

PCI Joint Marketing & Underwriting Seminar

2010 Census Counts: Meet Your Potential Customers

Peter Francese

Demographic Trends Analyst – Ogilvy & Mather Worldwide

To learn more about who your potential customers are, here's a few trends:

1. We have become a much more complex and multi-cultural nation

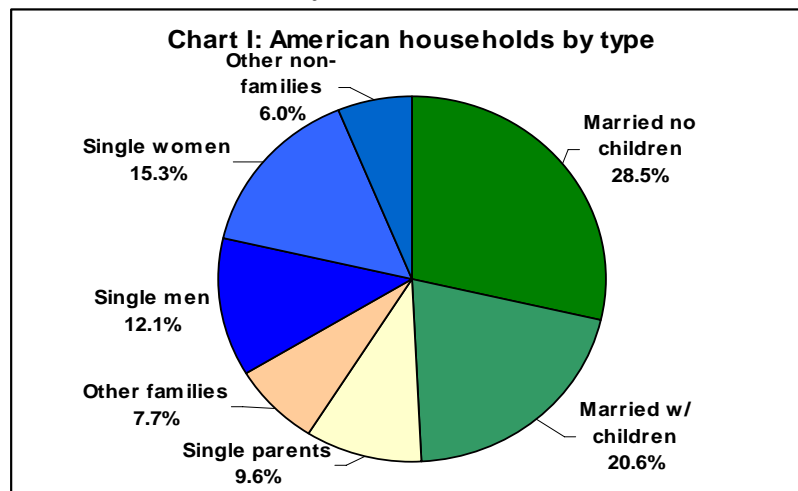
- Hispanics, Asians & others: growing much faster than non-minority rate
- In our two largest states & 20 biggest cities no race/ethnicity is a majority
- Diversity is highest among children (46%) & lowest among retirees (20%)

2. We are becoming an older, but also a more multi-generational society

- By 2015 we project a record 73 million American's will be grandparents
- Census 2010 may find a record 10 million multi-generational households
- New household growth among young adults has slowed to almost zero

3. American households are more multi-segmented by type, age & gender

- Married couples, once the vast majority are now just 49% of households
- Married with children, once nearly half of all households, are now 20.6%
- The 2010 Census is likely to show that half of all householders are women

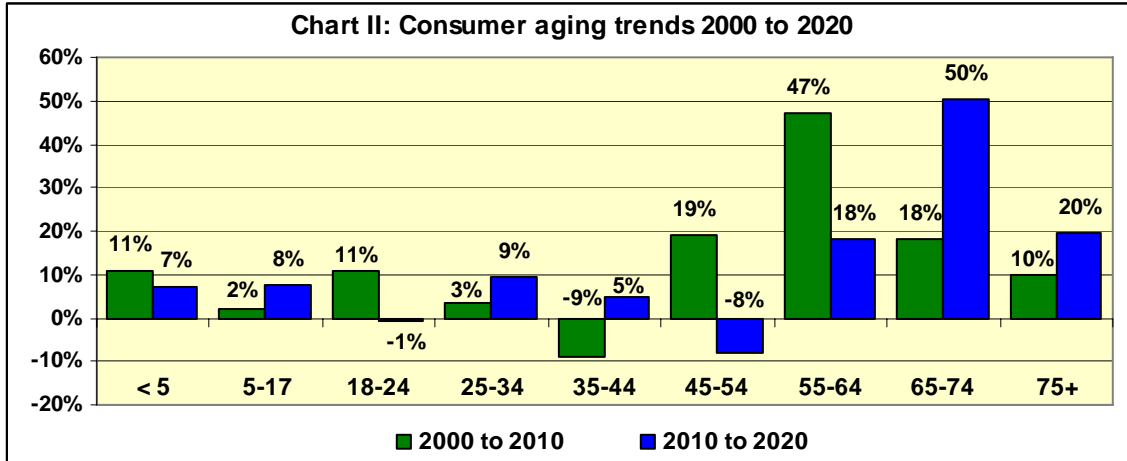


Source: Census Bureau's March 2009 American Community Survey

Implications: Consumer markets are becoming increasingly complex and layered. Perhaps a bit more research is called for into the risk tolerance, new insurance needs & best way to communicate with each of the relevant demographic segments.

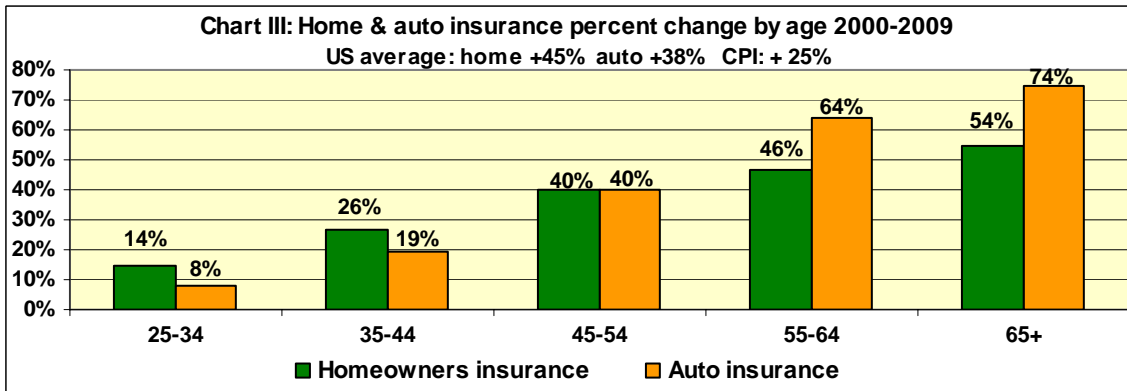
Consumer aging trends & insurance buying behavior:

- Total US consumer growth rate: 2000-2010 + 0.93%/yr , 2010-2020 + 0.91%/yr
- Top growth age group in next decade will be 65 to 74, and not as likely to retire
- At 84m Gen Y (25-44 in 2020) is bigger than Boomers (80m) but growing slower



Sources: Chart II: US Census Bureau estimates & projections Chart III: Bureau of Labor Statistics (BLS)

- Spending on insurance by older consumers is rising much faster than average
- More spending on insurance may be due in large part to rising income & assets
- Lower consumer spending on homes & autos may depress future P&C growth

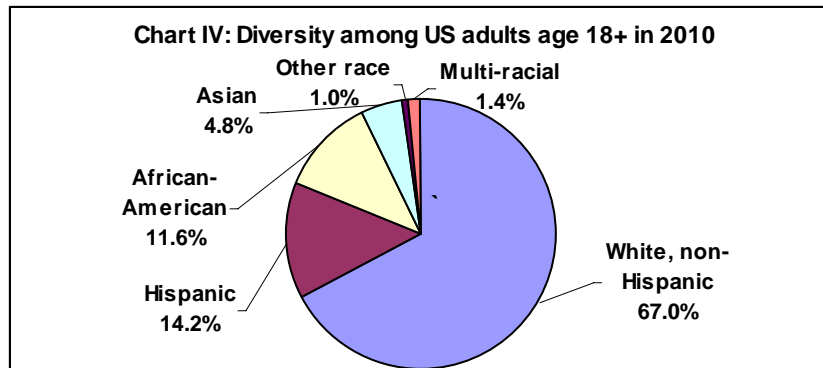


| Market share by age 2009 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|--------------------------|-------|-------|-------|-------|-----|
| All US households: | 17% | 18% | 21% | 17% | 20% |
| Home insurance \$ (25%): | 9% | 17% | 25% | 22% | 26% |
| Auto insurance \$ (75%): | 13% | 18% | 28% | 21% | 18% |

Implications: Consumers ages 55+ may be buying more insurance for 2nd homes or their adult children or grandchildren. Since 2000 consumers age 55+ have increased their P&C insurance spending share from 31% to 41%, partly due to rising income.

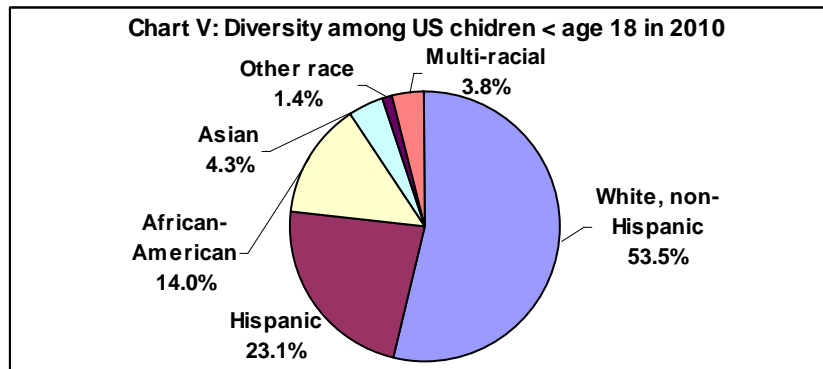
Increasing diversity and insurance spending:

- White, non-Hispanic adults in the US increased 4.4% from 2000 to 2010
- African-American adults increased 17.1%, but Hispanic adults rose 45.2%
- Asian adults: up 46.6%, other race up 22.3% & multi-racial adults up 17.8%



Source: Census Bureau 2010 Census

- White, non-Hispanic children < age 18 in US declined 9.8% from 2000 to 2010
- African-American children declined 2.3%, but Hispanic children rose 38.8%
- Asian children: up 31.2%, other race up 1.9% & multi-racial children up 46.3%



Source: Census Bureau 2010 Census

Spending shares on home & auto insurance by race & ethnicity in 2009 (BLS data):

- White, non-Hispanic households: 76% of total spending for home & auto
- Hispanic & African-Americans: 10% each of total spending for home & auto
- Asian, other races & multi-racial households: 4% of spending on home & auto

Implications: The most rapidly aging consumer segments are White, non-Hispanic. But the majority of household & workforce growth in future years will be among the younger Hispanic, African-American, Asian and multi-racial consumer groups.

| <u>Region & Division</u> | <u>2010 pop</u> | <u>%Chg '00-'10</u> | <u>% WNH* adults</u> | <u>%C WNH age 18+</u> | <u>% Hisp adults</u> | <u>%C Hisp age 18+</u> |
|------------------------------|-----------------|-------------------------|--------------------------|---------------------------|--------------------------|----------------------------|
| <u>Northeast Region</u> | 55.32m | 3.2% | 71.0% | --0.3% | 11.3% | +36.8% |
| New England | 14.44m | 3.8% | 81.3% | +1.1% | 7.6% | +55.4% |
| Middle Atlantic | 40.87m | 3.0% | 67.4% | --0.9% | 12.6% | +33.3% |
| <u>Midwest Region</u> | 66.93m | 3.9% | 80.6% | +2.7% | 5.7% | +46.9% |
| Eastern Midwest | 46.42m | 2.8% | 78.4% | +1.7% | 6.3% | +41.5% |
| Western Midwest | 20.51m | 6.6% | 85.5% | +4.8% | 4.3% | +68.2% |
| <u>South Region</u> | 114.56m | 14.3% | 63.3% | +7.1% | 14.0% | +56.6% |
| South Atlantic | 59.78m | 15.5% | 63.8% | +8.0% | 11.2% | +68.9% |
| Eastern South | 18.43m | 8.3% | 75.5% | +6.1% | 3.1% | +114.3% |
| Western South | 36.35m | 15.6% | 56.1% | +5.9% | 24.7% | +45.7% |
| <u>West Region</u> | 71.95m | 13.8% | 56.9% | +6.9% | 24.8% | +38.8% |
| Mountain | 22.07m | 21.4% | 69.3% | +15.3% | 20.3% | +48.2% |
| Pacific | 49.88m | 10.8% | 51.5% | +2.5% | 26.8% | +36.0% |
| US Total | 308.75m | 9.7% | 67.0% | +4.4% | 14.2% | +45.2% |

* WNH = White, non-Hispanic adults ages 18 or older Source for table: Census Bureau, 2010 Census

Implications: Economic growth tends to follow population: 84% of US pop growth in past decade was in South (52%) or West (32%) regions. Those two regions now have 60% of US population. Hispanic growth was 56% of all US population growth.

Region & division states:

Northeast region

New England: CT, ME, MA, NH, RI & VT Middle Atlantic: NJ, NY & PA

Midwest region

Eastern /Western Midwest: IL, IN, MI, OH & WI / IA, KS, MN, MO, NE, ND & SD

South region

South Atlantic: DE, DC, FL, GA, MD, NC, SC, VA & WV

Eastern / Western South: AL, KY, MS & TN / AR, LA, OK & TX

West region

Mountain/Pacific: AZ, CO, ID, MT, NV, NM, UT & WY / AK, CA, HI, OR & WA