Overview and Outlook for Personal Lines Insurance Markets

Inflation, Recession, Construction and CATs

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Personal Lines Insurance Overview & Outlook: Outline

- Economic Overview & Outlook—Impacts for Personal Lines P/C Insurers
  - Growth, Inflation, Recession, Construction…
  - Implications of higher interest rates and financial market volatility
- Inflation: Where It Is Headed & What It Means for P/C Insurers
  - Impacts on claim severities and loss ratios—Personal Auto & Home
- Catastrophe Loss Update: US & Canada
  - Impacts of Hurricane Ian and 2022 YTD CAT Update & Hurricane Fiona Update (Canada)
  - Long-term CAT loss trends
  - Reinsurance market implications
- Personal Auto
  - Frequency and Severity Trends—Before, During and After COVID
- Summary and Q&A

Economic Overview

Economic Optimism Has Plummetted in 2022

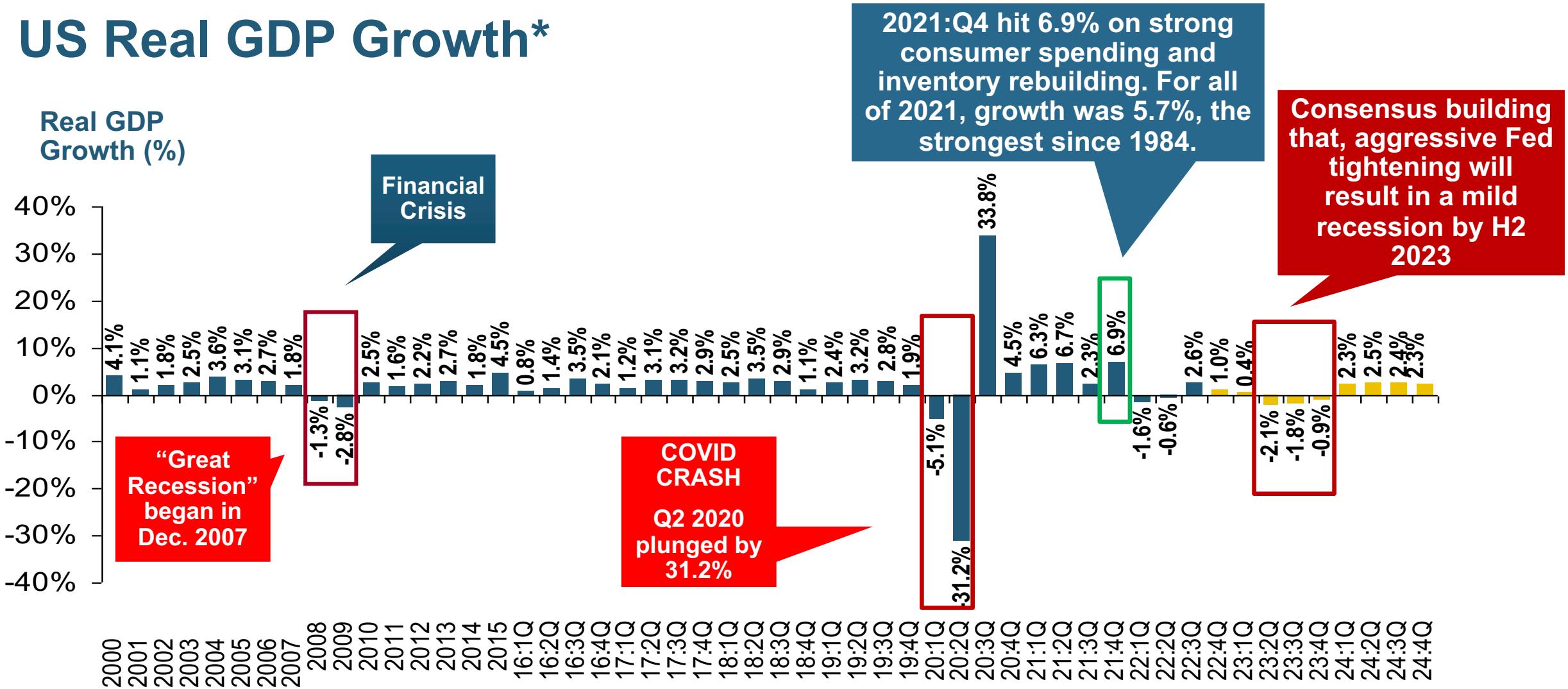
Inflation is Breeding Ground for Pessimism

Inflation, Geopolitical Conflicts and Rising Interest Rates and Weighing Heavily on Business and Consumer Sentiment—and the P&C Insurance Industry

Can the Fed "Thread the Needle" and Achieve a "Soft Landing"?

3

US Real GDP Growth*



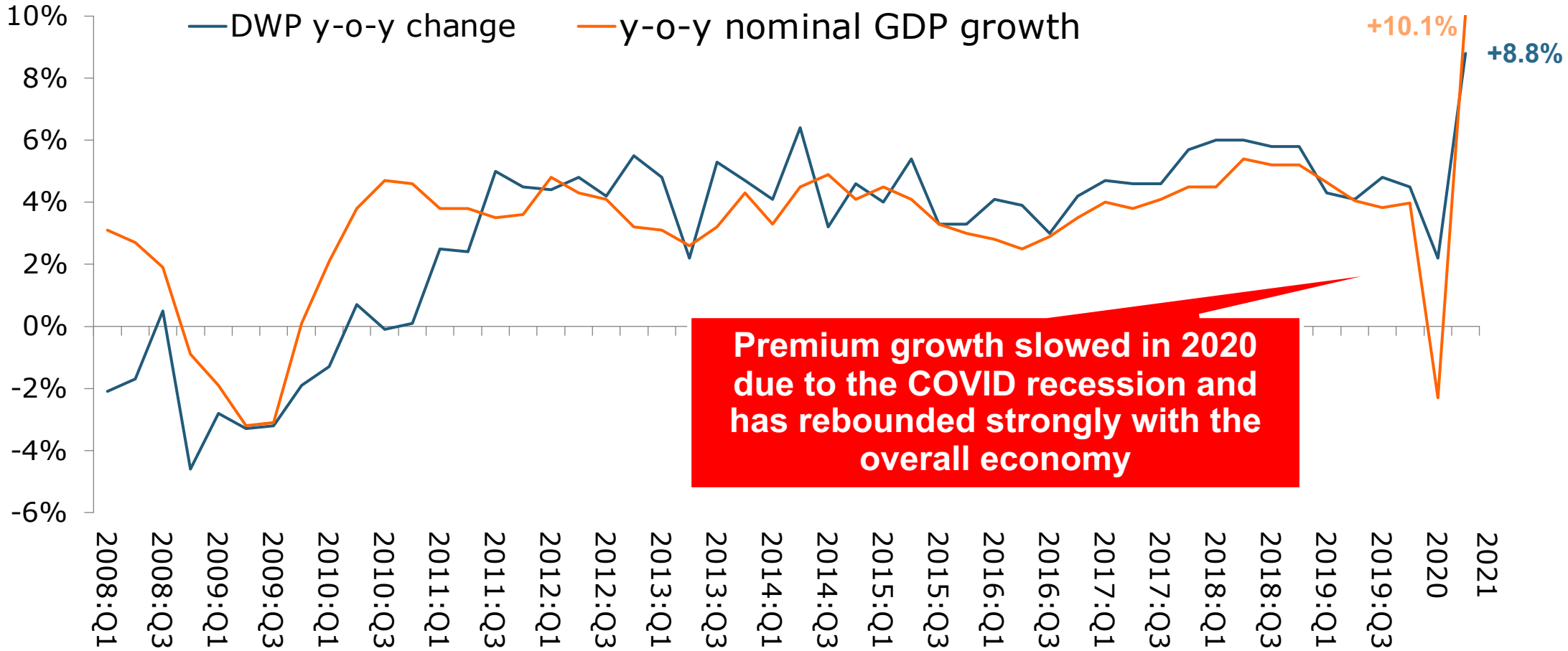
Demand for Insurance Increased Materially in 2021/22—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow in 2023 as Economy Slows.

* Estimates/Forecasts from Wells Fargo Securities.

Source: US Department of Commerce, Wells Fargo Securities (10/22); Center for Risk and Uncertainty Management, University of South Carolina.

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2021*

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

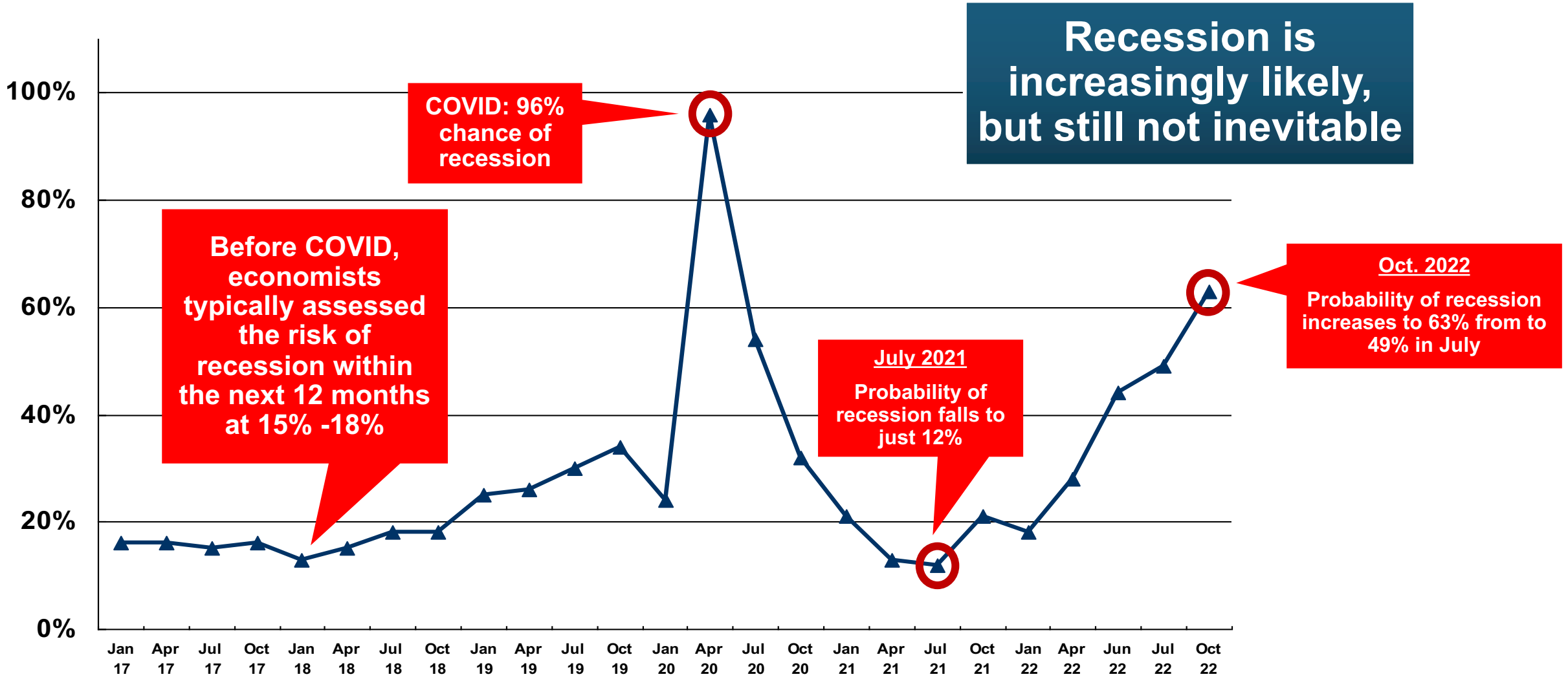


Premium growth slowed in 2020 due to the COVID recession and has rebounded strongly with the overall economy

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

*2020-21 figures are annual; 2021 DWP figure is preliminary.
Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO; I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.

Probability the U.S. Is in a Recession Within Next 12 Months: Jan. 2017 – Oct. 2022*

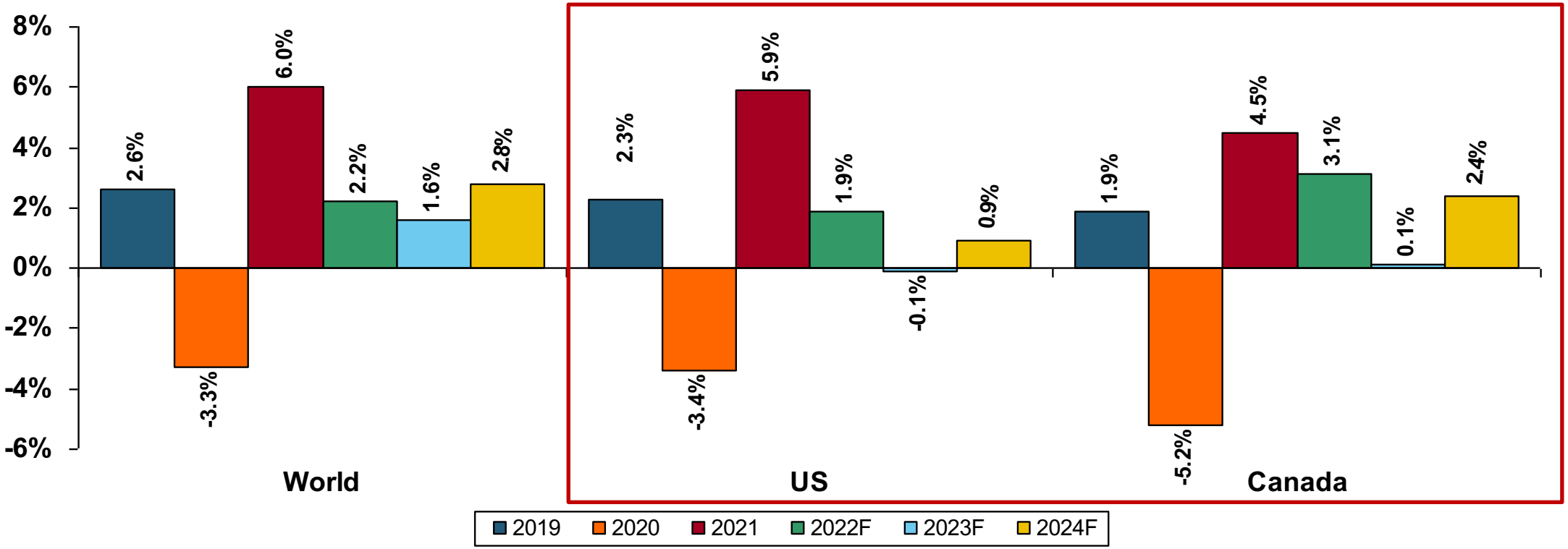


*Oct. 2022 survey included the responses of 75 economists.

Source: Wall Street Journal surveys of economists: https://www.wsj.com/articles/economists-now-expect-a-recession-job-losses-by-next-year-11665859869; Risk and Uncertainty Management Center, University of South Carolina.

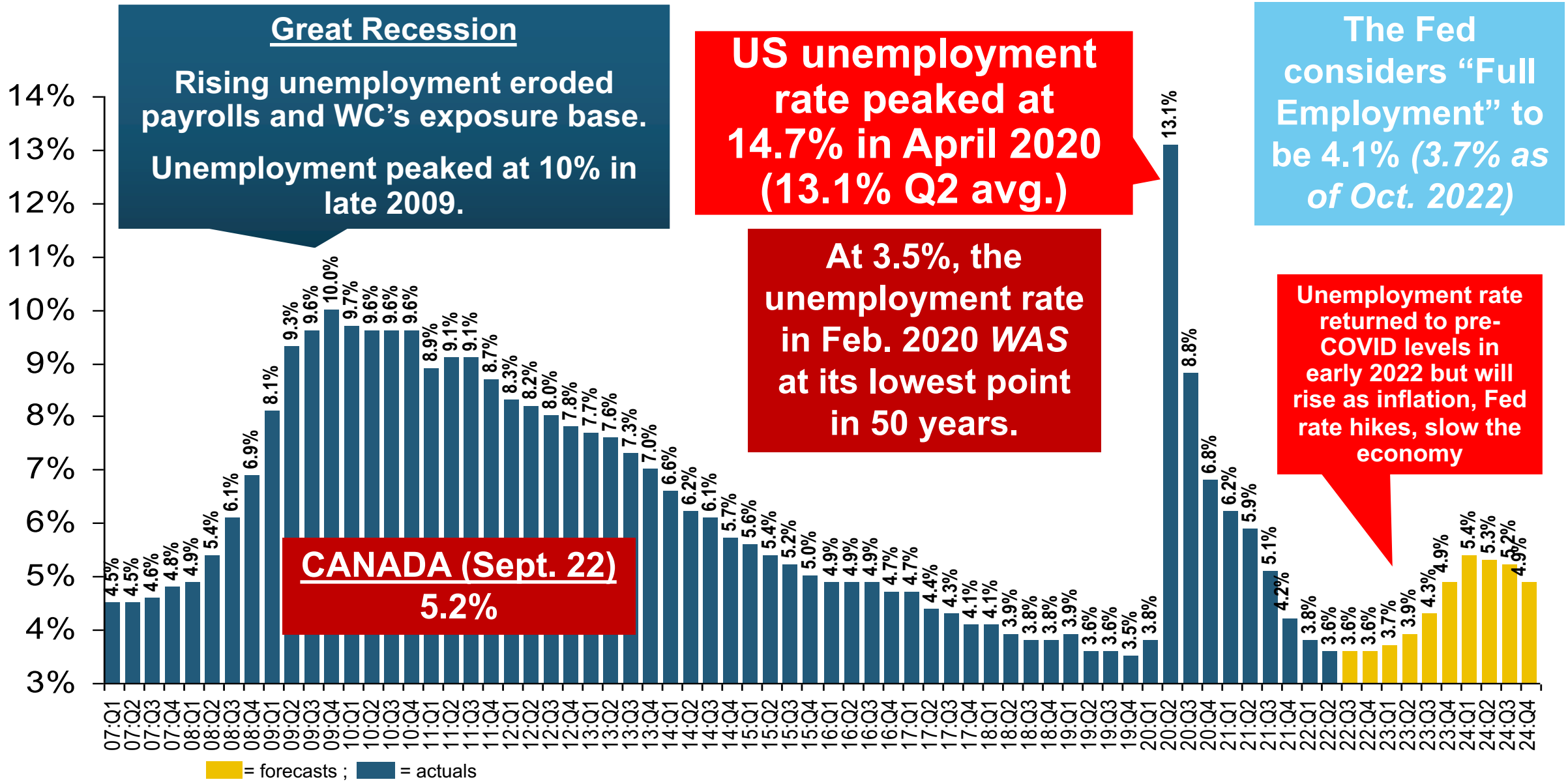
Global Economic Growth Is Slowing: Outlook through 2024

- Many countries, including the US, will likely enter recession in 2023
- Canada may narrowly avert a recession with near zero growth next year
- Implication: Diminished exposure growth→Deceleration in premium growth
- Deceleration in exposures partially offset by relatively strong P/C pricing



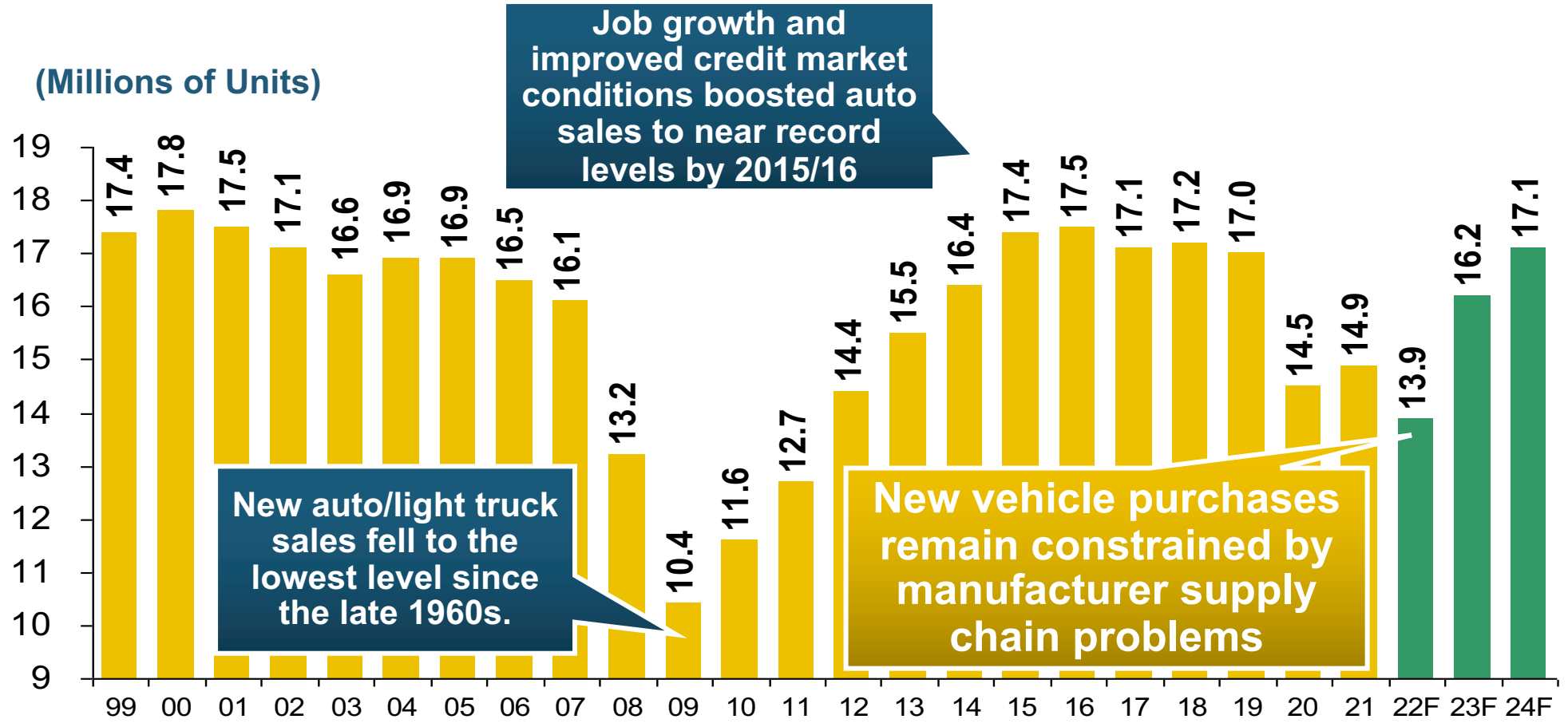
Source: IMF, World Bank and Wells Fargo Securities (Oct. 2022); Univ. of South Carolina, Risk and Uncertainty Management Center.

US Unemployment Rate Forecast: 2007:Q1–2024:Q4



Sources: US Bureau of Labor Statistics; Wells Fargo Securities (10/22 edition); Risk and Uncertainty Management Center, University of South Carolina.

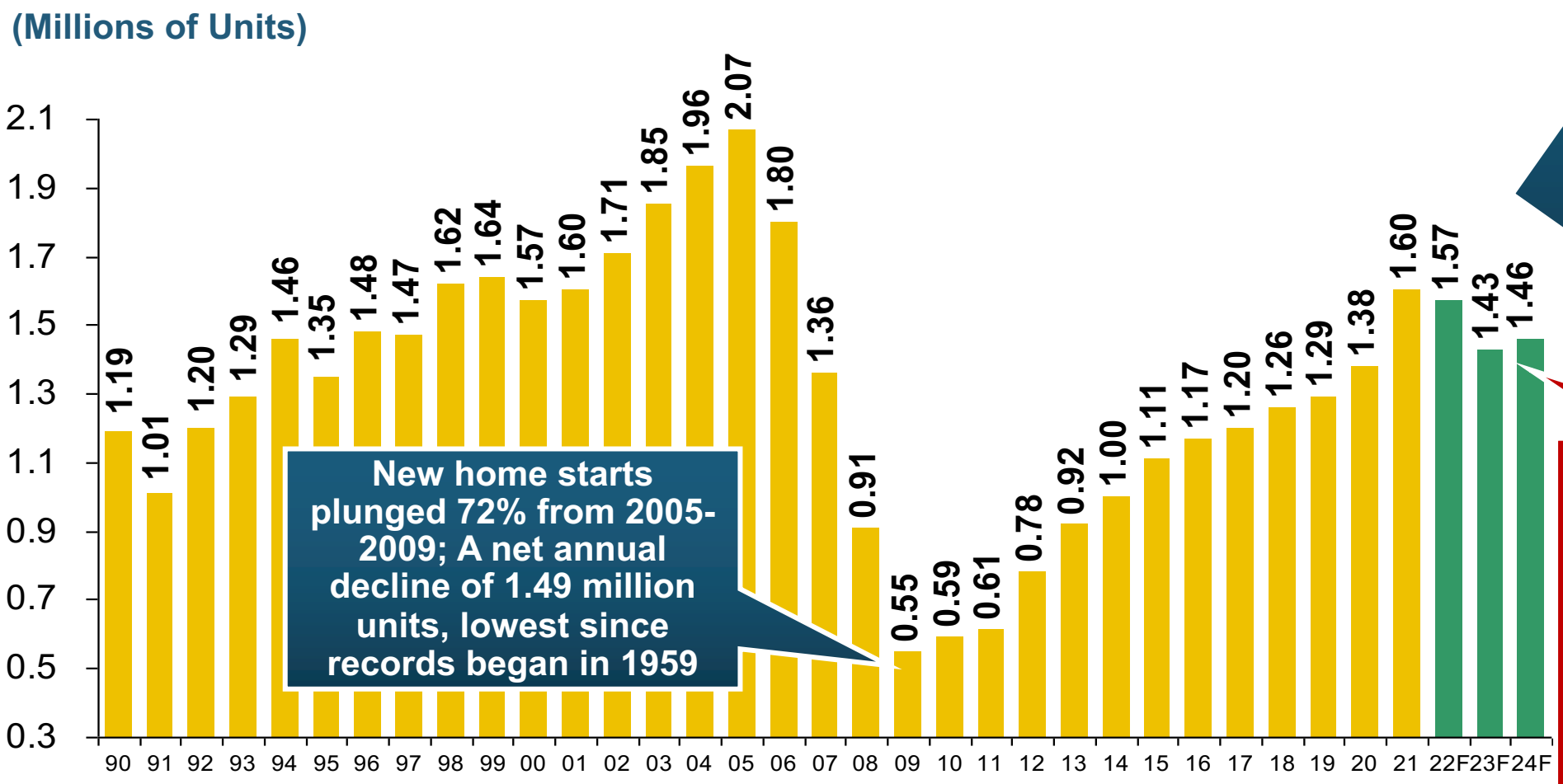
Auto/Light Truck Sales, 1999-2024F



Yearly car/light truck sales remain below pre-COVID levels. Auto manufacturer supply chain issues are expected to linger into 2023. PP Auto premium might grow by 3.5% - 5%.

Source: U.S. Department of Commerce; Wells Fargo Securities (10/22 for 2022-24F); Univ. of South Carolina, Center for Risk and Uncertainty Management..

New Private Housing Starts, 1990-2024F



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 remain headwinds

High prices, rising mortgage rates, lingering supply chain issues will erode new home construction activity into 2023

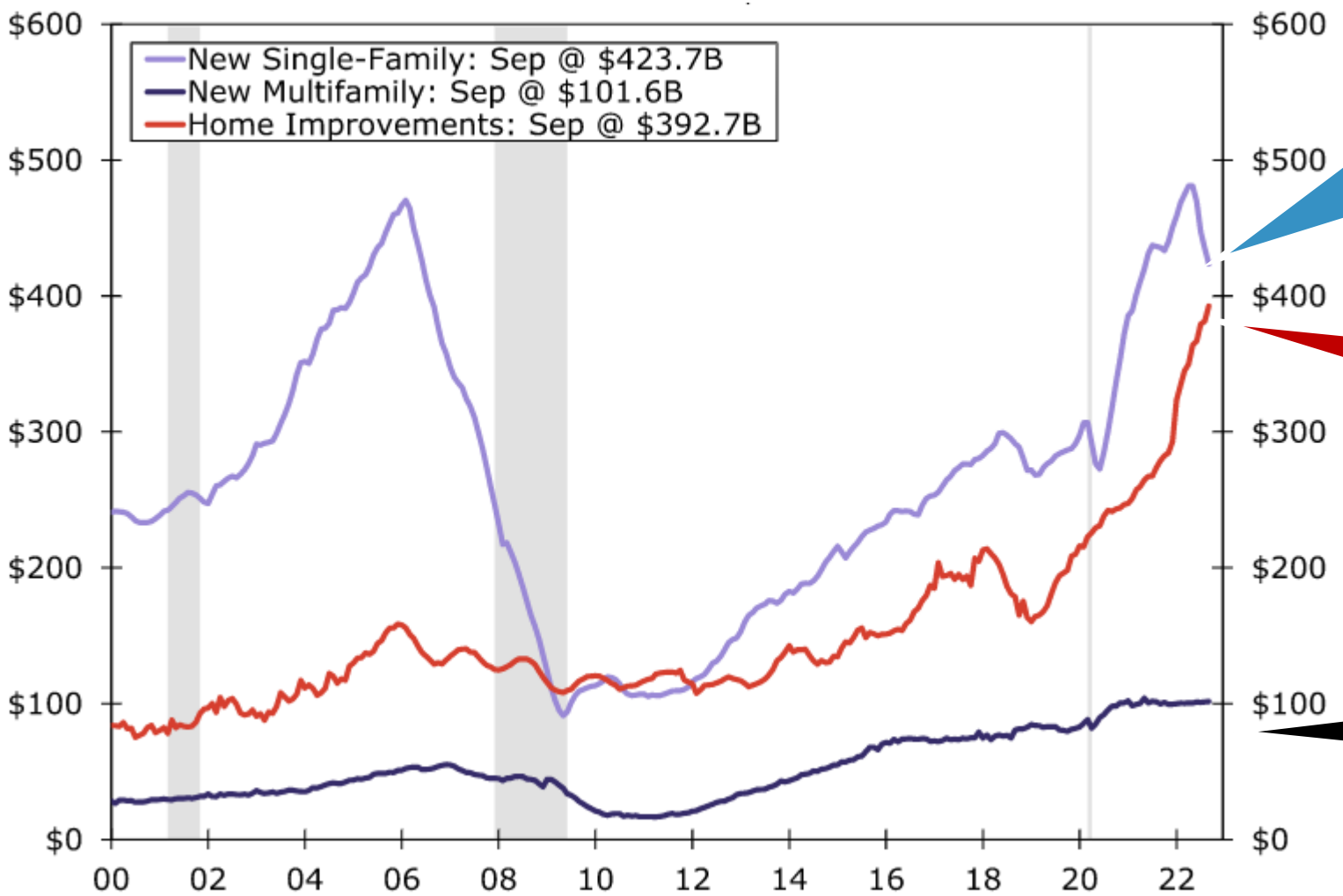
But No Repeat of the Housing Collapse that Began in 2007

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 (10/22 for 2022-23); Univ. of South Carolina, Center for Risk and Uncertainty Management..

Total Value of Private Residential Construction Put in Place, Jan. 2000 – Sept. 2022*

($ Billions, Seasonally Adjusted Annual Rate)



The total value of single-family home construction is now falling (-2.6% in Sept. 2022) as rising mortgage interest rates reduce demand for new homes

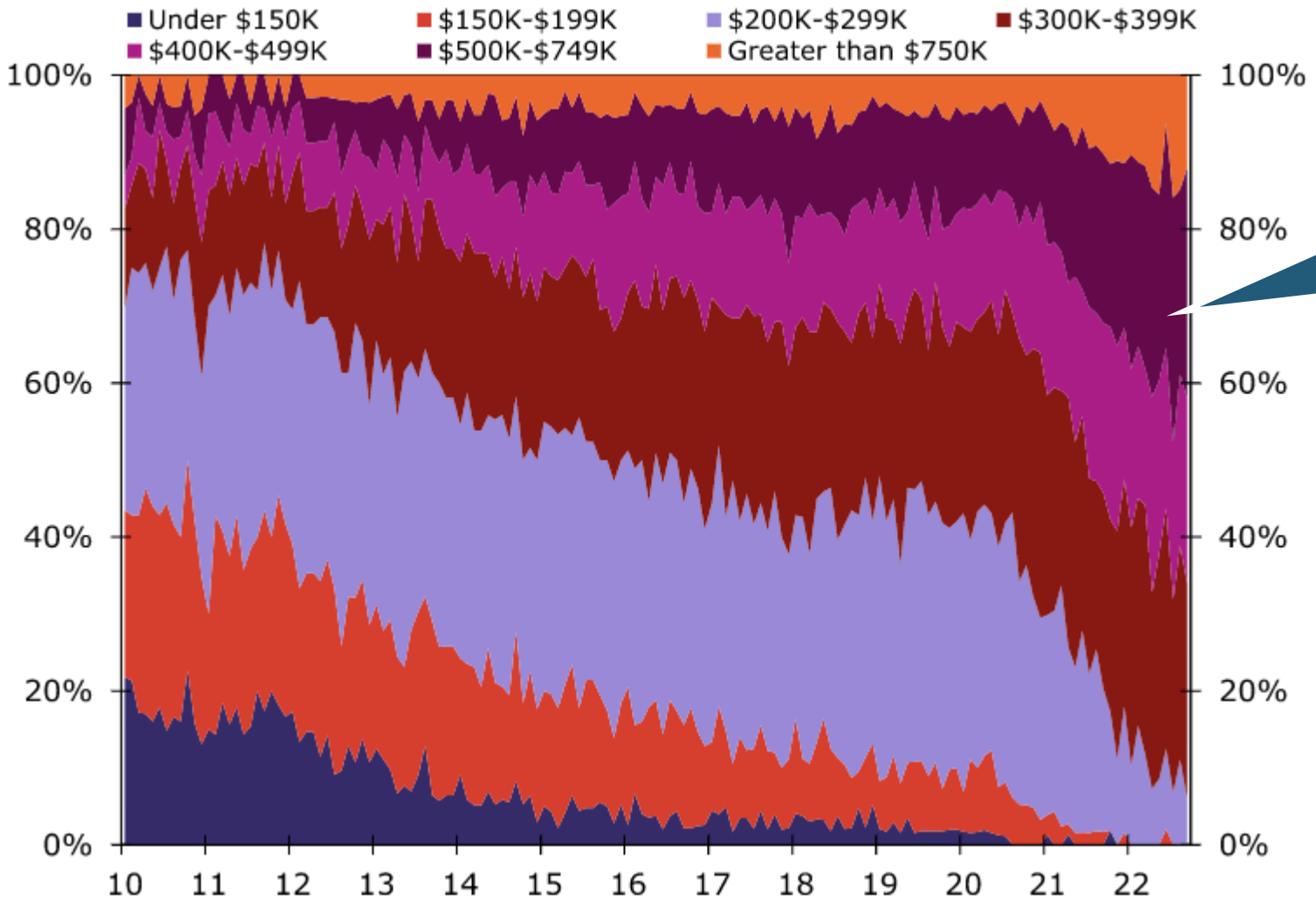
Spending on home improvements continues to increase *(TIV issues?)*

Multifamily construction is flat and likely to decline in the months ahead

*Latest available.

Sources: US Department of Commerce; Wells Fargo Securities (11/22); Risk and Uncertainty Management Center, University of South Carolina.

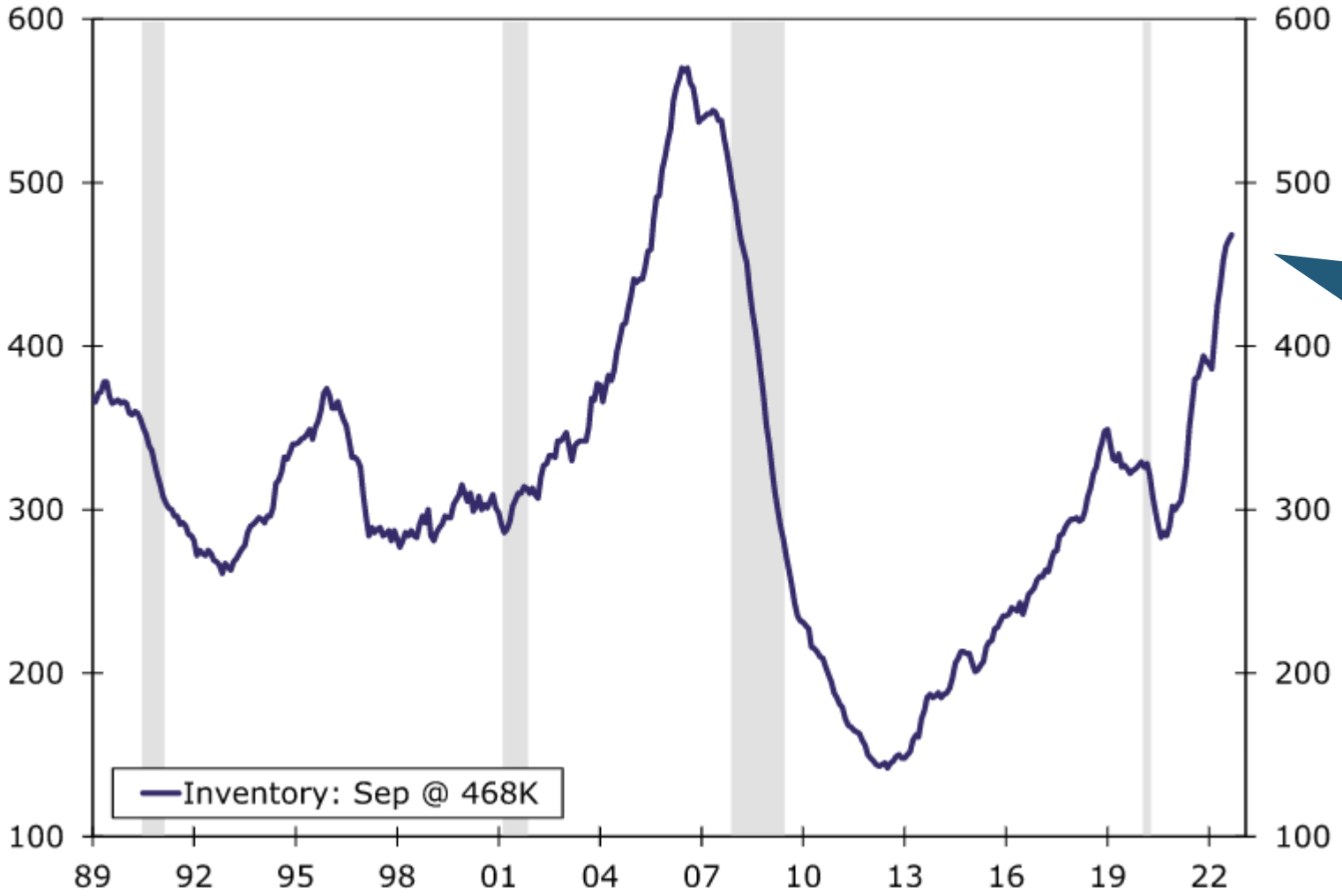
New Home Sales, Jan. 2010 – Sept. 2022
(Share of Total Sales)



Higher-priced homes account for a sharply higher share of new home sales since 2020 as new home prices soar

Sources: US Department of Commerce; Wells Fargo Securities (10/22); Risk and Uncertainty Management Center, University of South Carolina.

New Home for Sales at End of Period, Jan. 1989 – Sept. 2022
(Share of Total Sales)



New home inventories are rising rapidly, which should help temper further price increases—and help tame the overall inflation rate (CPI)

Sources: US Department of Commerce; Wells Fargo Securities (10/22); Risk and Uncertainty Management Center, University of South Carolina.

Question: Are the US & Canadian economies already in recession?

ANSWER: NO! Even though U.S. Q1/Q2 2022 real GDP were negative, Q3 was strongly positive while labor markets also remain strong. The notion that 2 consecutive quarters of negative real GDP define the start of a recession is incomplete. Consensus is for a recession to begin in Q3:2023

CANADA: Consensus is for a mild recession to begin in Q1: 2023

The Inflation Threat in the U.S. and Canada

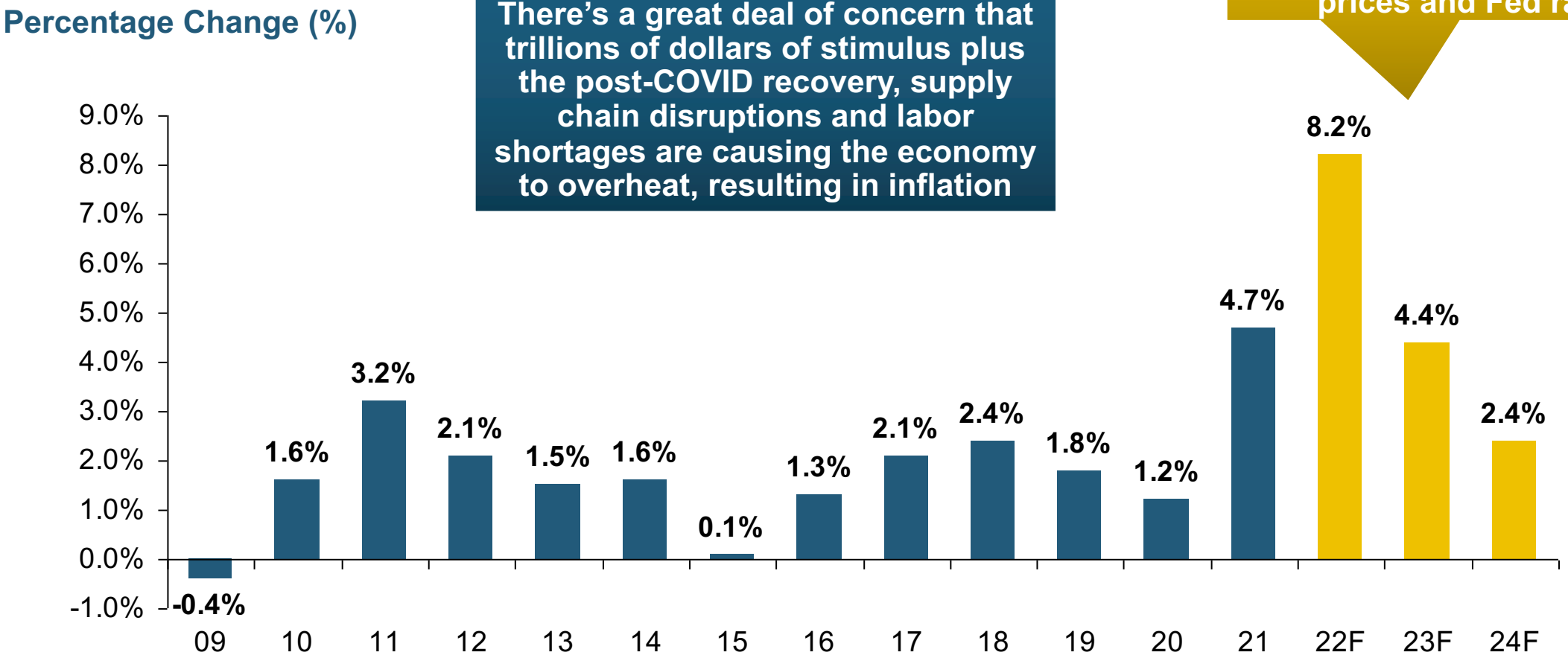
Inflation is the #1 Concern of U.S. Consumers and Corporations…

It's Also a Major Concern of Insurers

U.S. Inflation Rate: 2009-2024F*

Inflation accelerated sharply in 2021 before peaking at 9.1% in June 2022. Inflation should moderate through H2:2022 into 2023/24; Forecast is highly dependent of trajectory of energy prices and Fed rate hikes

There's a great deal of concern that trillions of dollars of stimulus plus the post-COVID recovery, supply chain disruptions and labor shortages are causing the economy to overheat, resulting in inflation



Insurer Concerns About Inflation

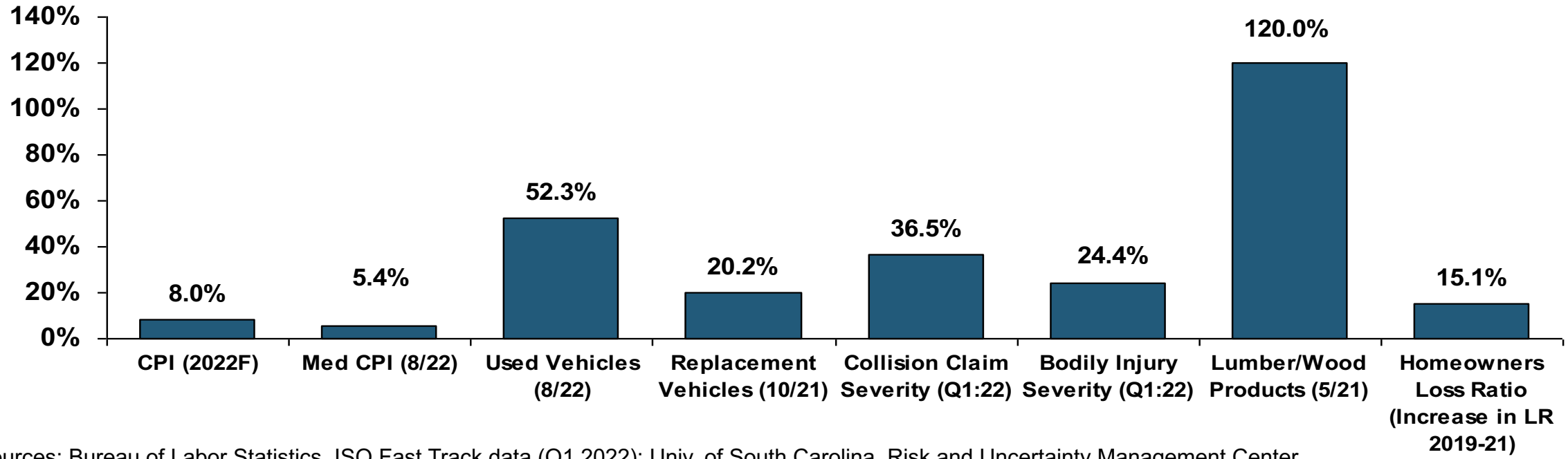
- **Rate Inadequacy**
- **Reserve Inadequacy**
- **Insurance-to-Value**

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

Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (10/22); USC Center for Risk and Uncertainty Management.

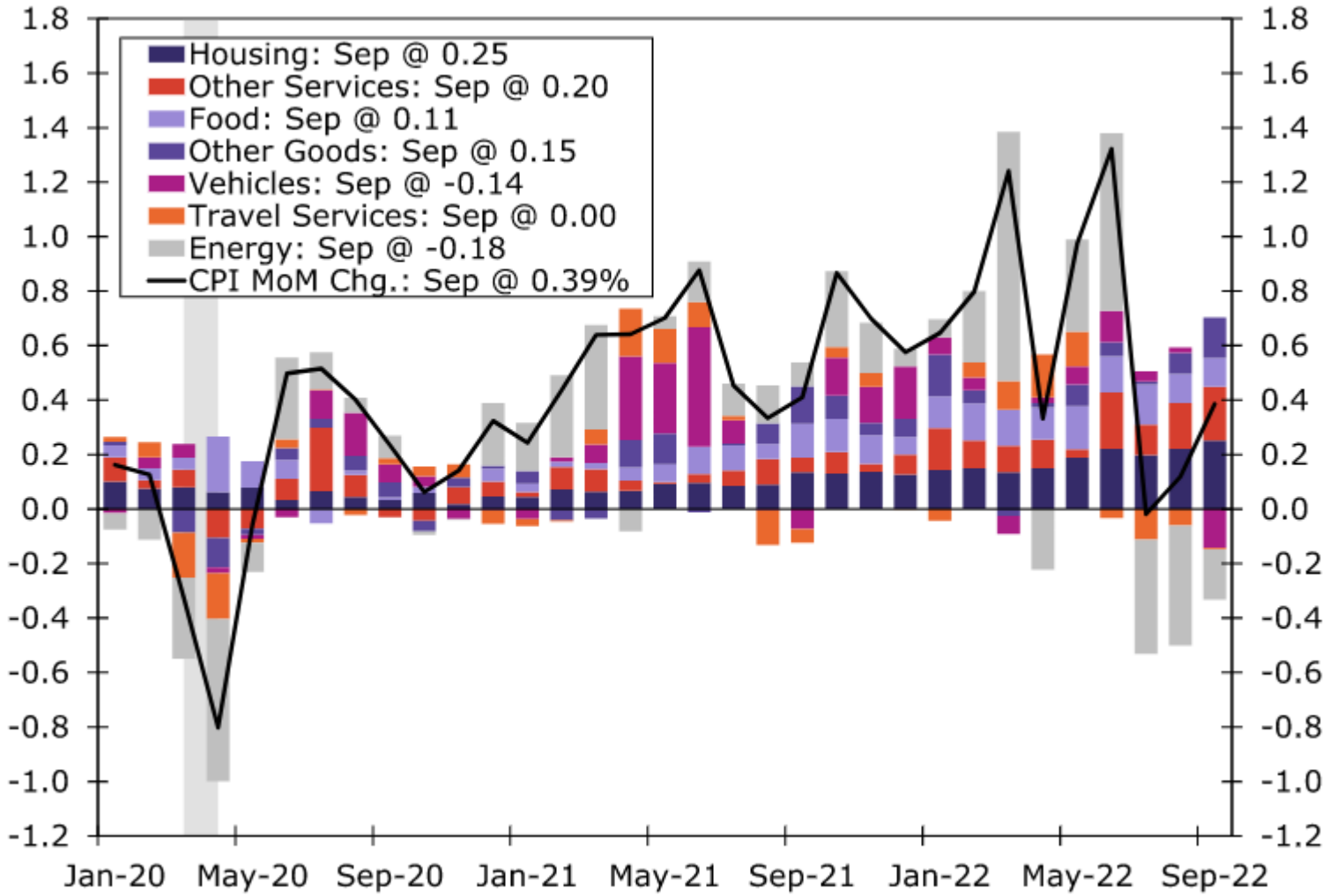
Inflation: Large, Immediate Impacts for Insurers

- Claims severities across property, auto and other lines have surged
- Medical inflation is now accelerating even as overall inflation eases
- Inherent lags in P/C ratemaking imply it will be years before rates are fully adequate
- If inflation persists, reserve adequacy could become a problem (as in the 1970s/80s)
- ITV is an increasing concern



Sources: Bureau of Labor Statistics, ISO Fast Track data (Q1 2022); Univ. of South Carolina, Risk and Uncertainty Management Center.

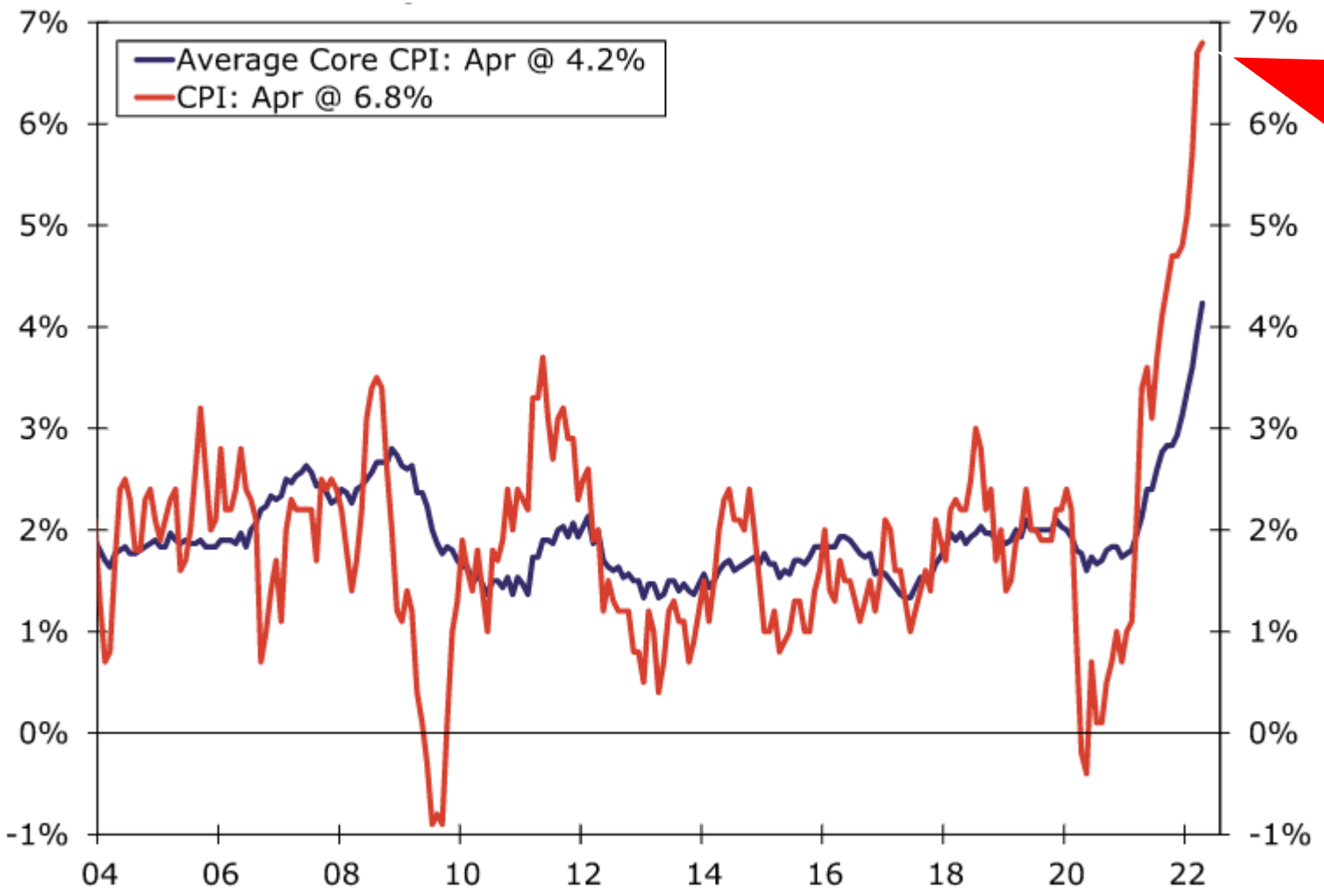
Contribution to CPI by Category: September 2022



Prices were up 8.2% in Sept. 2022 vs. a year ago, down slightly from 8.3% in August. Energy and Vehicles pulled CPI down in Sept., but increases in Housing, Food, Travel and Other Services prevented a larger drop.

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

Canadian Inflation: Jan. 2004 – Apr. 2022



Inflation in Canada has followed a trajectory similar to that of the US

Sep 22: 6.9%

Aug 22: 7.0%

Jul 22: 7.6%

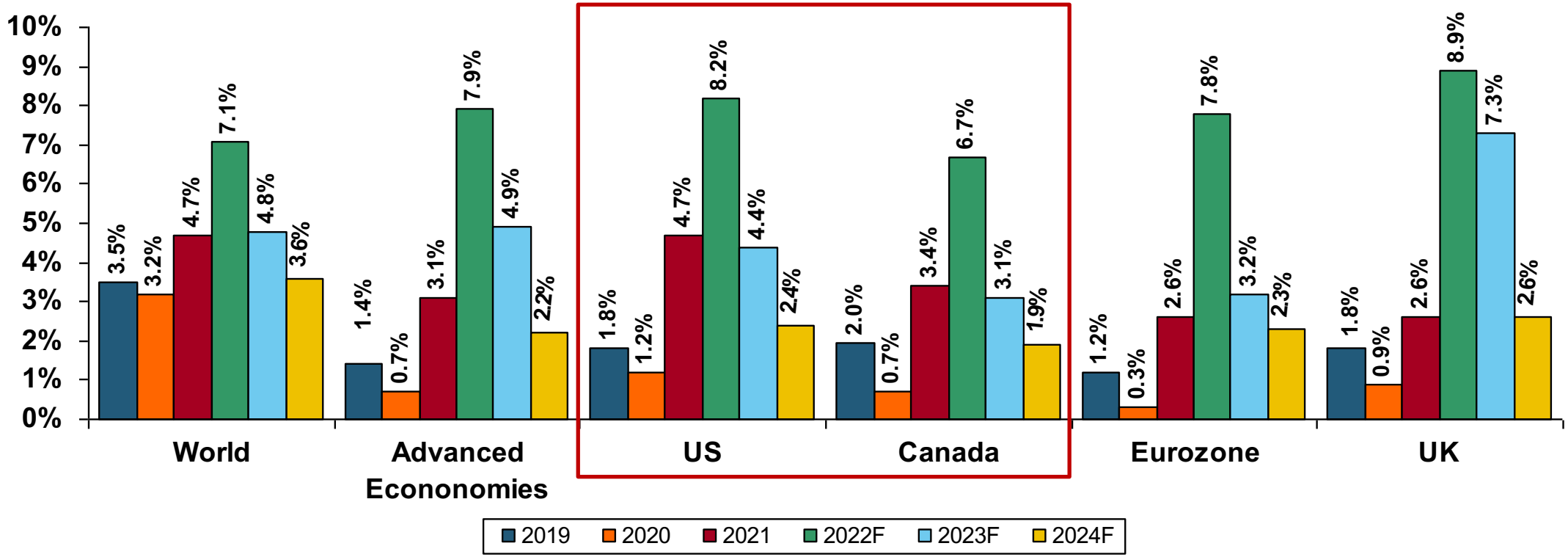
Jun 22: 8.1%

May 22: 7.7%

Source: Bloomberg Finance and Wells Fargo Economics; Statistics Canada at: https://www150.statcan.gc.ca/n1/daily-quotidien/221019/dq221019a-eng.htm?indid=3665-1&indgeo=0 .

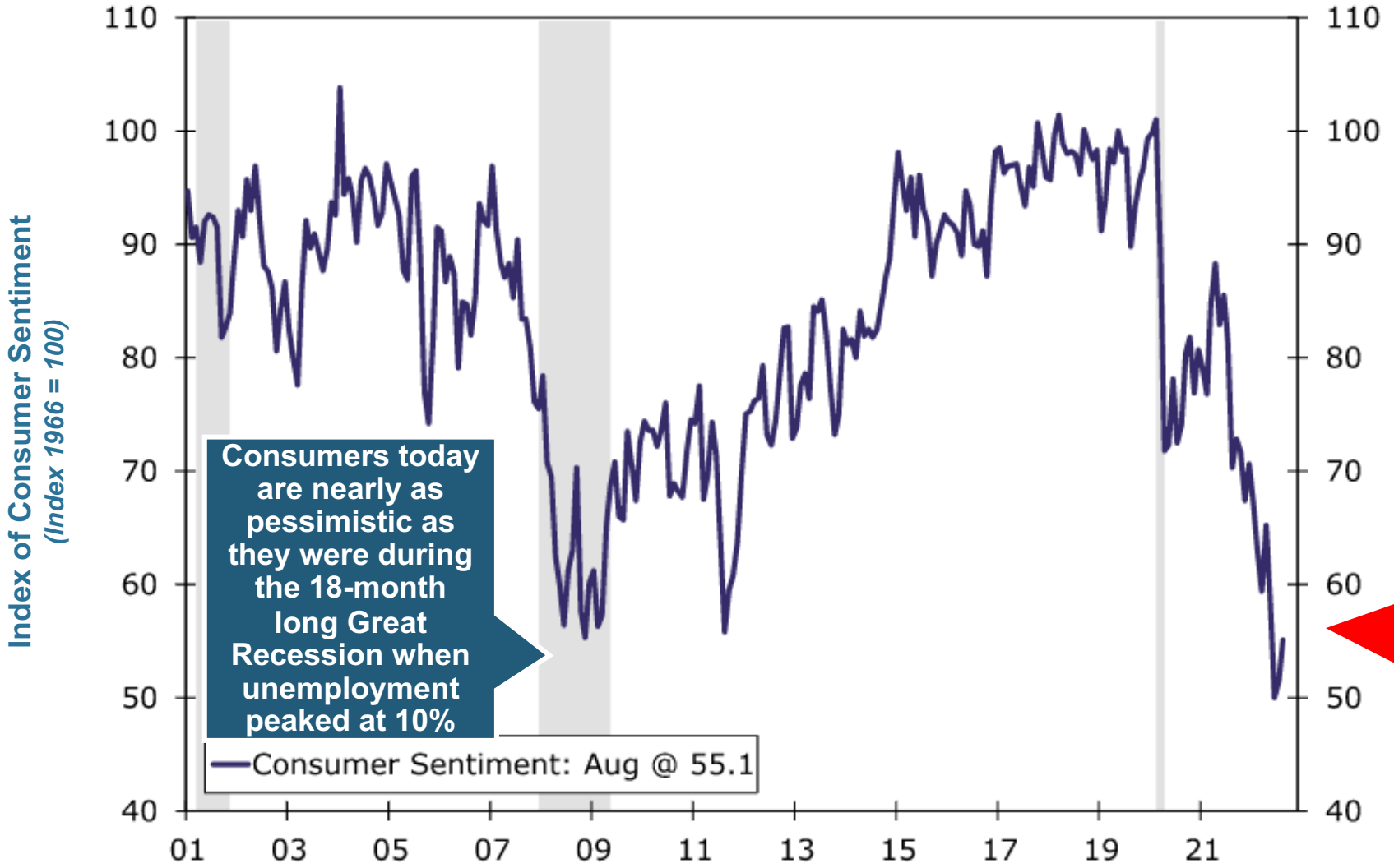
Inflation: A Global Phenomenon—Outlook through 2024

- Inflation is global phenomenon
- Inflation milder in somewhat milder in Canada than in the US, UK or Eurozone
- For (re)insurers, impacts were immediate but relief will take years
- Inflation will drive the need for tens of billions in additional (re)insurance capacity



Source: IMF and Wells Fargo Securities (Oct. 2022); Univ. of South Carolina, Risk and Uncertainty Management Center.

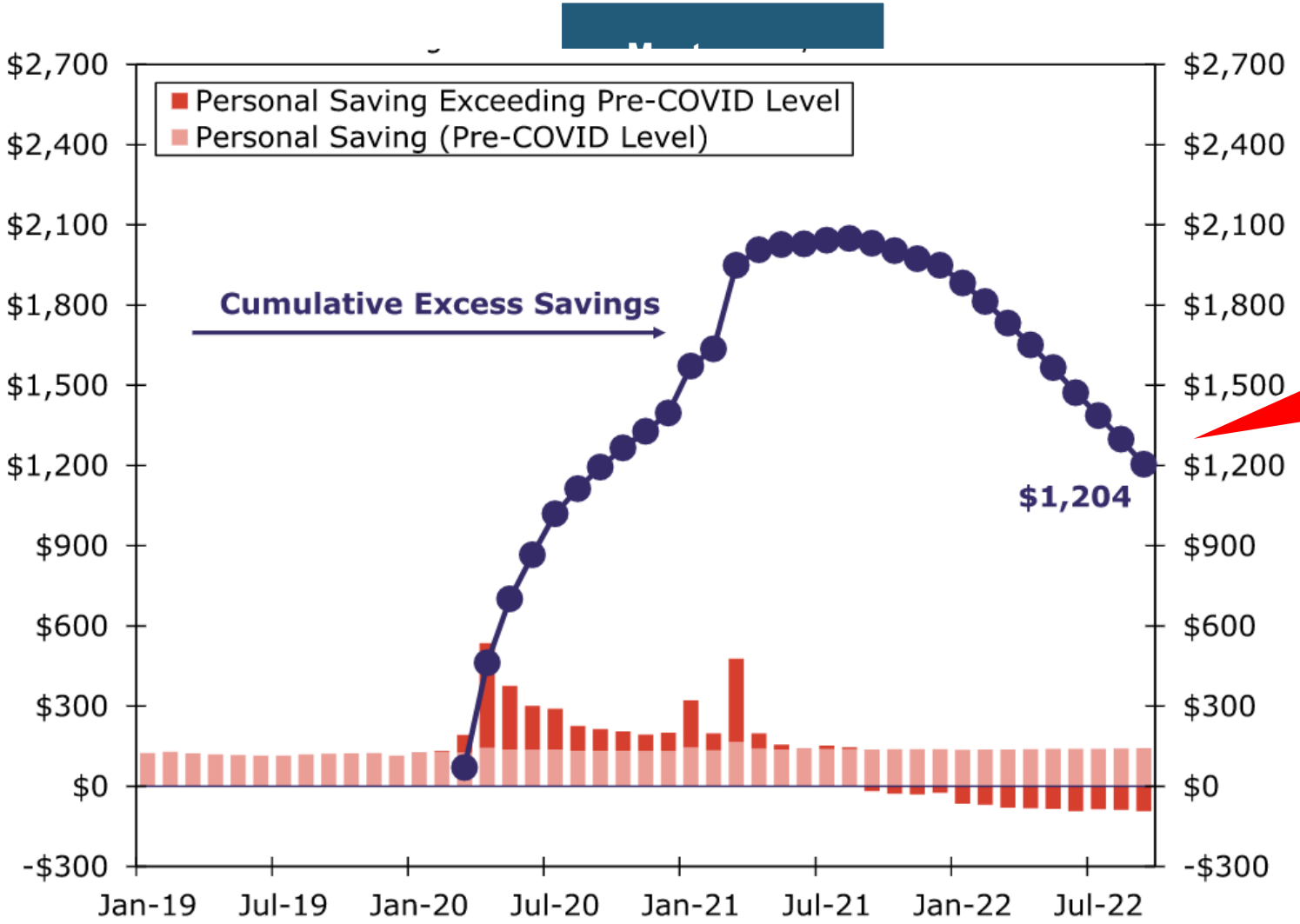
Consumer Sentiment: Lowest Ever Despite Strong Jobs Markets



Despite unemployment rates that are among the lowest in 50+ years and the "end" of the COVID pandemic, consumers are *GRUMPY*

Source: University of Michigan and Wells Fargo Economics.

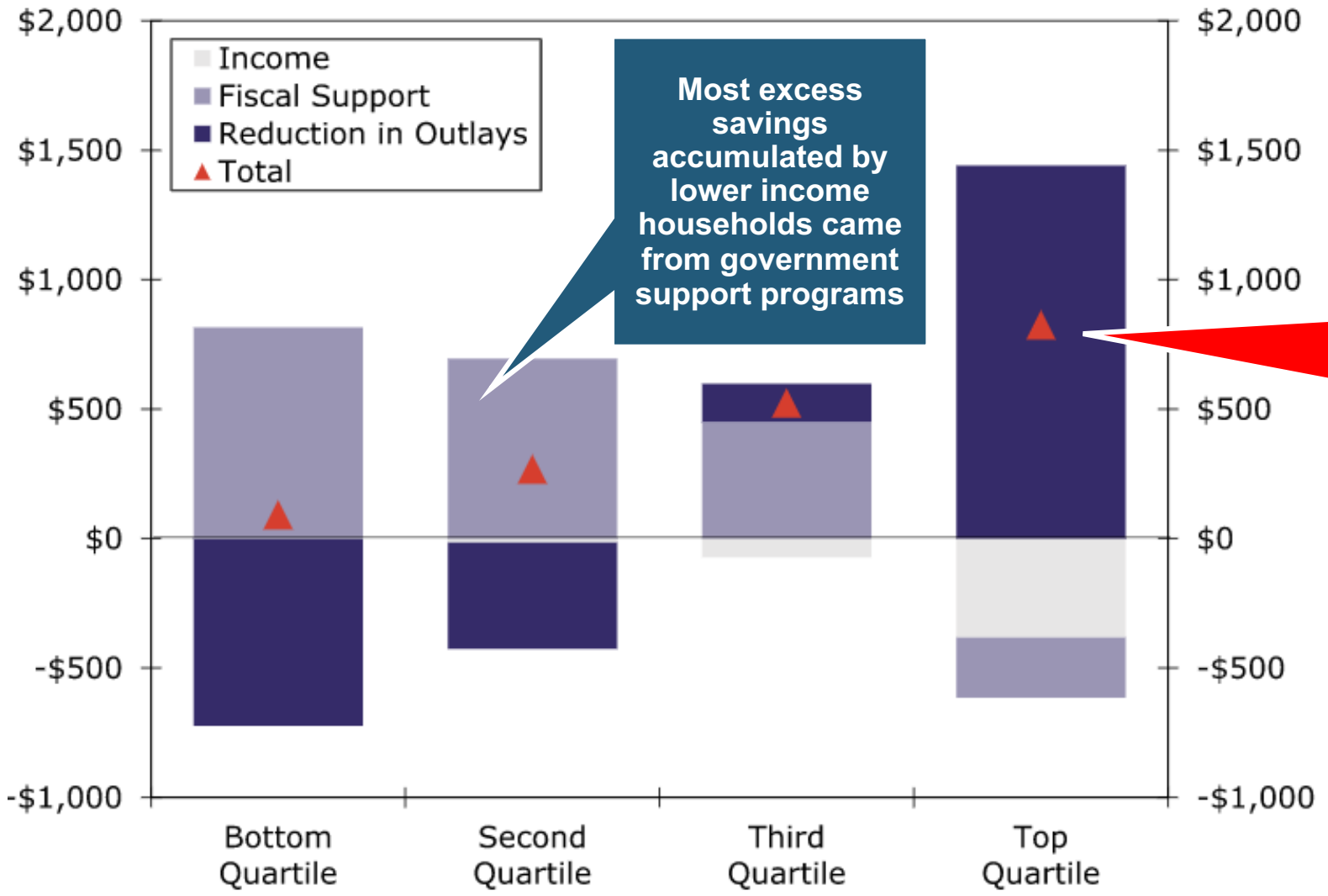
“Excess” Household Savings by Income Quartile,
(as of Sept. 2022, $ Billions)



Excess savings totaled $1.2 trillion as of Sept. 2022. The drawdown averages ~$88B/month.

Source: Federal Reserve Board and Wells Fargo Economics.

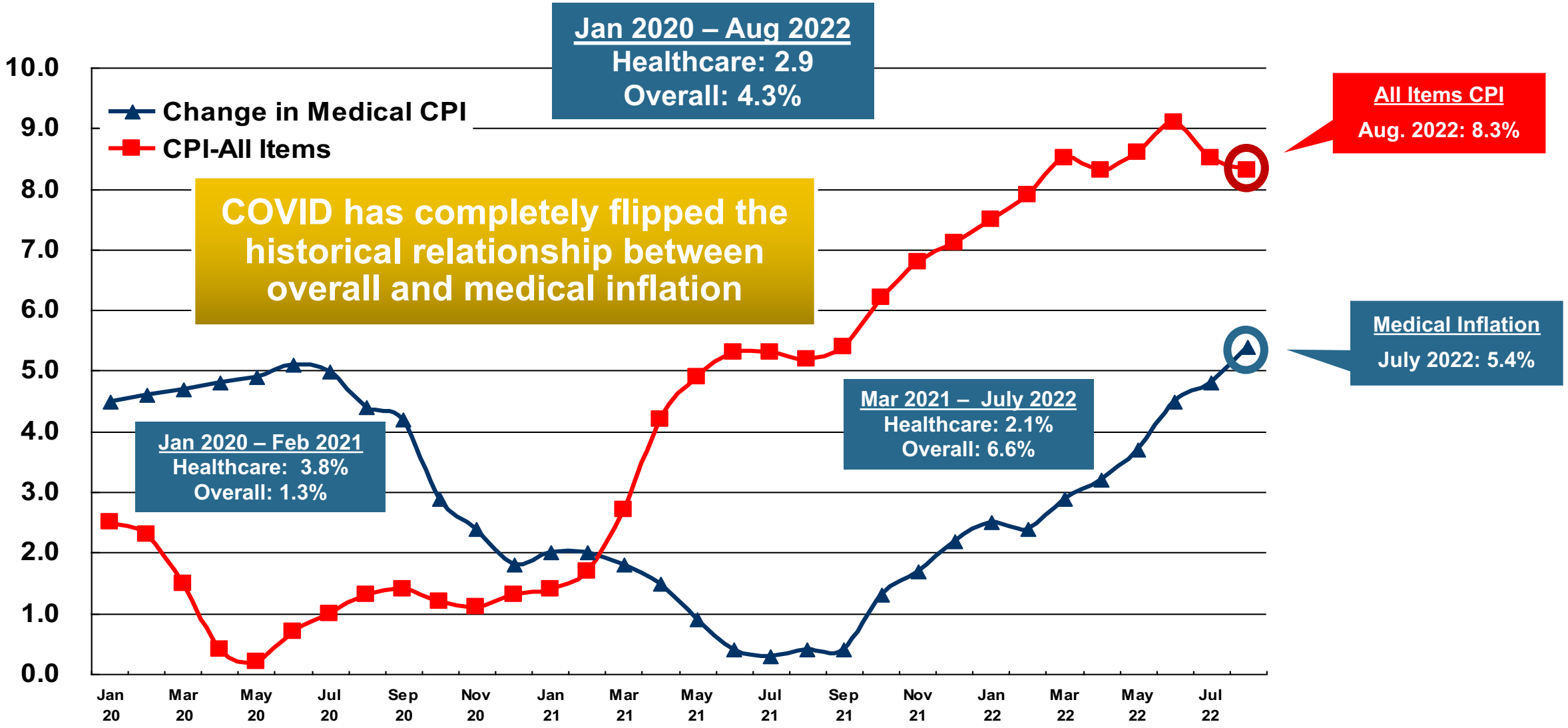
Contributions to "Excess" Household Savings by Income Quartile, (Q2 2022, $ Billions)



Most excess savings for higher income households is derived from foregone expenditures

Source: Federal Reserve Board and Wells Fargo Economics.

Medical Cost Inflation vs. Overall CPI During COVID, Jan. 2020 – Aug. 2022 *(Percent Change from Year Ago)*

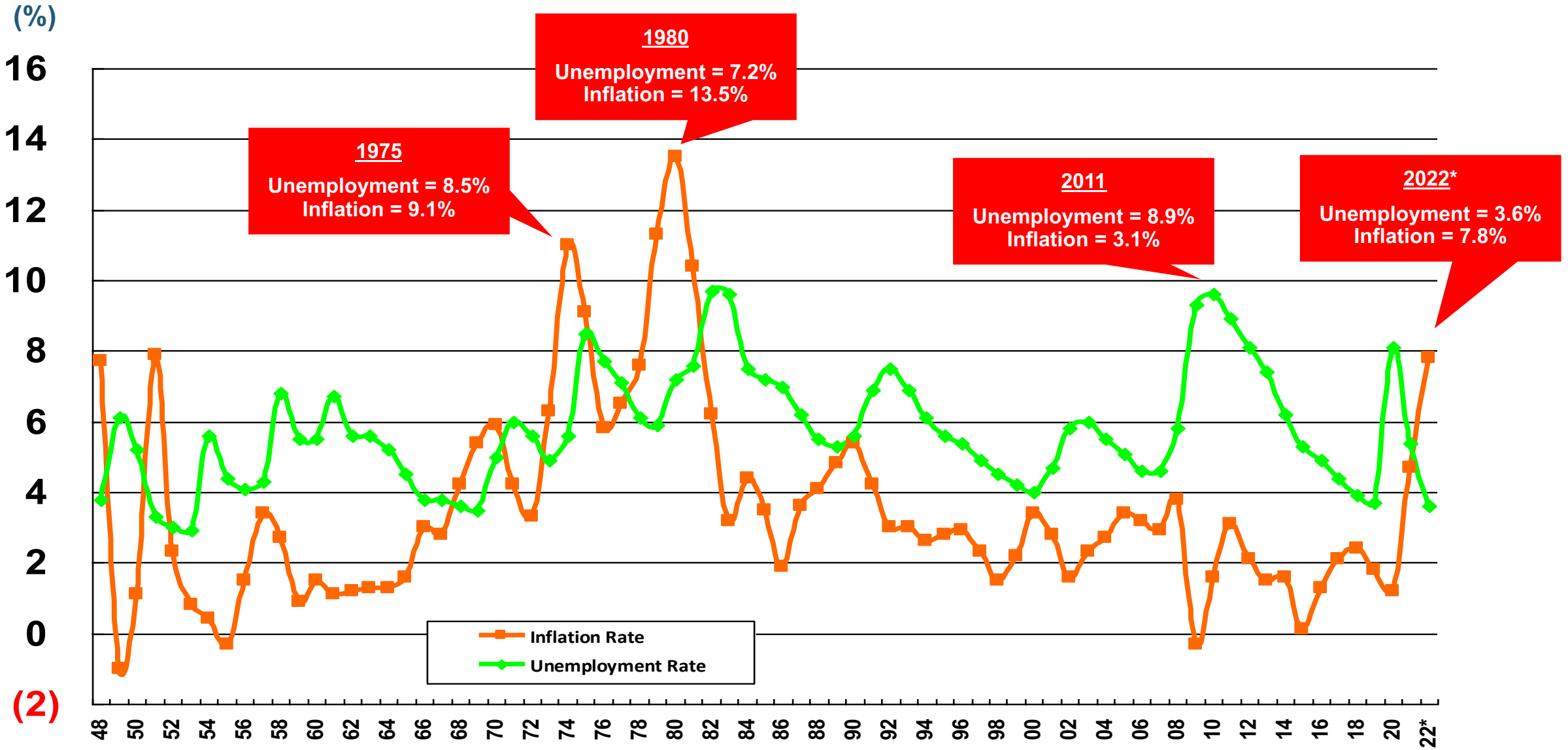


Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Are Things As Bad as Many Believe Them to Be?

A Quick Review of Economic History Is Helpful

Inflation and Unemployment Rate, 1948–2022F*



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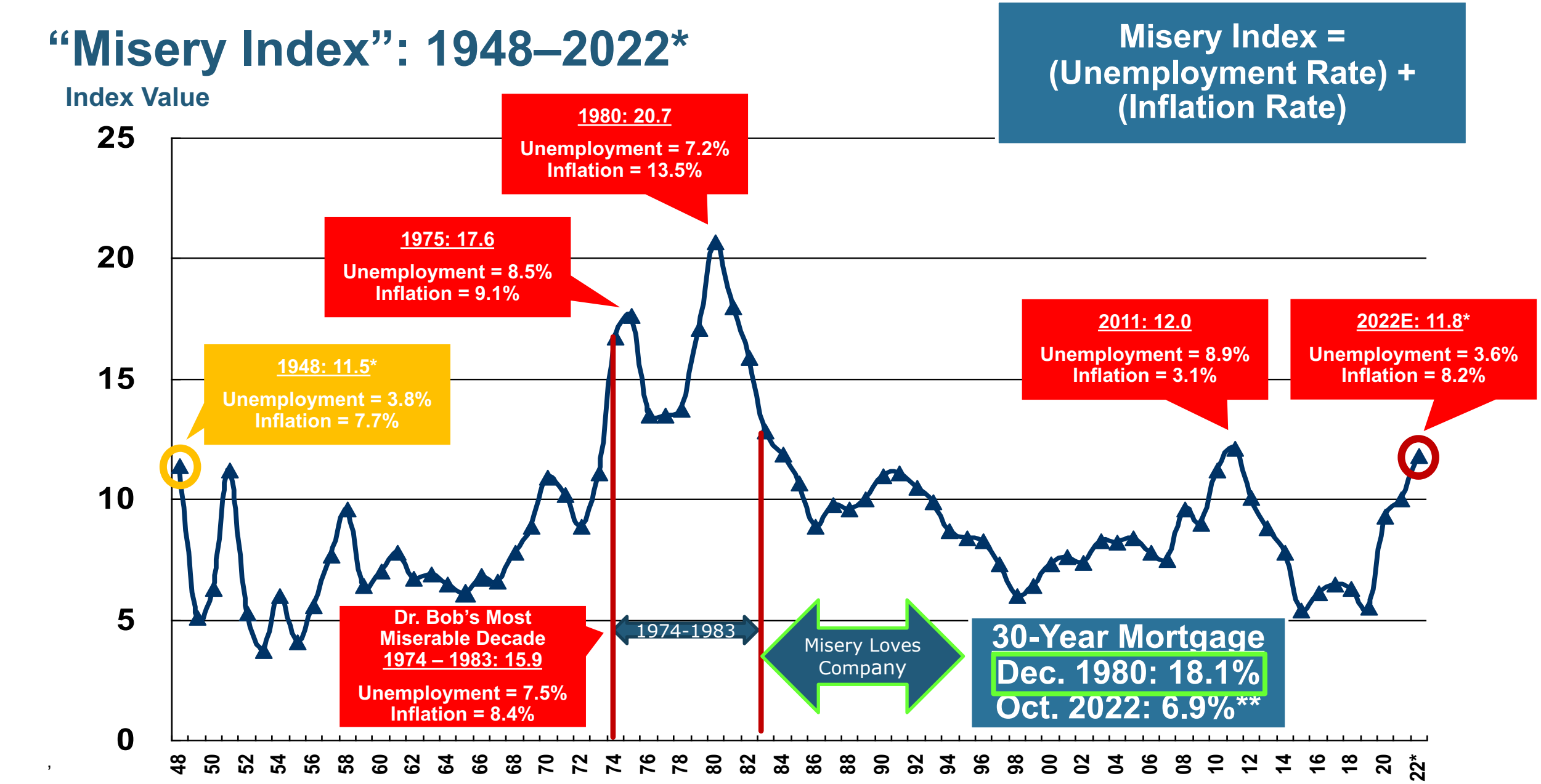
*2022 forecast based on Wells Fargo Securities forecasts (8/22).
Source: U.S. Bureau of Labor Statistics; Center for Risk and Uncertainty Management, University of South Carolina.

“Misery Index”: 1948–2022*



*Estimated based on Wells Fargo Securities forecasts (10/22).
**As of 10/20/22 based on Freddie Mac data.
Source: U.S. Bureau of Labor Statistics; Center for Risk and Uncertainty Management, University of South Carolina.

P/C Insurance Industry Financial Overview & Outlook:

Challenges Amid Rising Inflation and Higher Interest Rates

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

Industry Remains Strong

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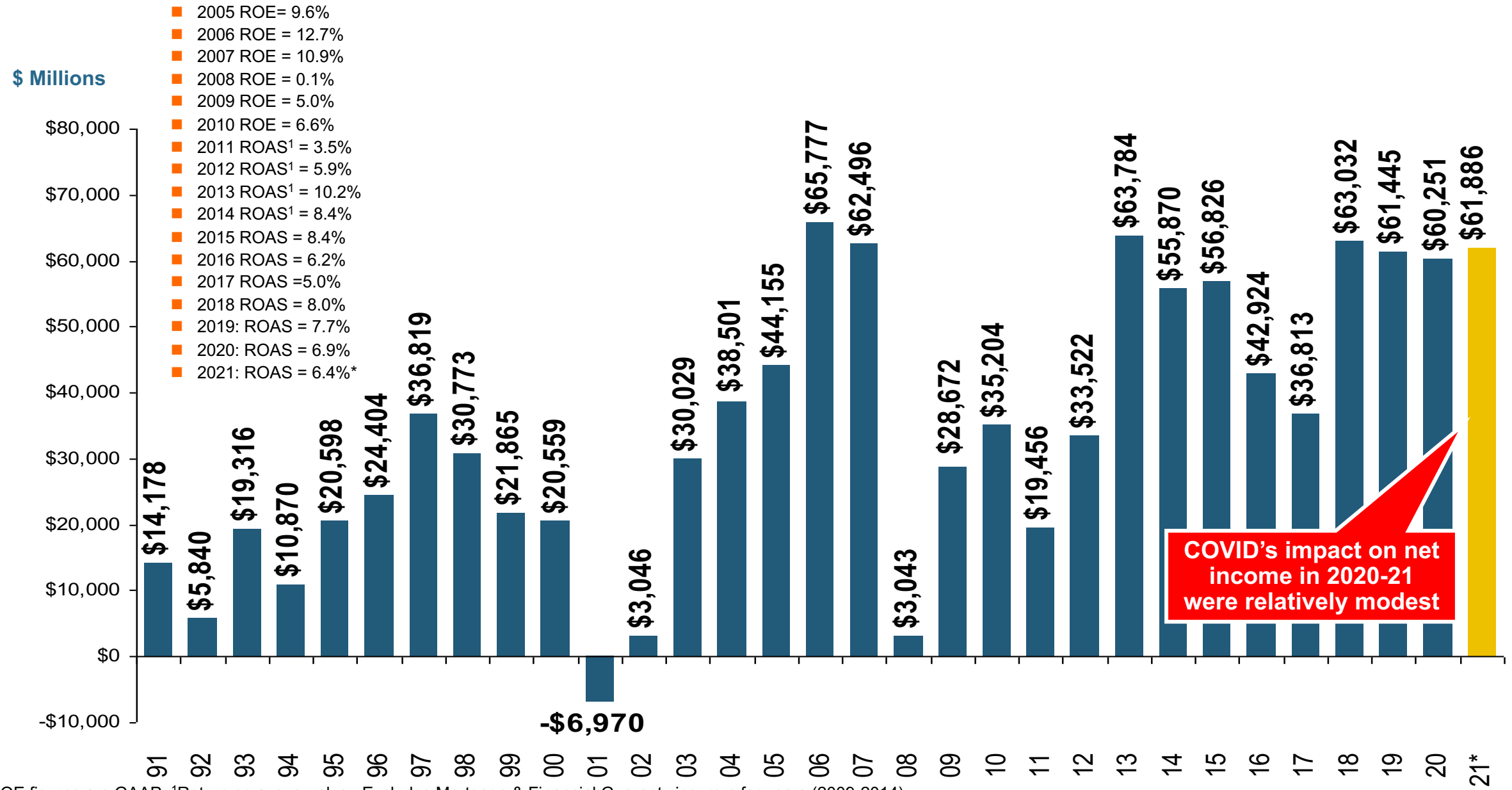
Profits and Profitability

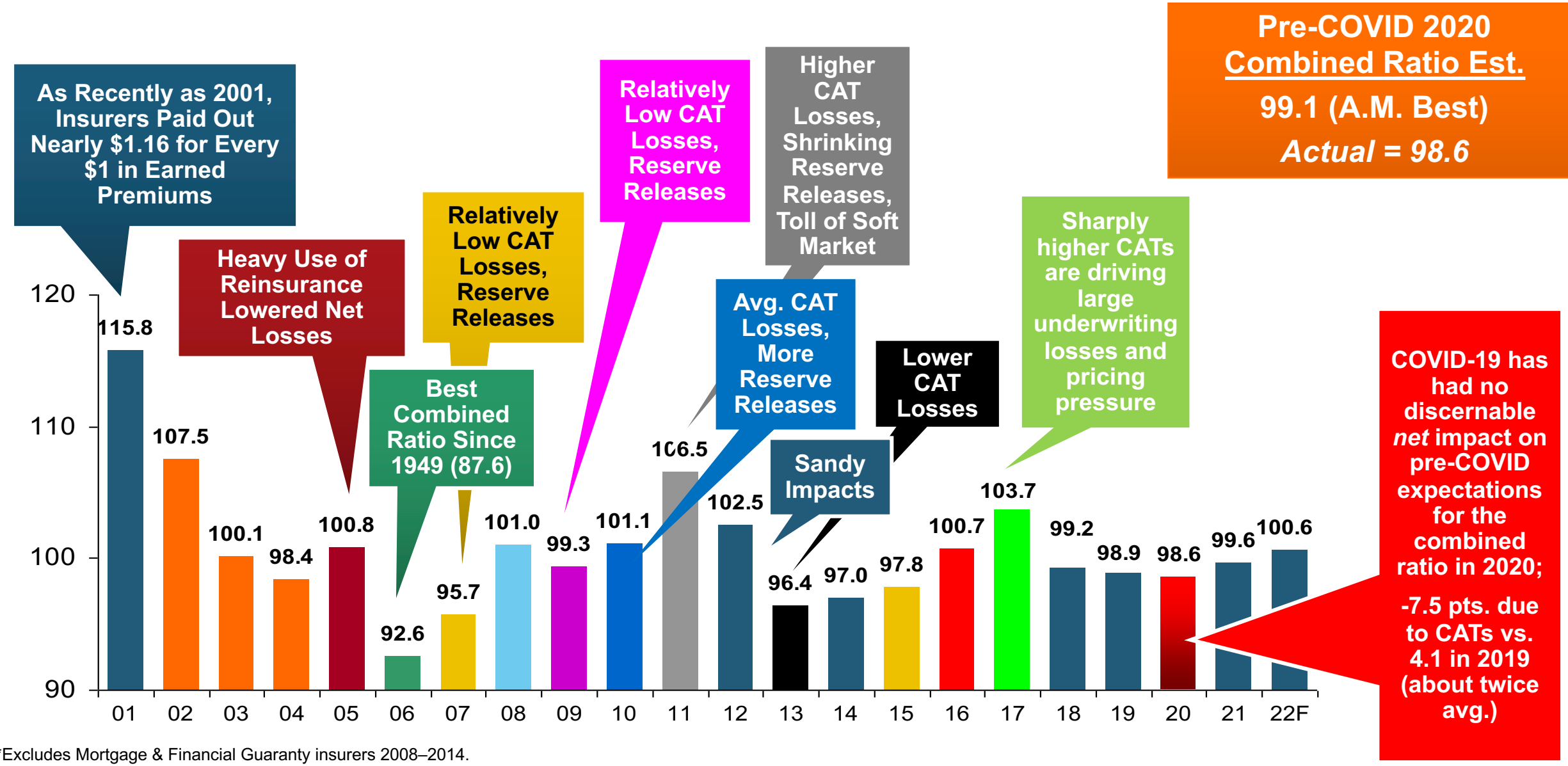
P/C Profitability Is Extremely Volatile

P/C Industry Net Income After Taxes, 1991–2021*



*ROE figures are GAAP; [1]Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers for years (2009-2014).
Sources: A.M. Best, ISO, APCIA.

P/C Insurance Industry Combined Ratio, 2001–2022F**



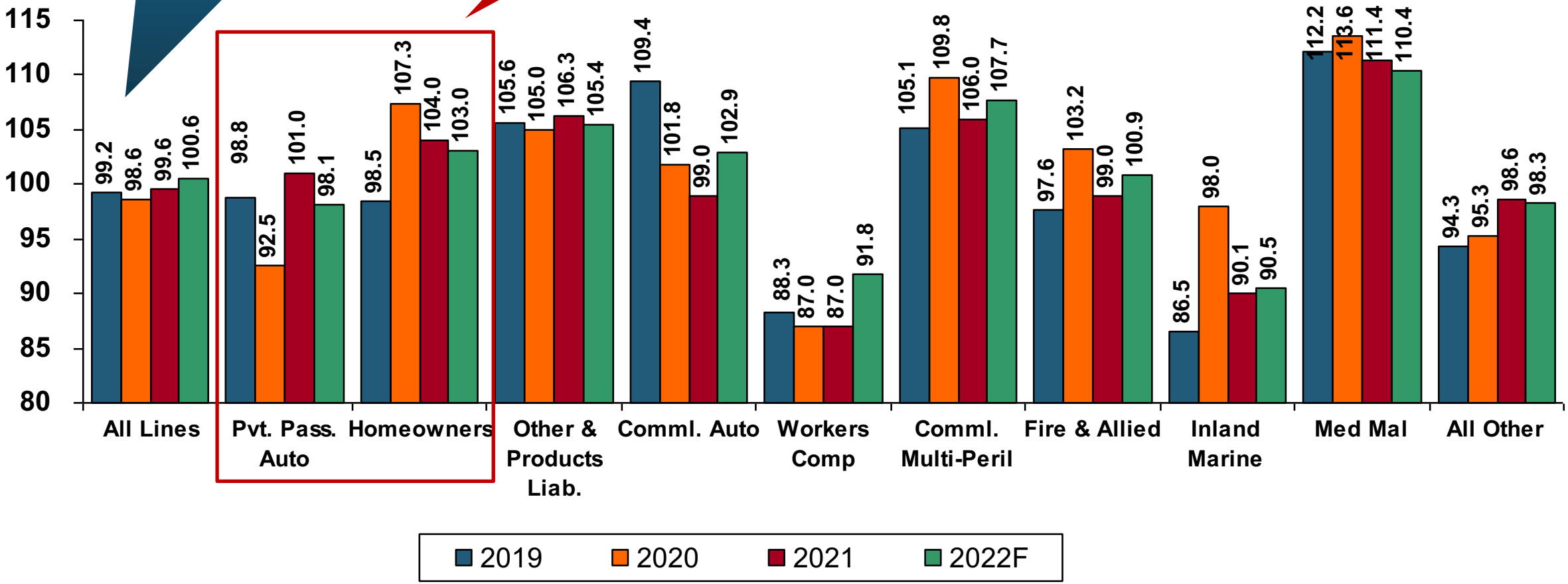
*Excludes Mortgage & Financial Guaranty insurers 2008–2014.
**2022 figure is forecast..
Sources: A.M. Best, ISO (2014-2022F).

Combined Ratios by Line: 2019 – 2022F

Despite COVID and high CAT losses, the overall P/C industry has performed reasonably well in recent years

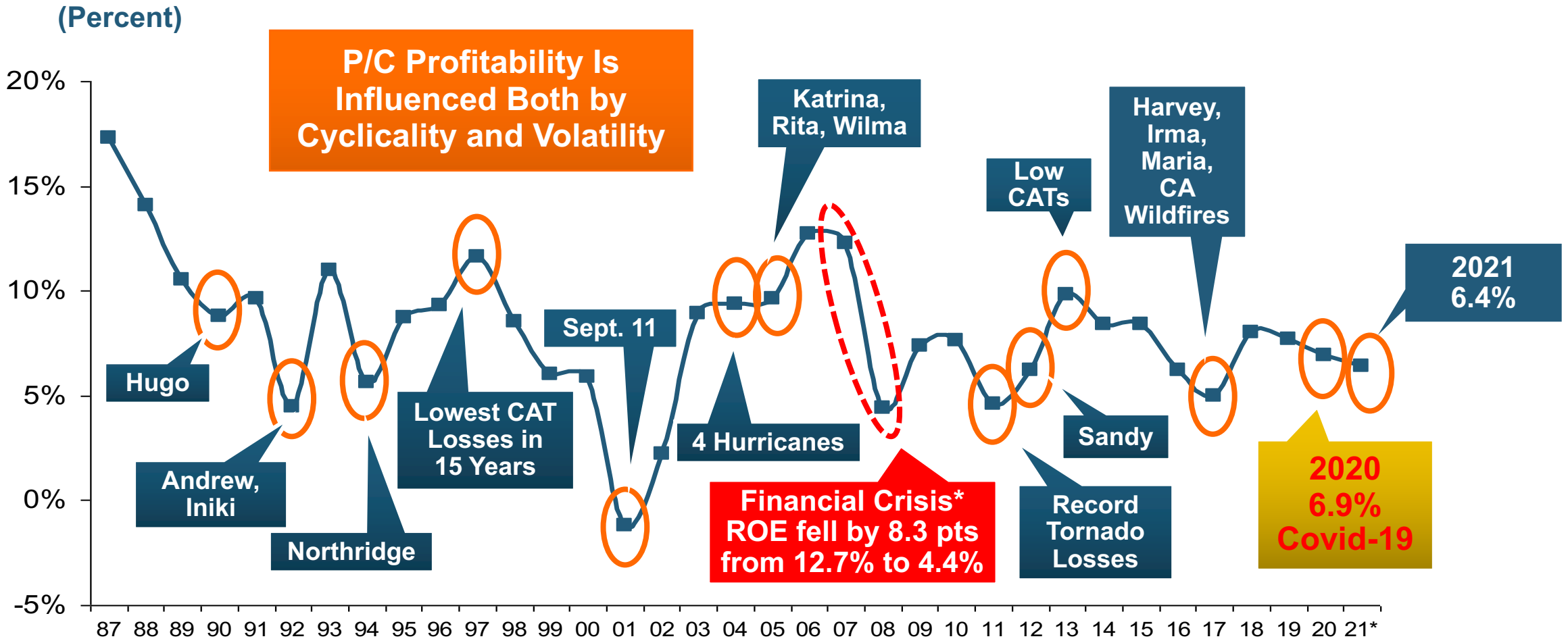
Ian will push these forecasts upward

Accelerating inflation could push the combined ratio upward in 2022 beyond the estimates shown here



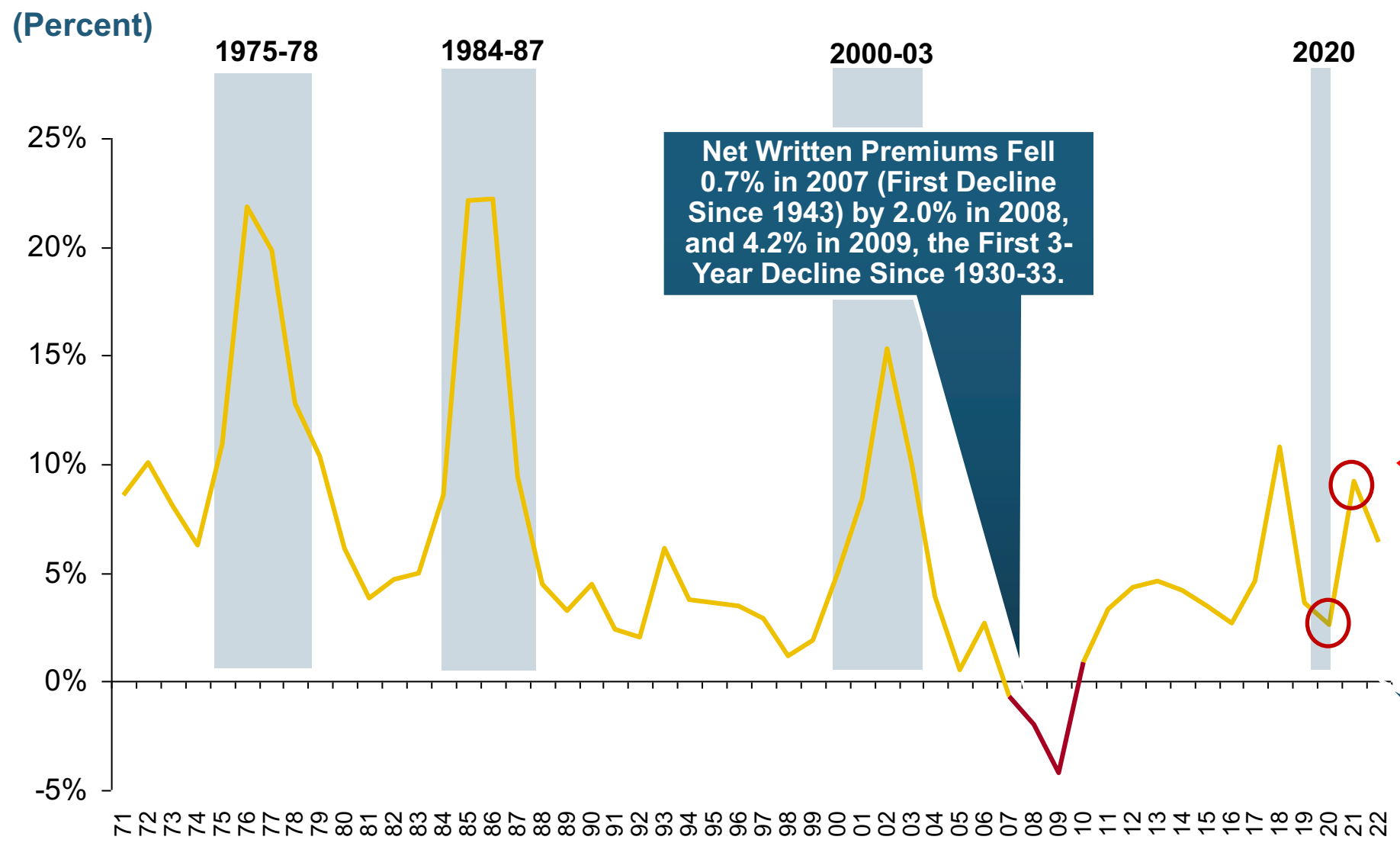
Source: A.M. Best *Review & Preview* (2022 forecasts as of Feb. 2022); Univ. of South Carolina, Risk and Uncertainty Management Center.

ROE: Property/Casualty Insurance by Major Event, 1987–2021*



*Excludes Mortgage & Financial Guarantee in 2008 – 2014.
Sources: ISO, *Fortune,* APCIA; USC RUM Center.

Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2022F



Net Written Premiums Fell 0.7% in 2007 (First Decline Since 1943) by 2.0% in 2008, and 4.2% in 2009, the First 3-Year Decline Since 1930-33.

2022F: 6.4%
2021: 9.2%
2020: 2.6%
2019: 3.6%
2018: 10.8%
2017: 4.6%
2016: 2.7%
2015: 3.5%

Sharp recovery in NWP in 2021 (9.2%). Strong economic recovery and favorable rate environment both powered growth.

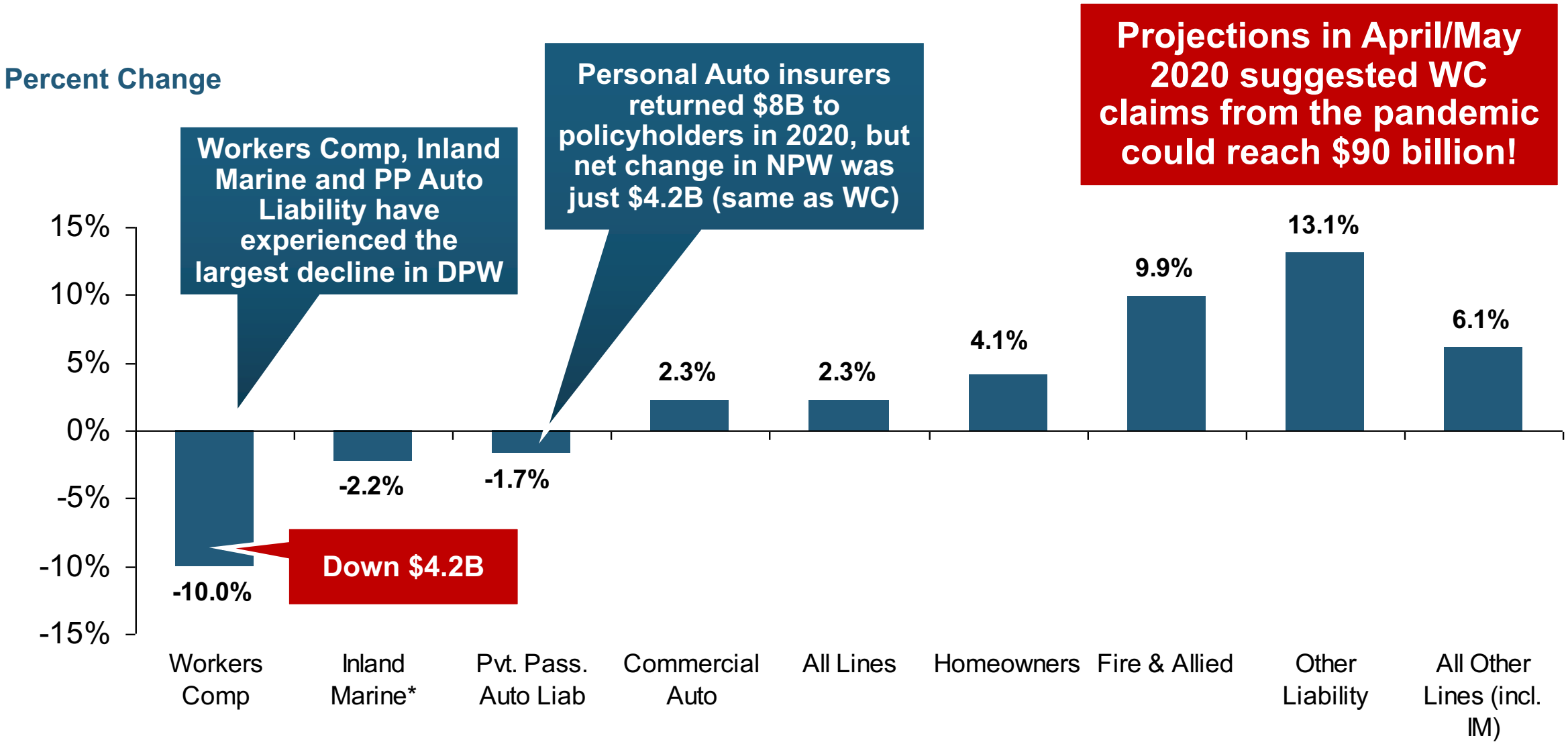
2020 Outlook

Pre-COVID: 3.8%

Actual: 2.6%**

NOTE: Shaded areas denote "hard market" periods.
Sources: A.M. Best (1971-2013, 2022F), ISO (2014-21); Risk & Uncertainty Management Center, Univ. of South Carolina

COVID's Impact on NPW Growth for Largest P/C Lines: 2020



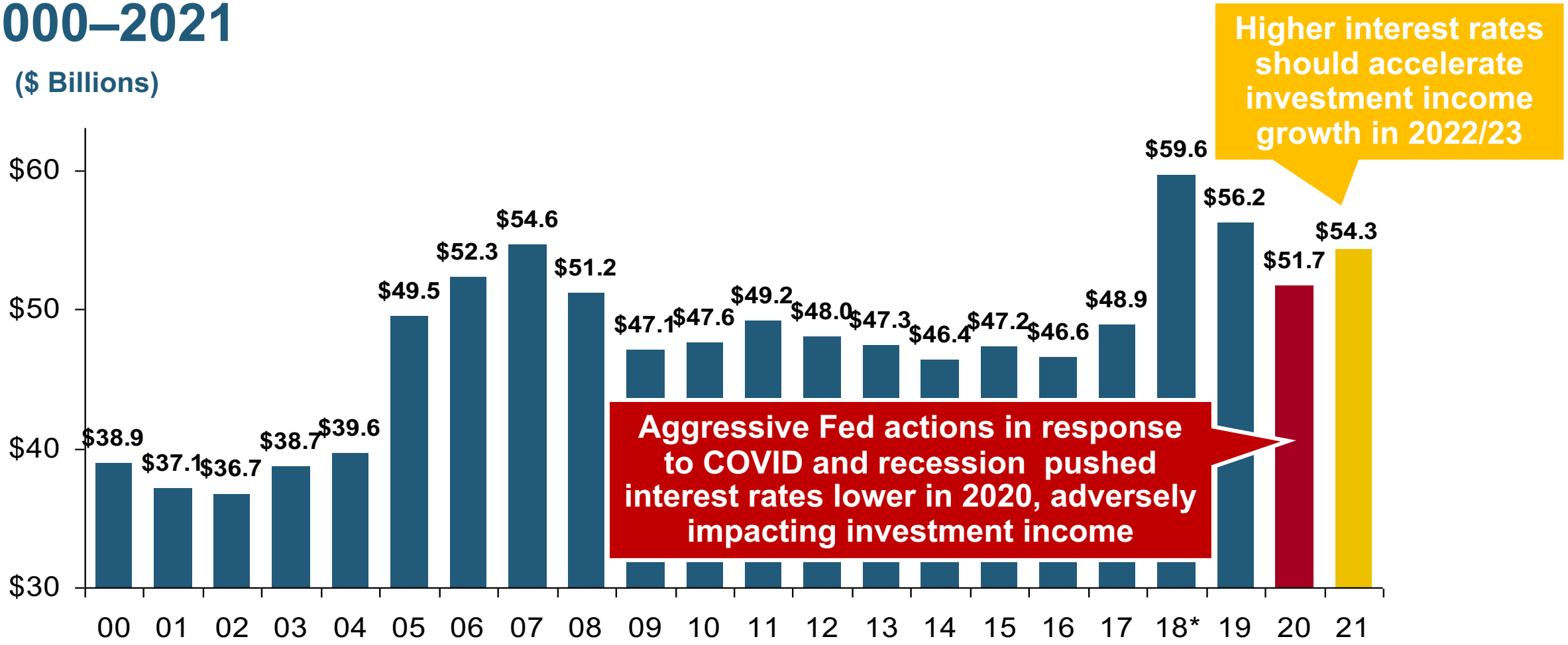
*Inland Marine figure is DPW though first 9-months of 2020 (A.M. Best).
Sources: NAIC Annual Statement data, NCCI; Risk and Uncertainty Management Center, Univ. of South Carolina.

Investments

Investment Performance Is a Key Driver of Insurer Profitability, Especially in Long-Tailed Lines Such as Workers Comp

Dove to Hawk: How Will an Aggressive Fed Impact Insurer Portfolios?

Property/Casualty Insurance Industry Investment Income: 2000–2021

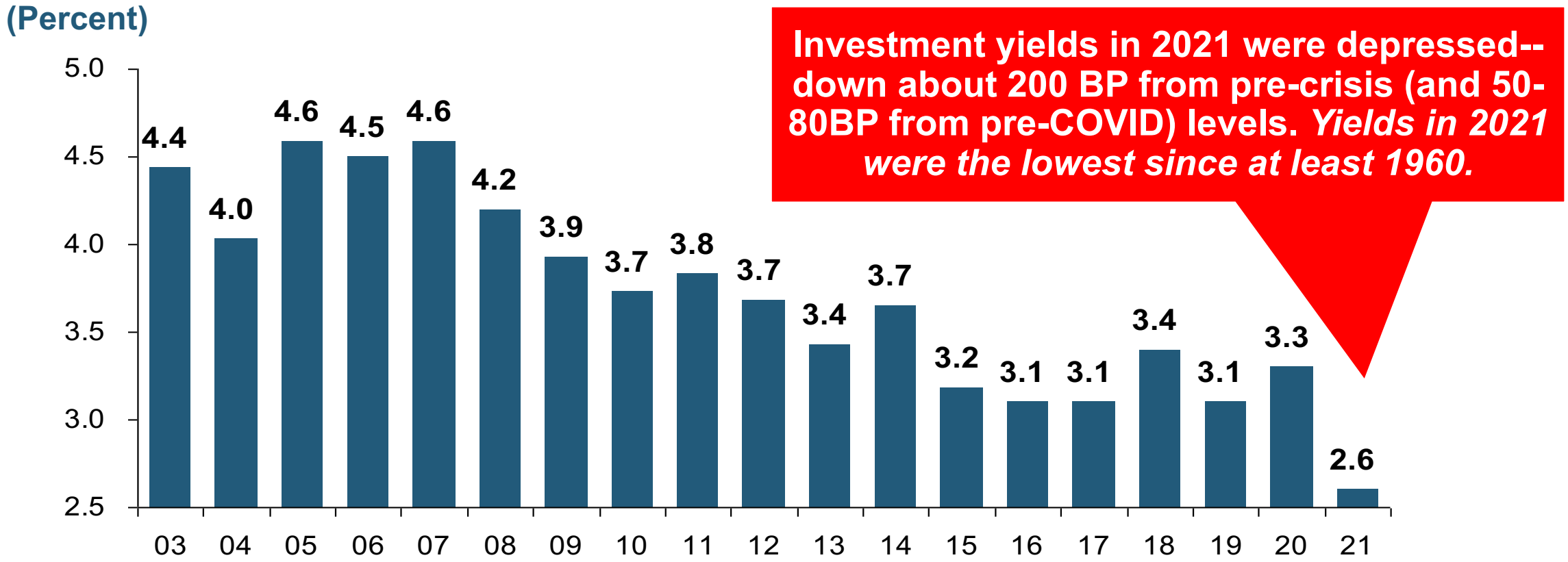


Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates during COVID drove investment income down once again. Fed rate hikes in 2022 could reverse this trend.

*2021 figure is actual as of 12/31/21. 2018-19 figures are distorted by provisions of the TCJA of 2017. Increase reflects such items as dividends from foreign subsidiaries.

[1] Investment gains consist primarily of interest and stock dividends. Sources: ISO; University of South Carolina, Center for Risk and Uncertainty Management.

Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2021



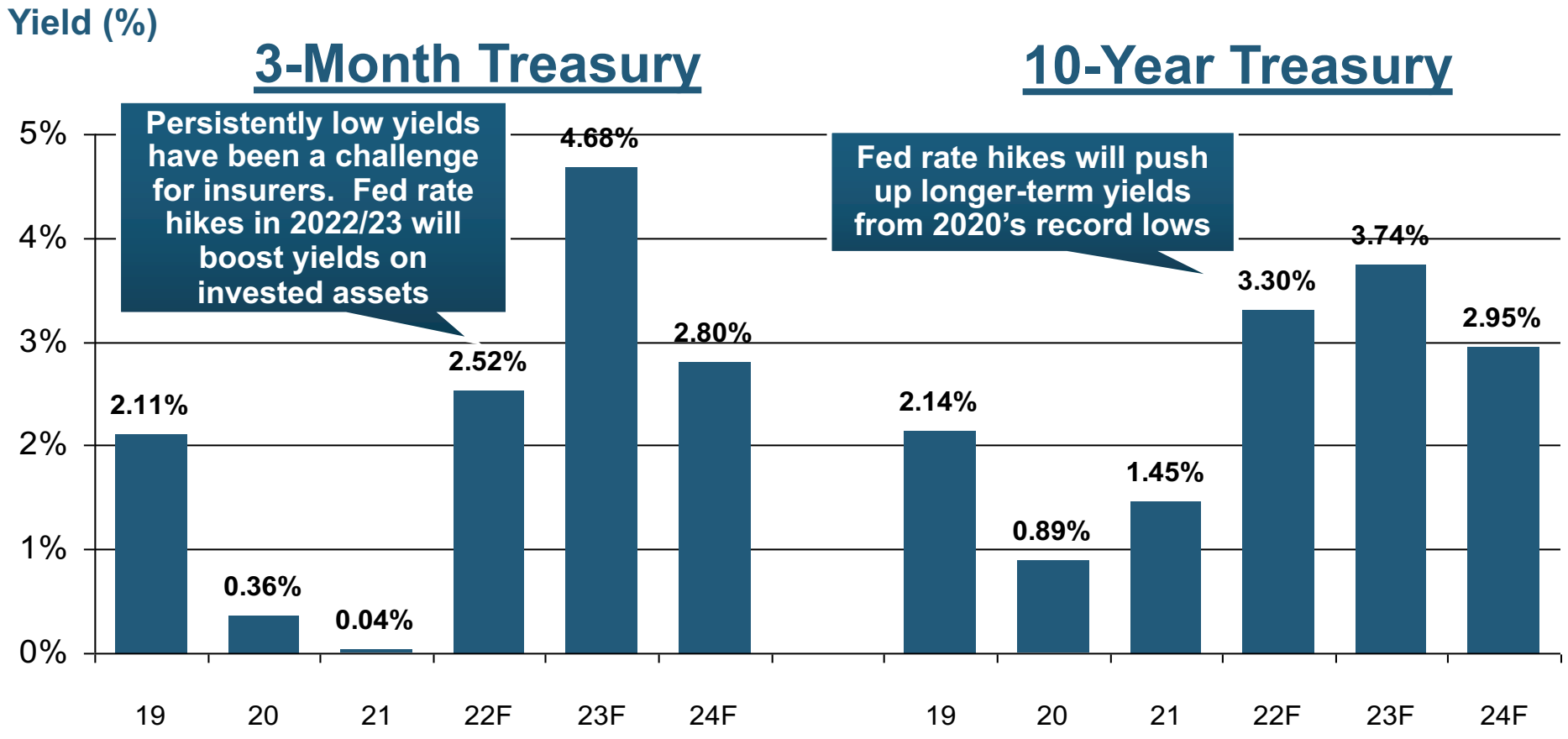
Investment yields in 2021 were depressed--down about 200 BP from pre-crisis (and 50-80BP from pre-COVID) levels. *Yields in 2021 were the lowest since at least 1960.*

The yield on invested assets remains depressed relative to pre-financial crisis and pre-COVID yields. Fed rate hikes in 2022 should begin to slowly lift yields.

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. 2020-21 data from the APCIA. Risk and Uncertainty Management Center, Univ. of South Carolina.

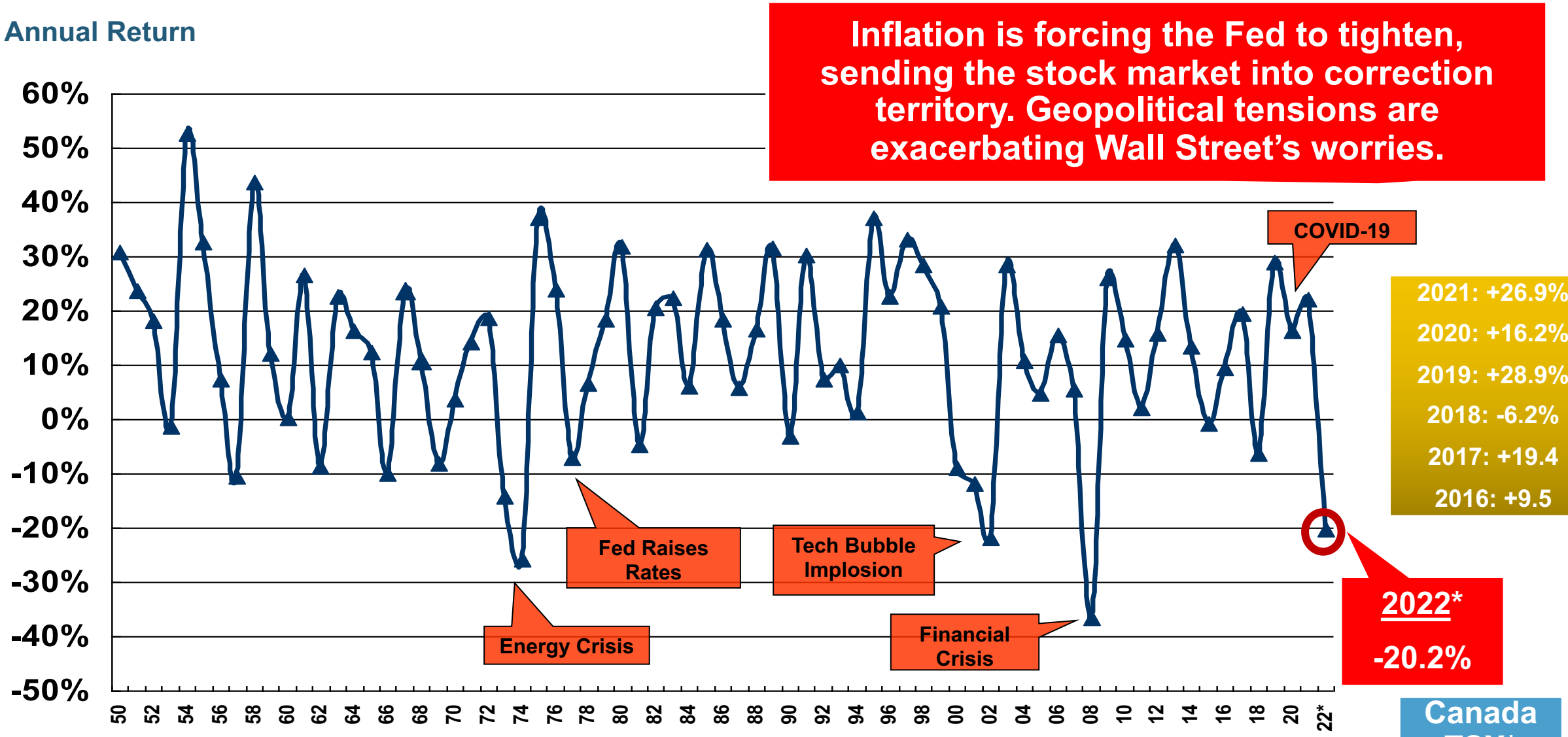
Interest Rate Forecasts: 2019 – 2024F



Rising interest rates will provide a modest tailwind for insurers as the Fed raises interest rates. This will be especially beneficial to longer-tailed lines such as Workers Comp.

Sources: Wells Fargo Securities (10/22); Risk and Uncertainty Management Center, University of South Carolina.

S&P 500 Index Returns, 1950–2022*



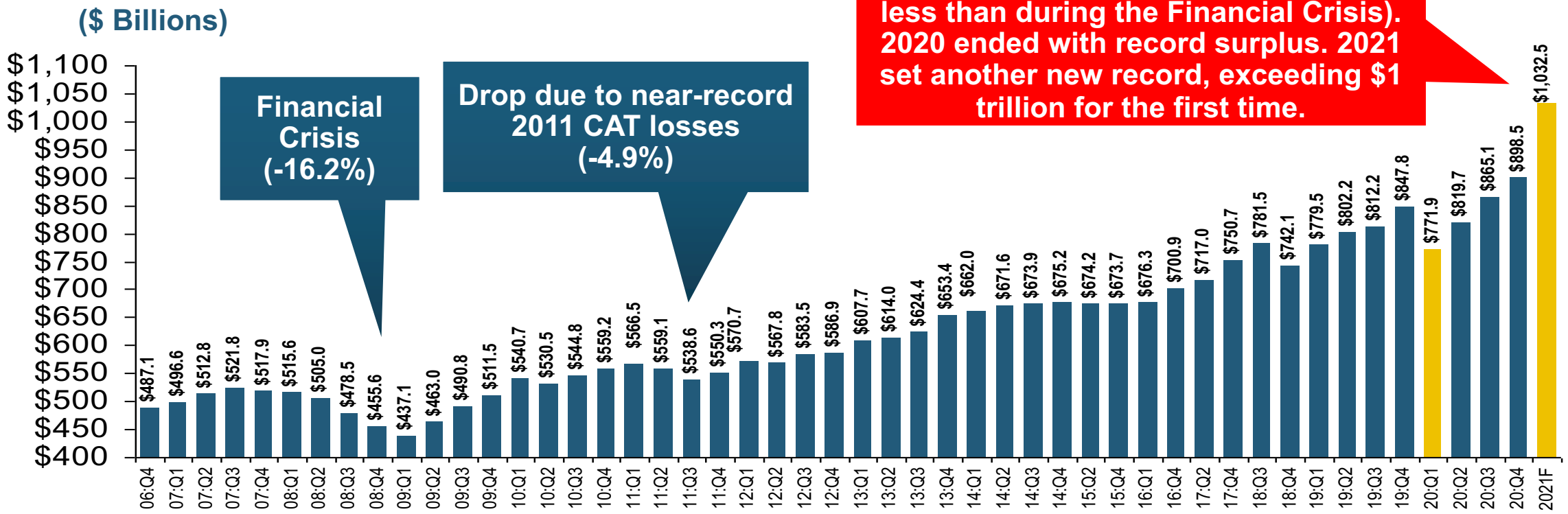
*Through Nov. 7, 2022.
Source: NYU Stern School of Business: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html;
Center for Risk and Uncertainty Management, University of South Carolina.

Capital and Capacity

P/C Insurance: Over or Under Capitalized?

Is the Industry Creating Economic Value?

Policyholder Surplus (Capacity), 2006:Q4 – 2021*



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.

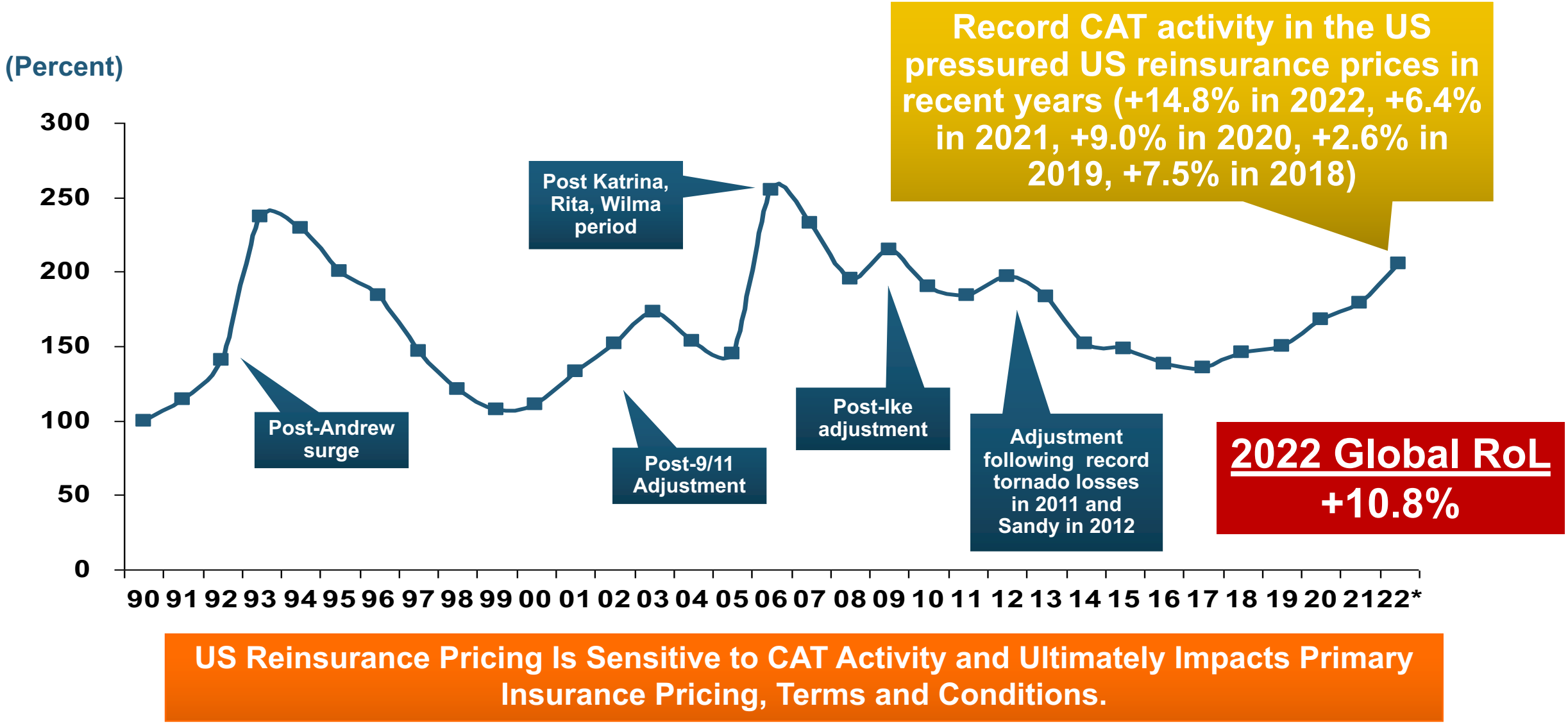
2010: Q1 data includes $22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business.

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.

*2021 figure is actual through Q4.

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

US Property Catastrophe Rate-on-Line Index: 1990 – 2022*



US Reinsurance Pricing Is Sensitive to CAT Activity and Ultimately Impacts Primary Insurance Pricing, Terms and Conditions.

*As of January 1 each year.

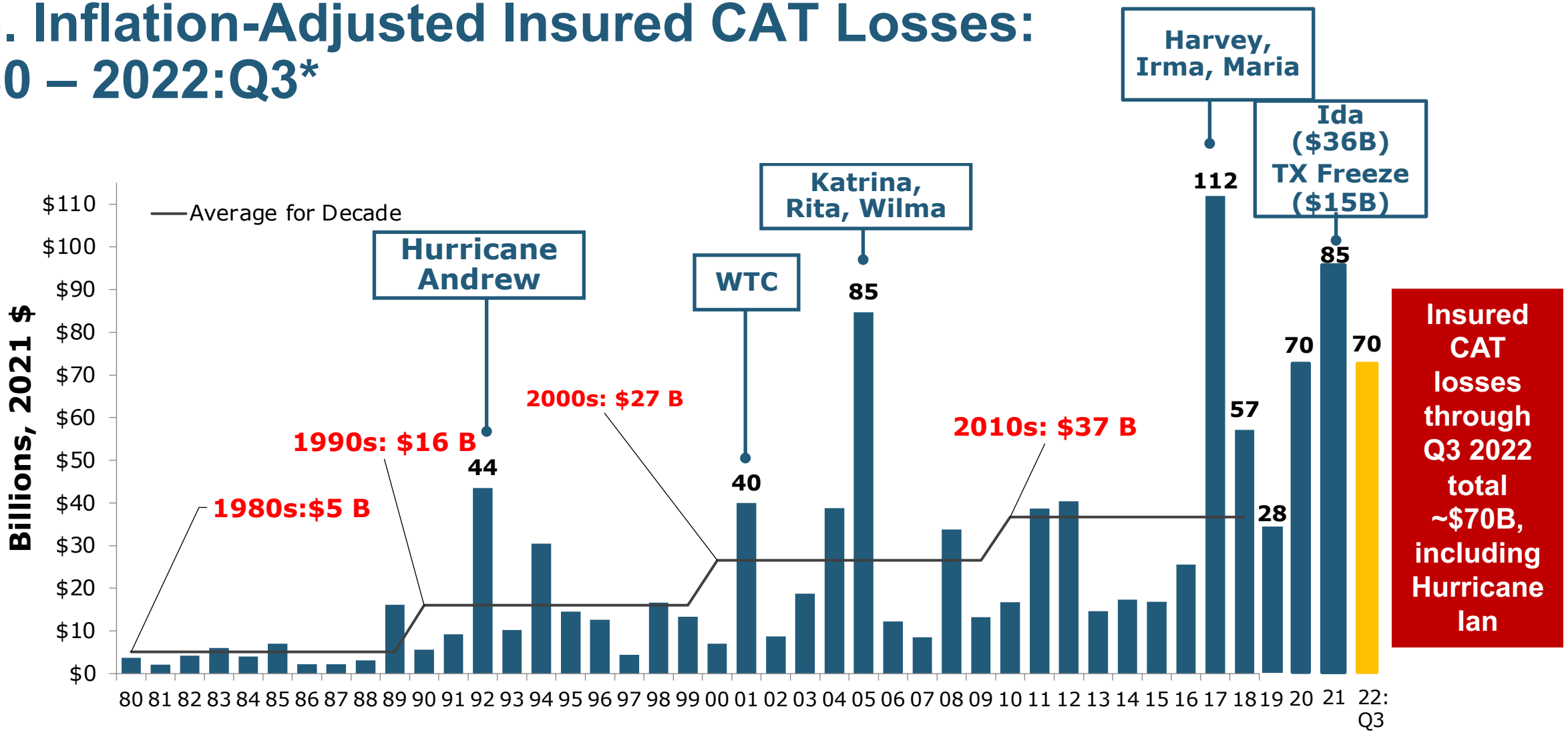
Source: Guy Carpenter; Artemis.bm accessed at: http://www.artemis.bm/us-property-cat-rate-on-line-index

Catastrophe Loss Trends

The Rise in CAT Losses Shows No Signs of Easing

The 2020s Are Off to an Ominous Beginning

U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2022:Q3*



Insured CAT losses through Q3 2022 total ~$70B, including Hurricane Ian

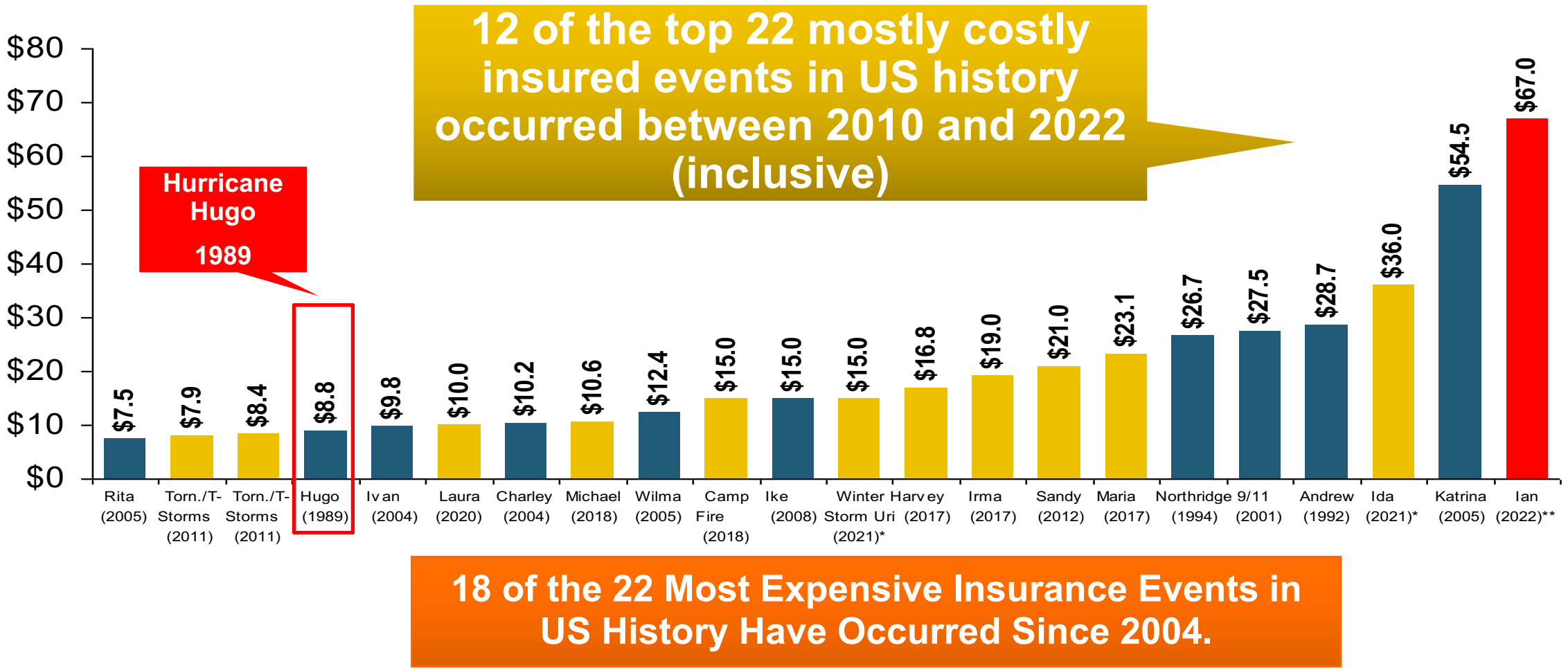
Average Insured Loss per Year*
1980-2021: $23.8 Billion
2012-2021: $44.1 Billion

The 2020s are off to an ominous start with $76B in average annual insured losses (2020-21)

*Stated in 2021 dollars except 2022:Q3 (2022 dollars).
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-21 figures from Munich Re; 2023 YTD data from Aon; Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

Top 22 Most Costly Disasters in U.S. History—Hurricane Ian Overtakes Katrina?

(Insured Losses, 2020 Dollars, $ Billions)



*2021 dollars; **2022 dollars (RMS private insurer estimate as of 10/10/22).

Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2020 dollars using the CPI.

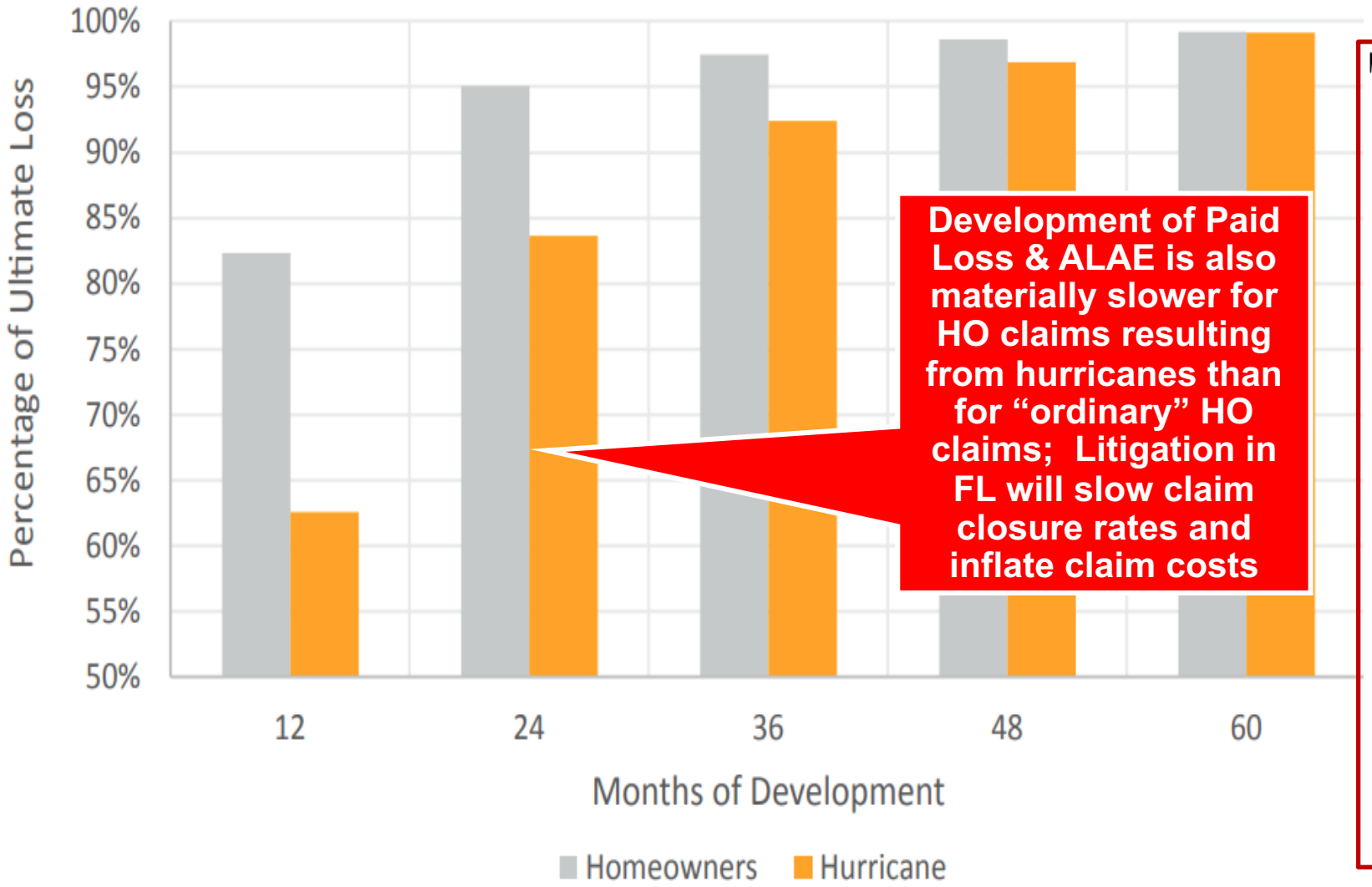
Hurricane Ian: Estimated Insured Losses, by Type*

Type of Loss	Estimated Insured Loss ($B)
Wind (incl. covered leakage)	$46 - $67
Storm Surge (excl. NFIP)	$6
Inland Flood (excl. NFIP)	$1
Total Private	$53 - $74
NFIP	$10
Total Insured	$63 - $84

- **Ian will potentially become the costliest disaster in U.S. history in terms of insured losses, overtaking Hurricane Katrina, which has held the top spot since 2005**
- **Average annual insured CAT loss in the US so far this decade (2020-2022) are $75B, up from $37B during the 2010s, suggesting a rapid acceleration from prior decadal increases of ~$10B per decade**

Sources: RMS estimate as of Oct. 10, 2022: https://www.insurancebusinessmag.com/us/news/catastrophe/hurricane-ian-losses-could-hit-74-billion--rms-423367.aspx; University of South Carolina Risk and Uncertainty Management Center.

Development Pattern: Homeowners and Hurricane (Paid Loss & ALAE)



Development of Paid Loss & ALAE is also materially slower for HO claims resulting from hurricanes than for "ordinary" HO claims; Litigation in FL will slow claim closure rates and inflate claim costs

THE WALL STREET JOURNAL.

October 7, 2022

In Hurricane Ian's Wake, Insurers and Homeowners Gear Up for Coverage Fights

One issue likely to arise: whether home insurers are wrongly avoiding wind claims by blaming flooding for damage

By Leslie Scism Follow *and Arian Campo-Flores* Follow

Oct. 7, 2022 5:30 am ET

Litigation is looming for home insurers in Florida as cash-strapped, underinsured homeowners—paired with an aggressive plaintiffs' bar—are expected to turn to the court system to try to force payments for flood damage that the carriers say they aren't legally obligated to cover.

Source: Milliman: *A Tale of Two Catastrophes: Demand Surge and Inflation Put Property Insurers in a Bind accessed at: https://www.milliman.com/en/insight/a-tale-of-two-catastrophes-demand-surge-and-inflation-put-property-insurers-in-a-bind;* Wall Street Journal: https://www.wsj.com/articles/in-hurricane-ians-wake-insurers-and-homeowners-gear-up-for-coverage-fights-11665135002?page=1 ;University of South Carolina Risk and Uncertainty Management Center.

Hurricane Ian: Fanning the Flames of Inflation

- **Large CATs can exacerbate inflation through *Demand Surge***
- **The probability of a demand surge is directly related to the size and severity of the event**
- **Demand surge can increase costs anywhere from 15% - 30% and typically lasts 6 to 12 months and affects both materials and labor costs**
- **Demand surge can affect one skilled trade or several and generally correlates with the level of unemployment or capacity of the local workforce**
- **Local regulatory constraints and/or litigation (e.g., FL) may slow the rebuilding process exacerbating demand surge**
- **Demand surge impacts losses differently; the more complex the project, the higher probability of price spikes**

Sources: CoreLogic: https://www.corelogic.com/intelligence/how-demand-surge-after-natural-disasters-impacts-the-cost-and-timing-of-recovery/; Univ. of South Carolina, Risk and Uncertainty Management Center.

Hurricane Fiona: A Recording-Breaking Storm for Canada*

Province	Estimated Insured Loss ($B)
Nova Scotia	C$385M+ *(US$486M)*
Prince Edward Island	C$220M+ *(US$162M)*
New Brunswick	C$30M+ *(US$22M)*
Quebec	C$11M+ *(US$8M)*
Newfoundland & Labrador	C$7M+ *(US$5M)*
Total Insured	C$660M+ *(US$486M)*

- **Fiona produced C$660 million (US$486M) in insured losses in Canada's maritime provinces after making landfall on 9/24/22 with max winds of 100 km/h (62 mph)**
- **Fiona was the costliest weather event ever in Atlantic Canada and became the 10th largest insured CAT loss in Canadian history**
- **The "new normal" for annual insured CAT losses in Canada is now C$2 billion (US$1.5B)**

Sources: Artemis.com from Insurance Bureau of Canada as of Oct. 20, 2022, accessed at https://www.artemis.bm/news/hurricane-fiona-industry-loss-pegged-at-c660m-in-canada/ ; University of South Carolina Risk and Uncertainty Management Center.

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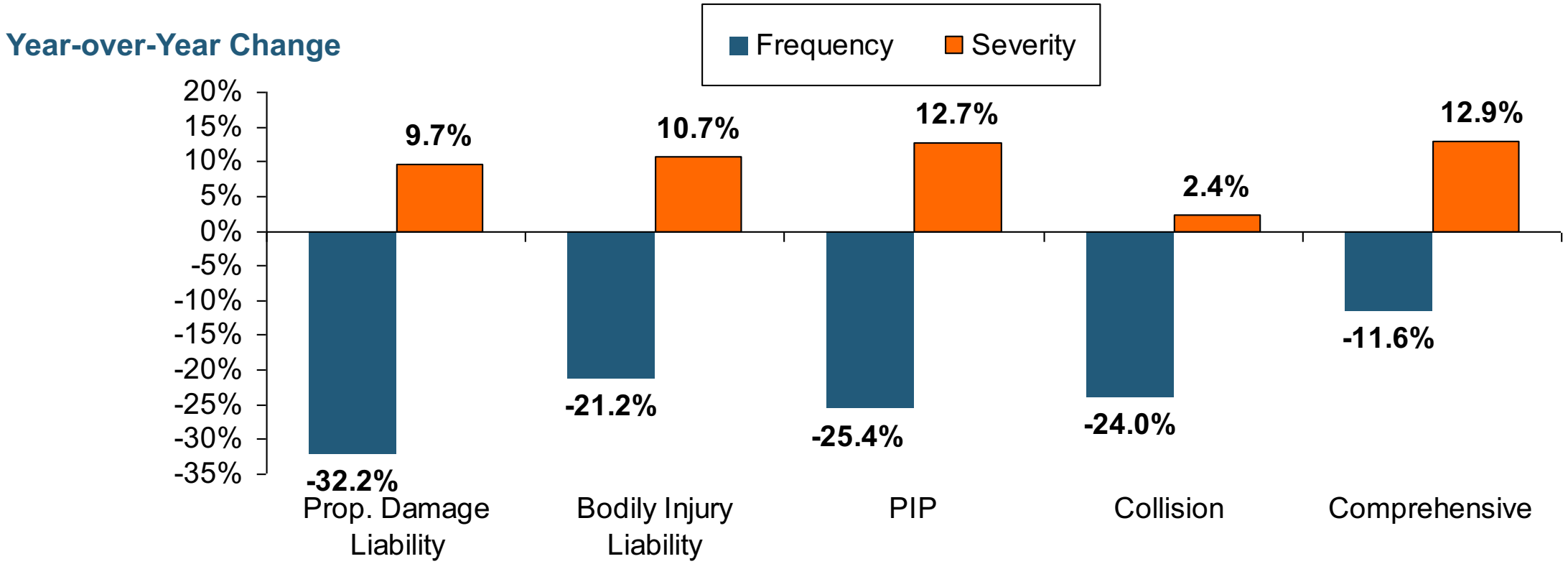
Private Passenger Auto Frequency & Severity Trends

Frequency, Severity and Loss Ratio Trends Are Adverse

Inflation is a Major Driver

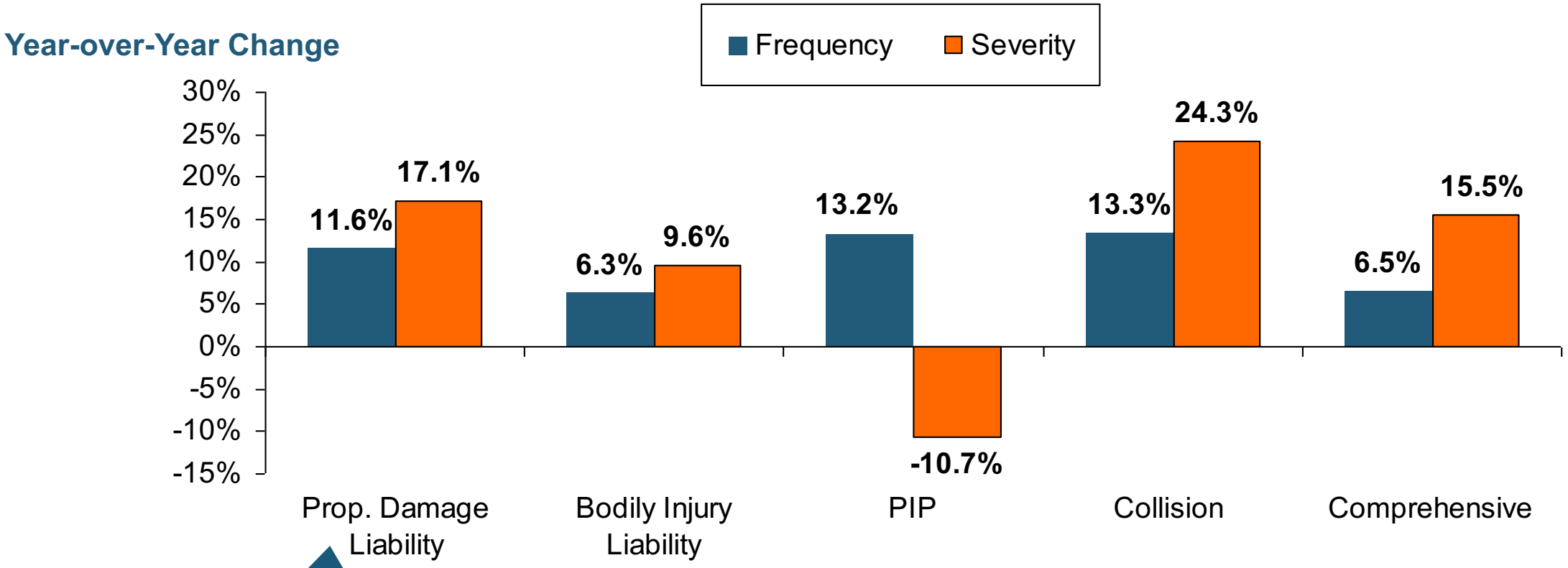
At the Peak of the Pandemic, Frequencies Across All Coverages Plummeted and But Severities Rose: 4 Qtrs. Ending Q1 2021



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 Frequency Declines Have Ended and Are in Full Reversal, Severity Rise Continues: 4 Qtrs. Ending Q2 2022



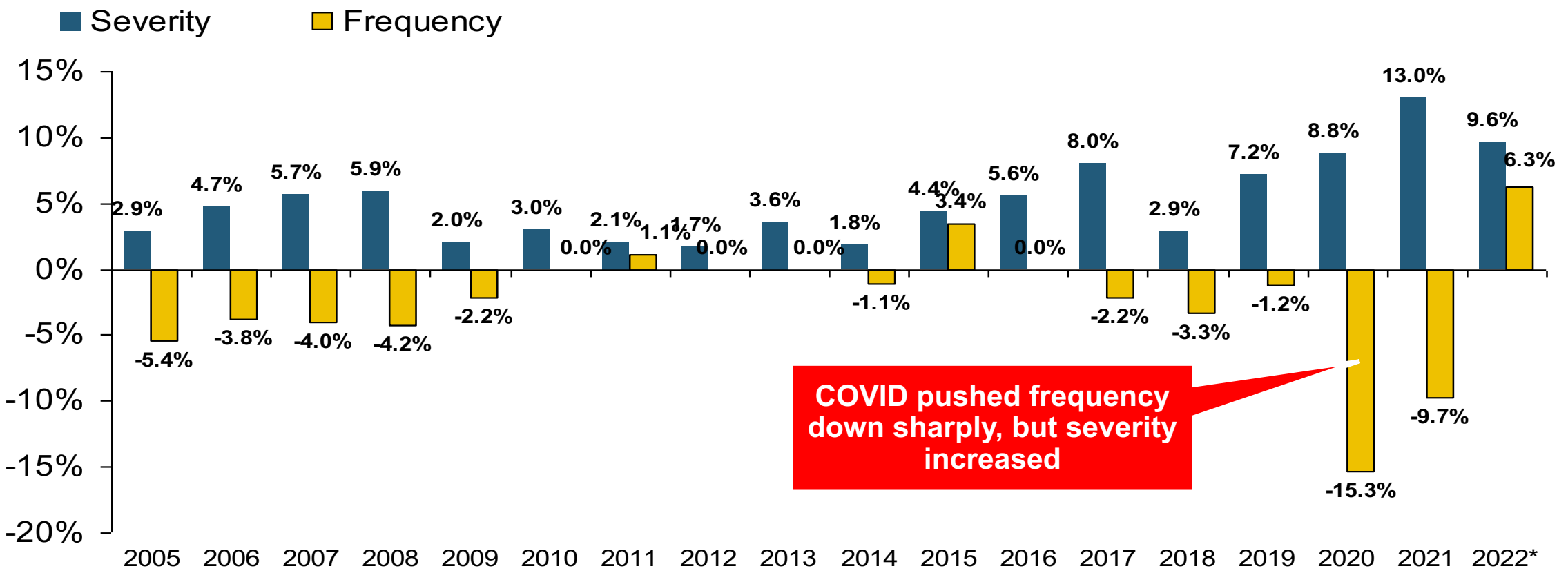
Recall: PD Liability claims were *down* 32.2% for the 4 qtrs. ending Q1 2021

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

Source: ISO/PCI *Fast Track* data for Q2 2022; Risk and Uncertainty Management Center, Univ. of South Carolina.

Bodily Injury: Severity Trend Is Up, Frequency Plunge in 2020/21 Due to COVID Has Ended and Is Reversing

Annual Change, 2005 through 2022*

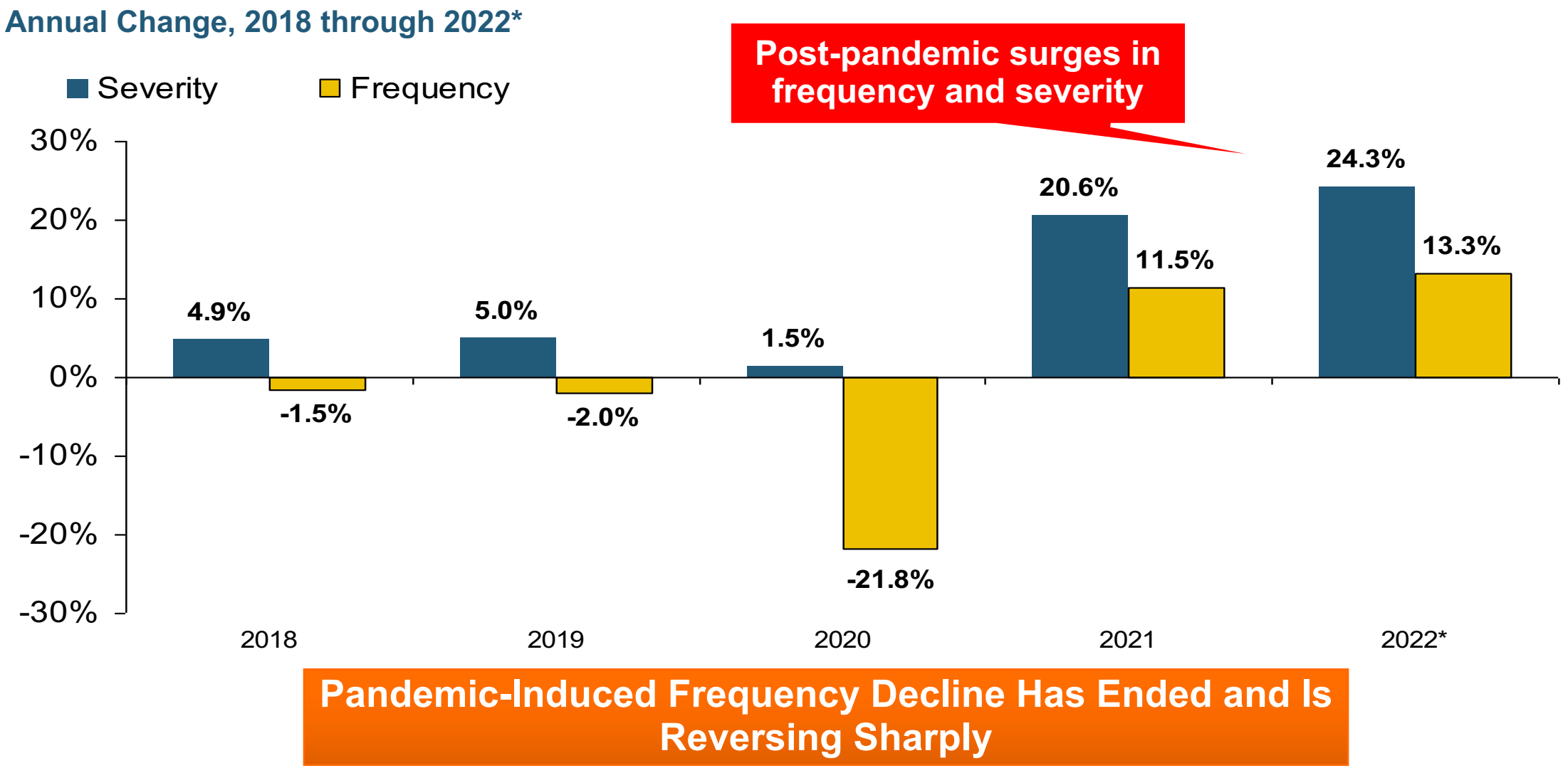


Frequency decline has ended. Q2 2022 BI frequency was +6.3% and severity was +9.6%

*2022 figure is for the 4 quarters ending 2022:Q2.

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

Collision Coverage: Post-Pandemic Surge in Both Frequency and Severity

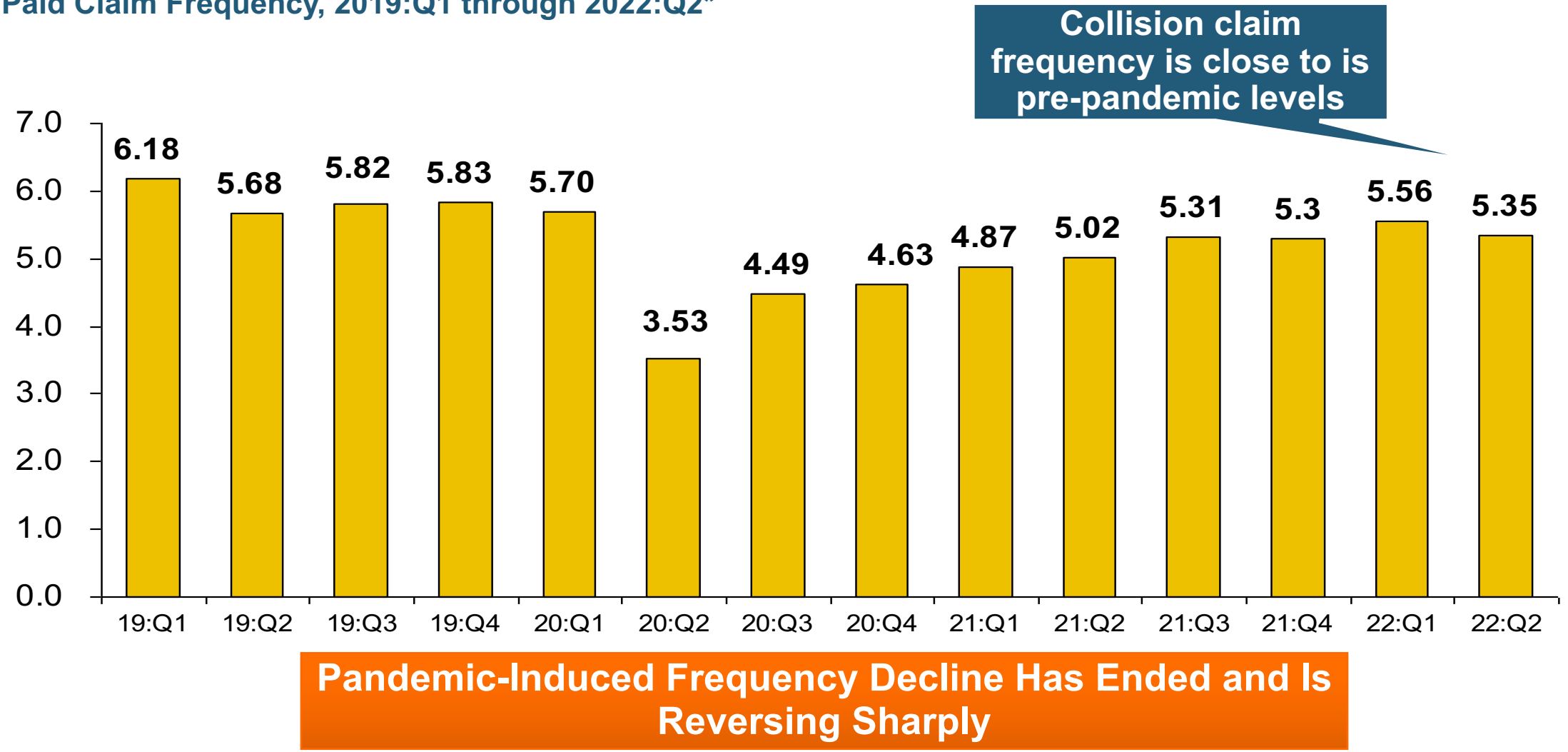


*2022 figure is for the 4 quarters ending 2022:Q2.

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

Collision Claim Frequency Trend: Returning to Pre-Pandemic Levels

Paid Claim Frequency, 2019:Q1 through 2022:Q2*



Pandemic-Induced Frequency Decline Has Ended and Is Reversing Sharply

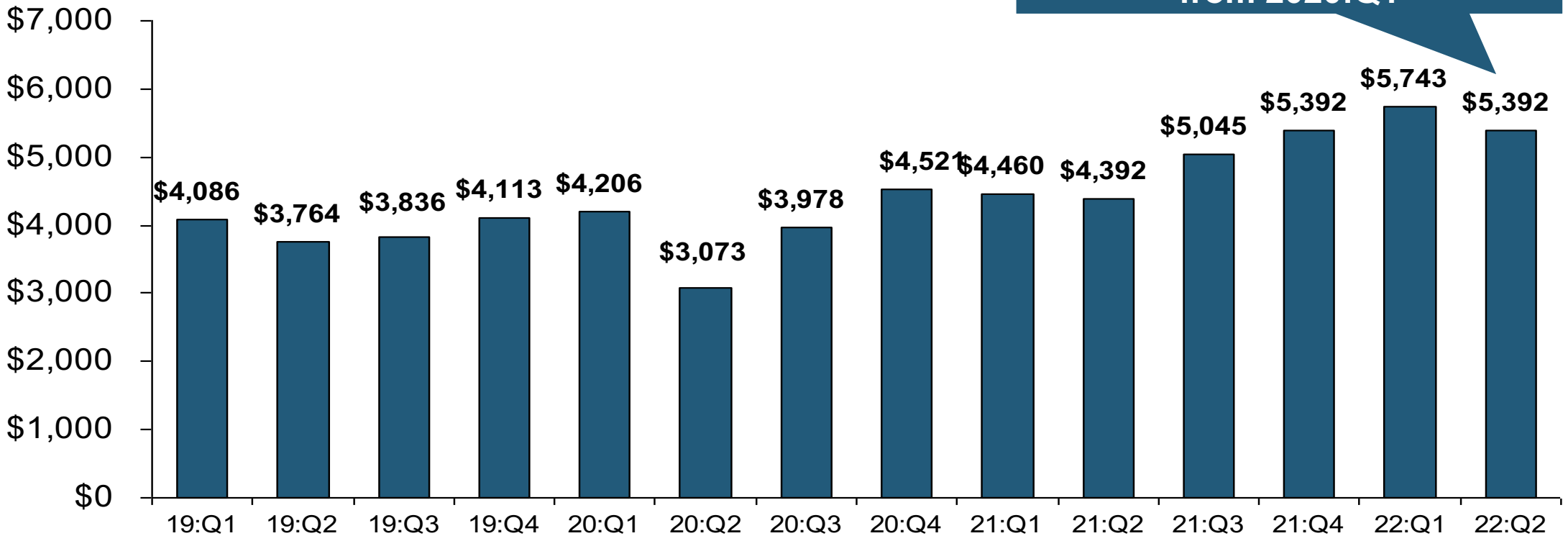
*Number of claims per 100 earned car years.

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

Collision Claim Severity: Rising to New Record Highs

Average Loss, 2019:Q1 through 2022:Q2

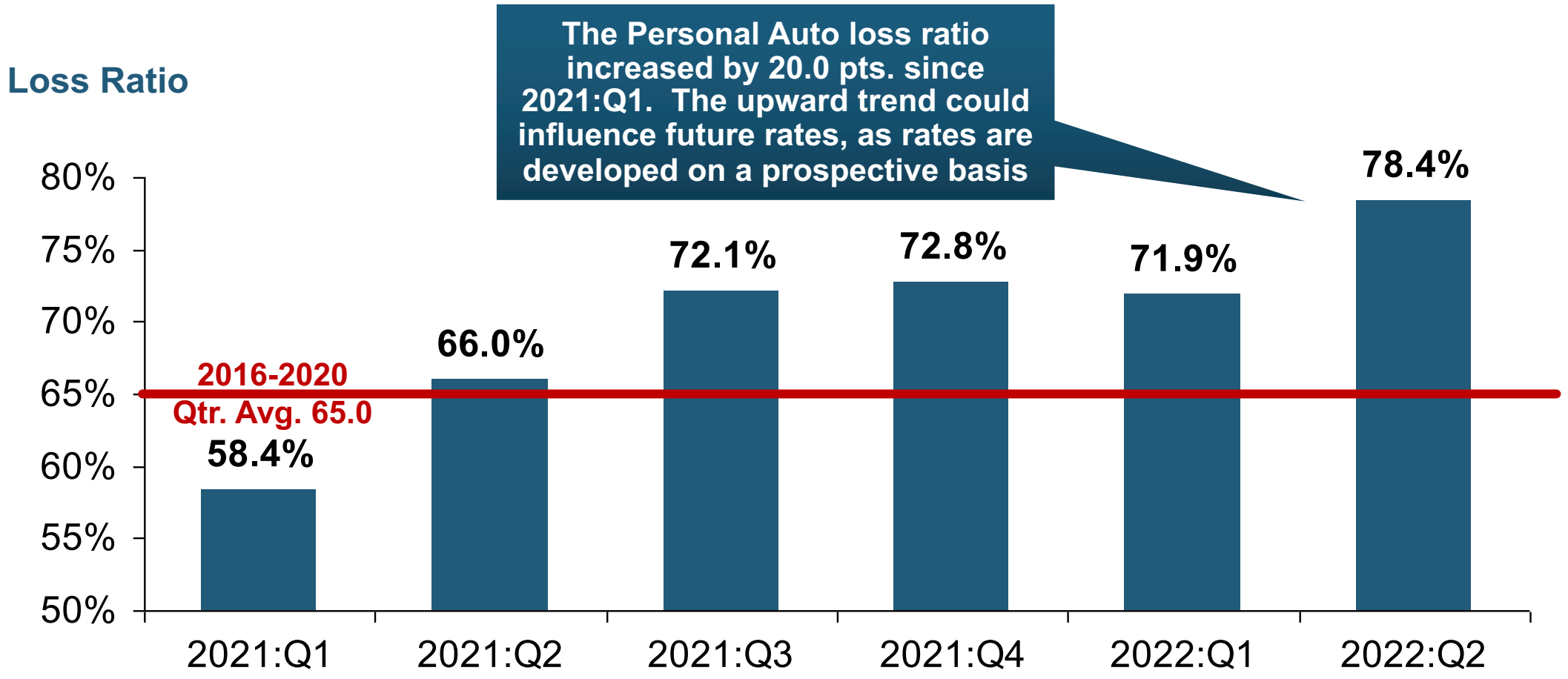
Collision claim severity hit a record high of $5,743 in Q1:2022, and remains up 28.2% from 2020:Q1



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.

Personal Auto Loss Ratios: 2021:Q1 – 2022:Q2

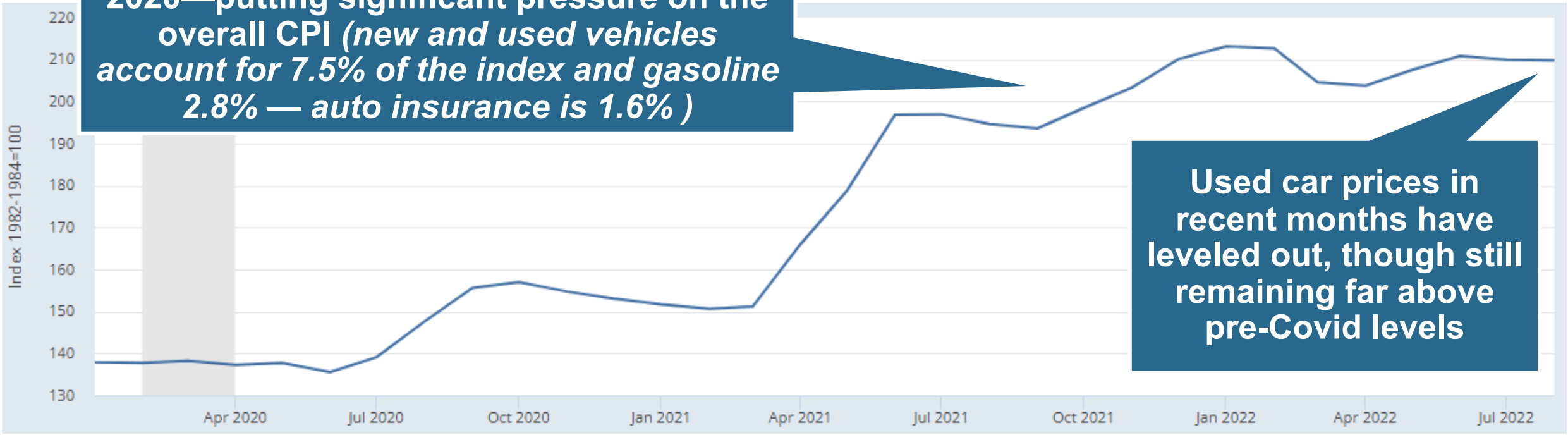


Collision Loss Ratios Are Rising Rapidly and Are Now Far Above the 5-Year Average

Source: APCIA via S&P Global Market Intelligence; University of South Carolina, Risk & Uncertainty Management Center.

Price Index Changes for Used Cars & Trucks, Jan. 2020 – Aug. 2022

New and Used Vehicle prices have surged during the pandemic, +52.3% since Jan. 2020—putting significant pressure on the overall CPI *(new and used vehicles account for 7.5% of the index and gasoline 2.8% — auto insurance is 1.6%)*



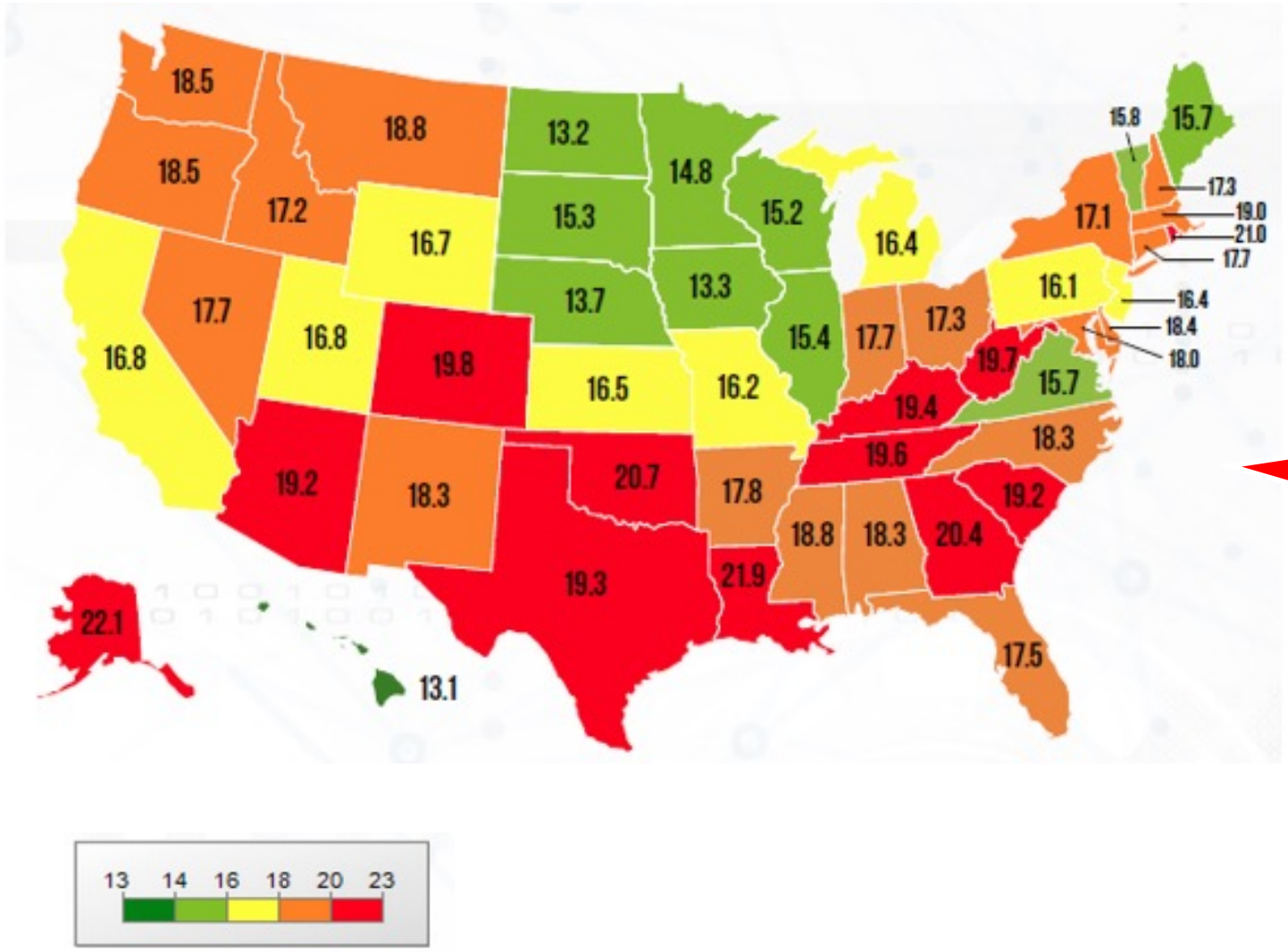
Used car prices in recent months have leveled out, though still remaining far above pre-Covid levels

Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Change in Price for Replacement Passenger Car Rentals, Jan. 2010 – July 2022 (% 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), 2022:Q2



Avg. Length of Rental

2022:Q2: 17.7 days

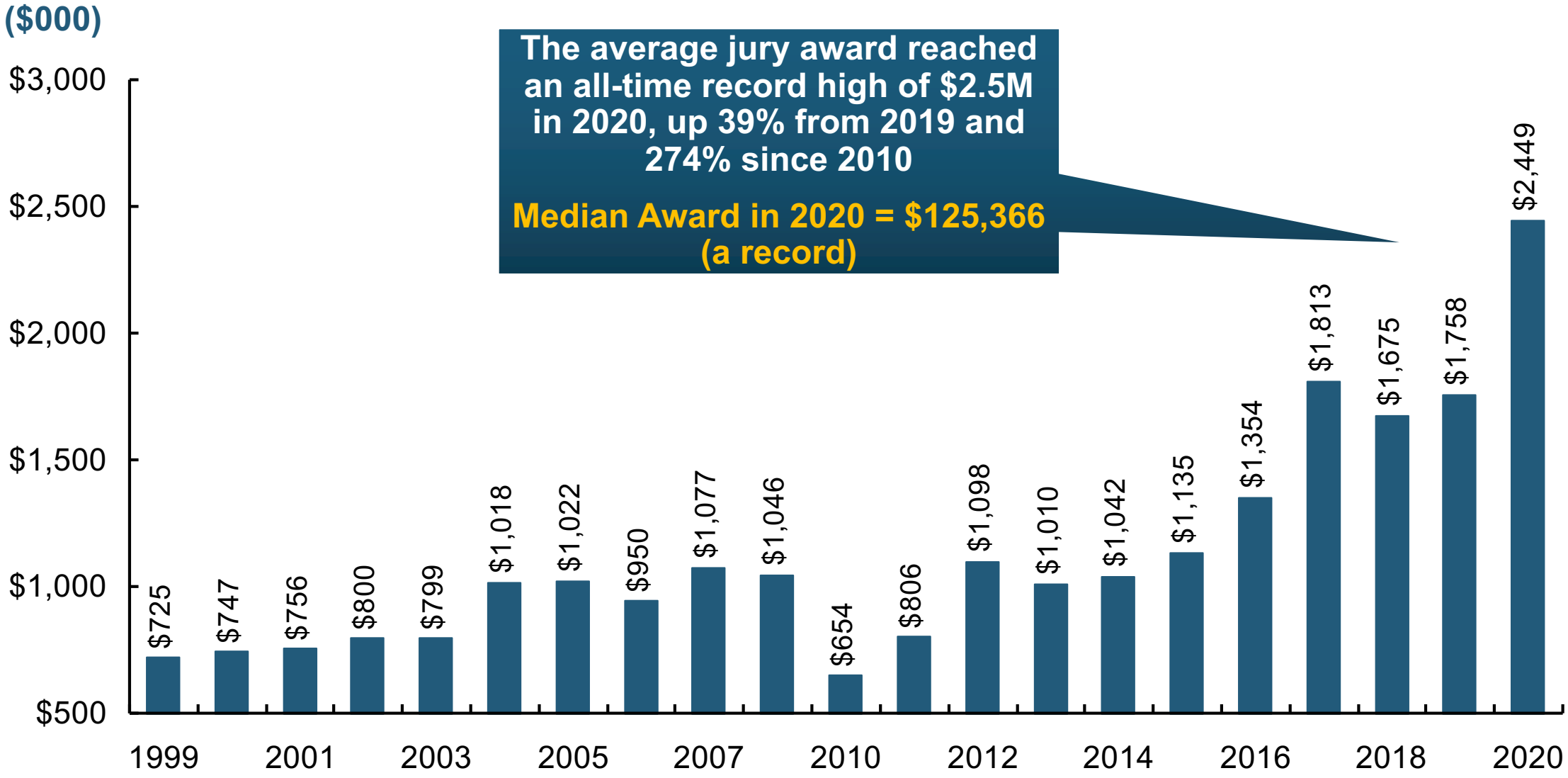
2021:Q2: 13.2 days

CHANGE: +4.5 Days

The increase in length of rental was referred to as "striking" by Enterprise and is a key driver of auto claim severity. The increase in the cost of rentals materially exacerbates the problem.

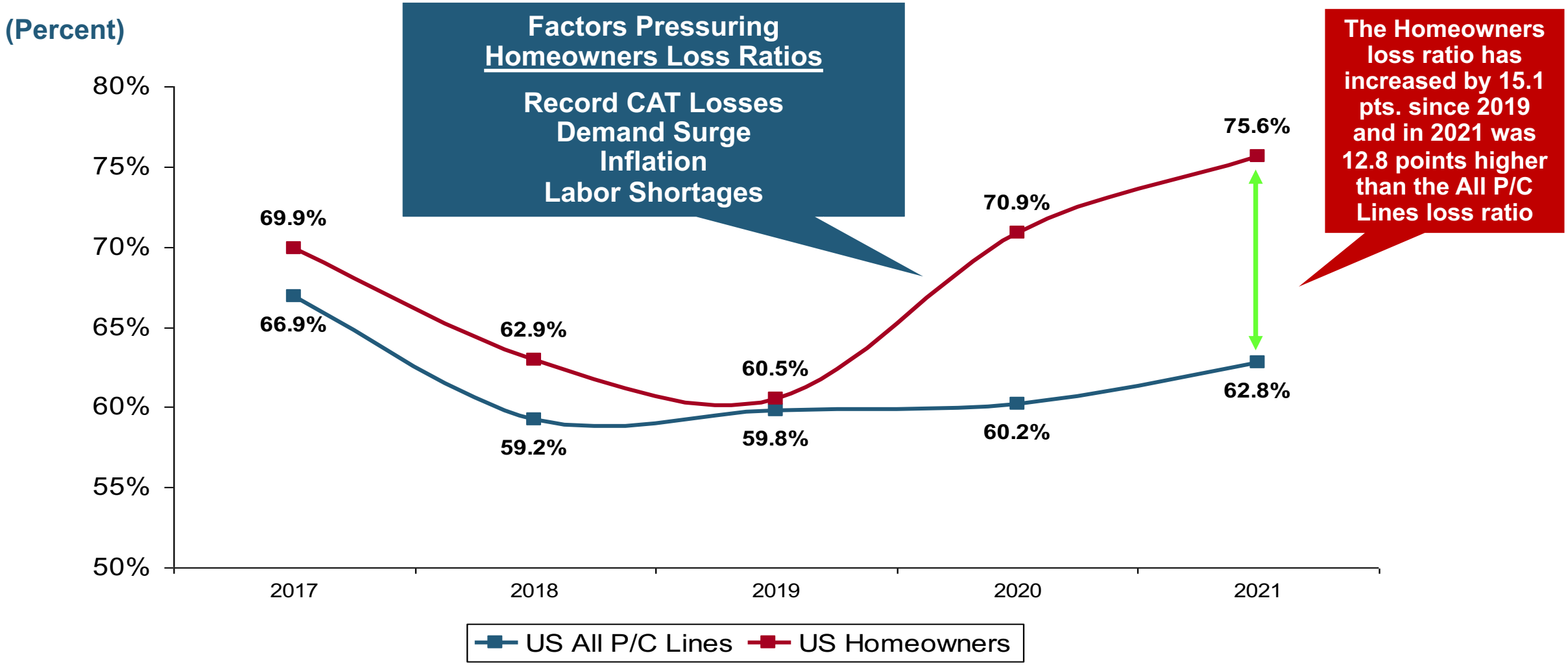
Source: Enterprise Rental-A-Car U.S. Length of Rental Report accessed via *Repair Driver News* at: https://www.repairerdrivennews.com/wp-content/uploads/2022/04/Q1-2022_US-Length-of-Rental-Report.pdf.

Average Jury Awards, 1999 – 2020 (latest available)



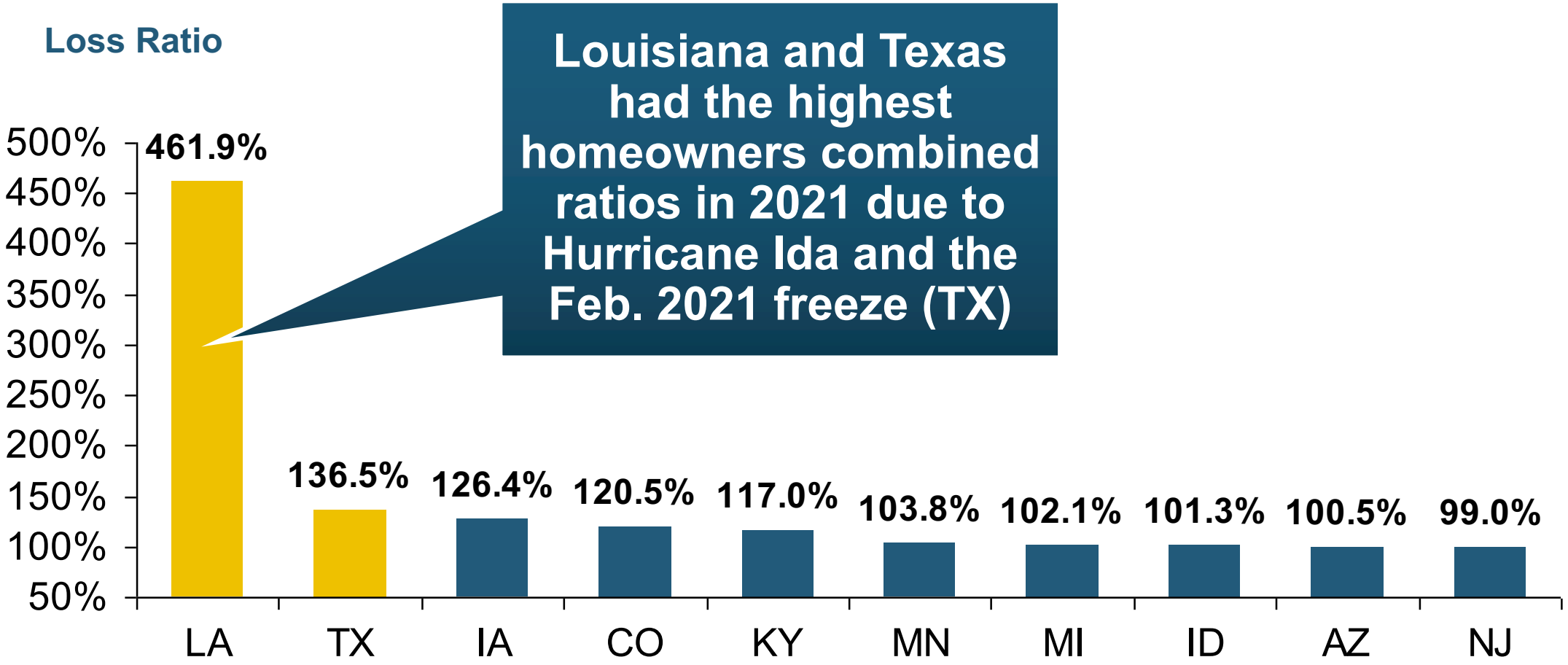
Source: Jury Verdict Research; *Current Award Trends in Personal Injury* (61st Edition), Thomson Reuters; Risk and Uncertainty Management Center, Univ. of South Carolina.

Direct Loss Ratios: Homeowners vs. All P/C Lines, 2017–2021



Sources: APCIA: *Insurers Struggling to Keep Pace with the Highest Inflation in 40 Years* (Feb. 2022) sourced from: *Insurance Journal*, based on data from A.M. Best, January 25, 2022 Report "US Property/Casualty Top Line Premiums Up, Loss Ratio Deteriorates Through 3Q 2021."

Homeowners Direct Combined Ratios: Top 10 States in for 2021



Source: A.M. Best; University of South Carolina, Risk & Uncertainty Management Center.

Producer Price Index: Lumber and Wood Products, Jan. 2020 – Aug. 2022

Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

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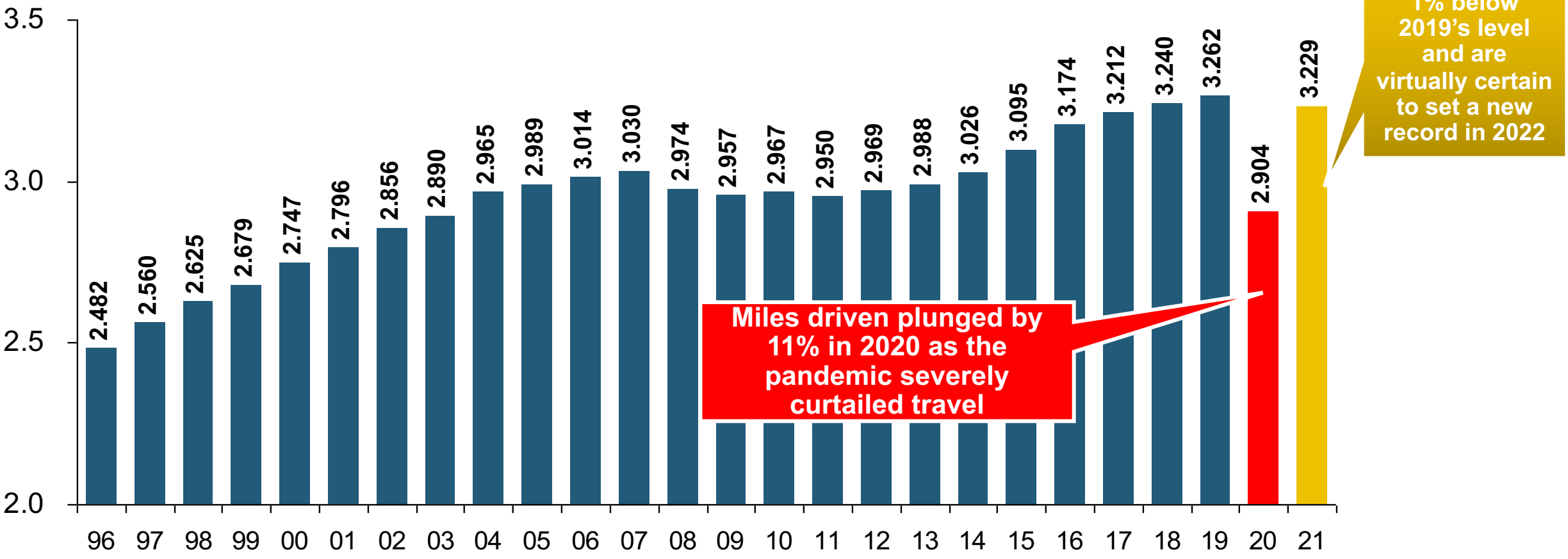
Back Behind the Wheel

Americans Are Back Behind the Wheel

Miles Driven Will Could Set a New Record in 2022

Travel in Trillions of Vehicle Miles in U.S.: 1996–2021

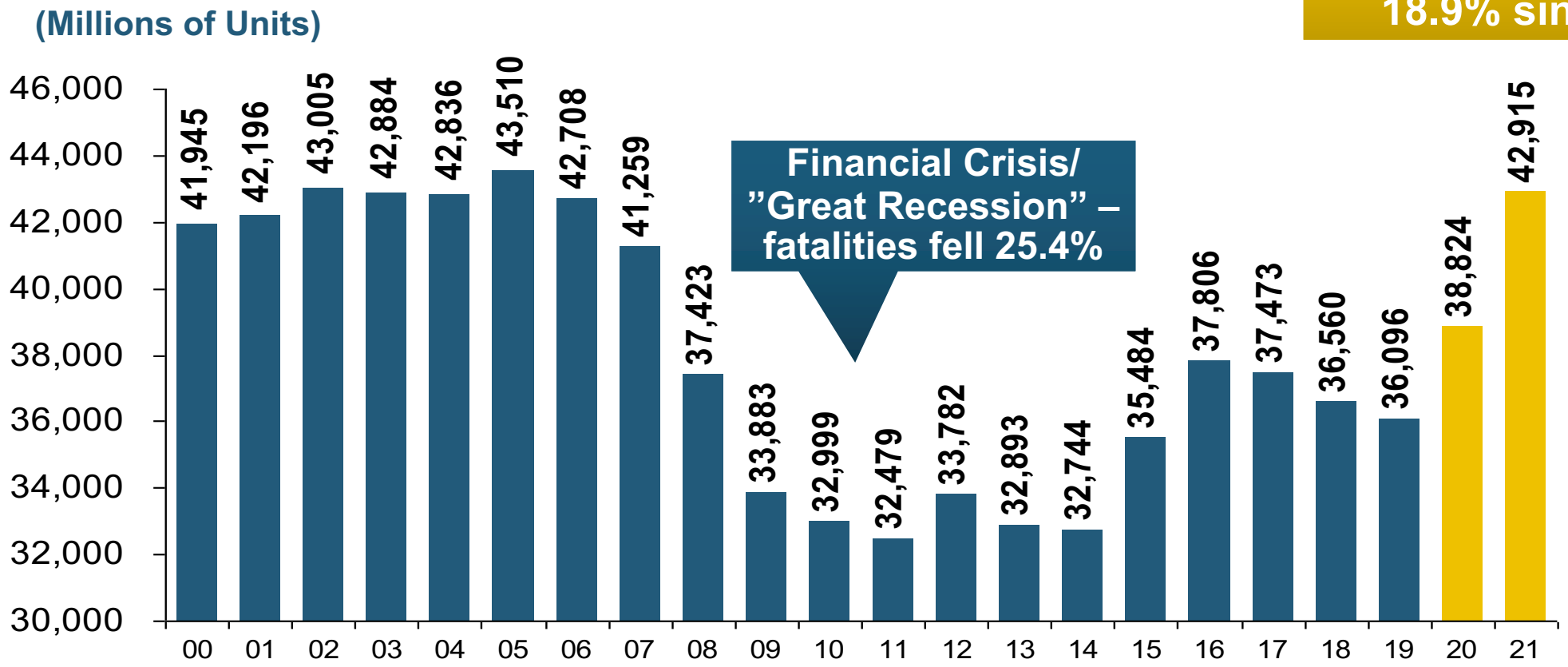


Miles driven in 2022 will likely set a new record, but could still be held back by soaring gas prices that could induce vehicle owners to scale back on their driving

Sources: Sources: Federal Highway Administration; USC RUM Center.

Traffic Fatalities in the U.S., 2000-2021

During COVID, fatalities surged by 7.6% in 2020 and 10.5% in 2021 (up 18.9% since 2019)



Extraordinary Increase in Poor Driving Behaviors in 2020 and 2021 Contributed to Sharply Higher Auto Fatalities

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 (2021): https://www.nhtsa.gov/press-releases/early-estimate-2021-traffic-fatalities#:~:text=NHTSA%20projects%20that%20an%20estimated,Fatality%20Analysis%20Reporting%20System's%20history; Risk and Uncertainty Management Center, University of South Carolina.

SUMMARY

- The P/C Insurance Industry Remains Strong, Stable, Sound and Secure
- CAT Loss in 2022 Will Remain Exceedingly High
- A Shallow Recession is Increasingly Likely by mid-2023, Slowing P&C Growth
- Asset Price Volatility Will Persist as Inflation, Geopolitical Concerns Remain High
- Higher Interest Rates Will Eventually Provide a Modest Tailwind for Investment Income
- Inflationary Pressures Will Persist into 2023, But Will Subside (U.S. Peak Likely Reached in June 2022)
- Many Loss Cost Challenges—Inflation, Supply Chain and Social Inflation Issues
- Immediate P/C Concerns: CATs, Inflation→Rate/Reserve Adequacy, ITV

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Thank you for your time and your attention!

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