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State of the P&C Insurance Industry: Key Risks and Opportunities

Prepared for SITA Annual Conference | September 25, 2024

Dale Porfilio, FCAS, MAAA

Chief Insurance Officer, Insurance Information Institute

President, Insurance Research Council

Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038
dalep@iii.org ♦ 212.346.5533 ♦ www.iii.org

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**Premier resource for timely research
and valuable insights**

**on public policy issues affecting
the P&C insurance industry**

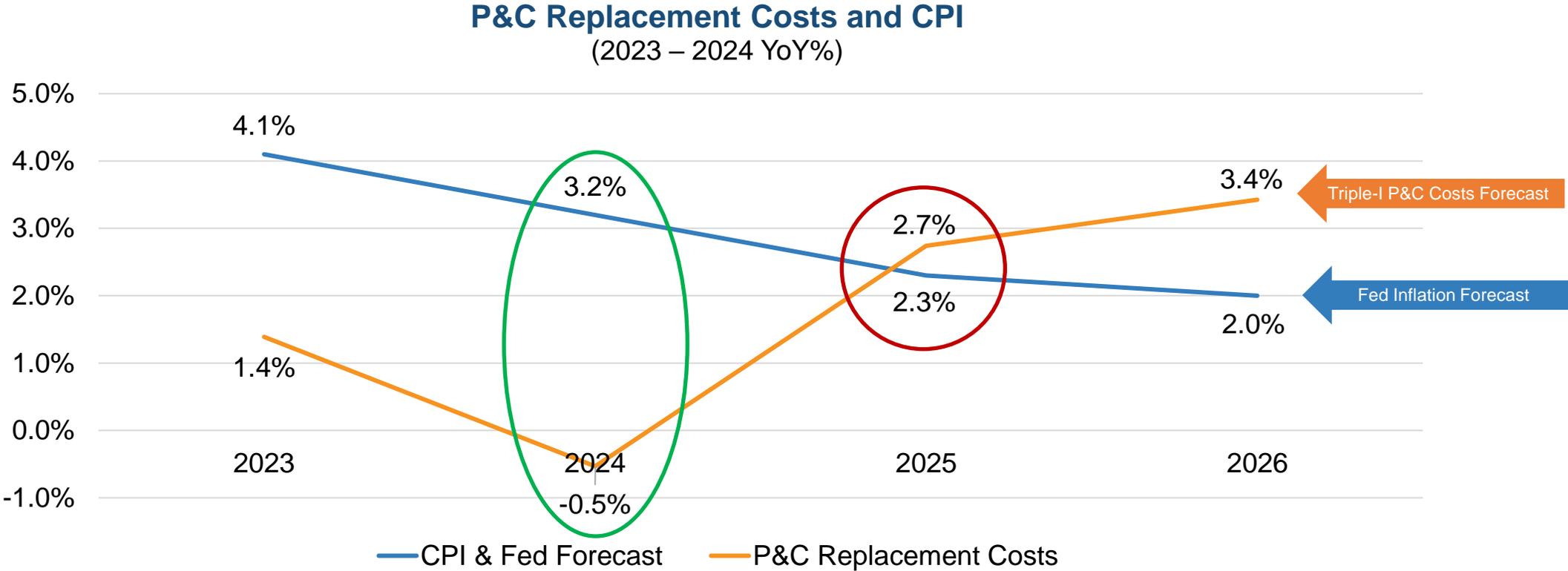
Economic Drivers of Insurance Performance



Inflation Expectations: P&C and CPI

Pace of increase in P&C Replacement Costs expected to overtake overall inflation starting 2025.

Confirms earlier Triple-I expectations and forecasts.



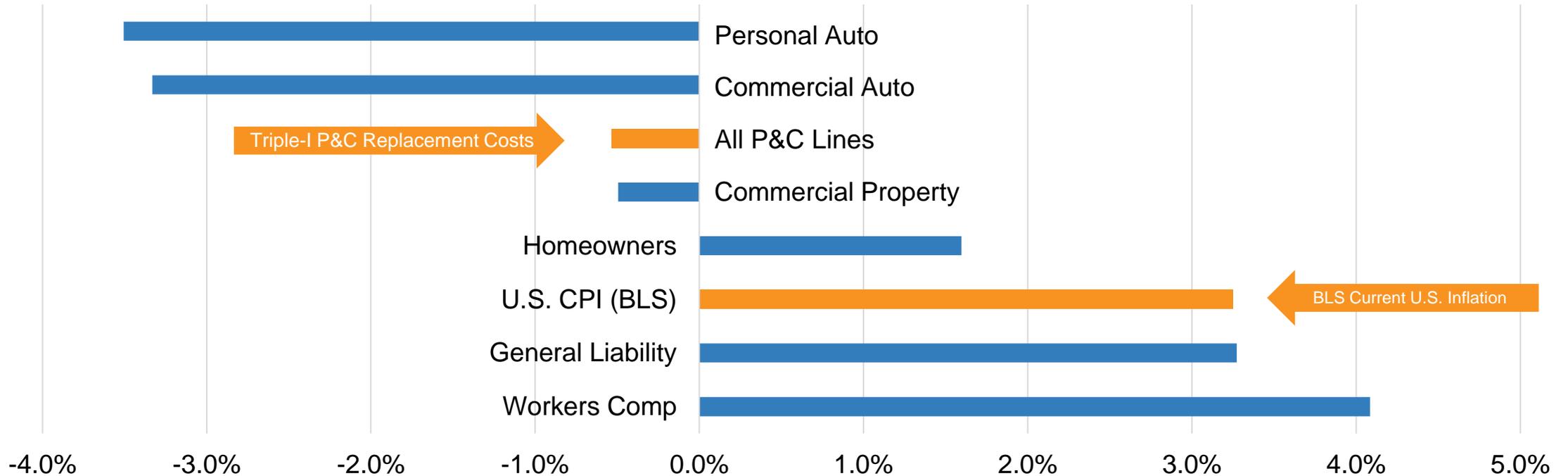
Source: P&C Replacement Costs: Triple-I; U.S. Inflation: BLS (2023-24) and Fed (2025-26); (as of 06/26/2024)

P&C Replacement Costs by Key Lines

P&C Replacement Costs for 2024 remain below overall U.S. inflation.

Confirms earlier Triple-I expectations and forecasts.

P&C Replacement Costs by Key Lines
2024 (YoY%)



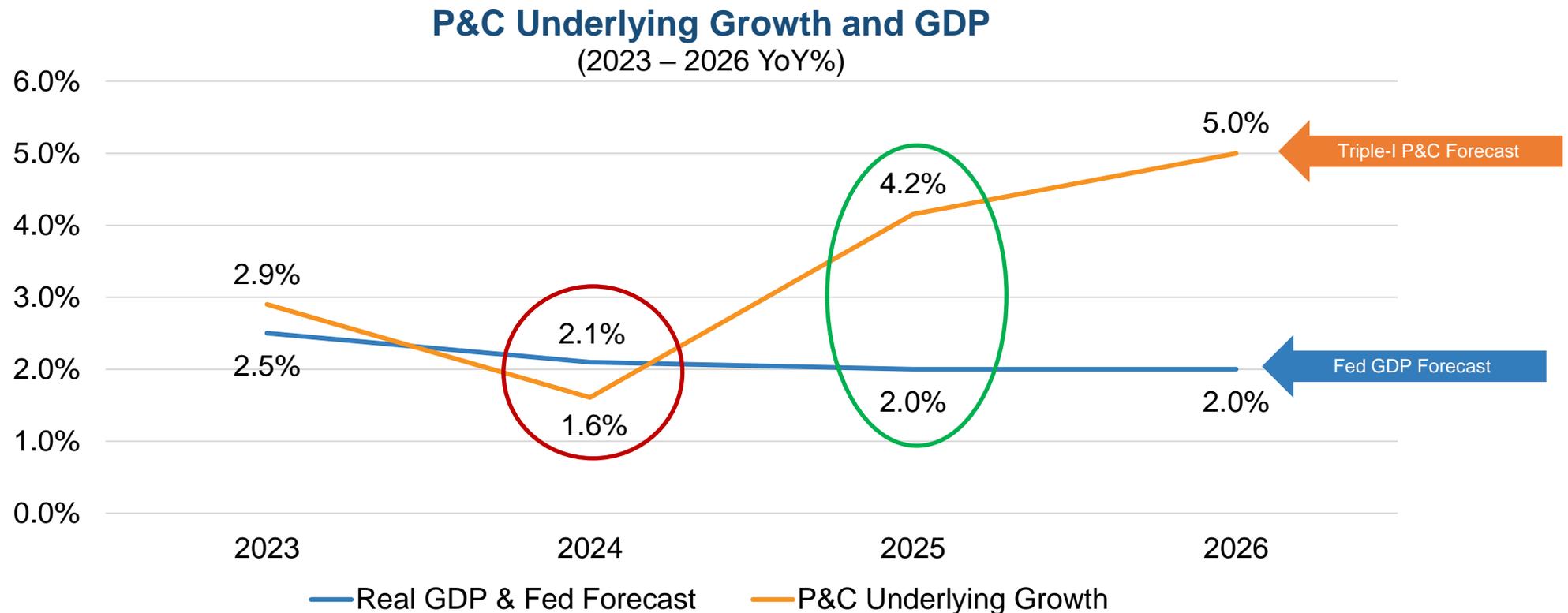
Source: P&C Replacement Costs: Triple-I; CPI: BLS (as of 06/26/2024)

Growth Expectations: P&C and GDP

P&C Underlying Growth dropped below overall GDP in Q2 on BLS revised data for Q1.

Revised BLS data causes Triple-I's models to forecasts underlying growth to outpace overall GDP in 2025.

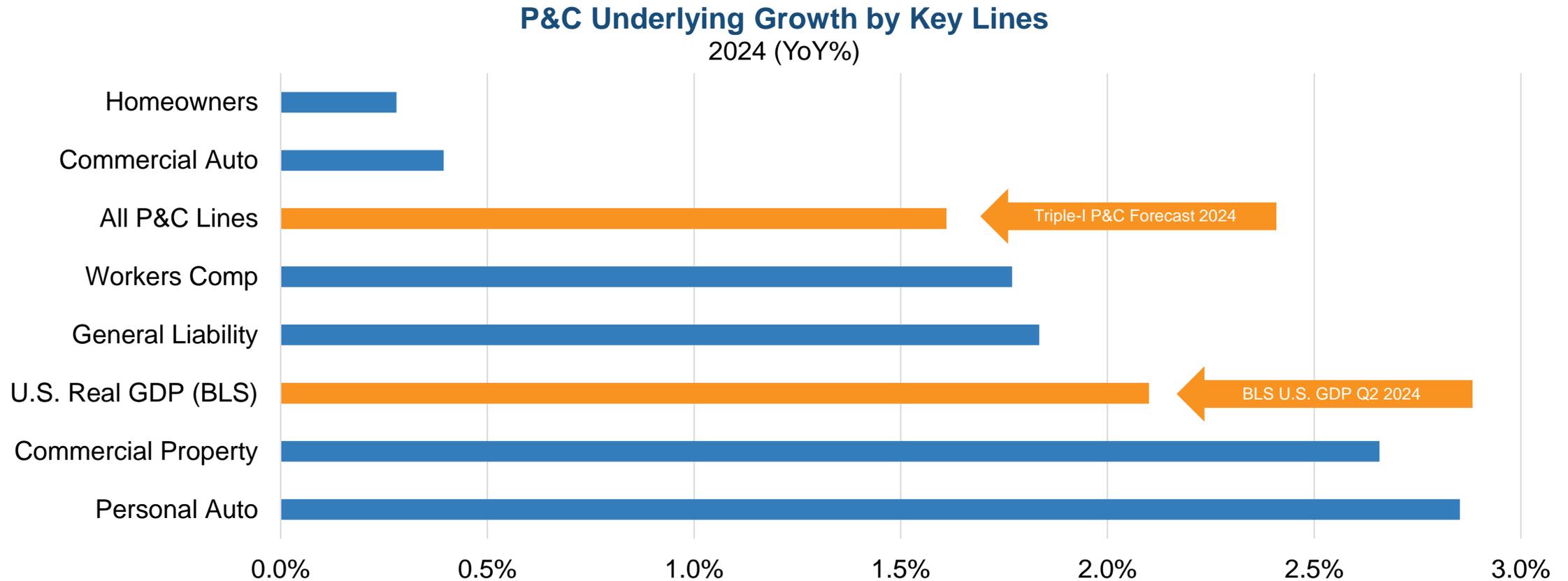
We advise waiting for next quarter GDP data before making significant changes to 2025-2026 growth assumptions.



Source: P&C Underlying Growth: Triple-I; U.S. GDP: Fed (as of 06/26/2024)

P&C Underlying Growth by Key Lines

P&C Underlying Growth falls below overall U.S. GDP on revised BLS GDP data.

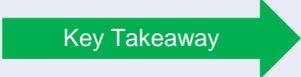


Source: Triple-I (as of 06/26/2024)

Personal Auto Economic Drivers

Expecting rebound in growth in 2025 on lower interest rates.

Faster increases in all replacement costs starting 2025.

Personal Auto (Change YoY%)	2023	2024	2025	2026
Underlying Growth	10.2%	2.9%	4.7%	5.5%
Auto and Light Truck Sales 	12.9%	2.5%	5.0%	6.0%
Motor Vehicle Personal Expenditures	4.8%	3.6%	4.2%	4.5%
Replacement Costs 	-0.2%	-3.51%	1.9%	2.8%
New Vehicles	3.7%	-0.8%	2.1%	3.1%
Used Cars and Trucks	-7.1%	-8.6%	1.6%	2.6%
Motor Vehicle Parts and Equipment	2.9%	-1.1%	2.1%	2.6%

Source: Insurance data and analysis: Triple-I; U.S. economic data: FRED (as of 06/26/2024)

Homeowners Economic Drivers

Confirming Q1 recovery in housing starts. Expecting rebound in 2025 on lower interest rates.

Faster increases in replacement costs starting 2025.

Homeowners (Change YoY%)	2023	2024	2025	2026
Underlying Growth 	-5.4%	0.3%	4.0%	4.8%
Housing Units Starts	-12.3%	-2.0%	4.5%	5.5%
All Construction Employment	0.8%	2.9%	3.1%	3.3%
Retail Trade	2.3%	2.3%	4.0%	5.0%
Replacement Costs 	2.5%	1.6%	3.7%	4.3%
Shelter	7.5%	5.4%	5.0%	4.5%
Household Furnishing & Supplies	2.9%	0.7%	2.5%	3.5%
Construction Materials	-2.9%	-1.3%	3.5%	5.0%

Source: Insurance data and analysis: Triple-I; U.S. economic data: FRED (as of 06/26/2024)

Commercial Auto Economic Drivers

Confirming Q1's slowdown in vehicles sales. Expecting rebound in 2025 on lower interest rates.

Faster increases in all replacement costs starting 2025.

Commercial Auto (Change YoY%)	2023	2024	2025	2026
Underlying Growth 	15.2%	0.4%	3.7%	4.3%
Heavy Weight Trucks Sales	7.1%	-9.4%	2.0%	3.5%
Light Trucks Sales	13.8%	3.9%	2.0%	3.5%
Motor Vehicle Output Private Fixed Investment	24.7%	6.7%	7.0%	6.0%
Replacement Costs 	-0.2%	-3.3%	1.8%	2.6%
New Vehicles	2.8%	-1.1%	2.0%	2.5%
Used Cars and Trucks	-6.7%	-8.2%	1.5%	2.5%
Motor Vehicle Parts & Equipment	2.8%	-1.1%	2.0%	2.5%

Source: Insurance data and analysis: Triple-I; U.S. economic data: FRED (as of 06/26/2024)

Commercial Property Economic Drivers

Confirming Q1 trend and rebound starting 2025 on Class A conversions.

Faster increases in replacement costs starting 2025.

Commercial Property (Change YoY%)	2023	2024	2025	2026
Underlying Growth 	2.9%	2.7%	3.9%	5.3%
Real Estate, Rental & Leasing	1.2%	1.3%	3.0%	5.0%
All Employees Non-Residential Buildings	6.0%	5.2%	5.5%	6.0%
Replacement Costs 	-0.5%	-0.5%	2.5%	3.5%
Construction Materials	-2.9%	-1.3%	3.5%	5.0%
Capital Investments inc. Construction	3.3%	0.8%	3.0%	4.0%
Information Technology Prices	-2.0%	-1.0%	1.0%	1.5%

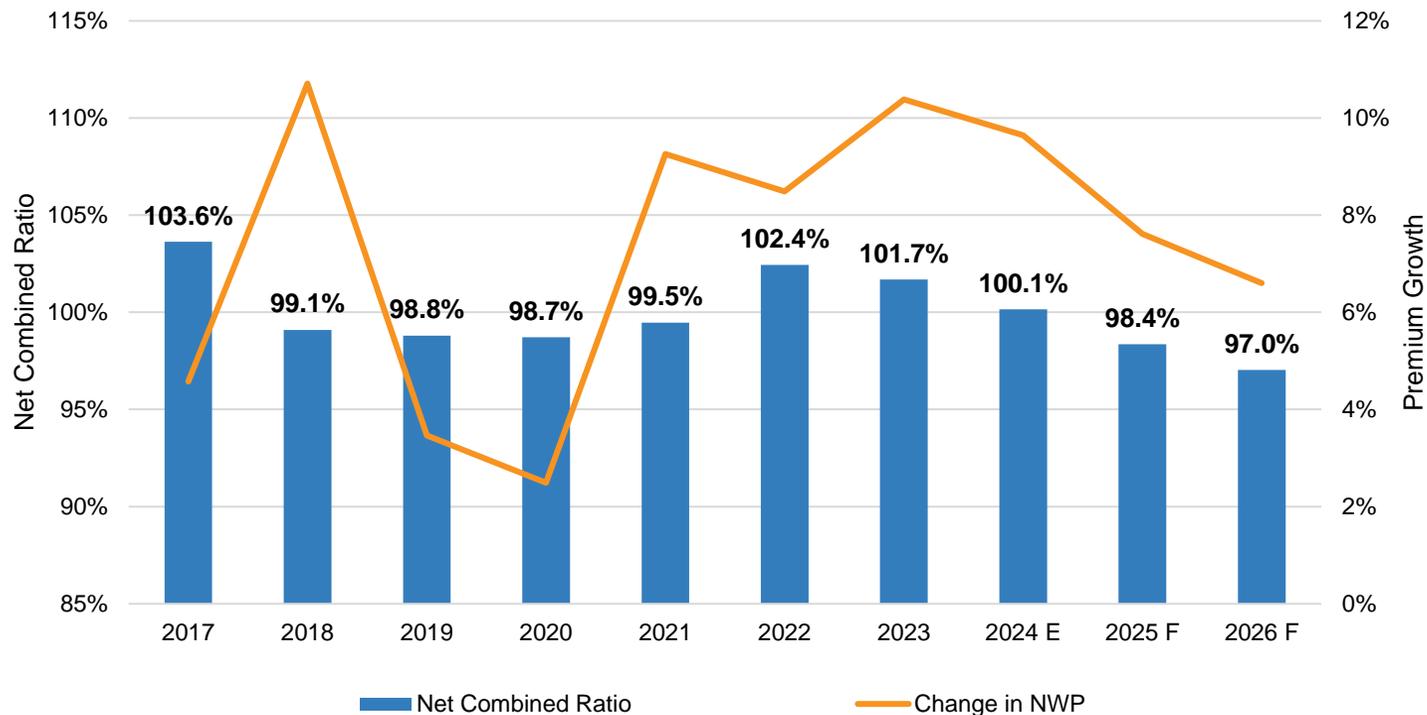
Source: Insurance data and analysis: Triple-I; U.S. economic data: FRED (as of 06/26/2024)

Underwriting Projections



P&C Industry Outlook

Net Combined Ratio and Change in NWP



- Good News #1: Favorable first quarter in line with initial full year 2024 Net Combined Ratio
- Good News #2: Personal Auto Net Combined Ratio on track to achieve profitability by 2025
- Bad News #1: Commercial Auto continues to remain unprofitable through at least 2026
- Bad News #2: General Liability expected to be slightly unprofitable in 2024

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

P&C Industry Trends

Net Combined Ratio	2019	2020	2021	2022	2023	2024 E	2025 F	2026 F
Personal Lines	98.8%	96.8%	102.1%	109.9%	106.7%	102.7%	99.5%	97.1%
Commercial Lines	98.8%	100.9%	96.7%	94.8%	96.5%	97.3%	97.0%	96.9%
Net Written Premium Growth Rate	2019	2020	2021	2022	2023	2024 E	2025 F	2026 F
Personal Lines	3.3%	0.0%	5.0%	7.2%	13.8%	13.8%	10.6%	8.4%
Commercial Lines	3.7%	5.4%	14.0%	9.8%	7.0%	5.3%	4.2%	4.4%

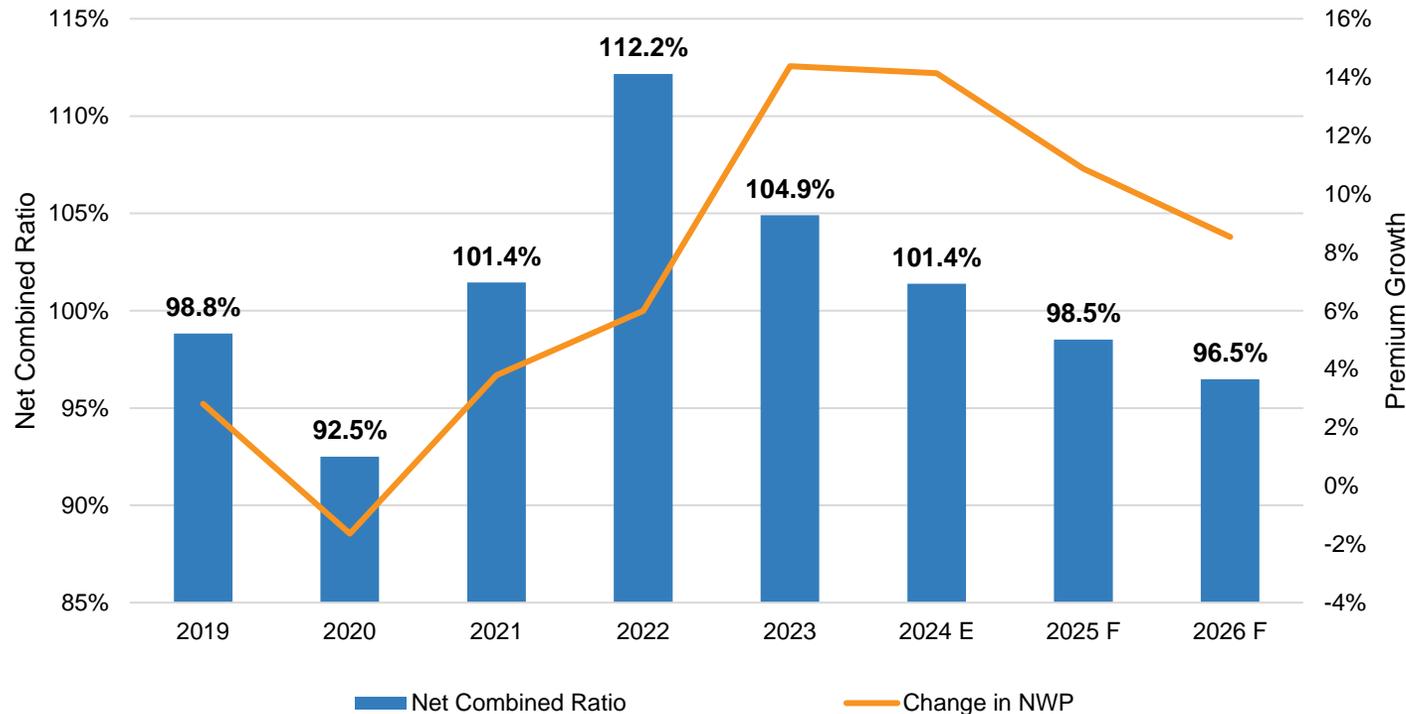
- Commercial Lines performing better than Personal Lines, but gap is closing

- Net Written Premium Growth Rate for Personal Lines is expected to continue to surpass Commercial Lines by over 8% points in 2024

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Personal Auto

Net Combined Ratio and Change in NWP

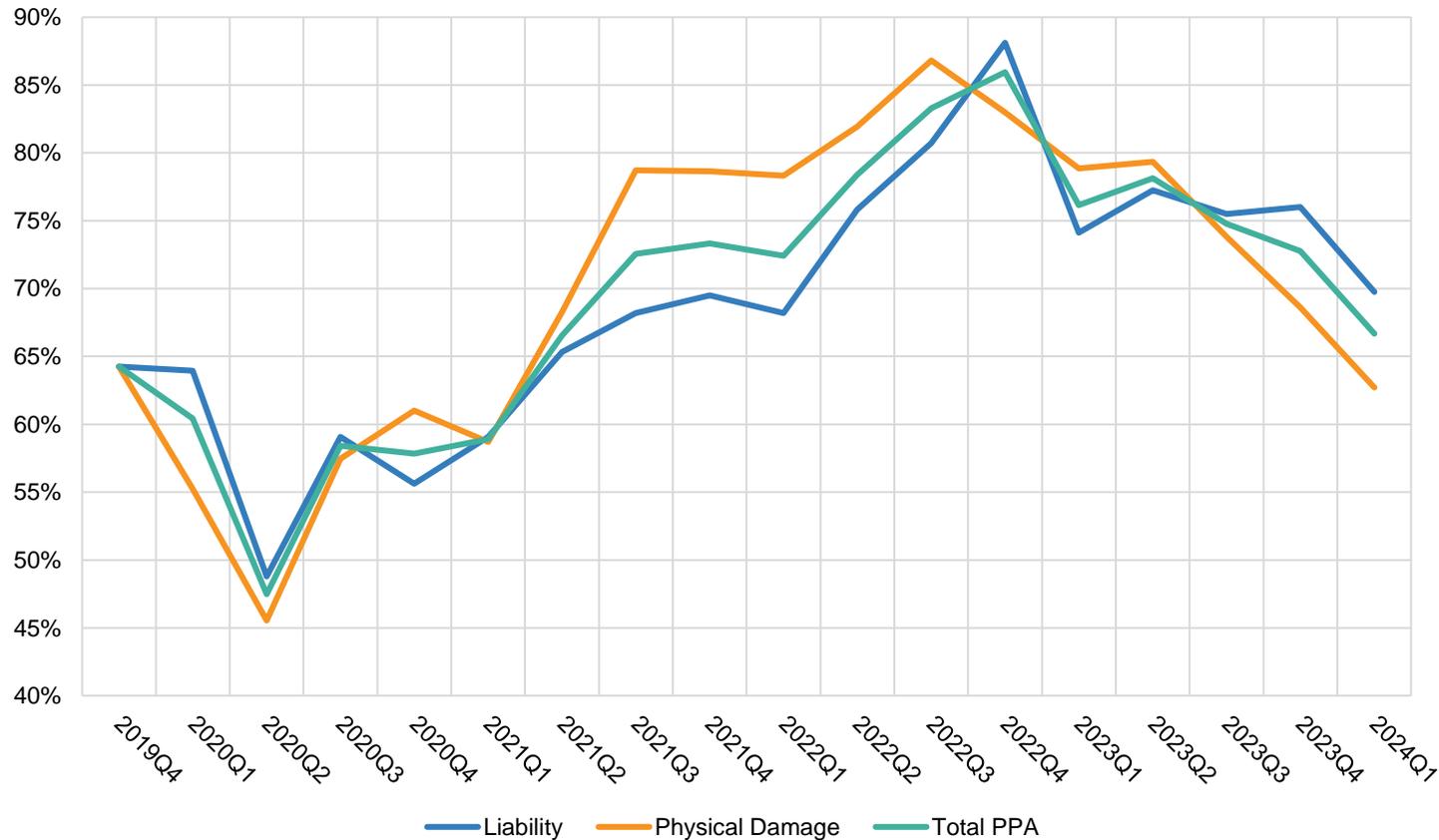


- 2024 Net Combined Ratio of 101.4 is 3.5 points better than 2023
- 2024 Net Written Premium growth rate of 14.1% is the second highest in over 15 years (and on par with the 14.4% experienced in 2023), reflecting the continuation of rate increases needed to offset inflationary loss costs
- Underwriting profitability expected in 2025 and 2026, with NWP Growth of 10.9% in 2025

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Personal Auto

Direct Incurred Loss Ratio by Quarter

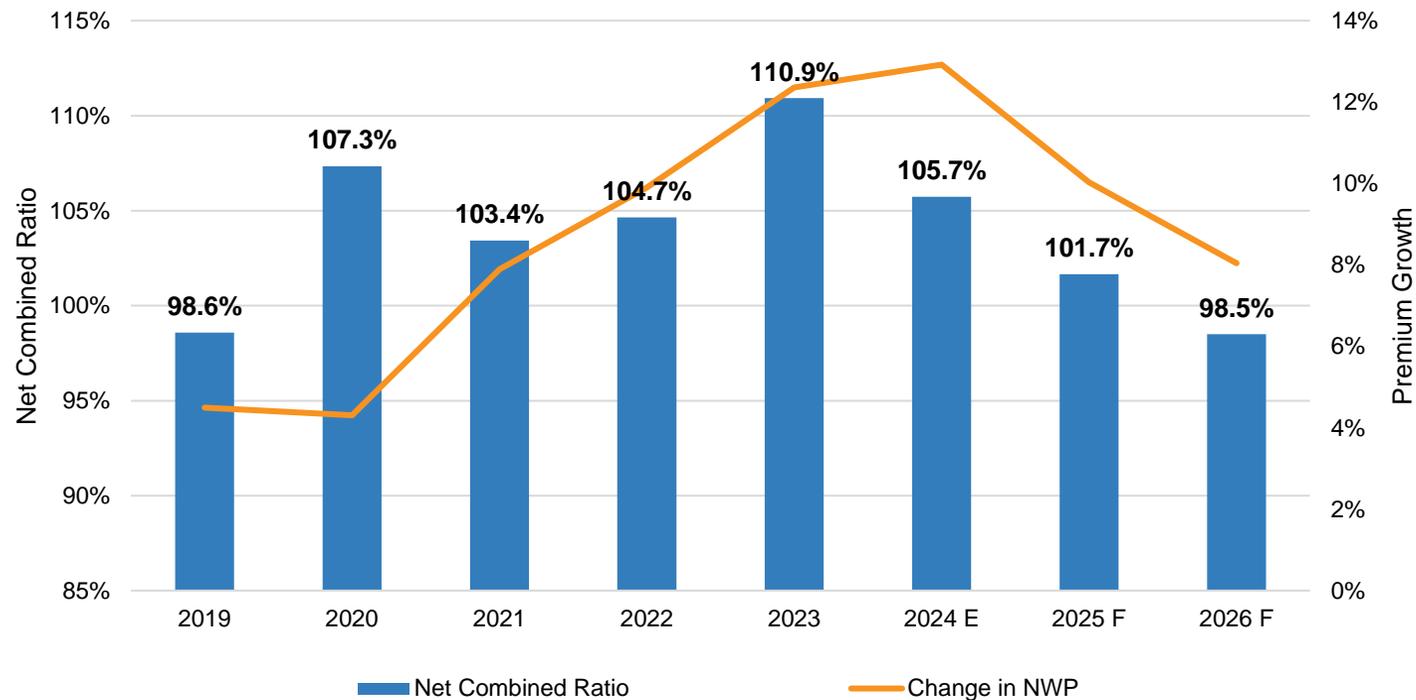


- 2024 Q1 Direct Incurred Loss Ratio of 67% is 9 points improved from 2023 Q1 and 5 points improved from 2022 Q1
- Physical Damage outperformed Liability in Q1 2024 for the second consecutive quarter by 7 pts

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Homeowners

Net Combined Ratio and Change in NWP

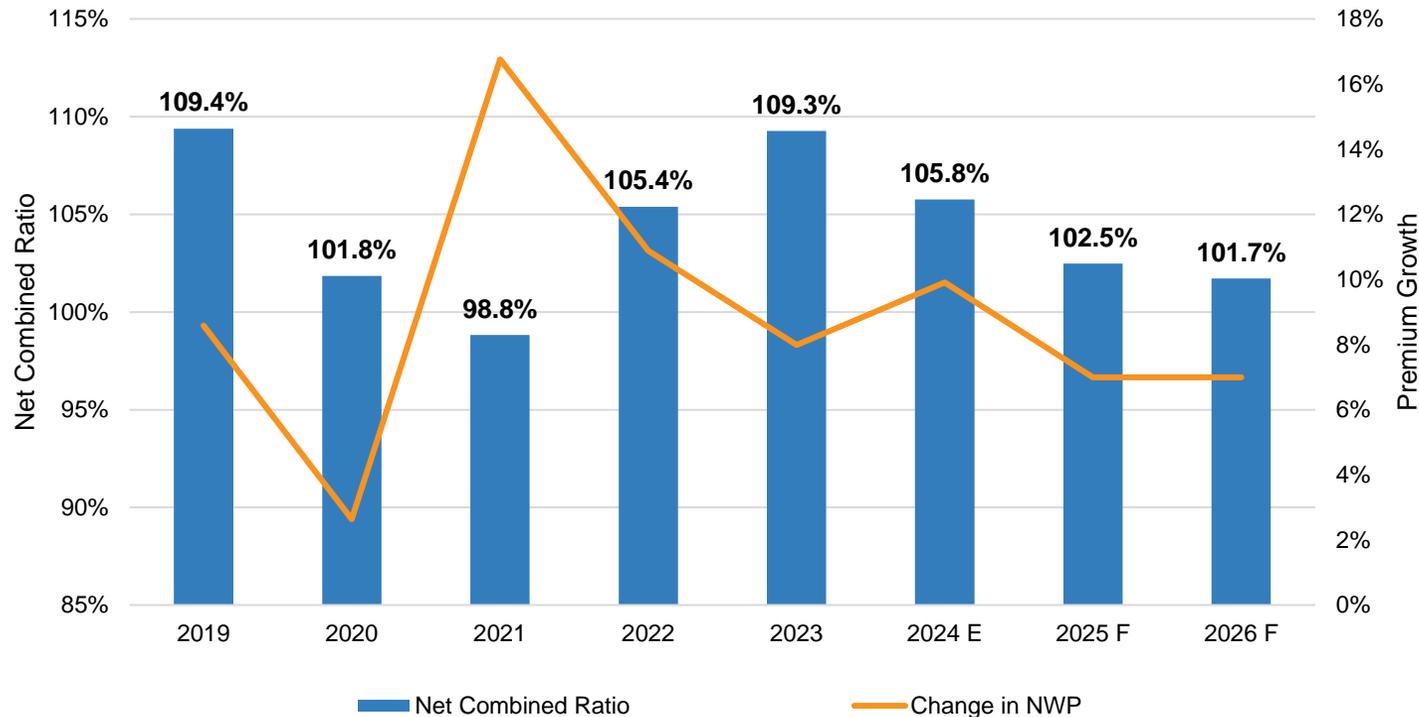


- 2024 Net Combined Ratio of 105.7 is a 5.2 pt improvement over 2023
- Expected 2024 Net Written Premium Growth Rate of 12.9% is highest in over 15 years, slightly higher than 12.4% experienced in 2023, reflecting a continuation of rate increases needed to offset inflationary loss costs
- Profitability is expected in 2026 with continued expected double-digit NWP Growth of 10% in 2025

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Commercial Auto

Net Combined Ratio and Change in NWP

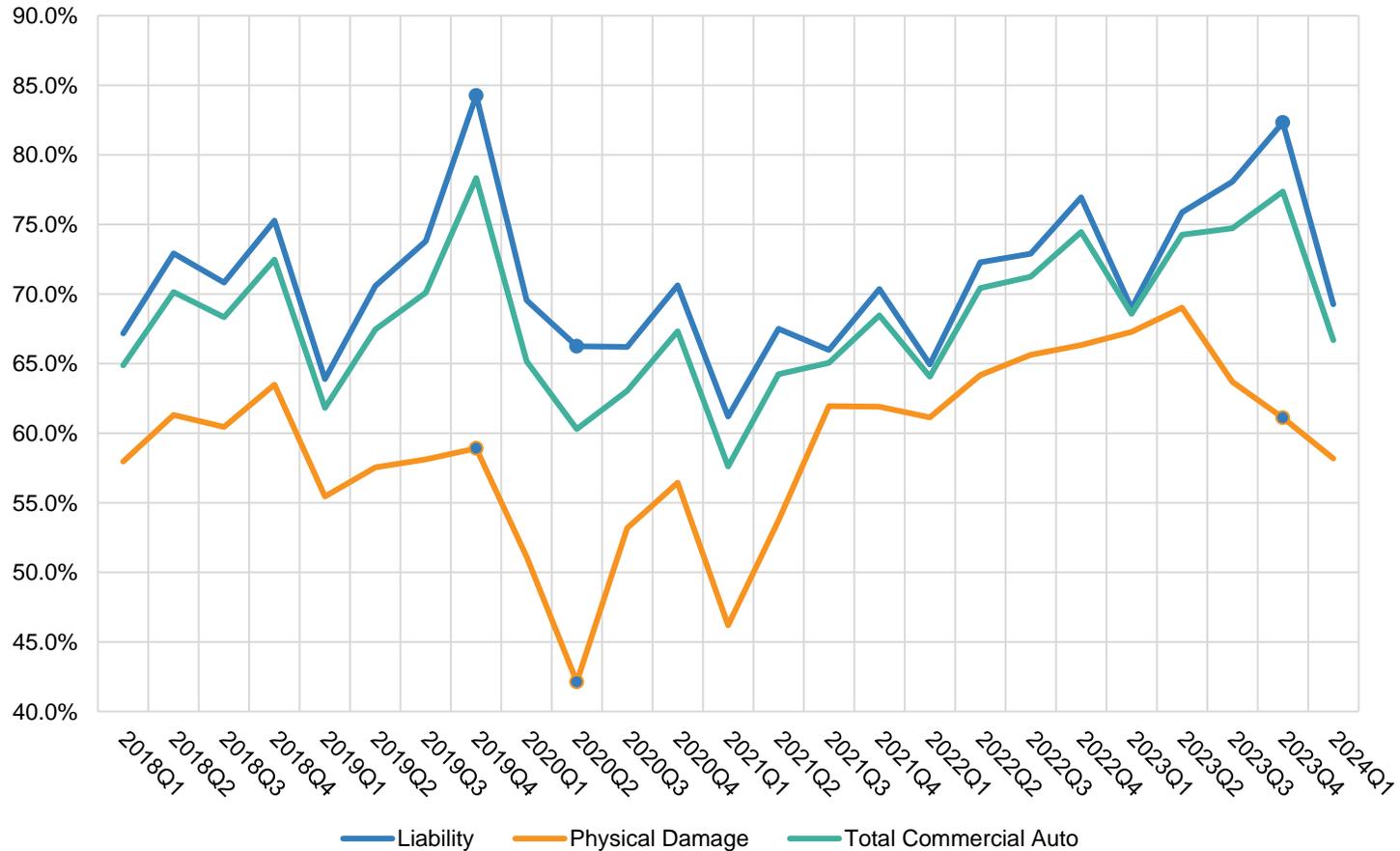


- 2024 Net Combined Ratio of 105.8 is 3.5 pts of improvement over 2023 and remains unchanged from prior estimate
- 2024 Net Written Premium growth rate is expected to increase 0.5 pts to 9.9% from prior estimate and nearly 2 pts higher than the experienced growth in 2023
- 2025 and 2026 are expected to remain unprofitable

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Commercial Auto

Direct Incurred Loss Ratio by Quarter

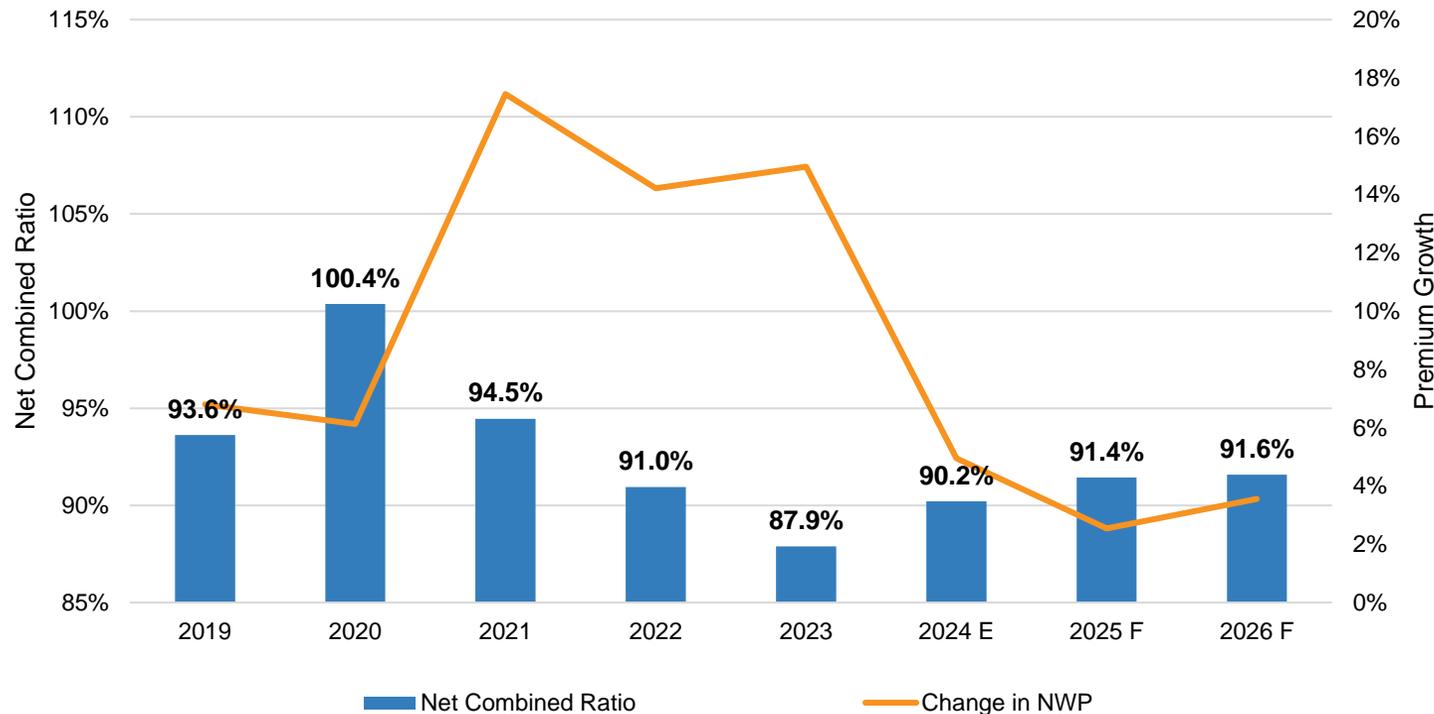


- 2024 Q1 Direct Incurred Loss Ratio of 67% is 2 points improved from 2023 Q1
- Physical Damage has outperformed Liability in every quarter since 2017, and 2024 Q1 is the third consecutive quarter of double-digit deviation. 2019Q4, 2020Q2, and 2023Q4 all deviated by 20+ pts.

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Commercial Property

Net Combined Ratio and Change in NWP

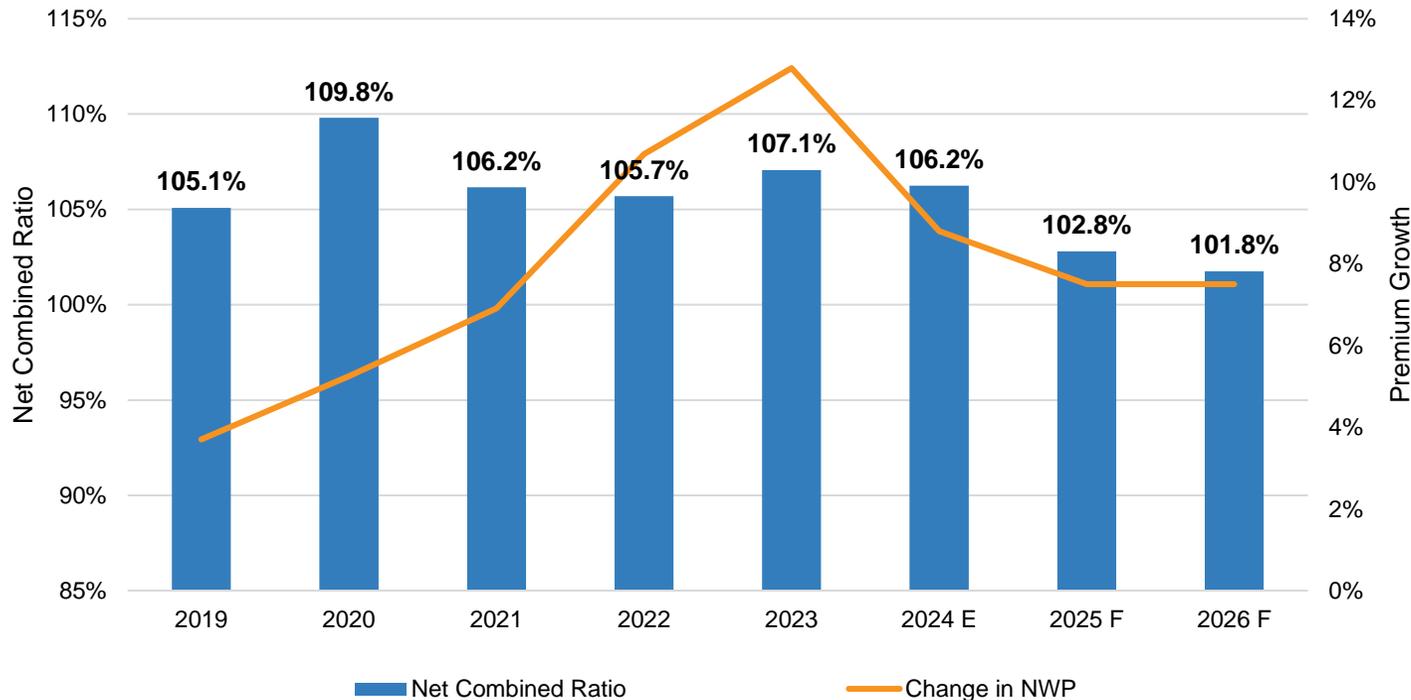


- 2024 Net Combined Ratio forecast at 90.2, representing a 1.3 pt improvement from prior quarter estimate
- 2024 Net Written Premium growth rate forecast at 5%, 2 pts lower than prior quarter estimate and 10 pt drop from 2023
- Favorable underwriting results expected in the forecast years with slowing premium growth rates

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Commercial Multi-Peril

Net Combined Ratio and Change in NWP

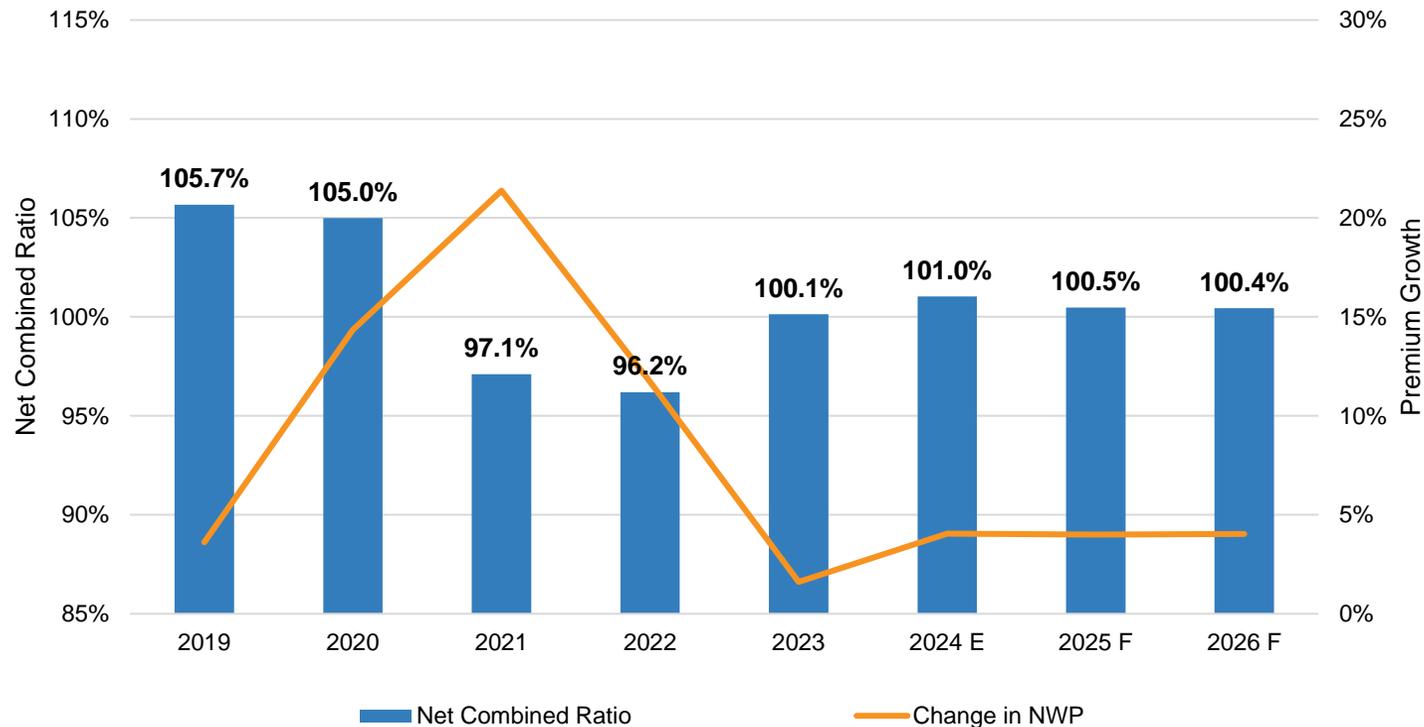


- Expected 2024 Net Combined Ratio of 106.2 is 1 point better than 2023 and matches the average over the 8 years since 2015 - the last profitable year for this line (94.7)
- 2024 Q1 Direct Incurred Loss Ratio of 52% matches the 15-year average
- 2024 Net Written Premium growth rate expected to slow to 8.8%, 1.2 pts lower than prior estimate
- 2025 and 2026 are expected to remain unprofitable

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

General Liability

Net Combined Ratio and Change in NWP

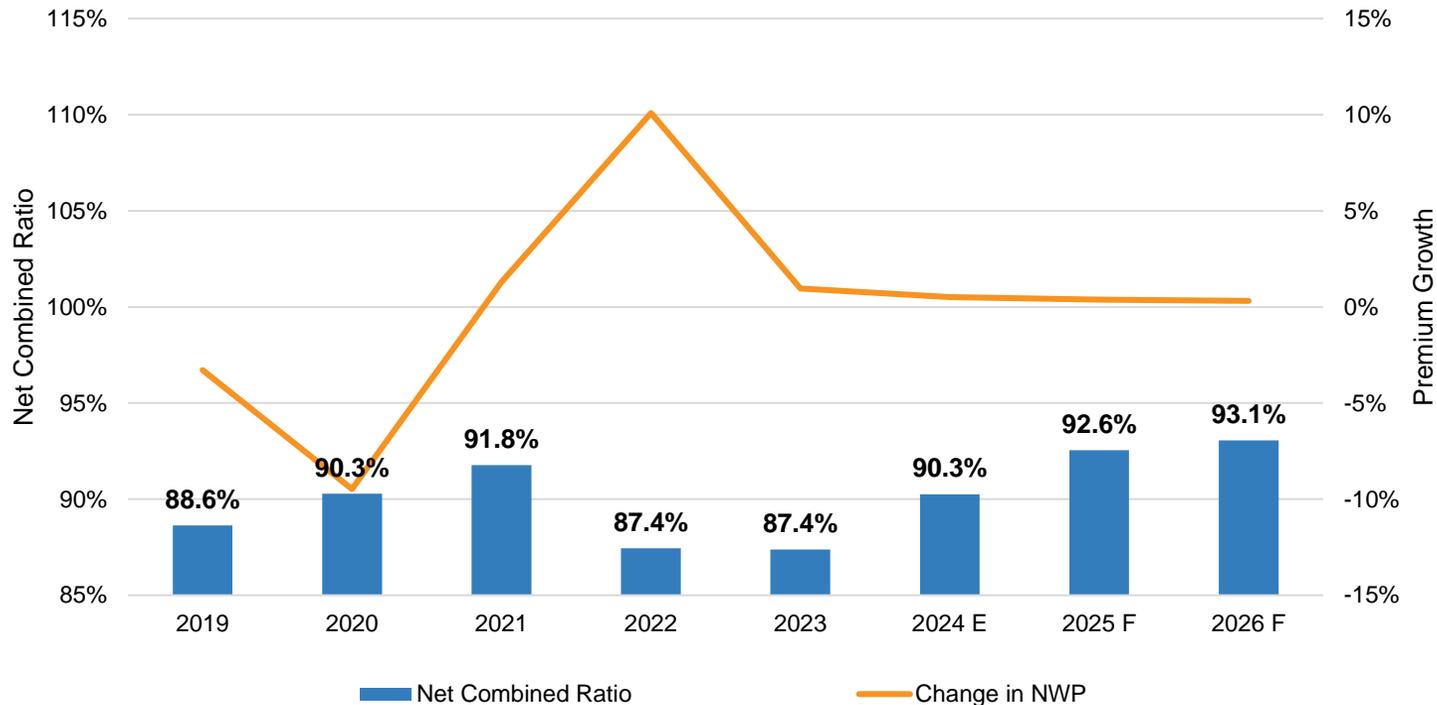


- 2024 Net Combined Ratio of 101 is 1 pt worse than actual 2023 experience
- Net Combined Ratio increase relative to prior estimate due to performance of Other Liability Occurrence.
- 2024 Net Written Premium growth increased 1.3 pts to 4% and expected to remain at 4% for 2025 and 2026

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Workers Comp

Net Combined Ratio and Change in NWP



- 2024 Net Combined Ratio expectation of 90.3 is nearly 1 pt improved from prior estimates and remains the 10th consecutive year of expected profitability
- 2024 Net Written Premium growth rate of 0.5% is 1.5 pts lower than prior estimates. NWP Growth for 2025 and 2026 expected to remain flat.
- Favorable underwriting results expected for forecast horizon

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 6/21/2024); Insurance Information Institute, Milliman.

Commercial Lines Net Prior Year Development

	<u>Commercial Auto</u>	<u>Commercial Property</u>	<u>Commercial Multi-Peril</u>	<u>General Liability</u>	<u>Workers Comp</u>
2009	-2.3%	-3.1%	-4.6%	0.3%	1.4%
2010	-4.5%	-5.9%	-4.3%	3.4%	5.0%
2011	-2.1%	-4.6%	-3.3%	-3.0%	0.1%
2012	1.8%	-2.9%	-1.1%	0.6%	-0.1%
2013	2.6%	-2.9%	-1.4%	-1.5%	-1.3%
2014	2.6%	-2.8%	-0.5%	-1.6%	-1.9%
2015	5.6%	-2.9%	-1.5%	3.9%	-5.1%
2016	6.1%	-3.9%	1.7%	5.5%	-6.1%
2017	4.9%	-3.2%	-0.4%	0.4%	-13.5%
2018	4.8%	-3.1%	0.3%	3.1%	-14.4%
2019	6.3%	-2.2%	1.5%	5.8%	-15.2%
2020	4.7%	-1.9%	1.3%	5.7%	-14.5%
2021	1.1%	-0.8%	-0.5%	3.7%	-13.5%
2022	3.9%	-3.0%	0.1%	4.2%	-12.0%
2023	5.4%	-2.2%	3.5%	5.5%	-12.6%

- Adverse PYD for Commercial Auto and GL has increased for two years in a row, returning to levels seen prior to the pandemic.
- Legal System Abuse slowed during the pandemic, contributing to the relatively low PYD observed in 2021. That relief was short-lived.
- Typically benign, PYD of 3.5 points for CMP is the highest in at least the past 15 years.
- Workers Compensation combined ratios once again benefited from double digit favorable PYD, making WC the most profitable of the major commercial lines we track.

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 5/1/2024); Insurance Information Institute, Milliman.

Disclosures/Limitations

- Data – historical combined ratio and premium growth data sourced through S&P Global Market Intelligence using U.S. statutory data through March 31, 2024, supplemented by estimated impact of known major catastrophes not yet reported in insurance company financials after March 31, 2024.
- Methodology – projections selected judgmentally after adjusting historical data for rate change, pure premium trend, and exposure trend and consideration of historical experience and economic trends.
- Findings – the findings are presented as a high-level summary and are the result of detailed analysis performed by Triple-I and Milliman. The slides are incomplete without the accompanying narrative discussion.
- Definitions – Combined ratio is a measure of calendar year underwriting profitability. It includes incurred losses, loss adjustment expenses, and other underwriting expenses. Investment income is excluded. The expense ratio is calculated as $(\text{Commissions} + \text{Taxes} + \text{General Expenses} + \text{Other Acquisition}) / \text{Net Written Premium} + \text{Dividends} / \text{Net Earned Premium}$. Our combined ratio projections and premium growth rate projections are both presented on a net of reinsurance basis.
- Uncertainty – Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, economic conditions, etc. It is certain that actual future loss and loss adjustment expense will not develop exactly as projected and may, in fact, significantly vary from the projections.
- Qualifications – Dale Porfilio, Jason Kurtz, Donna Glenn are all Fellows of the Casualty Actuarial Society, members of the American Academy of Actuaries, and meet the Qualifications Standards of the American Academy of Actuaries.

Key Industry Risks & Opportunities

Risks & Opportunities

Economic Inflation

NEWS - BUSINESS

Insurance rates climb from fires, COVID, inflation, worker shortage

Aug. 12, 2022 | Updated Fri., Aug. 12, 2022 at 9:31 p.m.



Climate & Resilience

CLIMATE POLICY

Inflation Reduction Act could curb climate damages by up to \$1.9 trillion, White House says



Legal System Abuse

Expert Analysis - Opinion

The Defense Bar Must Push Back On Social Inflation



Artificial Intelligence

Pioneering Ethical AI: The Crucial Role of Property and Casualty Insurers

Risk-Based Pricing

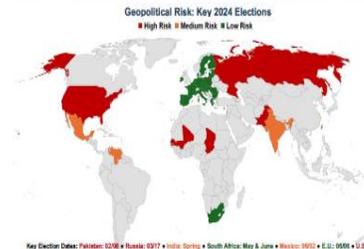
Risk-Based Pricing Benefits

- Price reflects risk, helps align premium paid with risk assumed
- Expands availability of coverage
- Promotes a competitive marketplace

Geopolitical Risk

Chart of the Week 02/12/2024

2024: Four Billion People go to the Polls
Ranking geopolitical risk of key elections around the world



Key 2024 elections and their potential impact on global geopolitical risk

U.S. and E.U.:
Return of supply-side inflation in U.S. and global economy
Direction of Ukraine-Russia War

Taiwan:
Return of supply-side inflation in U.S. and global economy

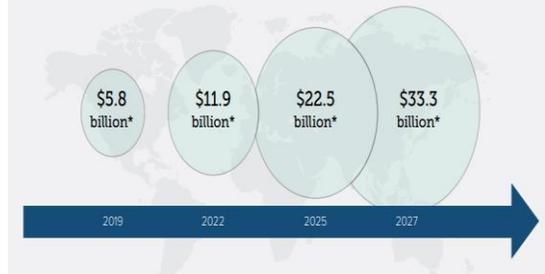
Senegal, South Africa, Mali, Chad:
Future of Western versus Russian influence in sub-Saharan Africa

India, Pakistan:
Expanding political unrest and civil commotion

Cyber

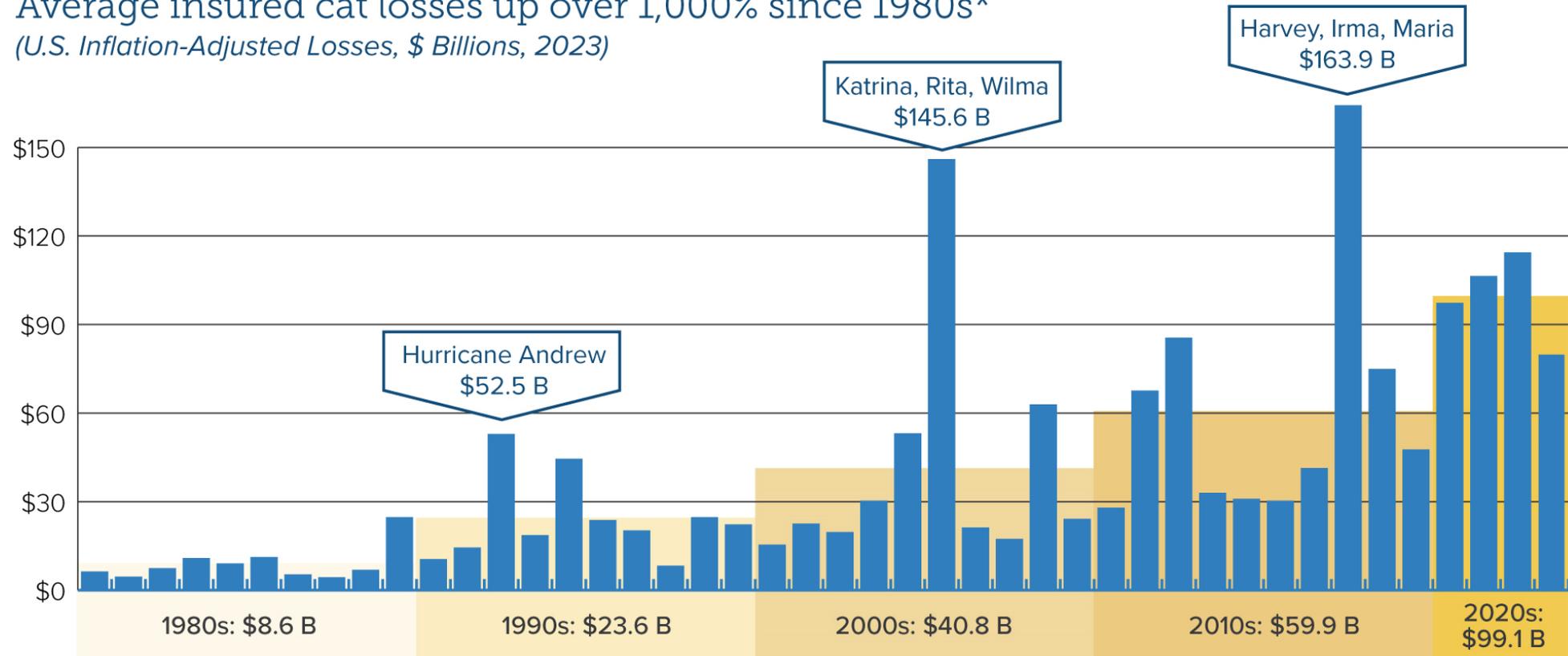
Global cyber insurance market: demand continues to grow.

*Estimates by Munich Re, direct premiums written (DPW), U.S. dollar



U.S. Catastrophe Losses Steadily Climbing

Average insured cat losses up over 1,000% since 1980s*
(U.S. Inflation-Adjusted Losses, \$ Billions, 2023)



*Includes insured losses from all natural perils.

Source: Aon (Catastrophe Insight)

Long before “climate risk” was commonly discussed, Hurricane Andrew (1992) and Northridge earthquake (1994) were the industry’s call to mitigate the severity of natural catastrophes

Key Drivers of Climate Risk

Multiple drivers compound climate risk

- More homes and businesses being built in harm's way
- Replacement costs increasing faster than overall inflation
- Rising global surface temperatures
- Legal system abuse

Risk transfer is essential, but just one tool in the resilience toolkit alongside risk modeling, technology, public policy, finance, and science

	Population Change* (M)	Median Home Value ** (%chg)
Fastest-growing	(2010-2020)	(2010-2022)
1 Texas	4.00	123%
2 Florida	2.73	72%
3 California	2.28	56%
4 Georgia	1.02	84%
5 Washington	0.98	88%
Greatest decline		
1 Connecticut	0.31	17%
2 Vermont	0.00	46%
3 Mississippi	-0.06	68%
4 Illinois	-0.18	24%
5 West Virginia	-0.59	64%

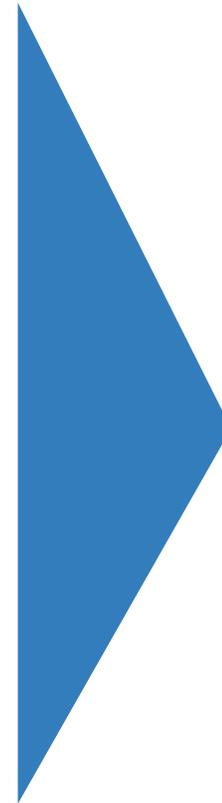
*Population Change 2010 to 2020 Decinial Census

**Change 2010 to 2022 Median Home Value, ACS

Triple-I's Climate Risk Objective

Drive **behavioral change** to help people and communities better manage risk and become more resilient

- Recognize insurance and its role
- Remove the politics – focus on the solutions
- Be responsible about the low carbon transformation
- Balance out the long-term (carbon) and short-term (physical infrastructure) risks
- Integrate new public-private collaboration options



**Predict
&
Prevent**

Defining Legal System Abuse

A tailored definition to enable actionable outcomes

What Is It?

Policyholder or plaintiff attorney practices that increase costs and time to settle insurance claims to the detriment of policyholders

- ◆ Exploitative Plaintiff Advertising — “The Billboard Effect”
- ◆ Increasing Plaintiff Attorney and Contingency Fees
- ◆ Eroding Caps on Damages
- ◆ Shadowed Third-Party Litigation Funding (TPLF)

Why Does It Matter?

- Claimants receive less
- Higher costs for all consumers and businesses

What Can Be done?

- Increase and inform understanding of its dangers
- Foster legislative and judicial reform
- Mandate transparency of TPLF

Triple-I Taking on Legal System Abuse

Echo Industry Lobbying Trades State-Based Initiatives While Shining Light on TPLF

- Hub page curated for SEO
- 80% increase [website](#) views
- 200%+ increase media citations
- 7k+ subscribers to legal system abuse [email alerts](#)
- Research, insights, videos and communications to media, consumer, industry, and members
- Testimony in NY, OH, LA
- Targeted social media campaigns
- Message testing and polling

2024 Proactive Triple-I Thought Leadership

- Focus on “Battleground” States: GA, LA, MI, TX, FL
- Develop & Launch TPLF Transparency Campaign
 - Message testing with ILR and APCIA
 - Apply finding to thought leadership and state campaigns
- Build Coalition with APCIA, NAMIC, RAA, CIAB, Big-I
- Leverage Other Industries and Groups like ILR and ATRA
- Launched Billboard Campaign in September
 - Metro Atlanta, GA

**Legal System Abuse Increases
Your Insurance Costs**

StopLegalSystemAbuse.org



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- ▶ IRC objectives in studying affordability:
 - Develop a method to define and measure affordability
 - Describe affordability over time and across states
 - Examine key cost drivers of personal insurance
- ▶ How to measure the cost of insurance?
 - Which product? Which price?
 - We rely on NAIC average expenditure data
- ▶ The IRC's measure of insurance affordability:
 - Calculated as the ratio of average auto insurance expenditures to median household income
 - Higher ratio = less affordable insurance
 - Does not establish a specific threshold at which insurance becomes unaffordable



Cost Drivers Are the Key to Insurance Affordability

- What factors make insurance expensive in each state?
- Which factors can be influenced by public policy?

Key Auto Cost Drivers:

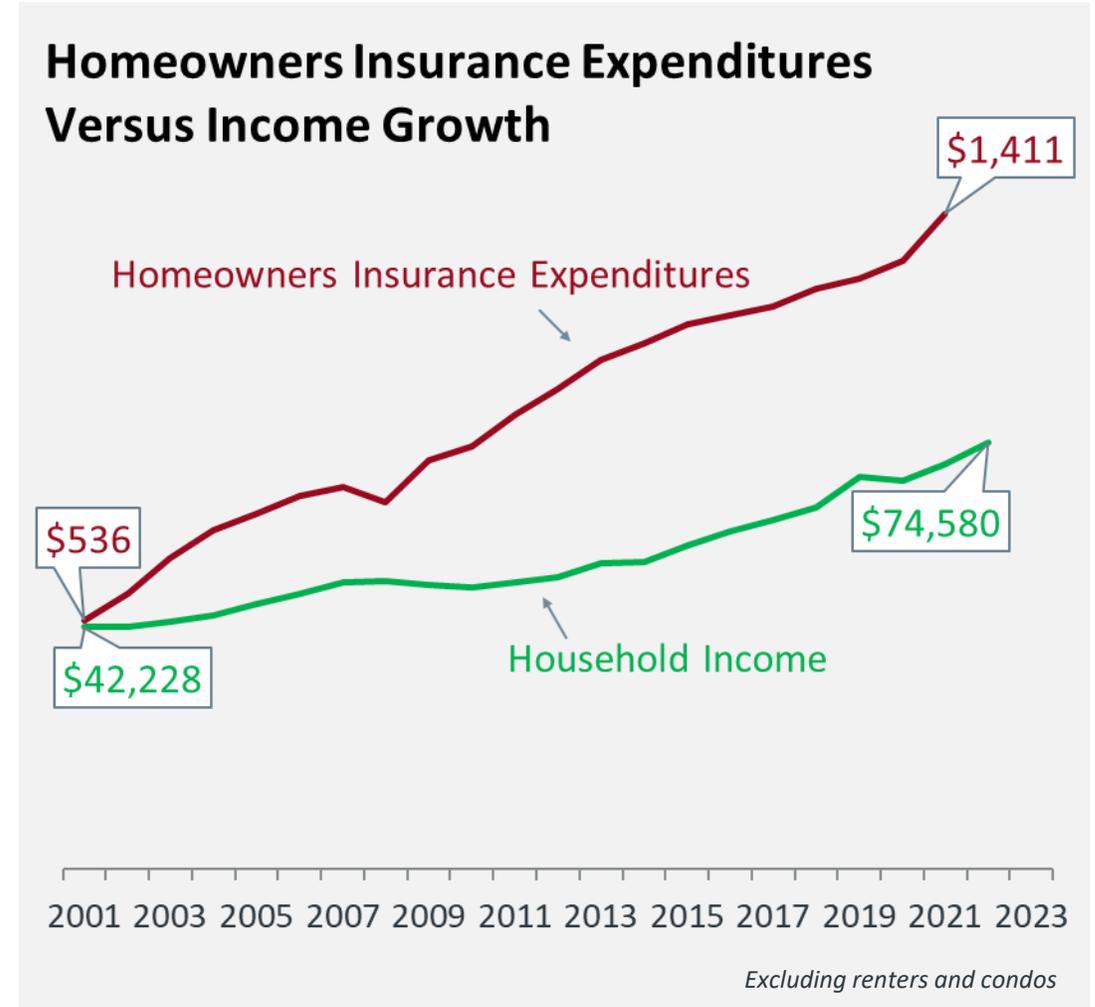
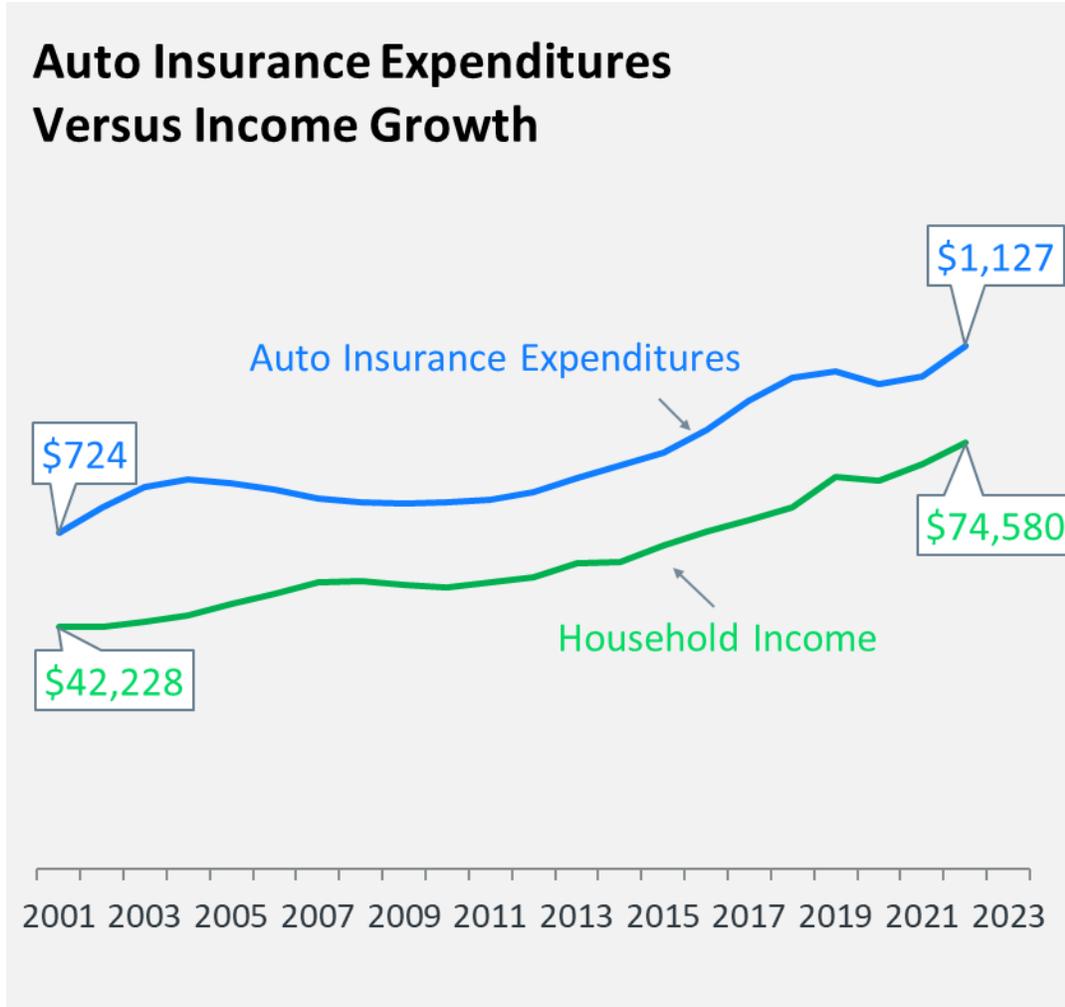
- Accident frequency
- Repair costs
- Relative injury claim frequency
- Injury claim severity
- Expense costs
- Litigation
- Uninsured and underinsured motorists

Key Homeowners Cost Drivers:

- Natural risk exposure
- Claim frequency and severity
- Catastrophe vs non-catastrophe
- Expense costs
- Litigation



Insurance Expenditures Compared to Income

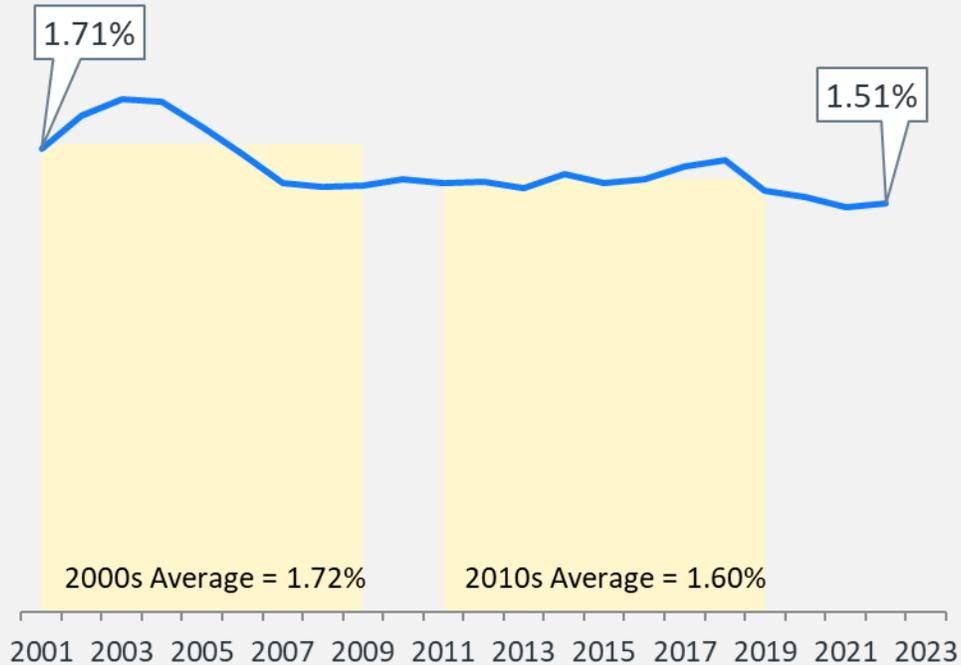


Sources: NAIC's Auto Database Report;

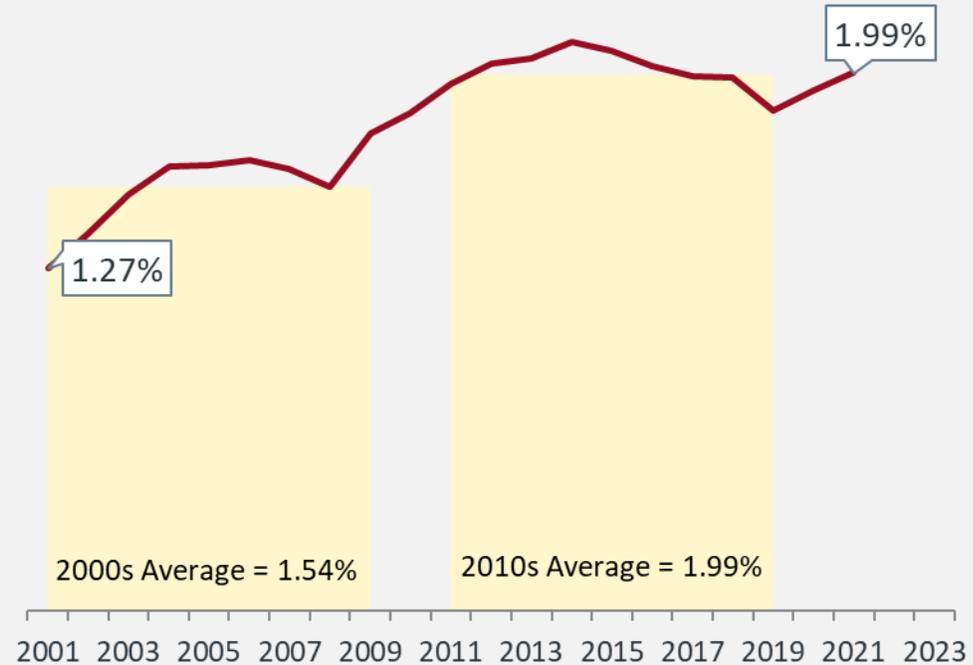


IRC's Affordability Index

Auto Insurance Expenditures as Percent of Median Income



Homeowners Insurance Expenditures as Percent of Median Income



More
Affordable

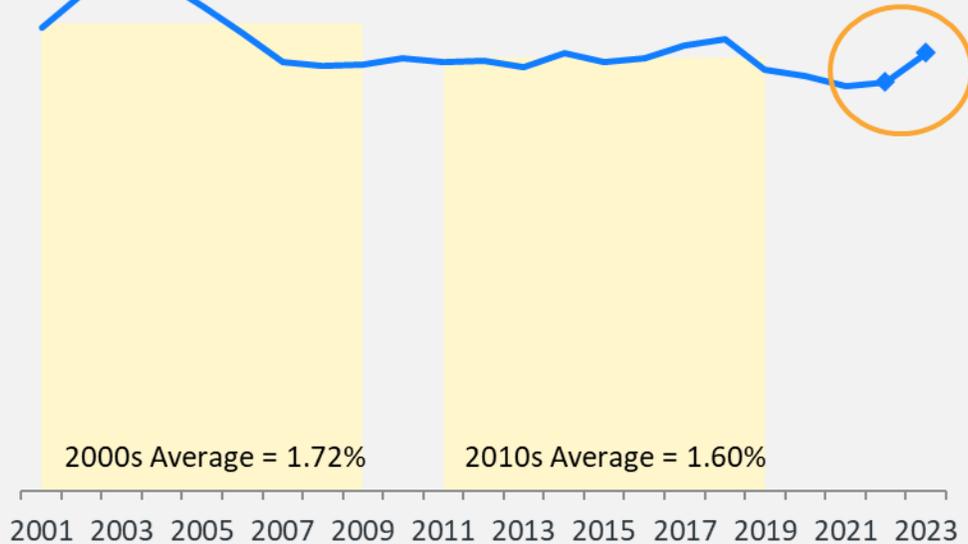


Less
Affordable

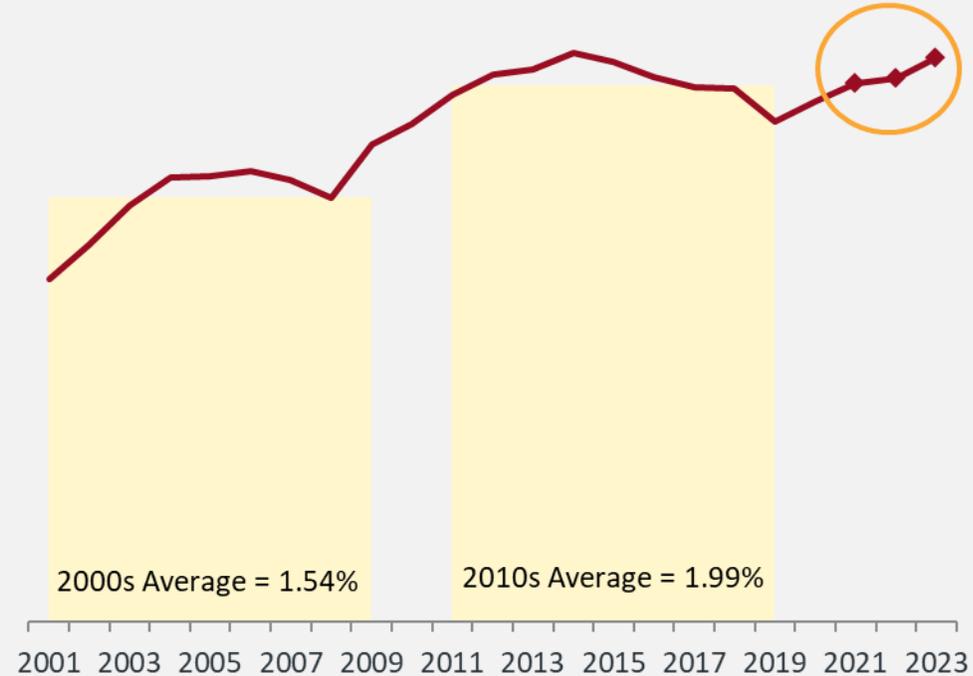


IRC's Affordability Index – Projections Through 2023

Auto Insurance Expenditures as Percent of Median Income



Homeowners Insurance Expenditures as Percent of Median Income



More Affordable



Less Affordable



Wide Range of Insurance Affordability by State

Most Affordable ←—————→ Least Affordable

Auto Insurance Expenditures as Percent of Median Income
 2022



Homeowners Insurance Expenditures as Percent of Median Income
 2021



Homeowners Insurance Cost Drivers Matrix

Cost Drivers by Affordability of Home Insurance									
	Expenditure share	Natural Hazard Risk: Weather	Natural Hazard Risk: Other	Claim Frequency CAT	Claim Frequency NonCAT	Claim Severity CAT	Claim Severity NonCAT	Expense Index	Claims Litigation
Utah	Green	Green	Green	Green	Green	Green	Green	Green	Green
Oregon	Green	Green	Green	Green	Green	Green	Green	Green	Green
Wisconsin	Green	Green	Green	Green	Green	Green	Green	Green	Green
Washington	Green	Green	Green	Green	Green	Green	Green	Green	Green
Idaho	Green	Green	Green	Green	Green	Green	Green	Green	Green
New Hampshire	Green	Green	Green	Green	Green	Green	Green	Green	Green
Maryland	Green	Green	Green	Green	Green	Green	Green	Green	Green
Alaska	Green	Green	Green	Green	Green	Green	Red	Green	Green
Arizona	Green	Green	Green	Green	Green	Green	Green	Green	Green
Pennsylvania	Green	Green	Green	Green	Green	Green	Green	Green	Green
Vermont	Green	Green	Green	Green	Green	Green	Green	Green	Green
Maine	Green	Green	Green	Green	Green	Green	Green	Green	Green
Nevada	Green	Green	Green	Green	Green	Green	Green	Green	Green
D.C.	Green	Green	Green	Green	Green	Green	Green	Green	Green
Delaware	Green	Green	Green	Green	Green	Green	Green	Green	Green
Virginia	Green	Green	Green	Green	Green	Green	Green	Green	Green
Iowa	Green	Green	Green	Green	Green	Green	Green	Green	Green
Ohio	Green	Green	Green	Green	Green	Green	Green	Green	Green
New Jersey	Green	Green	Green	Green	Green	Green	Green	Green	Green
Indiana	Green	Green	Green	Green	Green	Green	Green	Green	Green
Illinois	Green	Green	Green	Green	Green	Green	Green	Green	Green
Michigan	Green	Green	Green	Green	Green	Green	Green	Green	Green
Hawaii	Green	Green	Green	Green	Green	Green	Green	Green	Green
South Dakota	Green	Green	Green	Green	Green	Green	Green	Green	Green
California	Green	Green	Green	Green	Green	Red	Red	Green	Green
North Carolina	Green	Green	Green	Green	Green	Green	Green	Green	Green
North Dakota	Green	Green	Green	Green	Red	Green	Green	Green	Green
Massachusetts	Green	Green	Green	Green	Green	Green	Green	Green	Green
New York	Green	Green	Green	Green	Green	Green	Green	Green	Green
Minnesota	Green	Green	Green	Green	Green	Green	Green	Green	Green
Kansas	Green	Green	Green	Green	Green	Green	Green	Green	Green
West Virginia	Green	Green	Green	Green	Green	Green	Green	Green	Green
Connecticut	Green	Green	Green	Green	Green	Green	Green	Green	Green
Wyoming	Green	Green	Green	Green	Red	Green	Green	Green	Green
Kentucky	Green	Green	Green	Green	Green	Green	Green	Green	Green
Nebraska	Green	Green	Green	Green	Green	Green	Green	Green	Green
Tennessee	Green	Green	Green	Green	Green	Green	Green	Green	Green
Missouri	Green	Green	Green	Green	Green	Green	Green	Green	Green
Colorado	Green	Green	Green	Green	Green	Green	Green	Green	Green
South Carolina	Green	Green	Green	Green	Green	Green	Green	Green	Green
New Mexico	Green	Green	Green	Green	Red	Green	Green	Green	Green
Georgia	Green	Green	Green	Green	Red	Green	Green	Green	Green
Montana	Green	Green	Green	Green	Red	Green	Green	Green	Green
Rhode Island	Green	Green	Green	Green	Red	Green	Green	Green	Green
Alabama	Green	Green	Green	Green	Red	Green	Green	Green	Green
Arkansas	Green	Green	Green	Green	Red	Green	Green	Green	Green
Texas	Green	Green	Green	Green	Red	Green	Green	Green	Green
Oklahoma	Green	Green	Green	Green	Red	Green	Green	Green	Green
Mississippi	Green	Green	Green	Green	Red	Green	Green	Green	Green
Louisiana	Green	Green	Green	Green	Red	Green	Green	Green	Green
Florida	Green	Green	Green	Green	Red	Green	Green	Green	Green

Expenditure Share of Income

Key Homeowners Cost Drivers:

- Natural weather risk exposure
- Other natural risk exposure
- Claim frequency for catastrophe
- Claim frequency for non-catastrophe
- Claim severity for catastrophe
- Claim severity for non-catastrophe
- Expense costs
- Litigation

Red highlights show less favorable rankings and green highlights show more favorable rankings



Climate Risk x Legal System Abuse x Inflation = Property Risk Crisis

Compounding of cats, legal system abuse, and inflation led to property risk crisis in Florida

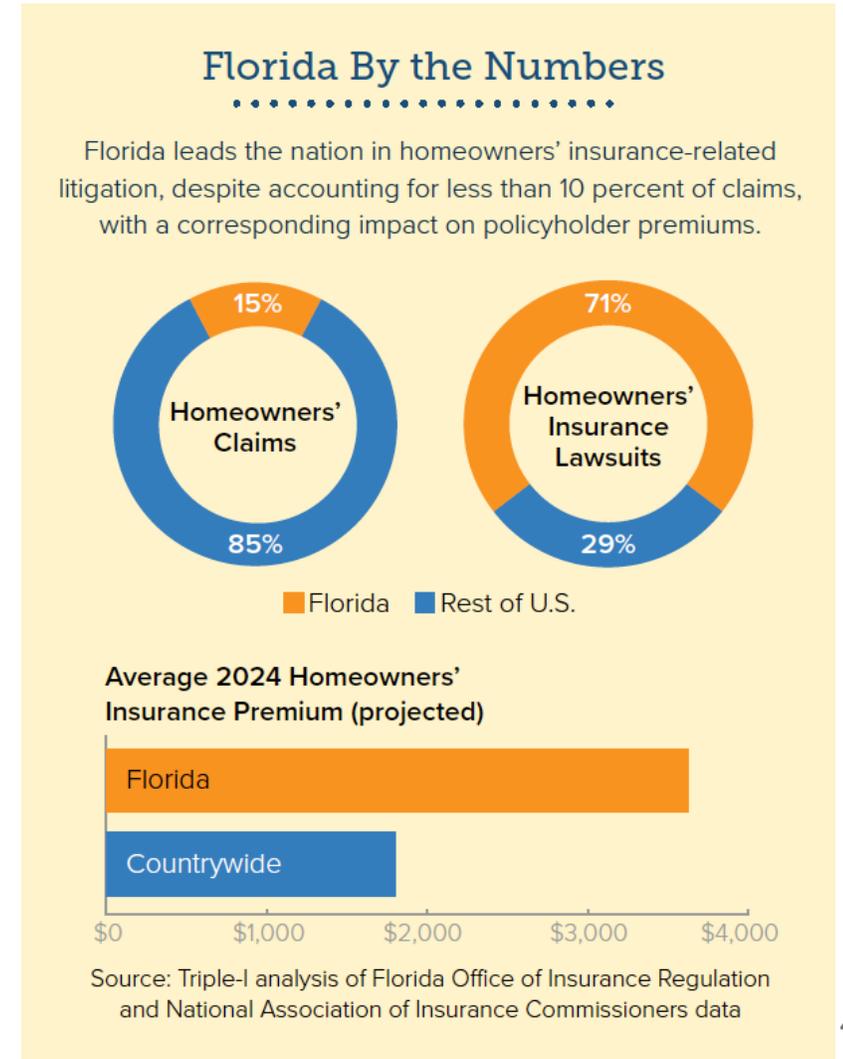
Florida's Decade of Deterioration

- \$51B was paid out by insurers over 10-year period, with 71% going to attorneys' fees and public adjustors*
- Nine insurance company insolvencies since 2021
- Citizens Property Insurance Corp. became state's largest insurer

Period of Improving Availability

- FL Legislature passed landmark insurance reform bills in December 2022 and March 2023
- Seven new companies have entered the market post reform bills
- Citizens depopulation to 1.2M policies from peak of 1.4M*

*Florida Office of Insurance Regulation



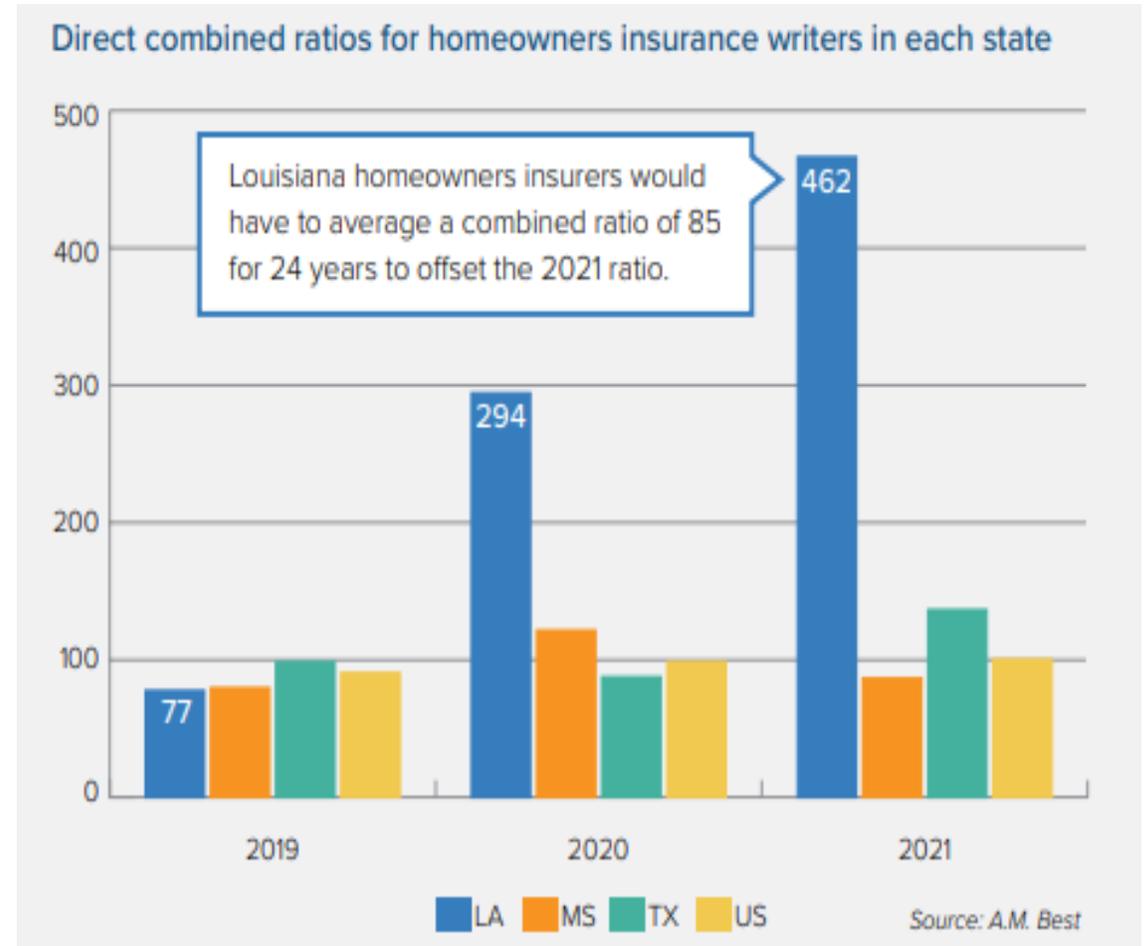
Climate Risk x Legal System Abuse x Inflation = Property Risk Crisis

Compounding of cats, legal system abuse, and inflation led to risk crisis in Louisiana

Louisiana's Risk Crisis

- 2021 Homeowners Industry Combined Ratio of 462 pts and Underwriting Loss of \$7.2B due primarily to Hurricane Ida
- Twelve insurance company insolvencies since 2021
- State has poor affordability index for both Personal Auto (#1) and Homeowners (#2)
- Lawsuit environment costs the state \$3.9B in lost economic activity, imposing a "tort tax" of \$451 per resident annually*

*American Tort Reform Association



Climate Risk x Regulatory Restrictions x Inflation = Property Risk Crisis

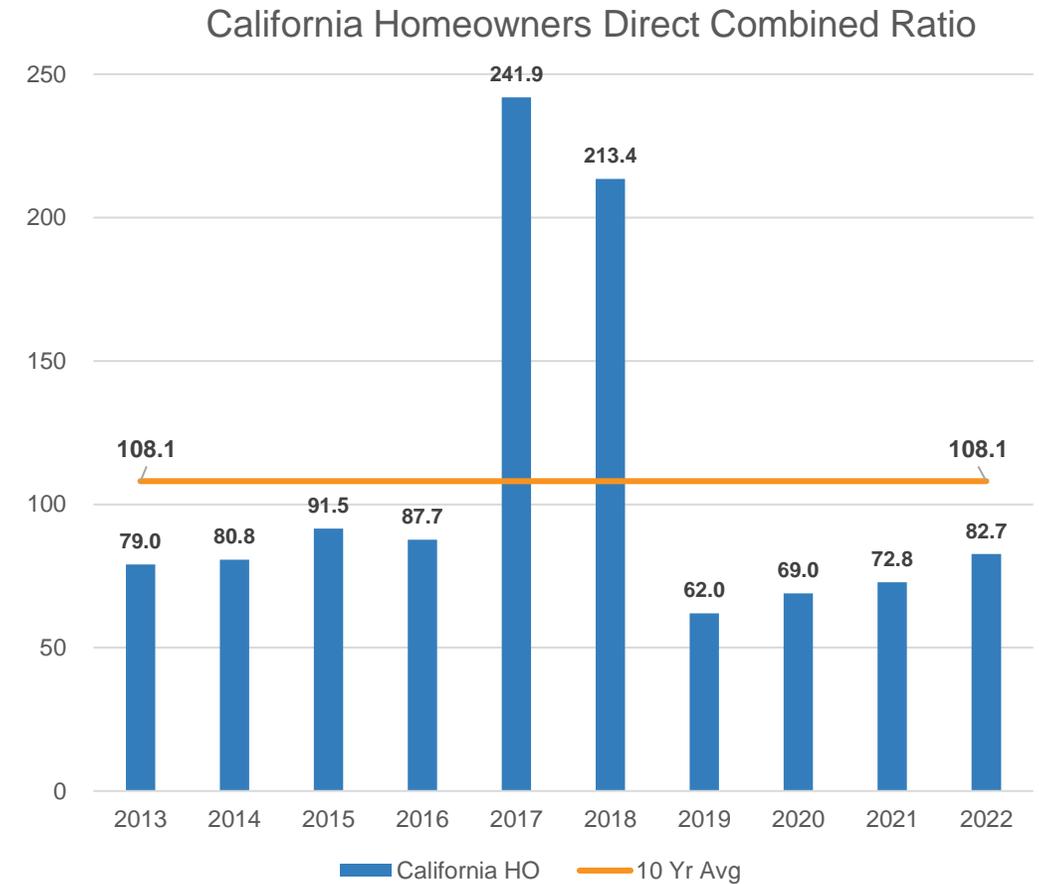
Compounding of fires, regulatory restrictions, and inflation caused property risk crisis in California

California's Availability Crisis

- Industry Homeowners Combined Ratio averaged 108 from 2013-2022
- Proposition 103 continues to restrict pricing and underwriting for 35 years after its implementation
- Many insurers reduced appetite for property risk

Regulatory Reform

- California Department of Insurance "Sustainable Insurance Strategy" promises new regulations to allow cat models and reinsurance to be included in pricing
- Many details to be finalized in 2024



Final Thoughts and Highlights

- P&C premium growth shows promise, but profitability at least a year away
 - Homeowners expected to remain unprofitable in 2024-2025, returning to profit in 2026
 - Personal auto on track to achieve profitability by 2025
 - Commercial lines profitability better than personal lines from 2021 through 2025
 - Personal lines NWP growth rate expected to exceed Commercial Lines by 8 percentage points in 2024
- Key industry risks and opportunities
 - Personal insurance affordability remains challenged
 - Climate risk continues to grow, mitigation requires collective effort
 - Legal system abuse increasing cost of insurance

Final Questions

To inquire about Triple-I member benefits, e-mail Members@iii.org

Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038

Dale Porfilio ♦ dalep@iii.org ♦ 212.346.5533 ♦ www.iii.org



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