

Insurance Industry Leaders Believe the Worst of Financial Crisis Now Behind Us, I.I.I. Survey Finds

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NEW YORK, January 11, 2011 — Leaders of the property/casualty insurance industry believe the worst of the financial crisis is over, according to a survey conducted by the [Insurance Information Institute](http://www.iii.org) (I.I.I.) at its 15th annual *Property/Casualty Insurance Joint Industry Forum*, held here.

Ninety-four percent of executives in the property/casualty industry expect an improvement in profitability in 2011.

Looking at the industry's profitability, a majority of industry leaders believe that profits will improve in most property/casualty lines. Broken down by lines of insurance, 59 percent of respondents believe there will be an improvement in personal auto and 61 percent expect an improvement in homeowners. However 86 percent of respondents do not expect an improvement in workers compensation and 76 percent of respondents do not expect an improvement in commercial lines.

In terms of inflation, 57 percent of executives believe it will accelerate in 2011. Looking at premium growth, 53 percent of respondents believe that it will remain flat; 31 percent believe it will be positive; and 16 percent believe it will be negative.

As compared with 2010, 68 percent of respondents believe the combined ratio will be higher in 2011. The combined ratio is a percentage of each premium dollar a property/casualty insurer spends on claims and expenses. The combined ratio was 101.2* in the first nine-months of 2010. A combined ratio over 100 means that claims payments plus expenses exceeded insurance premiums. One way to lower expenses is by consolidation; 86 percent of respondents expect an increase in consolidation among insurers and reinsurers.

"Looking to 2011, exposures will continue the growth we saw in the second half of 2010 as the economy continues its recovery, implying increases in insurance premium volume," said Dr. Steven Weisbart, senior vice president and chief economist with the I.I.I. "Still, the low interest rate climate, which will likely persist throughout 2011, will challenge insurers to price risks in closer relation to their claims potential. Similarly, business bankruptcies might ease off in 2011 from two years of high rates but are likely to continue at troubling levels, so that the demand for commercial insurance in 2011 will rise from a smaller base than would otherwise have been the case," he added.

In the area of torts, 53 percent of respondents believe that tort trends will remain the same in 2011; 37 percent believe it will deteriorate; and only 10 percent believe it will improve.

On the investment side, 88 percent of industry leaders expect an up year in the equity markets in 2011 (but for the industry as a whole, equities constitute only about 18 percent of invested assets). About 70 percent of invested assets are in bonds.

Industry leaders were asked whether comprehensive financial services reform approved by Congress and signed into law by President Obama in 2010 will be helpful, harmful or neutral to the P/C industry. Fifty-nine percent believed it would be neutral, 33 percent believed the new law will be harmful and 8 percent believed it would be helpful.

Industry leaders were also asked whether they thought the new Federal Insurance Office would be a positive or a negative for the industry. The responses were tied; 50 percent thought it would be positive and 50 percent thought it would be negative.

The ***Property/Casualty Insurance Joint Industry Forum*** was created to provide leaders from the widest spectrum of the industry with an opportunity to meet with each other in discussion of topics of general interest. Participants included nearly 250 representatives from property and casualty insurance and reinsurance companies and organizations. Of these, roughly 40 percent responded to the survey. The sponsoring organizations of the Forum represent a wide spectrum of insurance interests and audiences. They include: ACORD, American Insurance Association, the Association of Bermuda Insurers and Reinsurers, The Geneva Association, Institute for Business & Home Safety, Insurance Information Institute, Insurance Institute for Highway Safety, International Insurance Society, ISO, National Association of Mutual Insurance Companies, National Council on Compensation Insurance, National Insurance Crime Bureau, Property Casualty Insurers Association of America, Property Loss Research Bureau, Reinsurance Association of America and The Institutes.

For the poll questions and full results, go to [2011 Property/Casualty Insurance Joint Industry Forum Questionnaire](#).

**Includes mortgage and financial guaranty insurers. Excluding these insurers, the combined ratio was 99.7.*

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