# Current State of the Property Casualty Insurance Market

*Washington Senate Business, Financial Services, Gaming & Trade Committee*

**Karen Collins**

Vice President, Property & Environmental

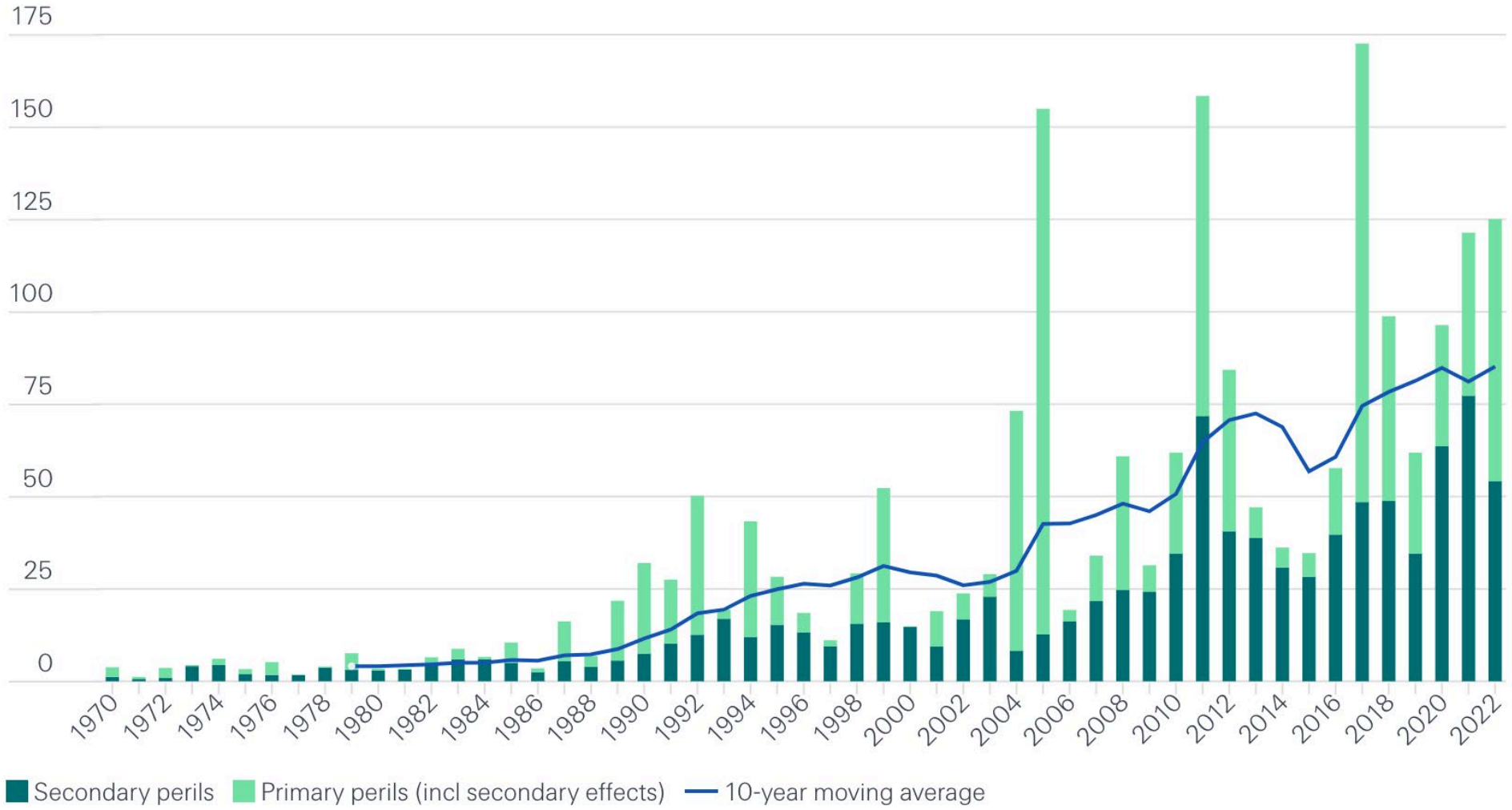
November 30, 2023



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# Growing Losses

**Insured natural catastrophe losses (USD bn)**

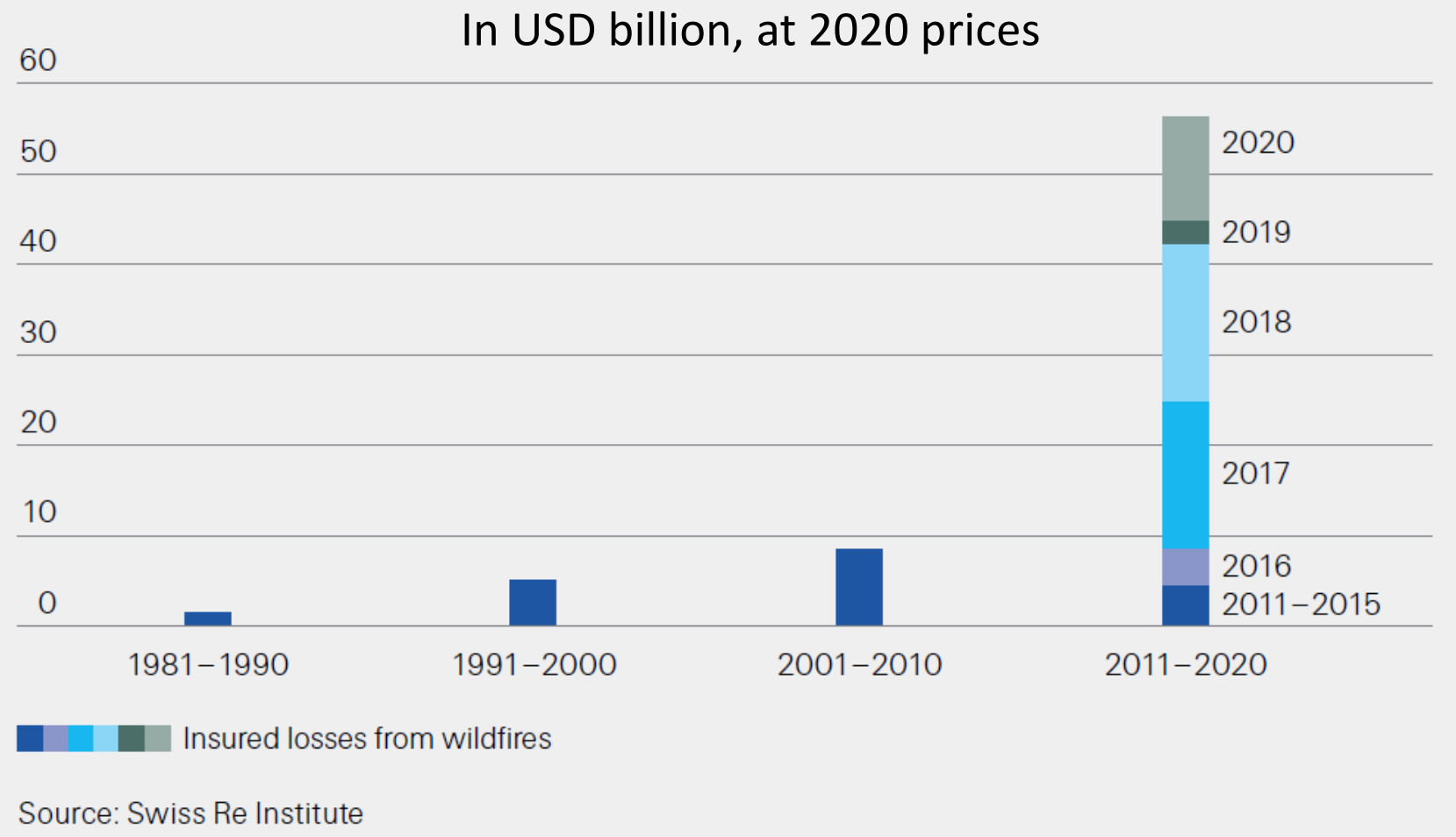





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# Increasing Losses from Secondary Perils: Wildfires

## Global insured losses from wildfires






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# Global Costliest Insured Wildland Fires

## *Utility-involved ignitions since 2017*

| Rank | Insured Losses | Event | Location |
|---|---|---|---|
| 1 | $11.8 B | 2018 Camp<br>18,800 structures | California |
| 2 | $10.5 B | 2017 Tubbs<br>5,600 structures | California |
| 3 | $5.0 B | 2018 Woolsey<br>1,600 structures | California |
| 5 | $3.6 B | 2017 Atlas<br>700 structures | California |
| 9 | $2.7 B | 2017 Thomas<br>1,000 structures | California |
| 10 | $2.7 B | 2021 Marshall<br>1,000 structures | Colorado |

(Above losses adjusted to 2022 dollars)

| | | | |
|---|---|---|---|
| TBD | $3-4 B<br>*estimate* | 2023 Maui<br>2,200 structures | Maui |
| -- | $1-2 B<br>*estimate* | 2020 Labor Day<br>4,000 structures | Oregon |

# What is Causing the Increased Losses

*Seeing the full picture… it's not just the weather*

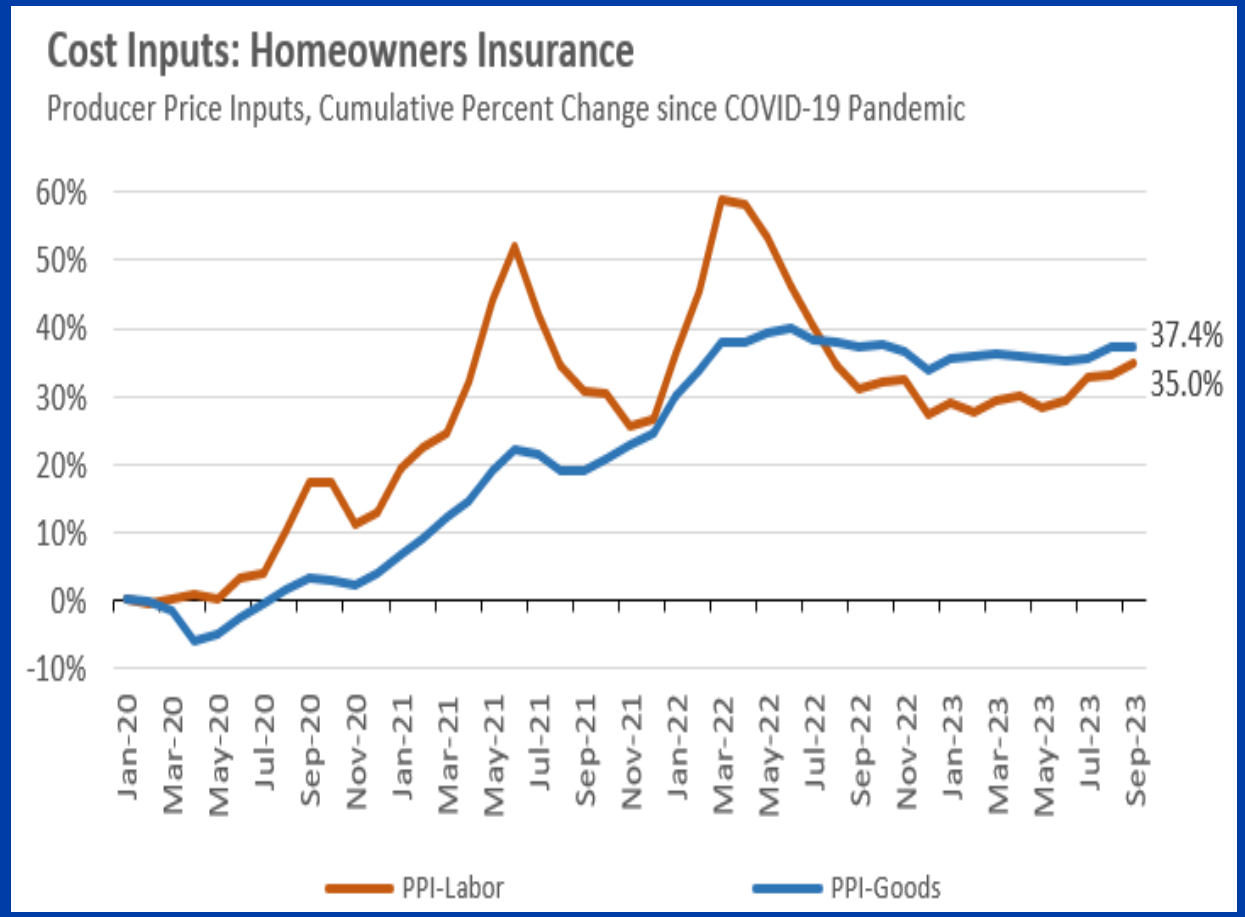
Verisk: The factors causing a doubling of average annual natural catastrophe losses over the last decade are (in order of importance):

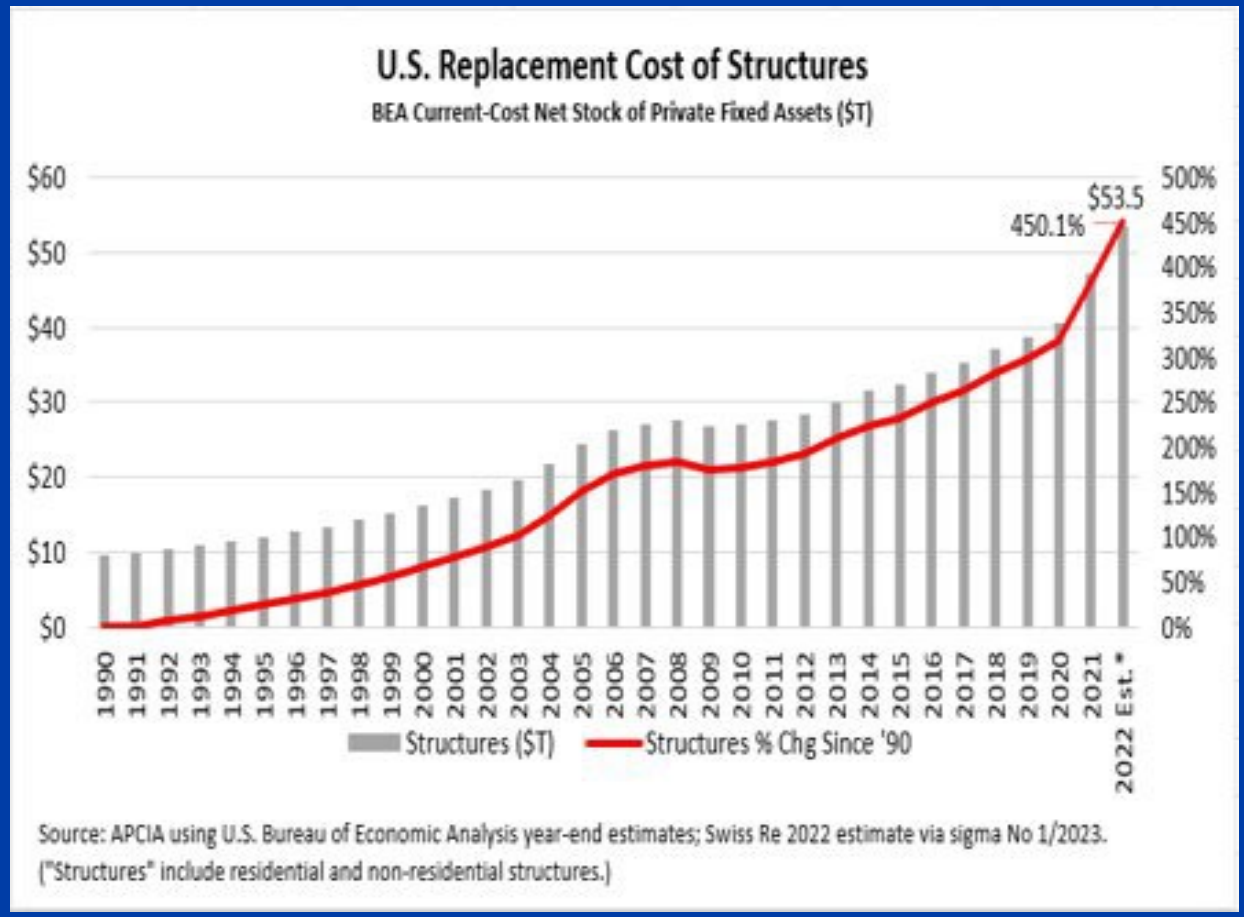
1. A rise in exposure values and replacement costs, represented both by continued construction in high-hazard areas and by high levels of inflation that are driving up repair and rebuild costs
2. The natural variability that comes from selecting any five-year sample of natural catastrophe experience
3. The effects of climate change on different atmospheric perils
4. The impacts of man-made loss drivers, such as social inflation and legal and regulatory factors



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# Increasing Homeowners Cost Inflation

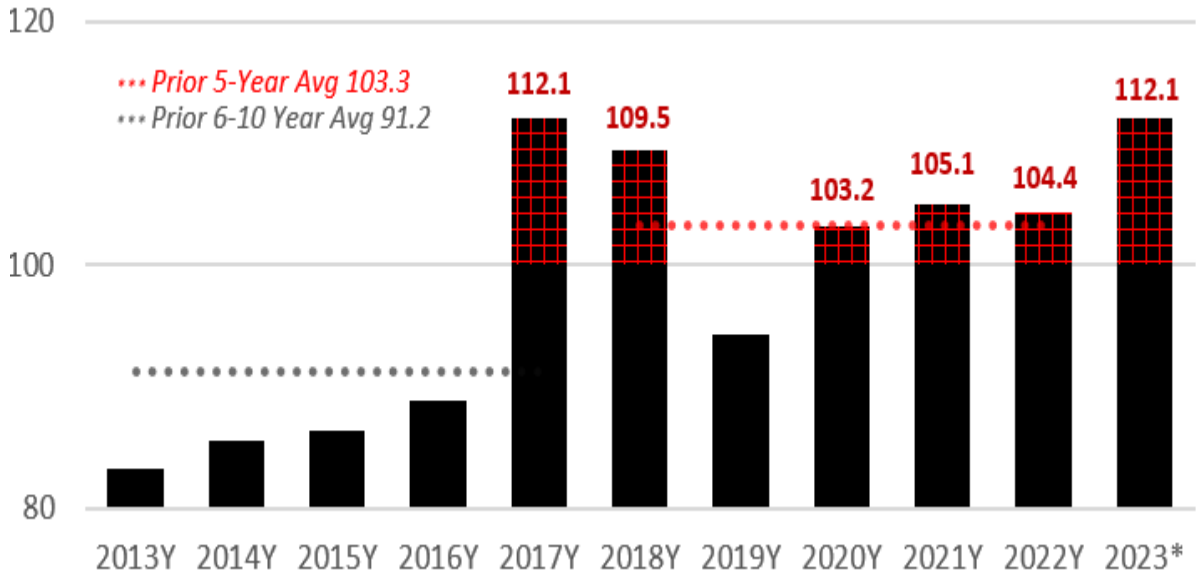


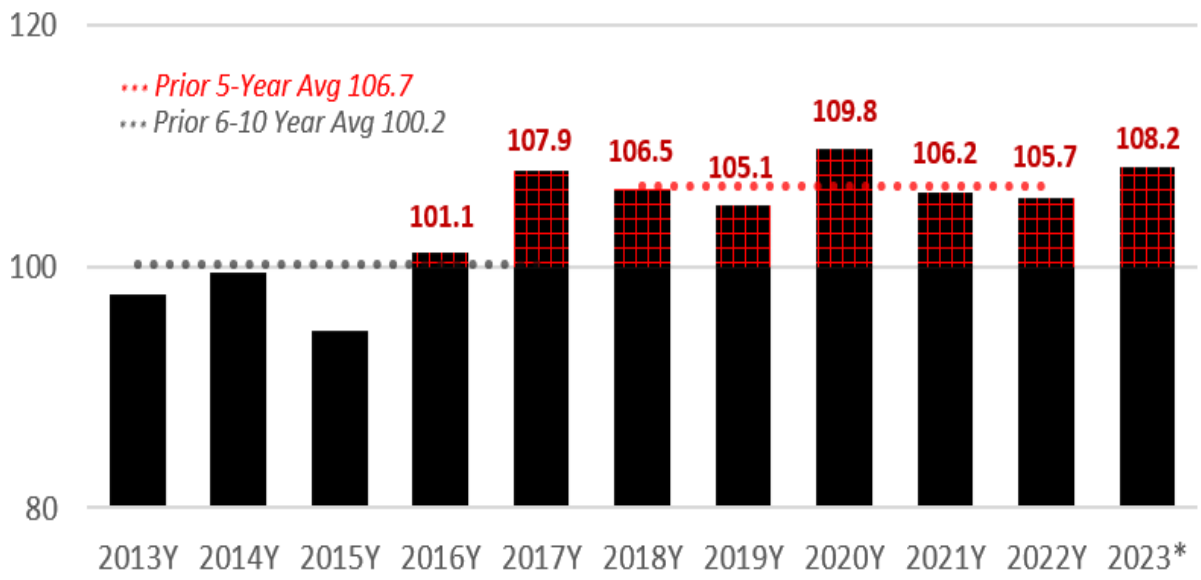
# Elevated combined ratios in U.S. property lines

*i.e. - for every dollar in premium collected, more than a dollar paid*

## Homeowners




## Commercial multi-peril




Source: APCIA using S&P Global (*S&P Year-End Projection, data compiled October 20, 2023)

*Commercial multi-peril results include liability and non-liability lines of coverage.*



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# The Real Underlying "Insurability" Friction

***Property insurance demand and costs are increasing; capital is decreasing***

## DEMAND vs SUPPLY

- Property insurance cost inputs increasing
- Rate suppression/delays
  *(1–2 year lag time for rate filings, approvals, and rolling into new policies)*

= Premiums don't keep up w losses
*(i.e., 'net underwriting losses')*

## CAPITAL PRESSURES:

- Exposures are escalating
  *(much faster than CPI and premiums)*
- Net underwriting losses
- Unrealized investment losses
- Lower reserve releases
- Lack of profitability + volatility

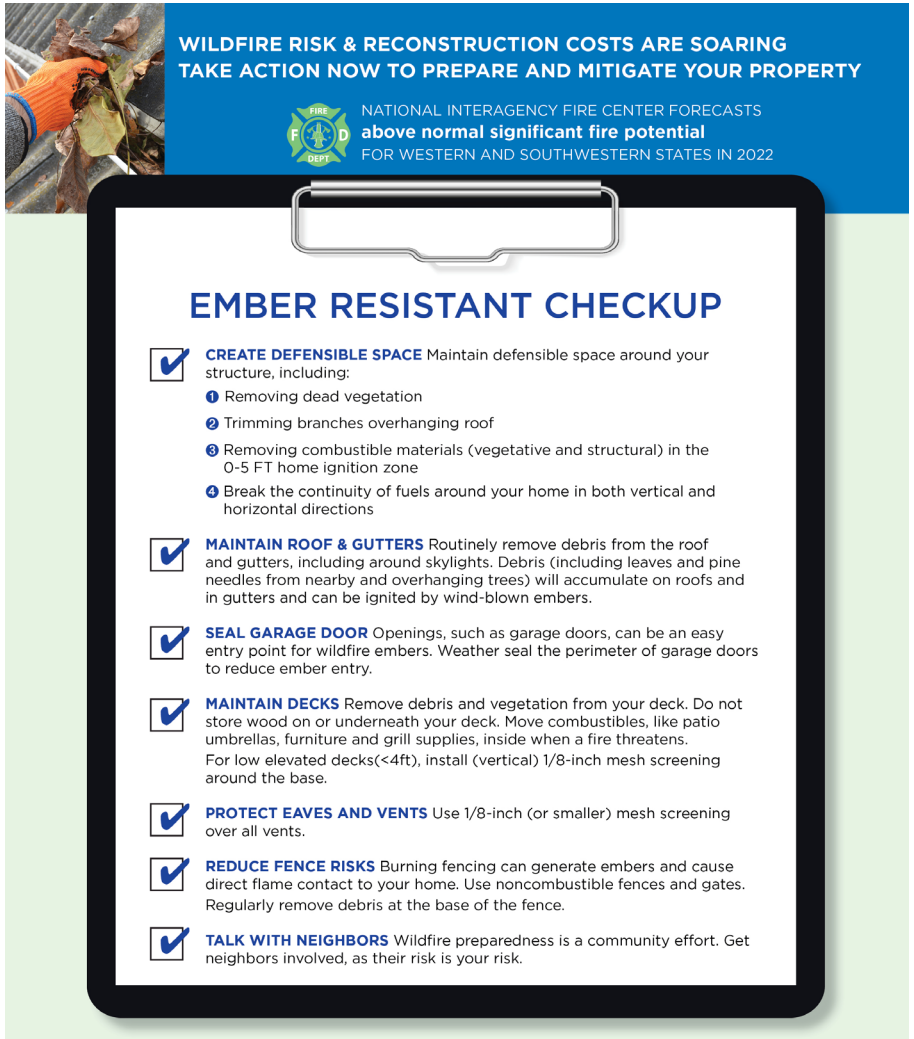
= Contraction of current capital

= Deters new investment capital
*(must pay higher cost for capital)*

# Bringing the Loss Curve Down Through Mitigation




*Source: Insurance Institute for Business & Home Safety (IBHS)*






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# Reduce Exposure and Future Losses







## 148 Recommendations

Unanimous consensus from nonpartisan commission. Commission comprised of 50 members representing diverse geographies and backgrounds.

https://www.usda.gov/topics/disaster-resource-center/wildland-fire/commission



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# Thank You!

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# APCIA Research and Thought Leadership



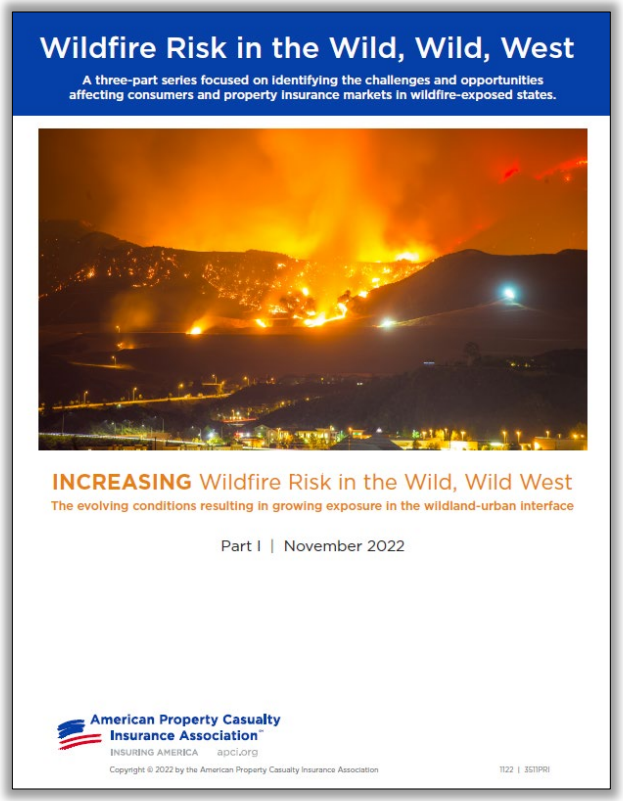

Examines factors beyond weather that are increasing losses and resulting in market instability, with emphasis on 3 states experiencing the most market instability.

Press release:
https://www.apci.org/media/news-releases/release/72898/




Highlights the top inflation trends, natural disaster losses and financial impacts resulting in significant pressure on property insurance markets that are impacting insurers, reinsurers and consumers.

Press release:
https://www.apci.org/media/news-releases/release/75202/




A 3-part white paper series that identifies the challenges and opportunities affecting consumers and property insurance markets specifically in wildfire-exposed states.

Press release:
https://www.apci.org/media/news-releases/release/73621/




Highlights the top inflation trends, riskier driving behavior, and financial impacts resulting in significant pressure on auto insurance markets that are impacting insurers and consumers.

Press release:
https://www.apci.org/media/news-releases/release/76883/



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