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### Agenda



Introductions



How did we get here, state of the market?



What's the future hold?



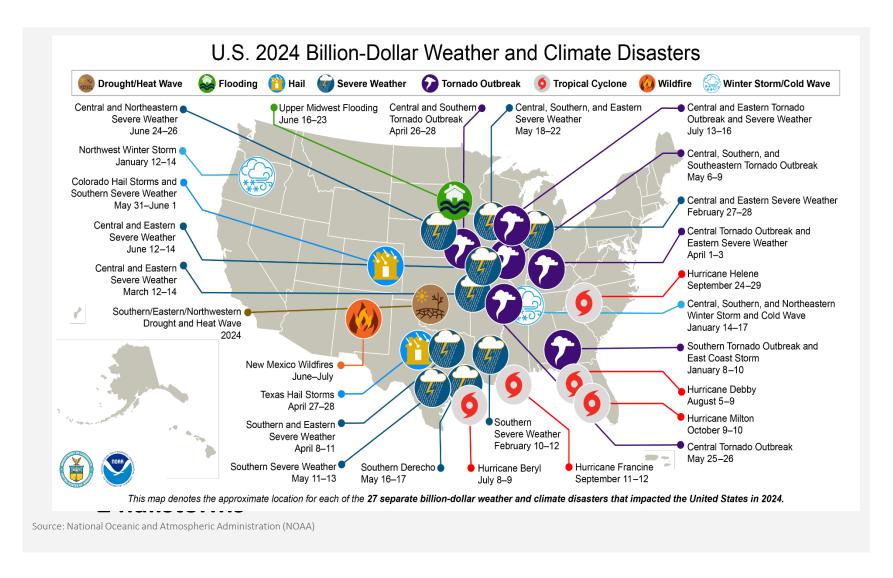
How can you mitigate the impacts?



Questions – as we go!

# Polling Question #1

# How did we get here, state of the market: Billion Dollar Events in 2024



#### **Key Facts:**

- 27 events in total
- 1 wildfire events
- 6 tornado events
- 5 hurricanes
- 2 winter storm
- 9 severe weather events
- 1 flooding events
- 2 hailstorms
- 1 drought

### How did we get here, state of the market: 1 in 100-year events are happening every year!



Billion-dollar events to affect the United	l States from 2015 to 2024 (CPI-Adju	usted)
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Disaster Type	Events	Events/ Year	Percent Frequency	Total Costs	Percent of Total Costs	Cost/ Event	Cost/ Year	Deaths	Deaths/ Year
Drought	9	0.9	4.7%	\$77.0B CI	5.5%	\$8.6B	\$7.7B	793 <sup>†</sup>	79 <sup>†</sup>
Flooding	19	1.9	10.0%	\$71.2B CI	5.1%	\$3.7B	\$7.1B	232	23
Freeze	1	0.1	0.5%	\$1.3B CI	0.1%	\$1.3B	\$0.1B	0	0
Severe Storm	114	11.4	60.0%	\$278.3B CI	19.8%	\$2.4B	\$27.8B	495	50
Tropical Cyclone	29	2.9	15.3%	\$820.4B CI	58.3%	\$28.3B	\$82.0B	4,026	403
Wildfire	10	1.0	5.3%	\$108.6B CI	7.7%	\$10.9B	\$10.9B	369	37
Winter Storm	8	0.8	4.2%	\$49.7B CI	3.5%	\$6.2B	\$5.0B	472	47
All Disasters	190	19.0	100.0%	\$1,406.5B CI	100.0%	\$7.4B	\$140.7B	6,387	639

23 Average number of \$1 Billion events in last 5 years

9 Average number of \$1 Billion events in the last 43 years

produce upper and lower bounds at these confidence levels (Smith and Matthews, 2015).

Source: https://www.ncei.noaa.gov/access/billions/summary-stats/US/2015-2024

<sup>&</sup>lt;sup>T</sup>Deaths associated with drought are the result of heat waves. (Not all droughts are accompanied by extreme heat waves.)

Flooding events (river basin or urban flooding from excessive rainfall) are separate from inland flood damage caused by tropical cyclone events.

The confidence interval (CI) probabilities (75%, 90% and 95%) represent the uncertainty associated with the disaster cost estimates. Monte Carlo simulations were used to

## How did we get here, state of the market: Headwinds\* – overview of market conditions

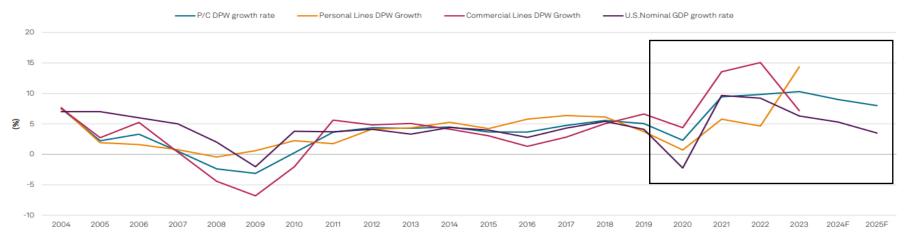
- Catastrophic Losses
- State Regulatory Restrictions
- Reinsurance Markets
- Geopolitical Tensions
- Rising Jury Awards
- Cyber Threats



### How did we get here, state of the market: Premium trends – what happened in 2020 (hint – it wasn't COVID)

#### U.S. P/C Industry | Personal Lines Versus Commercial Lines Premium Growth

- · P/C premium growth typically tracks economic growth but has diverged recently in response to the spike in loss cost inflation.
- After higher premium growth in 2019-2022, commercial lines' premium growth in 2023 slowed, reflecting moderate rate increase. On contrary, the growth rate of personal lines in 2023 was greater than that of the industry premium, reflecting higher rate increases.
- We expect net premiums in 2024 and 2025 will grow at 8%-9%, higher than nominal GDP growth expectation, as insurers respond to elevated claims costs with rate increases. However, this is slightly lower than in 2021-2023, reflecting moderation in rate increases.



F-Forecast. Nominal GDP forecast from S&P Global Ratings Economics. Source: Direct premiums written (DPW) from S&P Global Market Intelligence.

**S&P Global** Ratings

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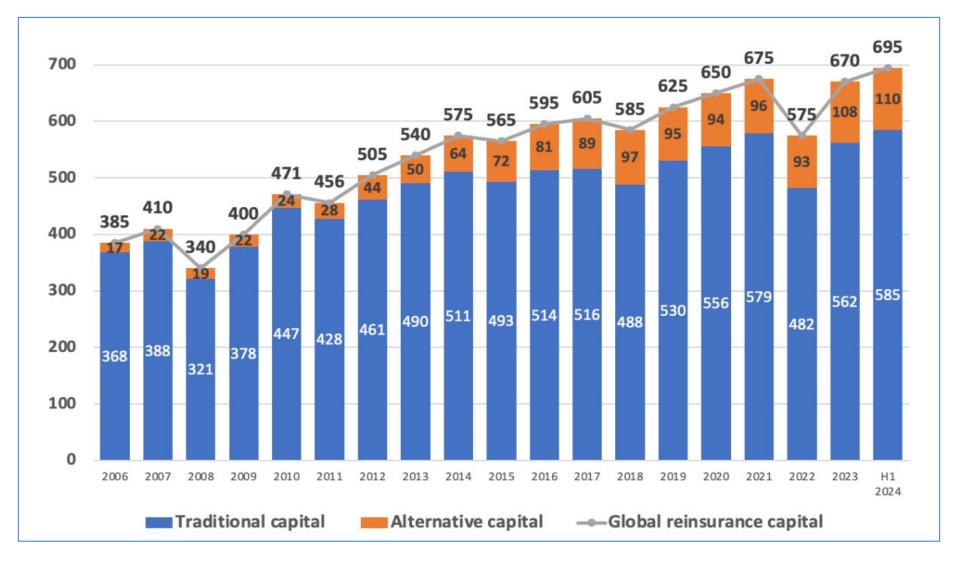
## Insurers are unprofitable – driving higher premiums

Line of business	DPW YTD USD bn	y-o-y growth	Direct loss ratio* YTD %	Loss ratio change y-o-y	
Fire & allied	21.50	4%	55%	14%	•
Other liability (occurrence)	21.60	11%	67%	-1%	•
Comm'l multiple peril	16.80	4%	56%	4%	•
Workers' compensation	15.00	-2%	50%	-1%	•
Comm'l auto liability	16.10	13%	68%	-1%	•
Other liability (claims)	9.00	1%	51%	1%	•
Inland marine	8.60	6%	45%	5%	•
Comm'l auto physical damage	4.00	3%	53%	-5%	•
Medical professional liability	4.60	4%	56%	-2%	•
Fidelity & surety	3.10	10%	24%	-3%	•
Financial & mortgage guaranty	1.60	6%	10%	2%	•
Ocean marine	1.40	2%	40%	-8%	•
Product liability	1.40	6%	17%	-23%	•
Earthquake	1.10	-6%	5%	1%	•
Pet insurance	1.30	17%	72%	1%	•
Warranty	1.00	8%	67%	3%	•
Credit	1.00	23%	49%	9%	•
Aircraft	0.60	0%	60%	9%	•
Boiler & machinery	0.60	0%	40%	17%	•
Commercial Total	130.50			3%	•
Pvt pass auto liability	52.80	7%	67%	-3%	•
Pvt pass auto phys damage	40.60	5%	54%	-9%	•
Homeowner, farmowner	41.40	13%	101%	44%	•
Personal total	134.90		74%	11%	•

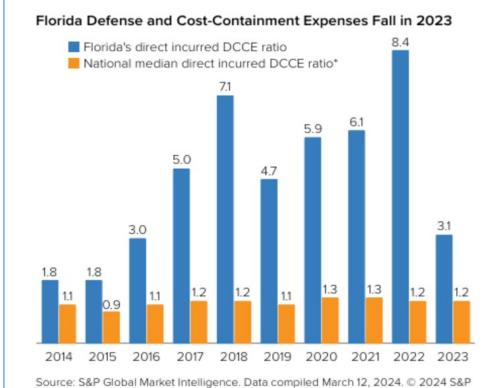
- Premium Growth and Loss Ratio by line of business
- ❖ Both Commercial and Personal lines of business have increasing loss ratios through Q1 2025
- ❖ Swiss Re project combined loss ratios to see more deterioration into 2026

\*Pure direct loss ratio (excluding LAE) = direct losses incurred / direct premiums earned

### How did we get here, state of the market Reinsurance renewals reduced capacity



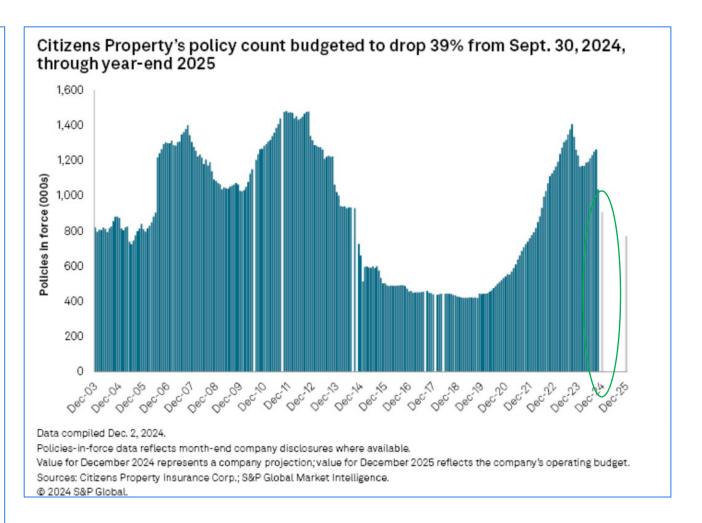
## We see reforms bringing relief



Global. \*Excludes US territories.

Data is sourced from Exhibit of Premiums and Losses of the annual property and casualty NAIC regulatory filings. Defense and cost containment expense information combines as-reported information for fire, allied lines and homeowners lines of business.

Industry data represent the consolidation of data of individual statutory filers covered by S&P Global Market Intelligence. Industry data includes Citizens Property Insurance Corp.



# Polling Question #2

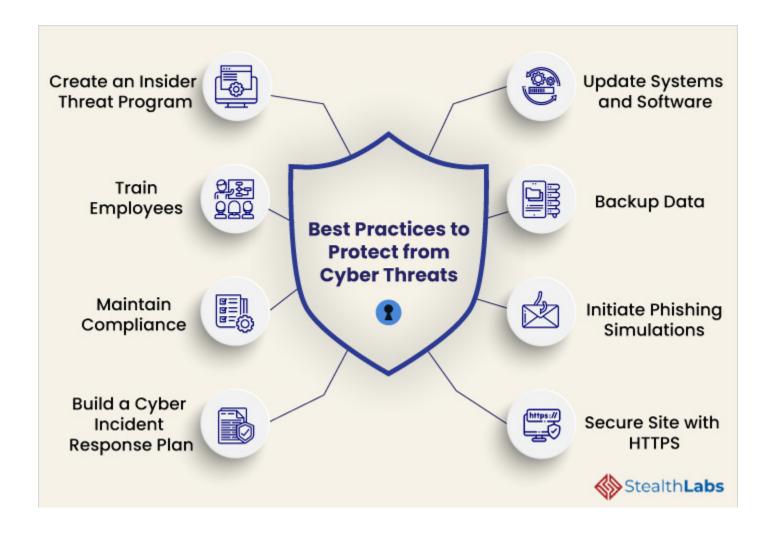
# How to manage what you can control?

- 1. **<u>Regulatory</u>**: local law mandates the purchase of insurance WC or auto
- 2. Compliance: contractual agreements to maintain insurance coverage,
- 3. <u>Liquidity</u>: Financial protection for significant unexpected events or losses,
- **4.** <u>Special Services</u>: Services tailored to specific business needs K&R, cargo, property, cyber risk
- **5.** <u>Self-insurance</u> Alternative options for transfer of risk (i.e. Captives Retention etc.)

# How can you mitigate the impacts? It's all about managing your risk



# **Avoid Cyber Threats**



# Assessing return of investment for Risk Management

### Life Safety First

- Crisis Management e.g. escape plan and communication
- Early detection
- Training/Education

### Property Safety

- Explore the options
- Reduce premiums
- Protect Future Insurability
- Value of asset to cost of mitigation







### How did we get here, state of the market: Nuclear verdicts

- **1. Exxon Mobil Case**: In 2024, a jury awarded \$725 million to a mechanic who developed blood cancer due to benzene exposure
- 2. 2023 Record Year: There were 89 verdicts exceeding \$10 million, with 27 of them surpassing \$100 million
- **3. Median Nuclear Verdict**: In 2023, the median nuclear verdict rose to \$44 million, up from \$21 million in 2020
- **4. Thermonuclear Verdicts**: These are verdicts exceeding \$100 million, and their frequency has been increasing

# Polling Question #3

# Speakers



James Kane CIC CRM
Partner - Senior Vice President
Personal Risk
USI Insurance Services



Amber Toney
Partner – National Select
Commercial Sales Director
USI Insurance Services

### Contact information

#### **USI Insurance Services LLC Valhalla NY www.usi.com**

#### **Cincinnati Insurance Company Fairfield OH www.cinfin.com**

#### **Britney Bowe**

USI Insurance Personal Risk Practice Leader- Mid Atl... Midatlantic Hub

+1 (571) 369-5162 Work britney.bowe@usi.com 3190 Fairview Park Drive, STE 400 Falls Church, VA 22042-4546

#### Amber Toney

USI Insurance Dir Ntl Select Prac Ldr Retail Service Ctr

+1 (513) 852-6352 Work

+1 (614) 832-1847 Mobile amber.toney@usi.com

Work From Home All Cities, USA 10595

#### James Kane

USI Insurance SVP, Personal Risk Retail Other

+1 (914) 749-8503 Work

+1 (267) 226-2579 Mobile

Jim.Kane@usi.com

3805 West Chester Pike, Suite 200 Newtown Square, PA 19073