APCIA ANALYSIS OF DECEMBER 31, 2024 FINANCIAL OPERATING RESULTS AND TRENDS

American Property Casualty Insurance Association[SM]

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INTRODUCTION

This report presents a summary of the property casualty insurance sector's financial results as of December 31, 2024, and discusses expected trends for 2025. While insurers' surplus has increased, the current level of surplus may still be pressured given challenges from increasingly frequent and extreme weather events, casualty risks (e.g. cyber risk), and ongoing increases in legal system abuse to uncertain economic conditions and increasing loss cost inflation. After two years of underwriting losses, the year ended with underwriting income of approximately two percent of earned premium—almost exactly offsetting the 2023 loss in dollar terms. Insurers' underwriting experience improved from a loss to a small profit (partly due to the impact of reserve adjustments for older years), while still recovering from two earlier years of underwriting losses. Commercial lines have been performing better and are restabilizing. Personal auto had begun to stabilize prior to the potential impact of rising tariffs on auto parts and new vehicles. Property continues to face challenges from recurring, costly, and severe weather events across the country. In the second half of the year the Southeast experienced multi-billion-dollar flooding and the impact of two hurricanes in September and October—the worst since Hurricane Katrina in 2005. The Los Angeles wildfires of early 2025 are expected to be one of the largest Cat losses in recent history—and the costliest wildfire in U.S. history.

In light of the newly imposed tariffs from the current administration, economic uncertainty has increased, along with inflationary pressures of uncertain magnitude. Meanwhile, significant cuts to federal agencies and departments may affect safety, oversight, and regulatory structures—likely impacting insurance losses. Even before any inflationary effects of tariffs, many consumers were already facing financial strain.[1] Subprime auto loan delinquencies rose to 6.56 percent in December 2024, the highest level ever recorded, according to S&P Global Mobility. As affordability pressures mount, consumers are holding onto vehicles longer: the average vehicle age reached 12.5 years, a new high.[2]

The personal lines segment faces multiple headwinds: more costly auto parts embedded with new technologies, a rise in dangerous driving since the pandemic, and increased migration and development in higher-risk areas. And both personal lines and commercial lines continue to be acutely impacted by mounting litigation abuse. Regulatory hurdles in some states continue to limit insurers' ability to charge actuarially sound rates and price in accordance with risk—especially for personal lines. While the aggregate industry capital and surplus remain adequate to meet its obligations to consumers and businesses, continued growth is needed to keep at pace with rising known and unknown risks and exposures. Year-end surplus is only about five percent higher than at year-end 2021, while risks and costs have risen substantially over the past three years.

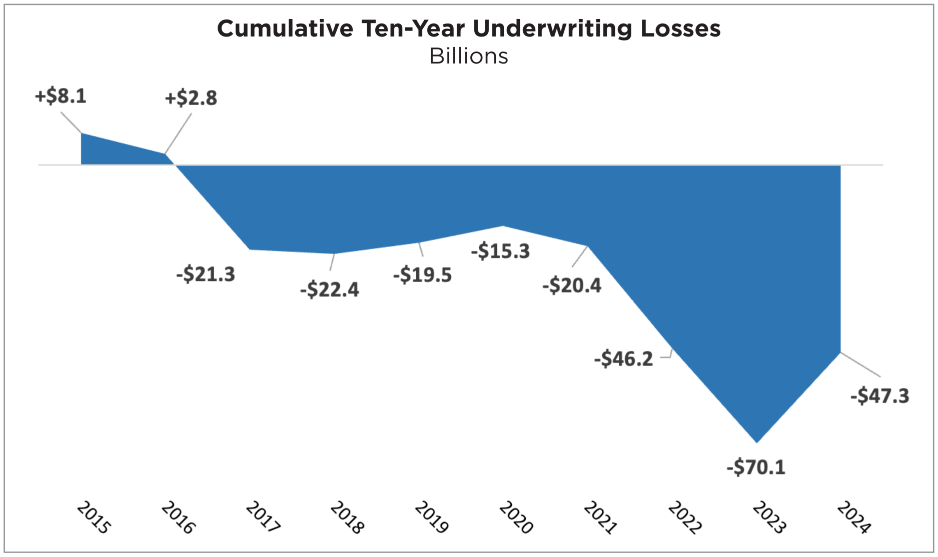
1 Banking Exchange: "Majority of Americans Cannot Afford Emergency Expenses"; January 27, 2025.

2 MotorBiscuit: "New data says car loan defaults just hit the highest-ever recorded"; February 28, 2025.

OVERVIEW

The industry reported $22.9 billion in underwriting gains—its highest level since 2006—reversing two years of losses.[3] The 2024 gain was about the same magnitude as the $23.9 billion loss in 2023. Even after including the strong 2024 result, aggregate industry net underwriting losses over the past ten years exceeded $47 billion ($55 billion in 2024 dollars).

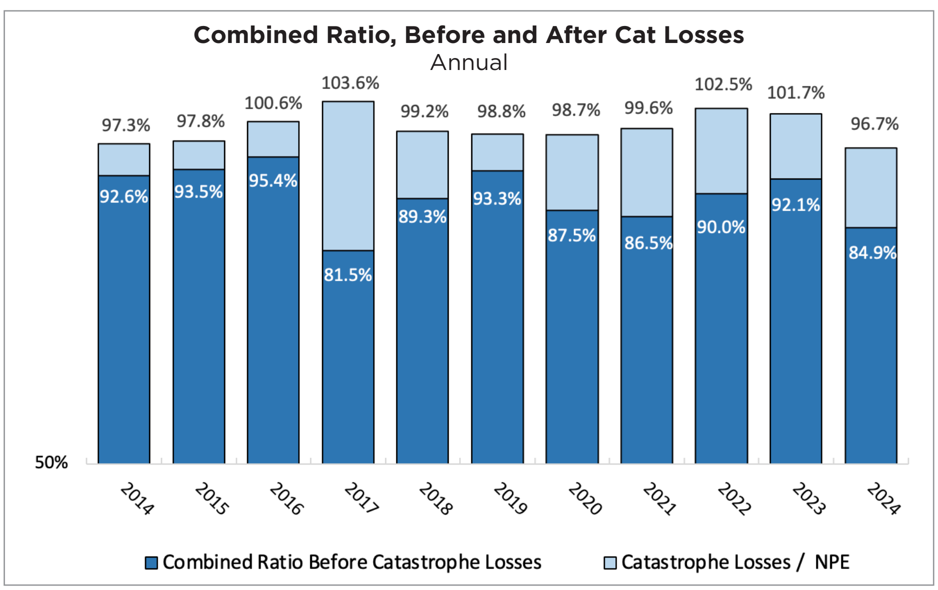
CHART 1



Net Reported Underwriting Gain or Loss after Policyholder Dividends, 2015-2024. S&P Global data as of April 10, 2025.

The industry's 2024 post-dividend combined ratio of 96.7 percent is the best annual result since 2013 and is a five-point improvement from 2023. The loss and loss adjustment expense ratio improved from 76.4 percent in 2023 to 71.0 percent in 2024, while the underwriting expense ratio rose slightly from 24.9 percent to 25.3 percent.

CHART 2



Insured catastrophe losses from Aon, reported by the Insurance Information Institute, excluding National Flood Insurance Program claims. Industry data from S&P Global. Data as of April 6, 2025.

3 Earned premium less underwriting expenses, losses and loss adjustment expenses, and policyholder dividends.

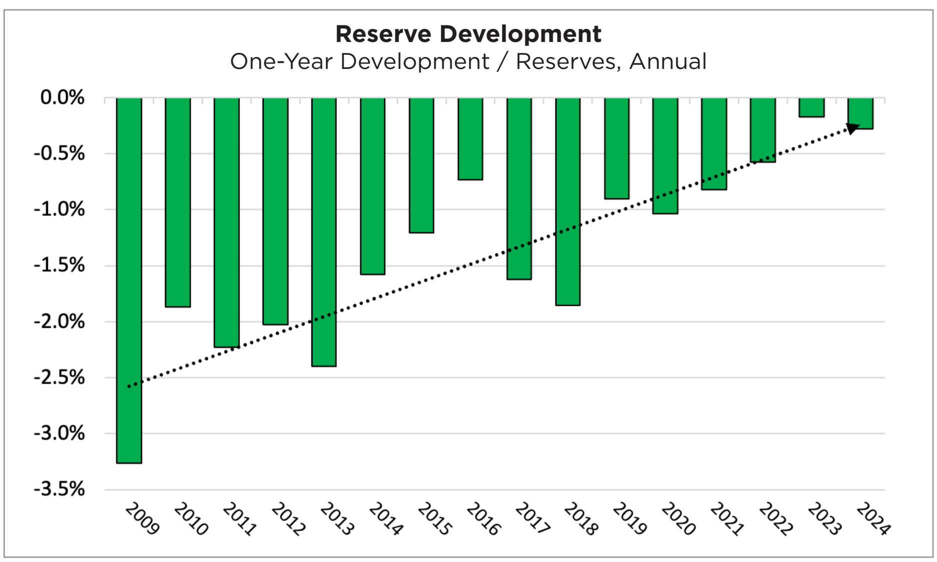
Catastrophe losses accounted for about 12 points on the combined and loss ratios in 2024. The $106 billion in insured cat losses marked the highest total since 2017, which included Hurricanes Harvey, Maria, and Irma. In 2024, Hurricanes Helene and Milton were the costliest single catastrophe events worldwide, with insured losses of $17.5 billion and $20.0 billion, respectively. According to Aon, the two storms caused $75 billion and $35 billion in economic losses respectively—with the bulk of Helene's damage driven by flooding in Florida and especially North Carolina. Severe convective storms accounted for the bulk of other catastrophe losses, exceeding $50 billion.[4]

The National Interagency Fire Center reported that 8.9 million acres were destroyed by wildfires in 2024, the highest level since 2020's 10.1 million. Wildfires have consumed at least 5 million acres in 15 of the last 20 years.[5] Milliman estimates that the 2024 Maui wildfire caused about $3 billion in insured losses, while 2025's Los Angeles-area Eaton and Palisades fires are estimated to cost insurers between $25.2 and $39.4 billion.[6]

While the personal lines experience improved in 2024, rate adequacy in some states and exposure to extreme weather events remain ongoing challenges. As of year-end 2024, nearly 26 percent of personal lines insurers carried negative outlooks—up notably from under 18 percent a year earlier. Positive outlooks remained rare, ticking up slightly to 1.8 percent, while the share of insurers under review also increased.[7] Although the overall pace of AM Best downgrades moderated in 2024, most affected carriers had material property exposures—reflecting heightened catastrophe risk, growing losses from secondary perils, and continued pressure from elevated reinsurance costs and retentions."[8]

As has been the case in each of the last 19 years, the loss ratio benefited from a net release of reserves held against claims attributable to prior years. About 60 percent of insurers reported net reserve releases totaling $4.1 billion. The remaining insurers reported net reserve additions of $3.3 billion, resulting in a net reserve release of $0.8 billion for the industry overall, representing 0.3 percent of earned premium. While this was a slightly larger redundancy than in 2023, the long-term trend suggests that the well may be running dry—especially given emerging uncertainties around artificial intelligence, automated driving, litigation abuse, and nuclear verdicts.

CHART 3



Net reserve additions divided by prior year-end loss and loss adjustment expense reserves. S&P Global data as of April 6, 2025.

4 Catastrophe loss estimates from Aon's "Climate and Catastrophe Insight, 2024 Q4".

5 National Interagency Coordination Center, www.nifc.gov/fire-information/statistics/wildfires.

6 "Industry insured losses for Los Angeles wildfires," Milliman, Feb. 14, 2025.

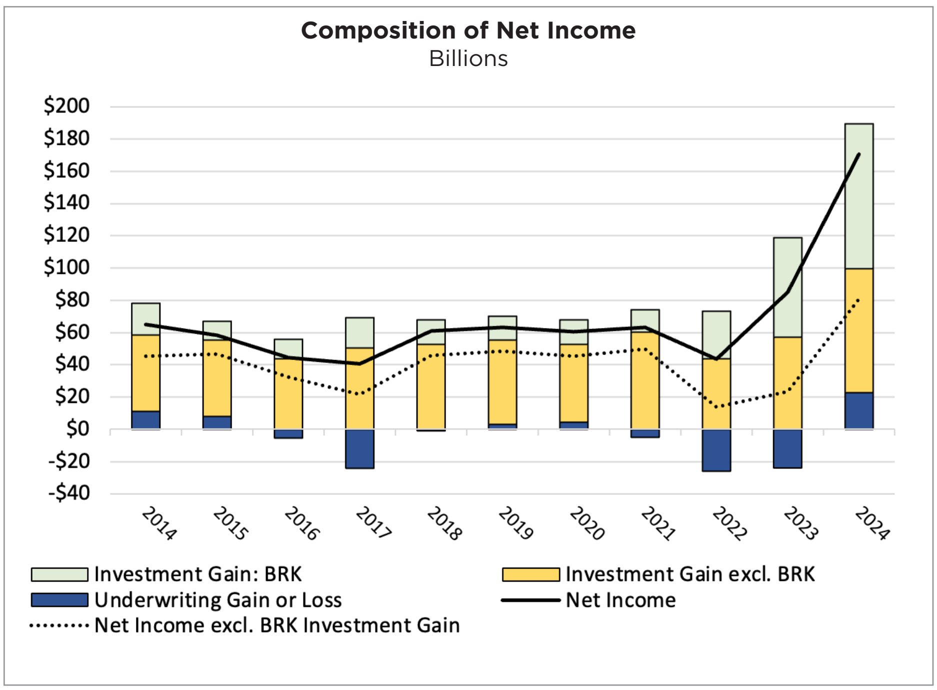
7 NAIC NewsWire: "U.S. P/C Insurers Get Ratings Boost"; March 17, 2025.

8 AM Best: "Best's Special Report: U.S. Property/Casualty Insurance Segment Rating Upgrades Increased in 2024, While Downgrades Marked a Decline"; March 13, 2025.

Industry net income topped $170 billion in 2024, a record that doubled the previous record of $85.1 billion set in 2023. However, more than half of the two-year combined total of $255.9 billion in net income was attributable to a single organization: Berkshire Hathaway's property casualty group of companies. Of Berkshire's $151.7 billion in net investment gains for 2023-24, $122.1 billion—more than 80 percent—was generated from gains on a transfer of BNSF Inc. stock in 2023 and sales of Apple Corp. stock holdings on two occasions in 2024.[9] The outsized transactions, which highlight Berkshire's massive size and unique nature, distort the underlying profitability profile of the industry as a whole.

Net income consisted of $22.9 billion in underwriting gains, $87.4 billion in net investment income, $79.3 billion in after-tax realized capital gains on sales of investments, $1.3 billion of other income, less $20.0 billion for federal income taxes. Pretax return on revenue was 11.3 percent, the strongest result since 2004—while the after-tax return on average statutory capital and surplus climbed to 15.9 percent, the highest in at least 20 years.

CHART 4



BRK is Berkshire Hathaway's property and casualty companies. Investment gain is net investment income earned (primarily interest and dividend income) plus net realized capital gains after tax. S&P Global data as of April 10, 2025.

9 In Q3 2023, Berkshire Hathaway (BRK) transferred BNSF shares from subsidiary National Indemnity, generating $48 bn in capital gains. In Q2 and Q3 2024 BRK insurers sold APPL stock for capital gains of $56 bn and $18 bn, respectively.

According to the NAIC's most recent report, the return on net worth for property casualty insurers over the last decade (2014-2023) was only 40 percent of the Fortune all industry return.[10]

CHART 5

Comparison of Rates of Return on Net Worth
(In Percent)

Year	(1) NAIC Property/Casualty Insurance	(2) Fortune Magazine All Industry
2014	6.6	14.3
2015	6.6	12.7
2016	4.8	13.1
2017	3.2	13.9
2018	7.3	15.4
2019	7.2	15.3
2020	6.4	10.3
2021	6.1	20.0
2022	4.7	17.1
2023	7.3	17.4
2014 - 2023 Averages	6.0	14.9

(1) Returns are calculated using mean and net worth.

(2) Returns are calculated using year-end net worth.

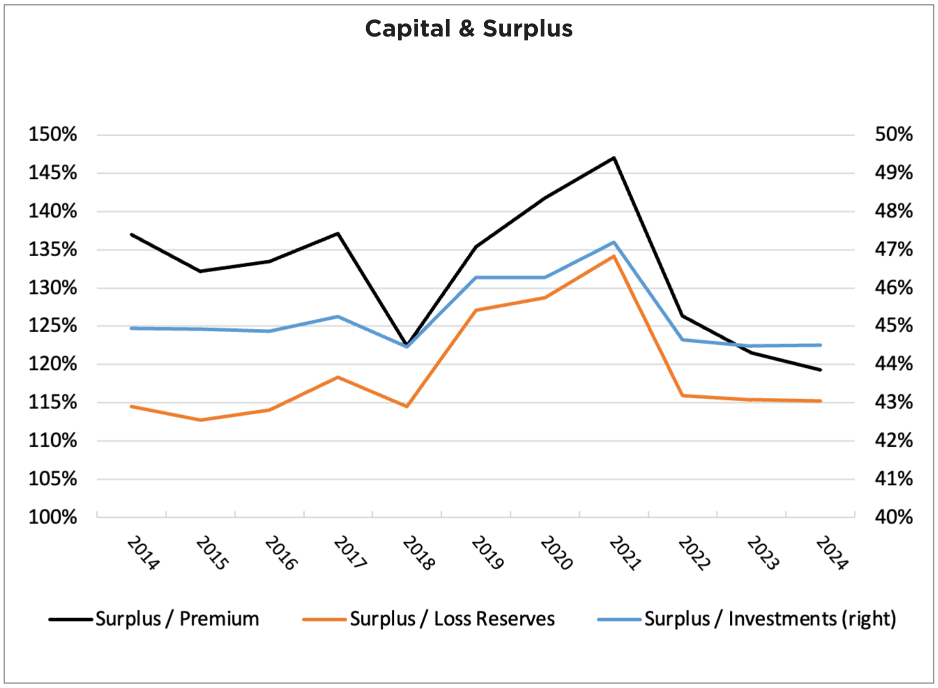
*NOTE: This figure is provided by the NAIC and represents an approximation based on a simple average of Fortune's Industrial and Service sectors.

10 NAIC: *Report on Profitability by Line by State in 2022*; April 2025.

SURPLUS

Aggregate industry capital and surplus rebounded to $1.1 trillion at year-end 2024—surpassing the high attained in 2021. However, despite record levels of net income including large realized capital gains on equity sales in 2024, capital and surplus fell to 119.3 percent of net written premium, the lowest level since 2008. Similarly, the ratio of capital and surplus to net loss and loss adjustment expense reserves declined to 115.3 percent, a slight drop from 2023 and the lowest since 2018. Relative to total investments, industry capital and surplus remained unchanged at 44.5 percent.

CHART 6



Based on year-end values for surplus and reserves; full-year data for net premium written.
S&P Global data as of April 10, 2025.

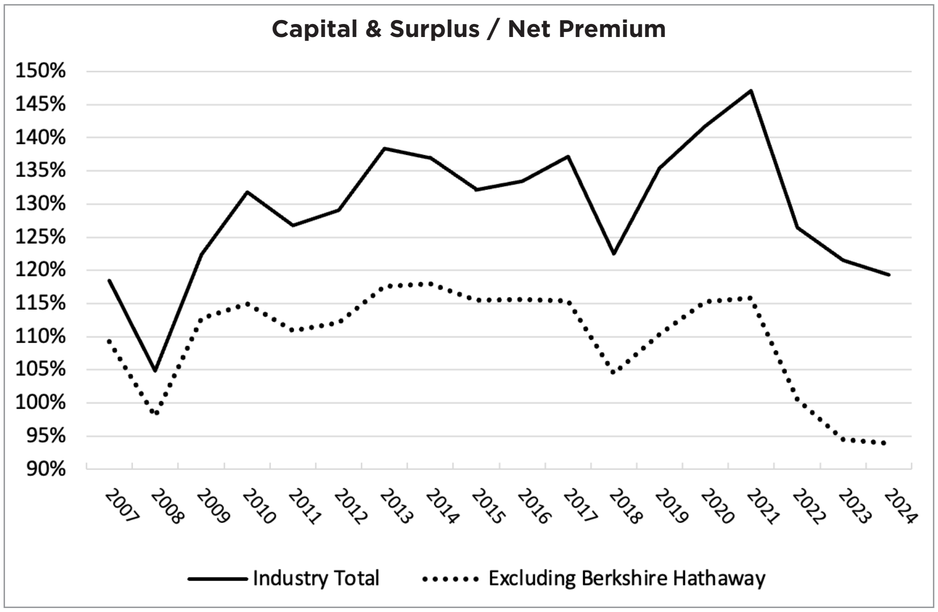
The industry's capital and surplus cushion had been improving steadily for two decades until reaching an apex in 2021. Contributing to the comparatively weaker capital position since then were $58 billion in underwriting losses from 2021 to 2023, $42 billion in changes in unrealized capital losses on investments from 2022 to 2024, and more than $200 billion in voluntary returns of capital to owners via shareholder dividends from 2022 to 2024.[11]

In assessing capital and surplus adequacy, it's notable that over one quarter of the $1.1 trillion aggregate surplus is held by a single insurer group—Berkshire Hathaway—which wrote less than one-tenth of industry net premium. Berkshire's share of industry surplus has more than doubled in the last 20 years: from 13.3 percent in 2004 to 28 percent in 2024. In 2024, total industry capital and surplus fell to 119.3 percent of net premiums; excluding Berkshire Hathaway, the ratio drops to 93.9 percent.[12]

11 A large part of the stockholder dividends ($155 billion) was largely of investment gains from equity sales and were distributed to the owners of Berkshire Hathaway companies. This represented about two-thirds of the industry total.

12 The ratio used is the inverse of the more familiar "premium-to-surplus" ratio, for which the respective figures are and 83.8 percent and 106.5 percent.

CHART 7



Based on year-end values for Capital and Surplus and full year values for Net Premium Written. Berkshire Hathaway data is for the consolidated property/casualty group. S&P Global data as of April 10, 2025.

Despite declines in broad capital adequacy metrics, both aggregate and company-specific capital and surplus remain at levels sufficient to absorb potential future losses, based on the risk-based capital metric used by state insurance regulators. The industry weighted-average ratio of adjusted capital to Company Action Level capital (the "RBC ratio") was 2.9x in 2024, a slight improvement over 2.7x at year-end 2023.[13] Among the 100 largest insurer groups, 52 showed improvement in their RBC ratios while 48 deteriorated. The median RBC ratio for the 100 largest groups was 3.0x in 2024 vs. 2.8x in 2023.

Capital and surplus grew 5.6 percent in 2024, driven by $170.8 billion in net income and $3.5 billion in new paid-in capital. These were offset by $87.5 billion in stockholder dividends and $10.8 billion in unrealized capital losses, net of gains.

As the economy grows, multiple insurance indicators suggest that surplus levels must also increase to meet the demands of a growing economy, rising risk exposure, and the protection needs of consumers and businesses. S&P performed a two-factor capital stress test to assess the North American property casualty insurers' vulnerabilities and capital capacity amid volatile conditions. According to S&P, most U.S. rated primary property casualty insurers show a drop of about 22 percent in total available capital under its two-factor stress test, which models a decline of 35 percent in the equity valuations and a substantial rise in catastrophe losses.[14] More than half of the $40.4 billion in annual catastrophe budget across U.S. rated primary property casualty insurers was likely exhausted in the first quarter. With equity and catastrophe exposures representing a combined 47 percent of total risk-based capital, roughly one-quarter of carriers may face capital-at-risk in 2025.

13 "Company Action Level" is reached when an insurer's total adjusted capital falls below 200% of its Authorized Control Level RBC, triggering the requirement for the insurer to submit a corrective action plan to the regulator.

14 S&P Global Ratings: "North American Property And Casualty Insurers Show Strength Under Dual Capital Pressure"; April 11, 2025.

LEGAL SYSTEM ABUSE

In 2024, the U.S. Chamber of Commerce published a study on nuclear verdicts, concluding:

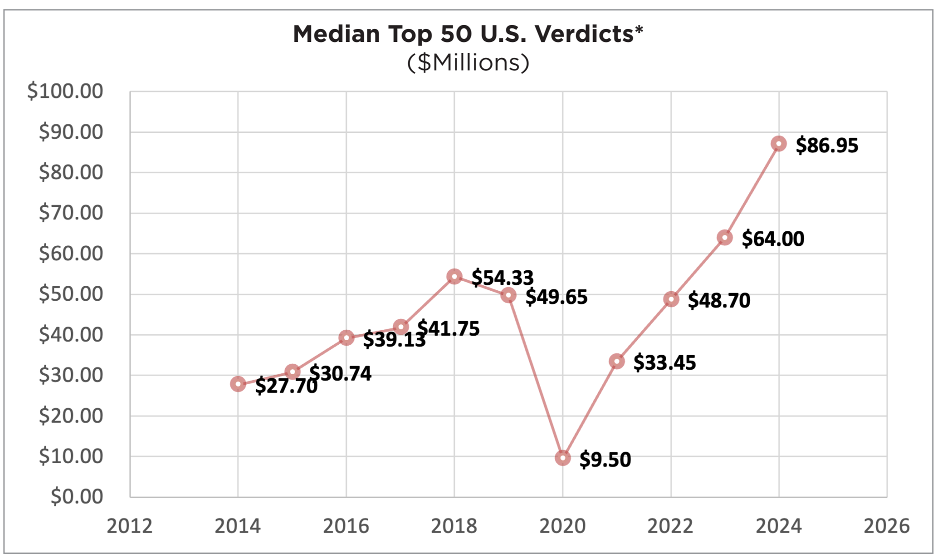
- California, Florida, New York, and Texas collectively produce half of the nation's nuclear verdicts;
- product liability nuclear verdicts have grown in size far more rapidly than other verdict types—rising to from a median of $24 million in 2013 to $36 million in 2022, a 50 percent increase); and
- noneconomic compensatory damages continue to play an outsized role in nuclear verdicts. In six of the 10 years covered by the dataset, noneconomic damages exceeded the total amount of economic damages and punitive damages combined.

After a lull during the pandemic years of 2020 and 2021, the study found a sharp rise in nuclear verdicts, to 160 in 2022 and 129 in 2023. With a median value of $23.6 million per case over the latest two years covered by the study, the total cost is estimated to be about $3.5 billion.[15]

Despite a second consecutive annual decline in large truck crashes, 2024 saw a series of outsized verdicts—including judgment exceeding $450 million—that rattled commercial auto markets. While state-level tort reforms provided some relief, the expanding footprint of third-party litigation funding continues to weigh on the liability environment.[16]

Among the top 50 U.S. verdicts involving individual plaintiffs (i.e., excluding class actions), the median continues to climb.[17]

CHART 8



* Our verdict data involved cases dealing with individual plaintiffs, defined as a single person, family or small group of individuals injured in a single incident that had their claims tried in one case before the same jury. All the cases were defended by at least one party. As such, we omitted the verdicts rendered against defaulted foreign nationals for acts of terrorism and all tobacco, asbestos (except talcum powder), environmental or civil rights litigation involving multiple plaintiffs. Also, there is oftentimes a lag in reporting for verdicts rendered late in the year so there is a chance that some late reported verdicts were not captured when our charts were completed.

15 "Nuclear Verdicts: An Update on Trends, Causes, and Solutions," Institute for Legal Reform, May 30, 2024. In this report nuclear verdicts are defined as jury awards in excess of $10 million. The 2023 data is considered preliminary.

16 The American Transportation Research Institute: *CRITICAL ISSUES IN THE TRUCKING INDUSTRY – 2024*; October 2024.

17 Data compiled by Sofya Uvaydov, Esq. & team at Kahana & Feld LLP. Involved cases dealing with individual plaintiffs, defined as a single person, family or small group of individuals injured in a single incident that had their claims tried in one case before the same jury. Verdicts rendered against defaulted foreign nationals for acts of terrorism and all tobacco, asbestos (except talcum powder), environmental or civil rights litigation involving multiple plaintiffs were omitted. Also, there is oftentimes a lag in reporting for verdicts rendered late in the year so there is a chance that some late reported verdicts were not captured when the charts were completed in February 2025.

A.M. Best highlighted the role of social inflation in deteriorating casualty results: Social inflation remains a key driver of adverse casualty development, contributing to reserve uncertainty and sustained upward pressure on liability pricing.[18] According to AM Best, Casualty markets pursuing modest rate increases appear unlikely to keep pace with loss cost trends, while higher-pricing segments may be better positioned to manage volatility.[19]

Certain policies from the current administration may also contribute to increased costs and litigation. Construction defect litigation tends to rise following periods of skilled labor shortage—a condition that has persisted across the U.S. construction sector for much of the past decade.[20] Immigrant workers comprise a share of the construction workforce, and persistent shortages—estimated at around 500,000 workers since 2023—continue to challenge project quality and risk control.

NATURAL CATASTROPHE LOSSES, AGING INFRASTRUCTURE, INADEQUATE BUSINESS PROCEDURES, AND TARIFFS

Reports of significant damage from extreme weather events are appearing more frequently across all regions of the country. Phrases like 'once-in-a-century event,' 'once-in-a-generation disaster,' and 'historic' have become part of everyday vocabulary. In parallel, recent incidents—from aviation to software failures—have exposed gaps in safety systems and operational guardrails, often resulting in costly losses for consumers and businesses alike.

Insurtech Advisors analyst Kaenan Hertz cautioned that the broader inflationary effects of tariffs could impact multiple sectors: "' Tariff-related uncertainty remains a potential upward pressure on vehicle and associated insurance costs. A prolonged period of elevated import costs could also sustain higher inflation and, ultimately, increase borrowing costs."[21]

NATURAL CATASTROPHES:

The U.S. population has grown from roughly 249 million in 1990 to 341 million today, with expansion concentrated in economically dynamic regions and impacted by other social trends. While some areas—such as the industrial Midwest—have seen population stagnation or decline, many high-risk zones have experienced significant inflows. The result is a growing concentration of insured exposure in regions prone to natural hazards.[22]

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18 AM Best: "Social inflation trends cut into insurer margins: A.M. Best"; February 27, 2025.

19 *Ibid*.

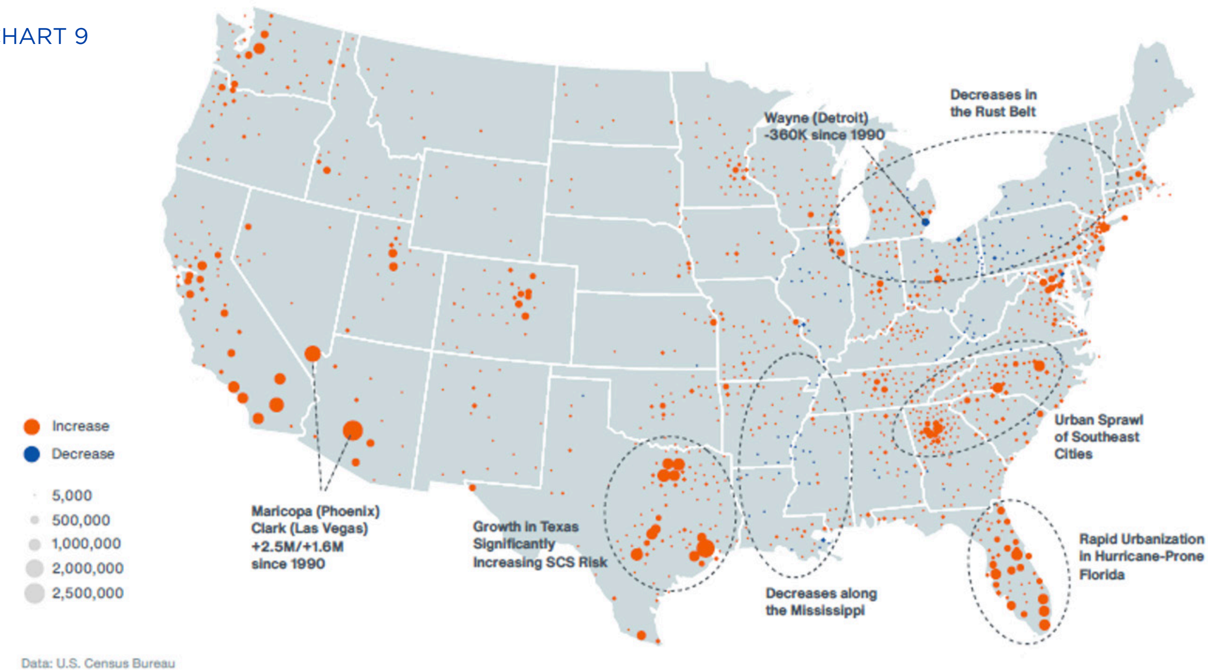
20 Seyfarth: Commercial Litigation Outlook; 2025 Edition.

21 S&P Market Intelligence: "Tariffs, wildfires to top U.S. P&C insurers' earnings season agenda" April 15, 2025.

22 Aon: *Climate and Catastrophe Insight*; January 2025.

Florida offers a clear example: its population has nearly doubled since 1990, contributing to rapid development in coastal areas vulnerable to hurricanes. This expansion has spurred continued evolution of building codes and adaptation strategies. Meanwhile, Maricopa County, Arizona—home to Phoenix—has recorded the largest county-level population increase in the country, growing from 2.1 million in 1990 to 4.6 million in 2025. In recent years, the area has faced record-breaking heatwaves and mounting health risks, intensified by the urban heat island effect and broader temperature trends.[23]

CHART 9



The year 2024 brought another sobering level of destruction and cost from extreme weather events. According to Aon, the U.S. was impacted by 9 of the 10 largest global insured loss events in 2024—underscoring the disproportionate severity of U.S. catastrophe exposure.[24]

CHART 10

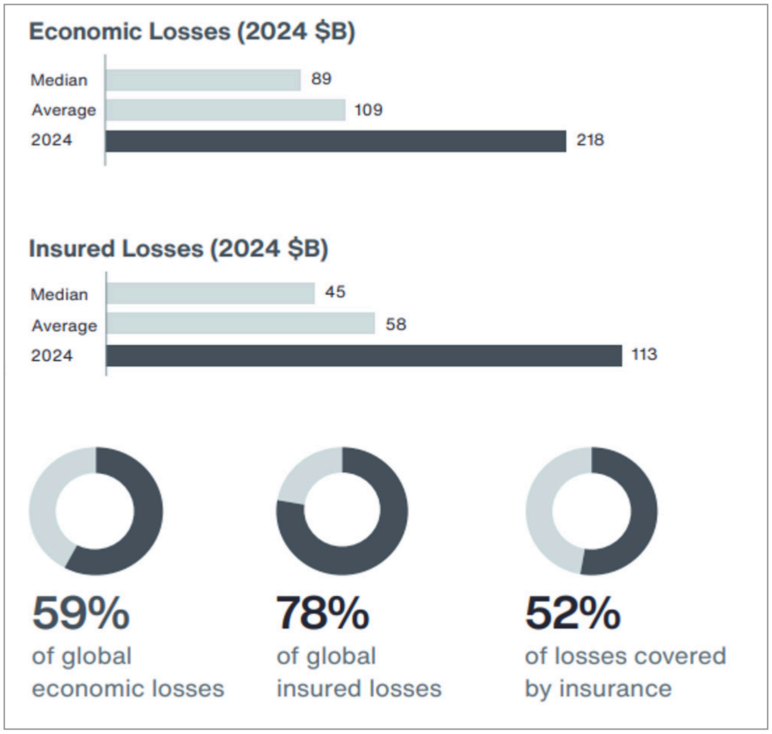
Date	Event	Location	Deaths	Economic Loss (2024 $B)	Insured Loss (2024 $B)
10/08 – 10/11	**Hurricane Milton**	U.S., Mexico	35	35.0	**20.0**
09/25 – 09/28	**Hurricane Helene**	U.S., Mexico, Cuba	243	75.0	**17.5**
05/06 – 05/10	**Severe Convective Storm**	United States	6	6.6	**5.2**
03/12 – 03/16	**Severe Convective Storm**	United States	3	6.0	**4.8**
10/27 – 10/30	**Valencia Floods**	Spain	231	16.1	**3.9**
05/17 – 05/22	**Severe Convective Storm**	United States	5	4.9	**3.9**
08/03 – 08/11	**Hurricane Debby**	U.S., Canada	6	6.2	**3.9**
07/01 – 07/11	**Hurricane Beryl**	U.S., Caribbean, Canada	70	7.7	**3.7**
05/25 – 05/26	**Severe Convective Storm**	United States	26	4.5	**3.6**
01/01 - 12/31	**U.S. Drought**	United States	N/A	7.1	**3.5**
All Other Events			~17,500	198.9	**75.1**
Totals			**~18,100**	**368**	**145**

As shown in the table, the U.S. accounted for the largest portion of insured losses—reflecting both its high exposure levels and comparatively greater insurance penetration.

23 *Ibid.*

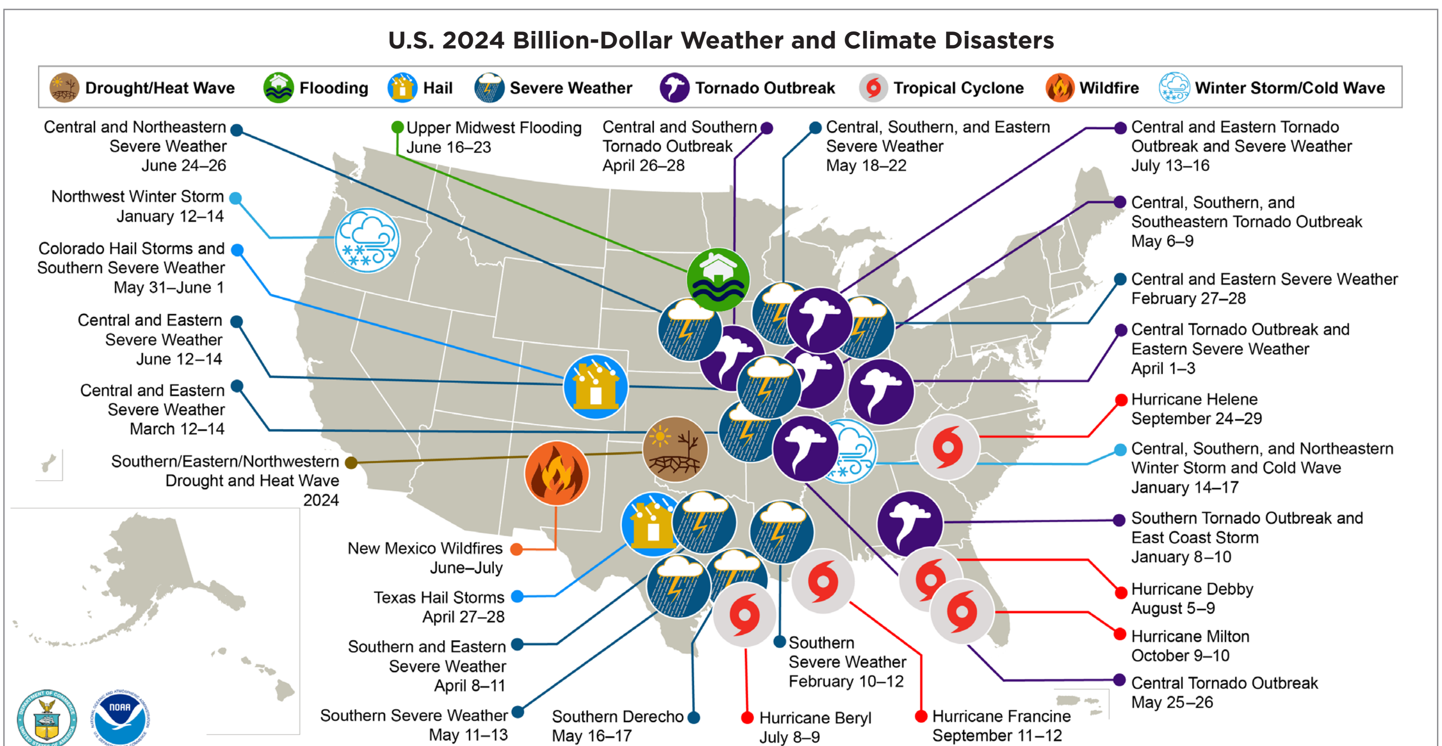
24 *Ibid.*

CHART 11



National Oceanic and Atmospheric Administration (NOAA) offers additional perspective on the scale of nationwide devastation.

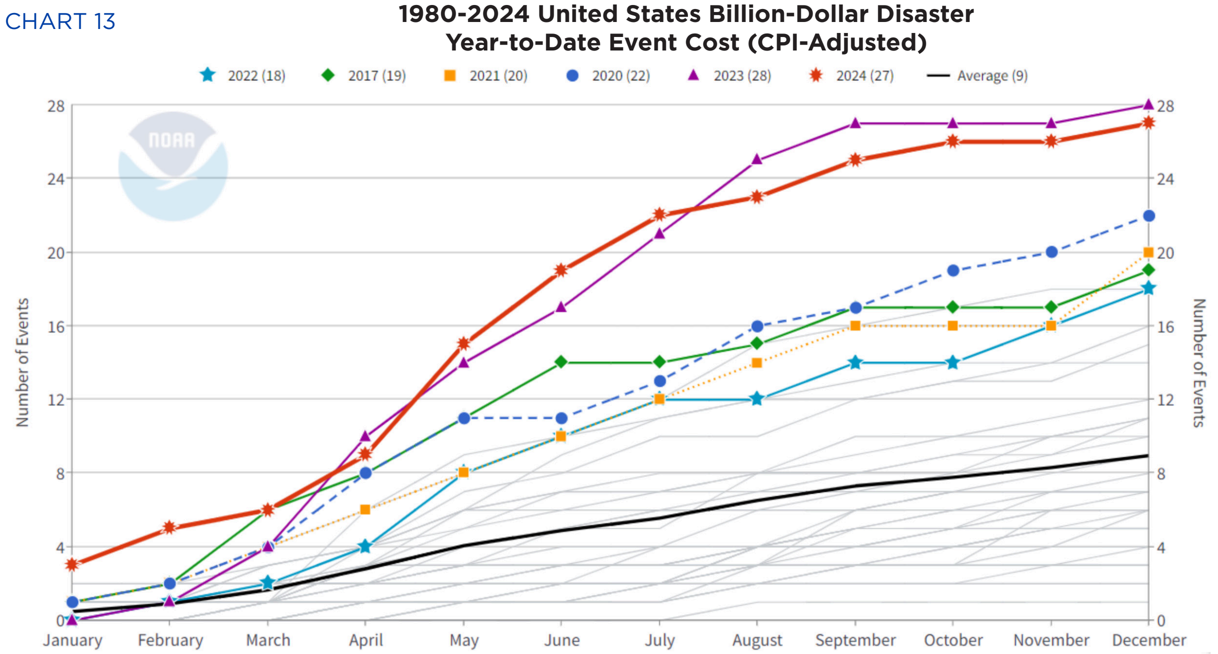
CHART 12



This map denotes the approximate location for each of the ***27 separate billion-dollar weather and climate disasters that impacted the United States in 2024.***

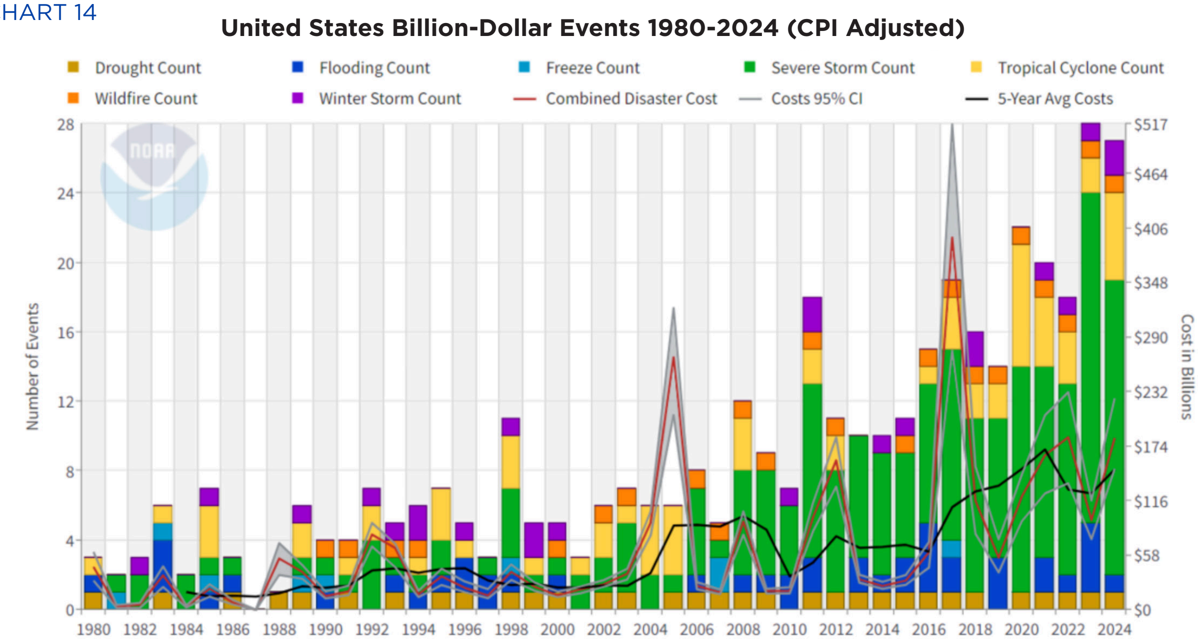
"The year 2024 (red line) is the 14th consecutive year (2011-2024) in which 10 or more separate billion-dollar disaster events have impacted the U.S. The 1980–2023 annual average (black line) is 9.0 events; the annual average for the most recent 5 years (2020–2024) is 23.0 events."[25]

CHART 13



"Over the last ten years (2015-2024), the U.S. has been impacted by 190 separate billion-dollar disasters that have killed more than 6,300 people (direct and indirect fatalities) and cost ~$1.4 trillion in damage. The U.S. mainland has been impacted by landfalling Category 4 or 5 hurricanes in six of the last eight years, including Hurricanes Harvey, Irma, Maria, Michael, Laura, Ida, Ian and Helene. The impacts from Hurricanes Helene and Milton were particularly destructive, causing more than $100 billion in combined damage across Florida, Georgia, South Carolina, North Carolina, Tennessee, and Virginia over a two-week period from late-September into early October."[26]

CHART 14



25 **https://www.climate.gov/news-features/blogs/beyond-data/2024-active-year-us-billion-dollar-weather-and-climate-disasters**.

26 *Ibid.*

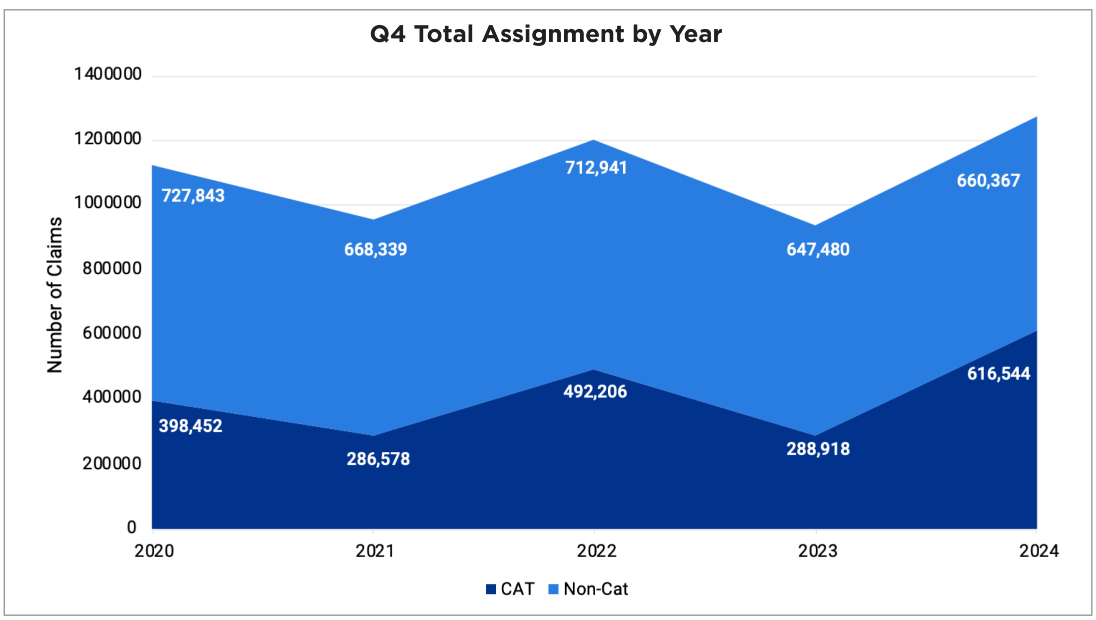
Hurricanes Helene and Milton caused billions of dollars in damage in September and October, respectively. They were the deadliest natural disasters on the U.S. mainland since Hurricane Katrina in 2005. With Hurricane Helene costing approximately $75 billion in economic losses and $17.5 billion in insured losses, representing some of the highest tropical cyclone-related losses on record for the U.S. mainland.[27] The two hurricanes caused approximately $37.5 billion of insured losses (including NFIP).[28]

Flooding from Tropical Storm Helene exposed a significant insurance gap in parts of western North Carolina, where fewer than 2 percent of residential structures were covered by the National Flood Insurance Program. Take-up had been declining in the region prior to the storm. As flood risk intensifies—driven in part by more frequent and severe rainfall events—low participation in public and private flood insurance remains a key vulnerability in inland areas.[29]

Severe convective storms again ranked among the leading causes of insured losses in 2024. For the second consecutive year—and only the second time on record—SCS-related insured losses exceeded $50 billion. The year saw $54 billion in insured losses, $69 billion in total economic losses, and 17 billion-dollar SCS disasters—each figure second only to those recorded in 2023.[30]

According to Verisk, a clear pattern emerged in Q4 2024, showing that weather-related risks continue to evolve. In contrast to 2023, Q4 2024 saw a shift in storm pattern with late-season hurricanes—rather than winter storms—driving claim volumes. This shift particularly affected the Southeast, where hurricane-related claims dominated the quarter. Texas saw high claims volumes from a combination of wind, water, and hail events, while California experienced non-catastrophic flood claims in the Bay Area.[31]

CHART 15



27 Aon: Climate and Catastrophe Insight; January 2025.

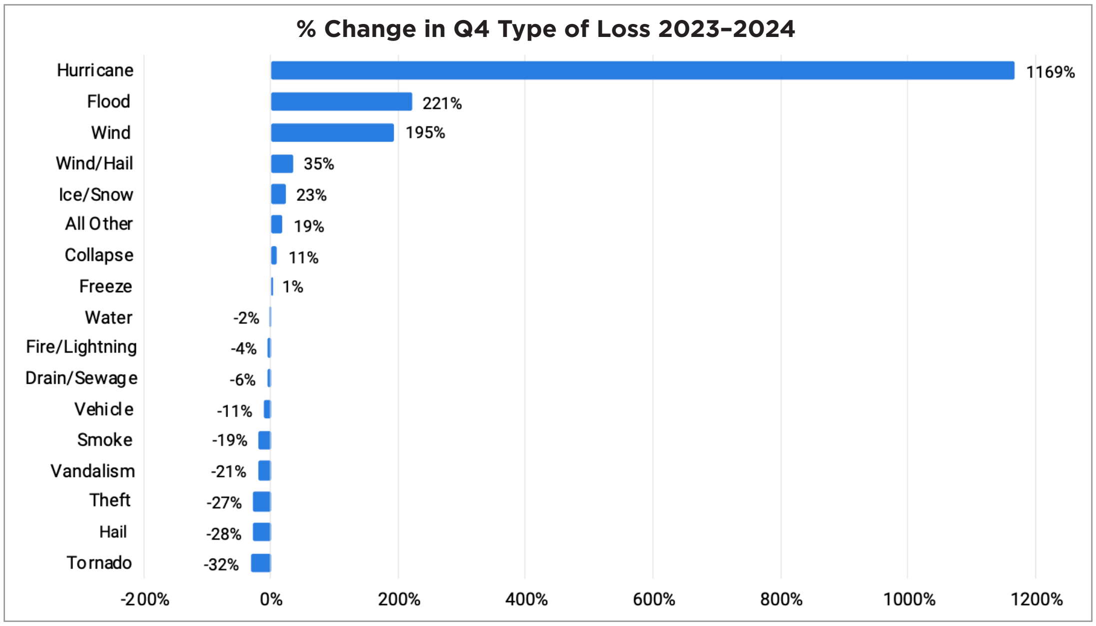
28 *Ibid.*

29 *Ibid.*

30 *Ibid.*

31 Verisk: *Quarterly Property Report October-December 2024*; March 2025.

CHART 16



A new study estimates that $2.15 trillion worth of U.S. residential property is at high risk of wildfire damage, with 4.3 million individual homes facing increased wildfire risk.[32] According to the study, growing development on boundaries of wild lands and intensifying climate conditions are driving higher wildfire risk in many states. And as many of these areas have not historically been prone to wildfires, homeowners may be unaware of risks—and underinsured.[33]

CHART 17

States With Highest Financial Exposure From Wildfires

State	At-Risk Properties	Median Home Value	Total Exposure
California	1,544,015	$785,000	$1.21 trillion
Colorado	317,425	$621,000	$197 billion
Texas	344,454	$297,000	$102 billion
Utah	182,426	$615,000	$112 billion
Arizona	225,918	$432,000	$98 billion
Montana	99,572	$485,000	$48 billion
Washington	151,231	$592,000	$89 billion
Florida	170,764	$400,000	$68 billion
Oklahoma	102,877	$200,000	$21 billion
Wyoming	31,177	$335,000	$10.4 billion

Source: ZestyAI

32 Insurance Journal: "ZestyAI: More Than $2 Trillion in U.S. Homes at High Risk of Wildfires"; February 28, 2025.

33 *Ibid.*

According to CoreLogic, year-round extreme risk from three natural perils (Hurricane wind, wildfire, and inland flood) threatens more than 33,000 homes in the U.S.[34]

Referring to the January 2025 Los Angeles wildfire, S&P states that "The fallout from the Southern California wildfires and the twists and turns of the tariff landscape will take center stage when U.S. property and casualty insurers release first-quarter financial results."[35] U.S. cat losses in Q1 2025 totaled approximately $49 billion to $66 billion—well above the 10-year inflation-adjusted mean and median of $10.2B and $7.2B, respectively.[36]

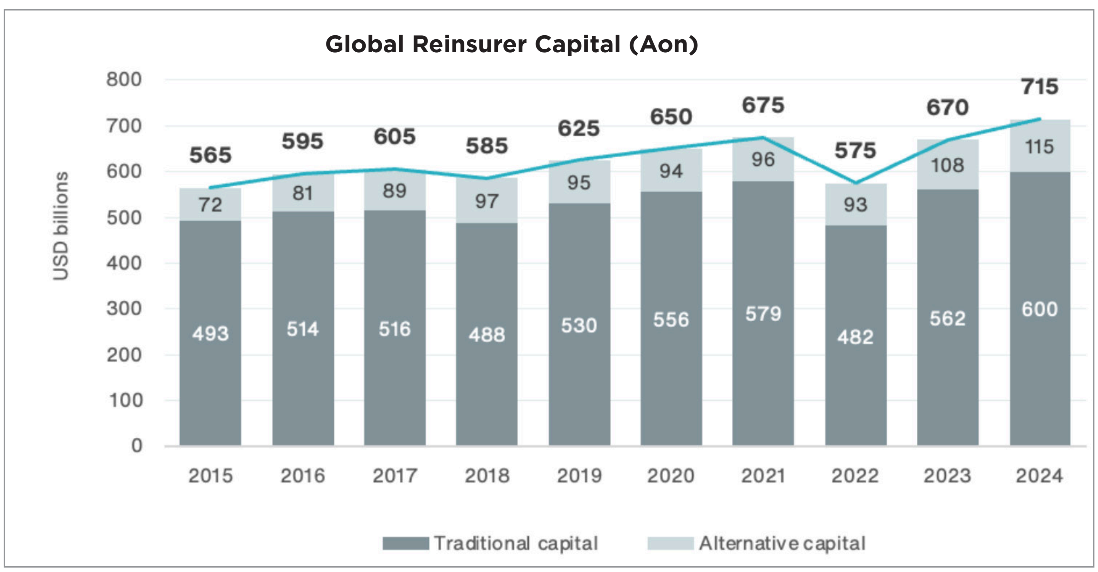
As of late March 2025, almost 12,000 wildfires had burned almost 400,000 acres across the U.S.—well above the 10-year average of 7,157 wildfires.[37] Colorado State University projects that the 2025 Atlantic hurricane season will be significantly more active, with 17 named storms (18 percent above the 1991–2020 average), 9 hurricanes (25 percent above average), and 4 major hurricanes (also 25 percent above average).[38]

Lloyd's has identified extreme solar storms as a potential systemic risk, highlighting the possibility of substantial global economic losses. In a recent scenario analysis, Lloyd's projected $2.4 trillion in global losses over five years, with a single major solar storm event resulting in $17 billion in direct losses. North America and Europe were modeled as the most affected regions, each facing potential losses in excess of $700 billion.[39]

Despite continued large catastrophe losses, global reinsurer capital reached a new high of $715 billion in 2024—driven by strong retained earnings and increased flows into alternative structures such as catastrophe bonds and sidecars.[40] The catastrophe bond market alone reached nearly $50 billion in outstanding limit by Q1 2025, supported by investor appetite and early-year issuance activity.[41]

Heading into the mid-year renewals, Aon expects more than $7.5 billion in additional demand for U.S. property catastrophe limit.[42] This is driven in part by a healthier Florida market and depopulation of Citizens, the state's residual market insurer, as well as increased reinsurance purchases by national carriers seeking to mitigate further major net losses in 2025.[43]

CHART 18



34 Carrier Management: "Triple Threat Targets More Than 30,000 U.S. Homes: CoreLogic"; December 2, 2024.

35 *Ibid.*

36 IBNR Weekly; April 3, 2025.

37 Property Casualty 360: "Spring fire weather sparks blazes across the U.S."; March 24, 2025.

38 **https://tropical.colostate.edu/forecasting.html**.

39 Lloyd's: "Lloyd's highlights risk of extreme space weather as latest scenario reveals potential global economic loss of $2.4trn"; March 4, 2025.

40 Aon: Reinsurance Market Dynamics April 2025 Renewal; April 2025.

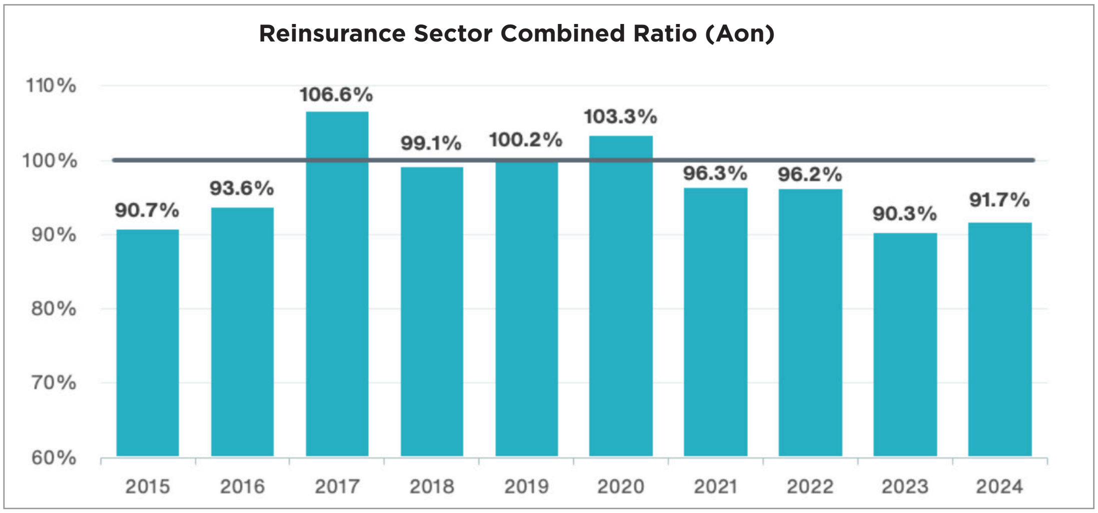
41 *Ibid.*

42 *Ibid.*

43 *Ibid.*

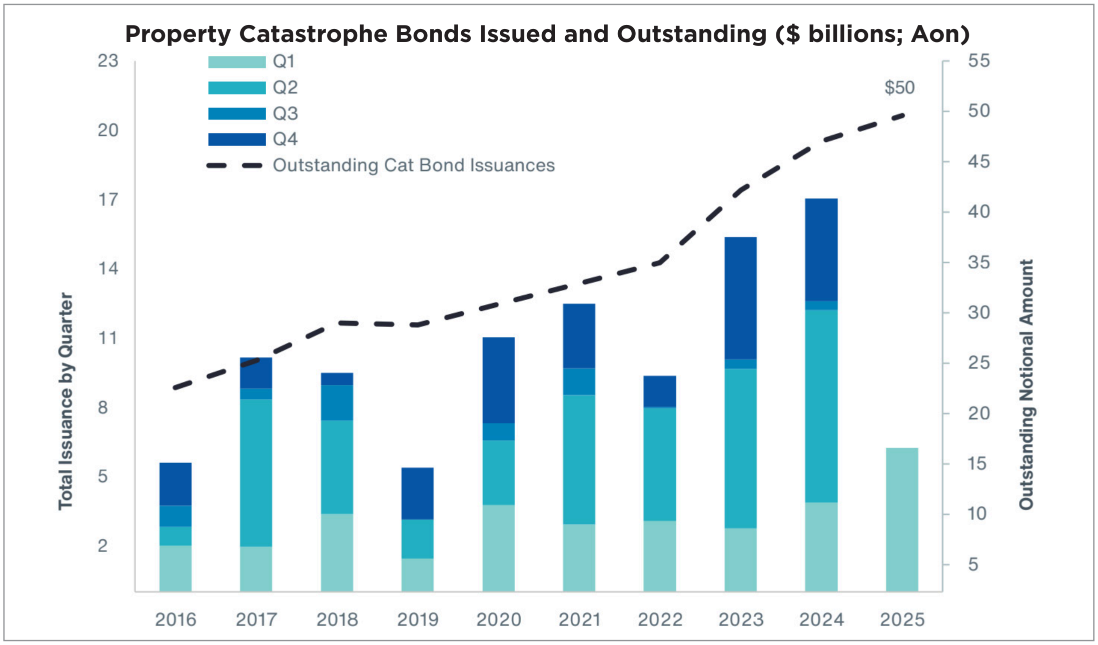
Capacity continues to grow as reinsurers improve their results and investor appetite remains strong.[44]

CHART 19



And Cat bonds, which are an alternative investment, as they are not correlated with financial markets as much as many other financial instruments, have also experienced growth.[45]

CHART 20



June and July mark a key renewal window for U.S. property insurers, especially those exposed to hurricane risk in the southern states. Mid-year renewals are expected to see strong demand and adequate supply, representing the final opportunity for reinsurers to deploy capacity and meet premium goals for the 2025 calendar year.[46]

As of the April 1, 2025 renewal, U.S. property catastrophe reinsurance rates declined by 5 to 15 percent on loss-free programs, while rates for loss-affected accounts remained flat or rose by up to 15 percent. For per-risk property reinsurance, loss-free accounts saw modest decreases, while loss-hit business experienced increases of 5 to 20 percent.[47]

44 *Ibid.*

45 *Ibid.*

46 *Ibid.*

47 AM Best: "Brokers: April Renewals Show Buyers' Market as Reinsurer Capital Rises"; April 4, 2025.

AGING INFRASTRUCTURE, INADEQUATE BUSINESS PROCEDURES, AND TARIFFS:

The American Society of Civil Engineers' 2025 Report Card raised the overall infrastructure grade for the United States from C-minus to C, citing incremental gains in several historically low-rated categories. Recent federal investment is credited with driving the improvement, though the report emphasizes the need for sustained funding to support long-term infrastructure resilience.[48]

The 2025 ASCE Report Card graded U.S. infrastructure sectors from a high of B (ports) to a low of D (stormwater and transit). No category received a D− for the first time since 1998, and eight of the 18 assessed sectors saw grade increases. Still, nine categories remained in the D range, while energy and rail were downgraded due to concerns over capacity and safety. Broadband was introduced as a graded category for the first time, receiving a C+.

The report contains the following three trends:[49]

1. Aging Infrastructure and Climate Hazards: Aging infrastructure systems remain vulnerable to extreme weather and climate-related hazards, including more frequent flooding, stronger hurricanes, and increasingly unpredictable wildfires. As exposure grows in high-risk regions, targeted investment in resilience can significantly reduce the severity and cost of future disaster recovery.
2. Investment Momentum and Long Timelines: Recent federal investment, including the Infrastructure Investment and Jobs Act, has begun to reverse decades of underfunding. But the full impact will take years to materialize, and sustained support will be needed to meet long-term resilience and capacity demands—especially as infrastructure must expand, adapt, and endure in a changing environment.
3. Information Gaps: Robust planning remains constrained by limited, inconsistent data across many infrastructure sectors. For critical assets like levees, stormwater systems, broadband, and public facilities, even basic inventories are often incomplete or unavailable—undermining the ability to allocate resources effectively or measure progress over time.

Positive result from the above changes may be slowed given the recent impact of the federal government changes and cutbacks. Limited local capacity and growing fiscal strain may challenge states' ability to respond to catastrophic events without federal support. Any reduction in federal disaster coordination or public data resources could also affect insurers, particularly in areas where underwriting, pricing, and mitigation strategies rely on shared scientific infrastructure. Changes and proposals have included some that affect the work of the National Oceanic and Atmospheric Administration and the Federal Emergency Management Agency (FEMA).[50, 51, 52, 53, 54]

The actions are also likely to impact multiple lines of insurance, including workers' compensation and cyber insurance.[55, 56, 57]

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48 ASCE: A Comprehensive Assessment of America's Infrastructure – 2025 Report Card for America's infrastructure.

49 *Ibid.*

50 Reuters: "White House aims to eliminate NOAA climate research in budget plan"; April 11, 2025.

51 AM Best: "Ending FEMA Would Mire NFIP in Uncertainty, Hinder Disaster Response, Industry Watchers Say"; April 9, 2025.

52 Union of Concerned Scientists: "Eliminating FEMA Will Endanger Millions"; March 27, 2025.

53 ProeprtyCasualty360: "How disappearing public information threatens insurance"; March 14, 2025.

54 Examples include NOAA risk data, FEMA flood maps, and state-level hazard mitigation databases. While no major retrenchments have occurred as of 2025, future reductions in federal resources remain a risk factor for long-term planning.

55 The Guardian: "'They're killing you': U.S. poultry workers fear faster lines will lead to more injury"; April 8, 2025.

56 As of early 2025, coordination bodies such as the CISA K–12 Cybersecurity Advisory Committee and the Department of Education's Government Coordinating Council appear inactive or disbanded, based on public reporting and stakeholder testimony.

57 EdSurge: "Federal Cuts Threaten Student Data"; April 9, 2025.

The most direct impact of the 2025 tariffs on property and casualty insurance is the 25 percent across-the-board tariff on all automobiles and auto parts, which directly affects loss costs in personal auto insurance—the industry's largest line of business, representing nearly one-third of total premium volume. Other tariffs, including those on steel and aluminum, are likely to increase costs for domestic auto and auto parts manufacturers. Energy-related tariffs can have broad ripple effects across nearly all sectors. APCIA estimates that current 2025 tariffs have the potential to increase claim costs by approximately $30-$61 billion for personal auto insurance alone over a 12-month period. Because insurers incur costs beyond the direct payment of claims, the total premium impact is expected to exceed estimated claim cost increases. Moreover, because these estimates are based only on insured losses—and do not account for uninsured motorists or those without collision or comprehensive coverage—the total economic impact is likely to be significantly higher. Commercial auto insurance and property insurance claim costs are also expected to rise. Assuming that the impact on other property and casualty lines is only half what it is on personal auto, the total potential increase in claim costs across all lines could exceed $45 billion.

CALIFORNIA, FLORIDA, AND LOUISIANA CHALLENGES

Increasingly extreme weather, historically high inflation, rising auto claim severity, legal system abuse, and persistent regulatory hurdles continue to challenge adequate risk-based pricing in many jurisdictions—particularly for personal lines. California and Louisiana remain among the most impacted states in both auto and homeowners markets, while Florida has seen partial stabilization following recent legislative reforms.

California's market has been further strained by a restrictive regulatory environment, while both Florida and Louisiana have experienced multiple insurer liquidations over the past several years, often due to property insurance pressures. These dynamics have contributed to a growing reliance on state-supported residual markets, particularly in California, where many policyholders are now paying higher premiums, but not necessarily for better coverage. Rates charged in these markets have not kept pace with risk, contributing to potentially dangerous financial conditions that have been exposed by the 2025 Los Angeles fires.

Similar pricing challenges persist in Louisiana, though Florida's property market has remained stable, even following losses from Hurricanes Helene and Milton. All three states continue to maintain underpriced markets of last resort, facilitating adverse selection and moral hazard, and raising the prospect of broader economic consequences for policyholders in the event of a large-scale catastrophe. This risk is most acute in California and Louisiana, where residual markets remain large, exposed, and mispriced. Florida's Citizens Property Insurance Corporation, by contrast, has recently begun to shrink.

CALIFORNIA

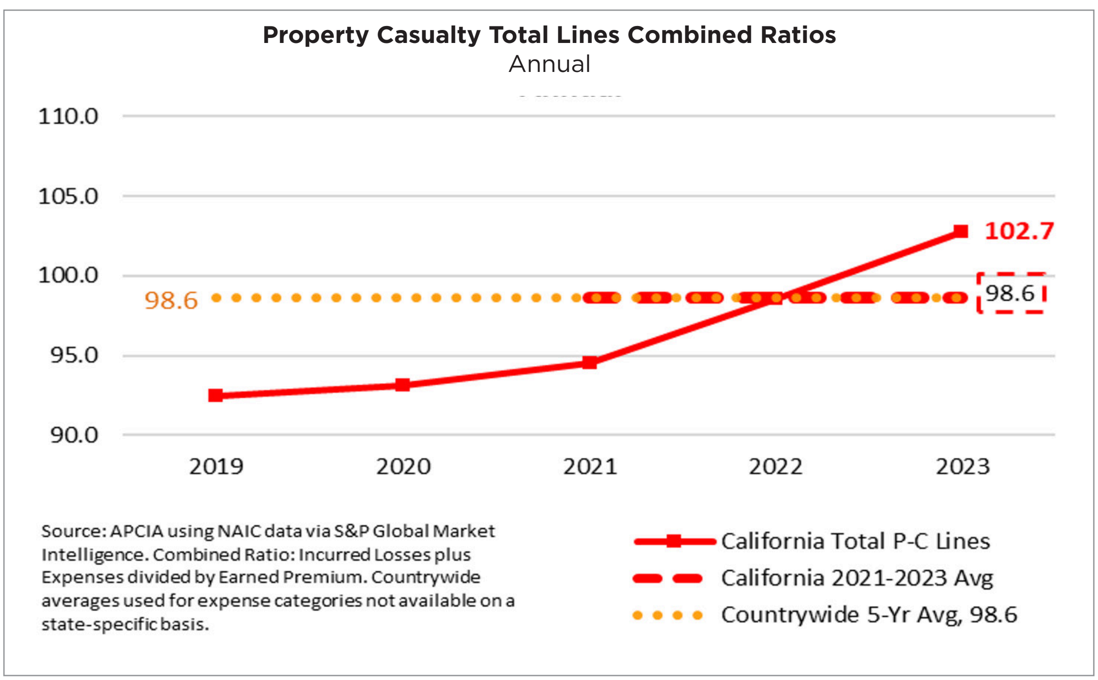
Regulatory, environmental, and legal challenges continue to undermine rate adequacy and market stability in California, especially in personal lines. The state faces a range of pressures: increasingly extreme weather (including year-round wildfire activity and atmospheric rivers), expanding development in high-hazard areas, legal system abuse, and rising auto claim severity. Insurers operating under outdated regulatory constraints are unable to reflect risk accurately in their pricing. Meanwhile, activists continue to argue that California is one of the most profitable personal lines markets in the country—a claim that does not align with reported loss experience and profitability metrics—despite billions of dollars in losses and the occurrence of the state's costliest and deadliest wildfire in 2025.

Reforms are now underway to stabilize the market, including the introduction of catastrophe modeling and the ability to factor reinsurance costs into rate filings. If implemented effectively, these changes could help improve availability and long-term market function. But the state's residual market, the FAIR Plan, remains structurally underpriced. Following the 2025 Los Angeles wildfires, it ran a multi-billion-dollar deficit—even as it expanded commercial property coverage limits. Consumers and businesses are already bearing those costs. Before the post-pandemic inflation surge, the FAIR Plan sought a 48.8 percent rate increase in 2021 but received approval for only 15.7 percent in 2023. At that time, it already required a 70 percent increase to achieve actuarial soundness. Private insurers have now been assessed $1 billion to stabilize the plan—financial support that would be viewed as untenable under most regulatory frameworks.

These pressures have affected not only shareholder-owned insurers but mutual insurers as well. Some of the largest carriers to withdraw or reduce capacity in California are policyholder-owned mutuals. Even the California operation of the largest U.S. property-casualty insurer is under significant financial strain. Ownership model offers no immunity: when risk conditions deteriorate and rate adequacy cannot be achieved, insurers operate at a loss and are forced to make difficult market decisions. In 2023, the state's property casualty market posted a 2.7 percent aggregate underwriting loss across all lines.[58] And 2025, with the full impact of the Los Angeles wildfires, is likely to be the worst year for California property insurance losses in recent history.

NAIC data confirm that California's loss experience has been consistently worse than the national average. From 2013 to 2022, property-casualty insurers in California incurred $100.60 in claim costs and expenses for every $100 in premium—compared to $99.50 countrywide. In 2022, California's personal auto and commercial auto insurers reported cost ratios of $114.40 and $118.10 per $100 of premium, versus national figures of $112.10 and $105.30, respectively. Looking at the more recent five-year period from 2019 to 2023, California's average cost per premium dollar approached $0.99, culminating in an unprofitable 2023 where that number rose to approximately $1.03.

CHART 21



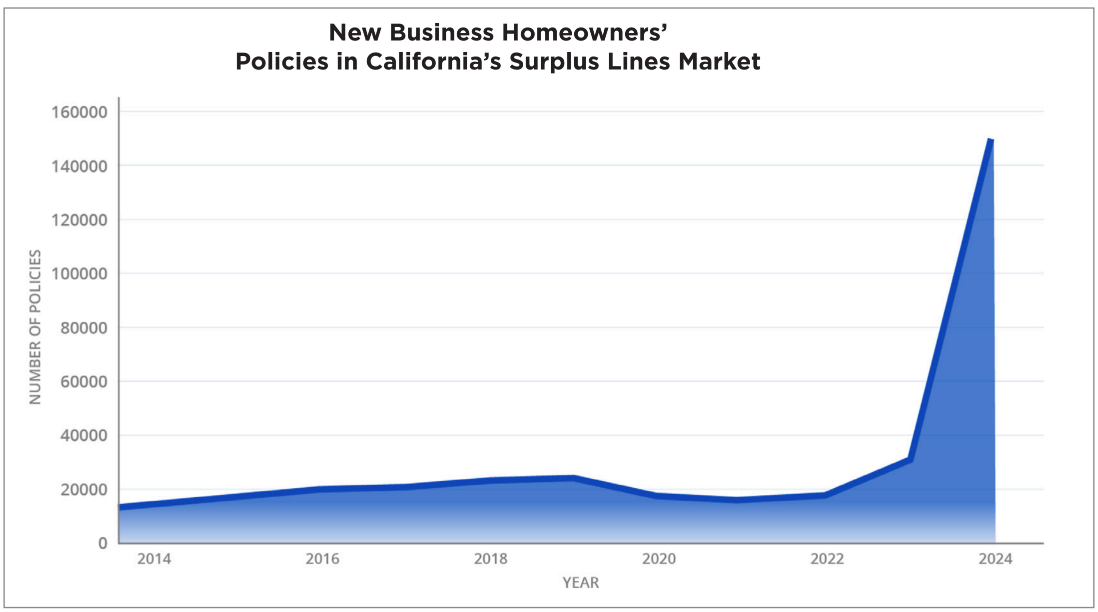
58 APCIA analysis of NAIC data via S&P Global Market Intelligence.

Preliminary S&P 2024 data indicate a combined ratio of 96.9 percent for all property casualty lines in California. The massive and devastating L.A. fires will significantly increase the 2025 combined ratio and cause a significant underwriting loss.

California's persistent inflation in construction costs has worsened the state's insurance affordability and adequacy challenges. According to the California Department of Finance, construction inflation—measured by an average of cost indices for San Francisco and Los Angeles—has risen more than 45 percent since 2018, far outpacing general CPI.[59]

California's insurance market continues to face structural challenges—from climate volatility and inflationary cost pressures to legal system abuse and longstanding regulatory constraints. These conditions have produced sustained underwriting losses, with the state's property casualty market posting a 2.7 percent aggregate loss across all lines in 2023. At the same time, the sharp growth in surplus lines homeowners policies reflects growing strain in the admitted market. Notably, by 2024, the average policyholder in the surplus lines market more closely resembled the admitted market—featuring smaller homes, lower assessed values, and lower replacement costs. This blurring of roles between market segments signals a growing affordability gap and underscores the urgent need for reforms that align rates with risk.

CHART 22



Information provided by The Surplus Line Association of California

This marks a departure from the historical role of surplus lines. Previously, these policies were largely associated with high-value, high-risk, or unique properties requiring specialized underwriting. However, the table below shows that by 2024, the average policyholder in California's surplus lines homeowners market more closely resembled the admitted market—featuring smaller homes, lower assessed values, and lower replacement costs.[60]

59 Source: California Department of Finance, as cited in San Francisco Chronicle, "A bad wildfire season sparked California's home insurance crisis. What could another one do?" September 9, 2024.

60 See also Claims Journal: "The Evolution of Homeowners Insurance in California—From Niche to Necessity"; March 18, 2025.

CHART 23

Property Characteristics of New Business Homeowners' Policies in California's Surplus Lines Market

PROPERTY ATTRIBUTES	2023	2024	CHANGE
Average Assessed Value	$1.7M	$0.9M	-47%
Average Replacement Cost	$1.6M	$0.9M	-44%
Average Square Footage	2,837 sq. ft.	2,131 sq. ft.	-25%
Average Burn Probability	0.26%	0.18%	-31%
Average Insurance Premium	$9,556	$4,476	-53%

Information provided by The Surplus Line Association of California

Personal auto insurance results in California have also deteriorated sharply. Over the last five years, California's combined ratio in personal auto has consistently been worse than the national average—and by 2023, reached nearly $1.15 in costs per dollar of premium.[61]

FLORIDA

Recent reforms—and the absence of major hurricane landfalls in densely populated areas until Hurricanes Helene and Milton in September and October—helped bring a measure of stability to Florida's insurance market. Losses from both storms appear to have been manageable: the Florida Office of Insurance Regulation (OIR) estimated $4.27 billion in insured losses from Hurricane Milton and $2.39 billion from Helene.[62] These figures include claims across property, auto, private flood, and business interruption lines. Despite the severity of the events, the storms did not cause market disruption. New market entrants and depopulation from Citizens helped reduce policy concentrations in the residual market.

Reforms implemented through House Bill 837[63] have contributed to a sharp drop in litigation-related costs. The law modified Florida's comparative negligence system—barring recovery for plaintiffs more than 50 percent at fault—and changed the state's bad faith standard. These changes have had a measurable impact on defense and cost containment expenses (DCCE), a statutory category that includes legal costs associated with claims. Florida's total DCCE in 2024 fell to its lowest level since 2015—down from an all-time high in 2022.[64]

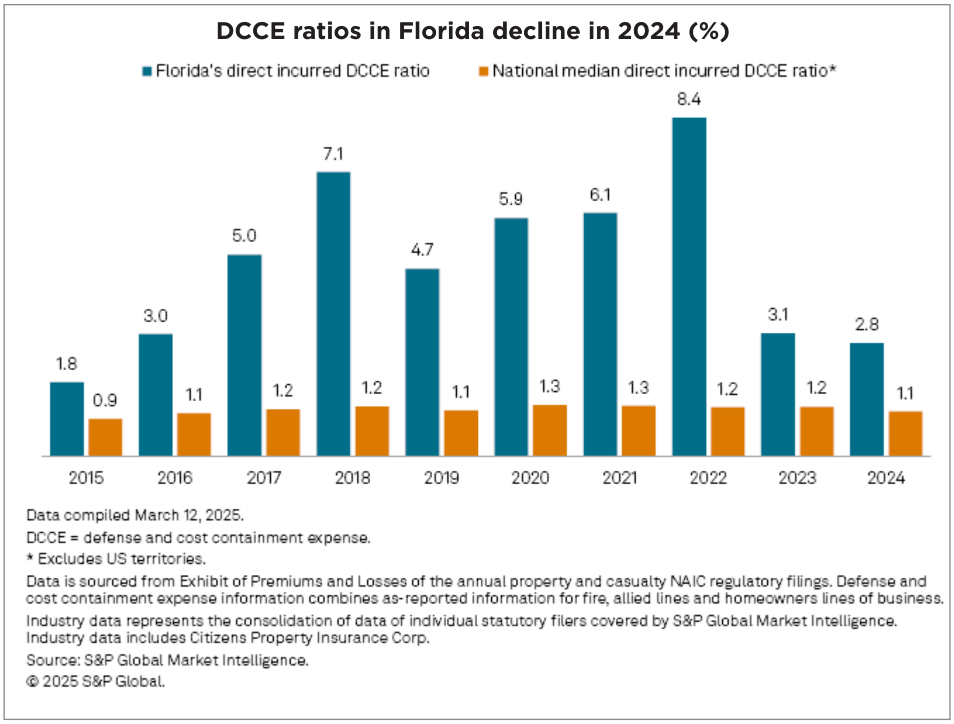
61 APCIA analysis of NAIC data via S&P Global Market Intelligence.

62 Insurance Business: "Most hurricane insurance denials in Florida not due to misconduct, regulator says"; April 11, 2025.

63 Florida House Bill 837 (2023) introduced broad reforms to the state's civil litigation environment, including changes to the comparative negligence standard, bad faith framework, attorney fee entitlements, letters of protection, medical damages evidence, and premises liability for third-party criminal acts. See CS/CS/HB 837 (2023), Florida Legislature. Full text available at: https://www.flsenate.gov/Session/Bill/2023/837/BillText/er/PDF.

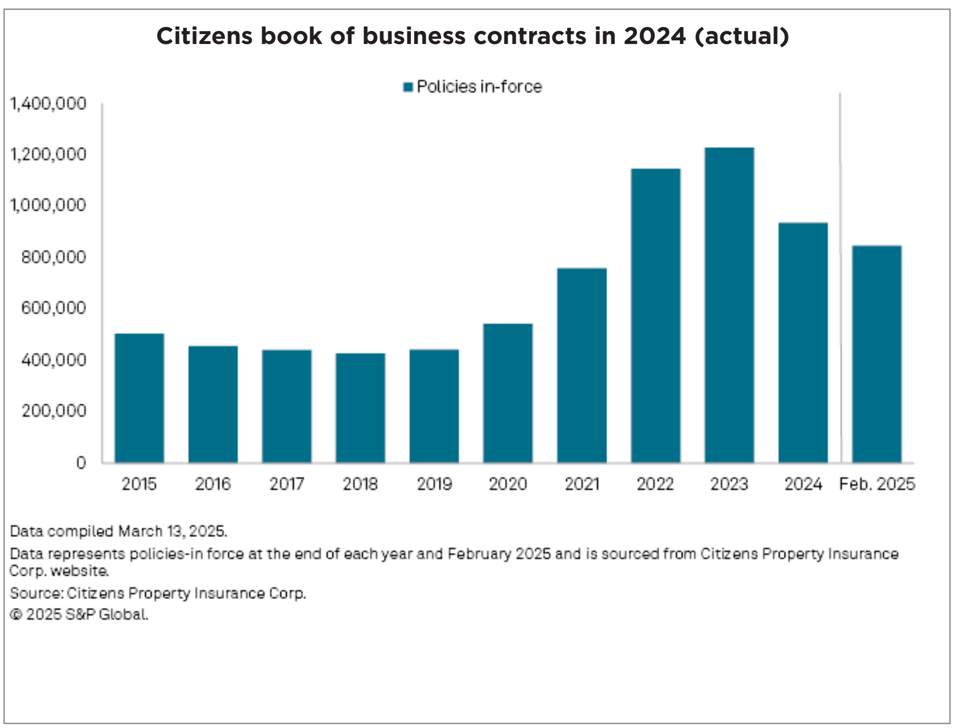
64 S&P Global: "Florida insurers show signs of recovery"; April 8, 2025.

CHART 24



The same trend is evident in lawsuit volumes. Citizens reported a 23.8 percent decline in lawsuits filed against Florida insurers in 2024 compared to 2023, and a 42.6 percent reduction from the peak in 2021.[65] At the same time, policies in force at Citizens—the state's insurer of last resort—fell by 23.8 percent in 2024, from 1.23 million to 936,000. As of February 2025, that number had declined further to 847,571, the lowest level since 2021.[66]

CHART 25



65 Business Wire: "Triple-I: Florida's P/C Market Stabilizing Due to Legislative Reforms that Curbed Legal System Abuse Practices of Billboard Attorneys"; March 4, 2025.

66 *Ibid.*

Litigation reforms are also affecting Florida's private passenger auto market. Several national writers have announced plans to file for rate reductions in 2025, following a 500 percent year-over-year drop in auto glass claim lawsuits in 2024. The decline follows the state's ban on assignment of benefits for auto glass—a long-standing source of fraudulent claims.[67]

Florida's property and casualty market is beginning to show signs of stabilization, supported by recent legislative reforms and a relatively moderate catastrophe season. Indicators such as declining lawsuit volumes, reduced defense costs, and a shrinking Citizens policy count suggest that the system is adjusting. Some national auto insurers are now considering rate reductions for the first time in years. While these trends are promising, Florida remains exposed to both weather-related volatility and persistent legal system pressures. Sustained attention to implementation and market response will be important to ensure that early gains translate into longer-term improvements in affordability and availability.

LOUISIANA

Louisiana continues to face some of the most difficult insurance market conditions in the country—driven by a combination of frequent extreme weather, outsized litigation costs, and sustained underwriting losses. These pressures have eroded availability and affordability in both the personal and commercial lines markets. Legal system abuse remains a central challenge: Louisiana was recently ranked the tenth worst jurisdiction in the country in the American Tort Reform Association's Judicial Hellhole report.[68] The same report estimates that excessive litigation costs in the state impose a $1,011 annual "tort tax" on every resident and have contributed to the loss of nearly 40,000 jobs annually. The problem has been compounded by high-profile verdicts, including a $745 million judgment in coastal litigation brought by a Louisiana parish against Chevron—the first jury trial among more than 40 similar suits filed against energy companies since 2013.[69]

Louisiana's insurance market remains under sustained pressure. Litigation costs, elevated claim severity, and repeated catastrophe losses continue to drive losses across personal and commercial lines. Combined ratios remain well above national benchmarks, and the expansion of Citizens reflects persistent strain in the admitted market. While other states have begun to see early effects from reform, Louisiana's structural cost drivers remain entrenched. Addressing these challenges will require long-term policy and regulatory coordination to restore stability and ensure that coverage remains accessible in high-risk areas.

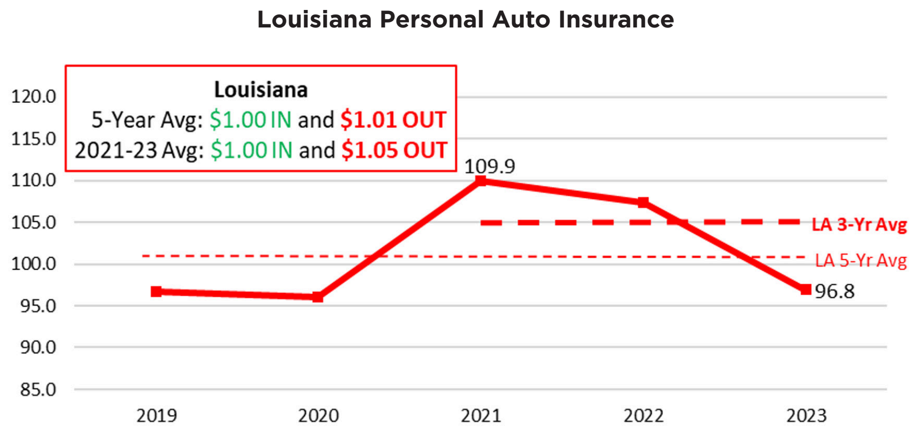
Affordability pressures are particularly acute in personal auto, where claim costs remain among the highest in the country. Louisiana drivers face high accident frequency, severe injury claims, and an active litigation environment—all of which contribute to persistently elevated loss ratios. Over the past five years, Louisiana auto insurers have incurred an average of $1.01 in losses and expenses for every $1.00 in premium collected, rising to $1.10 in 2021 and averaging $1.05 over the most recent three-year period. Commercial auto is even more strained: over the same five-year period, commercial auto insurers in the state have incurred losses of $1.24 per premium dollar, with a three-year average of $1.19—nearly 25 percent above premium and far exceeding countrywide averages.

67 *Ibid*.

68 American Tort Reform Association, Judicial Hellholes Report, 2024 edition.

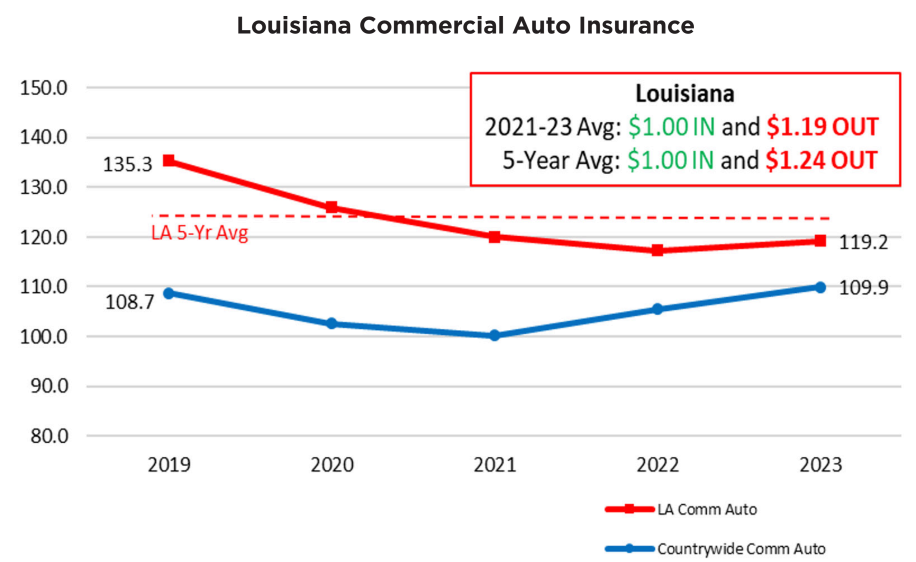
69 American Tort Reform Association: "$745 Million Verdict in Coastal Litigation Exemplifies Louisiana's 'Judicial Hellhole®' Status," April 7, 2025.

CHART 26



Source: APCIA using NAIC data via S&P Global Market Intelligence. Combined Ratio: Incurred Losses plus Expenses divided by Earned Premium. Countrywide averages used for expense categories not available on a state-specific basis.

CHART 27



Source: APCIA using NAIC data via S&P Global Market Intelligence. Combined Ratio: Incurred Losses plus Expenses divided by Earned Premium. Countrywide averages used for expense categories not available on a state-specific basis.

Preliminary S&P 2024 data indicate a combined ratio of 87.6 percent and 113.2 percent for personal auto and commercial auto respectively in Louisiana.

The following table shows the significant impact of cost drivers in Louisiana for personal auto insurance. The key cost drivers, comparing the state relative to the rest of the country, with red highlights showing that the state with a high expenditure-to-income ratios also has a less favorable ranking with respect to these cost drivers, while the green highlights illustrate the more favorable. Cost driver analysis can provide direction for policymakers exploring ways to improve the affordability of auto insurance.[70]

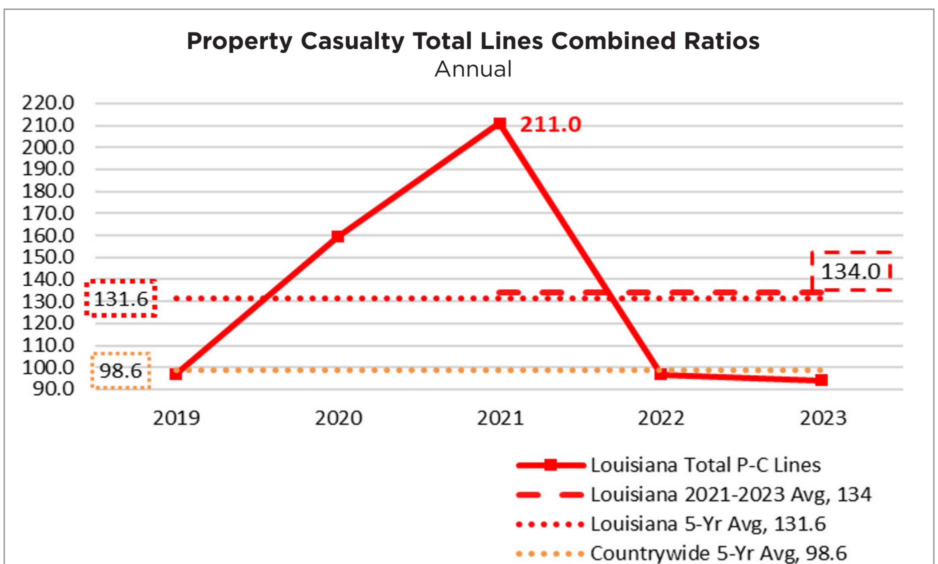
CHART 28

Cost Drivers

	Expenditure as Share of Income	Accident Frequency	Repair Costs	Tendency to File Injury Claims	Injury Claim Severity	Expense Index	Uninsured Motorists	Underinsured Motorists	Claim Litigation
Louisiana									

These results are not limited to auto lines. According to NAIC profitability data, Louisiana's combined ratio across all property and casualty lines averaged 132 percent from 2019 to 2023—meaning that insurers paid out $1.32 in losses and expenses for every $1.00 in premium collected. From 2021 to 2023, the combined ratio rose even higher, to $1.34—well above the national average of $0.99 for the same period. Commercial multi-peril has been especially loss-heavy, with large-scale property and liability exposures, including hurricane-driven business interruption claims and costly litigation outcomes.[71]

CHART 29



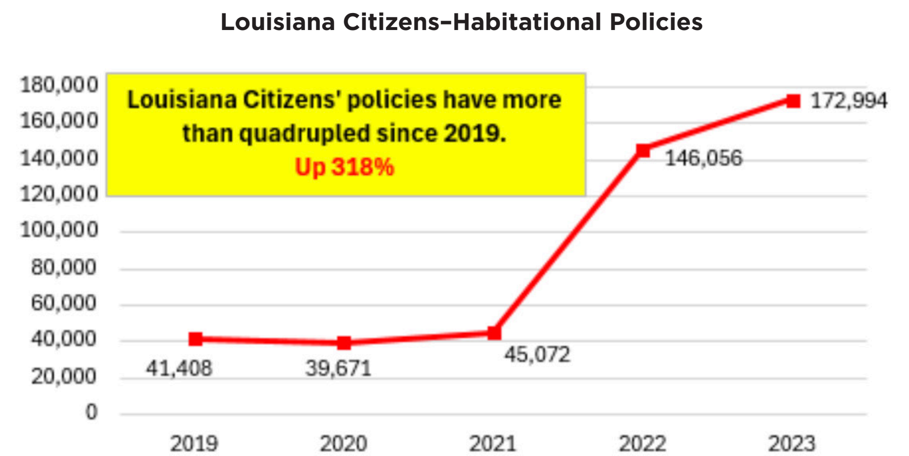
Source: APCIA using NAIC data via S&P Global Market Intelligence. Combined Ratio: Incurred Losses plus Expenses divided by Earned Premium. Countrywide averages used for expense categories not available on a state-specific basis.

70 Insurance Research Council: Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons; March 27, 2025.

Preliminary S&P 2024 data indicate a combined ratio of 86.4 percent for all property casualty lines in Louisiana. With the impact of extreme weather variations, the state has a good experience for a short period which is then significantly worsened by a year(s) which suffers devastating damage from natural disasters.

These stressors have significantly expanded the role of Louisiana Citizens, the state's insurer of last resort. Habitational policy counts have more than quadrupled since 2019, signaling rising strain in the admitted market and growing risk concentration in the residual system.

CHART 30



Source: APCIA using PIPSO Reports; 1-4 unit dwellings; excludes commercial policies.

And compared to surrounding states for the most recent five years with available data, except for personal auto which still shows an underwriting loss, the state's results are significantly worse.

CHART 31

P-C Industry Underwriting Profit/Loss Percentage 2019-2023
5-Yr Avg Estimates

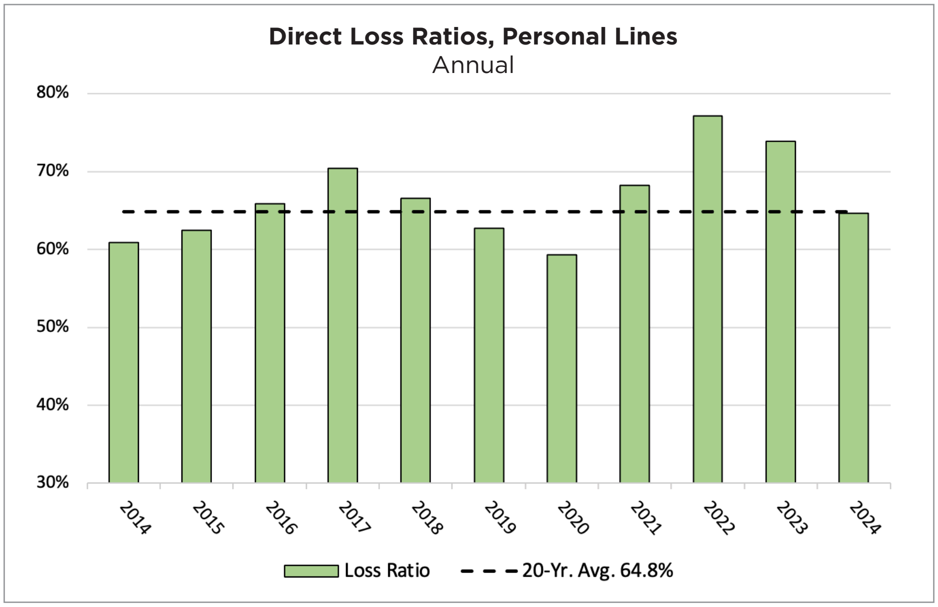
	Personal Auto	Commercial Auto	Commercial Multi-Peril	Total P-C Lines
Louisiana	-1.4	-23.6	-97.5	-31.6
Florida	-7.6	-17.5	-7.2	-5.1
Texas	-2.4	-15.1	-13.5	-3.5
Mississippi	-1.5	-2.4	-0.8	1.2

Source: APCIA via S&P Global Market Intelligence.

PERSONAL LINES

In aggregate, on a countrywide basis, personal lines loss ratios started to stabilize in 2024. The impact of possible increasing inflation and the increasing impact of extreme weather will change this picture once again in 2025, given the significant losses in the first quarter from weather events including the Los Angeles fires.

CHART 32

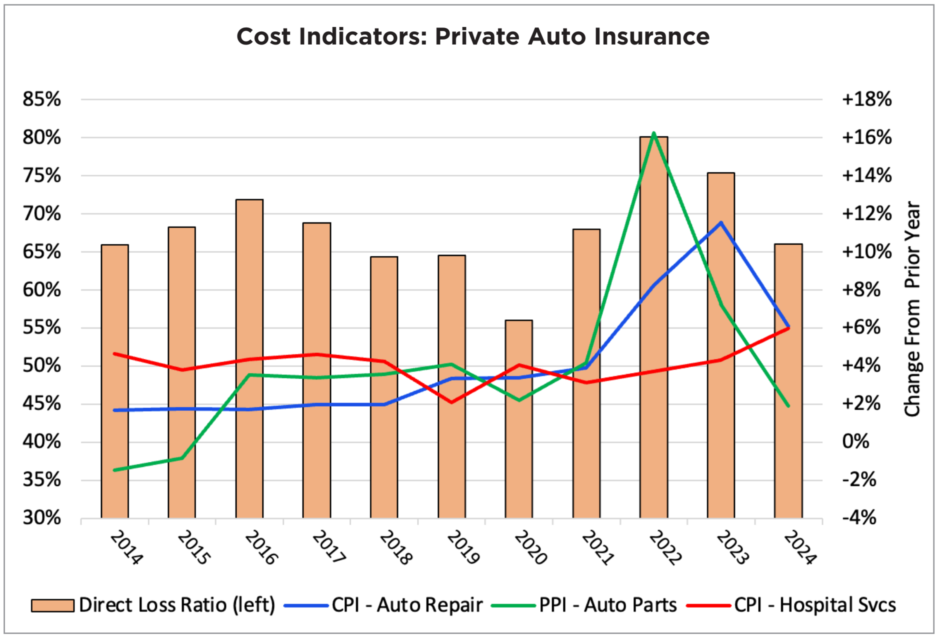


Loss ratio is direct losses incurred (excluding loss adjustment expenses) divided by direct premiums earned. Bureau of Labor Statistics and S&P Global data as of April 6, 2025.

S&P data shows a 2024 combined ratio of approximately 95 percent for private auto which is approximately 16.5 points and 9.5 points lower than in 2022 and 2023 respectively.

The primary cost drivers that ballooned private auto insurance loss ratios to stratospheric levels in 2022 and 2023 eased somewhat, along with general inflation in the economy. The annual change in the Consumer Price Index (CPI) for Auto Repair peaked at 11.5 percent in 2023 and eased to 6.1 percent in 2024 but still double the rate of general inflation as measured by the CPI for All Items. Inflation in auto parts is measured by the Producer Price Index (PPI; calculated from surveys of car part manufacturers) and peaked in 2022 at a 16.2 percent annual average rate, followed by 7.2 percent in 2023, and 1.9 percent in 2024. Medical services costs, however, do not show signs of easing, with the rate of inflation as measured by the CPI for Hospital Services rising 4.3 percent in 2023 and 6.0 percent in 2024, i.e., twice the rate of overall inflation. Motor vehicle thefts dropped in 2024 back to 2019 levels after peaking in 2023 at just over one million.

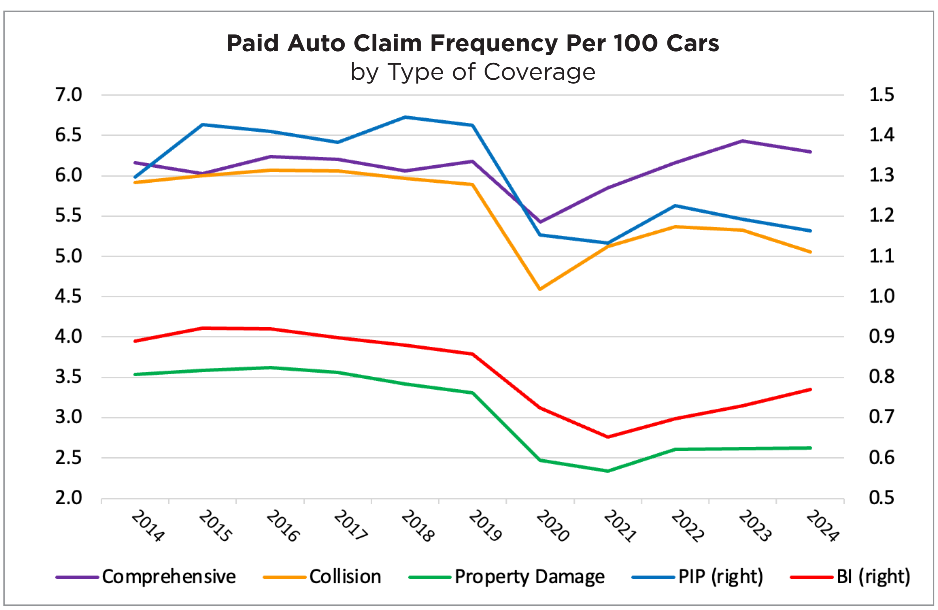
CHART 33



Loss ratio is direct losses incurred (excluding loss adjustment expenses) divided by direct earned premium, from S&P Global. Consumer Price Index for All Urban Consumers: Motor Vehicle Maintenance & Repair; Producer Price Index: Automotive Parts, Accessories and Tire Retailers from Bureau of Labor Statistics. Consumer Price Index for All Urban Consumers: Hospital and Related Services in U.S. City Average, Data as of April 6, 2025.

Despite easing inflationary pressures and slightly declining claim frequency rates for all personal auto coverage types other than bodily injury and property damage, average claim size continued to climb in 2024.[71] Of particular concern is in bodily injury coverage, where through the first nine months of 2024 (latest available data), claim frequency rose 5.5 percent and average claim cost rose 7.4 percent compared to the 2023 full-year average. Claims frequency and severity also increased, albeit at smaller rates, for property damage, up 0.2 percent and 1.2 percent, respectively. Both frequency and claim costs declined for collision and comprehensive coverages. For personal injury protection (PIP), claim frequency declined and claims severity rose by similar amounts.

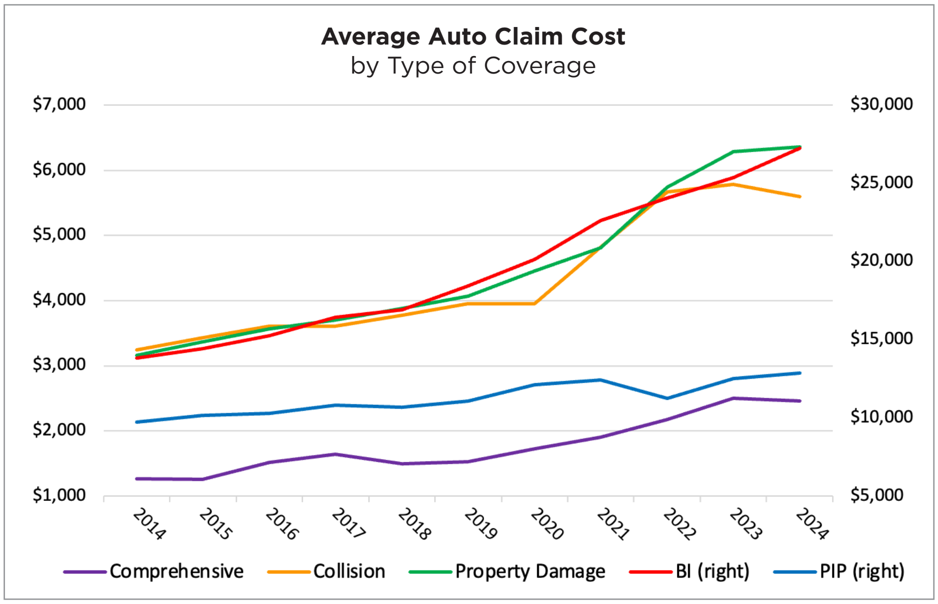
CHART 34



2024 data is through September 30. Personal Auto Claim Frequency per 100 Cars, Independent Statistical Service, Inc., Insurance Service Office, Inc., and National Independent Statistical Service's Fast Track Report. PIP=Personal Injury Protection or 'No Fault' which is required in only 12 states and optional in 7 others; BI=Bodily Injury. Latest available data as of April 10, 2025.

71 According to data from Independent Statistical Service, Inc., Insurance Service Office, Inc., and National Independent Statistical Service's Fast Track Report. 2024 data is through September 30.

CHART 35



2024 data is through September 30. Independent Statistical Service, Inc., Insurance Service Office, Inc., and National Independent Statistical Service's Fast Track Report. Personal Injury Protection (No Fault) data based on 18 states and DC. Data as of April 6, 2025.

Strong premium growth and easing loss costs translated to significant improvement in private auto loss ratios from 75.4 percent in 2023 to 66.1 percent in 2024.[72] The largest improvement was in physical damage coverages, where the loss ratio fell by 15 points from 74.9 percent to 59.9 percent from 2023 to 2024. Personal auto liability loss ratios improved by almost 5 points, from 75.8 percent to 70.9 percent.

The loss ratio was impacted only mildly by reserve releases, amounting to 0.2 points for private auto liability and about 2.4 points for physical damage. The net loss ratio (including loss adjustment expenses, reserve development and the effect of reinsurance) was 82.0 percent for private auto liability, compared with 86.9 percent in both 2022 and 2023, and 78.9 percent in 2021.[73]

New Jersey policies produced the highest direct loss ratio at 83.2 percent, followed by New York (79.5), Nevada (77.1), California (75.6), and Michigan (75.0).[74] Each of those states, however, showed improvement over 2023, with Nevada's reduction of 13.7 points being the largest of the group. Nebraska was the only state with a deterioration in the loss ratio compared with 2023, by just 1.2 percentage points.

The best performing states for personal auto were North Dakota (55.9 percent), South Dakota (56.7), Wyoming (57.7), Iowa (57.7), and Montana (59.1). Each of those states improved from 2023 by at least 3 points. The states with the largest improvement in personal auto loss ratios were Arkansas (-15.9 points), Florida (-15.6), Washington, DC (-14.4), Minnesota (-14.3), and Washington (-14.1).

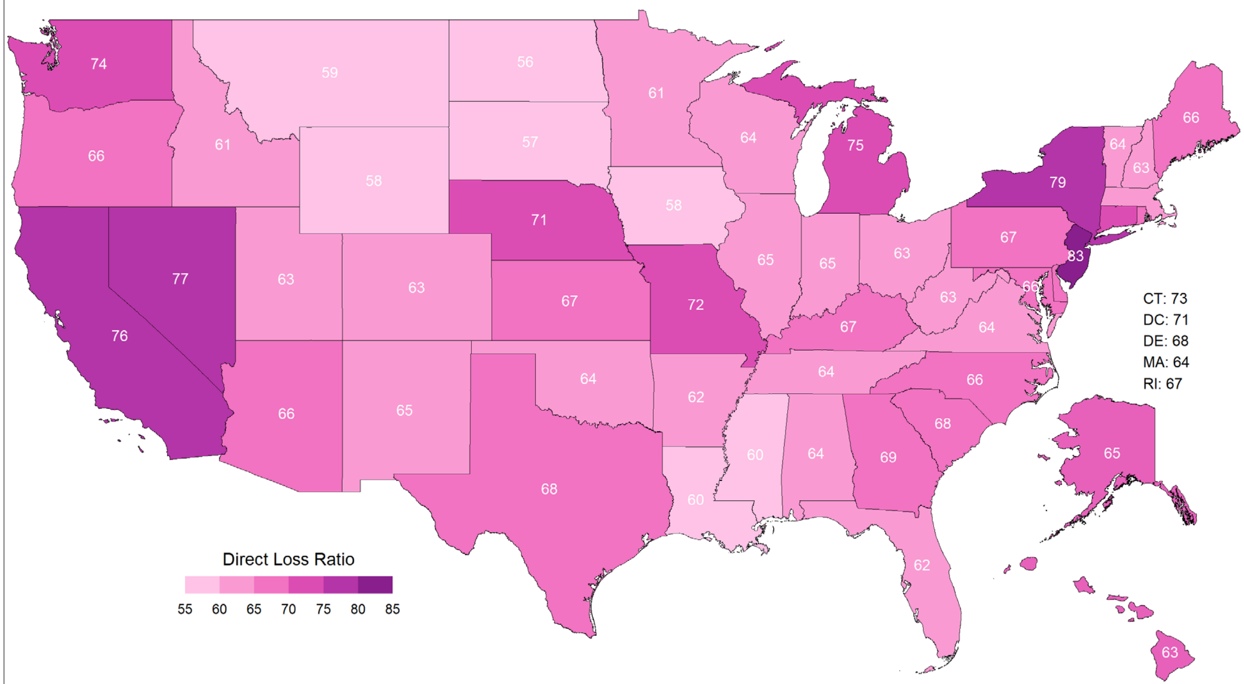
72 Ratio of direct losses incurred to direct premium earned. Does not include loss adjustment expenses, which can be substantial.

73 Net loss and loss adjustment expense ratios by line of business in this report should be considered estimates, because they are derived from Schedule P and not the more complete Insurance Expense Exhibit (IEE). IEE data for 2024 was not available at the time of this writing.

74 Whenever state-level loss ratios are referenced in this report, they refer to the "Direct Simple Loss & Loss Adj Exp Ratio", defined by S&P Global as "Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned".

CHART 36

Private Passenger Auto 2024



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

Loss cost inflation factors for home insurance were a mixed bag in 2024: home furnishings and home rental price rises eased during the year, while construction-related inflation ticked up after declines in 2023. Average costs for construction trade services had declined by 7.1 percent in 2023, following a meteoric rise of 24.2 percent in 2021 and a 7.1 percent increase in 2022.[75] In 2024 the index rose 2.8 percent, with increases in the first half of the year and declines in the second half. Construction materials costs declined mildly in 2023 and then rebounded slightly to a 1.2 percent increase in 2024.[76] Incorporating the relatively lower inflation rates for construction-related costs in the last two years, for the five years ending in December 2024, construction labor and materials costs rose by 34.1 percent and 37.8 percent, respectively.

Roof repair and replacement costs were approximately $31 billion in 2024, a 30 percent increase since 2022.[77] Roof-related claims represented over a quarter of all residential claim value, with wind and hail as the primary drivers, with these perils accounting for more than half of residential claims.[78] Non-cat wind and hail claims have risen from 17 percent to 25 percent since 2022.[79] According to Verisk, 38 percent of U.S. residential homes have roofs with moderate to poor condition, and roofs tend to be in better condition in the western region of the U.S. compared to the eastern part of the country due to more exposure to more weather variability.

75 As measured by the Producer Price Index: Inputs to Single Family Residential Construction, Trade Services, reported by the Bureau of Labor Statistics.

76 *Ibid*.

77 Verisk: Insurance News: “U.S. Roof Claims Costs Reached Over $30 Billion In 2024, Underscoring Evolving Risks”; April 8, 2025.

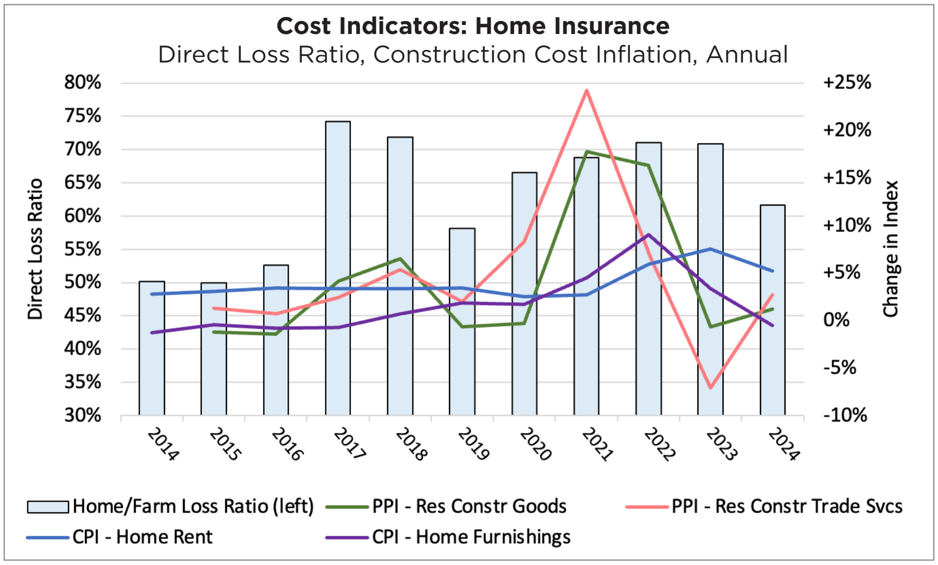
78 *Ibid*.

79 *Ibid*.

And the tariffs by the President are expected to increase costs further. "The steep tariffs imposed by President Donald Trump will likely worsen the pain. The average annual cost of home insurance will increase 8 percent nationally by the end of the year to $3,520 for a home worth $400,000, Insurify projects."[80]

Eased loss cost pressures and rate increases helped improve the homeowners line experience despite two major hurricanes striking in late 2024. Hurricanes Milton and Helene combined to generate more than $30 billion in insured losses, but the industry managed to register an improvement in the direct loss ratio, to 61.7 percent, 9.2 points lower than the 2023 result. The 2024 loss ratio was the best since 2019 but was only the second year of the last eight in which the loss ratio was below the 20-year average of 62.2 percent.

CHART 37



Producer Price Index: Inputs to Single Family Residential Construction, Goods. Producer Price Index: Inputs to Single Family Residential Construction, Trade Services. Loss ratio is direct losses incurred (excluding loss adjustment expenses) divided by direct premiums earned. Bureau of Labor Statistics and S&P Global data as of April 10, 2025.

S&P data shows a 2024 combined ratio of approximately 99.6 percent for homeowners/farmowners. This almost breakeven result is approximately 5 points and 11 points lower than in 2022 and 2023 respectively.

Insurers reported mildly favorable reserve development in 2024, resulting in a release of $1.1 billion, or 0.7 percent of earned premiums. The net loss ratio (including loss adjustment expenses and after reinsurance) improved to 75.1 percent from 85.5 percent in 2023.

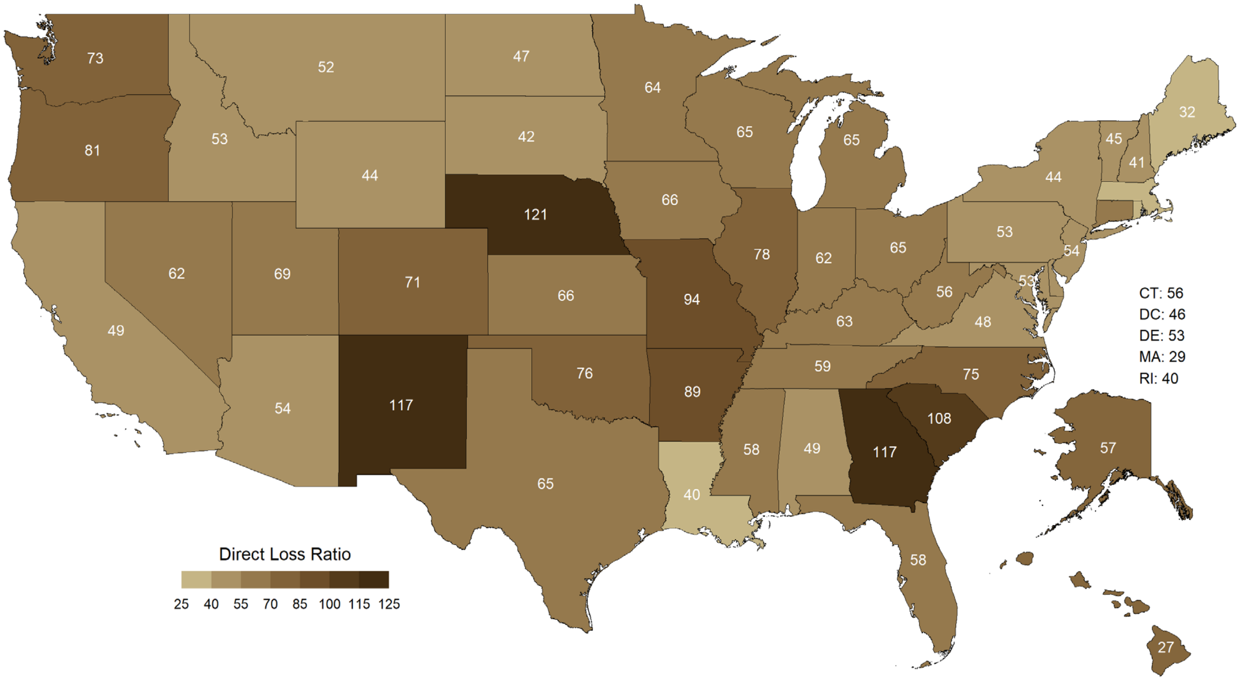
In four states home insurance direct loss ratios (excluding loss adjustment expenses) exceeded 100 percent—Nebraska, New Mexico, Georgia, and South Carolina—ranging from 107.8 percent to 121.4 percent. Missouri was just behind at 93.7 percent. The states with the greatest deterioration from 2023 to 2024 were Nebraska, where the loss ratio climbed 63.0 percentage points, South Carolina (up 56.0 points), New Mexico (+50.2), Georgia (+34.0) and Oregon (+28.9).

The lowest loss ratio for 2024 was recorded in Hawaii: its 27.1 percent was more than 300 percentage points lower than the devastating 2023 result stemming from the Maui wildfire. Other states with loss ratios below 40 percent were Massachusetts, Maine, Louisiana, and Rhode Island. The largest improvement over 2023, after Hawaii's 368.4 points, was seen in Kentucky (down 74.0 points), Minnesota (-46.1), Iowa (-45.7) and Colorado (-45.3).

80 Insurance Journal: "Tariffs Threaten to Push US Home Insurance Rates Even Higher"; April 9, 2025.

CHART 38

Home/Farmowners 2024



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

Some estimates of insured losses from the 2025 California wildfires currently range from $35 billion to $45 billion.[81] By comparison, in 2024 the industry incurred about $100 billion of total direct losses in homeowners insurance nationwide. While not included in the 2024 industry financial results, the wildfire losses will undoubtedly impact 2025 results, likely add more than 20 points to the U.S. homeowners loss ratio.[82]

81 As of April 8, the most recent estimate by CoreLogic is $35 billion to $45 billion, and by Verisk is between $28 billion and $35 billion.

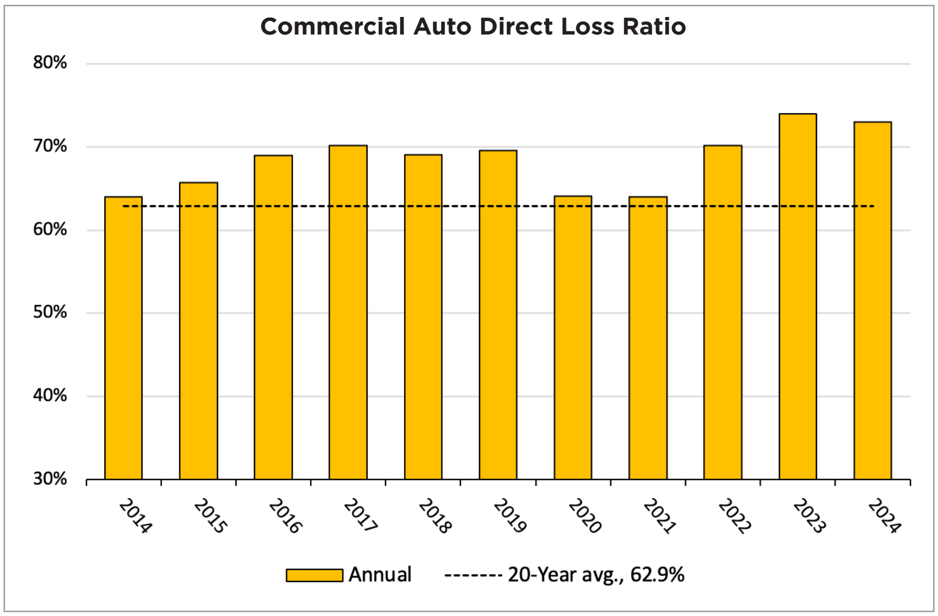
82 Assuming that at least $40 billion of the losses are attributable to home insurance, and relative to industry direct premium earned for home insurance, which was $168 billion in 2024.

COMMERCIAL LINES

In 2023, the industry's 74.0 percent direct loss ratio (excluding loss adjustment expenses) for commercial auto insurance had been the highest recorded since 2001. The 2024 result was only slightly better, at 73.1 percent.

As with private auto, the business line benefited to some extent from eased loss cost inflation, but loss development in the liability portion of the coverage was markedly worse, at $3.8 billion, amounting to more than 10 percent of net incurred losses and loss adjustment expenses.[83] Of the 79.7 percent net loss ratio for commercial auto liability,reserve increases for prior years' reported and unreported claims accounted for 8.4 points.

CHART 39



Direct losses incurred divided by direct premiums earned. Excludes loss adjustment expenses (LAE). 20-Year annual average calculated by APCIA over the period 2003 to 2024. S&P Global data as of April 10, 2025.

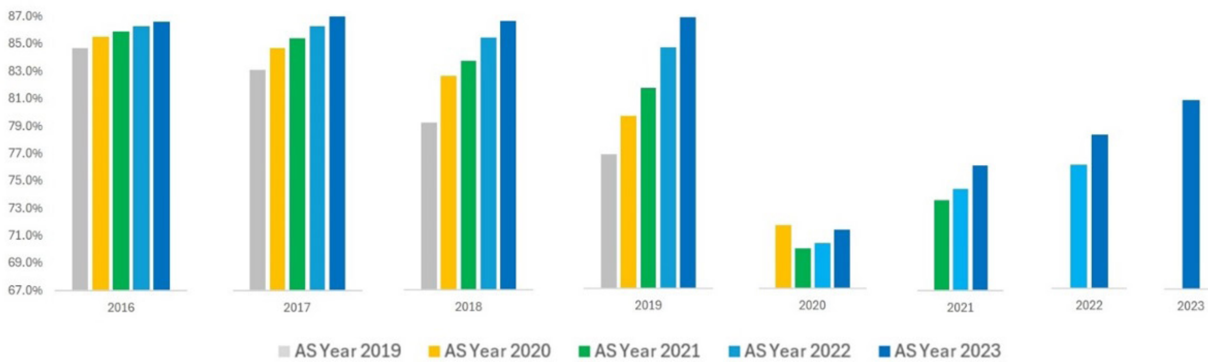
S&P data shows a 2024 combined ratio of approximately 112.4 percent for commercial auto which is approximately 5 points lower than in 2022 and 1 point lower than in 2023.

Economics, abusive litigations and distracted driving are making underwriting and pricing commercial auto risks challenging. This also makes estimating appropriate reserves for the potential liabilities much more difficult. This is apparent in the chart below which shows consistent upward development of most of the accident year 2016-2022 loss ratios at each successive calendar year-end. The upward development is evident for each accident year except for accident year 2020, which was heavily influenced by unusual driving patterns during the global pandemic.[84]

83 Private auto liability produced a loss reserve redundancy of $0.4 billion, lowering its loss ratio by 0.2 points.

84 arrier Management: "Performance Review: Why Insurers Struggle to Underwrite, Price and Reserve for Commercial Auto Risks"; March 25, 2025.

CHART 40 **Top 40 Commercial Auto Writers Calendar Year Development of Commercial Auto Net Ultimate Loss and Loss Adjustment Expense Ratio**



Source: NAIC Statutory Annual Statement data compiled utilizing S&P Global.

"Commercial auto has been particularly impacted by social inflation as nuclear verdicts (i.e., high-dollar jury awards that far exceed expectations) have increased in recent years, leading to more attorney interest in commercial auto cases."[85] An APCIA 2022 study found that the average cost of commercial auto claims with attorney representation jumped 21.3 percent over the five-year period from 2015-2019."This impact is magnified even further as third-party litigation funding (TPLF) has provided the plaintiffs' bar with more capital to litigate commercial auto claims."[86]

New York business produced the highest direct loss ratio among the states, at 113.1 percent, a deterioration of 15.6 points compared with 2023. The next highest loss ratios were in Nevada (106.4), California (97.7), New Jersey (92.2), and Texas (86.2). Each of these states showed slight deterioration in 2024, except for California, which improved by 3.8 points. The states with the largest percentage point increases in commercial auto loss ratios were New York, Vermont (11.9 points higher), and Washington, DC (8.3 points higher).

The lowest commercial auto loss ratios were recorded in North Dakota (46.4 percent), Alaska (49.4), New Hampshire (51.0), and Maine (52.3). Each of these states showed improvement in 2024, with Alaska's loss ratio lower by 23.7 points and Maine's down by 10.9 points. After Alaska, the states with the most improved commercial auto loss ratios in 2024 were New Mexico at 15.3 points, Florida at 13.9 points, followed by Maine as aforementioned, and Mississippi, which improved by 9.9 points.

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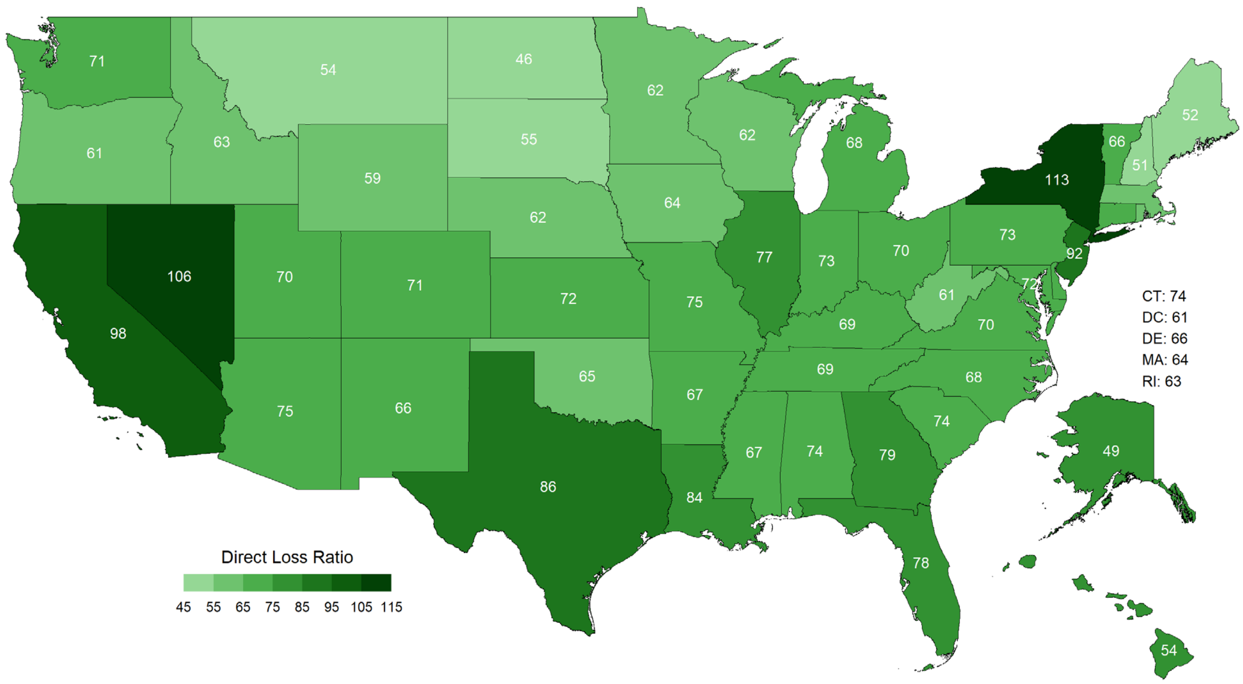
85 *Ibid*.

86 *Ibid*.

CHART 41

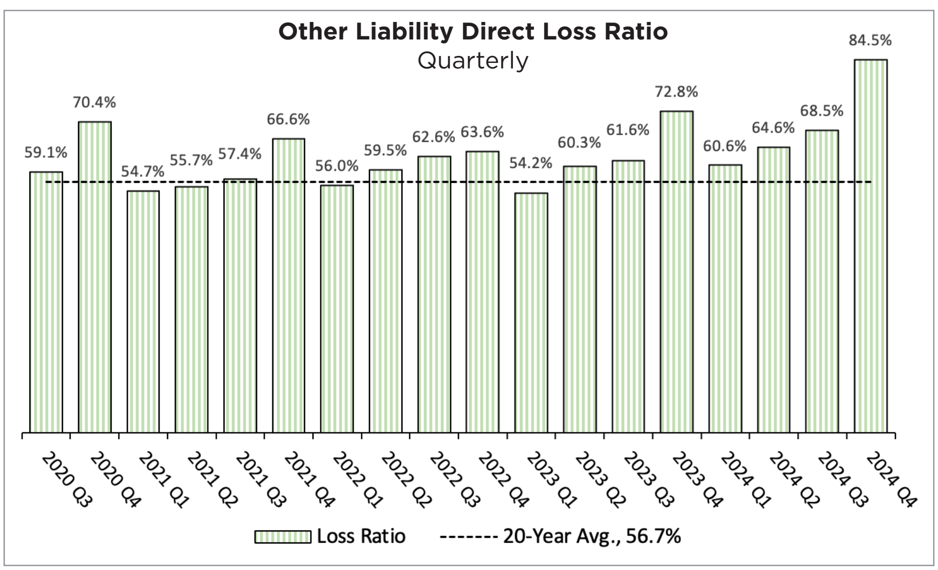
Commercial Auto 2024



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

Other Liability Loss ratios are skyrocketing in this catch-all line, which includes general liability, directors and officers liability, product liability, cyber insurance and commercial excess and umbrella. Underwriting performance for other liability is more cyclical than other property and casualty business lines, as demonstrated in the chart below which shows consistently steadily rising loss ratios for the first three quarters of each calendar, followed by a fourth quarter spike as required loss reserves for prior year business are increased. Last year's fourth quarter direct loss ratio, excluding loss adjustment expenses, reached 84.4 percent, which was 27.7 percentage points above the 20-year average.

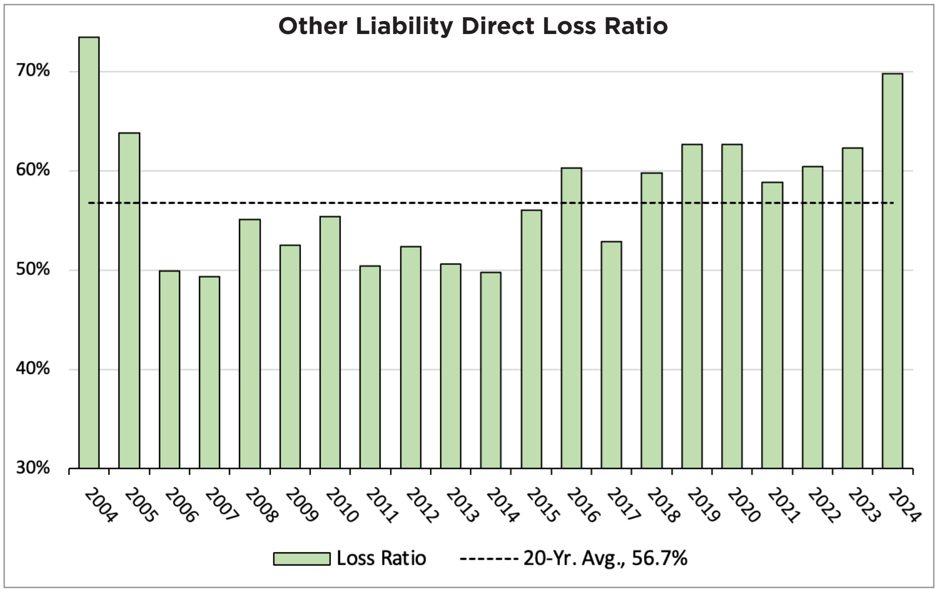
CHART 42



Direct losses incurred divided by direct premiums earned. Excludes loss adjustment expenses (LAE). Includes occurrence and claims-made policy forms, but excludes product liability. S&P Global data as of April 10, 2025.

The chart below shows that the 2024 direct loss ratio of 69.8 percent (before accounting for loss adjustment expenses) is the highest in 20 years, and the third consecutive annual increase. The industry direct loss ratio has exceeded the long-term average level for the last seven years.

CHART 43



Direct losses incurred divided by direct premiums earned. Excludes loss adjustment expenses (LAE). Includes occurrence and claims-made policy forms, but excludes product liability. S&P Global data as of April 10, 2025.

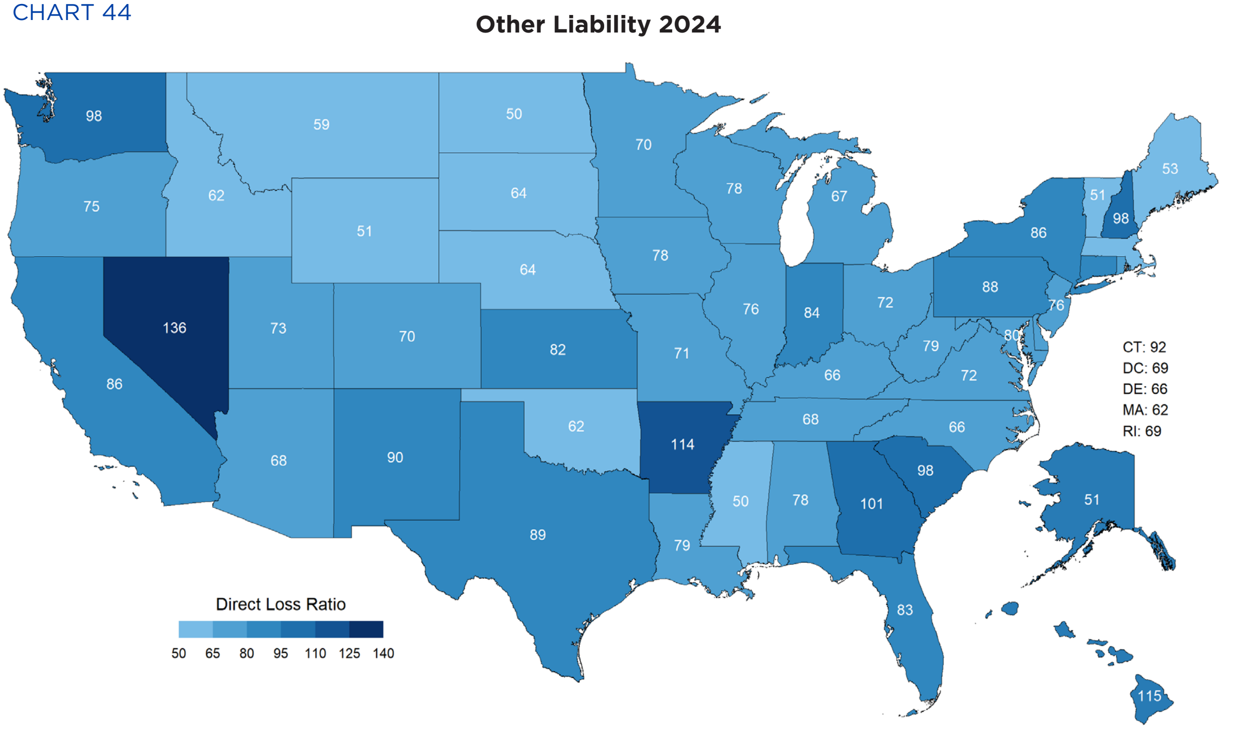
Of the estimated calendar 2024 full-year net loss ratio of 70.6 percent, 8.9 points were attributable to loss development of $9.2 billion. The largest reserve shortfall came in non-product liability occurrence form policies, amounting to $10.3 billion, or 15.9 percent of earned premium for that line of business component. Modest loss reserve releases were reported for the claims-made form for all other liability lines.

S&P data shows a 2024 combined ratio of approximately 108.7 percent for other liability which is approximately 12.5 points and 9 points higher than in 2022 and 2023 respectively.

At the state level, the highest 2024 loss ratio was recorded in Nevada, at 135.6 percent, a deterioration of 62.1 points compared with 2023. Rounding out the top five were Hawaii (114.6 percent), Arkansas (113.9), Georgia (101.4), and New Hampshire (92.8). After Nevada, the states with the greatest increase over 2023 were Hawaii (+49.8 points), Arkansas (+34.7), New Hampshire (+31.6) and Washington state (+26.5).

The best performing state for other liability in 2024 was North Dakota (49.9 percent direct loss ratio), followed by Mississippi (50.1), Vermont (50.5), Wyoming (51.3), and Alaska (51.3). Most improved were Delaware (-44.5 percentage points), Rhode Island (-27.7), New Mexico (-22.0), and Vermont (-20.1).

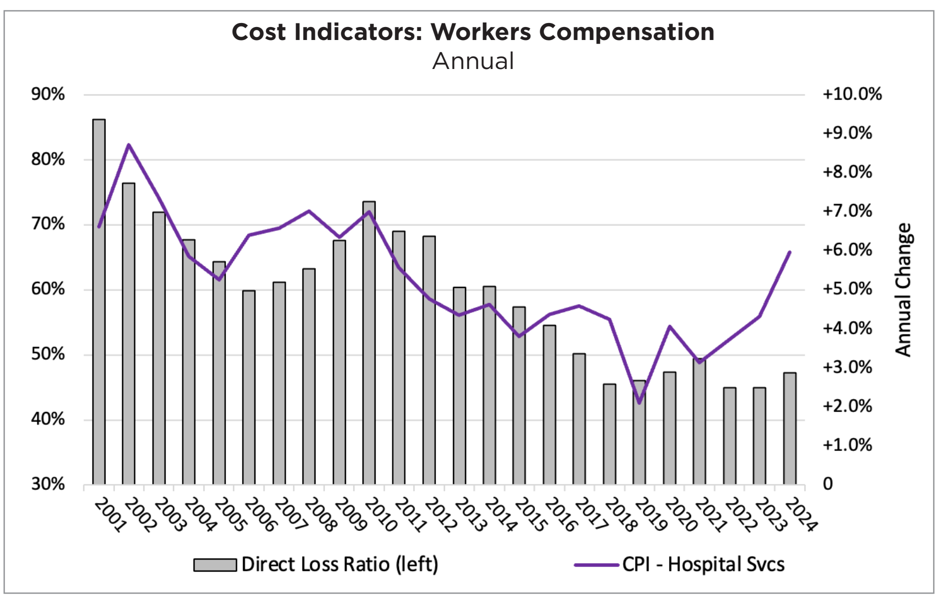
CHART 44



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

Favorable underwriting performance continued in workers compensation for 2024. Despite anemic premium growth of less than one percent per year for the past ten years and a 2024 decline of 1.9 percent, losses have been growing at an even slower rate. The line produced more favorable loss development than any other business line by dollar amount ($6.4 billion), which reduced the accident year net loss ratio of 85.5 percent to a calendar year net loss ratio of 71.9 percent, just slightly higher than the 71.2 percent for 2023. Reinsurance and loss adjustment expenses are relatively large in the workers compensation business line, which is why the net loss ratio is so much higher than the unadjusted direct loss ratio, depicted in the chart below.

CHART 45



Direct losses incurred divided by direct premiums earned. Excludes loss adjustment expenses (LAE). Consumer Price Index for All Urban Consumers: Hospital and Related Services in U.S. City Average. Source: S&P Global and Bureau of Labor Statistics. Data as of April 10, 2025.

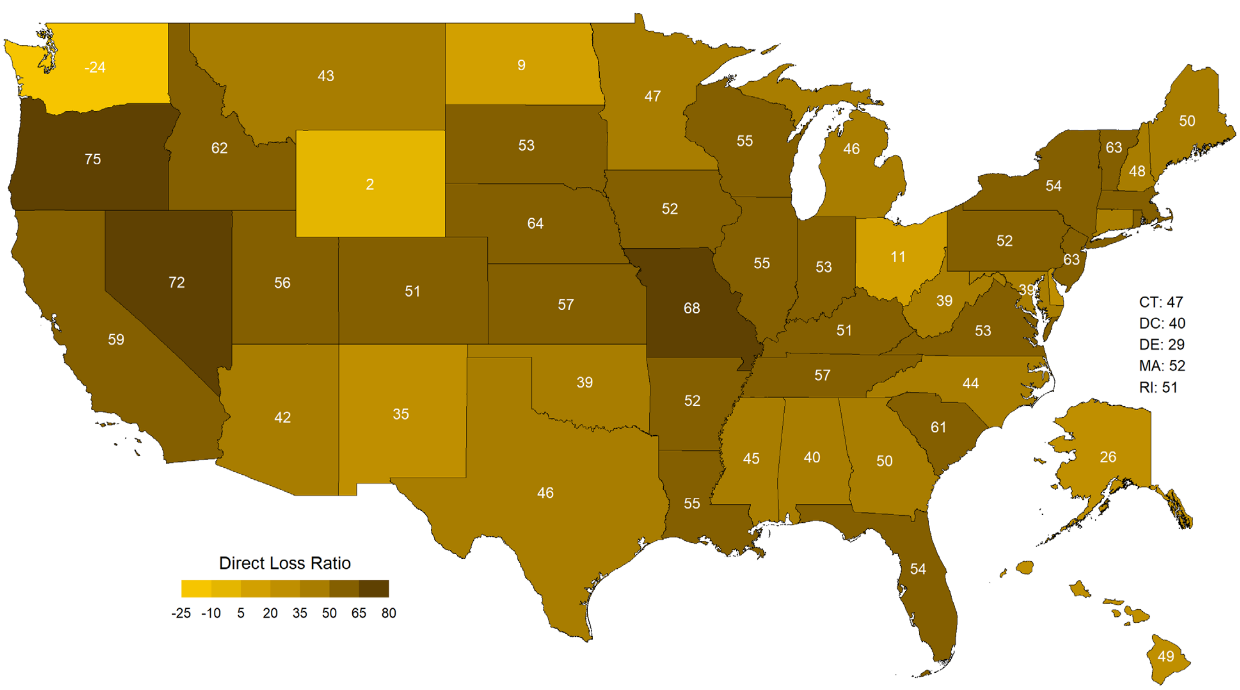
In addition to the secular improvement in underwriting results over the last two decades, the chart also depicts a potential risk for the trend's continuation. Movements in loss ratios have correlated quite closely with hospital costs, which may be considered a proxy for workers comp lost costs, although it does not represent the sole source of claims expense. The CPI for Hospital Services rose 6.0 percent in 2024, the third consecutive year of accelerating inflation. In the past, such a rise has presaged or accompanied an uptick in the workers comp loss ratio. Notably, other medical costs have not risen as rapidly; the CPI for Medical Services overall rose just 2.7 percent in 2024.

Oregon led the U.S. states with the highest direct loss ratio for workers compensation at 74.8 percent in 2024, considerably above the U.S. median of 51 percent. Following Oregon were Nevada (71.9 percent), Missouri (67.8), Nebraska (64.4) and Vermont (63.5). The greatest deterioration from 2023 was in Utah, increasing by 21.2 percentage points, Louisiana (+17.7 points), Virginia (+14.6), New Jersey (+13.4), and Tennessee (+10.6).

The states with the lowest workers compensation loss ratios were Washington (a negative 23.9 percent), Wyoming (2.9 percent), North Dakota (8.8), Ohio (11.5), and Alaska (25.7). The largest one-year improvements in the direct loss ratio occurred in North Dakota, falling 78.4 points, Ohio (-46.1 points), Washington (-38.7), Wyoming (-36.2), and Alaska (-23.9).

CHART 46

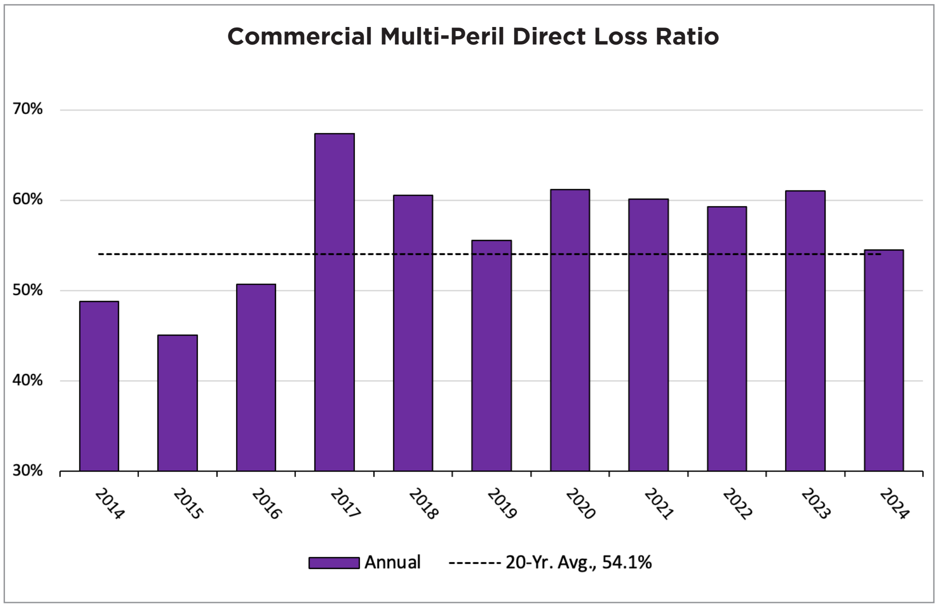
Workers Compensation 2024



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

Direct loss ratios for commercial package policies showed the greatest one-year improvement among all commercial lines, declining from 61.0 percent in 2023 to 54.7 percent in 2024. This is in part due to insurers realizing relatively strong rate increases: commercial property rates were up 8.2 percent according to CIAB. Albeit improved from 2023, the direct loss ratio fell above the long-term average for the eighth consecutive year.

Chart 47



Direct losses incurred divided by direct premiums earned. Excludes loss adjustment expenses (LAE). 20-Year annual average calculated by APCIA over the period 2003 to 2024. S&P Global data as of April 10, 2025.

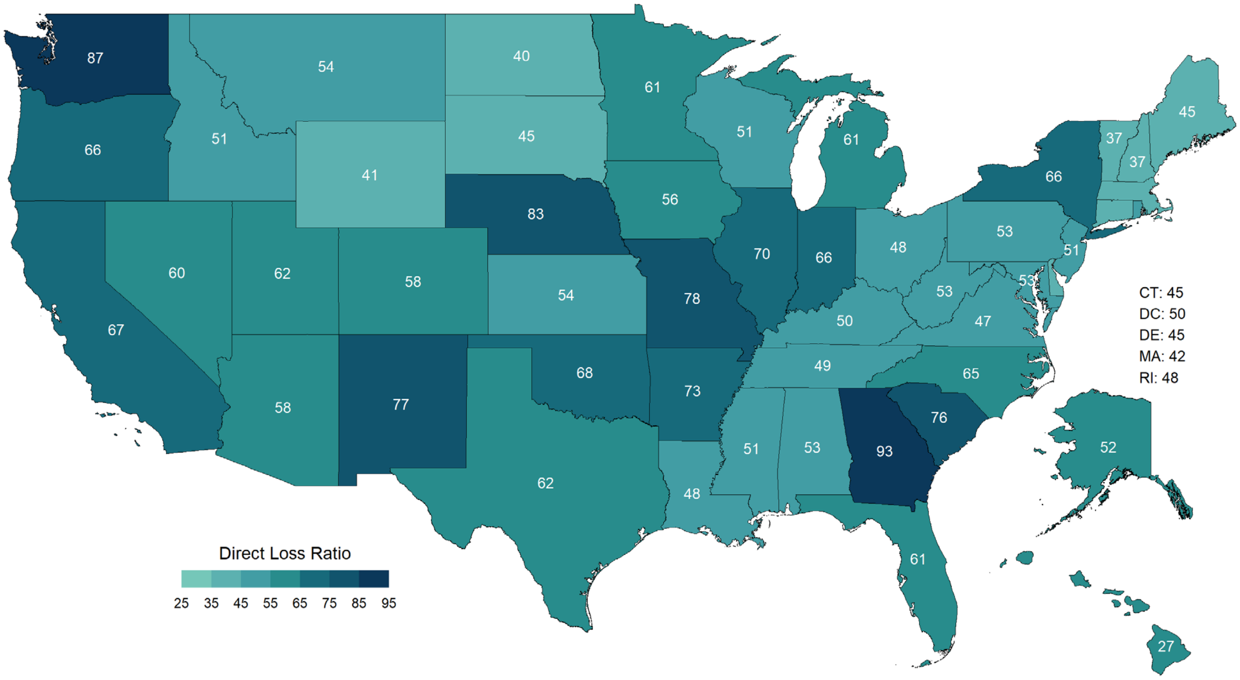
Somewhat parallel to homeowners experience, S&P data shows a combined ratio of approximately 99.5 percent for commercial multi-peril which is approximately 6 points and 7.5 points lower than in 2022 and in 2023 respectively.

The industry reported a net addition to prior-year loss reserves of $1.2 billion, contributing to 2.1 percentage points to the estimated 2024 net loss and loss adjustment expense ratio of 64.6 percent.

The highest 2024 direct loss ratios among states for commercial multi-peril business occurred in Georgia (93.2 percent), Washington (87.4), Nebraska (83.1), Missouri (78.1) and New Mexico (77.2). The largest deterioration occurred in Nebraska, where the loss ratio increased by 30.8 points from 2023 to 2024, followed by South Carolina (+20.8 points), Delaware (+16.3), Florida (+16.0), and North Carolina (+14.4).

The best performing state was Hawaii, at 27.4 percent, followed by New Hampshire (36.6), Vermont (37.4), North Dakota (39.7), and Wyoming (40.8). The largest improvement occurred in Hawaii, down 260.4 points following the Maui wildfire in 2023, followed by the contiguous states of Kentucky (-51.5 points), Tennessee (-40.1), Arkansas (-37.7), and Ohio (-26.2).

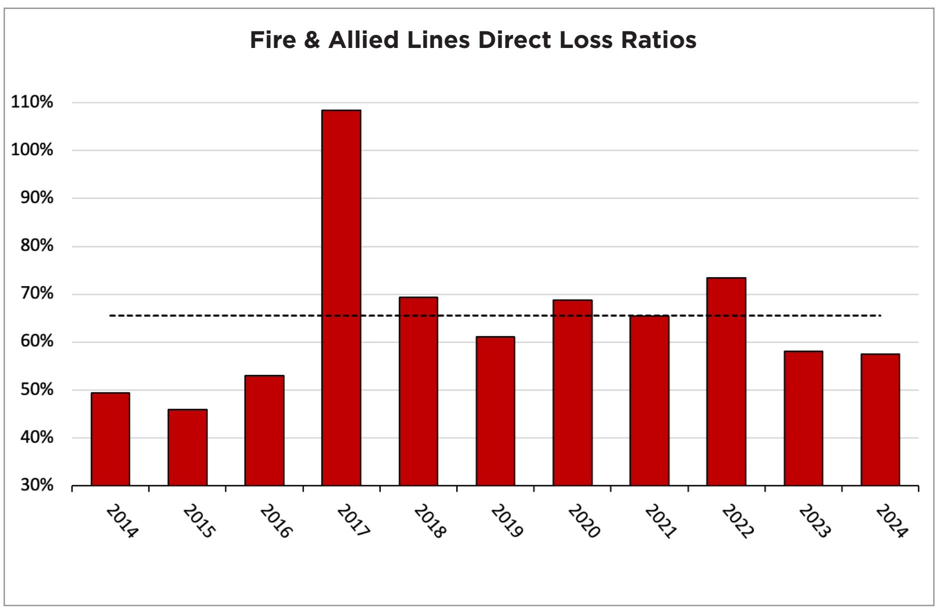
CHART 48



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

Losses in fire and allied lines spiked in the latter half of 2024 in conjunction with extreme weather events triggering claims in the allied lines portion of the coverage, but for the year as a whole the line recorded a second consecutive year of underwriting profits.[87] The direct loss ratio (excluding loss adjustment expenses) for 2024 was 57.8 percent, a slight improvement from the 58.1 percent a year earlier.

CHART 49



Direct losses incurred divided by direct premiums earned. Excludes loss adjustment expenses (LAE). 20-Year annual average calculated by APCIA over the period 2003 to 2024. S&P Global data as of April 10, 2025.

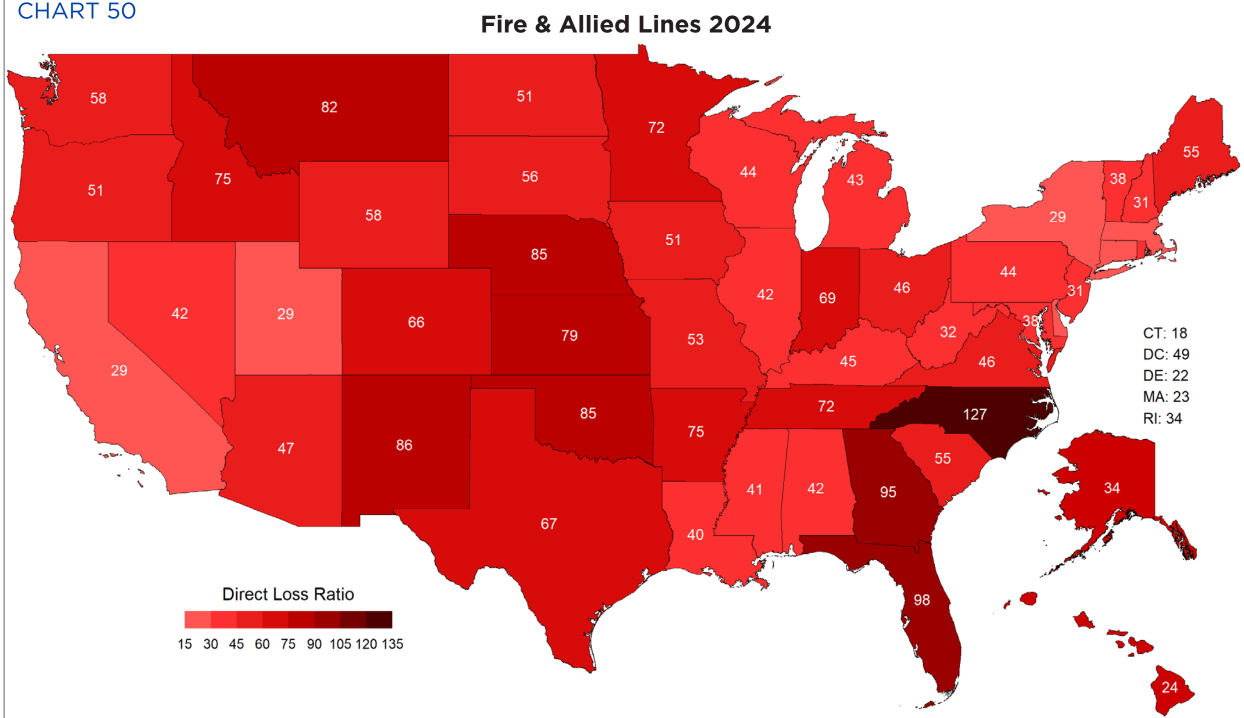
87 Allied lines encompass coverage for windstorm, hail, water damage, and explosions.

Fire and allied lines comprise the bulk of the "special property" class of business reported on Schedule P of insurance company statutory financial statements. The special property line reported a net reserve release of $2.0 billion in 2024, reducing the accident year net loss ratio by 2.7 points, yielding a net loss ratio of 59.1 percent, the lowest result in at least the last four years.

The state with by far the largest direct loss ratio in 2024 for fire and allied lines was North Carolina, at 127.1 percent, a result of extensive water damage from Hurricane Helene. That storm along with Hurricane Milton produced high loss ratios in Florida (97.8 percent) and Georgia (94.7 percent). Rounding out the five highest loss ratios were New Mexico (85.9) and Oklahoma (85.2). North Carolina's loss ratio was 87.5 percentage points higher than the 2023 result. Florida's loss ratio deteriorated by 59.4 points, Washington DC's by 28.7, Indiana's by 22.6, and South Carolina's by 19.0.

States with the lowest loss ratios for fire and allied lines were Connecticut, Delaware, Massachusetts, Hawaii, and Utah, all under 30 percent. The states with largest improvement were Hawaii, coming off of the Maui wildfire in 2023, with a reduction of 168.0 loss ratio points, Vermont, coming off of heavy flooding in 2023, by 134.3 points, Kansas (-62.7 points), Mississippi (-52.4), and Connecticut (-41.0).

CHART 50



Direct losses incurred plus direct defense and cost containment expense incurred as a percent of direct premiums earned. S&P Global data as of April 10, 2025.

North America is the largest cyber insurance market with total premium of $10.6 billion and a 69 percent share of global premiums in 2024.[88] As a Munich Re report states, "cyber threats have grown in scale and impact, according to the report, driving investment in cybersecurity options and insurance to control losses."[89]

88 Carrier Management: "Cyber Insurance Premiums Expected to Soar: Report"; April 11, 2025.

89 *Ibid.*

And the report goes on to state that 4 types of attacks make up the majority of losses:

- Ransomware
- Cams
- Supply chain
- Data breach

Government, manufacturing and technology sectors are particularly prone to cyber-attacks, , and smaller businesses are particularly vulnerable due to inadequate cybersecurity measures.[90] Ransomware was the leading cause of cyber-attack with manufacturing being the top target and Healthcare ranking second.[91] According to Munich Re, business interruption accounted for the largest share of costs (51 percent), which is increasing across all sectors.[92] Supply chain digital bottlenecks will continue to pose major risks from software compromise, managed service provider compromise or single service disruption.

According to CyberAcuView, using data aggregated from insurers representing approximately 40–50 percent of the U.S. cyber insurance market:

- Cyber insurance remains one of the fastest-growing lines in commercial insurance, with gross written premiums continuing to rise. 2024 marks another year of premium growth, driven by increased demand for cyber protection. The number of policies written has also grown, though at a more moderate pace, reflecting a balanced mix of new business acquisition and disciplined underwriting practices. This trajectory reflects the growing importance of cyber protection across industries and organization sizes, as well as carrier adaptation to a rapidly evolving risk landscape shaped by ransomware, supply chain vulnerabilities, and third-party exposure.

- The Excess & Surplus (E&S) market continues to play a critical role in supporting cyber coverage, particularly for higher-risk or complex exposures. While the majority of policies by count are written in the admitted market, surplus lines carriers capture a disproportionately large share of GWP (>50%). This reflects a growing reliance on non-admitted solutions for more complex or higher-risk cyber exposures. The increasing use of non-admitted paper for cyber risks is consistent with APCIA's observation that nearly 60 percent of cyber premium is now written in the surplus lines market.

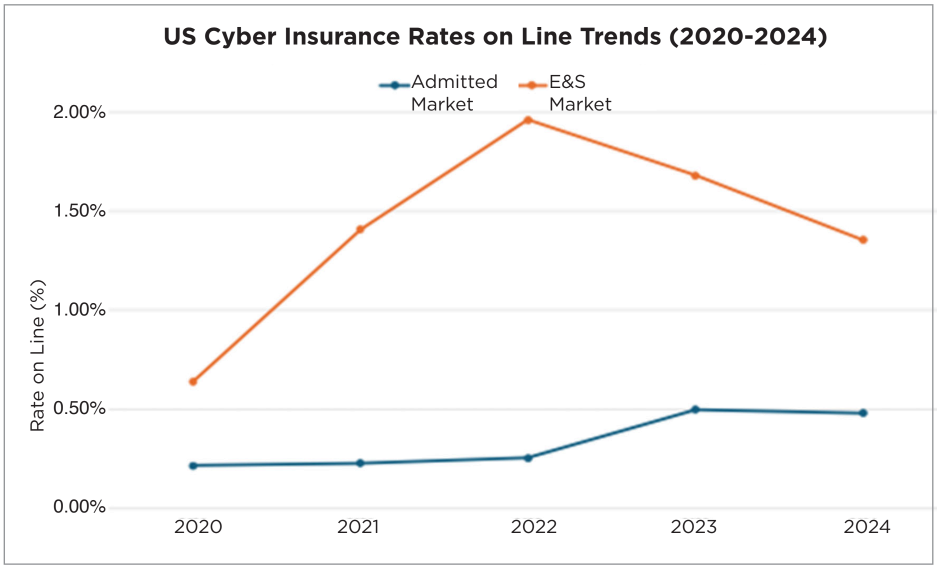
- The U.S. cyber insurance market has seen notable shifts over the past few years, with a trend toward softening rates in both the admitted and E&S segments. After sharp rate hikes in response to increasing cyber risks, particularly between 2020 and 2022, the market has begun to stabilize. Recent data reflects this shift, with some easing of pricing pressures. After a period of tightening underwriting and rate increases, heightened competition has emerged, offering some pricing relief in certain areas. However, the volatile nature of cyber risk persists.

90 *Ibid*.

91 *Ibid*.

92 *Ibid*.

CHART 51



Source: CyberAcuView, which is 100%-owned by the founding members which are major participants in the global cyber insurance market and include AIG, AXIS, Beazley, Chubb, The Hartford, Liberty Mutual Insurance, and Travelers.

While Nat Cat reinsurance appears to be stable in the face of the 2025 L.A. wildfires some casualty lines may experience some challenges. "Changing climate trends and unmodelled risks present exposure management challenges to London Market participants and it acknowledges concerns regarding social inflation in certain business lines. Nevertheless, positive momentum of U.S. excess and surplus (E&S) lines continues to offer opportunities, and the report adds that the higher interest rate environment compared with recent years is likely to support healthy investment yields. Both factors support the stable outlook."[93]

On the other hand, Lloyd's syndicates posted a combined ratio of 106.2 percent in the specialty reinsurance line for the year, nearly 23 percentage points worse than the 83.5 percent reported in 2023. The specialty line mainly comprises marine, energy and motor reinsurance.[94]

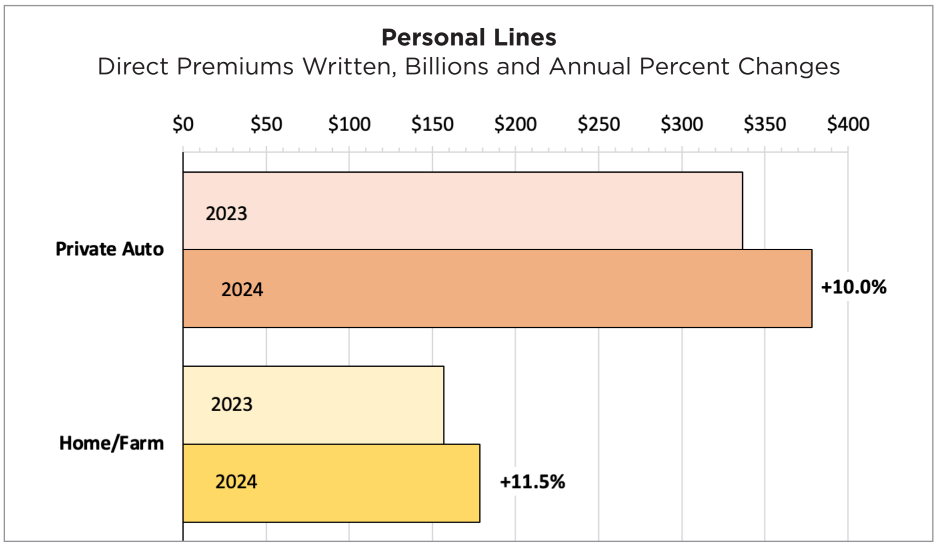
93 AM Best: Market Segment Outlook: London Market Insurance; April 8, 2025.

94 S&P Market Intelligence: "Lloyd's underwriting profits dip as pair of business lines slip into red"; March 27, 2025.

PREMIUM INCOME AND RATES

For the second consecutive year, direct premium revenue growth in 2024 was strong for personal lines at 12.7 percent, outpacing growth in the general economy and in U.S. household consumption expenditures.[95] Both premium rates and exposure units rose during the year to contribute to double-digit revenue growth in personal lines. Commercial lines direct premium grew at a much lower rate, 4.4 percent (2.6 percent net of reinsurance), reflecting sluggish economic growth and price-cycle softening, producing mid-single-digit percentage rate increases for most lines of business.

CHART 52



S&P Global data as of April 6, 2025.

Rate increases granted by state regulators following skyrocketing claims costs growth over the prior two years produced increases in personal auto premium rates between 5.6 percent and17.8 percent during 2024.[96] At the same time, car sales rose to the highest level since 2019 as car prices fell from post-pandemic peaks, and total miles driven hit a record high for the 12-month period ending in December 2024.[97] The combination of higher rates and more units of exposure propelled premium growth to 12.3 percent in 2024.

Similar dynamics drove home insurance direct premiums higher by 13.5 percent in 2024, virtually the same as the 13.7 percent growth seen in 2023. MarketScout's Market Barometer indicated rate increases averaging 6.8 percent for homes above $1 million in value and 5.8 percent for homes of lesser value. The BLS Producer Price Index of Premiums for Homeowner's Insurance rose 9.7 percent in 2024, the highest annual rate of increase since 2003.

95 "Company Action Level" is reached when an insurer's total adjusted capital falls below 200% of its Authorized Control Level RBC, triggering the requirement for the insurer to submit a corrective action plan to the regulator.

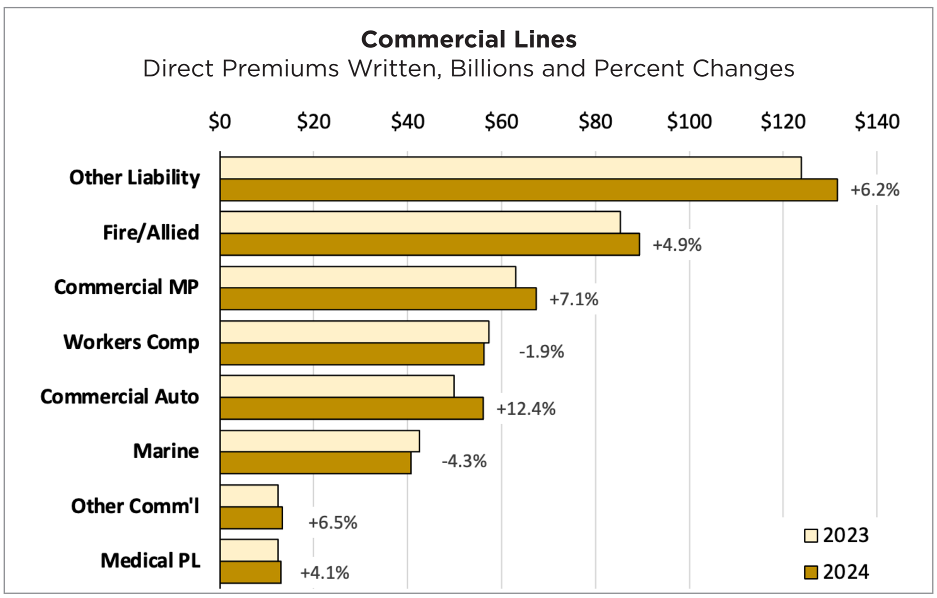
96 Commonly-used indicators of auto insurance pricing varied widely in 2024, from 17.8 percent according to the U.S. Bureau of Labor Statistics' (BLS) Consumer Price Index for Motor Vehicle Insurance for All Urban Consumers, to 7.0 percent according to MarketScout's Market Barometer quarterly agent surveys, and 5.6 percent according to the BLS Producer Price Index: Premiums for Private Passenger Auto Insurance.

97 New and used cars combined.

Sales of new homes ticked upward for the second straight year despite higher mortgage rates, which bottomed out in 2021 at just under 3 percent for a 30-year conventional loan and then jumped to 5.3 percent in 2022, 6.8 percent in 2023, and falling back slightly to 6.7 percent in 2024. The value of existing homes rose 8.2 percent in 2024, following low single-digit growth in 2023, as prices rose 5.1 percent.[98]

Commercial lines direct premium grew only 4.4 percent, slower than growth of the general economy and of total business expenditures.[99] The highest growth rate among commercial lines was in commercial auto, which grew 12.1 percent compared with 2023. Workers compensation direct premiums fell by 1.9 percent, following positive growth in the previous three years. Other liability (including product liability) lines premium grew 6.1 percent, faster than in 2023. Growth in commercial package lines slowed to 5.9 percent. There was a slowdown in marine lines, with direct premium declining by 4.4 percent, the sharpest annual decline since 2019. Fire and allied lines, which had been among the fastest-growing business lines with a 5-year average annual growth of nearly 15 percent, grew at only 4.5 percent in 2024.

Chart 53



S&P Global data as of April 6, 2025.

Sluggish growth in commercial lines premium reflects the highly competitive nature of the U.S. property and casualty business. According to surveys published by the Council of Insurance Agents & Brokers (CIAB), commercial rates rose 5.6 percent across all lines. Rates declined during 2024 for cyber, directors and officers liability and workers compensation lines, by 1.2 percent, 1.3 percent, and 1.8 percent respectively. The highest growth rates in commercial lines were for auto (9.1 percent) and property (7.9 percent).

Demand indicators for commercial insurance showed slow growth. Total employment grew by 1.3 percent as the unemployment rate ticked up to 4.0 percent from 3.8 percent in 2023. Inflation-adjusted weekly earnings rose 1.0 percent, following an equally slow 1.3 percent in 2023. Manufacturers' new orders grew by only 0.3 percent, the slowest year since a decline in 2021. Gross private investment, a component of nominal (non-inflation-adjusted) GDP, increased 5.8 percent, a modest acceleration from 2023's 3.4 percent.

98 Owner-Occupied Real Estate Including Vacant Land and Mobile Homes at Market Value, Federal Reserve; and S&P/Case-Shiller U.S. National Home Price Index, S&P Dow Jones Indices LLC. Data as of March 27, 2025.

99 Nominal Gross Domestic Product (GDP) rose 5.3 percent, and Gross Private Domestic Investment rose 5.8 percent during 2024.

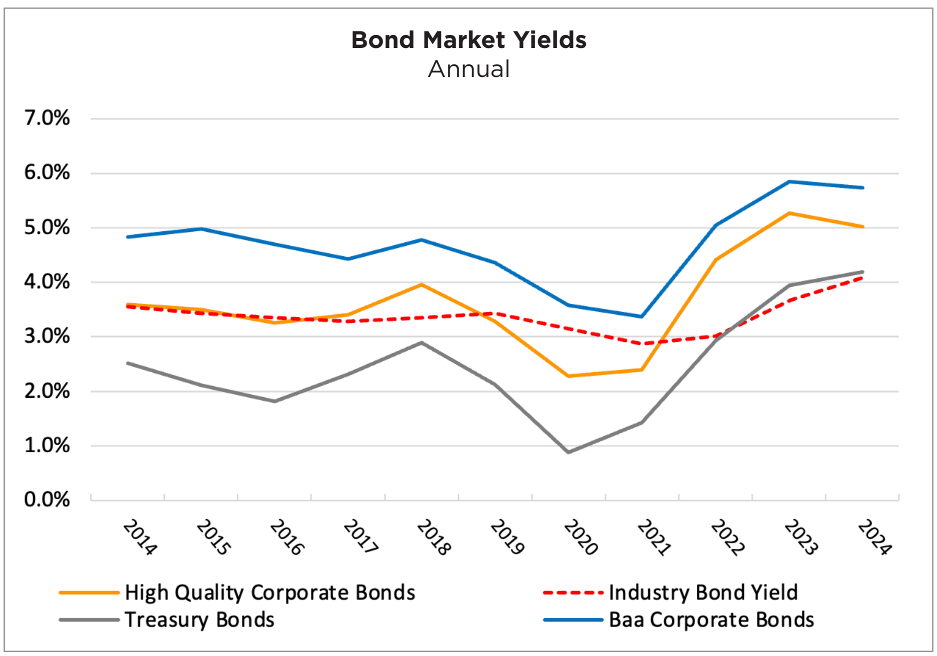
INVESTMENTS

Net investment income rose to $87.4 billion in 2024, a 27.6 percent increase from 2023. Again, Berkshire Hathaway results skew the industry figures. The group reported a negative $3.2 "income" on affiliated common stock in 2023 and an extraordinarily large $9.3 billion income on cash and short-term investments in 2024, producing a "swing" of $12 billion. Many insurers also recorded very large increases in earnings on cash and short-term investments.

The industry's portfolio yield (across all $1.6 trillion in invested assets) rose to 3.9 percent, the highest level since 2009. Insurer investment portfolios generally shifted away from equities and into bonds and cash equivalents in 2024. The market value of common stock holdings fell by $50 billion; bond holdings (at amortized cost value) rose by $99.6 billion, and short-term investments (including cash) increased by $91.8 billion. At year-end, 55 percent of the portfolio was in bonds, 24 percent in common stocks, 12 percent in short-term investments, and 9 percent in other investments.

As part of this broad move toward safety and liquidity, insurers increased investments in U.S. government bonds, reduced holdings in corporate bonds, and moved toward shorter maturities. At year-end 2024, U.S. government bonds represented 25.6 percent of the bond portfolio, a rise of almost 10 percentage points since 2020. The percentage of bonds with a maturity of less than one year rose to a twenty-year high. As a result of the shifts and due to low portfolio turnover(as insurers generally seek to match bond durations to expected liability payout patterns), effective bond yields for insurers lagged market averages.

CHART 54



Par yield on 10-Year corporates rated AAA-A, 10-Year T-Bond yields, both from U.S. Treasury. Industry Bond Yield is gross on unaffiliated bonds, S&P Global. Baa-rated Corporate Bonds maturities 20 years and above, Moody's. Data as of April 10, 2025.

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