Advisory Committee on Risk Sharing Mechanisms
June 1, 2016
Agenda

Section 1  Property Terrorism Key Metrics Analysis – Q4 2015
Section 2  Insurance and Reinsurance Capacity
Section 3  Discussion Topics
Section 1: Property Terrorism Key Metrics Analysis
Terrorism Insurance Take-Up and Pricing by Industry
Twelve Months Ending 12/31/15
Source: Aon Data

- Agribusiness and Food Systems
- Energy
- Entertainment
- Financial Institutions
- Health Care
- Industrials & Materials
- Pharm-Chem
- Public Sector
- Real Estate
- Retail and Wholesale Trade
- Technology
- Transportation

Take-Up
Annualized Premium as % of TIV
Terrorism Insurance Take-Up and Pricing by Industry

Twelve Months Ending 12/31/15

Source: Aon Data

Take-Up

Annualized Premium as % Total Program Premium
Terrorism Insurance Take-Up
Twelve Months Ending 12/31/15
Source: Aon Data

Not Purchased, 32%
Purchased, 68%
Stand Alone Terrorism Pricing - As % of TIV
Source: Aon Data

Aon Risk Solutions | Property Terrorism Key Metrics Analysis | Q4 2015

Aon Risk Solutions | Property Terrorism Key Metrics Analysis | Q4 2015

Empower Results®
Stand Alone Terrorism Pricing - As % of Total Property Premium

Source: Aon Data
TRIA and Non Certified Pricing - As % of TIV

Source: Aon Data

Average Annualized Premium as % of TIV
 Median Annualized Premium as % of TIV
TRIA and Non Certified Pricing - As % of Total Property Premium

Source: Aon Data

- **Average Annualized Premium as % of Total Property Premium**
- **Median Annualized Premium as % of Total Property Premium**
TRIA Only Pricing - As % of TIV
Source: Aon Data

- Average Annualized Premium as % of TIV
- Median Annualized Premium as % of TIV
TRIA Only Pricing - As % of Total Property Premium
Source: Aon Data

![Bar chart showing TRIA Only Pricing as % of Total Property Premium for Q1 - Q4 2015.](chart.png)

- **Average Annualized Premium as % of Total Property Premium**
- **Median Annualized Premium as % of Total Property Premium**
Average Terrorism Limit by Industry
Twelve Months Ending 12/31/15
Source: Aon Data
Average Terrorism Limit by Coverage Type
Twelve Months Ending 12/31/15
Source: Aon Data
Terrorism Insurance Take-Up Rates by Coverage Type

Twelve Months Ending 12/31/15

Source: Aon Data
Terrorism Insurance Expiring vs Renewal Pricing by Industry

Twelve Months Ending 12/31/15

Source: Aon Data

- Expiring - Annualized Premium as % of Total Program Premium
- Renewal - Annualized Premium as % of Total Program Premium
Terrorism Insurance Expiring vs Renewal Pricing by Coverage Type
Twelve Months Ending 12/31/15
Source: Aon Data

- Expiring - Annualized Average Premium as % of Total Program Premium
- Renewal - Annualized Average Premium as % of Total Program Premium
Terrorism Insurance Expiring vs Renewal Pricing by Coverage Type
Twelve Months Ending 12/31/15
Source: Aon Data

- Expiring - Annualized Average Premium as % of TIV
- Renewal - Annualized Average Premium as % of TIV
Median Terrorism Premium as % of Med. Property Premium & TIV

Source: Aon Data

% of Property Premium

% of TIV
Median Terrorism Premium as % of Med. Property Premium & TIV

Source: Aon Data

- % of Property Premium
- % of TIV
Terrorism Take-Up Rate by Year

Source: Aon Data
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Section 2: Insurance and Reinsurance Capacity
Change in global reinsurer capital

- Global reinsurer capital totalled USD565 billion at year end 2015, a reduction of 2 percent since the end of 2014
- Two factors drove this decrease:
  - Strengthening of the US dollar resulting in a reduction of capital on conversion from other currency
  - Rising interest rates on bond valuations, contributing to unrealized investment losses
- Operating performance for major insurers and reinsurers remained strong despite these issues as a result of below average insured catastrophe losses, US economic recovery and exposure growth in emerging markets

Source: Individual company reports, Aon Benfield Analytics
Alternative capital ended 2015 at USD72 billion, up 12 percent compared to year end 2014
- Collateralized reinsurance capacity saw the most significant increase of nearly USD6 billion to more than USD35 billion
- Sidecar and collateralized ILW capital increased to nearly USD8 billion and USD4 billion respectively (double digit growth in both segments)
- Catastrophe bond capital remained relatively flat year on year
Change in insurer capital

- Insurer capital decreased by 2 percent compared to year end 2014, driven by strengthening of the US dollar
- Operating results were generally solid, as insurance companies continued to benefit from low global catastrophe loss activity

Source: Aon Benfield Analytics
Section 3: Discussion Topics
Developing a Robust Terrorism (Re)Insurance Market

DISCUSSION TOPICS

- Can/Will the future of TRIA be NBCR Only?
- Can a make-available provision continue without a federal backstop?
  - If not, how do we avoid a post-9/11 environment;
  - if so, will insurers price themselves out of the risk?

Demand
- How much reinsurance capacity is needed? How to estimate?
- What is the political appetite for cost increase that will come with privatization?

Supply
- Reliable estimates of terrorism reinsurance capacity do not exist
  - Can we get them? Survey reinsurance market? Estimate relative to Property Cat?
- Sufficient capacity for conventional scenarios exists; not for NBCR

Source: Aon Benfield Analytics
Developing a Robust Terrorism (Re)Insurance Market

Alternatives

• Revised tax treatment for Terrorism reserves
• Pre- or Post-loss funding mechanisms

Resources/Experts

• Large Account Property brokers
• WC Experts/NCCI
• RMS Terrorism experts
• Insurance Information Institute
• US Chamber of Commerce

Source: Aon Benfield Analytics