Property & Casualty Insurance Market Overview and Outlook: *A Market in Transition*

June 9, 2026
Atlanta, GA

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
- E&S Overview
- Economic Overview & Outlook—Impacts for P/C Insurers
  - Growth, Employment, Investments, Inflation, Recession & AI Influences
  - Potential impacts of changes in fiscal and monetary policy on P/C insurers
  - Tariff Impacts and P/C insurance
- Commercial Lines 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:

Resilience Amid Adversity

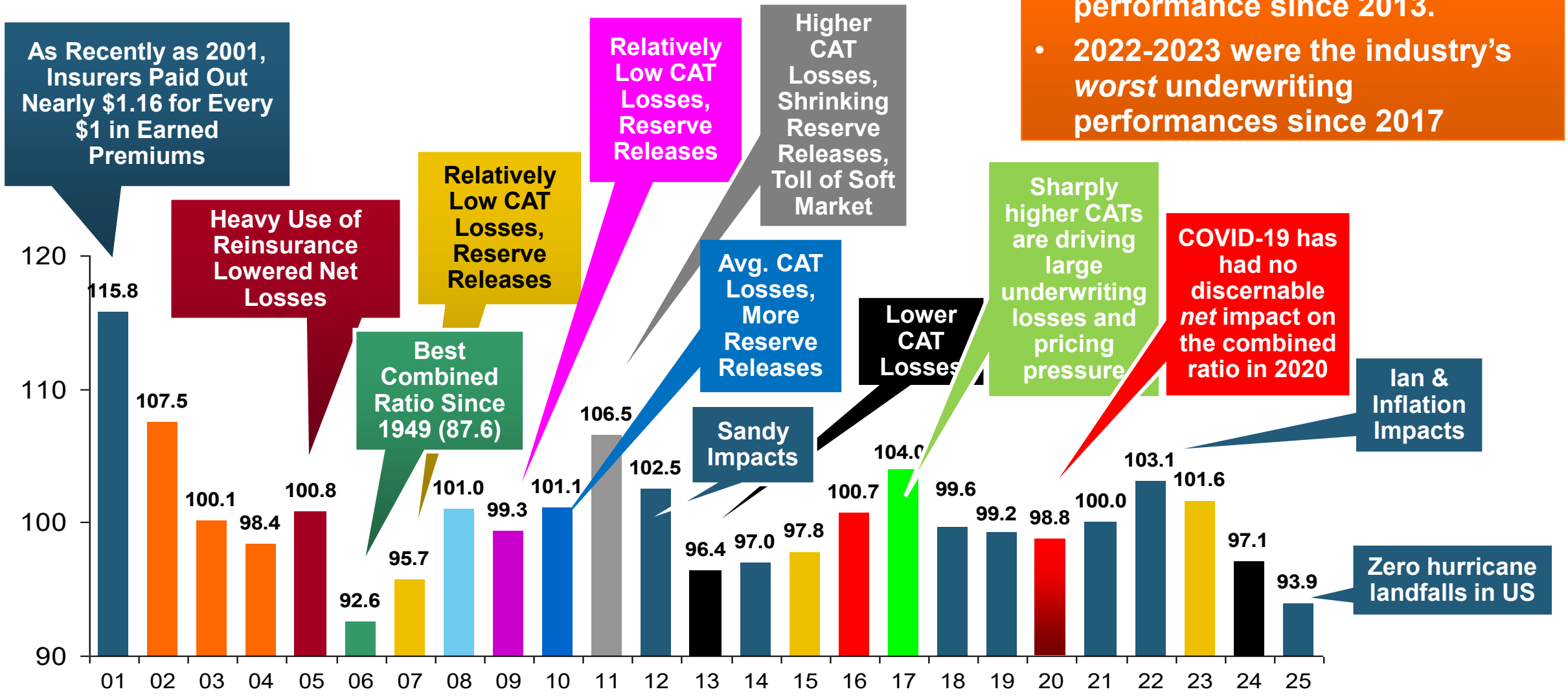
The Current Economic Environment Presents Many Challenges for P/C Insurers

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

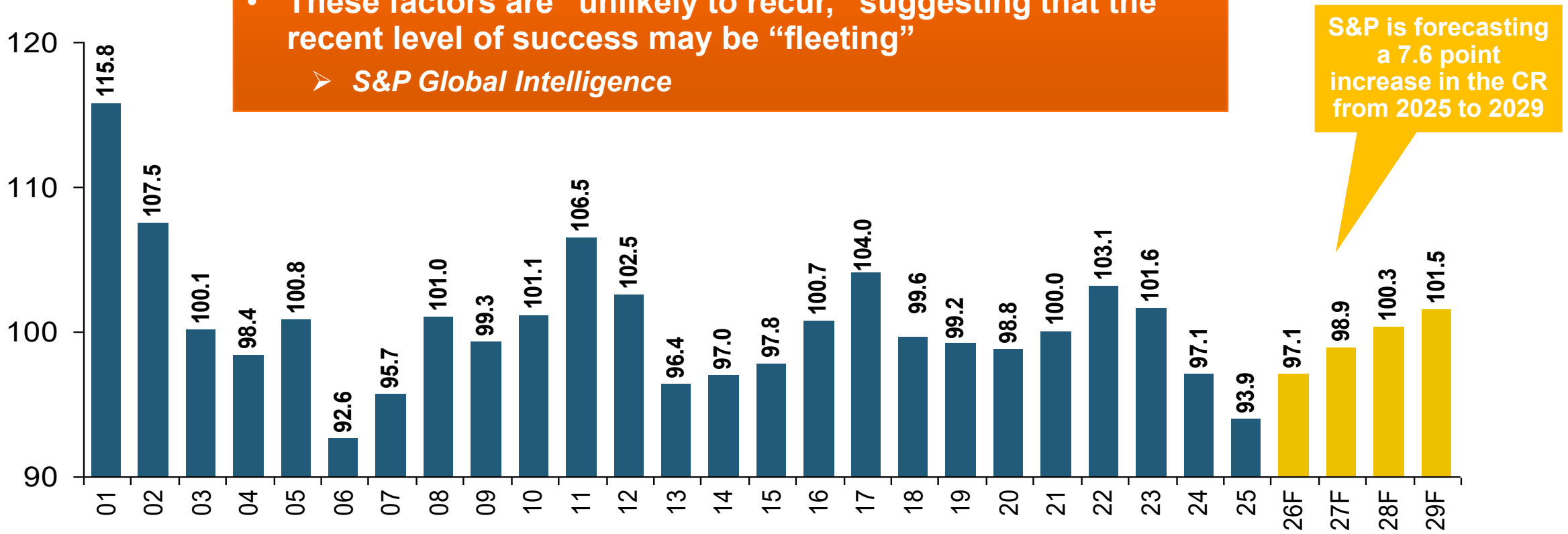
Line	2024	2025p	Difference from 2024
Personal Auto	95	92	-3
Homeowners	100	88	-12
Other Liability (incl. Products)	109	109	0
Commercial Auto	107	102	-5
Commercial Multi-Peril	100	96	-4
Fire & Allied Lines	83	76	-7
Workers Comp	86	91	+5
All Other Lines	88	91	+3
Total P/C Industry	**97**	**93**	**-4**

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

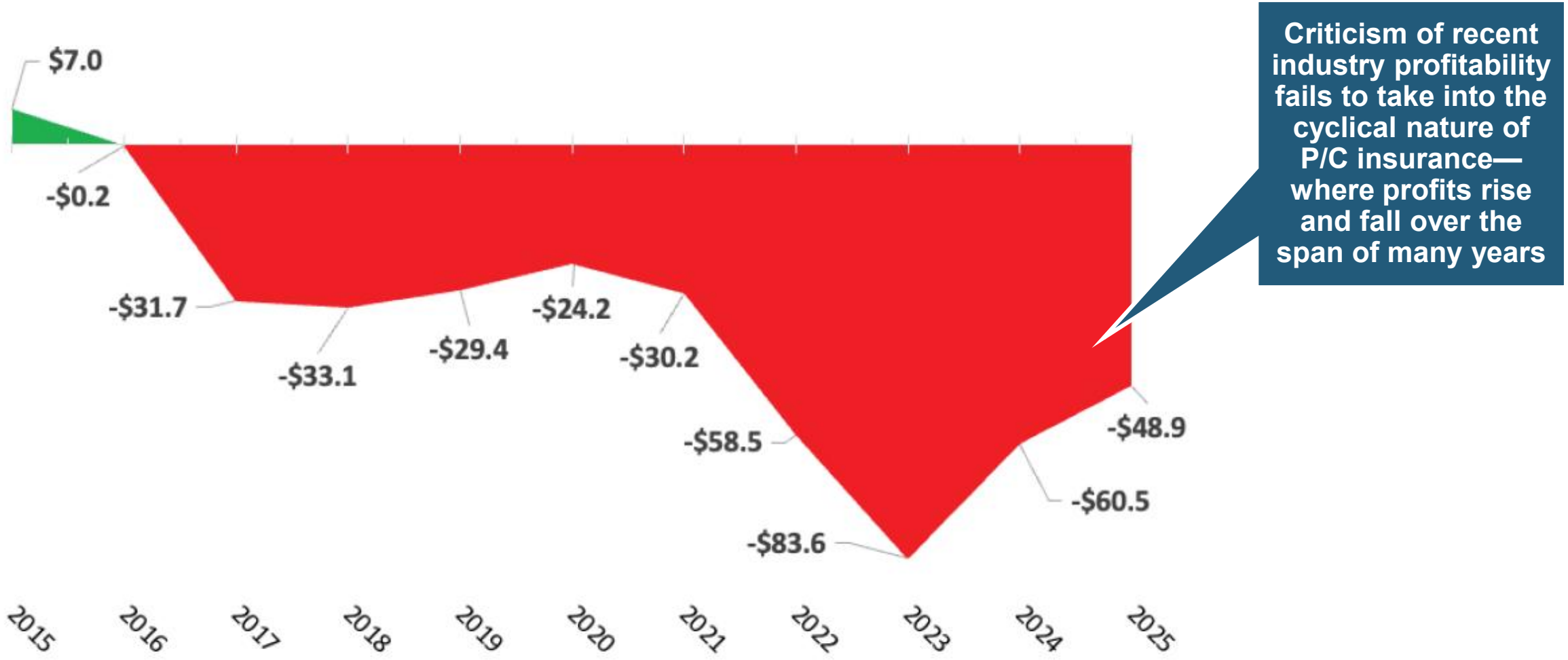
- 2025 represented the end of a “generational” hard market in personal lines as well as a “benign” year for CAT losses
- These factors are “unlikely to recur,” suggesting that the recent level of success may be “fleeting”
  - ***S&P Global Intelligence***



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).

Cumulative 10-Year Underwriting Losses
($ Billions of 2025 Dollars)

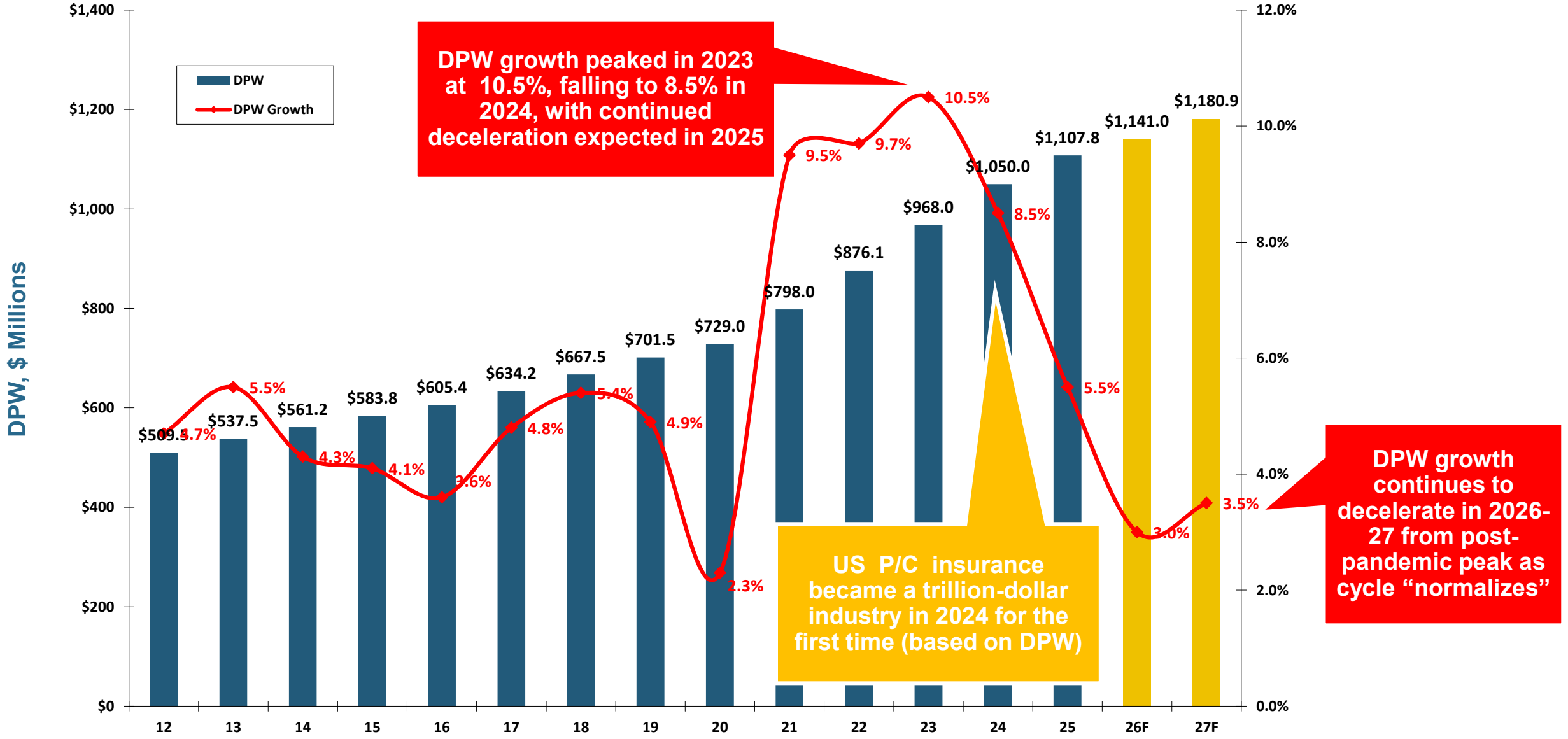


Criticism of recent industry profitability fails to take into the cyclical nature of P/C insurance—where profits rise and fall over the span of many years

*Net Reported Underwriting Gain or Loss after Policyholder Dividends, July 1, 2015 to June 30, 2025, adjusted by CPI.

Source: APCIA from S&P Global data as of Oct. 8, 2025.

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.

P/C Industry Net Written Premium Growth

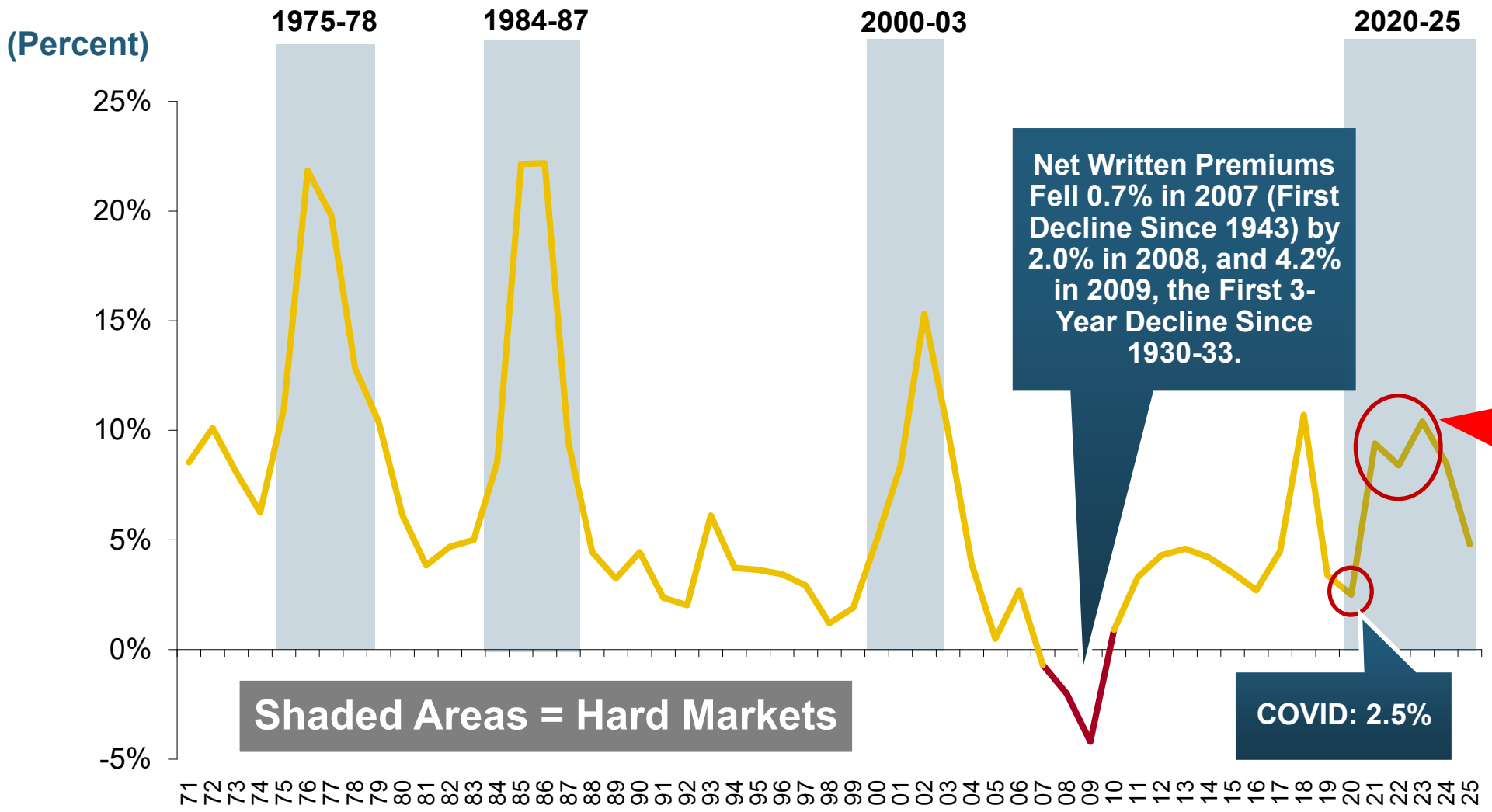
Private carriers

Line	2024 ($B)	2025p ($B)	% Change from 2024
Personal Auto	345.9	359.6	+4.0%
Homeowners	145.7	160.0	+9.8
Other Liability (incl. Products)	104.4	111.2	+6.5%
Commercial Auto	61.8	66.3	+7.3%
Commercial Multi-Peril	58.3	61.1	+4.8%
Fire & Allied Lines	58.0	59.2	+2.1
Workers Comp	41.6	41.6	-0.2
All Other Lines	112.1	115.3	+2.9
Total P/C Industry	**927.8**	**974.3**	**+5.0**

The P/C insurance industry experienced modest growth in 2025, amid a general deceleration

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

Net Written Premium Growth (All P/C Lines): Annual Change, 1971–2025



2025: 4.8%
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%

Sharp recovery in NWP post-COVID. Strong economic recovery and favorable rate environment both powered growth.

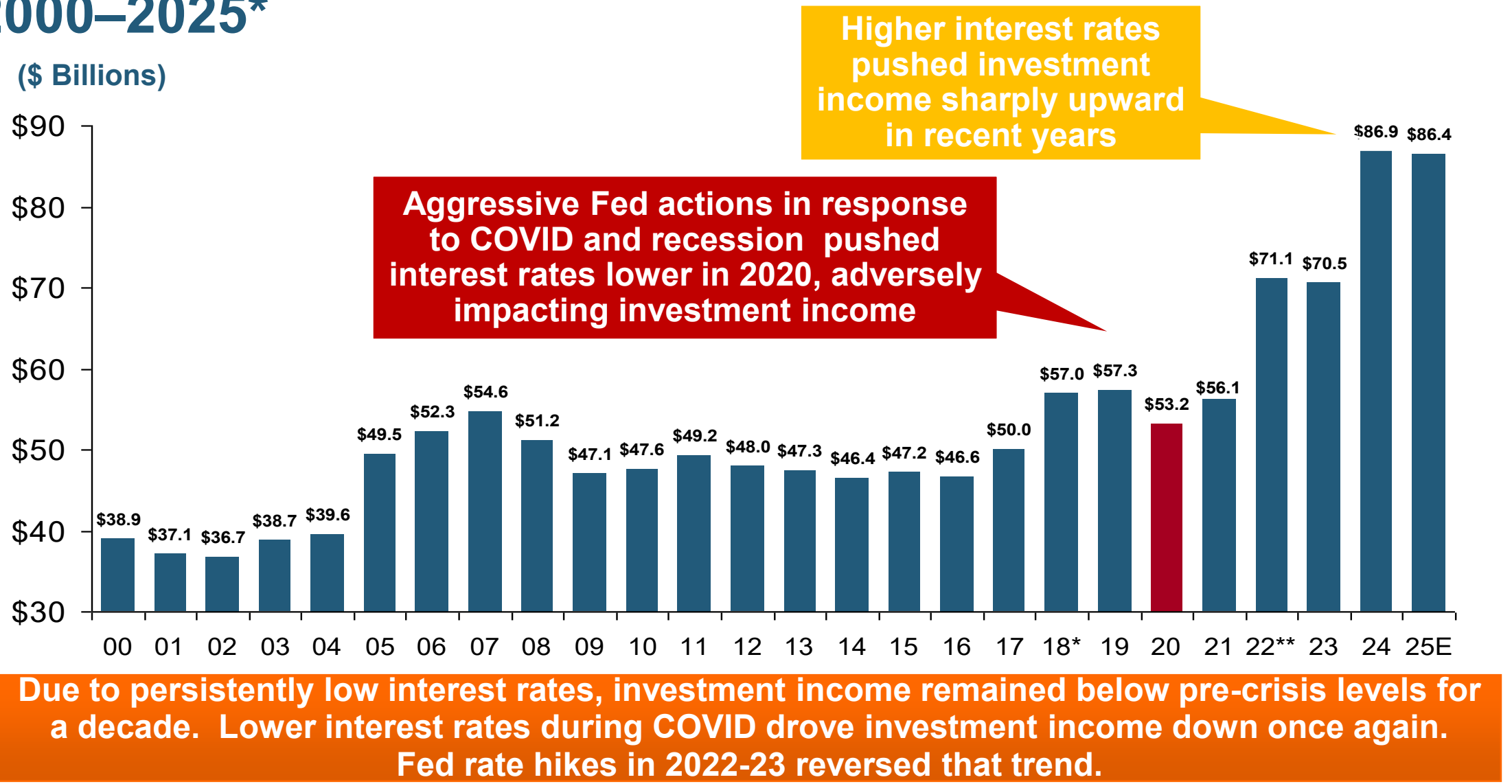
NOTE: Shaded areas denote “hard market” periods.
Sources: A.M. Best (1971-2013, 2020-2024), Verisk (2025); ISO (2014-2019); Risk & Uncertainty Management Center, Univ. of South Carolina

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*



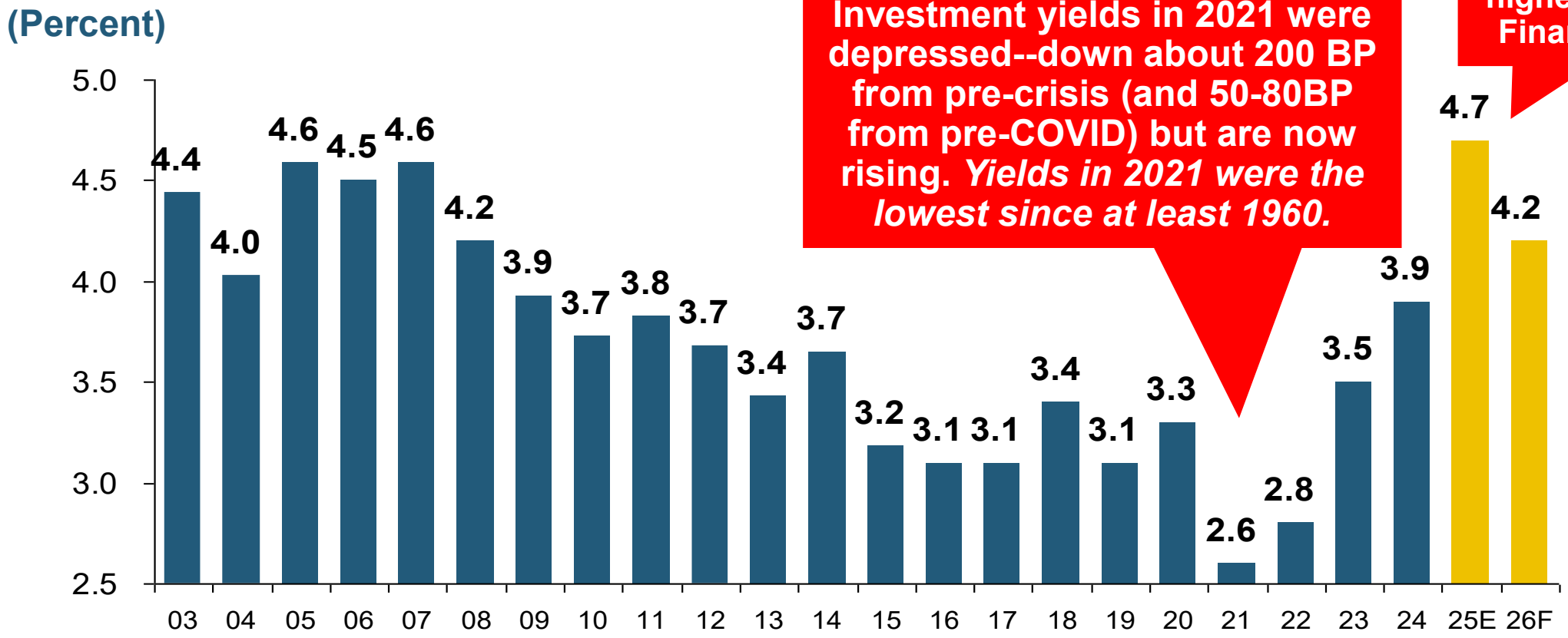
Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates during COVID drove investment income down once again. Fed rate hikes in 2022-23 reversed that trend.

* 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.

Net Investment Yield on Property/Casualty Insurance Invested Assets, 2007–2026F

In 2025, investment yields could be the highest since the Financial Crisis

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

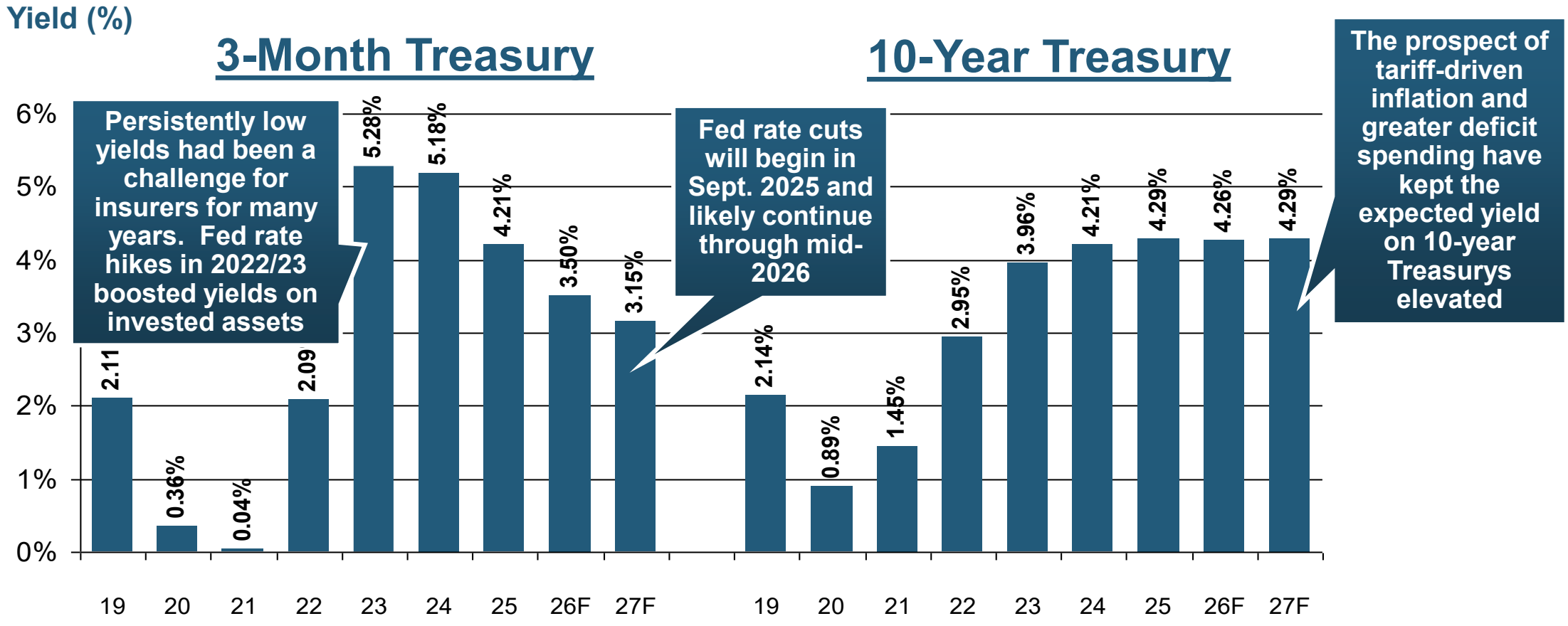


The yield on invested assets remains depressed relative to pre-financial crisis and pre-COVID yields. Fed rate hikes in 2022-23 are lifting yields and investment income.

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

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.

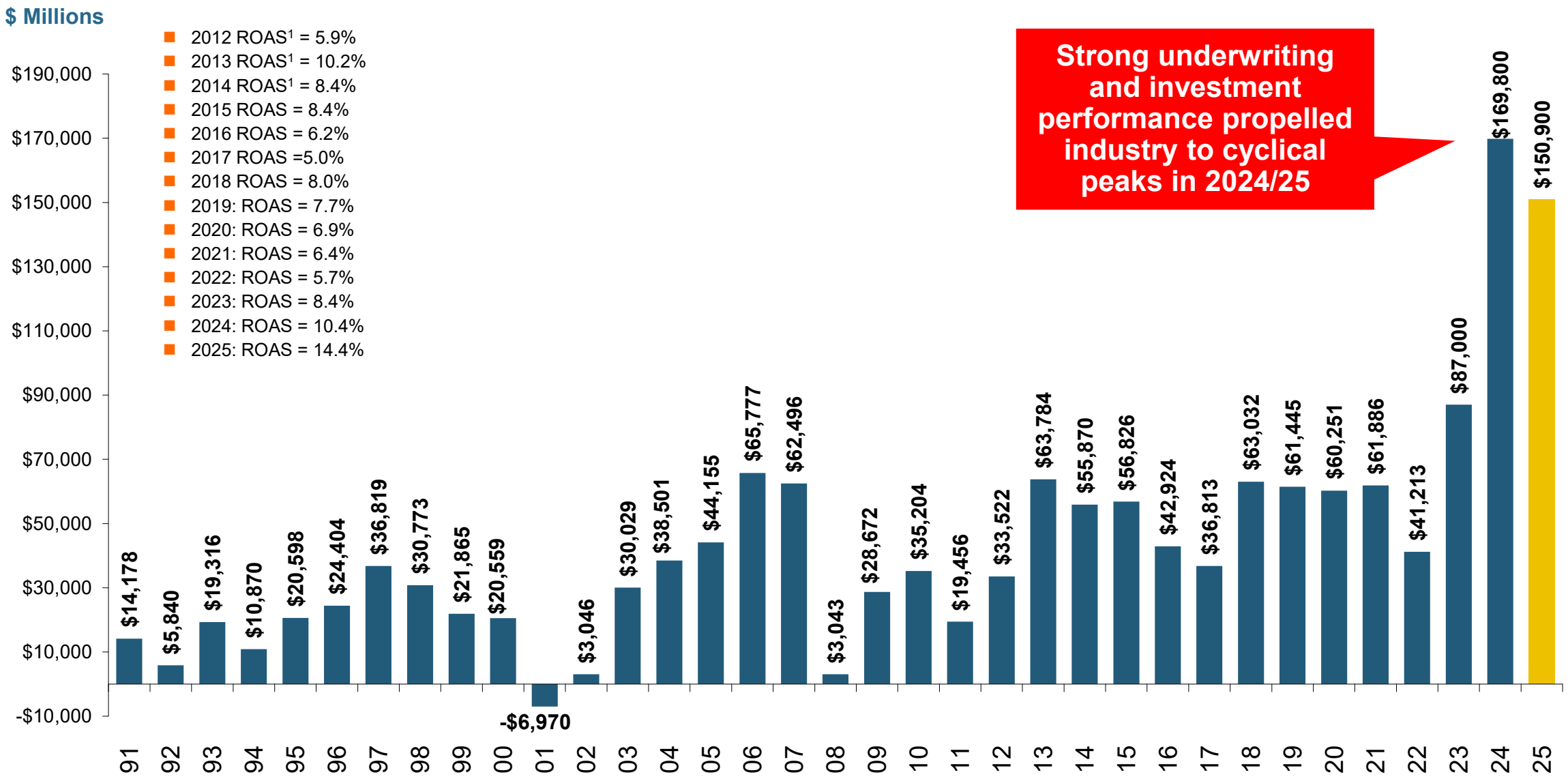
Sources: Wells Fargo Securities (5/26); Risk and Uncertainty Management Center, University of South Carolina.

Profitability, Capital and Capacity

P/C Insurance: Improved Profitability Is Driving Capacity Upwards

But Will Pace of Growth Slow?

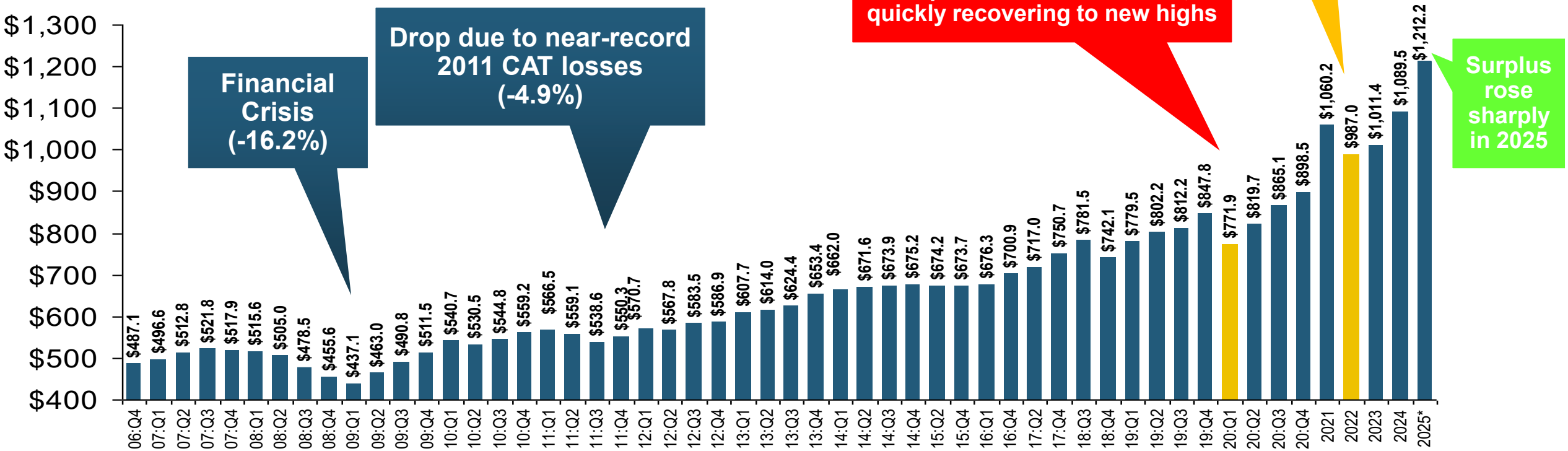
P/C Industry Net Income After Taxes, 1991–2025



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)

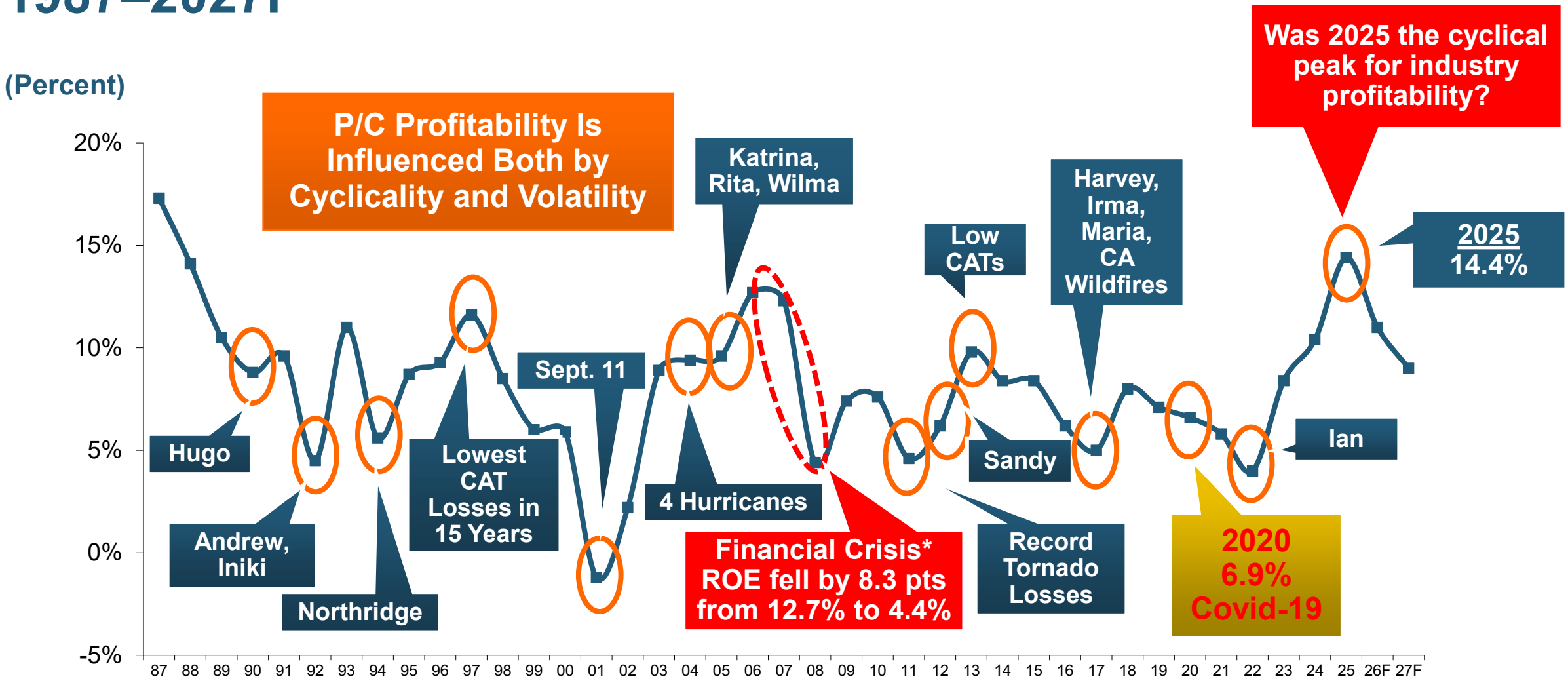


Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

Note: Through Dec. 31, 2025.

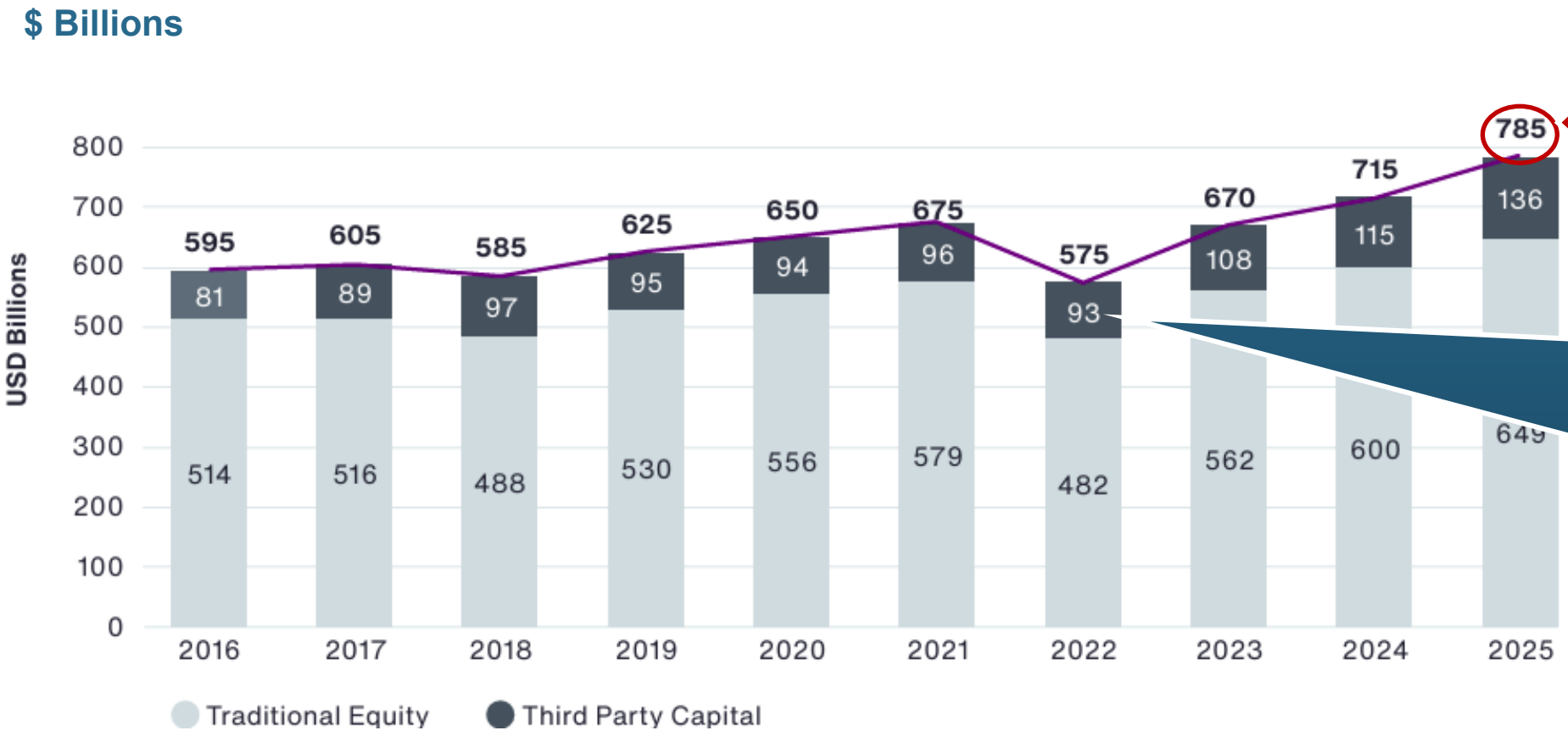
Sources: ISO, A.M. Best, NAIC. Risk and Uncertainty Management Center, University of South Carolina.

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

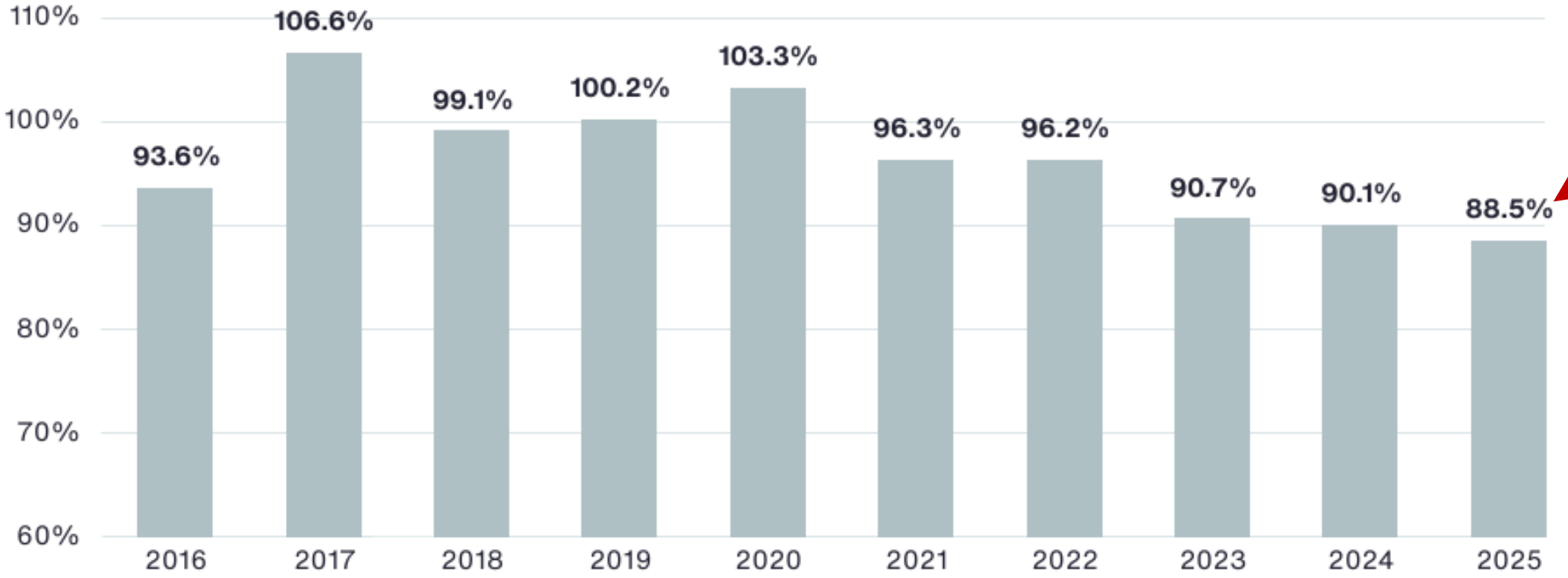


Global reinsurance reached a new high in 2025, and is now 36.5% above its 2022 trough

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.

Reinsurance Sector Combined Ratio, 2016 – 2025*

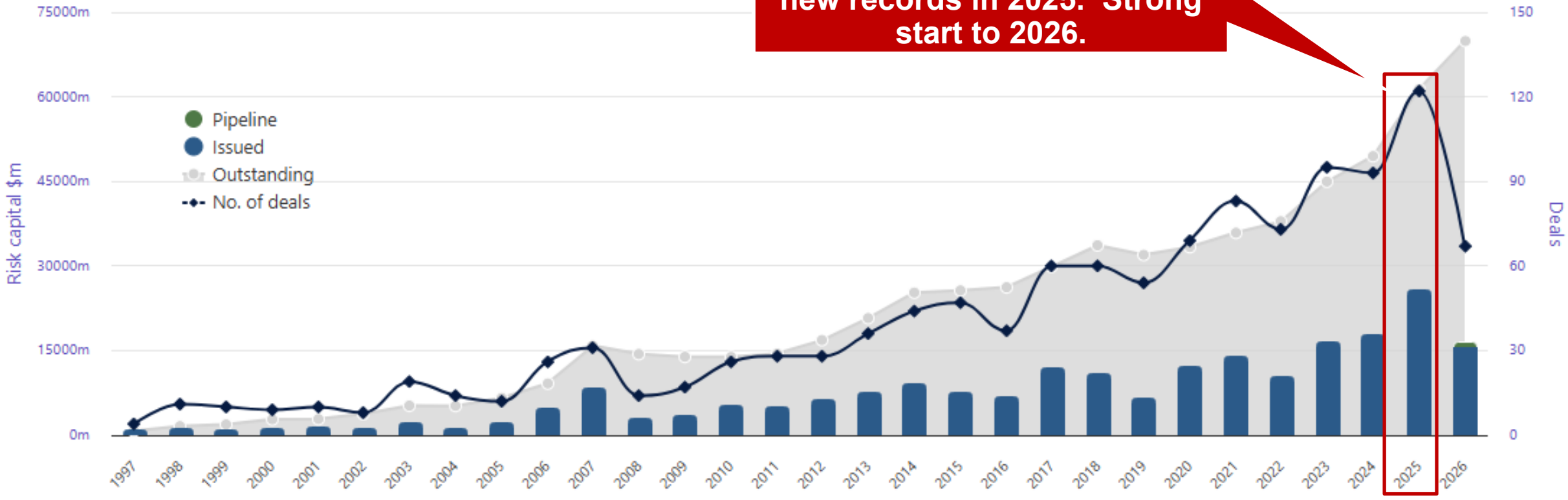


Reinsurance combined ratios have improved significantly since 2020

*Average combined ratio across 18 global reinsurers.
Source: Aon Reinsurance Solutions/Aon Securities accessed at: : https://www.aon.com/getmedia/3e1812c1-ffc0-4991-85c9-3d20bc28d117/20260401_rmd_april_2026_report.pdf.

Catastrophe Bond & ILS Risk Capital Issued and Outstanding, 1997 – 2026*

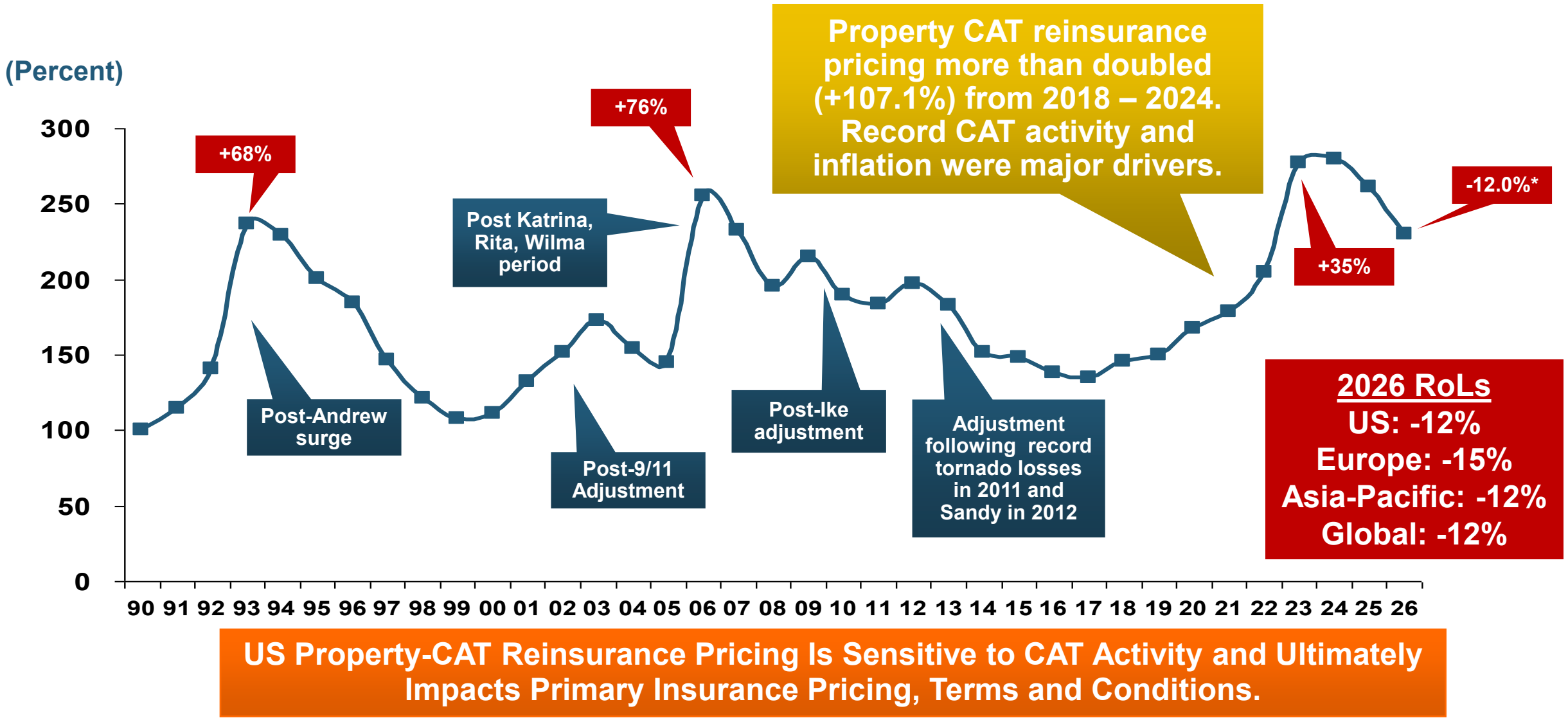
The number of new CAT bond & ILS deals, risk capital issued and outstanding set new records in 2025. Strong start to 2026.



*As of 5/31/26.

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 – 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.

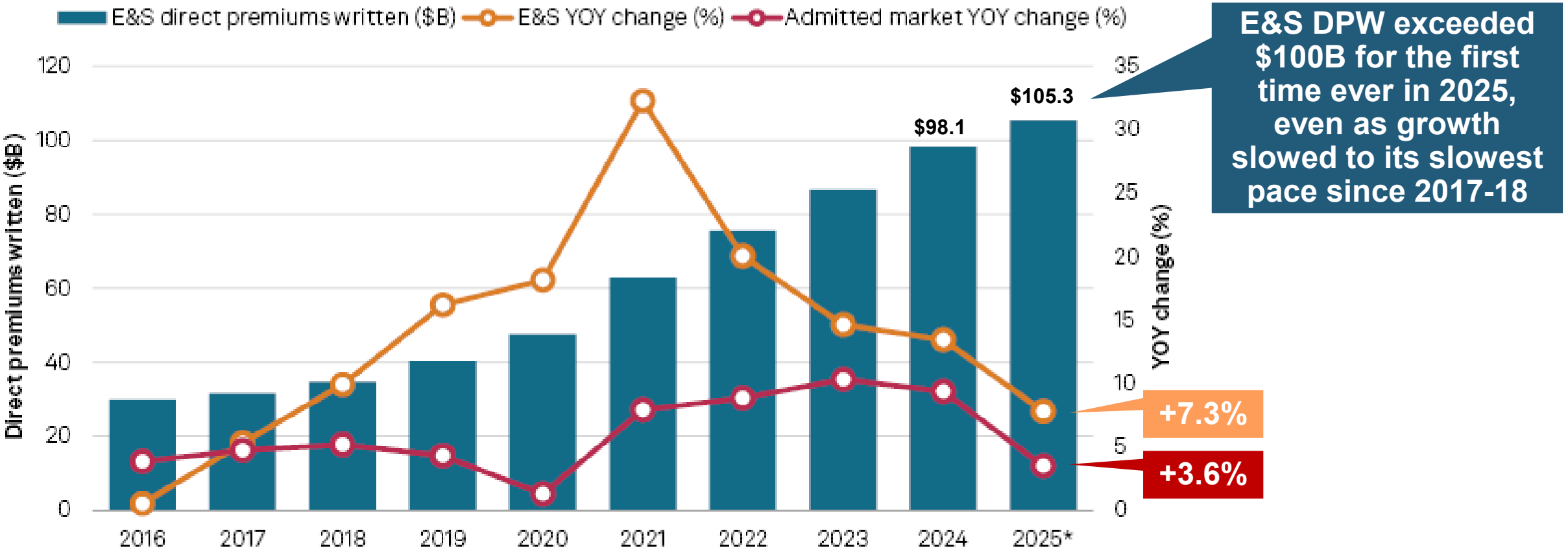
Source: Guy Carpenter; Artemis.bm accessed at: http://www.artemis.bm/us-property-cat-rate-on-line-index

E&S Market Summary

Results Remain Strong as Growth Decelerates

E&S Results Reflect Overall Industry Dynamics

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.

US E&S Premium Growth & Loss Ratio, Top 20 & Total: 2025

Rank 2025	Rank 2024	Insurer	Direct premiums written: Amount ($B)	Market share (%)	YOY change (%)	3-year CAGR (%)	Direct incurred loss ratio (%): 2023	2024	2025
1	1	Berkshire Hathaway	7.41	7.0	-12.4	2.3	41.8	45.8	43.0
2	2	AIG	5.91	5.6	5.6	9.2	50.6	46.5	48.5
3	3	Fairfax Financial	4.54	4.3	3.4	6.3	54.6	56.0	59.6
4	4	W. R. Berkley Corp.	4.45	4.2	7.7	11.0	52.9	54.8	53.0
5	6	Chubb	4.40	4.2	15.4	16.6	42.0	45.6	52.4
6	5	Markel	4.10	3.9	6.9	4.7	62.7	52.2	51.9
7	8	Nationwide	3.08	2.9	4.6	3.5	49.6	43.3	41.4
8	7	Starr Cos.	3.08	2.9	3.8	19.2	63.1	67.2	51.4
9	11	MS&AD Insurance	2.78	2.6	35.0	92.9	26.4	33.6	34.6
10	9	Liberty Mutual	2.51	2.4	11.8	3.9	54.2	74.2	63.8
11	10	AXIS	2.35	2.2	7.1	14.3	61.3	54.3	50.8
12	13	AXA SA	2.24	2.1	12.9	3.5	54.1	57.7	63.1
13	12	Sompo	2.18	2.1	6.7	6.2	60.5	57.0	40.6
14	14	Kinsale Insurance Co.	1.98	1.9	5.7	21.5	36.1	36.7	37.2
15	17	CNA	1.74	1.6	8.3	11.6	52.3	50.2	65.8
16	21	The Hartford	1.62	1.5	15.0	16.1	54.7	57.9	59.2
17	16	Travelers	1.56	1.5	-4.9	17.3	42.1	39.6	39.9
18	15	Arch Capital	1.56	1.5	-5.0	4.8	39.9	43.2	43.7
19	22	Great American	1.54	1.5	11.2	11.3	46.4	47.1	51.3
20	19	StarStone	1.52	1.4	3.7	24.5	32.4	48.2	42.8
		Total US domestic market*	**105.31**	**100.0**	**7.3**	**11.5**	**49.9**	**52.1**	**50.8**

Berkshire's E&S DPW E&S Property plunged 12.4% in 2025

Property: -22.7%

Other Liability: -12.8%*

Commercial Auto: + 34.9%

****Claims made component***

E&S loss ratio has remained low and fairly stable over the past several years

*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.

A Few Thoughts on E&S

- **E&S Market Growth is Well Past Peak, but…Will Still Outpace Admitted Mkt.**
- **Competition from Admitted Markets Will Grow as Market Turns…**
- **...But Admitted Carriers Will Only Go So Far**
  - **Property market dislocations (e.g., FL, CA, TX, SCS-exposed regions)**
  - **Continued tort system pressure including TPLF/newer casualty exposures**
    - **Commercial auto liability/GL/Commercial Umbrella**
    - **Emerging Coverage Gaps/Challenges: Firearms, Liquor Liability, AI**
  - **AI: AI buildout, coverages for emergent AI risks, AI and Management Liability (D&O)**
  - **Deglobalization Disruptions: Trade Credit, Political Risk, Aviation/Marine, Energy (?)**
  - **Non-AI Tech: Social Media (product liability), Crypto, Prediction Markets, "Gamification"**
- **Slowing E&S Growth May Lead to Increased M&A**
- **Historically, Higher Interest Rates Have Deepened Pricing Cycle**

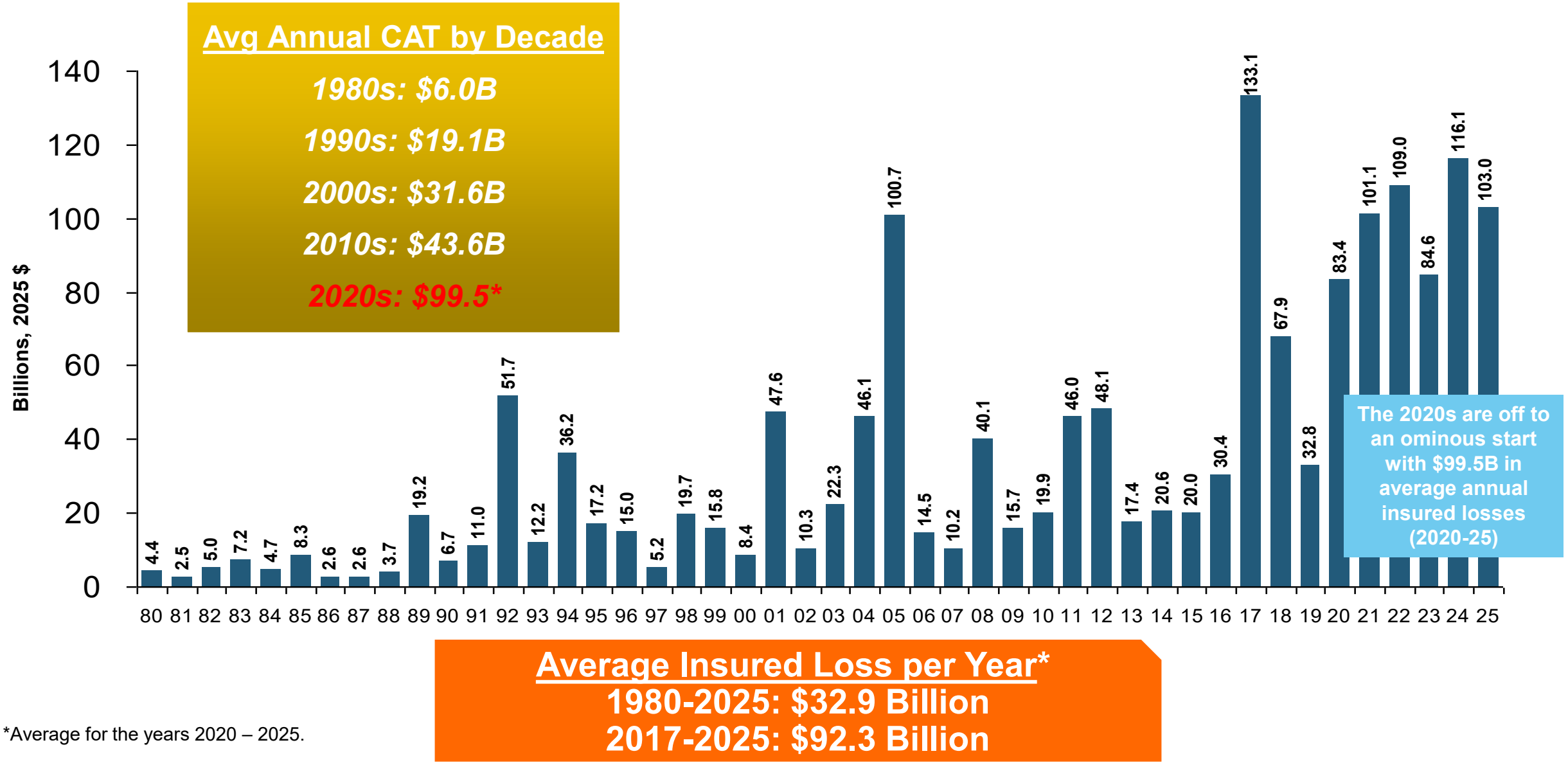
Catastrophe Loss Trends

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



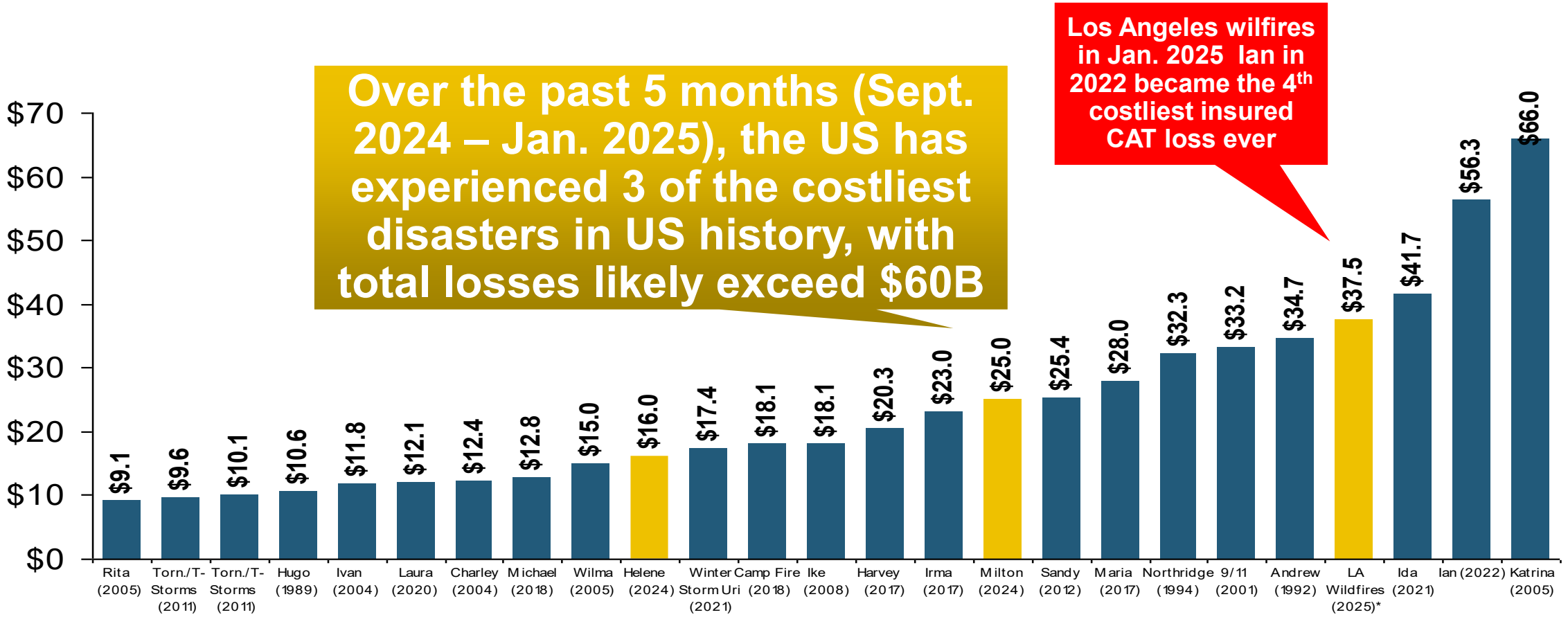
Average Insured Loss per Year*
1980-2025: $32.9 Billion
2017-2025: $92.3 Billion

*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)

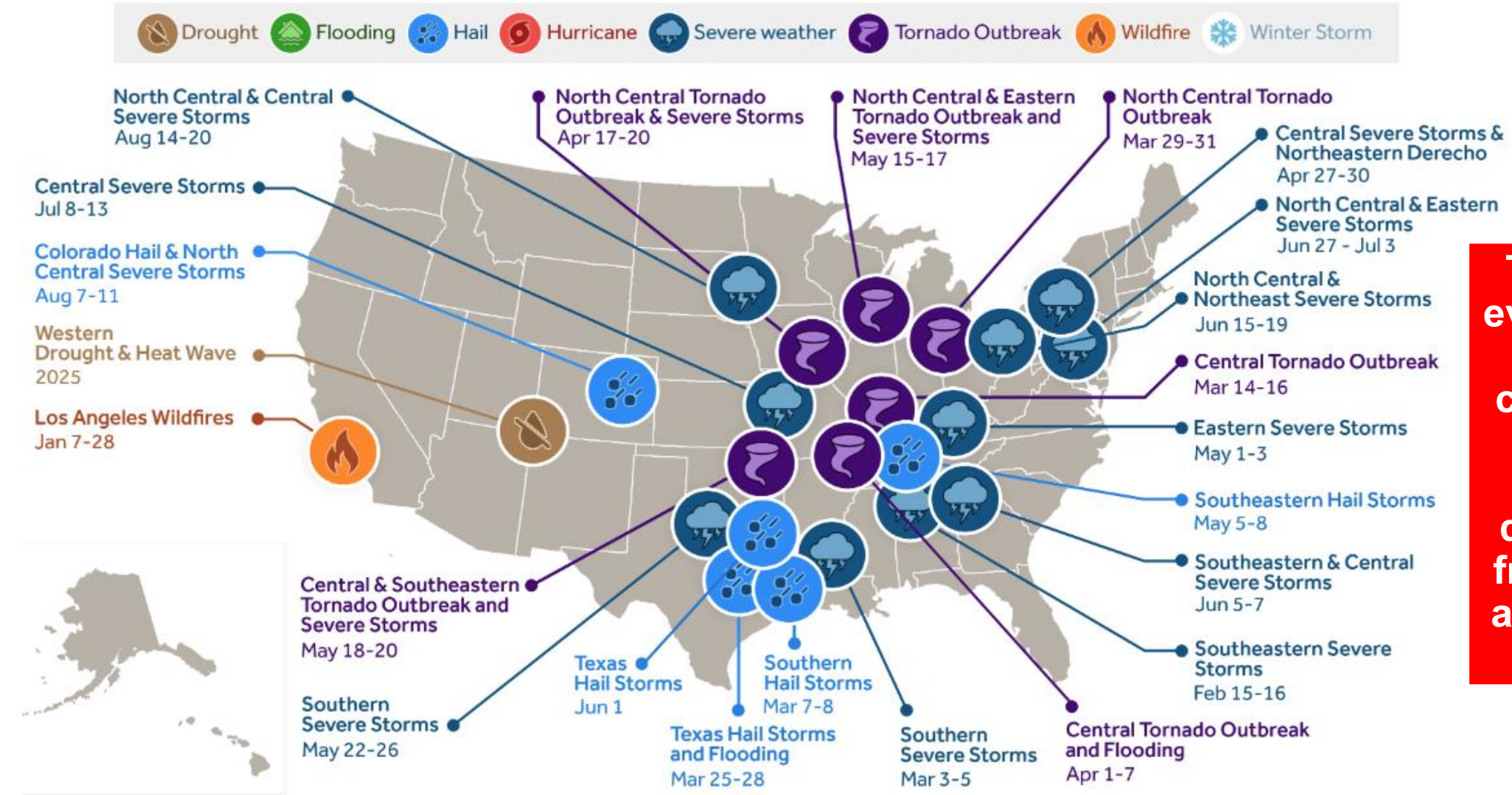


23 of the 26 Most Expensive Insurance Events in US History Have Occurred Since 2004.

*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

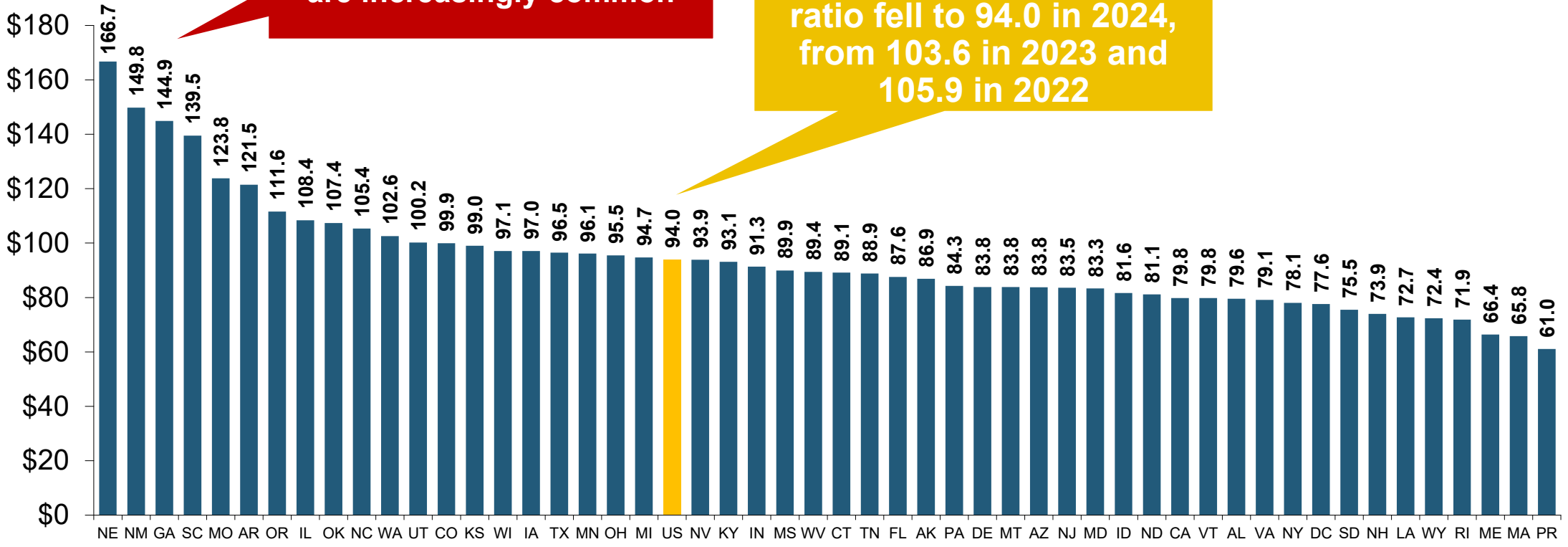
Source: Climate Central, accessed at: https://www.climatecentral.org/climate-services/billion-dollar-disasters.

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

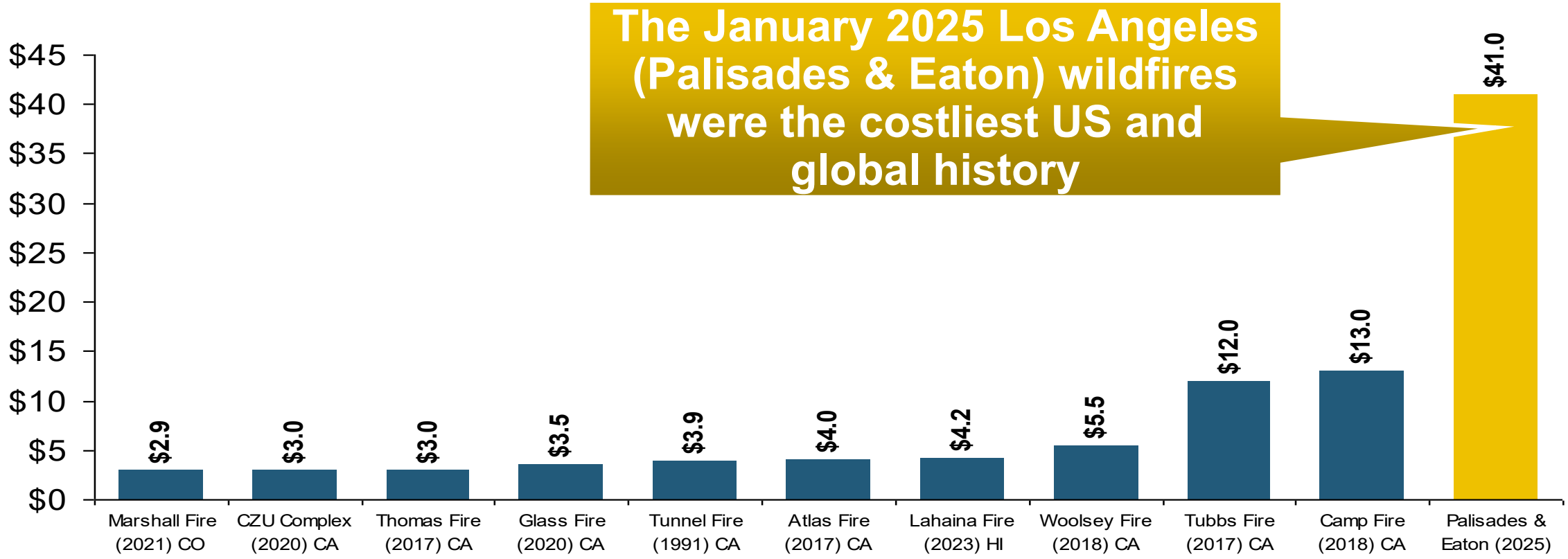
HO combined ratios are highly volatile—*with a 100.9 point spread* across the 50 states from highest to lowest in 2024



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.

Top 11 Most Costly Wildfires in U.S. History

(Insured Losses, 2024 Dollars, $ Billions)



9 of the 11 Most Expensive Wildfire Events Occurred in California. All but One Occurred Since 2017.

*Aon figure as of Jan. 1, 2026 in 2025 dollars.

Sources: Artemis.bm from Gallagher Re at: https://www.reinsurancene.ws/insured-la-wildfire-losses-to-notably-exceed-10bn-gallagher-re/; USC Risk and 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?

33

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

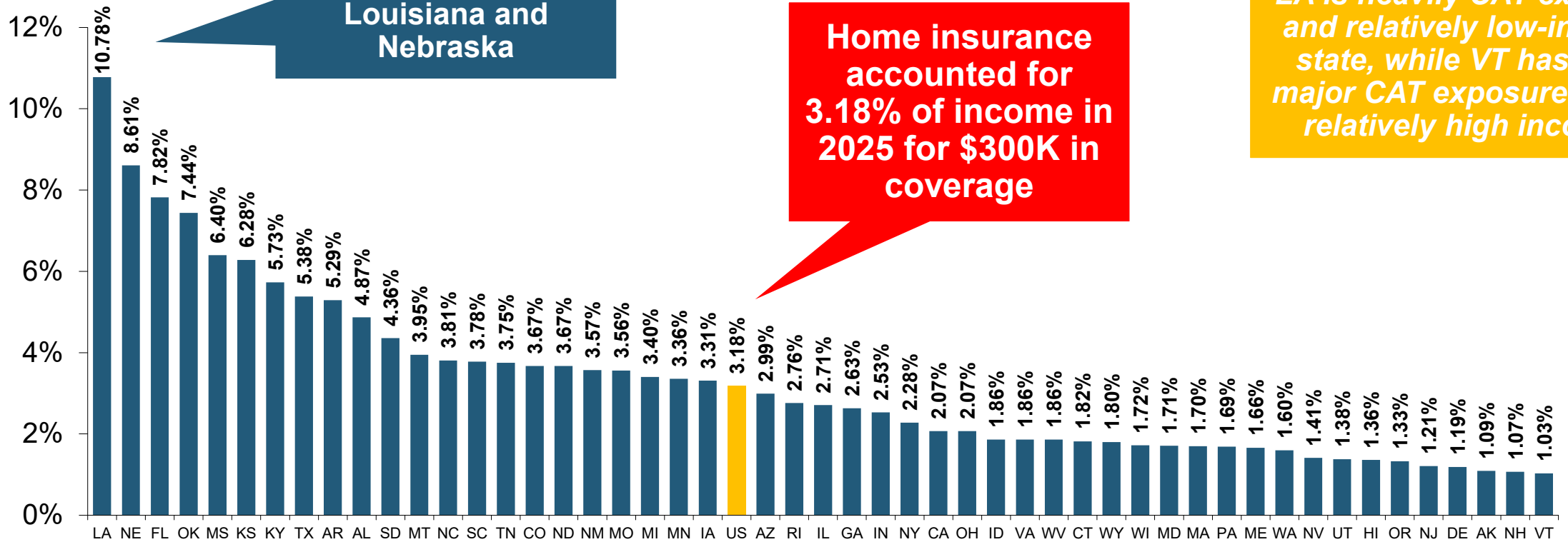
Homeowners Insurance Cost as a Share of State Median Income, 2025*

As a share of income, home insurance is most expensive in Louisiana and Nebraska

Home insurance accounted for 3.18% of income in 2025 for $300K in coverage

The average HO premium as a share of income varies tremendously by state—from 1.03% in VT to 10.78% in LA—a 10.5x differential.

LA is heavily CAT exposed and relatively low-income state, while VT has little major CAT exposure and is relatively high income.



*As of September 1, 2025. Figure is for $300,000 in coverage.

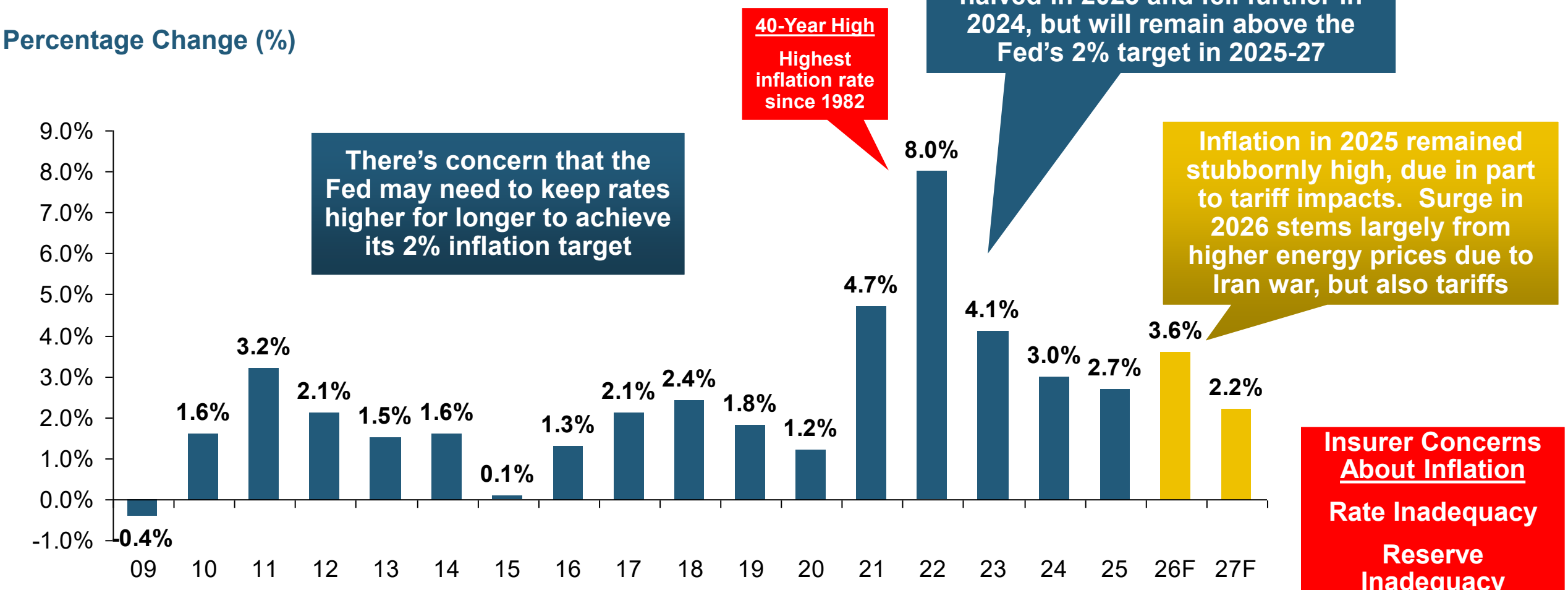
Source: Bankrate.com. Accessed at: https://www.bankrate.com/insurance/homeowners-insurance/states/; University of South Carolina Risk & Uncertainty Management Center.

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*



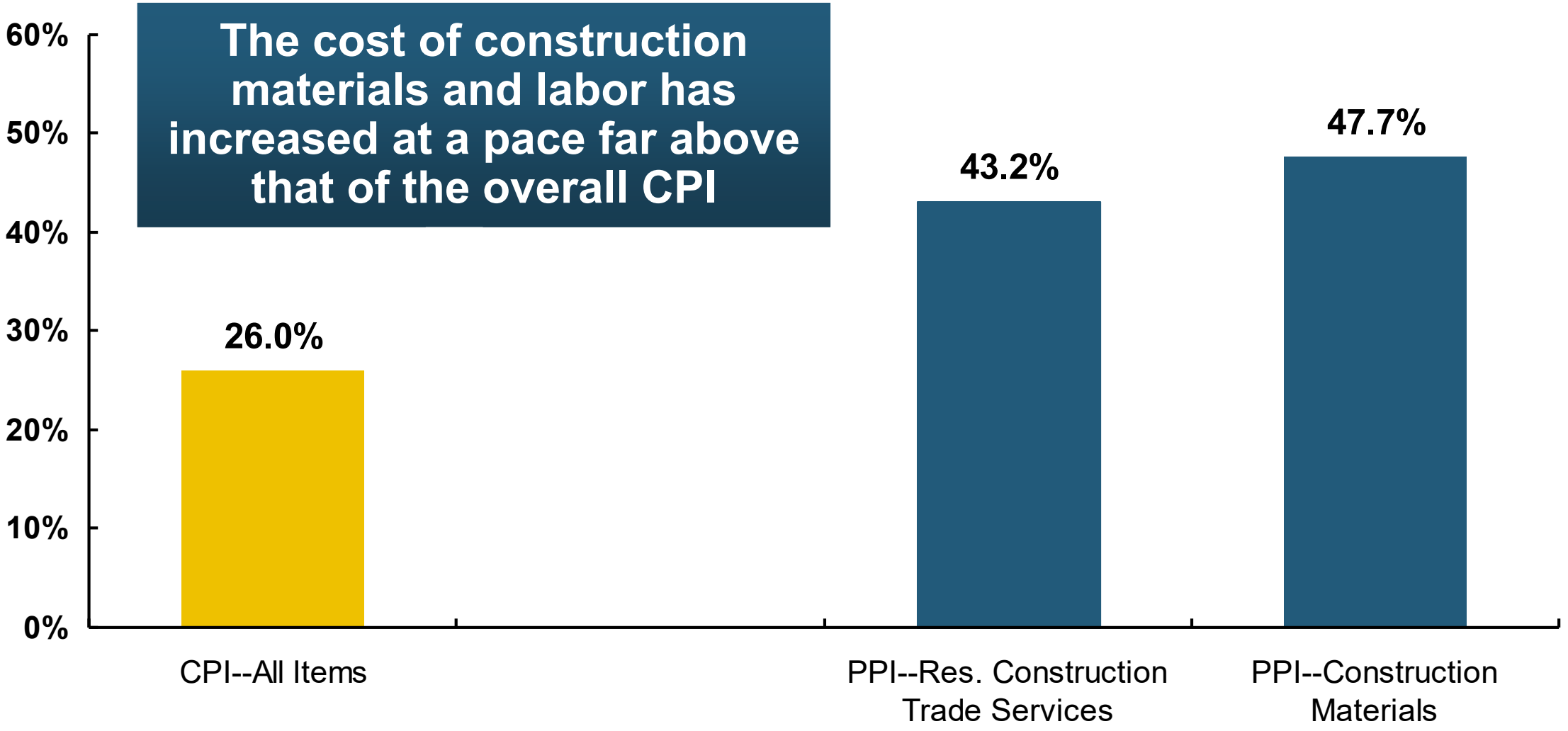
Insurer Concerns About Inflation

- 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.

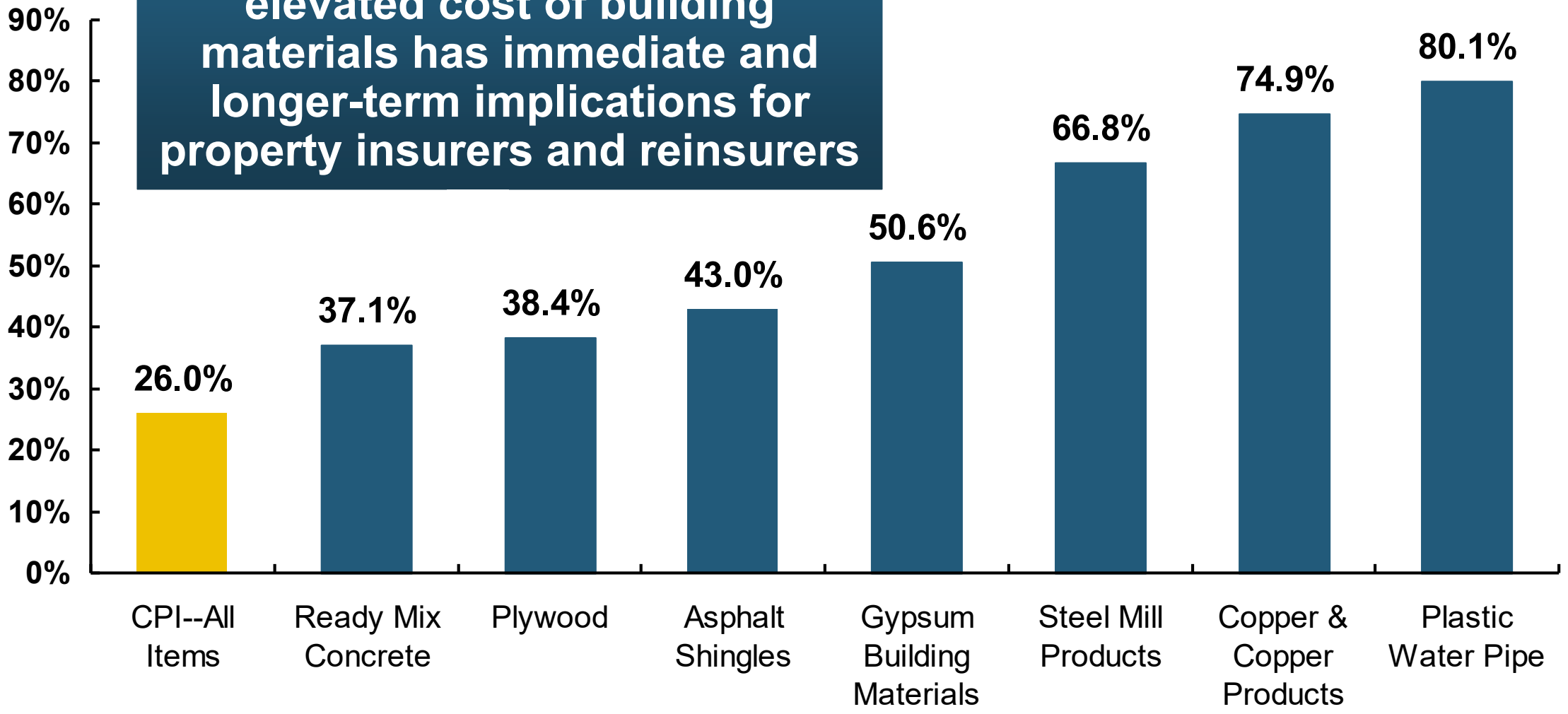
Cost Indicators for Residential Const., Price Index Changes, Jan. 2020 – Dec. 2025



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).

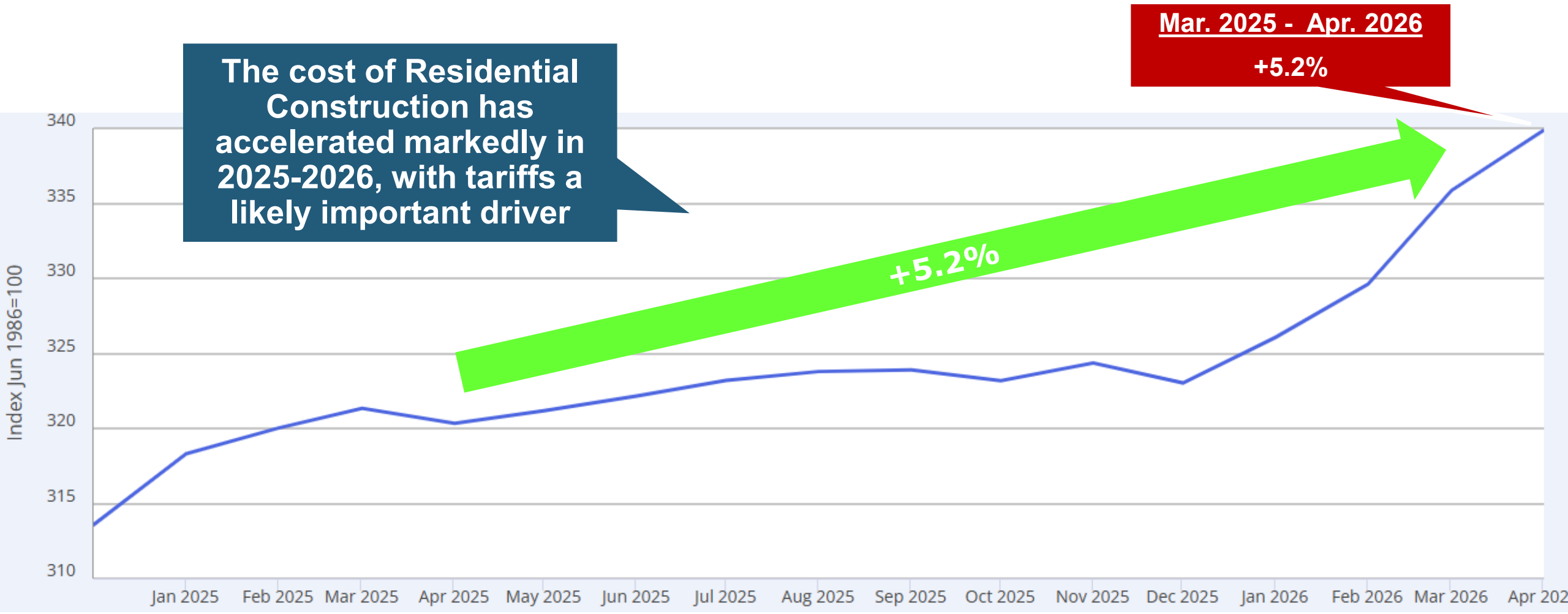
Change in Cost Indicators for Selected Construction Inputs, Jan. 2020 – Dec. 2025

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



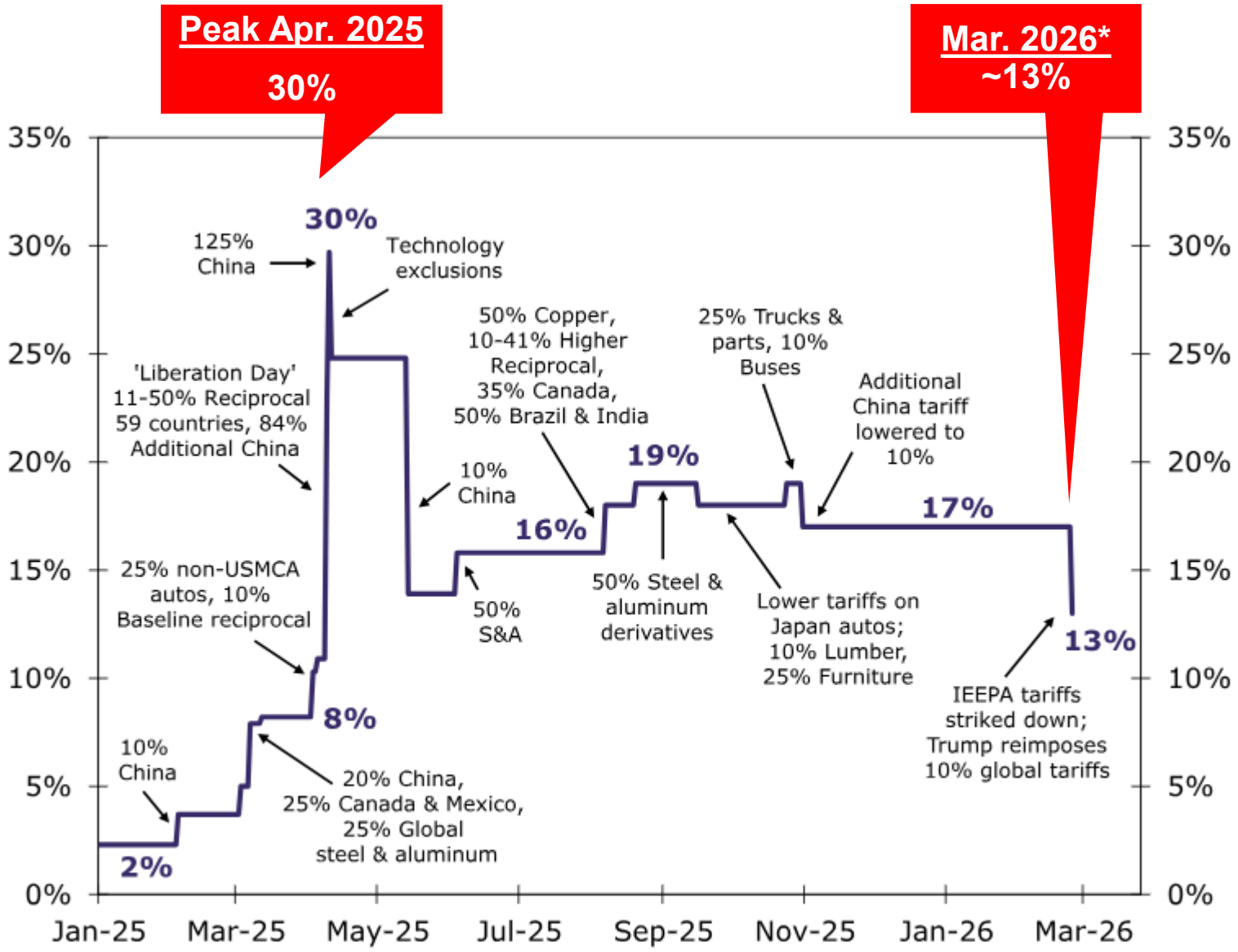
Source: U.S. Bureau of Labor Statistics.

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.

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



Effective tariff rates fluctuated wildly in 2025, starting the year ~2%, peaking at 30% and currently standing at ~13%

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

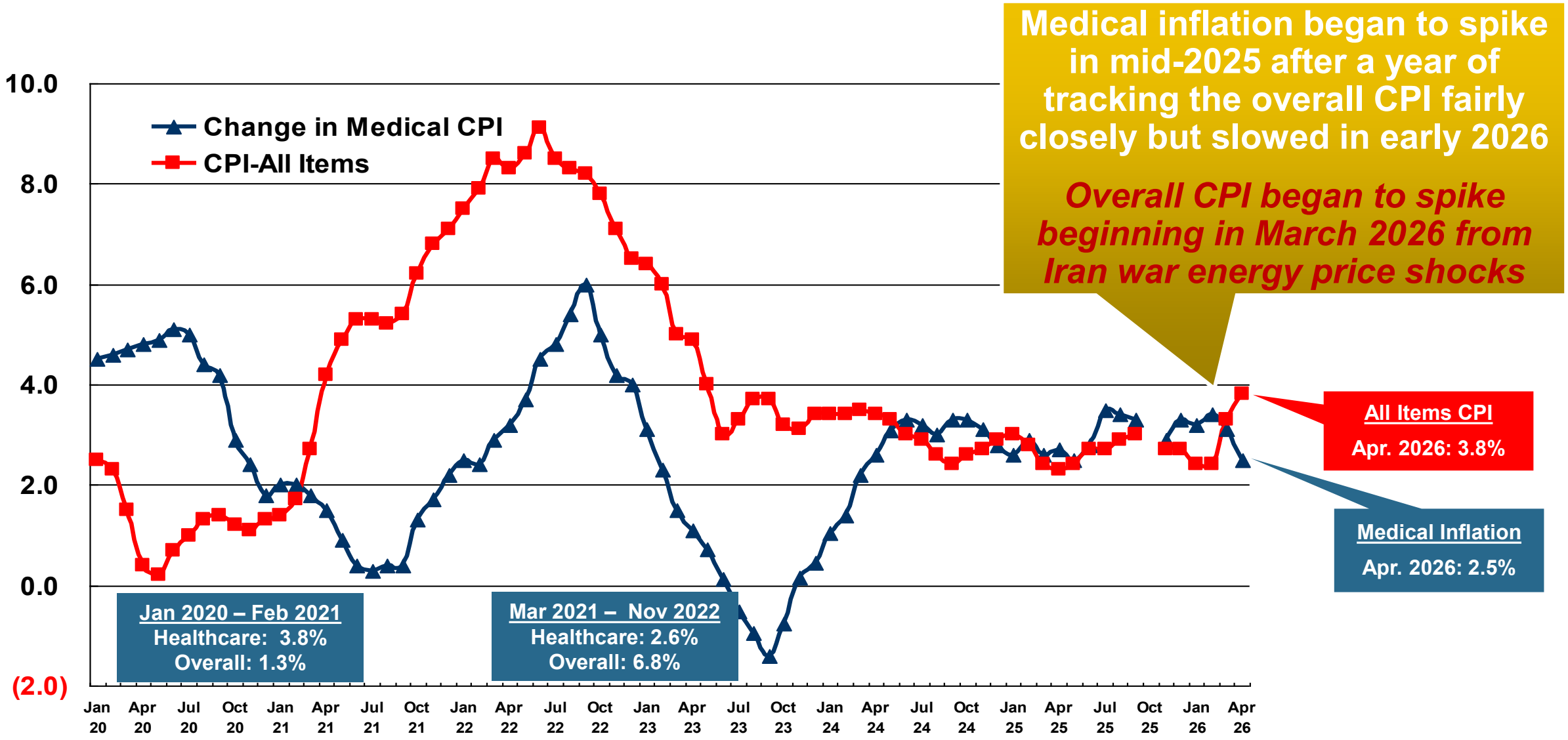
Estimated Impact of Tariffs

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

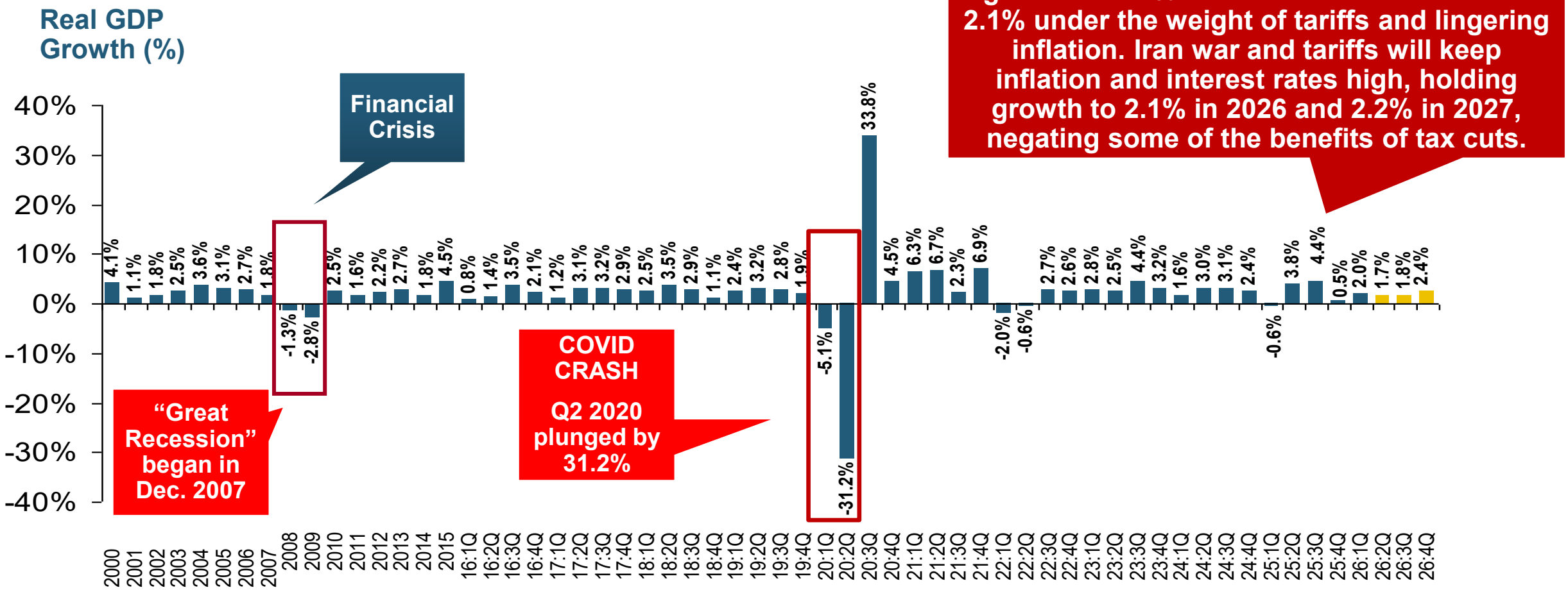
Inflation, Geopolitical Conflicts, High Interest Rates, Tariffs and Now Rising Energy Prices Have Weighed Heavily on Business and Consumer Sentiment

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

43

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.



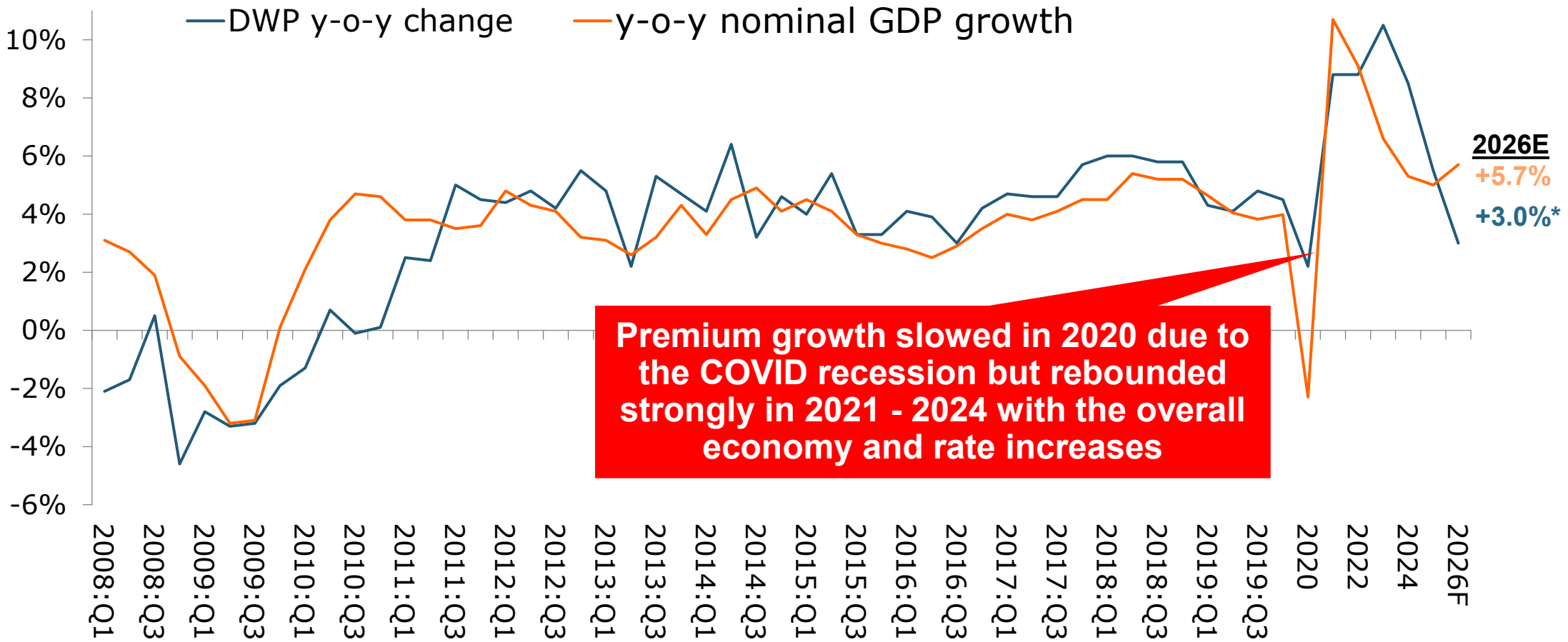
Demand for Insurance Increased Materially in 2021/22 During Recovery from the Pandemic—Particularly in Economically Sensitive Commercial Lines Such as WC. Premium growth will likely slow as Economy Slows in 2025-26.

* 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



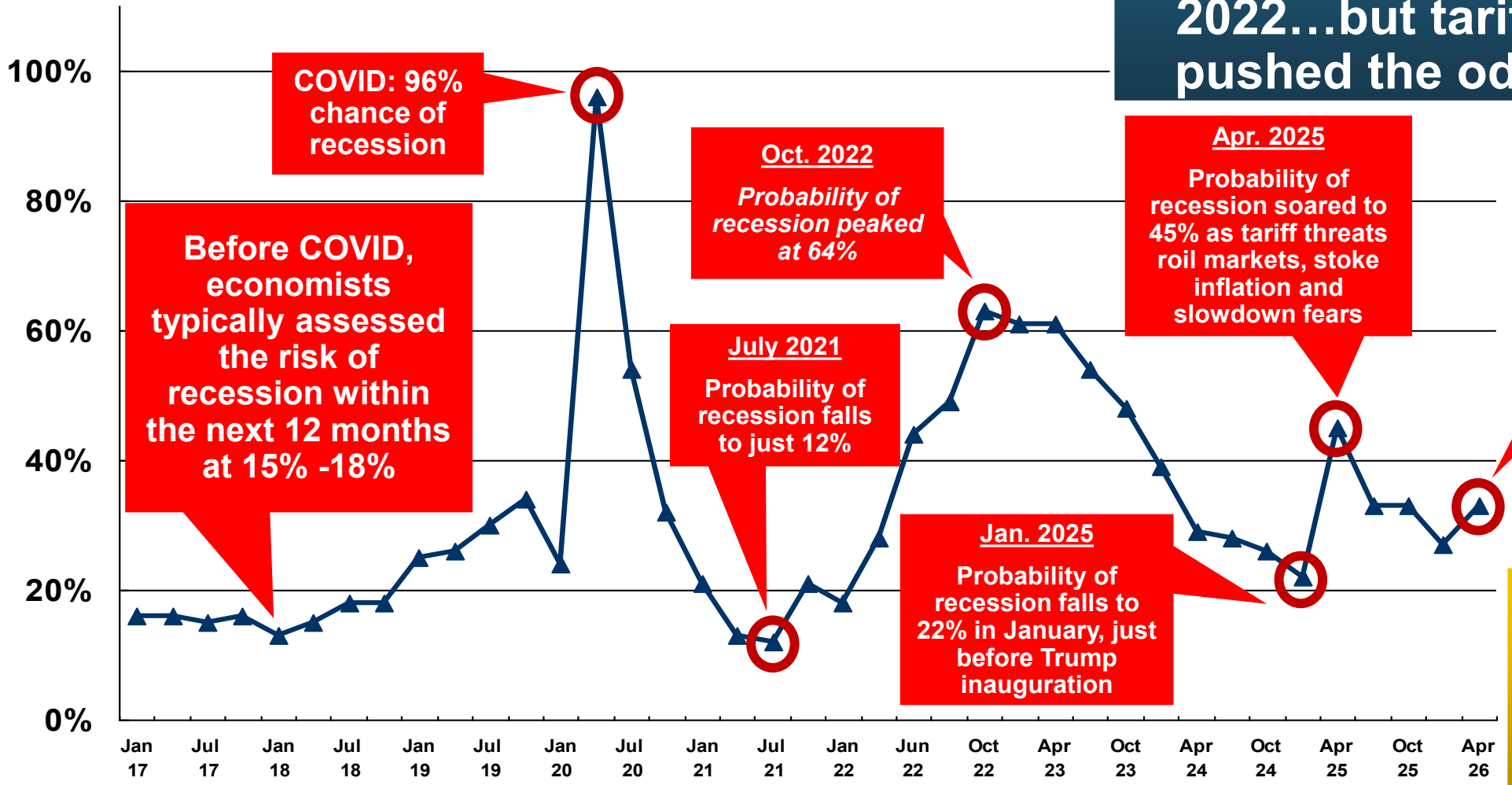
Direct written premiums track nominal GDP fairly tightly over time, suggesting the P/C insurance industry's growth prospects inextricably linked to economic performance.

*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

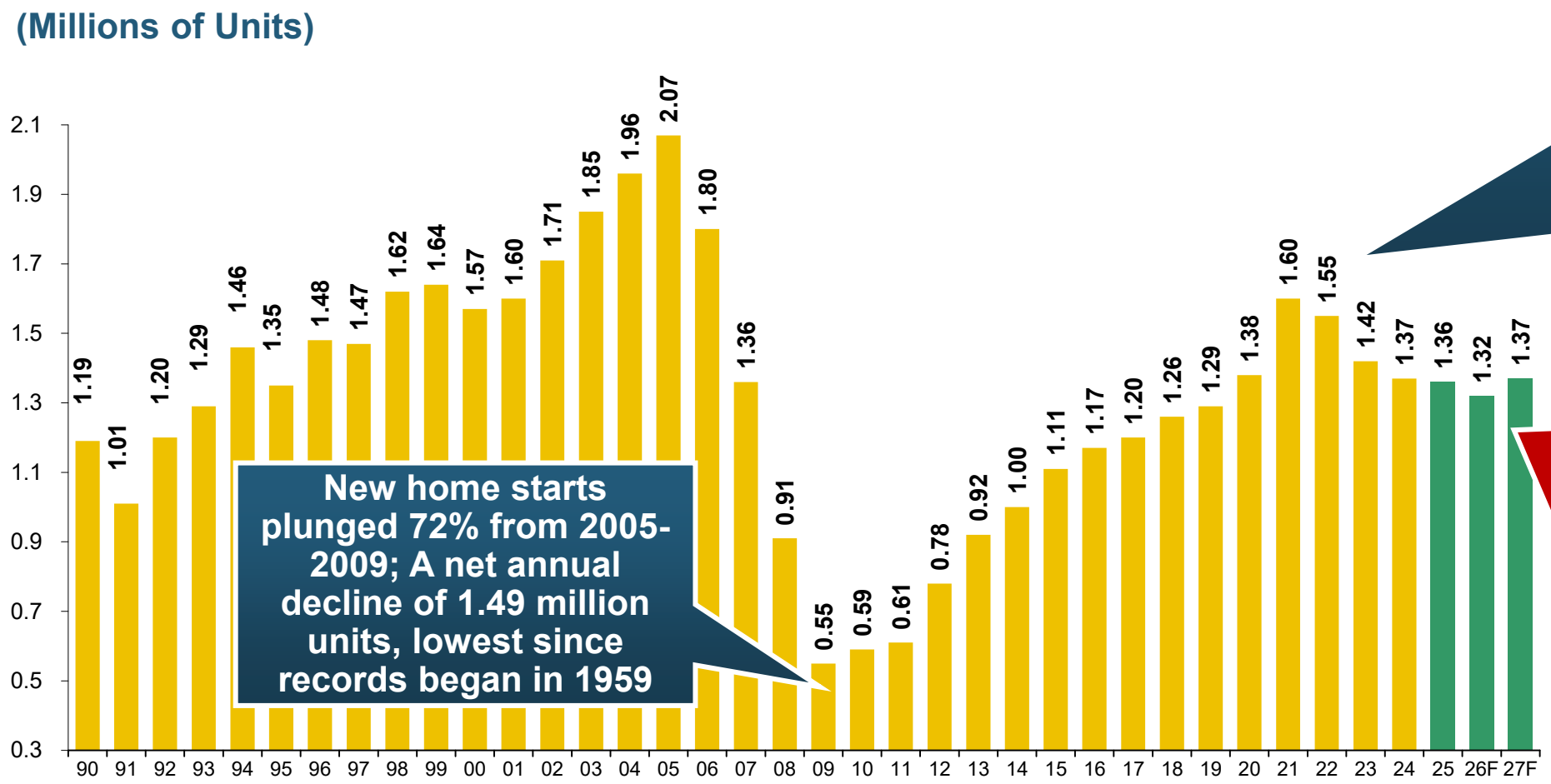


Recession?

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.

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

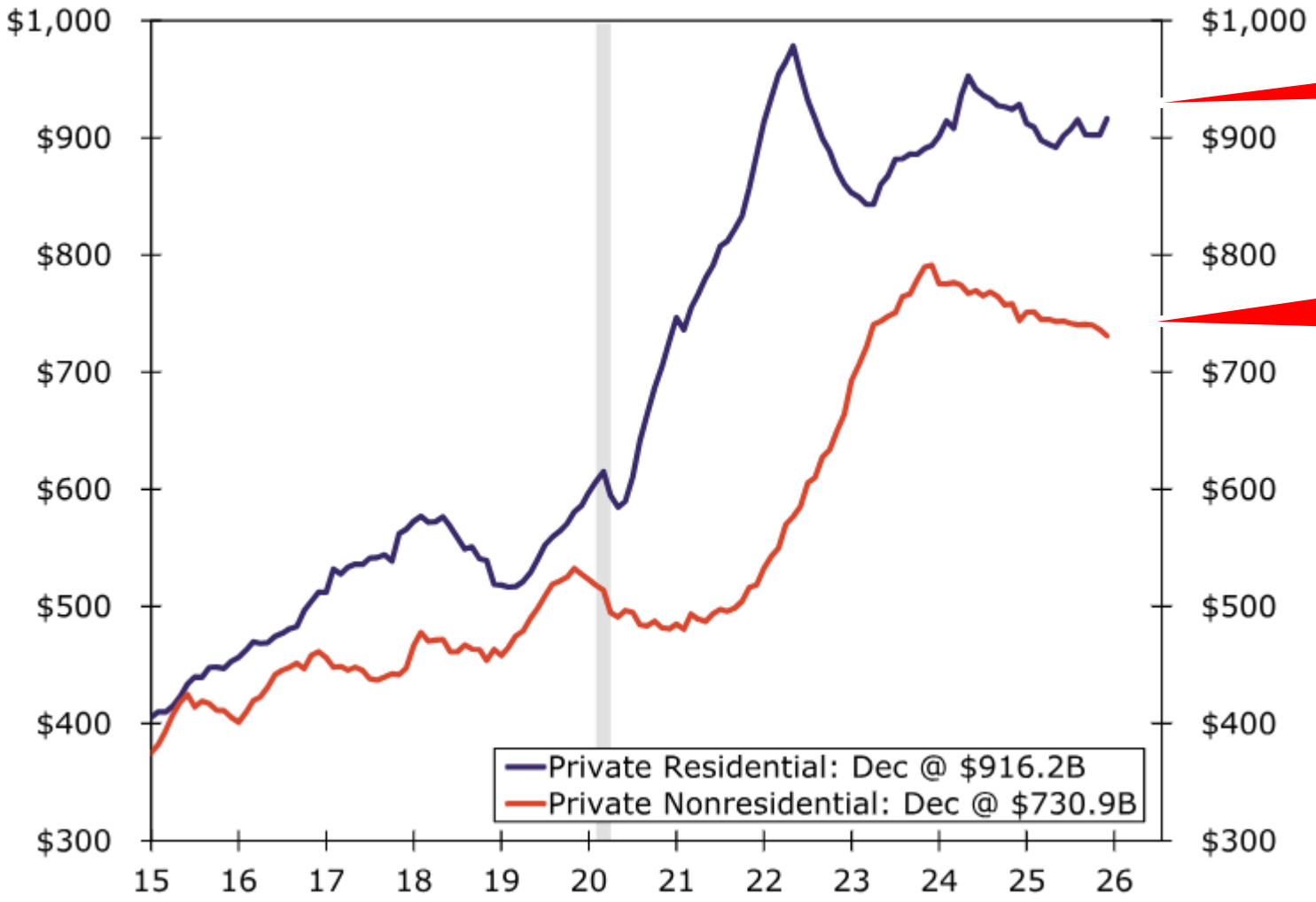
High prices, rising mortgage rates, tempered new home construction activity through 2025 and into 2026. Tariffs and rising energy costs are adding pressure to building costs.

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..

Construction Spending: Construction Pipeline Is Shrinking



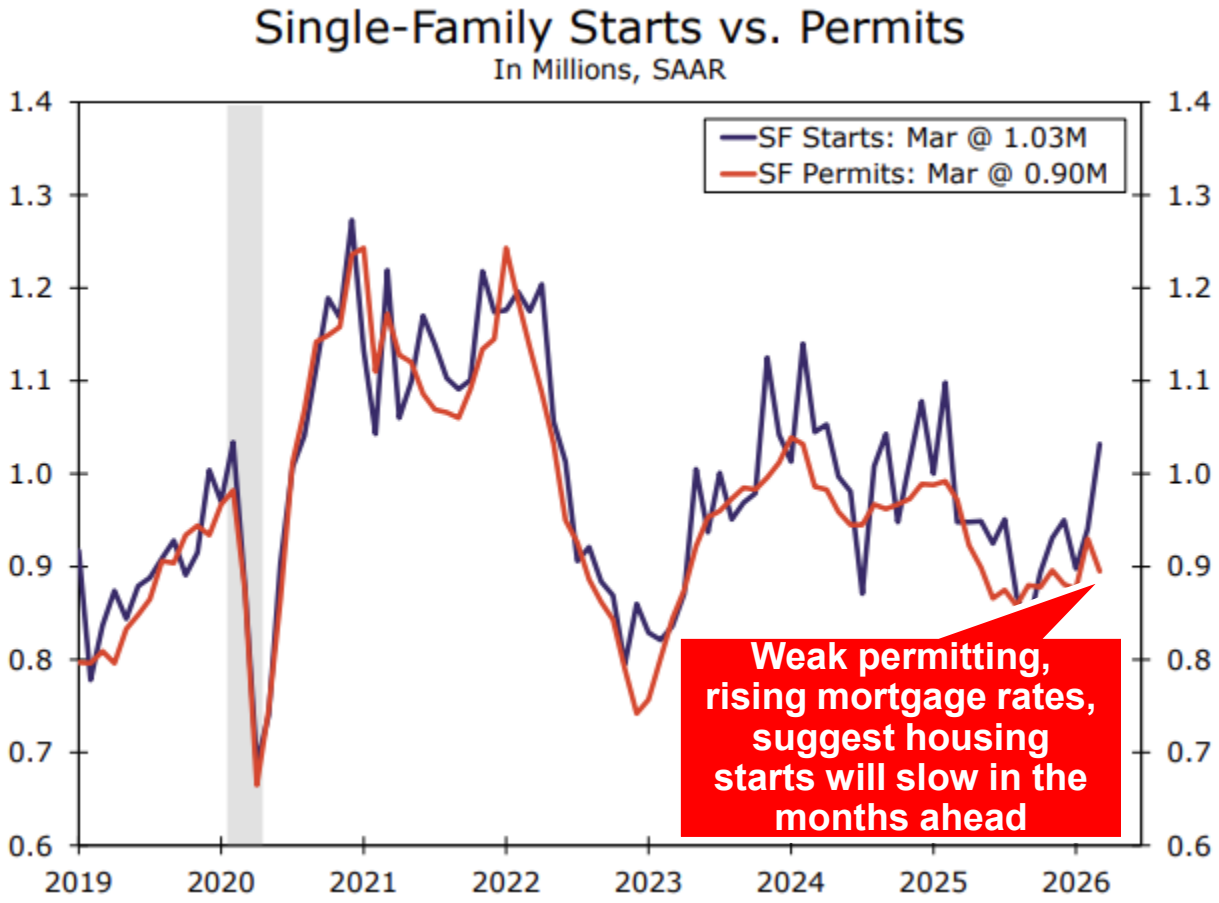
Residential Construction growth remains weak. Higher mortgage rate will dampen demand.

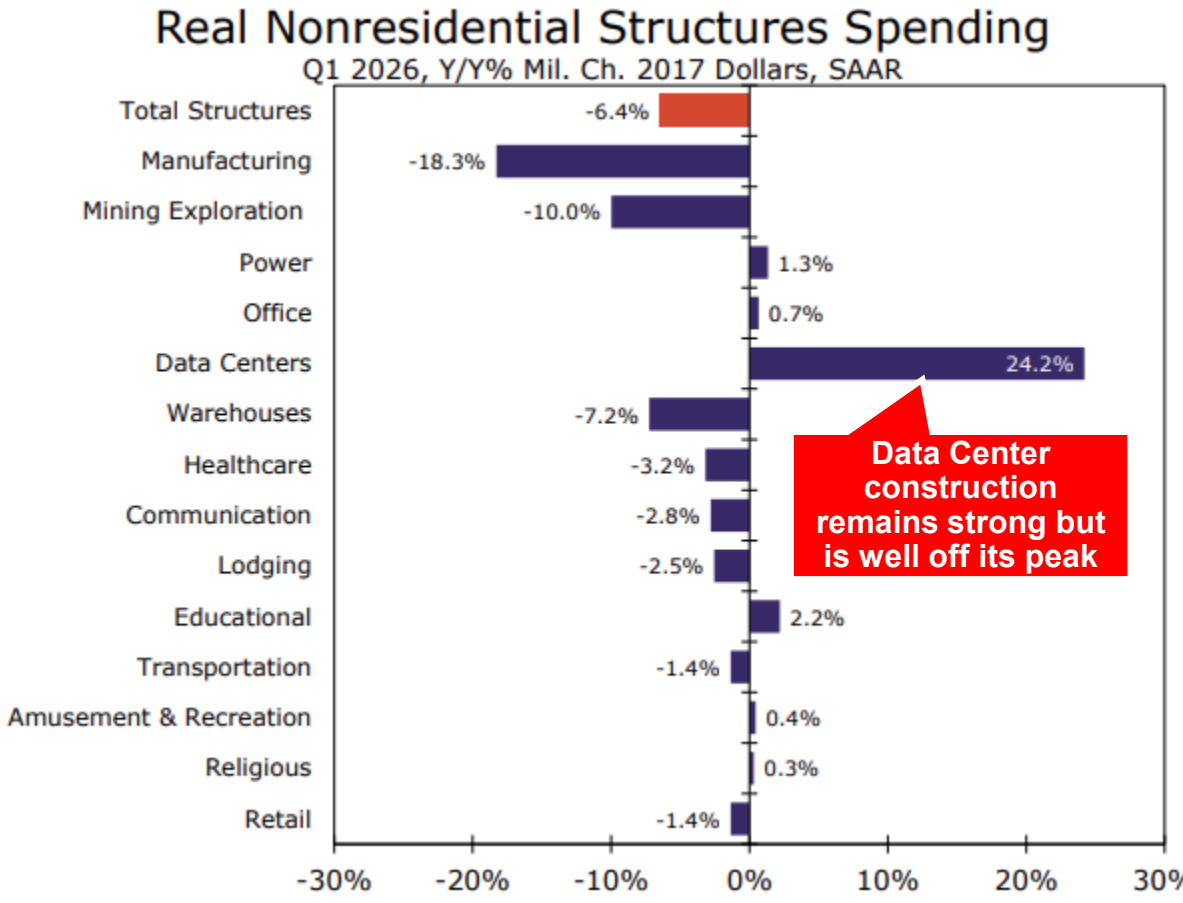
Nonresidential Construction spending is weak, apart from data centers. Rising interest rates will delay any recovery until later in 2026 or 2027

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

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*

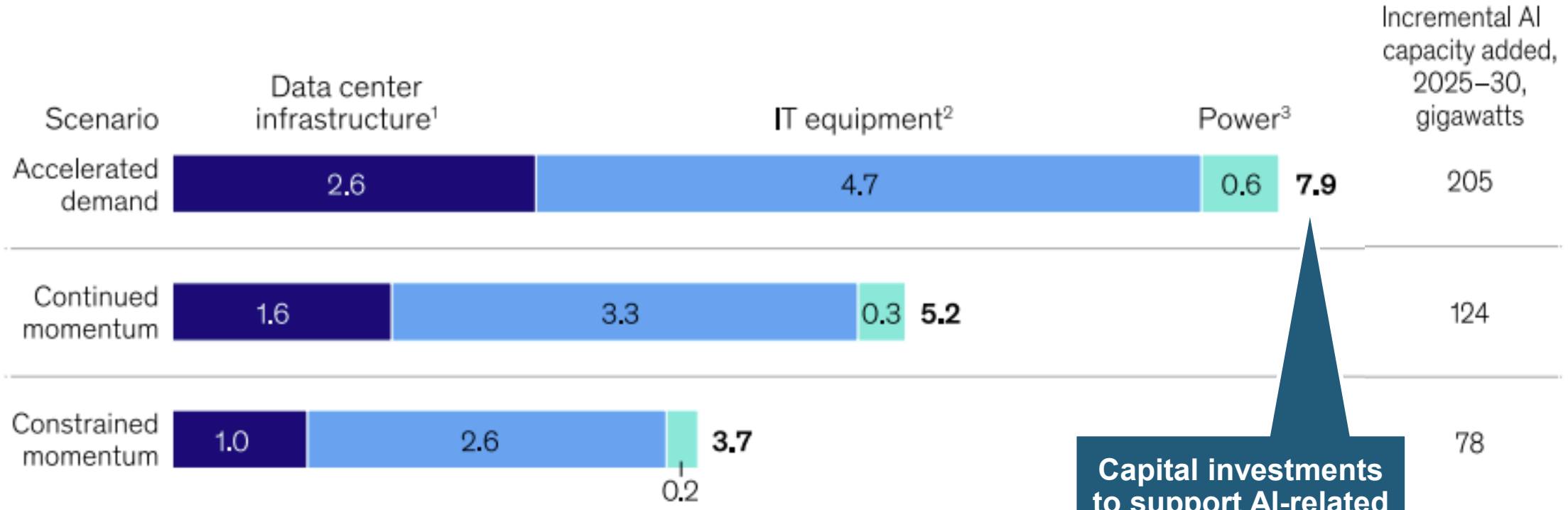
Capacity and Insurability Challenges Remain

AI Infrastructure Buildout: Major Challenges

- **Total insurable value of global datacenter infrastructure by 2030 is estimated to reach $7 trillion**
- **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

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

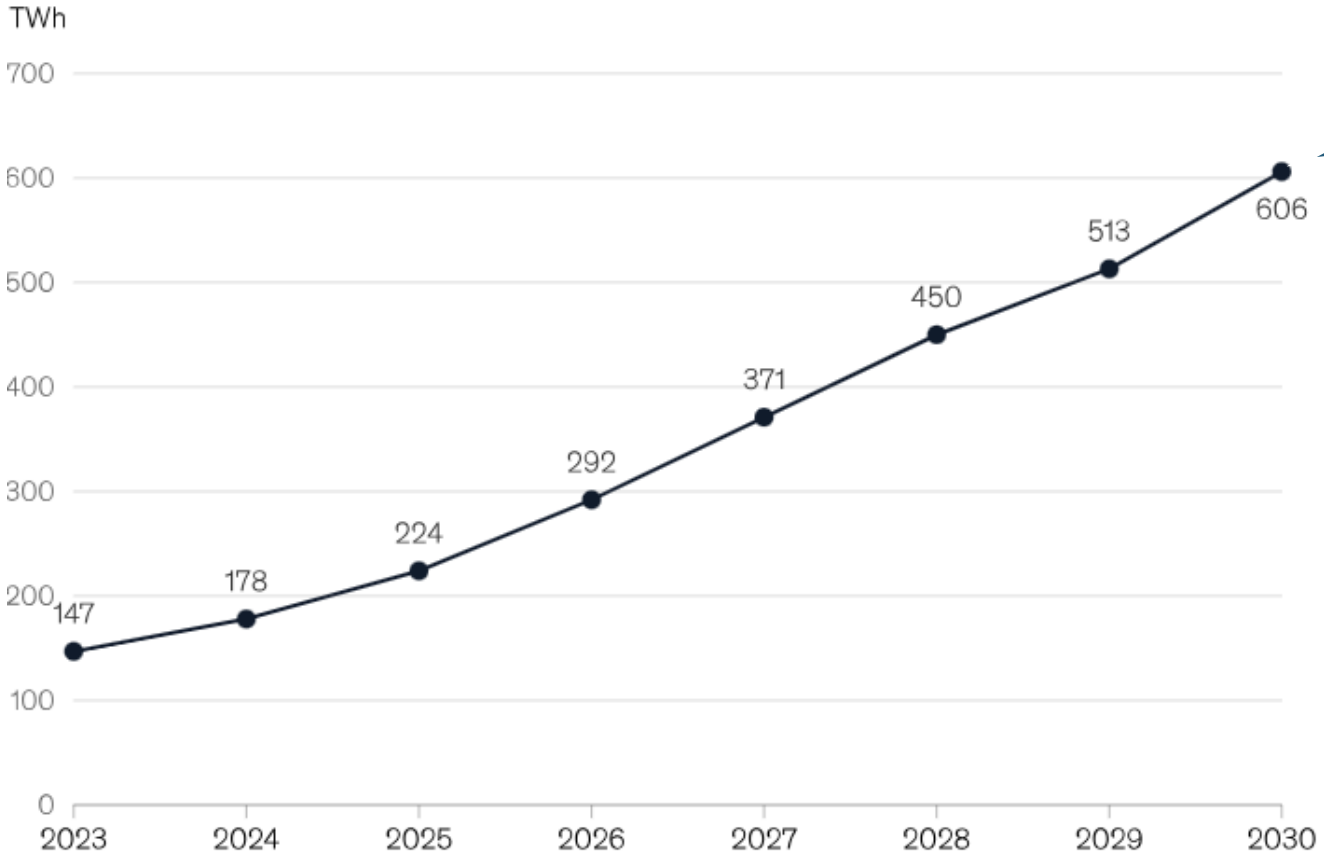


Note: Figures may not sum to totals, because of rounding.
[1]Excludes IT services and software (eg, operating system, data center infrastructure management), since they require relatively low capex compared with other components.
[2]Includes server, storage, and network infrastructure. IT capex also 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 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.

Analysis of AI Insurance Coverage Gaps

AI peril	Media liability	Tech E&O, MPL, PI	Product liability	General liability	Intellectual property	Standalone cyber liability	D&O	Employment
Third-party damages liability for faulty products or services	○	●	◐	○	○	○	○	○
Copyright, trade-mark, or service mark infringement	●	◐	◐	◐	●	◐	○	○
Patent infringement	◐	○	○	○	●	◐	○	○
Discrimination	◐	◐	○	○	○	◐	○	●
Defamation, libel, slander	●	○	○	◐	○	○	○	○
Bodily injury	○	○	◐	◐	○	◐	○	○
Tangible property damage	○	○	◐	◐	○	◐	○	○
Privacy and security breaches	○	◐	○	○	○	●	○	○
Loss of financial assets (requires crime policy)	○	○	○	○	○	○	○	○
Market manipulation	○	○	○	○	○	○	○	○
Autonomous weapon	○	○	○	○	○	○	○	○
Product recall	○	○	○	●	◐	○	○	○
Business interruption	○	○	○	○	○	●	○	○
Breach of directors' or officers' duties	○	○	○	○	○	○	●	○

● Available ◐ Limited ○ Excluded, unless customised contingent liability added

Gen AI's diverse applications and evolving nature make it difficult for insurers to price, underwrite, and manage exposures.

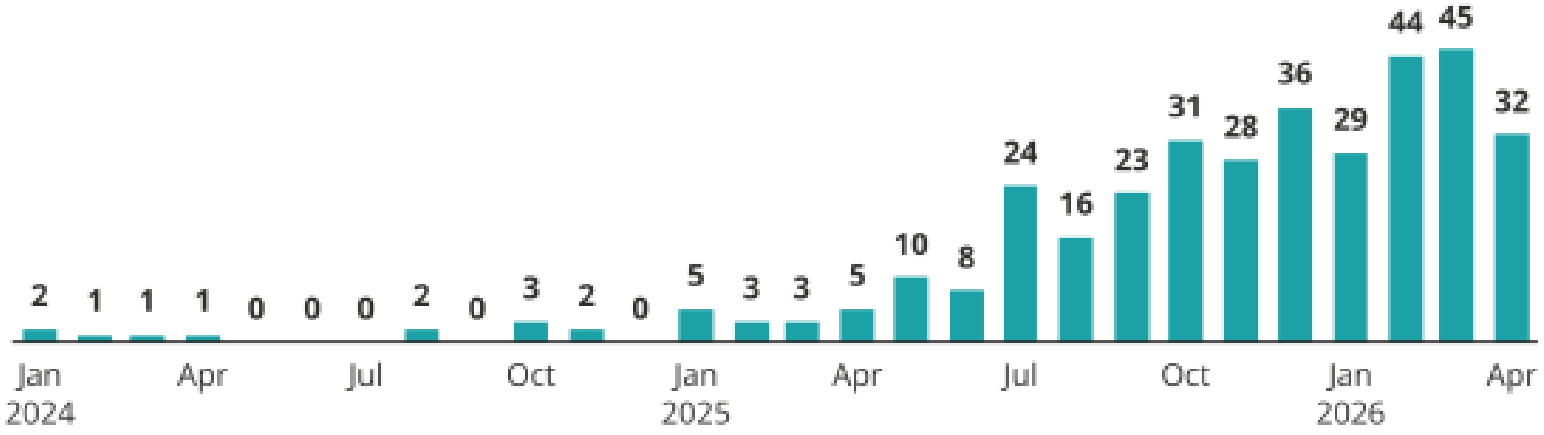
There are many and material gaps in exising insurance coverages when it comes to addressing AI-related risks. Some traditional policies are starting to exclude Gen AI risks

That said, both standalone and expanded existing policies are emerging.

Source: Geneva Association. *Gen AI Risks for Businesses: Exploring the Role for Insurance* (Oct. 2025). Accessed at: https://www.genevaassociation.org/sites/default/files/2025-10/gen_ai_report_0110.pdf, Adopted from Aon (2023): https://www.fdf.org.uk/globalassets/resources/webinars/ai_2023_fact_sheet.pdf.

Number of Legal Decisions in Cases Where Generative AI Produced Hallucinated Content*

Nature of Hallucination
Fabrication
Misrepresentation
False Quotes
Outdated Advice



Common Consequences
Warning
Reversal of Judgment
Bar Referral/Suspension
Order to Show Cause
Order to Explain
Order to Explain Past Citations
Public Admonishment/Reprimand
Monetary Sanction
(Range $500 - $110K)

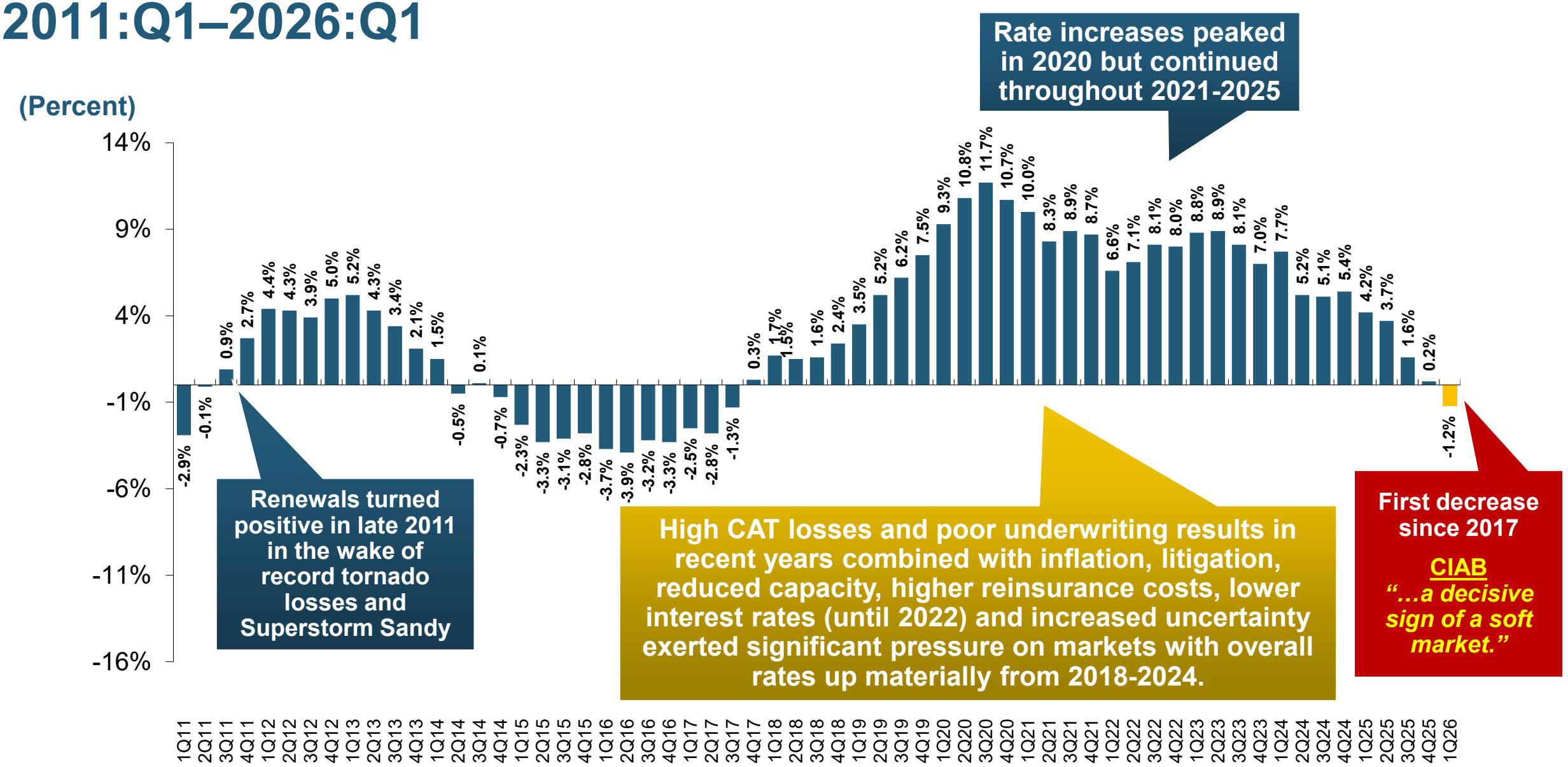
*Data includes cases in the US where at least one of the parties listed using AI was a lawyer.
Source: Damien Charlotin (AI Hallucination Cases: https://www.damiencharlotin.com/hallucinations/) from Insurance Insider (May 13, 2026) accessed at: https://www.insuranceinsiderus.com/article/2gd0ckavsyicy4rbbej9c/lines-of-business/cyber/lawyers-test-case-for-professional-liability-ai-risks.

Commercial Lines Growth & Pricing Cyclicality

Economic and Tort Environment Create Pricing Pressure

56

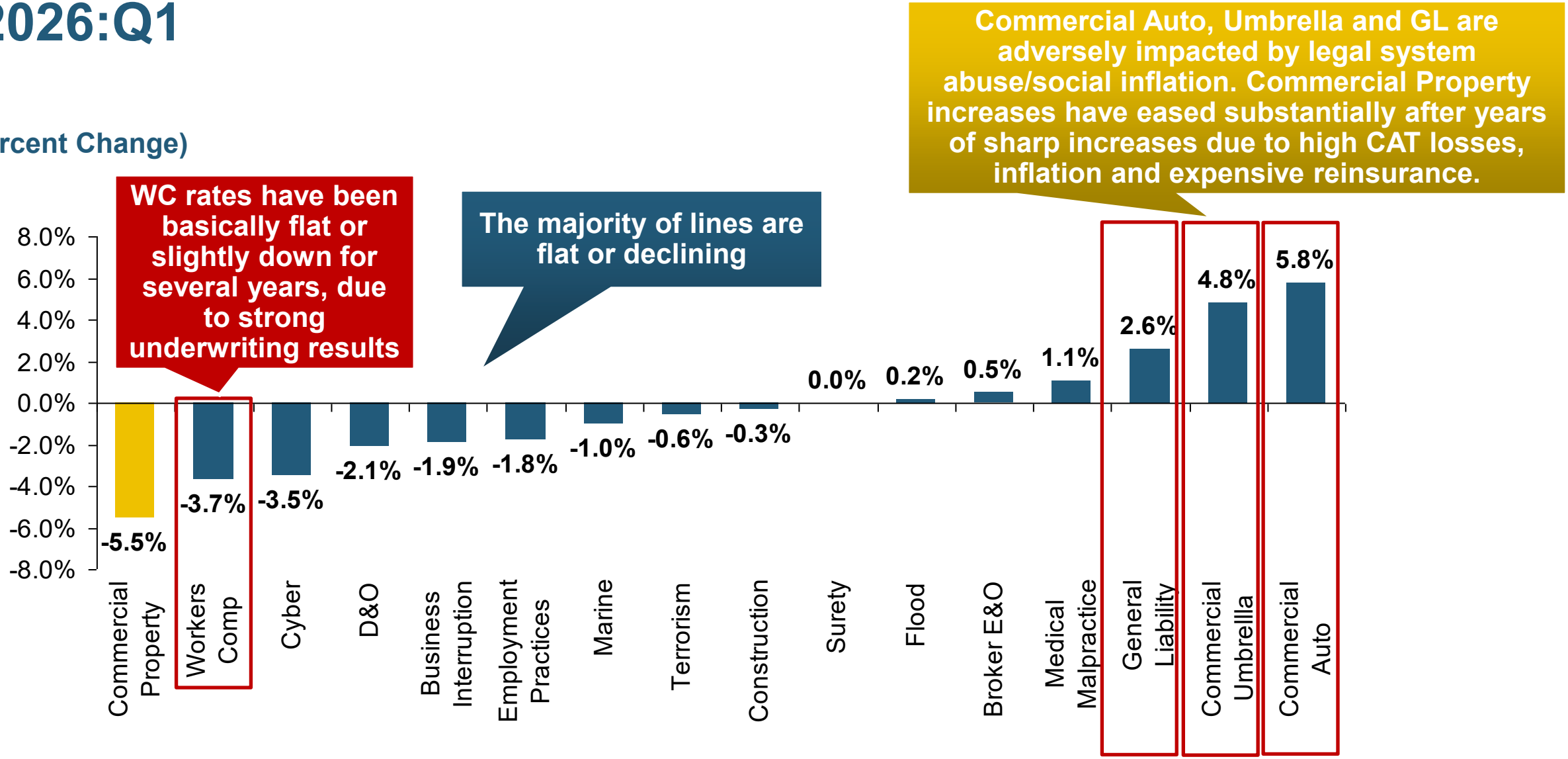
CIAB: Average Commercial Rate Change, All Lines, 2011:Q1–2026:Q1



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)



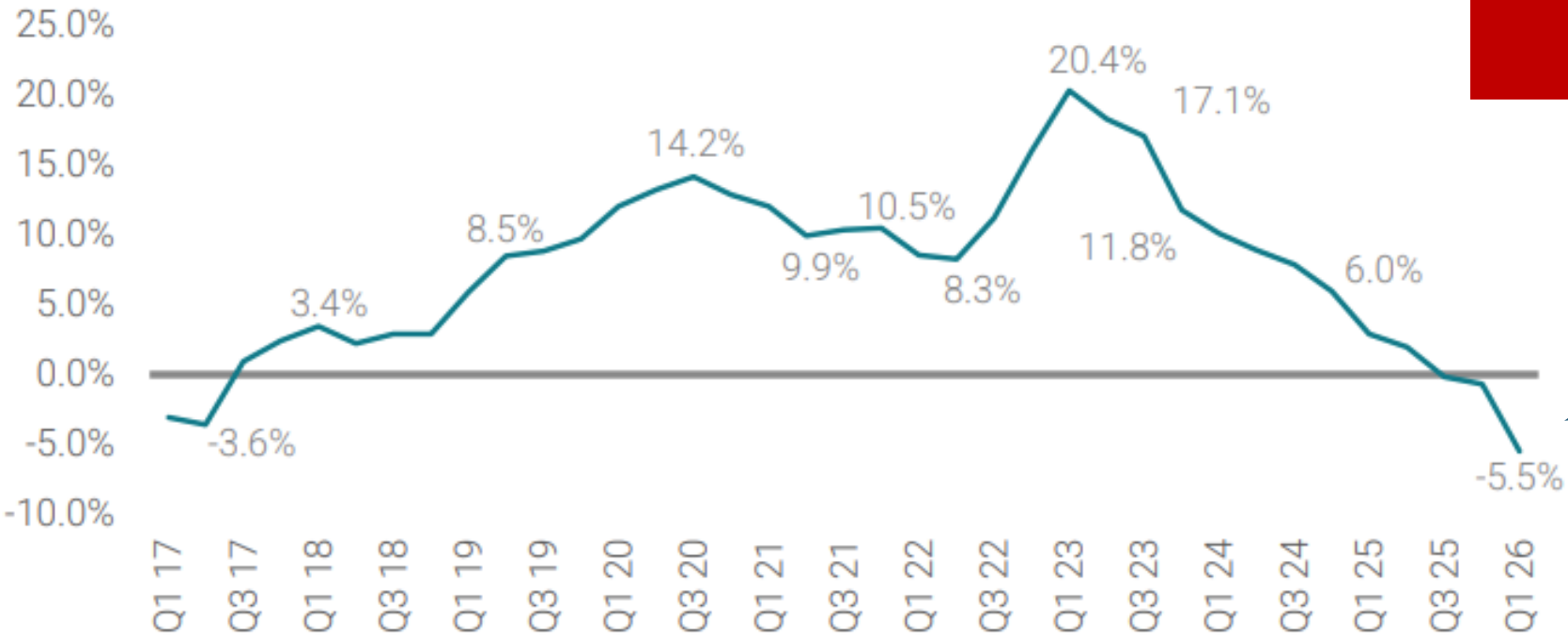
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

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*

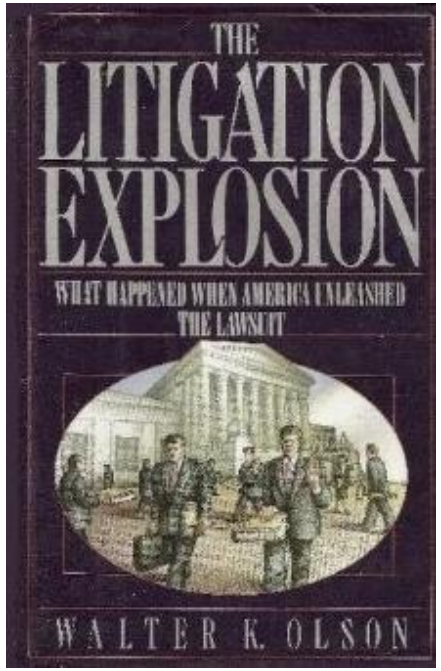
Major Driver of Rate Across Multiple Lines

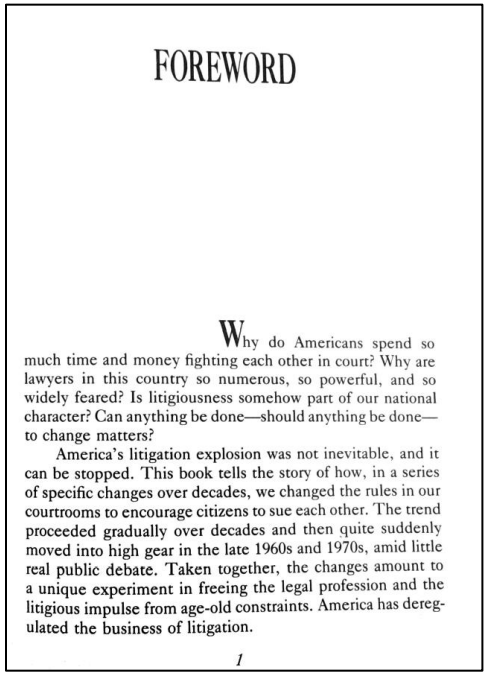
60

America's Legacy of Litigation: Lasting Solutions Remain Elusive

Why do Americans spend so much time and money fighting each other in court? Why are lawyers in this country so numerous, so powerful, and so widely feared? Is litigiousness somehow part of our nation character? Can anything be done—should anything be done—to change matters?

These words were written not in 2026—but 35 years ago in 1991—and they ring as true today as they did then





FOREWORD

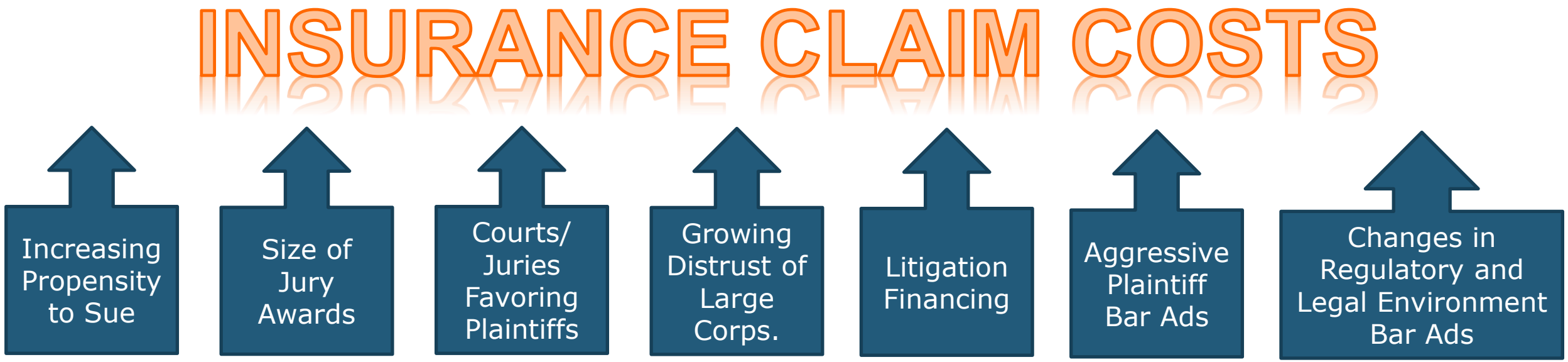
Why do Americans spend so much time and money fighting each other in court? Why are lawyers in this country so numerous, so powerful, and so widely feared? Is litigiousness somehow part of our national character? Can anything be done—should anything be done—to change matters?

America's litigation explosion was not inevitable, and it can be stopped. This book tells the story of how, in a series of specific changes over decades, we changed the rules in our courtrooms to encourage citizens to sue each other. The trend proceeded gradually over decades and then quite suddenly moved into high gear in the late 1960s and 1970s, amid little real public debate. Taken together, the changes amount to a unique experiment in freeing the legal profession and the litigious impulse from age-old constraints. America has deregulated the business of litigation.

1

America's litigation explosion was not inevitable, and it can be stopped. This book tells the story of how, in a series of specific changes over decades, we changed the rules in our courtrooms to encourage citizens to sue each other. The trend proceeded gradually over decades and then quite suddenly moved into high gear in the late 1960s and 1970s, amid little real public debate. Taken together, the changes amount to a unique experiment in freeing the legal profession and the litigious impulse from age-old constraints. America has deregulated the business of litigation.

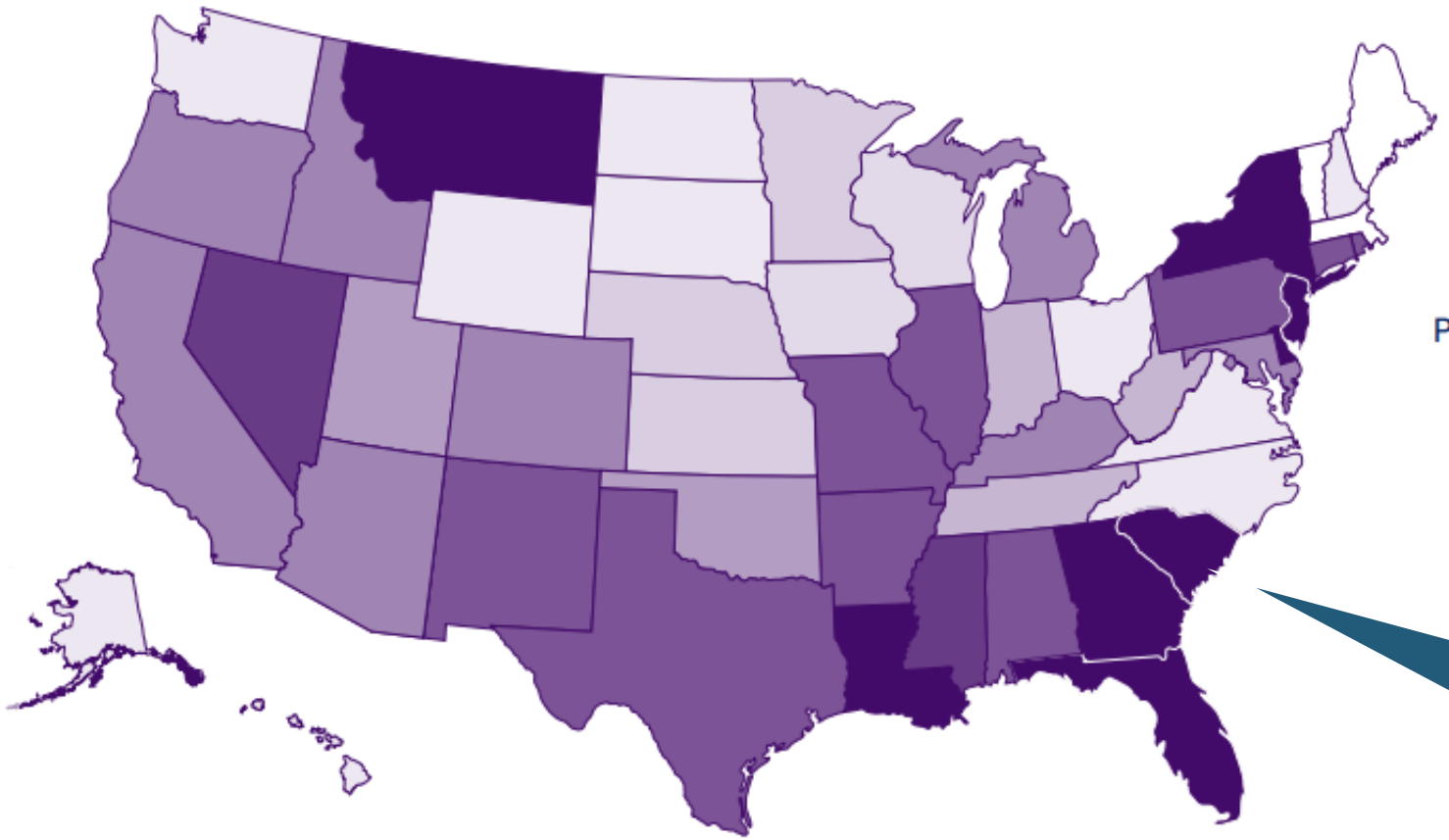
Social Inflation: Many Interrelated Causes, Difficult to Manage

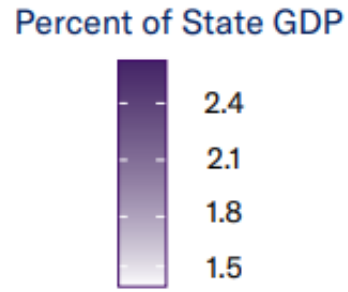


Applied to a seemingly limitless number of issues, these drivers are pushing tort costs (and therefore claim costs upward)

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)



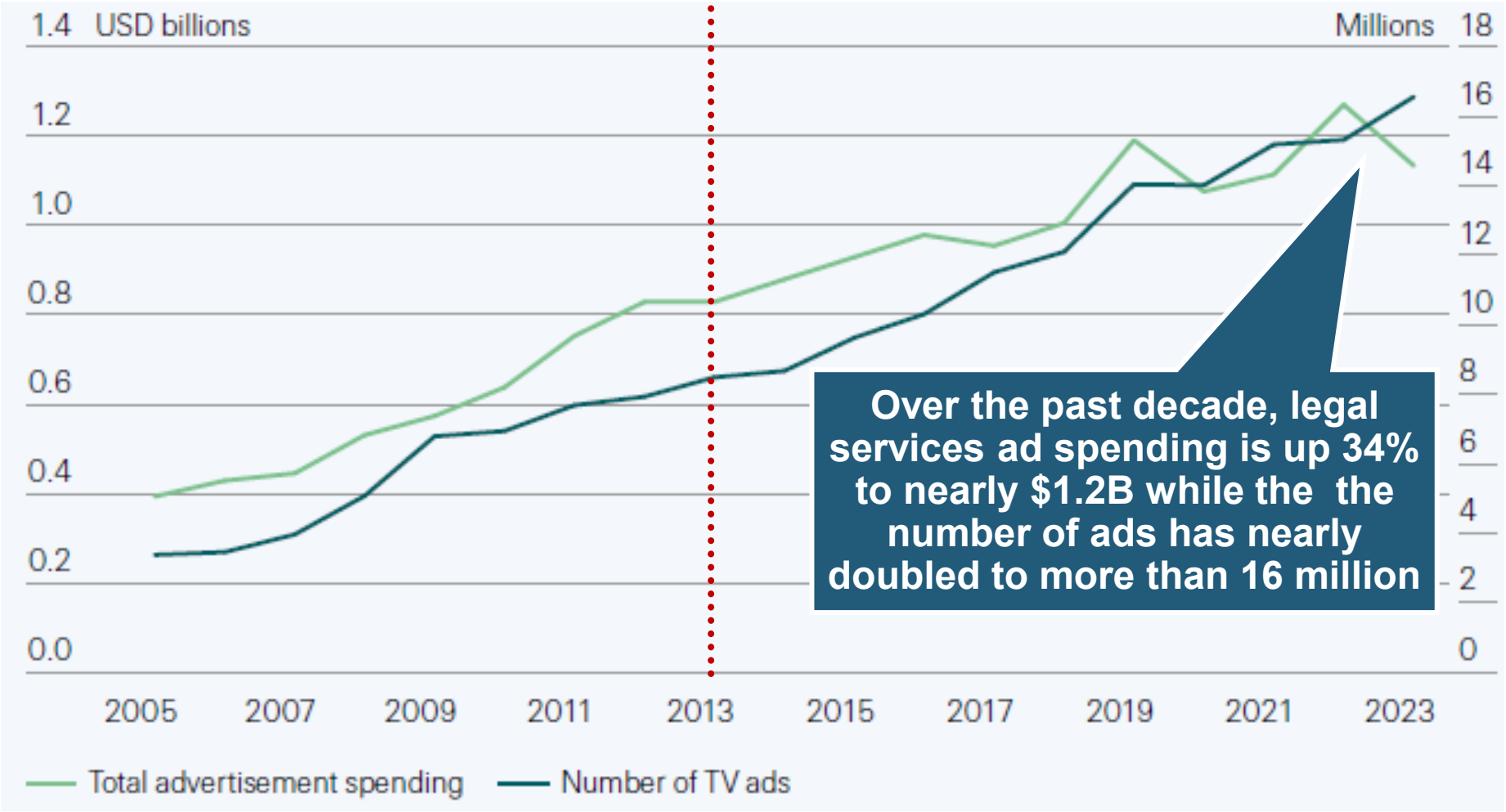


On a Per Household basis, the US "tort tax" equated to $4,207 in 2022

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
- P/C Top Line Growth Is Slowing Materially
- E&S Will Continue to Outpace Admitted Market
- Persistent Soft Market Is a Possibility→May Lead to Uptick in M&A
- Higher Interest Rates Are Providing a Modest Tailwind for Investment Income
- Underwriting Discipline Will Be Tested
- Economic Environment (Outside of AI) Supports Only Tepid Exposure Growth
- AI Buildout, Emerging Exposures Are Sources of Growth
- 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

Download at www.uscriskcenter.com