

# PCI Executive Roundtable Seminar

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# Discussion Topics

- 2009 Recap
- A Look at Financial Indicators
- 2010 A look Ahead



# 2009 Recap

- Capital Adequacy Rebounds
- Loss Reserve Adequacy Continued to Slip Away
- Waiting for the Hard Market
- Investment Market Turmoil
- Mergers and Acquisitions



# U.S. Property/Casualty Segment Indicators

	Personal Lines Segment			Commercial Lines Segment			U.S. Reinsurance Segment		
	2008	2009E	2010P	2008	2009E	2010P	2008	2009E	2010P
Change in Net Premiums Written (%)	(0.7)	(1.1)	1.8	(4.0)	(7.9)	(5.6)	3.5	(1.5)	(2.0)
Change in Policyholder Surplus (%)	(11.5)	8.0	5.0	(12.1)	7.0	6.0	(12.3)	19.0	21.0
Combined Ratio (Reported)	103.6	101.0	100.3	107.2	101.2	103.7	99.8	92.2	100.5
Less: Catastrophe Losses	7.5	4.5	5.0	2.6	2.0	2.7	4.7	1.6	4.5
Less: A&E Losses	0.1	0.1	0.1	0.6	0.6	0.7	0.9	1.0	1.0
Combined Ratio (Normalized)	96.0	96.4	95.2	104.0	98.6	100.3	94.3	89.6	95.0
Accident Year Combined Ratio (Normalized) (1)	98.4	99.9	97.8	106.4	101.3	102.4	96.1	93.8	98.1
Change in Net Investment Income (%)	(12.8)	(4.1)	3.4	(0.8)	(16.1)	1.9	(13.4)	1.9	10.7
Investment Yield (%)	3.8	3.5	3.3	4.6	3.7	3.6	3.9	3.9	3.8
After-Tax Return on Surplus (ROE) (%)	1.7	5.3	6.6	(1.3)	7.3	7.1	3.9	5.2	5.3
NPW/PHS (Reported)	1.2	1.1	1.1	1.0	0.8	0.7	0.3	0.2	0.2

(1) Normalized accident-year combined ratio adjusted to exclude prior-year core reserve development.

E - Estimated; P - Projected

Source: A.M. Best Co. data



# 2010 Key Rating Issues

- Battle Between Growth and Profitability
  - Vanishing Reserve Adequacy
  - Risk Retentions Expanded
  - Capital Markets Open for Business
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- Focus on long-term profitability consistent with expectations



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