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# COVID-19 – The Good, the Bad and the Ugly

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Insurance Information Institute  
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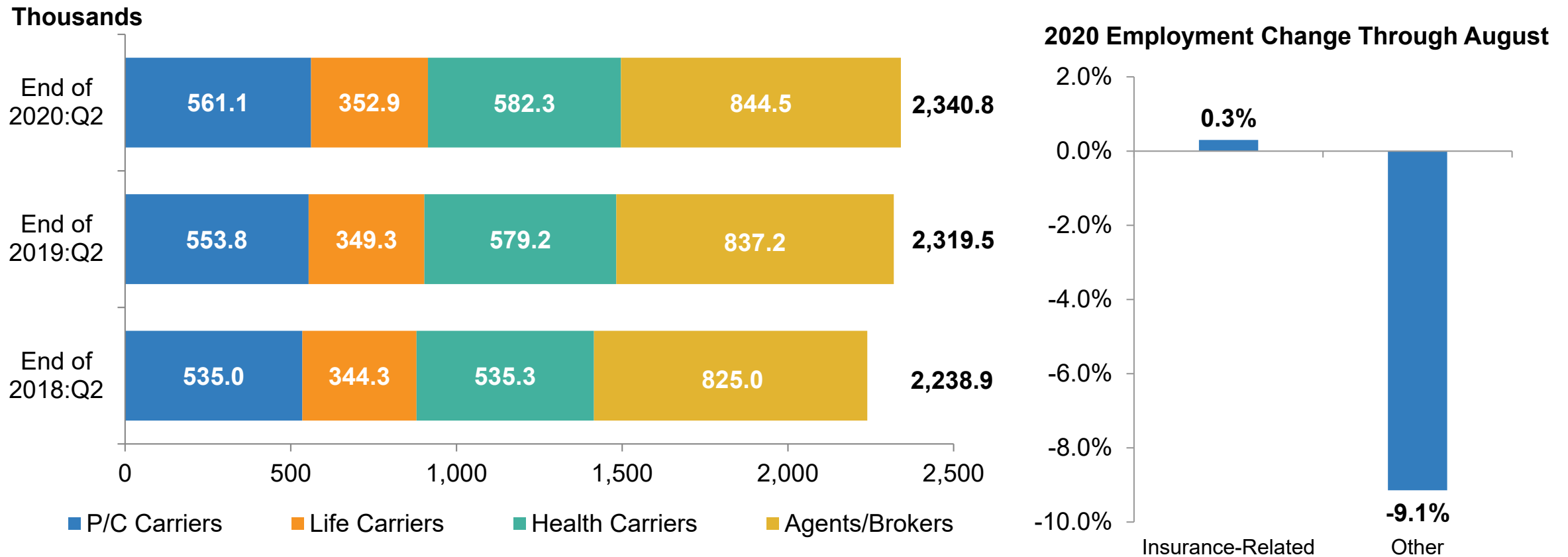
# The insurance value chain

How insurance contributes to society



# Brains: Industry is preserving its human capital

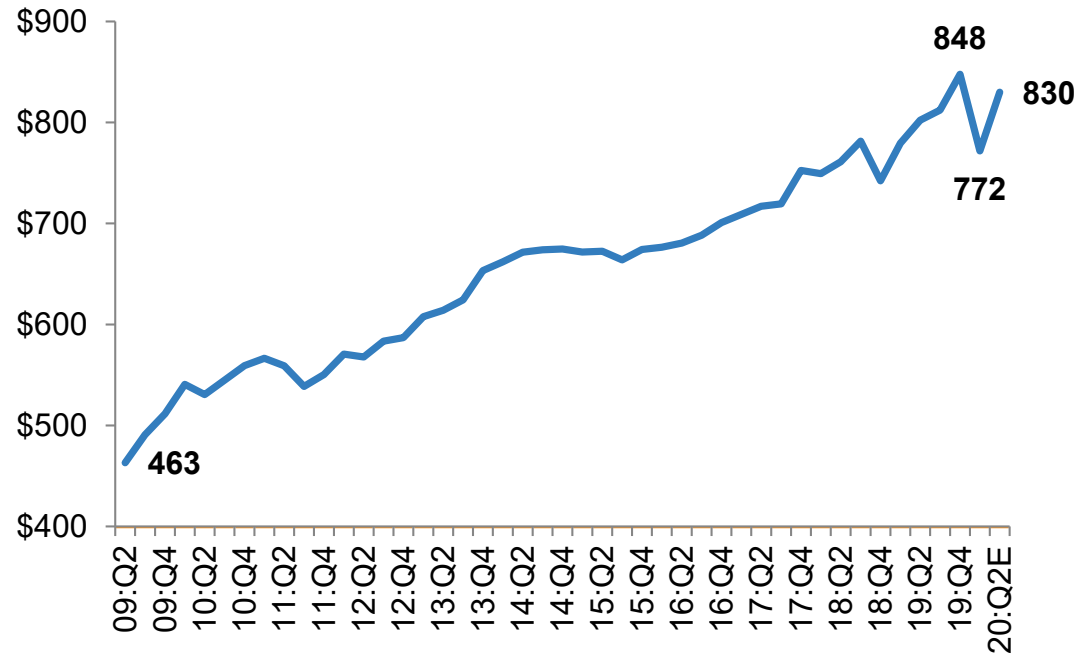
Steady employment among all four insurance sectors despite the recession



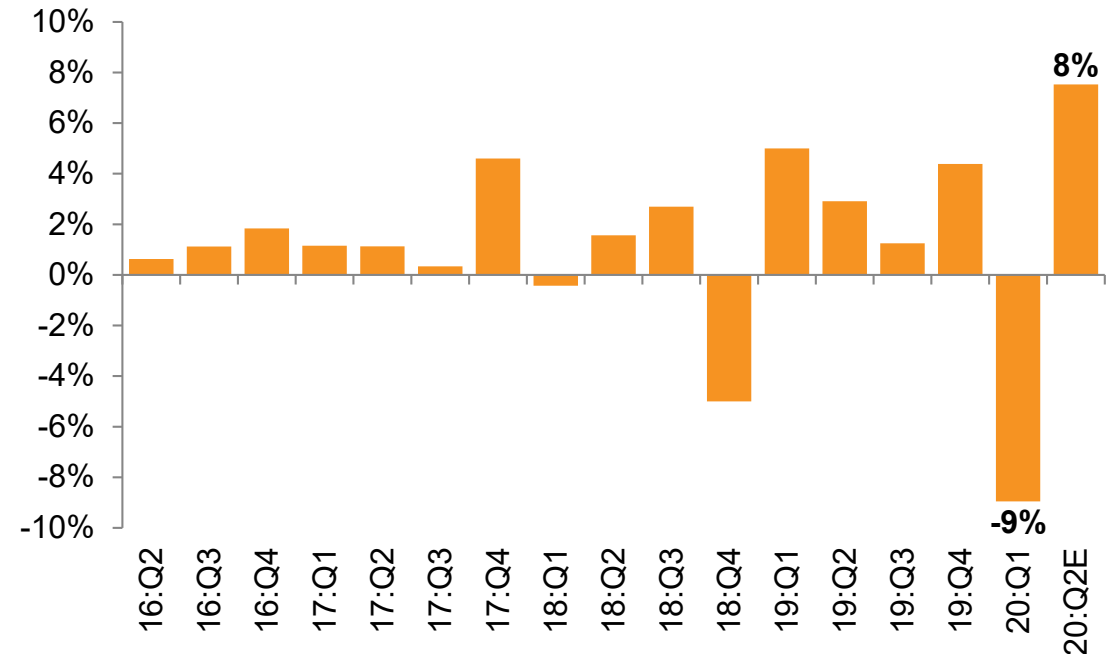
Data are seasonally adjusted.  
Sources: BLS; Insurance Information Institute.

# The bank account – Damage, then recovery

## Amount of Surplus (\$ Billions)



## Change from Prior Quarter



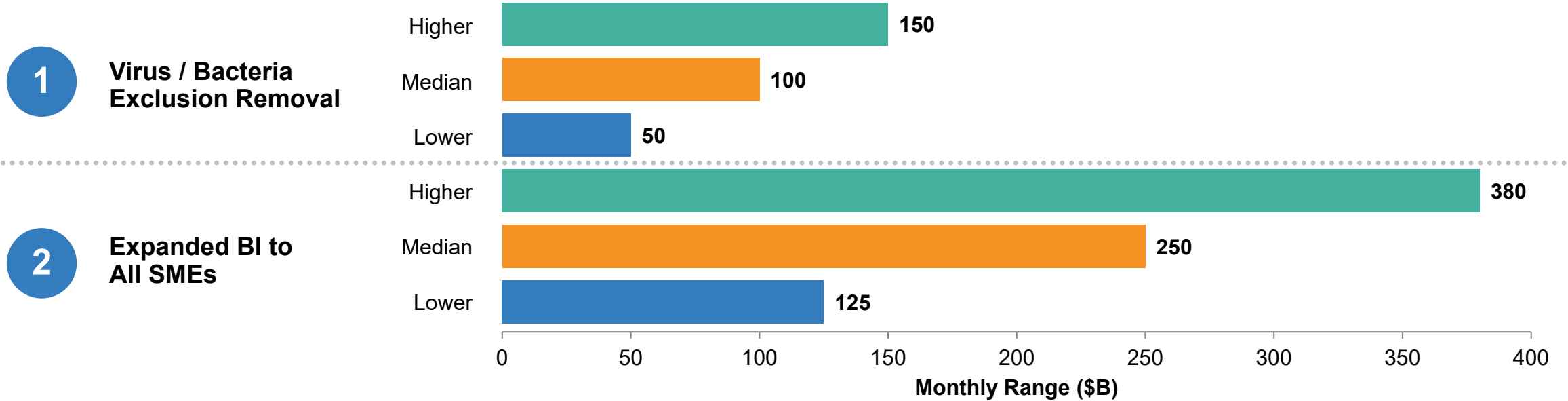
Surplus has rebounded from Q1 decline caused by unrealized capital losses (stock declines).



# Monthly costs of retroactive changes to SME BI policies

Regardless of scenario, retroactive attempts to include pandemics in BI causes bankruptcy

## Retroactive BI Scenarios



### Key Assumptions

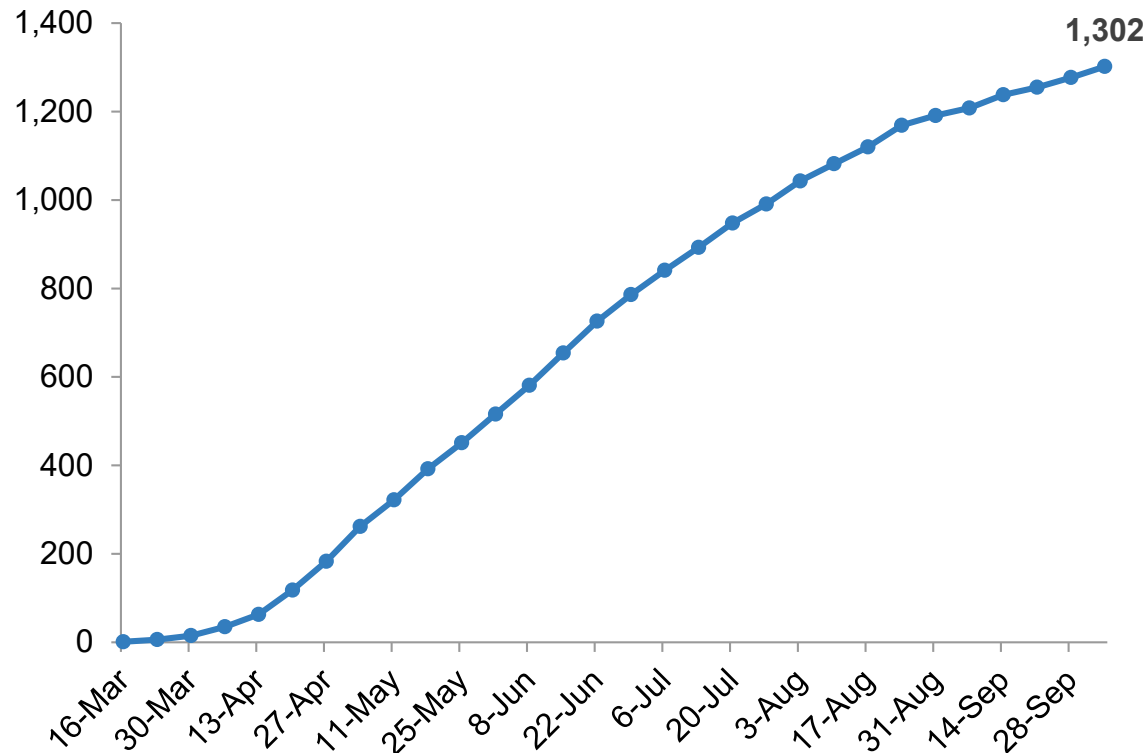
Scenario 1: 40% take-up rate  
Scenario 2: 100% take-up rate  
Loss basis: Compensation, profits, adjustment costs 7 days waiting period  
Retained loss of 10% of total loss



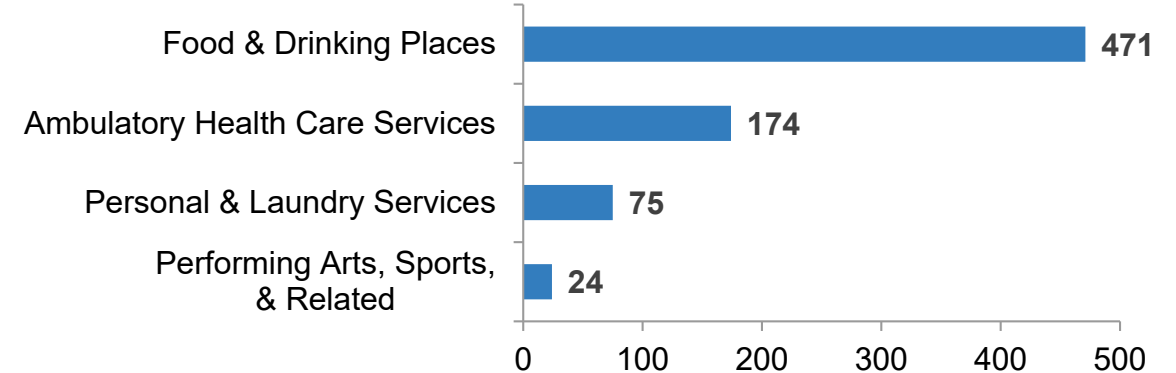
# Policy wording: Insurers minimized risk

Insurers understood threat of pandemics well before most

## Cumulative Filings



## Who Is Suing?



## Insurer Defenses

- ▲ No physical damage
- ▲ Exclusion for loss due to virus or bacteria (2006)



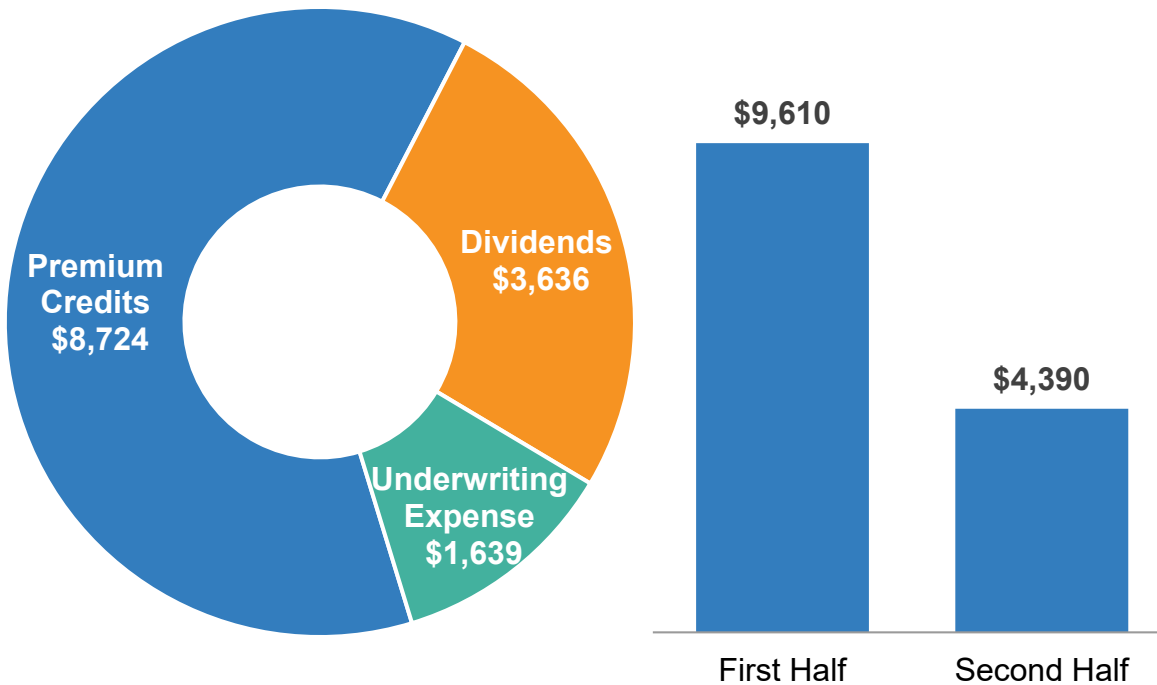
# Pricing: Adjusting on the fly

Insurers reacted nimbly to fulfill regulatory needs

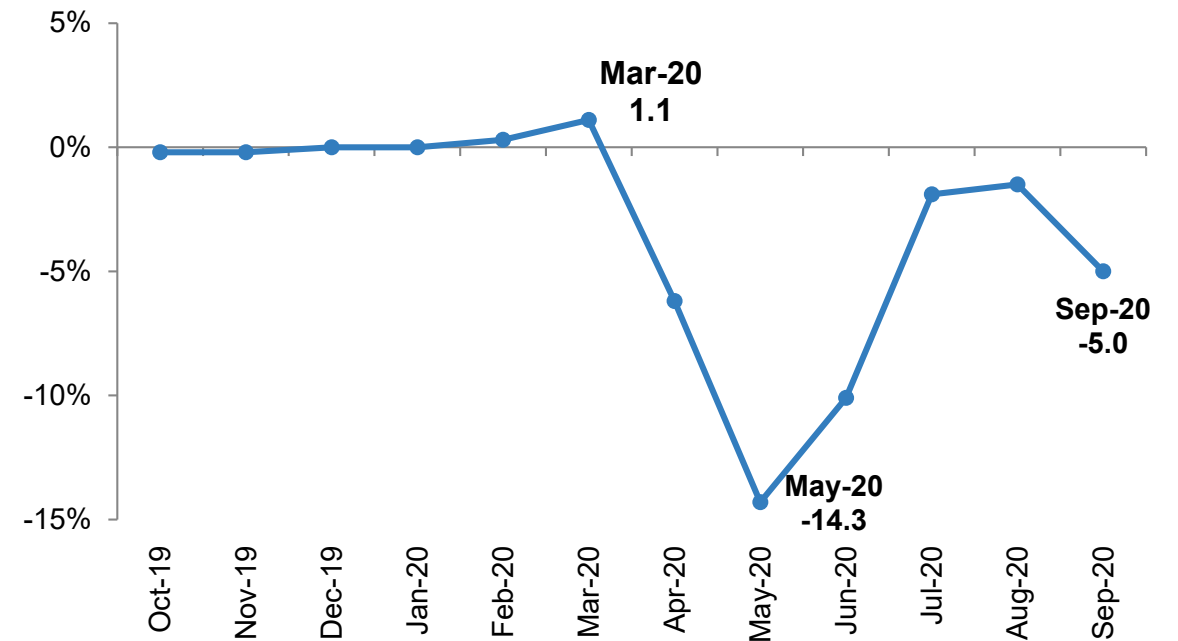
**\$14B in Personal Auto Givebacks**

**Consumer Price Index – Personal Auto**

In Millions



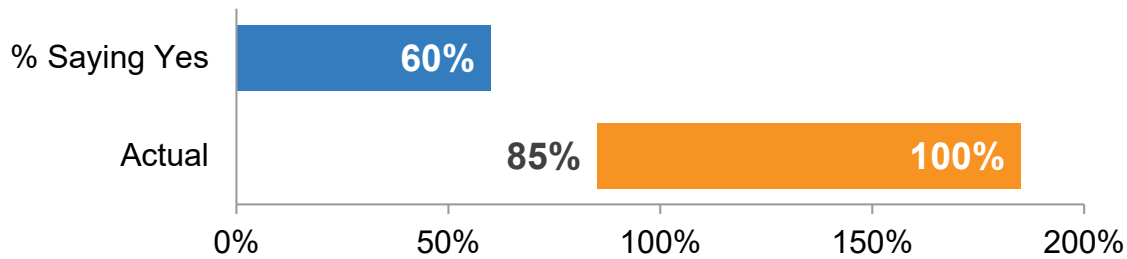
Percentage change from year earlier



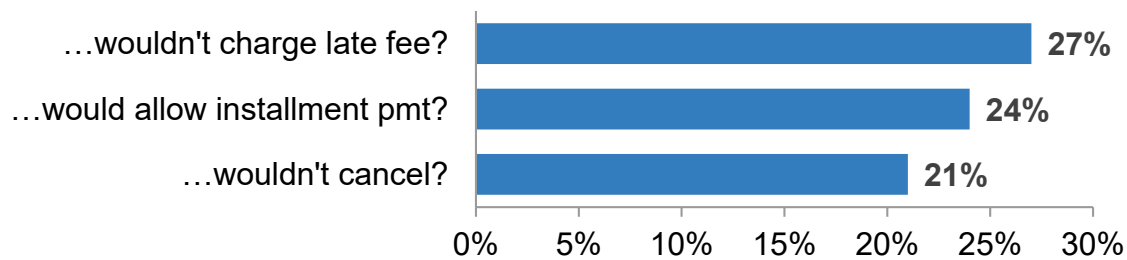
# Marketing opportunities

Too few knew industry gave back billions, but telematics shone

## Did you receive either refund or credit?

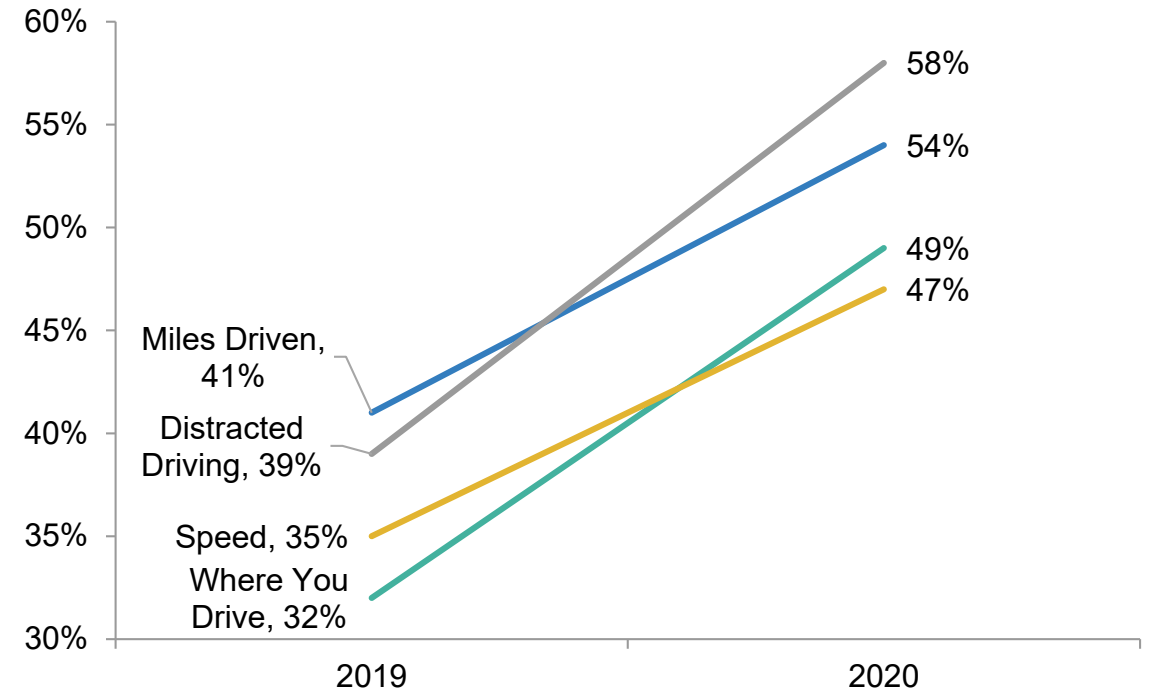


## Did insurer tell you it...



## Growing embrace of telematics

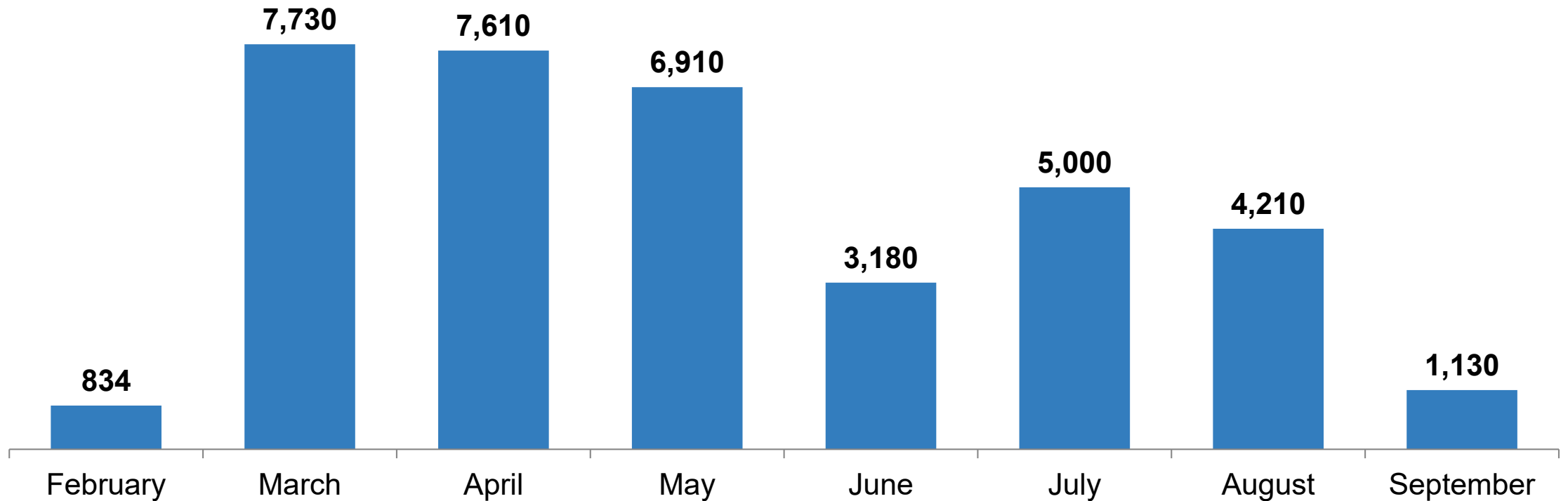
### Percent comfortable with use in pricing





# Market challenge: A surge in business interruption media coverage

## Count of Stories Mentioning Business Interruption Insurance & COVID-19



Source: Meltwater.

# Market challenge: An industry campaign

Changing insurance contracts would threaten the ability of insurers to cover claims for paying policyholders.

**Only the federal government has the financial wherewithal to cover pandemic risks.**  
[Learn more.](#)

**Keeping promises made to Main Street, ensuring fairness for all customers.**

**Insurers are keeping their promises to Main Street.**  
[See how.](#)

**FAIR** Future of American Insurance & Reinsurance

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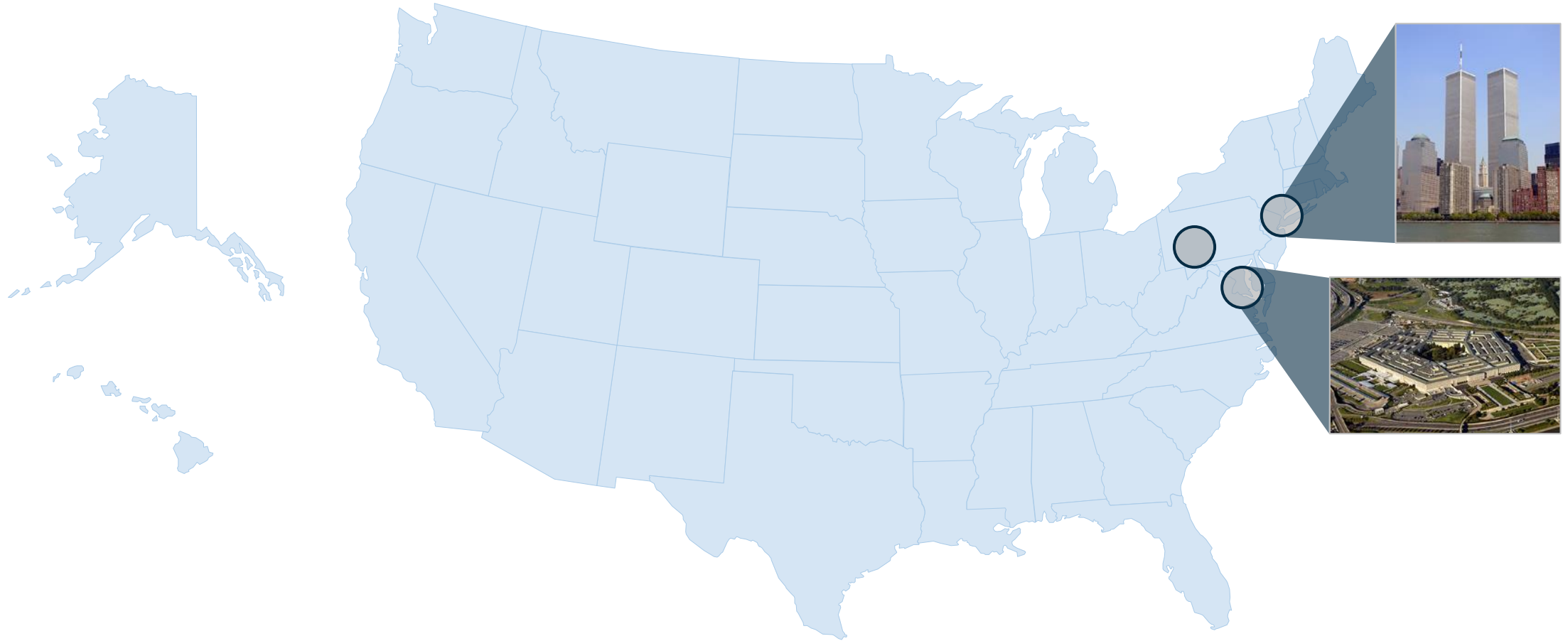
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- ▲ The Future of American Insurance & Reinsurance (FAIR) campaign launched in May and has served as a source of education surrounding pivotal industry activity, including Congressional hearings, White House roundtables, state legislation, and media stories.
- ▲ With a separate website, valuable explanatory assets, stakeholder outreach, and digital promotions, this integrated campaign provides the Triple-I with a separate platform and voice to present information in a digestible, influential manner to key audiences.
- ▲ The campaign takes on overarching industry issues (i.e. business interruption) and emphasizes its essential role in supporting and rebuilding communities in these uncertain times.



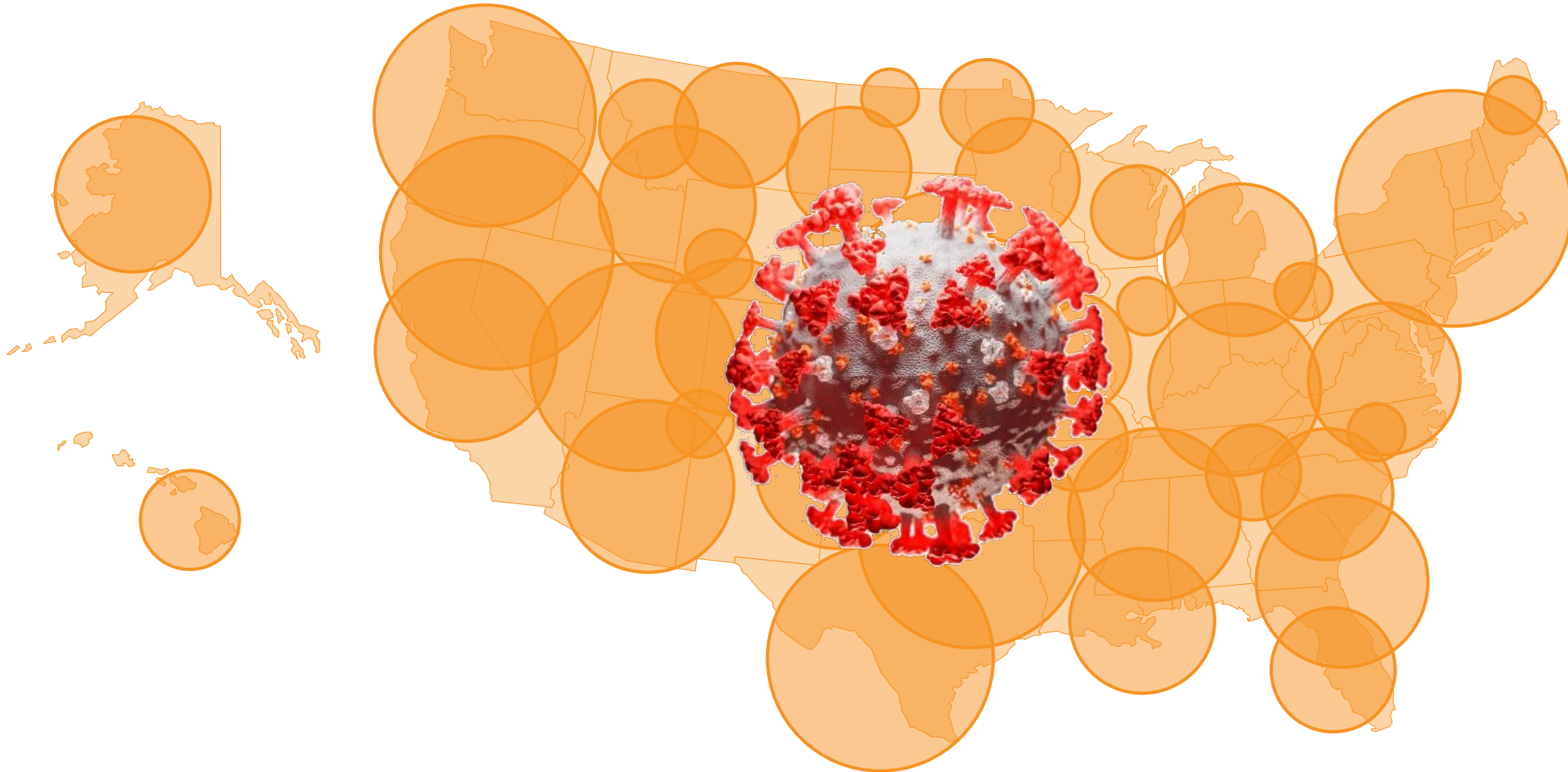
# Communications: Global pandemics are uninsurable

## Economic Impact of 9/11



# Communications: Global pandemics are uninsurable

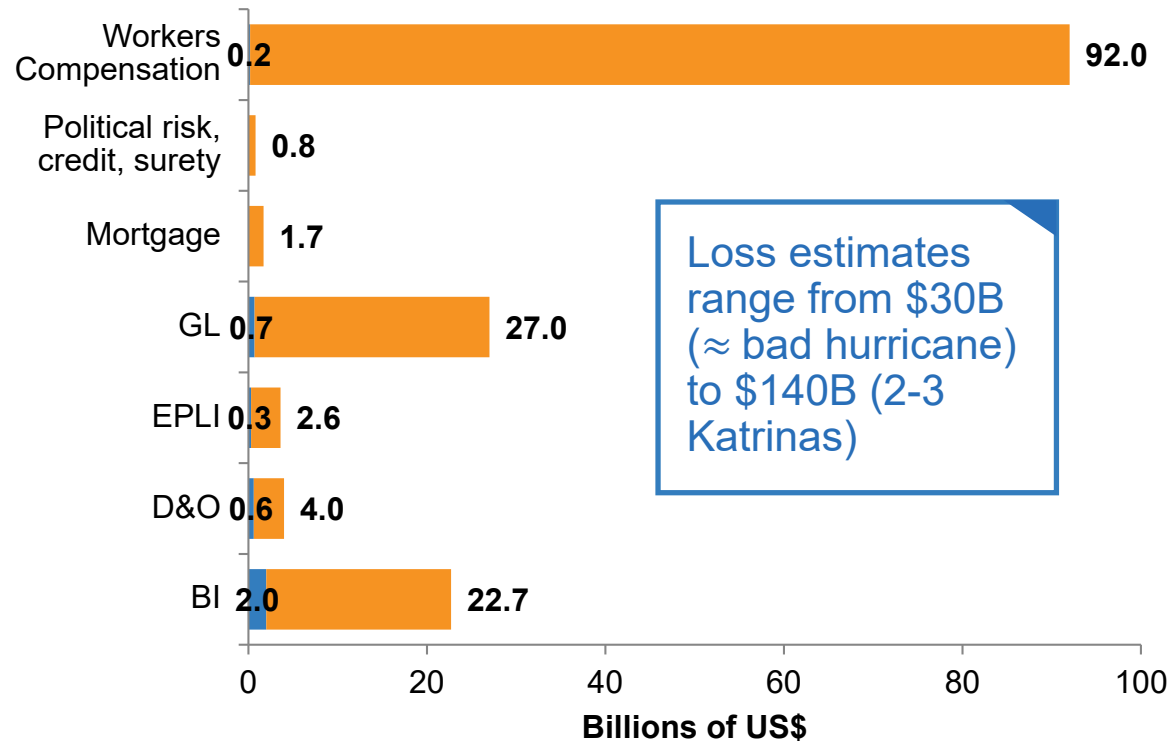
## Economic Impact of Coronavirus



# Settling claims: COVID-19's claims impact

Losses spread across many lines, but amount is uncertain

## Potential Loss Impact

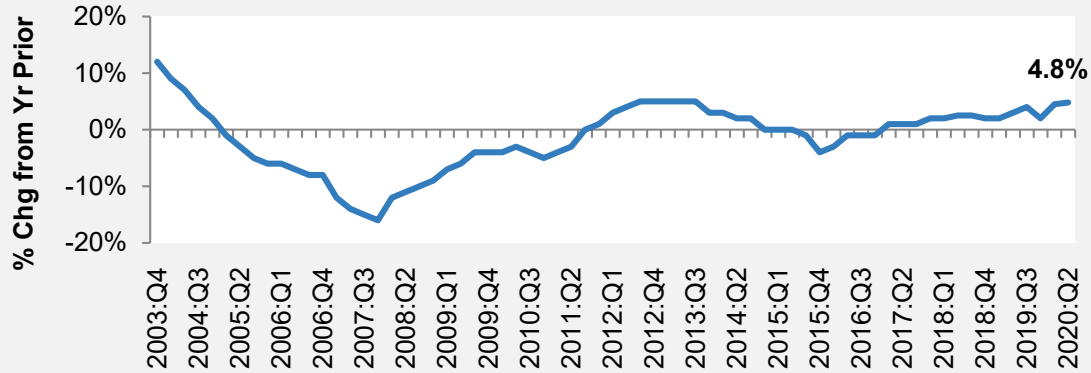


## Industrywide Toll

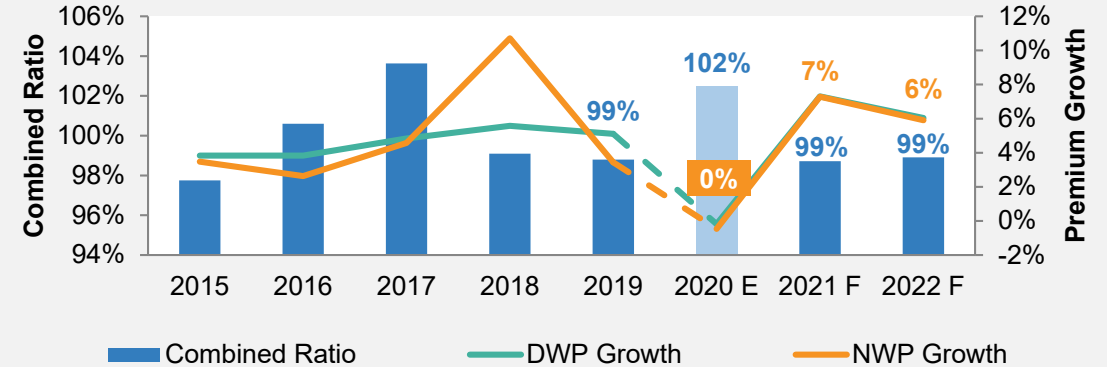
- ▲ Lloyd's estimate (May, worldwide) \$107B
- ▲ Reported (through September 12, worldwide): \$22.4B
- ▲ Triple-I estimate: equivalent in US to a significant hurricane (\$10B - \$50B)

# A better place: Industry outlook

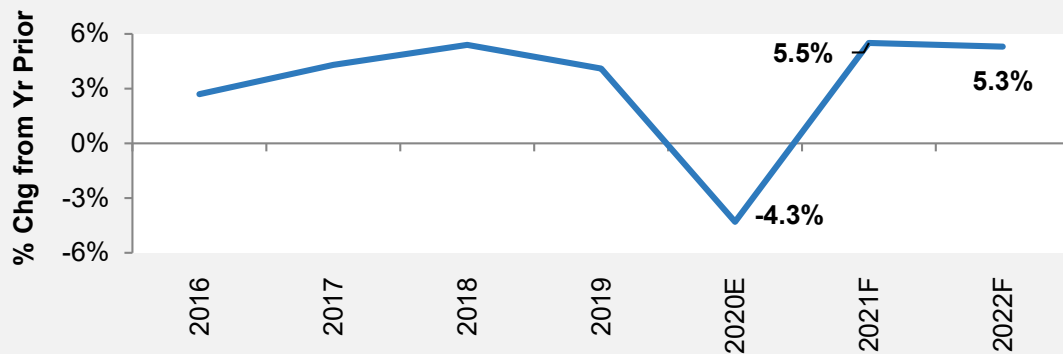
### Commercial Lines Rate Change



### Calendar Year Written Premium and Net Combined Ratio Projections



### Growth in Nominal GDP (Real GDP + Inflation)



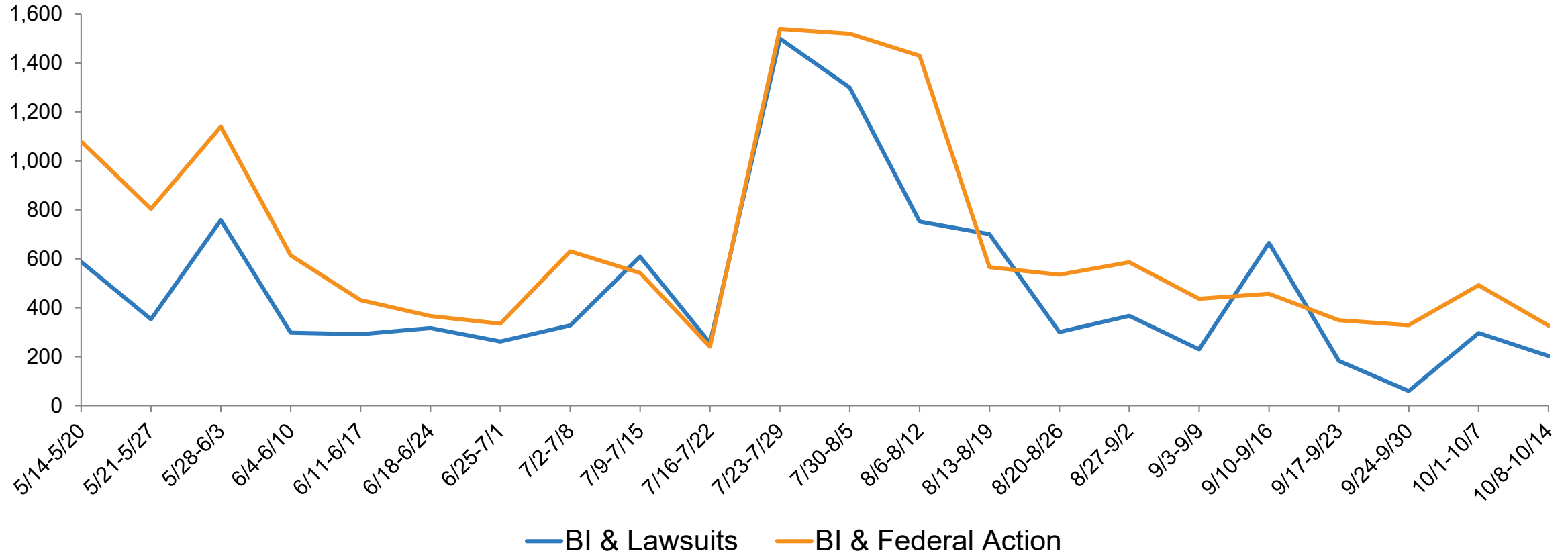
## 2020 Commentary

Overall premium projected to be flat. Underwriting result deteriorates.

- Pandemic and recession reduce exposure in personal auto, several commercial lines.
- Rate increases make up for lower exposures somewhat.
- Tremendous uncertainty due to pandemic's impact on several lines.
- We assume normal cat year, despite bleak hurricane forecast.

# A better place: Six months into COVID-19, news coverage discusses federal policy solution

Number of Stories



Source: Meltwater.

# A better place: FAIR guiding principles: A defined perspective on potential policy solutions

**Given their universal scope, pandemics are largely uninsurable. Therefore, only the government has the financial capacity to provide the relief small and large businesses need to weather this crisis.**

## **Proposed solutions must:**

- ▲ Maintain the federal government as a primary provider of relief, reflecting the reality that pandemic risks are not privately insurable.
- ▲ Provide widely accessible relief payments to businesses in a fast and efficient manner once a pandemic is declared by the government, with minimal chance of abuse.
- ▲ Protect businesses from losses, and incentivize businesses to retain employees, without jeopardizing insurers' existing commitments.



# America's Insurers: Stepping Up

for Customers, Communities, and Employees

The insurance industry is applying forward-thinking solutions to take care of its customers, communities, and employees during the COVID-19 crisis

## Customers

Auto insurers have returned **\$14 billion** so far to customers' pockets around the country through premium relief

## Community

Insurers have pledged **more than an estimated \$280 million** (according to III/Insurance Industry Charitable Foundation) in donations to the national and local organizations fighting this pandemic on the frontlines

## Employees

Employing more than **2.8 million Americans**, Insurers are taking care of their employees—many pledging no layoffs during the ongoing crisis

## Industry

Insurers are implementing **innovative solutions** to carrying out daily operations while respecting social distancing





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