

Triple-I State of the Industry Review: Key Risks & Opportunities



**Claims & Risk Management
Working Group**

November 7, 2024

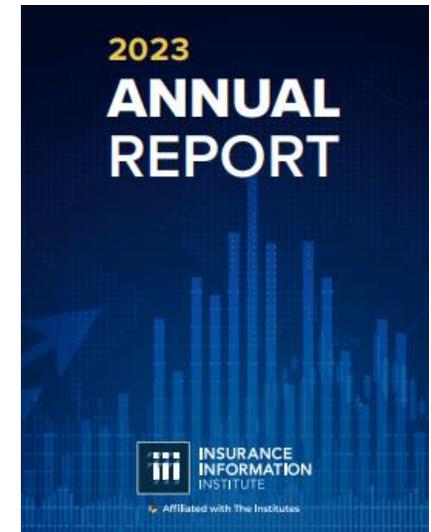


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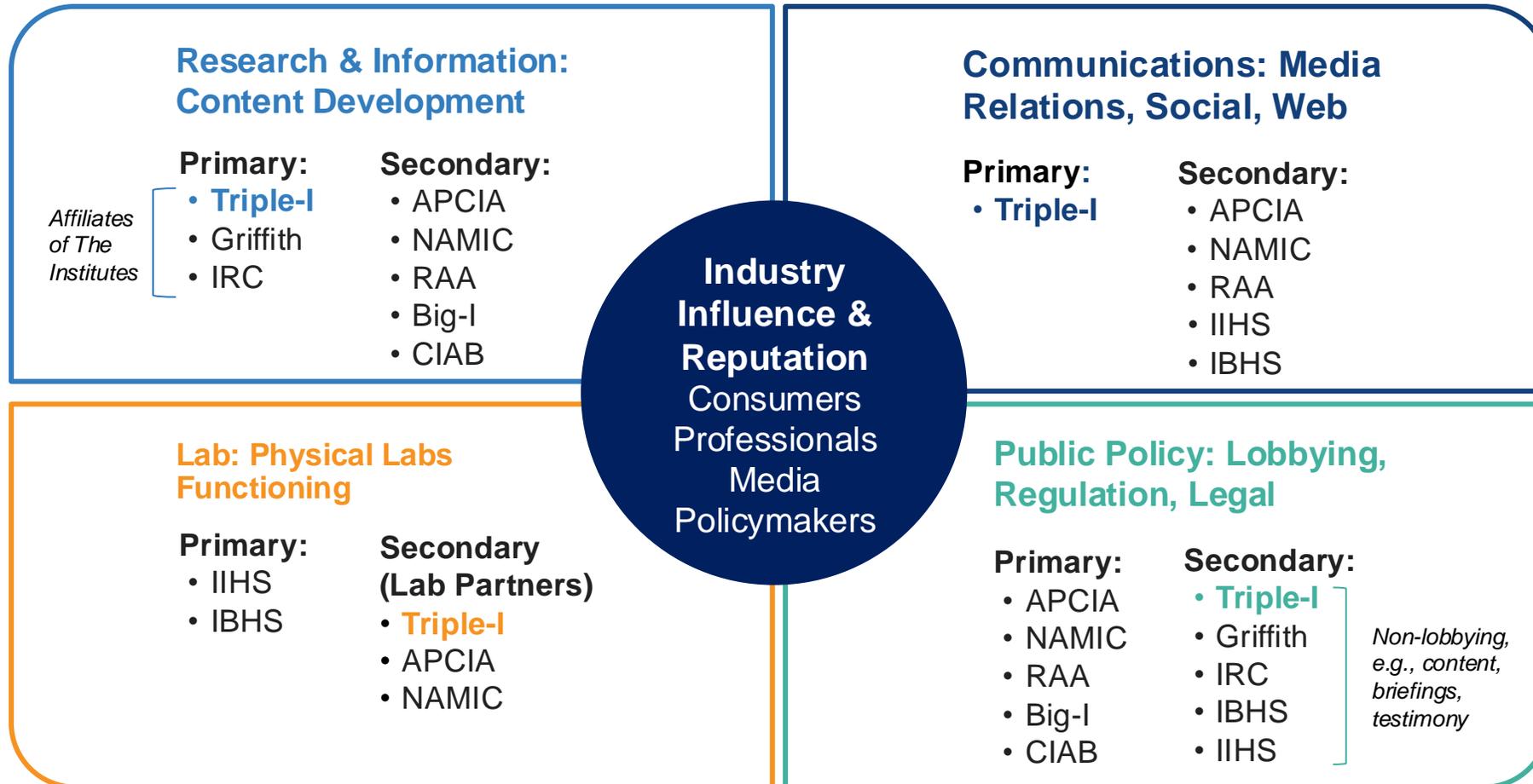
Insurance Information Institute (Triple-I) Mission

The trusted voice of risk and insurance; providing unique, data-driven insights to educate, elevate and connect consumers, industry professionals, public policymakers, and media.



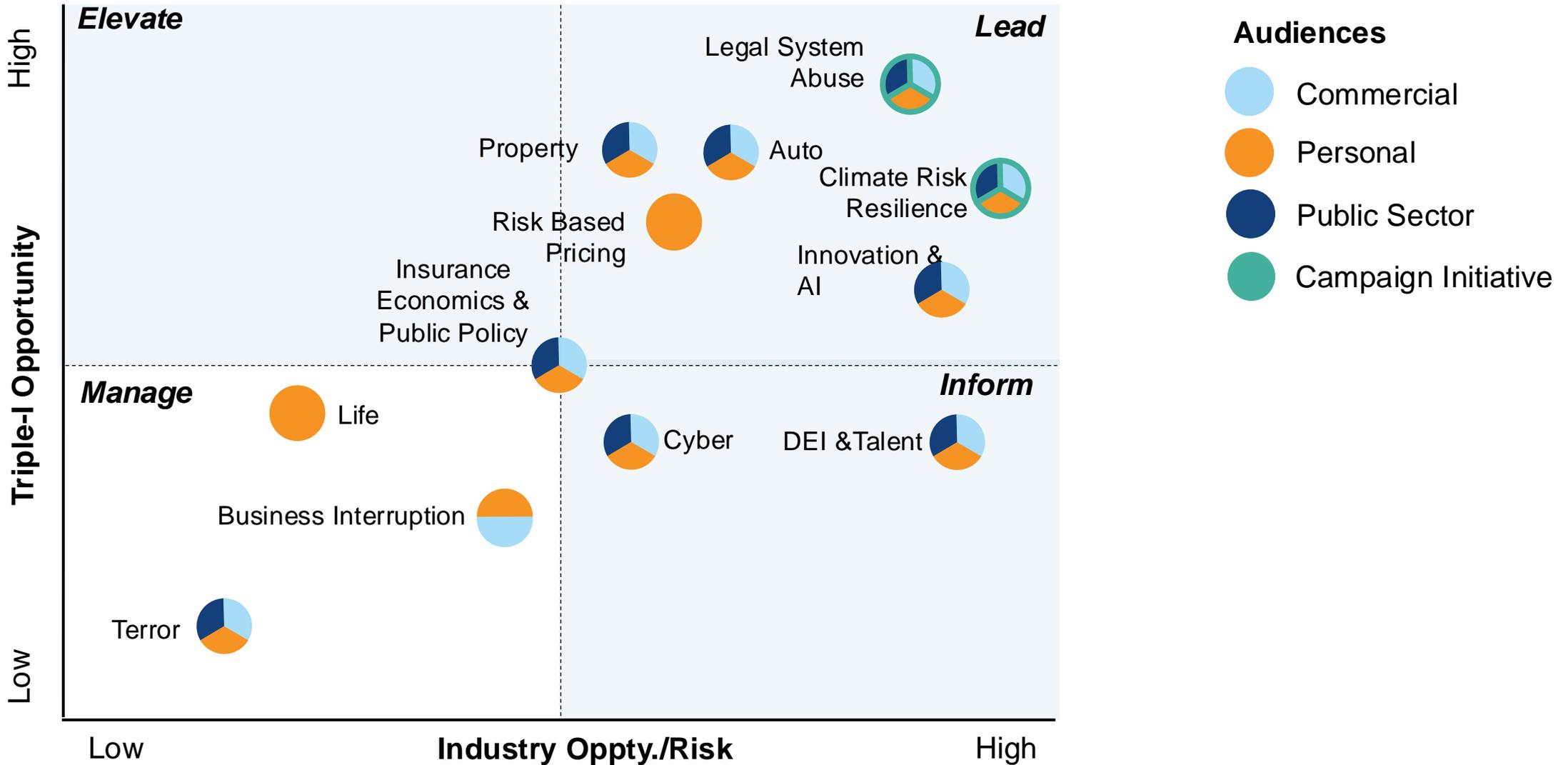
Driving Influence for Insurance Trades

Triple-I plays a supporting and collaborative role in all



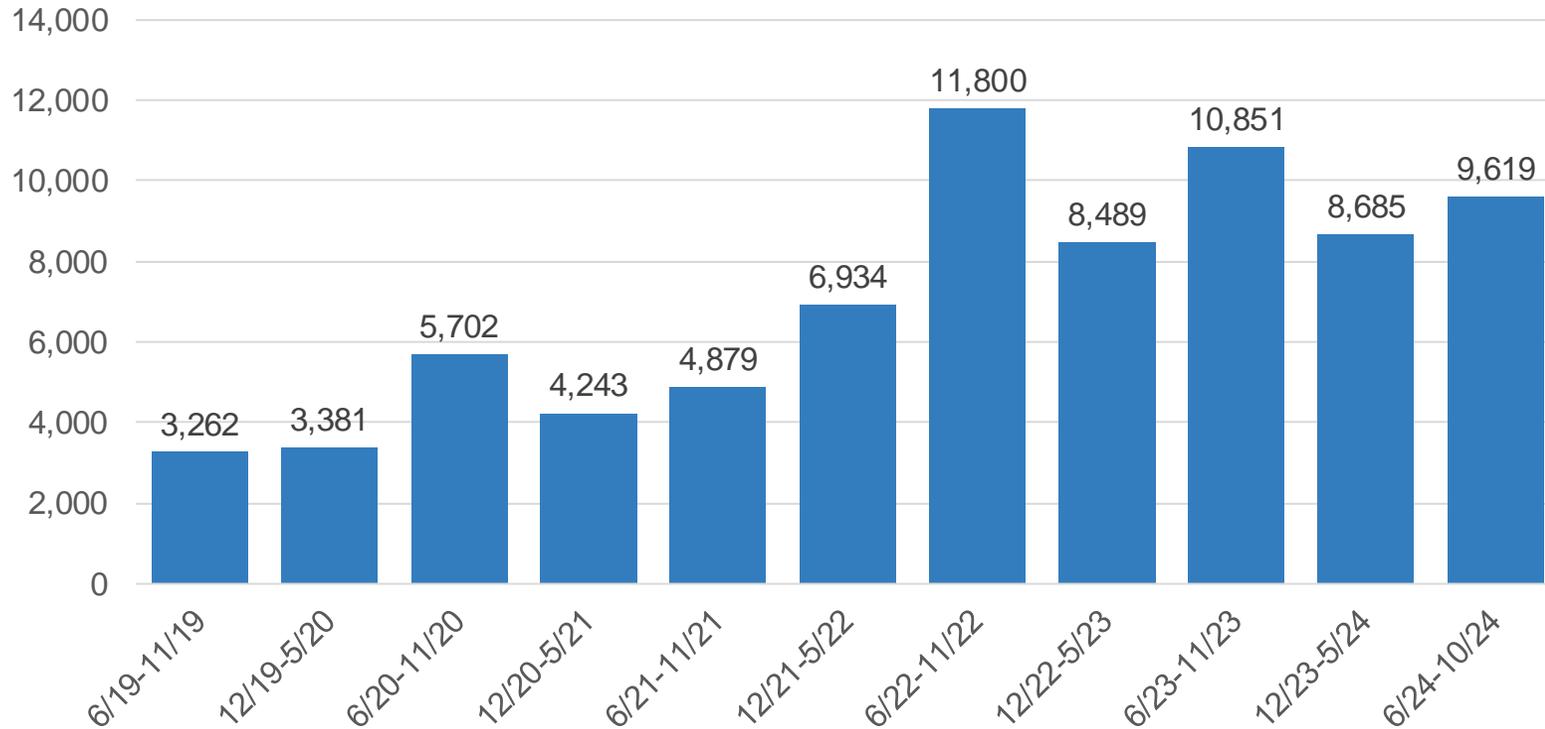
Issue Management

A New View to Emphasize Leadership & Action

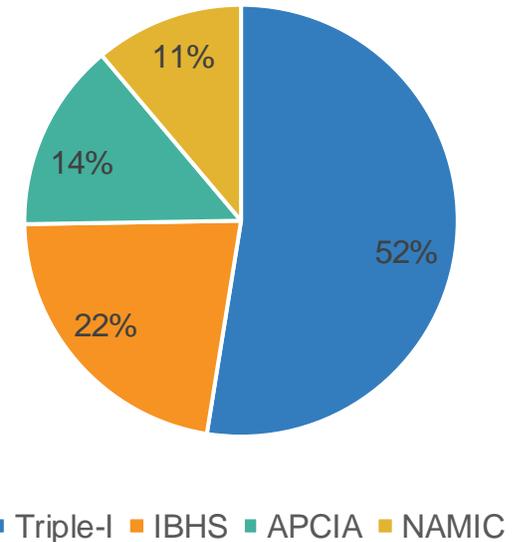


More Media Paying Attention to Risk

Record citations, plus share of voice is greater than all other trades combined



Share of Voice



Source: Cision Media Tracking

Headlines:



Legal System Abuse Hurts Insurers, Consumers

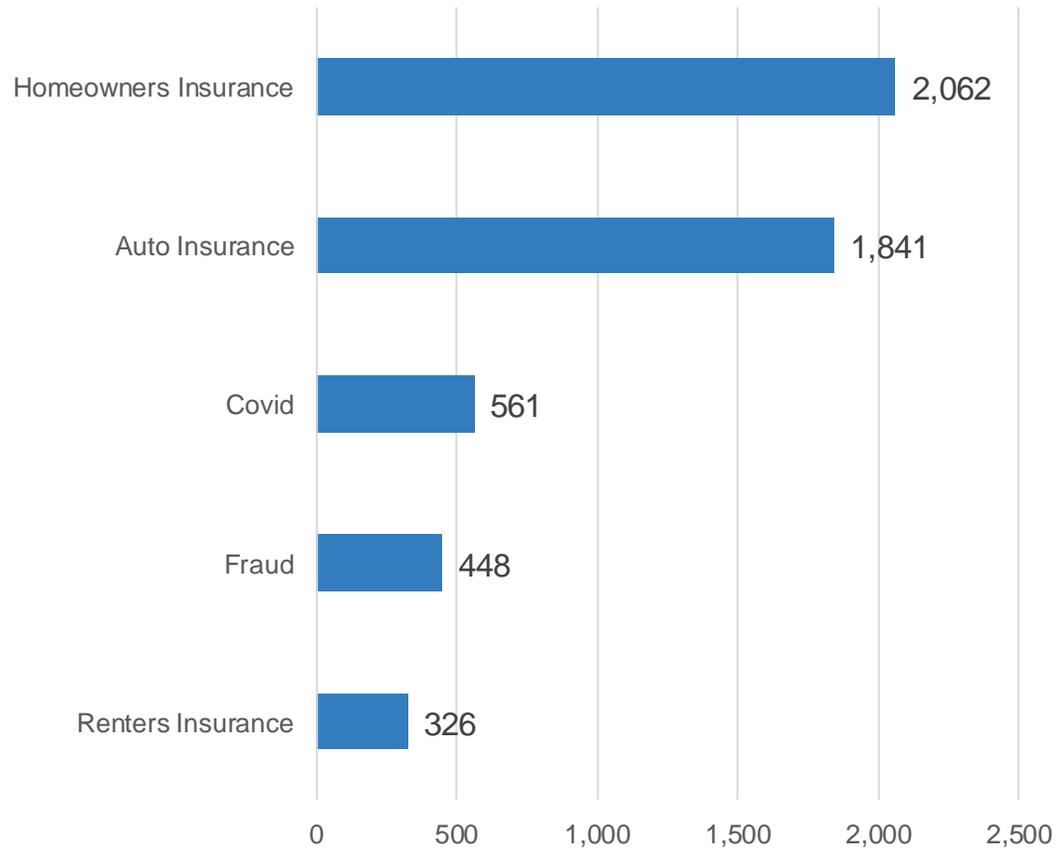


Flooding Has the 'Biggest Insurance Gap' in the U.S.

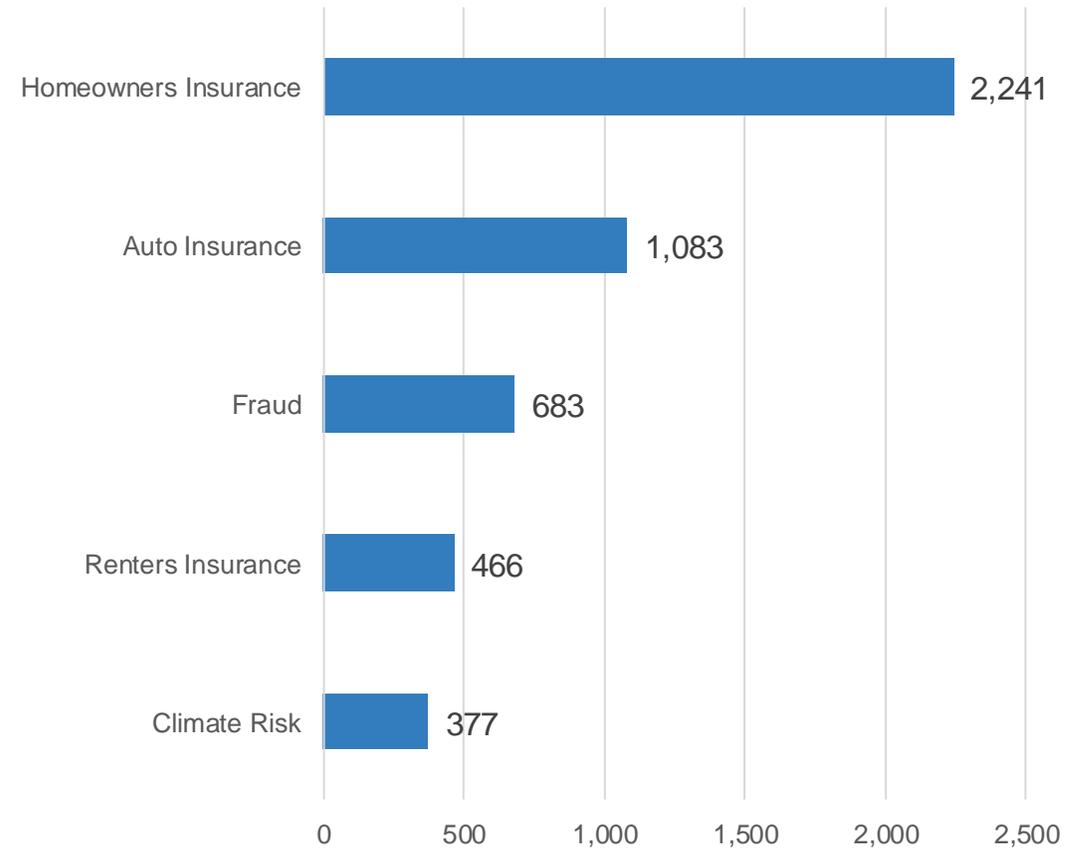
Top 5 Media Citations by Issue

Homeowners insurance predominant issue. Covid re-emerges in top issues.

December 2023 – May 2024



June 2024 – October 2024



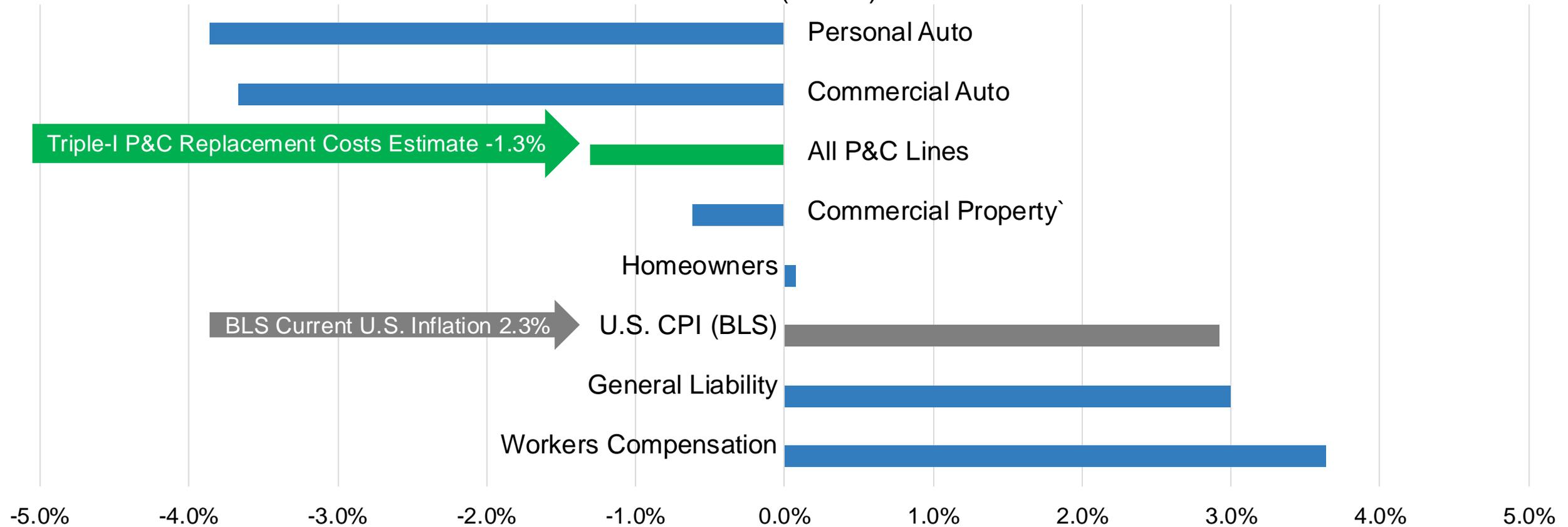
Economics Drivers of Insurance Performance



P&C Replacement Costs by Key Lines

P&C replacement costs contracting -1.3% in Q4, better than Q3's -0.5%, and better than CPI.

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



Source: P&C from Triple-I; U.S. from BLS (as of 09/26/2024)

Cumulative P&C Replacement Costs Increases From 2019 to 2022

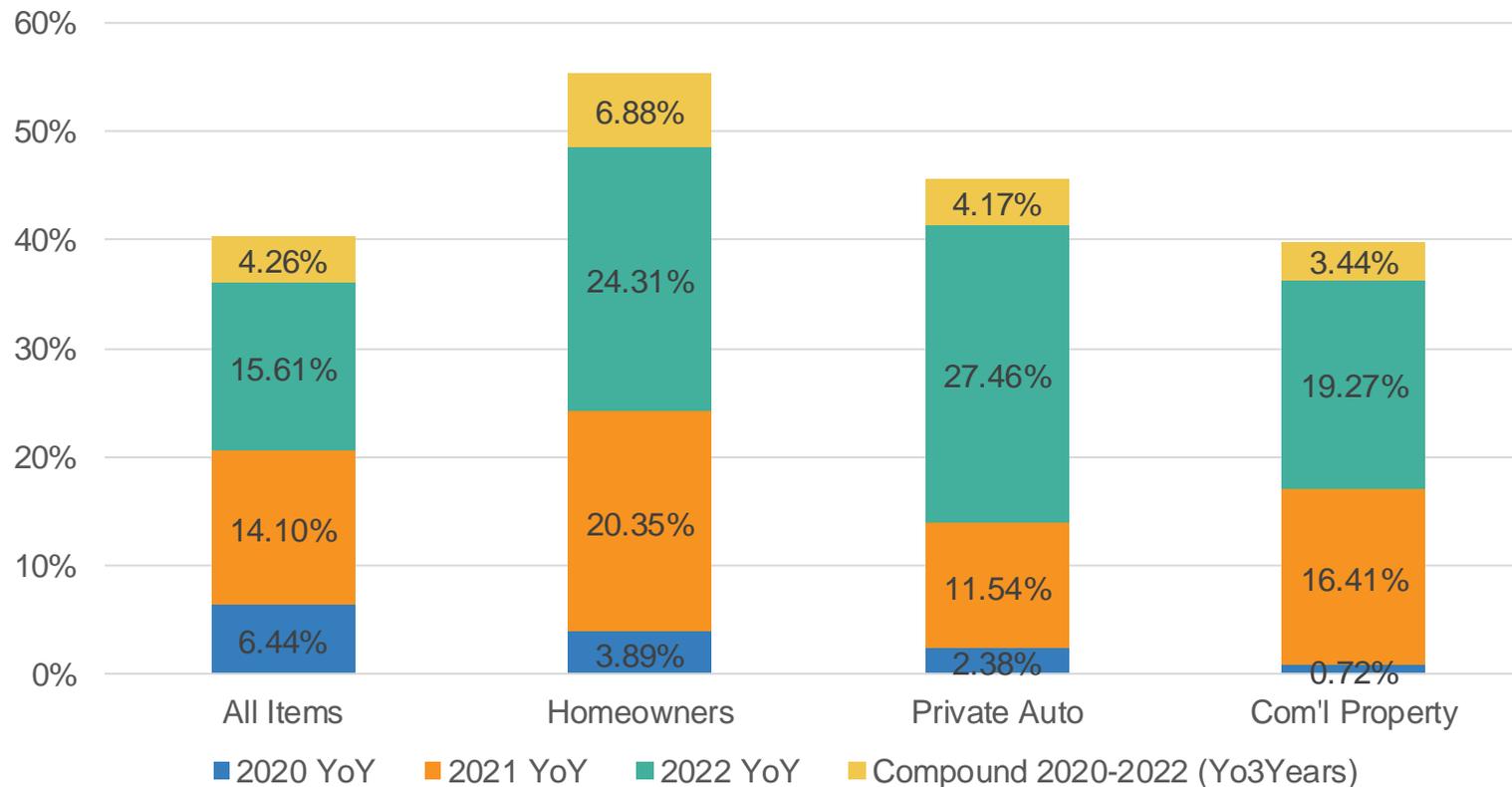


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Cumulative P&C Replacement Cost Increases from 2019 to 2022

All P&C and Key Lines (YoY% and Yo3Y%)



UP 40.4% SINCE 2019

Replacement costs for all P&C lines increased 40.4% from 2019 to 2022, even after recent decreases in U.S. CPI

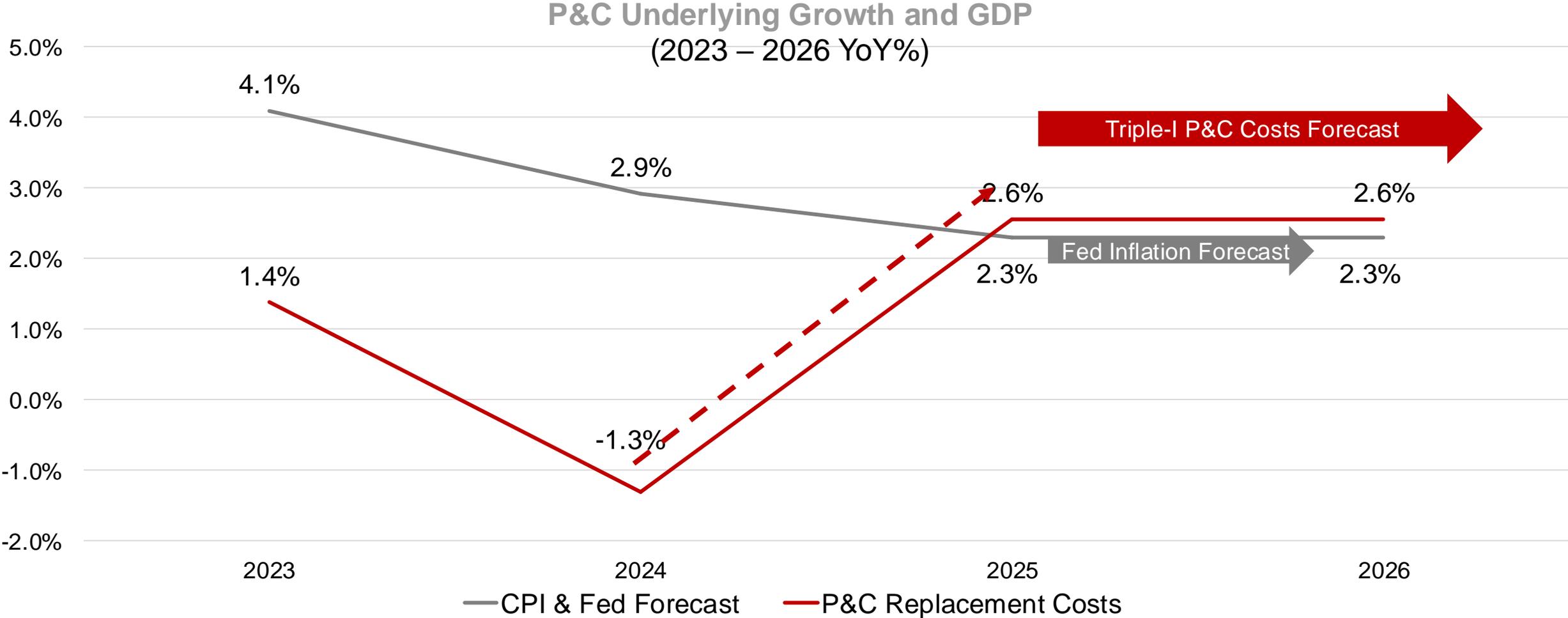
Cumulative P&C Replacement Costs Increases (Yo3Y% 2019-22)

- All P&C Lines: 40.4%
- Homeowners: 55.4%
- Private Auto: 45.6%
- Commercial Property: 39.9%

Source: Triple-I (as of 03/25/2023)

Inflation Expectations: P&C and CPI

Decreasing spread confirms Triple-I expectations of P&C replacement costs taking over CPI in 2025

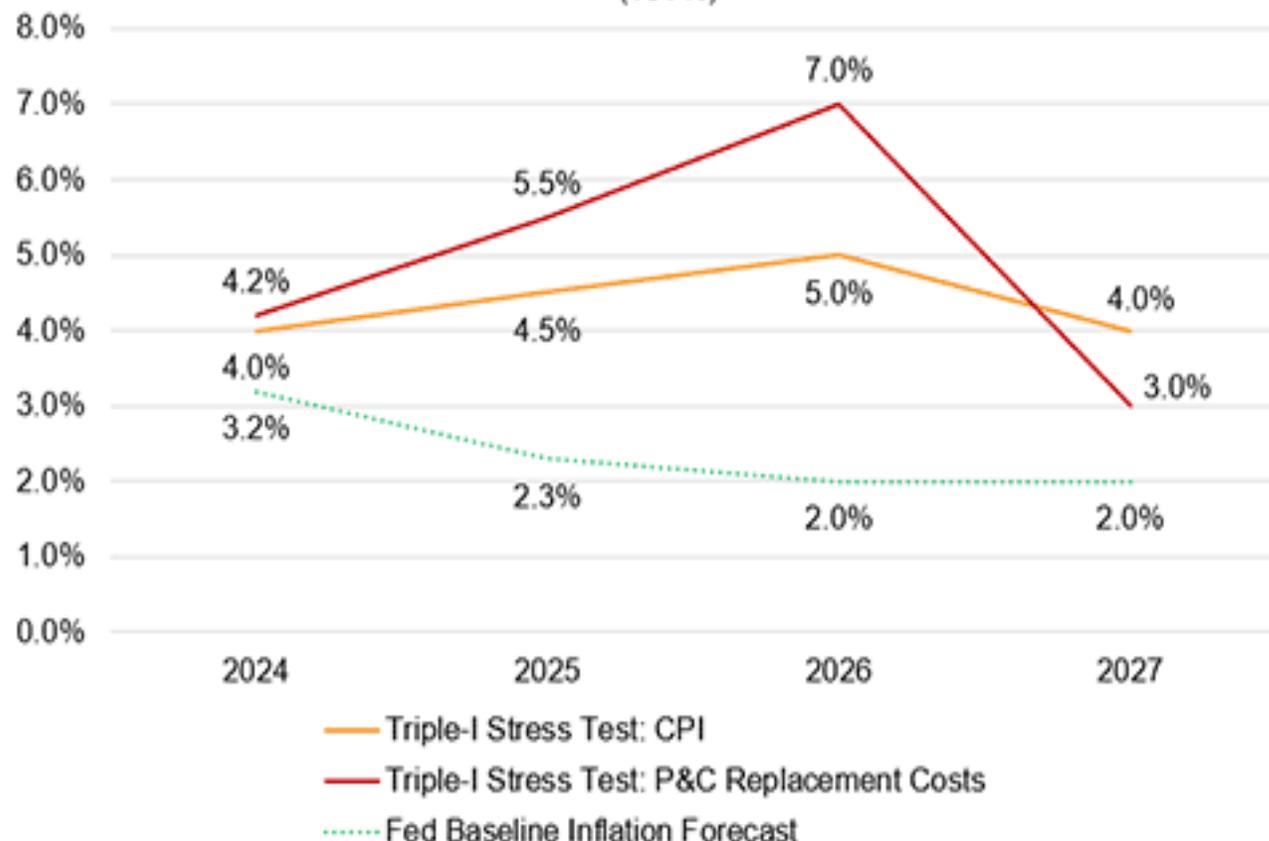


Source: P&C from Triple-I; U.S. from Fed (as of 09/26/2024)



Major Geopolitical Risk Event in 2024 Would Push Inflation to 5.0% and P&C Replacement Costs to 7.0% by 2026.

Geopolitical Risk: Inflation and P&C Replacement Costs Impact (YoY%)



Using the Fed's inflation forecast as baseline, Triple-I stress tested P&C replacement costs for geopolitical risks. The results were as follows:

- The impact would create a three-year inflationary cycle, peaking in 2026.
- Overall inflation would increase to 5.0%.
- P&C replacement costs would increase to 7.0%.
- Prices of construction materials, vehicles, and food would bear the brunt of the impact.

Stress tests included Russian embargo of gas exports, Chinese blockage of Taiwan, and cutoff of international shipping lines.

Triple-I members can access the full report on our website.

Commercial Auto Economic Drivers

Trucks sales expected to push underlying growth up – accelerate on lower interest rates in 2025-26.
Replacement costs decreasing faster than expected (Q3 0.5% v. Q4 -3.7%) going into 2025.

Commercial Auto (Change YoY%)	2023	2024	2025	2026
Underlying Growth Q3 Q4 Key Takeaway	15.2%	2.3%	10.2%	12.8%
Heavy Weight Trucks Sales	7.1%	3.8%	7.6%	9.2%
Light Trucks Sales	13.8%	0.8%	6.1%	7.5%
Motor Vehicle Output Private Fixed Investment	24.7%	2.2%	16.9%	21.7%
Replacement Costs Q3 Q4 Key Takeaway	-0.2%	-3.7%	1.8%	2.6%
New Vehicles	3.5%	-1.0%	2.0%	2.9%
Used Cars and Trucks	-6.7%	-9.8%	1.5%	2.5%
Motor Vehicle Parts & Equipment	2.8%	-0.3%	2.0%	2.5%

Source: P&C analysis from Triple-I; U.S. economic data from FRED (as of 09/26/2024)

General Liability Economic Drivers

Retail sales rebound likely to push frequency up in 2025 – and accelerating on interest rate cuts.
 Medical commodities costs slowing down, providing relief to cost drivers (but too soon for 2025)

General Liability (Change YoY%)		2023	2024	2025	2026
Frequency Drivers	Q3 	-0.3%	2.8%	3.7%	3.5%
Retail Sales		2.3%	3.1%	4.0%	4.0%
Finance & Insurance Sector		-2.8%	3.3%	2.9%	3.1%
Cost Drivers		4.5%	2.6%	3.6%	3.7%
Medical Care Commodities	Q3 	4.2%	1.9%	4.0%	4.3%
All CPI Items Less Food & Energy		4.8%	3.3%	3.1%	3.0%

Source: P&C analysis from Triple-I; U.S. economic data from FRED (as of 09/26/2024)

Workers Comp Economic Drivers

Trend Frequency: Payrolls increasing alongside unemployment and likely to push frequency up in 2025-26.

Trend Costs: CPI-adjusted wages decreasing and likely to push inflation-adjusted costs down in 2025-26.

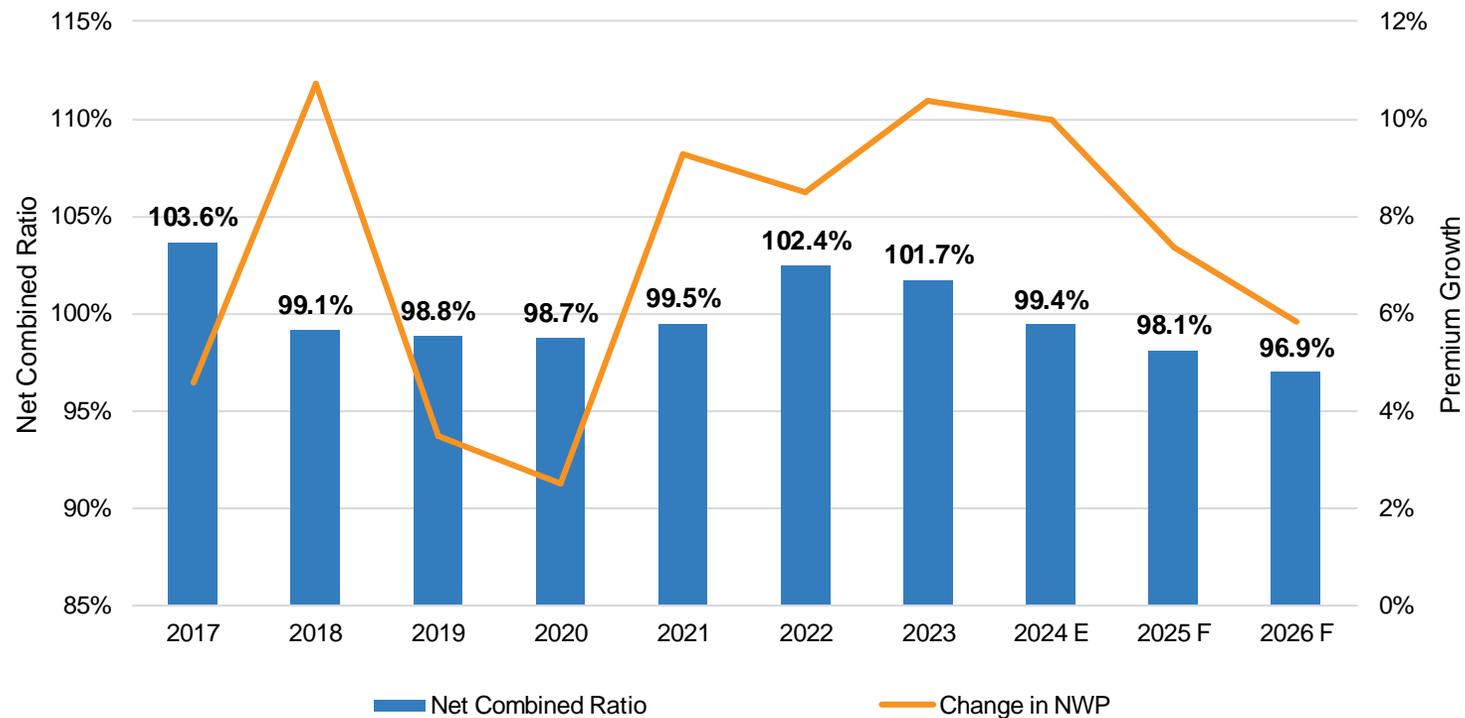
Workers Compensation (Change YoY%)		2023	2024	2025	2026
Frequency Drivers					
Total Non-Farm Payroll	Q3 	2.3%	1.5%	2.9%	3.0%
Costs Drivers					
Average Hourly Earning	Q3 	4.5%	3.8%	2.5%	2.4%

Source: P&C analysis from Triple-I; U.S. economic data from FRED (as of 09/26/2024)

Underwriting Projections

P&C Industry Outlook

Net Combined Ratio and Change in NWP



- Good News #1: Favorable first half loss ratios helping improve full year 2024 Net Combined Ratio
- Good News #2: Personal Auto Net Combined Ratio improved to 100 and is on the cusp of underwriting profitability
- Bad News #1: Commercial Auto continues to remain unprofitable through at least 2026
- Bad News #2: General Liability expected to be unprofitable through 2026

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

P&C Industry Trends

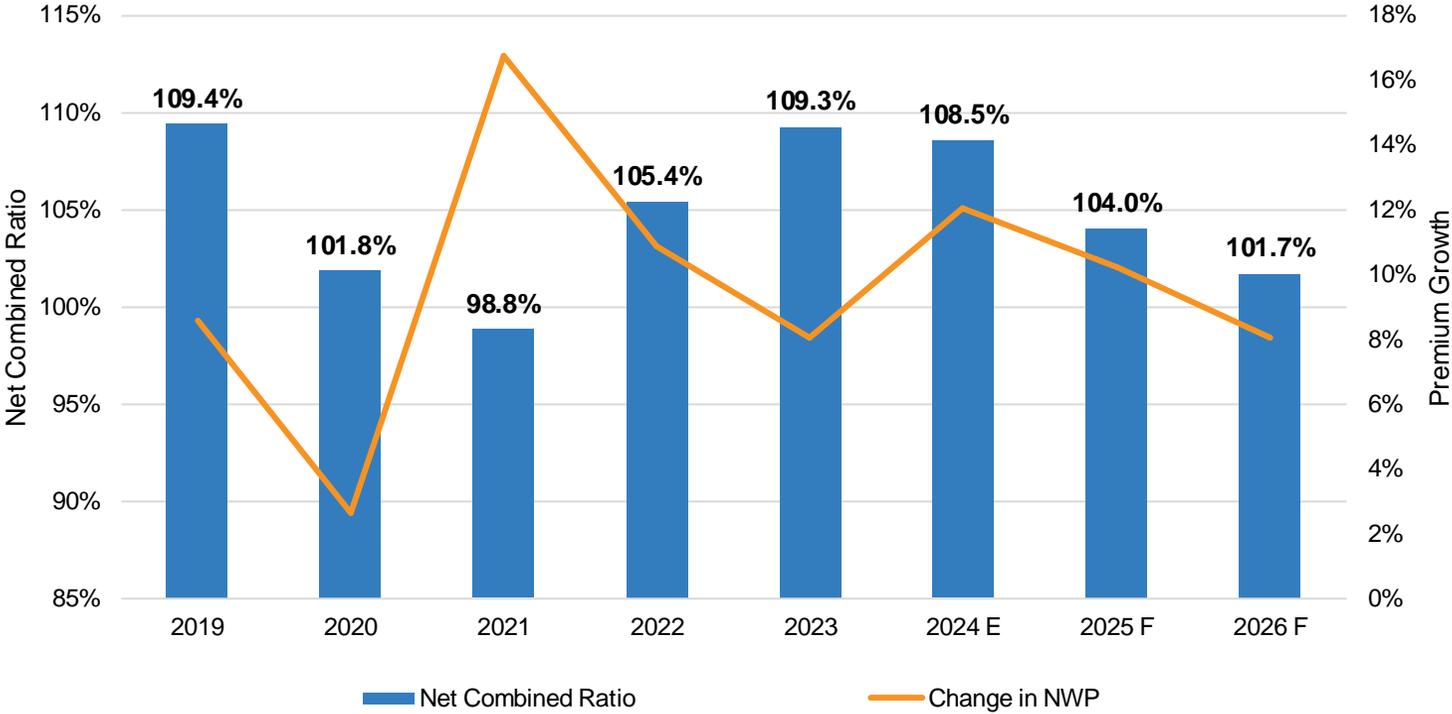
Net Combined Ratio	2019	2020	2021	2022	2023	2024 E	2025 F	2026 F
Personal Lines	98.8%	96.8%	102.1%	109.9%	106.7%	101.5%	98.8%	97.0%
Commercial Lines	98.8%	100.9%	96.7%	94.8%	96.5%	97.1%	97.2%	96.9%
Net Written Premium Growth Rate	2019	2020	2021	2022	2023	2024 E	2025 F	2026 F
Personal Lines	3.3%	0.0%	5.0%	7.2%	13.8%	14.3%	9.6%	6.8%
Commercial Lines	3.7%	5.4%	14.0%	9.8%	7.0%	5.4%	4.8%	4.6%

- Commercial Lines performing better than Personal Lines in 2024, but gap is closing
- Commercial Lines 2024 Net Combined Ratio remains
- Net Written Premium Growth Rate for Personal Lines is expected to surpass Commercial Lines by nearly 9% points in 2024

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

Commercial Auto

Net Combined Ratio and Change in NWP

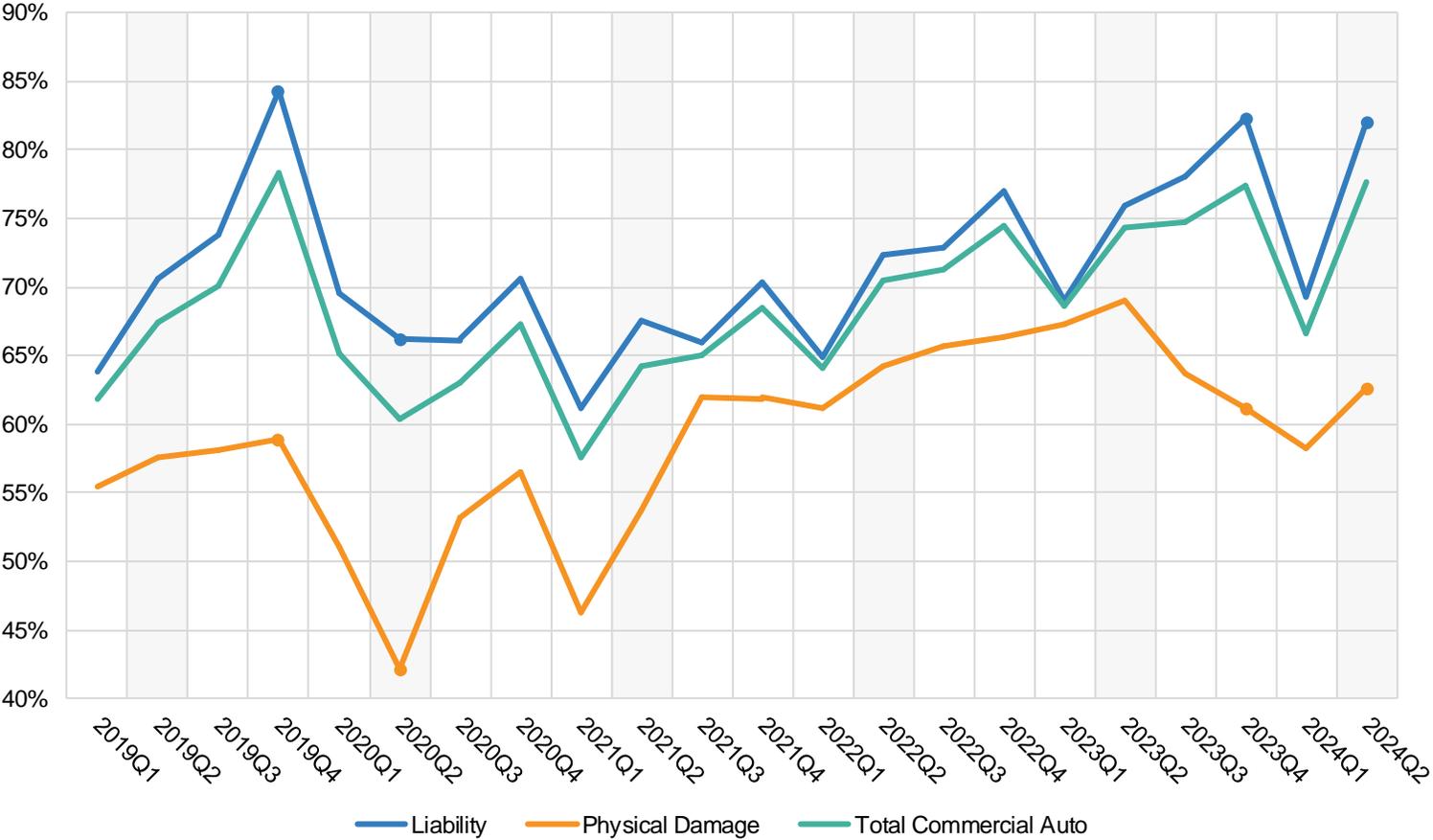


- 2024 Net Combined Ratio of 108.5 is 2.7% pts higher than prior estimate and merely -0.8 pts improvement from 2023
- 2024 Net Written Premium growth rate is expected to increase 2.1 pts from prior estimate to 12.0% and 4 pts higher than growth in 2023
- 2025 and 2026 are expected to remain unprofitable despite continuation of double-digit Net Written Premium growth rate into 2025

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

Commercial Auto

Direct Incurred Loss Ratio by Quarter

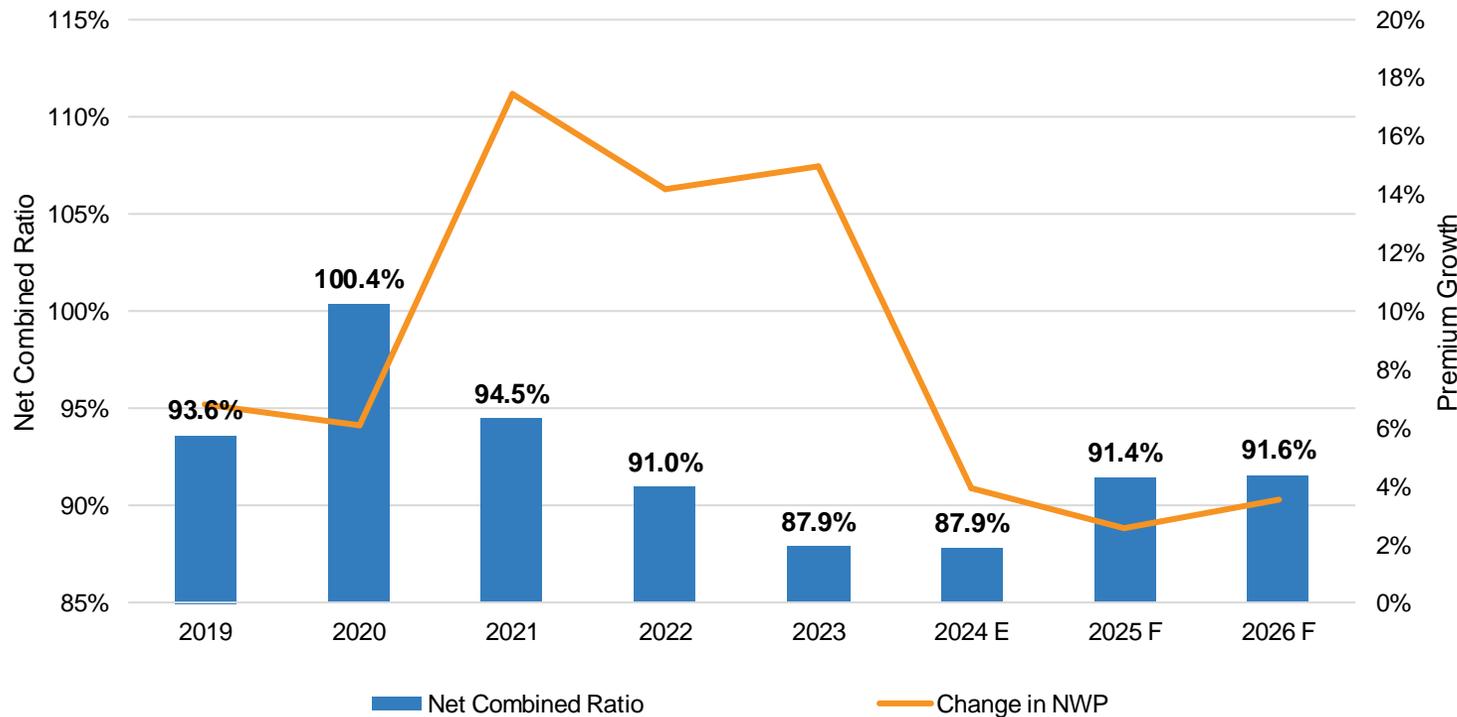


- 2024 Q2 Direct Incurred Loss Ratio of 78% is the fourth consecutive increase in Q2 Direct Incurred Loss Ratios since 2020
- Physical Damage has outperformed Liability in every quarter since 2017, and 2024 Q2 is the fourth consecutive quarter of double-digit deviation. 2019Q4, 2020Q2, and 2023Q4 all deviated by 20+ pts

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

Commercial Property

Net Combined Ratio and Change in NWP

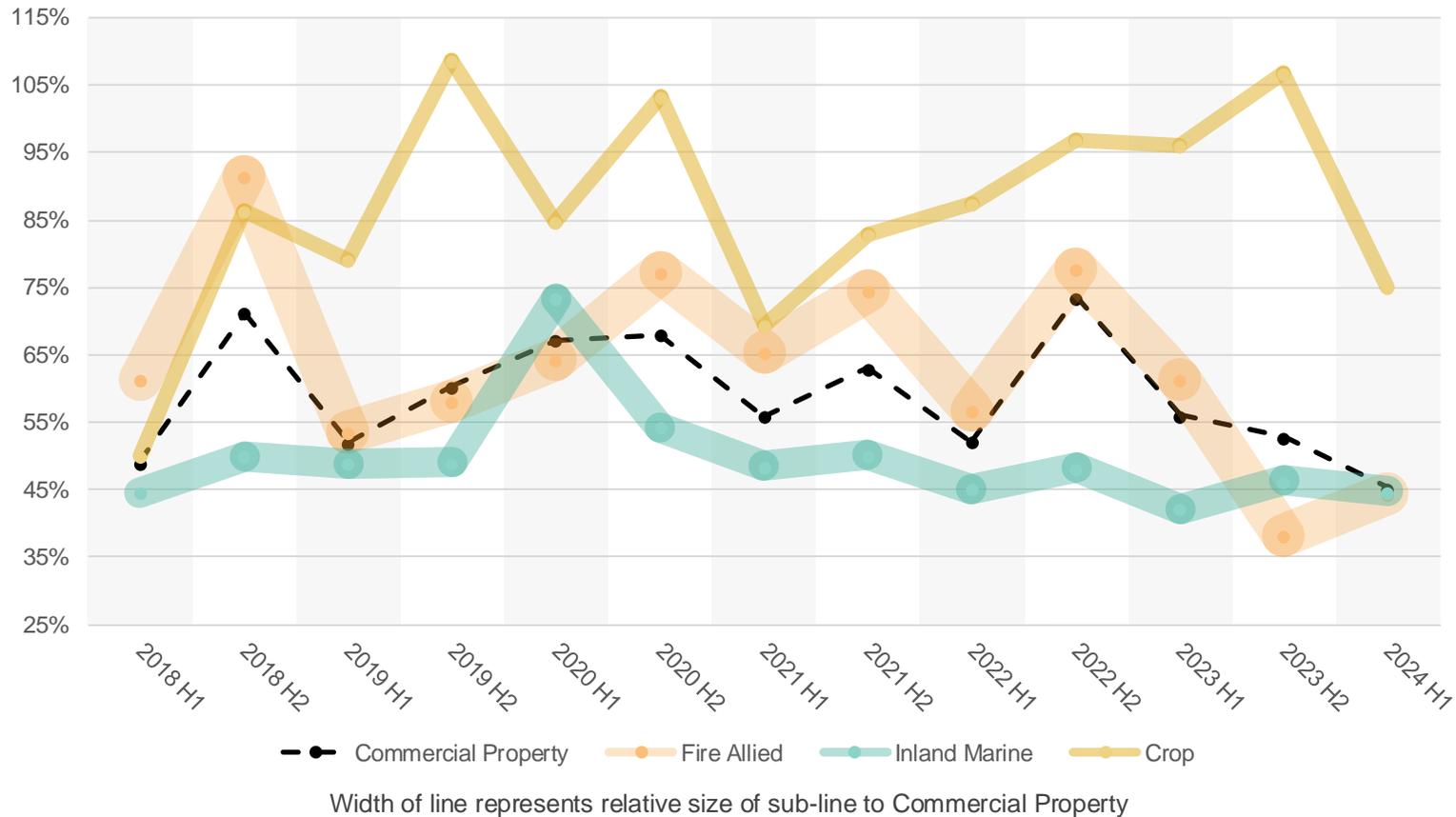


- 2024 Net Combined Ratio forecast at 87.9 represents -2.3 pts improvement from prior quarter estimate and matches actual 2023 experience
- 2024 Net Written Premium growth rate forecast at 4%, 1 pt lower than prior quarter estimate and 11 pt drop from 2023
- Favorable underwriting results expected in the forecast years

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

Commercial Property

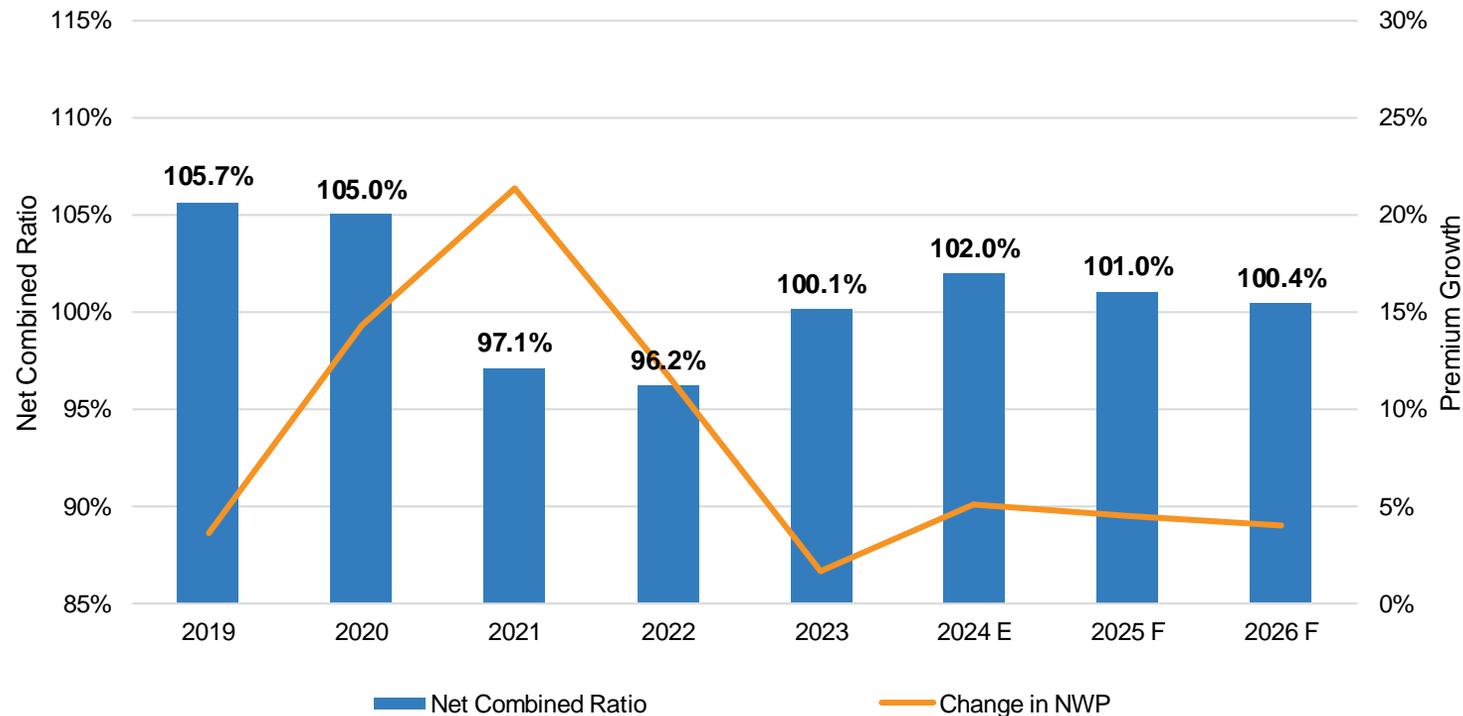
Direct Incurred Loss Ratio by Calendar Year Half



- With the exception of Inland Marine, all sub-lines of Commercial Property improved year-over-year first-half Direct Incurred Loss Ratios from 2023 to 2024
- 2024 Q2 Inland Marine Direct Incurred Loss Ratio of 49.9% tied for the second highest Q2 (2020) in the last 15+ years
- Fire & Allied comprise ~40% of Commercial Property premium, followed by Inland Marine at ~30% and ~15% Crop

General Liability

Net Combined Ratio and Change in NWP

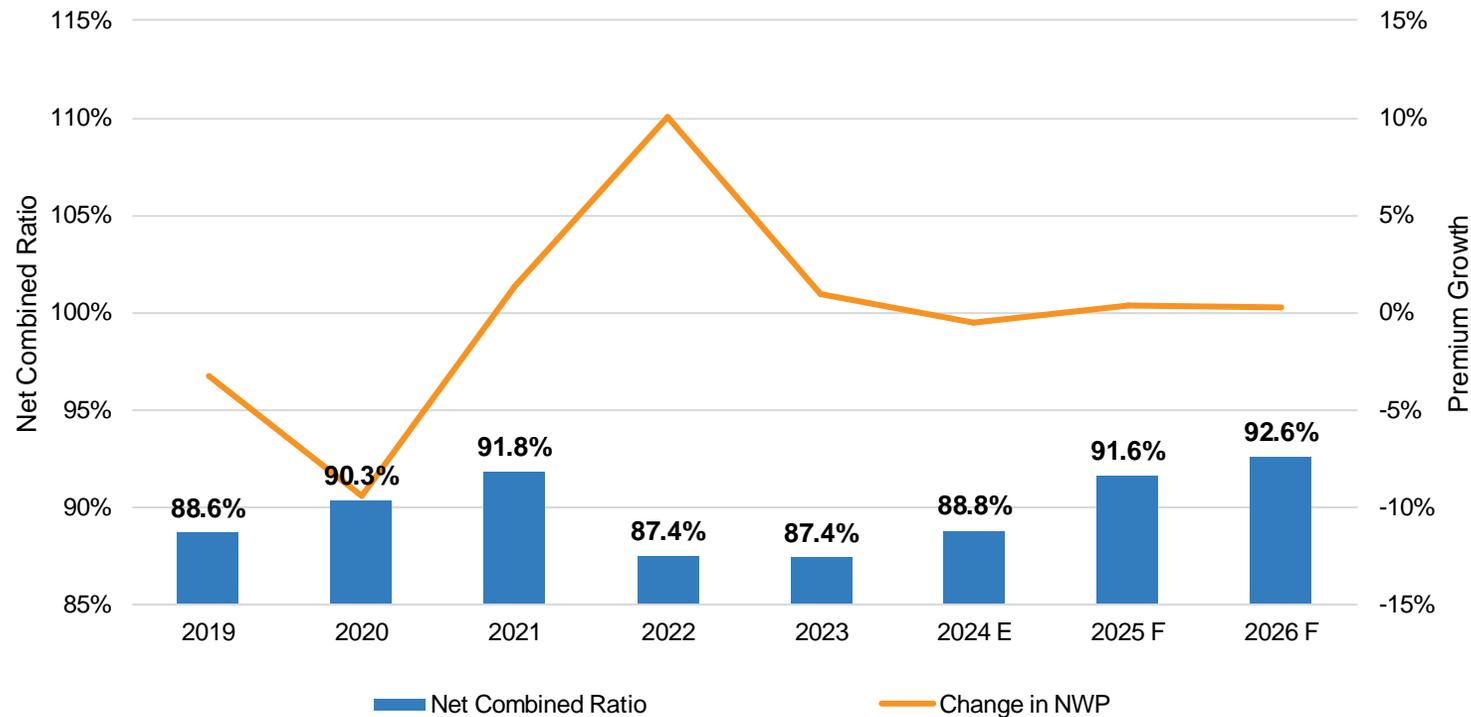


- 2024 Net Combined Ratio of 102 is 2 pts worse than actual 2023 experience
- Net Combined Ratio increase relative to prior estimate due to worse performance of Other Liability Occurrence.
- 2024 Net Written Premium expected growth increased 1 pt to 5.1%

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

Workers Comp

Net Combined Ratio and Change in NWP



- 2024 Net Combined Ratio expectation of 88.8 is 1.5 pts improved from prior estimates and remains the 10th consecutive year of expected profitability
- 2024 Net Written Premium growth rate of -0.5% is 1 pt lower than prior estimates. NWP Growth for 2025 and 2026 expected to remain flat
- Favorable underwriting results expected for forecast horizon

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024); Insurance Information Institute, Milliman.

Key Industry Risks & Opportunities

Risks & Opportunities

Economic Inflation

NEWS · BUSINESS

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

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



Climate & Resilience

CLIMATE POLICY

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



Legal System Abuse

Expert Analysis - Opinion

The Defense Bar Must Push Back On Social Inflation



Artificial Intelligence

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

Risk-Based Pricing

Risk-Based Pricing Benefits

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

Geopolitical Risk

Chart of the Week 02/12/2024

2024: Four Billion People go to the Polls

Ranking geopolitical risk of key elections around the world



Key 2024 elections and their potential impact on global geopolitical risk:

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

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

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

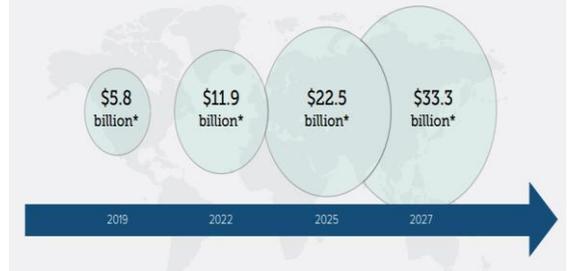
India, Pakistan:
Expanding political unrest and civil commotion

Key Election Dates: Pakistan: 02/08 • Russia: 03/17 • India: Spring • South Africa: May 8, June • Senegal: 06/02 • E.U.: 06/06 • U.S.: 11/05

Cyber

Global cyber insurance market: demand continues to grow.

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



Global Geopolitical Risk: Strained Shipping Lanes Increase U.S. P&C Replacement Costs



This map illustrates the impact of armed conflicts in the Black Sea and the Gulf of Aden on global shipping lanes between the Eastern Coast of the U.S. and, primarily, China, Hong Kong, Indonesia, Malaysia, Vietnam, India, and Ukraine.

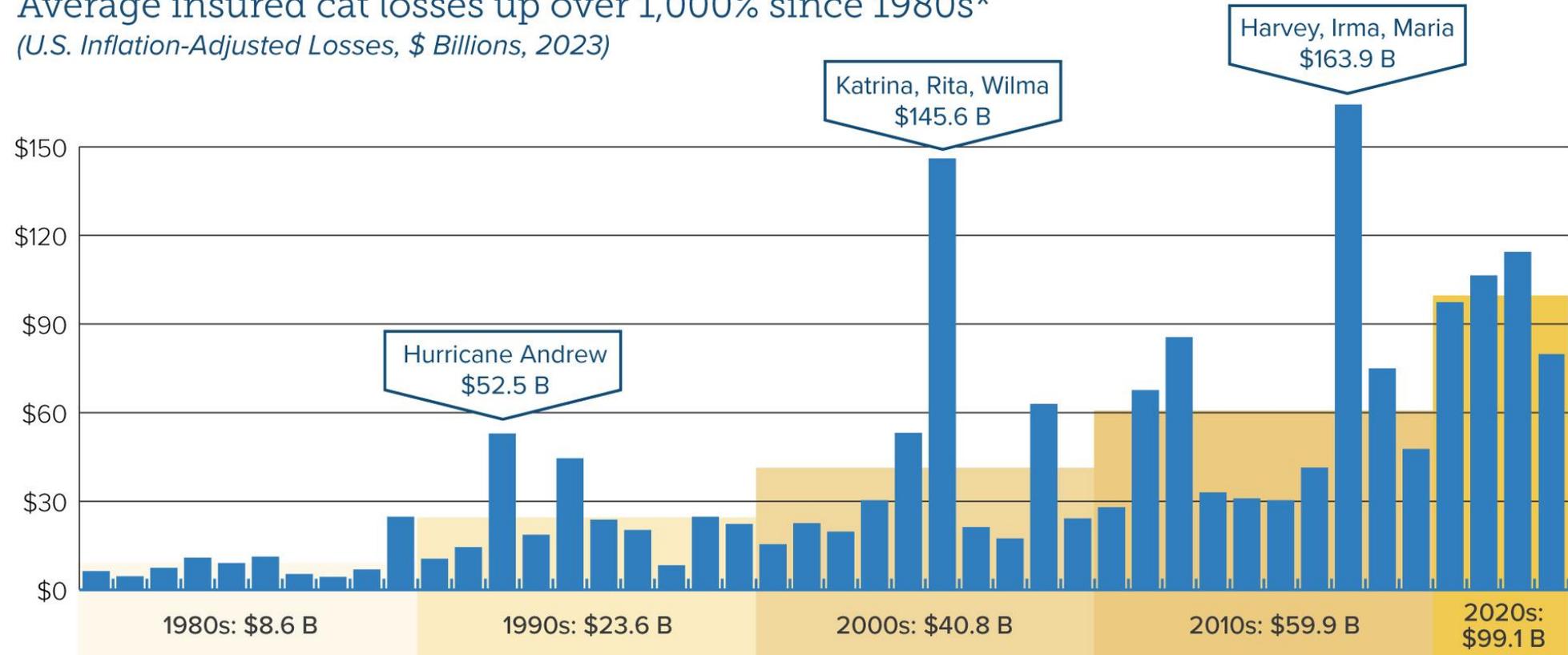
Increasing disruptions of these shipping lanes would primarily impact the availability and pricing of:

- Construction materials, including concrete and concrete bonding agent.
- Manufactured goods, including technology and IT.
- Consumer goods such as home furnishings and garments.
- There would be limited to no impact on the pricing and availability of motor vehicles and their parts.

Members can read the full Triple-I August Geopolitical Risk Outlook on our website.

U.S. Catastrophe Losses Steadily Climbing

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



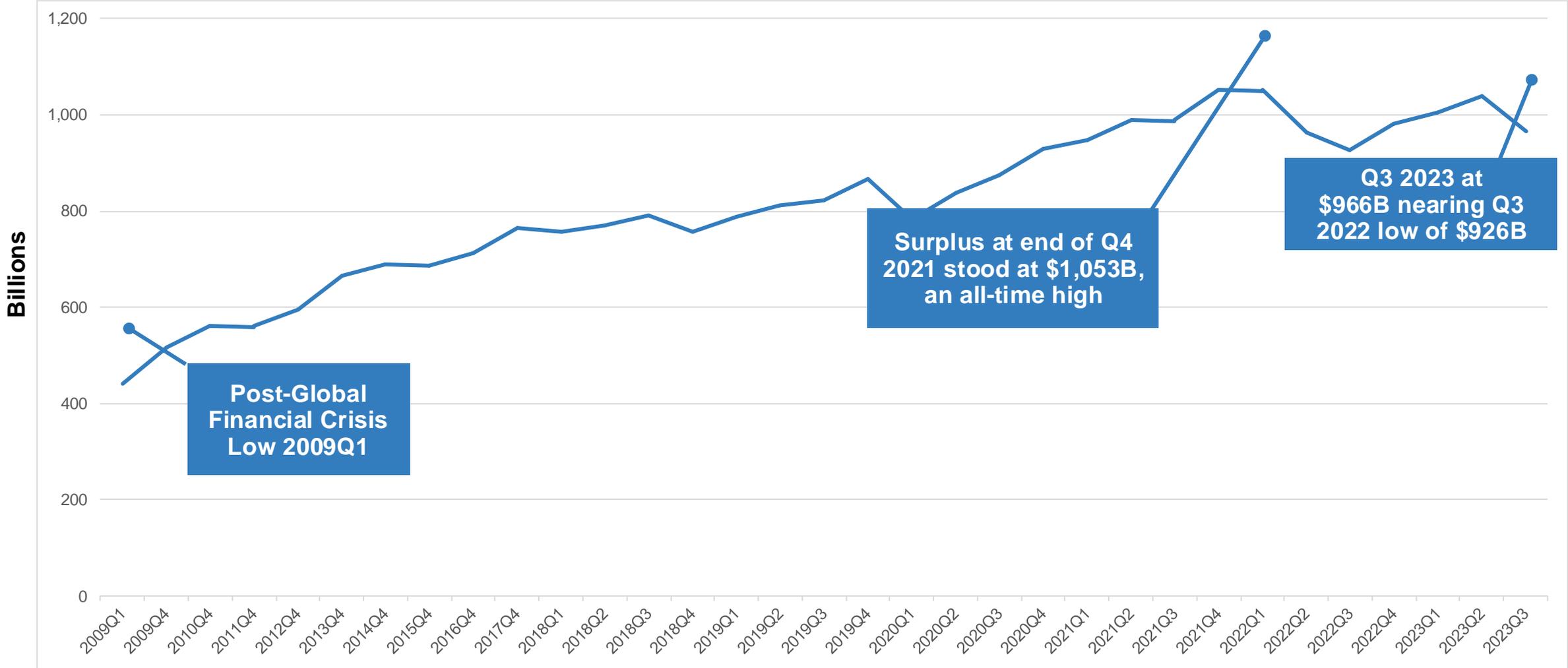
*Includes insured losses from all natural perils.

Source: Aon (Catastrophe Insight)

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

P&C Financials Strong Despite Market Volatility & UW Losses

P&C Quarterly Policyholder Surplus 2009Q1-2023Q3



Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.

Key Drivers of Climate Risk

Multiple drivers compound climate risk

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

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

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

*Population Change 2010 to 2020 Decinial Census

**Change 2010 to 2022 Median Home Value, ACS

Triple-I's Climate Risk Objective

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

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



**Predict
&
Prevent**

Advancing The Climate Risk Discussion

Triple-I is actively informing how insurance is leading the resilience dialogue

Published Content

- [Consumer Awareness Survey](#) in collaboration with Munich Re
- Wrote/edited the Insurance Chapter in the National Institute of Building Sciences' (NIBS) [Roadmap to Resilience](#)
- Contribute to Milwaukee Municipal Sewerage District Flood Mitigation [Research Brief](#)
- State of the Risk [Issues Briefs](#) on Flood, Hurricanes, Convective Storms, Wildfires

Resilience Accelerator Hub

- [Community Resilience Ratings](#) added two more years of experience

NEXT: Resilience Consortium Action Programs



Defining Legal System Abuse

A tailored definition to enable actionable outcomes

What Is It?

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

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

Why Does It Matter?

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

What Can Be done?

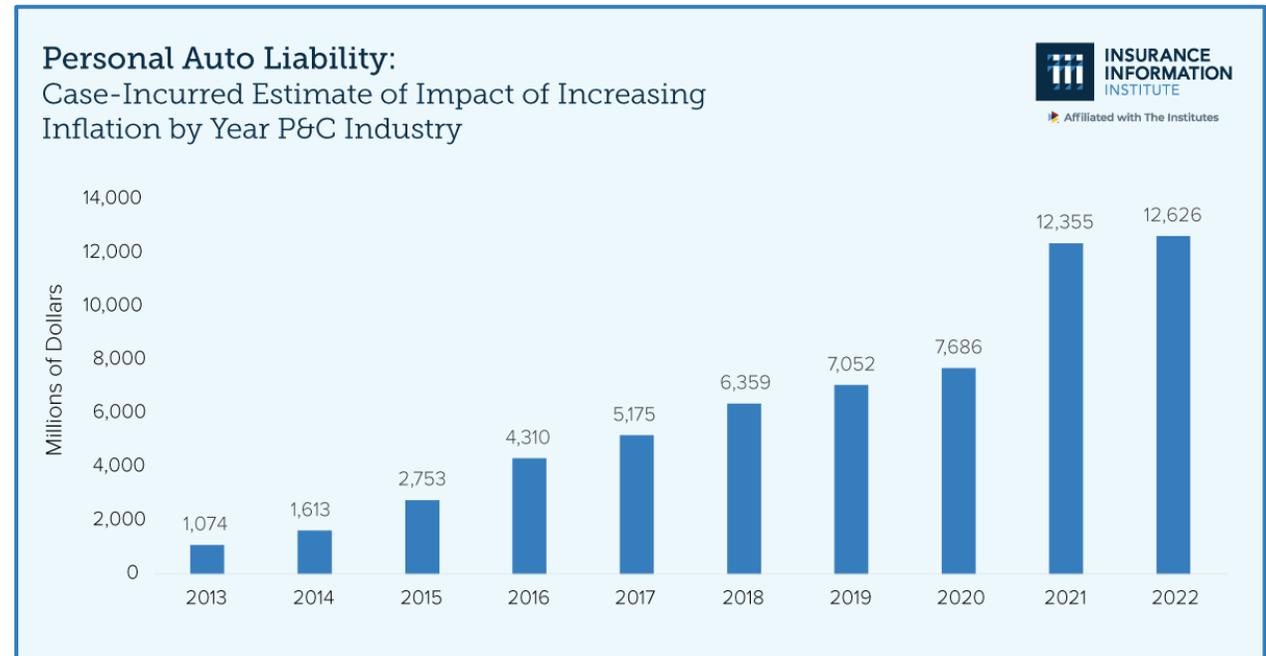
- Increase and inform understanding of its dangers
- Foster legislative and judicial reform
- Mandate transparency of TPLF

Impact of Increasing Economic + Social Inflation

Triple-I quantified the combined impact of inflationary trends on auto liability – personal and commercial combined

Key Findings

- Economic and social inflationary trends contributed to **increased claims** by an estimated **\$96-105B** from 2013 to 2022
 - Personal auto estimated at **\$61B**, or **6.5%** of loss and DCC
 - Commercial auto estimated at **\$35-44B**, or **19-24%** of loss and DCC
- Both lines experienced claim settlement patterns slowdown in 2020-2021 and subsequent speed-up in 2022



*Triple-I analysis of National Association of Insurance Commissioner (NAIC) data.
[Impact of Increasing Inflation on Personal and Commercial Auto Liability Insurance](#),
Jim Lynch, Dave Moore, Dale Porfilio, September 2023

Triple-I's Three Pillar Mitigation Strategy

Involve everyone in the conversation

- Approach starts by driving a substantive conversation with members, opinion leaders, regulators, and policymakers

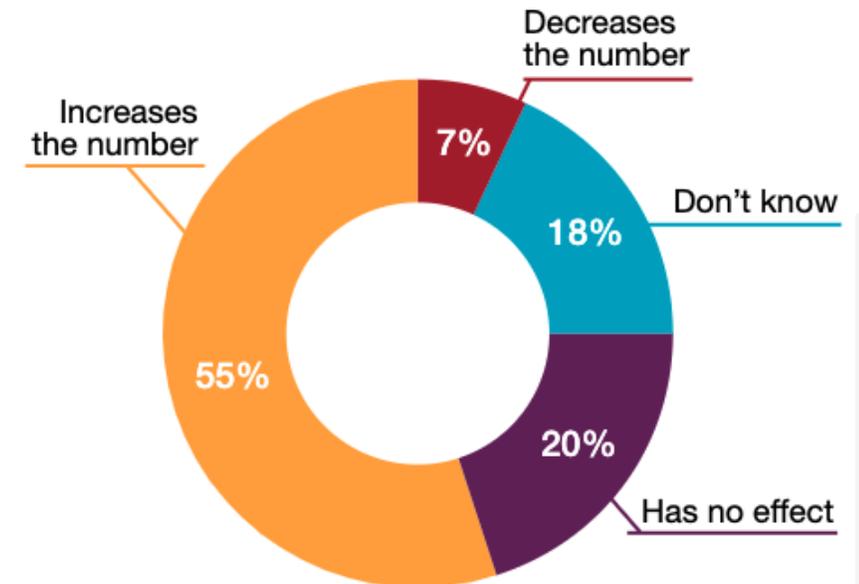
Highlight shared obligations and opportunities

- Claims inflations ultimately results in increased consumer costs
- IRC research indicates attorney involvement can increase claim costs and time needed to resolve them, while reducing ultimate payout to claimants

Address actionable elements impacting claim costs

- Curb exploitative attorney advertising
- Advocate for greater transparency and accountability around third-party litigation funding

Impact of Attorney Advertising on the Number of Claims and Lawsuits



Source: Insurance Research Council, *Public Attitudes on Litigation Trends and the Role of Attorneys in Auto Insurance Claims* (2022)

Georgia Legal System Abuse Campaign

Successful multi-channel approach enhanced Fall campaign messaging effectiveness

OBJECTIVE: Engage Georgia constituents to urge state lawmakers to address legal system abuse

MULTI-CHANNEL TACTICS:

- Facebook ad campaign (Sept 9–Oct 9) drove traffic to [take action page](#) for education and letter submissions to lawmakers
- Physical billboard near the Georgia State Capitol and digital billboards across metro Atlanta increased visibility

RESULTS:

- 209,302 impressions via billboards, urban panels, and bus shelters
- 102,846 Facebook impressions yielded 5.18% CTR with 5,323 clicks and 2.4X frequency
- 163 constituent letters sent to lawmakers



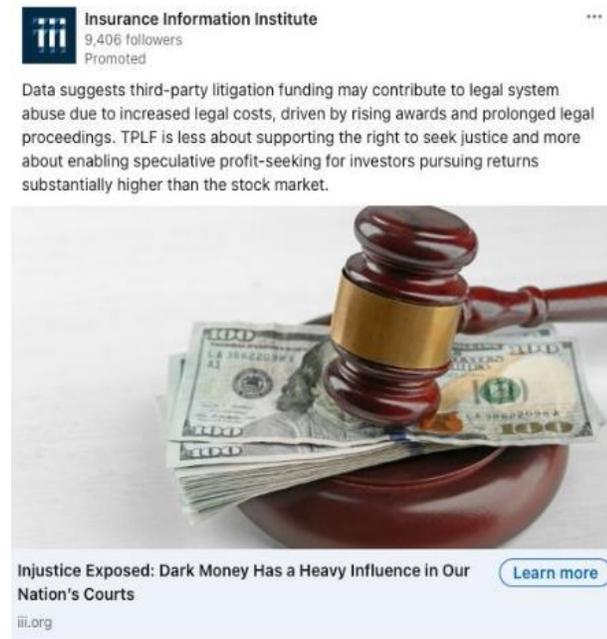
TPLF Message Testing

Dark money headline performed best on LI & FB, resulting in the highest overall CTR

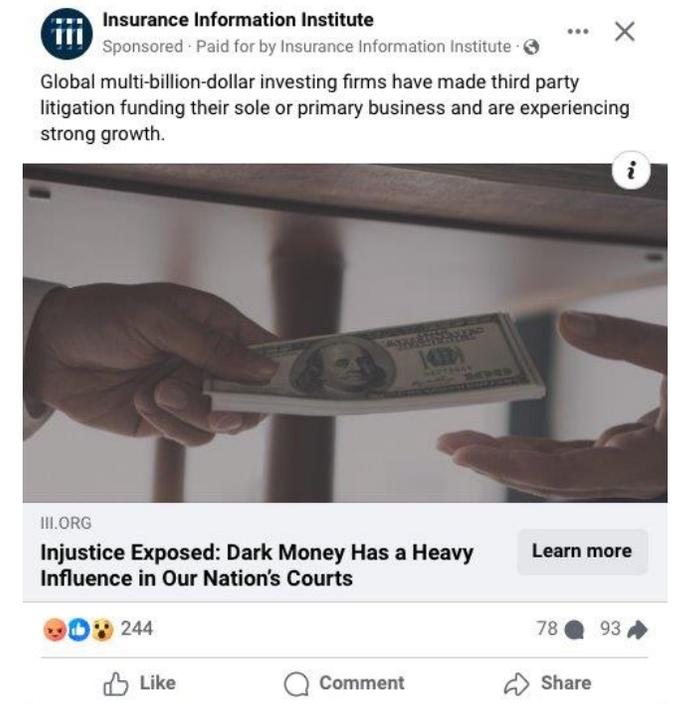
OBJECTIVE: Determine what resonates among consumer and industry stakeholder audiences

TACTICS: Triple-I conducted a message testing campaign on the topic of third-party litigation funding on Facebook and LinkedIn

- LinkedIn ads targeted insurance industry stakeholders
- Facebook ads targeted general voters and concerned citizens



“Data” body copy performed best among industry stakeholders (LinkedIn)



“Global multi-billion-dollar investing firms” body copy performed best among consumers (Facebook)

Summary

Increasing risk in the world is driving more attention to insurance.

Industry and economic challenges resulting from COVID still active but may be at inflection point.

Industry has significant opportunity to lead through disruption and control dialogue — while they are listening...

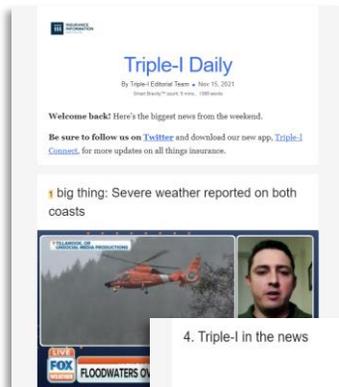
How can Triple-I help you succeed?



Member Benefits & Resources

As a Triple-I member, you will have access to our staff of economists, actuaries, researchers and communications experts to help you succeed.

Members have access to exclusive content, with actionable intelligence



This newsletter is powered by
AXIOS HQ.

1 Big Thing: Inflation, Catastrophes Contribute to Projected 2023 Underwriting Loss for P&C Industry

4. Triple-I in the news



- [Triple-I](#) published a new blog on how insurers can manage the record number of people leaving their jobs this year.
- [Rolling Stone](#) cited Triple-I data on dog bite claims and quoted Loretta Worters on locations that enacted breed-specific laws in 2019.
- [Insurance.com](#) quoted Triple-I's Loretta Worters on purchasing gap insurance, and cited data on loss of car value and when gap insurance should be considered.
- [Market Realist](#) quoted Triple-I on cruise line and tour operator cancellation waivers.



California/West Weekly Update

INSURANCE INFORMATION INSTITUTE
We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.

August 11, 2023

Rescuers Search for Survivors Amid Massive Wildfire Devastation in Maui



Source: Associated Press

Rescue crews searched for survivors on Thursday, including reported as missing, amid the devastation left behind in Maui five years, a quickly developing inferno that killed at least 50 and rendered much of the historic town of Lahaina to ashes.

- "Lahaina, with a few rare exceptions, has been burned to the ground, according to the Associated Press Thursday afternoon.
- More than 1,700 residential and business structures in the community were destroyed by fires that were still burning.
- The deadly wildfire in Lahaina was reported as 800,000 other smaller brush fires continued to burn throughout

Florida Weekly Update

INSURANCE INFORMATION INSTITUTE
We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.

August 11, 2023

How Regulators Let a Florida Regional Insurer Abandon Policyholders After Ian – WaPo



The insolvency of United Property & Casualty Insurance Co. (UPC) in February 2023, just a few months after Category 4 Hurricane Ian struck Southwest Florida, raises questions about the Sunshine State's preparedness for natural disasters and the state regulatory framework's ability to protect policyholders from financially troubled carriers, according to [The Washington Post](#).

Why it matters: St. Petersburg, Fla.-based UPC was the ninth property insurer in Florida to go insolvent since 2021, and the largest to do so in 15 years.



April 6, 2022

Dear Triple-I Member,

The Insurance Information Institute is pleased to announce a new product and service that will focus on issues that impact insurance economics.

[Dale Portillo](#), Chief Insurance Counsel, has been named to the position of Chief Insurance Counsel, focusing on issues that impact insurance economics. Chief insurance counsel will be responsible for more actions to inform and empower consumers, including being a plaintiff and less likely to accurately represent certain lines of business, only as a last resort, yet third-party litigation funding, jury verdicts and thus on Social inflation's negative impact, developed in partnership with the CFA.

We close our memo by offering a dataset from Quadrant Info appropriate due diligence to acts based on the March 2023 report.

[Dale Portillo](#)

Dale Portillo, FICAS, MAAA
Chief Insurance Officer, Int'l
President, Insurance Reser
T (212) 346-5533

August 16, 2023

Don't Miss Today's All-Industry Media Briefing!

The next Triple-I All-Industry Media Briefing is scheduled for today, **Wednesday, Aug. 16, 2023, at 2:30 p.m. ET/11:30 a.m. PT**. Our agenda will include:

- Maui wildfires deadliest in more than a decade
- Tropics heating up as peak hurricane season begins in Atlantic basin
- Fed's urge judge to toss suit over NFIP rates
- Triple-I media highlights include [The Wall Street Journal](#), [Bloomberg](#), [CNBC.com](#), [South Florida Sun-Sentinel](#), [Newsday](#), [Florida Record](#), [Business Insurance](#), [Reinsurance News](#), [Strategic Risk Europe](#) and local broadcast outlets in Sacramento and Jacksonville.
- Media news includes management and on-air lineup changes at CBS News and CNN.

Microsoft Teams Meeting Audio Only

Join on your computer, tablet or mobile app

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All member employees can subscribe at www.iii.org/services/daily

Research, Economics & Analytics

Triple-I provides key insights into the factors impacting industry financial performance

Proprietary forward-looking insight for industry stakeholders:

- Underlying Growth and Replacement Costs
- Deteriorating and adverse auto underwriting trends

Member-specific custom data-driven insight:

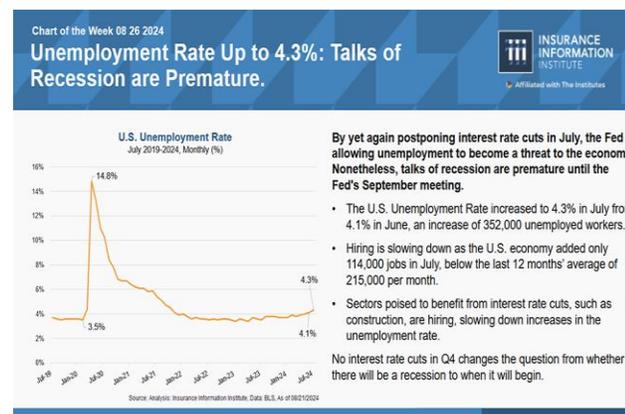
- Quarterly Economics Outlook Report
- Confidential Economic Profiler Report
- On-demand data analytics

Authoritative content to meet industry challenges:

- Climate risk, resilience, and ESG
- Legal system abuse and fraud

Expanding engagement through social media content

- Topical and evergreen content: video, podcasts, and charts



Triple-I Insurance Facts

Welcome to Triple-I Insurance Facts!

- Triple-I members have exclusive access to Insurance Facts, formerly titled the Insurance Fact Book.
- Insurance Facts offers thousands of facts, figures, statistical tables, and charts documenting the property/casualty insurance industry in the U.S. and worldwide. Find details on auto, homeowners, and business insurance markets, from data on direct premiums written to the factors impacting the cost of these coverages. Information is updated throughout the year as data becomes available.

Click on a topical icon below or the table of contents to the left to start using Insurance Facts.

Hot Topics

- Climate, Risk and Resilience
- Cyber Risk
- Insurance Availability and Affordability
- Litigation Trends and Social Inflation

Top Categories

- Auto Insurance (Personal and Commercial)
- Home/Renters/Condo Insurance
- Commercial Insurance
- Losses



Members Make the Most of their Triple-I Network

Triple-I personalizes presentations to meet your needs



Every quarter, Triple-I's experts assess economic indicators impacting P&C industry underwriting performance along with Milliman's top actuaries.

Our leadership team, actuaries, economists and communication professionals are available to present:

- In person or virtually on insurance topics important to you
- Frequent audiences include boards, senior management, agents/brokers, underwriters, actuaries, new employees/trainees and clients
- Includes testimony before regulatory or legislative bodies, at a member's request



Communications Services

Triple-I provides confidential counsel, media air cover, and constant news updates

- Refer media inquiries to Triple-I's trusted communication professionals
- Strategize your media relations plan with Triple-I's team of professionals
- Inform discussion and shape public perception on key issues by serving on the Communication Committee



Triple-I conducted 50+ rapid response interviews, including national news outlets, over Memorial Day 2023 weekend explaining why two homeowner insurers were no longer taking on new policyholders in California.

A graphic titled 'Synopsis All Industry Conference Call' from Insurance Information Institute. It includes the text: 'We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.' Below this, it states the date 'April 7, 2022' and provides a recap of a media briefing from April 6, 2022, noting a transition to Microsoft Teams. It also provides contact information for Mark Friedlander at markf@iii.org. A 'Top Stories' section highlights a story about Triple-I Chief Insurance Officer Dale Porfillo testifying before the Delaware Senate on a gender rating ban.

Synopsis
All Industry Conference Call

INSURANCE INFORMATION INSTITUTE
We are the trusted source of unique, data-driven insights on insurance to inform and empower consumers.

April 7, 2022

To recap the issues raised during our April 6, 2022 media briefing, here are the key media stories we discussed, and the messages we're conveying. **Please note that we have transitioned our weekly platform to Microsoft Teams (audio only). We will distribute a link prior to each session.**

If there is a subject you would like to see addressed on Wednesday, April 13, please email Mark Friedlander at markf@iii.org. Also, please let Mark know if you would like us to send you a recurring Outlook meeting invitation for your calendar.

Top Stories

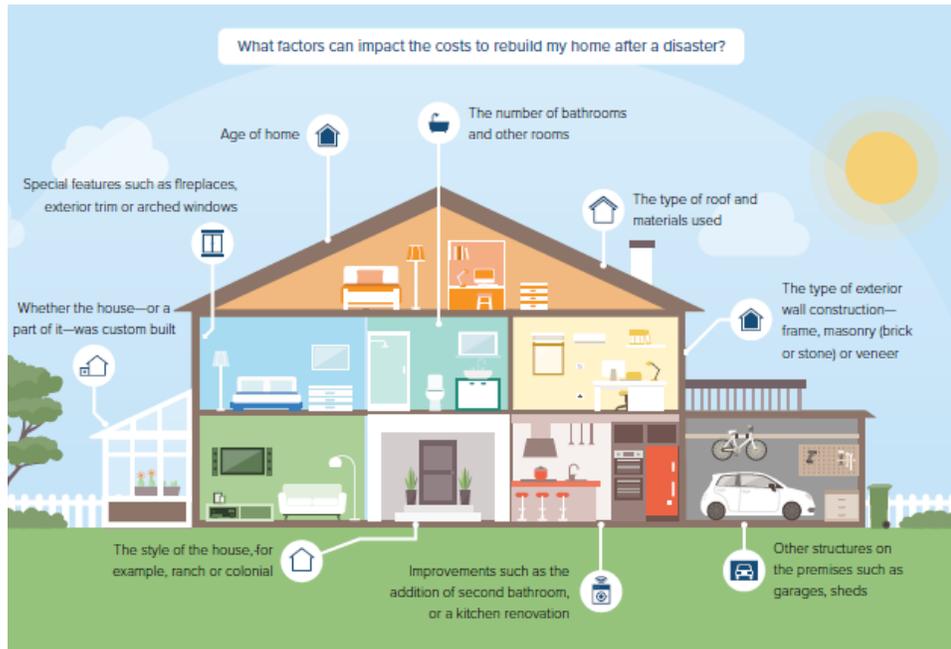
Triple-I Chief Insurance Officer Testifies Before Delaware Senate on Gender Rating Ban

Triple-I Chief Insurance Officer Dale Porfillo was amongst the industry executives who testified before the Delaware Senate on April 5 in opposition to a proposed state ban on using gender as a rating factor in auto pricing. The bill narrowly passed the Senate in [an 11-8 vote](#) and is now headed to the state's House of Representatives, where more opposition to the ban is anticipated. The April 7 edition of the Triple-I Daily provides more details on Porfillo's testimony.

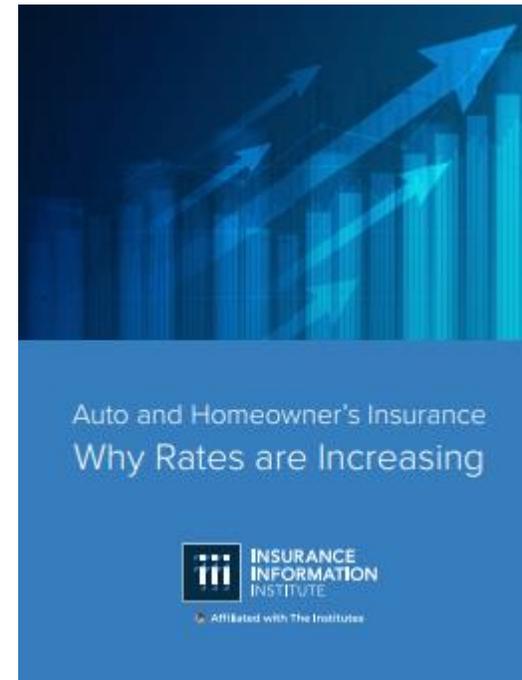
Stay at the forefront of today's issues by participating in the **Weekly All Industry Conference Call** every Wednesday at 2:30 pm ET.

Educating Policyholders & Agents

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[Homeowners Insurance Handbook](#) in collaboration with National Association of Realtors



[Auto & Homeowners Insurance - Why Rates are Increasing](#)



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Educating Industry Professionals

Triple-I Issues Brief

Workers Compensation: State of the Risk

INSURANCE INFORMATION INSTITUTE
Affiliated with The Institutes

Workers compensation insurance provides for the cost of medical care, rehabilitation, and wage replacement for injured workers and death benefits for the dependents of persons killed in work-related accidents. In recent years, it has been the most profitable property/casualty line of business, having experienced its sixth consecutive year of combined ratios under 90 and its ninth straight year of underwriting gains, according to the National Council on Compensation Insurance (NCCI).

"Overall, we see a healthy and strong workers compensation system," said NCCI's chief actuary, Donna Glenn, FCAS, MAAA. "Premiums written have returned to pre-pandemic levels, and claims frequency has resumed a long-term average decline."

During the pandemic, all property/casualty lines experienced significant increases in written premium – except for workers compensation, which saw only a 13 percent rise.

P&C Industry Net Written Premium Growth
Percent Change from 2019 to 2022, Private Carriers

Other Liability	54.3%
Fire & Allied Lines	46.2%
Commercial Auto	32.8%
All Other Lines	29.1%
Commercial Mut. Peril	24.5%
Homeowners	23.3%
Personal Auto	8.2%
Workers Comp	11%

WC Direct Written Premium Change - 2019 to 2022
Private Carriers

Unless otherwise indicated, all data contained in this brief is from the National Council on Compensation Insurance.

Key Definitions

- Combined Ratio** represents total cost of claims and expenses divided by premiums.
- Claim Frequency** equals number of claims divided by the insured exposure base.
- Claim Severity** equals total cost of claims divided by the number of claims.

Workers comp net written premiums improved in 2022, with an 11.2 percent increase, compared with 8.4 percent for the overall industry. Between 2019 and 2022, workers comp direct premiums written rose 31 percent for private carriers. But, as shown in the map below, that improvement isn't uniformly distributed across the country. Because of the tight linkage between workers comp performance and the economy, every state and industry has its own story.

The line's underwriting profitability for private carriers – represented by the combined ratio – remains strong. Combined ratio represents claims and expenses paid divided by premiums collected. A combined ratio below 100 represents an underwriting profit, and one above 100 represents a loss.

Issues Briefs

- [Commercial Auto](#)
- [E&S](#)
- [Homeowners Rates](#)
- [Personal Auto Rates](#)
- [Workers Comp](#)
- [Cyber](#)
- [Legal System Abuse](#)
- [California](#)
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- [Florida](#)
- [Flood](#)
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- [Wildfires](#)
- [Inflation](#)

Triple-I Issues Brief

Trends and Insights: Proposition 103 and California's Risk Crisis

INSURANCE INFORMATION INSTITUTE
Affiliated with The Institutes

As is happening elsewhere in the United States, [homeowners insurance rates](#) in California have been rising. Some of this is due to [replacement costs](#) that skyrocketed during the pandemic and Russia's invasion of Ukraine. Some of it is due to wildfires and construction trends in the wildland-urban interface, which put increased amounts of expensive property at risk. [According to Cal Fig](#), five of the largest wildfires in the state's history have occurred since 2017.

Much of California's problem, however, is related to a 1988 measure – [Proposition 103](#) – that severely constrains insurers' ability to profitably insure property in the state.

Underwriting profits can't keep up with losses

Insurers' underwriting profitability is measured using a "combined ratio" that represents the difference between claims and expenses insurers pay and the premiums they collect. A ratio below 100 represents an underwriting profit, and one above 100 represents a loss.

As the chart at the right shows, insurers have earned healthy underwriting profits on their homeowners business in all but two of the 10 years between 2013 and 2022. However, the claims and expenses paid in 2017 and 2018 – due largely to wildfire-related losses – were so extreme that the average combined ratio for the period was 108.1.

Underwriting profitability matters because that is where the money comes from to maintain "[policyholder surplus](#)" – the funds insurers set aside to ensure that they can pay future claims. Integral to maintaining policyholder surplus is [risk-based pricing](#), which means aligning underwriting and pricing with the cost of the risk being covered. Insurers hire teams of actuaries and data scientists to make sure pricing is tightly aligned with risk, and state regulators and lawmakers closely scrutinize insurers to make sure pricing is fair to policyholders.

Prop 103 impedes risk-based pricing

To accurately underwrite and price coverage, insurers must be able to set premium rates prospectively. As shown above, one or two years that include major catastrophes can wipe out several years of underwriting profits – thereby contributing to the depletion of policyholder surplus if rates are not raised.

This is where Proposition 103 comes into play. Unlike in most other states, insurers in California are not allowed to price catastrophe risk prospectively. Instead of letting insurers use the most current

California Homeowners Insurance Combined Ratio

Year	Annual	10 year average
2013	79.0	108.1
2014	80.8	108.1
2015	91.5	108.1
2016	87.7	108.1
2017	241.9	108.1
2018	213.4	108.1
2019	62.0	108.1
2020	69.0	108.1
2021	72.8	108.1
2022	87.7	108.1

Source: Best's Market Share Reports, Homeowners Multi-peril

data and advanced modeling technologies to inform their pricing, this three-decades-old measure – in a dynamically evolving risk environment – requires them to price coverage based on historical data alone.

"We do it in a very old-fashioned way, and it needs to be updated," said Rex Frazier, president of the Personal Insurance Federation of California. "If a company is trying to figure out how much it should charge for earthquake coverage, it would look at proximity to fault lines – but for wildfire insurance the state just says, 'Well, looking backward, what have you paid over the last 20 years for wildfire clients?'"

Another way in which Proposition 103 restricts accurate underwriting and pricing is by not allowing insurers to incorporate the cost of reinsurance into their pricing. Reinsurance is another tool insurers use to maximize their capacity to write coverage, and rates have been rising for many of the same reasons as primary insurance rates. If insurers can't use reinsurance costs in their pricing – particularly in catastrophe-prone areas – they must pay for these costs from policyholder surplus, reduce their market share, or do both.

Premiums below the national average

As shown in the charts on the next page, home insurance premiums in California are less expensive than the national median – and much lower than in other disaster-prone states like Florida and Louisiana – despite the fact that California has some of the most expensively built housing in the country.

This is a large and potentially profitable market in which insurers want to do business. To make that possible in light of ongoing wildfire trends – as well as events like early 2023's anomalous

Thank you! Questions?

For more information on how you can benefit from Triple-I membership, please contact us.



Sean Kevelighan
President and
Chief Executive Officer
seank@iii.org



Sondra Fry Benoudiz
Head of Membership Experience
and Business Development
sondrab@iii.org



Dale Porfilio, FCAS, MAAA
Chief Insurance Officer
dalep@iii.org



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