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Inflation and the P/C Insurance Industry

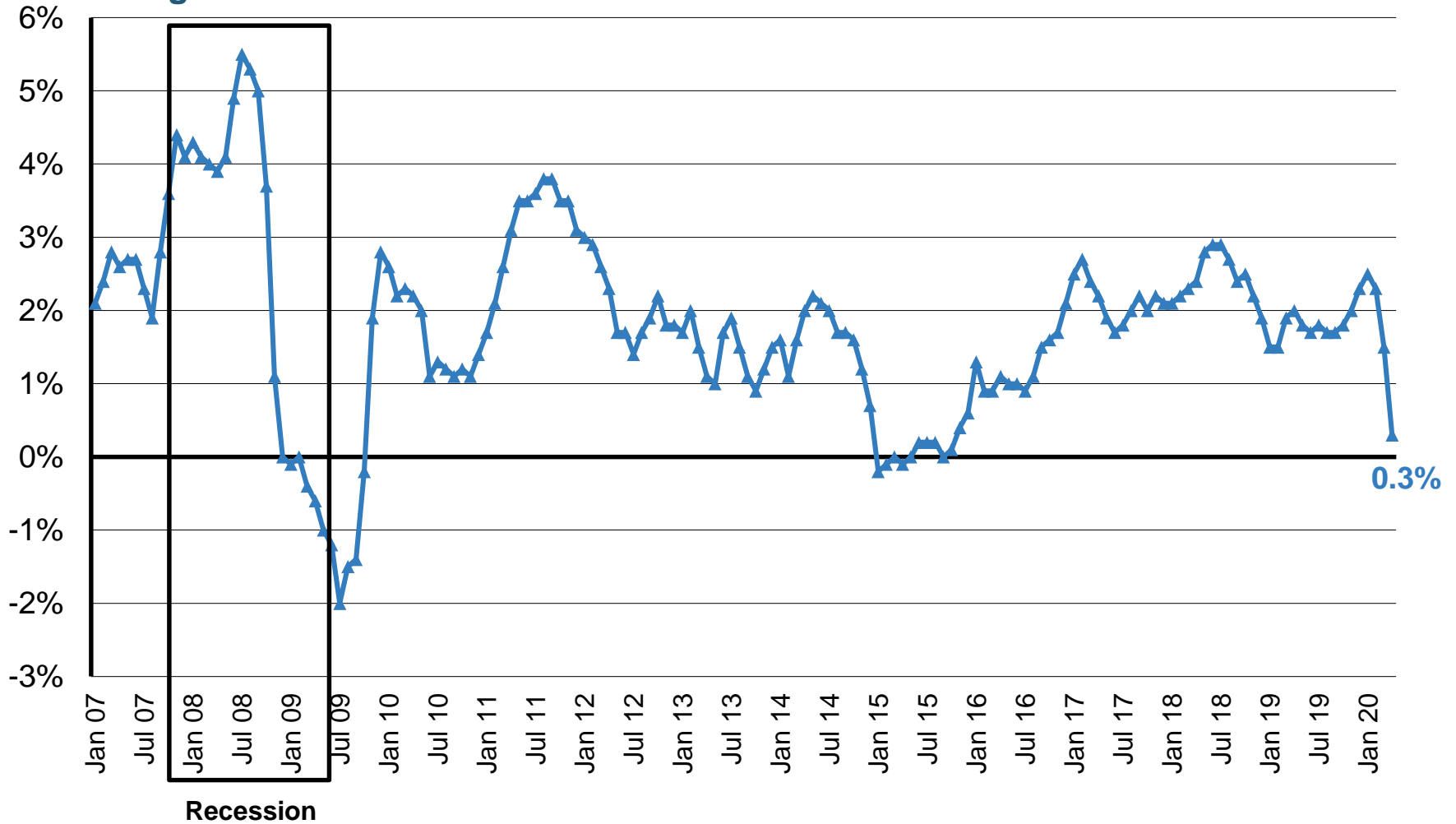
May 26, 2020

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CPI, Monthly, 2007-2020

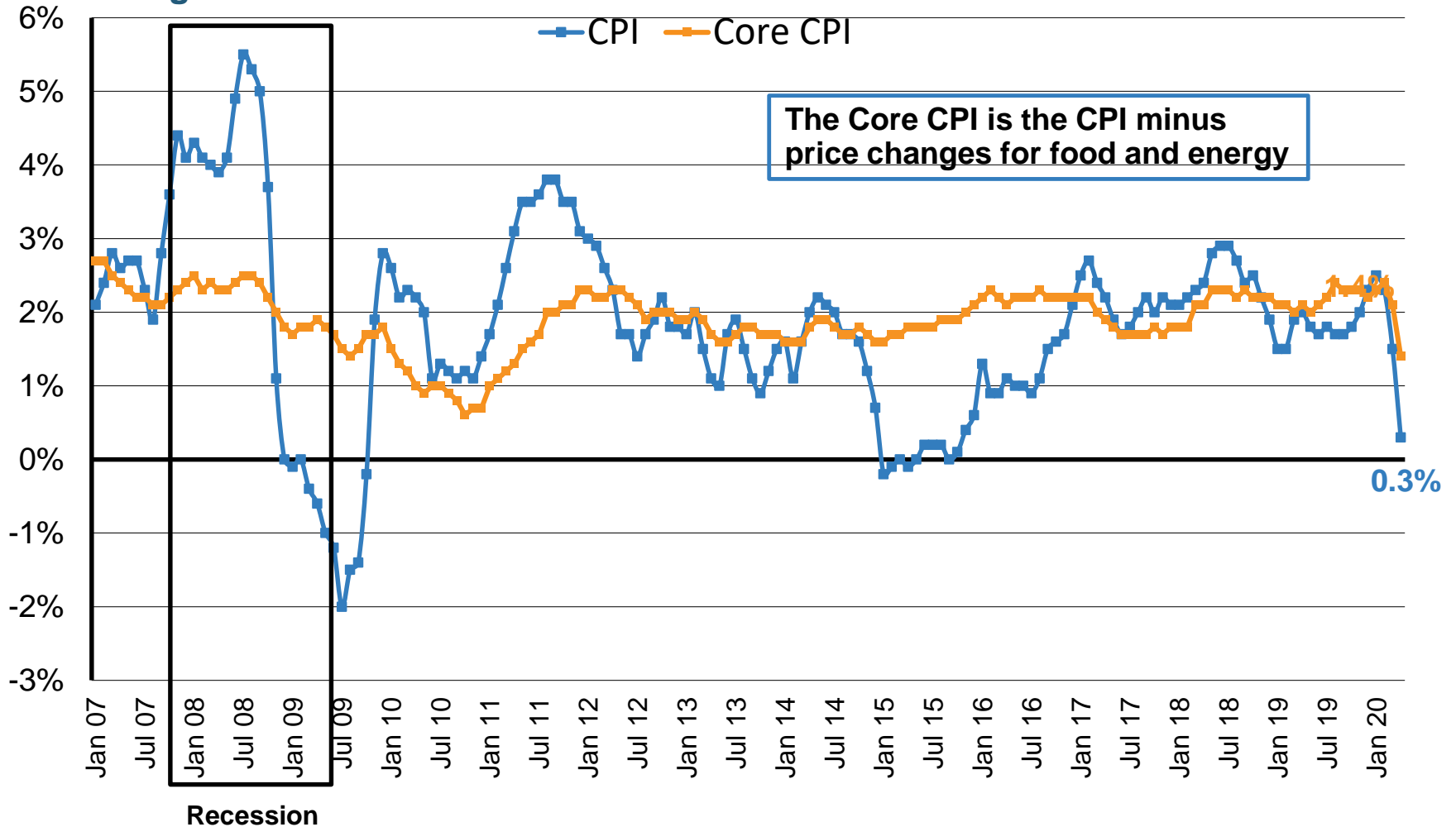
Year-over-year percent change



Source: BLS

CPI and Core CPI, Monthly, 2007-2020

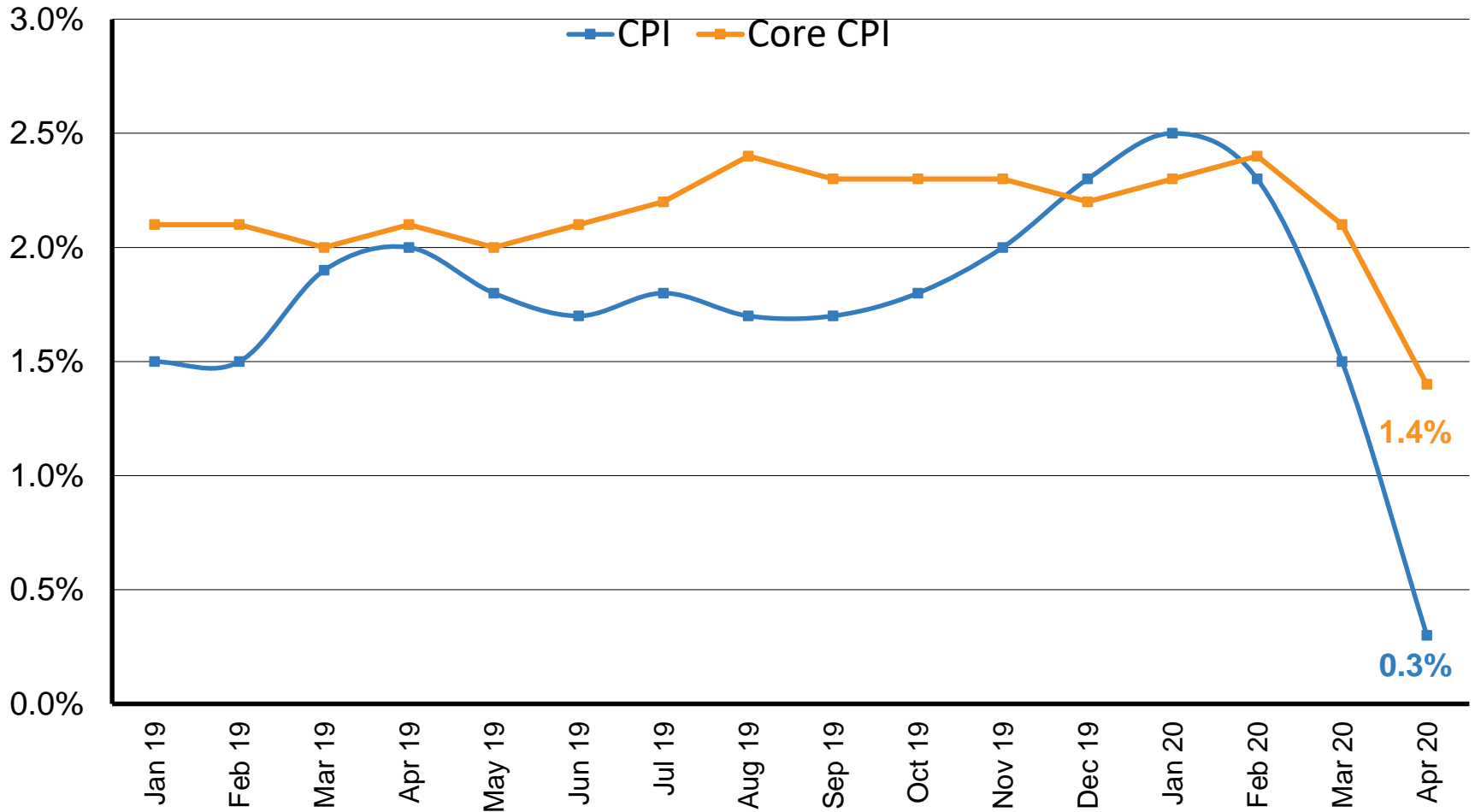
Year-over-year percent change



Source: BLS

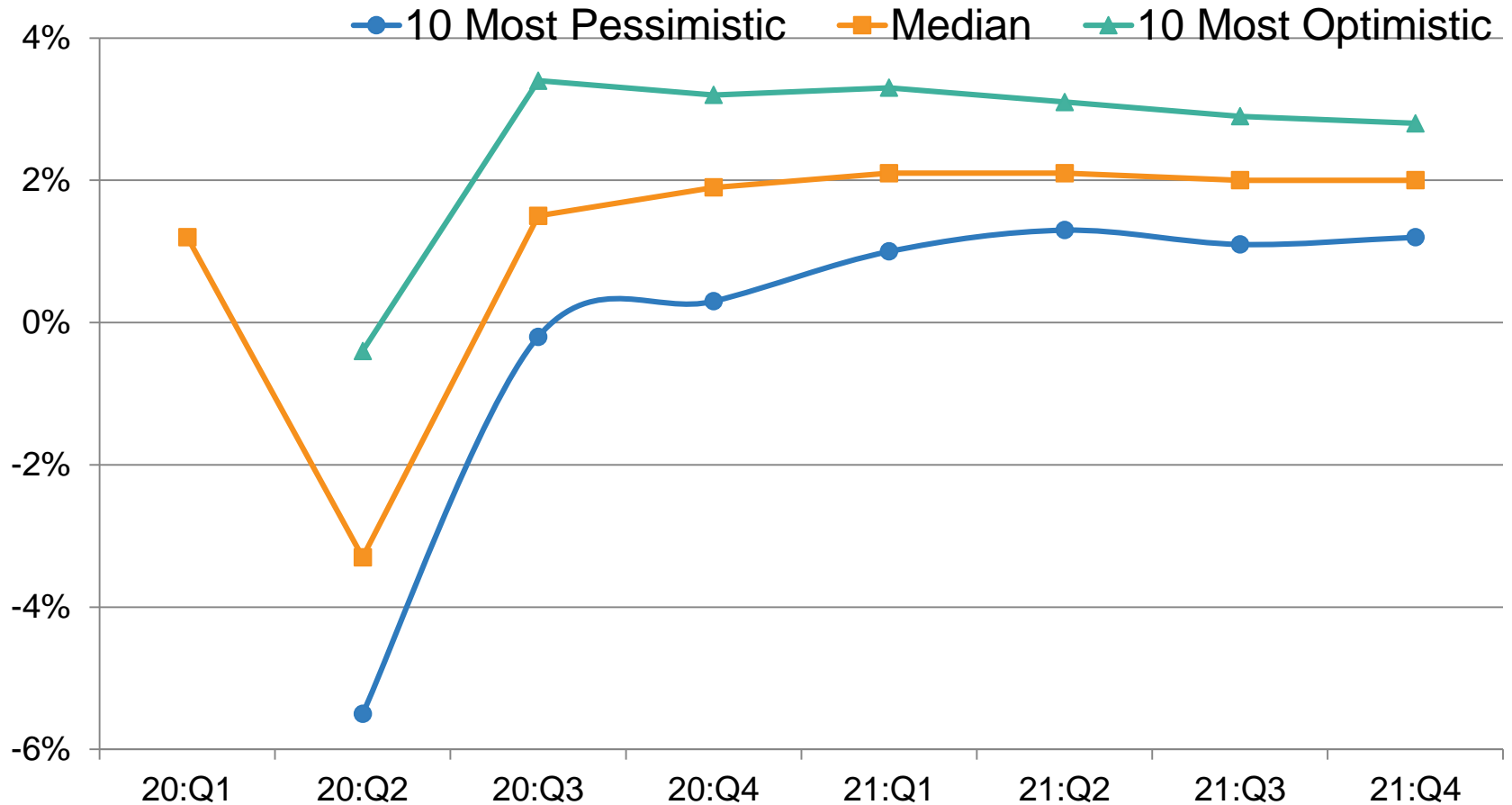
CPI and Core CPI, Monthly, 2019-2020

Year-over-year percent change



Source: BLS

CPI Forecasts for 2020-2021



Note: Data are percent change from prior quarter, at an annual rate.
Sources: Blue Chip, May 2020; Insurance Information Institute.

Inflation Measurement: Methodological Challenges

Comparing Prices of Identical Items

- Some prices can't be compared
 - New products (e.g., new drugs)
 - New services (e.g. new medical treatment)
- Prices of some goods or services must be adjusted to remove the price-effect of new elements
 - Cars with new safety features
 - Improved cell-phone service
 - Higher prices for output from places of business (e.g., restaurants, factories) with new Covid-19 protection

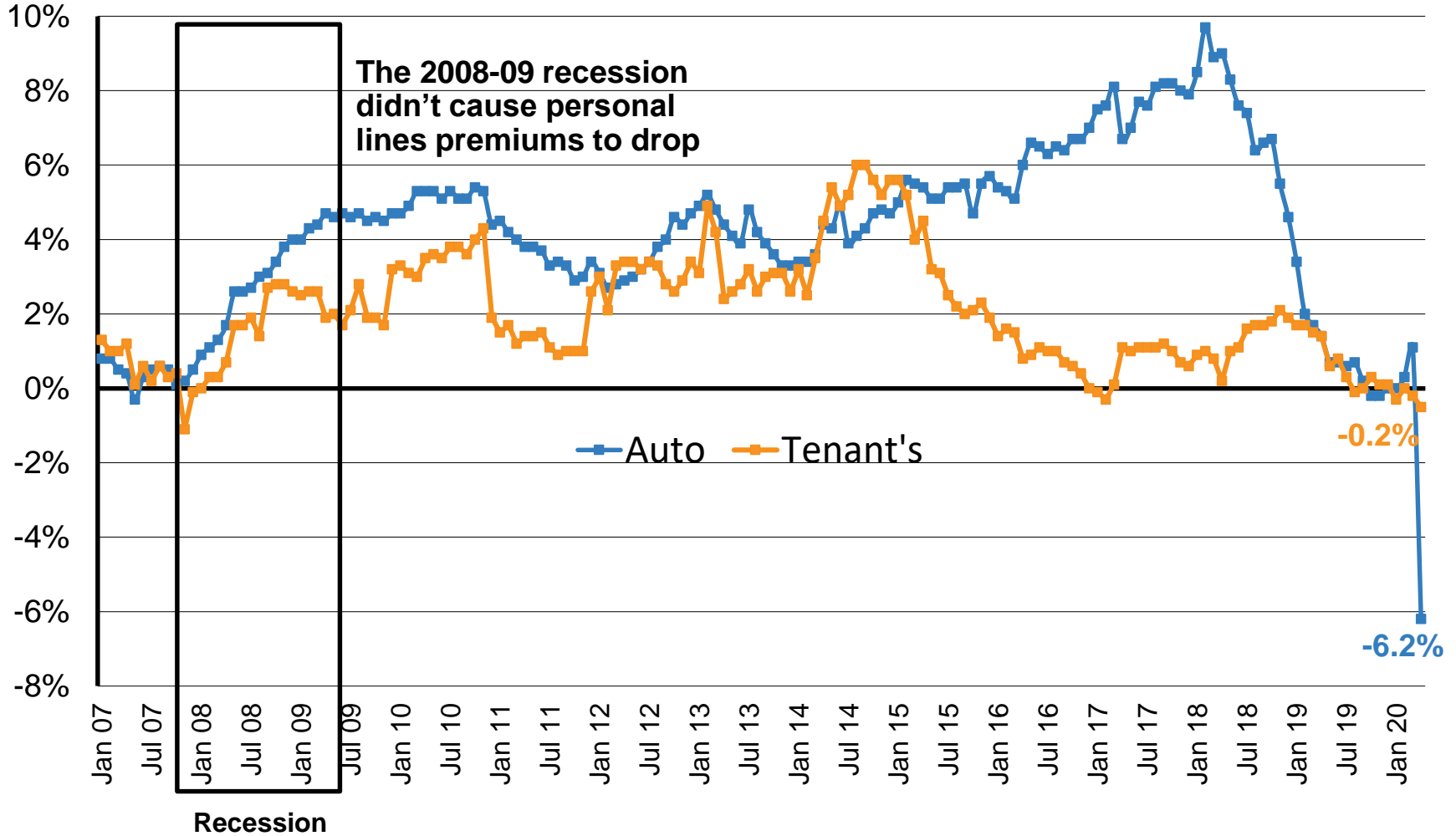
Premium Refunds: BLS treats premium refunds in one of two ways, depending on its form.

- If the refund results in a lower premium, that is reflected in the price.
- If the refund is sent as a separate amount, available to be spend on anything (not just the insurance premium giving rise to the refund, that is not reflected in the price.



Price Changes for Auto Insurance and Tenants' Insurance, Monthly, 2007-2020

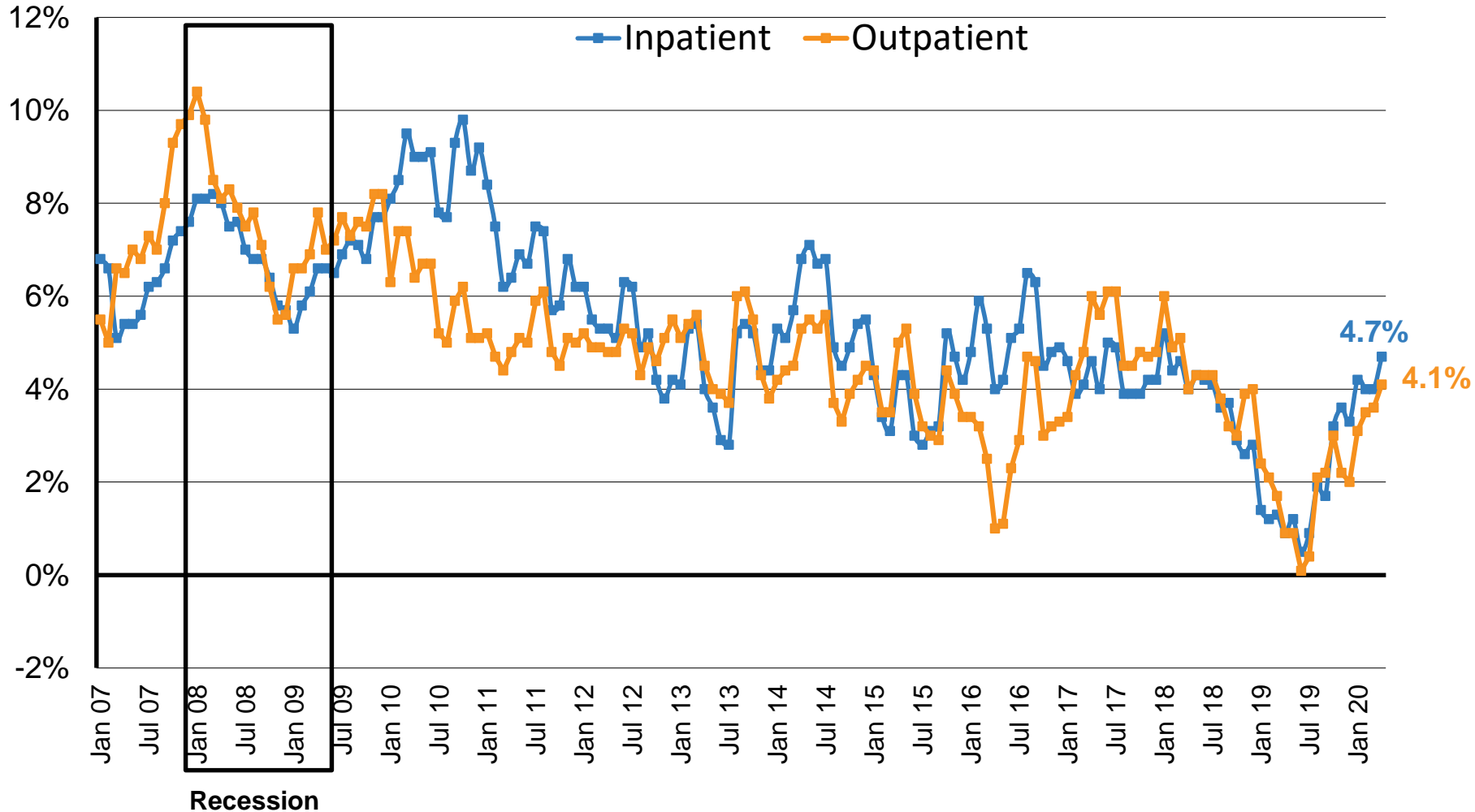
Year-over-year percent change



Source: BLS

Price Changes for Inpatient and Outpatient Hospital Services, Monthly, 2007-2020

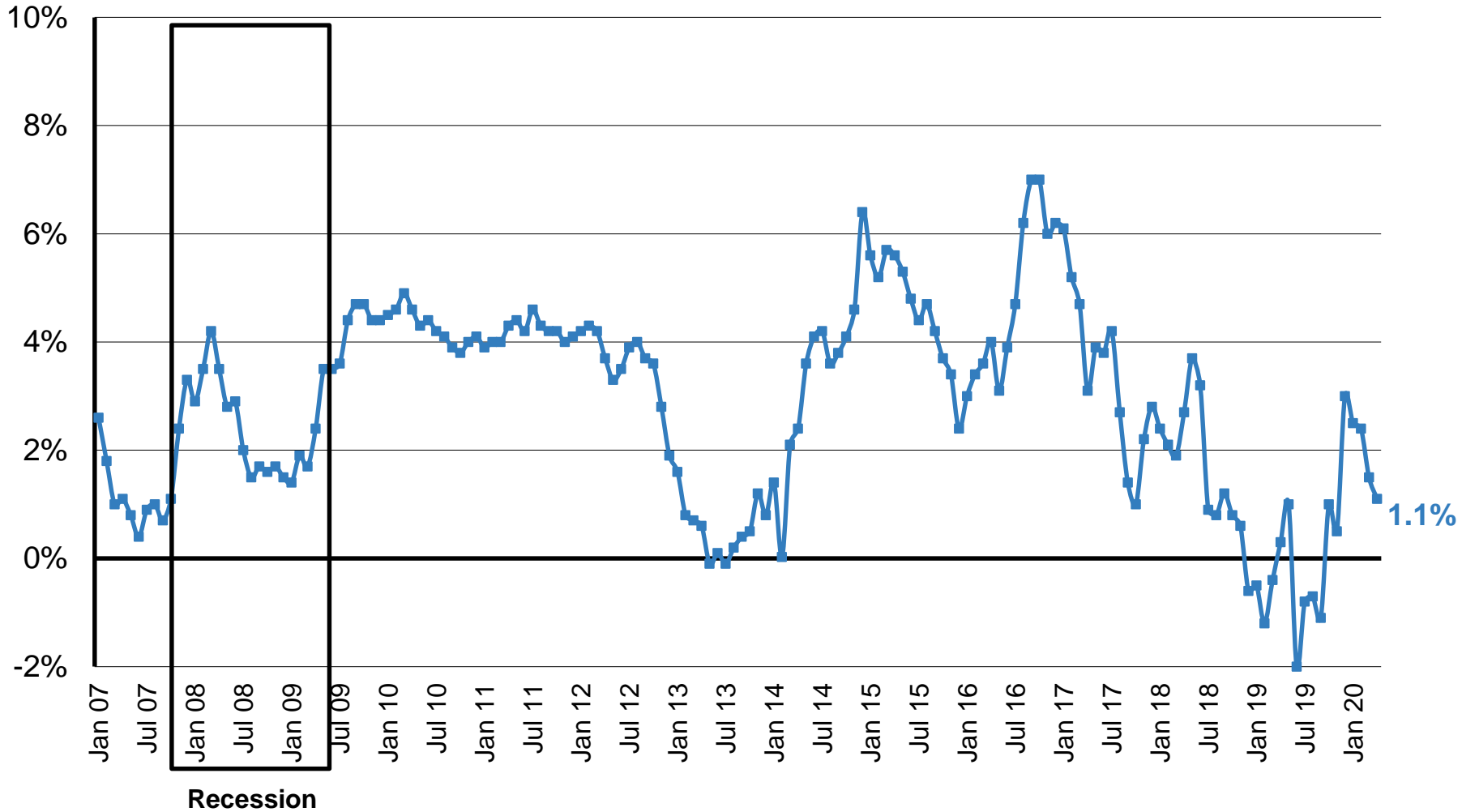
Year-over-year percent change



Source: BLS

Price Changes for Prescription Drugs, Monthly, 2007-2020

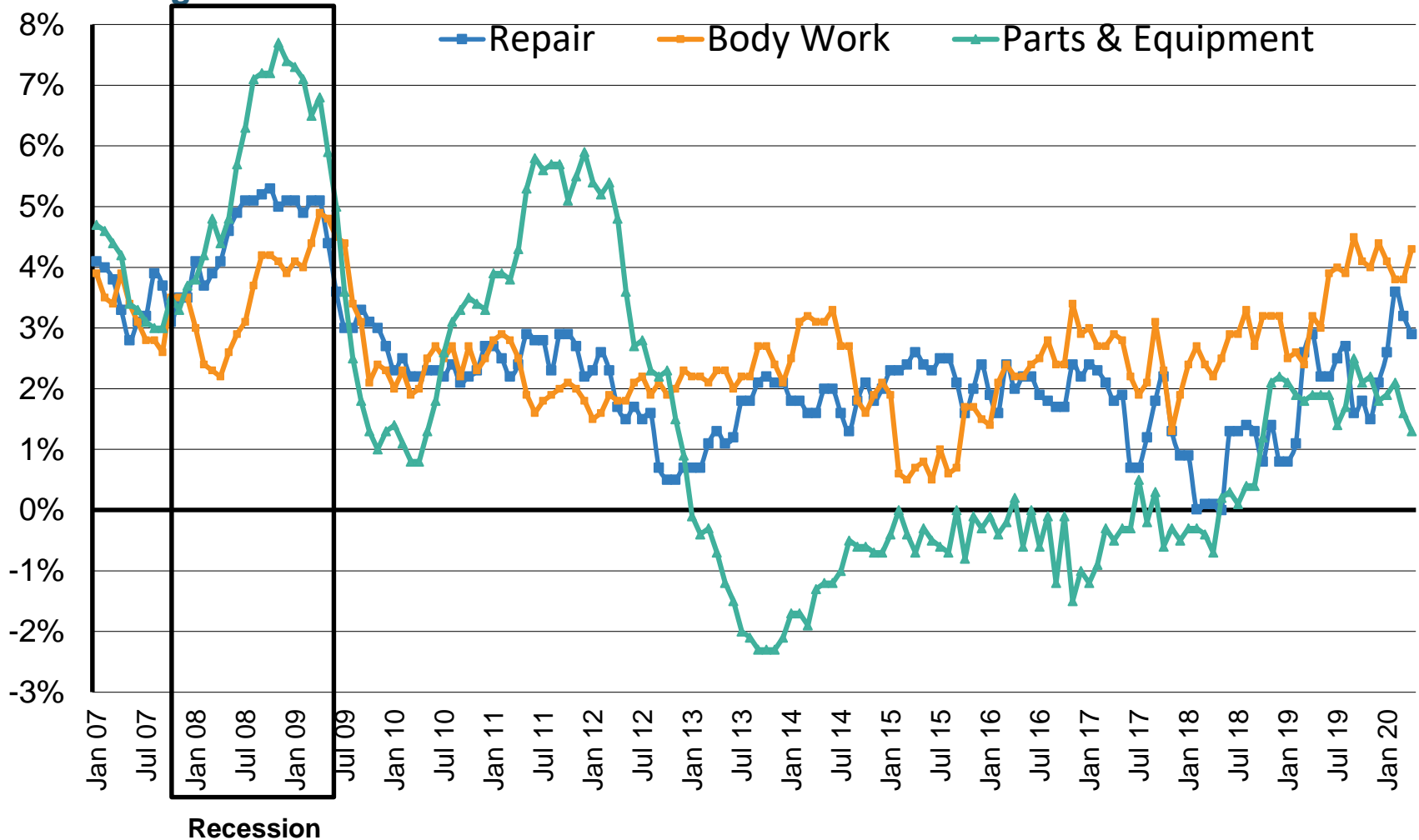
Year-over-year percent change



Source: BLS

Price Changes for Auto Repair, Body Work, and Parts & Equipment, Monthly, 2007-2020

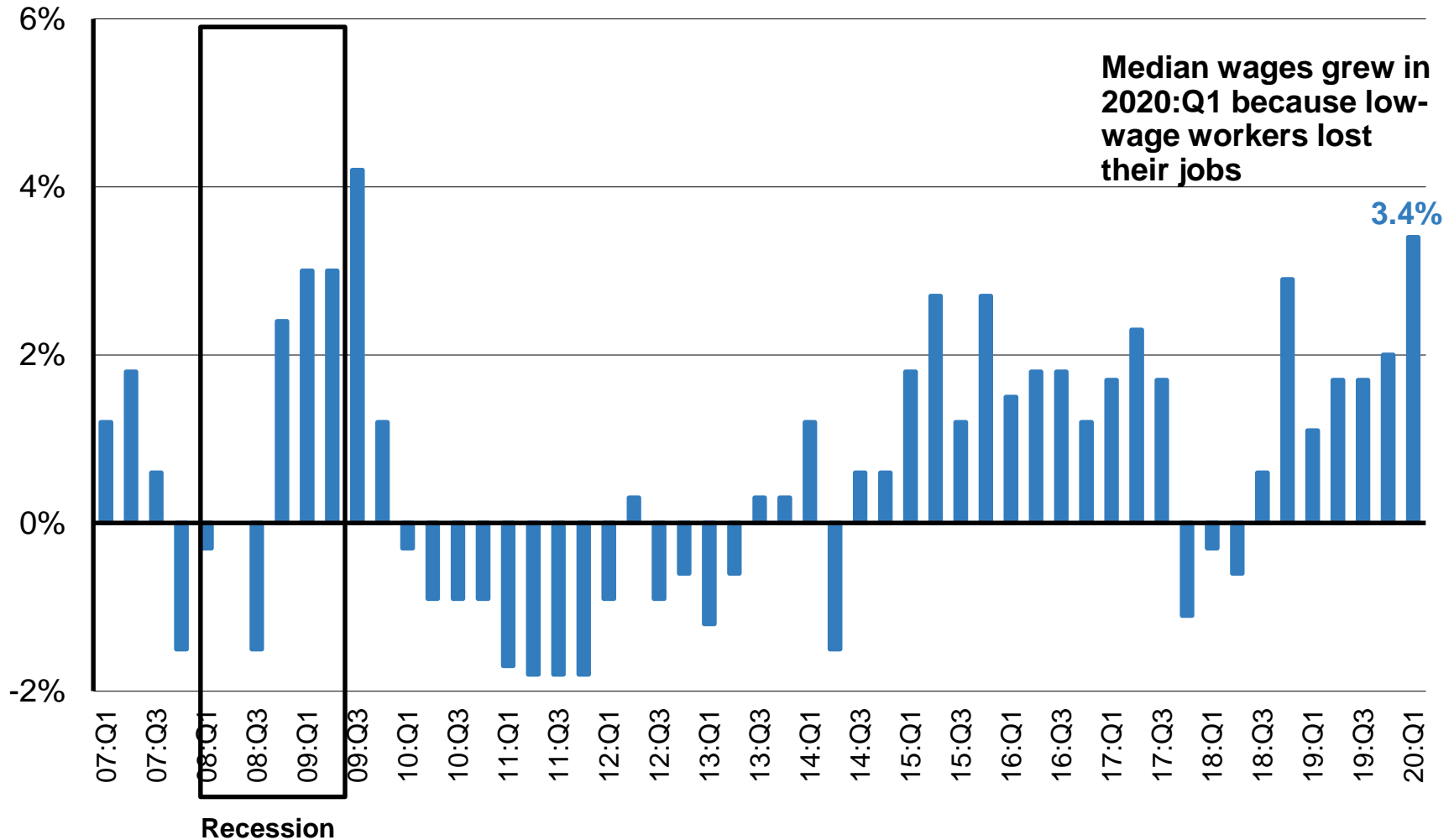
Year-over-year percent change



Source: BLS

Changes in Median Wage Growth, Quarterly, 2007-2020

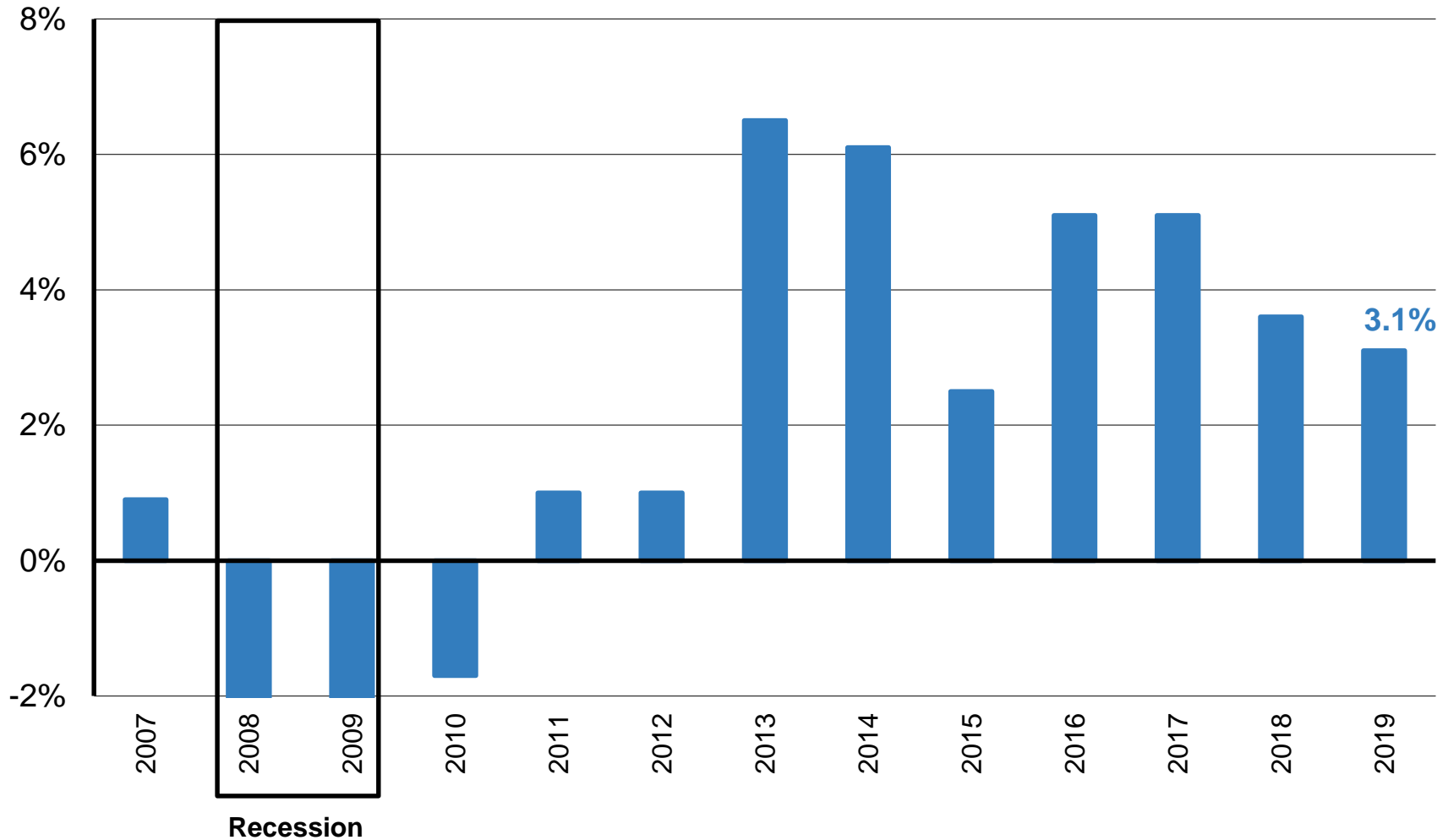
Year-over-year percent change



Source: BLS

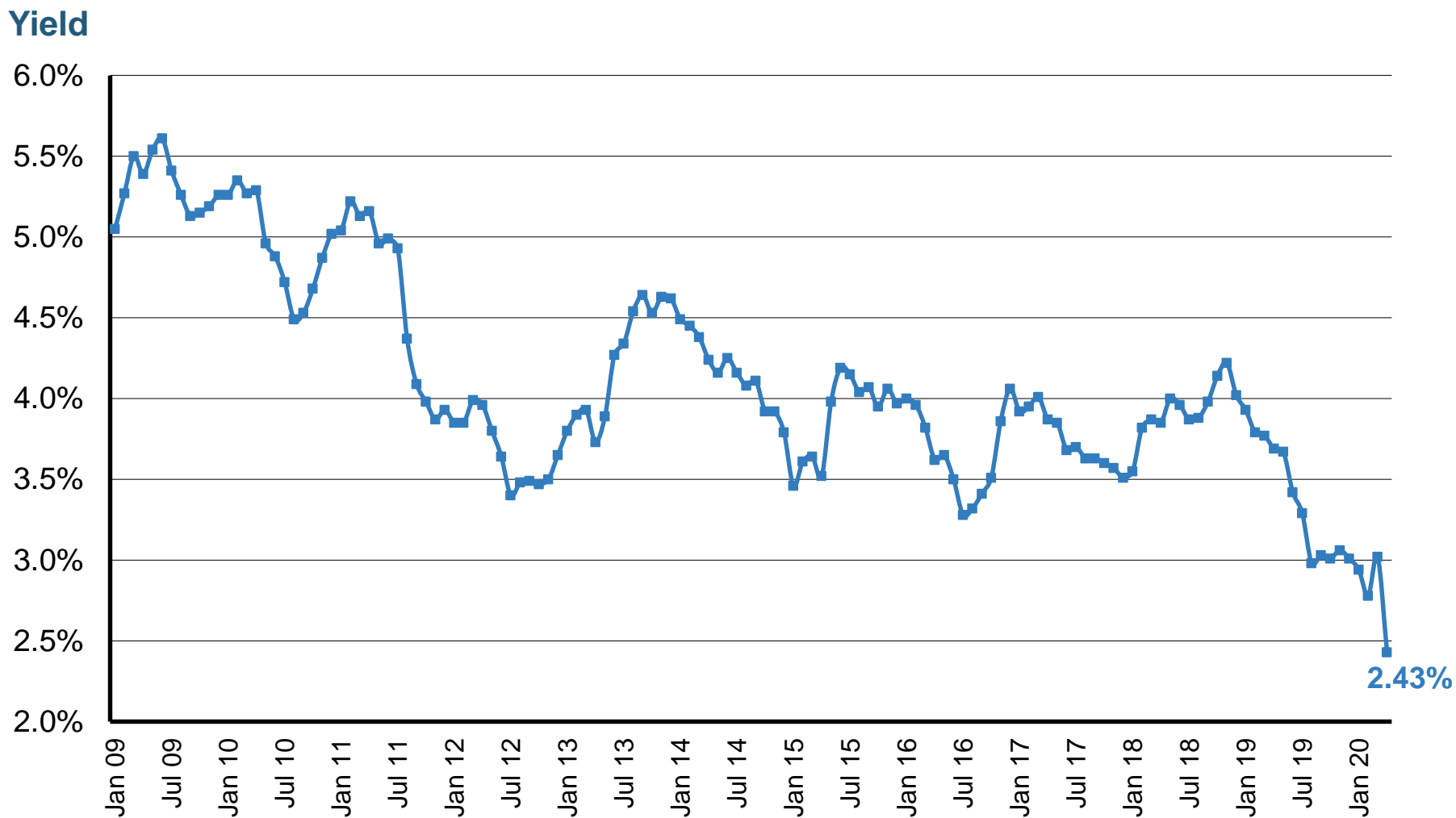
Changes in the Price of New Single-Family Homes Under Construction, Yearly, 2007-2020

Year-over-year percent change



Source: BLS

Moody's Seasoned AAA Corporate Bond Yields, Monthly, 2009-2020



Source: BLS