



Advisory Committee on Risk Sharing Mechanisms

June 1, 2016

Agenda

Section 1 Property Terrorism Key Metrics Analysis – Q4 2015

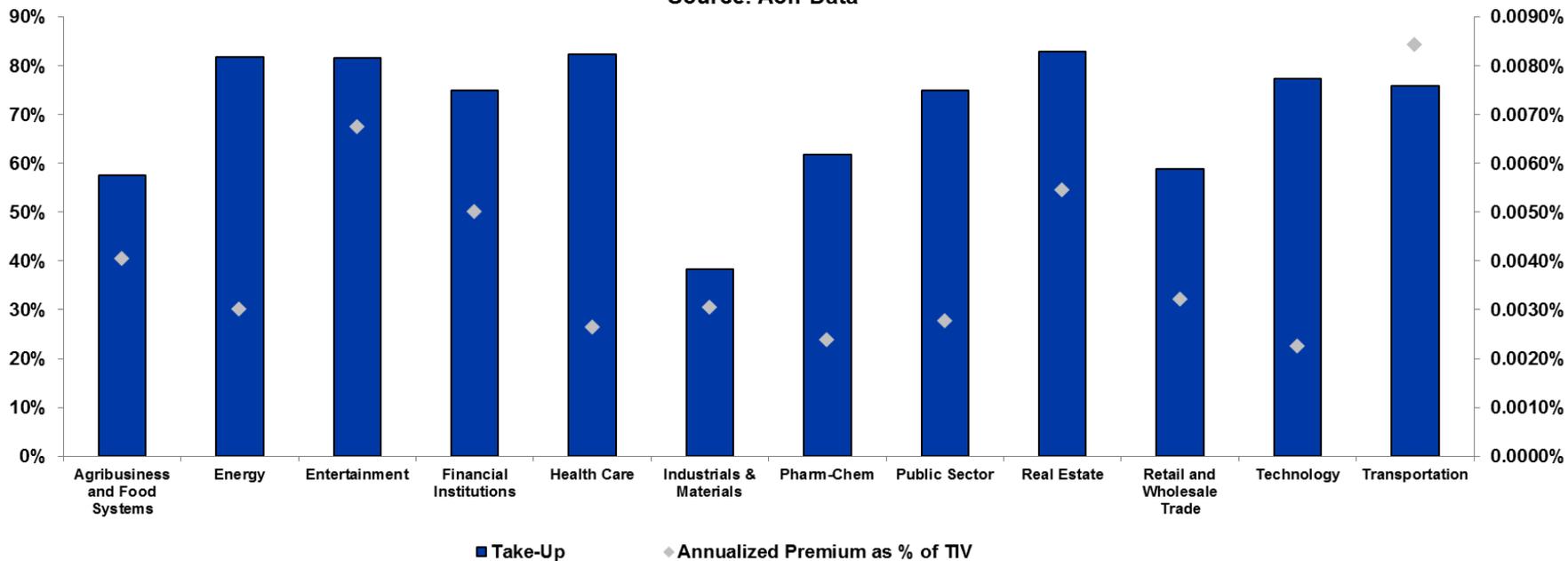
Section 2 Insurance and Reinsurance Capacity

Section 3 Discussion Topics

Terrorism Insurance Take-Up and Pricing by Industry

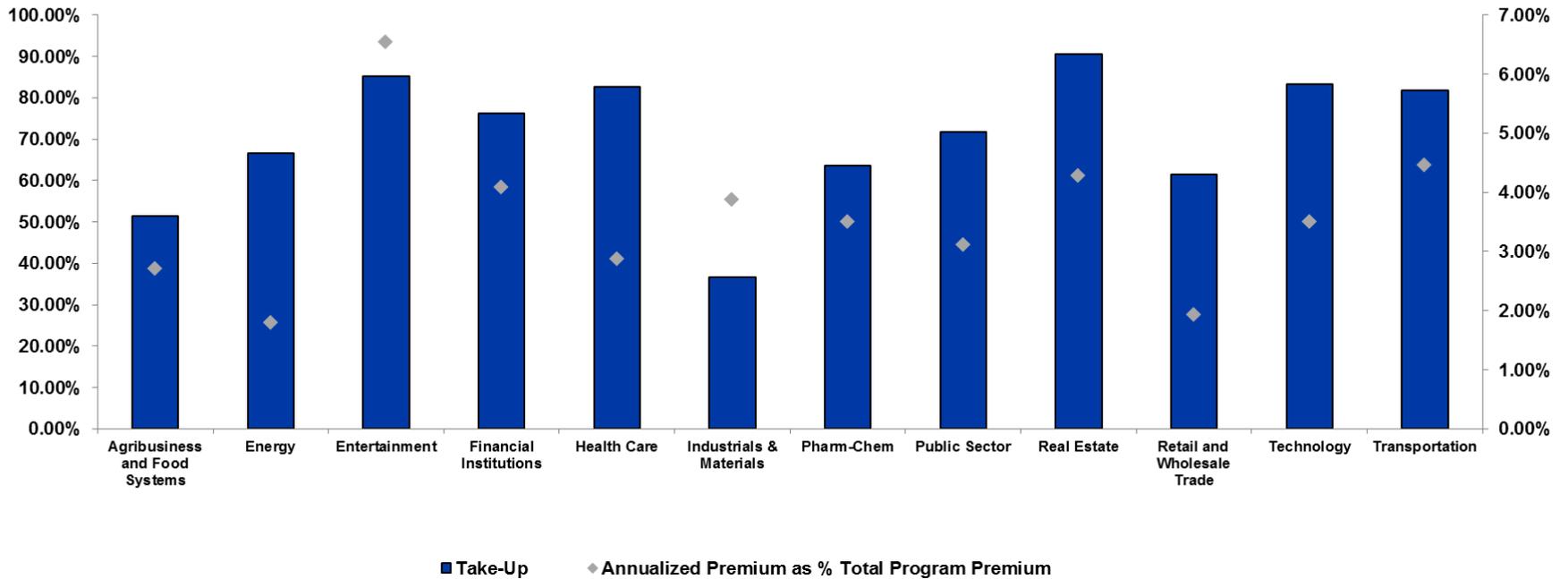
Twelve Months Ending 12/31/15

Source: Aon Data



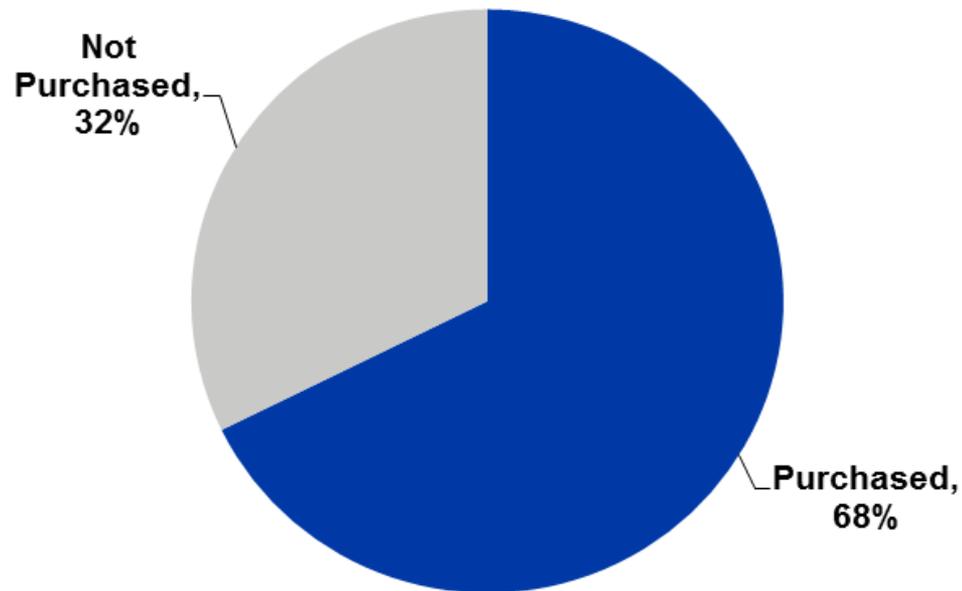
Terrorism Insurance Take-Up and Pricing by Industry

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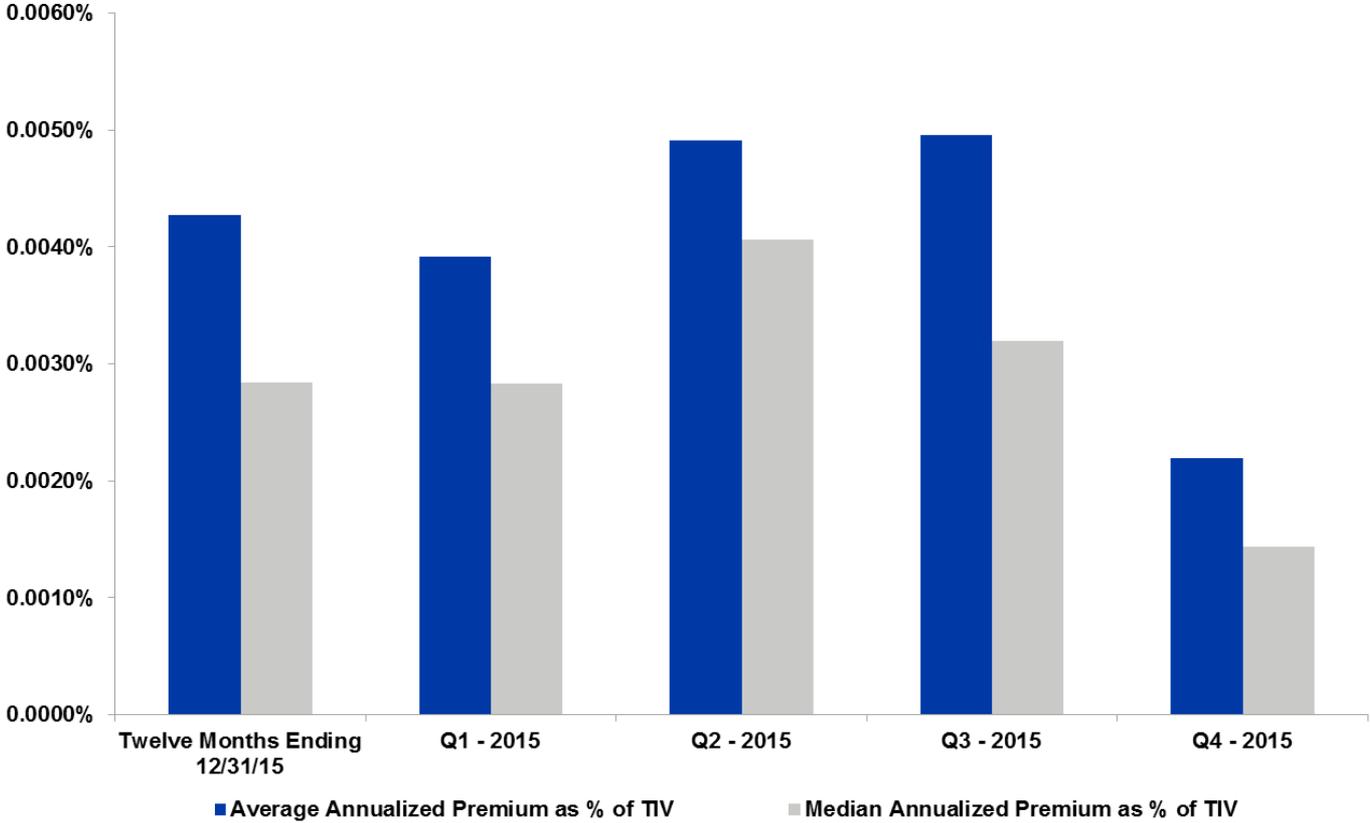
Terrorism Insurance Take-Up

Twelve Months Ending 12/31/15
Source: Aon Data



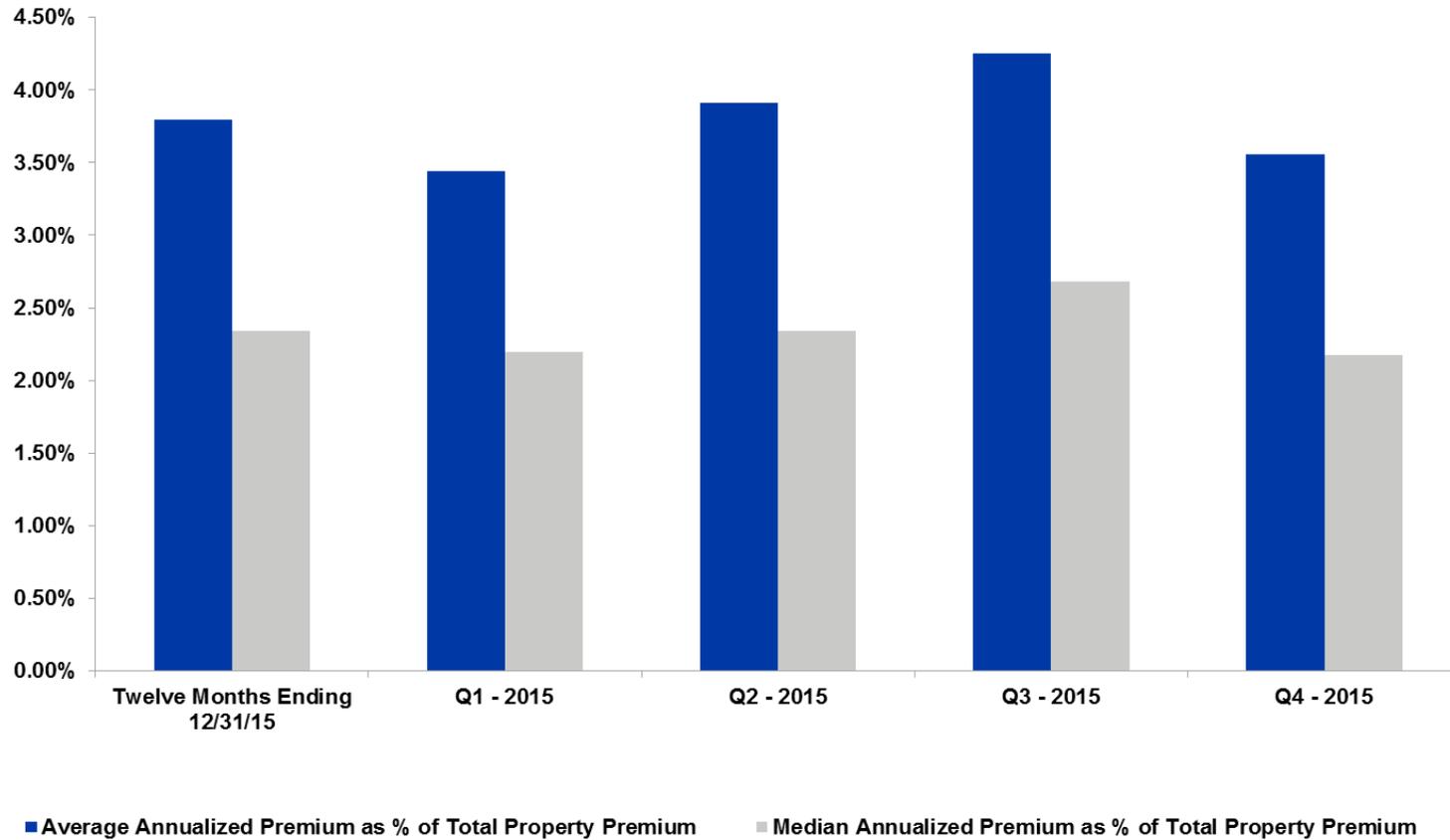
Stand Alone Terrorism Pricing - As % of TIV

Source: Aon Data



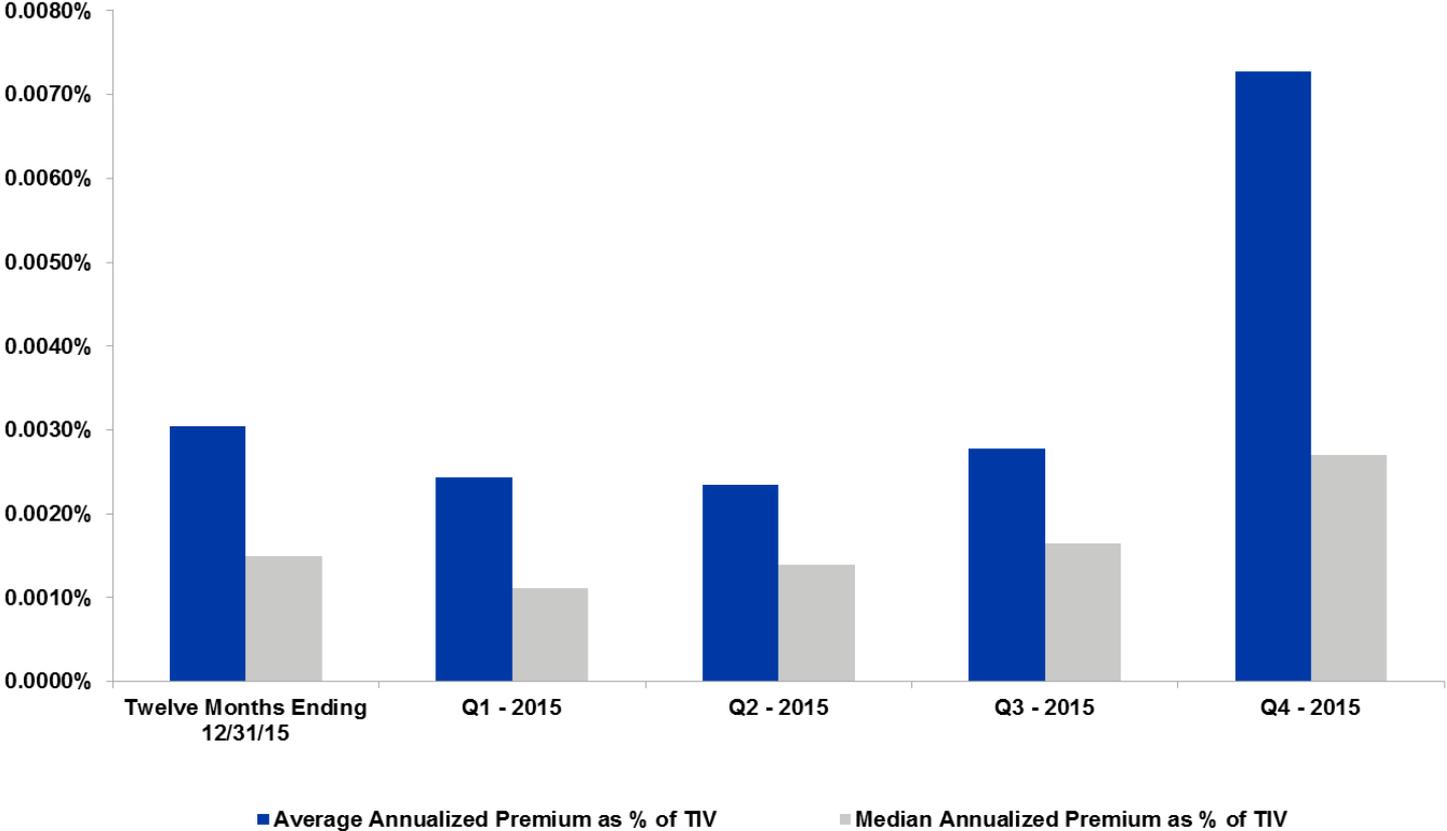
Stand Alone Terrorism Pricing - As % of Total Property Premium

Source: Aon Data



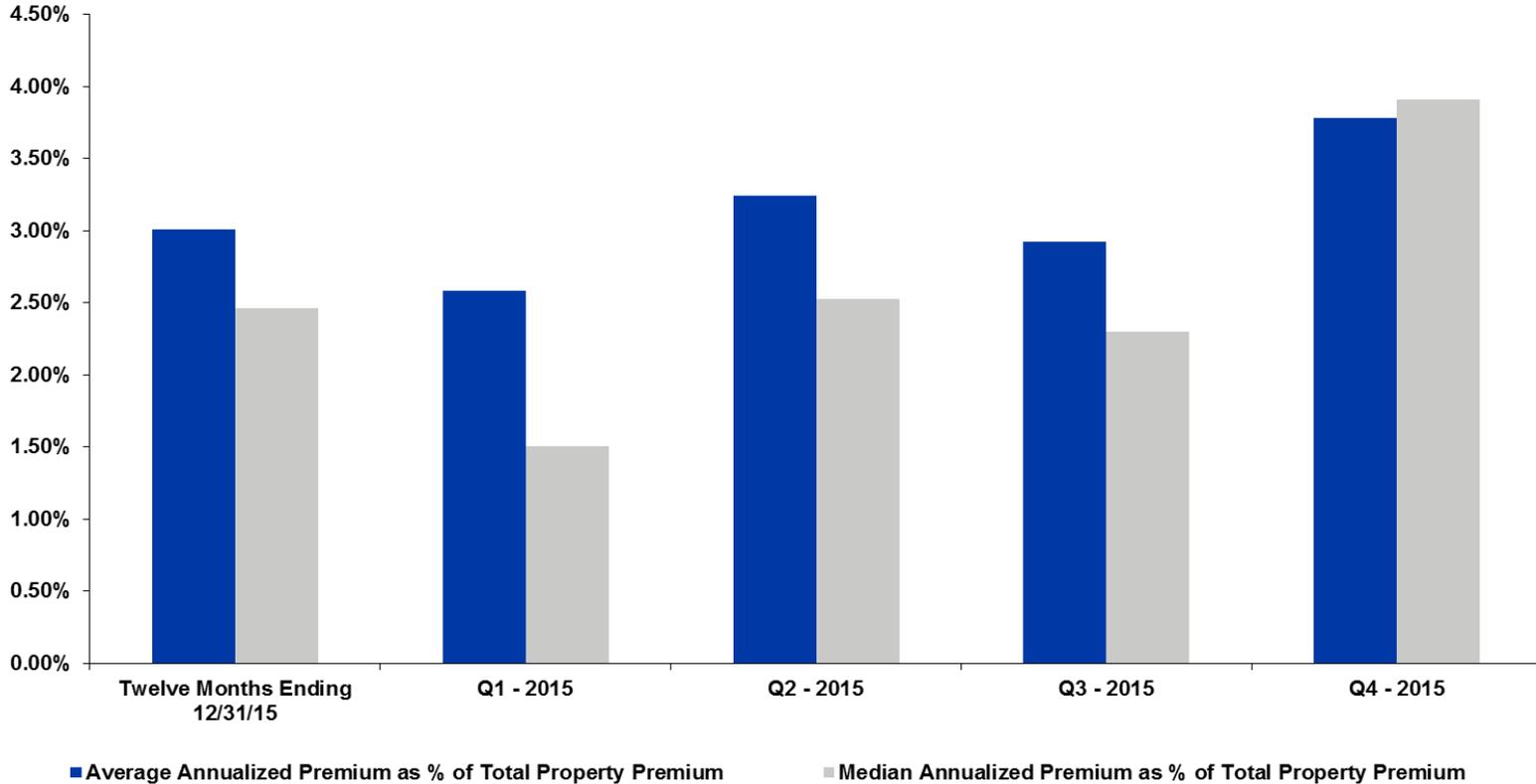
TRIA and Non Certified Pricing - As % of TIV

Source: Aon Data



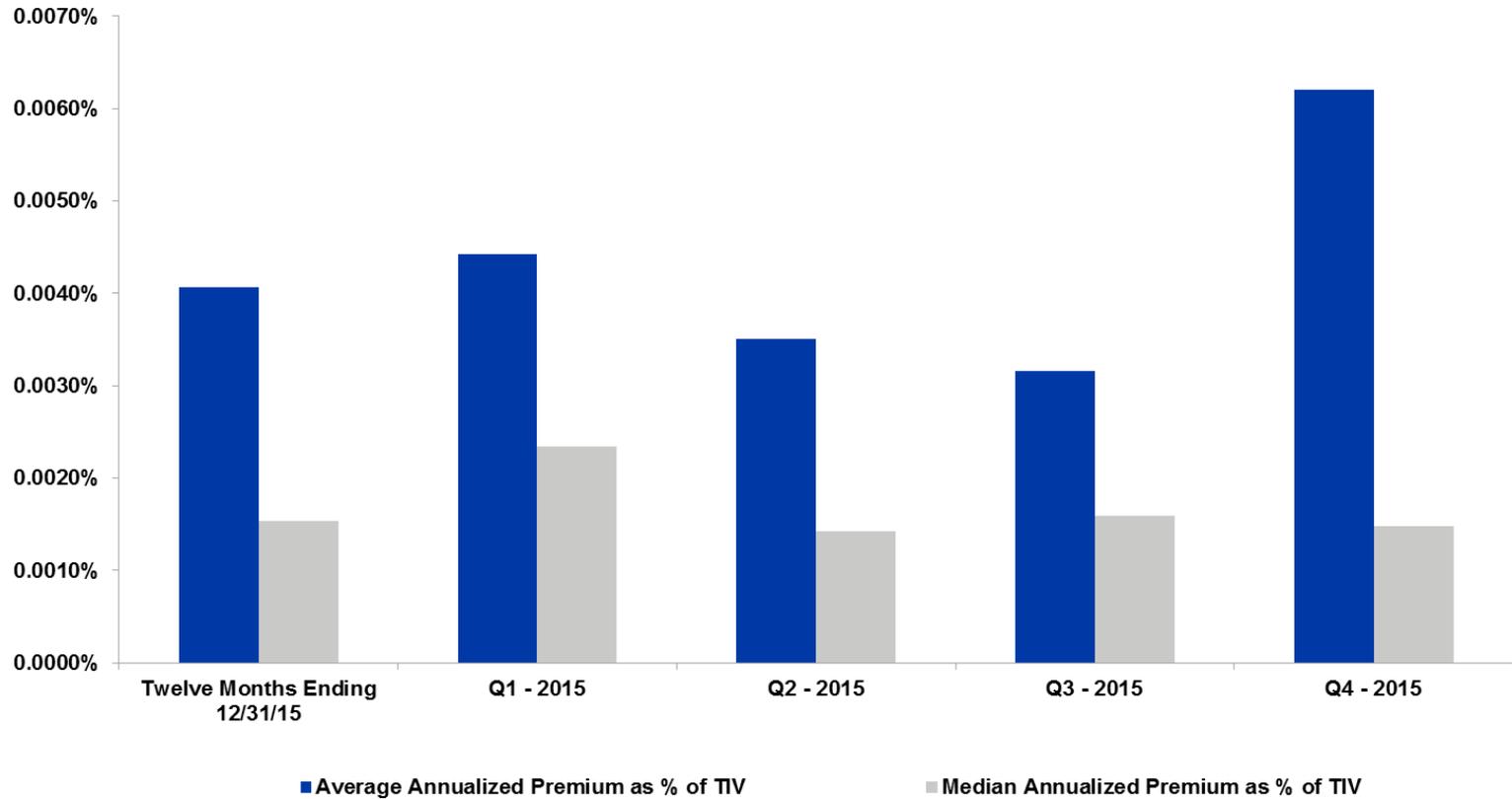
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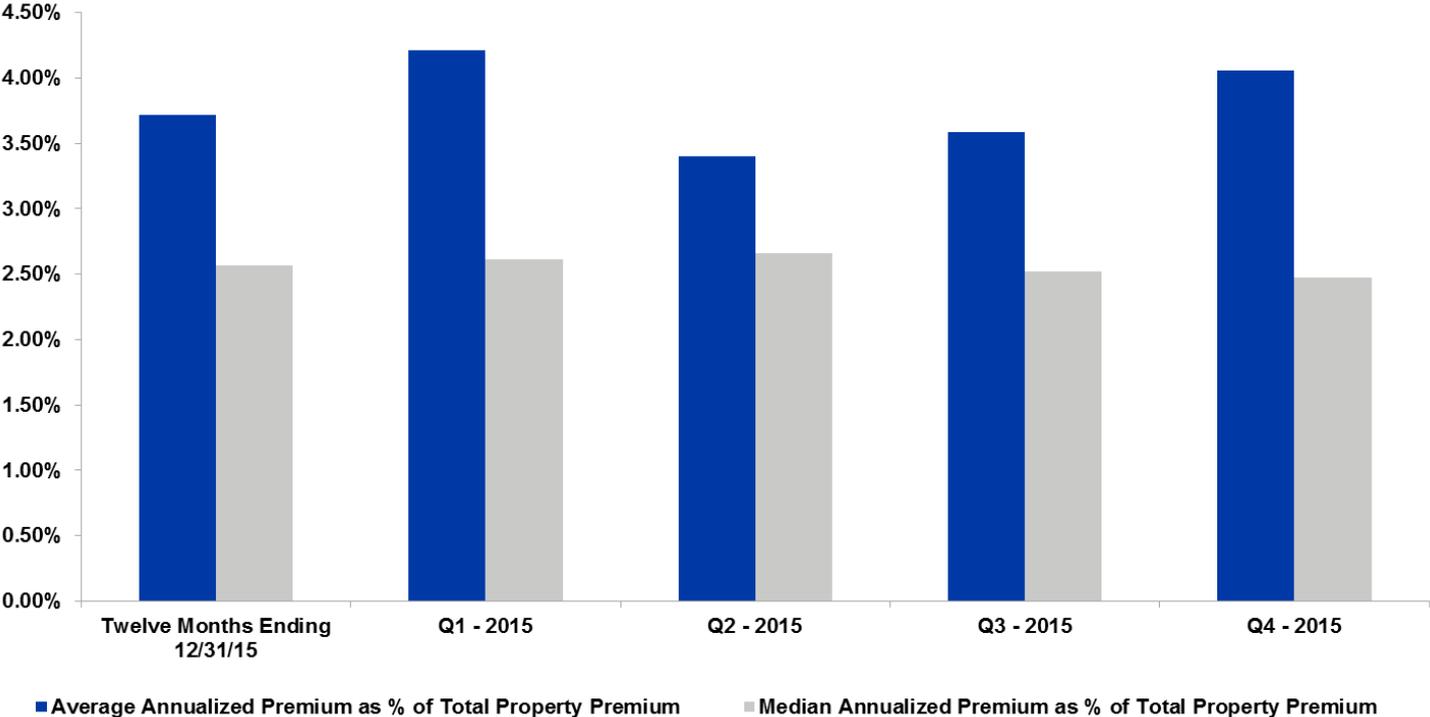
TRIA Only Pricing - As % of TIV

Source: Aon Data

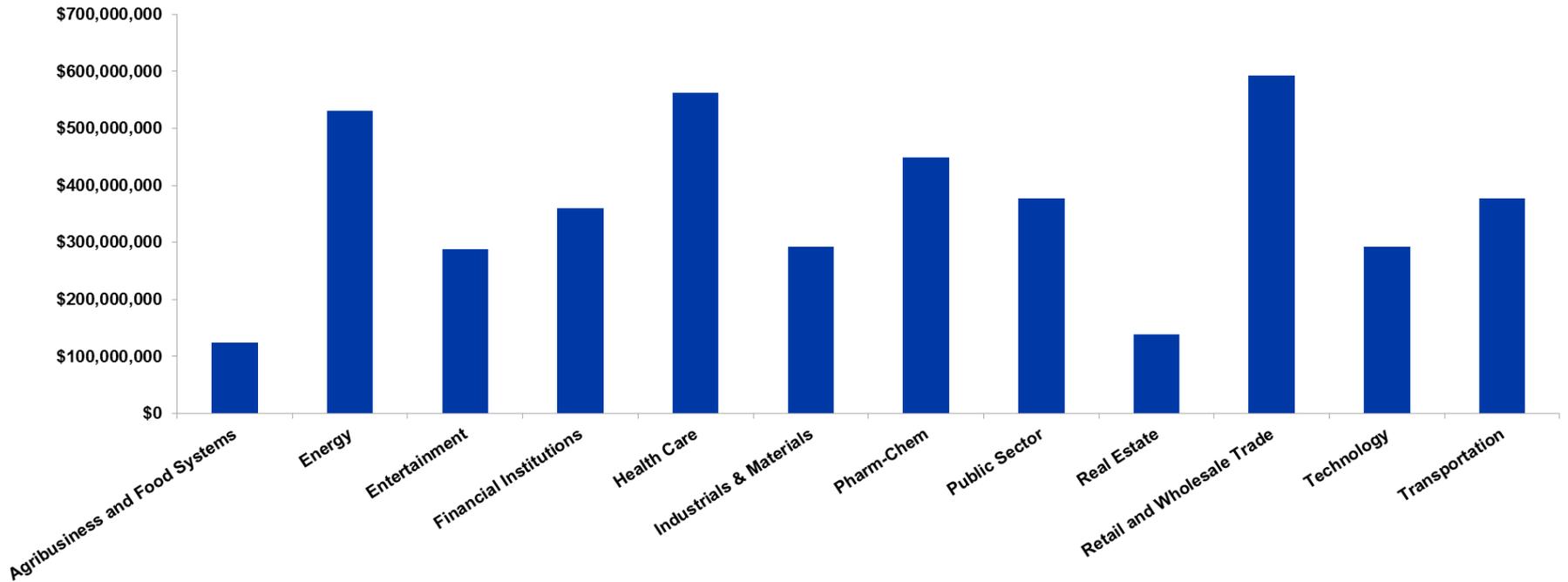


TRIA Only Pricing - As % of Total Property Premium

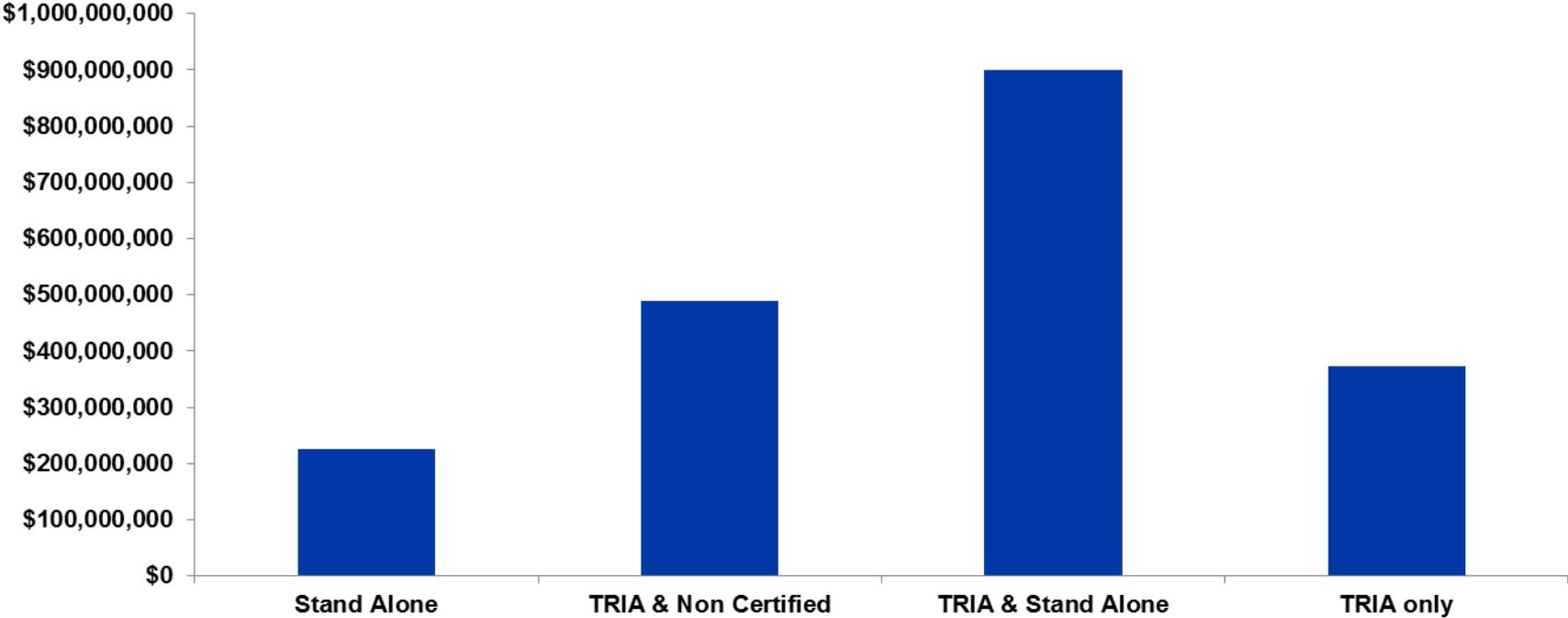
Source: Aon Data



Average Terrorism Limit by Industry
Twelve Months Ending 12/31/15
Source: Aon Data



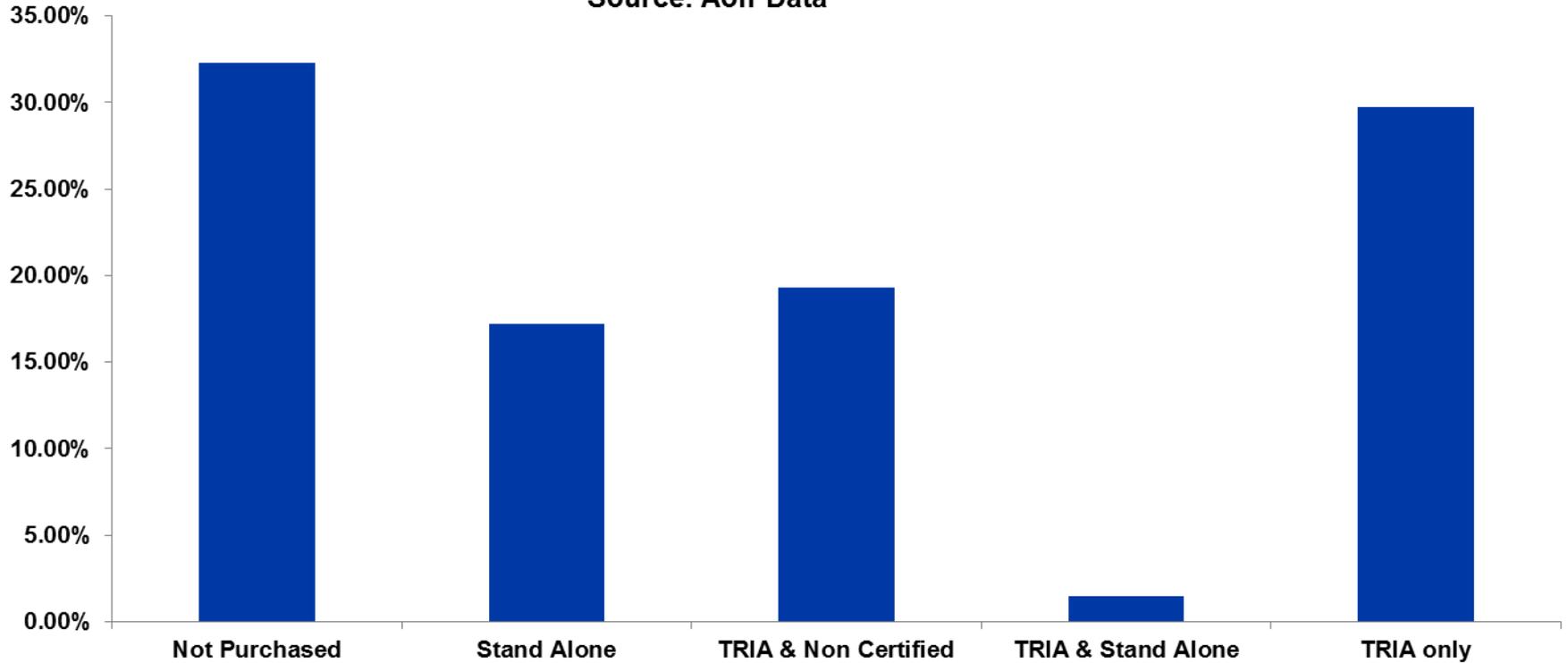
Average Terrorism Limit by Coverage Type
Twelve Months Ending 12/31/15
Source: Aon Data



Terrorism Insurance Take-Up Rates by Coverage Type

Twelve Months Ending 12/31/15

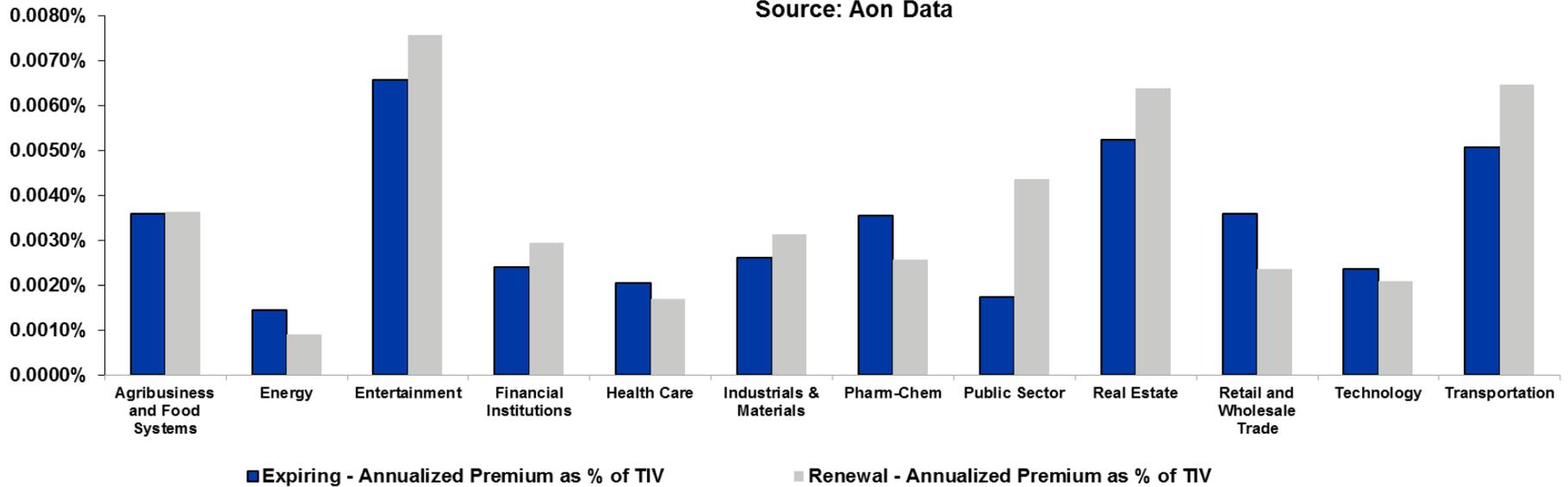
Source: Aon Data



Terrorism Insurance Expiring vs Renewal Pricing by Industry

Twelve Months Ending 12/31/15

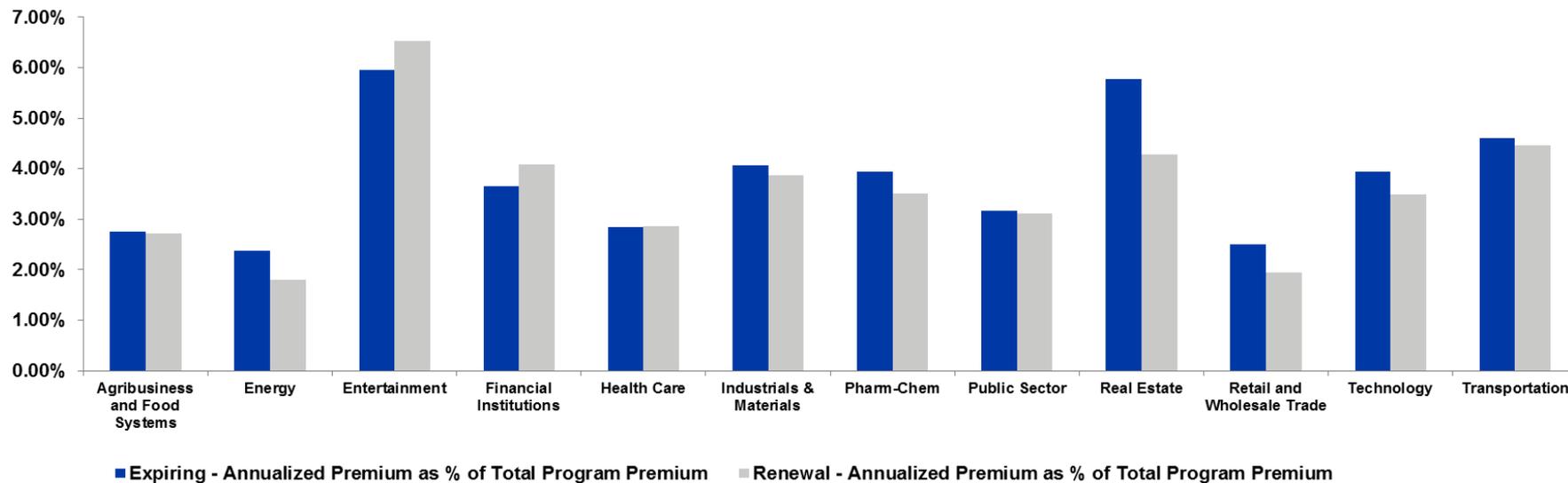
Source: Aon Data



Terrorism Insurance Expiring vs Renewal Pricing by Industry

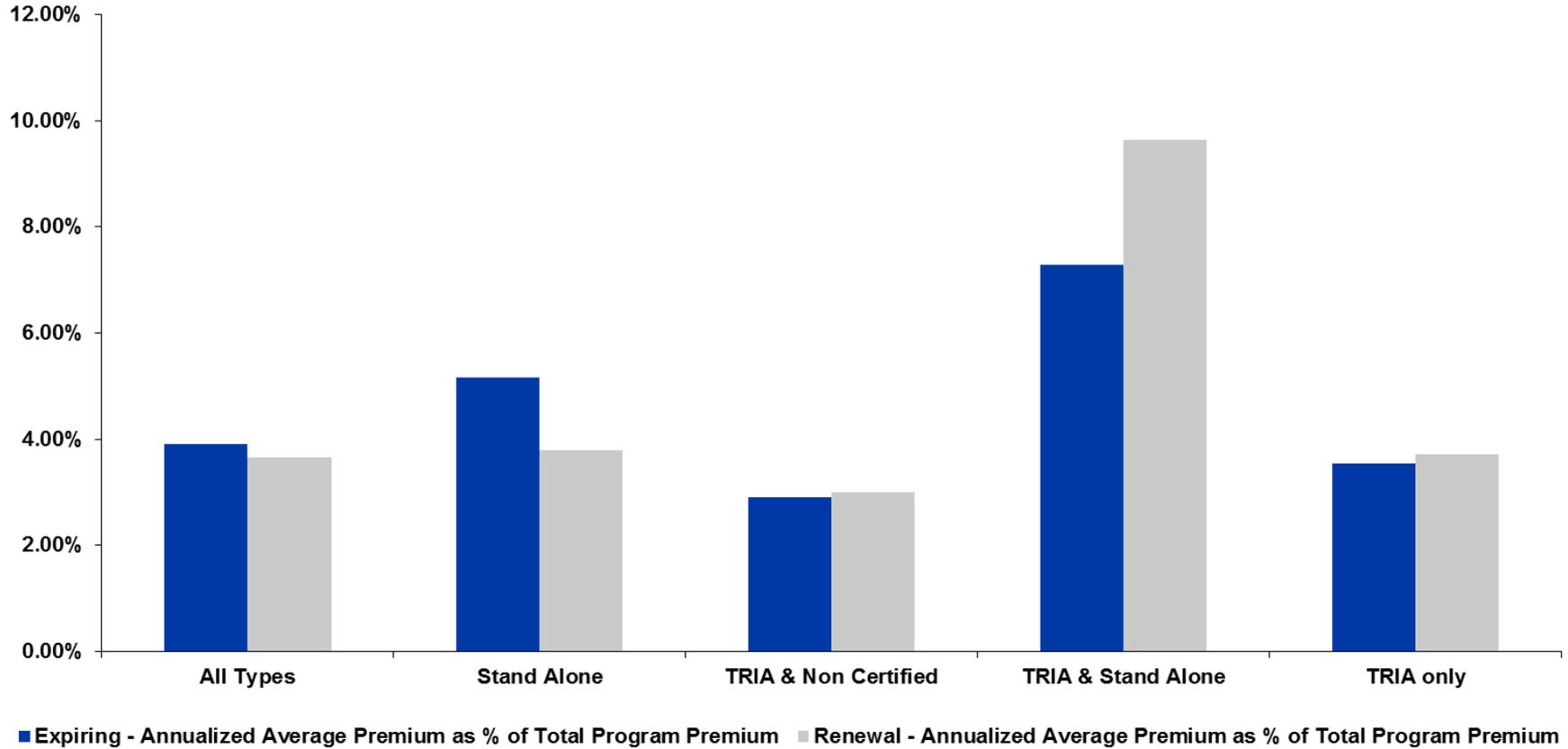
Twelve Months Ending 12/31/15

Source: Aon Data



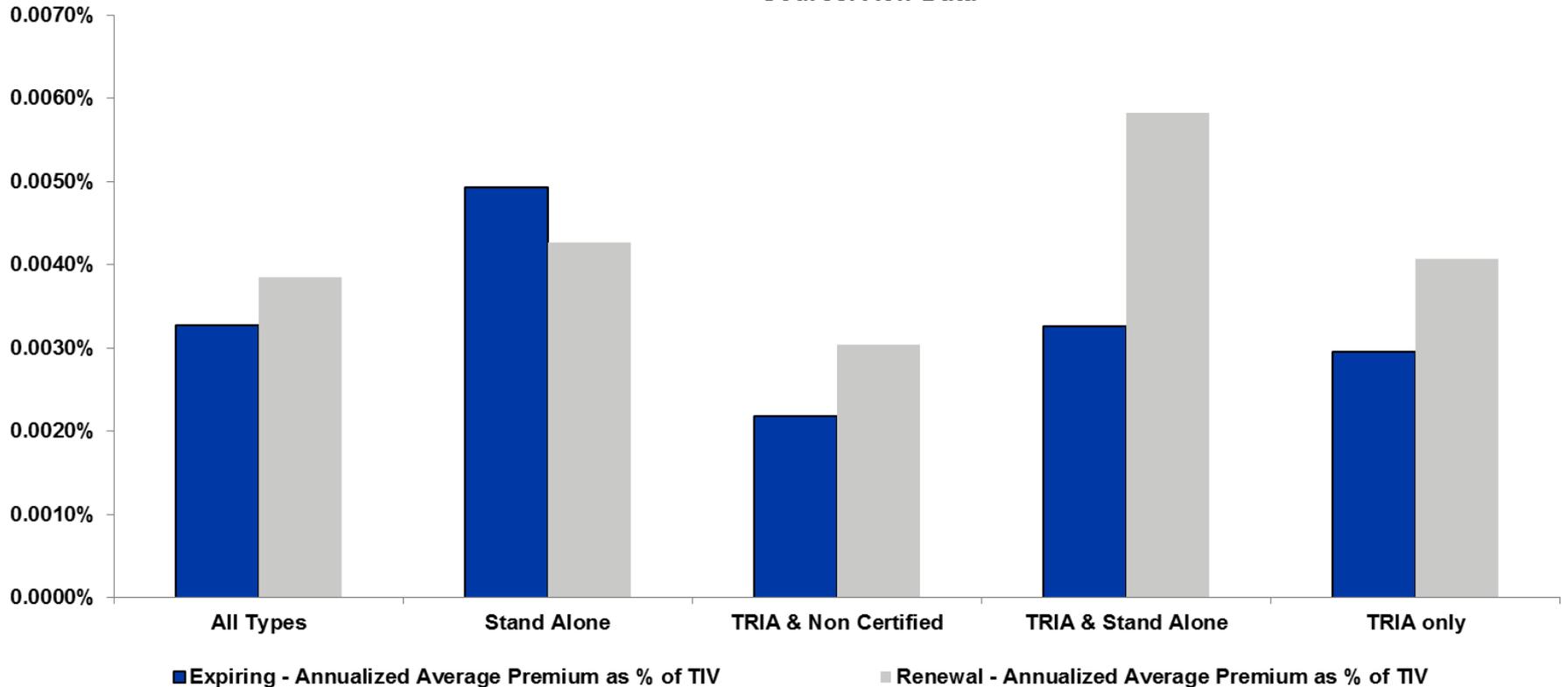
Terrorism Insurance Expiring vs Renewal Pricing by Coverage Type

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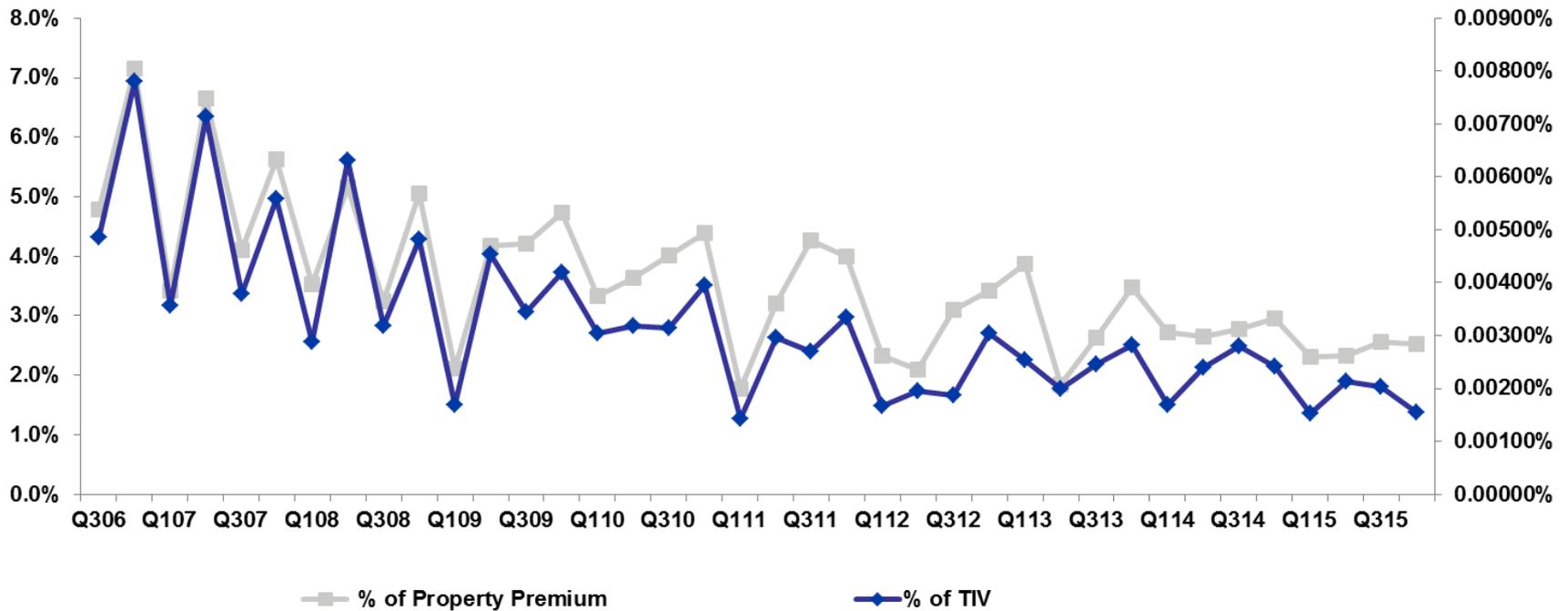
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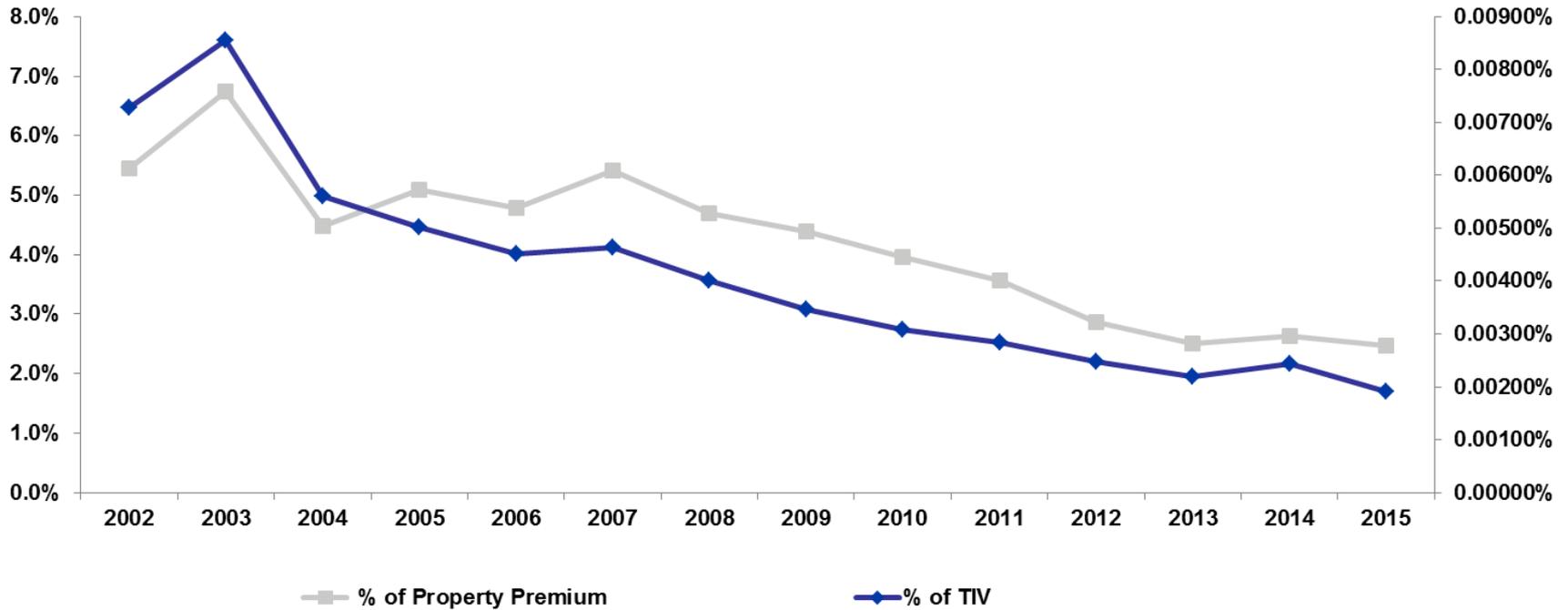
Median Terrorism Premium as % of Med. Property Premium & TIV

Source: Aon Data



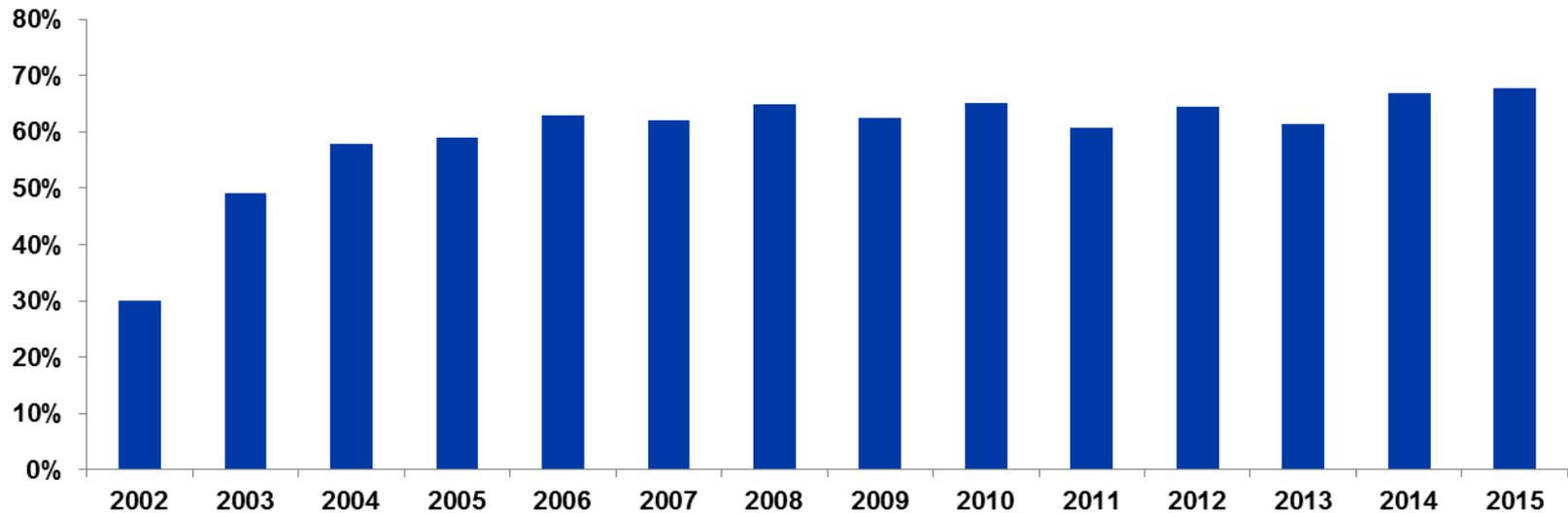
Median Terrorism Premium as % of Med. Property Premium & TIV

Source: Aon Data



Terrorism Take-Up Rate by Year

Source: Aon Data



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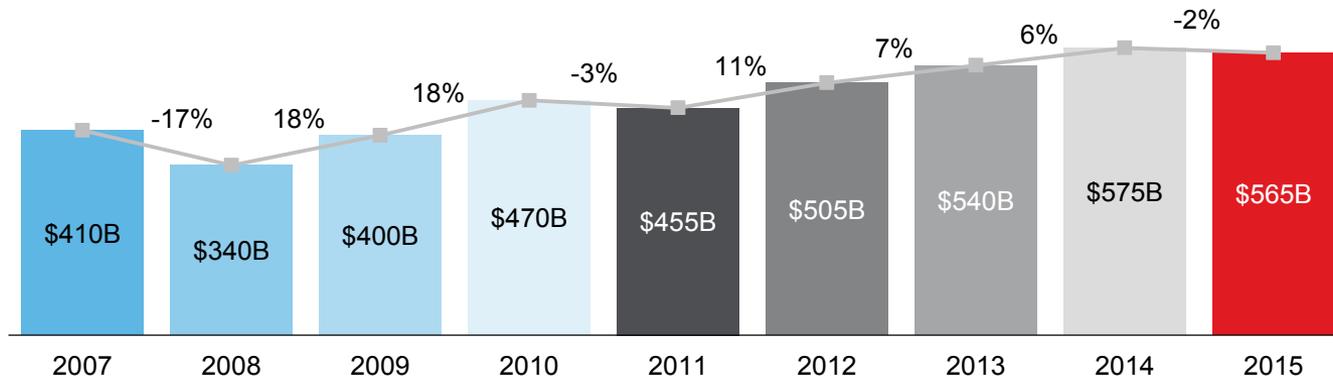
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Section 2: Insurance and Reinsurance Capacity

Change in global reinsurer capital

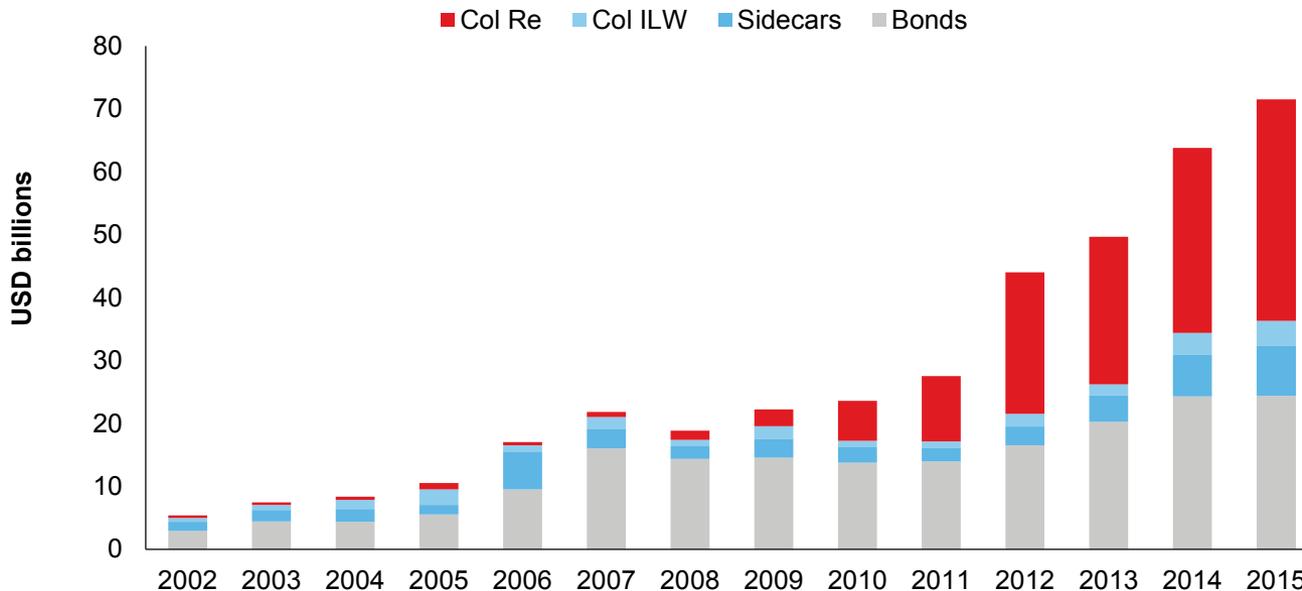
- Global reinsurer capital totalled USD565 billion at year end 2015, a reduction of 2 percent since the end of 2014
- Two factors drove this decrease:
 - Strengthening of the US dollar resulting in a reduction of capital on conversion from other currency
 - Rising interest rates on bond valuations, contributing 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

Bond and collateralized market development

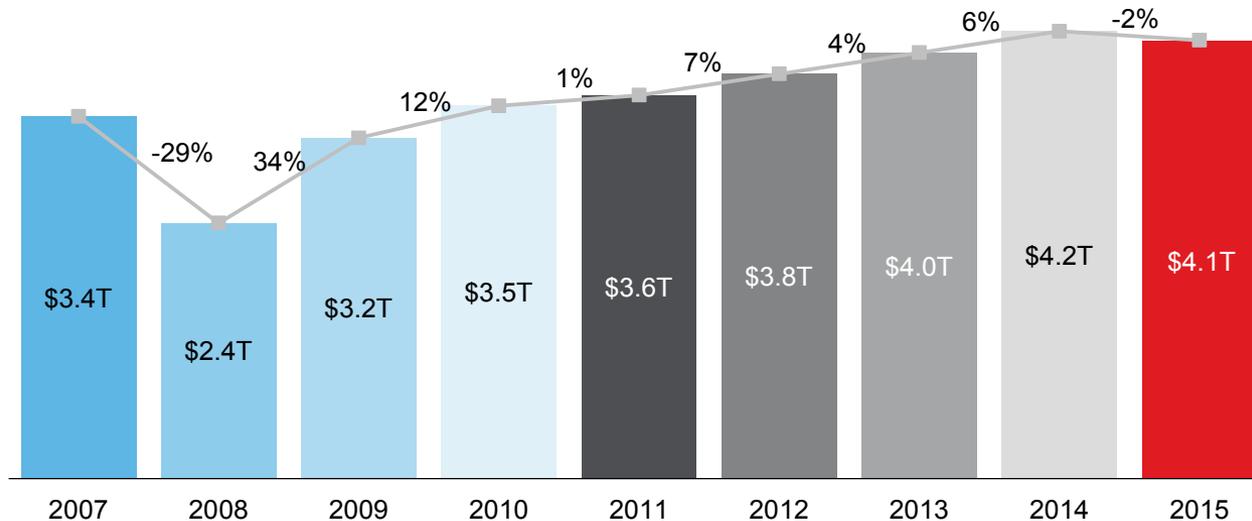
- Alternative capital ended 2015 at USD72 billion, up 12 percent compared to year end 2014
 - Collateralized reinsurance capacity saw the most significant increase of nearly USD6 billion to more than USD35 billion
 - Sidecar and collateralized ILW capital increased to nearly USD8 billion and USD4 billion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



Source: Aon Securities Inc.

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