

## PROGRESS REPORT TO THE COMMUNICATIONS COMMITTEE

Third Quarter 2008

JULY

### *Issue analysis of quarterly results*

- ✓ Dr. Bob Hartwig wrote a [commentary on the first quarter results of 2008](#), which noted that the property/casualty (P/C) insurance industry reported an annualized statutory rate of return on average surplus of 6.4 percent during the first quarter of 2008, down by more than half from 13.2 percent during the first quarter of 2007 and by nearly half from the 12.3 percent return for all of 2007. The sharp decline in profitability, the report notes, is primarily attributable to a spillover of the housing and credit bubble collapse into the mortgage and financial guarantee segments of the P/C insurance industry. The decline in profitability was led by a substantial deterioration in underwriting performance in those two segments, pushing the first quarter combined ratio up to 99.9, more than 8 points above the 91.7 combined ratio for the same quarter last year and 4.3 points above the 95.6 combined ratio for full-year 2007. Excluding mortgage and financial guarantee insurers reveals declines of a more modest and cyclical nature, with return on average surplus coming in at 9.5 percent. Net written premium growth, which turned negative in 2007 for the first time since 1943 (down 0.6 percent), continued on its negative trajectory, falling 0.9 percent (-0.7 percent excluding mortgage and financial guarantee insurers).

### *Focus on hurricane season communications, including a variety of releases on hurricane preparedness and insurance*

- ✓ Bob Hartwig was invited to be the insurance blogger for the New York Times hurricane blog, [Eye of the Storm](#).
- ✓ A news release in English and Spanish ([Don't Forget Fido! Include Your Pets in Your Disaster Plan; ¡No se olvide del perro! incluya a sus mascotas en su plan de emergencias](#)) addressed the needs of homeowners who have pets. In the wake of Hurricane Katrina, it was discovered that many homeowners who had pets in Louisiana and Mississippi did not want to leave their pets behind.
- ✓ The first U.S. hurricane to make landfall in 2008 struck southwest Texas on Wednesday, July 23, generating national media coverage. With the approach of Hurricane Dolly a media advisory was written that provided facts and statistics on the Texas insurance market. [MEDIA ADVISORY: Dolly Reaches Texas – I.I.I. Has Facts and Statistics on Coastal Insurance Market](#)
- ✓ Lynne McChristian sent out a press release to national media (including Florida news outlets), with recent statistics about Florida hurricanes and a report on Citizens Property Insurance Company.
- ✓ McChristian distributed a property insurance fact sheet to serve as background for reporters to gain perspective when developing rate-related stories.
- ✓ Bill Bailey (in conjunction with McChristian) met with Emergency Operations Center (EOC) directors in three South Florida counties (Broward, Miami-Dade and Palm Beach) to establish an insurance desk in the EOC following hurricanes.



### ***Issue news release on tornado preparedness***

- ✓ More tornadoes hit the U.S. in the first seven months of 2008 than in any prior January-July period since these records have been kept, the National Weather Service reported. This was the impetus for a news release written in English and Spanish on tornado season encouraging consumers to be prepared by getting the right insurance coverage. [Toto, We're Not in Kansas Anymore; Summer Is Peak Tornado Season in the Northeast](#); [El verano es para disfrutar del aire libre y... también es el pico de la temporada de tornados en el noreste del país](#)

### ***Issue news release on auto coverage in conjunction with Auto Theft Awareness Month***

- ✓ Wrote and distributed a news release in English and Spanish providing consumers with safety tips and information about auto coverage. [Make Vigilance the Hallmark of Auto Theft Awareness Month](#); [Manténgase alerta – Julio es el mes de prevención de los robos de autos](#)
- ✓ A news release [Hot Wheels: Vehicle Theft Continuing to Decline](#) was distributed on behalf of subscriber the National Insurance Crime Bureau (NICB) regarding its *Hot Wheels 2008* auto theft report which determines the vehicle make, model, and model year most reported stolen in 2007.

### ***Issue news release on proper homeowners coverage as summer burglaries on the rise***

- ✓ Wrote and distributed a news release in English and Spanish addressing what's covered under a homeowners policy and ways that residents can prevent home burglary. [Home Burglaries Can Spike as Residents Head Out For Vacation, the I.I.I. Warns Consumers](#); [Los ladrones de casas pueden hacer de las suyas mientras las personas salen de vacaciones, alerta el I.I.I.](#)

### ***Additional accomplishments***

- ✓ Provided facts and figures to the Government Accountability Office (GAO) for their [Terrorism Insurance Availability](#) report.
- ✓ Developed a presentation on the [Economic, Social and Environmental Impact of Hurricanes](#).
- ✓ With Munich Re hosted an online conference focusing on global natural catastrophe issues through the first half of 2008: [First Half 2008 Natural Catastrophe Update](#).
- ✓ Updated monthly Inflation Watch report, based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) and Producer Price Index (PPI).
- ✓ Bob Hartwig wrote a letter to the editor that was published in the *Wall Street Journal*, "[Hey, We Are Doing What We Should Do](#)", as a rebuttal to the article by M.P. McQueen, "Hurricane Watch: Insurers Criticized For New Rate Models" (page 1, July 1, 2008) which takes insurers to task for using computers to estimate catastrophe losses, incorporating shifting weather patterns into their models and managing to earn profits despite record disaster claims.
- ✓ Wrote and distributed a news release in Spanish and English pointing out that teens drive more frequently in summer months and suggesting that families with teen drivers should educate them about driving safely and make sure they and their teen are properly insured [Summertime and the](#)

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[Living's...Not So Easy For the Parents of Teen Drivers: More Accidents Take Place When Teens Are Out of School](#); [Otra preocupación de los padres para el verano: Más accidentes cuando los jóvenes conductores están de vacaciones](#).

- ✓ Wrote and distributed a news release, [Renting a Car for the July 4th Weekend?](#), which provided new information about the various fees imposed by car rental companies.
- ✓ Wrote and distributed a news release in English and Spanish reviewing special insurance coverage for classic car owners. [On the Road Again: Classic Car Owners Have Special Auto Insurance Needs](#); [De vuelta a las carreteras: los autos clásicos necesitan seguros con características especiales](#).
- ✓ Wrote and distributed a news release in English and Spanish pegged to the 5.4 magnitude earthquake that shook Southern California as a reminder of the risk of earthquakes particularly in California and the need for earthquake insurance. [Earthquake Rattles California – Reminder of the Risk of a Catastrophic Earthquake in U.S.](#); [Un temblor estremece a California – Es un recordatorio de los riesgos de que un terremoto catastrófico puede suceder en los Estados Unidos](#).
- ✓ Developed updated message points on regulatory modernization in July 2008. The failure of the Insurance Information Act of 2008 to come to a vote this fall before the U.S. House of Representatives means the U.S. Treasury Department will not create an Office of Insurance Information until well into 2009 at the earliest.
- ✓ I.I.I.'s chief economist, Dr. Steven Weisbart, examined gas price market trends dating back to the 1970s and found that higher gas prices did not necessarily lead to lower claims payouts for auto insurers.
- ✓ Claire Wilkinson's insurance industry blog, [Terms & Conditions](#), which LexisNexis Insurance Law Center selected as one of its top 50 Insurance Law blogs, focused on myriad issues in July including insurers' use of catastrophe models, which has come under increased scrutiny since the record hurricane loss seasons of 2004 and 2005, auto theft, occupational fraud costs, the rising prevalence of obesity, California earthquake risk and the first green homeowners policy.
- ✓ I.I.I. received 322 consumer calls in July, only five of which were complaints. Most of the callers (290) were policyholders, the rest consisted of students (20), insurance companies (3), agent/brokers (5) and other (9). The source of almost all the calls was the Internet (321). A majority of the questions (244) dealt with auto coverage issues, other questions were homeowners/tenant insurance (31), life insurance (14), health (11), property (15), casualty (8) and other (4).

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## AUGUST

### ***Produce and distribute information on claims filing, along with a new VNR on the subject to be distributed via satellite***

- ✓ Developed first two podcast videos on claims filing. The podcasts work as a useful reference video that consumers can access quickly in the event of a hurricane, fire or other disaster.
- ✓ Wrote and distributed a news release [I.I.I. Podcast on Insurance Claim Filing Now Available on iTunes](#) so that the media was aware of the I.I.I.'s foray into this medium.
- ✓ Wrote and distributed a news release [I.I.I. Podcast on Insurance Claim Filing after an Auto Accident Now Available on iTunes](#)

### ***Focus on hurricane season communications, including a variety of releases on hurricane preparedness and insurance***

- ✓ Wrote and distributed news releases in English and Spanish regarding claims filing after Tropical Storm Fay [Tropical Storm Fay Damages Should Be Reported Immediately to Insurers](#); [Los daños causados por la tormenta tropical Fay deben presentarse de inmediato a las aseguradoras](#) and [I.I.I. Offers Advice to Florida Property Owners Affected By Tropical Storm Fay](#); [El I.I.I. ofrece recomendaciones para los propietarios de viviendas afectados por la tormenta tropical Fay](#)
- ✓ Wrote and distributed news releases regarding the need for the right amount of coverage and the value of coastal property exposed to hurricanes. [Third Year Anniversary of Hurricane Katrina – A Reminder to Insure Against Hurricanes](#); and [Third Year Anniversary of Hurricane Katrina – Value of Insured Coastal Property by State](#)
- ✓ Wrote and distributed news releases in English and Spanish as Hurricane Gustav headed toward the Gulf [Hurricane Gustav Heads Toward U.S. Gulf Coast on Third Anniversary of Hurricane Katrina's Arrival](#); [I.I.I. Staff Available This Weekend to Provide Interviews Regarding Hurricane Gustav and Insurance](#).
- ✓ Lynne McChristian appeared six times this quarter on WTVT/Fox in Tampa discussing insurance issues, including two appearances on the live noon program, which includes a call-in segment for viewers. (Noon show subjects were about the need for flood insurance and disaster preparedness.)

### ***Issue news releases on insurance for college students, with embedded radio actualities***

- ✓ Wrote and distributed news releases which addressed coverage when going to college: [Heading Off to College?: In Tough Economic Times It's Important to Have Adequate Insurance Coverage](#); and [Heading Off to College with an Empty Wallet?](#)

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## ***Additional accomplishments***

- ✓ Developed a [presentation](#) that focuses on the implications of high energy prices, rising inflation, capacity trends, the weak economy and proposed changes in insurance and financial sector regulation. It also includes a catastrophe loss review focusing on the respite in the energy sector.
- ✓ Developed a presentation on the emerging trends in workers compensation and the impact of the economy on workers compensation: [Workers Compensation Insurance Industry Overview: Trends & Challenges Amid the Economic Storm](#).
- ✓ Developed a presentation, [Emerging Risks in Workers Compensation: Shades of Things to Come?](#), which discusses emerging trends and risks related to workers compensation.
- ✓ Developed [Public Attitudes and Media Environment Facing Key Issues in the Insurance Industry](#) which discusses the key issues facing insurance companies.
- ✓ Updated the California Earthquake Authority report which contains several tables and charts explaining CEA operational details and its claims paying capacity
- ✓ I.I.I. staff reached out to CNN's Gerri Willis on August 29 providing background and information on the potential impact to insurers from Hurricane Gustav. While the I.I.I. was not quoted, a lot of I.I.I. information on getting organized and documenting losses was used in a story Willis aired on Thursday, Sept. 4 at 10:50 a.m. ET. CNN also utilized information from I.I.I. for Willis' Saturday, Sept. 6, 9:30 a.m. show, *Open House*, which focused on what type of homeowners insurance coverage consumers need.
- ✓ Developed Hurricane Fact Files on coastal states including Alabama, Louisiana and Mississippi.
- ✓ Developed written testimony for submission to United States International Trade Commission on *Competitive Conditions in Global Property and Casualty (P&C) Insurance Markets*.
- ✓ Held the I.I.I.'s first Hispanic Media Briefing on Tuesday, August 12, at the company's New York offices. Several major New York Hispanic outlets were present including *El Diario/La Prensa*, Univision and MEGA-TV. A number of member companies were also present. The briefing focused on the insurance impact of catastrophe risks in the Northeast. As a result of the briefing, I.I.I.'s Hispanic Media officer Elianne Gonzalez was interviewed by Univision, Telemundo and Mega TV, as well as *El Diario/La Prensa*—for print and their Web site—and the ImpreMedia network of newspapers.
- ✓ The I.I.I. blog, [Terms & Conditions](#), focused on a number of important issues in August including data loss vulnerability, the potential link between granite countertops and increased indoor radon levels, lightning risk and how data quality can directly impact reinsurance pricing and capacity extension when it comes to property catastrophe exposure.
- ✓ Wrote and distributed a news release, [Many Americans Still Don't Understand Homeowners Insurance Doesn't Cover Flood Damage, I.I.I. Survey Reveals](#), which showed more than a quarter of Americans still mistakenly believe that flooding from a hurricane is covered under standard homeowners and renters policies.

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- ✓ Wrote and distributed a news release, [Identity Theft Ring Busted – Stark Reminder of Need for Consumers to Be More Vigilant and Have the Right Type of Insurance Coverage](#), which provided consumers with tips to prevent identity theft and insurance coverage.
- ✓ Wrote and distributed a press release in English and Spanish on car rental insurance for Labor Day weekend, a prime time for consumers to rent cars: [Renting a Car for Labor Day Weekend?; Desmantelan gran estafa de robo de identidad – Un recordatorio para los consumidores de que necesitan estar atentos a este crimen y obtener el seguro adecuado](#)
- ✓ The I.I.I. received 329 consumer calls in August, only 10 of which were complaints. Most of the callers (289) were policyholders, the rest consisted of students (29), insurance companies (3), attorneys (2), accountants (1), agent/brokers (5) and other (10). The source of almost all the calls was the Internet (332). A majority of the questions (252) dealt with auto coverage issues, other questions were homeowners/tenant insurance (34), life insurance (12), health (12), property (16), casualty (7) and other (6).

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## SEPTEMBER

### *Issue analysis of quarterly results*

- ✓ Dr. Hartwig wrote a commentary on the [first-half results of 2008](#), which noted that the property/casualty (P/C) insurance industry reported an annualized statutory rate of return on average surplus of 5.4 percent during the first half of 2008, down by nearly two-thirds from 13.1 percent during the first half of 2007 and by more than half from the 12.3 percent return for all of 2007. The sharp decline in profitability is partially attributable to a spillover of the housing and credit bubble collapse into the mortgage and financial guarantee segments of the P/C insurance industry. The decline in profitability was led by a substantial deterioration in underwriting performance in those two segments, pushing the first-half combined ratio up to 102.1, more than 9 points above the 92.7 combined ratio for the same period last year and 6.5 points above the 95.6 combined ratio for full-year 2007. Excluding mortgage and financial guarantee insurers reveals declines of a more modest and cyclical nature, with return on average surplus coming in at 7.6 percent (compared to 12.8 percent in first-half 2007). Net written premium growth, which turned negative in 2007 for the first time since 1943 (down 0.6 percent), continued on its negative trajectory, falling once again by 0.6 percent (-0.7 percent excluding mortgage and financial guarantee insurers). Policyholders' surplus, a measure of capacity, decreased for the third consecutive quarter, down 2.5 percent to \$505.0 billion as of June 30 from \$517.9 billion at year end 2007.
- ✓ Wrote and distributed a news release on the industry's year-end results which was co-written by ISO and PCI. It was also featured in the I.I.I. Daily.

### *Focus on hurricane season communications, including a variety of releases on hurricane preparedness and insurance*

- ✓ Lynne McChristian made desk-side visits to reporters covering the state capitol in Tallahassee. She met with eight reporters/photojournalists representing seven news outlets.
- ✓ When Gustav made landfall, wrote and distributed news releases in English and Spanish relating to claims filing: [Claims Filing Advice for Property Owners Affected by Hurricane Gustav](#); [Insurers Set Up Toll-Free Numbers to Assist Policyholders with Hurricane Gustav-Related Claims](#); [Recomendaciones para que los afectados por el Huracán Gustav presenten sus reclamos a las aseguradoras](#).
- ✓ The I.I.I.'s Bill Bailey left for Louisiana on Sunday, Sept. 7, to reach out to media. He had interviews on Monday, Sept. 8, with WBRZ-TV (ABC affiliate), WWL radio and *The Times-Picayune*. The I.I.I. staff, including consultant Bill Davis, continued to field national as well as local media and directed media traffic to member companies already on the ground.
- ✓ Wrote and distributed news releases in English and Spanish on insurance issues related to Hurricane Ike: [I.I.I. Staff Available This Weekend to Provide Interviews on Hurricanes, Tropical Storms and Insurance](#); [Ike Headed to Texas – I.I.I. Has Facts and Statistics on Texas Hurricane History](#); [I.I.I. Provides Tips on What to Take If You Need to Evacuate Your Home](#); [I.I.I. ofrece recomendaciones de qué llevarse si necesita evacuar su vivienda](#); [I.I.I. Offers Advice to Texas Property Owners Affected by Hurricane Ike](#); [El I.I.I. ofrece consejos para los propietarios que se](#)



[vean afectados por el huracán Ike; Hurricane Ike May Become Fourth Most Expensive Hurricane in U.S. History](#); and [Hurricane Ike Estimated To Become Fourth Costliest Hurricane Ever; Claims Settlement Process Well Underway](#).

### ***Issue news release on tips to purchase life insurance in conjunction with Life Insurance Awareness Month***

- ✓ Wrote and distributed a news release in English and Spanish on the need for life insurance if you have financial dependents. [Do You Have Financial Dependents? Then Life Insurance Is a Necessity](#); [¿Alguien depende de usted financieramente? Entonces ¿usted necesita un seguro de vida!](#)

### ***Issue news release on how to find a lost life insurance policy***

- ✓ Wrote and distributed a news release in English and Spanish, offering tips on how to find a lost or unclaimed life insurance policy: [The I.I.I. Offers Tips on Finding a Lost or Unclaimed Life Insurance](#); [Recomendaciones del I.I.I. para encontrar una póliza de seguro de vida no reclamada o extraviada](#).

### ***Issue news release on how to save money on business insurance***

- ✓ Wrote and distributed a news release in English and Spanish, offering tips on how to save money on business insurance [Businesses Can Cut Costs by Reviewing Insurance Policies](#); [Los negocios pueden recortar costos revisando sus pólizas de seguro](#).

### ***Additional Accomplishments***

- ✓ Dr. Hartwig developed a presentation: [The Financial Crisis & the P/C Insurance Industry Challenges: Amid the Economic Storm](#).
- ✓ Wrote and distributed a news release in English and Spanish on how to reduce insurance costs during difficult economic times: [Consumers Can Free Up Income by Reducing Insurance Costs](#); [Revisar las pólizas de seguros pudiera encontrarle nuevas formas de reducir sus gastos mensuales](#).
- ✓ Wrote and distributed a news release, [Businesses Can Cut Costs by Reviewing Insurance Policies](#), which provided tips to business owners on how to save money on their insurance in lean times.
- ✓ On the I.I.I. blog, [Terms & Conditions](#), Claire Wilkinson stressed that the U.S. insurance market is fundamentally sound. She promoted the availability of a PowerPoint presentation that Dr. Hartwig created on the credit crunch entitled, [The Financial Crisis & the Property/Casualty Insurance Industry: Challenges Amid the Economic Storm](#), and focused on a number of important issues in including credit crisis litigation, the NFIP extension, the dangers of text-messaging while driving a vehicle, reinsurance issues, coastal exposure and current concerns about the state of the economy.
- ✓ The I.I.I. was inundated with media calls regarding AIG and the financial strength of the insurance industry. I.I.I. also fielded calls regarding federal assistance to AIG. The I.I.I. prepared a [comprehensive backgrounder](#) on the U.S. guaranty system. The document, showing that all states have procedures through which the insurance industry covers claims against insolvent insurers, was highlighted on the [I.I.I. home page](#).

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- ✓ The I.I.I. wrote a note to personal finance expert Suzie Orman, who was a guest on *Larry King Live* and spoke about insurer guaranty funds. Orman did not present the facts accurately on this issue so I.I.I. provided her with its comprehensive guaranty fund backgrounder paper.
- ✓ Revised the Issues Update paper, [Climate Change: Insurance Issues](#).
- ✓ Developed presentation [Into the Looking Glass: Trends & Challenges in the P/C Insurance Industry](#) which provides an overview of the property/casualty insurance industry.
- ✓ Claire Wilkinson updated the paper, Residual Market Property Plans: From Markets of Last Resort to Markets of First Choice, which examines the property insurance coverage provided by FAIR Plans, Beach and Windstorm Plans, and two state-run insurance companies, Florida Citizens Property Insurance Company and Louisiana Citizens Property Insurance Corporation. The [report](#) is available in the members section only. In addition, Wilkinson developed related papers on individual states Texas, Florida and Louisiana.
- ✓ Wrote and distributed news release in English and Spanish on deer safety and insurance.: [Hazardous Driving Conditions Accompany Deer Season](#); [Los negocios pueden recortar costos revisando sus pólizas de seguro](#)
- ✓ The I.I.I. received 328 consumer calls in September, only 7 of which were complaints. Most of the callers (291) were policyholders, the rest consisted of students (27), insurance companies (2), attorneys (1), accountants (2), agent/brokers (4) and other (8). The source of almost all the calls was the Internet (330). A majority of the questions (256) dealt with auto coverage issues, other questions were homeowners/tenant insurance (33), life insurance (10), health (14), property (13), casualty (6) and other (3).

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