Property & Casualty Insurance Market Overview and Outlook: *A Focus on Construction Markets*

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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
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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
- Affordability Concerns & P/C Insurance
- Economic Overview & Outlook—Impacts for P/C Insurers and Construction
  - Growth, Employment, Investments, Inflation, Recession & AI Influences
  - Tariff Impacts, P/C insurance & the Construction Industry
- Construction Sector Overview & AI Build-Out
- Commercial Lines Insurance Trends
  - Cost drivers
  - Hard vs. soft
- Legal System Abuse
- Summary and Q&A

P/C Insurance Industry Financial Overview & Outlook:

Resilience Amid Adversity

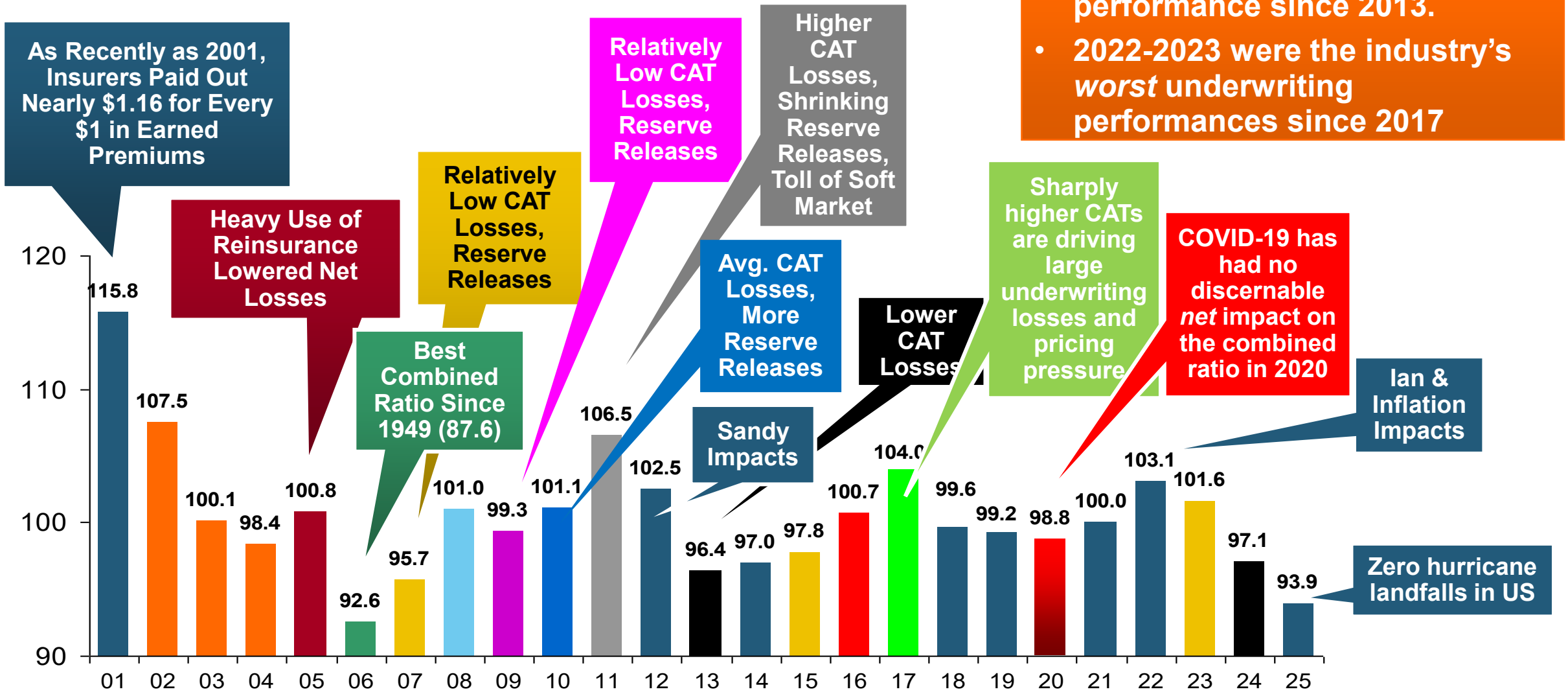
The Current Economic Environment Presents Many Challenges for P/C Insurers

Industry Remains Strong

3

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

- 2025 was the *best* underwriting performance since 2013.
- 2022-2023 were the industry's *worst* underwriting performances since 2017



*Excludes Mortgage & Financial Guaranty insurers 2008–2025F.

Sources: A.M. Best, ISO (2001-2023). S&P Global Intelligence (2024). Swiss Re (2025P).

P/C Industry Net Combined Ratios

Private carriers

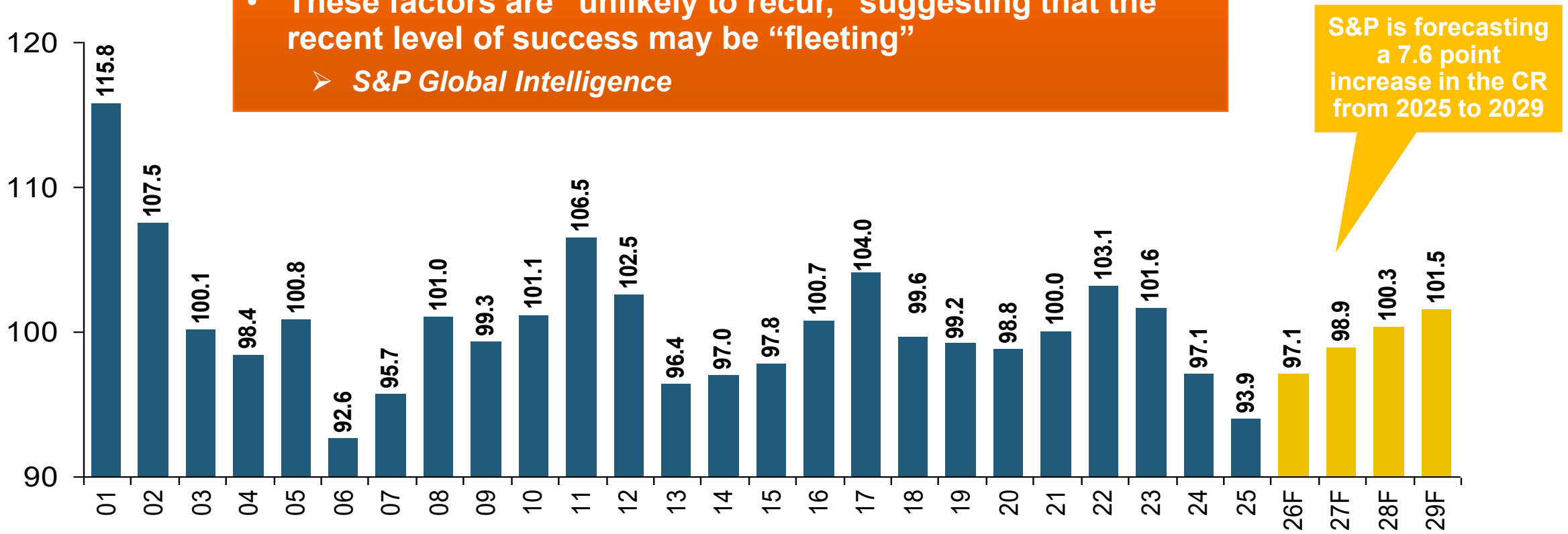
Line	2024	2025p	Difference from 2024
Personal Auto	95	92	-3
Homeowners	100	88	-12
Other Liability (incl. Products)	109	109	0
Commercial Auto	107	102	-5
Commercial Multi-Peril	100	96	-4
Fire & Allied Lines	83	76	-7
Workers Comp	86	91	+5
All Other Lines	88	91	+3
Total P/C Industry	**97**	**93**	**-4**

The P/C insurance industry continued to experience a very substantial improvement in underwriting performance in 2025 across most major lines

Sources: NAIC Annual Statement data from NCCI State of the Line (May 2025) available at: https://www.ncci.com/SecureDocuments/SOLGuide_2026.html.

P/C Insurance Industry Combined Ratio, 2001–2029F

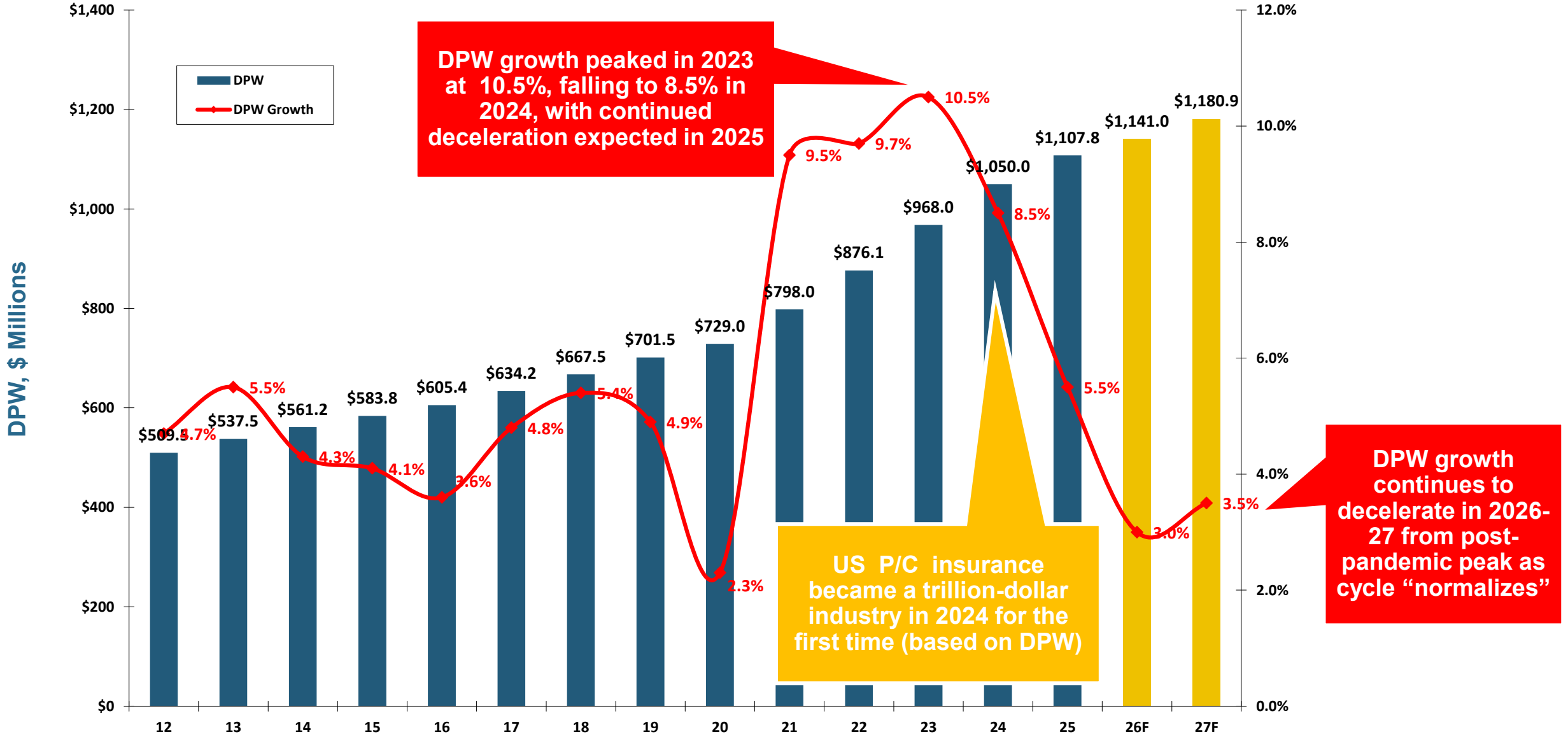
- 2025 represented the end of a “generational” hard market in personal lines as well as a “benign” year for CAT losses
- These factors are “unlikely to recur,” suggesting that the recent level of success may be “fleeting”
  - ***S&P Global Intelligence***



S&P is forecasting a 7.6 point increase in the CR from 2025 to 2029

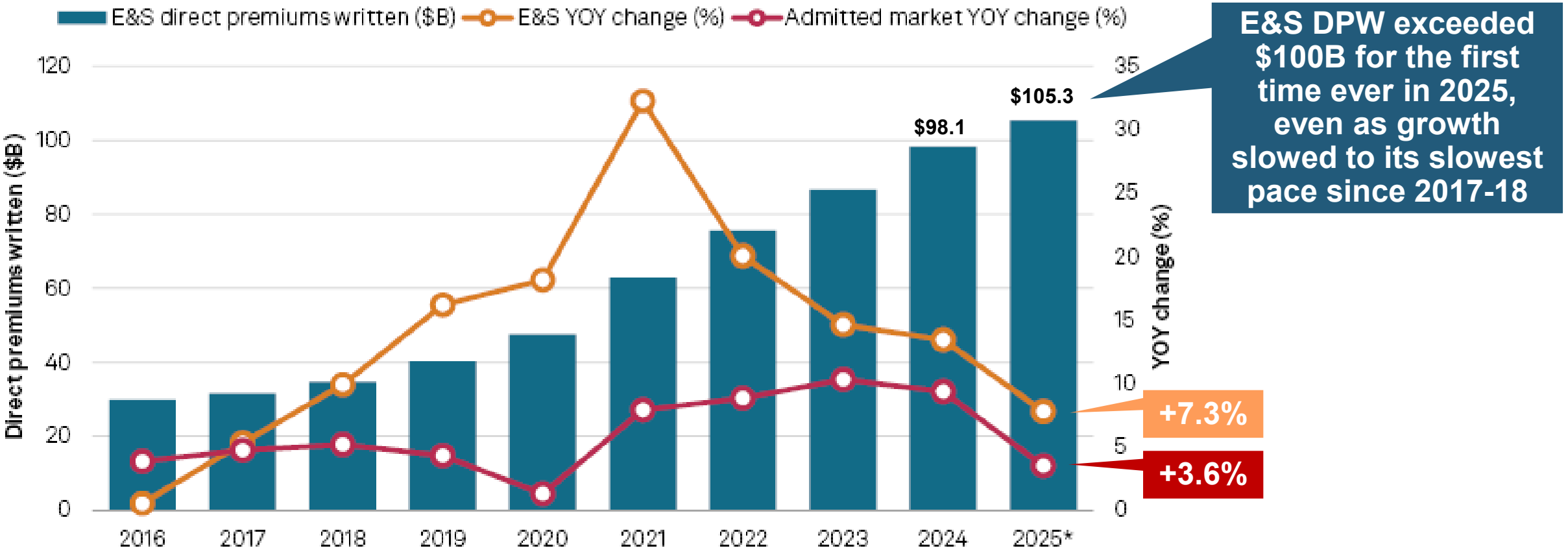
Sources: A.M. Best, ISO (2001-2025). S&P Global Intelligence (2026E-2029F).

P/C Direct Premiums Written Volume and Growth, 2010–2027F



Sources: A.M. Best, NAIC and S&P Global (2010-2024); Forecast figures for 2025 from Swiss Re Institute "*US Property & Casualty Outlook:,*" (April 2026), accessed at: https://www.swissre.com/institute/research/sigma-research/Insurance-Monitoring/us-property-casualty-outlook-april-2026.html.

US E&S Premium Growth, 2016 – 2025*



*As of 3/23/26.

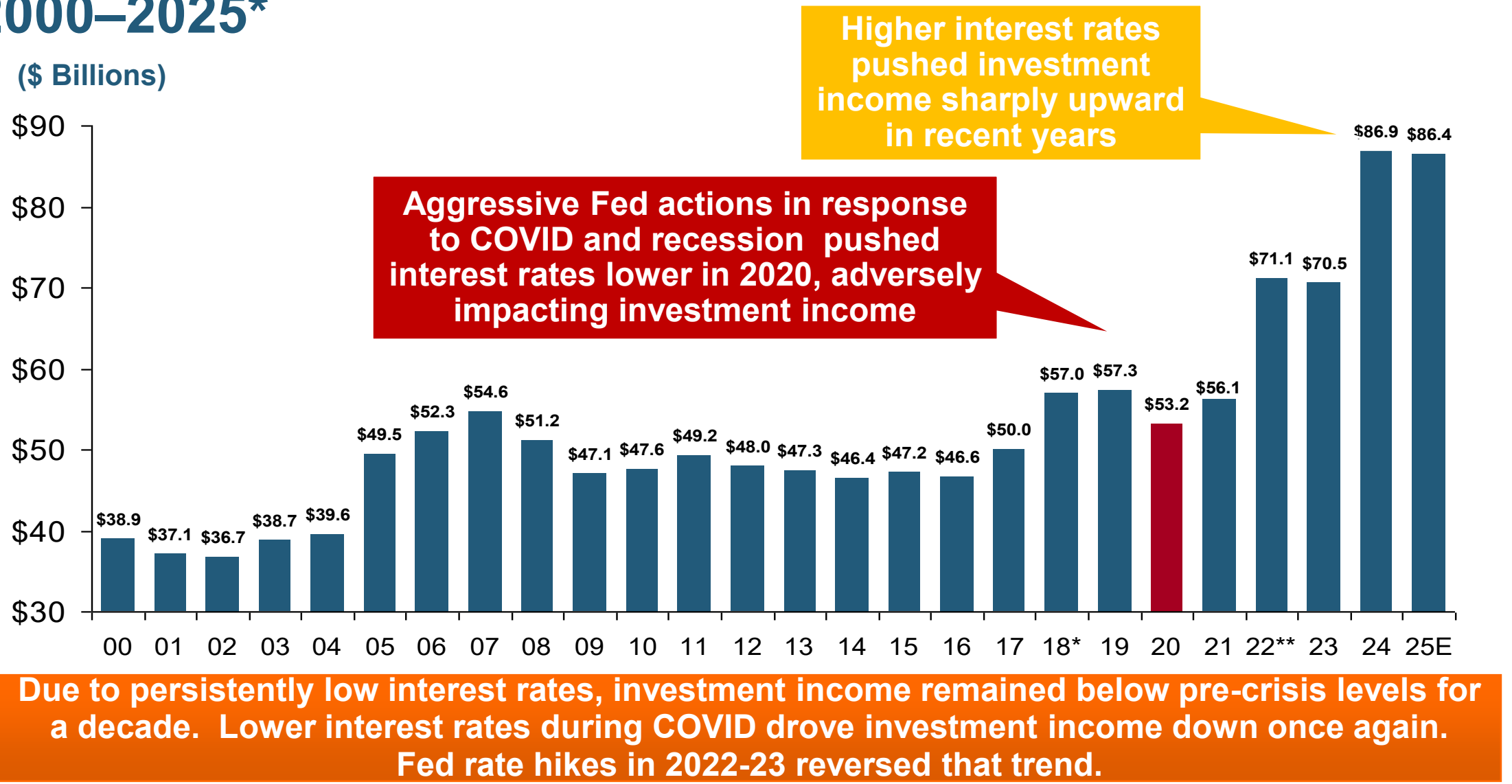
Source: S&P Global accessed at: https://www.spglobal.com/market-intelligence/en/news-insights/research/2026/04/us-e-and-s-industry-growth-rate-dips-into-single-digits-in-2025.

Investments:
Wall Street's Wild Ride Continues

Investment Performance Is a Key Driver of Insurer Profitability

Higher Interest Rates Have Benefitted Insurers

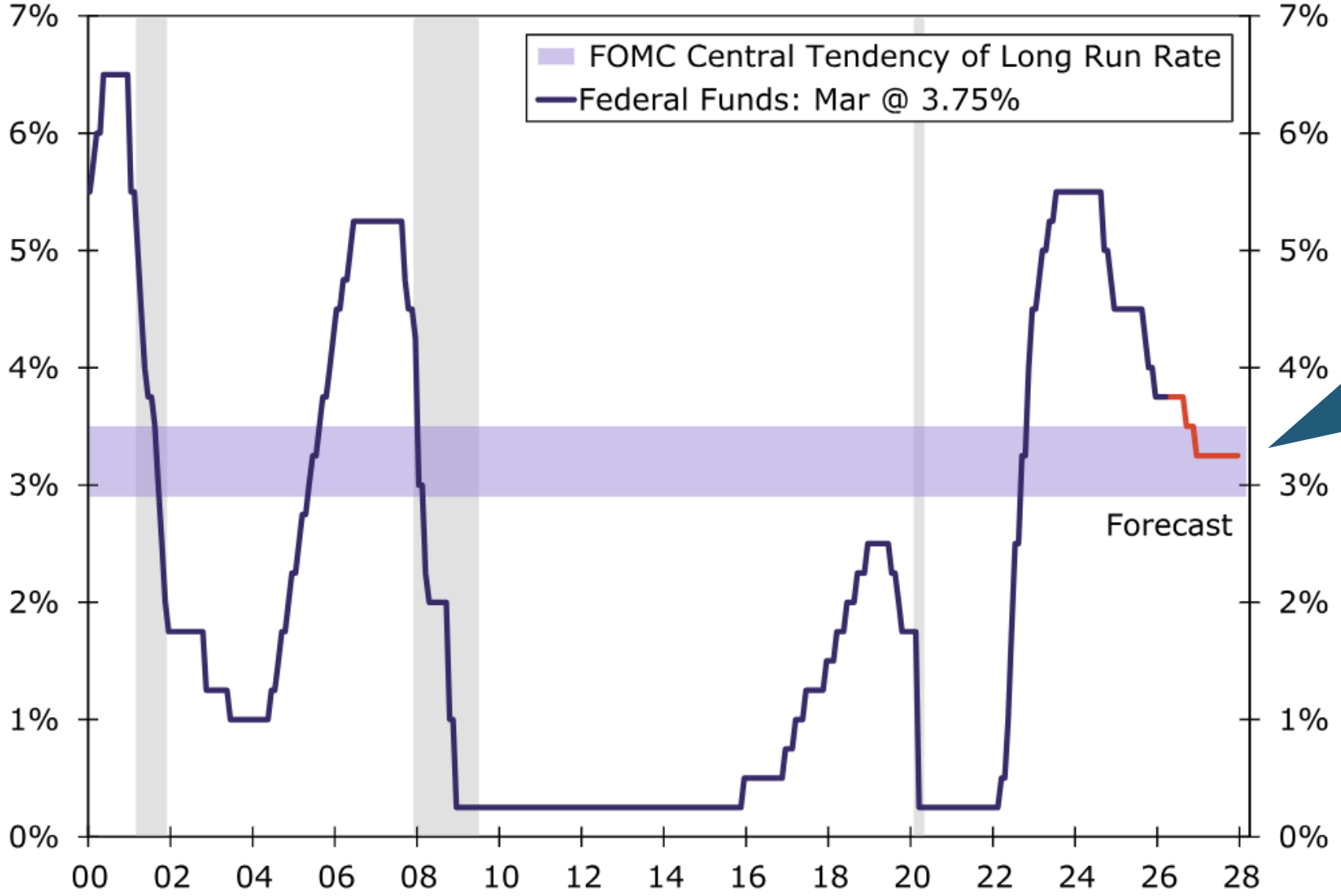
Property/Casualty Insurance Industry Investment Income: 2000–2025*



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 reversed that 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.

Federal Funds Target Rate: *Gradual Easing in Store*

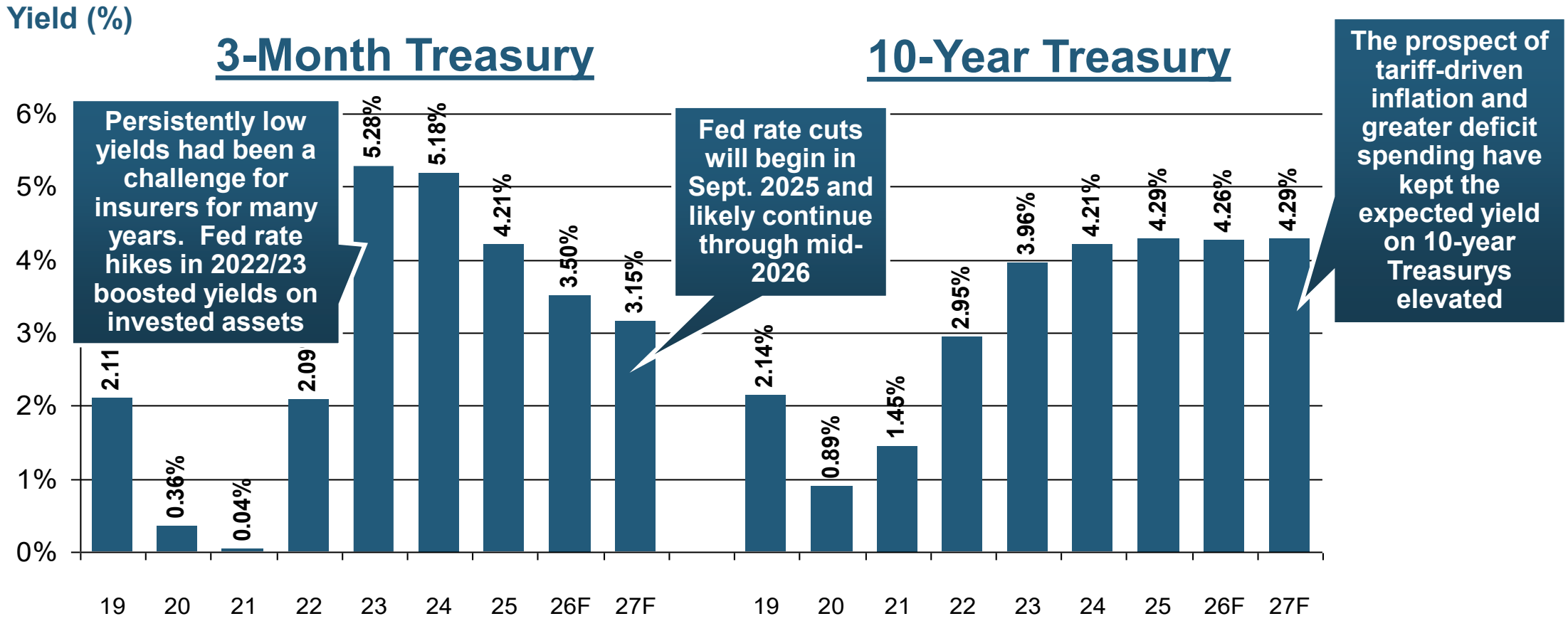


Inflation concerns are jeopardizing hopes for rate cuts later in 2026.

Cuts of 25BP *were* expected at the Sept. and Dec. 2026 FOMC meetings—but now are in question

Source: Federal Reserve Board and Wells Fargo Economics.

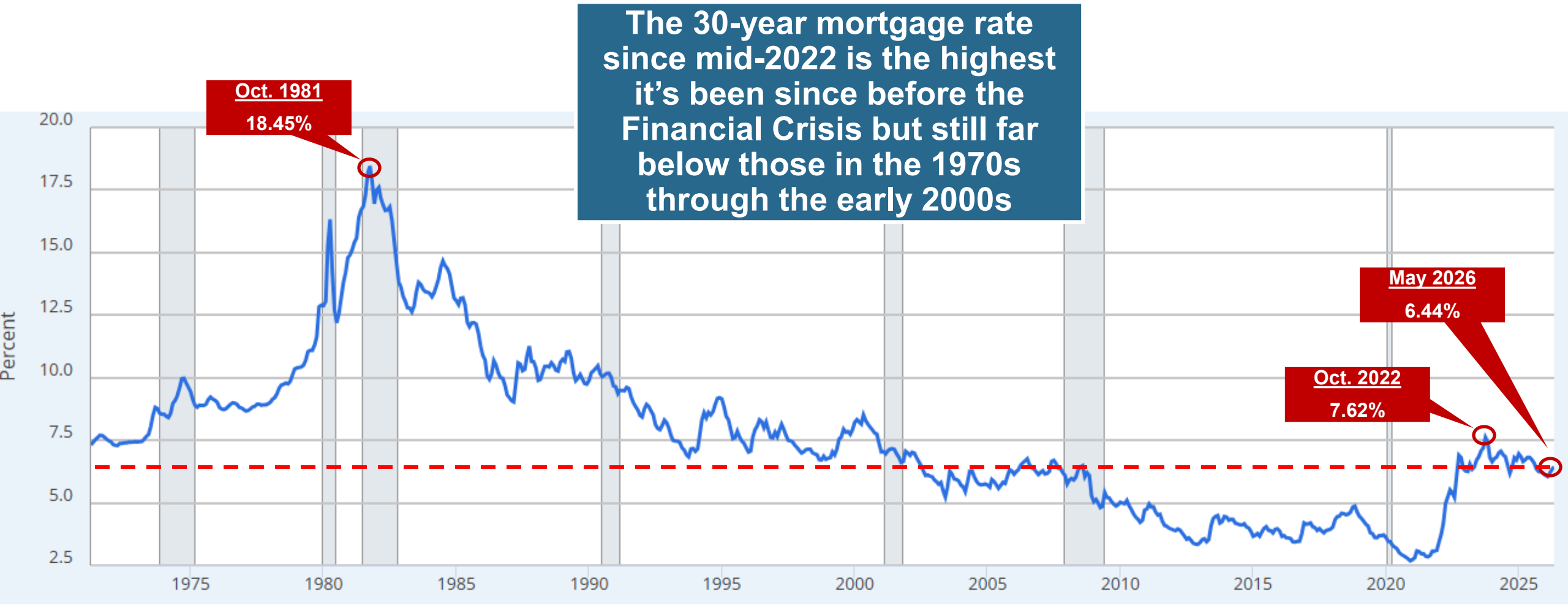
Interest Rate Forecasts: 2019 – 2027F: *Higher for Longer*



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

Sources: Wells Fargo Securities (5/26); Risk and Uncertainty Management Center, University of South Carolina.

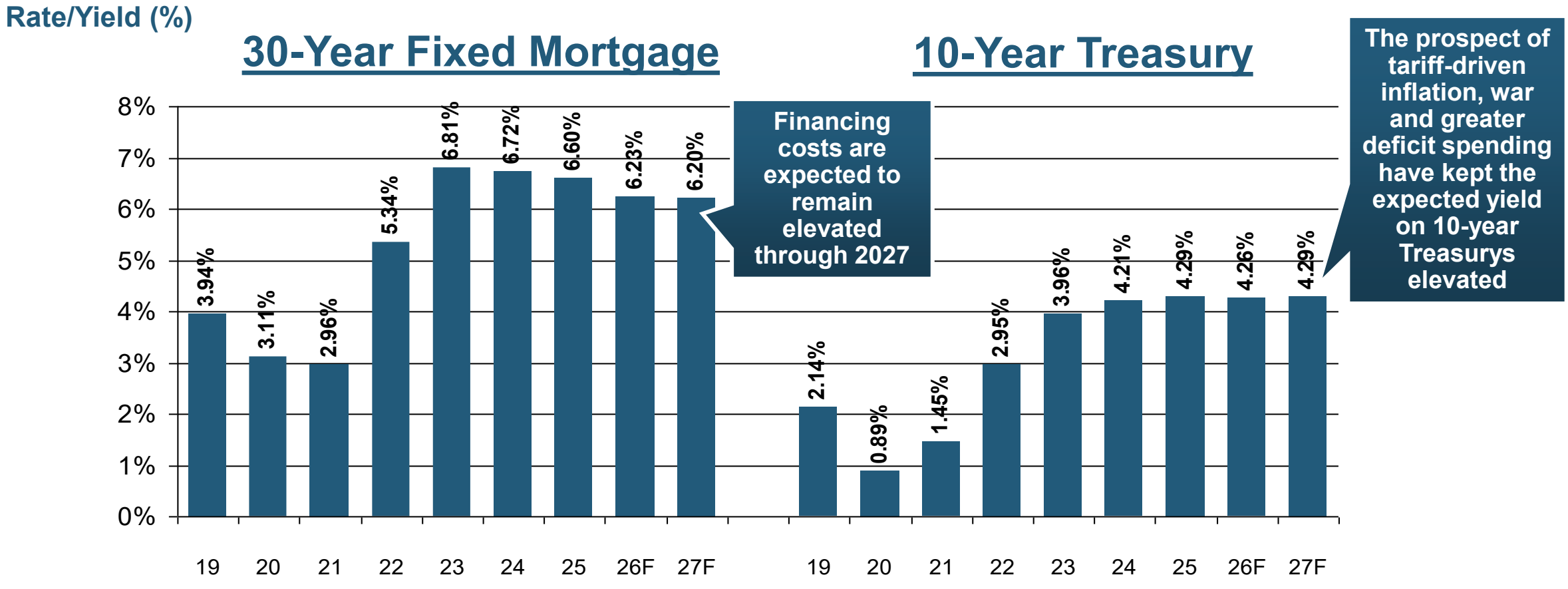
30-Year Fixed Rate Mortgage, May 1971 – May 2026



Note: Gray shaded areas represent recessions.

Sources: Federal Reserve Bank of St. Louis from Freddie Mac: https://fred.stlouisfed.org/series/MORTGAGE30US; Risk and Uncertainty Management Center, University of South Carolina.

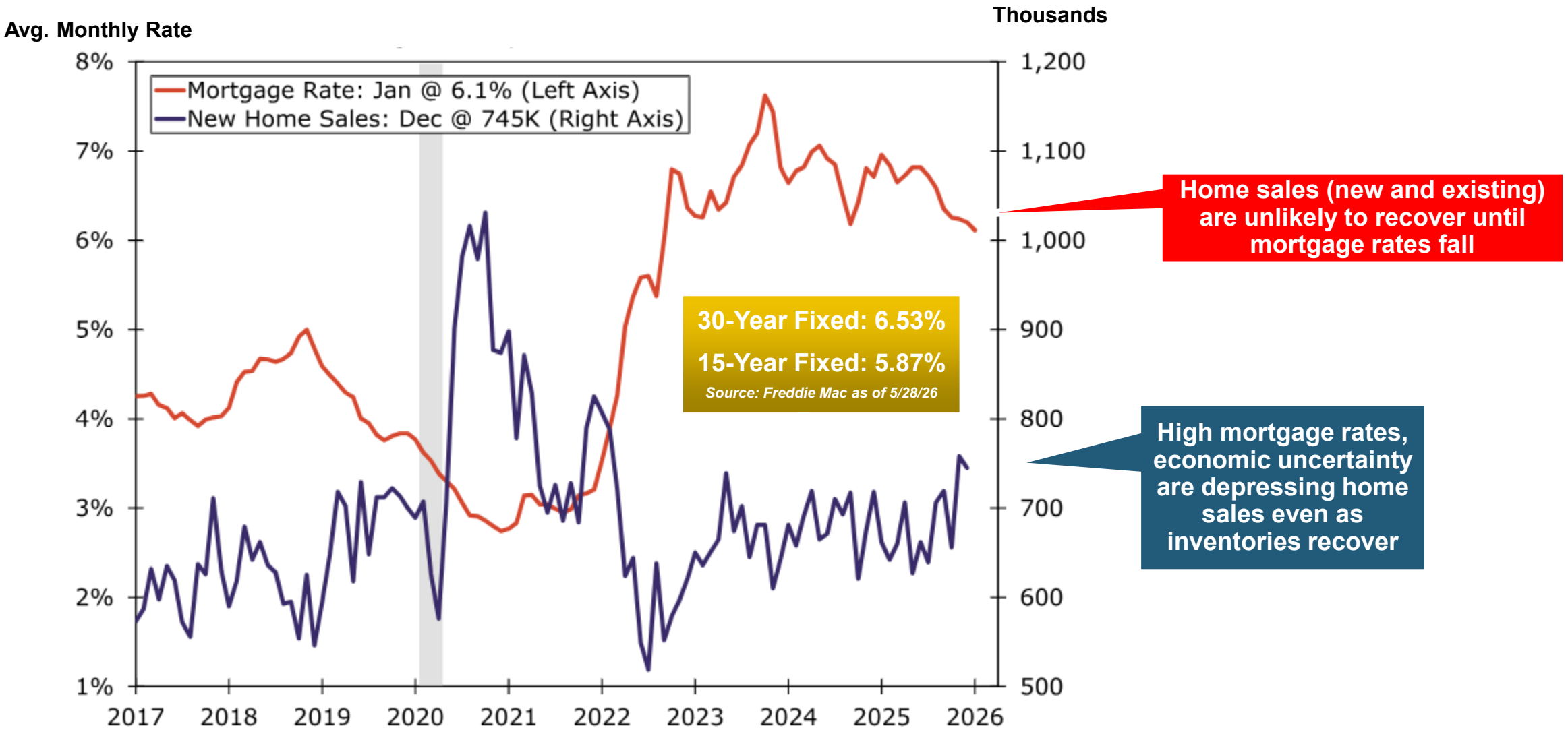
Interest Rate Forecasts: 2019 – 2027F: *Higher for Longer*



Higher interest rates will act as a damper on construction activity at least through 2027. Enormous uncertainty regarding future Fed actions and inflation as questions about the degree of Fed independence under a new Fed Chair mount.

Sources: Wells Fargo Securities (5/26); Freddie Mac; Risk and Uncertainty Management Center, University of South Carolina.

New Home Sales vs. Mortgage Interest Rates



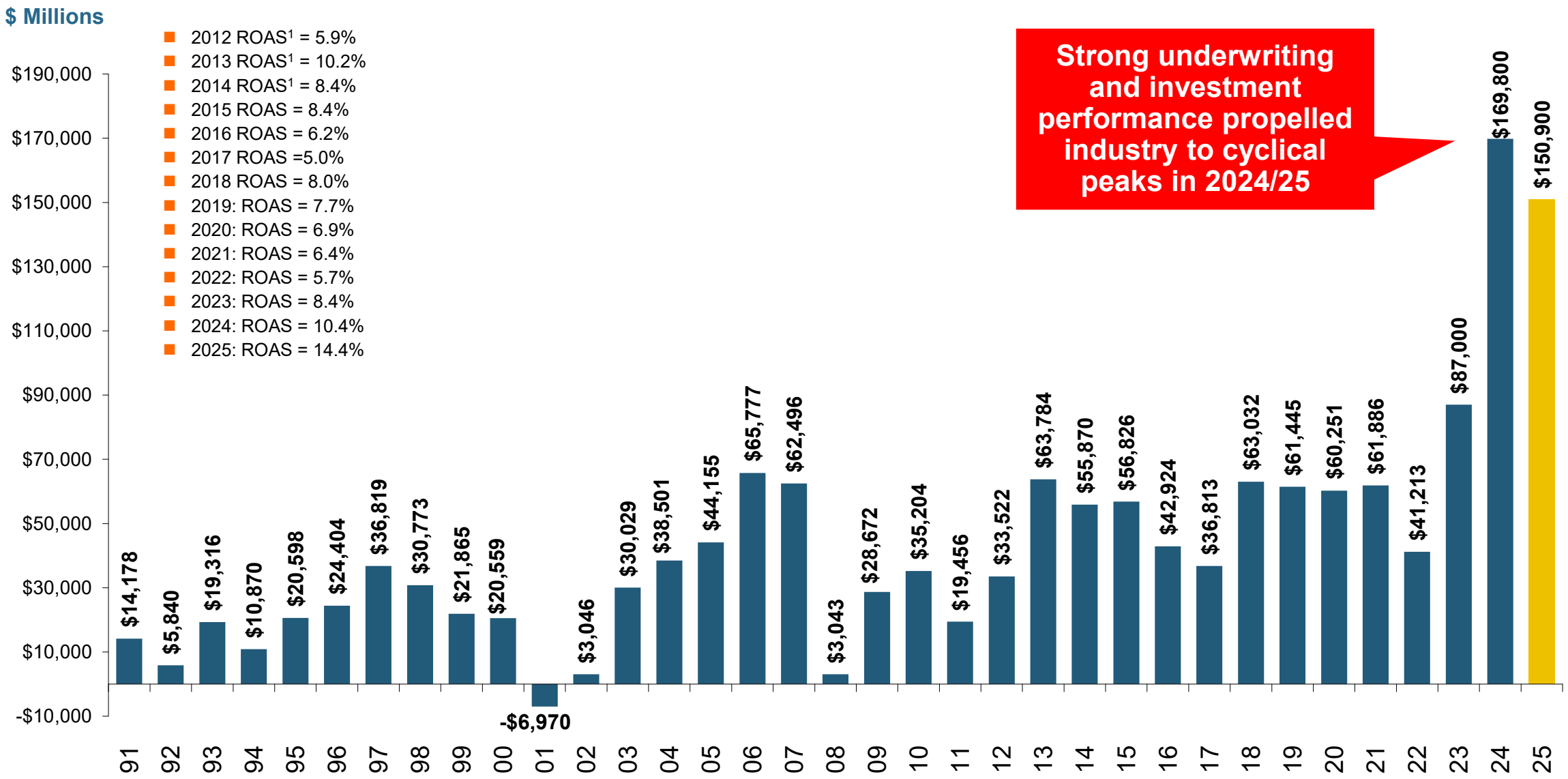
Source: Freddie Mac, US Dept. of Commerce and Wells Fargo Economic Research.

Profitability, Capital and Capacity

P/C Insurance: Improved Profitability Is Driving Capacity Upwards

But Will Pace of Growth Slow?

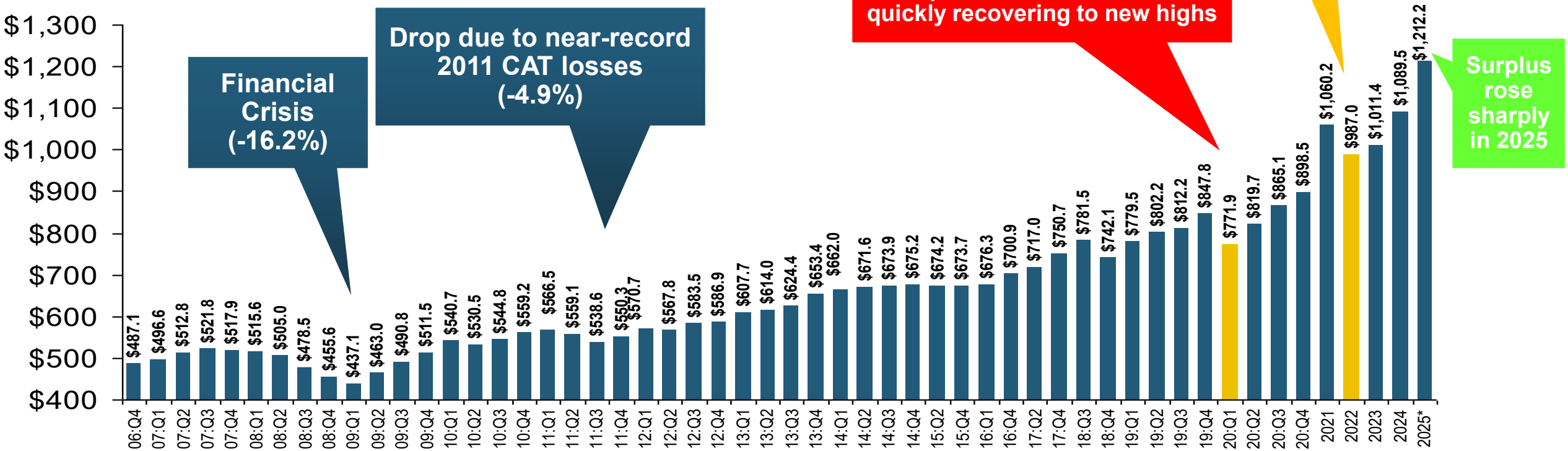
P/C Industry Net Income After Taxes, 1991–2025



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

Policyholder Surplus (Capacity), 2006:Q4 – 2025

($ Billions)

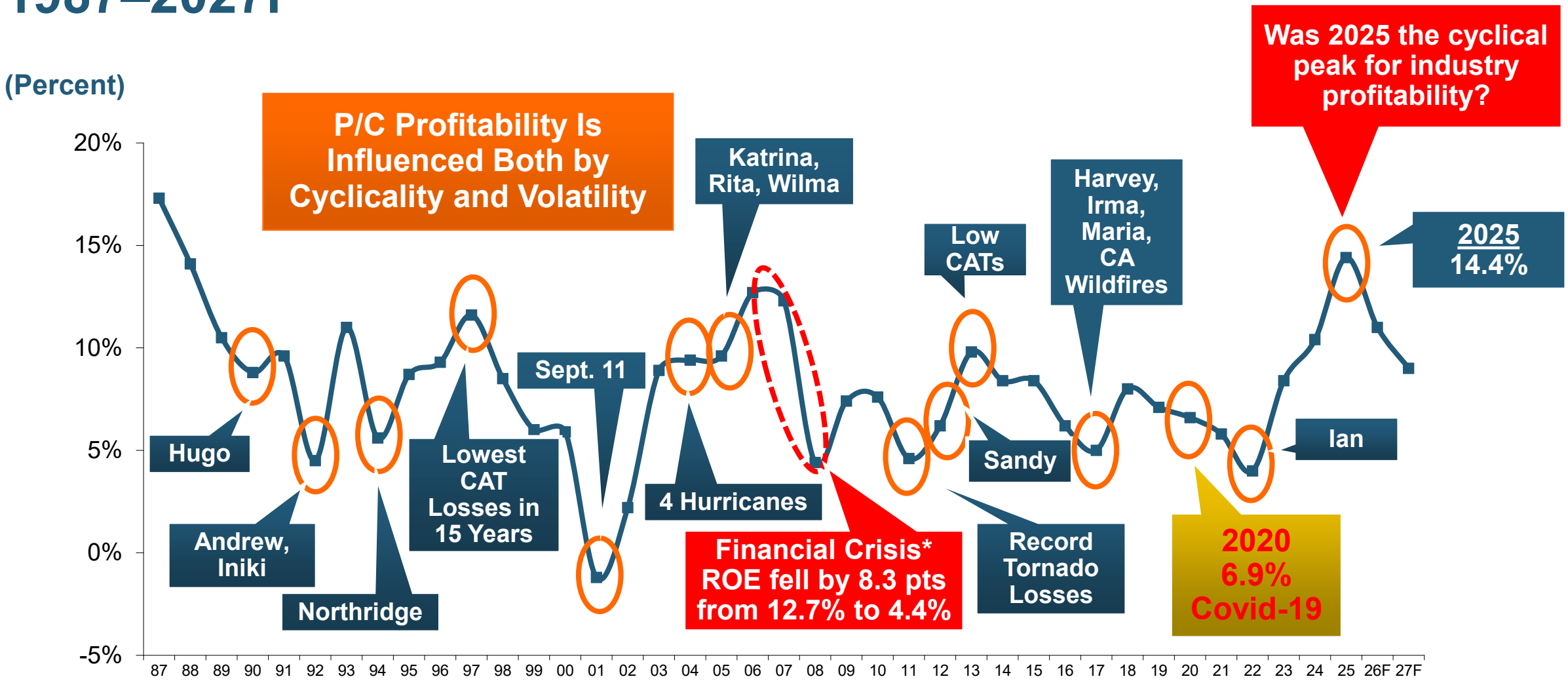


Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

Note: Through Dec. 31, 2025.

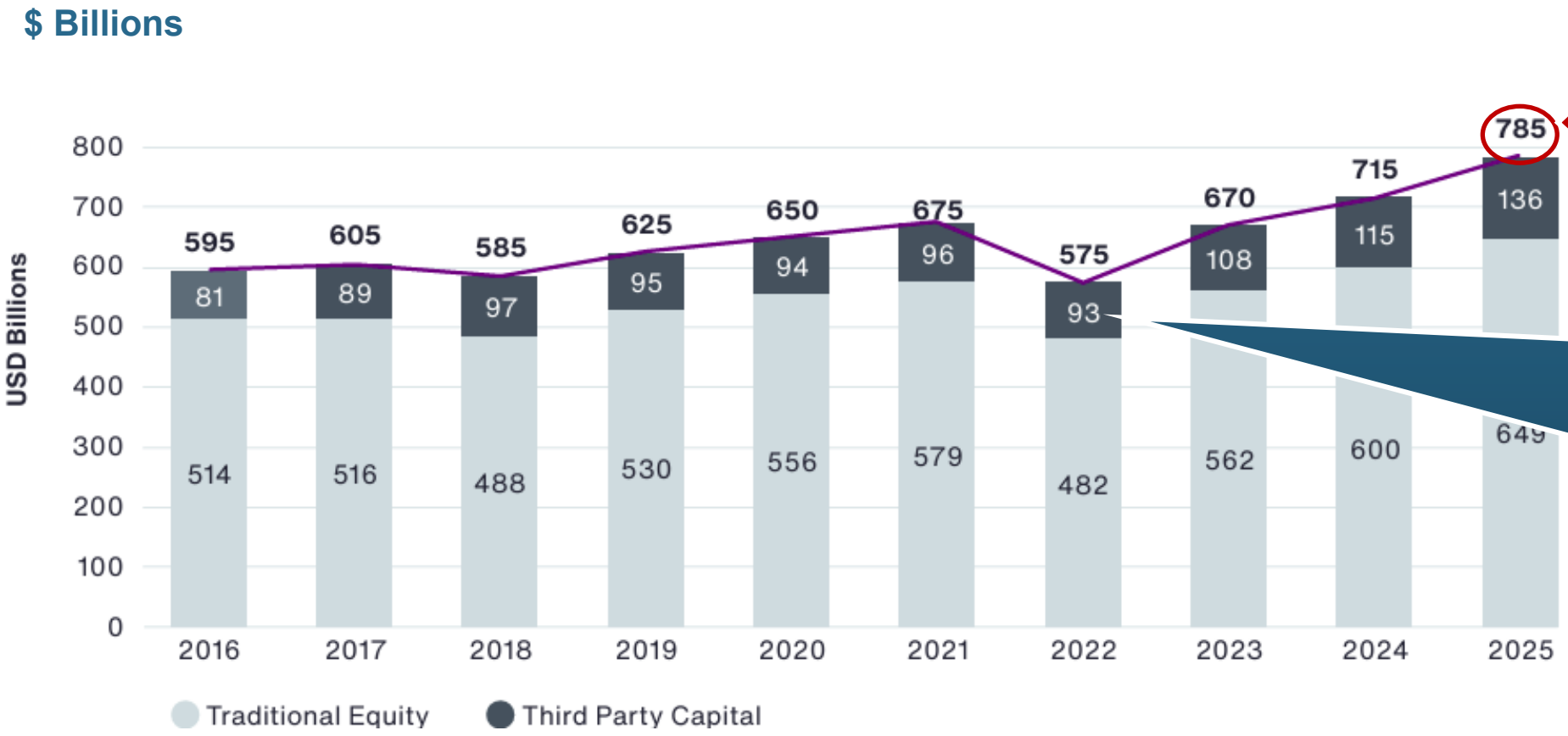
Sources: ISO, A.M. Best, NAIC. Risk and Uncertainty Management Center, University of South Carolina.

ROE: Property/Casualty Insurance by Major Event, 1987–2027F



*Excludes Mortgage & Financial Guarantee in 2008 – 2025. Swiss Re (2026F – 2027F).
Sources: A.M. Best, ISO, *Fortune,* APCIA; USC RUM Center.

Global Reinsurance Capital, 2016 – 2025

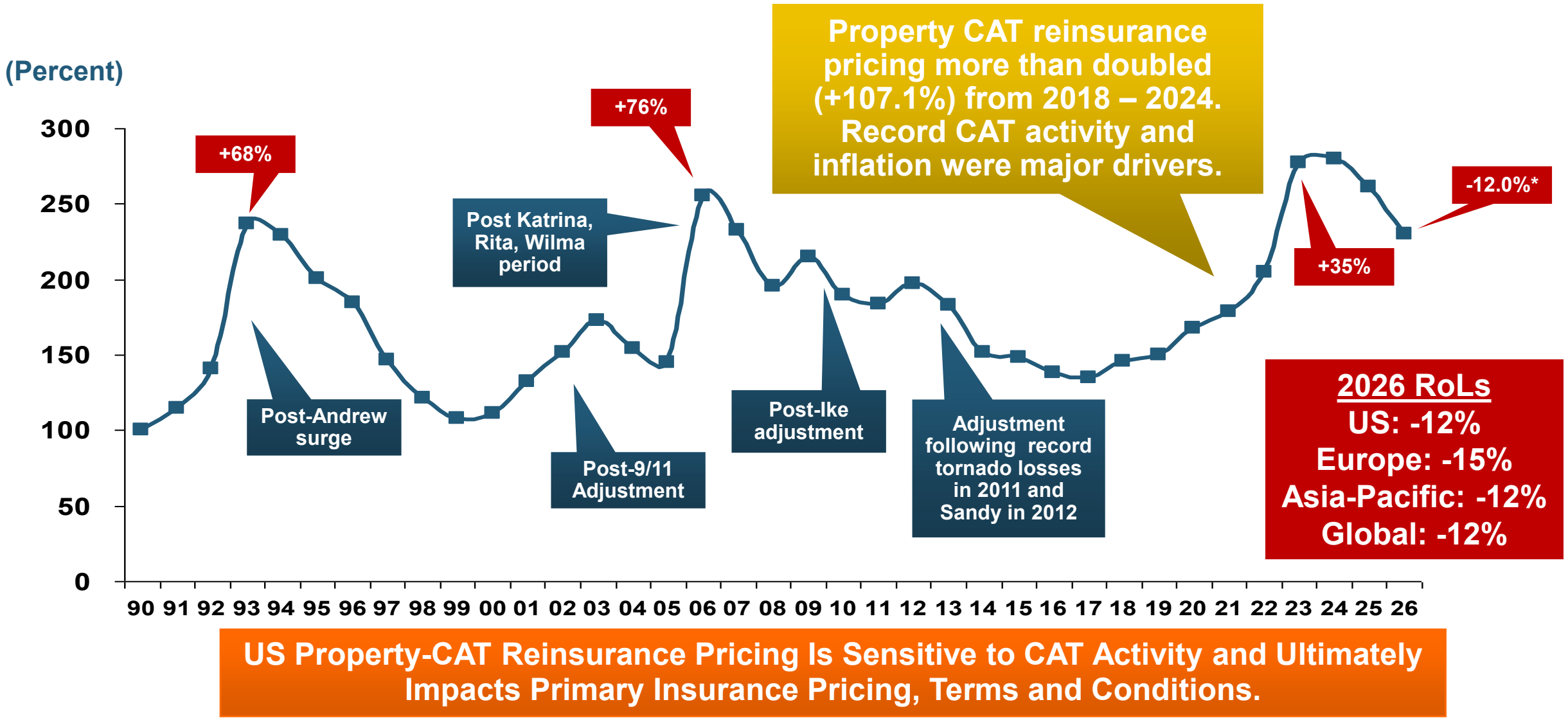


Global reinsurance reached a new high in 2025, and is now 36.5% above its 2022 trough

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/getmedia/3e1812c1-ffc0-4991-85c9-3d20bc28d117/20260401_rmd_april_2026_report.pdf.

US Property Catastrophe Rate-on-Line Index: 1990 – 2026*



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

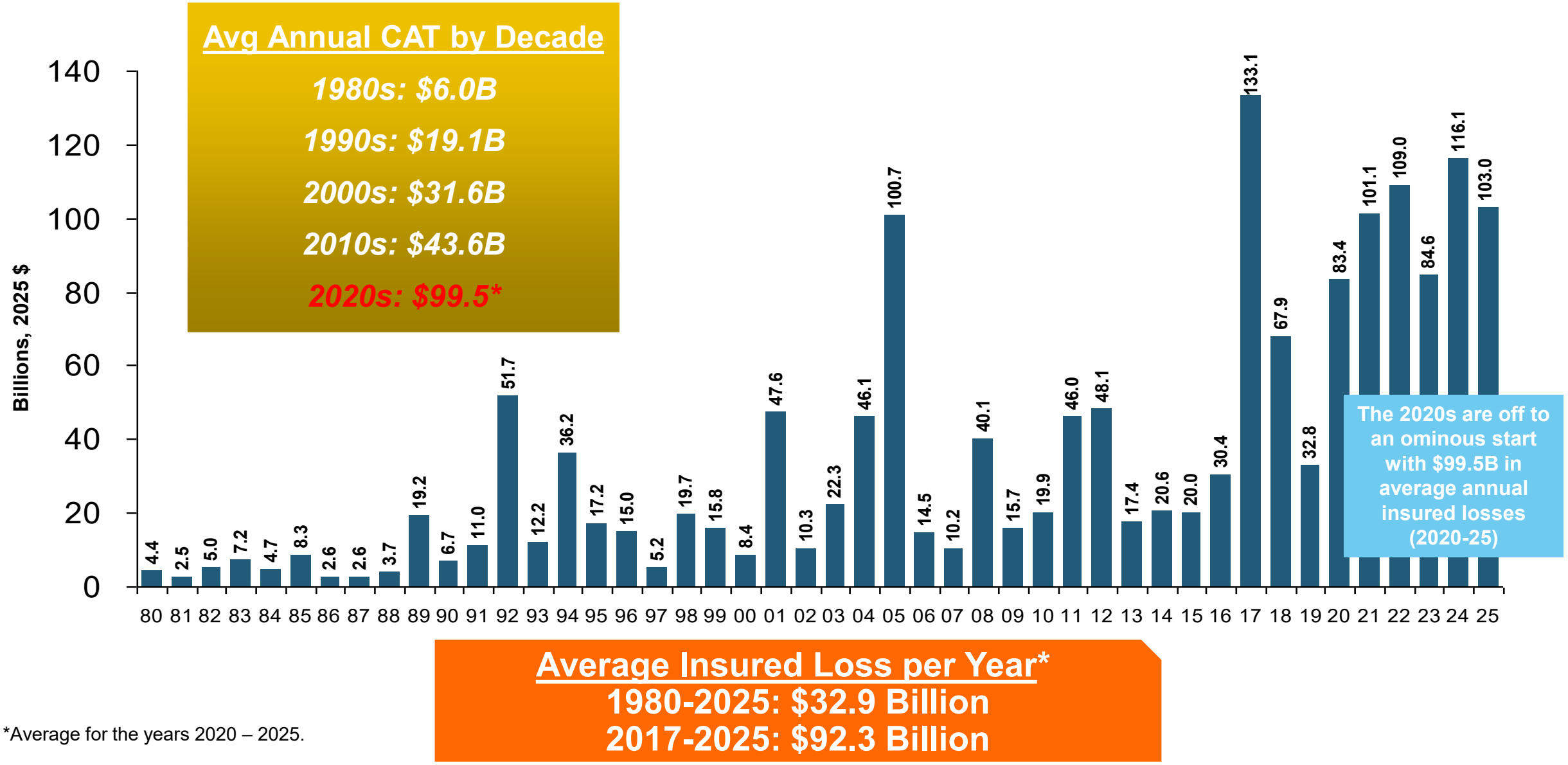
Catastrophe Loss Trends

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 Were Just the Latest in a Long Series of Mega-Disasters

U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2025



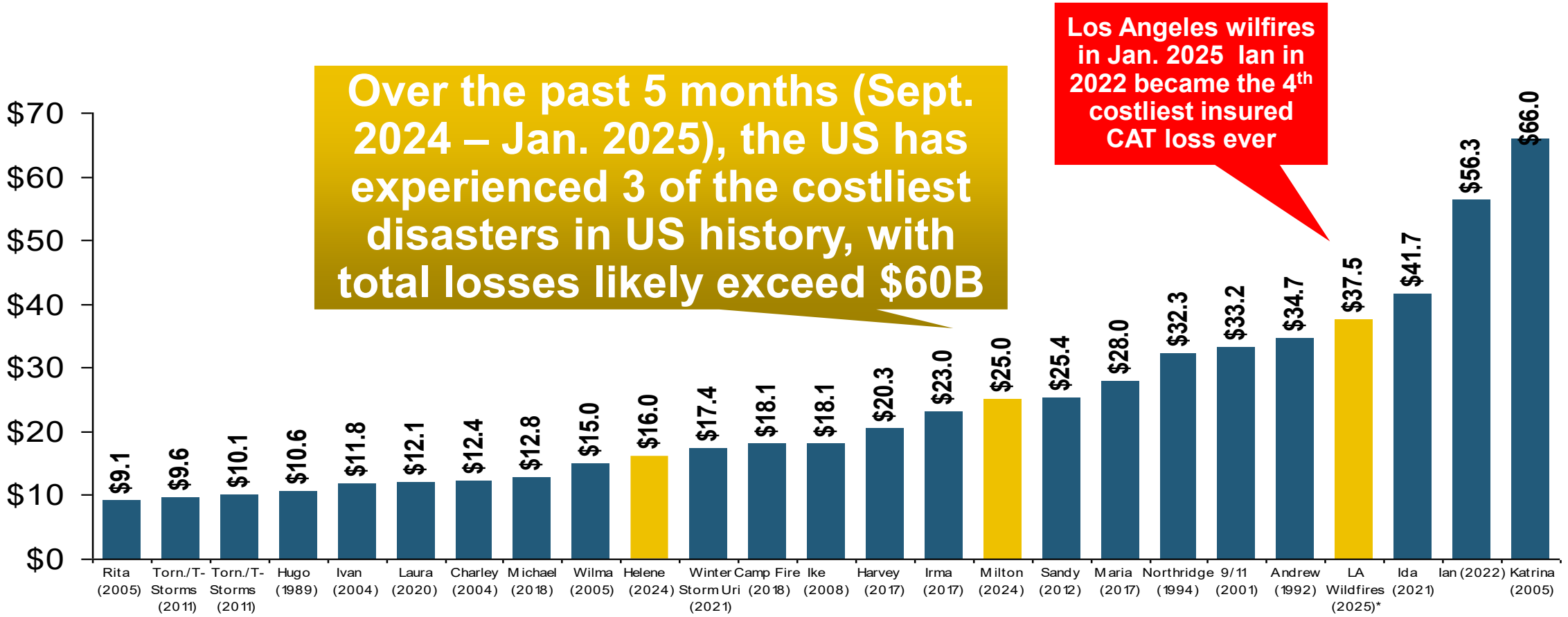
Average Insured Loss per Year*
1980-2025: $32.9 Billion
2017-2025: $92.3 Billion

*Average for the years 2020 – 2025.

Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023-2025 figures from Aon.
University of South Carolina, Risk & Uncertainty Management Center.

Top 26 Most Costly Disasters in U.S. History

(Insured Losses, 2024 Dollars, $ Billions)

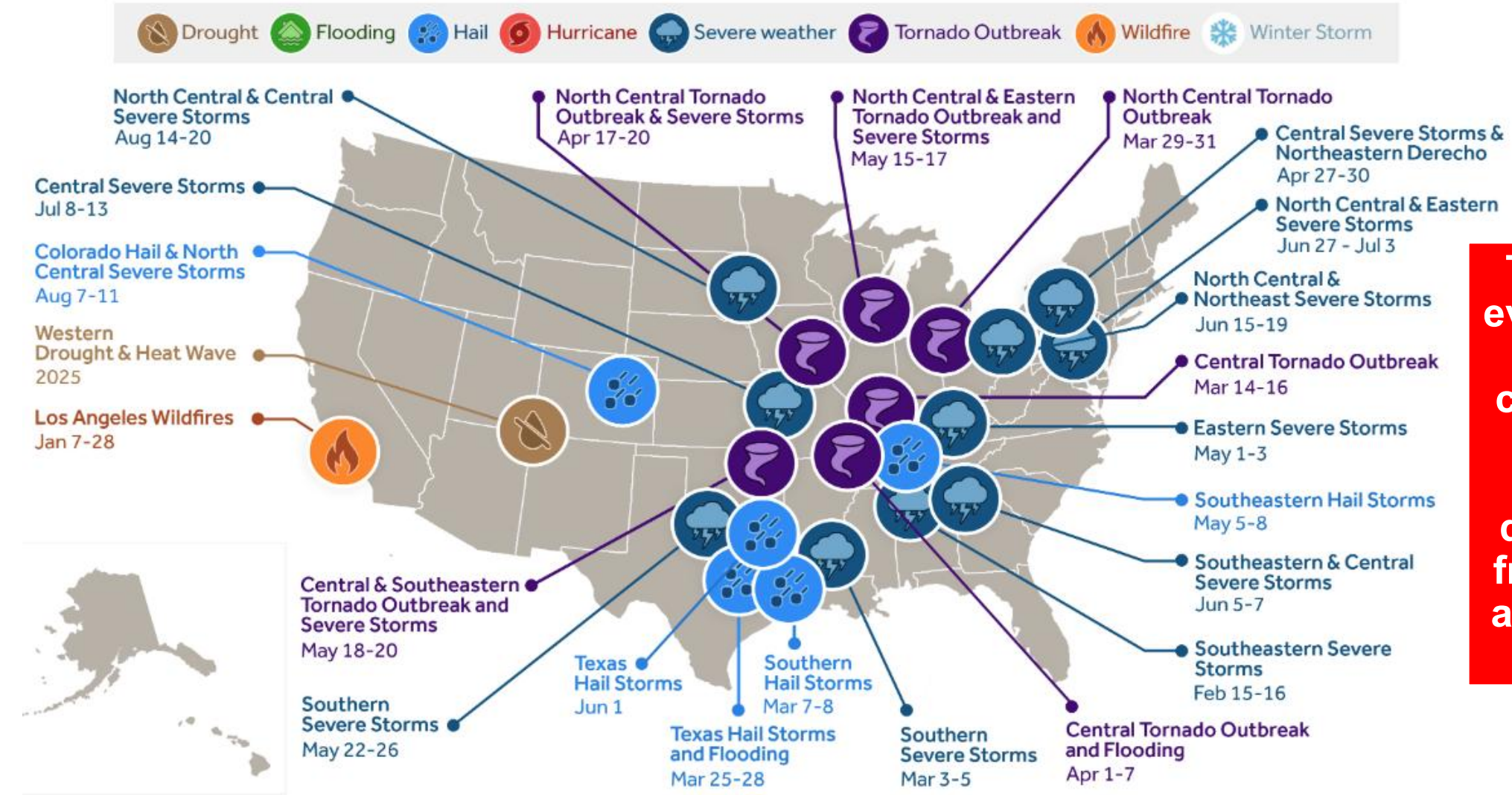


23 of the 26 Most Expensive Insurance Events in US History Have Occurred Since 2004.

*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, 2025*



There were 23 events in the US in 2025 that caused at least $1B in economic damage, down from 27 in 2024 and a record 28 in 2023

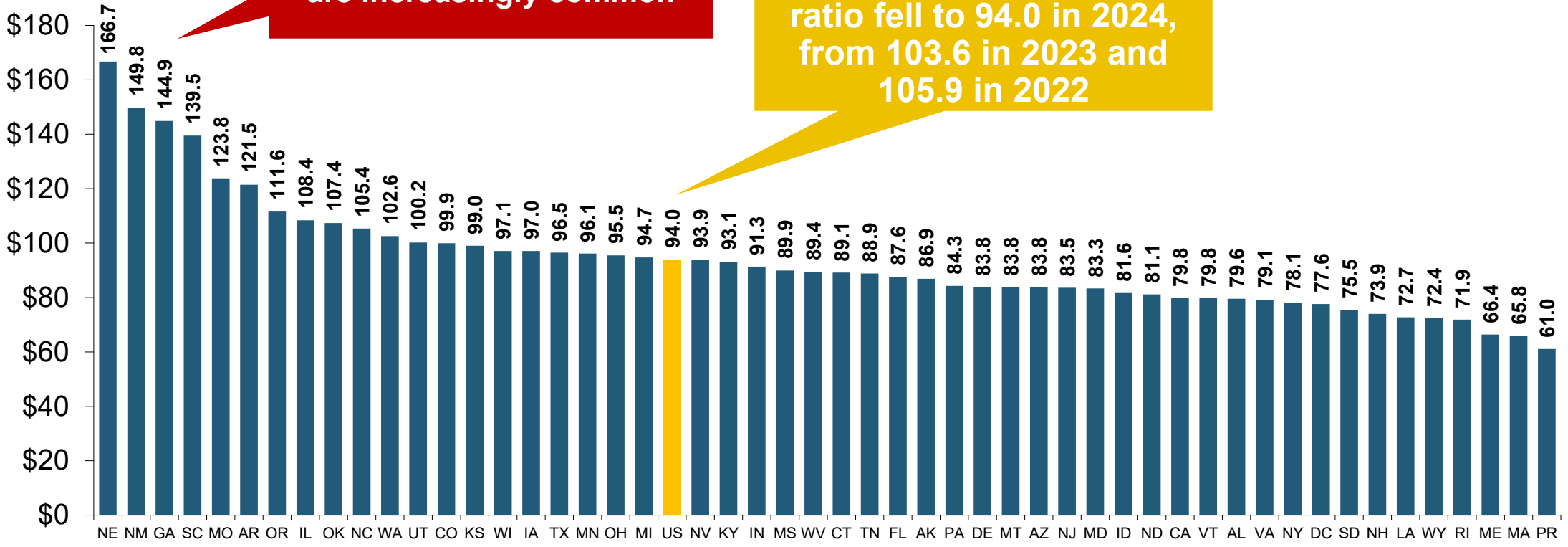
Source: Climate Central, accessed at: https://www.climatecentral.org/climate-services/billion-dollar-disasters.

Homeowners Insurance Combined Ratio by State in 2024

HO Combined Ratios > 140 are increasingly common

The US HO combined ratio fell to 94.0 in 2024, from 103.6 in 2023 and 105.9 in 2022

HO combined ratios are highly volatile—*with a 100.9 point spread* across the 50 states from highest to lowest 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.

Affordability, Insurance and Politics

Affordability is a Leading Concern of Americans

Have Recent Rate and Profit Trends Put Insurers in the Crosshairs of Regulators, Public Opinion and the Media?

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American Voters' #1 Concern: Affordability

THE WALL STREET JOURNAL.

MARKETS & FINANCE

The Uproar Over Affordability Is Coming for Insurers

The industry's financial well-being is at odds with customers who have endured large rate increases

By Jean Eaglesham Follow

Jan. 22, 2026 5:30 am ET

Gift unlocked article | Listen (6 min)

https://www.wsj.com/finance/the-uproar-over-affordability-is-coming-for-insurers-3a85723a?mod=author_content_page_1_pos_1.

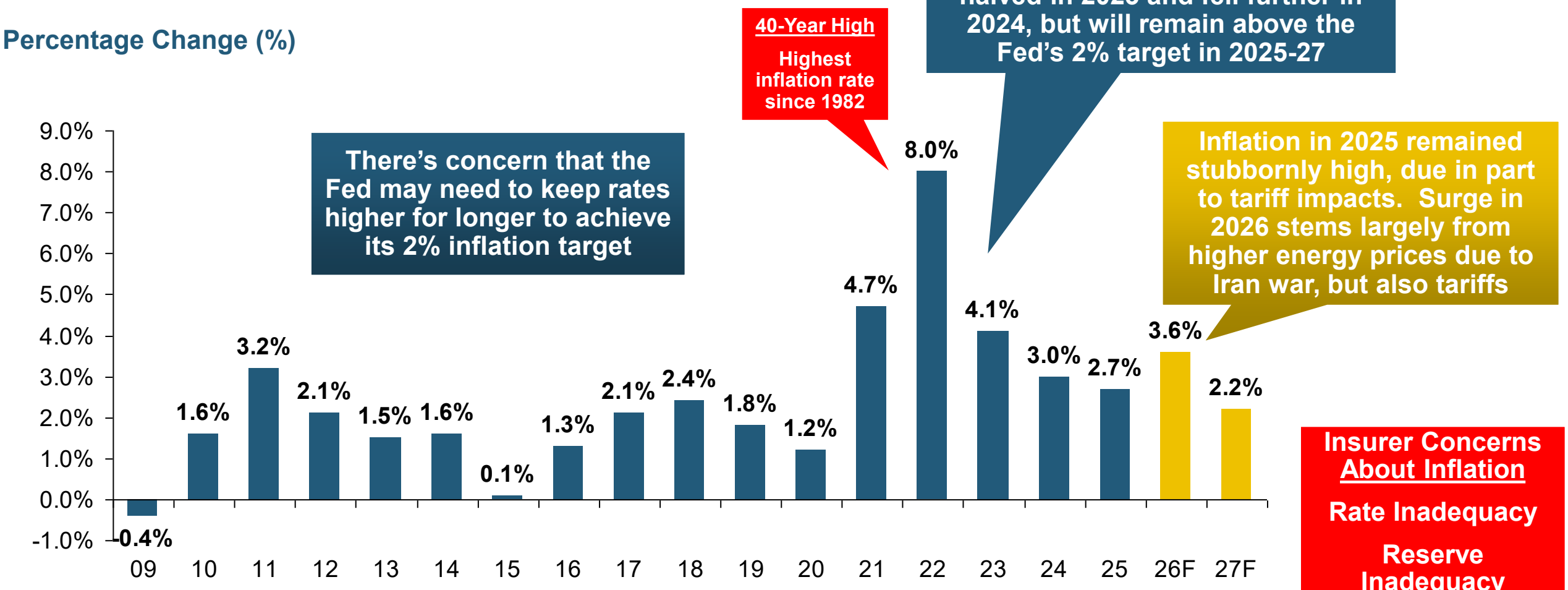
- Affordability is a top concern of consumers
- For some politicians the issue is a liability, for others an opportunity
- Either way, insurance is caught in the crosshairs
- Key issue in 2026 midterm elections
- Expect the crescendo of criticism of insurers to continue through 2026
- More hearings, calls for rate suppression, unfavorable legislation and trial lawyers seeking more influence

Inflation & P/C Insurance

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

Will Tariffs Reignite Inflation?

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



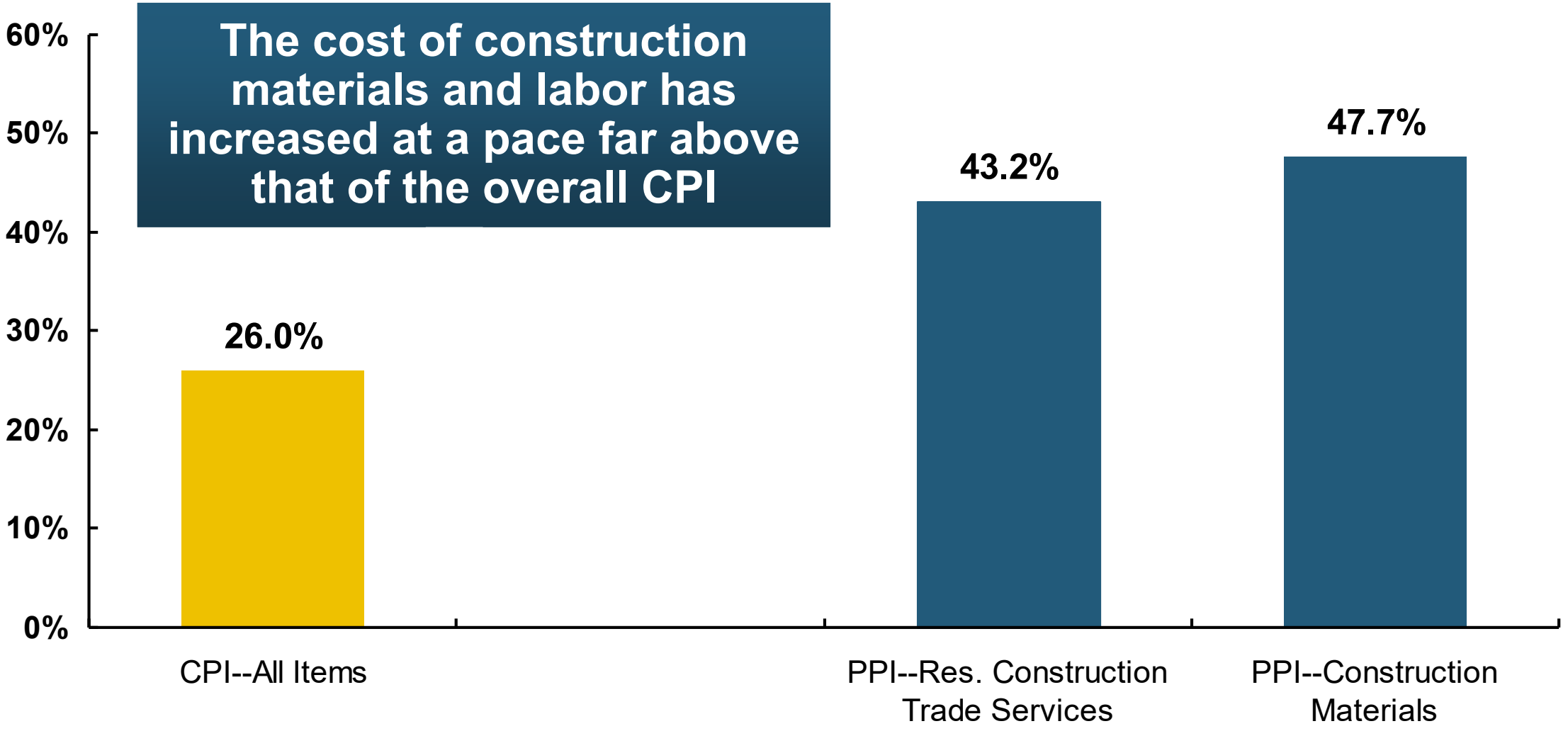
Insurer Concerns About Inflation

- 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 (5/26); USC Center for Risk and Uncertainty Management.

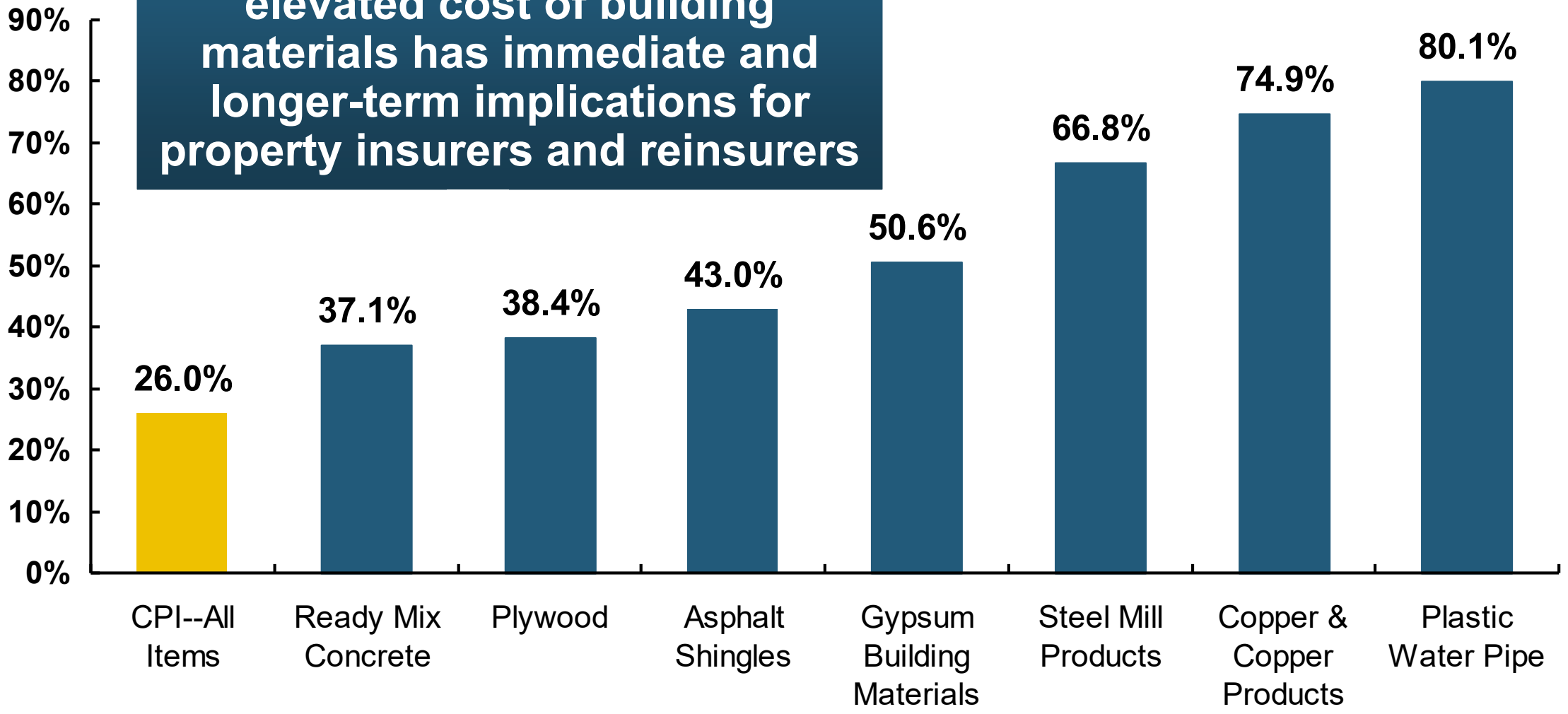
Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – Dec. 2025



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).

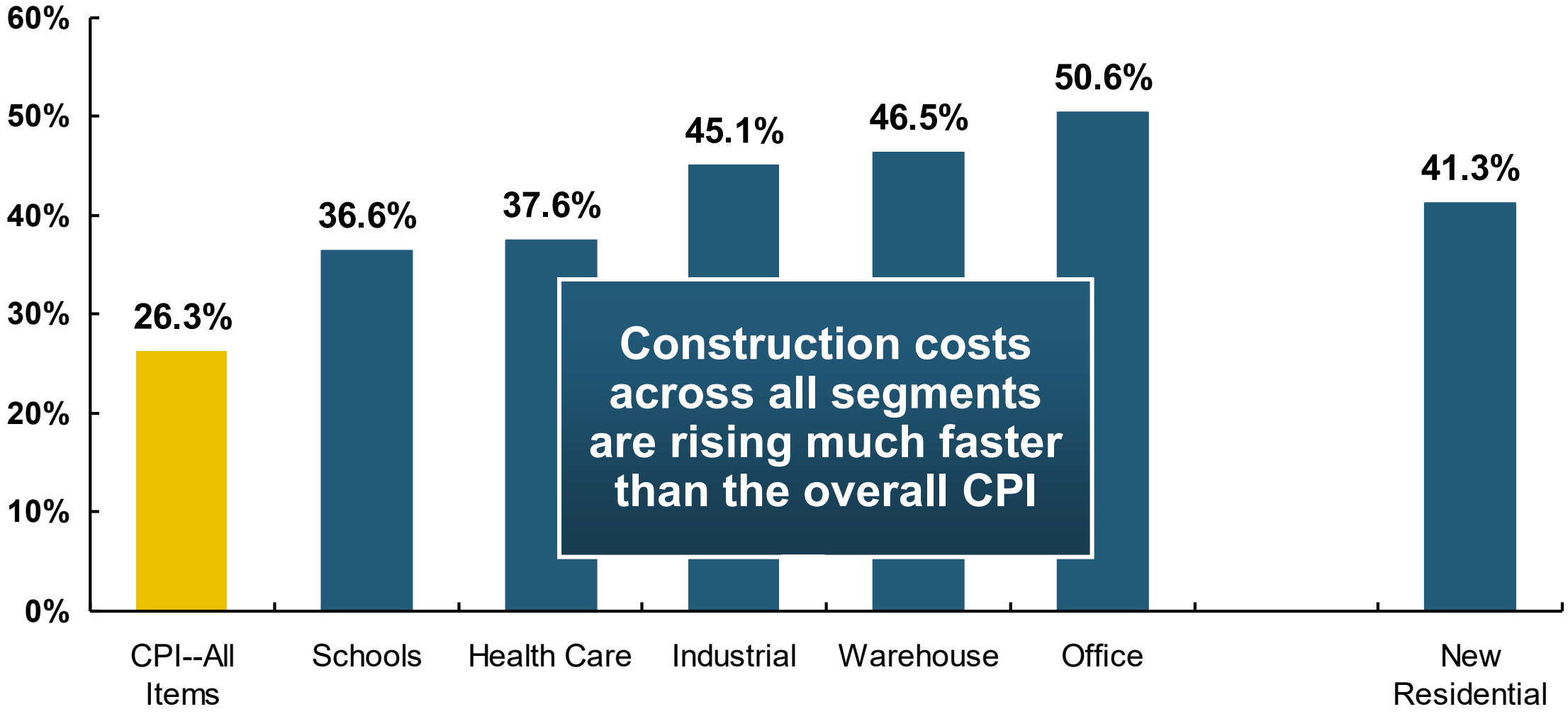
Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – Dec. 2025

The rapid increase in and still-elevated cost of building materials has immediate and longer-term implications for property insurers and reinsurers



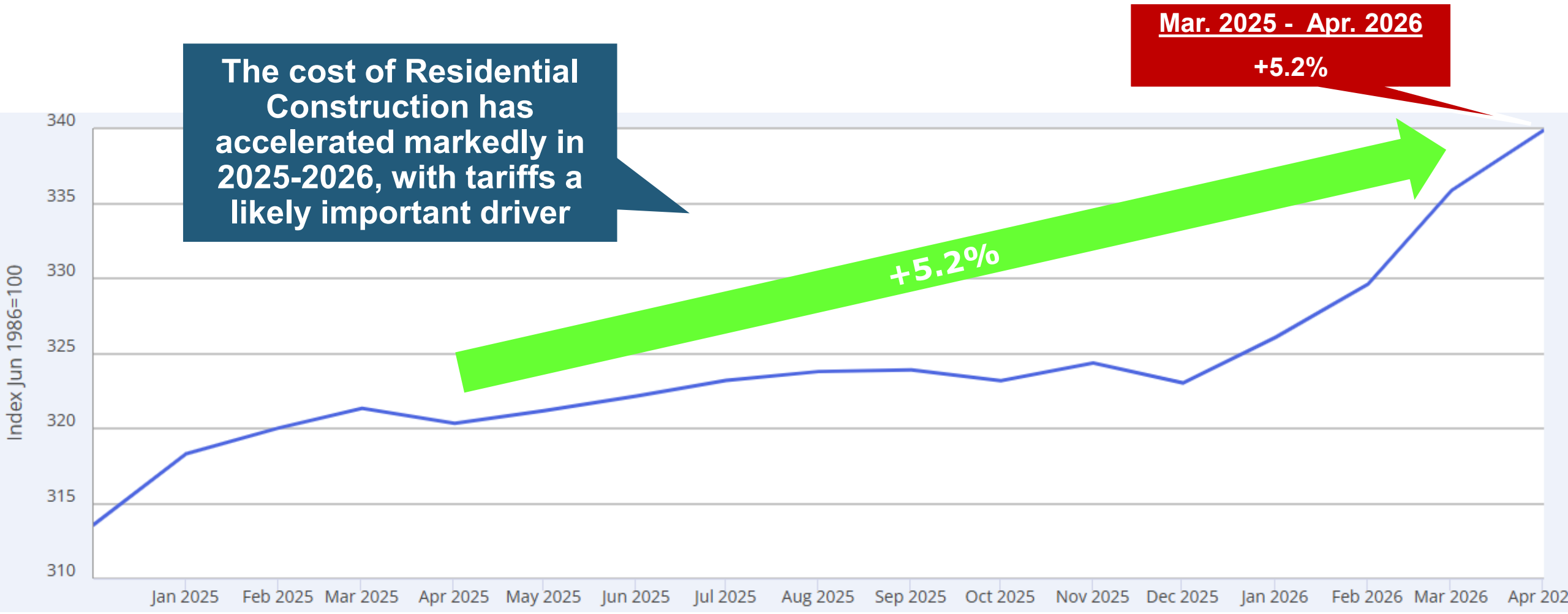
Source: U.S. Bureau of Labor Statistics.

Change in Cost Indicators for Selected Construction Categories, Feb. 2020 – March 2026



Source: Association of General Contractors from U.S. Bureau of Labor Statistics. Accessed at: https://www.agc.org/sites/default/files/Files/Communications/PPI_Tables_2026_03.pdf.

PPI: Net Inputs to Residential Construction, Goods, Dec. 2024 – Apr. 2026



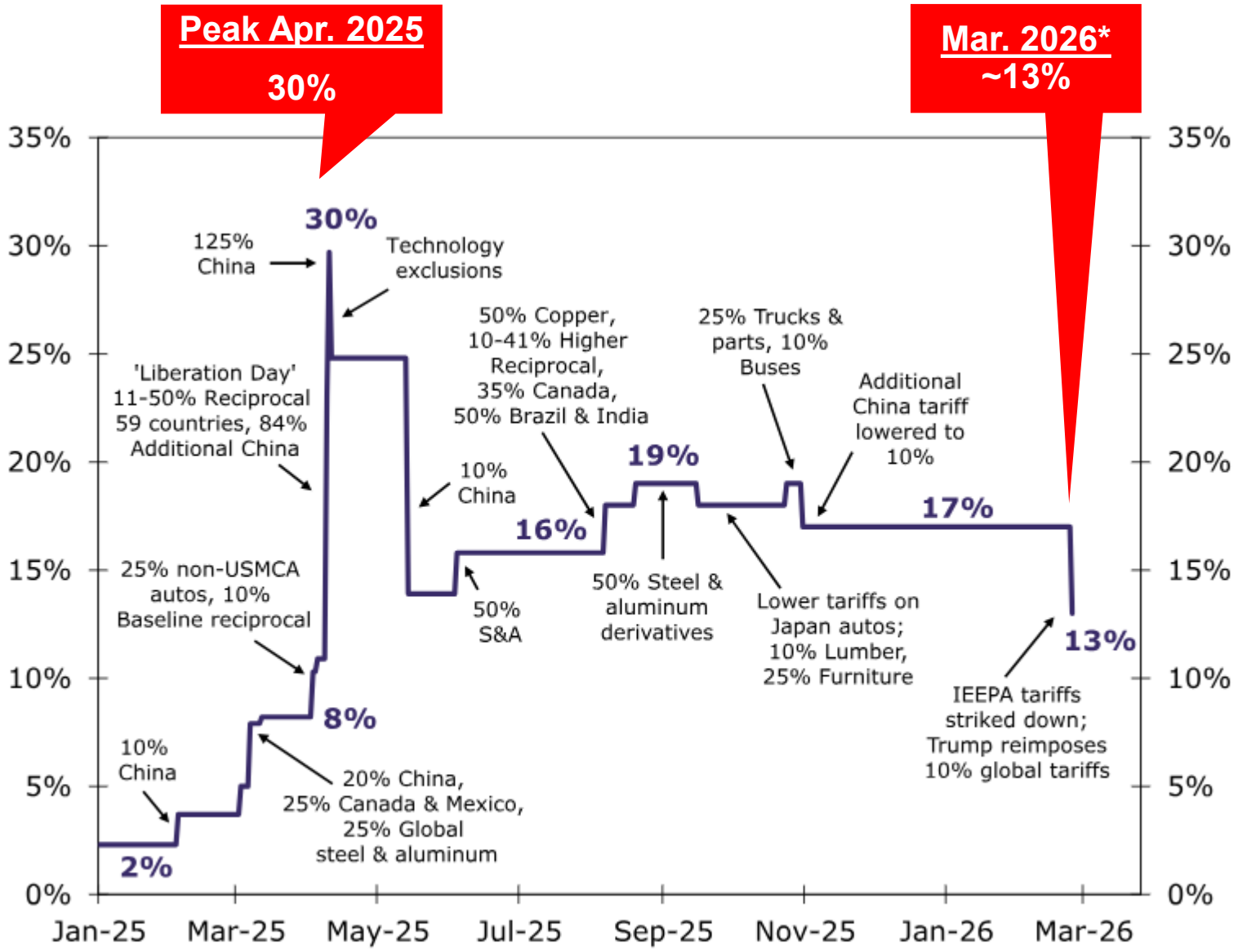
Sources: Federal Reserve Bank of St. Louis from US Bureau of Labor Statistics: https://fred.stlouisfed.org/series/WPUIP2311001; Risk and Uncertainty Management Center, University of South Carolina.

Price of Diesel, Jan. 2019 – June 2026*

*As of June 1.

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

Est. US Average Effective Tariff Rate, Jan. – March 2026*



Effective tariff rates have fluctuated wildly in 2025, starting the year ~2%, peaking at 30% and currently standing at ~138%

Renewed tariff threats could push effective rate far higher later in 2026

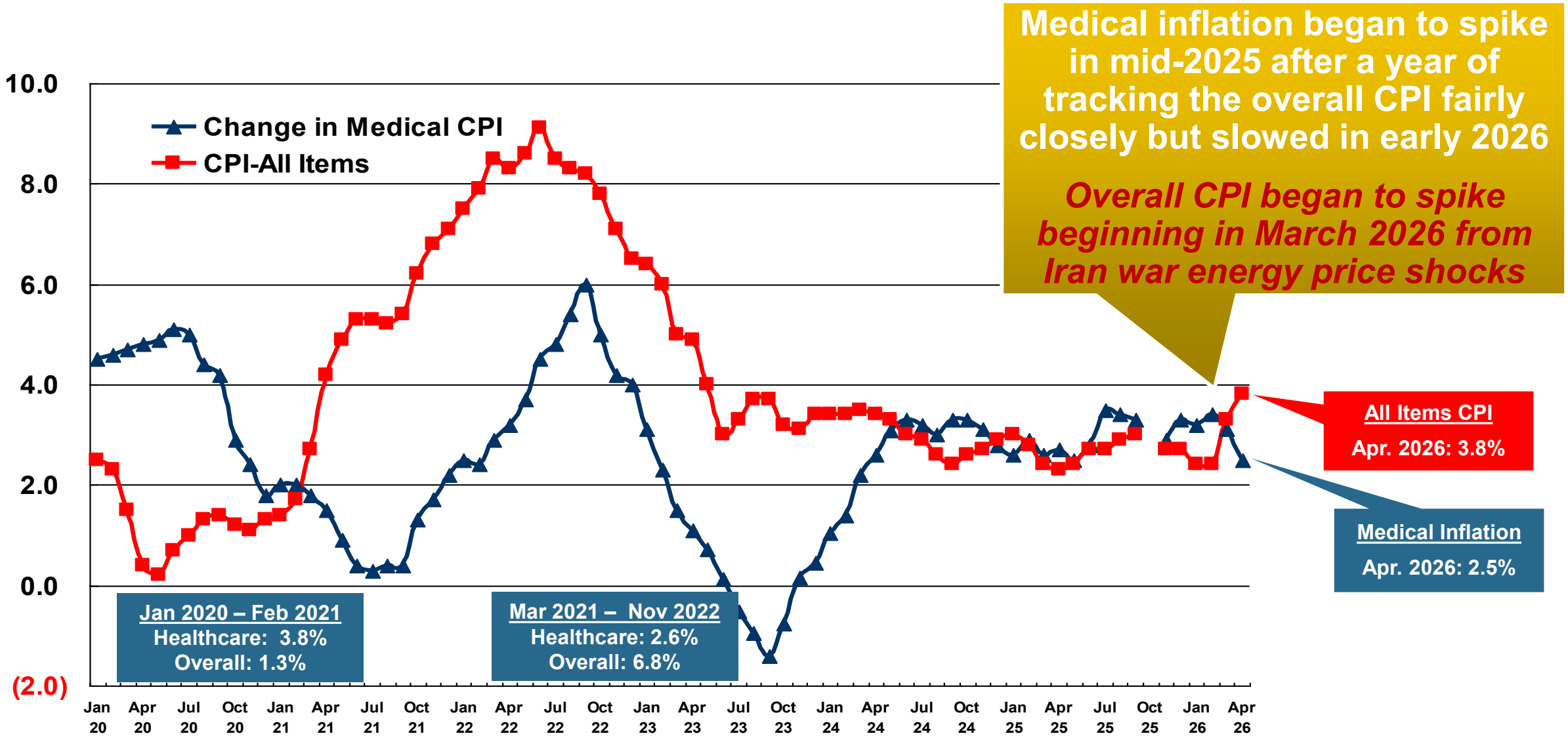
Estimated Impact of Tariffs

New Home Price: $9,200 (NAHB)

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

*Based on information available as of 2/26/26.
Source: US Dept. of Commerce and Wells Fargo Economics.

Medical Cost Inflation vs. Overall CPI Since COVID, Jan. 2020 – Apr. 2026 *(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.

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

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

Tariffs Will Increase Auto and Property Claim Severities… Rising Energy Prices Could Have Impacts as Well

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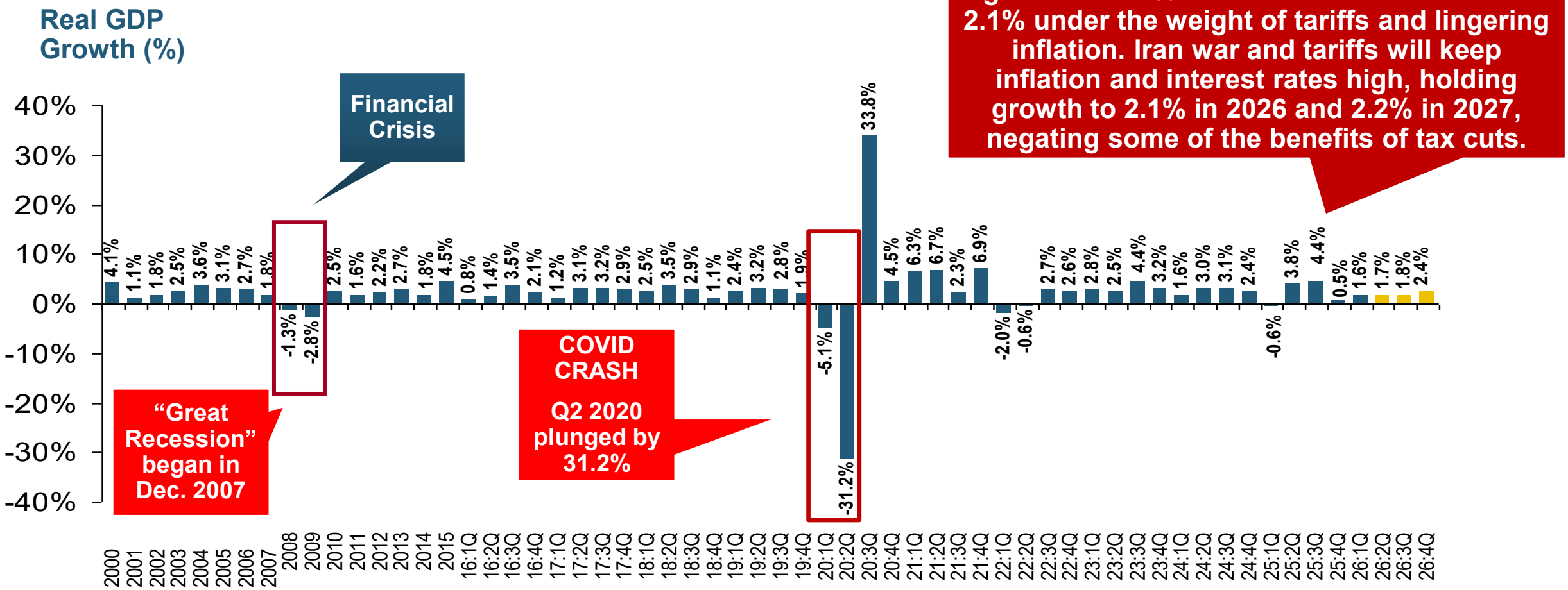
US Real GDP Growth, 2000 – 2026F*

"Soft landing" was achieved in 2024 and a recession averted, with annual real GDP growth at 2.8%. Growth slowed in 2025 to 2.1% under the weight of tariffs and lingering inflation. Iran war and tariffs will keep inflation and interest rates high, holding growth to 2.1% in 2026 and 2.2% in 2027, negating some of the benefits of tax cuts.



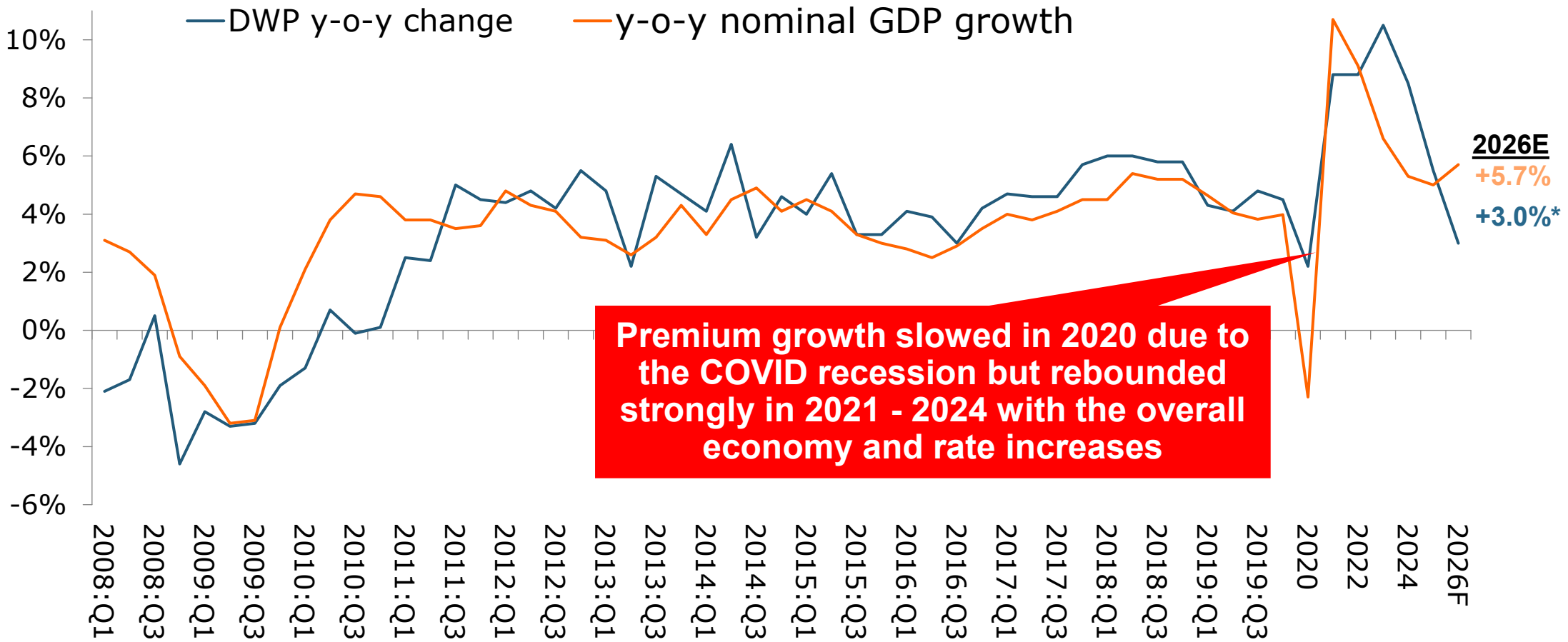
Demand for Insurance Increased Materially in 2021/22 During Recovery from the Pandemic—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow as Economy Slows in 2025-26.

* Estimates/Forecasts from Wells Fargo Securities.

Source: US Department of Commerce, Wells Fargo Securities (5/26); Center for Risk and Uncertainty Management, University of South Carolina.

The Economy Drives P/C Insurance Industry Premiums: 2006:Q1–2026E*

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



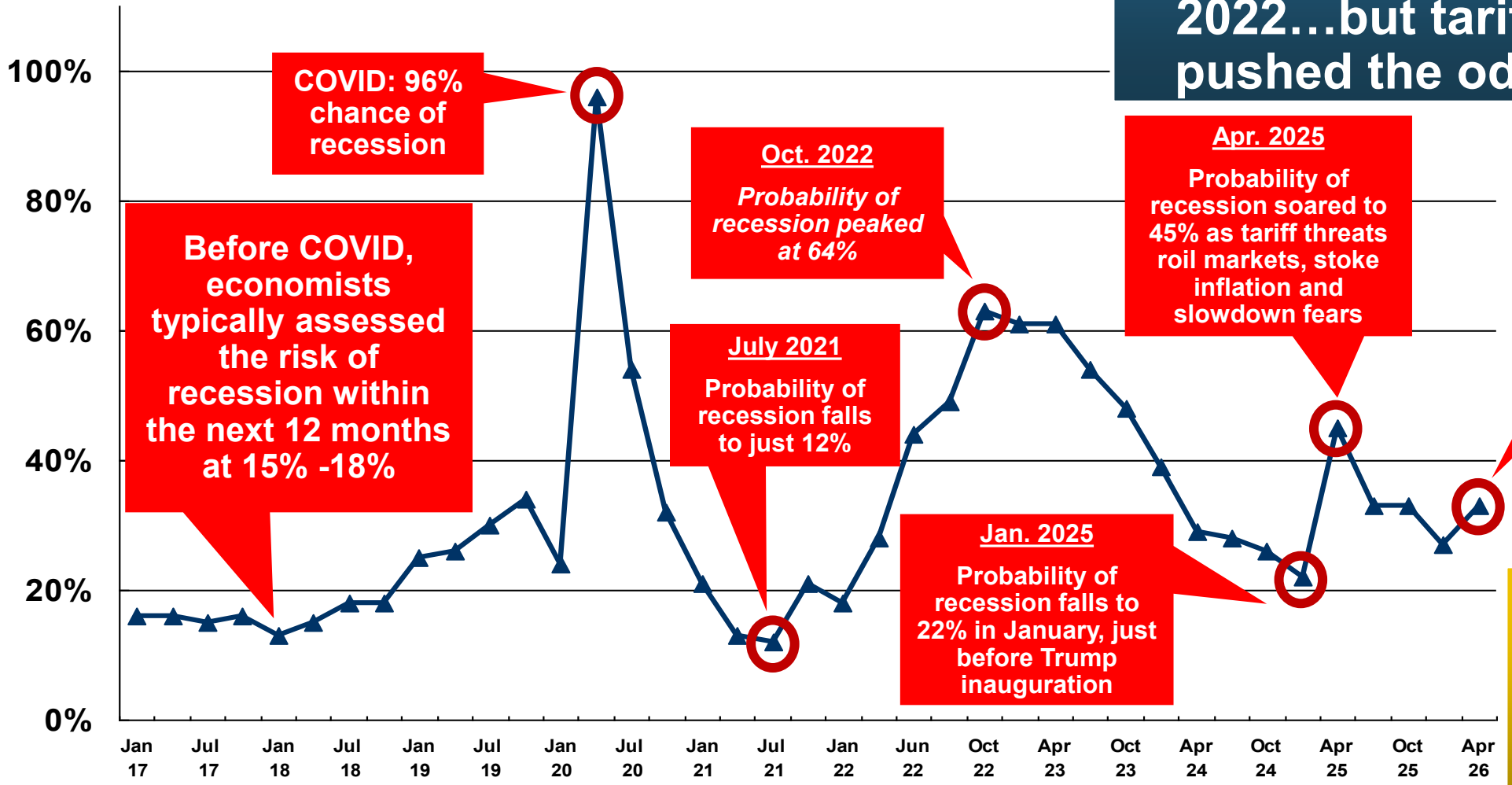
Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry's growth prospects inextricably linked to economic performance.

*2020-26F figures are annual.

Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO;, Swiss Re (2026E) 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 – Apr. 2026*

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

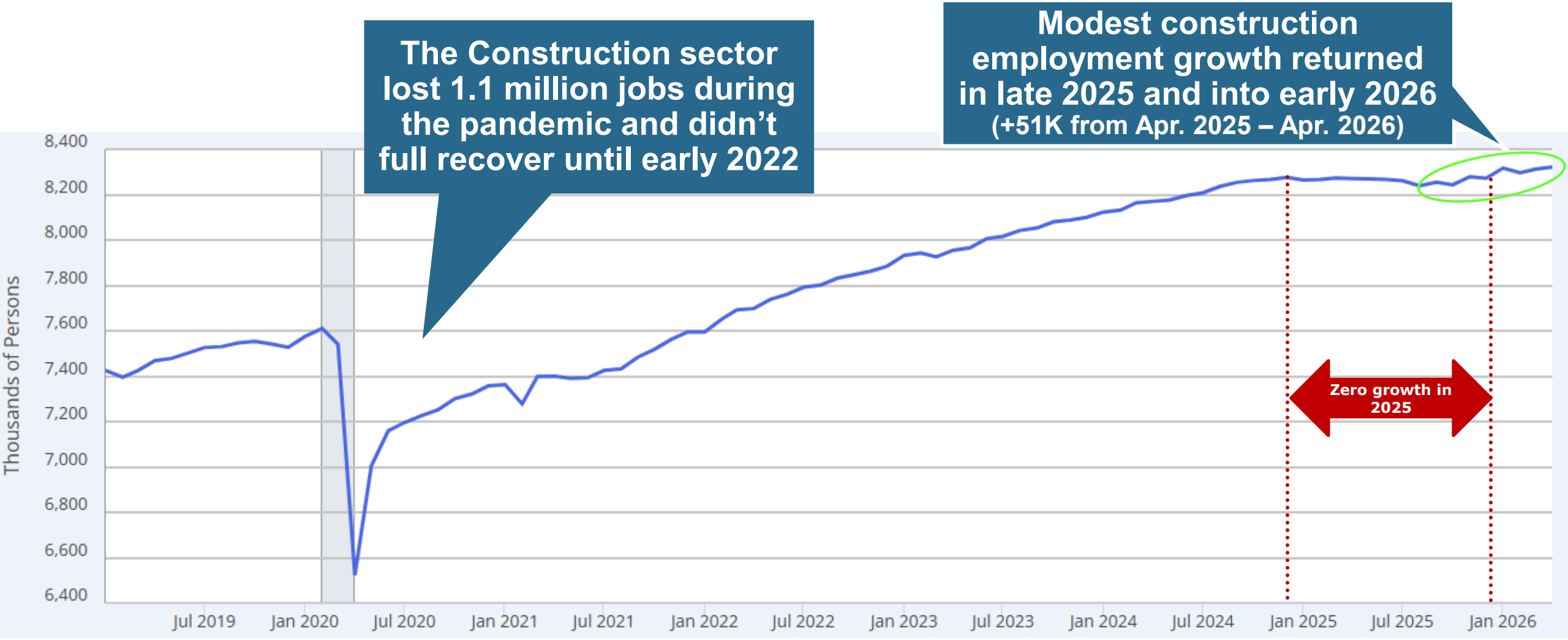


Recession?

The economy achieved a "soft landing" in 2024, averting a recession most thought would result from higher interest rates—though tariffs led to elevated recession worries

*Jan. 2026 survey included the responses of 74 economists.
Source: Wall Street Journal surveys of economists: https://www.wsj.com/economy/economist-survey-2026-growth-outlook-7e5d8feb?mod=Searchresults&pos=1&page=1; Risk and Uncertainty Management Center, University of South Carolina.

Construction Employment, Jan. 2019 – Apr. 2026



Sources: US Bureau of Labor Statistics from the Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/USCONS; Risk and Uncertainty Management Center, University of South Carolina.

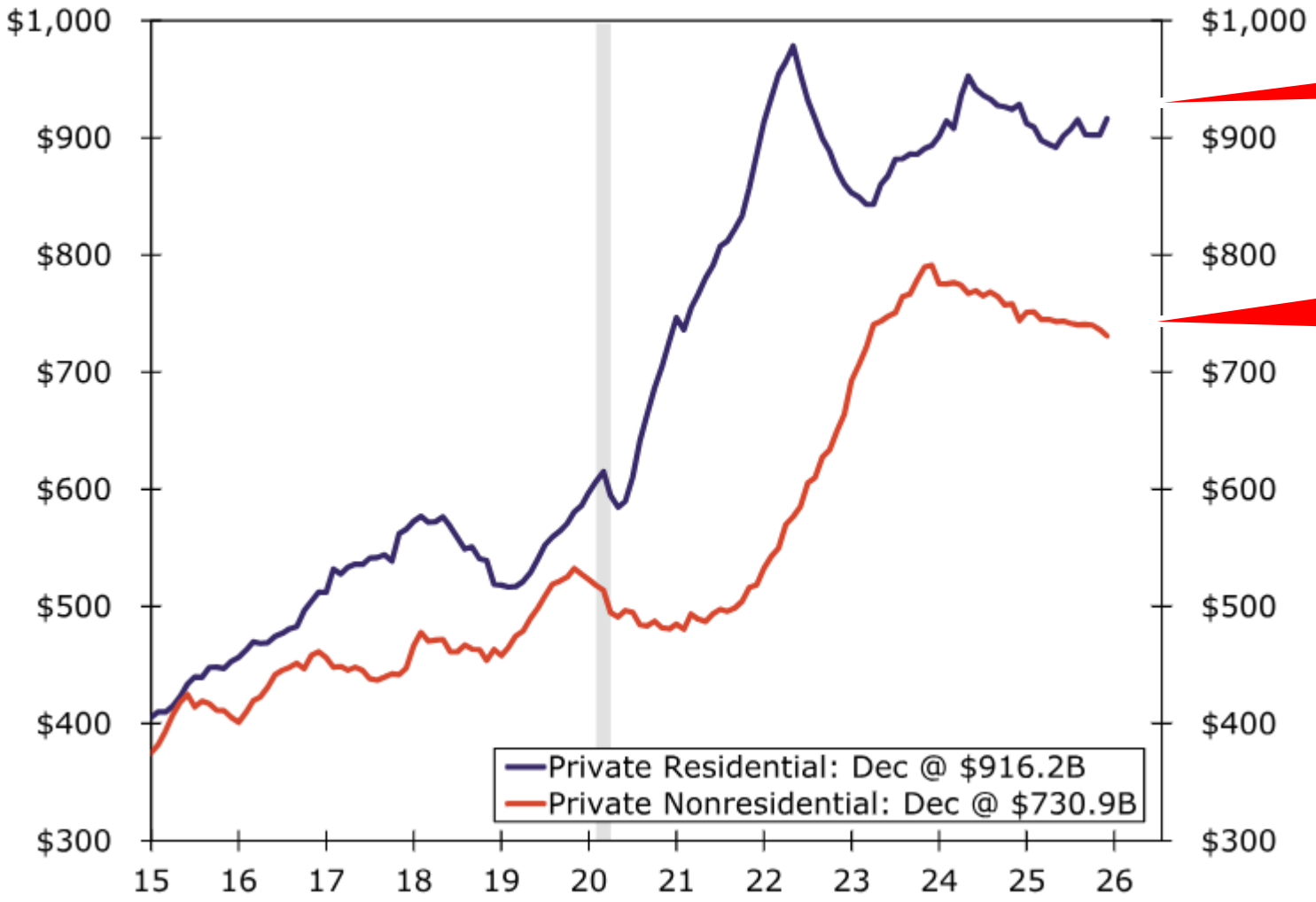
Construction Sector:
Economic Overview

Growth Is High Concentrated in a Small Sectors

Data Center Growth Leads the Way

58

Construction Spending: Construction Pipeline Is Shrinking



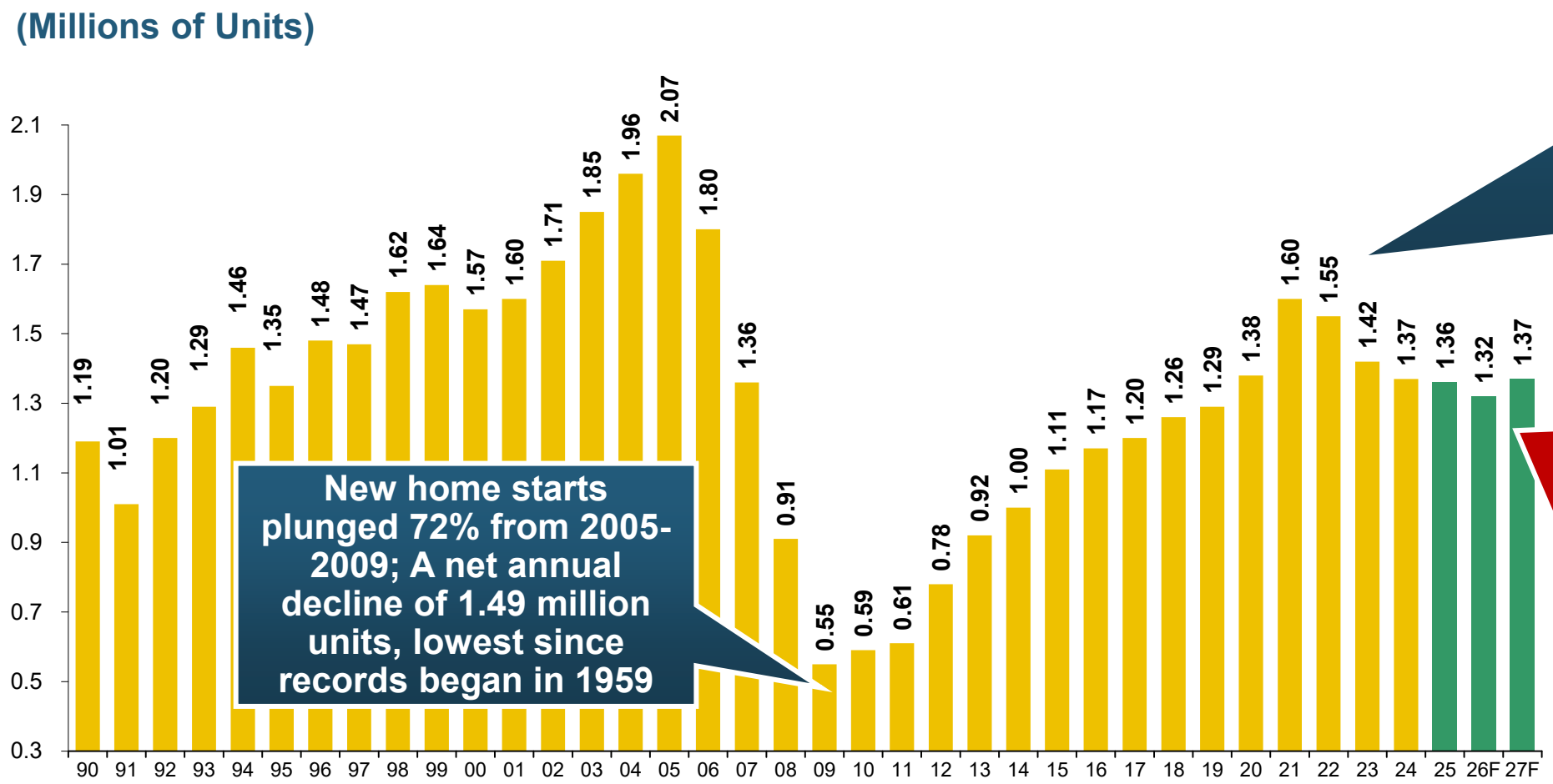
Residential Construction growth remains weak. Higher mortgage rate will dampen demand.

Nonresidential Construction spending is weak, apart from data centers. Rising interest rates will delay any recovery until later in 2026 or 2027

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

Weak Construction Spending Will Likely Be a Drag on Commercial P/C Insurer Growth throughout 2026

New Private Housing Starts, 1990-2027F



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

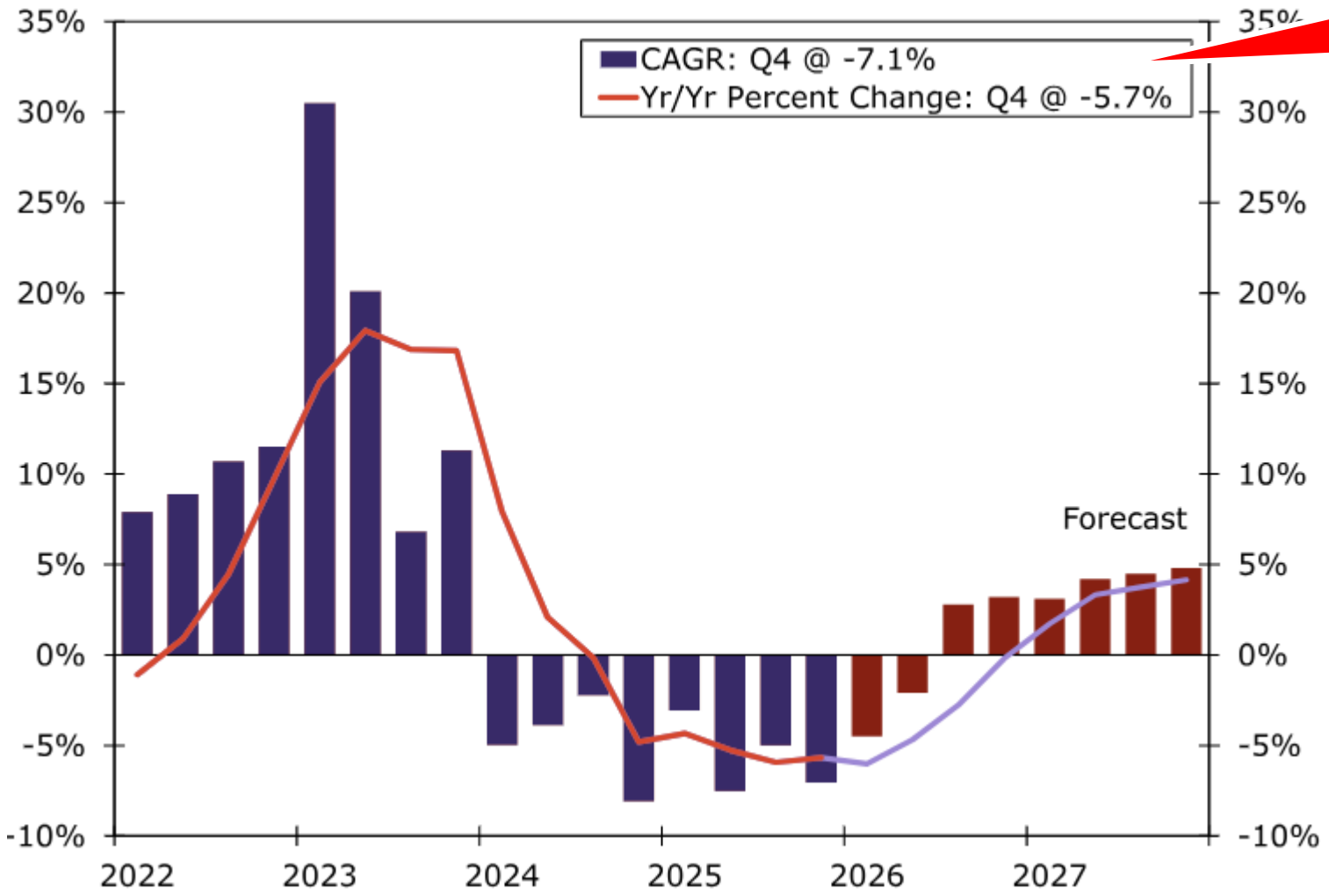
High prices, rising mortgage rates, tempered new home construction activity through 2025 and into 2026. Tariffs and rising energy costs are adding pressure to building costs.

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 (5/26); Univ. of South Carolina, Center for Risk and Uncertainty Management..

Nonresidential Structures Investment: 2022 – 2027F

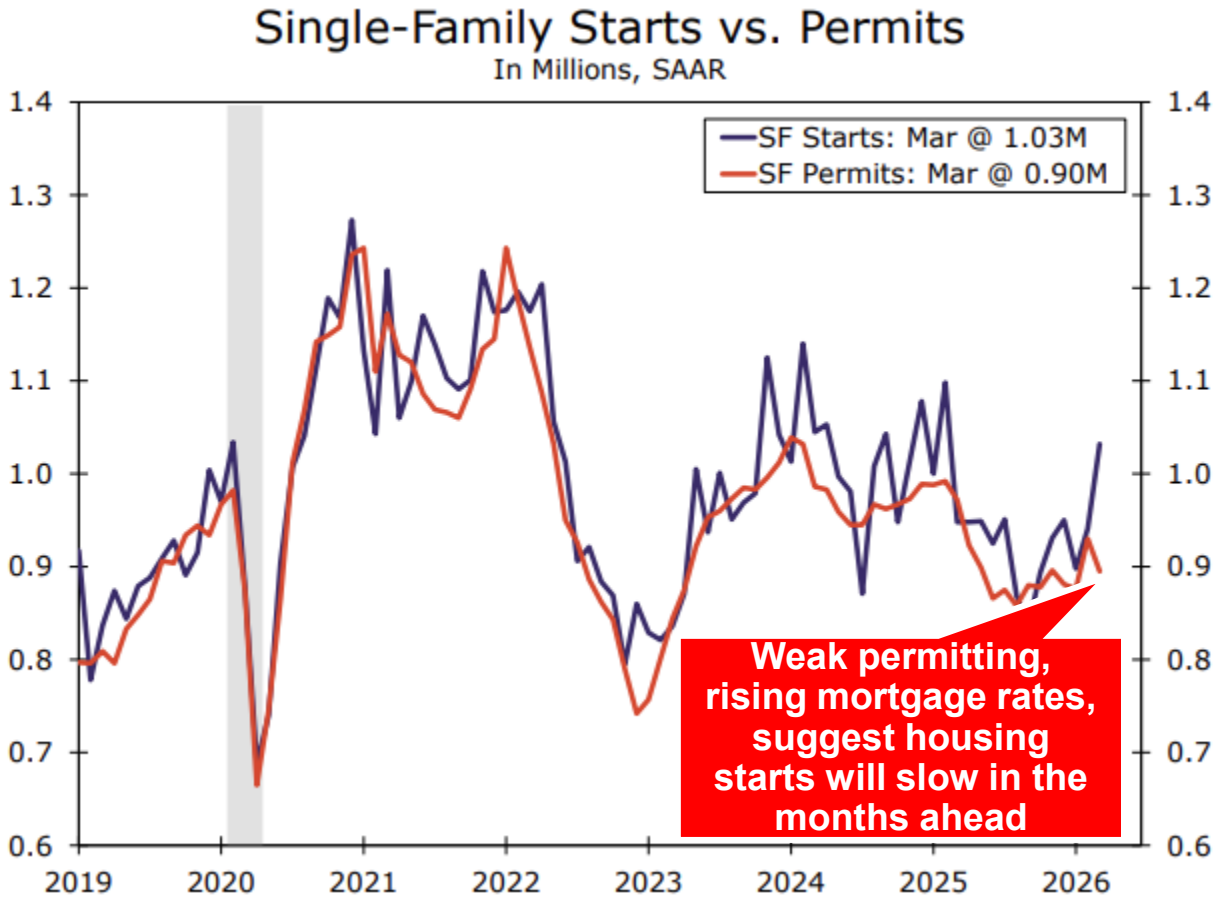


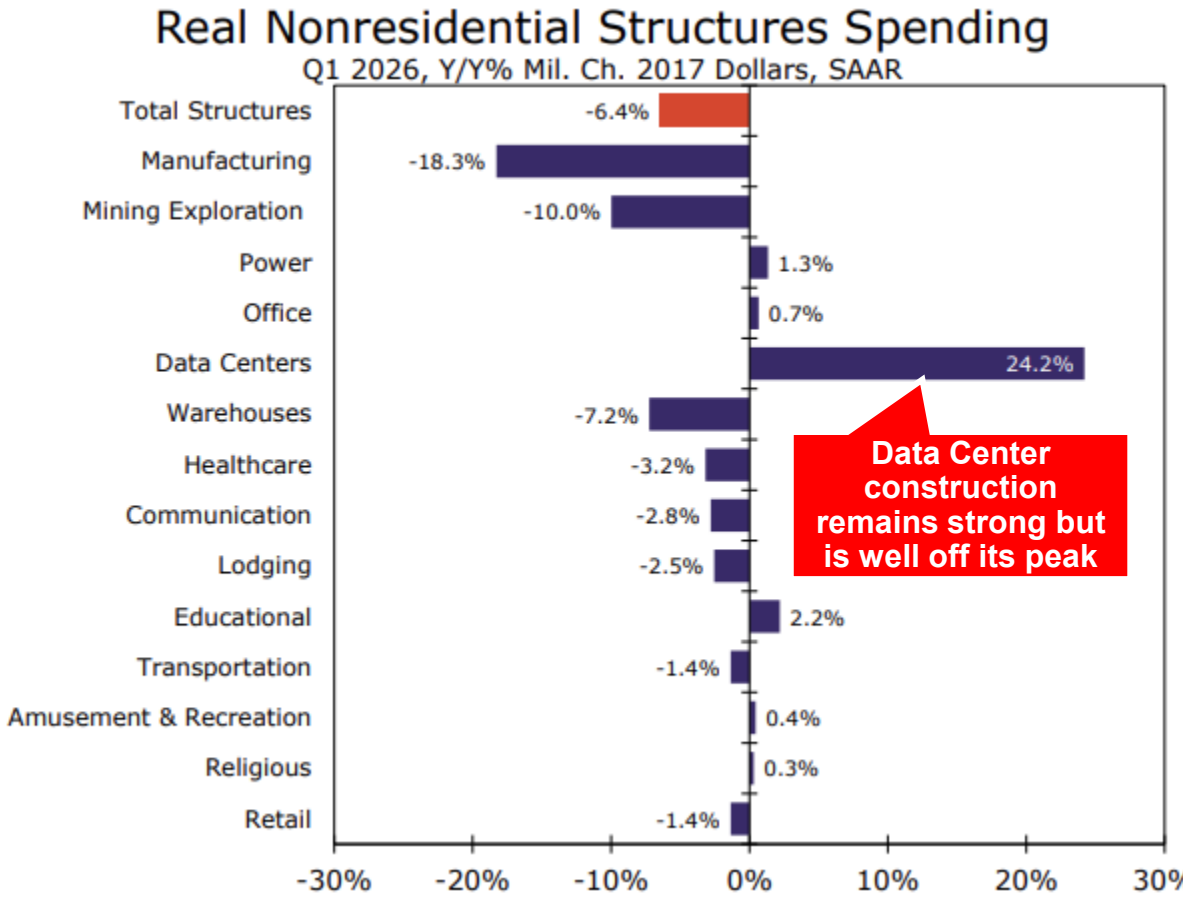
Investments in Nonresidential Structures remains weak. Higher financing and materials costs and economic uncertainty are dampening demand.

Weak Construction Spending Will Likely Be a Drag on Commercial P/C Insurer Growth through much of 2026

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

Residential vs. Nonresidential Construction: Persistent Weakness





Weak Construction Spending Will Likely Be a Drag on Commercial P/C Insurer Growth throughout 2026

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

The AI Buildout

AI Provides Enormous Opportunity—*And Risk*

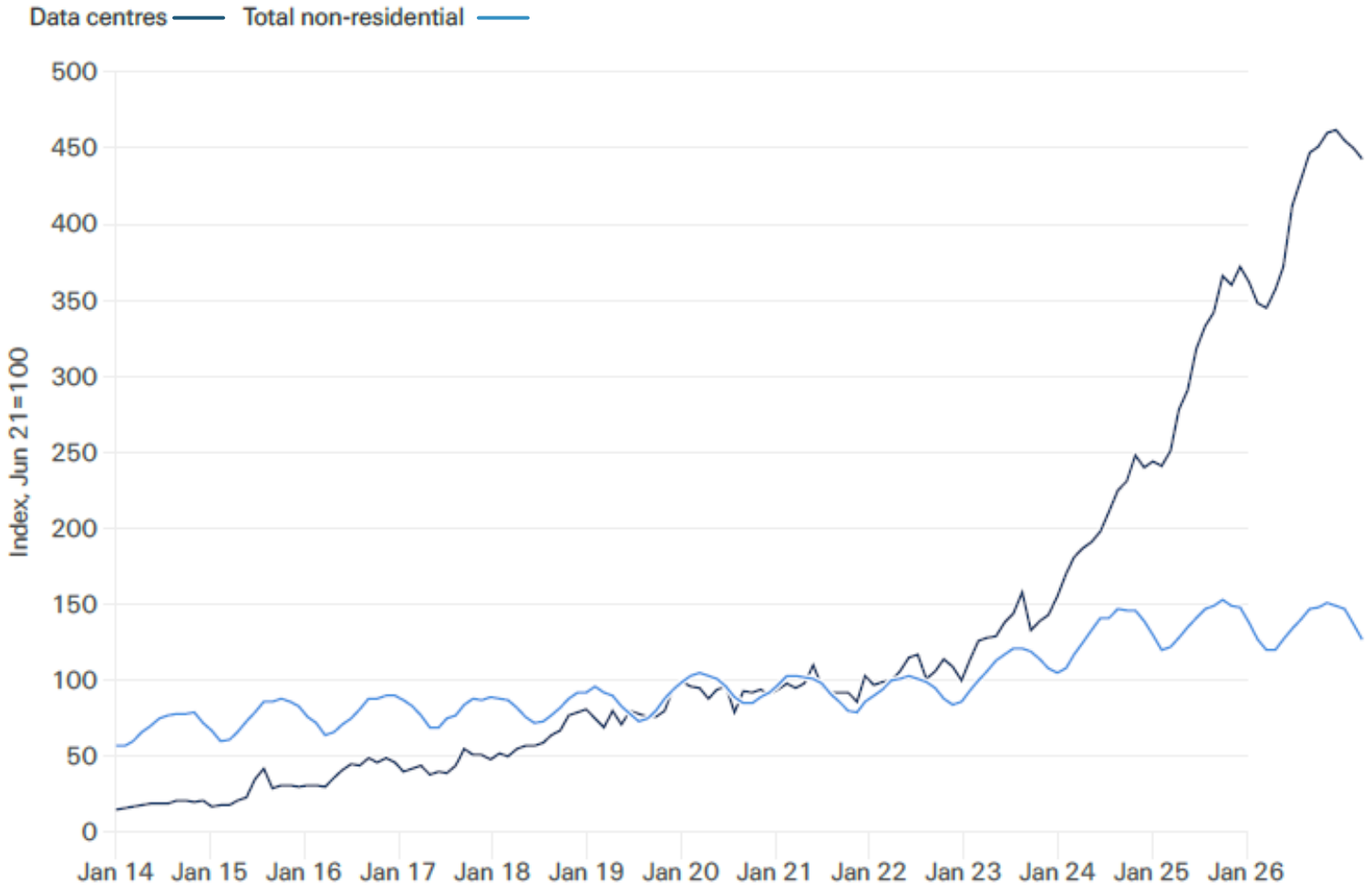
Capacity and Insurability Challenges Remain

AI Infrastructure Buildout: Major Challenges

- **Total insurable value of global datacenter infrastructure by 2030 is estimated to reach $7 trillion**
- **Global insurance premiums tied to data centers is expected to rise to $24.2B by 2030, up from $10.6B (Aon)**
- **Large carriers typically limit their exposure to a max of $250M, so insuring a typical datacenter involves many (re)insurers**
- **Brokers claim assembling this much primary and reinsurance capacity is a major challenge**
- **Significant concentration risk with potential aggregation risk**
- **Many ancillary risks**
  - **Energy capacity** **Water and land rights**
  - **Local opposition** **Environmental concerns**

Source: Leader's Edge (Jan/Feb 2026), *Enterprise Play* at: https://www.leadersedge.com/p-c/enterprise-play

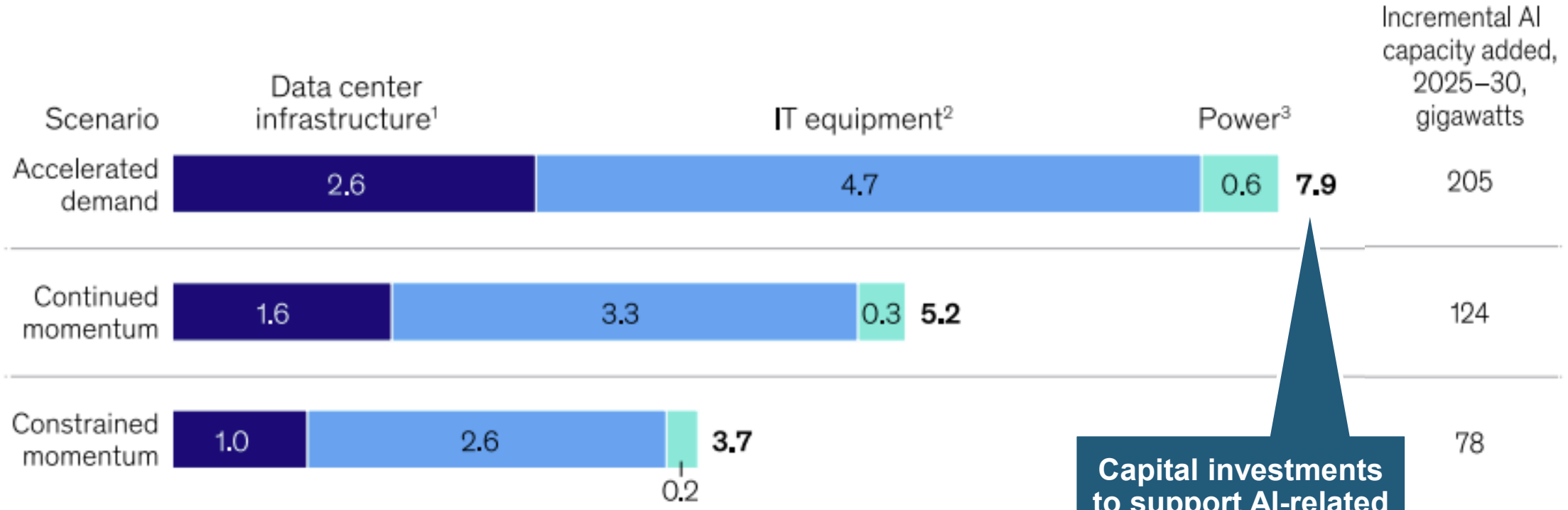
US Data Center Construction vs. Non-Residential Construction (monthly) *(Index. June 2021 = 100)*



Since mid-2021, the value of investment in data centers has increased more that 3X that of overall non-residential construction

Source: Swiss Re (June 2026). Insuring AI: Data Center Value Accumulation Risks. Accessed at https://www.swissre.com/institute/research/sigma-research/sigma-insights-07-2026-insuring-ai-data-centre-risks.html.

Global Data Center Total Capital Expenditures Driven by AI, by Category, 2025 – 2030 ($ trillions)

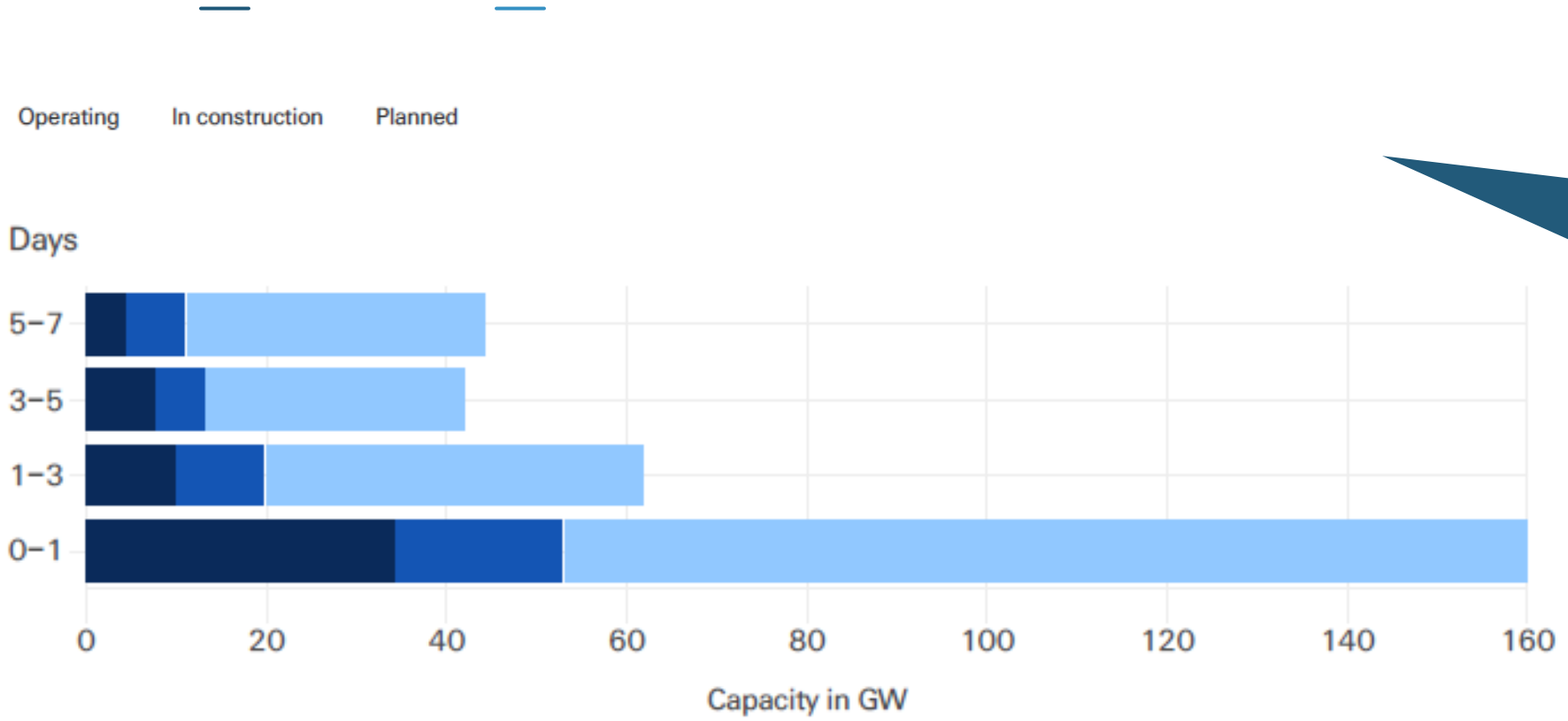


Note: Figures may not sum to totals, because of rounding.
[1]Excludes IT services and software (eg, operating system, data center infrastructure management), since they require relatively low capex compared with other components.
[2]Includes server, storage, and network infrastructure. IT capex also accounts for replacing AI accelerators every 4 years.
[3]Assumes $2.2 billion–$3.2 billion/gigawatt (including power generation and transmission cost) to account for a range of power generation scenarios (eg, fully powered by gas, a combination of gas power and storage, and solar) and regional cost differences. Distribution cost is neglected, as most AI centers are expected to be >50 megawatt scale and connected to a transmission grid.

Capital investments to support AI-related data center capacity demand could range from about $4 trillion to $8 trillion by 2030

Source: McKinsey Quarterly (Apr. 2025). The Cost to Compute: A $7 trillion Race to Scale Data Centers. Accessed at: https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-cost-of-compute-a-7-trillion-dollar-race-to-scale-data-centers#/.

US Data Center Capacity (GW) by Large-Hail Days per Year
(Index. June 2021 = 100)

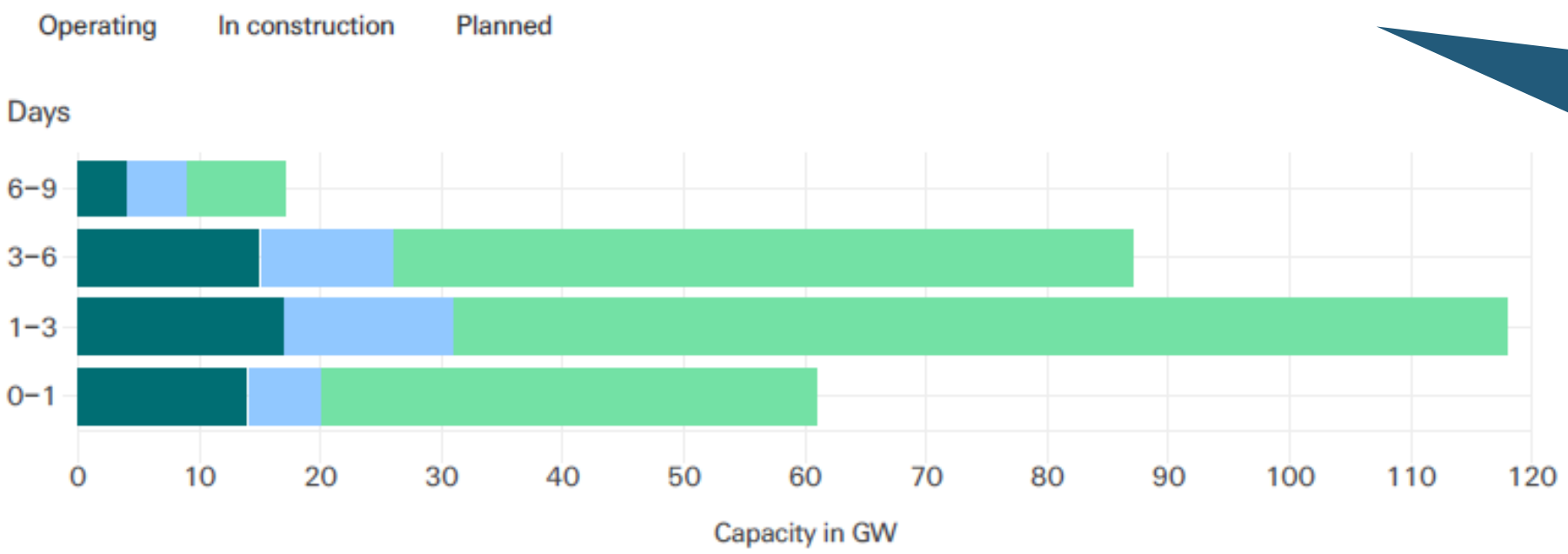


Since mid-2021, the value of investment in data centers has increased more that 3X that of overall non-residential construction

Note: Historical 64-year (1959-2022) average large hail (diameter >2.5cm) days per year related to an area of 25km x 25km; a hail day has hail probability of ≥50%. The hazard footprint is extrapolated using county centroids, with GW aggregated to the county total, not mapped to individual data centre coordinates.

Source: US Dept. of Energy, Swiss Re CatNet from from Swiss Re (June 2026). Insuring AI: Data Center Value Accumulation Risks. Accessed at https://www.swissre.com/institute/research/sigma-research/sigma-insights-07-2026-insuring-ai-data-centre-risks.html.

US Data Center Capacity (GW) by >= EF1 Tornado Days per Year *(Index. June 2021 = 100)*



Since mid-2021, the value of investment in data centers has increased more that 3X that of overall non-residential construction

Note: 30 years (1994-2024) mean annual number of days with tornadoes ≥ (E)F1(Enhanced Fujita scale), with wind speeds 86−110 mph (3-second gust), within a grid cell of 25km x 25km. The hazard footprint is extrapolated using county centroids, with GW aggregated to the county total, not mapped to individual data centre coordinates.

Source: US Dept. of Energy, Swiss Re CatNet from from Swiss Re (June 2026). Insuring AI: Data Center Value Accumulation Risks. Accessed at https://www.swissre.com/institute/research/sigma-research/sigma-insights-07-2026-insuring-ai-data-centre-risks.html.

Evolution in Features of Data Centers and Safety Requirements (selected)

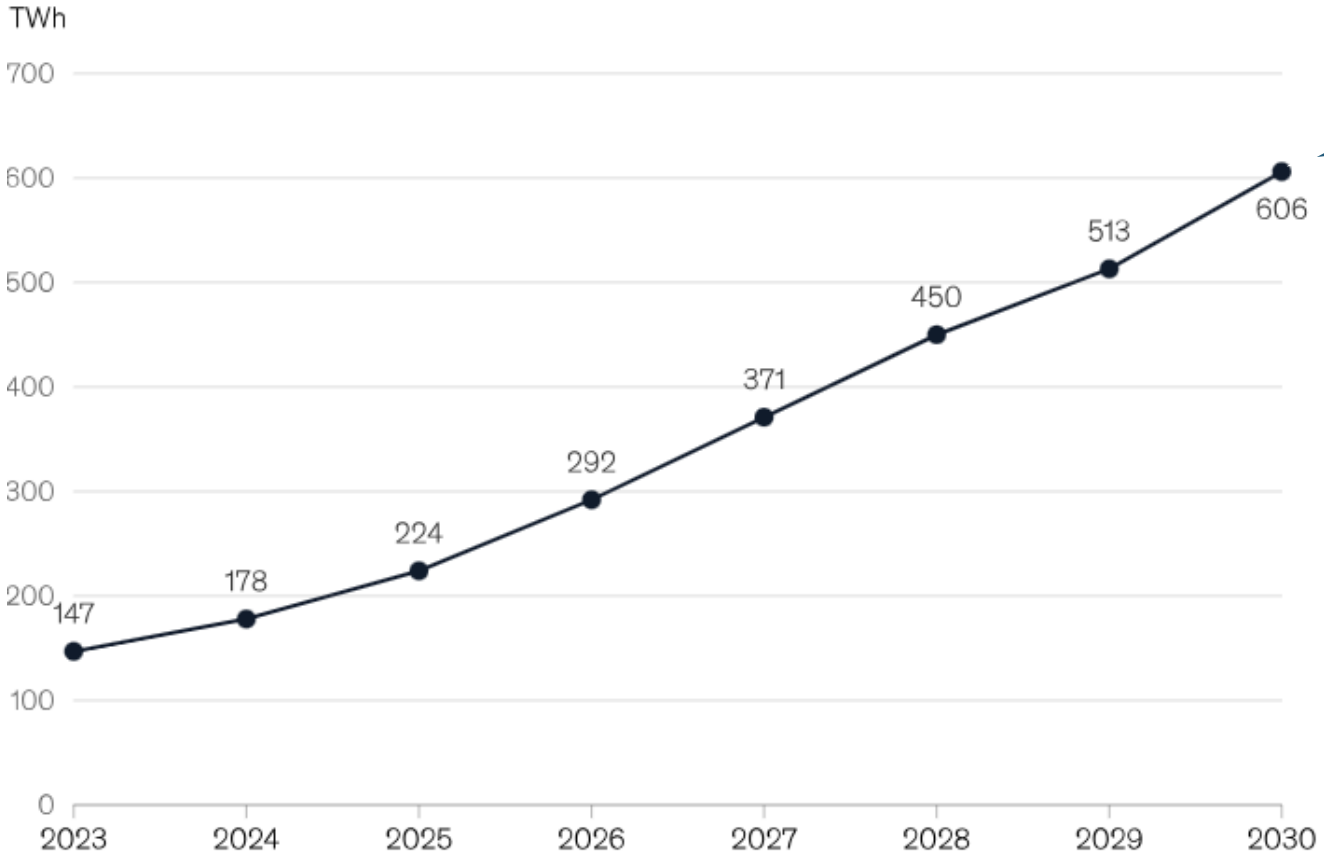
There has been a steady improvement in data center safety requirements in recent years

Features of data centres	2018 full revision of guidance	2022 full revision of guidance	2026 full revision of guidance
Li-ion battery backup	No mention	Comprehensive (new)	Enhanced guidance
Liquid cooling	Brief mention	Brief mention	Comprehensive section
Compartmentation	1-hour walls	1-hour walls	2-hour walls (multiple rooms)
Sprinkler density	0.1 gpm /ft² over 1,500 ft²	0.1 gpm/ft² (no BBU); 0.2 gpm/ft² (BBU)	0.2 gpm/ft² over 2,500 ft² (all rooms)
Sprinkler temperature	165°F (74°C)	165°F (74°C)	135°F (55°C) wet; 165°F dry pipe

Note: gpm= gallons per minute, Source: FM Global Property loss prevention data sheet 5-32: Data centers and related facilities

Source: Swiss Re (June 2026). Insuring AI: Data Center Value Accumulation Risks. Accessed at https://www.swissre.com/institute/research/sigma-research/sigma-insights-07-2026-insuring-ai-data-centre-risks.html.

US Data Center Energy Consumption, 2025 – 2030
(Terawatt-hours (TWh) of Electricity Demand)



Data center demand for electricity is forecast to rise by more than 300% from 2023 – 2030, fueled primarily by AI

	2023	2024	2025	2026	2027	2028	2029	2030
Share of US Power Demand (%)	3.7	4.3	5.2	6.5	8.0	9.3	10.3	11.7

Data centers are expected to consume a rapidly increasing share of US electricity production

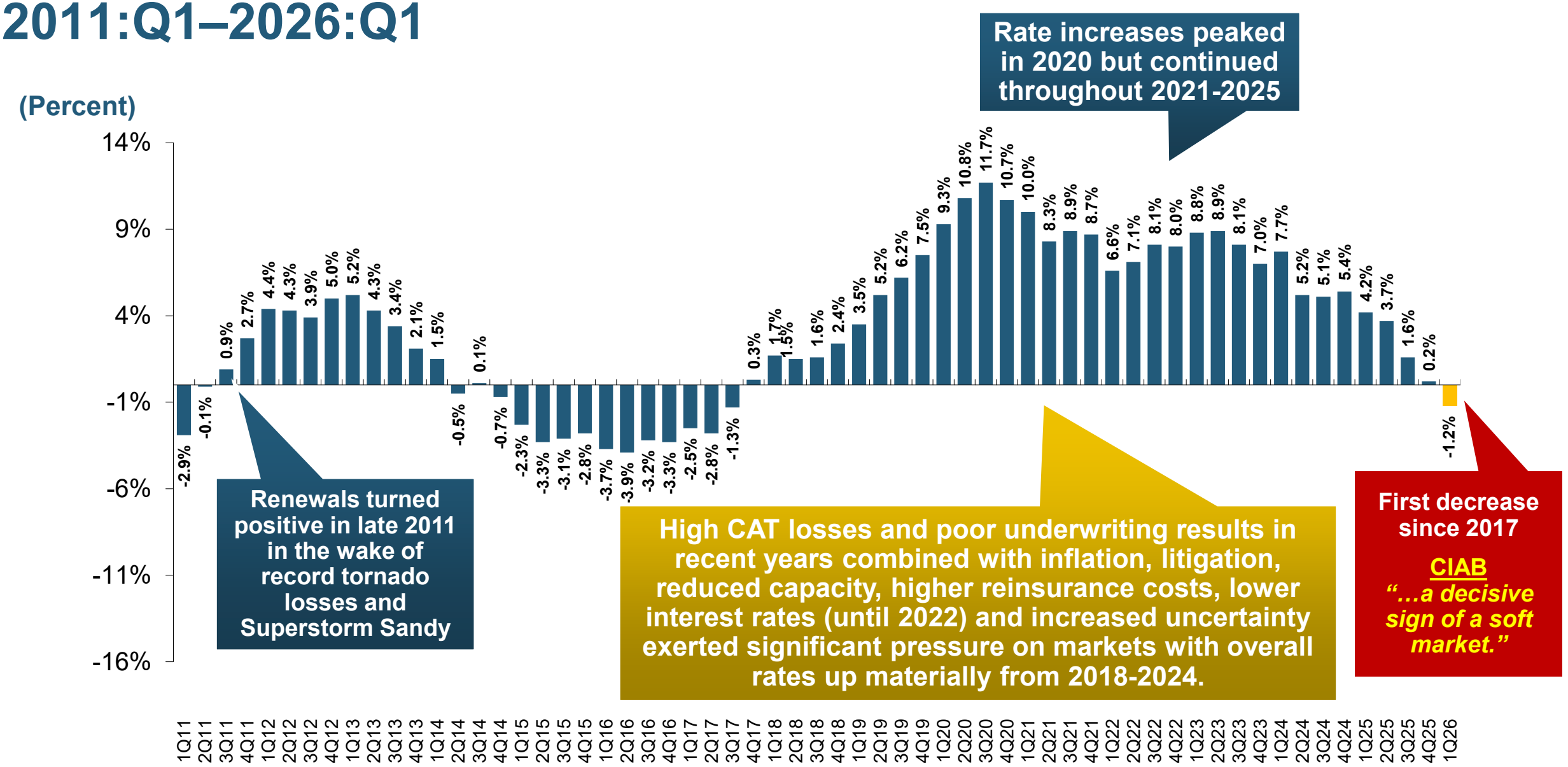
Source: Global Energy Perspective 2023 from McKinsey & Co. “Scaling bigger, faster, cheaper data centers with smarter designs” (Aug. 1, 2025) accessed at: https://www.mckinsey.com/industries/private-capital/our-insights/scaling-bigger-faster-cheaper-data-centers-with-smarter-designs.

Commercial Lines Growth & Pricing Cyclicality

Economic and Tort Environment Create Pricing Pressure

74

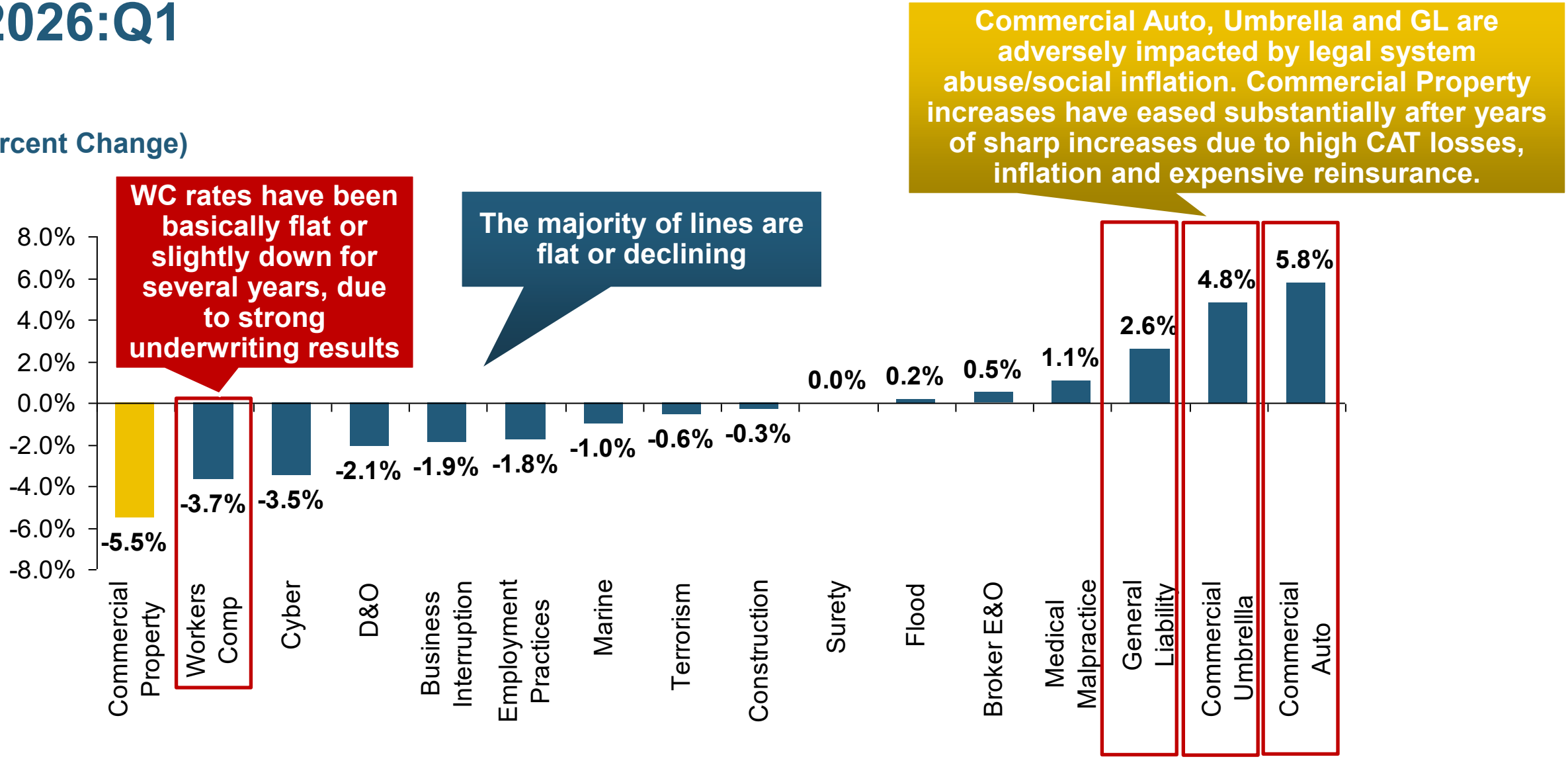
CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2026:Q1



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: 2026:Q1

(Percent Change)



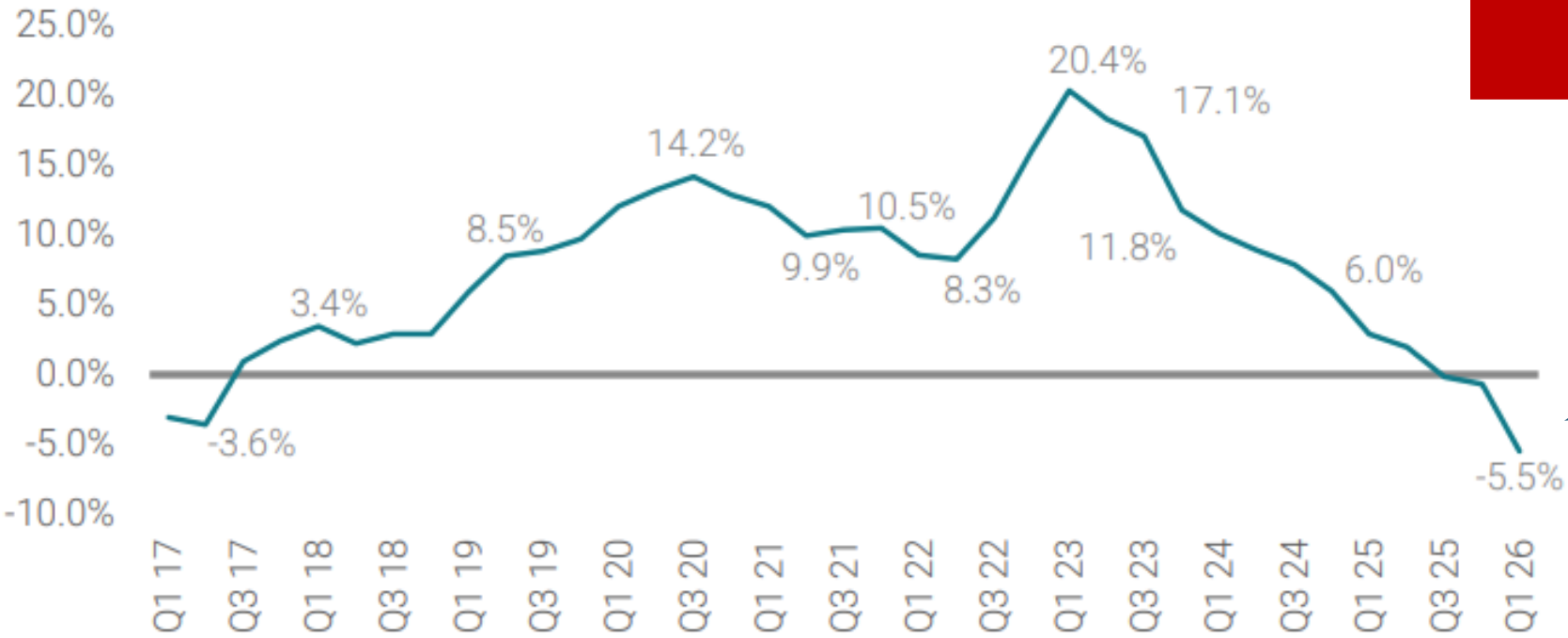
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

Source: Council of Insurance Agents and Brokers; USC Center for Risk and Uncertainty Management.

Commercial Property: Premium Change, Q1 2017 – Q1 2026

"Increased carrier appetite for business is leading to increased competition in pricing and underwriting terms"

--CIAB (5/26)



Commercial Property has experienced a precipitous rate decline in recent years:

Q1 26 – Q1 26: -11.5 pts

Q3 23 – Q1 26: -25.9 pts

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.

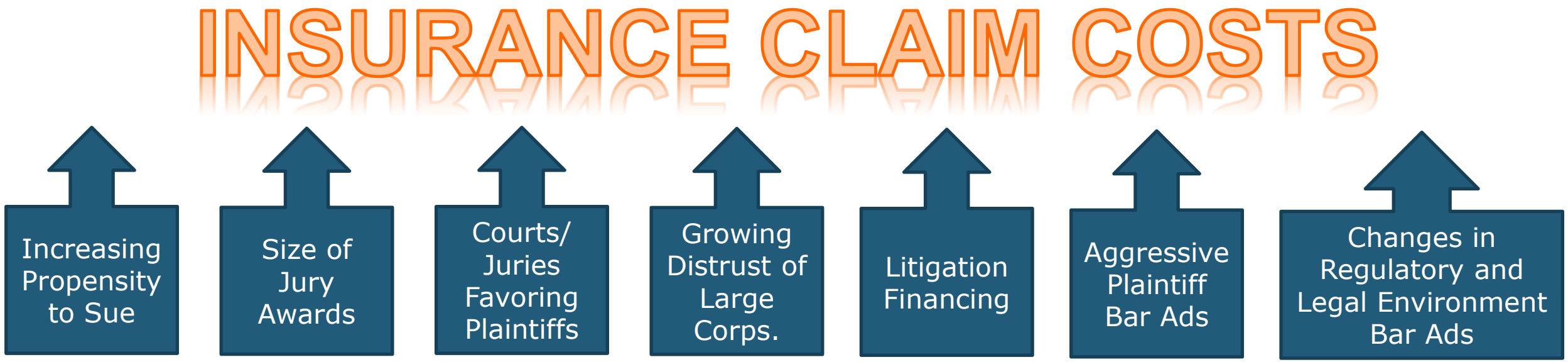
Legal System Abuse (Social Inflation) & Litigation Trends

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

Major Driver of Rate Across Multiple Lines

78

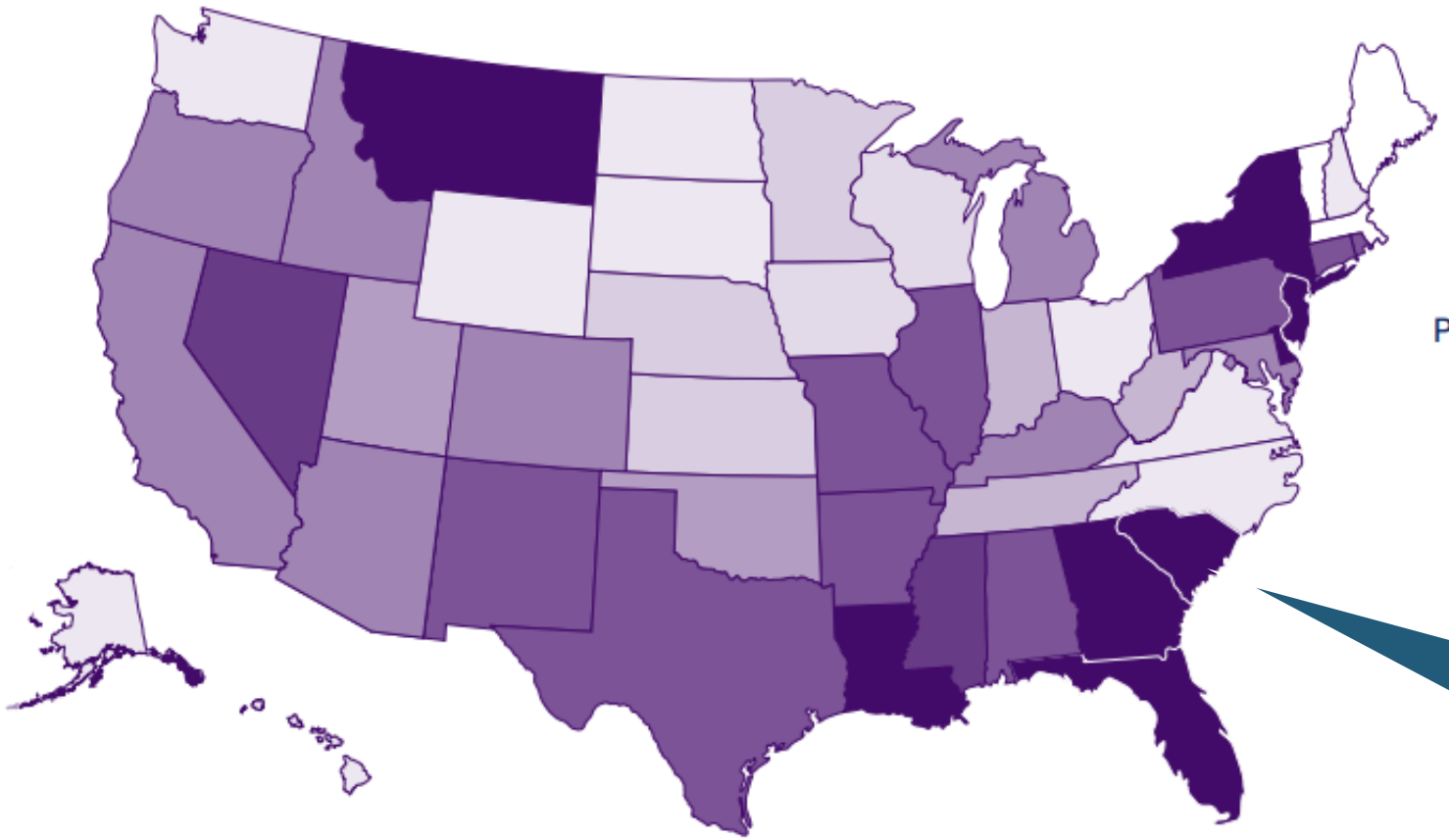
Social Inflation: Many Interrelated Causes, Difficult to Manage

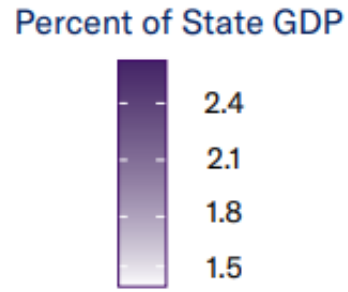


Applied to a seemingly limitless number of issues, these drivers are pushing tort costs (and therefore claim costs upward)

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)



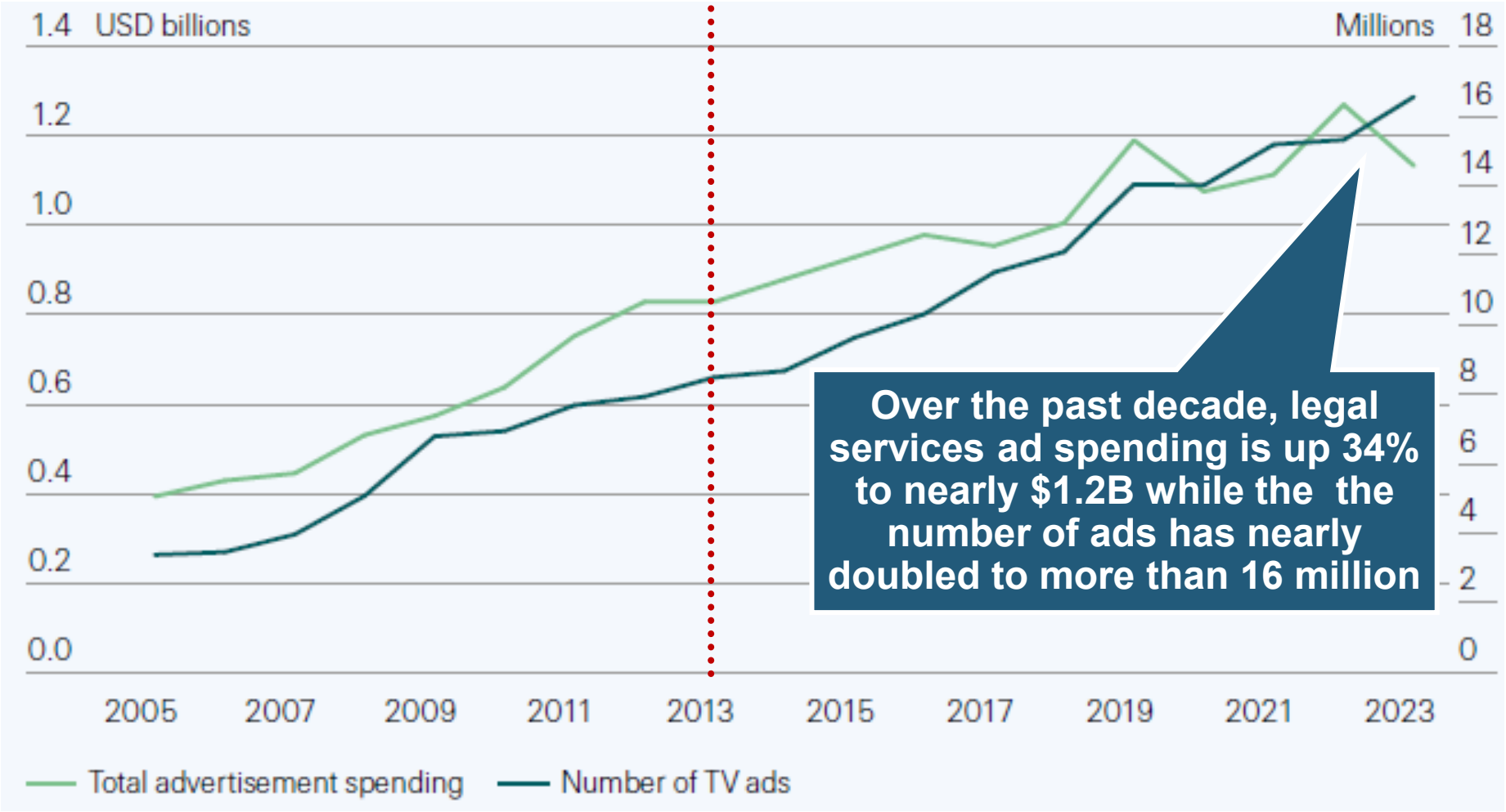


On a Per Household basis, the US "tort tax" equated to $4,207 in 2022

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.

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.

SUMMARY

- **The P/C Insurance Industry Remains Strong, Stable, Sound and Secure**
  - **Auto lines, property and reinsurance segments were stressed but have greatly improved**
  - **Cost Challenges Have Been Easing, but Changes in Fiscal, Trade and Labor Policies in 2025/26 Are Exerting Inflationary Pressures**
  - **Tariffs would adversely impact auto and property claim severities**
- **Construction industry impacted by inflation, high financings costs, econ. uncertainty**
- **Recession Risk Has Receded Materially**
- **P/C Top Line Growth Is Slowing Materially**
- **Higher Interest Rates Are Providing a Modest Tailwind for Investment Income but a Drag on Construction Sector**
- **Inflationary Pressures Likely to Persist through 2026**
- **Legal System Abuse Issues Remain a Long-Term Challenge and Major Cost Driver**

UNIVERSITY OF
SOUTH CAROLINA
Darla Moore School of Business

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Download at www.uscriskcenter.com