

Property & Casualty Insurance Industry

PROPERTY & CASUALTY OVERVIEW

Following several years of rate increases intended to offset inflation and catastrophe losses, aggregate underwriting profits reached their highest level in more than 20 years. A decline in insured natural catastrophe losses over the last few quarters along with prior year reserve releases in property lines have also aided underwriting results.

Strong investment income also boosted the bottom line, which helped drive policyholders' surplus to an all-time high. While the improvement is significant, it hasn't been uniform across all lines. Commercial liability lines still struggle with social inflation, driving claim costs higher and adversely impacting reserve adequacy which remains a headwind for P&C insurers.

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U.S. Property/Casualty Insurance Industry Results

(in billions, except for percent)

For the six months ended June 30,	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Direct Premiums Written	\$574.1	\$561.0	\$529.0	\$478.6	\$434.0	\$394.8	\$362.3	\$355.2	\$340.6	\$321.3
Net Premiums Written	\$504.0	\$494.3	\$468.8	\$424.3	\$388.6	\$351.2	\$327.6	\$315.3	\$316.7	\$280.4
Net Premiums Earned	\$488.0	\$475.3	\$442.7	\$397.9	\$364.1	\$333.3	\$316.6	\$308.3	\$297.4	\$270.4
Net Loss & LAE Incurred	\$319.5	\$336.9	\$320.3	\$312.6	\$267.8	\$231.9	\$217.2	\$215.8	\$204.9	\$197.5
Underwriting Expenses	\$129.3	\$124.4	\$116.6	\$107.2	\$100.2	\$93.7	\$90.2	\$85.4	\$85.3	\$75.8
Underwriting Gain (Loss)	\$38.6	\$13.7	\$5.5	(\$22.4)	(\$4.4)	\$7.3	\$8.9	\$6.5	\$7.0	(\$3.2)
Net Loss Ratio	65.5%	70.9%	72.4%	78.6%	73.5%	69.6%	68.6%	70.0%	68.9%	73.0%
Expense Ratio	25.7%	25.2%	24.9%	25.2%	25.8%	26.7%	27.5%	27.1%	26.9%	27.0%
Dividend Ratio	1.29%	0.29%	0.35%	0.38%	0.47%	0.71%	1.55%	0.55%	0.53%	0.54%
Combined Ratio	92.5%	96.4%	97.6%	104.2%	99.8%	96.9%	97.7%	97.6%	96.3%	100.6%
Investment Inc. Earned	\$50.5	\$45.4	\$43.9	\$34.7	\$39.3	\$28.9	\$28.3	\$29.3	\$28.9	\$25.6
Realized Gains (Losses)	\$13.1	\$6.8	\$58.4	\$2.3	\$3.6	\$9.7	(\$0.9)	\$4.6	\$5.5	\$3.9
Investment Gain (Loss)	\$63.6	\$52.2	\$102.4	\$37.1	\$42.9	\$38.6	\$27.4	\$33.9	\$34.4	\$29.5
Investment Yield (a)	3.82%	3.73%	3.82%	3.20%	3.75%	2.90%	3.15%	3.47%	3.50%	3.28%
Net Income (b)	\$82.0	\$55.1	\$99.1	\$10.4	\$33.8	\$39.8	\$26.8	\$34.8	\$35.8	\$17.7
Return on Revenue	14.9%	10.4%	18.2%	2.4%	8.3%	10.7%	7.8%	10.2%	10.8%	5.9%
	June 30,	December 31, 2017-2025								
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Capital & Surplus (b)	\$1,481.8	\$1,266.1	\$1,131.6	\$1,063.0	\$1,000.9	\$1,077.6	\$955.1	\$891.2	\$780.0	\$786.0

(a) annualized, (b) adjusted to removed stacked entities

MARKET CONDITIONS

Premium Pricing

The U.S. P&C market continued to soften during the first half of 2026 due to strong overall underwriting performance and moderating premium growth. The shift, however, is not happening equally. Property pricing has decelerated due to milder catastrophe activity and increased market capacity and competition, while liability lines remain firm due to higher loss costs driven by social inflation. According to The Council of Insurance Agents & Brokers (CIAB) Q2 2026 Market Survey, average commercial premiums decreased 0.3% across all lines, marking the second consecutive quarter of decreases. This follows eight consecutive years of rising commercial premiums.

Average Commercial Premium Pricing by Quarter (All Lines)

Source: The Council of Insurance Agents & Brokers



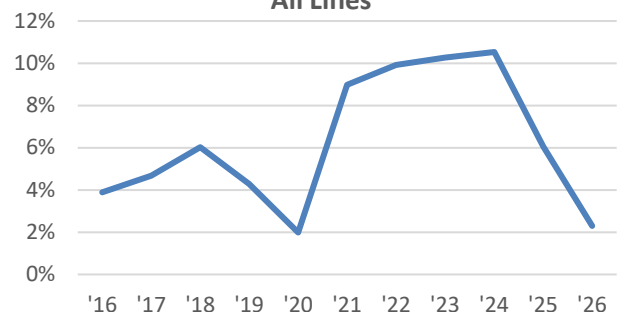
The CIAB report noted that premiums decreased in ten lines during the second quarter led by commercial property, which decreased 6.3%, marking four consecutive quarters of decreases for this line. Commercial auto and umbrella premiums rose by 4.5% and 5.3%, respectively. Commercial auto premiums have increased for 60 consecutive quarters. Nuclear verdicts involving commercial auto claims, along with rising vehicle repair costs, healthcare costs and continued litigation, have driven higher claim severity.

WRITINGS

Direct premiums written (DPW) increased 2.3% to \$574.4 billion in the first half of 2026, marking the second consecutive year of slower growth. Prior year rate hikes, and milder than expected major weather events have boosted insurer profits and ramped up competition, driving insurers to ease rates. While property lines are softening, casualty lines are being pressured by large verdicts and aggressive litigation.

Personal lines DPW increased 0.9% year-over-year (YoY), significantly less than the 6.9% increase in the same period last year, and 14.9% for the second prior year. Private passenger auto liability DPW increased 0.8% while auto physical damage decreased 3.8% and homeowners DPW was 5.1% higher. In contrast, commercial lines DPW increased 4.5% YoY, with gains across all major lines with the exception of workers' compensation, which has encountered a trend of flat or declining premium due to favorable performance. Commercial liability lines continued to face pressures from social inflation, driving loss costs higher resulting in higher

Percent Change in DPW Through June 30, All Lines



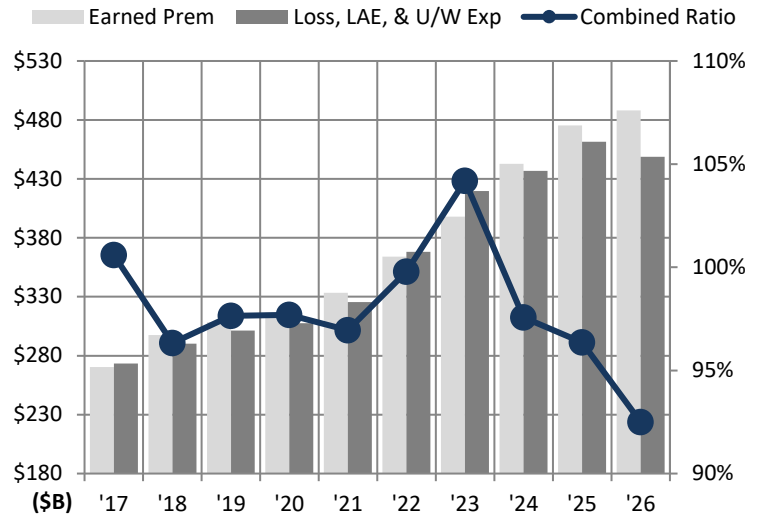
premiums. DPW in the other liability line increased 7.3% to \$70.9 billion and commercial auto liability increased 7.2% to \$32.9 billion.

UNDERWRITING OPERATIONS

U.S. P&C insurers generated a \$38.6 billion underwriting profit in the first six months of 2026, nearly three times the \$13.7 billion reported for the same period in 2025 when industry results were significantly impacted by the Los Angeles wildfires.

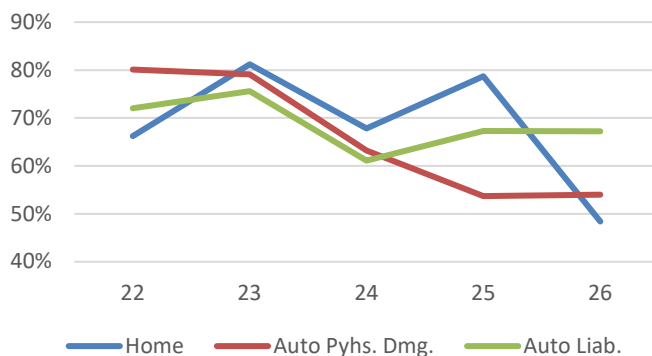
As of mid-year, net premiums earned increased at a lesser pace of 2.7% versus the 7.0% increase in the same period last year to \$488.0 billion, while net losses and LAE incurred decreased 5.2% to \$319.5 billion, resulting in a 5.4-point improvement in the net loss ratio to 65.5%. The expense ratio was slightly higher at 25.7% as net premium growth of 1.6% was outpaced by a 3.9% increase in underwriting expenses. Overall, the combined ratio improved 3.9-points to 92.5%, marking the strongest half-year underwriting performance in recent history.

Underwriting Income (Six months ended June 30)

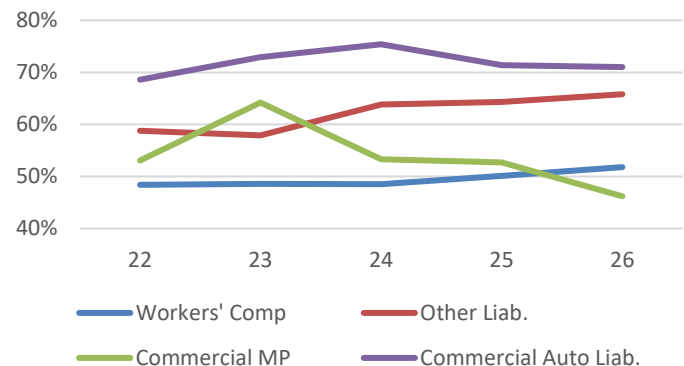


Underwriting performance varied greatly by line of business as property lines benefited from roughly half the amount of insured natural catastrophe losses compared to the first half of 2025 while commercial liability lines experienced ongoing pressure from higher claim severity driven by nuclear verdicts. The remarkable improvement in property lines was led by homeowners, where the pure direct loss ratio (PDLR) improved 30.3-points to 48.4% due to a 33.8% reduction in direct losses incurred in the first six months of the year. Personal auto loss ratios remained mostly flat. The commercial multiple peril line PDLR improved 6.5-points as the liability portion saw a 10.2% reduction in direct losses incurred while premiums earned increased 3.0%. The other liability line PDLR worsened 1.5-points to 65.8% as direct losses incurred increased 9.3%. While the commercial auto liability PDLR improved 1.5-points, it remained elevated at 71.0%, owing its issues in recent years to social inflation. Workers' compensation remained one of the most profitable and stable lines, delivering over a decade of underwriting profits as safer work environments and lower occurrences of fraud have offset modest premium declines that have been driven by increased competition. The PDLR of 51.8% was a slight deterioration compared to the prior mid-year period.

PDLR Six Months Ended, June 30
Personal Lines



PDLR Six Months Ended, June 30
Primary Commercial Lines



INVESTMENT OPERATIONS

Investment gains were 21.8% higher than the first half of last year, totaling \$63.6 billion for the six months ended June 30, 2026. Realized gains nearly doubled to \$13.1 billion and net investment income earned increased 11.2% to \$50.5 billion. The investment yield (annualized) was slightly higher at 3.8% versus 3.7% for the same period last year.

P&C insurers rely heavily on bonds as their primary asset class, generating well over half of net investment income earned over the last several years, creating a significant exposure to interest rate risk. The U.S. Federal Reserve (Fed) increased the federal funds rate by 25 basis points in September 2026, marking the first increase since 2023, bringing the benchmark rate to a target range of 3.75-4.0%, citing elevated inflation and resilient economic activity. New projections leave the door open for another rate hike before year end. While not ideal, this decision comes at a time where any negative impacts for P&C insurers can be absorbed by strong underwriting performance.

NET INCOME

Net income increased 49.0% compared to the same period last year to \$82.0 billion, driven by the strong underwriting gains and investment income.

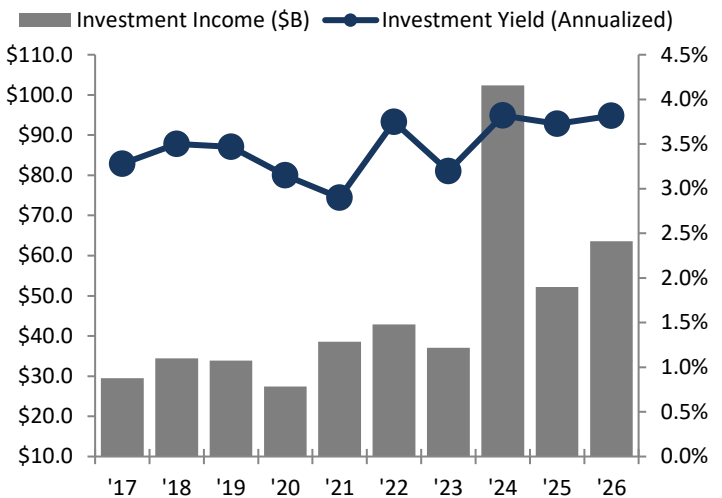
Return on revenue increased 4.4-points to 14.9%.

CASH FLOW

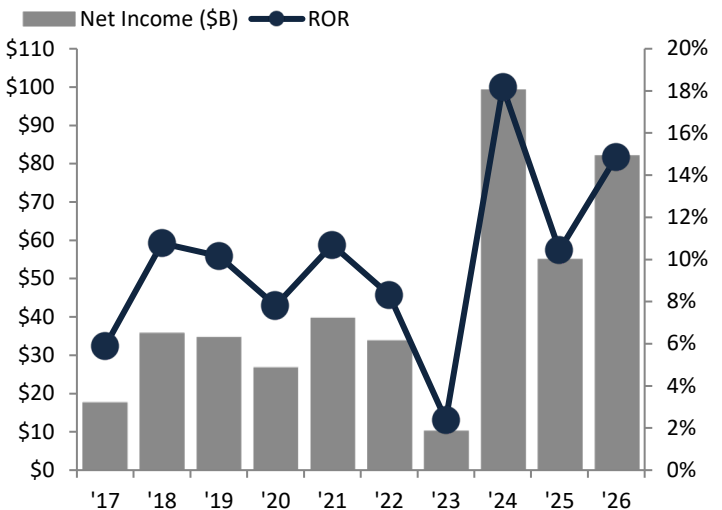
Net cash provided by operating activities totaled \$88.6 billion, a 10.1% increase compared to \$80.5 billion for the same period last year. Cash inflows were 5.9% higher due to a 6.4% increase in premiums collected net of reinsurance. Cash outflows were 2.7% higher as premiums collected net of reinsurance increased by only 1.8% due to slower premium growth while benefit and loss related payments were 1.3% higher.

Cash used in investment activities totaled \$(82.7) billion due to a 28.2% increase in cost of bonds acquired and a 162.3% increase in cost of stocks acquired.

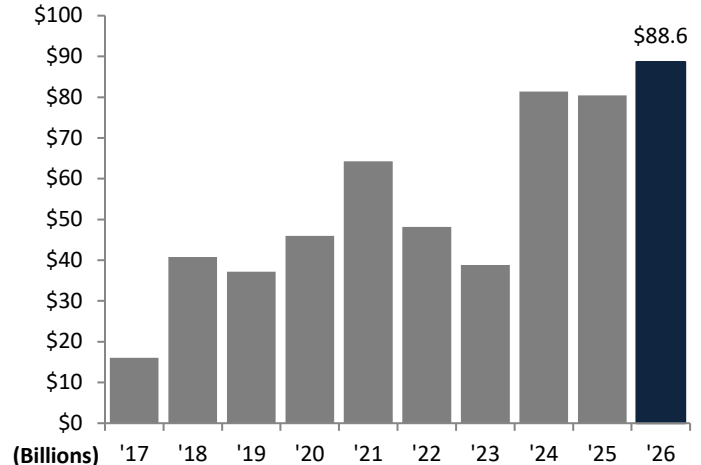
Investment Income (Six months ended June 30)



Net Income (Six months ended June 30)



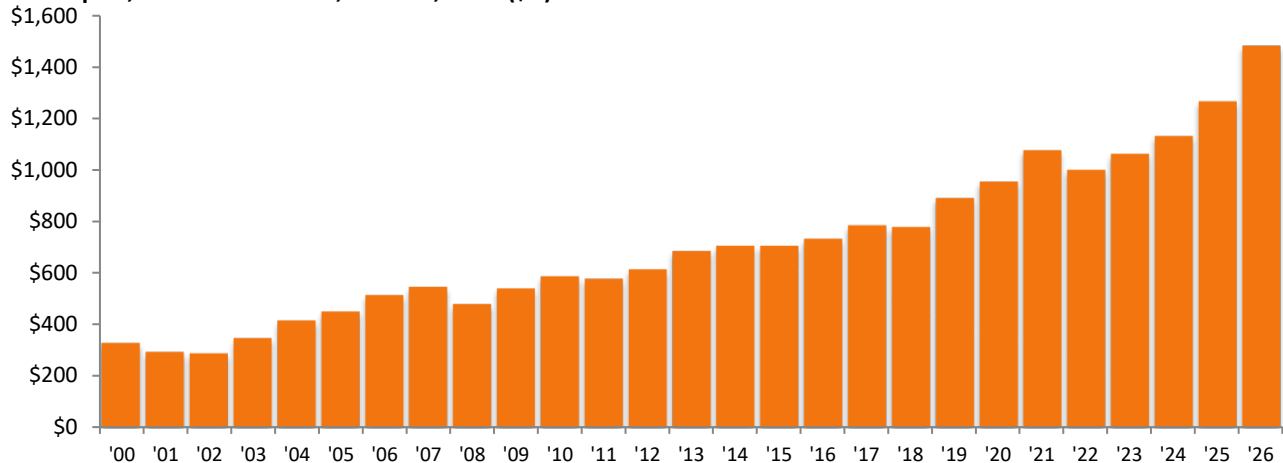
Cash from Operations (Six months ended June 30)



POLICYHOLDERS' SURPLUS

Industry aggregated policyholders' surplus (adjusted to eliminate stacking) reached an all-time high of \$1.5 trillion at June 30, 2026, a 17.0% increase compared to \$1.3 trillion at December 31, 2025. The \$82.0 billion net gain in the current period and the unrealized gains of \$53.1 billion drove the increase.

Capital & Surplus, Dec 31 2000-2025, June 30, 2026 (\$B)



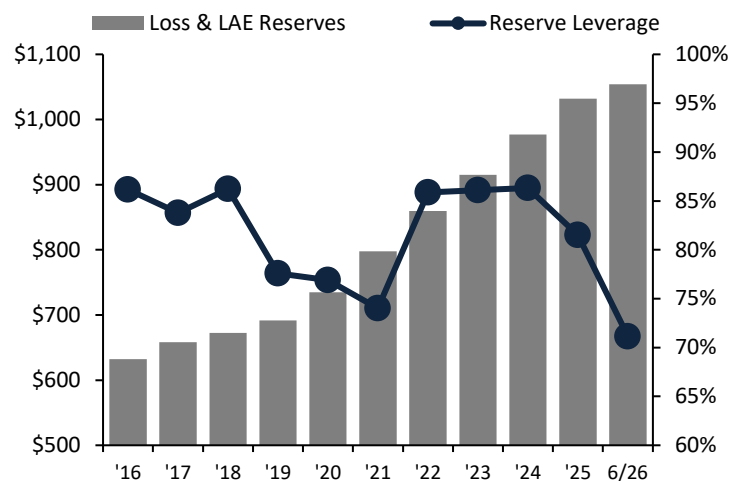
RESERVES

Loss and LAE reserves increased 2.2% since the prior year-end to \$1.05 trillion at June 30, 2026, comprising \$889.8 billion in unpaid losses and \$164.5 billion of unpaid LAE. Reserve leverage improved 10.4-points to 71.1% compared to 81.5% at the prior year-end attributable to the increase in surplus.

Prior year loss reserves developed favorably with an overall redundancy of \$16.9 billion in the first half of 2026. This consisted of an \$81.4 billion redundancy in prior year IBNR loss and LAE reserves, partially offset by a \$64.4 billion deficiency in prior year known case loss and LAE reserves. There has been a trend of reserve releases in workers' compensation due to strong profits but recently, personal auto and homeowners have seen heavy releases after lower than anticipated loss activity and slowing severity trends led to stabilization.

Conversely, P&C companies are strengthening commercial liability reserves due to escalating claim severity and underestimation of recent accident years. The primary driver is social inflation, partially driven by third party litigation financing which has led to nuclear verdicts. While this has added tens of billions of dollars in excess losses to commercial liability lines, strong property and workers compensation results have masked the shortfalls in liability over the last few quarters.

Loss & LAE Reserves (\$B)



Title Industry

Title Industry Results

(in millions, except for percent)

For the six months ended June 30,	YoY Chg.	2026	2025	2024	2023	2022
Direct Premiums Written	15.9%	\$9,830	\$8,483	\$7,504	\$7,356	\$12,234
Direct Ops.	27.4%	\$1,265	\$993	\$797	\$751	\$1,292
Non-Aff. Agency Ops.	15.3%	\$6,190	\$5,370	\$4,772	\$4,715	\$8,022
Aff. Agency Ops.	12.0%	\$2,374	\$2,120	\$1,934	\$1,890	\$2,919
Premiums Earned	13.7%	\$9,703	\$8,533	\$7,553	\$7,438	\$11,988
Loss & LAE Incurred	6.4%	\$375	\$352	\$374	\$363	\$313
Operating Exp Incurred	13.8%	\$9,669	\$8,496	\$7,486	\$7,324	\$11,461
Net Operating Gain/(Loss)	21.1%	\$463	\$382	\$275	\$317	\$1,085
Loss Ratio	(0.3)-pts	3.9%	4.1%	5.0%	4.9%	2.6%
Expense Ratio	0.0-pts	99.6%	99.6%	99.1%	98.5%	95.6%
Combined Ratio	(0.2)-pts	103.5%	103.7%	104.1%	103.4%	98.2%
Net Inv. Income Earned	(5.1)%	\$262	\$276	\$258	\$274	\$177
Net Realized Gain/(Loss)	41.7%	\$28	\$19	\$89	\$(21)	\$77
Net Inv. Gain (Loss)	(2.0)%	\$290	\$296	\$346	\$254	\$254
Net Income	5.7%	\$602	\$570	\$524	\$473	\$1,093
Net Unrealized Gain/(Loss)	NM	\$47	\$(57)	\$(17)	\$14	\$(667)
Net Cash from Operations	37.2%	\$474	\$346	\$288	\$138	\$879

NM=Not Meaningful

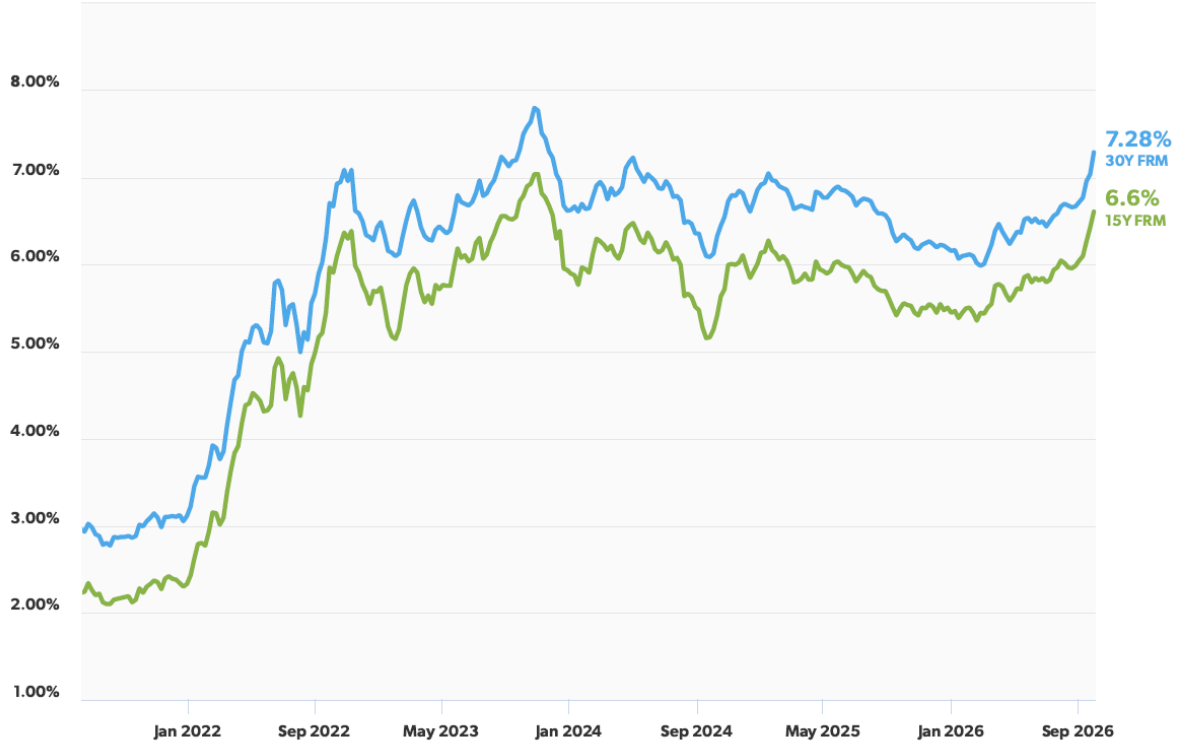
Premium

According to the Federal Reserve Bank of New York, U.S. mortgage originations increased about 17% compared to the first half of 2025 to a little over \$1.0 trillion for the first half of 2026. In line with this trend, U.S. title insurance direct premiums written (DPW) increased 15.9%, or \$1.3 billion, to \$9.8 billion for the first half of 2026. Consistent with prior years, the majority (approximately 63%) of DPW continued to be produced through non-affiliated agency operations, which totaled \$6.2 billion (15.3% increase compared to the prior year period). This was followed by affiliated agency operations of \$2.4 billion and direct operations of \$1.3 billion, which increased 12.0% and 27.4%, respectively.

In September 2026, the Federal Reserve executed its first interest rate hike since 2023, bringing mortgage rates to the highest they have been since May 2024, as seen in the chart below. Additionally, a majority of the Federal Open Market Committee (FOMC) anticipate an additional rate hike before the end of 2026.

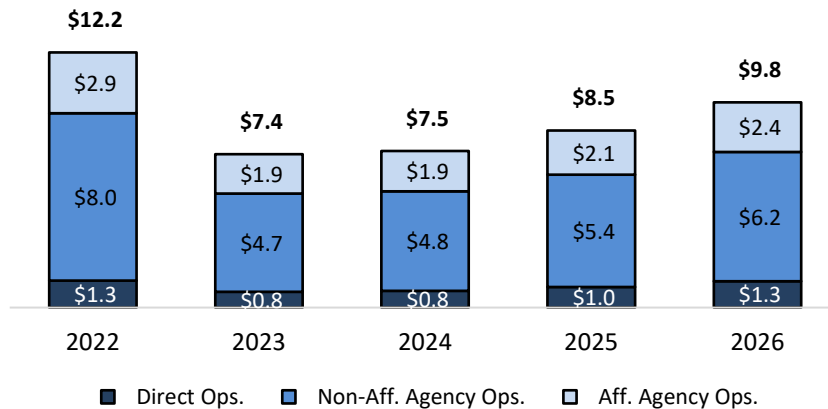


Primary Mortgage Market Survey®
U.S. weekly average mortgage rates as of 10/01/2026



In response, Fannie Mae lowered its forecasts from August for single-family mortgage originations and refinances for the second half of 2026 and first half of 2027. Fannie Mae now estimates mortgage originations to be \$508 billion and \$502 billion, respectively, for the third and fourth quarters of 2026 and \$445 billion and \$605 billion for the first and second quarters of 2027. Looking forward into the next year for the title insurance industry, we could see a slowing of the recent premium growth trend.

Direct Premiums Written - Title (\$B)



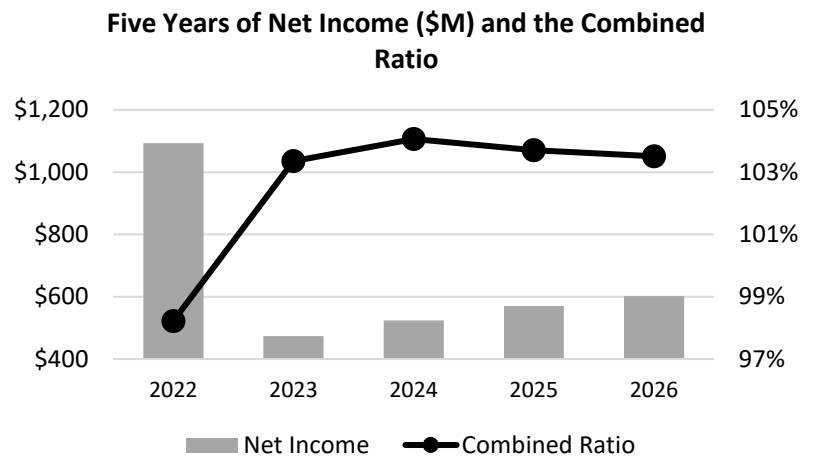
Top 5 States By DPW		
Locale	% Total DPW	% Chg
TX	14.7%	9.1%
FL	11.6%	12.7%
CA	8.6%	12.5%
NY	6.5%	18.7%
PA	4.2%	32.8%

The five largest states by DPW (TX, FL, CA, NY, and PA) remained the same as mid-year 2025. Together, these five states represented 45.5% of the market during the first half of 2026, down 0.8 points compared to the prior year. The majority of the 58 U.S. states and territories experienced premium growth compared to mid-year 2025.

The title insurance market remains concentrated among four major groups, which account for approximately 80% of total DPW. Fidelity National, the largest insurance group, owns two of the top five companies and wrote \$3.1 billion (31.5% of the market) in DPW. First American wrote \$2.5 billion (24.6%) in DPW, Old Republic wrote \$1.3 billion (13.9%), and Stewart wrote \$1.1 billion (10.6%). The remaining groups accounted for less than 5% of the market each, and insurers without a group affiliation accounted for 13.3% (\$1.2 billion) of the market.

Profitability

The title industry recorded a net operating gain of \$463.1 million for the first half of the year, a 21.1% improvement compared to the prior year period. Total operating income increased 13.8% to \$10.5 billion, primarily reflecting title insurance premiums earned of \$9.7 billion (increased 13.7%). Total operating expenses increased 13.5% to \$10.0 billion and primarily consisted of operating expenses incurred of \$9.7 billion, which increased 13.8% compared to the prior year period. Losses and loss adjustment expenses incurred increased 6.4% to \$374.6 million.



The mid-year combined ratio improved 0.2 points to 103.5%. The net loss ratio improved 0.2 points to 3.9%, and the expense ratio was unchanged at 99.6%.

A net investment gain of \$289.7 million was 2.0% lower than the prior year period. Net investment income earned decreased 5.1% to \$262.1 million while net realized capital gains increased 41.7% to \$27.6 million. The operating gain increase offset the lower investment gain, resulting in a 5.7% increase in net income to \$602.5 million.

Capital & Surplus

Policyholders' surplus (PHS) increased 6.4% from the prior year end to \$6.2 billion. In addition to net income and \$280.7 million dividends to stockholders, net unrealized capital gains improved to \$46.8 million, change in surplus notes totaled \$11.6 million, net unrealized foreign exchange capital gains improved to \$14.2 million, change in net deferred income tax totaled \$(14.5) million, and nonadmitted assets increased \$23.5 million, among lessor changes to surplus. The return on surplus ratio increased 0.4 points compared to the prior year to date to 10.1%.



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DISCLAIMER

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