

1 COMBINED RATIO

A key performance indicator that is used to measure the performance & profitability of an insurance company's underwriting activities.

$$\frac{\text{Insurance Company Expenses} + \text{Claims}}{\text{Total Premium}} = \text{Combined Ratio}$$

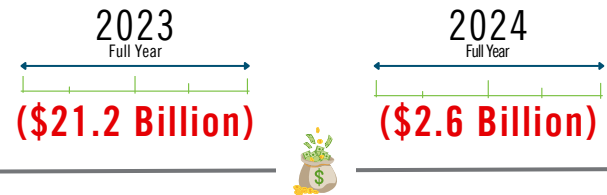
S&B Global market intelligence forecasts a combined ratio of 99.2% for the U.S. P&C industry in 2024 which represents a modest underwriting profit. This trend is an improvement from the 2023 combined ratio of 103.7 according to AM Best.

2

UNDERWRITING RESULTS

A report from industry rating agency AM Best said U.S. P&C insurers posted an underwriting loss of **(\$2.6 billion)** in 2024.

This is a significant improvement from the recorded **(\$21.2 billion)** underwriting loss in 2023 and **(\$24.9 billion)** underwriting loss in 2022.



3 CATASTROPHIC LOSSES

Since 1980, the United States has average approximately 8.5 weather & climate disasters per year where overall damages exceeded \$1 billion or more per event (CPI adjusted).

Through November of 2024, The U.S. has experienced 24 weather related disasters that caused losses over \$1 billion per event. Notable storms include Hurricane Helena & Milton which generated estimated insured losses between \$35 billion and \$50 billion (Moody).

The 2025 California wildfires have inflicted unprecedented damage. Over 16,000 structures have been destroyed and estimated \$40 billion in insured losses.

INFLATION

Refers to the sustained increase in the price of goods and services over time and is measured by the percentage change in goods and services typically by the consumer price index (CPI). The federal reserve uses monetary policy to achieve a target rate of inflation of 2%.

- Since Covid (2020), consumer prices have grown by over 19%.
- Building materials prices have risen by about 33% since 2020.
- Average labor cost increased over 18% since the pandemic.
- Vehicle repairs have increased roughly 20% in the past year alone.

5 REINSURANCE

The reinsurance market has put pressure on the primary insurance carriers the past few years by delivering significant renewal increases and higher attachment points. The 2025 reinsurance market is expected to see stabilization in property reinsurance due to prior rate increases, increased capacity, and competition.

The casualty reinsurance market is projected to see rate hikes driven by social inflation including increased lawsuits, litigation funding, and a rise in "nuclear verdicts" over \$10 million. Litigation funding involves third party companies supplying capital to litigators in exchange for a portion of the settlement. Litigation funding has become a \$15 billion + industry and leads to abnormally high settlements.

Overall, the 2025 reinsurance market offers a brighter outlook for commercial insurance buyers.

6 RATES | PREMIUM

Premiums and rates vary by state but there are some notable trends in 2024 moving into 2025.

- Workers compensation base rates have decreased in most states. The WCRB announced an average rate decrease of 10.5% effective 10-01-2024.
- Commercial property rates have averaged double digit increases the past two years, but the property market should begin to see some stabilization in 2025.
- Commercial auto, general liability, and umbrella are experiencing mid to high single digit increases across the United States. General liability rates are trending upwards due to social inflation including increased lawsuits, litigation funding, nuclear verdicts, etc.
- Most other lines of coverage are "soft" and experiencing flat to moderate premium increases.

