

P&C Insurance at the Crossroads: *Focus on South Carolina Markets*

**Independent Insurance Agents & Brokers of South Carolina
2025 Spring Conference
Columbia, SC
March 26, 2025**

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UNIVERSITY OF
SOUTH CAROLINA

Darla Moore School of Business

P/C Insurance Overview & Outlook: Outline

■ P/C Financial Overview & Outlook in the Post-COVID, High-Inflation Era

- ◆ Premium Growth
- ◆ CAT Loss Update/Reinsurance
- Underwriting Performance
- Capital and Capacity

■ Economic Overview & Outlook—Impacts for P/C Insurers

- ◆ Growth, Employment, Investments, Inflation, and Recession
- ◆ Potential impacts of changes in fiscal and monetary policy on P/C insurers
- ◆ Tariff impacts and P/C insurance

■ Personal and Commercial Insurance Trends

- ◆ Cost drivers
- ◆ Will the hard market continue in 2025?

■ Legal System Abuse

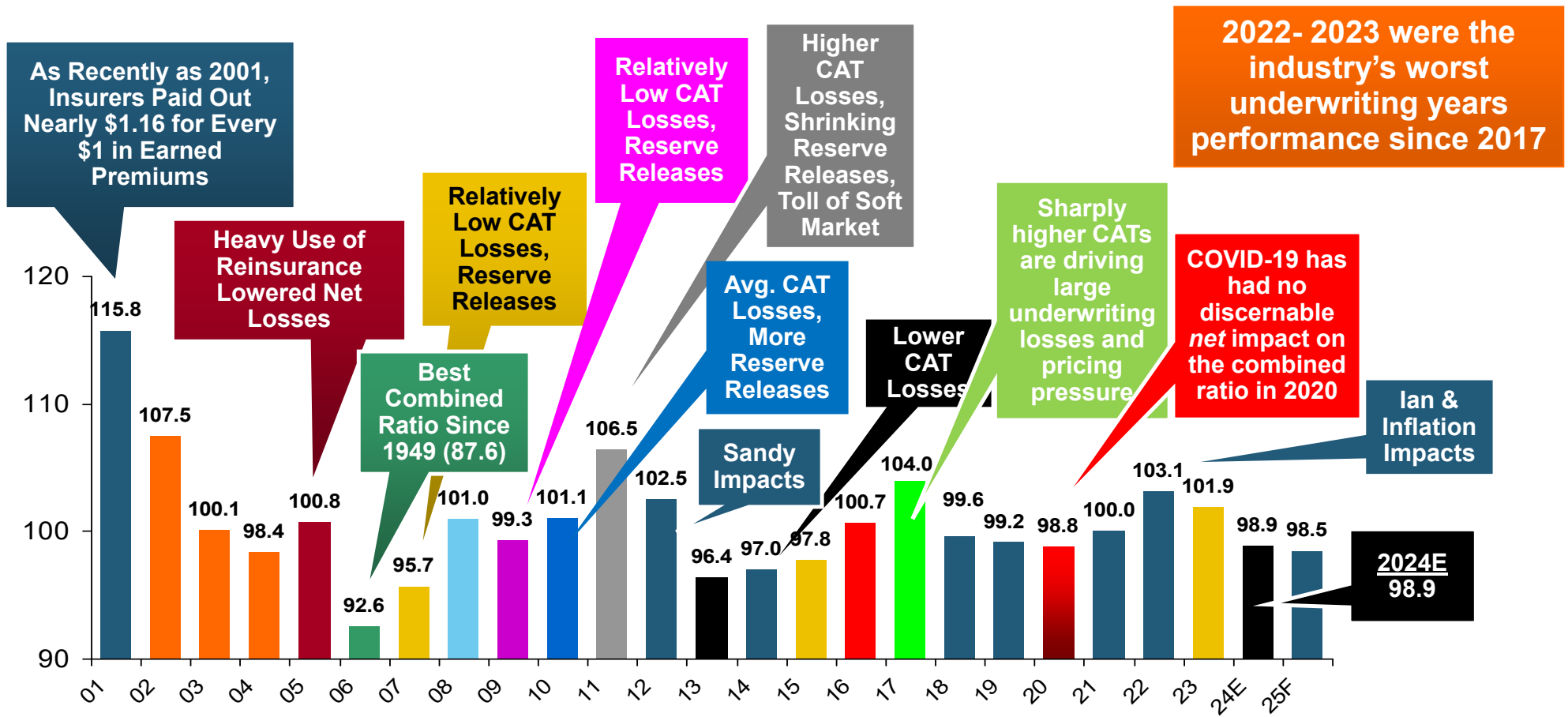
■ Summary and Q&A

**P/C Insurance Industry Financial
Overview & Outlook:
*Challenges Amid Inflation and Higher
Interest Rates***

**The Current Economic Environment
Presents Many Challenges for P/C Insurers**

Industry Remains Strong

P/C Insurance Industry Combined Ratio, 2001–2024E*



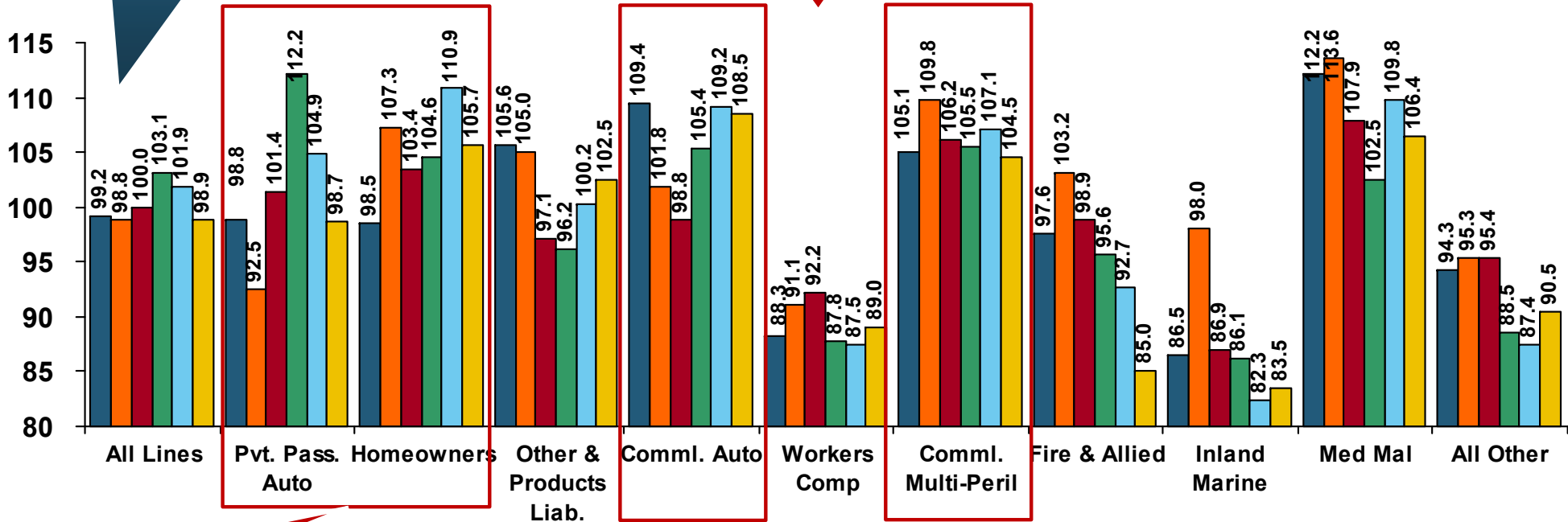
*Excludes Mortgage & Financial Guaranty insurers 2008–2025F.
Sources: A.M. Best, ISO (2014-2017).

Combined Ratios by Line: 2019 – 2024F*

Lingering inflation will continue to pressure combined ratios in 2024

High CAT losses and inflation are pushing up combined ratios

Commercial Auto, MP have struggled amid inflation, CATs

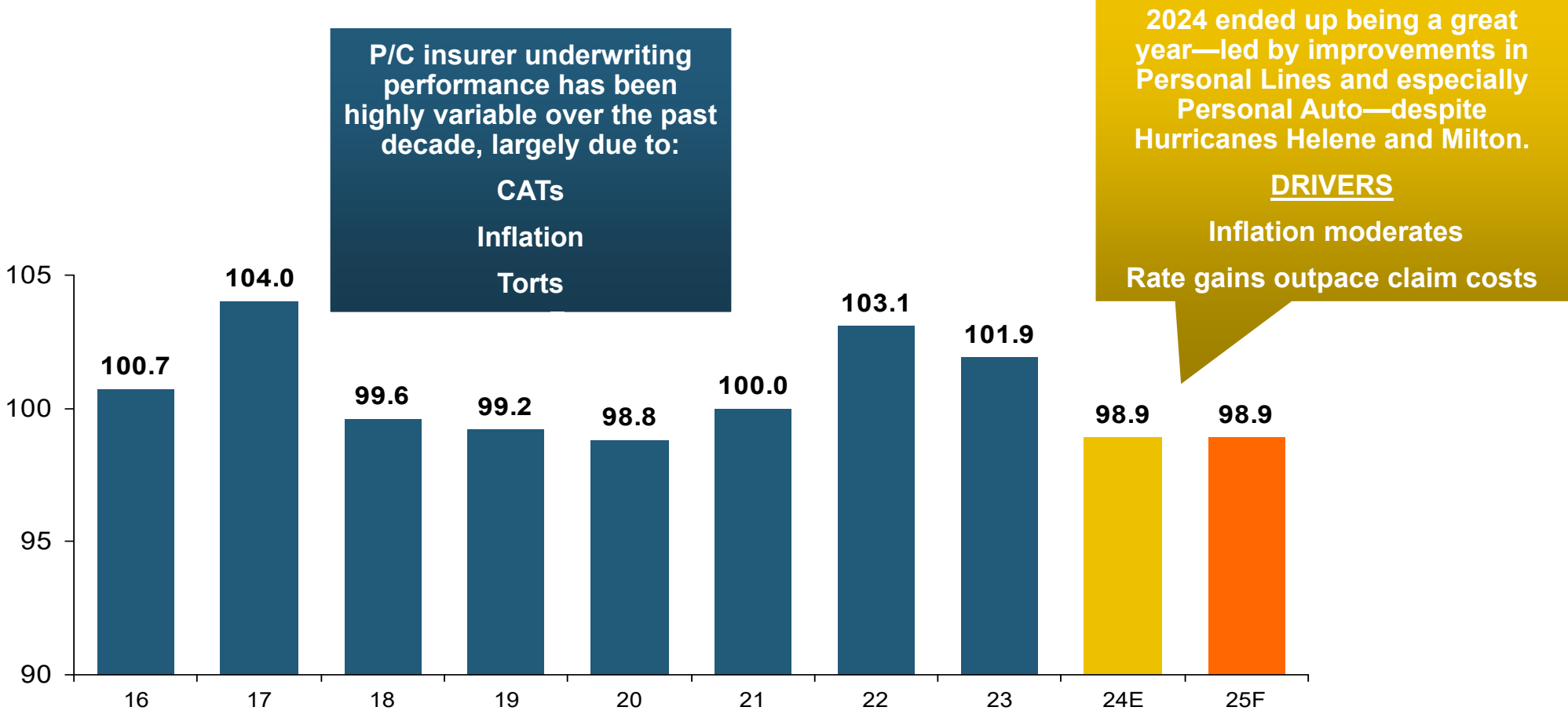


CATS, inflation are hurting personal lines

■ 2019 ■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024E

Source: A.M. Best Review & Preview (2019-2022; 2024 estimates as of Feb. 2025); A.M. Best data for 2024 (as of 2/25). Univ. of South Carolina, Risk and Uncertainty Management Center.

P/C Insurance Industry Combined Ratio, 2016–2025F



Sources: A.M. Best (2016-2025F); USC Risk and Uncertainty Management Center (2024F).

P/C Insurance: Results by Line through Q3 2024

(\$ Millions)

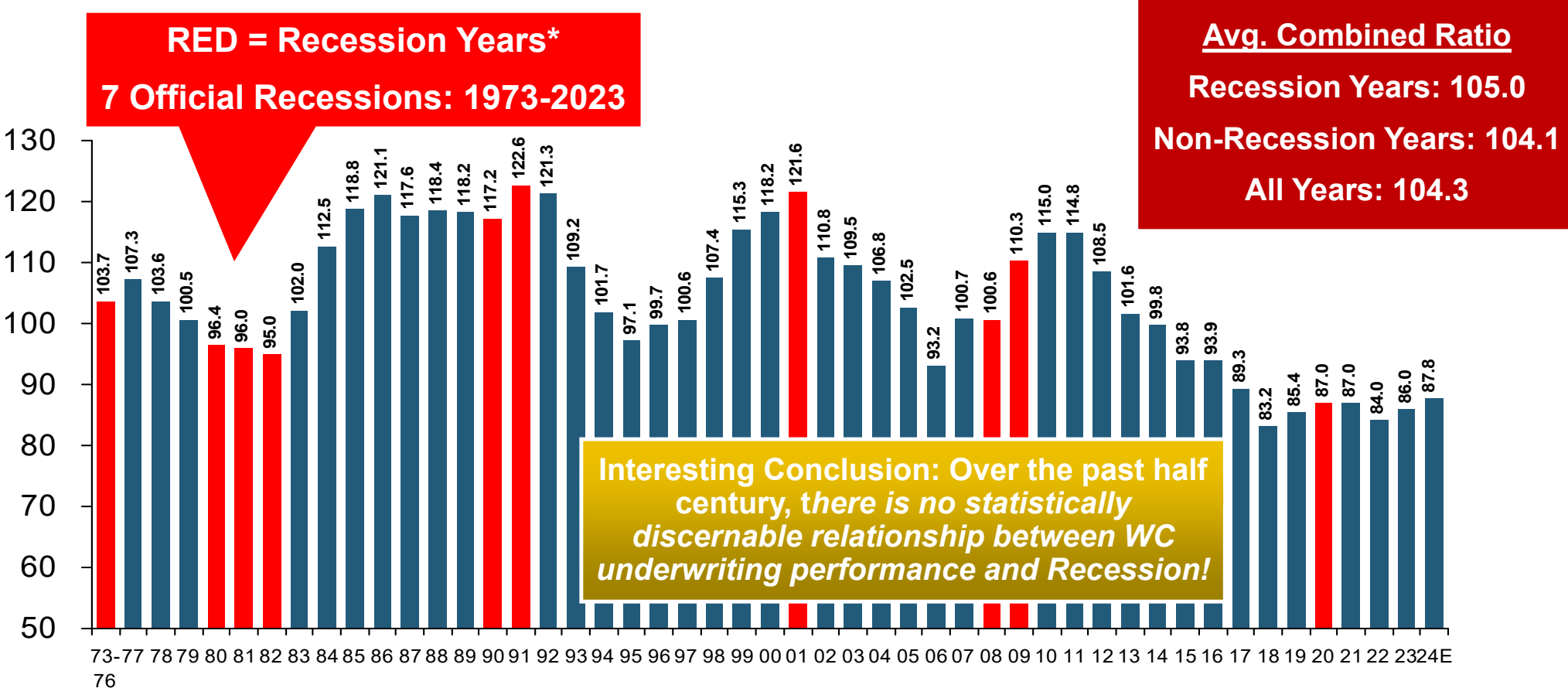
DPW were up 9.1% through Q3 2024

P/C all lines loss ratio improved by 5.4 points through Q3 2024 to 62.2

Coverage Line	Direct Premiums Written			YoY % Change 3Q23-3Q24	Direct Incurred Loss Ratio			3Q23/3Q24 Change	3Q23/3Q24 Better or Worse
	3Q22	3Q23	3Q24		3Q22	3Q23	3Q24		
Homeowners/Farmowners	105,280	119,761	133,696	11.6	79.3	81.2	67.4	-13.8	↑
Private Passenger Auto	209,384	237,685	271,730	14.3	78.1	76.3	66.6	-9.7	↑
Workers' Compensation	43,609	45,129	43,369	-3.9	47.5	47.9	49.3	1.4	↓
Commercial Auto	45,203	48,076	53,614	11.5	68.6	72.7	72.1	-0.6	↑
Commercial Property*	78,226	75,032	80,608	7.4	67.1	61.3	50.6	-10.7	↑
Other Liability (Occurrence)	53,748	56,879	63,122	11.0	66.0	65.5	73.1	7.6	↓
Other Liability (Claims-Made)	32,087	29,810	29,792	-0.1	49.8	48.9	51.2	2.3	↓
Medical Professional Liability	9,690	9,906	10,337	4.3	55.6	55.5	54.7	-0.8	↑
Surety	6,517	7,275	8,083	11.1	14.8	20.8	24.9	4.2	↓
Total P/C	664,356	732,282	799,235	9.1	68.1	67.6	62.2	-5.4	↑

* Commercial property data comprises fire, allied lines, and CMP (non-liability). Commercial property data for 2022 includes the entire premium and loss totals for the CMP line because the data for that line was not split between CMP-Liability and CMP-Non-Liability until 2023. The 3Q22 direct incurred loss ratio also reflects the inclusion of the full CMP premium and loss data. This data is as of January 6, 2025.

Workers Comp Combined Ratios: 1973 – 2024E



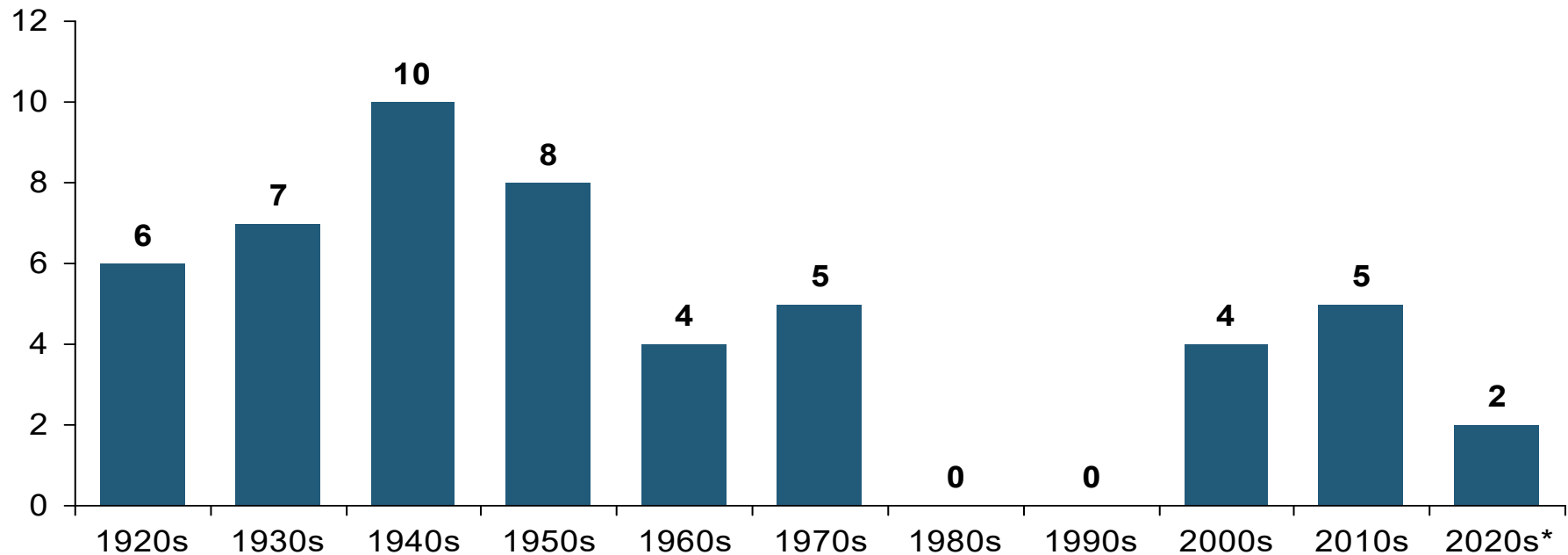
*Years in which 3 or more months of the year were in recession plus 2020 (Covid-related recession) which lasted 2 months. Recession dates from NBER: <https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions>

Note: Data for 1973-1984 are calculated from incurred loss and expense data, excluding policyholder dividends, as sourced below, and are for stock companies only.

Sources: *Social Security Bulletin*, July 1988 (v. 51, n. 7) accessed at: <https://www.ssa.gov/policy/docs/ssb/v51n7/v51n7p4.pdf>; NAIC Annual Statement (1985-2022); NCCI (2023p); University of South Carolina, Risk and Uncertainty Management Center (2024E).

Number of Years with Underwriting Profits by Decade, 1920s–2020s

Number of Years with Underwriting Profits



Underwriting Profits Were Common Before the 1980s (40 of the 60 Years Before 1980 Had Combined Ratios Below 100) –But Then They Vanished. Not a Single Underwriting Profit Was Recorded in the 25 Years from 1979 Through 2003

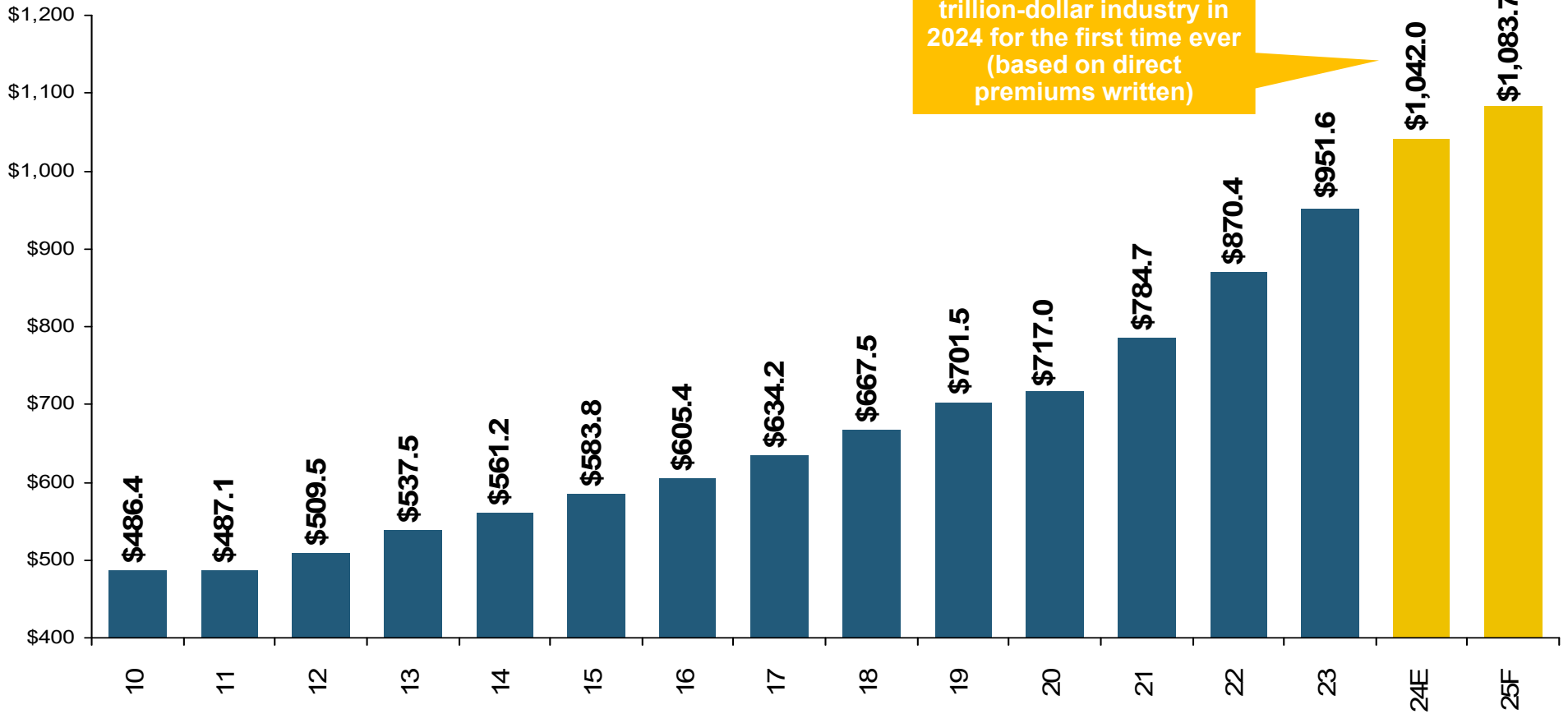
* 2020 through 2024.

Note: Data for 1920–1934 based on stock companies only. Underwriting profit is defined as a combined ratio <100.

Sources: Insurance Information Institute research from A.M. Best Data.

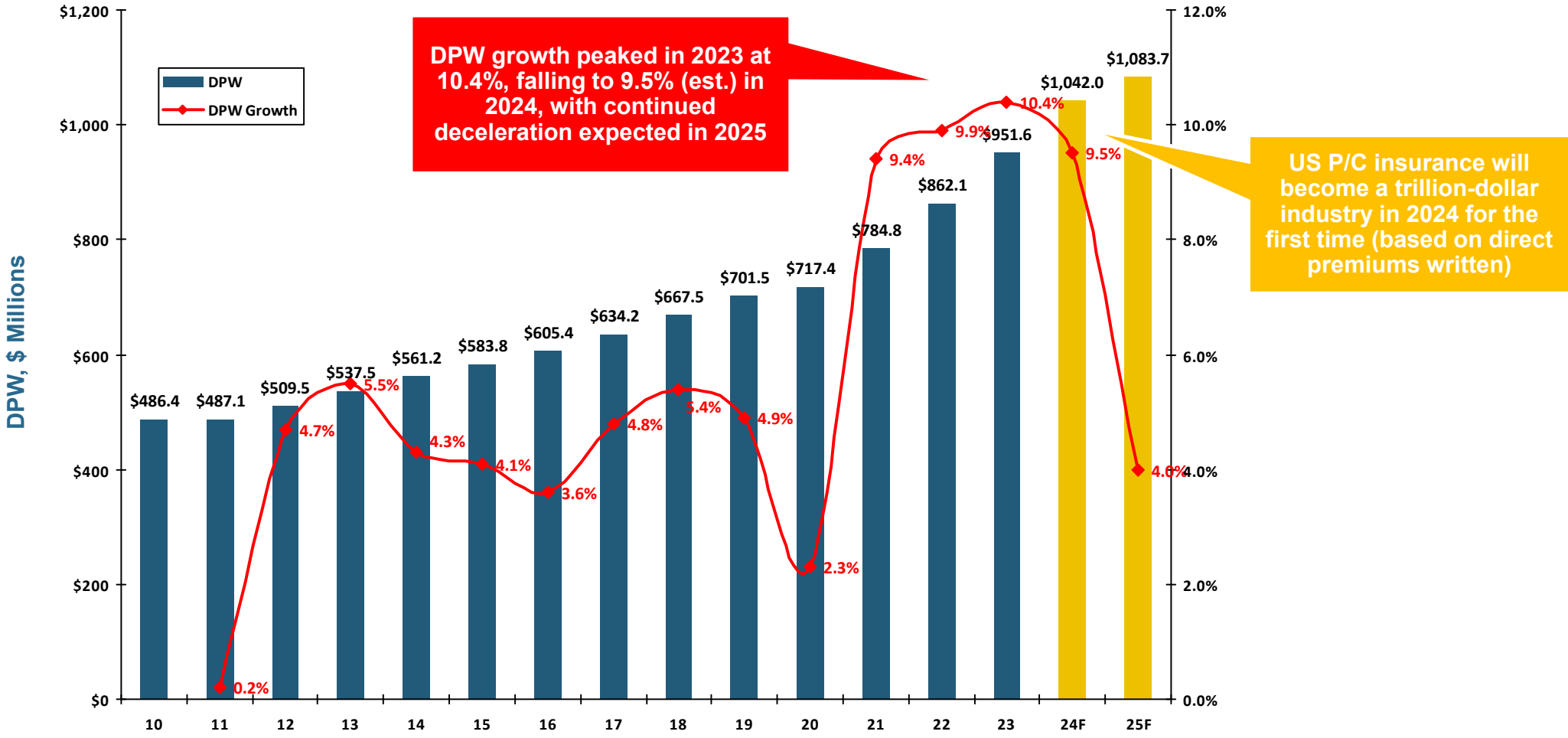
P/C Direct Premiums Written, 2010–2025F

\$ Millions



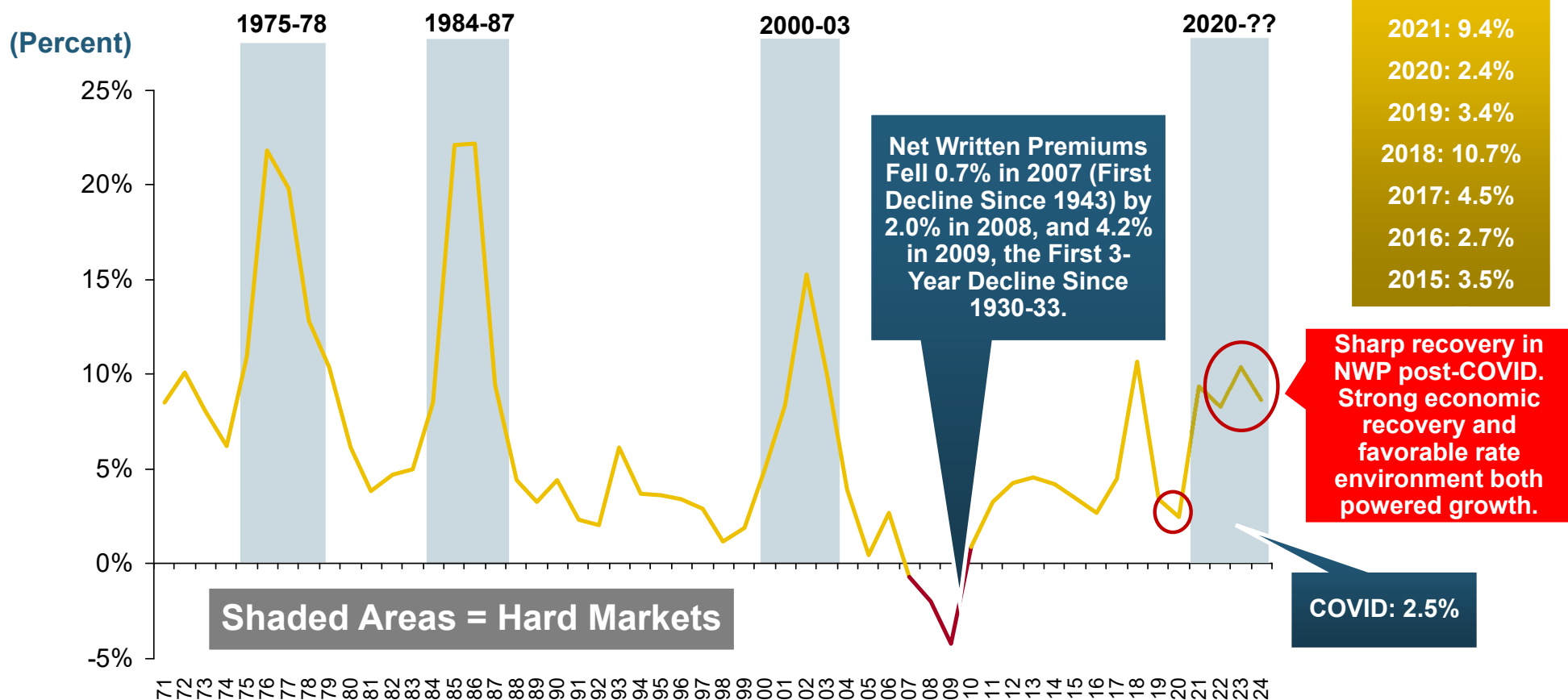
Sources: A.M. Best and NAIC (2010-2022); Forecast/Estimated figures for 2024-25 calculated by Risk and Uncertainty Management Center, Univ. of South Carolina from Swiss Re Institute (2024E-2025F) "US Property & Casualty Outlook: Strong Winds, Smoother Sailing," (Sept. 2024) accessed at: <https://www.swissre.com/dam/jcr:bc926048-fd57-4121-a061-8ea404bd94de/sri-us-pc-strong-winds-smoother-sailing.pdf>.

P/C Direct Premiums Written Volume and Growth, 2010–2025F



Sources: A.M. Best and NAIC (2010-2022); Forecast figures for 2024-25 from Swiss Re Institute (2024F-2025F) "US Property & Casualty Outlook: Dog Days are Over," (June 2024), accessed at: <https://www.swissre.com/dam/jcr:b2178beb-350f-406e-8714-63ea4b3fe2e1/swiss-re-institute-us-pc-dog-days-are-over.pdf>.

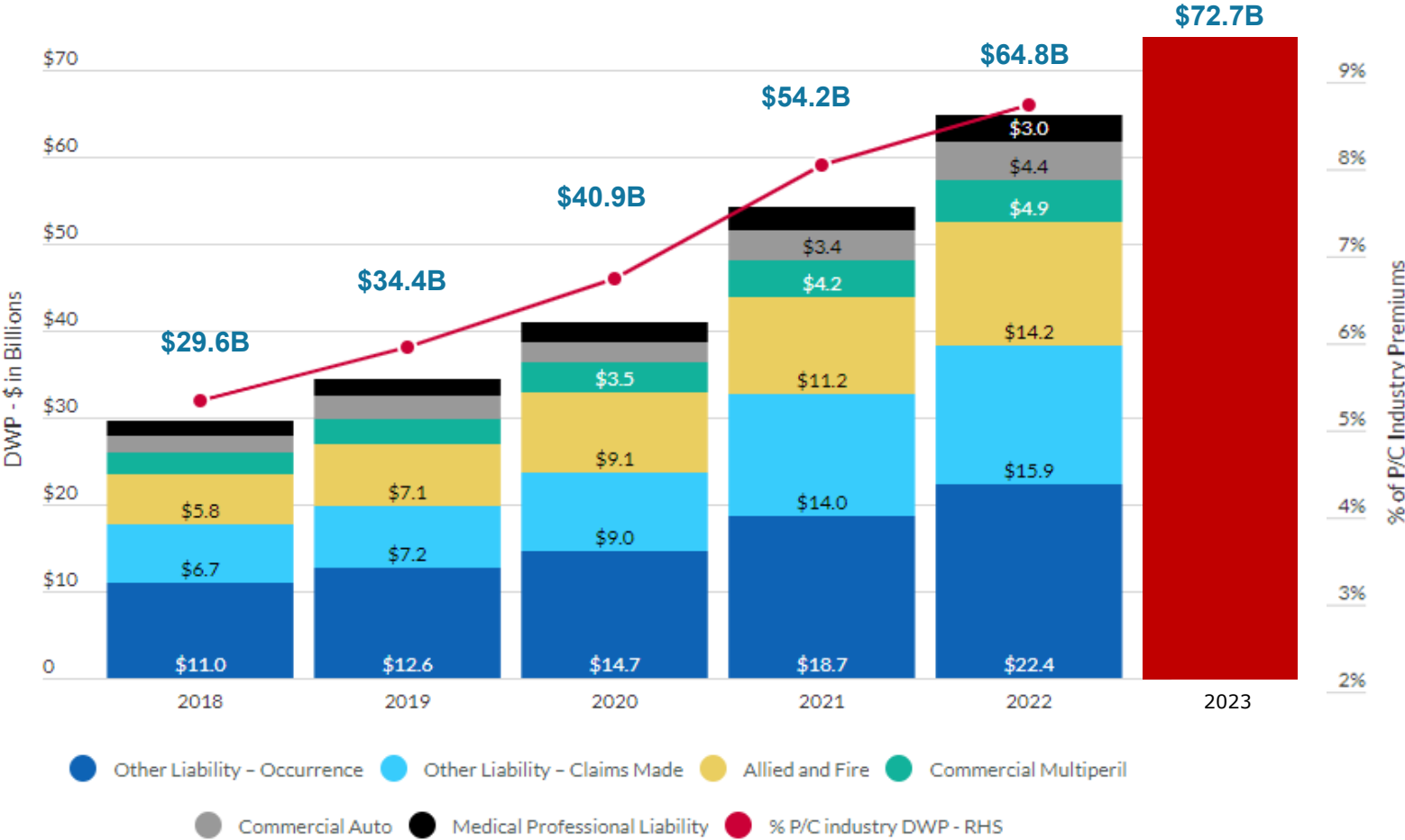
Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2024



NOTE: Shaded areas denote "hard market" periods.

Sources: A.M. Best (1971-2013), ISO (2014-21); NAIC (2022-2023); Verisk/APCIA (2024); Risk & Uncertainty Management Center, Univ. of South Carolina

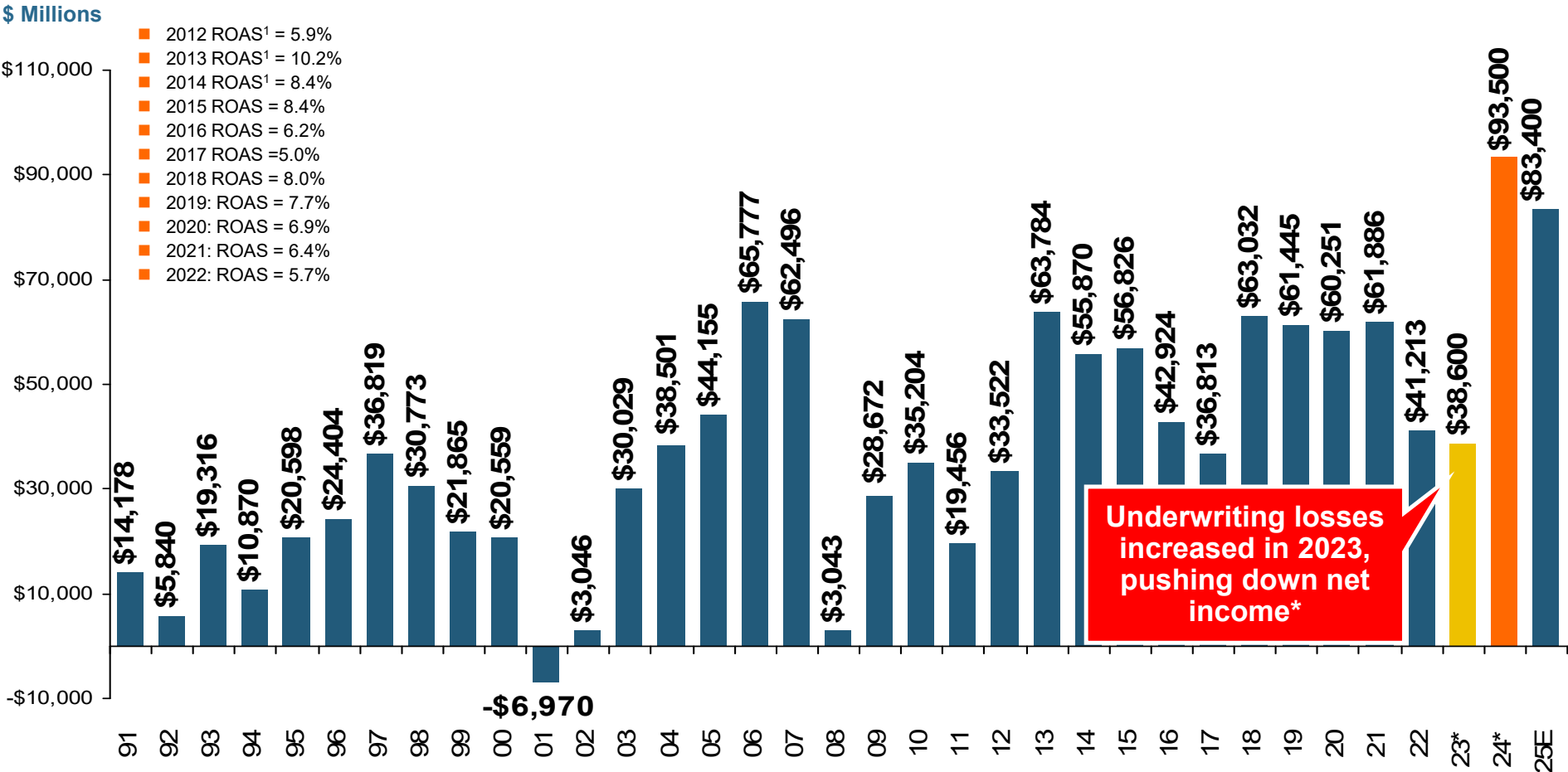
E&S Market Direct Written Premium Trends



E&S premium grew by ~14.6% in 2023, down from 20% in 2022 (up 146% since 2018), approaching 9% of the total P/C market (up from 5.5% in 2018)

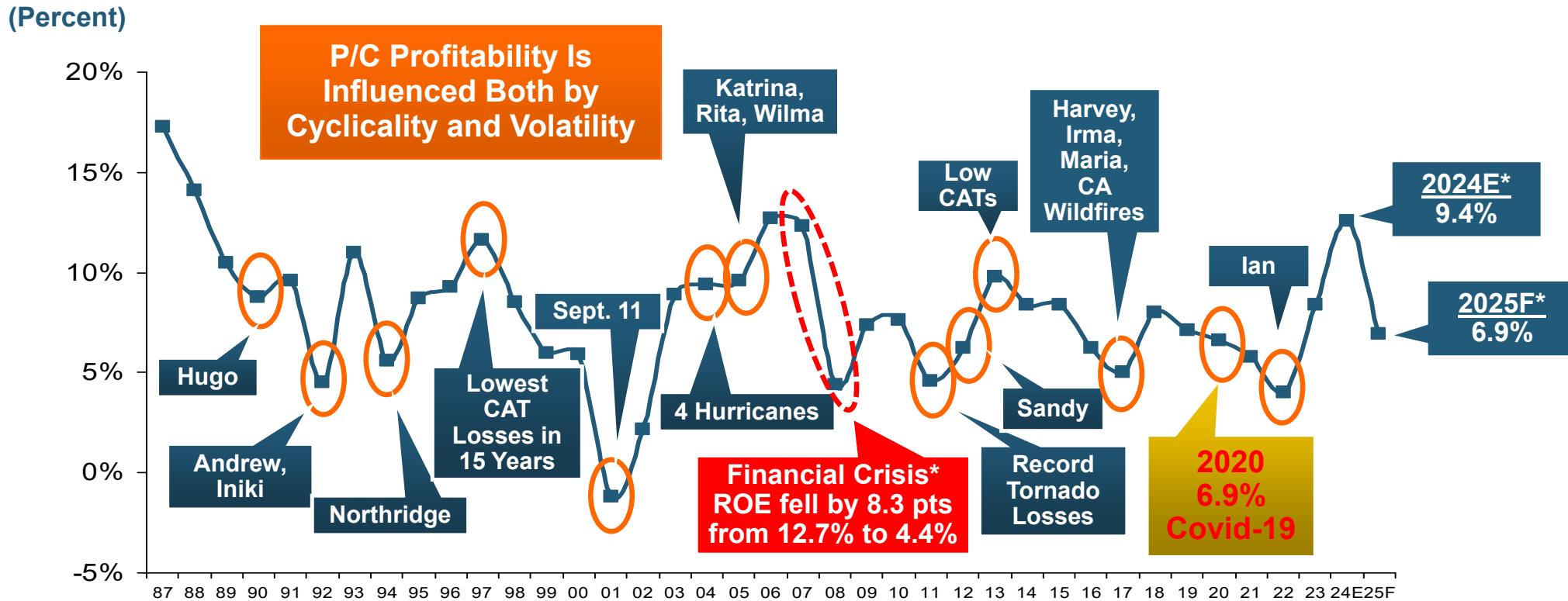
Sources: Data for 2018 – 2022: Fitch Ratings (*Fitch Wire*, Oct. 4, 2023) accessed at: <https://www.fitchratings.com/research/insurance/us-excess-surplus-insurance-market-outperformance-to-continue-04-10-2023>; For 2023: Insurance Journal from WSIA, accessed at: <https://www.insurancejournal.com/news/national/2024/02/14/760715.htm#>; Risk and Uncertainty Management Center, University of South Carolina.

P/C Industry Net Income After Taxes, 1991–2024E*



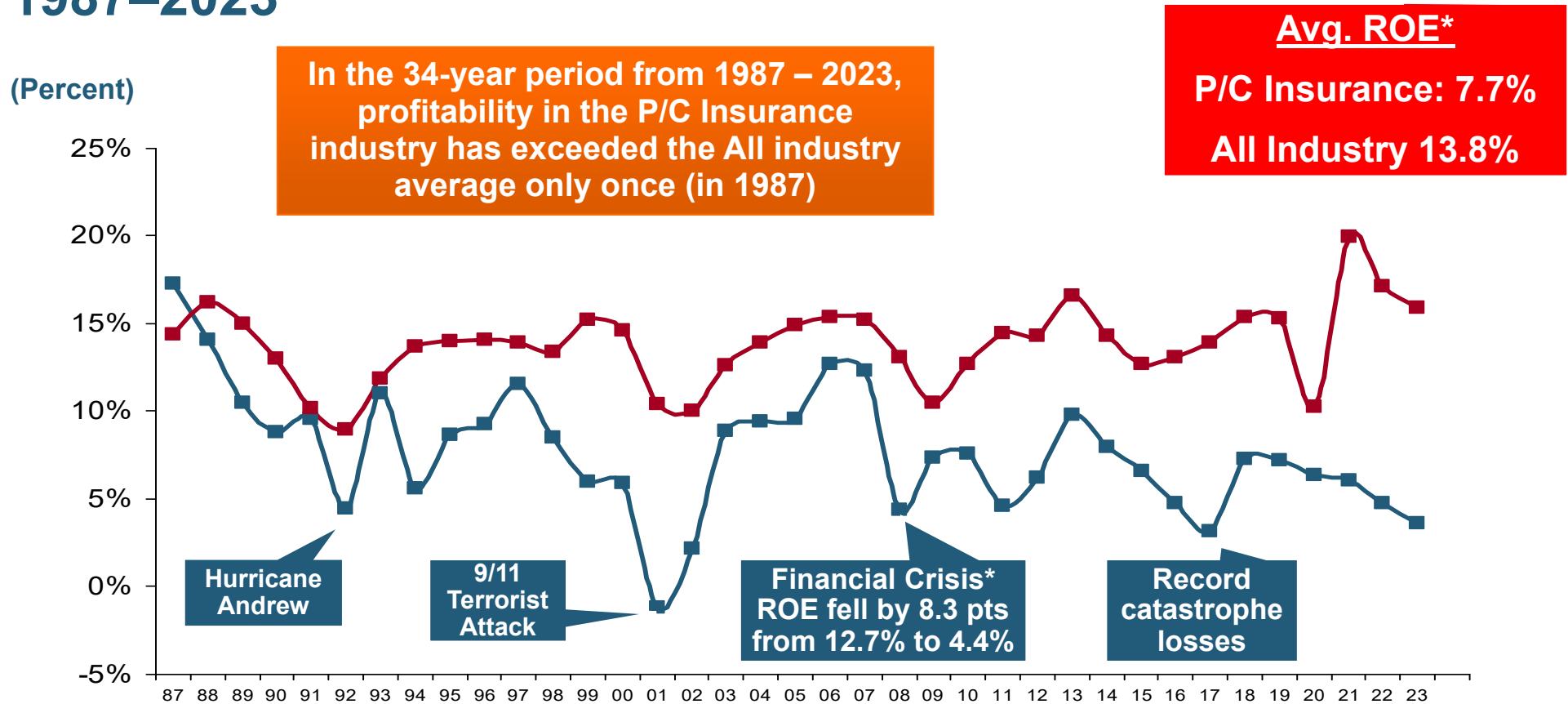
*2023 and 2024 figures are adjusted to reflect \$50B realized gain from a large reinsurer (National Indemnity). Including this gain, net income after tax is \$86.6B in 2023 and \$94.7B in 2024:H1.
 Note: ROE figures are GAAP; ¹Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers for years (2009-2014).
 Sources: A.M. Best, ISO, APCIA.

ROE: Property/Casualty Insurance by Major Event, 1987–2025F



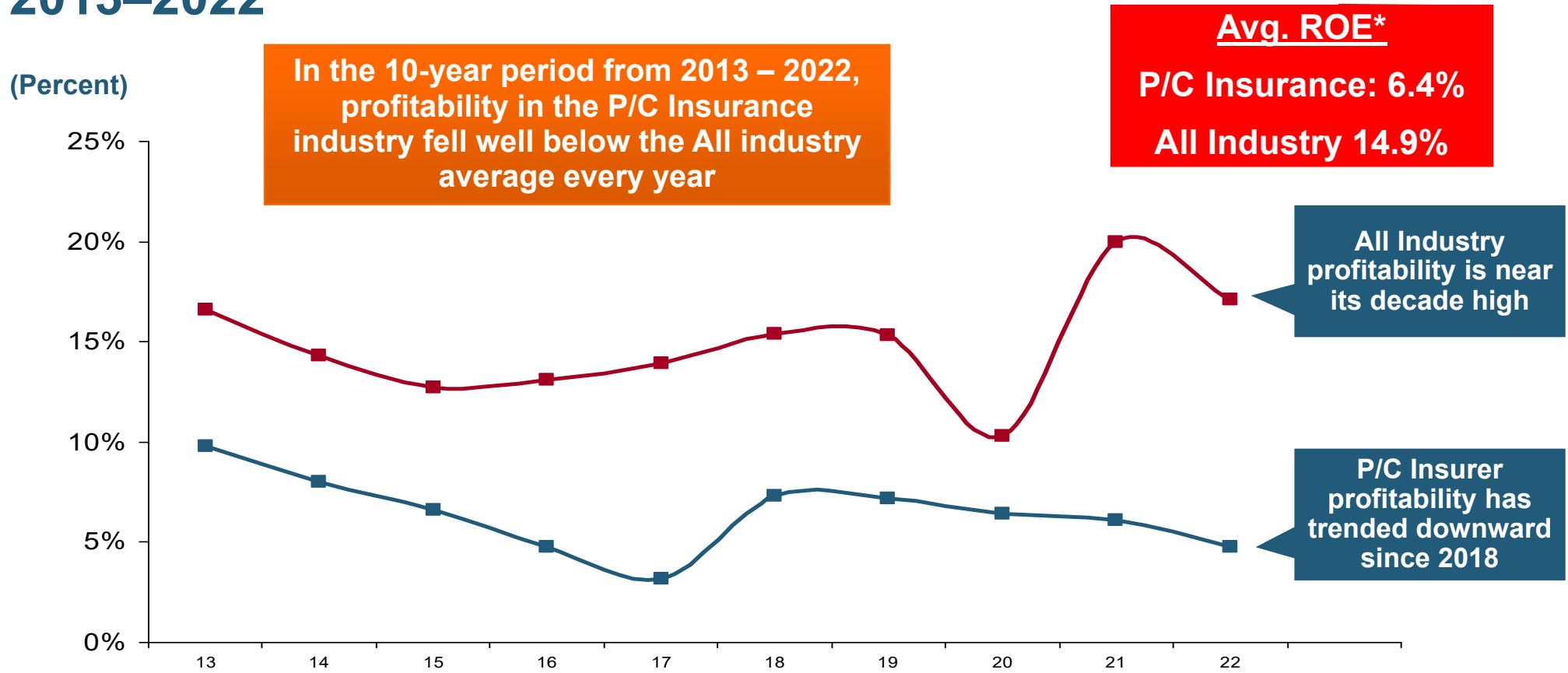
*Excludes Mortgage & Financial Guarantee in 2008 – 2025F.
Sources: A.M. Best, ISO, *Fortune*, APCA; USC RUM Center.

ROE: Property/Casualty Insurance vs. Fortune All Industry, 1987–2023*



*2023 figures are estimates.
 Sources: NAIC, ISO, *Fortune*, USC RUM Center.

ROE: Property/Casualty Insurance vs. Fortune All Industry, 2013–2022*

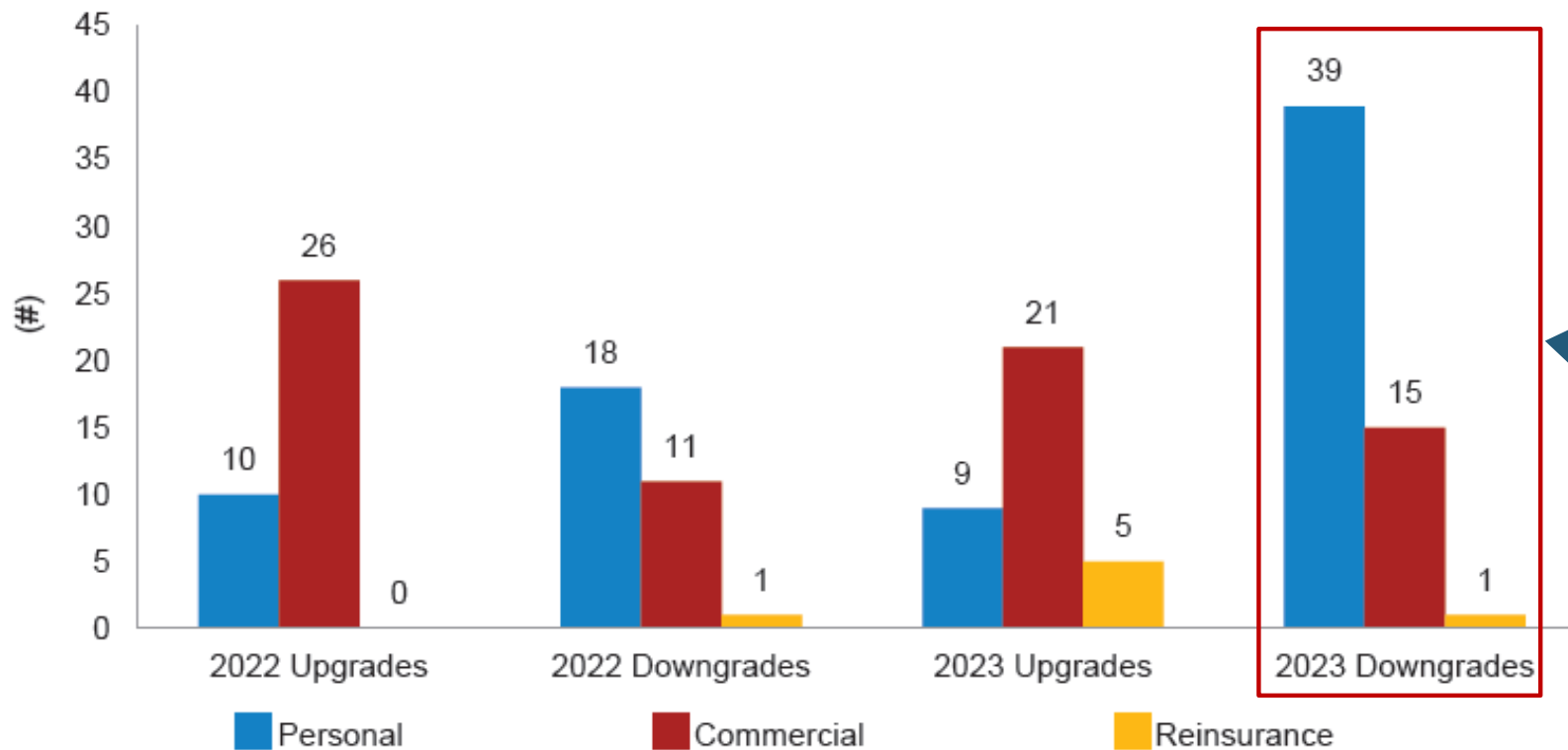


*Latest available from NAIC Profitability by Line, by State reports.
 Sources: NAIC; USC RUM Center.

Upgrades, Downgrades and M&A Activity

**Underwriting Performance, CATs and
Capital Are Impacting Ratings and
M&A Activity**

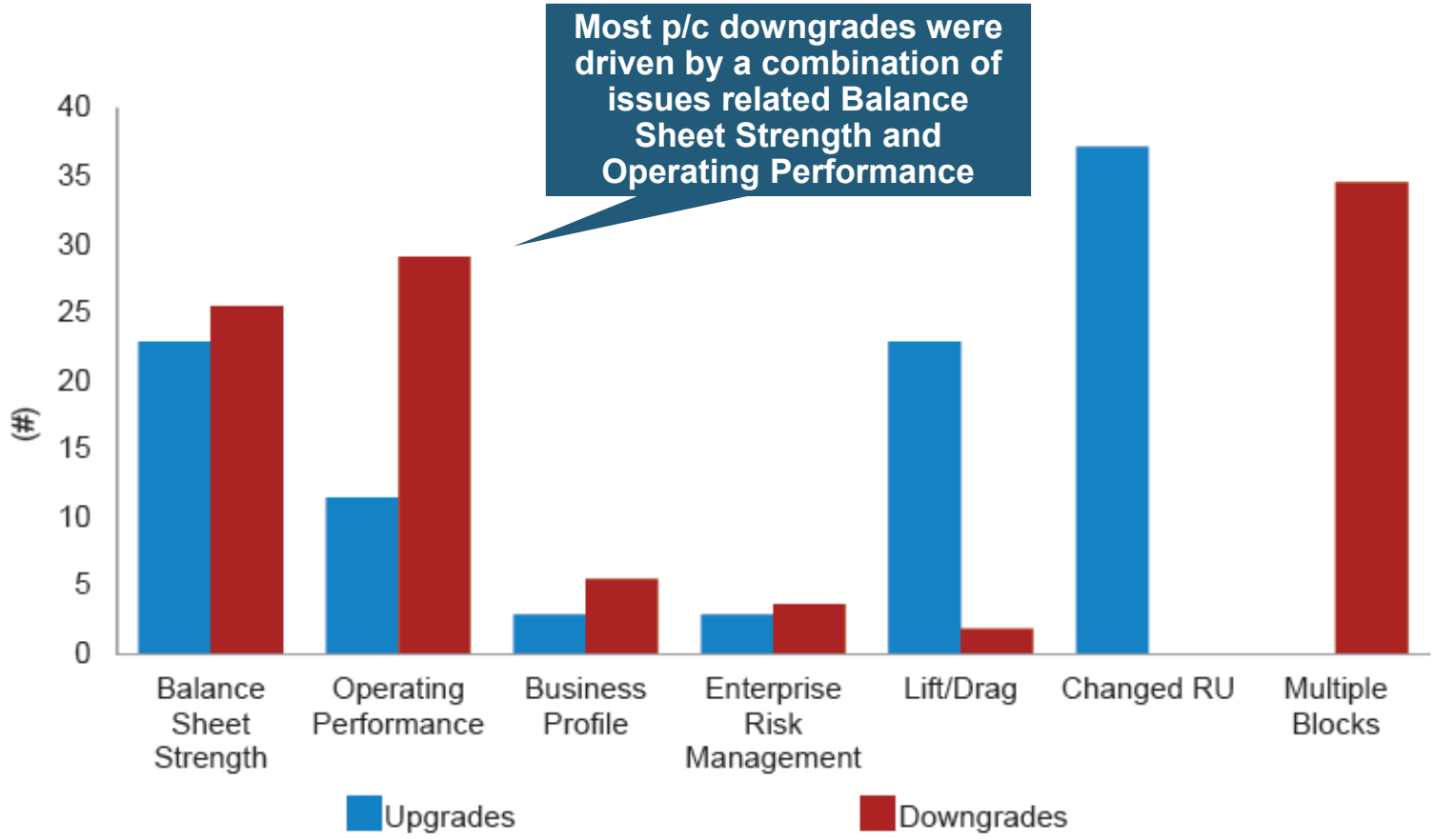
US P/C: Rating Upgrades & Downgrades, by Segment, 2023



There were 55 ratings downgrades in 2023, an increase of 83% from the 30 downgrades in 2022. Personal lines insurers accounting for most of the increase.

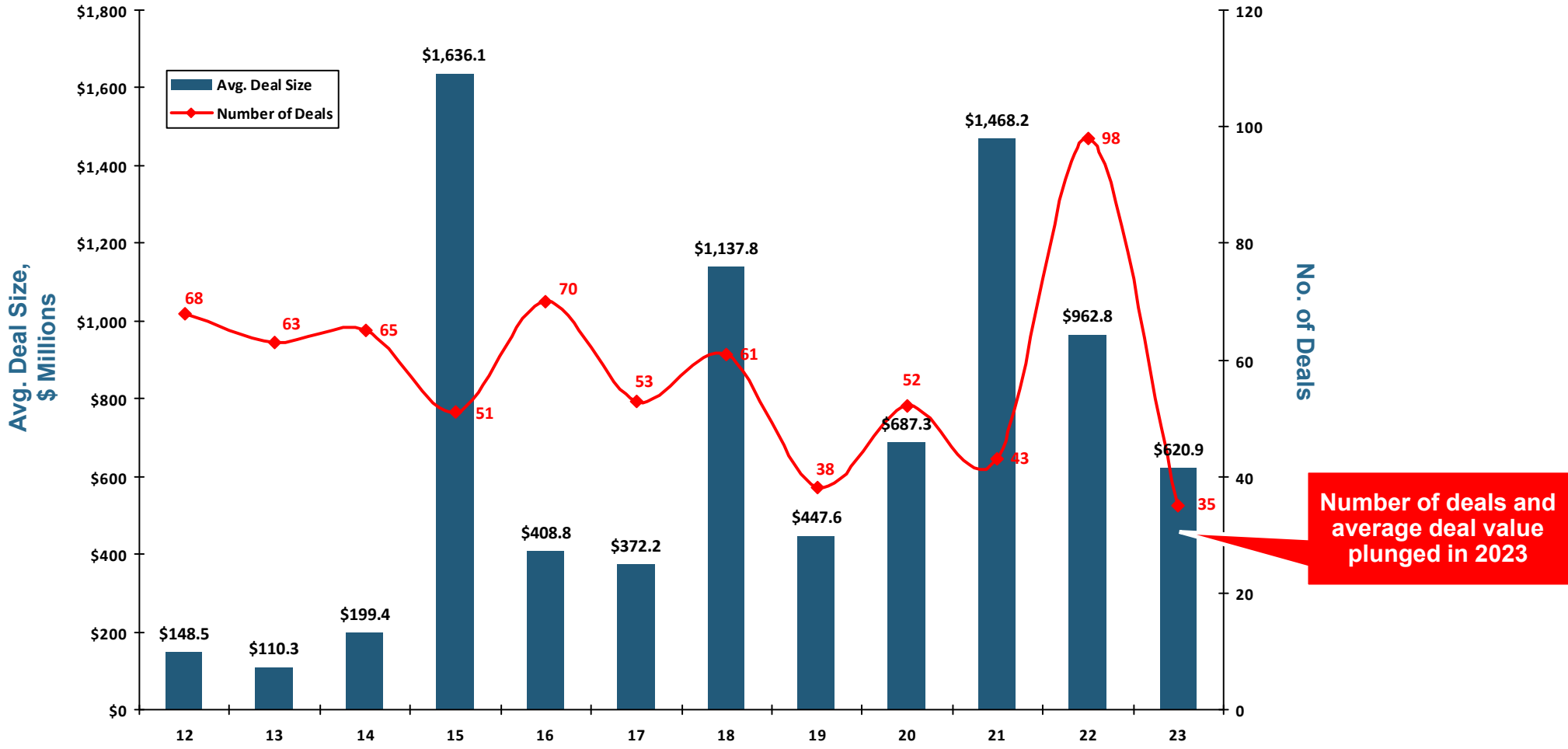
Source: A.M. Best Review & Preview (March 11, 2024), *US Property/Casualty Downgrades Outpace Upgrades in 2023*.

US P/C: Drivers of Rating Upgrades & Downgrades, 2023



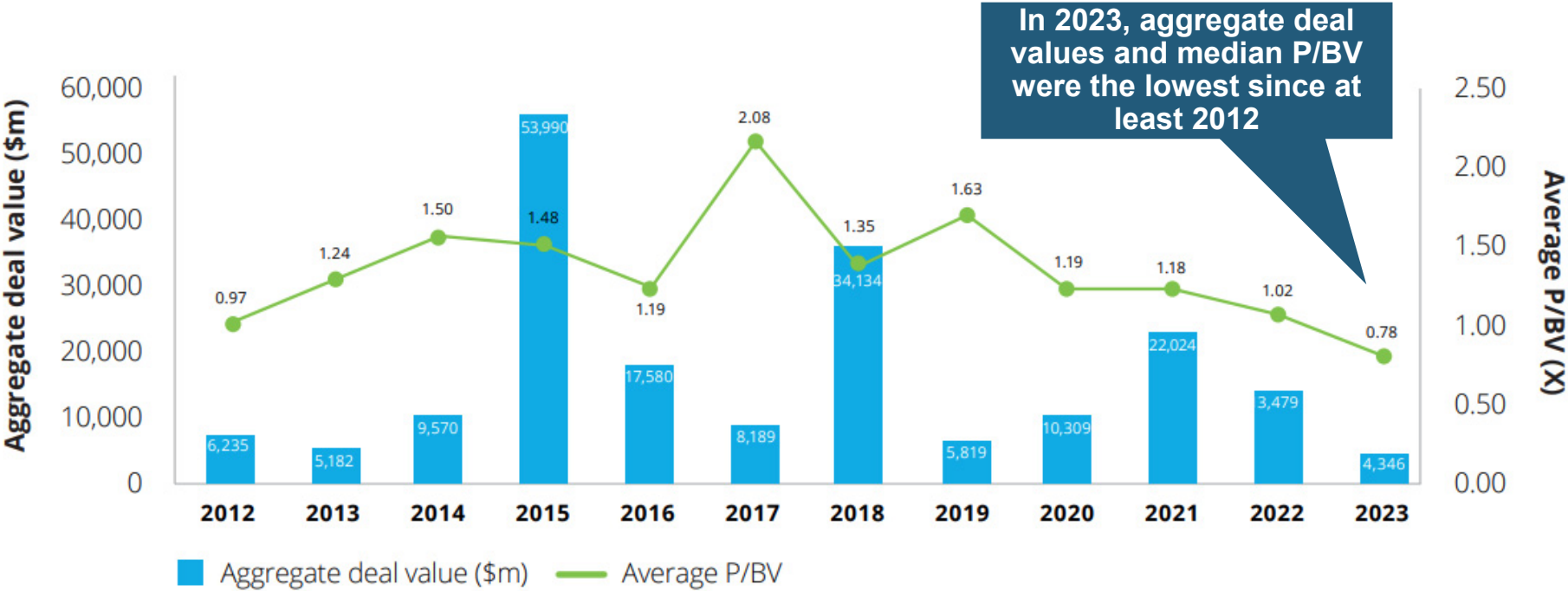
Source: A.M. Best Review & Preview (March 11, 2024), *US Property/Casualty Downgrades Outpace Upgrades in 2023*.

P/C M&A: Number and Avg. Deal Value, 2012–2023



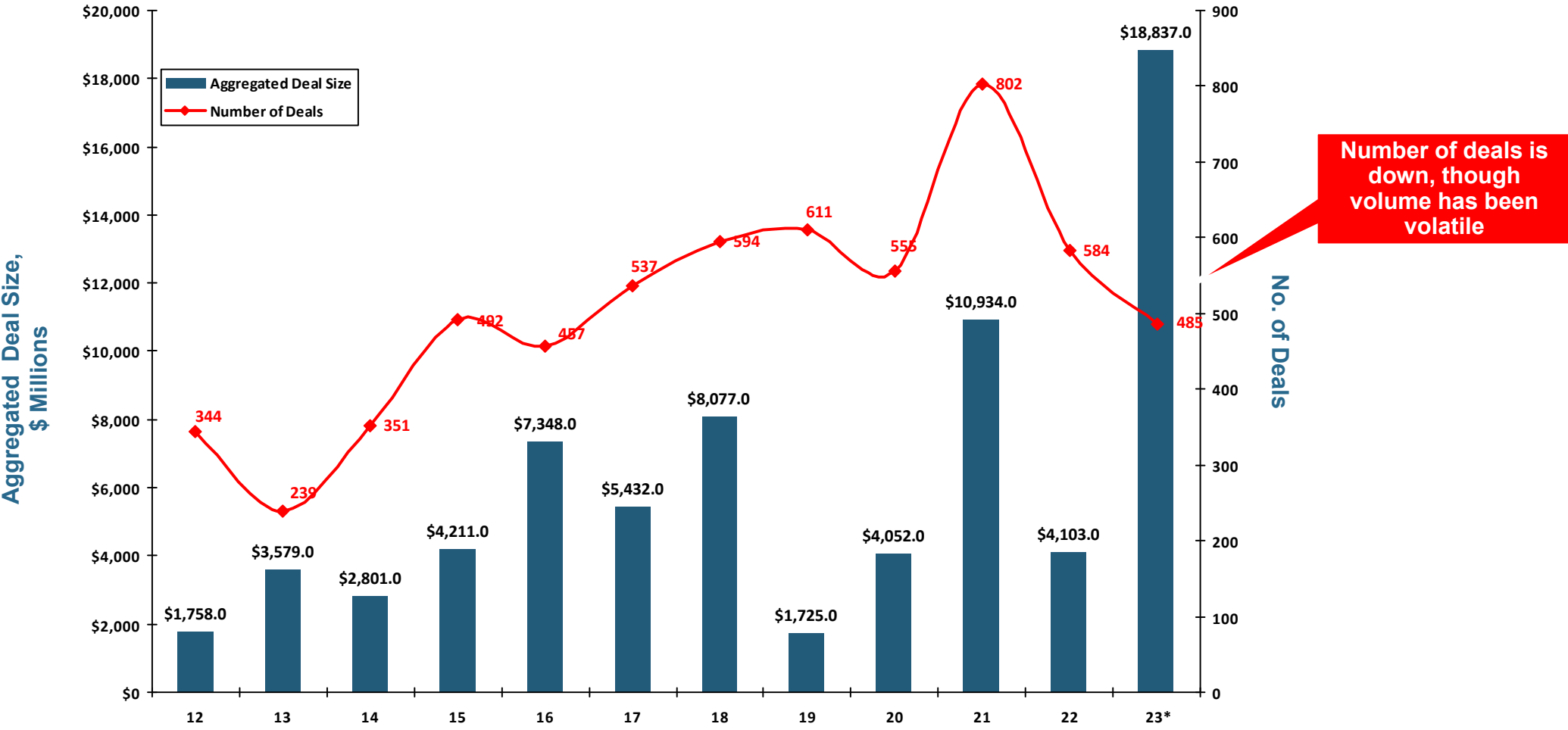
Source: Deloitte, 2024 Insurance M&A Outlook, accessed at: <https://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-m-and-a-outlook.html>; Risk & Uncertainty Management Center, University of South Carolina.

P/C M&A: Aggregate Deal Value and Price-to-Book Multiples, 2012 – 2023



Source: Deloitte, 2024 Insurance M&A Outlook, accessed at: <https://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-m-and-a-outlook.html>.

Broker M&A: Number and Aggregated Deal Value, 2012–2023*



Number of deals is down, though volume has been volatile

*2023 aggregated deal value skewed by Aon's \$13.6B acquisition of NFP Insurance Services (announced 12/20/23).

Source: Deloitte, 2024 Insurance M&A Outlook, accessed at: <https://www2.deloitte.com/us/en/pages/financial-services/articles/insurance-m-and-a-outlook.html>; Risk & Uncertainty Management Center, University of South Carolina.

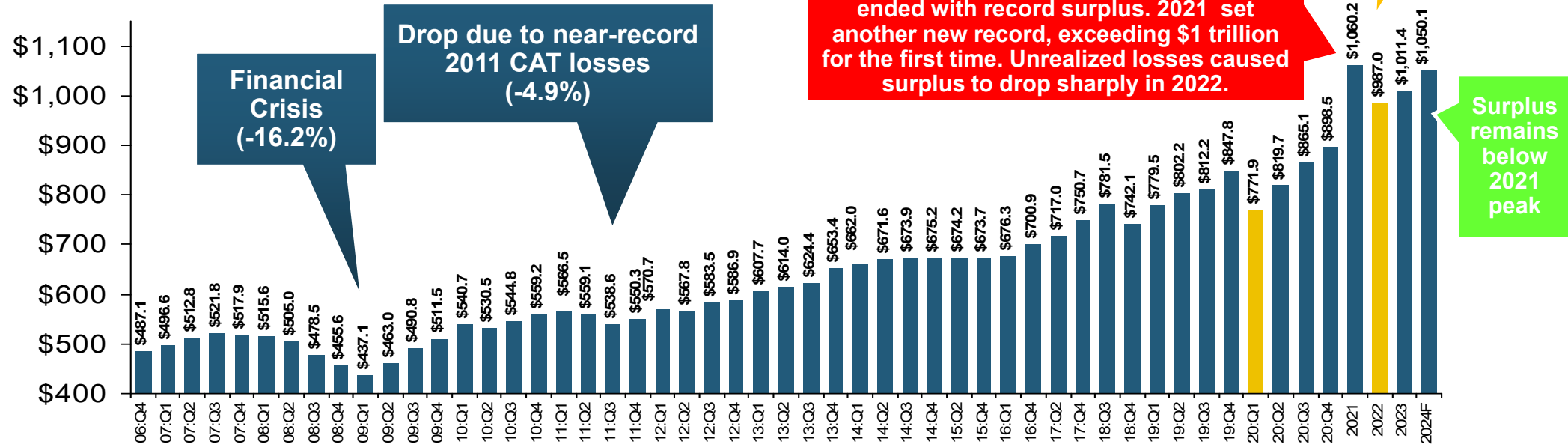
Capital and Capacity

P/C Insurance: Capitalized Crunch?

Will Industry Capacity Recover?

Policyholder Surplus (Capacity), 2006:Q4 – 2024F

(\$ Billions)



The P/C insurance industry entered the COVID-19 pandemic from a position of strength and was able to withstand the 9.0% surplus decline in Q1 2020 (far less than during the Financial Crisis). 2020 ended with record surplus. 2021 set another new record, exceeding \$1 trillion for the first time. Unrealized losses caused surplus to drop sharply in 2022.

2022 (-6.9%)

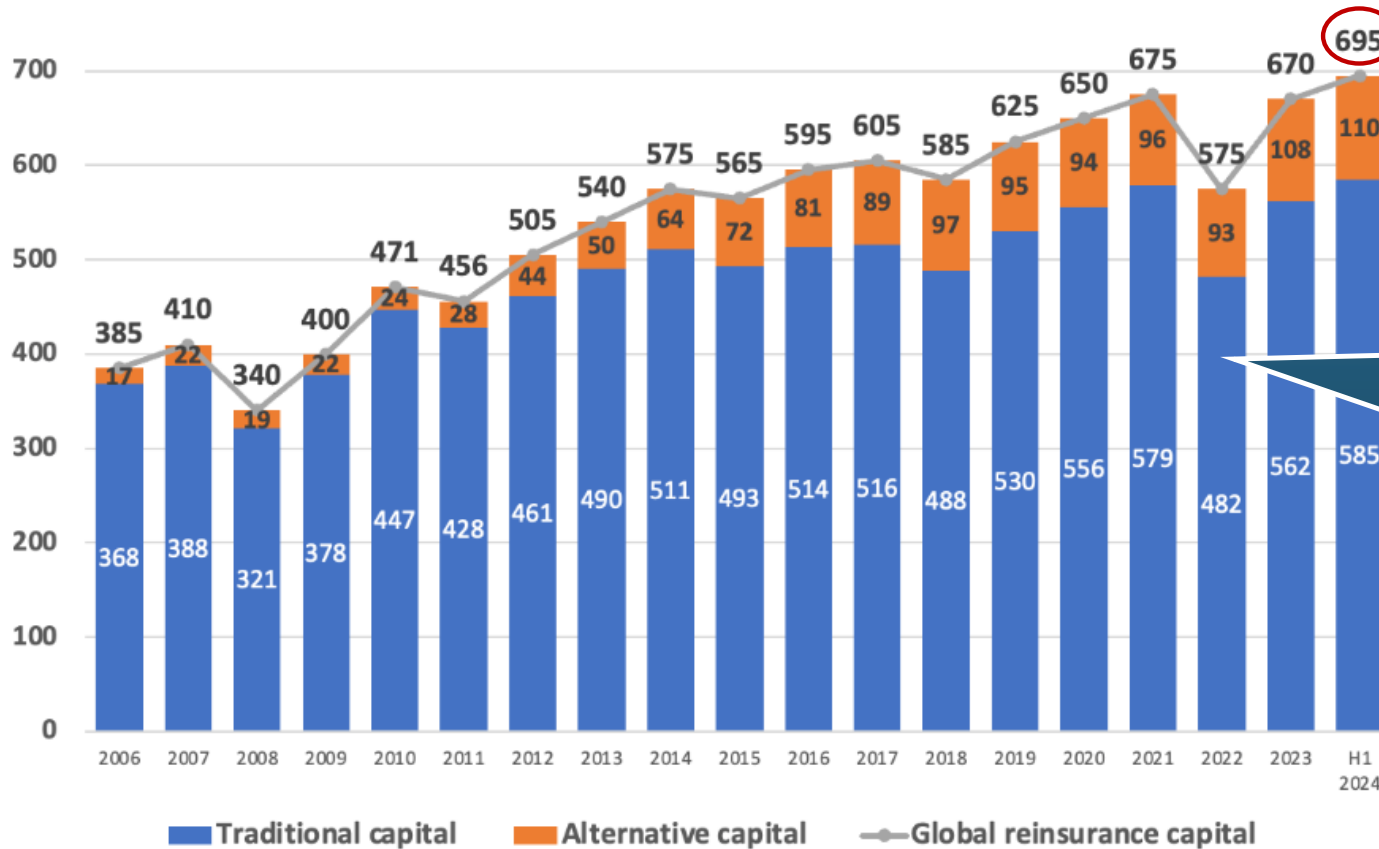
Surplus remains below 2021 peak

Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

Sources: ISO, A.M. Best, NAIC. Risk and Uncertainty Management Center, University of South Carolina.

Global Reinsurance Capital, 2013 – 2024:H1

\$ Billions

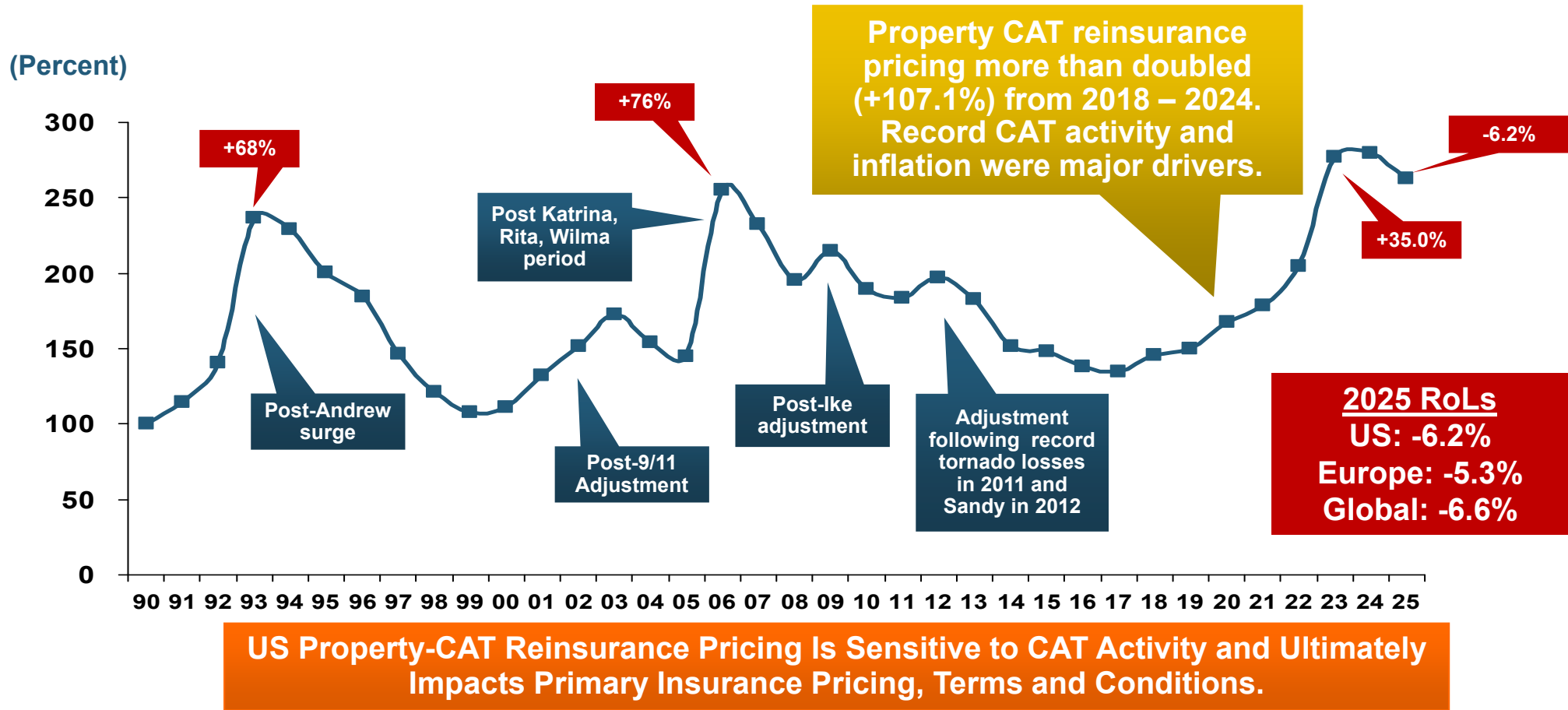


Global reinsurance reached a new high as of 2024:H1, but is only 3% above its 2022 peak—far below the increase that would be needed to keep pace with inflation and exposure growth

Global reinsurance capital fell by \$100B or 14.8% in 2022, contributing to recent property insurance challenges. Most of that capital was recovered in 2023—with ILS playing a key role

Source: Aon Reinsurance Solutions/Aon Securities from Artemis.bm, accessed at: <https://www.artemis.bm/news/alternative-capital-hits-110bn-mid-year-high-as-reinsurance-grows-in-2024-aon/>

US Property Catastrophe Rate-on-Line Index: 1990 – 2025*



*As of January 1 each year.

Source: Guy Carpenter; Artemis.bm accessed at: <http://www.artemis.bm/us-property-cat-rate-on-line-index>

Catastrophe Loss Trends

The Rise in CAT Losses Shows No Signs of Easing

The 2020s Are Off to an Ominous Beginning

The Los Angeles Wildfires, Hurricanes Helene and Milton Are Just the Latest in a Long Series of Mega-Disasters

California Fires (as of Jan. 31)

- ~18,000+ structures destroyed/damaged
- ~40,000 acres burned across all fires
- 29 confirmed fatalities
- ~170,000 residents were under evac. orders
- ~\$32.5B: Insured Loss Est. (midpoint)
 - ◆ ~\$1.9M per claim!
 - ◆ \$250B - \$275B: Econ Loss Est.
- CA FAIR Plan: Largest Exposure
 - ◆ Has \$2.63B reins., co-reins, assessments
- Issue rapidly politicized, Insurers demonized



THE WALL STREET JOURNAL

California Was Already in Home-Insurance Crisis Before Los Angeles Infernos

Industry officials warn of widespread economic damage on par with some of the biggest fire disasters in recent memory

By Jean Englesham [Follow](#) and Joe Flint [Follow](#)
Updated Jan. 9, 2025 1:06 pm ET

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The Economist

The world in brief

Uninsurable California?



Jan 9th 2025 · 1 min read

US Senate Budget Committee Hearing on Climate Risk and Insurance

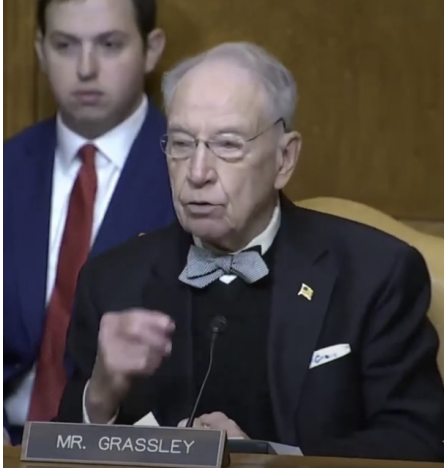
US Senate Budget Committee Hearing
(Dec. 18, 2024)



Hearing Title:
***“Next to Fall:
The Climate-
Driven
Insurance
Crisis is Here –
And Getting
Worse”***



**Sen. Sheldon Whitehouse
(D – RI)**



**Sen. Charles Grassley
(R – IA)**

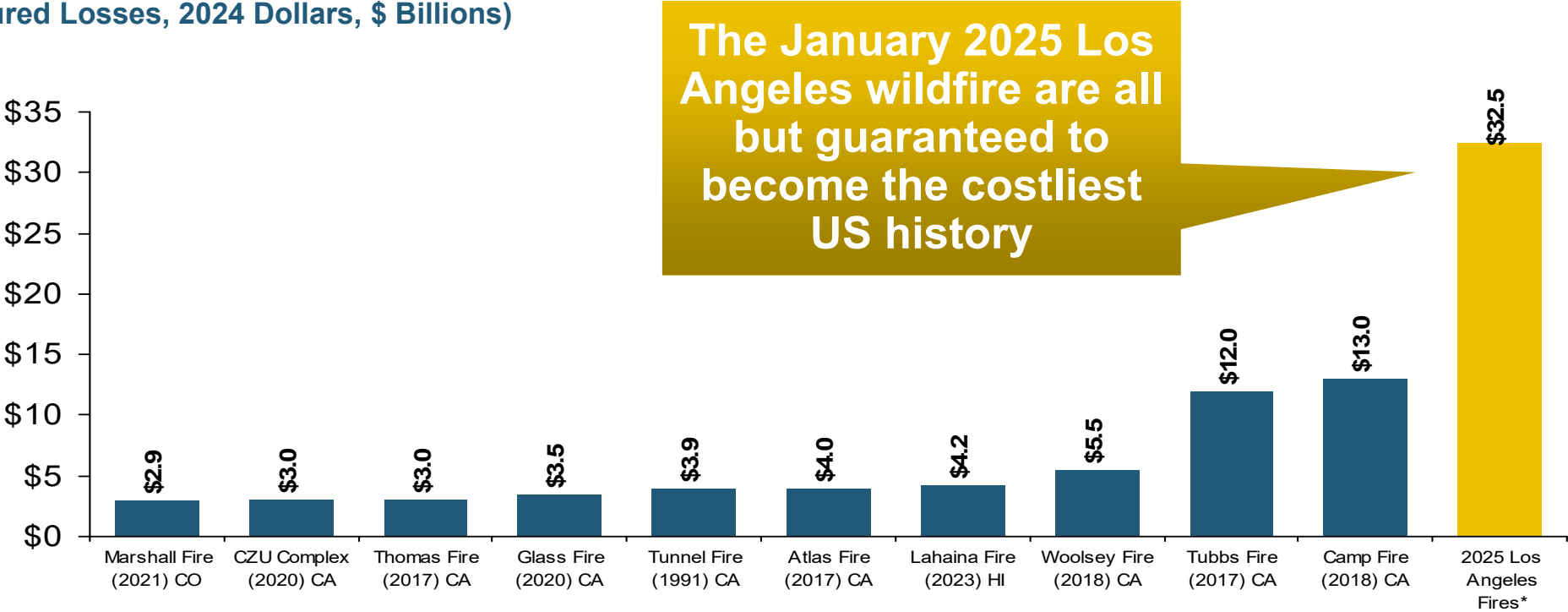


**Sen. John Kennedy
(R – LA)**

Source: The Union Herald, accessed at: https://www.youtube.com/watch?v=UPj_uPCZQuM

Top 11 Most Costly Wildfires in U.S. History

(Insured Losses, 2024 Dollars, \$ Billions)



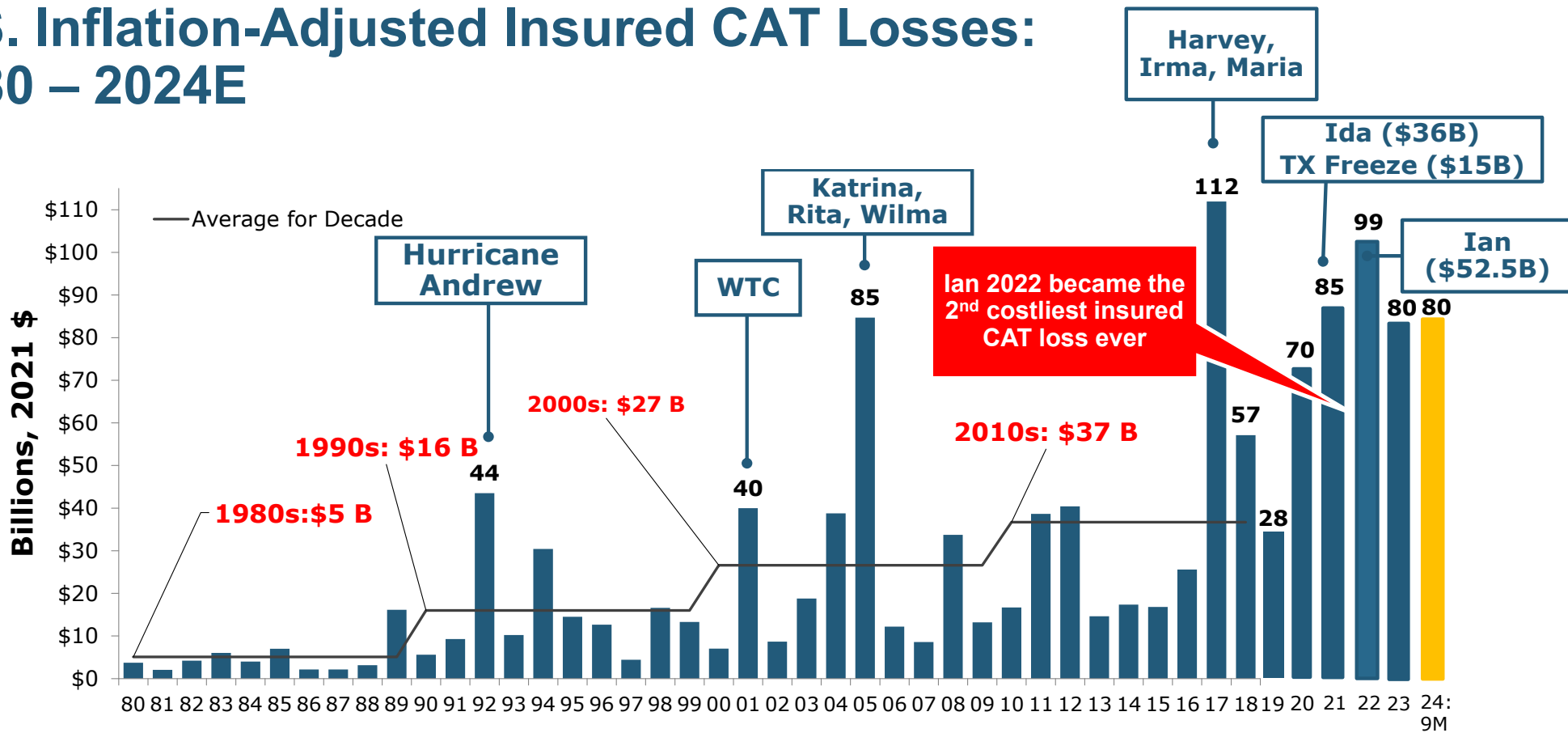
The January 2025 Los Angeles wildfire are all but guaranteed to become the costliest US history

9 of the 11 Most Expensive Wildfire Events Occurred in California. All but One Occurred Since 2017.

*Midpoint of modeller estimates as of Jan. 31, 2025 (Artemis).

Sources: Artemis.bm from Gallagher Re at: <https://www.reinsurancene.ws/insured-la-wildfire-losses-to-notably-exceed-10bn-gallagher-re/>; USC Risk and Uncertainty Management Center

U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2024E

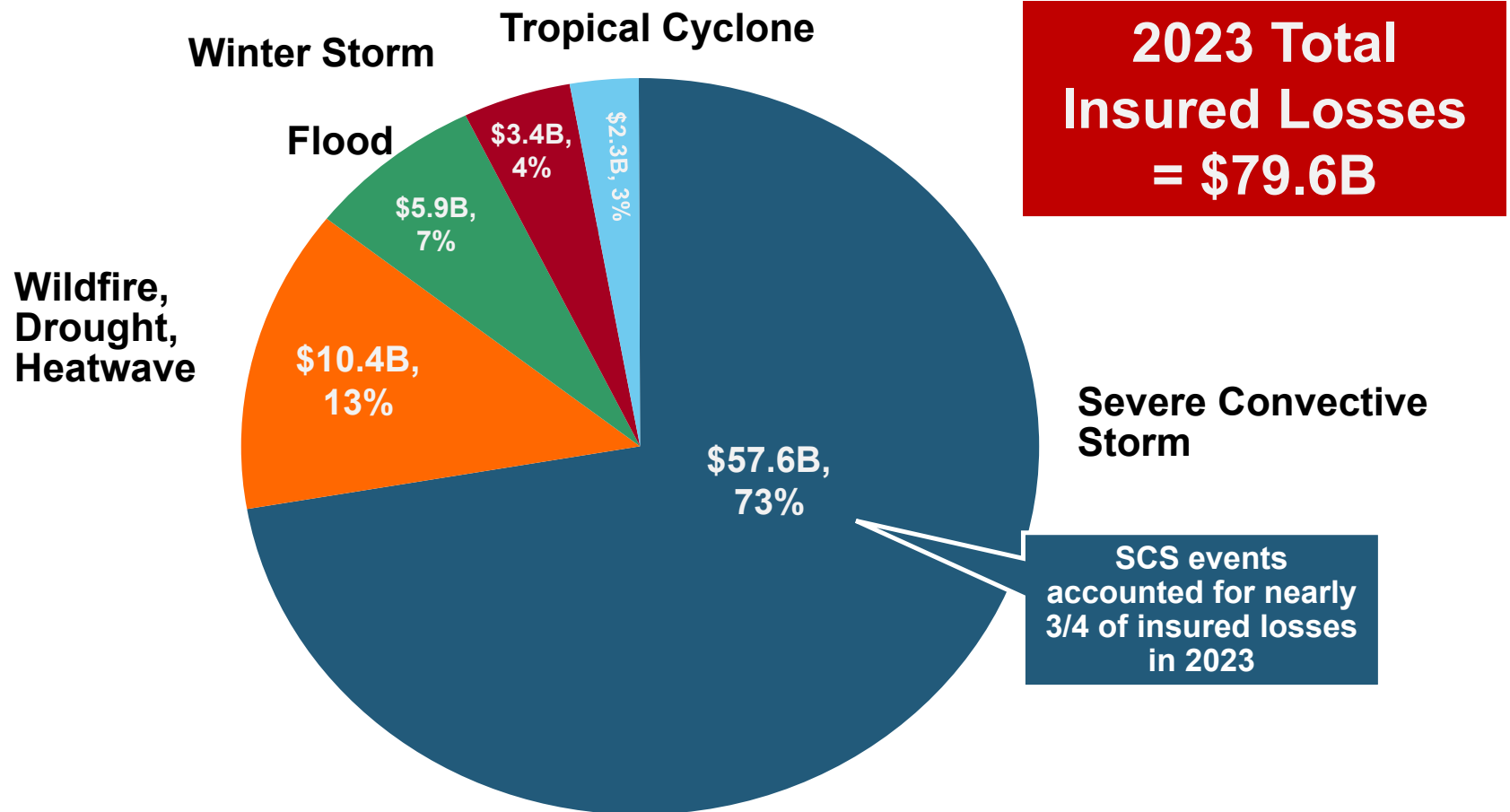


Average Insured Loss per Year*
 1980-2021: \$23.8 Billion
 2012-2021: \$44.1 Billion

The 2020s are off to an ominous start with \$83.5B in average annual insured losses (2020-23)

*Stated in 2021 dollars except 2022 -2024 (in current dollars).
 Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023 and 2024:9M figure from Aon. Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

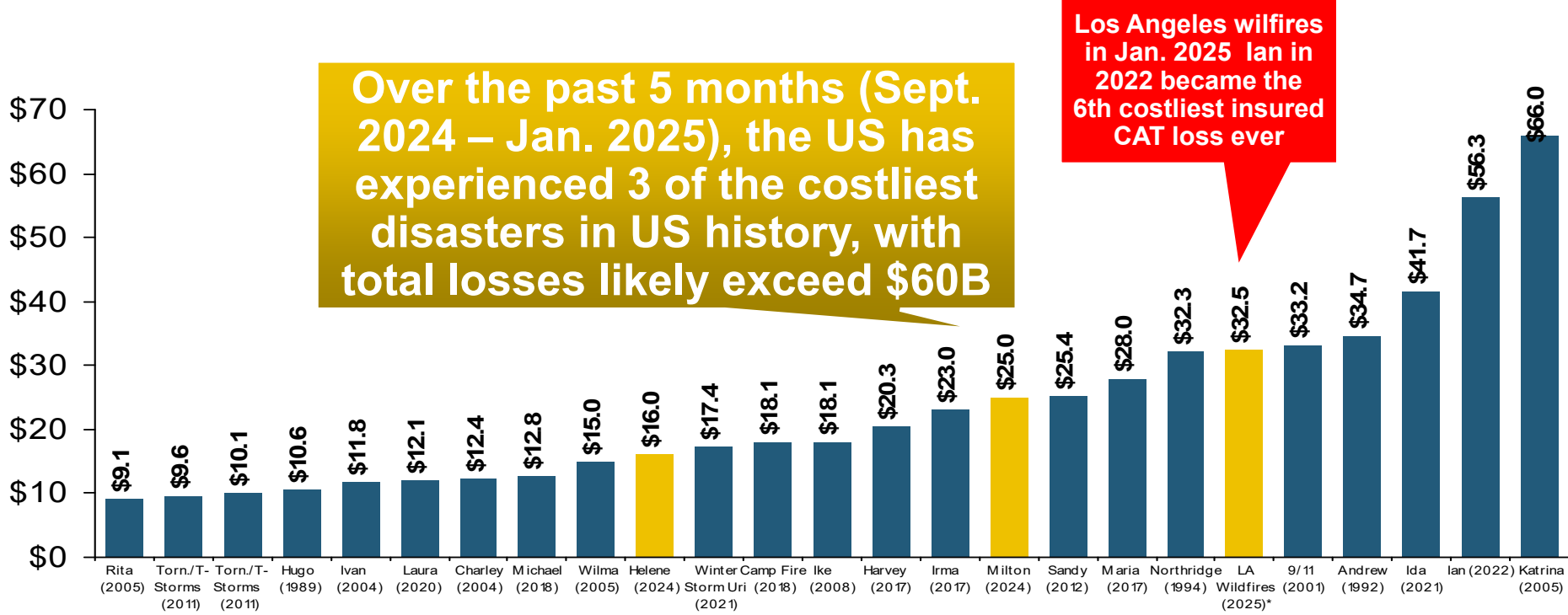
Insured Natural Disaster Losses by Peril, 2023 (\$ Billions)



Source: Aon. Risk and Uncertainty Management Center, Univ. of SC.

Top 26 Most Costly Disasters in U.S. History

(Insured Losses, 2024 Dollars, \$ Billions)



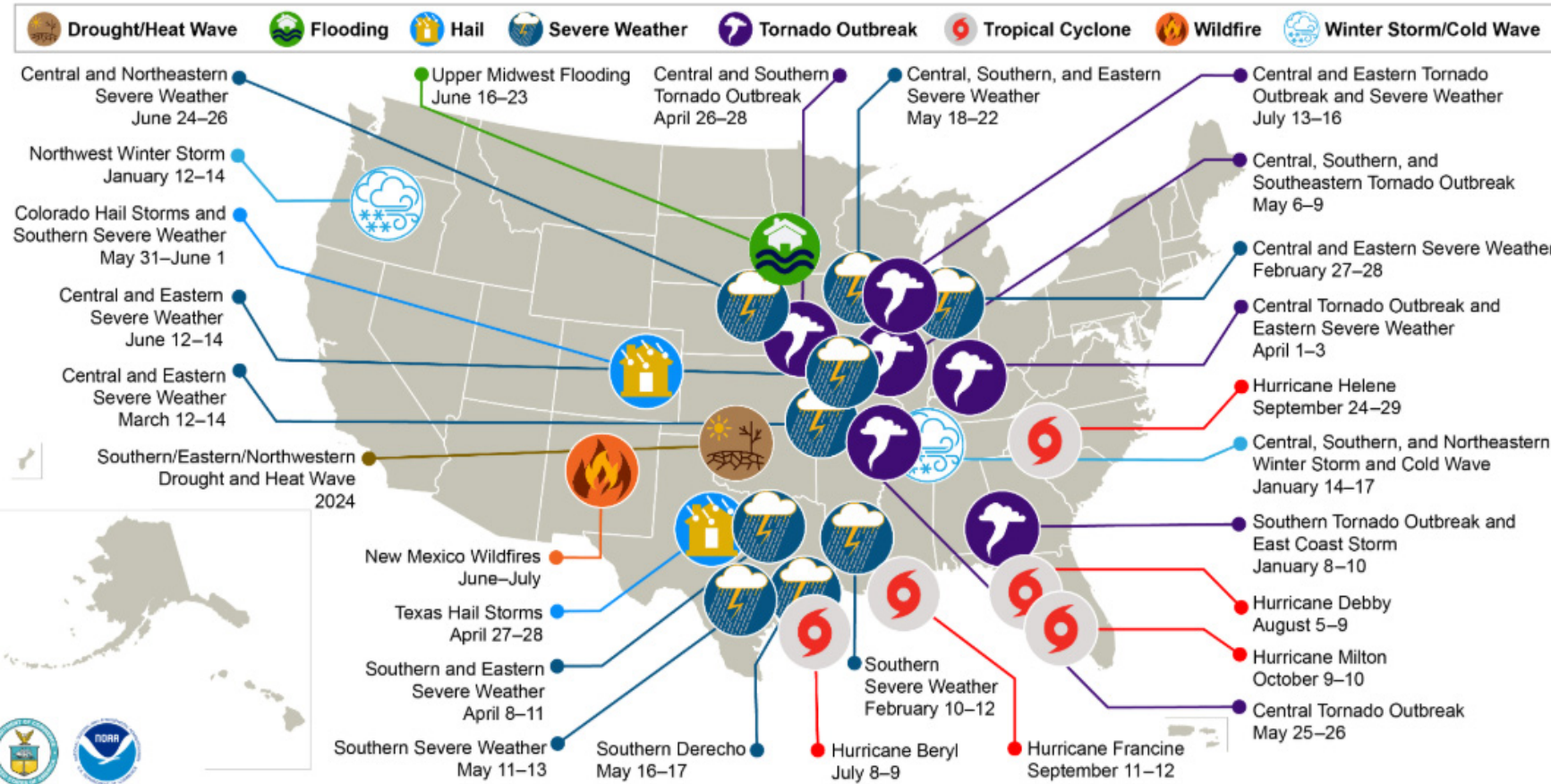
Over the past 5 months (Sept. 2024 – Jan. 2025), the US has experienced 3 of the costliest disasters in US history, with total losses likely exceed \$60B

Los Angeles wildfires in Jan. 2025 Ian in 2022 became the 6th costliest insured CAT loss ever

23 of the 26 Most Expensive Insurance Events in US History Have Occurred Since 2004.

*2025 dollars; Munich Re estimates as of Jan. 2025 for Hurricanes Helene and Milton.
Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2024 dollars using the CPI.

US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, 2024*

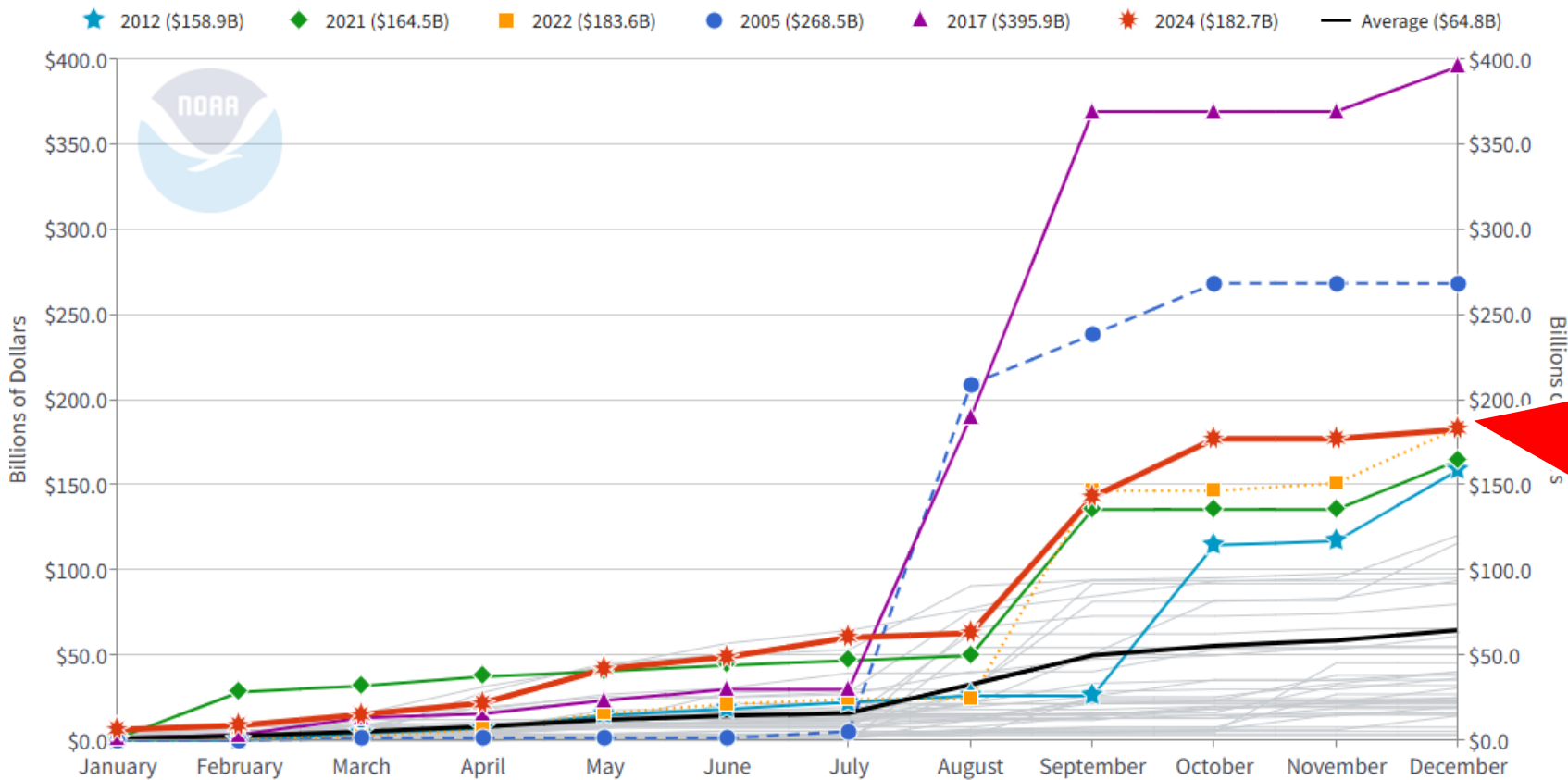


There were 27 events in the US in 2024 that caused at least \$1B in economic damage, down from a record 28 in 2023

*As of Feb. 1, 2025.

Source: NOAA, accessed at: <https://www.ncei.noaa.gov/access/billions/>.

US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, 1980 - 2024* (CPI-Adjusted)

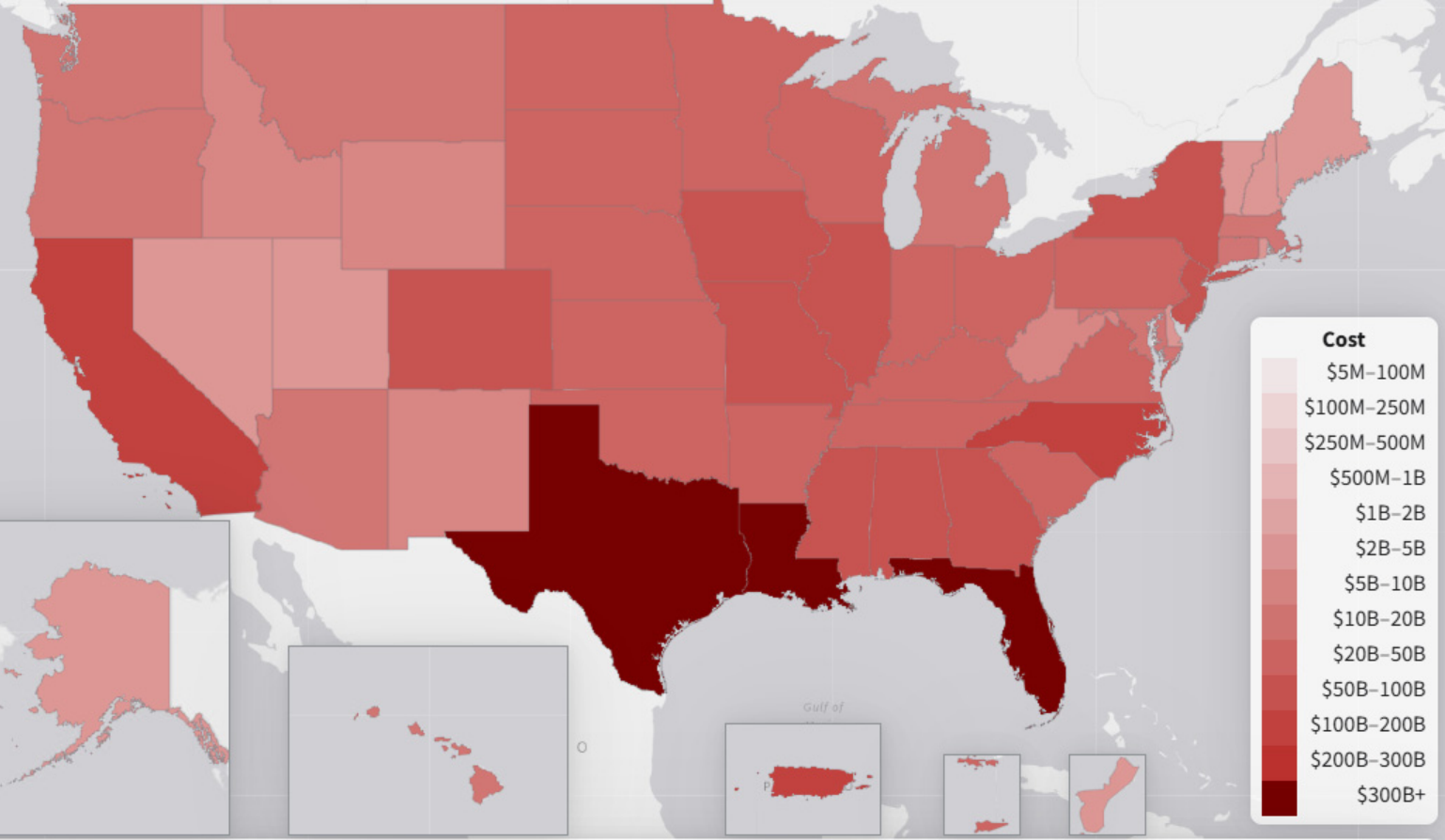


Economic losses from 2024's 27 billion-dollar loss events totaled \$182.7B, the fourth costliest year on record

*As of Jan. 10, 2025.

Source: NOAA, accessed at: <https://www.ncei.noaa.gov/access/billions/>.

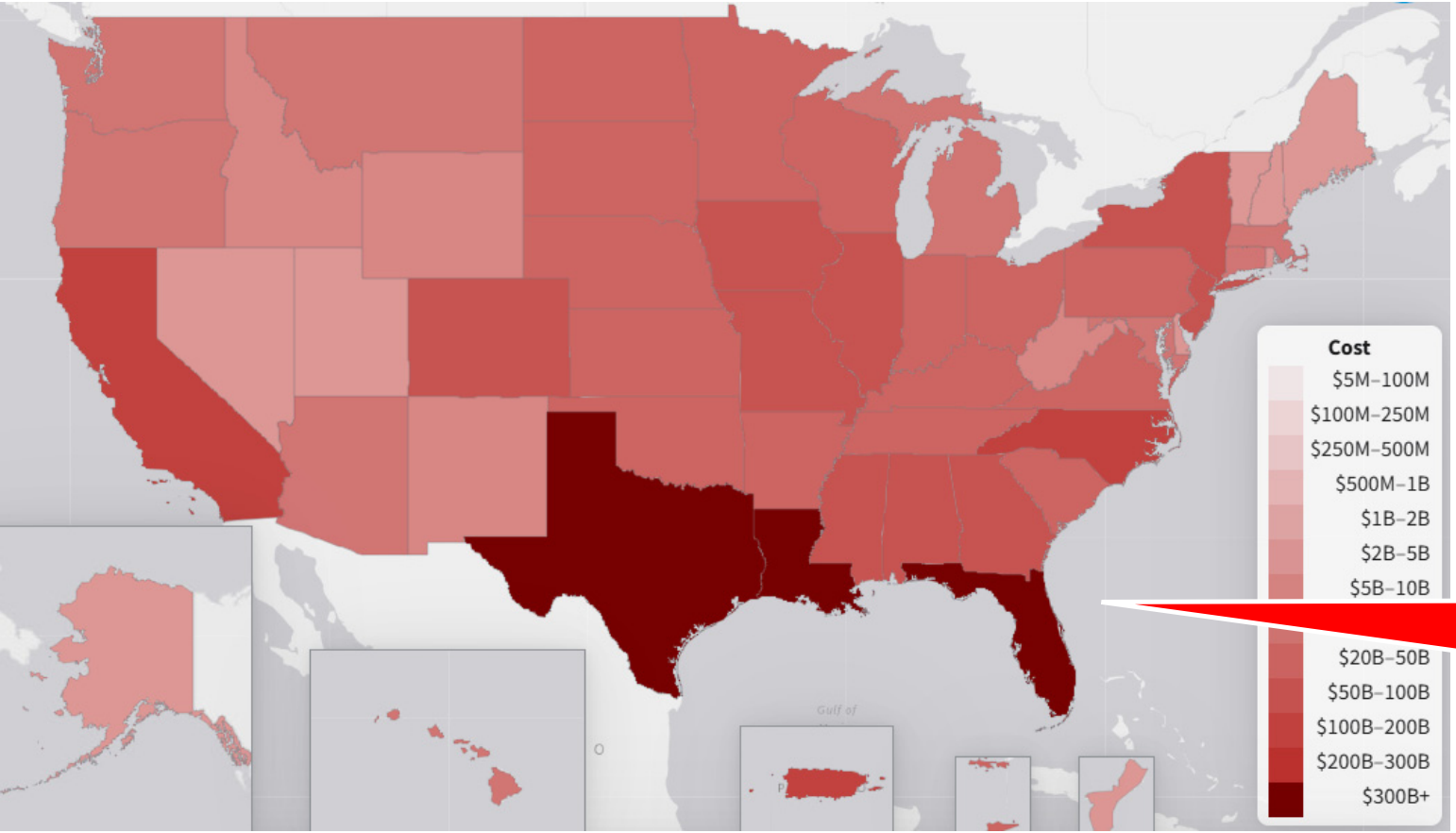
Distribution of Losses from US Billion-Dollar Weather and Climate Disaster Events, 1980 - 2024* (CPI-Adjusted)



Heavy concentration of losses in Gulf Coast states and CA

*As of Feb. 1, 2025.
Source: NOAA, accessed at: <https://www.ncei.noaa.gov/access/billions/mapping>.

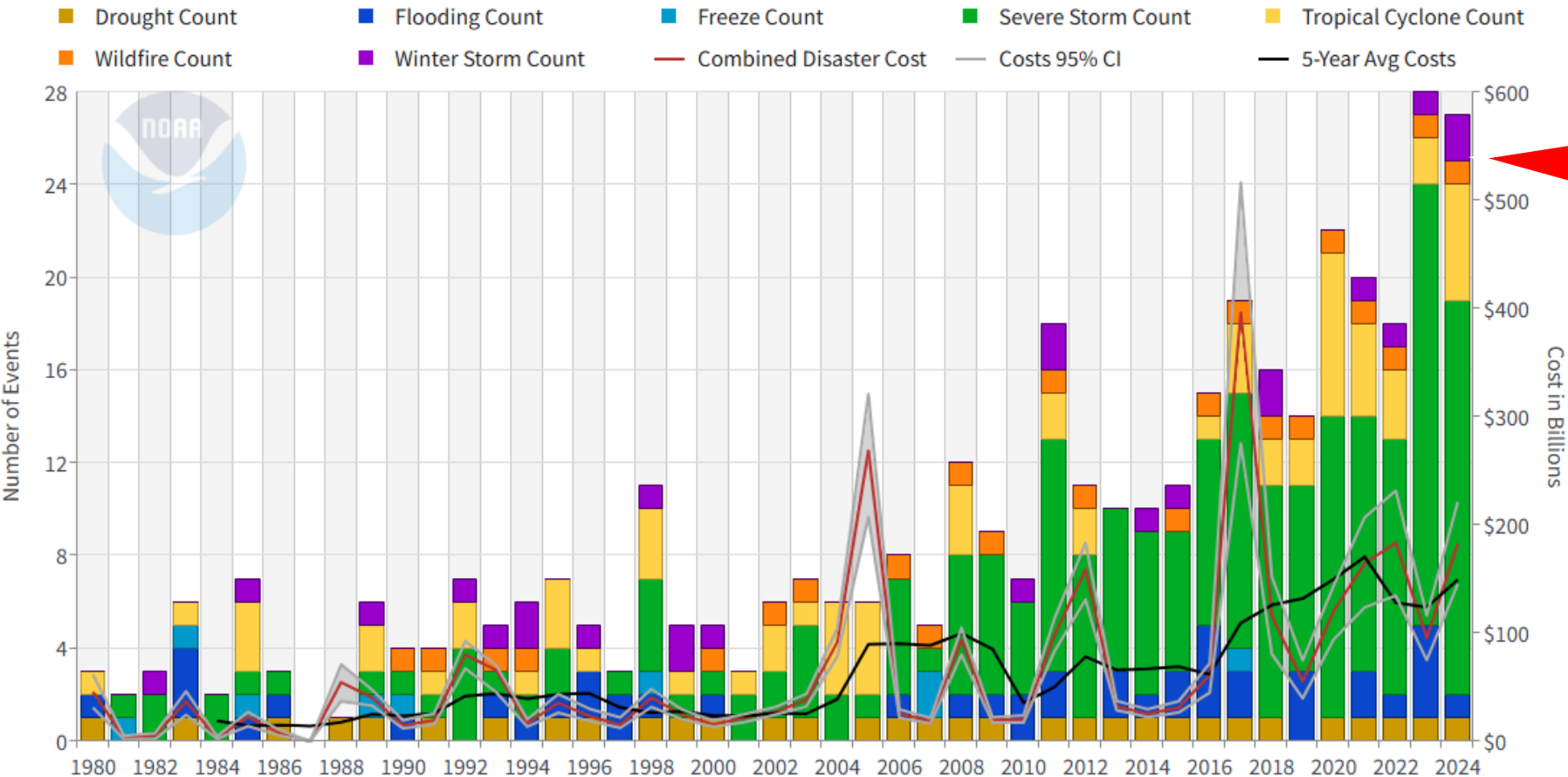
Distribution of Losses from US Billion-Dollar Weather and Climate Disaster Events, 2024* (CPI-Adjusted)



Southeast, NC, CA and CO saw heavy losses in 2024

*As of Feb. 1, 2025.
Source: NOAA, accessed at: <https://www.ncei.noaa.gov/access/billions/mapping>.

US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, by Type, 1980 – 2024* (CPI-Adjusted)

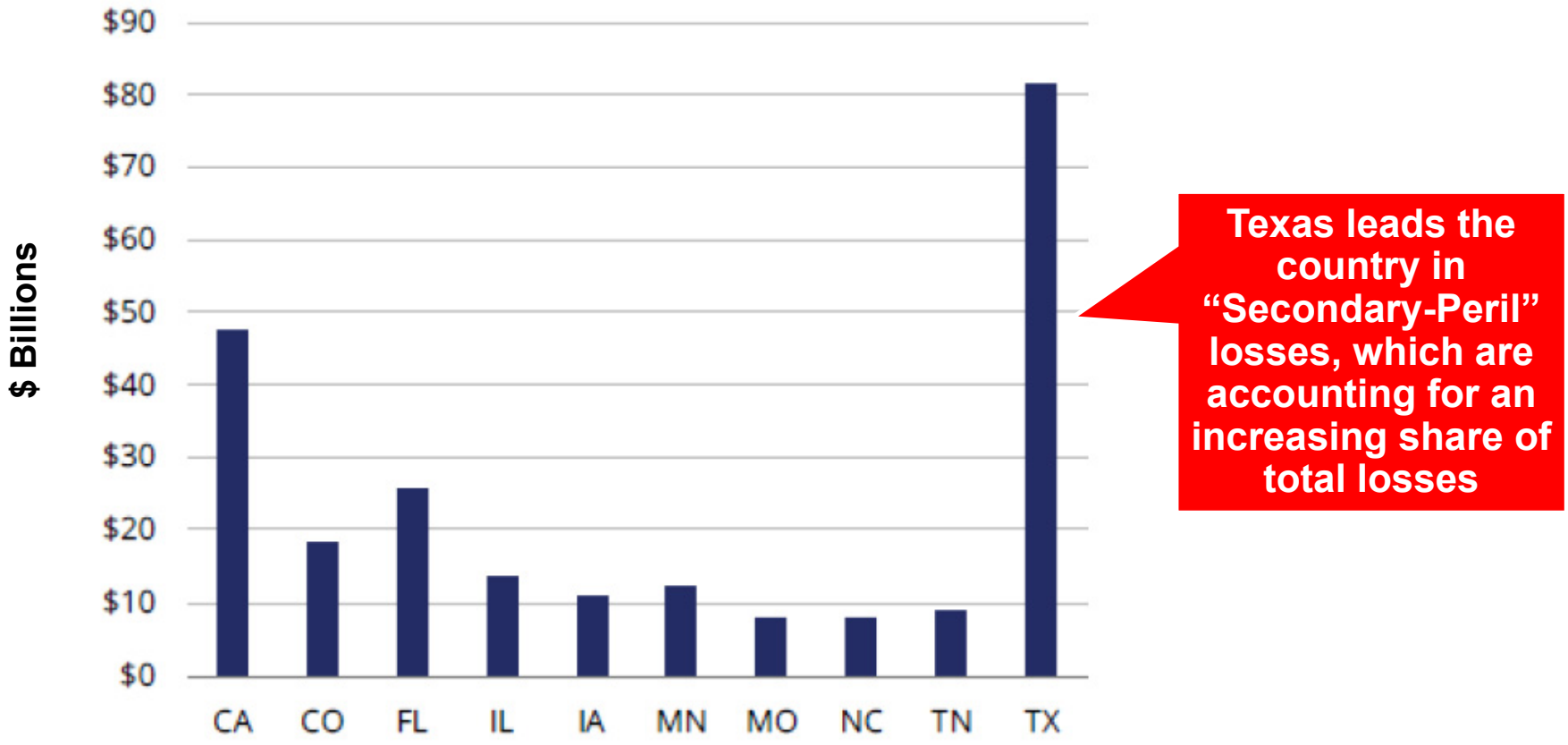


27 events in 2024 with combined disaster costs = \$182.7B

*As of Jan. 10, 2025.

Source: NOAA. Chart created by USC Risk and Uncertainty Management Center by accessing: <https://www.ncei.noaa.gov/access/billions/time-series>.

Secondary Peril Losses, Top 10 States, 2014 – 2023



Source: Conning, Inc.

State of the Homeowners Insurance Market

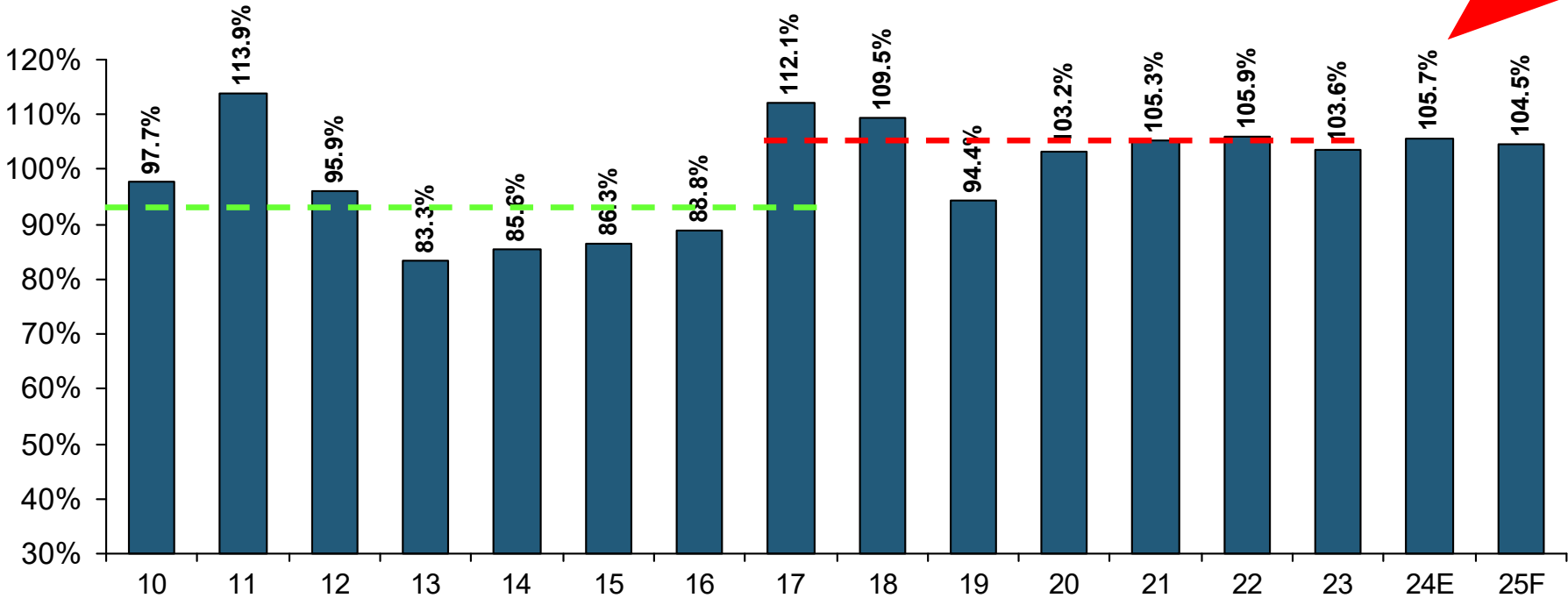
**Inflation, High Catastrophe Losses Are
Challenges for Insurers and
Policyholders Across the Country**

Homeowners Insurance Combined Ratios: US, 2010 – 2025F

Average:
 99.0% (2010-2023)
 93.1 (2010-2016)
 104.9% (2017-2023)

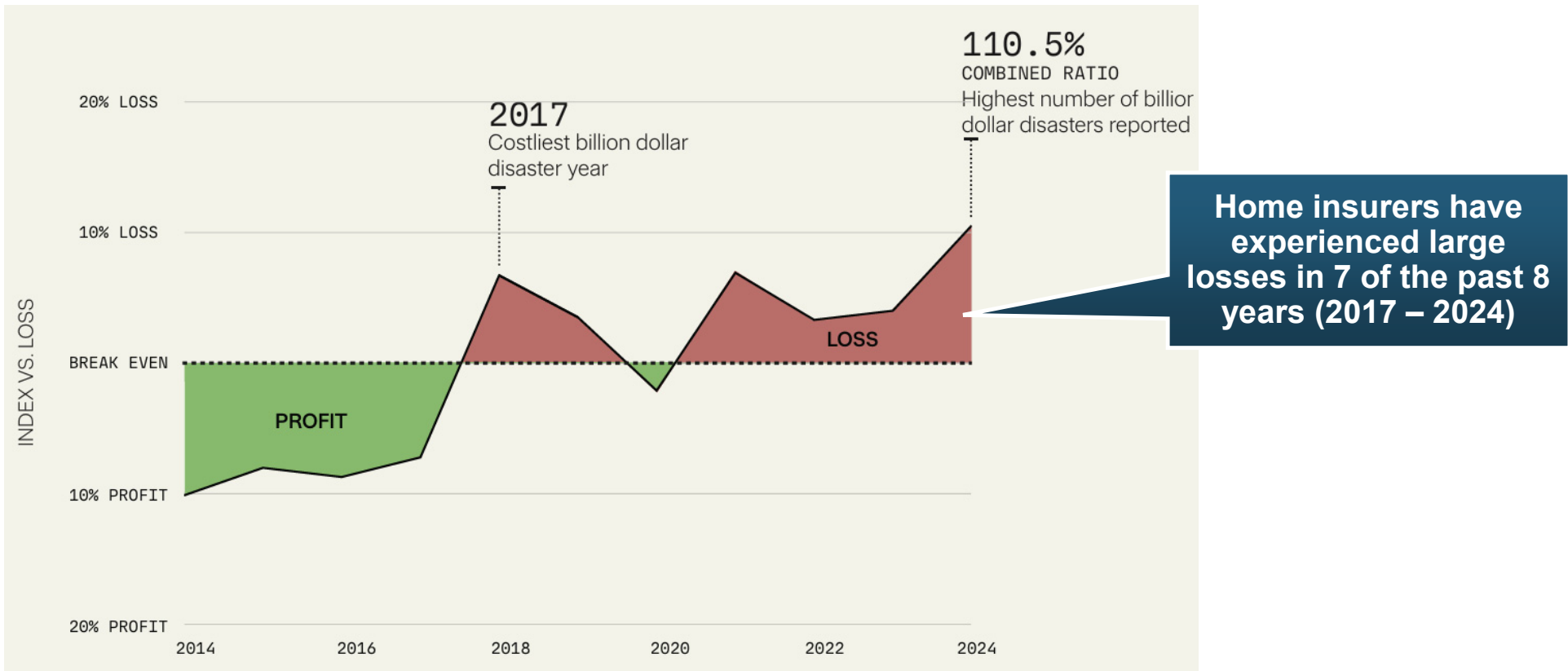
The Homeowners combined ratio from 2017-2023 (104.9) was nearly 12 points higher from than from 2010-2016 (93.1)

Combined Ratio



Sources: APCIA estimates using S&P Global Market Intelligence data; A.M. Best Review & Preview (Feb. 20, 2025) for 2024E – 2025F); University of South Carolina, Risk & Uncertainty Management Center.

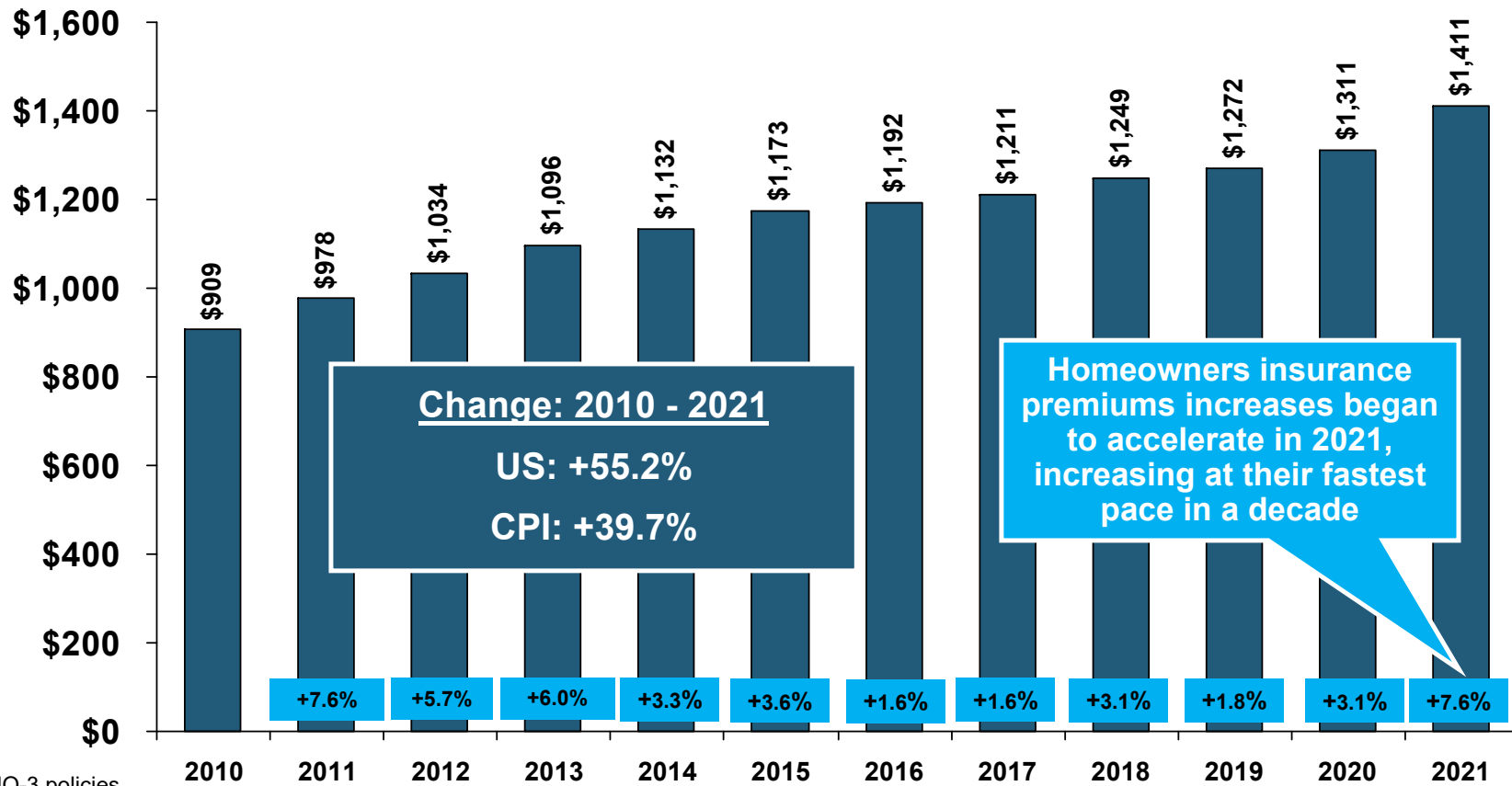
Homeowners Insurance: Profit vs. Loss, 2014 – 2024E



Source: First Street Technology, *Property Prices in Peril*, (Feb. 3, 2023). Available at: <https://firststreet.org/research-library/property-prices-in-peril>.

US Average Homeowners Insurance Premium, 2010-2021*

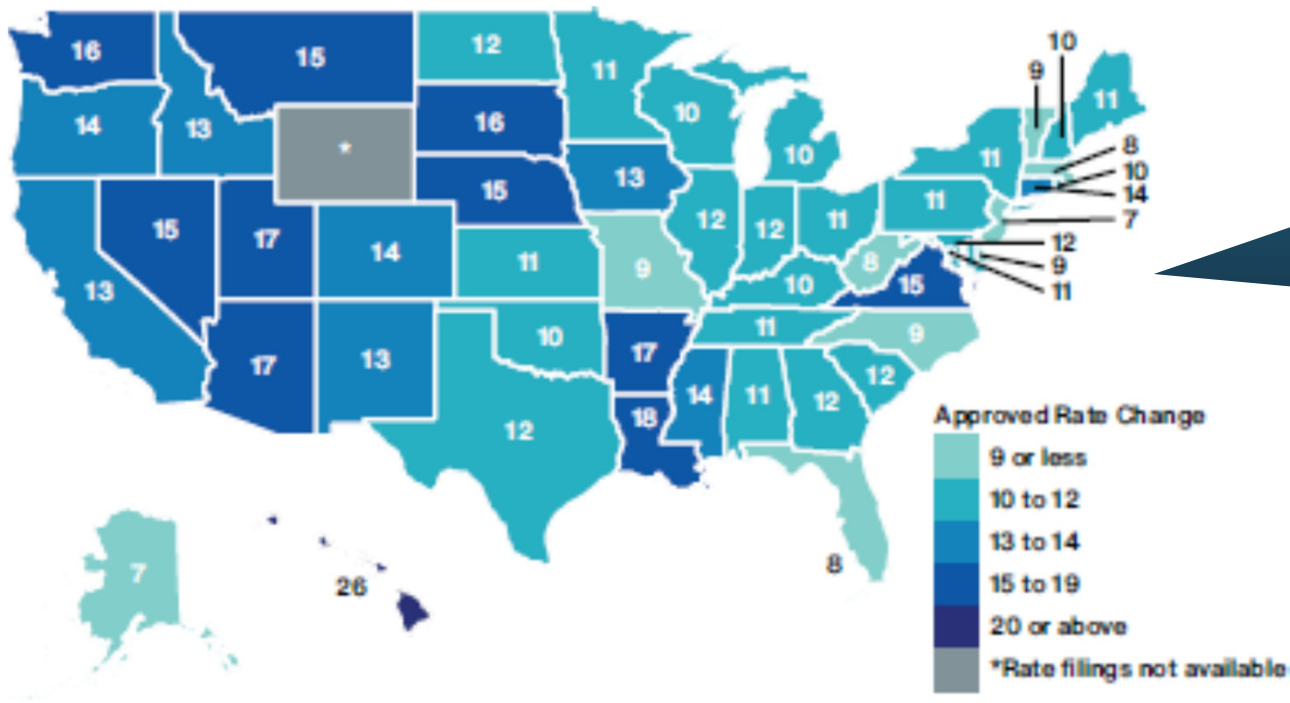
Avg. Premium



*HO-3 policies.

Sources: NAIC [Dwelling Fire, Homeowners Owner-Occupied, and Homeowners Tenant and Condominium/Cooperative Unit Owner's Insurance Report: Data for 2021](https://content.naic.org/article/naic-releases-homeowners-insurance-report-2021) (Jan. 2024) and previous years, available at: <https://content.naic.org/article/naic-releases-homeowners-insurance-report-2021>.

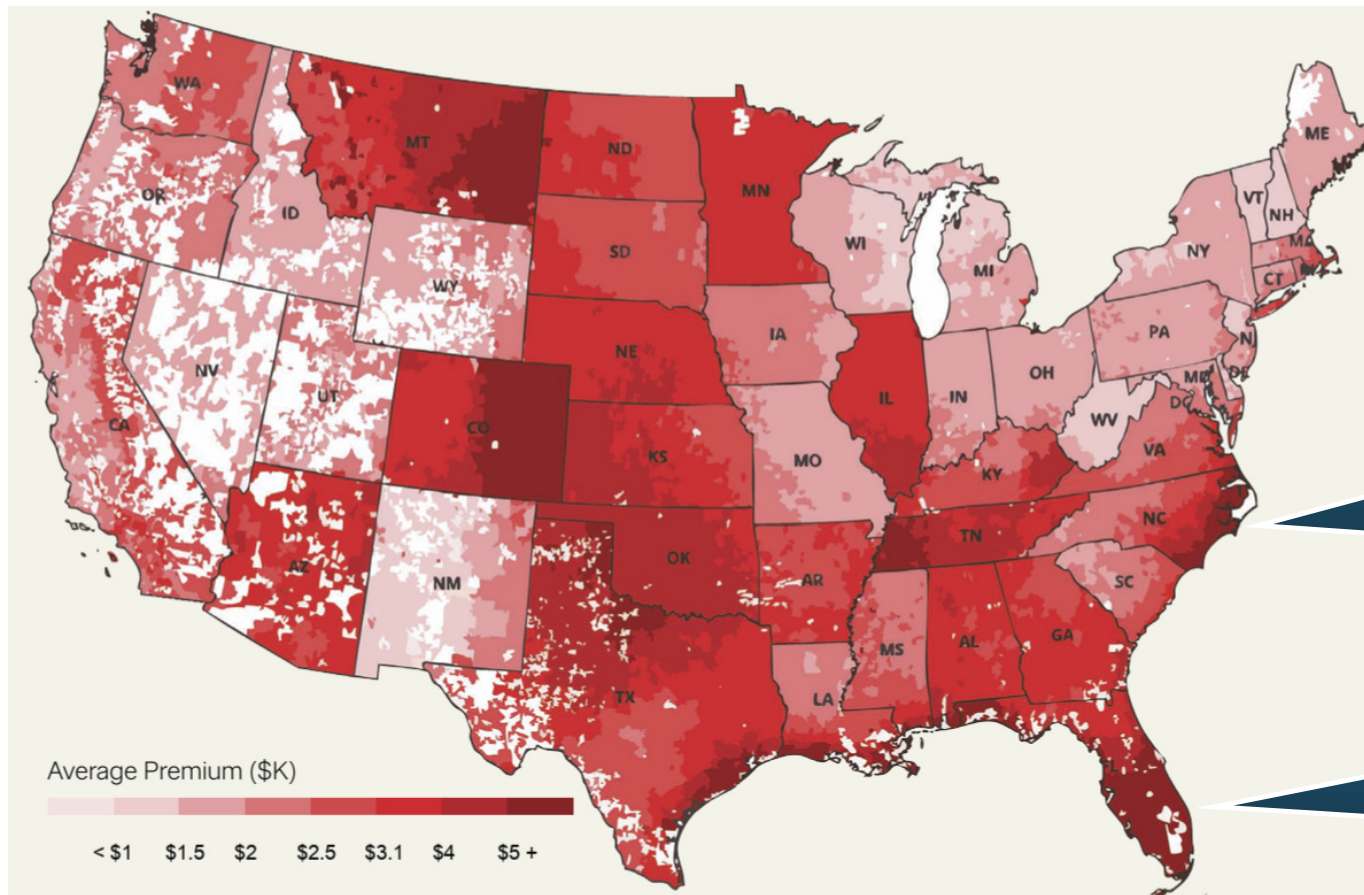
Top Homeowners Insurers' Average Approved Rate Change (1/23 – 6/24)



The average increase in Homeowners insurance rates was 10% - 15% in most states between 1/23 and 6/24

Source: Aon

Average Homeowners Insurance Premium, 2024



At +95%, NC saw the largest increase in HO premiums from 2019 – 2024 (\$2,256 → \$4,403).

HO premiums in FL are the highest in the US, rising 47% from 2019 – 2024.

Source: First Street Technology, *Property Prices in Peril*, (Feb. 3, 2023). Available at: <https://firststreet.org/research-library/property-prices-in-peril>.

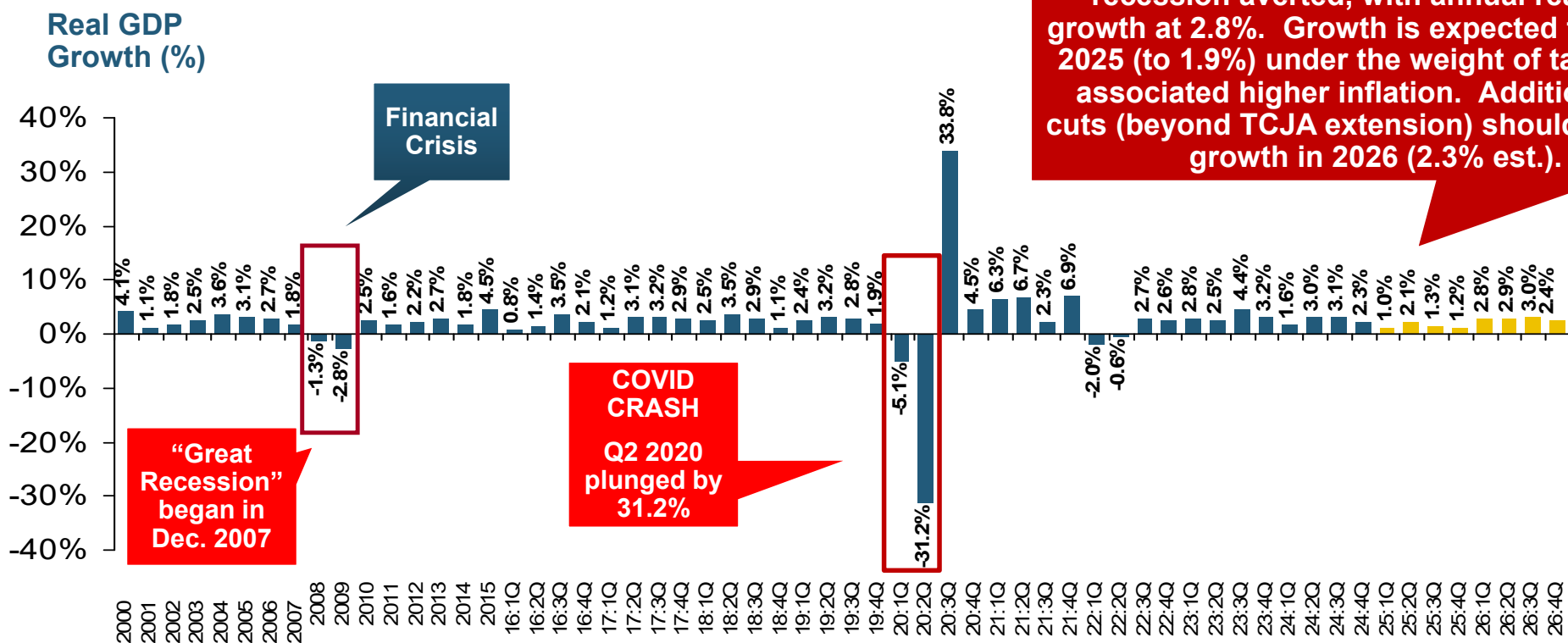
Economic Overview

**The U.S. Economy Remain Resilient and
Consumer Gloom is Lifting**

**Inflation, Geopolitical Conflicts and High
Interest Rates Have Weighed Heavily on
Business and Consumer Sentiment**

***Tariffs Will Increase Auto and
Property Claim Severities***

US Real GDP Growth, 2000 – 2026F*



“Soft landing” was achieved in 2024 and a recession averted, with annual real GDP growth at 2.8%. Growth is expected to slow in 2025 (to 1.9%) under the weight of tariffs and associated higher inflation. Additional tax cuts (beyond TCJA extension) should stabilize growth in 2026 (2.3% est.).

“Great Recession” began in Dec. 2007

Financial Crisis

COVID CRASH
Q2 2020 plunged by 31.2%

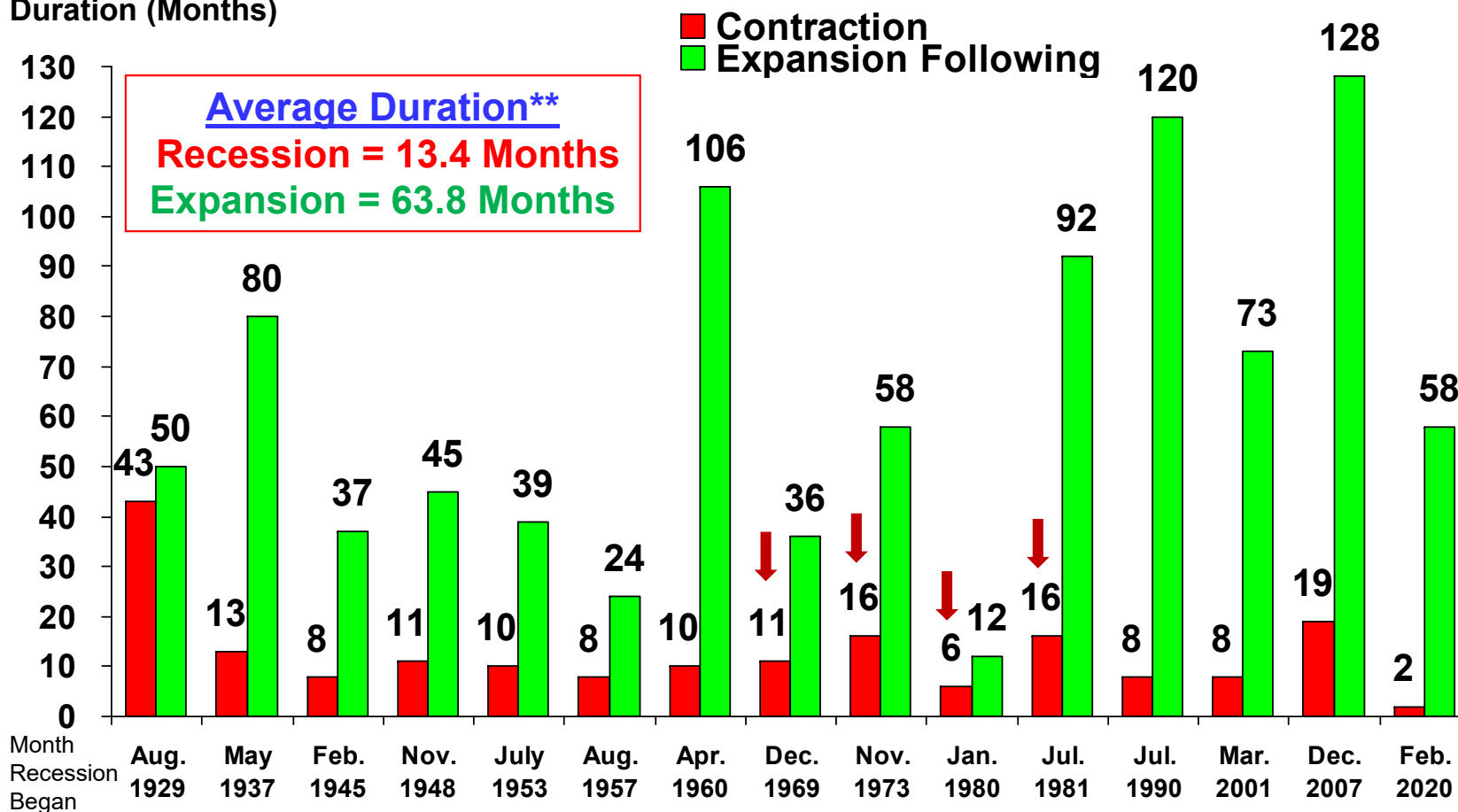
Demand for Insurance Increased Materially in 2021/22 During Recovery from the Pandemic—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow as Economy Slows.

* Estimates/Forecasts from Wells Fargo Securities.

Source: US Department of Commerce, Wells Fargo Securities (3/25); Center for Risk and Uncertainty Management, University of South Carolina.

Length of US Business Cycles, 1929-Present*

Duration (Months)

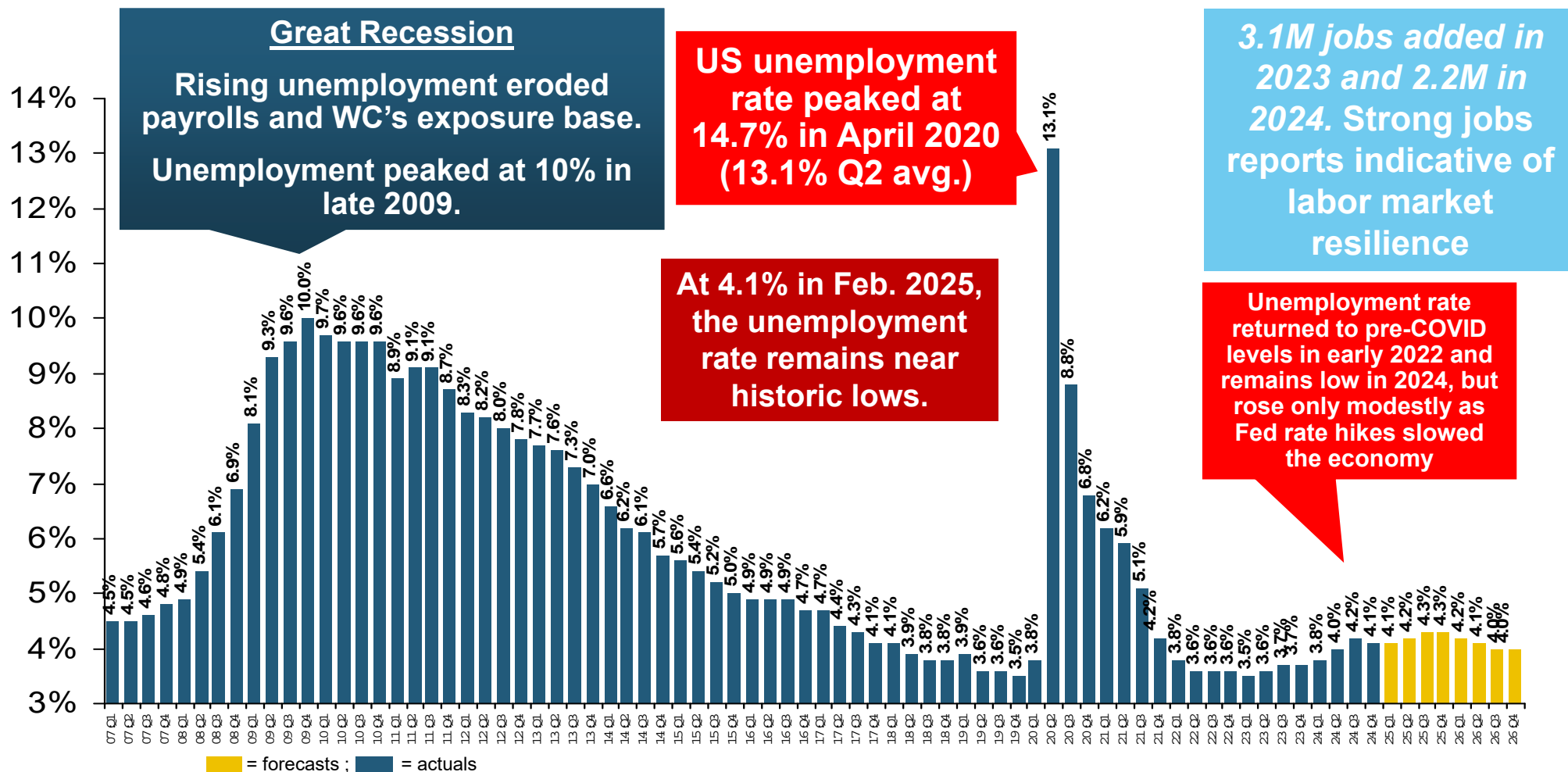


- The Covid recession lasted just 2 months, ending in April 2020, the shortest on record
- Covid abruptly ended the longest economic expansion in US history, which spanned nearly 11 years
- *From 1970 – 1982, the economy was in recession for 48 months through 4 recessions (vs. just 2 months over the past 14 years)*

*Through March 2025. **Excluding Covid-19 recession.

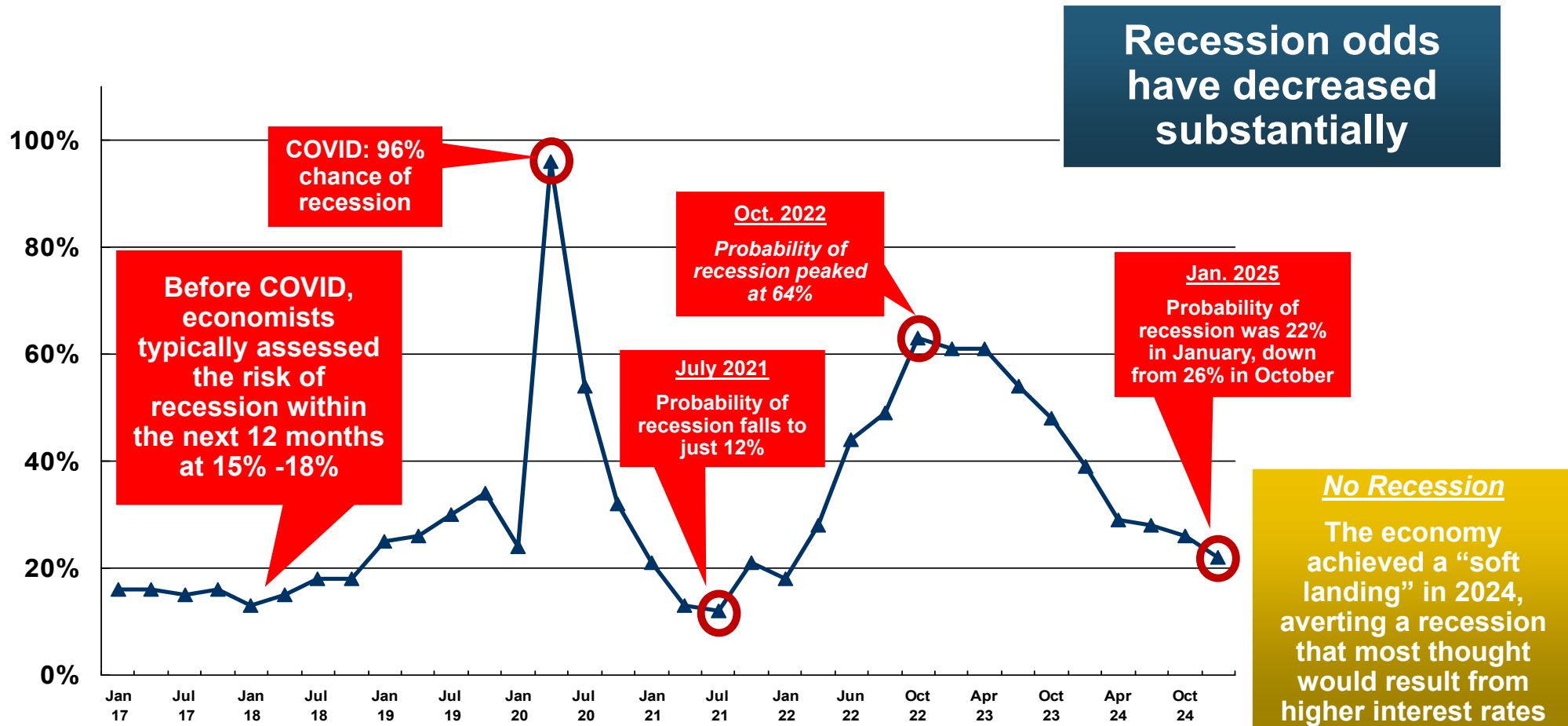
Sources: National Bureau of Economic Research; Risk and Uncertainty Management Center, University of South Carolina.

US Unemployment Rate Forecast: 2007:Q1–2026:Q4



Sources: US Bureau of Labor Statistics; Wells Fargo Securities (3/25 edition); Risk and Uncertainty Management Center, University of South Carolina.

Probability the U.S. Is in a Recession Within Next 12 Months: Jan. 2017 – Jan. 2025*



*Jan. 2025 survey included the responses of 75 economists.

Source: Wall Street Journal surveys of economists: https://www.wsj.com/economy/central-banking/where-do-economists-think-were-headed-these-are-their-predictions-b3db91ea?mod=hp_listb_pos1; Risk and Uncertainty Management Center, University of South Carolina.

All Indications Are that the Fed Has Achieved a Soft Landing



A soft landing occurs when an economy sustains a mild slowdown whereby consumer and investment spending softens, but continues to register positive growth.

Soft Landing



A hard landing describes a recession with a sharp contraction in spending, resulting in many workers losing their jobs and companies significantly reducing their capital investments.

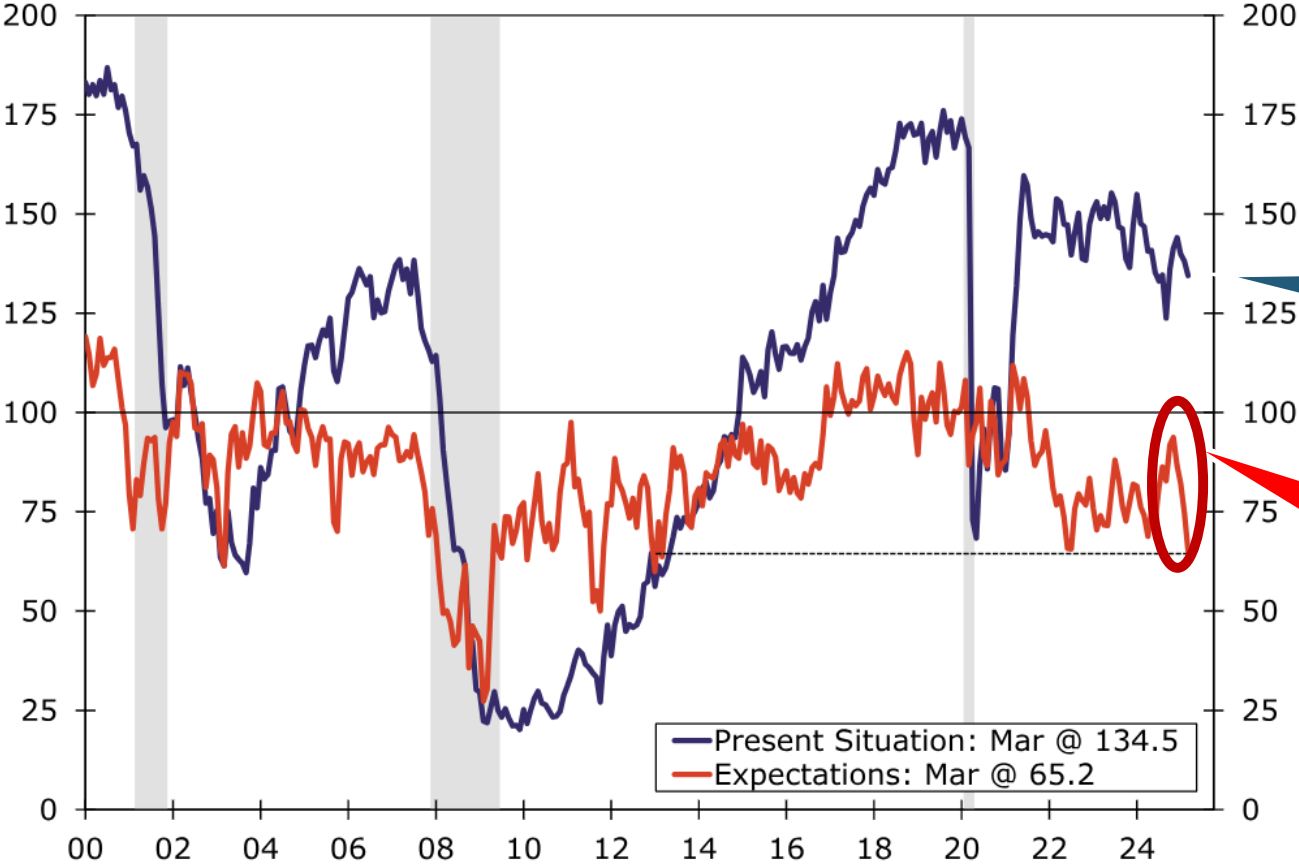
Hard Landing



In a “no landing” scenario, the economy averts a recession altogether.

No Landing

Consumer Confidence: Popped After Election, But Is Falling Since on Economic and Policy Concerns

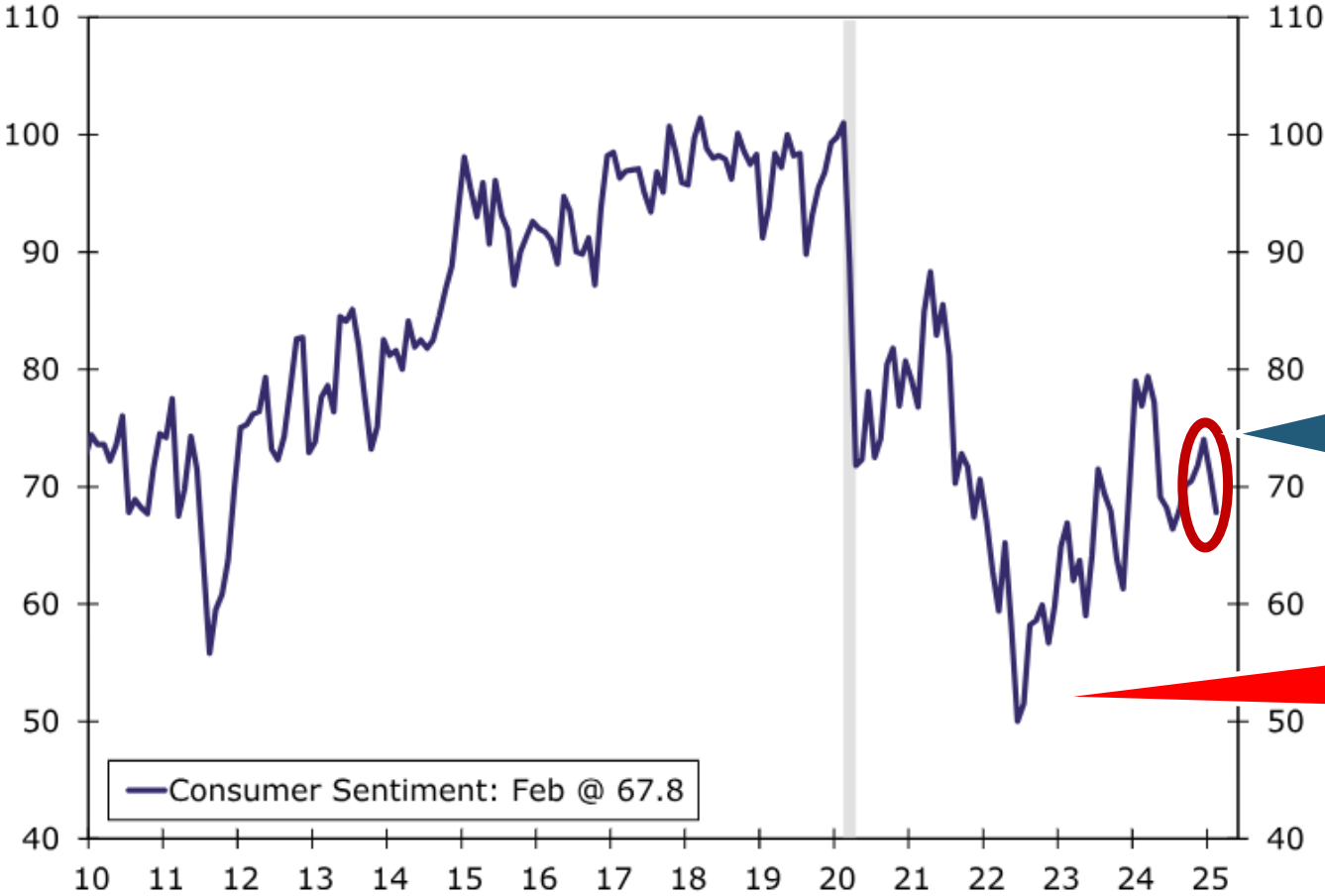


Consumers are still relatively optimistic about their current situation, though confidence has weakened.

Consumer optimism about the future shot up after the election in November, but has fallen ever since amid concerns about income, jobs, tariffs and business conditions

Source: The Conference Board and Wells Fargo Economics.

Consumer Sentiment: Popped After Election, But Is Falling in Early 2025 as Short-Term Concerns Mount

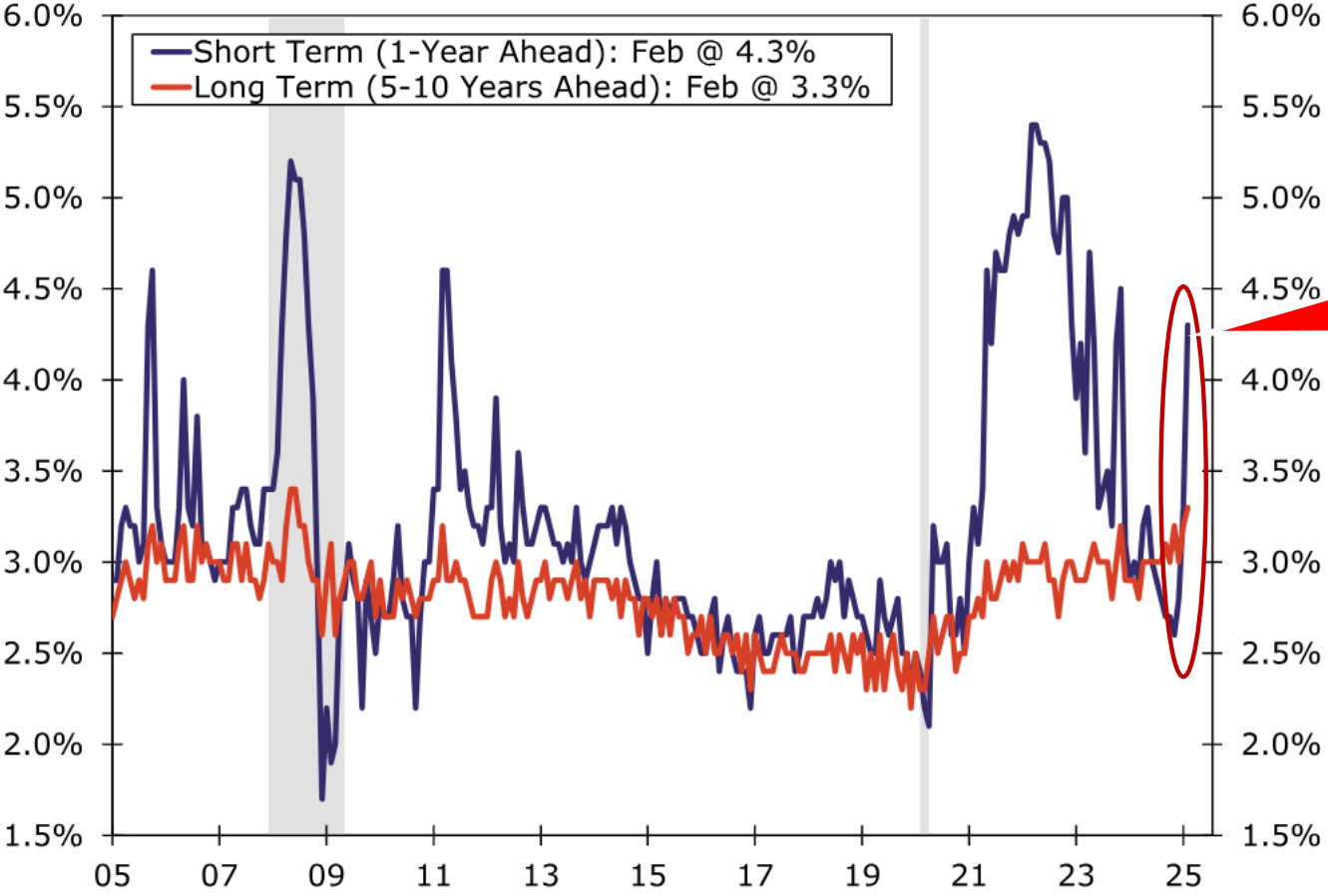


Consumer optimism shot up after the election in November, but has since fallen amid short-term concerns about tariffs, inflation and jobs

Sentiment was driven down in 2021-22 by high inflation despite unemployment rates near 50-year lows

Source: The University of Michigan and Wells Fargo Economics.

Consumer Inflation Expectations: Inflation Expectations Are Rising—Especially for the Next Year



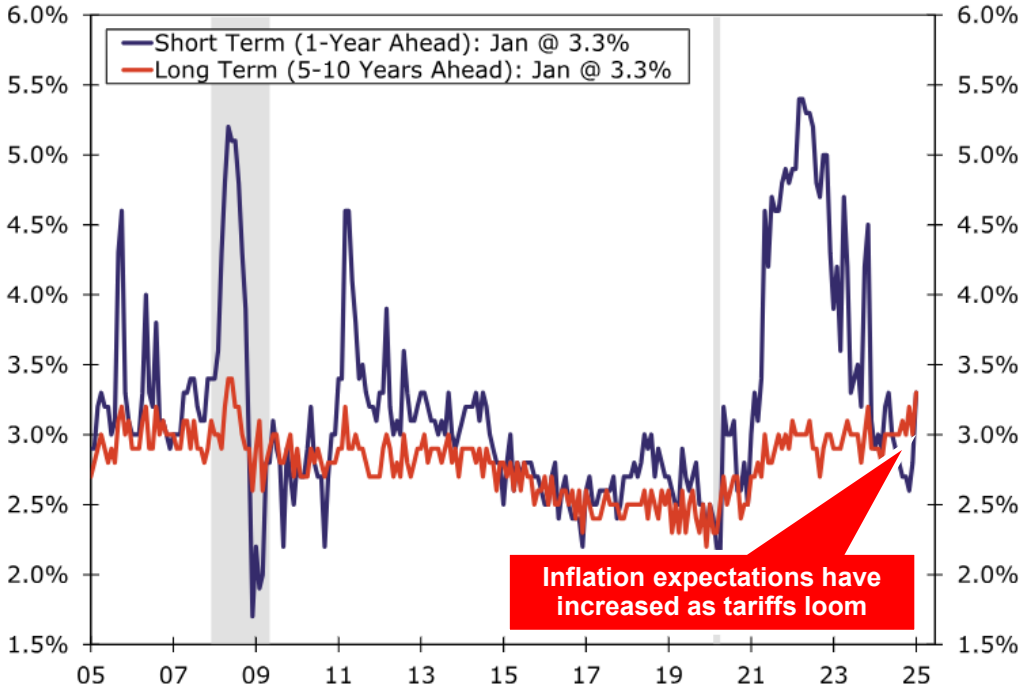
Short-term inflation expectation in Feb. rose to 4.3%, up from 2.6% in late 2024. Tariff concerns drove much of the surge.

Source: NFIB and Wells Fargo Economics.

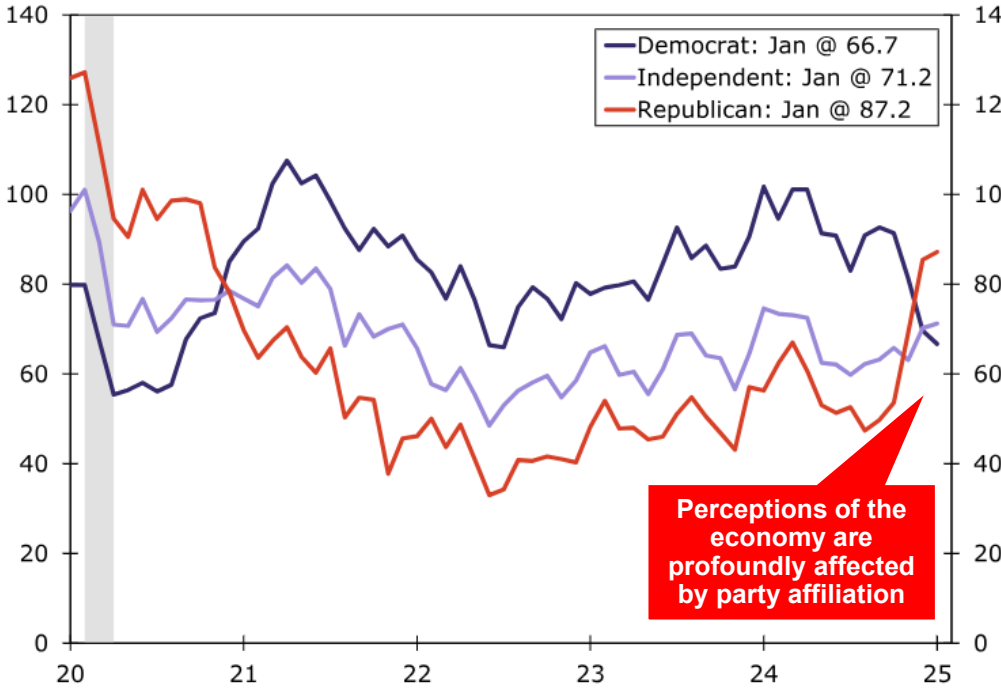
Consumer Confidence by Party of President and Political Affiliation

Consumer Inflation Expectations

University of Michigan Consumer Sentiment

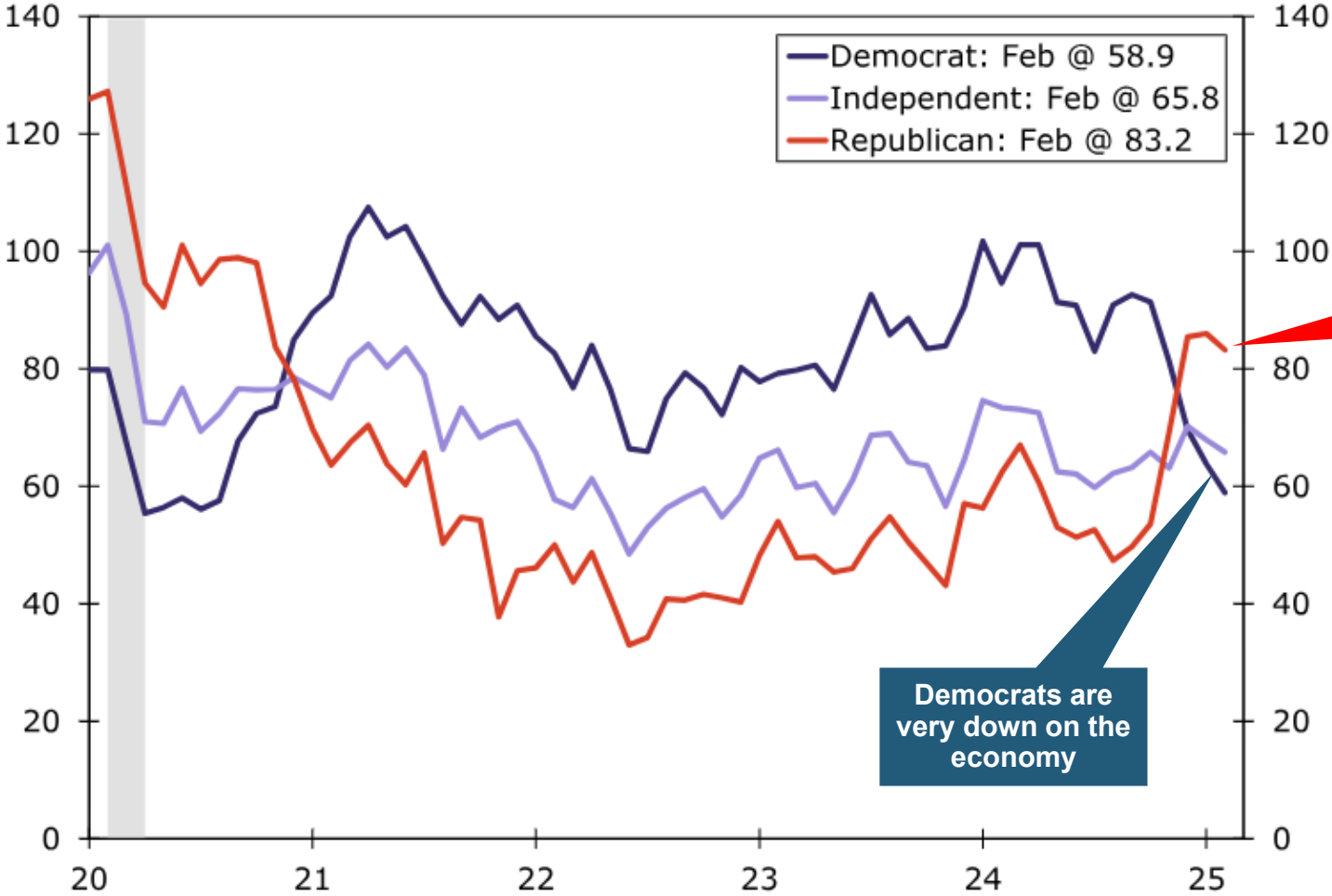


Consumer Sentiment by Political Affiliation



Source: Univ. of Michigan and Wells Fargo Economics (1/25).

Consumer Sentiment by Political Affiliation

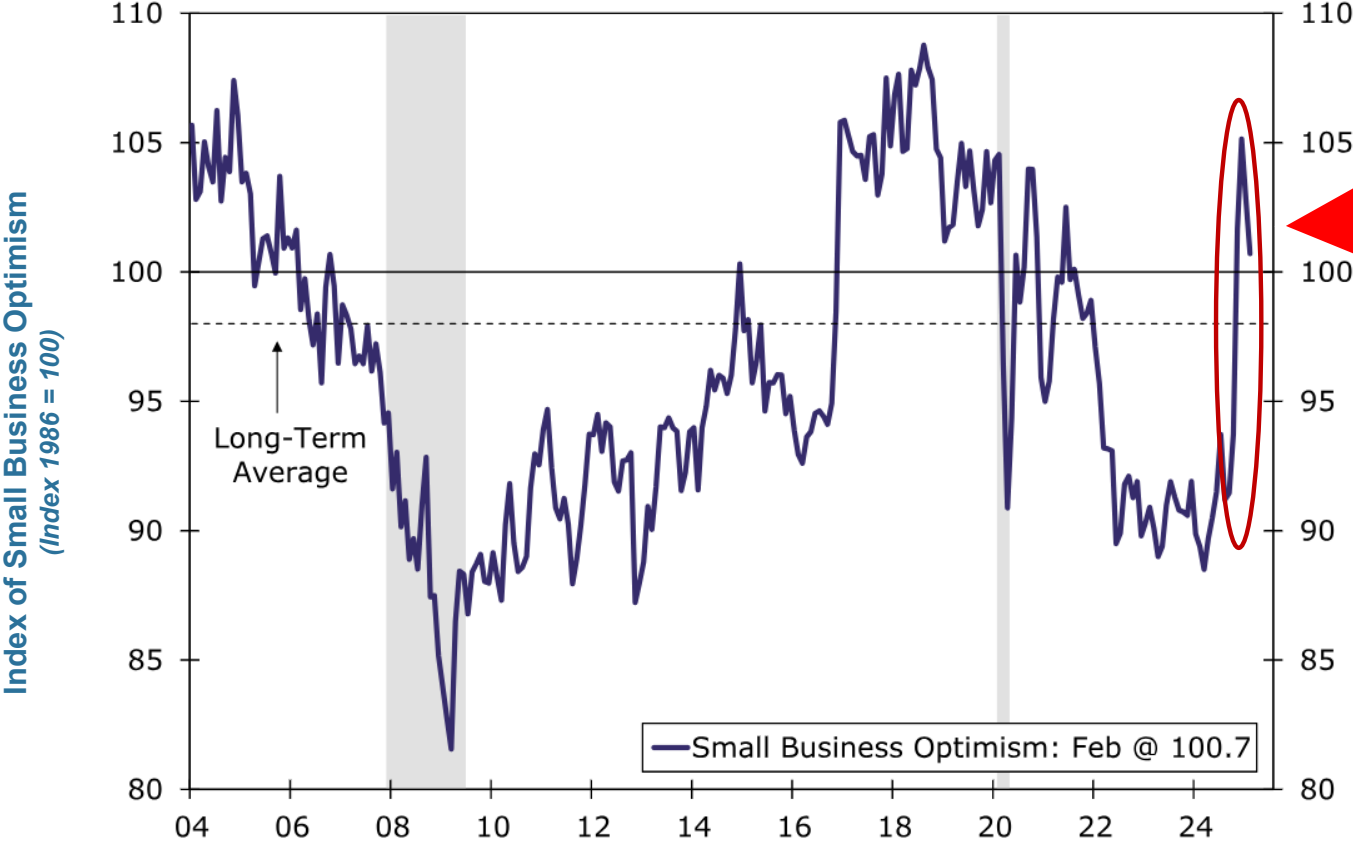


Republican sentiments surges after the election, but did recently amid tariff concerns

Democrats are very down on the economy

Source: Univ. of Michigan and Wells Fargo Economics (2/25).

Small Business Sentiment: Optimism Surged Post-Election but Is Beginning to Recede on Tariff Concerns

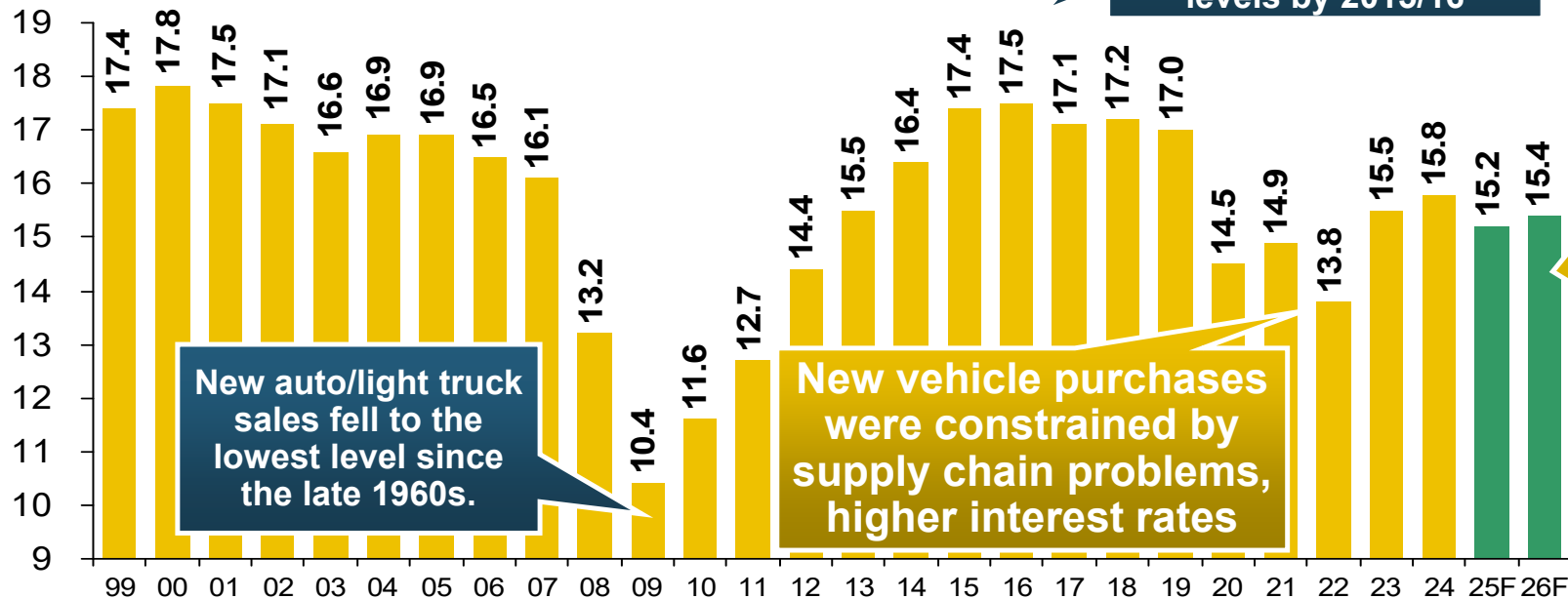


Small businesses optimism surged in the wake of the November election, fueled by hopes of lower taxes and less regulation (similar to 2016). Tariffs fears are now leading to concerns.

Source: NFIB and Wells Fargo Economics.

Auto/Light Truck Sales, 1999-2026F

(Millions of Units)



Job growth and improved credit market conditions boosted auto sales to near record levels by 2015/16

New auto/light truck sales fell to the lowest level since the late 1960s.

New vehicle purchases were constrained by supply chain problems, higher interest rates

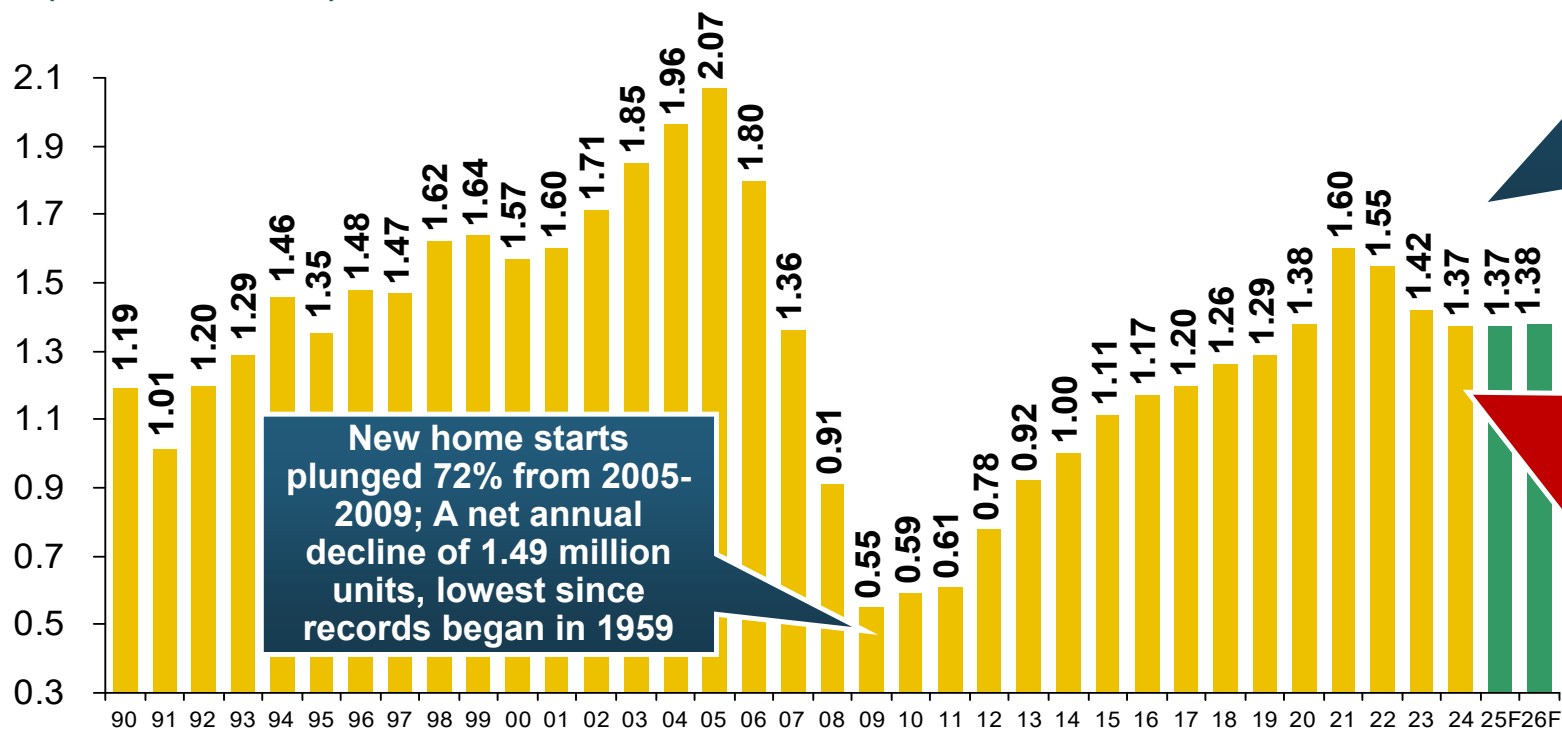
New vehicle sales are expected to fall slightly as interest rates fall less than expected prior to the election

Yearly car/light truck sales remain below pre-COVID levels. Auto manufacturer supply chain issues are largely resolved but vehicle financing costs remain stubbornly elevated, resulting in flat-to-down sales in 2025-26

Source: U.S. Department of Commerce; Wells Fargo Securities (3/25); Univ. of South Carolina, Center for Risk and Uncertainty Management..

New Private Housing Starts, 1990-2026F

(Millions of Units)



New home starts plunged 72% from 2005-2009; A net annual decline of 1.49 million units, lowest since records began in 1959

Job growth, low inventories of existing homes, low mortgage interest rates and demographics propelled new home construction into 2022, though materials prices, supply chain problems, lack of labor were headwinds

High prices, rising mortgage rates, tempered new home construction activity through 2024, though low inventory of existing homes is propping up demand. Mortgage rates are now expected to fall only marginally, tempering housing starts in 2025 and 2026

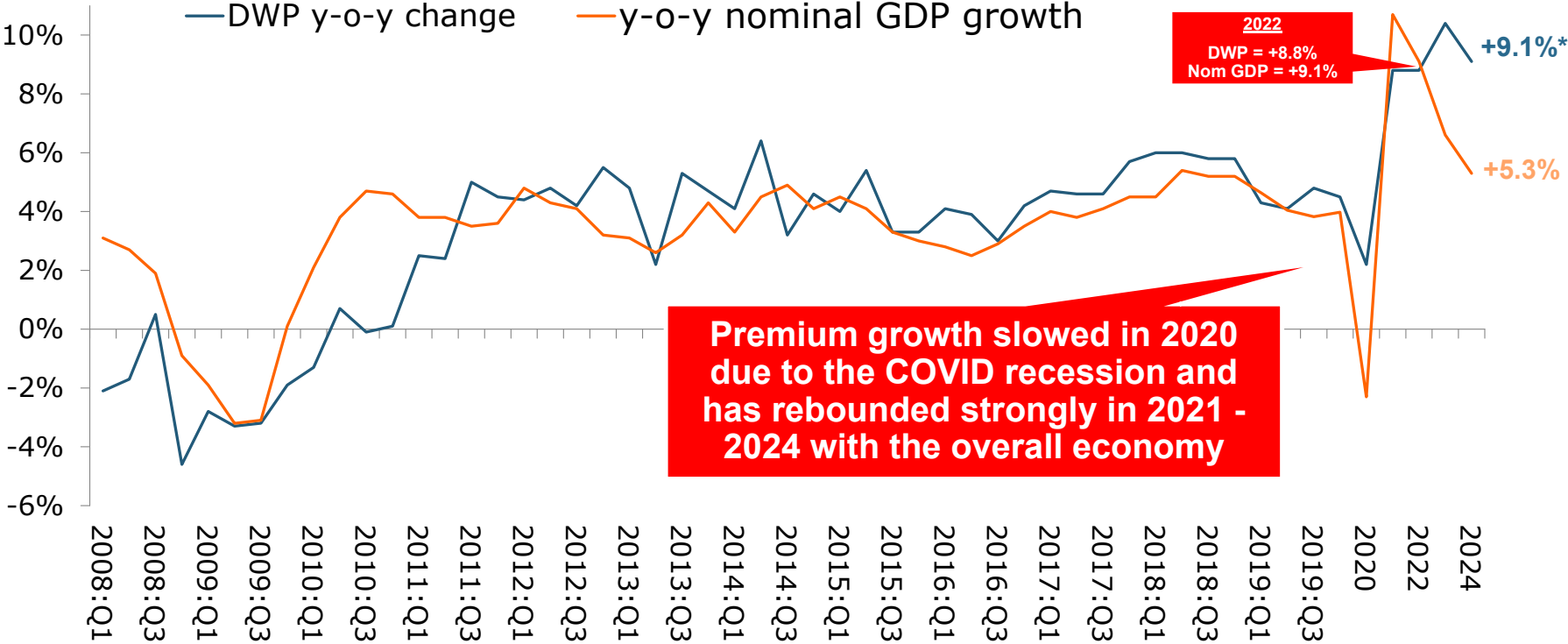
No Repeat of the Housing Collapse that Began in 2007

Insurers Are Continue to See Meaningful Exposure Growth in the Homeowners Line as well as Lines Associated with Home Construction: Construction Risk Exposure, Surety, Commercial Auto; Potent Driver of Workers Comp Exposure

Source: U.S. Department of Commerce; Wells Fargo Securities (3/25); Univ. of South Carolina, Center for Risk and Uncertainty Management..

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2024E*

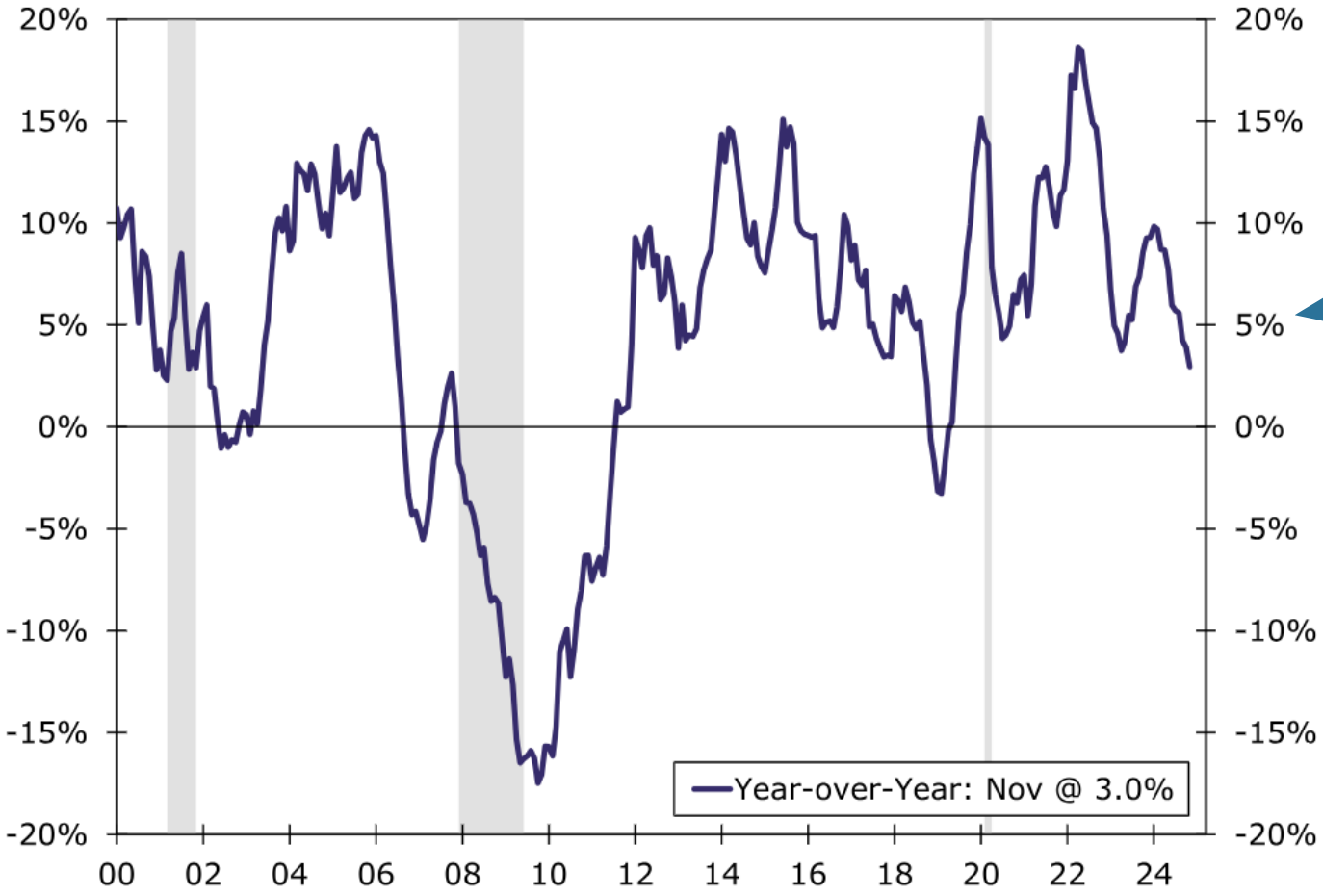
Direct Premium Growth (All P/C Lines) vs. Nominal GDP: Quarterly Y-o-Y Pct. Change



Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry’s growth prospects inextricably linked to economic performance.

*2020-24 figures are annual.
Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO; Swiss Re (2024E) I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.

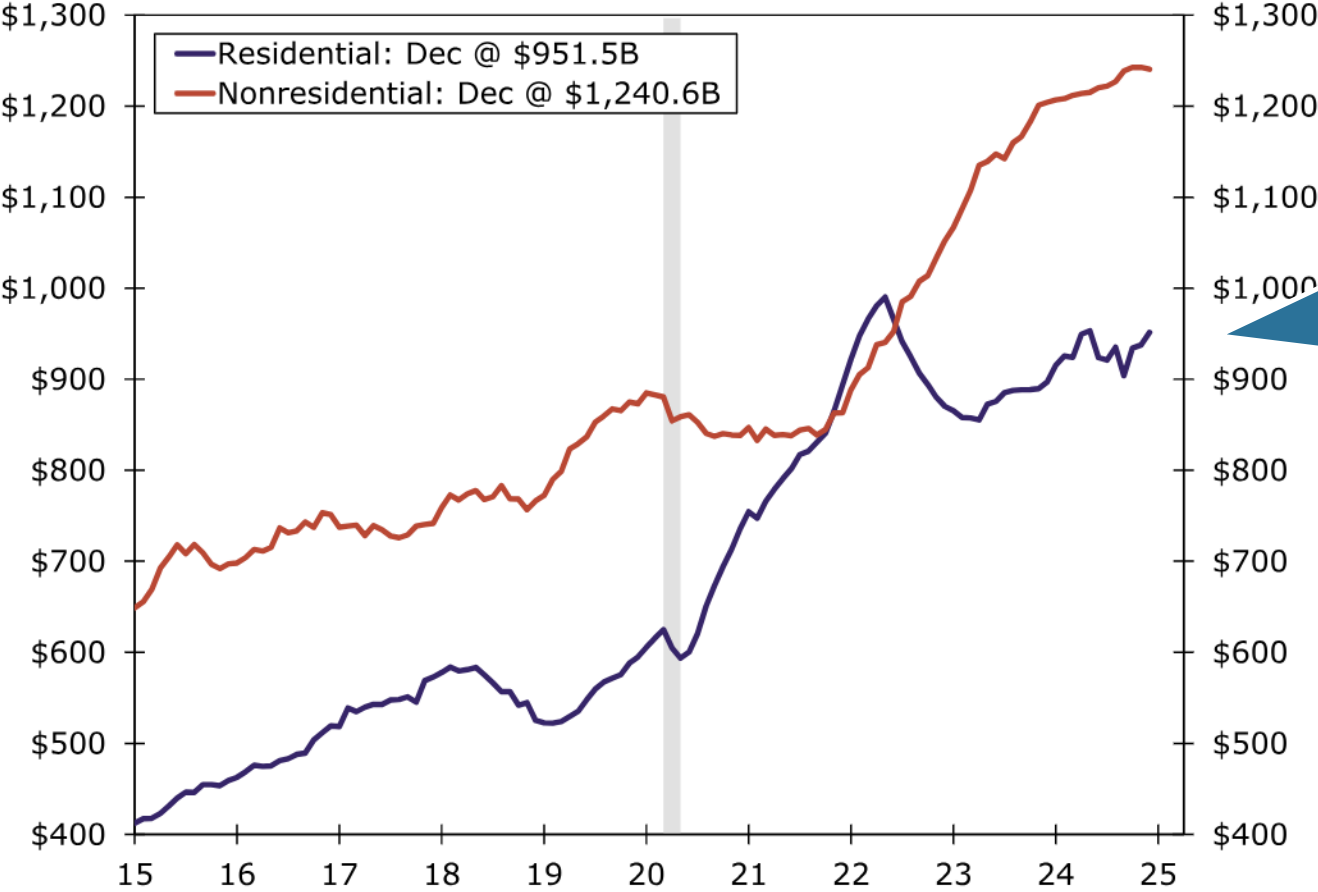
Total Value of Construction Put-in-Place



Residential construction is flat while Nonresidential construction activity is down across the board, with the notable exception of data centers and certain categories of infrastructure

Source: U.S. Department of Labor and Wells Fargo Economics.

Residential & Nonresidential Construction: Higher Interest Rates Led to a Slowdown



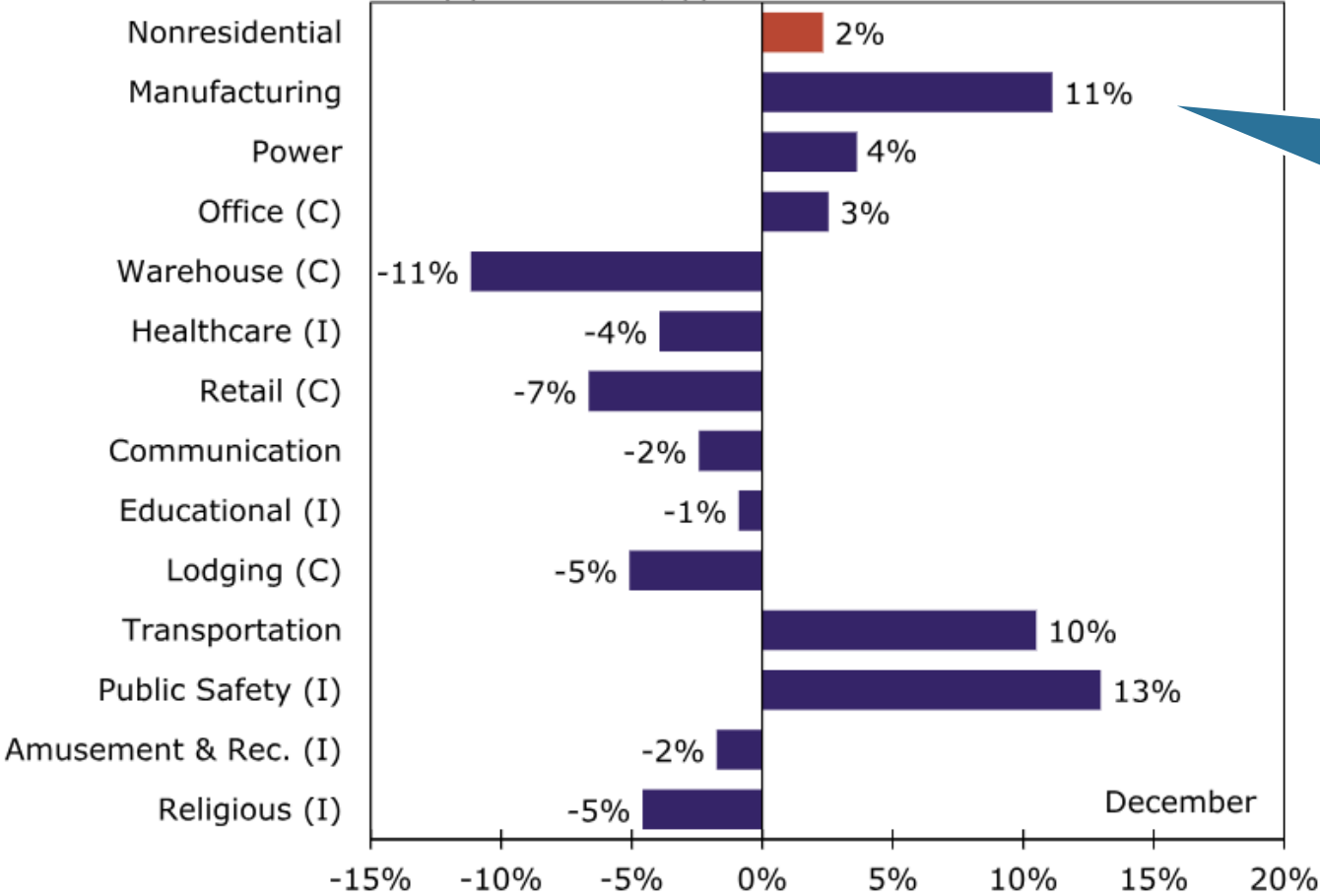
Construction spending in 2025 will remain under pressure with elevated interest rates and immigration policy changes.

Slight gain in late 2024 was entirely by Residential activity

Source: U.S. Department of Labor and Wells Fargo Economics.

Nonresidential Construction Put in Place, Dec. 2024

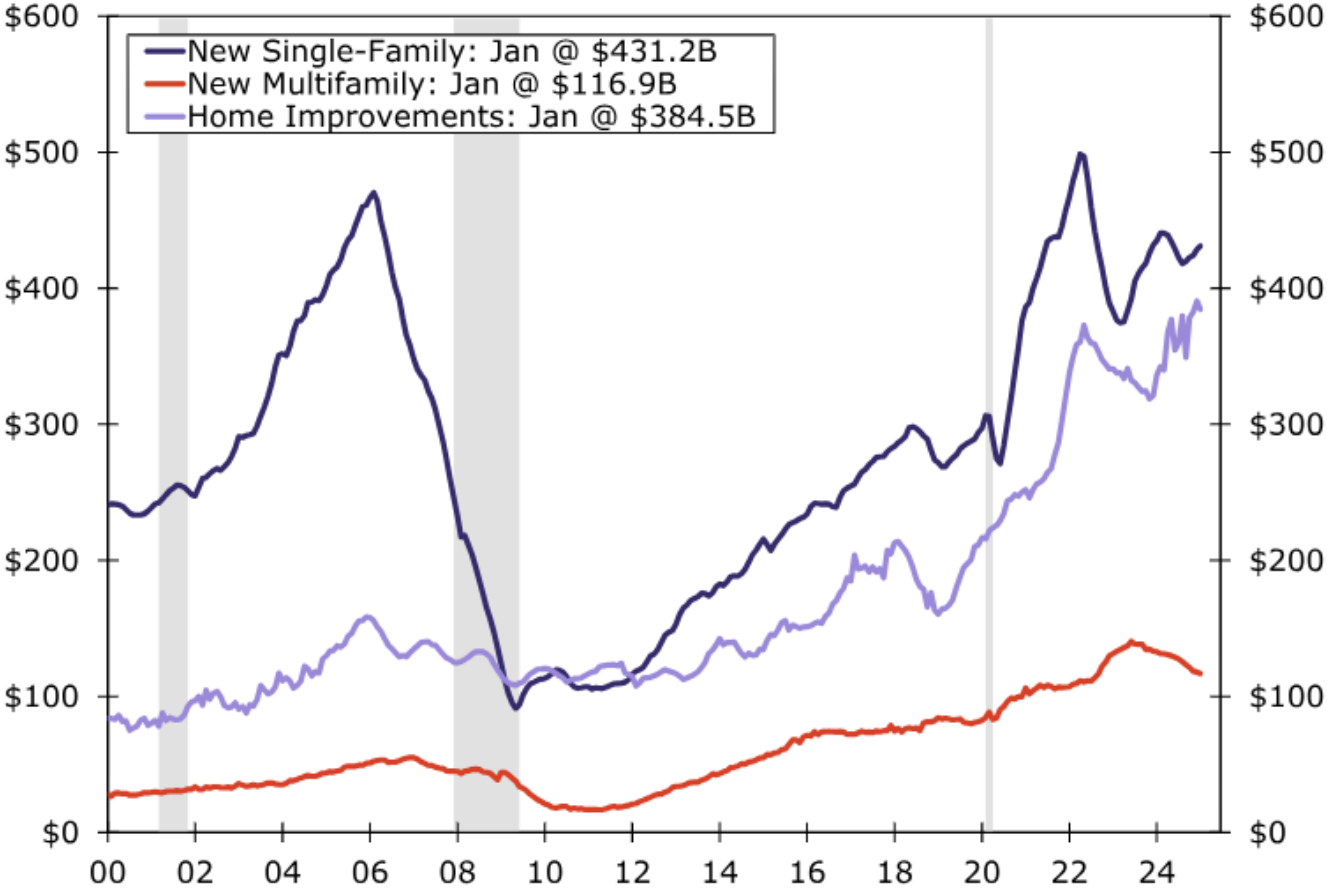
(Year-over-Year % Change)



Manufacturing, Transportation and Public Safety construction spending led the way in late 2024

Source: U.S. Department of Labor and Wells Fargo Economics.

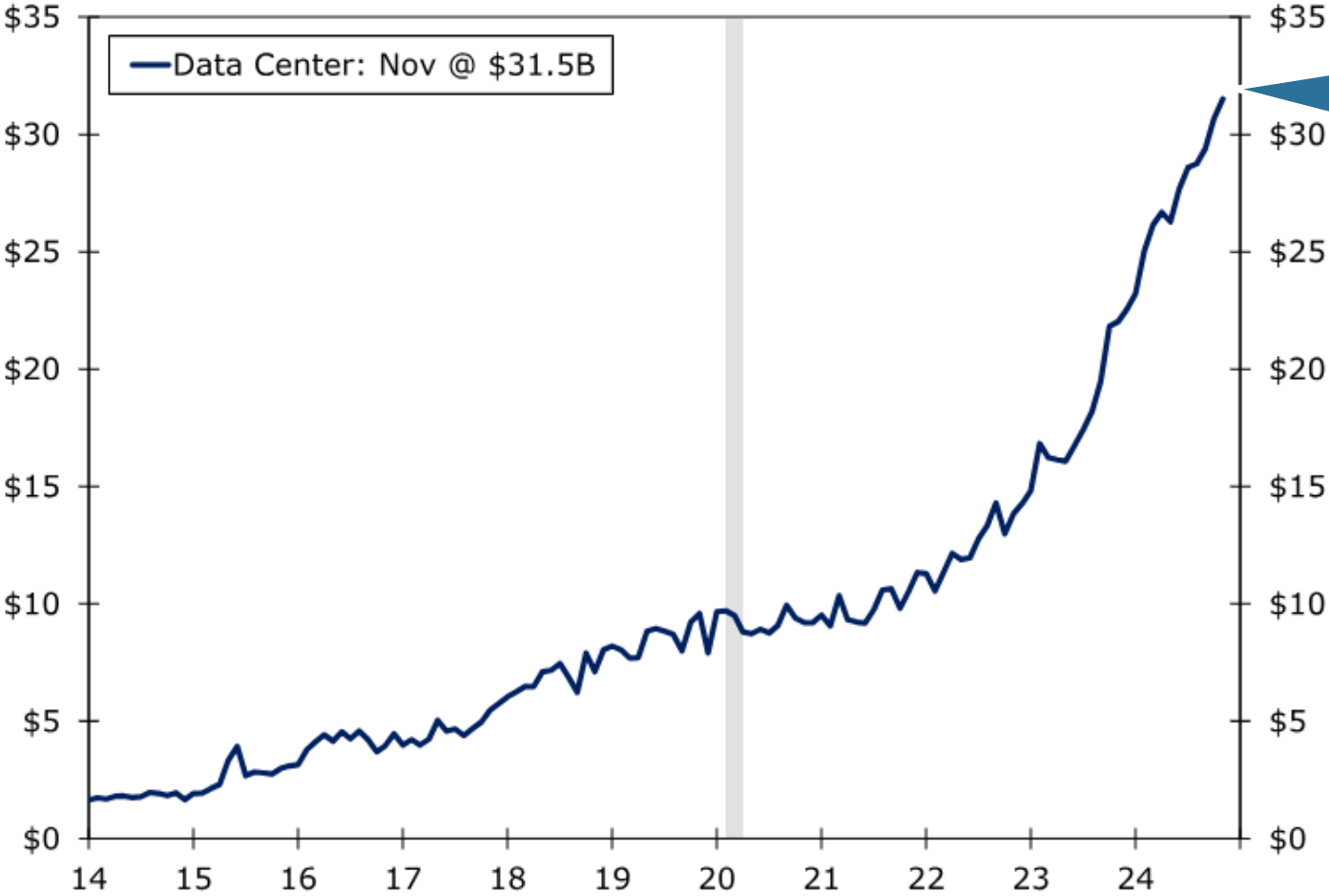
Private Single-Family & Home Improvement Spending



Residential Construction was down 0.5% in January 2025, while Nonresidential construction was up 0.1%. Still-high interest rates are weighing on the sector.

Source: U.S. Department of Commerce and Wells Fargo Economics.

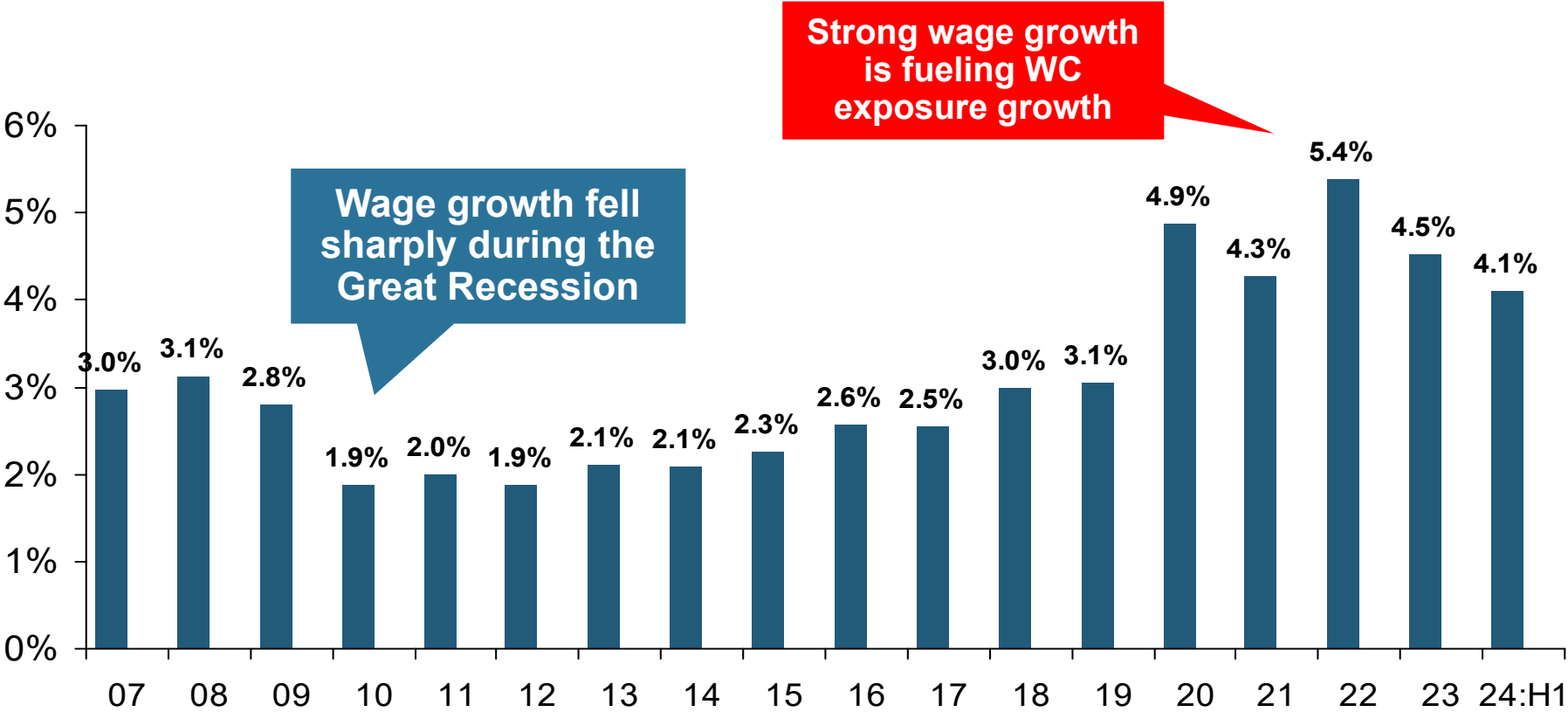
Private Single-Family & Home Improvement Spending



Data Center construction was 43% Y-o-Y, while Private Commercial Construction overall was up just 0.1%.

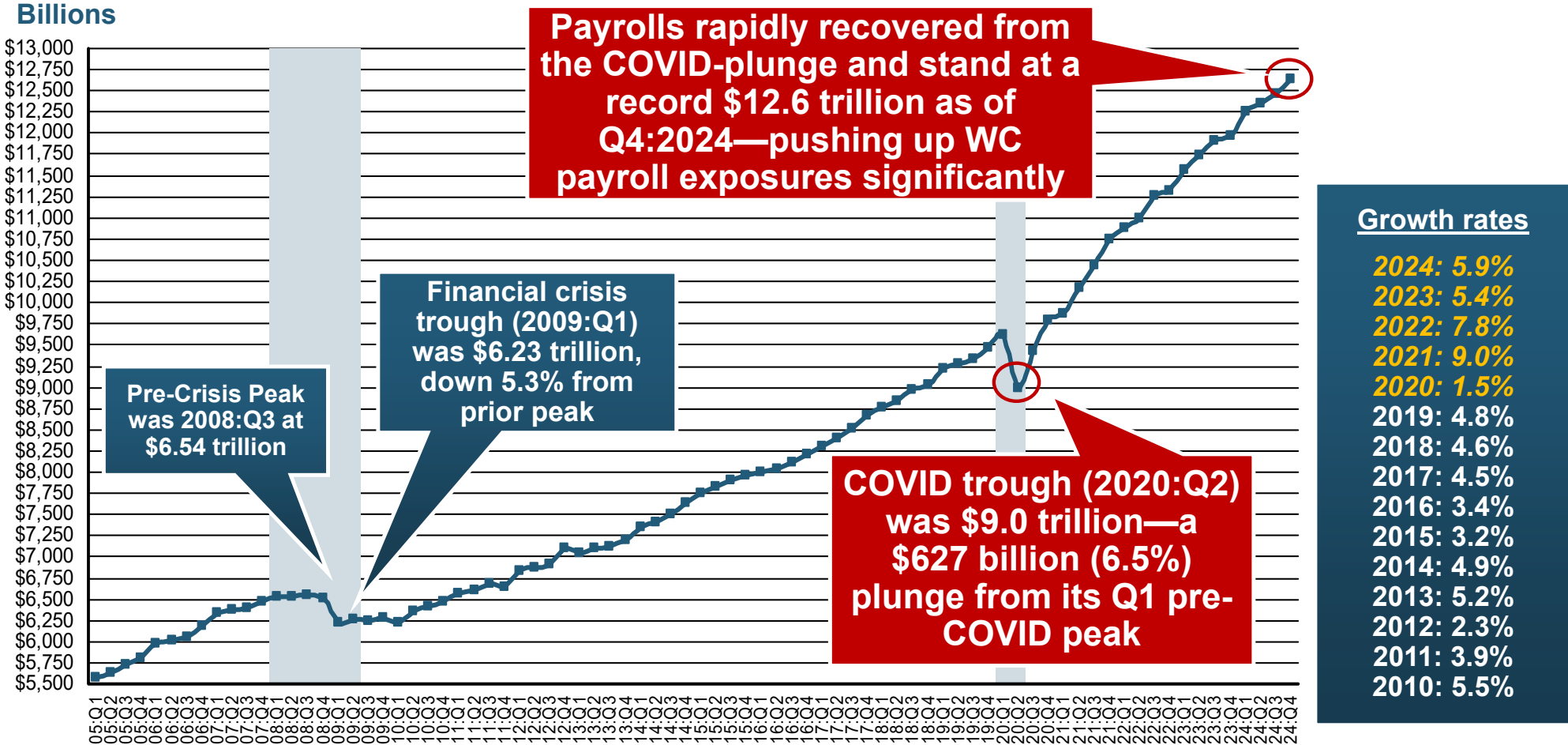
Source: U.S. Department of Commerce and Wells Fargo Economics.

Annual Change in Average Hourly Wage, 2007– 2024



Sources: US Bureau of Labor Statistics at <http://www.bls.gov/data/#employment>; National Bureau of Economic Research (recession dates); Risk and Uncertainty Management Center, Univ. of South Carolina.

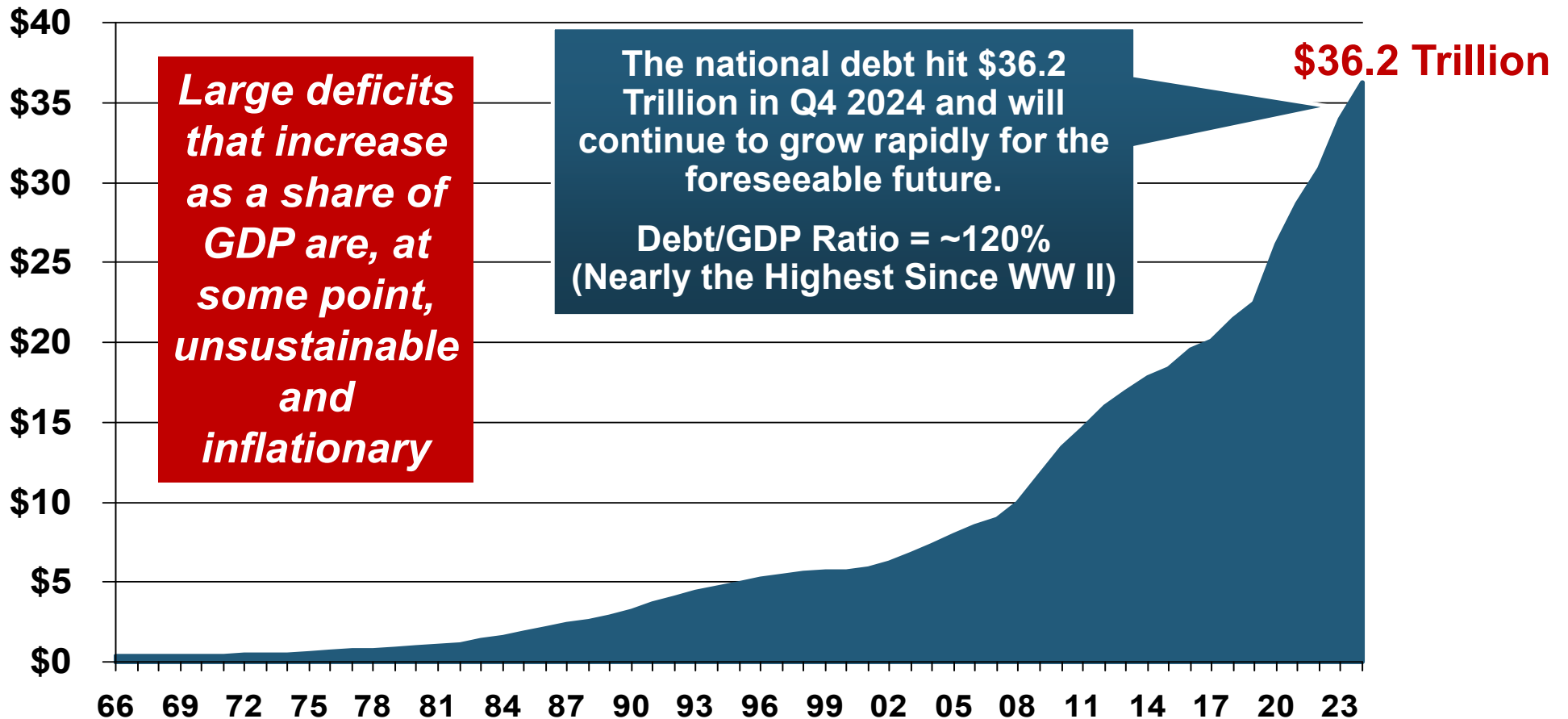
Nonfarm Payroll (Wages and Salaries): Quarterly, 2005:Q1–2024:Q4



Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.
Sources: <http://research.stlouisfed.org/fred2/series/WASCUR>; National Bureau of Economic Research (recession dates).

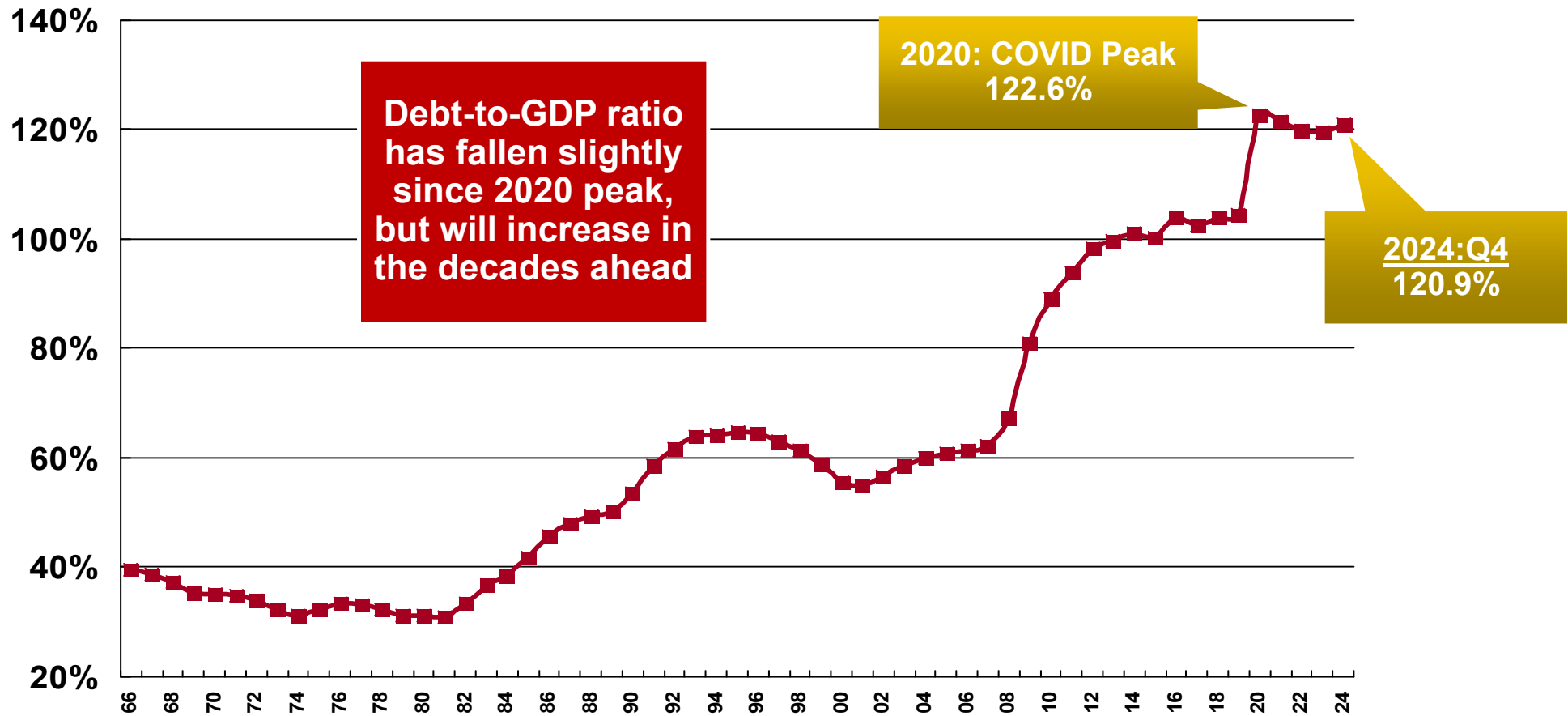
U.S. National Debt, 1966 – 2024:Q4

(\$ Trillions)



Source: Congressional Budget Office; Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/GFDEBTN>.

Total Public Debt as a Percent of GDP: 1966 – 2024



Source: Office of Management and Budget via St. Louis Fed: <https://fred.stlouisfed.org/series/GFDEGDQ188S#>. Univ. of South Carolina Center for Risk and Uncertainty Management Center.

“A Little Disturbance”
**How Will US Policy Shifts Impact
the P/C Insurance Industry?**

**Inflation, Fiscal Policy, Trade Policy,
Geopolitical Conflicts and High Interest Rates
Have Weighed Heavily on Business and
Consumer Sentiment**

***Tariffs Will Increase Auto and
Property Claim Severities***

Tariff Time Lines

- **Feb. 4: 10% on all Chinese products**
 - ◆ **China retaliates with tariffs on US coal, LNG, crude oil, ag machinery, large cars**
- **Mar. 4: US imposed 25% tariffs on all imports from Mexico and Canada and additional 10% on Chinese goods**
 - ◆ **Canada announced retaliatory tariffs on \$100B on US goods**
 - ◆ **Mexico: Will announce tariffs against US on March 9**
 - ◆ **China imposes 15% tariff on addition US goods, effective March 10**
- **Mar. 12: New/additional tariffs on steel/aluminum totaling 25%**
- **Mar. ??: Tariffs against EU threatened “Very soon”**
 - ◆ **“It’ll be 25% generally speaking and that will be on cars and all other things.” (DJT, 2/28)**
 - ◆ **EU countries have threatened retaliation**
- **Reciprocal tariffs scheduled to be implemented on April 2 (“Liberation Day”)**
- **Proposed USTR port fees on Chinese vessels of up to \$1.5M**

Fiscal Policy Will Have a Major Impact on Inflation, Unemployment, Interest Rates and Economic Growth

Fiscal Cost of President Trump's Campaign Plans

Estimated Impact on Deficit, Billions, 2026–2035 (Costs/Savings)

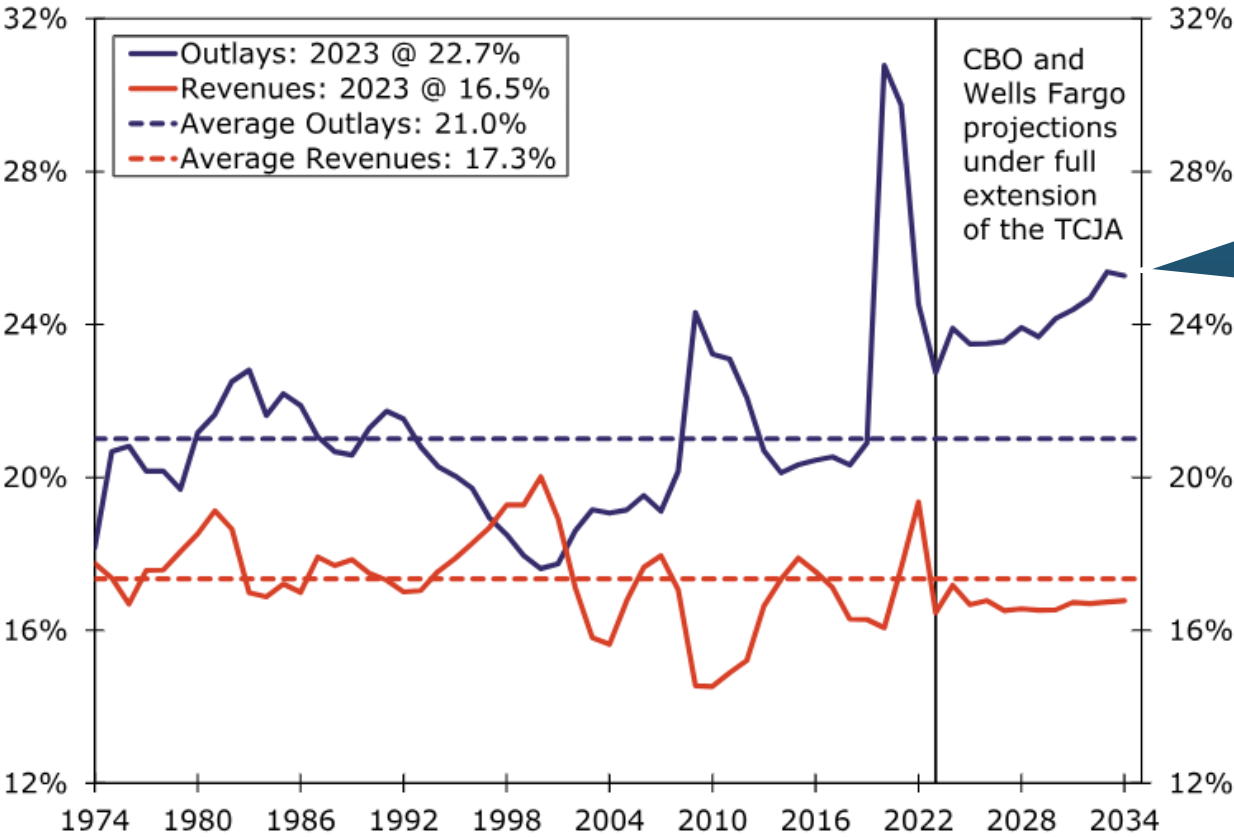
Policy Proposal	Low	Central	High
Extend and modify the Tax Cuts & Jobs Act (TCJA)	-\$4,600	-\$5,350	-\$5,950
Exempt overtime income from taxes	-\$500	-\$2,000	-\$3,000
End taxation of Social Security benefits	-\$1,200	-\$1,300	-\$1,450
Exempt tip income from taxes	-\$100	-\$300	-\$550
Lower the corporate tax rate to 15% for domestic manufacturers	-\$150	-\$200	-\$600
Enact or expand other individual and small business tax breaks	-\$150	-\$200	-\$350
Strengthen and modernize the military	-\$100	-\$400	-\$2,450
Secure the border and deport unauthorized immigrants	\$0	-\$350	-\$1,000
Enact housing reforms, including credits for first-time homebuyers	-\$100	-\$150	-\$350
Boost support for health care, long-term care and caregiving	-\$50	-\$150	-\$300
Subtotal, tax cuts and spending increases	-\$6,950	-\$10,400	-\$16,000
Establish a universal baseline tariff and additional tariffs	+\$4,300	+\$2,700	+\$2,000
Reverse current energy/environment policies and expand production	+\$750	+\$700	+\$550
Reduce waste, fraud and abuse	+\$250	+\$100	\$0
End the department of education and support school choice	+\$200	+\$200	\$0
Subtotal, revenue increases and spending reductions	+\$5,500	+\$3,700	+\$2,550
Net interest	-\$200	-\$1,050	-\$2,100
Total, net deficit impact	-\$1,650	-\$7,750	-\$15,550

Large-scale deficit spending is expected to create inflationary pressures that will have broad impacts on the economy. Inflation will be a major issue for insurers to consider—both from deficit spending and higher tariffs

Note: Figures rounded to the nearest \$50 billion.

Source: Committee for a Responsible Budget and Wells Fargo Economics (as of 11/21/24).

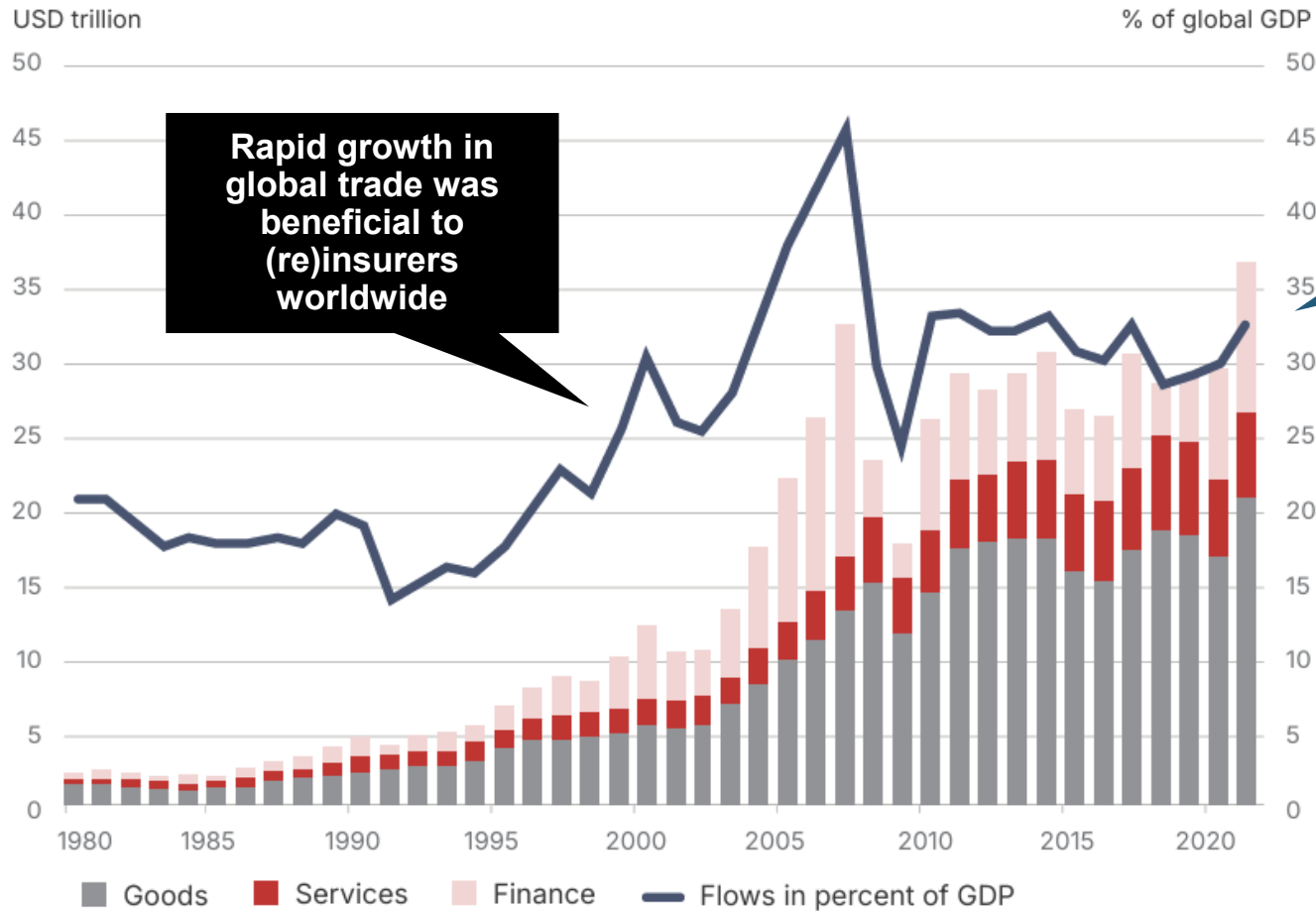
Federal Spending as a Share of GDP Is Expected to Greatly Exceed Revenues Over the Next Decade



Federal outlays as a share of GDP are expected to increase from 22.7% in 2023 to ~25% over the next decade, far above the average over the past half century, while revenues as a share of GDP remain flat—and below historical averages

Source: Congressional Budget Office and Wells Fargo Economics (as of 11/6/24).

Global Trade Flows, 1980 – 2022



Rapid growth in global trade was beneficial to (re)insurers worldwide

Trade as a percent of global GDP peaked at the onset of the global financial crisis and has remained flat since.

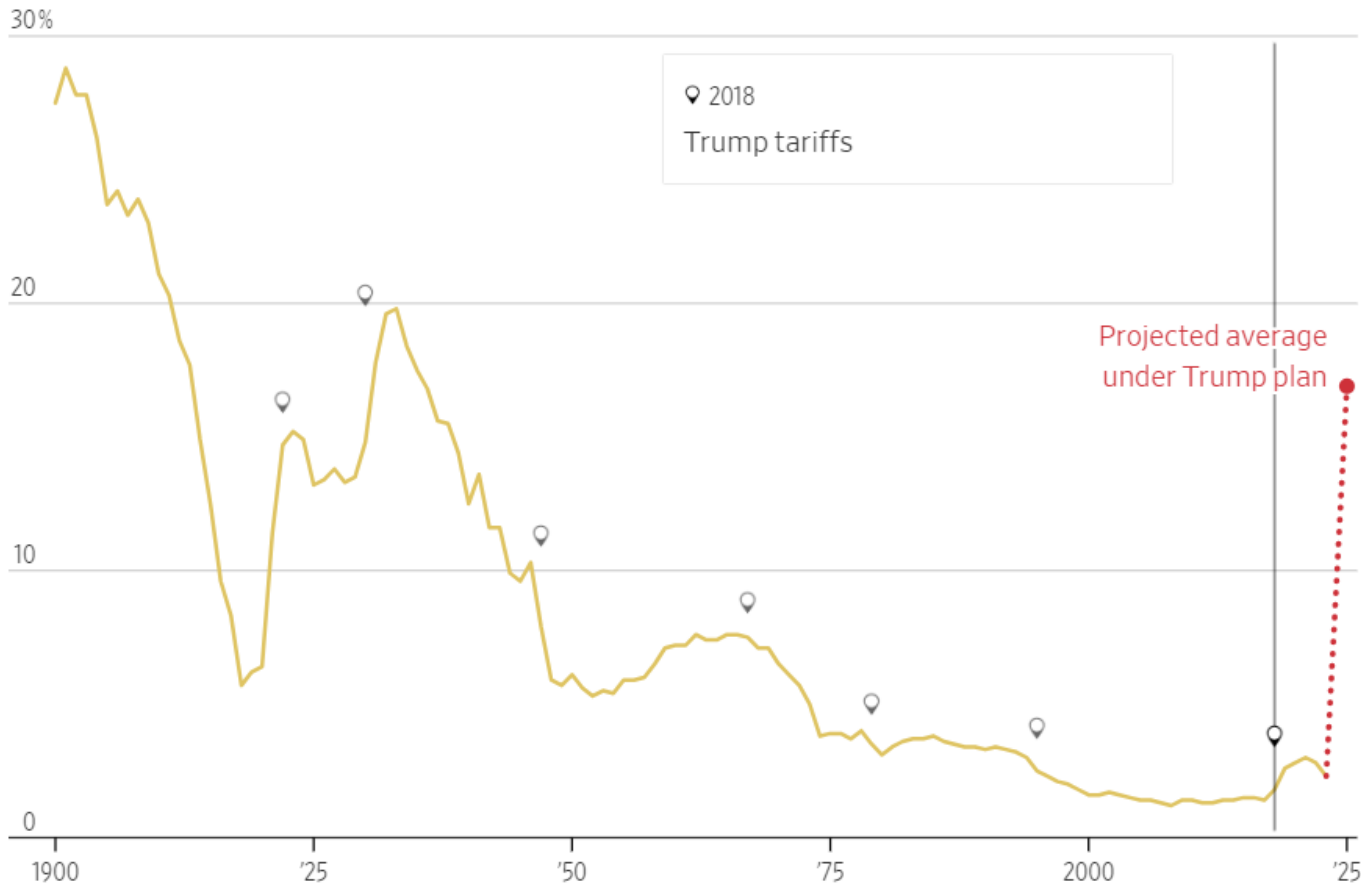
Source: Geneva Association, *Insurance in a Fragmented World Economy*, January 2025. Available at: <https://www.genevaassociation.org/publication/macro-and-geo-economic-shifts/insurance-fragmented-world-economy>. Data are sourced from IMF (2023), *Geo-Fragmentation and the Future of Multilateralism*. Available at: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2023/01/11/Geo-Economic-Fragmentation-and-the-Future-of-Multilateralism-527266>.

Geoeconomic Fragmentation and Insurance

Mitigation of global risks	International risk diversification	Global footprint	Specialty insurance	Mainstream insurance	Financial markets	Impact Areas
<ul style="list-style-type: none"> • Climate change • Pandemics • Cyber 	<ul style="list-style-type: none"> • Capital efficiency • Size and diversity of risk pools • Role of reinsurance 	<ul style="list-style-type: none"> • Divergence of legal and regulatory frameworks • Discriminatory laws and regulations • Economic sanctions • Market structure • Market appeal 	Demand for: <ul style="list-style-type: none"> • Property • Engineering • Marine • Trade credit • Political risk • Cyber risk • D&O 	<ul style="list-style-type: none"> • Income and inflation sensitivity 	Volatility due to: <ul style="list-style-type: none"> • Geopolitical/ geoeconomic tensions • Supply chain bottlenecks • Reduced macro-financial stability 	Potential Consequences

Source: Geneva Association, *Insurance in a Fragmented World Economy*, January 2025. Available at: <https://www.genevaassociation.org/publication/macro-and-geoeconomic-shifts/insurance-fragmented-world-economy>.

Average Weighted Tariffs on US Imports, 1900 – 2025*



Proposed tariffs are projected to reduce trade between the US and its major trading partners by 1% to 4%, depending on the degree of retaliation

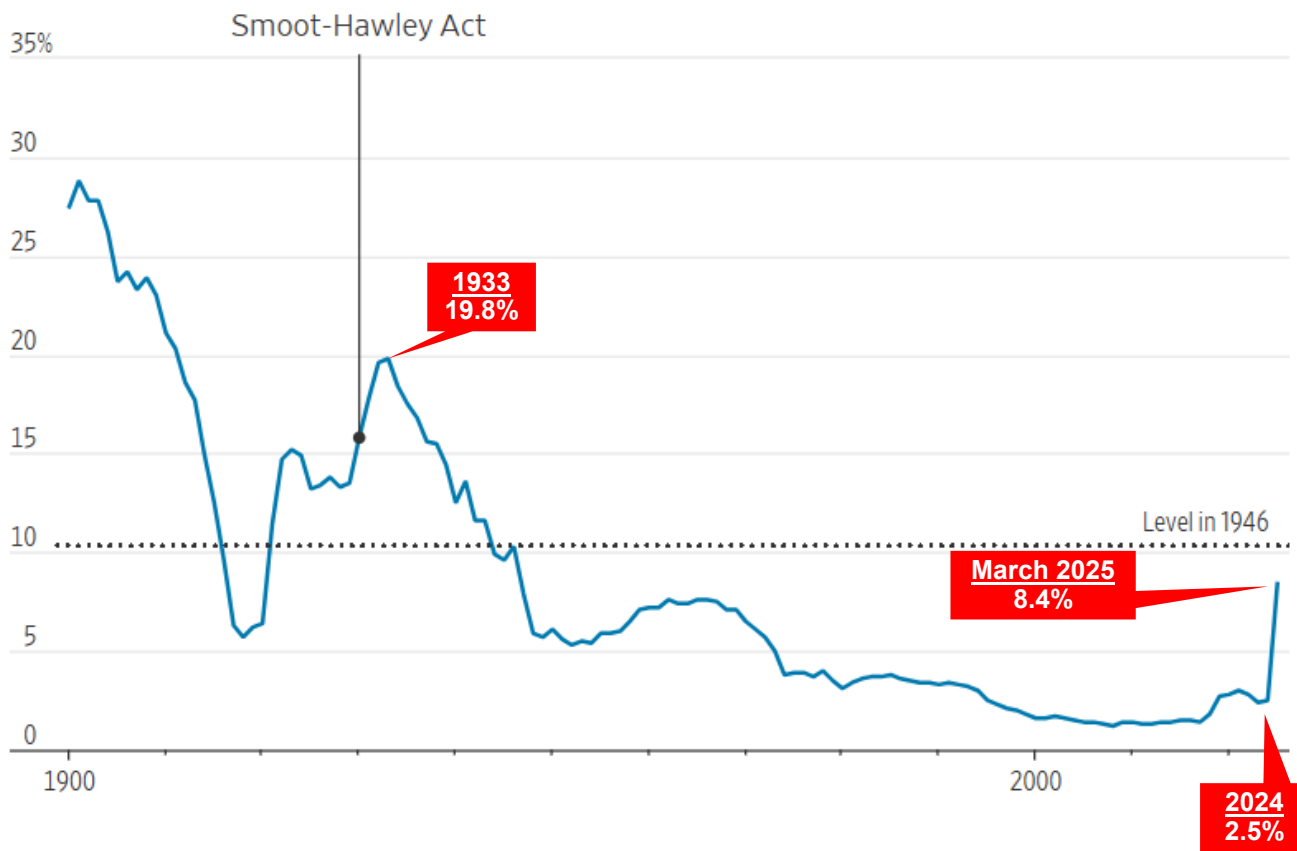
Proposed tariffs would push the average tariff rate to their highest levels since the 1930s

The proliferation of harmful trade restrictions is unambiguously detrimental to globally-focused industries, including insurance and reinsurance

*Estimate based on projected Trump tariffs (as proposed as of Oct. 15, 2024).

Source: Evercore ISI as published in the *Wall Street Journal*, Oct. 16, 2024; Available at: <https://www.wsj.com/economy/trade/donald-trump-election-trade-tariffs>.

Average Weighted Tariffs on US Imports, 1900 – 2025*



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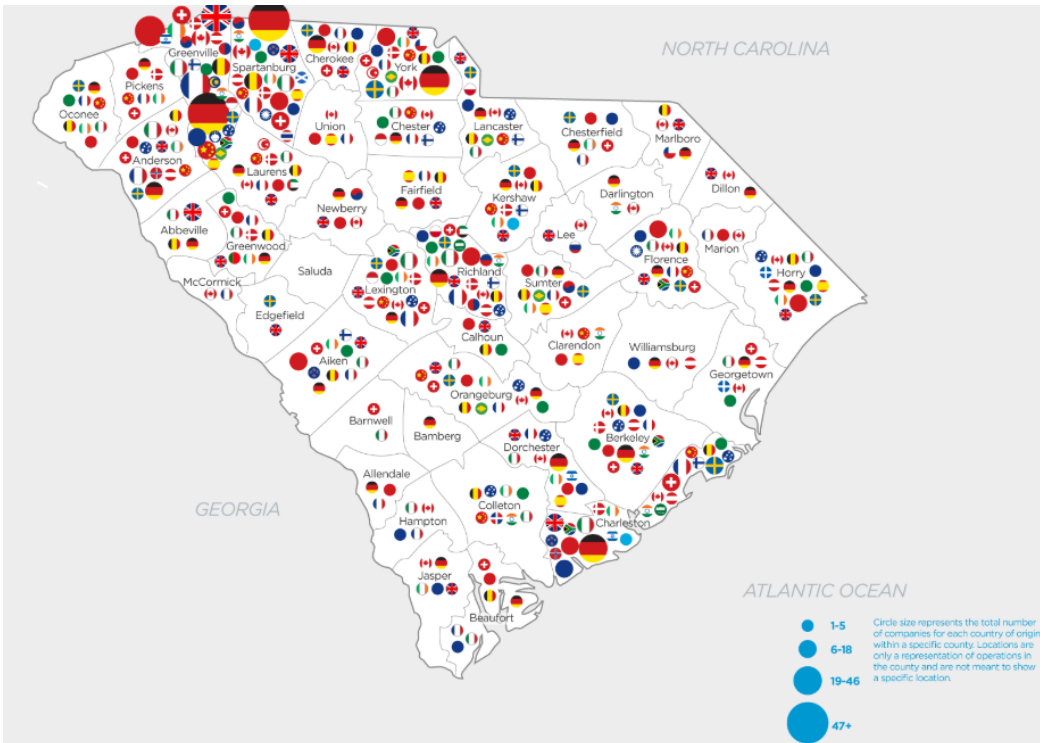
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*As of March 25, 2025.

Source: Tax Foundation as published in the *Wall Street Journal*, March 25, 2025; Available at: https://www.wsj.com/economy/trade/trade-war-explodes-across-world-at-pace-not-seen-in-decades-0b6d6513?mod=hp_lead_pos1.

South Carolina's Economy Is Vulnerable to a Trade War



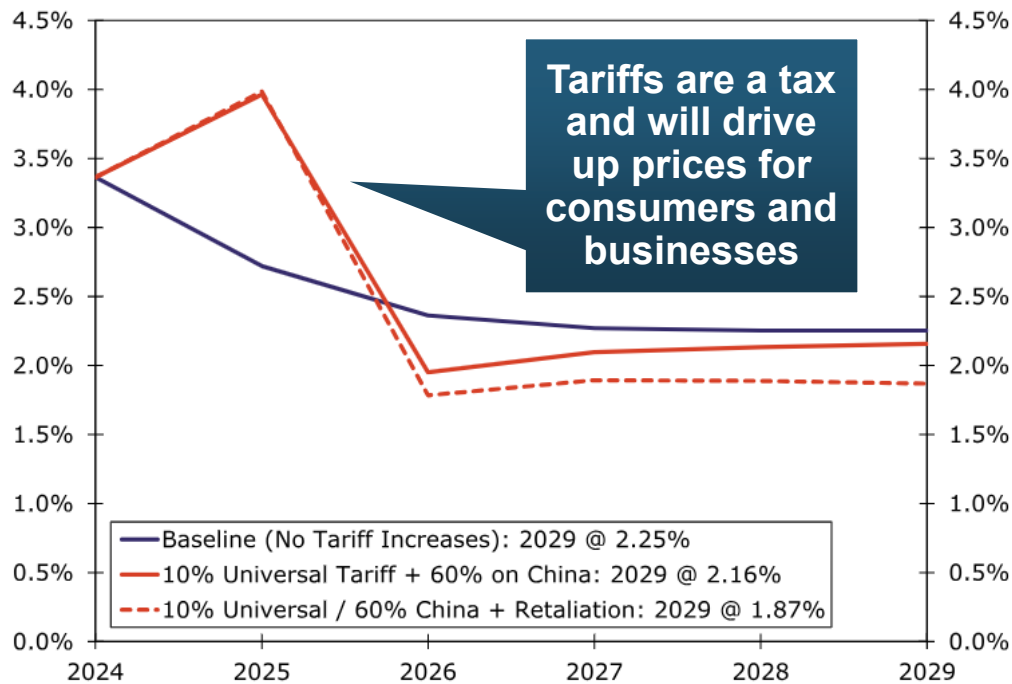
According to the SC Dept. of Commerce:

- ❑ 1,100+ international firms with operations in SC
- ❑ International companies employ 170,000+ South Carolinians
- ❑ 10% of the private workers in SC are employed by international companies

Tariffs: Spending as a Share of GDP Is Expected to Greatly Exceed Revenues Over the Next Decade

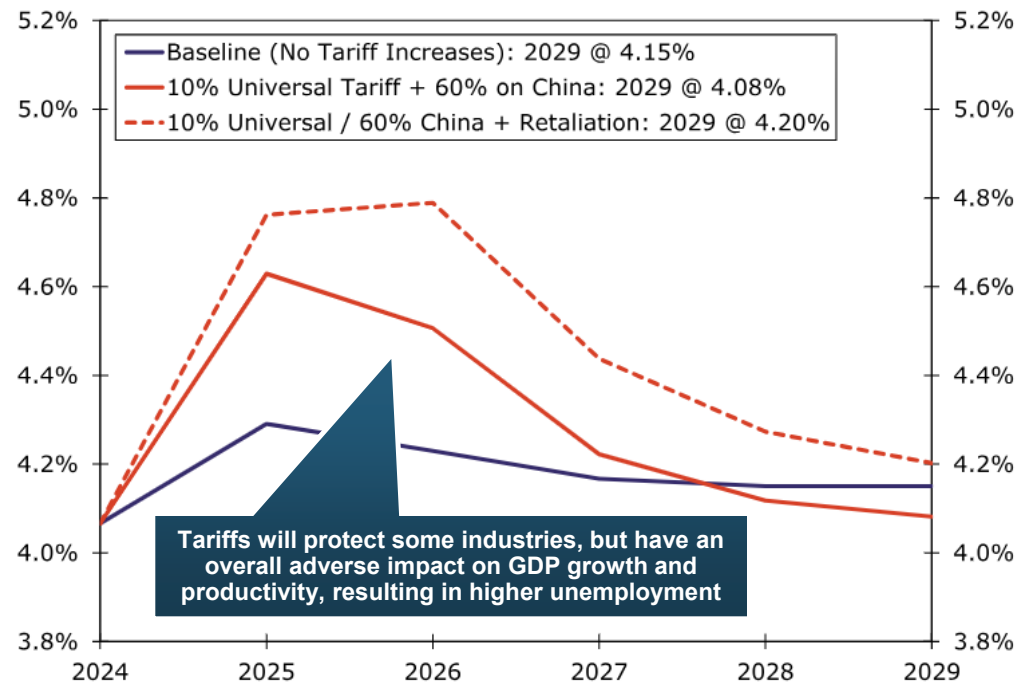
U.S. Inflation Under Tariff Scenarios

Core Consumer Price Index Yr/Yr % Change



Unemployment Rate Under Tariff Scenarios

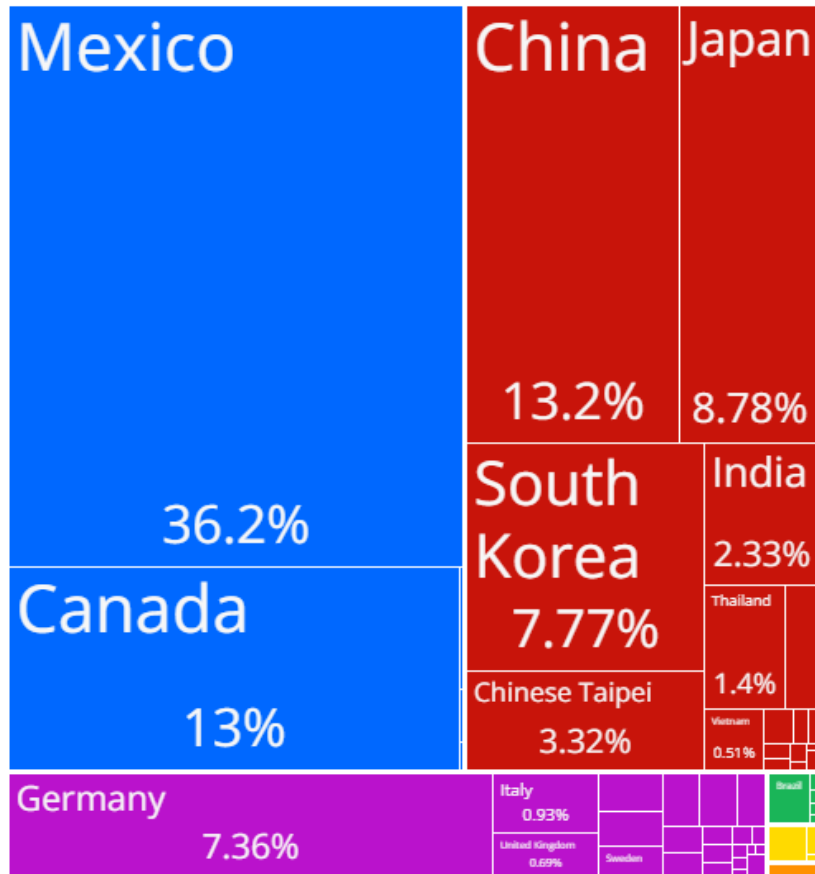
Annual Average



Source: Oxford Economics and Wells Fargo Economics (as of 11/6/24).

US Imports of Auto Parts, by Source Country, 2022

Total = \$88 Billion



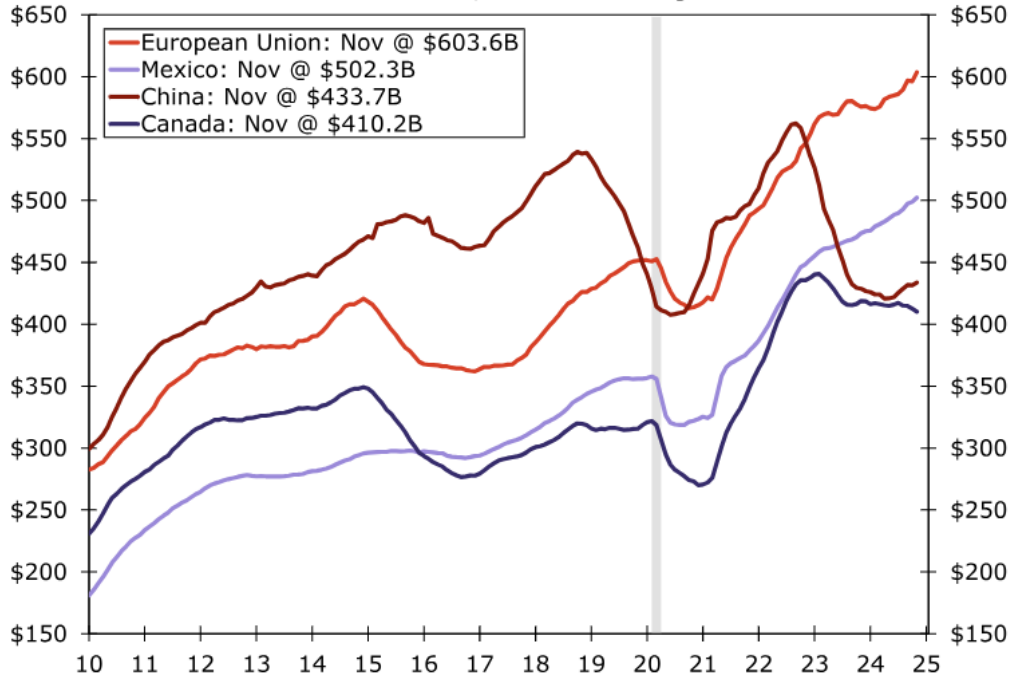
36.2% of auto part imports into the US in 2022 were from Mexico. China and Canada are a distant second and third. All are vulnerable to potential sharp price increases due to threatened tariffs ranging from 20% to 60%.

Imported auto parts account for a large share of those used in repairs paid for by insurers (esp. aftermarket parts). Tariffs will likely drive up personal and commercial auto claim severities.

Source and Type of US Imports

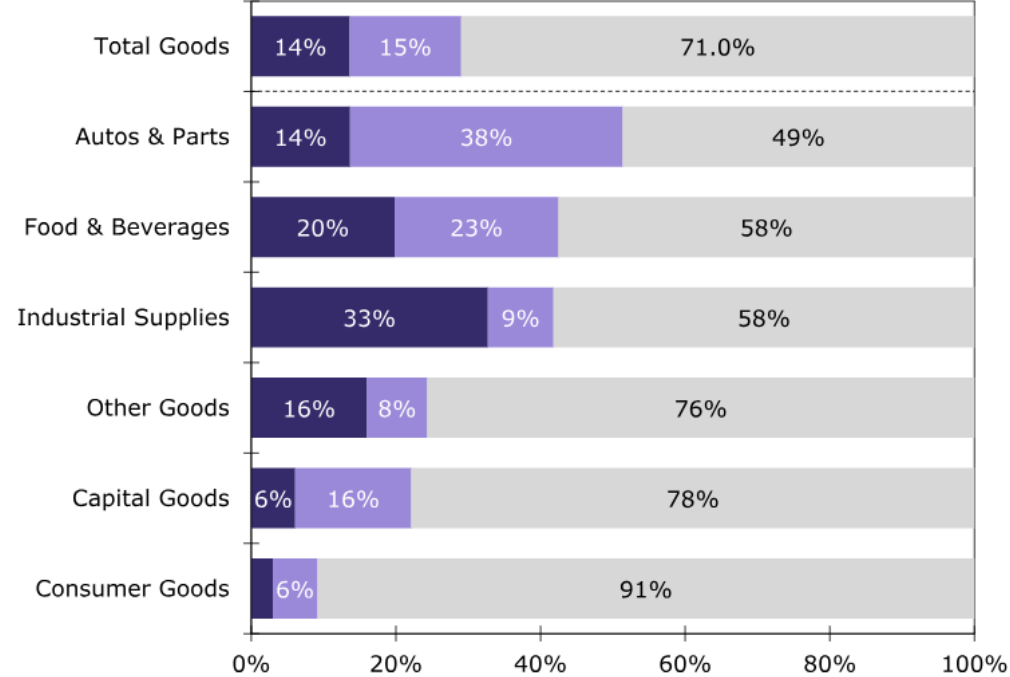
Tariffs of ~25% against Mexico and Canada would be painful for those countries, but retaliation in-kind could reduce US real GDP growth by 1 percentage point and inflation by 0.5 points

U.S. Goods Imports by Trading Partner
Billions of Dollars, 12-Month Moving Sum



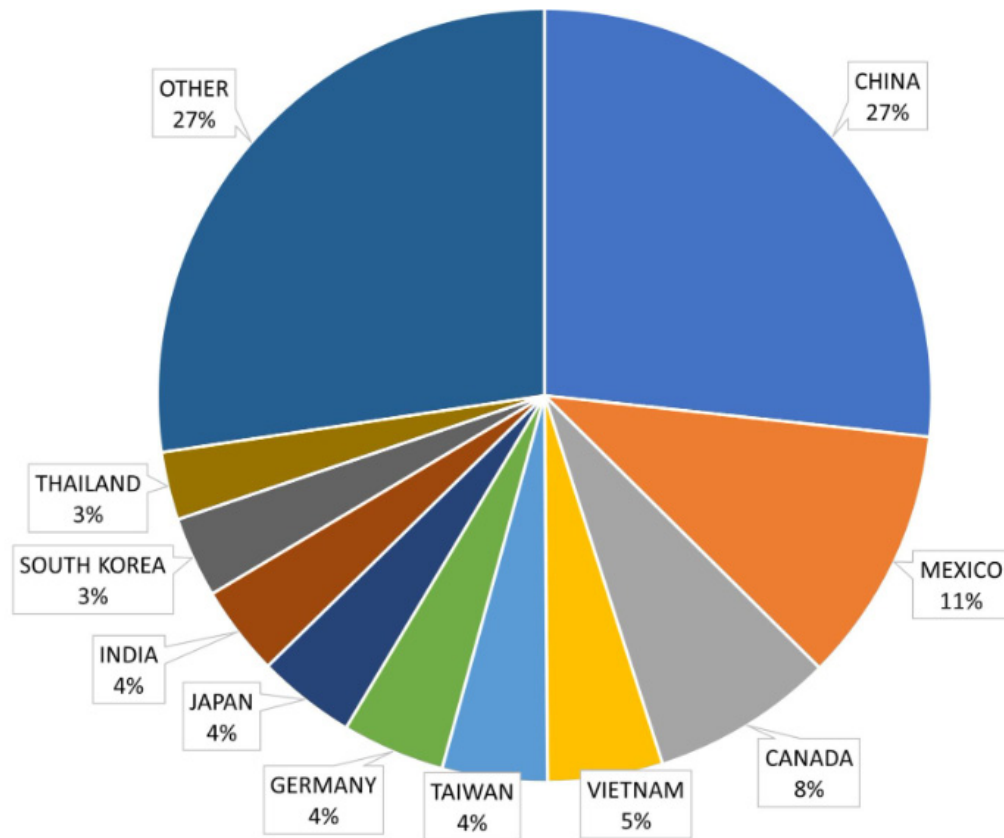
Source of U.S. Goods Imports

By End-Use Category & Trading Partner, 2023; ■ Canada ■ Mexico ■ All Other



Source: US Dept. of Commerce and Wells Fargo Economics.

Share of Imports that Are Used in Residential Construction (2023 Import Value Share)



- ❑ According to the NAHB estimates, a 10% tariff on all imports with a 60% tariff on imports directly from China would result in a \$3.2 billion increase in the cost of imported building materials used in residential construction.
- ❑ By product, the largest increase in cost would be for household appliances, where 54% of imports come from China, this tariff adds \$670 million for these imported products.
- ❑ Additionally, a 20% tariff coupled with 60% imports from China would result in \$4.2 billion in added cost of imported residential building products
- ❑ From Canada, the U.S. imports a significant amount of wood related products. In 2023, 70% of sawmill and wood product imports came from Canada. Many of these wood products from Canada are already subject to tariffs, with the current rate at 14.5%.
- ❑ Turning to Mexico, 71% of lime and gypsum products imported in 2023 originated from Mexico. While this share is particularly high, the total value of imports in 2023 of lime and gypsum was only \$456 million

Government Agencies Important to P/C Insurer Risk Assessment and Management



FEMA



Source: USC Risk & Uncertainty Management Center research (as of 3/3/25).

Widespread Media Attention and Awareness of Cutback Risks for the Public and Insurers

The Washington Post

FEMA is Losing Scores of Employees. What Does that Mean for Disaster Recovery?

-Feb. 18, 2025

<https://www.washingtonpost.com/climate-environment/2025/02/18/fema-layoffs-disaster-response/>

Reuters

US Forest Service fires 3,400 workers, Park Service cuts 1,000

By Andrew Hay

February 14, 2025 6:26 PM EST · Updated 17 days ago



A group of USDA Forest Service firefighters reconvene after battling with the blaze and assisting with evacuations caused by the South Fork Fire in Ruidoso, New Mexico, U.S. June 17, 2024. REUTERS/Kaylee Greenlee Beal/File Photo Purchase Licensing Rights



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Catastrophe bonds, insurance linked securities, reinsurance capital & investment, risk transfer intelligence.

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FEMA said to have halted work on FloodSmart Re 2025-1 catastrophe bond

3RD MARCH 2025 - AUTHOR: STEVE EVANS

Share:

According to sources, the U.S. Federal Emergency Management Agency (FEMA) has halted preparatory work for a planned FloodSmart Re Ltd. Series 2025-1 catastrophe bond issuance, which we're told is as a consequence of the oversight and focus on government agencies instigated by the new U.S. Administration.

Each year since 2018, FEMA has sponsored a new FloodSmart Re catastrophe bond, to source capital markets backed flood reinsurance protection for the National Flood Insurance Program (NFIP).

We already understood that a new issuance was planned and already in the works for 2025, with preparations said to be underway.

But now, we're told that work on the FloodSmart Re 2025-1 cat bond has been halted and sources said that at this stage there appear to be no immediate plans to restart the effort.

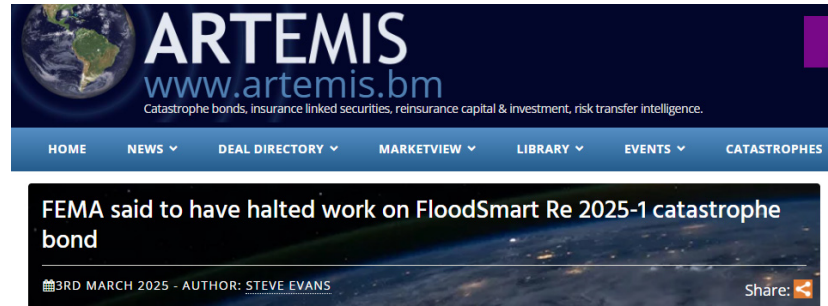
Source: <https://www.artemis.bm/news/fema-said-to-have-halted-work-on-floodsmart-re-2025-1-catastrophe-bond/>



Source: USC Risk & Uncertainty Management Center research (as of 3/3/25).

DOGE Cuts: Concerns for Insurance Markets Run Deep

- It seems reinsurance spend may now be under scrutiny, resulting in the current halt to cat bond work at FEMA.
- With FEMA's funding under pressure, the use of private market funding through reinsurance and catastrophe bonds to protect the NFIP from the financial impact of major flood loss events seems a prudent way to protect taxpayers from the impacts of flood disasters.
- Cuts to FEMA and other agencies, such as the weather agency NOAA, could have ramifications for the insurance, reinsurance and insurance-linked securities (ILS) markets.
- FEMA is a core disaster response agency and operates the National Flood Insurance Program, which are critical services that help people manage and recover from disasters, including flood events.
- NOAA's provision of critical weather data and services informs and provides forecasts, observations and insights into potentially catastrophic weather and climate disasters, with re/insurance and ILS markets heavily reliant on some of those offerings.
- There could be much wider-reaching ramifications from the ongoing US government agency cuts to budgets, people and services, for the risk transfer and reinsurance markets, than just the work on one cat bond being halted.
- Weather and risk management experts are particularly worried about cuts to NOAA weather services, with many expressing concerns over how this could impact observations around meteorological insights for key perils such as severe weather outbreaks and this year's coming hurricane season.



According to sources, the U.S. Federal Emergency Management Agency (FEMA) has halted preparatory work for a planned FloodSmart Re Ltd. Series 2025-1 catastrophe bond issuance, which we're told is as a consequence of the oversight and focus on government agencies instigated by the new U.S. Administration.

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Source: <https://www.artemis.bm/news/fema-said-to-have-halted-work-on-floodsmart-re-2025-1-catastrophe-bond/>

Source: USC Risk & Uncertainty Management Center research (as of 3/3/25).

The Inflation Threat

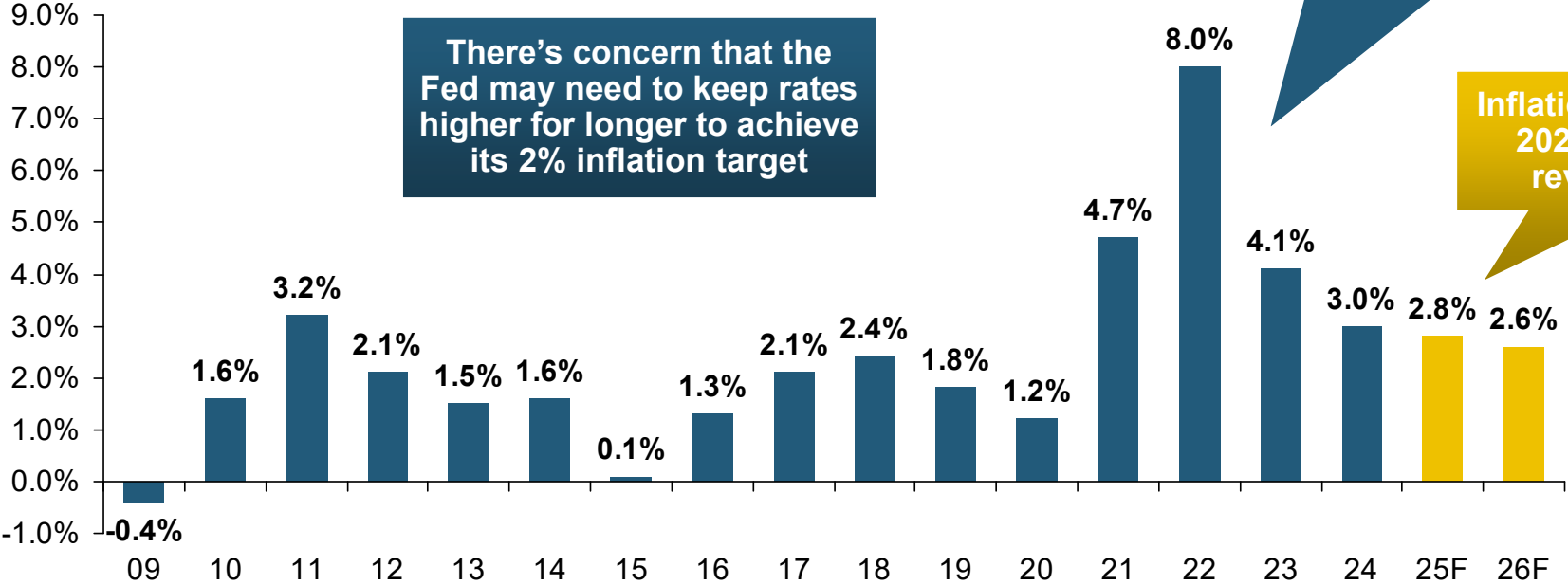
**Inflation Has Been the #1 Concern of
U.S. Consumers and Corporations...**

And a Major Concern of Insurers

Is the Threat Finally Subsiding?

U.S. Inflation Rate: 2009-2026F*

Percentage Change (%)



There's concern that the Fed may need to keep rates higher for longer to achieve its 2% inflation target

Inflation accelerated sharply in 2021 before peaking at 9.1% in June 2022. Inflation was nearly halved in 2023 and fell further in 2024, but will remain above the Fed's 2% target in 2025-26

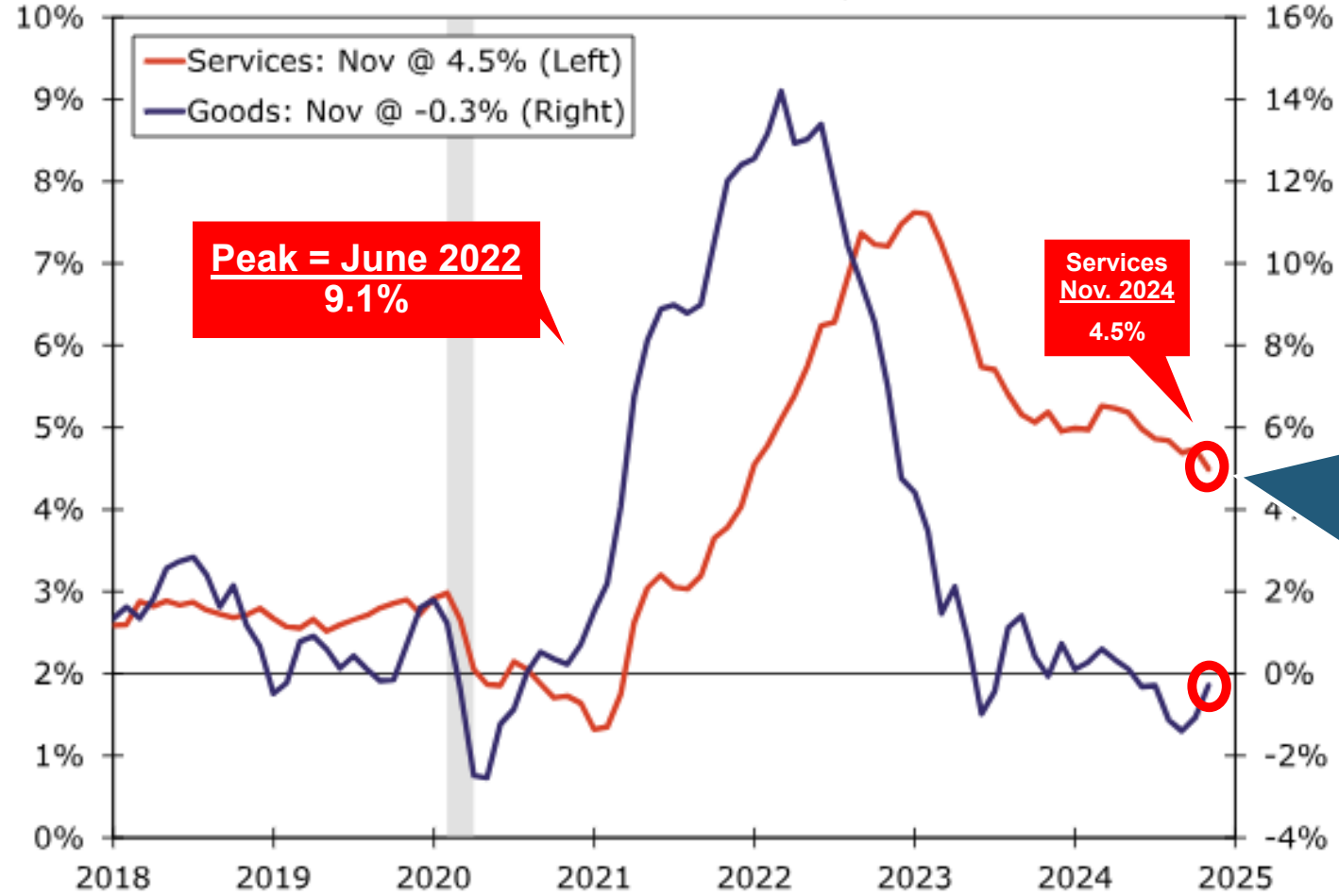
Inflation projections for 2025-26 have been revised upwards

Insurer Concerns About Inflation
Rate Inadequacy
Reserve Inadequacy
Insurance-to-Value

*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).

Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (3/25); USC Center for Risk and Uncertainty Management.

Goods vs. Services Inflation: Jan. 2018 – Nov. 2024

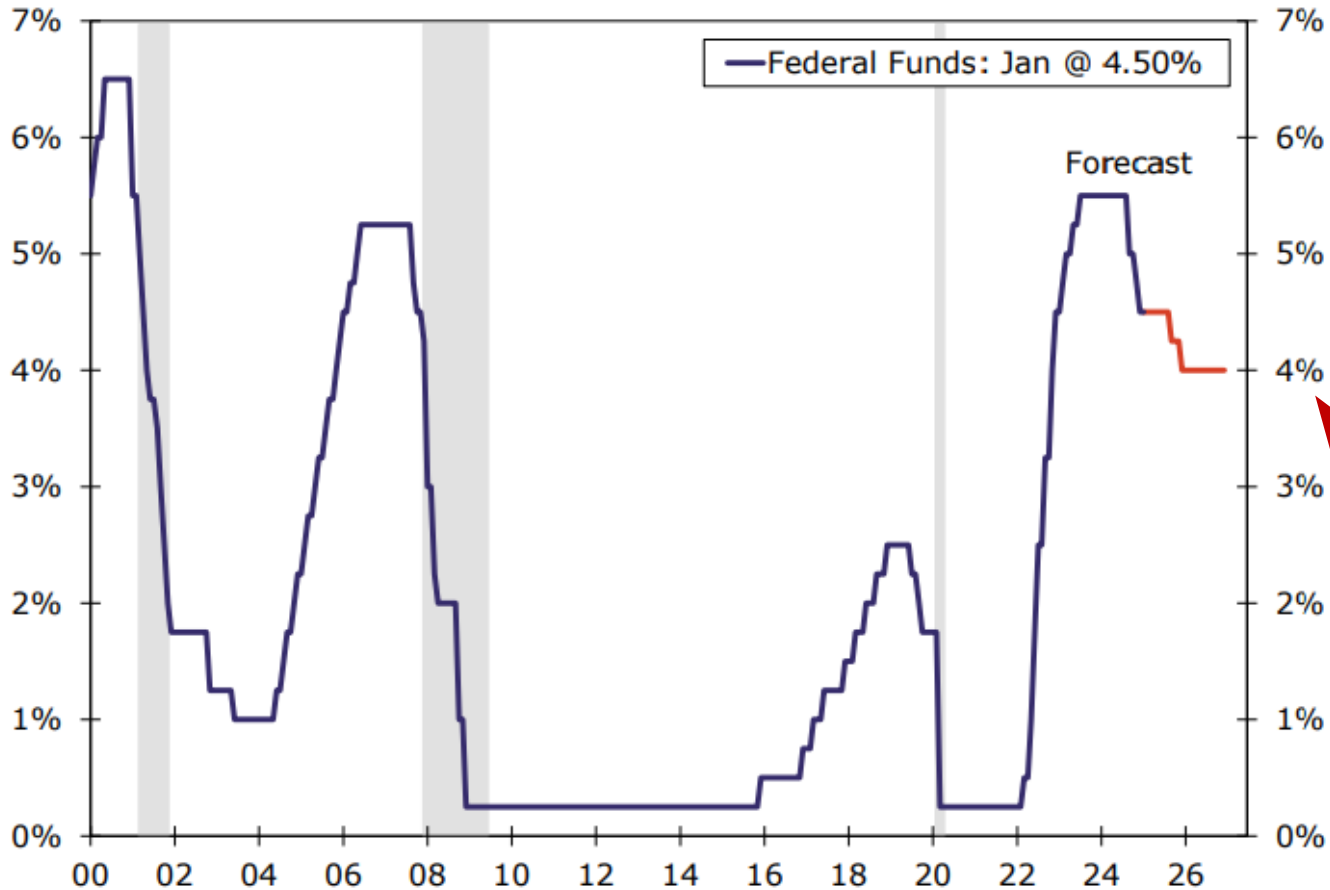


The overall CPI was up 2.7% in Nov. 2024 vs. a year ago—well below the June 2022 peak of 9.1%.

Inflation to today is dominated by the rising price Services—which includes shelter and insurance, which continue to experience upward price pressures.

Source: U.S. Department of Commerce and Wells Fargo Economics.

Federal Funds Target Rate, 2000 – 2026F



The Fed is expected to cut rates by 25 bps at its September and December 2025 meetings, then leave rates unchanged in 2026

Sep. 2025: 25bps

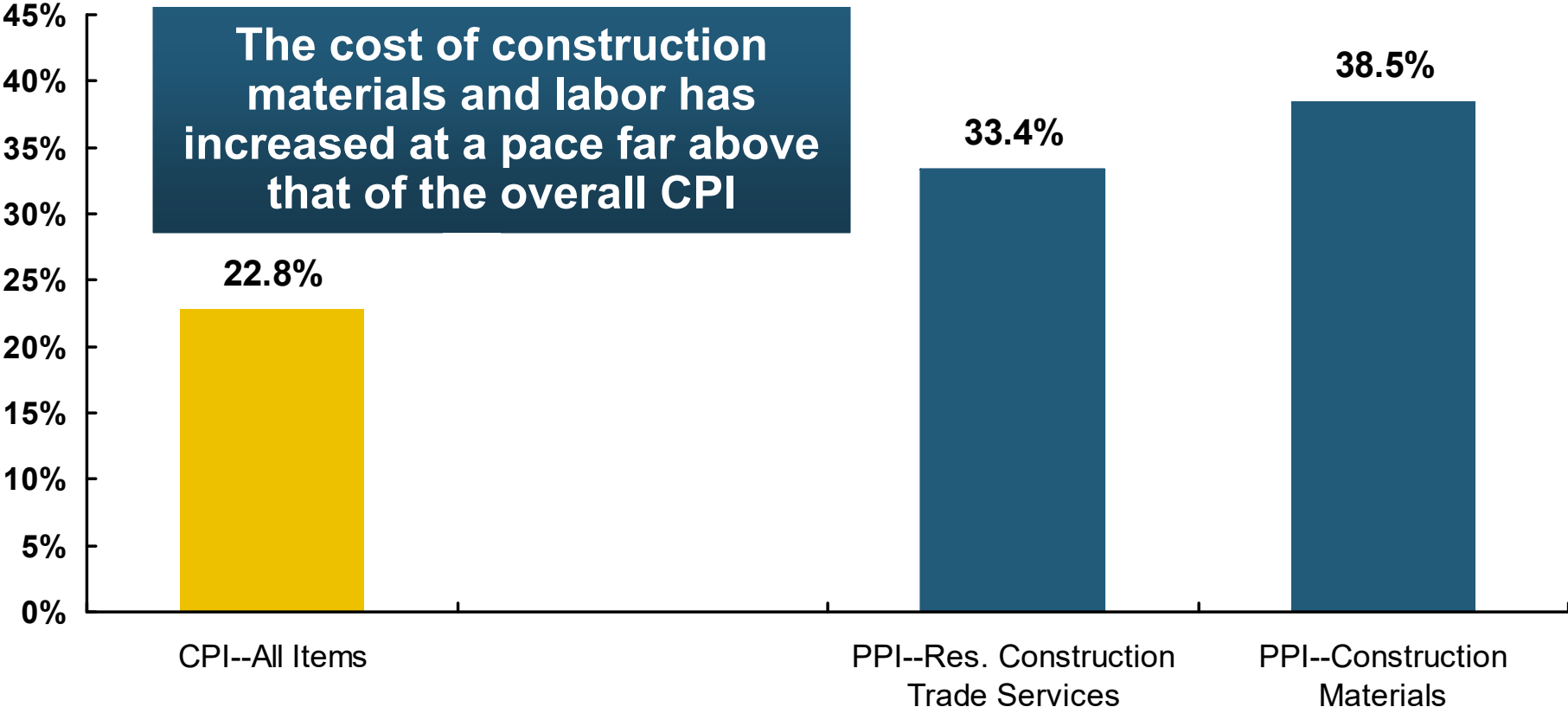
Dec. 2025: 25bps

All of 2026: No Cuts

The Fed cut rates by 50 bps in Sept. 2024 and 25bps in Dec. 2024. Fewer rate cuts are expected in 2025 and none in 2026 because of a stubborn inflation, a strong economy a potentially inflationary policies, esp. tariffs and expansionary fiscal policy.

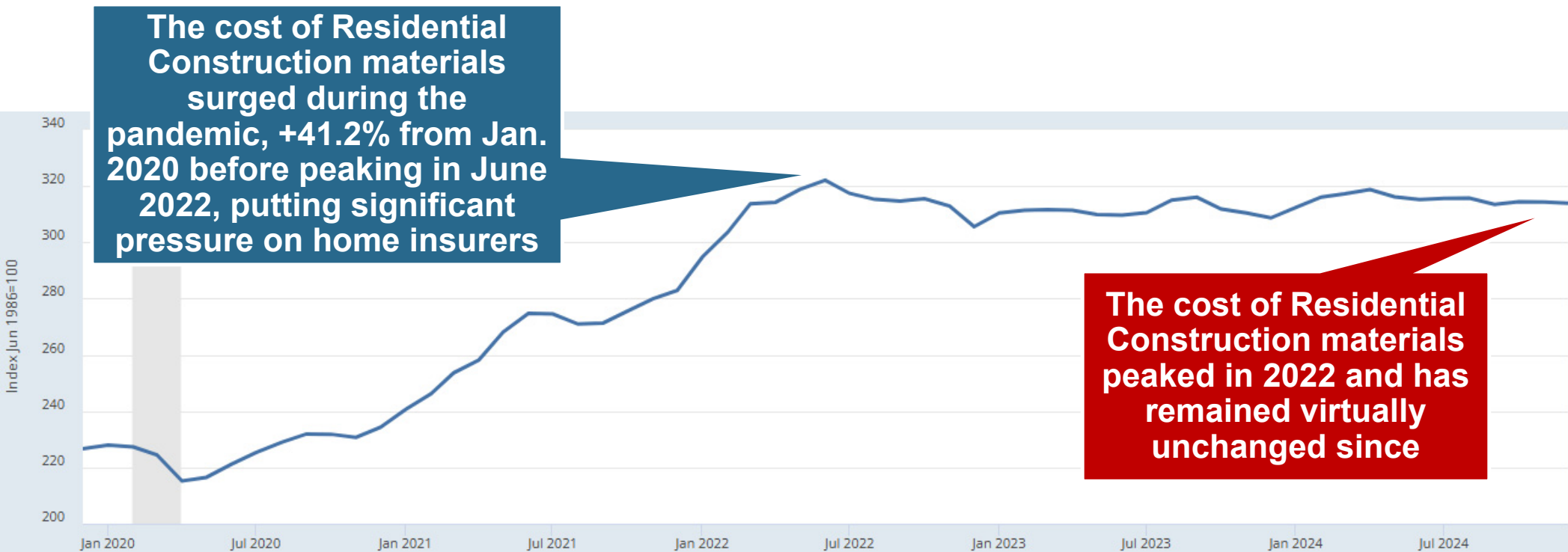
Source: Federal Reserve Board and Wells Fargo Securities as of 2/25.

Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – Dec. 2024



Source: U.S. Bureau of Labor Statistics from Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/WPUIP23111021> (Trade Services) and <https://fred.stlouisfed.org/series/WPUSI012011> (Construction Materials).

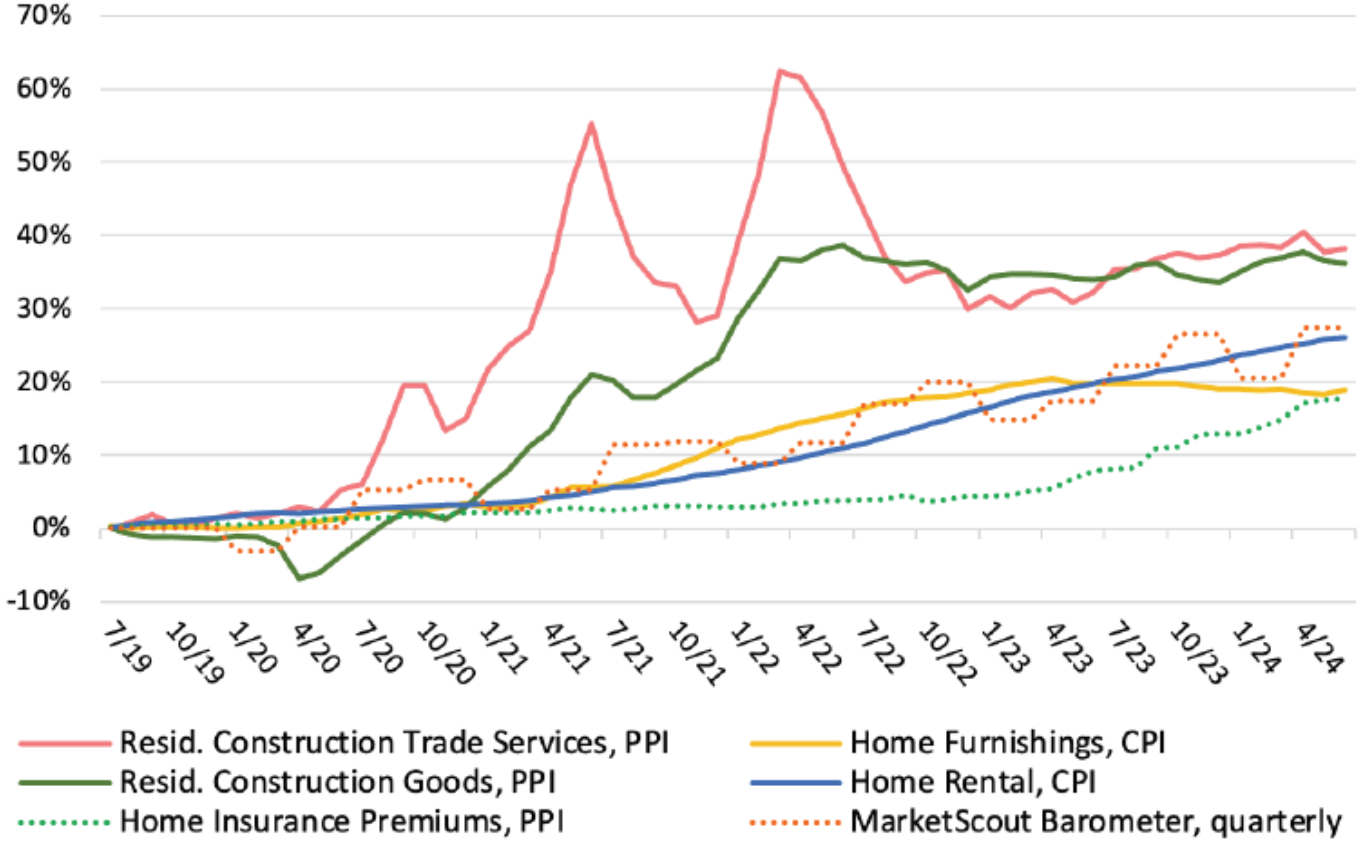
PPI: Net Inputs to Residential Construction, Goods, Jan. 2019 – Dec. 2024



Sources: Federal Reserve Bank of St. Louis from US Bureau of Labor Statistics: <https://fred.stlouisfed.org/series/WPUIP2311001>; Risk and Uncertainty Management Center, University of South Carolina.

Cost Indicators: Homeowners Insurance

Cumulative Percent Change Over 5 Years

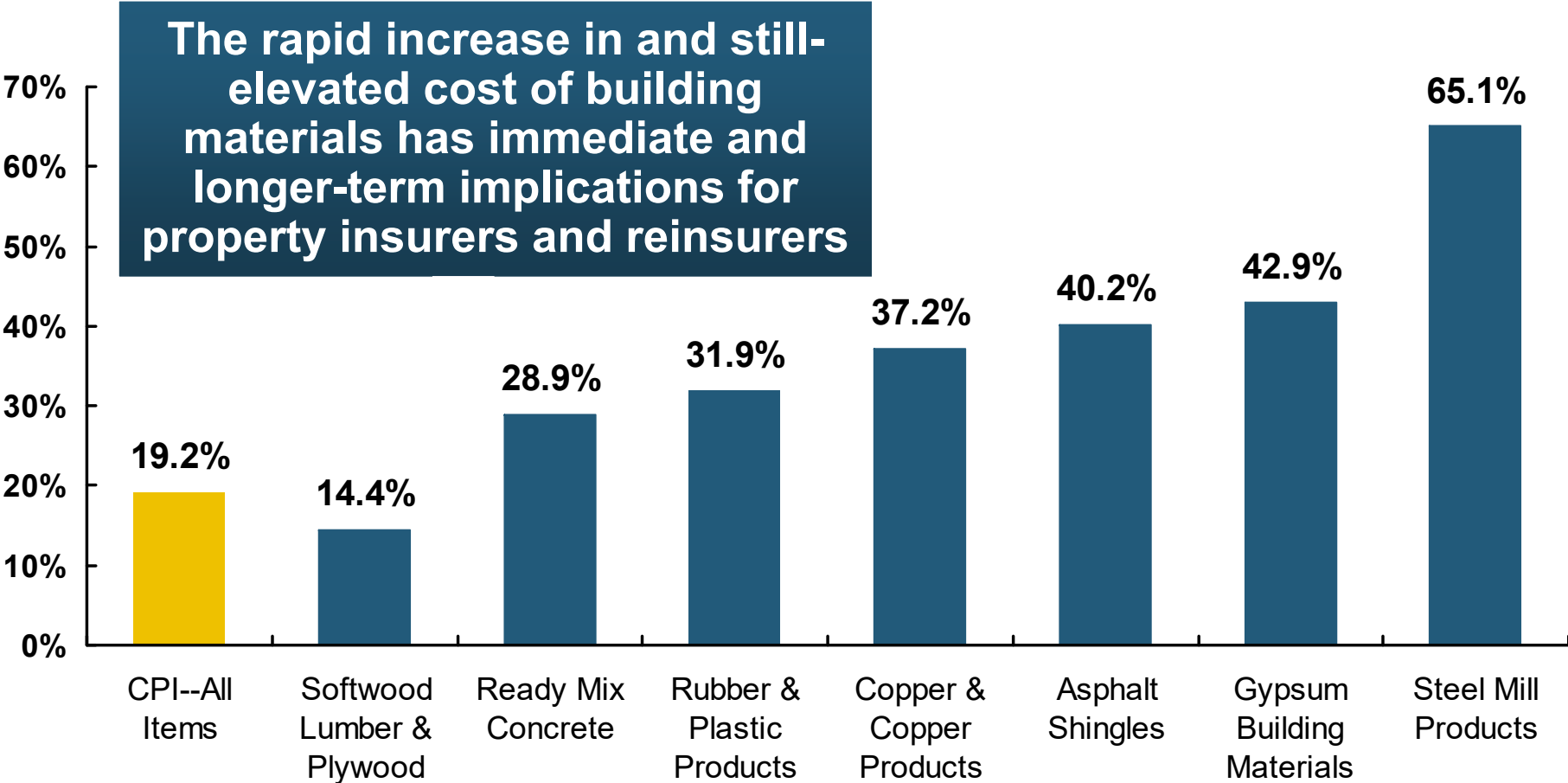


Home insurance premium growth has materially lagged behind inputs to the cost of home insurance

5-Year Change
PPI, Trade Services: +40.7%
PPI, Goods: 37.3%
CPI: +22.6
Home Rental: +28.7%
Home Furnishings: +20.5%
Home Ins. Premiums: +17.7% (PPI) – 27.3% (MarketScout)

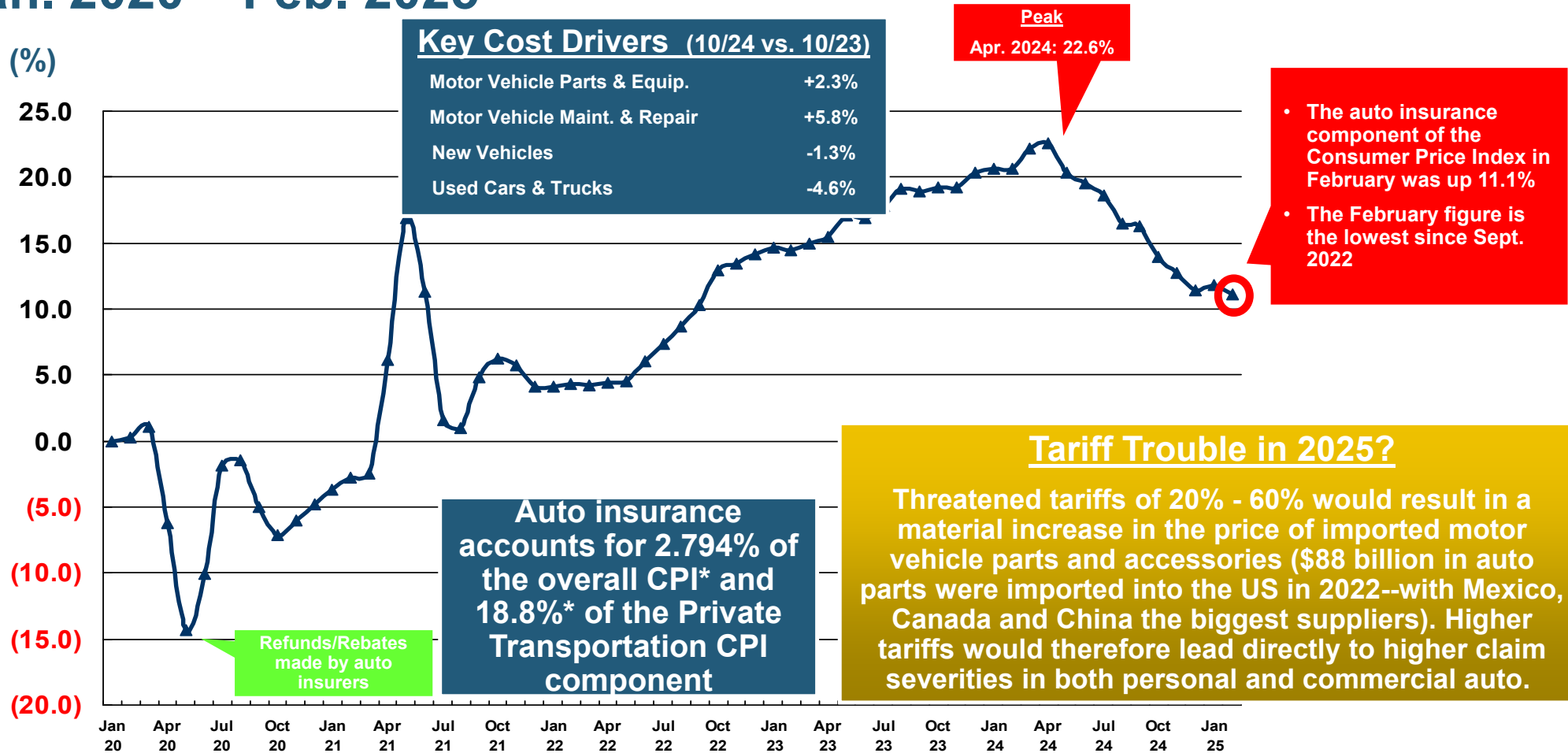
Sources: APCIA from Bureau of Labor Statistics. Monthly data through Oct. 2, 2024; Risk and Uncertainty Management Center, University of South Carolina.

Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – Dec. 2023



Source: U.S. Bureau of Labor Statistics.

CPI for Motor Vehicle Insurance, 12-Month Change: Jan. 2020 – Feb. 2025

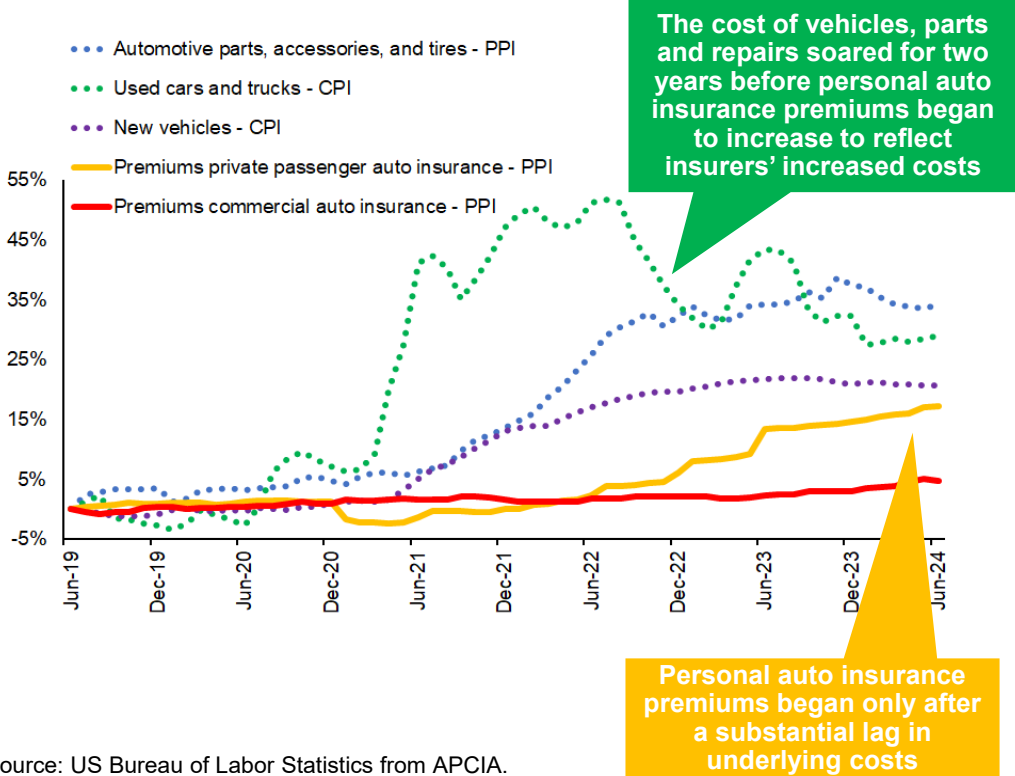


*Weighting as of Dec. 2023: <https://www.bls.gov/cpi/factsheets/motor-vehicle-insurance.htm>

Sources: US Bureau of Labor Statistics, accessed at: <https://data.bls.gov/timeseries/CUUR0000SETE>. Risk and Uncertainty Management Center, University of South Carolina.

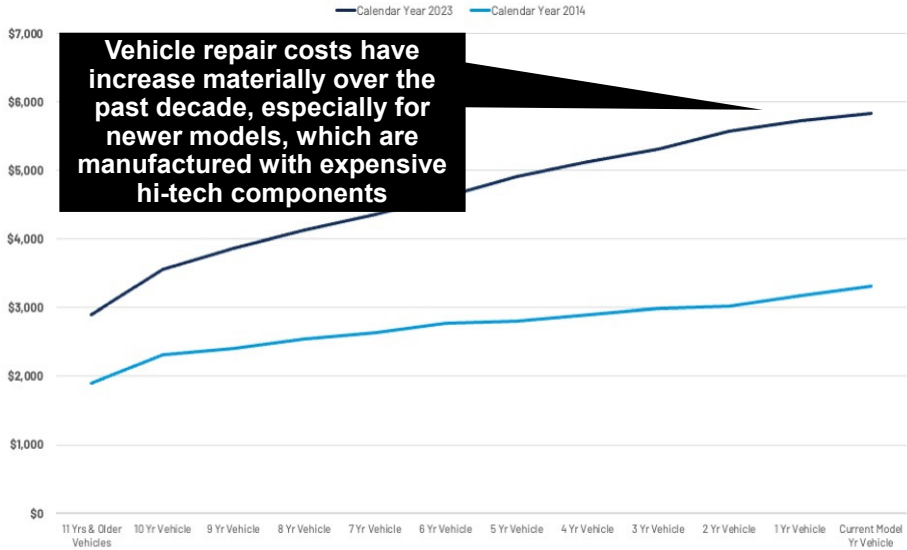
The Cost of New/Used Vehicles and Repairs Is Up Sharply

Cumulative Price Changes – Auto



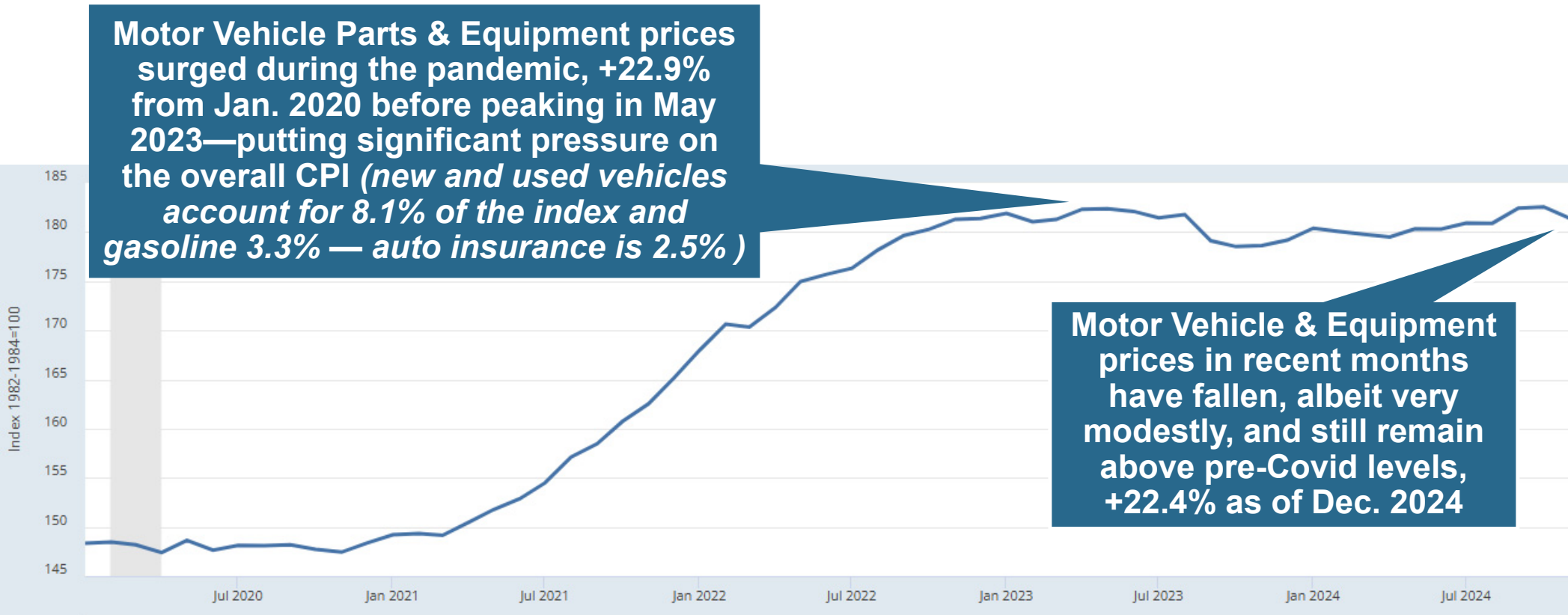
Source: US Bureau of Labor Statistics from APCIA.

Avg. Cost of Repair by Vehicle Age, 2023 vs. 2014



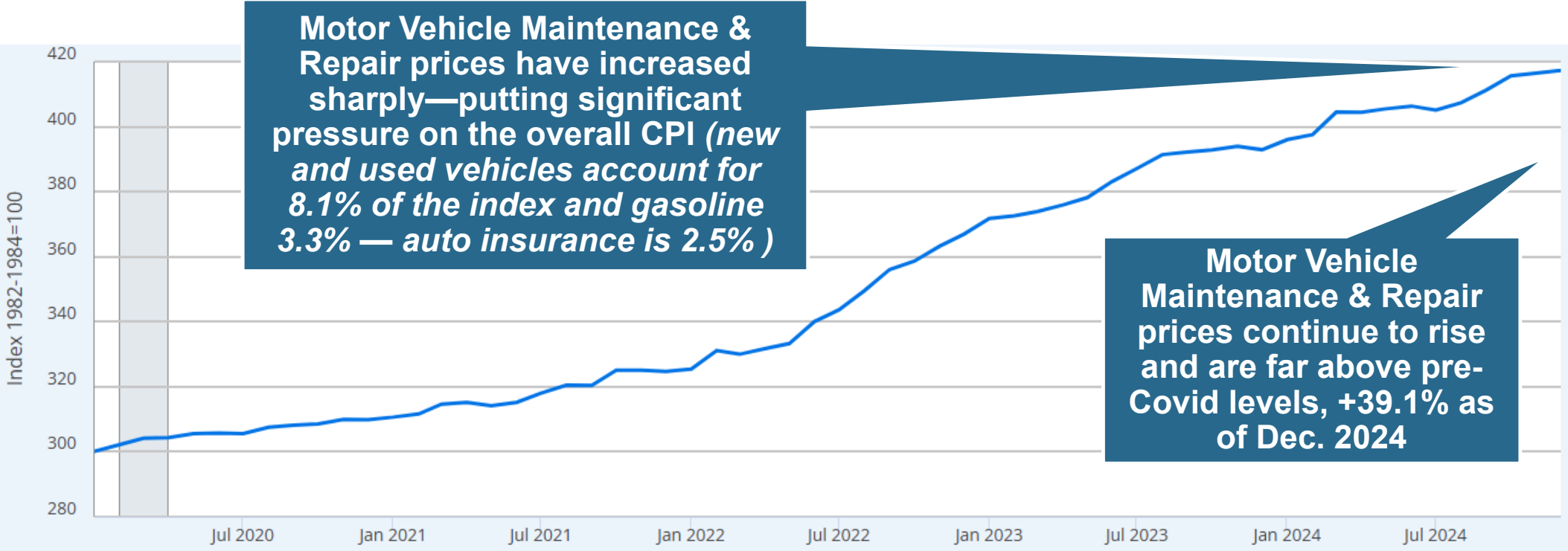
Source: CCC intelligent Solutions from APCIA.

Price Index Changes for Motor Vehicle Parts & Equipment, Jan. 2020 – Dec. 2024



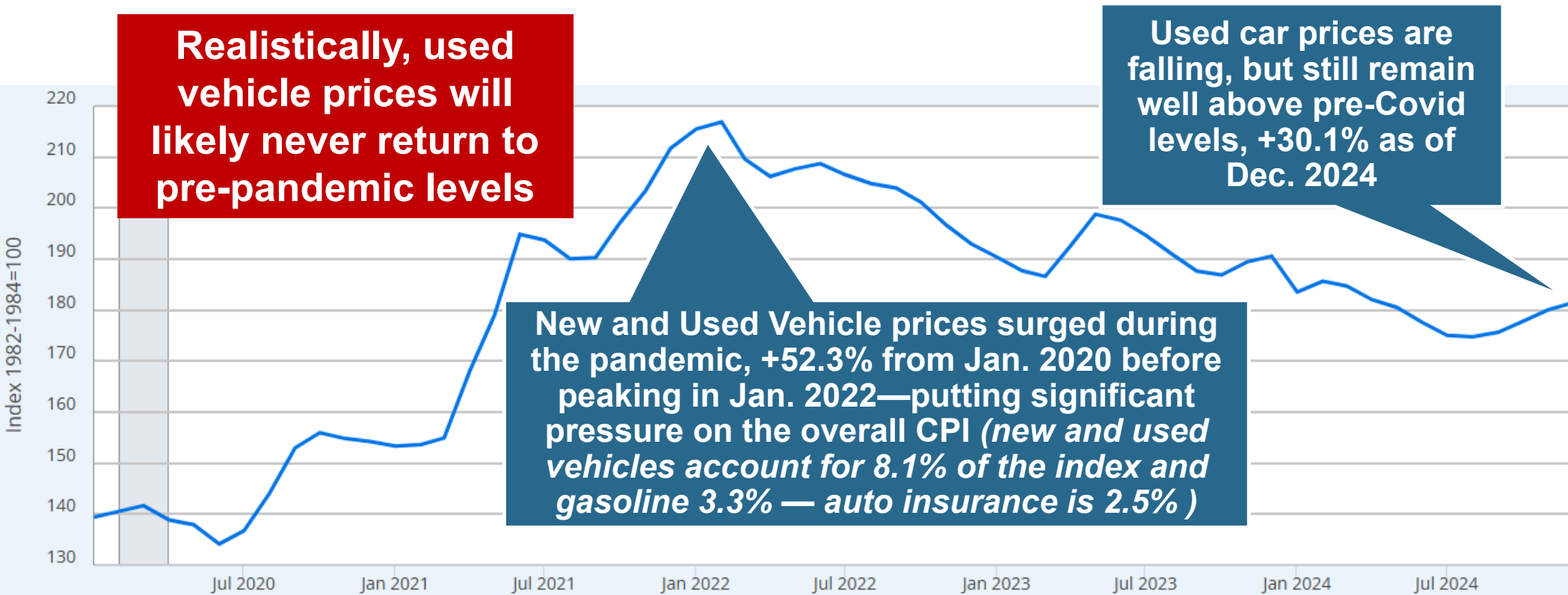
Sources: US Bureau of Labor Statistics: <https://fred.stlouisfed.org/series/CUUR0000SETC>; Risk and Uncertainty Management Center, University of South Carolina.

Price Index Changes for Motor Vehicle Maintenance & Repair, Jan. 2020 – Dec. 2024



Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center: <https://fred.stlouisfed.org/series/CUSR0000SETD>; University of South Carolina.

Price Index Changes for Used Cars & Trucks, Jan. 2020 – Dec. 2024

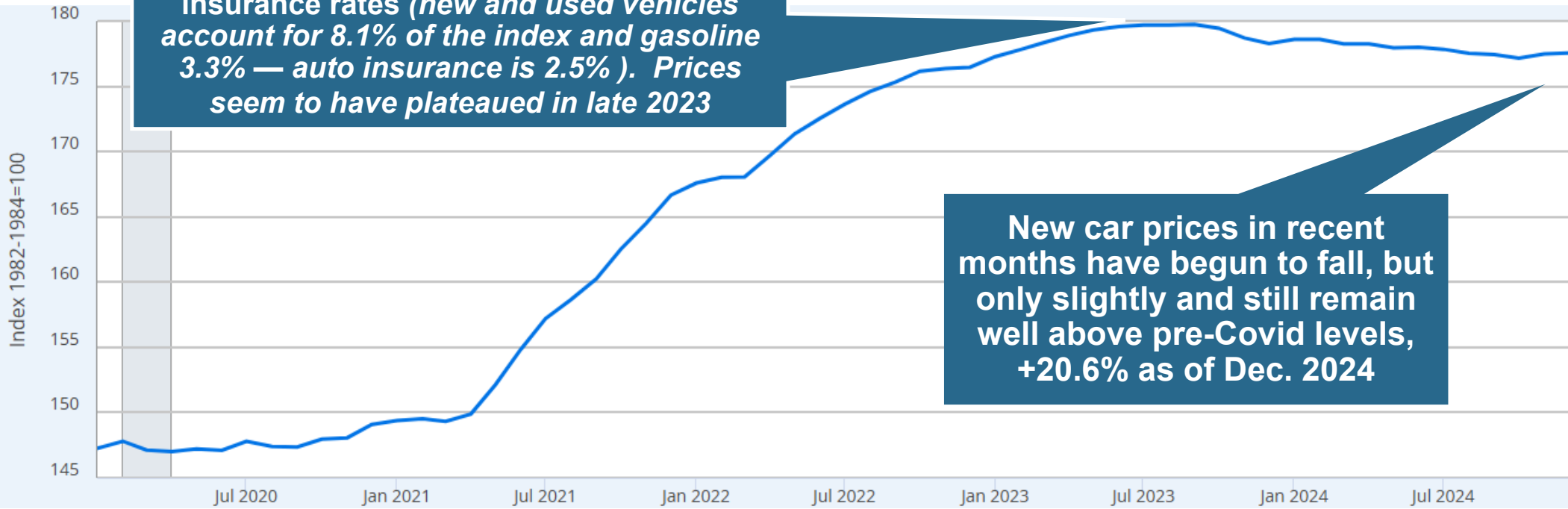


Sources: US Bureau of Labor Statistics; <https://fred.stlouisfed.org/series/CUSR0000SETA02>. Risk and Uncertainty Management Center, University of South Carolina.

Price Index for New Vehicles, Jan. 2020 – Dec. 2024

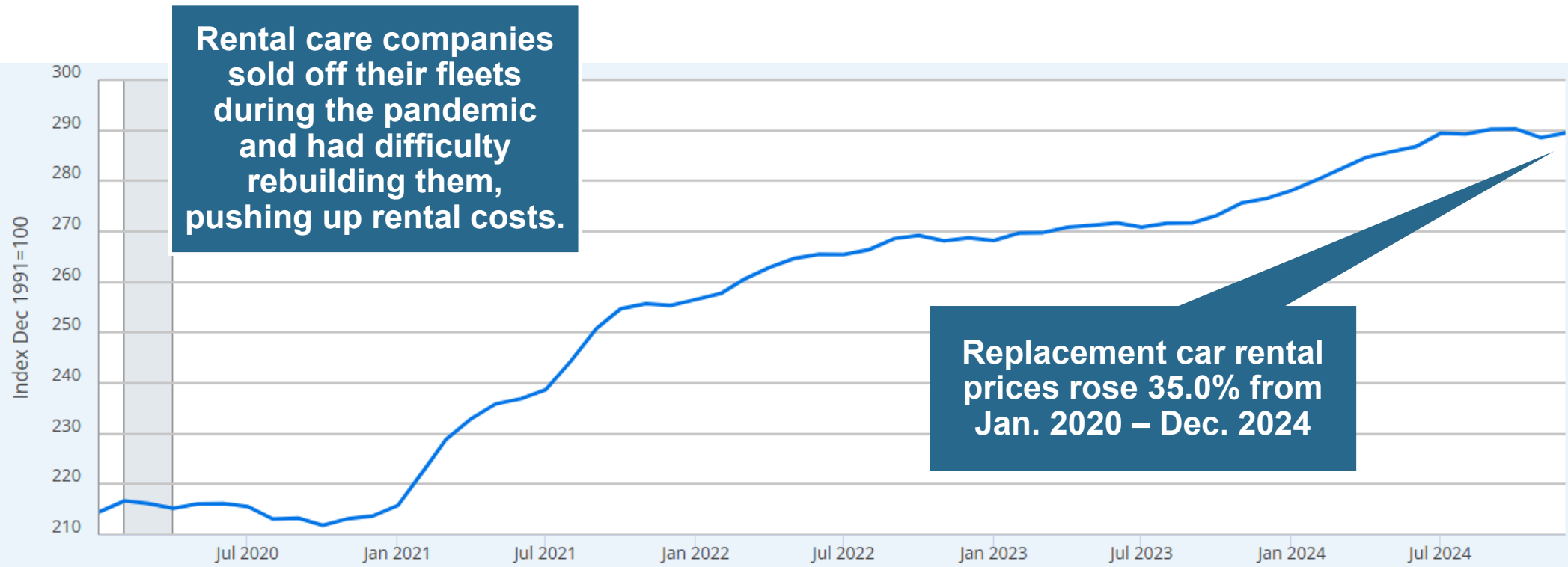
New vehicle prices surged during and after the pandemic, +22.1% from Jan. 2020 to Sept. 2023 (peak), putting significant pressure on the overall CPI and auto insurance rates (*new and used vehicles account for 8.1% of the index and gasoline 3.3% — auto insurance is 2.5%*). Prices seem to have plateaued in late 2023

New car prices in recent months have begun to fall, but only slightly and still remain well above pre-Covid levels, +20.6% as of Dec. 2024



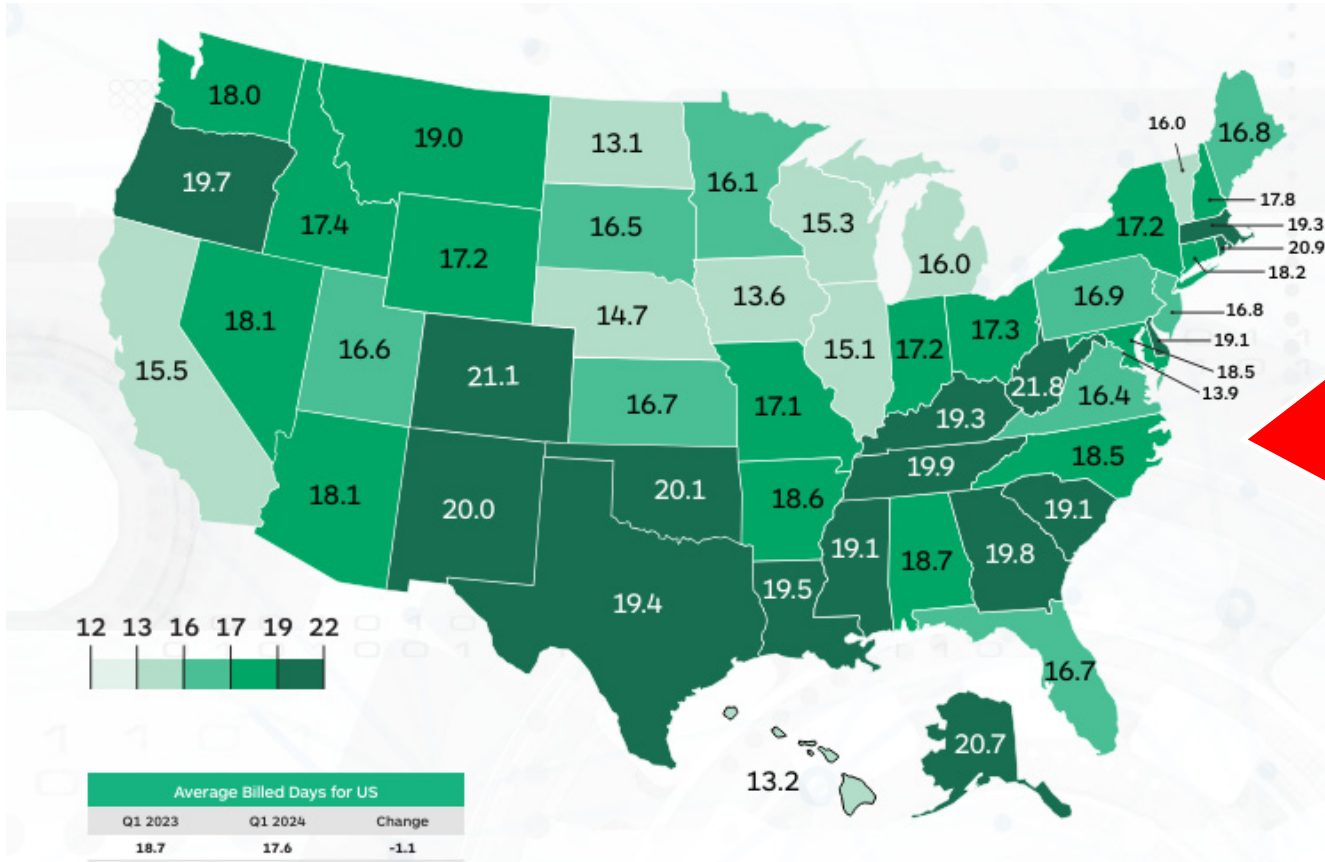
Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center: <https://fred.stlouisfed.org/series/CUUR0000SETA01>; University of South Carolina.

Price Index Change for Replacement Passenger Car Rentals, Jan. 2010 – Dec. 2024 (% Change from Year Ago)



Sources: Federal Reserve Bank of St. Louis at: <https://fred.stlouisfed.org/series/PCU5321115321113#0> from US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Length of Collision Replacement Rentals by State (Days), 2024:Q2



Avg. Length of Rental

2024:Q2: 16.0 days

2023:Q2: 17.4 days

2022:Q4: 18.7 days

2021:Q4: 17.0 days

2021:Q2: 13.2 days

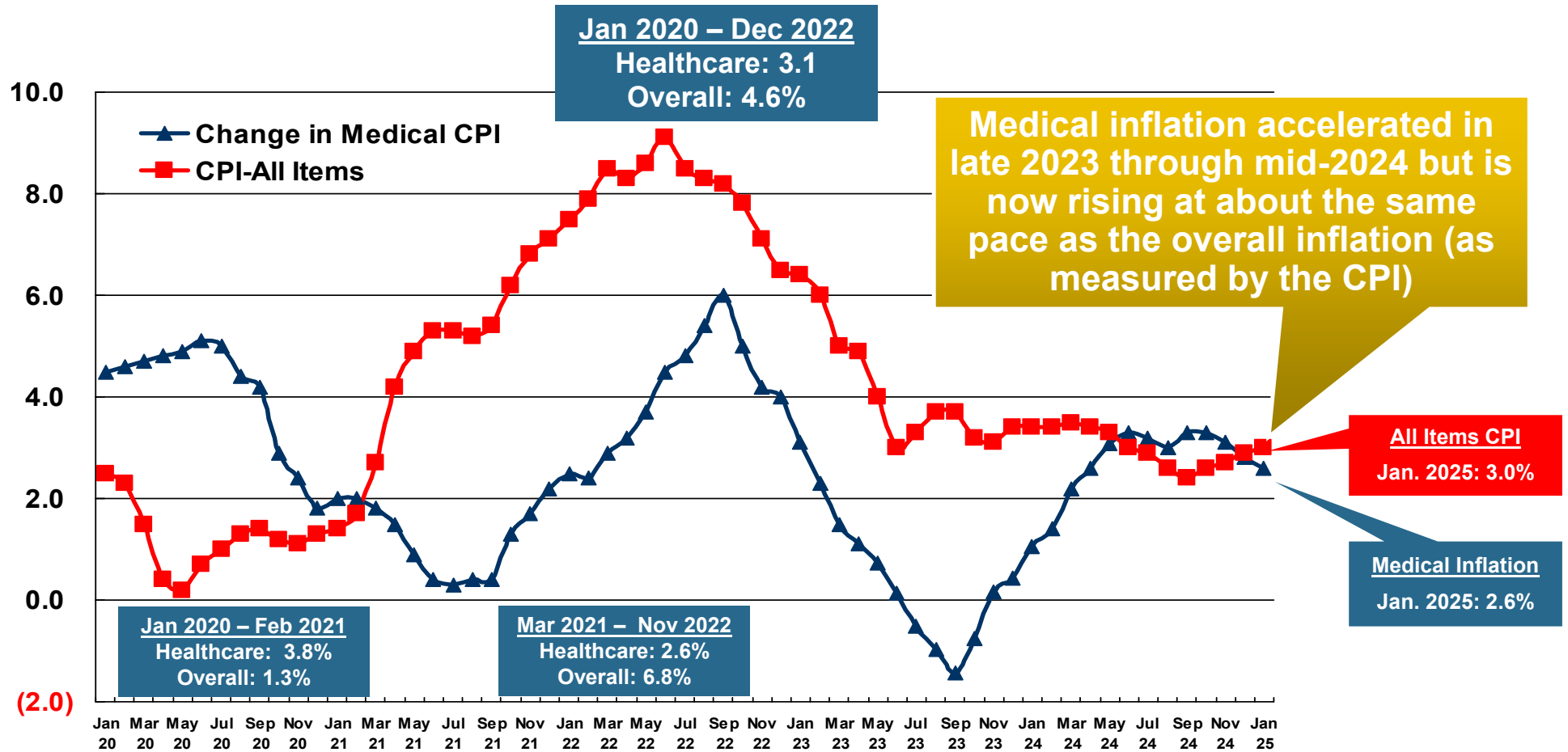
CHANGE: +5.5 Days (21:Q2 – 22:Q43)

RANGE: 11.1 (ND) to 20.7 (AK)

Replacement rental length has begun to slowly decline but is still 2.8 days longer than in mid-2021

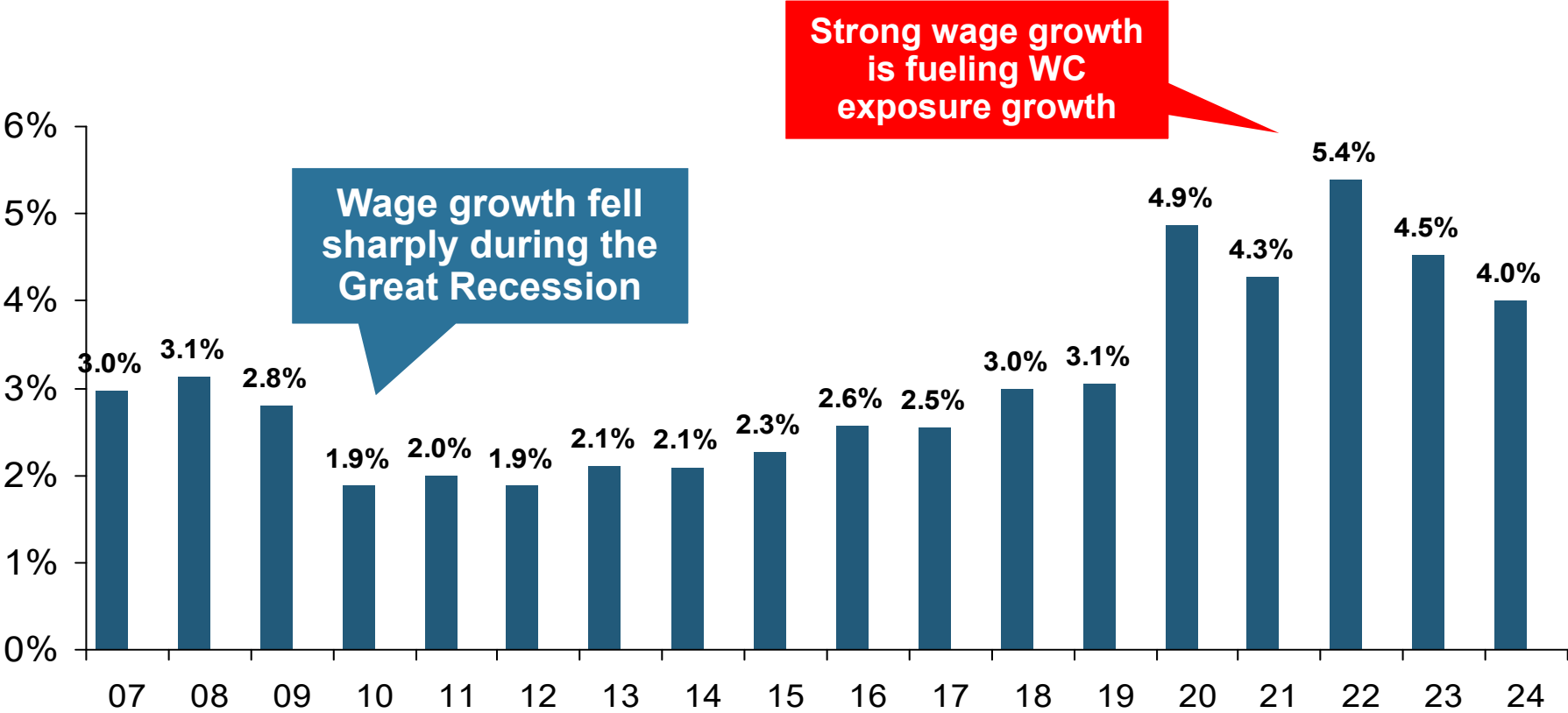
Source: Enterprise Rental-A-Car U.S. Length of Rental Report accessed at: https://www.enterprise.com/content/dam/ent-brand/LOB/ReplacementResources/q2-2024/24_ENT_DR_M06780_RLD-LOR-Q2-2024_US.pdf

Medical Cost Inflation vs. Overall CPI Since COVID, Jan. 2020 – Jan. 2025 (Percent Change from Year Ago)



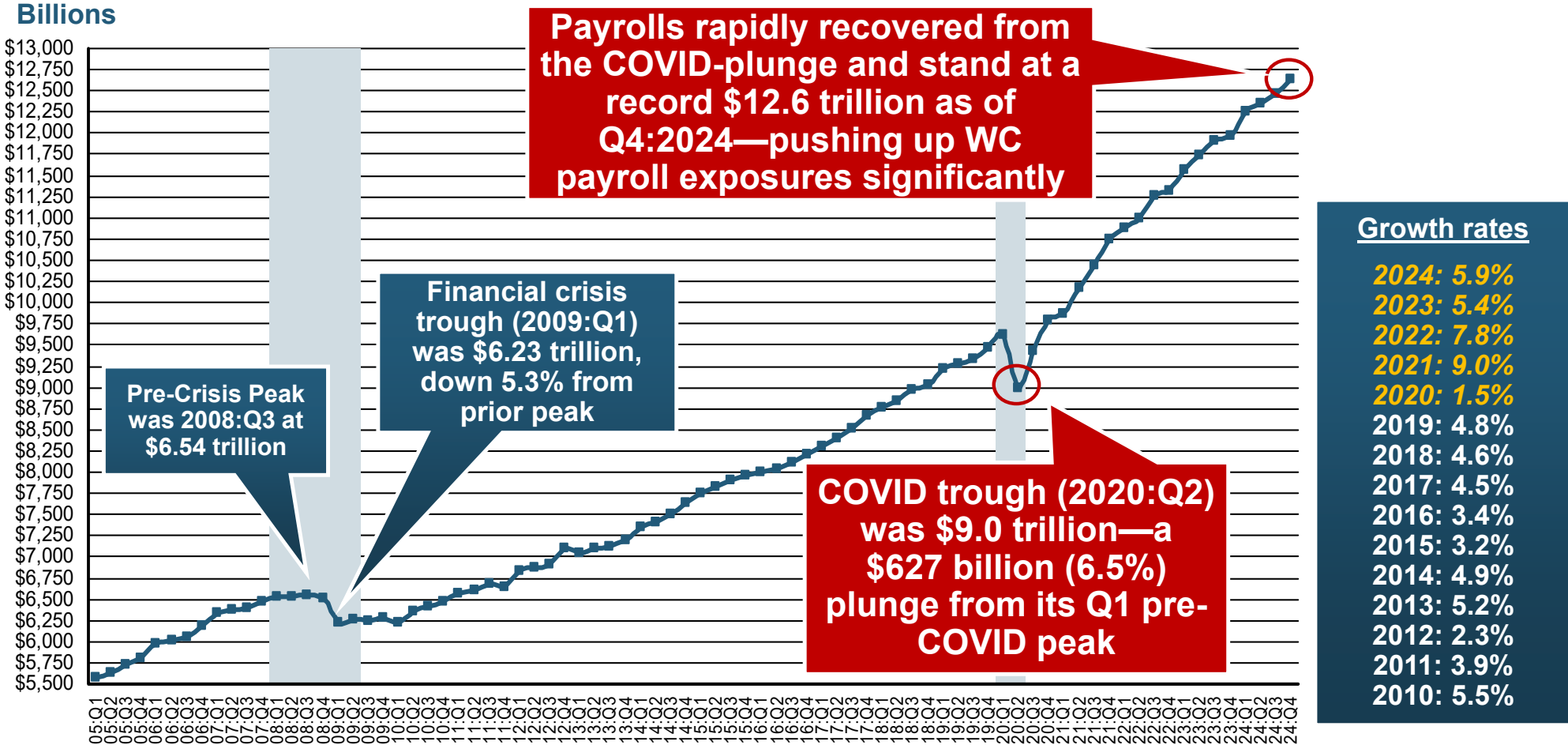
Sources: US Bureau of Labor Statistics via Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/CPIMEDSL>; Risk and Uncertainty Management Center, University of South Carolina.

Annual Change in Average Hourly Wage, 2007– 2024



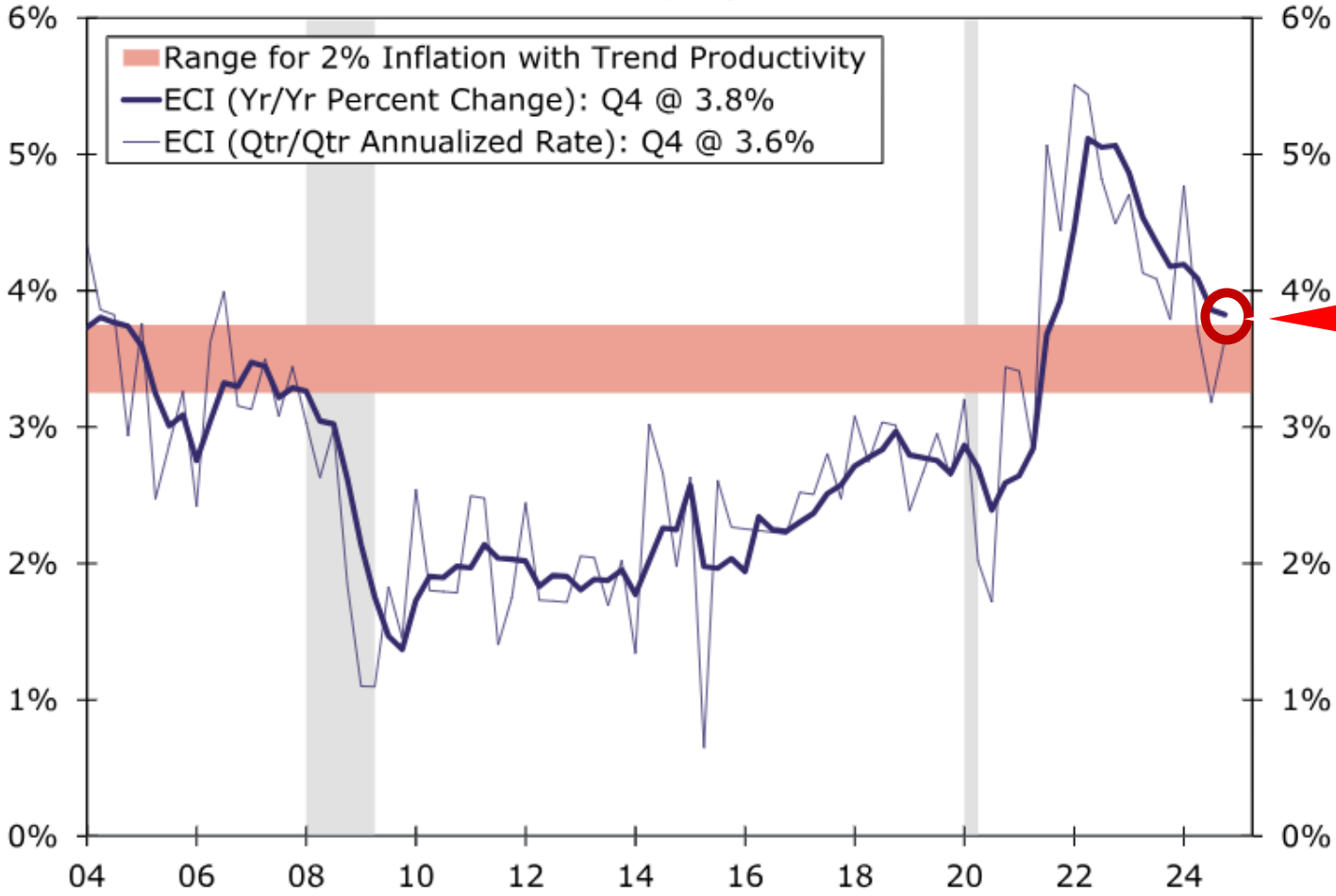
Sources: US Bureau of Labor Statistics at <http://www.bls.gov/data/#employment>; National Bureau of Economic Research (recession dates); Risk and Uncertainty Management Center, Univ. of South Carolina.

Nonfarm Payroll (Wages and Salaries): Quarterly, 2005:Q1–2024:Q4



Note: Recession indicated by gray shaded column. Data are seasonally adjusted annual rates.
Sources: <http://research.stlouisfed.org/fred2/series/WASCUR>; National Bureau of Economic Research (recession dates).

Employment Cost Index: Labor Costs Continue to Cool



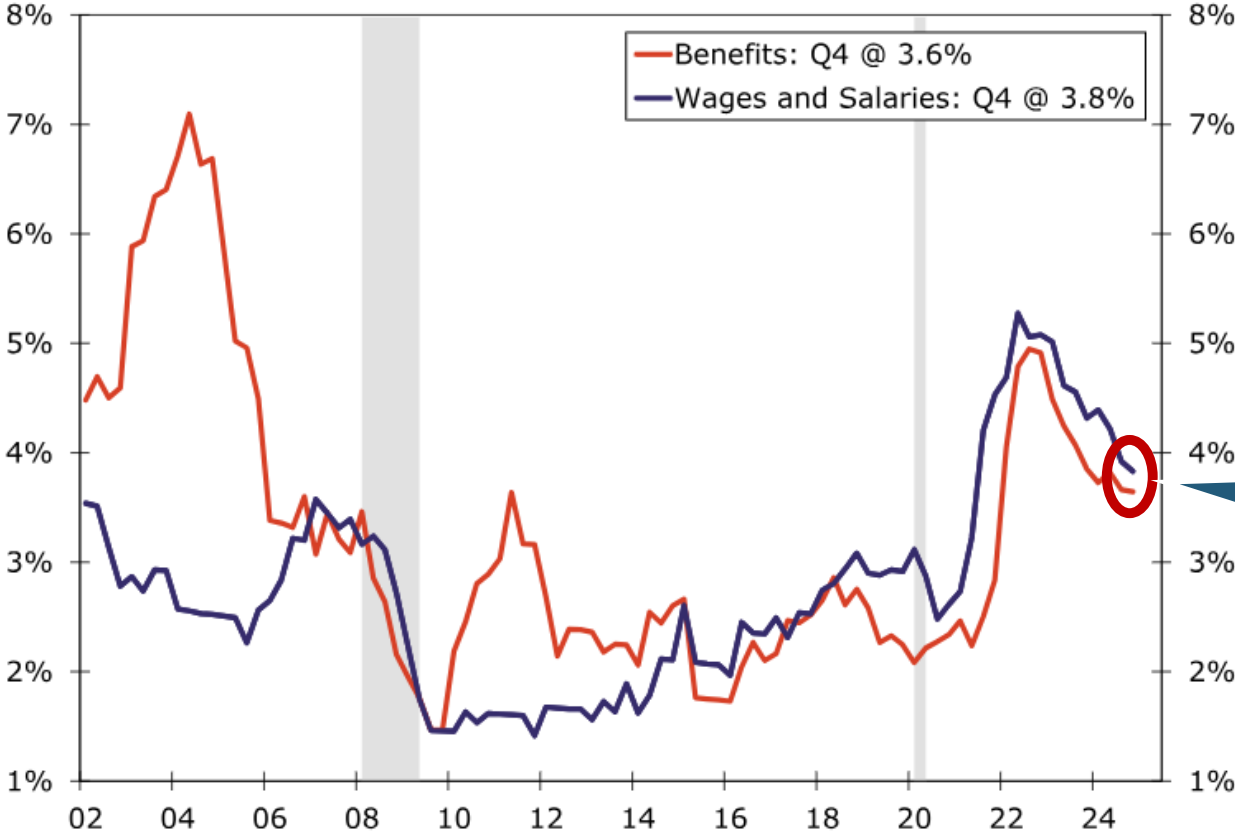
+Overall labor costs were up 3.8% in 2024, close to a pace consistent with 2% inflation and modest productivity growth

The ECI incorporates wage, salary and benefits costs

Source: U.S. Department of Labor and Wells Fargo Economics.

Employment Cost Index Components: Wages & Salaries and Benefits Costs Continue to Cool, 2002:Q1 – 2024:Q4

12-Month Percent Change



Wage & Salary and Benefit costs continued to slow in 2024

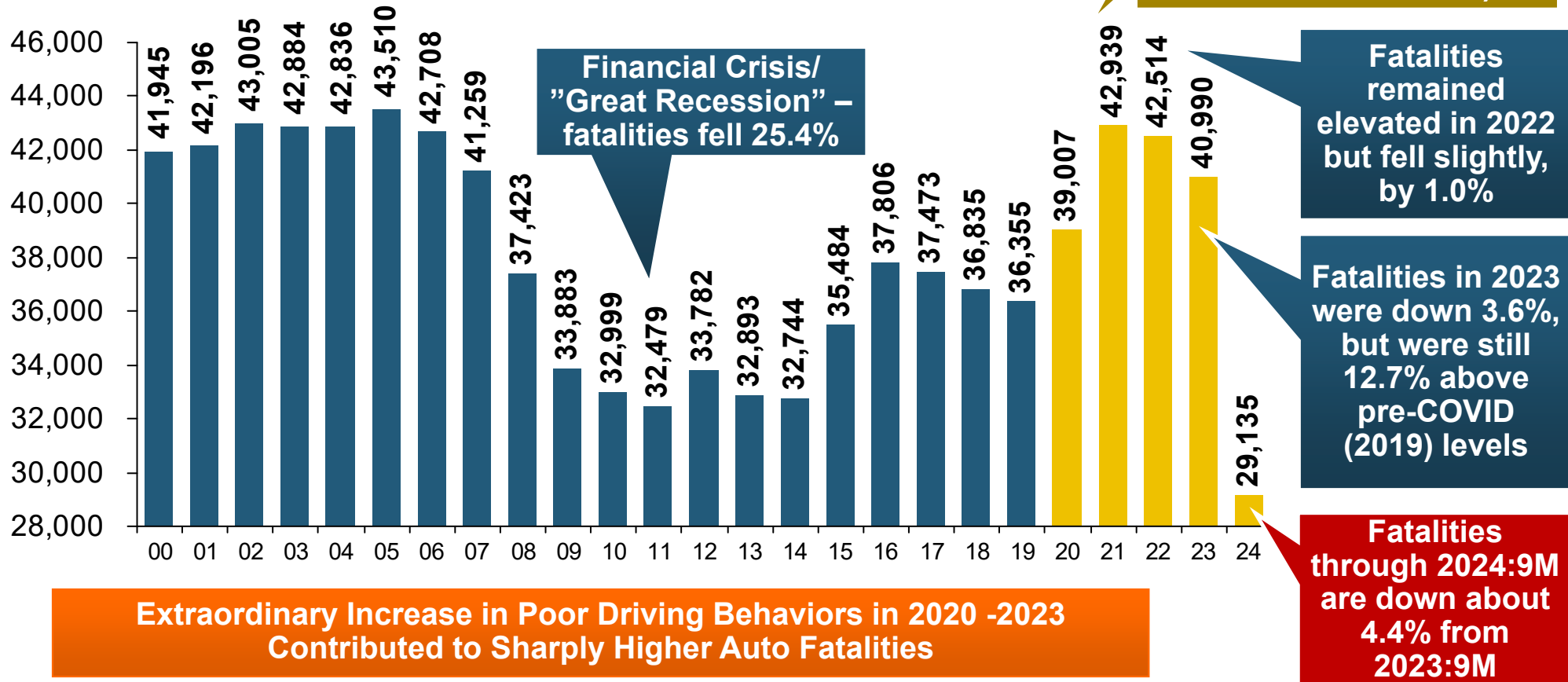
Source: U.S. Department of Labor accessed at: <https://www.bls.gov/news.release/pdf/eci.pdf>.

Driving Behaviors Have Worsened

**Motor Vehicle Fatalities Have
Skyrocketed**

***Driver Behaviors Have Changed for the
Worse, Pushing Up Fatality Rates and
Claim Costs***

Traffic Fatalities in the U.S., 2000-2024:9M



Source: Insurance Institute for Highway Safety and Highway Loss Data Institute: <https://www.iihs.org/iihs/topics/t/general-statistics/fatalityfacts/overview-of-fatality-facts> and NHTSA: <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813670#>; Risk and Uncertainty Management Center, University of South Carolina.



UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

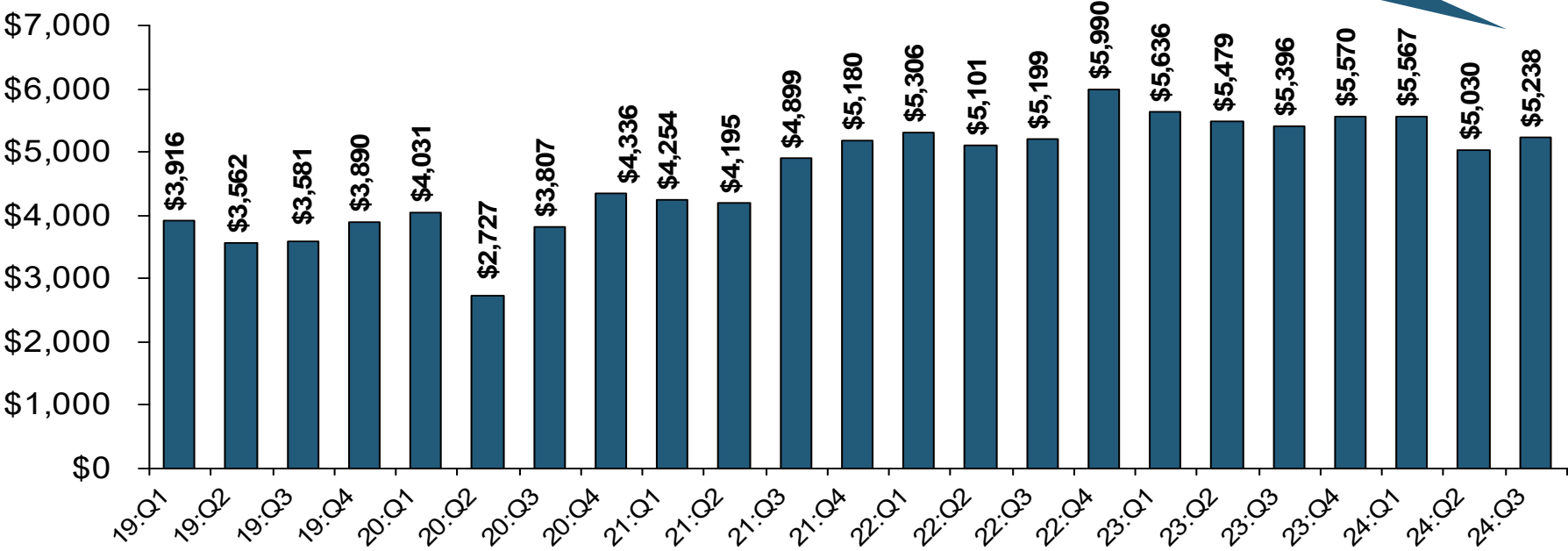
Overview of Recent Private Passenger Auto Frequency & Severity Trends

**Severity and Loss Ratio Trends
Have Generally Been Adverse**
Inflation is a Major Driver

SC Collision Claim Severity: Rising to New Highs

Average Loss, 2019:Q1 through 2024:Q3

Collision claim severity remain elevated, up 40% from full-year 2019

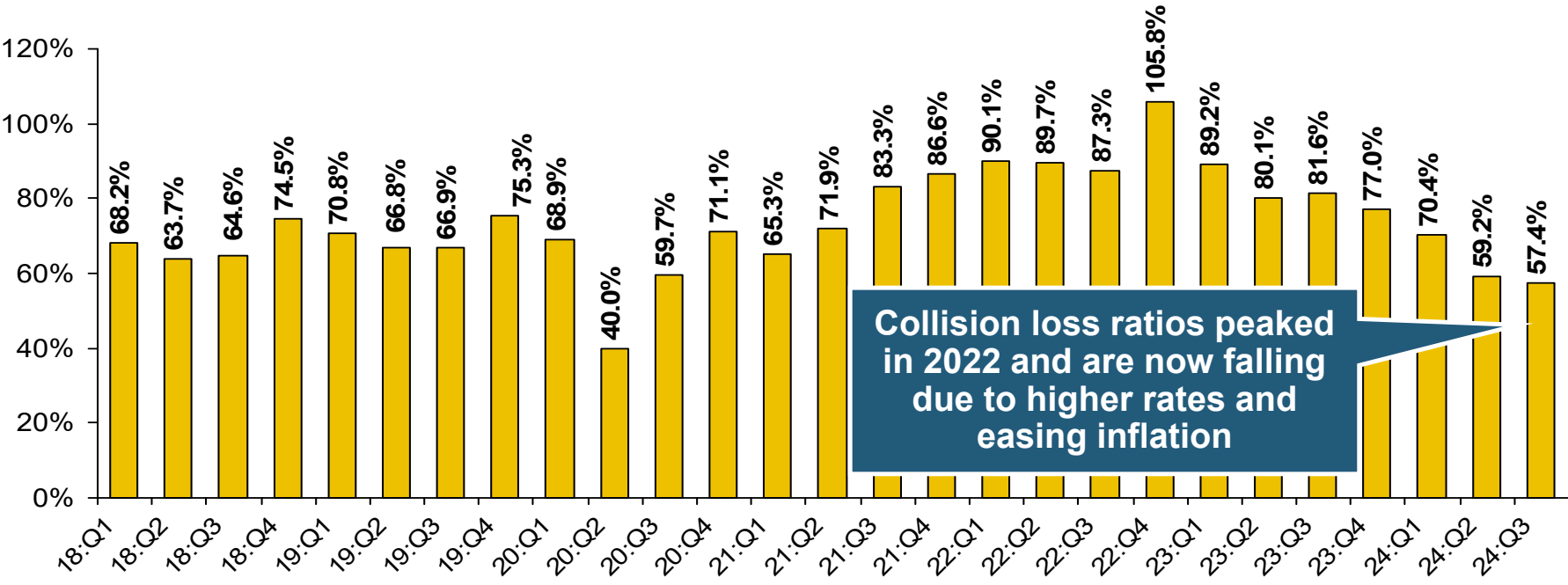


Severities Are Up Sharply—Inflation Is a Major Factor

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

SC Collision Loss Ratio: Up Sharply but Now Easing, 2018:Q1 – 2024:Q3

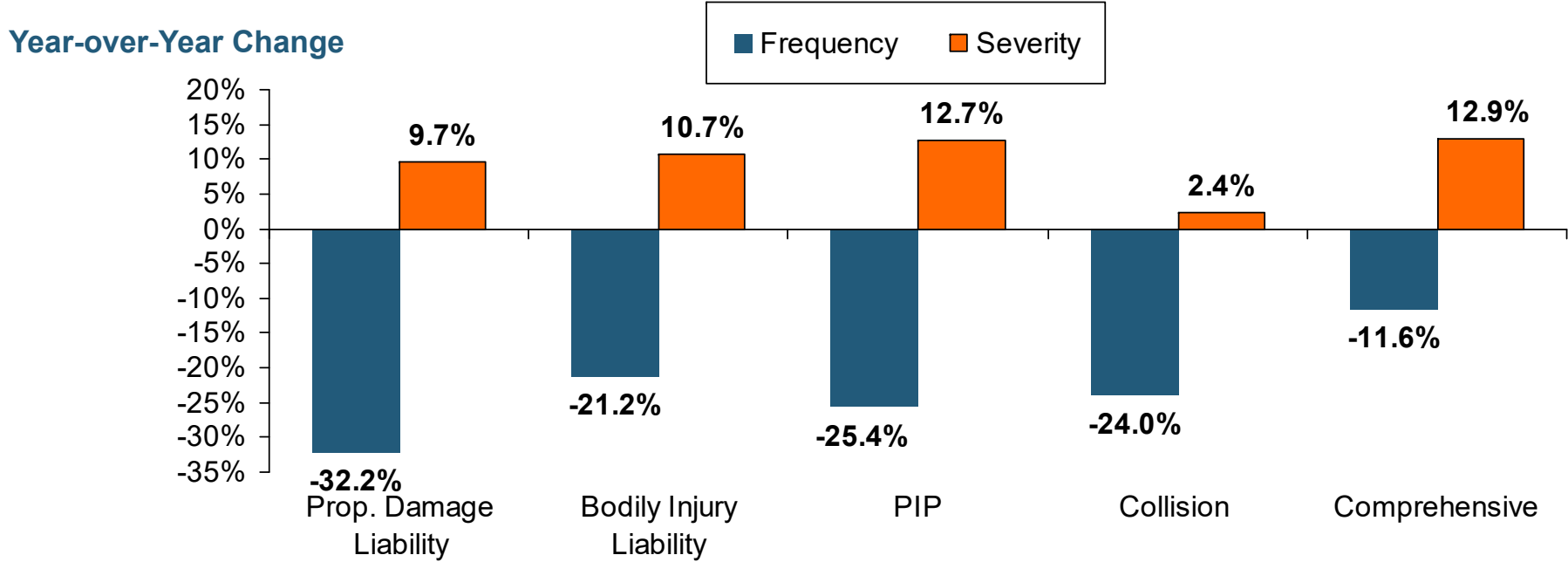
Paid Claim Frequency, 2018:Q1 through 2024:Q3



Collision Loss Ratios Peaked in Late 2022

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

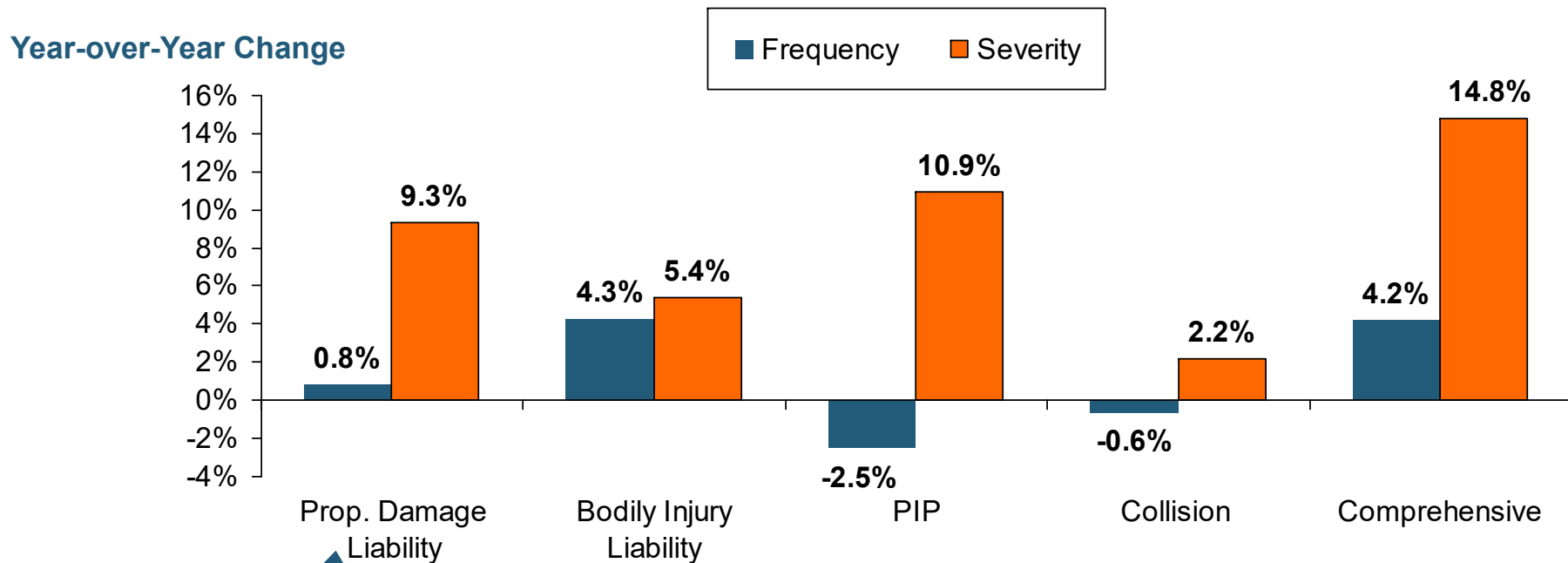
At the Peak of the Pandemic, Frequencies Across All Coverages Plummeted and But Severities Rose: 4 Qtrs. Ending Q1 2021



The COVID-19 Pandemic Introduced Unparalleled Volatility in the Personal Auto Line

Source: ISO/PCI *Fast Track* data for 4 quarters ending in Q1 2021; Risk and Uncertainty Management Center, Univ. of South Carolina.

Personal Auto Claim Severities Continue to Trend Upward; Frequency Increase Are Moderating: 4 Qtrs. Ending Q4 2023

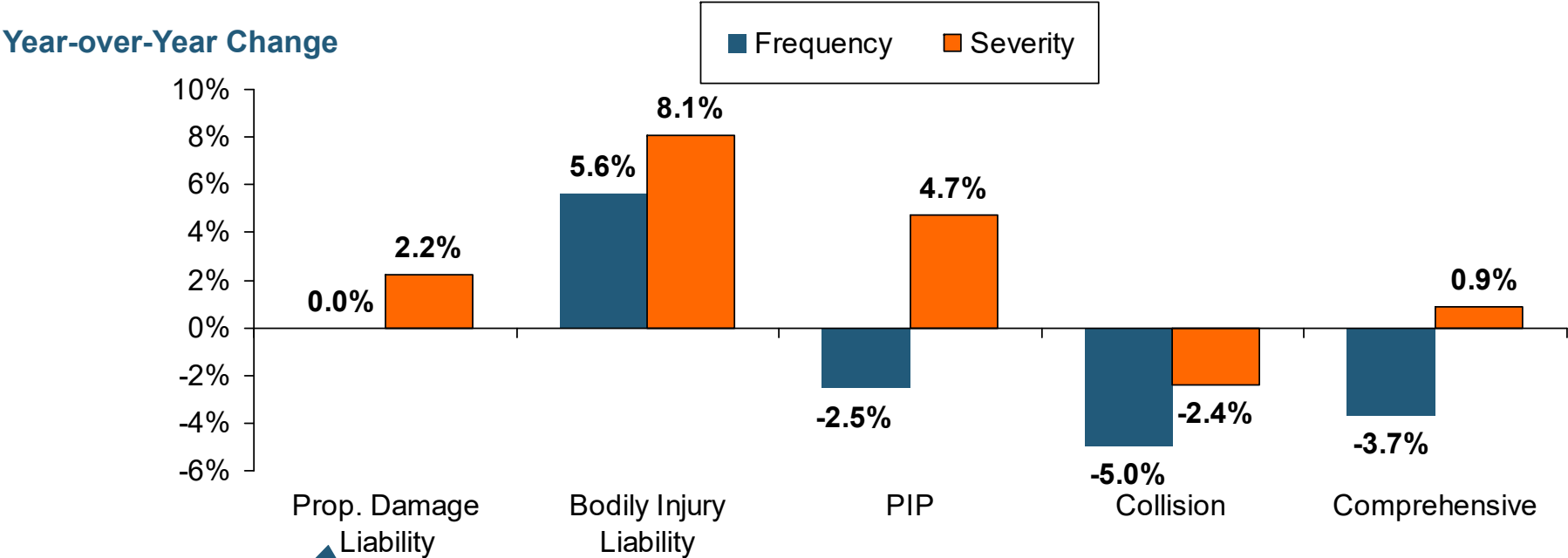


Recall: PD Liability claims were down 32.2% for the 4 qtrs. ending Q1 2021

Auto Claim Frequencies Fell Sharply During the Pandemic, though Claim Severities Rose Materially

Source: ISO/PCI *Fast Track* data for Q4 2023; Risk and Uncertainty Management Center, Univ. of South Carolina.

Personal Auto Claim Severities Continue to Trend Generally Upward; Frequency Increase Ares Moderating: 4 Qtrs. Ending Q3 2024



Recall: PD Liability claims were down 32.2% for the 4 qtrs. ending Q1 2021

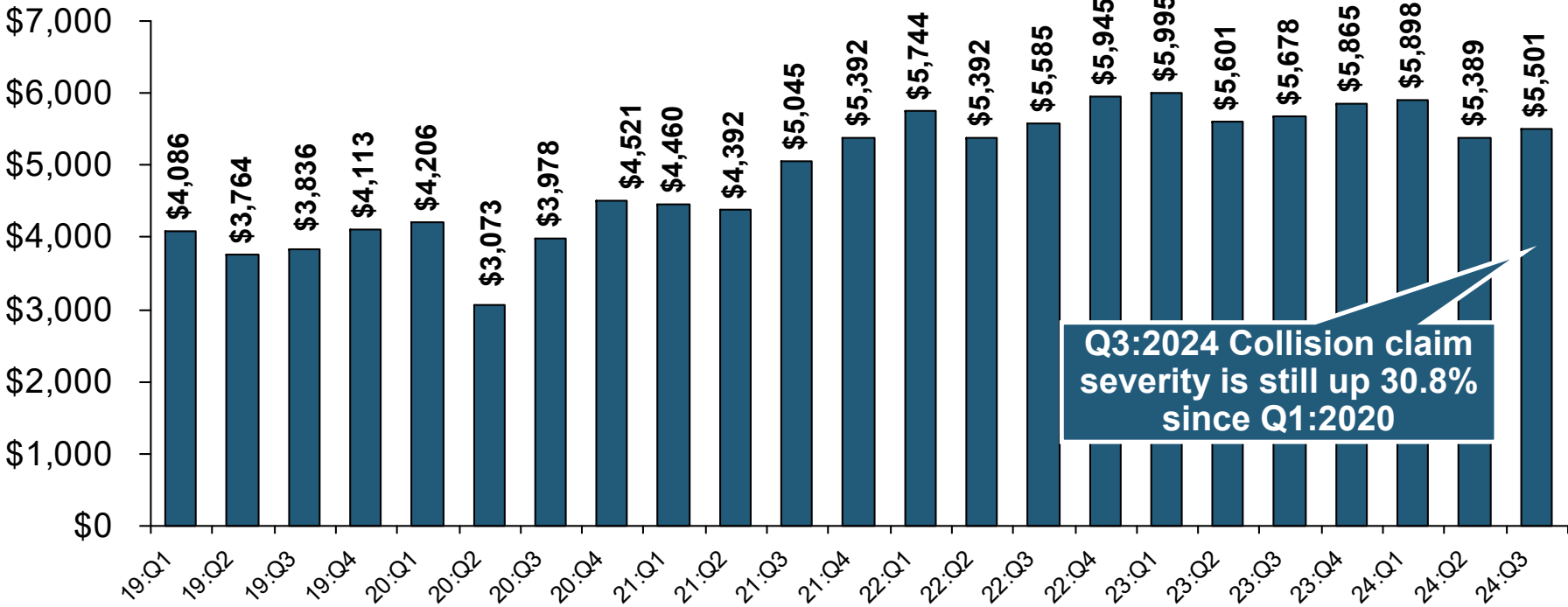
Auto Claim Frequencies Fell Sharply During the Pandemic, though Claim Severities Rose Materially

Source: ISO/PCI *Fast Track* data for Q3 2024; Risk and Uncertainty Management Center, Univ. of South Carolina.

Collision Claim Severity: Rising to New Record Highs

Average Loss, 2018:Q1 through 2024:Q3

Collision claim severity reached a record high in 2023:Q1, up 46.7% from 2020:Q1

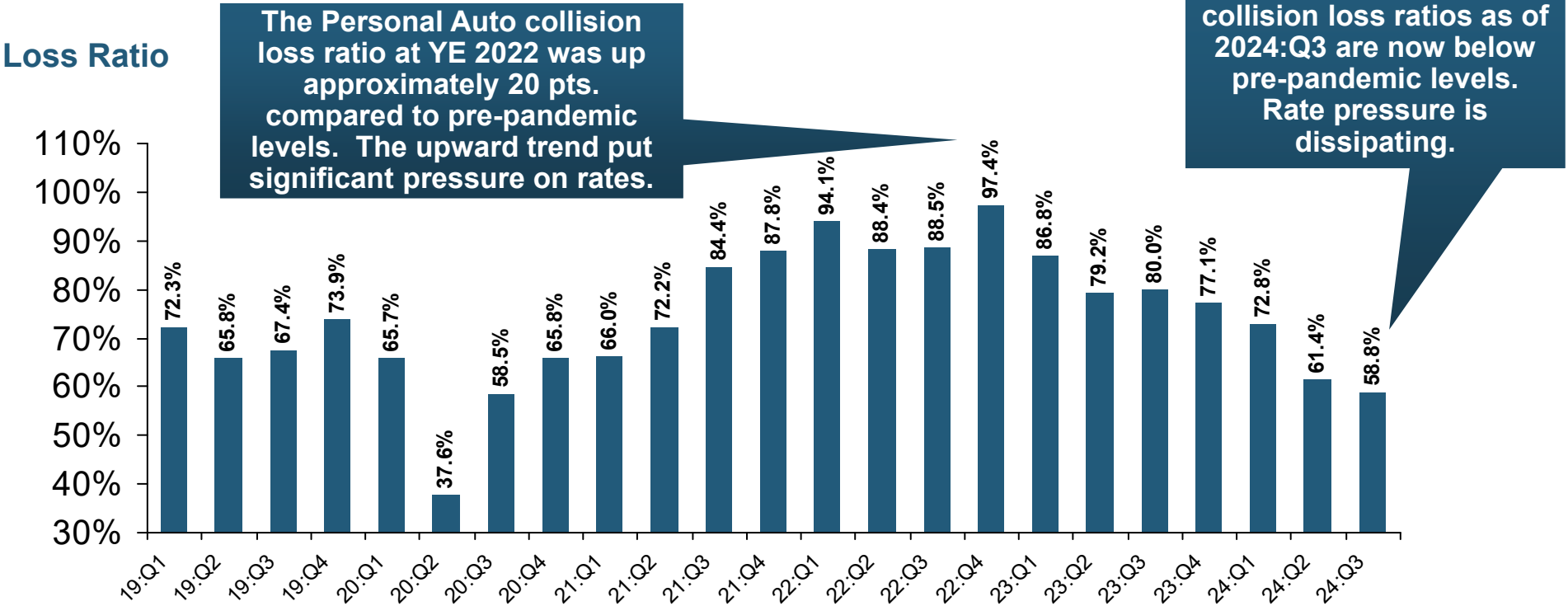


Q3:2024 Collision claim severity is still up 30.8% since Q1:2020

Severities Are Up Sharply—Inflation Is a Major Factor

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

US: Collision Loss Ratios, Personal Auto, 2019:Q1 – 2024:Q3



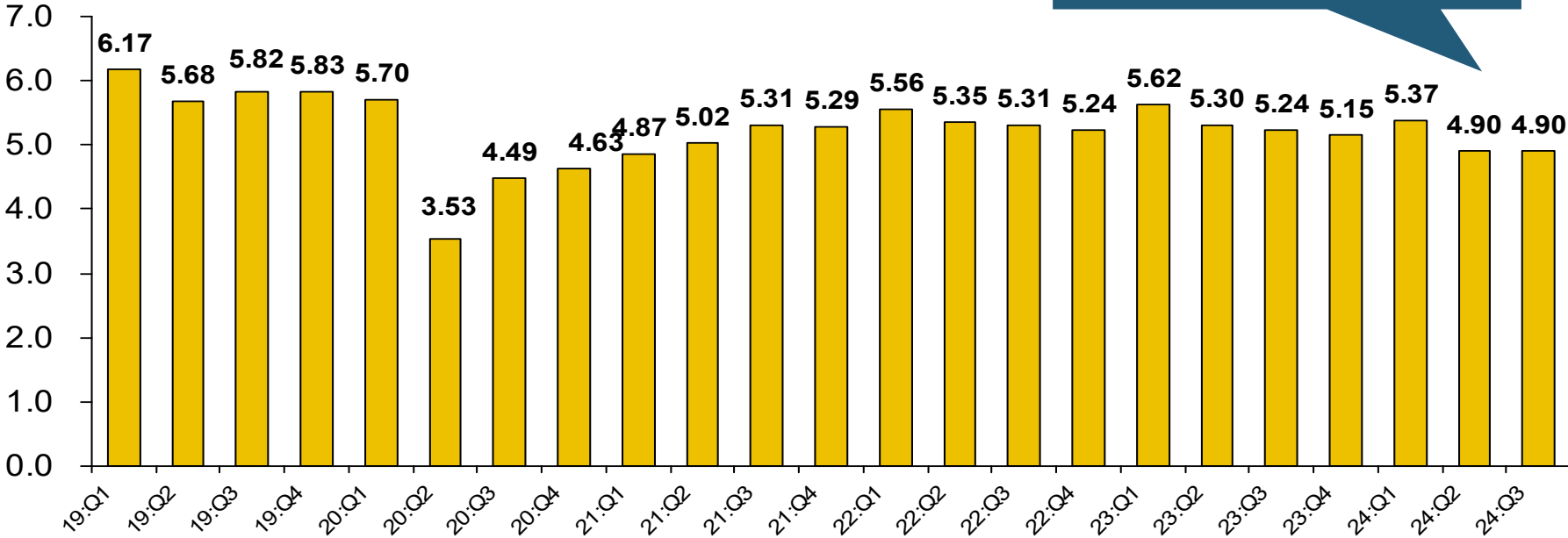
Collision Loss Ratios Rose Rapidly After COVID, Peaking in Late 2022 and Until Recently Remained Above Pre-Covid Levels

Source: Fast Track data; University of South Carolina, Risk & Uncertainty Management Center.

US Collision Claim Frequency Trend: Returning to Pre-Pandemic Levels?

Paid Claim Frequency, 2019:Q1 through 2024:Q3*

Collision claim frequency remains somewhat below pre-pandemic levels



Pandemic-Induced Frequency Decline Was Short-Lived and Has Now Normalized

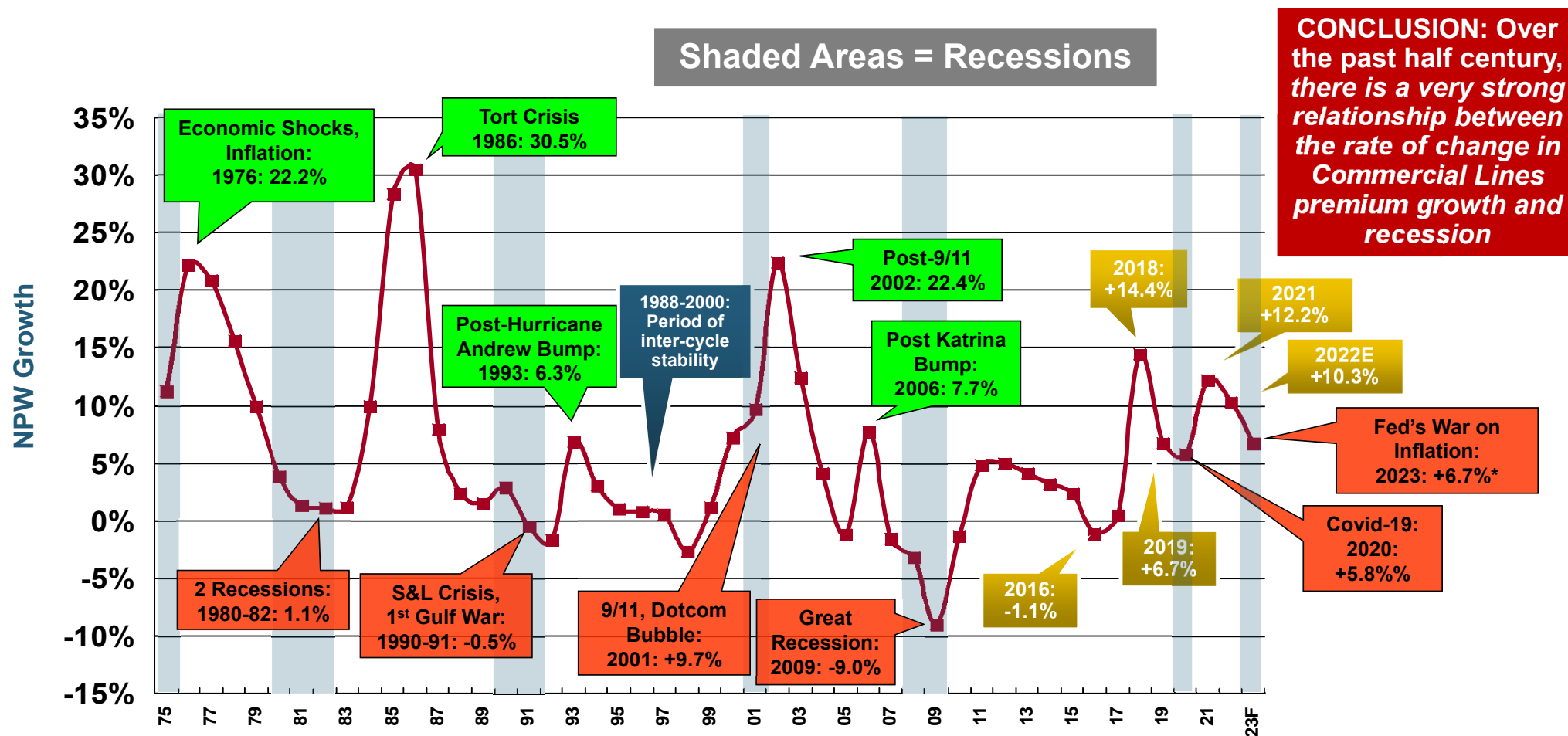
*Number of claims per 100 earned car years.

Source: ISO/PCI *Fast Track* data; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Commercial Lines Growth & Pricing Cyclicalality

**Economic and Tort Environment Create
Pricing Pressure**

Commercial Lines NPW Premium Growth: 1975 – 2023F



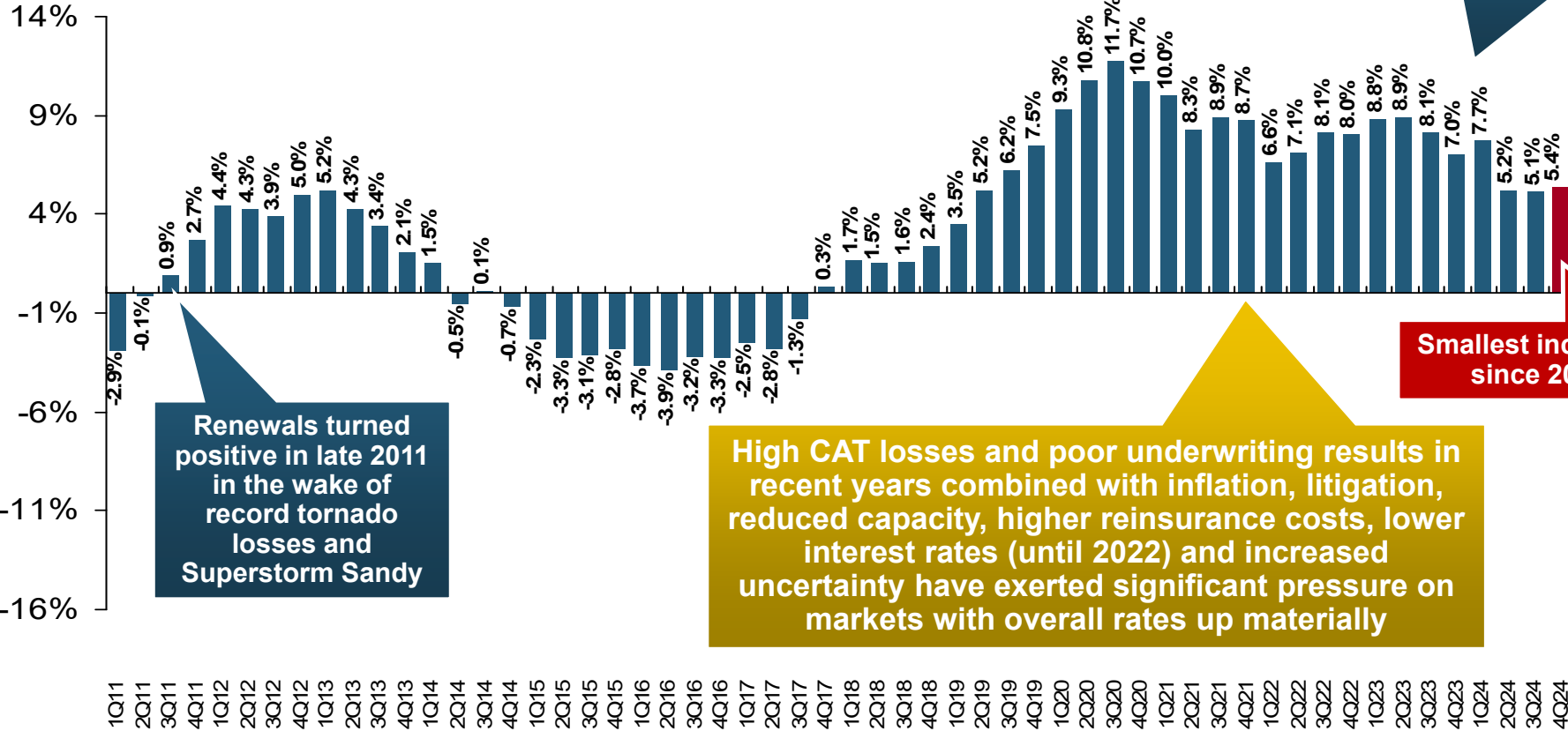
*2023 data based on data through H1.

Note: Data include state funds beginning in 1998. . Recession dates (1975–2022) from NBER: <https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions>

Source: A.M. Best (2022E-23P); ISO; APCA; Univ. of South Carolina Center for Risk and Uncertainty Management Center.

CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2024:Q4

(Percent)



Rate increases peaked in 2020 but continued throughout 2021-2024

Renewals turned positive in late 2011 in the wake of record tornado losses and Superstorm Sandy

High CAT losses and poor underwriting results in recent years combined with inflation, litigation, reduced capacity, higher reinsurance costs, lower interest rates (until 2022) and increased uncertainty have exerted significant pressure on markets with overall rates up materially

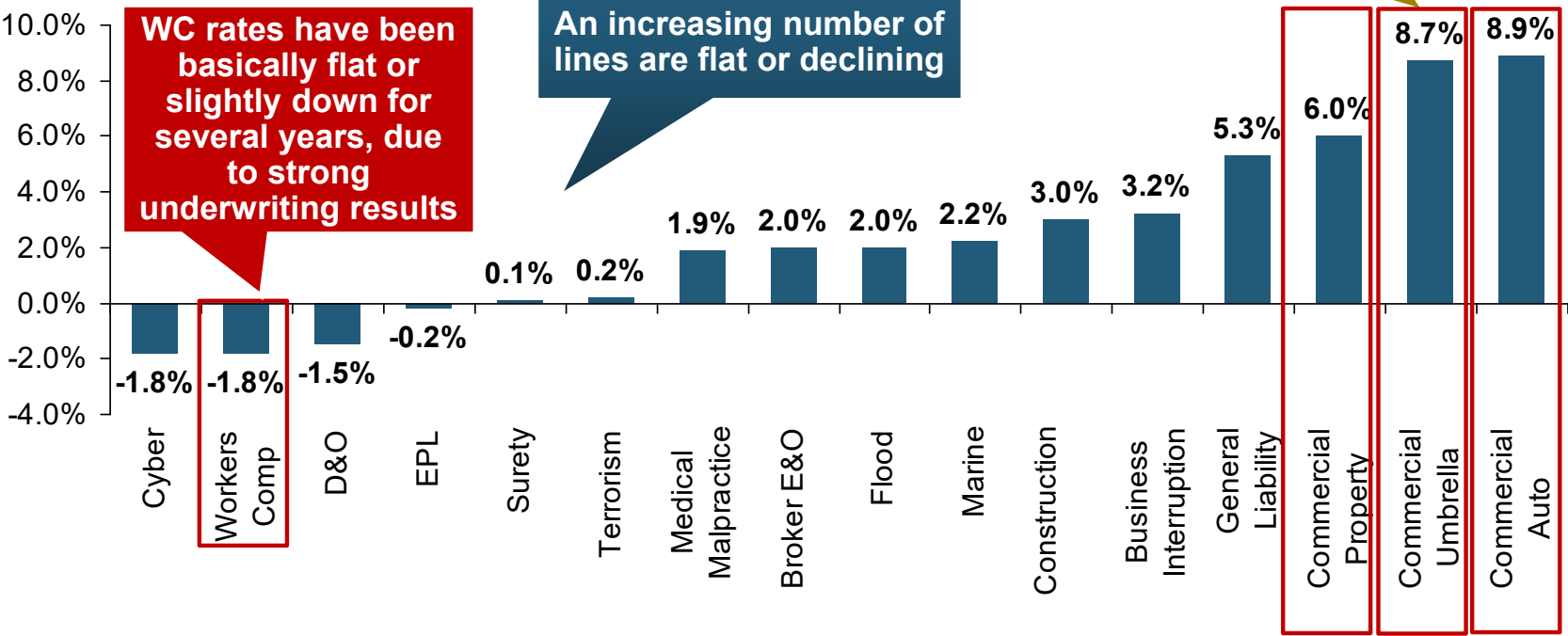
Smallest increases since 2019

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially. Source: Council of Insurance Agents & Brokers; Center for Risk and Uncertainty Management, Univ. of South Carolina.

Change in Commercial Rate Renewals, by Line: 2024:Q4

Commercial Auto and Umbrella are adversely impacted by legal system abuse/social inflation. Commercial Property is experiencing sharp increases due to high CAT losses, inflation and expensive reinsurance.

(Percent Change)



Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

Investments:
Wall Street's Wild Ride Continues

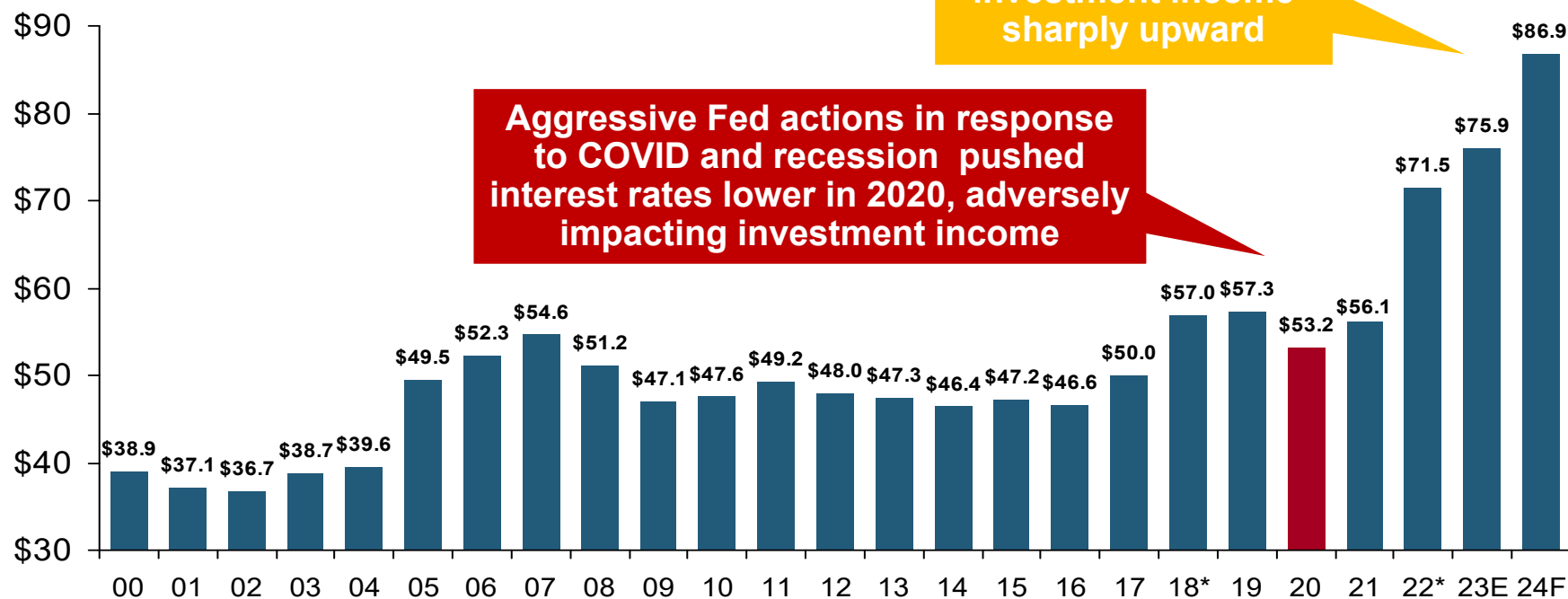
**Investment Performance Is a Key Driver
of Insurer Profitability**

**How Has the Hawkish Fed Impacted
Insurer Portfolios?**



Property/Casualty Insurance Industry Investment Income: 2000–2024F*

(\$ Billions)



Higher interest rates are pushing investment income sharply upward

Aggressive Fed actions in response to COVID and recession pushed interest rates lower in 2020, adversely impacting investment income

Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates during COVID drove investment income down once again. Fed rate hikes in 2022-23 are reversing this trend.

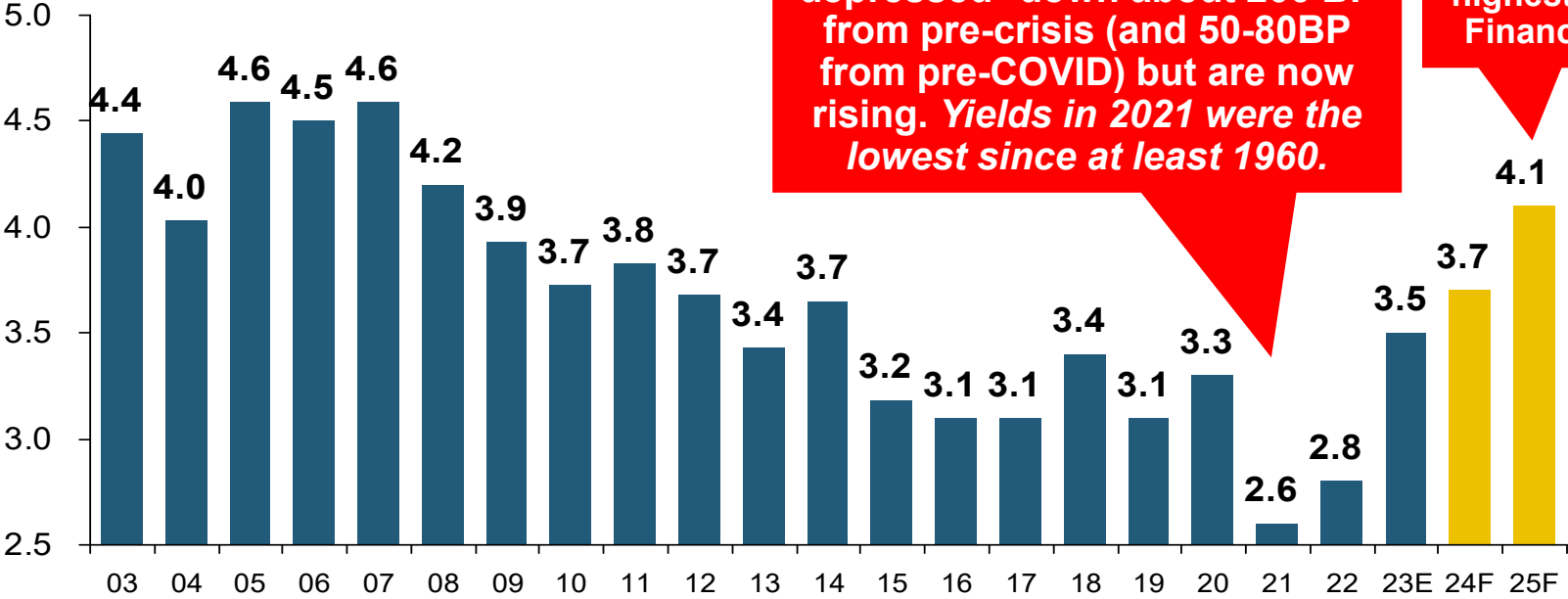
* 2018-19 figures are distorted by provisions of the TCJA of 2017. Increase reflects such items as dividends from foreign subsidiaries.

**2022 figure includes a \$10.8B intercompany distribution by a large reinsurer that flowed through NII.

¹ Investment gains consist primarily of interest and stock dividends. Sources: A.M. Best Review & Preview (March 2024); ISO; University of South Carolina, Center for Risk and Uncertainty Management.

Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2025F

(Percent)



Investment yields in 2021 were depressed--down about 200 BP from pre-crisis (and 50-80BP from pre-COVID) but are now rising. Yields in 2021 were the lowest since at least 1960.

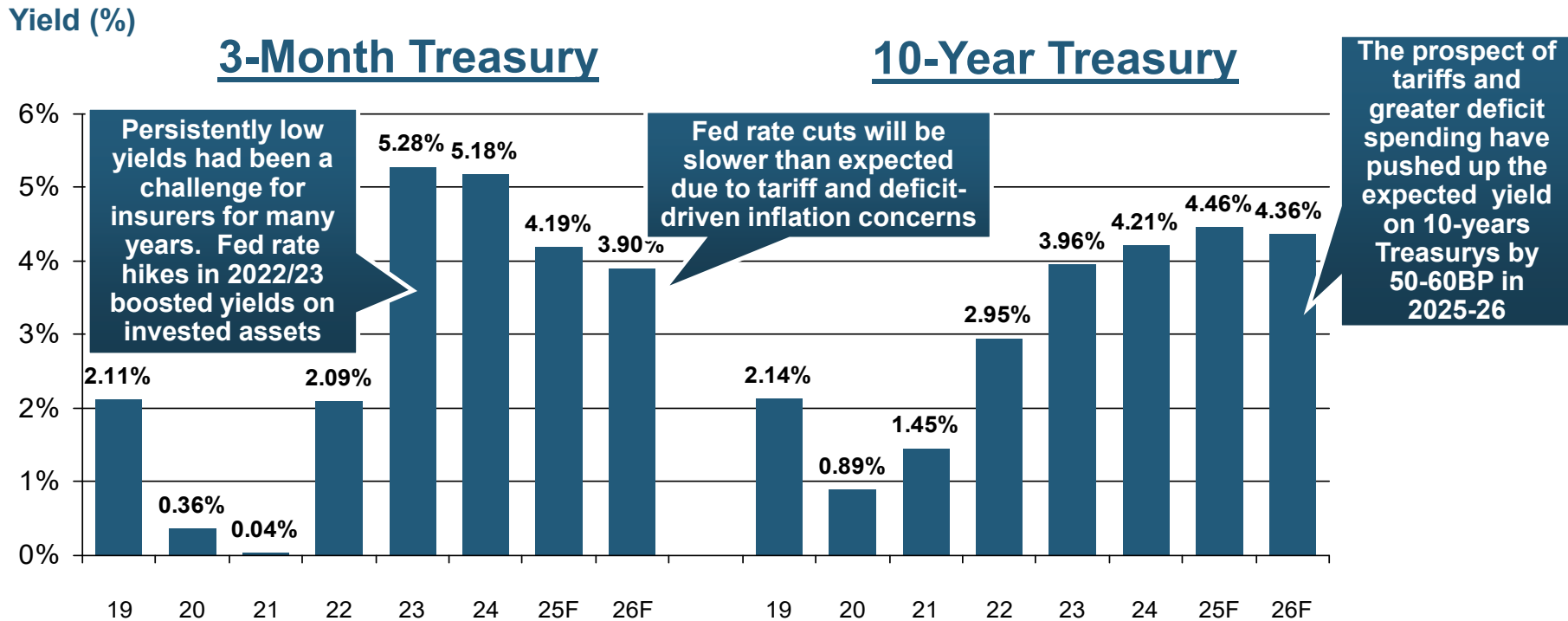
By 2025, investment yields could be the highest since the Financial Crisis

The yield on invested assets remains depressed relative to pre-financial crisis and pre-COVID yields. Fed rate hikes in 2022-23 are lifting yields and investment income.

Average: 1960-2019 = 4.9%
 Low: 2.8% (1961)
 High: 8.2% (1984/85)

Sources: NAIC data, sourced from S&P Global Market Intelligence; 2017-19 figures are from ISO. 2020-22 data from APCIA. 2023E-25FP from Swiss Re (Jan. 2024). Risk and Uncertainty Management Center, Univ. of South Carolina.

Interest Rate Forecasts: 2019 – 2026F: *Higher for Longer*

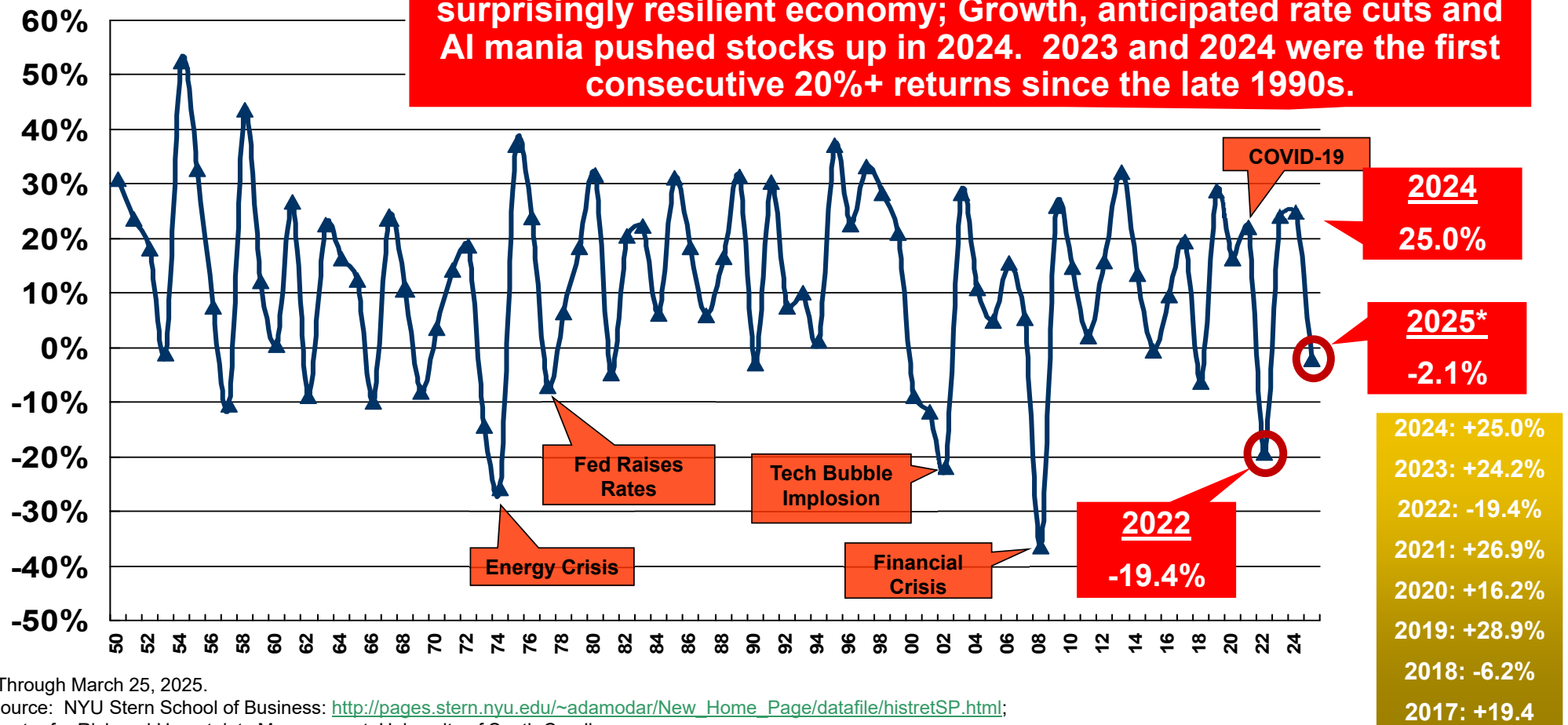


Higher interest rates are providing a modest tailwind for insurers. This is especially beneficial to longer-tailed lines such as Workers Comp.

Sources: Wells Fargo Securities (2/25); Risk and Uncertainty Management Center, University of South Carolina.

S&P 500 Index Returns, 1950–2025*

Annual Return



*Through March 25, 2025.

Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html;
Center for Risk and Uncertainty Management, University of South Carolina.

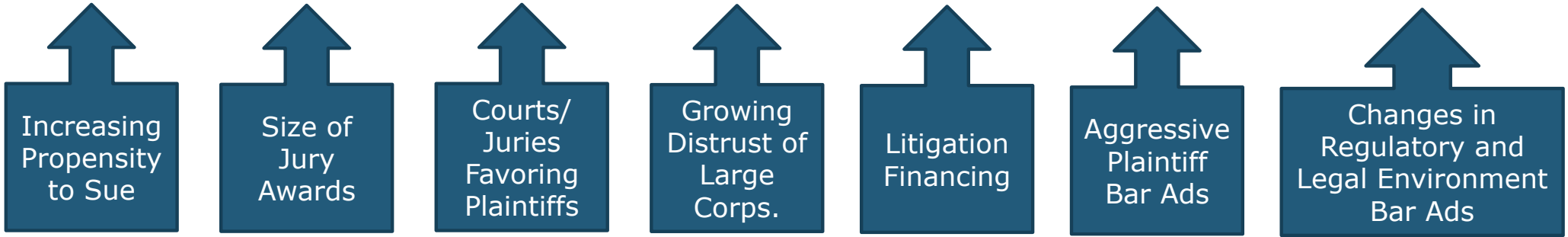
South Carolina: Commercial Liability Insurance Profitability Trends

**Commercial Liability Profitability Is
Effectively Non-Existent**

***Segments of SC's Commercial Liability
Insurance Market Are in Crisis And Likely to
Deteriorate Further Without Major Reforms***

Social Inflation: Many Interrelated Causes, Difficult to Manage

INSURANCE CLAIM COSTS

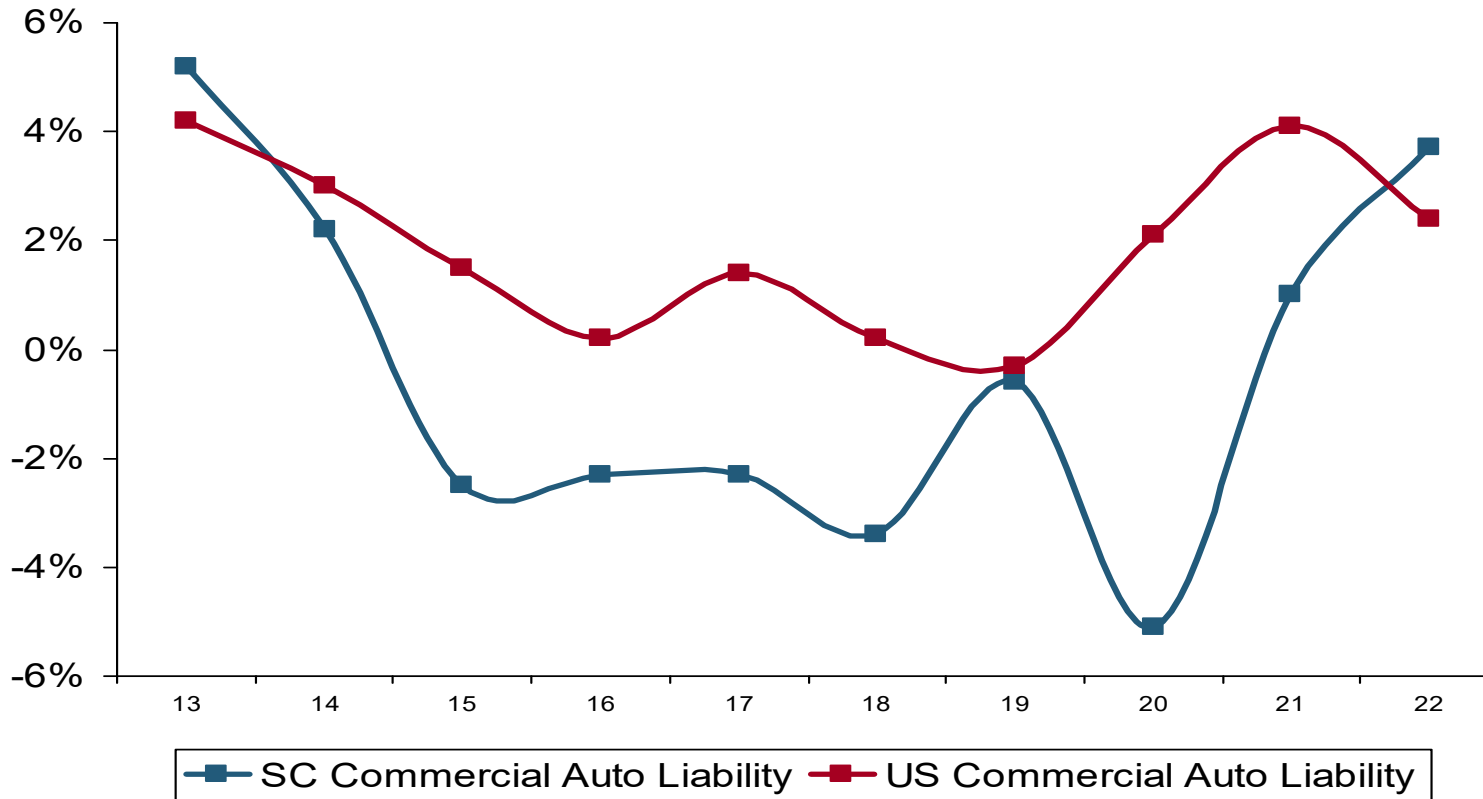


Applied to a seemingly limitless number of issues, these drivers are pushing tort costs (and therefore claim costs upward)

Source: Risk and Uncertainty Management Center, Univ. of South Carolina, adapted from Verisk "Social Inflation" presentation (2020).

Commercial Auto Liability Profitability: SC vs US, 2013–2022*

(Percent)



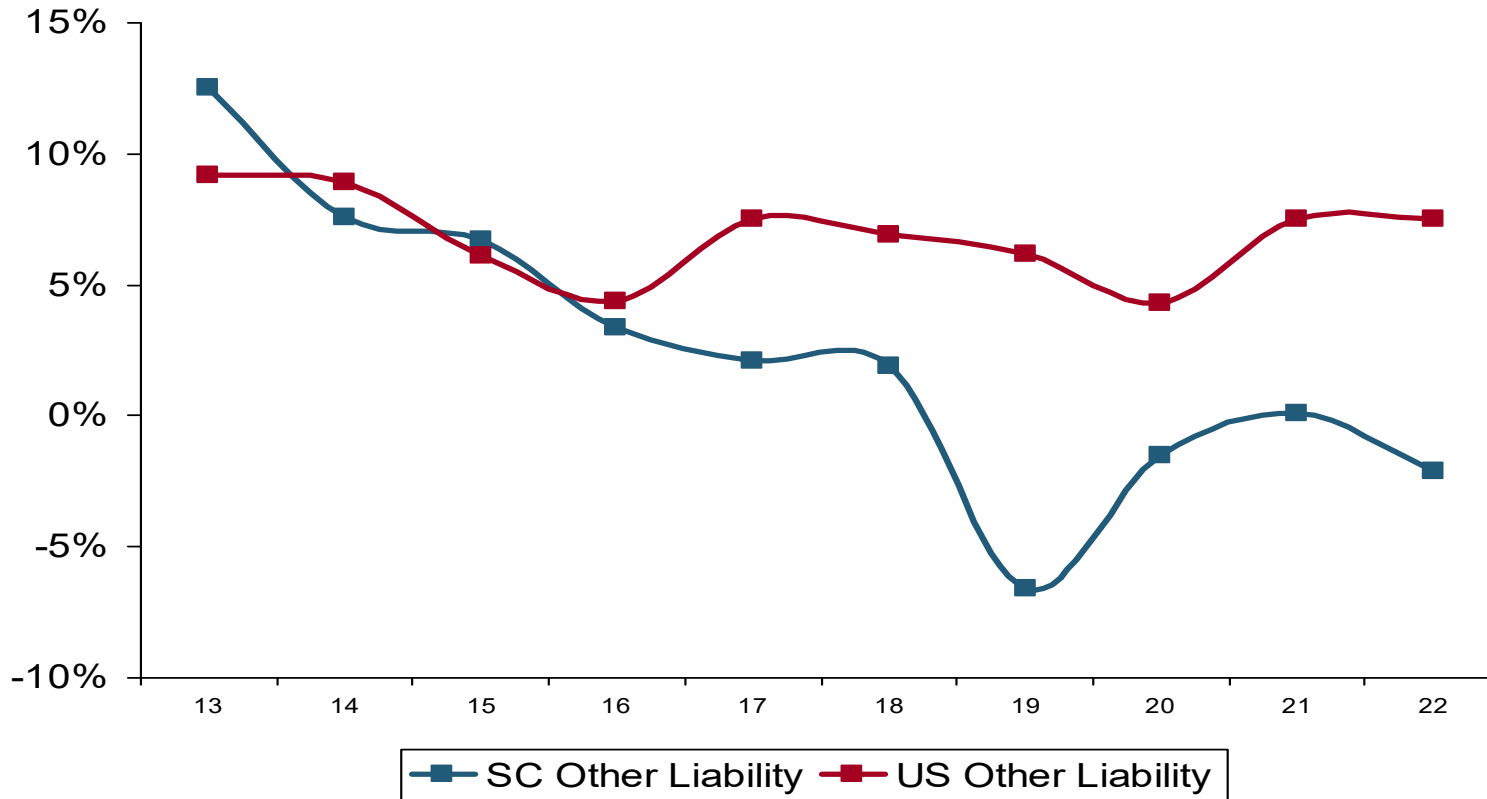
Avg. ROE*
SC: -0.3%
US: +1.9%

Commercial Auto Liability profitability in SC over the period from 2013 – 2022 was far worse than the US overall, averaging a *negative 0.3%*

*Latest available from NAIC Profitability by Line, by State reports.
 Sources: NAIC; USC RUM Center.

Other Liability Profitability: SC vs US, 2013–2022*

(Percent)



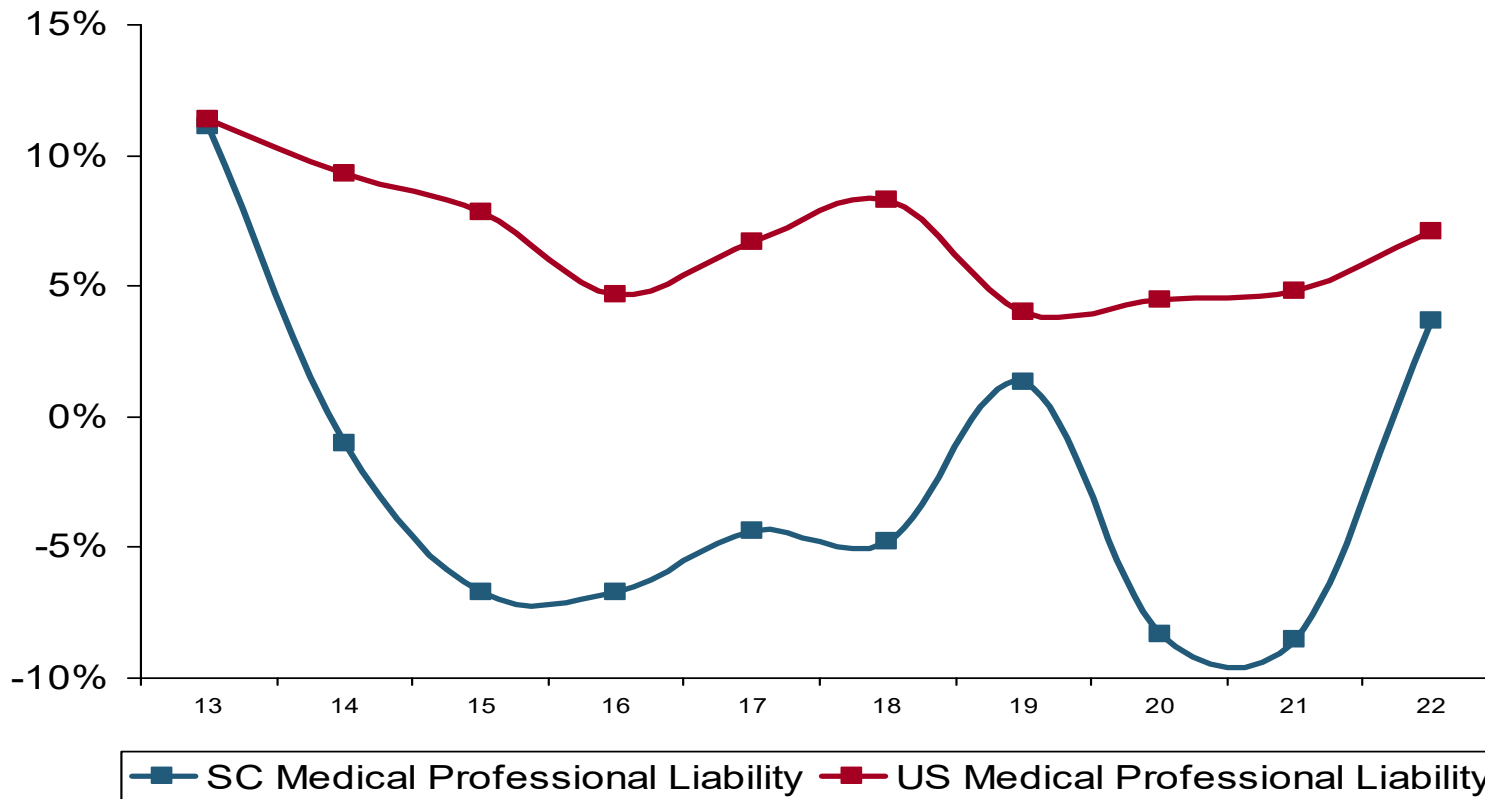
Avg. ROE*
SC: +2.4%
US: +6.8%

Coverages in the Other Liability category in SC have very low ROEs relative to the US

*Latest available from NAIC Profitability by Line, by State reports.
 Sources: NAIC; USC RUM Center.

Medical Professional Liability Profitability: SC vs US, 2013–2022*

(Percent)



Avg. ROE*

SC: -2.7%

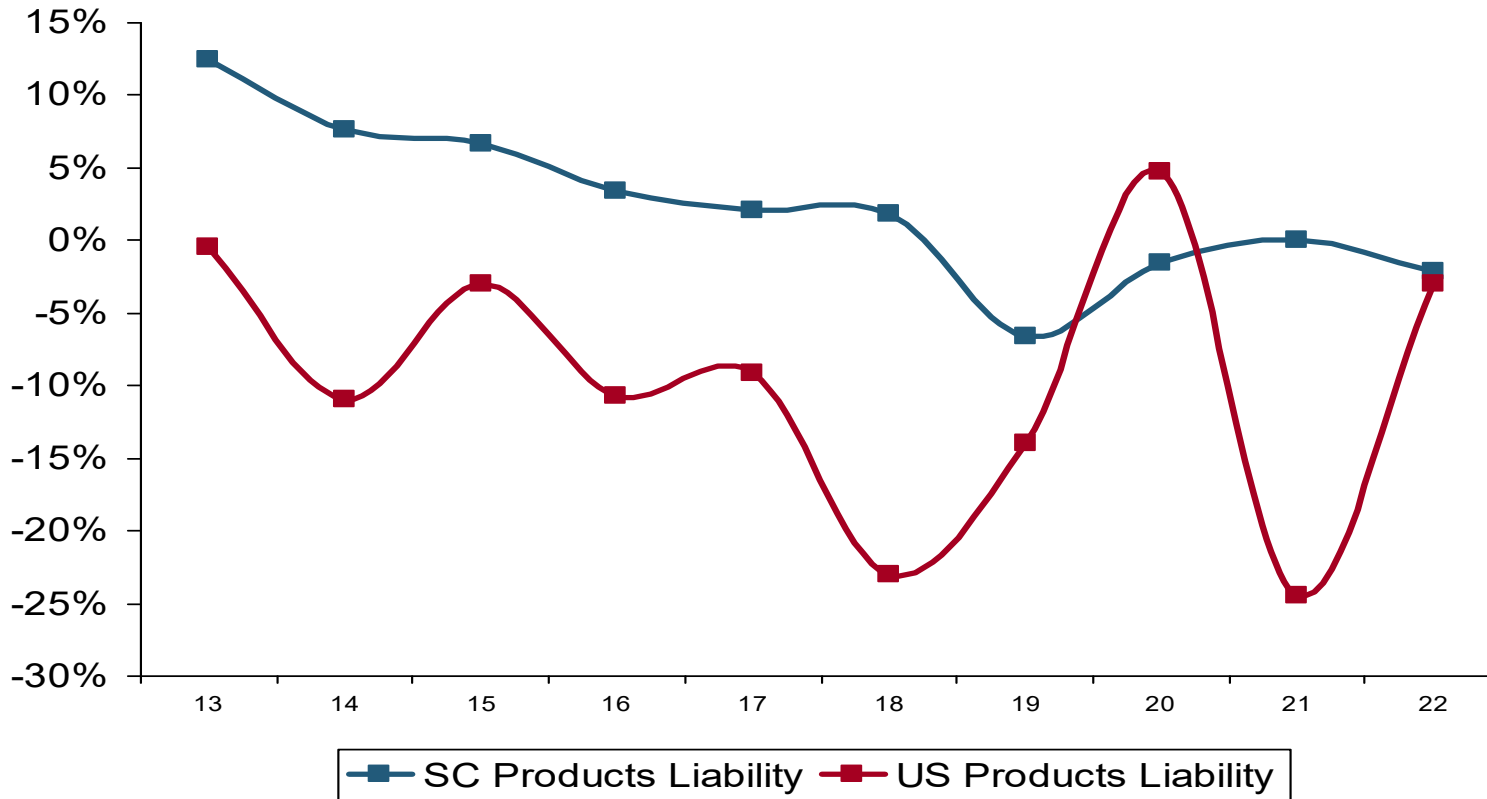
US: +6.8%

Medical Professional Liability in SC is extremely unprofitable, with negative ROEs in 7 of the past 10 years for which data are available

*Latest available from NAIC Profitability by Line, by State reports.
Sources: NAIC; USC RUM Center.

Products Liability Profitability: SC vs US, 2013–2022*

(Percent)



Avg. ROE*
SC: -9.4%
US: +5.2

Coverages in the Other Liability category in SC have very low ROEs relative to the US

*Latest available from NAIC Profitability by Line, by State reports.
 Sources: NAIC; USC RUM Center.

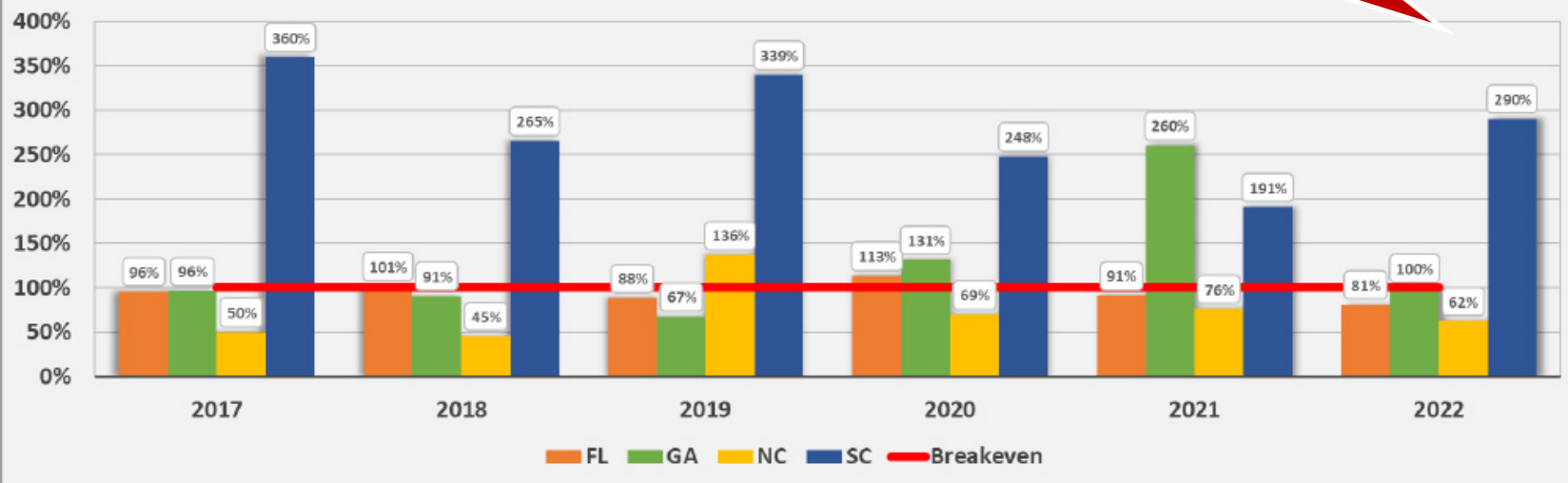
Liquor Liability Combined Ratios: SC and Nearby States, 2017- 2022

Liquor Liability combined ratios are 2 to 4 times higher than in neighboring states. They indicate the business is tremendously unprofitable and producing unsustainably large underwriting losses

Avg. Combined Ratio
 SC: 282%
 GA: 124%
 FL: 95%
 NC: 73%

Ratio of SC CR to Nearby States
 NC: 3.9:1
 FL: 3.0:1
 GA: 2.3:1

Chart A.2: Liquor Liability - Estimated Combined Ratios



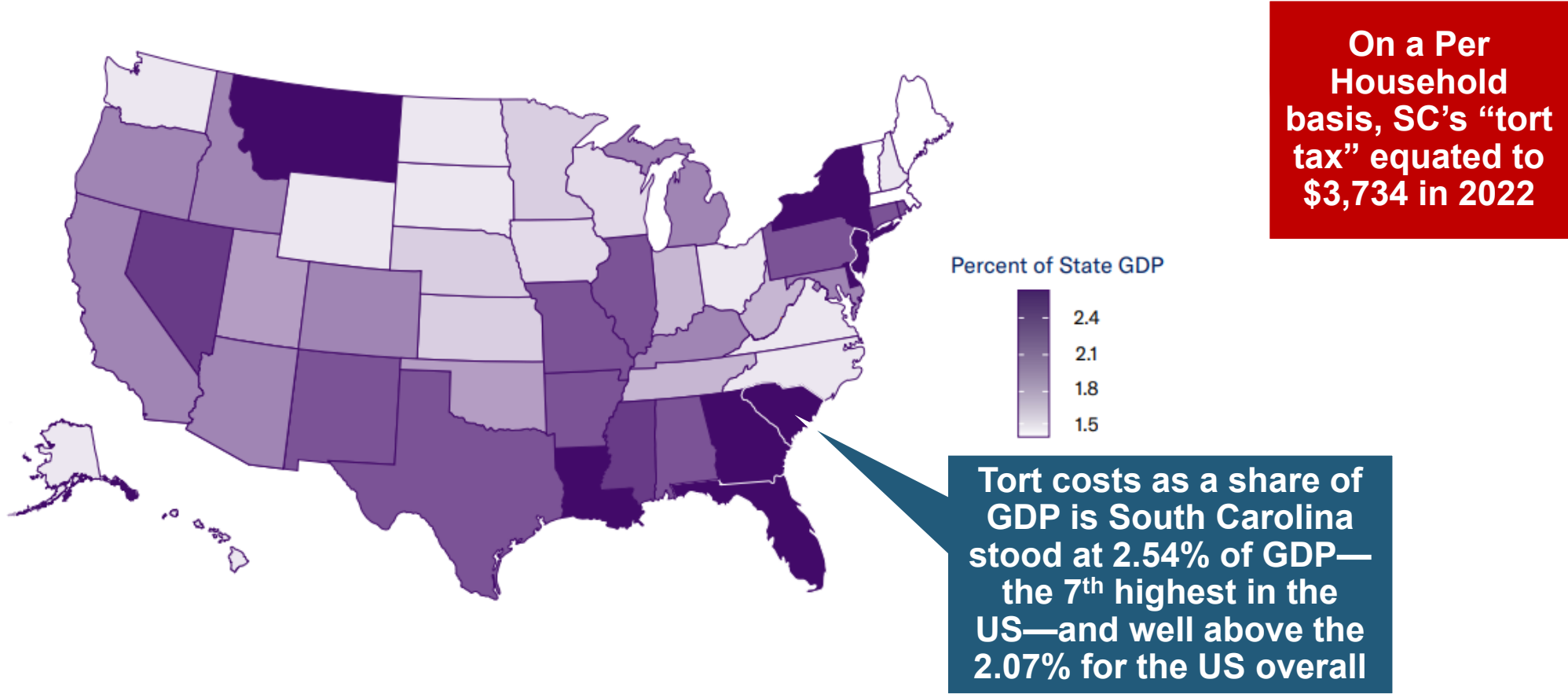
Source: South Carolina Department of Insurance, "Status Report on the South Carolina Commercial Liability Insurance Market," (January 5, 2024). Risk and Uncertainty Management Center, Univ. of South Carolina.

**South Carolina's Liability
Insurance Crisis:
*A Massive Stealth Tax on Businesses
and Consumers***

**SC's Inflated Tort Costs Are a \$7.6 Billion
Drag on the State's Economy**

***South Carolina's Tort Environment Is
Among the Top 10 Worst in US***

Tort Costs as Percent of State GDP, by State (2022)



Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), "Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System" (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Top 10 States: Tort Costs as Percent of State GDP (2022)

State	Total Tort Costs (\$ millions)	State GDP (\$ millions)	Tort Costs as % of State GDP
	[1]	[2]	[3]
DE	\$3,122	\$90,208	3.46%
FL	\$48,179	\$1,439,065	3.35%
LA	\$7,748	\$291,952	2.65%
NY	\$53,437	\$2,048,403	2.61%
GA	\$19,932	\$767,378	2.60%
MT	\$1,729	\$67,072	2.58%
SC	\$7,554	\$297,546	2.54%
NJ	\$18,996	\$754,948	2.52%
NV	\$5,356	\$222,939	2.40%
RI	\$1,714	\$72,771	2.36%
Top 10 States	\$167,766	\$6,052,282	2.77%

Tort costs totaled \$7.554 billion in SC in 2022, equating to a “tort tax” amounting to 2.54% of GDP—the 7th highest in the US—and well above the 2.07% for the US overall

SC’s “tort tax” equated to \$3,734 per household in 2022

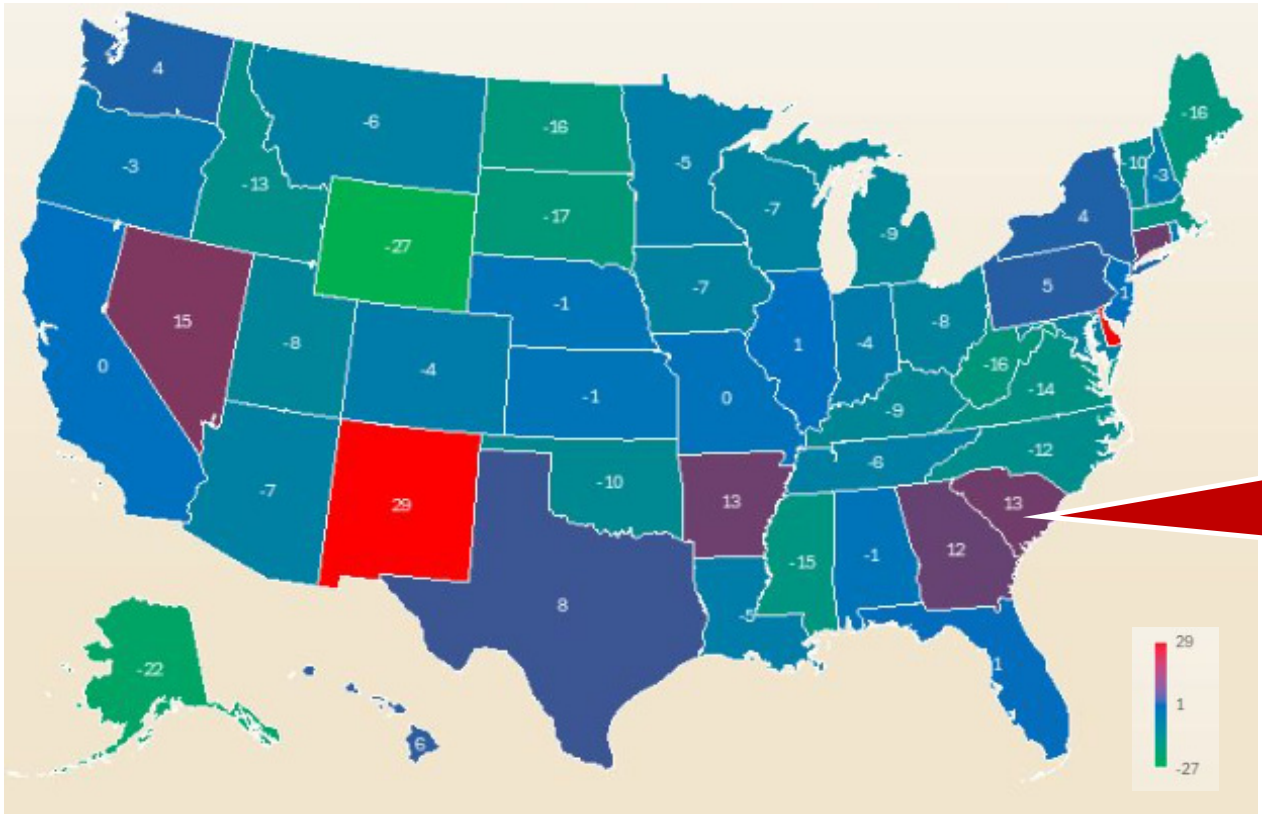
Sources and Notes:

[2]: Bureau of Economic Analysis, Gross Domestic Product by state: All industry total. Last updated: May 23, 2024.

[3] = [1] / [2].

Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), “Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System” (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Liability Loss Ratios Relative to Nationwide Average



SC's liability loss ratio is 13 points above the nationwide average. 2nd only to Nevada (and tied with Arkansas)

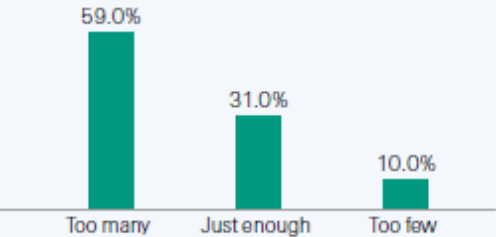
Source: S&P Global Market Intelligence from Assured Research. Accessed at: <https://www.linkedin.com/in/william-wilt-b47a7542/>.

Survey of Attitudes Toward Social Inflation

High awards and punitive damages remain popular while corporate trust is low

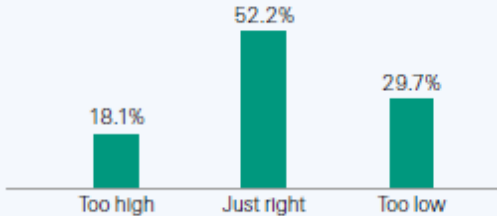
41% say there are just enough or too few lawsuits

What's your view on the number of lawsuits filed in the US?



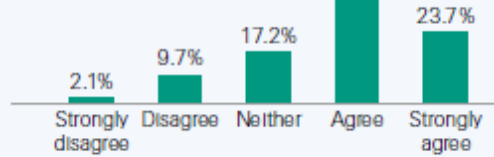
82% say damages awarded are too low or just right

Damages awarded in lawsuits are...



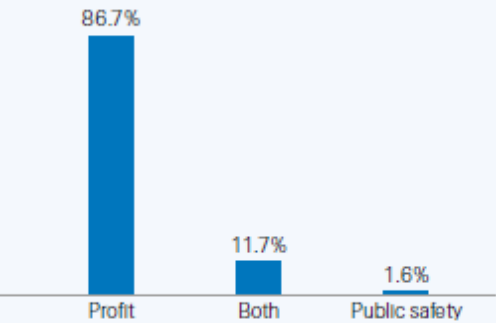
71% think punitive damages are the best way to deter companies from wrongdoing

Punitive damages against companies are the best way to deter them from wrongdoing



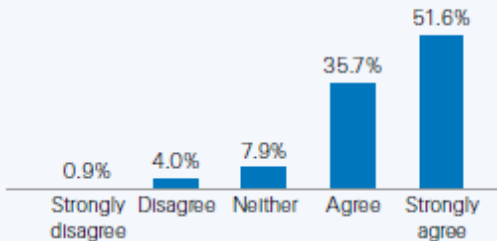
87% say large companies prioritise profit over safety

What do large corporations prioritise?



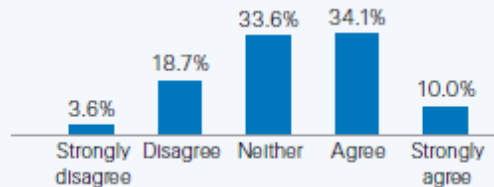
87% say manufacturers should ensure product safety at any cost

Product manufacturers should take any and all precautions to ensure the safety of their products, no matter how costly or impractical



44% say firms should pay medical compensation even if not responsible for an accident

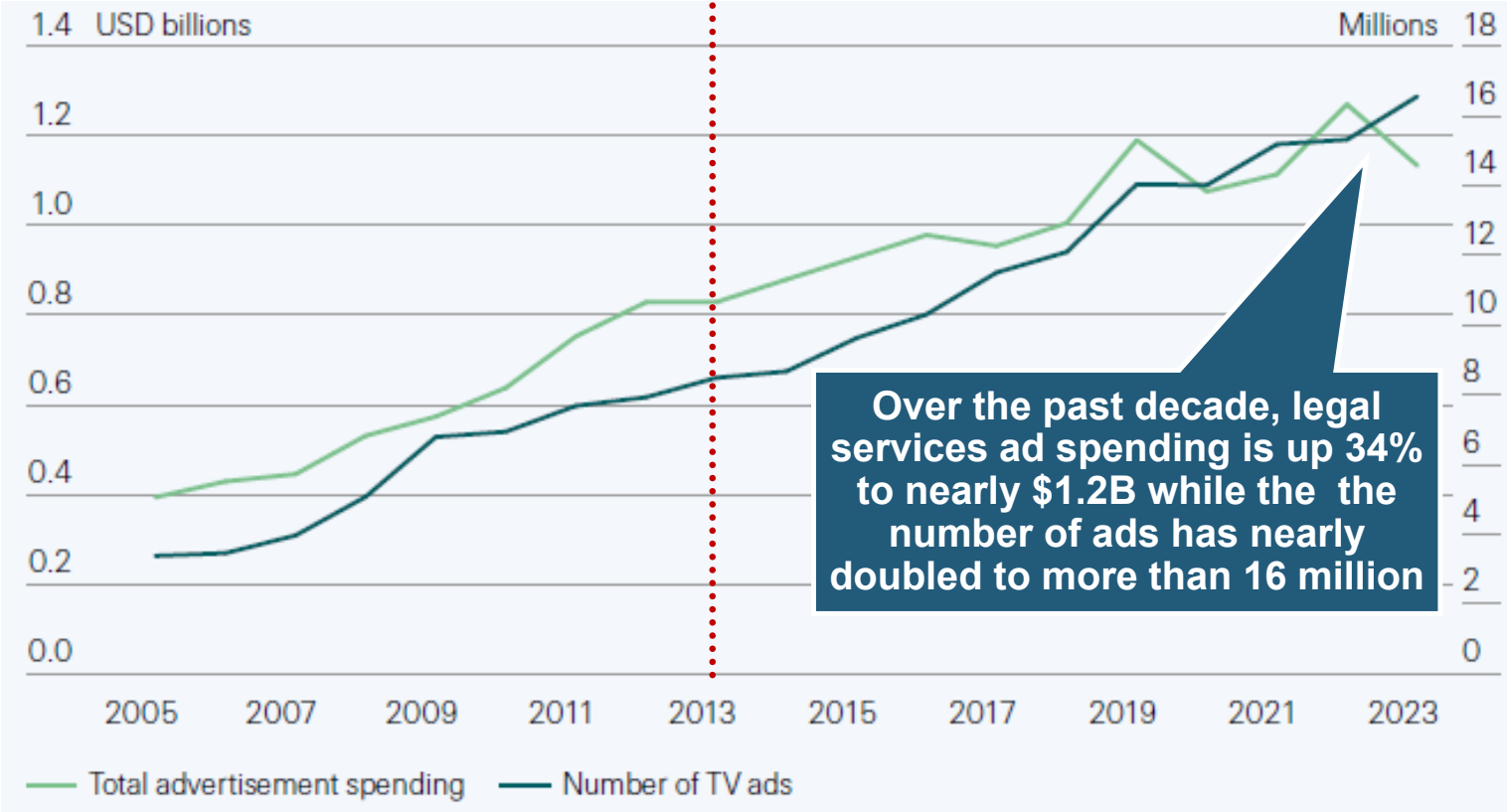
Even if a large corporation did not directly cause harm to an individual (e.g slip and fall in shopping mall), the company should pay medical compensation



The average American has attitudes that are conducive to continued social inflation.

Source: Swiss Re Institute (*sigma* No. 4/2024), "Quantifying Social Inflation in the US," accessed at: <https://www.swissre.com/institute/research/sigma-research/sigma-2024-04-social-inflation.html>.

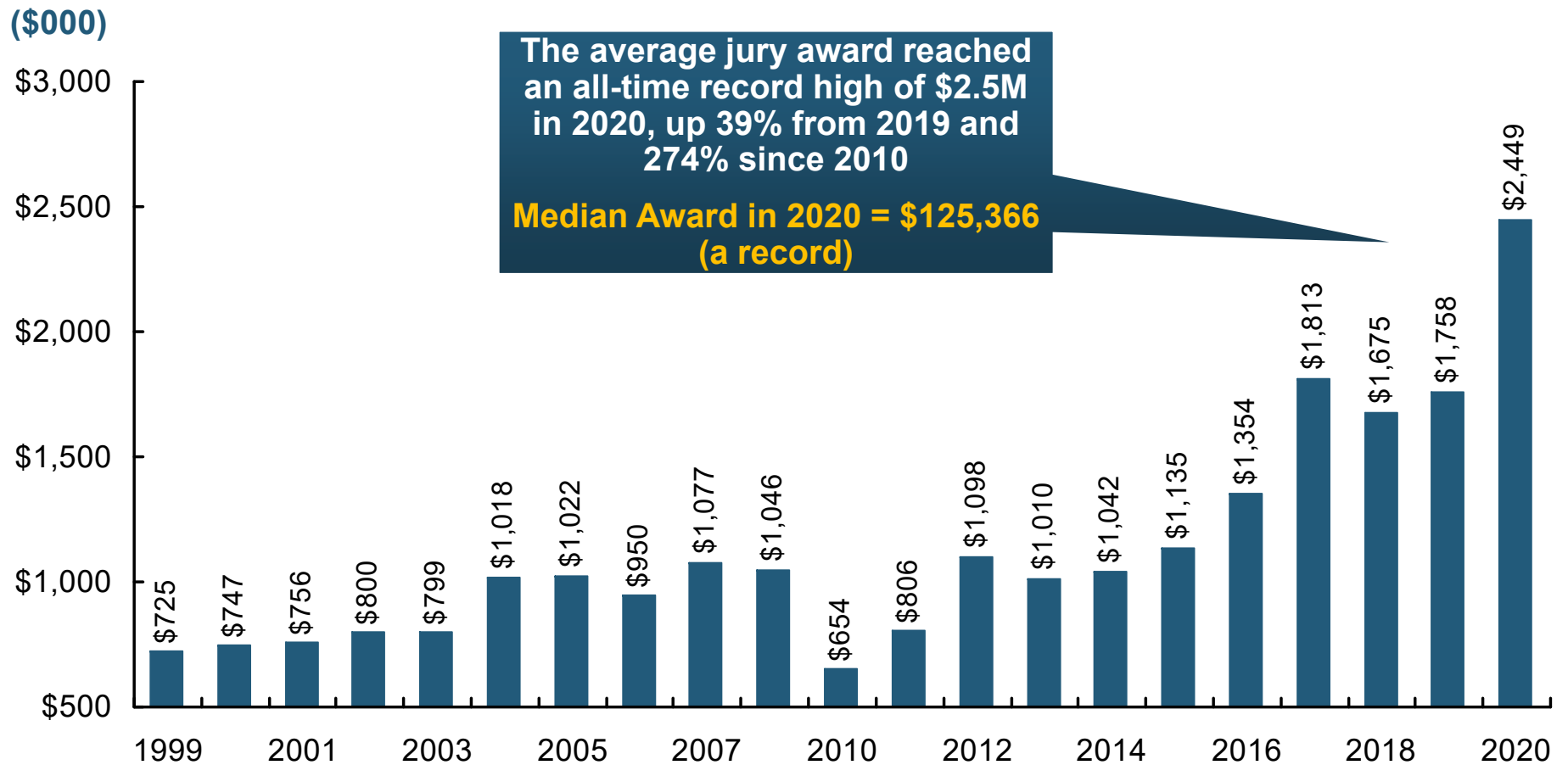
Attorney Advertising Remains Very Aggressive



The average American has attitudes that are conducive to continued social inflation.

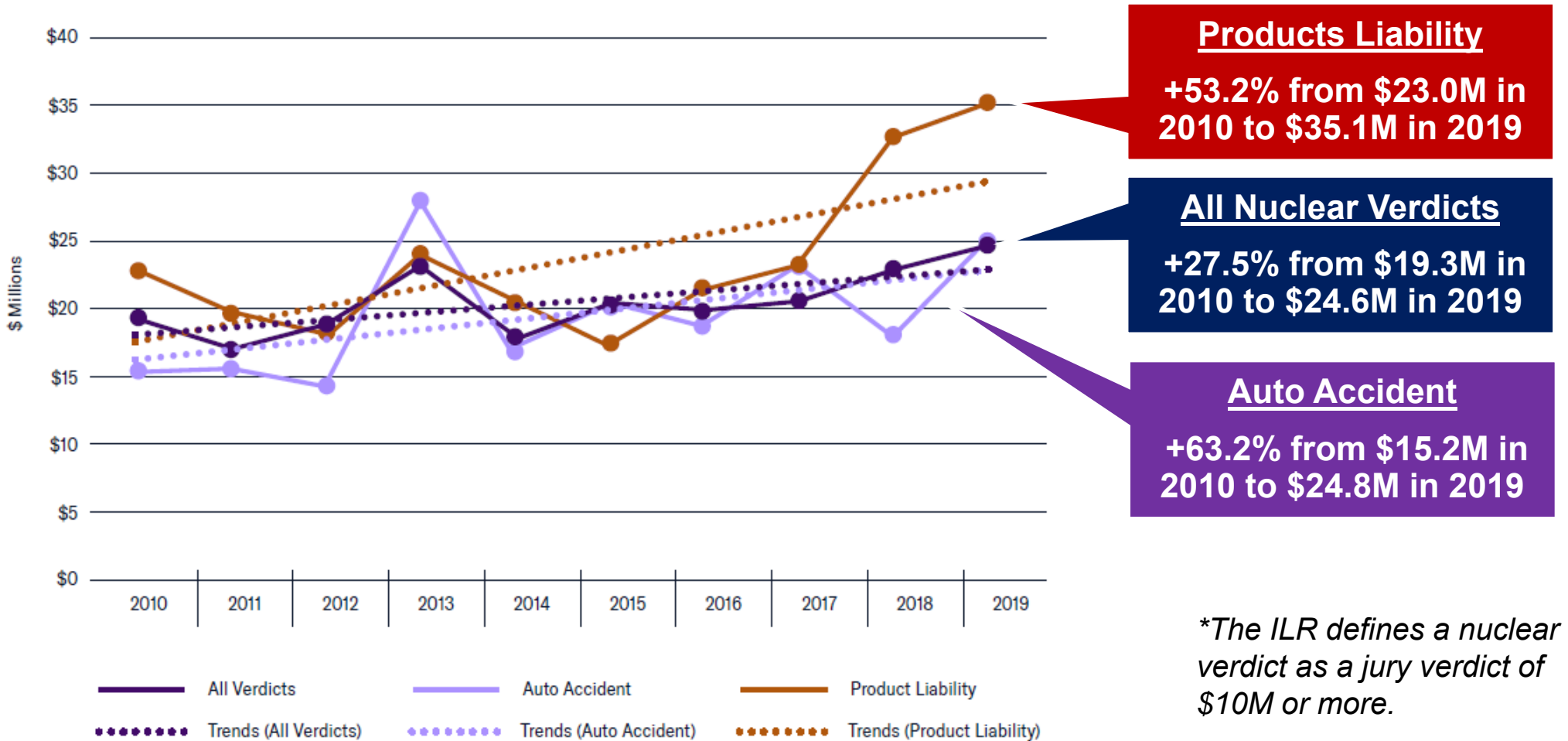
Source: Swiss Re Institute (*sigma* No. 4/2024), "Quantifying Social Inflation in the US," from X-Ante Legal Services Ad Trends, accessed at: <https://www.swissre.com/institute/research/sigma-research/sigma-2024-04-social-inflation.html>.

Average Jury Awards, 1999 – 2020 (latest available)



Source: Jury Verdict Research; *Current Award Trends in Personal Injury* (61st Edition), Thomson Reuters; Risk and Uncertainty Management Center, Univ. of South Carolina.

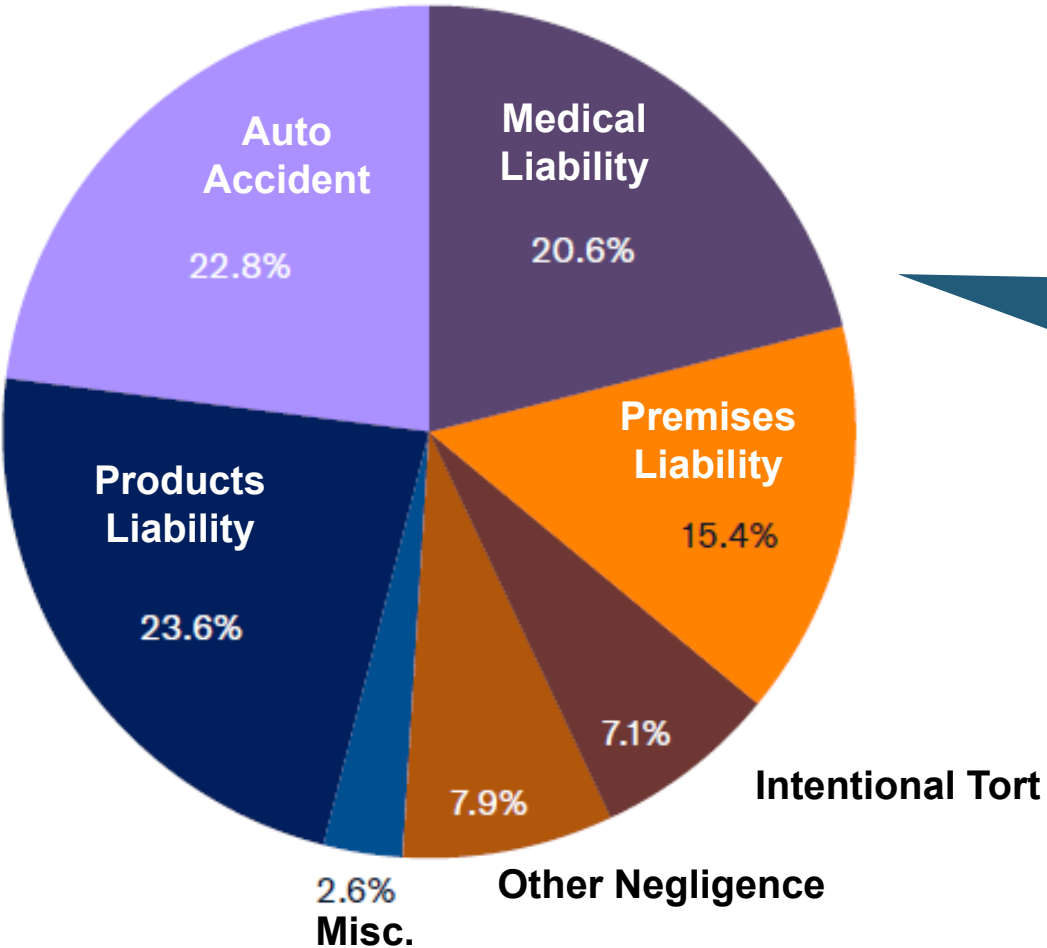
Median Nuclear Verdict and Trend Line: 2010 – 2019*



*The ILR defines a nuclear verdict as a jury verdict of \$10M or more.

Source: US Chamber of Commerce Institute for Legal Reform (Sept. 2022), "Nuclear Verdicts: Trends, Causes and Solutions," accessed at: <https://instituteforlegalreform.com/research/nuclear-verdicts-trends-causes-and-solutions/>. Risk and Uncertainty Management Center, Univ. of SC.

Nuclear Verdicts by Case Type: 2010 – 2019*

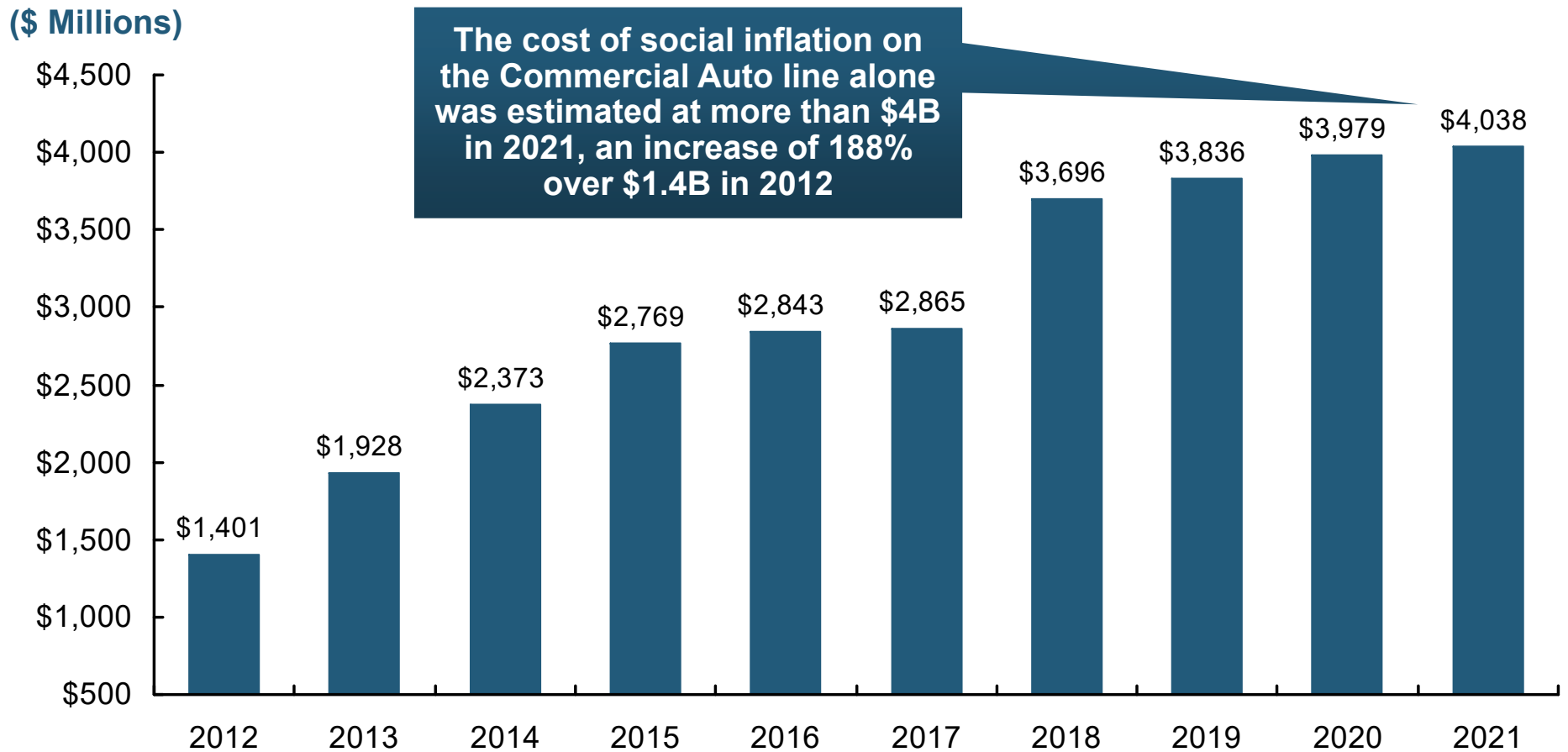


Products, Auto and Medical Liability account for 2/3 of nuclear verdicts

**The ILR defines a nuclear verdict as a jury verdict of \$10M or more.*

Source: US Chamber of Commerce Institute for Legal Reform (Sept. 2022), "Nuclear Verdicts: Trends, Causes and Solutions," accessed at: <https://instituteforlegalreform.com/research/nuclear-verdicts-trends-causes-and-solutions/>. Risk and Uncertainty Management Center, Univ. of SC.

Commercial Auto Liability: Estimated Impact of Social Inflation, 2012 – 2021*



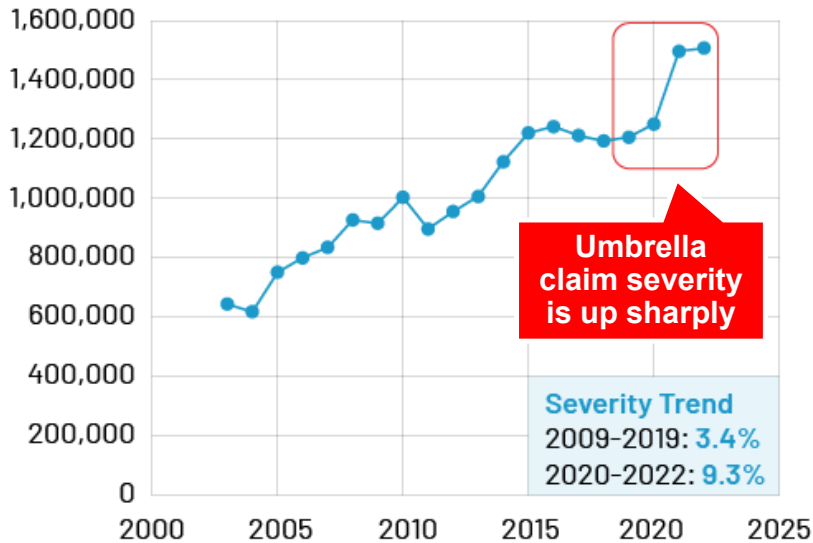
*Case-incurred estimates.

Source: CAS Research Paper; *Social Inflation and Loss Development—An Update* (2023) accessed at:

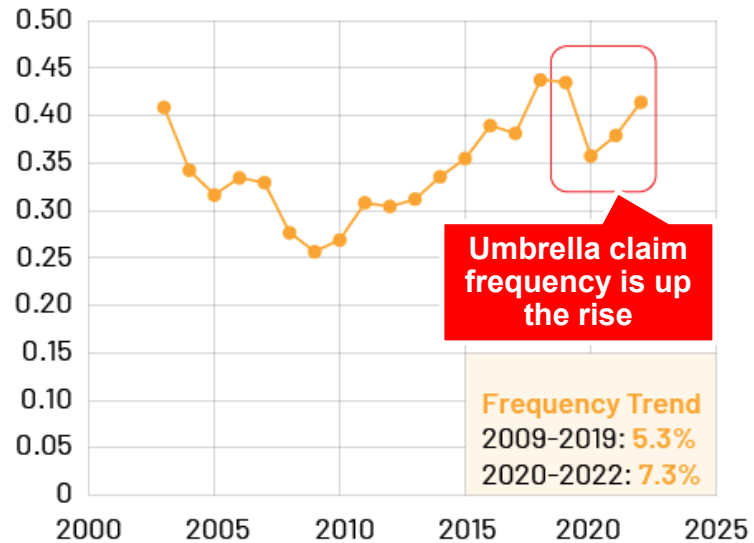
https://www.iii.org/sites/default/files/docs/pdf/cas_social_inflation_03062023.pdf.

Commercial Umbrella: A Casualty of Legal System Abuse

Commercial Umbrella Severity (Loss & ALAE)



Commercial Umbrella Frequency (Claims per On-Leveled Premium)



"A decade ago an average single-person loss that would be contained in primary limits is now well into Umbrella limits, and the tail associated with Commercial Umbrella claims has likely been underestimated"

-Gen Re

Contributing Factors

- Legal system abuse
- Nuclear verdicts
- Sophisticated trial bar
- 3rd Party Litigation Funding
- Distracted driving
- Aggravated damages

Source: Gen Re analysis using ISO data as published (Feb. 9, 2024) accessed at: <https://www.genre.com/us/knowledge/publications/2024/february/battered-umbrella-a-market-in-urgent-need-of-fixing-en>.

Direct Economic Tort Costs by Category of Tort: 2016 – 2022

	2016	2017	2018	2019	2020	2021	2022	Average Annual Growth
Commercial Liability	\$222	\$220	\$247	\$264	\$290	\$324	\$367	8.7%
Personal Liability	\$129	\$139	\$149	\$154	\$153	\$156	\$162	3.9%
Total Tort Costs	\$351	\$359	\$397	\$418	\$444	\$481	\$529	7.1%
National GDP	\$18,701	\$19,508	\$20,536	\$21,395	\$21,193	\$23,462	\$25,598	5.4%
Consumer Price Index	240	245	251	256	259	271	293	3.4%
Total Tort Costs as % of GDP	1.88%	1.84%	1.93%	1.95%	2.09%	2.05%	2.07%	

- **Total tort costs reached \$529B in 2022**
 - *\$367B Commercial Liability*
 - *\$162B Personal Liability*
- **Tort costs as a share GDP hit 2.07% in 2022, up from 1.88% in 2016 (an increase of \$178B)**
- **Tort costs grew 7.1% per year on average from 2016 – 2022, more than twice the pace of inflation (CPI)**

Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), "Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System" (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Top 10 States: Tort Costs as Percent of State GDP (2022)

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Top 10 States	\$167,766	\$6,052,282	2.77%

Tort costs totaled \$7.55 in SC in 2022, equating to a “tort tax” amounting to 2.54% of GDP—well above the 2.07% for the US overall

The US “tort tax” equated to \$4,207 per household in 2022

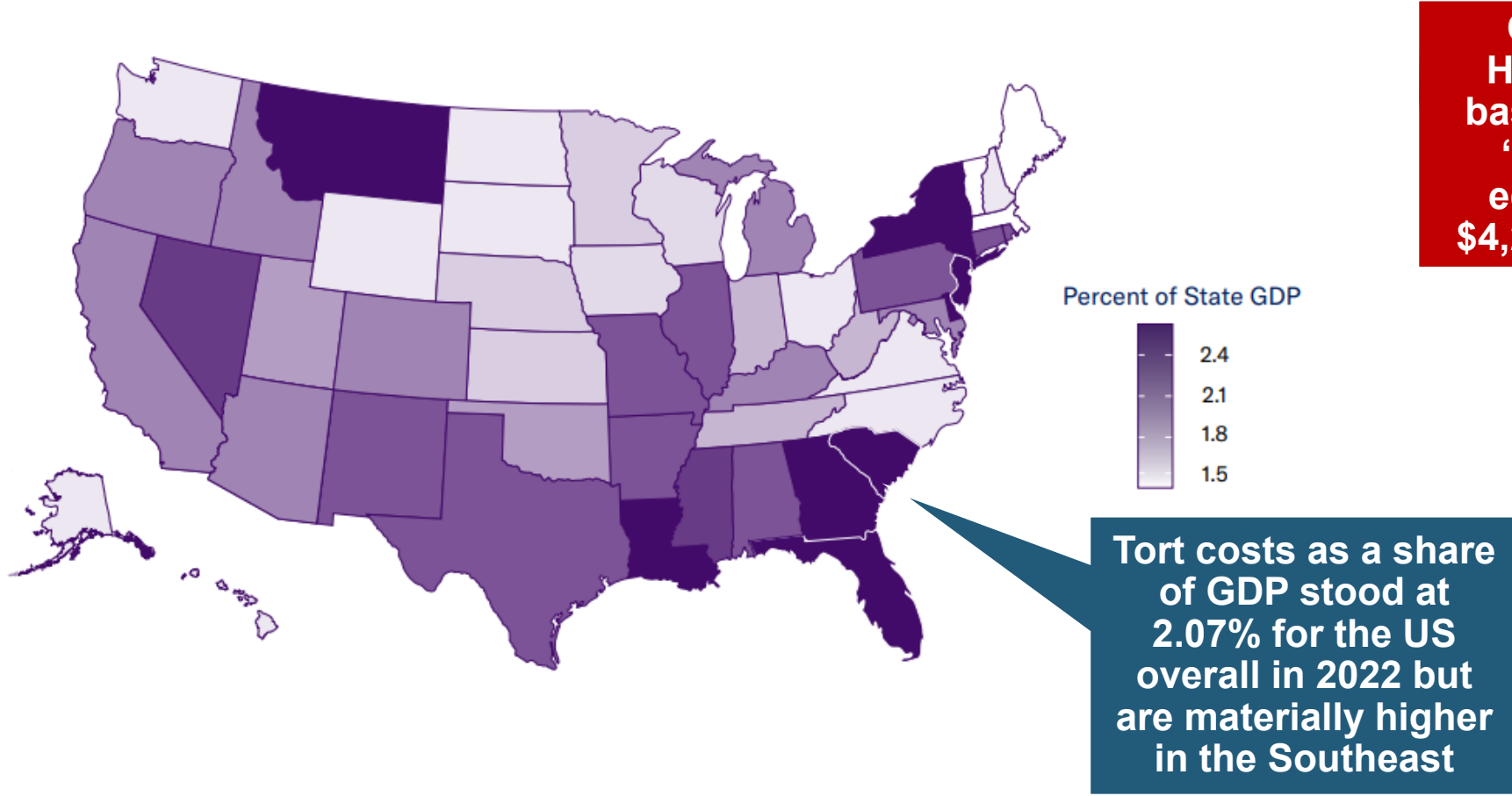
Sources and Notes:

[2]: Bureau of Economic Analysis, Gross Domestic Product by state: All industry total. Last updated: May 23, 2024.

[3] = [1] / [2].

Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), “Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System” (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Tort Costs as Percent of State GDP, by State (2022)



Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), "Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System" (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Tort Costs Over Time by Category, 2016 - 2022 (\$Bill) (2022)

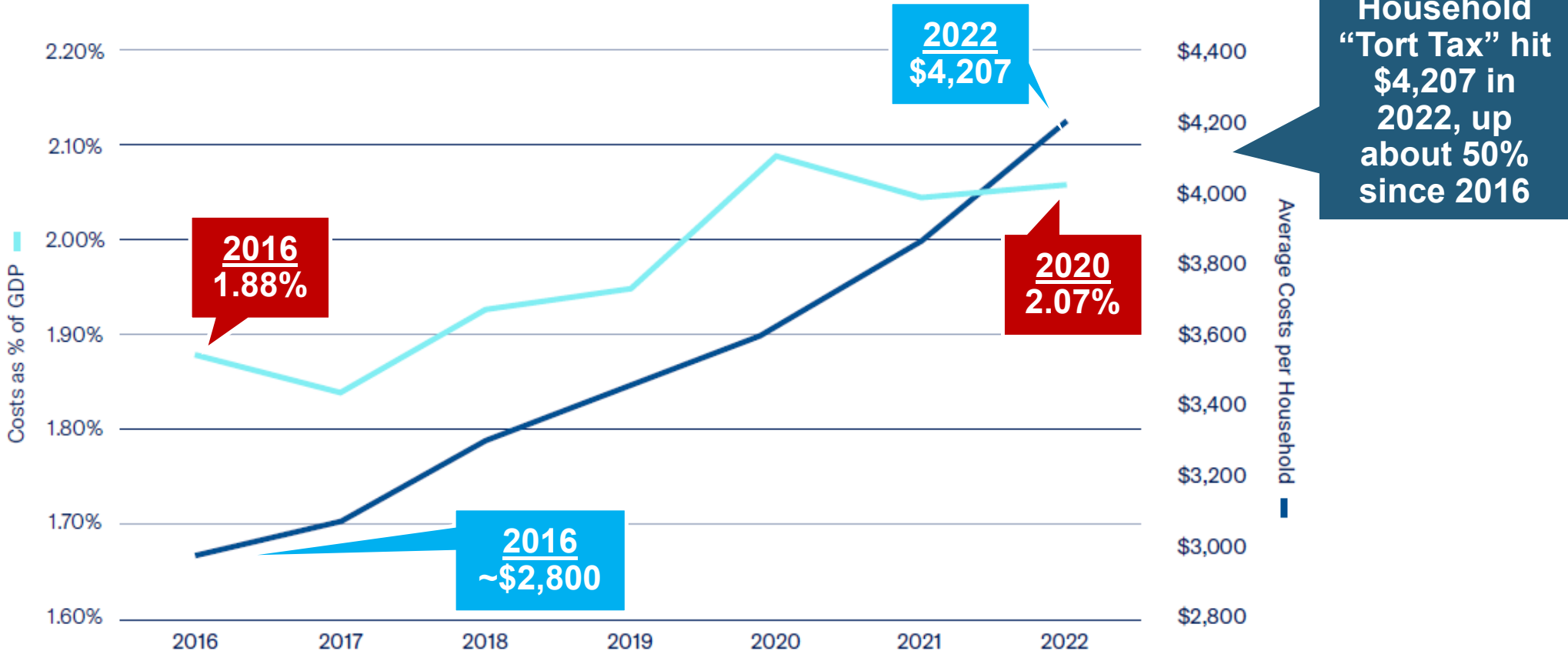
		2016	2017	2018	2019	2020	2021	2022	Average Annual Growth
Commercial Liability									
General/Professional	[1]	\$176	\$171	\$194	\$205	\$230	\$256	\$291	8.8%
Medical	[2]	\$14	\$13	\$14	\$15	\$16	\$17	\$17	4.3%
Automobile	[3]	\$33	\$35	\$39	\$44	\$45	\$51	\$58	10.1%
Commercial Liability Total	[4]	\$222	\$220	\$247	\$264	\$290	\$324	\$367	8.7%
Personal Liability									
Homeowners (liability portion)	[5]	\$4	\$4	\$4	\$4	\$4	\$5	\$5	5.1%
Automobile	[6]	\$125	\$135	\$145	\$150	\$149	\$152	\$157	3.9%
Personal Liability Total	[7]	\$129	\$139	\$149	\$154	\$153	\$156	\$162	3.9%
Total Tort Costs	[8]	\$351	\$359	\$397	\$418	\$444	\$481	\$529	7.1%
National GDP	[9]	\$18,701	\$19,508	\$20,536	\$21,395	\$21,193	\$23,462	\$25,598	5.4%
Consumer Price Index	[10]	240.0	245.1	251.1	255.7	258.8	271.0	292.7	3.4%
Total Costs as % of GDP	[11]	1.9%	1.8%	1.9%	2.0%	2.1%	2.0%	2.1%	

Increases in tort liability costs are driven primarily by Commercial lines, which are grew at and average annual rate 8.7% from 2016 – 2022, compared to 3.9% for Personal lines

The US “tort tax” equated to \$4,207 per household in 2022

Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), “Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System” (3rd Edition) accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/>; Risk and Uncertainty Management Center, Univ. of South Carolina.

Change in Tort Costs Over Time: 2016 – 2022



Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2022), "Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System" accessed at: <https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-of-the-u-s-tort-system/>. Risk and Uncertainty Management Center, Univ. of South Carolina.

Percent of P/C Companies Reporting Adverse Reserve Development as of 9/30 Each Year, 2001 - 2023



About 45% of P/C insurers reported adverse reserve development thru Q3:2023, the highest number since the early 00s, “the last difficult reserve period for the industry”
-William Wilt, Assured Research

Source: Assured Research as published on LinkedIn (Feb. 10, 2024) accessed at: <https://www.linkedin.com/in/william-wilt-b47a7542/>.

SUMMARY

- **The P/C Insurance Industry Remains Strong, Stable, Sound and Secure**
 - ◆ Auto lines, property and reinsurance segments were stressed but are improving
- **Loss Cost Challenges Have Been Easing, but Changes in Fiscal, Trade and Labor Policies in 2025 Could Exert Inflationary Pressures**
 - ◆ Tariffs would adversely impact auto and property claim severities
- **“Soft Landing” Jeopardized; Recession Still Unlikely but Odds Are Increasing**
- **Asset Price Volatility Will Persist with Monetary Policy, Fiscal, Geopolitical Uncertainty**
- **Higher Interest Rates Are Providing a Modest Tailwind for Investment Income**
- **Inflationary Pressures Moderated in 2024, though Persisting into 2025**
 - ◆ Tariff—if fully implemented and maintained—are somewhat “stagflationary”
- **Legal System Abuse Issues Remain a Long-Term Challenge and Major Cost Driver**



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and your attention!*

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