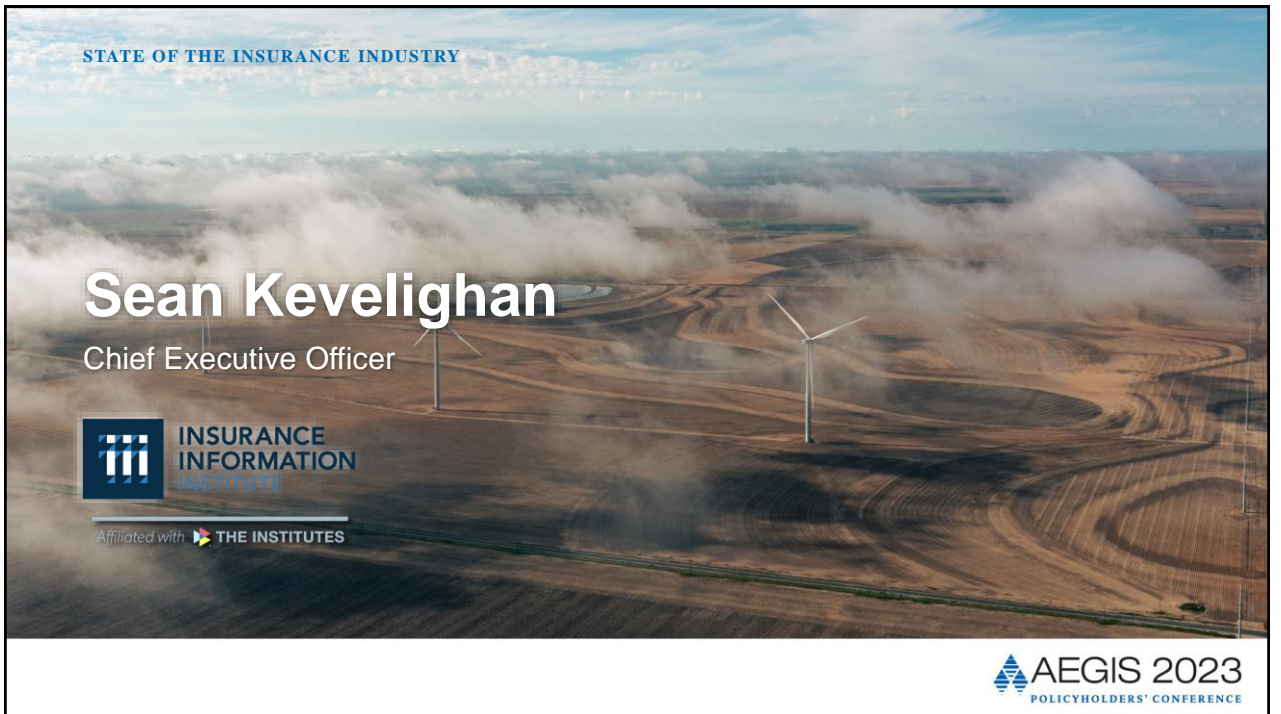




1



2

INSURANCE INFORMATION INSTITUTE (TRIPLE-I) AND ITS MISSION

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

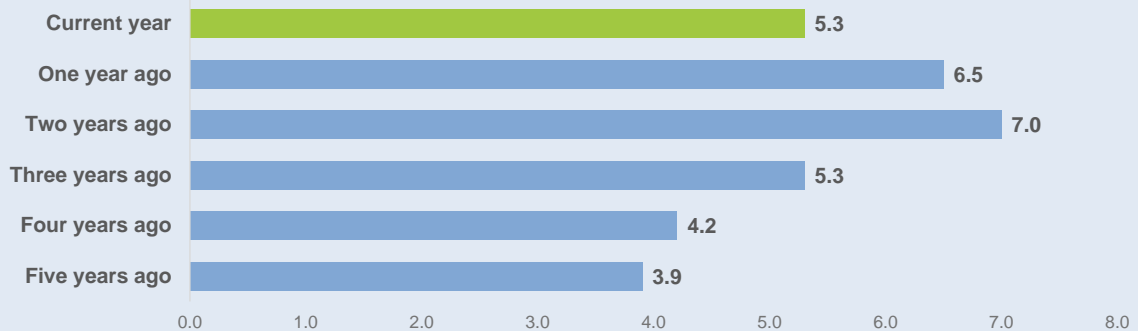
To inform and empower industry stakeholders and consumers

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3

MILLIONS VIEWING TRIPLE-I CONTENT EACH YEAR

Measured by 12-Month Pageviews - (Last 12 Months, in Millions)

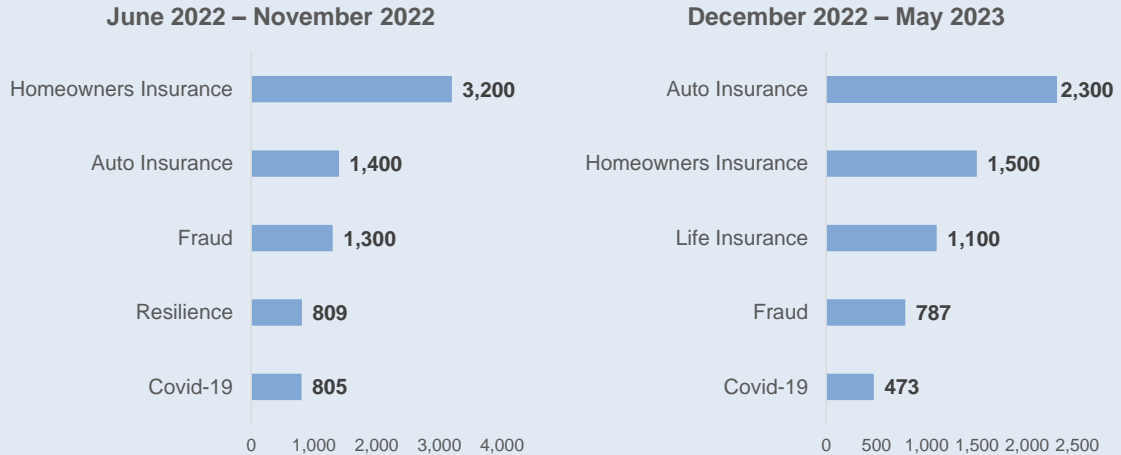


Google Analytics. Current year: 12-month totals are from May 1, 2022 through Apr. 30, 2023. One year ago: 12-month totals are from May 1, 2021 through Apr. 30, 2022. Two years ago: 12-month totals are from May 1, 2020 through Apr. 30, 2021. Three years ago: 12-month totals are from May 1, 2019 through Apr. 30, 2020. Four years ago: 12-month totals are from May 1, 2018 through Apr. 30, 2019. Five years ago: 12-month totals are from May 1, 2017.

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WHAT'S NEWS IN INSURANCE: TOP 5 MEDIA CITATIONS BY ISSUE



Source: Cision Media Tracking



5

RAPID RESPONSE – CALIFORNIA MARKET TURMOIL

Two of the State's Six Largest Homeowner Insurers are No Longer Taking on New Policyholders

50+ interviews, including national news outlets



THE WALL STREET JOURNAL



Insurance is the effect not the cause, says III CEO Kevelighan on State Farm's California decision

Key messages

- Rebuilding costs soaring
- Catastrophe risks growing
- Reinsurance rates rising
- Antiquated public policy – Prop. 103



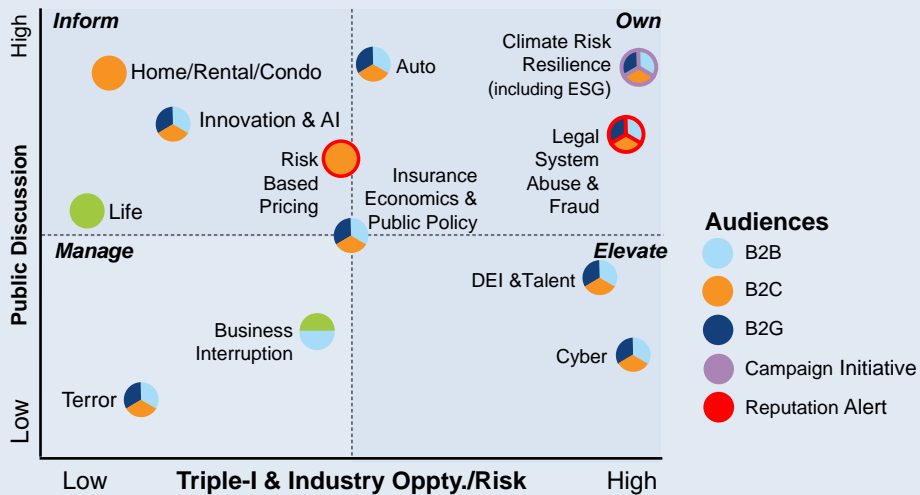
6

Critical Issues

7

ISSUE MANAGEMENT

Climate Risk and Legal System Abuse Converging in Priority, with Auto Higher Risk

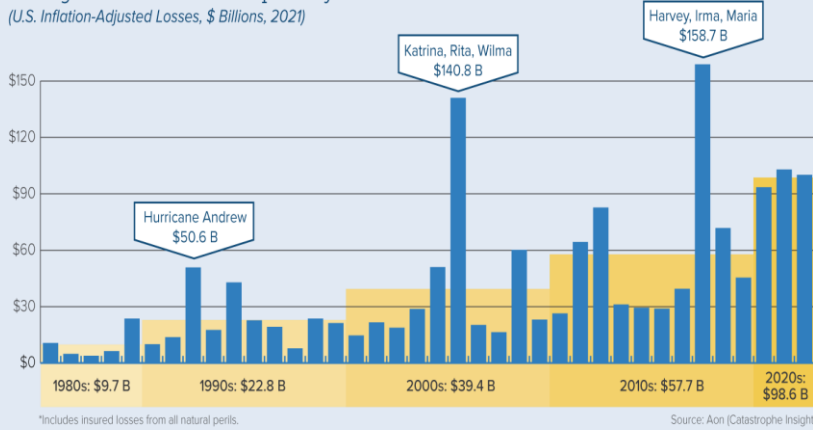


8

CLIMATE RISK

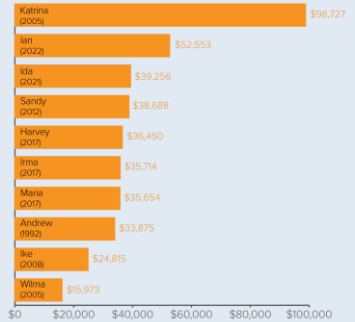
U.S. Catastrophe Losses Steadily Climbing

Average insured cat losses up nearly 700% since 1980s*
 (U.S. Inflation-Adjusted Losses, \$ Billions, 2021)



10 Costliest U.S. Hurricanes

(\$ millions, in 2022 dollars)



Includes Puerto Rico and the U.S. Virgin Islands and losses sustained by private insurers and government-sponsored programs such as the National Flood Insurance Program. Includes hurricanes that occurred through 2022. Subject to change as loss estimates are further developed. As of January 2023. Ranked on insured losses in 2022 dollars. Adjusted for inflation by Aon using the U.S. Consumer Price Index.



PEOPLE ARE LIVING MORE IN HARM'S WAY

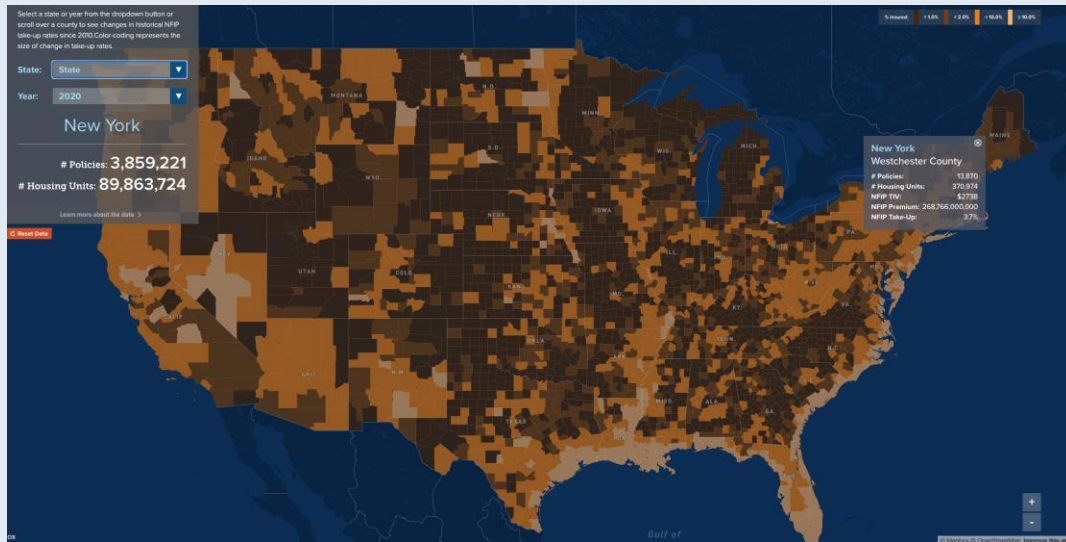
Miami Beach: 2022



Miami Beach: +3'



INSURANCE GAP IS PROBLEMATIC



11

TRIPLE-I'S CLIMATE RISK OBJECTIVE

Drive **behavioral change** to help people and communities better manage risk and become more resilient

- Recognize insurance and its role
- Remove the politics – focus on the solutions
- Be responsible about the low carbon transformation
- Balance out the long (carbon) and short (physical infrastructure) risks
- Integrate new product options



12

EVOLVING CLIMATE RISK DISCUSSION

Triple-I Is Actively Informing How Insurance Is Leading

2023 Highlights

Content Development

- Sponsored Research Briefs with NIBS and ECT on Flooding
- Planning State of the Risk Issues Briefs on Flood, Inland Flooding, Wildfire, Convective Storms, Wind & Hail, Lightning, Hurricanes
- Triple-I Resilience Blogs

Public Policy

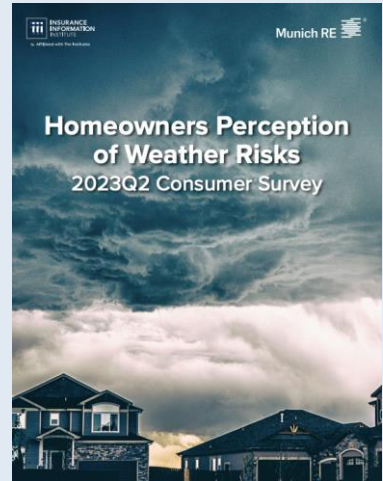
- FIO Climate Data Call Comment Letter submitted in December 2022
- Issues Briefs on Florida and Louisiana Insurance Crises released in Q1

Resilience Accelerator Hub

- Integrating Resilience Accelerator content into main iii.org website
- Community Resilience Ratings will be updated in Q3

Informing the Public Dialogue

- Climate Risk included in almost every Triple-I presentation



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CLIMATE RISK X LEGAL SYSTEM ABUSE = PROPERTY CRISIS

Compounding of Cats, Fraud, and Legal System Abuse has Led to a Property Crisis in Key States

Florida

- \$51B was paid out by insurers over 10-year period, with 71% going to attorneys' fees and public adjustors*
- Six companies were declared insolvent in 2022
- Citizens Property Insurance Corp. insures over 1.2M policies

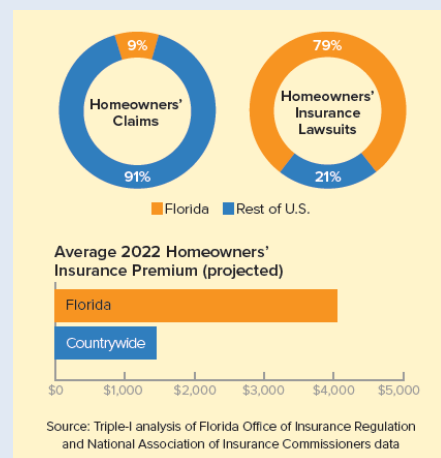
Louisiana

- 2021 Industry Combined Ratio of 462 pts and Underwriting Loss of \$7.2B due primarily to Hurricane Ida
- Nine companies were declared insolvent in 2022
- Lawsuit environment costs the state \$3.9B in lost economic activity, imposing a "tort tax" of \$451 per resident annually**

*Florida Office of Insurance Regulation

**American Tort Reform Association

[Trends & Insights: Florida Insurance Crisis](#)



14

LEGAL SYSTEM ABUSE & SOCIAL INFLATION

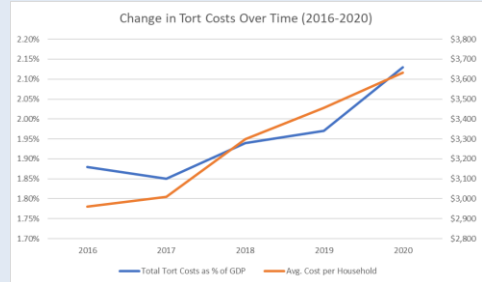
Social Inflation Encapsulates How Insurers' Claims Costs are Rising Above Economic Inflation

Social Inflation can arise from myriad sources

- Increase in number of outsized jury awards
- Legal proceedings taking longer than reasonably expected
- Erosion of statutory limits on non-economic damages
- Third party litigation funding

Power in the Name – What do we call it?

- Insurance professionals commonly use "Social Inflation" – but consumers cannot define it
- Claim professionals commonly use "Nuclear Verdicts" – but now trademarked and emotionally charged
- Triple-I transitioning to "Legal System Abuse" – especially when speaking with consumers and media



Source: Institute for Legal Reform, Tort Costs in America, November 2022.



15

FINANCIAL IMPACT OF SOCIAL INFLATION

Triple-I Published Research in February 2022 and March 2023 to Quantify the Impact of Social Inflation. Research was Funded by CAS Research Grants.

Key Findings

- Social Inflation contributed to **increased claims** by estimated **\$30-34B (18-20%)** from 2012 to 2021 in Commercial Auto Liability
- Research suggests Social Inflation could be causing losses to increase faster than general inflation by 2-3% per year
- Evidence of similar trends found in Other Liability Occurrence and Medical Malpractice Claims-made

Case-incurred estimate of impact of social inflation by year P&C Industry - commercial auto liability



*Triple-I and Casualty Actuarial Society analysis of National Association of Insurance Commissioner (NAIC) data. [Social Inflation and Loss Development - An Update](#), Lynch, J. and Moore, D., March 2023

Issues Brief [State of the Risk: Social Inflation](#)

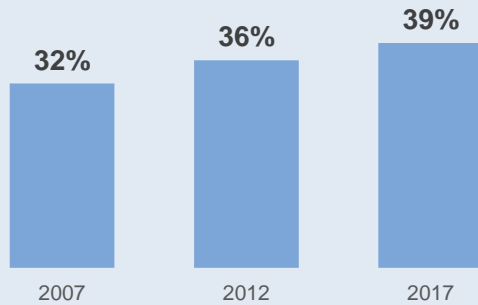


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LEGAL SYSTEM ABUSE DRIVERS

Attorney Involvement is Growing Steadily

No-fault PIP Claims with Attorney Involvement Nationwide



Source: Insurance Research Council

No-fault laws were designed to reduce litigation, but upward trend continues

Leading states as of 2017: FL at 55%, NY at 47%, NJ at 46%

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AND THEN THERE'S...THIRD-PARTY LITIGATION FUNDING

Hedge Funds and Others Invest in Lawsuits in Exchange for a Cut of Any Settlement

- Taking hold in U.S. as courts erode bans on "Champerty" and "Maintenance"
- TPLF is a speculative financial industry and comparatively unregulated

"Original purpose of champerty prohibitions was to prevent financial speculation in lawsuits, and it was rooted in a general mistrust of litigation and money lending."

— [Analysis by Steptoe](#), an international law firm

Swiss Re study:

- More than half the **\$17 billion invested in litigation funding globally** in 2020 was deployed in the U.S.
- Despite the widespread court closures during the pandemic, third-party **investment jumped 16%** year-over-year in 2021.
- **\$30+ billion industry** by 2028, with U.S. market driving growth

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THIRD-PARTY LITIGATION FUNDING

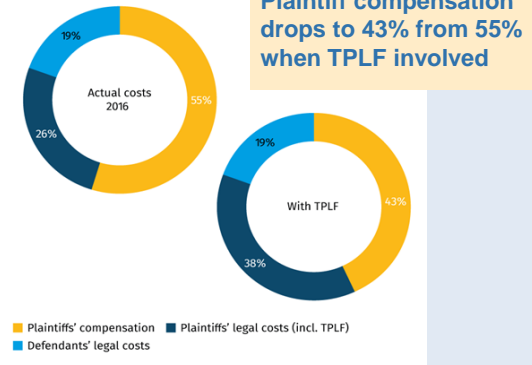
Who typically provides this money?

Deep-pocketed investors – accredited investors, hedge funds, financial institutions, asset managers, other large funds – seeking above-average returns on their investments

What kinds of cases are funded?

- Torts and contract breaches
- Personal injury
- Class Action
- Intellectual Property
- Whistleblower
- Arbitration

Distribution of tort system costs without TPLF (left) and with TPLF (right)

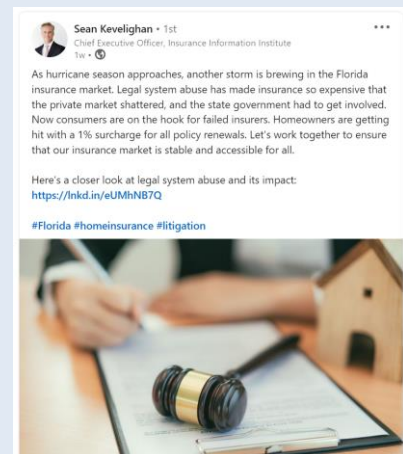


Source: Swiss Re, Institute for Legal Reform, Research Nester

TRIPLE-I LEGAL SYSTEM ABUSE CAMPAIGN

Building on a Strong Foundation

- Continued proactive messaging campaign to educate key stakeholders about social inflation and legal system abuse, including an ongoing Biweekly E-blast (Social Inflation Insight) Weekly Social Inflation eblasts sent to 7,000+ subscribers
 - Email Open Rates Exceed 24%
 - E-blasts Picked Up By Media Outlets like Reinsurance News
- Expanded thought leadership campaign to include regular cadence of blog posts and articles on LinkedIn



2023 → FLORIDA-FOCUSED CAMPAIGN

Generated consistent content and digital campaigns starting in late 2022 around the need for tort reform.

- AOB = "Legalized Fraud"
- Proactive media relations – editorial boards

Activated consumer support for Florida tort reform legislation:

- 4,125 clicks to Triple-I's landing page on social inflation
- More than 850 letters to Florida policymakers

Collaborated with Third-Parties

- American Tort Reform Association
- US Chamber Institute for Legal Reform
- Greenberg Traurig
- Florida Realtors Association



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FLORIDA: COMING TO A STATE NEAR YOU...

**Florida
Property
Insurance
Market**

June 2023

INSURANCE INFORMATION INSTITUTE
Affiliated with The Institutes

Injured in a car wreck?
We'll get you \$\$\$

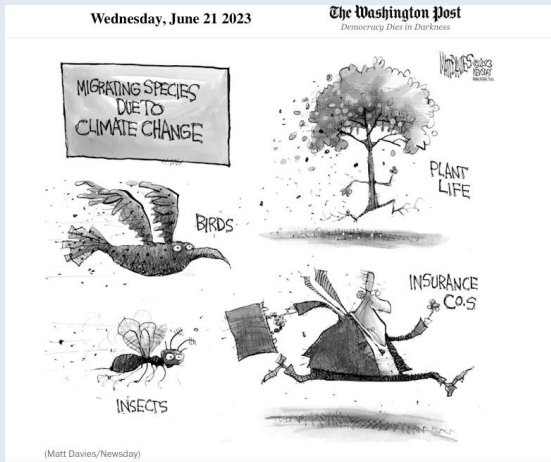
Call ACME LAW FIRM
1-999-LAW-CASH

- Florida was home to **79%** of the nations homeowners insurance-related litigation in 2020, despite only 9% of total U.S. homeowners claims*
- **250,000+** new lawsuits filed in March 2023 against the state's insurers
- **7** property insurer insolvencies since February 2022



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WHAT'S NEXT?



THE WALL STREET JOURNAL.

Supreme Court Allows State-Law Climate Suits Against Oil Companies to Proceed

Industry sees state laws as less favorable than federal environmental statutes.

By [Jess Bravin](#) and [Erin Mulvaney](#)

Updated April 24, 2023 3:05 pm ET

Gift unlocked article Listen 16 min



The Supreme Court denied the industry petitions in a summary order that contained no comment.
PHOTO: VALERIE PLESCH/BLOOMBERG NEWS

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Insurance Economics

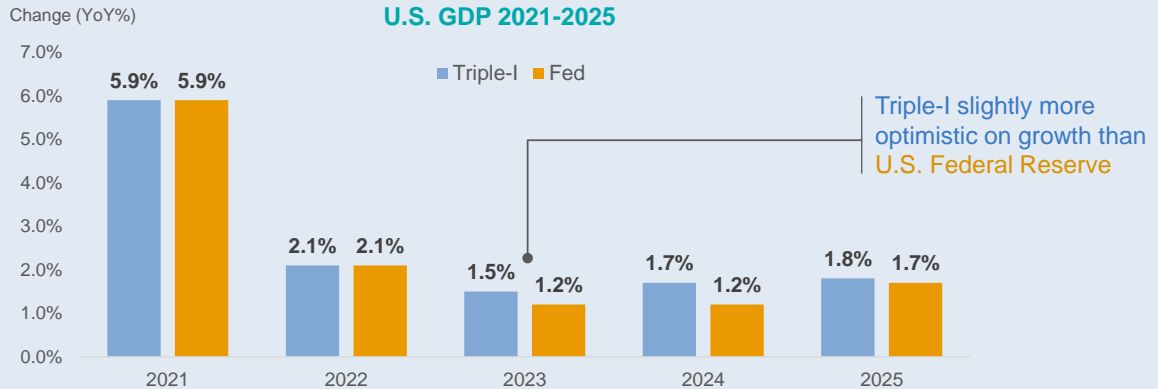
Macro drivers of insurance performance

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TRIPLE-I FORECASTS U.S. GDP GROWTH TO REMAIN BELOW FED'S TARGET

Triple-I Forecasts U.S. GDP to Grow Slightly Above Fed Expectations Between 2023 and 2025 But to Remain Below the Fed's Long Term Growth Expectation for the Foreseeable Future.



Source: Federal Reserve (as of 12/14/2022) and Triple-I (as of 03/20/2023)

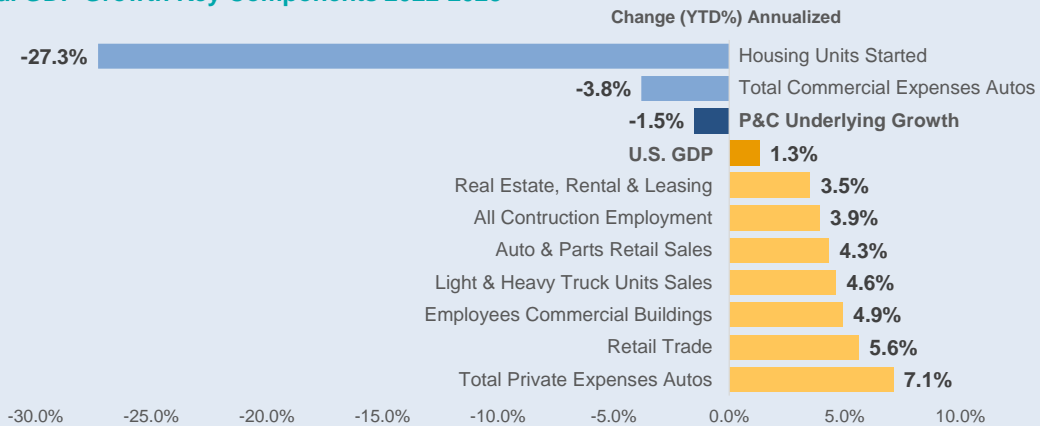
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MONETARY POLICY PUSHES ECONOMY TO BRINK OF RECESSION

U.S. Growth Dropped Over the Last Six Months as Rising Interest Rates Depress New Housing Starts, Corporate Capital Investments and Spending on Vehicles.

Real GDP Growth Key Components 2022-2023



Source: US, Fed, FRED, Insurance Lines, Triple-I as of 03/20/2023

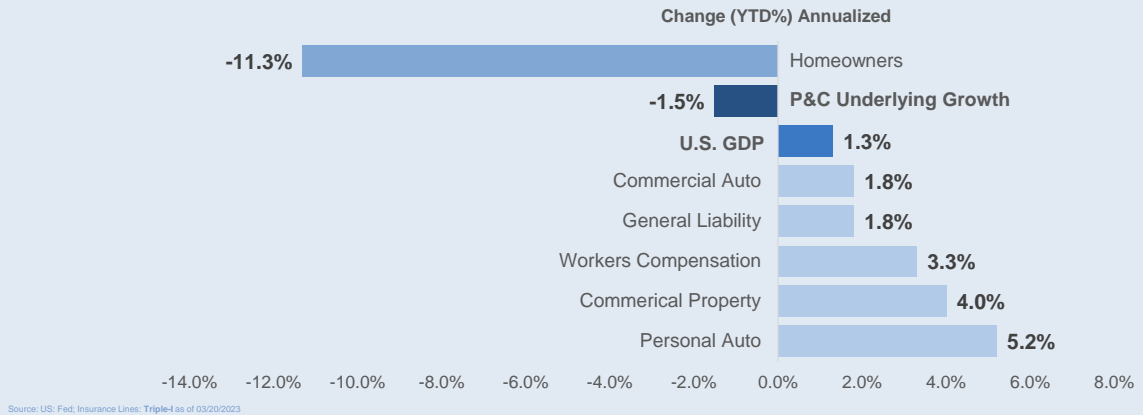
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P&C CYCLICAL UNDERLYING GROWTH REBOUNDS FAILS TO MATERIALIZE

Overall P&C Underlying Growth Fails to Recover in Q1 2023, Dragged Down by a Double-digit Decrease in Homeowners Underlying Growth Caused by Aggressive Interest Rates Tightening.

Underlying Growth Key P&C Lines 2022-2023

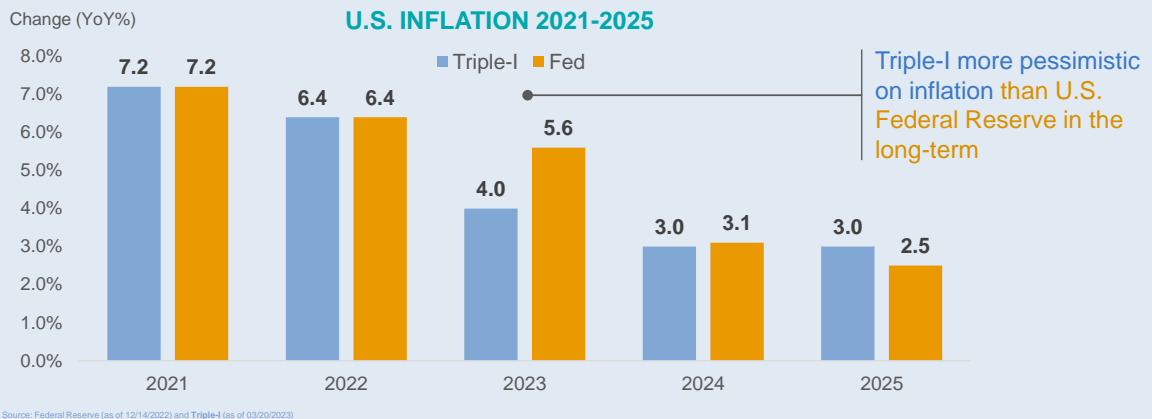


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TRIPLE-I FORECASTS U.S. CPI TO REMAIN ABOVE FED'S LONG-TERM TARGET

Triple-I Forecasts U.S. CPI to Continue to Decrease Faster Than the Fed's Expectations but to Remain Above the Fed's Own Long-term Target of 2.0% for the Foreseeable Future.



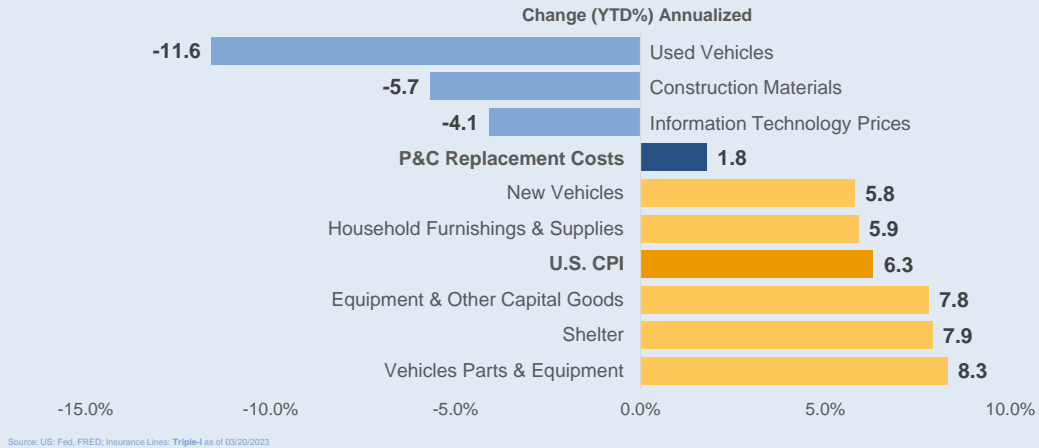
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U.S. CPI IS DECREASING BUT DON'T THANK INTEREST RATES

U.S. CPI Continues to Decrease as Pandemic Supply Chain Disruptions in Vehicles Ease – and Commodity and Energy Prices Reach Precarious War-time Equilibrium.

Inflation Key CPI Components 2022-2023

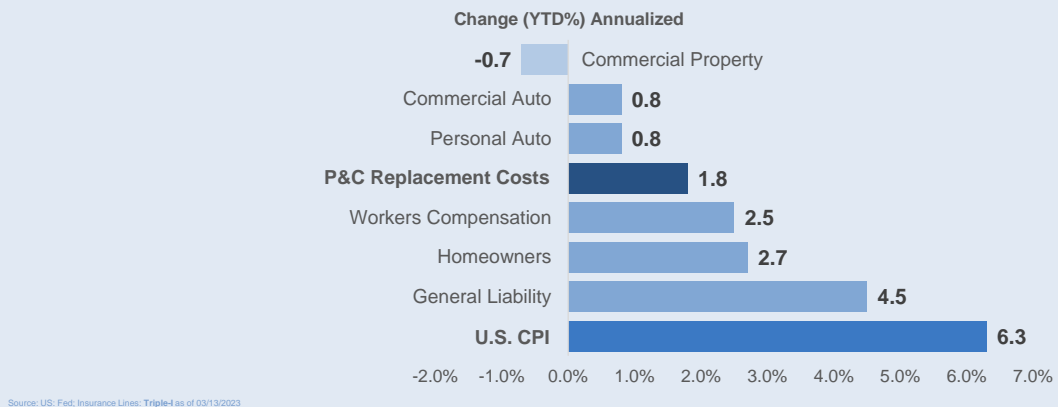


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P&C REPLACEMENT COSTS DECREASED IN FIRST THREE MONTHS OF 2023

Overall P&C Replacement Costs Continued to Decrease Faster Than U.S. CPI in First Three Months of 2023 Due to Significant Slowdown in Homeowners and Commercial Property Replacement Cost Increases.

Replacement Costs Key P&C Lines 2022-2023

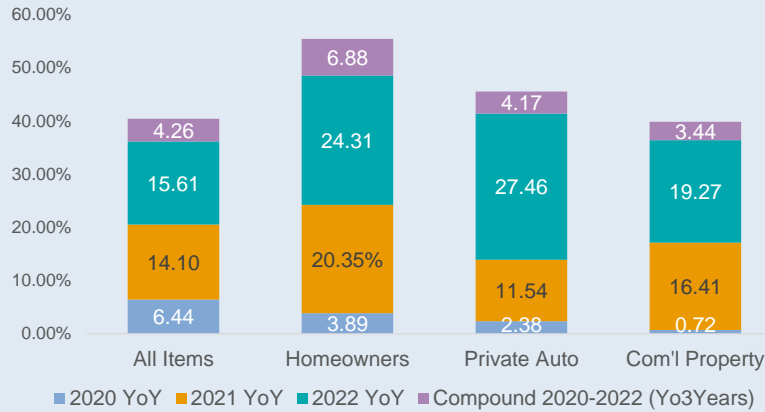


30

CUMULATIVE P&C REPLACEMENT COSTS INCREASES FROM 2019 TO 2022



Cumulative P&C Replacement Cost Increases from 2019 to 2022
All P&C and Key Lines (YoY% and Yo3Y%)



UP 40.42% SINCE 2022

Replacement costs for all P&C lines increased 40.42% from 2019 to 2022 - even after the recent decreases in U.S. CPI.

Cumulative P&C Replacement Costs Increases (Yo3Y% 2019-22)

- All P&C Lines: 40.42%
- Homeowners: 55.44%
- Private Auto: 45.56%
- Commercial Property: 39.85%

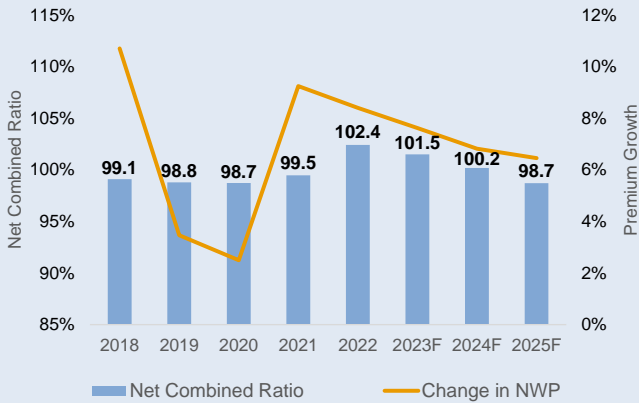


Underwriting Projection



P&C INDUSTRY OUTLOOK

Net Combined Ratio and Change in NWP



- 2022 Net Combined Ratio of 102.4 was 3 pts worse than 2021
- 2022 Q4 actual results reflected lower expense ratios and improved commercial lines profitability
- Combined Ratio forecast to incrementally improve each year from 2023 to 2025
- Premium growth peaked at 9.2% in 2021, followed by 8.4% in 2022
- Premium growth forecast to temper each year from 2023 to 2025

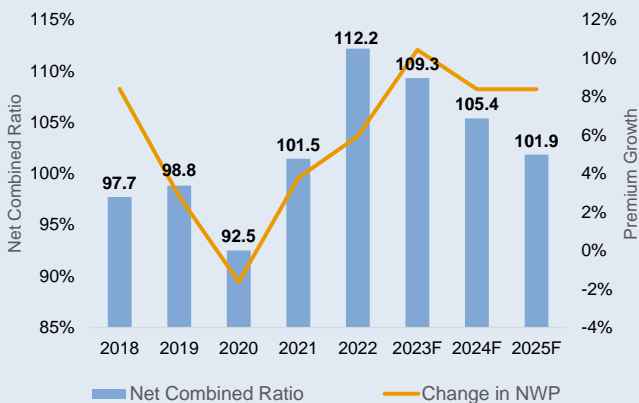
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.



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PERSONAL AUTO

Net Combined Ratio and Change in NWP



- 2022 Net Combined Ratio of 112.2 was 10.7 pts worse than 2021 and 19.7 pts worse than 2020
- Premium growth in 2023-2025 forecast to be greater than 5.9% in 2022 primary due to rate increases
- Costlier replacement parts and low inventories are contributing to current and future loss pressures
- Elevated losses cause 2023–2025 to remain at an underwriting loss while expected rate increases are fully earned

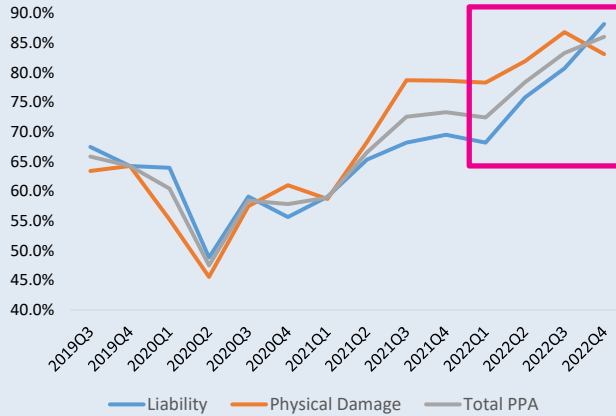
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.



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PERSONAL AUTO DEEPER LOOK AT DETERIORATING TRENDS

Direct Incurred Loss Ratio by Quarter



- Quarterly loss ratio climbed rapidly from 47.5% in 2020Q2 to 86.0% in 2022Q4
- Slight improvement in Physical Damage in 2022Q4 was more than offset by further Liability deterioration
- 2022 averages for Physical Damage of 82.5% and Liability of 78.2% were both the worst in two decades
- Miles driven effectively back to 2019 levels, but with higher inflation, adverse development, and riskier behaviors like distracted driving

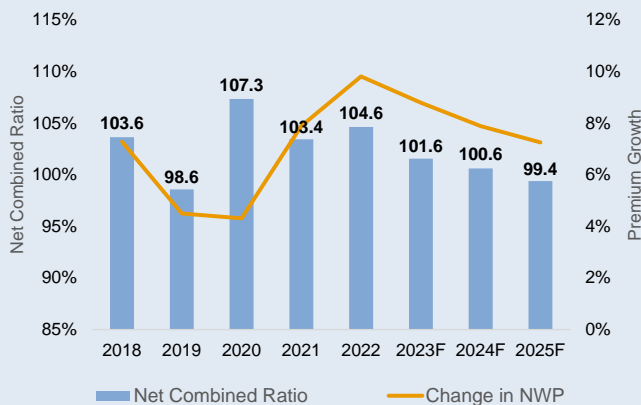
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.



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HOMEOWNERS

Net Combined Ratio and Change in NWP



- 2022 Net Combined Ratio of 104.6 reflects Hurricane Ian as second worst catastrophe in US history
- Combined Ratio forecast to improve incrementally from 2023 to 2025
- Net Written Premium grew by 9.8% in 2022 due to rate and exposure increases
- Loss pressures and expected catastrophes indicate further rate increases are needed to restore Homeowners to underwriting profit

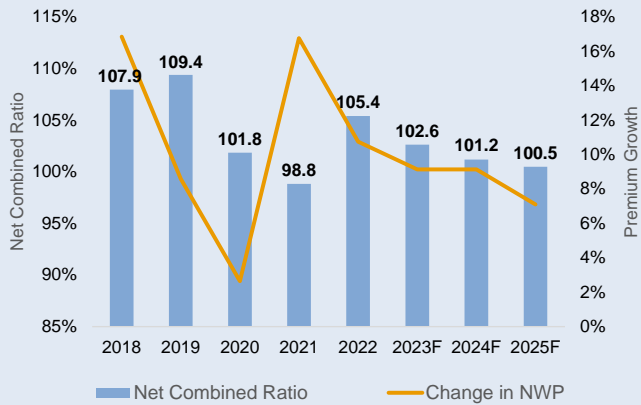
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.



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COMMERCIAL AUTO

Net Combined Ratio and Change in NWP



- 2022 Net Combined Ratio of 105.4 was 6.6 pts worse than 2021, in part due to greater adverse reserve development
- Premium growth expected to remain elevated due to hard market conditions
- Forecast underwriting loss in 2023-2025 due to inflation, loss pressure, and prior year adverse loss development

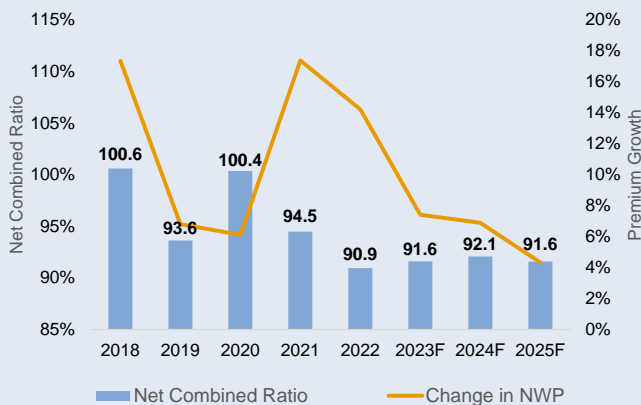
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.



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COMMERCIAL PROPERTY

Net Combined Ratio and Change in NWP



- 2022 Net Combined Ratio of 90.9 in spite of Hurricane Ian losses
- Premium growth remaining high at 14.2% in 2022 following 17.4% growth in 2021
- Strong underwriting profitability forecast to continue from 2023 to 2025 as premium growth moderates

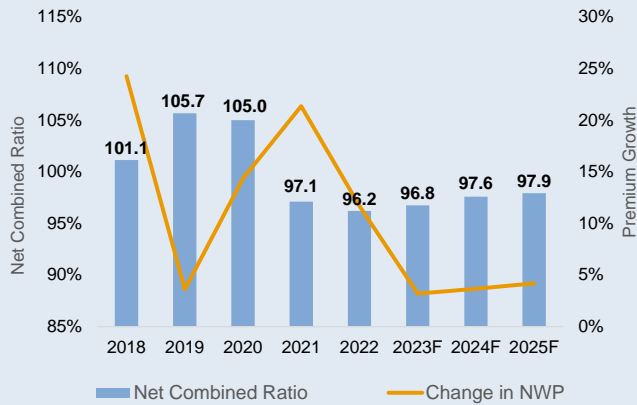
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.



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GENERAL LIABILITY

Net Combined Ratio and Change in NWP

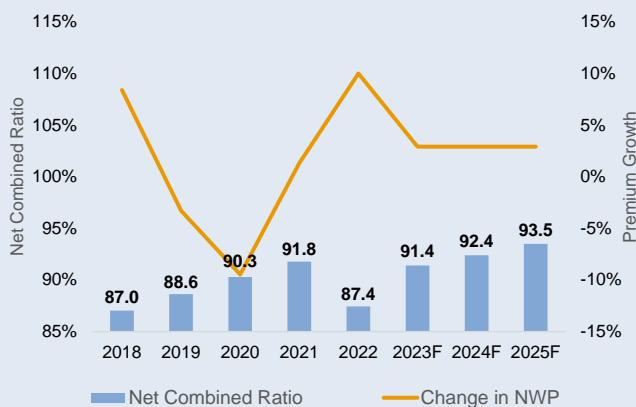


- 2022 Net Combined Ratio of 96.2, 0.9 pt improvement from 2021
- 2022 Loss Adjustment Expense Ratio is lowest in recent history, 2.0 pts lower than 2021
- 2021 and 2022 Operating Expense Ratios are the lowest in recent history
- Forecasting slower premium growth from 2023 to 2025 with lower GDP growth expectations and lower rate need

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WORKERS COMPENSATION

Net Combined Ratio and Change in NWP



- 2022 Net Combined Ratio of 87.4 continues string of underwriting profits since 2015
- Favorable results forecast to continue from 2023 to 2025
- Premium growth rebounded at 10.0% in 2022, forecast to trend around 3%
- Pandemic, recession, remote work, and economic recovery impacted volume and location of WC risk, but not profitability

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 05/15/2023); Insurance Information Institute, Milliman.

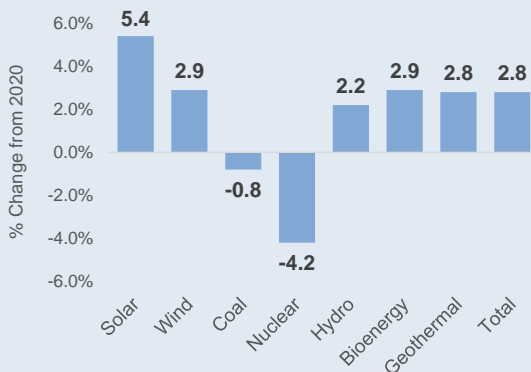
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Energy Focus: Renewables

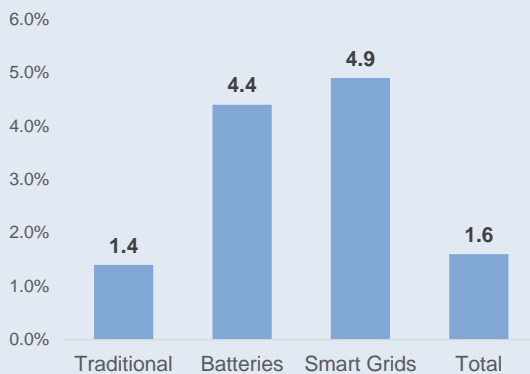
EMPLOYMENT TRENDS

Growth in Renewables, Batteries; Declines in Coal, Nuclear

Energy Generation: 850K Jobs



Transmission, Dist. & Storage: 1.3M Jobs



Source: U.S. Department of Energy, 2022 U.S. Energy and Employment Report Fact Sheet.

ENERGY PRODUCTION: SLOW BUT STEADY GROWTH

Production Follows Economic Trends

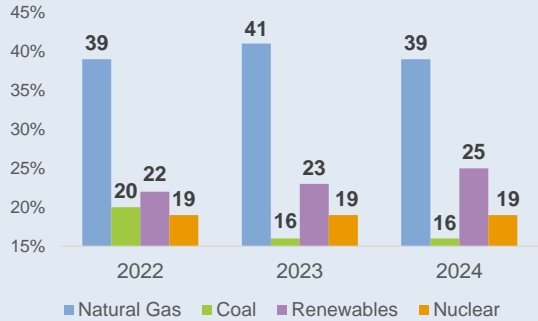
U.S. Electrical Generation by Year



Source: Energy Information Administration, Short-Term Energy Outlook, June 2023

Trends to Watch

Shares of US Electricity Generation



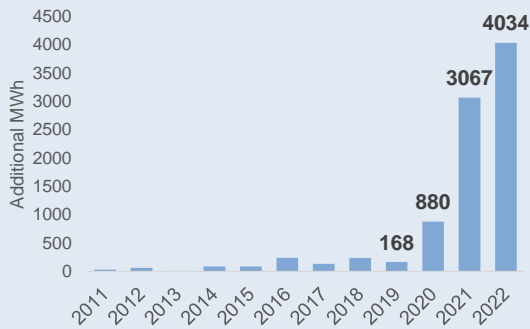
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THE BOOM IN RENEWABLES

Solar Leads the Way

Battery Storage Growth

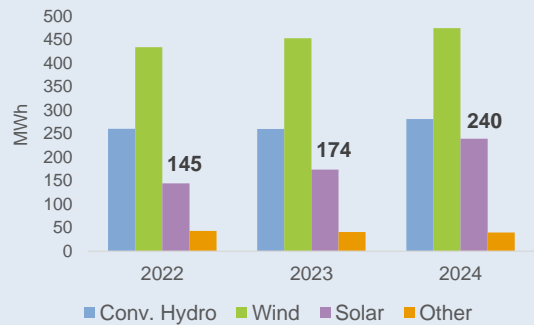
Annual Battery Storage Capacity



SOURCE: American Clean Power Association, 2022 Annual Market Report; U.S. Energy Information Agency, Short-Term Energy Outlook, June 2023.

Renewable Energy Growth

Electricity Generation



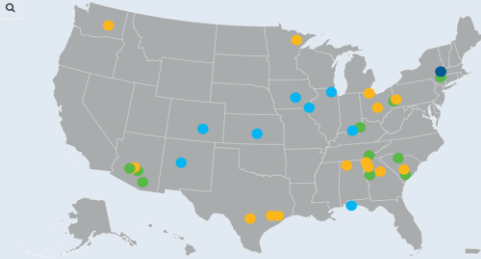
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GROWTH IS ACCELERATING

Tax Incentives Spurring New Projects

Growth Across the Country Manufacturing Activity

■ Battery ■ Offshore Wind ■ Solar ■ Wind



11 additional facilities have not yet announced locations: PV Hardware (Solar), Enphase Energy (Solar), SolarEdge (Solar), Enel (Solar), Canadian Solar (Solar), CubicPV (Solar), GameChange Solar (Solar), Hanwha & LG Solutions (Storage), Linton Crystal Technologies (Solar), Trading Philadelphia (Solar), Mitrex (Solar). Locations are approximate.

Source: American Clean Power Association, Investing in America.

Activity Aug. 2022 – March 2023

- 47 new projects announced in clean energy/storage
 - 96,000 MWh of generation/storage
 - \$150B in capital investment (More than 2017-2021 combined)
- 18,000 new jobs



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OUTLOOK



Image source: DALLE

- Overall, electric consumption industry continues steady growth
- Renewables continue to grow faster than traditional generation sources
- Recent legislation is accelerating the race to renewables
- For insurers, exposure growth will increasingly focus on renewable and battery sources



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SUMMARY

- A lot of disruption in the world, but insurance is in the business of helping people and communities forge ahead
- Economic growth and replacement costs to remain challenging well into 2023 and 2024 as geopolitical risks reach new highs – constraining industry growth and combined ratios
- Climate risk and legal system abuse are beginning to compound into a property crisis. Proactively informing the discussion will be critical
- Renewable energy is poised to continue growing, and increasing exposure risk for insurers

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