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ADVISEN Productivity
& Insight
for Insurance
Professionals



*Advisen Webinar: State of
the P&C Insurance Market*



About Advisen:

Advisen Ltd. is a privately-owned, independent and unbiased provider of news, data and risk analytics to the commercial insurance industry.

Advisen's mission is to deliver productivity and insight to insurance professionals. Advisen brings greater success through technology and data, revolutionizing the way the commercial insurance industry functions. Our customers leverage the Advisen platform, adding power to their proprietary ability and bringing value to their clients.

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About Swett & Crawford:

For over 97 years, Swett & Crawford has delivered exceptional expertise and service to the commercial insurance marketplace. As a wholesale insurance broker, Swett & Crawford does not work directly with insureds. Rather, we serve as a key intermediary between the independent insurance agents and the nation's top insurance carriers. We work with the insured's retail insurance agent or broker to provide comprehensive, cost-effective commercial coverages and specialty programs for a wide variety of risks.

Swett & Crawford's exceptional sense and knowledge of the marketplace -- derived from the market conditions, savvy and technical expertise of our top-flight brokers and underwriters -- enhances our value to both the retail agent and carrier alike. Our goal is to help agents and brokers serve their clients and take advantage of new revenue streams and business opportunities.



State of the Insurance Market

<http://corner.advisen.com>

- **Whitepaper: The Insurance Market in 2011: Rising Rates Battle Near-record Capacity**
- **Copy of these slides**
- **Recording of today's webinar**





Today's Moderator and Author



Dave Bradford- Executive Vice President
and Chief Knowledge Officer, Advisen Ltd.



Today's Panelists



Curt Biersch- Executive Vice President, Division Leader, Swett & Crawford

Mr. Biersch serves on the Senior Leadership Team and is an Executive Vice President and Sales Leader/Division Leader. He has more than 35 years of experience in the insurance industry. Mr. Biersch started his career at Reliance Insurance Companies in property underwriting and held several managerial underwriting positions at Reliance; Cravens, Dargan & Co. and Industrial Underwriters, Inc. He later joined Sherwood Insurance Services and was appointed President of the company in 1997, serving in that role until Sherwood became Swett & Crawford in 2002. Since that time, he has headed up Swett's Western Region and managed the Los Angeles and Woodland Hills offices. Mr. Biersch serves as Division Leader for Swett's West Division. He has a bachelor's degree in Business Administration from Fresno State University.



Today's Panelists



Brian Boornazian- CEO, Aspen Re

Mr. Brian Boornazian has been President Aspen Re America, Inc. since October 2005 and as Chief Executive Officer of Aspen Reinsurance since January 2010. Mr. Boornazian serves as President of Aspen Insurance Holdings Ltd. Mr. Boornazian served as Head of Reinsurance at Aspen Insurance Holdings Ltd. Mr. Boornazian served as Head of Reinsurance at Aspen Insurance Holdings Ltd., since May 2006. He served as Chief Underwriting Officer of Property Reinsurance, a division ... of Aspen Re America of Aspen Insurance Holdings Ltd., since February 1, 2004. He served as President of Property Reinsurance, Aspen Re America at Aspen Insurance Holdings Ltd., from February 1, 2004 to October 2005. Prior to joining Aspen, he acted in several capacities at XL Reinsurance America Inc., and served as Senior Vice President, Chief Property Officer with responsibility for Property Treaty, Property Facultative, Ocean Marine and Multi-Line, as well as marine, and Chief Marketing Officer. He has served positions with General Reinsurance, Guy Carpenter and Cologne Re of America. He has a BA in Economics from Fairfield University.



Today's Panelists



Thomas Holzheu- Chief US Economist, Head of ER&C North America, Swiss Re

As head of Swiss Re's Economic Research and Consulting, North America, Thomas Holzheu has responsibility for the North American contribution to Swiss Re's economic and insurance market research. This includes the sigma papers — the award-winning research series on the insurance industry.

Thomas researches and supports Swiss Re's strategic planning on market developments, the economic environment, the competitive landscape, and regulatory factors affecting insurance and reinsurance markets. He is an expert on North American property & casualty markets with extensive knowledge of capital market solutions and foreign markets. He frequently speaks at industry conferences and publishes insurance and risk-related articles and sigma studies.

Thomas joined Swiss Re Group in 1990 working in Germany, Switzerland and since 1997 in the US.

Thomas graduated from the University of Munich with a MS and a Ph.D. in economics.



Today's Panelists



Joshua Shanker- P&C Sector Equity Analyst, Deutsche Bank

Joshua Shanker covers the property & casualty insurance sector for Deutsche Bank in the United States. He has been a sell-side analyst since 2002, at times also covering other non-life insurance sectors including financial and mortgage guaranty. He came to Deutsche Bank most recently from Citigroup. Prior to his career on the sell-side, Mr. Shanker was an equity analyst at Vontobel Asset Management and the Value Line Investment Survey. He holds an MBA (Finance) and BA (English Lit) from Columbia University.

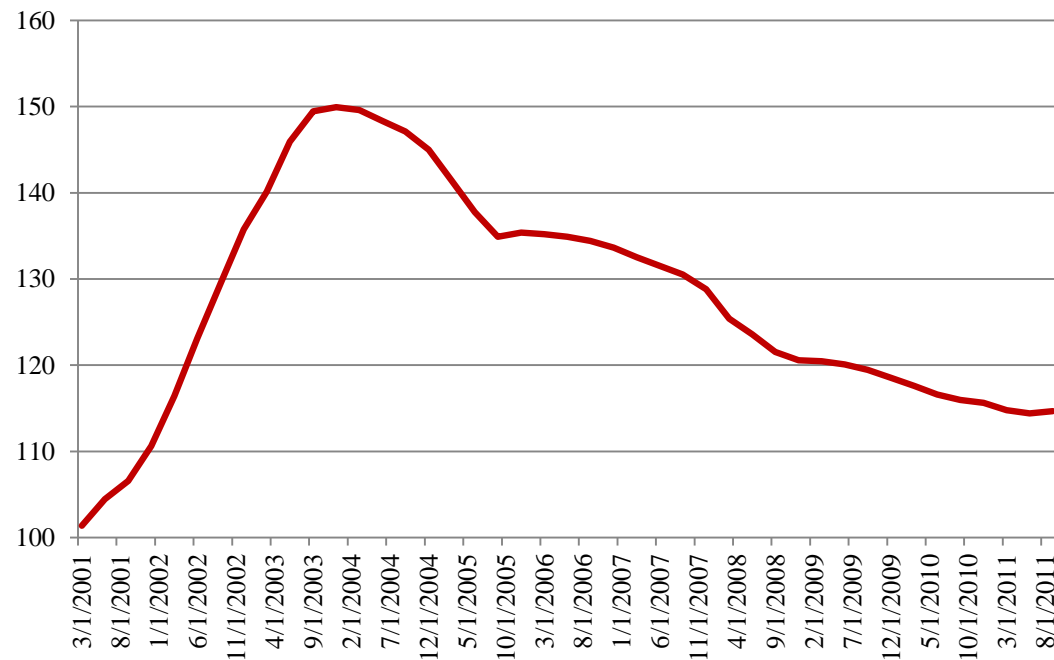


The P&C Market at 3Q11

- 3 of 4 lines comprising the Advisen ADVx Composite Premium Change Index showed modest increases in Q3. However ...
- Insurance capacity (policyholders' surplus) at near-record level
- Extreme year for insured catastrophe losses
- 109 combined ratio (through Q2)
- Low interest rate environment
- Loss reserve redundancy now nearly depleted

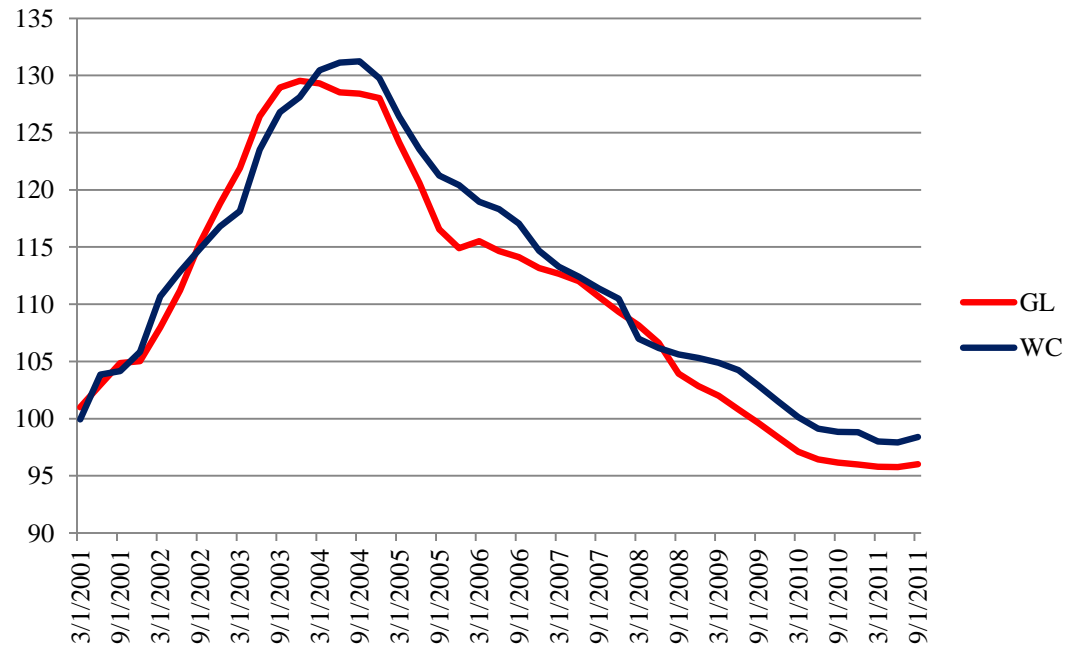
The P&C Market at 3Q11

ADVx™ Composite Premium Change Index



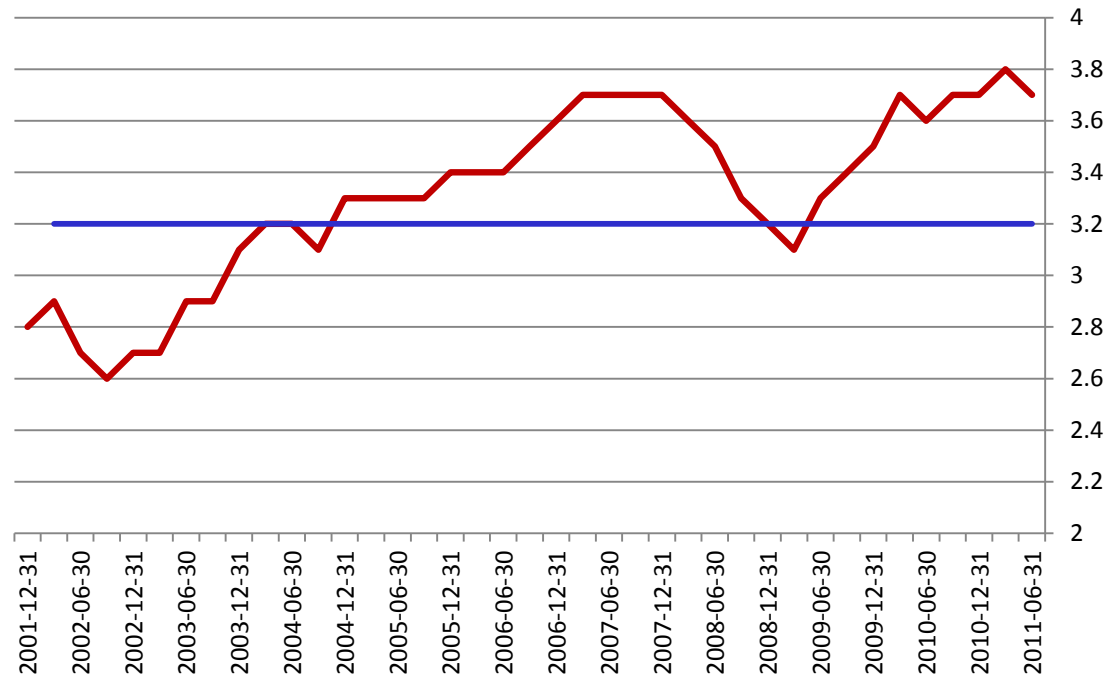
The P&C Market at 3Q11

ADVx™ WC & GL Premium Change Indexes



The P&C Market at 3Q11

Surplus as % US GDP





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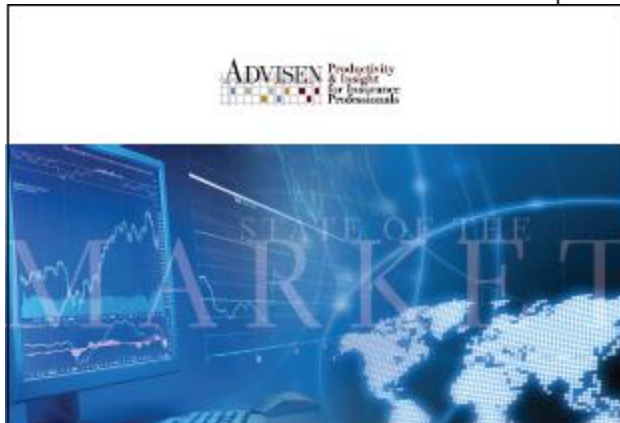
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THE INSURANCE MARKET IN 2011

Rising Rates Battle Near-record Capacity

An Advisen Special Report Sponsored by Swett & Crawford

November 2011



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THE INSURANCE MARKET IN 2011
SPECIAL REPORT | November 2011

THE INSURANCE MARKET IN 2011

Rising Rates Battle Near-record Capacity

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Executive summary

Rising premiums during the third quarter is good news for property casualty insurers, which have endured eight years of soft market conditions. Rate increases, however, may not yet be sustainable. Capacity is at near-record levels despite one of the worst years ever for catastrophic losses. Underwriters undoubtedly will try to push rate levels higher, but it will be an uphill fight against excess capacity which encourages competition.

Introduction

For the first time in nearly eight years, three of the four lines of business comprising the Advisen ADW Composite Pricing Index increased during a quarter. For the Q3 2011, property, general liability (GL) and workers' compensation all increased, albeit modestly. Only the C&O index trended lower.

Many insurers have confirmed that rates are rising. For example, Chubb reported a 4 percent rate increase on its standard commercial business in the third quarter, ACE saw property and casualty rates rise 3.2 percent in its US retail business and the Commercial Division of CNA reported an overall 2 percent rate increase in the quarter. Few insurance company executives, however, are breaking out the champagne and declaring the soft market dead and buried. Capacity, as measured by policyholder surplus, is at a near record high. By some measures, the commercial lines insurance market is significantly overcapitalized, which does not bode well for a sustained rate rally.



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Insurance pricing cycle can be viewed in terms of supply-and-demand economics. In the supply of insurance capacity increases faster than the demand for that capacity, so fall. Conversely, when supply constricts relative to demand, prices increase. During "soft" phase of the cycle, prices fall due to an abundance of insurance capacity relative to demand. While the cycle is inevitable, the timing and magnitude of changes rising throughout the cycle are subject to an array of forces that often are difficult to see and quantify.

Supply in the insurance supply-and-demand equation can be viewed as a function of the net of capital insurers held to support underwriting – "policyholders' surplus," or a supply plus," in US insurance jargon. The more capital insurers hold, the more capacity they have. Insurers are overcapitalized during soft markets, and as a result, they compete to get excess capacity to work.

Historical economies such as North America and Western Europe, Gross Domestic Product (GDP) can be seen as a proxy for demand – or rather, the change in GDP represents the change in demand for insurance capacity. Since most companies already are fully insured, need to buy more insurance is directly tied to growth, represented by the change in GDP.

Exhibit 2 shows US policyholders' surplus as a percentage of US GDP over time. Increases in surplus mean that growth in supply/policyholder surplus exceeds the growth in demand (GDP), ultimately leading to falling premiums. Conversely when rates are decreasing, it means that supply is shrinking relative to demand for demand is increasing faster than supply and premiums eventually will rise. Historically, surplus equal to about 3.2 percent of GDP (red line) represents the approximate point at which supply and demand are in balance. In the rate rises above that point, the market typically moves into the soft phase of the cycle. Conversely, when it falls below 2.2 percent, the market is poised for the hard phase.

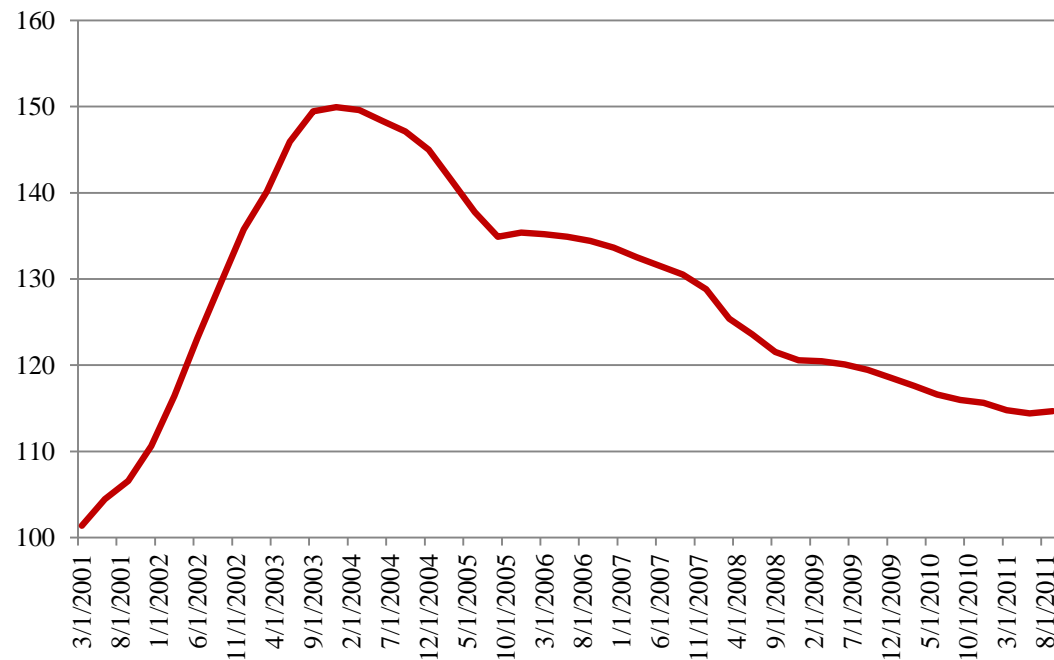


Exhibit 2: Surplus as % GDP

Source: Advisen Ltd.
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The P&C Market at 3Q11

ADVx™ Composite Premium Change Index





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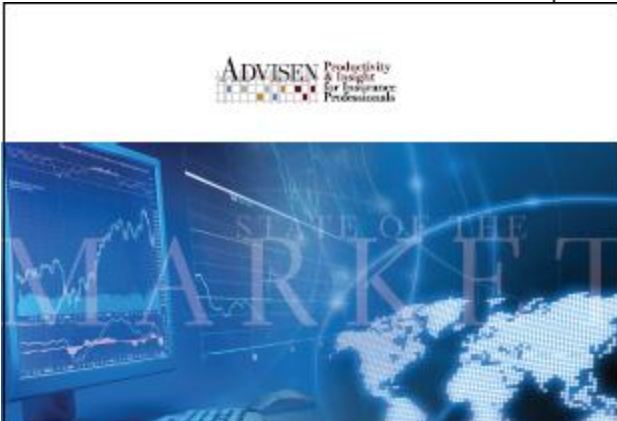
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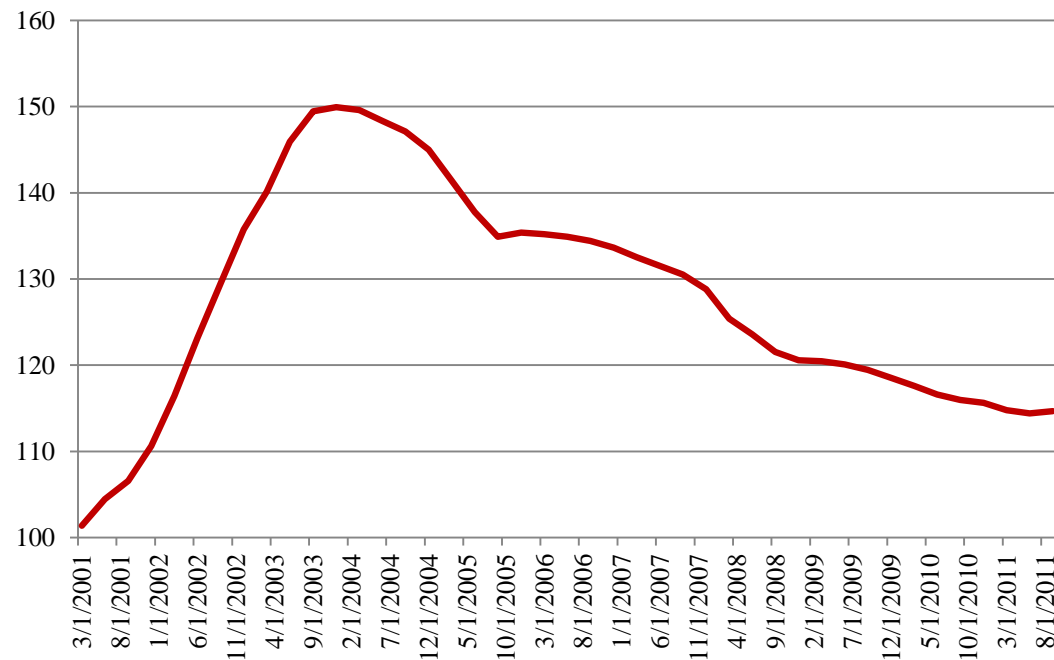


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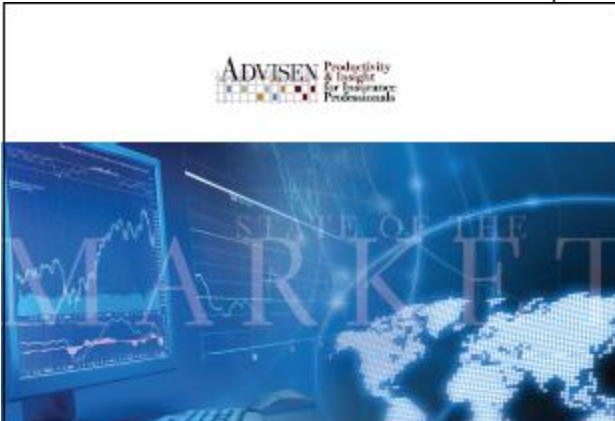
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Upcoming Advisen Webinars:

- **Q3 Securities Webinar**

Date: Thursday, November 17, 2011 at 11:00AM EST

- **Issues in Travel Accident**

- *Date: Thursday, December 1, 2011 at 11:00AM EST*

- **Technology Data Security & Third Party Liability**

Date: Thursday, December 8, 2011 at 11:00AM EST



Upcoming Advisen Conferences:

- **State of the P&C Job Market**

Wednesday, December 7, 2011* 2pm-4pm EST

Saval Auditorium

St. John's University School of Risk Management

To register:

http://corner.advisen.com/advisen_conference.html

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