Cost Drivers in Georgia's P/C Insurance Markets *Focus on Homeowners Insurance*

Georgia House Committee on Insurance Market Reform

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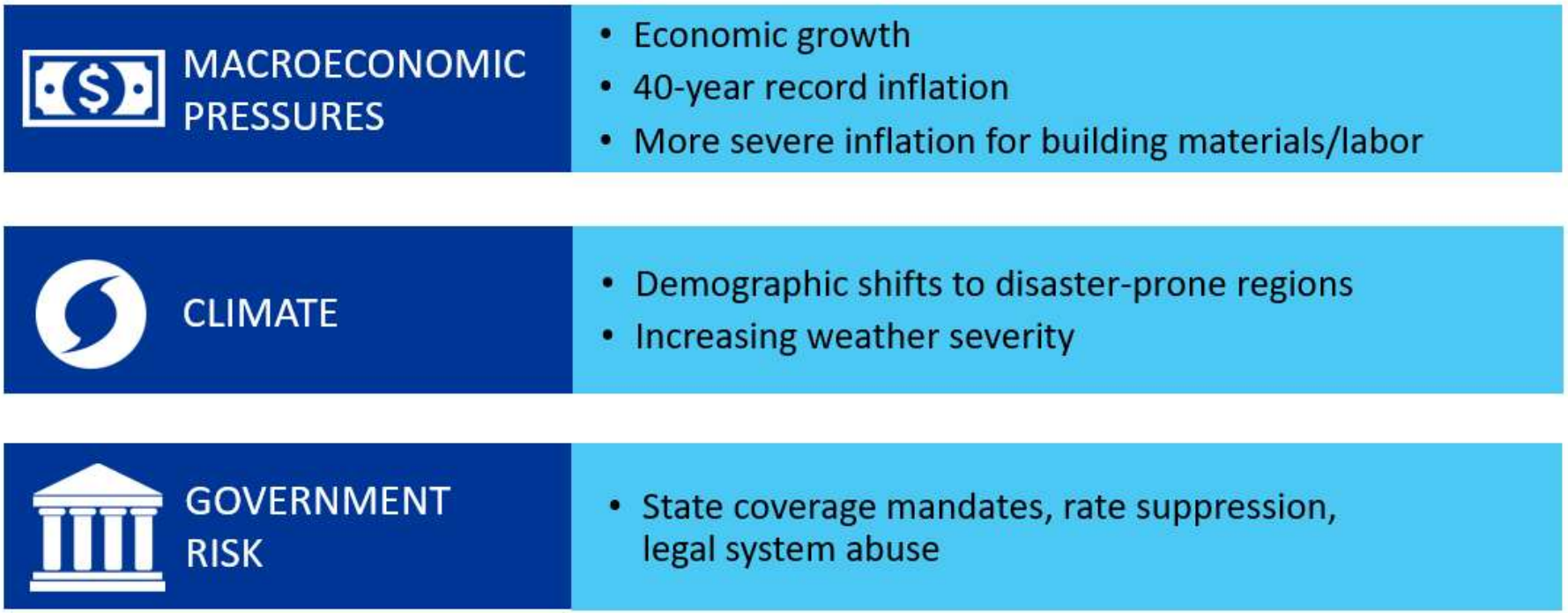
Overview: Cost Drivers in Georgia's Home Insurance Markets

- State of the Homeowners Insurance Market
- P/C and Homeowners Insurance Profitability Trends
- Underwriting Profit Analysis: Key Lines and State Comparisons
- Catastrophe Loss Trends
- Demographics as a Driver of Loss
- Inflation and Tariff Impacts
- Suggestions to Manage Home Insurance Premiums
- Q&A

State of the Georgia Homeowners Insurance Market

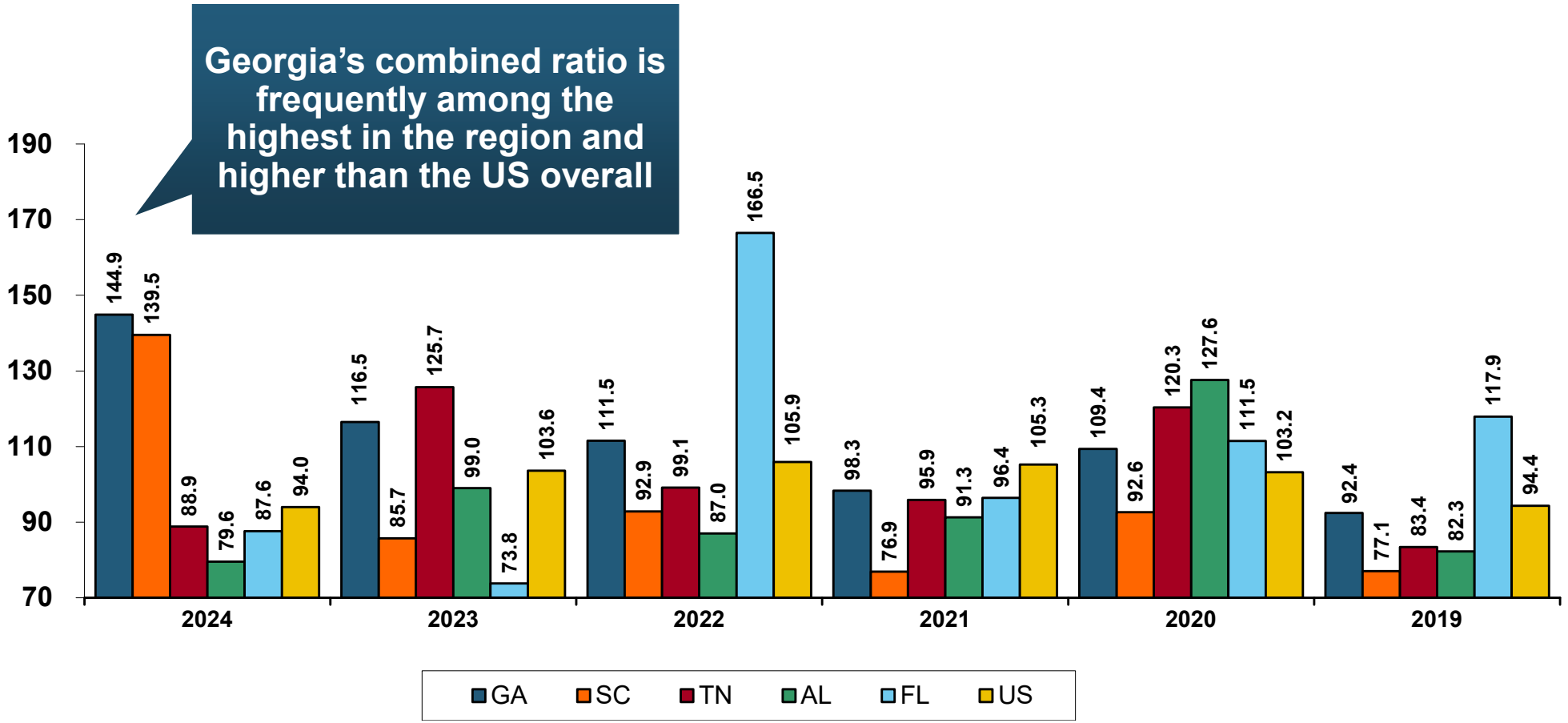
High Catastrophe Losses, Inflation and Demographics Are Challenges for Insurers and Policyholders in Georgia and Across the Country

Drivers of Increasing Homeowners Insurance Losses



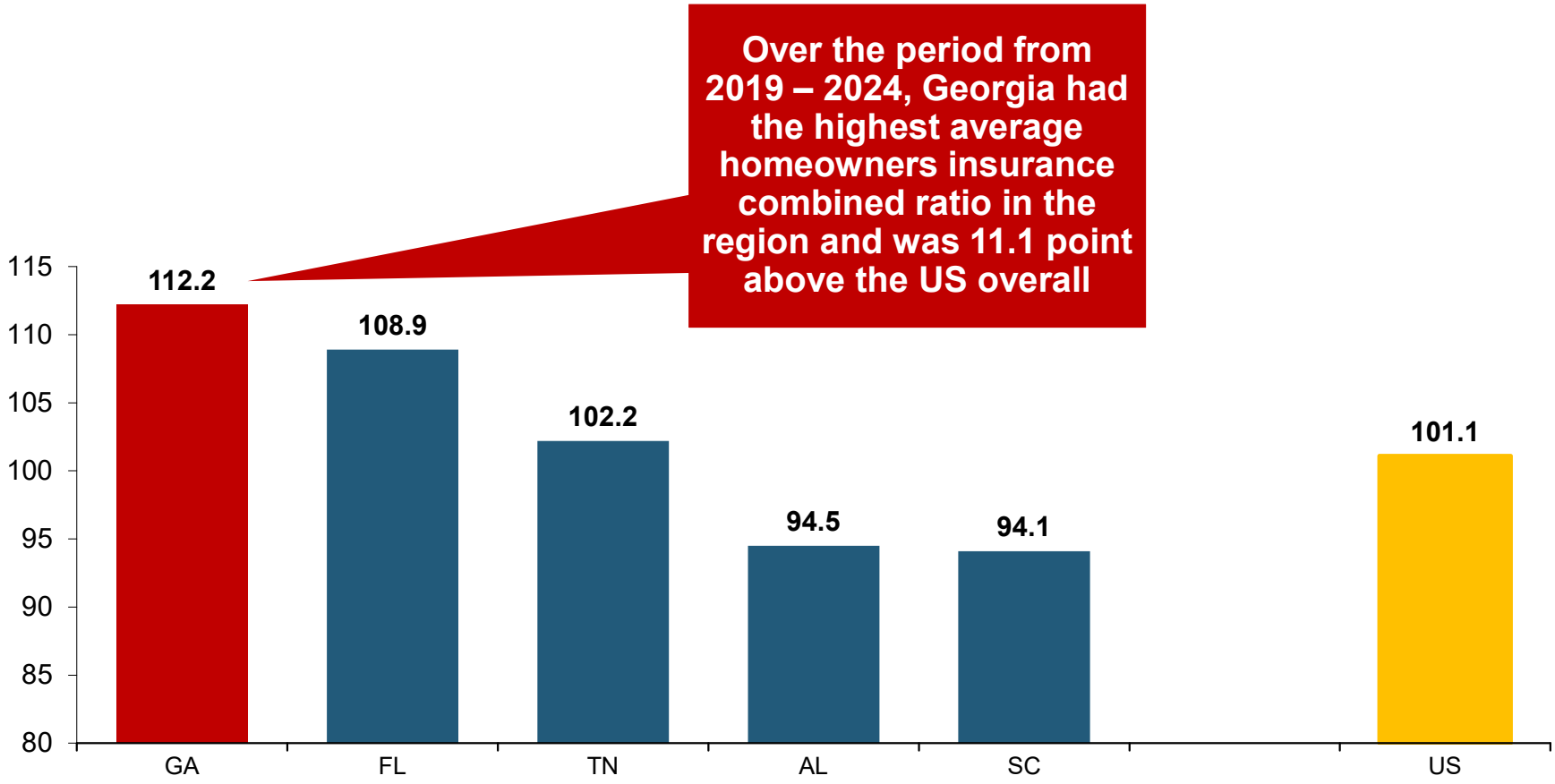
Sources: Adapted from APCIA presentation to the Congressional Property Insurance Briefing Roundtable (June 2025).

Homeowners Combined Ratio for GA, Nearby States and US: 2019 – 2024



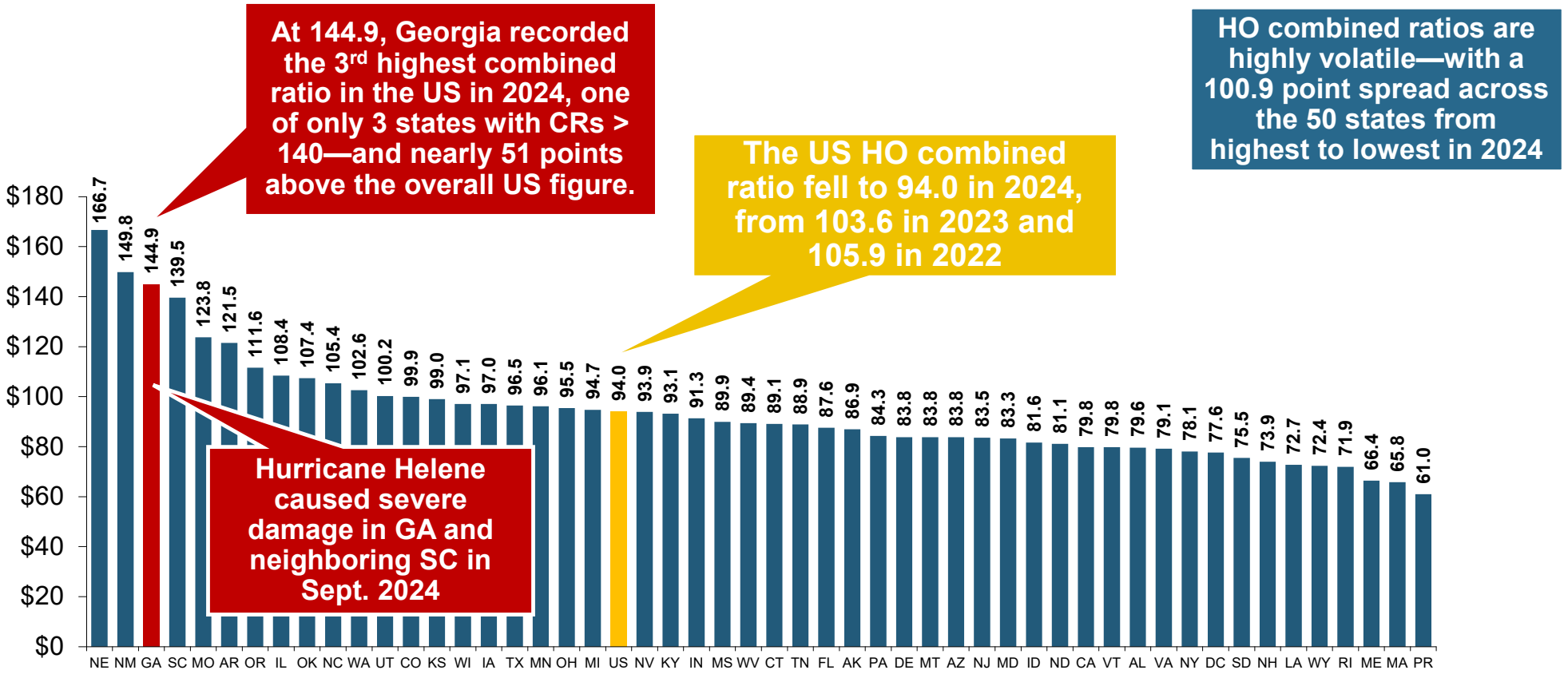
Sources: American Property Casualty Insurance Association, based on NAIC Annual Statement database via S&P Global Market Intelligence; University of South Carolina Risk & Uncertainty Management Center.

5-Year Average Homeowners Insurance Combined Ratio (2019 – 2024) for GA, Nearby States and US



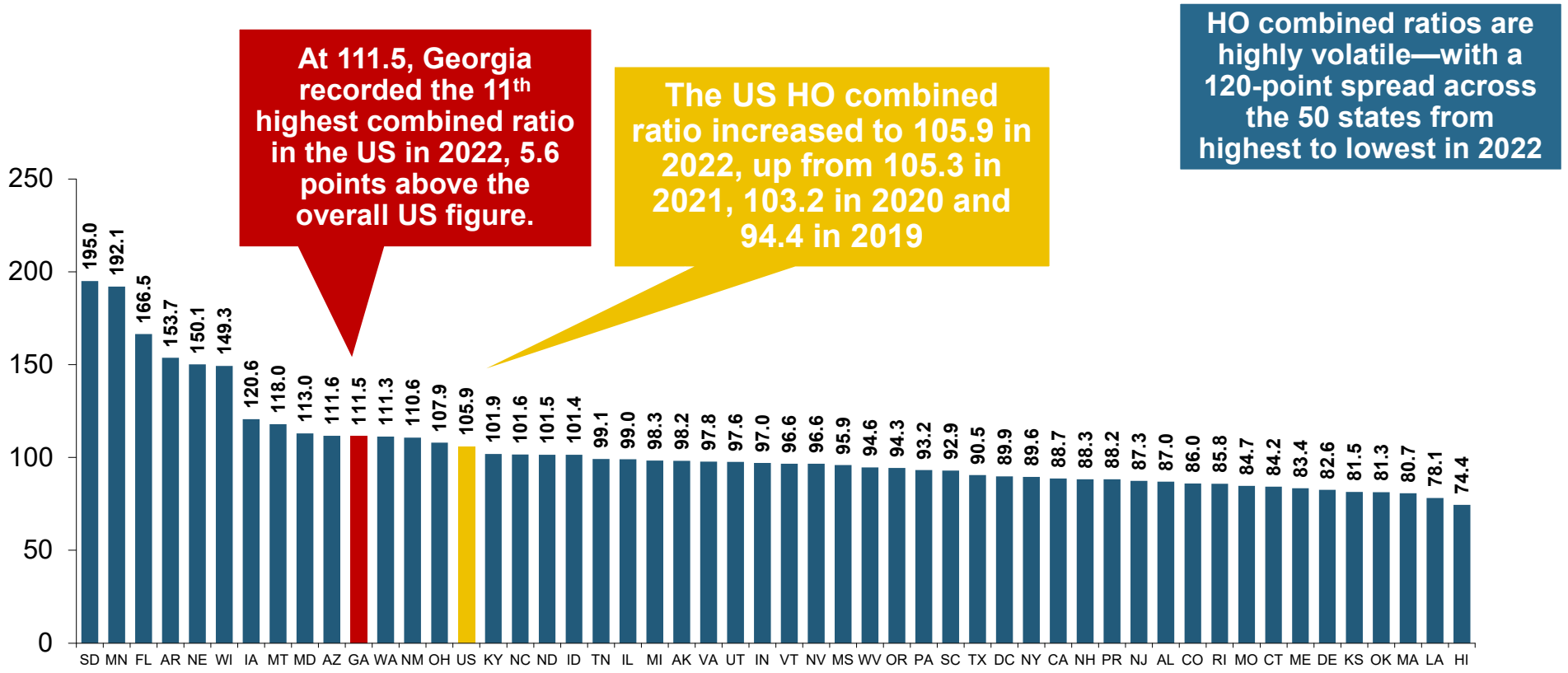
Sources: American Property Casualty Insurance Association, based on NAIC Annual Statement database via S&P Global Market Intelligence; University of South Carolina Risk & Uncertainty Management Center.

Homeowners Insurance Combined Ratio by State in 2024



Sources: American Property Casualty Insurance Association, based on NAIC Annual Statement database via S&P Global Market Intelligence; University of South Carolina Risk & Uncertainty Management Center.

Homeowners Insurance Combined Ratio by State in 2022



Sources: American Property Casualty Insurance Association, based on NAIC Annual Statement database via S&P Global Market Intelligence; University of South Carolina Risk & Uncertainty Management Center.

Homeowners Insurance Combined Ratios: US, 2010 – 2025F

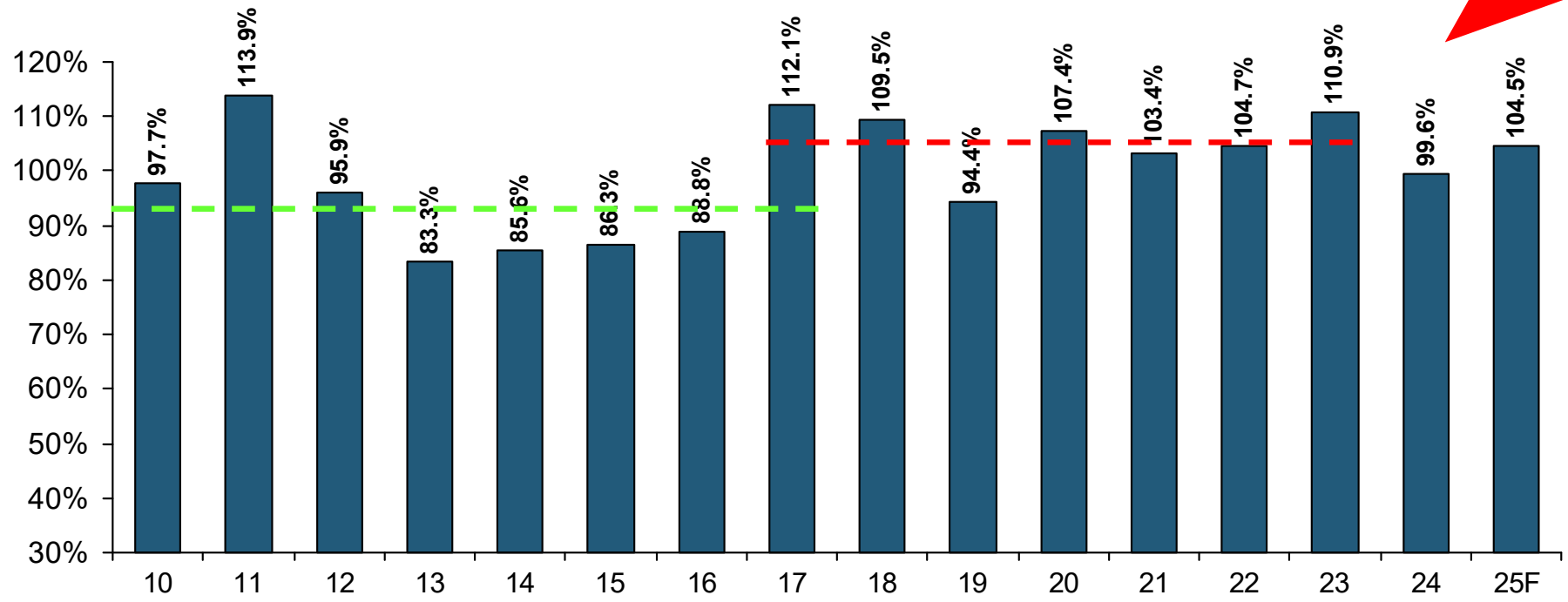
Average:

99.0% (2010-2023)

93.1 (2010-2016)

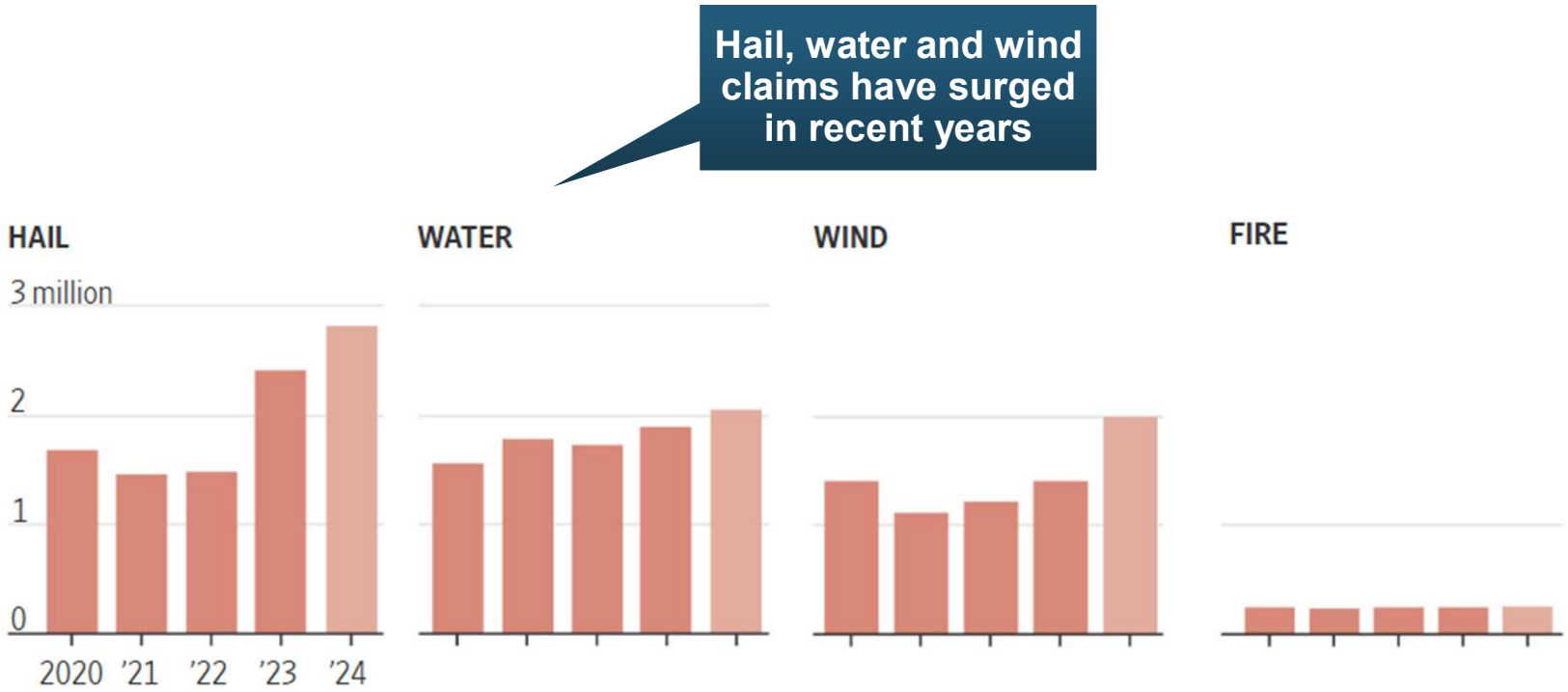
106.1% (2017-2023)

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.

Number of Homeowners Insurance Claims in the US, by Type of Peril, 2020 – 2024*



*2024 data are through November.

Sources: Verisk Analytics from the WSJ (12/13/24) "Your Home-Insurance Bill Has Only One Way to Go: Up." Accessed at https://www.wsj.com/finance/homeowners-insurance-rates-disasters-4f3e826d?mod=article_inline; Risk and Uncertainty Management Center, University of South Carolina.

Profitability of Homeowners Insurance Markets

Losses in the Homeowners Insurance Line Are Highly Variable and Volatile, Making Sustained Profitability Challenging for Insurers

ROE: US Homeowners Insurance vs. Property/Casualty All Lines and Fortune All Industry, 2013–2023*

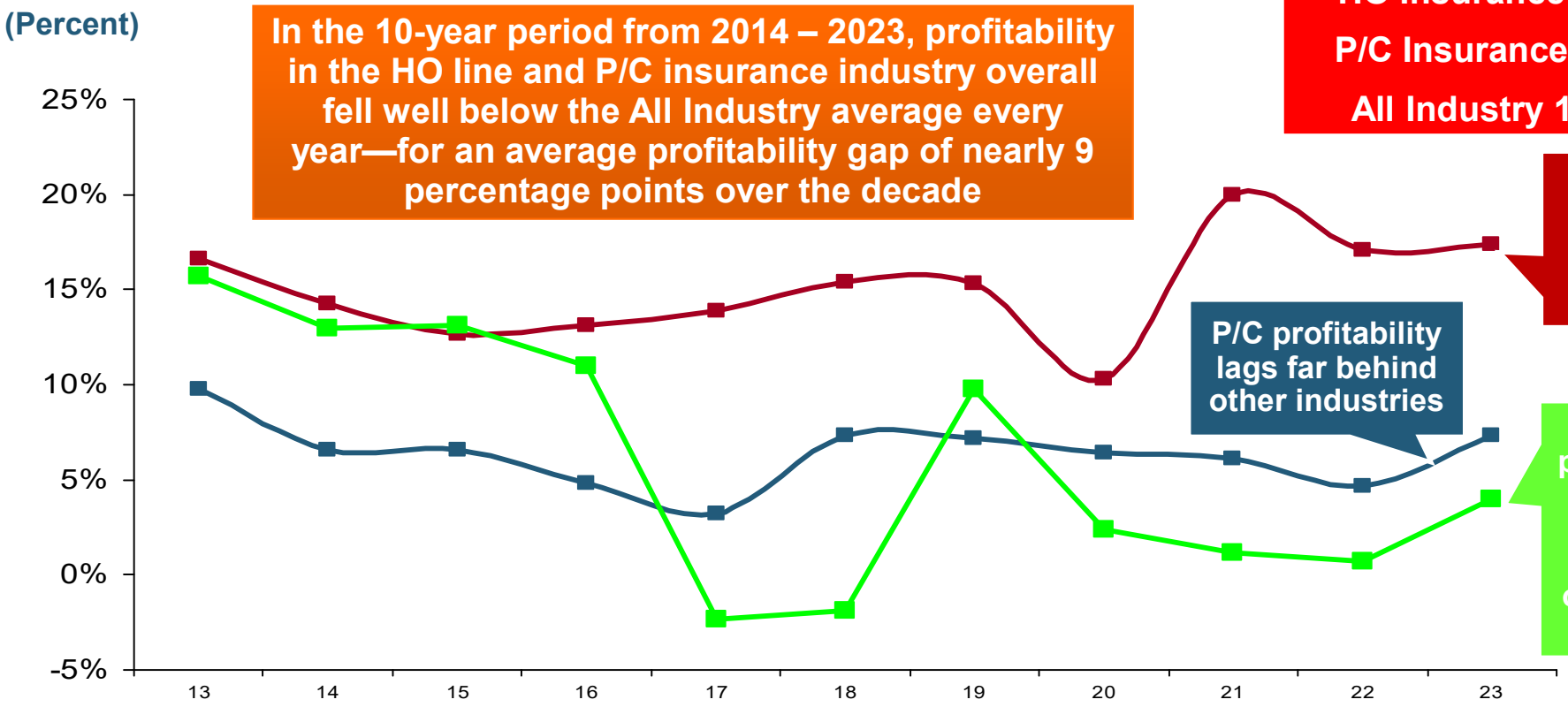
Avg. ROE*

HO Insurance: 6.1%

P/C Insurance: 6.0%

All Industry 14.9%

In the 10-year period from 2014 – 2023, profitability in the HO line and P/C insurance industry overall fell well below the All Industry average every year—for an average profitability gap of nearly 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.

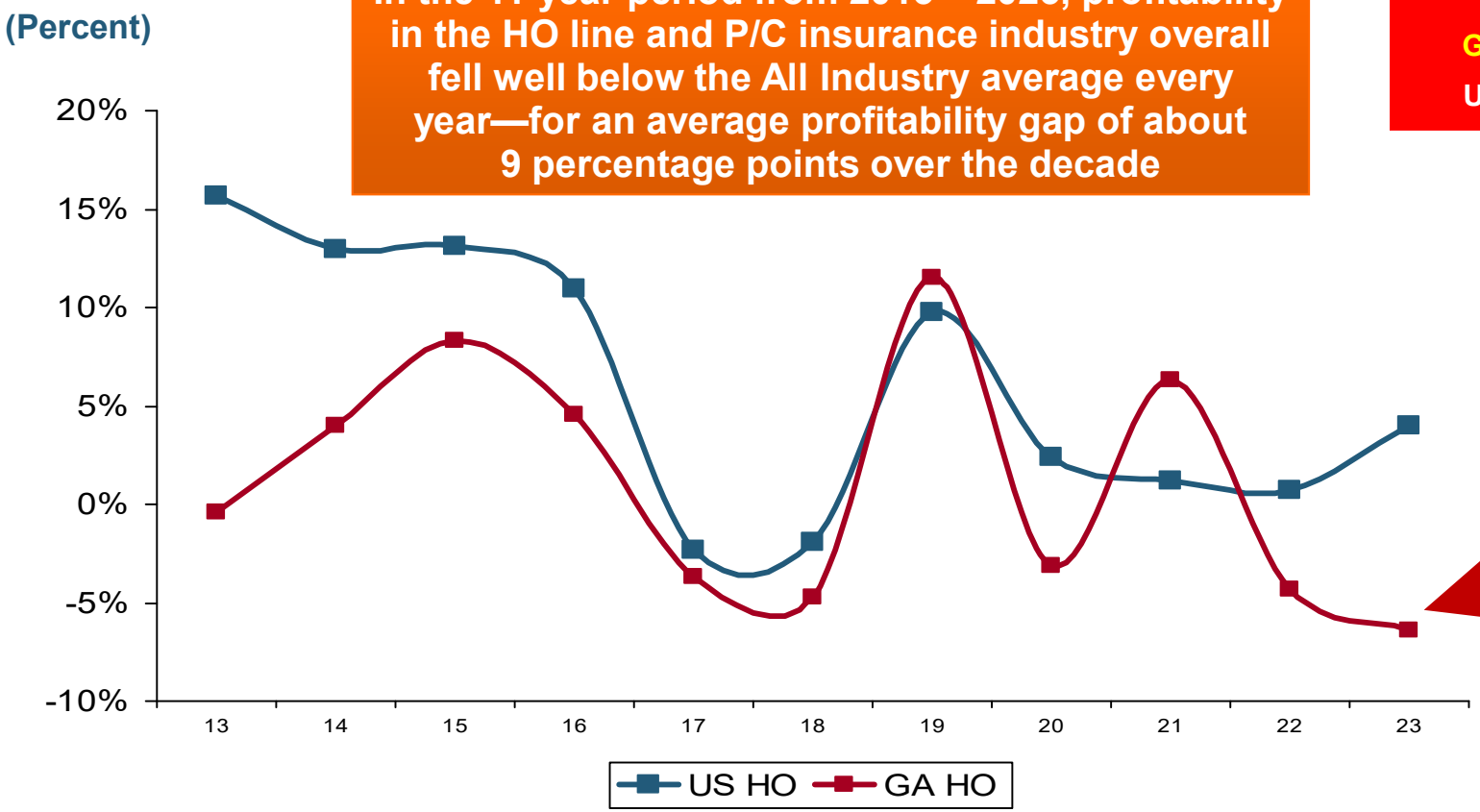
ROE: US vs. GA Homeowners Insurance, 2013–2023*

In the 11-year period from 2013 – 2023, profitability in the HO line and P/C insurance industry overall fell well below the All Industry average every year—for an average profitability gap of about 9 percentage points over the decade

Avg. ROE*

GA HO insurance: 1.1%

US HO Insurance: 6.1%



The HO line in GA underperformed the US in 9 of the 11 years from 2013 – 2023. *Because of Hurricane Helene, GA's profitability no doubt greatly underperformed in 2024 as well.*

*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.

ROE: US and GA P/C Insurance All Lines vs. Fortune All Industry, 2014–2023*

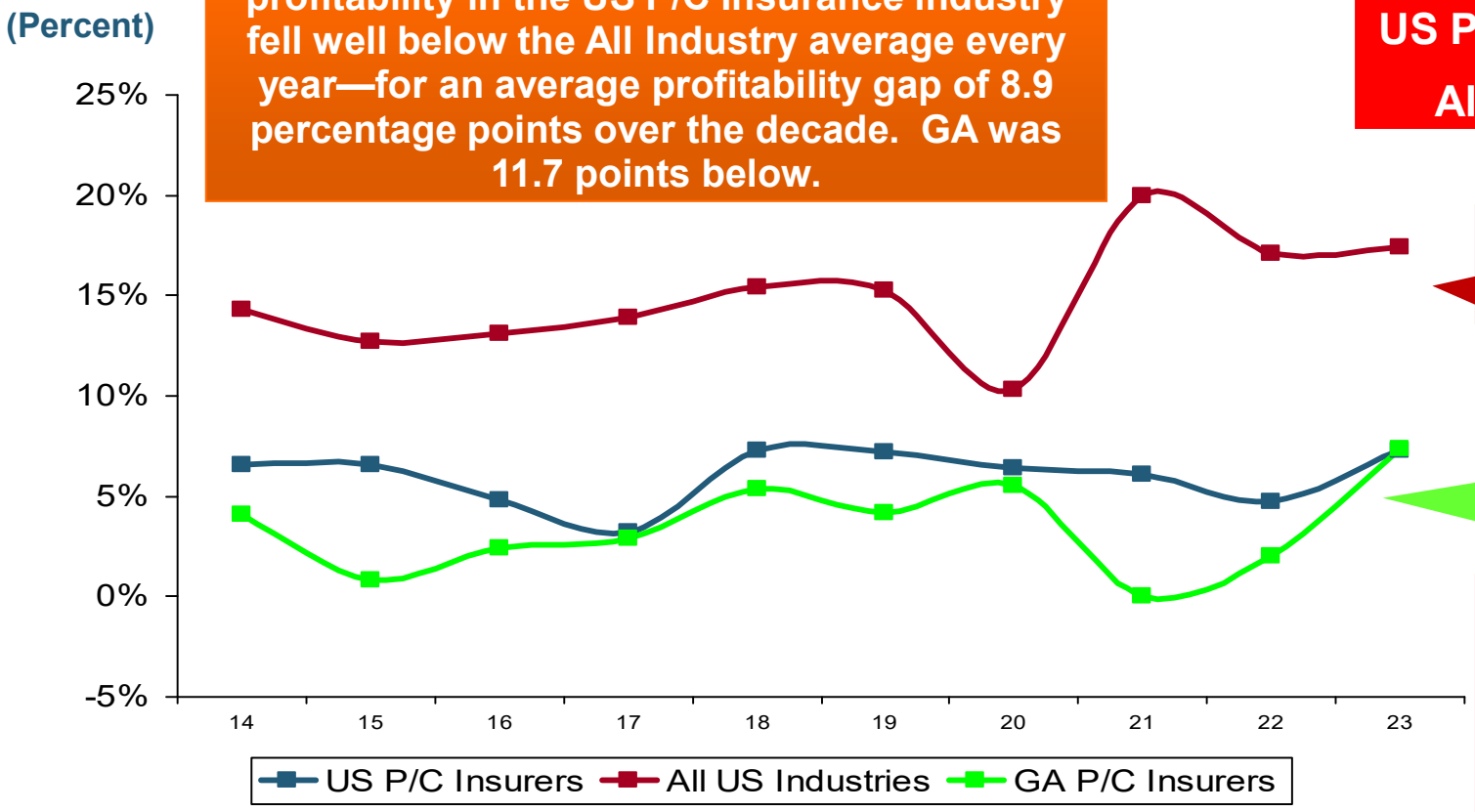
In the 10-year period from 2014 – 2023, profitability in the US P/C Insurance industry fell well below the All Industry average every year—for an average profitability gap of 8.9 percentage points over the decade. GA was 11.7 points below.

Avg. ROE*

GA P/C Insurance: 3.2%

US P/C Insurance: 6.0%

All Industry 14.9%



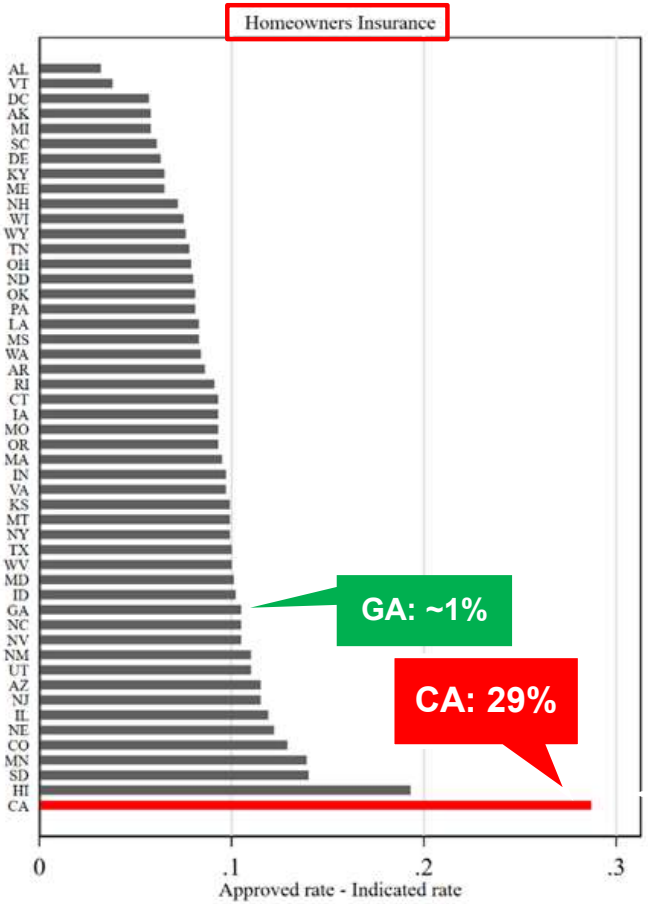
All Industry profitability is near its decade high

Profitability in GA's P&C insurance industry is consistently below the US overall

Note: 2024 profitability data are not yet available, but will show a major deterioration due to Hurricane Helene

*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.

Regulatory Rate Suppression by State, 2018 - 2022



GA: ~1%

CA: 29%

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 leads the way in rate suppression for both home and auto insurance

Source: International Center for Law & Economics, ICLE White Paper 2023-11-06, from SERFF Rate filing data, "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

Georgia—Property/Casualty Lines Underwriting Profit Analysis

Underwriting Profitability for Most Major P/C Lines in Georgia Lags Behind the US Overall

It's Not Just Homeowners: GA Underwriting Profits Lag Far Behind the US Overall Across Many Key Lines

Underwriting Profit/Loss
Georgia vs. Countrywide

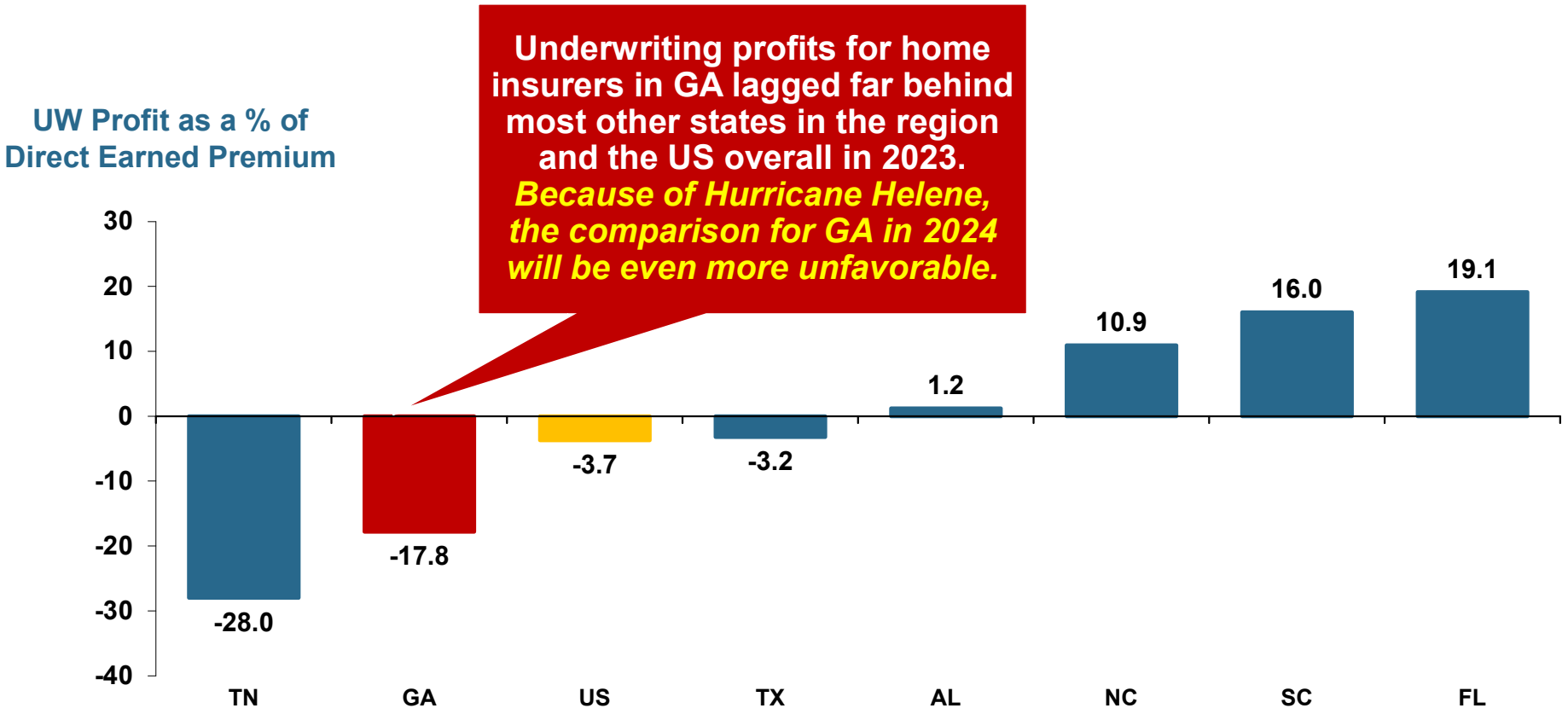
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10-Yr Avg	GA Profit Gap
GA Private Passenger Auto	(8.9)	(13.4)	(16.3)	(7.4)	(0.9)	(2.3)	2.4	(6.3)	(19.4)	(11.8)	(8.4)	-5.4 pts.
CW Private Passenger Auto	(3.0)	(5.1)	(7.8)	(3.1)	1.8	1.5	7.6	(1.5)	(12.1)	(5.6)	(2.7)	
GA Commercial Auto	(10.5)	(24.9)	(20.4)	(24.0)	(24.6)	(18.9)	(17.4)	(8.6)	(16.8)	(13.9)	(18.0)	-11.0 pts.
CW Commercial Auto	(5.8)	(7.9)	(10.5)	(10.4)	(8.3)	(8.7)	(2.7)	(0.5)	(5.3)	(10.1)	(7.0)	
GA Homeowners	(0.3)	5.8	0.8	(13.7)	(12.0)	7.9	(10.2)	2.2	(12.4)	(17.8)	(5.0)	-5.5 pts.
CW Homeowners	14.4	13.7	11.2	(12.2)	(9.5)	5.7	(3.3)	(5.4)	(6.2)	(3.7)	0.5	
GA Commercial Multi-Peril	(2.9)	10.2	4.0	(8.9)	(12.7)	(3.8)	3.7	(0.7)	(11.3)	(38.9)	(6.1)	-4.4 pts.
CW Commercial Multi-Peril	6.6	10.0	3.5	(12.4)	(5.9)	(1.3)	(6.2)	(3.8)	(1.4)	(6.1)	(1.7)	
GA Total Property Casualty	(1.6)	(2.6)	(8.2)	(6.5)	(4.8)	(1.2)	(1.8)	0.2	(9.0)	(9.0)	(4.4)	-5.9 pts.
CW Total Property Casualty	5.9	4.7	1.6	(4.7)	1.3	3.6	2.4	1.7	(2.0)	0.0	1.5	

Based on the latest NAIC data, underwriting profits in Georgia have lagged behind the US overall every from 2014 – 2023.

Given enormous losses from Hurricane Helene, underwriting profits in GA are certain to lag far behind in 2024 as well.

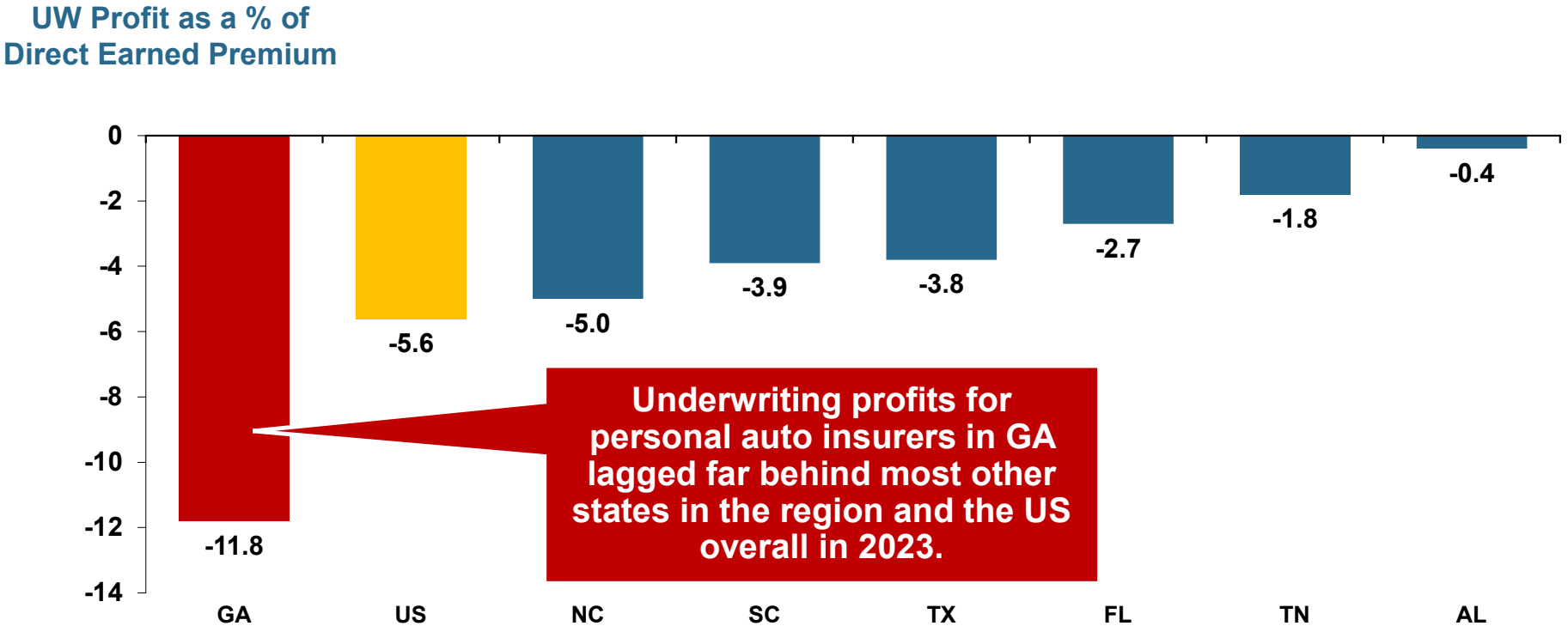
Source: *NAIC Profitability by Line, by State Report* (April 2025 edition) available at: https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf.

Underwriting Profit: Homeowners Insurance for GA and Select Comparison States and US, 2023



Source: *NAIC Profitability by Line, by State Report* (April 2025 edition) available at: https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf.

Underwriting Profit: Personal Auto Insurance for GA and Select Comparison States and US, 2023



Source: *NAIC Profitability by Line, by State Report* (April 2025 edition) available at: https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf.

Question

- **If insurer profitability increases nationally but is poor or deteriorates in Georgia, should profits from other states be used to reduce rates in Georgia?**
  - ***No.*** **Rates in Georgia are based on the by-line experience in Georgia.**
  - **Every state adheres to the NAIC principle that rates not be:**
    (i) Excessive
    (ii) Inadequate, or
    (iii) Unfairly discriminatory
  - **Using profits from one state to subsidize another would violate all three elements of this principle**
  - ***Thinking Ahead: Should profits generated in Georgia in the future be used to subsidize losses in other states? Of course not. Georgia regulators would never allow this, nor should they.***

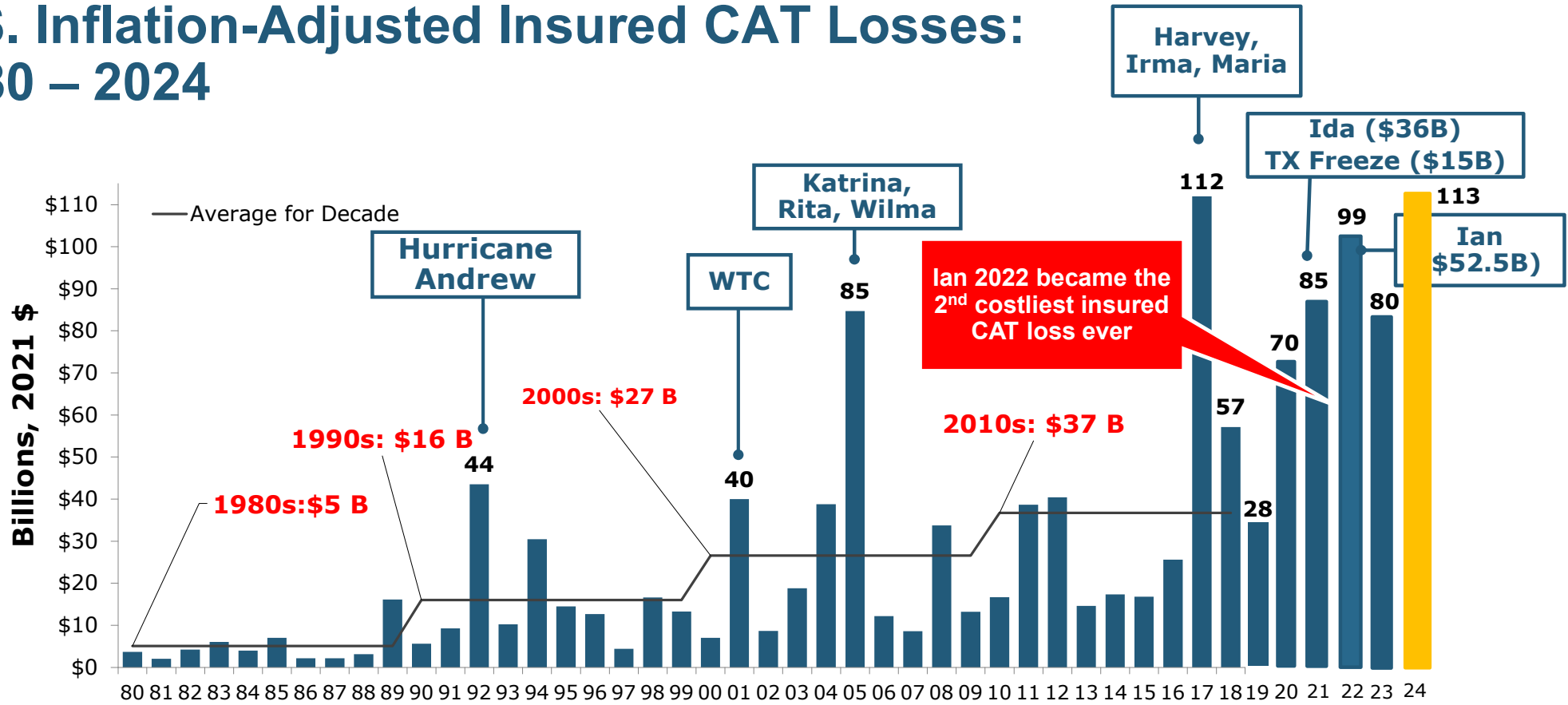
Catastrophe Loss Trends

The Rise in CAT Losses Shows No Signs of Easing

The 2020s Are Off to an Ominous Beginning

Hurricane Helene Was One of the Costliest Disasters in Georgia History

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



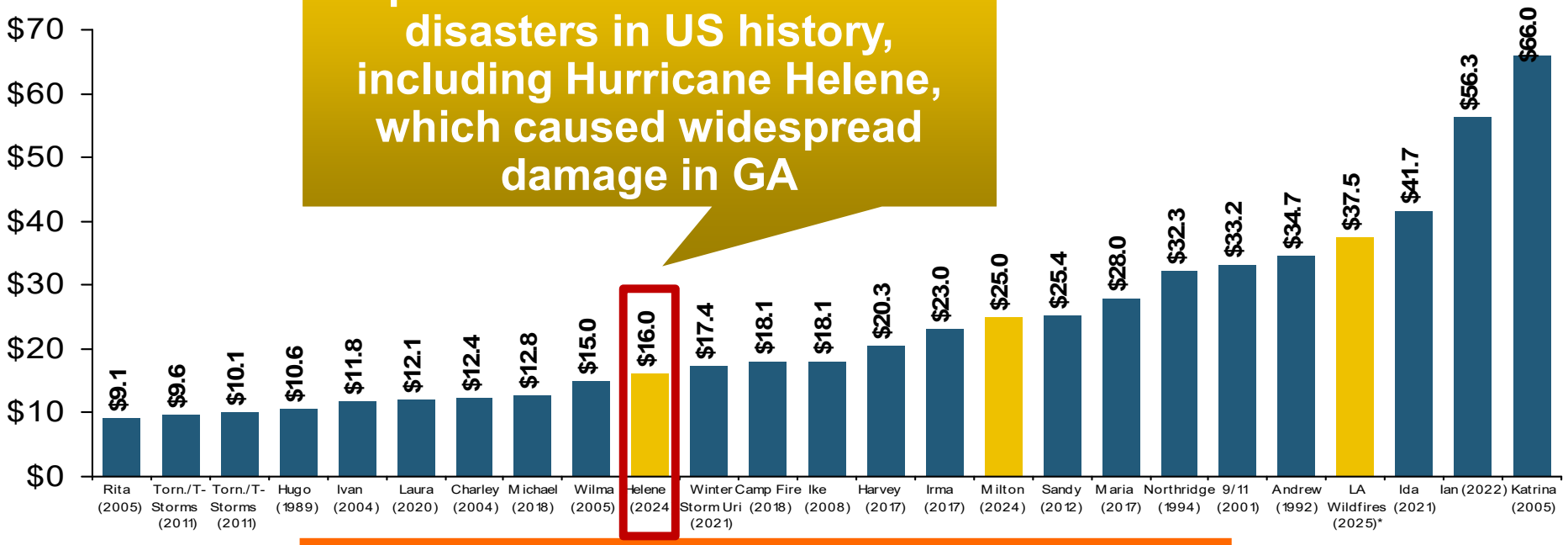
Average Insured Loss per Year*
1980-2021: $23.8 Billion
2012-2021: $44.1 Billion

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

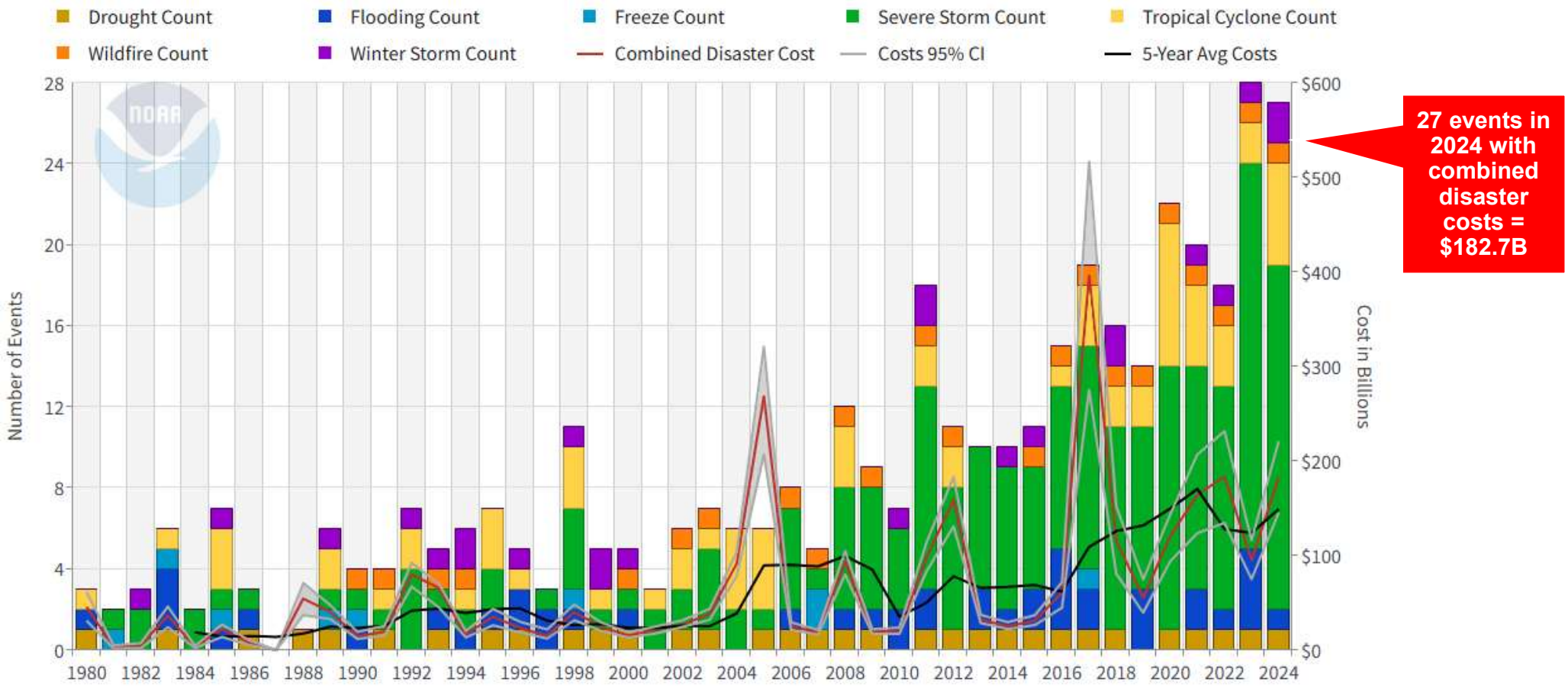
(Insured Losses, 2024 Dollars, $ Billions)



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.

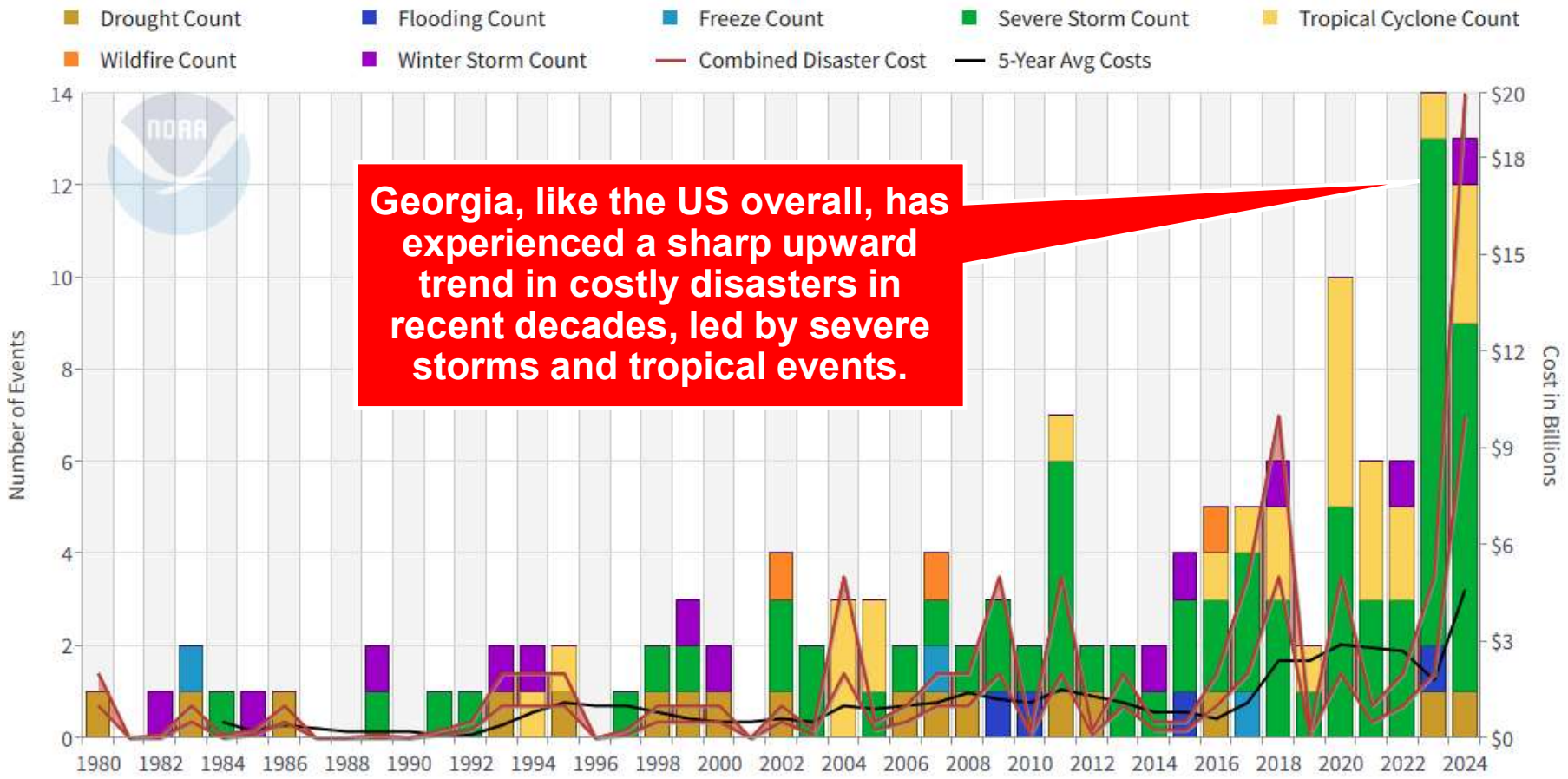
US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, by Type, 1980 – 2024* (CPI-Adjusted)



*As of Jan. 10, 2025.

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

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



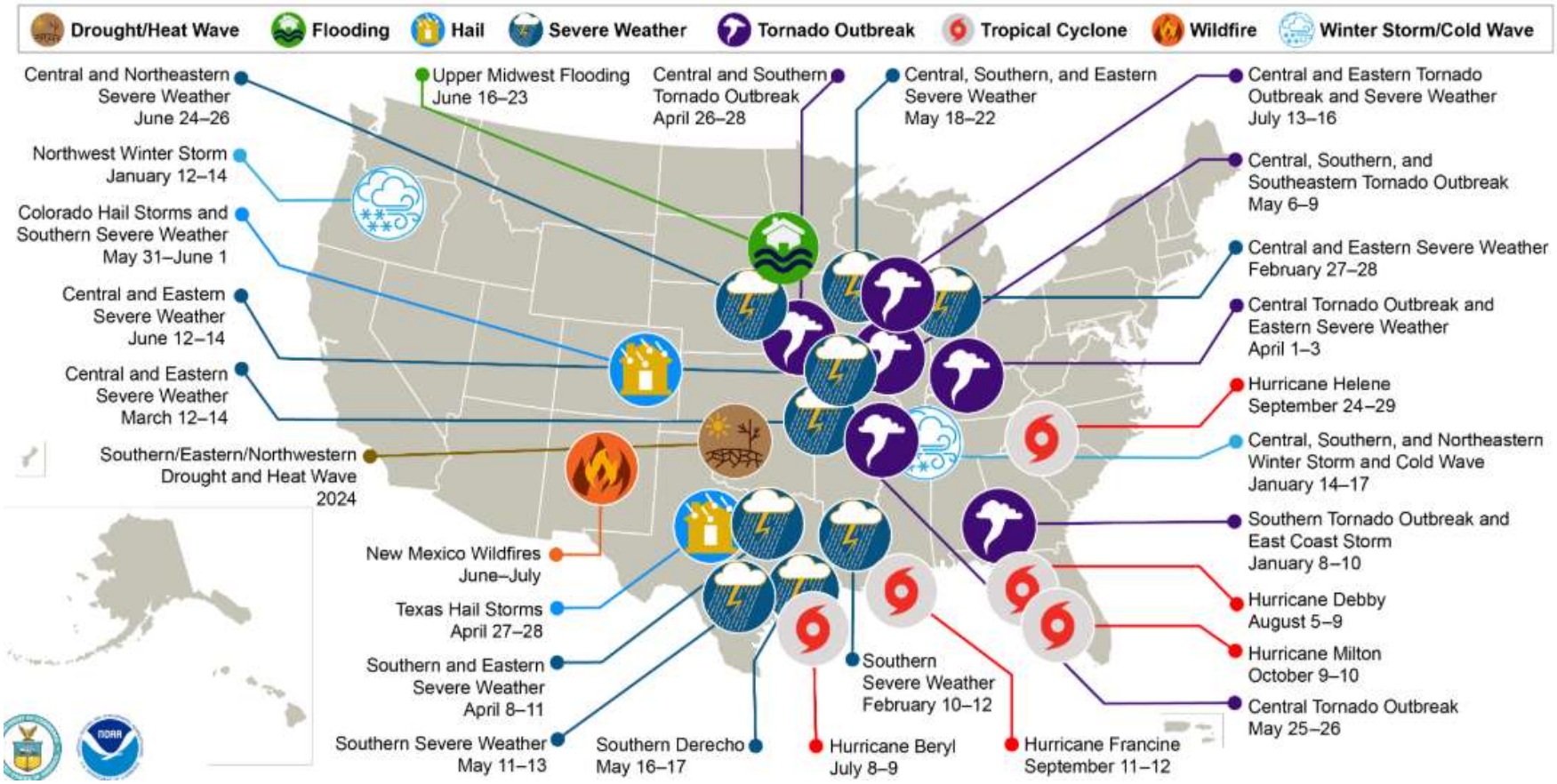
Georgia, like the US overall, has experienced a sharp upward trend in costly disasters in recent decades, led by severe storms and tropical events.

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

*As of Jan. 10, 2025.

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

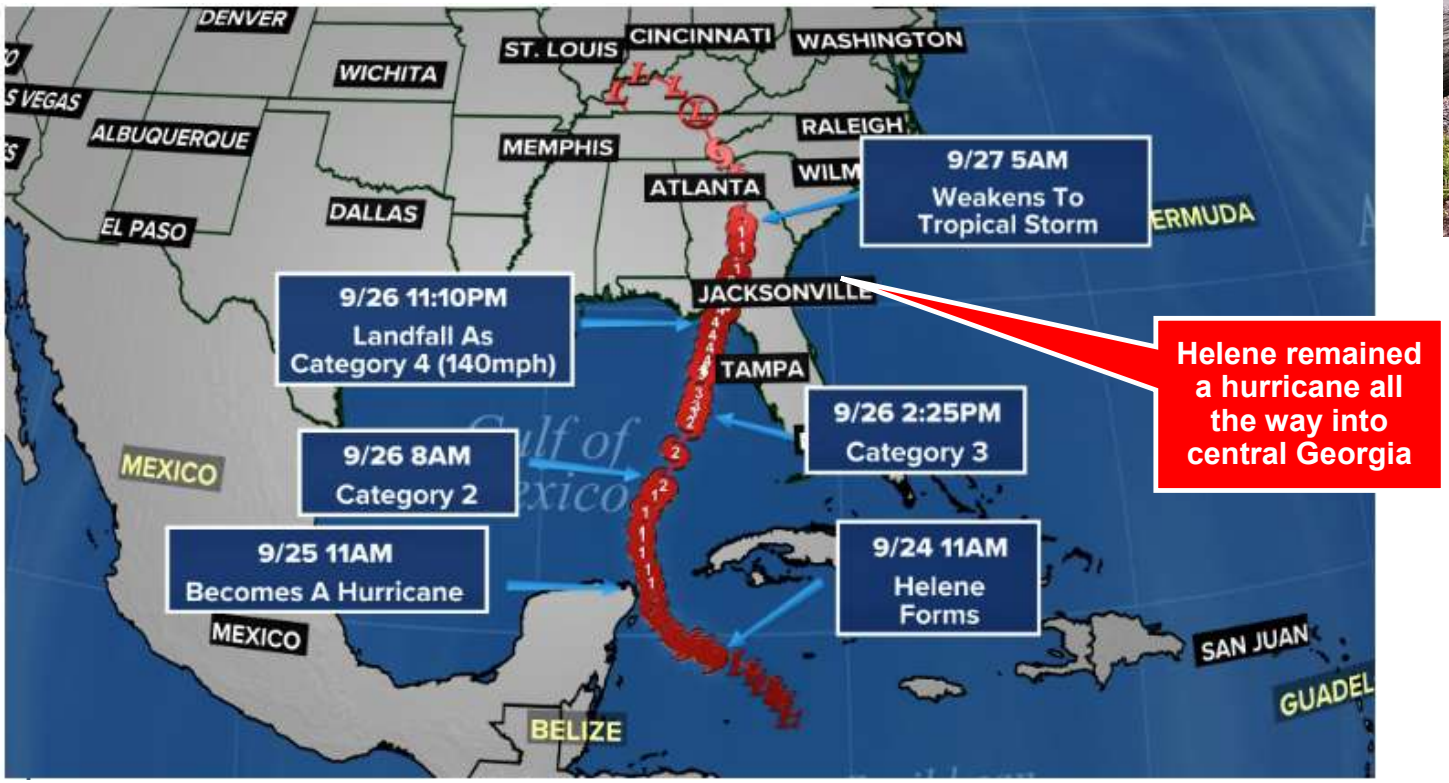
US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, 2024*



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/.

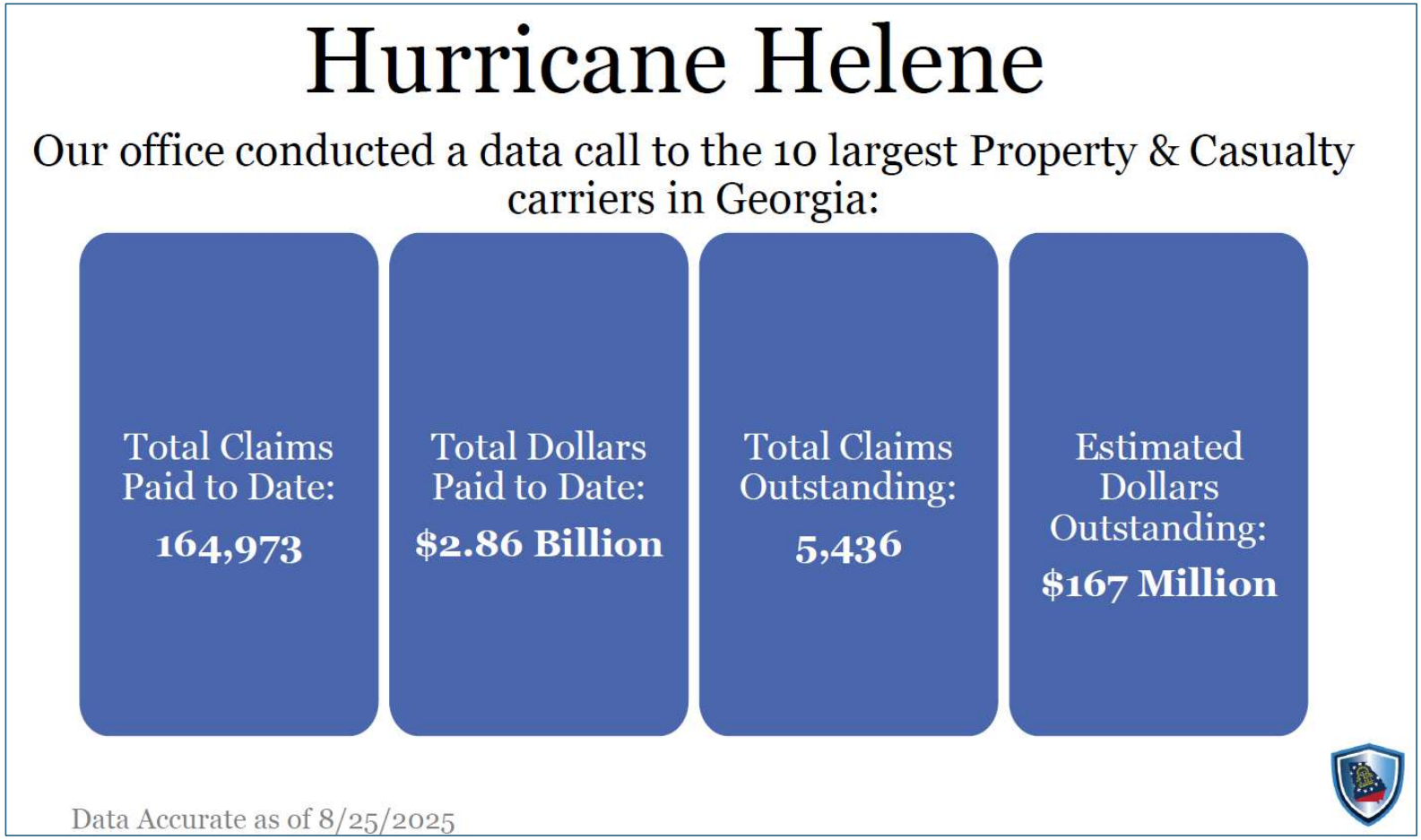
Hurricane Helene Barreled Through Georgia, Causing Billions in Damage



Source: WTSP. Accessed at: https://www.wtsp.com/article/weather/hurricane/helene/hurricane-helene-storm-path-track-map/67-0dcefd0d-5e64-43cc-8366-2766ae103256

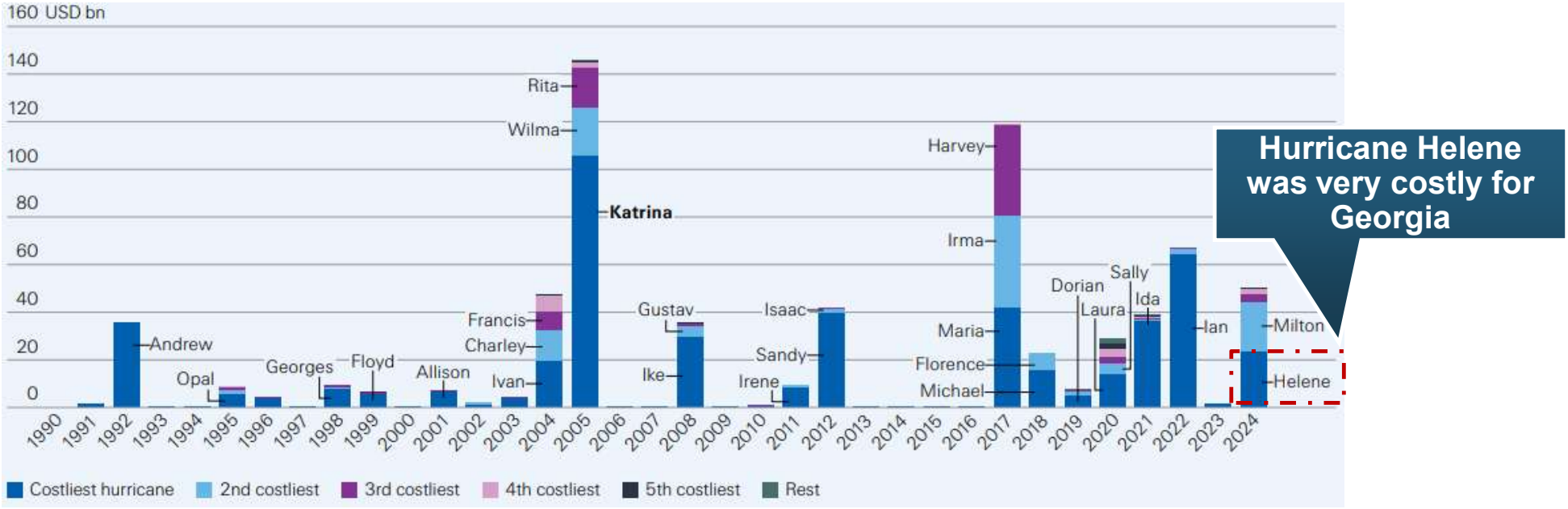
Source: Augusta Chronicle, 9/30/24.

Hurricane Helene: Among the Costliest Disasters in Georgia History



Source: Georgia Blue Ribbon Study Committee on Insurance Rates (August 2025).

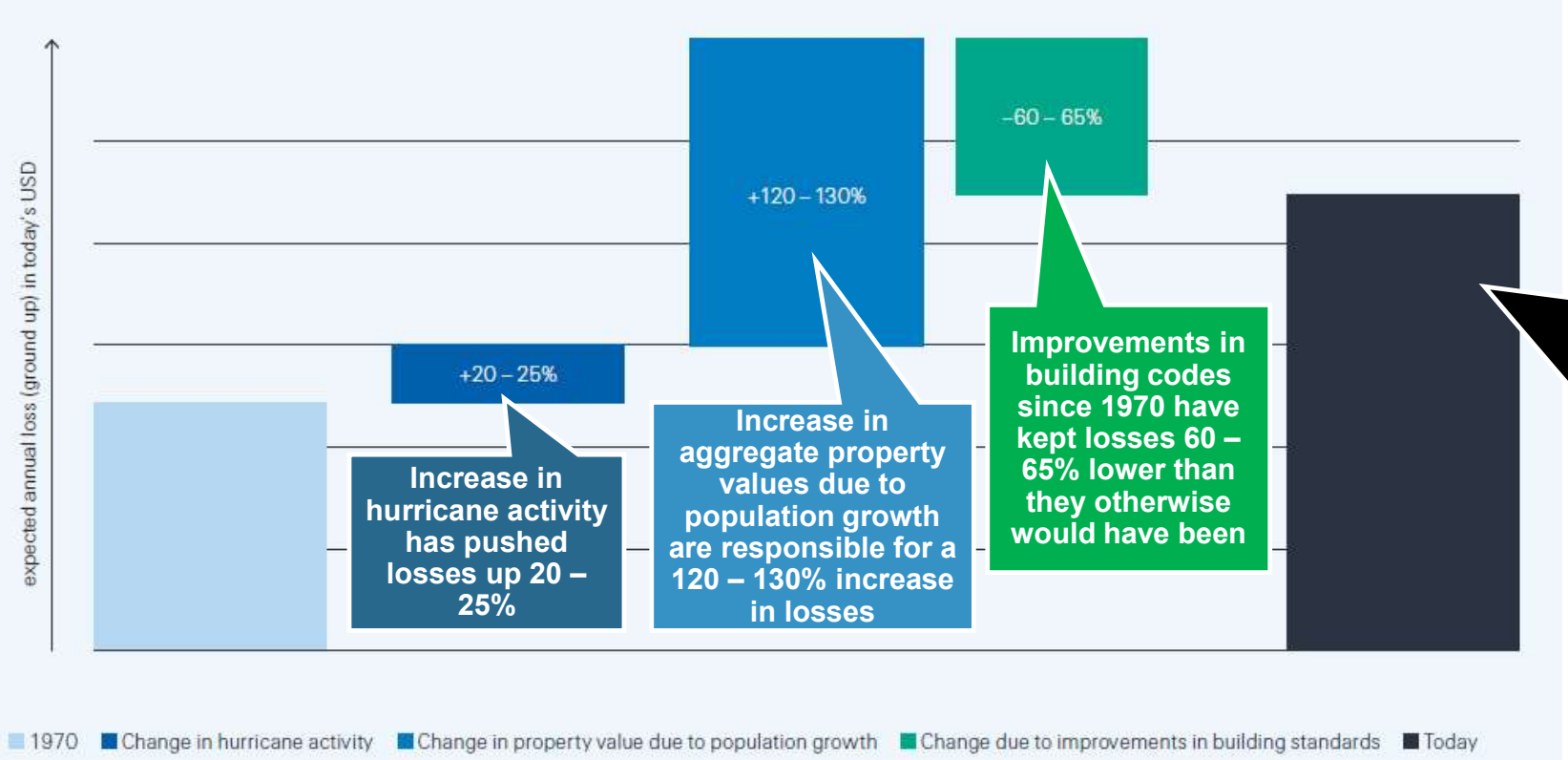
Insured Losses for North Atlantic Tropical Cyclones, 1990 - 2024
(in 2024 $)



Hurricane Helene was very costly for Georgia

Source: Swiss Re Institute, *Hurricane Katrina: A Watershed Event for Insurance*. (June 23, 2025). Available at: https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/hurricane-katrina-watershed-event-for-insurance.html

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.

Fortified Home Program: Reduces both Claim Frequency and Severity

Measure / Designation	(1) Average Effects	(2) Average without Trees	(3) Nearest Neighbor without Trees
Frequency Reduction			
Roof	56%	69%	73%
Gold	70%	63%	76%
Severity Reduction			
Roof	20%	20%	15%
Gold	40%	37%	24%
Loss Ratio Reduction			
Roof	55%	69%	72%
Gold	62%	51%	67%

Notes: The percentages shown in the three columns (Average Effects, Average Without Trees, and Nearest Neighbor without Trees) indicate the average reductions in three measures (Frequency, Severity, and Loss Ratio) compared to conventional construction. Nearest neighbor analysis compares the average measure for houses in each Fortified category to the average of the nearest conventional houses within 0.25 miles of the Fortified houses.

Building to the IBHS Fortified standard produced major reductions in both claim frequency and severity

Note: Data are based on a May 2025 Alabama DOI and Insurance Institute for Business and Home Safety (IBHS) study evaluating the performance homes built to IBHS's Fortified standard compared homes that were not that were damaged by Hurricane Sally in 2020.

Source: Alabama DOI and Insurance Institute for Business and Home Safety (IBHS), *Performance of IBHS Fortified Home Construction in Hurricane Sally, (*May 2025). Available at: https://aldoi.gov/PDF/News/PerformanceIBHSFortifiedHomeConstructionHurricaneSally.pdf.

Demographics Are Driving Homeowners Insured Losses Upward in Georgia and in Much of the US

Georgia Is Among the Fastest Growing States in Terms of Population

Population Growth Drives Residential Construction and Demand for Dwelling Coverages

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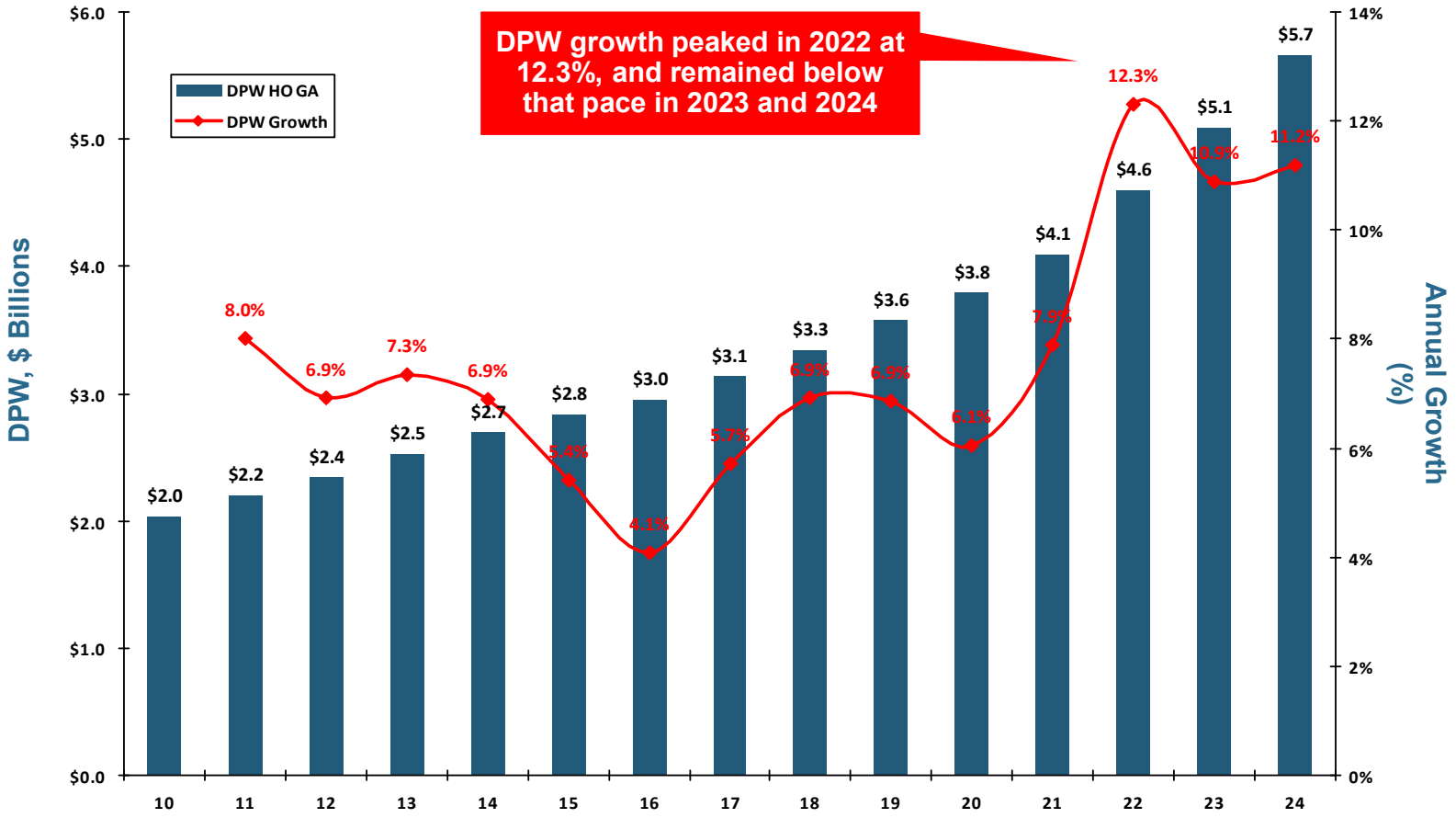
Georgia Homeowners Insurance Direct Premiums Written: Volume and Growth, 2010–2025F

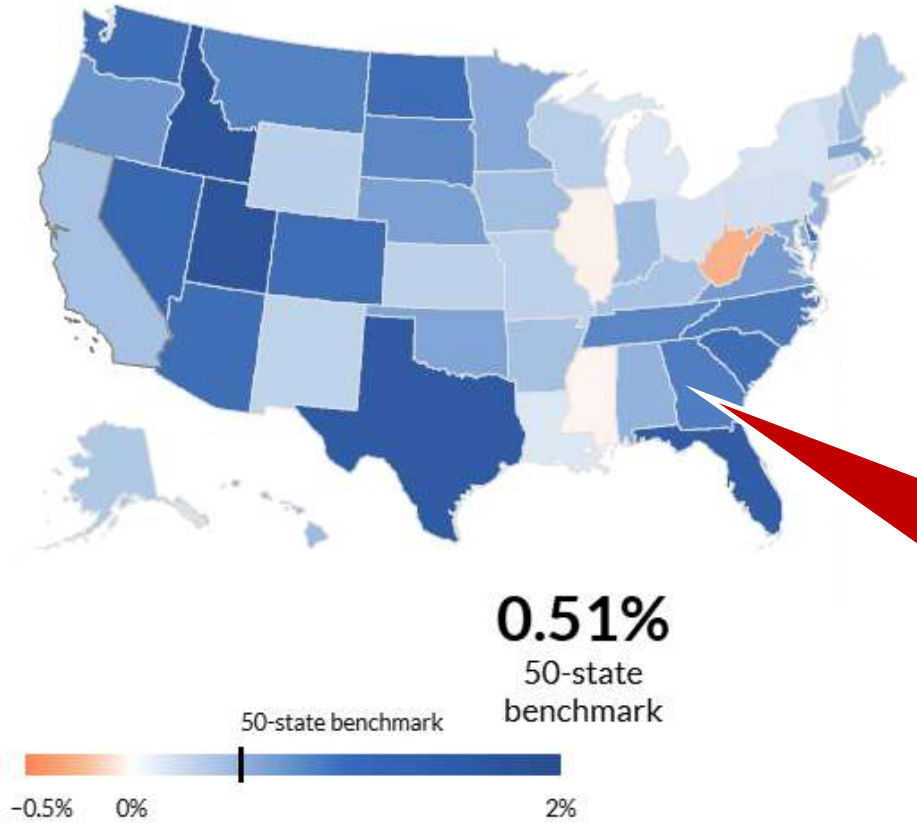


Factors Driving Growth

- Higher rates driven by high CAT loss
- Higher rates driven by inflation
- Automatic adjustments to limits (which accelerate during inflationary periods)
- New residential construction
- Home improvements

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.

Population Change by State, Average Annual Change, 2009 – 2024



CT
DE
MA
MD
ME
NH
NJ
RI
VT

Population growth in Georgia grew the equivalent of 1.19% per year from 2009 through 2024—more than double the US rate of 0.51% per year.

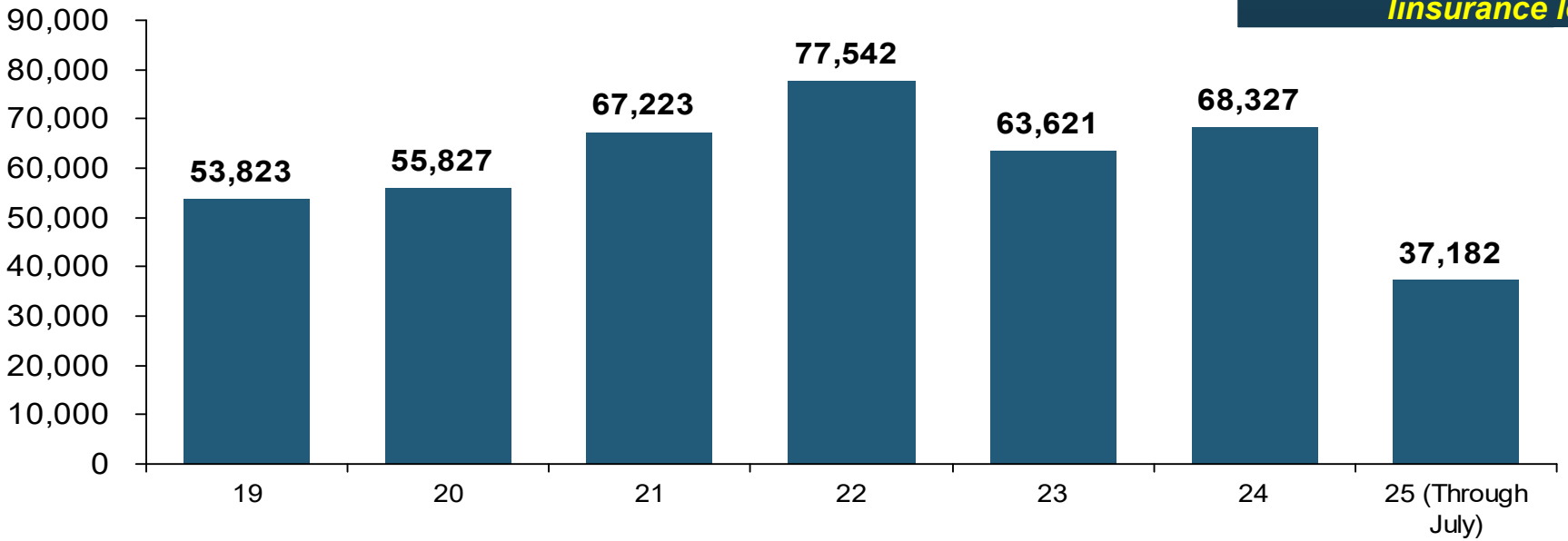
Georgia's rapid population growth fuels the state's strong demand for housing—and HO insurance.

Sources: Pew analysis of estimated annual data from the U.S. Census Bureau. Accessed at: https://www.pew.org/en/research-and-analysis/articles/2025/03/05/population-growth-in-most-states-outpaced-long-term-trends-in-2024

Georgia Residential Building Permits, 2019 – July 2025*

Approximately 64,400 residential building permits are issued annually in Georgia, based on data from 2019 – 2024*

Rapid residential construction is a major driver of growth in Georgia's homeowners insurance market—but also factors into aggregate insurance losses.



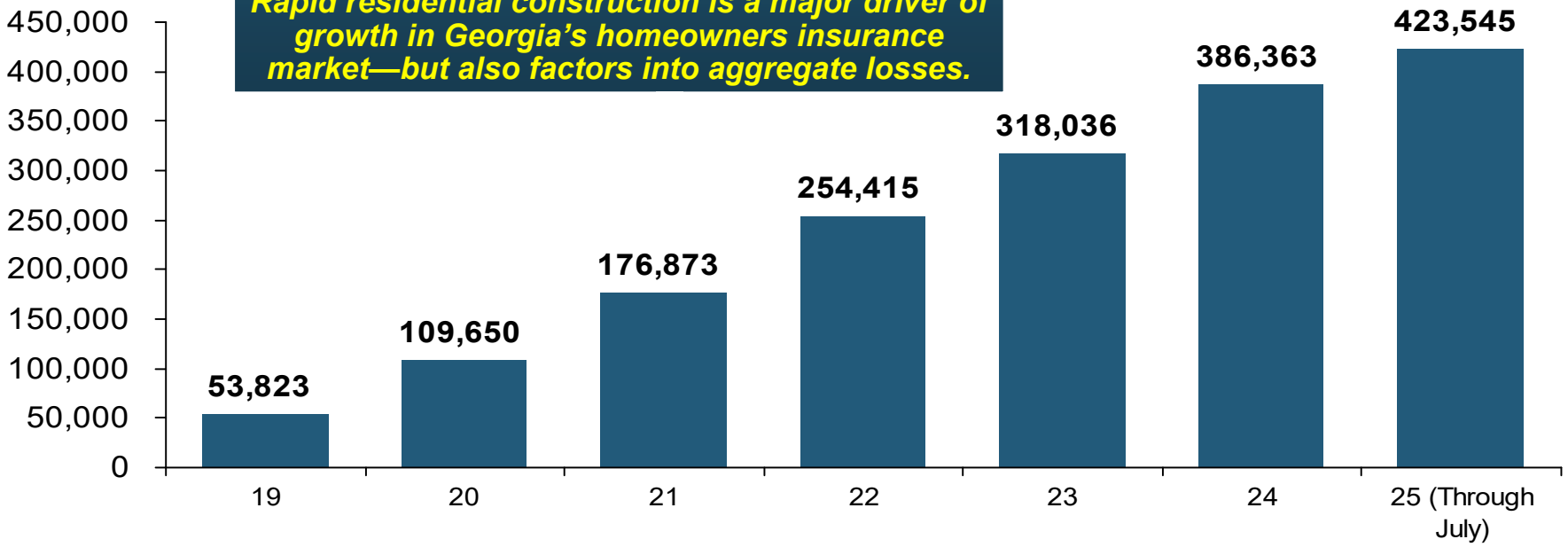
*Includes single-family and multi-unit structures.

Sources: US Census Bureau, *Building Permits Survey (BPS)*. Accessed at https://www.census.gov/construction/bps/index.html ; USC Risk and Uncertainty Management Center.

Georgia Residential Building Permits, Cumulative, 2019 – July 2025*

From 2019 – July 2025, a total of 423,545 residential building permits were issued in Georgia. The growth is necessary to accommodate GA's strong economy and population growth.

Rapid residential construction is a major driver of growth in Georgia's homeowners insurance market—but also factors into aggregate losses.



*Includes single-family and multi-unit structures.

Sources: US Census Bureau, *Building Permits Survey (BPS)*. Accessed at https://www.census.gov/construction/bps/index.html; USC Risk and Uncertainty Management Center.

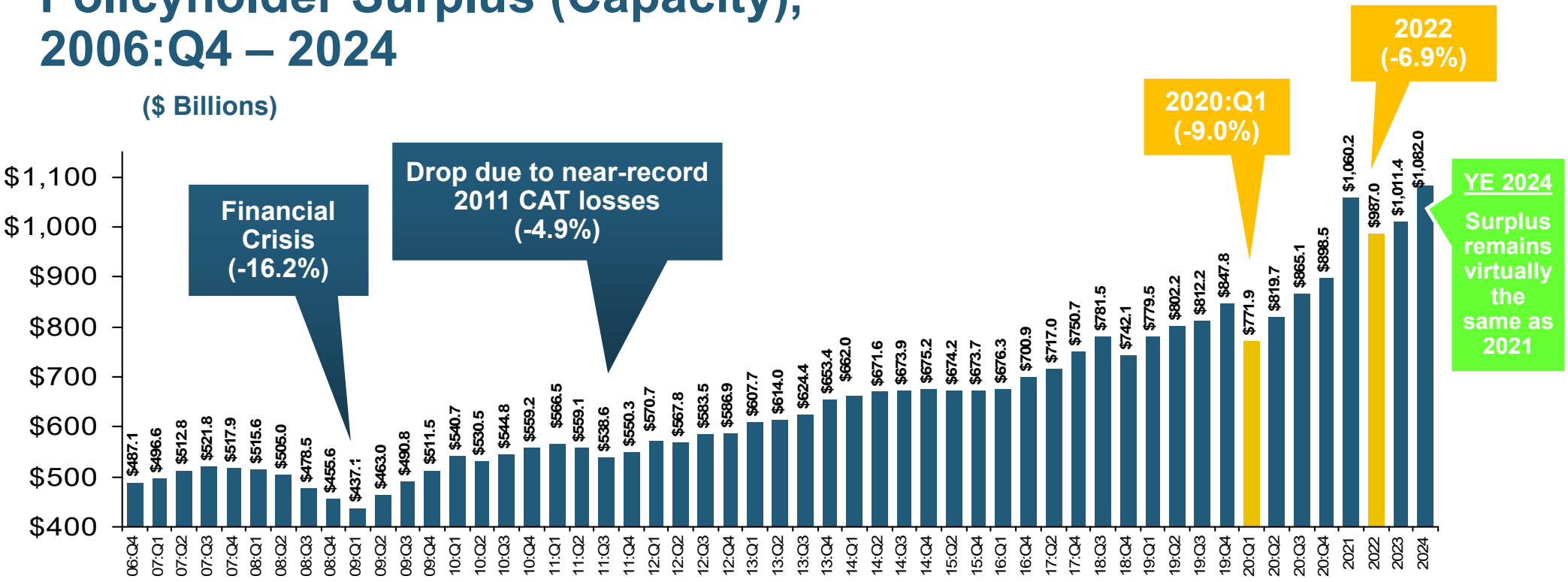
Capital and Capacity

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

Will Industry Capacity Growth Resume?

Policyholder Surplus (Capacity), 2006:Q4 – 2024

($ Billions)

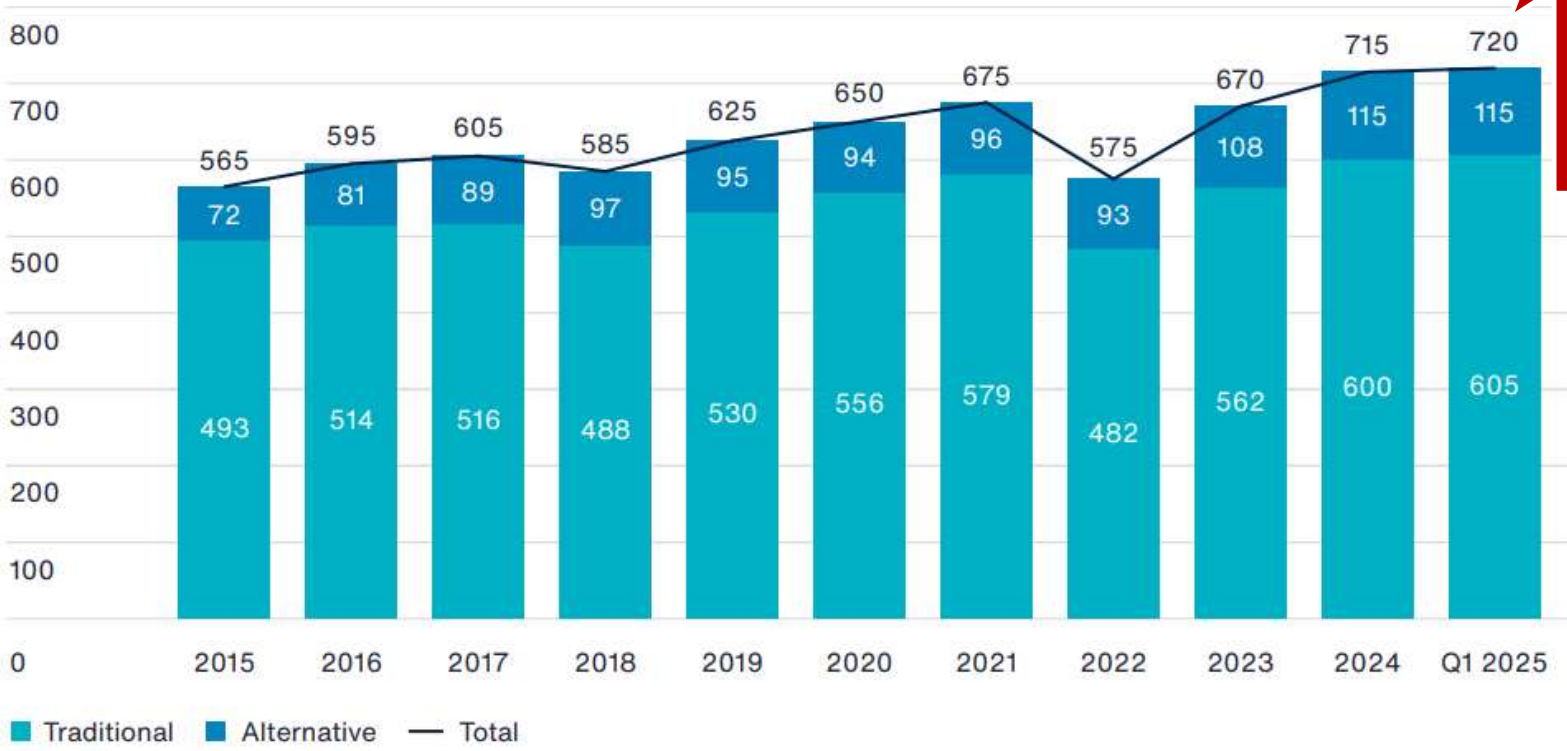


Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

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

Global Reinsurance Capital, 2015 – 2025:Q1

$ Billions

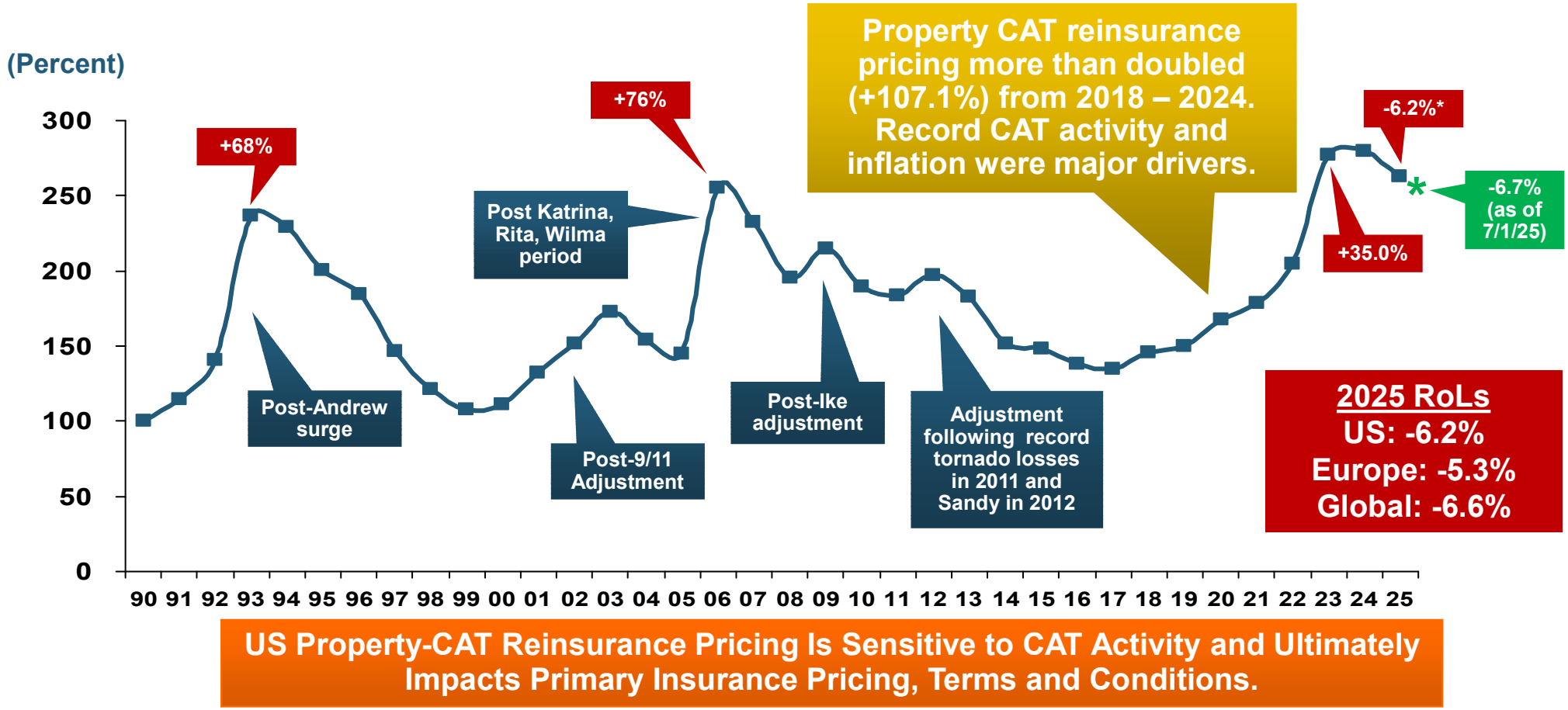


Global reinsurance reached a new high in 2025:Q1, but is only 6.7% above its 2022 peak—far below the increase that would be needed to keep pace with inflation and exposure growth

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.

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

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

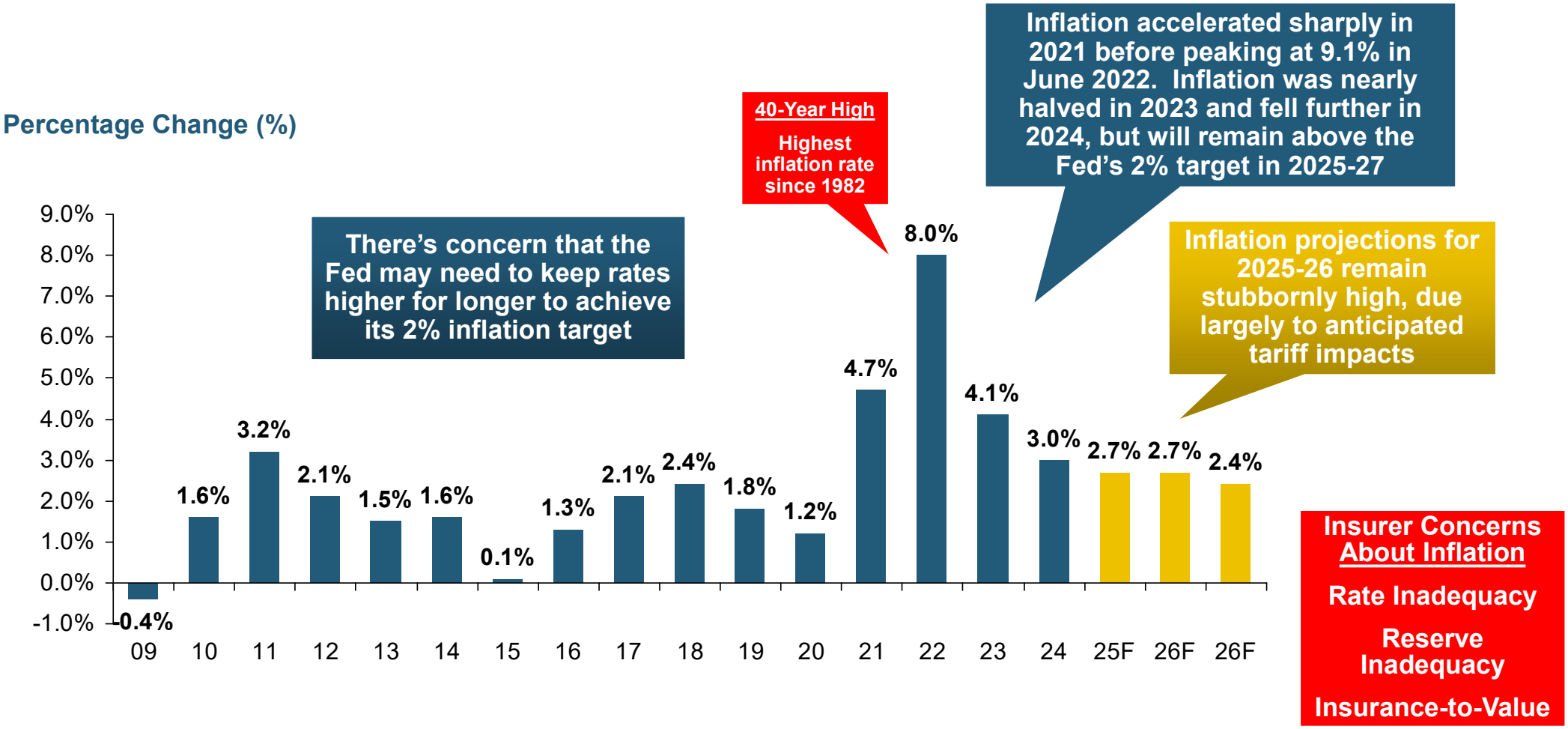
Source: A.M. Best Review & Preview 2025 and 2024 from Carrier Management (March 16, 2025) at: https://www.carriermanagement.com/news/2025/03/16/273012.htm.

The Inflation Threat

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

Will Tariffs Fuel Additional Inflation?

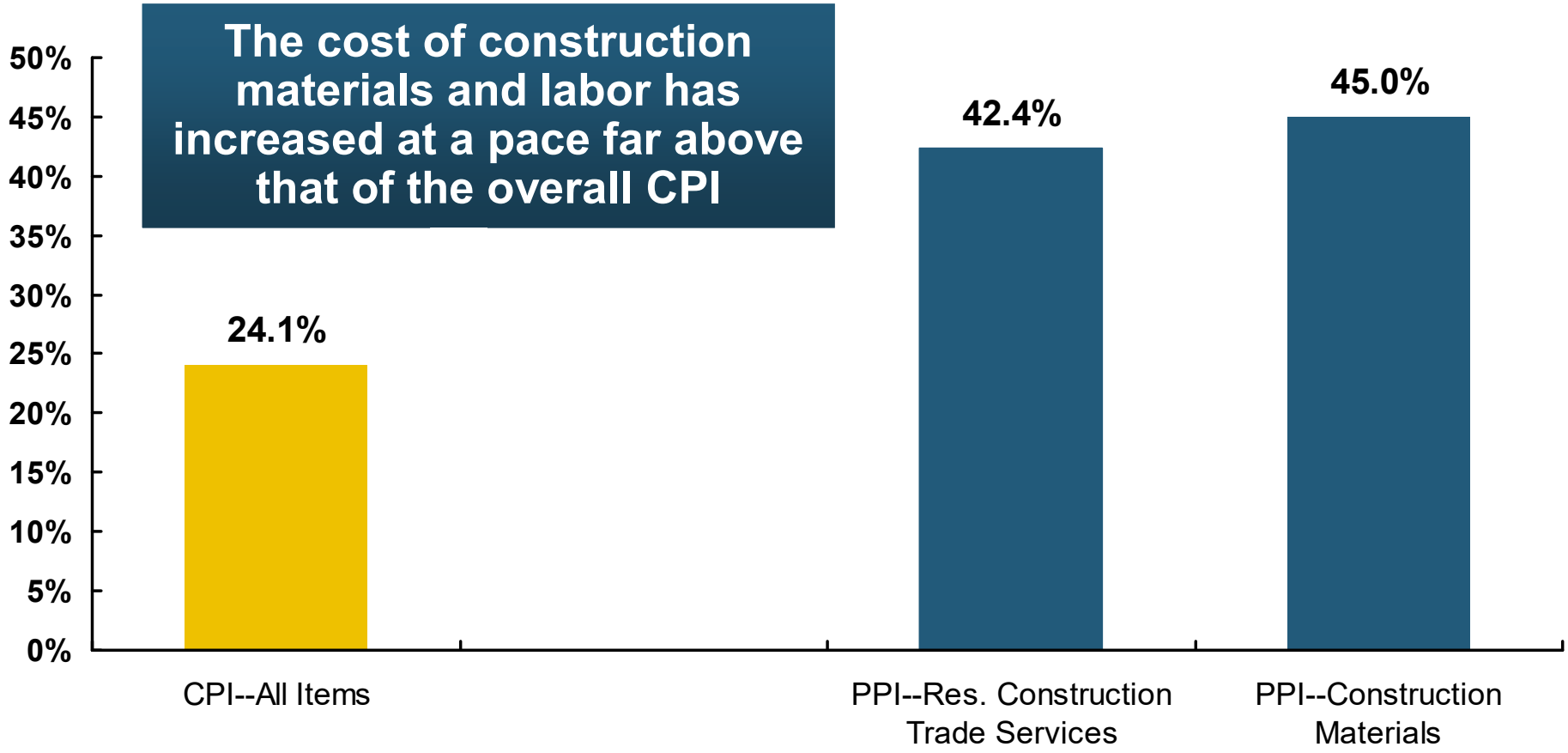
U.S. Inflation Rate: 2009-2027F*



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

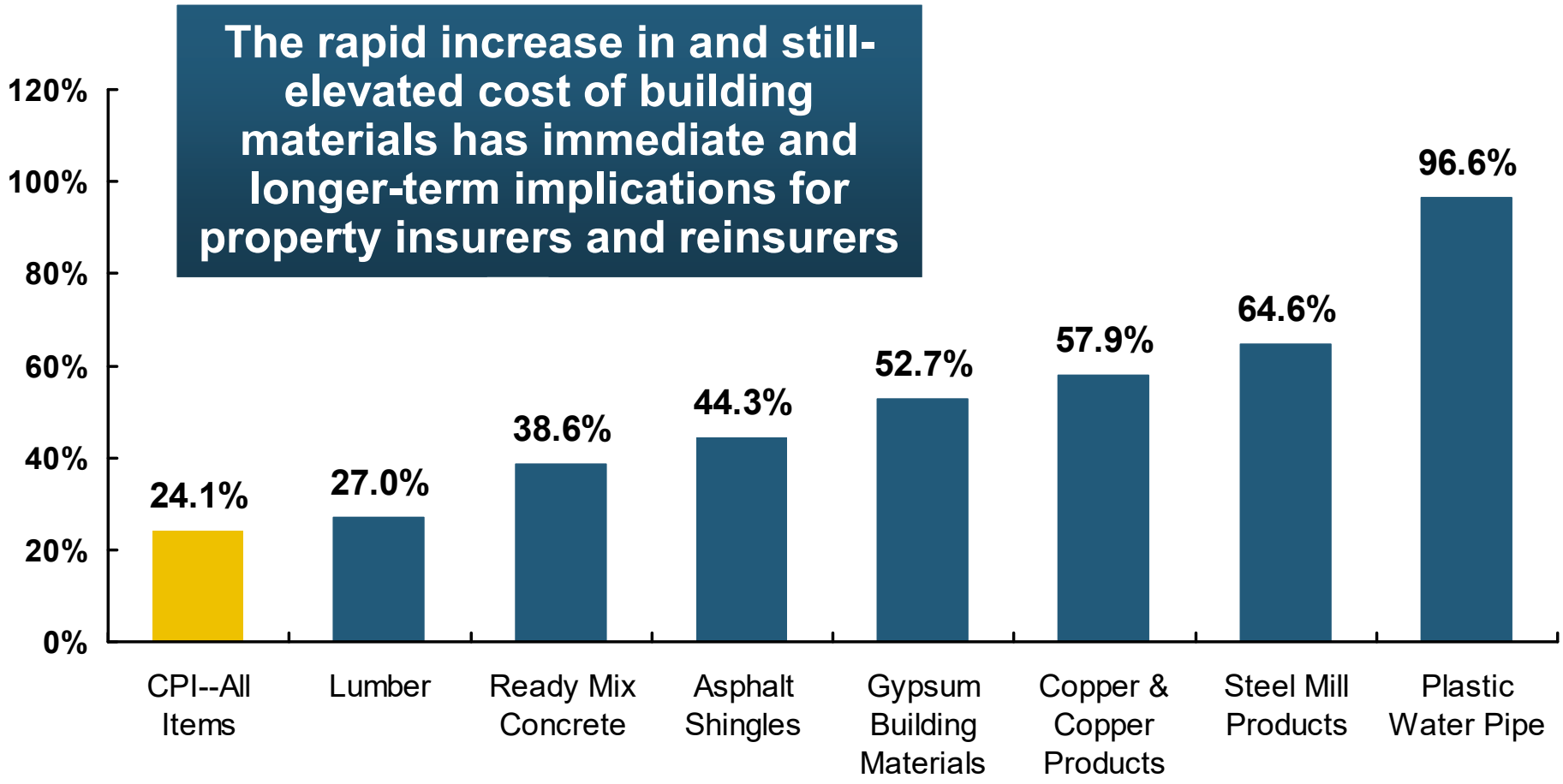
Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities (9/25); USC Center for Risk and Uncertainty Management.

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



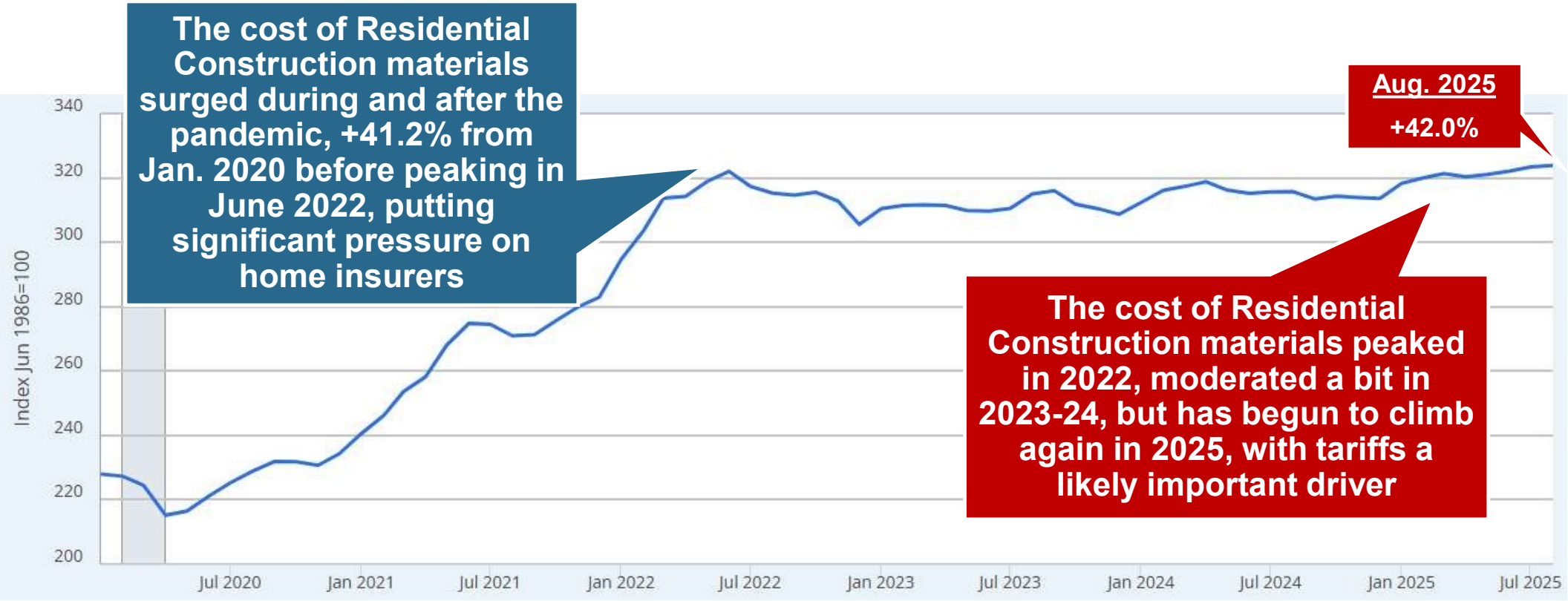
Source: U.S. Bureau of Labor Statistics from Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/WPUIP23111021 (Trade Services) and https://fred.stlouisfed.org/series/WPUSI012011 (Construction Materials).

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



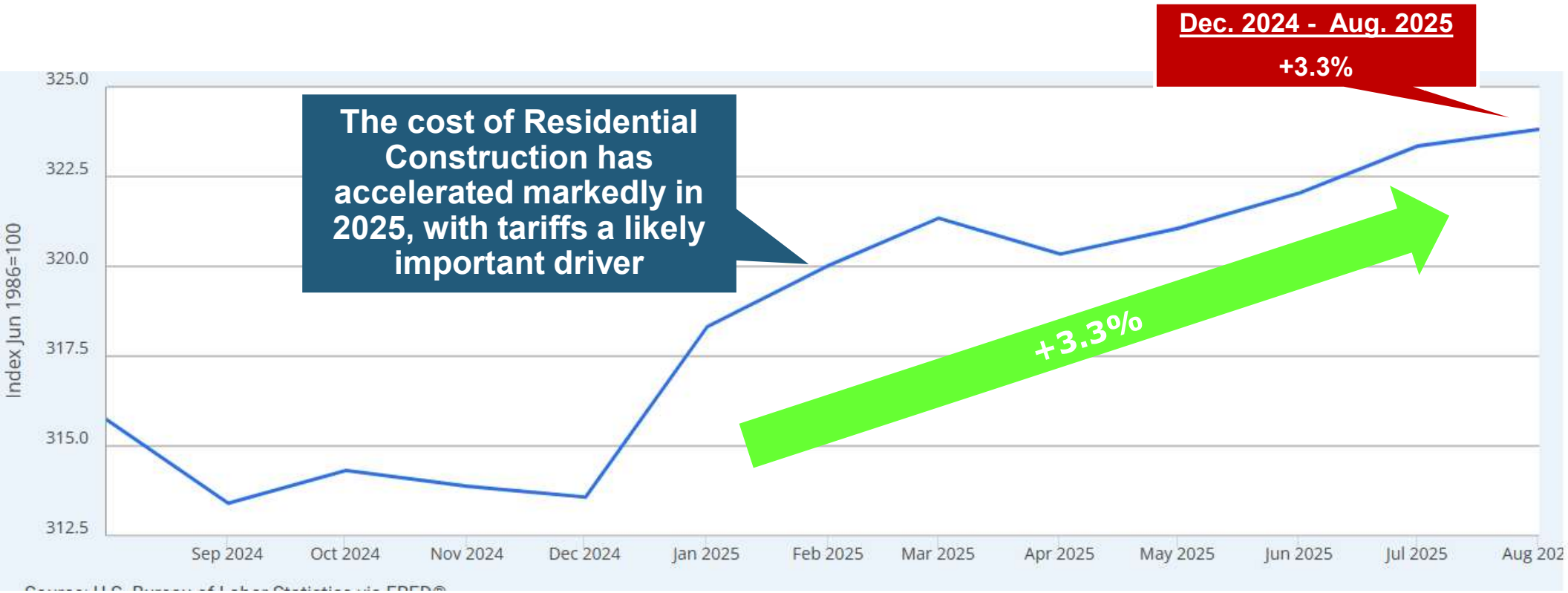
Source: U.S. Bureau of Labor Statistics.

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

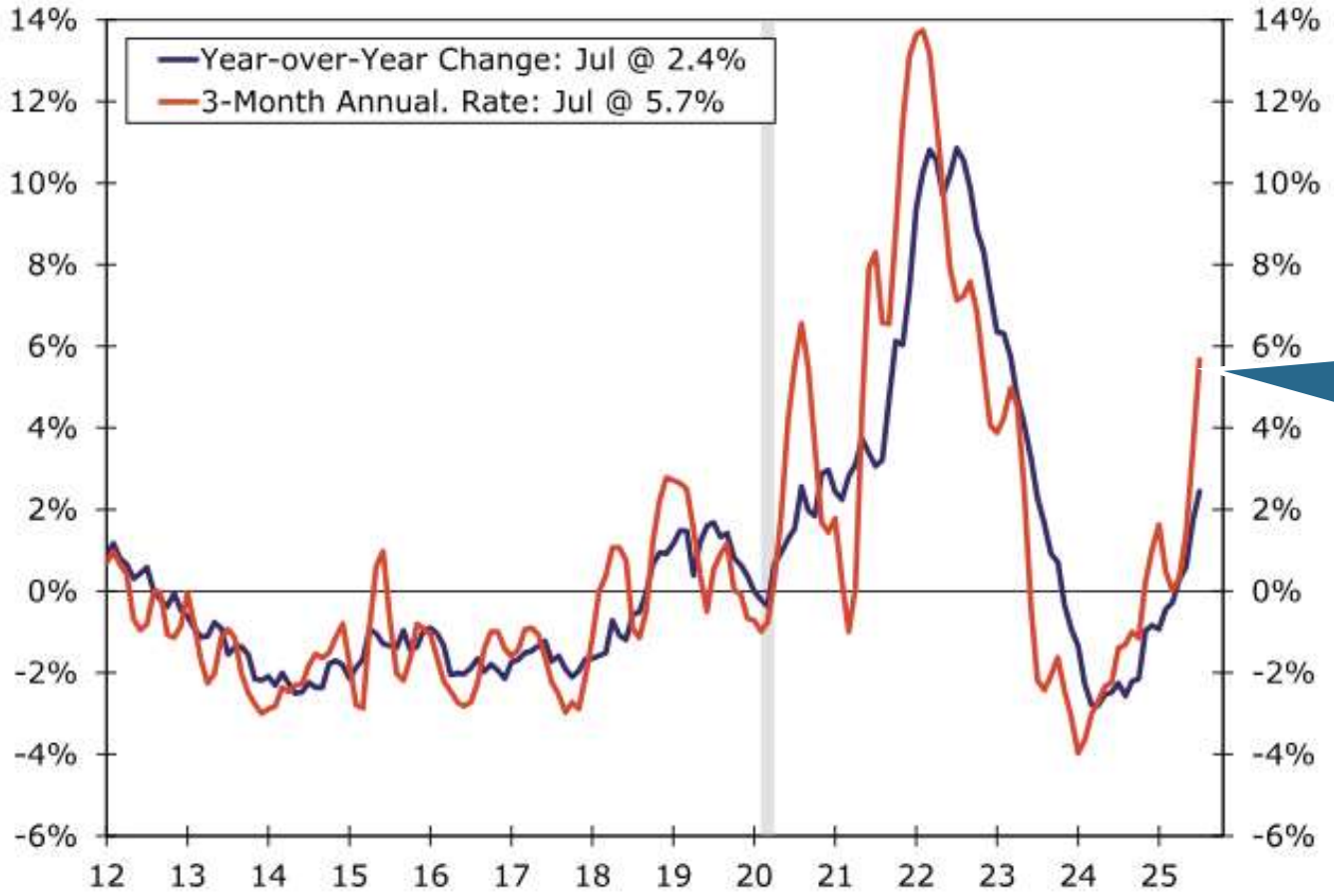
PPI: Net Inputs to Residential Construction, Goods, Jan. 2019 – Aug. 2025



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

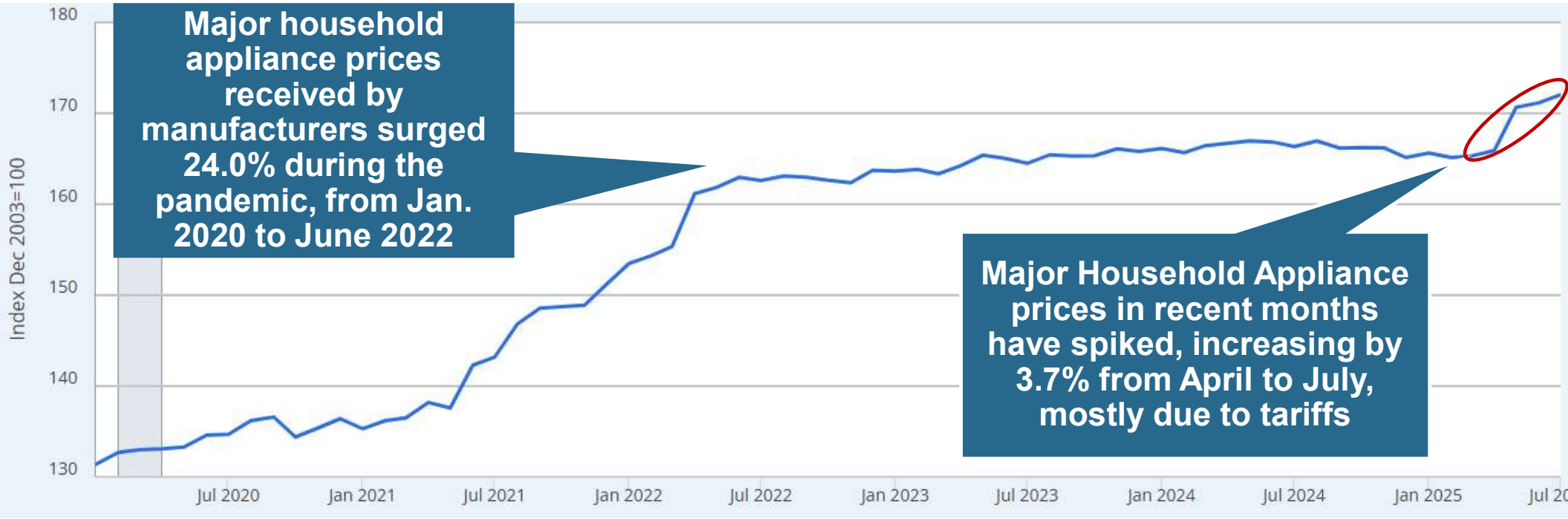
(Year-over-Year vs. 3-Month Moving Avg.)



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.

How Will US Trade Policy Shifts Impact the P/C Insurance Industry?

Tariffs Will Increase Property Claim Severities

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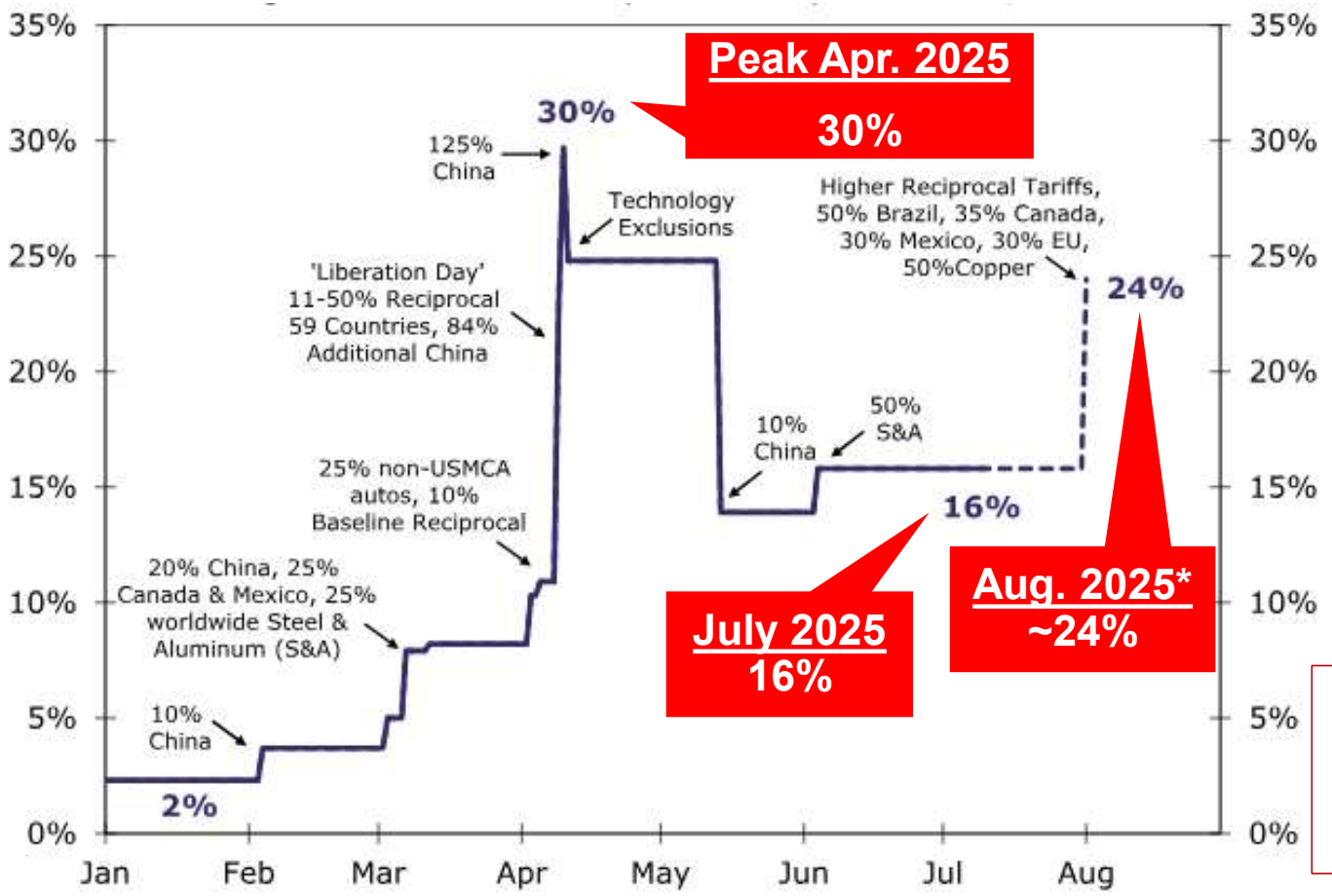
Est. US Average Effective Tariff Rate, Jan. – Aug. 2025*



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)

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

SUGGESTIONS TO LOWER HOME INSURANCE PREMIUMS

Homeowners Insurance

- Evidence is clear that more stringent building standards reduce costs (60 – 65% for hurricane losses according to cited Swiss Re report; Similar benefits based on AL Hurricane Sally Fortified standards report)
- Zoning that better recognizes wind, flood, storm surge threats
- Improved (mandatory?) disclosure of hazards upon property transactions
- Maintain stable, fair regulatory environment to encourage additional insurers to enter the market (and encourage existing insurers to grow)

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Thank you for your time and your attention!

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