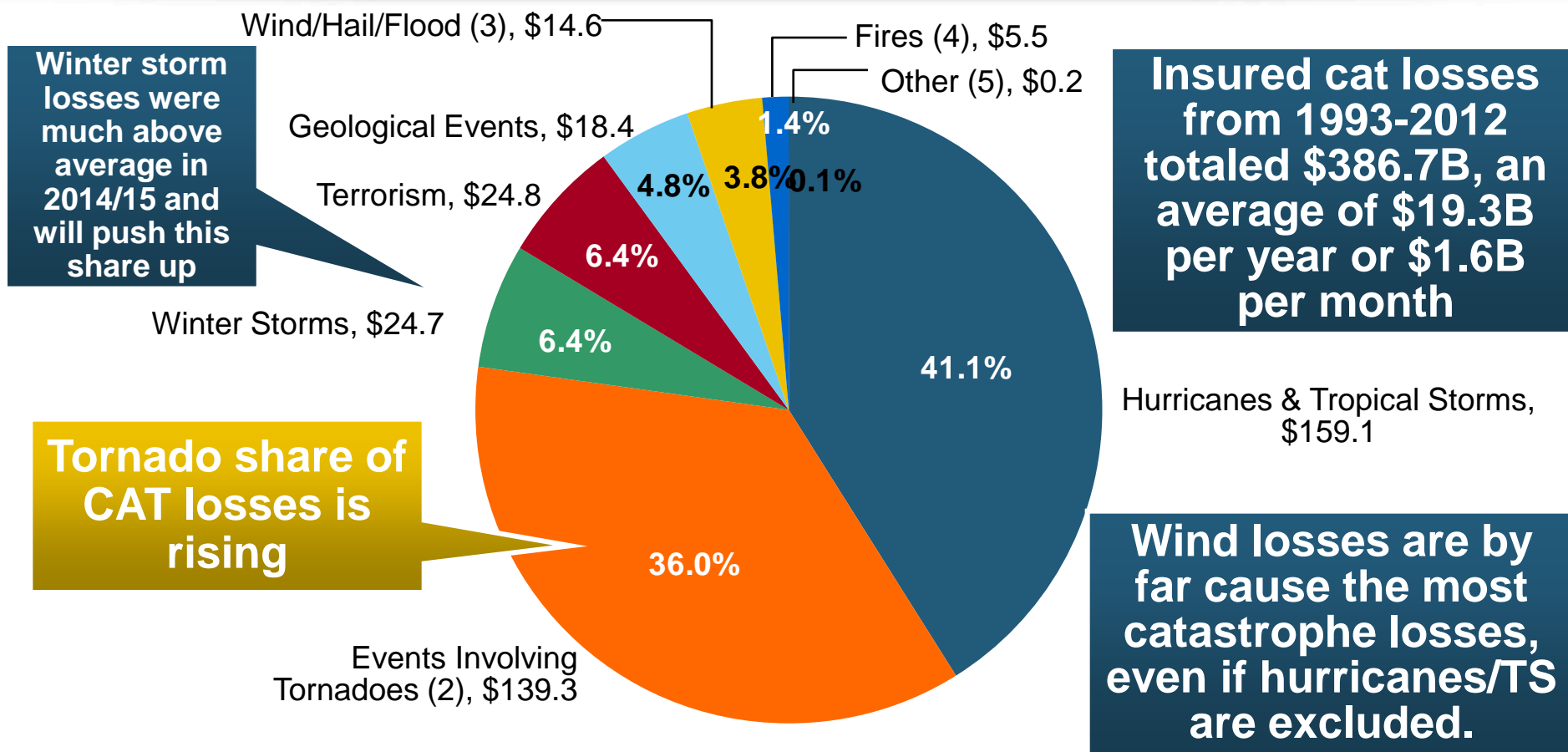
The Catastrophe Loss Component of Private Insurer Losses Has Increased Sharply in Recent Decades

*2010s represent 2010-2014.

Notes: Private carrier losses only. Excludes loss adjustment expenses and reinsurance reinstatement premiums. Figures are adjusted for losses ultimately paid by foreign insurers and reinsurers.

Source: ISO (1960-2011); A.M. Best (2012) Insurance Information Institute (2013-14).

Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1994–2013¹



1. Catastrophes are defined as events causing direct insured losses to property of \$25 million or more in 2013 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

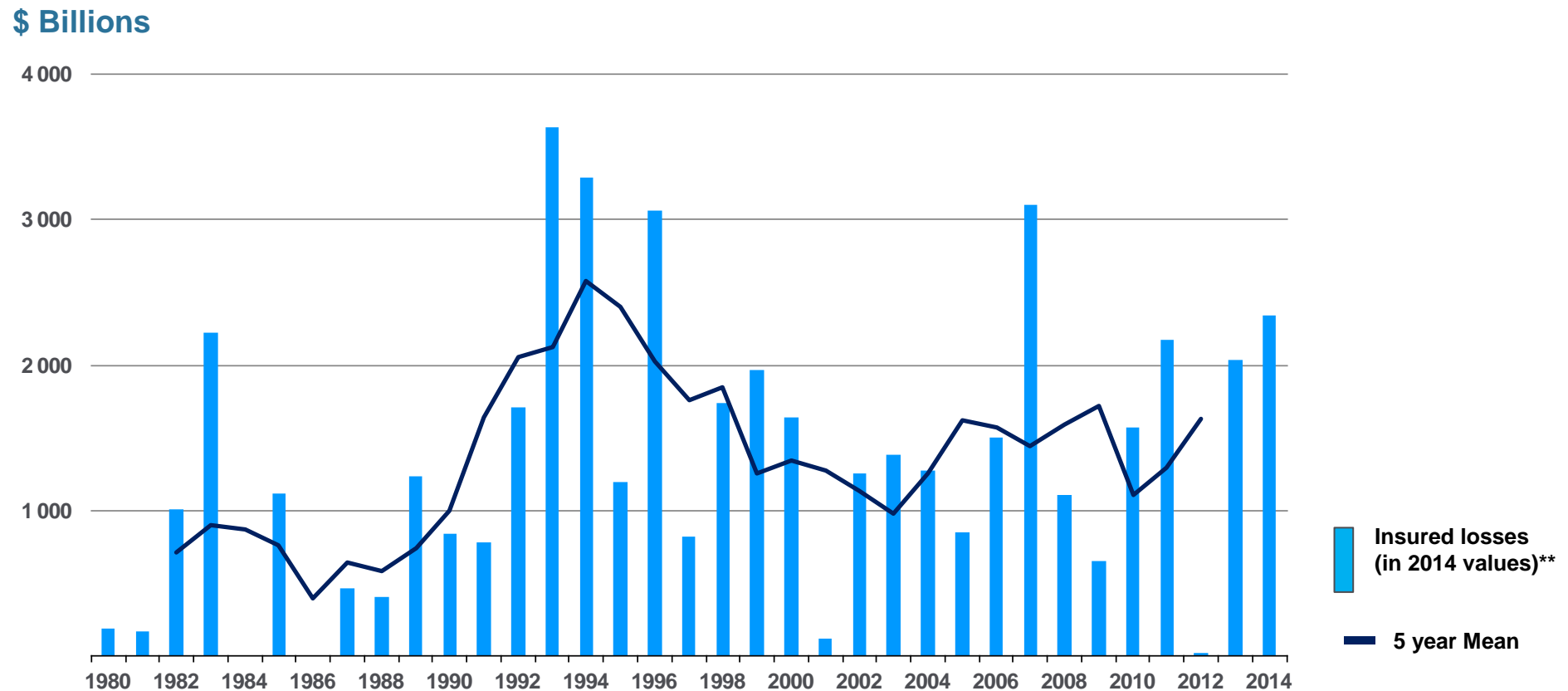
Source: ISO's Property Claim Services Unit.

Loss events in the US, 1980 – 2014

Insured losses due to winter storms*

Overall losses in 2014 totaled \$3.7B; Insured losses totaled \$ 2.4B

Preliminary figures for 2015 suggest \$2.3B in insured winter storm losses.



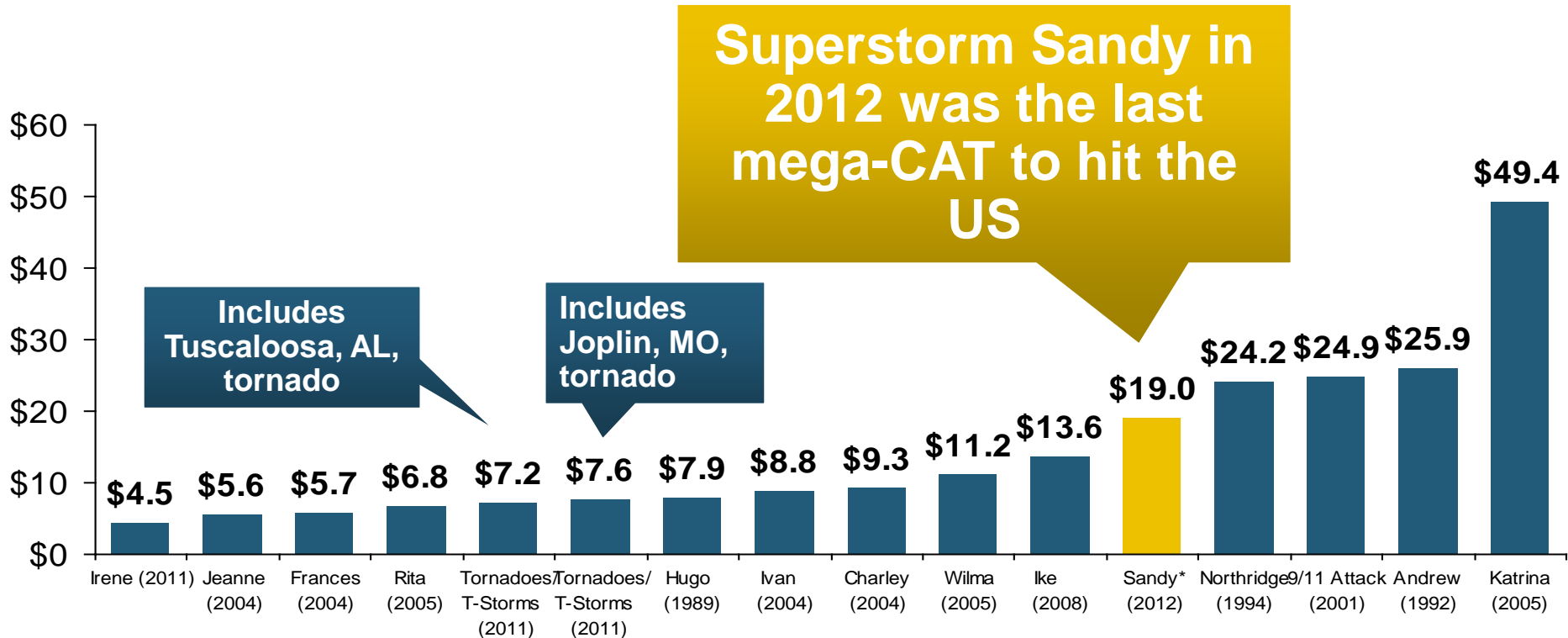
Source: Property Claim Services, MR NatCatSERVICE.

*Winter storms include winter damage, blizzard, snow storm and cold wave

**Losses adjusted to inflation based on country CPI

Top 16 Most Costly Disasters in U.S. History

(Insured Losses, 2013 Dollars, \$ Billions)



12 of the 16 Most Expensive Events in US History Have Occurred Over the Past Decade

Riots, Civil Commotion and Insurance

**Damage to Insured Properties is
Generally Covered Under Standard
Property and Auto Policies**

***Baltimore Riots Have Officially Been
Designated a PCS CAT Event***

Insurance Coverage for Riots and Civil Commotions: Home, Auto and Business

- Auto, homeowners, and business insurance policies generally include coverage for property losses caused by riots and civil commotions
- Homeowners policies pay to repair, or rebuild, an insured home if its structure is damaged or destroyed as the result of a riot or civil commotion, as well as to replace the homeowner's personal belongings if they are damaged or stolen during the event.
 - ◆ If the home is rendered uninhabitable by the damage caused by a riot or civil commotion, policyholders can file an additional living expenses (ALE) claim to finance their temp. housing expenses until the residence has been repaired.
- The optional comprehensive coverage on an auto insurance policy reimburses losses to a vehicle due to damage caused by falling objects, fire, riots and vandalism, among other things.
- Standard business property insurance policies provide coverage for the structure of the building as well as the contents inside, and cover losses arising from riots or civil commotion. Business interruption (BI) coverage, whereby the policyholder can file a claim for lost income, is usually only triggered when the insured business incurs direct physical damage.

Top 10 Insured Loss Events from Riots and Civil Commotion*

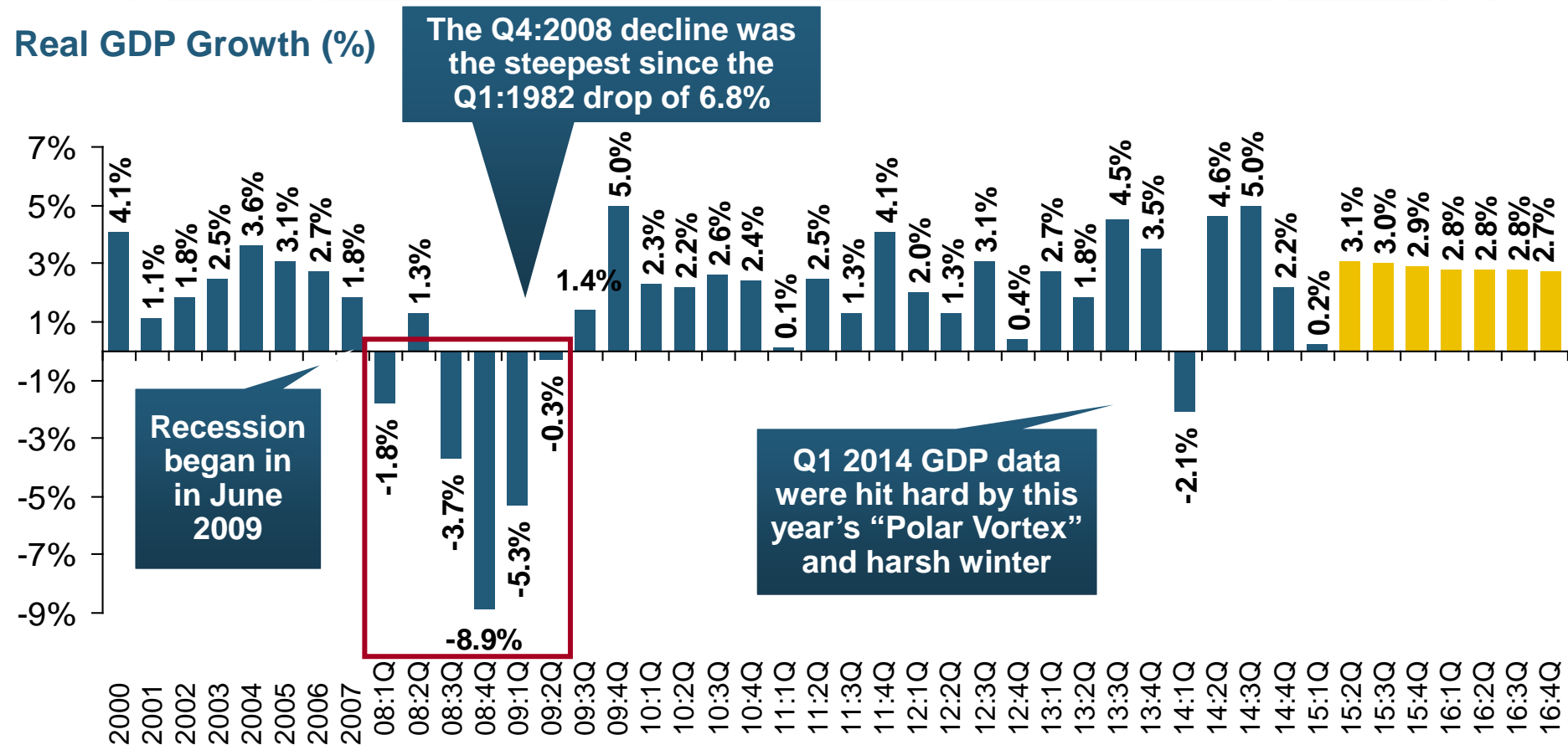
Year	Deaths	Date	State	Insured Loss When Occurred	Insured Losses (2014 \$MM)
1992	14	Apr 29 - May 4	CA	775,000,000	1,307.7
1980	62	May 17 - 19	FL	65,250,000	187.5
1967	48	Jul 23 - 31	MI	41,500,000	294.2
1965	87	11-Aug	CA	38,000,000	285.6
1977	99	Jul 13 - 14	NY	28,000,000	109.4
1967	47	Jul 12 - 21	NJ	11,000,000	78.0
1966	20	12-Jul	IL	4,000,000	29.2
1971	63	Jun 13 - 15	NM	3,000,000	17.5
1977	11	Jul 13 - 14	NY	2,000,000	7.8
1968	77	Jul 23 - 24	OH	1,500,000	10.2

April 2015 Baltimore riots were designated a PCS CAT event on April 29 but loss estimates are not yet available (2014 Ferguson riots did not receive PCS designation)

The Strength of the Economy Will Influence P/C Insurer Growth Opportunities

**Growth Will Expand Insurer Exposure
Base Across Most Lines**

US Real GDP Growth*



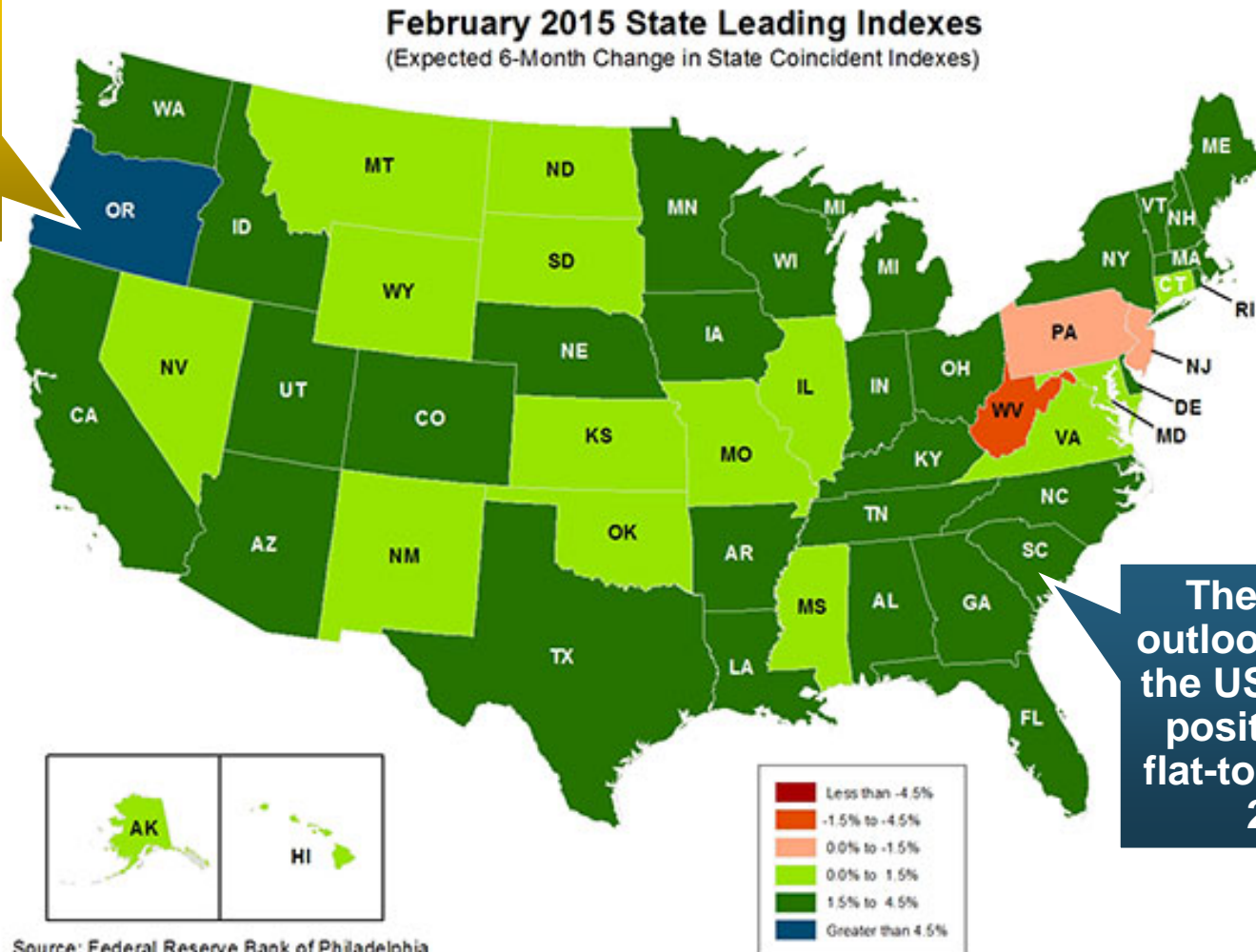
Demand for Insurance Should Increase in 2015 as GDP Growth Accelerates Modestly and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 4/15; Insurance Information Institute.

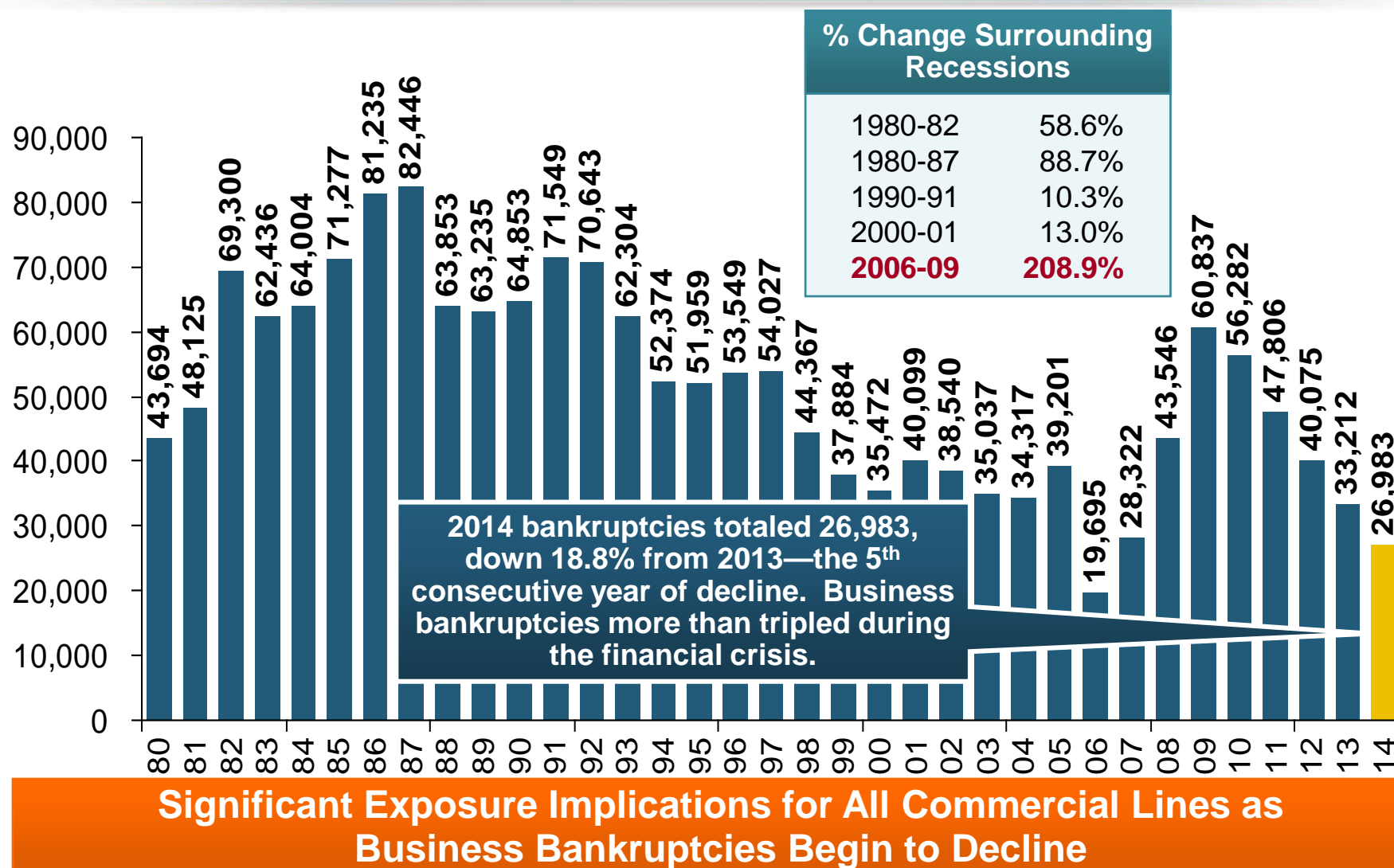
State-by-State Leading Indicators through August 2015

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

Business Bankruptcy Filings, 1980-2014



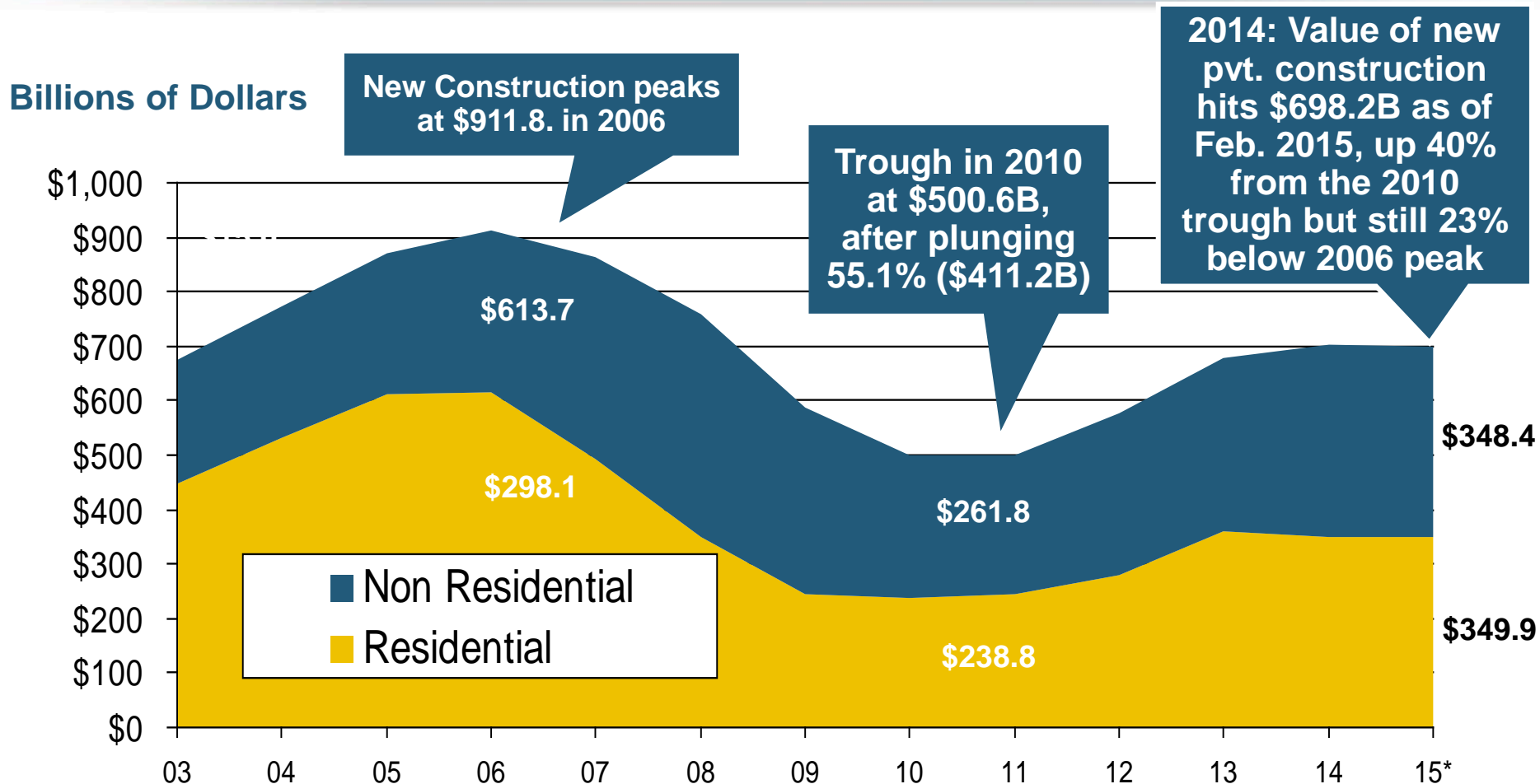
Sources: American Bankruptcy Institute (1980-2012) at

<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.

CONSTRUCTION INDUSTRY OVERVIEW & OUTLOOK

**The Construction Sector Is
Critical to the Economy and
the P/C Insurance Industry**

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



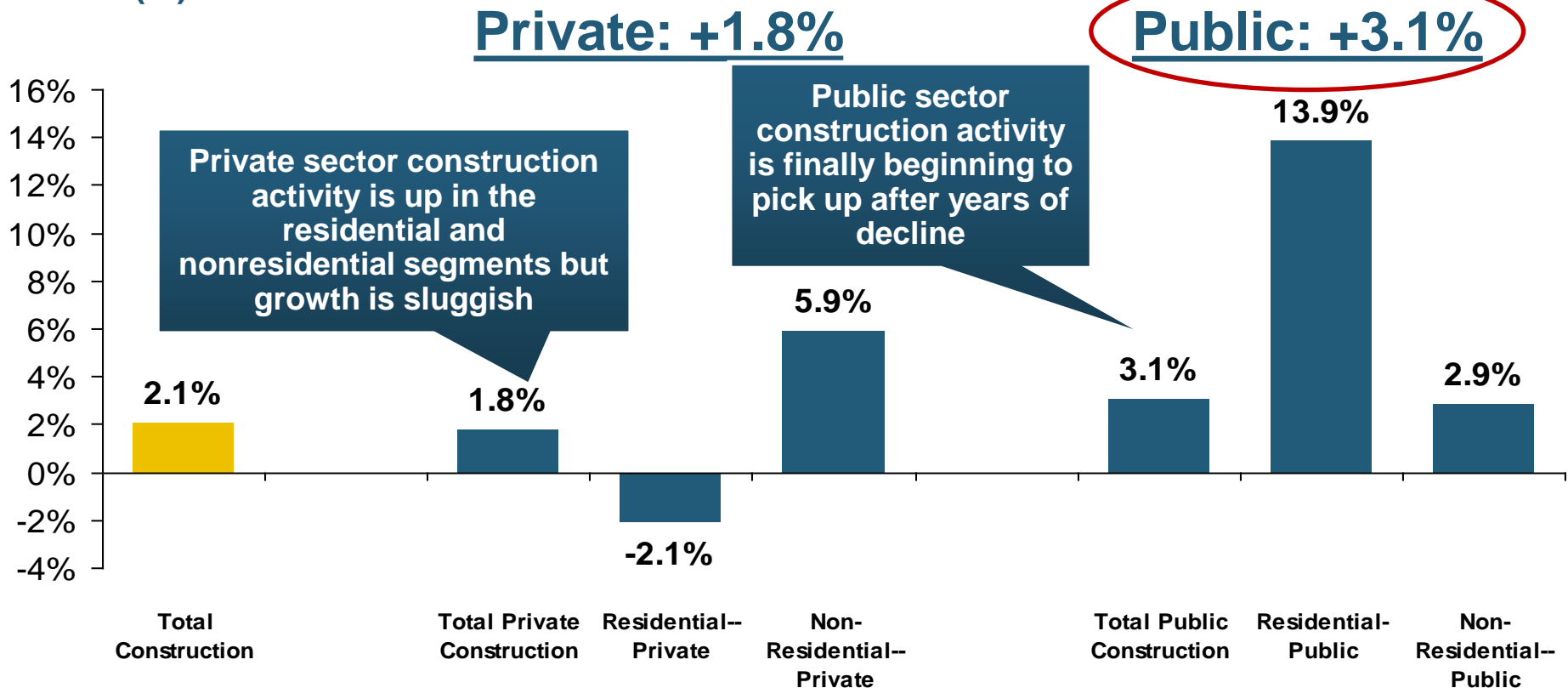
Private Construction Activity Is Moving in a Positive Direction though Remains Well Below Pre-Crisis Peak; Residential Dominates

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

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

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

Growth (%)



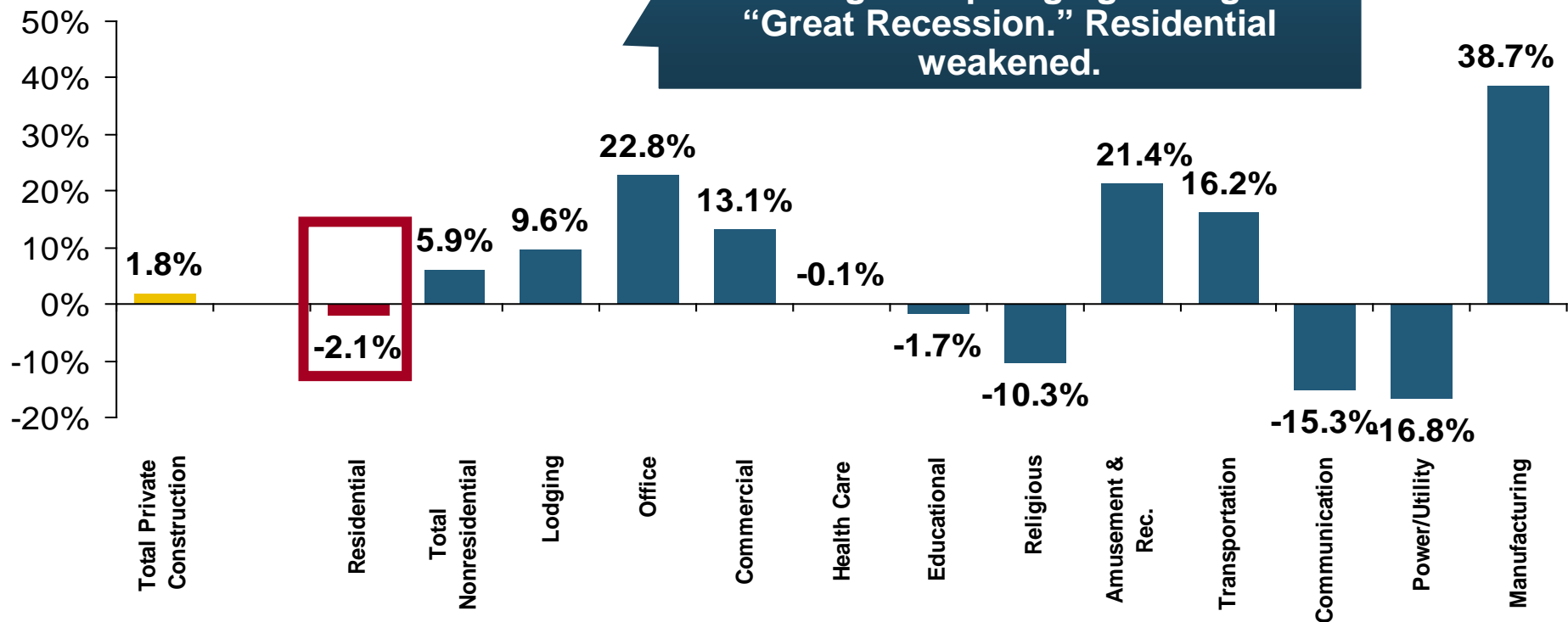
Overall Construction Activity is Up, But Growth In the Private Sector Slowed in Late 2014 While Picking in the State/Local Sector Government Sector as Budget Woes Ease in Some Jurisdictions

*seasonally adjusted

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

Value of Private Construction Put in Place, by Segment, Feb. 2015 vs. Feb. 2014*

Growth (%)

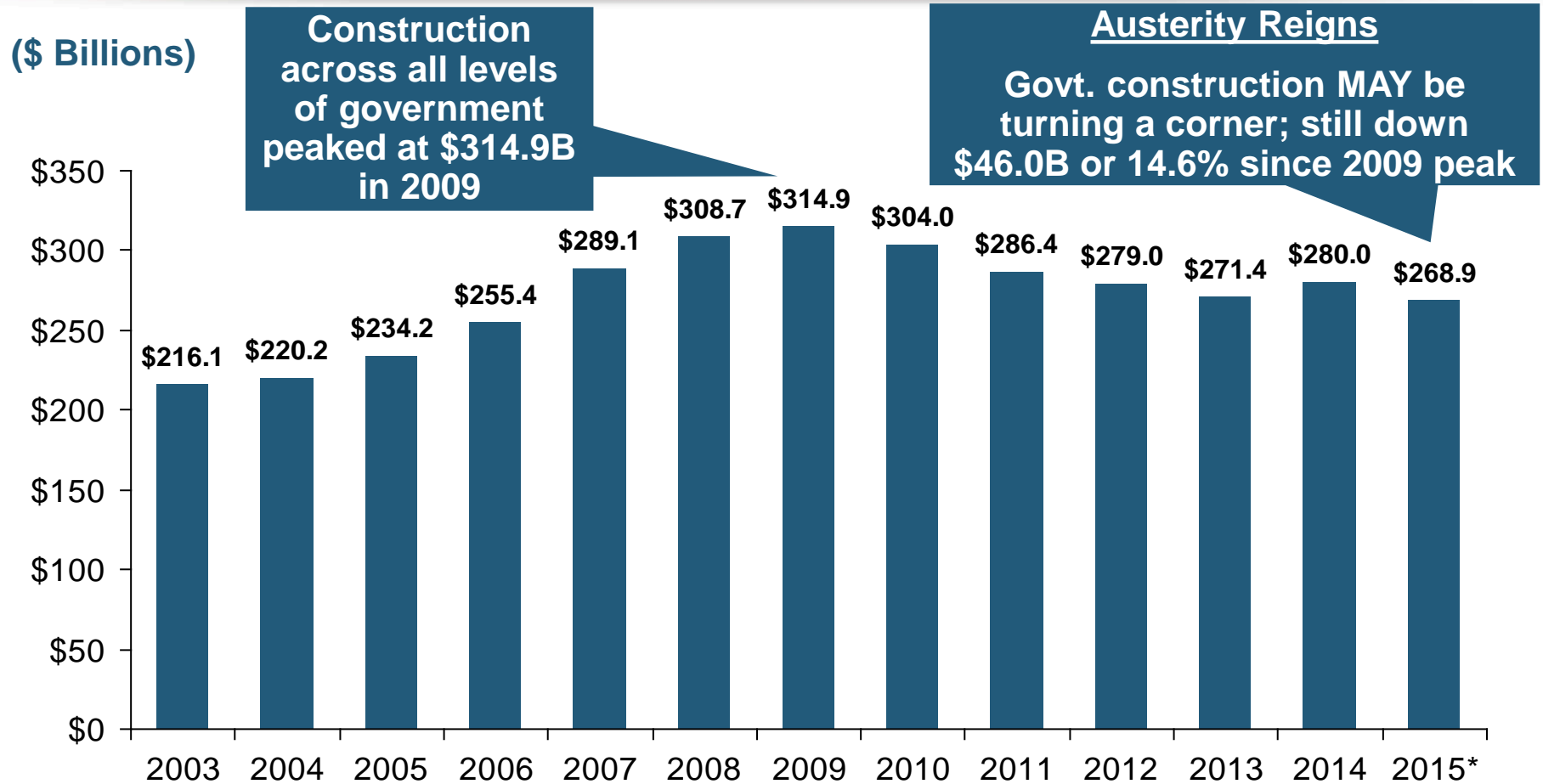


Private Construction Activity is Up in Many Segments, though the Key Residential Construction Sector Weakened in Late 2014/Early 2015; Mixed Outlook for 2015, though Expansion Should Continue

*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*

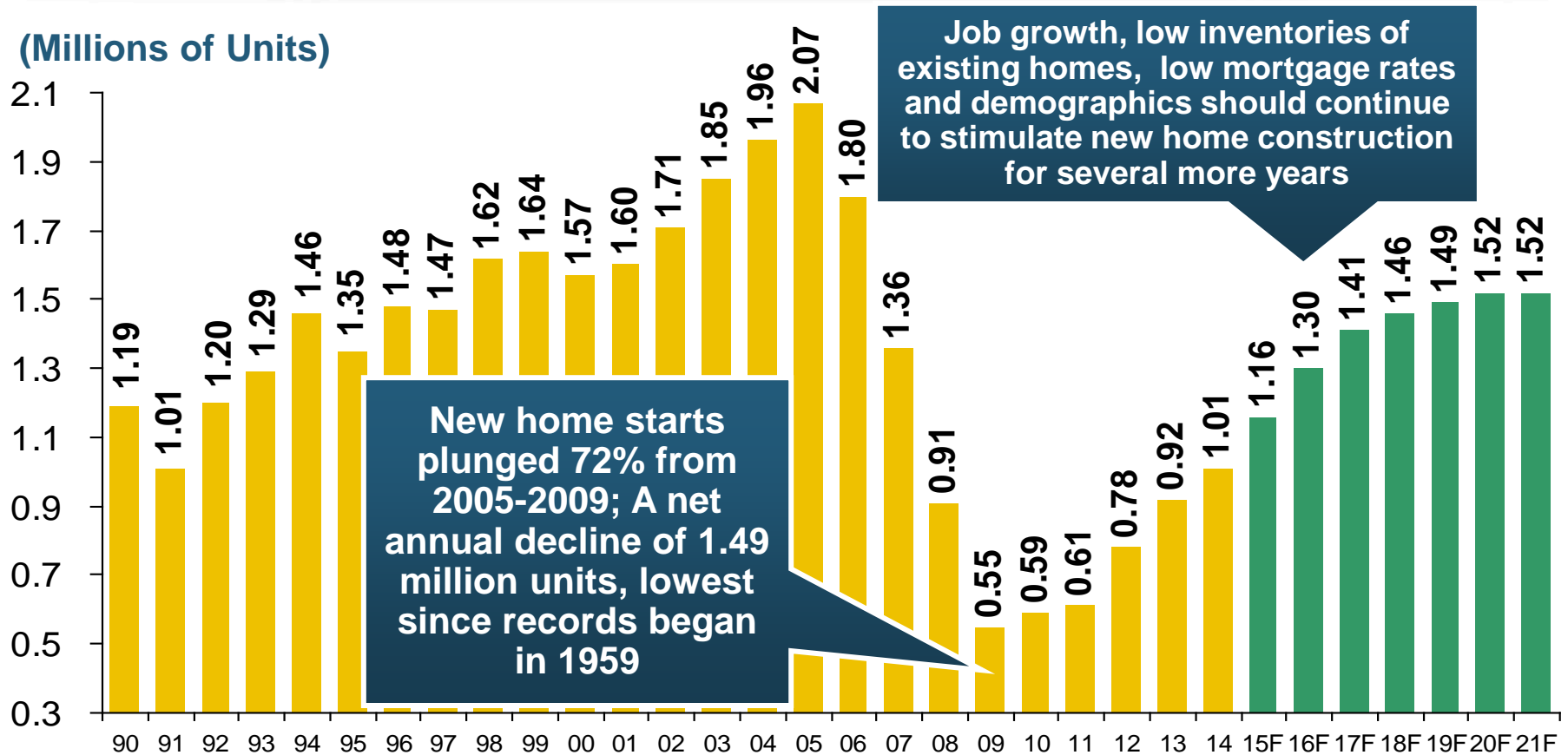


Government Construction Spending Peaked in 2009, Helped by Stimulus Spending, but Contracted As State/Local Governments Grappled with Deficits and Federal Sequestration

*2014 figure is a seasonally adjusted annual rate as of December; http://www.census.gov/construction/c30/historical_data.html

Sources: US Department of Commerce; Insurance Information Institute.

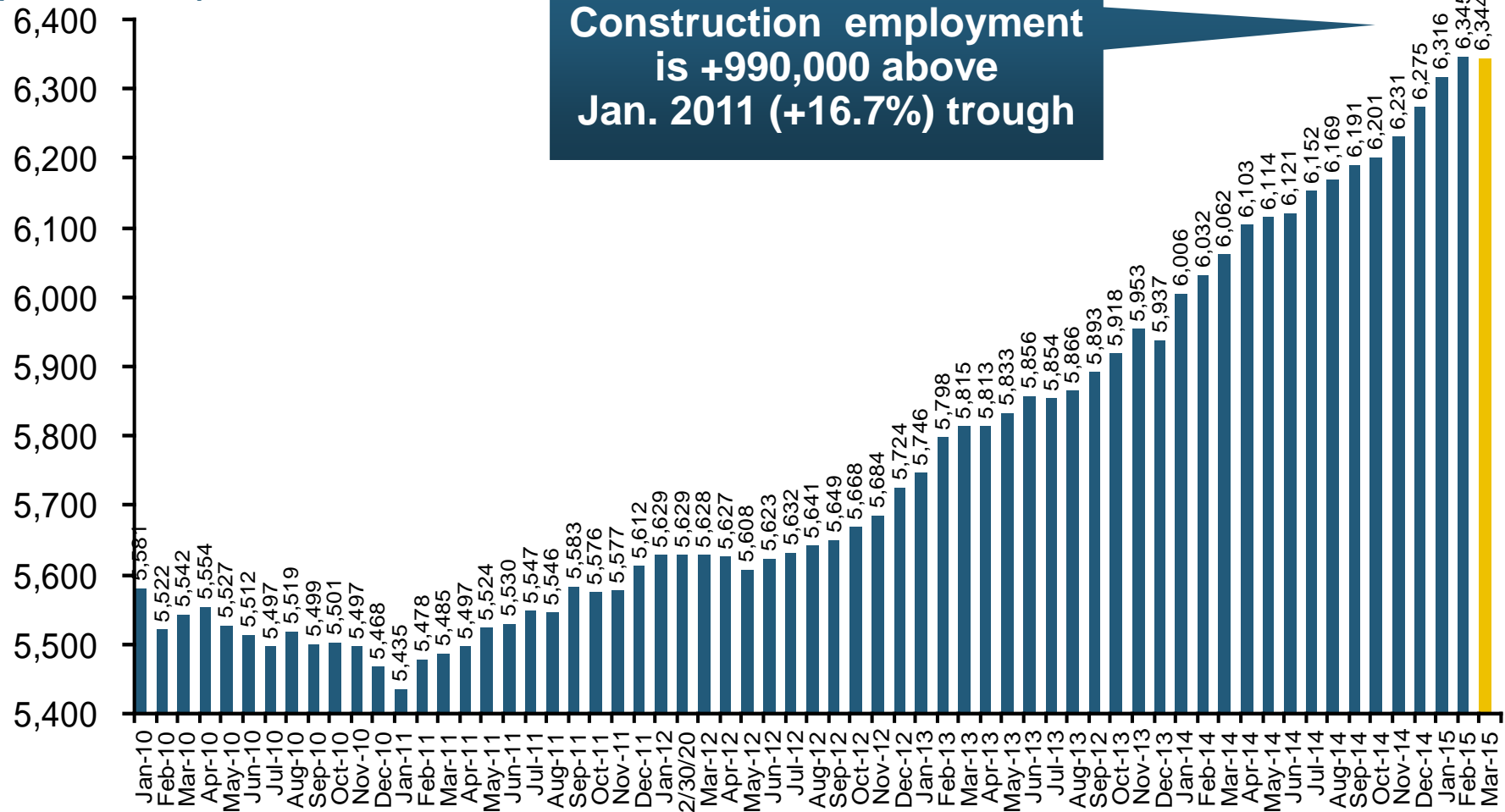
New Private Housing Starts, 1990-2021F



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

Construction Employment, Jan. 2010—March 2015*

(Thousands)



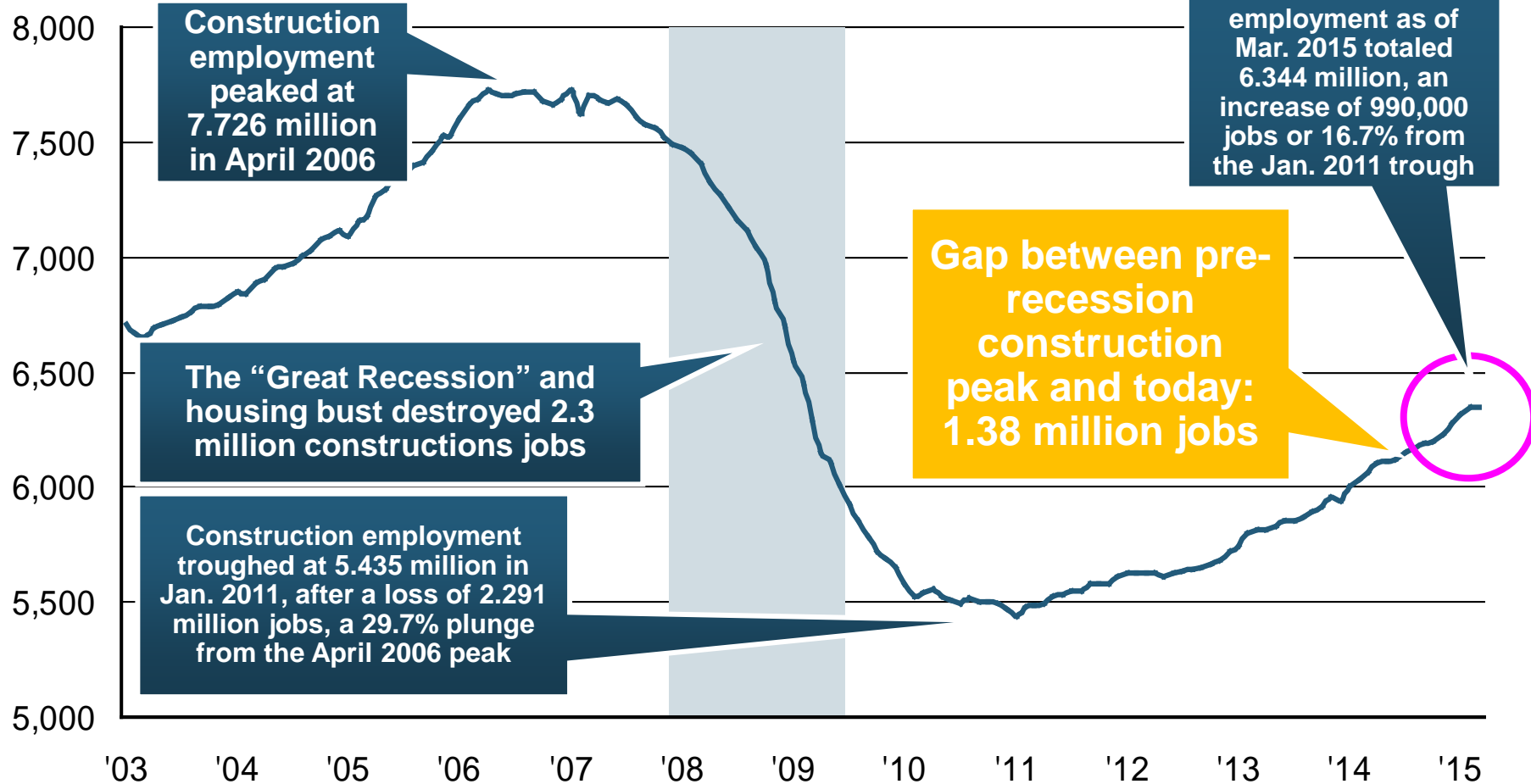
Construction and manufacturing employment constitute 1/3 of all WC payroll exposure.

*Seasonally adjusted.

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

Construction Employment, Jan. 2003–March 2015

(Thousands)



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.

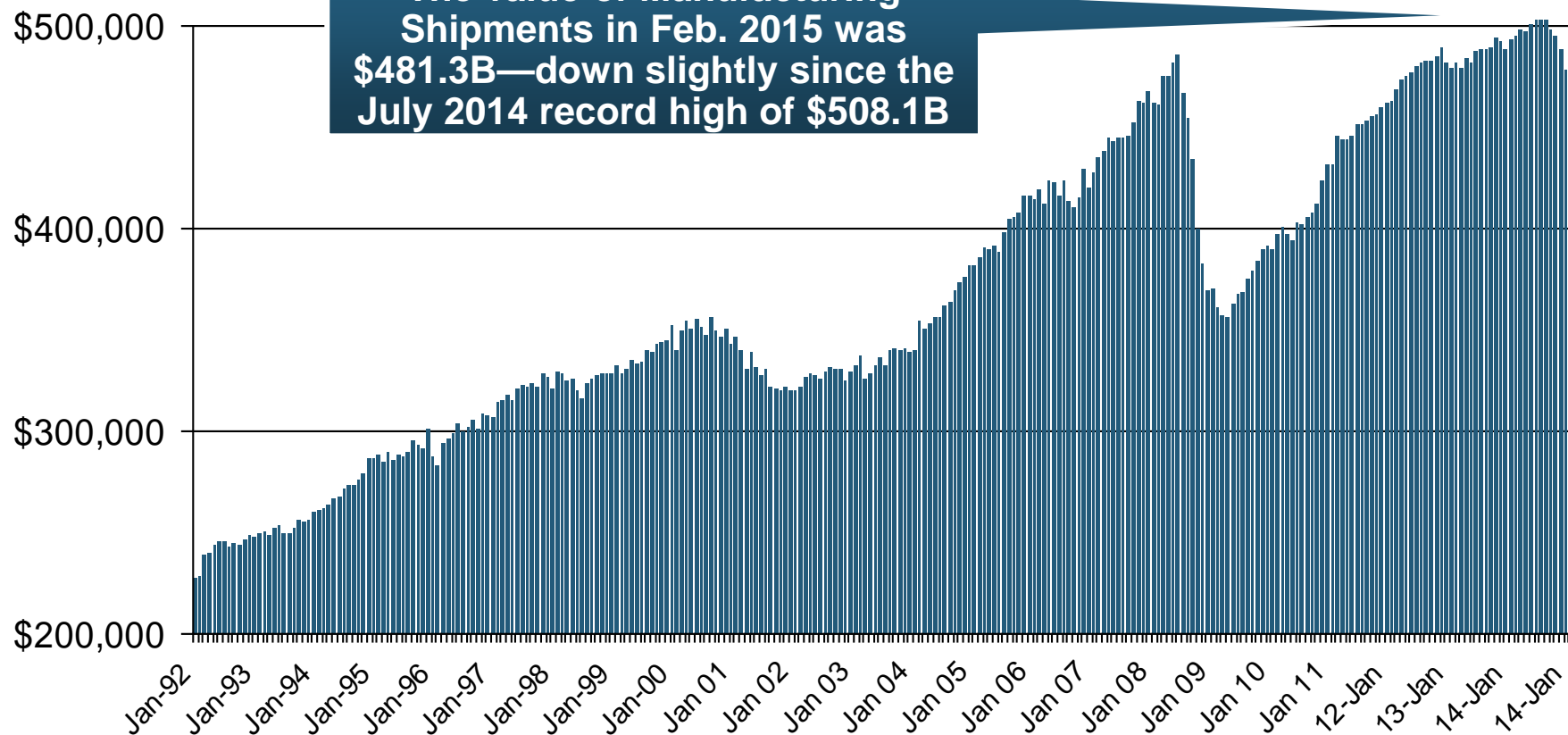
Sources: U.S. Bureau of Labor Statistics; Insurance Information Institute.

MANUFACTURING SECTOR OVERVIEW & OUTLOOK

**The U.S. Is Experiencing a Mini
Manufacturing Renaissance but
Headwinds from Weak Export
Markets and Strong Dollar**

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

\$ Millions



Monthly shipments in Feb. 2015 are similar to pre-crisis (July 2008) peak but has declined in recent months. 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 Apr. 2, 2015.

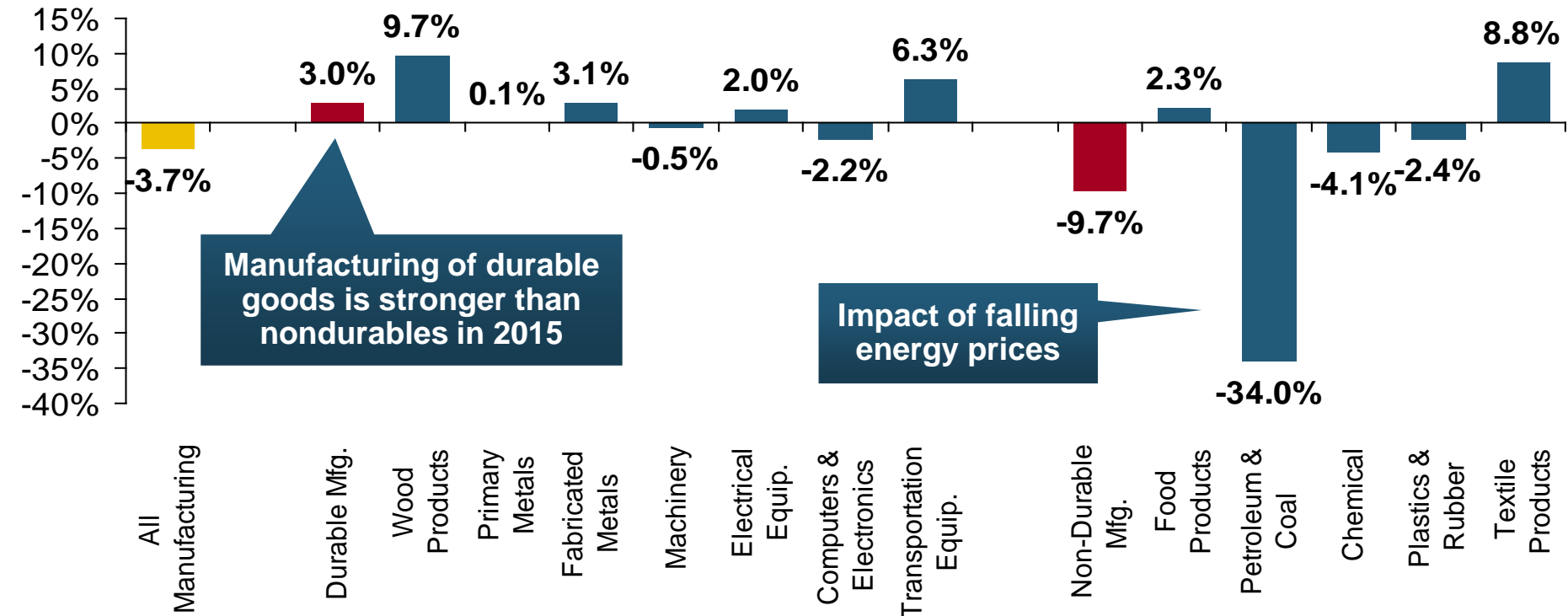
Source: U.S. Census Bureau, *Full Report on Manufacturers' Shipments, Inventories, and Orders*, <http://www.census.gov/manufacturing/m3/>

Manufacturing Growth for Selected Sectors, 2015 vs. 2014*

Growth (%)

Durables: +3.0%

Non-Durables: -9.7%

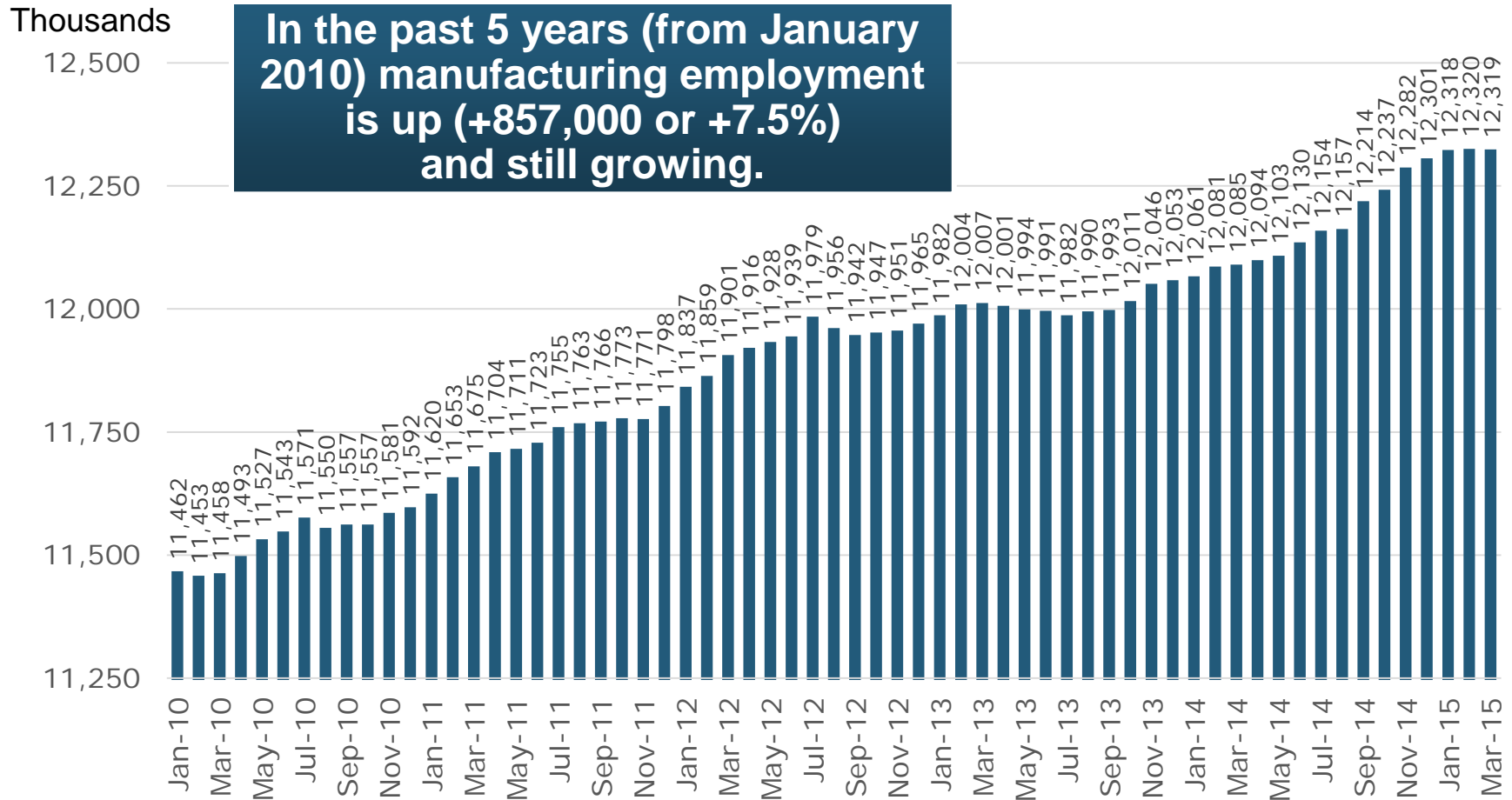


Manufacturing Is Expanding in Many Sectors But Declining Energy Prices Are Dragging Down Industry Figures. Continued Growth Across a Number of Sectors that Will Contribute to Growth in Insurable Exposures Including: WC, Commercial Property, Commercial Auto and Many Liability Coverages

*Seasonally adjusted; Data are YTD comparing data through February 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/>

Manufacturing Employment, January 2010—March 2015*



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

*Seasonally adjusted; Feb. and Mar. 2015 are preliminary

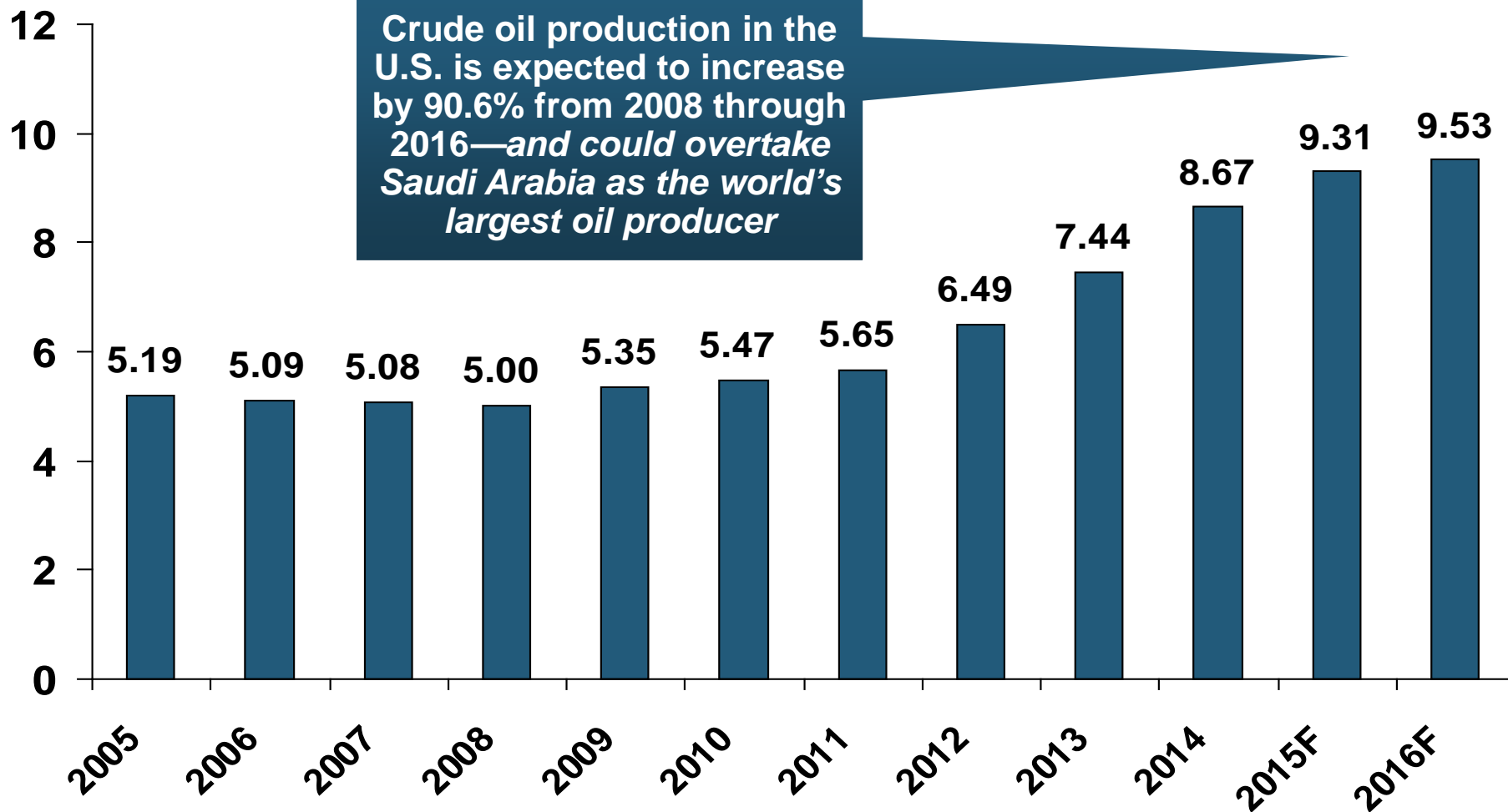
Sources: US Bureau of Labor Statistics at <http://data.bls.gov>; Insurance Information Institute.

ENERGY SECTOR: OIL & GAS INDUSTRY FUTURE IS BRIGHT BUT VOLATILE

**US Is Becoming an Energy
Powerhouse but Fall in Prices
Will Have Negative Impact**

U.S. Crude Oil Production, 2005-2016P

Millions of Barrels per Day

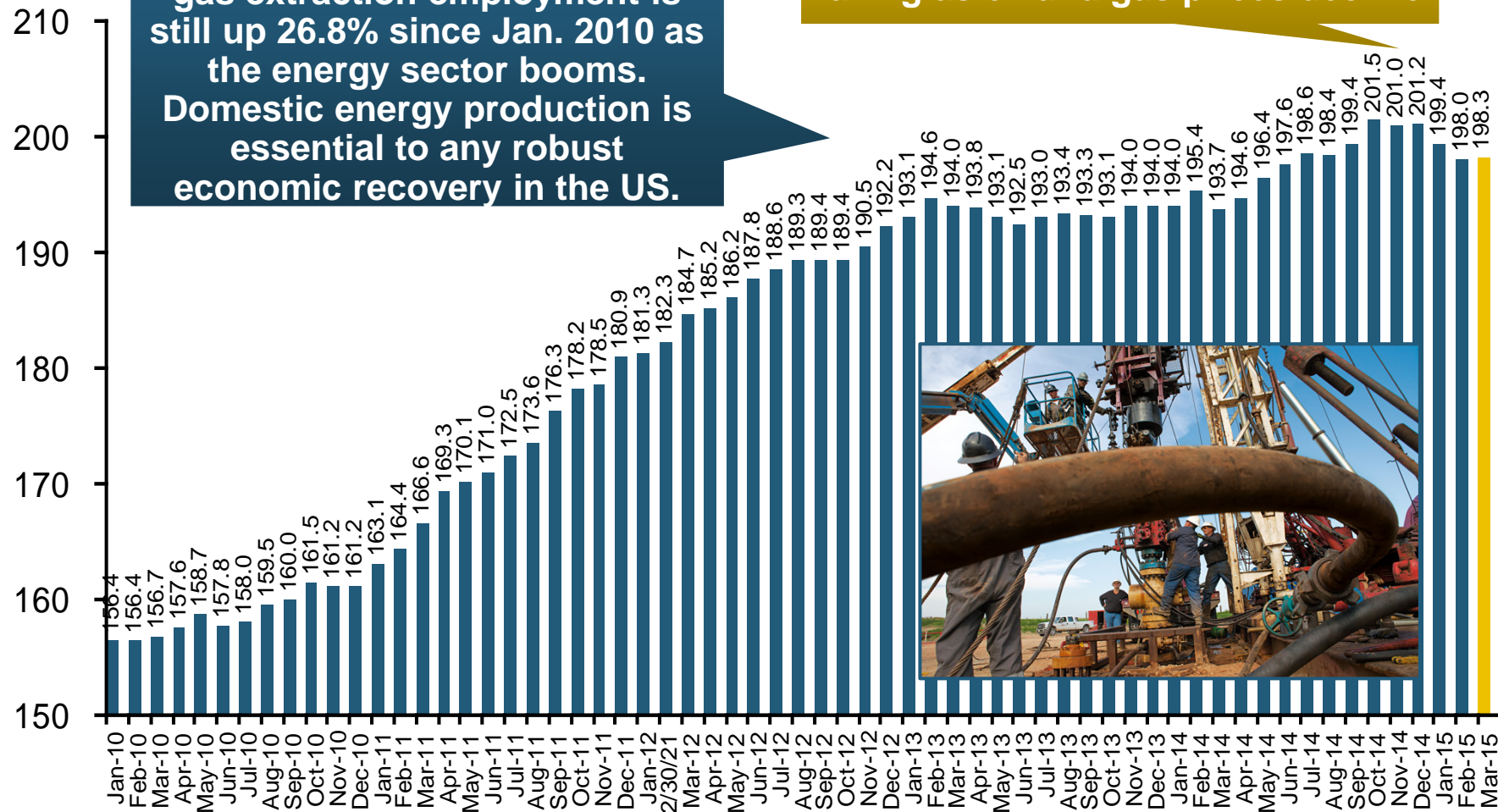


Oil & Gas Extraction Employment, Jan. 2010—March 2015*

(Thousands)

Despite recent declines, Oil and gas extraction employment is still up 26.8% 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

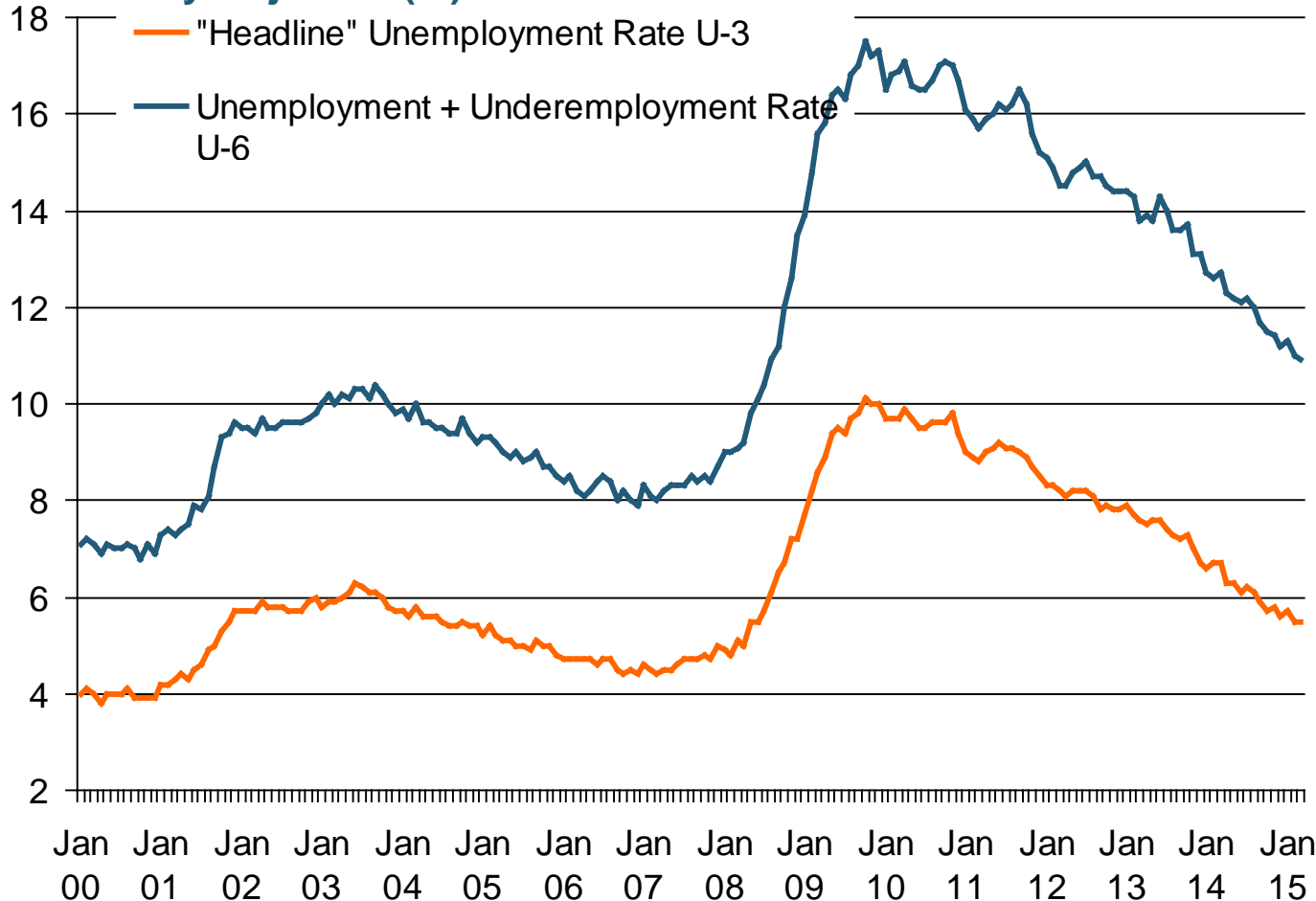
Sources: US Bureau of Labor Statistics at <http://data.bls.gov>; Insurance Information Institute.

Labor Market Trends

**Massive Job Losses Sapped the
Economy and Commercial/Personal
Lines Exposure, But Trend Has
Greatly Improved**

Unemployment and Underemployment Rates: Still Too High, But Falling

January 2000 through March 2015,
Seasonally Adjusted (%)



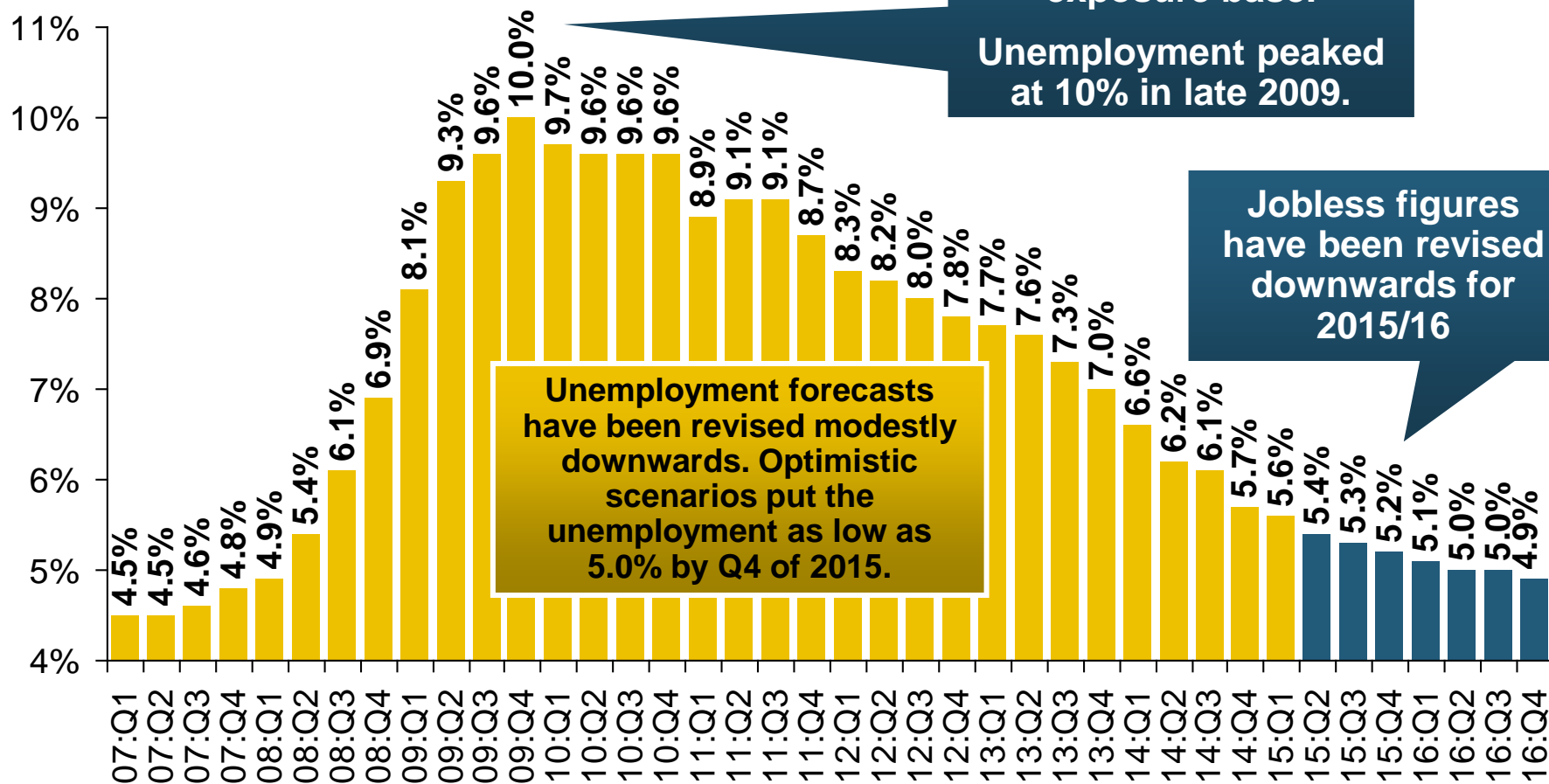
U-6 soared from 8.0% in March 2007 to 17.5% in October 2009; Stood at 10.9% in Mar. 2015. 8% to 10% is "normal."

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

Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is now clearly improving.

US Unemployment Rate Forecast

2007:Q1 to 2016:Q4F*



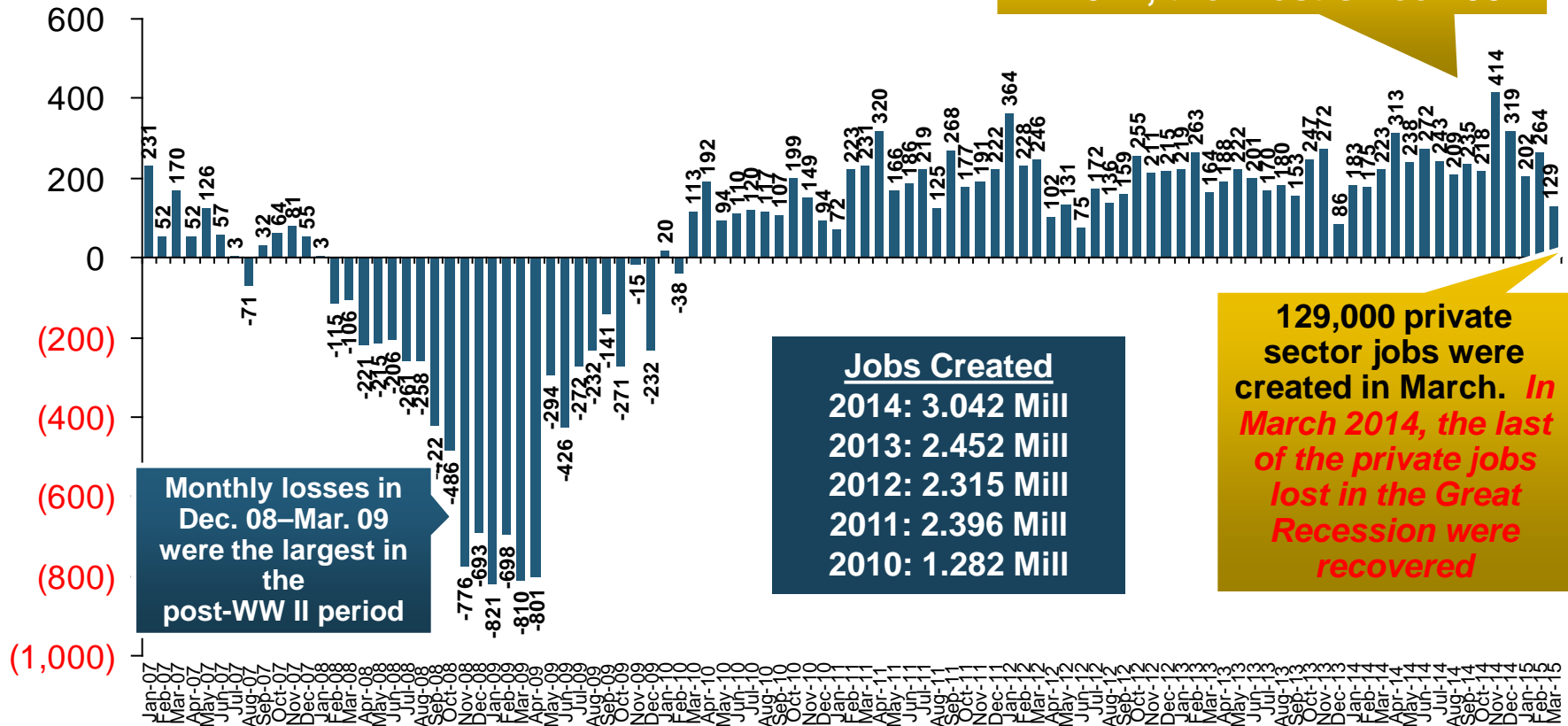
* ■ = actual; ■ = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (4/15 edition); Insurance Information Institute.

Monthly Change in Private Employment

January 2007 through Mar. 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

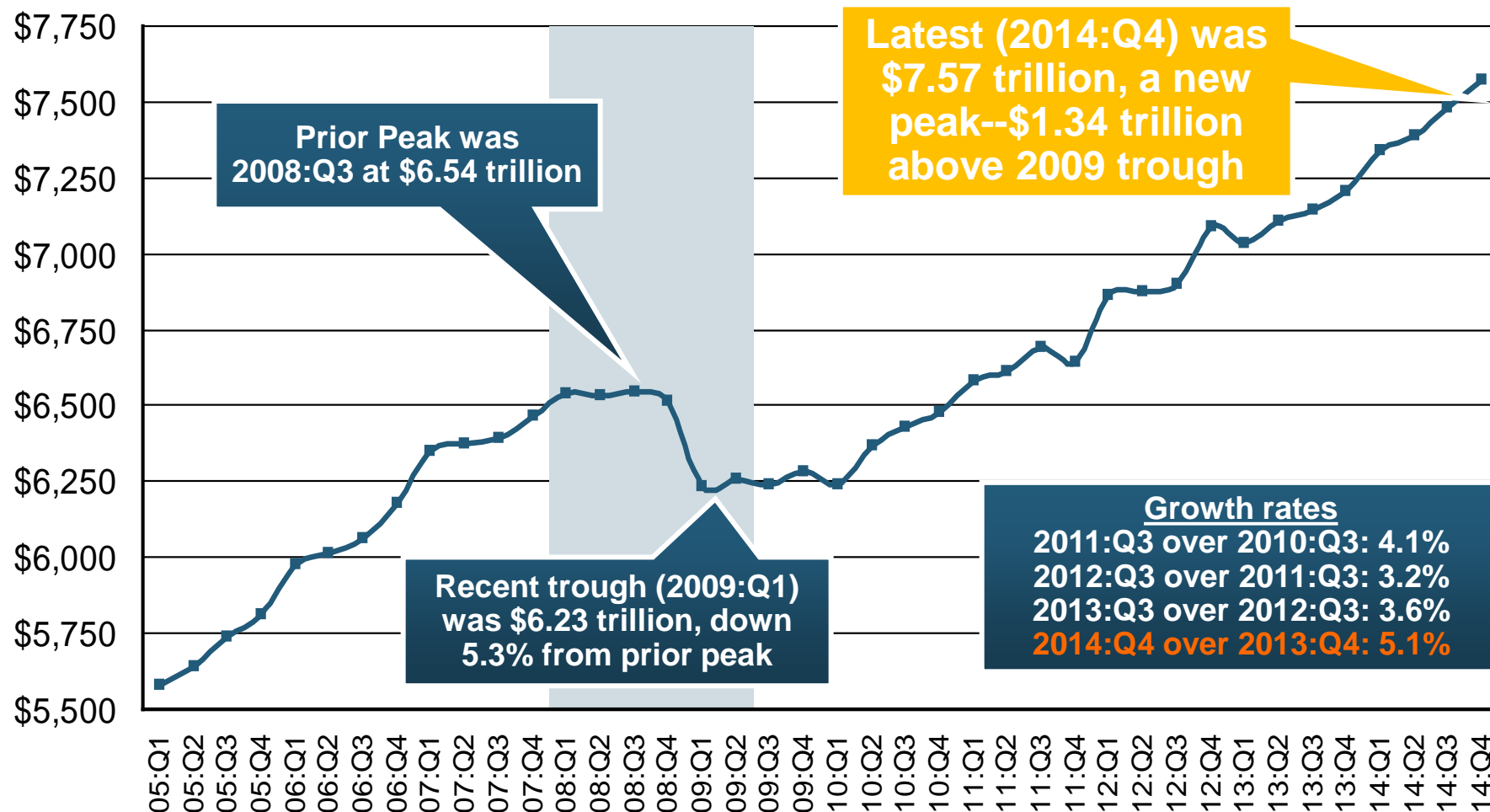
Jobs Created
 2014: 3.042 Mill
 2013: 2.452 Mill
 2012: 2.315 Mill
 2011: 2.396 Mill
 2010: 1.282 Mill

129,000 private sector jobs were created in March. In March 2014, the last of the private jobs lost in the Great Recession were recovered

Private Employers Added 11.20 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)

Nonfarm Payroll (Wages and Salaries): Quarterly, 2005–2014:Q4

Billions



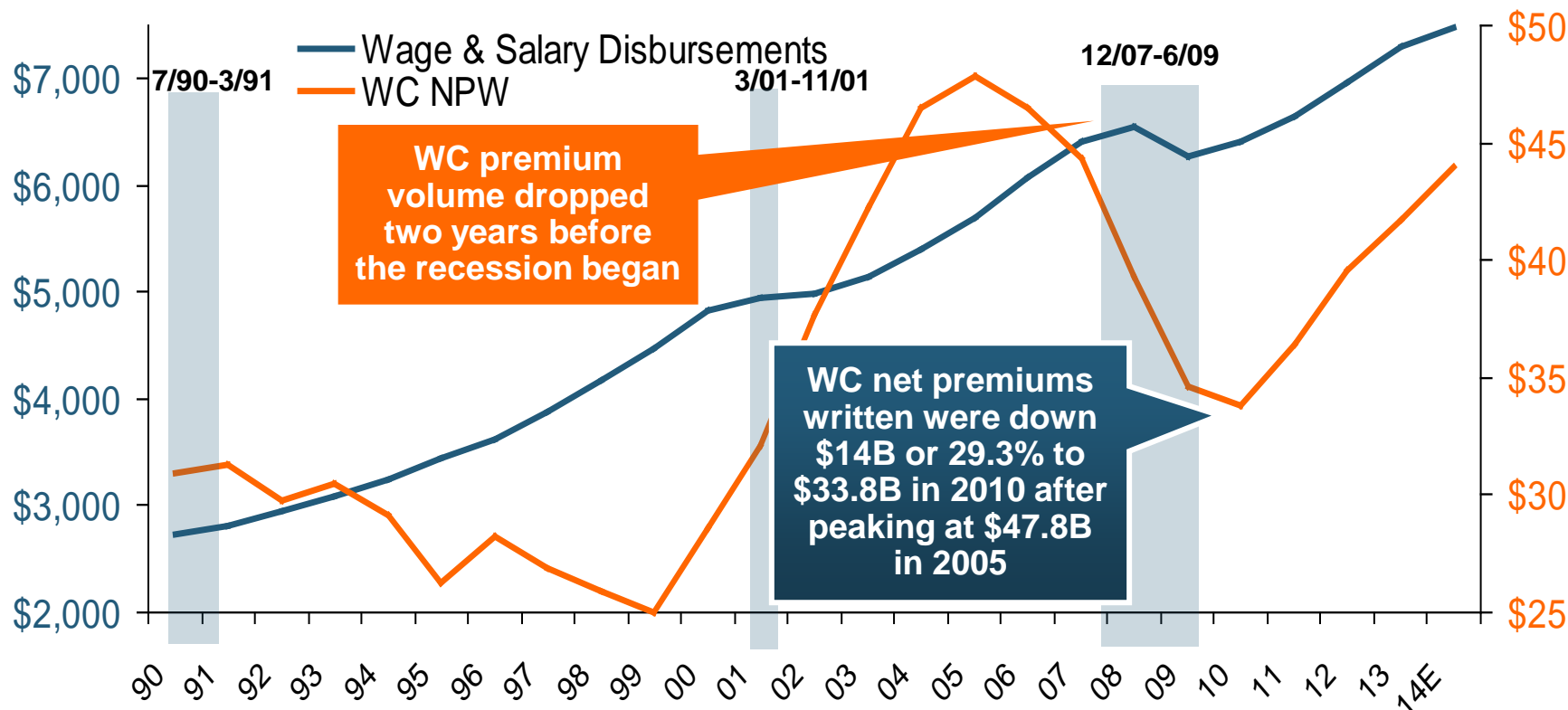
Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.

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

Payroll Base*
\$Billions

WC NWP
\$Billions

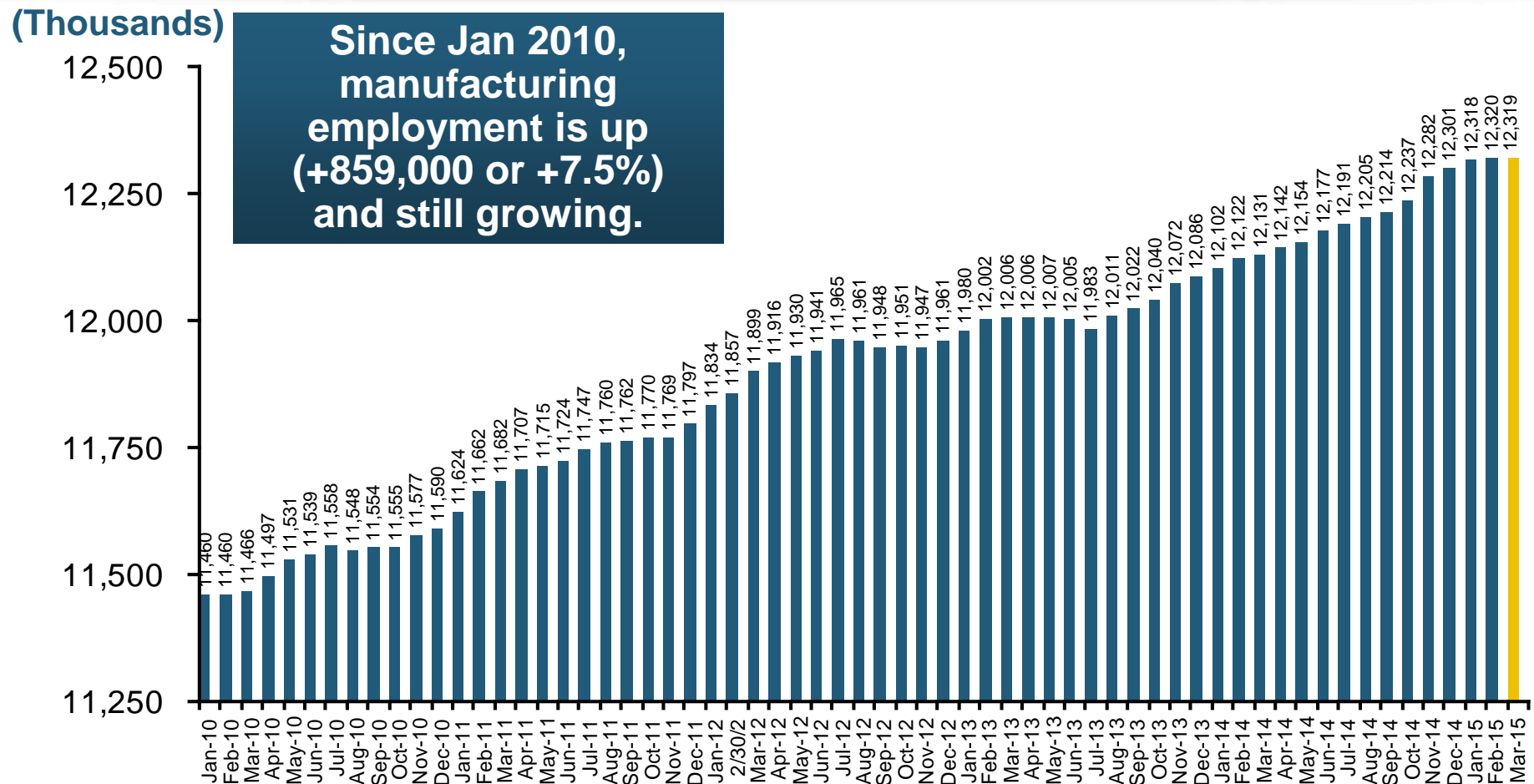


Continued Payroll Growth and Rate Gains Suggest WC NWP Will Grow Again in 2015

*Private employment; Shaded areas indicate recessions. WC premiums for 2014 are I.I.I. estimates..

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

Manufacturing Employment, Jan. 2010—March 2015*



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*Seasonally adjusted.

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

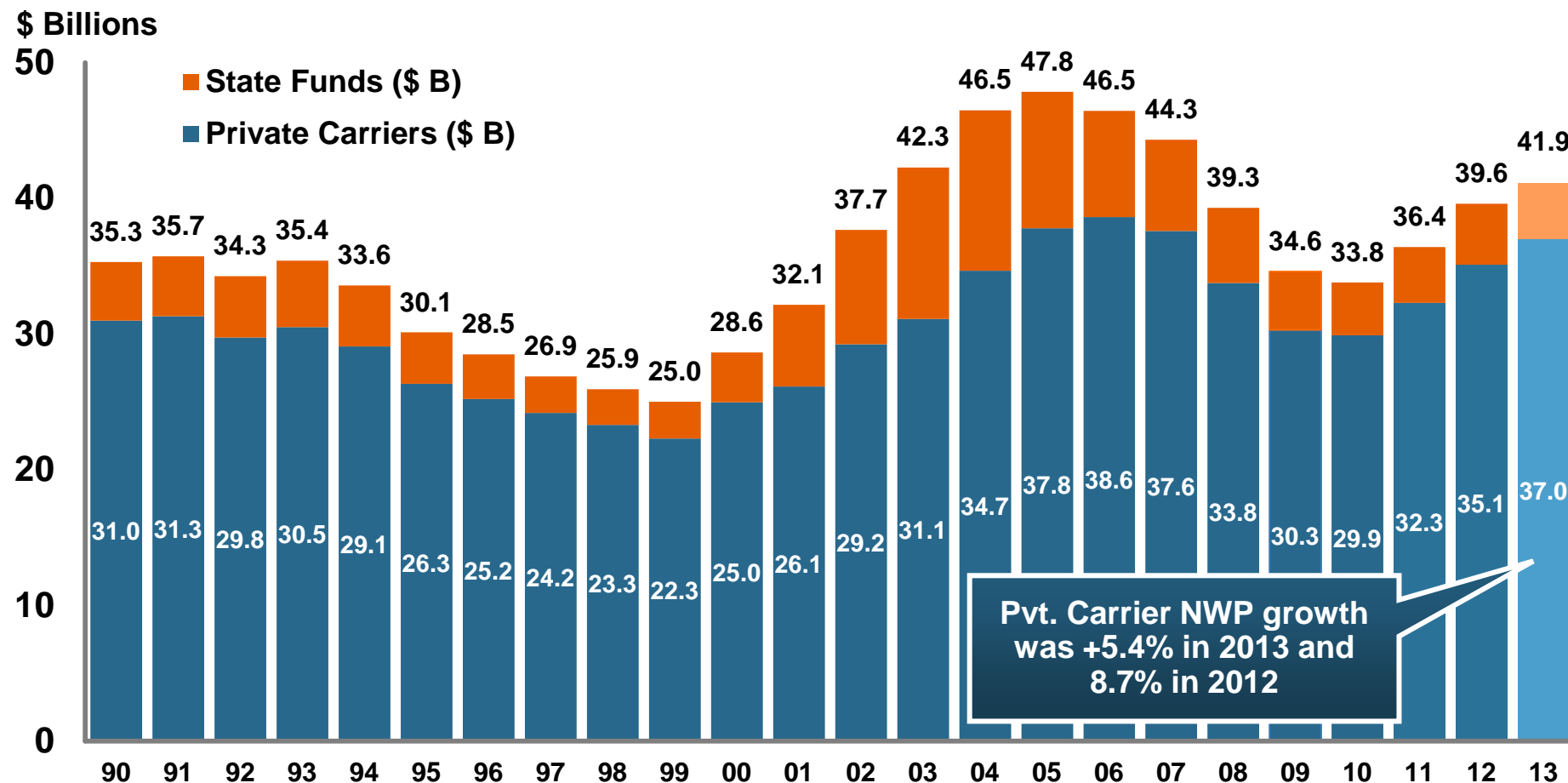


Workers Compensation Operating Environment

**Workers Comp Results Have Improved
Substantially in Recent Years**

Workers Compensation Premium: Third Consecutive Year of Increase

Net Written Premium



p Preliminary

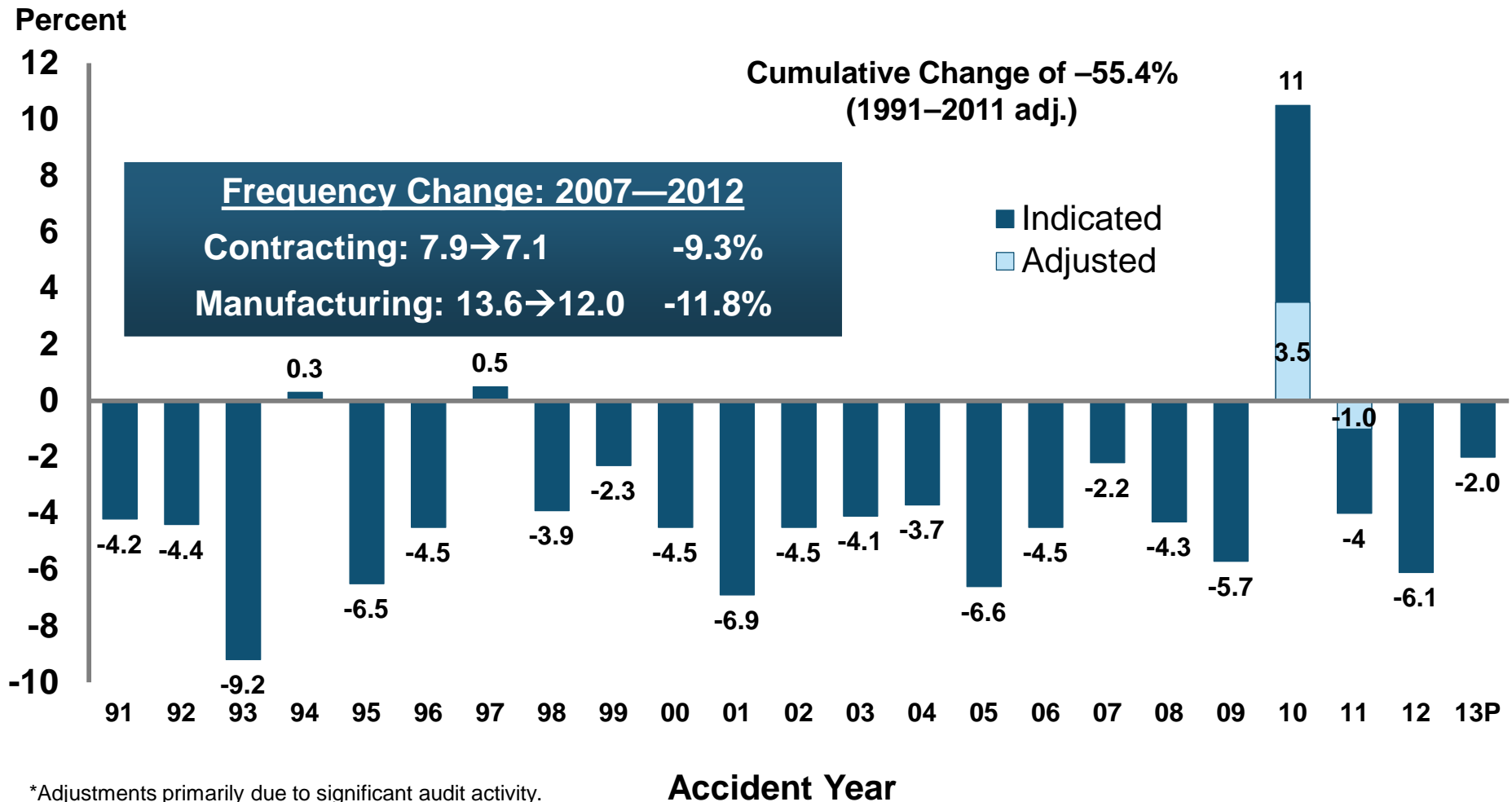
Source: 1990–2013p Private Carriers, Annual Statement Data, NCCI.

1996–2013p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements

State Funds available for 1996 and subsequent

Workers Compensation Lost-Time Claim Frequency Declined in 2013

Lost-Time Claims



*Adjustments primarily due to significant audit activity.

2013p: Preliminary based on data valued as of 12/31/2013

1991–2012: Based on data through 12/31/2012, developed to ultimate

Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies

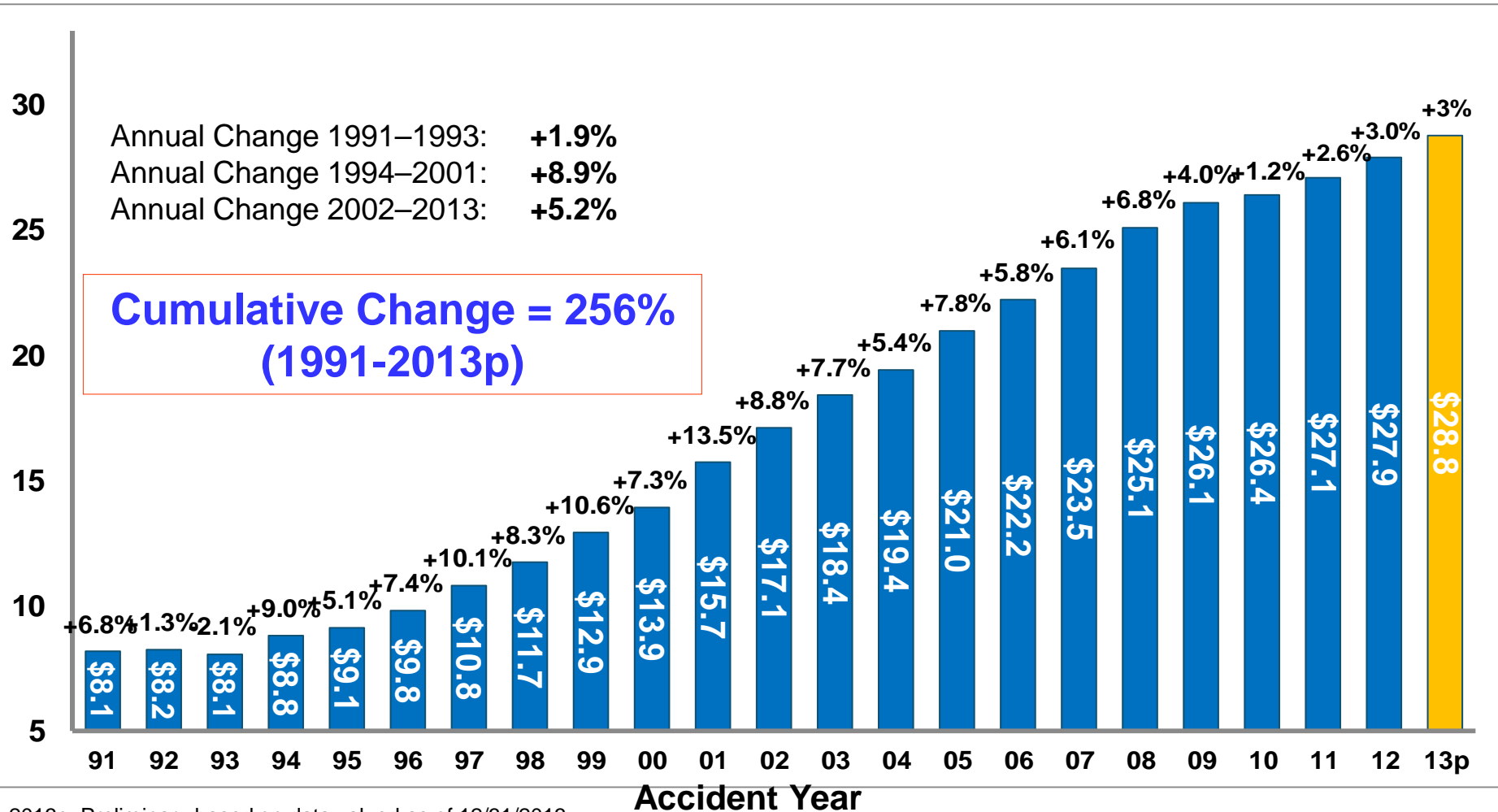
Frequency is the number of lost-time claims per \$1M pure premium at current wage and voluntary loss cost level

Source: NCCI.

Workers Compensation Medical Severity Moderate Increase in 2013

Medical
Claim Cost (\$000s)

Average Medical Cost per Lost-Time Claim

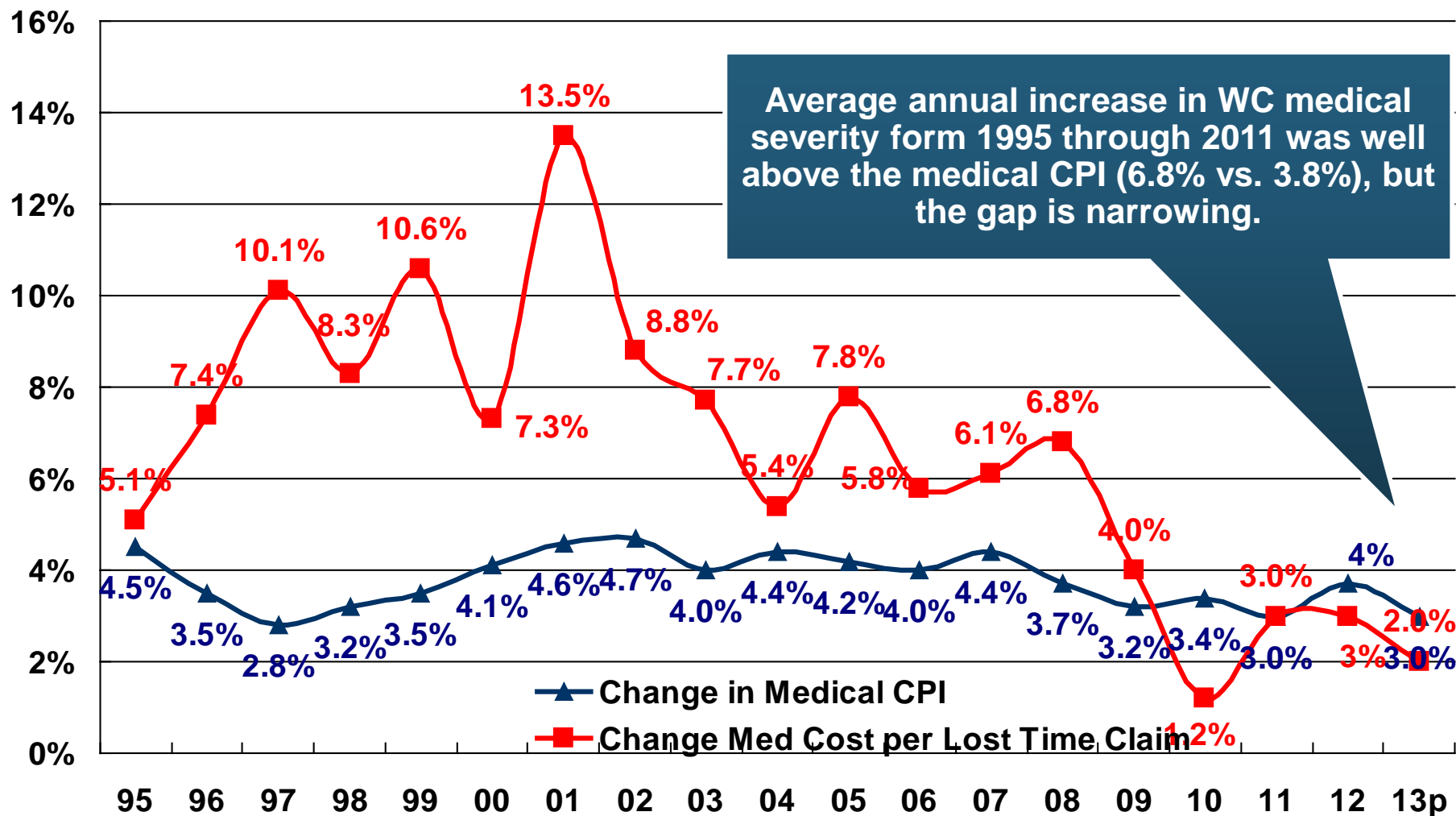


2013p: Preliminary based on data valued as of 12/31/2013.

1991-2012: Based on data through 12/31/2012, developed to ultimate

Based on the states where NCCI provides ratemaking services including state funds, excluding WV; Excludes high deductible policies.

WC Medical Severity Generally Outpaces the Medical CPI Rate



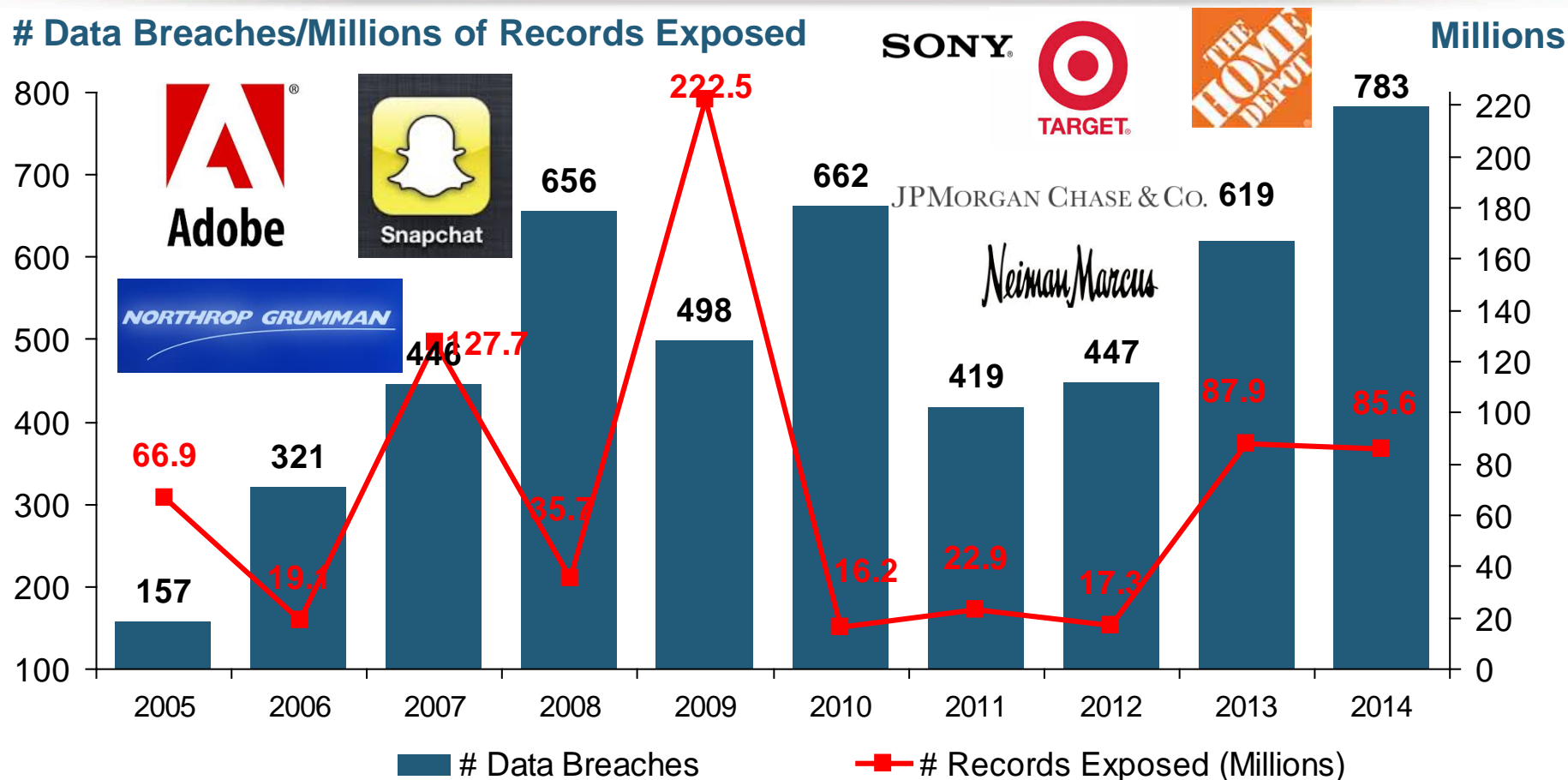
CYBER RISK & CYBER INSURANCE

**Cyber Risk is a Rapidly Emerging
Exposure for Businesses Large and
Small in Every Industry**

***Rapidly Increasing Interest from
Businesses, Media & Public Policymakers***

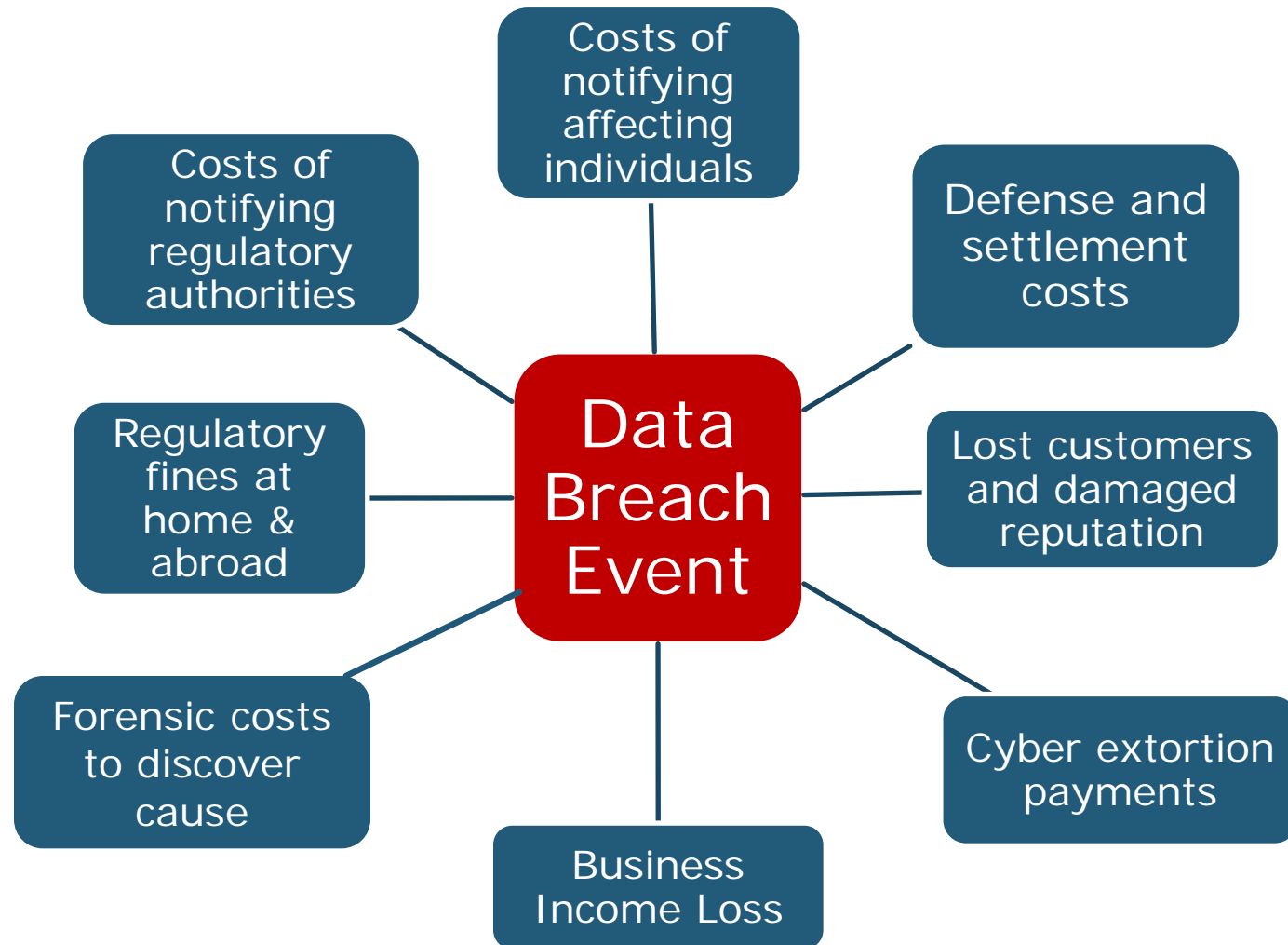
Data Breaches 2005-2014, by Number of Breaches and Records Exposed

Data Breaches/Millions of Records Exposed

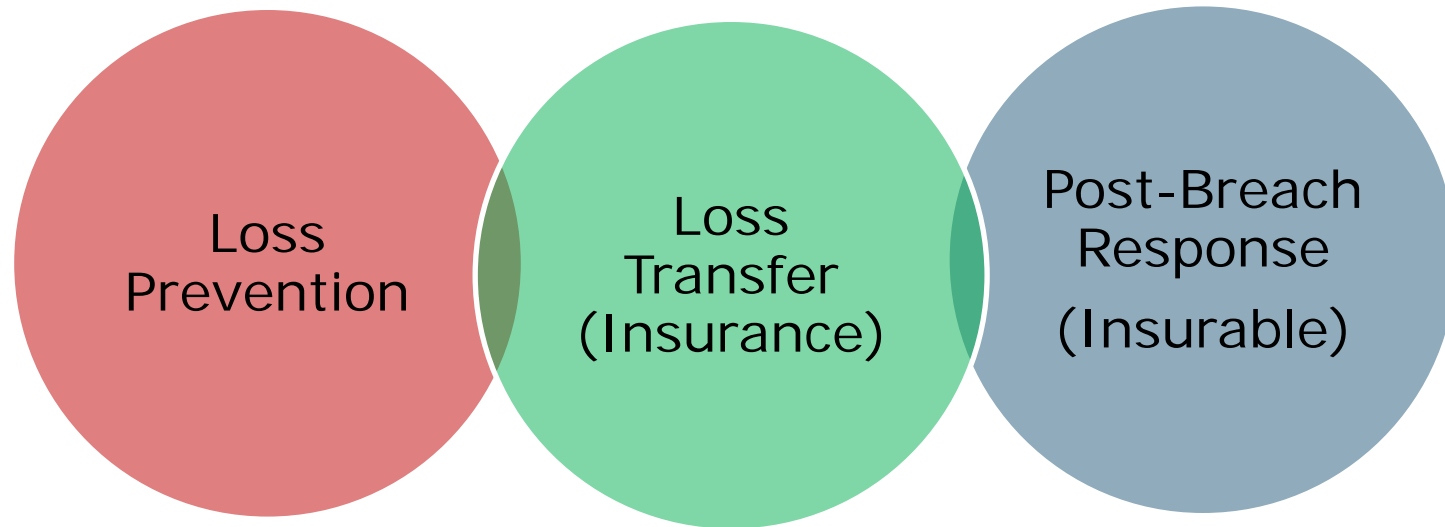


The Total Number of Data Breaches Rose 28% While the Number of Records Exposed Was Relatively Flat (-2.6%)

Data/Privacy Breach: Many Potential Costs Can Be Insured



The Three Basic Elements of Cyber Coverage: Prevention, Transfer, Response



Cyber risk management today involves three essential components, each designed to reduce, mitigate or avoid loss. An increasing number of cyber risk products offered by insurers today provide all three.



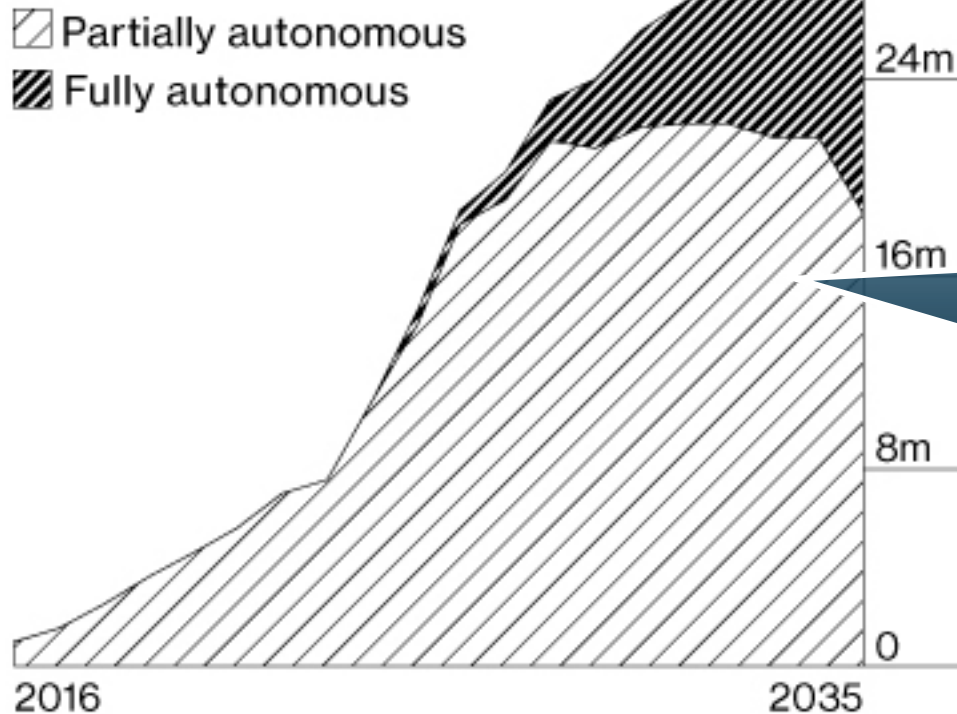
Autonomous/Driverless Vehicles

**Rapid Technological Innovations in
Motor Vehicle Engineering Are
Likely to Transform Auto Insurance
and Product Liability Markets**

Projected Sales of Partially and Fully Autonomous Vehicles through 2035

Hands-Free

Projected global unit sales of autonomous vehicles over the next 20 years



By 2035, it is estimated that 25% of new vehicle sales could be fully autonomous models

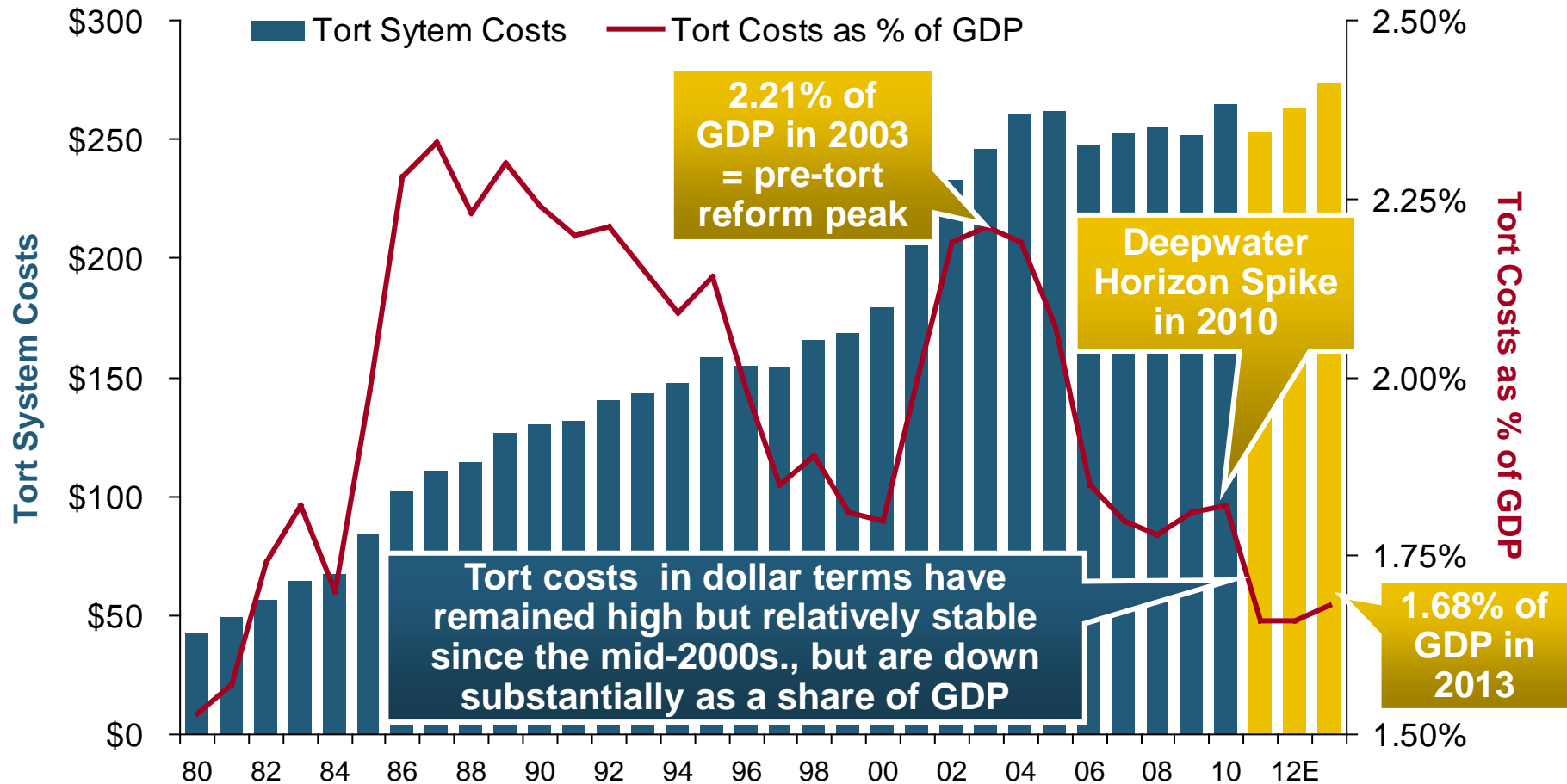
DATA: BOSTON CONSULTING GROUP;
GRAPHIC BY BLOOMBERG BUSINESSWEEK

Shifting Legal Liability & Tort Environment

Will the Tort Pendulum Swing Against Insurers?

Over the Last Three Decades, Total Tort Costs as a % of GDP Appear Somewhat Cyclical, 1980-2013E

(\$ Billions)



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