

July 28, 2008

This month's Research Update highlights recently released studies which the Research Committee believes will be of interest to both individual and corporate Members of the Society of Insurance Research (SIR).

Each month, the Research Committee reviews both academic and operational research conducted by qualified sources for possible distribution to our membership. Once selected by the Committee, appropriate approvals and releases are secured from the authors, enabling our membership to achieve a level of comfort in further circulating these important pieces among their peers in the industry.

Any suggestions, ideas, or sources for future consideration should be directed to the Society's Vice President of Research, Marcy Updike, at MUpdike@jhaweb.com

Go directly to the new reports and articles by clicking on their individual links below. To see the entire Research Page, [click here](#). You will have to enter your user name and password because the page is in the Members Only section of the SIR site. Your user name is your first and last name, all lower case, no space (firstlast). Your password, unless you have changed it, is your SIR Member number. If you have misplaced your Member number, [click here](#).

"The Coastline at Risk: 2008 Update to the Estimated Insured Value of U.S. Coastal Properties"

Source: AIR Worldwide, a member of the ISO family of companies (June 11, 2008, 5 pages)

AIR has undertaken a 2008 update of its compilation which was initially published in the aftermath of Hurricane Katrina in 2005. "While the scientific debate over the effects of global warming on the frequency and severity of hurricanes remains inconclusive, there is no question that the significant increase in the number and value of exposed properties...has and will continue to contribute to... hurricane losses for insurers." With that observation, this detail-rich work presents "estimates for the insured value of residential and commercial properties in coastal states (as well as coastal counties)", replete with tables representing the reports' findings. Member individuals and organizations of S.I.R. involved in Property Product Management, Claims, Underwriting, Property Pricing, and Property Reinsurance will find this an informative and useful resource.

See the [report](#).

"Impact of Gas Prices on Vehicle Miles Traveled; 1Q2008 Update"

Source: Farmers Insurance Group (June 27, 2008, 26 pages)

This work, in PowerPoint presentation format, represents the most recent analysis taken from a proprietary economic demand model authored by farmers' Chief Economist Kevin Mabe. By controlling for other factors, "Mabe shows that consumers have responded to the higher gas prices especially since the gas price rally began in 2003." The farmers' press release accompanying the analysis notes "the VMT (vehicle miles traveled) reduction associated with higher gas prices has altered not only consumers' choice of transportation but also insurance losses. Mr. Mabe explains in his analysis: "We're estimating that auto losses from 2003-2008 are roughly \$10 billion lower than otherwise would have been under a scenario of lower gas prices." This is a critical and extremely timely piece of econometric reporting which will be of

interest to Personal & Commercial Auto Product Managers, Planning & Pricing professionals, and others involved in assessing environmental factors within our industry. Kevin and Farmers' have generously agreed to continue sharing their work with the Society, and we hope to have Kevin present his model and findings at some upcoming S.I.R. event.

See the [report](#).

“Rising Gasoline Prices & Auto Insurance Claim Frequency”

Source: Diana Lee, Property Casualty Insurers Association of America (July 2008, 2 page summary)

In a corollary piece of work, Diana Lee, Assistant Vice President of Research with the Property Casualty Insurers Association of America, Past President of the Society of Insurance Research, and currently Vice President of Membership for the Society, addresses “questions of whether the increase in gasoline prices has caused motorists to drive less and whether driving fewer road miles has... caused auto insurance damage claims to fall.” In Diana’s analysis, “the answers are ‘yes’ to the first question and ‘no’ to the second.” Using data available from the Fast Track Monitoring System (ISO), Diana examines the correlations between gas pricing, vehicle miles traveled (VMT) and reported auto frequencies. Diana has graciously agreed to share this work, and the perspectives developed from the analysis of data, with fellow S.I.R. Members (see page two of the summary for her contact information). Our appreciation to Diana and the PCIAA for their generous support of the Society.

See the [summary](#).

“July 2008 Commercial P&C Insurance Buyers' Survey”

Source: Jay Gelb, Lehman Bros.' Global Equity Research (July 3, 2008, 37 pages)

In this very timely report of their proprietary survey work among P&C Commercial Lines buyers, Mr. Gelb notes “pricing for Commercial P&C insurance is declining across all lines. Policy terms and conditions appear looser, with most risk managers viewing the market as soft.” While a number of sources routinely report their findings regarding trends in Commercial Lines pricing, underwriting and distribution, Jay notes that “our Commercial Insurance Buyers' Survey is distinctive.” He clarifies: “First, we contact the risk managers, the end users of the product, rather than the insurers or brokers. As a result, we have actual examples of price changes rather than impressions of overall market conditions. Second, we have conducted telephone interviews with 75 risk managers twice each year since 2000, rather than have them fill out a survey and send it back to us. Third, we conduct the interviews ourselves instead of outsourcing the project to a third party. Our methodology provides consistency in the way we conduct the interviews, allows us to delve into the technical aspects of the property/casualty renewal process, and helps us capture risk managers' opinions on the state of the commercial P&C market.” We consider this a compelling piece of proprietary research for anyone involved in Commercial Lines at any level.

See the [report](#).

As we continue to refine our efforts to bring the S.I.R. membership base timely, professional, and relevant works to aid in personal and organizational development, we seek membership feedback to aid us in that effort. Comments, suggestions, or other ideas are greatly appreciated. Please direct your thoughts to either Marcy Updike (MUupdike@jhanet.com) or to S.I.R. Executive Director Ed Budd (sirmail@comcast.net). As always, we appreciate your support for the Society, and hope to see you at an S.I.R. event in the near future.

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**Professional Researcher Certification*

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