


# Triple-I State of the Industry Review

March 12, 2024



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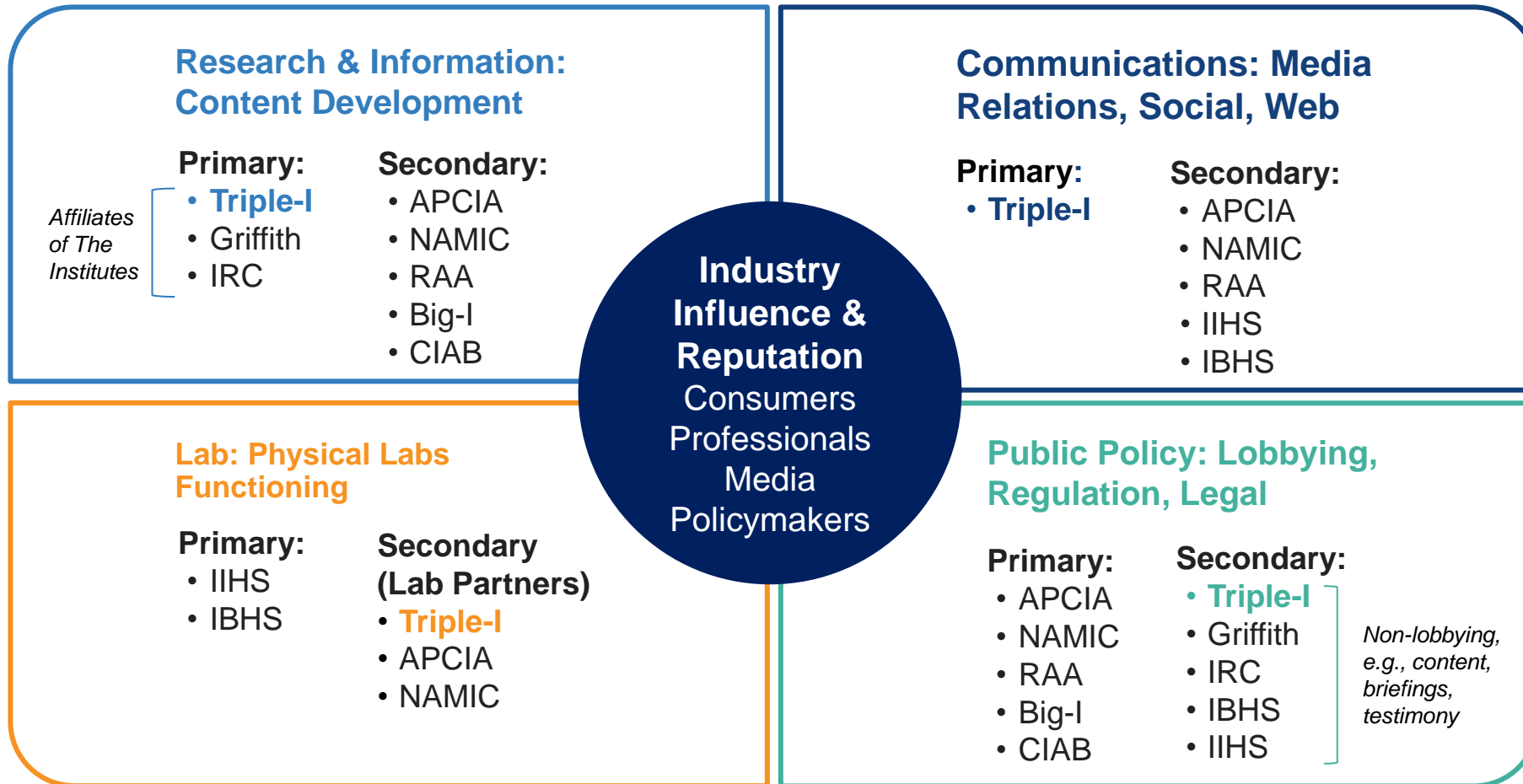
# Insurance Information Institute (Triple-I) Mission

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



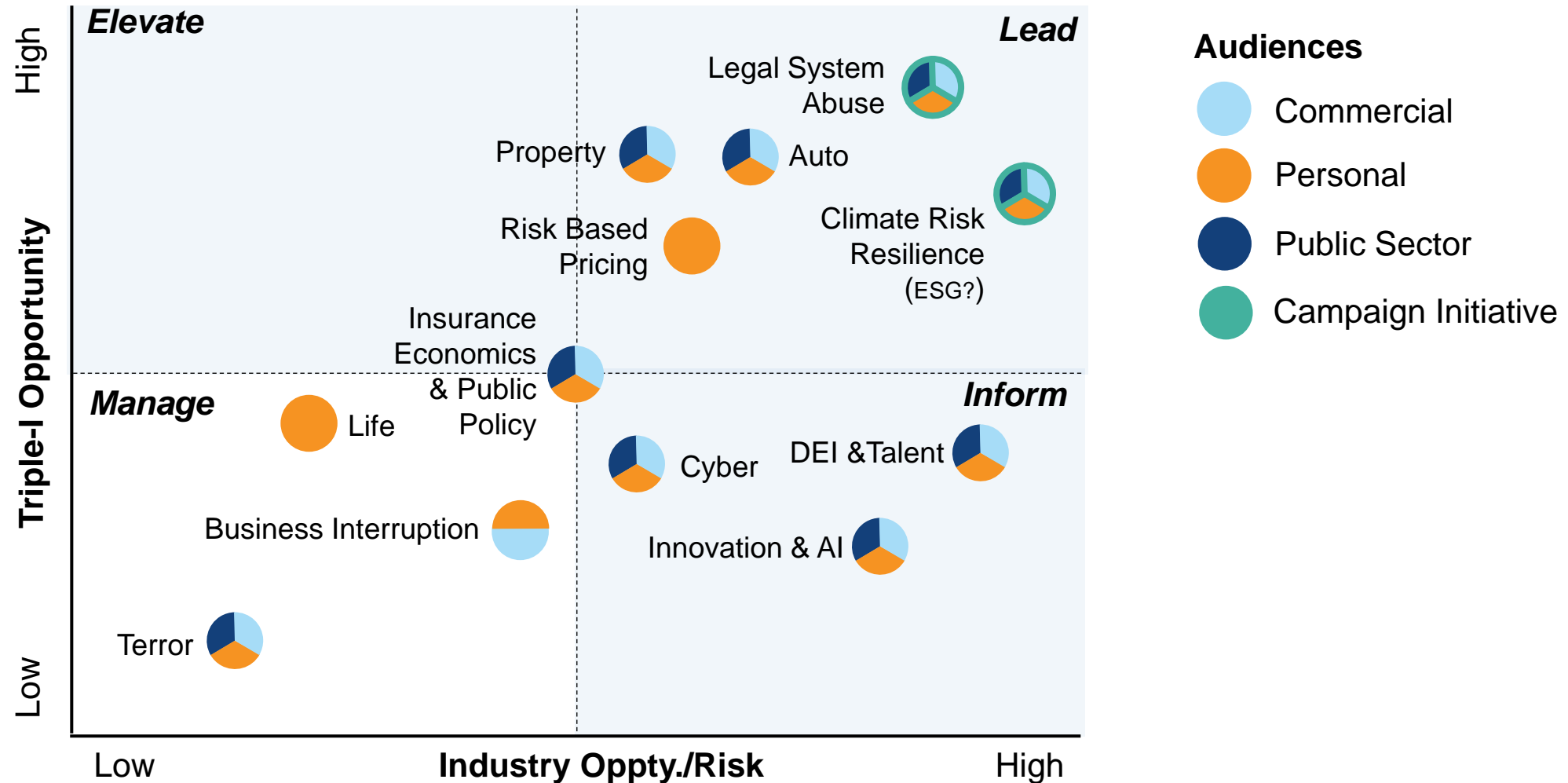
# Driving Influence for Insurance Trades

Triple-I plays a supporting and collaborative role in all



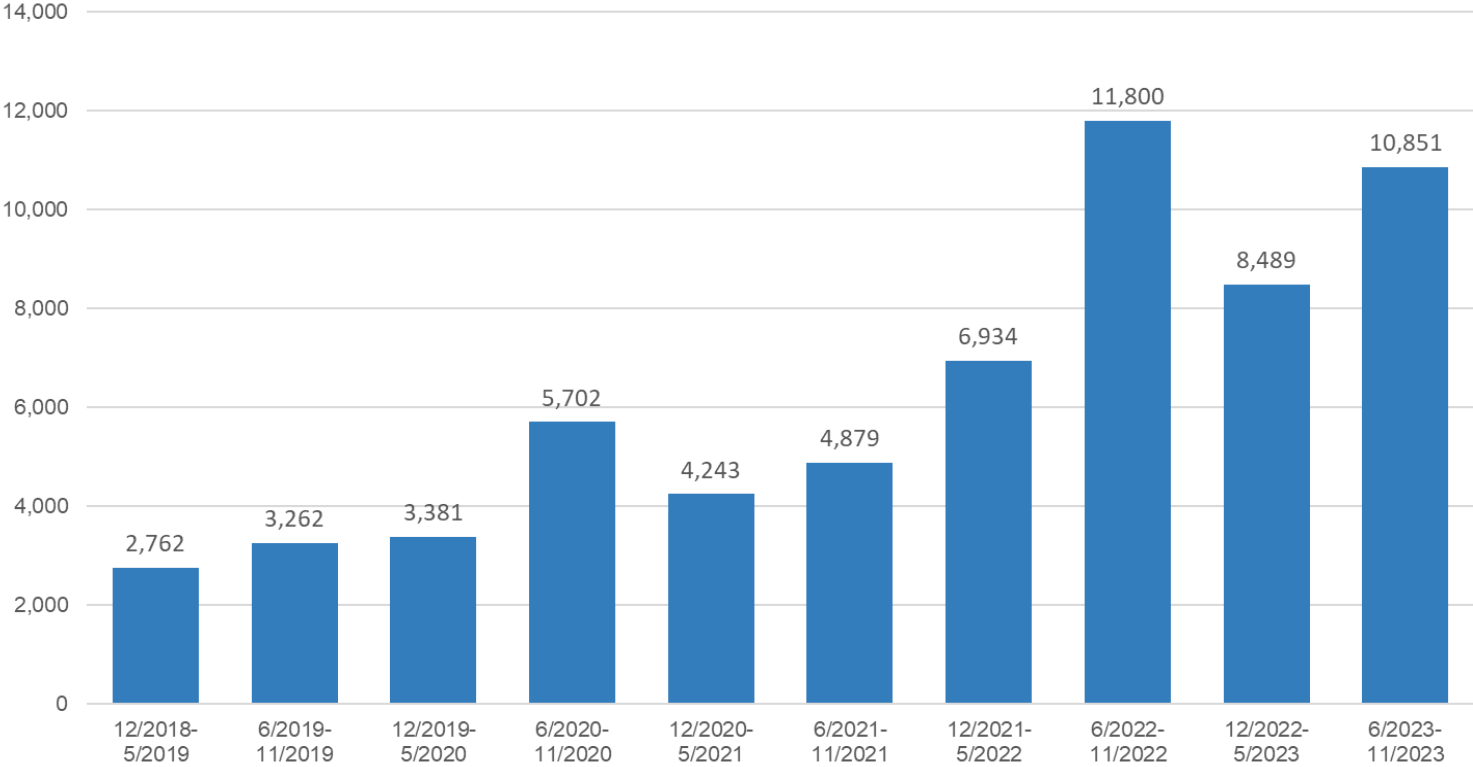
# 2024 Issue Management

If it's important to you, it's important to us

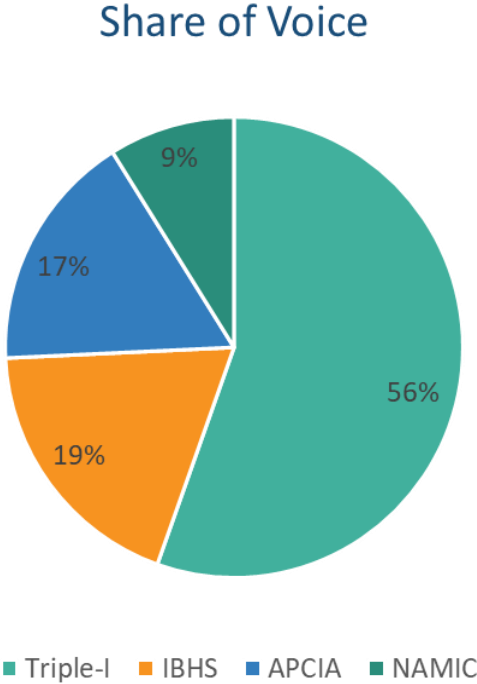


# Triple-I Media Citations (2018-Present)

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



Source: Cision Media Tracking



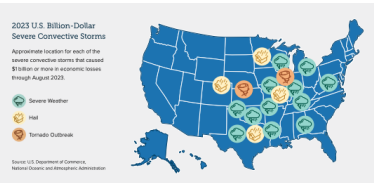
Feeling the pinch of high home insurance rates? It's not getting better anytime soon

THE WALL STREET JOURNAL.

Homeowners Flock to Last-Resort Insurance Policies

# Top 5 Media Citations by Issue

Homeowners doubles, fraud and climate risk on the rise



The most immediately visible impact has been in the construction sector, where increases in material and labor costs have led to costlier repairs and higher claims.

There is a need for greater discipline in the monitoring of the less obvious regulatory and industry sharing of related findings. Some of the most significant exposure risks are early under understanding of

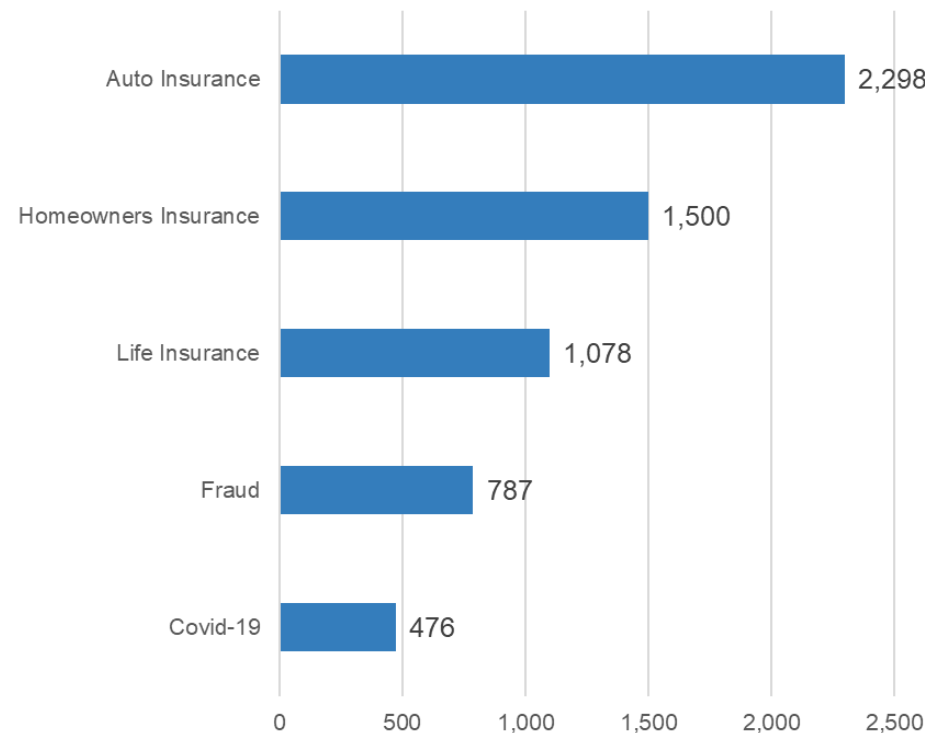
which tend to arise suddenly. Likewise, in high-profile areas it is important to put vehicles and equipment that could be damaged under cover.

Identify damage quickly. Because wind and hail can expose structures to further damage due to water leakage or animal intrusion, it is important to inspect damage from these events as early

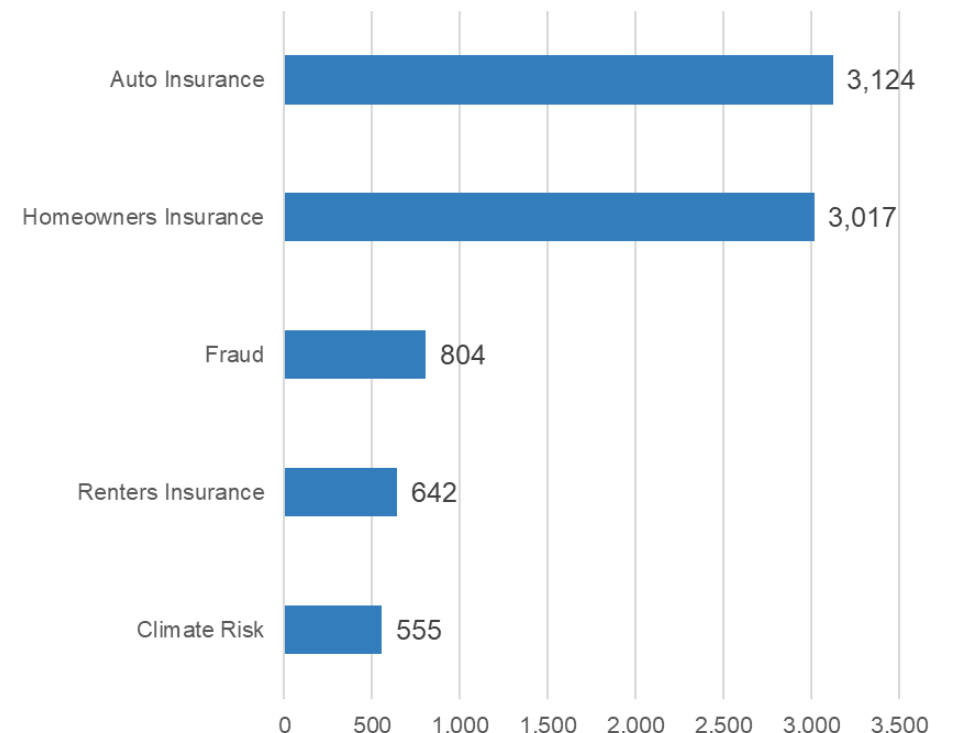


Mitigation and re...  
The National Institute of Standards and Technology (NIST) has issued a report on how to secure the property related to wind, water, and earthshaking and other objects that might become especially in areas where

December 2022 – May 2023



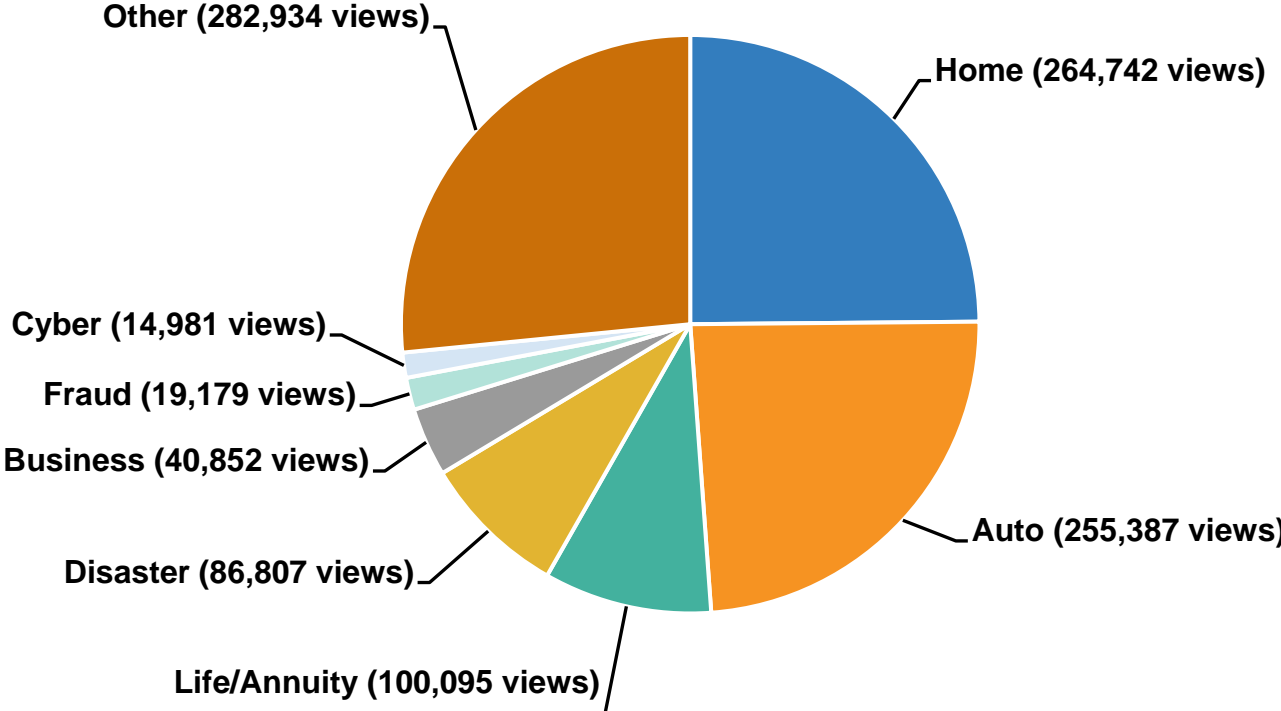
June 2023 – November 2023



# Millions Continue to Rely on the Triple-I Website

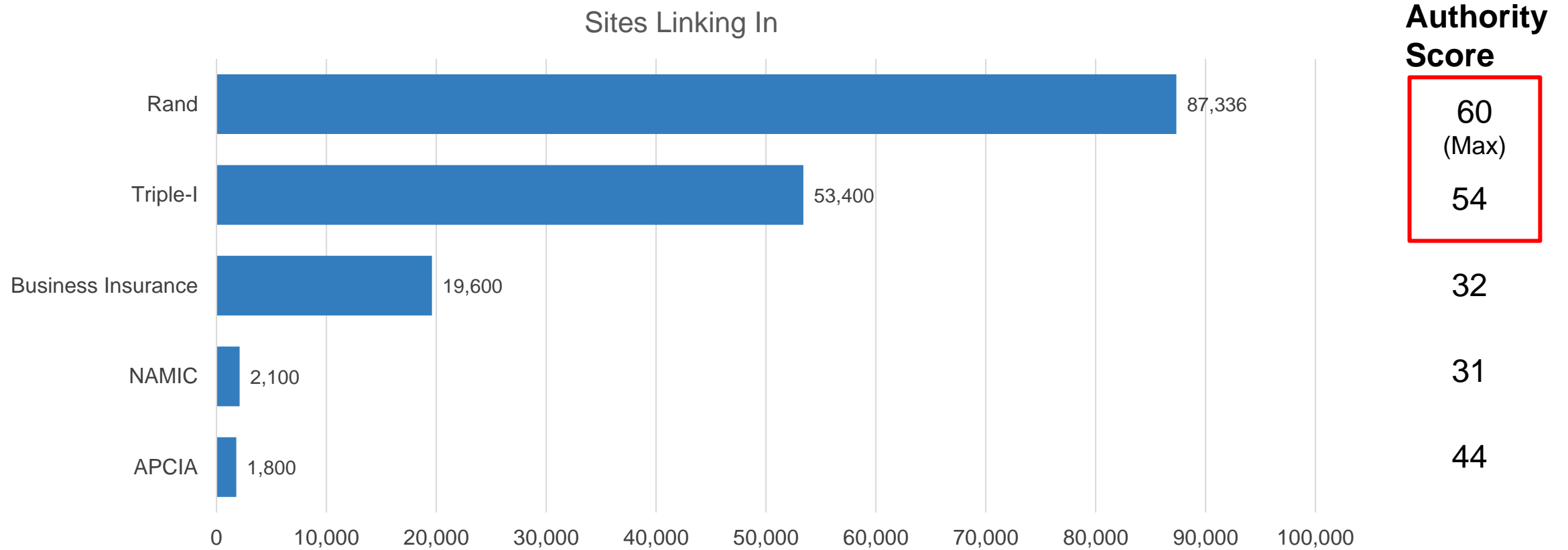
1.8 Million pageviews in last six months

Top 100 pages: Views by category



Source: Google Analytics 4. Six-month for 2023 are from May 1 - Oct. 31, 2023. Please note views for top 100 pages do not add to total views.  
\*Other includes homepage views (140,698), publication pages, charts, etc.

# Number of Websites Linking to Triple-I Content Continues to Proliferate



Source: SemRush.



# Insurance Economics

Macro drivers of insurance performance

# Cumulative P&C Replacement Costs Increases From 2019 to 2022

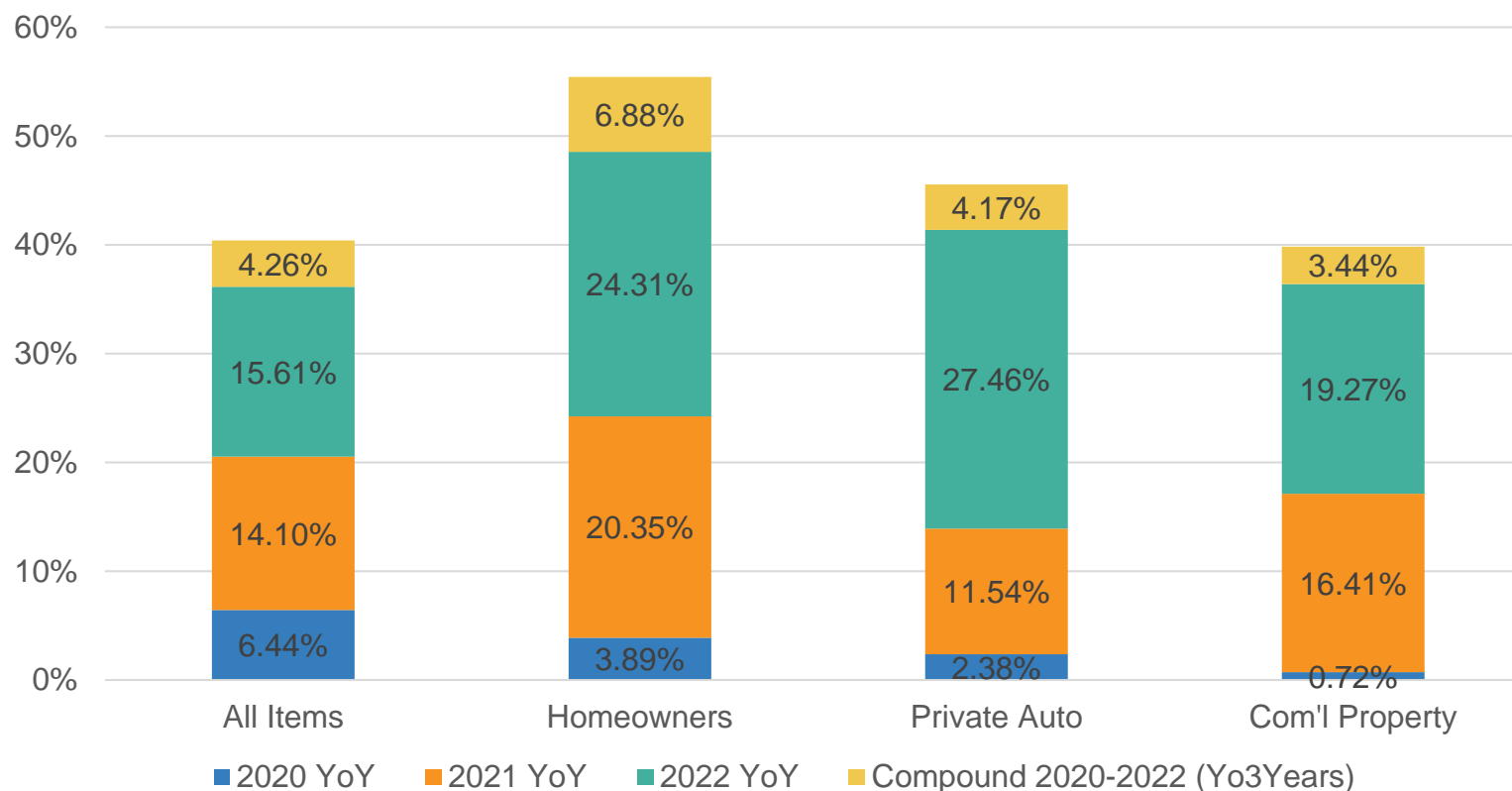


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## Cumulative P&C Replacement Cost Increases from 2019 to 2022

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)


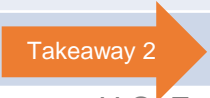
# P&C Industry Macroeconomic Drivers

Real GDP Growth at 2.1% YTD, with Q3 higher at 4.9% - **for GDP, all eyes on Q4 numbers.**

CPI continues to slow down to 3.1% as of November - but CPI Less Food & Energy is still up 4.0% YoY.

P&C replacement costs confirm trend and increasing slower than full CPI.

U.S. payrolls up by 216,000 in December, but unemployment rate unchanged at 3.7%.

Growth & Inflation (Change YoY%)	2022	2023YTD	2024	2025
<b>Growth</b>				
U.S. Real GDP	1.9%	2.1%	1.5%	1.8%
Finance & Insurance Output	0.5%	-5.5%	-4.4%	1.0%
P&C Underlying Growth 	0.6%	1.3%	2.6%	4.5%
<b>Inflation</b>				
U.S. Inflation	6.4%	3.1%	2.5%	2.2%
P&C Replacement Costs 	3.1%	1.1%	2.0%	1.9%

Source: U.S. Economic data: FRED; Insurance data and analysis: Triple-I; as of 01/09/2024

# Homeowners

Mortgage rates and lending standards punishing housing growth.

Mortgage rates reached 7.79% in October, down to 6.62% by January or \$2,306 on average.

Rebound requires record low Inventories to loosen up first.

Homeowners insurance replacement costs continue to increase below overall CPI.

**Bright spot: new apartments growth in the Sunbelt.**

Homeowners (Change YoY%)	2022	2023YTD	2024	2025
<b>Underlying Growth</b>	-2.2%	-5.3%	3.0%	4.0%
Housing Units Starts	-4.5%	-17.2%	2.0%	3.0%
All Construction Employment	4.2%	2.8%	2.8%	3.8%
Retail Trade	-3.8%	10.2%	5.0%	6.0%
<b>Replacement Costs</b>	3.9%	2.4%	2.3%	2.2%
Shelter	7.5%	7.2%	5.0%	4.0%
Household Furnishing & Supplies	6.7%	2.2%	2.1%	2.1%
Construction Materials	-2.6%	-2.3%	1.5%	1.5%

Source: U.S. Economic data: FRED; Insurance data and analysis: Triple-I; as of 01/09/2024

# Commercial Property

Lending and bond interest rates continue to punish industry's rebound; may see some relief into Q2-Q3 2024.

Bulk of positive news comes from retail sector rents and related commercial structures construction.

Normalization of remote work and lending environment may lead to rebound start in 2024, especially for class A offices.

Commercial Property (Change YoY%)	2022	2023YTD	2024	2025
<b>Underlying Growth</b>	3.8%	3.3%	2.5%	3.0%
Real Estate, Rental & leasing	3.3%	2.5%	2.1%	2.5%
All Employees Commercial Buildings	4.6%	4.9%	4.8%	4.9%
<b>Replacement Costs</b>	0.7%	-0.5%	1.3%	1.5%
Construction Materials	-2.6%	-2.3%	1.6%	1.6%
Equipment & Other Capital Goods	9.3%	2.0%	2.1%	2.5%
Information Technology Prices	-4.6%	-1.1%	0.5%	0.8%

Takeaway 1

Source: U.S. Economic data: FRED; Insurance data and analysis: Triple-I; as of 01/09/2024

# Insurance Employment Trends

Looking at specific roles within the insurance industry, the number of sales agents and underwriters increased the most, while the number of claims and processing clerks decreased the most.

<b>Employment &amp; Compensation: Insurance Industry and U.S.</b> (Change YoY%)					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2019-2023</b>
<b>Insurance Hourly Earnings Change</b>	<b>5.1%</b>	<b>1.6%</b>	<b>6.4%</b>	<b>3.3%</b>	<b>17.4%</b>
U.S. Hourly Earning Change	5.5%	5.0%	4.8%	2.9%	<b>19.4%</b>
<b>Insurance Employees Change</b>	<b>1.2%</b>	<b>-0.4%</b>	<b>2.9%</b>	<b>1.2%</b>	<b>5.8%</b>
U.S. Employees Non-Farm Change	-6.1%	5.1%	3.2%	1.5%	<b>3.4%</b>

Source: FRED (as of 10/2023)

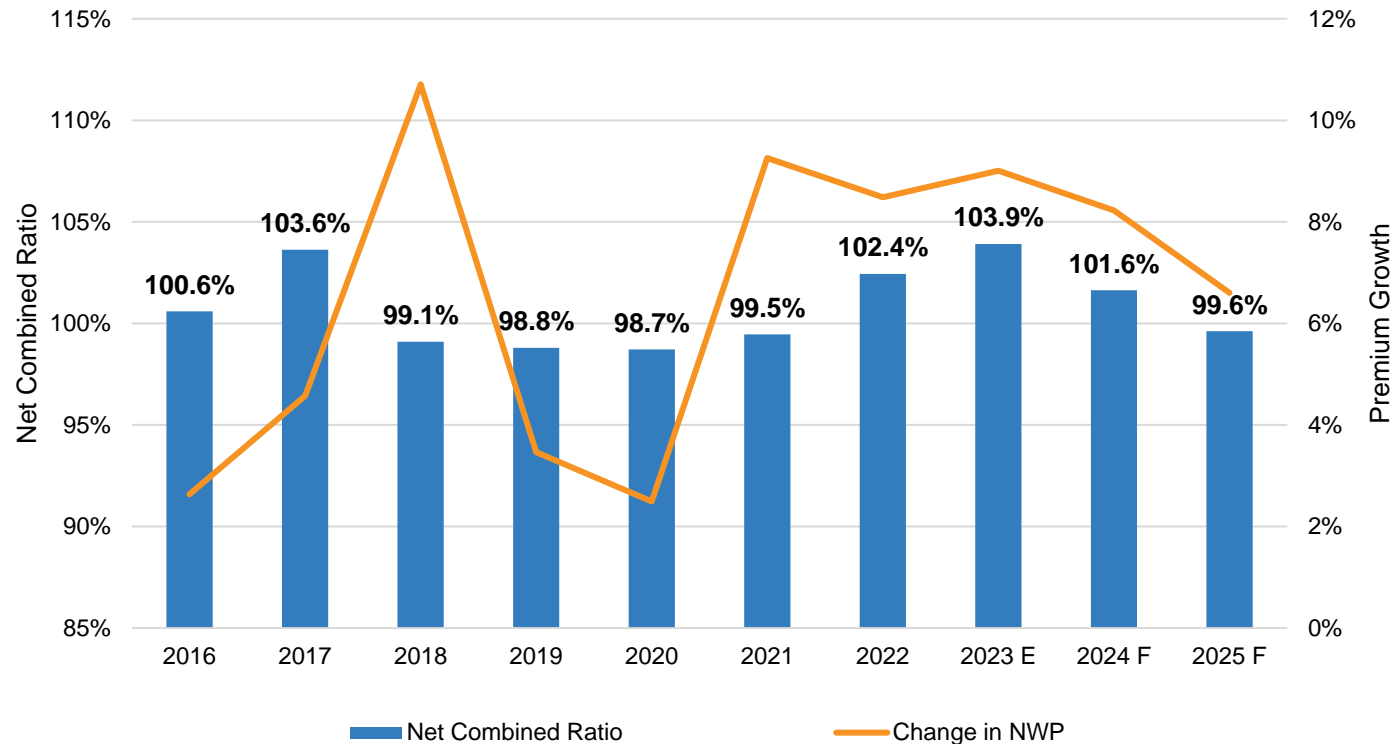
Nominal wages in insurance increased by 3.3% YTD in 2023, above U.S. wage increases of 2.9%. Adjusted for 2023 inflation, real wages in insurance remained flat this year, while in the U.S. they decreased -0.4% this year.

# Underwriting Projections



# P&C Industry Outlook

Net Combined Ratio and Change in NWP



- **Bad News #1:** Homeowners 2023 Q3 Incurred Loss Ratio was higher than average of prior 10 years
- **Good News:** Unlike Q1 and Q2, Homeowners 2023 Q3 Incurred Loss Ratio was not the worst in the prior 10 years
- **Bad News #2:** Commercial Auto 2023 Q3 Incurred Loss Ratio was highest in over 15 years
- **Bad News #3:** CMP 2023 Q3 Incurred Loss Ratio was higher than average of prior 10 years

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 12/21/2023); Insurance Information Institute, Milliman.



# P&C Industry Trends

Net Combined Ratio	2018	2019	2020	2021	2022	2023 E	2024 F	2025 F
Personal Lines	99.4%	98.8%	96.8%	102.1%	109.9%	109.9%	105.2%	101.9%
Commercial Lines	98.7%	98.8%	100.9%	96.7%	94.8%	97.7%	97.7%	97.0%

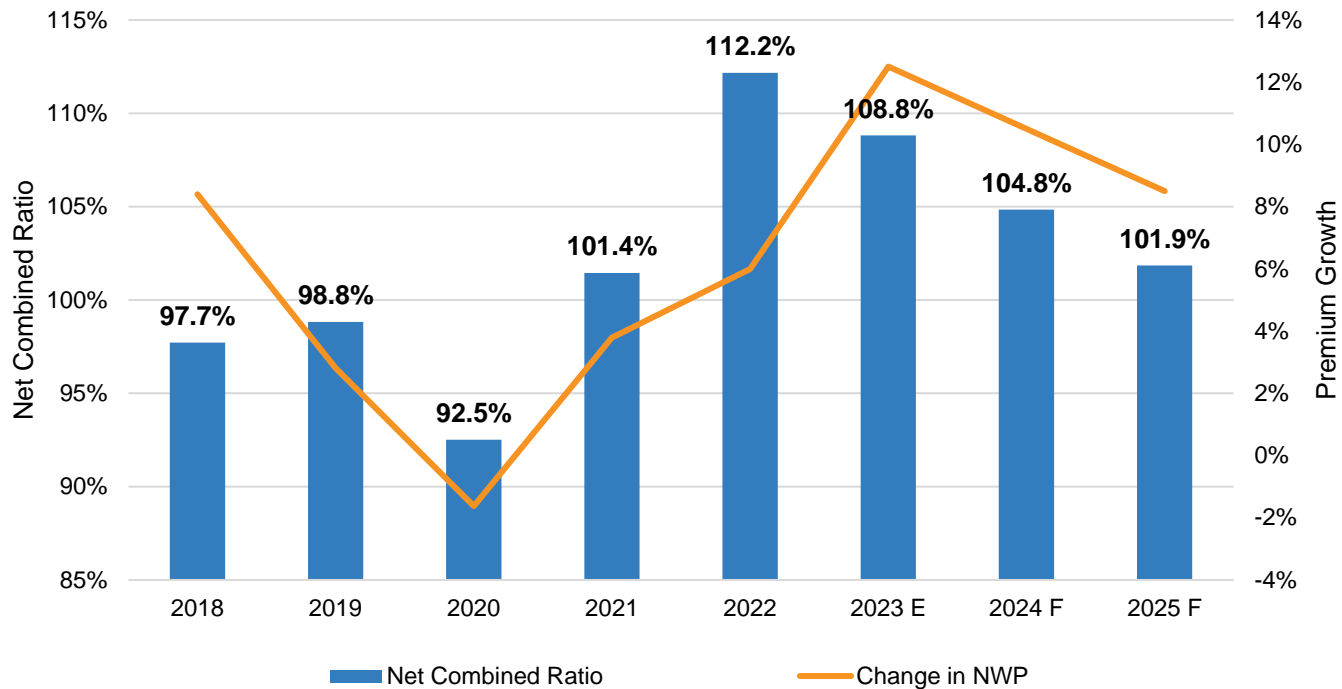
Net Written Premium Growth Rate	2018	2019	2020	2021	2022	2023 E	2024 F	2025 F
Personal Lines	8.1%	3.3%	0.0%	5.0%	7.2%	12.5%	10.8%	8.3%
Commercial Lines	14.0%	3.7%	5.4%	14.0%	9.8%	5.6%	5.5%	4.7%

- Overall picture from prior quarter remains the same with Commercial Lines performing better than Personal
- Personal Lines 2023 Net Combined Ratio improved 0.7 points from prior evaluation and is now flat with 2022
- Commercial Lines 2023 Net Combined Ratio deteriorated 0.8 points due to Commercial Auto and CMP
- Net Written Premium Growth Rate for Personal Lines expected to surpass Commercial Lines by nearly 7% points in 2023, first time since 2017

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 12/21/2023); Insurance Information Institute, Milliman.

# Personal Auto

Net Combined Ratio and Change in NWP

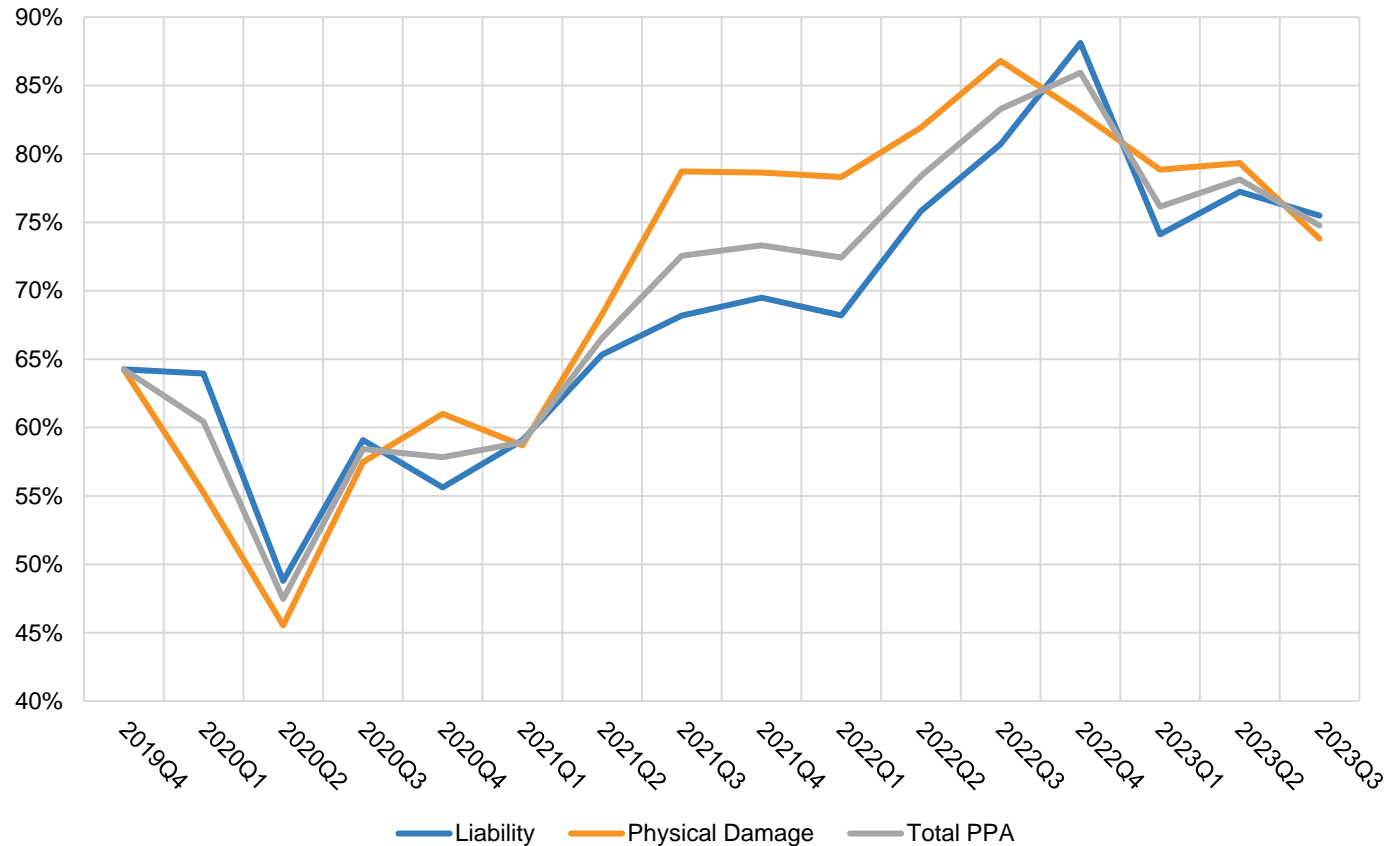


- 2023 Net Combined Ratio of 108.8 is 3.4 points better than 2022
- 2023 Underwriting Loss of \$28B follows \$33B loss in 2022, multiples of industry's \$18B profit in 2020
- 2023 Net Written Premium growth rate of 12.5% is highest in over 15 years, reflecting rate increases to offset inflationary loss costs
- 2024 and 2025 are expected to improve but remain unprofitable

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 12/21/2023): Insurance Information Institute, Milliman.

# Personal Auto

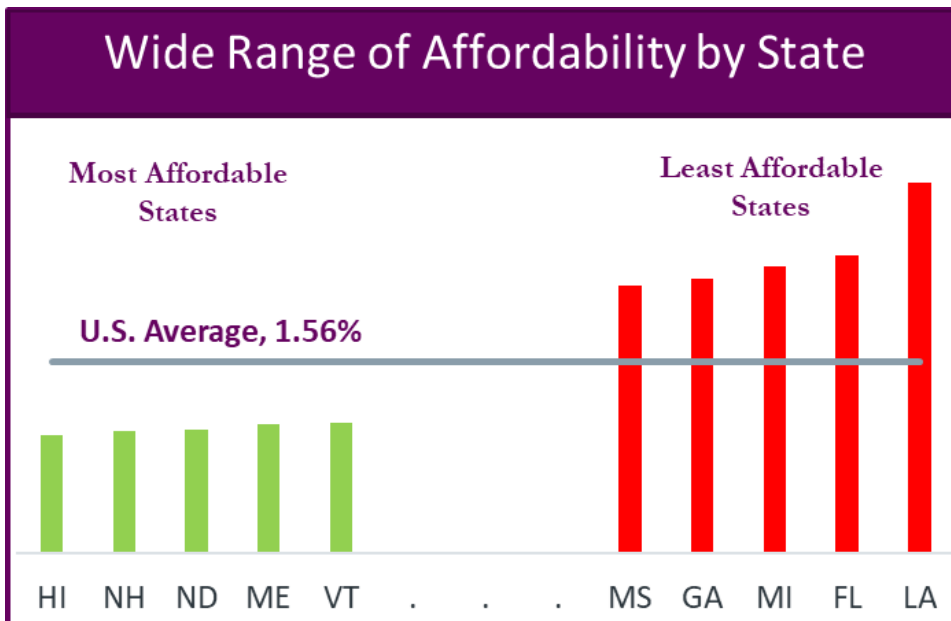
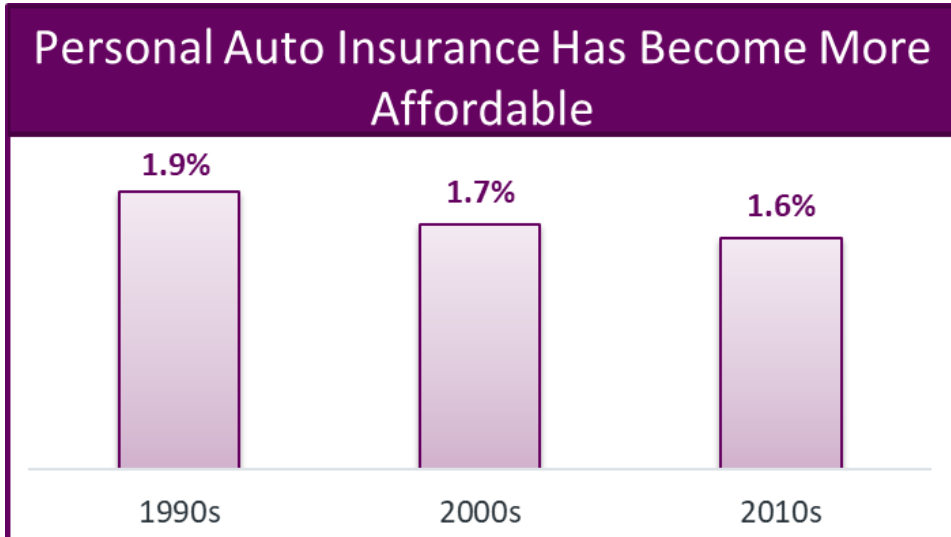
Direct Incurred Loss Ratio by Quarter



- 2023 Q3 Direct Incurred Loss Ratio of 75% is 8 points improved from 2022 Q3 but still 2 points worse than 2021 Q3
- Physical Damage performed better than Liability in 2023 Q3, flipping their relativity to total quarter-over-quarter

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 12/21/2023): Insurance Information Institute, Milliman.

# Personal Auto Insurance Affordability

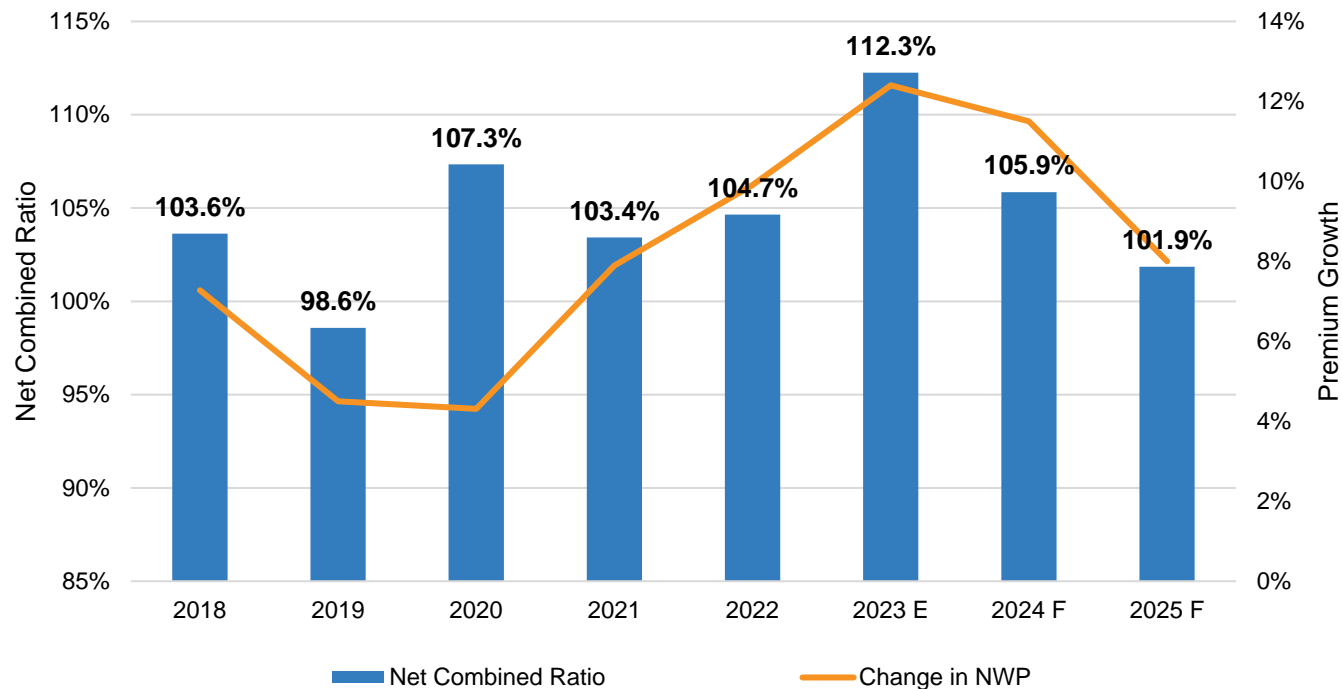


- Insurance Research Council (IRC) measures auto insurance affordability by calculating the ratio of average auto insurance expenditures to median household income
- From 1990s to 2010s, personal auto insurance has become more affordable
- Across jurisdictions in the United States, auto insurance affordability ranges widely from a high of 3.01% in Louisiana to a low of 0.95% in Hawaii
- Any efforts to improve affordability must address the underlying key cost drivers as these factors vary widely across the 51 different auto insurance systems in the U.S.



# Homeowners

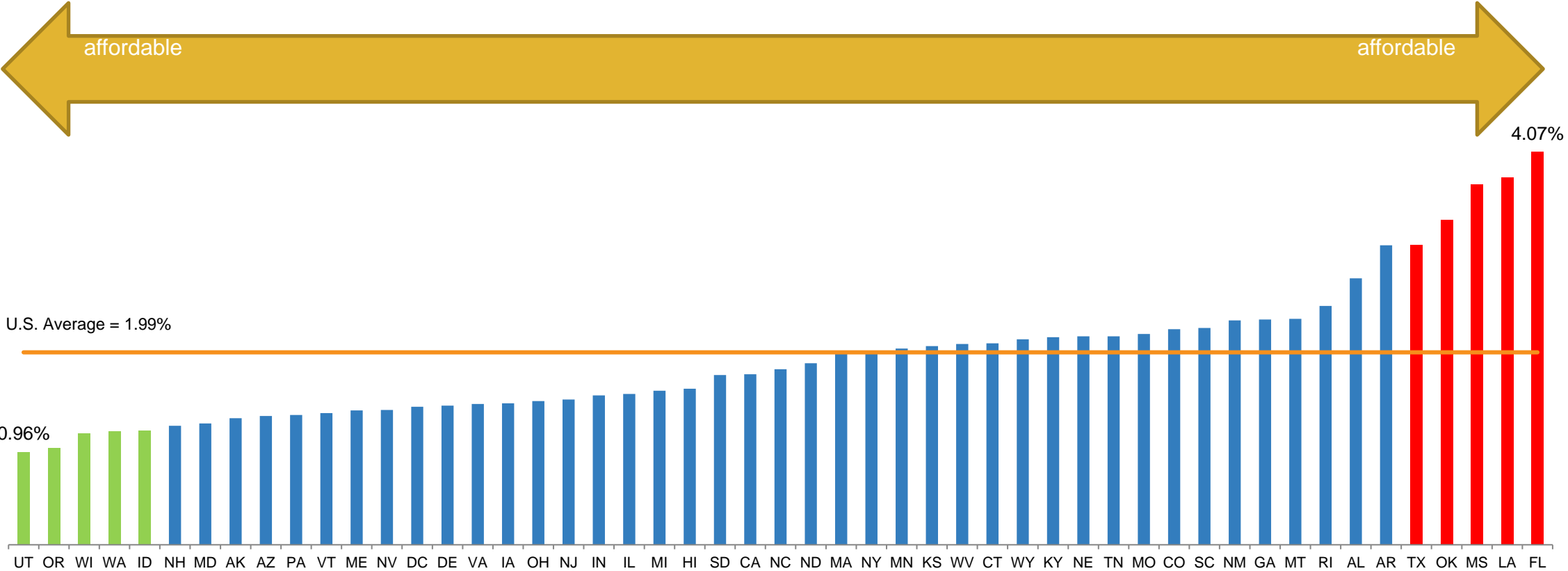
Net Combined Ratio and Change in NWP



- 2023 Net Combined Ratio of 112.3 is worst since 2011
- 2023 Net Written Premium Growth Rate of 12.4% is highest in over 10 years, reflecting rate increases to offset inflationary loss costs
- 2024 and 2025 are expected to improve but remain unprofitable

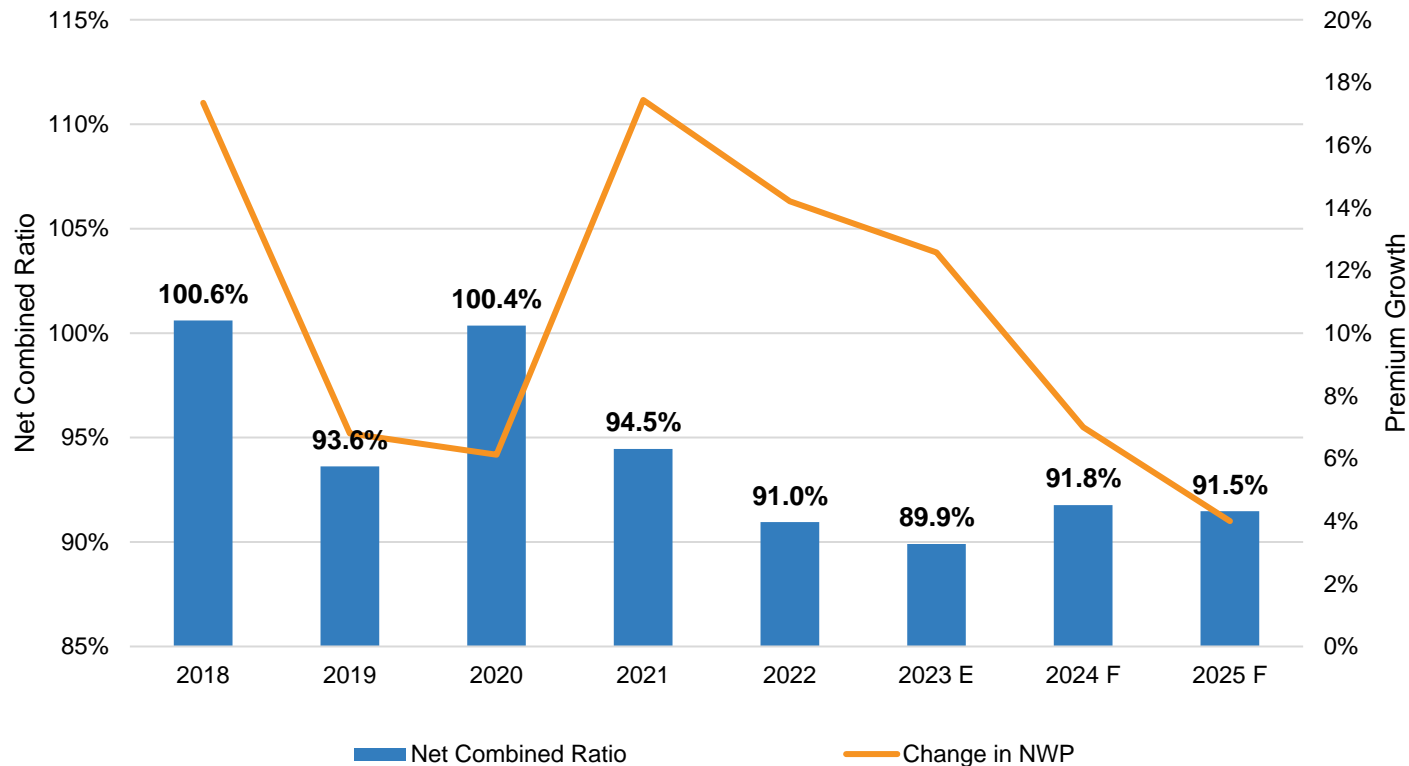
Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 12/21/2023); Insurance Information Institute, Milliman.

# 2021 Homeowners Insurance Premiums as Percent of Median Income



# Commercial Property

Net Combined Ratio and Change in NWP



- 2023 Net Combined Ratio of 89.9 is lowest since 2016
- 2023 Net Written Premium growth rate of 12.6% is the highest of all commercial lines
- Favorable results expected in the next two years with slowing premium growth rates

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 12/21/2023); 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.



Countering inflation: How US P&C insurers can build resilience

August 26, 2022 | Article

## 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

### A news site used AI to write articles. It was a journalistic disaster.

The tech site CNET sent a chill through the media world when it tapped artificial intelligence to produce surprisingly lucid news stories. But now its human staff is writing a lot of corrections.



Microsoft/OpenAI (ChatGPT, DALL-E)

## 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

## Cyber

FITCH WIRE

### Cyber Insurance Premium Hikes to Support Returns Amid Rising Claims



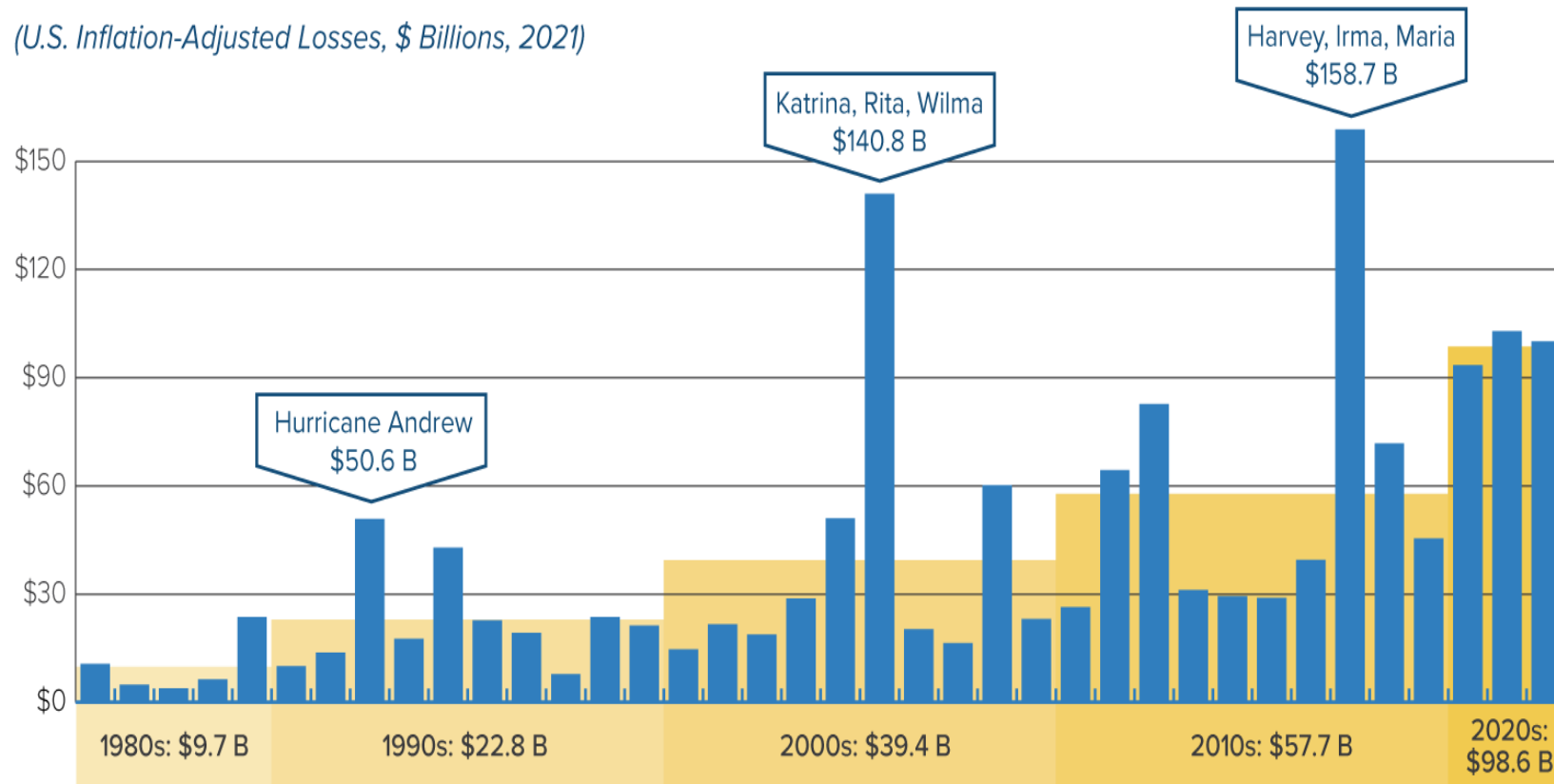


**“Those who cannot remember the past are condemned to repeat it.”**



# U.S. Catastrophe Losses Steadily Climbing

(U.S. Inflation-Adjusted Losses, \$ Billions, 2021)

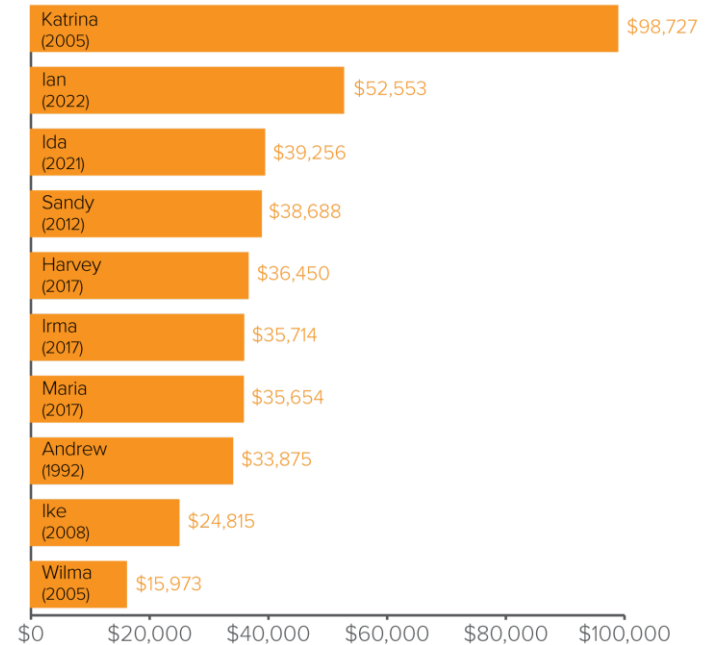


\*Includes insured losses from all natural perils.

Source: Aon (Catastrophe Insight)

## 10 Costliest U.S. Hurricanes

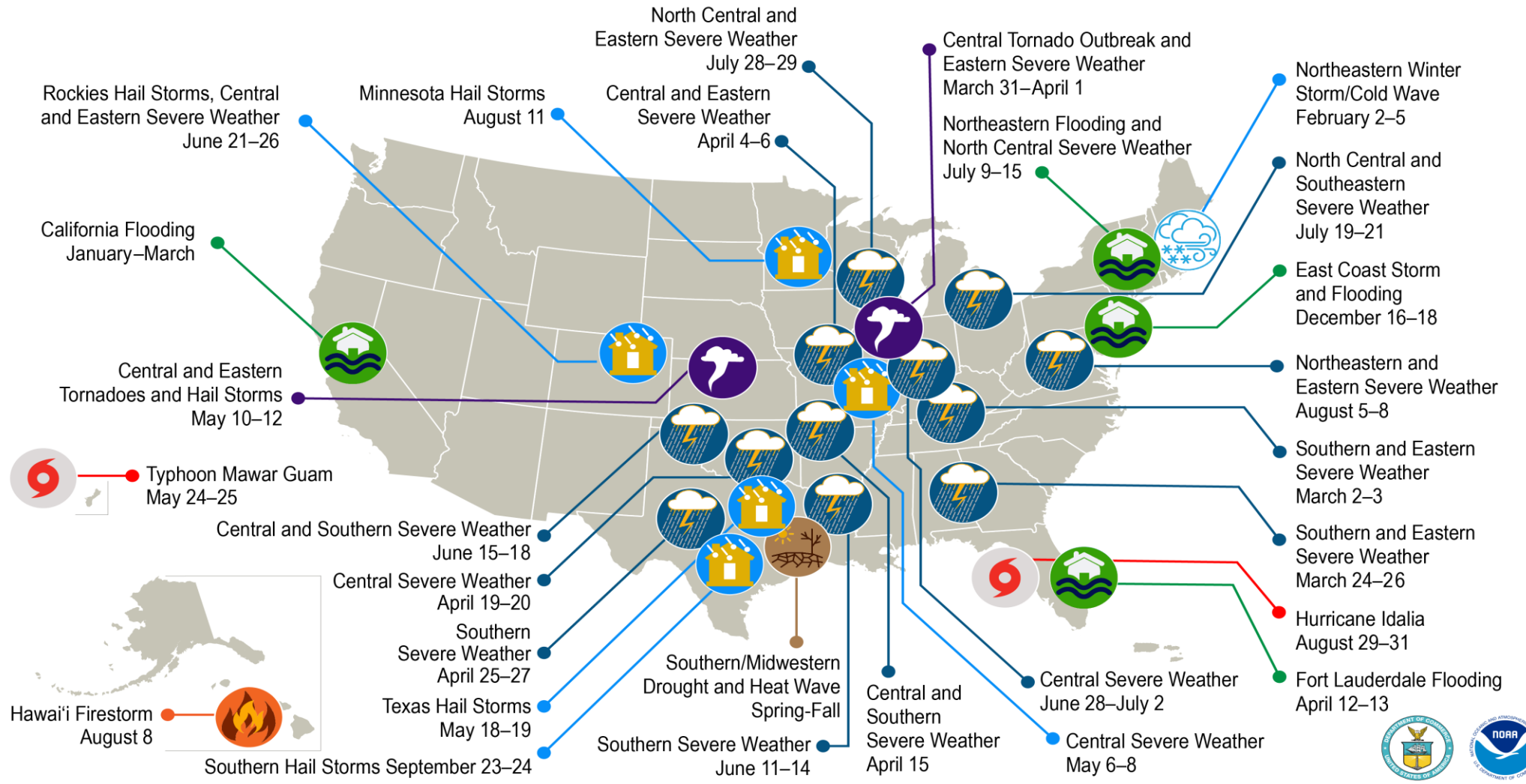
(\$ millions, in 2022 dollars)



Includes Puerto Rico and the U.S. Virgin Islands and losses sustained by private insurers and government-sponsored programs such as the National Flood Insurance Program. Includes hurricanes that occurred through 2022. Subject to change as loss estimates are further developed. As of January 2023. Ranked on insured losses in 2022 dollars. Adjusted for inflation by Aon using the U.S. Consumer Price Index.

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

# U.S. 2023 Billion-Dollar Weather and Climate Disasters

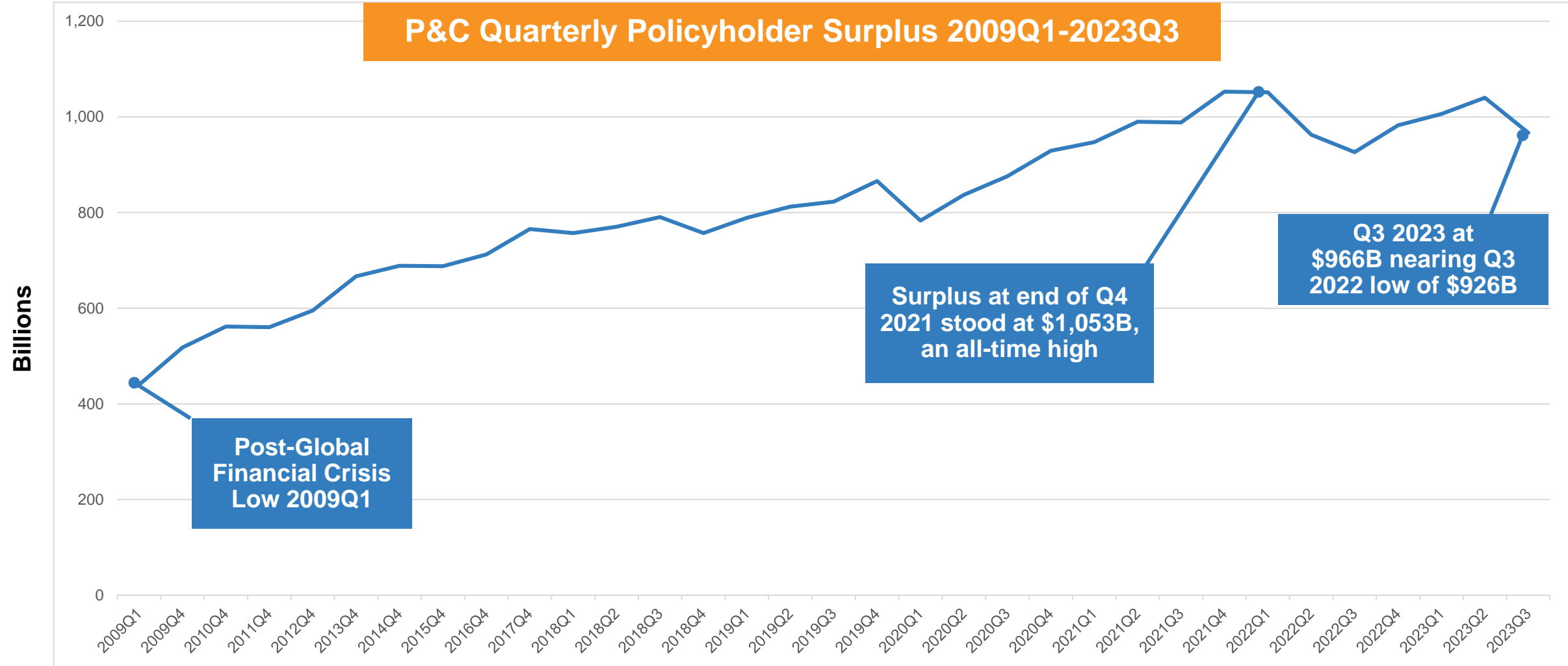


This map denotes the approximate location for each of the 28 separate billion-dollar weather and climate disasters that impacted the United States in 2023.



- Record 28 billion-dollar events in 2023
- Prior record was 22 events in 2020
- \$93B total cost in 2023
- Record more than \$50B in severe convective storms through Q3

# P&C Financials Strong Despite Market Volatility & UW Losses

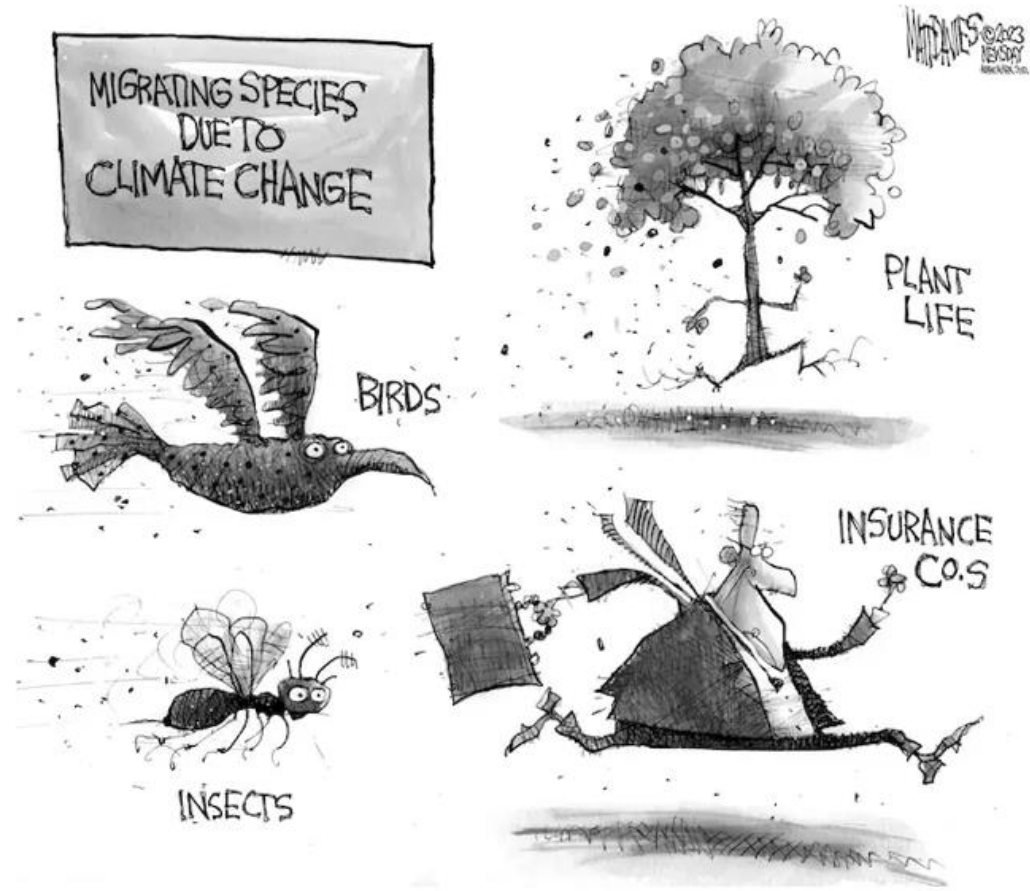


Sources: NAIC data sourced through S&P Global Intelligence; Insurance Information Institute.

# Really?

Wednesday, June 21 2023

The Washington Post  
*Democracy Dies in Darkness*



(Matt Davies/Newsday)

# 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





# Defining Legal System Abuse

## What Is It?

Exploits litigation when a disputed claim could have been resolved without judicial intervention.

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

## Why Does It Matter?

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

## What Can Be done?

- Increase and inform understanding of dangers.
- Foster legislative and judicial reform.
- Create transparency on TPLF.

# Triple-I Taking on Legal System Abuse

Two-years of proactive work to build strong foundation

- 80% increase in annual web site views
- 200%+ increase in media citations
- 7k+ subscribers to legal abuse e-blasts
- Research, insights, videos and communications to media, consumer, industry, and members
- Testimony in NY and OH
- Targeted social media campaigns
- Web hub
- Message testing and polling

But the industry is under threat from trial attorneys demanding insurers cover uninsured pandemic-related losses.

## Insurance Contract

**Social inflation: hard to measure, important to understand**

**Can a Florida Special Session Clear the Shade Cast from Legal System Abuse?**

Good morning. Florida's rampant legal system abuse, combined with climate risk kicking back in from two hurricanes making landfall in the state, has created a statewide property crisis for personal lines insurance. And just as it was starting to once again feel like a scene out of the movie "Groundhog Day," there are signs that some holdouts in the state's plaintiff attorney-leaning legislature may finally understand that too much is indeed too much.

Enter a special legislative session...

Thanks to the governor's and insurance regulatory department's urging, in conjunction with new legislative leaders, the Florida Legislature is meeting this week for a special session to address the insurance crisis. Complimentary bills were introduced in the House and Senate that Triple-I's own Mark Friedlander called "groundbreaking" and the "strongest property reform package we have ever seen proposed in Florida." The legislation calls for eliminating one-way attorney fees, as well as property claim assignment of benefits, a major driver of litigation abuse.

If passed, lawmakers will have made significant progress on improving the insurance market, albeit with an understanding that relief will take time and more work may be needed in the future.

The big question is whether this groundbreaking legislation will help struggling Floridians desperately searching for affordable home insurance. Two things to keep in mind:

1. Once again, the state "earned" a place on the American Tort Reform Foundation's annual [Judicial Hellholes list](#). The hellholes list comprises the worst legal systems in the country, where oversized verdicts and legal system abuse run rampant; and
2. The Institute for Legal Reform found that Florida's residents pay the second-highest tort tax in America at \$5,065 per person.

Addressing the legal system abuse prevalent in the state is both a critical and long-term issue for insurance companies and consumers alike. We'll continue to dive into Florida's insurance fraud crisis, which also negatively impacts the personal auto market, in the new year.

# 2024 Legal System Abuse Strategy

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

### Lead via Proactive Triple-I Thought Leadership

- Focus on “Battleground” States: GA, LA, MI, TX, FL
- Develop and Launch TPLF Transparency Campaign
  - Message testing with ILR and APCIA, then apply to thought leadership and state campaigns
- Build Coalition with APCIA, NAMIC, RAA, CIAB, Big-I
  - Lobbying Trades: On-the-ground government affairs and legal tactics
  - Triple-I: Research and Communications “Echo Chamber” e.g., briefings, fact sheets, editorial boards, Rapid Response, targeted email and digital advertising, testimony
- Leverage Third-Party Relationships
  - American Tort Reform Association, U.S. Chamber of Commerce Institute for Legal Reform, National Association of REALTORS, Triple-I Non-Resident Scholars, American Trucking Associations



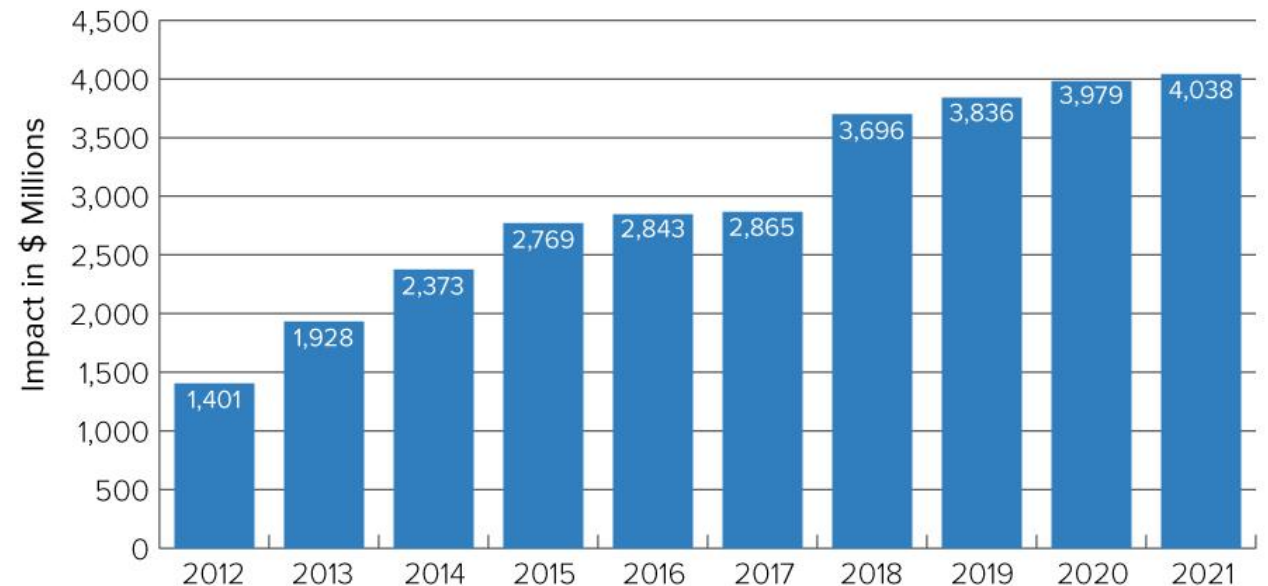
# Financial Impact of Legal System Abuse

Triple-I Actuaries Quantified The Problem

## Key Findings

- Social Inflation contributed to **increased claims** by estimated **\$30-34B (18-20%)** from 2012 to 2021 in Commercial Auto Liability
- Research suggests Social Inflation could be causing losses to increase faster than general inflation by 2-3% per year
- Evidence of similar trends found in Other Liability Occurrence and Medical Malpractice Claims-made

Case-incurred estimate of impact of social inflation by year  
P&C Industry - commercial auto liability

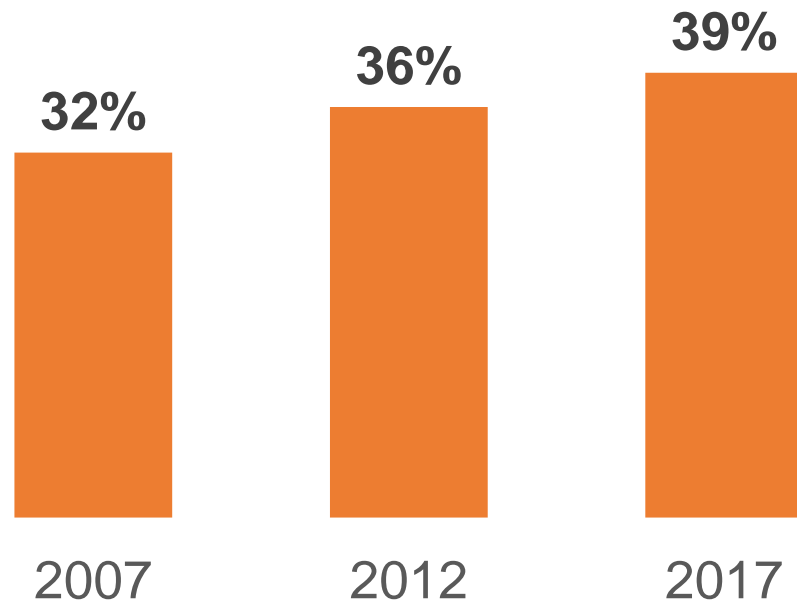


[State of the Risk: Social Inflation](#)

\*Triple-I and Casualty Actuarial Society analysis of National Association of Insurance Commissioner (NAIC) data. [Social Inflation and Loss Development - An Update](#), Lynch, J. and Moore, D., March 2023

# Attorney Involvement is Growing Steadily

## No-fault PIP Claims with Attorney Involvement Nationwide



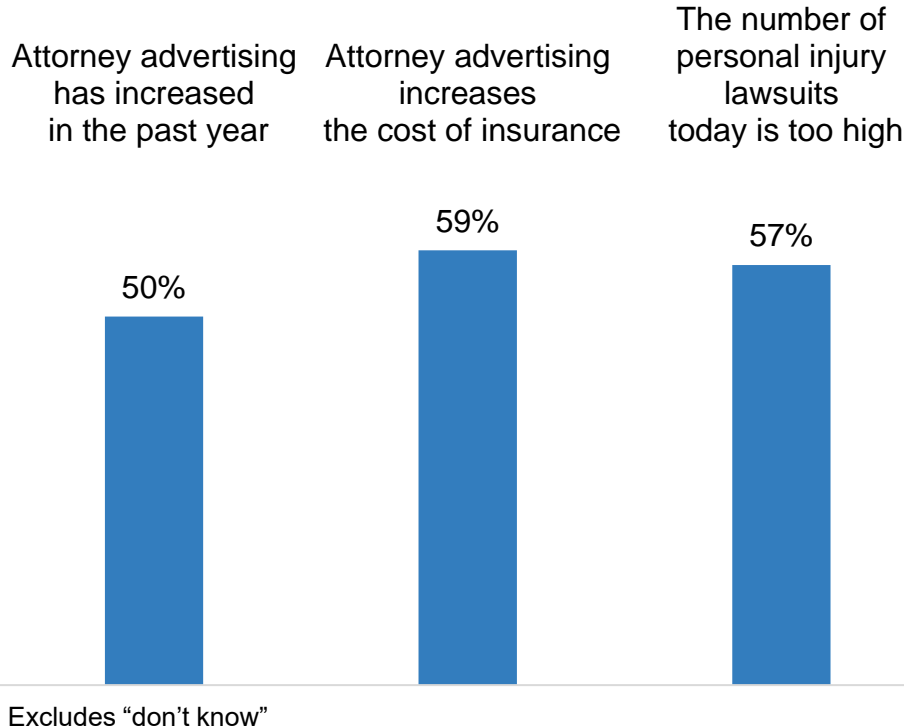
No-fault laws were designed to reduce litigation, but upward trend continues

Leading states as of 2017: FL at 55%, NY at 47%, NJ at 46%

Source: Insurance Research Council

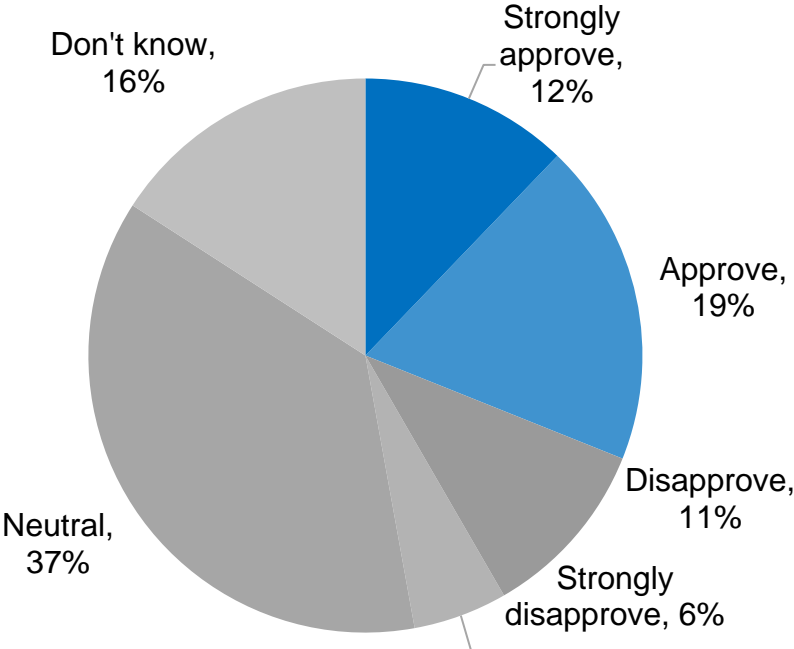
# Attorney Involvement and Litigation

Consumers understand connection between attorney advertising and insurance costs



Opportunities for education about Third-Party Litigation Funding

## Attitude Toward Litigation Financing



Source: [Public Attitudes on Litigation Trends and the Role of Attorneys in Auto Insurance Claims](#)  
[Insurance Research Council \(insurance-research.org\)](#)

# Third-Party Litigation Funding

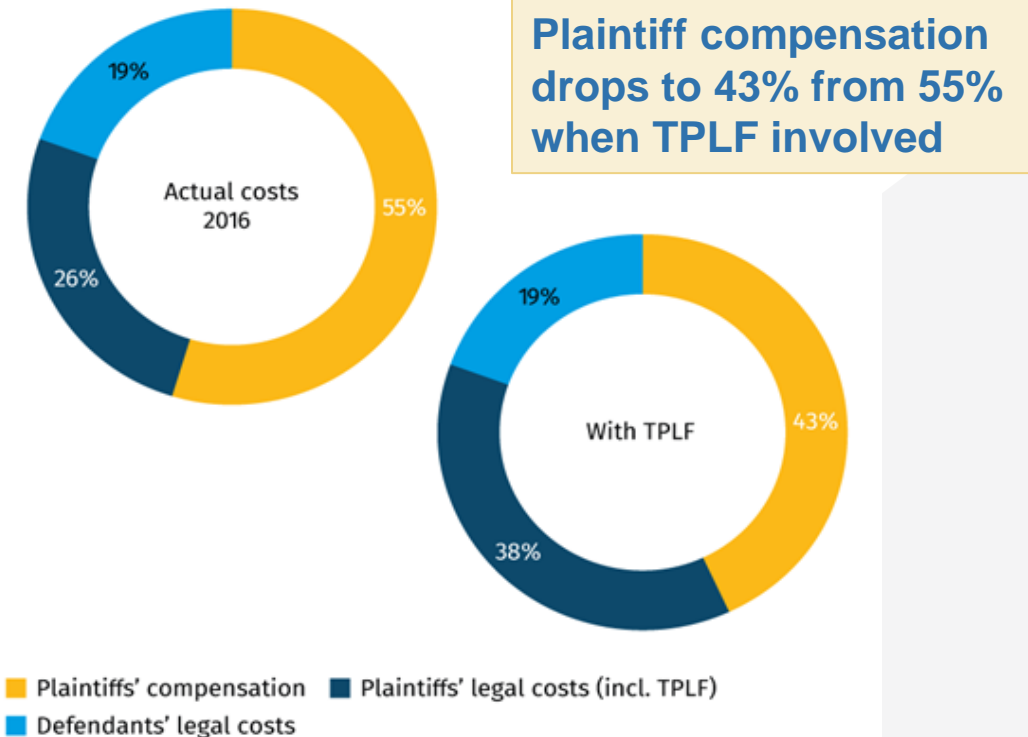
## Who typically provides this money?

Deep-pocketed investors – accredited investors, hedge funds, financial institutions, asset managers, other large funds – seeking above-average returns on their investments

## What kinds of cases are funded?

- Torts and contract breaches
- Personal injury
- Class Action
- Intellectual Property
- Whistleblower
- Arbitration

## Distribution of tort system costs without TPLF (left) and with TPLF (right)



Source: Swiss Re, Institute for Legal Reform, Research Nester

# Climate Risk x Legal System Abuse = Property Crisis

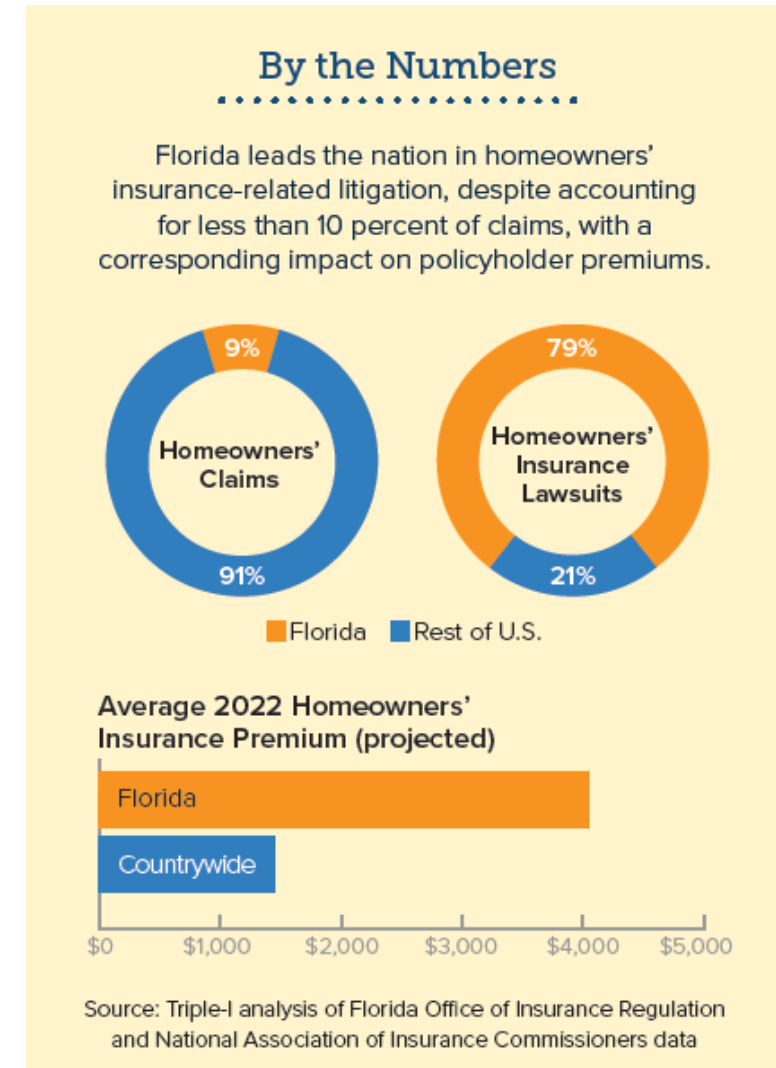
Compounding of cats, fraud, and legal system abuse has led to a property crisis in key states

## Florida

- \$51B was paid out by insurers over 10-year period, with 71% going to attorneys' fees and public adjustors\*
- Nine insurance company insolvencies since 2021
- Citizens Property Insurance Corp. insured over 1.4M policies

## Louisiana

- 2021 Industry Combined Ratio of 462 pts and Underwriting Loss of \$7.2B due primarily to Hurricane Ida
- Nine companies were declared insolvent in 2022
- Lawsuit environment costs the state \$3.9B in lost economic activity, imposing a "tort tax" of \$451 per resident annually\*\*





# Florida: Coming to a State Near You...

## Florida Property Insurance Market

June 2023



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Florida was home to **79%** of the nations homeowners insurance-related litigation in 2020, despite only 9% of total U.S. homeowners claims\*

**250,000+** new lawsuits filed in March 2023 against the state's insurers

**7** property insurer insolvencies since February 2022

LEGAL  
SYSTEM  
ABUSE

280,000  
cases added  
72 hours before  
reform was passed

REFORM-

# Thank you!

# Questions?



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**iii.org**  
110 William Street  
New York, NY 10038