



Property Insurance Market Update

Discussion Topics

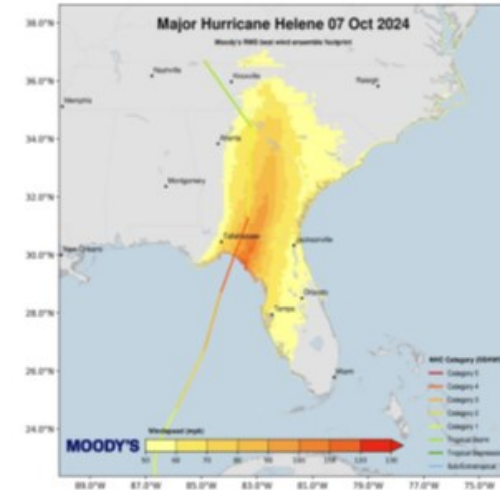
- 2024 – A Look Back
- Historical Perspective
- 2025 Market Trends and Forecast
- The Florida Factor



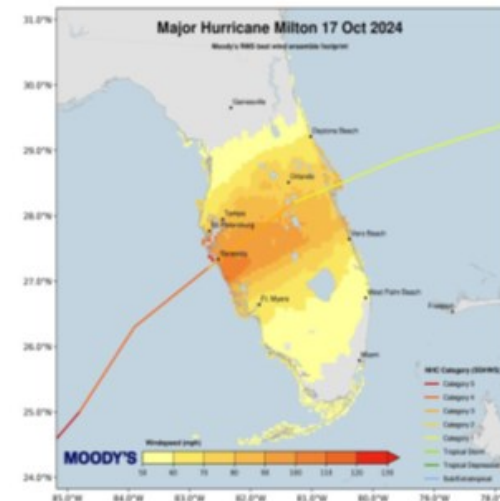
2024 Property Market – A Look Back

- \$140 billion global insured catastrophe losses in 2024, the 3rd highest in history (less than 2022's \$165 billion, more than 2023's \$106 billion, and historically high)
- Largest U.S. insured catastrophe losses were Florida Hurricanes
 - Helene – September 27th landfall
 - Max. 140 mph sustained winds = Category 4
 - \$16 billion insured loss estimate
 - Milton – October 9th landfall
 - Max. 120 mph sustained winds = Category 3
 - \$26 billion insured loss estimate
- Despite continuing losses, property insurance marketplace is now better positioned to withstand catastrophe losses. Contributing factors include:
 - Higher premium base to absorb losses, following sizeable rate increases in recent hard market
 - Higher Total Insurable Values (TIV) due to insurers and reinsurers requiring insured to report values that keep up with recent inflationary trends
 - Larger deductibles for insureds, in particular for challenging risk areas (e.g., coastal Florida exposures)
 - More restrictive terms & conditions, including wind sub-limits

Hurricane Helene



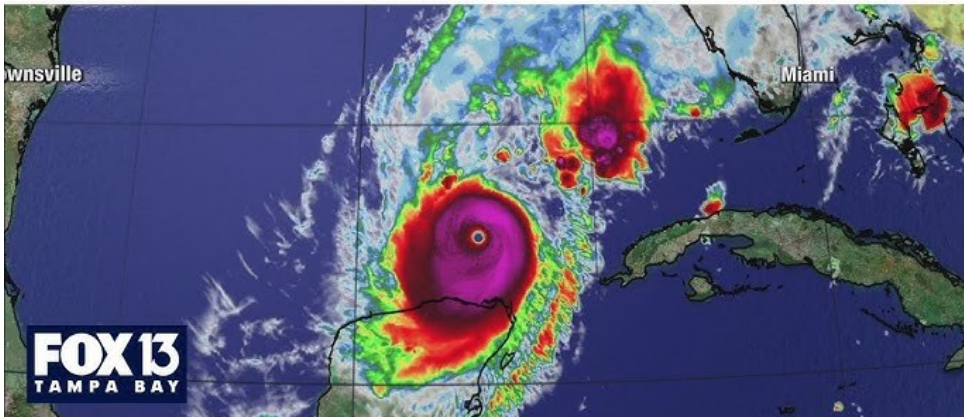
Hurricane Milton



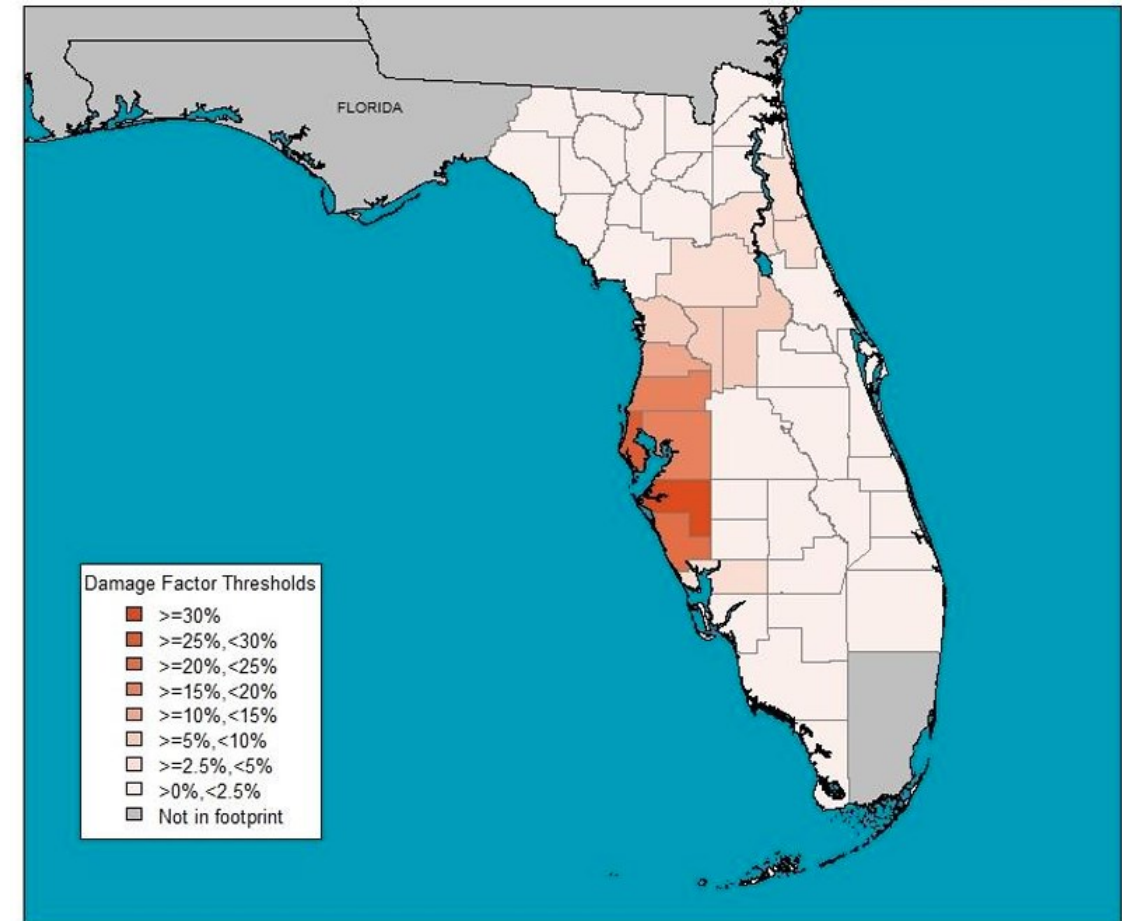
If Milton took a different path...

- Lloyd's Realistic Disaster Scenario (RDS) are storm simulations used to stress test insurers' ability to withstand large catastrophes
- Example on right is a simulated event similar to Milton that makes a direct hit on Tampa
- Insured loss estimate of \$134 billion

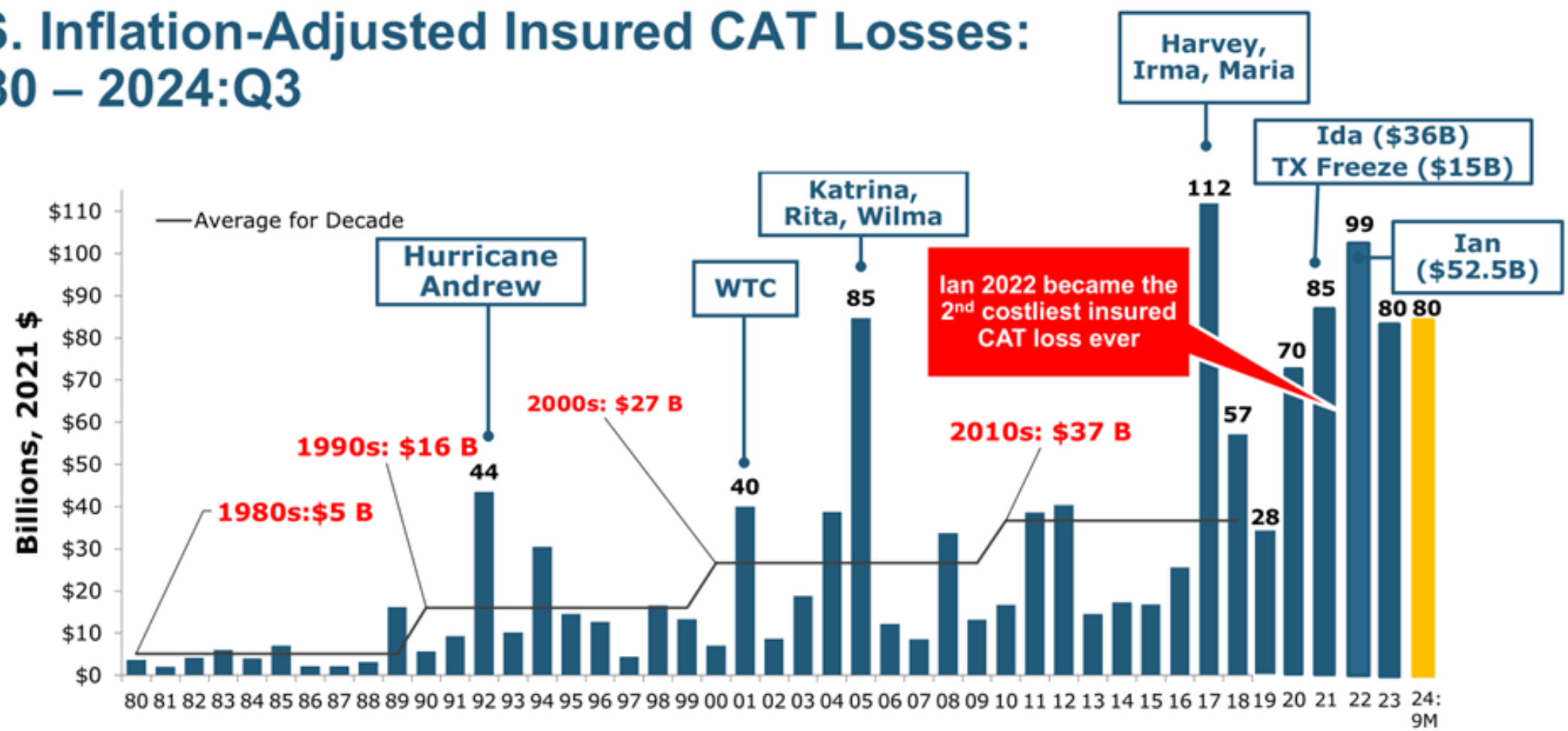
HURRICANE MILTON GAINS STRENGTH; CAT 5 STORM



Lloyd's RDS



U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2024:Q3



Average Insured Loss per Year*
1980-2021: \$23.8 Billion
2012-2021: \$44.1 Billion

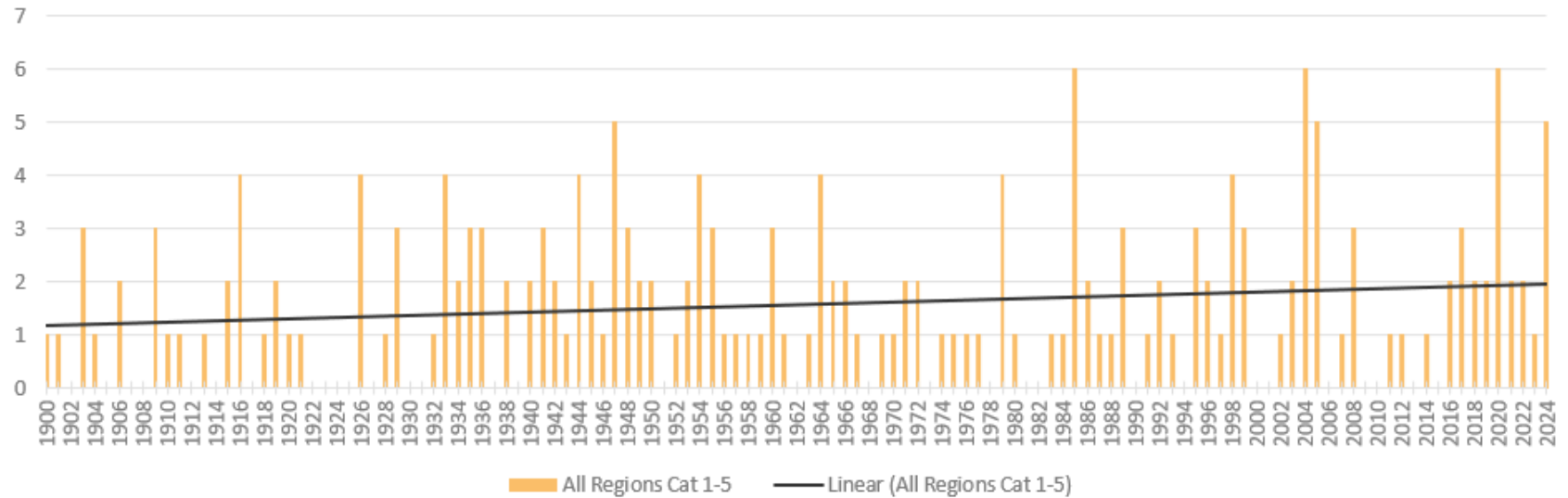
The 2020s are off to an ominous start with \$83.5B in average annual insured losses (2020-23)

*Stated in 2021 dollars except 2022 -2024 (in current dollars).
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023 and 2024:9M figure from Aon. Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

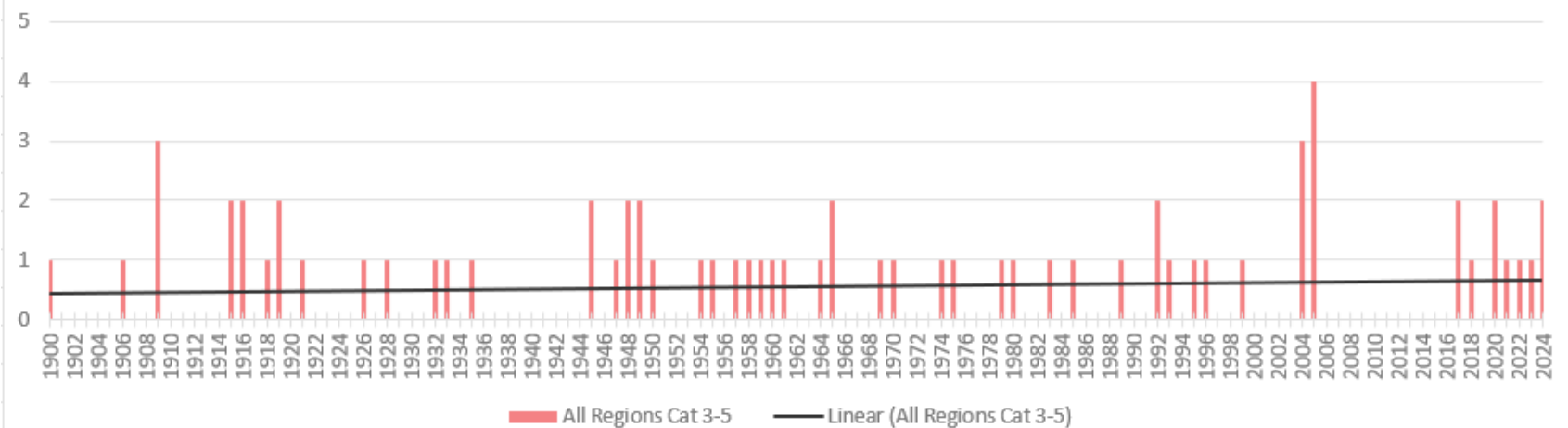
U.S. Historical Hurricane Landfall Trends

- North Atlantic averaged 2 landfalls per year 1970 - 2022
- Modest trend in landfalling hurricanes since 1900
- No trend in major hurricane landfalls
- Exposure growth is driving larger hurricane claim dollars

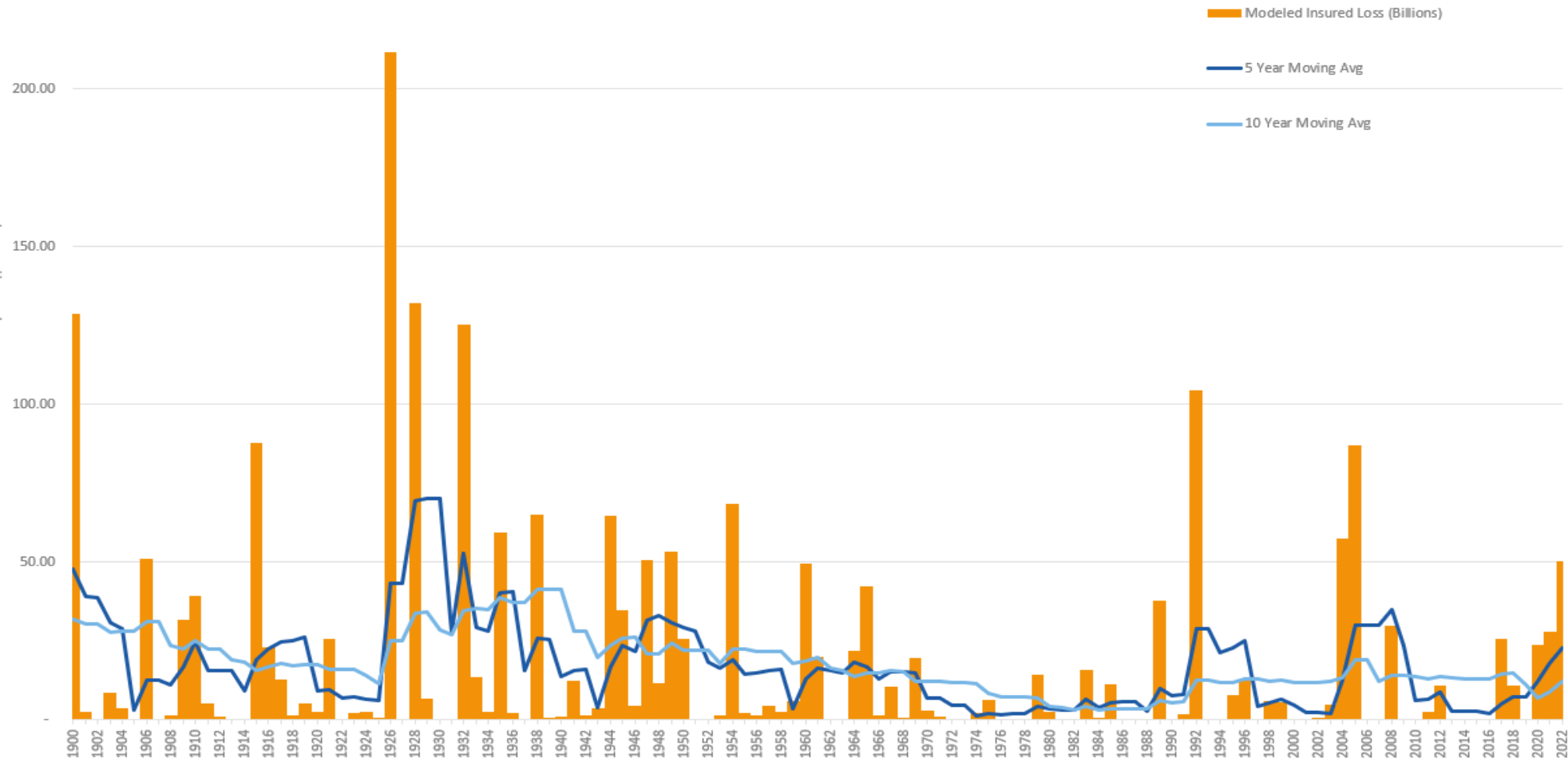
All Regions Landfall Count Cat 1-5



All Regions Landfall Count Cat 3-5



U.S. Historical Model-Adjusted Losses



- 1926 Great Miami hurricane models as \$200 billion+ event today
- Second-largest modeled event is Lake Okeechobee Hurricane in 1928
- 1930 – 1960 time period saw notable frequency and severity of hurricanes

2025 Property Market Trends and Forecast

- Property catastrophe treaty reinsurance is stable, with single-digit rate reductions the norm at January 1, 2025 renewals
- Insurance capacity has flowed back into the industry due to elevated rates and premiums, leading to a more competitive marketplace
- Rate reductions are now common, to varying degrees depending on exposures and loss experience
- Less scrutiny of terms and conditions, with most policies renewing with no change in limits, deductibles, sub-limits, etc.
- Model-driven, analytics-based industry continues to push importance of accurate replacement cost valuations
- Challenging Q1, with January 2025 California wildfires estimated at \$40 – 50 billion, by far the largest wildfire losses in U.S. history
- \$200 billion of insured global catastrophe losses a realistic possibility in 2025
- Stable and competitive marketplace and outlook, though property market can shift quickly following major events
- Above average 2025 Atlantic hurricane season forecast, with prediction of 17 named storms, 9 becoming hurricanes, including 4 major hurricanes (Category 3 or higher)



The Florida Factor



Florida continues to be the most challenging catastrophe risk zone in the world



3 hurricanes made landfall in Florida in 2024, including 2 major hurricanes that could have been much worse



Treaty reinsurance pricing flattened out in 2024 and is declining in 2025



Insurers continue to exhibit some discipline when providing their limited Florida wind capacity



Despite legislative reforms to Florida insurance laws, insurers remain concerned about potential claim inflation, public adjuster activity, and legal climate within the state



While Florida insurance buyers are seeing a more competitive market this year, the 2025 hurricane season and other global loss activity will drive future market trends



Casualty Insurance Market Update

State of the U.S. Casualty Market

2024 & 1Q25 National Recap

- Consistent retail insurance rate increases across most lines of business, driven by rising claim costs, social inflation, and capacity management challenges
- Workers Compensation remained the most stable segment, benefiting from strong reserves, but faced challenges from inflation and workforce demographics

Factors Driving Market Conditions and Rate Changes

Social Inflation / Nuclear Verdicts / Litigation Concerns

Inflation

Capacity Management

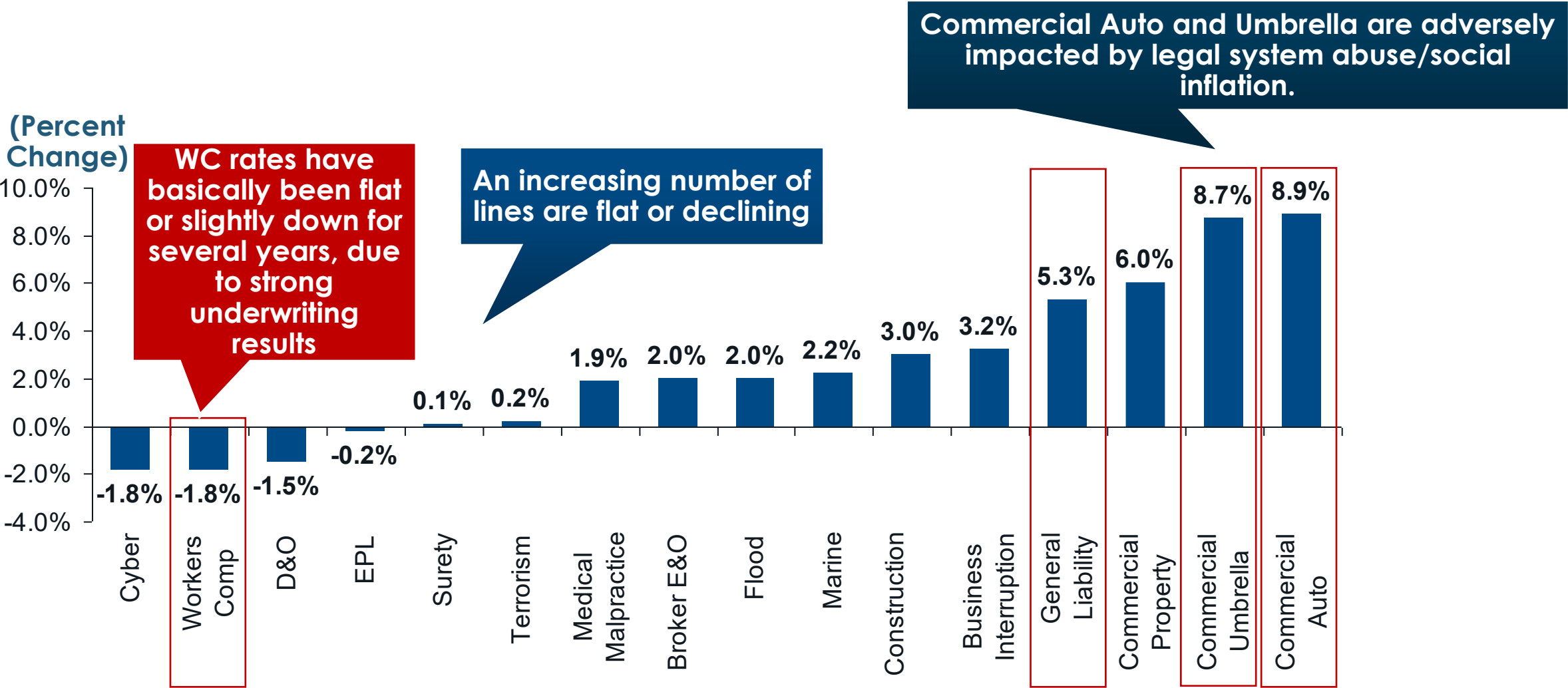
Medical Expenses

Driver Shortages

Workplace Demographics

Ergonomic Exposures

Change in U.S. Commercial Rate Renewals, by Line: 2024:Q4 (All Industries)



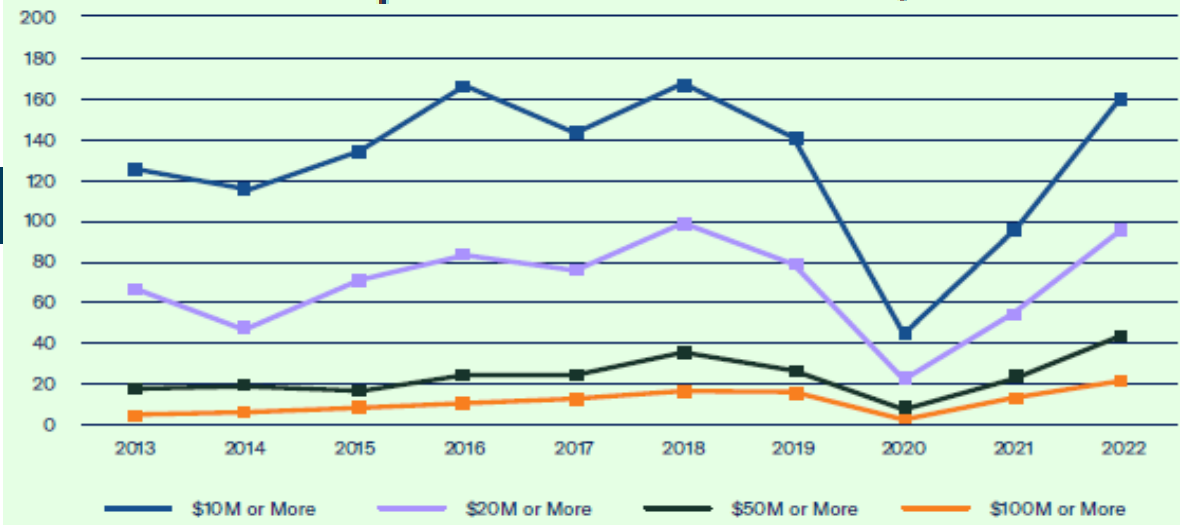
Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

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

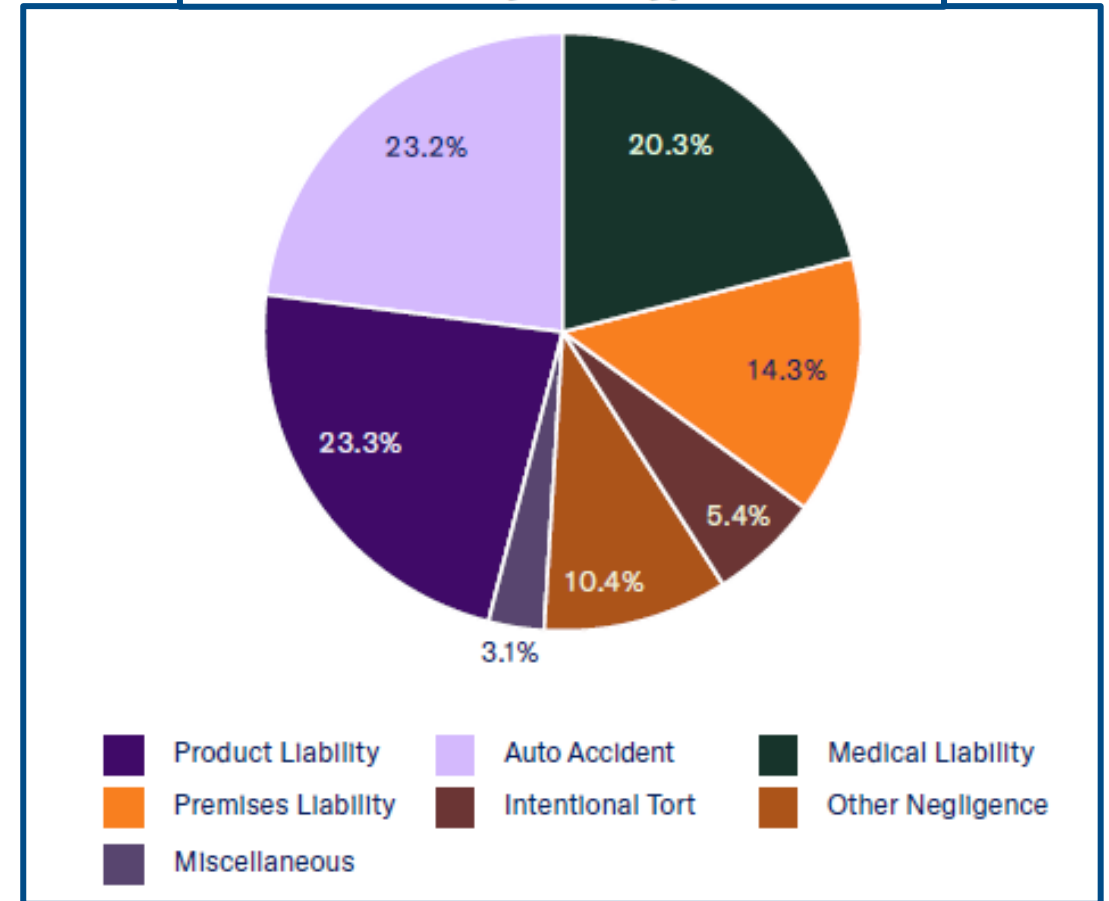
Nuclear Verdicts: Key Findings

- Upward Trend: Increase in frequency of nuclear verdicts (excluding pandemic years)
- Impact: Significant effects on businesses, industries, and society
- Case Characteristics: Catastrophic injuries or deaths

Number of Reported Nuclear Verdicts, 2013 – 2022



Nuclear Verdicts by Case Type, 2013 – 2022



Source: U.S. Chamber of Commerce Institute for Legal Reform

Driver of Nuclear Verdicts



In-Court Tactics: Manipulative strategies by plaintiffs' lawyers



Outside Influences: Lawsuit advertising, third-party litigation funding



Legislative Actions: Efforts to expand damages and weaken safeguards

Real-World Implications

- ***Economic Impact***: Higher costs for goods, services, and insurance premiums
- ***Litigation Inflation***: Increased settlement demands, litigation costs
- ***Rule of Law***: Undermined confidence in the legal system

Source: U.S. Chamber of Commerce Institute for Legal Reform

Verdict Analysis

Study Period: 1,288 nuclear verdicts (2013-2022)

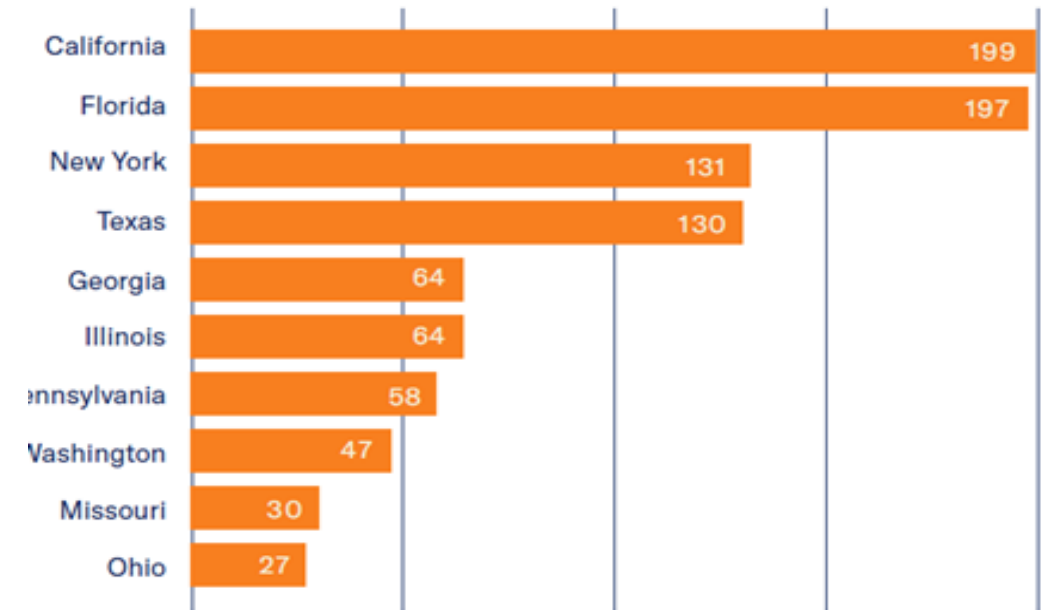
Distribution: Half between \$10M-\$20M, significant portion >\$50M

Jurisdictional Trends: Product liability, auto accident, medical liability cases

**Table 1: Mean & Median Nuclear Verdict
by Litigation Type, 2013 – 2022**

Litigation Type	Mean	Median
Product Liability	\$215.9 Million	\$25.0 Million
Other Negligence	\$99.8 Million	\$20.0 Million
Intentional Tort	\$94.6 Million	\$28.6 Million
Auto Accident	\$46.4 Million	\$21.0 Million
Medical Liability	\$33.6 Million	\$19.6 Million
Premises Liability	\$32.5 Million	\$20.0 Million
Miscellaneous	\$31.5 Million	\$22.4 Million
All Personal Injury / Wrongful Death	\$88.9 Million	\$21.1 Million

**Figure 5: Top 10 States by Cumulative
Nuclear Verdicts, 2013 – 2022**



OVERVIEW

(2013-2022)

Reported Nuclear Verdicts: **197**

Total Awarded: **\$33 Billion**

Median Award: **\$19 Million**

HIGH FREQUENCY AND PER CAPITA RATE

FL rivals CA for the most nuclear verdicts
despite having ½ the population

FL hosts the most verdicts per capita in the
nation

Florida Nuclear Verdicts Study

GEOGRAPHICAL HOTSPOTS

Broward County and Miami-Dade County
are the most frequent areas for verdicts

TYPES OF CASES

Product Liability: 39.1%

Auto Accidents: 25.9%

Medical Liability: Lower proportion
compared to other states

Source: U.S. Chamber of Commerce Institute for Legal Reform

Tort Reforms and Legislation Updates in Florida

Liability Related

Proposed SB 1570: Suits Against the Government

- Would increase the Tort Cap to \$1M/\$3M in Oct. 2025, then \$1.1M/\$3.2M in Oct. 1, 2030.

Proposed HB 301: Suits Against the Government

- Would increase the Tort Cap to \$500K/\$1M in 2025, then \$600K/\$1.1M in 2030
- Subdivision can settle claims exceeding the statutory limit without legislative action

Workers' Compensation Related

Presumption Claims

- Post-Traumatic Stress Syndrome expansion (SB 376) – 2018
- Firefighter Cancer Presumption (Chapter 112 Section 1816) – 2019
- Introduction of HB 269/SB 366 revises definitions related to certain disabilities, including heart disease, hypertension, and tuberculosis for FF, Law Enforcement, Correctional Officers – January 2025

Senate Bill 362 (passed Jun 2024) – increases the Medicare maximum reimbursement allowances for physicians and surgical procedures.

- NCCI Estimates this will increase FL WC “System” Costs by 5.6%.

Impact of Tariffs & Inflation

Potential Impact of Tariffs:

Near-term equity losses within Insurer portfolios

- Investments, which are conservative by design and regulation (lower risk/lower reward), have even lower returns
- Lower investment returns put pressure on underwriting results as the sole source of Insurer profit

Loss-cost inflation – anticipated for auto and property lines of coverage

- The U.S. imports the vast majority of auto parts used in repairs paid by insurers (Mexico 36%; Canada 13%; China 13% as of 2022 data)
- 70% of wood-related products were imported from Canada in 2023

U.S. Inflation:

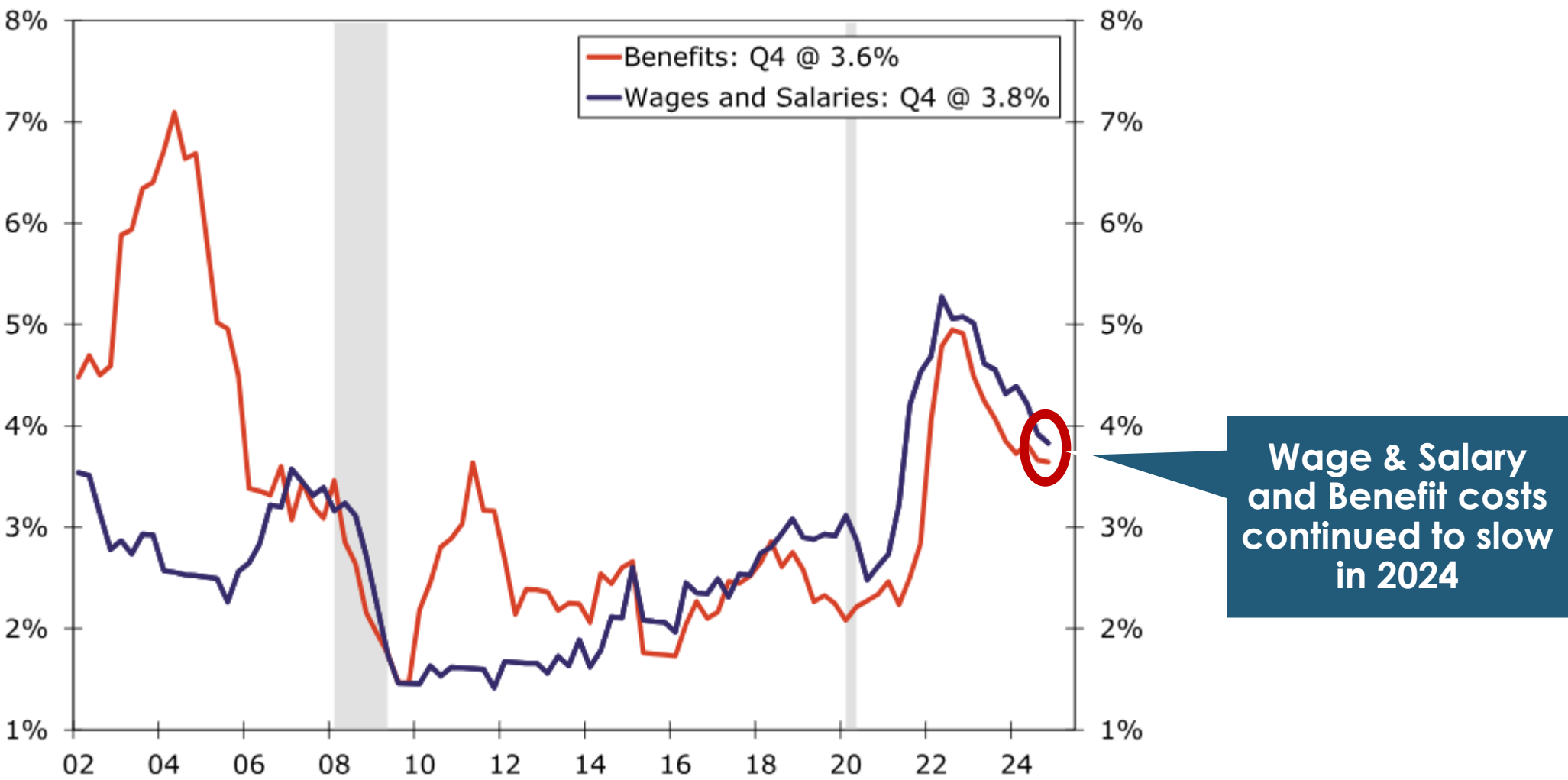
Inflation fears ebbed at the end of 2024 but have since increased in 1Q25

- The U.S. rate of inflation dropped from 8% in 2022 to 3% by the end of 2024
- Inflation raises Insurer concerns about rate and reserve inadequacy as well as insurance-to-value ratios

Sources: Observatory of Economic Complexity (OEC); U.S. Bureau of Labor Statistics; Wells Fargo Securities (2/25); USC Center for Risk and Uncertainty Management; National Association of Homebuilders, *Import Data for Residential Construction Materials*, Dec. 13, 2024

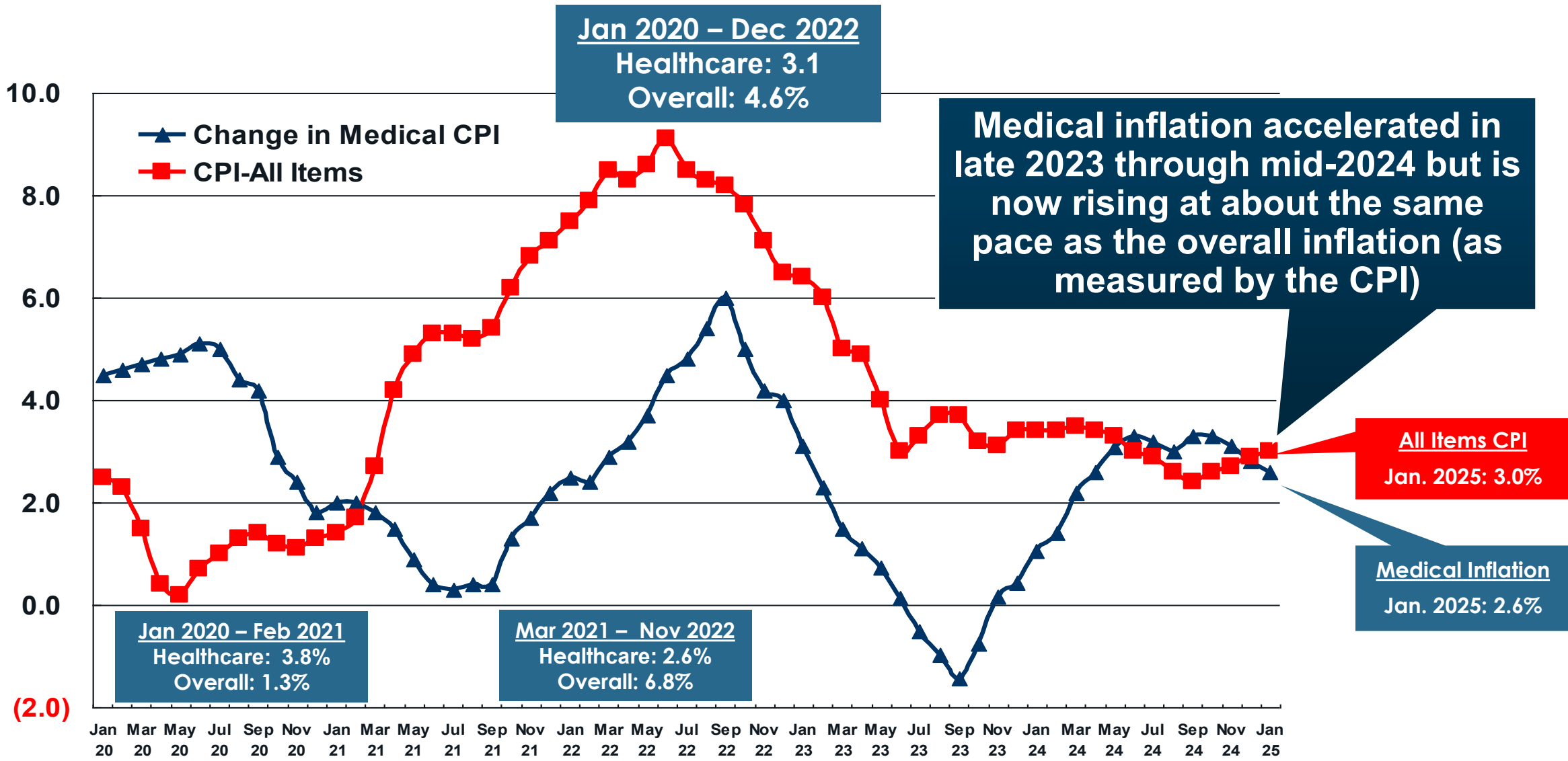
Employment Cost Index Components: Wages & Salaries and Benefits Costs Continue to Cool, 2002:Q1 – 2024:Q4

12-Month Percent Change



Source: U.S. Department of Labor accessed at: <https://www.bls.gov/news.release/pdf/eci.pdf>.

Medical Cost Inflation vs. Overall CPI Since COVID, Jan. 2020 – Jan. 2025 *(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 SC

CLOSING THOUGHTS

The P/C Insurance Industry remains strong, stable, sound and secure

- Auto lines, umbrella and reinsurance segments are stressed but improving

Loss Cost challenges have been easing, but changes in fiscal, trade, and labor policies in 2025 could exert inflationary pressures

- Tariffs would adversely impact auto and property claim severities

“Soft Landing” has been achieved; Recession looks more possible in 2025 due to tariffs

Asset Price Volatility will persist with monetary policy, fiscal, geopolitical uncertainty

Higher Interest Rates are providing a modest tailwind for investment income

Inflationary Pressures moderated in 2024, though persisting into 2025

- Tariffs—if fully implemented and maintained—are somewhat “stagflationary”

Legal System Abuse issues remain a long-term challenge and major cost driver



THANK YOU

Questions?



THANK YOU

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