

PROGRESS REPORT TO THE COMMUNICATIONS COMMITTEE

Fourth Quarter 2008

OCTOBER

Issue Analysis of Quarterly Results

- ✓ Dr. Bob Hartwig wrote a commentary on economic trends in the first half of 2008 <http://www.iii.org/media/industry/financials/2008firsthalf/> which noted that the property/casualty (P/C) insurance industry reported an annualized statutory rate of return on average surplus of 5.4 percent, 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 property/casualty 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 in 2008 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

Issue news release on deer season

- ✓ A news release was written on deer season and hazardous road conditions which had an embedded radio actuality. [Hazardous Driving Conditions Accompany Deer Season](#)

Issue news release on motorcycles and insurance

- ✓ A news release was written on motorcycles and having the proper insurance coverage with an embedded radio actuality. [Government Policymakers Focus on Boosting Motorcycle Safety](#)

Additional Accomplishments

- ✓ Bob Hartwig and Steve Weisbart were guests on Bill Bailey's *It's Your Money* radio program along with Pennsylvania insurance commissioner Joel Ario and New Hampshire insurance commissioner Roger Sevigny, president-elect of the National Association of Insurance Commissioners.
- ✓ Bob Hartwig worked with the Bureau of Economic Analysis in developing estimate impacts on economic growth for the Q3 GDP numbers.
- ✓ Bob Hartwig gave the presentation [Financial Crisis and the Future of P/C Insurance: Challenges Amid the Global Economic and Regulatory Storm](#) October 21 at the Society for Insurance Research in Savannah, Georgia.



- ✓ Bob Hartwig developed the presentation [The Global Auto Insurance Industry in Uncertain Times: Challenges Amid the Global Economic and Regulatory Storm](#) which focuses on the state of global and U.S. auto insurance markets and how the global economic slowdown and credit market crunch are affecting them.
- ✓ Jeanne Salvatore was a panelist on the National Roundtable on Insurance Literacy, held October 15 in Washington, DC. Her presentation [National Roundtable on Insurance Literacy: Best Insurance Education Practices](#) discusses the exemplary insurance education programs undertaken in recent years by the I.I.I. and industry sponsored organizations as part of a panel on Best Insurance Education Practices.
- ✓ Bob Hartwig provided an analysis of the U.S. economy to New York's ABC affiliate on Sunday, Oct. 19. The program, *Up Close with Diana Williams*, airs every Sunday on WABC-TV.
- ✓ Lynne McChristian issued a press release regarding the last month of hurricane season. The release suggested that November was a good time to do a home inventory while hurricane season is still on your mind. The release noted that four hurricanes have hit the U.S. in November – and they all hit Florida.
- ✓ Elianne Gonzalez provided content in English and Spanish to the Orlando Hispanic Chamber of Commerce on insurance issues. She also was also interviewed on their radio program about small Business "*Hablemos de Negocios*".
- ✓ Claire Wilkinson's Blog, *Terms & Conditions*, which LexisNexis Insurance Law Center has selected among the top 50 Blogs for Insurance, focused on a myriad of issues in October including the Federal Trade Commission (FTC) giving financial institutions and creditors an extra six months, until May 1, 2009, to comply with the so-called "red flags rule" which requires them to develop and implement written identity theft prevention programs; a new analysis of insurance claims and federal crash data indicating rising levels of insurance claims for animal collisions; the first snowstorm of the season hitting the Northeast and annual insured losses' reinsurance market turning; catastrophe losses for the third quarter; women and finance and a new web site launched for women by one insurer called *Take Away the Worry*; the latest market survey by the Council of Insurance Agents and Brokers; The financial cushion that protects policyholders is declining. Towers Perrin has warned that the U.S. property/casualty industry's reported surplus (a measure of claims-paying capacity or capital) could decline by as much as \$80 billion or 15 percent by year-end if the stock market doesn't recover from steep losses precipitated by the continuing financial crisis; the homeowners ROE outlook down; a new view of U.S. earthquake risk focusing on the 140th anniversary of the 1868 Hayward earthquake, dubbed the first great San Francisco earthquake and one of the most damaging quakes in U.S. history.
- ✓ I.I.I. received 334 consumer calls in October, only three of which were complaints. Most of the callers (289) were policyholders. The rest consisted of students (22), insurance companies (4), agent/brokers (4), accountant (1) and other (12). Ninety-nine percent of the source of the calls was the Internet (332). A majority of the questions (260) dealt with auto coverage issues, other questions were homeowners/renter's insurance (27), life insurance (12), health (16), property (12), casualty (4) and other (3).

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New York, NY 10038
(212) 346-5500 www.iii.org



NOVEMBER

Issue news release on identity theft

- ✓ A news release was written in English and Spanish on identity theft and tips for holiday shopping which included information on insurance coverage. [Put Identity Theft Awareness on Your Shopping List This Season](#); [En su lista de compras de la temporada agregue una buena medida de precaución contra el robo de identidad](#)

Additional Accomplishments

- ✓ Bob Hartwig gave the presentation [Financial Crisis and the Future of P/C Insurance: Challenges Amid the Global Economic and Regulatory Storm](#) on November 20 at the 20th annual P/C Insurance Executive Conference in New York.
- ✓ Bpb Hartwig gave the presentation [Financial Crisis: Private & Public Sector Impacts: Challenges Amid Economic and Regulatory Uncertainty](#) on October 20 at the Southeastern Regulators Association Conference.
- ✓ Elianne E. González gave the presentation [Hispanics and Insurance: Hispanic Audiences and Media](#) November 11 at the Insurance Public Relations Counsel Fall Meeting. Amelia Island, Florida.
- ✓ A news release was written in English and Spanish on the need for renters insurance. [Renters Insurance Remains a Cost-Effective Purchase, Even in Tough Times](#); [Seguro para inquilinos es una protección efectiva, inclusive en tiempos difíciles](#)
- ✓ A news release was written in English and Spanish on insurance when renting a car. [Renting A Car Over Thanksgiving Weekend? ¿Piensa alquilar un auto durante las fiestas del día de acción de gracias?](#)
- ✓ A news release was written in English and Spanish on winter-proofing a home during fall weather. [Fall Is the Perfect Time to Winterproof Your Home](#); [El otoño es perfecto para preparar la casa contra posibles daños en el invierno](#)
- ✓ I.I.I. launched its Florida Web site, [InsuringFlorida.org](#). The site contains many of the resources and research available on the I.I.I.'s primary Web site, but focuses on issues and information specific to Florida.
- ✓ I.I.I. challenged assertions made by local NBC reporter in Alabama after story asserted that property/casualty insurers would have "more than 85 percent" of their policyholder surplus remaining if the 10 worst catastrophes in U.S. history occurred in a single year, citing as a source an unnamed recent study. The remark came at the end of a report on a Foley, Alabama public hearing about the affordability and availability of coastal property insurance.
- ✓ Jeanne Salvatore is the chair of the PR Committee to promote the Insurance Industry Charitable Foundation fundraiser dinner.

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- ✓ Claire Wilkinson's Blog, *Terms & Conditions* focused on a myriad of issues in November, including the fact that some 41 million Americans will travel 50 miles or more from home over the Thanksgiving holiday period, down 1.4 percent from last year, according to the AAA. This marks the first decline in Thanksgiving travel since 2002, also a time of economic challenge; the end of hurricane season, noting of the eight hurricanes occurring in 2008, Hurricanes Gustav and Ike had the most impact on insurers; Medical malpractice claims related to hospital infections are on the rise; new information on the credit crisis and insurance on the Geneva Association Web site; Five major U.S. corporations have teamed up with investor coalition Ceres to launch a new business alliance calling for strong U.S. climate and energy legislation in early 2009; tort costs are on the rise in the United States; women business owners and liability risk; the southern California wildfires; and a new report by the UK's Royal Commission on the challenges and benefits arising from nanotechnology;
- ✓ Lynne McChristian began her Blog, *Straight Talk*, focused on the following issues in November: Homeowners impacted by Tropical Storm Fay and flood insurance; choosing coverage and private insurance companies offering to take over homeowners insurance from Citizens; and paying the price for hurricane vulnerability, which looks at a *Forbes* article on the cost of living in Florida.
- ✓ I.I.I. received 339 consumer calls in November, only six of which were complaints. Most of the callers (298) were policyholders, the rest consisted of students (20), insurance companies (3), agent/brokers (3), attorney (1) and other (14). Ninety-nine percent of the source of the calls was the Internet (334). A majority of the questions (257) dealt with auto coverage issues, other questions were homeowners/renter's insurance (32), life insurance (14), health (14), property (11), casualty (6) and other (5).

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DECEMBER

Issue news release on winter-proofing your home in partnership with IBHS

- ✓ A news release was written on what winter-related damage is covered by standard homeowner's policies and tips from IBHS on winter-proofing a home. The release also included an embedded radio actuality. [Old Man Winter Arrives Early This Year Wreaking Havoc To Homes, Businesses and Vehicles](#)

Issue news release on winter driving tips

- ✓ A news release was written in English and Spanish on winter driving tips with an embedded radio actuality. [I.I.I. Offers Winter Driving Tips as Most Severe Weather Months Approach; El I.I.I. ofrece recomendaciones para manejar en condiciones climáticas invernales adversas](#)

Additional Accomplishments

- ✓ Bob Hartwig gave a taped interview for PBS Frontline Program. The show is focusing on the post-Katrina experiences of a New Orleans family. The reporter pressed Hartwig on alleged widespread policyholder dissatisfaction with their insurance settlements, whether insurers “dumped” claims into the National Insurance Flood Program (NFIP) and wind versus water litigation. Hartwig pointed out that insurers paid 1.2 million in homeowner claims, a record \$41 billion for Katrina losses overall and that 99 percent of all Katrina claims were settled to the mutual satisfaction of insurers and policyholders. He also mentioned that state and federal courts consistently upheld the flood exclusion in standard homeowners insurance policies. He also mentioned throughout the interview that a number of high-profile Katrina-era trial attorneys are now in prison, many of them because of felony convictions.
- ✓ Bob Hartwig gave the presentation, “Economic Sustainability and the Financing of Catastrophe Risk, “ at the Hurricane Science for Safety Leadership Forum, December 4 in Orlando, Florida.
- ✓ Jeanne Salvatore gave the presentation, “Mainstreaming Mitigation through Communications and Education” to the Hurricane Science for Safety Leadership Forum, December 4 in Orlando, Florida.
- ✓ I.I.I. developed material on the insurance implications for the Tennessee coal ash spill, considered the largest environmental disaster in U.S. history.
- ✓ A news release was written on social host responsibility and insurance coverages. [Throwing a New Year's Eve Party? I.I.I. Offers Tips for Being a Responsible Host](#)
- ✓ A news release was written in English and Spanish on 2008 having had the fourth-highest number of named Atlantic storms since 1944 and its impact on insurers. [Unusually Severe Weather Events Challenged Insurers In 2008; Condiciones climáticas severas presentaron duros retos para las aseguradoras en 2008.](#)

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- ✓ A news release was written in English and Spanish on the economic downturn creating travel opportunities and the right type of travel insurance. [Economic Downturn Creating Travel Deals Not Seen In Years](#); [La crisis económica también presenta oportunidades de conseguir buenas ofertas en viajes](#)
- ✓ A news release was written on how to save money which was made available on iTunes. [Saving Money on Auto Insurance – I.I.I. Podcast Now Available on iTunes](#)
- ✓ A news release was written on tips to properly insure and care for fine art. [Looking to Buy the Next Basquiat or Canaletto?](#)
- ✓ A news release was written on saving money on auto insurance in a recession. [Struggling to Balance Your Budget? I.I.I. Offers Ways to Save Money on Your Auto Insurance in a Recession](#)
- ✓ An updated version of auto theft in Insurance Issues Updates.
- ✓ I.I.I.'s *Impact* magazine focused on ways in which insurers are conducting business in communities with large Spanish-speaking populations.
- ✓ Claire Wilkinson's Blog, *Terms & Conditions* included in December an analysis of motor vehicle crashes in the U.S.; the latest global catastrophe review; the Federal Trade Commission's decision to order nine homeowners insurers to provide information on the use and effect of credit-based insurance scores in homeowners insurance; the surge in securities class action filings; a new study on how insurers can retain customers; initial estimates that 2008 catastrophes losses are the second costliest year ever; judicial hellholes for the New Year; policyholder surplus downward trend continues; a U.S. Supreme Court decision that opens the door to a new wave of lawsuits against tobacco companies; and the serious weaknesses in the U.S. government's plan for search on the potential health and environmental risks posed by nanomaterials.
- ✓ Lynne McChristian's Blog, *Straight Talk*, focused on the following issues in December: Checking homeowners coverage for a New Year's party and Florida law; South Florida ranked judicial hellhole again; saving money on auto insurance; hot tips for cold weather and the end of hurricane season.
- ✓ I.I.I. received 257 consumer calls in December, only five of which were complaints. Most of the callers (237) were policyholders, the rest consisted of students (8), insurance companies (2), agent/brokers (3) and other (7). Ninety-eight percent of the source of the calls was the Internet (252). A majority of the questions (207) dealt with auto coverage issues, other questions were homeowners/tenant insurance (18), life insurance (8), health (7), property (5), casualty (8) and other (4).

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