



# ***STATE OF THE INSURANCE INDUSTRY***

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# The Challenge—Rising Losses and Insurance Costs Creating A Supply and Demand Mismatch



# Property Insurance Markets Deteriorating

## The Palm Beach Post

### Florida's property insurance is in crisis.

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

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

They say, the more complex the problem, the simpler it is to solve. Florida's homeowner insurance crisis has become a nightmare for many of them out of the state. Home insurance premiums continue to rise, and competition in the market.



## Southeast Louisiana has an insurance crisis

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

Brandon V

Published: 12:00  
Updated: 11:00

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## San Francisco Chronicle

OPINION // EDITORIALS

### California's insurance market is a ticking time bomb.

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

By Chronicle Editorial Board



## Newsweek

### California's Insurance Crisis Is Spiraling Out of Control

Published Mar 01, 2024 at 8:11 AM EST

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

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

## CAL MATTERS

### California insurance market 'in chaos'

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

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



# AM Best Downgrades Personal Lines Insurance – Both HO & Auto (March 2024)

Personal lines insurance outlook = **Negative** (*first ever*)



- Underwriting losses: 2022-2024<sub>(est.)</sub> = **-\$40/48/21 billion**
- “underwriting profitability... over the near term appears highly unlikely”

Auto insurance outlook = **Negative**



- Worst 3-year stretch of losses in recent memory
- Causes: Inflation, supply chain disruption, record driving, worse driving, technology costs, legal system abuse

Homeowners insurance outlook = **Negative**

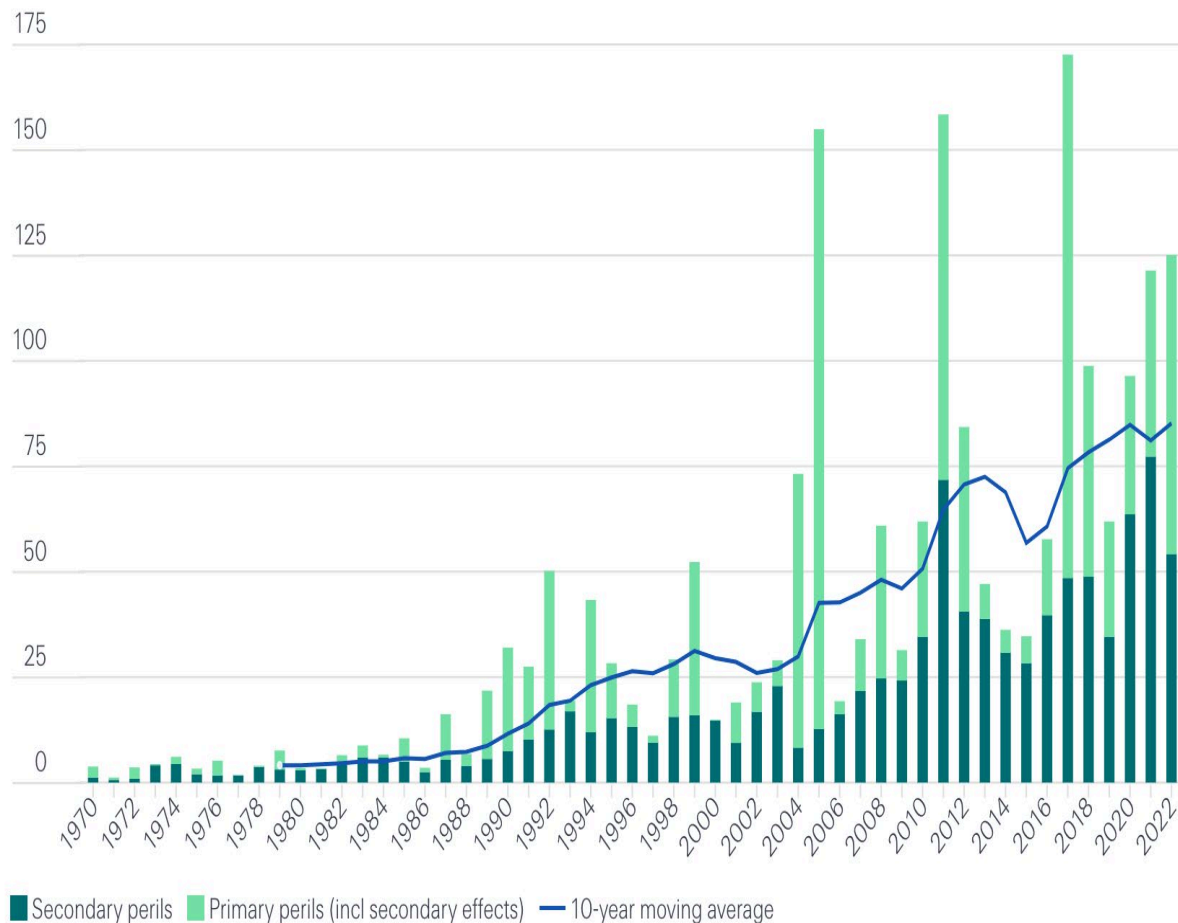


- 5 consecutive years of underwriting losses (*HO & Farmowners Multi-peril 2020-2024p*)



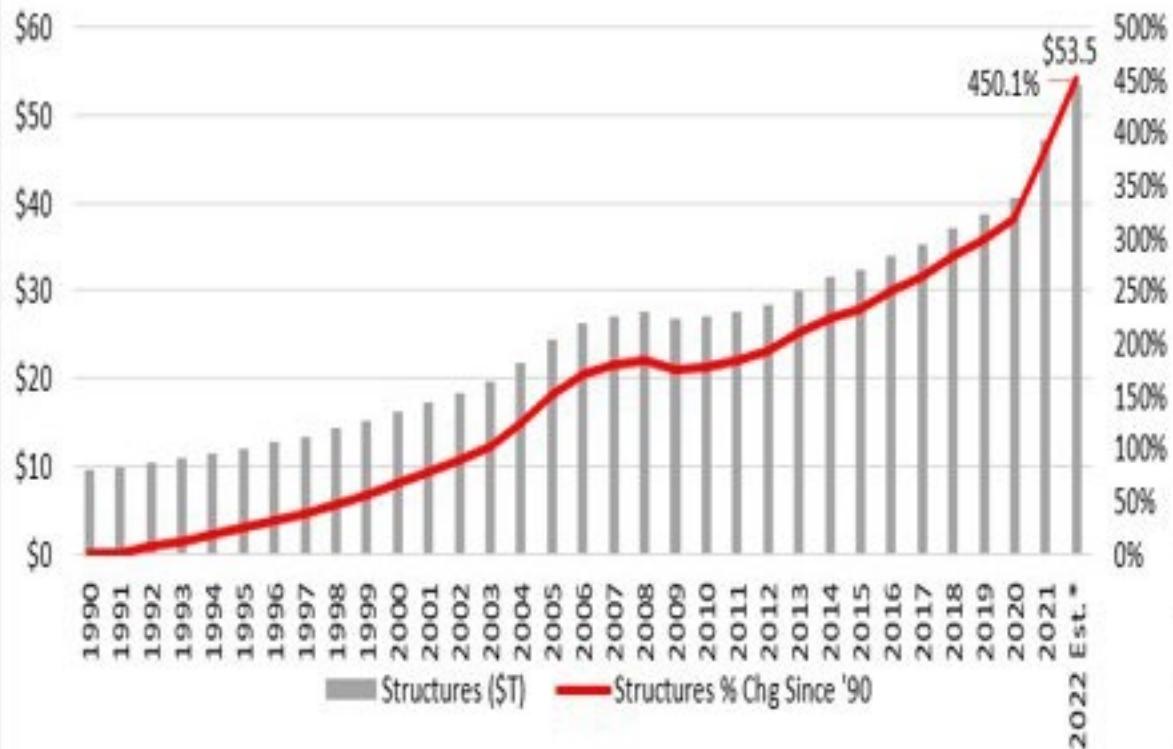
# Increasing Cat Losses / Rebuilding Costs

### Global Insured Natural Catastrophe Losses (USD bn)



### U.S. Replacement Cost of Structures

#### BEA Current-Cost Net Stock of Private Fixed Assets (\$T)



Source: APCIA using U.S. Bureau of Economic Analysis year-end estimates; Swiss Re 2022 estimate via sigma No 1/2023. ("Structures" include residential and non-residential structures.)



# What is Causing Increased Property Losses

*It's not just the weather*

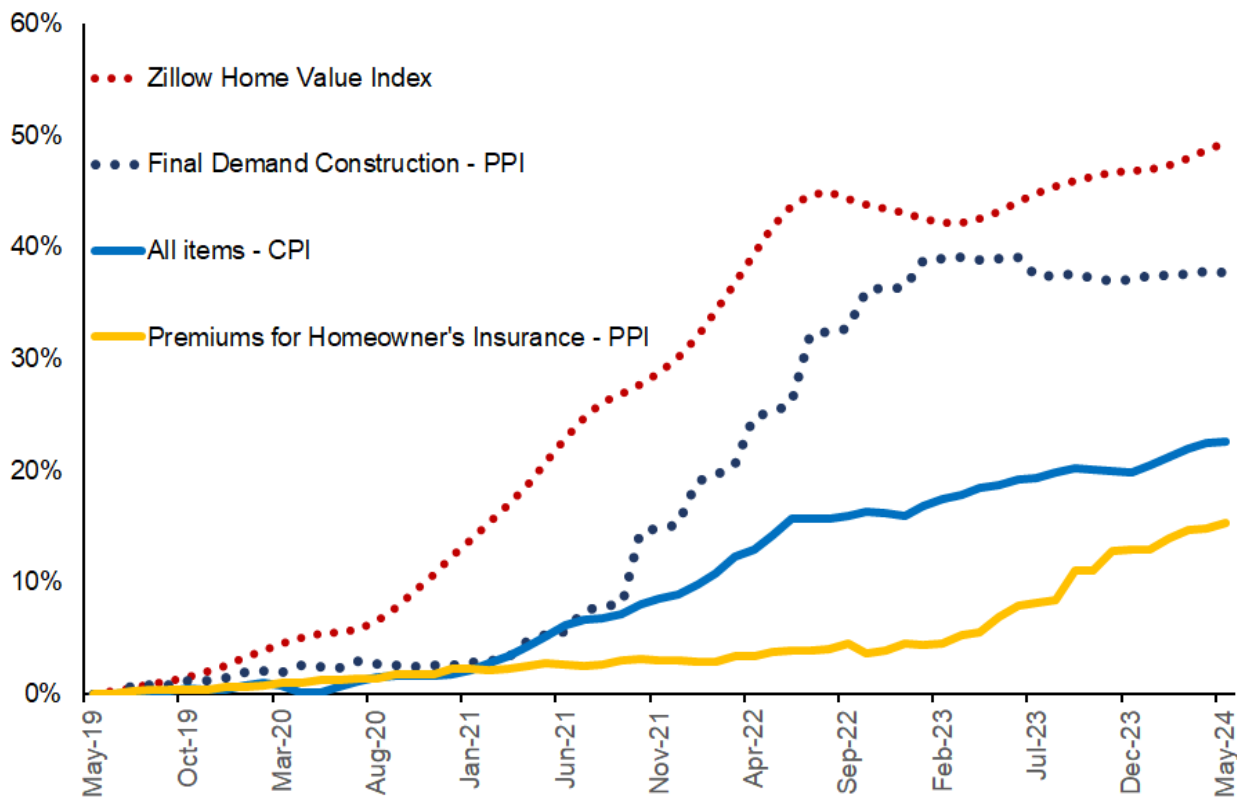
Verisk: The factors causing a doubling of average annual natural catastrophe losses over the last decade are (in order of importance):

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



# Increasing Cost Inflation & Climate Risk

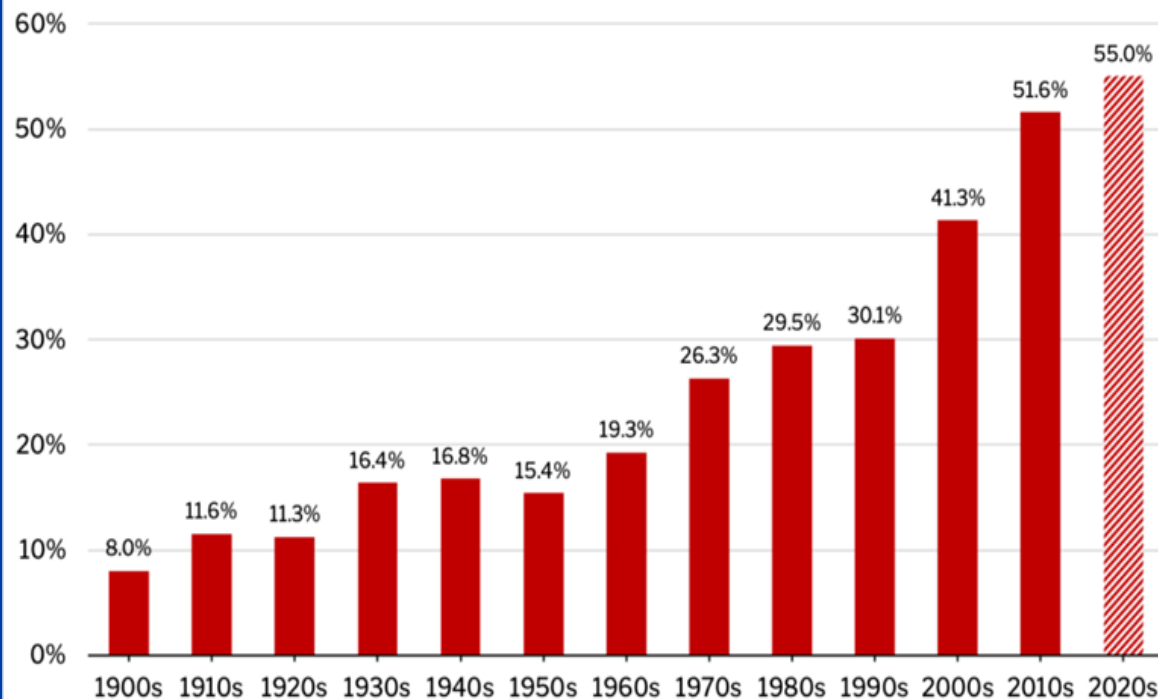
### Cumulative Price Changes



Source: Bureau of Labor Statistics

### Fire Risk Plagues More Than Half of Recently Built Homes

Share of existing U.S. single-family homes that face fire risk, by decade built



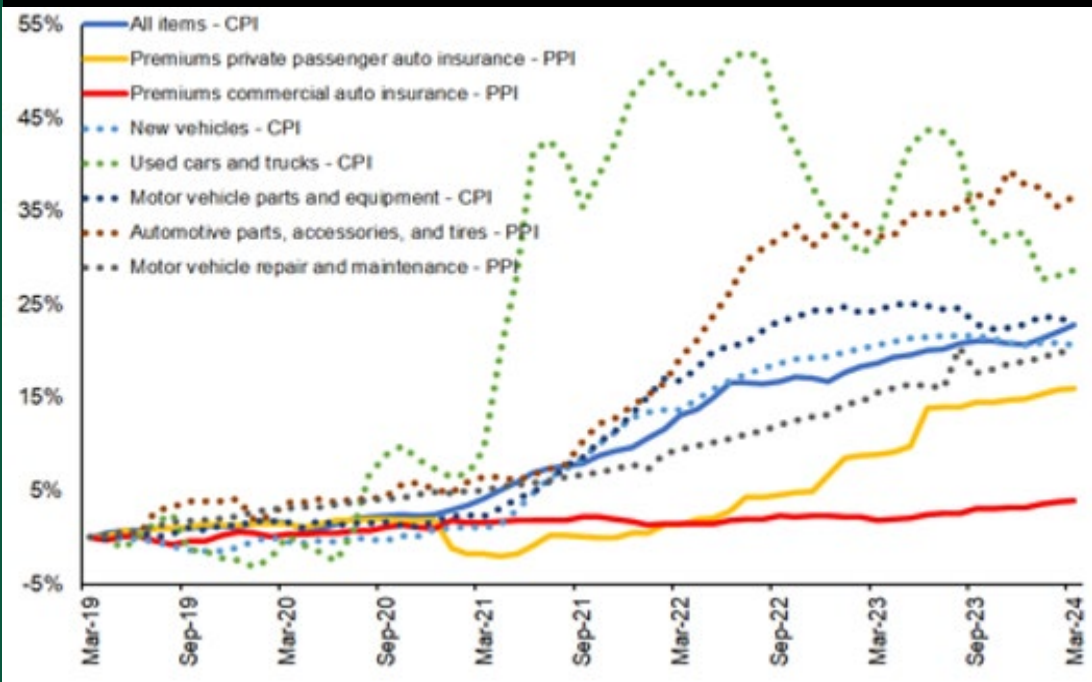
Source: Redfin analysis of data from ClimateCheck, county records





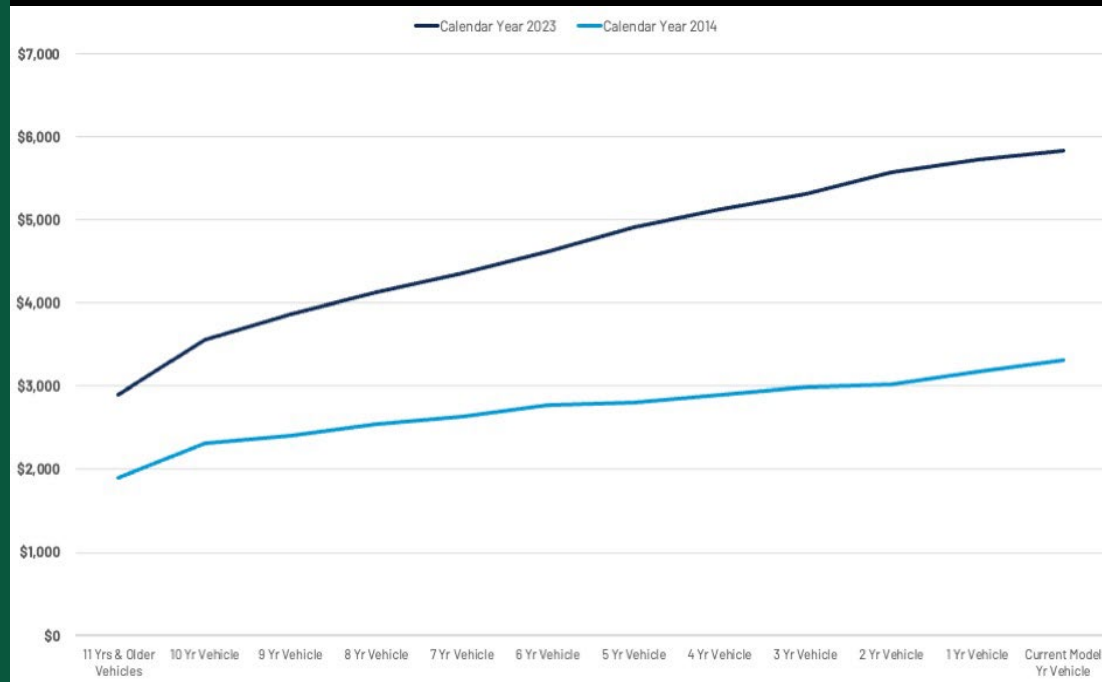
# What is Causing Increased Auto Losses? Increasing Input Costs – Cars/Repairs

### Cumulative Price Changes – Auto



Source: Bureau of Labor Statistics

### Avg. Cost of Repairs by Vehicle age 2023 vs 2014



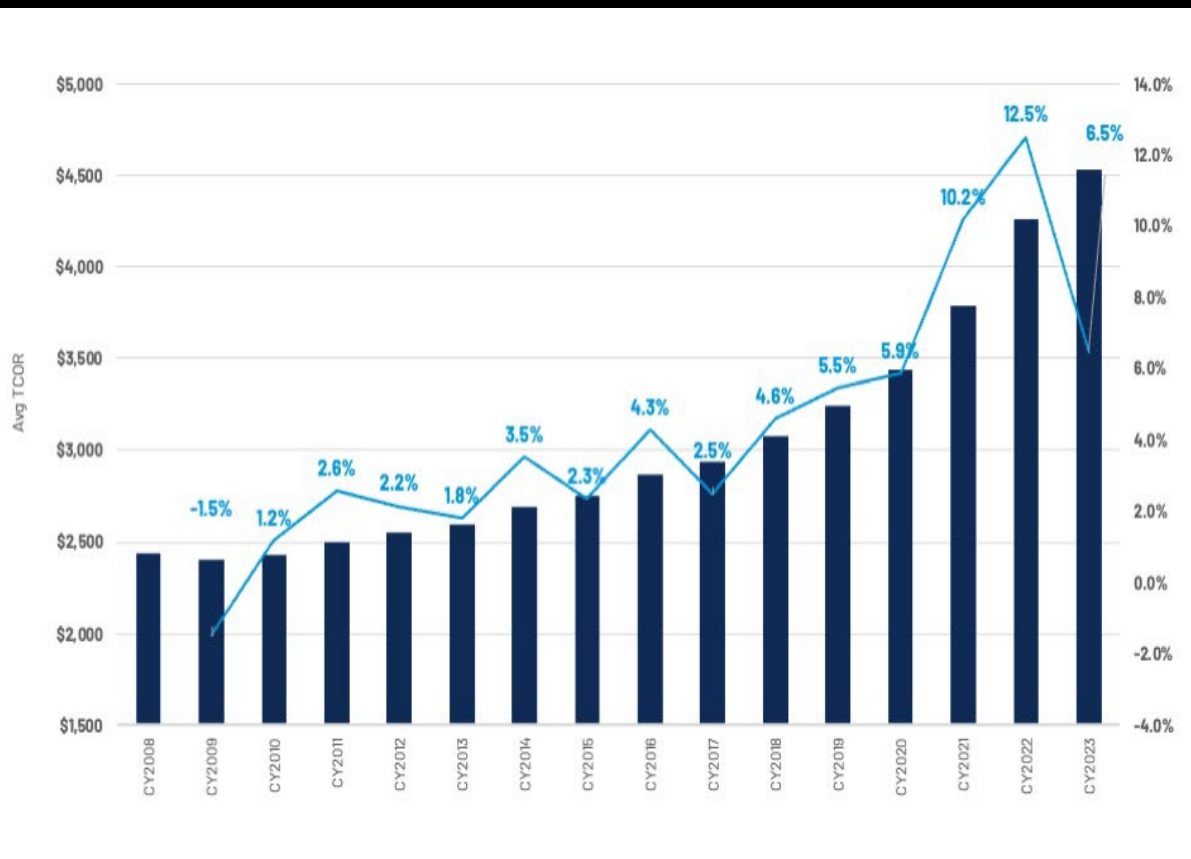
Source: CCC Intelligent Solutions



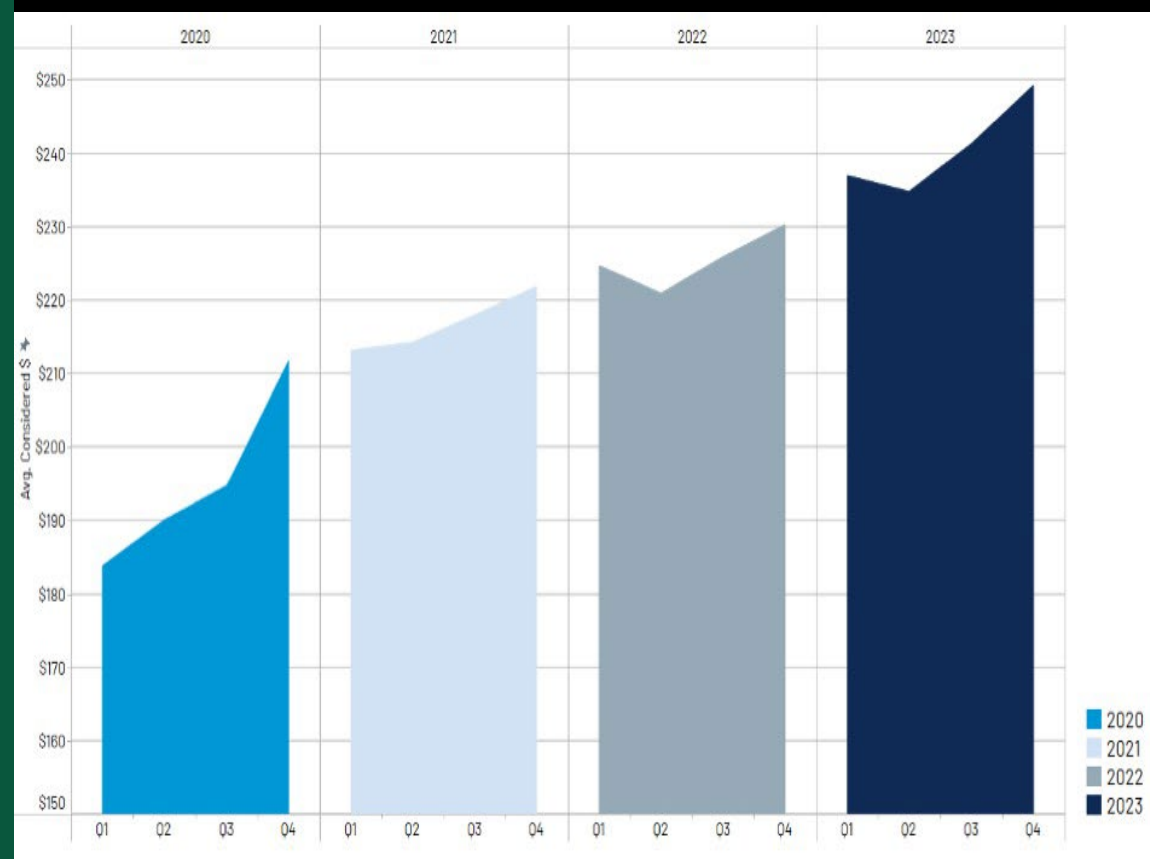


# Increasing Costs of Repairing Cars/People

## Average Total Cost of Repairs



## Average Medical Bill \$ per Bill Line

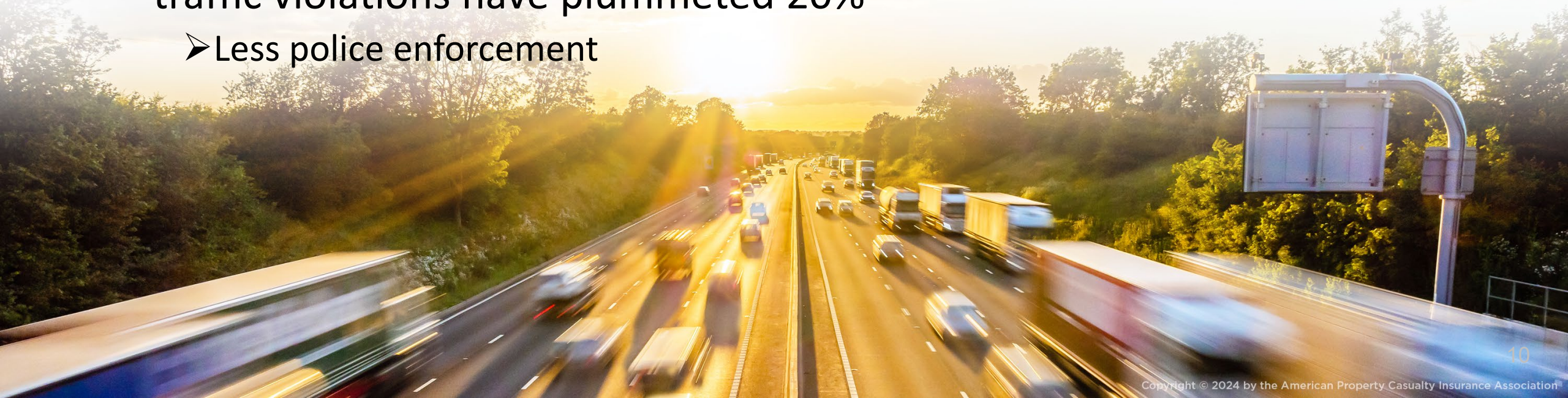


Source: CCC Intelligent Solutions



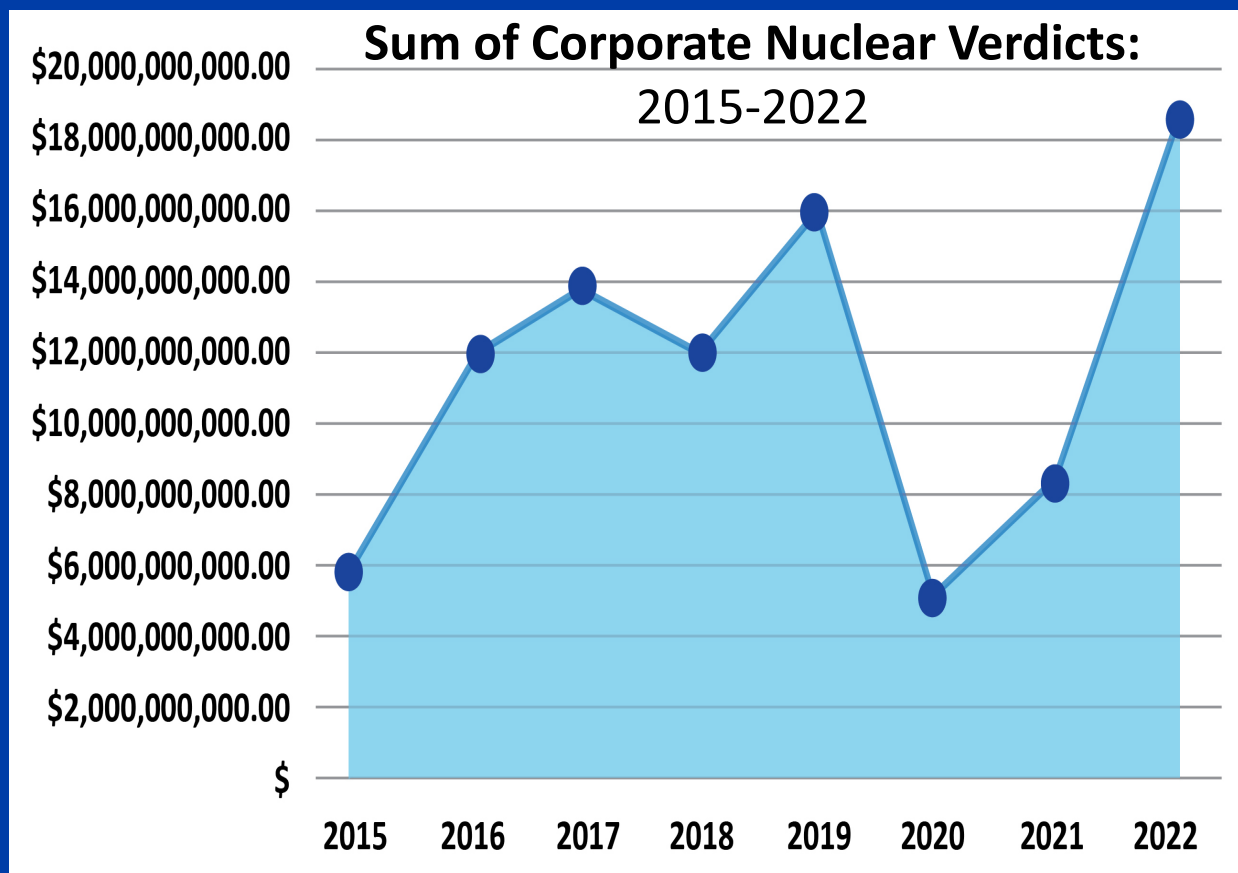
# Increasing Costs – Driving is Getting Worse

- Speeding increased during the pandemic and has continued to worsen (minor speeding up 18%)
- Distracted driving (DD) also spiked 23% over the last 4 years.
- While miles driven has normalized and speeding/DD worsened, traffic violations have plummeted 20%
  - Less police enforcement





# Increasing Legal System Abuse



Source: Marathon Strategies: "Corporate Verdicts Go Thermonuclear"

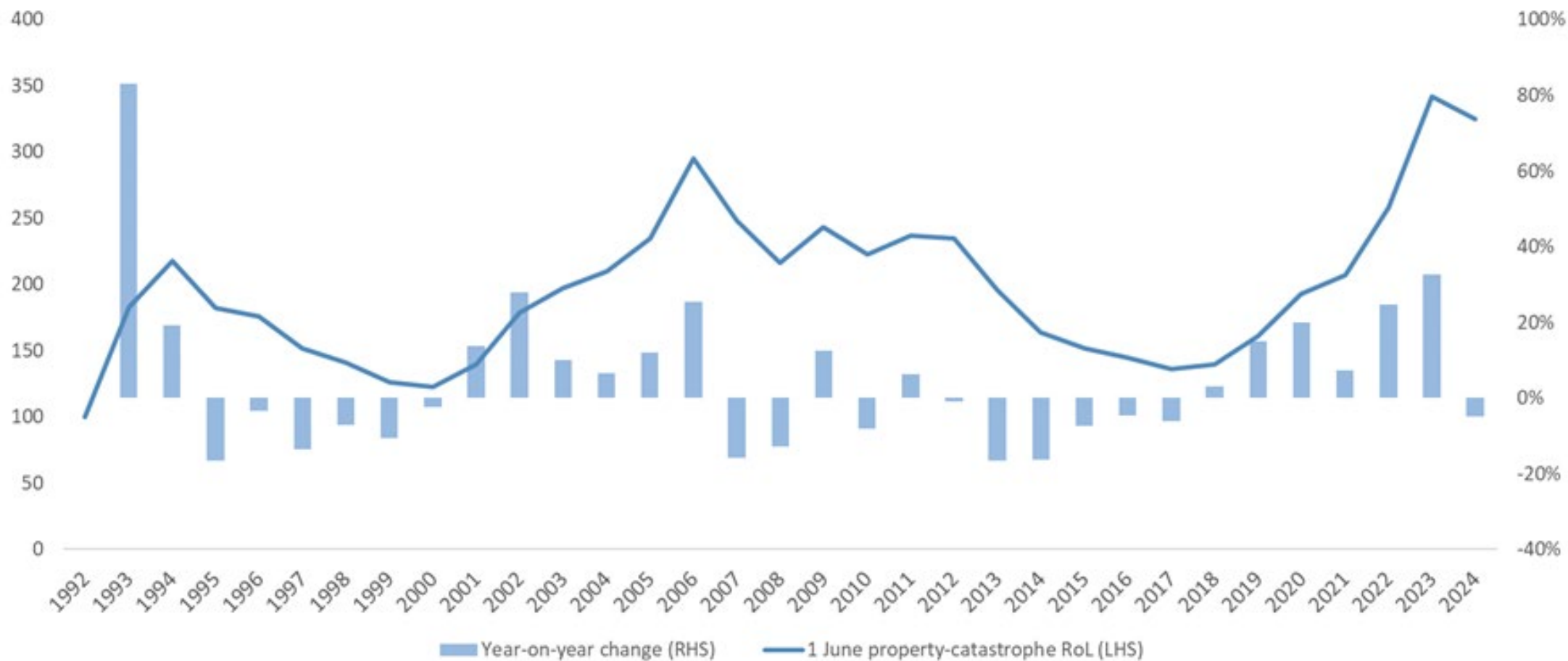


Source: 2023 Carlton Fields Class Action Survey



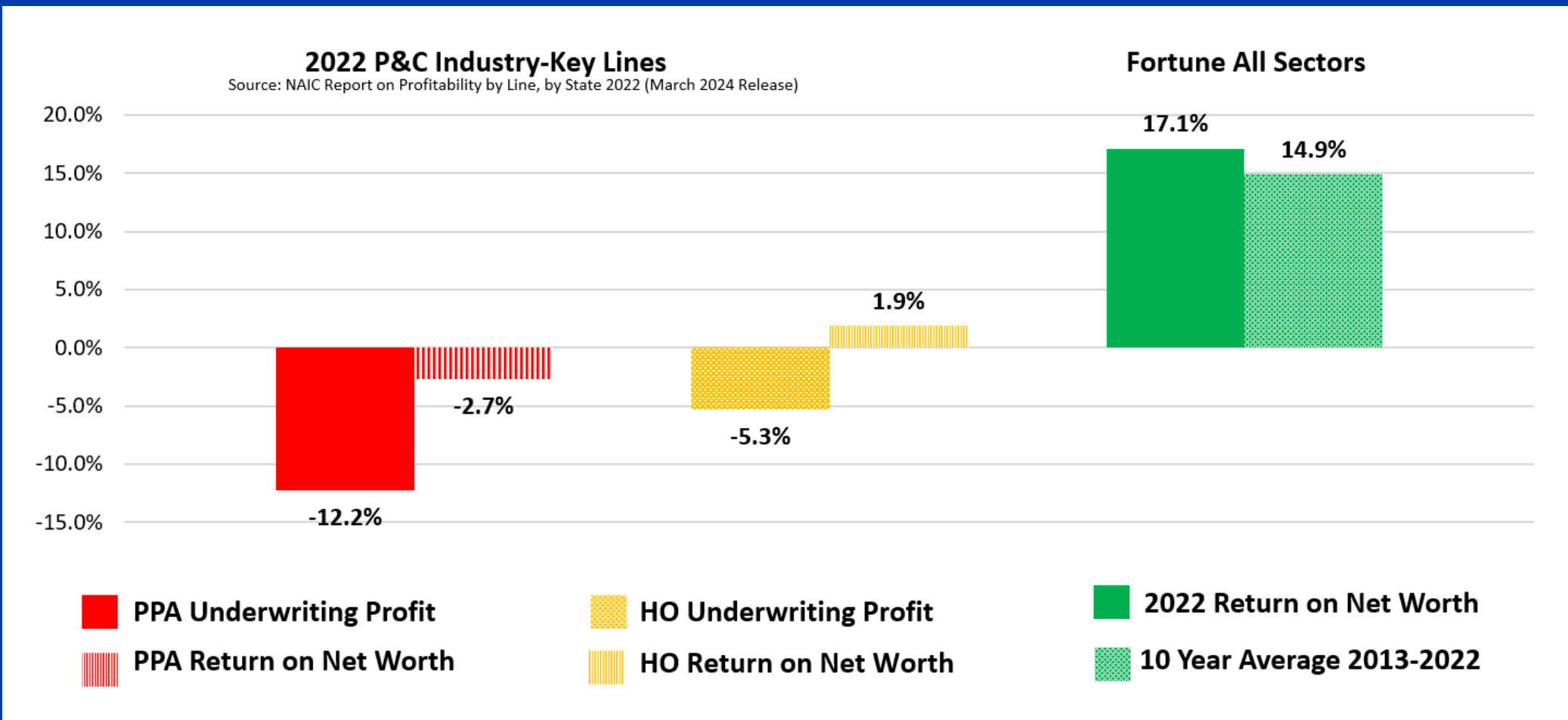
# Increasing Reinsurance Costs

*Howden Re – Risk-adjusted property-catastrophe reinsurance index at 1 June*



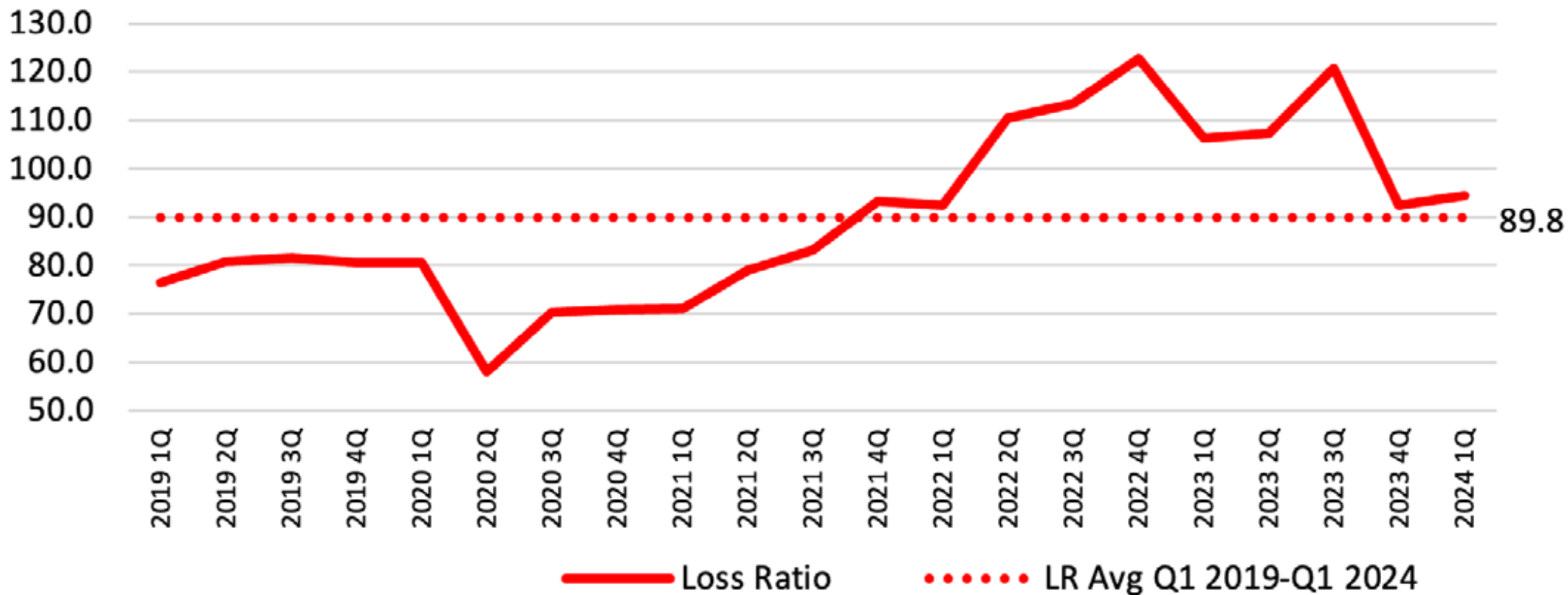


# NAIC “Profitability” Report for 2022: Personal Lines vs Fortune (All Business Sectors)



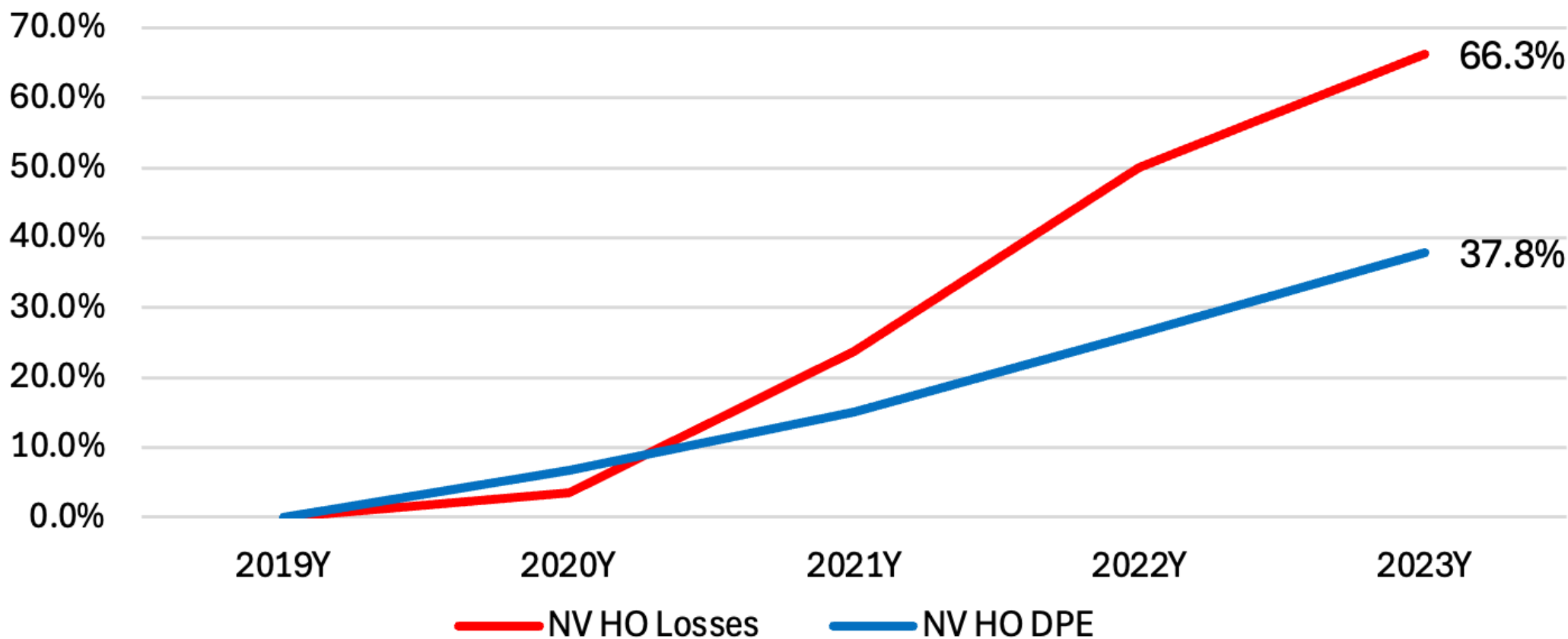


# Nevada Personal Auto Liability Loss Ratio by Quarter





## Nevada Homeowners Losses Growing Faster Than Premiums Percent Change Since 2019





# Questions?

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