

# Current Status of the U.S. Property & Casualty Insurance Industry

TRENDS & ANALYSIS AS OF APRIL 20, 2019



**GJS**re

G. J. Sullivan Co. Reinsurance

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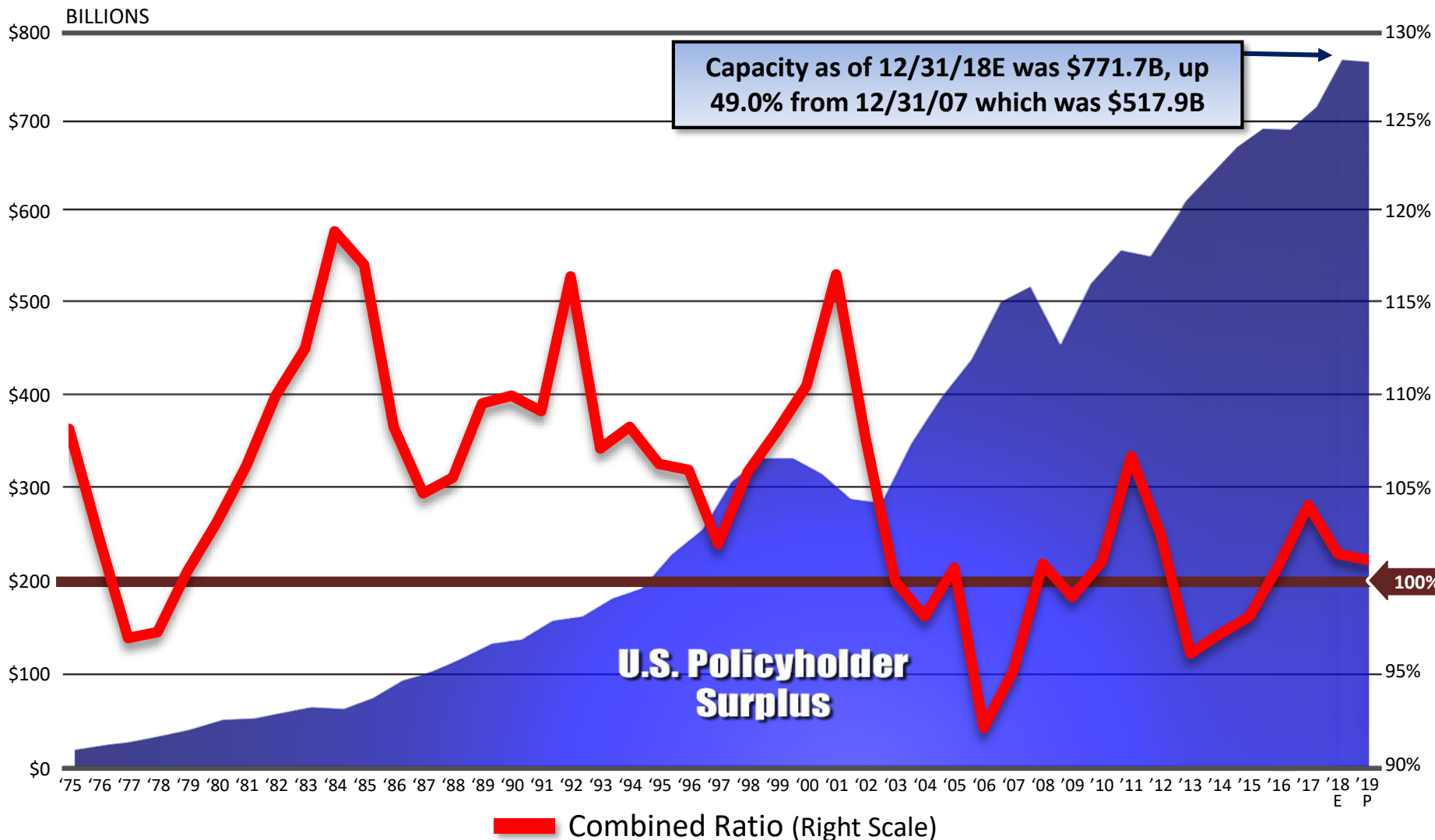
<b>The U.S. P&amp;C Industry</b>	<b>3 - 15</b>
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# U.S. P&C Industry

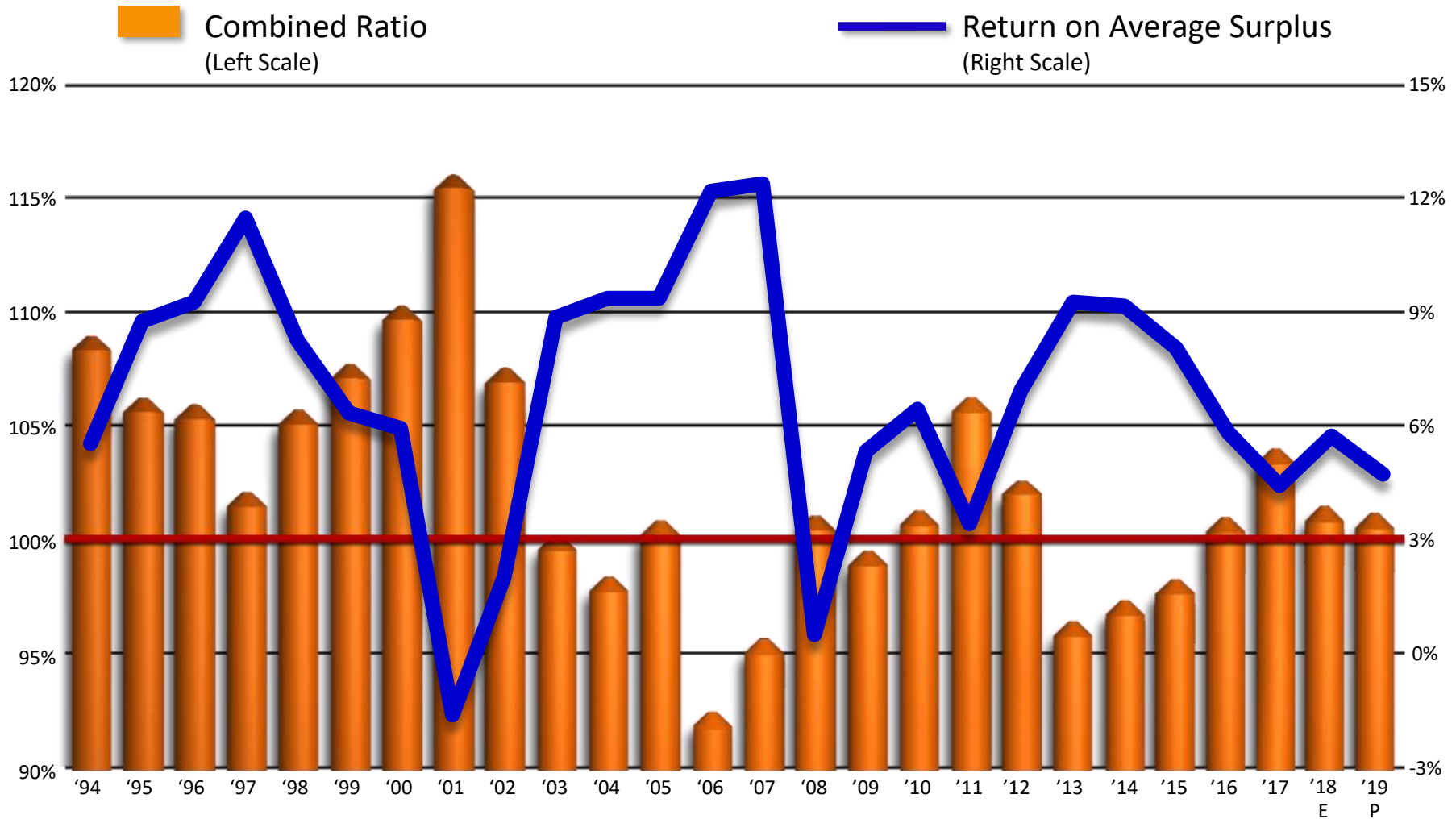
# U.S. Policyholder Surplus vs Combined Ratio

1975 – 2019P



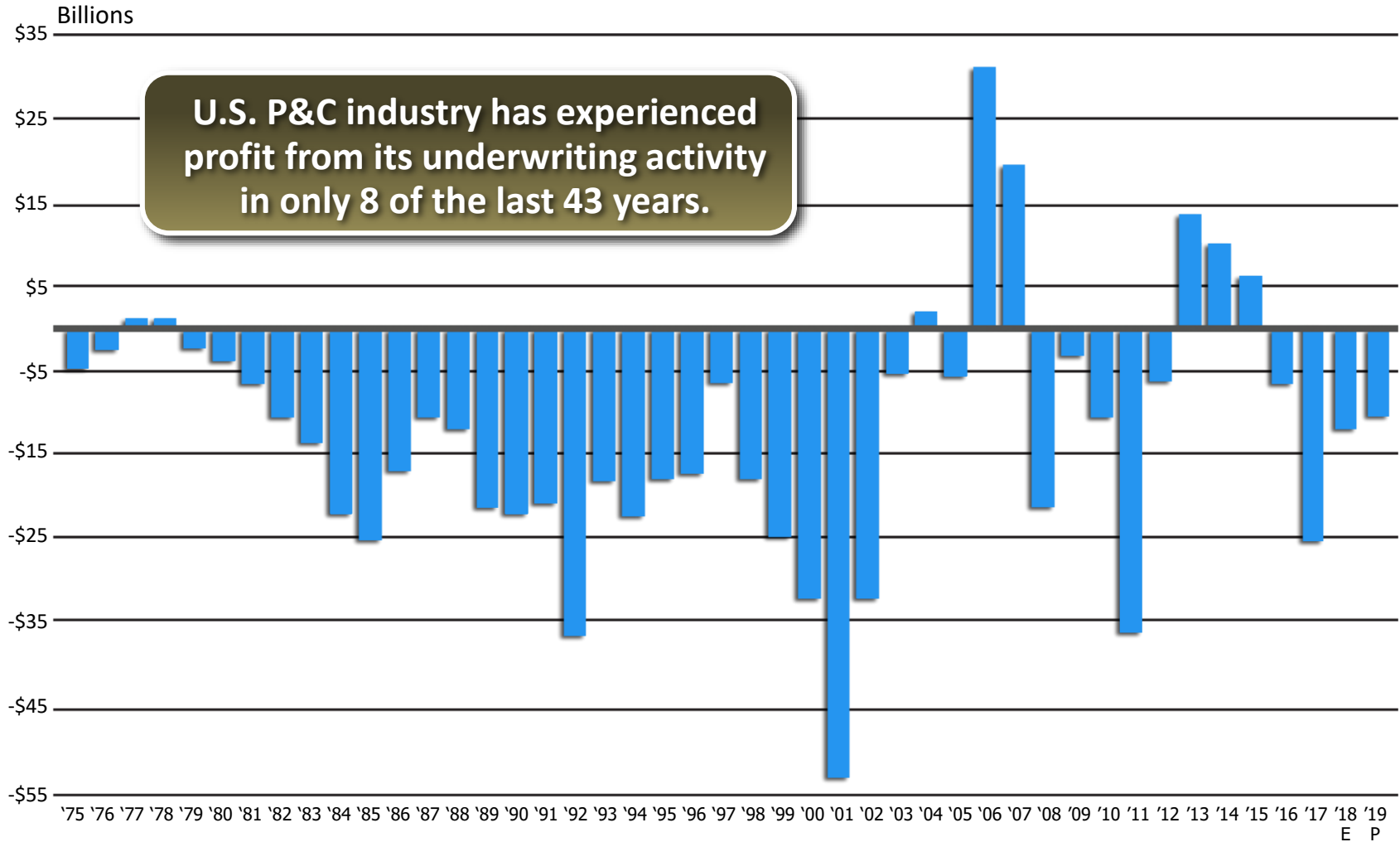
# Overall U.S. P&C Industry Profitability

1994 – 2019P



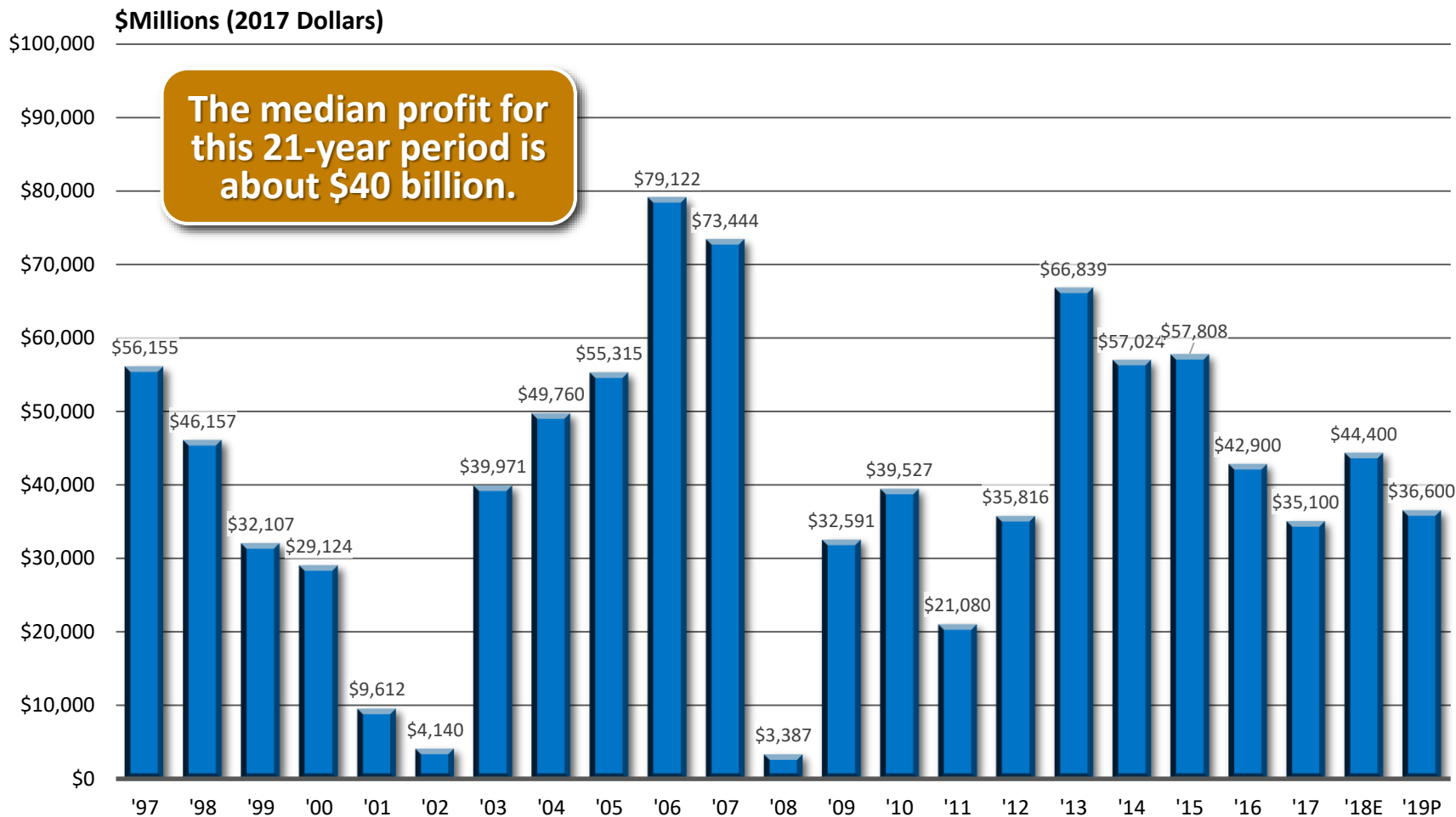
# Underwriting Gain (Loss)

1975 – 2019P



# P/C Industry Net Income After Taxes\*

## 1997 – 2019P

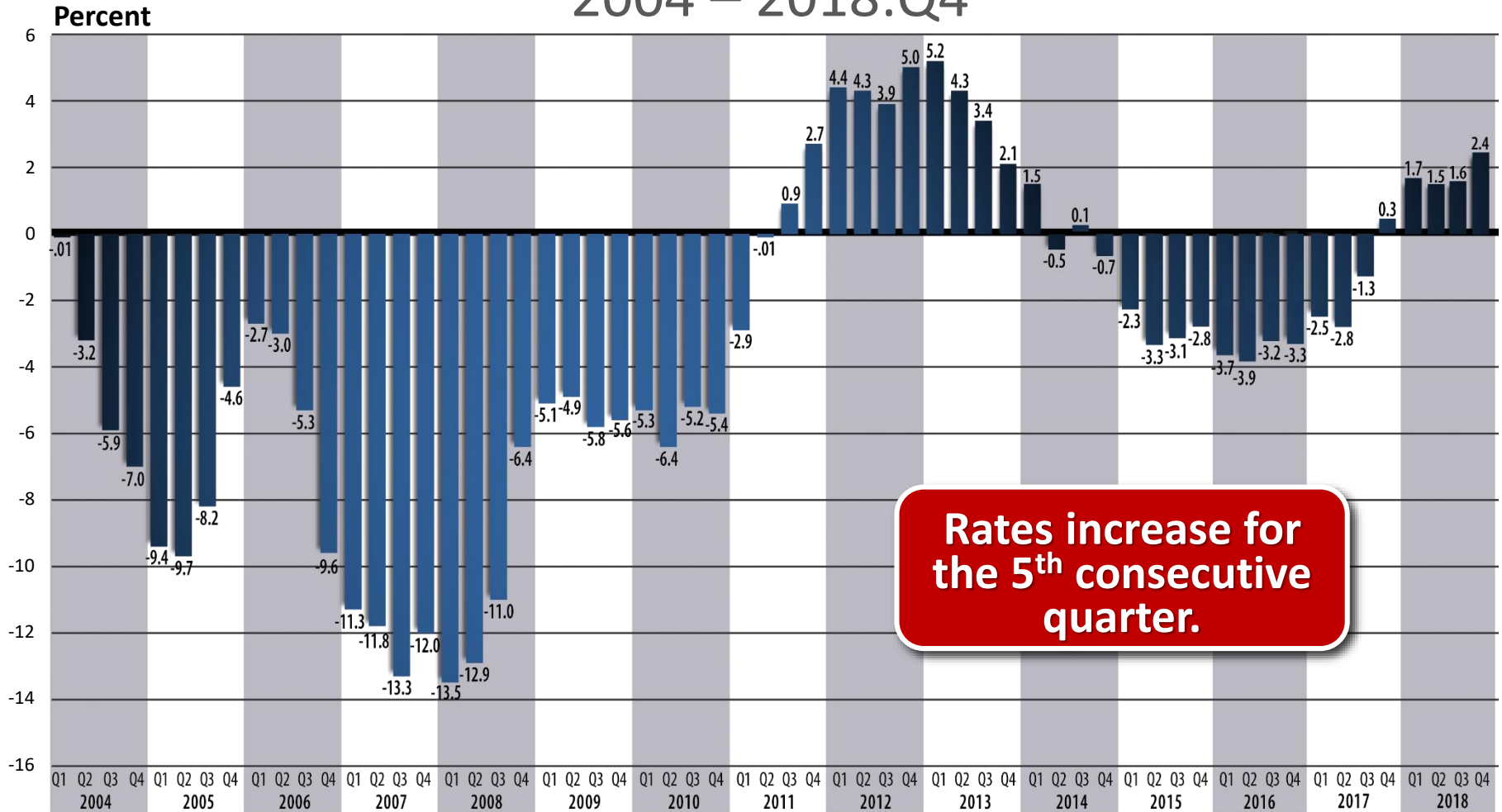


\*Adjusted for inflation using the BLS CPI calculator

# U.S. P&C Industry

## Quarterly Change in Commercial Rates

2004 – 2018:Q4

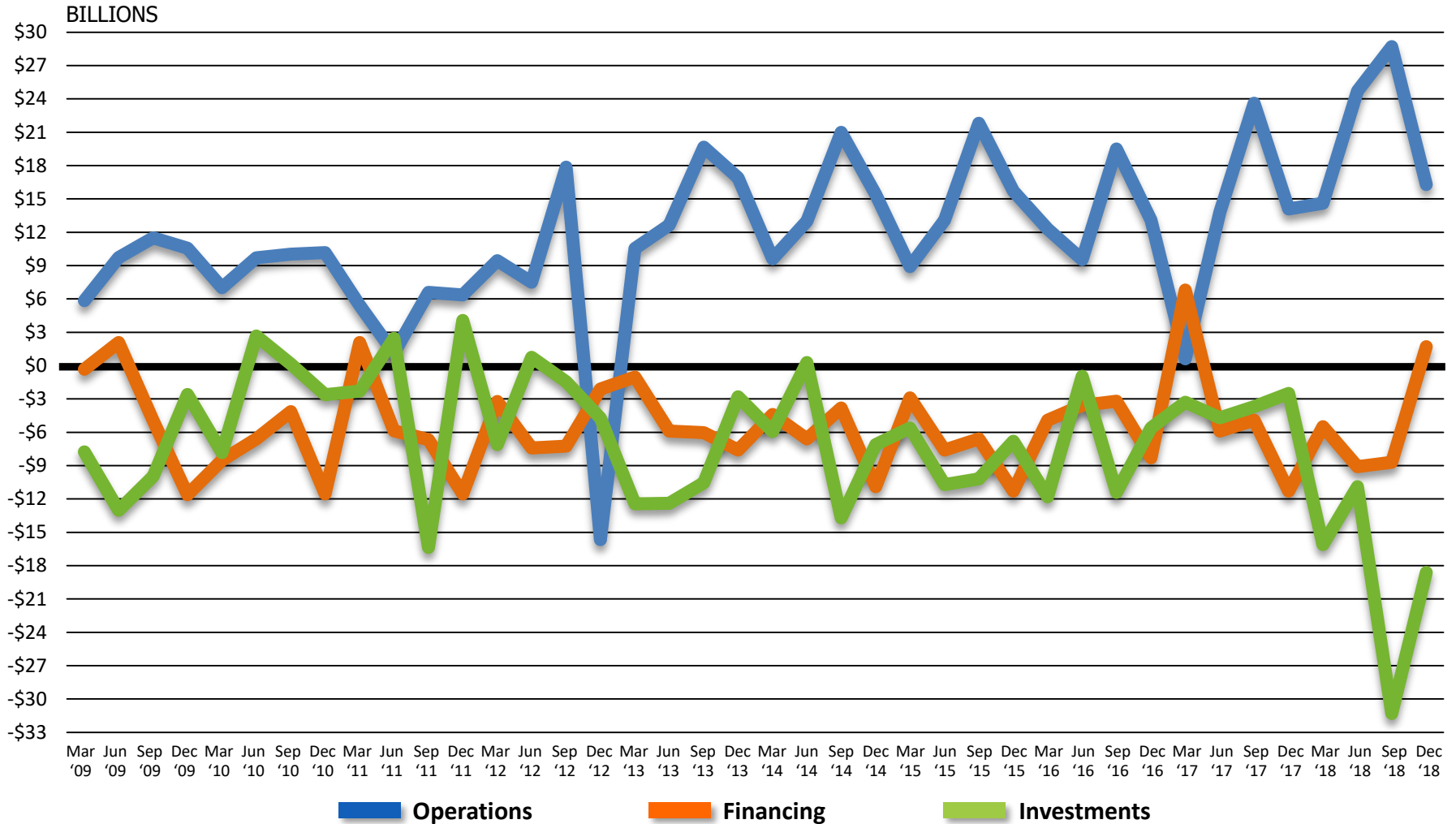


**Rates increase for the 5<sup>th</sup> consecutive quarter.**



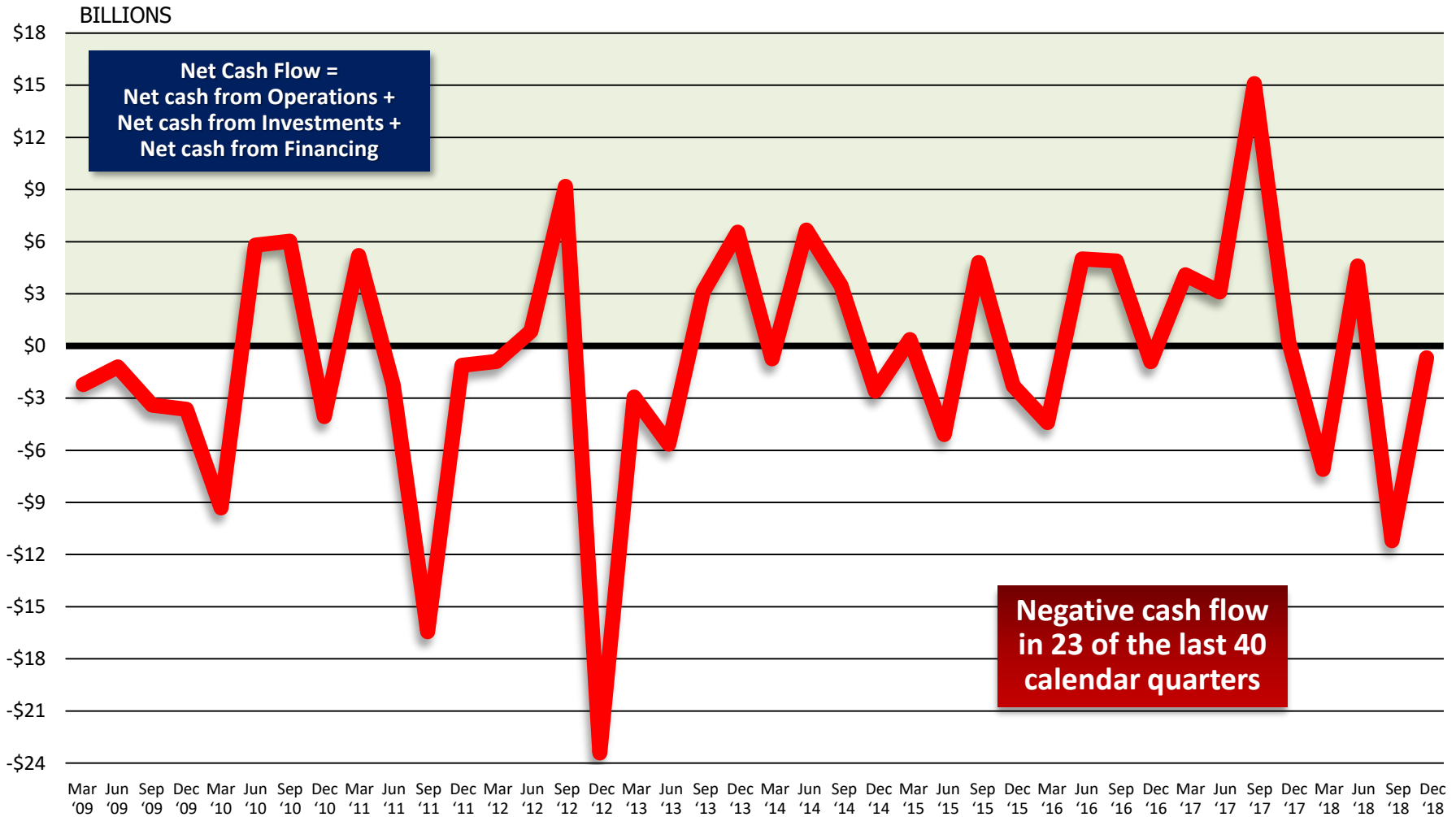
# U.S. Property & Casualty Insurers

## Quarterly Cash Flow



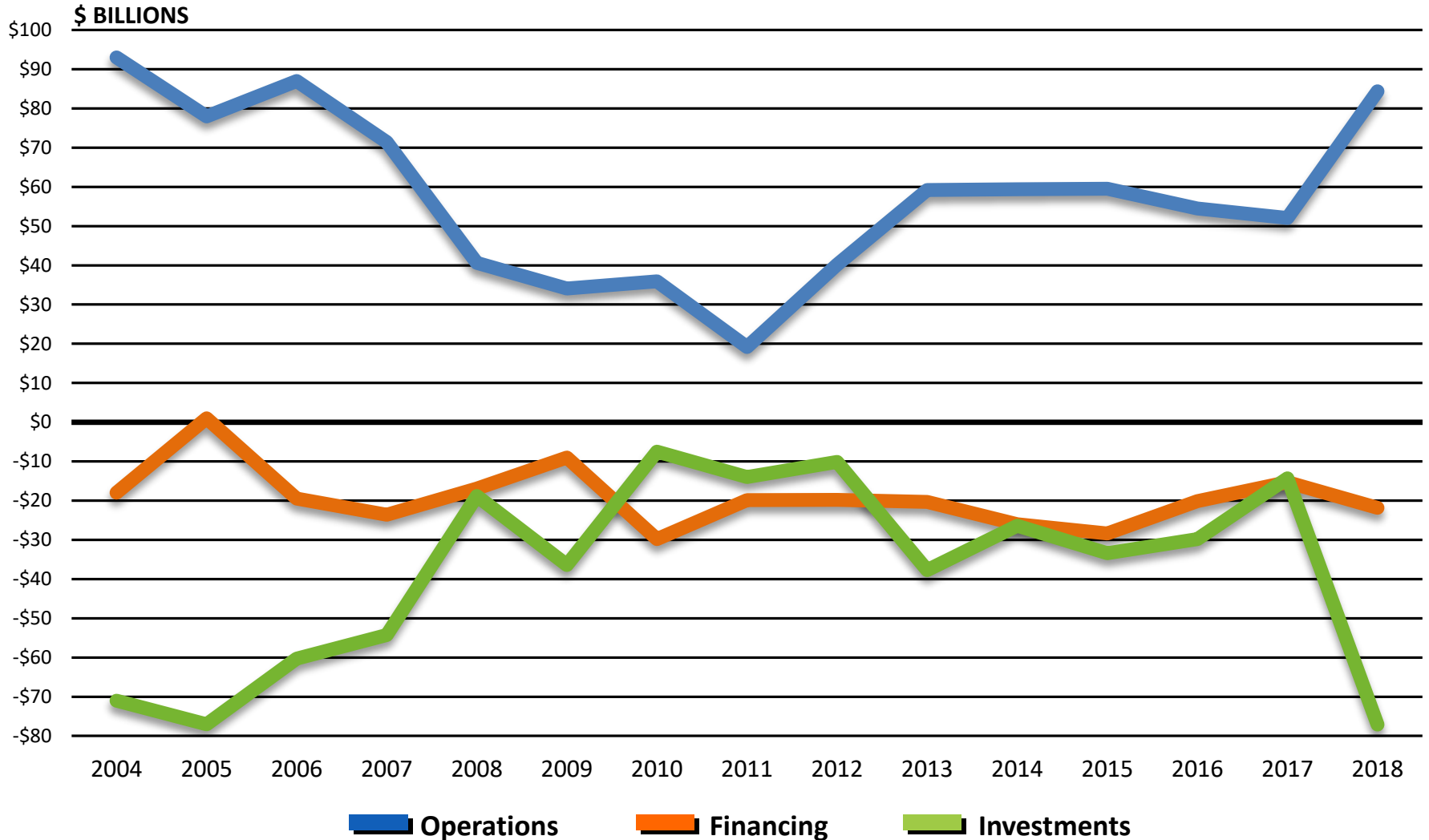
# U.S. Property & Casualty Insurers

## Quarterly Net Cash Flow



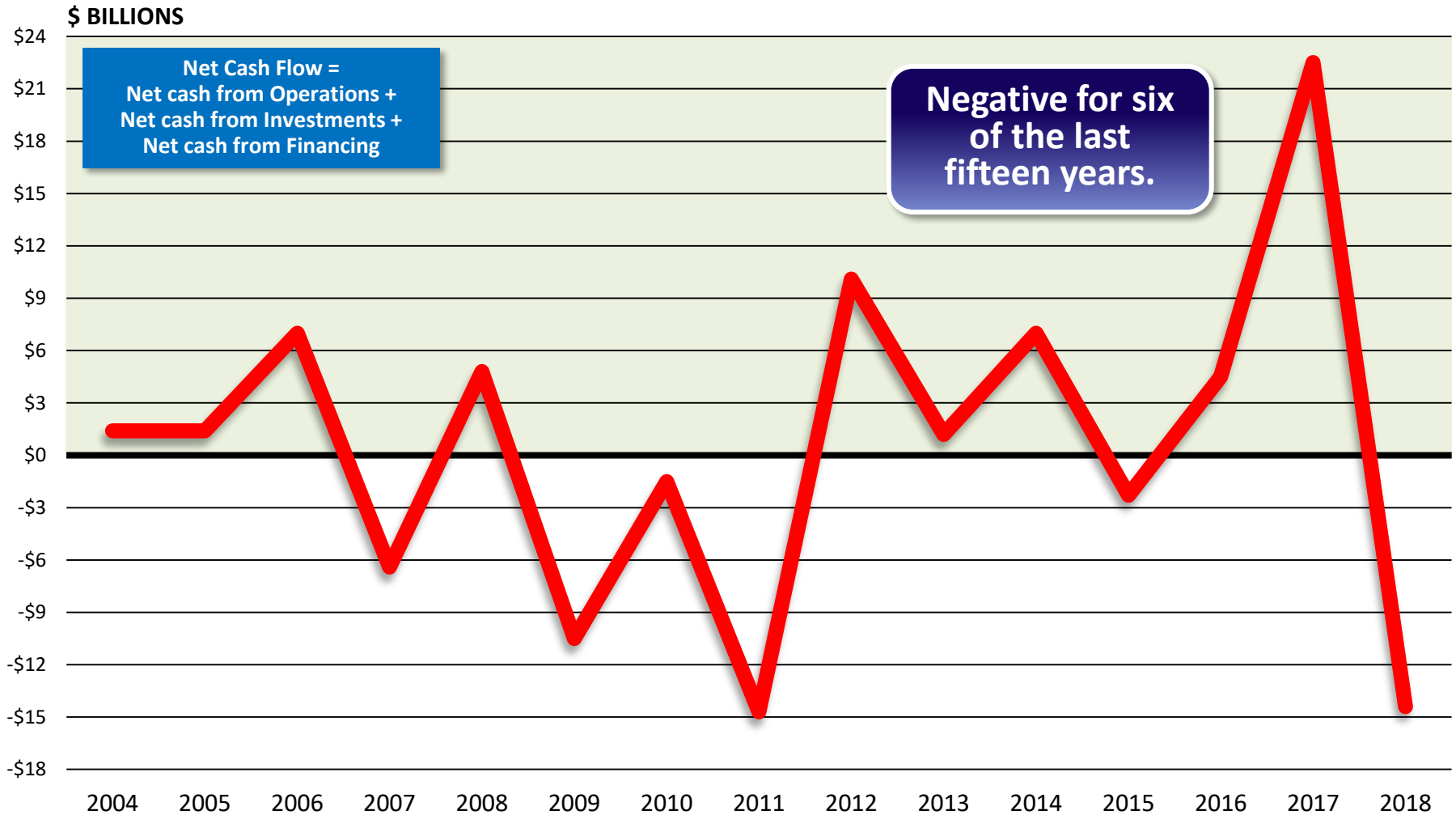
# U.S. Property & Casualty Insurers

## Annual Cash Flow



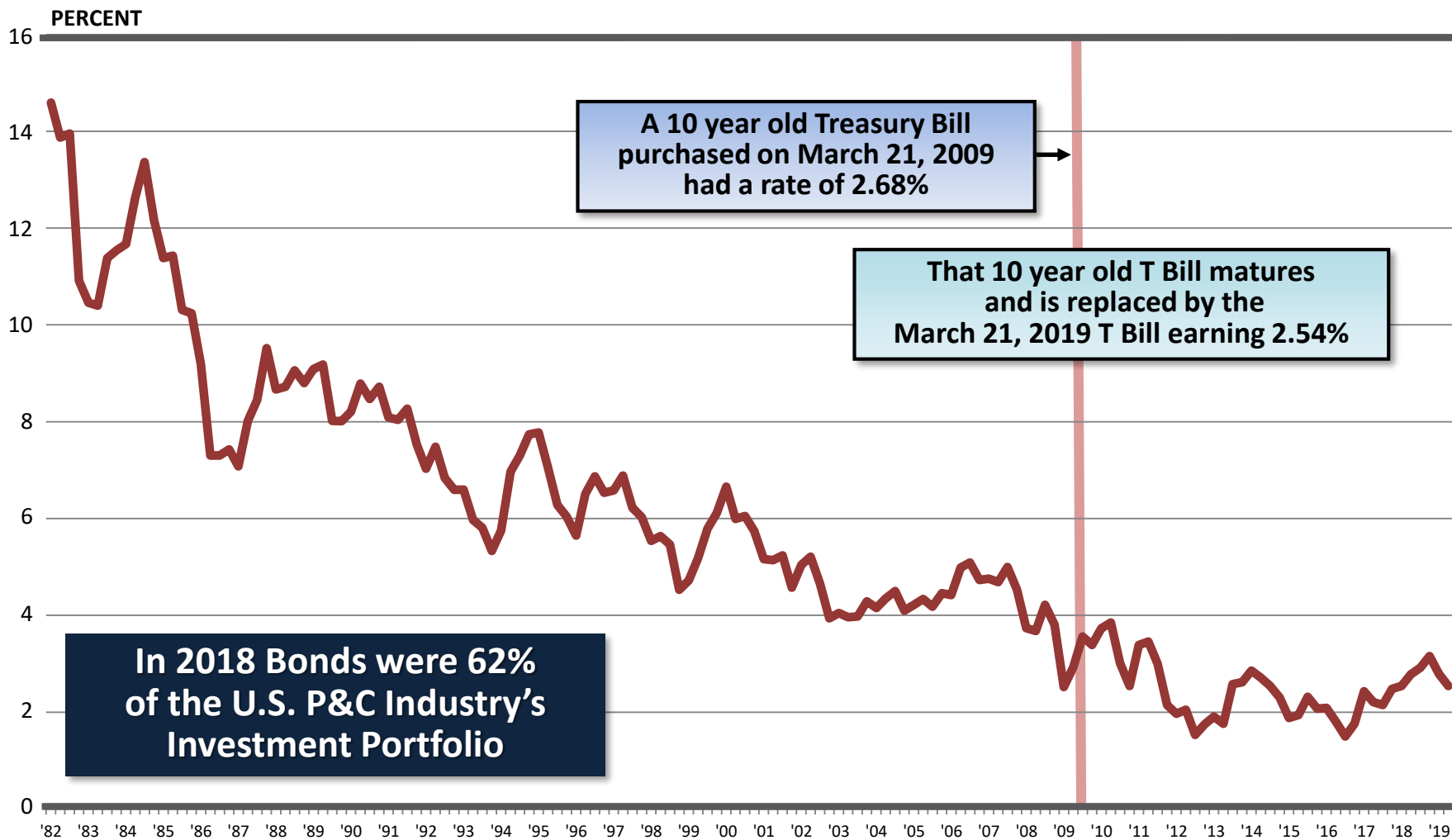
# U.S. Property & Casualty Insurers

## Annual Net Cash Flow



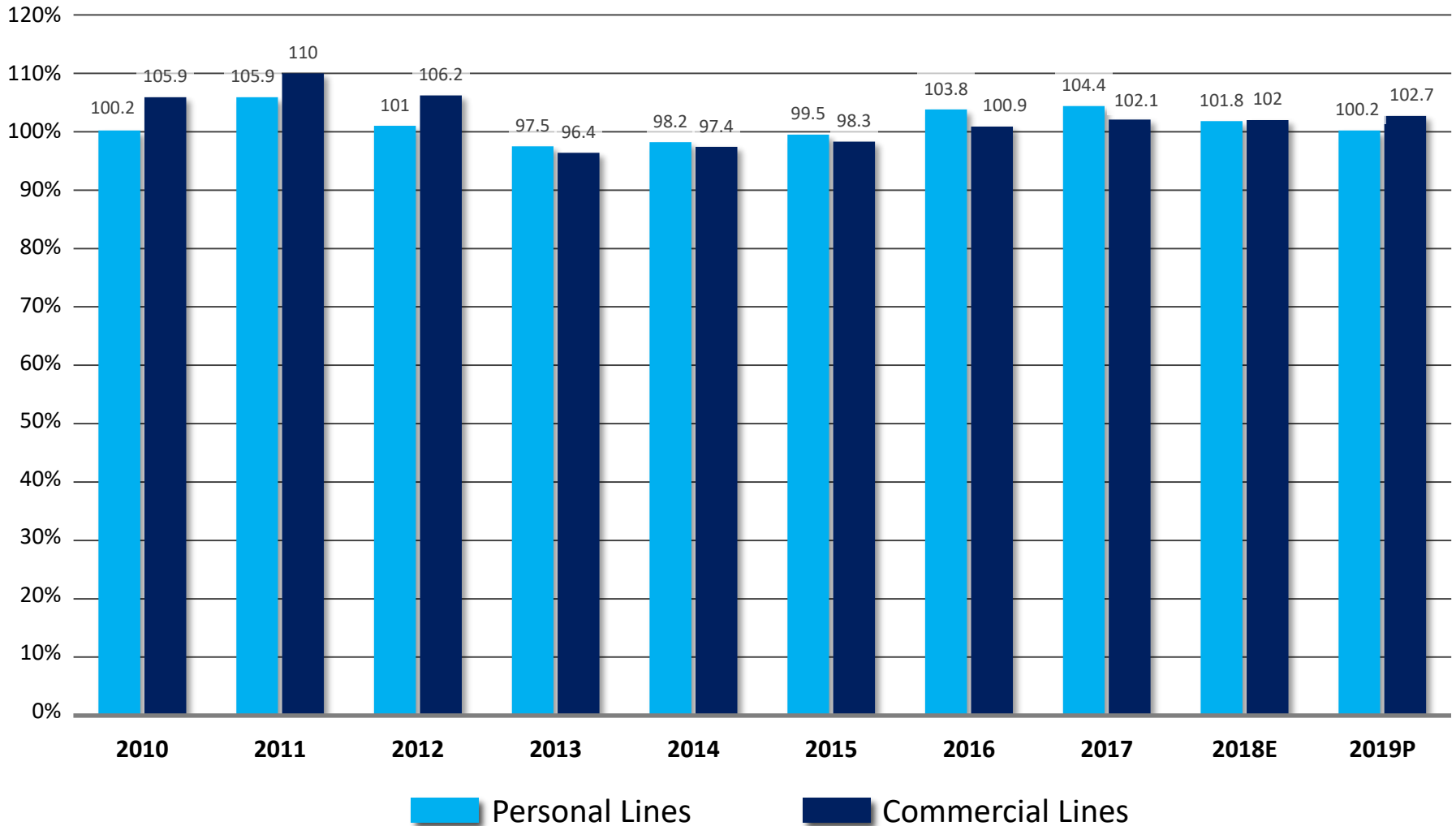
# 10-Year U.S. Treasury Rates

## Quarterly Data 1982 – March 21, 2019



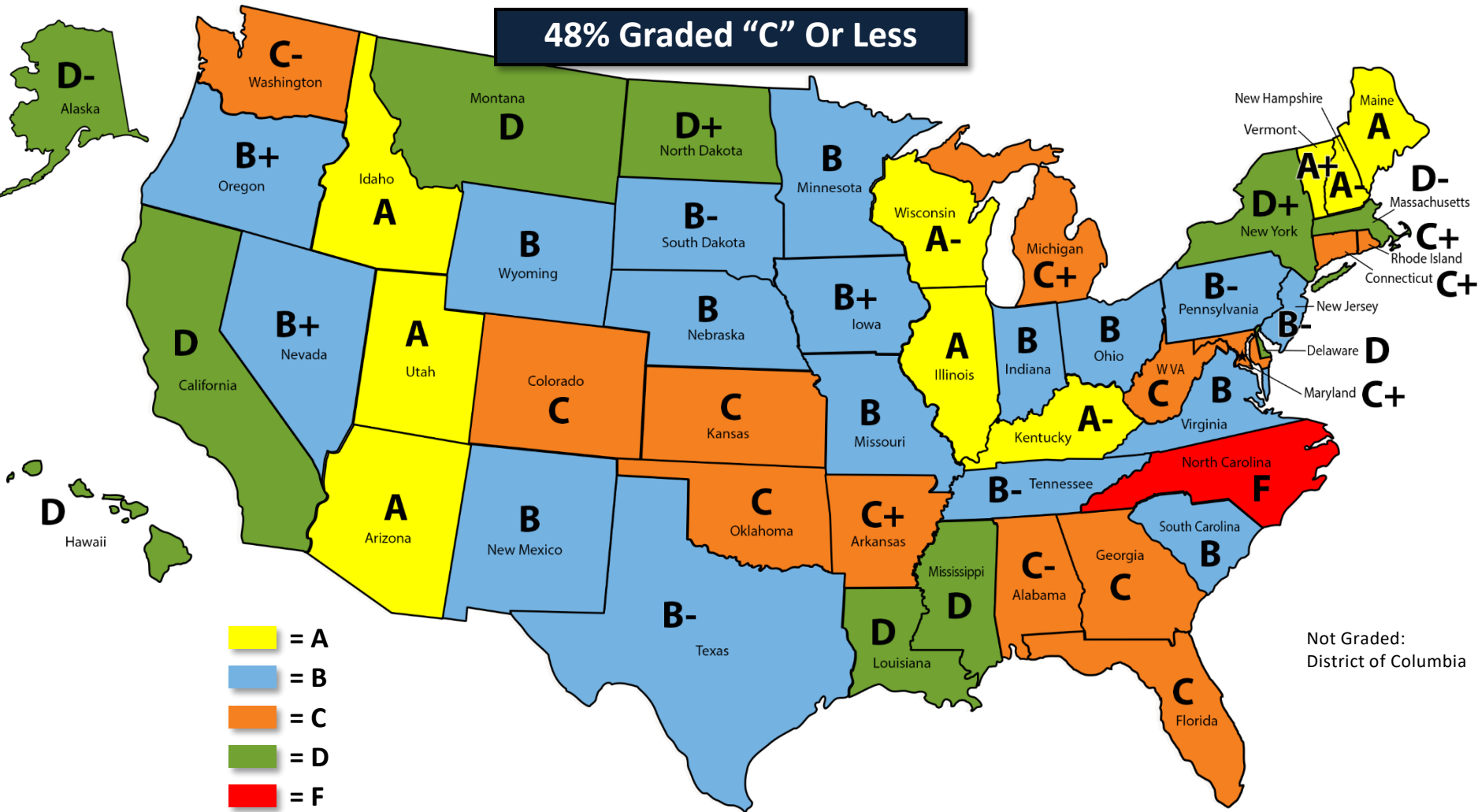
# U.S. Combined Ratios

## 2010 – 2019P



# 2016 Property & Casualty Insurance Regulatory Report Card

**48% Graded "C" Or Less**





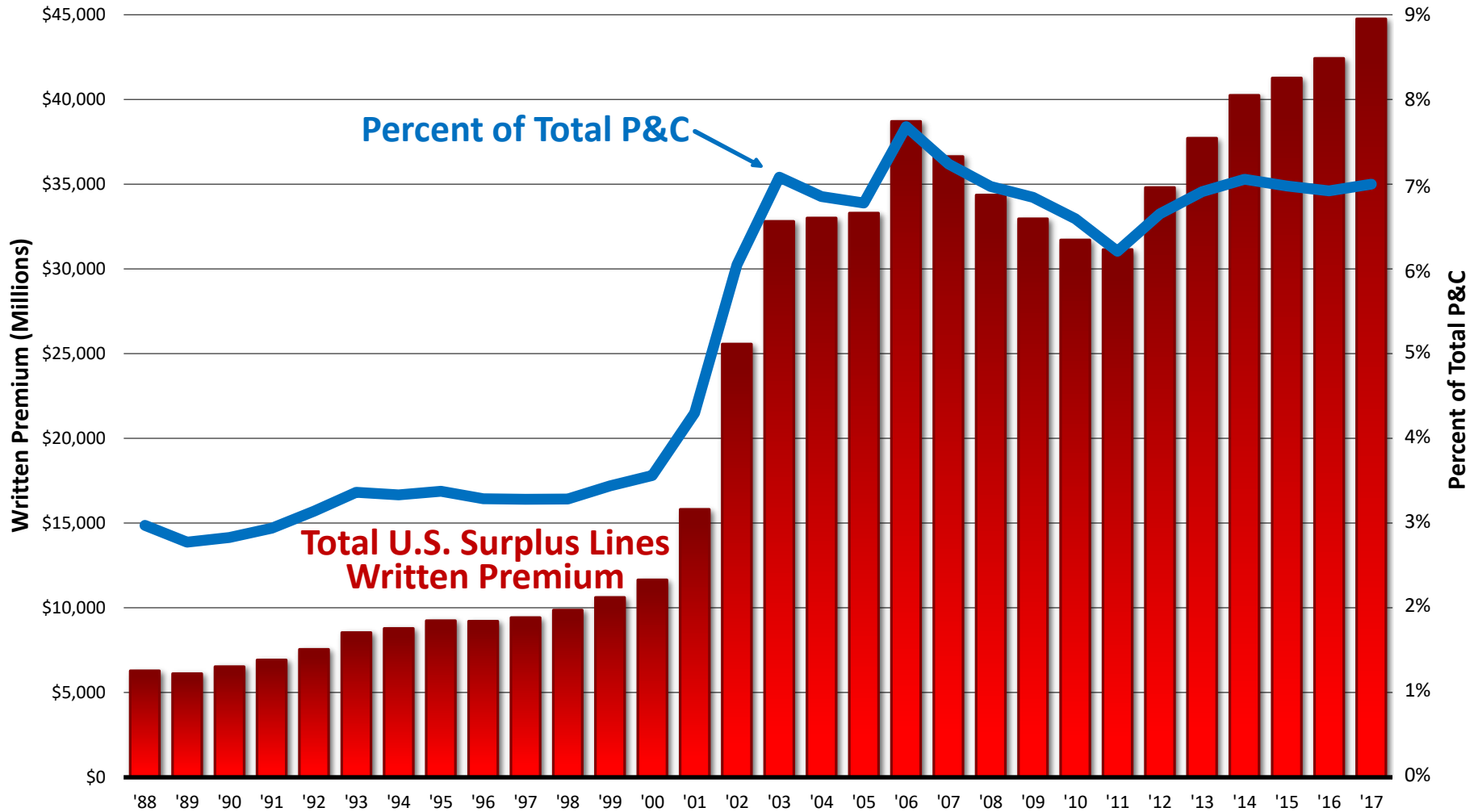
# The U.S. Surplus Lines Industry





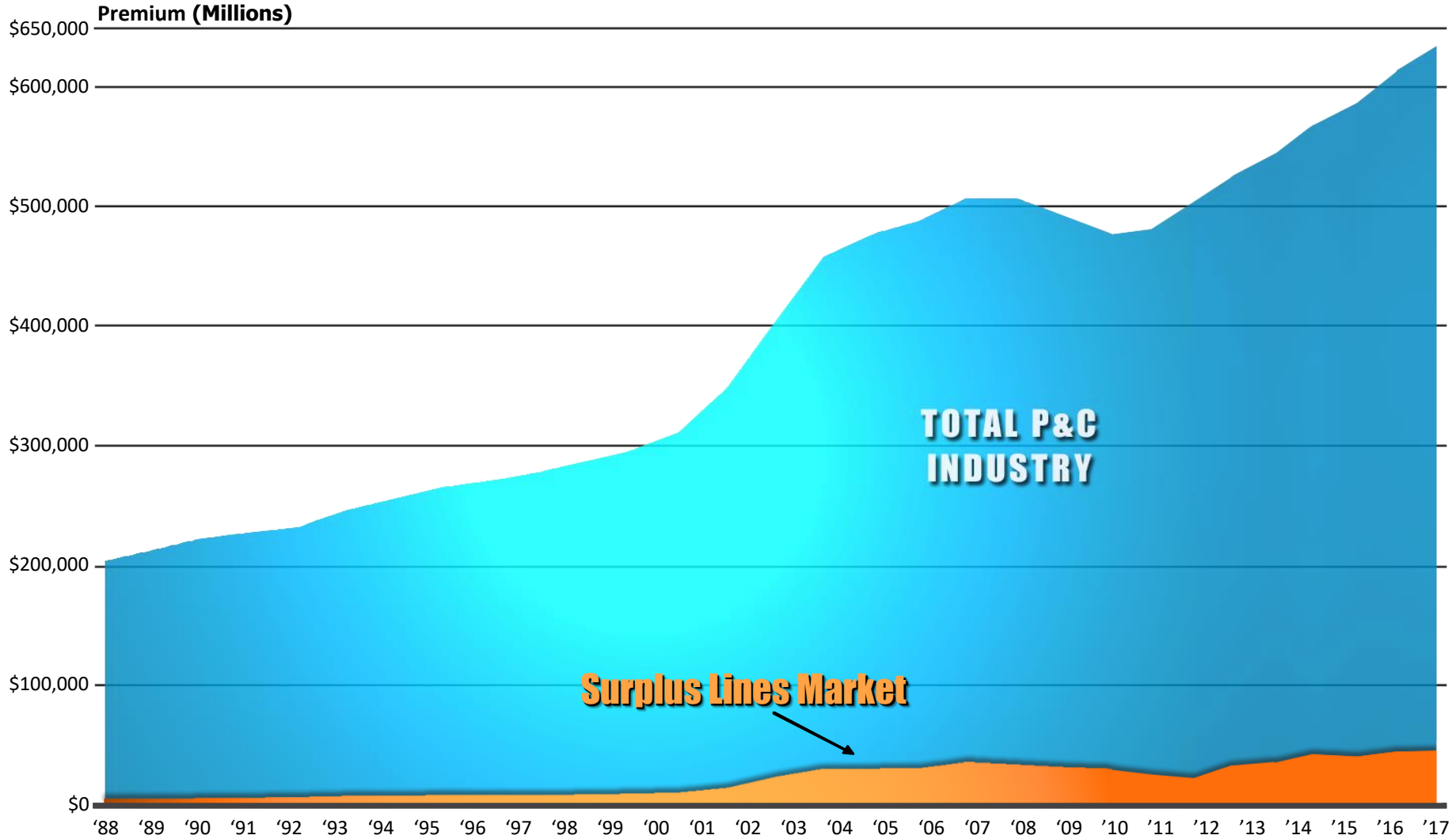
# The Surplus Lines Marketplace

1988 – 2017



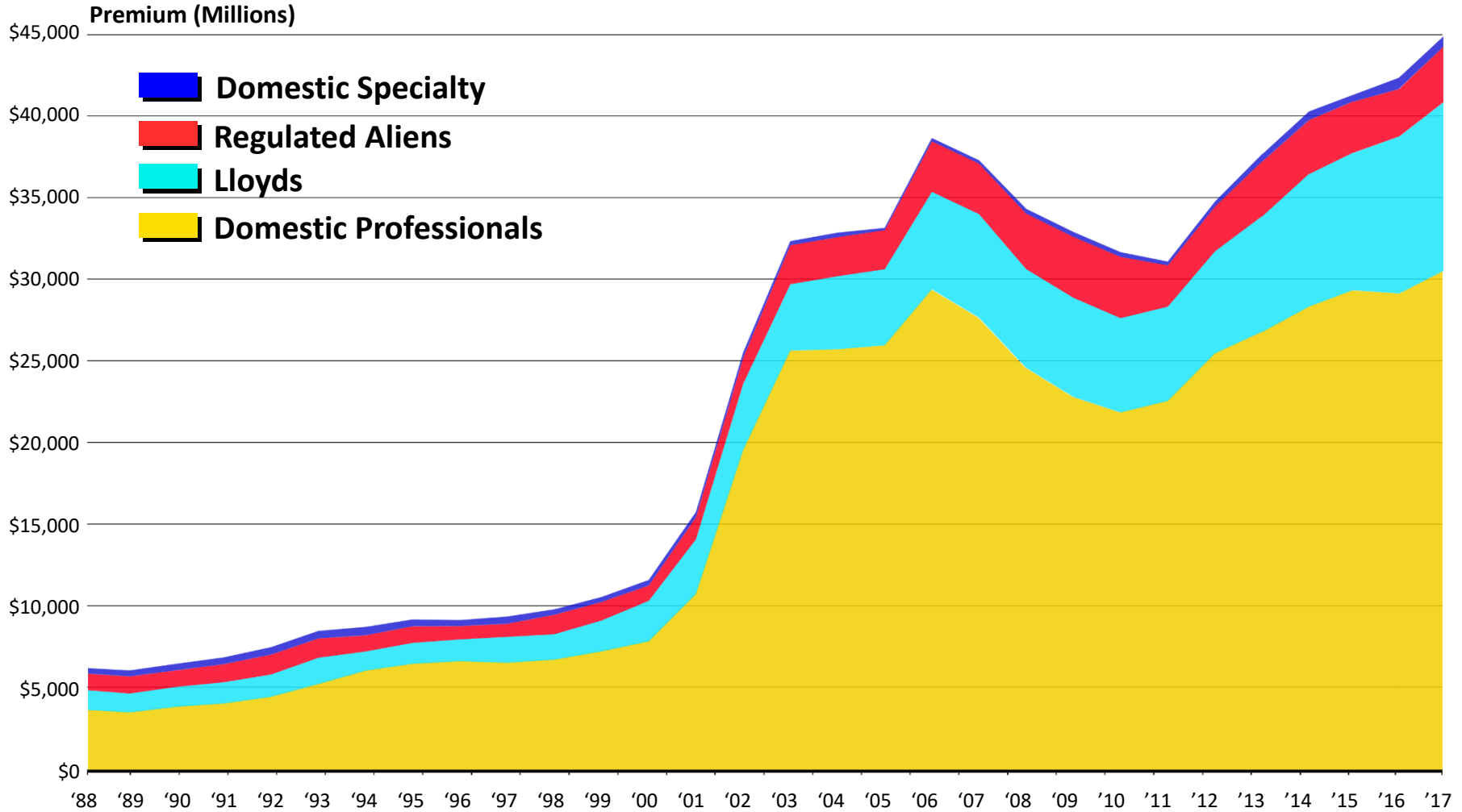
# Surplus Lines vs. Total P&C Industry

## 1988 – 2017



# Surplus Lines Market Segments

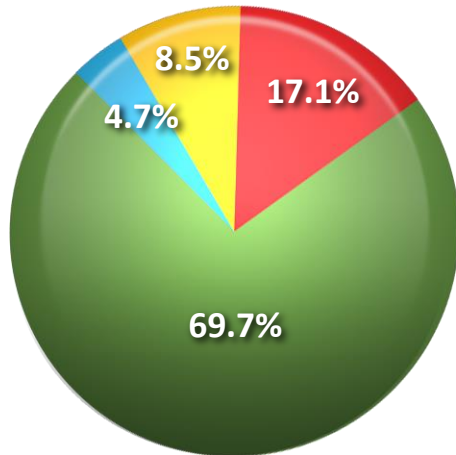
1988 – 2017



# The Changing Surplus Lines Market

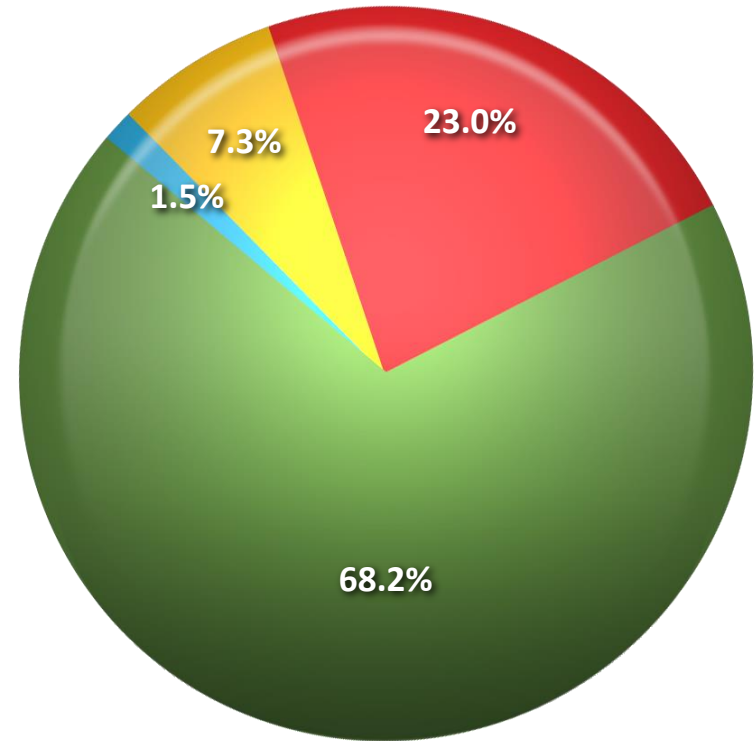
**1997**





Premiums - \$9.4 Billion



**2017**

Premiums - \$44.9 Billion

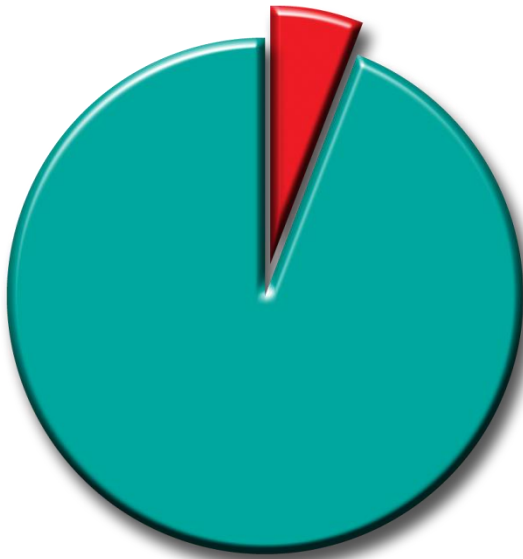


-  Domestic Specialty
-  Regulated Aliens
-  Lloyd's
-  Domestic Professionals

# Surplus Lines as a % of Commercial Lines

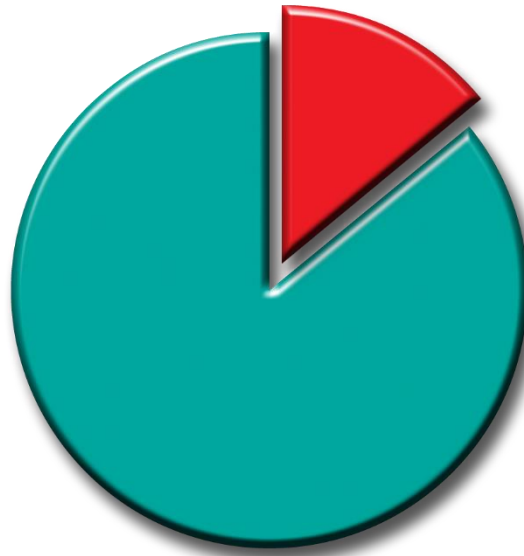
**1997**

**6.3%**



**2007**

**13.9%**



**2017**

**14.5%**



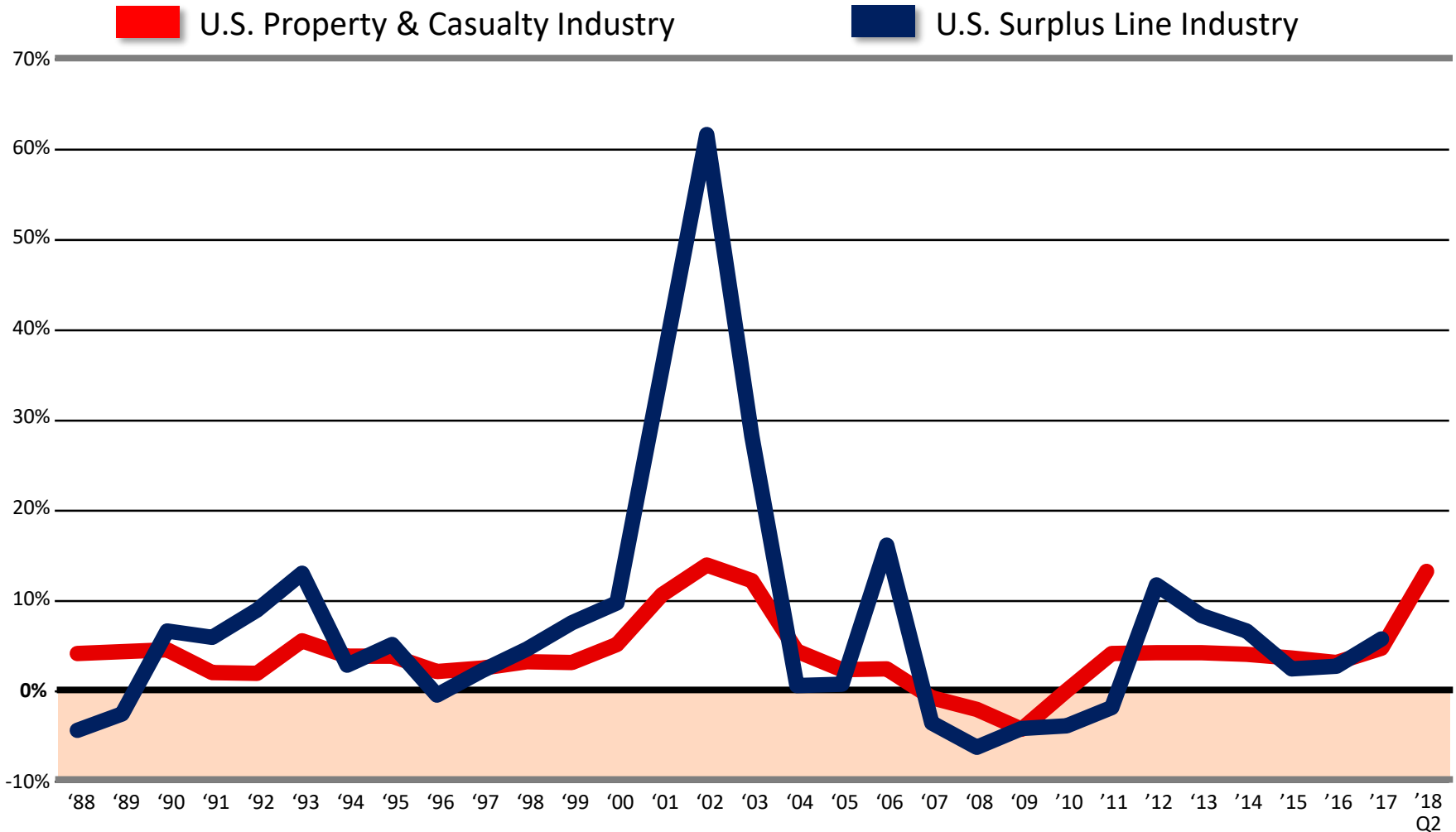
**Commercial Lines**



**Surplus Lines**

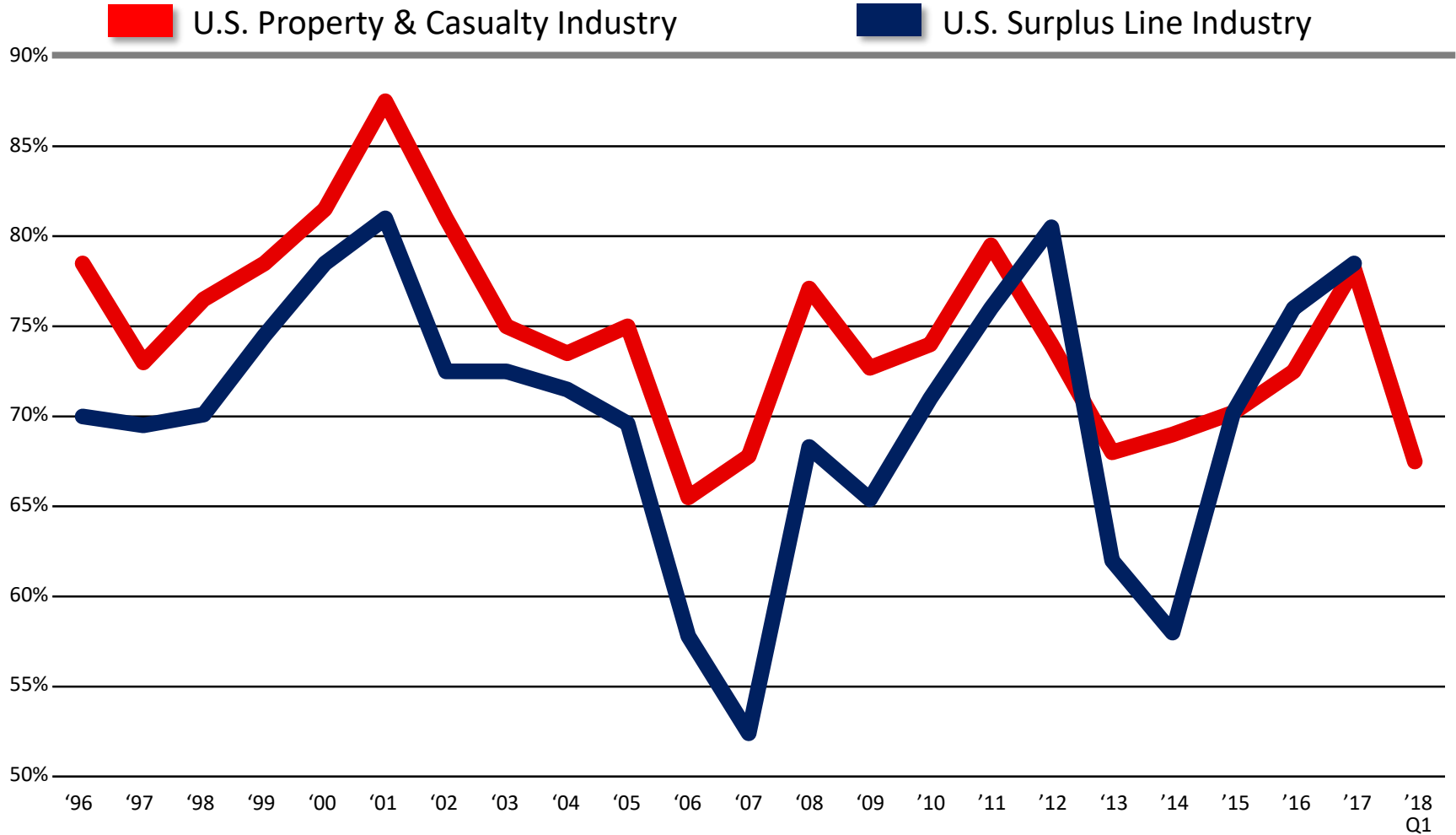
# Premium Growth Rates

1988 – 2018:Q2



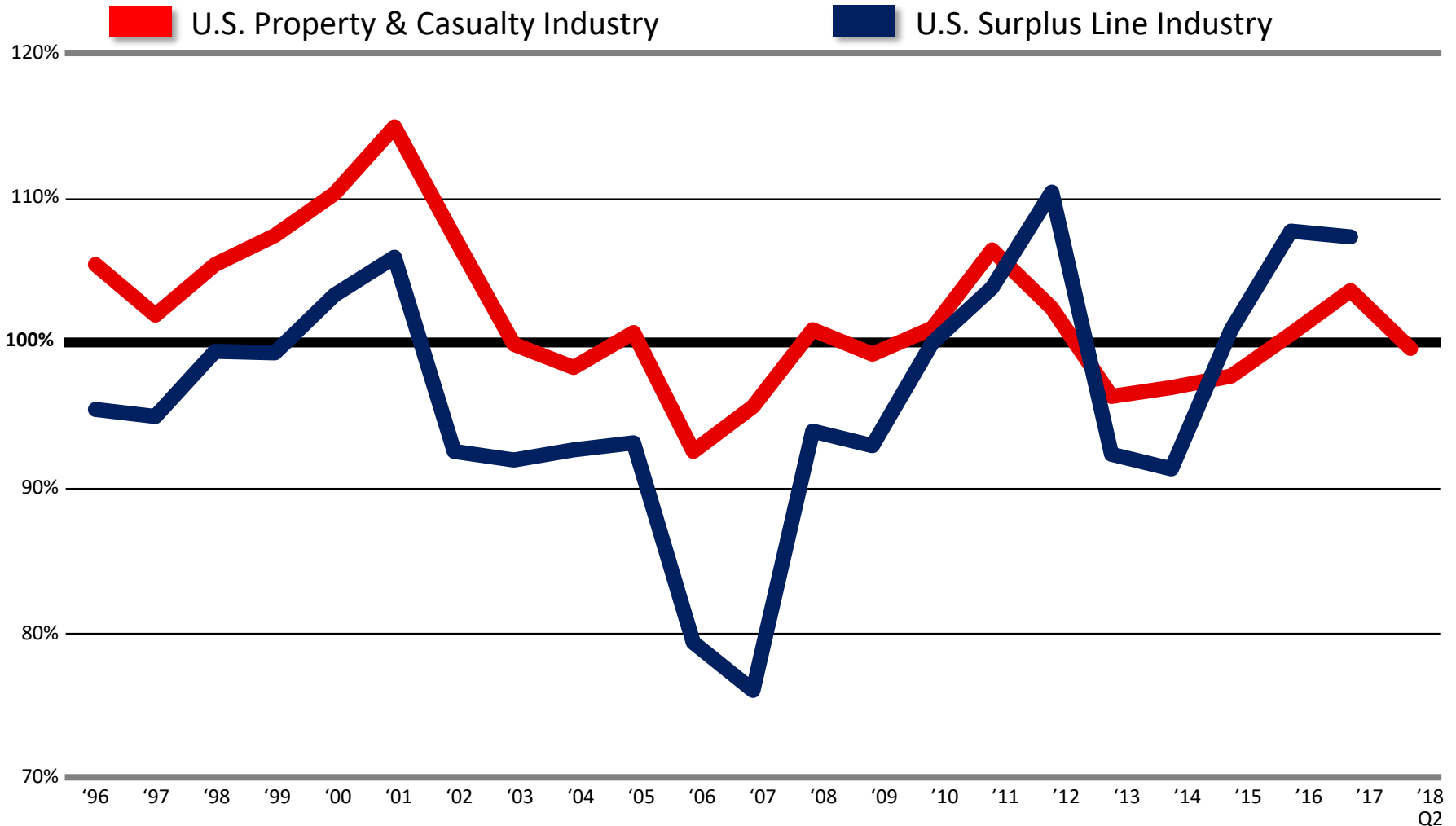
# Loss & Loss Adjustment Expense Ratios

1996 – 2018:Q1



# Combined Loss & Expense Ratios

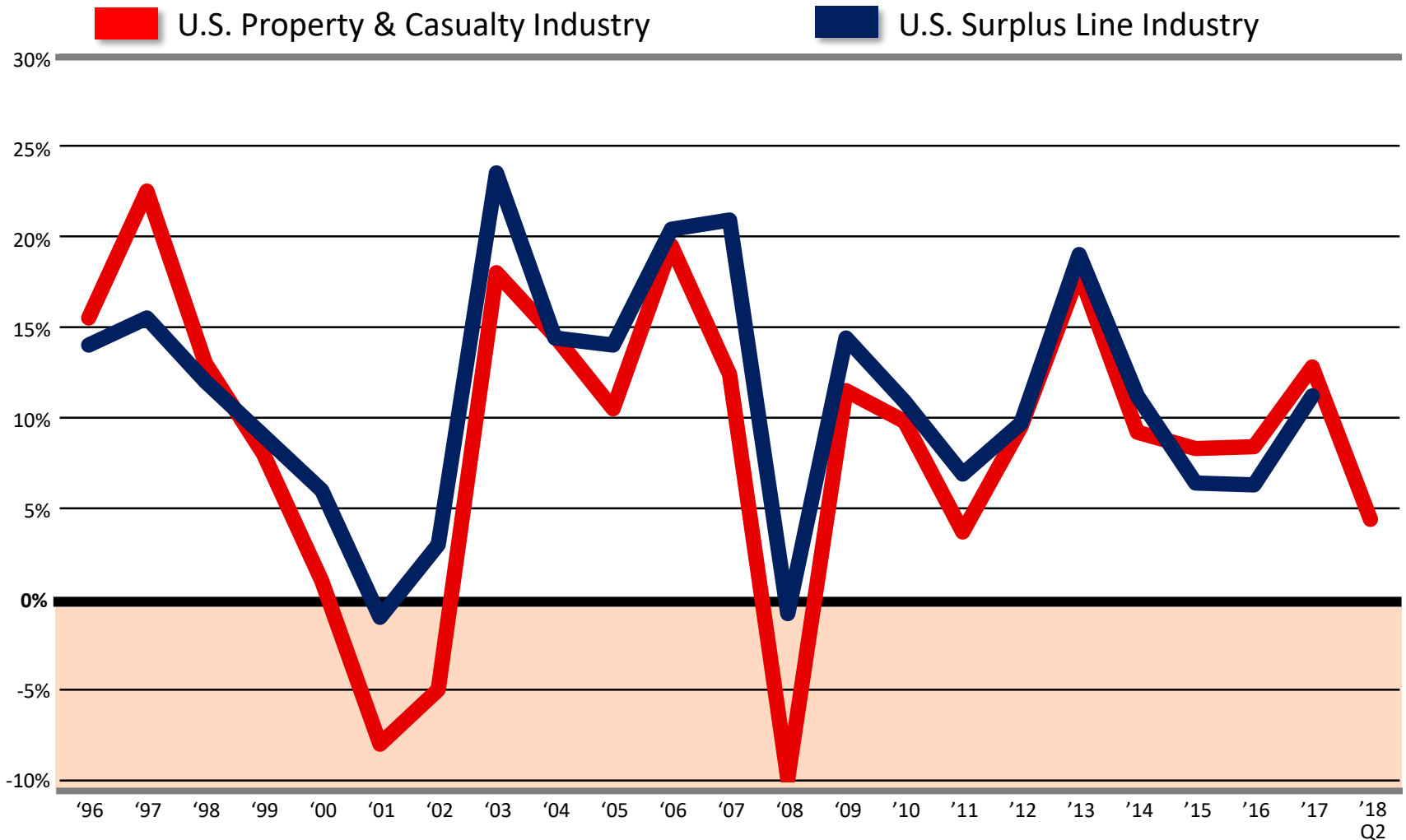
1996 – 2018:Q2





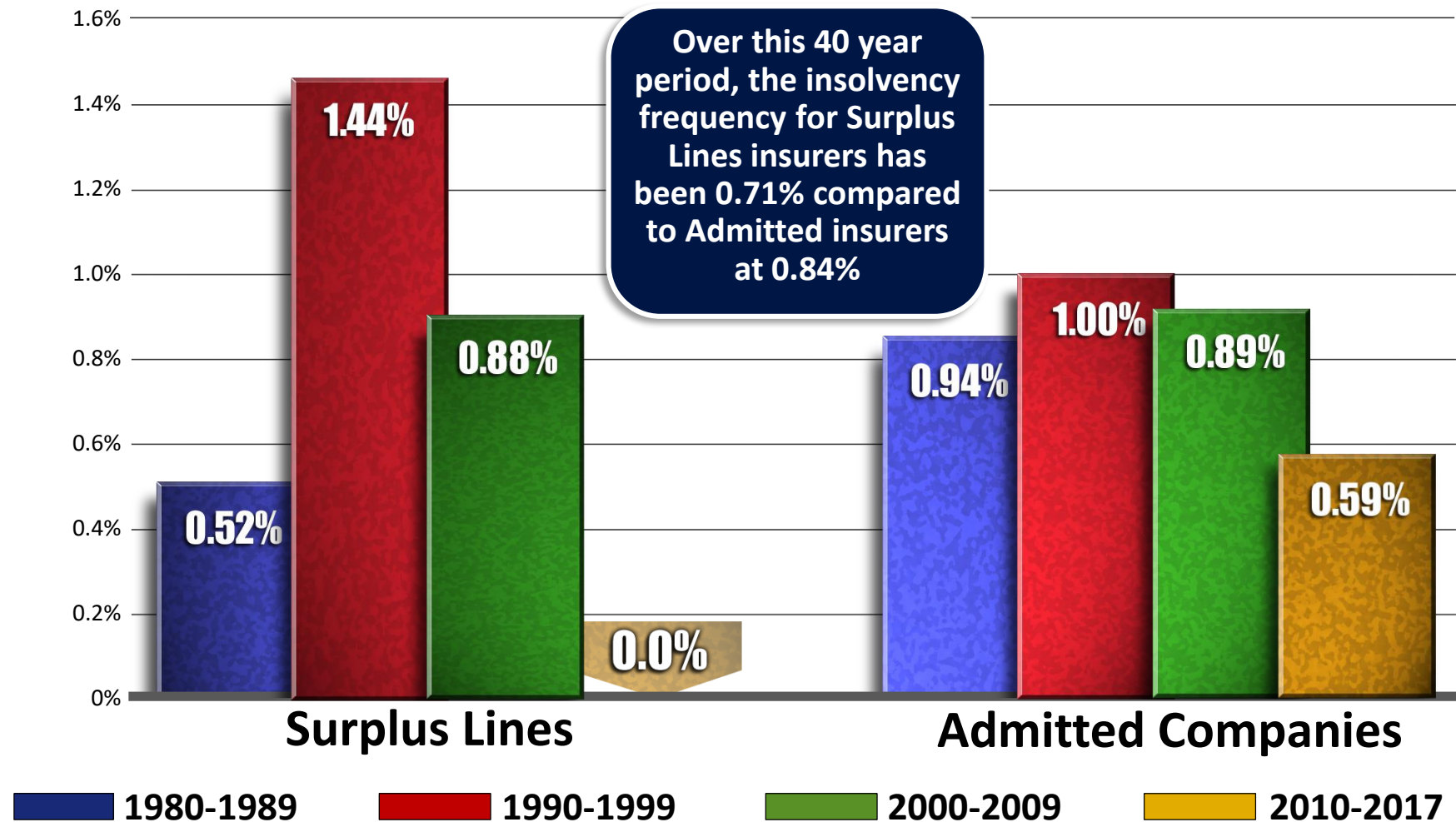
# Total Return on Surplus

1996 – 2018:Q2



# Frequency of Insolvencies

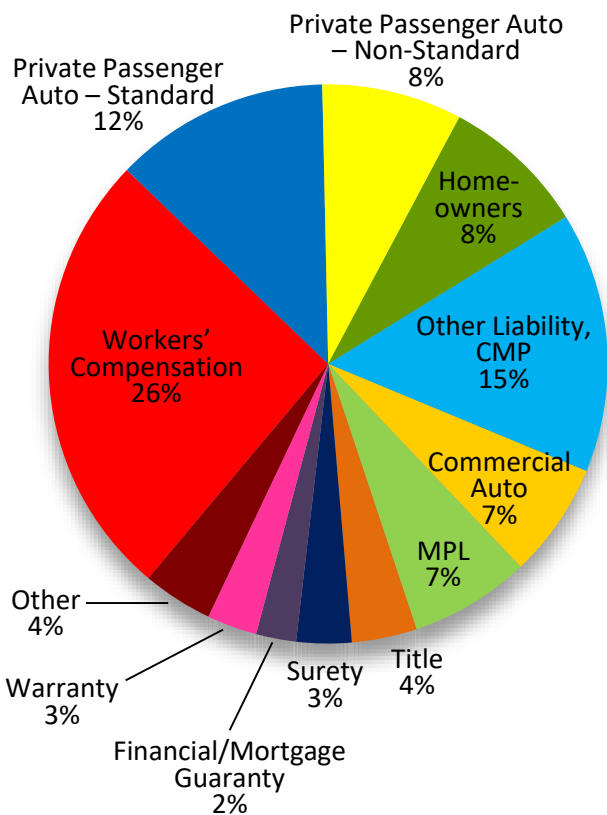
Annual Average



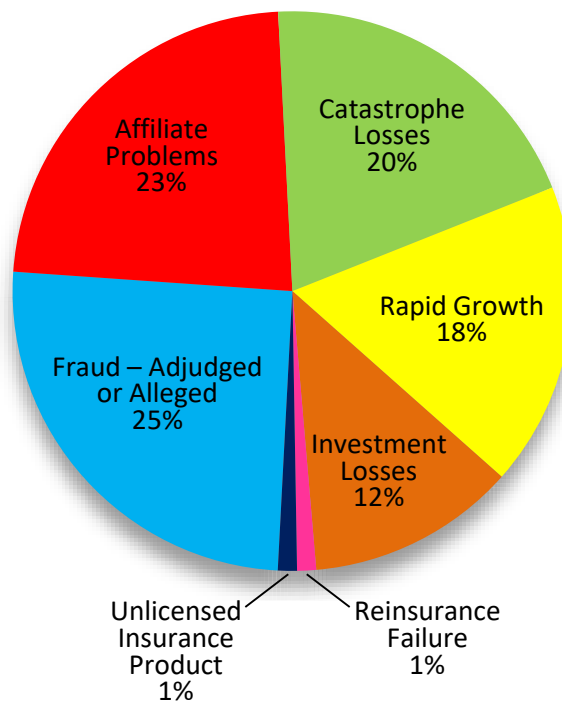
# U.S. Property/Casualty Impairments

2000 - 2016

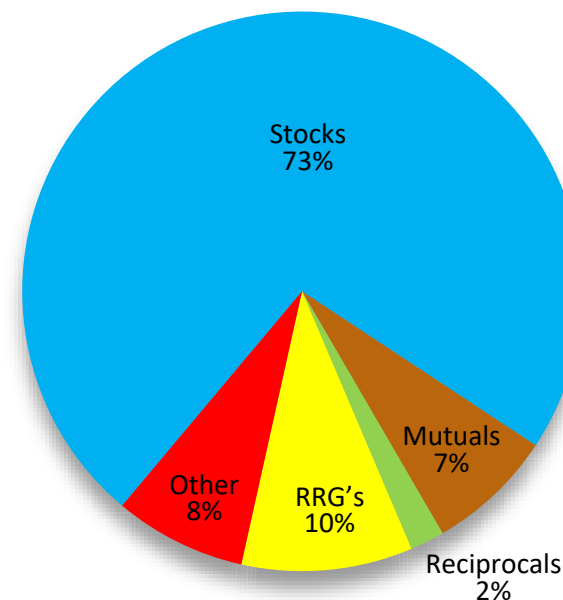
**By Primary Line of Business**



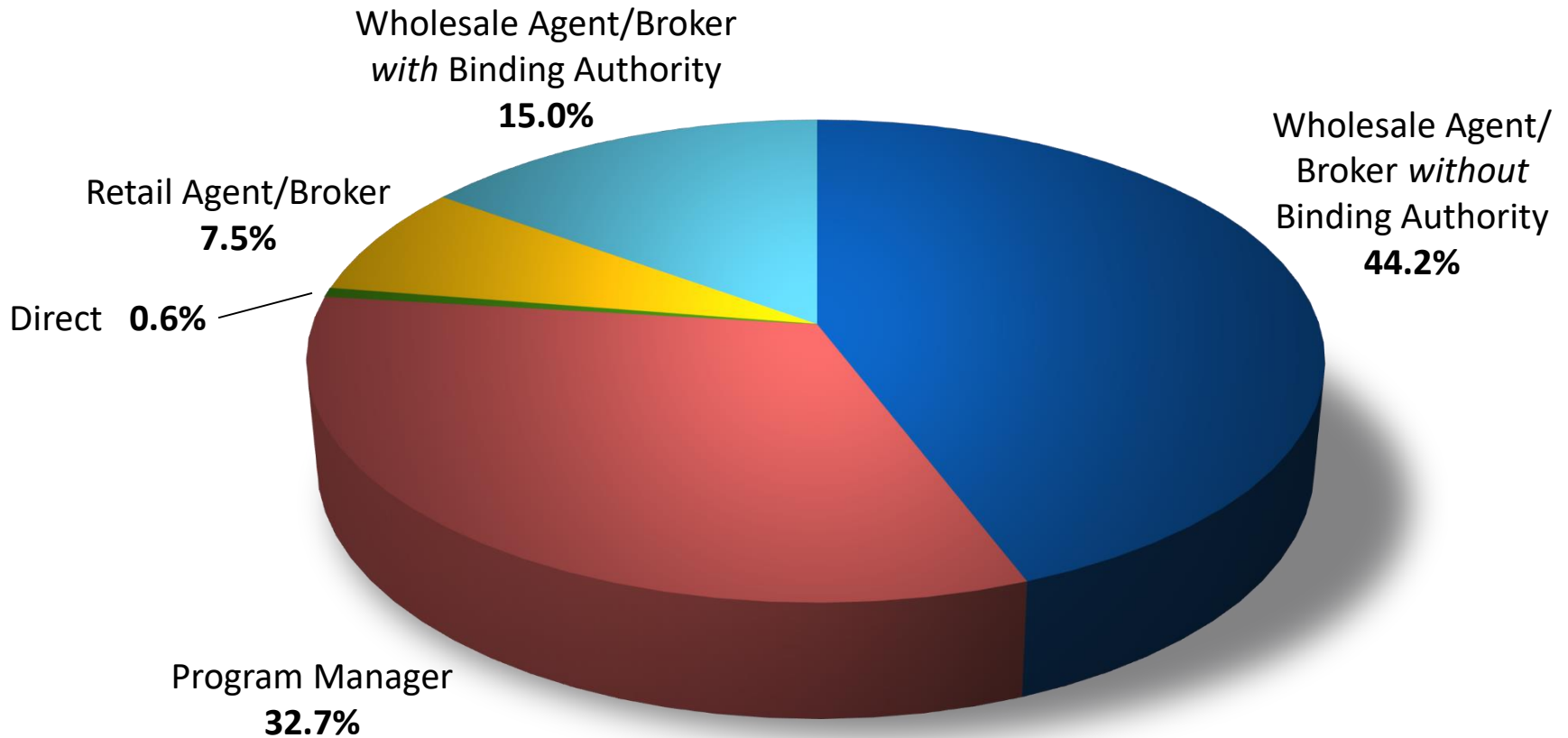
**By Specific Cause**



**By Organizational Type**



# U.S. Surplus Lines – Share of Premium by Distributor 2016

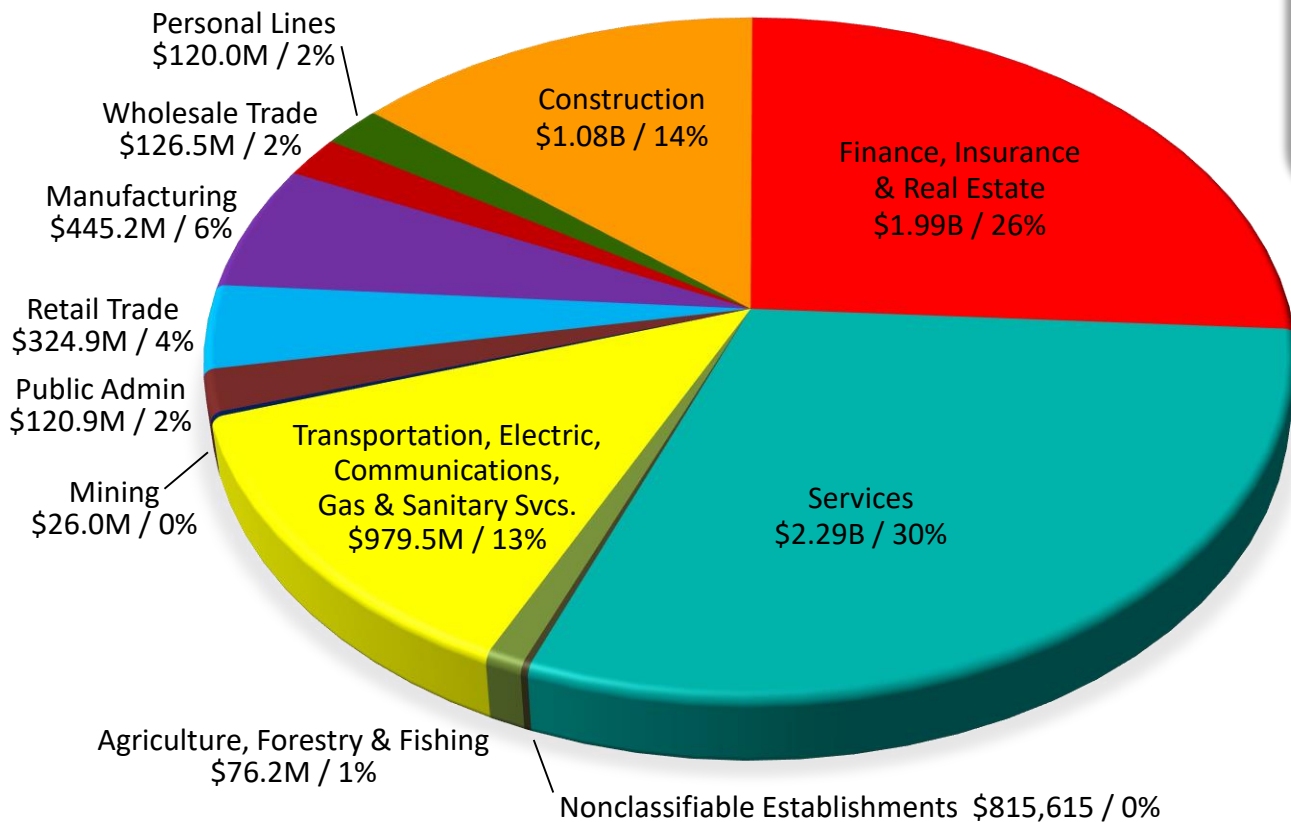


# Surplus Lines Business in California

A Profile of Who or What is Insured in the Surplus Lines Market for 2018\*

*Does someone you know require the surplus lines marketplace to run their business or organization?*

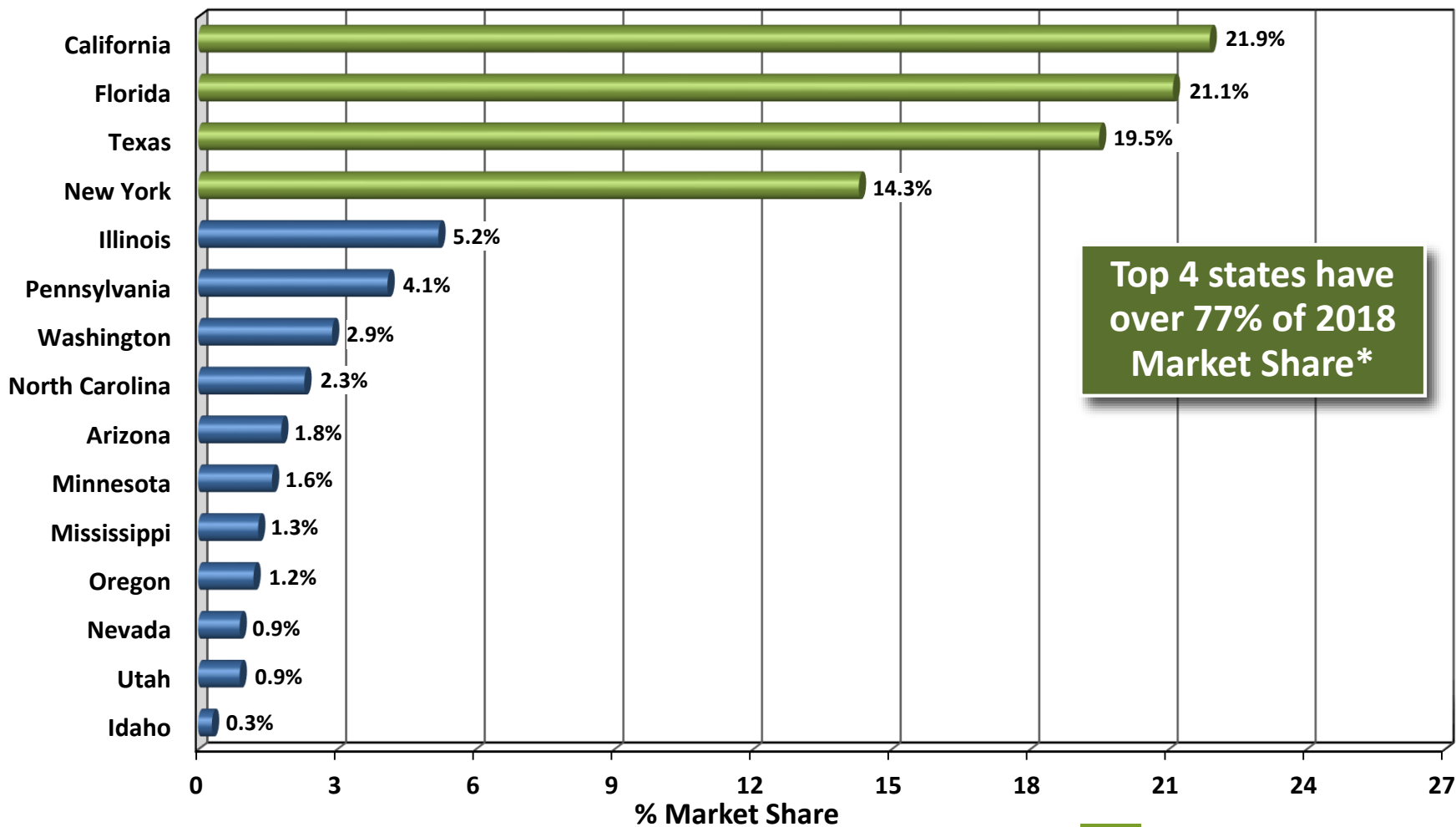
**2018 Total Surplus Lines Premium Volume for California = \$7.64B**



- ✓ This represents 100,000 businesses & organizations, every one of which requires some form of surplus lines coverage.
- ✓ These firms produce in excess of \$300B a year in gross revenue, employ 1,750,000 workers, with an annual payroll in excess of \$50B and pay upwards of \$17B a year in State & Federal taxes.
- ✓ But surplus lines accounts for about 10% of all P&C premiums paid in the state.

# Surplus Line Premiums 2018:H1

## Stamping Office States



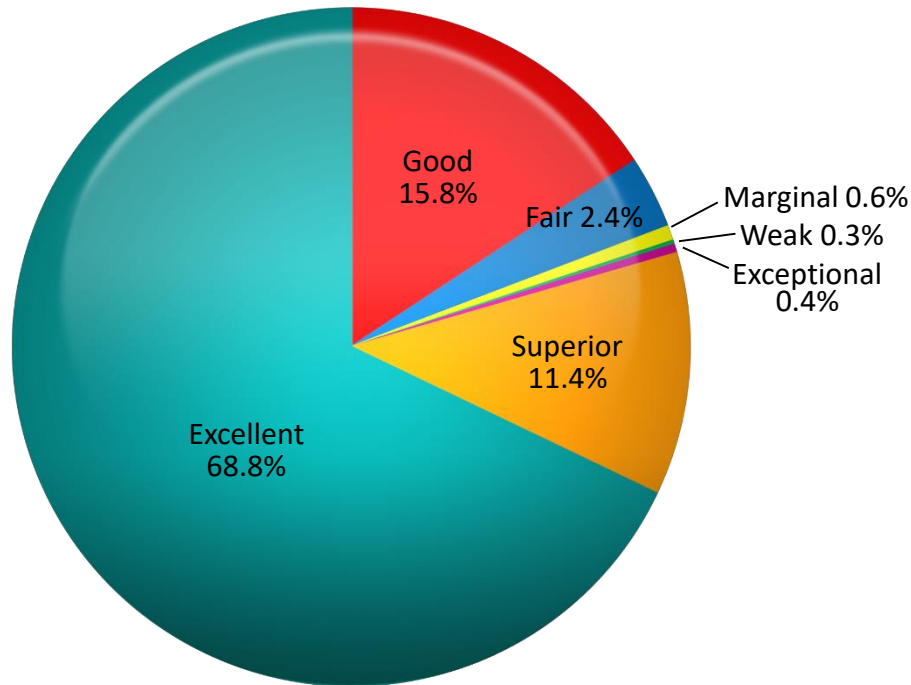
\* Market Share only of those states with stamping offices

10% or more Market Share

# A.M. Best's Rating Distribution

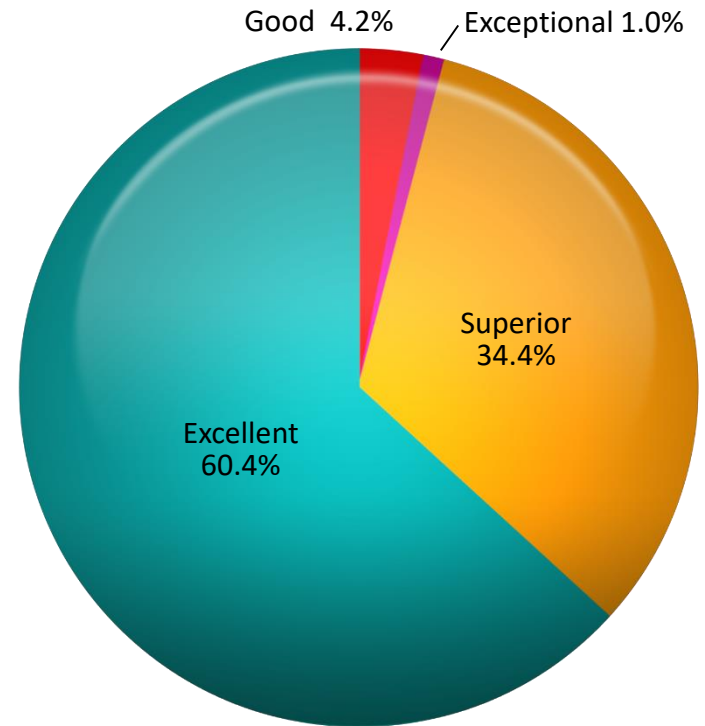
## Total P&C Industry

As of June 30, 2017



## Domestic Professional Surplus Lines

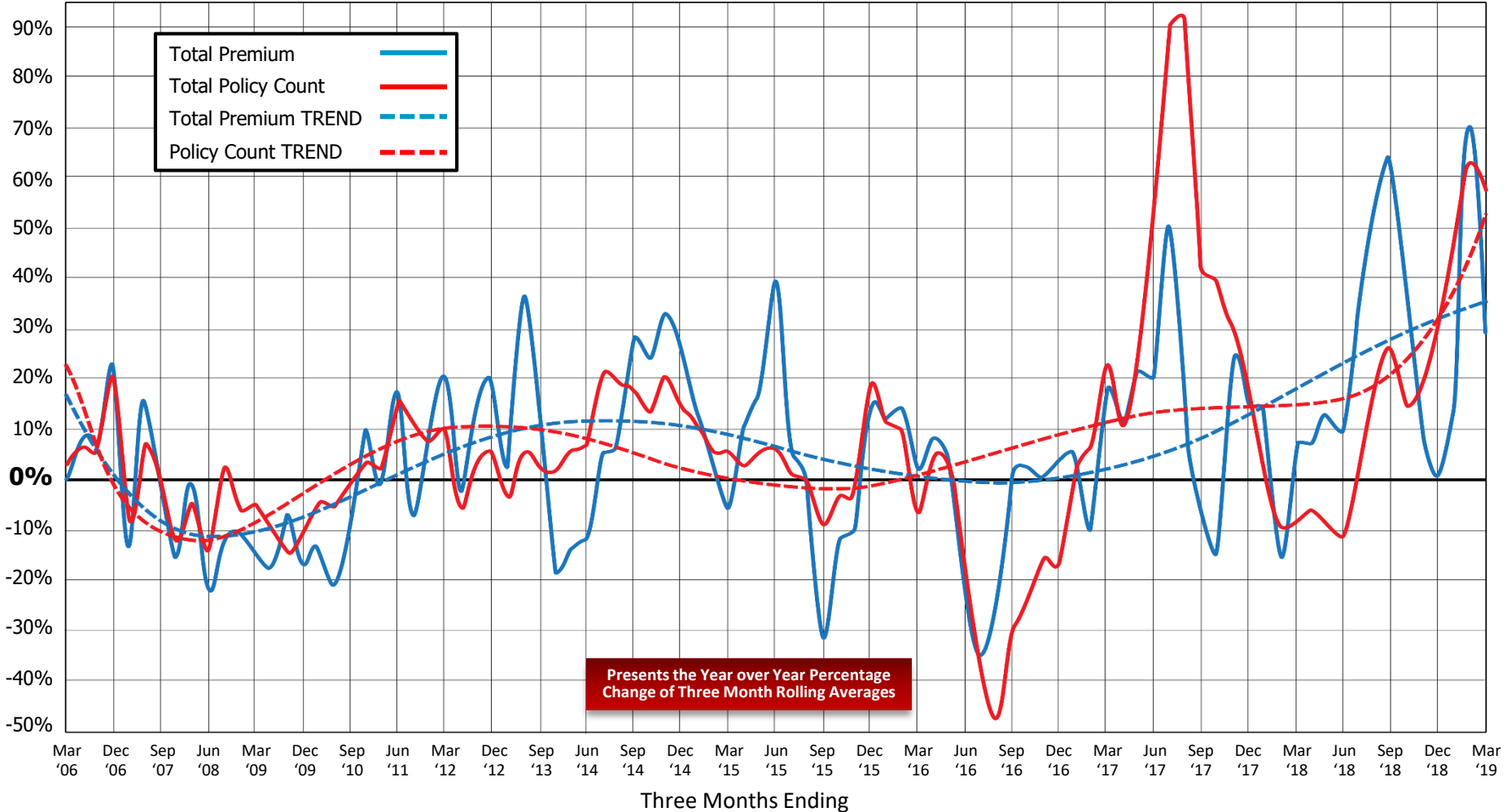
As of June 30, 2017



# California Surplus Lines

## Total Policy Count & Total Policy Premium

January 2006 – March 2019



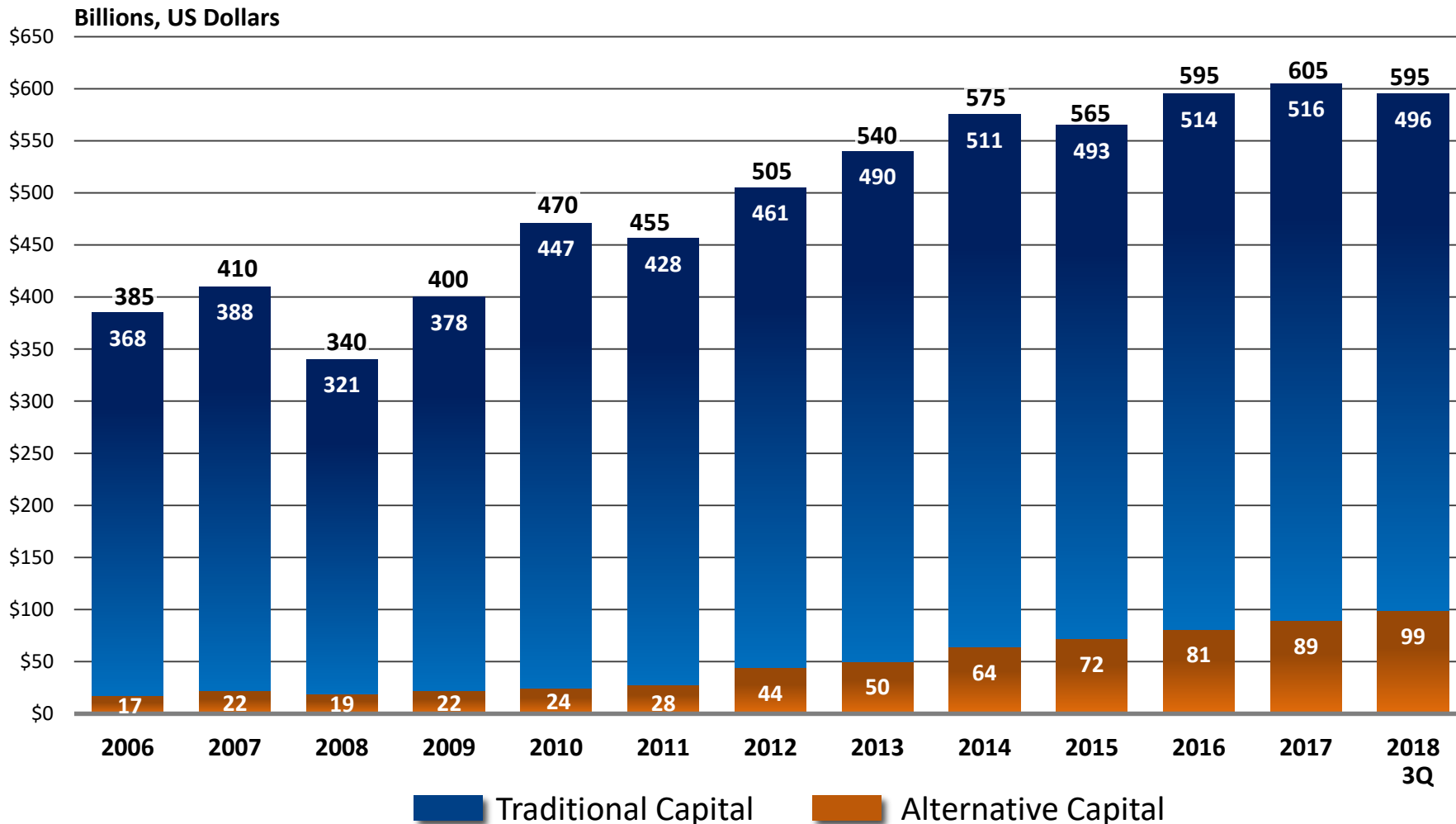


**Reinsurance**

Reinsurance

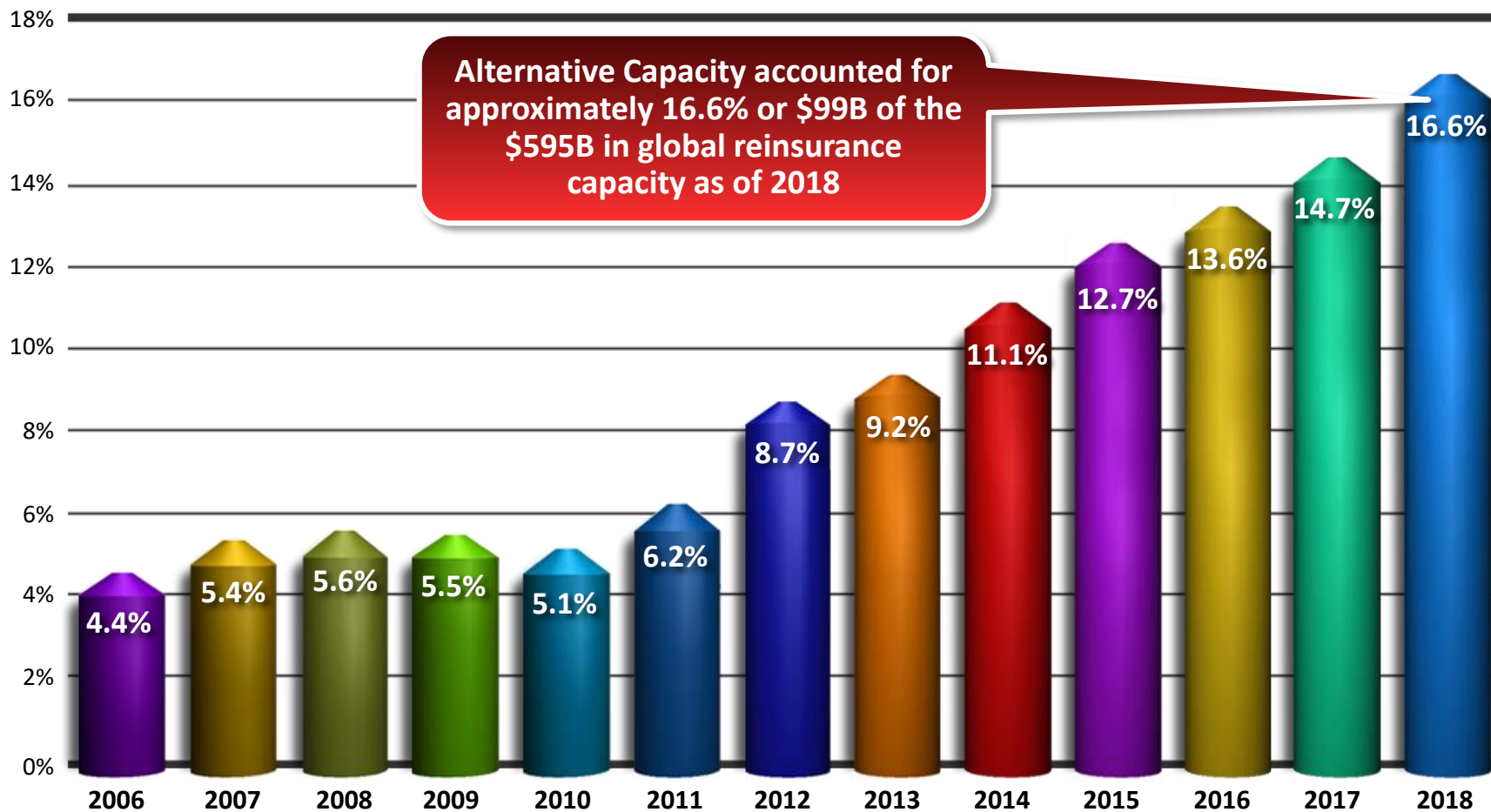
# Global Reinsurance Capital

## Traditional & Alternative 2006 – 2018:3Q



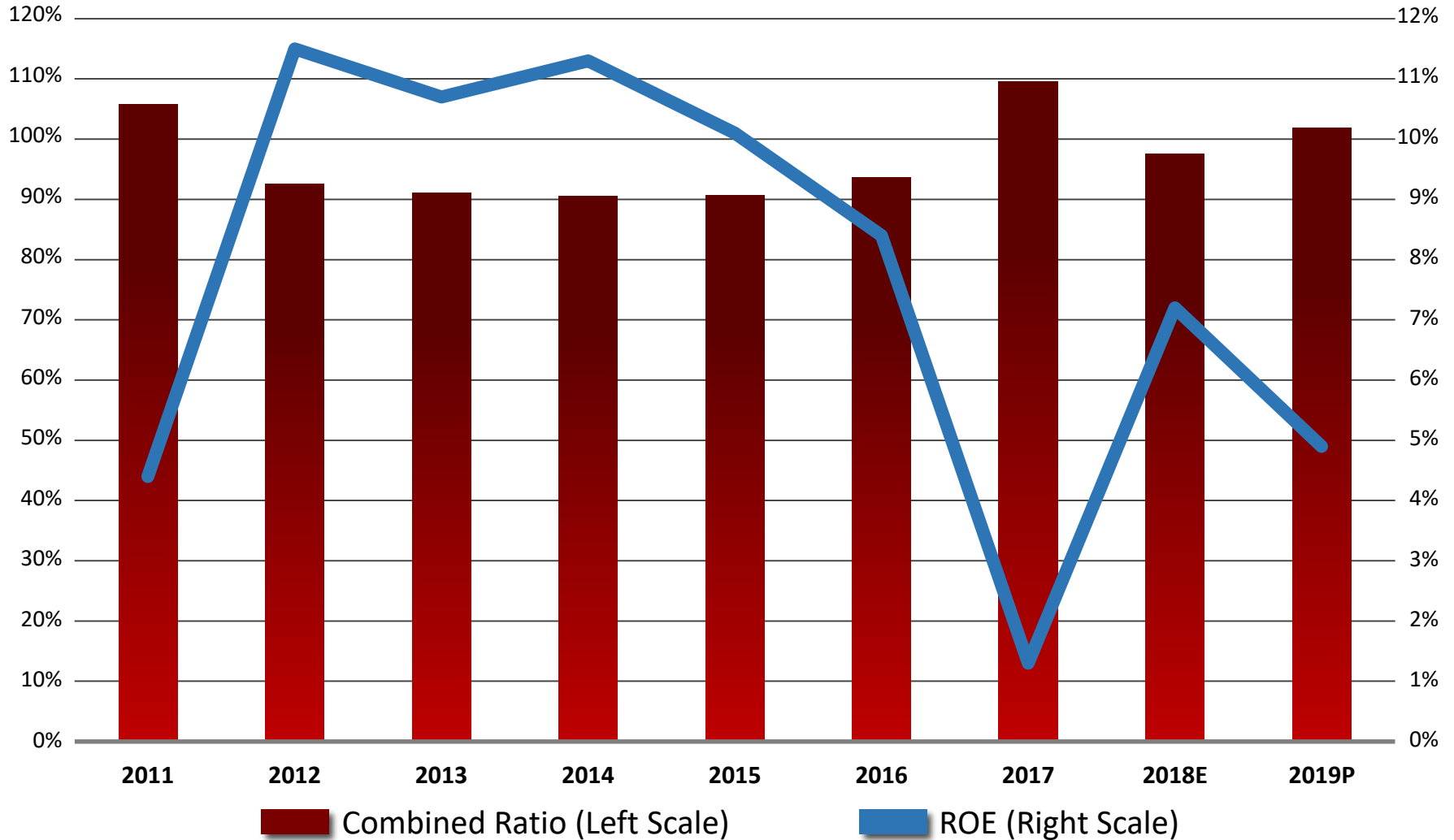
# Alternative Capacity as a Percentage of Global Reinsurance Capital

2010 – 2018



# Reinsurance Combined Ratio & ROE

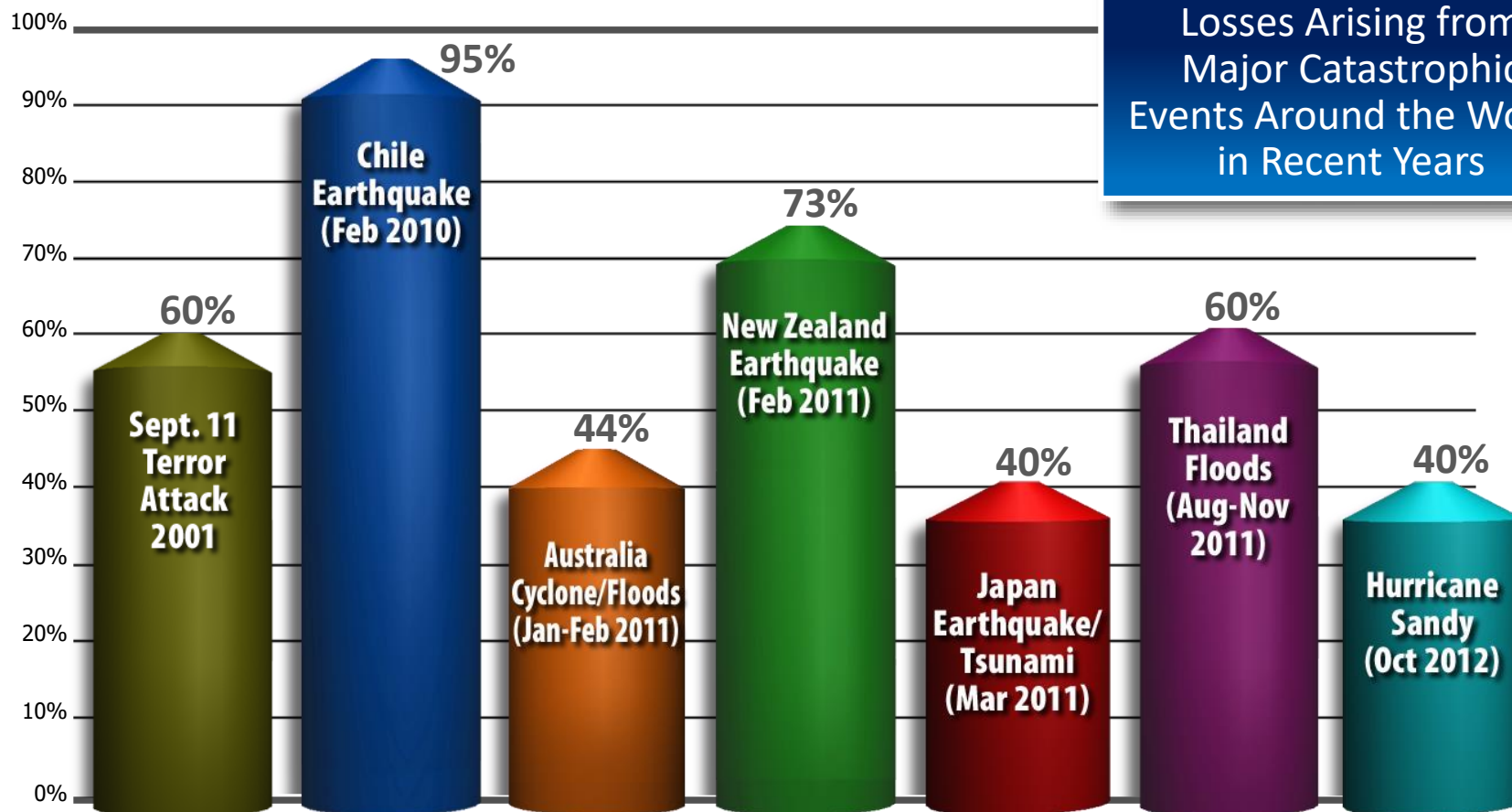
2011 – 2019P



# Share of Losses Paid by Reinsurers

## By Disaster

Reinsurers Paid a High Proportion of Insured Losses Arising from Major Catastrophic Events Around the World in Recent Years



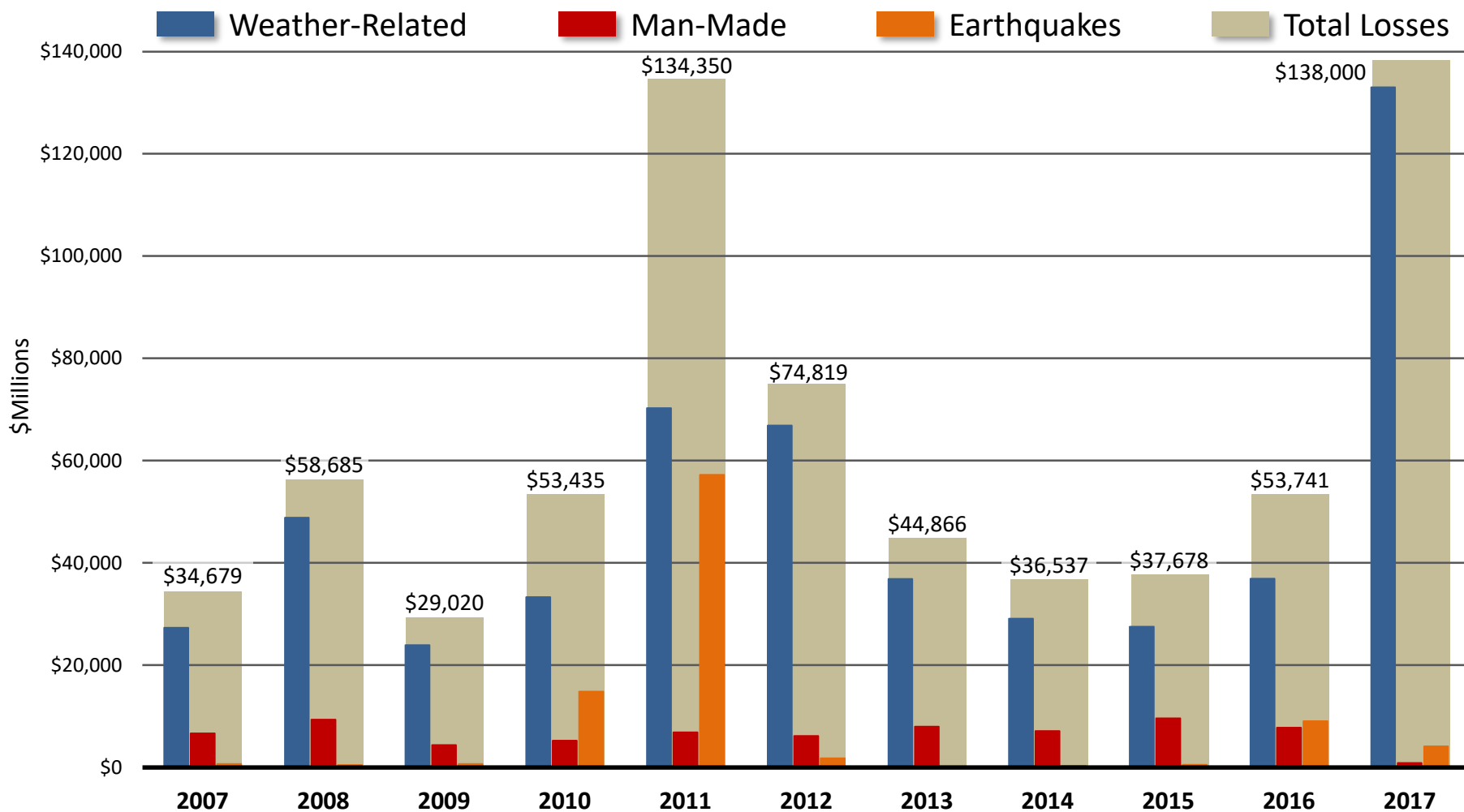


**What keeps  
Reinsurers  
up nights?**



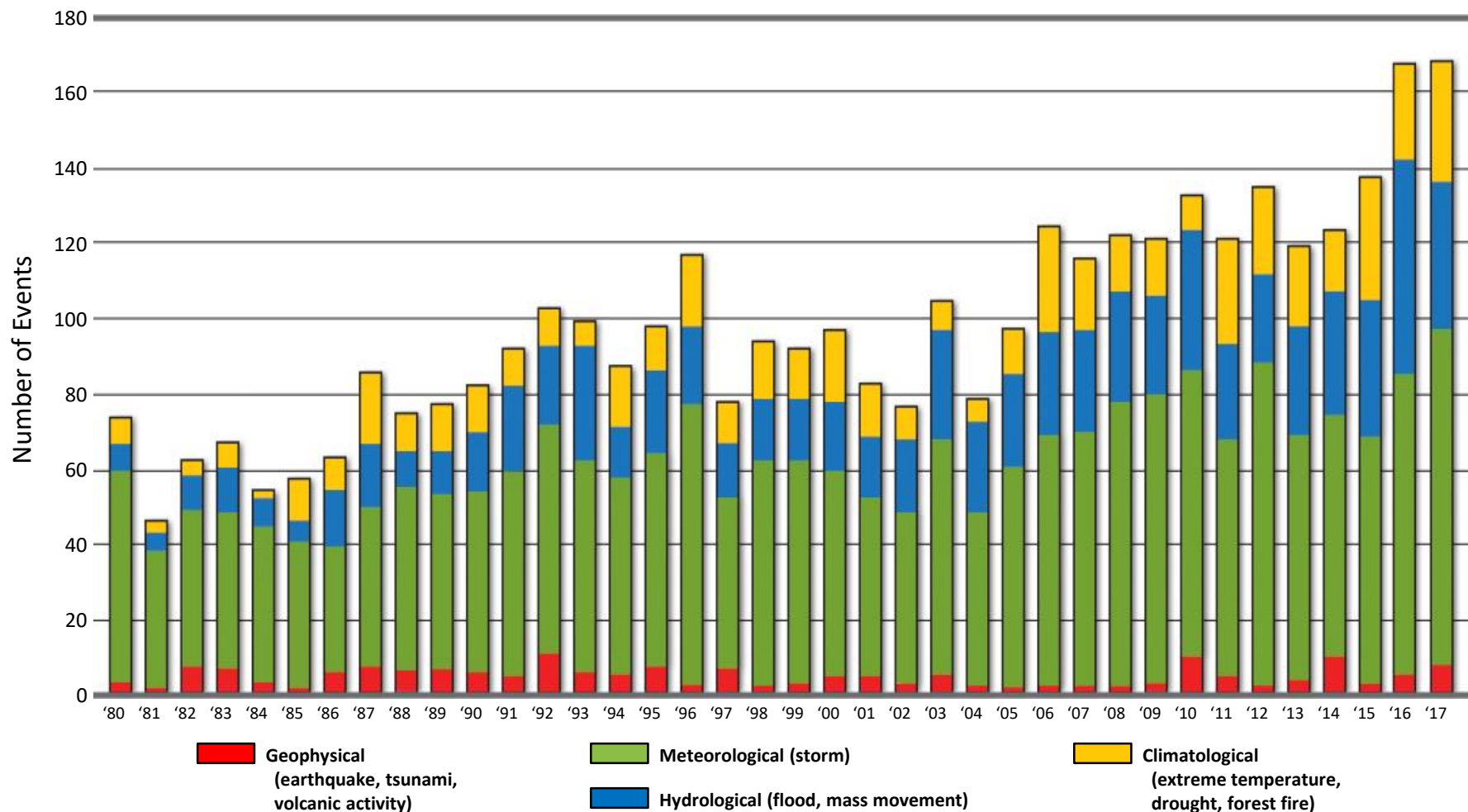
# World Insured Catastrophe Losses

## 2007 – 2017



# Natural Loss Events in North America

## Number of Relevant Loss Events by Type – 1980-2017

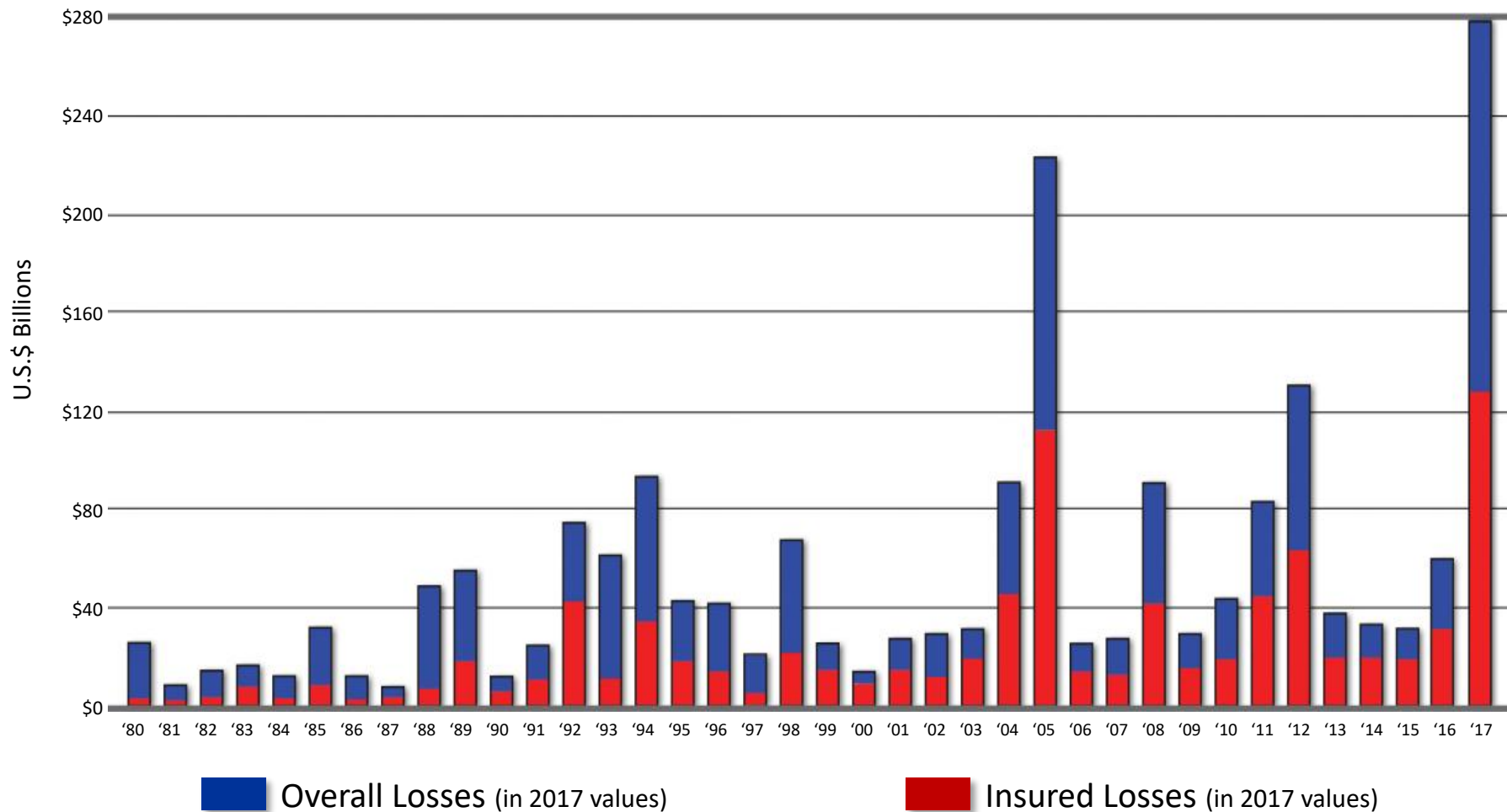


Accounted events have caused at least one fatality and/or produced normalized losses  $\geq$  US\$ 100k, 300k, 1m, or 3m (depending on the assigned World Bank income group of the affected country)



# Overall and Insured Losses in North America

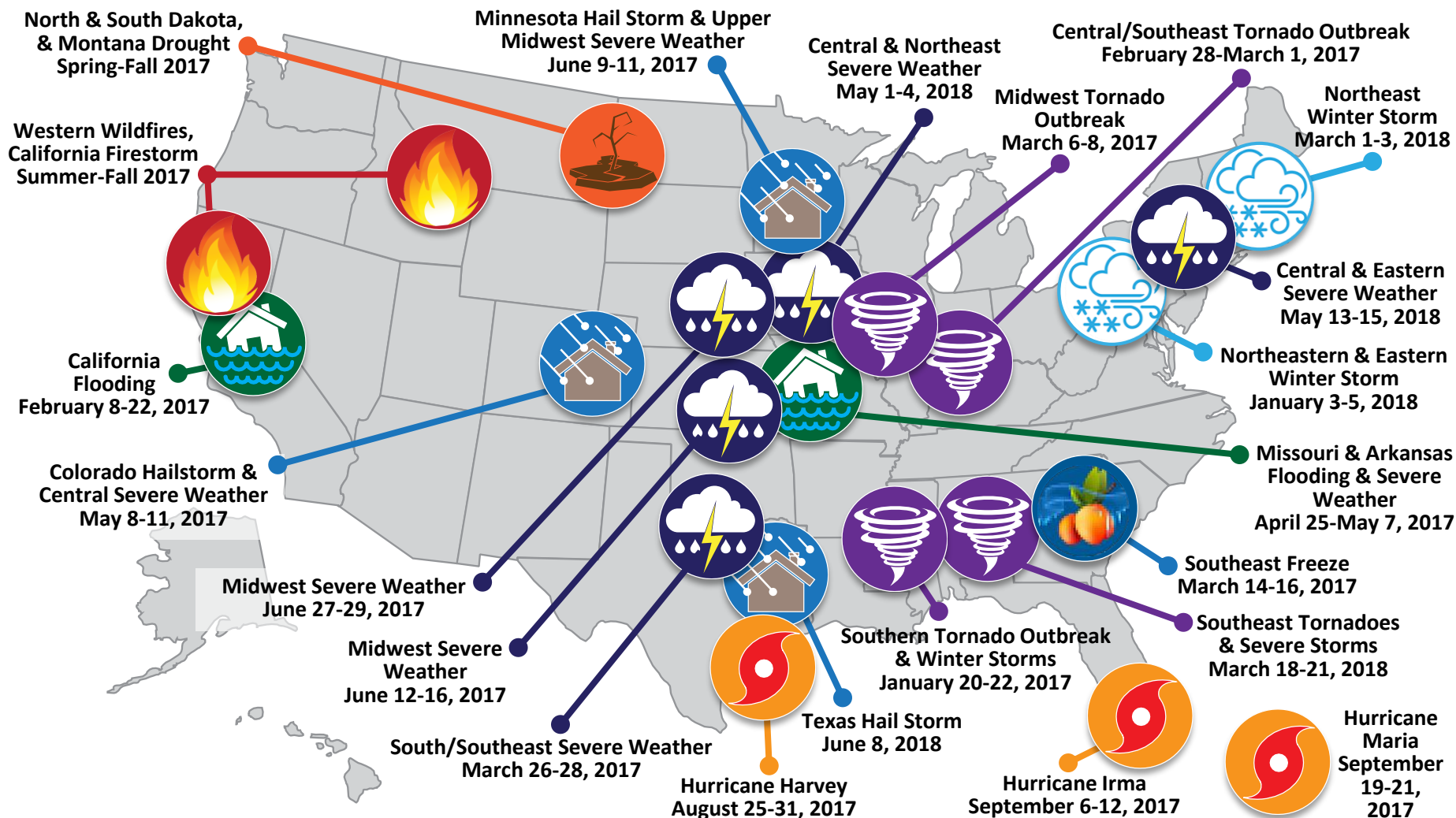
## Relevant Natural Loss Events - 1980 - 2017



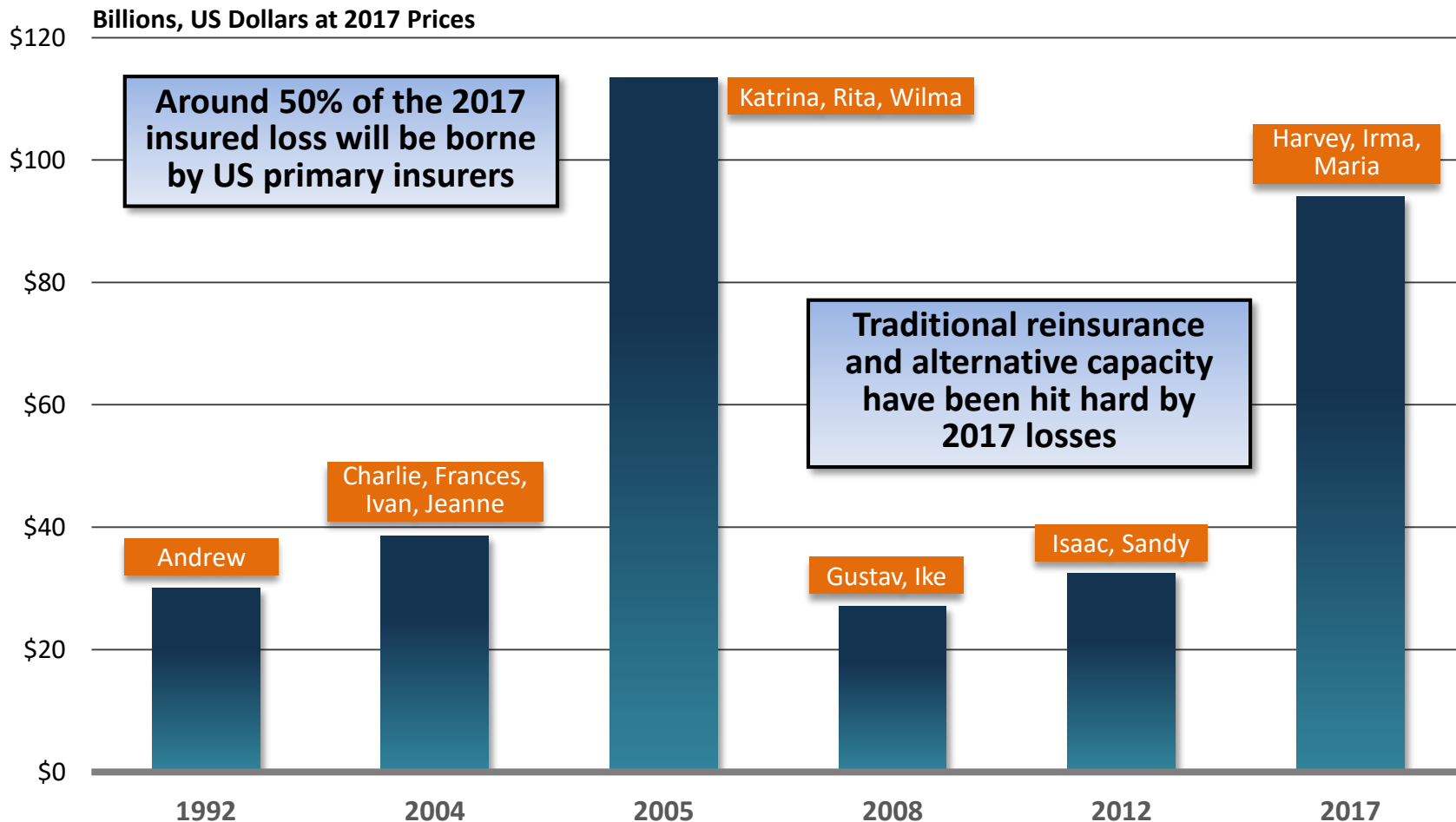
Inflation adjusted via country-specific consumer price index and consideration of exchange rate fluctuations between local currency and US\$.

# Billion-Dollar Events

## U.S. 2017 & 2018 Billion-Dollar Weather and Climate Disasters

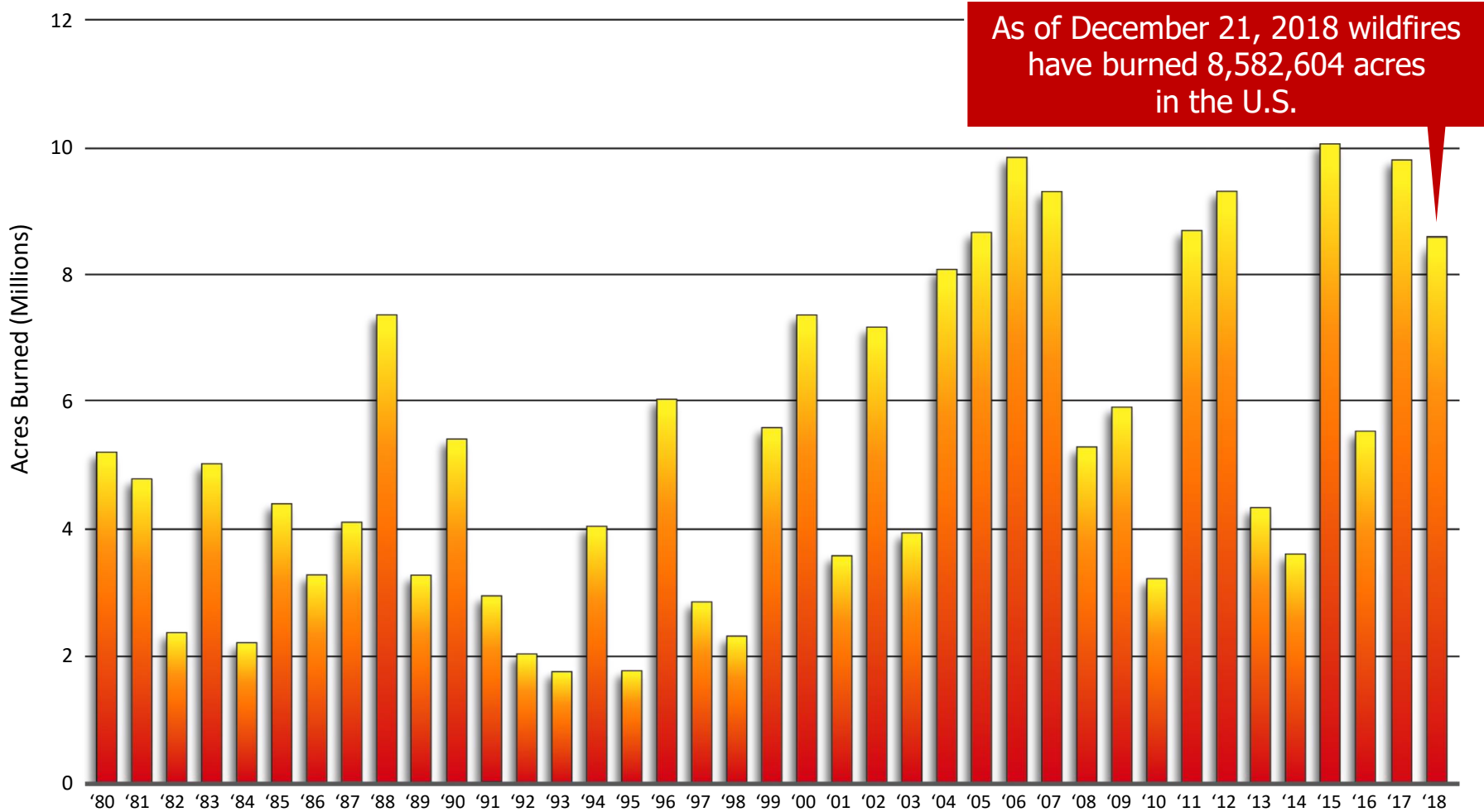


# Losses from Select North American Hurricane Seasons



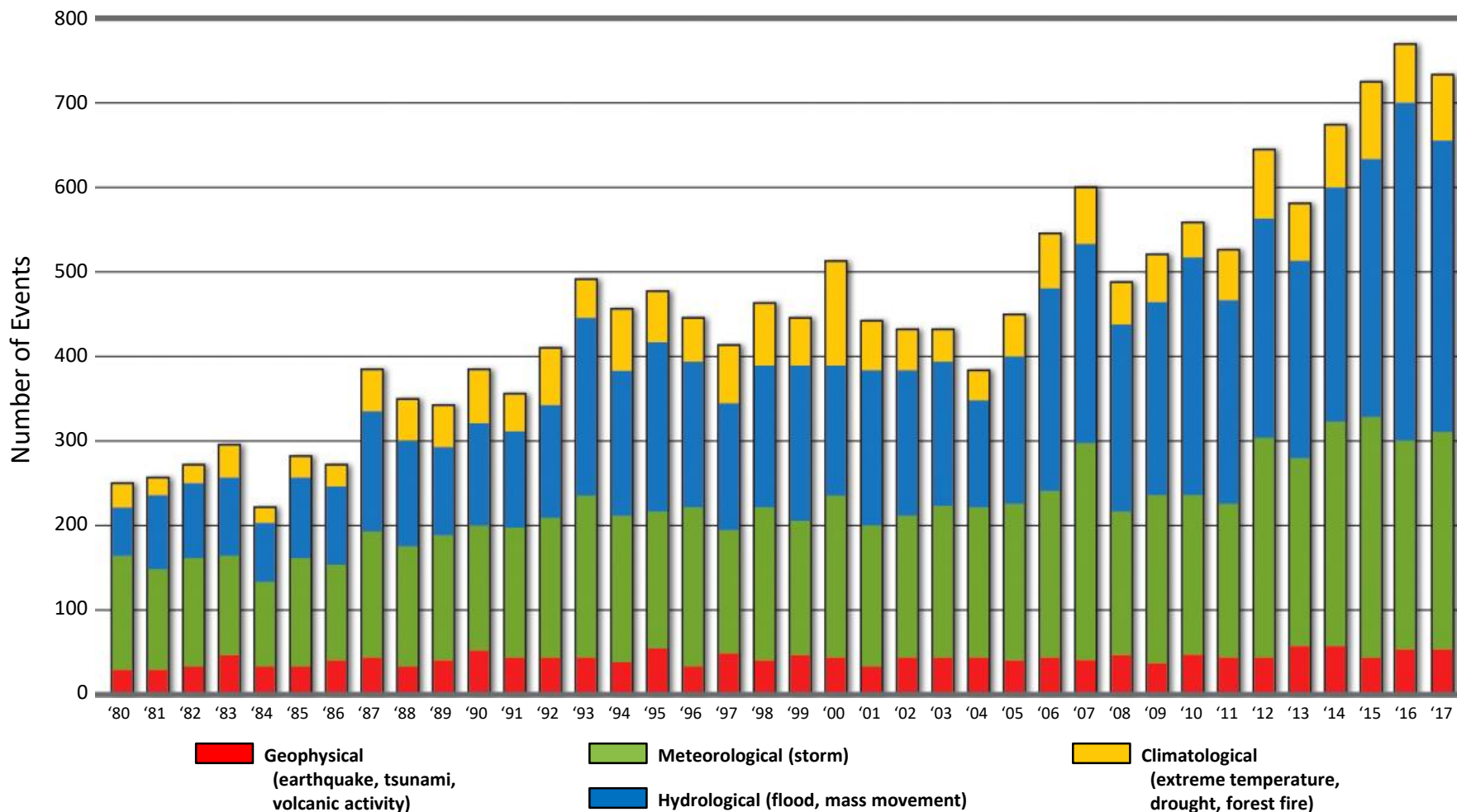
# Number of Acres Burned in Wildfires in U.S.

1980 – December 2018



# Natural Loss Events Worldwide

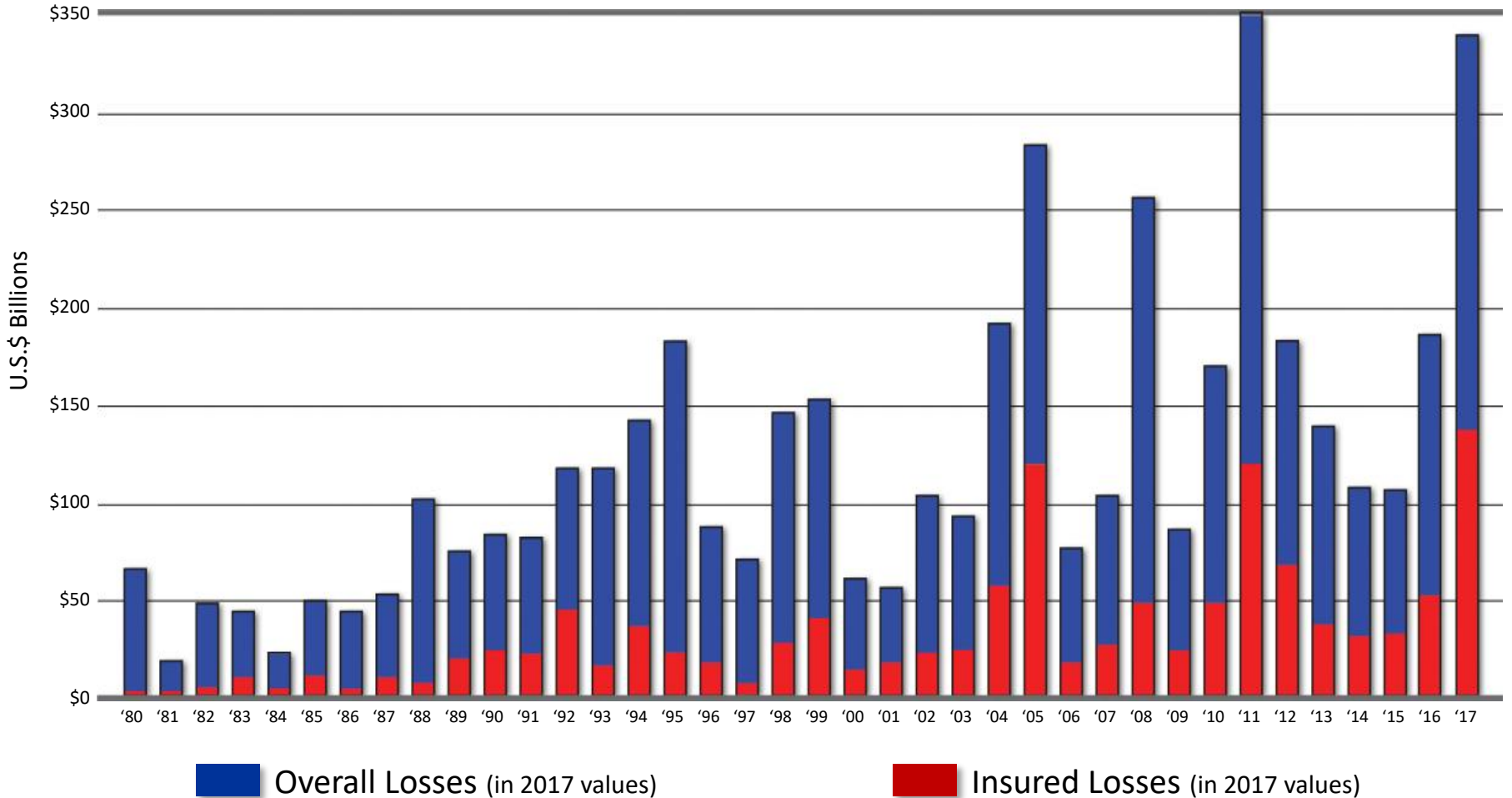
## Number of Relevant Loss Events by Type – 1980-2017



Accounted events have caused at least one fatality and/or produced normalized losses ≥ US\$ 100k, 300k, 1m, or 3m (depending on the assigned World Bank income group of the affected country)

# Overall and Insured Losses Worldwide

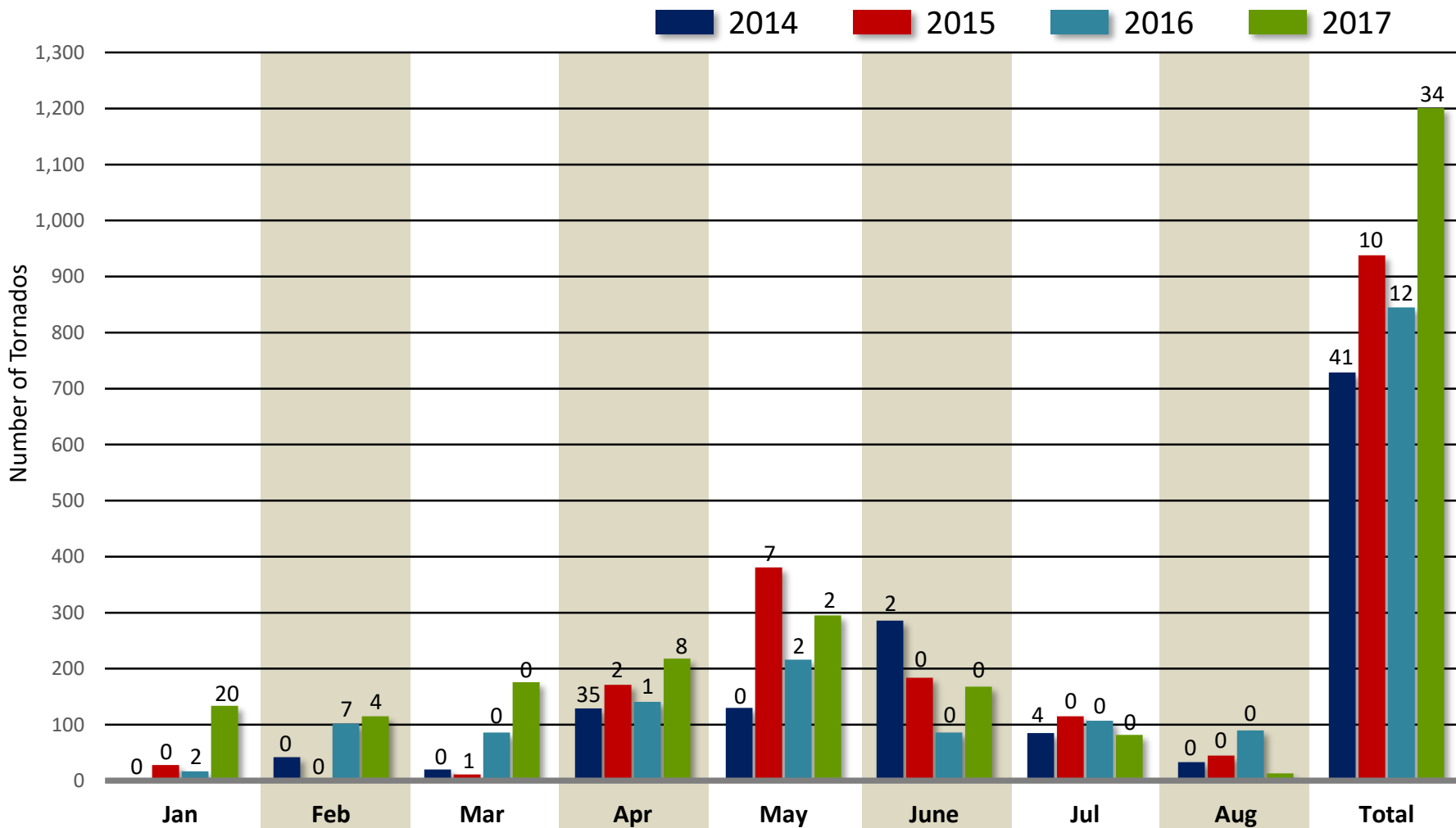
## Relevant Natural Loss Events - 1980 - 2017



Inflation adjusted via country-specific consumer price index and consideration of exchange rate fluctuations between local currency and US\$.

# Monthly Tornado Totals & Related Deaths

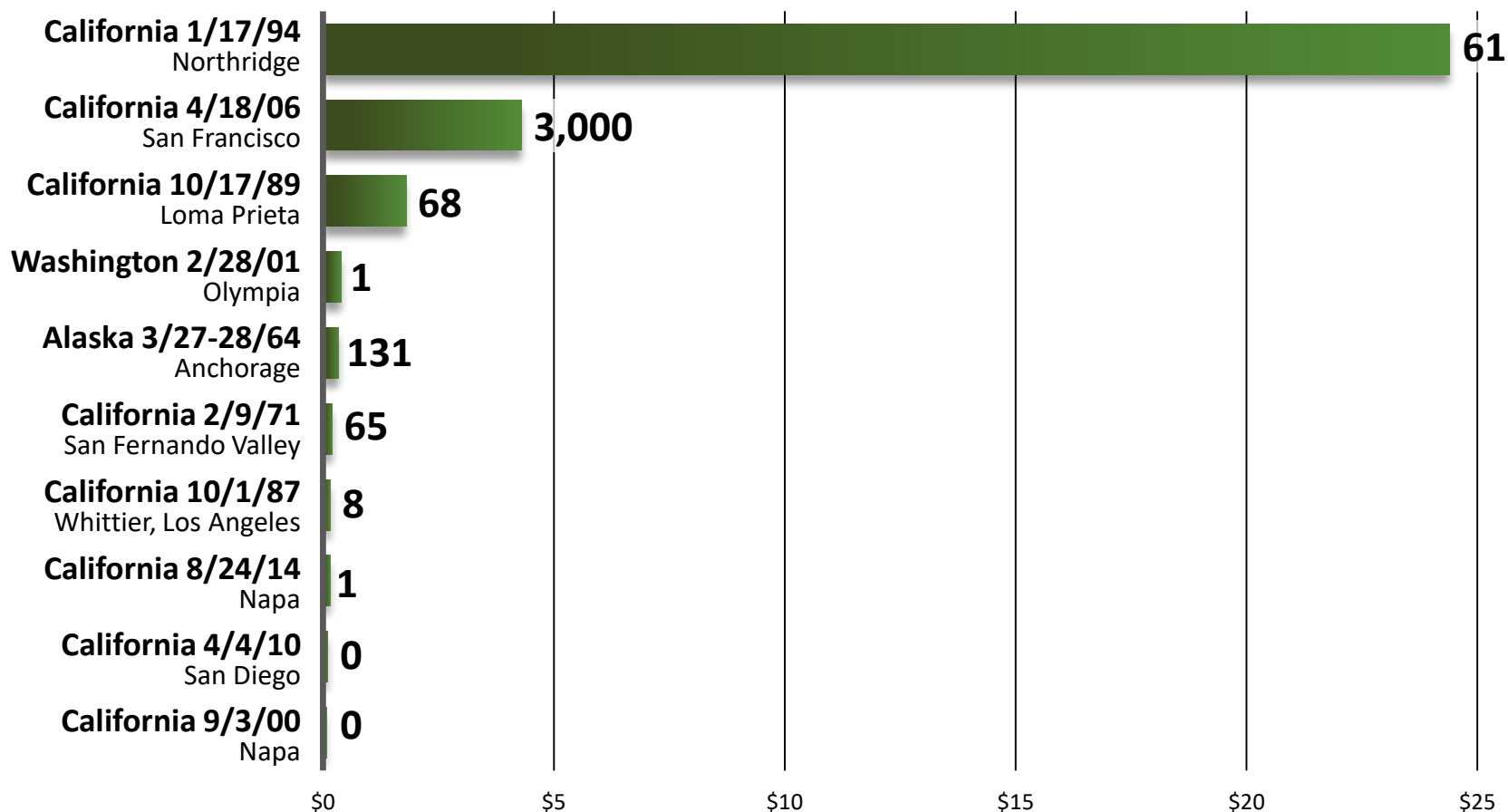
2014 - 2017



\*Number of tornado deaths shown per bar

# Top 10 Costliest U.S. Earthquakes and Resulting Fatalities

Inflation-Adjusted Insured Losses in 2015 Dollars



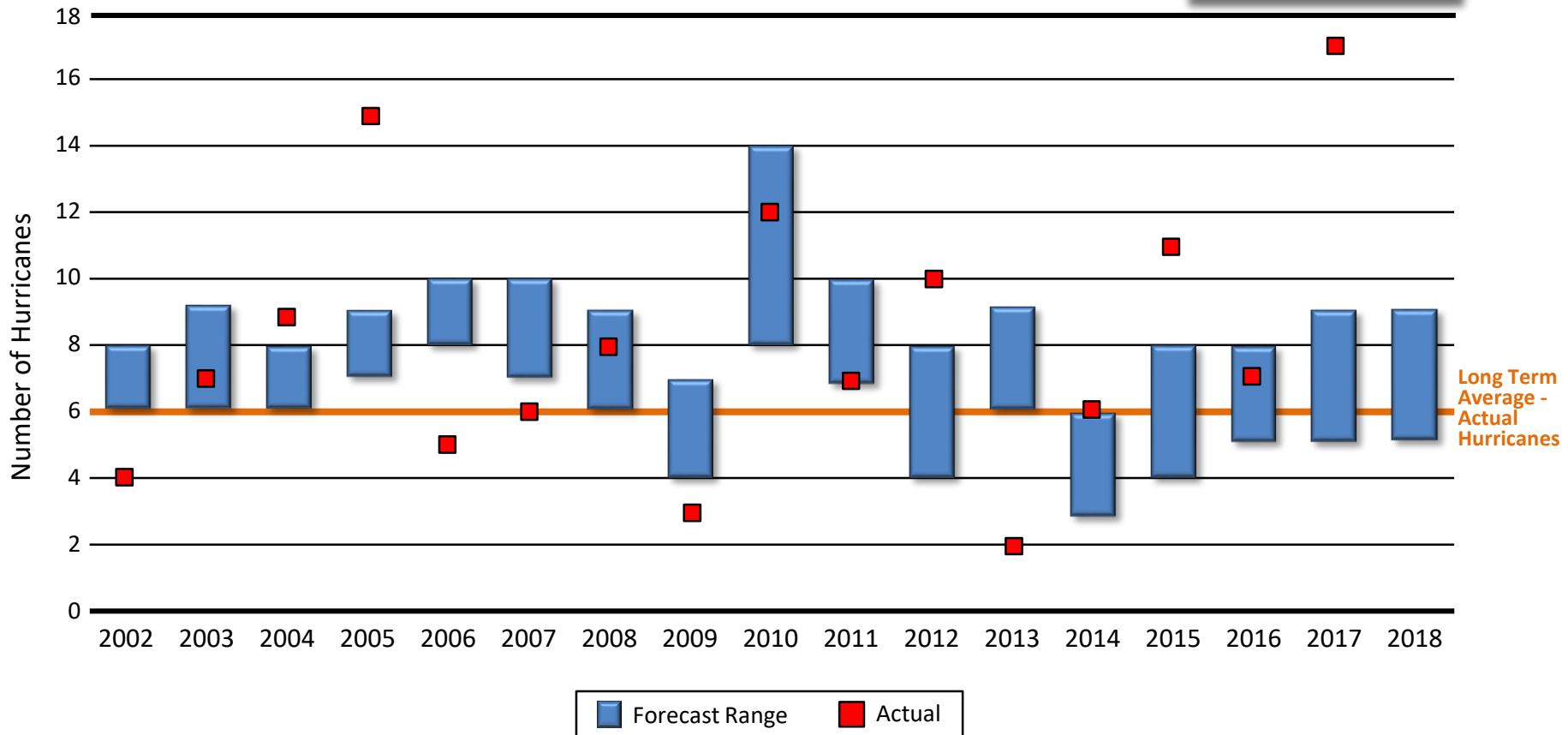
Fatalities shown at the end of the bars.



# NOAA's Seasonal Hurricane Forecast Ranges vs. Actual

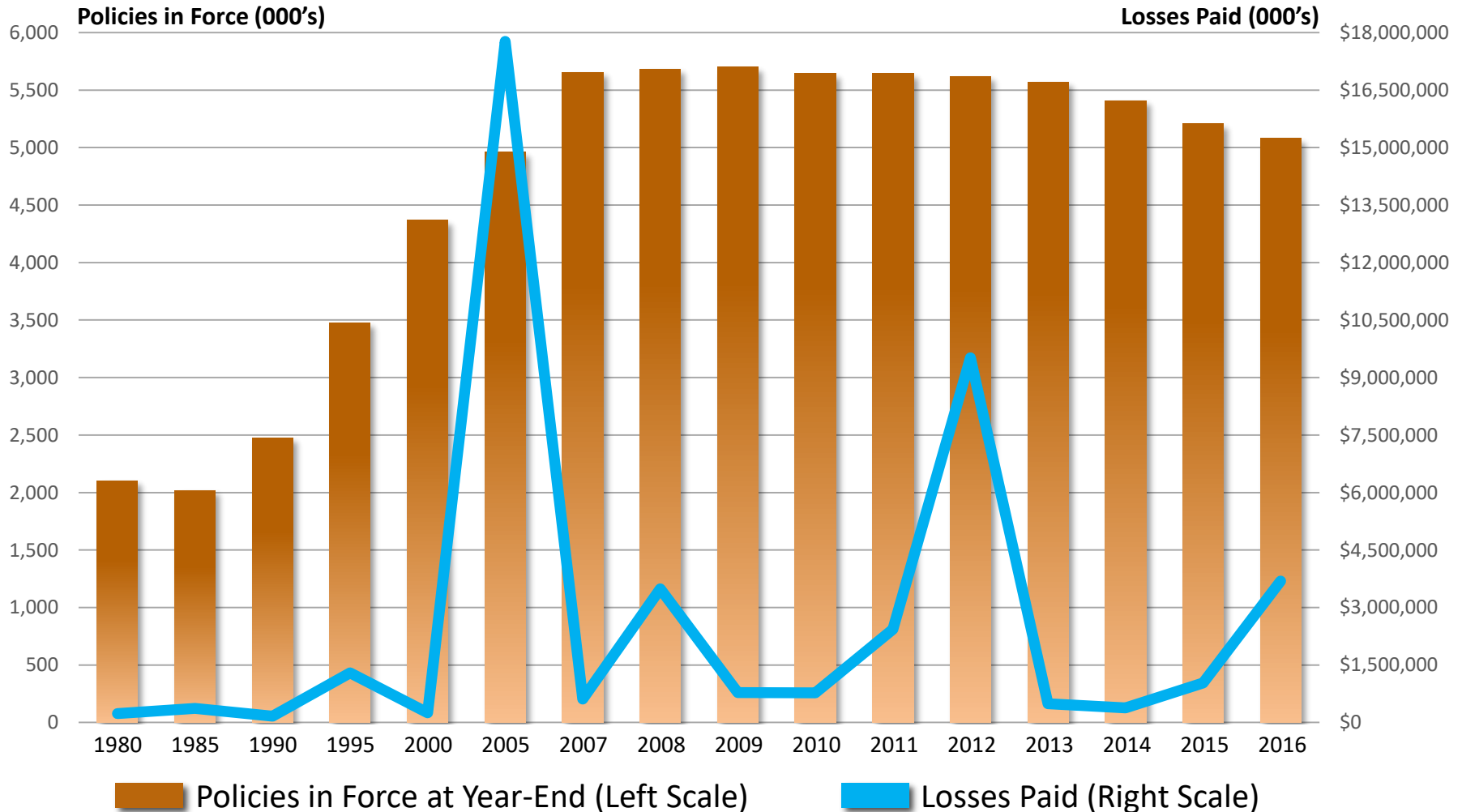
2002 - 2018

Within Range	6
Below Range	5
Above Range	5



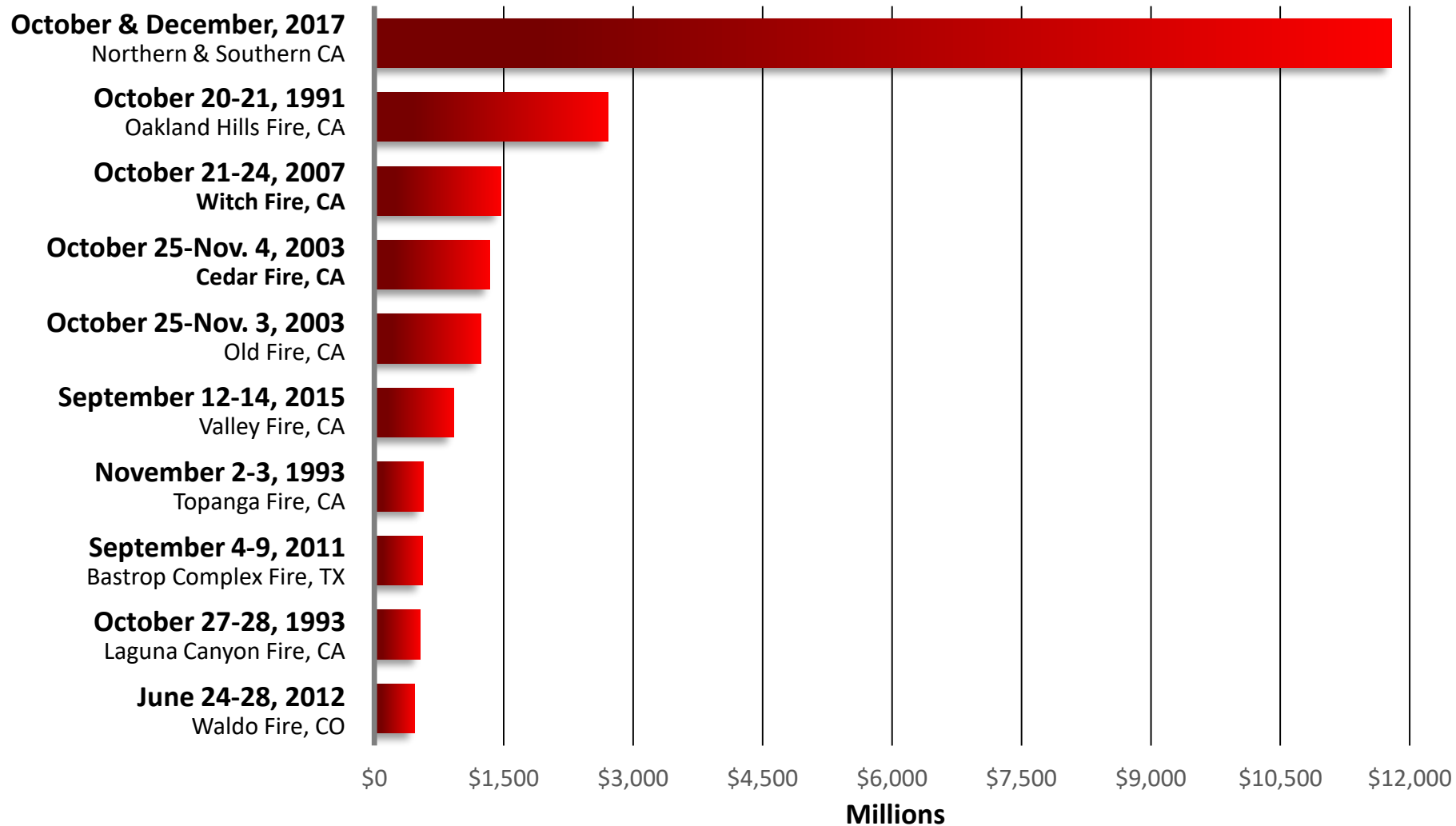
# National Flood Insurance Program

## Policies in Force and Losses Paid 1980 - 2016



Source: US Department of Homeland Security, Federal Emergency Management Agency 2017 Fact Book

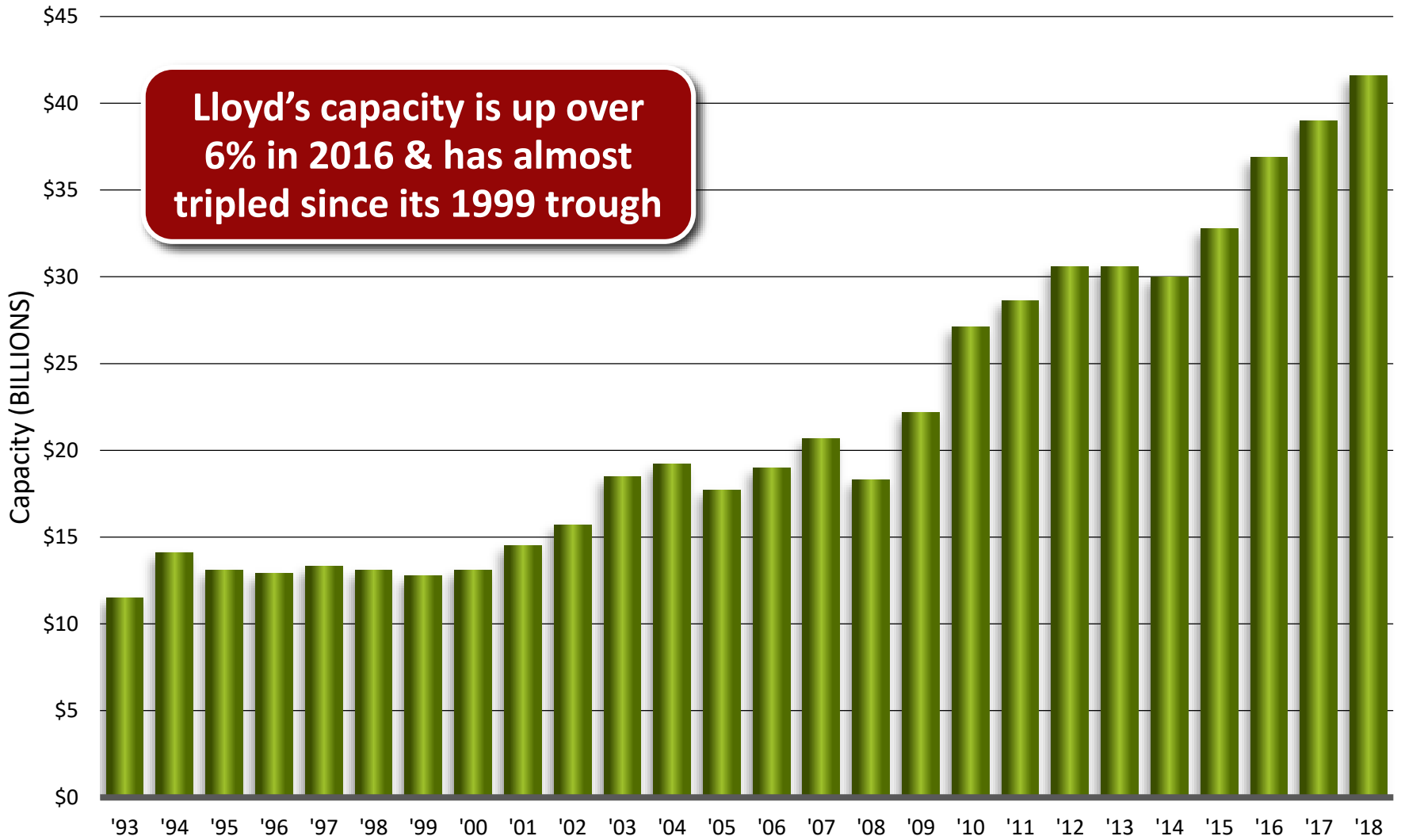
# Top 10 Costliest U.S. Wildland Fires



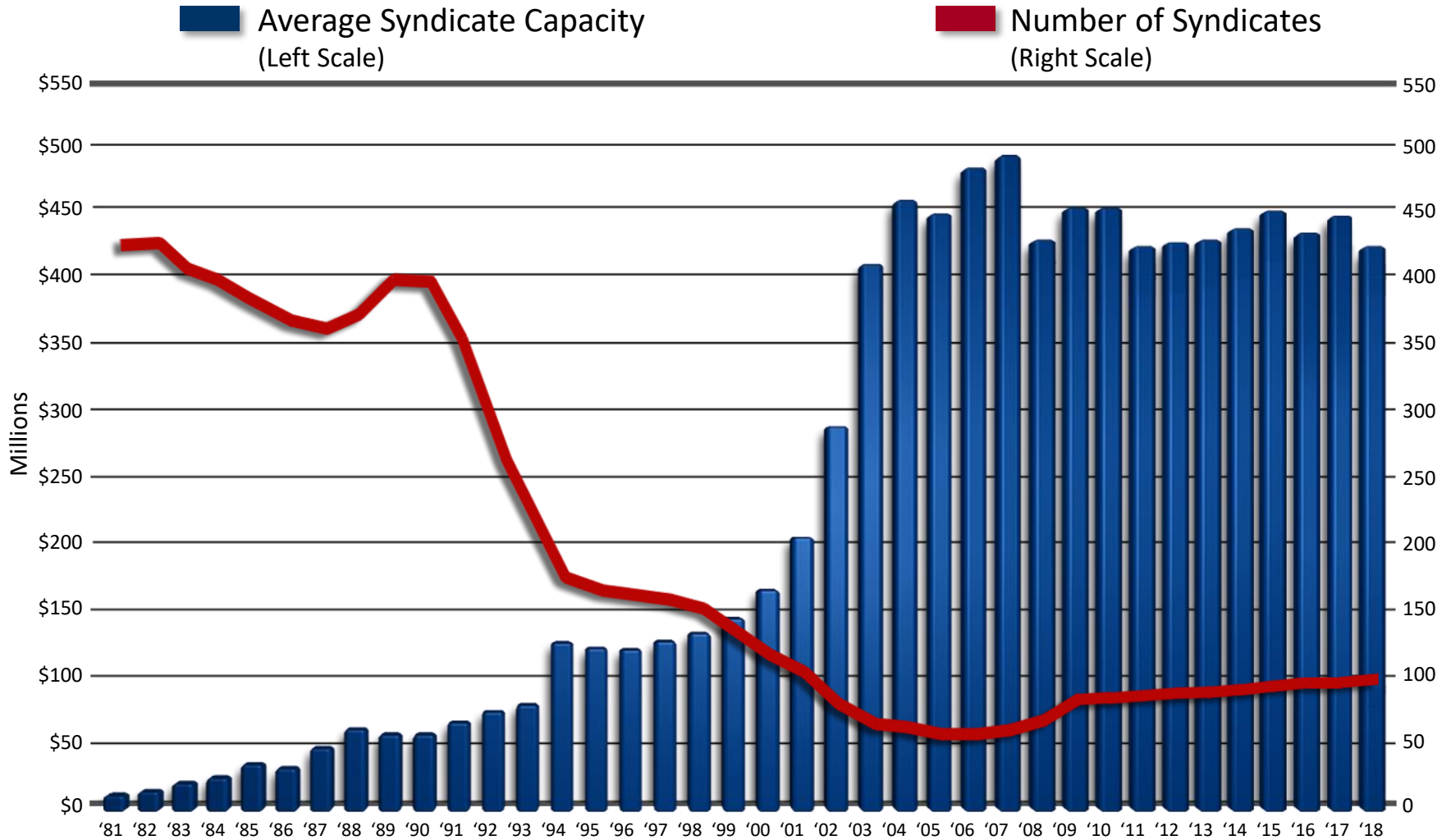
# Lloyd's



# Lloyd's Capacity



# Lloyd's Syndicate Trends



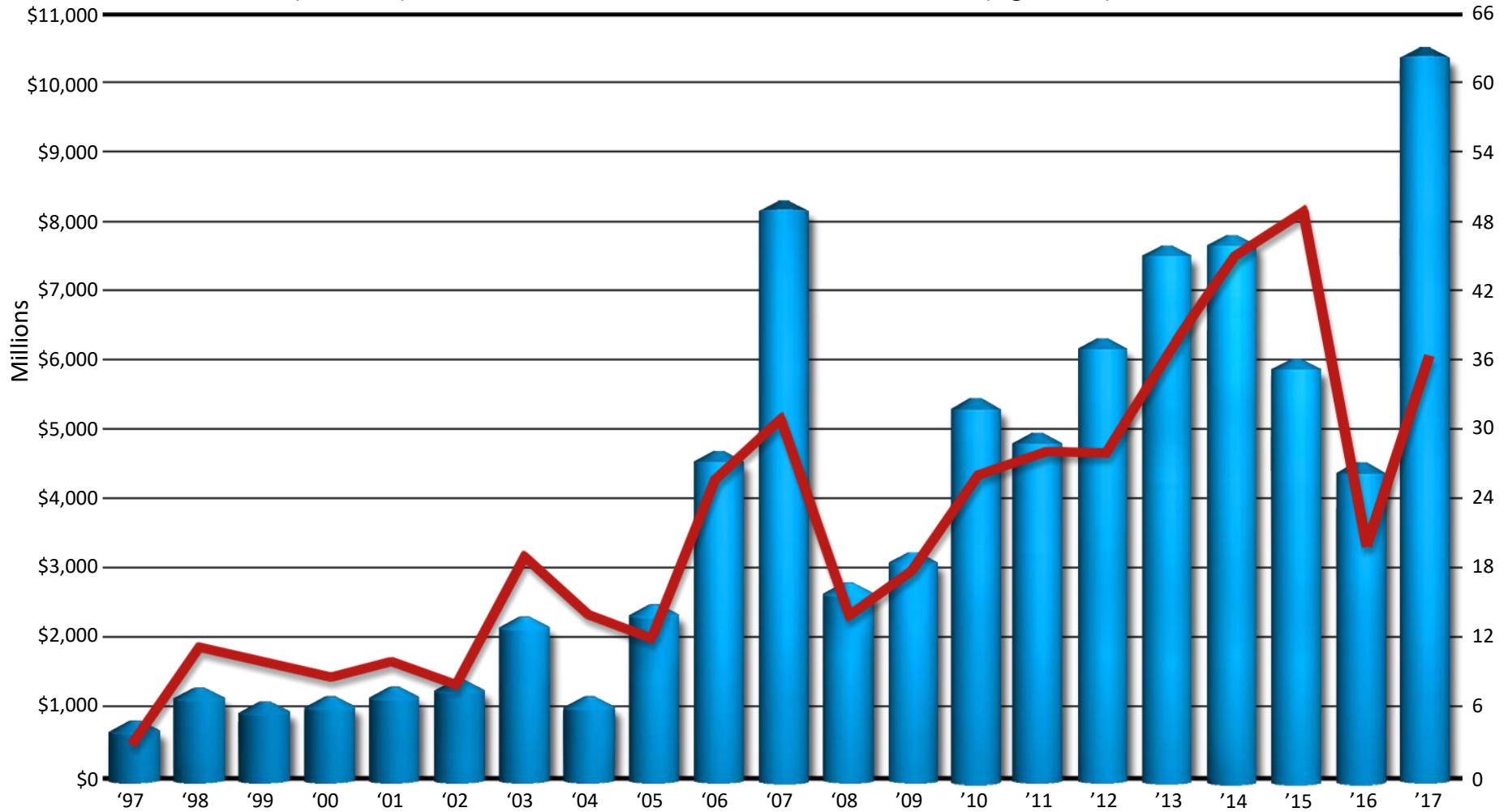
IN GOD WE TRUST

# Catastrophe Bonds & Other Forms of Capitalization

U.S. TREASURY

# Annual Catastrophe Bond

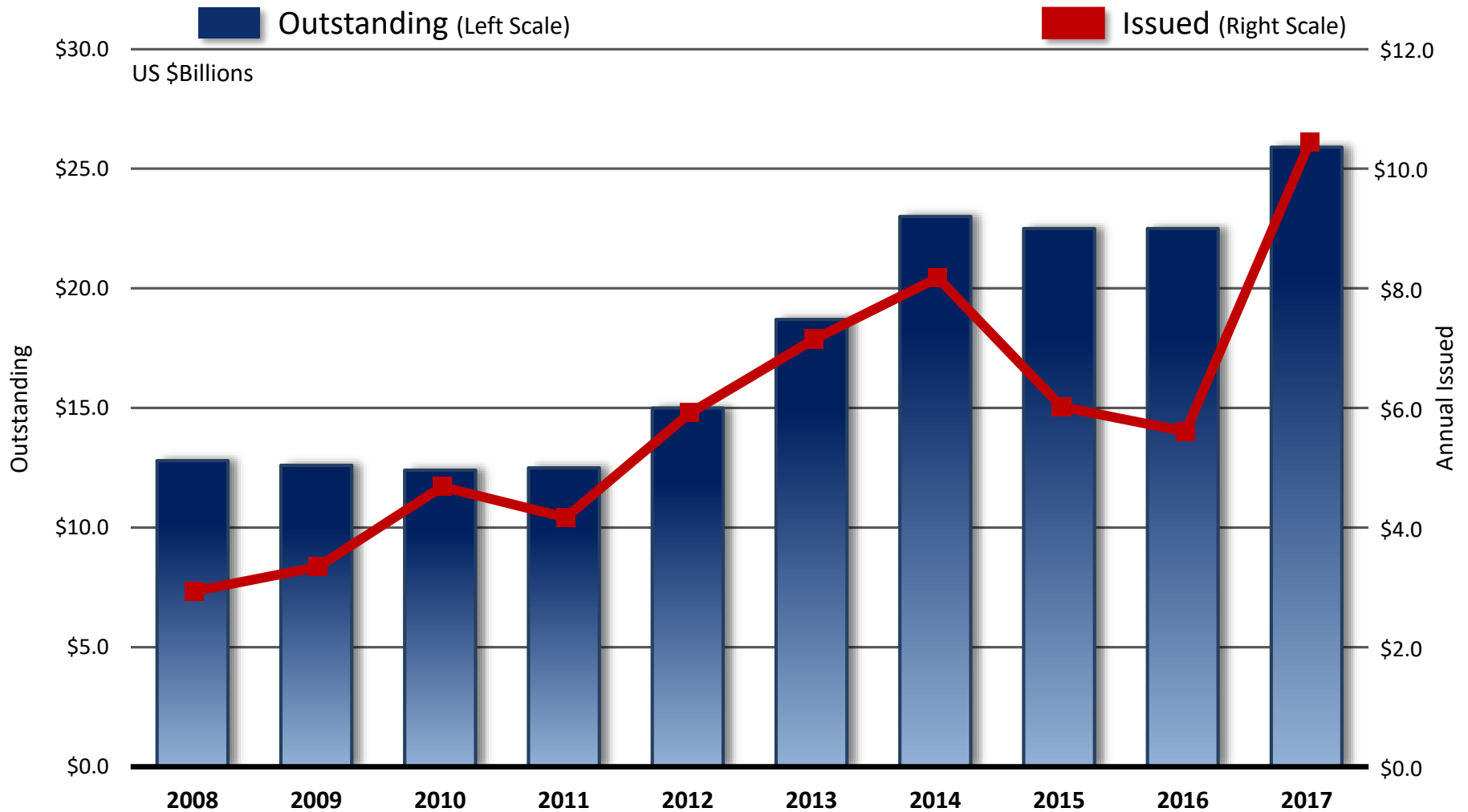
■ Value of Transactions (Left Scale)
 ■ Number of Transactions (Right Scale)





# Catastrophe Bonds

## Risk Capital Outstanding & Annual Issued 2008 - 2017



# Current Status of the U.S. Property & Casualty Insurance Industry

TRENDS & ANALYSIS AS OF APRIL 20, 2019



For more information or to  
share your comments contact:

[augurb@gjs.com](mailto:augurb@gjs.com)

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G. J. Sullivan Co. Reinsurance