Pandemics, Politics & P/C Insurance

The Indelible Legacy of COVID-19

Casualty Actuarial Society Ratemaking Seminar
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Pandemics & P/C Insurance: Outline

- P/C Financial Overview & Outlook Amid the COVID-19 Pandemic
- COVID-19: Actual vs. Expected Impacts on Key Lines
- Investment Market Issues: Volatility Rules, Low Interest Rates are Back
- The Economy and COVID-19: Overview & Outlook
- CAT Loss Update
- Commercial Lines Rate Trends
- COVID-19 Litigation Trends
- Summary and Q&A
The P/C Insurance Industry Entered the COVID-19 Pandemic from a Position of Financial Strength

Economic, Financial Market, Regulatory and Tort Risks Are Major Challenges Going Forward
Policyholder Surplus (Capacity), 2006:Q4–2020:Q3

Financial Crisis (-16.2%)

Drop due to near-record 2011 CAT losses (-4.9%)

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.

The P/C insurance industry entered the COVID-19 pandemic from a position of strength and was able to withstand the 9.0% surplus decline in Q1 2020 (far less than during the Financial Crisis). 2020 ended with record surplus.

Policyholder Surplus is the industry’s financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

Sources: ISO, A.M. Best; Risk and Uncertainty Management Center, University of South Carolina.
COVID’s impact on net income is more modest than assumed early in the pandemic. 21% drop based on annualized Q3 data.

*2020 estimate based on annualized actual Q3:20 figure of $35.5B. ROE figures are GAAP; 1Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers for years (2009-2014).

**Through Q3 2020. A.M, Best estimate for 2020 is $48.8B (as of 2/25/21).

Sources: A.M. Best, ISO.
ROE: Property/Casualty Insurance by Major Event, 1987–2020:Q3*

P/C Profitability Is Influenced Both by Cyclicality and Volatility

Hugo
Andrew, Iniki
Northridge
Lowest CAT Losses in 15 Years
Sept. 11
Katrina, Rita, Wilma
4 Hurricanes
Low CATs
Harvey, Irma, Maria, CA Wildfires
Sandy
Record Tornado Losses

Financial Crisis*
ROE fell by 8.3 pts from 12.7% to 4.4%

2019 7.7%
2020:Q3 4.1% Covid-19

*Excludes Mortgage & Financial Guarantee in 2008 – 2014. 2020:H1 estimate is based on actual Q1 2020 figure of 8.8%.
Sources: ISO, Fortune; USC RUM Center.
Percentage Point Change in P/C ROEs During Past Economic Downturns: 1971 - Present

Percentage Point Change

Change in P/C ROE During Past Economic Downturns (pre-Covid)
Avg.: -4.5% (-4.0% ex. 2000-01)
Median: -5.0% (-3.0% ex. 2000-01)

COVID-19’s economic and financial market impact helped drive down industry ROEs but well within the range of expectation based on history.

*2000-2001 decline impacted by 9/11 losses.
**As of Q3 2020 vs. annualized Q3 2019 figure
P/C Insurance ROE vs. Fortune 500, 1975–2020E*

Average: 1975-2019
Fortune 500: 13.3%
P/C Insurance: 9.0%

*2020 Fortune 500 figure is an estimate. P/C figure is actual through Q3 2020.
Profitability = P/C insurer ROEs. 2011-20 figures are estimates based on ROAS data. Note: Data for 2008-2014 exclude mortgage and financial guaranty insurers.
Source: NAIC, ISO, Fortune.
Profitability & Politics

How Is Profitability Affected by the President’s Political Party?
P/C Insurance Industry ROE by Presidential Administration, 1950-2020*

OVERALL RECORD: 1950-2020*
Democrats 8.1%  
Republicans 7.8%

*Trump figure is 2017-2020/Q3 average. ROEs for the years 2008-2014 exclude mortgage and financial guaranty segments.  
Source: Risk and Uncertainty Management Center, University of South Carolina.
P/C insurance Industry ROE by Presidential Party Affiliation, 1950- 2020*

*2020 figure is through Q3. ROEs for the years 2008-2014 exclude mortgage and financial guaranty segments.

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

COVID-19 Has Had a Mixed Impact on the P/C Insurance Industry
Net Premium Growth (All P/C Lines):
Annual Change, 1971—2020E

Net Written Premiums Fell 0.7% in 2007 (First Decline Since 1943) by 2.0% in 2008, and 4.2% in 2009, the First 3-Year Decline Since 1930-33.

2020F: 3.8%
2020E: 1.8**
2020:Q3: 3.1%
2019: 3.6%
2018: 10.8%
2017: 4.6%
2016: 2.7%
2015: 3.5%
2014: 4.2
2013: 4.4%
2012: +4.2%

2020 Outlook
Pre-COVID: 3.8%
Through Q3: 3.1%
Full-Year Est: 1.8**

Sources: A.M. Best (1971-2013, 2020F), ISO (2014-19); Risk & Uncertainty Management Center, Univ. of South Carolina
As Recently as 2001, Insurers Paid Out Nearly $1.16 for Every $1 in Earned Premiums

Heavy Use of Reinsurance Lowered Net Losses

Relatively Low CAT Losses, Reserve Releases

Best Combined Ratio Since 1949 (87.6)

Cyclical Deterioration

Sandy Impacts

Avg. CAT Losses, More Reserve Releases

Relatively Low CAT Losses, Reserve Releases

Higher CAT Losses, Shrinking Reserve Releases, Toll of Soft Market

Pre-COVID 2020 Combined Ratio Est. 99.1 (A.M. Best)

Sharply higher CATs are driving large underwriting losses and pricing pressure

COVID-19 has had no discernable net impact on pre-COVID expectations for the combined ratio though Q3 2020; ~7.5 pts. due to CATs vs. 4.1 in 2019 and about twice avg.

**Estimate from A.M. Best Review and Preview (Feb. 2021). Actual though first 9 months 2020 was 98.7.
How Have Actual Results Differed from Reality?

A Review of Early Predictions of COVID’s Impact on Insurers

US P/C Results Have Generally Been Better than Anticipated
<table>
<thead>
<tr>
<th>Line</th>
<th>Estimated Premium Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Compensation</td>
<td>12.5% to 25% reduction in premium written in 2020 (equates to $5.9B to $11.75B DWP)</td>
</tr>
<tr>
<td>Business Interruption &amp;</td>
<td>7% to 13% reduction in premium volume (US &amp; UK)</td>
</tr>
<tr>
<td>Contingency</td>
<td></td>
</tr>
<tr>
<td>General Liability*</td>
<td>$1.5B to $6.3B premium reduction in US</td>
</tr>
<tr>
<td>Personal Auto</td>
<td>~$10B in refunds, rebates (equates to ~4% of DWP)</td>
</tr>
<tr>
<td>Personal Travel Insurance</td>
<td>29% to 78% reduction in premium written (US &amp; UK)</td>
</tr>
<tr>
<td>Personal/Comm. Motor</td>
<td>~10% reduction in US; 0% to 11% reduction in UK</td>
</tr>
<tr>
<td>Marine/Aviation/Transport</td>
<td>$0.7B-$1.5B (US); $0.6 - $1.2B (UK)</td>
</tr>
</tbody>
</table>

*Includes nursing home professional liability.

Source: Derived from Willis Towers Watson, *Scenario Analysis of COVID-19 Pandemic* (Fig.11, 14), May 2020, and other sources; Risk and Uncertainty Management Center, University of South Carolina.
### Potential Impacts of COVID-19 on LOSSES in 2020, by Key Line

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<tr>
<th>Line</th>
<th>Estimated Loss Impact</th>
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</thead>
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<tr>
<td>Workers Compensation</td>
<td>$0.2B - $92B <em>(depends on severity of pandemic and “presumption” determination)</em></td>
</tr>
<tr>
<td>Business Interruption &amp; Contingency</td>
<td>$2B - $22B (US); $1.1B - $13.9B (UK)</td>
</tr>
<tr>
<td>General Liability*</td>
<td>$0.7B to $27B loss across US &amp; Bermuda markets</td>
</tr>
<tr>
<td>Personal/Comm. Motor</td>
<td>$26B - $57B <em>reduction</em> in personal auto and $4.2B - $9.4B commercial (US); $1 - $7B overall reduction in UK</td>
</tr>
<tr>
<td>Mortgage</td>
<td>$0 - $1.7B loss across US &amp; Bermuda markets</td>
</tr>
<tr>
<td>D&amp;O</td>
<td>$0.6 - $4.0 loss across US &amp; Bermuda markets</td>
</tr>
<tr>
<td>Marine/Aviation/Transport</td>
<td>$0.3B-$1.3B <em>reduction</em> (US); $0.6 - $1.1B (UK)</td>
</tr>
</tbody>
</table>

*Includes nursing home professional liability.

Source: Derived from Willis Towers Watson, *Scenario Analysis of COVID-19 Pandemic* (Fig.11, 14), May 2020 and other sources; Risk and Uncertainty Management Center, University of South Carolina.
COVID-19 Announced Losses vs. Top-Down Industry Estimates (as of May 12, 2020)

Global P/C COVID-19 loss consensus $30B - $100B (~$60B as midpoint)

Lloyd’s: Says its own p/c claims could reach $4.3B by June 30. Estimates global p/c losses at $107B; Global investment losses = $96B*

Q1 reported COVID claims totaled $4.2B according to Willis, but Q2 will be a truer reflection of actual loss


Reasons Why P/C Insurance Worst-Case COVID Scenarios Failed to Materialize (*So Far*)

- Economic Recovery Proceeding More Quickly than Anticipated
- Rapid Financial Market Recovery (*and then some…*)
- Massive Government Stimulus and Accommodative Fed Policy
- Worst-Case Epidemiological Outcome Avoided
- Record Pace of Vaccine Development
- Employers Did a Reasonably Good Job Protecting Workers from Exposure
- Many States Did Not Repeat Spring 2020 Lockdowns
- Litigation Outcomes Generally Favor Insurers
- WC Presumption Expansions Did Not Lead to Explosion in Claims
- Offsetting Exposure Reductions in Many Lines
BUT...
There is no questions that the Economic Consequences of COVID are massive and ongoing.

The Economic Costs of COVID Vastly Outstrip the Insured Loss Component.
Viral Outbreaks Are Not An Insurable Risk

Pandemics are frequent, severe, and widespread (7 pandemics with multi-billion$ economic losses in just the last 18 years)

For Reference
2005 Katrina
$58 Billion
2001 9/11
$48 Billion
(insured losses)

Economic Losses from Pandemics

COVID-19 estimated cost = 37x the combined costs of the other six pandemics

2020 COVID-19
$9,000 Billion
($9T)
210 COUNTRIES
IMF est. economic losses*

*Sources: APCIA using published reports, including IMF, World Bank, Learnbonds.com; APCIA adjustment to 2020 USD
Estimated Monthly U.S. Business Interruption Coronavirus Losses for Small Business—Potential Range (<100 Employees; $Bill)

- **Small Business w/ BI - Low**: $52
- **Small Business w/ BI - High**: $223
- **All Small Businesses - Low**: $255
- **All Small Businesses - High**: $431

Monthly BI losses for small business vary widely depending on underlying assumptions but expansive legislation would result in higher estimates; **For all businesses <500 employees, BI losses range between $393B - $668B**

- **Businesses impacted**: Proportion of businesses completely or substantially closed related to coronavirus
- **Assumptions**: Losses if standard insurance policy exclusions for viruses/pandemics are voided and physical loss/damage requirement is stricken; three main coverages - profit lost, payroll/benefits, additional expenses; average annual $2m revenue and 7% profit margin; non-wage benefits of small businesses are 25% less than that for average US businesses

Source: APCIA, April 2020.
Large scale business continuity risks from pandemics are generally not insurable in the private sector.

Business continuity risks are largely undiversifiable within private insurance markets and are highly correlated with other risks (e.g., investment risks).

Large scale business continuity losses pose a potentially systemic risk to the industry and overall economy.

Import role for government.
Government Mandated Business Closures Were the Real Black Swan, Not the Coronavirus

- The US (and world) has endured several other major infectious disease outbreaks killing 100,000+ Americans without shutting down the economy
  - Hong Kong Flu (1968-70)
  - Asian Flu (1957-58)

- It is the reaction to the virus that is unprecedented and represents the true Black Swan event
- The ramifications of this decision will be consequential for a generation (e.g., $4 trill. in debt)

Sources: CDC; Risk and Uncertainty Management Center, University of South Carolina
COVID-19: Impacts on Premiums and Claims

Economically Sensitive Commercial Lines Were Most Impacted in Terms of Growth

Auto Claims Plunged During the Early Stage of COVID—Will Claims Spike as the Economy Recovers?
COVID's Impact on DPW Growth for Largest P/C Lines: First 9-Mos. 2020 and 2019 vs. Same Period Previous Year

Percent Change: First 9-Most 2020 vs. First 9-Mos. 2019

Workers Comp, Inland Marine and PP Auto Liability have experienced the largest decline in DPW.

Personal Auto insurers returned $8B to policyholders in 2020.

Source: A.M. Best, First Look: 9-Month 2020 P/C Financial Results; Risk and Uncertainty Management Center, Univ. of South Carolina.
Personal Auto Claim Frequency Trends Significantly Impacted by COVID: Q2 and Q3 2020 vs. Q2 and Q3 2019

Auto Claims Fell Sharply at the Height of the Pandemic, at least through Q3 2020

Collision and PD Liability claims plunged by more than 1/3

Collision
-37.5%
Prop. Damage Liability
-33.6% 32.6%
PPIP
-31.3%
Bodily Injury Liability
-23.3%
Comprehensive
-24.6%

Source: ISO/PCI Fast Track data for Q3 2020; Risk and Uncertainty Management Center, Univ. of South Carolina.
Catastrophe Loss Update: Major Driver of Rate Pressure

The 2020s Got Off to an Ominous Start

CAT Losses for the 2010s Were Up Materially—Costliest Ever

Primary, Reinsurance and Retro Markets All Impacted and Are Pressuring Rates
2020 U.S. Insured Catastrophe Highlights

- 71 designated PCS CATs, the most in PCS’s 72-year history
- 10 declared hurricane/TS events, a PCS record (30 named storms in 2020)
  - ~$26B insured losses in North America
- 17 declared wildfire events, a new record (6 events in 2017 = previous record)
  - ~$11B insured
- ~5 million CAT claims
- 18 PCS events with insured losses > $1B, a new record
- ~$1.5B in insured riot losses + other unusual manmade events (Nashville)
- February 2021 winter storm and extreme cold in the south caused an estimated $10B - $20B in insured losses
U.S. Inflation-Adjusted Insured Cat Losses

Average Insured Loss per Year for 1980-2020 is $22.2 Billion

Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020 figure from Munich Re; Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.
Top 20 Most Costly Disasters in U.S. History—Katrina Still Ranks #1

(Insured Losses, 2020 Dollars, $ Billions)*

10 of the top 20 mostly costly insured events in US history occurred between 2010 and 2021 (inclusive)

17 of the 20 Most Expensive Insurance Events in US History Have Occurred Since 2004

*Estimated (in 2021 dollars)
Sources: PCS, RMS, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2020 dollars using the CPI.
US Property Catastrophe Rate-on-Line Index: 1990 – 2020*

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; Artemis.bm accessed at: http://www.artemis.bm/us-property-cat-rate-on-line-index

Record CATs in 2017 and high CAT losses in 2018/19 pressured US reinsurance prices in recent years (+9.0% in 2020, +2.6% in 2019, +7.5% in 2018)

2021 Global RoL
+4.5%
Paper on Communicable Disease Exclusions and Market Stability

- CD exclusions are becoming more commonplace in reinsurance treaties

- Regulators are generally not approving primary insurers filings for exclusions in underlying primary policies

- Paper addresses the global factors (e.g., accumulation risk, risk aversion, uninsurability) driving the exclusions

- Also addresses market consequences if misalignment persists

INVESTMENTS: 
THE NEW REALITY

Investment Performance Is a Key Driver of Insurer Profitability

Aggressive Rate Cuts Will Adversely Impact Invest Insurer Earnings

Financial Crisis Déjà Vu?
Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates post-COVID will drive investment income down once again.

*2020 figure is annualized based on YTD Q3 actual of $37.7B. 2018-19 figures are distorted by provisions of the TCJA of 2017. Increase reflects such items as dividends from foreign subsidiaries.

Investment income had just recovered from a decade-long slump. Aggressive Fed actions and recession are pushing interest rates lower and will adversely impact investment income for years to come.

* Investment gains consist primarily of interest and stock dividends. Sources: ISO; University of South Carolina, Center for Risk and Uncertainty Management.
The yield on invested assets remains low relative to pre-crisis yields. Fed rate increases beginning in late 2015 through 2018 halted the slide in yields, but rate cuts in 2019/2020 will preclude future gains.

Investment yields remained depressed—down about 150 BP from pre-crisis levels. COVID-19 Fed rate cuts, bond purchases will push asset yield down

Sources: NAIC data, sourced from S&P Global Market Intelligence; 2017-19 figures are from ISO. 2020F is from the Risk and Uncertainty Management Center, Univ. of South Carolina.

Average: 1960-2019 = 4.9%
Low: 2.8% (1961)
High: 8.2% (1984/85)
US Treasury Security Yields:
A Long Downward Trend, 1990–2021*

Yields on 10-Year US Treasury Notes have been essentially below 5% for more than a decade

Fed emergency rate cuts and QE in response to the COVID-19 pandemic and market volatility have pushed rates to their levels below those in the financial crisis

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 many years to come.

Sources: Federal Reserve Bank at [http://www.federalreserve.gov/releases/h15/data.htm](http://www.federalreserve.gov/releases/h15/data.htm), National Bureau of Economic Research (recession dates); Risk and Uncertainty Management Center, University of South Carolina.
The S&P 500 was up 28.9% in 2019, the best year since 2013, following a decline of 6.2% in 2018. The S&P plunged as the economy dove into recession, falling 34% by March 23rd.

Annual Return

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

2019: +28.9%
2018: -6.2%
2017: +19.4
2016: +9.5

2020 YTD +16.3%
COVID-19 Pandemic Will Directly and Severely Impact Growth As Exposure Growth Rapidly Shrinks

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*

The most recent economic expansion ended in Feb. 2020 and was the longest in US history (began July 2009).

Will likely take 2+ years to recover lost growth.

* Excludes current COVID-19 recession which began in Feb. 2020 but with an indeterminate end.

Sources: National Bureau of Economic Research; Risk and Uncertainty Management Center, University of South Carolina.
US Real GDP Growth*

Real GDP Growth (%)

Financial Crisis

“Great Recession” began in Dec. 2007

COVID CRASH Q2 2020 plunged by 31.4%

Strong 2nd half 2021 growth expected

Demand for Insurance Will Increase Materially in H2 2021—Particularly in Economically Sensitive Commercially Lines Such as WC

* Estimates/Forecasts from Wells Fargo Securities.
Source: US Department of Commerce, Wells Fargo Securities 3/21; Center for Risk and Uncertainty Management, University of South Carolina.
Negative GDP growth in the first half of 2020 and loss of exposures caused DWP to decelerate overall and turning negative in some lines. Rebates, discounts and rate decreases will amplify the deceleration.

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; ISO; I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.
The unemployment rate peaked at 14.7% in April (13.1% Q2 avg.).

At 3.5%, the unemployment rate in Feb. 2020 was at its lowest point in 50 years.

The Fed considers “Full Employment” to be 4.1%.

US Unemployment Rate Forecast: 2007:Q1–2022:Q4

Great Recession
Rising unemployment eroded payrolls and WC’s exposure base.
Unemployment peaked at 10% in late 2009.

Sources: US Bureau of Labor Statistics; Wells Fargo Securities (3/21 edition); Risk and Uncertainty Management Center, University of South Carolina.
The national debt hit $26.95 Trillion in Q3 2020 and will continue to grow rapidly for the foreseeable future.

Debt/GDP Ratio =100.1% (Highest Since WW II)

Inflation Alert
Large deficits that increase as a share of GDP are, at some point, unsustainable and inflationary

Source: Congressional Budget Office; Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/GFDEGDQ188S
There’s a great deal of concern that trillions of dollars of stimulus plus the post-COVID recovery could cause the economy to overheat, resulting in inflation.

Inflation is expected to accelerate sharply in 2021—though diminish thereafter—making the case for a Fed rate hike more remote (Fed is looking to keep long-run inflation rate ~2%).

*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).

Debt Held by the Public as a Percent of GDP: 1790 – 2020

Debt/GDP ratio is at its highest level since WW II

Source: Congressional Budget Office; Wells Fargo Securities (3/21); Risk and Uncertainty Management Center, University of South Carolina.
Debt Held by the Public as a Percentage of GDP: 2015-2031F*

US Debt-to-GDP ratio—already at their highest level since WW II—will remain high and even grow due to increasing entitlement obligations (Social Security, Medicare, etc.)

Note: Does not reflect $1.9T Covid relief bill signed by President Biden on March 11, 2021

Source: Congressional Budget Office (Feb. 2021); USC Center for Risk and Uncertainty Management.
Geopolitical Instability, Trade Disputes and Fragile Supply Chains Will Present Additional Challenges
Advanced economies are expected to grow by 5.5% in 2020 (after shrinking by 4.9% in 2020), with growth of +3.1% forecast for 2021.

Emerging economies (led by China and India) are expected to grow by 6.3% in 2021 (after falling 2.4% in 2020) decelerating to +5.0% in 2022.

Global GDP is forecast to surge by 5.5% in 2021 (after shrinking by 3.5% in 2020), before moderating to +4.2% in 2022.
Surging Trade Deficit as Trade Flows Begin Slow Recovery

Imports are booming while exports are lagging resulting in a massive expansion of the US trade deficit. US multi-nationals are hurt by relatively weak recoveries with many major trading partners as well as still-simmering trade disputes.

Sources: Wells Fargo Securities (2/21), US Commerce Dept.; Risk and Uncertainty Management Center, University of South Carolina
Commercial Lines Growth, Underwriting Performance & Pricing Cyclicality

Pricing Pressures Are Intensifying

Economic Shocks, Inflation: 1976: 22.2%
Tort Crisis 1986: 30.5%
Post-9/11 2002: 22.4%
Post-Hurricane Andrew Bump: 1993: 6.3%
Post Katrina Bump: 2006: 7.7%
1988-2000: Period of inter-cycle stability
Commercial lines is prone to far more cyclical volatility that personal lines.
Commercial lines premium growth has been sluggish for years, reflecting weak pricing environment.

Recessions: 1982: 1.1%
Great Recession: 2009: -9.0%
2016: -1.1%
2018: +14.4%
2019: +6.7%
2020: +3.2%

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.
Renewals turned positive in late 2011 in the wake of record tornado losses and Hurricane Sandy.

High CAT losses and poor underwriting results in recent years combined with COVID pressures, reduced capacity, lower interest rates and increased uncertainty are exerting significant pressure on markets with overall rates up by +10.7% as of Q4 2020.

Note: This is an excerpt from a chart showing the CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2020:Q4. The chart illustrates the percentage change in commercial rates over time, with highlighted bars indicating the largest increases since 2003 for some accounts. The data source is the Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.
Change in Commercial Rate Renewals, by Line: 2020:Q4

All major commercial lines experienced increases in Q4 2020

Umbrella now leads all major commercial lines in terms of rate gains, exceeding D&O and CP

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.
COVID-19 Litigation Trends

Court Decisions Have Largely Favored Insurers, but Concerns Remain
Weekly Number of COVID-Related Lawsuits Filed: (Weeks Ending Mar. 16, 2020 to Feb. 1, 2021) [Latest Available]

The number of new cases remains far below 2020 highs with just 11 filed the week ending Dec. 7, 2020. Cumulative Total = 1,501

COVID Litigation: Merits Rulings on Motions to Dismiss: Federal vs. State Courts (Total through Feb. 1, 2021) [Latest Available]

Federal Courts
- Full Dismissal With Prejudice: 118
- Motion Denied: 15
- Full Dismissal Without Prejudice: 26
- Partial Dismissal With Prejudice: 2

State Courts
- Motion Denied: 21
- Full Dismissal With Prejudice: 19
- Full Dismissal Without Prejudice: 4

Insurers have won dismissals in 91% of federal court cases involving Covid
Insurers have won dismissals in 52% of state court cases involving Covid

SUMMARY

- The P/C Insurance Industry Remains Strong, Stable, Sound and Secure

- Worst-Case Scenarios Have, So Far, Been Averted

- An Anticipated Acceleration in the Economic Recovery in the Second Half of 2021 Should Help Restore Most P/C Exposures to Pre-Pandemic Levels by early-2022 or sooner

- Asset Price Volatility Will Persist and Low Interest Rates Will Pressure Investment Earnings for Years

- COVID-19 Exposures Are Manageable with Headline Risk on Bl and WC Issues; Overall tort environment remains challenging
QUESTIONS?
Thank you for your time and your attention!

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