



Recognizing Trends and Managing Risk  
in Tomorrow's Insurance Market

## **The Disruptors**

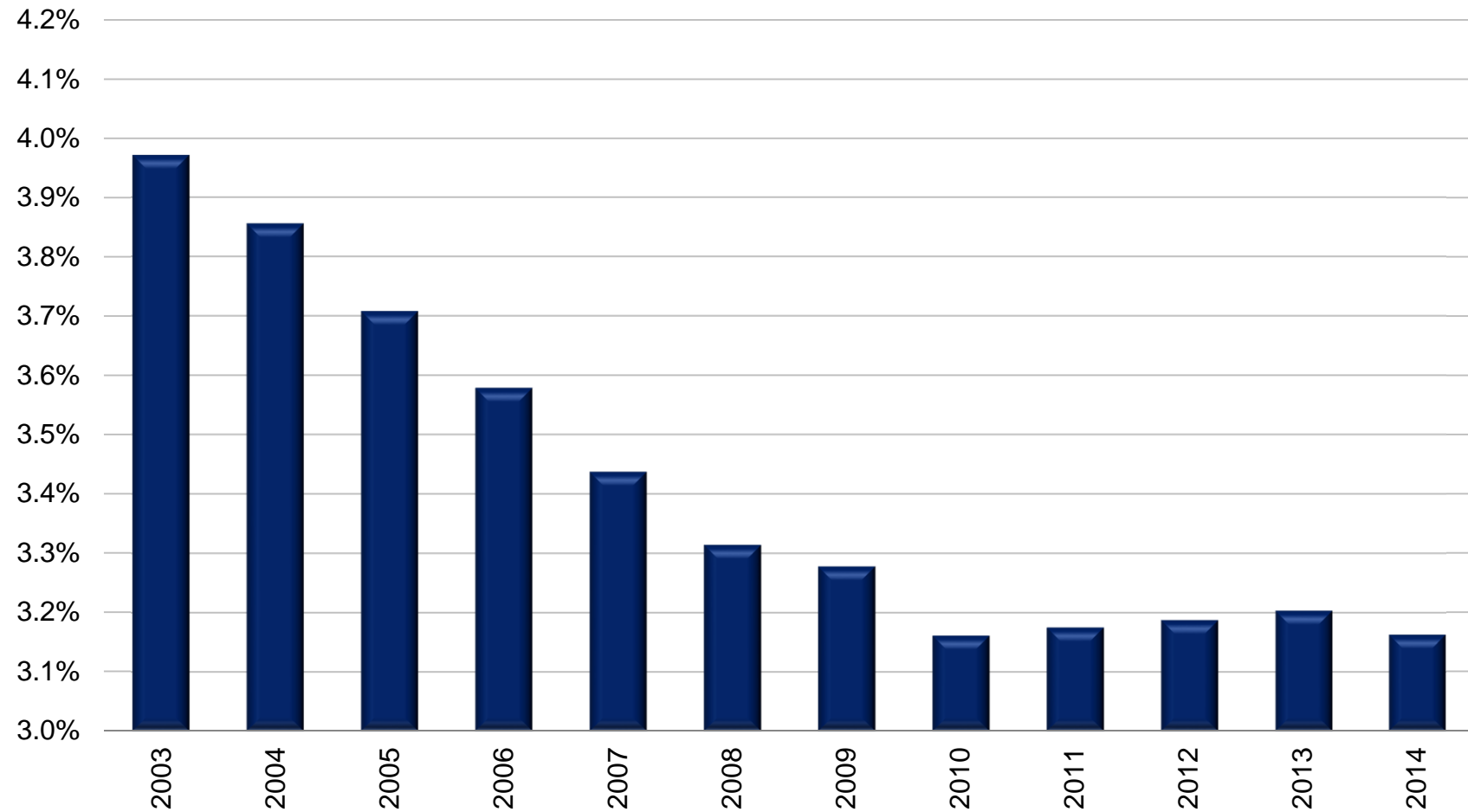
2016 CAS Spring Meeting

Sheraton Seattle Hotel

Seattle, WA

# P-C Industry Shrinking as a Slice of the U.S. Economic Pie

Property-Casualty Direct Premium Written as Percentage of U.S. GDP



Data source: © A.M. Best Company—used by permission, Census

Bureau, Conning analysis



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# Few Top Business Risks Covered by Insurance

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## AON Global Risk Management Survey of Top Risks, 2015

(risks subject to traditional insurance coverage in red)

1. Damage to reputation/brand
2. Economic slowdown/slow recovery
3. Regulatory/legislative changes
4. Increasing competition
5. Failure to attract or retain top talent
6. Failure to innovate/meet customer needs
- 7. Business interruption\***
- 8. Third-party liability**
9. Computer crime/hacking/viruses/malicious codes\*\*
- 10. Property damage**

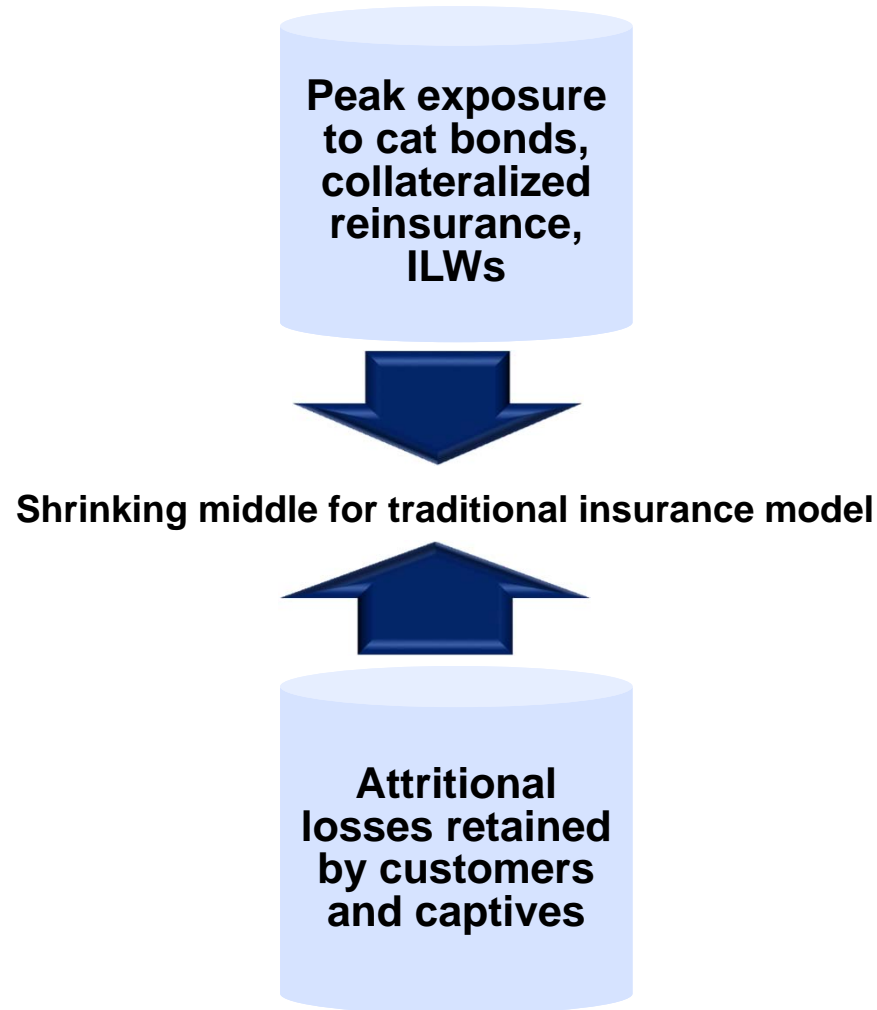
\*insurance can cover some property and operational losses, it cannot make up for loss of market share, reputational damages, declines in investor confidence, or a share price drop caused by an interruption

\*\*developing cyber products are providing limited coverage

Source: Aon Global Risk Management Survey 2015, Prepared by Conning, Inc.

# Exodus of Peak Cat Risk and Attritional Risk

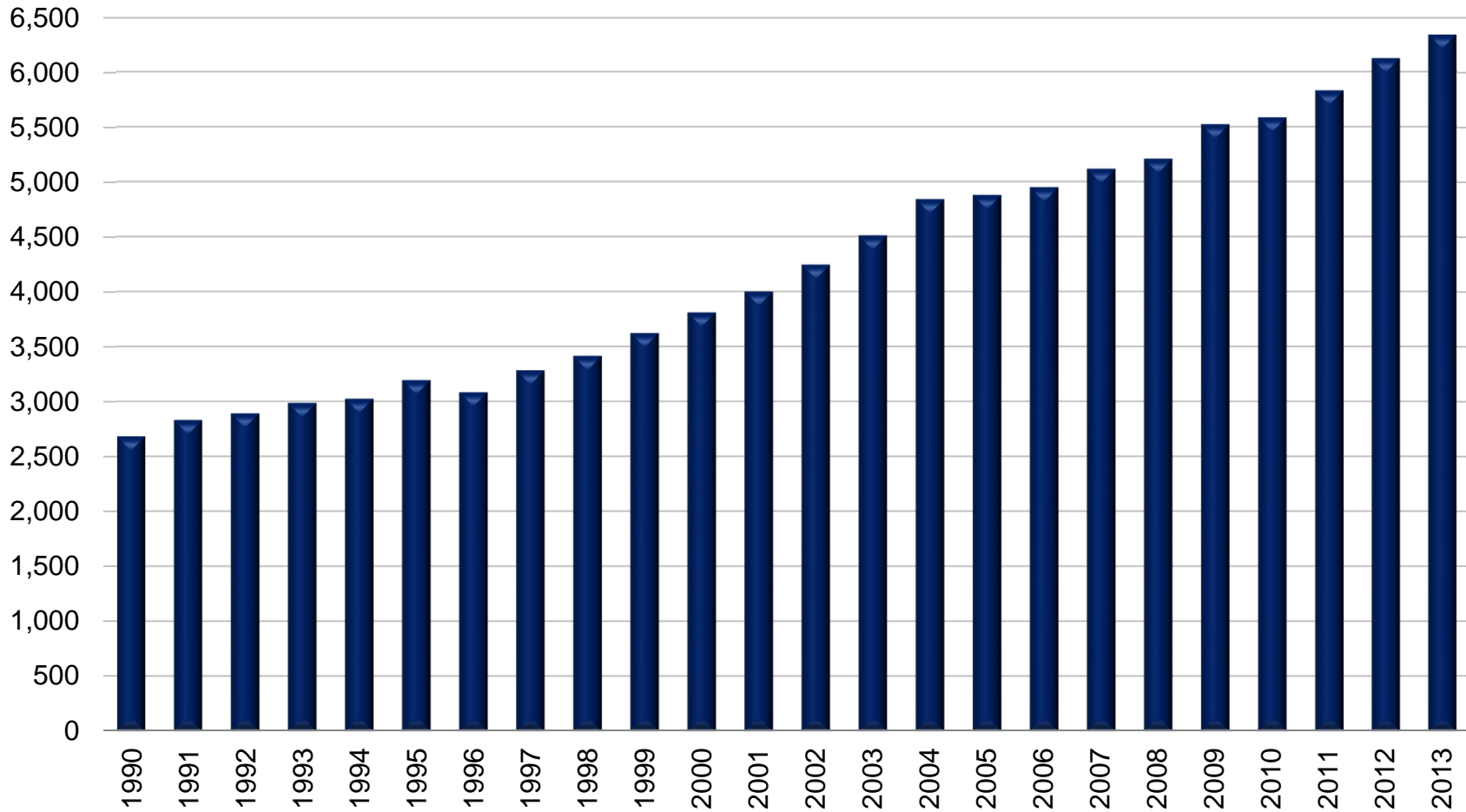
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Source: Prepared by Conning, Inc.

# Growing Alternative Market

Number of Captives Worldwide\*

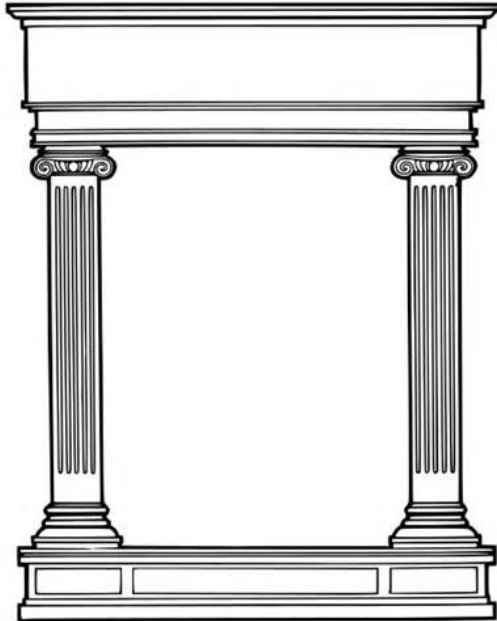


*\*as of March 2014 (includes some restatements)*

Source: *Business Insurance*, Prepared by Conning, Inc.

# The Two Pillars of the Insurance Industry – are Crumbling

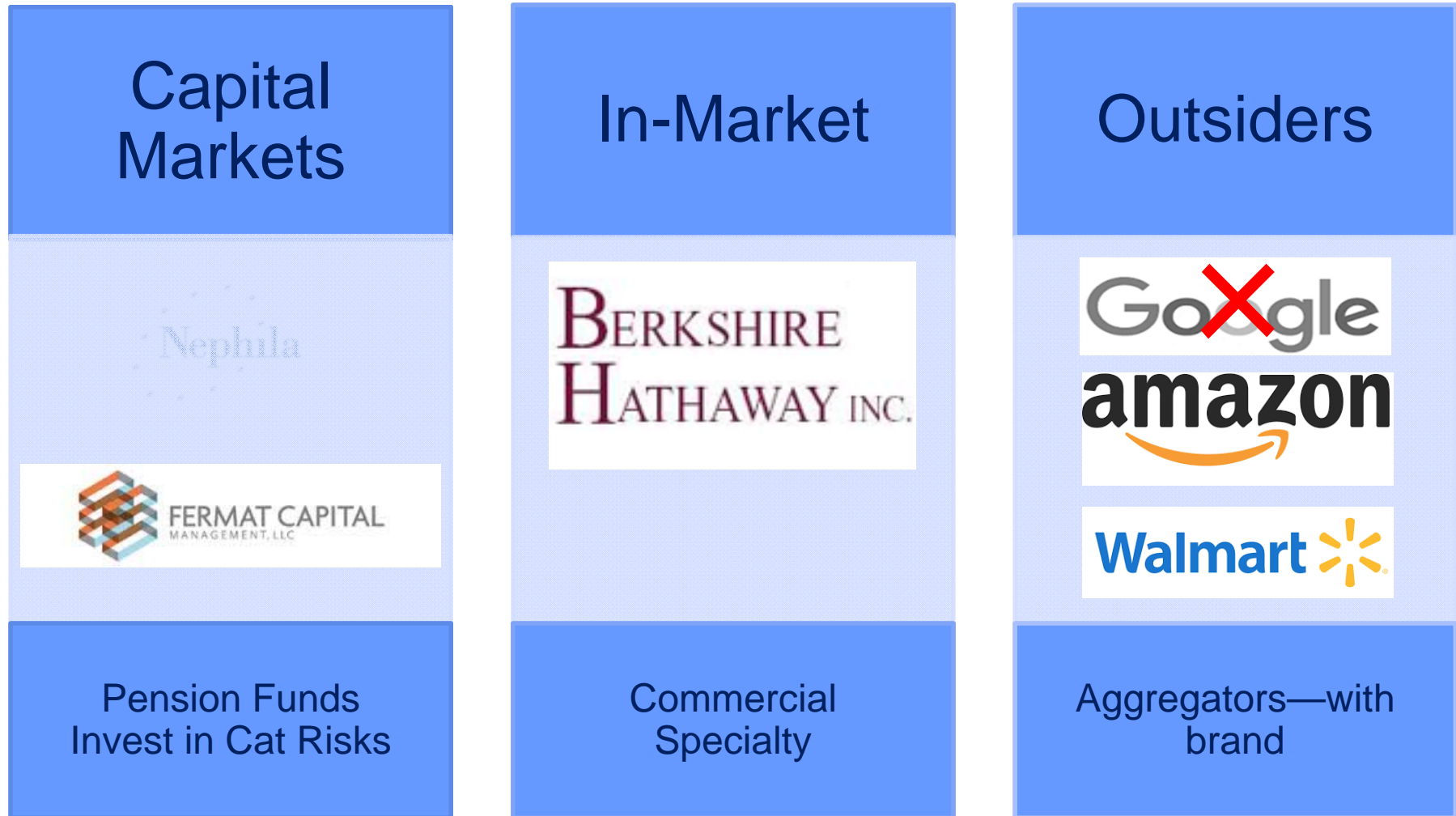
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**I. Information Asymmetry**

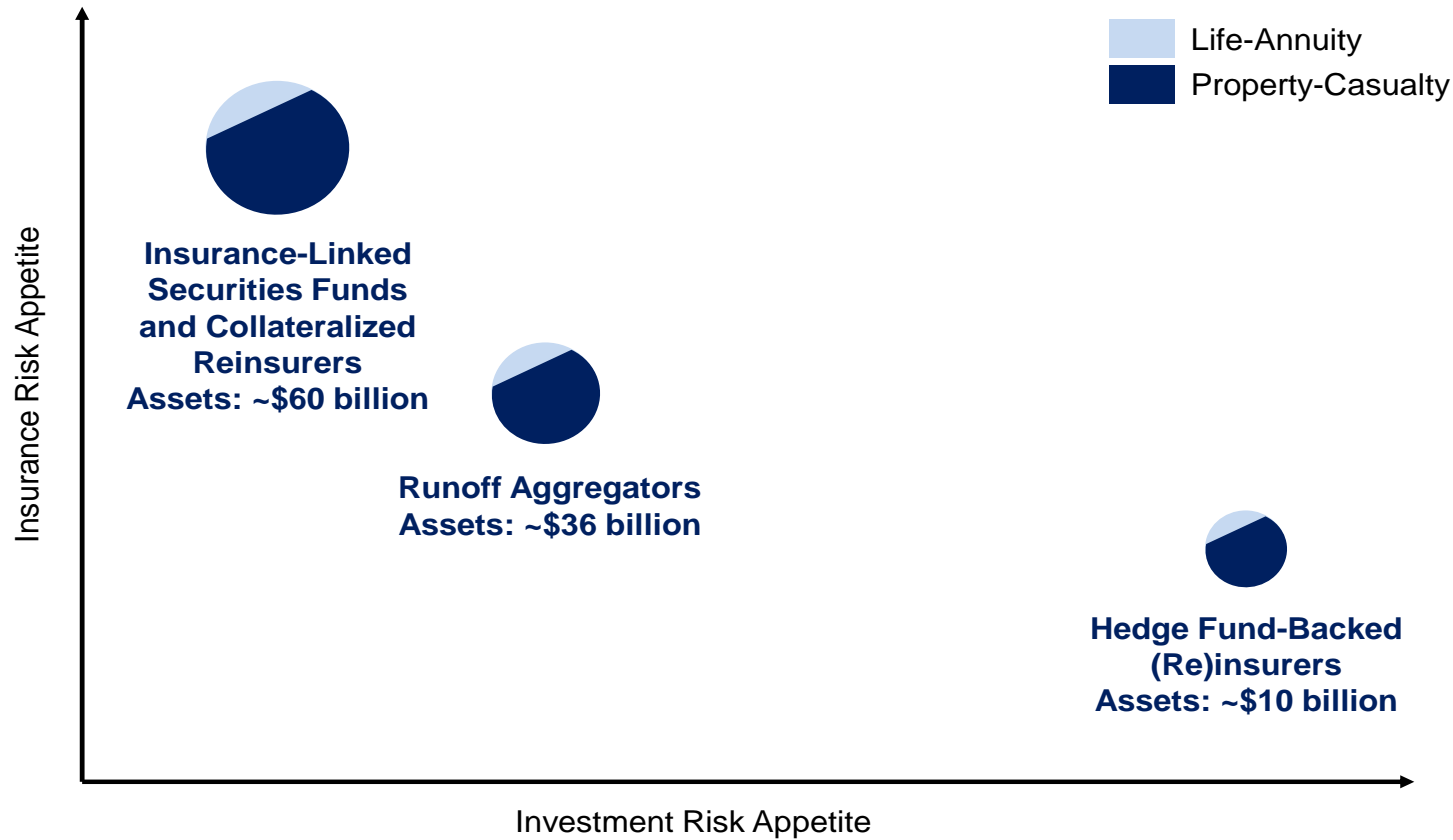
**II. Large Pool of Capital**

# New Competitors



# A New World of Capital—New Capital Providers Entering Insurance

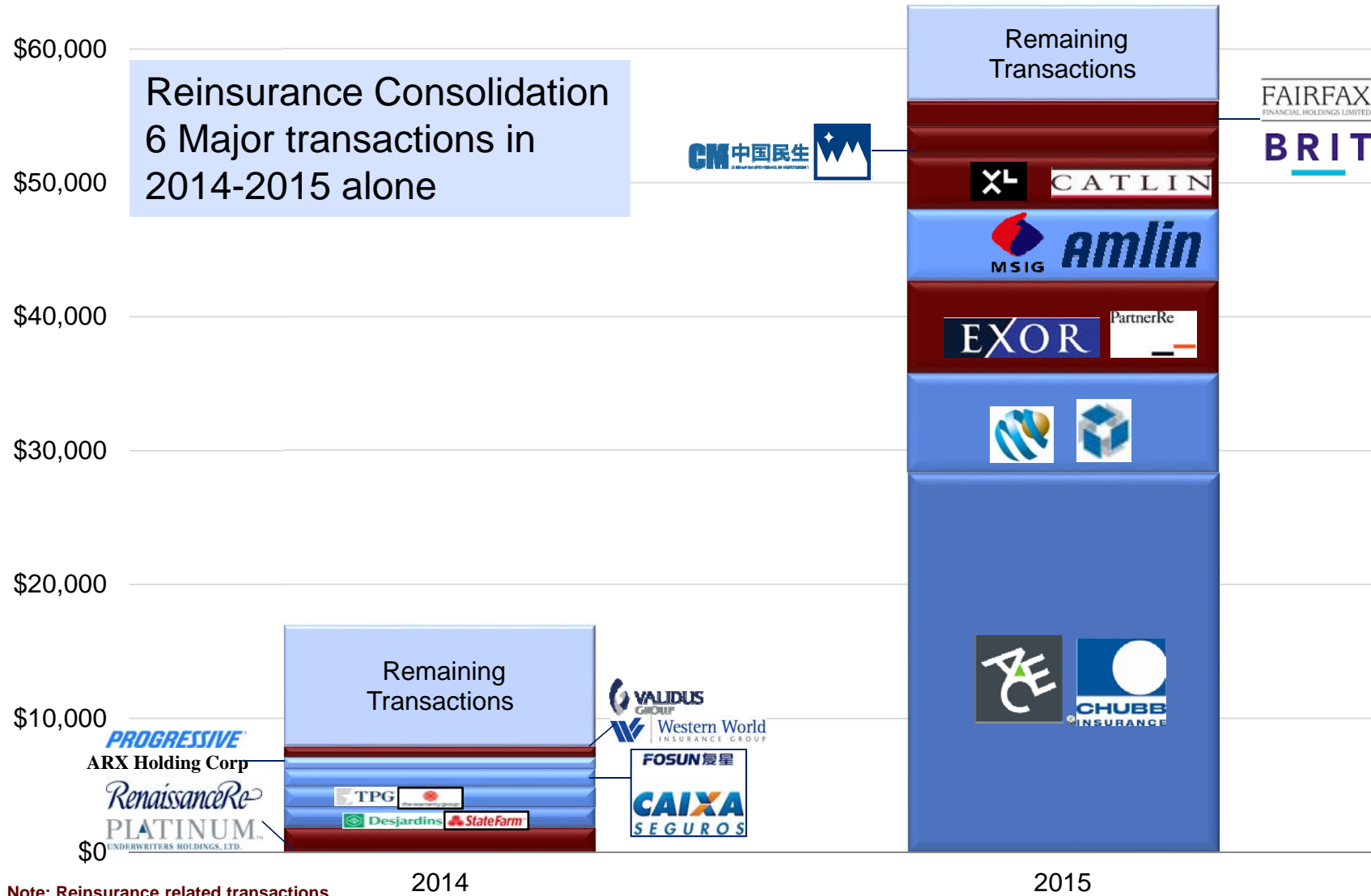
Source: Company reports, Prepared by Conning, Inc.





# Largest Global Property-Casualty M&A Transactions 2014-2015

\$ in millions

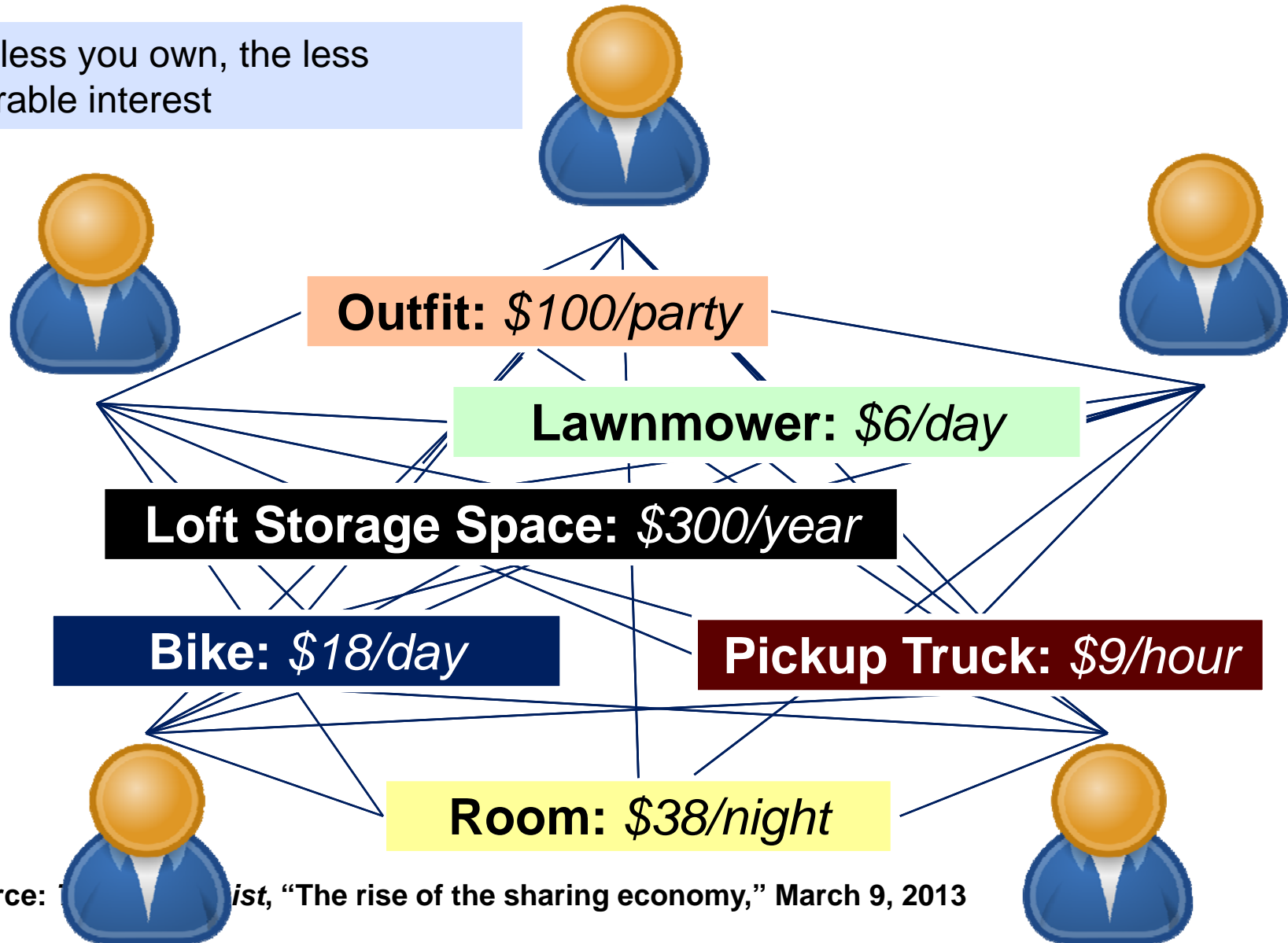


**Note: Reinsurance related transactions**

Source: Company press releases, public filings, and news articles, Conning analysis

# Sharing Economy Affects Asset Ownership ... and Exposure Units

The less you own, the less insurable interest



Source: *Forbes*, "The rise of the sharing economy," March 9, 2013

# Next Steps in Vehicle Safety

## Samsung Is Showing the Next Step in Highway Safety



Source: <http://www.samsung.com/nz/business/insights/news/the-safety-truck-could-revolutionise-road-safety>

# Can Homeowners Move to Real-Time Analytics?

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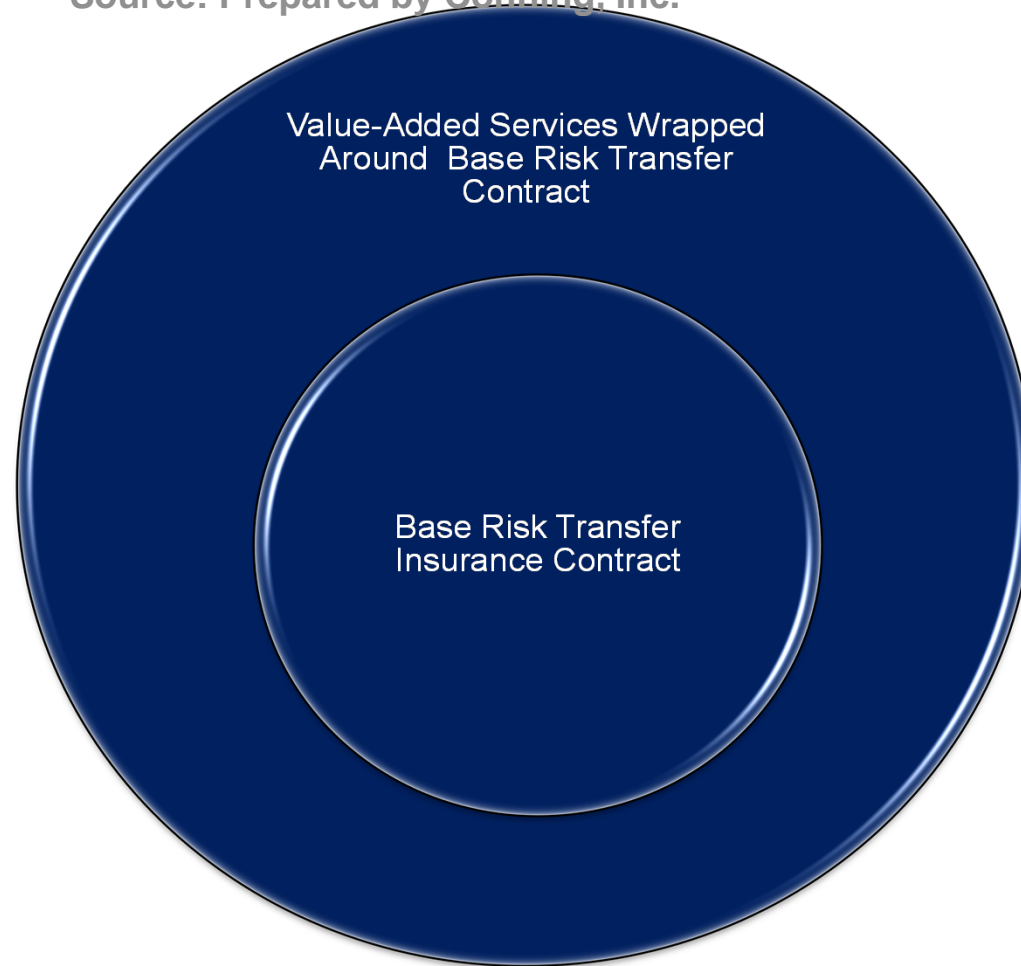
# Opportunities for Insurers to Expand Services, Partner with Clients



# Value-Added Services in Insurance Product of Future

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Source: Prepared by Conning, Inc.



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