Commercial P/C Insurance Industry Update & Outlook:
Trends, Challenges, and Trumponomics

Inland Marine Underwriters Association
Scottsdale, AZ
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UNIVERSITY OF
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Darla Moore School of Business

P/C Insurance Industry Highlights

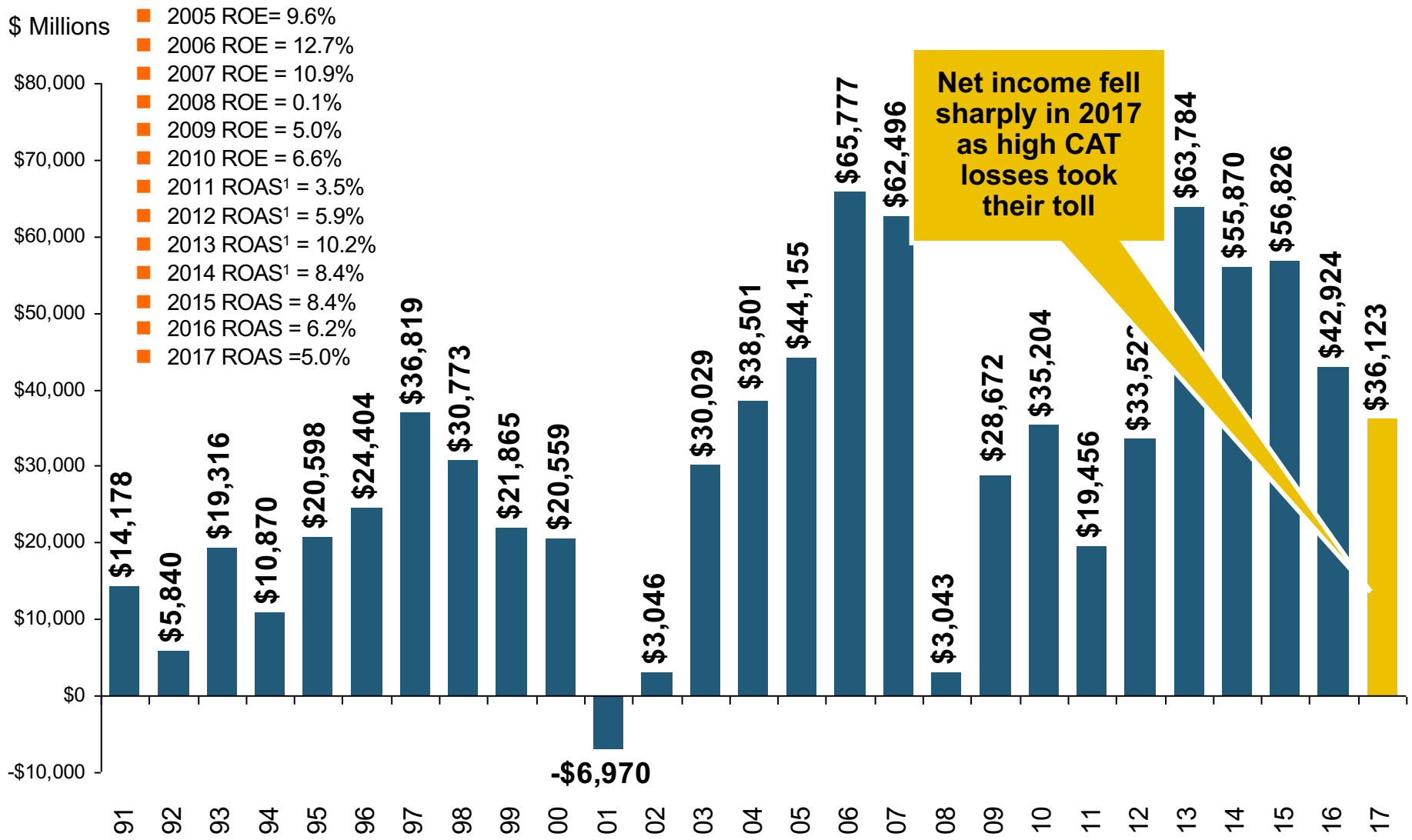
- **P/C Insurers: Financially Strong Despite Record CATs**
  - Pricing and capacity trends (primary and reinsurance)
  - CAT update
  - Financial Market Overview
  - Inland Marine Overview
- **Strengthening Growth Opportunities in 2018**
  - Drivers of Commercial Lines Growth: Price, Exposure
- **The Economy and Impacts of "Trumponomics"**
- **InsurTech and Other Disruptors**
- **Solving the Industry's "Talent Crisis"**

P/C Insurance Industry Financial Overview

CATS, Non-CAT Underwriting Losses Impacted Insurer Balance Sheets

Industry Remains Strong

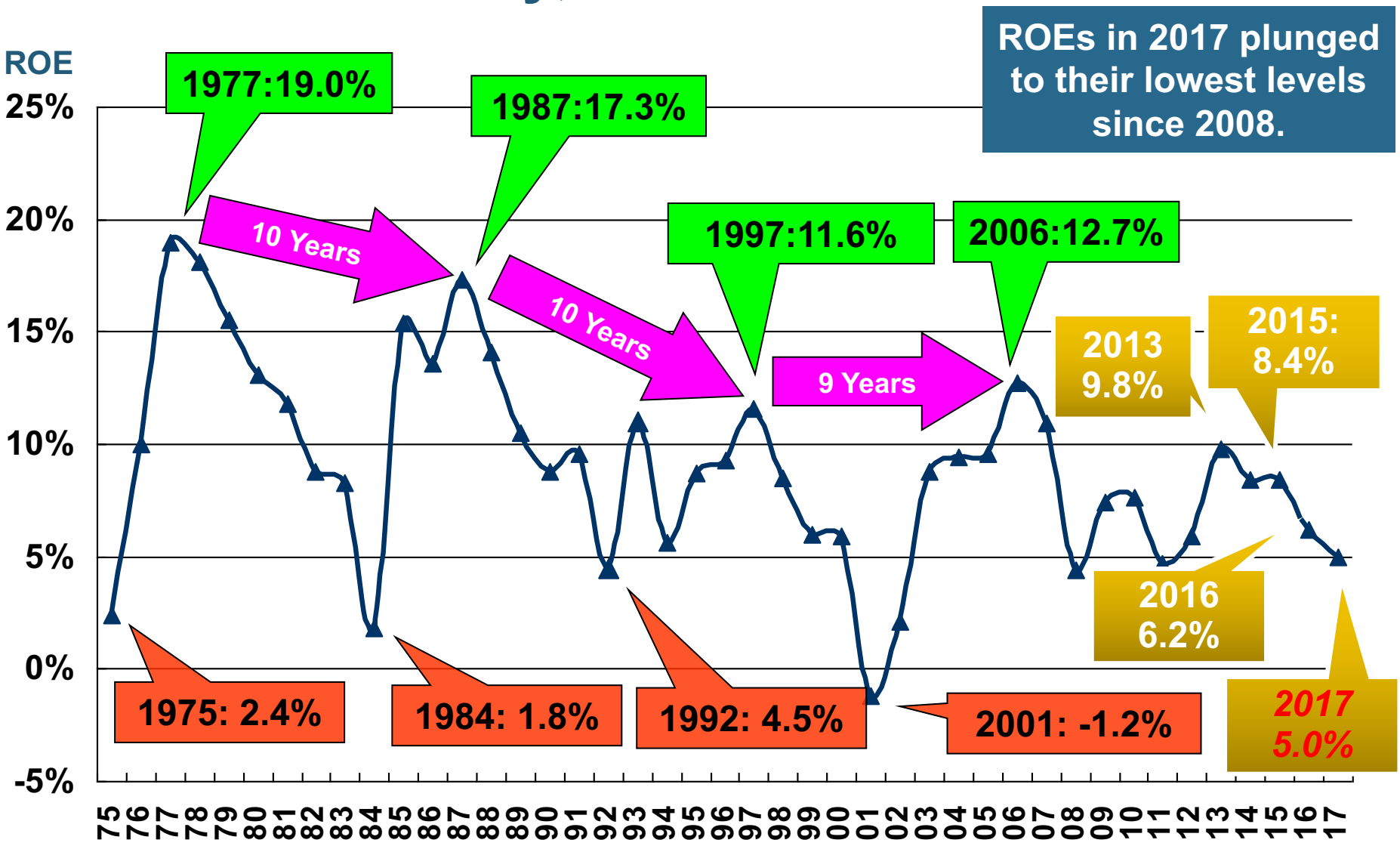
P/C Industry Net Income After Taxes 1991–2017



•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;

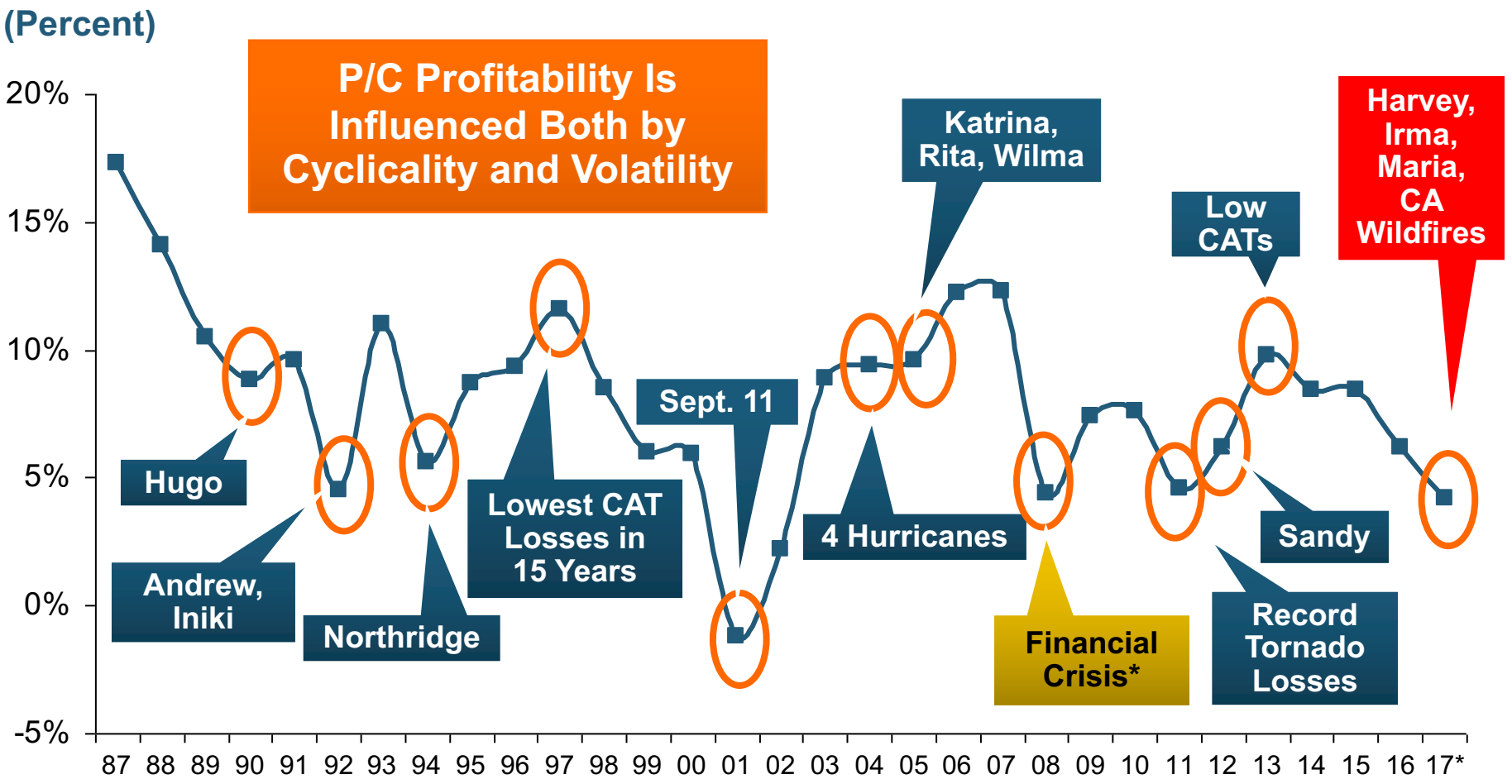
Sources: A.M. Best, ISO.

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2017



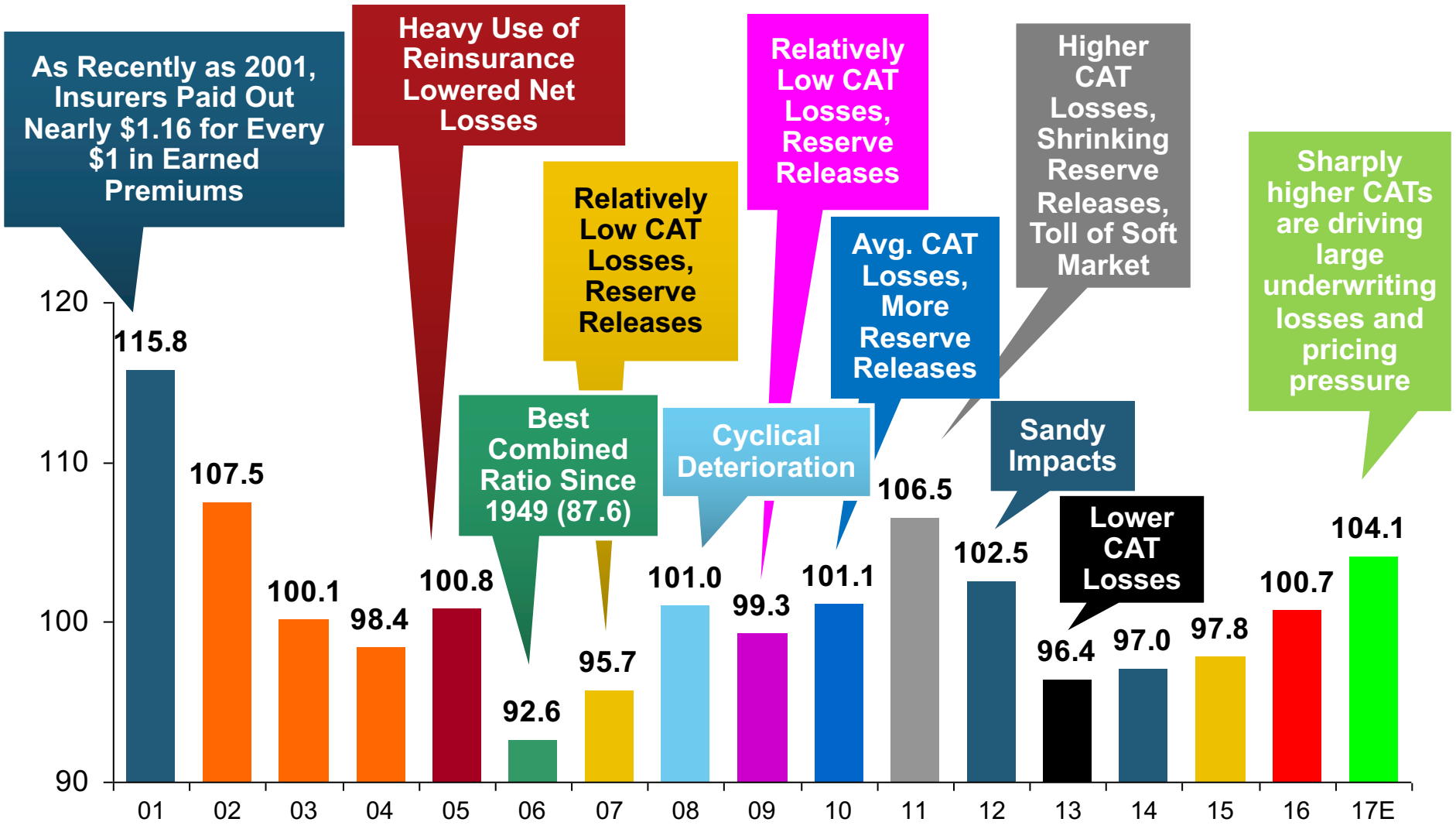
Profitability = P/C insurer ROEs. 2011-16 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.
Source: NAIC, ISO, A.M. Best, USC RUM Center.

ROE: Property/Casualty Insurance by Major Event, 1987–2017E



*2017 Estimate based on actual ROAS through Q3 of 4.2% with USC Center for Risk and Uncertainty Management estimate for the full year.
Excludes Mortgage & Financial Guarantee in 2008 – 2014.
Sources: ISO, *Fortune*; USC RUM Center.

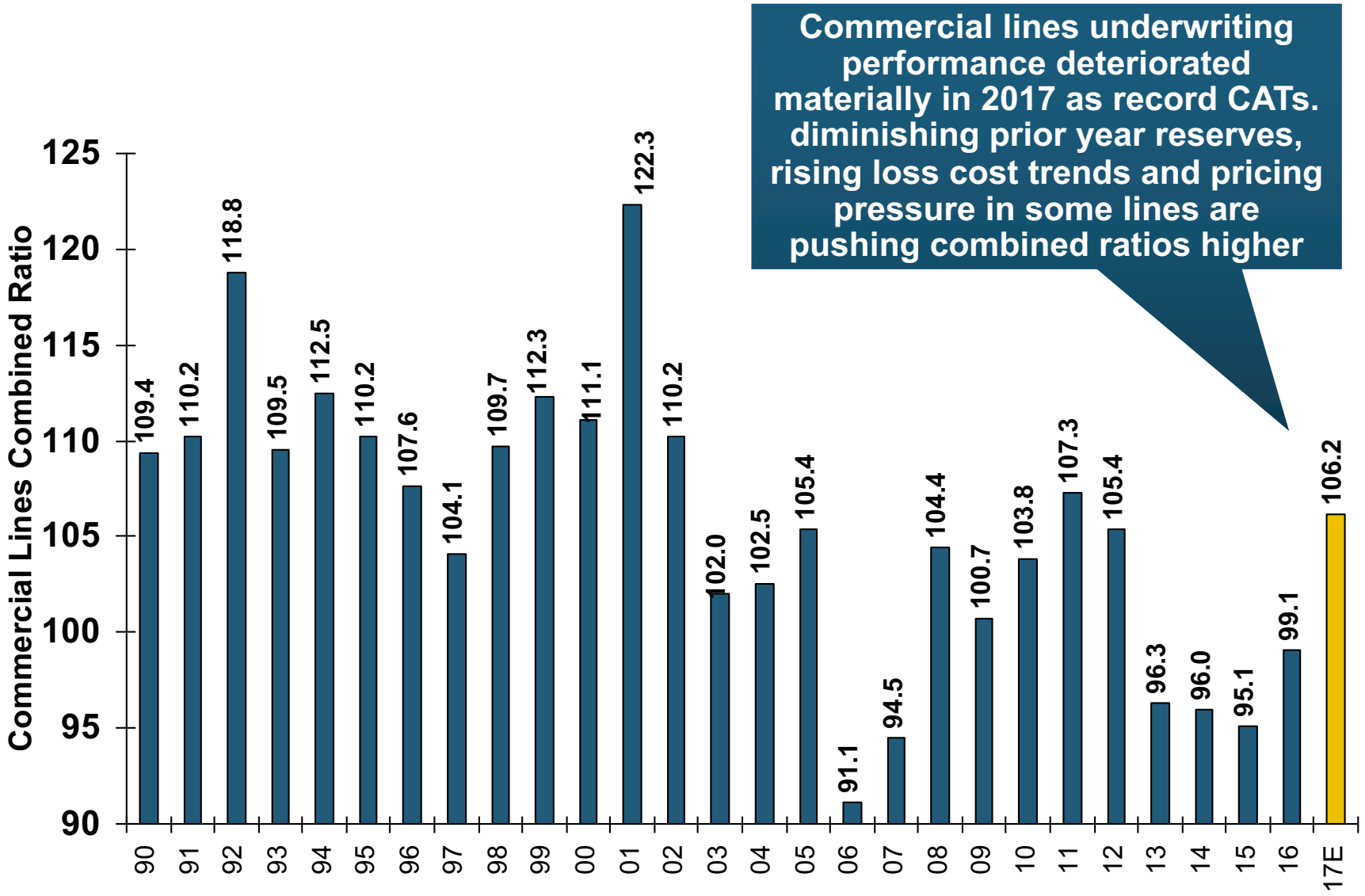
P/C Insurance Industry Combined Ratio, 2001–2017:Q3*



* 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.; 2017 (est.) based on actual 104.1 through Q3 (Q3 combined ratio alone was 110.7).

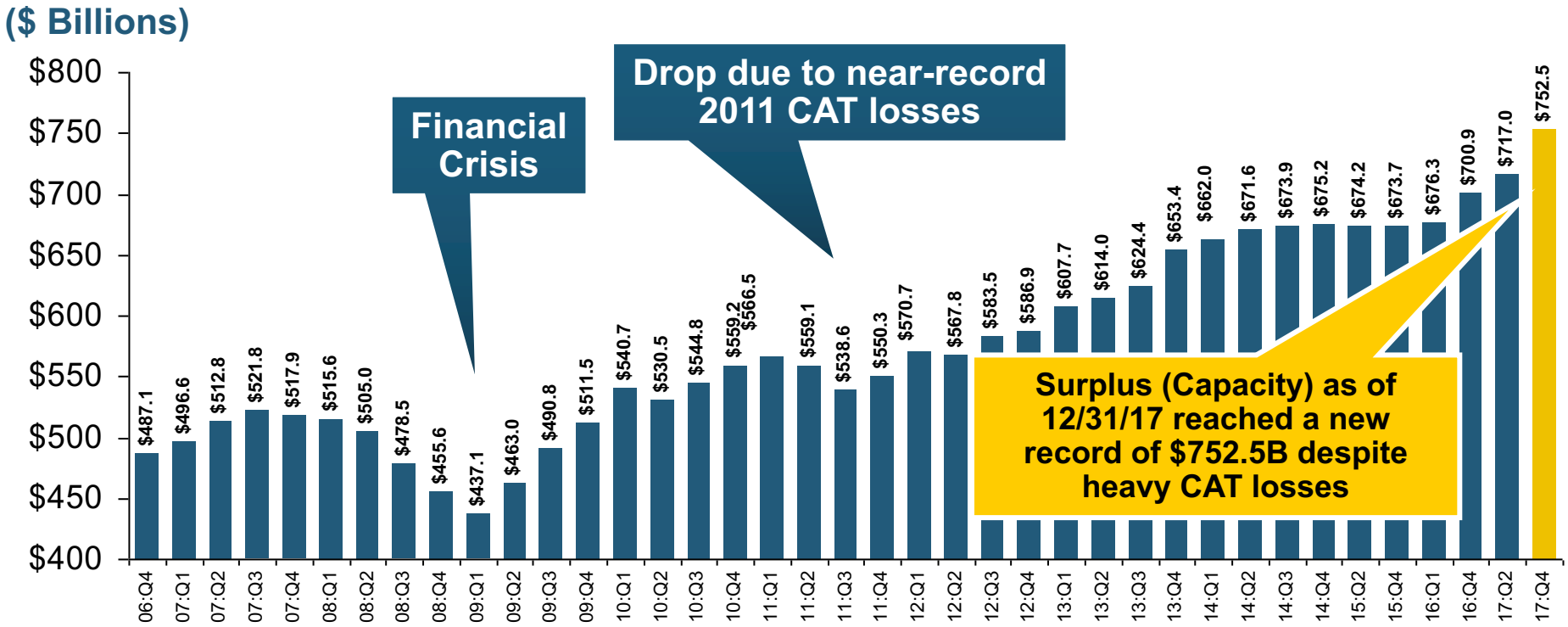
Sources: A.M. Best, ISO (2014-2015); Figure for 2010-2013 is from A.M. Best P&C Review and Preview, Feb. 16, 2016.

Commercial Lines Combined Ratio, 1990-2017F*



*2007-2012, 2017 figures exclude mortgage and financial guaranty segments. 17E = actual 9 mo. YTD figure of 106.2.
Source: A.M. Best (1990-2016); ISO (2017E).

Policyholder Surplus, 2006:Q4–2017:Q4



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 .

Capacity/Capital "shocks" typically do not on their own drive a sustained firming of the pricing environment

Sources: ISO, A.M .Best; Center for Risk and Uncertainty Management, University of South Carolina.

Profitability & Politics

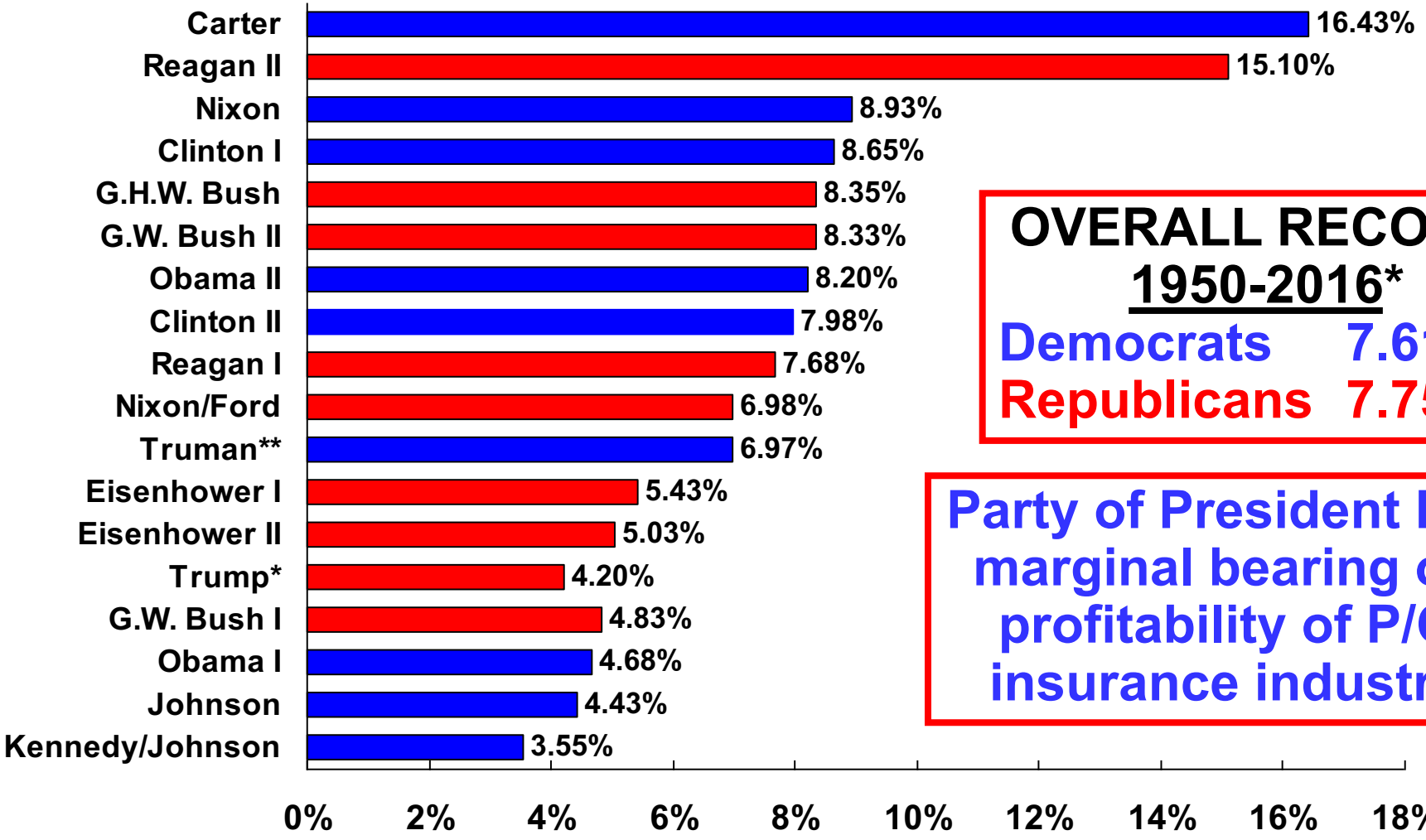
How Is Profitability Affected by the President's Political Party?

Quiz Question #1

- **Since 1950, under which presidential administration was the P/C insurance industry the most profitable?**

A. **Jimmy Carter**
B. **Ronald Reagan**
C. **George W. Bush**
D. **Bill Clinton**

P/C Insurance Industry ROE by Presidential Administration, 1950-2017



OVERALL RECORD: 1950-2016*

Democrats 7.61%

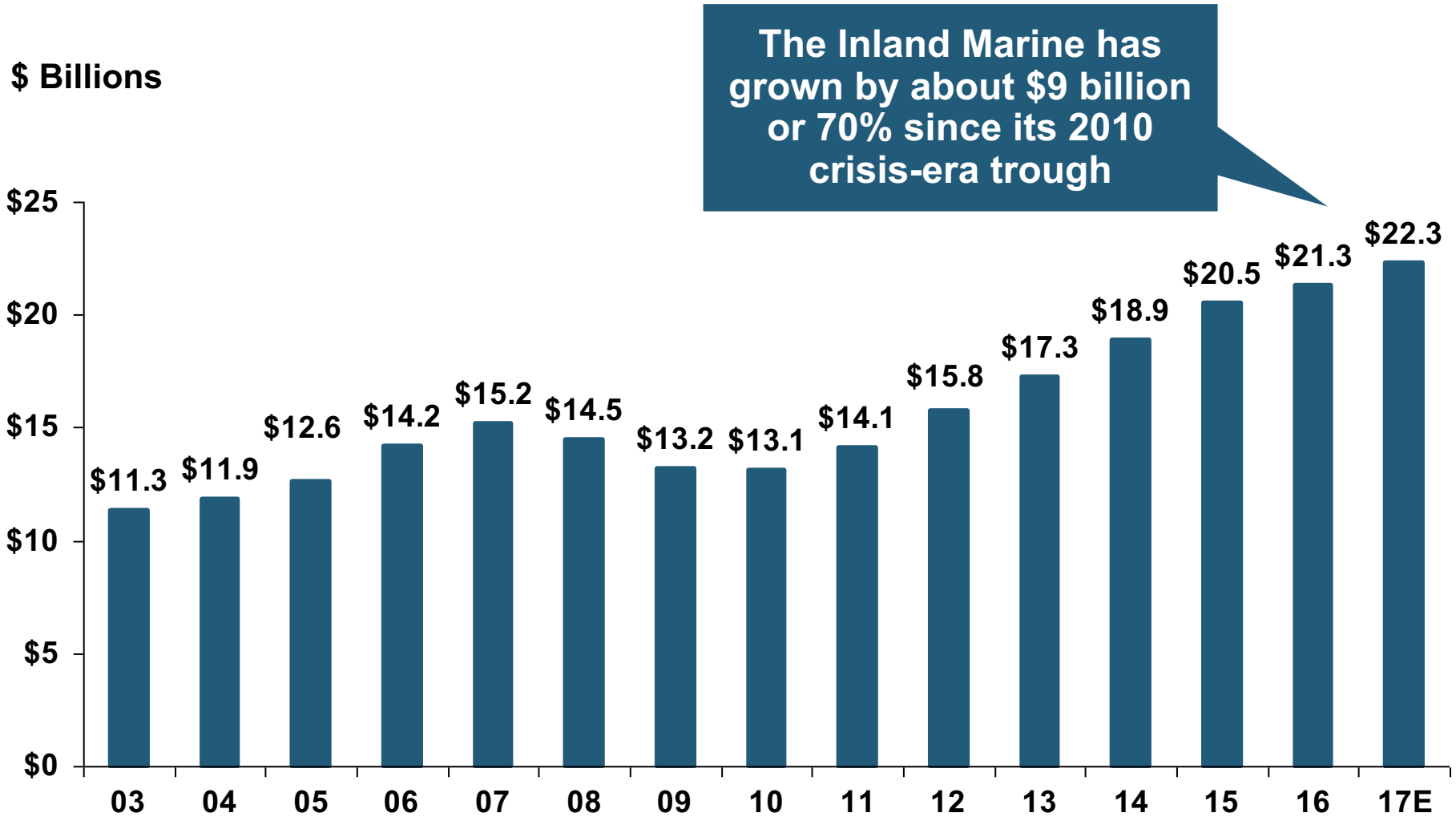
Republicans 7.75%

Party of President has marginal bearing on profitability of P/C insurance industry

*Trump administration based on 2017 only and figures is an estimate based on the first three quarters of the year.
**Truman administration ROE of 6.97% based on 3 years only, 1950-52;.
Source: Insurance Information Institute

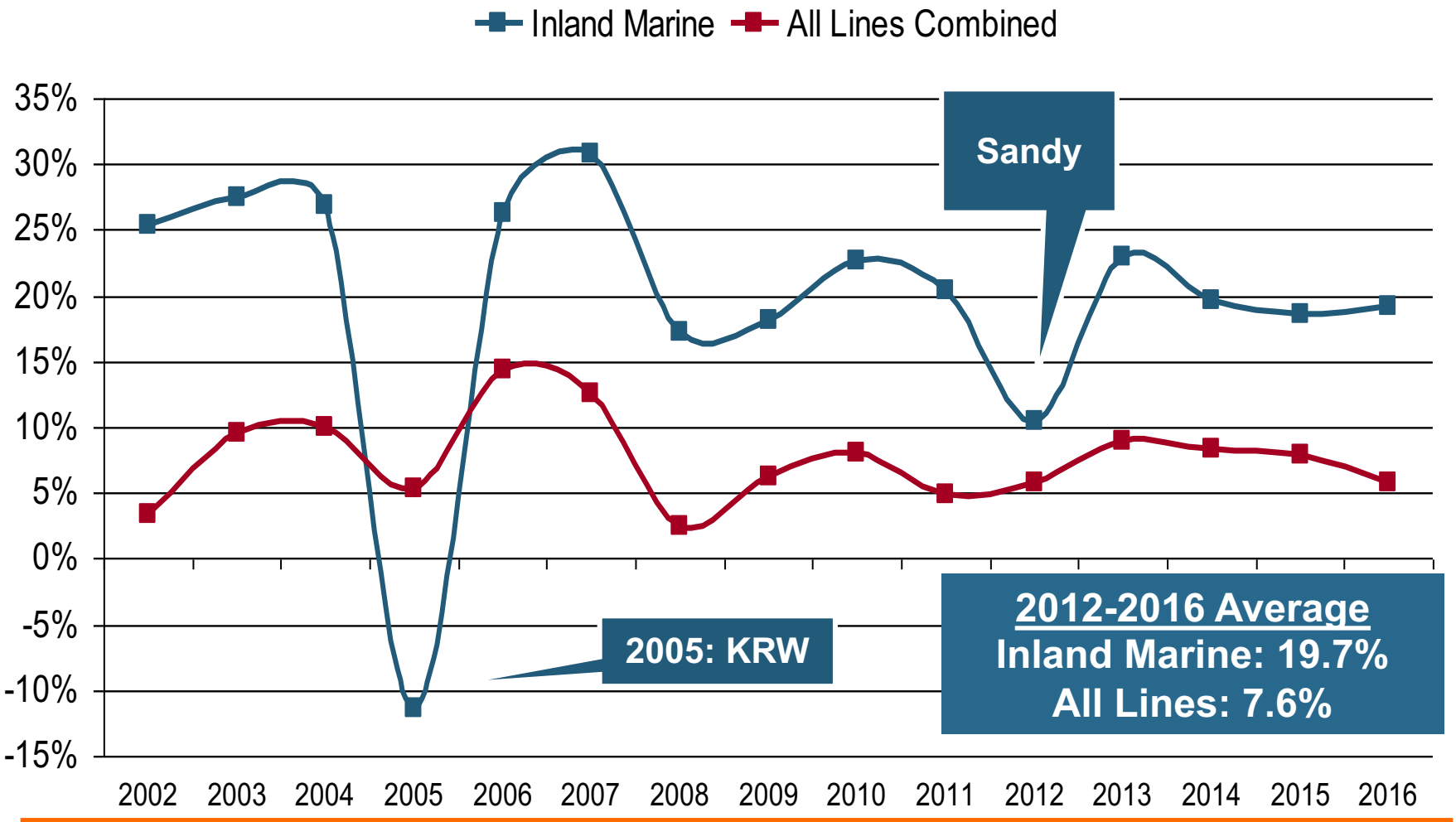
Profitability and Growth in the Inland Marine Class of Business

Inland Marine:
Direct Written Premium, 2003–2017E



Sources: A.M. Best; Center for Risk and Uncertainty Management, University of South Carolina.

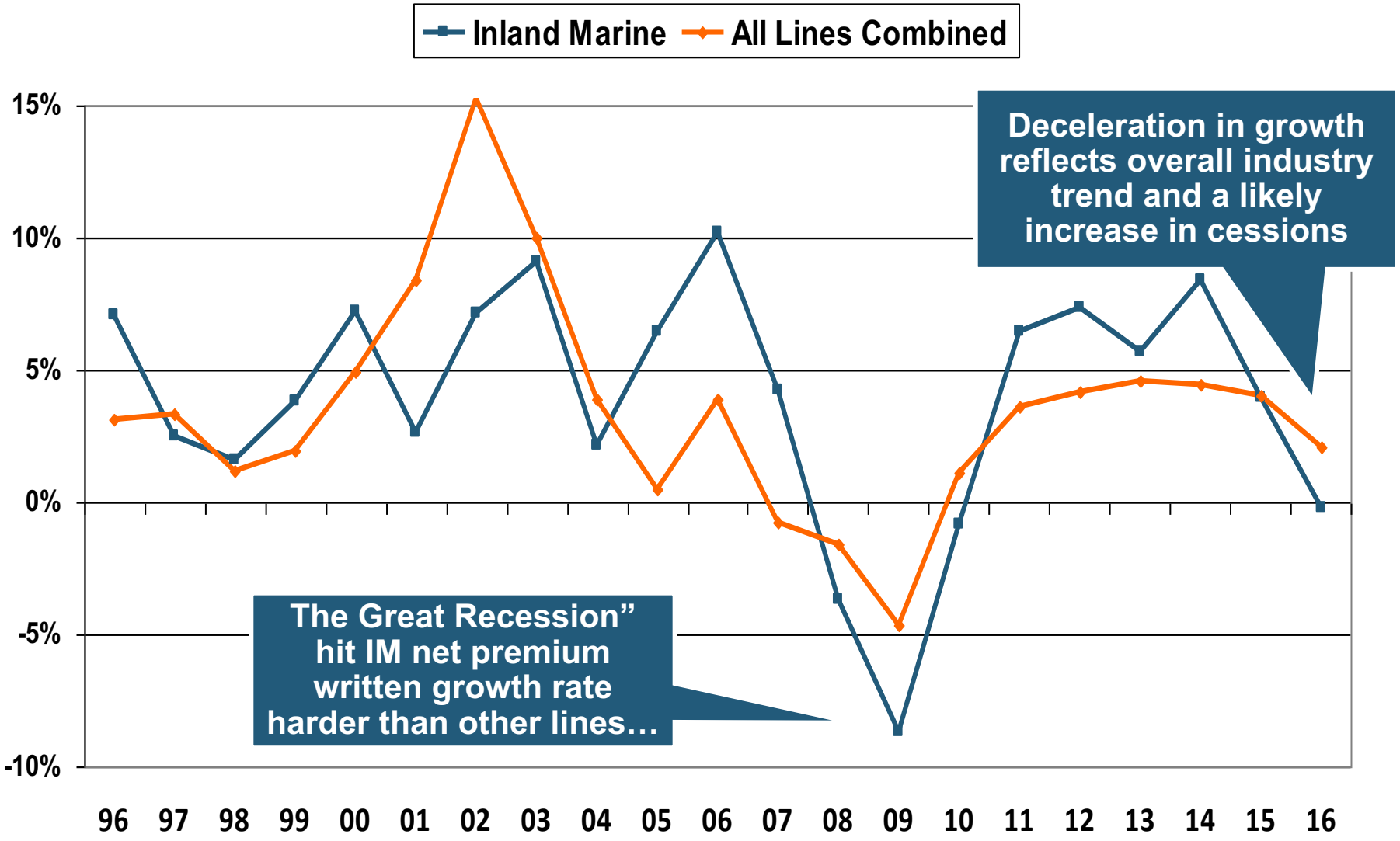
Return on Net Worth, Countrywide, Direct: Inland Marine vs. All Lines, 2002-2016



Inland Marine has consistently been one of the most profitable lines, despite occasionally heavy CAT losses (2017 impacts significant).

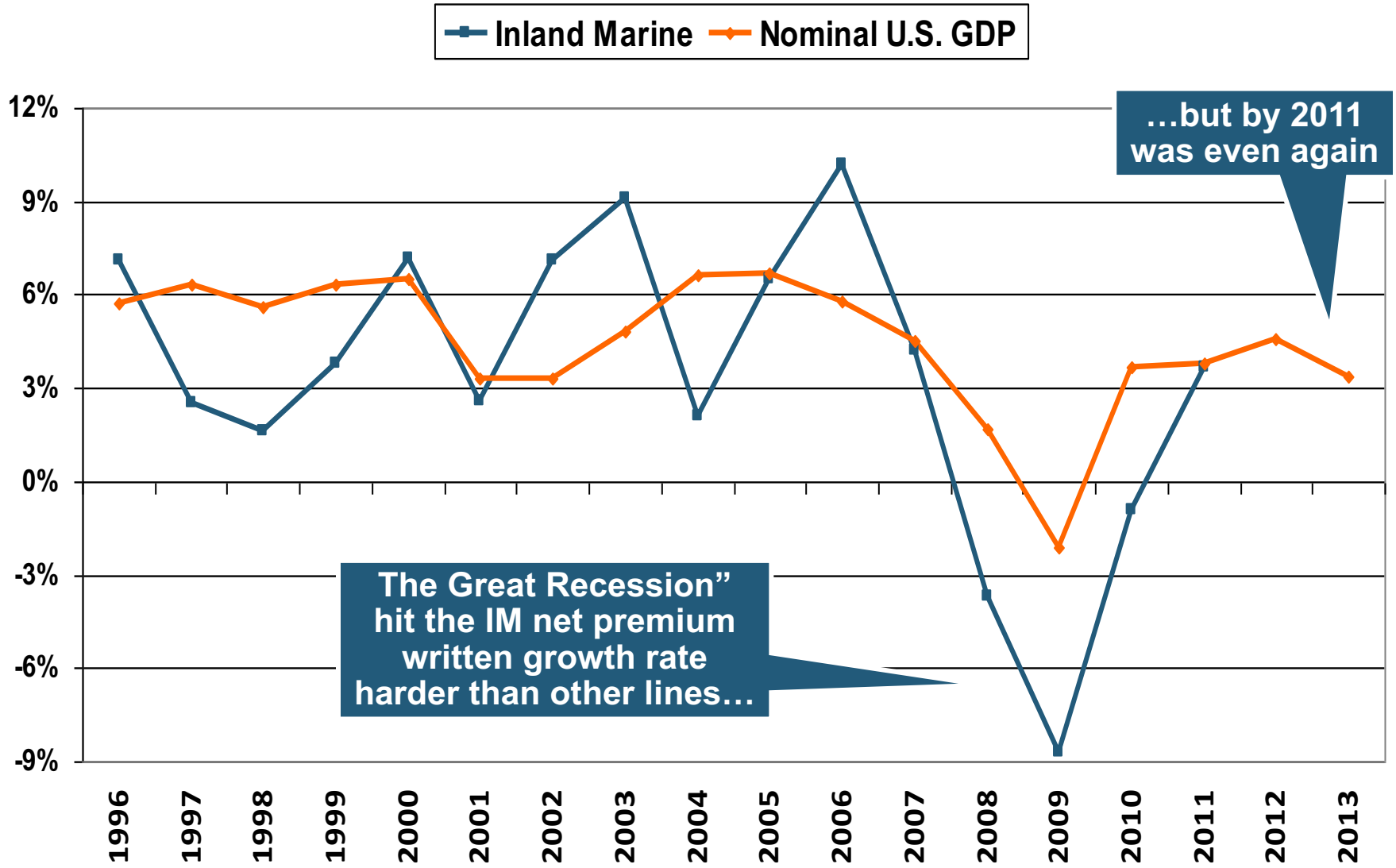
Sources: A.M. Best; Center for Risk and Uncertainty Management, University of South Carolina.

Growth Rate of Net Premiums Written, Countrywide, Inland Marine vs. All Lines



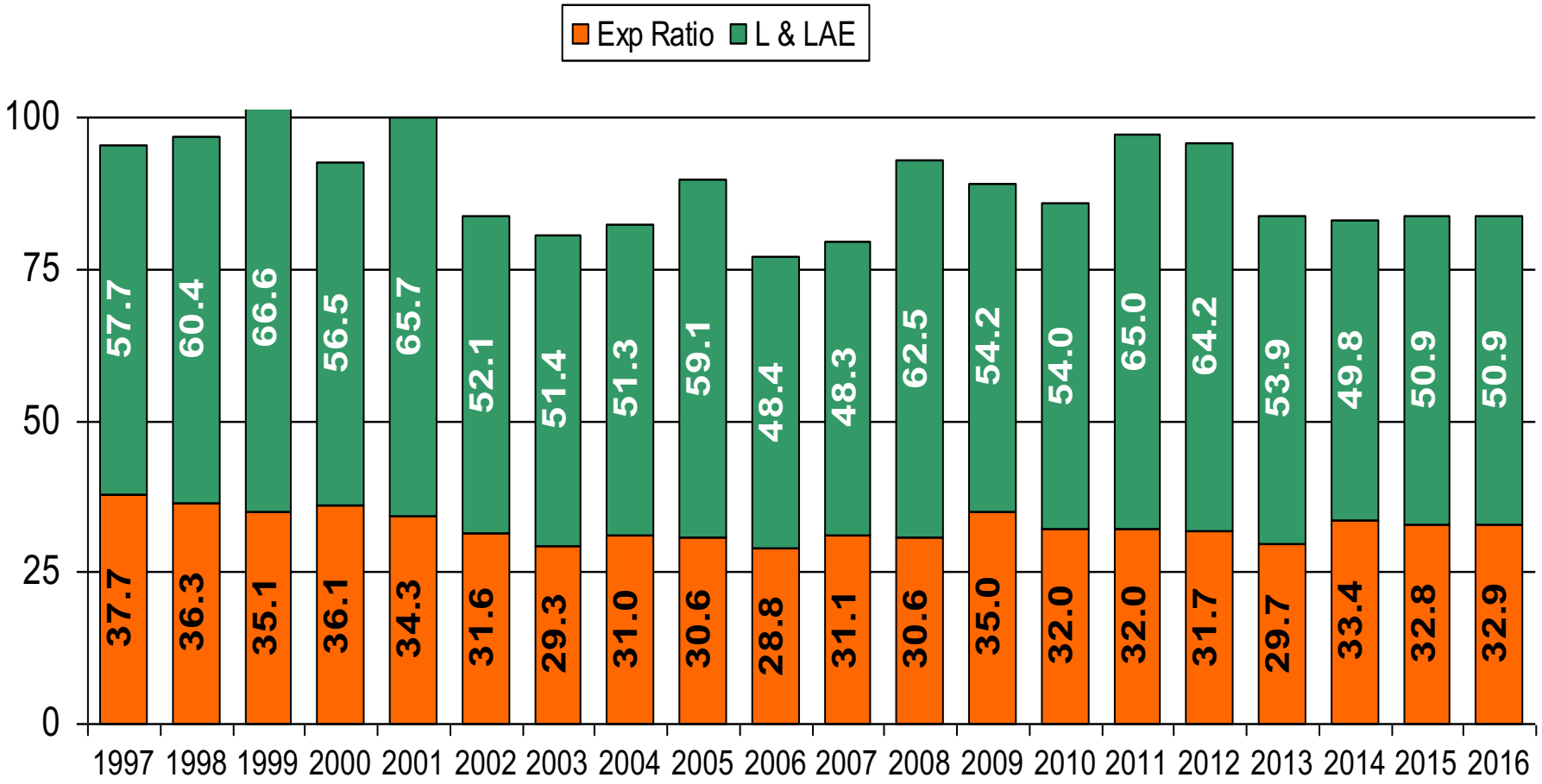
Sources: A.M. Best; Center for Risk and Uncertainty Management, University of South Carolina.

Growth Rates: Inland Marine Net Premiums Written, Countrywide, vs. Nominal U.S. GDP



Sources: I.I.I. calculations, based on data from *A. M. Best, Aggregates & Averages, various issues*

Inland Marine
Combined Ratio, 1997–2016



Inland Marine generally outperforms most other lines by a wide margin:
Inland Marine: 87.3
Commercial Lines: 100.1

Sources: A.M. Best; Center for Risk and Uncertainty Management, University of South Carolina.

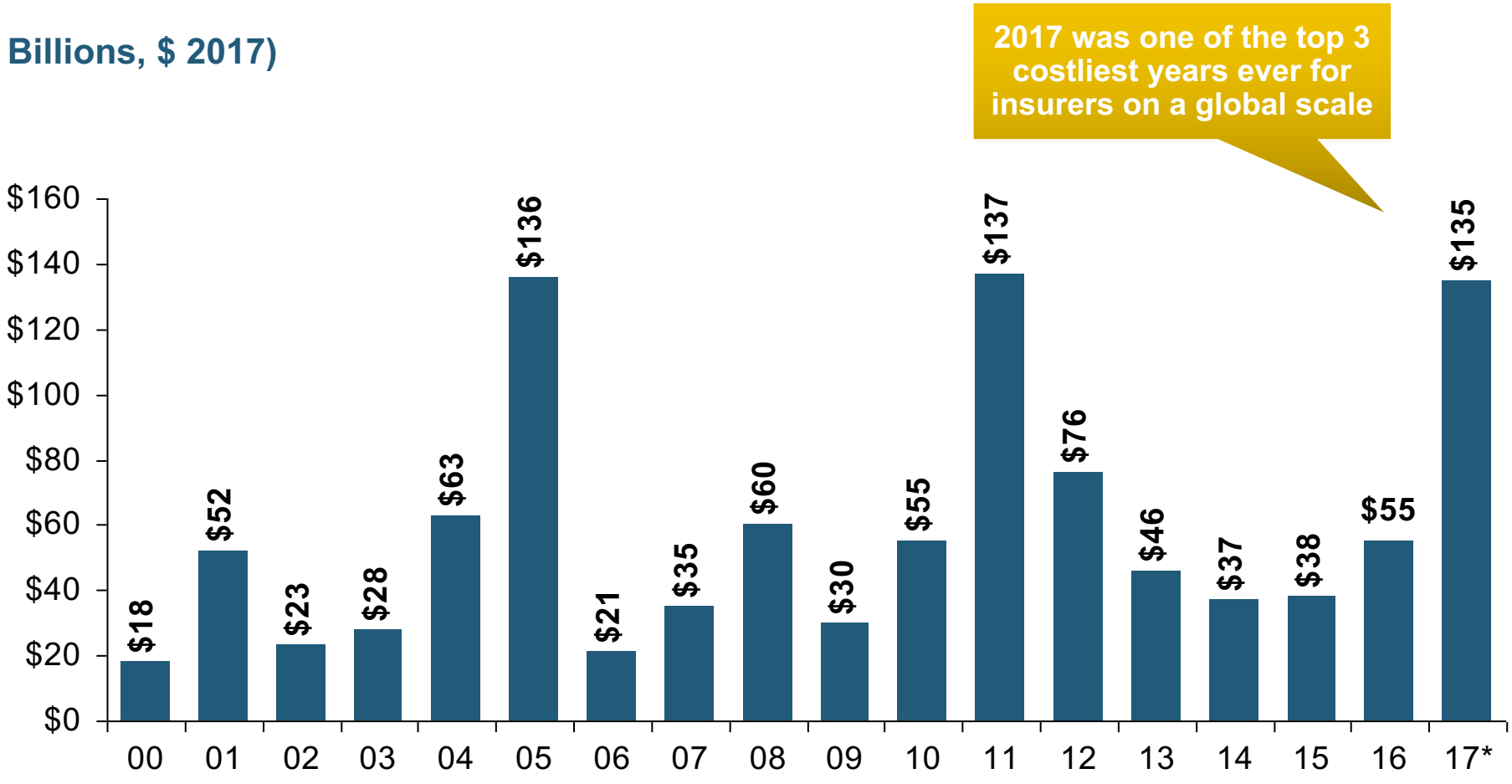
Catastrophe Loss Update: *Major Driver of Rate Pressure*

2017 Was One of the Costliest Years Ever for US Insurers

Hurricanes Harvey, Irma and Maria, California Wildfires Exact a Huge Toll

Global Insured Catastrophe Losses, 2000 – 2017E

($ Billions, $ 2017)



*Estimate

Sources: Swiss Re, RMS, Barclays Research.

Quiz Question #2

- **Privately insured catastrophe losses in 2017 in the United States totaled approximately how much?**

A. **$50 billion**

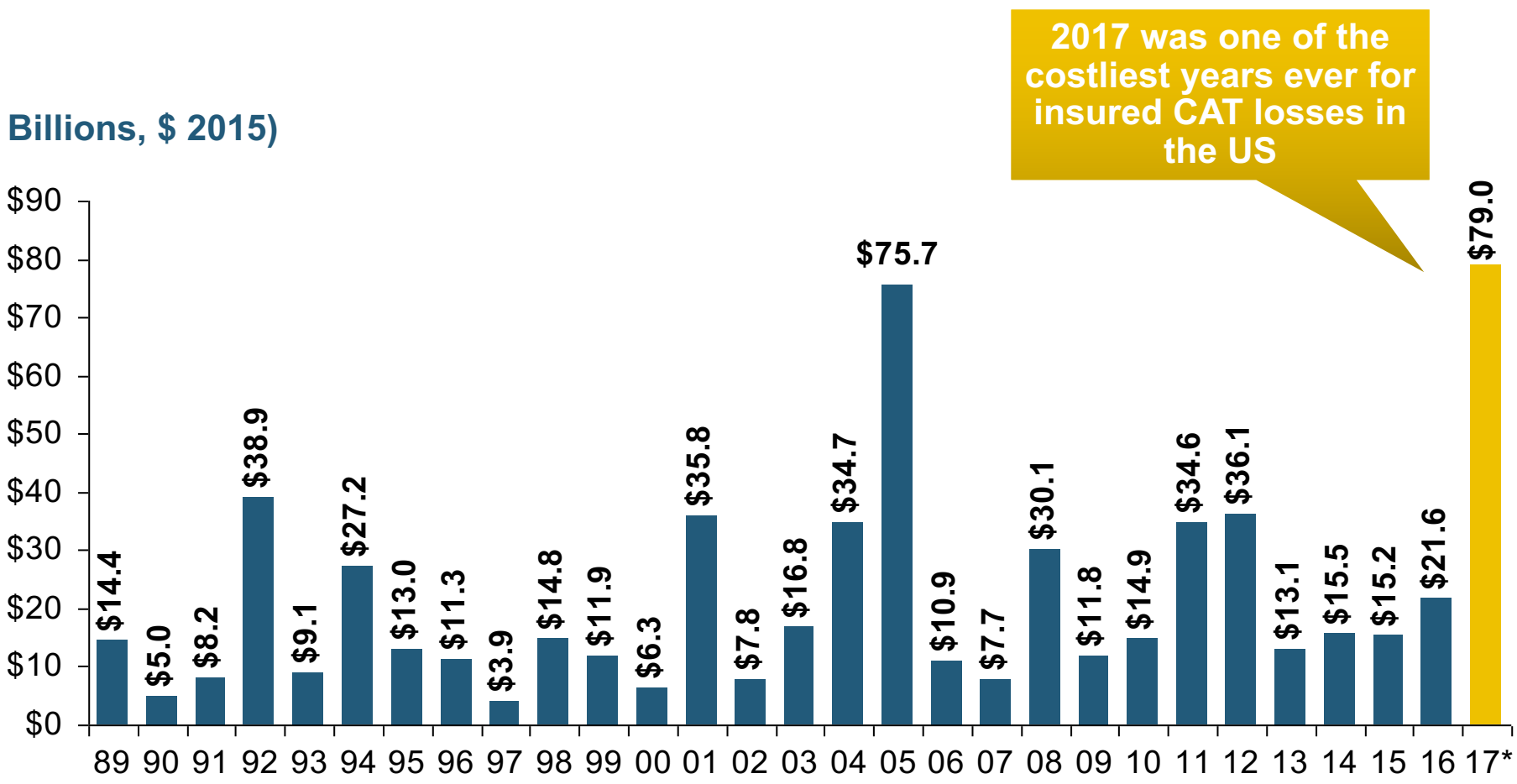
B. **$60 billion**

C. **$70 billion**

D. **$80 billion**

U.S. Insured Catastrophe Losses, 1989 – 2017*

($ Billions, $ 2015)



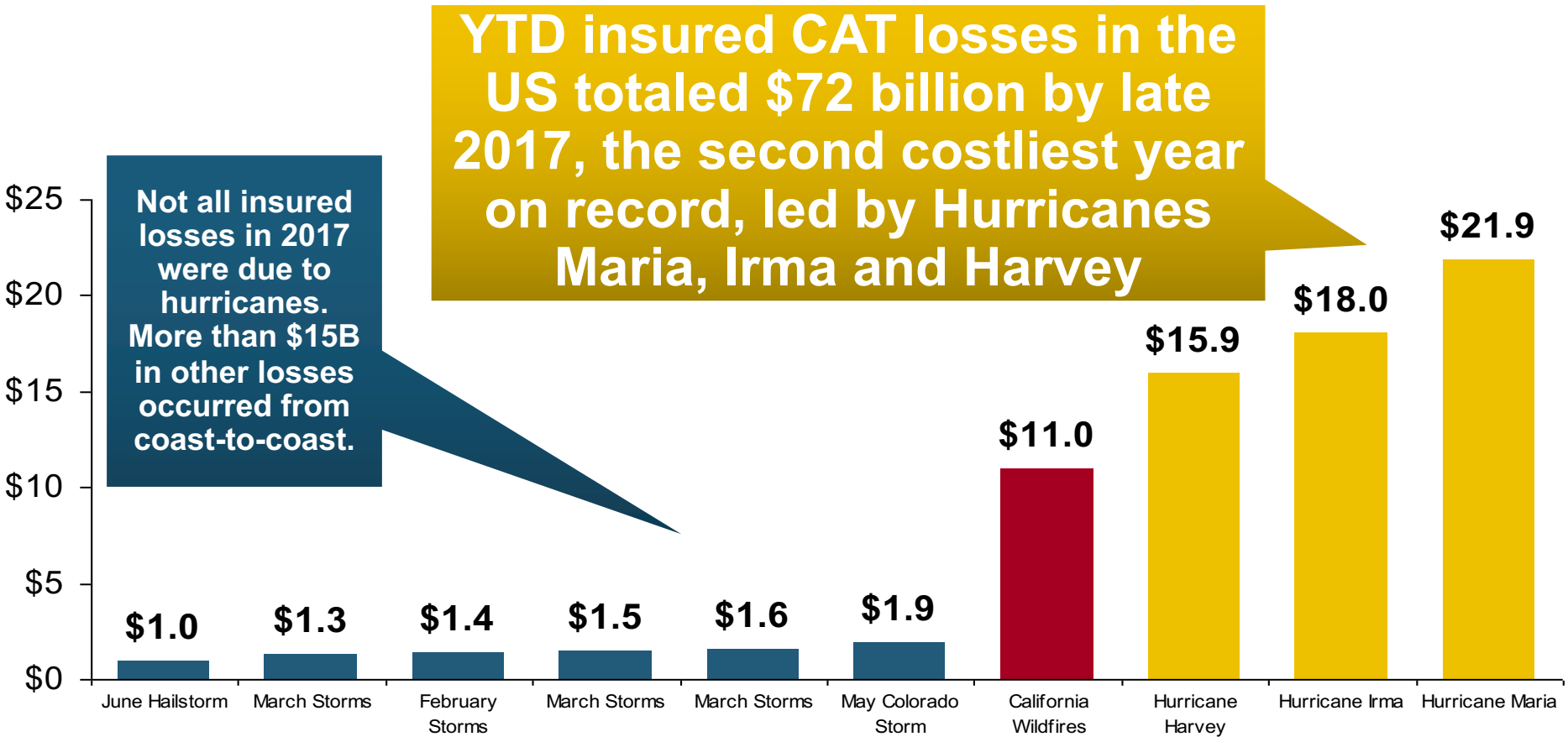
*Estimated. Stated in 2017 dollars. Excludes NFIP losses.

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; Willis Re; Insurance Information Institute.

Top 10 US Catastrophe Losses of 2017, by Insured Loss

(Insured Losses, 2017 Dollars, $ Billions)*

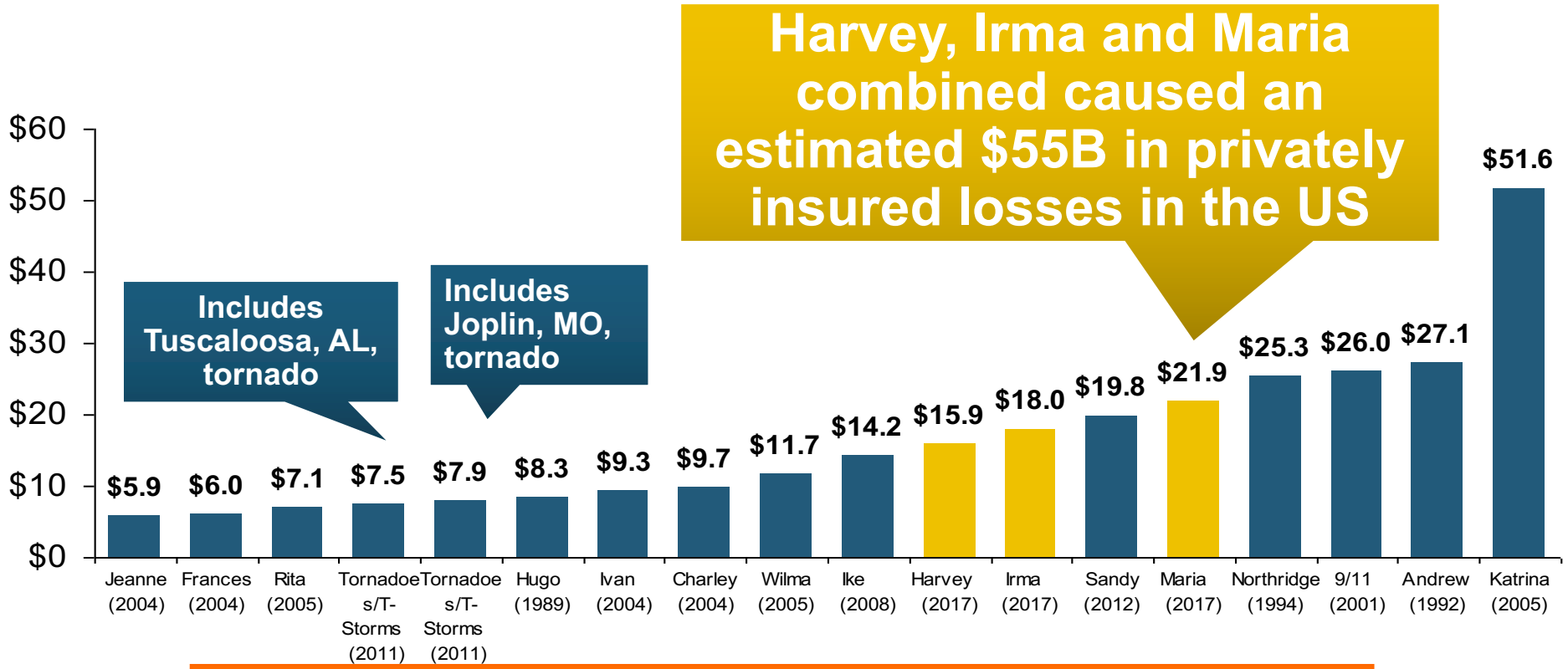


*Estimates.

Sources: PCS; Insurance Insider: http://www.insuranceinsider.com/-1270818/9.

Top 18 Most Costly Disasters in U.S. History—Katrina Still Ranks #1

(Insured Losses, 2017 Dollars, $ Billions)*

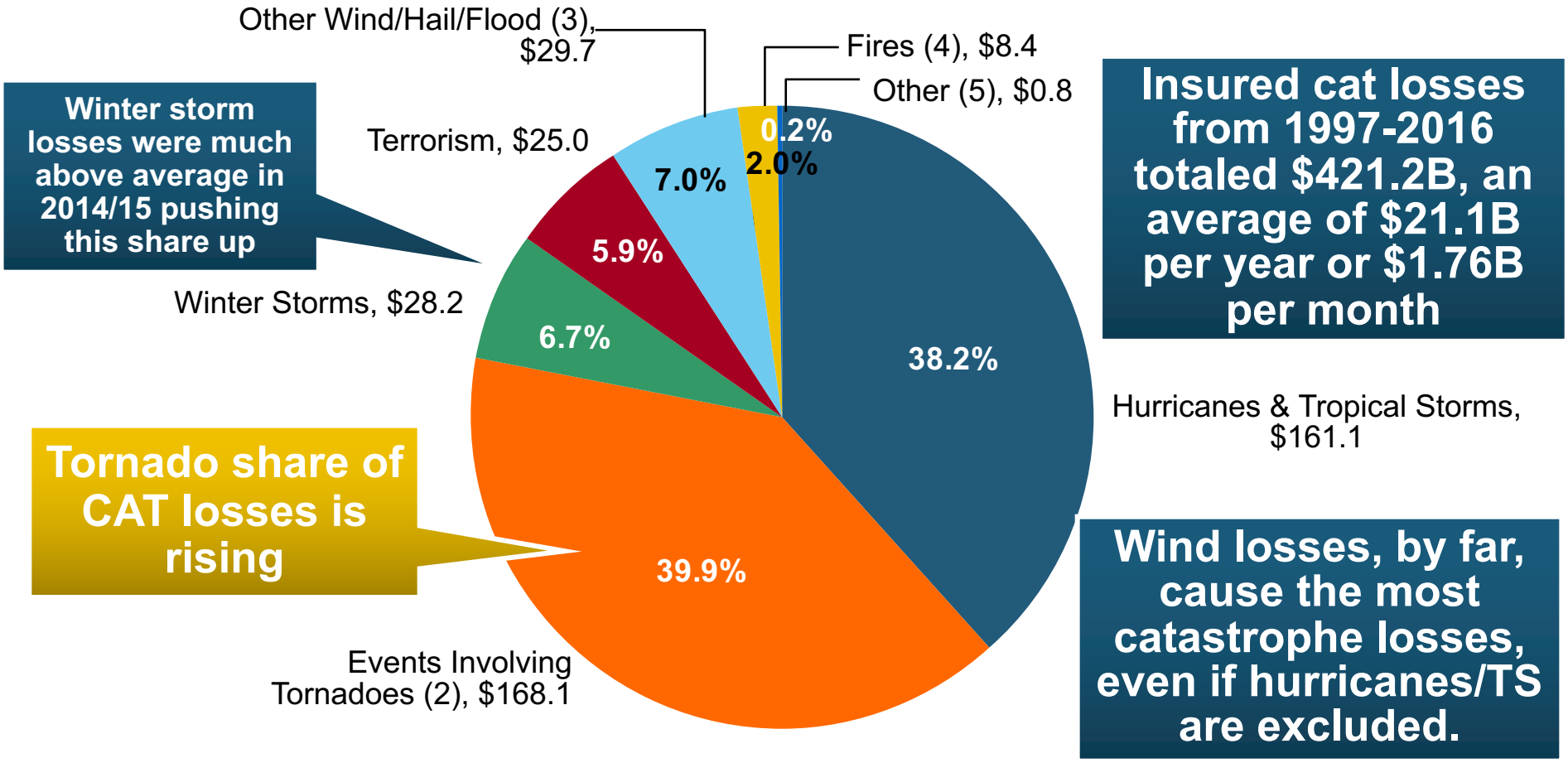


15 of the 18 Most Expensive Insurance Events in US History Have Occurred Since 2004—3 of those in 2017

*Estimated.

Sources: PCS, RMS, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2017 dollars using the CPI.

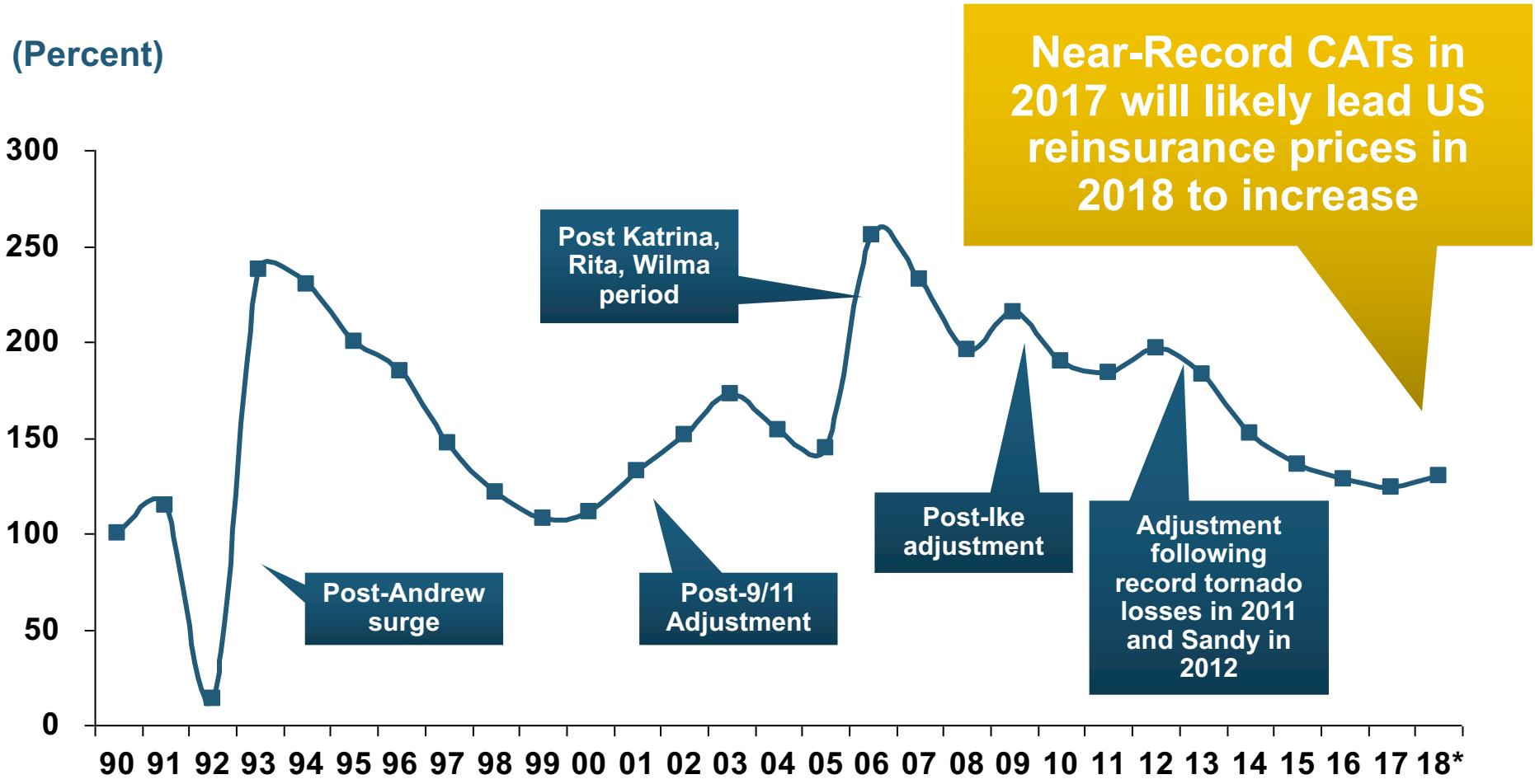
Inflation Adjusted U.S. Catastrophe Losses by Cause of Loss, 1997–2016[1]



1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2016 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.

US Property Catastrophe Rate-on-Line Index: 1990 – 2018*



US Reinsurance Pricing Is Sensitive to CAT Activity and Ultimately Impacts Primary Insurance Pricing, Terms and Conditions

*As of January 1 each year. 2018 is a full-year estimate (Barclay's Capital).

Source: Guy Carpenter; Artimes.bm accessed at: http://www.artemis.bm/indices/regional-property-cat-rate-on-line-index.html

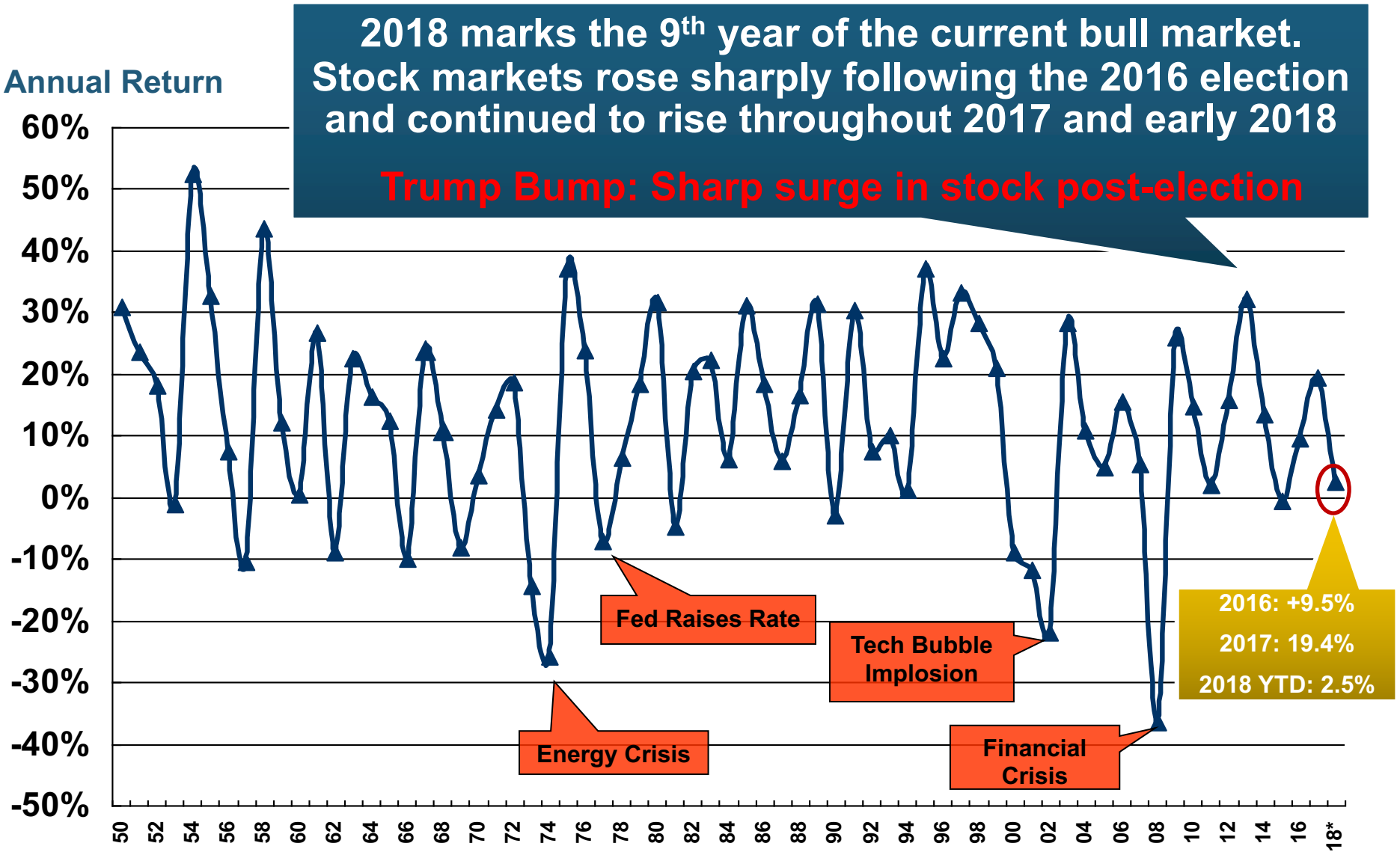
INVESTMENTS: THE NEW REALITY

Investment Performance is a Key Driver of Insurer Profitability

The "Trump Bump" Has Lifted Stock Markets and Interest Rates

Will the Gains Help Insurers?

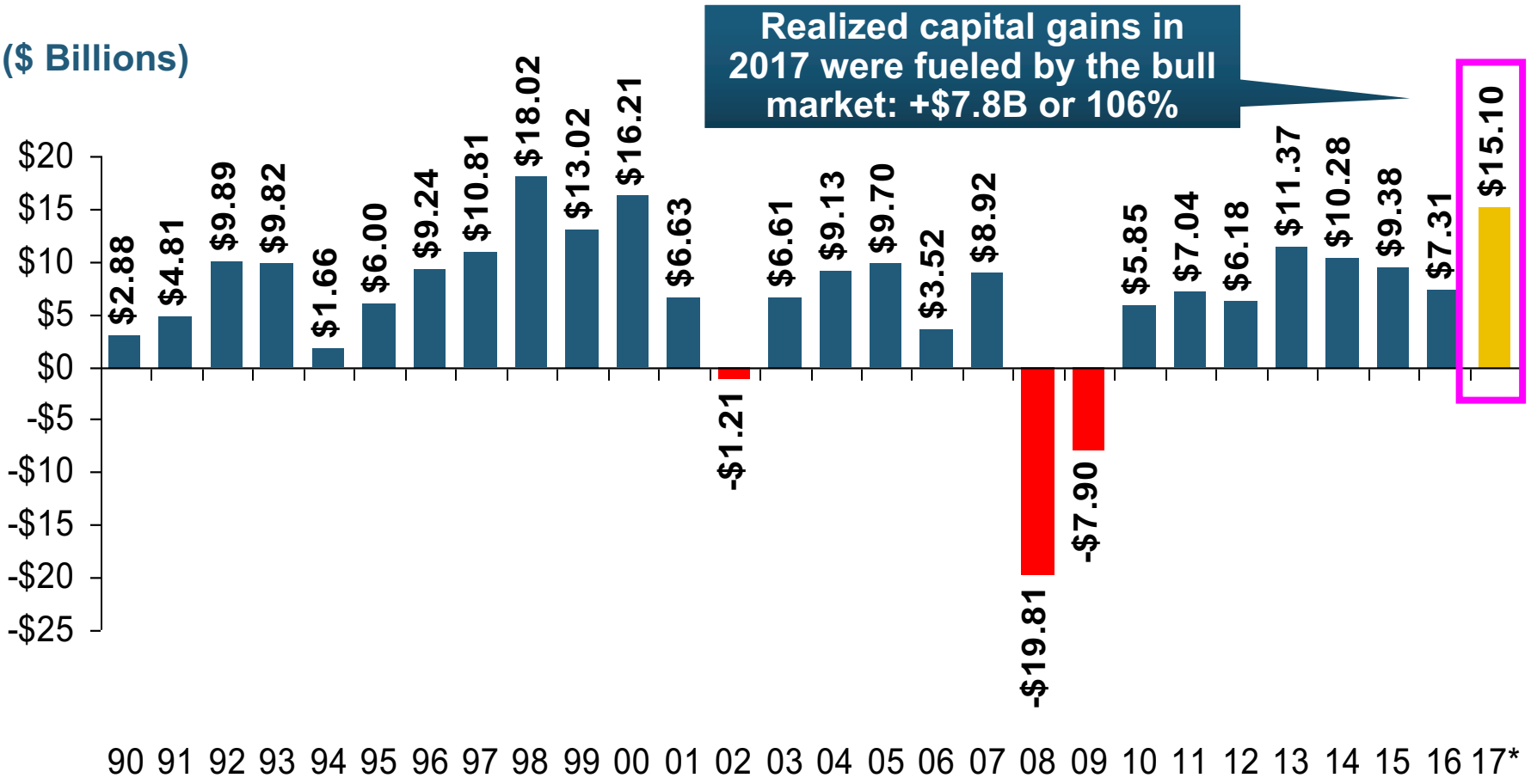
S&P 500 Index Returns, 1950 – 2018*



*Through May 11, 2018.

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

P/C Insurer Net Realized Capital Gains/Losses, 1990-2017:Q4

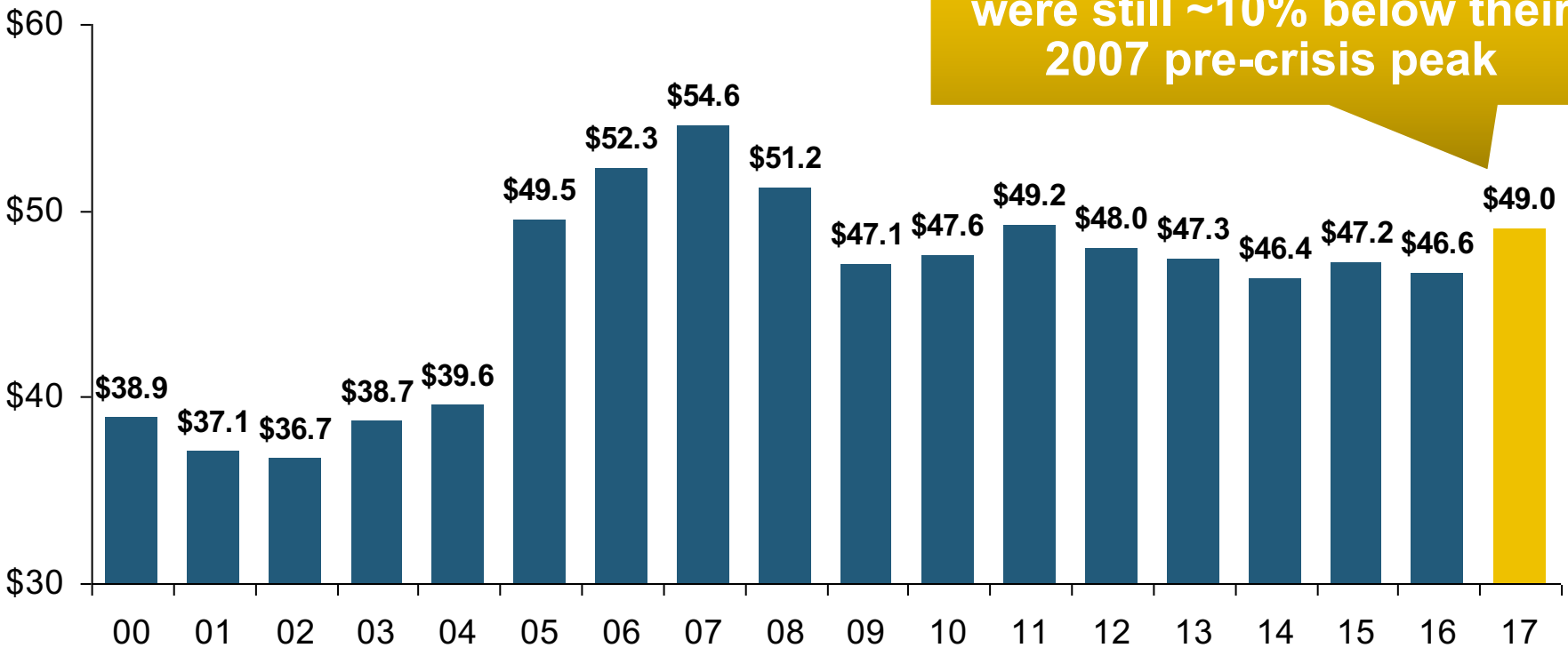


Insurers posted net realized capital gains in 2010 - 2017 following two years of realized losses during the financial crisis. The bull market of 2017 helped push gains to more than twice their 2016 level.

*Figure is through Q4:2017
Sources: A.M. Best, ISO; Insurance Information Institute.

Property/Casualty Insurance Industry Investment Income: 2000–2017

($ Billions)



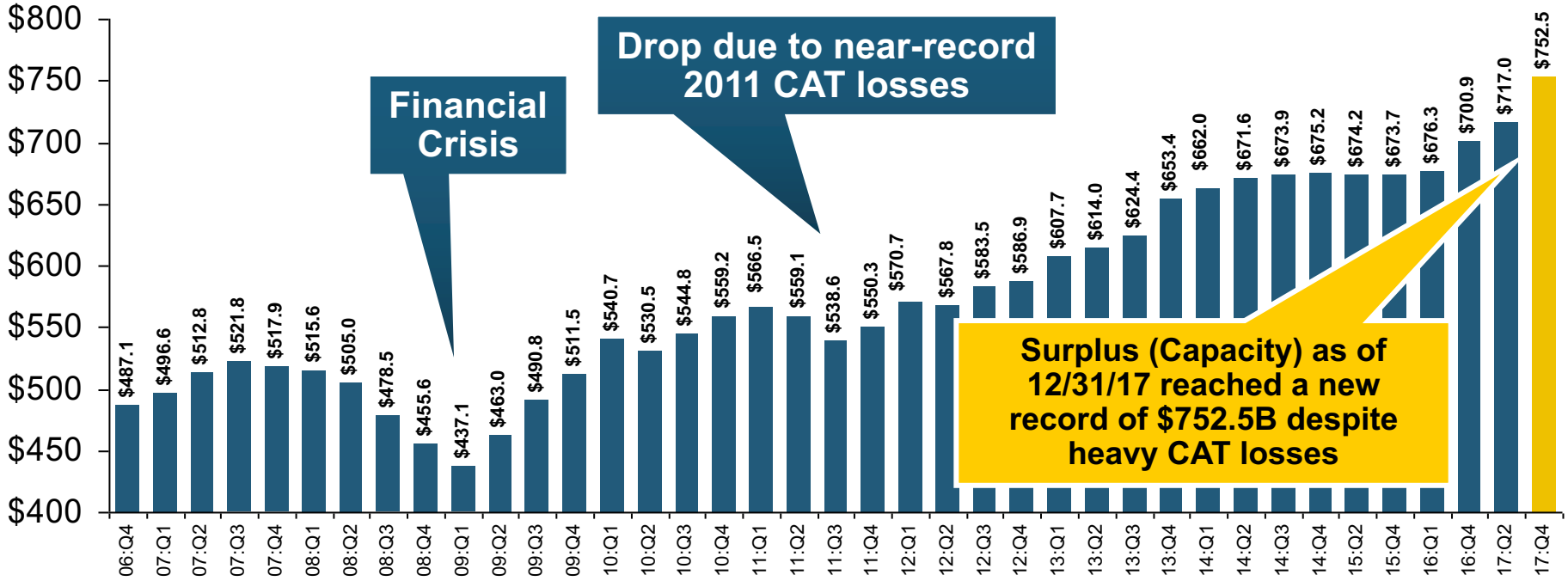
Investment earnings in 2017 were still ~10% below their 2007 pre-crisis peak

Due to persistently low interest rates, investment income fell in 2012, 2013 and 2014 but showed a small (1.7%) increase in 2015—though 2016 experienced another decline. Up 7.6% in 2017.

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

Policyholder Surplus, 2006:Q4–2017:Q4

($ Billions)

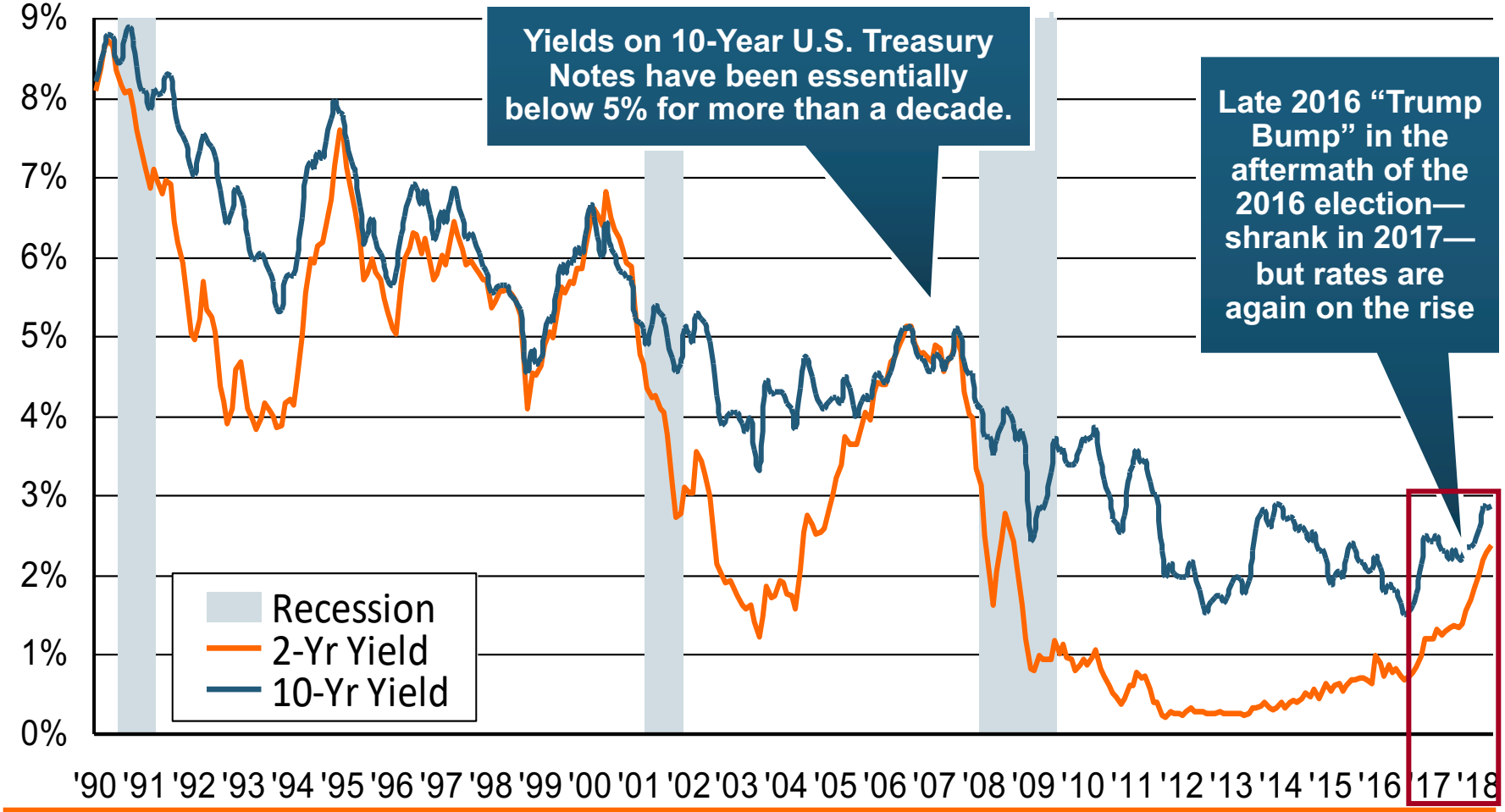


2010:Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business .

Capacity/Capital "shocks" typically do not on their own drive a sustained firming of the pricing environment

Sources: ISO, A.M .Best; 2018 estimate from the Center for Risk and Uncertainty Management, University of South Carolina.

U.S. Treasury Security Yields: A Long Downward Trend, 1990–2018*

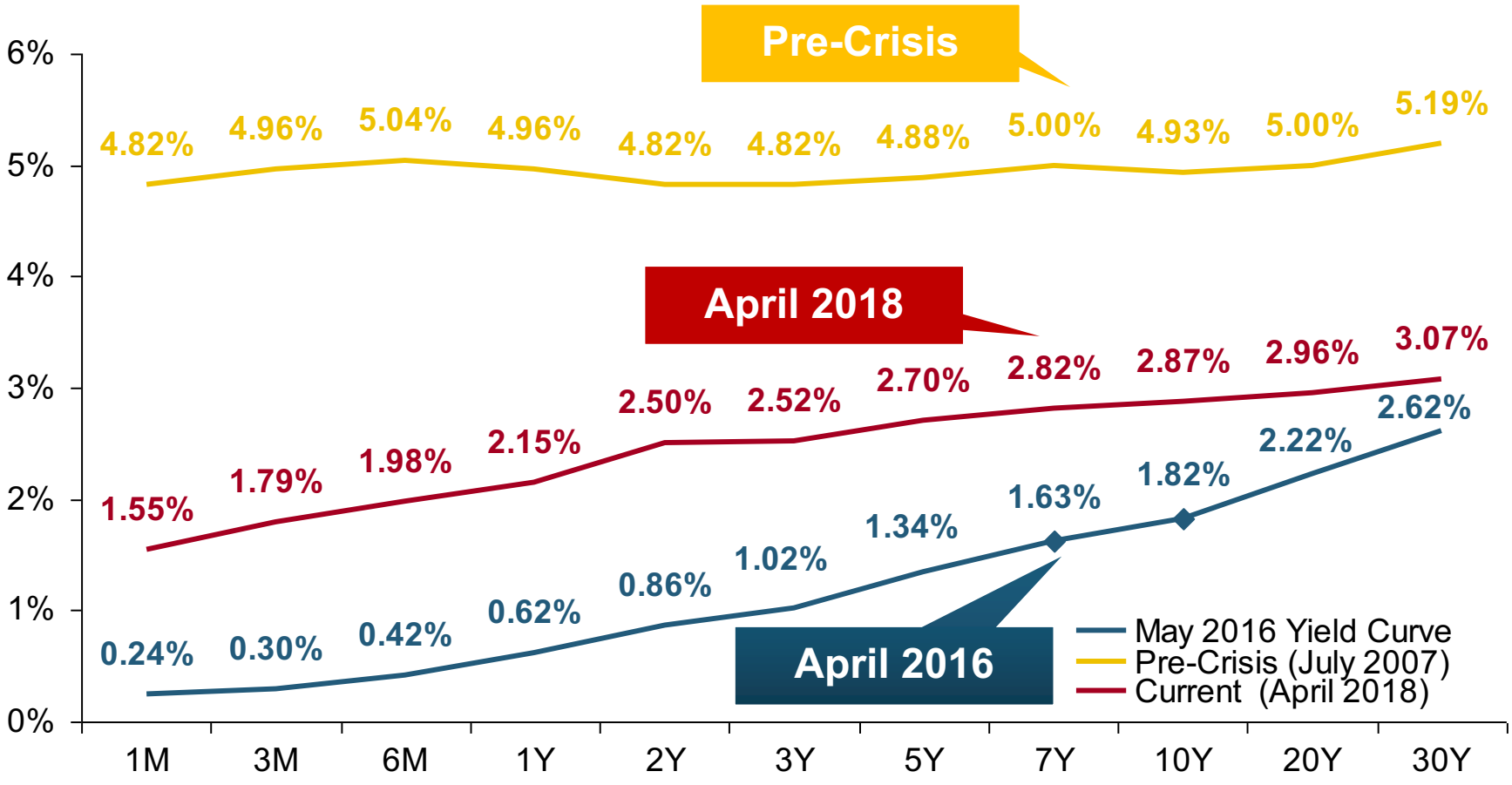


Since roughly 80% of P/C bond/cash investments are in 10-year or shorter durations, most P/C insurer portfolios will have low-yielding bonds for years to come.

*Monthly, constant maturity, nominal rates, through Apr. 2018.

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

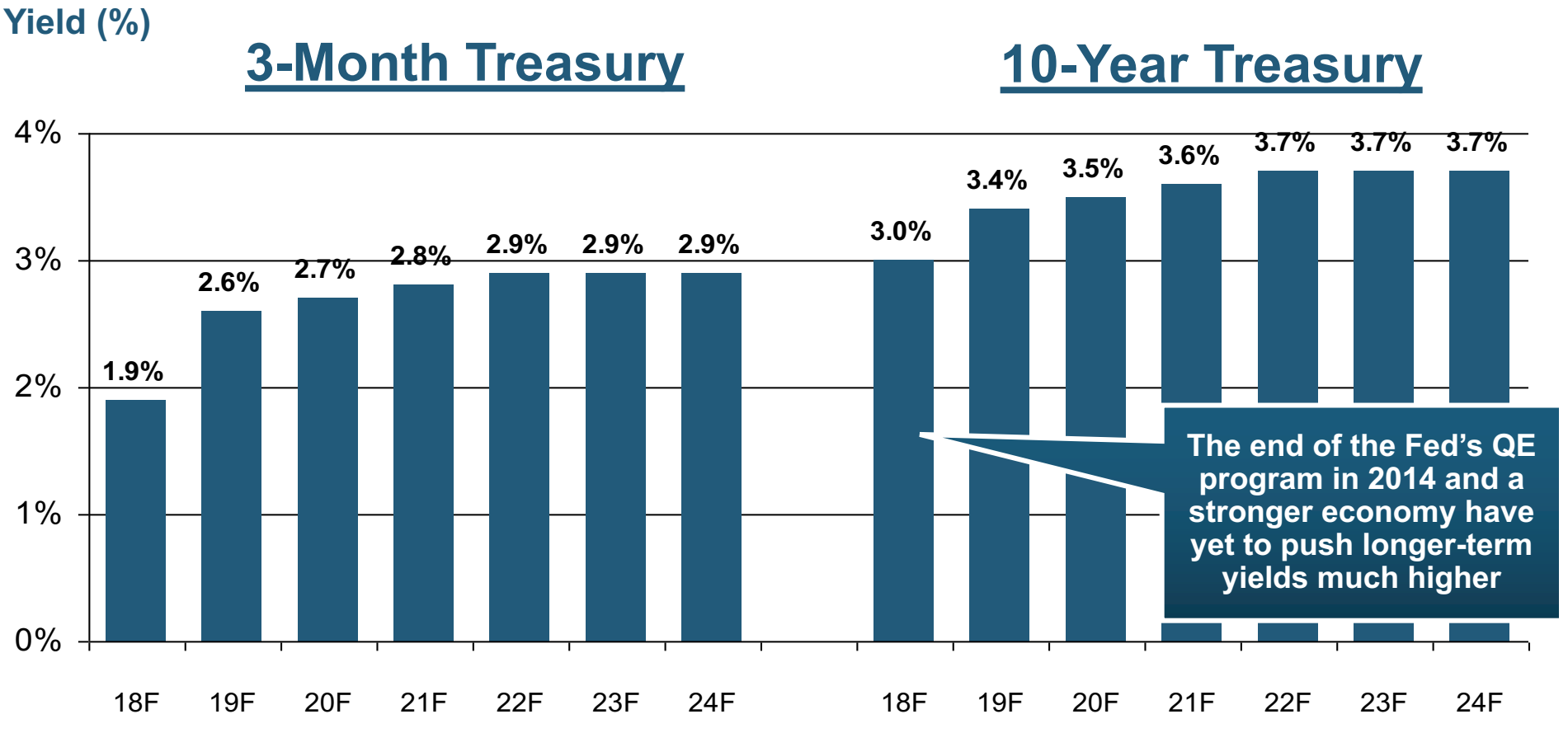
Treasury Yield Curves: Pre-Crisis (July 2007) vs. April 2016 and 2018



The Fed Began to Raise Rates in Dec. 2015 but Rate Remain Far Below Pre-Crisis Levels

Source: Federal Reserve Board of Governors: http://www.federalreserve.gov/releases/h15/data.htm; Univ. of South Carolina..

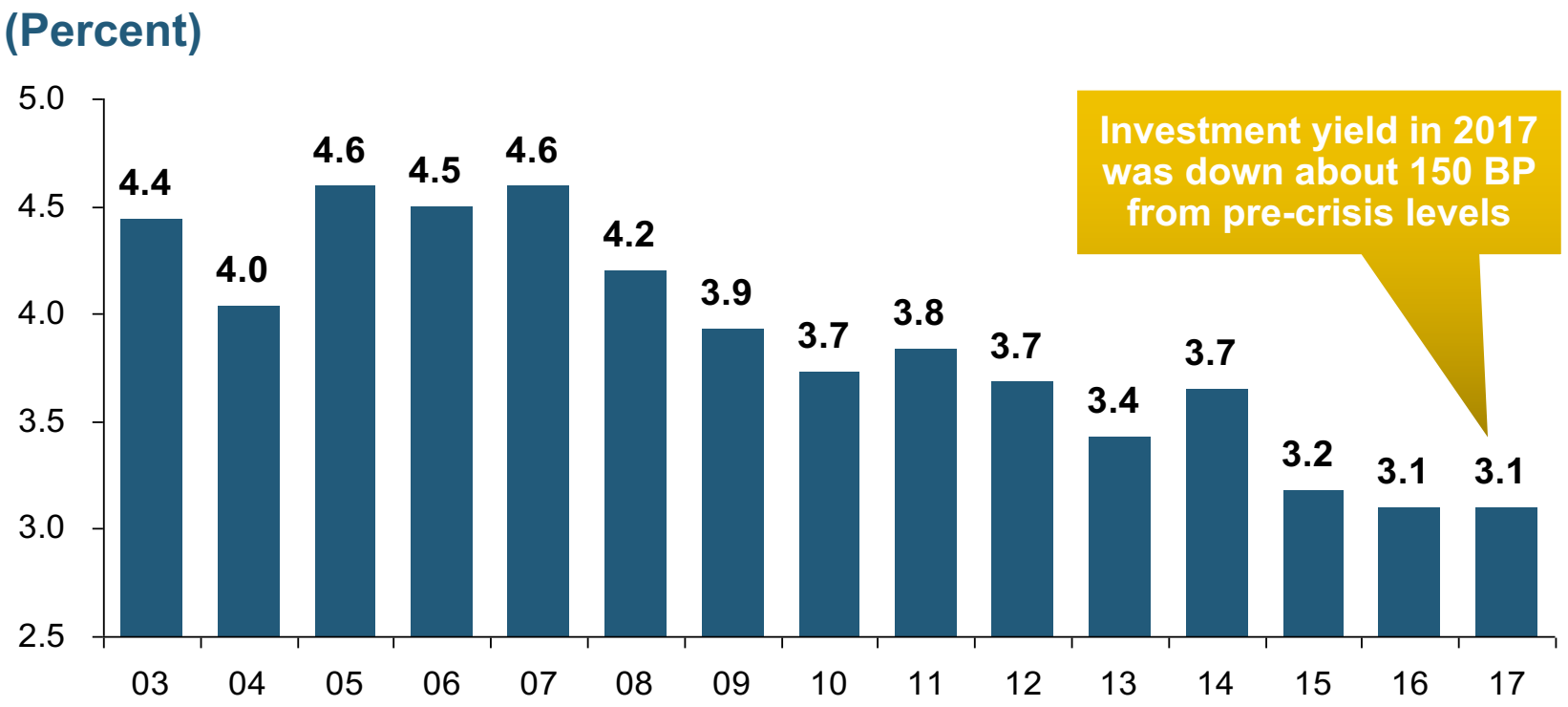
Interest Rate Forecasts: 2018 – 2024



A full normalization of interest rates is unlikely until the early 2020s, approximately 15 years after the onset of the financial crisis.

Sources: Blue Chip Economic Indicators (5/18 for 2018 and 2019; for 2018-2024 3/18 issue); Univ. of South Carolina.

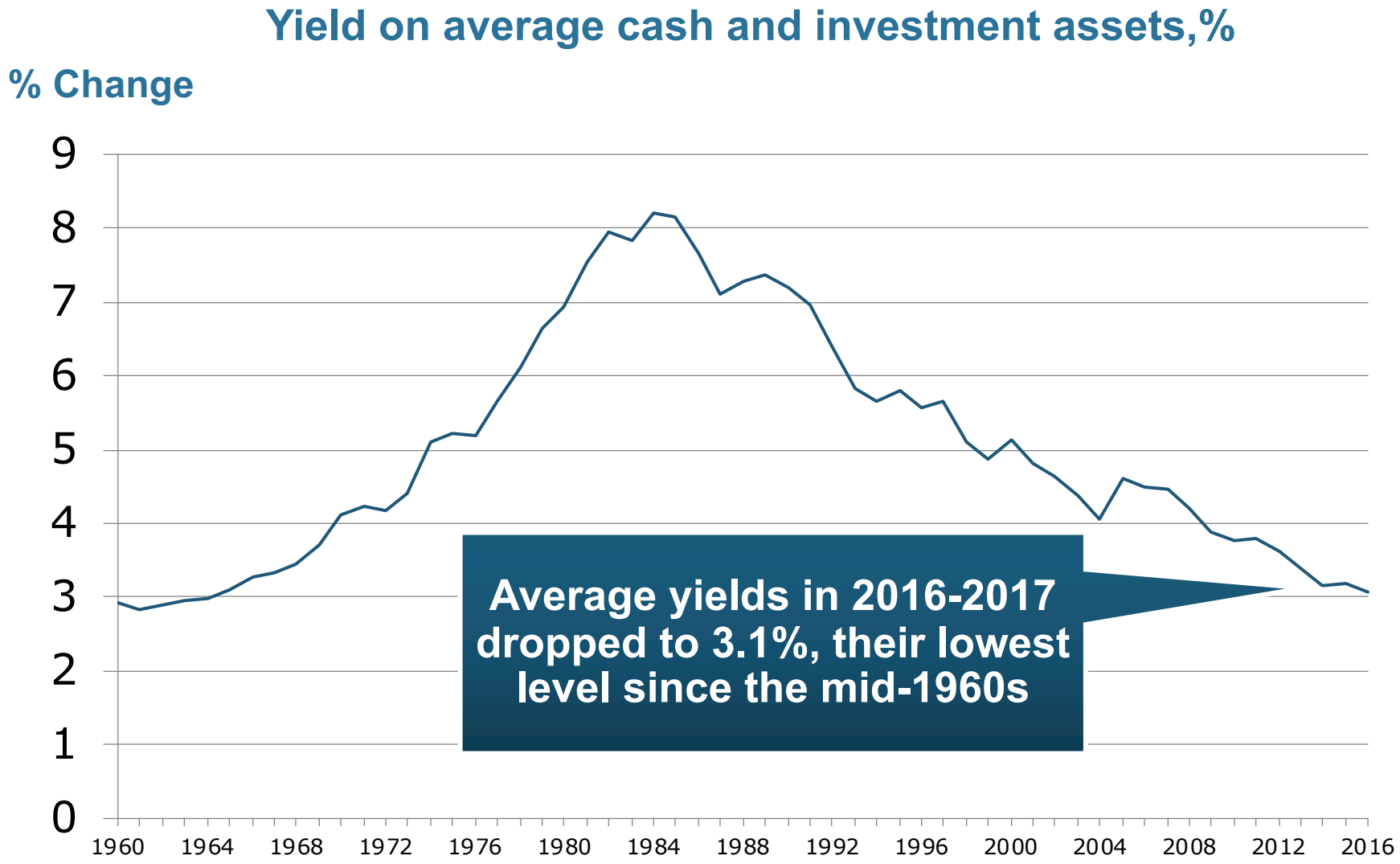
Net Investment Yield on Property/ Casualty Insurance Invested Assets, 2007–2017*



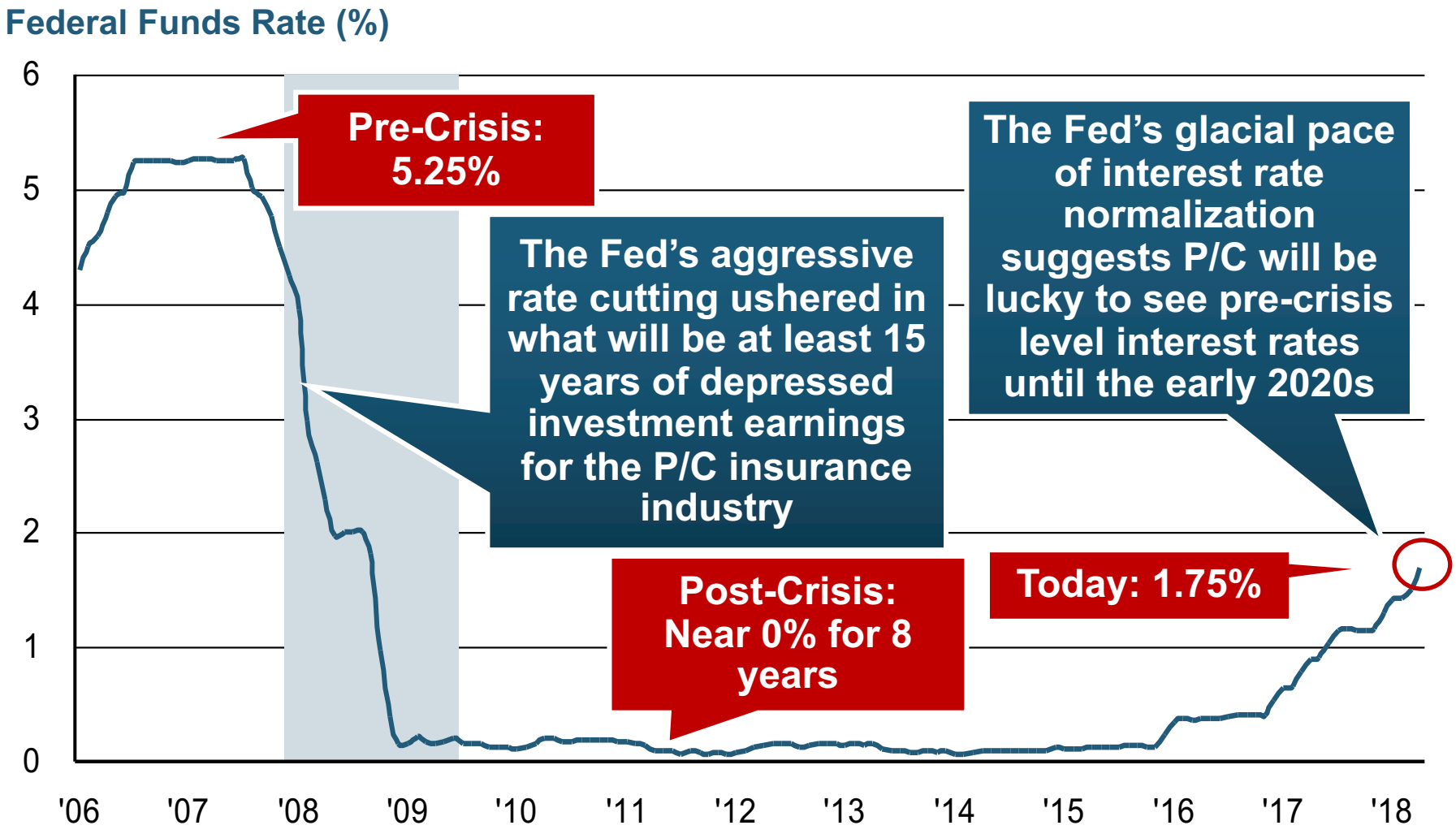
The yield on invested assets remains low relative to pre-crisis yields. Fed rate increases beginning in late 2015 have pushed up some yields, albeit quite modestly. Shrinking of Fed's balance sheet should help too in 2018 and beyond.

Sources: NAIC data, sourced from S&P Global Market Intelligence; 2017 figure is from ISO.

P/C Insurer Investment Yields: Lowest in Half a Century



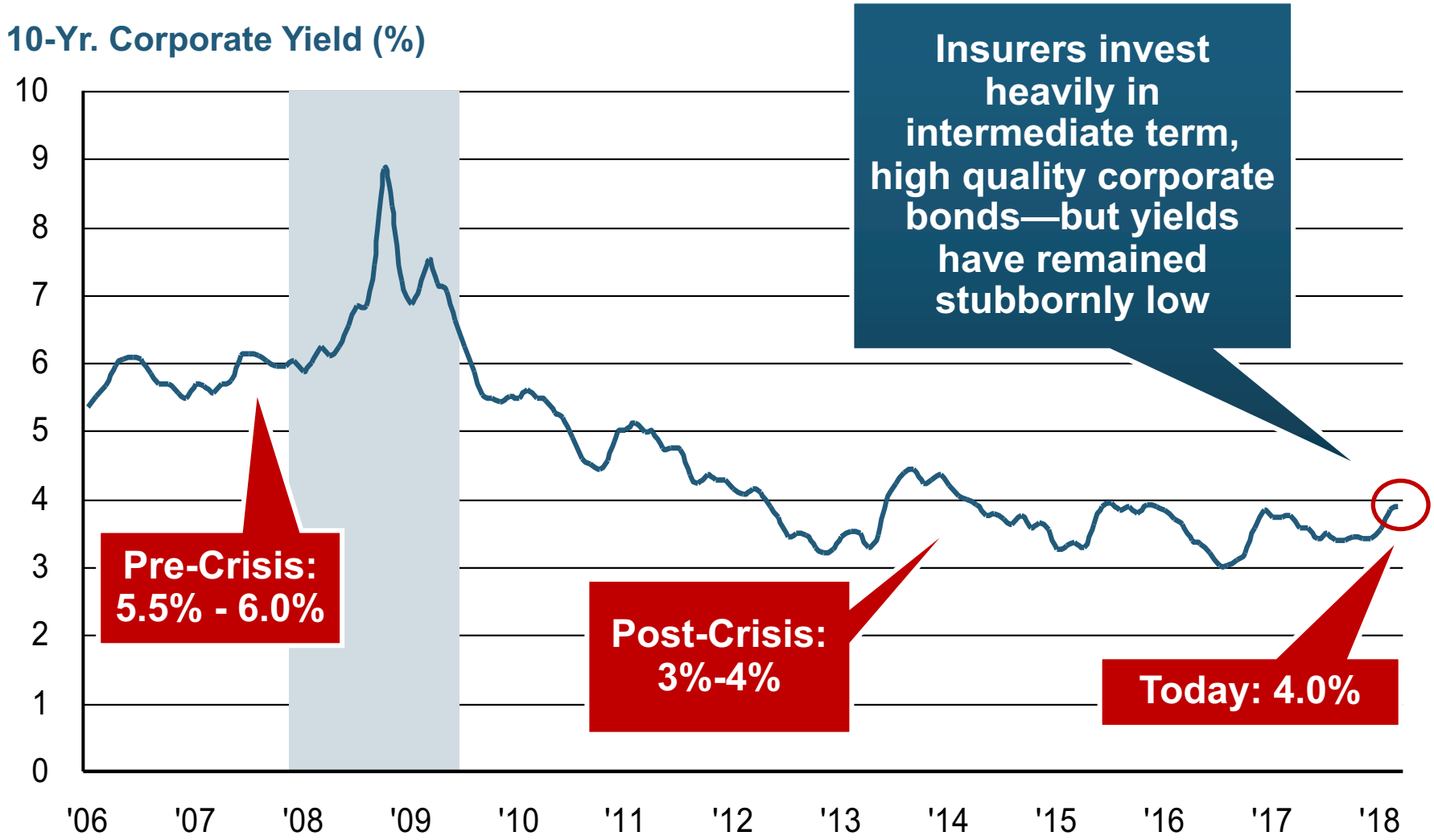
Federal Funds Rate: Jan. 2006 – Apr. 2018



Note: Recessions indicated by gray shaded columns.

Source: Board of Governors, Federal Reserve; National Bureau of Economic Research (recession dates); Center for Risk and Uncertainty Management, University of South Carolina.

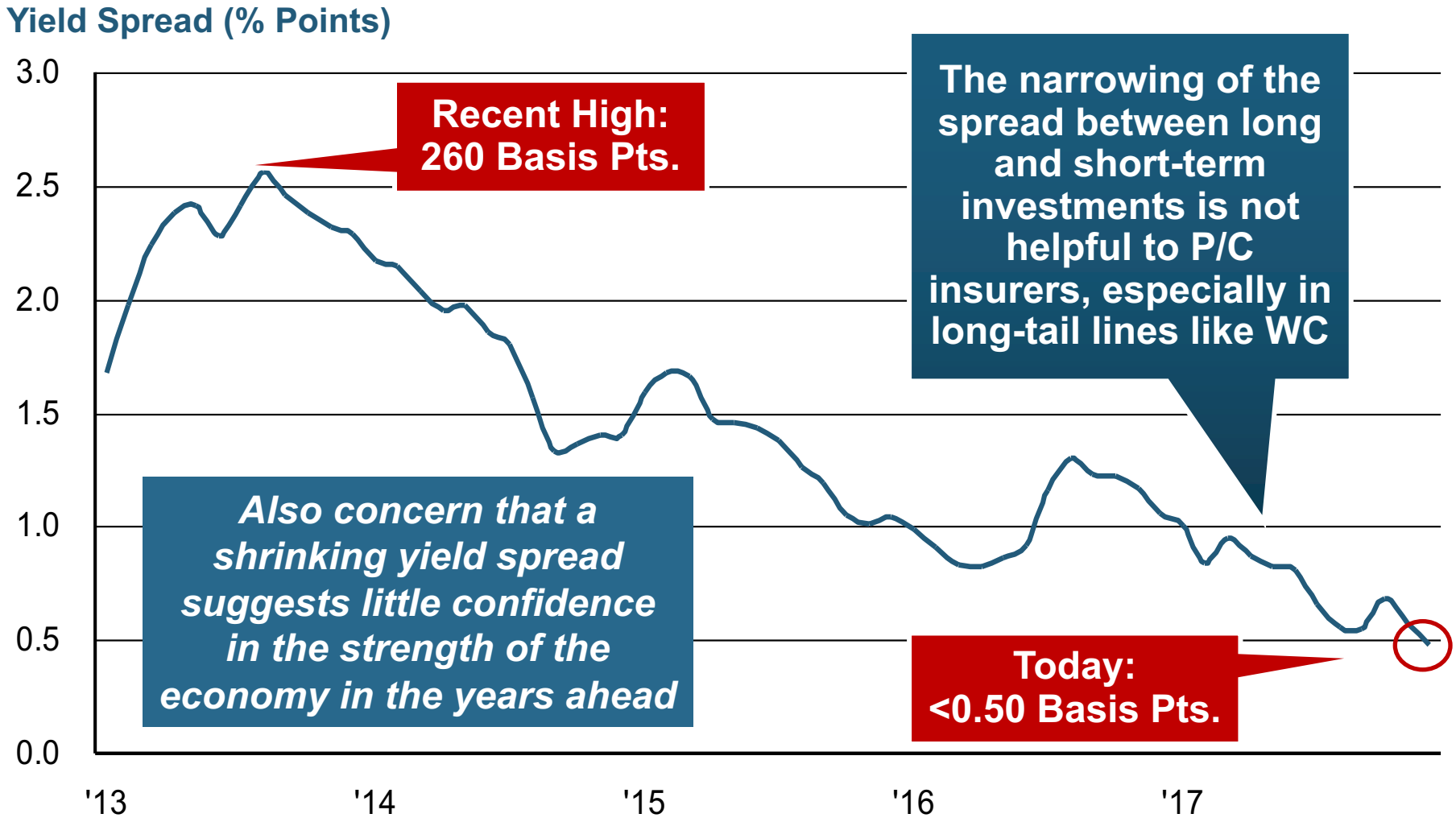
High Quality 10-Yr. Corporate Bond Yields: Jan. 2006 – Mar. 2018



Note: Recessions indicated by gray shaded columns.

Source: Board of Governors, Federal Reserve; National Bureau of Economic Research (recession dates); Center for Risk and Uncertainty Management, University of South Carolina.

Yield Spread Between 10- and 2-Yr. Treasury, May 2013 – April 2018



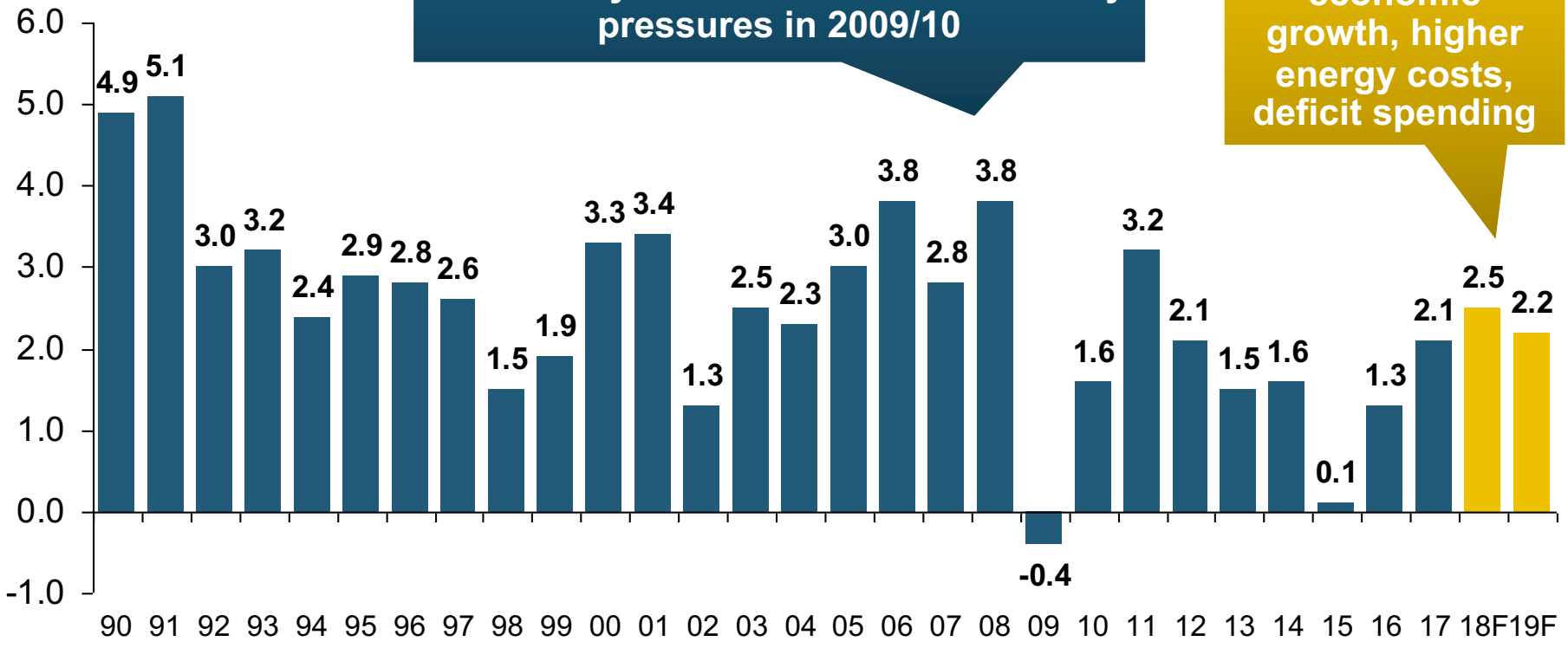
Note: Recessions indicated by gray shaded columns.

Source: Federal Reserve Bank of St. Louis. FRED Economic Data; Center for Risk and Uncertainty Management, University of South Carolina.

Annual Inflation Rates, (CPI-U, %), 1990–2019F

Inflation peaked at 5.6% in August 2008 on high energy and commodity crisis. The recession and the collapse of the commodity bubble reduced inflationary pressures in 2009/10

Inflationary expectations are up on expectations of stronger economic growth, higher energy costs, deficit spending

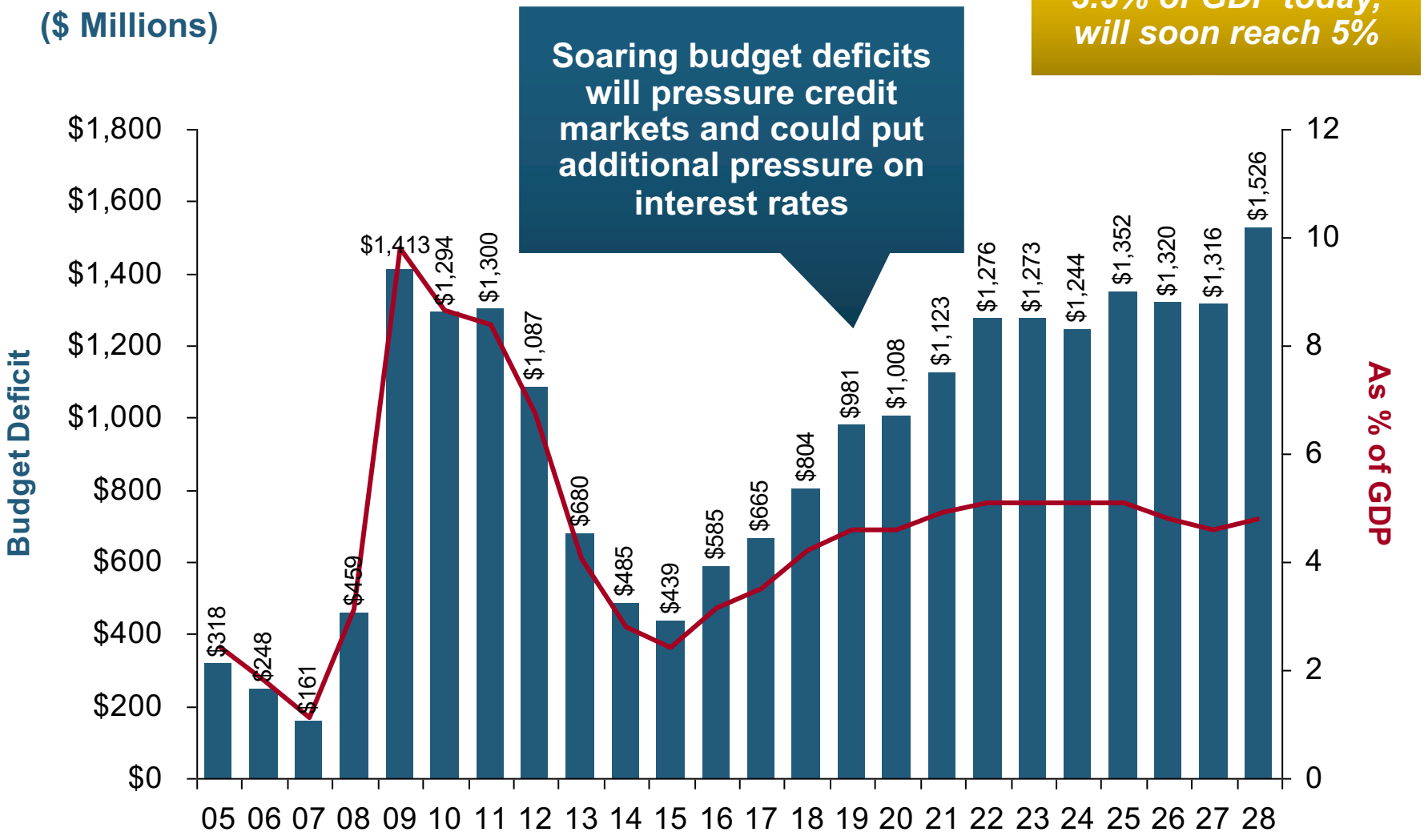


Less slack in the U.S. economy, rising energy prices and looming budget deficits suggest additional inflationary

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators, 5/18 (forecasts).

U.S. Budget Deficit in Dollars and as a Share of GDP, 2005-2028F

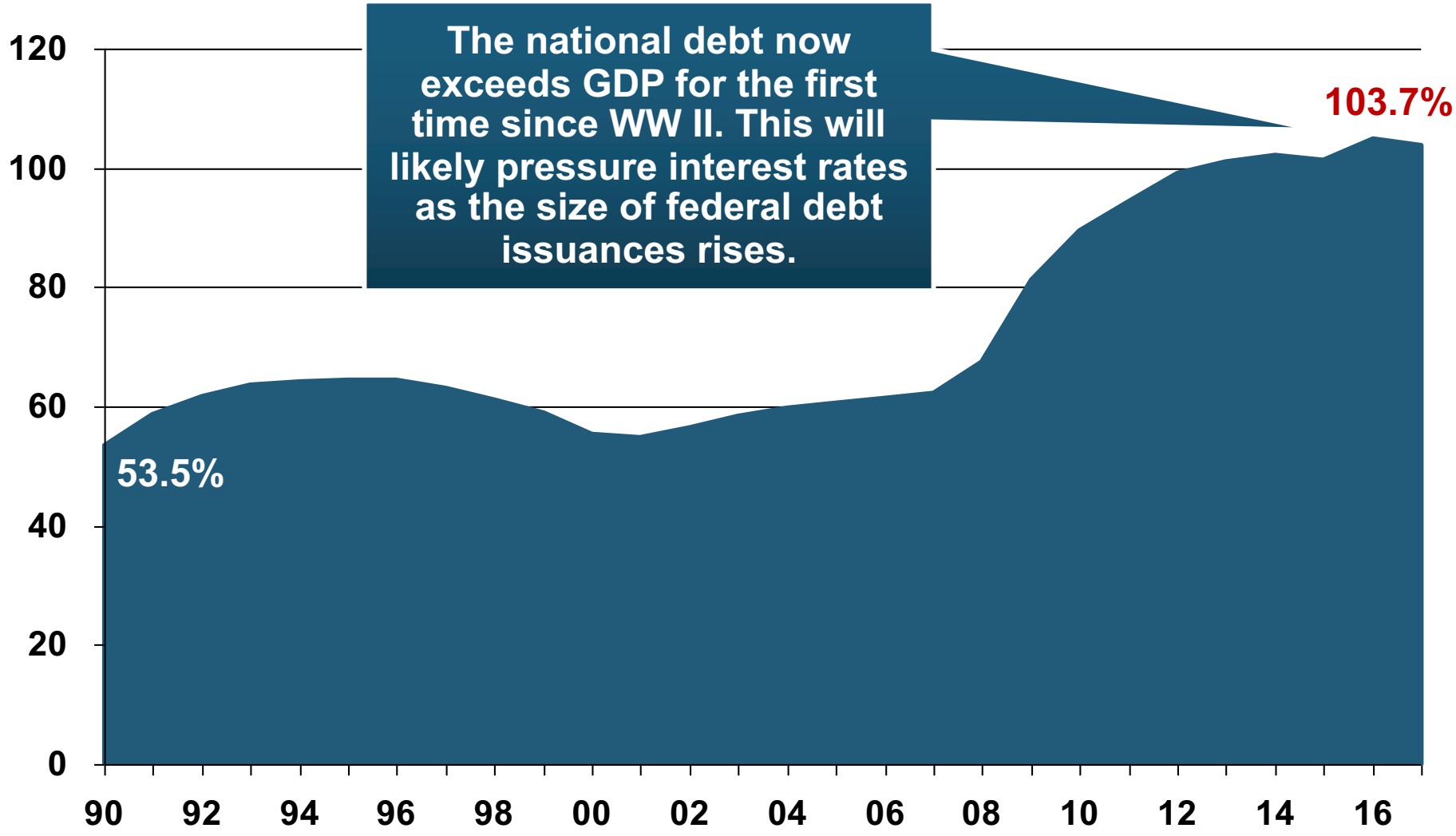
The budget deficit—at 3.5% of GDP today, will soon reach 5%



(1) Includes transactions where a U.S. company was the acquirer and/or the target.

Source: Conning proprietary database.

US National Debt as a Share of GDP, 1995 - 2017



Source: Congressional Budget Office.

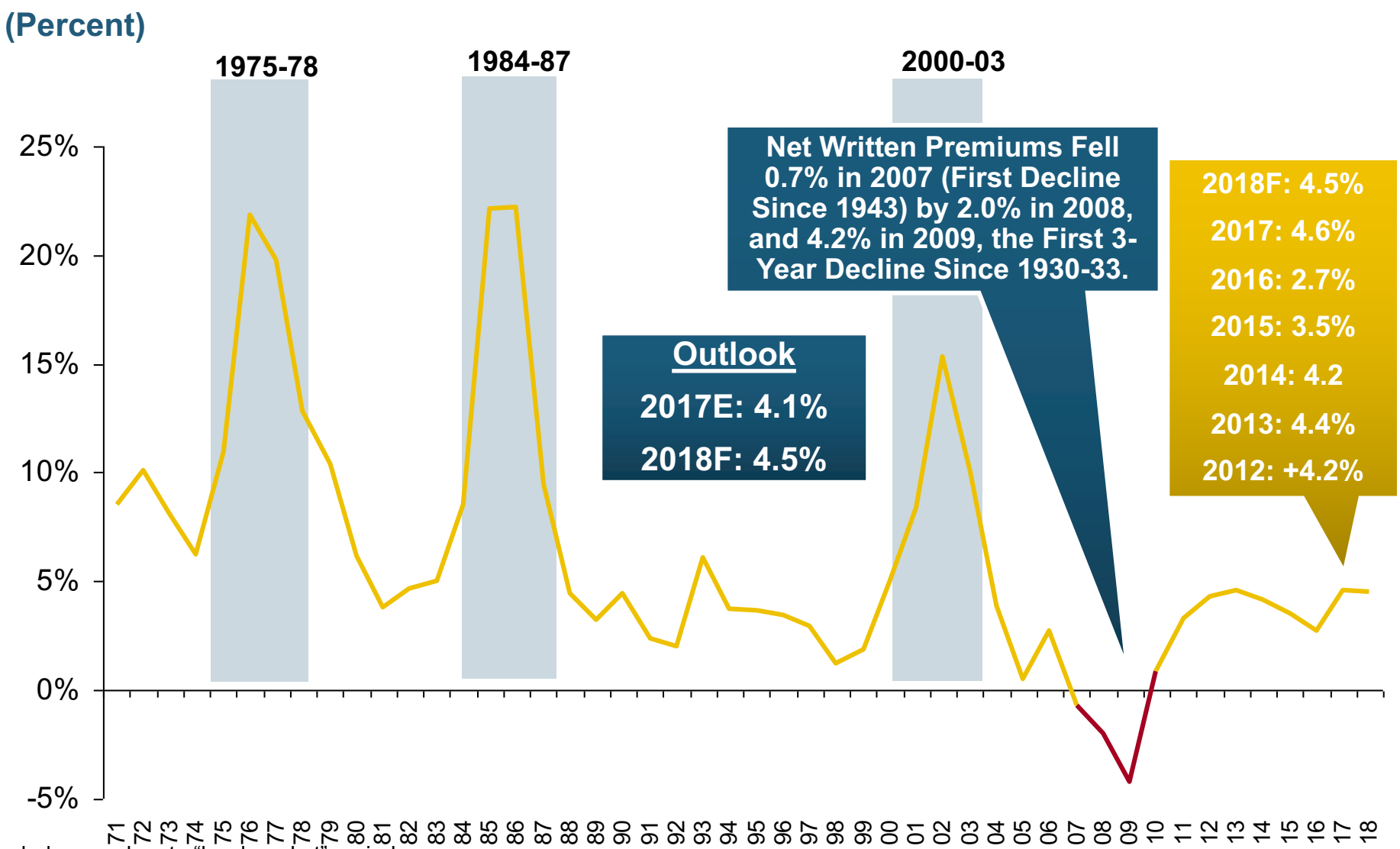
P/C Insurance Growth Overview and Outlook

Drivers of Growth in 2018

Economic Growth Fuels Exposure & Record CAT Losses Are Pressuring Rates

Price Competition Remains Rational

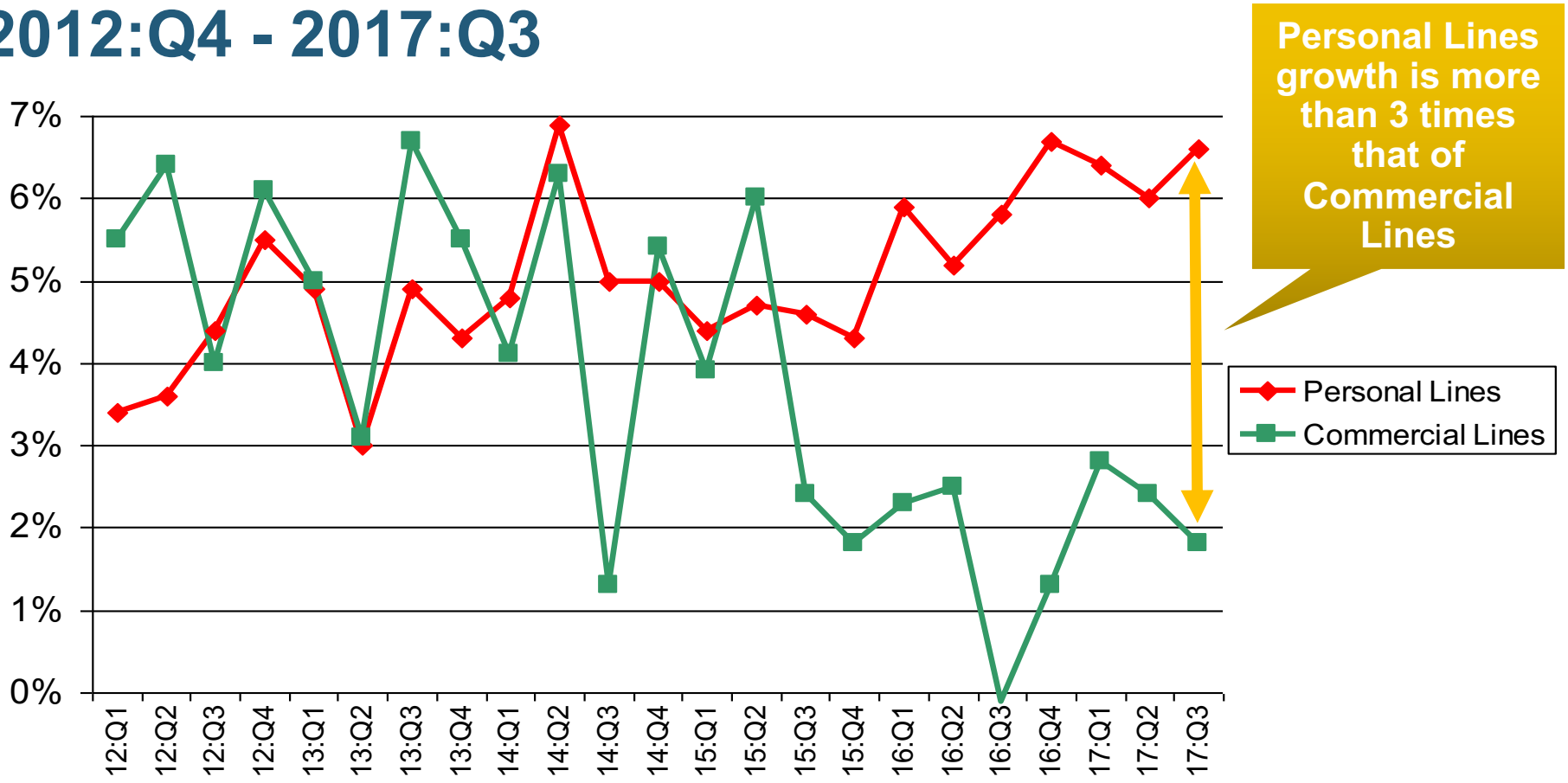
Net Premium Growth (All P/C Lines): Annual Change, 1971—2018F



*Shaded areas denote "hard market" periods
Sources: A.M. Best (1971-2013), ISO (2014-17).

Y-o-Y Growth Rates, Direct Premiums Written, Commercial vs. Personal Lines,

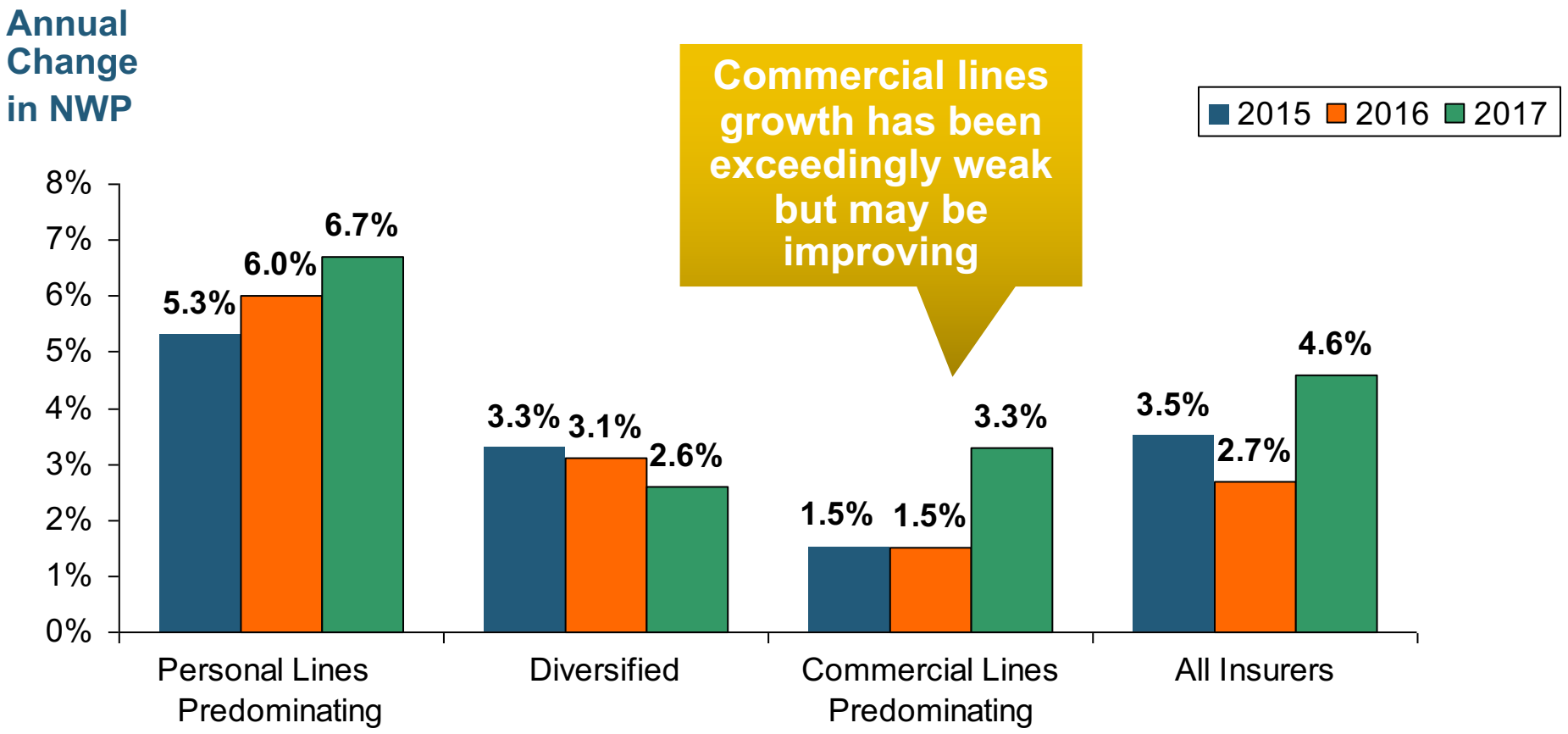
2012:Q4 - 2017:Q3



Since 2014, personal lines Direct Premiums Written have generally grown faster than commercial lines DPW, and that growth has been less volatile.

Sources: NAIC, via SNL Financial; ISO; Insurance Information Institute calculations.

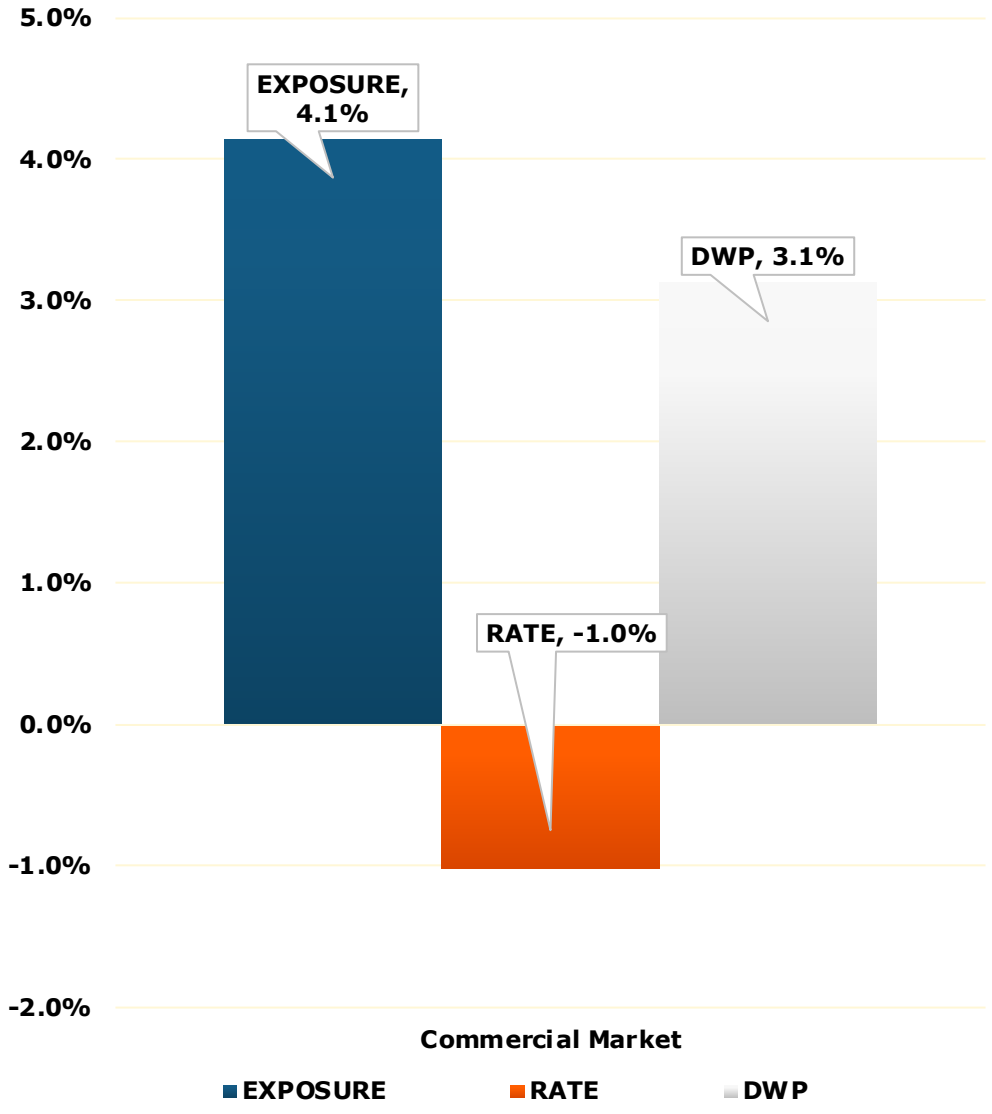
Growth in Net Written Premium: Personal vs. Commercial, 2015 – 2017



The divergence in growth between personal and commercial lines is large and has been expanding rapidly

Source: ISO.

2016: Components of Commercial DWP Growth



- Direct Written Premium (DWP) in US lines covered by ISO MarketStance grew 3.1 percent in 2016
- Soft market conditions counteracted moderate 4.1 percent exposure growth
- Anecdotal evidence: insureds spent rate reductions on new/broader coverages (CIAB, 2017).

Source: Verisk Insurance Solutions.

M&A Trends

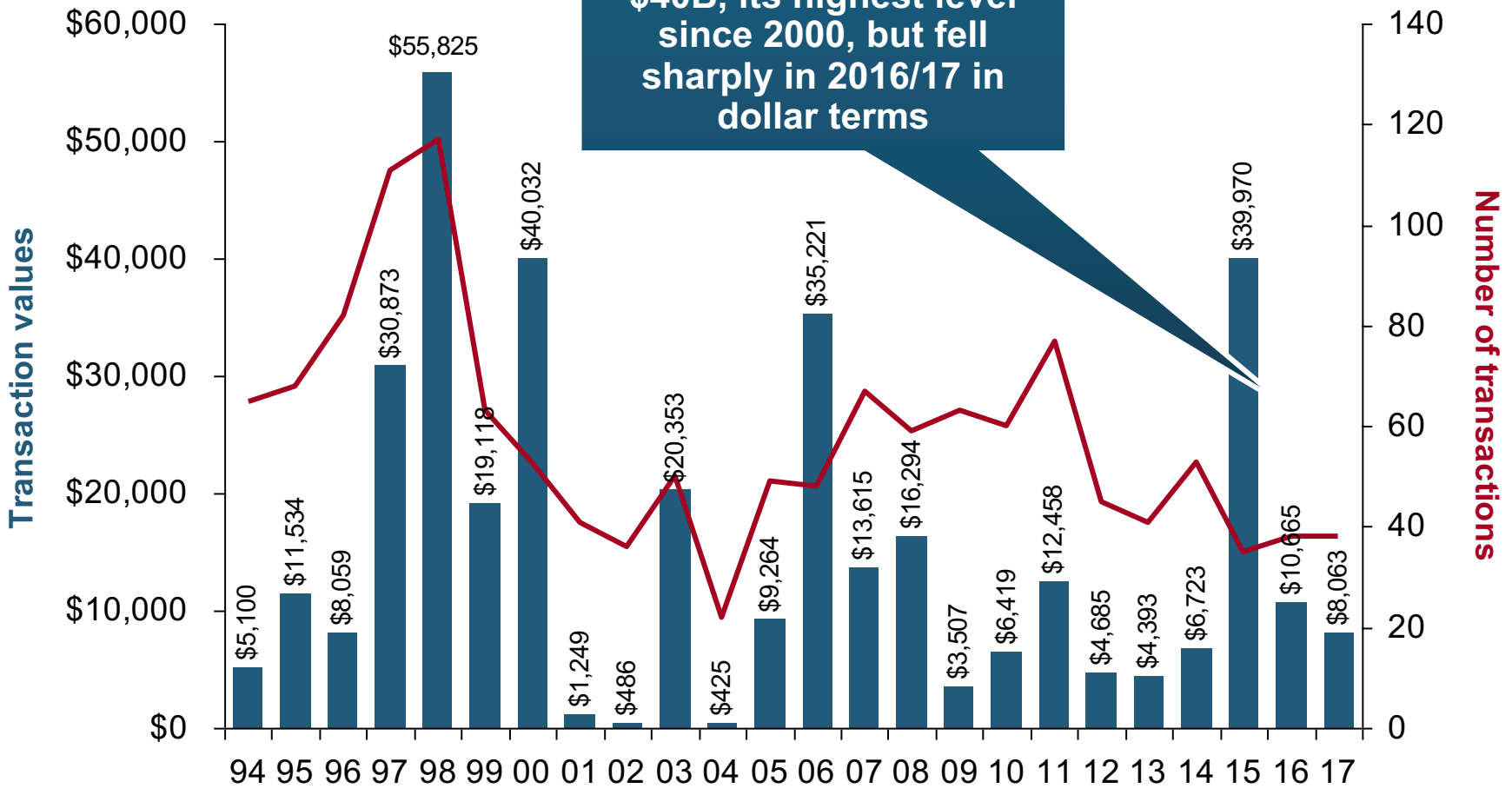
Consolidation Among P&C (Re)Insurers and Within Distribution Channels Will Likely Continue at a Modest Pace

U.S. INSURANCE MERGERS AND ACQUISITIONS, P/C SECTOR, 1994-2017 (1)

Major 2018 Deal:
AIG/Validus: $5.56B
Axa/XL: $15.3B

($ Millions)

M&A activity in the P/C sector in 2015 totaled $40B, its highest level since 2000, but fell sharply in 2016/17 in dollar terms



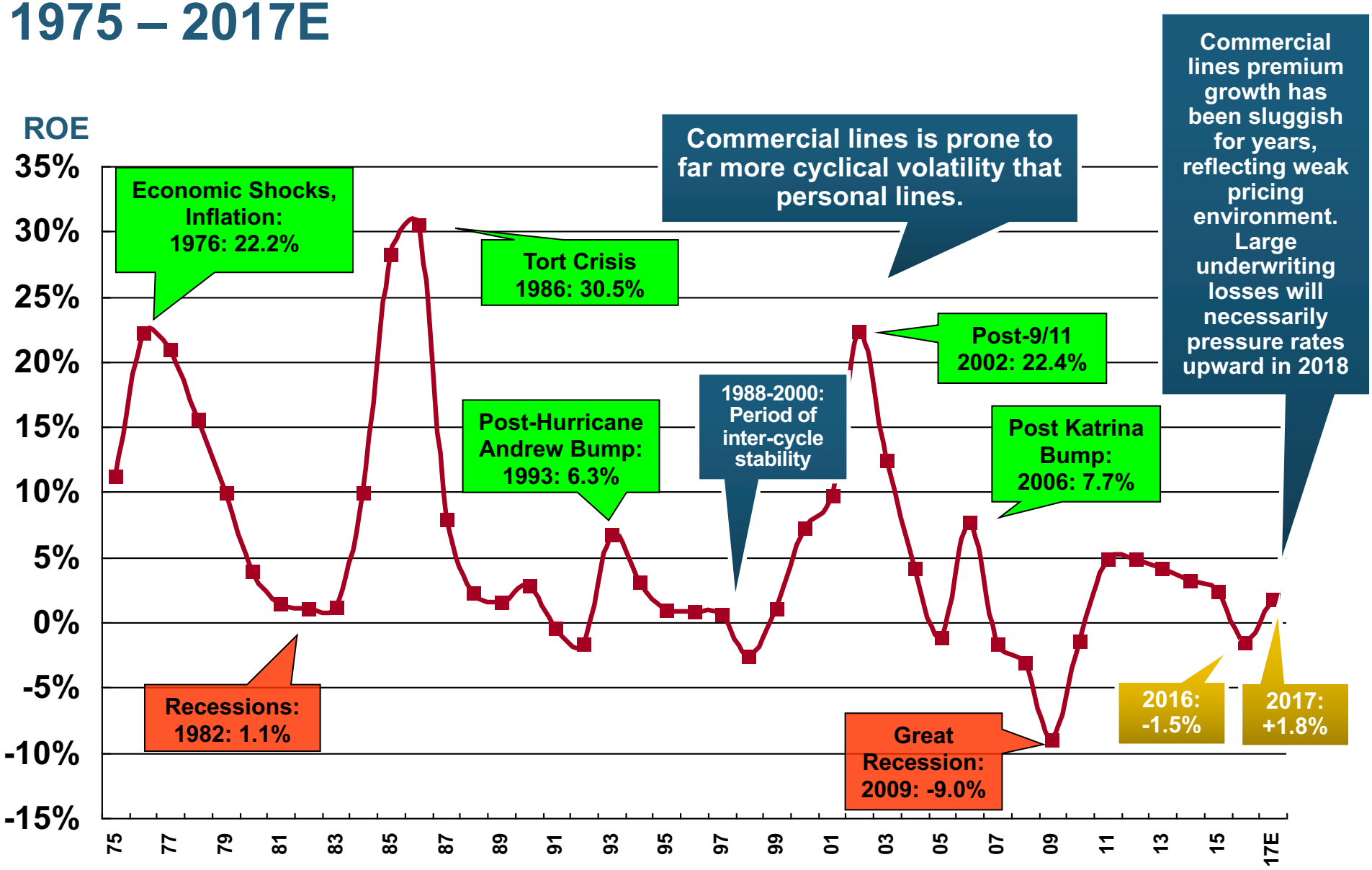
(1) Includes transactions where a U.S. company was the acquirer and/or the target.

Source: Conning proprietary database.

Commercial Lines Growth, Underwriting Performance & Pricing Cyclicality

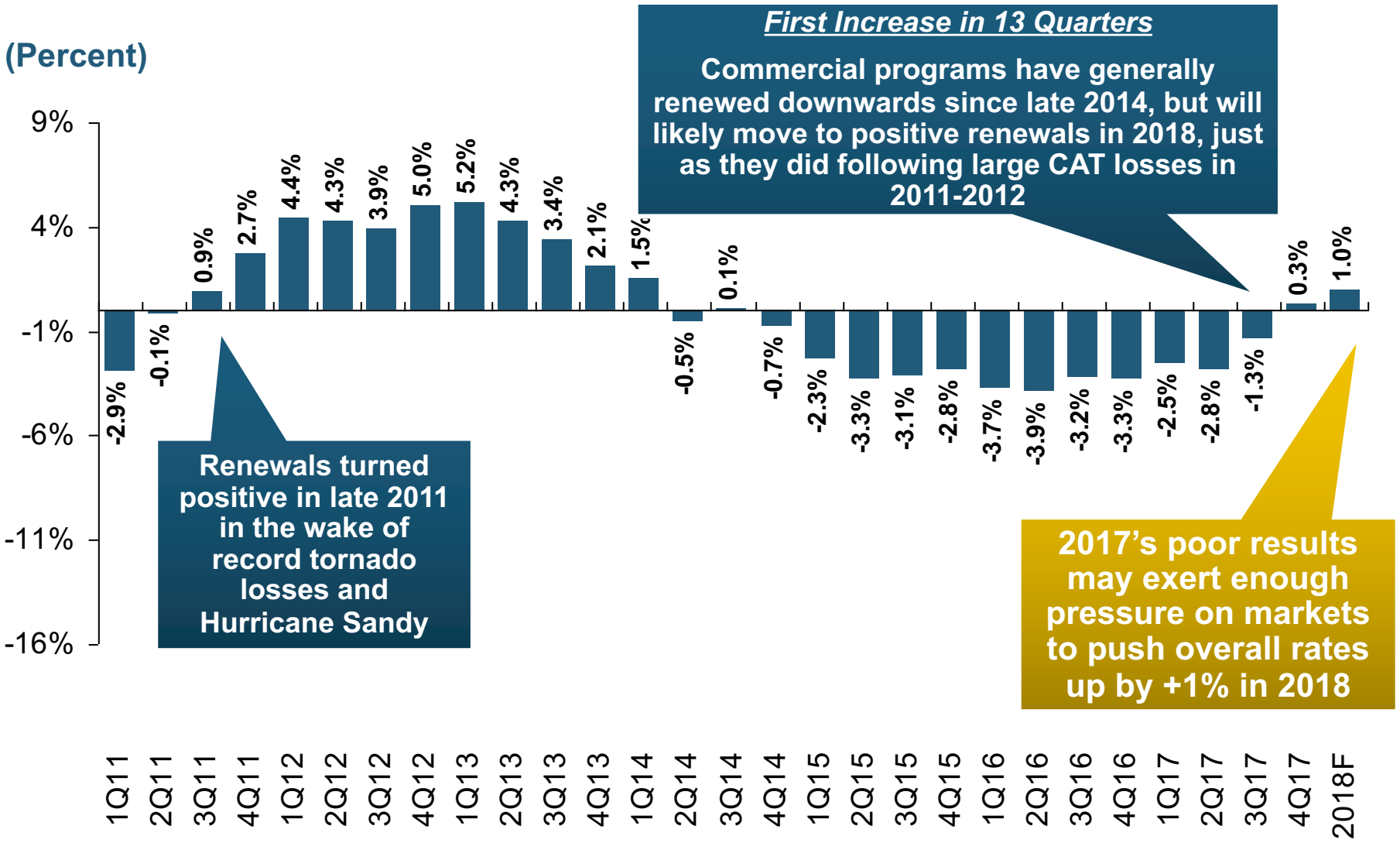
Pricing Pressures Are Intense but Rational

Commercial Lines NPW Premium Growth: 1975 – 2017E



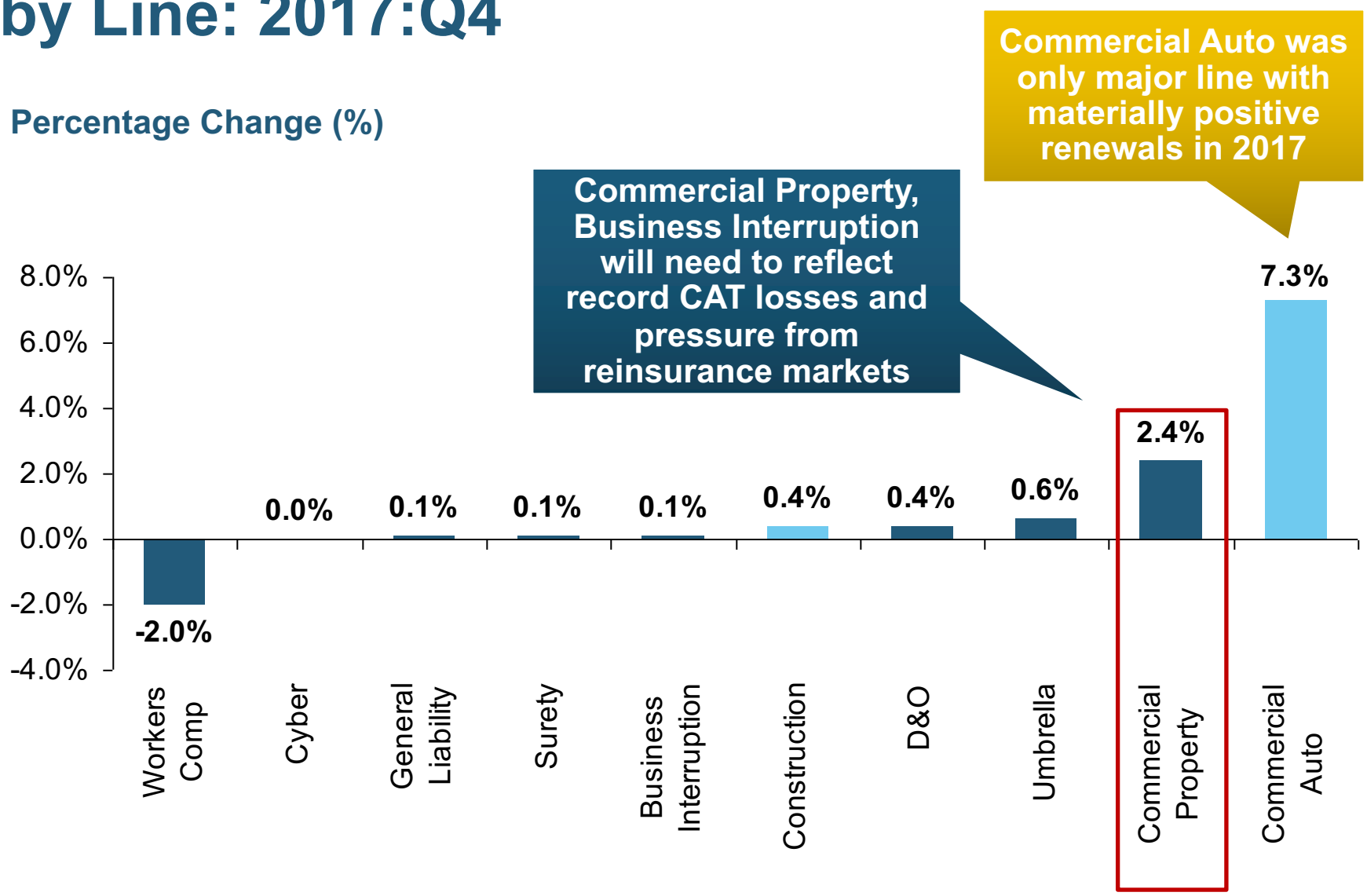
Note: Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute. 2017 estimate: Univ. of South Carolina Center for Risk and Uncertainty Management, ISO.

CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2017:Q4*, 2018F



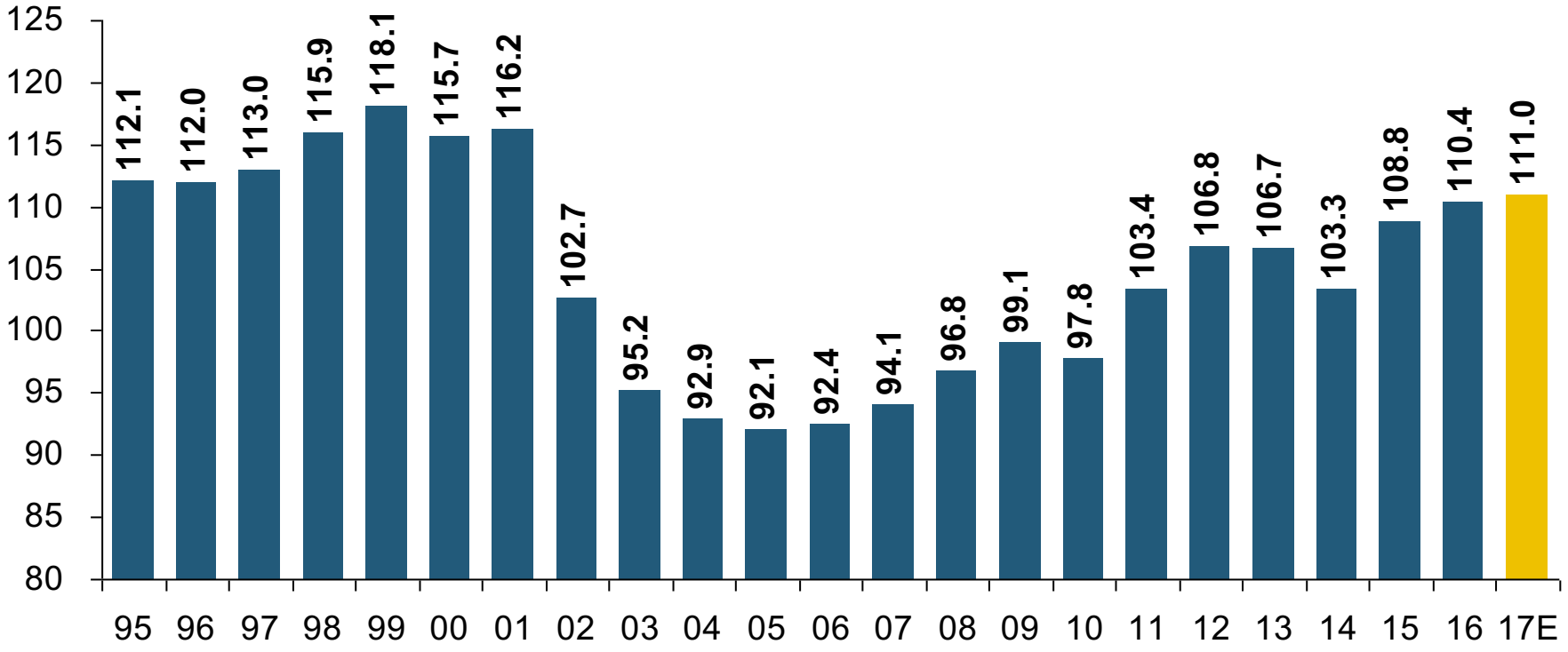
*Latest available.
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Change in Commercial Rate Renewals, by Line: 2017:Q4



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; USC Center for Risk and Uncertainty Management.

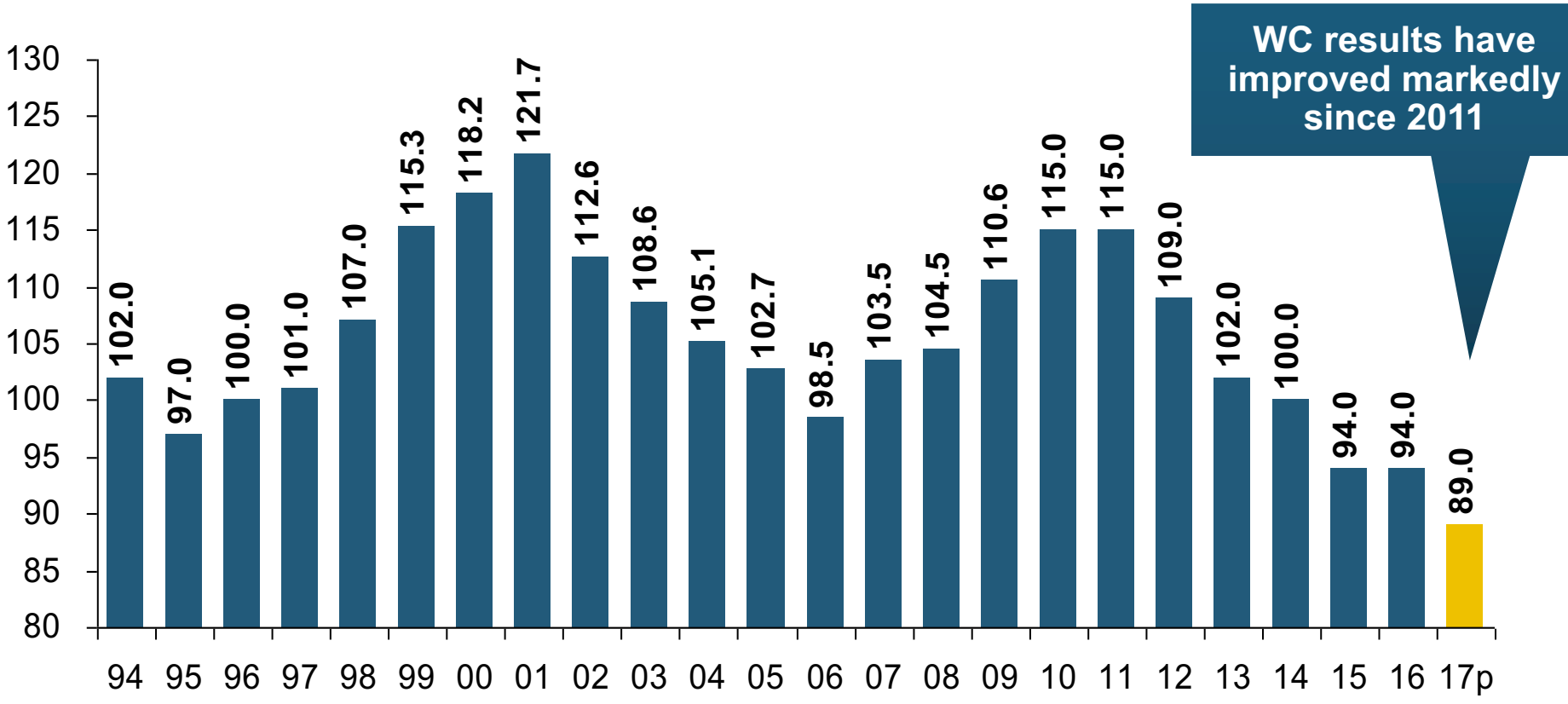
Commercial Auto Combined Ratio: 1993–2017



Commercial Auto Results Are Challenged as Rate Gains Have Yet to Fully Offset Adverse Frequency and Severity Trends

Sources: A.M. Best (1990-2016); Center for Risk and Uncertainty Management, University of South Carolina (2017E).

Workers Compensation Combined Ratio: 1994–2017P



Workers Comp Is an Example of a Line that Was Recently Restored to Health Through the Return of Rate Adequacy

Sources: A.M. Best (1994-2009); NCCI (2010-2017P) and are for private carriers only..

THE ECONOMY

The Strength of the Economy Will Greatly Influence Growth in Insurers' Exposure Base Across Most Lines

How Is "Trumponomics" Impacting the Industry?

Trumponomics: The Essential Elements

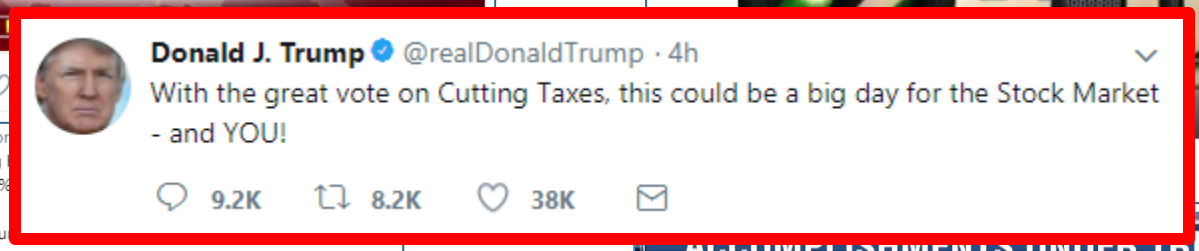
- **5 Elements**
  - Tax Reform
  - Deregulation
  - Infrastructure Investment
  - Healthcare
  - Fair Trade
  - Immigration Reform/Enforcement
- **Most of these have direct impacts for insurers**

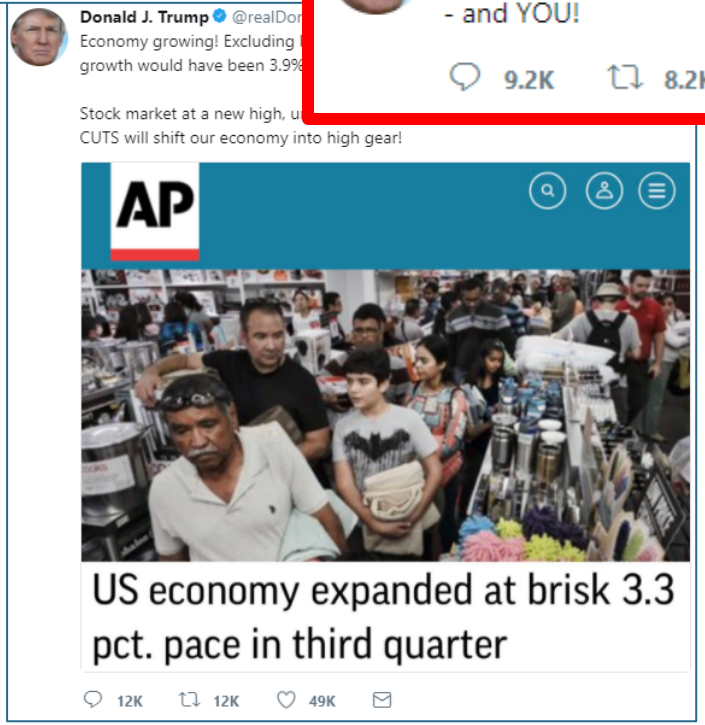
Awakening America's "Animal Spirits"

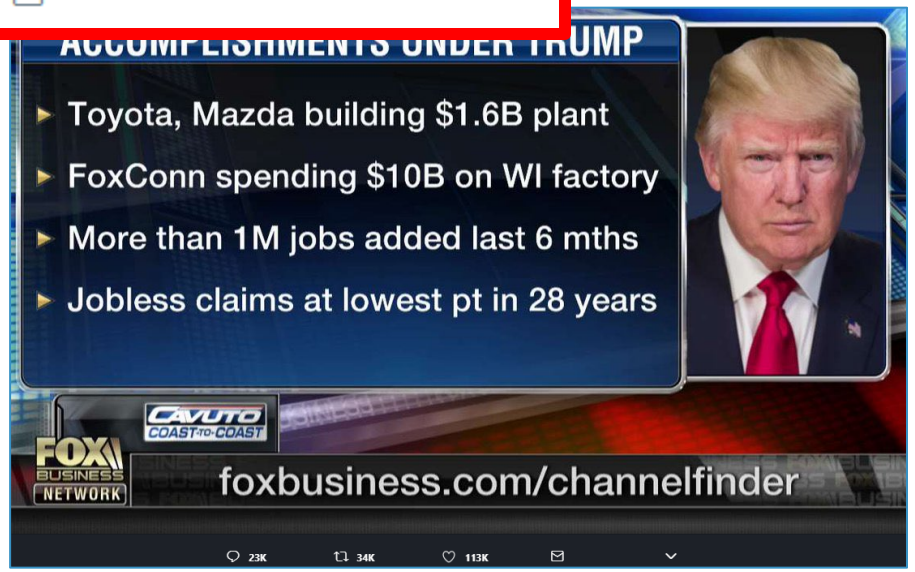
Economic Policy and the Insurance Industry

Consumer and Business Confidence Are Key

Animal Spirits: Unleashed from the Oval Office?

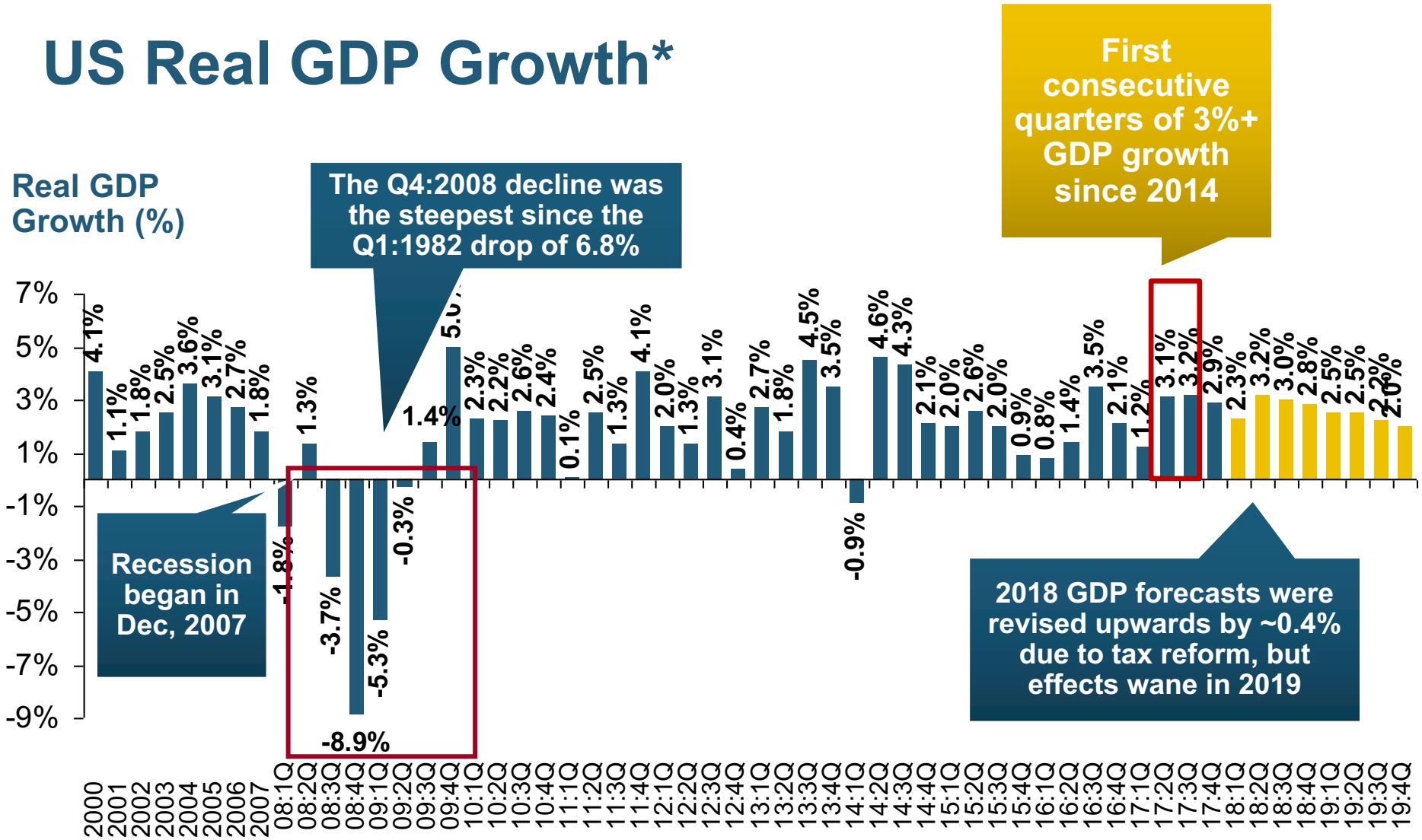






Source: https://twitter.com/realDonaldTrump

US Real GDP Growth*



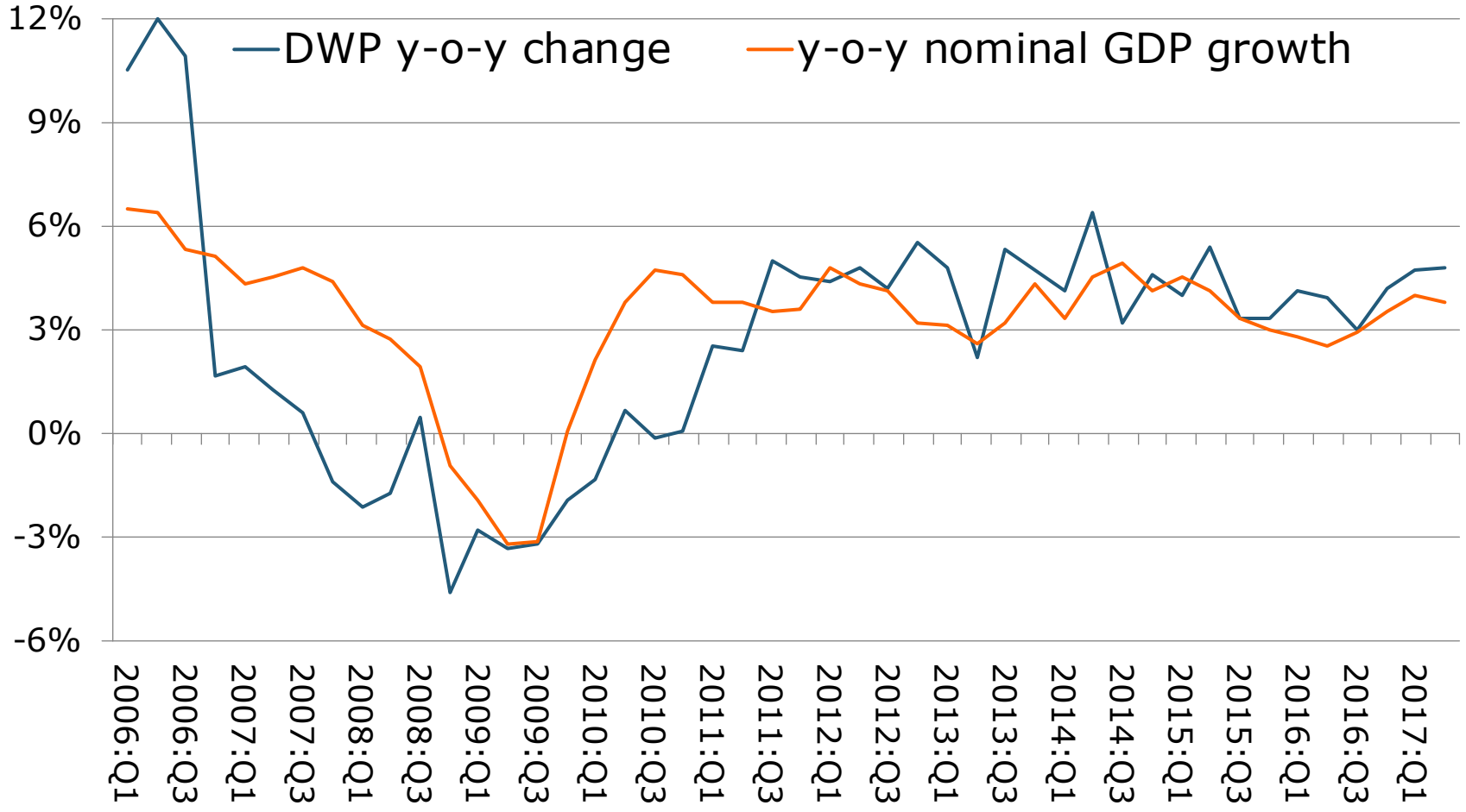
Demand for Insurance Should Increase in 2018-19 as GDP Growth Continues at a Steady and Perhaps Accelerating Pace and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 5/18; Center for Risk and Uncertainty Management, Univ. of South Carolina.

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1 – 2017:Q2

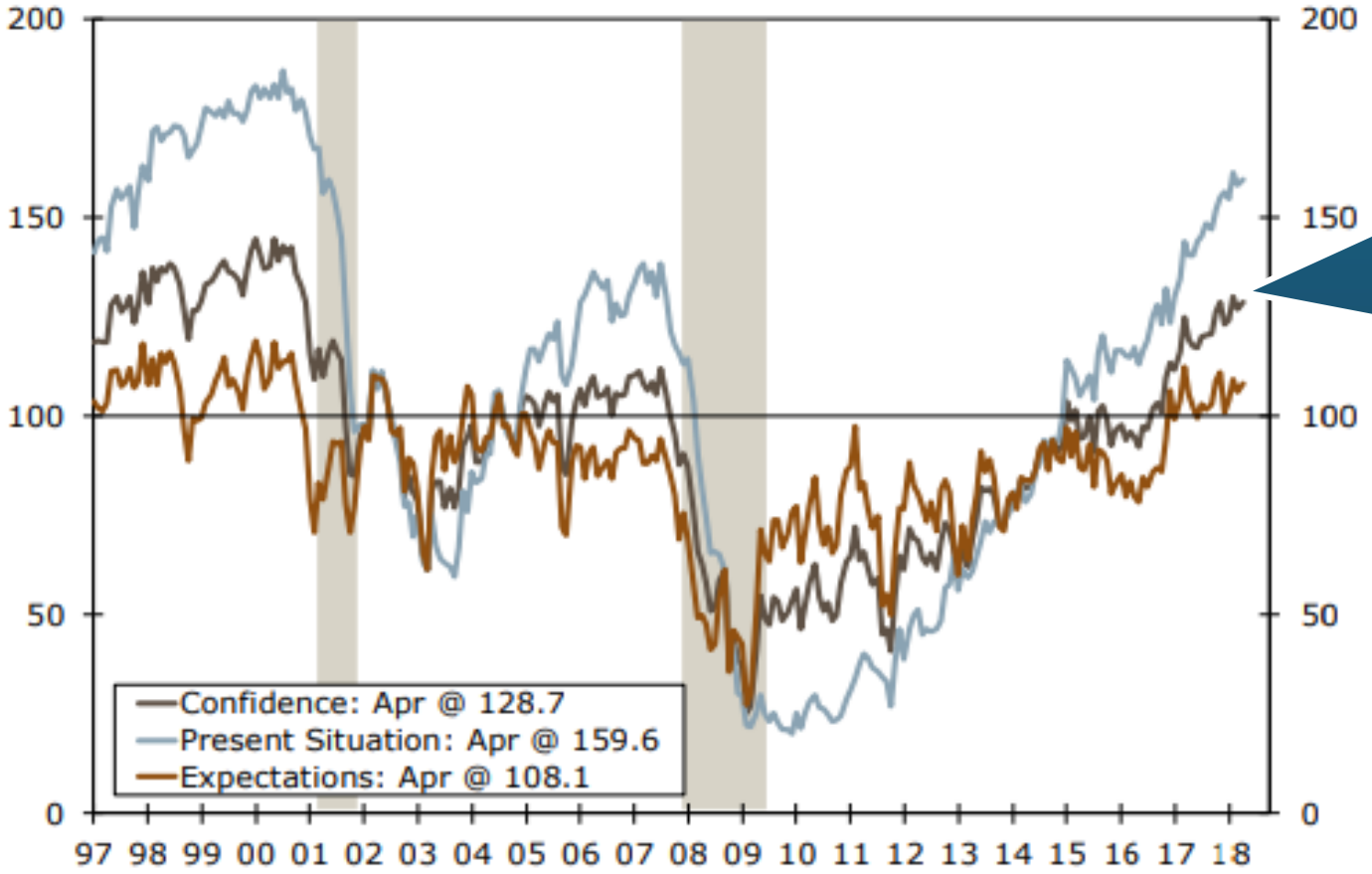
Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change



Direct Written Premiums track Nominal GDP—not quarter by quarter but overall fairly well.

Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; I.I.I.

Consumer Confidence Index: Jan. 1987 – Apr. 2018

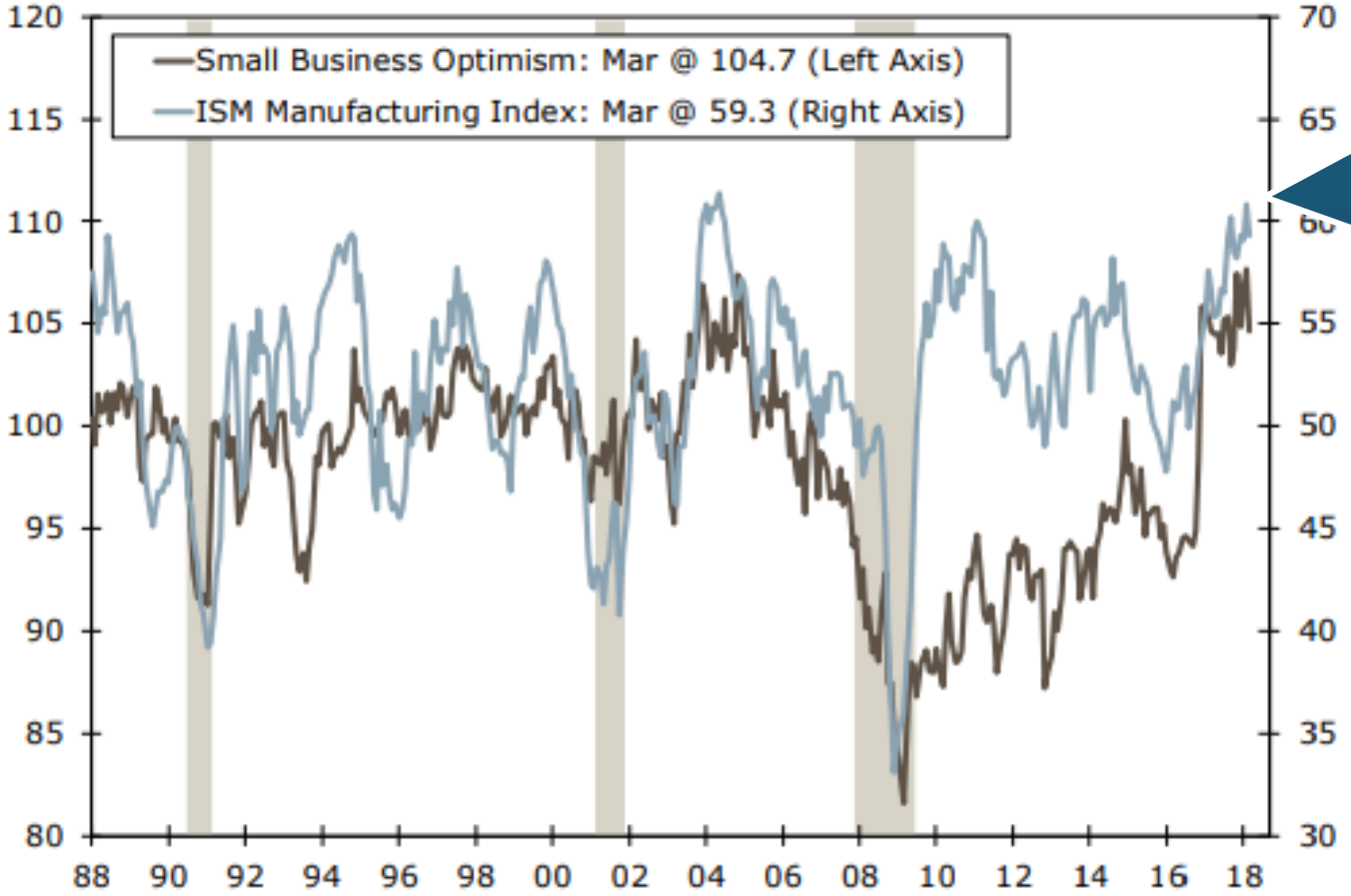


The Conference Board's Consumer Confidence Index stood at 128.7 in April, close to its post-recession high

Outlook: Consumers are optimistic about the future, which is consistent with expectations for stronger economic growth (consumers account for nearly 70% of all spending in the economy). Should positively influence growth of insurable exposures.

Source: The Conference Board; Wells Fargo Research.

NFIB Small Business Optimism Index: Jan. 1988 – March 2018



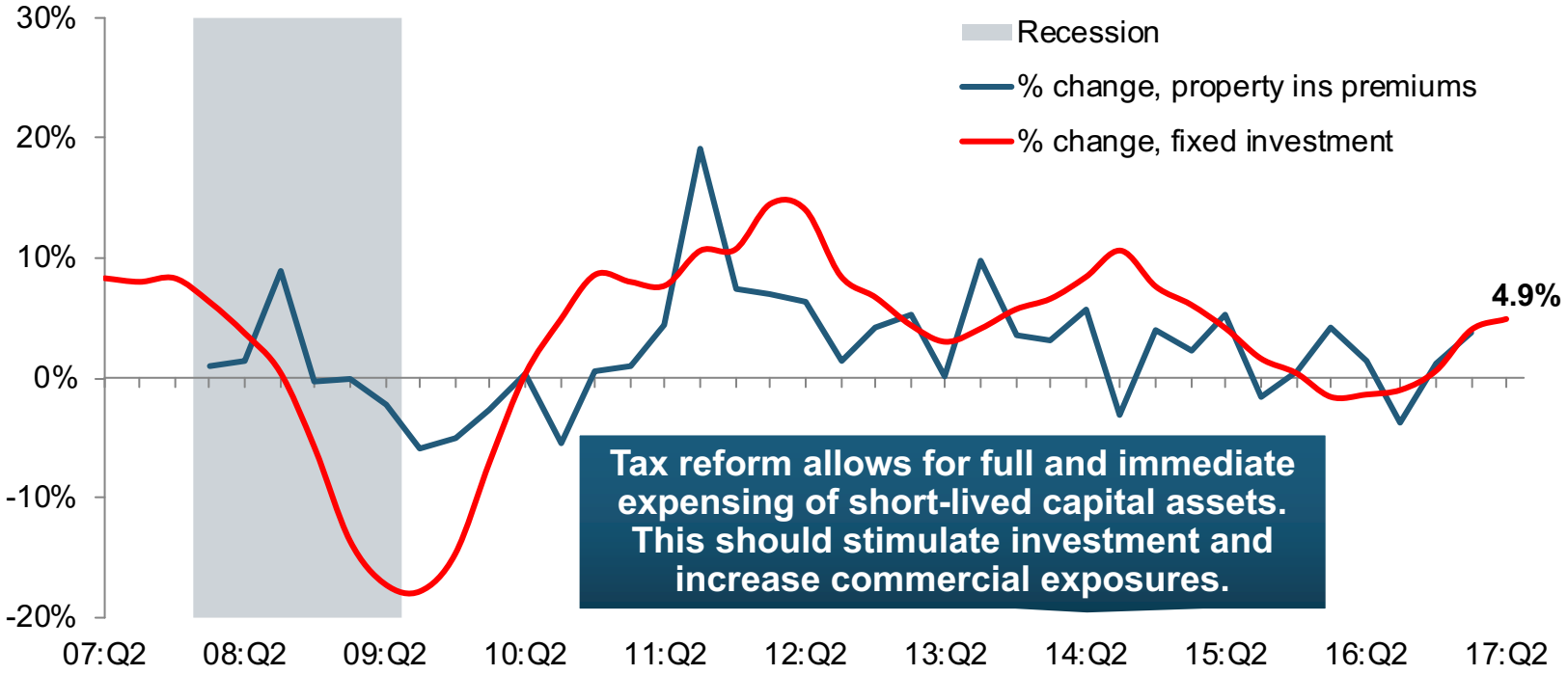
The NFIB's Index of Small Business Optimism remains close to its cyclical high. Tax reform, reduced regulations and strong sales will drive investment, hiring and exposures

Outlook: Small businesses are much more optimistic about the future

Source: National Federal of Independent Business; Wells Fargo Research.

Business Investment Is a Potent Driver of Property Insurance Premium Growth*

% change from same quarter, prior year



- **Business fixed investment is forecast to grow at 5%–6% in 2017:2H and at 4.5%–5.5% in 2018.**
- **Investment in equipment and software is expected to grow but investment in structures is expected to shrink.**

*Commercial property direct premiums written (fire, allied lines, CMP, inland marine, burglary and theft); business fixed investment (structures, equipment, and software).

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

Sources: https://fred.stlouisfed.org/series/PNFI#0; National Bureau of Economic Research (recession dates); Insurance Information Institute.

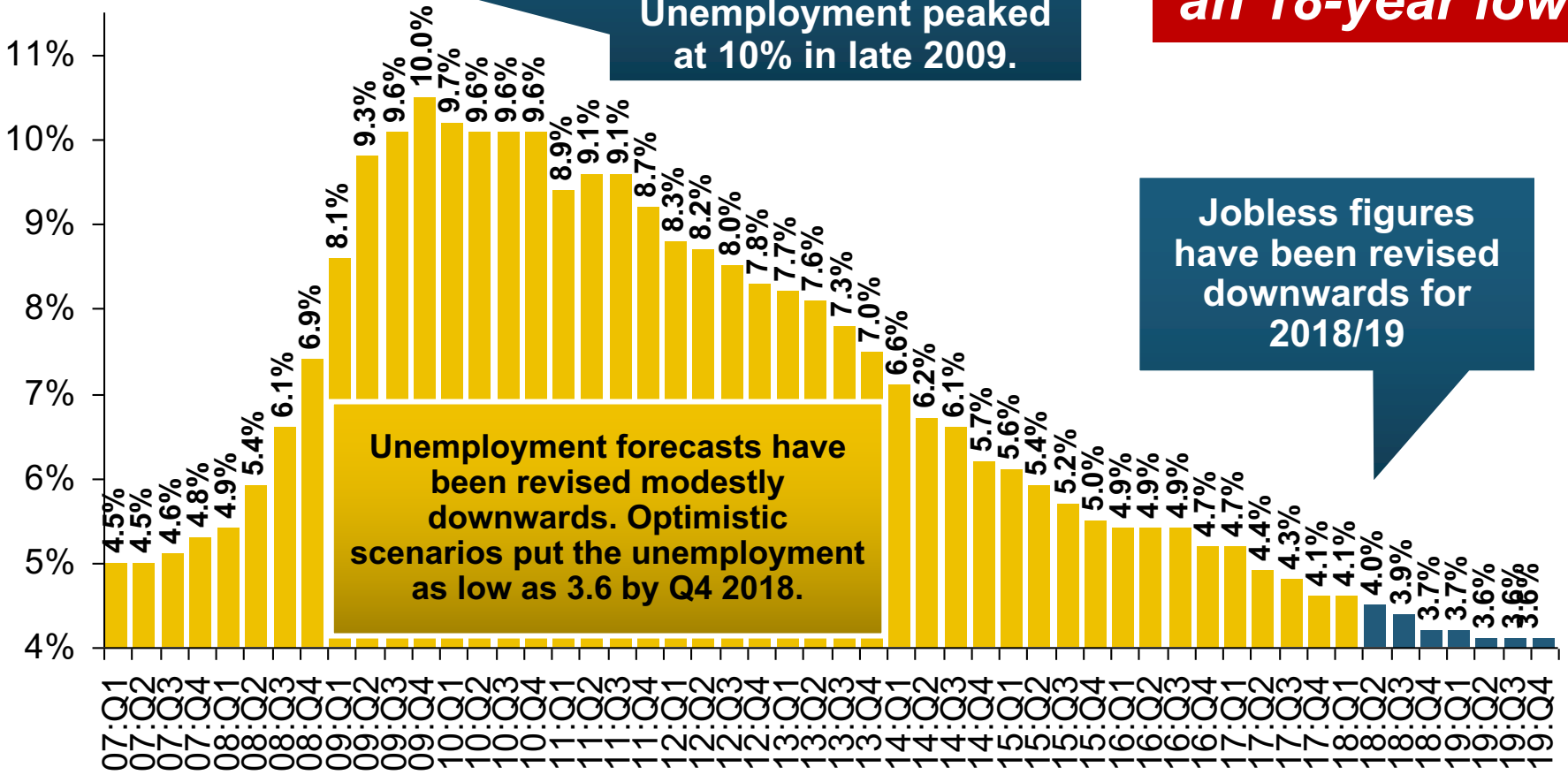
US Unemployment Rate Forecast

2007:Q1 to 2019:Q4F*

Rising unemployment eroded payrolls and WC's exposure base.

Unemployment peaked at 10% in late 2009.

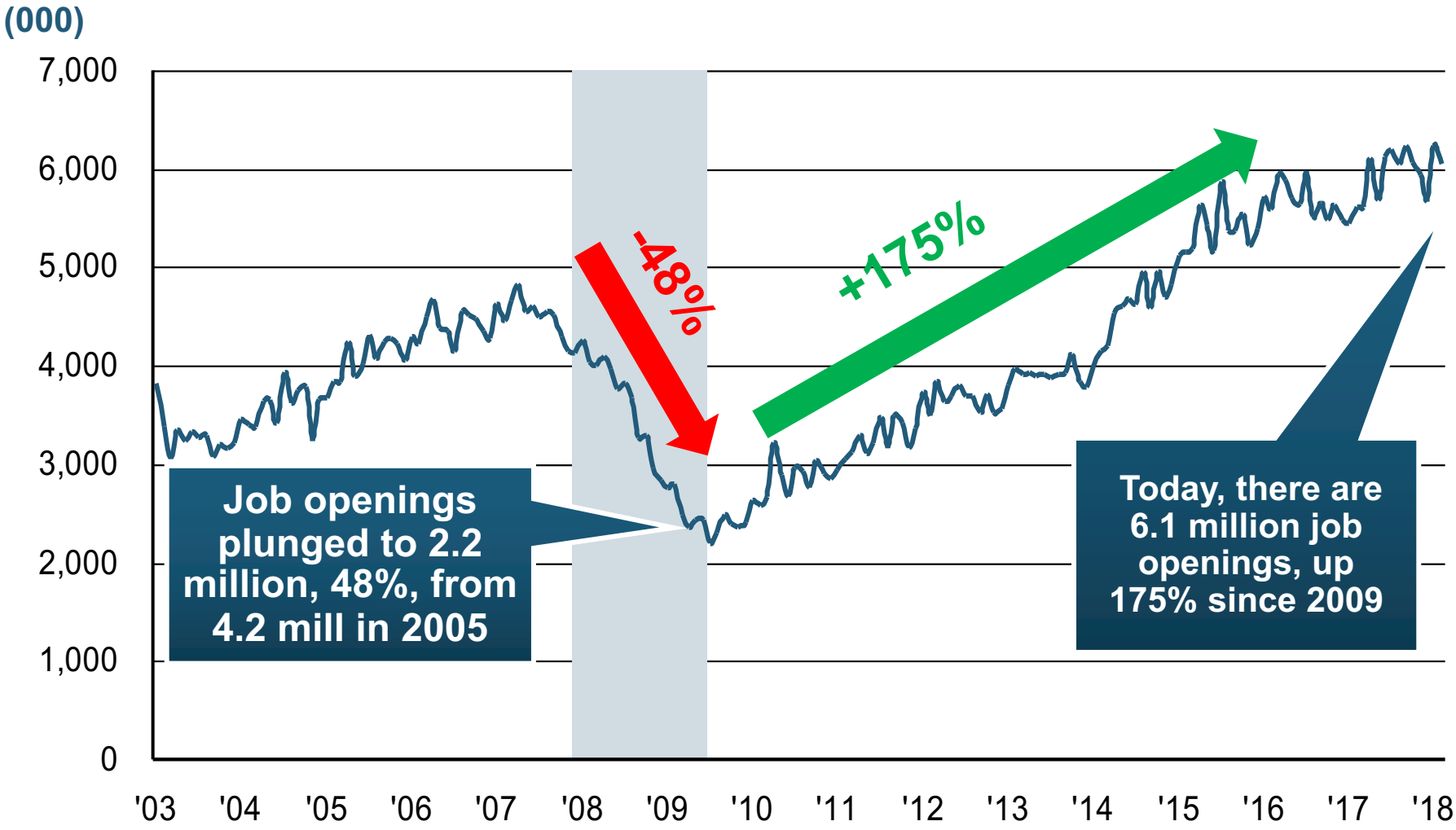
The Apr. 2018 unemployment rate was 3.9%, an 18-year low



* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (5/18 edition); Insurance Information Institute.

Help Wanted! Number of Job Openings, Jan. 2003—Feb. 2018*

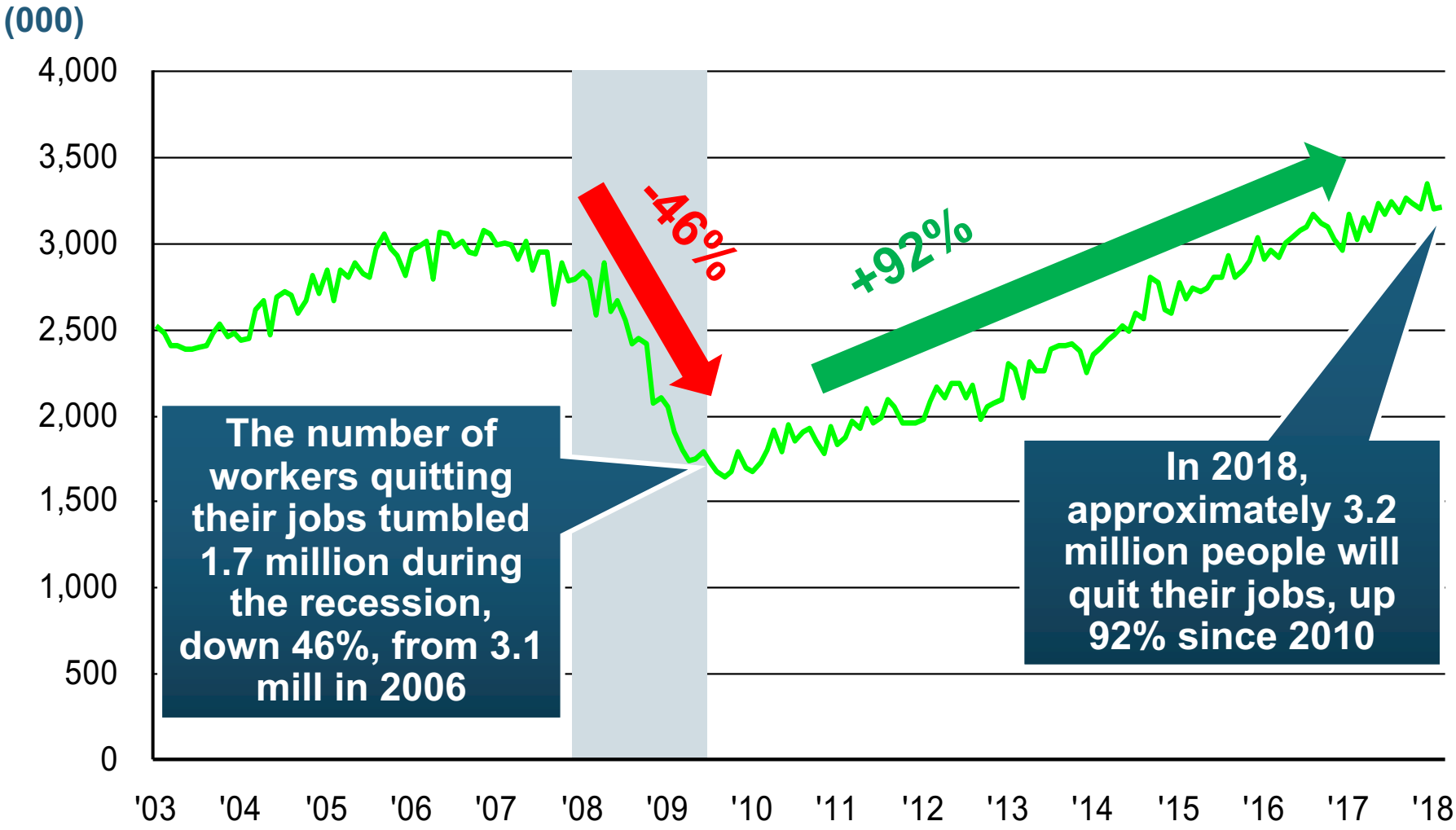


*Seasonally adjusted

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics JOLTS survey: at http://www.bls.gov/jlt/; National Bureau of Economic Research (recession dates); Center for Risk and Uncertainty Management, University of South Carolina.

Take This Job And…
Number of Quits, Jan. 2003—Feb. 2018*

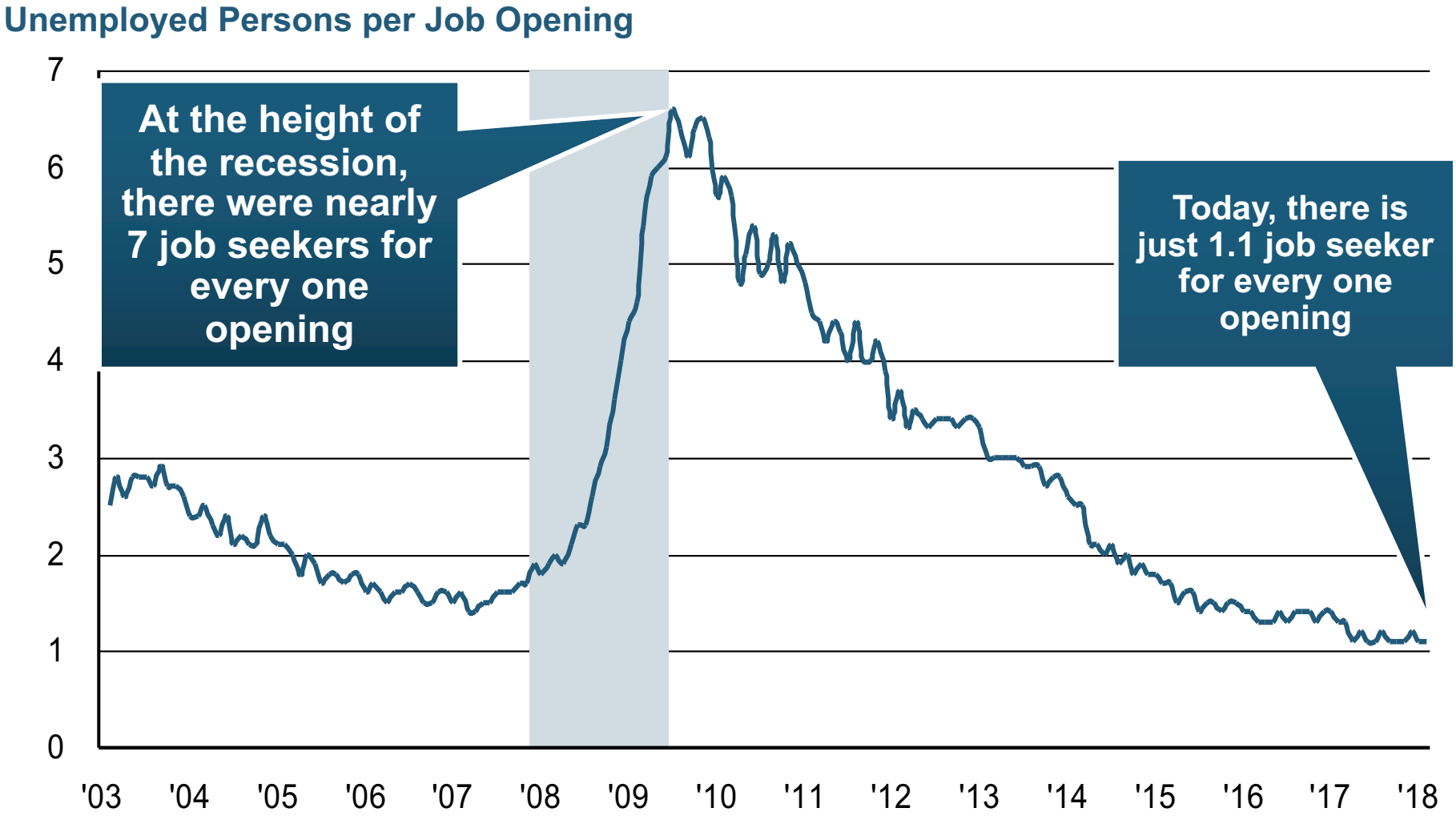


*Seasonally adjusted

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics JOLTS survey: at http://www.bls.gov/jlt/; National Bureau of Economic Research (recession dates); Center for Risk and Uncertainty Management, University of South Carolina.

Number of Unemployed Persons per Job Opening, Feb. 2003—Feb. 2018*



*Seasonally adjusted

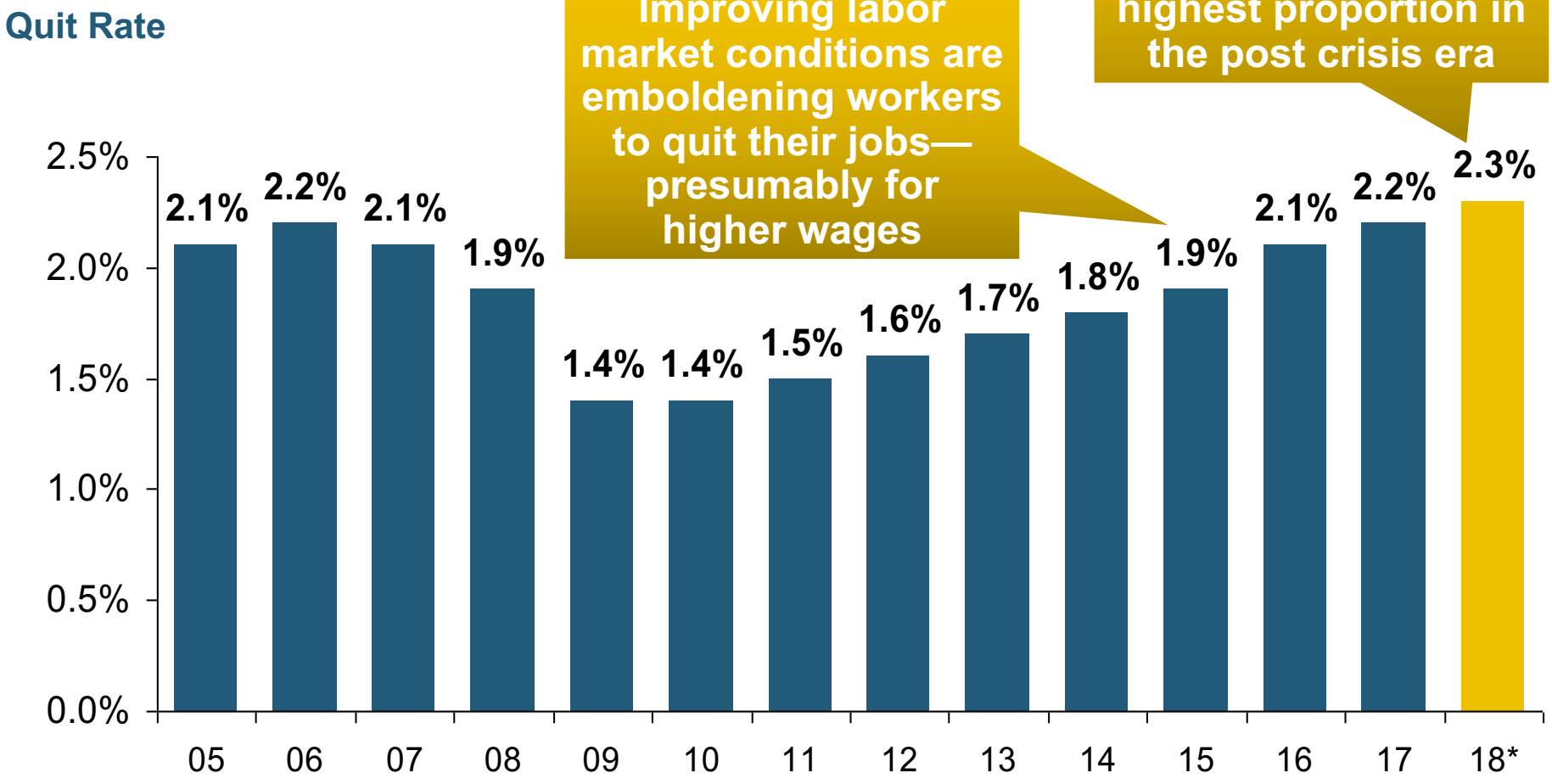
Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics JOLTS survey: at http://www.bls.gov/jlt/; National Bureau of Economic Research (recession dates); Center for Risk and Uncertainty Management, University of South Carolina.

Take This Job And…
Quit Rate, 2005–2018*

Approximately 2.3% of workers have or will quit their jobs in 2017 and 2018—the highest proportion in the post crisis era

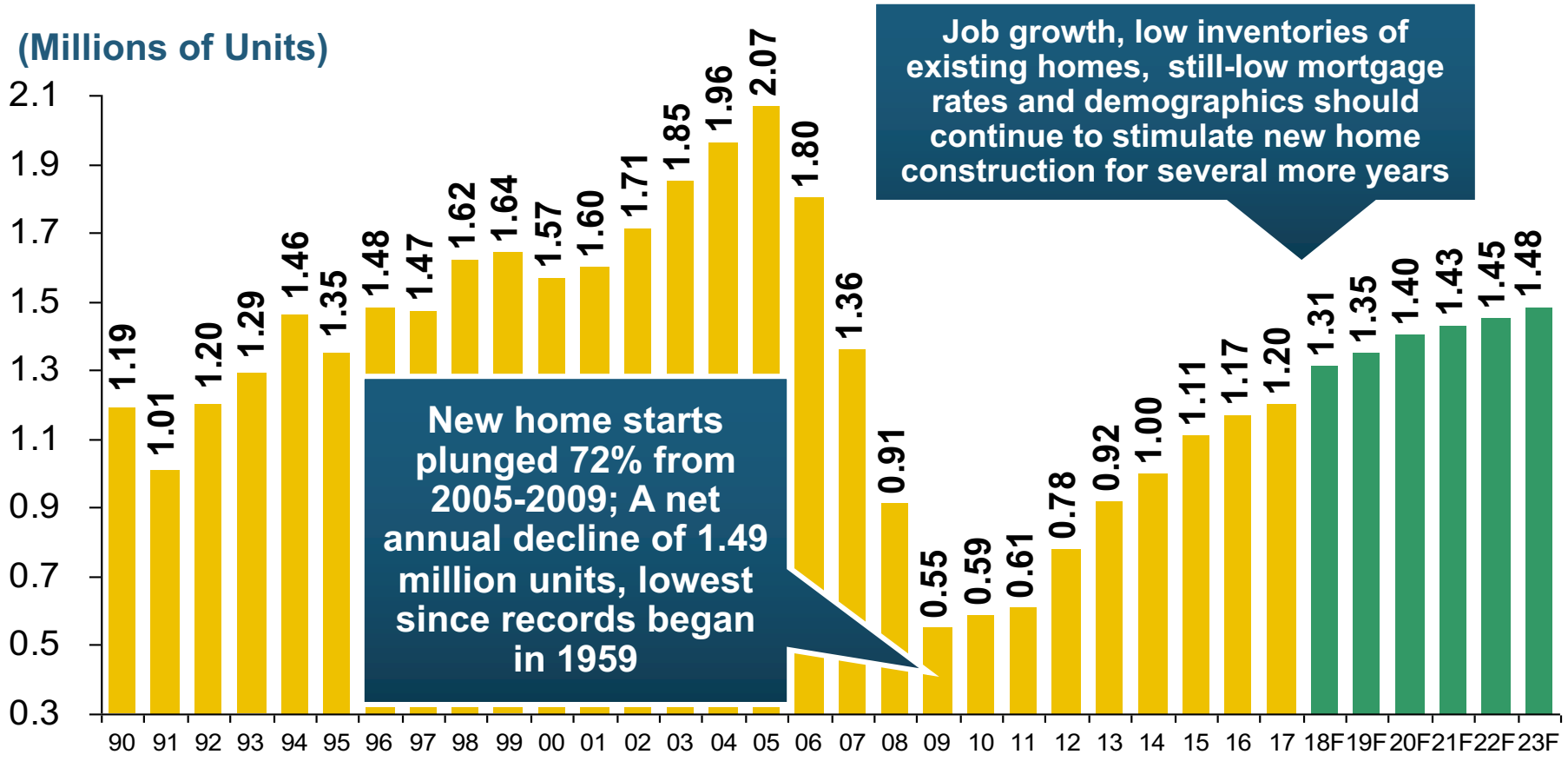
Improving labor market conditions are emboldening workers to quit their jobs—presumably for higher wages



*Annual figures calculated from month seasonally adjusted data. 2018 figure through March.

Sources: US Bureau of Labor Statistics JOLTS Survey at https://www.bls.gov/jlt/ ; Risk and Uncertainty Management Center, Univ. of South Carolina.

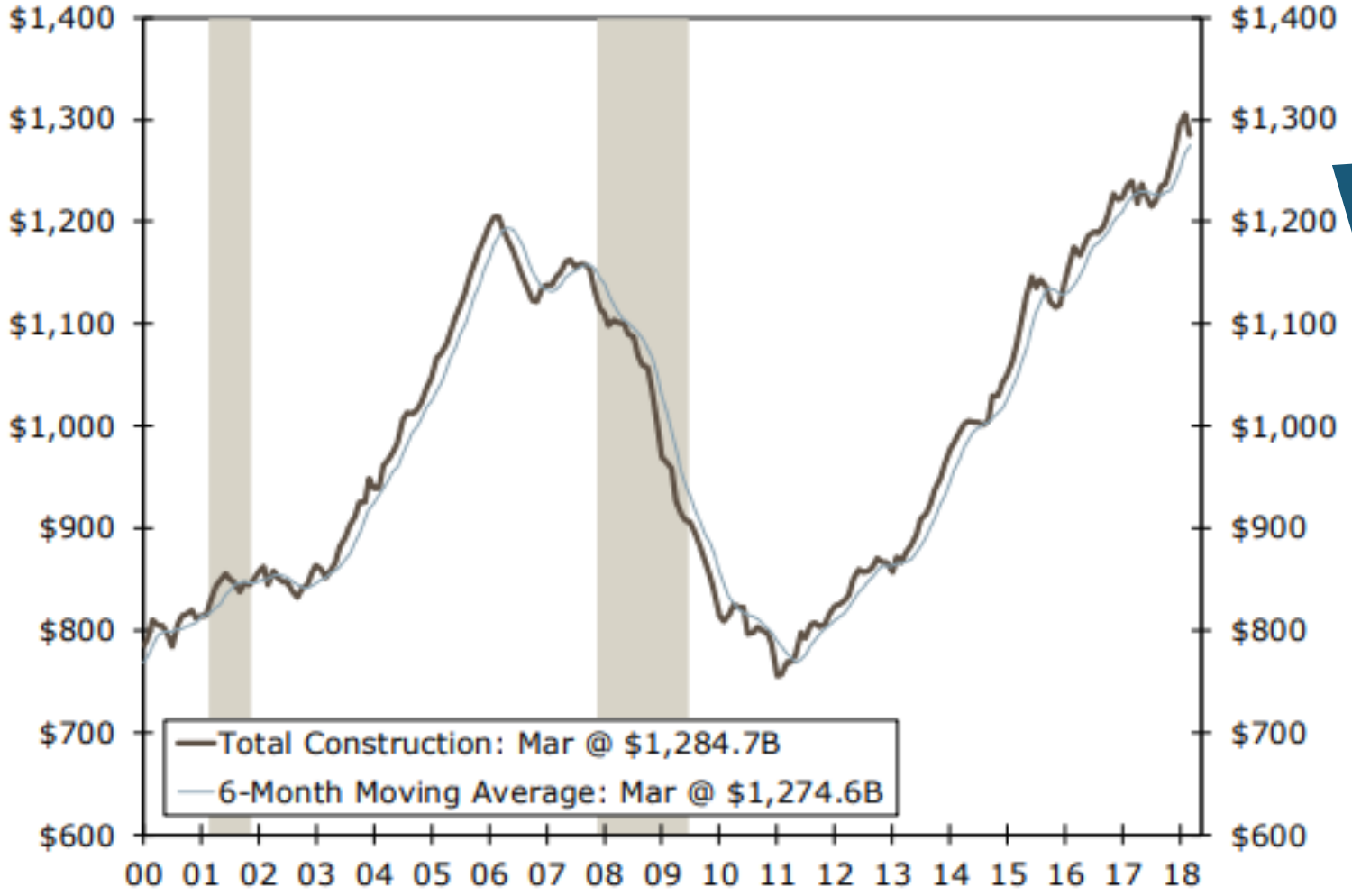
New Private Housing Starts, 1990-2023F



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 (5/18 for 2018-19; 10/17 for 2019-23F; Insurance Information Institute.

Construction Spending: Jan. 2000 – Mar. 2018 ($ Bill)



Private (but not public) construction spending remains relatively strong. Public construction spending could benefit from a boost in infrastructure investment

Source: US Dept. of Commerce; Wells Fargo Securities.

Impacts of Tax Reform on the P/C Insurance Industry

The Tax Cuts and Jobs Act of 2017

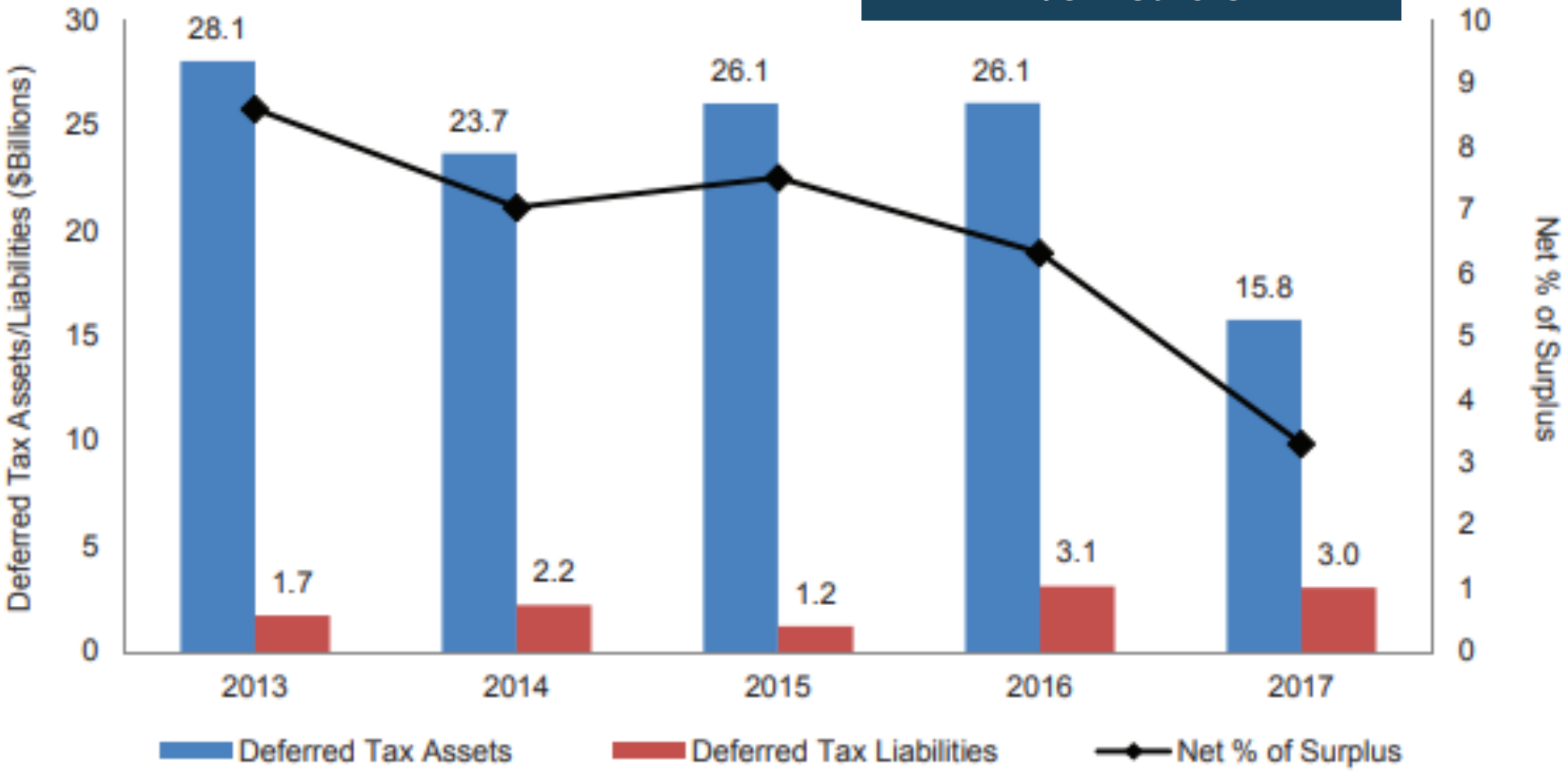
Lower Corporate Tax Rate Benefits All Insurer, but Not Equally

Tax Reform Implications for P/C Insurers and Reinsurers

- **Reduction of Corporate Tax Rate from 35% to 21%...**
- **All Insurers Benefit…But Not Equally**
  - Companies generating most of their profits from underwriting income previously taxed at 35% benefit the most
  - Companies generating proportionately more of their Net Investment Income from (taxable) Corporate Bonds benefit more than companies with heavier muni holdings
    - In P/C industry, insurers with underwriting losses tend to hold proportionately more in corporates
  - **Base Erosion and Anti-Abuse Tax (BEAT): Leveling the Playing Field**
    - Domestic (re)insurers previously taxed at 35% will benefit relative to (re)insurers domiciled in Bermuda, etc.
    - Diminished advantage for foreign-owned insurers that cede premium offshore

Impact of Tax Cuts and Jobs Act on US P/C Publicly-Traded Insurers: Deferred Tax Assets and Liabilities

The reduction in corporate tax rates under the TCJA of 2017 reduced the value of DTAs by 39.5% for public P/C insurers



Source: A.M. Best, *Financial Review*, April 13, 2018.

Infrastructure Initiatives

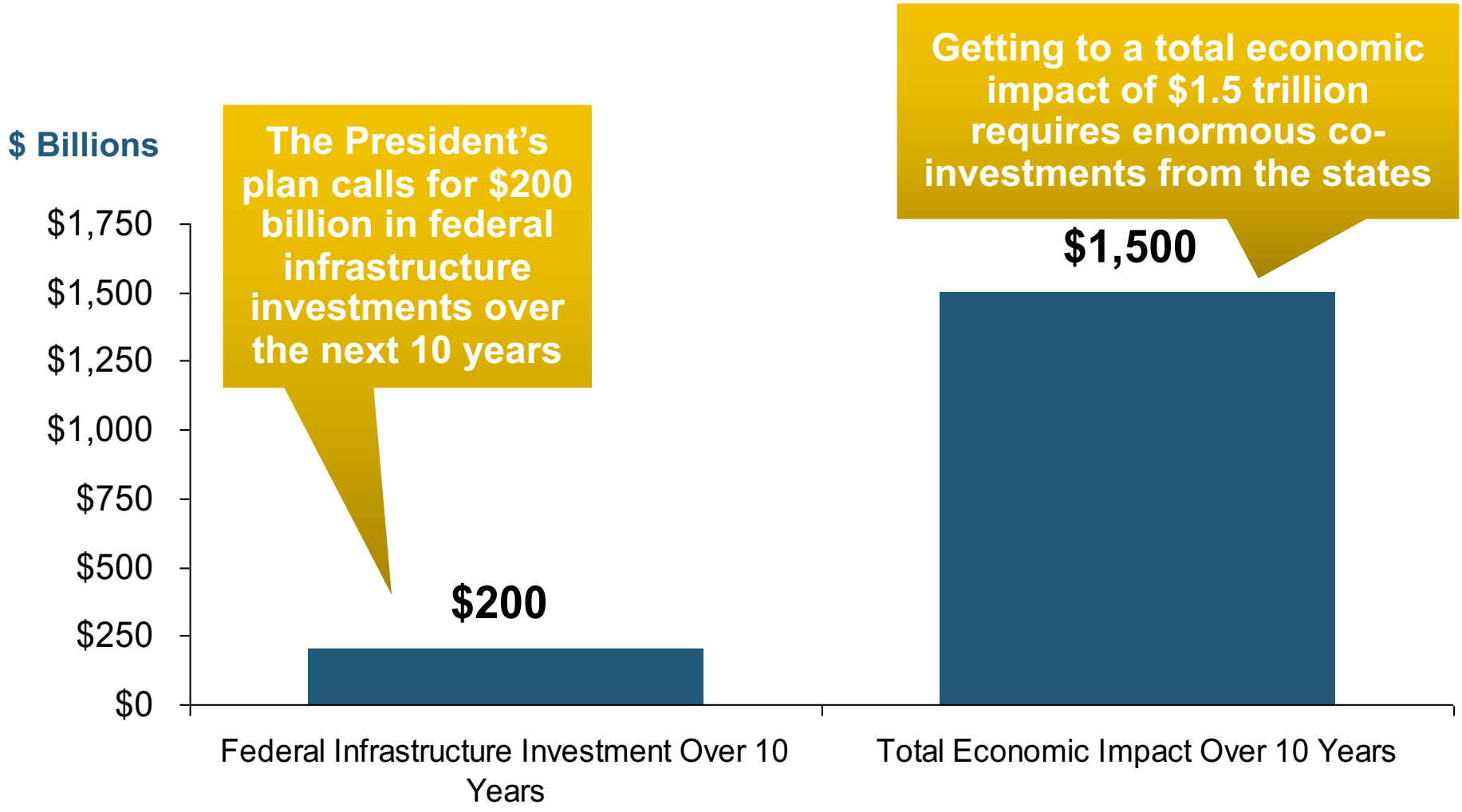
Commercial Insurance Will Be a Primary Beneficiary of Any Major Infrastructure Initiatives

Trump Administration: Likely Issues Impacting Insurers

Infrastructure Spending

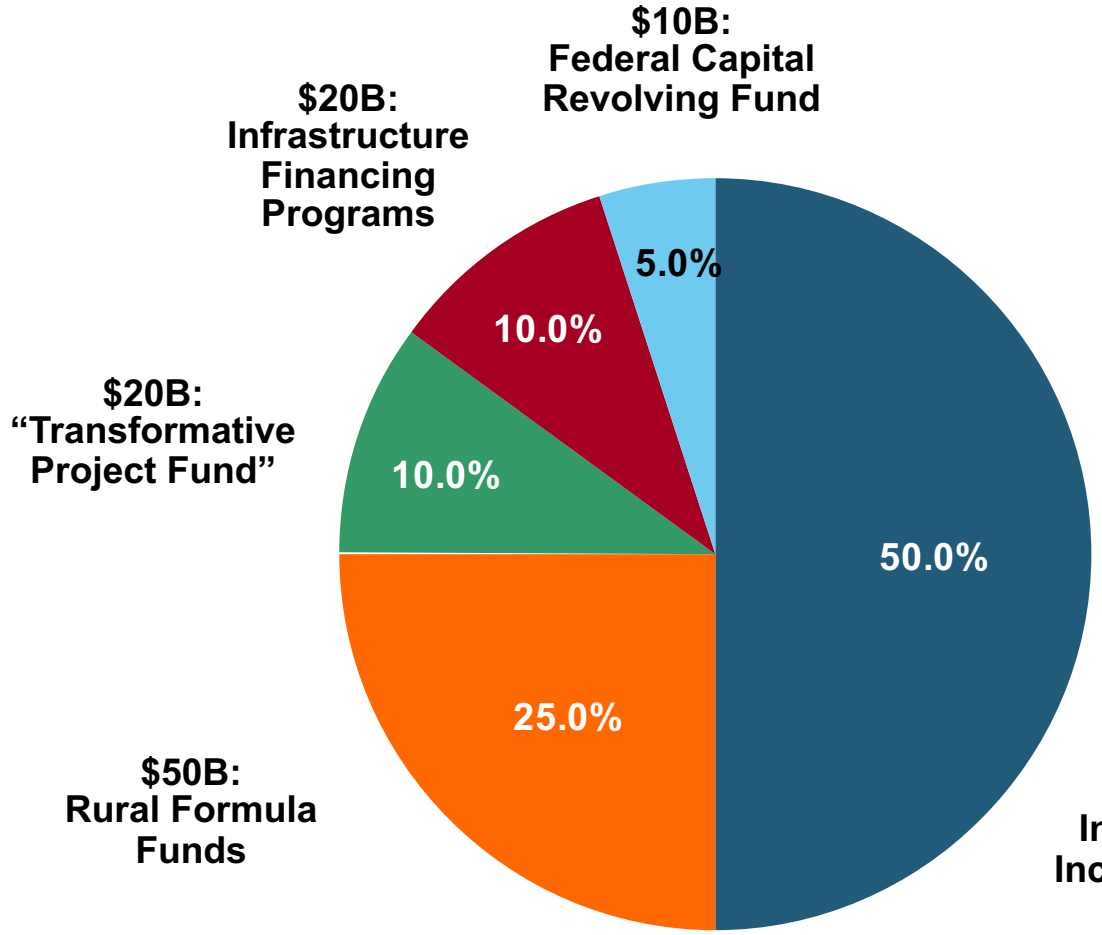
- Insurance industry could benefit from stepped-up infrastructure spending as promised by Trump
- But 2017 Tax Cuts and Jobs Act means little fiscal room for infrastructure initiatives
- Privatization of government infrastructure could provide growth opportunity for commercial insurers
- If infrastructure spending materializes, will benefit all major commercial lines:
  - WC
  - Commercial Property & Liab.
  - Surety
  - Commercial Auto

The White House Infrastructure Initiative: President Trump's Plan by the Numbers



Sources: The White House, *2018 Budget: Infrastructure Initiate accessed at:* https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/fact_sheets/2018%20Budget%20Fact%20Sheet_Infrastructure%20Initiative.pdf ; Risk and Uncertainty Management Center, Univ. of South Carolina.

Composition of Infrastructure Spending Under President Trump's Plan (April 2018)



The Trump Administration proposes to make $200 billion in infrastructure investments over 10 years, producing a total economic benefit of $1.5 trillion over the next decade

Bonds account for more than 60% of P/C insurer assets

Sources: The White House, *2018 Budget: Infrastructure Initiate accessed at:* https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/fact_sheets/2018%20Budget%20Fact%20Sheet_Infrastructure%20Initiative.pdf ; Risk and Uncertainty Management Center, Univ. of South Carolina.

Type of Infrastructure Targeted

- **Infrastructure Spending: Eligible Types of Spending**
  - Surface transportation (roads, bridges, etc.)
  - Airports, Rail, Ports and Waterways
  - Water resources (hydro power, drinking water, waste)
  - Brownfield remediation/Superfund sites
  - Broadband
  - Worker education and training
- **Major Challenge: Funding at Federal & State Levels**
  - Deficit consequences of Tax Cuts and Jobs Act limit appetite for additional federal spending
  - States need to participate financially but finances are tight

US Trade Policy

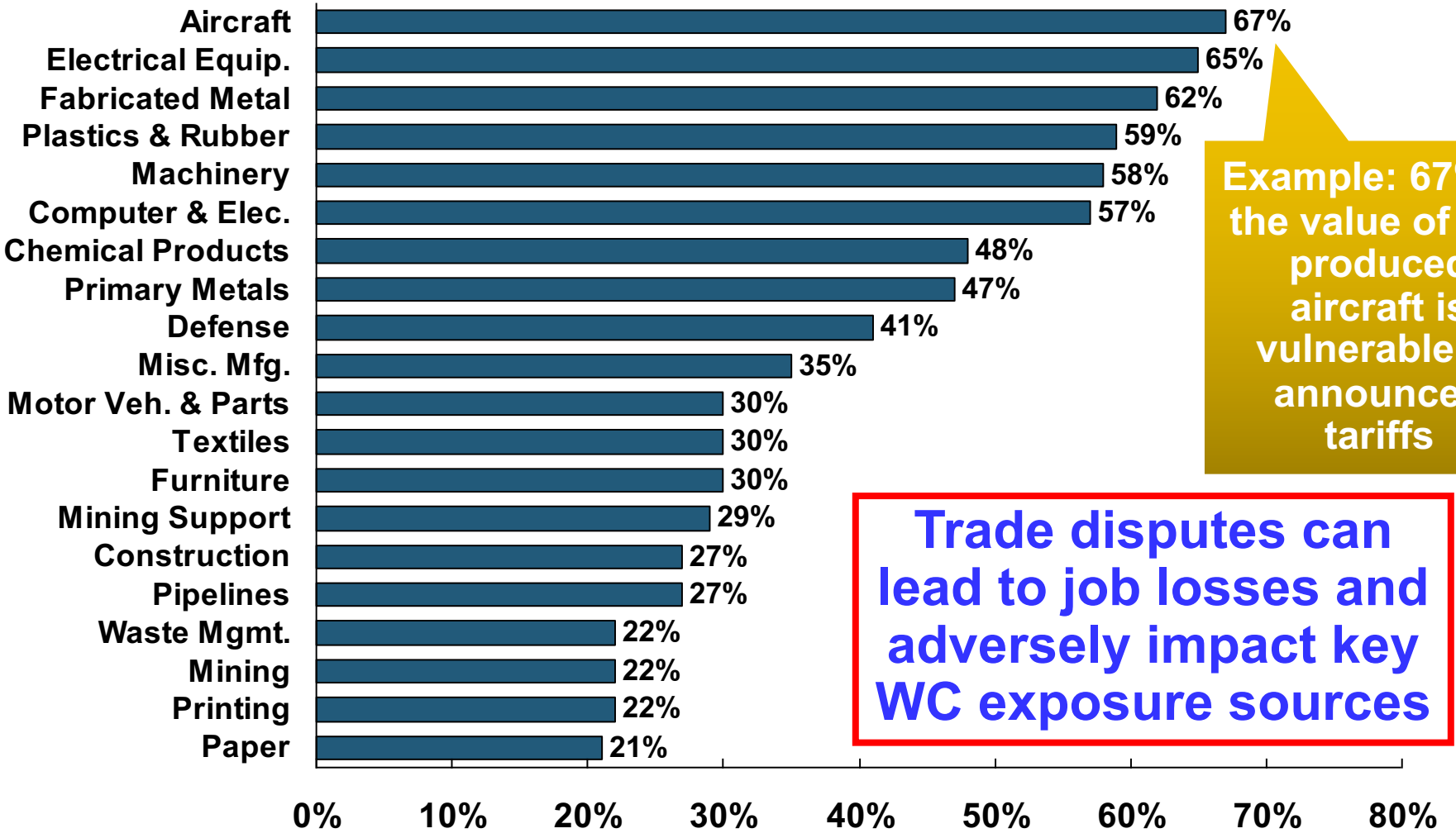
How Will the WC Insurance Industry Be Impacted by Trade Disputes?

Trade Actions and Workers Compensation

- **Major Trade Actions Announced so Far**
  - **April 3: $50B in tariffs announced on some 1,300 products produced in China**
  - **March 8: Steel and Aluminum**
    - **25% tariff on foreign steel**
    - **10% tariff on imported aluminum**

- **Potential Impacts: Job and Income Losses Could Be Severe if Targeted Countries Retaliate**
  - **Hundreds of thousands of jobs would be lost across many industries**
  - **WC premium shrinkage would be measured in the billions as hundreds of billions in wages and salaries would be at risk**

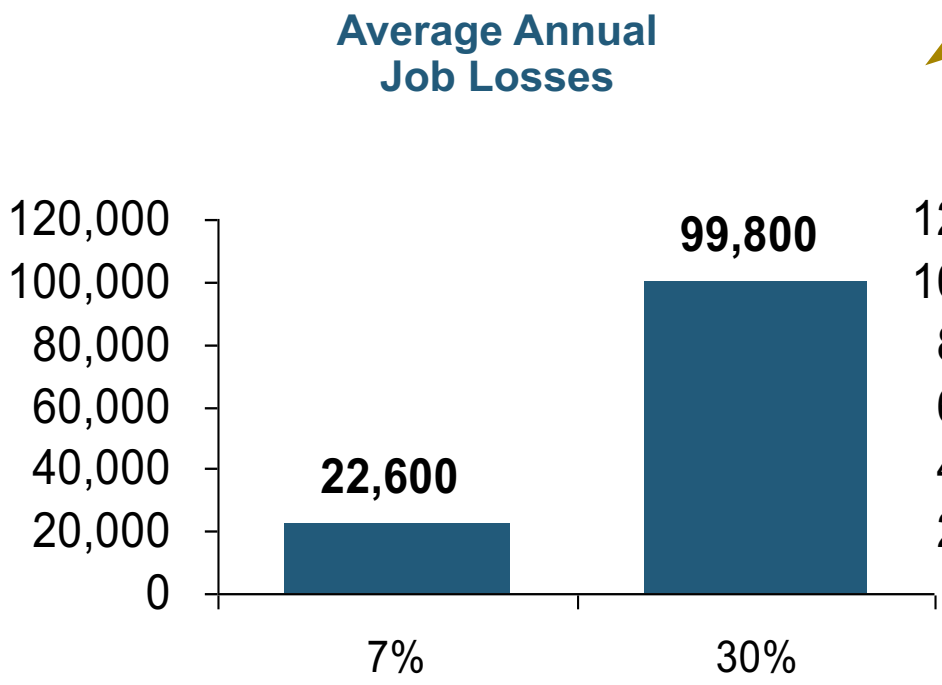
Dollar Share of Inputs Potentially Impacted by Chinese Tariffs

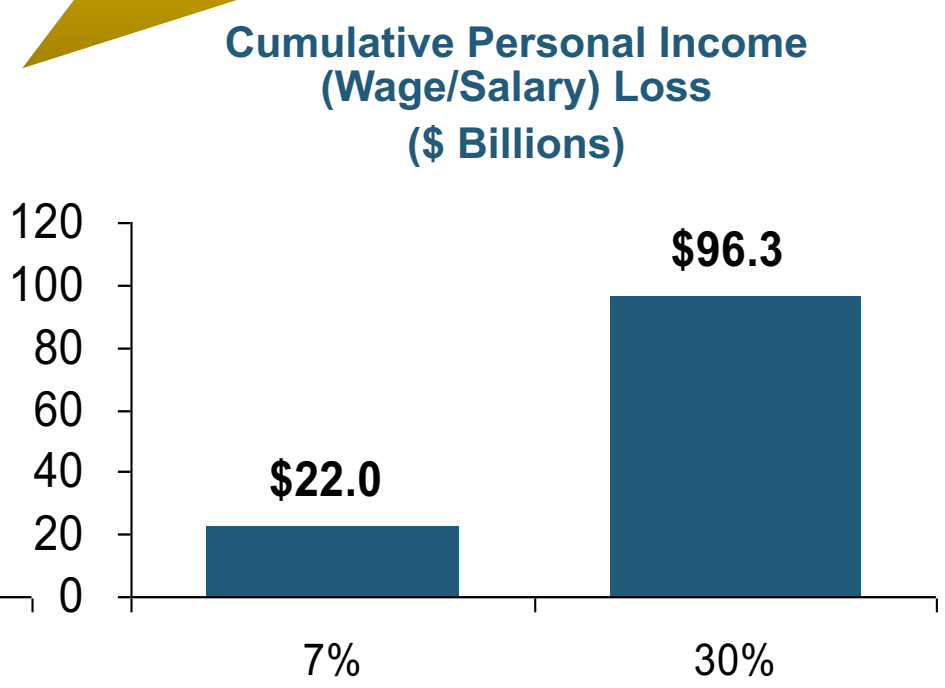


*Trump administration based on 2017 only and figures is an estimate based on the first three quarters of the year.
**Truman administration ROE of 6.97% based on 3 years only, 1950-52;.
Source: Wells Fargo Securities, *Could Tariffs Gum Up Industry Supply Chains?,* April 12, 2018.

Impacts on Employment and Income from Aluminum Tariffs: 7% and 30% Tariff Scenarios

There is no question that tariffs in the aluminum and steel industry will kill jobs in industries that use these inputs, harming workers comp payroll exposures. The damage will be far worse when foreign countries introduce retaliatory tariffs of their own.





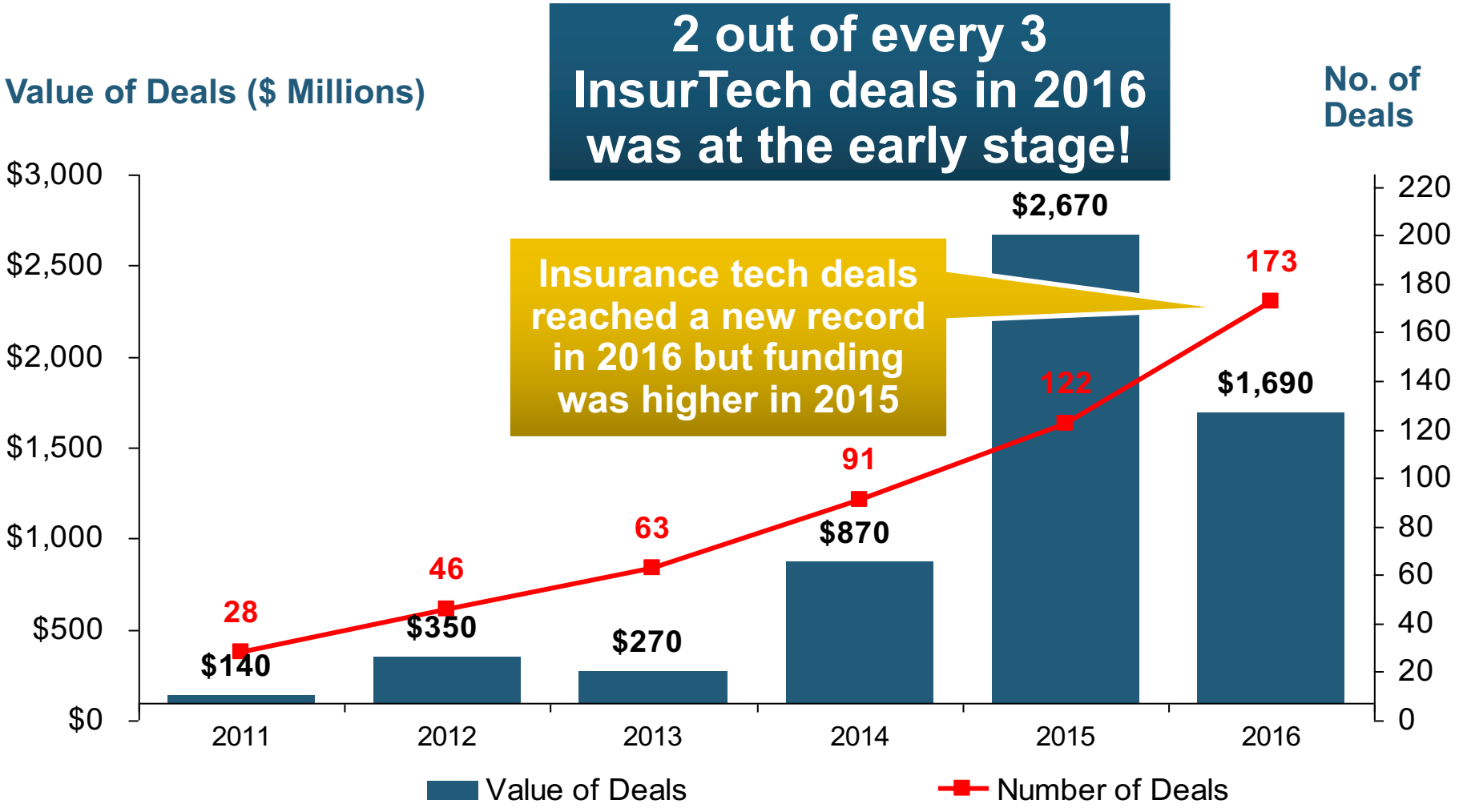
Sources: NERA, *Impacts of Potential Aluminum Tariffs on the U.S. Economy,* June 2017.

INSURANCE TECHNOLOGY:
FIN TECH ZEROES IN

Number and Value of Deals Is Increasing

An Industry that Has Always Been Accepting of Change and Innovation

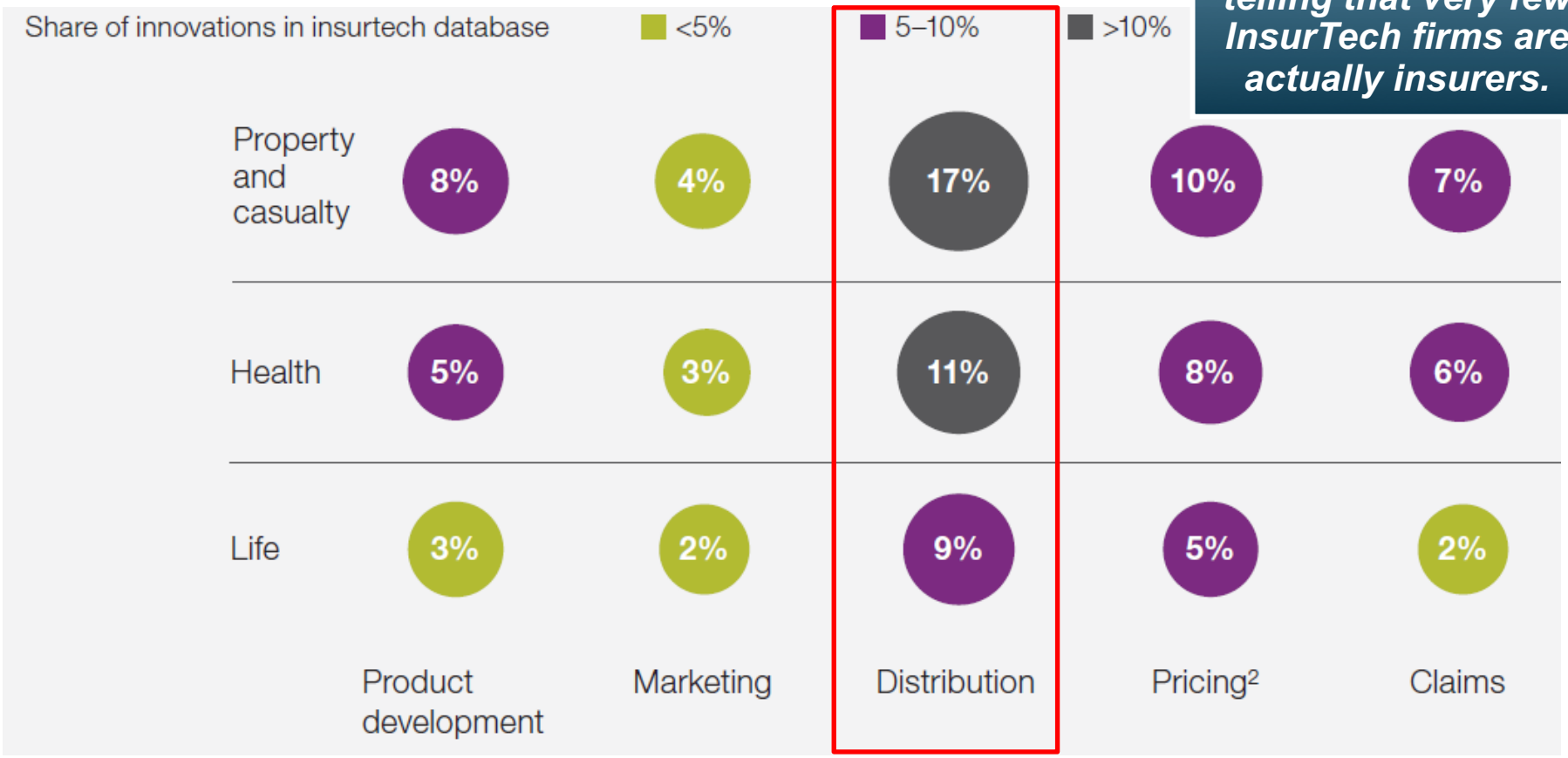
InsurTech Annual Financing, 2011 – 2016



Source: CB Insights at https://www.cbinsights.com/blog/2016-insurance-tech-funding/

InsurTechs Are Focusing on Distribution and Pricing

InsurTech firms across all insurance segments tend to focus on Distribution. *It is telling that very few InsurTech firms are actually insurers.*



Source: Panorama by McKinsey, "*Insurance Beyond Digital: The Rise of Ecosystems and Platforms,"* Jan. 2018.

Talent Wars

Can the Insurance Industry Win the War for Talent?

Insurance is Not the Only Industry that is Interested in Hiring New Talent, Especially those with Data/Analytics Skills

Can Insurers "Win" the War on Talent?

- **Hiring Needs:** The industry has a stated need of hiring some 400,000 people over the next several years

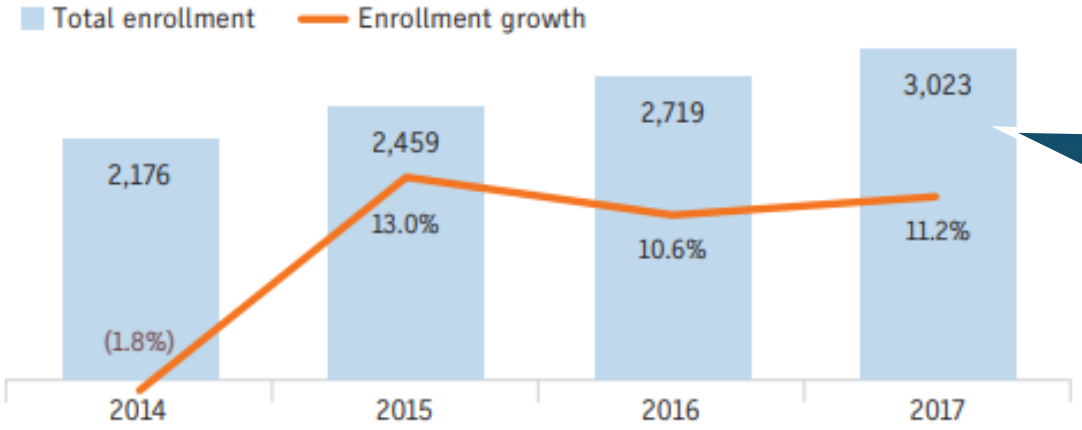
- **Inclusive Approach:** The industry's approach has been to suggest that virtually everyone, from any background can build a rewarding career in the insurance industry

- **So Far, So Good:** To date, the industry's diligence and efforts seems to be meeting with success
  - *Insurers seem generally to be successful in their overall recruiting efforts*

Can Insurers Win the War for Talent?

ENROLLMENT TRENDS

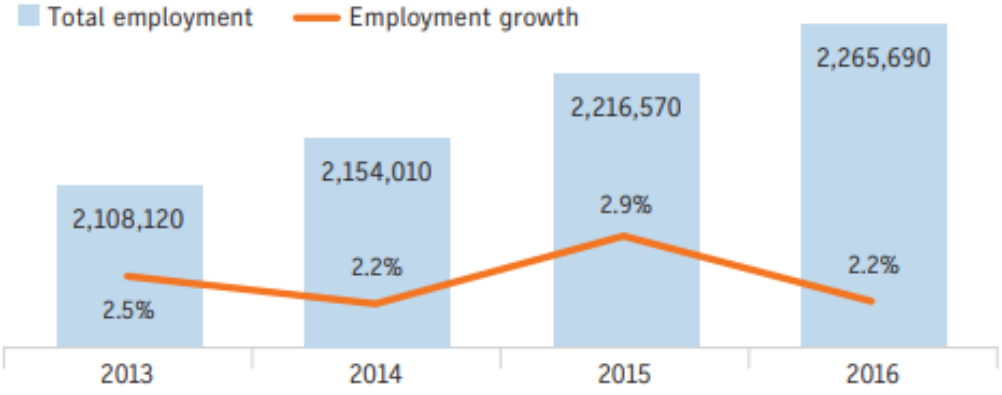
Based on the annual enrollment of students majoring in risk management and insurance programs for the *BI*'s largest 10 undergraduate programs, 2014-2017.



The number of RMI majors is up sharply

EMPLOYMENT TRENDS

Industry-specific national employment figures for insurers and related activities sector, 2013-2016



Overall employment is up too

Source: *Business Insurance*, 2017 Risk Management and Insurance Schools Ranking and Directory,

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Thank you for your time and your attention!

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