Property & Casualty Insurance Industry

OVERVIEW

Rapidly rising claims costs driven primarily by increased frequency of severe storms and rising replacement costs continued to challenge U.S. property & casualty (P&C) insurers in 2023. While there was a modest improvement in personal auto, continued above average catastrophe frequency dragged down the homeowners line, leading to the third consecutive year of underwriting losses for the industry. However, net income more than doubled on strong investment gains but the investment yield was slightly lower due to stronger balance sheets.

Policyholders' surplus increased 6.2% to nearly $1.1 trillion on net income and a rebound in equity markets which drove an unrealized investment gain versus a loss last year.

The first few months of 2024 have seen several severe storms, and most experts predict a record hurricane season which will challenge insurers' bottom lines. Additionally, increased consumer spending has also impacted inflation, which has created uncertainty in the cost of settling claims.

Inside the Report

U.S. Property and Casualty Insurance Industry Results (in millions, except for percent)

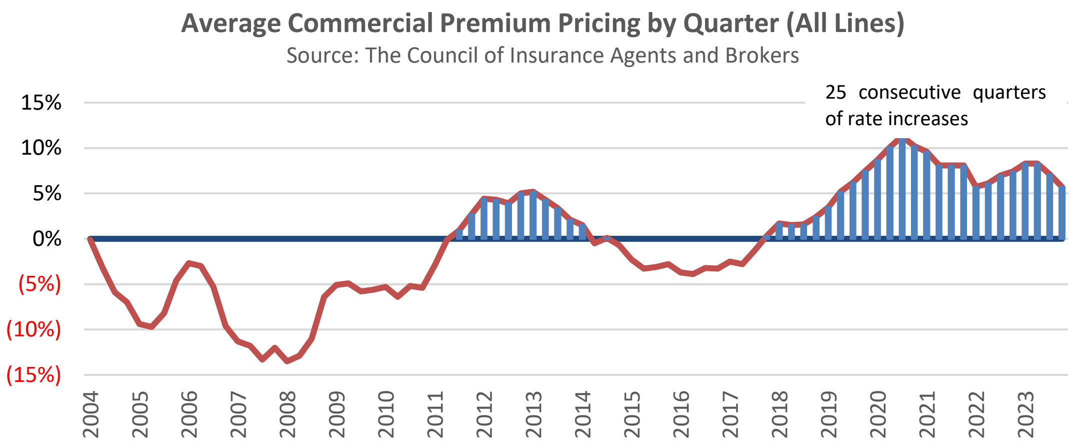
For the year ended December 31,	YoY Chg	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net Premiums Written	10.0%	859,850	781,750	719,927	658,910	642,980	621,786	561,952	537,926	524,006	506,657
Net Premiums Earned	9.4%	823,435	752,690	693,776	646,010	630,772	603,188	549,958	533,236	515,835	497,931
Net Losses Incurred	9.3%	546,228	499,631	432,600	383,305	378,581	366,258	353,954	323,195	296,749	284,934
Loss Expenses Incurred	7.7%	81,253	75,464	70,653	69,885	69,242	64,658	65,218	61,829	60,932	58,706
Underwriting Expenses	6.5%	213,792	200,677	189,526	179,963	173,054	168,228	151,672	148,692	145,753	139,846
Underwrting Gain (Loss)	25.5%	(18,443)	(24,746)	(111)	12,104	8,374	2,907	(22,459)	(1,700)	11,453	14,658
Net Loss Ratio	(0.2) pts	76.2%	76.4%	72.5%	70.2%	71.0%	71.4%	76.2%	72.2%	69.3%	69.0%
Expense Ratio	(0.8) pts	24.9%	25.7%	26.3%	27.3%	26.9%	27.1%	27.0%	27.6%	27.8%	27.6%
Combined Ratio	(1.0) pts	101.5%	102.5%	99.6%	98.7%	98.7%	99.1%	103.9%	100.5%	97.8%	97.3%
1yr Rsrv Devlp/PY PHS	0.5 pts	-	(0.5%)	(0.7%)	(0.8%)	(0.8%)	(1.6%)	(1.4%)	(0.7%)	(1.2%)	(1.4%)
Net Invmnt. Inc. Earned	0.9%	70,076	69,467	52,935	51,596	55,132	53,287	48,978	45,539	47,228	46,401
Net Realized Gains (Loss)	3,054.6%	50,404	1,598	18,204	11,064	11,259	10,885	19,833	8,747	10,285	12,006
Net Invmnt. Gain (Loss)	69.5%	120,479	71,064	71,139	62,660	66,391	64,172	68,812	54,286	57,513	58,407
Investment Yield	(0.03) pts	3.20%	3.23%	2.58%	2.75%	3.02%	3.06%	3.08%	3.01%	3.18%	3.17%
Total Other Income	(99.8%)	5	1,979	3,514	1,034	1,284	1,530	(4,687)	950	1,475	(2,908)
Net Income[1]	126.0%	87,567	38,745	60,453	59,198	62,233	57,565	38,717	42,860	56,884	56,439
Return on Revenue	4.6 pts	9.3%	4.7%	7.9%	8.4%	8.9%	8.6%	6.3%	7.3%	9.9%	10.1%
December 31,	YoY Chg	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Policyholders' Surplus[2]	6.2%	1,062,988	1,000,893	1,077,866	955,136	891,214	779,921	786,016	734,026	705,948	706,740
Return on Surplus	4.8 pts	8.5%	3.7%	5.9%	6.4%	7.4%	7.4%	5.1%	6.0%	8.1%	8.1%

1. Excludes investment income from affiliates. 2. Adjusted to eliminate stacking

MARKET CONDITIONS

Premium Pricing

The U.S. P&C commercial market has experienced hard market conditions since roughly 2018, somewhat longer than the typical three- or four-year cycles experienced in the last forty years. Price increases have started to stabilize in the commercial lines sector as shown in the chart below as commercial insurers have been taking steady rate increases for 25 consecutive quarters to offset pressures from catastrophes and economic and social inflation. According to The Council of Insurance Agents and Brokers (CIAB) Q4 Market Survey, commercial premiums increased by an average of 5.7% across all lines in the fourth quarter of 2023, down from 7.1% in the third quarter.

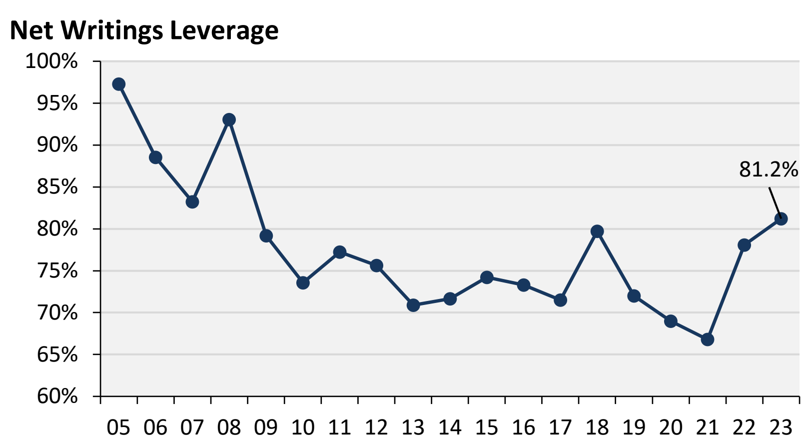


The CIAB survey also indicated commercial property premium increases moderated in the fourth quarter but still had the highest increase of all lines at 11.8%. Respondents pointed to issues with reinsurance capacity and pricing, losses from natural catastrophes, and inflation as the factors driving the higher rates. Most respondents also indicated a decreased underwriting capacity due to these factors. The survey also showed that commercial auto rates increased 7.3% in the fourth quarter, marking 46 consecutive quarters of rate increases within this line.

Regarding the personal lines market, there have been double digit rate increases and some insurers are withdrawing from catastrophe prone areas due to significant pressure from high inflation, rising reinsurance costs, and rapidly growing losses from natural disasters.

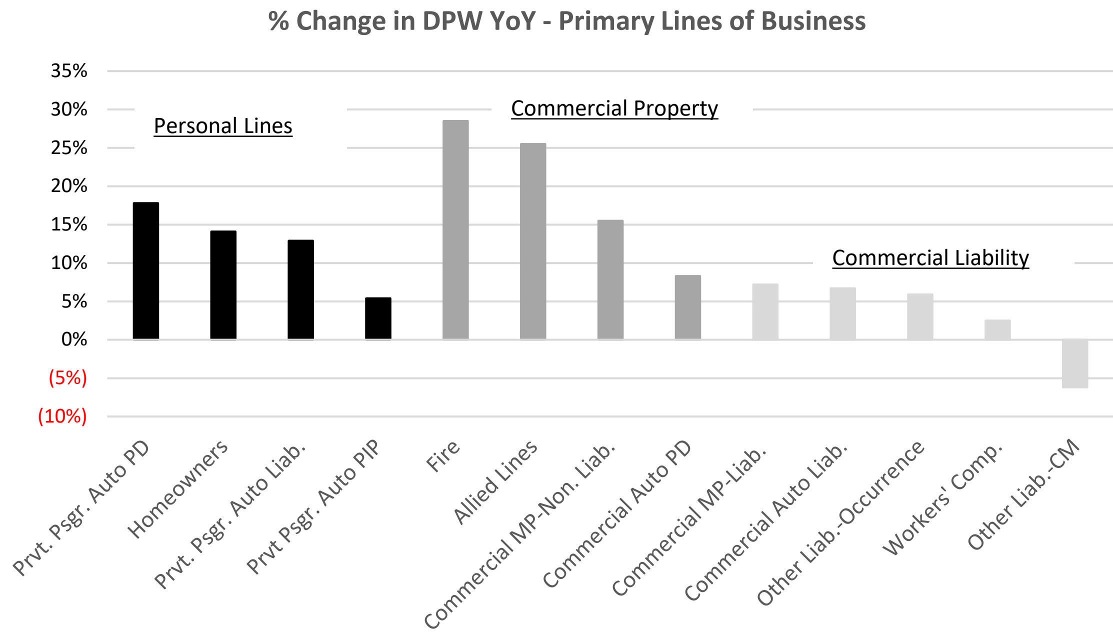
Capacity

While net premiums written grew 10.0%, policyholders' surplus grew at a lesser rate of 6.2% leading to a 3.1-point increase in the net writings leverage ratio to 81.2%. Despite the higher net writings leverage, the P&C industry is still in a good position for future growth.

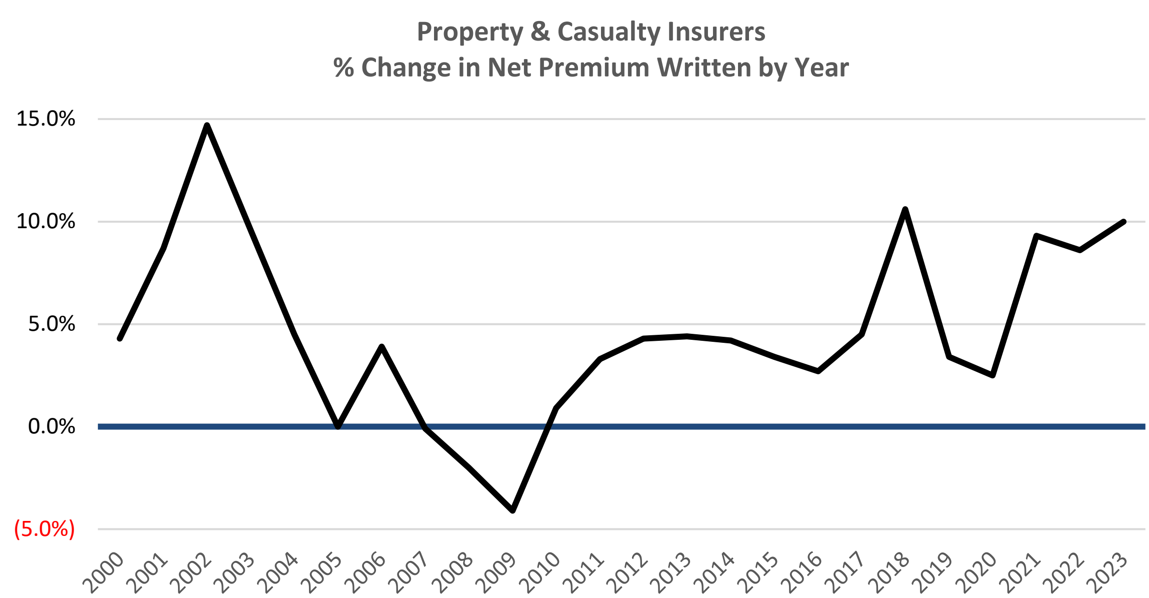


PREMIUM

Premium growth in the P&C industry continues to be strong, evidenced by a 10.5% increase in direct premiums written (DPW), with the momentum leaning toward the personal lines market which comprised roughly half of total DPW. Homeowners DPW increased 14.1% year-over-year (YoY), while auto physical damage, and liability increased 17.8% and 12.9%, respectively. Insurers are implementing larger rate increases to offset economic inflation and losses from natural disasters. In the commercial lines market, property lines experienced robust growth, while the liability side showed weaker, or negative premium growth in some lines.



Assumed premiums written increased 14.1% YoY to $837.3 billion, of which 89.5% was affiliated assumptions. U.S. intercompany pooling agreements comprised 56.6% of reinsured business, followed by 31.1% affiliated non-pooled business. Ceded premiums written amounted to $940.7 billion, a 13.8% increase compared to last year. Overall, net premiums written (NPW) increased 10.0% to $859.9 billion.

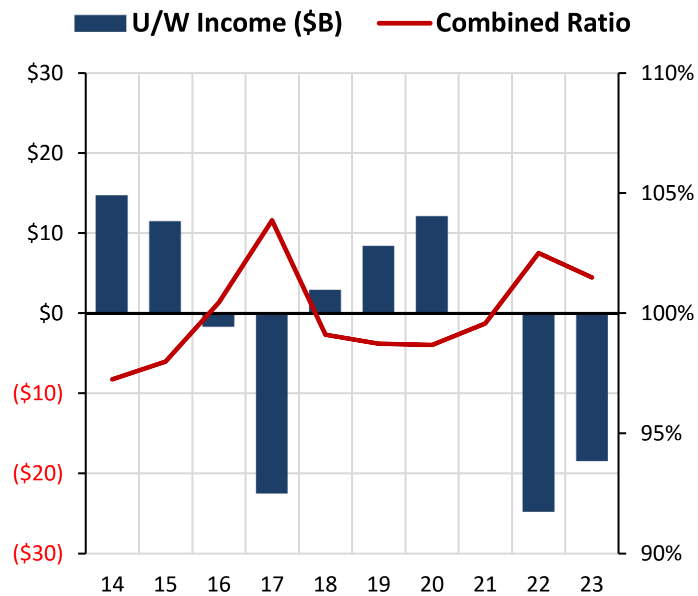


Direct Writings & Profitability by State and Territory (in Millions except for percent)

State	Direct Premiums Written			Pure Direct Loss Ratio			Losses Incurred		Premiums Earned	
	Change	2023	2022	Change	2023	2022	2023	2022	2023	2022
AL	12.2%	13,147	11,716	3.5 pts	63.2%	59.6%	7,933	6,765	12,554	11,343
AK	7.7%	1,995	1,853	3.9 pts	53.1%	49.2%	1,025	880	1,933	1,789
AR	14.9%	17,960	15,629	(3.3) pts	64.3%	67.6%	10,981	10,112	17,079	14,966
AR	13.1%	7,932	7,015	(2.2) pts	85.3%	87.5%	6,423	5,952	7,529	6,803
CA	7.0%	111,242	103,941	4.1 pts	66.7%	62.6%	72,023	63,161	107,987	100,913
CO	12.7%	20,582	18,256	18.5 pts	77.6%	59.1%	15,239	10,283	19,640	17,397
CT	8.0%	11,508	10,652	1.6 pts	63.0%	61.4%	7,005	6,364	11,111	10,365
DE	9.3%	3,843	3,515	(1.7) pts	64.9%	66.6%	2,381	2,287	3,668	3,433
DC	3.6%	2,699	2,606	(8.2) pts	43.3%	51.5%	1,116	1,268	2,578	2,462
FL	16.3%	88,064	75,735	(37.3) pts	57.4%	94.7%	47,128	66,957	82,069	70,681
GA	10.4%	32,040	29,010	0.2 pts	73.7%	73.5%	22,801	20,497	30,947	27,895
HI	9.7%	3,491	3,183	93.8 pts	139.6%	45.8%	4,670	1,404	3,345	3,066
ID	8.2%	4,757	4,397	3.8 pts	64.7%	60.9%	2,948	2,514	4,557	4,128
IL	7.9%	35,939	33,302	7.4 pts	68.8%	61.4%	23,963	19,631	34,810	31,953
IN	9.4%	16,324	14,925	3.2 pts	62.9%	59.7%	9,853	8,590	15,669	14,385
IA	7.6%	9,844	9,149	14.6 pts	73.8%	59.2%	6,968	5,210	9,443	8,806
KS	7.6%	9,566	8,890	4.8 pts	77.3%	72.5%	7,183	6,156	9,296	8,491
KY	9.7%	10,149	9,250	13.3 pts	79.2%	65.9%	7,734	5,918	9,770	8,980
LA	12.8%	16,226	14,388	(2.7) pts	57.1%	59.8%	8,839	8,237	15,469	13,774
ME	10.4%	3,316	3,002	5.5 pts	57.4%	51.9%	1,824	1,506	3,175	2,900
MD	9.4%	16,187	14,796	(4.6) pts	61.1%	65.8%	9,560	9,443	15,640	14,357
MA	9.2%	21,453	19,647	0.9 pts	55.6%	54.7%	11,385	10,415	20,473	19,032
MI	8.3%	24,453	22,571	(4.5) pts	65.8%	70.3%	15,516	15,481	23,581	22,013
MN	10.0%	17,081	15,533	(10.4) pts	77.3%	87.7%	12,538	13,155	16,220	15,005
MS	9.6%	7,505	6,847	10.8 pts	71.3%	60.5%	5,153	4,014	7,227	6,638
MO	11.0%	17,262	15,553	6.2 pts	69.4%	63.3%	11,481	9,530	16,539	15,066
MT	9.9%	3,808	3,464	(20.0) pts	55.2%	75.2%	2,026	2,500	3,668	3,325
NE	9.7%	7,573	6,905	(23.7) pts	74.1%	97.8%	5,372	6,512	7,246	6,656
NV	11.6%	8,562	7,673	3.7 pts	72.7%	69.0%	5,924	5,158	8,153	7,474
NH	9.7%	3,342	3,045	0.6 pts	53.4%	52.8%	1,719	1,555	3,218	2,947
NJ	9.1%	29,103	26,679	2.7 pts	64.0%	61.3%	17,964	15,924	28,058	25,978
NM	14.3%	5,038	4,409	3.7 pts	71.8%	68.1%	3,455	2,911	4,809	4,273
NY	8.0%	63,689	58,978	1.0 pts	64.9%	63.9%	39,985	36,578	61,587	57,238
NC	10.7%	24,037	21,718	(0.7) pts	59.6%	60.3%	13,745	12,565	23,047	20,838
ND	5.5%	3,827	3,629	(16.1) pts	57.4%	73.5%	2,129	2,609	3,712	3,550
OH	10.5%	23,411	21,194	(0.4) pts	65.1%	65.5%	14,603	13,430	22,443	20,515
OK	9.9%	11,325	10,306	12.2 pts	76.9%	64.7%	8,367	6,408	10,879	9,907
OR	12.3%	10,516	9,367	(2.8) pts	59.4%	62.2%	6,033	5,554	10,149	8,930
PA	8.0%	32,533	30,133	(1.5) pts	61.1%	62.5%	19,226	18,332	31,479	29,309
RI	10.1%	3,379	3,069	8.7 pts	62.8%	54.2%	2,047	1,618	3,258	2,987
SC	13.5%	15,078	13,282	(4.4) pts	61.1%	65.5%	8,825	8,335	14,437	12,729
SD	8.1%	3,970	3,671	(36.6) pts	65.1%	101.7%	2,493	3,574	3,832	3,515
TN	12.1%	17,442	15,561	6.8 pts	70.1%	63.2%	11,615	9,557	16,581	15,111
TX	15.5%	92,970	80,475	0.6 pts	68.9%	68.3%	60,576	51,916	87,932	75,973
UT	12.8%	8,100	7,181	(1.3) pts	58.5%	59.8%	4,488	4,055	7,673	6,784
VT	9.9%	1,640	1,493	7.4 pts	61.9%	54.5%	969	796	1,566	1,460
VA	12.3%	20,317	18,084	(4.9) pts	54.5%	59.5%	10,577	10,384	19,393	17,466
WA	9.2%	18,110	16,579	3.4 pts	71.9%	68.5%	12,442	10,959	17,309	16,002
WV	9.1%	3,643	3,341	1.8 pts	59.3%	57.5%	2,082	1,870	3,512	3,250
WI	9.4%	14,623	13,366	(6.6) pts	60.4%	66.9%	8,513	8,679	14,102	12,968
WY	14.2%	1,821	1,594	9.2 pts	53.8%	44.6%	933	681	1,734	1,527
AS	(36.4%)	0	0	231.4 pts	77.7%	(153.7%)	0	(0)	0	0
GU	(1.1%)	381	385	91.2 pts	149.2%	58.0%	533	216	357	373
PR	13.6%	3,231	2,844	6.7 pts	39.0%	32.3%	1,175	911	3,015	2,822
VI	(0.2%)	165	165	5.1 pts	27.5%	22.4%	45	36	165	162
MP	(10.7%)	21	24	35.3 pts	38.1%	2.8%	7	1	19	22
Totals	**10.5%**	**966,742**	**874,538**	**(1.7) pts**	**65.5%**	**67.2%**	**606,500**	**565,140**	**925,922**	**840,904**

UNDERWRITING OPERATIONS

The U.S. P&C industry posted an $18.4 billion underwriting loss, a slight improvement compared to the $24.7 billion loss last year primarily due to modest improvements in personal auto loss ratios. While personal lines continued to drag down results, it was the homeowners line that was the main driver in the current year, with a sharp YoY deterioration due to elevated natural catastrophes and higher replacement costs. Driven by higher premiums across most commercial lines, the commercial market achieved profitable underwriting results, outperforming the personal lines market. Overall, net premiums earned increased 9.4% while net losses and LAE incurred increased 9.2%, leading to a 0.2-point improvement in the net loss ratio to 76.2%. The expense ratio improved 0.8-points to 24.9% as the 10.0% increase in net premiums written outpaced a 6.5% increase in other underwriting expenses incurred. Overall, the combined ratio improved 1.0-point to 101.5%.



Natural Catastrophes

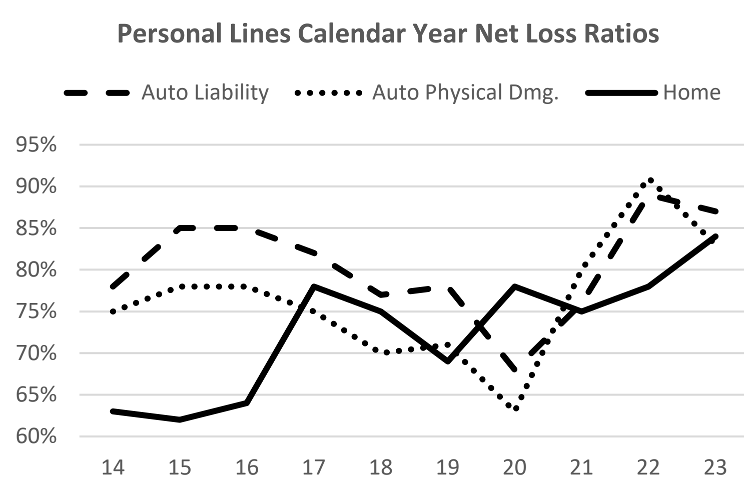
Insured losses in the U.S from natural catastrophes amounted to roughly $80 billion according to most reports. What makes 2023 an outlier is that the majority of losses resulted from severe convective storms rather than a few isolated large-scale events like hurricanes. In fact, during 2023 only one hurricane made landfall in the U.S., Hurricane Idalia in Florida.

Overall, there were 28 catastrophic events in the U.S. that generated at least $1 billion in insured losses in 2023. This is considerably higher than the historical annual average of 8.5 events from 1980-2023. The annual average for the most recent five years is also notably higher at 20.4 events.

Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2024). https://www.ncei.noaa.gov/access/billions/, DOI: 10.25921/stkw-7w73

Personal Lines

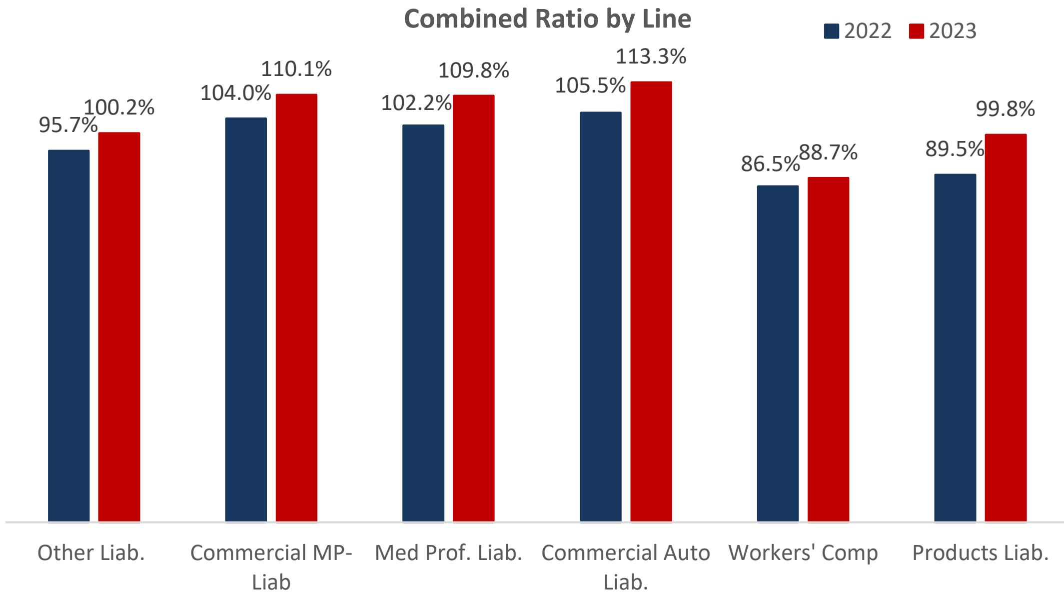
The combined ratio for personal lines improved to 104.7% compared to 110.1% last year. After a historically bad year, underwriting performance for personal auto improved largely due to premium increases and expense reductions to offset inflation.



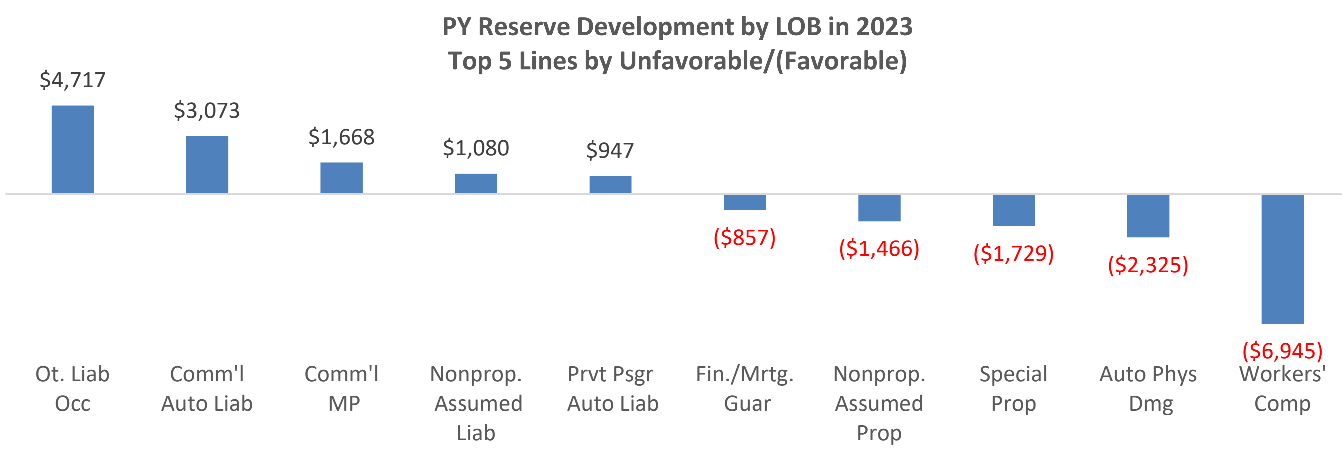
While 2023 was a mild year for hurricanes, severe convective storms and rapidly rising replacement costs took their toll on homeowner insurers. With less capacity available for property reinsurance, most of the smaller convective storms did not reach reinsurance limits, leaving primary homeowner insurers to bear the brunt of the natural catastrophe claims in 2023. The net loss ratio worsened 6.0-points to 84.2%. The combined ratio for homeowners was the worst in at least a decade at 110.5%.

Commercial Lines

While the overall combined ratio remained below 100%, there has been a slight YoY deterioration in most major commercial lines. The commercial auto liability line had the highest combined ratio at 113.3%. Products liability had the largest YoY deterioration of all commercial liability lines at 10.3-percentage points to 99.8%.



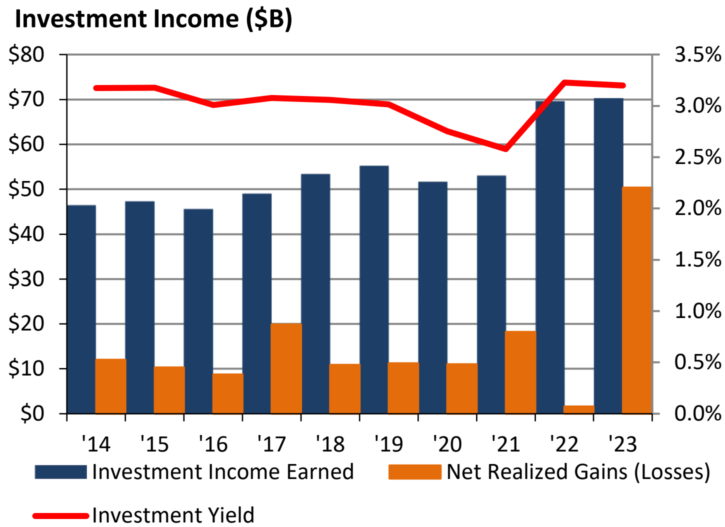
The deterioration in commercial lines can be attributed largely to adverse prior year reserve development. While overall development was favorable, that trend is diminishing. For the current year, there was unfavorable development across several commercial lines, most notably the other liability-occurrence at $4.7 billion and commercial auto liability at $3.1 billion. Most of the favorable development in the industry was from the workers' compensation line.



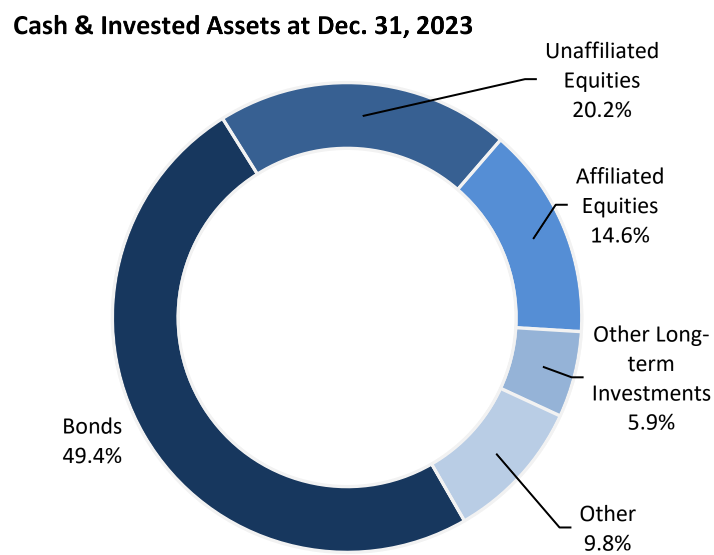
Many commercial liability insurers have experienced rising claims costs due in large part to social inflation, which is characterized by large verdicts or settlements with inflated non-economic damages. Several factors contribute to social inflation, including negative public sentiment towards large corporations, increased third-party litigation funding, more legal advertising, and large nuclear verdicts. Social inflation is one of the most significant causes of adverse loss reserve development for commercial liability lines. Actuaries rely on historical loss patterns to estimate unpaid liabilities. While economic inflation presents challenges in estimating these liabilities, there is still a range of potential values. Social inflation, however, is particularly problematic because large nuclear verdicts set a precedent, leading plaintiffs in other open claims to seek similar awards, which can quickly make existing reserves inadequate.

INVESTMENT OPERATIONS

Net investment income increased 69.5% compared to last year to $120.5 billion. Net investment income earned was flat compared to last year at $70.1 billion. Investment income earned was primarily derived from bonds at 55.3% of the total, or $47.0 billion, while stocks comprised 19.7%, and other invested assets 10.0%. Realized capital gains jumped over 3,000% to $50.4 billion, driven by a single transaction within the other invested assets category which produced a gain of $48.1 billion for this asset class. Bond prices were still lower in response to the higher interest rate environment resulting in a $7.4 billion realized loss on total bonds. Losses on unaffiliated bonds and government bonds totaled $5.8 billion and $1.3 billion, respectively. Gains on unaffiliated common stocks totaled $9.4 billion. The investment yield was unchanged at 3.2% as an increase in invested assets matched the higher returns.



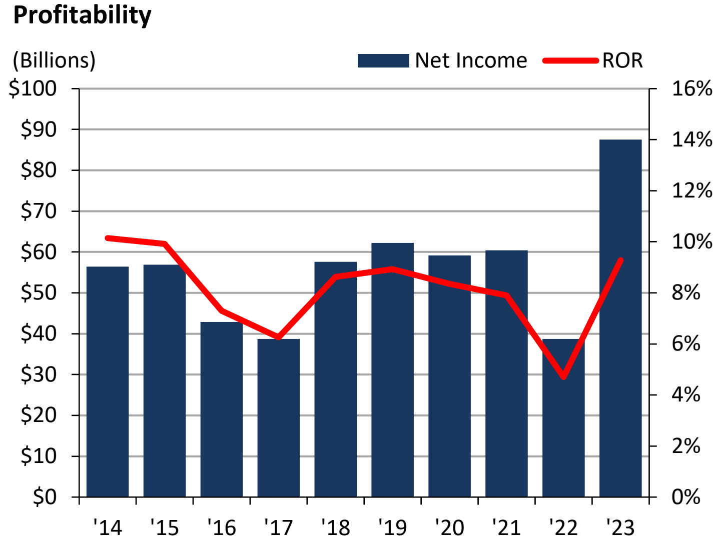
As shown in the chart on the right, bonds continued to comprise the majority of cash and invested assets accounting for half of the total at December 31, 2023. There has been a shift to riskier assets such as unaffiliated equities and Schedule BA assets over the last few years due to the challenging investment environment. However, the environment is becoming more attractive from a rate perspective as interest rates have risen over the last two years. The Fed increased the federal funds rate eight times in 2022 and four times in 2023 to tame inflation. Rising rates tend to result in higher investment income and should make insurers feel less pressure to seek higher returns from riskier assets. However, higher interest rates can negatively impact equity markets.



NET INCOME

Net income more than doubled to $87.6 billion due to the substantial increase in investment gains, which were partially offset by the underwriting loss. Overall, the P&C industry recorded a profit for the 22nd consecutive year.

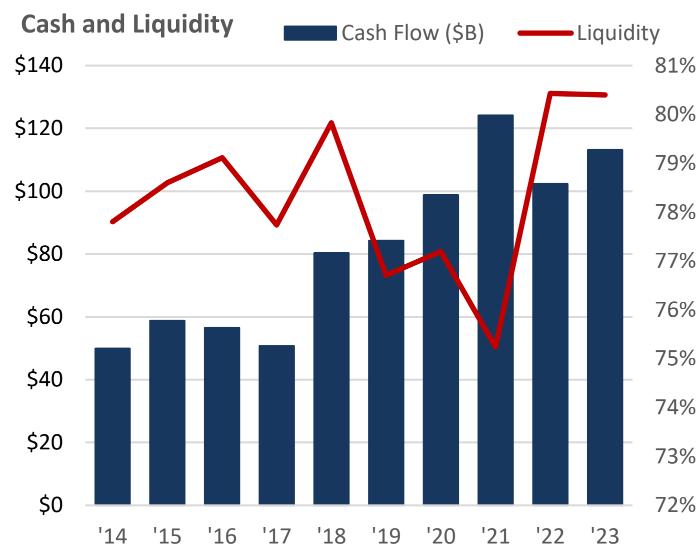
Return on revenue—a measure of net income to net premiums earned, net investment income earned, and realized capital gains (losses)—jumped 4.6-points to 9.3%.



CASH & LIQUIDITY

Net cash provided by operating activities increased 9.5% to $113.1 billion. Premiums collected net of reinsurance increased 9.1% to $842.3 billion, and net investment income (adjusted for affiliates) increased 1.4% to $70.0 billion leading to a 7.8% increase in operating cash inflows. Partially offsetting the increase in cash inflows was a 9.3% increase in benefit and loss related payments resulting in a 7.6% increase in cash outflows to $799.7 billion.

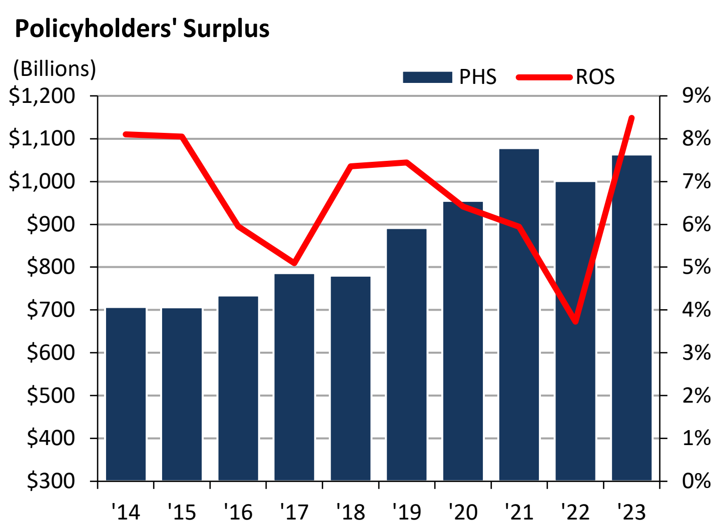
The industry liquidity ratio remained unchanged at 80.4%. Total liabilities and affiliated investments increased substantially but were offset by growth in liquid assets.



CAPITAL & SURPLUS

Industry aggregated policyholders' surplus (adjusted for affiliated investments) increased 6.2% compared to the prior year end to $1.1 trillion at December 31, 2023. The main driver of the increase was the rebound in equity markets, which helped turn unrealized investment returns positive to $56.7 billion from a $105.9 billion loss last year.

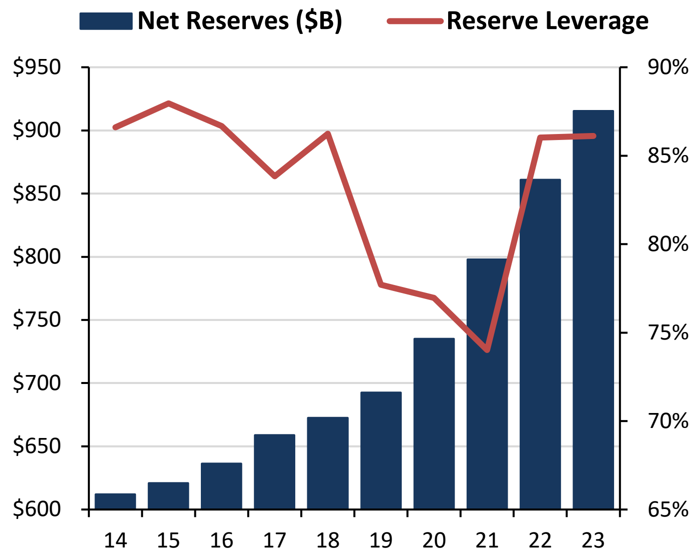
Return on surplus—a measure of net income to average policyholders' surplus—increased 4.8-points to 8.5%.

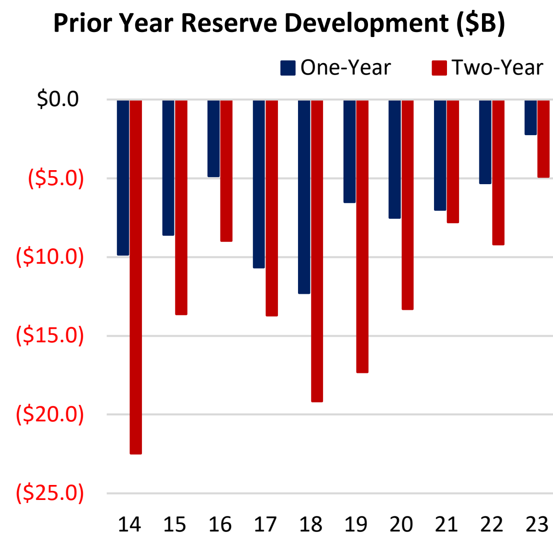


LOSS & LAE RESERVES

Total Loss and LAE reserves increased 6.3% to $915.3 billion and was comprised of $768.8 billion unpaid losses and $146.6 billion unpaid LAE. Reserve leverage was flat at 86.1% due to the increase in policyholders' surplus.

The trend of favorable prior year reserve development continued with a one-year redundancy of $2.2 billion and a two-year redundancy of $4.9 billion. The industry has benefited from prior year reserve releases, however, the trend is decelerating as seen on the chart on the right. Actuaries are having a harder time estimating future liabilities due to inflation (both economic inflation and social inflation).





Professional Reinsurance Market

The following section captures the industry's professional reinsurers - insurers in which reinsurance is their primary business, particularly by unaffiliated assumptions. The following represents the aggregated results of 22 reinsurers that are considered professional reinsurers. The same group of reinsurers is used for all five years of data.

Financial Snapshot *(in millions, except for percent)*

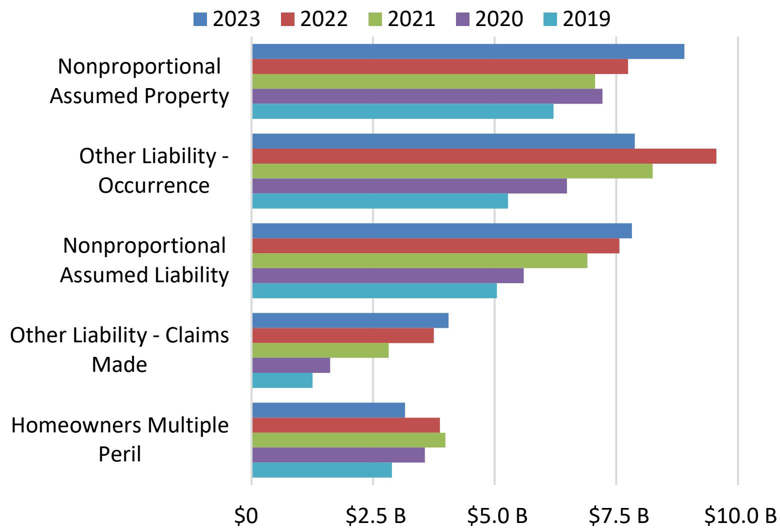
For the Year Ended December 31,	YoY Chg	2023	2022	2021	2020	2019
Unaffiliated Assumed Premiums Written	(1.8%)	47,998	48,883	46,306	39,053	35,250
Net Premiums Written	(15.6%)	38,015	45,039	47,110	35,561	32,576
Net Premiums Earned	(13.6%)	38,007	44,007	44,135	34,106	31,960
Net Losses Incurred	(25.0%)	20,961	27,951	29,371	22,831	20,320
Loss Expenses Incurred	0.5%	2,336	2,324	2,710	2,326	2,110
Underwriting Expenses	(6.6%)	12,910	13,818	13,351	11,448	10,637
Underwriting Gain (Loss)	NM	1,722	(128)	(1,324)	(2,511)	(1,122)
Net Loss Ratio	(7.5)-pts	61.3%	68.8%	72.7%	73.8%	70.2%
Expense Ratio	3.3-pts	34.0%	30.7%	28.3%	32.2%	32.7%
Combined Ratio	(4.2)-pts	95.3%	99.5%	101.0%	106.0%	102.8%
Net Investment Income Earned	36.1%	4,412	3,242	2,487	2,648	2,871
Net Realized Gains (Loss)	(70.0%)	(281)	(934)	679	906	927
Net Investment Gain (Loss)	79.0%	4,131	2,308	3,166	3,555	3,798
Investment Profit Ratio	5.6-pts	10.9%	5.2%	7.2%	10.4%	11.9%
Net Income	109.5%	4,525	2,160	1,116	1,327	2,227
Return on Revenue	6.1-pts	10.7%	4.7%	2.4%	3.5%	6.2%

Premium Analysis

After YoY growth in recent years, unaffiliated assumed premiums written (APW) decreased 1.8% compared to 2022 to $48.0 billion. However, this was still a 36.2% increase compared to five years ago. Insurers classified as professional reinsurers accounted for approximately 55% of total unaffiliated APW in the U.S. property and casualty industry.

The reduction in unaffiliated assumptions was mainly related to decreased APW on a proportional basis as nonproportional assumed property and liability both increased. Nonproportional assumed property replaced other liability – occurrence as the top line in 2023 with a 15% YoY increase in premium.

Largest Lines by Unaffiliated APW

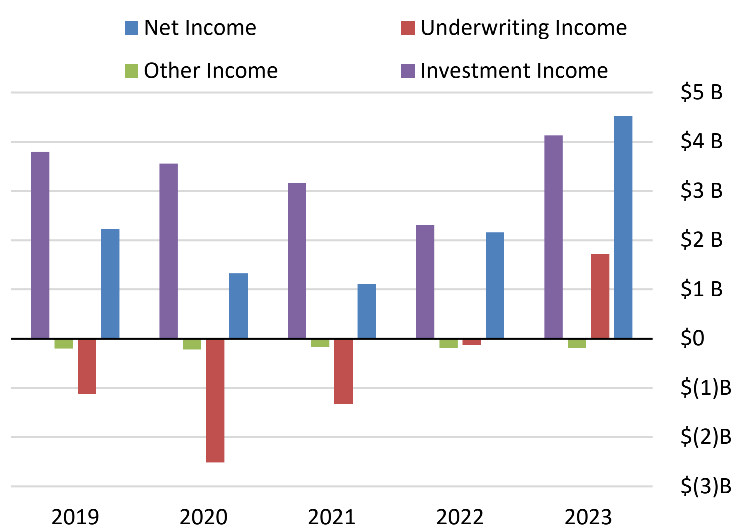


In 2023, the top five largest lines by unaffiliated APW were as follows: nonproportional assumed property (18.5%), other liability – occurrence (16.4%), nonproportional assumed liability (16.3%), other liability – claims made (8.4%), and homeowners multiple peril (6.6%). These have been the top five lines for the last three years, though not in the same order.

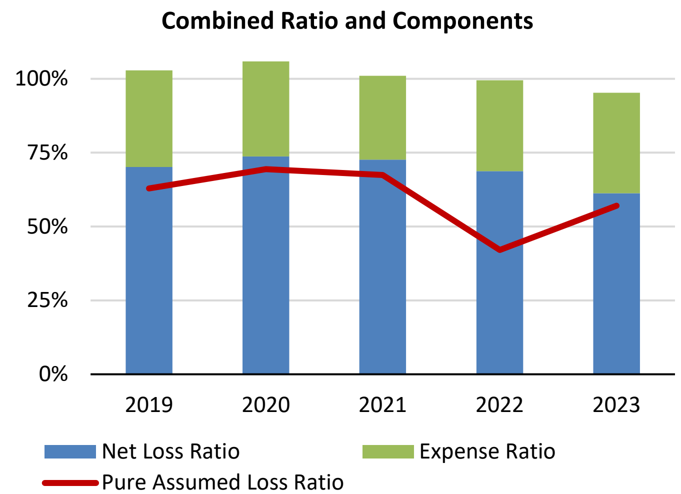
Total assumptions increased 1.7% compared to 2022 to $61.4 billion, of which unaffiliated assumptions accounted for 78.2%. Gross premiums written totaled $63.8 billion. APW to GPW has consistently been in the upper 90% range and was 96.3% for the current year. Net premiums written (NPW) dropped 15.6% compared to 2022 to $38.0 million (16.7% more than five years ago). In the last five years, NPW peaked in 2021 and decreased the last two years. NPW to GPW decreased 12.2 points to 59.6%, signifying an increase in retrocessions.

Profitability

Net income totaled $4.5 billion; a 109.5% increase compared to 2022 due to both improved underwriting performance and stronger investment returns. This was the fifth consecutive year that the professional reinsurance market reported positive net income despite recent challenges, including above-average insured loss events from natural catastrophes and the effects of economic and social inflation. Net underwriting income totaled $1.7 billion, marking a shift from the trend of underwriting losses in recent years. Other income remained fairly consistent over the years and totaled $(184.6) million in 2023, just a 0.3% decrease from the previous year. Investment income increased 79.0% YoY to $4.1 billion.



The professional reinsurance market recorded a pure assumed loss ratio (PALR) of 57.0% in 2023. Assumed losses incurred increased 32.2% to $34.5 billion while assumed premiums earned decreased 2.4% to $60.4 billion. Although the PALR increased 14.9 points from the previous year, it was still an improvement compared to the years prior to 2022 where the ratios were in the mid to upper 60% range.



The combined ratio improved 4.2 points to 95.3% in 2023 and was comprised of a net loss ratio of 61.3% (improved 7.5 points YoY) and an expense ratio of 34.0% (worsened 3.3 points YoY). Despite the professional reinsurance market experiencing its best net loss ratio in five years, it also saw its highest expense ratio during the same period. In the five year period, the combined ratio saw a peak in 2020 but has improved YoY since, a total of 10.7 points.

Compared to the property and casualty industry, the professional reinsurance market combined ratio and net loss ratio were 6.2 points and 14.9 points better and the expense ratio was 9.1 points worse.

Three out of the top five lines had combined ratios worse than the overall ratio, two out of the five being over 100%: other liability – occurrence (110.8%), nonproportional assumed liability (103.1%), and homeowners multiple peril (96.8%). Additionally, nonproportional assumed property and other liability – claims made had combined ratios better than the average at 72.1% and 92.2%, respectively. Of the 45 lines of business with net premiums written in 2023, 22 had combined ratios above the average – 18 of which exceeded 100%.

Capital and Surplus

Consolidated policyholders' surplus increased 13.2%, or $6.6 billion, from the prior year-end to $57.0 billion. This was an improvement from the previous year where surplus fell 5.9%, or $3.2 billion. Additionally, return on surplus improved 4.3 points YoY to 8.4%.

Profitable operations and net unrealized gains of $3.5 billion (compared to $3.8 billion unrealized losses in 2022) were the primary factors that drove the surplus growth in 2023. In addition, nonadmitted assets decreased $151.7 million and surplus paid in totaled $881.7 million (down 52.4% compared to the prior year). These factors outweighed $1.9 billion in dividends to stockholders (46.4% increase compared to the prior year), among other lesser losses to surplus.

Cash and Liquidity

Net cash from operations totaled $5.5 billion, offsetting $(2.5) billion net cash from investments and $(1.0) billion net cash from financing miscellaneous sources, resulting in a $2.0 billion increase in cash, cash equivalents, and short-term investments to $20.6 billion.

Cash inflows fell 11.5% to $45.1 billion and primarily consisted of premiums collected net of reinsurance, which decreased 3.2% to $41.0 billion. Additionally, miscellaneous income dropped to $(117.6) million compared to $5.7 billion in the previous year and net investment income increased 43.1% to $4.2 billion. Cash outflows also fell 8.8% to $39.6 billion. This decrease was primarily driven by benefit and loss related payments, which decreased 8.6% to $24.2 billion. Additionally, commissions, expenses paid and aggregate write-ins for deductions decreased 14.0% to $14.5 billion.

Net cash from investments was negative as total investments acquired of $42.9 billion outpaced total investment proceeds of $40.4 billion. Bonds followed by other invested assets accounted for both the most investment proceeds and investments acquired. Bonds acquired totaled $30.8 billion while proceeds totaled $27.1 billion.

Net cash from financing was relatively consistent with the prior year, improving slightly as other cash applied totaled $197.1 million which was an improvement compared to $1.9 billion in 2022. Additionally, capital and paid in surplus was down 44.0% to $593.2 million and dividends to stockholders increased 67.5% to $1.7 billion.

Liquid assets increased 4.7% to $113.3 billion while adjusted liabilities only increased 0.3% to $104.8 billion, leading to the liquidity ratio improving 4.1 points to 92.5%.

Title Insurance Industry

U.S. Title Insurance Industry Results (in millions, except for percent)

For the year ended December 31,	YoY Chg	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Direct Premiums Written	(31.1%)	$15,227	$22,109	$26,364	$19,399	$15,787	$14,766	$14,632	$14,133	$13,003	$11,197
Direct Ops.	(33.6%)	$1,581	$2,379	$2,806	$2,047	$1,962	$1,865	$1,735	$1,517	$1,503	$1,263
Non-Aff. Agency Ops.	(32.9%)	$9,779	$14,563	$16,977	$12,223	$9,752	$9,178	$9,187	$8,808	$7,919	$6,821
Aff. Agency Ops.	(25.1%)	$3,868	$5,167	$6,581	$5,129	$4,073	$3,722	$3,711	$3,838	$3,581	$3,113
Net Premiums Written	(31.2%)	$15,183	$22,064	$26,311	$19,353	$15,752	$14,731	$14,617	$14,133	$12,964	$11,156
Title Premiums Earned	(29.5%)	$15,388	$21,815	$25,602	$19,054	$15,599	$14,678	$14,461	$13,976	$12,787	$11,389
Loss & LAE Incurred	5.4%	$724	$687	$578	$562	$605	$644	$629	$687	$672	$742
Operating Exp. Incurred	(27.7%)	$15,090	$20,879	$24,366	$18,310	$15,090	$14,137	$14,089	$13,357	$12,163	$10,659
Net Operating Gain/(Loss)	(60.2%)	$715	$1,798	$2,677	$1,804	$1,224	$1,103	$885	$871	$831	$799
Net Loss Ratio	1.6 pts	4.7%	3.1%	2.3%	2.9%	3.9%	4.4%	4.3%	4.9%	5.3%	6.5%
Expense Ratio	4.8 pts	99.4%	94.6%	92.6%	94.6%	95.6%	96.0%	96.4%	94.6%	93.9%	95.7%
Combined Ratio	6.3 pts	104.1%	97.8%	94.9%	97.6%	99.5%	100.4%	100.8%	99.5%	99.1%	102.2%
Net Invmnt. Inc. Earned	9.1%	$575	$527	$330	$385	$435	$360	$348	$276	$326	$261
Net Realized Gains (Loss)	NM	$11	($58)	$91	($40)	$75	($75)	$142	$162	$9	$1
Net Invmnt. Gain (Loss)	24.9%	$586	$469	$422	$345	$510	$285	$489	$437	$336	$262
Net Income	(41.6%)	$1,053	$1,805	$2,474	$1,713	$1,391	$1,230	$1,016	$961	$871	$855
Net Cash From Ops	(56.4%)	$882	$2,024	$3,285	$2,145	$1,560	$1,441	$1,193	$1,081	$1,039	$698
Liquidity Ratio	(0.2) pts	70.4%	70.6%	65.0%	67.1%	68.9%	66.9%	67.9%	70.6%	70.4%	73.3%
December 31,	**YoY Chg**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Policyholders' Surplus	(2.9%)	$5,824	$6,001	$7,134	$6,229	$5,664	$4,818	$4,800	$4,357	$4,121	$4,122

NM = Not Meaningful

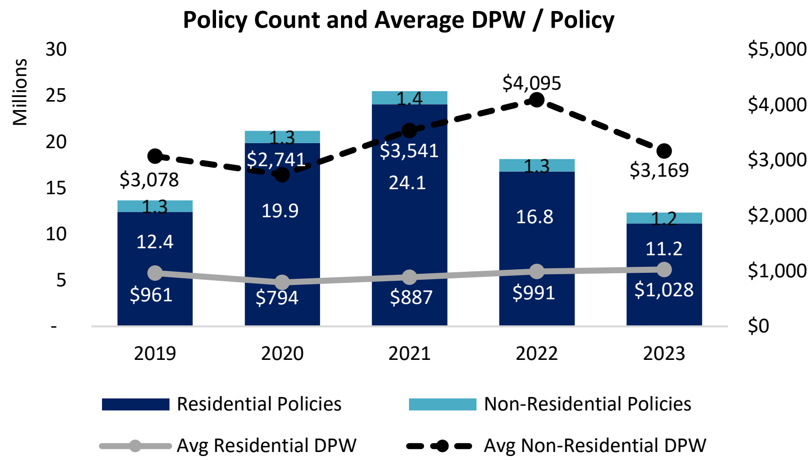
Premium

Title industry premiums were almost entirely on a direct basis (accounting for over 99% of gross premiums) and comprised of direct and agency operations. Direct premiums written (DPW) decreased 31.1% compared to the previous year to $15.2 billion. This followed a 16.1% decrease in the prior year to $22.1 billion. Non-affiliated agency operations accounted for the majority of direct writings with 64.2% of total DPW. The decline in DPW was largely due to the high interest rate environment which continued to impact the number of consumers purchasing or refinancing homes in 2023. Net premiums written totaled $15.2 billion and as the little cessions in the industry decreased, net retention fell 0.1 points to 99.5%.

The U.S. Census Bureau and the U.S. Department of Housing and Urban Development April 2024 report indicated that there were 1.4 million new housing starts (not seasonally adjusted) during 2023, which was an 8.5% decrease compared to 2022. All reported regions (Northeast, Midwest, South, West) recorded decreases in new housing starts from 2022. Additionally, new housing permits decreased 10.1% in 2023 while completions increased 4.2% (both not seasonally adjusted). Seasonally adjusted new housing starts were only down 0.6% in April 2024 from April 2023, which indicates the downward trend in title premiums may be leveling off.

Top 5 States by DPW

State	% Total DPW	YoY Change
TX	15.6%	-33.0%
FL	13.0%	-28.3%
CA	8.8%	-31.1%
NY	5.9%	-34.0%
PA	4.0%	-33.9%



The five largest states by DPW (TX, FL, CA, NY, and PA) remained unchanged from the prior year and accounted for 47.3% of the total in 2023, a 0.4 point increase compared to 2022. The average YoY change in DPW by state was (26.4%) compared to (13.0%) last year. However, each of the top states reported YoY decreases greater than the average. Only the Northern Mariana Islands (0.005% of the direct market) reported YoY DPW growth.

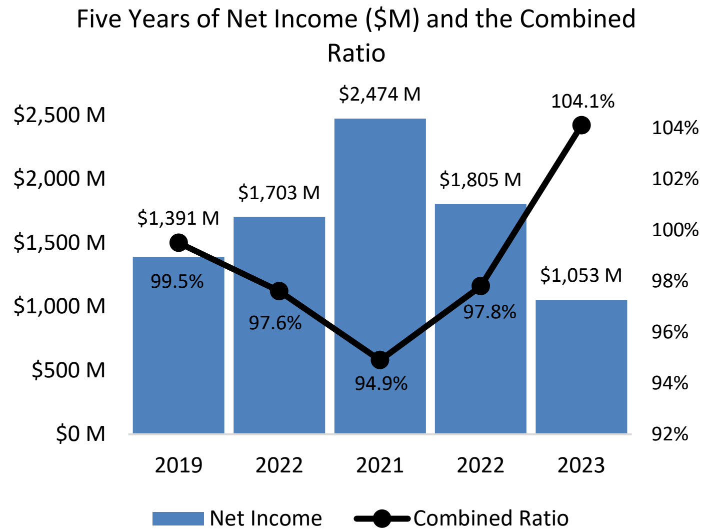
As expected with the decline in writings, total policies issued decreased 32.0% to 12.3 million. Residential policies decreased 33.6% to 11.2 million and non-residential decreased 11.0% to 1.2 million. Residential policies continued to make up the majority of policies in 2023, accounting for 90.4% of total policies and was $11.5 billion, or 75.3% of total DPW (an average of $1,028 per residential policy, up 3.8% compared to last year). Non-residential policies averaged $3,169 per policy, down 22.6% compared to last year.

$ amounts per policy	# Policies	Net Premiums Earned	Direct Losses Paid	Direct Allocated LAE Paid	Direct Losses and LAE Incurred	Direct Known Claim Reserves
Direct						
2023	1,006,386	$1,627	$55	$49	$100	$125
2022	1,469,998	$1,665	$55	$37	$87	$94
Non-affiliated Agents						
2023	7,196,283	$1,370	$33	$20	$53	$53
2022	11,364,578	$1,256	$16	$12	$28	$33
Affiliated Agents						
2023	4,136,701	$940	$25	$15	$39	$32
2022	5,307,433	$959	$17	$11	$27	$25
Overall						
2023	12,339,370	$1,247	$32	$21	$52	$52
2022	18,142,009	$1,202	$20	$14	$33	$36

Direct, non-affiliated agents, and affiliated agents policies issued each decreased in 2023 as seen in the table above, for a total of about 5.8 million. Although the number of policies issued decreased, the average net premiums earned per policy increased 3.7% to $1,247. However, there was a significant increase in average losses. Direct losses and LAE incurred increased 57.6% to $52 per policy while direct losses and LAE paid increased to a collective $53 per policy.

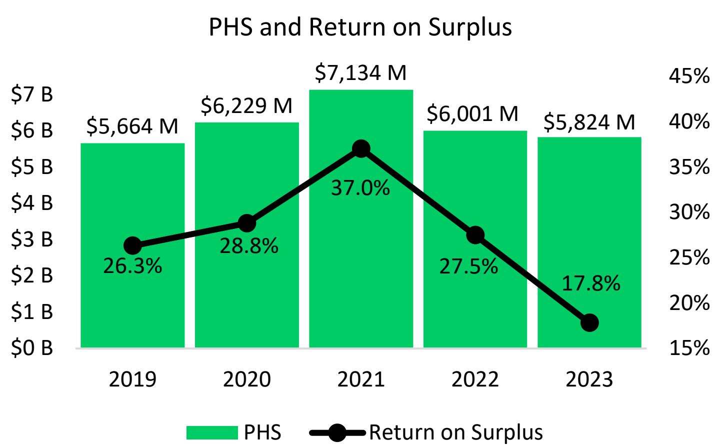
Profitability

Operating income dropped for the second consecutive year, down 29.3% compared to last year to $16.5 billion. This decline was primarily due to decreased premiums written as premiums earned decreased 29.5% to $15.4 billion. Total operating expenses decreased 26.7% to $15.8 billion, although losses and LAE incurred did increase slightly. Net operating gains dropped a little over 60% to $715.5 million.



Net investment gains increased nearly 25% to $585.6 million as both net investment income earned increased 9.1% to $574.8 million, and net realized capital gains totaled $10.8 million compared to $57.9 million net realized losses in the previous year. The drop in net operating gains outpaced the increase in net investment gains so net income decreased 41.7% to $1.1 billion. This was the second consecutive YoY decrease in net income for the industry.

The combined ratio worsened 6.3 points to 104.1% and was comprised of a net loss ratio of 4.7% (worsened 1.6 points) and an expense ratio of 99.4% (worsened 4.8 points). This was the first year since 2018 that the industry combined ratio exceeded 100%, representing a 10-year high.



Capital & Surplus

Although less significant, policyholders' surplus (PHS) fell again this year, 2.9% to $5.8 billion. The main factor that drove the decrease was dividends paid to stockholders of $1.2 billion (down 39.8%) and to a lesser extent, a $139.2 million increase in nonadmitted assets. Return on surplus decreased nearly 10 points to 17.8%.

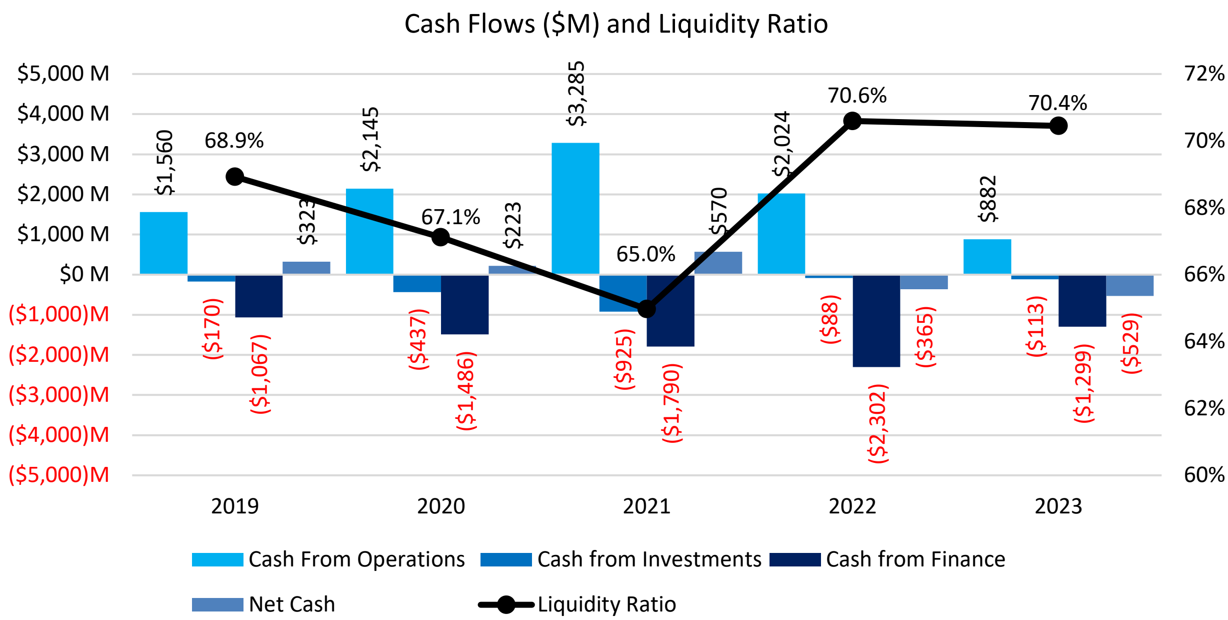
Cash & Liquidity

Following the previous year's decrease, net cash from operations decreased 56.4% to $882.0 million. Cash inflows fell 30.6% to $16.9 billion as premiums collected net of reinsurance fell, which is to be expected with the decline in writings. Cash outflows also decreased 28.2% to $16.0 billion primarily due to a 28.4% decrease in commissions, expenses paid and aggregate write-ins for deductions.

Net cash from investments fell 28.6% to $(112.5) million. Investment proceeds decreased 42.3% to $1.9 billion and investments purchased decreased 40.5% to $1.4 billion, both of which were primarily related to bonds, the industry's largest invested asset (over 60% of cash and invested assets).

Net cash from financing and miscellaneous sources increased 43.6% to $(1.3) billion. The improvement was primarily due to a 56.0%, or $1.1 billion, decrease in dividends to stockholders. Overall, the net change in cash, cash equivalents, and short-term investments was $(529.3) million, to $1.6 billion as of December 31, 2023.

The industry's liquidity ratio improved 0.2 points to 70.4%. Liquid assets decreased 5.9% to $9.5 billion while adjusted liabilities decreased 6.1% to $6.5 billion.



NAIC Financial Regulatory Services
Financial Analysis and Examination Department

Contacts:
Brian Briggs, Senior Financial Analyst
BBriggs@naic.org
816-783-8925

Shelby Milligan, Financial Analyst II
SMilligan@naic.org
816-783-8437

Bruce Jenson, Assistant Director - Solvency Monitoring
BJenson@naic.org
816-783-8348

Andy Daleo, Senior Manager – P/C Domestic and International Analysis
ADaleo@naic.org
816-783-8141

Rodney Good, Property/Casualty & Title Financial Analysis Manager
RGood@naic.org
816-783-8430