

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, All Staff

Fast Facts: INSURANCE INVESTMENT

The following data is taken from the Insurance Information Institute; Federal Reserve

The U.S. insurance industry provides over \$4 trillion to capital markets and is a sizable player in the economy.

FACT: The vast majority of insurance investments are in bonds. Life and health insurers keep 71.27% of their investments in bonds. Property and casualty insurers keep 68.38% in bonds.

FACT: In 2008, insurance companies provided \$3.3 trillion to businesses for research, expansions and other ventures through their holdings in stocks and bonds.

FACT: Insurance companies invest the premiums they collect in state and local public projects, such as schools and roads. In 2008:

- Property and casualty insurers invested \$372.8 billion in municipal bonds.
- Life and health insurers invested \$41.1 billion in municipal bonds.

FACT: Insurers contribute about \$300 billion to the nation's GDP annually (2%).



FAST FACTS: COST OF INSURANCE

The Federal Insurance Office, as established in the Dodd-Frank Act, will gather information about the insurance industry, including access to affordable insurance products by minorities, low- and moderate- income persons and underserved communities. Below is a careful look about the factors that influence cost.

FACT: Fraud accounts for 10% of property/casualty insurance industry's incurred losses and loss adjustment expenses, or about \$30 billion annually in recent years.

- 42 states have fraud bureaus that are state law enforcement agencies where investigators review fraud reports and begin the prosecution process.

FACT: Defense costs represent 13% of insurance losses.

DEFENSE COSTS AND COST CONTAINMENT EXPENSES (\$000)

Products liability	\$1,033,796	65.4%
Medical malpractice	1,860,793	58.1
Commercial multiple peril	1,810,340	34.3
Other liability	4,821,033	24.4
Commercial auto liability	1,065,820	10.7
Workers compensation	2,646,662	11.6
Private passenger auto liability	3,602,567	5.9
All liability lines	\$16,841,011	13.6%

FACT: Insurance issuers pay special levies on insurance premiums, which amounted to \$15.7 billion in 2008, or 2.0% of all taxes collected by the states

FACT: Insurance investments were impacted by the recession. The insurance industry's net income dropped 155% in 2008

- The life/health insurance industry's net income fell from \$31.9 billion in 2007 to -\$50.7 billion in 2008.
- The property and casualty insurance industry's net income fell from \$62.5 billion in 2007 to \$2.3 billion in 2008.

FACT: Despite falling income, industry premiums remained flat in 2008.

- Net premiums for the property and casualty sector were down 1.5% from 2007.
- Life and health insurance premiums and annuity considerations increased 1.8% over the same period.

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FAST FACTS: INSURANCE AND THE ECONOMY

FACT: Insurers contribute about \$300 billion to the nation's GDP annually (2%).

FACT: In 2009, the insurance industry provided 2.5 million jobs. Over the last 10 years, employment in the insurance industry (all sectors) has averaged 2.0% of the total U.S. employment in private industry.

FACT: Insurance companies invest the premiums they collect in state and local public projects, such as schools and roads. In 2008:

- Property and casualty insurers invested \$372.8 billion in municipal bonds.
- Life and health insurers invested \$41.1 billion in municipal bonds.

FACT: In 2008, insurance companies provided \$3.3 trillion to businesses for research, expansions and other ventures through their holdings in stocks and bonds.

FACT: The industry is also a major contributor to charitable causes, with donations to U.S. beneficiaries totaling \$211.1 million in 2007, placing it among the top 15 contributors, according to a survey of industries by the Conference Board.

- This is more giving than the transportation, health care, and finance industry combined.



FAST FACTS: RETAINED ASSET ACCOUNTS

Recent media and Congressional attention to Prudential's Alliance Account for service members has raised many myths about retained asset accounts.

Myth: "Retained asset accounts are abusive."

FACT: Retained asset accounts have been used in the market for the past 20 years with little to no complaints to regulators or lenders.

FACT: Over 60,000 Alliance Accounts have been opened and successfully managed for service member beneficiaries under the protection of state law.

Myth: "Retained asset accounts do not benefit the beneficiary."

FACT: Funds are available immediately. Beneficiaries can write out one check for the entire amount or write checks one at a time. Interest is accrued on the remaining balance.

FACT: In Q2 2010, funds in Prudential Alliance Account earned 0.50% interest. In comparison, the "top 10" money market funds earned 0.00%-0.15% during this same period.

Myth: "Retained asset accounts are uninsured."

FACT: Retained asset accounts are protected by state guarantee funds that provide protection of at least \$250,000 and up to \$500,000. These guarantees are the same as – and in most cases exceed – FDIC guarantees.

Definitions

A retained asset account is a personal interest-bearing checking account that is available immediately for use (in whole or in part) by the beneficiary. Drafts from the account clear exactly like bank checks.

- Prudential Alliance was a retained asset account for life insurance beneficiaries of service members.



FAST FACTS: LIFE INSURANCE

FACT: Over 335 million life insurance policies are in effect in the United States with total life insurance coverage over \$19.1 trillion.

FACT: Life insurers paid \$59.9 billion to beneficiaries of policyholders who died in 2008. *This is the most that has ever been paid out to beneficiaries*, representing a 3% increase from 2007, and a 35% increase from 2000.

FACT: During 2008, life insurers paid policyholders:

- \$59 billion to policyholders who voluntarily terminated their life insurance policies, a 23% increase from 2007.
- \$15 billion in dividends.
- \$584 million in matured endowment payments.
- \$550 million for disability payments and retained assets.

FACT: In 2008 alone, Americans purchased nearly 30 million new life insurance policies representing \$3 trillion of coverage. This represents 7% less policies purchased, but only 2% less coverage, than in 2007.

FACT: The life insurance industry is integral to the economies of all 50 states. In 2008, 959 life insurers were based in the United States.