



National Association of Realtors Commercial Economic Issues and Trends Forum State of the U.S. Property Insurance Market

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AGENDA

- State of the U.S. Property Insurance Market
- Top Industry Challenges:
 - Property Insurance Affordability & Availability
 - Legal System Abuse
 - Government Risk and Populism
- Questions



State of the U.S. Property Insurance Market



Question: Are *insurers making record profits*?

“The net income of the largest HO insurer in CA should “be consistent with a rate decrease”


- *Consumer Watchdog 2023*

Insurers are “hiking premiums” and “making substantial profits”

- *Consumer Federation of America*

“[Florida tort reform legislation] rewards big insurance companies which are making record profits”

- *trial bar handouts in FL*

A close-up photograph of a hand holding a magnifying glass over a document, symbolizing investigation or scrutiny.

“Insurers’ claims that they have been hurting because they haven’t been allowed to raise premiums quickly enough are overblown and misleading”

- *Los Angeles Times quoting Consumer Watchdog 2023*



2024 Property/Casualty Insurance Results (\$ Millions)		
	2024	2023
Net Written Premiums	\$925,798	\$851,418
Percent Change (%)	8.7%	10.4%
Net Earned Premiums	895,461	815,302
Percent Change (%)	9.8%	9.7%
Incurred Losses & Loss Adjustment Expenses	634,390	622,492
Percent Change (%)	1.9%	10.1%
Other Underwriting Expenses	233,141	212,266
Statutory Underwriting Gains (Losses)	27,930	-19,456
Policyholders' Dividends	3,111	2,372
Net Underwriting Gains (Losses)	24,819	-21,828
Net Investment Income Earned	83,957	71,170
Net Realized Capital Gains (Losses)	79,678	2,199
Net Investment Gains	163,635	73,368
Pretax Operating Income	109,790	49,664
Federal & Foreign Income Tax	19,851	10,944
Net Income (Loss) after Taxes	169,617	40,918
Percent Change (%)	314.5%	-7.1%
Surplus (Consolidated)	1,081,928	1,013,453
Loss & Loss Adjustment Expense Reserves	938,986	876,107
Combined Ratio, Post-Dividends (%)	96.4	101.6

Sources: Verisk and APCA

Explaining the 2024 Profitability Numbers

After-tax return on capital = highest in at least 20 years;

BUT:

- 40% net income = just BRK
- HO & commercial auto are still struggling
- A.M. Best HO outlook = “negative”



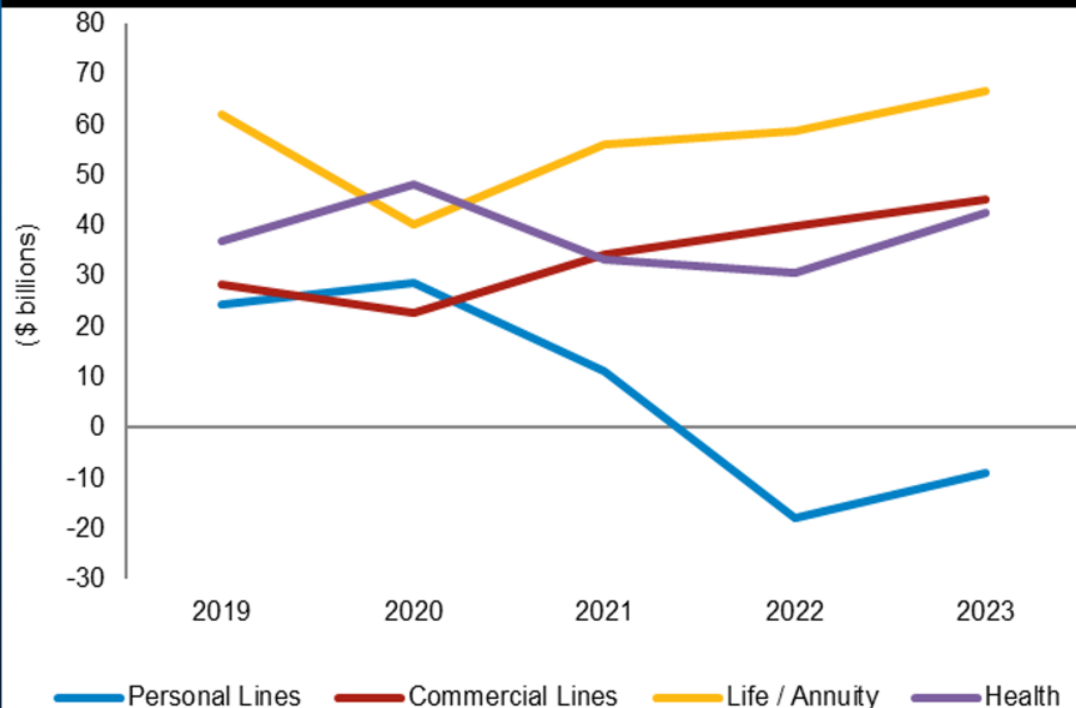
AM Best Insurance Report on Personal Lines

Pressures: include “worsening economic and social inflation, as well as rising operating and loss costs”

Personal auto improvement: rate adequacy, regulatory landscape, solid risk-adjusted capital, lower loss ratios

HO: Negative outlook remains

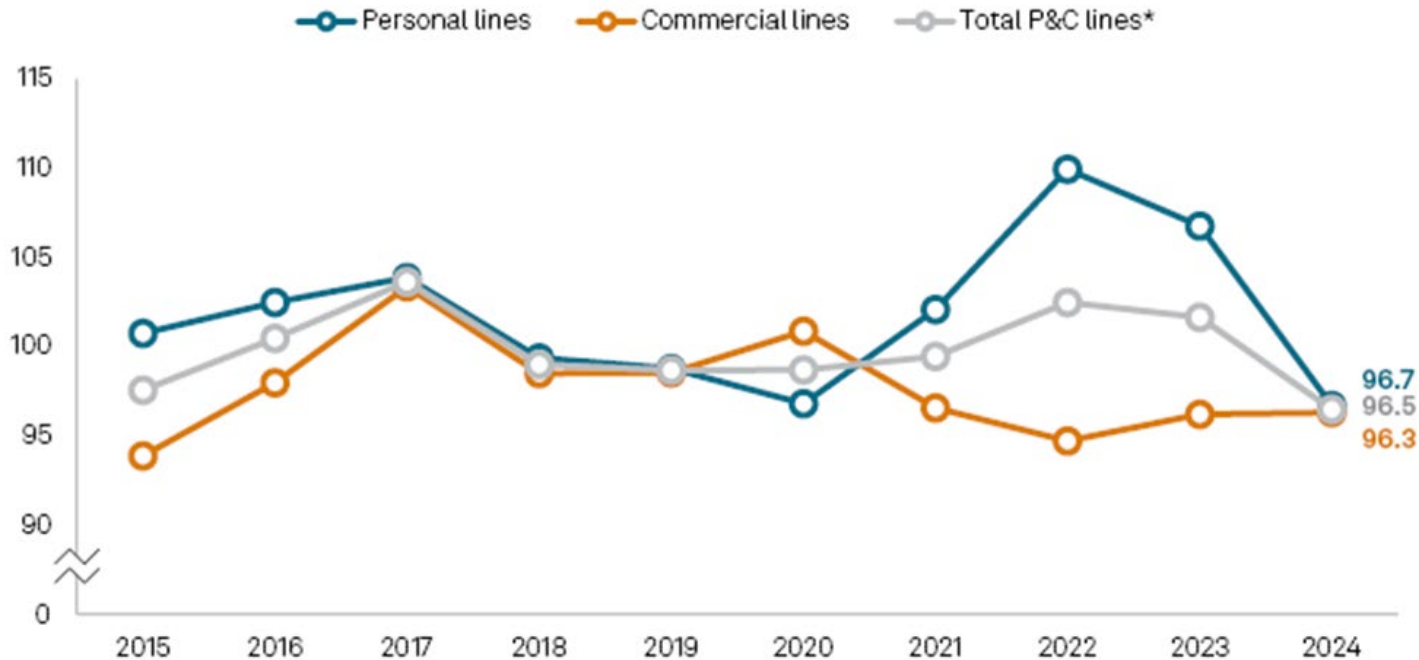
Pretax Operating Gains by Segment



Source: BESTLINK



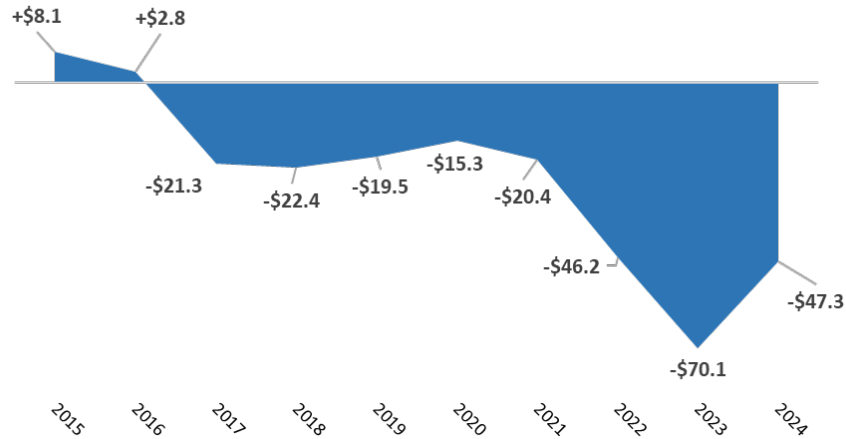
US P&C industry's annual combined ratio (%)





Cumulative Ten-Year Underwriting Losses

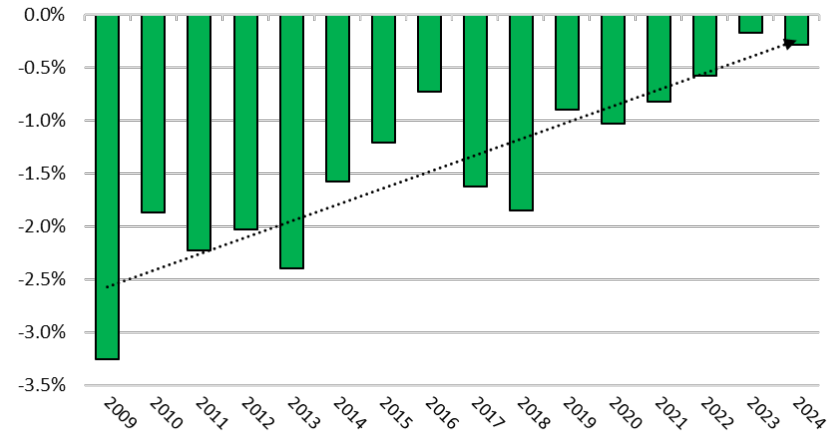
Billions



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

Reserve Development

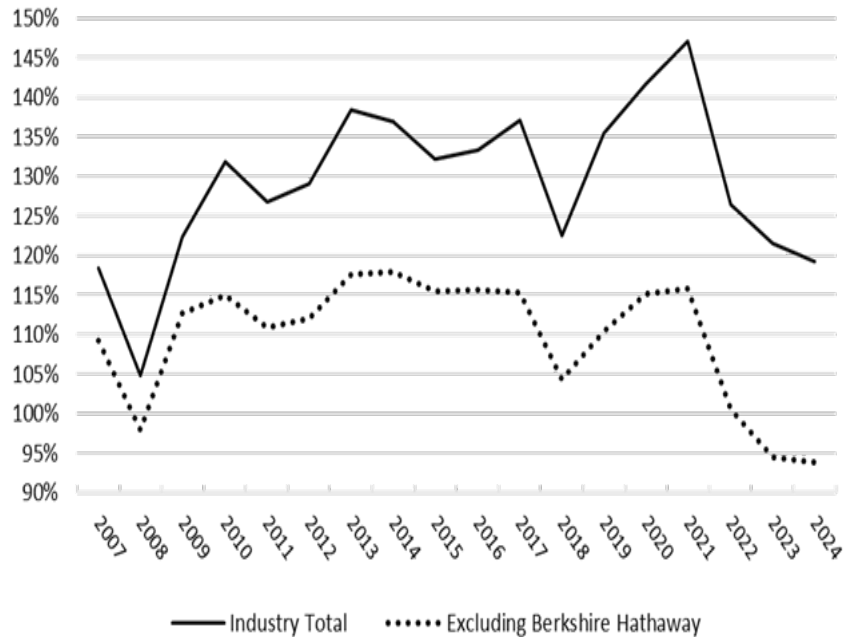
One-Year Development / Reserves, Annual



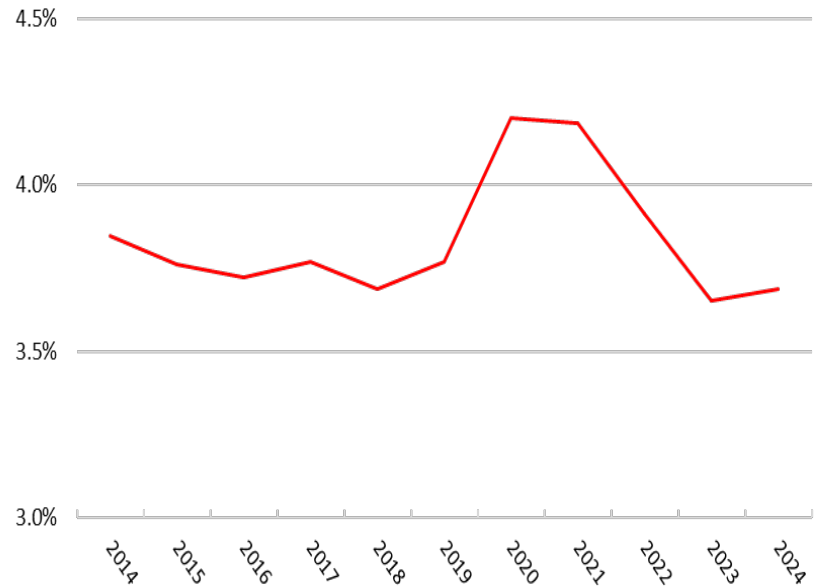
Net reserve additions divided by prior year-end loss and loss adjustment expense reserves. S&P Global data as of April 6, 2025.



Capital & Surplus / Net Premium



Capital & Surplus / GDP





Top Industry Challenges – Property Insurance Affordability & Availability



Question: Is there an Insurability Crisis? Will Consumers Be Able to Purchase Insurance?

“Extreme weather patterns caused by climate change have led [insurers] to stop writing coverages in some regions... [and] say they will cut out damage caused by hurricanes, wind and hail... along coastlines and in wildfire country”

- *Washington Post*



Property Insurance Markets Deteriorating

The Palm Beach Post

Florida's property insurance is in crisis.

Florida should end "Citizen's Insurance" as a company of last resort and establish competition for existing and new insurance companies coming into the state.

Scott Schneider Palm Beach Post
Published 5:25 a.m. ET March 13, 2024 | Updated 10:53 a.m. ET March 14, 2024

They say, the more complex the problem, the simpler it is to solve. But in Florida, the solution to the state's home insurance crisis has become a nightmare. Home insurance premiums continue to rise, and many homeowners are being priced out of the state. Home insurance premiums continue to rise, and many homeowners are being priced out of the state.

4WWL

Southeast Louisiana has an insurance crisis

"It does take time for that to happen — which is why it's all the more important that we hit the regular session and hard with these legislative changes."

San Francisco Chronicle

OPINION // EDITORIALS

California's insurance market is a ticking time bomb.

No one wants to have to pay more, but maintaining the status quo of the state's home insurance market in the face of climate change is even costlier.

By Chronicle Editorial Board

Newsweek

California's Insurance Crisis Is Spiraling Out of Control

Published Mar 01, 2024 at 8:11 AM EST

The ongoing [home insurance crisis in California](#) is about to deepen as yet another company has announced its withdrawal from the state over profitability concerns.

American National, a private insurer headquartered in Texas, has informed the California Department of Insurance that it will stop offering homeowner insurance policies by this fall and will begin sending nonrenewal notices to customers as early as August, *Insurance Business* reported.

CAL MATTERS

California insurance market 'in chaos'

BY LEVI SUMAGAYSAY
MARCH 25, 2024 UPDATED MARCH 27, 2024

With more California homeowners just discovering their insurance policies are getting canceled — and hundreds of thousands of others stuck with a pricey option of last resort — state Insurance Commissioner Ricardo Lara's efforts to fix the home insurance market can't come quickly enough.





What is Causing Increased Property Insurance Losses?

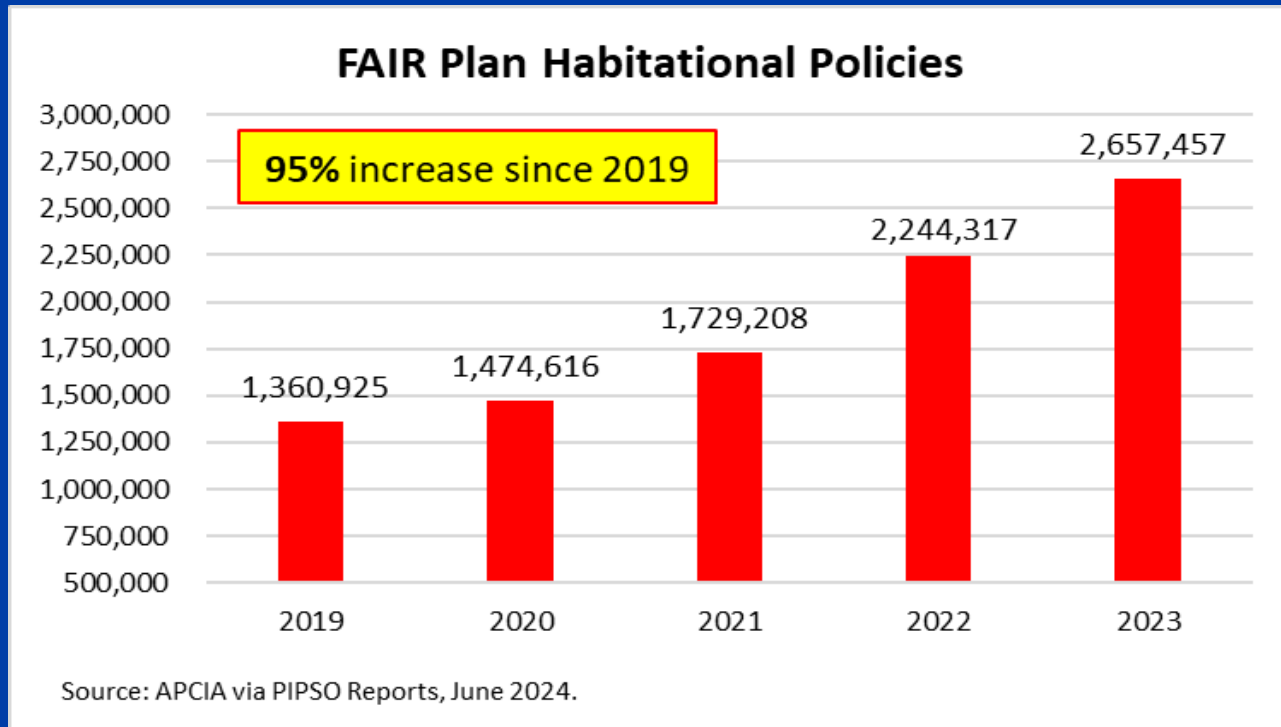
It's not just the weather

Verisk: The factors causing a doubling of average annual natural catastrophe losses over the last decade are (in order of importance):

1. **A rise in exposure values and replacement costs**, represented both by continued construction in high-hazard areas and by high levels of inflation that are driving up repair and rebuild costs
2. The natural variability that comes from selecting any five-year sample of natural catastrophe experience
3. The effects of **climate change** on different atmospheric perils
4. The impacts of man-made loss drivers, such as **social inflation** and legal and **regulatory factors**



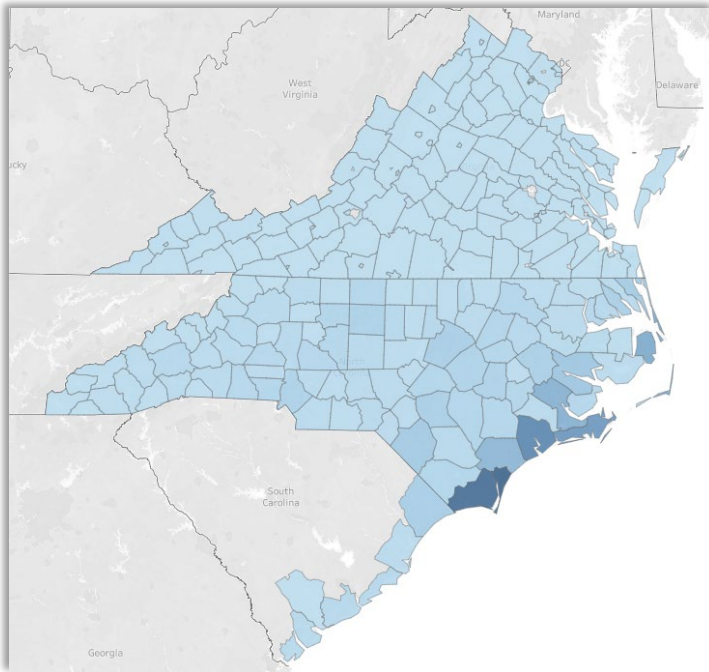
Government Subsidized Competition





North Carolina (*vs neighboring states*)

Current 'Residential' Plan Policy Count, by County Virginia, North Carolina, and South Carolina



Key Observations

All 3 states have increasing climate risk from coastal wind/hurricane

However, rate suppression in North Carolina (including ability to reflect the growing cost of reinsurance for coastal risk) is contributing to market dislocation and growth in the state's residual market plans.

In contrast, Virginia and South Carolina residual market plans have shrunk during the pandemic, with only moderate growth in the last year in South Carolina.

Comparing the Change in Residential Policy Counts:

North Carolina:

- Since Pandemic (2020-2023): **22.3%** (CPIP), **16.1%** (FAIR)
- Last Year (2022-2023): **12.4%** (CPIP), **7.0%** (FAIR)

South Carolina:

- Since Pandemic (2020-2023): **-3.9%**
- Last Year (2022-2023): **5.5%**

Virginia

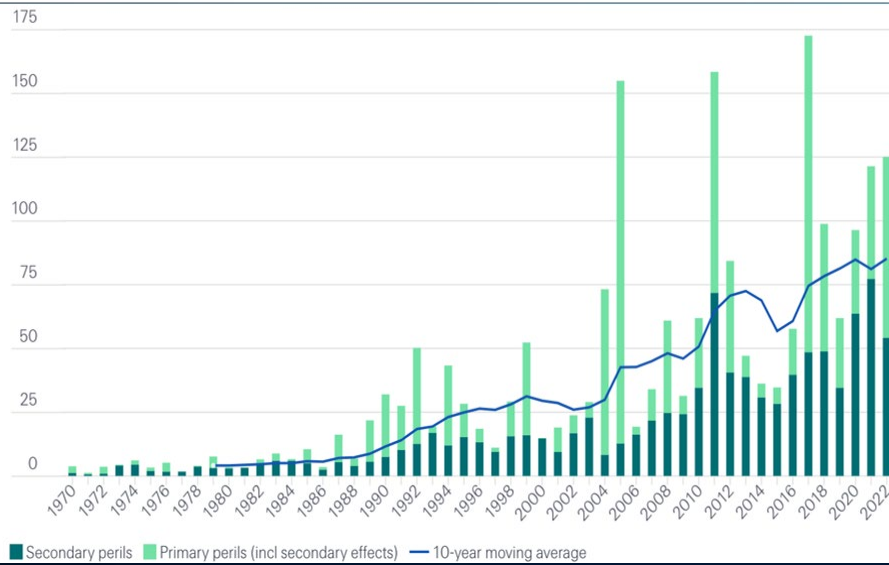
- Since Pandemic (2020-2023): **-18.8%**
- Last Year (2022-2023): **-3.9%**

Source: APCIA, via data from residual market plan(s)

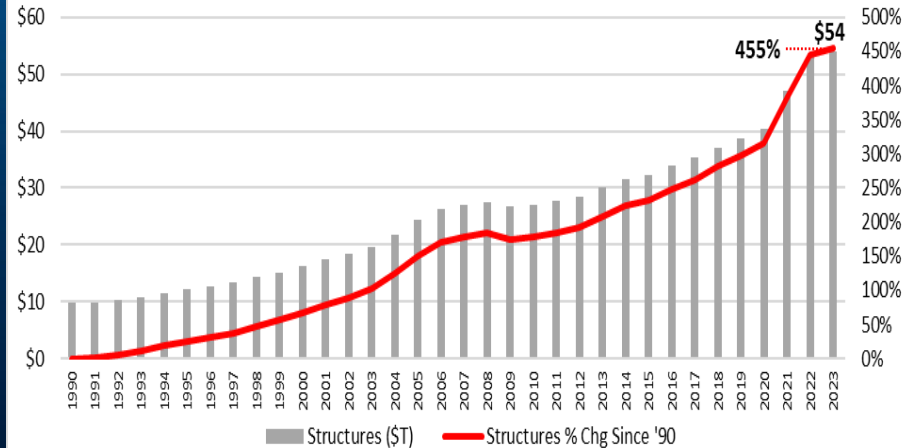


Increasing Cat Losses / Rebuilding Costs

Global Insured Natural Catastrophe Losses (USD bn)



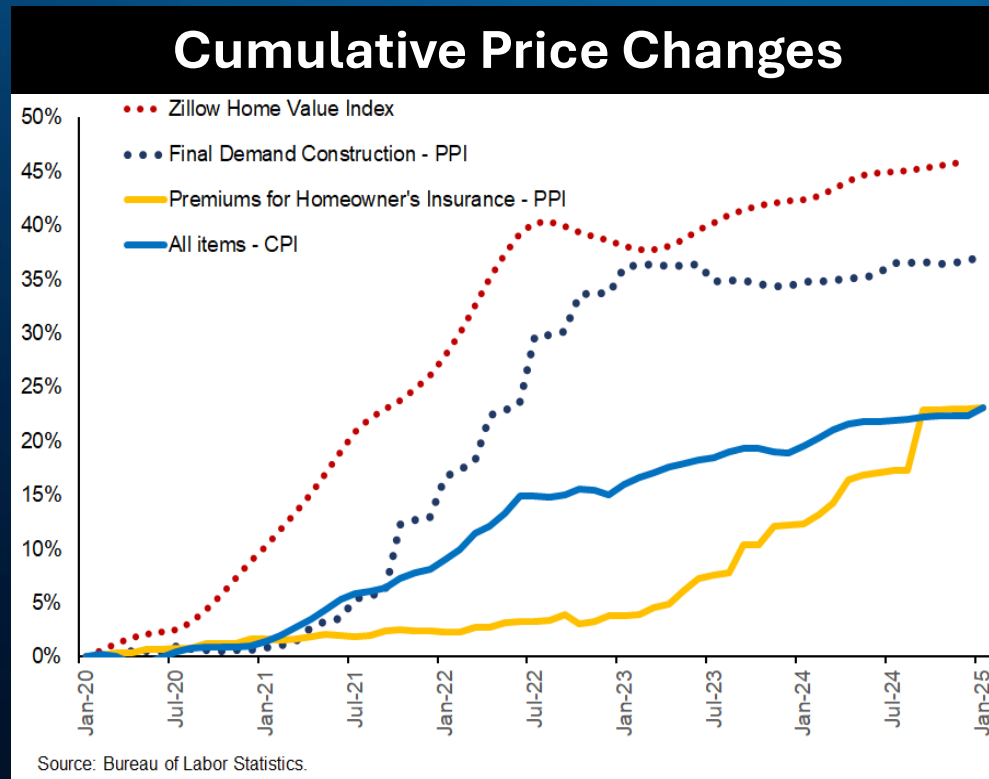
U.S. Replacement Cost of Structures
BEA Current-Cost Net Stock of Private Fixed Assets (\$T)



Source: APCIA using U.S. Bureau of Economic Analysis, Fixed Assets Accounts Tables year-end estimates; Table 2.1. Current-Cost Net Stock of Private Fixed Assets, Equipment, Structures, and Intellectual Property Products by Type.



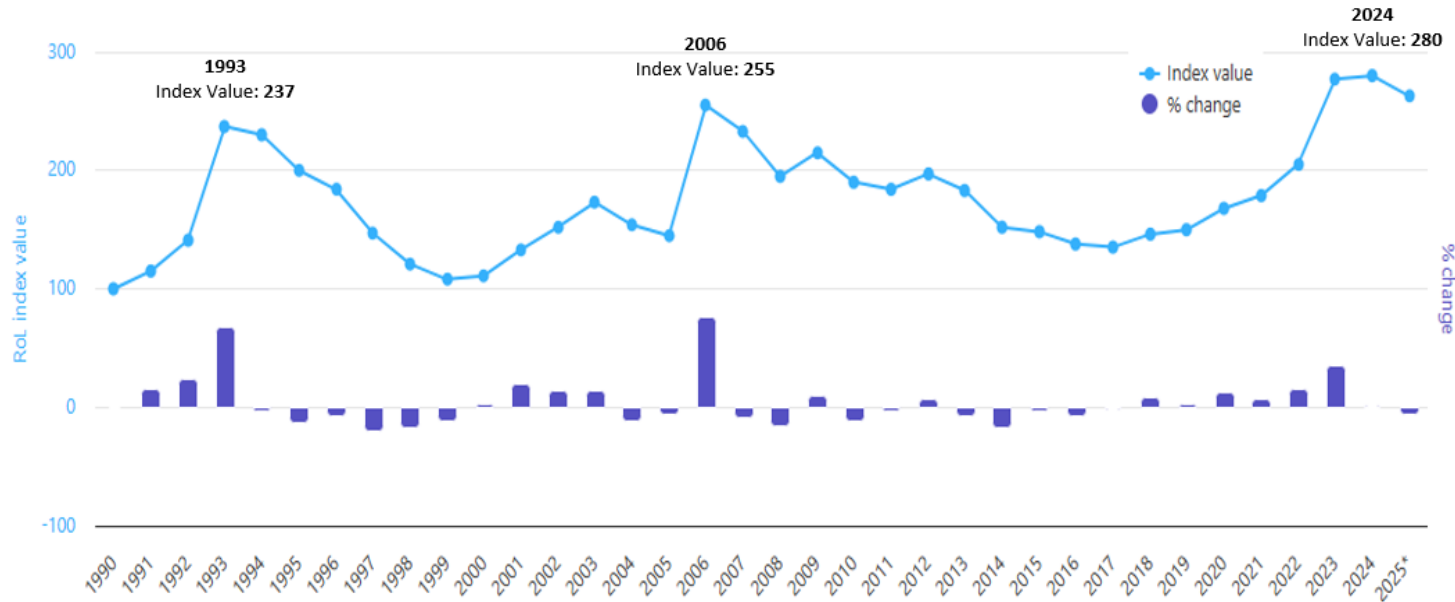
Increasing Cost Inflation & Climate Risk



Jan. 2020-Dec. 2023.



U.S. Property Catastrophe Rate-on-Line Index



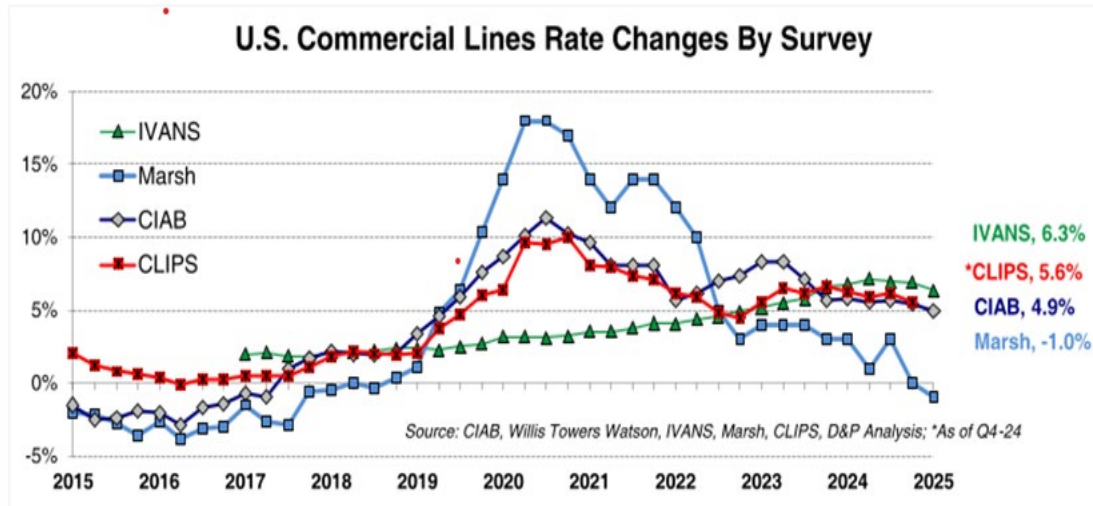
Source: Data from Guy Carpenter, presented by Artemis.bm

Since 2017, the RoL Index **increased 107%, more than doubling** property catastrophe reinsurance costs.

In 2023, the RoL Index **increased 35%**, the **largest increase in 17 years** in risk-adjusted US cat reinsurance pricing.



U.S. Commercial Lines Rate Change by Survey

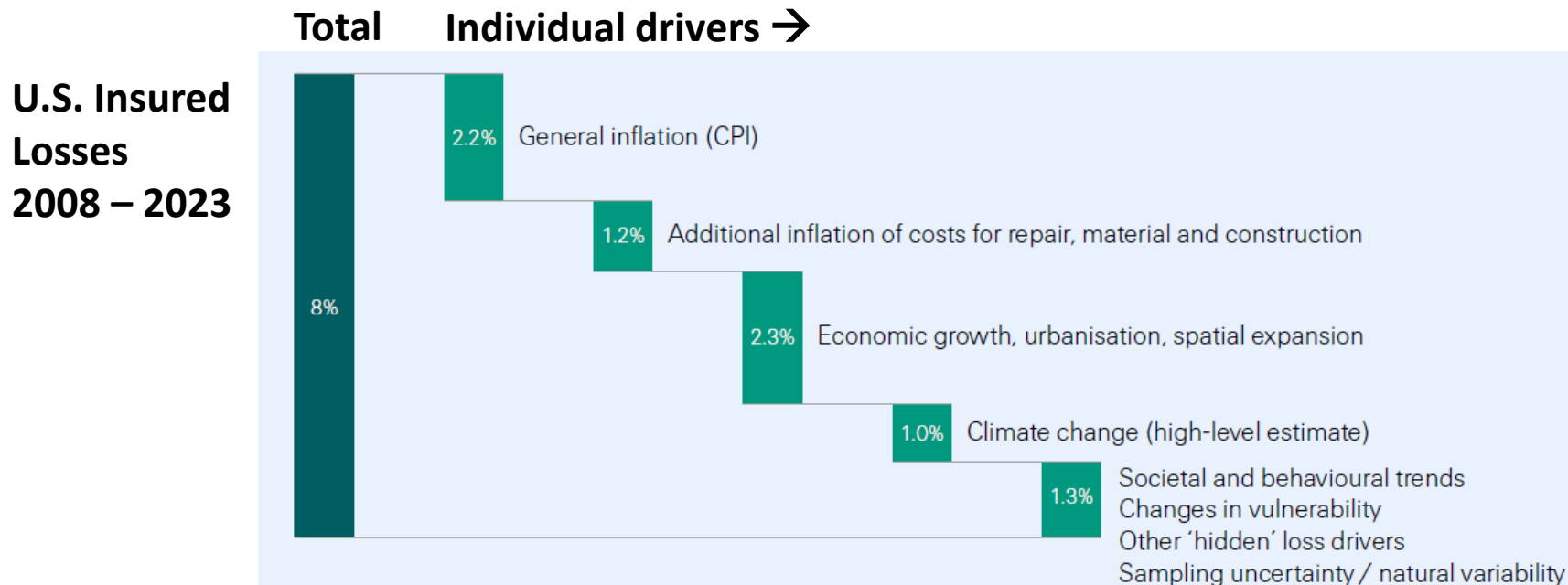


The CIAB's Q1 Market Index saw continued moderation, primarily driven by a deceleration in Commercial Property – now in low single digits.

This was partially offset by accelerations in Commercial Auto and Umbrella.



Breaking Down Severe Convective Storm Cost Drivers





Insurance Availability Pressures

Property insurance demand and costs are increasing; capital is decreasing

DEMAND = INCREASING

- Higher Rebuilding Values
- Demographic growth/shifts
- Inflation
- Worsening weather
- Legal System Abuse



SUPPLY = DECREASING

- Rate suppression/delays
(1 to 2-year lag time for rate filings, approvals, and rolling into new policies)
- Premiums falling behind losses
- Less surplus
- Lack of profitability + volatility =
Deters new investment capital





California Insurance Market Implosion

2024 = Majority of top HO insurers were pulling back from the market

- 30-year HO net underwriting losses; 10-year HO net underwriting loss of 13.6%
- Nearly a year average delay for rate reviews
- Rates negotiated down
- Increasing coverage mandates
- Reforms: Allow cat modeling and inclusion of reinsurance costs in rates (like every other state – but only if write 85% market share in wildfire areas)

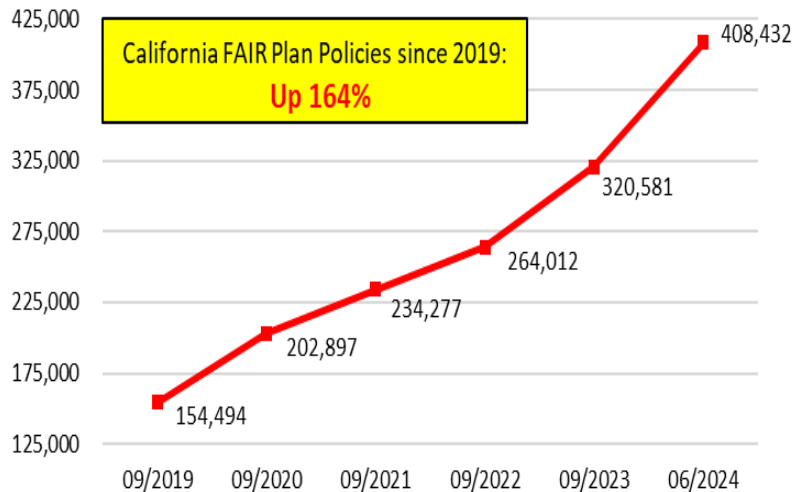
January 2025 wildfires:

- Over \$200b in economic damages; \$30-50b in insured losses
- Challenges with smoke chasers, toxic debris removal, ALE, retroactive contents cover, and mudslides
- Largest insurer & CFP under water; Regular wildfire season still to come



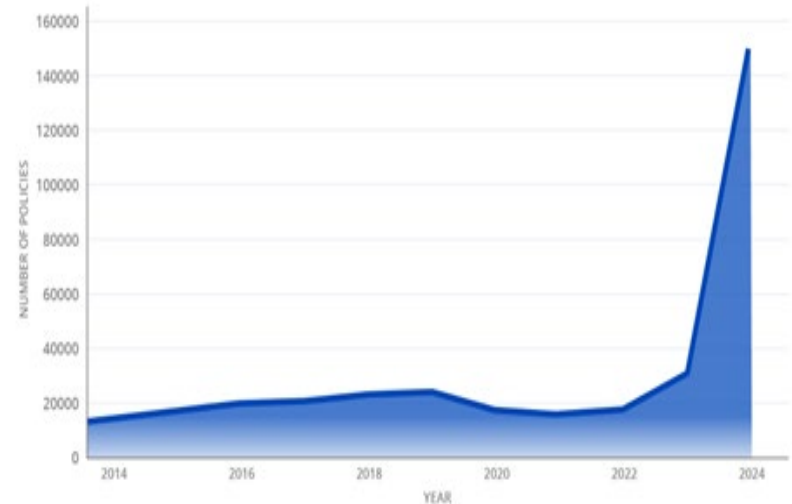
Rate Suppression => FAIR/E&S Growth

California FAIR Plan Dwelling Policies in Force



Source: APCIA via California FAIR Plan; excludes commercial policies; "09" dates reflect fiscal year ending September 30.

New Business Homeowners' Policies in California's Surplus Lines Market



Information provided by The Surplus Line Association of California



When You're in a Ditch – STOP DIGGING!

- **Government Catastrophe Backstop (BAD)**
 - Reinsurers have ample disaster capital on the sidelines
 - Alternative capital markets can be similarly elastic
 - THE PROBLEM IS RATE, NOT LONG-TERM CAPACITY – Government subsidized backstops displace private markets and mask societally beneficial climate risk signals
- **Government Rate Suppression (BAD)**
 - Mitigation and resiliency funding helps consumers
 - Rate suppression contracts capital and deters new investment capital – creating long-term availability challenges that takes decades to recover from
 - Rate suppression encourages overbuilding & masks the true costs of evolving risk



Property Insurability Solutions – Mitigation and Resiliency

Insurers are leading efforts to make communities more resilient and to mitigate risks

- Working with federal & state policymakers
- Supporting resiliency & mitigation programs, such as infrastructure improvements and wildfire solutions
- Advocating for stronger building codes & land use policies
- Funding science-based research into risk mitigation
- Advocating for financial support to increase resilience for vulnerable populations
- Investing/underwriting in climate and renewable technology

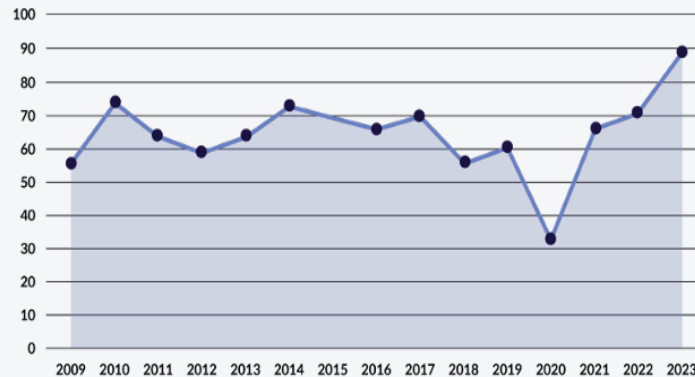


Legal System Abuse



Nuclear Verdicts Explode

Number of Corporate Nuclear Verdicts: 2009-2023



Corporate Verdicts Go Thermonuclear, Marathon Strategies, 2024.

Median Top 50 U.S. Verdicts*
(\$ Millions)



Kahana & Feld LLP, compiled by Sofya Uvaydov, Esq.



Legal System Abuse Trends

- Third Party Litigation Financing (TPLF)
- Deceptive Attorney Advertising
- Phantom Damages
- Erosion of Damages Caps
- Nuclear Verdicts and Settlements
- Jury Anchoring and other “Reptile” Tactics
- Bad Faith



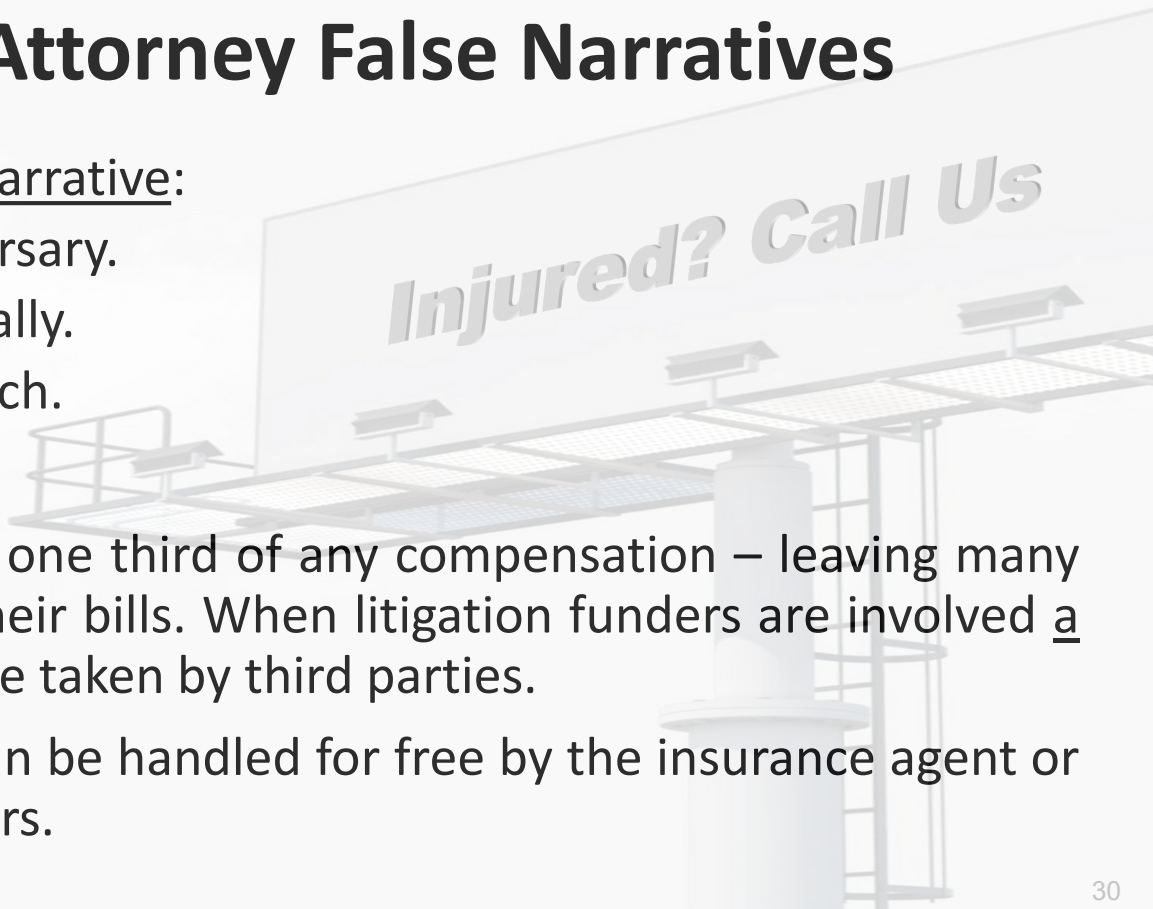


Trial Bar Narrative & Consumer Complaints



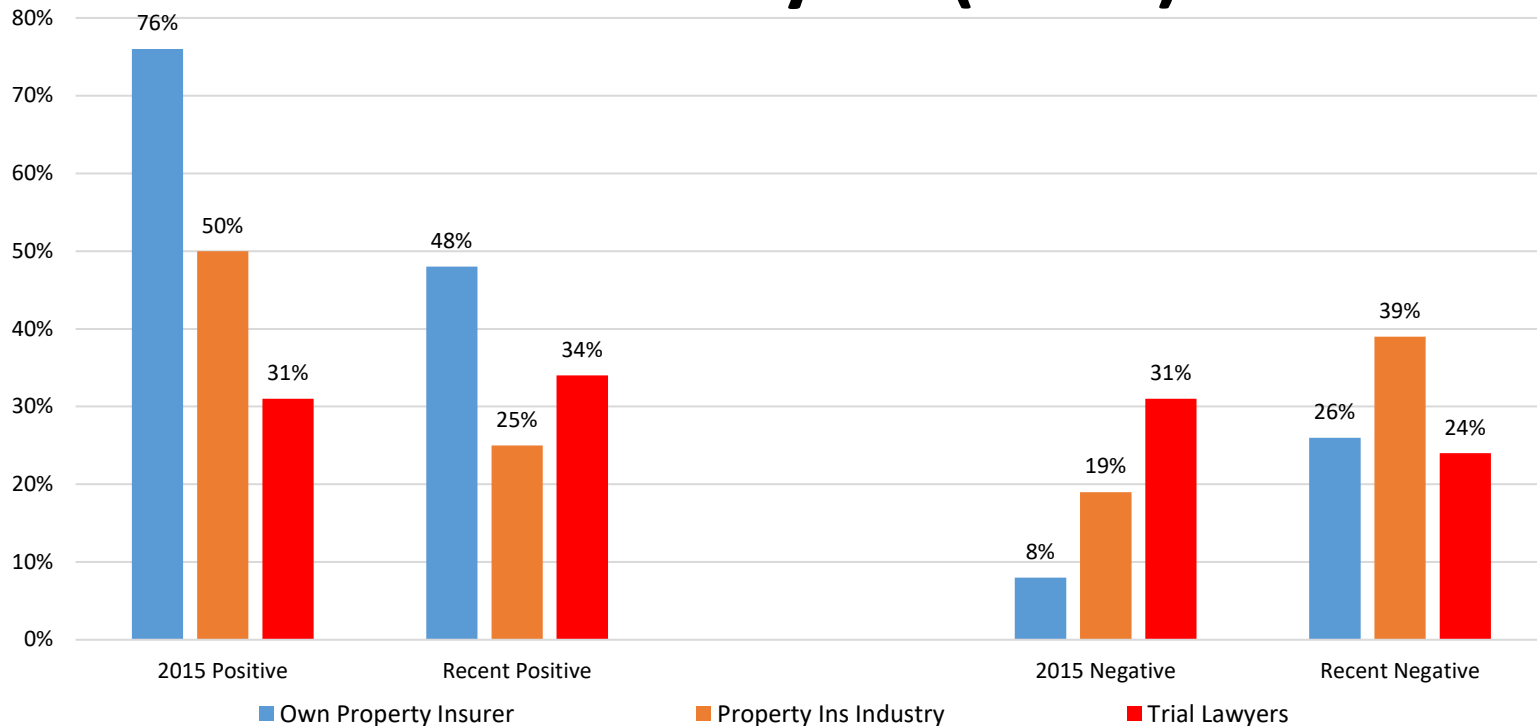
Billboard Attorney False Narratives

- Billboard Attorney False Narrative:
 - Insurers are your adversary.
 - Trial lawyers are your ally.
 - We can help you get rich.
- APCIA Response:
 - Trial lawyers drain over one third of any compensation – leaving many victims unable to pay their bills. When litigation funders are involved a majority of payments are taken by third parties.
 - Most disputed claims can be handled for free by the insurance agent or state insurance regulators.





Favorability Ratings of Insurers vs. Trial Lawyers (in TX)





Government Risk & Populism



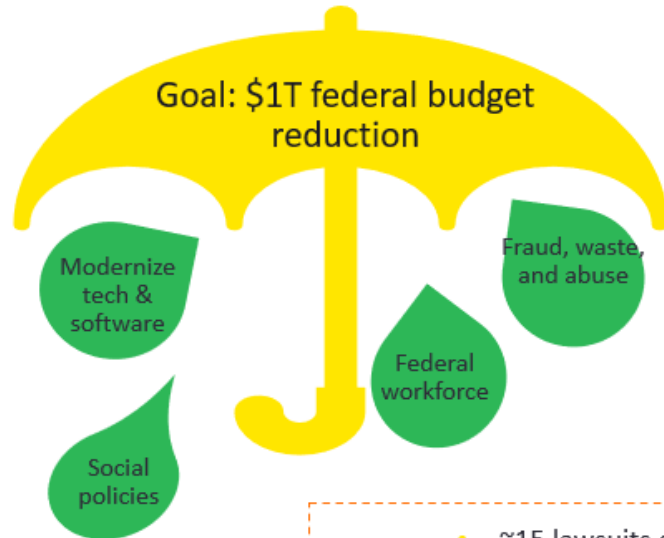
Government Risks – Top Threats

- **Rate suppression**
 - E.g., CDI refused to approve a single PPA rate increase for over 30 months
- **Government insurance programs**
 - CFP in 2021 needed a +70% rate increase to be actuarially sound
 - After a 2-year delay, in 2023 it received a 15.7% increase
 - In 2025 the CFP assessed private insurers \$1b with losses increasing
- **Retroactive coverage**
 - APCIA stopped pandemic retro BI (unlike Superfund/asbestos)
- **Failing infrastructure**
 - E.g., aging weather satellites nearing end of operational lifespans





DOGE

Department of Government Efficiency (DOGE) was established under Jan. 20 Executive Order



DOGE-driven activity

Treasury: IRS layoffs, possible FIO changes	NIH indirect cost cuts*	 USAID unwinding/ layoffs	 Foreign aid freeze
4 officials fired from FEMA	CMS billing & payment systems	Federal spending on DEI / "woke policy"	CMS contracting systems



- ~15 lawsuits challenging DOGE's establishment and access to sensitive personal and financial information
- Lawsuits challenging DOGE driven actions: USAID staff cuts, foreign assistance freeze, NIH indirect cost, etc.



Questions?

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