Florida and the Future of the P/C Insurance Industry
Trends, Challenges and Opportunities

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Darla Moore School of Business

P/C Insurance Industry Financial Overview

CATS, Non-CAT Underwriting Losses Impacted Insurer Balance Sheets

Industry Remains Strong

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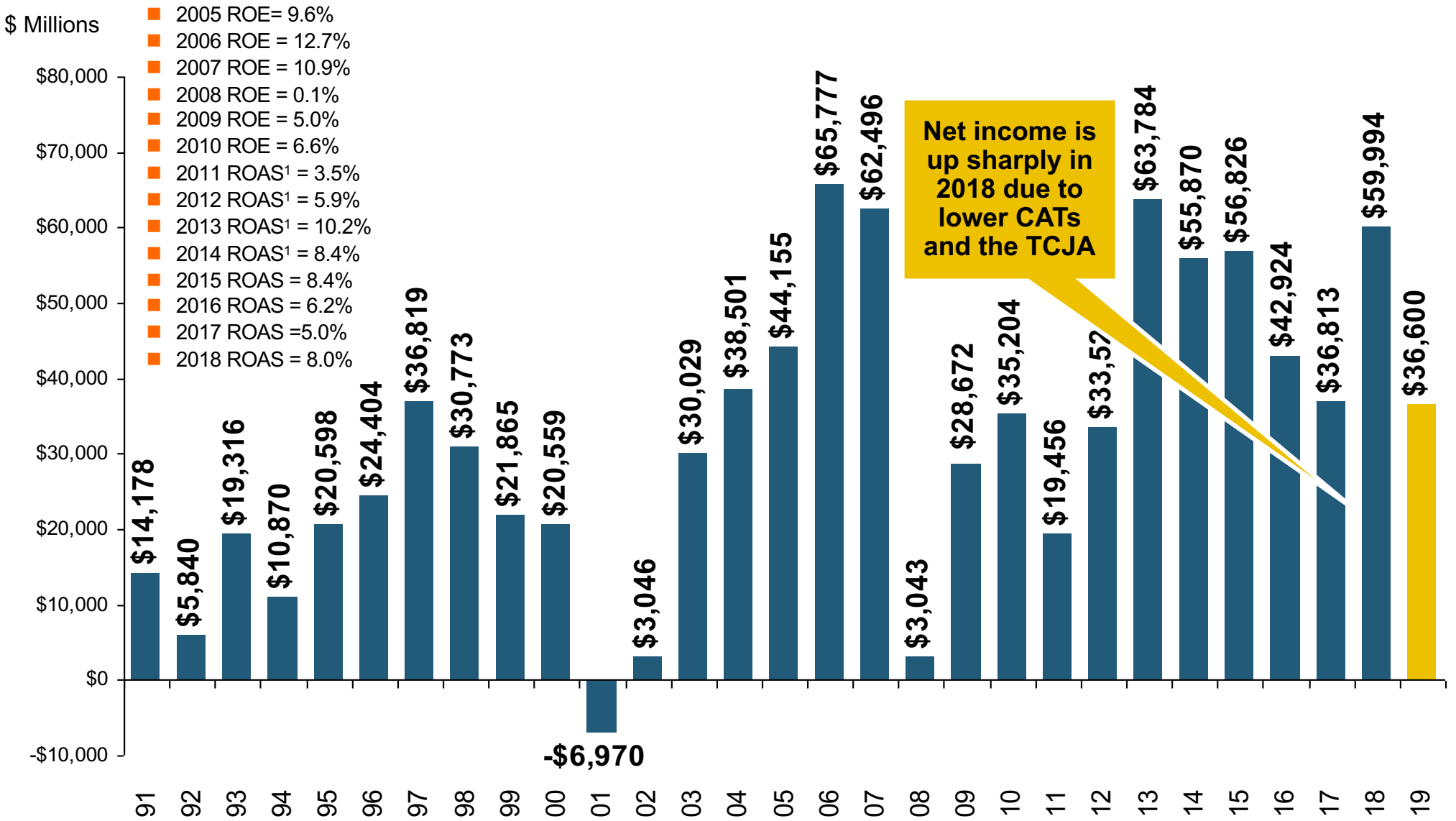
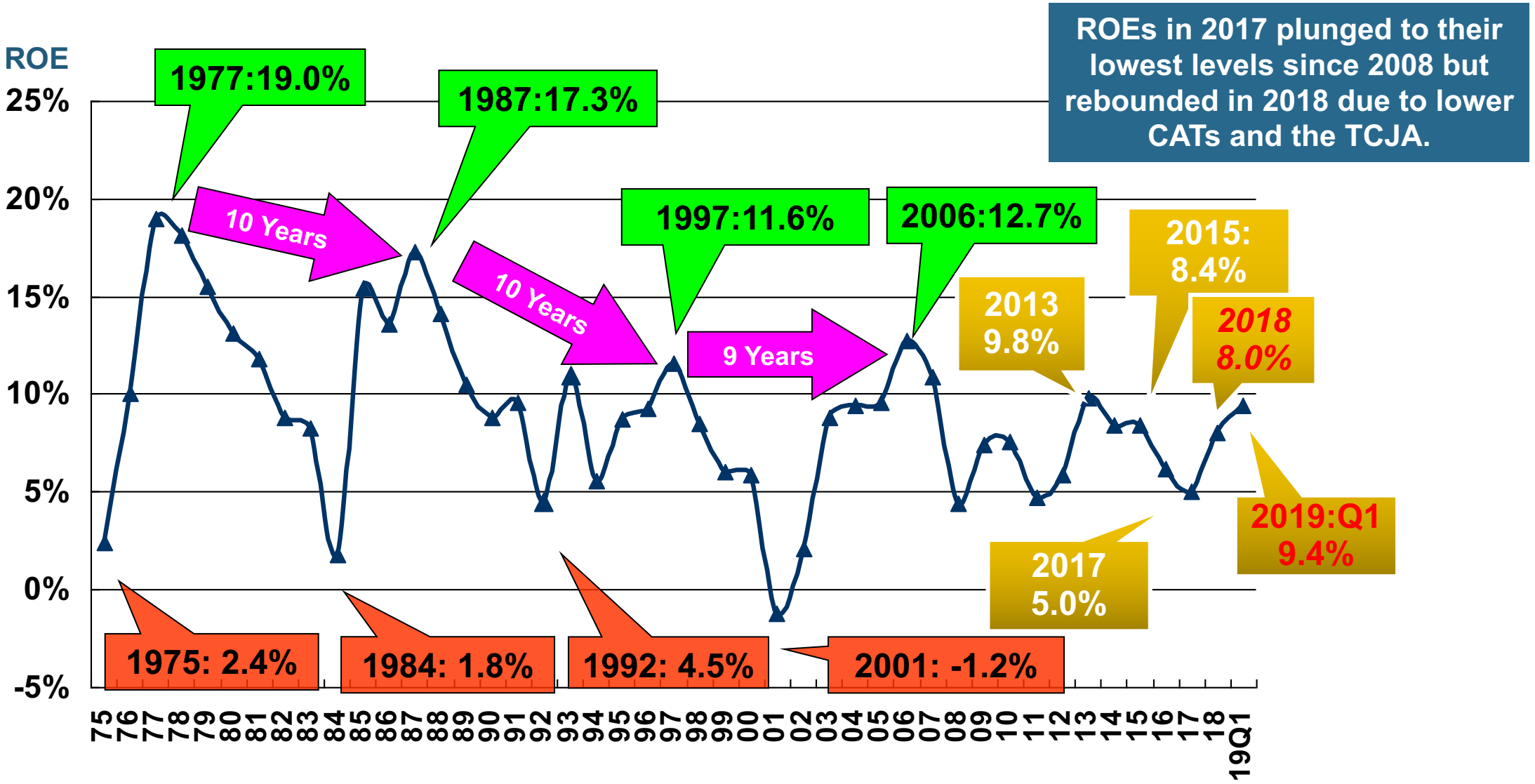
P/C Industry Net Income After Taxes, 1991–2019F



•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;

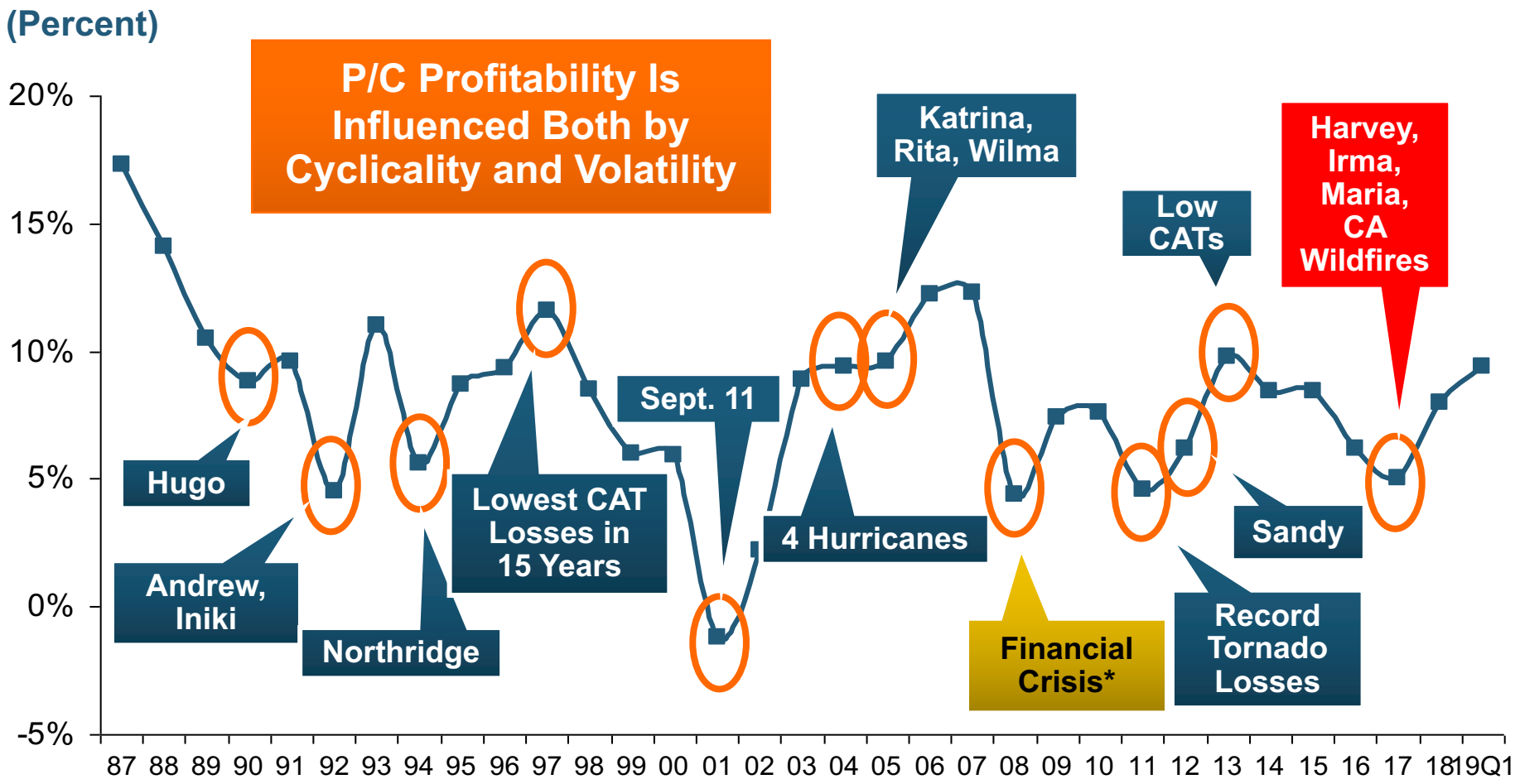
Sources: A.M. Best, ISO.

Profitability Peaks & Troughs in the P/C Insurance Industry, 1975 – 2019:Q1



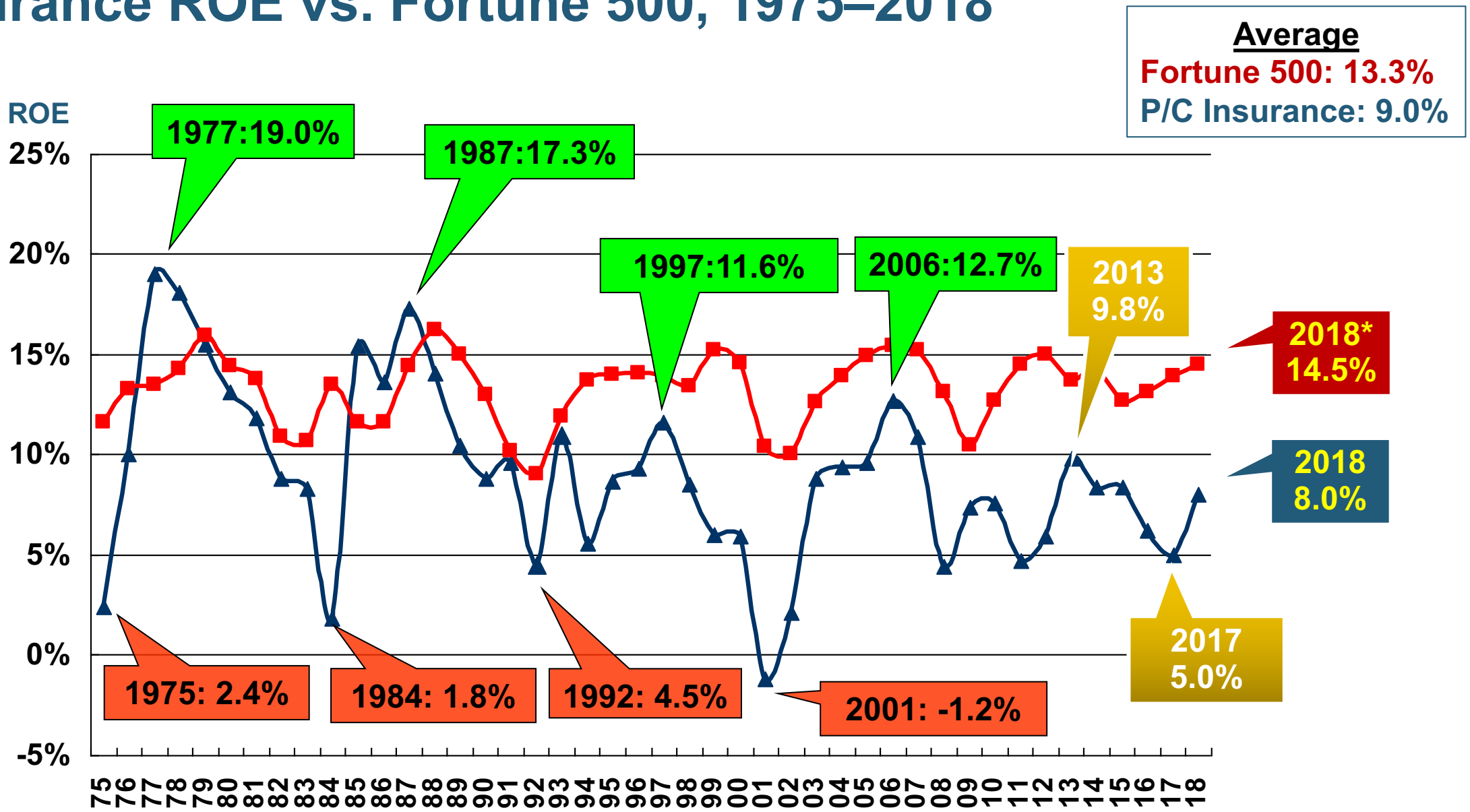
Profitability = P/C insurer ROEs. 2011-18 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.
Source: NAIC, ISO, A.M. Best, USC RUM Center.

ROE: Property/Casualty Insurance by Major Event, 1987–2019:Q1



*Excludes Mortgage & Financial Guarantee in 2008 – 2014.
Sources: ISO, *Fortune*; A.M. Best (2018E-2019F); USC RUM Center.

P/C Insurance ROE vs. Fortune 500, 1975–2018*



*2018 Fortune 500 figure is an estimate.
Profitability = P/C insurer ROEs. 2011-18 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.
Source: NAIC, ISO, *Fortune*.

Professor Hartwig's Insurance Quiz!

Q1: Since 1950, under which President was the US P/C insurance industry the most profitable (in terms of ROE)?

Q2: Since 1950, under which political party has the US P/C insurance industry been the most profitable, on average (in terms of ROE)?

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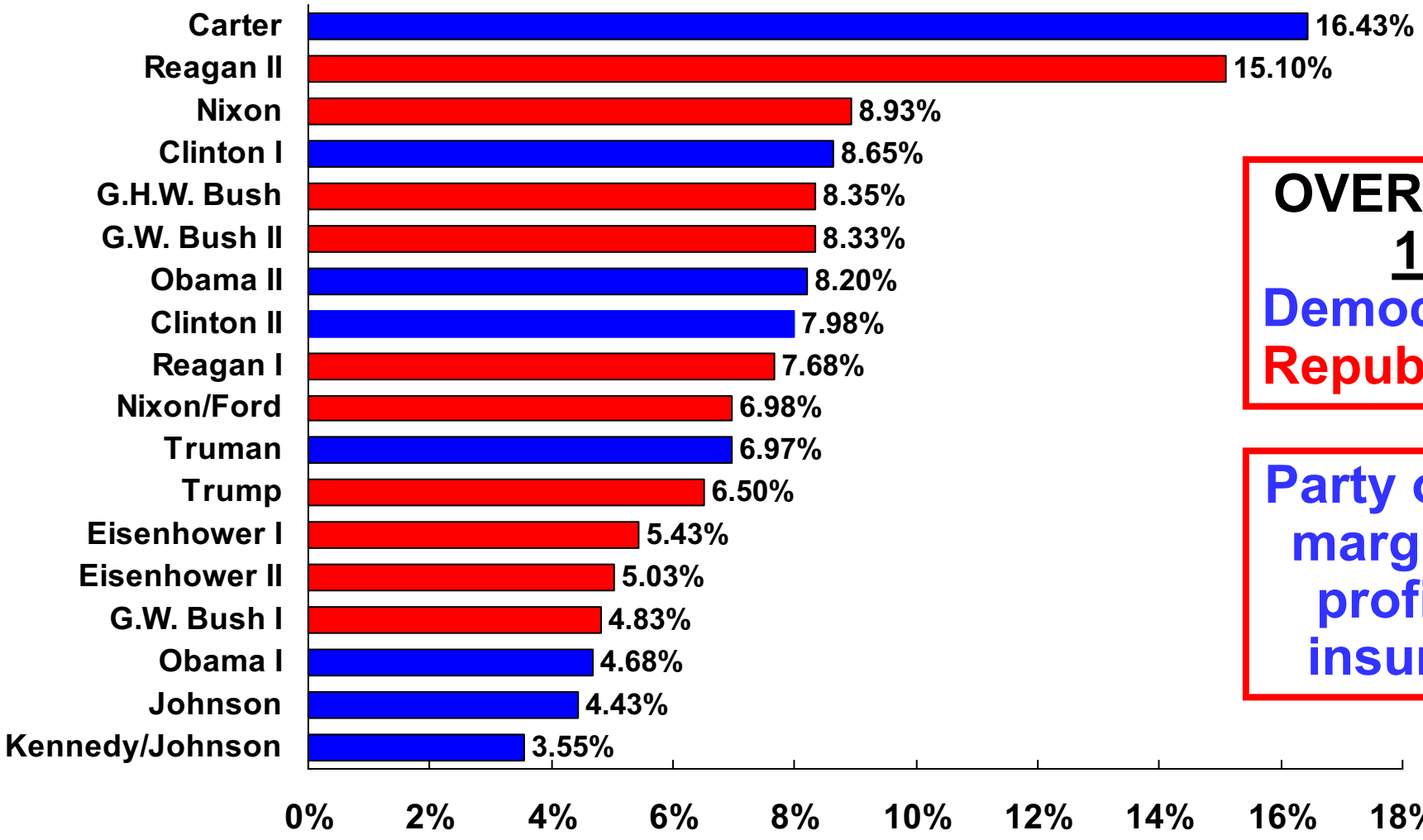
P/C Insurance Industry ROE by Presidential Administration, 1950-2018*



OVERALL RECORD: 1950-2018*

Democrats 7.61%

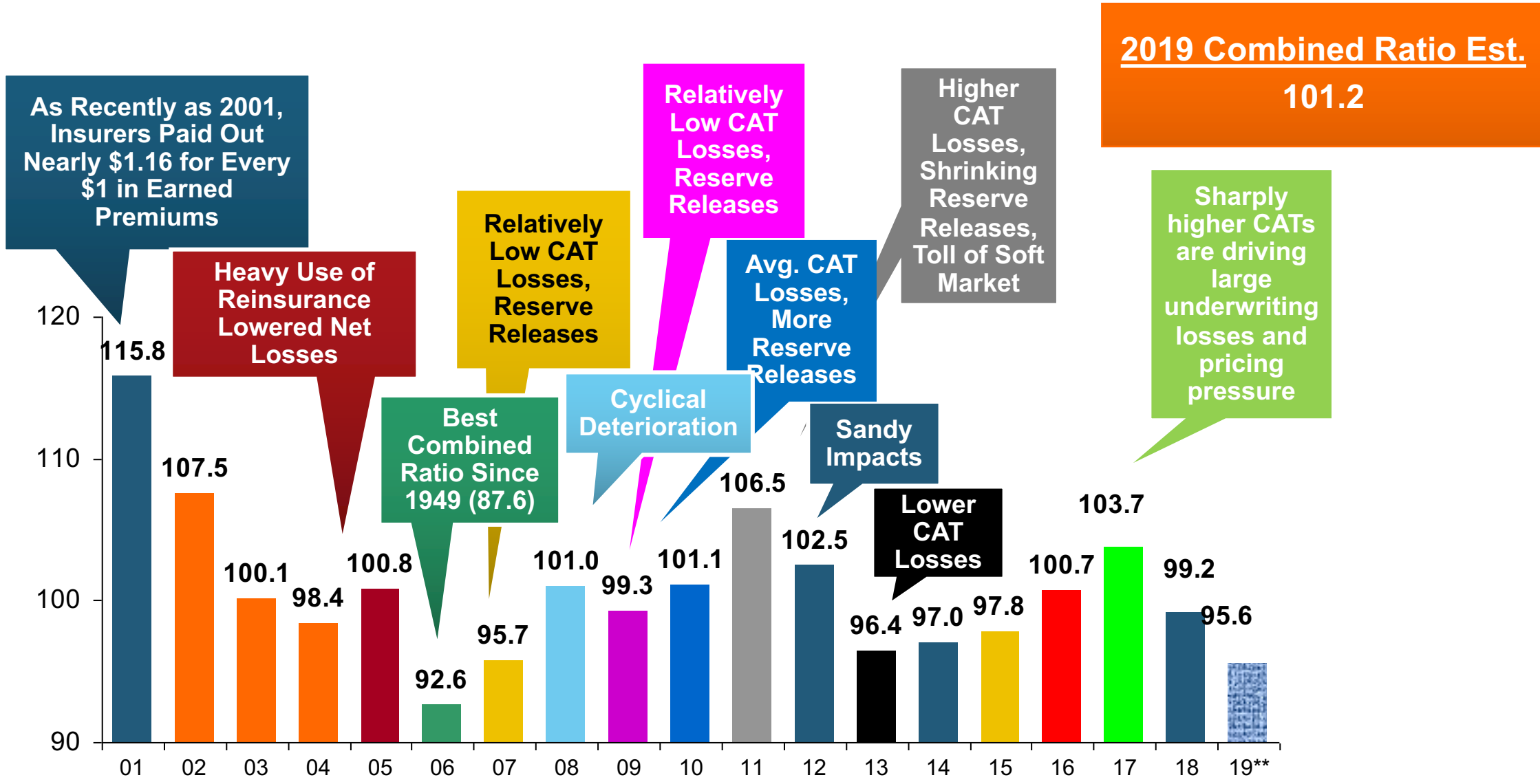
Republicans 7.75%

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

*Truman administration ROE of 6.97% based on 3 years only, 1950-52.

Source: University of South Carolina, Risk and Uncertainty Management Center.

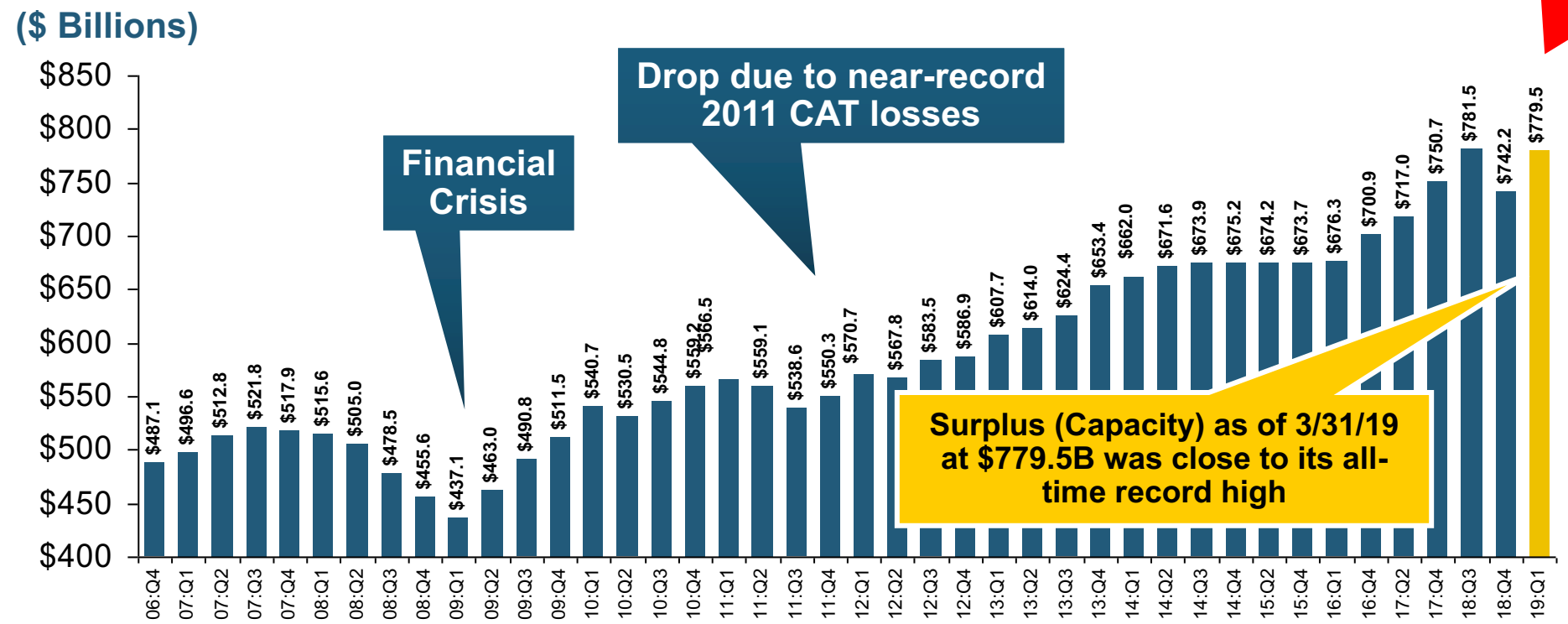
P/C Insurance Industry Combined Ratio, 2001–2019:Q1*



* Excludes Mortgage & Financial Guaranty insurers 2008--2014.
**Through Q1 2019.
Sources: A.M. Best, ISO (2014-2016); Figure for 2017 from ISO.

Policyholder Surplus (Capacity), 2006:Q4–2019:Q1

A sharp recovery in asset prices pushed surplus back up to near-record levels in 2019: Q1



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.

Net Premium Growth (All P/C Lines): Annual Change, 1971—2019F

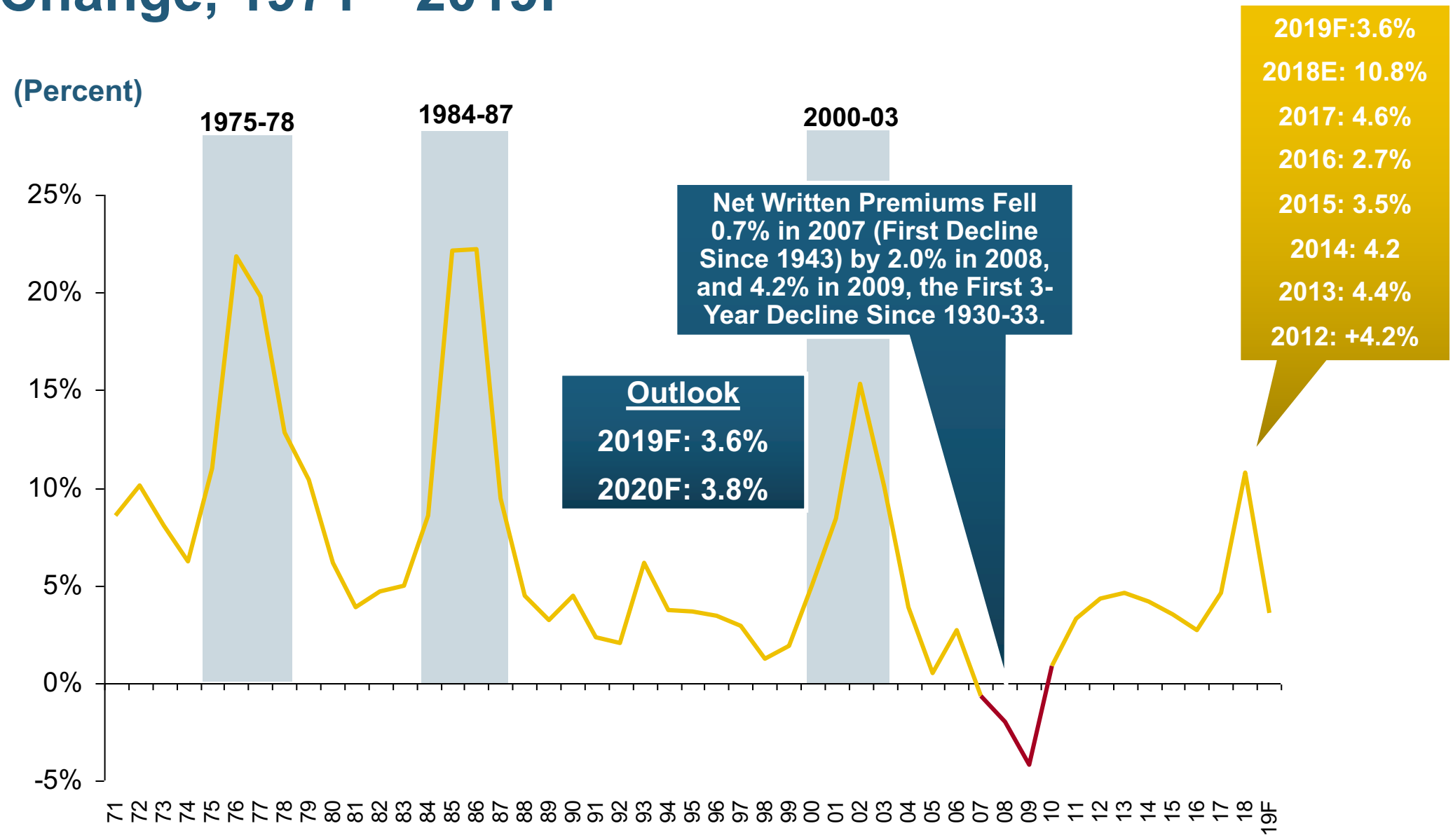
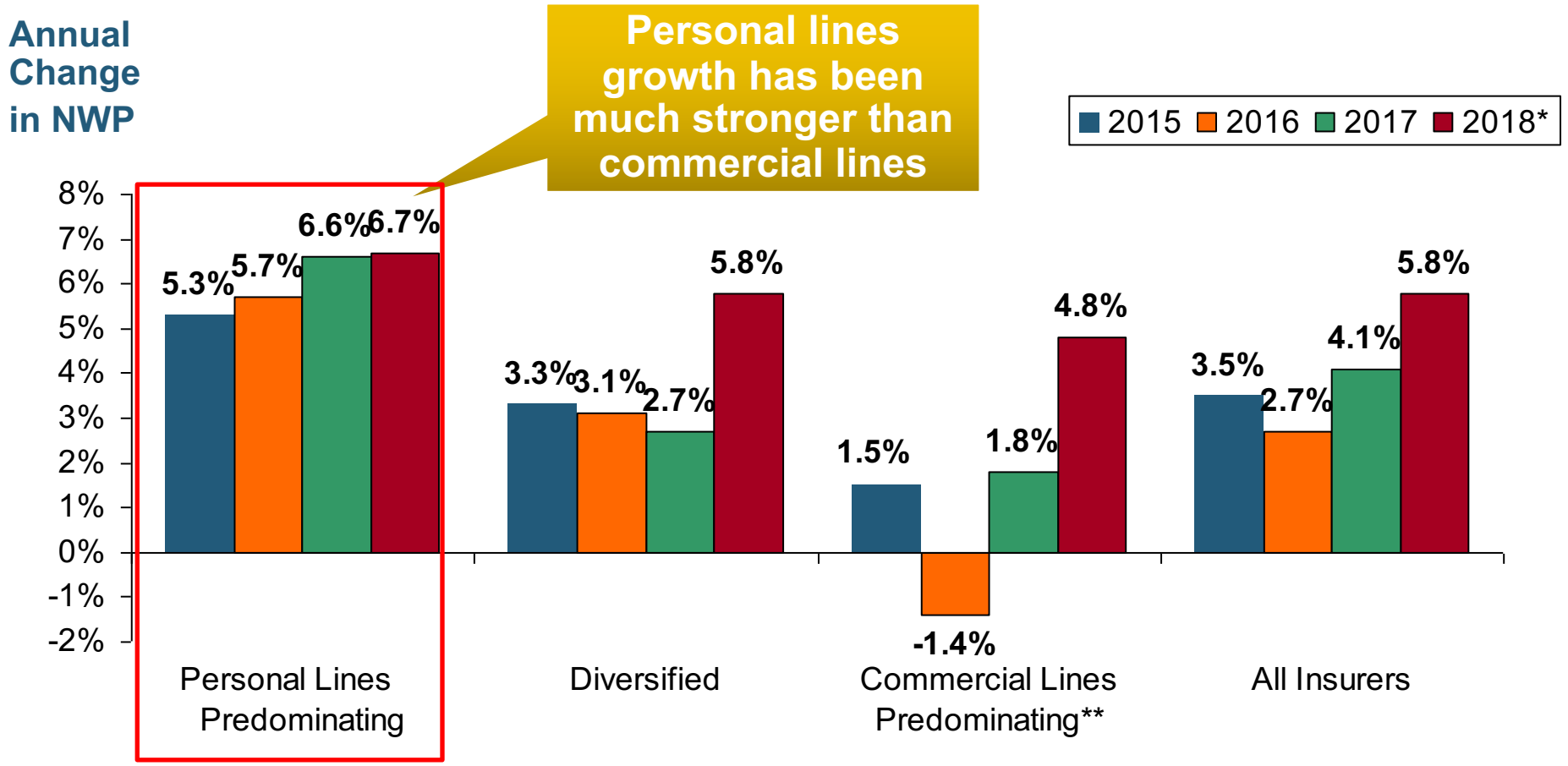


*Figure is actual 2018:9M vs. 2017:9M change adjusted for affects of the TCJA of 2017. Shaded areas denote “hard market” periods
Sources: A.M. Best (1971-2013, 18E, 19F), ISO (2014-17).

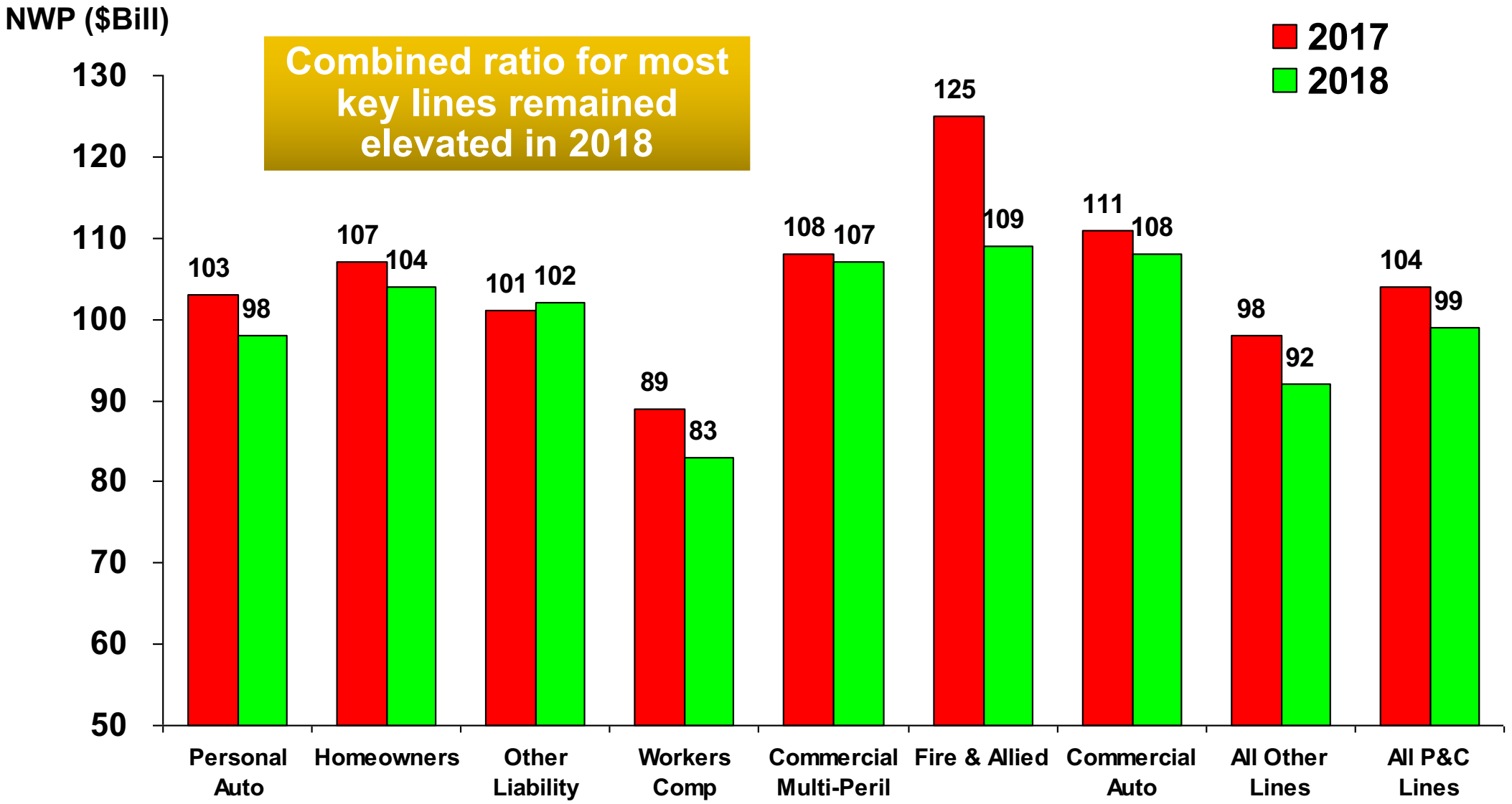
Growth in Net Written Premium: Personal vs. Commercial, 2015 – 2018*



The divergence in growth between personal and commercial lines is large but may be narrowing

*2018 is an estimate based on actual data through Q4:2018. Commercial lines figure has been adjusted from actual value of 19.3% to account for distortionary affects from the TCJA 2017, which impacted reinsurance utilization, largely in the commercial segment.
Source: ISO. University of South Carolina Risk and Uncertainty Management Center.

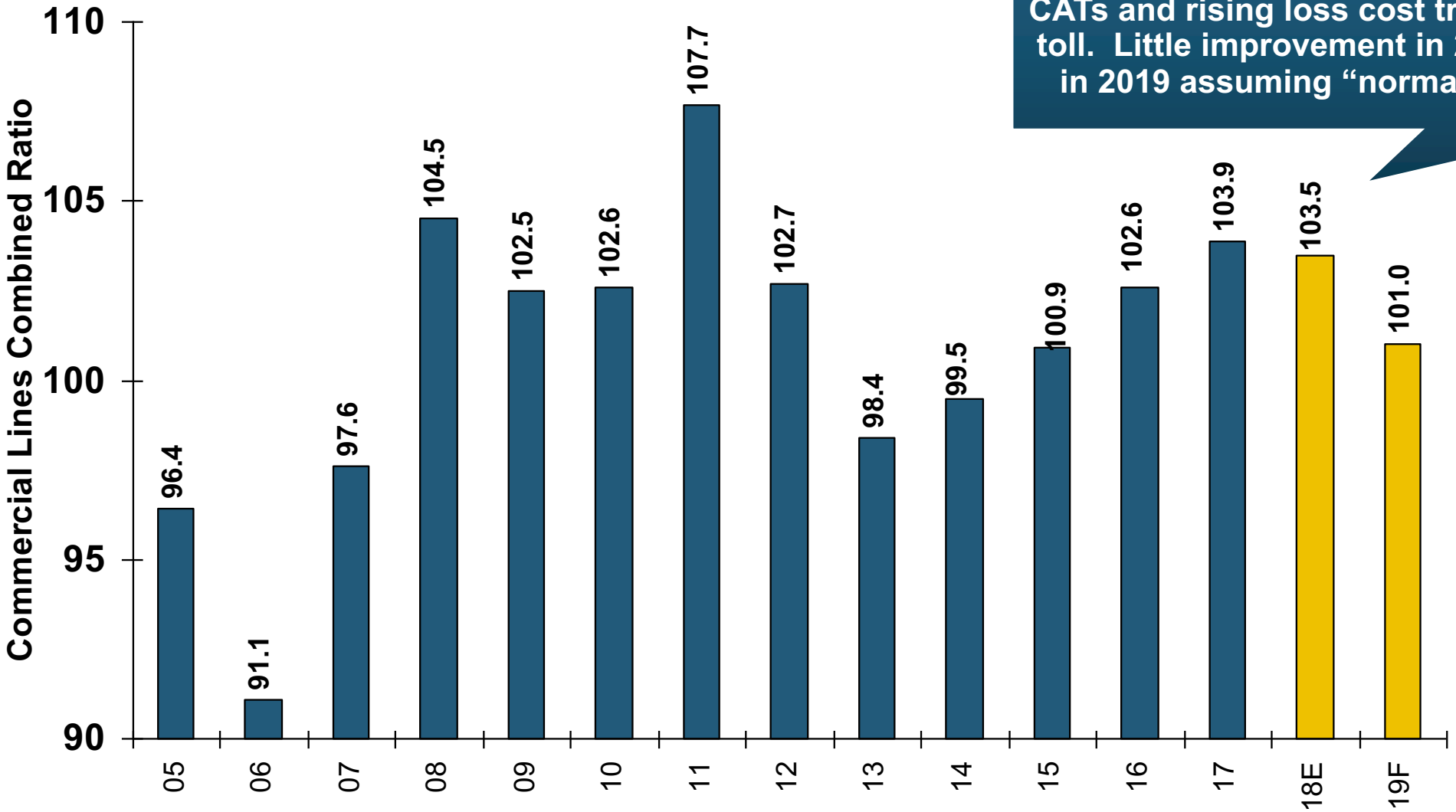
Combined Ratio, by Line: 2017 vs 2018*



* 2018 figure is preliminary.
Sources: NAIC; NCCI; Risk and Uncertainty Management Center, University of South Carolina.

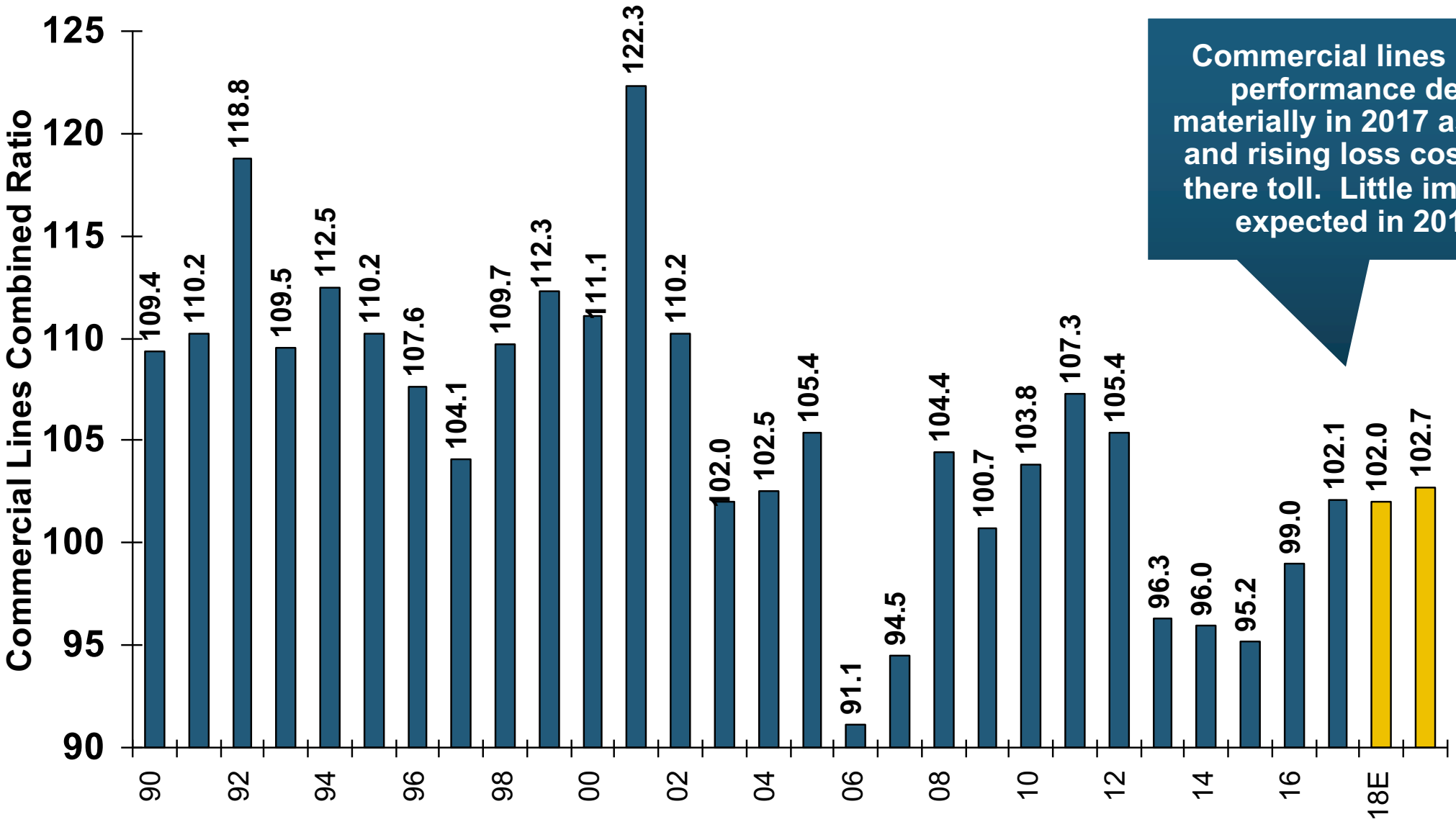
Personal Lines Combined Ratio, 2005-2019F*

Personal lines underwriting performance deteriorated from 2014-2017 as record CATs and rising loss cost trends took their toll. Little improvement in 2018, but more in 2019 assuming "normal" cat activity



*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2017F). Risk and Uncertainty Management Center, Univ. of South Carolina (2018E – 2019F).

Commercial Lines Combined Ratio, 1990-2019F*



Commercial lines underwriting performance deteriorated materially in 2017 as record CATs and rising loss cost trends took there toll. Little improvement is expected in 2018 or 2019

*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2019F).

Profitability and Growth in Florida P/C Insurance Markets

Analysis by Line and Nearby State Comparisons

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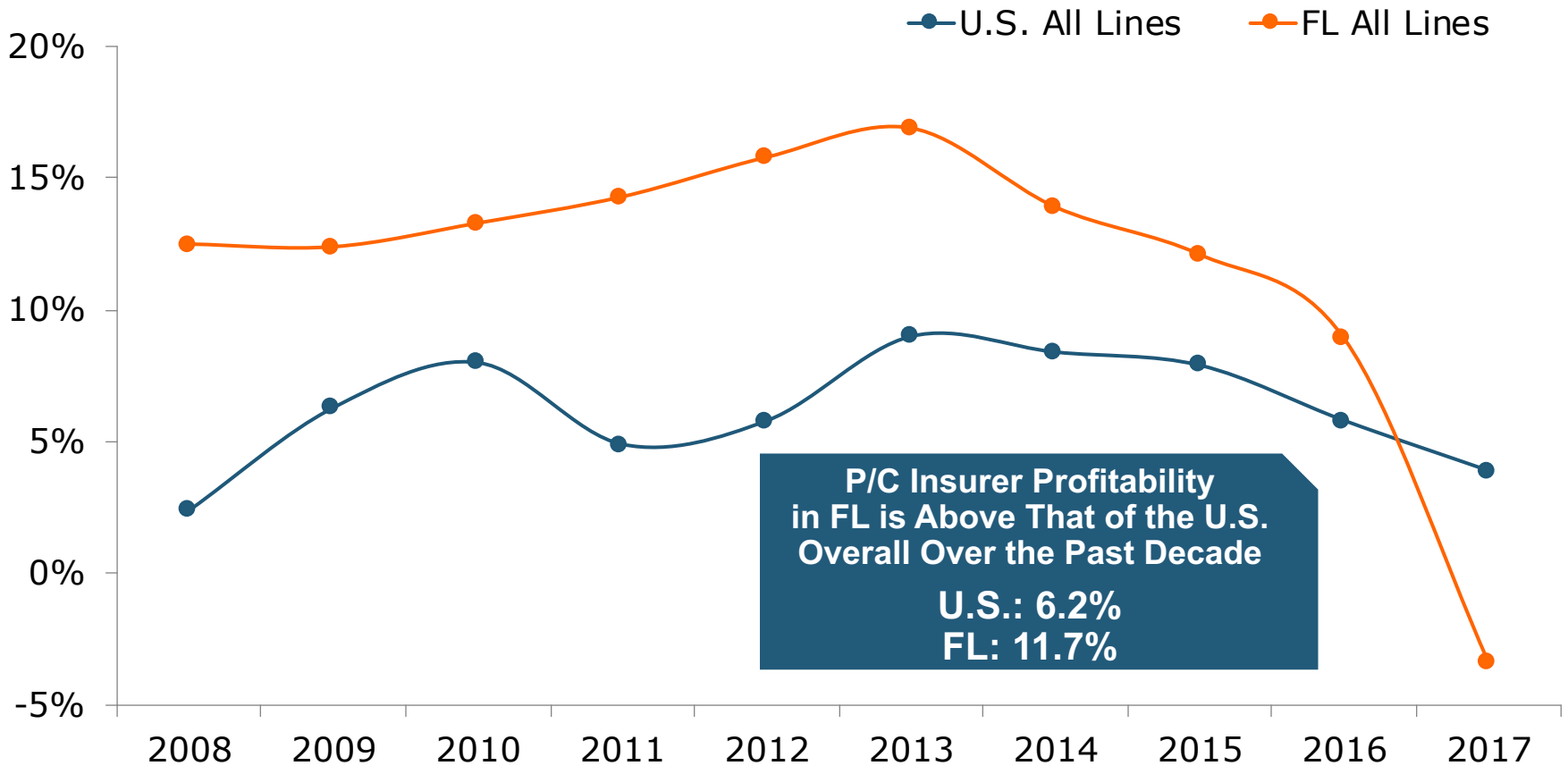
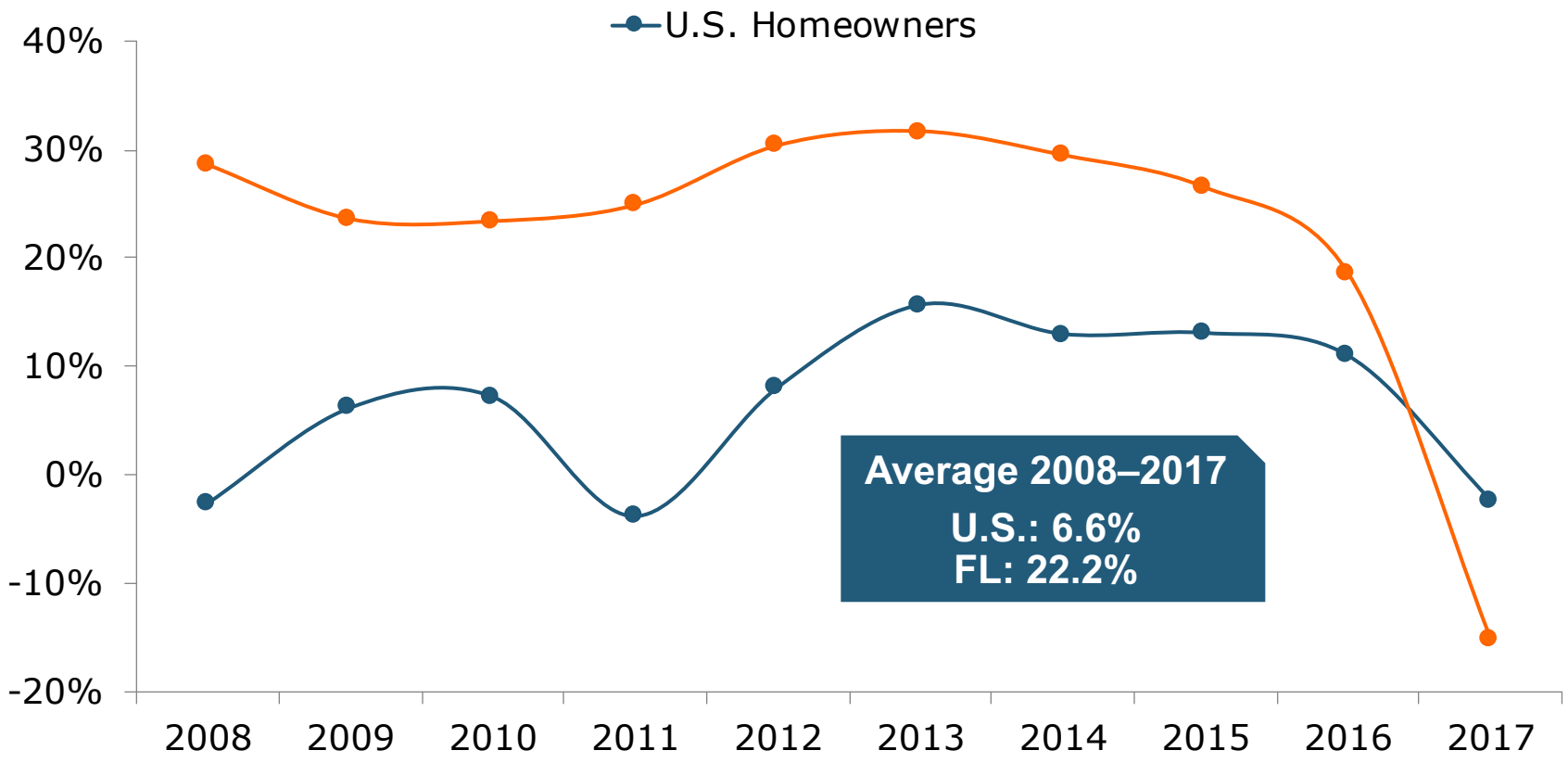
RNW All Lines: FL vs. U.S., 2008–2017



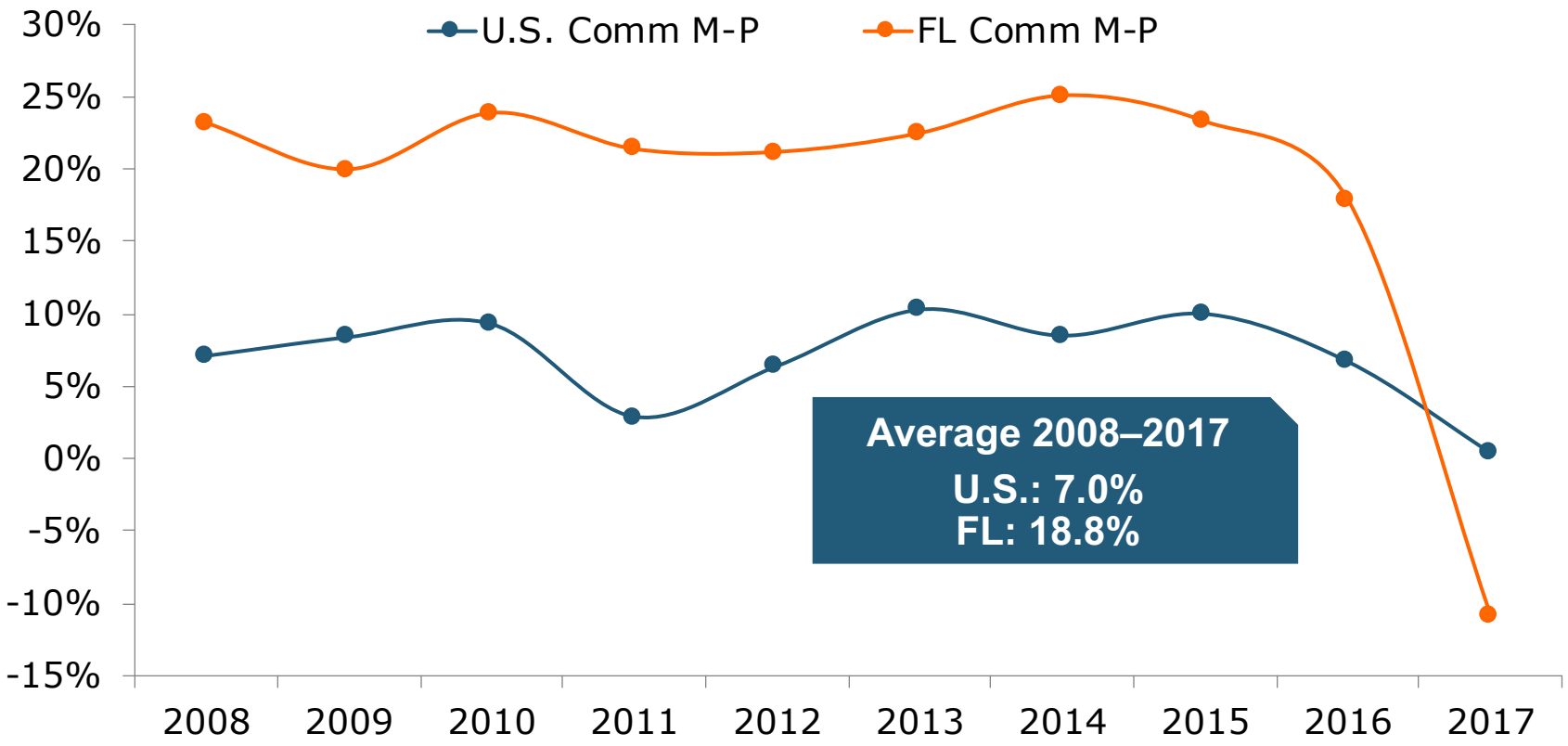
Source: NAIC.

RNW Homeowners: FL vs. U.S., 2008–2017



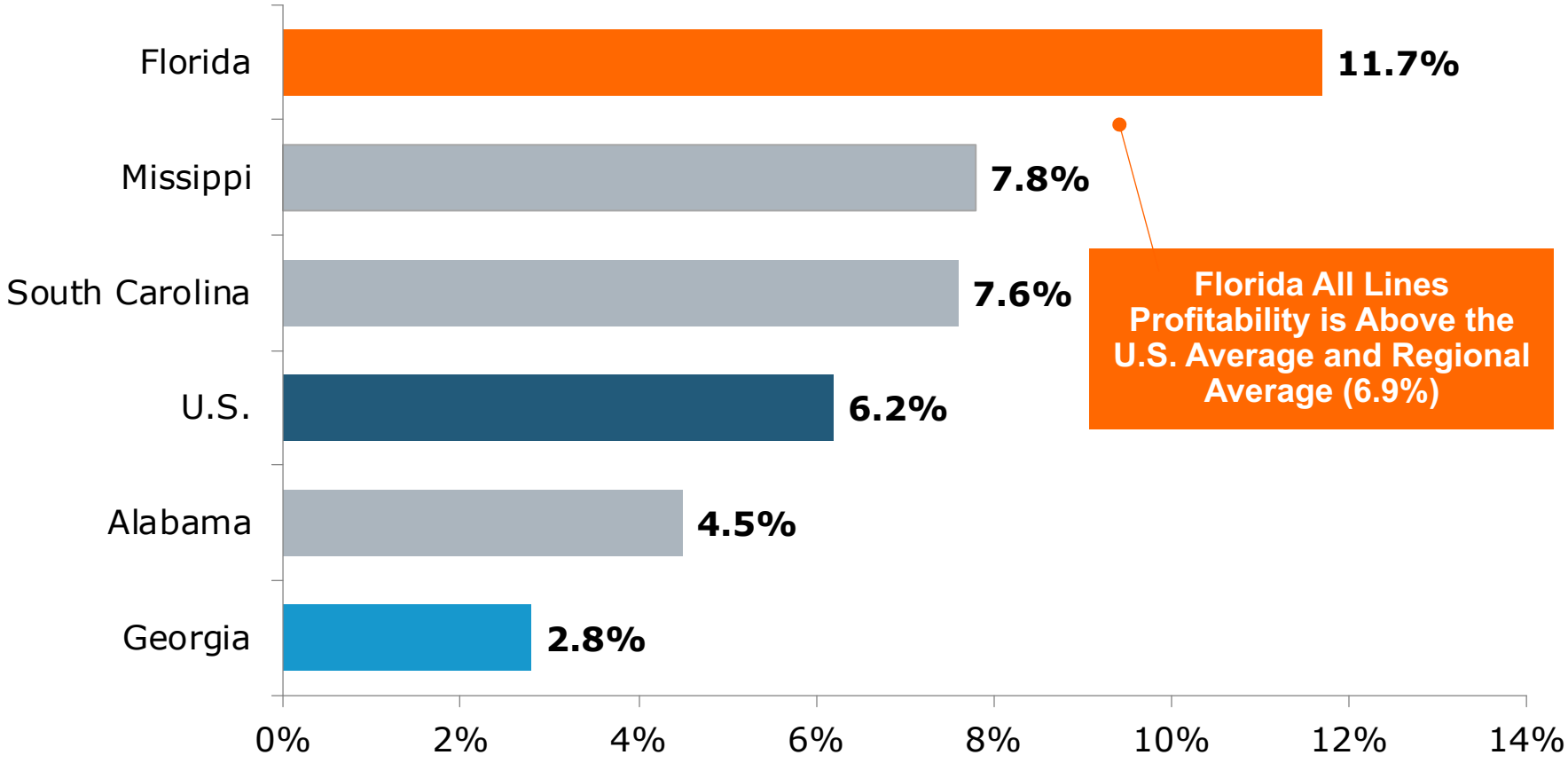
Source: NAIC.

RNW Comm. Multi-Peril: FL vs. U.S., 2008–2017



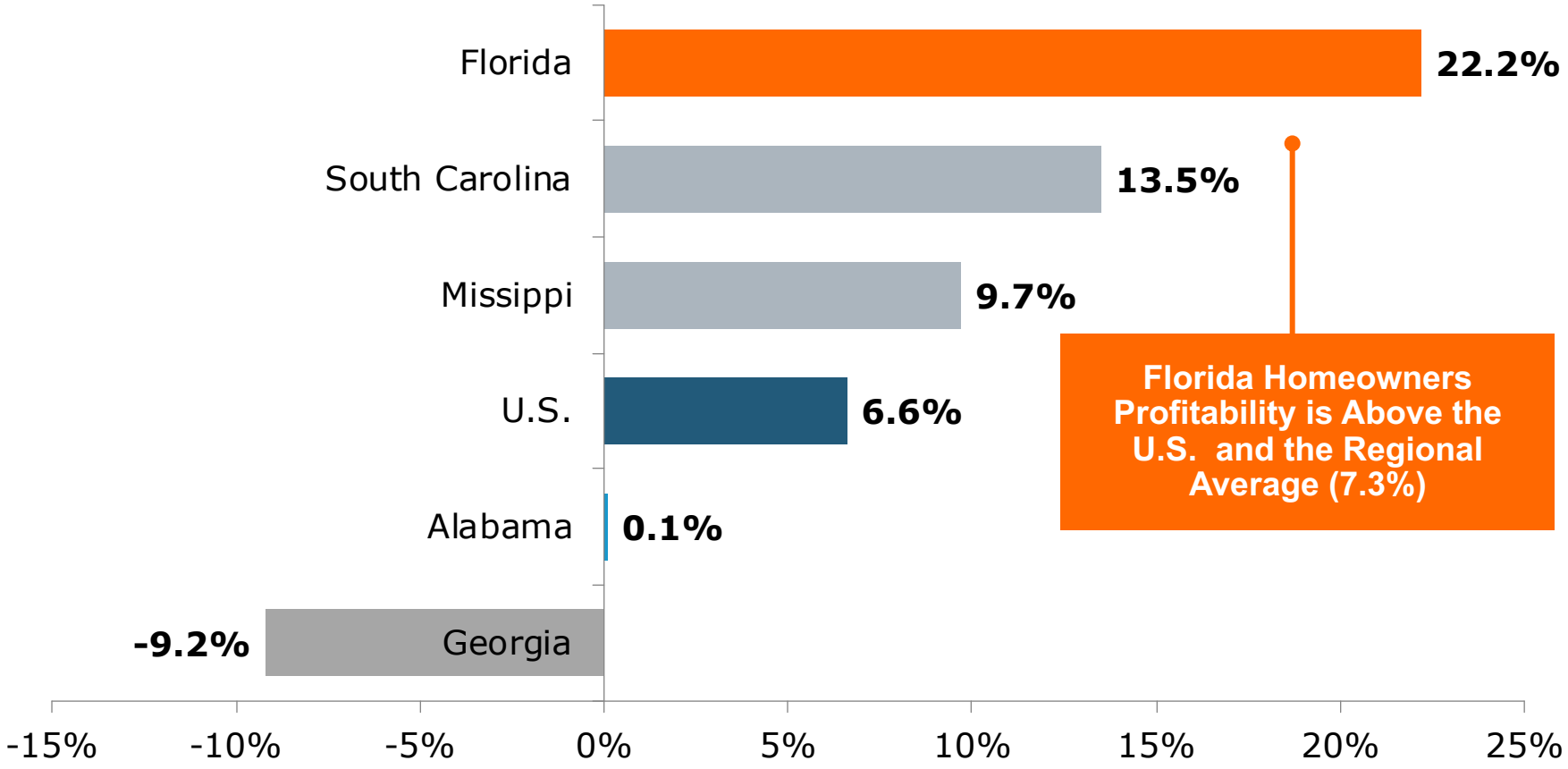
Source: NAIC.

All Lines: 10-Year Average RNW FL and Nearby States, 2008–2017



Sources: NAIC, Insurance Information Institute.

Homeowners: 10-Year Average RNW FL & Nearby States, 2008–2017



Sources: NAIC, Insurance Information Institute.

Top Ten Most Expensive and Least Expensive States for Homeowners Insurance, 2016[1]

Rank	Most Expensive States	HO Average Premium	Rank	Least Expensive States	HO Average Premium
1	Louisiana	$1,967	1	Oregon	$659
2	Texas	1,937	2	Utah	664
3	Florida	1,918	3	Idaho	703
4	Oklahoma	1,875	4	Nevada	742
5	Kansas	1,548	5	Wisconsin	762
6	Mississippi	1,525	6	Arizona	803
7	Rhode Island	1,496	7	Delaware	816
8	Connecticut	1,455	8	Washington	822
9	Massachusetts	1,451	9	Ohio	850
10	Colorado	1,446	10	Maine	866

Florida Ranked 3rd in Average Expenditure for Homeowners Insurance in 2016, with an Average Expenditure of $1,918.

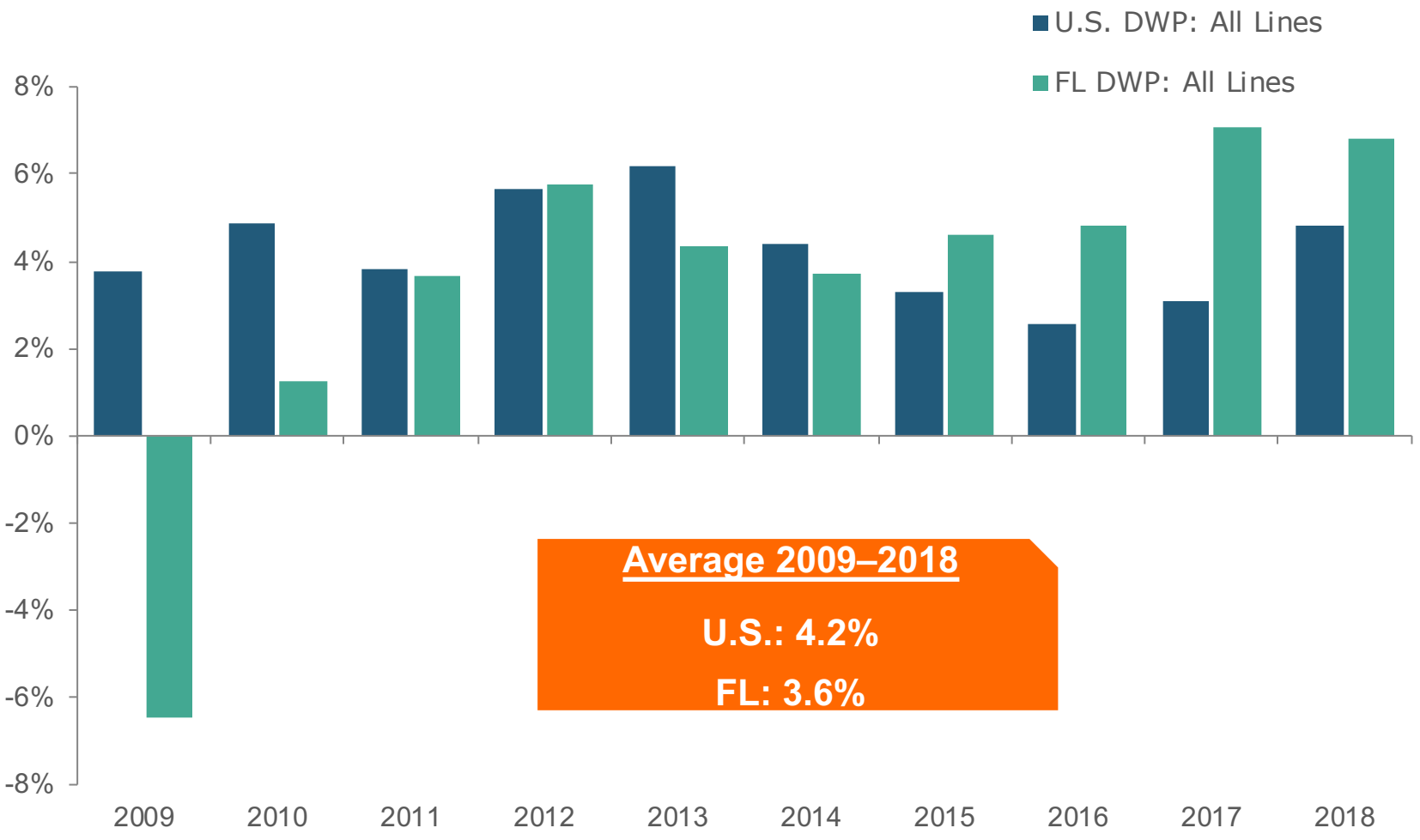
[1] Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides all risks coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property, and is the most common package written.

[2] The Texas Department of Insurance developed home insurance policy forms that are similar but not identical to the standard forms. In addition, due to the Texas Windstorm Association (which writes wind-only policies) classifying HO-1, 2 and 5 premiums as HO-3, the average premium for homeowners insurance is artificially high.

Note: Average premium=Premiums/exposure per house years. A house year is equal to 365 days of insured coverage for a single dwelling. The NAIC does not rank state average expenditures and does not endorse any conclusions drawn from this data.

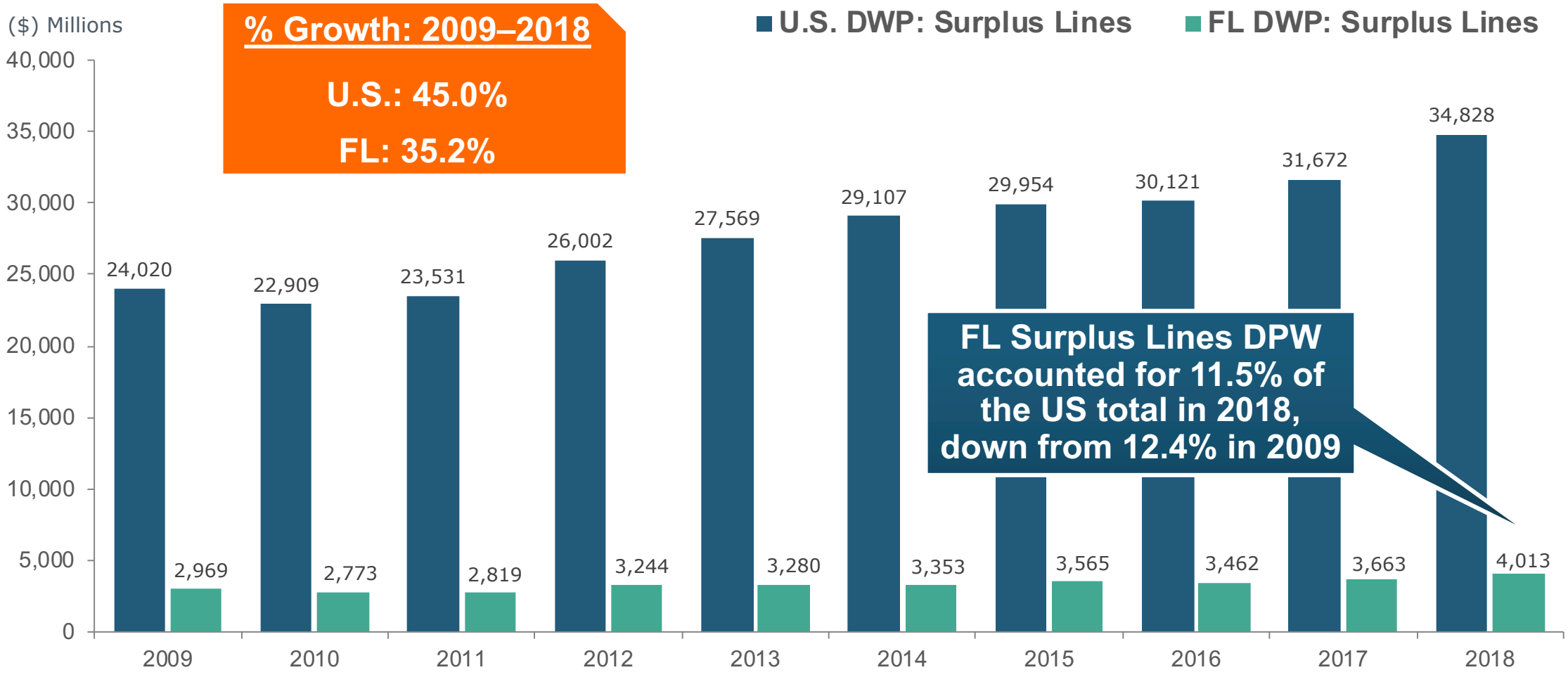
Source: ©2018 National Association of Insurance Commissioners (NAIC). Reprinted with permission. Further reprint or distribution strictly prohibited without written permission of NAIC.

All Lines DWP Growth: FL vs. U.S., 2009–2018



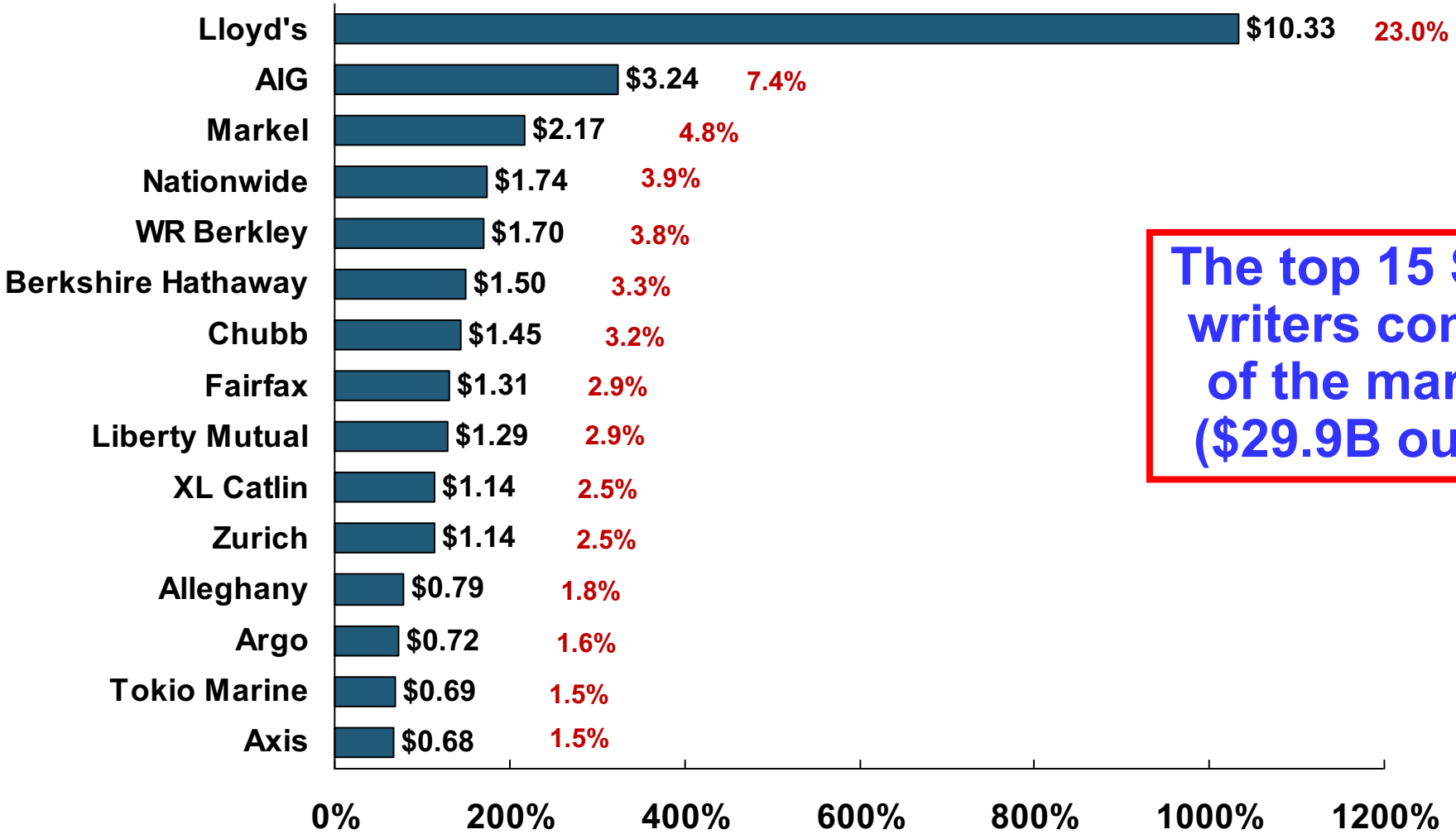
Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute.

Surplus Lines DPWs: FL vs. U.S., 2009–2018



Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute.

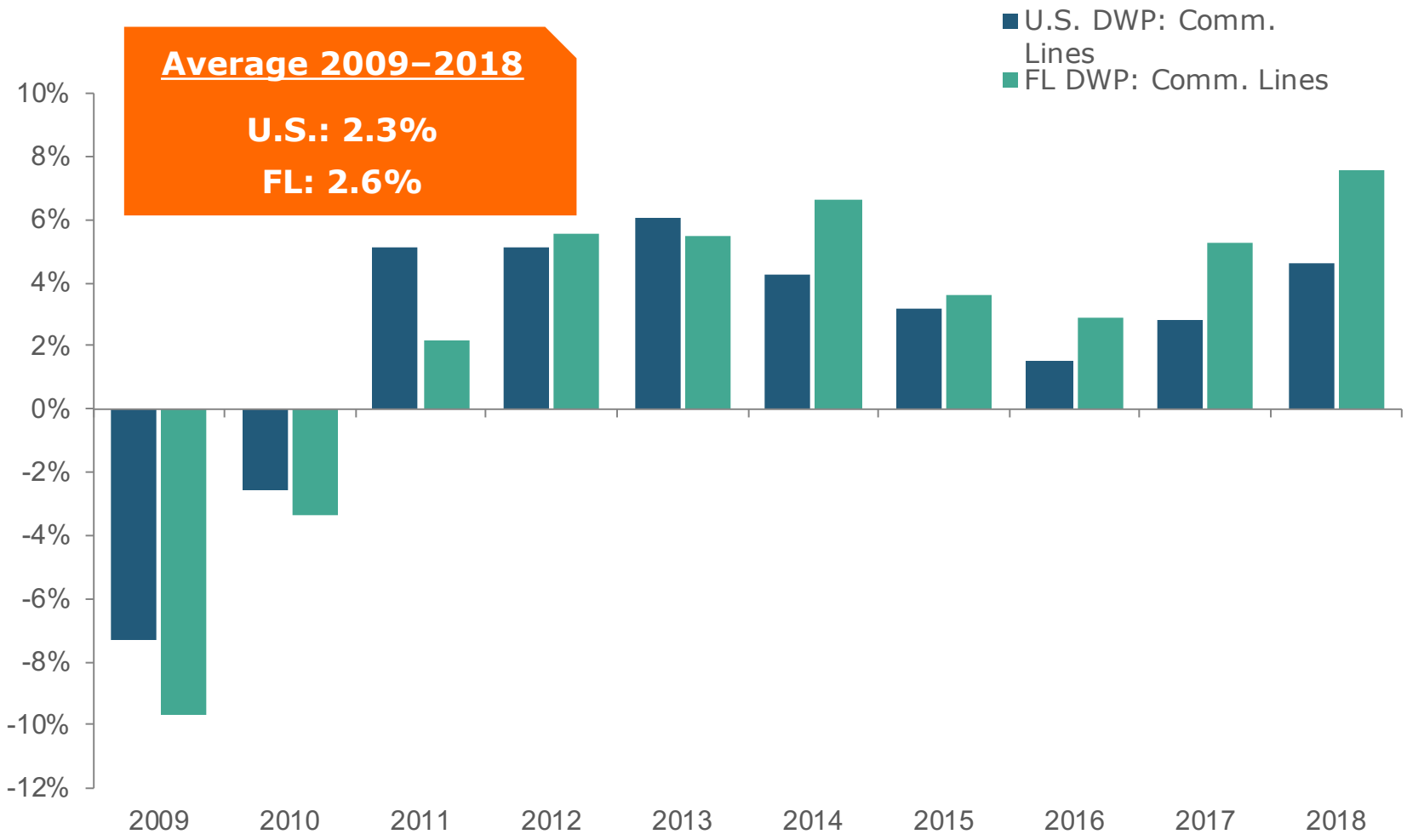
Top 15 US Surplus Lines Groups by DPW, 2017
($ Billions)



The top 15 Surplus Line writers controlled 67% of the market in 2017 ($29.9B out of $44.9B)

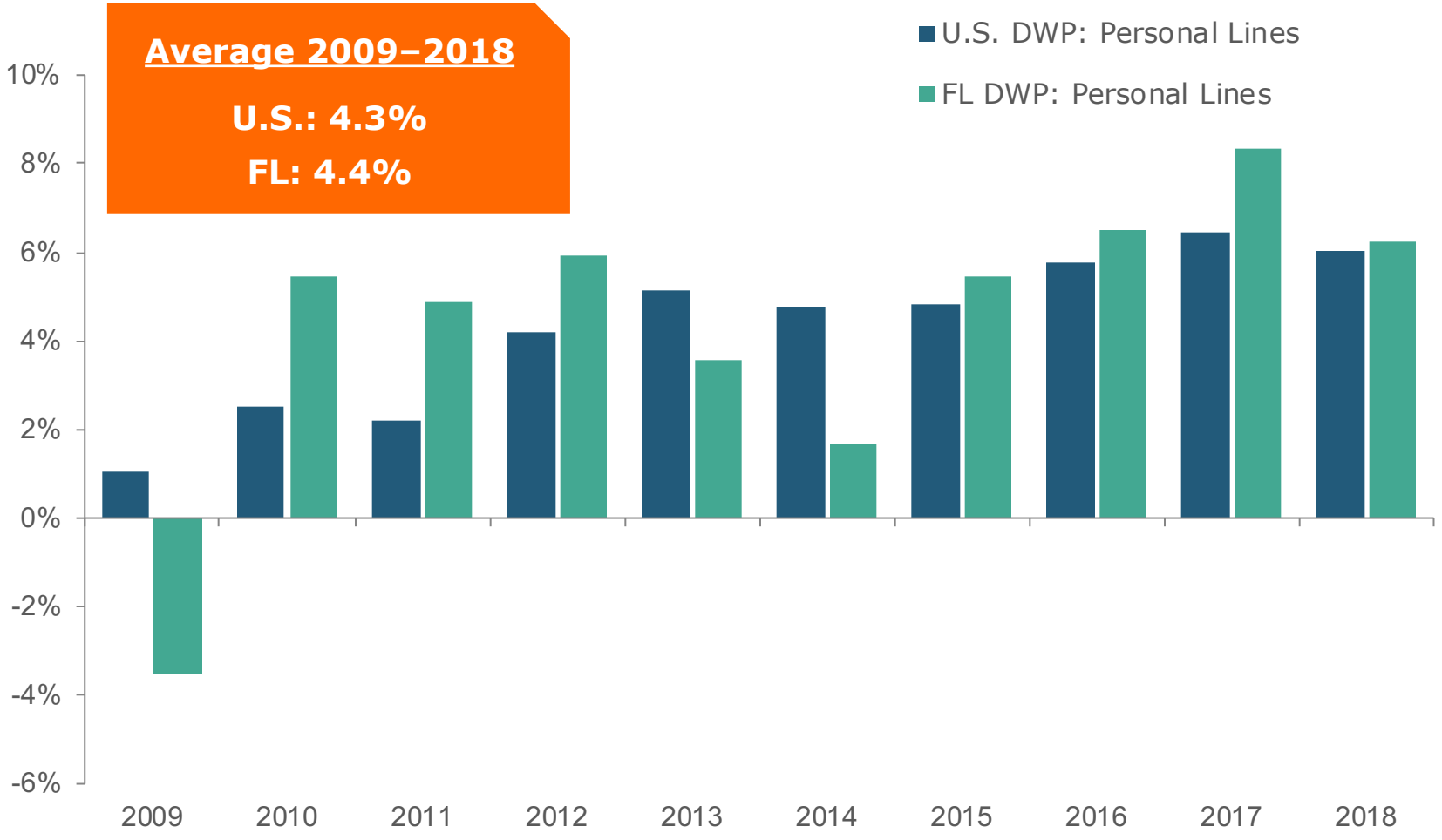
Source: A.M. Best; University of South Carolina, Risk and Uncertainty Management Center.

Commercial Lines DWP Growth: FL vs. U.S., 2009–2018



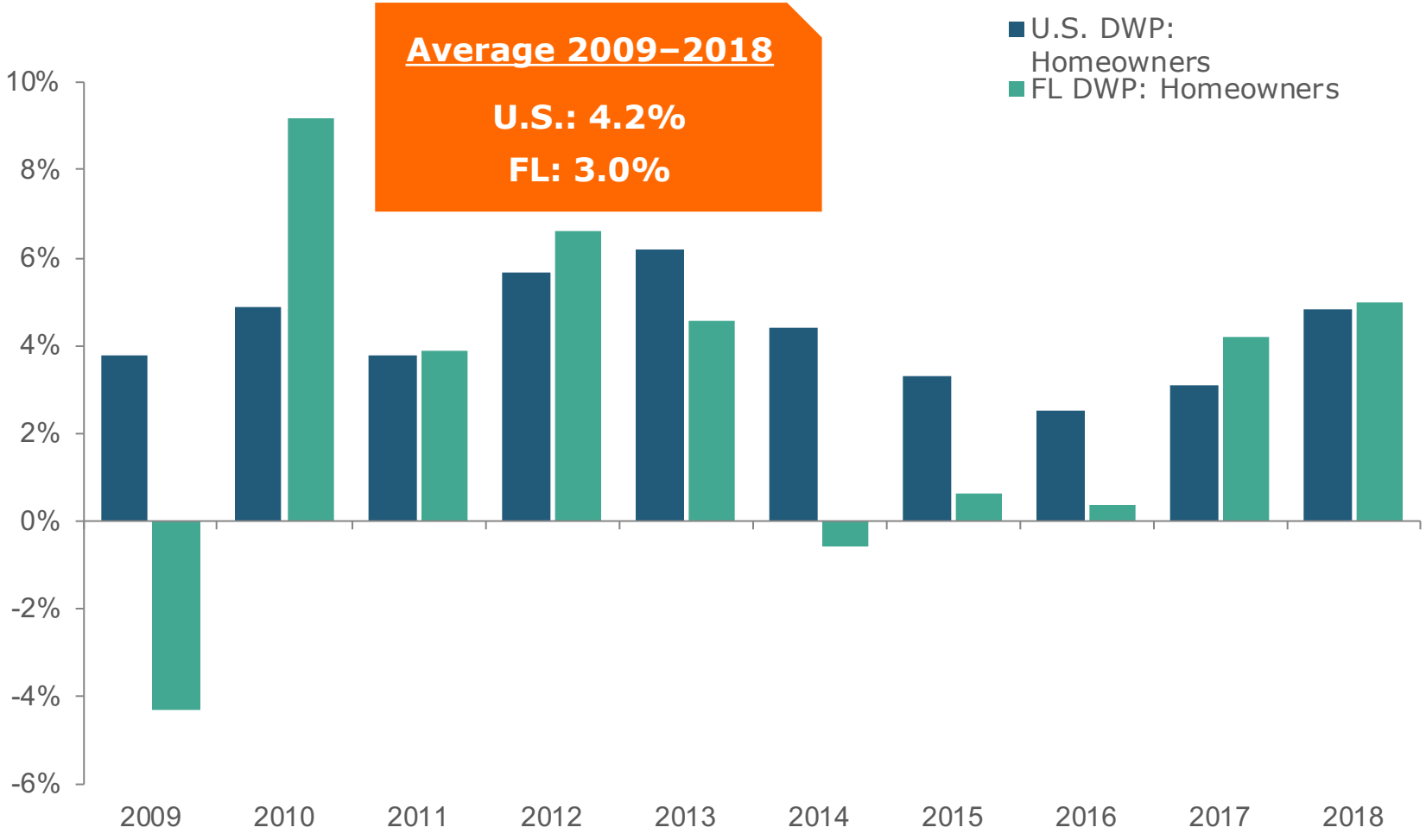
Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute.

Personal Lines DWP Growth: FL vs. U.S., 2009–2018



Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute.

Homeowner's MP DWP Growth: FL vs. U.S., 2009–2018



Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute.

Merger & Acquisition Activity

M&A Activity Picked Accelerated in 2018

Many Carriers Remain Unsatisfied with Organic Growth Opportunities

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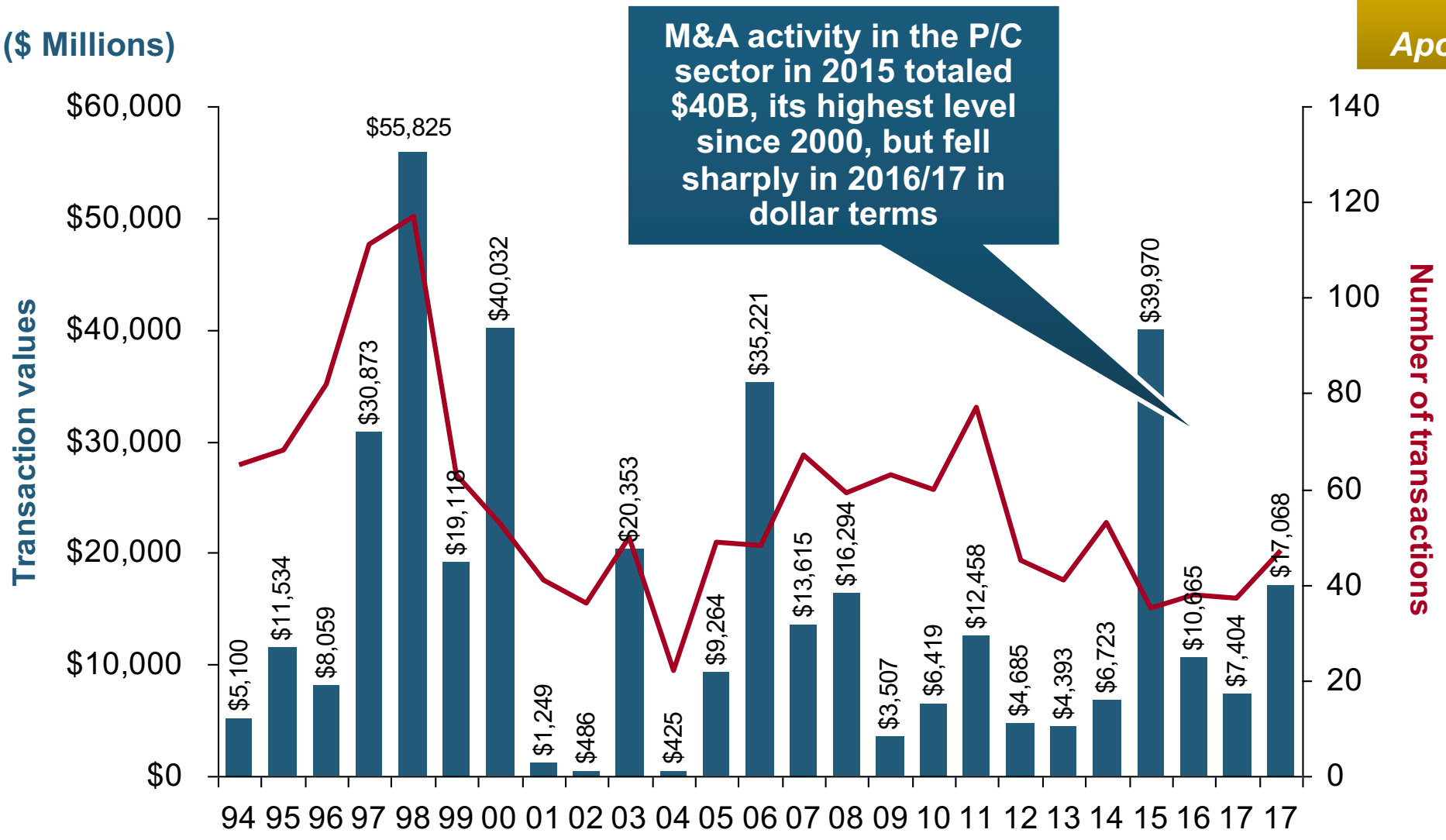
U.S. INSURANCE MERGERS AND ACQUISITIONS, P/C SECTOR, 1994-2018 (1)

Major 2018 Deals:
AIG/Validus: $5.56B
Axa/XL: $15.3B
Apollo/Aspen: $2.6B



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

Source: Conning proprietary database.

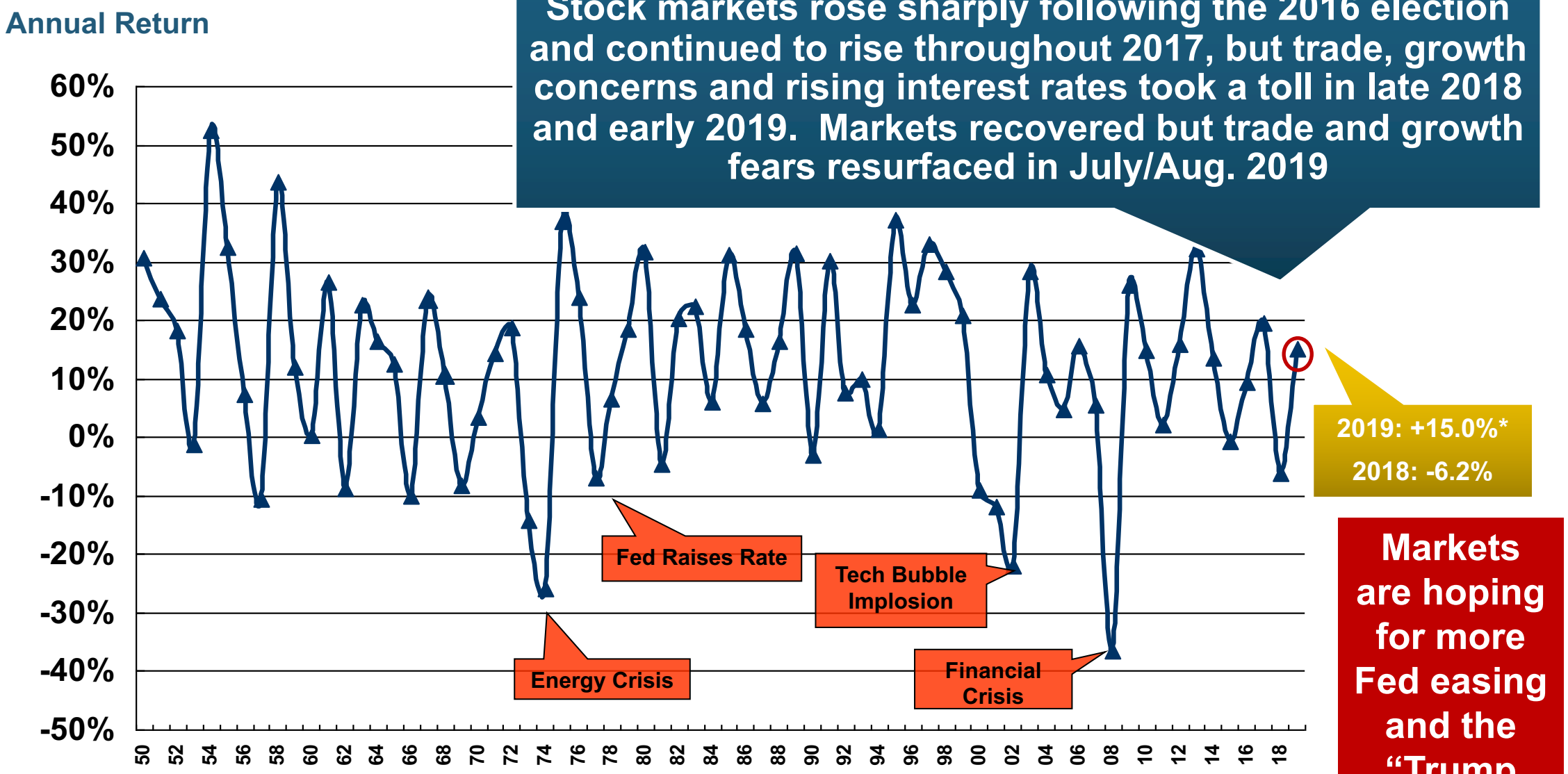
INVESTMENTS: THE NEW REALITY

Investment Performance Is a Key Driver of Insurer Profitability

The Fed's New Dovish Turn, Oval Office Pressure Don't Bode Well for Insurers

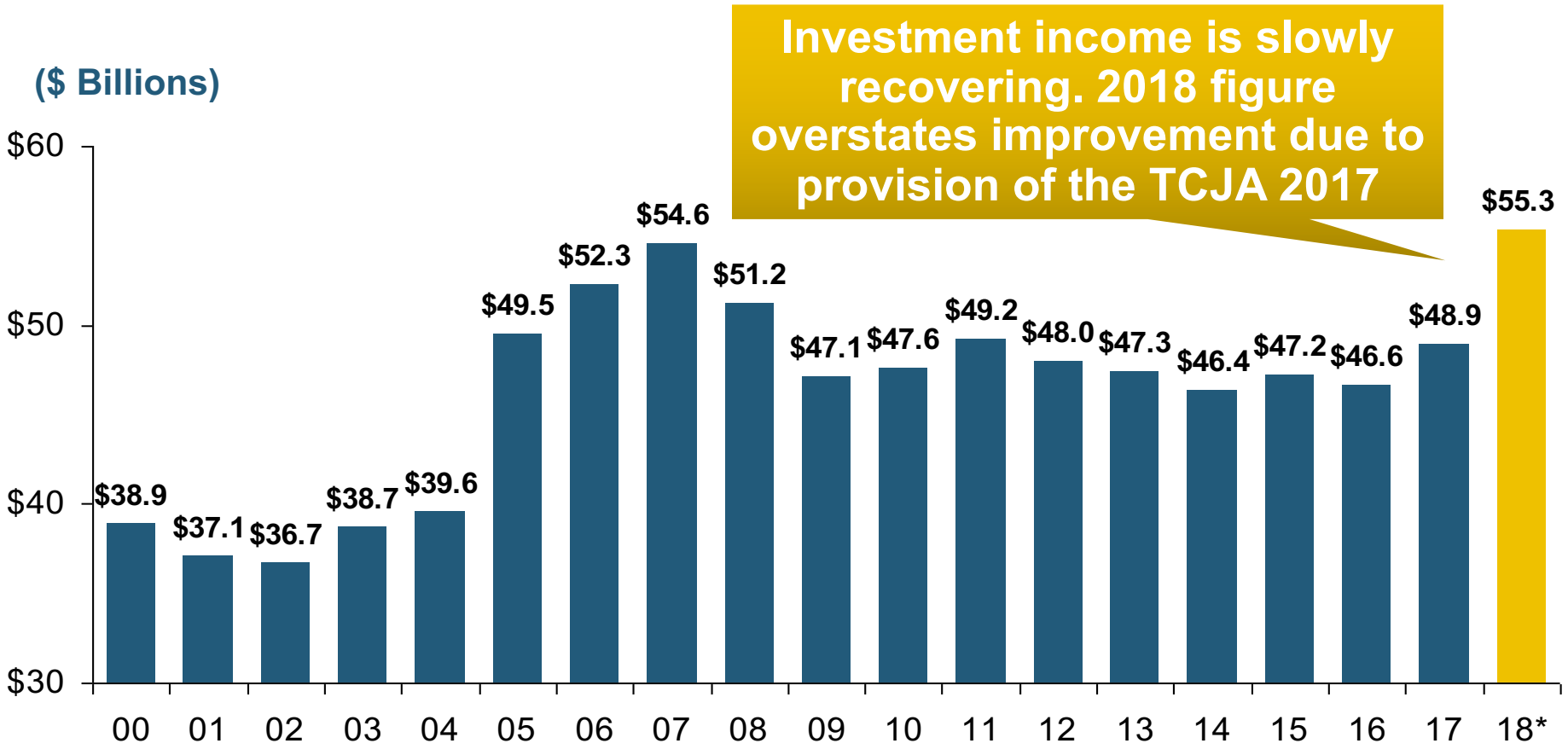
Obstacles to Growing Investment Earnings Are Mounting

S&P 500 Index Returns, 1950–2019*



,
*Through Aug. 6, 2019.
Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html; Center for Risk and Uncertainty Management, University of South Carolina

Property/Casualty Insurance Industry Investment Income: 2000–2018

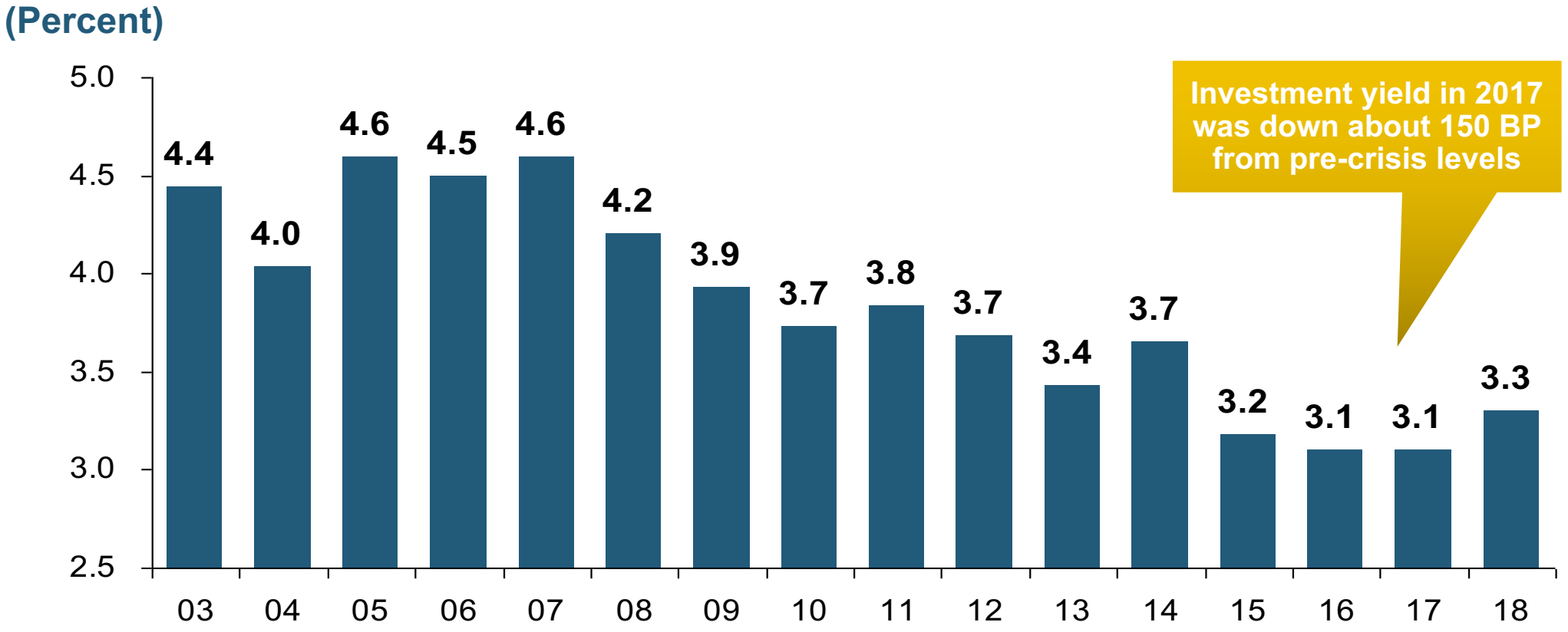


Due to persistently low interest rates, investment income fell in 2012, 2013 and 2014 but showed a small (1.7%) increase in 2015—though 2016 experienced another decline. Up 5.1% in 2017 and 13.1% in 2018

*2018 figure is distorted by provisions of the TCJA of 2017.

[1] Investment gains consist primarily of interest and stock dividends. Sources: ISO; University of South Carolina, Center for Risk and Uncertainty Management.

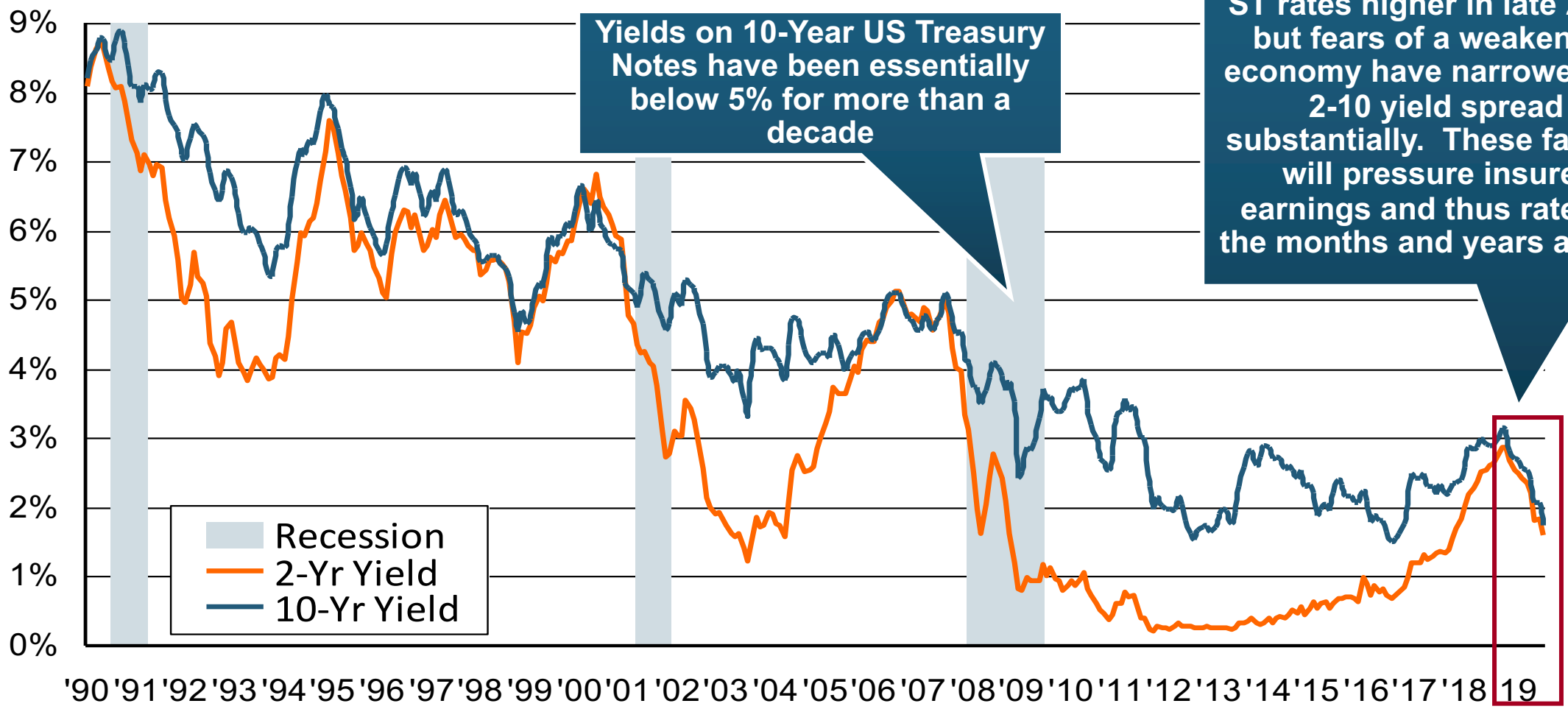
Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2018*



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.

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

US Treasury Security Yields: A Long Downward Trend, 1990–2019*



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 Aug. 2019. (Aug. data as of Aug. 5).

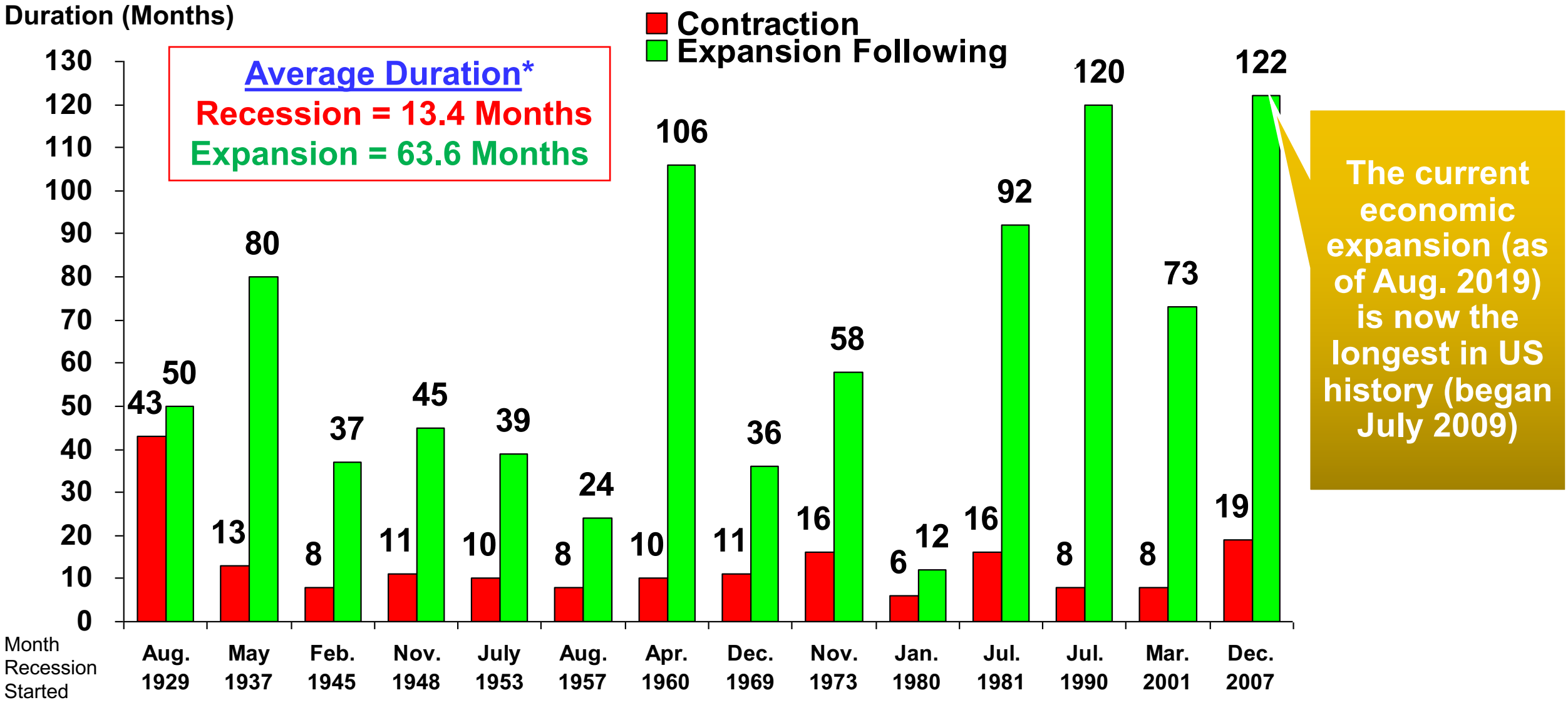
Sources: Federal Reserve Bank at http://www.federalreserve.gov/releases/h15/data.htm. National Bureau of Economic Research (recession dates); Insurance Information Institute.

THE ECONOMY

The Strength of the Economy Has Always Influenced Growth in Insurers' Exposure Base Across Most Lines

The Links Between the Economy and the P/C Insurance Industry Are Strengthening

Length of US Business Cycles, 1929-Present*

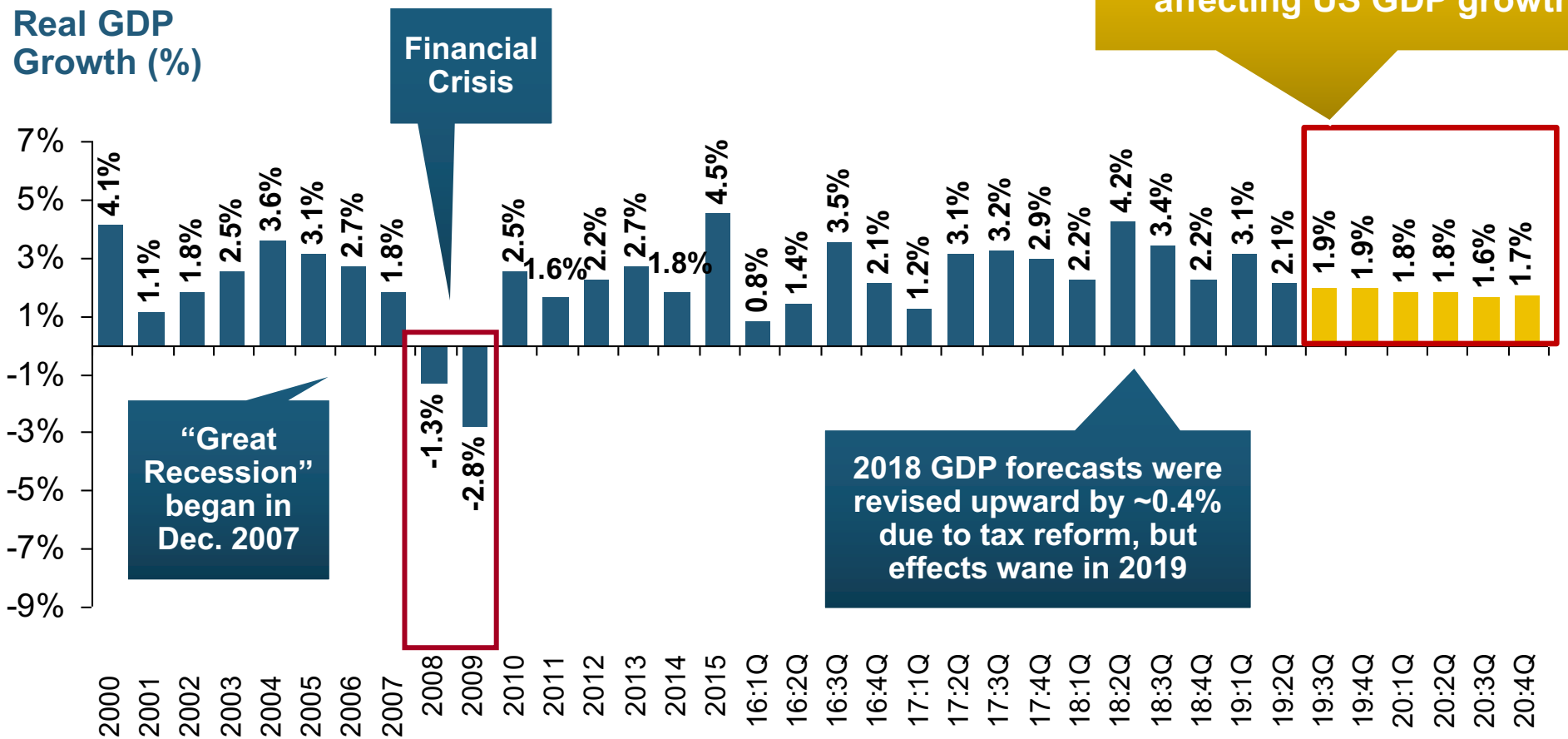


* As of Aug. 2019, inclusive

Sources: National Bureau of Economic Research; Risk and Uncertainty Management Center, University of South Carolina.

US Real GDP Growth*

Tax cuts help jolt growth from early 2018 to Q1 2019, but effects are waning. Trade war, weaker global growth are adversely affecting US GDP growth in 2019/20.



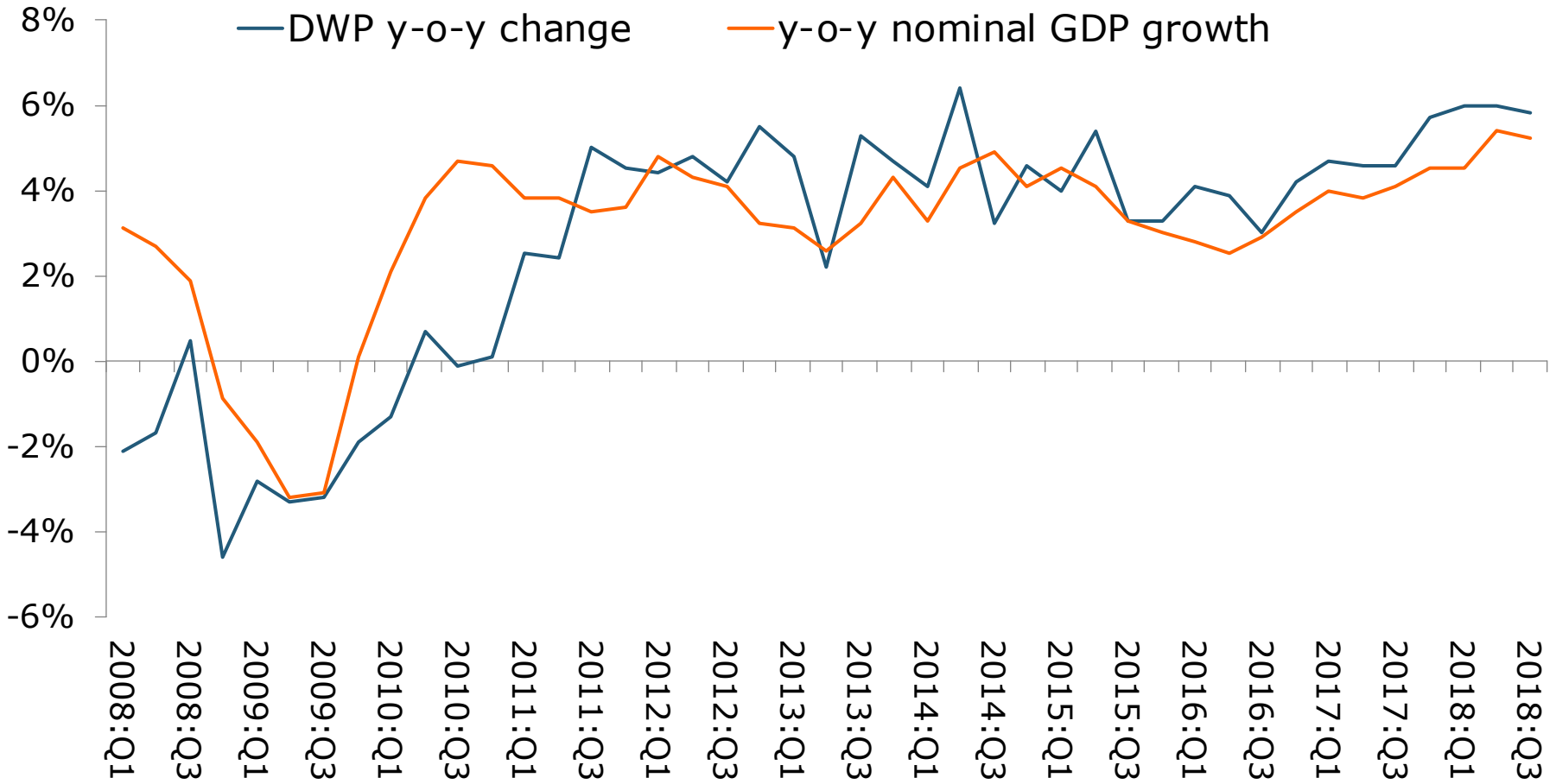
Demand for Insurance Should Increase in 2019 as GDP Growth Continues at a Steady Pace and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 7/19; Center for Risk and Uncertainty Management, University of South Carolina.

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2018:Q4

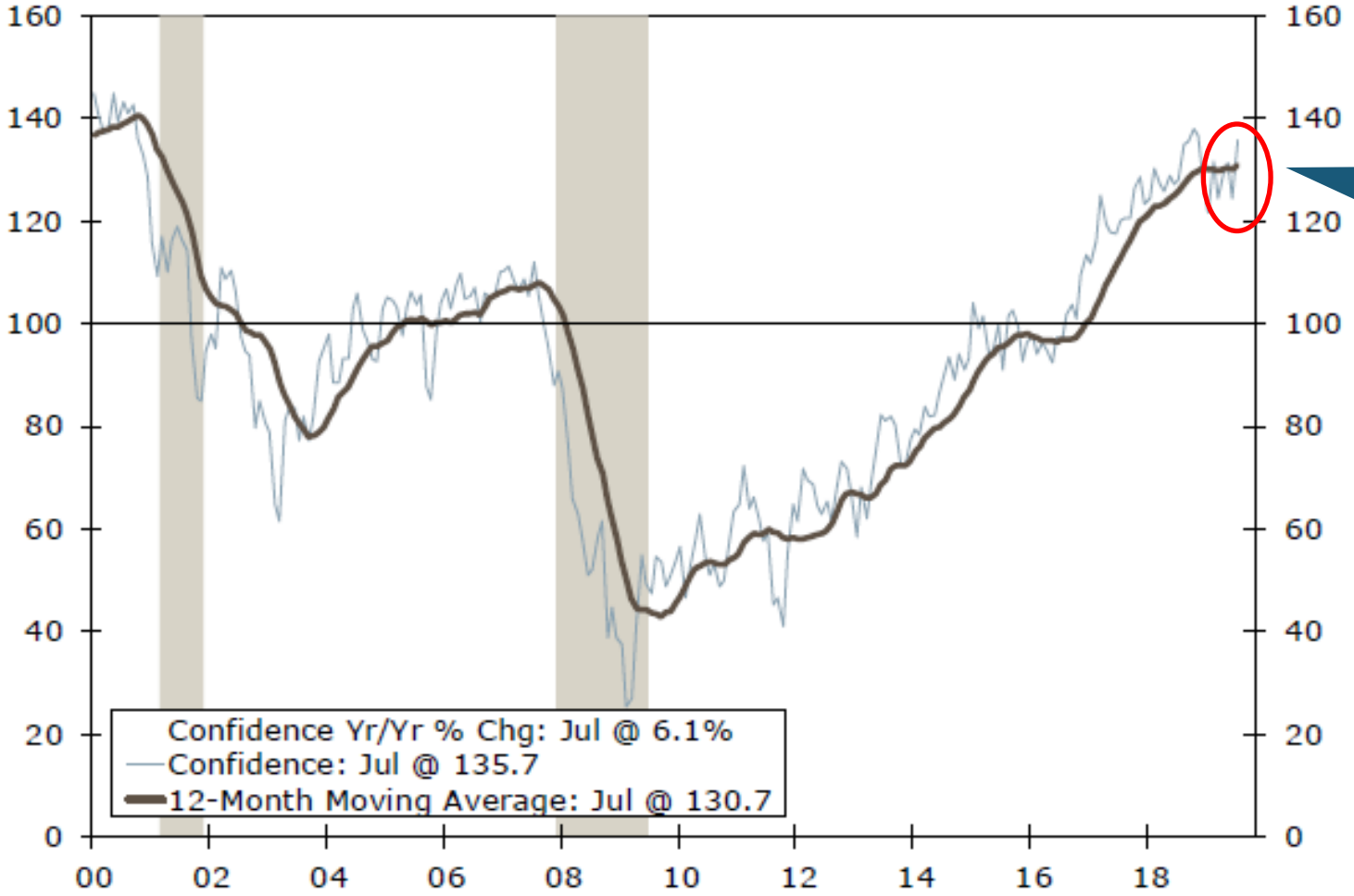
Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change



Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry's growth prospects inextricably linked to economic performance.

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

Consumer Confidence Index: Jan. 1987– July 2019

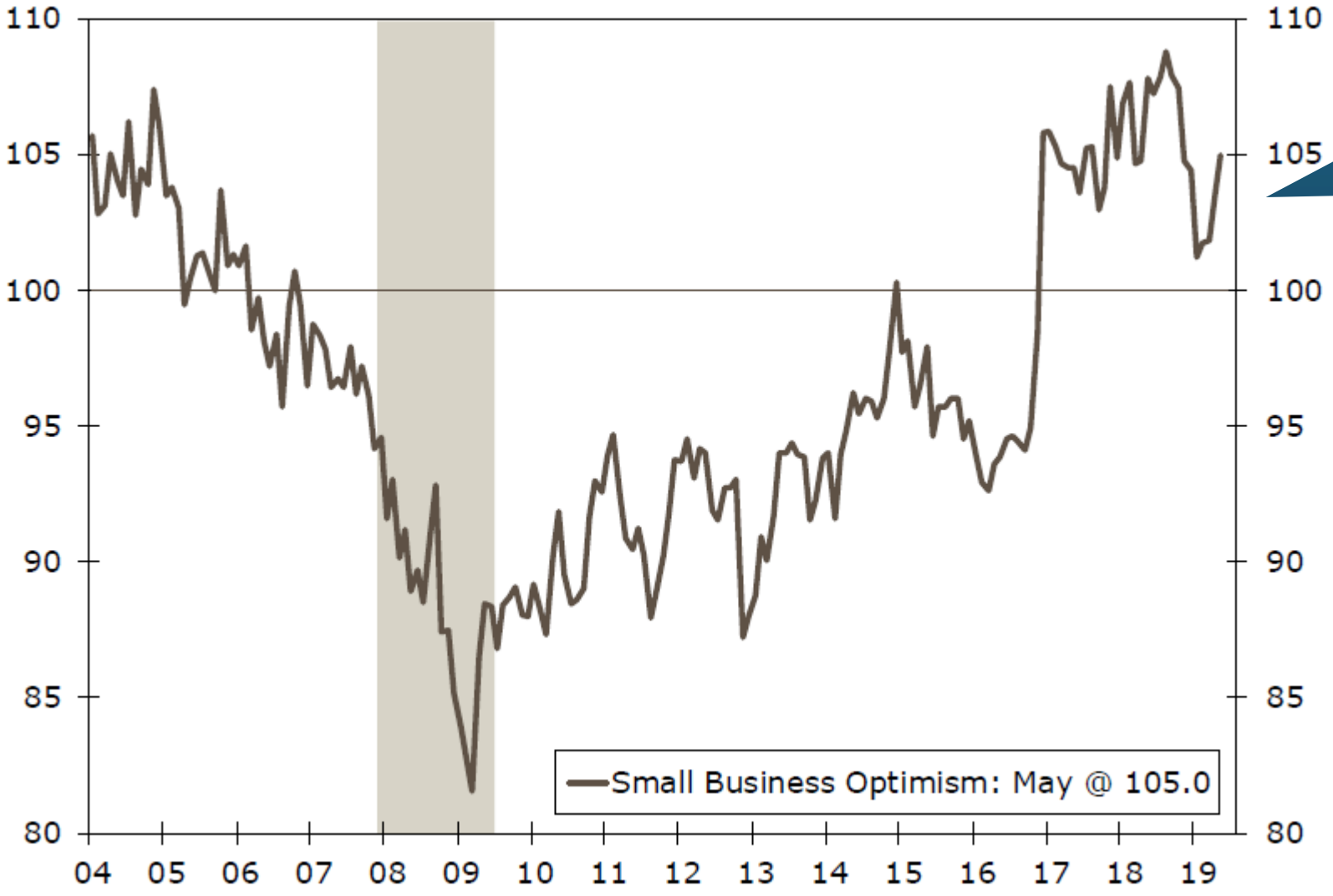


The Conference Board's Consumer Confidence Index stood at a strong 135.7 in July, though down from its post-recession high in Q3 2018. Mounting trade tensions will likely take a toll in the months ahead

Outlook: Consumer confidence was shaken by financial volatility in late 2018/early 2019—but rebounded quickly. Consumers remain 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. Mounting trade tensions are a major threat to consumer confidence.

Source: The Conference Board; Wells Fargo Research.

NFIB Small Business Optimism Index: Jan. 1988–May 2019



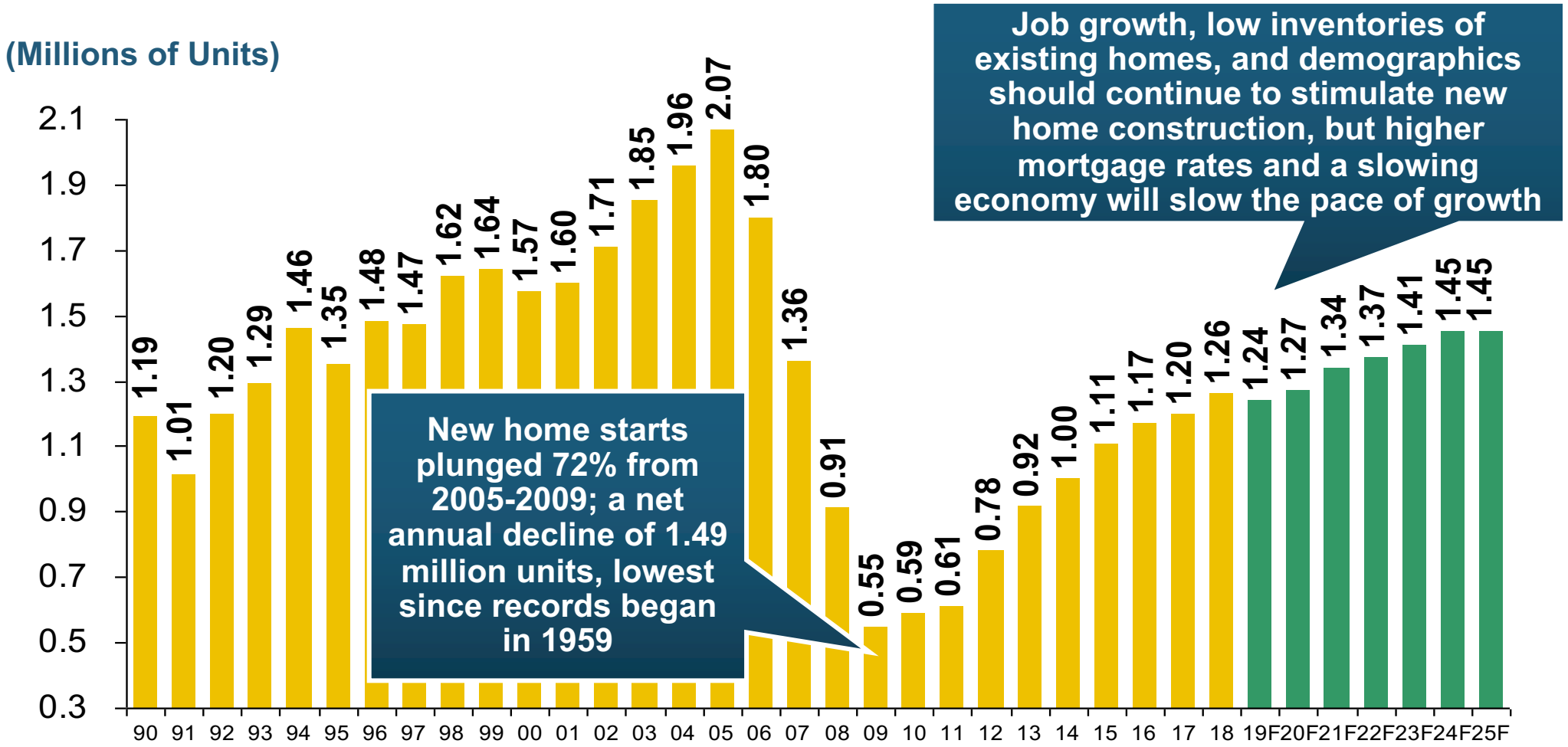
Small Business Optimism took a big hit in late 2018/early 2019 on fears of a greater economic uncertainty (esp. trade war fears and concerns over rising interest rates). Tax reform, reduced regulations and strong sales have driven investment, hiring and exposures.

Outlook: Small businesses increasingly concerned about the future

Trade wars (actual and threatened actions) are introducing massive uncertainty in to the markets

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

New Private Housing Starts, 1990-2025F

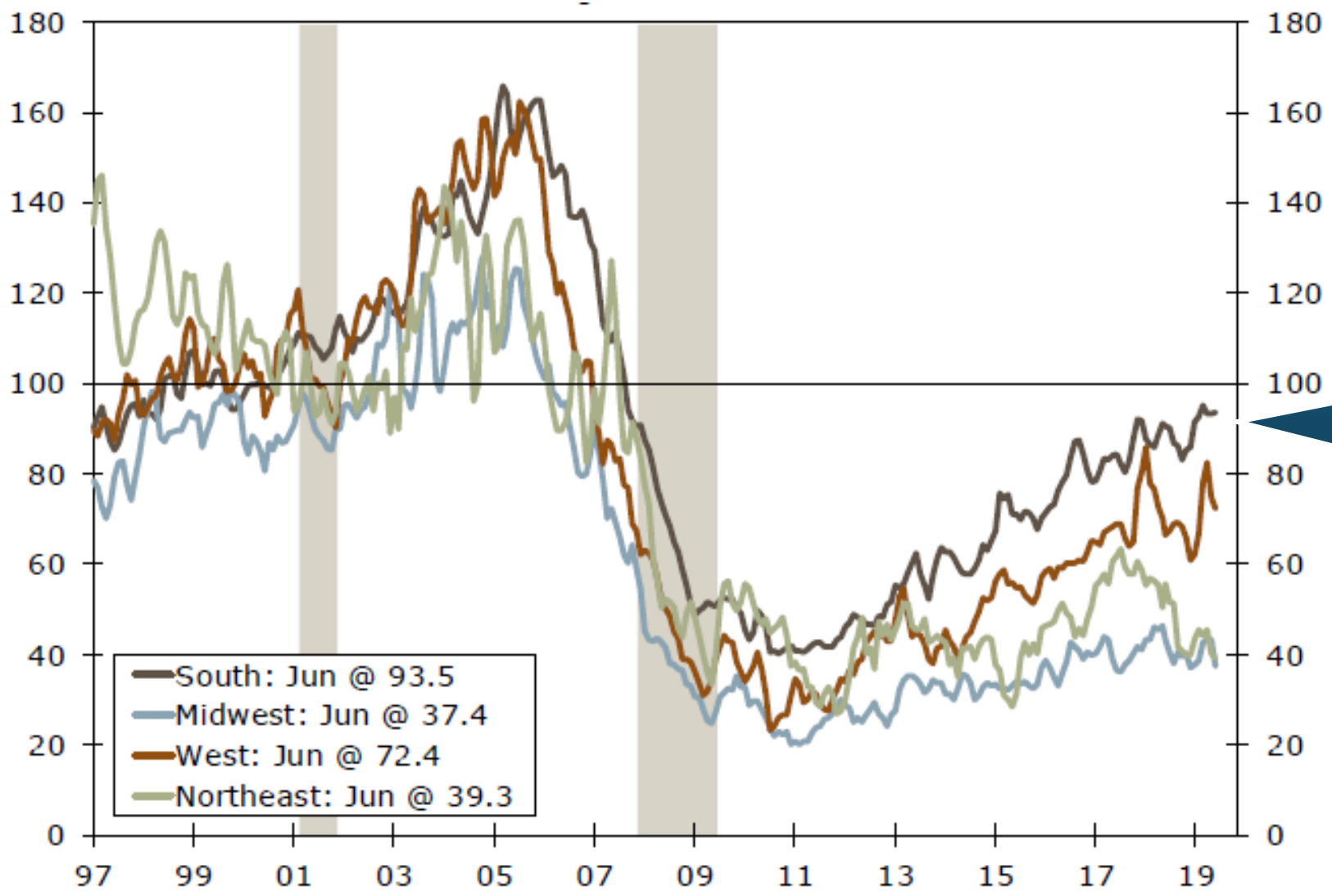


Insurers Continue to See Meaningful Exposure Growth in the Wake of the "Great Recession" Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Blue Chip Economic Indicators (7/19 for 2019-20; 3/19 for 2021-25F); University. of South Carolina, Center for Risk and Uncertainty Management..

New Home Sales Index, by Region: Jan. 1997 – June 2019

(2002 = 100)



The South has seen the strongest home sales of any region in the US

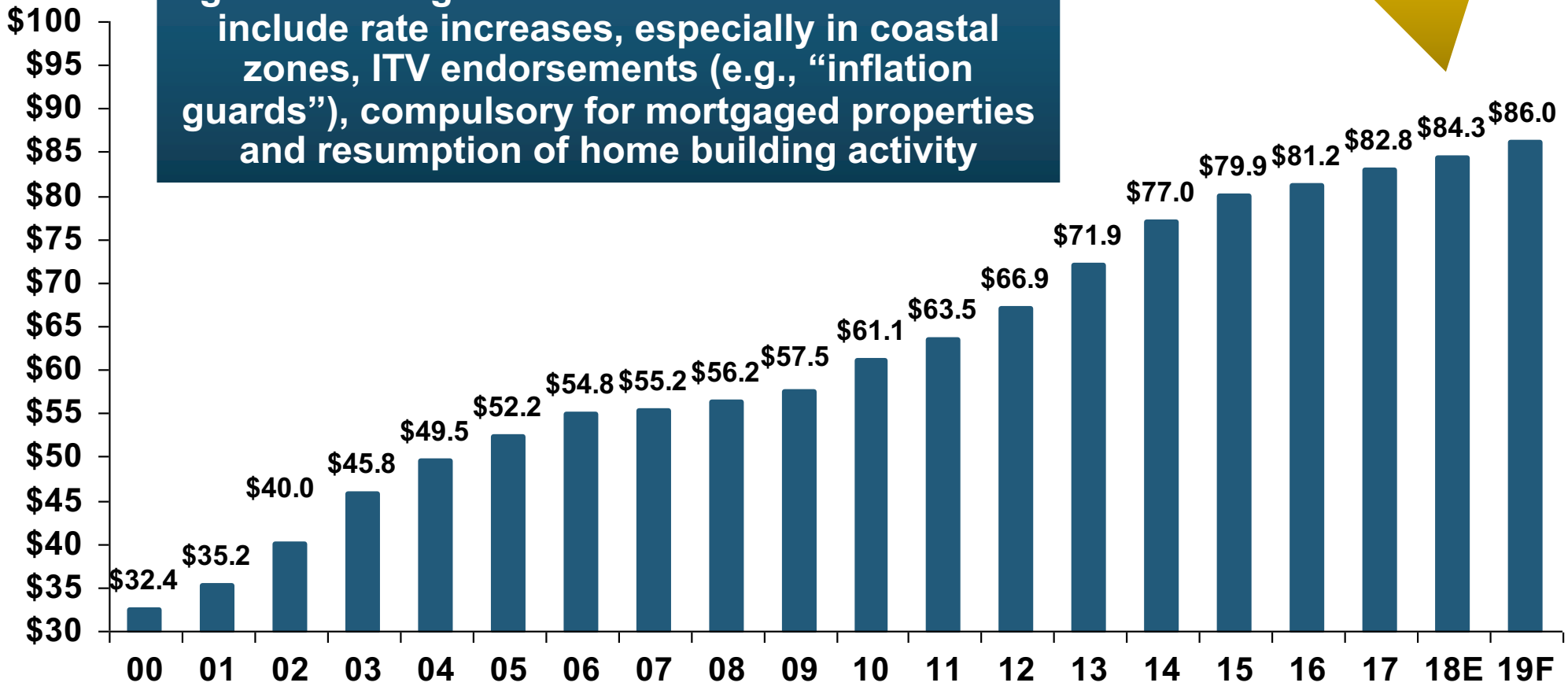
Source: US Dept. of Commerce; Freddie Mac; Wells Fargo Research.

Homeowners Insurance
Net Written Premium, 2000–2019F

$ Billions

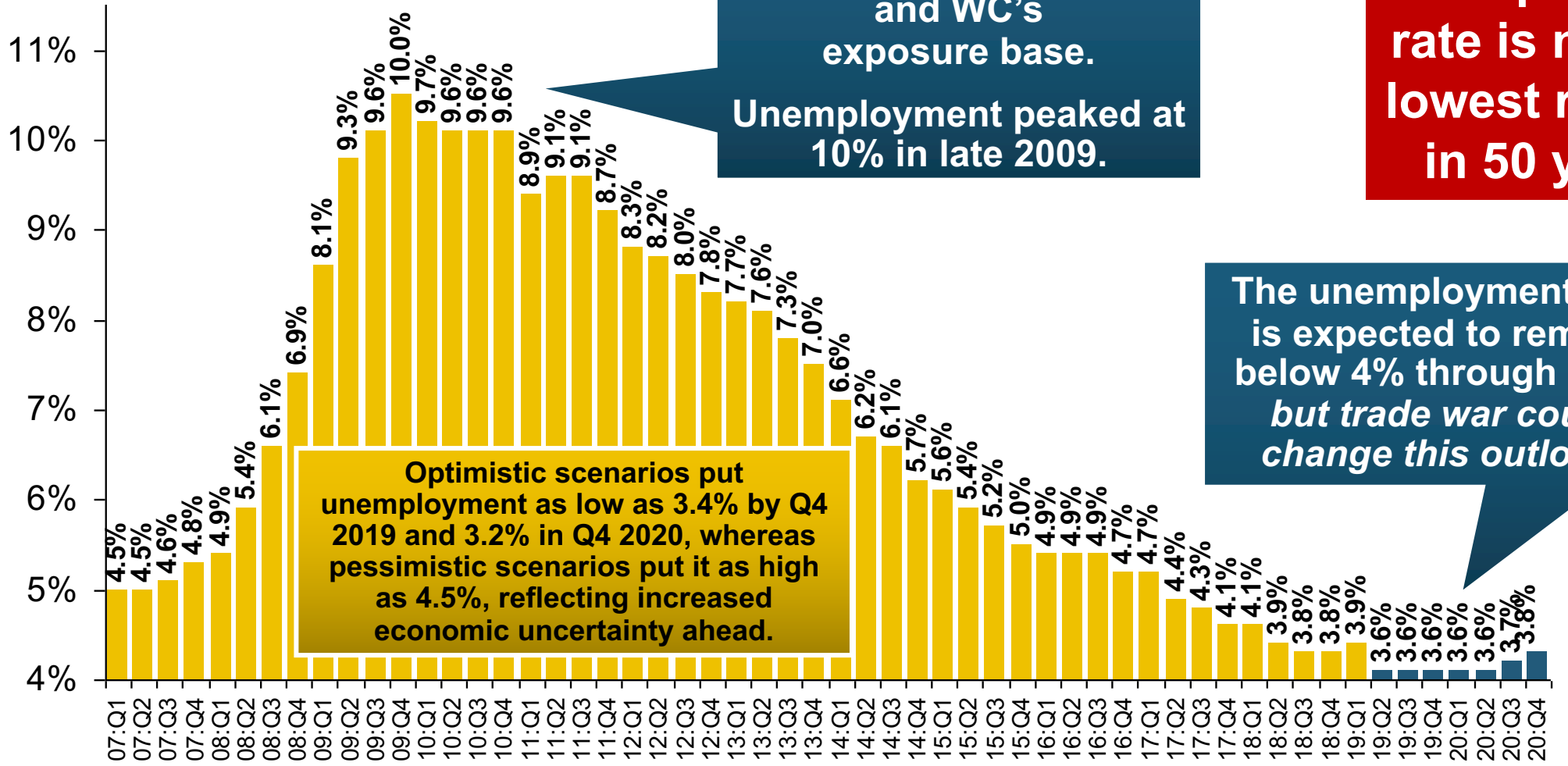
Homeowners insurance NWP continues to rise (up 165% 2000-2018E) despite very little unit growth during the real estate crash. Reasons include rate increases, especially in coastal zones, ITV endorsements (e.g., "inflation guards"), compulsory for mortgaged properties and resumption of home building activity

The Homeowners line will generate about $1.5B in new premiums annually through 2019



Sources: A.M. Best; USC RUM Center.

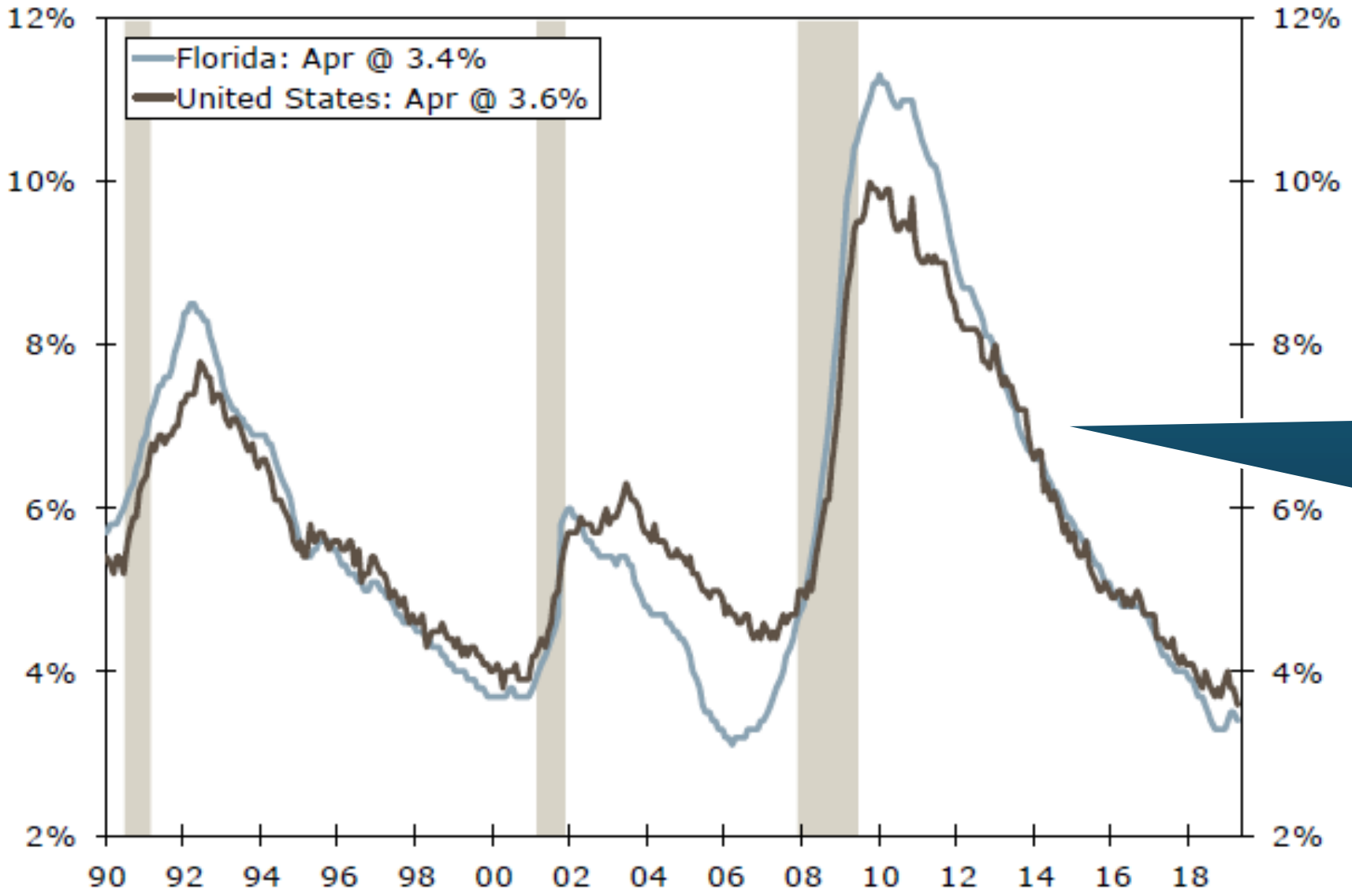
US Unemployment Rate Forecast: 2007:Q1–2020:Q4



* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (7/19 edition); Risk and Uncertainty Management Center, University of South Carolina.

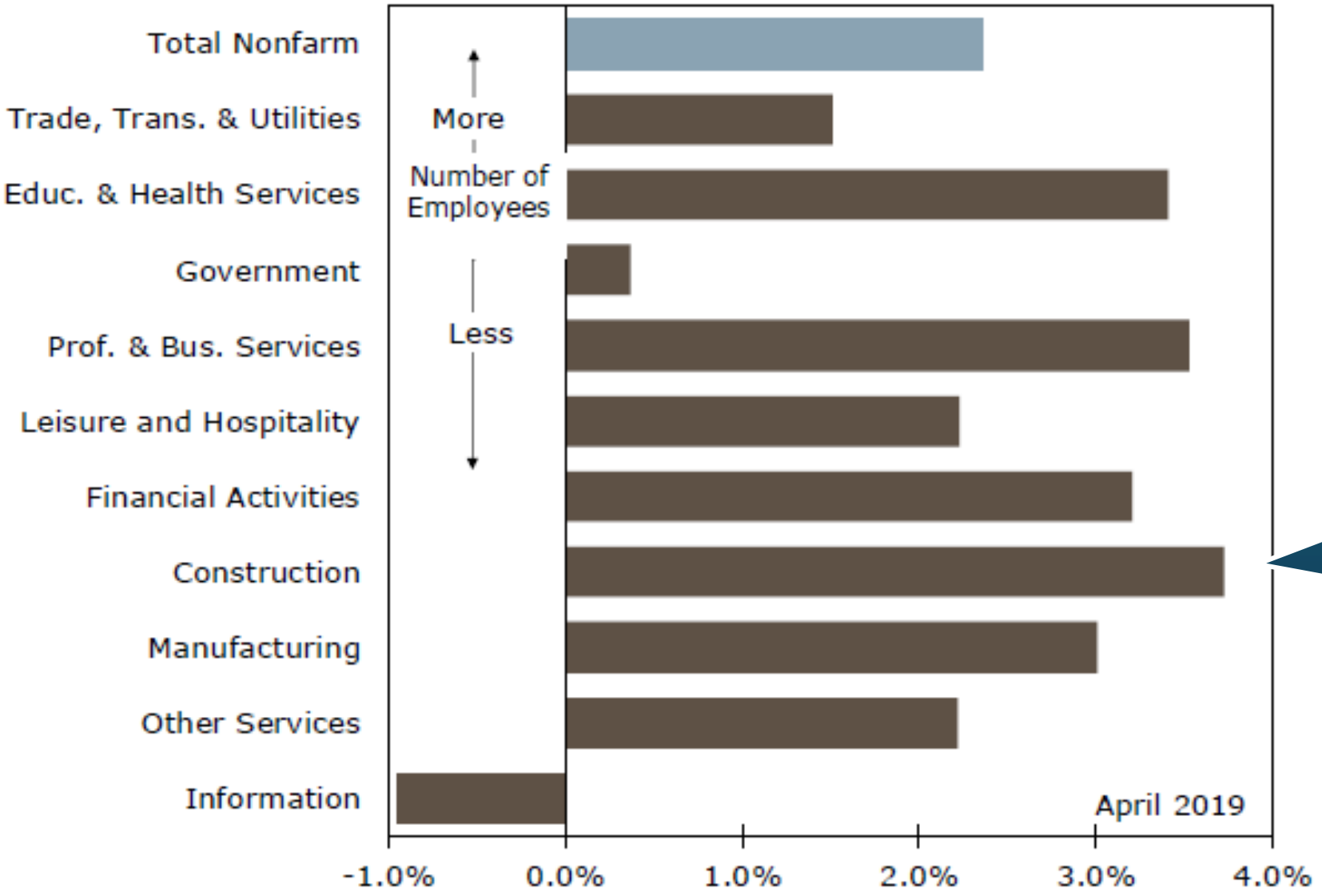
Unemployment Rate: Florida vs. US



Unemployment in Florida has been consistently at or below the US overall since recovering from the housing bubble collapse and Great Recession

Source: US Bureau of Labor Statistics; Wells Fargo Research.

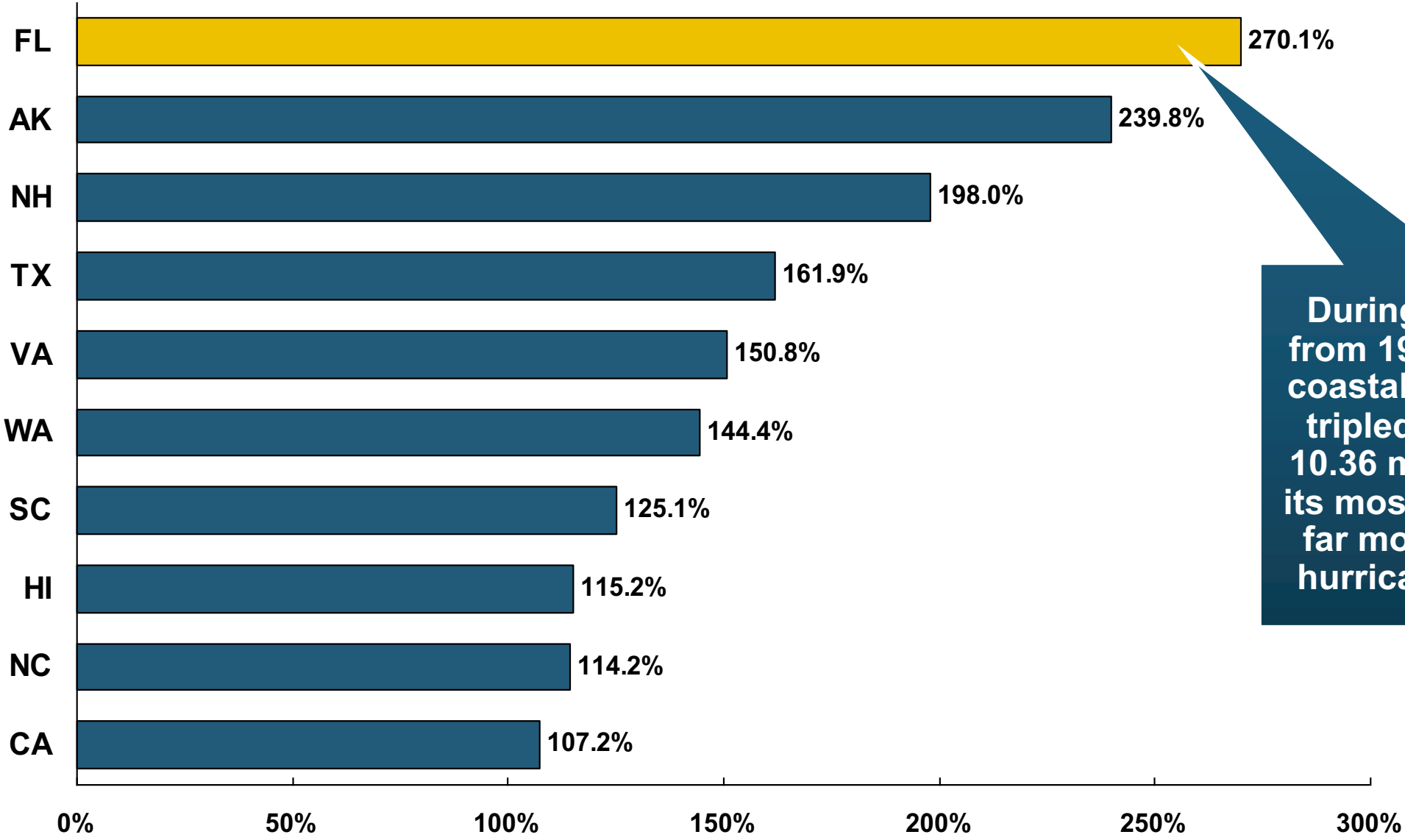
Florida Employment Growth by Industry



Florida has experienced strong employment growth across many industries, most notably Construction, Professional & Business Services and Education/Health

*3-month moving average, April 2019 vs. April 2018.
Source: US Bureau of Labor Statistics; Wells Fargo Research.

Top 10 States by Coastal County *Percent* Population Change, 1960 – 2010



During the half century from 1960-2010, Florida's coastal population nearly tripled (+270%), adding 10.36 million residents to its most vulnerable areas, far more than any other hurricane exposed state

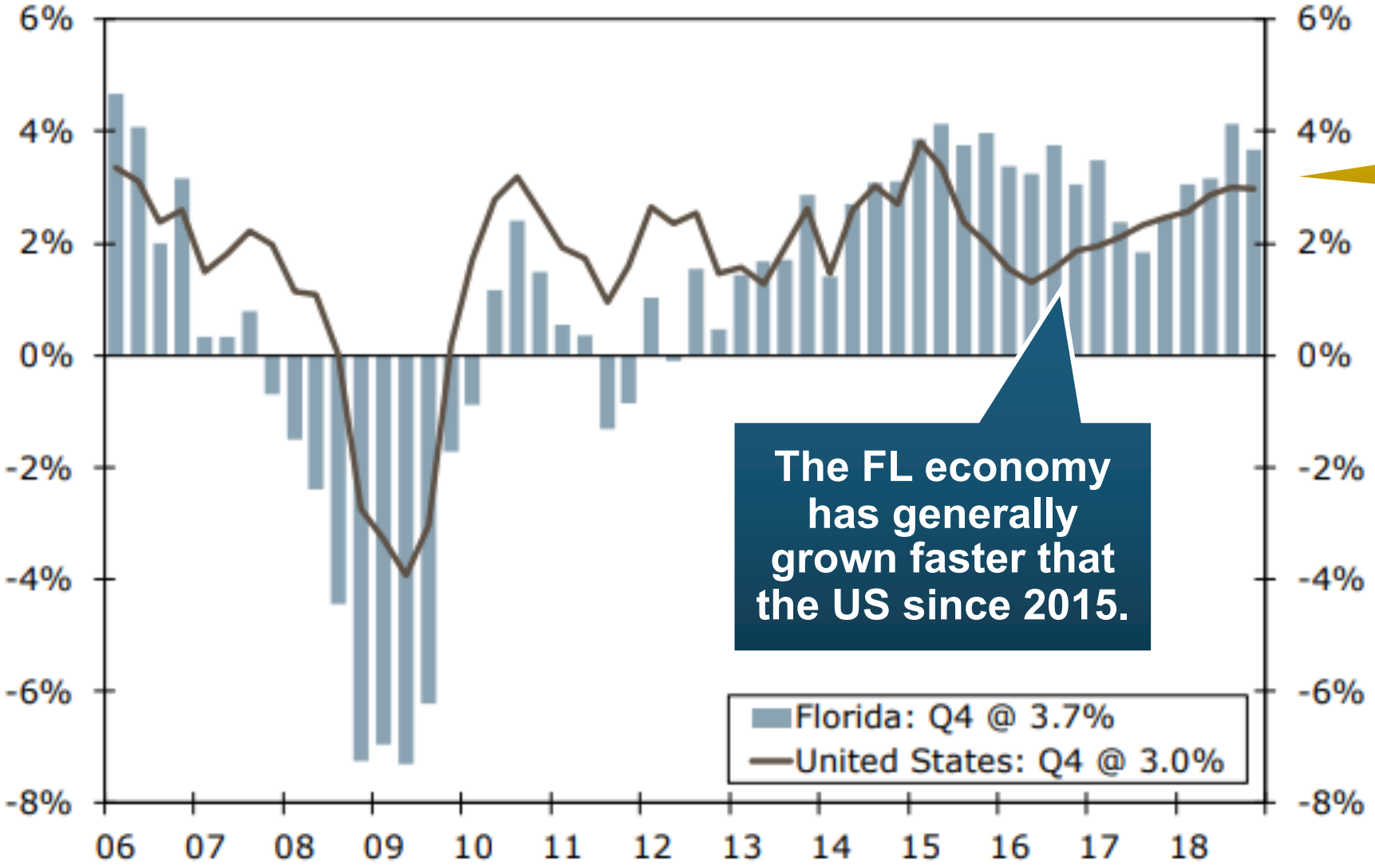
Source: US Census Bureau; Insurance Information Institute, *2019 insurance Fact Book*; University of South Carolina, Risk and Uncertainty Management Center.

THE FLORIDA ECONOMY

Florida is an Economic Growth Leader

Florida's Economic Strength Will Continue to Produce Strong Growth in Insurance Exposures

Florida vs. US Real GDP Growth: 2006:Q1 – 2018:Q4

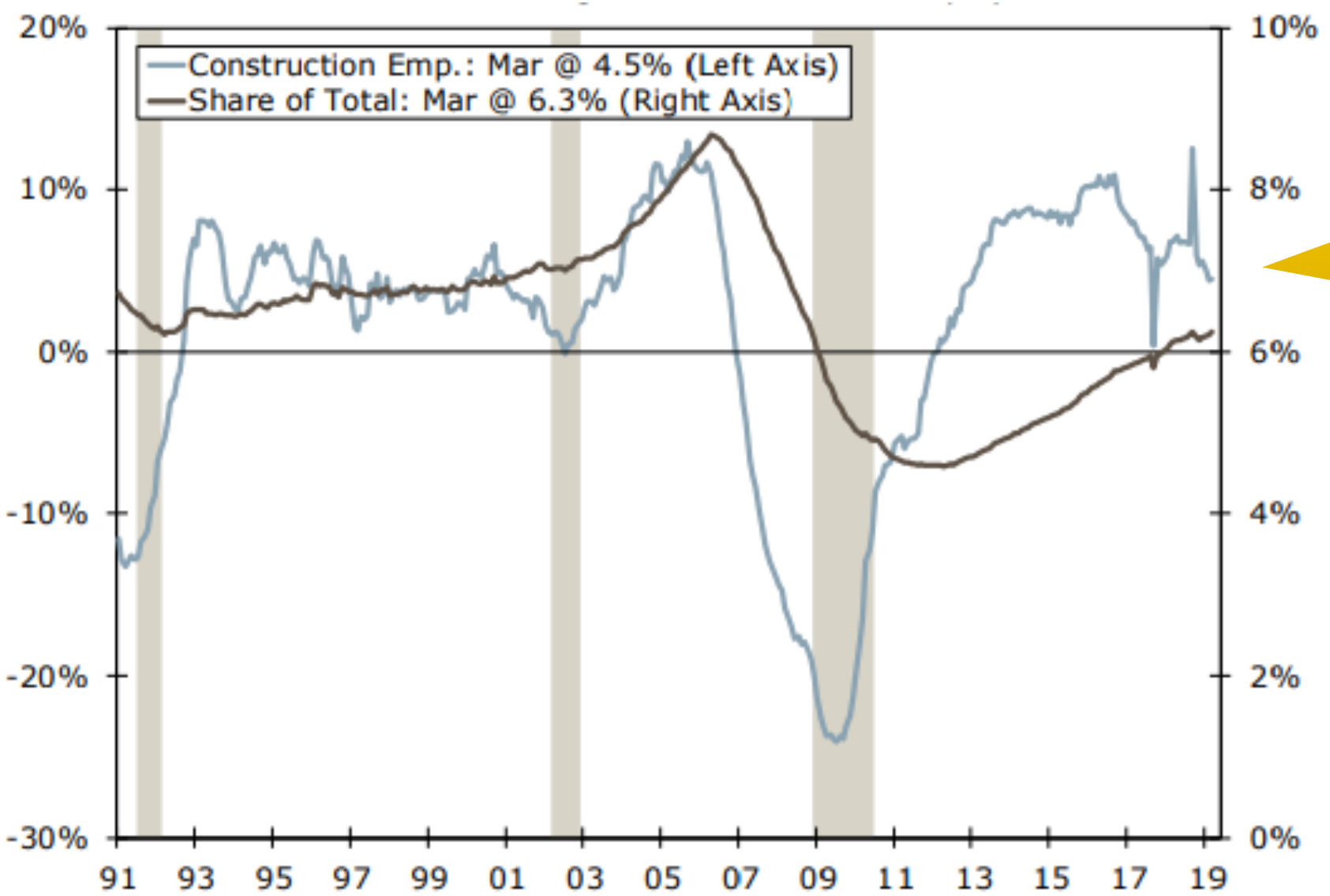


The FL economy has generally grown faster that the US since 2015.

FL grew by 3.5% in 2018 vs. 2.9% for the US overall

Source: US Bureau of Economic Analysis, Dept. of Commerce; Wells Fargo Research.

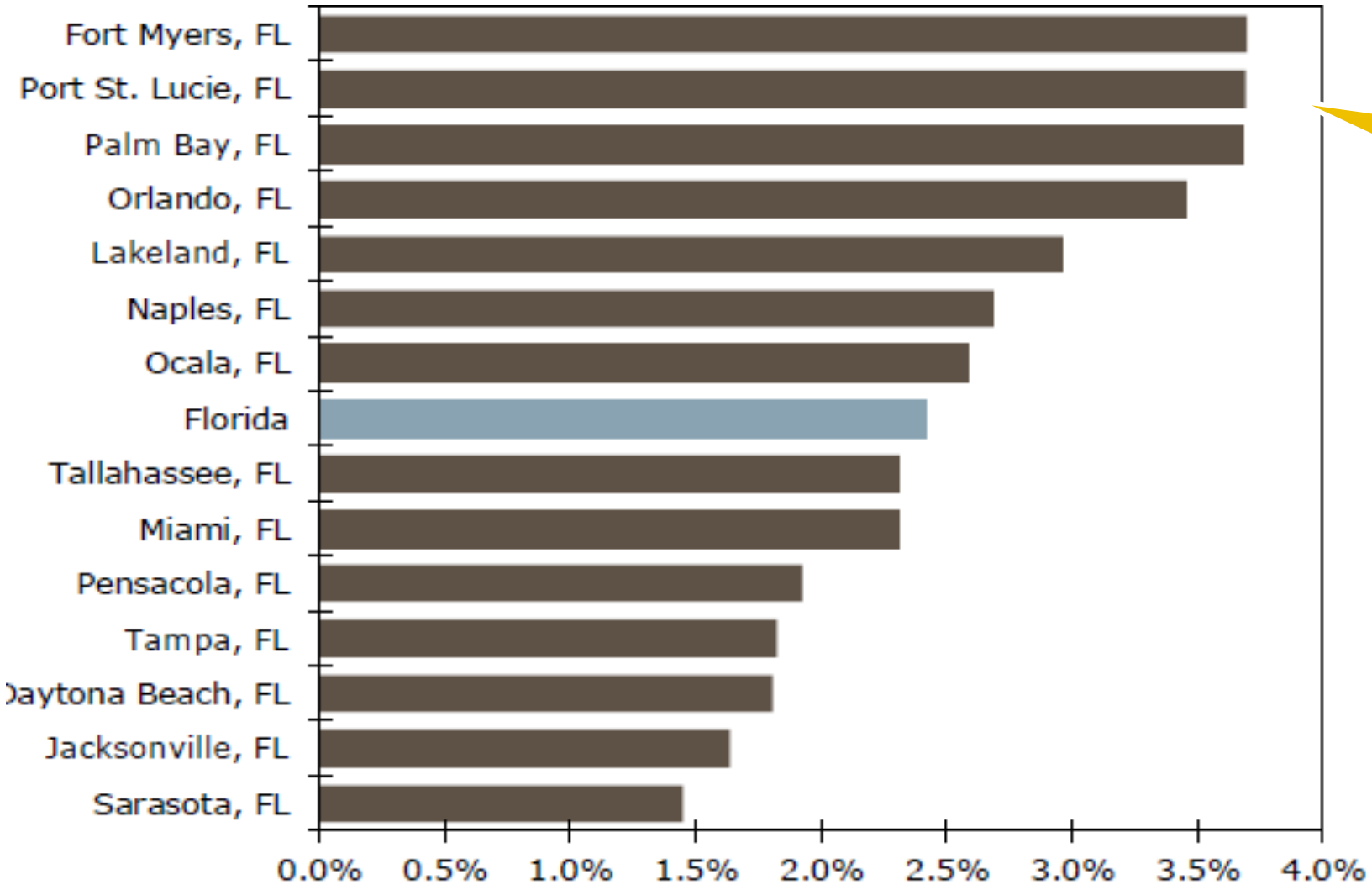
Florida Construction Employment: 1991:Q1 – 2019:Q1



Construction employment and construction activity have been recovered nicely from the housing collapse, contributing to significant growth in insurable exposure throughout the state

Source: US Bureau of Economic Analysis, Dept. of Commerce; Wells Fargo Research.

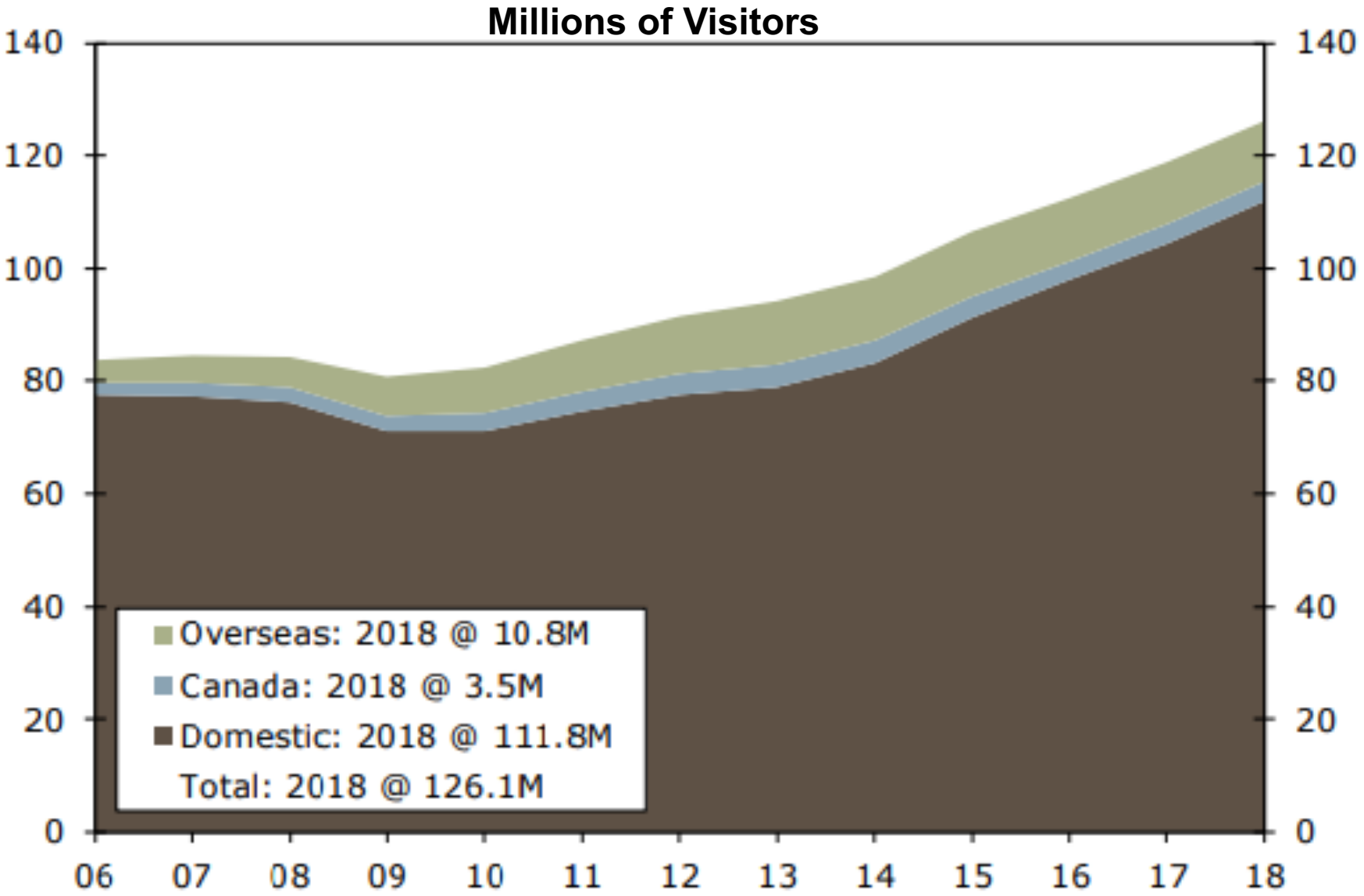
Florida Construction Employment: April 2019 vs April 2018



Construction activity is strong throughout most of Florida, as evidenced by robust hiring activity

Source: US Bureau of Economic Analysis, Dept. of Commerce; Wells Fargo Research.

Florida Tourism by Source: 2006:Q1 – 2018:Q4

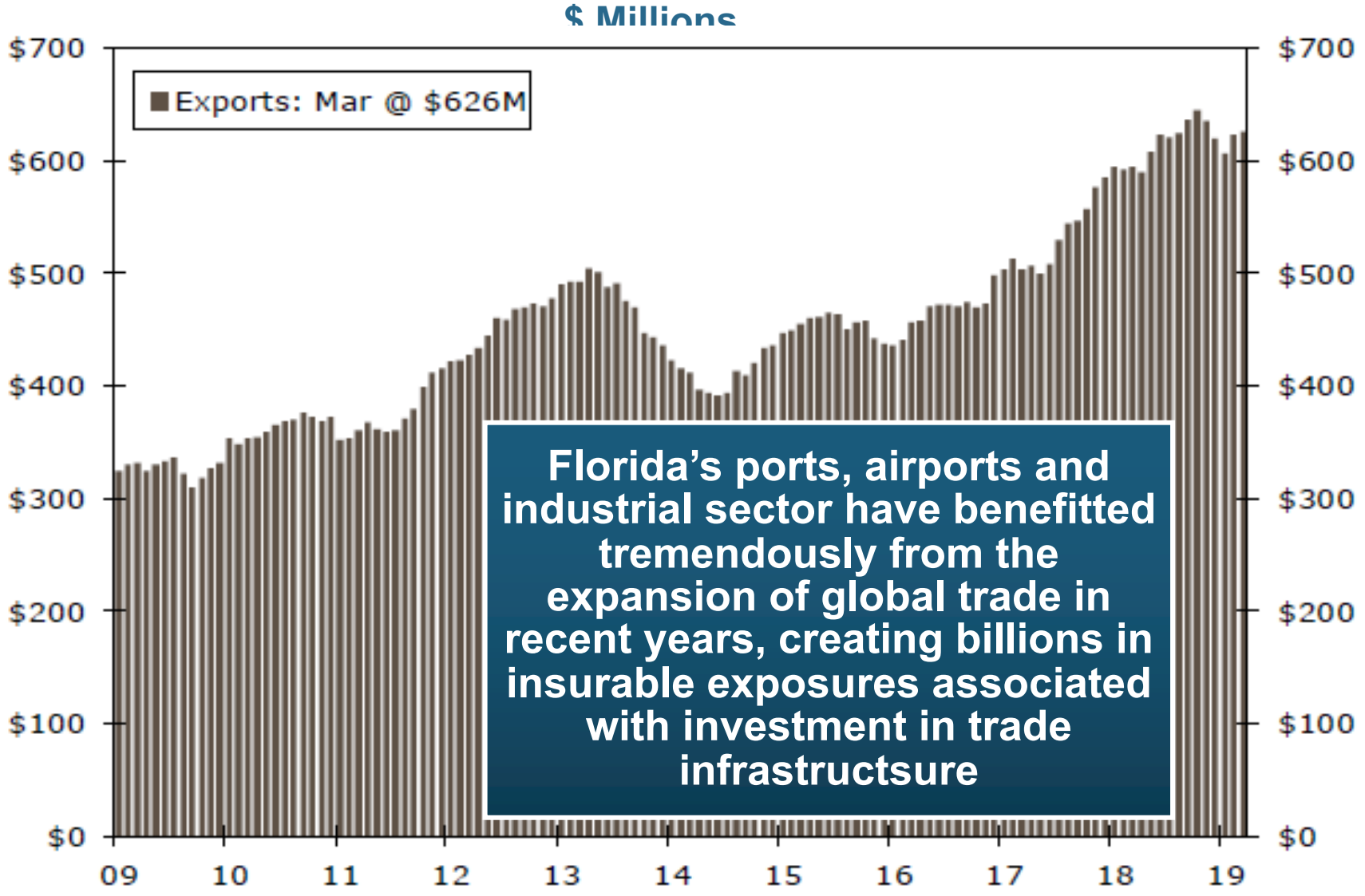


The number of visitors to FL is up by approximately 25% over the past 5 years

Florida's major theme parks, hotels, gaming industry are all in the midst of multi-billion dollar expansions, which bodes well for p/c insurers for years to come

Source: Visit Florida; Wells Fargo Research.

Florida Exports of Aerospace Products and Parts: Jan. 2009 – March 2019



- Aerospace products/ parts are now FL's largest export category, which are up 50% since 2014
- Brazil is FL's top trading partner
- Failure to ratify USMCA (NAFTA replacement) is a concern
- Burgeoning trade war with China, Europe (Mexico?) are threats to FL's economy

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

US TRADE POLICY

How Will the P/C Insurance Industry Be Impacted by Escalating Trade Disputes?

Trade Actions and P/C Insurance

Trade wars is fast becoming a currency war, with countries devaluating their currencies and central banks lowering interest rates

Major Trade Actions Announced So Far

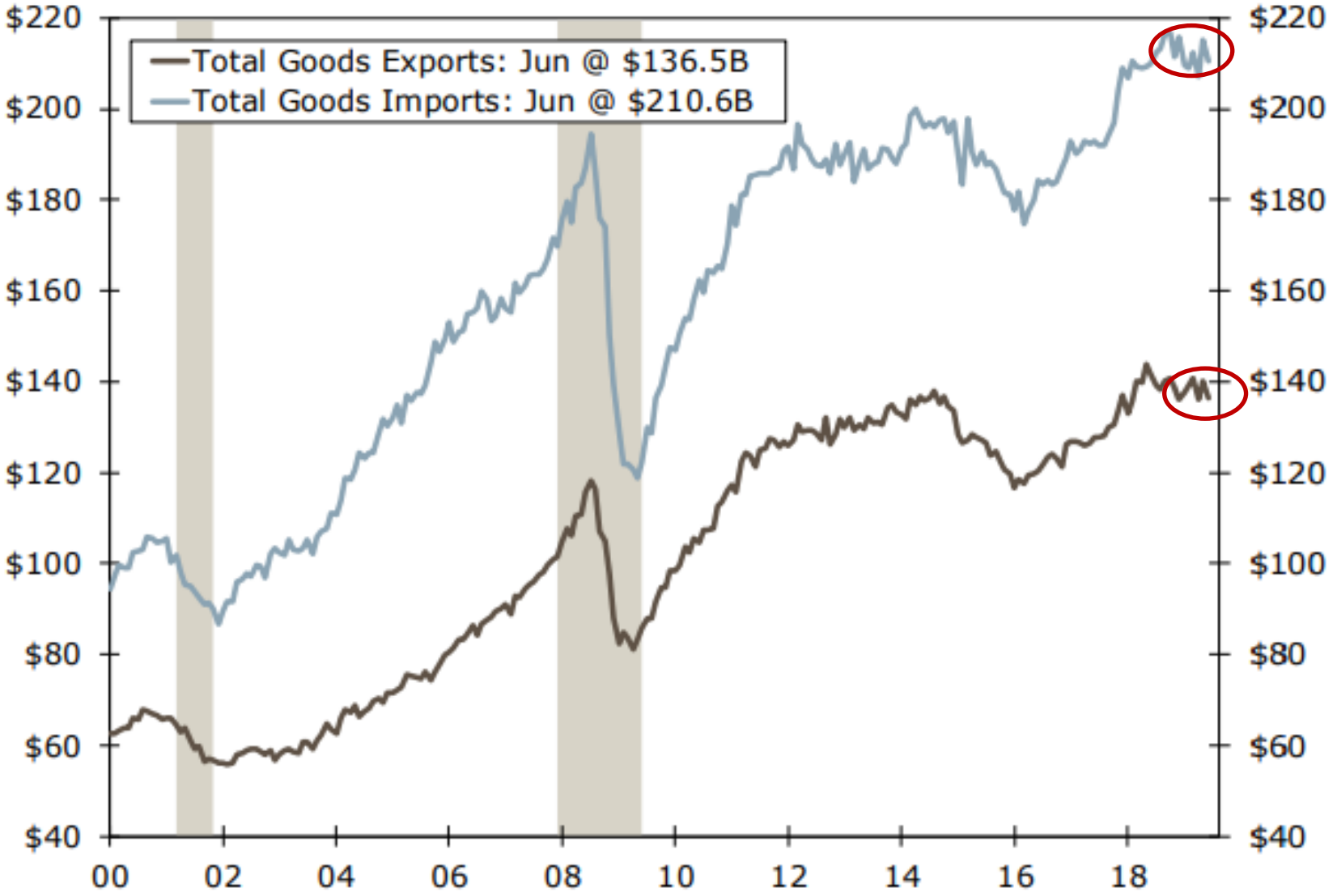
- March 2018: Steel and Aluminum
  - 25% tariff on foreign steel, 10% tariff on imported aluminum
- April 2018: $50B in tariffs announced on some 1,300 Chinese products
- Sept. 2018: 10% tariffs on $200B worth of Chinese products
  - China retaliates immediate with highly targeted tariffs on American products
- May 10, 2019: 10% tariffs → 25% on $200B on Chinese products
  - Threat to implement 25% on remaining $325B not currently subject to tariff
  - China retaliates with $60B in tariffs on US goods
- May 31: Tariffs of Up to 25% Threatened Against all $370B in Mexican Imports
  - Agreement reached June 8; Tariffs tabled for now but could pose future threat
- Aug 2: 10% tariffs on $300B of Chinese products not already hit by tariffs, eff. 9/1
  - China retaliates with suspension of US agricultural purchases; devalues yuan

Potential Impacts: Retaliation→Job, Income Exposure Losses

- Hundreds of thousands of jobs would be lost across many US industries
- P/C premium shrinkage would be measured in the billions as exposure growth slows/shrinks

US Imports and Exports of Goods, Jan. 2000 – June 2019

$ Billions



US imports and exports are now falling as a direct result of US trade wars. Exports are also impacted by weakening global growth

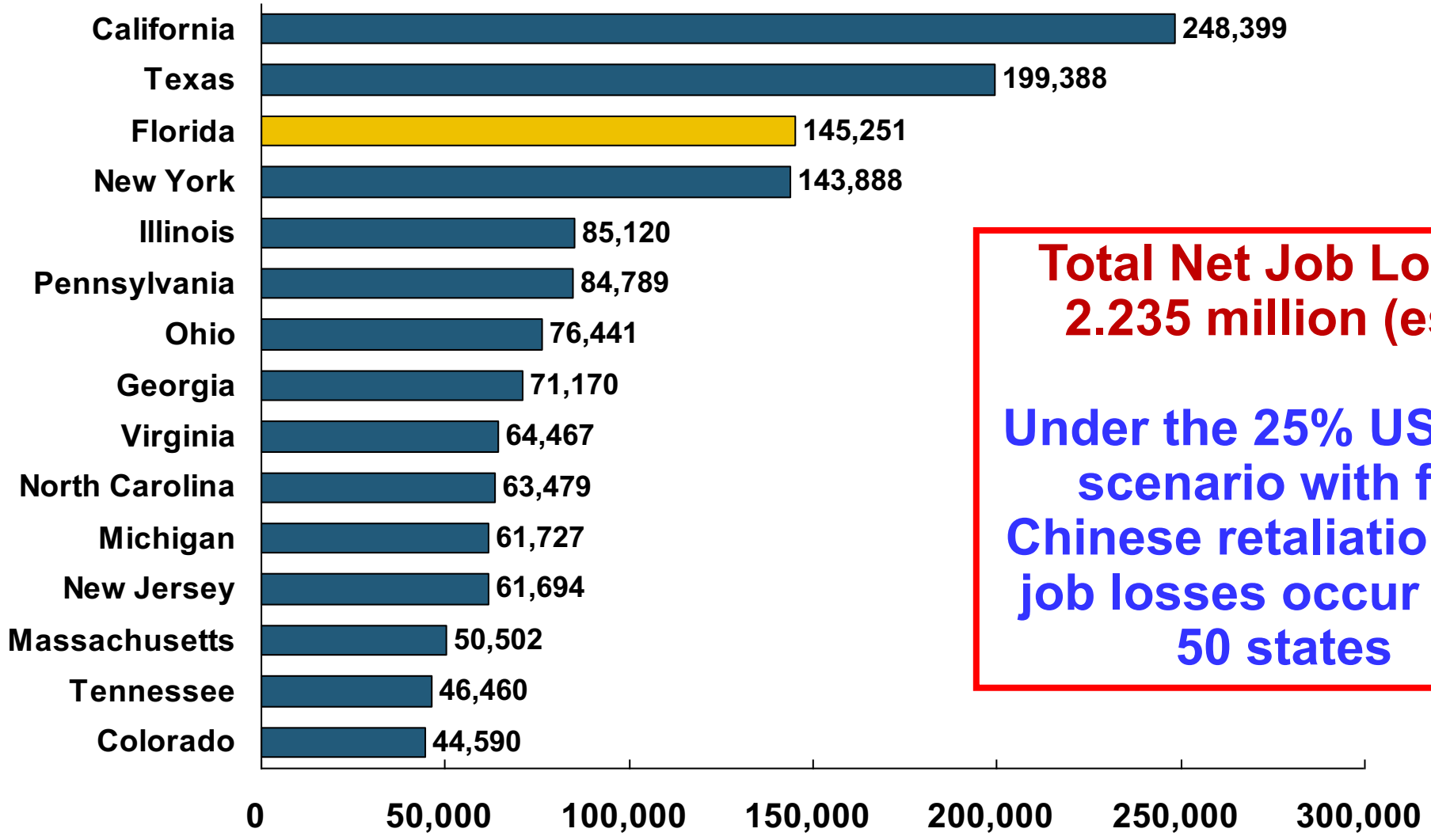
Source: US Dept. of Commerce; Wells Fargo Research.

Trade War: Summary of Potential Economic Impacts
(1-3 Years After Tariffs Imposed, Full Chinese Retaliation)

Economic Factor	Impact
Real US GDP (annual change)	-1.04%
Real US National Income (annual change)	-193.8 Bill
US Exports to Rest of World (annual change)	-8.7%
US Imports From Rest of World (annual change)	-11.5%
Annual Cost per US Family of 4	$2,389
Net Impact on US Jobs (one-time change)	-2.235 Mill
Cost to Save 1 US Job	$583,683

Source: Trade Partnerships Worldwide LLC, *Estimated Impacts of Tariffs on the US Economy and Workers,* February 2019, accessed at: https://tradepartnership.com/wp-content/uploads/2019/02/All-Tariffs-Study-FINAL.pdf.

States With Largest Net Job Losses Under 25% Tariff Scenario (Assuming Full Chinese Retaliation)



Total Net Job Loss = 2.235 million (est.)

Under the 25% US tariff scenario with full Chinese retaliation, net job losses occur in all 50 states

Source: Trade Partnerships Worldwide LLC, *Estimated Impacts of Tariffs on the US Economy and Workers,* February 2019, accessed at: https://tradepartnership.com/wp-content/uploads/2019/02/All-Tariffs-Study-FINAL.pdf.

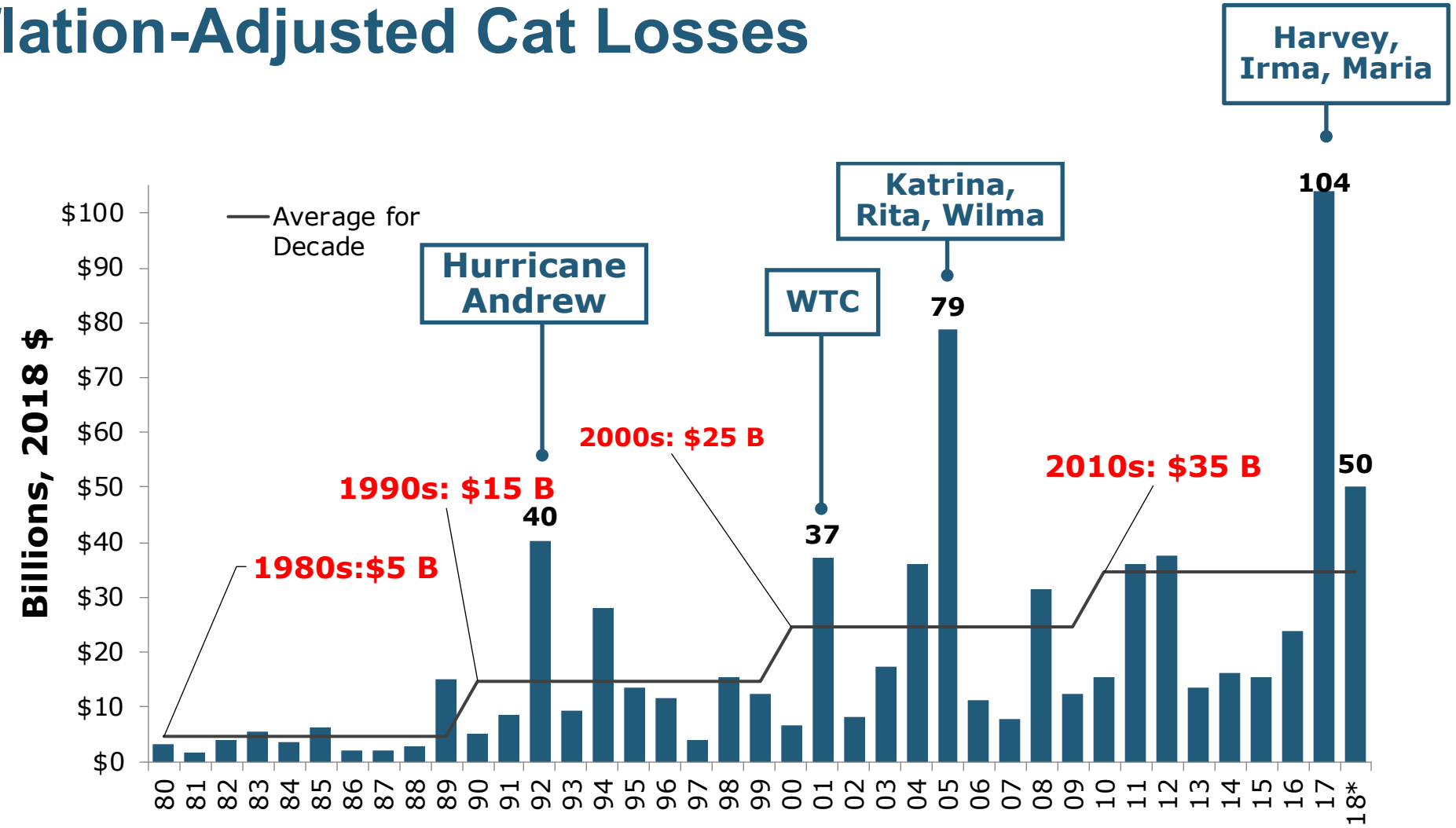
Catastrophe Loss Update: *Major Driver of Rate Pressure*

2018 CAT Losses Were Down from 2017, One of the Costliest Years Ever for US Insurers

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

91

U.S. Inflation-Adjusted Cat Losses

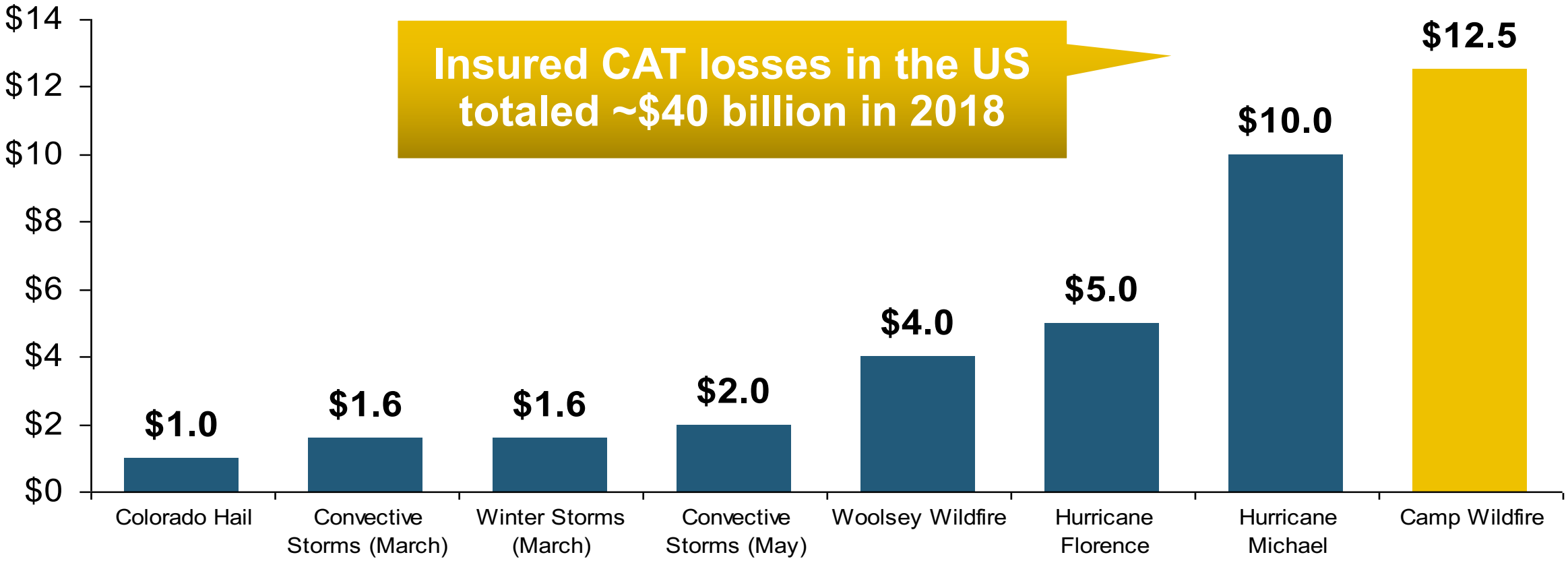


2018 – Third worst year for U.S. Insured Catastrophe Losses.
Average Insured Loss per Year for 1980-2018 is $19.3 B.

*2018: Inflation-adjusted estimate, subject to change. 2010s is average of 2010 to 2018.
Sources: Property Claims Service, a Verisk Analytics business; Insurance Information Institute.

Top 8 US Catastrophe Losses of 2018, by Insured Loss

(Insured Losses, 2018 Dollars, $ Billions)*



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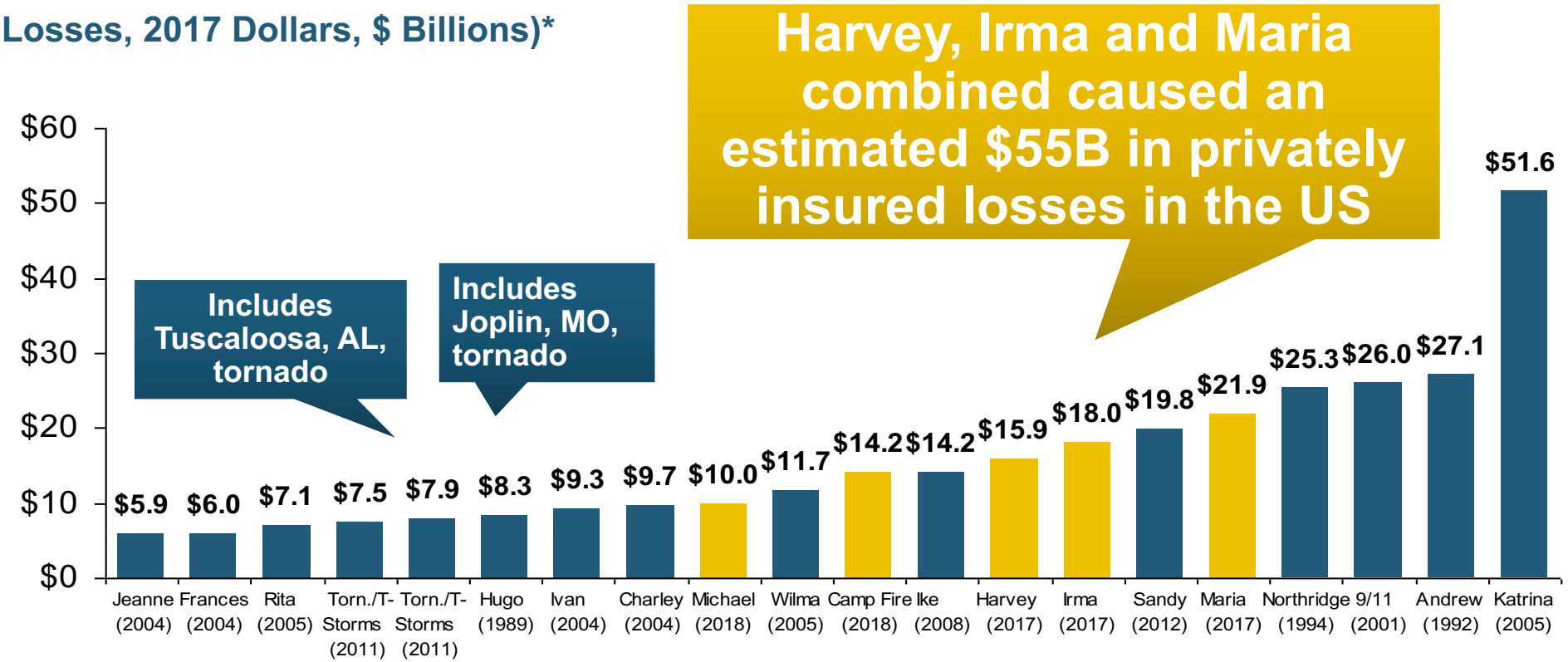
Sources: PCS; Munich Re; Reinsurance News: https://www.reinsurancene.ws/insurance-industry-losses-events-data/

Top 20 Most Costly Disasters in U.S. History—Katrina Still Ranks #1

(Insured Losses, 2017 Dollars, $ Billions)*

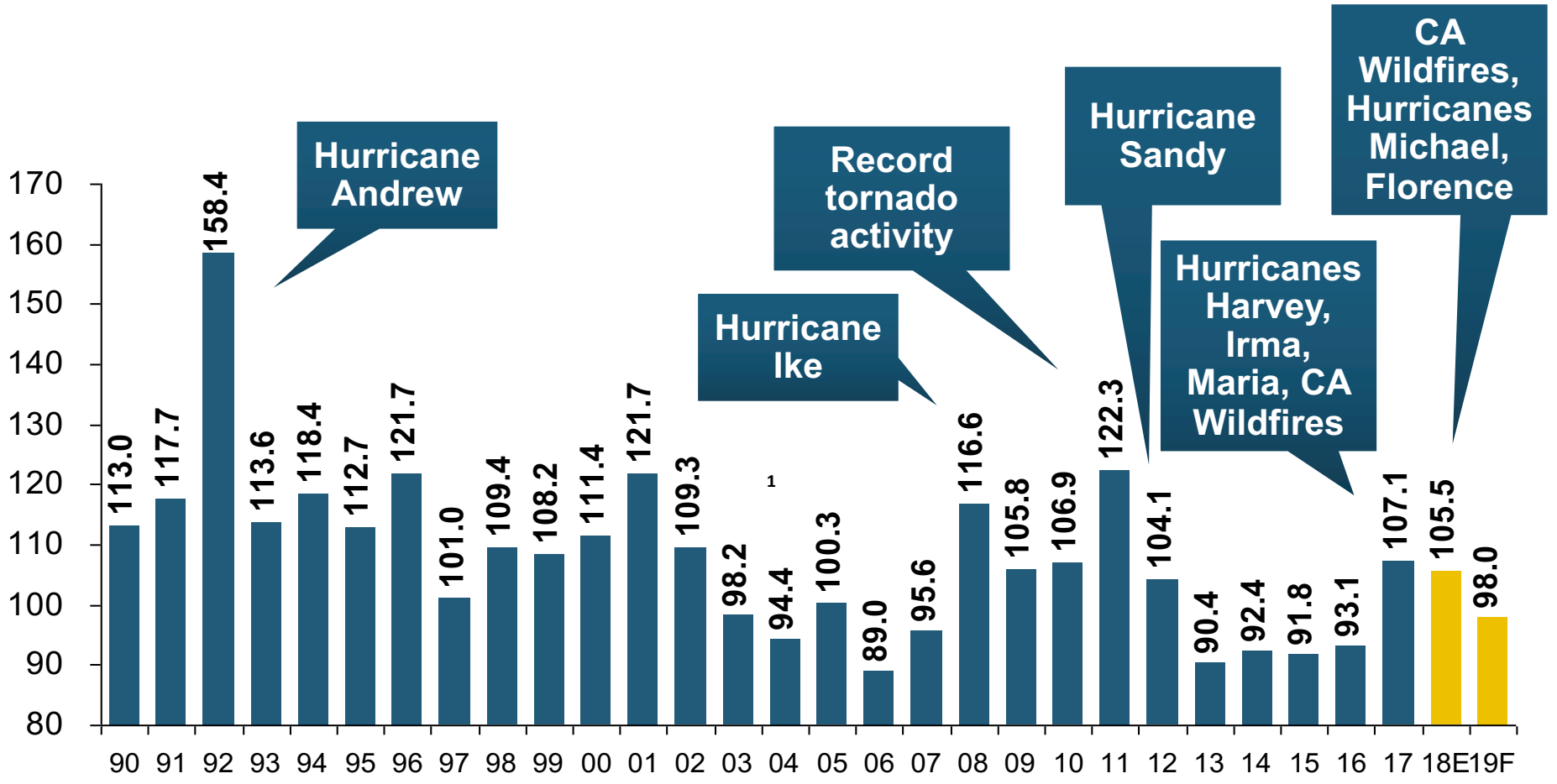


17 of the 20 Most Expensive Insurance Events in US History Have Occurred Since 2004—5 of those in 2017/18

*Estimated.

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

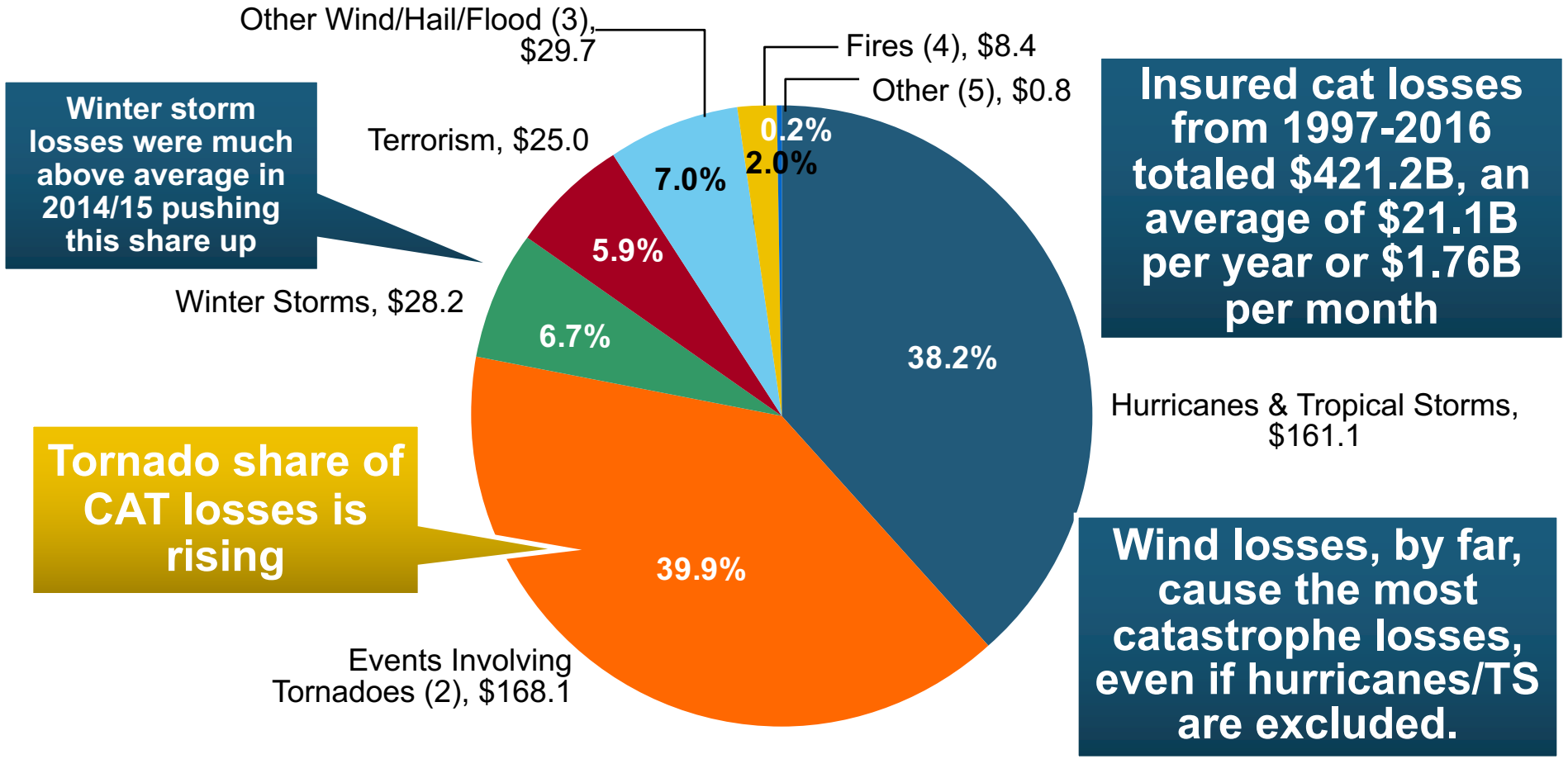
Homeowners Insurance Combined Ratio: 1990–2019F



Homeowners Performance Had Improved Markedly Since 2011/12's Large Cat Losses…until 2017's Record Catastrophe Loss Activity.

Sources: A.M. Best (1990-2019F); USC RUM Center.

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

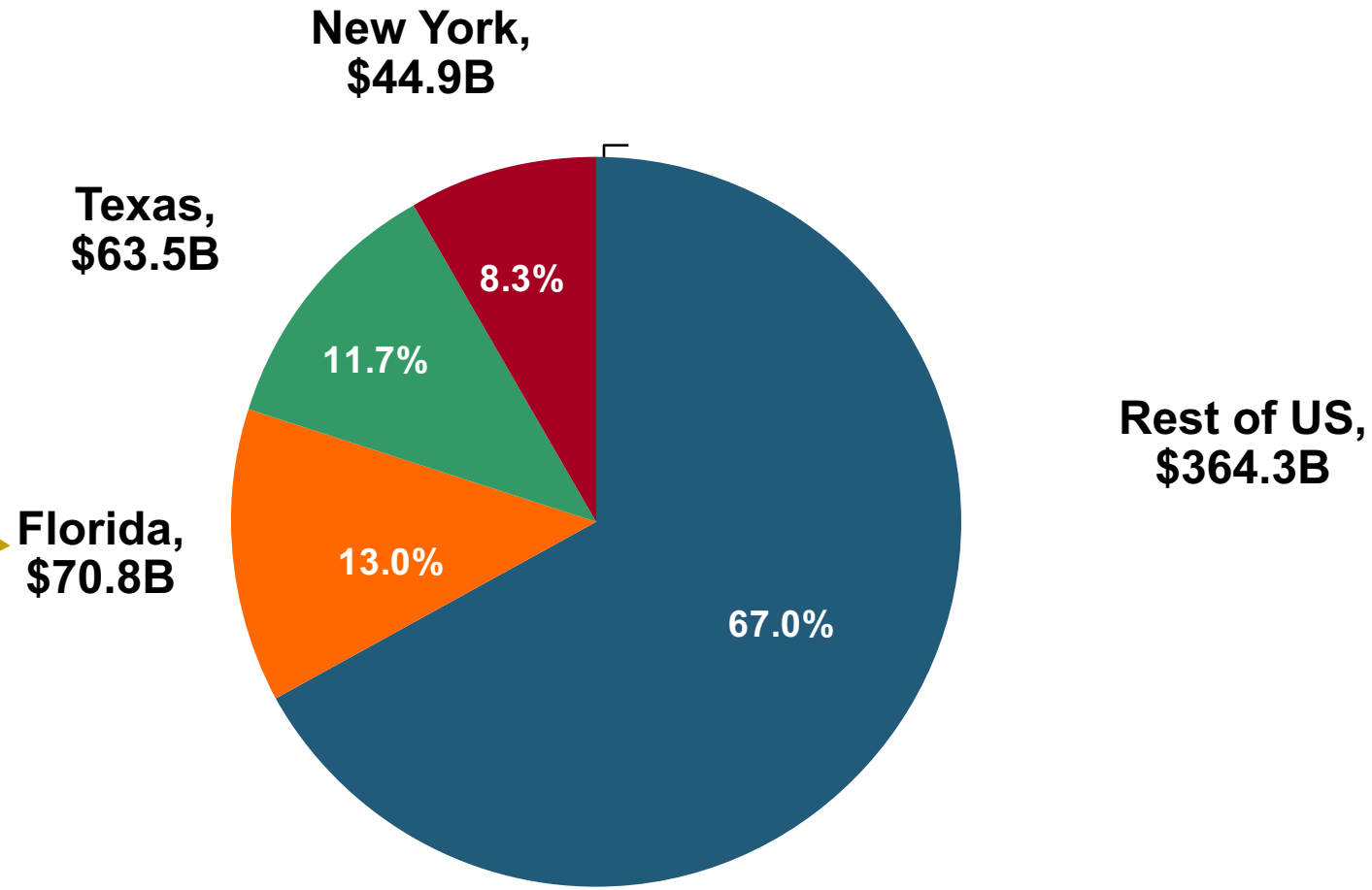


1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2016 dollars.
2. Excludes snow.
3. Does not include NFIP flood losses
4. Includes wildland fires
5. Includes civil disorders, water damage, utility disruptions and non-property losses such as those covered by workers compensation.

Source: ISO's Property Claim Services Unit.

Top 3 States by Inflation Adjusted U.S. Catastrophe Losses, 1987–2016[1]

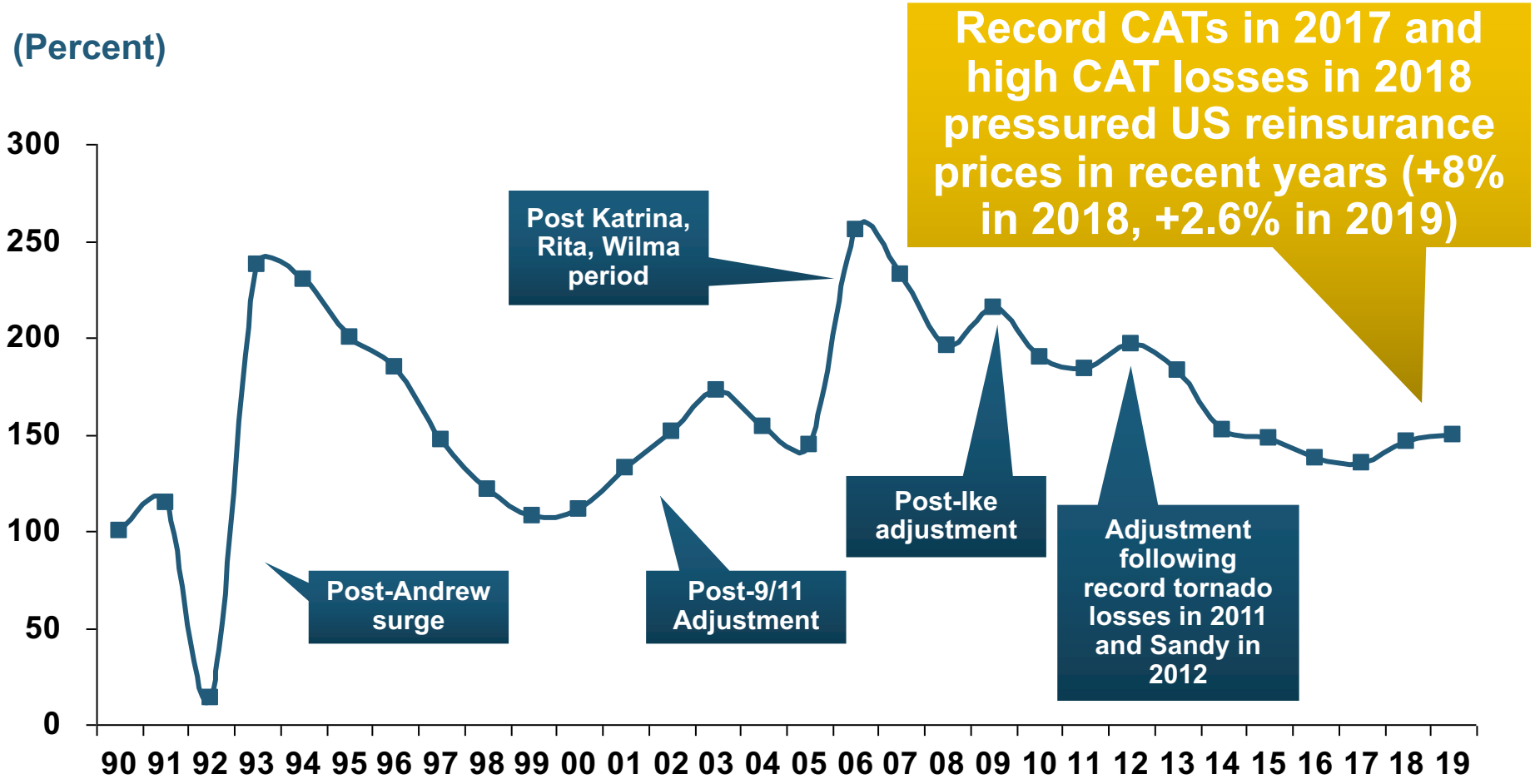
Florida accounted for 13% of all CAT losses from 1987 trough 2016, more than any other state



1. Catastrophes are defined as events causing direct insured losses to property of $25 million or more in 2016 dollars. Does not include NFIP flood losses

Source: ISO's Property Claim Services Unit.

US Property Catastrophe Rate-on-Line Index: 1990 – 2019*



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

*As of January 1 each year.

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

11 Costliest Hurricane in US History through 2018

Rank	Date	Location	Hurricane	Estimated Insured losses[2]	
				Dollars when occurred	In 2017 dollars[3]
1	Aug. 25-30, 2005	AL, FL, GA, LA, MS, TN	Hurricane Katrina	$41,100	$50,750
2	Sep.19-22, 2017	PR, UV	Hurricane Maria	[3]	[3]
3	Sep. 6-12, 2017	AL, FL, GA, NC, PR, SC, UV	Hurricane Irma	[3]	[3]
4	Oct. 28-31, 2012	CT, DC, DE, MA, MD, ME, NC, NH, NJ, NY, OH, PA, RI, VA, VT, WV	Hurricane Sandy	18,750	20,240
5	Aug. 25-Sep. 1, 2017	AL, LA, MS, NC, TN, TX	Hurricane Harvey	[3]	[3]
6	Aug. 24-26, 1992	FL, LA	Hurricane Andrew	15,500	24,852
7	Sep. 12-14, 2008	AR, IL, IN, KY, LA, MO, OH, PA, TX	Hurricane Ike	12,500	14,311
8	Oct. 24, 2005	FL	Hurricane Wilma	10,300	12,719
9	Aug. 13-14, 2004	FL, NC, SC	Hurricane Charley	7,475	9,518
10	Sep. 15-21, 2004	AL, DE, FL, GA, LA, MD, MS, NC, NJ, NY, OH, PA, TN, VA, WV	Hurricane Ivan	7,110	9,053

In 2018, Hurricane Michael's insured losses totaled $10B with landfall in Mexico Beach, FL

7 of the 11 costliest hurricanes of all time impacted Florida

Source: ISO's Property Claim Services Unit; *2019 Insurance Information Institute Fact Book*; Risk and Uncertainty Management Center, Univ. of South Carolina,

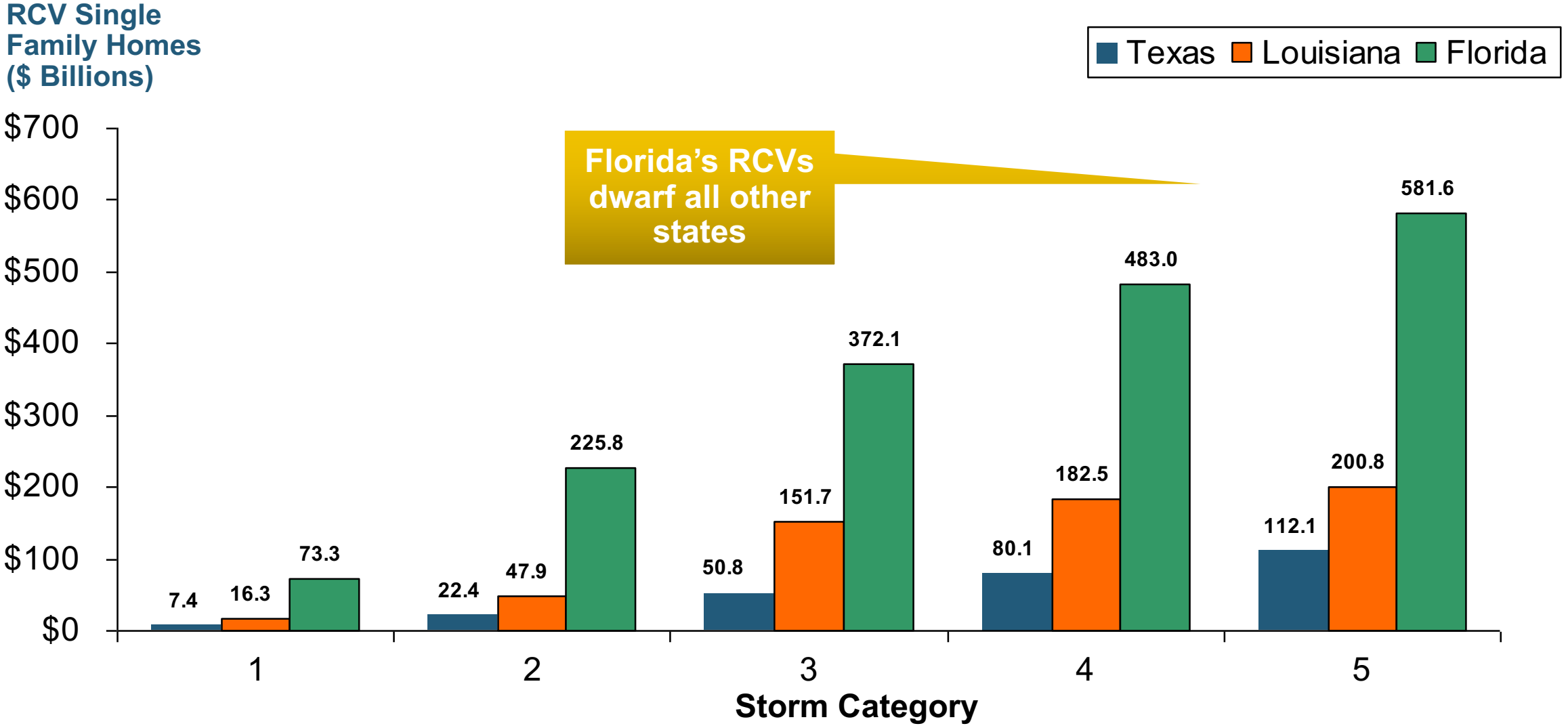
Estimated Insured Losses from Top 10 Historical Hurricanes Based on Current Exposures

Rank	Date	Event	Category	2017 Insured loss
1	Sep. 18, 1926	Great Miami Hurricane	4	$128
2	Sep. 17, 1928	Okeechobee Hurricane	4	78
3	Aug. 29, 2005	Hurricane Katrina	3[2]	64
4	Sep. 17, 1947	1947 Fort Lauderdale Hurricane	4	62
5	Sep. 9, 1965	Hurricane Betsy	4[2]	57
6	Aug. 24, 1992	Hurricane Andrew	5	56
7	Sep. 10, 1960	Hurricane Donna	4	50
8	Sep. 21, 1938	The Great New England Hurricane	3	50
9	Sep. 9, 1900	1900 Galveston Hurricane	4	49
10	Aug. 17, 1915	1915 Galveston Hurricane	3	25

7 of the Top 10 Historical Hurricane impacted Florida. A repeat of the Great Miami Hurricane of 1926 today could result in insured losses exceeding $100B.

Source: AIR Worldwide, *2019 Insurance Information Institute Fact Book*; Risk and Uncertainty Management Center, Univ. of South Carolina,

Storm Surge Risk: Top 3 States in 2019, Replacement Cost Value of Single Family Homes by Storm Category ($ Billions)



Source: CoreLogic, *2019 Storm Surge Report* at: https://www.corelogic.com/downloadable-docs/storm-surge-report_052919-screen.pdf
University of South Carolina Risk and Uncertainty Management Center.

Commercial Lines Pricing & Cyclicality

Pricing Pressures Are Intense but Rational

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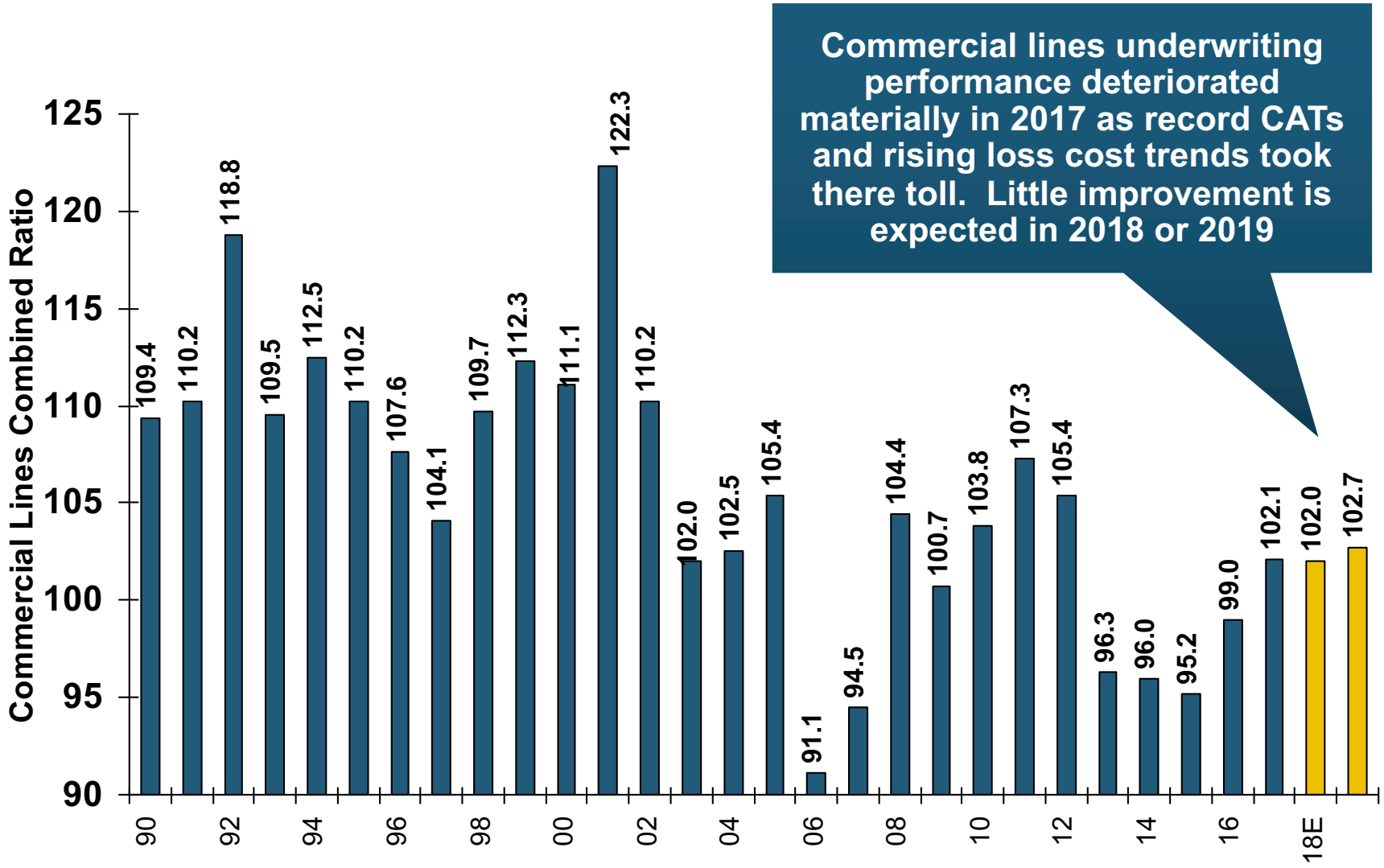
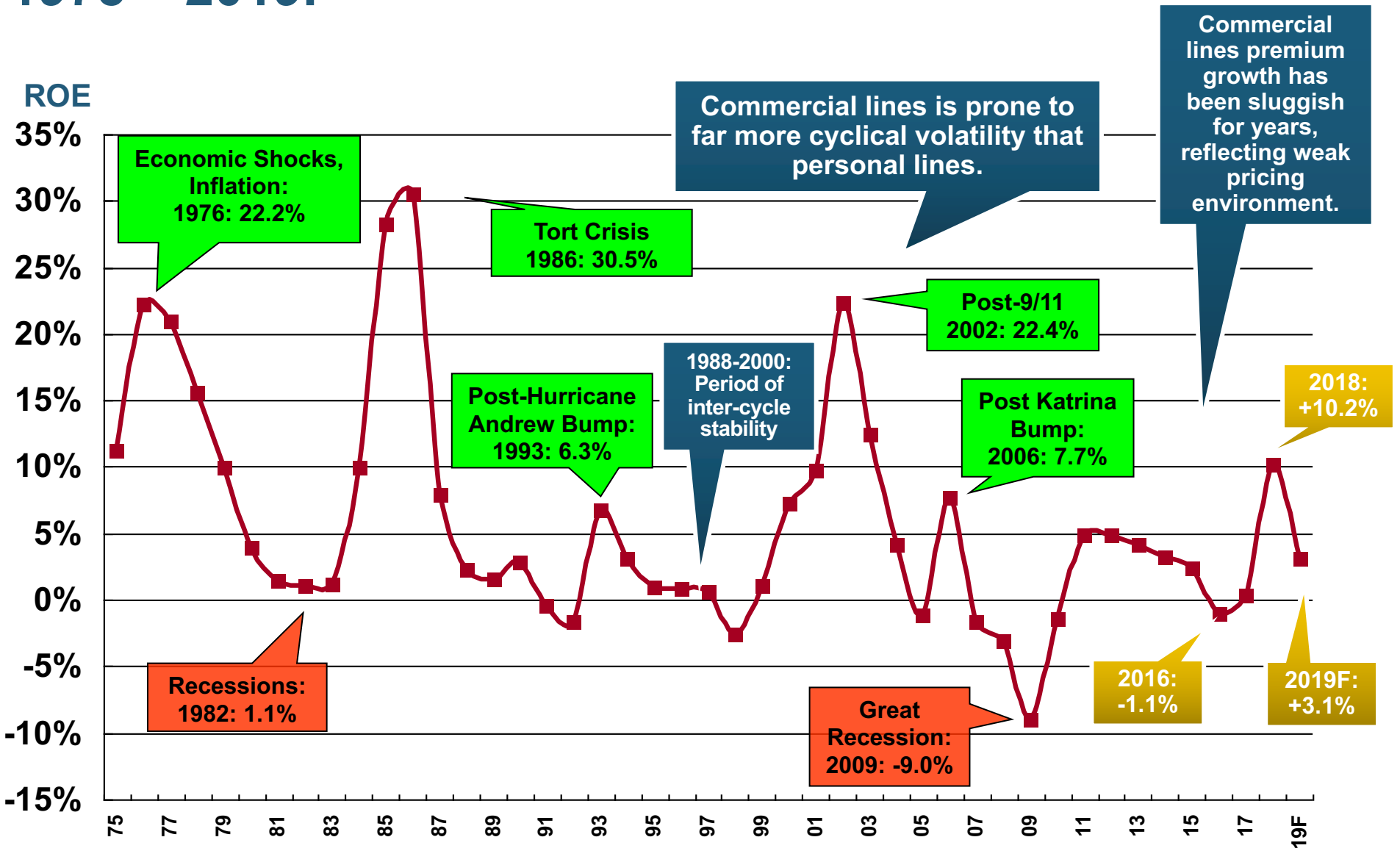
Commercial Lines Combined Ratio, 1990-2019F*



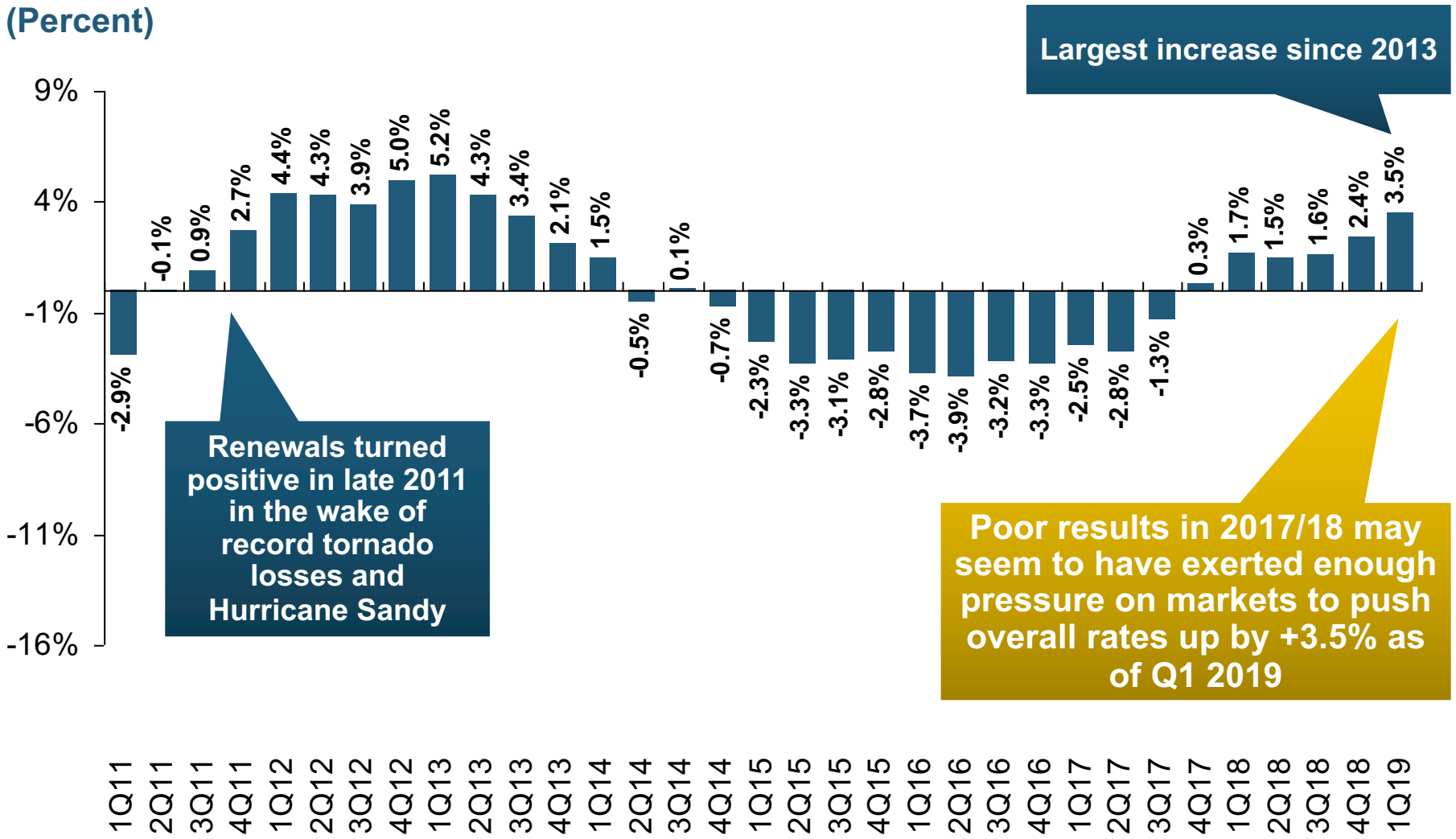
*2007-2012 figures exclude mortgage and financial guaranty segments.
Source: A.M. Best (1990-2019F).

Commercial Lines NPW Premium Growth: 1975 – 2019F



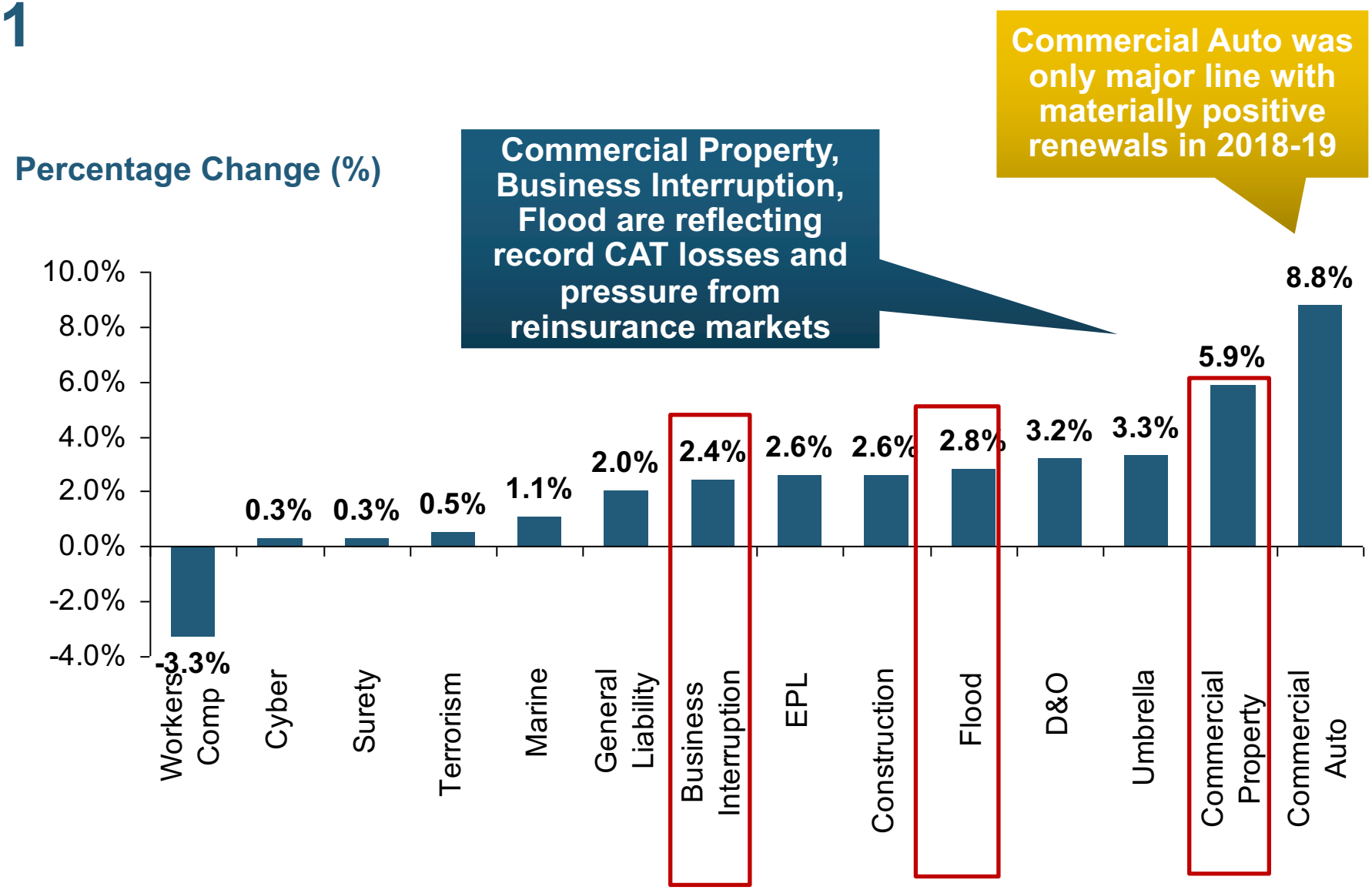
Note: Data include state funds beginning in 1998.
Source: A.M. Best; Insurance Information Institute; Univ. of South Carolina Center for Risk and Uncertainty Management, ISO.

CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2019:Q1*



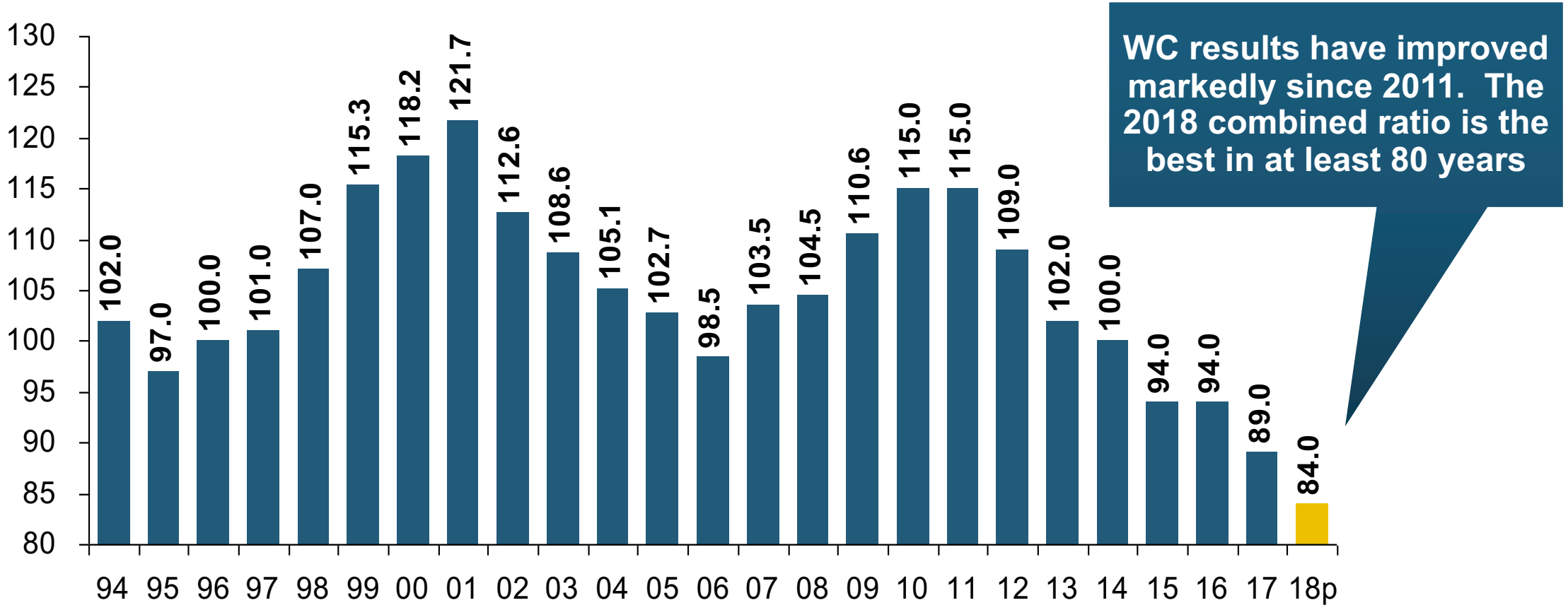
*Latest available.
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.
Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Change in Commercial Rate Renewals, by Line: 2019:Q1



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

Workers Compensation Combined Ratio: 1994–2018P



Workers Comp Is an Example of a Line that Was Recently Restored to Health Through the Return of Rate Adequacy as Well as Declining Claim Frequency

Sources: A.M. Best (1994-2009); NCCI (2010-2018P) and are for private carriers only..

Tort Environment, Cyber Pressure

The Tort Environment Remains a Perpetual Challenge for Insurers

Cyber: Learning by Doing

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The Nation's Judicial Hellholes: 2017 – 2018

Watch List

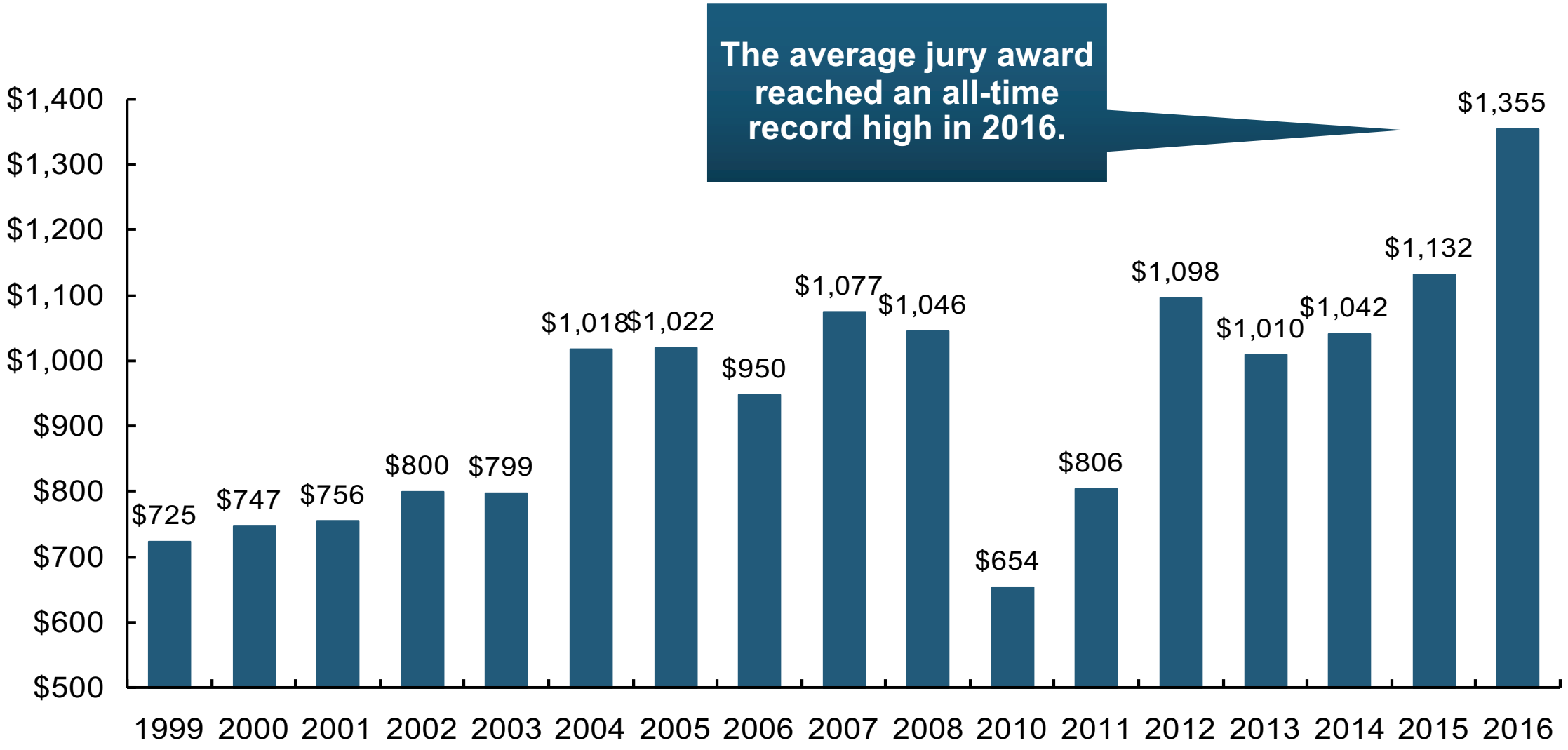
- Baltimore, MD
- Georgia
- Newport News, VA
- OR Supreme Court
- PA Supreme Court
- West Virginia

Dishonorable Mention

- CT Supreme Court
- Governor of MN
- WI Appeals Court

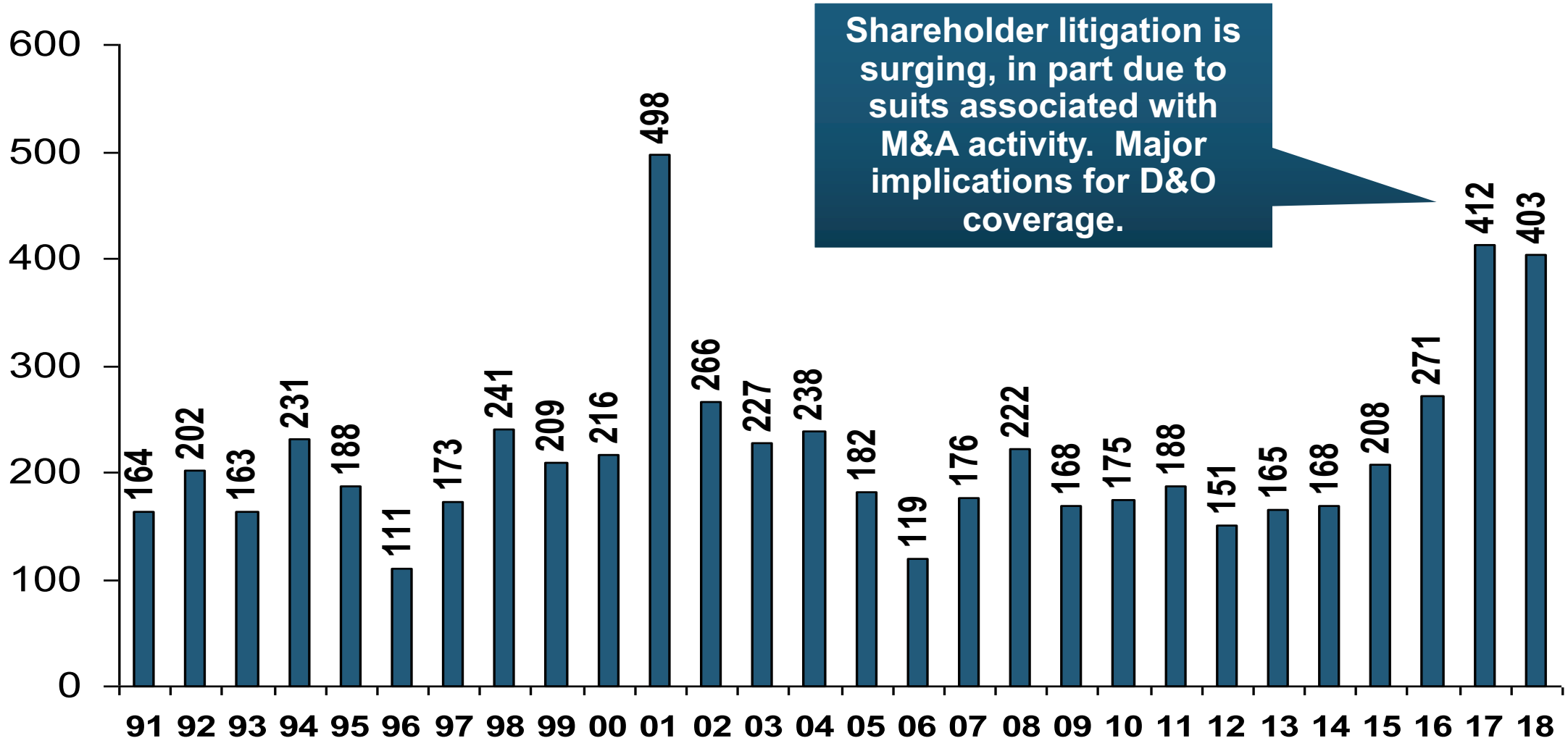
Source: American Tort Reform Association; Risk and Uncertainty Management Center, Univ. of South Carolina.

Average Jury Awards, 1999 - 2016



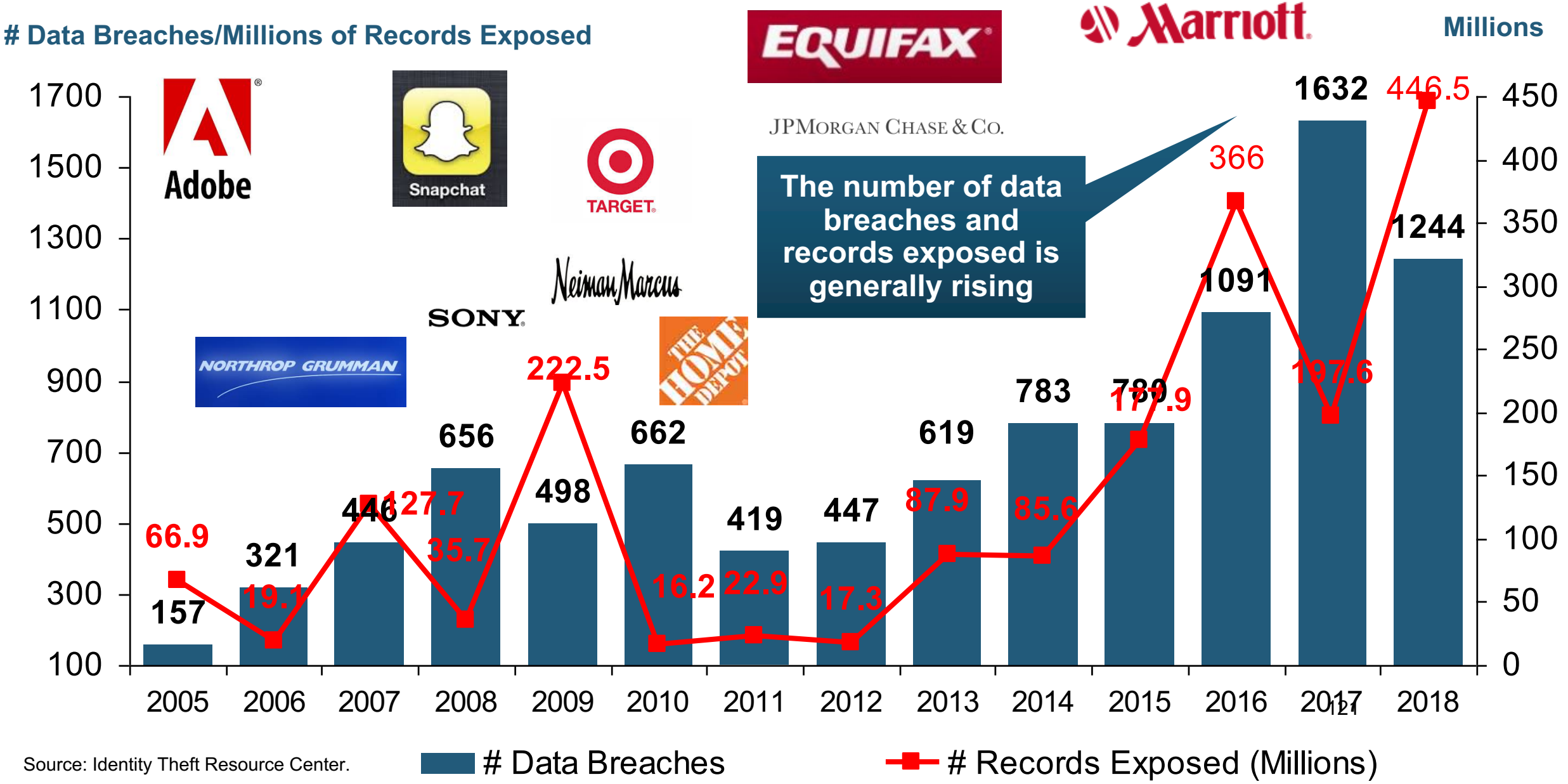
Source: Jury Verdict Research; Risk and Uncertainty Management Center, Univ. of South Carolina.

Shareholder Class Action Lawsuits*



Source: Stanford University School of Law (securities.stanford.edu); Risk and Uncertainty Management Center, Univ. of South Carolina.

Data Breaches 2005-2018, by Number of Breaches and Records Exposed



Source: Identity Theft Resource Center.

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Thank you for your time and your attention!

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