At the Crossroads:
The New Economics and Politics of the Property/Casualty Insurance Industry

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Robert P. Hartwig, PhD, CPCU
Clinical Associate Professor of Finance, Risk Management & Insurance
Darla Moore School of Business ♦ University of South Carolina
Robert.Hartwig@moore.sc.edu ♦ 803.777.6782

UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

P/C Insurance Overview & Outlook: A World of Risks

- **P/C Financial Overview & Outlook in a Era of Rising Uncertainty**
  - 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**
- **Populism & P/C Insurance: A Constellation of Risks**
- **Personal and Commercial Insurance Trends**
  - Cost drivers
  - Is the hard market coming to end?
- **Legal System Abuse**
- **Summary and Q&A**

P/C Insurance Industry Financial Overview & Outlook:

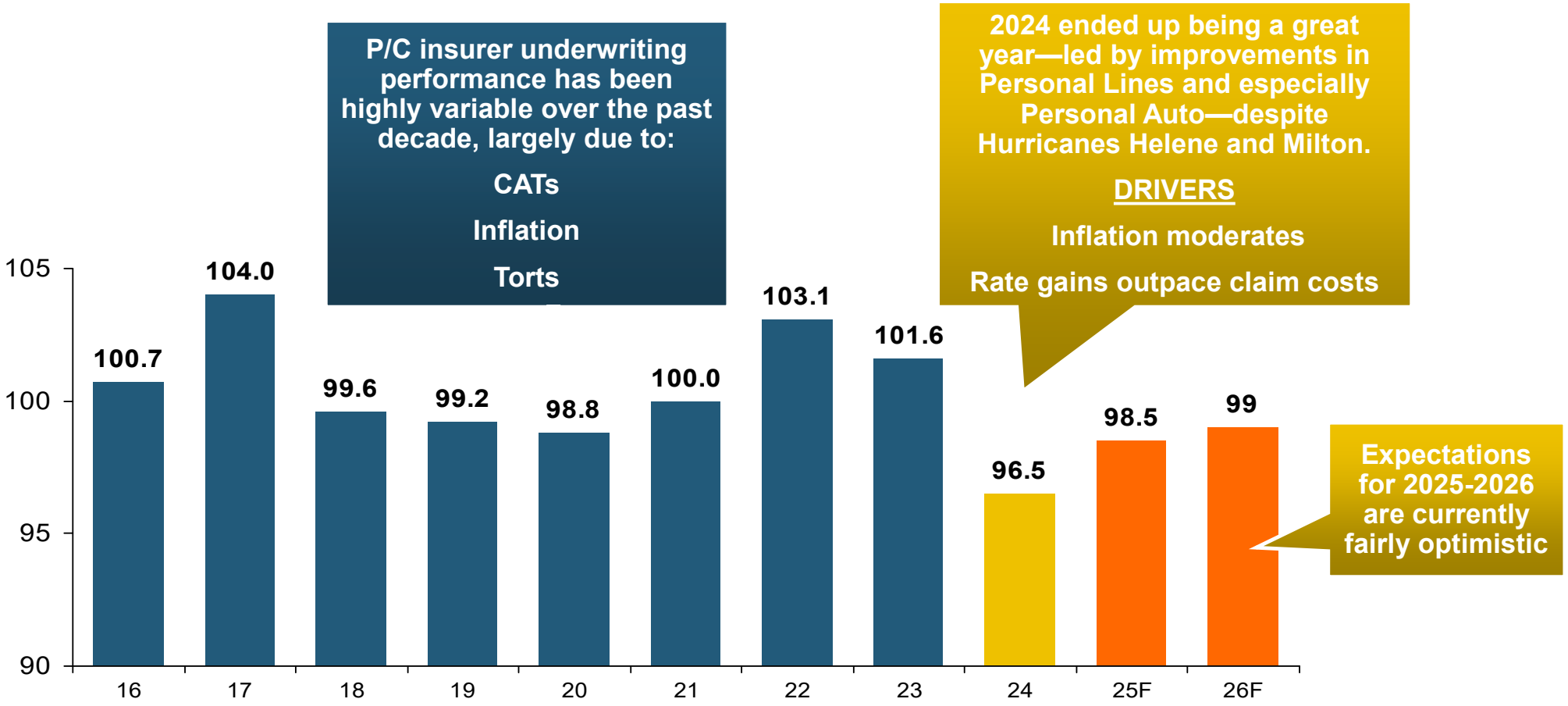
Challenges Amid Inflation and Higher Interest Rates

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

Industry Remains Strong

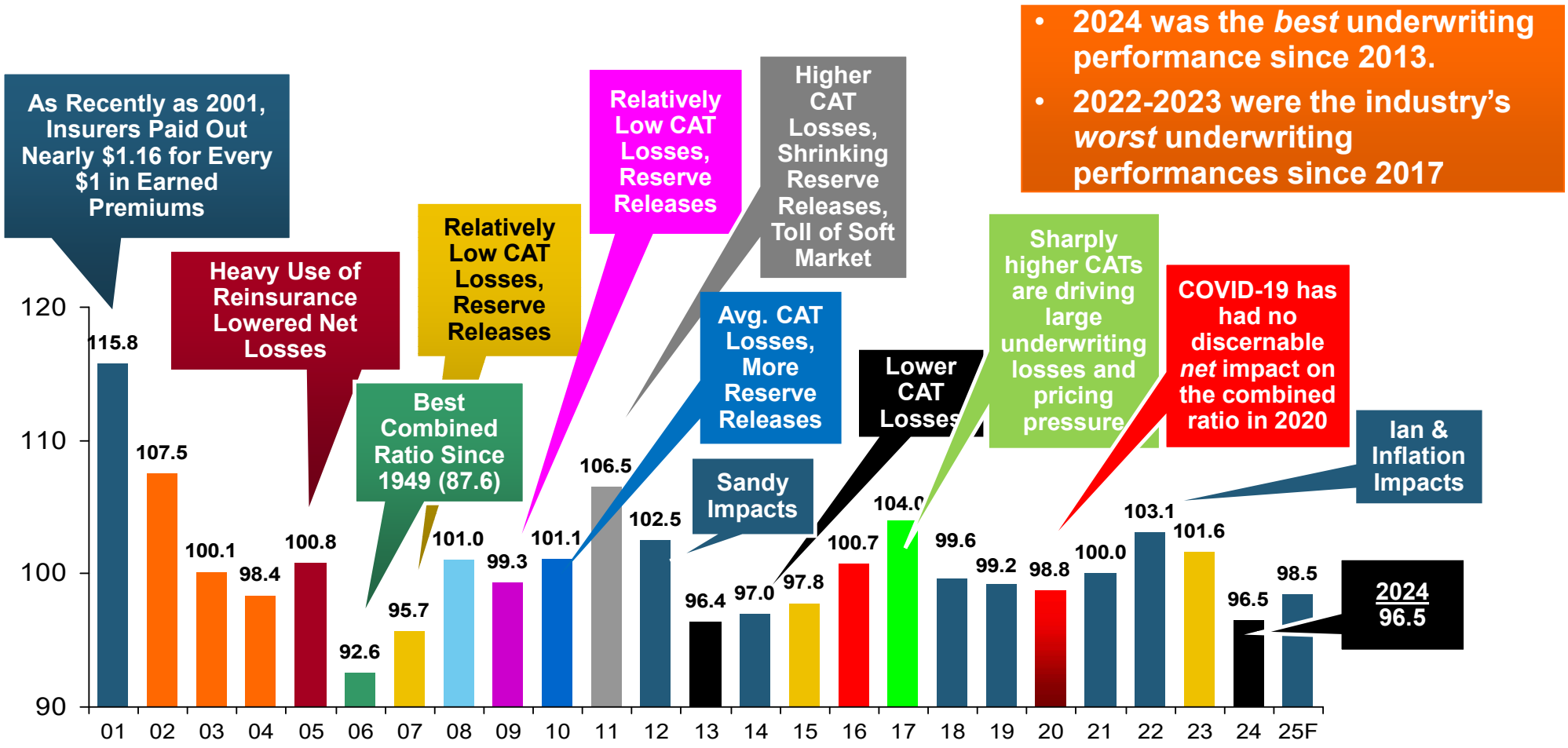
3

P/C Insurance Industry Combined Ratio, 2016–2026F



Sources: A.M. Best (2016-2024); S&P Global Intelligence (2024); Swiss Re (2025F-2026F as of April 2025); USC Risk and Uncertainty Management Center.

P/C Insurance Industry Combined Ratio, 2001–2025F*



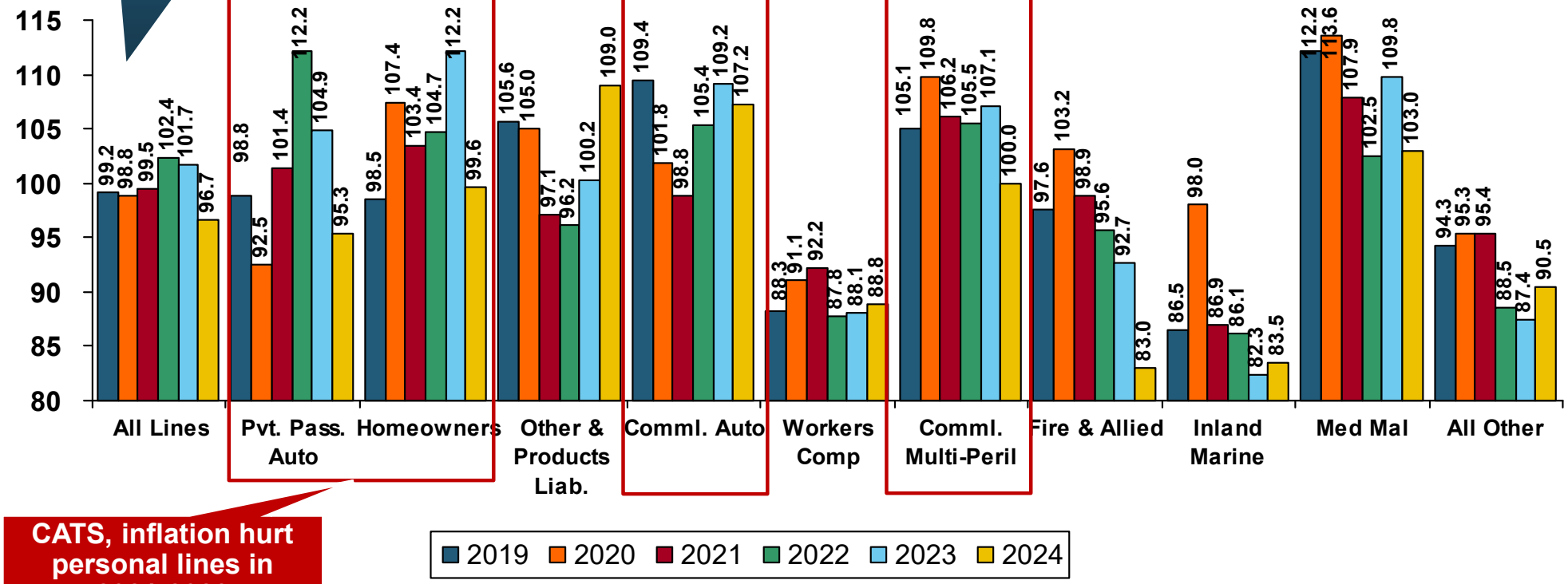
*Excludes Mortgage & Financial Guaranty insurers 2008–2025F.
Sources: A.M. Best, ISO (2001-2023). S&P Global Intelligence (2024).

Combined Ratios by Line: 2019 – 2024*

High CAT losses and inflation are pushing up combined ratios

Commercial Auto, MP have struggled amid inflation, CATs

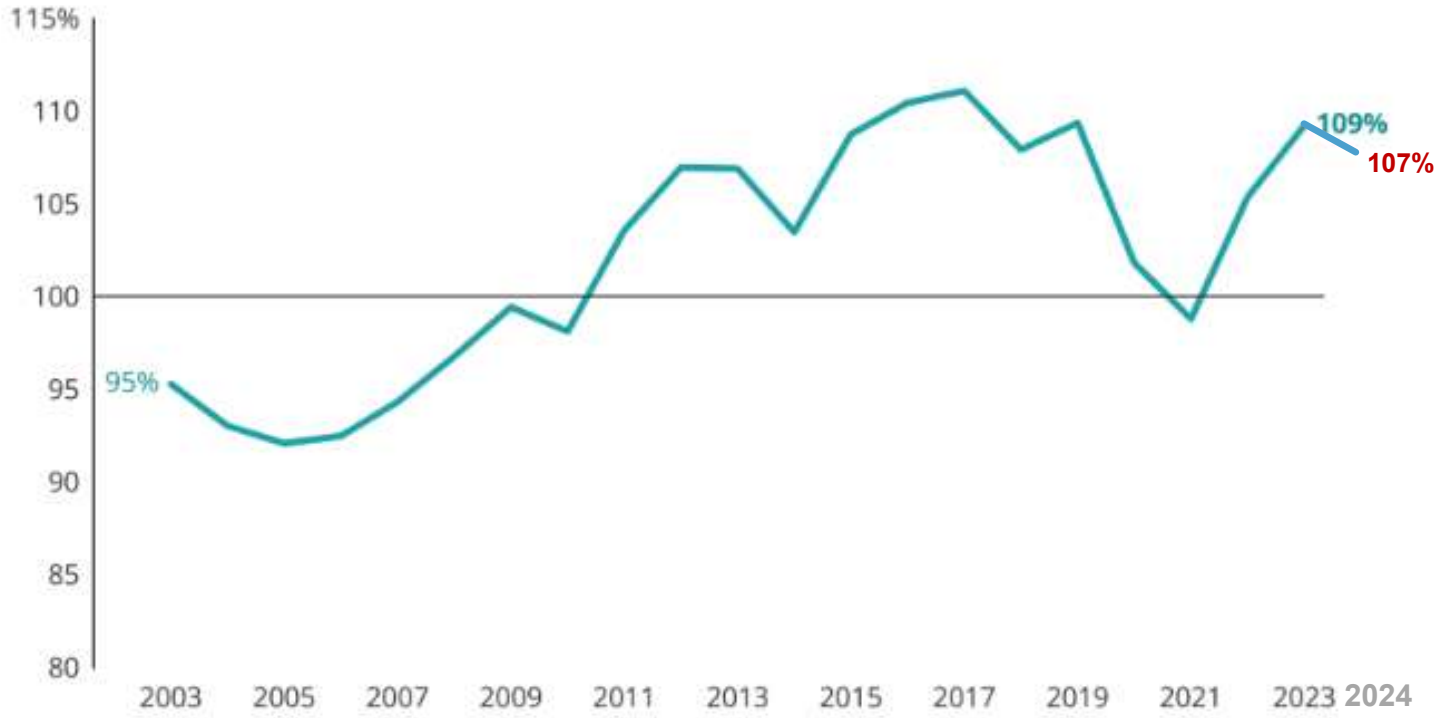
Lingering inflation will continue to pressure combined ratios in 2024



CATS, inflation hurt personal lines in 2021-2023

Source: A.M. Best *Review & Preview* (2019-2023) and *2024 P/C Snapshot* (as of June 26, 2025);. Univ. of South Carolina, Risk and Uncertainty Management Center.

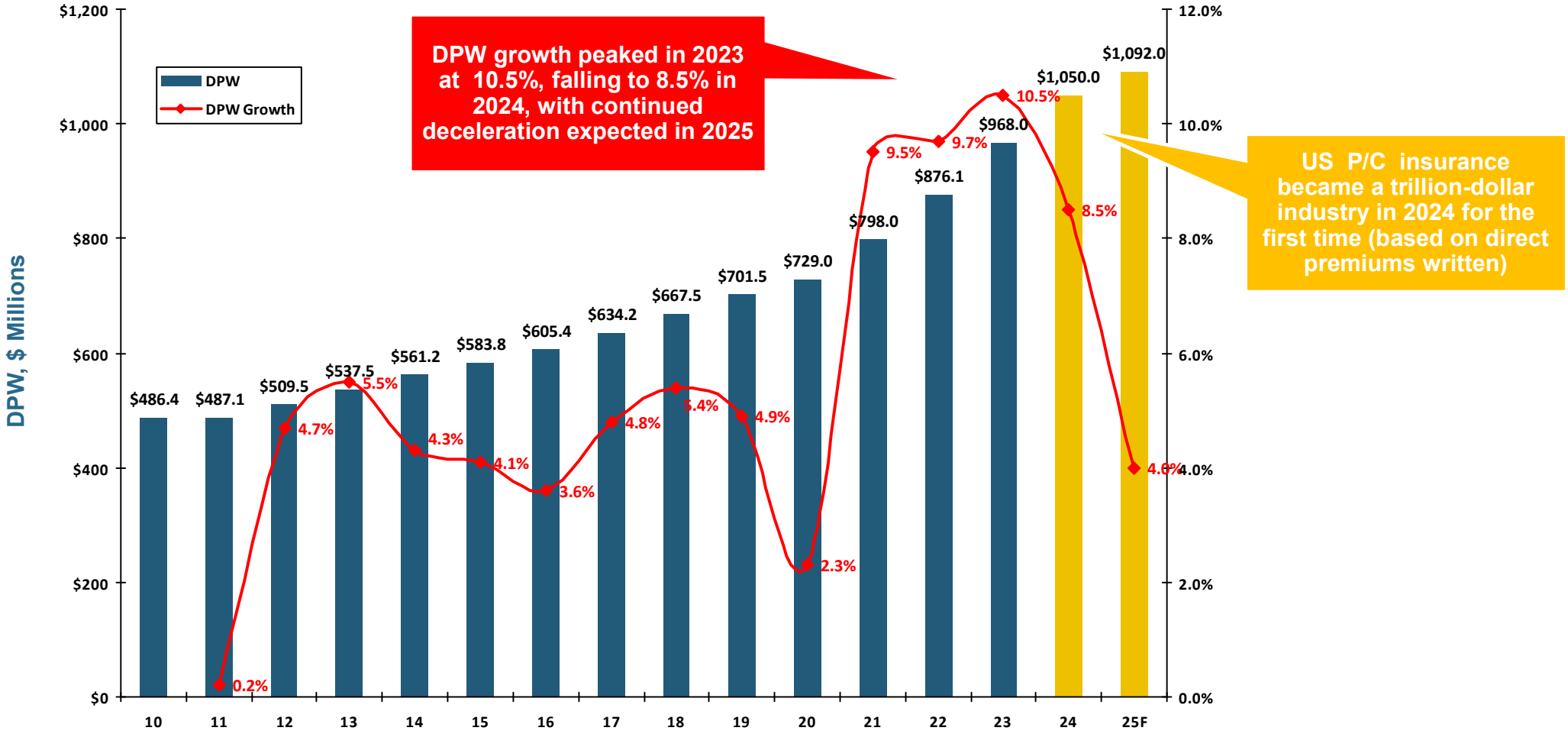
Commercial Auto Combined Ratio, 2003 - 2024



Commercial Auto has been generally unprofitable since 2011, including in 2023 and 2024

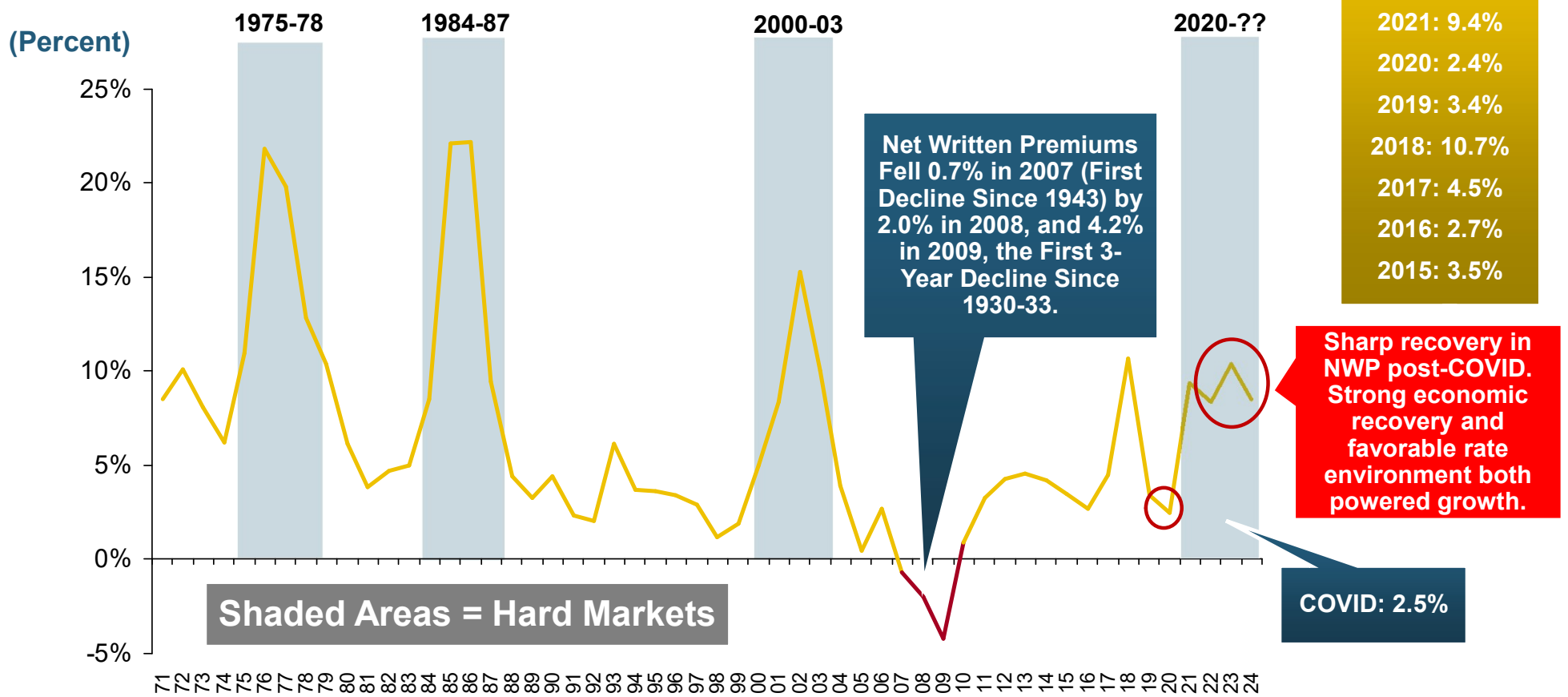
Source: S&P Capital IQ, Insurance Insider US.

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



Sources: A.M. Best, NAIC and S&P Global (2010-2024); Forecast figures for 2025 from Swiss Re Institute "*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.

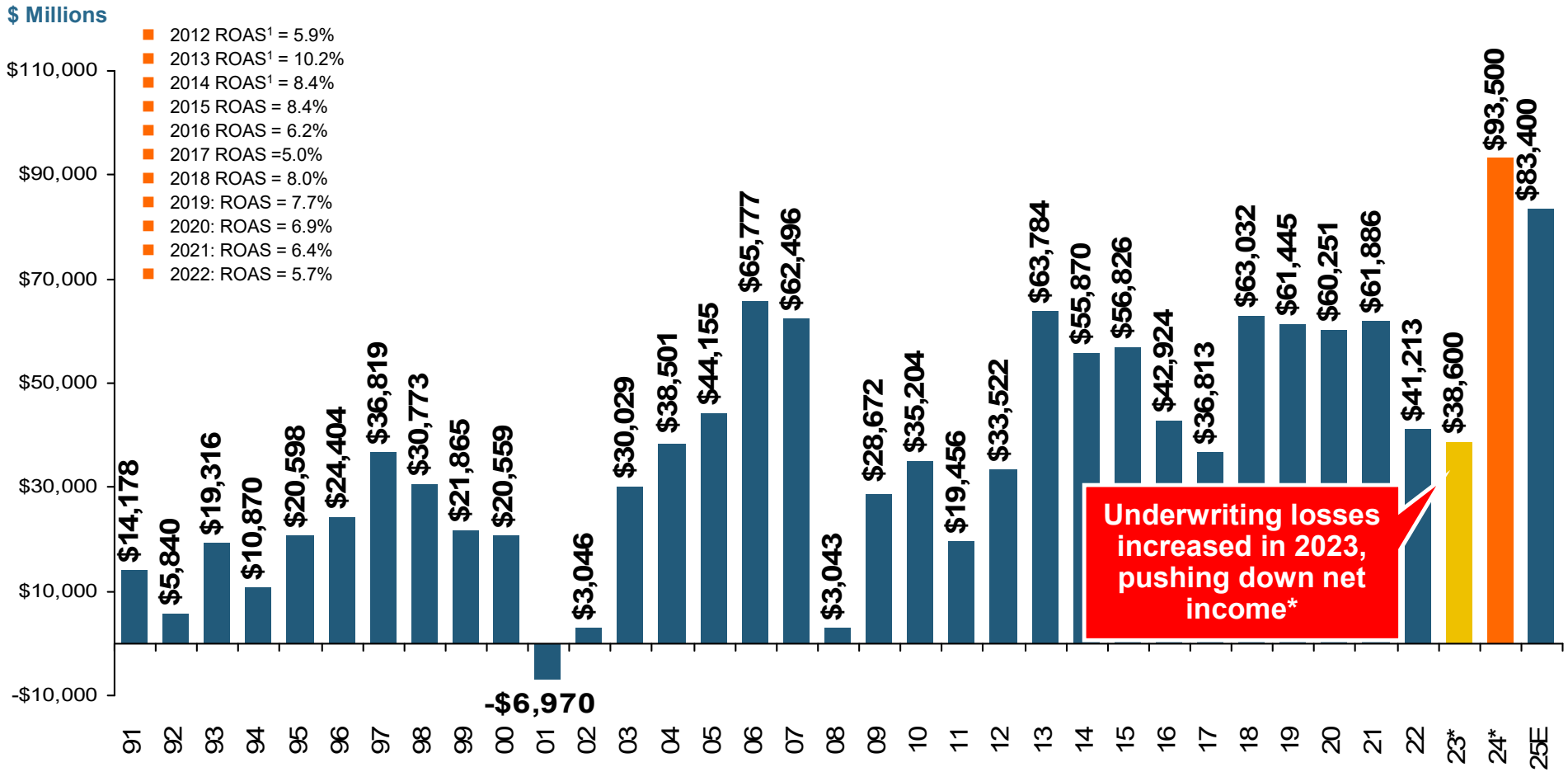
Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2024



2024: 8.5%
2023: 10.4%
2022: 8.4%
2021: 9.4%
2020: 2.4%
2019: 3.4%
2018: 10.7%
2017: 4.5%
2016: 2.7%
2015: 3.5%

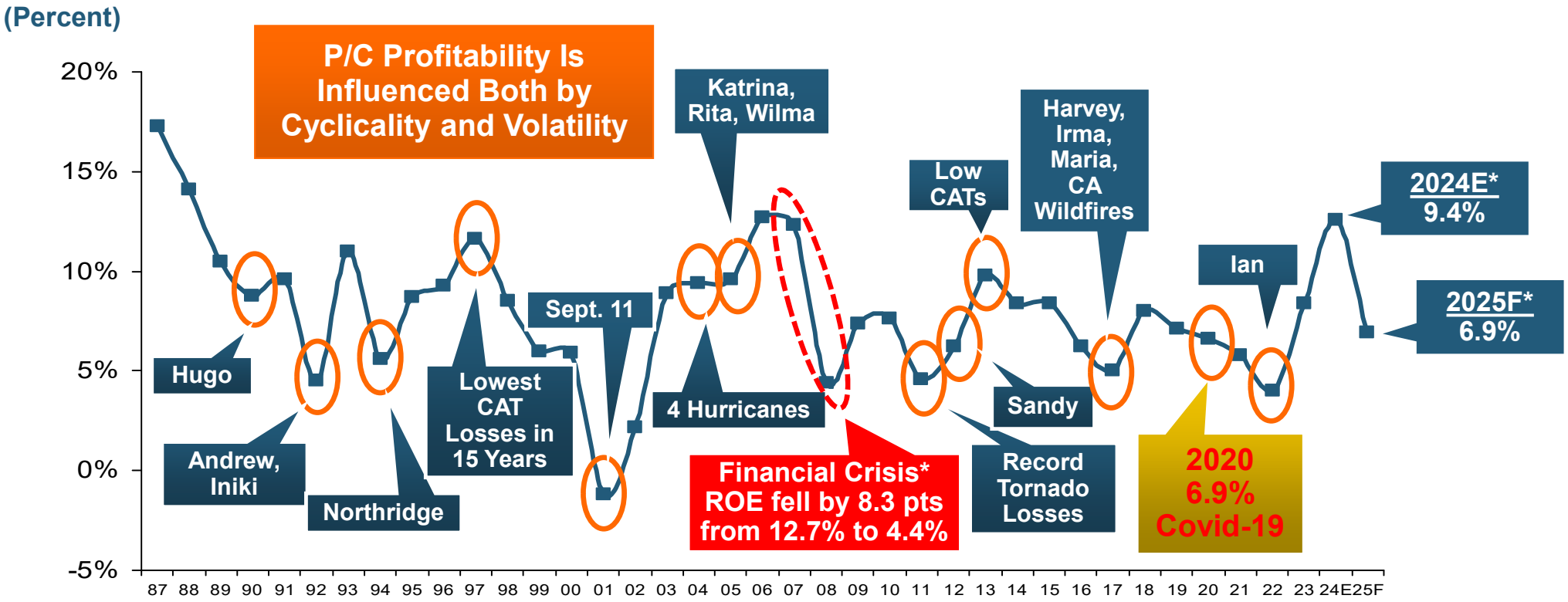
NOTE: Shaded areas denote “hard market” periods.
Sources: A.M. Best (1971-2013, 2020-2024), ISO (2014-2019); Risk & Uncertainty Management Center, Univ. of South Carolina

P/C Industry Net Income After Taxes, 1991–2025E*



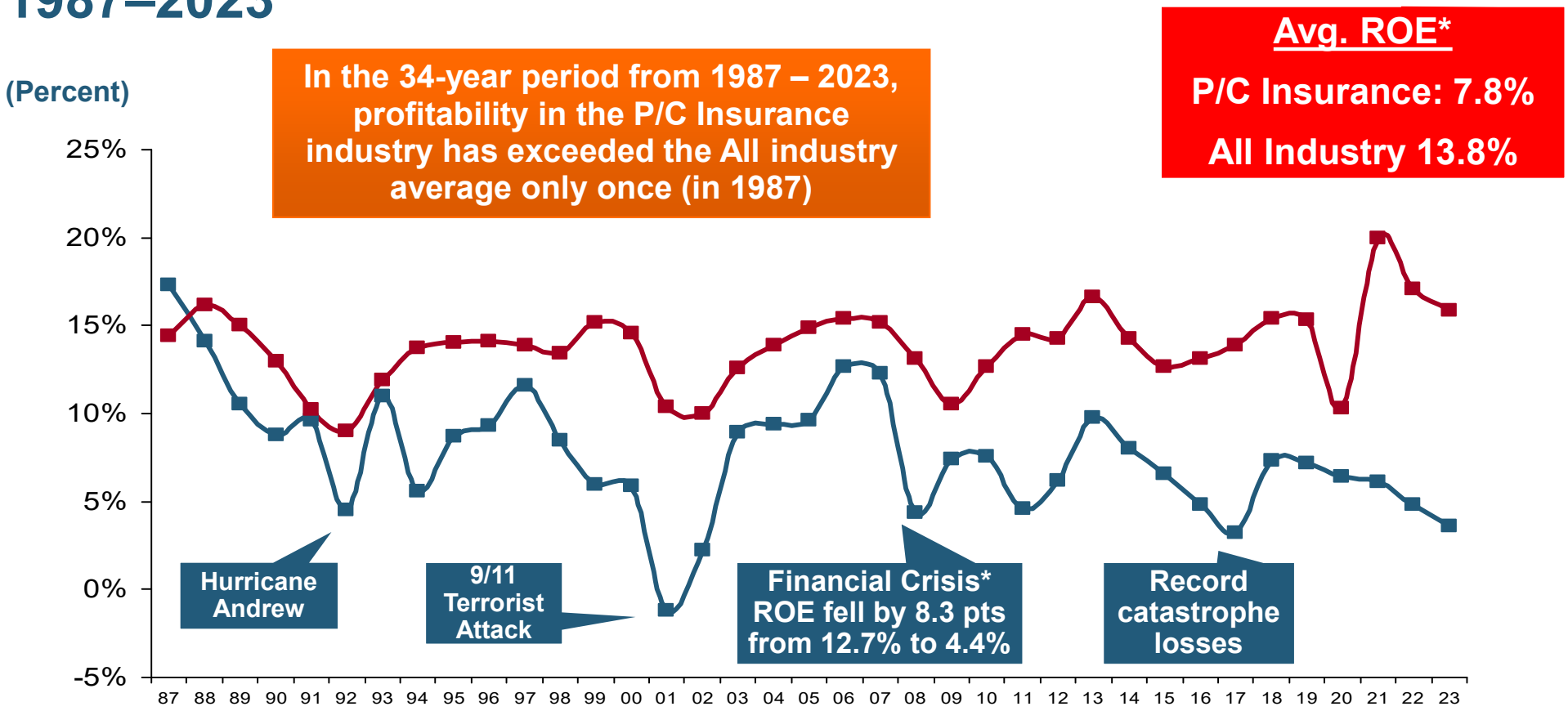
*2023 and 2024 figures are adjusted is adjusted to reflect $50B realized gain from a large reinsurer (National Indemnity). Including this gain, net income after tax is $86.6B in 2023 and $94.7B in 2024:H1.
Note: ROE figures are GAAP; [1]Return on avg. surplus. Excludes Mortgage & Financial Guaranty insurers 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,* APCIA; USC RUM Center.

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



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

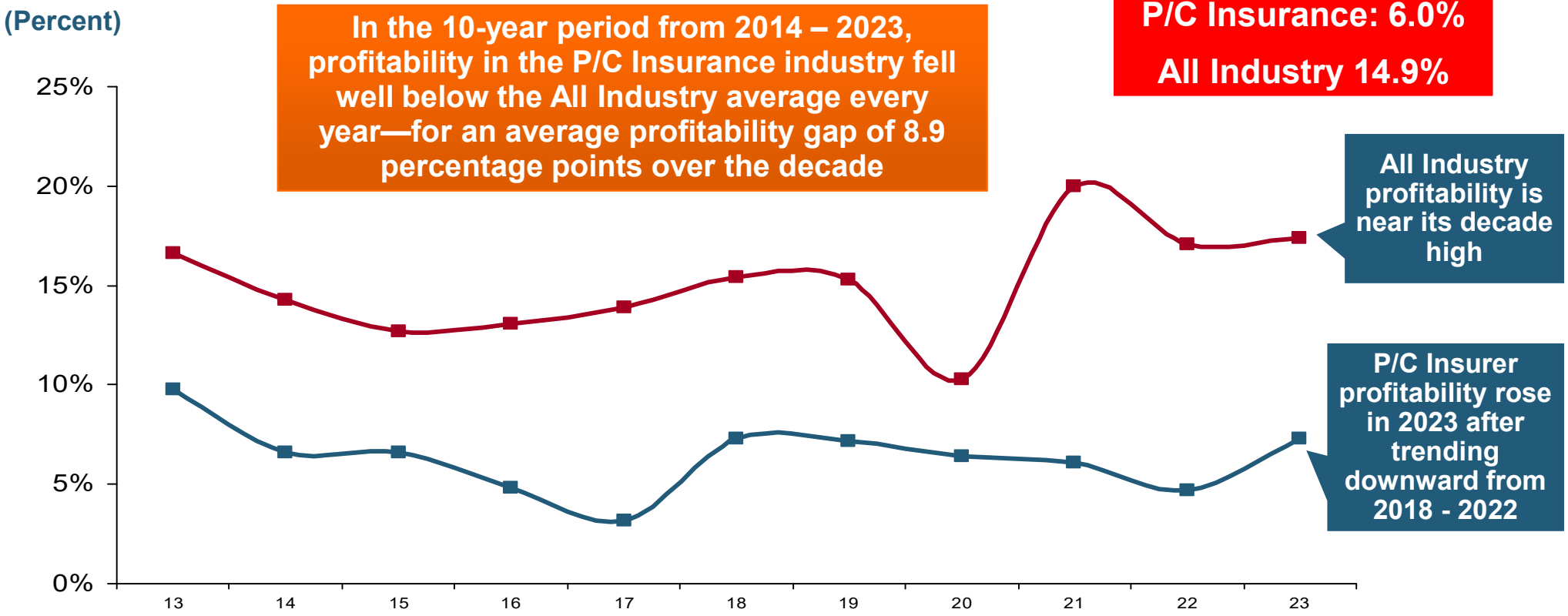
ROE: Property/Casualty Insurance vs. Fortune All Industry, 2014–2023*

Avg. ROE*

P/C Insurance: 6.0%

All Industry 14.9%

In the 10-year period from 2014 – 2023, profitability in the P/C Insurance industry fell well below the All Industry average every year—for an average profitability gap of 8.9 percentage points over the decade

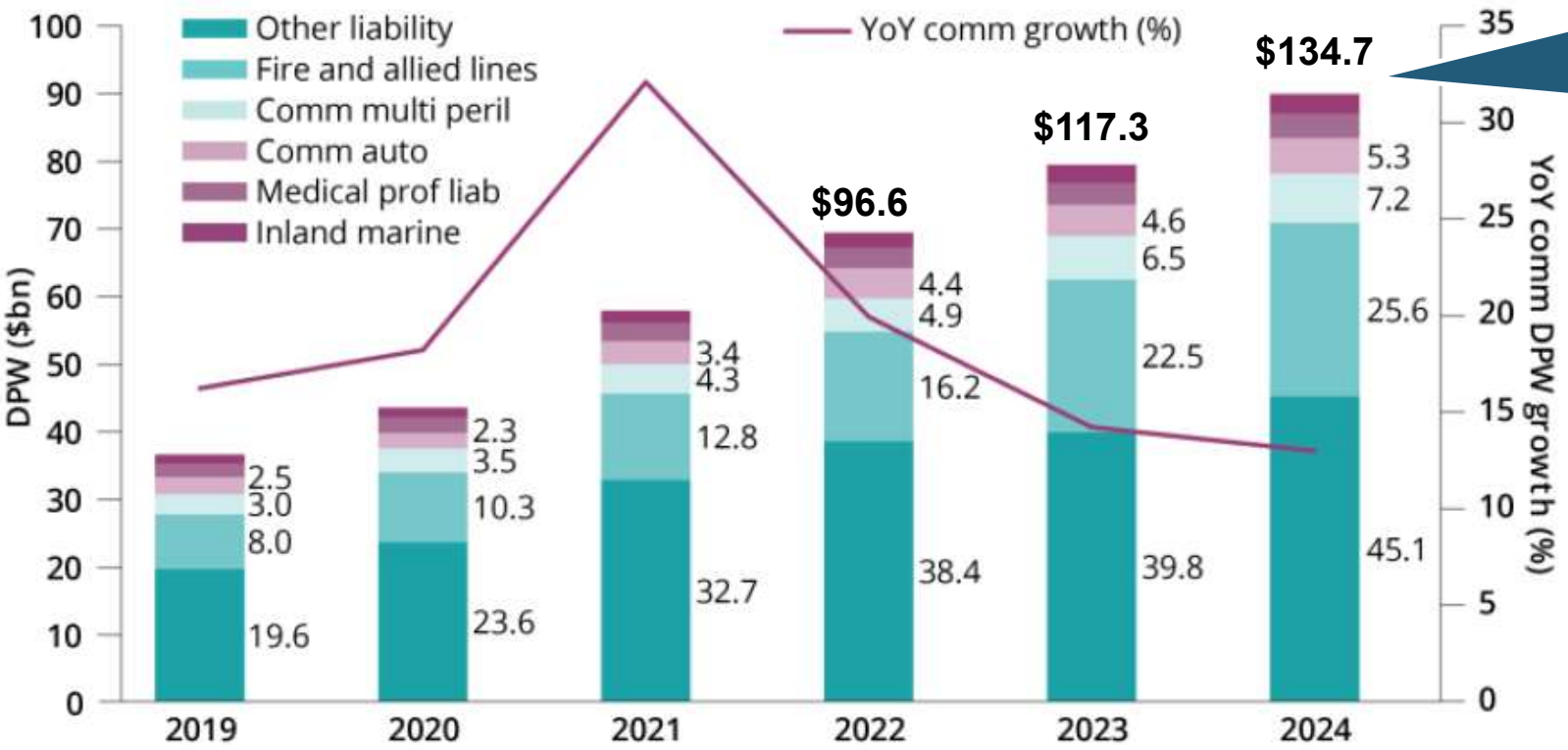


*Latest available from NAIC Profitability by Line, by State reports available at: https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf.
Sources: NAIC; USC RUM Center.

E&S Market Trends

Can Standout Growth Be Maintained?

E&S Market Premiums by Key Line, 2019 – 2024*



E&S premiums hit a record $134.7B in 2024 (up ~275% since 2018).

E&S DPW grew by 14.8% in 2024, down from 21.4% growth in 2023

*Includes Lloyd's and regulated aliens. In 2024, breakdown was $97.5B US domestics and $37.2B Lloyd's and regulated aliens.
Source: S&P Capital IQ, Insurance Insider US.

MGA DWP Volume and Growth, 2015 – 2024*

- **MGAs and other DUAEs generated 15% growth reaching $89.9B in DWP in 2024**
- **2024 was the 4th consecutive year of double-digit growth**
- **DWP premium volume is up ~110% since 2015**
- **AMB estimates ~1,000 MGAs operated in the US in 2024 (~700 met criteria for inclusion in their report)**

"The premium momentum by MGAs writing specialty commercial lines of coverage shows no sign of slowing down despite average account pricing moderating or even declining in certain lines such as workers' compensation, professional liability — particularly directors and officers and employment practices liability — and cyber liability,"

--AM Best (June 2025)

*Includes MGAs and other delegated underwriting authority enterprises (DUAEs), as defined by AM Best.

Source: AM Best Market Segment Report, "MGA Premiums Showed Double-Digit Growth for Fourth-Straight Year in 2024." Available at: https://news.ambest.com/newscontent.aspx?refnum=266436&altsrc=114 and Insurance Insider US.

Upgrades and Downgrades

Underwriting Performance, CATs and Capital Are Impacting Insurer Ratings

US P/C: Rating Upgrades & Downgrades, by Segment, 2024

There were 43 ratings downgrades in 2024, down from 55 in 2023. Personal lines insurers accounted for 31 (72%) of total downgrades in 2024.

Upgrades Up, Downgrades Down

AM Best Rating Actions for Full-Year

	2024		2023		2022		2024 Change		2023 Change	
	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades	Upgrades	Downgrades
Personal	8	31	9	39	10	18	-1	-8	-1	21
Commercial	34	12	21	15	26	11	13	-3	-5	4
Reinsurance	0	0	5	1	0	1	-5	-1	5	0
Total	42	43	35	55	36	30	7	-12	-1	25

Source: AM Best, March 13, 2025, U.S. Property/Casualty: Rating Upgrades Up, Downgrades Down in 2024; AM Best, March 11, 2024, U.S. Property/Casualty Downgrades Outpace Upgrades in 2023

Source: A.M. Best Review & Preview 2025 and 2024 from Carrier Management (March 16, 2025) at: https://www.carriermanagement.com/news/2025/03/16/273012.htm.

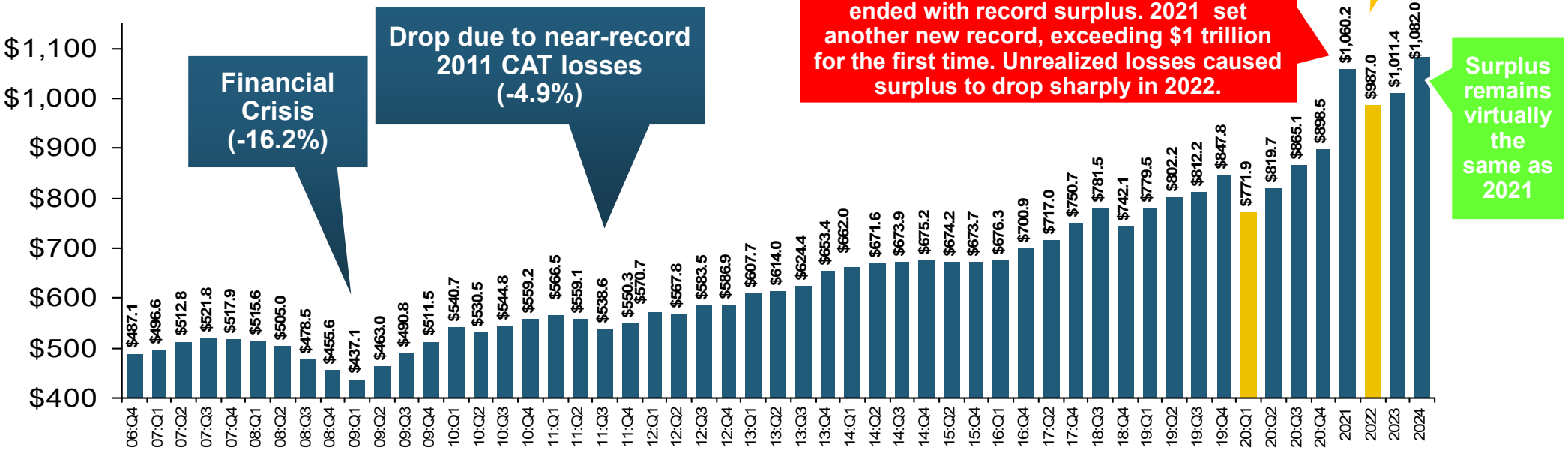
Capital and Capacity

P/C Insurance: Is the Industry's Capital Crunch Over?

Will Industry Capacity Growth Resume?

Policyholder Surplus (Capacity), 2006:Q4 – 2024

($ Billions)

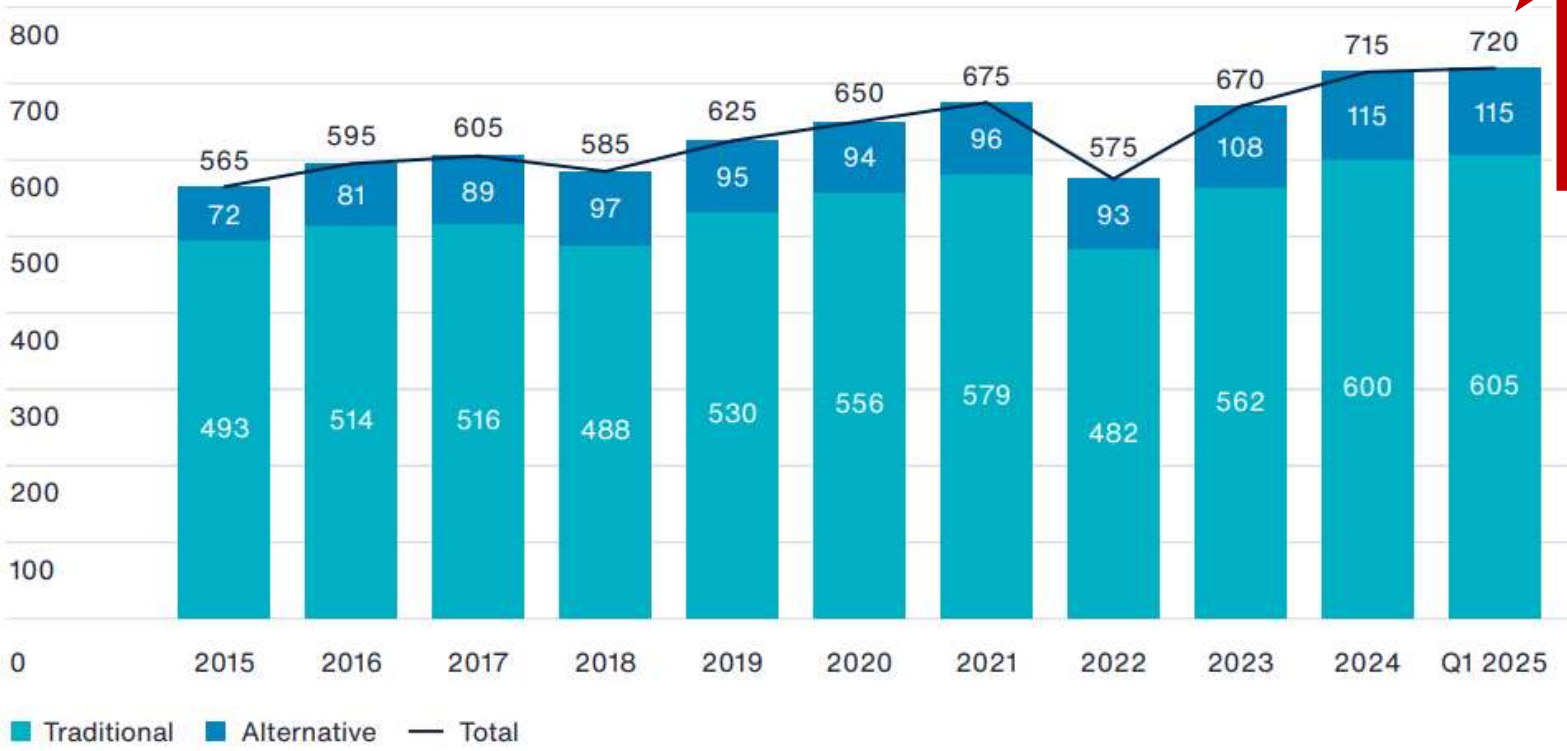


Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

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

Global Reinsurance Capital, 2015 – 2025:Q1

$ Billions

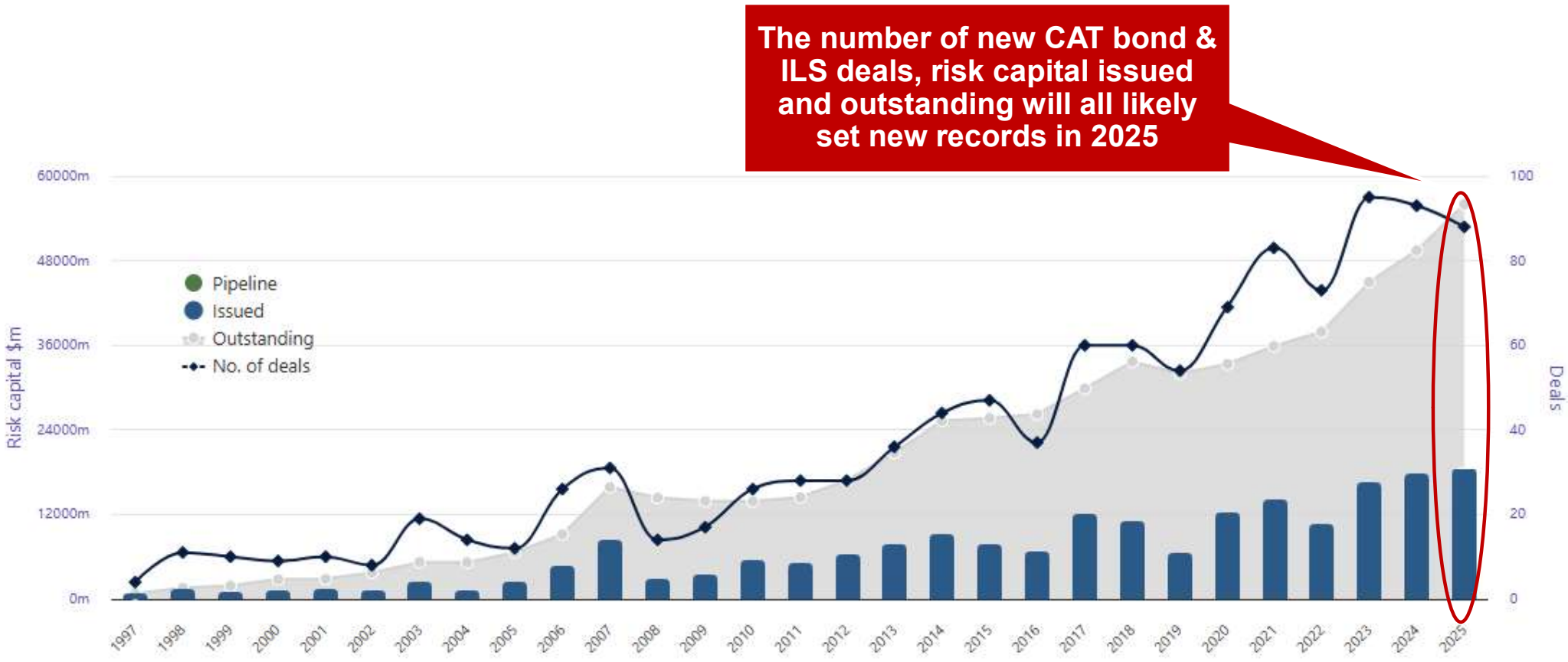


Global reinsurance reached a new high in 2025:Q1, but is only 6.7% above its 2022 peak—far below the increase that would be needed to keep pace with inflation and exposure growth

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

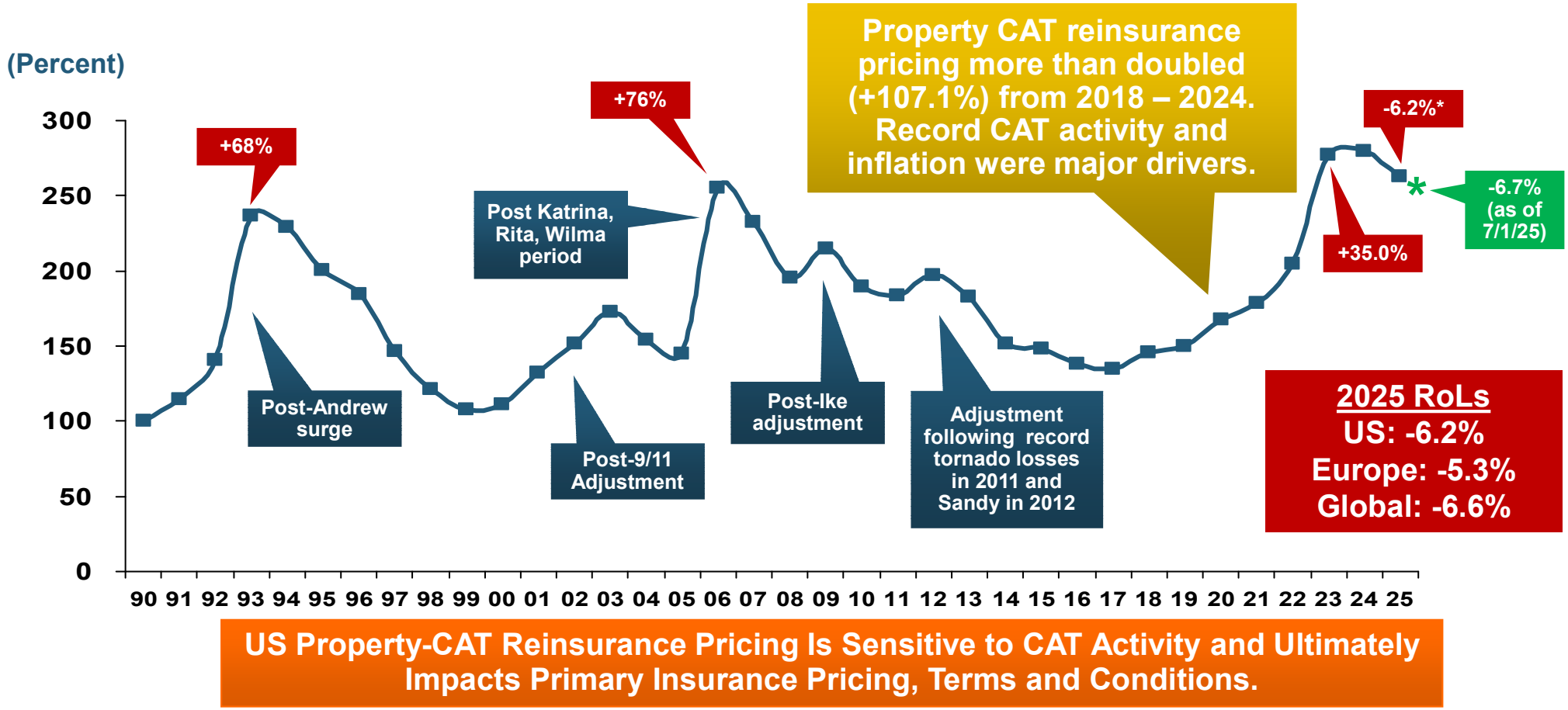
Source: Aon Reinsurance Solutions/Aon Securities accessed at: https://www.aon.com/en/insights/reports/reinsurance-market-dynamics.

Catastrophe Bond & ILS Risk Capital Issued and Outstanding, 1997 – 2025*



*As of 8/31/25.
Source: Artemis.bm Deal Directory accessed at: https://www.artemis.bm/dashboard/catastrophe-bonds-ils-issued-and-outstanding-by-year/

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



US Property-CAT 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

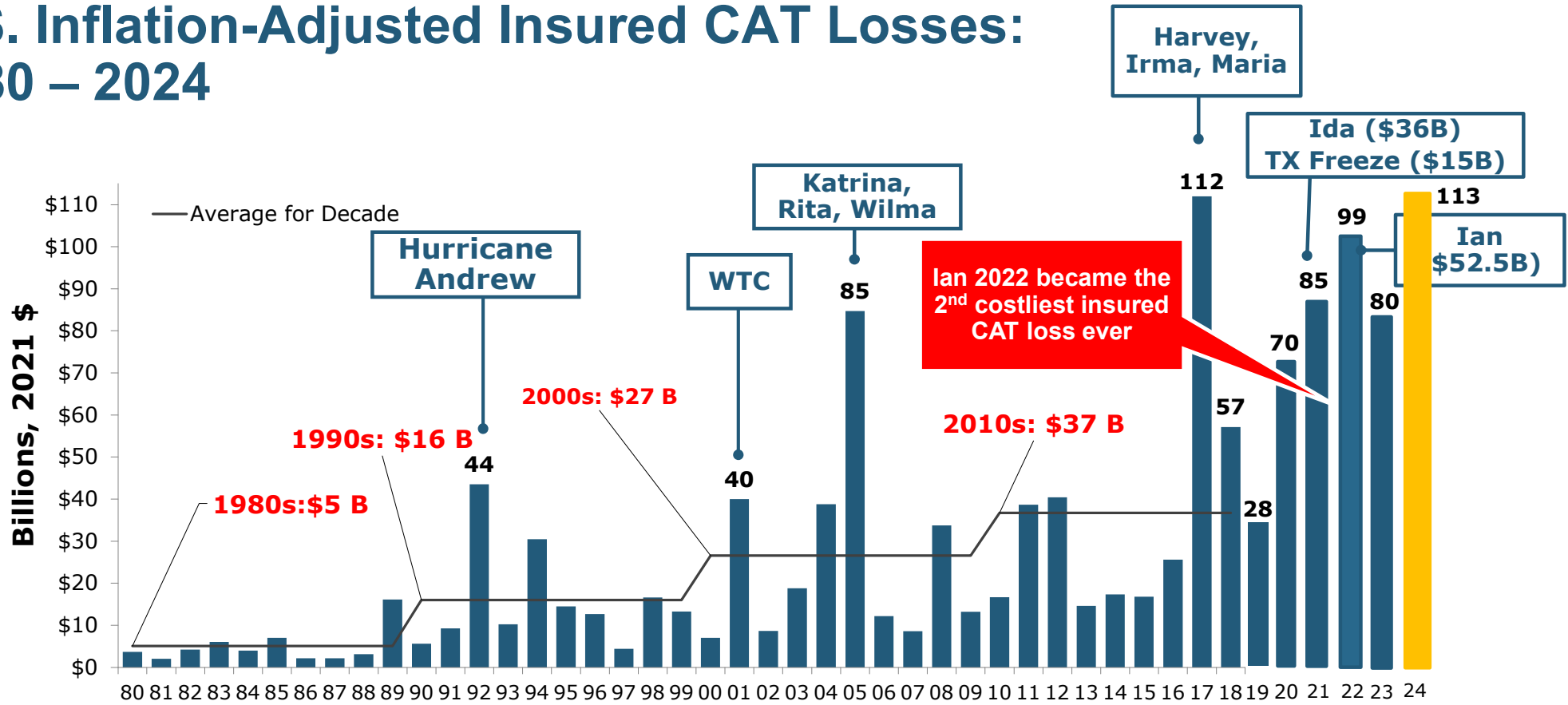
Catastrophe Loss Trends

The Rise in CAT Losses Shows No Signs of Easing

The 2020s Are Off to an Ominous Beginning

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

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



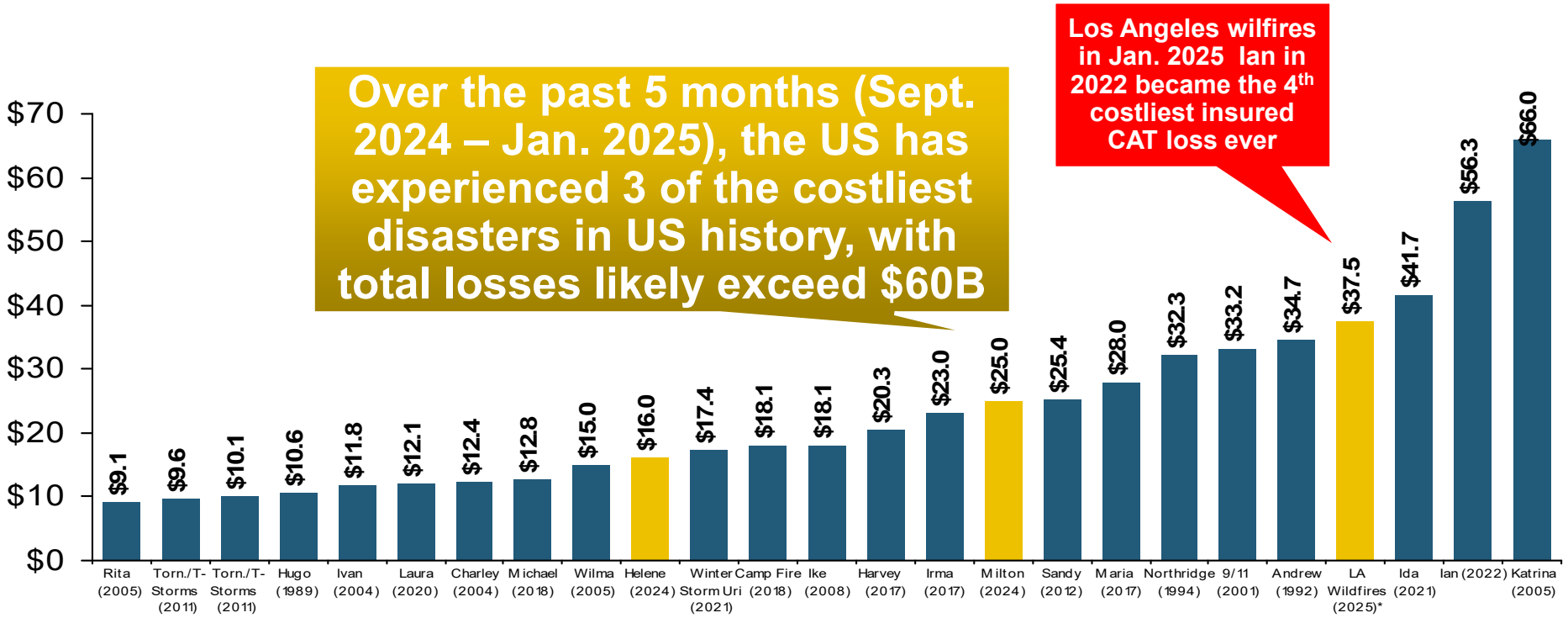
Average Insured Loss per Year*
1980-2021: $23.8 Billion
2012-2021: $44.1 Billion

The 2020s are off to an ominous start with $89.4B in average annual insured losses (2020-24)

*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 figures from Aon. Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

Top 26 Most Costly Disasters in U.S. History

(Insured Losses, 2024 Dollars, $ Billions)

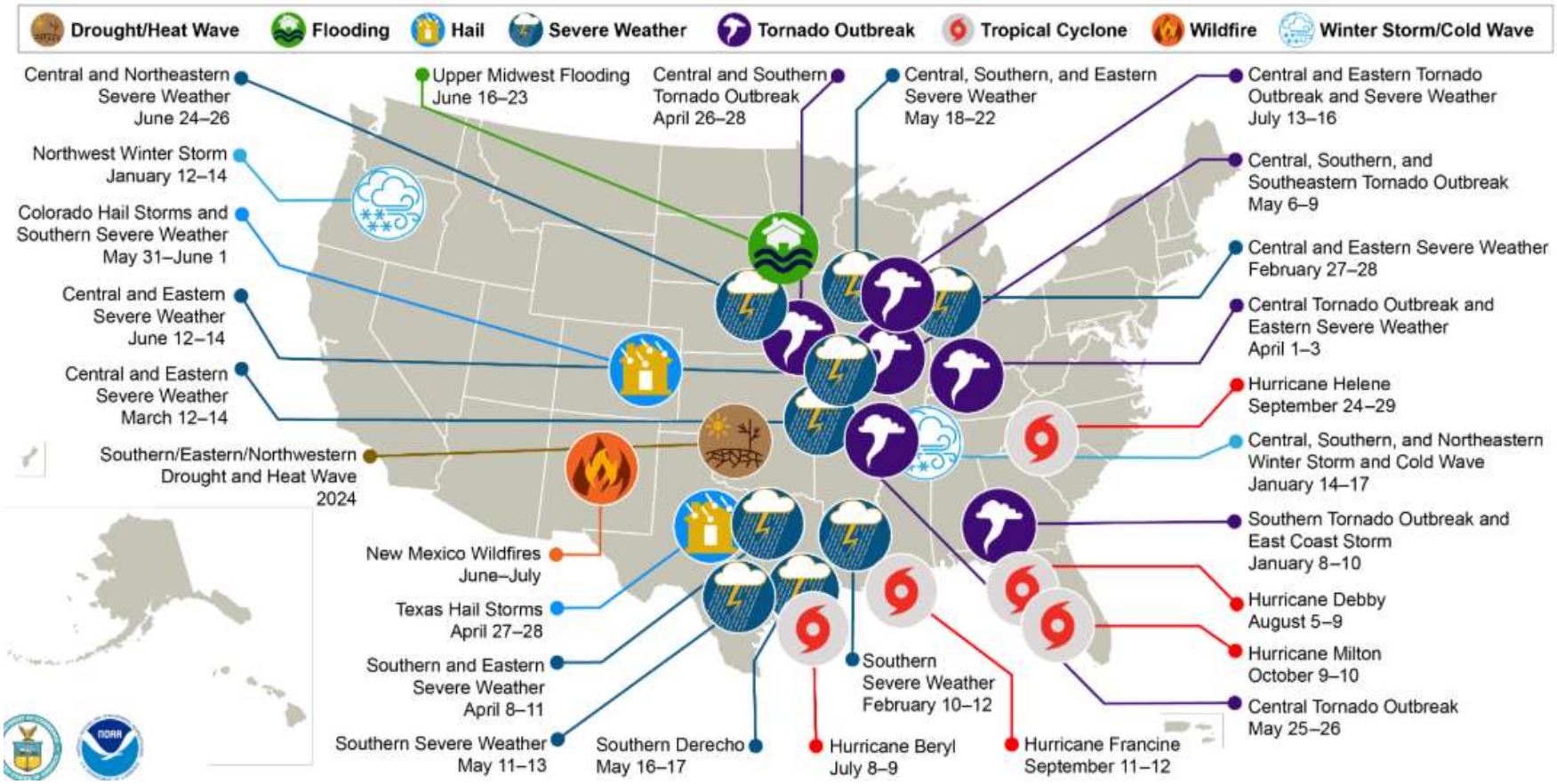


23 of the 26 Most Expensive Insurance Events in US History Have Occurred Since 2004.

*2025 dollars; Munich Re estimates as of Jan. 2025 for Hurricanes Helene and Milton; Aon estimate as of Apr. 2025 for LA wildfires.

Sources: PCS, RMS, Aon, Karen Clark & Co; USC Center for Risk and Uncertainty Management adjustments to 2024 dollars using the CPI.

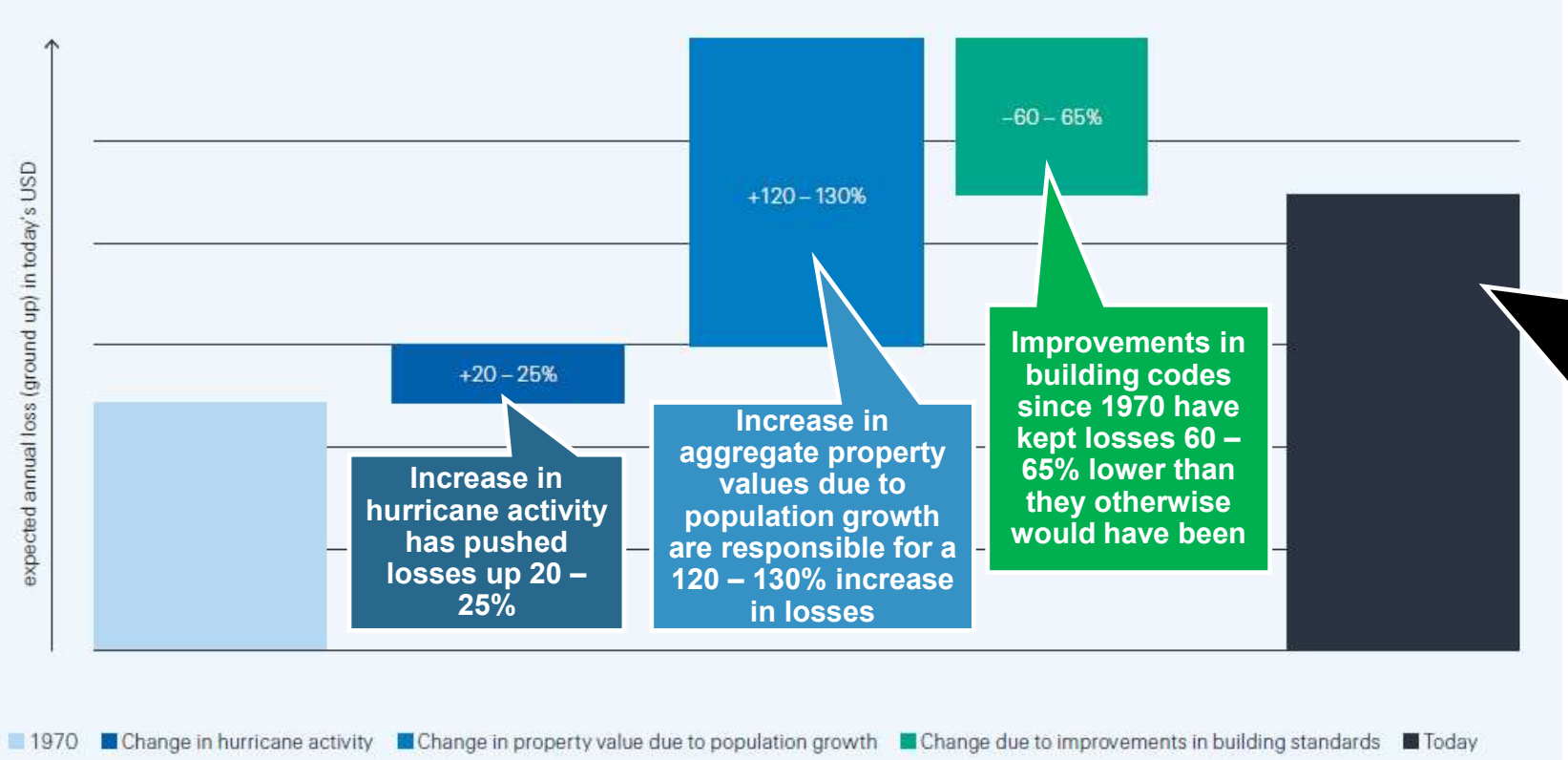
US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, 2024*



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/.

Factors Influencing Change in Residential Property Insured Hurricane Losses Since the 1970s (in current dollars)



Sources: Swiss Re, *Ian Revisited: Disentangling the Drivers of US Hurricane Losses,* (Nov. 2023). Accessed at: https://www.swissre.com/risk-knowledge/mitigating-climate-risk/hurricane-ian-revisited.html.

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

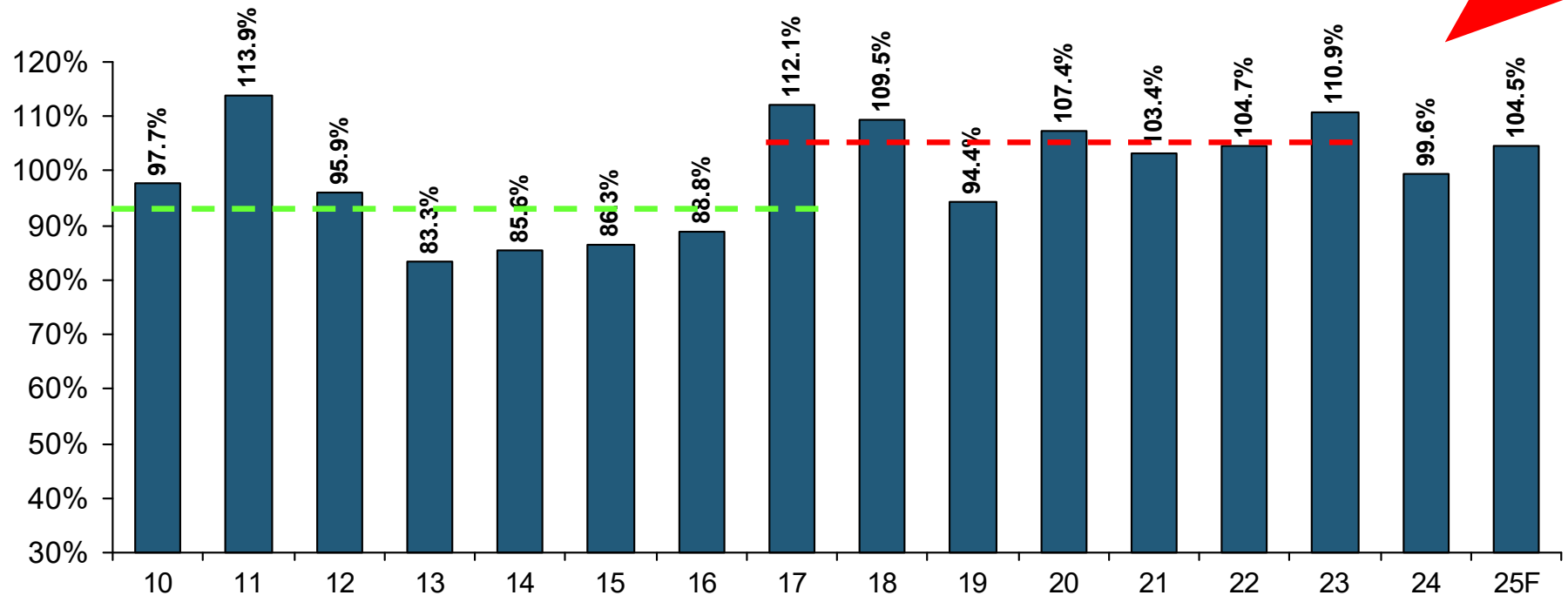
Average:

99.0% (2010-2023)

93.1 (2010-2016)

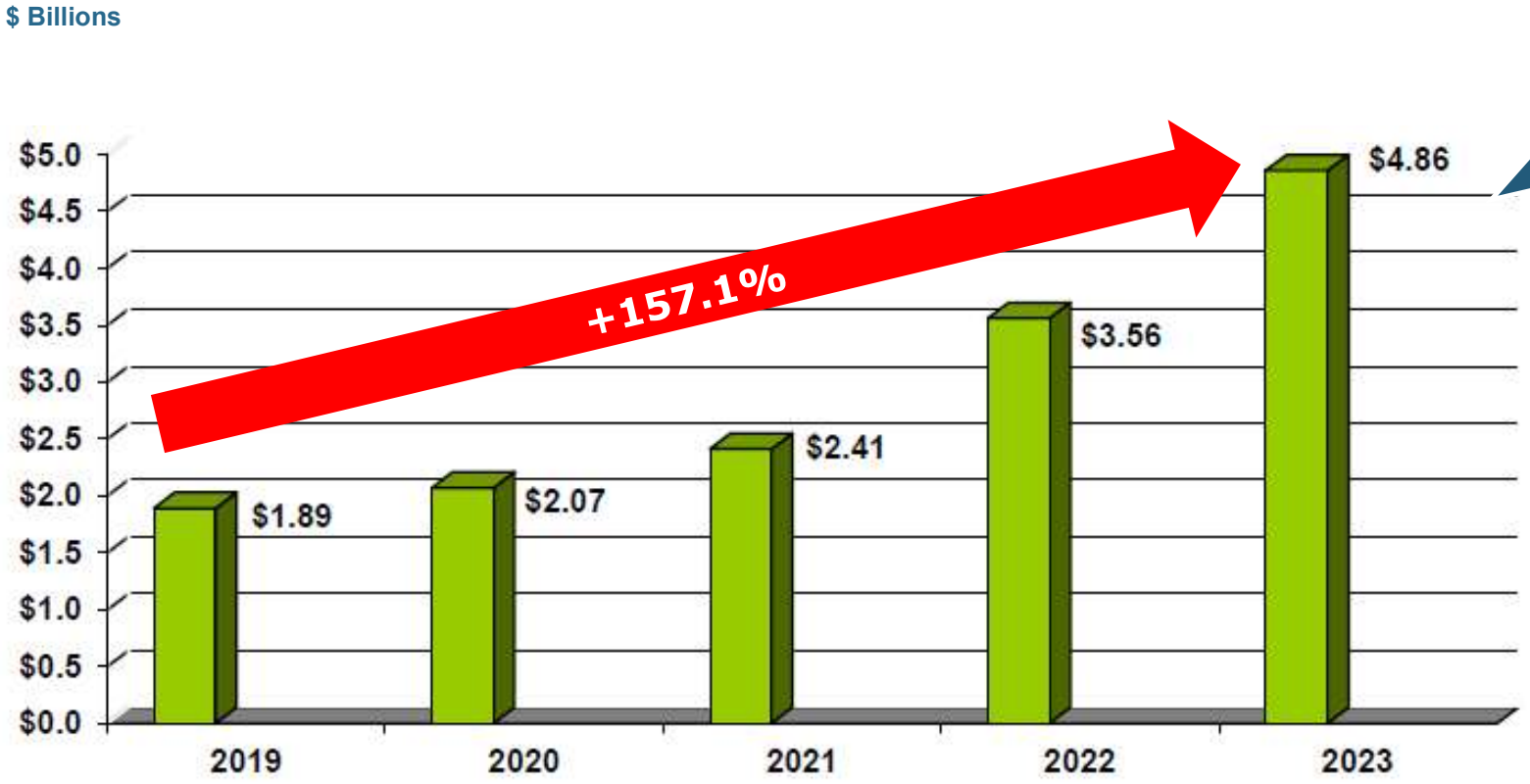
106.1% (2017-2023)

The Homeowners combined ratio from 2017-2023 (106.1) was 13 points higher from than from 2010-2016 (93.1)



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.

Residual Market (All Plans) Earned Premium: HO, CMP, Fire and Allied Lines, 2019 - 2023

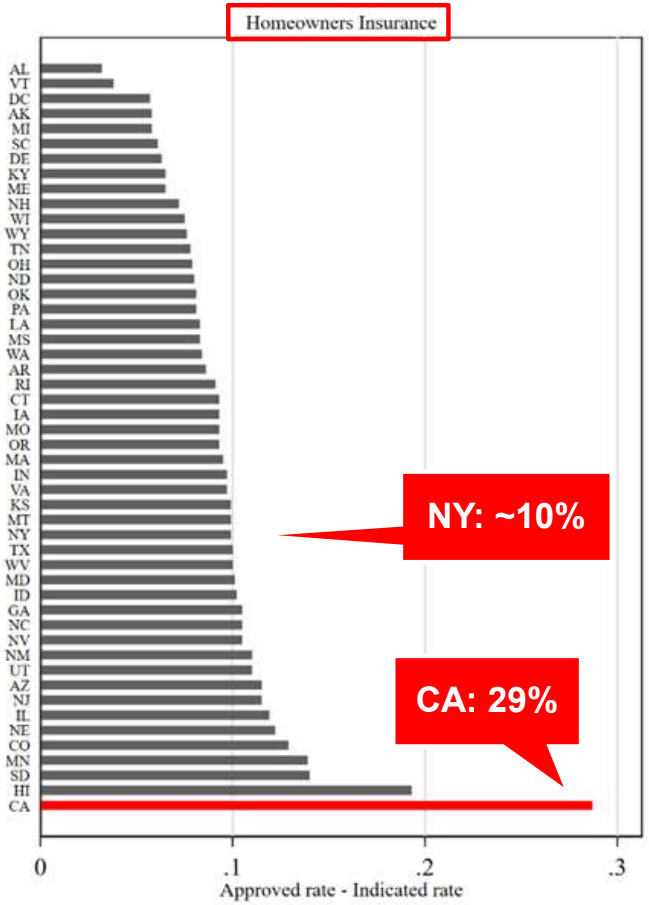


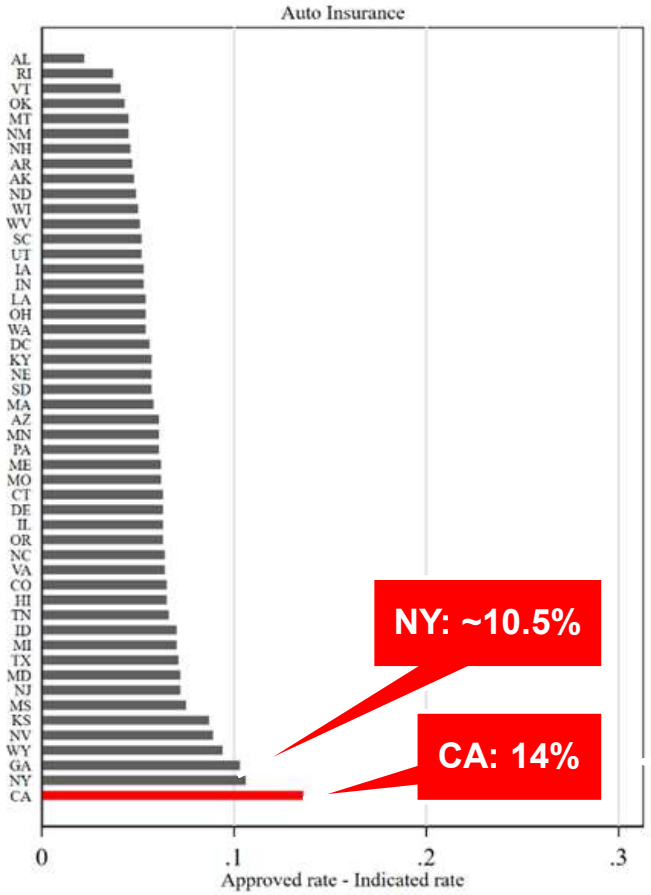
Property residual market earned premiums soared 157.1% (2.97B) from 2019 through 2023

(More than triple the 48.2% Voluntary market growth across the same lines)

Source: Property Insurance Plans Service Office (PIPSO), *2024 FAIR and Beach Plan Underwriting Results and Market Penetration Report*, (Fig. 2, p. V).

Regulatory Rate Suppression by State, 2018 - 2022





Rate suppression is defined as the difference between the actuarially indicated rate and the rate approved by regulators.

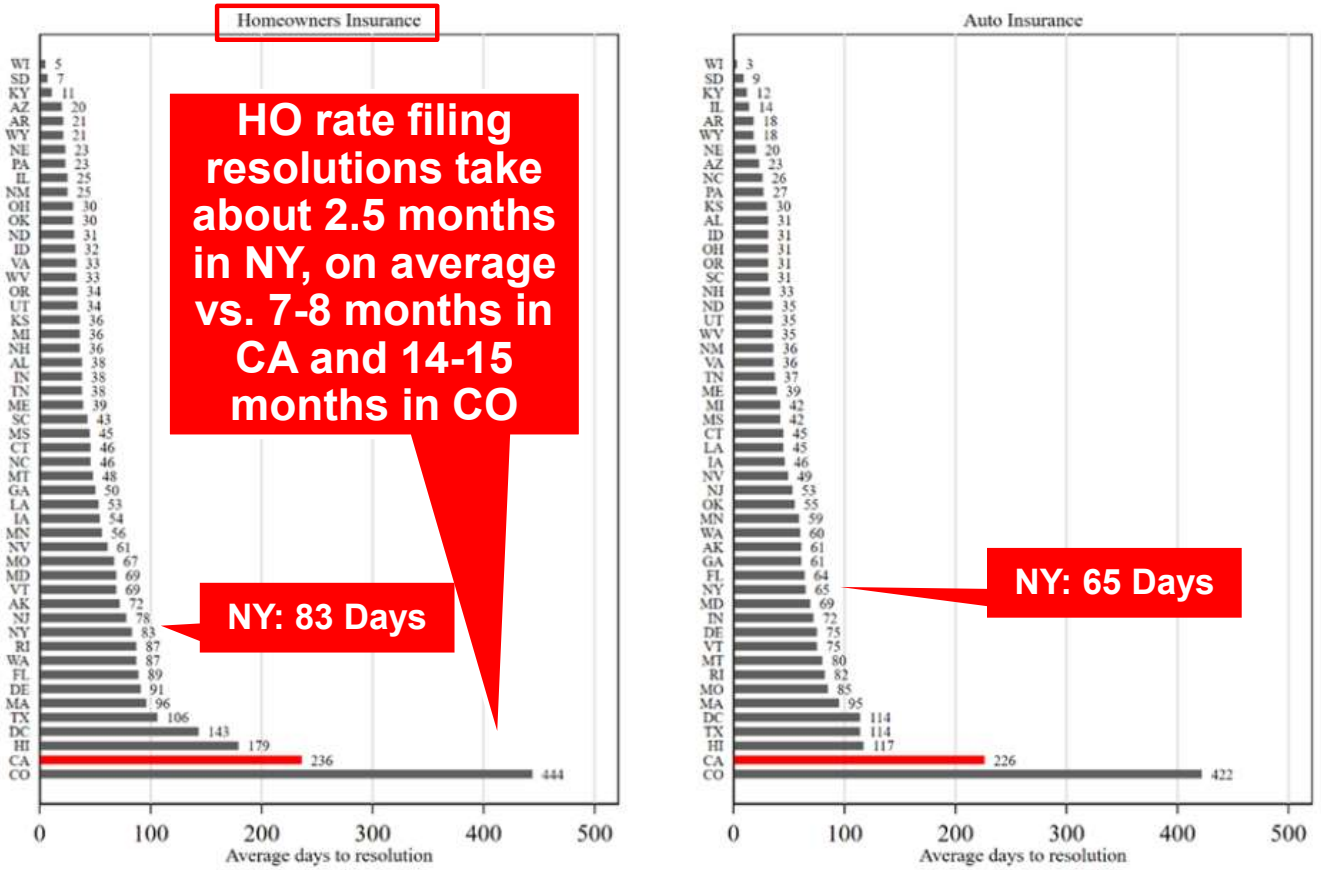
Example: *If an insurer's rate analysis indicates that a 40% increase is required for rates to be adequate, and the regulator instead approves only a 15% increase, the effect of rate suppression is (40%–15%=) 25%*

CA and NY lead the way in rate suppression in auto insurance

SOURCE: *SERFF Rate Filing Data From S&P Capital. Florida data are unavailable.*

Source: International Center for Law & Economics, ICLE White Paper 2023-11-06, "Rethinking Prop 103's Approach to Insurance Regulation." Accessed at: https://laweconcenter.org/wp-content/uploads/2023/11/Rethinking-Prop-103s-Approach-to-Insurance-Regulation-2.pdf

Average Days to Resolution of Rate Filings by State, 2018 - 2022



Source: International Center for Law & Economics, ICLE White Paper 2023-11-06, “Rethinking Prop 103’s Approach to Insurance Regulation.” Accessed at: https://laweconcenter.org/wp-content/uploads/2023/11/Rethinking-Prop-103s-Approach-to-Insurance-Regulation-2.pdf

Economic Overview
The U.S. Economy Remains Resilient but Consumer Gloom is Returning

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

Tariffs Will Increase Auto and Property Claim Severities

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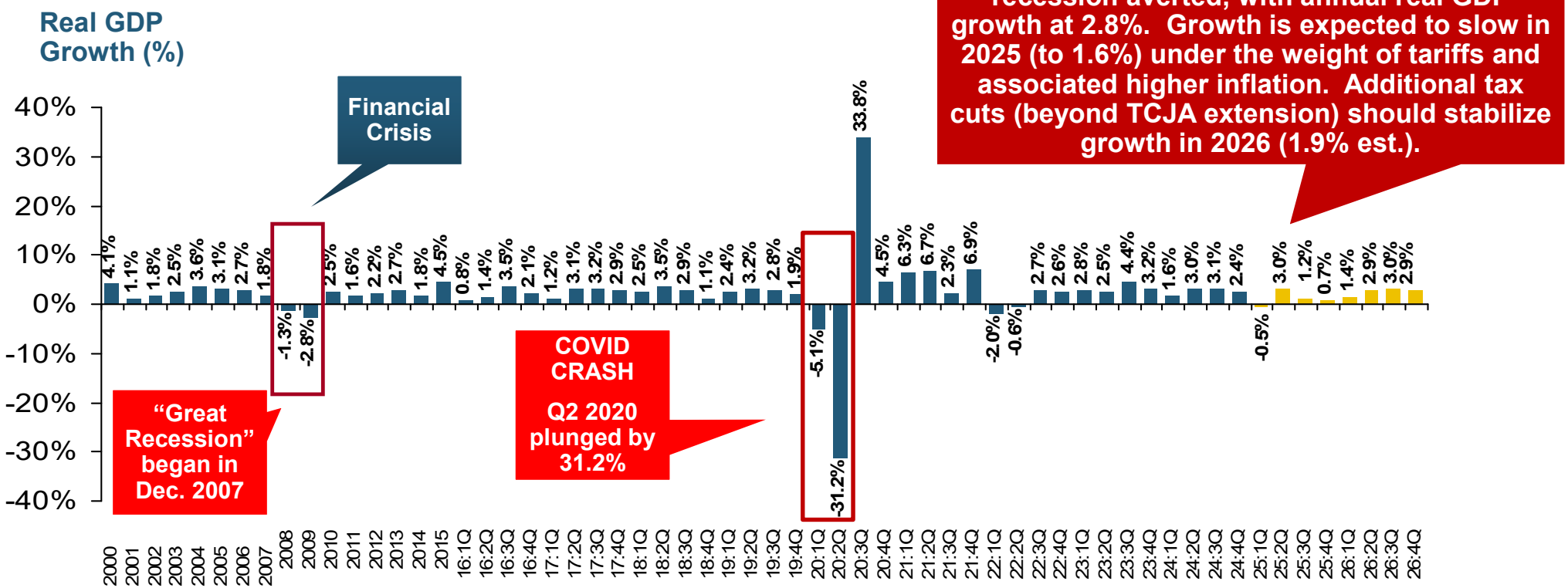
US Real GDP Growth, 2000 – 2026F*

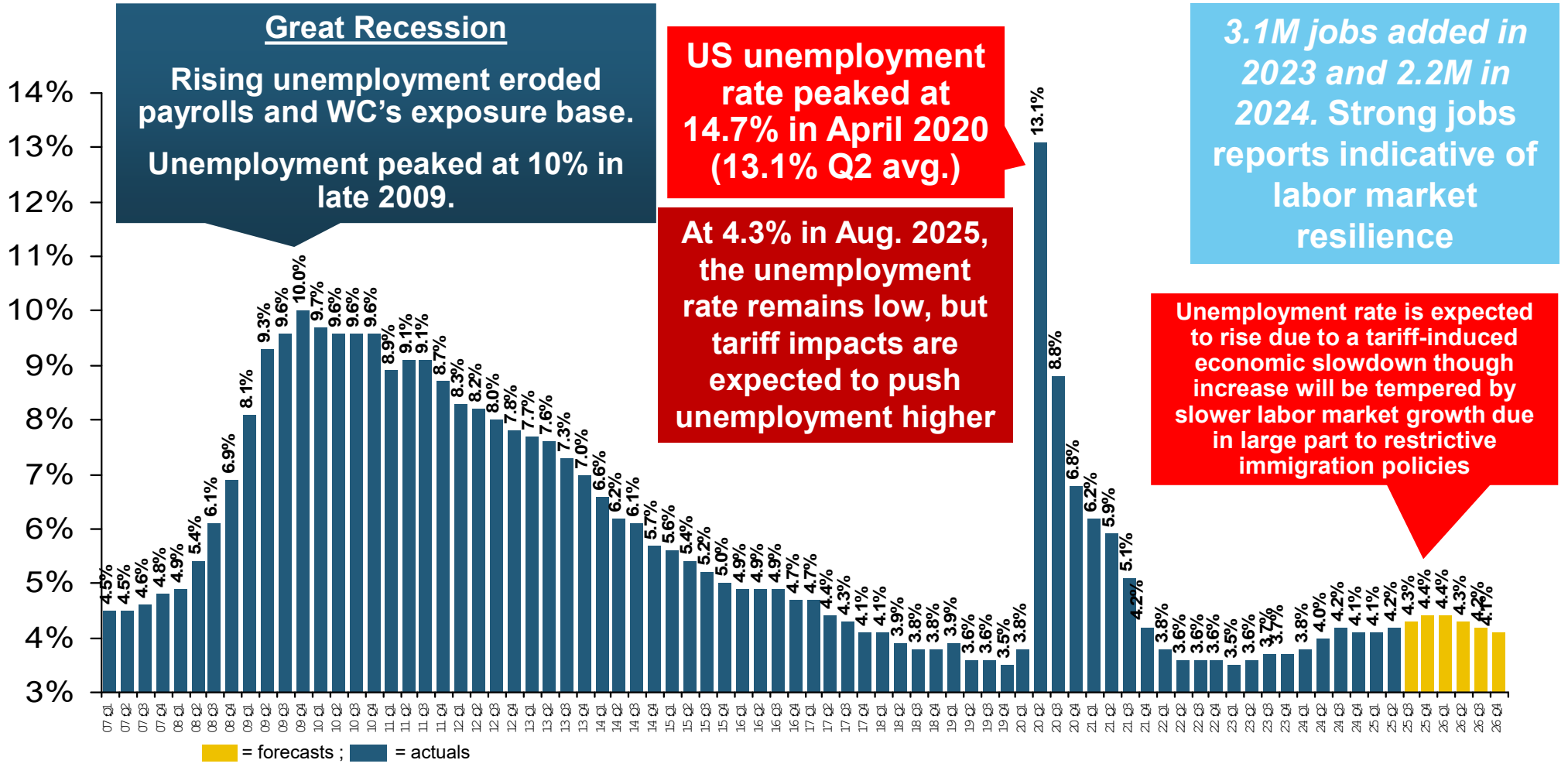


Demand for Insurance Increased Materially in 2021/22 During Recovery from the Pandemic—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow as Economy Slows in 2025-26.

* Estimates/Forecasts from Wells Fargo Securities.

Source: US Department of Commerce, Wells Fargo Securities (8/25); Center for Risk and Uncertainty Management, University of South Carolina.

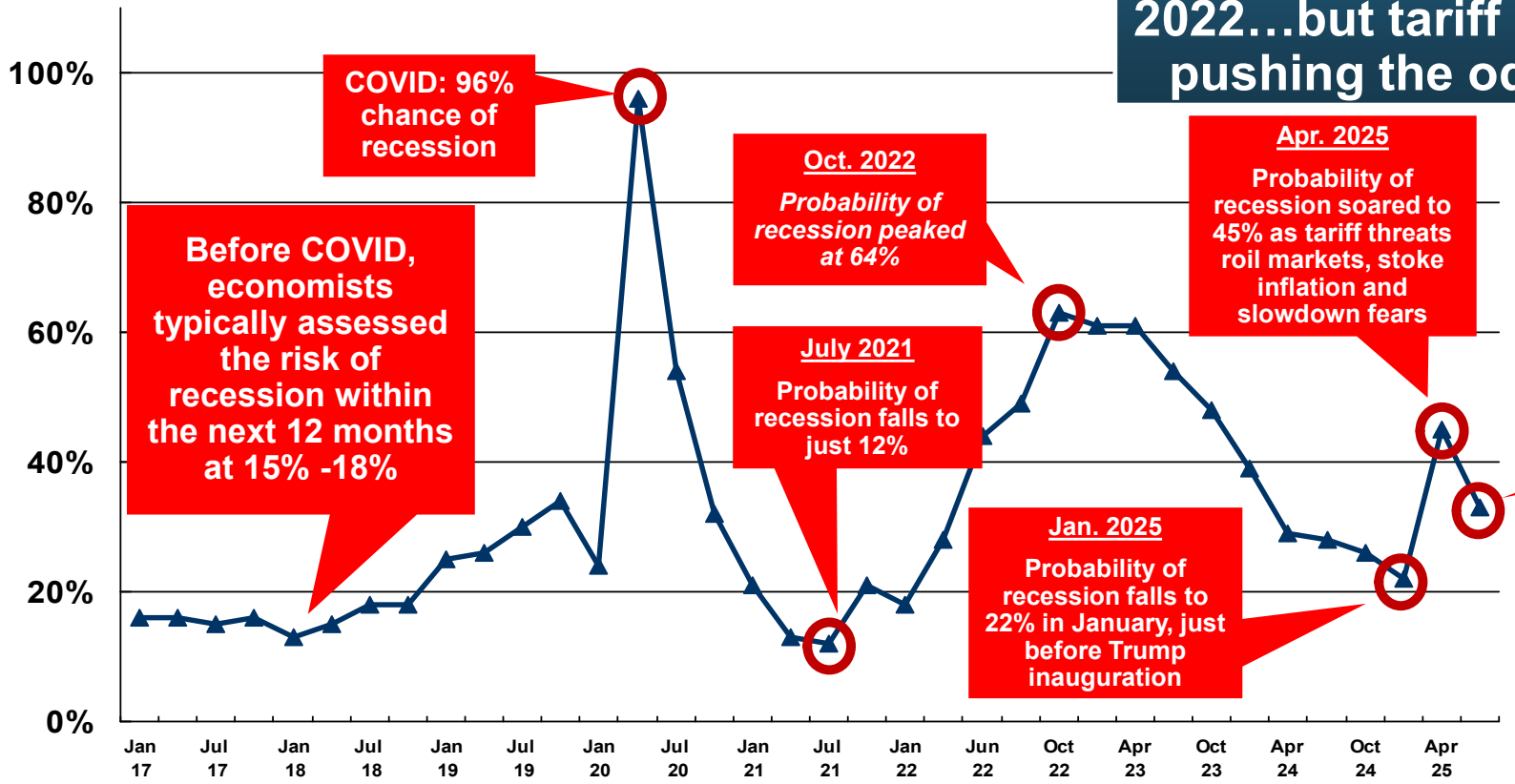
US Unemployment Rate Forecast: 2007:Q1–2026:Q4



Sources: US Bureau of Labor Statistics; Wells Fargo Securities (8/25 edition); Risk and Uncertainty Management Center, University of South Carolina.

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

Recession odds decreased substantially since 2022…but tariff concerns are pushing the odds back up

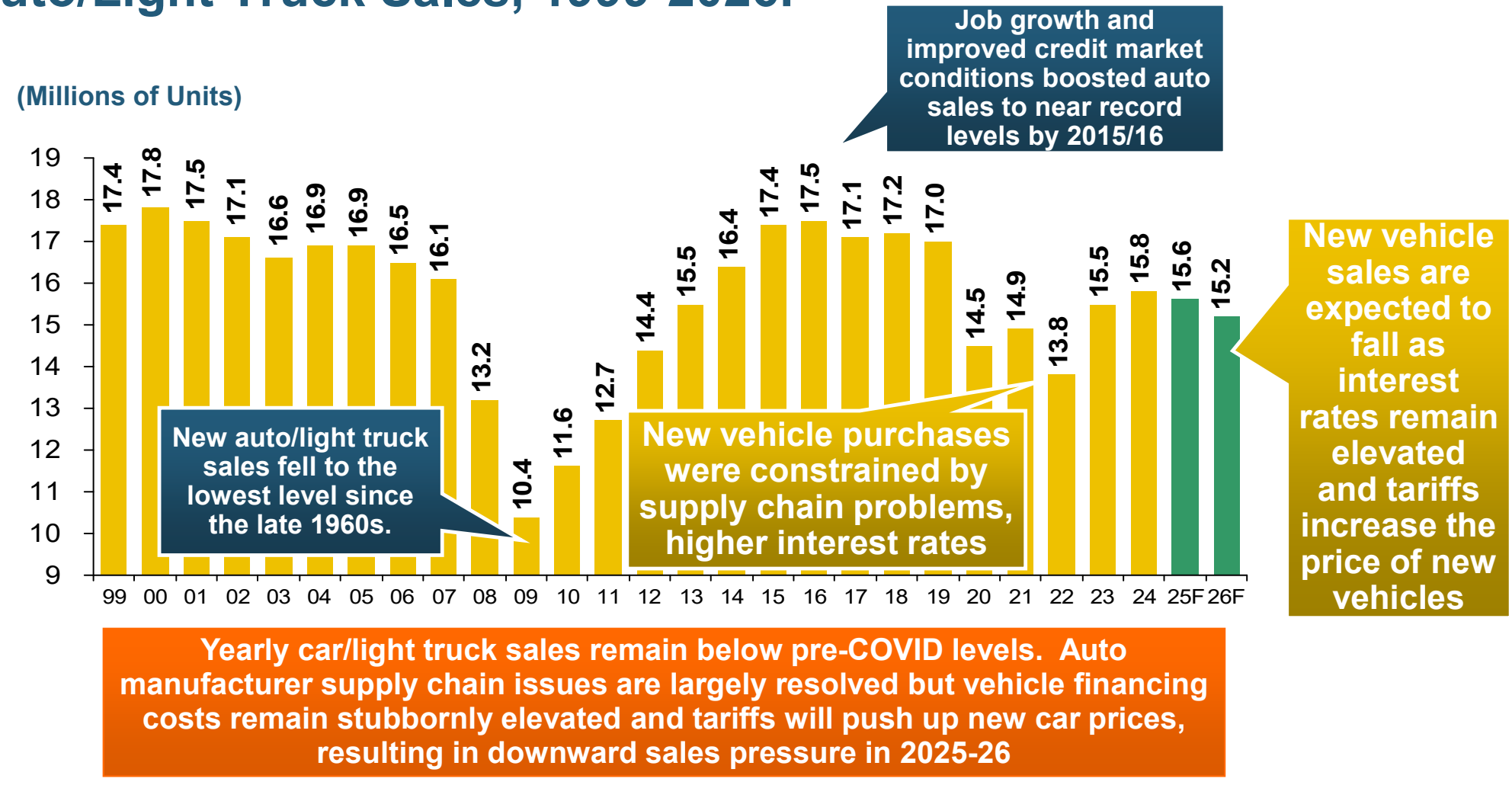


Recession?

The economy achieved a "soft landing" in 2024, averting a recession most thought would result from higher interest rates—but tariffs are raising recession worries

*July 2025 survey included the responses of 69 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.

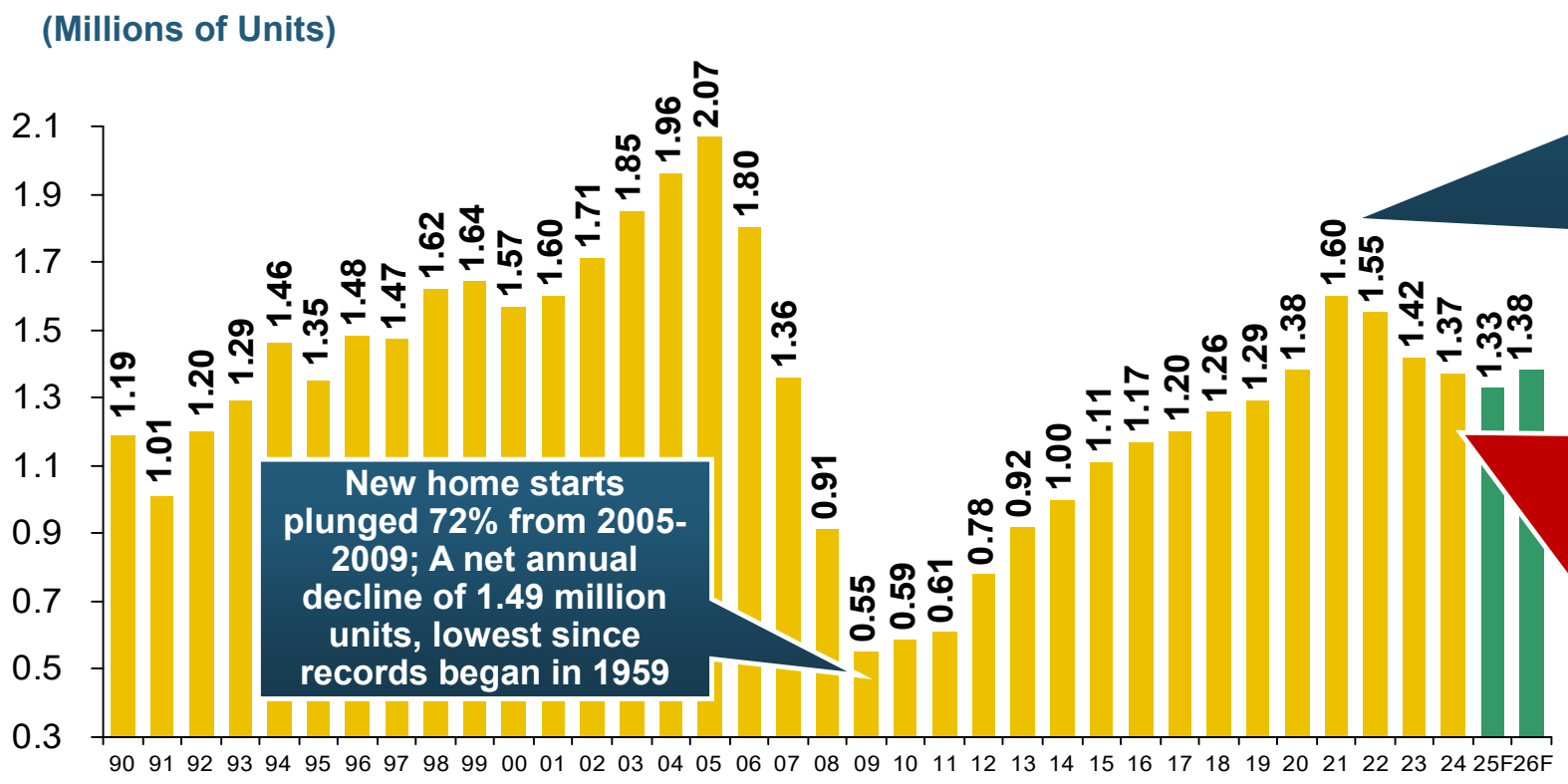
Auto/Light Truck Sales, 1999-2026F



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 and tariffs will push up new car prices, resulting in downward sales pressure in 2025-26

Source: U.S. Department of Commerce; Wells Fargo Securities (8/25); Univ. of South Carolina, Center for Risk and Uncertainty Management..

New Private Housing Starts, 1990-2026F



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

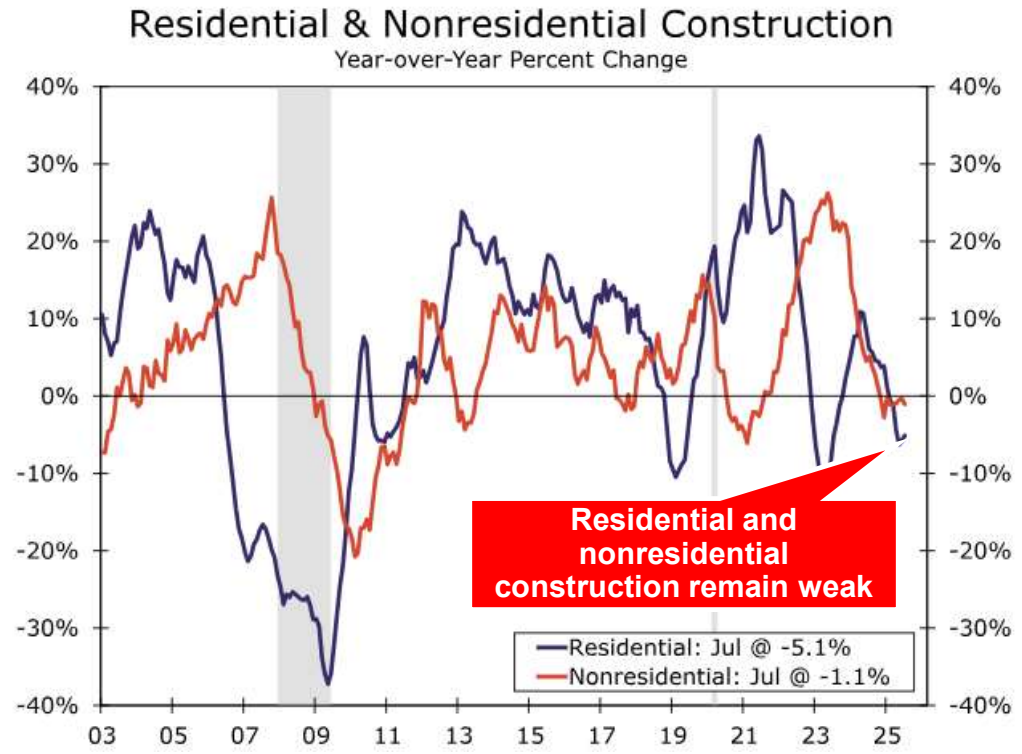
High prices, rising mortgage rates, tempered new home construction activity through 2024, though low inventory of existing homes is propping up demand. Mortgage rates remain elevated, and tariffs will push up prices, tempering housing starts in 2025 and 2026

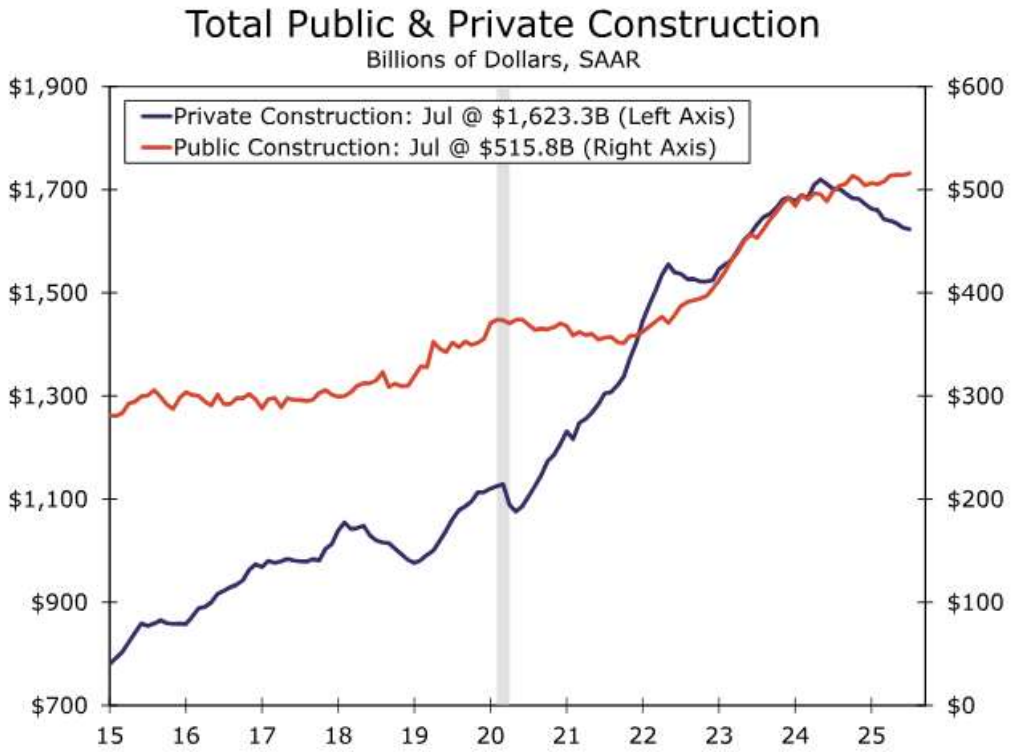
No Repeat of the Housing Collapse that Began in 2007

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 (8/25); Univ. of South Carolina, Center for Risk and Uncertainty Management..

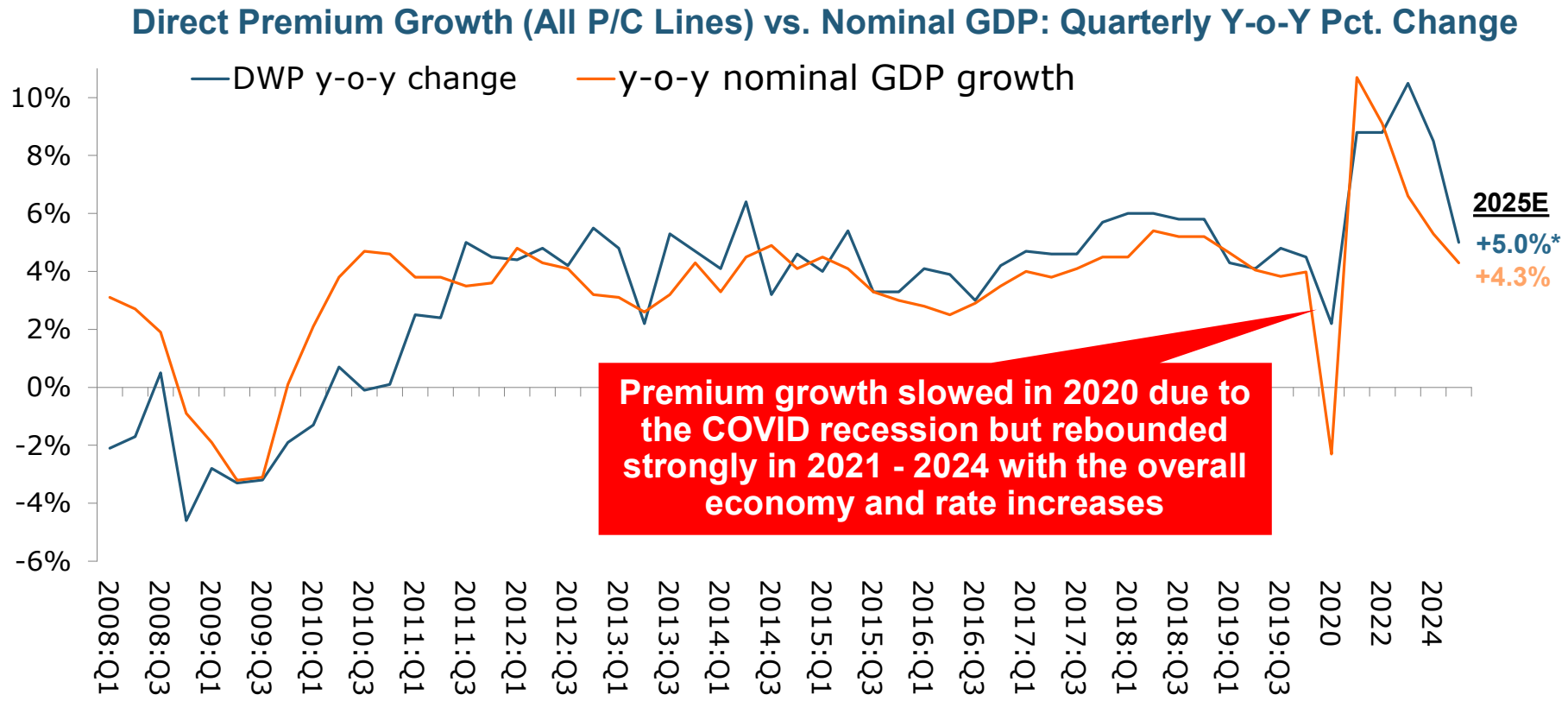
Construction Spending: Widespread Weakness Will Temper Top Line Growth for Many Insurers and Brokers





Source: Wells Fargo Economic Research from US Dept. of Commerce

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2025F*

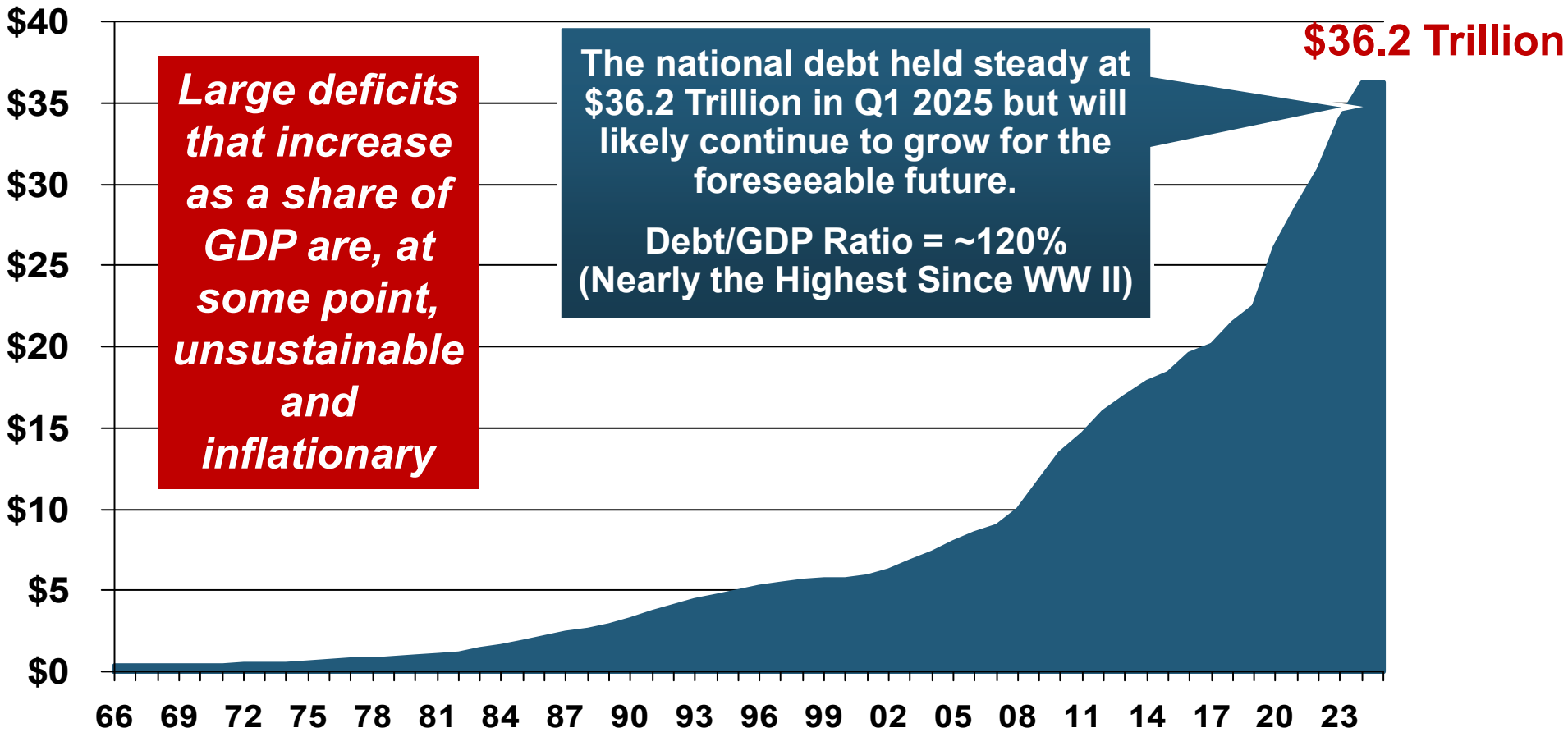


Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry's growth prospects inextricably linked to economic performance.

*2020-25F figures are annual.
Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO;, Swiss Re (2025E) I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.

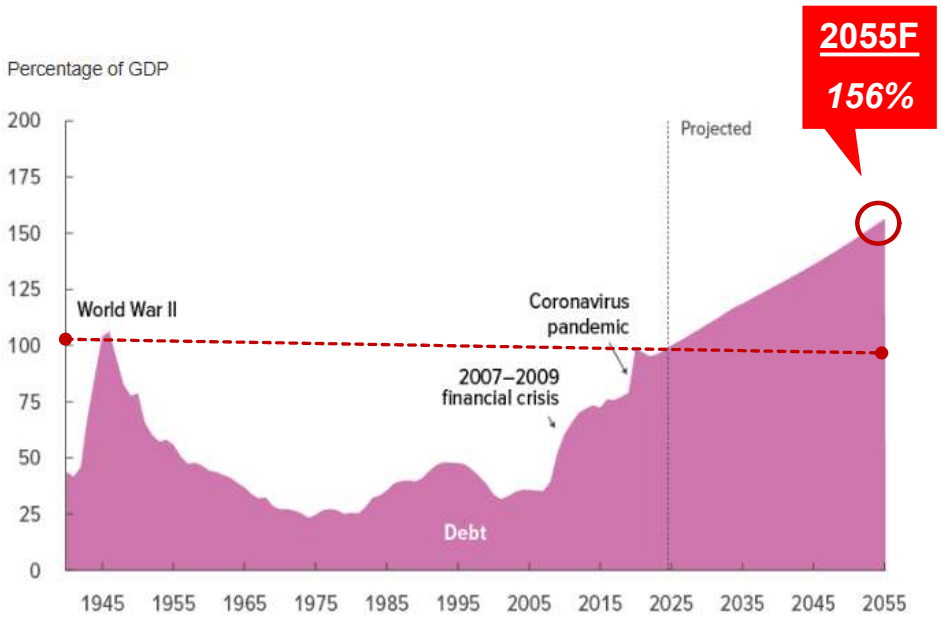
U.S. National Debt, 1966 – 2025:Q1

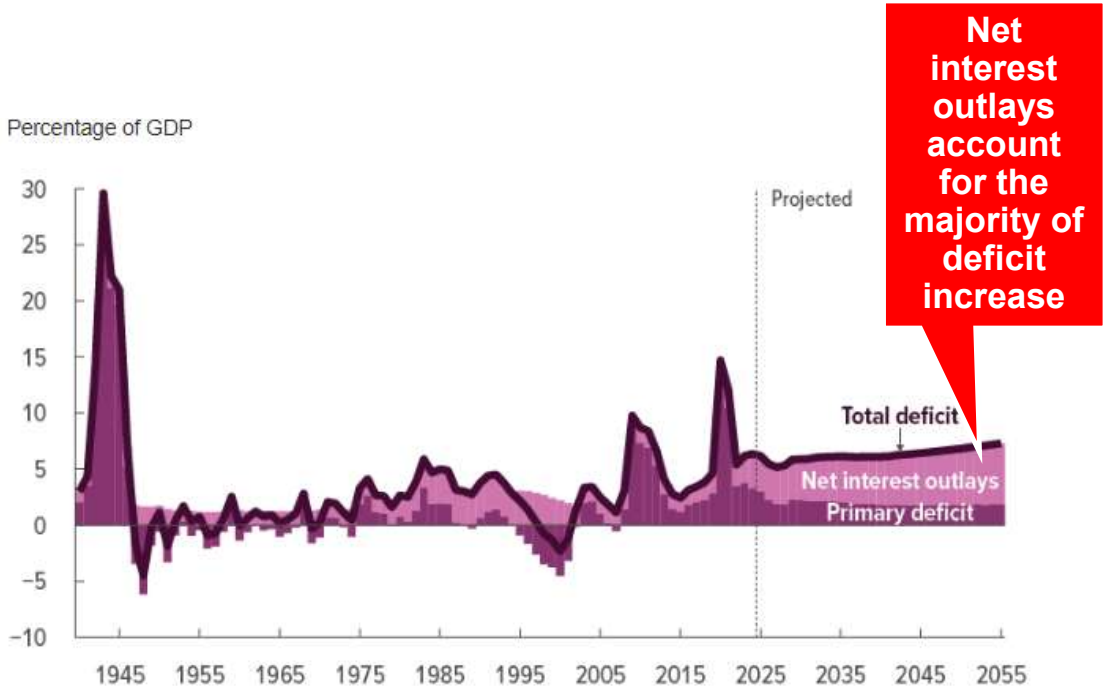
($ Trillions)



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

Federal Debt Held by the Public and Composition of Annual Deficits as a Percent of GDP, 1940 – 2055F*





*Estimates assumes current laws remain generally unchanged.

Source: CBO Long-Term Budget Outlook: 2025-2055 (March 2025). Accessed at: https://www.cbo.gov/publication/61270.

CBO: "Debt held by the public, boosted by large deficits, reaches its highest level ever in 2029 (measured as a percentage of gross domestic product, or GDP) and then continues to grow, reaching 156 percent of GDP in 2055. It remains on track to increase thereafter. Mounting debt would slow economic growth, push up interest payments to foreign holders of U.S. debt, and pose significant risks to the fiscal and economic outlook; it could also cause lawmakers to feel constrained in their policy choices."

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

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Insurance Lines/Segments Impacted by Tariffs

Line/Segment	Risk	Consequences
Personal Auto	Tariffs imposed on most vehicles and parts	Rising physical damage severities→ Rate increases
Commercial Auto	Tariffs imposed on most vehicles and parts	Rising physical damage severities→ Rate increases
Ocean Marine	Decreased transoceanic shipping	Hull and cargo exposures shrink→ Premium volume falls
Residential & Commercial Property	Tariffs imposed on many important construction goods, electronics, appliances, etc.	Rising property claim severities→ Rate increases, Limits become inadequate (ITV)
Inland Marine	Tariffs reduce cargo transport volumes	Exposures shrink→ Premium volume falls
Aviation	Tariffs reduce air cargo volumes; Economic uncertainty and hostility toward US allies is reducing travel demand.	Exposures shrink→ Premium volume falls

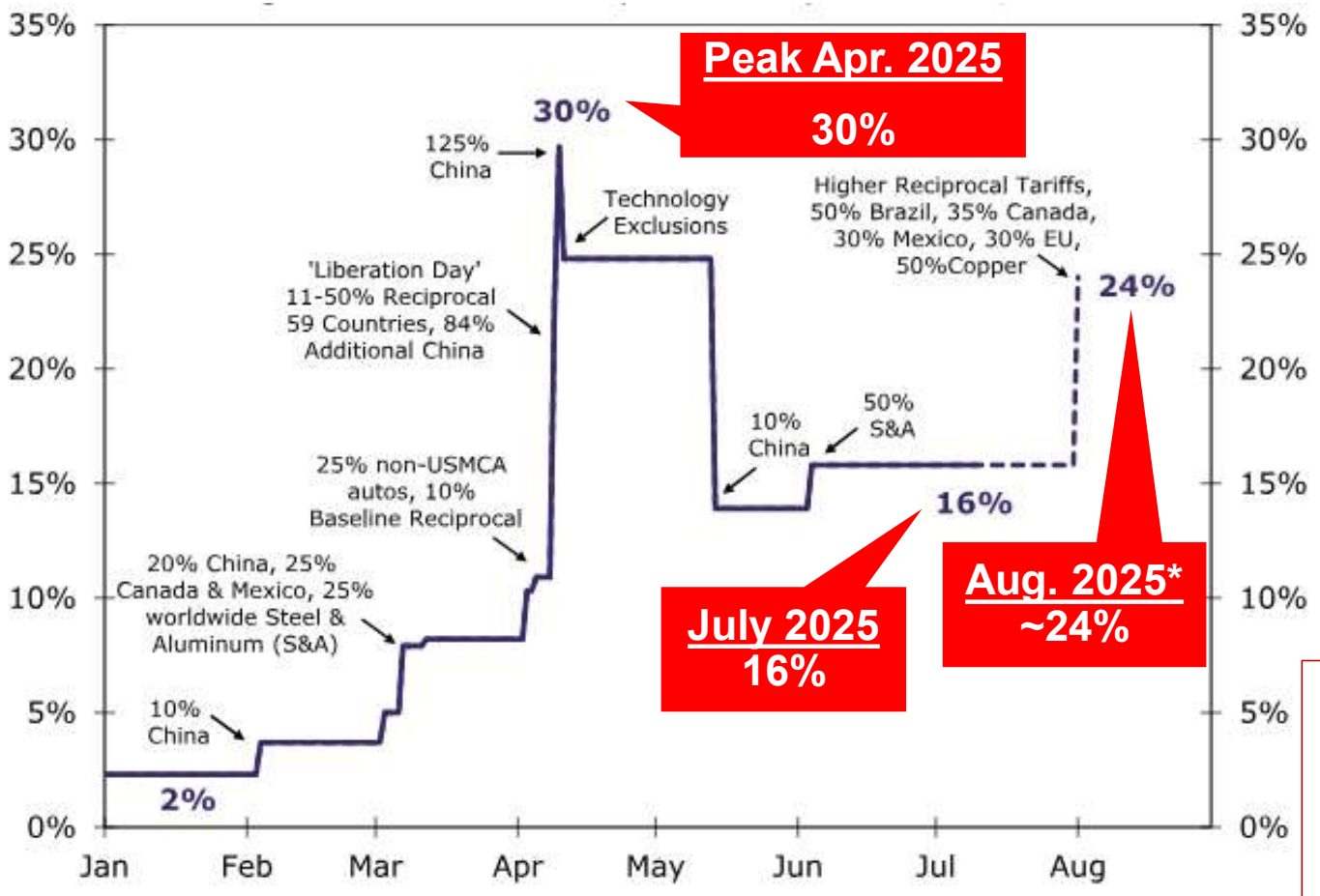
Source: University of South Carolina, Risk & Uncertainty Management Center.

Insurance Lines/Segments Impacted by Tariffs (cont'd)

Line/Segment	Risk	Consequence
Trade Credit	Decreased international trade	Exposures shrink→ Premium volume falls
Farm/Ag	Retaliatory tariffs against US ag exports	Lower farm production/income→ Premium volumes falls
USL&H	Decreased import and export activity at US ports reduces port employment	Exposures fall→ Premium volume slows or shrinks
Workers Comp.	Economic slowdown results in higher unemployment rate	Reduced payroll exposure→ Premium volumes slows or shrinks
D&O	Earnings uncertainty; Share price plunges; Supply chain disruptions	Increased shareholder litigation

Source: University of South Carolina, Risk & Uncertainty Management Center.

Est. US Average Effective Tariff Rate, Jan. – Aug. 2025*



Effective tariff rates have fluctuated wildly in 2025, starting the year ~2%, peaking at 30% and currently standing at 14%

Renewed tariff threat could push effective rate far higher as of Aug. 1. (e.g., EU, Mexico, Brazil)

Estimated Impact of Tariffs

New Home Price: $9,200 (NAHB)

New Car Prices: $2,000 - $15,000
(Anderson Economics Group)

*August 2025 figures are estimates based on information available as of 7/23/25.
Source: US Dept. of Commerce and Wells Fargo Economics.

US Average Effective Tariff Rate, Jan. – Aug. 2025*

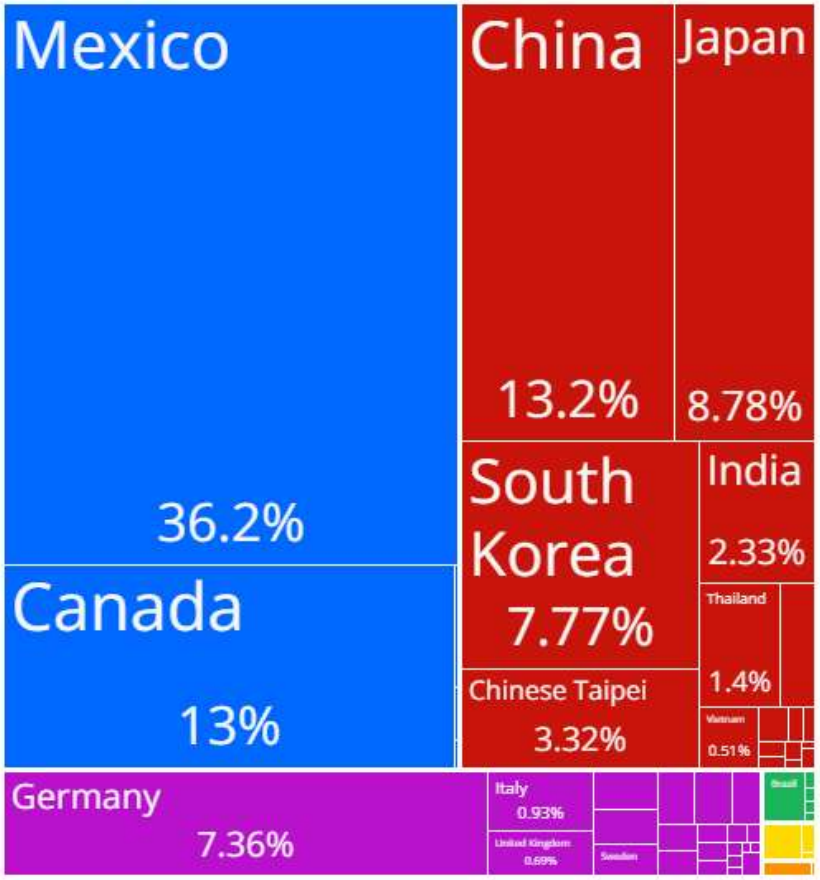
Effective tariff rates have fluctuated wildly in 2025, starting the year ~2%, peaking at ~30% and currently standing at 18.6%, according to the YBL.

NOTE: On Aug. 29, the US Court of Appeals ruled that most tariffs imposed by President Trump are illegal. Tariffs remain in place while the case is appealed, likely all the way to the Supreme Court.

*Reflects US policy through August 6, 2025.
Source: Yale Budget Lab accessed as of 9/1/25: https://budgetlab.yale.edu/research/state-us-tariffs-august-7-2025.

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.

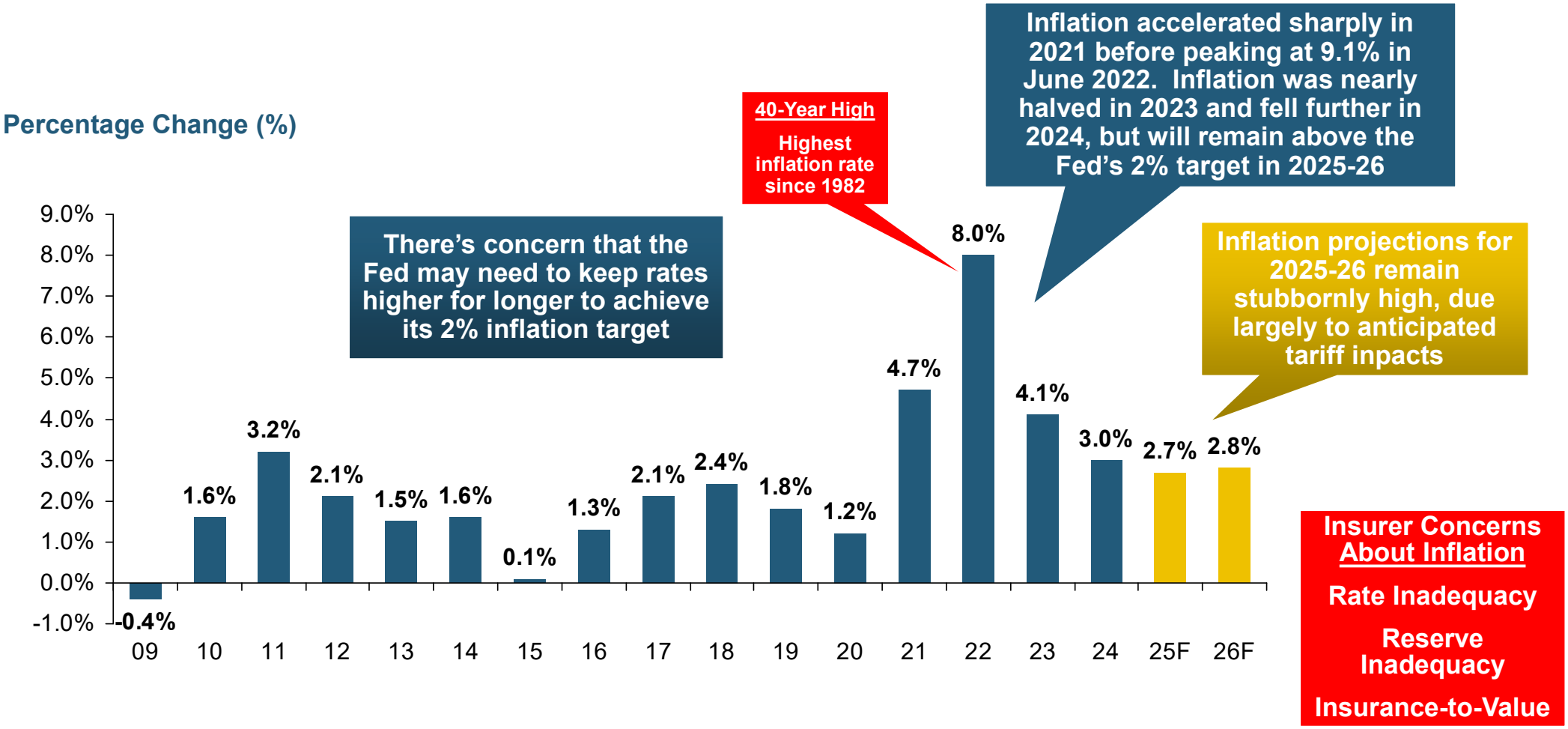
Source: Observatory of Economic Complexity (OEC) available at: https://oec.world/en/profile/bilateral-product/motor-vehicles-parts-and-accessories-8701-to-8705/reporter/usa.

The Inflation Threat

Inflation Has Been a Major Driver of Auto and Property Claims Severities

Will Tariffs Reignite Inflation?

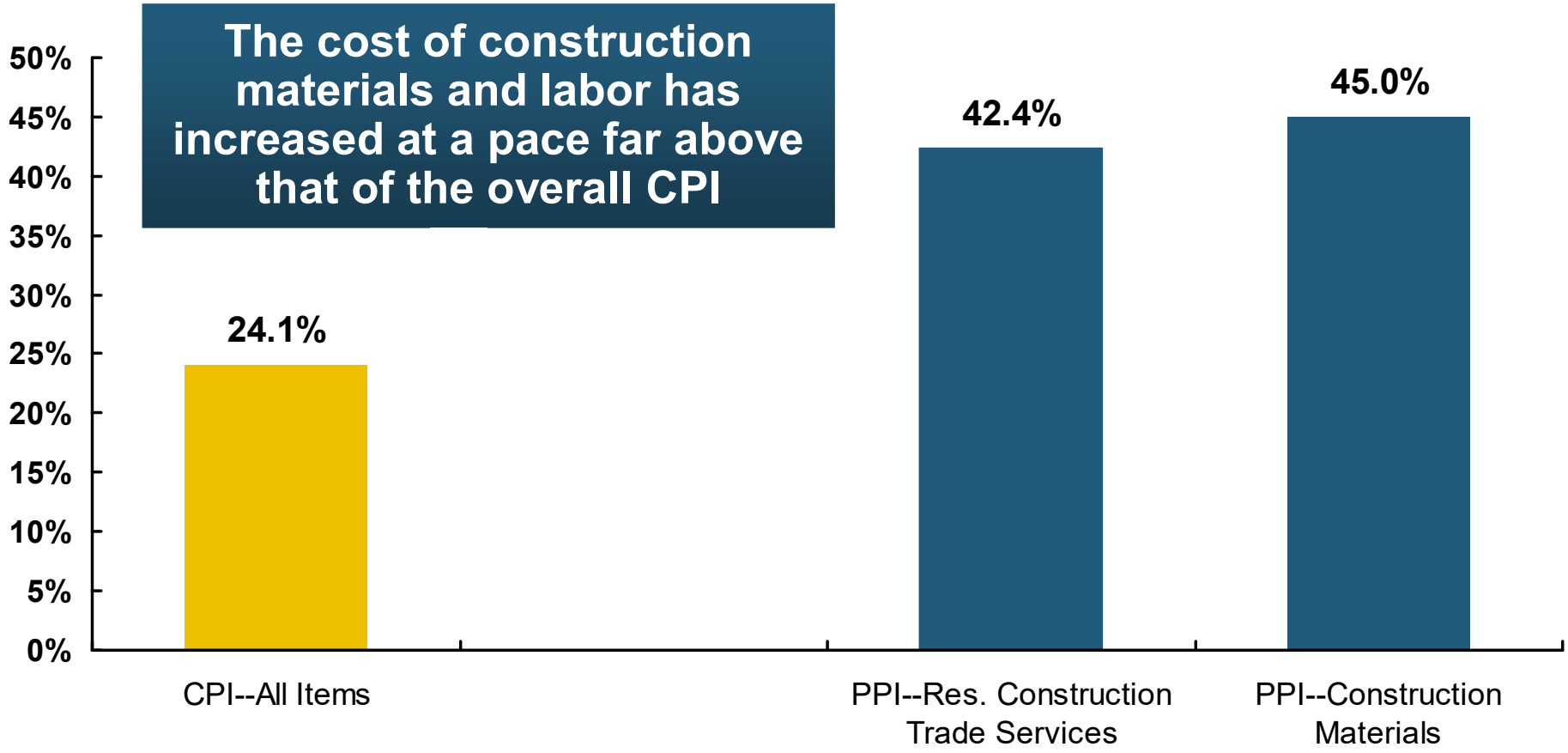
U.S. Inflation Rate: 2009-2026F*



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

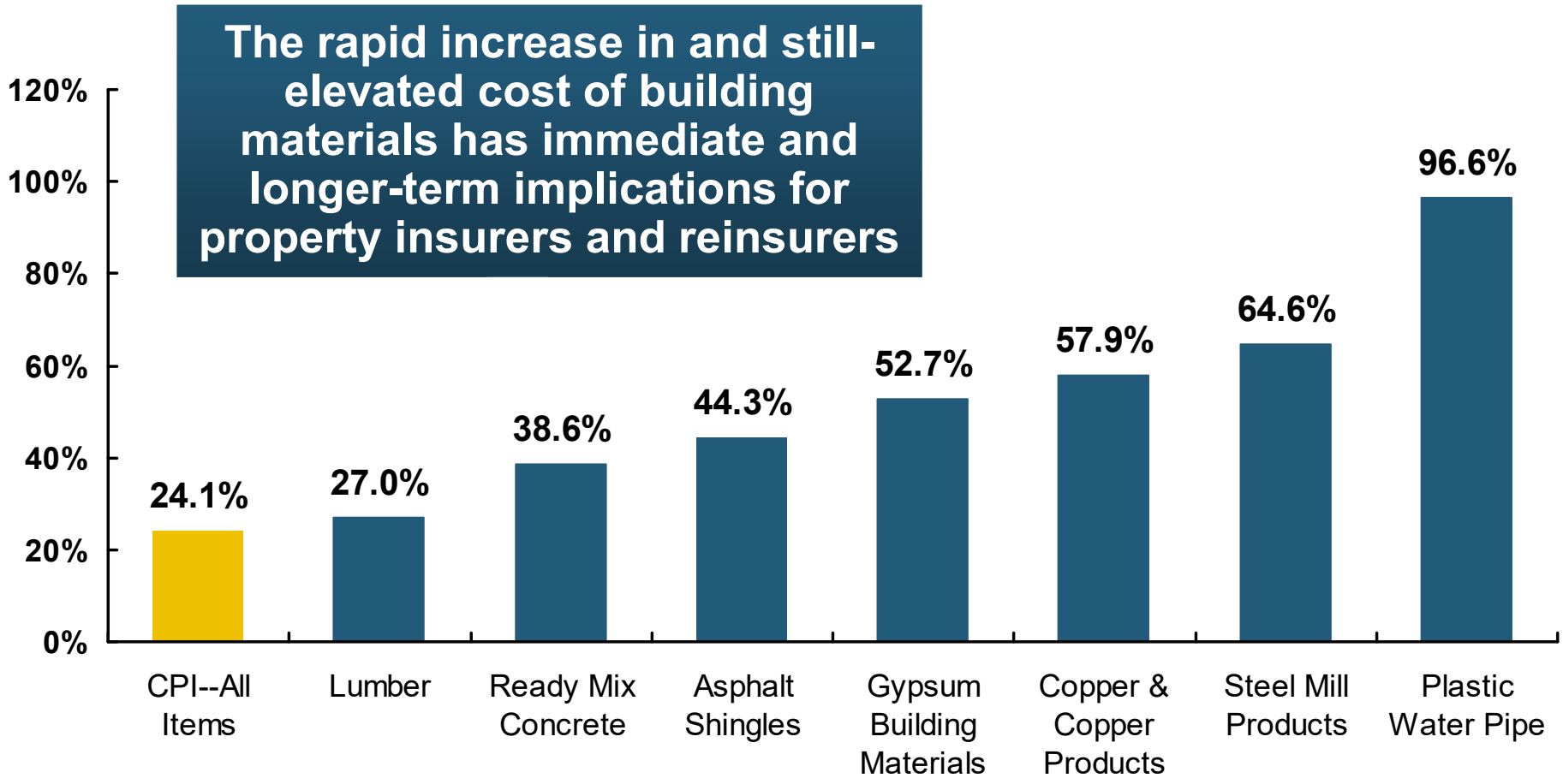
Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (8/25); USC Center for Risk and Uncertainty Management.

Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – June 2025



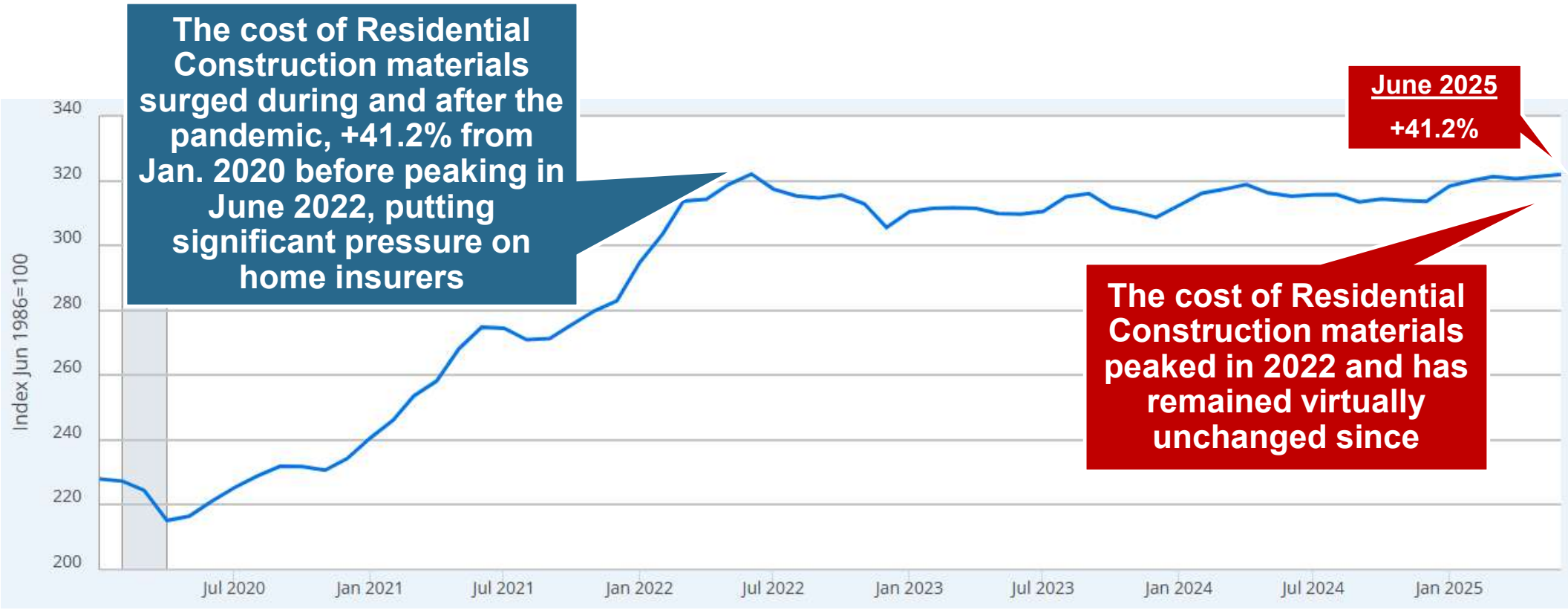
Source: U.S. Bureau of Labor Statistics from Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/WPUIP23111021 (Trade Services) and https://fred.stlouisfed.org/series/WPUSI012011 (Construction Materials).

Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – June 2025



Source: U.S. Bureau of Labor Statistics.

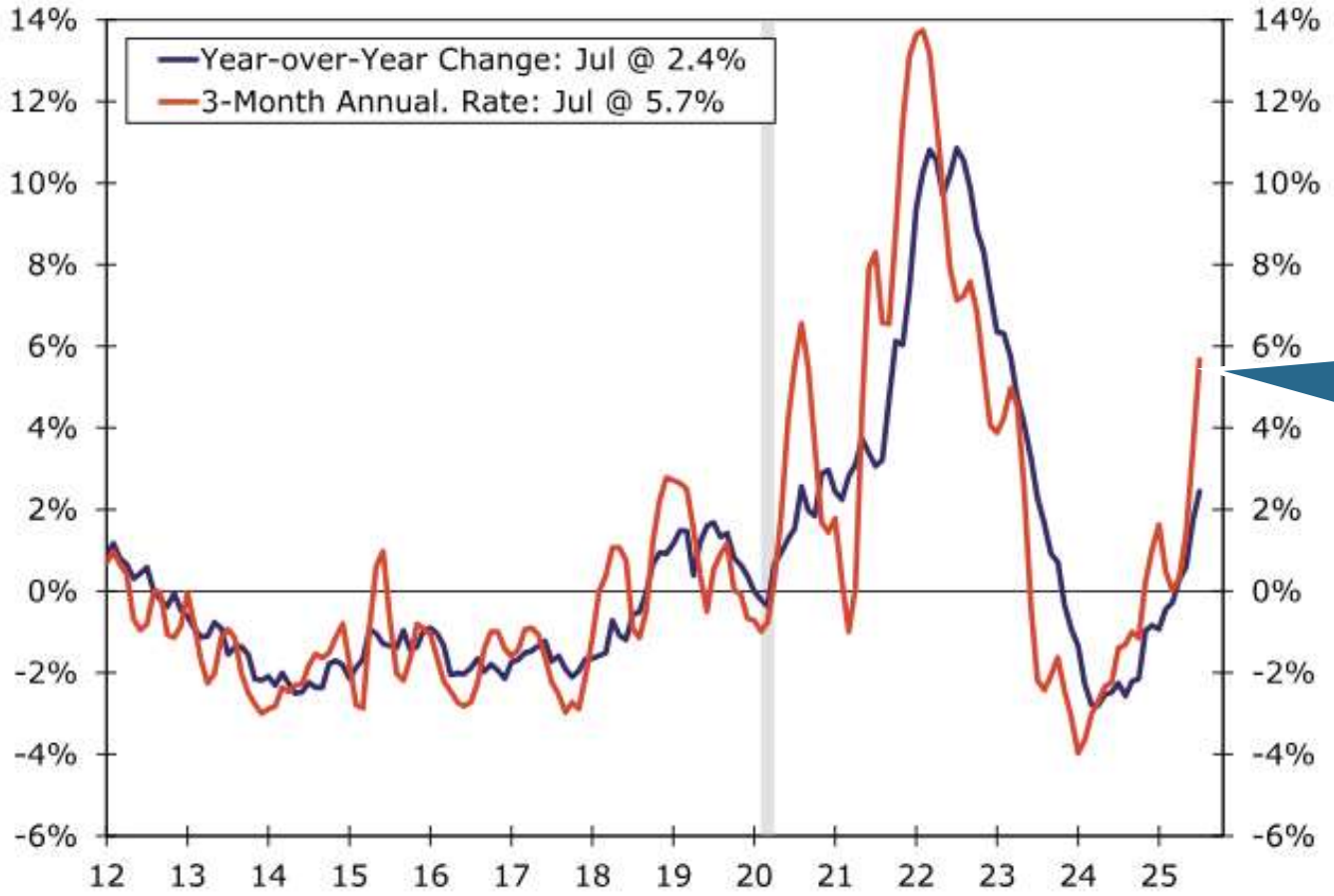
PPI: Net Inputs to Residential Construction, Goods, Jan. 2019 – June 2025



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.

Household Furnishings Inflation, Jan. 2012 – July 2025

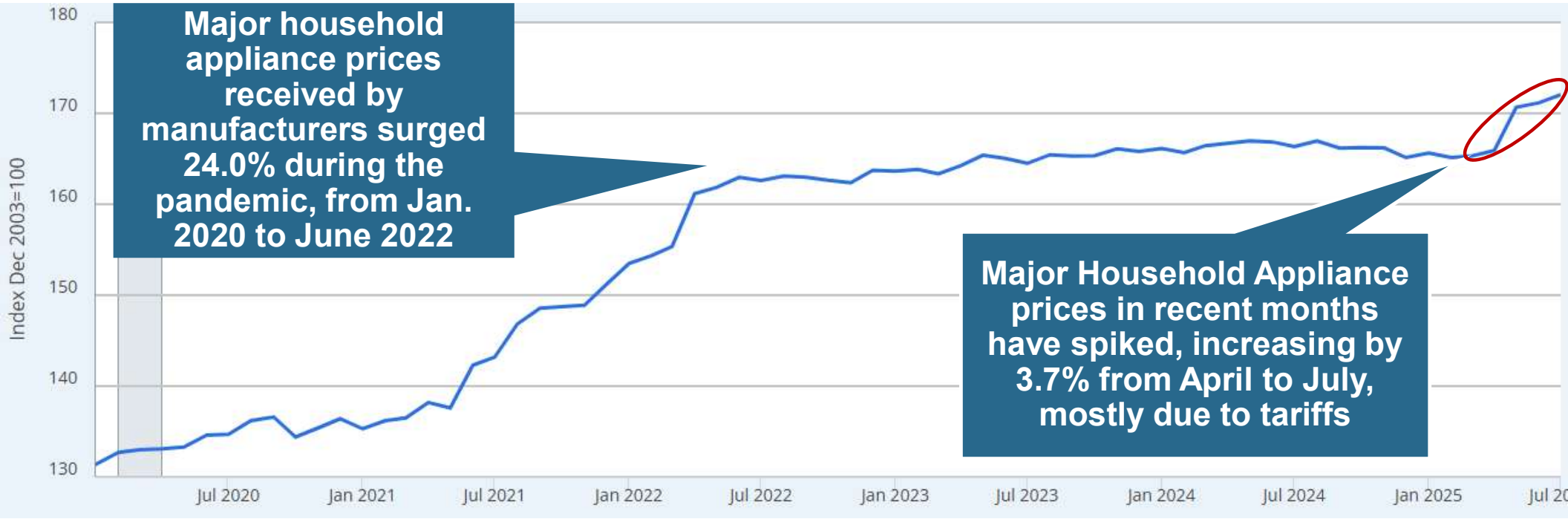
(Year-over-Year vs. 3-Month Moving Avg.)



Sharp accelration in inflation for household furnishings in recent months—a high proportion of which are imported.

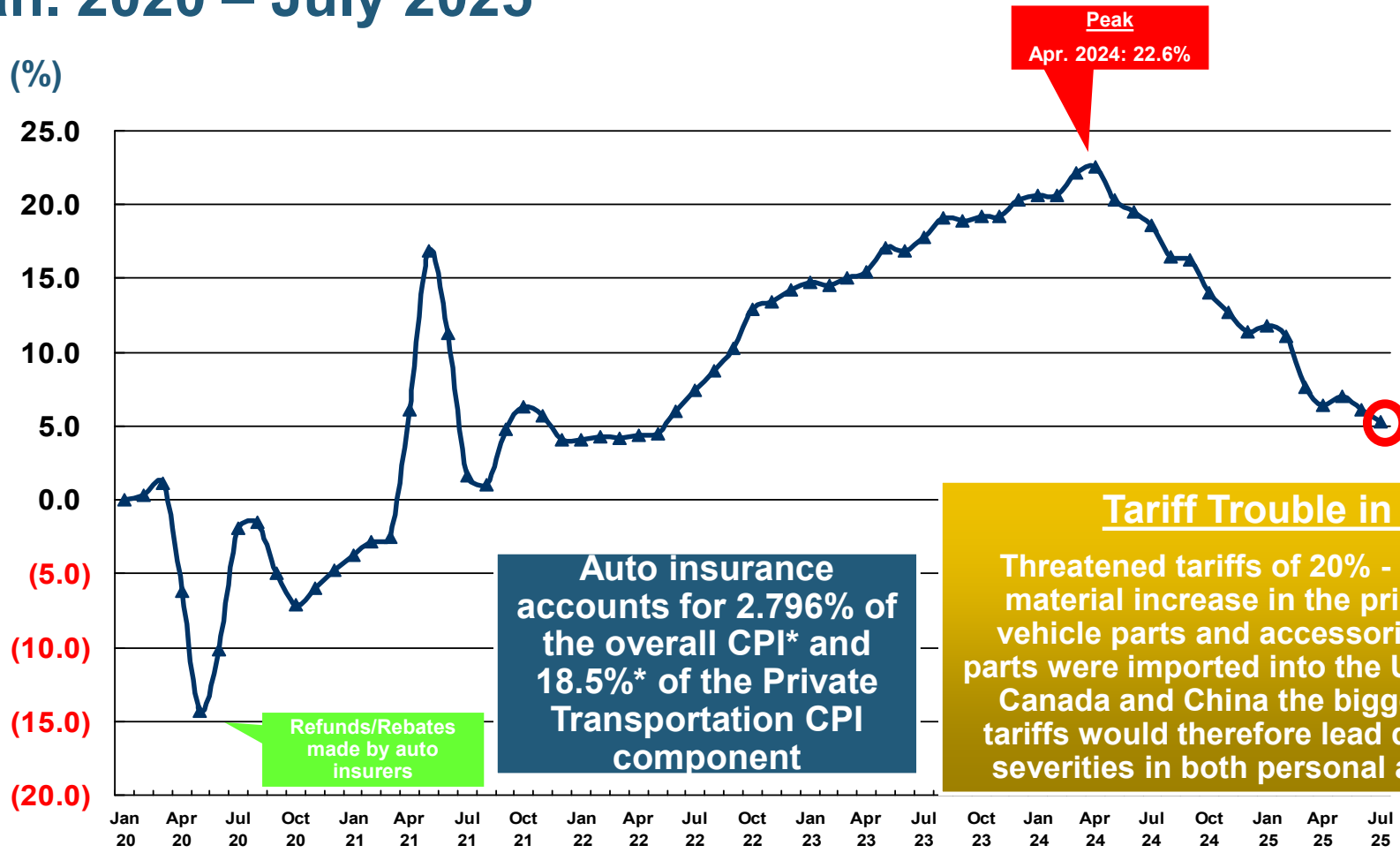
Source: US Department of Commerce, Wells Fargo Securities (8/25); Center for Risk and Uncertainty Management, University of South Carolina.

PPI: Price Index Changes for Major Household Appliance Manufacturing, Jan. 2020 – July 2025



Sources: US Bureau of Labor Statistics: https://fred.stlouisfed.org/series/PCU3352233522; Risk and Uncertainty Management Center, University of South Carolina.

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



- The auto insurance component of the Consumer Price Index in July was up 5.3%
- Smallest increase since June 2022

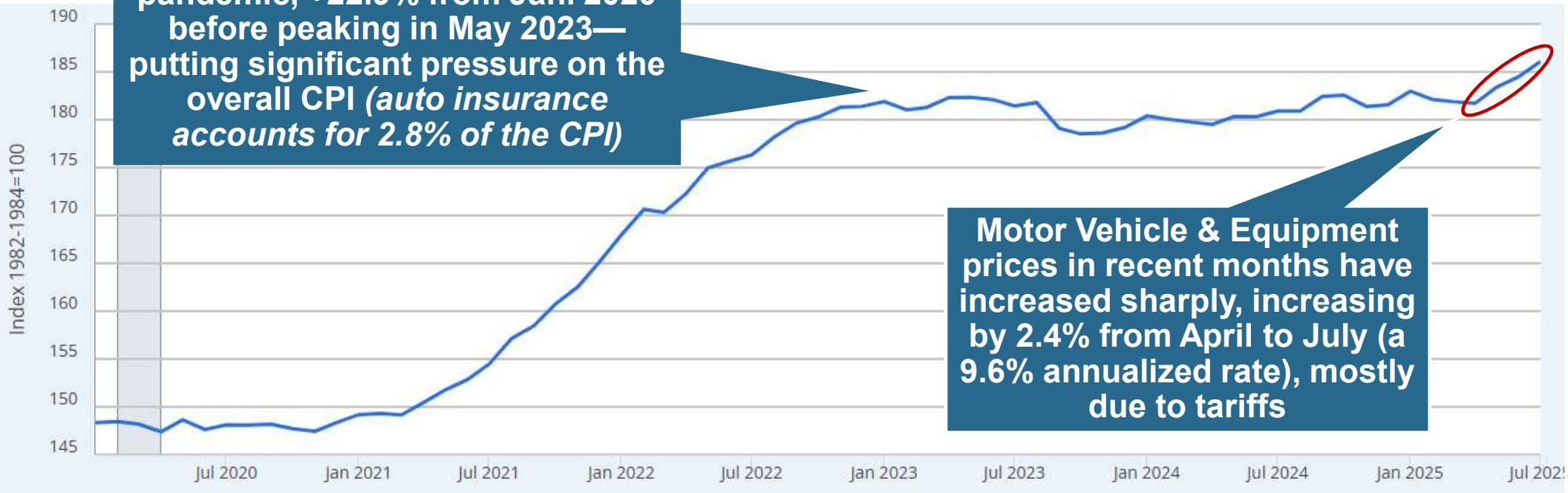
Auto insurance accounts for 2.796% of the overall CPI* and 18.5%* of the Private Transportation CPI component

Tariff Trouble in 2025-2026?

Threatened tariffs of 20% - 60% would result in a material increase in the price of imported motor vehicle parts and accessories ($88 billion in auto parts were imported into the US in 2022--with Mexico, Canada and China the biggest suppliers). Higher tariffs would therefore lead directly to higher claim severities in both personal and commercial auto.

*Weighting as of Dec. 2024: 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.

Price Index Changes for Motor Vehicle Parts & Equipment, Jan. 2020 – July 2025

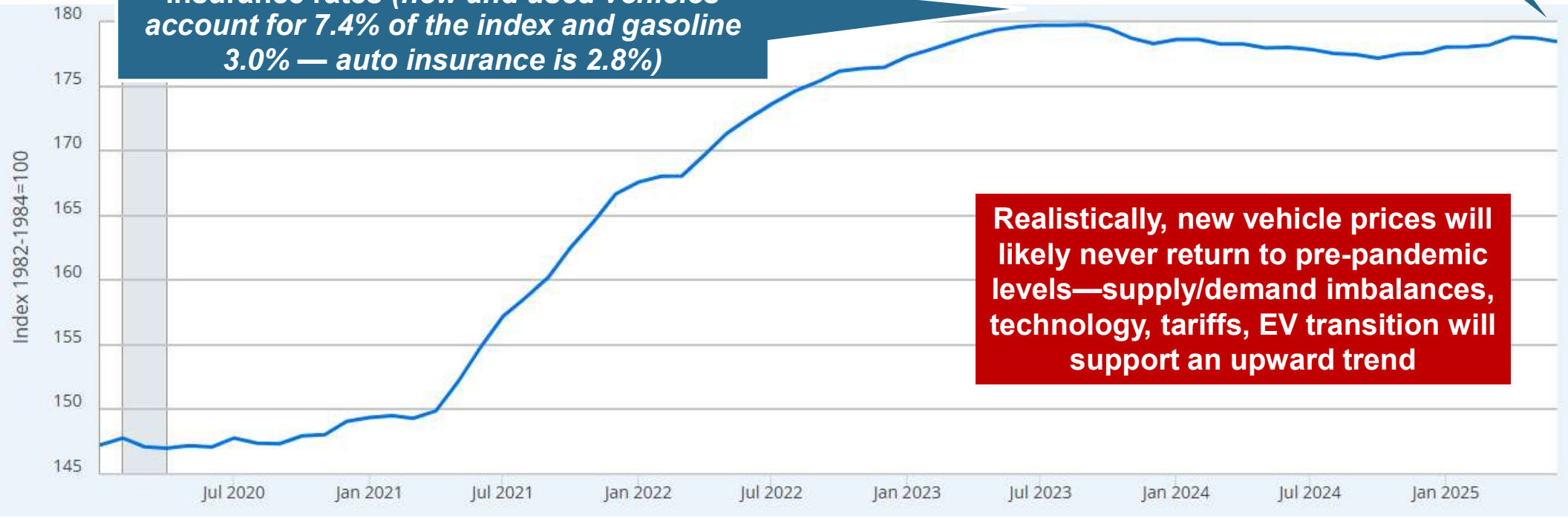


Sources: US Bureau of Labor Statistics: https://fred.stlouisfed.org/series/CUUR0000SETC; Risk and Uncertainty Management Center, University of South Carolina.

Price Index for New Vehicles, Jan. 2020 – June 2025

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 7.4% of the index and gasoline 3.0% — auto insurance is 2.8%)*

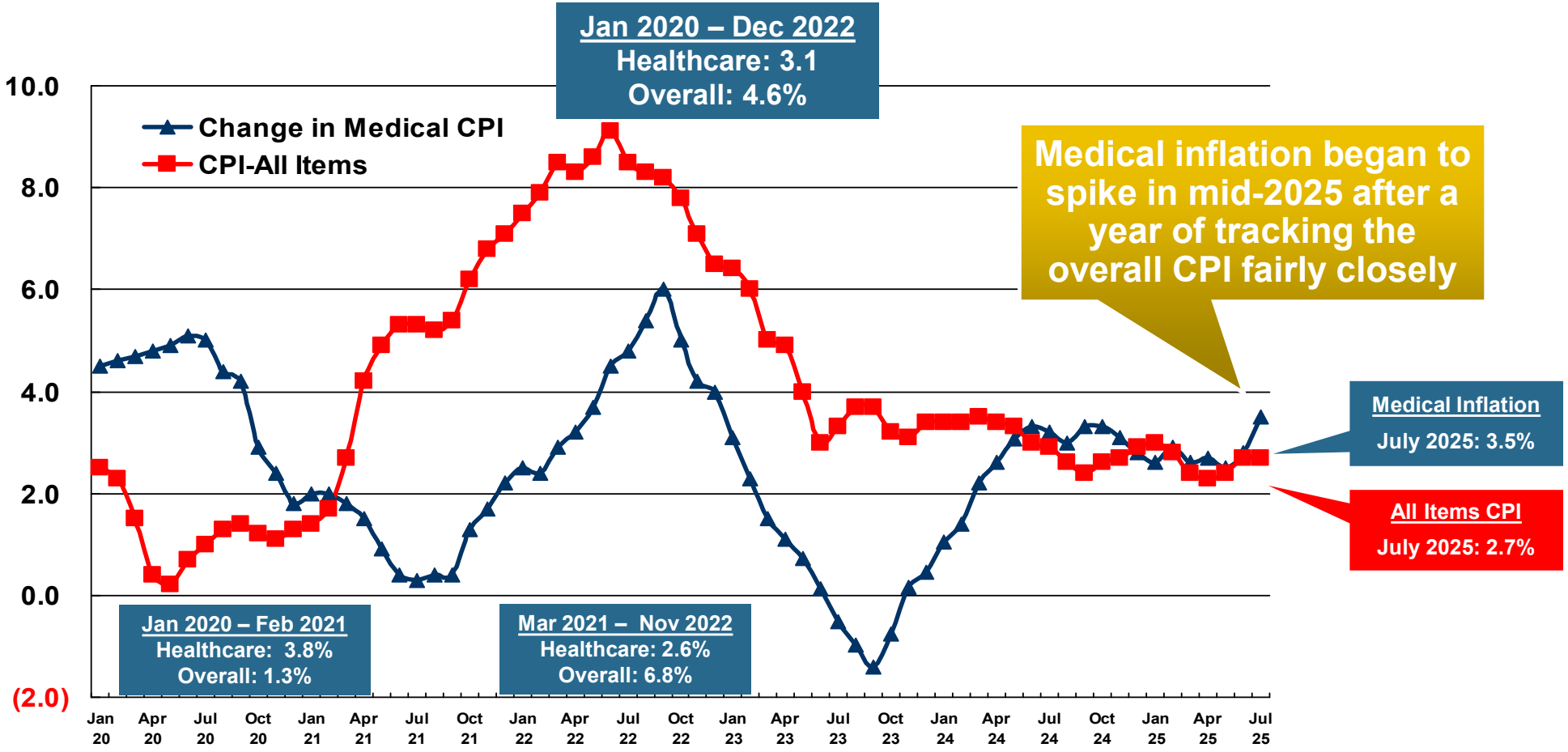
New car prices are relatively flat but still remain well above pre-Covid levels, +21.2% as of June 2025



Realistically, new vehicle prices will likely never return to pre-pandemic levels—supply/demand imbalances, technology, tariffs, EV transition will support an upward trend

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

Medical Cost Inflation vs. Overall CPI Since COVID, Jan. 2020 – July 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.

Commercial Lines Growth & Pricing Cyclicality

Economic and Tort Environment Create Pricing Pressure

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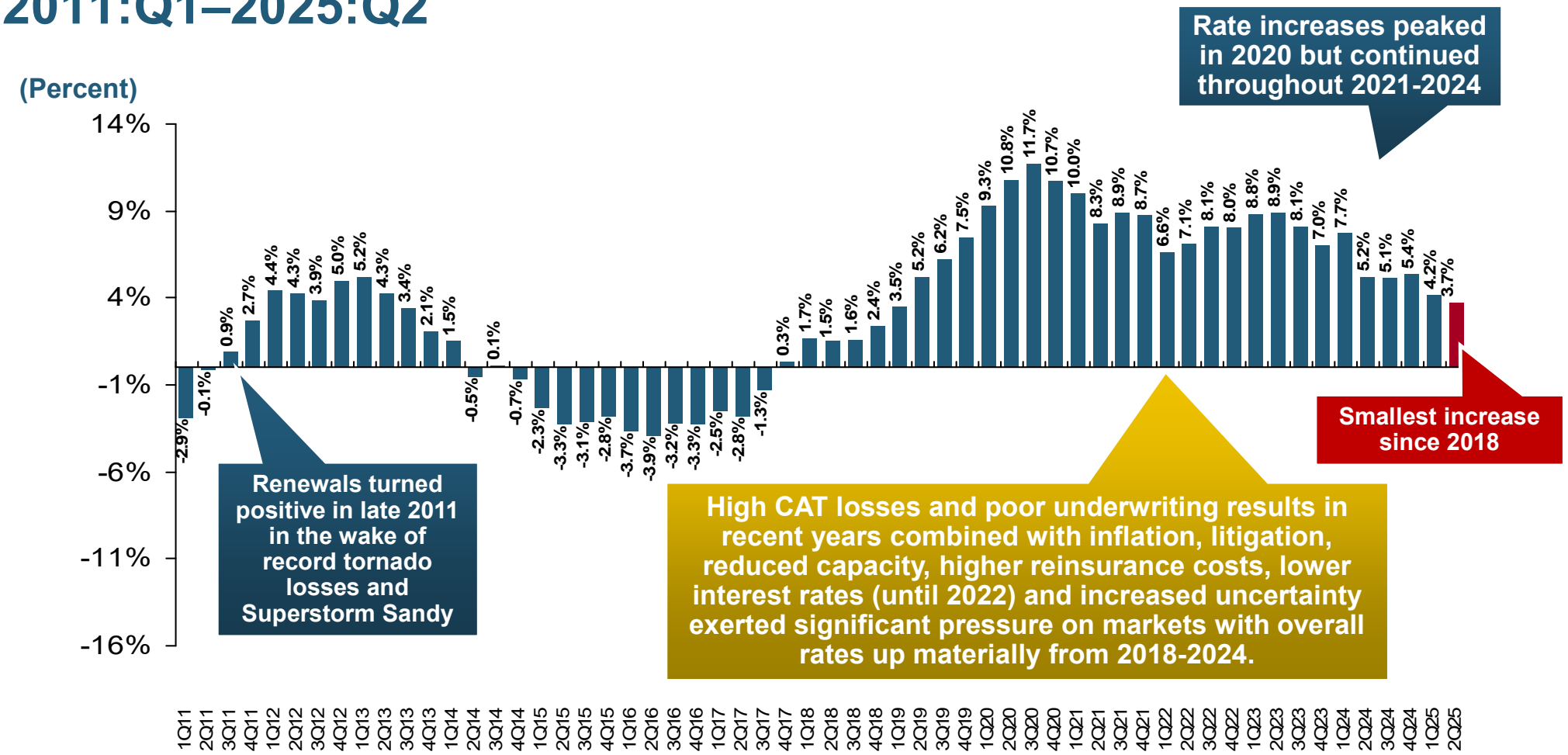
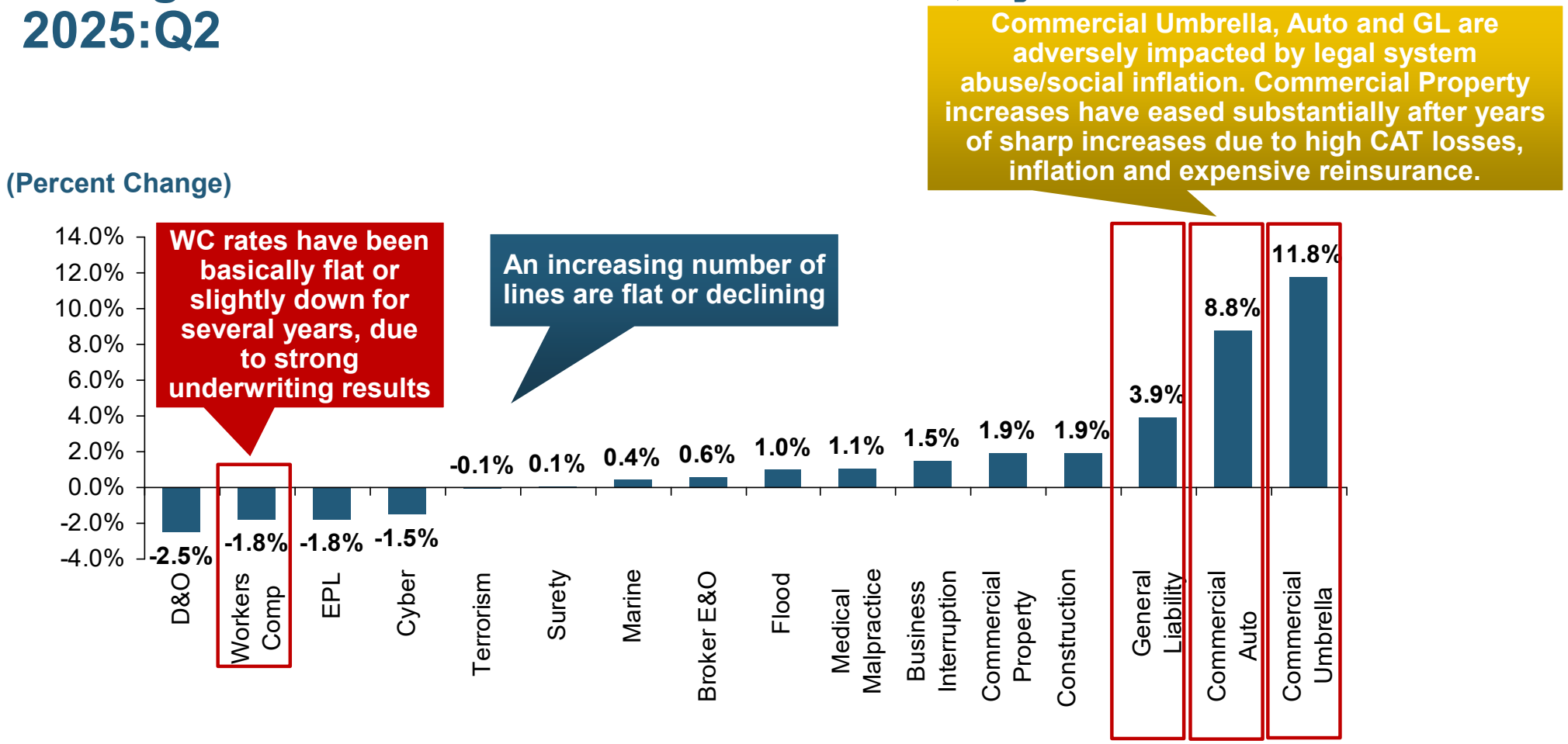
CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2025:Q2



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.

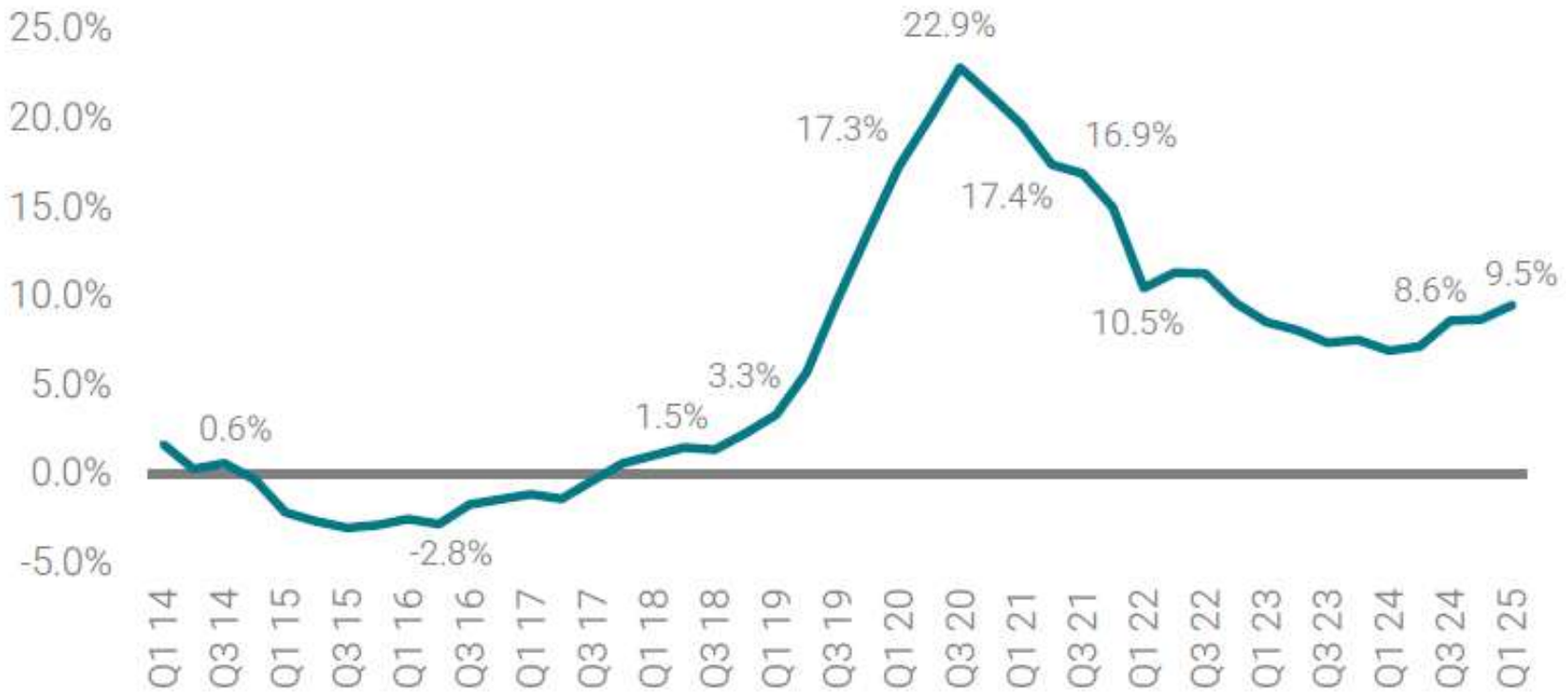
Change in Commercial Rate Renewals, by Line: 2025:Q2



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.

Premium Change for Commercial Auto, 2014:Q1 – 2025:Q1



Commercial Auto premiums have been on the rise for nearly a decade

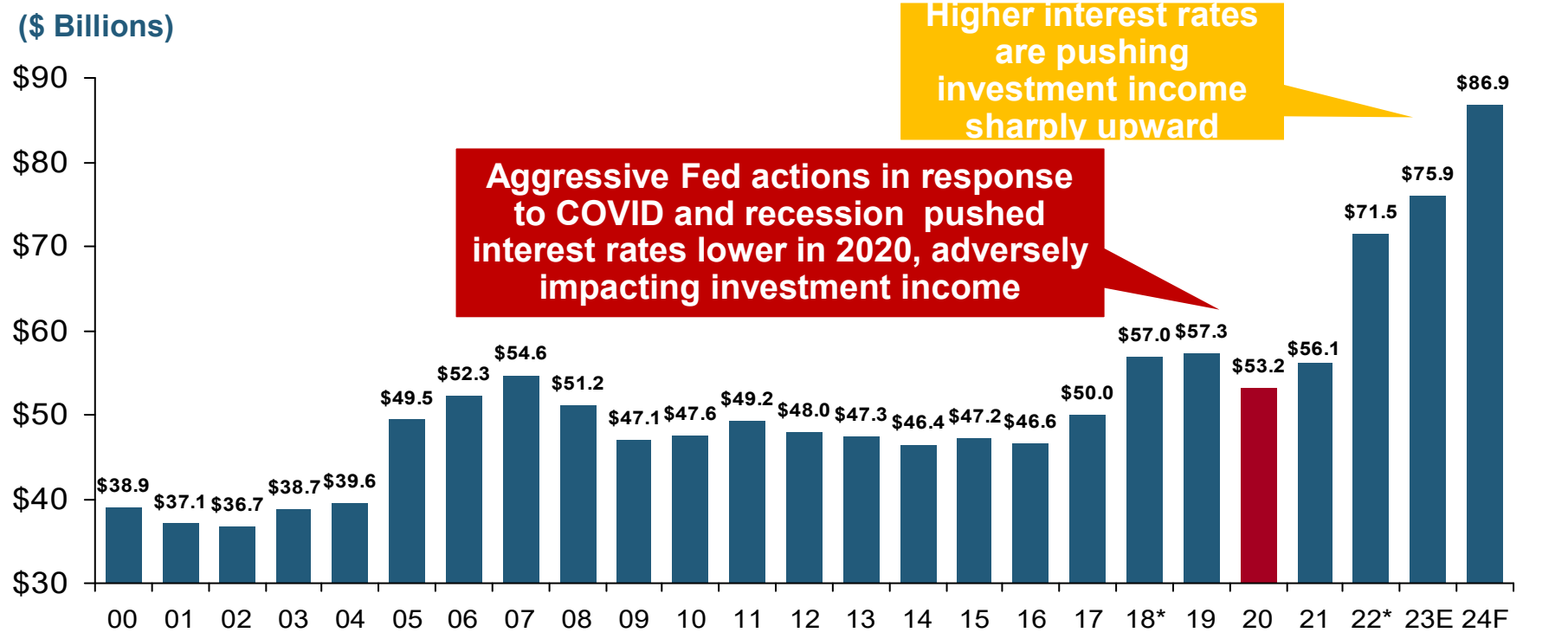
Source: Council of Insurance Agents Commercial P/C Market Index, 2025:Q1.

Investments:
Wall Street's Wild Ride Continues

Investment Performance Is a Key Driver of Insurer Profitability

How Has the Hawkish Fed Impacted Insurer Portfolios?

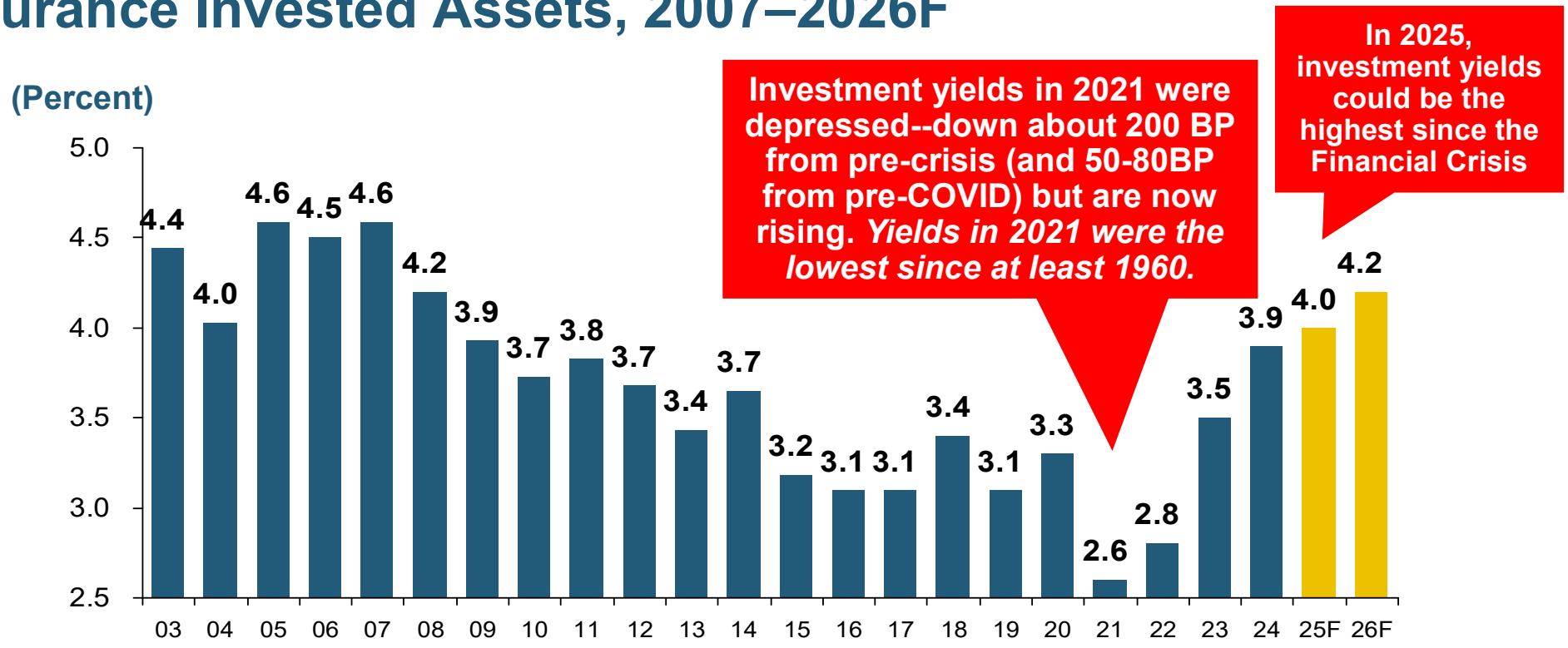
Property/Casualty Insurance Industry Investment Income: 2000–2024F*



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, 2007–2026F

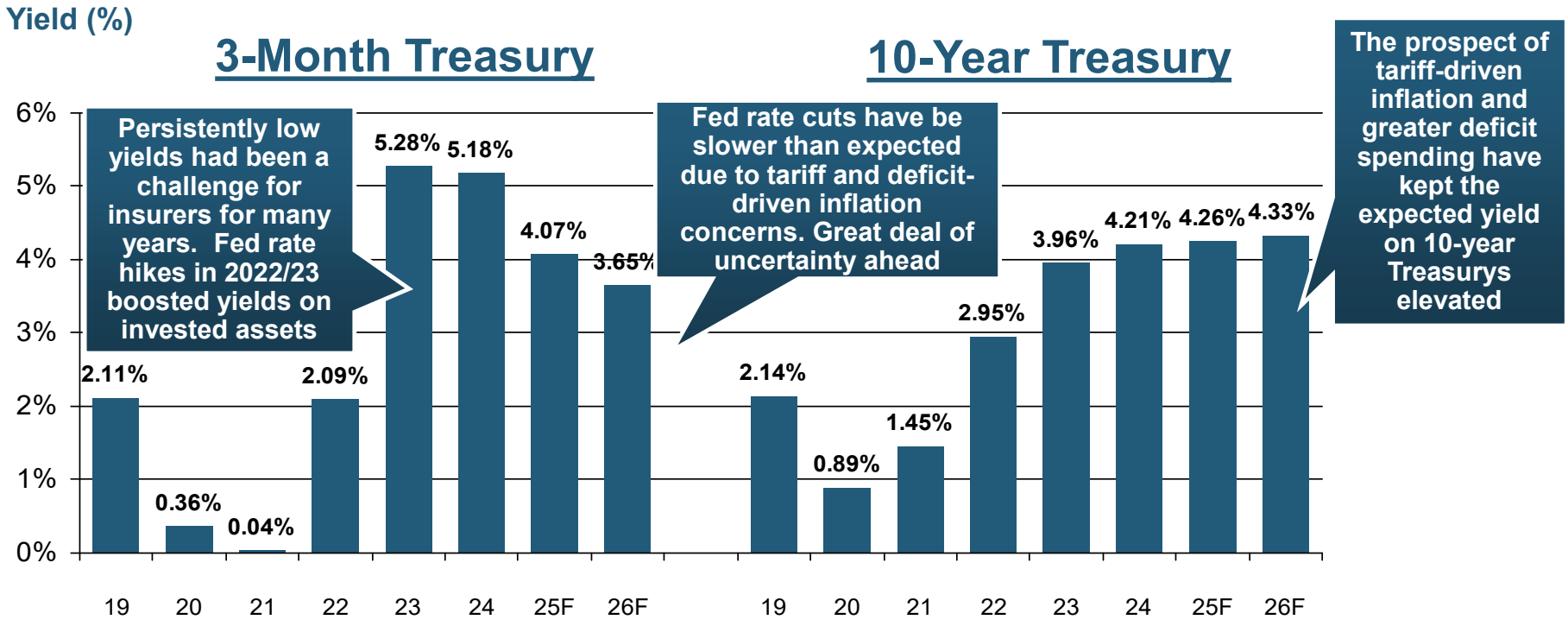


The yield on invested assets remains depressed relative to pre-financial crisis and pre-COVID yields. Fed rate hikes in 2022-23 are lifting yields and investment income.

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. 2024-26F from Swiss Re (Apr. 2025). Risk and Uncertainty Management Center, Univ. of South Carolina.

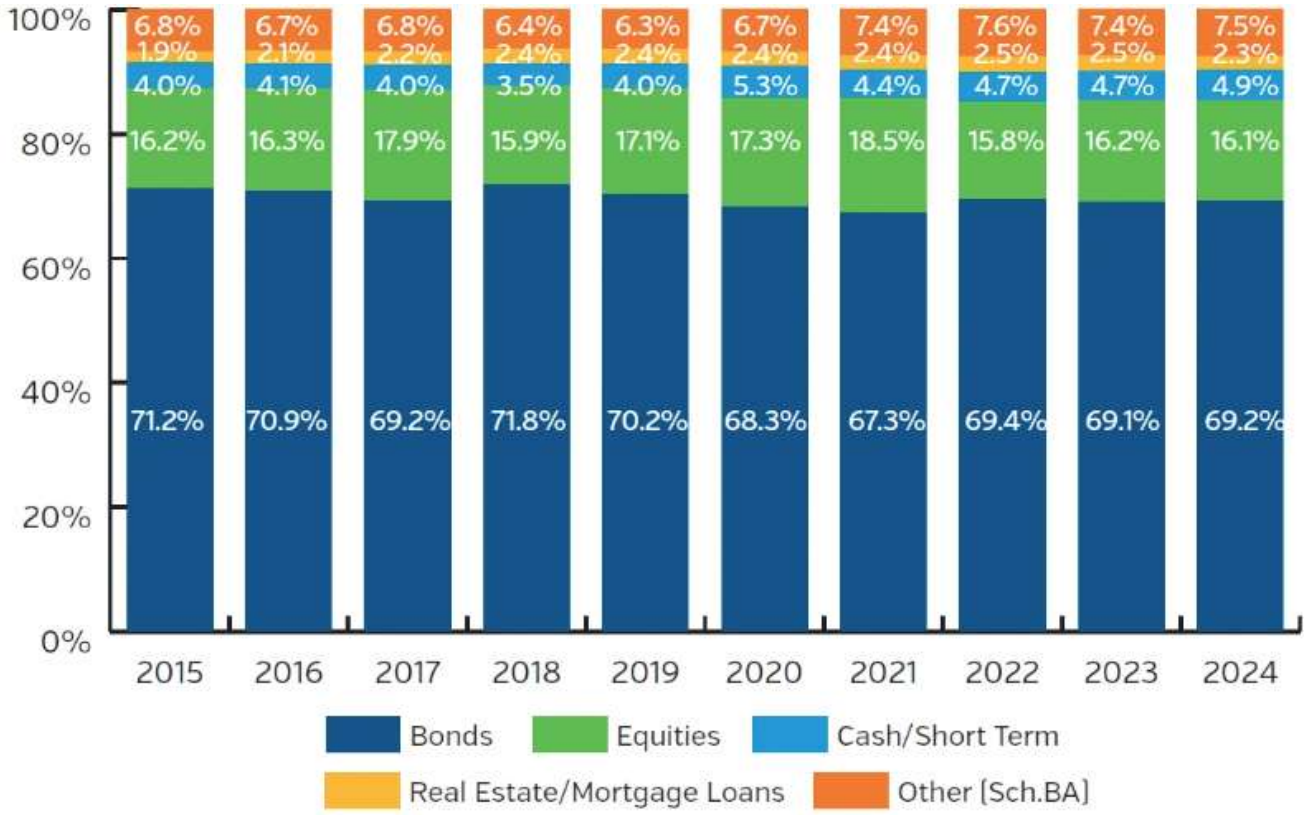
Interest Rate Forecasts: 2019 – 2026F: *Higher for Longer*



Higher interest rates provided a modest tailwind for insurers. Enormous uncertainty regarding future Fed actions and questions about the degree of Fed indepence mount.

Sources: Wells Fargo Securities (8/25); Risk and Uncertainty Management Center, University of South Carolina.

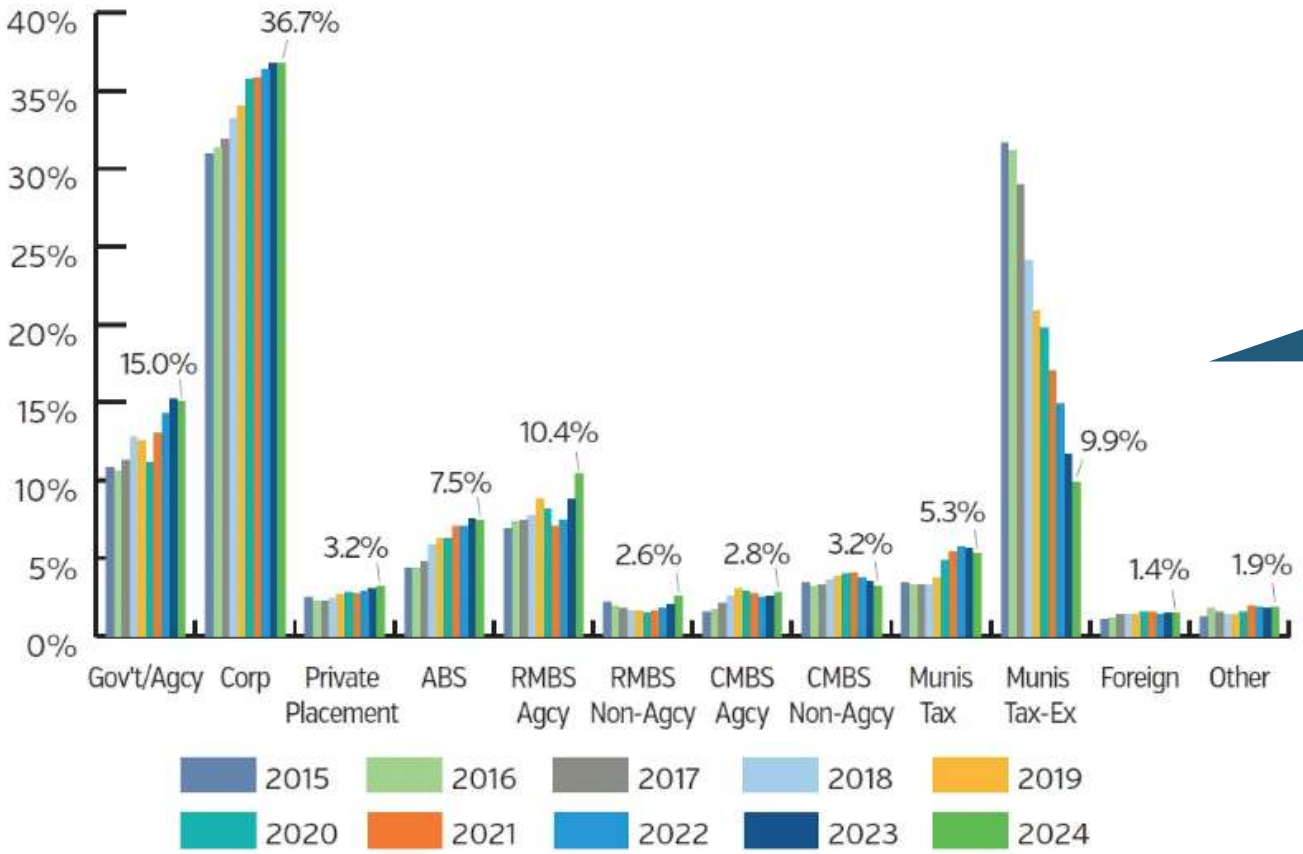
P/C Investments: Broad Sector Asset Allocation—Excl. BRK



Over the past decade, bond allocations shrank while Cash, Sched BA and RE/Mortgages rose.

Source: NEAM, S&P Capital IQ: "2024 P&C Industry Investment Highlights: Momentum Continues, but Slows" (July 16, 2025).

P/C Investments: Fixed Income Sector Allocation



Over the past decade, allocations to Munis shrank dramatically with most other fixed income sectors increasing

Source: NEAM, S&P Capital IQ: "2024 P&C Industry Investment Highlights: Momentum Continues, but Slows" (July 16, 2025).

Legal System Abuse (Social Inflation) & Litigation Trends

Rising Litigation Costs Are a Concern for Businesses Large and Small—*and Their Insurers*

Major Driver of Rate Across Multiple Lines

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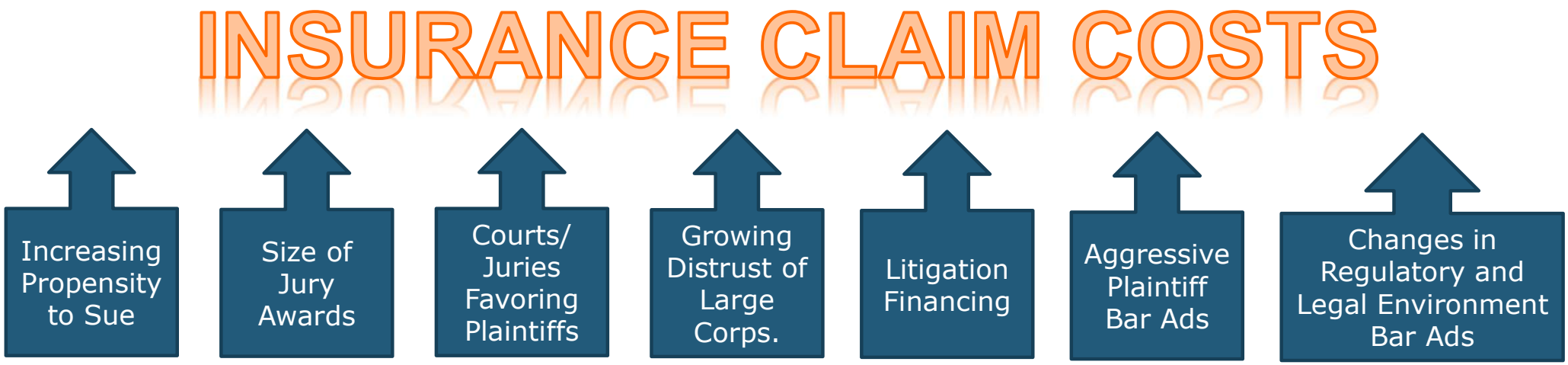
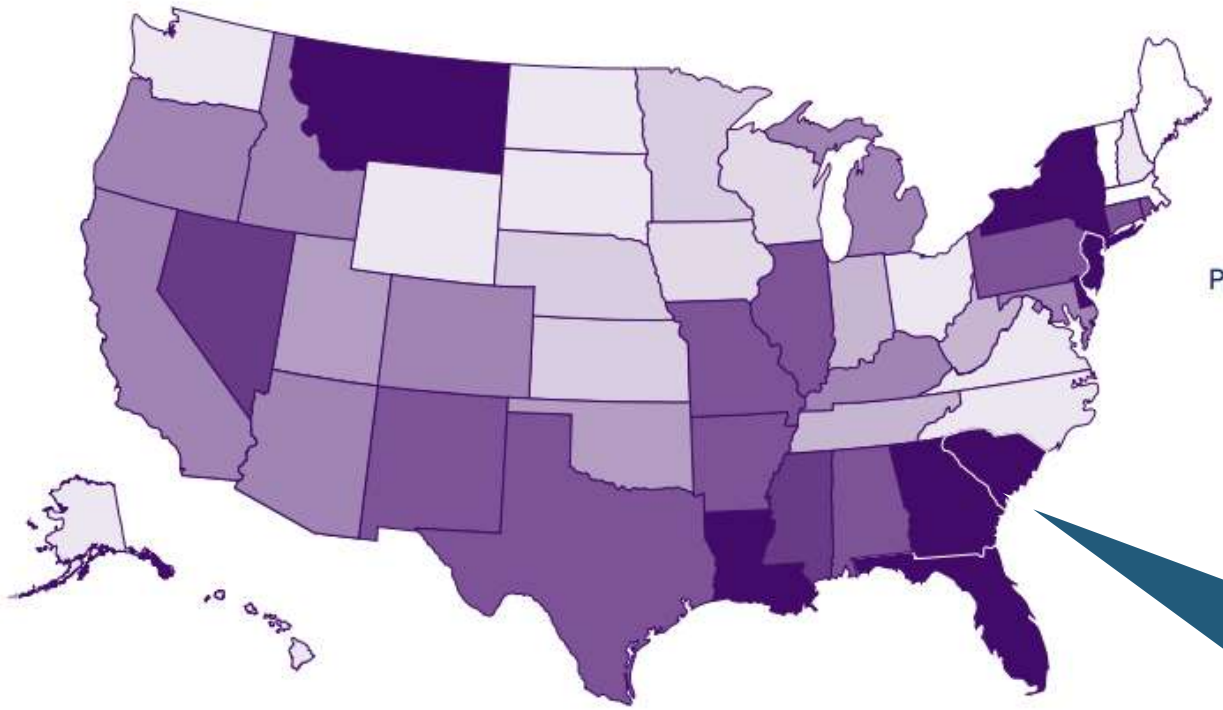
Social Inflation: Many Interrelated Causes, Difficult to Manage



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).

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

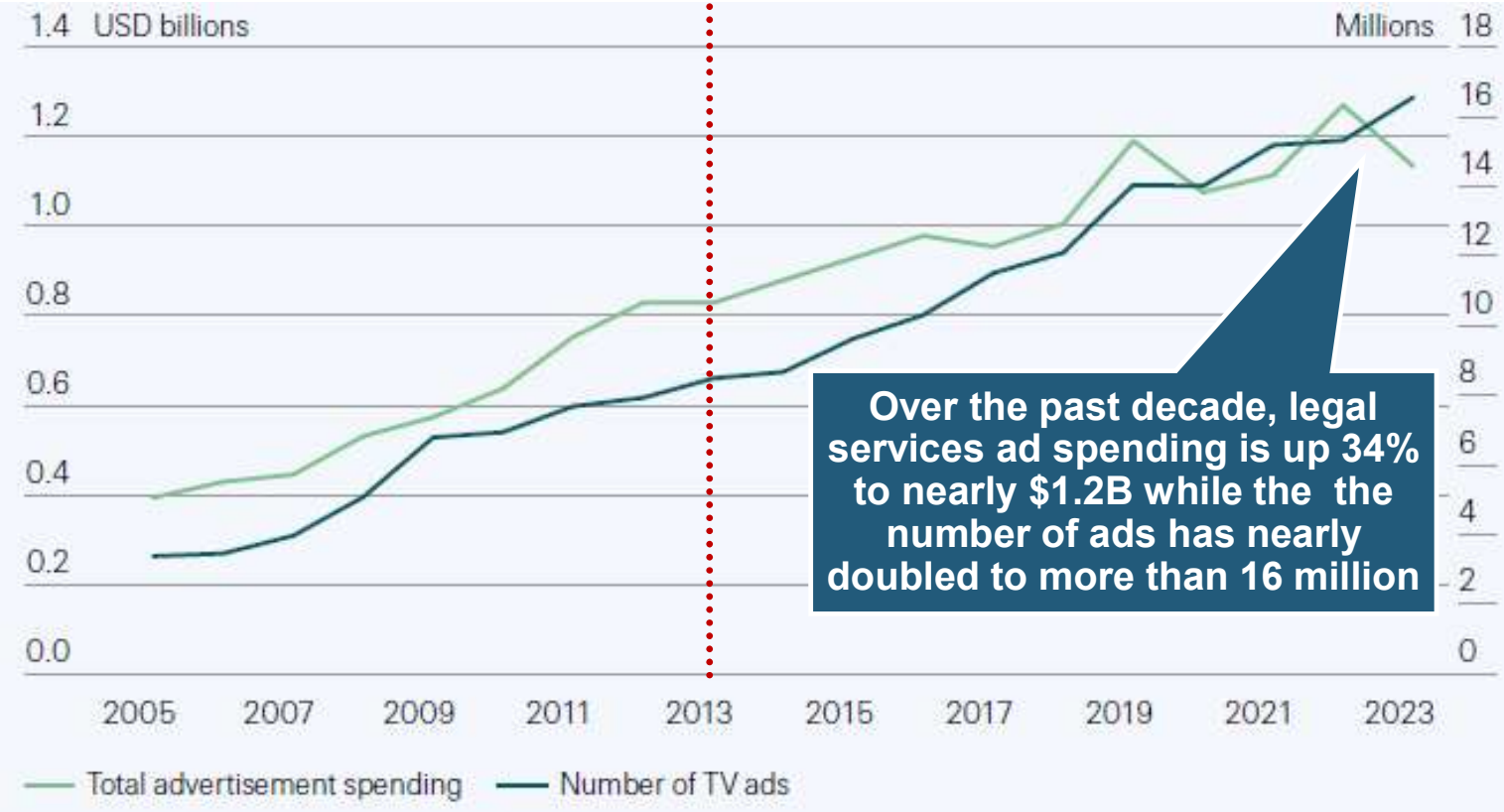


On a Per Household basis, the US "tort tax" equated to $4,207 in 2022

Tort costs as a share of GDP stood at 2.07% for the US overall in 2022 but are materially higher in the Southeast

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.

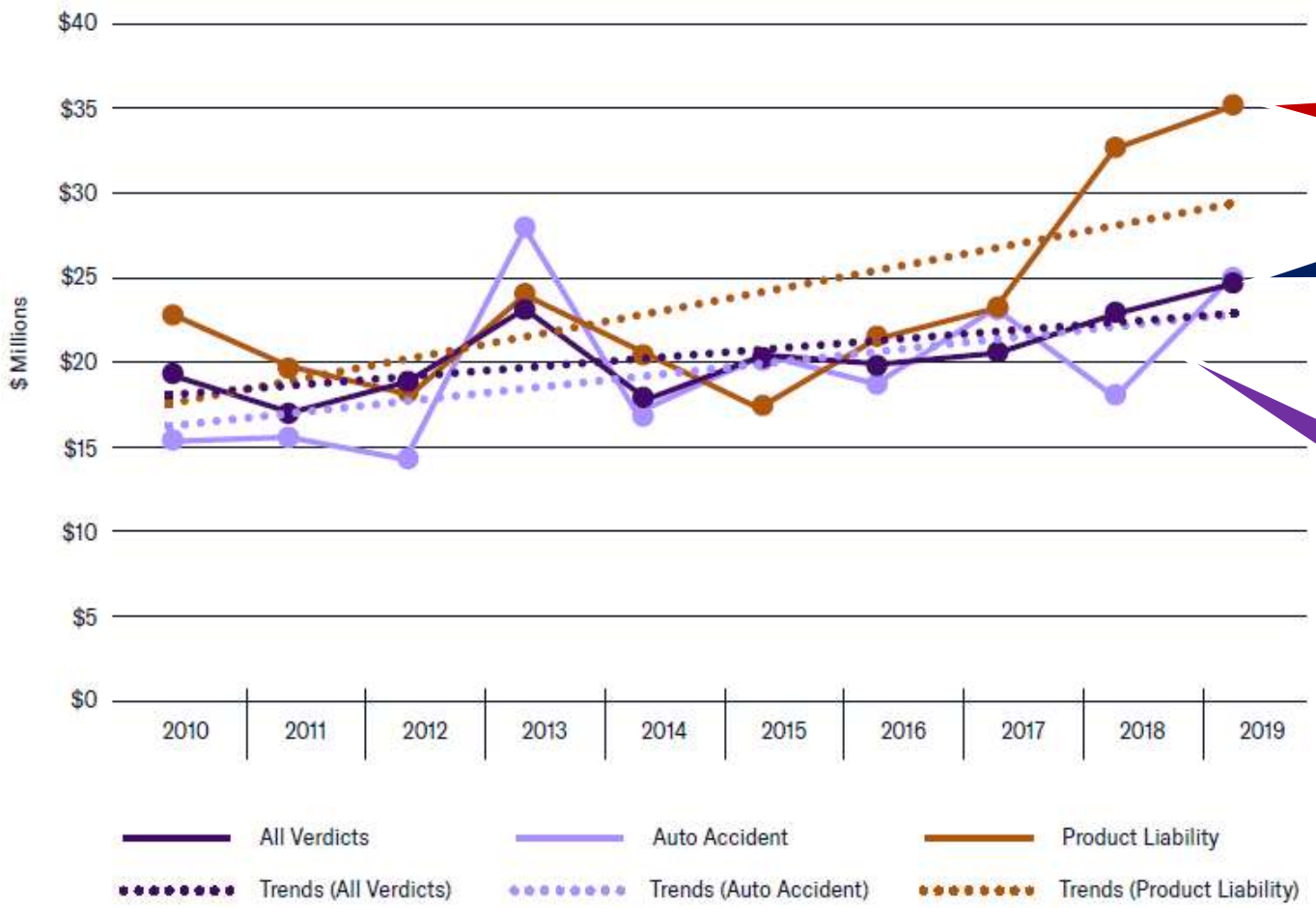
Attorney Advertising Remains Very Aggressive



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.

Median Nuclear Verdict and Trend Line: 2010 – 2019*



Products Liability

+53.2% from $23.0M in 2010 to $35.1M in 2019

All Nuclear Verdicts

+27.5% from $19.3M in 2010 to $24.6M in 2019

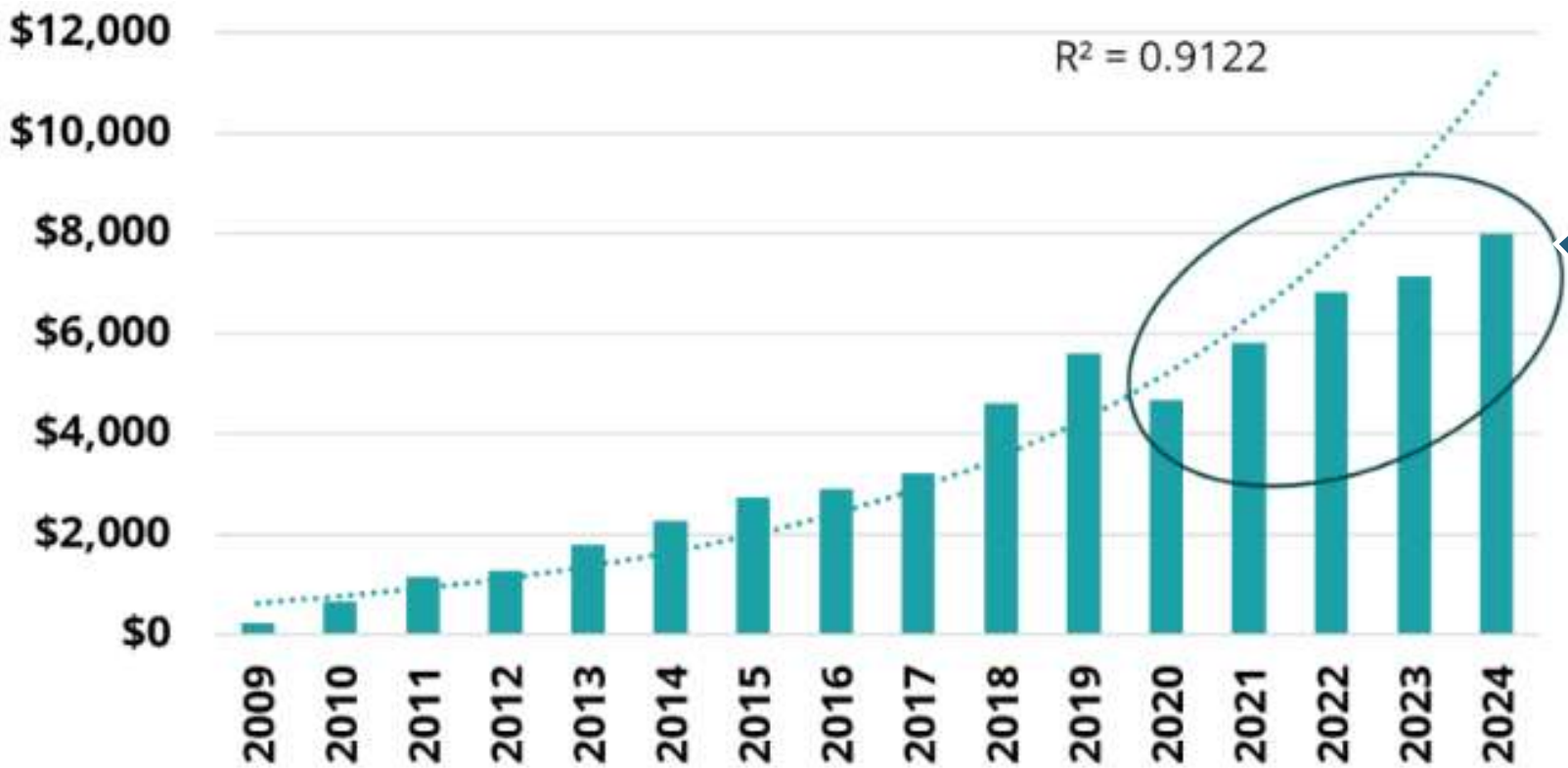
Auto Accident

+63.2% from $15.2M in 2010 to $24.8M in 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.

Estimated Impact of Social Inflation on Commercial Auto, 2009 – 2024 ($ millions)



Comparing current loss development patterns to those from past suggests that social inflation is pushing up Commercial Auto costs by about $8B per year as of 2024.

Source: S&P Capital IQ, Insurance Insider US.

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

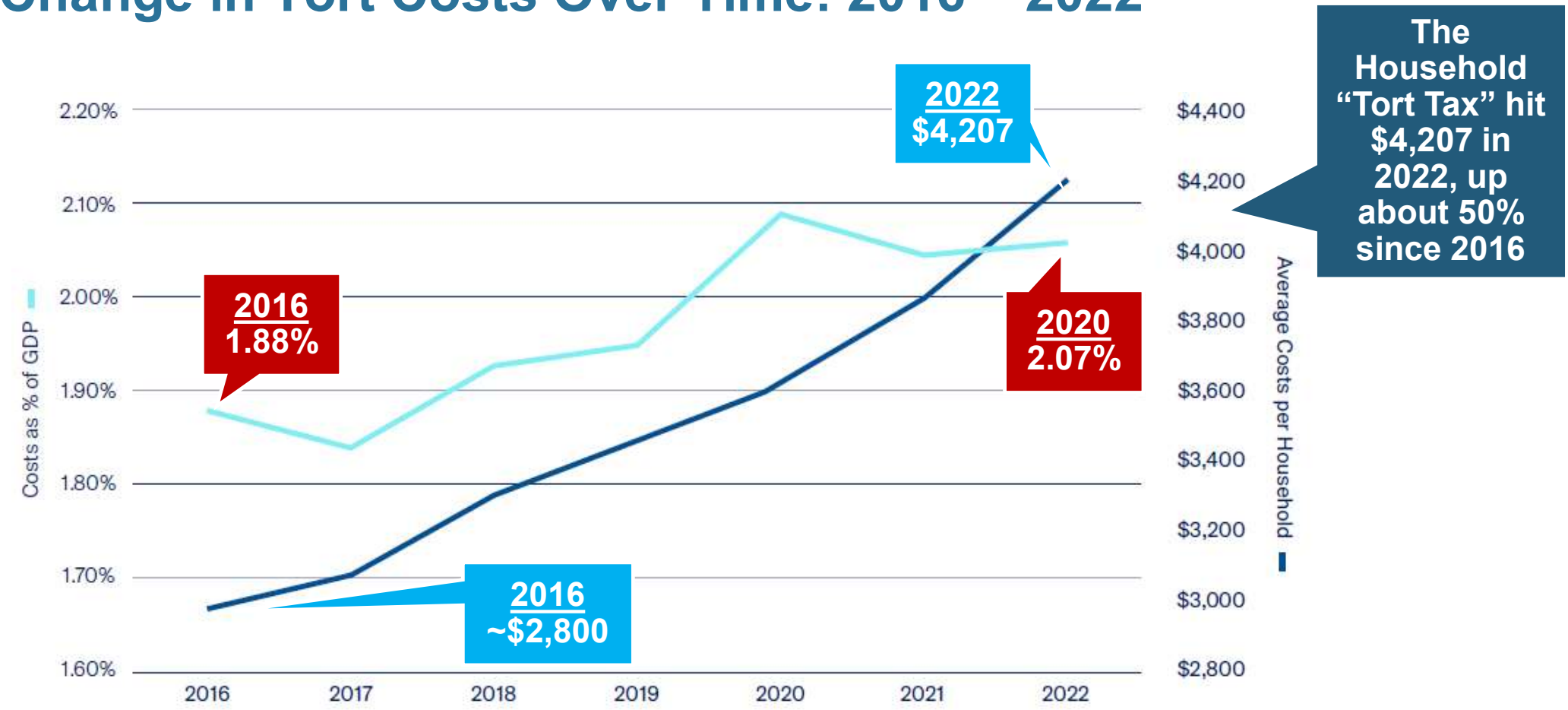
		2016	2017	2018	2019	2020	2021	2022	Average Annual Growth
Commercial Liability									
General/Professional	[1]	$176	$171	$194	$205	$230	$256	$291	8.8%
Medical	[2]	$14	$13	$14	$15	$16	$17	$17	4.3%
Automobile	[3]	$33	$35	$39	$44	$45	$51	$58	10.1%
Commercial Liability Total	[4]	$222	$220	$247	$264	$290	$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.

SUMMARY

- **The P/C Insurance Industry Remains Strong, Stable, Sound and Secure**
  - **Auto lines, property and reinsurance segments were stressed but are improving**
  - **E&S markets have experienced outsized growth**
- **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**
- **Recession Risk Has Receded Materially**
- **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**
- **Legal System Abuse Issues Remain a Long-Term Challenge and Major Cost Driver**

UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

Thank you for your time and your attention!

For a copy of this presentation, email me at robert.hartwig@moore.sc.edu or

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