Property & Casualty Insurance Industry

PROPERTY & CASUALTY OVERVIEW

Despite the impacts of higher catastrophe losses and Covid-19 in 2020, the industry reported improved underwriting results with net underwriting gains of $12.0 billion versus $8.4 billion in 2019. The improvement was primarily due to sustained premium growth, prior-year reserve releases, and lower loss costs in the personal and commercial auto market that together offset catastrophe losses and losses related to the pandemic.

Financial markets rebounded from the downturn early in the year, however, investment gains were slightly lower compared to last year. The investment yield dropped to its lowest point in a decade to 2.78%.

Overall, net income totaled $59.1 billion and combined with unrealized gains of $34.4 billion, lifted policyholders' surplus to a new all-time high of $955.1 billion at December 31, 2020.

Inside the Report

	Page No.
Market Conditions	2
Premium	3
Underwriting Operations	5-8
Investment Operations	9
Net Income	9
Cash Flow & Liquidity	9
Capital & Surplus	10
Reserves	10
Reinsurance	11,12
Cyber	12
Private Flood	12,13
Title Industry	13-15

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

For the year ended December 31,	YoY Chg	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Premiums Written	2.4%	658,386	642,984	621,786	561,952	537,926	524,006	506,657	486,462	465,743	446,634
Net Premiums Earned	2.3%	645,482	630,776	603,188	549,958	533,236	515,835	497,931	476,792	457,906	442,785
Net Losses Incurred	1.2%	383,134	378,582	366,258	353,954	323,195	296,749	284,934	263,576	283,985	296,241
Loss Expenses Incurred	0.8%	69,831	69,244	64,658	65,218	61,829	60,932	58,706	56,951	56,552	55,730
Underwriting Expenses	3.9%	179,739	173,055	168,228	151,672	148,692	145,753	139,846	136,586	130,809	124,768
Underwrting Gain (Loss)	43.6%	12,026	8,374	2,907	(22,459)	(1,700)	11,453	14,658	20,127	(13,762)	(35,451)
Net Loss Ratio	(0.8) pts	70.2%	71.0%	71.4%	76.2%	72.2%	69.3%	69.0%	67.2%	74.4%	79.5%
Expense Ratio	0.4 pts	27.3%	26.9%	27.1%	27.0%	27.6%	27.8%	27.6%	28.1%	28.1%	27.9%
Combined Ratio	-	98.7%	98.7%	99.1%	103.9%	100.5%	97.8%	97.3%	96.0%	103.1%	108.0%
1yr Rsrv Devlp/PY PHS	-	(0.8%)	(0.8%)	(1.6%)	(1.4%)	(0.7%)	(1.2%)	(1.4%)	(2.7%)	(2.2%)	(2.2%)
Net Invmnt. Inc. Earned	(6.5%)	51,567	55,132	53,287	48,978	45,539	47,228	46,401	46,594	48,041	49,005
Net Realized Gains (Loss)	(1.8%)	11,056	11,260	10,885	19,833	8,747	10,285	12,006	18,823	9,032	7,790
Net Invmnt. Gain (Loss)	(5.7%)	62,623	66,392	64,172	68,812	54,286	57,513	58,407	65,417	57,073	56,795
Investment Yield	(0.41) pts	2.78%	3.19%	3.24%	3.08%	3.01%	3.18%	3.17%	3.34%	3.61%	3.74%
Total Other Income	(19.5%)	1,034	1,284	1,530	(4,687)	950	1,475	(2,908)	(580)	2,305	2,382
Net Income[1]	(5.0%)	59,101	62,233	57,565	38,717	42,860	56,884	56,439	69,725	36,486	18,292
Return on Revenue	(0.6) pts	8.3%	8.9%	8.6%	6.3%	7.3%	9.9%	10.1%	12.9%	7.1%	3.7%
December 31,	YoY Chg	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Policyholders' Surplus[2]	7.2%	955,136	891,214	779,921	786,016	734,026	705,948	706,740	686,135	615,809	578,321
Return on Surplus	(1.0) pts	6.4%	7.4%	7.4%	5.1%	6.0%	8.1%	8.1%	10.7%	6.1%	3.1%

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

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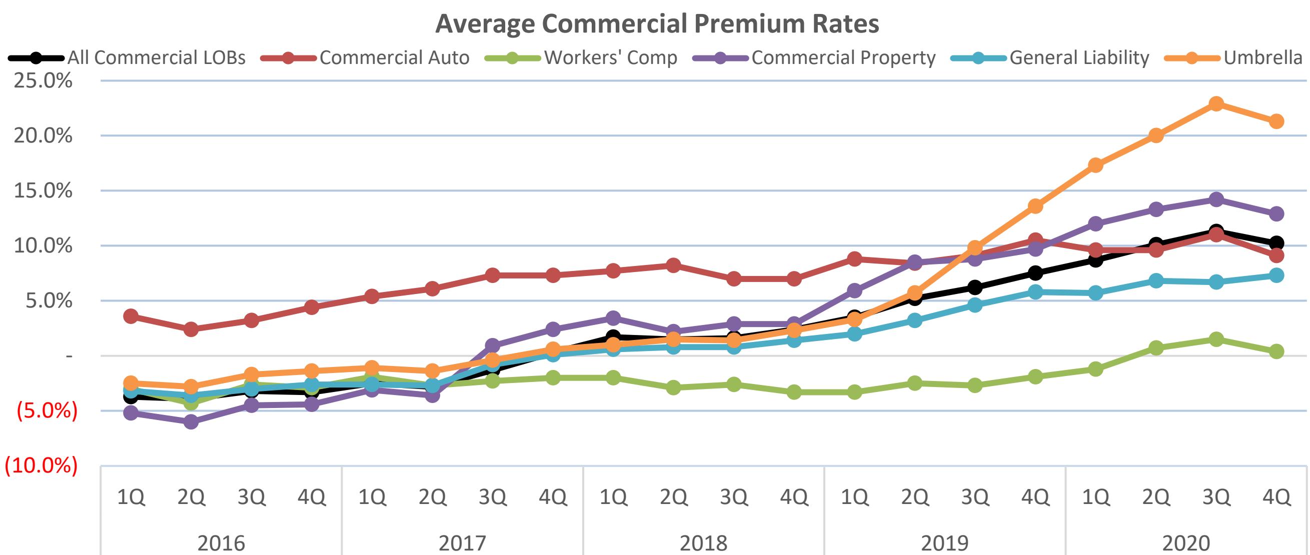
MARKET CONDITIONS

Premium Pricing

For over a decade, soft market conditions have existed in the property & casualty insurance industry as insurers reported strong balance sheets, competitive pricing, and broad terms and conditions. However, following a rise in catastrophic events in 2017 and 2018, market conditions began to shift. The increased frequency and severity of claims resulting from these events have prompted reactions from insurance carriers, such as increased rates and deductibles, reduced terms and conditions, and policy exclusions. Further, the number of insurance carriers has decreased (*see No. of P&C Filers chart on the following page*) primarily due to increased merger and acquisition (M&A) activity and some carriers exited the market, reducing the supply of insurance coverage while demand continues to increase. These factors have caused a hardening in the market.

According to the Council of Insurance Agents and Brokers (CIAB) Q4 Market Report, commercial premium rates have increased in all lines for thirteen consecutive quarters (*see chart below*), with the exception of Workers' Compensation. Further the CIAB indicated that commercial premium rates increased by an average of 10.2% for all lines in Q4 2020, which included a 9.1% increase in Commercial Auto rates – marking 38 consecutive quarters of rate increases within this line. The CIAB also indicated that Q4 2020 was the third consecutive quarter where all lines, including Workers' Compensation, had an increase in premiums.



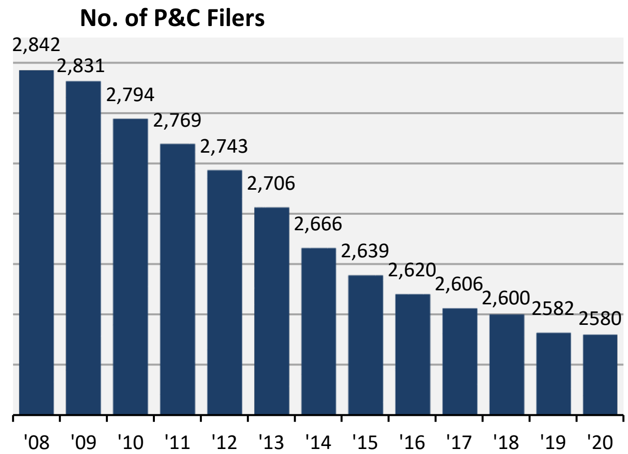
Source: The Council of Insurance Agents & Brokers, Commercial Property/Casualty Market Index – Q4/2020

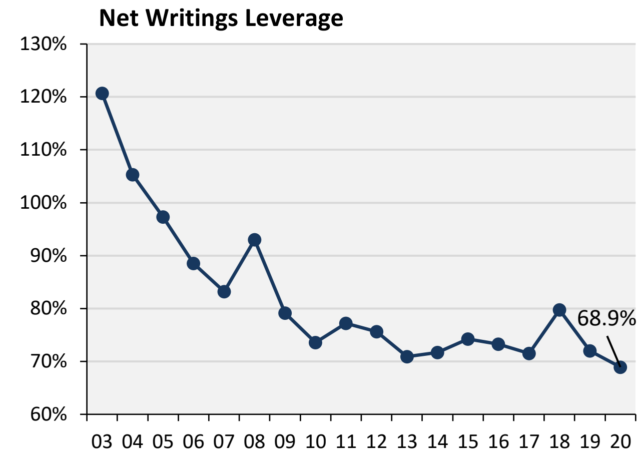
Other takeaways from the CIAB report include:

- Business interruption claims continued to taper off with only 38% of respondents reporting increased claims compared to 62% in Q3 2020 and 94% in Q2 2020
- 75% of respondents reported an increased demand for Cyber coverage as 66% of respondents reported an increase in ransomware claims

Capacity

Despite the hardening market, industry profits continued for the 19th consecutive year and policyholders' surplus reached a new high, resulting in abundant industry capacity as shown in the net writing leverage of 68.9% (*see chart on following page*), giving insurers the incentive to write more business. As mentioned earlier, some insurers have pursued market share gains through mergers and acquisitions in addition to the long-term organic growth.





PREMIUM

Direct premium written (DPW) in the property & casualty insurance industry increased 2.4% YoY to $727.1 billion in 2020 representing the lowest YoY growth rate in the past ten years which averaged 4.2%. The Personal Market represented 51.1% of total DPW, however, premium in this market grew by only 0.8% YoY as many insurers refunded a portion of auto premiums in response to reduced driving during the pandemic, resulting in a 2.2% decrease in Private Passenger Auto Liability premiums compared to last year. Personal Auto Physical Damage DPW was flat while homeowners saw a 6.0% increase YoY as insurers increased rates in response to increased catastrophe activity.

DPW As of ($M)	% Chg	$ Chg	2020	2019	2018	2017	2016
Personal	0.8%	2,911	371,347	368,436	354,759	334,478	314,080
Commercial	3.6%	9,176	264,018	254,842	241,470	231,630	225,337
Combined	6.0%	5,155	91,718	86,564	80,275	75,566	73,156
Totals	2.4%	17,242	727,083	709,841	676,504	641,674	612,573

DPW in the Commercial Market saw a 3.6% increase as the Other Liability line (11.9% of total DPW) increased 13.7% YoY, Commercial Multiple Peril increased 4.8%, and Commercial Auto Liability increased 0.9%. Offsetting the increase in these lines was a 9.1% decrease in Workers' Compensation DPW (7.1% of total DPW) which has seen current quarter over prior year quarter decreases since the fourth quarter of 2018. Further, as results have improved in this line, competition has increased, placing downward pressure on rates. However, premium rates were higher in the second half of 2020 in response to increased claim frequency.

DPW in the Combined Lines Market increase 6.0% YoY. While this was the largest increase among the three segments, Combined Lines only represented 12.6% of total DPW. Two of the top three lines of business in this market saw increases in DPW, including Allied Lines and Fire at 10.6% and 13.5%, respectively.

Assumptions increased 3.9% YoY to $589.9 billion, of which 88.8% was affiliated assumptions. U.S. intercompany pooling agreements comprised 62.1% of reinsured business followed by 24.6% affiliated non-pooled business. Cessions amounted to $658.6 billion, a 3.6% increase compared to last year and overall, net premiums written increased 2.6% to $658.4 billion.

As seen in the table on the following page, DPW increased in nearly all states and territories.

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

State	Direct Premiums Written			Pure Direct Loss Ratio			Losses Incurred		Premiums Earned	
	YoY Chg	2020	2019	YoY Chg	2020	2019	2020	2019	2020	2019
AL	4.9%	9,927	9,463	18.4 pts	72.5%	54.1%	7,041	5,021	9,711	9,275
AK	0.3%	1,660	1,655	5.4 pts	51.0%	45.6%	844	748	1,653	1,641
AR	3.3%	12,820	12,415	(3.1) pts	54.2%	57.3%	6,781	6,939	12,515	12,108
AR	5.8%	6,035	5,706	3.8 pts	67.0%	63.1%	3,909	3,548	5,838	5,619
CA	1.9%	86,684	85,054	0.3 pts	54.2%	54.0%	45,945	44,514	84,715	82,478
CO	3.5%	14,809	14,314	(3.5) pts	60.1%	63.6%	8,690	8,804	14,457	13,843
CT	1.1%	9,224	9,121	2.1 pts	57.2%	55.1%	5,216	4,969	9,127	9,020
DE	0.4%	2,917	2,907	6.3 pts	61.0%	54.7%	1,775	1,576	2,911	2,884
DC	3.2%	2,126	2,061	8.9 pts	46.4%	37.5%	962	751	2,072	2,001
FL	4.7%	59,264	56,602	(2.1) pts	64.5%	66.7%	37,132	36,859	57,526	55,288
GA	4.5%	23,980	22,954	(0.9) pts	63.0%	63.9%	14,733	14,300	23,390	22,393
HI	(1.1%)	2,672	2,702	(1.1) pts	46.0%	47.1%	1,221	1,252	2,656	2,660
ID	6.4%	3,438	3,232	0.4 pts	57.3%	56.9%	1,903	1,772	3,322	3,113
IL	1.1%	27,421	27,126	(1.9) pts	62.9%	64.8%	16,889	16,992	26,842	26,230
IN	3.1%	12,433	12,062	(4.1) pts	53.3%	57.4%	6,503	6,782	12,204	11,824
IA	3.1%	7,009	6,799	62.5 pts	116.8%	54.3%	8,027	3,645	6,873	6,713
KS	2.3%	7,142	6,980	(11.9) pts	46.5%	58.3%	3,241	4,014	6,977	6,883
KY	0.1%	8,049	8,043	(5.8) pts	52.6%	58.5%	4,210	4,649	7,999	7,953
LA	1.1%	12,534	12,395	61.9 pts	118.1%	56.2%	14,655	6,872	12,412	12,230
ME	2.8%	2,544	2,475	11.3 pts	61.3%	50.0%	1,531	1,217	2,496	2,434
MD	1.3%	12,968	12,795	(7.2) pts	53.1%	60.4%	6,818	7,566	12,832	12,530
MA	2.6%	16,837	16,414	(2.6) pts	47.9%	50.5%	7,887	8,059	16,467	15,968
MI	(0.9%)	20,694	20,873	(1.2) pts	55.6%	56.8%	11,498	11,641	20,675	20,477
MN	2.7%	12,803	12,462	(7.0) pts	62.1%	69.1%	7,804	8,438	12,566	12,214
MS	3.3%	5,774	5,592	10.6 pts	67.4%	56.8%	3,807	3,121	5,651	5,497
MO	3.2%	13,076	12,676	0.8 pts	62.3%	61.5%	7,962	7,615	12,782	12,388
MT	3.6%	2,698	2,604	(26.2) pts	56.3%	82.5%	1,480	2,124	2,629	2,574
NE	3.4%	5,427	5,246	(14.2) pts	56.6%	70.8%	3,002	3,632	5,302	5,131
NV	2.2%	6,393	6,256	(6.8) pts	56.3%	63.1%	3,516	3,831	6,246	6,073
NH	1.0%	2,620	2,594	(4.6) pts	42.7%	47.4%	1,110	1,208	2,598	2,551
NJ	(0.4%)	22,859	22,950	(2.6) pts	57.1%	59.7%	12,938	13,484	22,653	22,592
NM	1.0%	3,787	3,749	(7.9) pts	52.2%	60.1%	1,944	2,205	3,727	3,671
NY	0.2%	50,138	50,027	1.1 pts	61.7%	60.7%	30,428	29,727	49,301	49,006
NC	3.7%	18,072	17,428	(3.0) pts	54.9%	57.9%	9,717	9,830	17,688	16,978
ND	1.3%	2,651	2,617	2.2 pts	74.2%	71.9%	1,955	1,850	2,636	2,573
OH	2.9%	18,246	17,737	(7.2) pts	53.9%	61.1%	9,649	10,685	17,907	17,479
OK	1.1%	8,698	8,605	1.6 pts	56.0%	54.4%	4,808	4,614	8,585	8,489
OR	1.7%	7,863	7,732	19.0 pts	76.7%	57.6%	5,929	4,360	7,734	7,568
PA	0.7%	26,382	26,194	(4.5) pts	57.1%	61.7%	14,922	15,906	26,125	25,799
RI	1.4%	2,682	2,645	(1.3) pts	52.5%	53.9%	1,393	1,386	2,651	2,573
SC	4.5%	11,133	10,655	1.8 pts	58.4%	56.6%	6,375	5,929	10,910	10,468
SD	2.1%	2,609	2,556	(12.5) pts	75.6%	88.2%	1,938	2,227	2,563	2,526
TN	4.0%	13,035	12,534	21.5 pts	72.7%	51.1%	9,245	6,319	12,721	12,356
TX	2.7%	63,882	62,217	(6.5) pts	58.8%	65.3%	36,615	39,457	62,279	60,459
UT	5.7%	5,714	5,405	5.8 pts	63.6%	57.7%	3,515	3,026	5,530	5,244
VT	0.1%	1,508	1,507	(2.8) pts	41.7%	44.6%	622	664	1,489	1,489
VA	3.0%	15,361	14,915	(3.8) pts	51.2%	55.0%	7,730	8,005	15,105	14,561
WA	1.1%	13,969	13,813	(3.6) pts	54.3%	57.9%	7,453	7,747	13,732	13,386
WV	(5.4%)	2,993	3,165	(7.6) pts	46.7%	54.3%	1,414	1,700	3,028	3,133
WI	1.2%	11,347	11,213	(6.9) pts	50.4%	57.3%	5,626	6,329	11,171	11,049
WY	3.0%	1,326	1,288	(13.9) pts	59.0%	72.9%	763	919	1,295	1,261
AS	407.0%	0	0	(24.8) pts	13.5%	38.3%	0	0	0	0
GU	(29.9%)	252	360	(16.0) pts	41.1%	57.1%	100	203	244	355
PR	(26.2%)	1,750	2,372	20.9 pts	74.7%	53.8%	1,272	1,249	1,704	2,322
VI	10.1%	193	175	(11.5) pts	1.5%	12.9%	3	22	182	173
MP	(13.0%)	20	23	(18.9) pts	53.2%	72.2%	11	15	20	21
Totals	**2.2%**	**727,104**	**711,525**	**0.0 pts**	**59.6%**	**59.6%**	**424,934**	**414,274**	**712,486**	**694,850**

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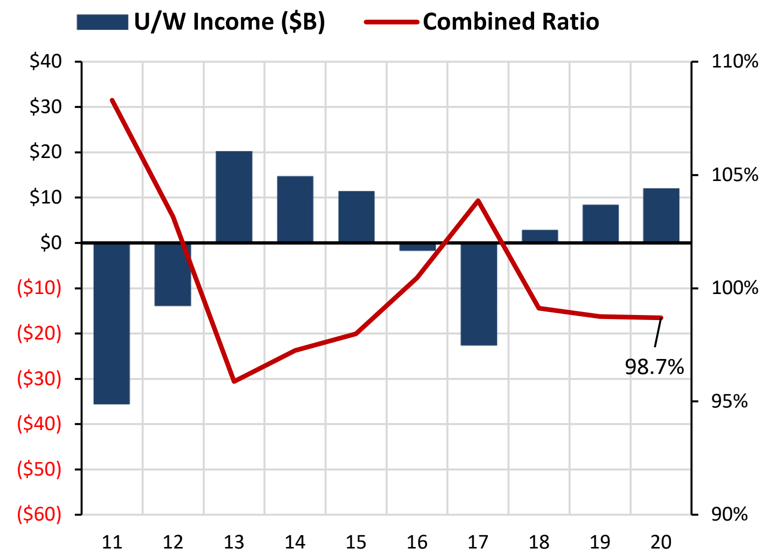
UNDERWRITING OPERATIONS

The P&C Industry reported a net underwriting gain for the third consecutive year, with a $12.0 billion gain for the current year, a 43.6% improvement compared to 2019 While the trend in moderate premium growth and prior-year reserve releases continued into 2020, current year results were impacted by higher catastrophe losses, offset by improvements in personal and commercial auto lines due to lower vehicle usage during the pandemic. Overall, the combined ratio was flat compared to last year at 98.7%.



Despite the profitable results, some key commercial lines continued to underperform while auto lines saw an improvement (discussed further on page 6&7).

Catastrophes

In the U.S. there were 22 natural disaster events with losses exceeding $1 billion in 2020. The total cost of these disasters was $96.4 billion, more than double the 2019 amount of $46.1 billion. Severe storm events caused $34.1 billion in damage, total damage from tropical cyclones amounted to $41.2 billion, wildfires caused $16.6 billion in damage, and drought was blamed for $4.5 billion in overall losses. Below is a summary of natural disasters in the U.S. over the past five years.

Year	Events Costing $1B	Total Cost ($B)	Deaths
2020	22	$96.4	262
2019	14	$46.1	44
2018	14	$94.7	247
2017	16	$327.8	3,278
2016	15	$51.5	138

Since 1980 there have been 291 disaster events costing at least $1 billion with an overall cost of $1,905.5 billion. The majority of damage from these events was from tropical cyclones at $1,011.3 billion while the cost of severe storms was $293.3 billion, and droughts caused $261.5 billion in damage. Severe storms have caused the highest number of billion-dollar disaster events at 132, while tropical cyclones represented the second most frequent event at 52. The following four events were responsible for over half of the total losses from natural disasters in 2020:

Event	Date	Summary	Cost ($B)
Hurricane Laura	August	Category 4 storm that made landfall in SW Louisiana. Winds reached 150 mph and storm surge caused damage inland to the city of Lake Charles. Laura was the strongest hurricane to hit LA since 1856.	$19.2
Wildfires	Fall 2020	Record breaking wildfire season burned 10.2 million acres in California, Oregon, Washington, and Colorado. The annual record for acres burned in CA more than doubled to 4.1 million acres.	$16.6
Midwest Derecho	August	A powerful storm that moved from South Dakota to Ohio in 14 hours with wind speeds topping 100 mph. Caused widespread damage to millions of acres of corn and soybean crops in central Iowa. The storm also spawned 15 tornadoes in northern Illinois, affecting the Chicago metropolitan area.	$11.2
Hurricane Sally	September	Category 2 hurricane making landfall in Gulf Shores, AL with wind gusts up to 100 mph and 20-30 inches of rain resulting in flood damage across Alabama, the Florida panhandle and into Georgia.	$7.3

Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2021). https://www.ncdc.noaa.gov/billions/, DOI: 10.25921/stkw-7w73

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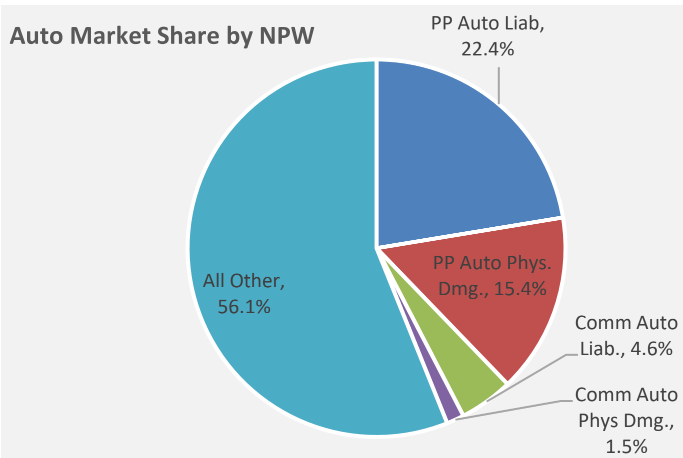
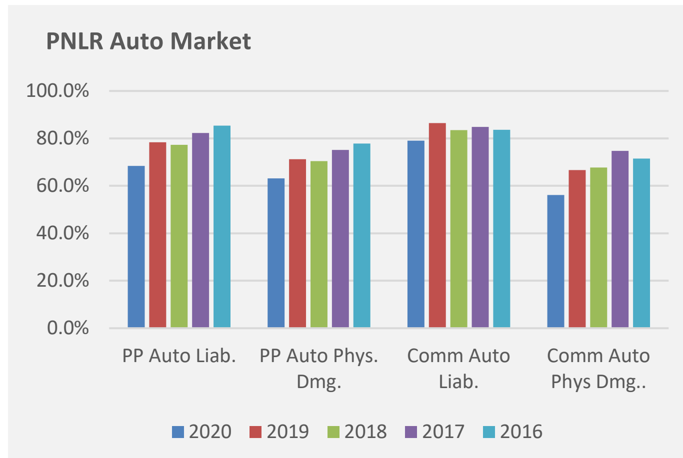
Personal and Commercial Auto Improvement

Across the country many state and local governments issued stay at home orders primarily in the first and second quarters of 2020 to help slow the spread of Covid-19. Many non-essential businesses were temporarily closed, and many Americans began working from home. This had devastating effects on the economy, however, many auto insurers saw improvements to their bottom line as less traffic volume meant fewer accidents, which ultimately contributed to industry underwriting profits.

The pure net loss ratio (PNLR) in Private Passenger Auto Liability (20.4% of total net premiums written (NPW) in 2020) improved 10.0-percentage points to 68.4%, while Private Passenger Auto Physical Damage (15.5% of total NPW) saw an 8.1-percentage point improvement to 63.1%, and Commercial Auto Liability and Property Damage together saw similar improvements of 7.4-points and 10.4-points to 79.1% and 56.2%, respectively. Overall, the Personal Market combined ratio improved 2.0-percentage points to 96.7% while the Commercial Lines combined ratio worsened 0.4-points to 101.7%, and the Combined Lines Market combined ratio worsened 7.6-points to 97.6%



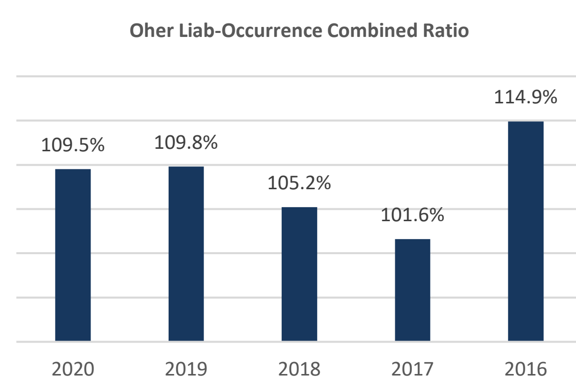


Underperforming Commercial Liability Lines

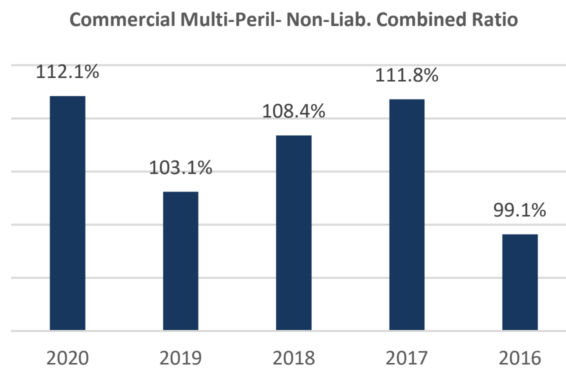
Apart from the improvement in commercial auto lines of business, certain commercial liability lines have faced headwinds due to the recent soft market conditions. Overall, the Commercial Market has been unprofitable in four of the last five years, and in 2020, the combined ratio was 101.7%, a 0.4-point deterioration compared to 2019. The largest lines of business in the Commercial Market are discussed in more detail below:

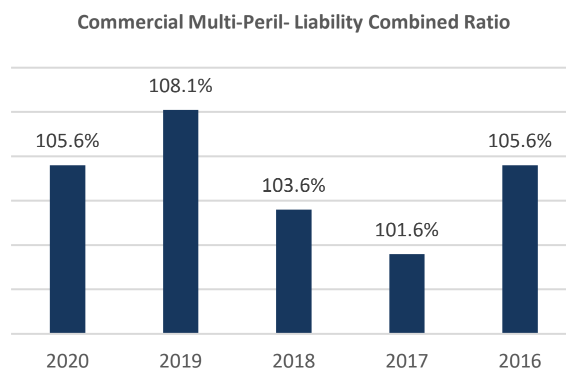
<u>Other Liability-Occurrence</u>:

Various types of coverages fall within the Other Liability line, including, professional, environmental, and general liability, directors and officers (D&O), and employers' liability. According to the CIAB, issues with general liability continued as claims continued to increase. Larger verdicts are causing higher premiums and decreasing insurer appetite within these lines. D&O liability saw the second highest premium increase among all commercial lines behind Umbrella. Overall, the combined ratio for the Other Liability-Occurrence line was 109.5%, marking seven consecutive unprofitable years.

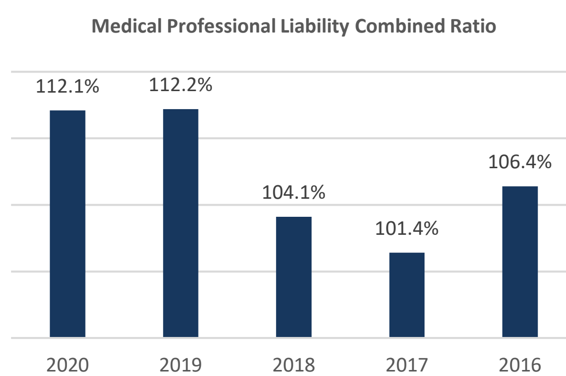


<u>Commercial Multiple Peril</u>:
This line consists of two or more coverages and is the most popular type of commercial package insurance policy in the U.S. as it covers a variety of risk exposures including, but not limited to, fire, allied lines, difference in conditions, and various liability coverages. The combined ratio for the non-liability portion worsened 9.0-points to 112.1% in 2020 and has been unprofitable for four consecutive years. Despite a slight YoY improvement in the combined ratio to 105.6%, this line has been unprofitable for five consecutive years and eight out of the last ten years. The Covid-19 pandemic created tremendous uncertainty for Business Interruption, a common endorsement to commercial package policies. Although a lack of clarity persists, two factors that may determine the outcome of litigation are whether the virus caused a direct physical loss to the insured's property or whether the policy contained a virus exclusion. The full effect of Covid-19 on Business Interruption remains to be seen as litigation outcomes will likely be impacted by appeals.

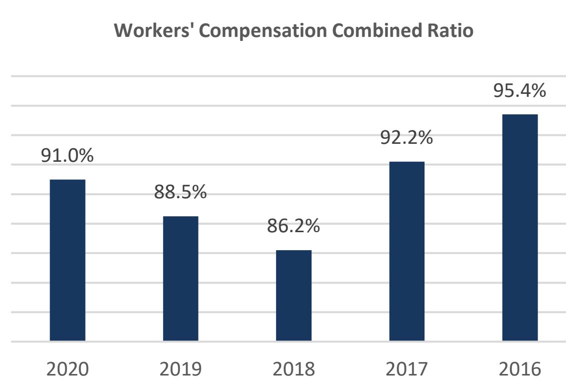




<u>Medical Professional Liability</u>:
Previously known as medical malpractice insurance, protects physicians and health care professionals from liability associated with wrongful practices that result in bodily injury, medical expenses, and property damage. It also covers the cost of legal fees to defend an insured, and judgements or settlements resulting from claims and lawsuits. This line of business has generated poor underwriting results for seven consecutive years due to a trend of rising loss costs and diminishing prior year reserve takedowns. The combined ratio stayed relatively flat compared to last year at 112.1%.



<u>Workers' Compensation</u>:
The Workers' Compensation line has seen seven consecutive years of underwriting profits which resulted in moderate rate decreases each quarter from 1Q-2015 to 1Q-2020 as noted on page 2. While Workers' Compensation remained profitable in 2020, a slight deterioration was noted as the combined ratio worsened 2.5-points to 91.0%. According to the CIAB, 37% of survey respondents reported an increase in Workers' Compensation claims as more people returned to work during the fourth quarter of 2020.



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Combined Ratio by Lines of Business

Lines of Business	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Aggregate Write-ins	108.7%	76.2%	81.1%	41.2%	83.5%	83.7%	125.4%	64.0%	56.3%	75.7%
Aircraft (all perils)	107.0%	131.2%	111.5%	109.2%	113.1%	100.7%	89.1%	99.5%	98.5%	102.6%
Allied Lines	112.5%	105.0%	130.7%	182.0%	96.6%	88.1%	85.4%	85.3%	129.9%	122.3%
Boiler and Machinery	85.9%	72.8%	86.3%	76.5%	78.8%	69.9%	76.1%	72.4%	80.1%	74.8%
Burglary and Theft	113.8%	74.2%	78.1%	49.1%	46.2%	61.4%	59.9%	42.2%	58.6%	61.6%
Commercial Auto Liab	107.1%	114.0%	111.7%	113.5%	113.2%	111.3%	103.6%	107.5%	106.3%	101.1%
Commercial Auto Phy Dmg	85.3%	95.5%	97.0%	104.2%	102.0%	100.9%	103.1%	104.9%	109.1%	112.1%
Commercial MP (Liab)	105.6%	108.1%	103.6%	101.6%	105.6%	99.3%	103.5%	103.0%	94.1%	102.0%
Commercial MP (Non-Liab)	112.1%	103.1%	108.4%	111.8%	99.1%	91.9%	97.1%	94.4%	114.6%	120.0%
Credit	108.2%	84.9%	93.6%	90.8%	92.1%	76.5%	74.7%	74.9%	91.3%	94.3%
Credit A & H	106.5%	86.7%	84.8%	128.3%	120.9%	42.3%	45.2%	45.0%	49.5%	38.3%
Earthquake	37.2%	28.7%	44.6%	43.6%	33.9%	28.5%	34.3%	30.5%	36.7%	57.0%
Excess Workers' Comp	89.4%	113.8%	116.6%	123.6%	109.2%	112.0%	107.4%	69.3%	151.4%	133.9%
Farmowners MP	106.2%	99.3%	97.0%	105.7%	91.1%	89.9%	95.4%	94.0%	99.5%	117.2%
Fidelity	78.8%	90.6%	73.4%	74.0%	78.4%	77.2%	92.7%	92.9%	99.3%	102.0%
Financial Guaranty	246.3%	181.7%	130.5%	320.1%	177.2%	99.2%	91.3%	(3.4%)	181.2%	218.8%
Fire	103.7%	95.8%	110.8%	119.2%	92.3%	85.1%	85.4%	78.5%	86.5%	92.9%
Group A & H	92.2%	97.8%	90.7%	90.5%	98.4%	100.1%	96.9%	99.9%	94.1%	99.2%
Homeowners MP	107.4%	98.6%	104.1%	107.8%	93.4%	92.1%	92.7%	90.3%	104.0%	122.0%
Inland Marine	97.5%	86.5%	86.4%	90.0%	84.0%	83.9%	83.5%	83.8%	96.2%	97.1%
International	106.7%	153.4%	145.3%	130.7%	144.3%	2.0%	116.7%	92.6%	91.5%	97.7%
Medical Prof Liab	112.1%	112.2%	104.1%	101.4%	106.4%	102.3%	104.7%	89.4%	93.3%	88.0%
Mortgage Guaranty	62.8%	32.8%	29.2%	40.4%	49.8%	58.1%	70.2%	98.0%	189.7%	219.1%
Multiple Peril Crop	100.3%	108.6%	85.0%	84.1%	81.7%	99.9%	104.9%	103.3%	104.0%	90.6%
Ocean Marine	98.0%	105.2%	100.2%	110.5%	95.8%	94.7%	91.2%	98.1%	109.2%	100.5%
Other A & H	98.4%	128.0%	149.6%	133.1%	128.6%	132.0%	126.6%	132.5%	133.0%	119.5%
Other Liab - Claims-Made	100.4%	97.6%	91.0%	98.9%	103.4%	98.6%	88.1%	97.4%	100.4%	100.8%
Other Liab - Occur	109.5%	109.8%	105.2%	101.6%	114.9%	103.3%	101.5%	96.4%	104.9%	92.8%
Private Crop	148.3%	117.5%	126.9%	107.5%	122.3%	146.2%	138.8%	NA	NA	NA
Private flood	50.6%	59.6%	55.0%	186.2%	93.1%	NA	NA	NA	NA	NA
Products Liability	87.9%	108.6%	122.9%	102.1%	119.8%	130.6%	134.4%	155.2%	102.2%	158.8%
Prvt Psgr Auto Liab	94.8%	101.6%	100.4%	105.5%	109.5%	107.9%	103.8%	103.5%	103.2%	103.6%
Prvt Psgr Auto Phy Dmg	89.2%	94.6%	93.6%	98.2%	101.7%	99.5%	100.3%	98.7%	100.2%	99.5%
Reinsurance-Nonproportional	101.2%	98.1%	109.1%	122.8%	78.6%	72.3%	63.2%	72.9%	79.8%	114.4%
Surety	79.4%	71.3%	70.9%	72.2%	72.4%	73.8%	69.3%	72.7%	76.8%	72.8%
Warranty	84.1%	104.8%	95.4%	90.6%	88.8%	107.9%	93.5%	104.2%	99.5%	97.1%
Workers' Comp	91.0%	88.5%	86.2%	92.2%	95.4%	95.9%	102.6%	98.8%	111.2%	118.4%

NA = Not Available

Note: Federal Flood is not shown due to negative combined ratio results

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INVESTMENT OPERATIONS

Net investment income decreased 5.7% compared to 2019 to $62.6 billion as the pandemic-driven downturn in the market early in the year almost fully rebounded in the second half of the year. Realized capital gains were $11.0 billion, 2.6% lower than 2019, as gains on unaffiliated common stock were 25.9%, or $2.3 billion lower than last year, and losses of $1.4 billion on affiliated common stocks were reported. Nearly offsetting the underperformance of stocks were large increases in gains on bonds, and a $3.2 billion increase in gains from other invested assets (attributable to a one-off transaction). Net investment income earned decreased 6.4% YoY to $51.6 billion. The majority of investment income earned was derived from bonds at 54.3% of the total while stocks comprised 24.5%, and other invested assets 14.7%. The industry average investment yield fell sharply to 2.78% versus 3.20% last year.

NET INCOME

Net income in the Property & Casualty Insurance Industry was 5.0% lower compared to last year at $59.1 billion. The improvement in underwriting income was offset by lower investment performance and higher policyholder dividends.

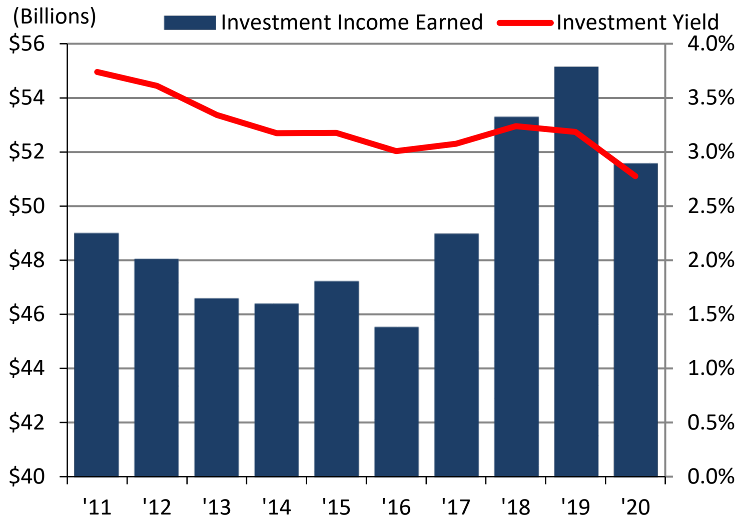
Return on revenue—a measure of net income to net premiums earned, net investment income earned, and realized capital gains (losses)—was slightly lower at 8.3% versus 8.9% for the prior year.

CASH & LIQUIDITY

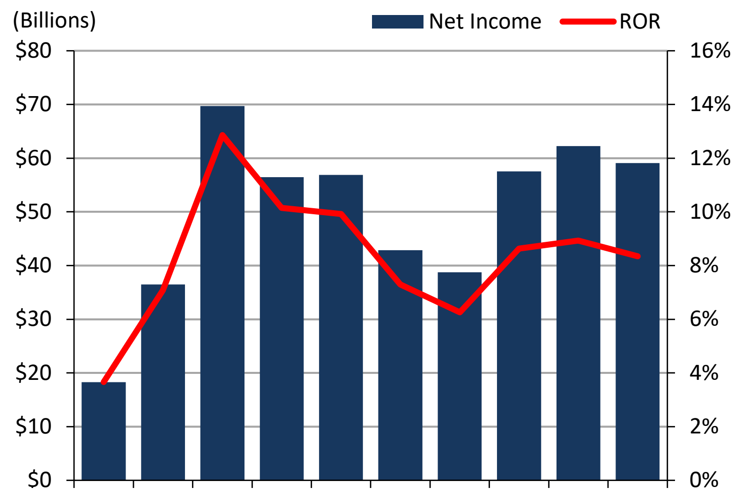
Net cash provided by operating activities increased 16.2% to $97.9 billion. Premiums collected net of reinsurance were flat a $642.1 billion while benefit and loss related payments were 6.5%, or $24.1 billion lower than last year, and policyholder dividends increased 67.0% to $7.5 billion. Overall, cash outflows were 2.4%, or $14.7 billion, lower than 2019.

The industry liquidity ratio was slightly higher compared to the prior year end but remained solid at 77.2%. Liquid assets increased 4.9%, however, adjusted liabilities increased at a slightly higher rate of 5.6%.

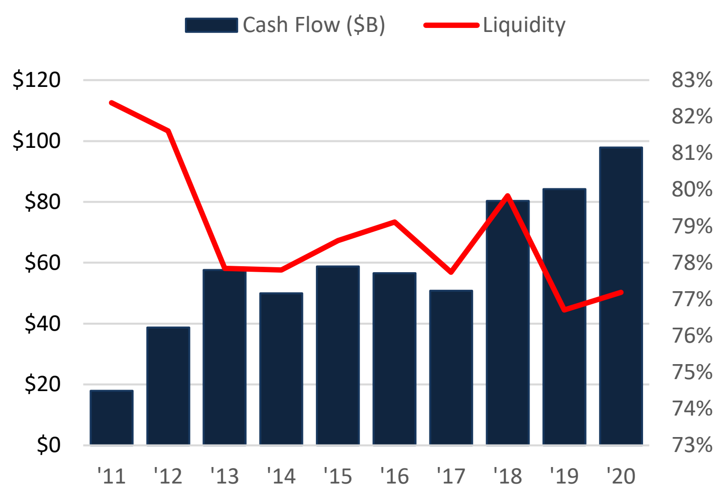
Investment Income



Profitability



Cash and Liquidity



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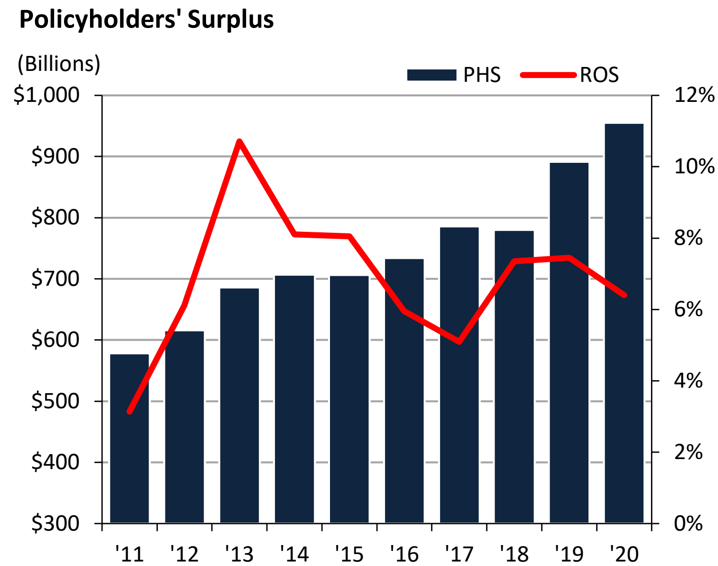
CAPITAL & SURPLUS

Industry aggregated policyholders' surplus (adjusted for affiliated investments) increased 7.2% to an all-time high of $955.1 billion at December 31, 2020 versus $891.2 billion at the prior year end. Nineteen consecutive years of industry profits have fueled growth in surplus as this figure has increased 232.2% since 2002. Given the trend in growth, it is likely that surplus could reach one trillion dollars at the end of 2021.

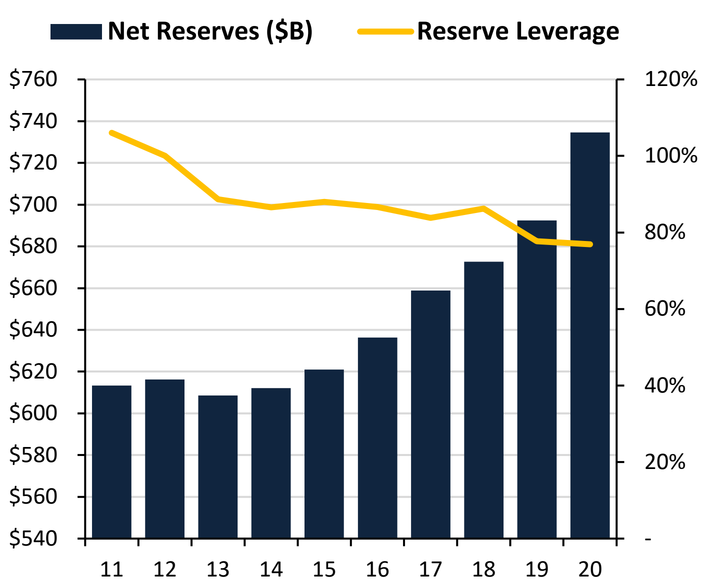
Return on surplus—a measure of net income to average policyholders' surplus—was 1.0-percentage point lower than last year at 6.4%.

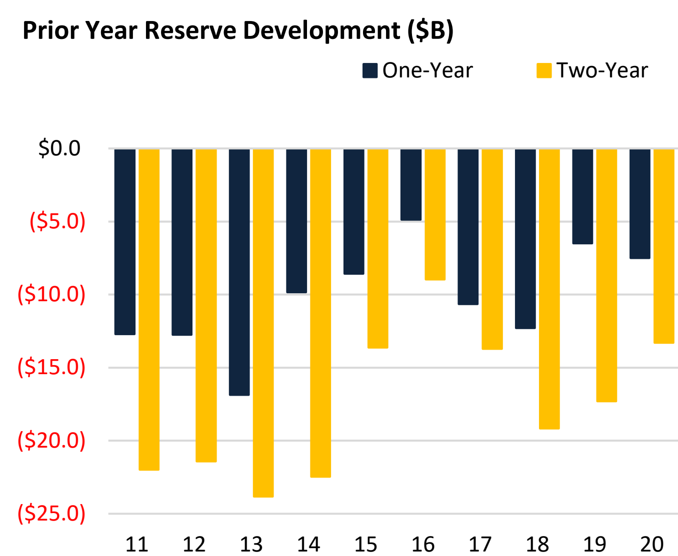


LOSS & LAE RESERVES

Loss and LAE reserves increased 6.1% to $734.7 billion and was comprised of $607.5 billion unpaid losses and $127.1 billion unpaid LAE. Reserve leverage improved 0.8-points to 76.9% compared to 77.7% at the prior year-end. The trend of favorable prior year reserve development continued with a one-year redundancy of $7.5 billion and a two-year redundancy of $13.3 billion. In 2014, the trend of prior year reserve releases began to slow, however, a few one-off transactions in 2017 and 2018 resulted in a sharp increase in favorable development. In 2019 and 2020, releases slowed slightly. Although development was favorable in the industry, unfavorable development occurred in the following lines:

- Commercial Auto Liability totaling $12.2 billion. Although results improved in this line in 2020, prior years saw a trend of poor results mainly due to the higher cost of vehicles and larger settlements.
- Other Liability-Occurrence totaling $11.1 billion
- Products Liability-Occurrence totaling $7.0 billion
- Warranty and International lines totaling $754.0 million and $451.0 million, respectively



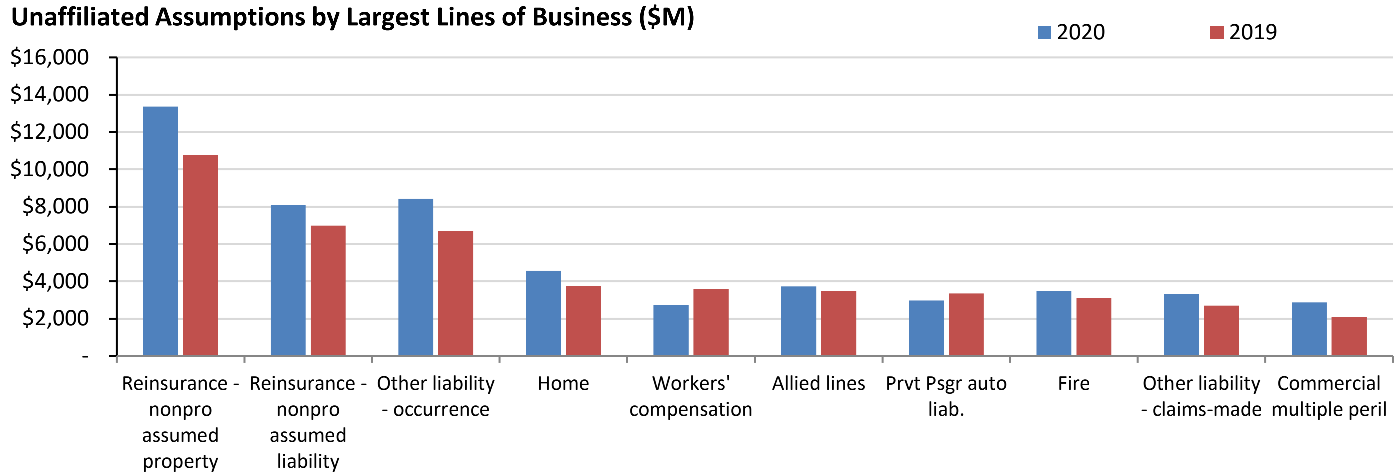


Professional Reinsurers Financial Snapshot *(in millions, except for percent)*

For the year ended December 31,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Unaffiliated APW	49,550	44,083	39,369	37,342	36,487	36,432	35,869	34,514	35,883	35,028
Net Premiums Written	100,393	97,665	102,364	78,930	73,687	78,029	86,744	64,407	55,497	51,266
Net Premiums Earned	96,084	95,537	96,362	73,471	72,117	75,213	82,367	60,604	54,927	50,030
Net Losses Incurred	62,887	60,662	64,632	52,949	43,799	42,049	47,613	30,774	36,730	36,334
Loss Expenses Incurred	8,997	9,225	9,165	7,197	6,953	7,815	8,903	6,009	5,916	5,078
Underwriting Expenses	26,446	26,438	27,725	21,196	20,816	21,631	21,801	19,205	15,688	14,092
Underwrting Gain (Loss)	(2,260)	(765)	(5,065)	(7,867)	528	3,697	4,096	4,619	(3,405)	(5,499)
Net Loss Ratio	74.8%	73.2%	76.6%	81.9%	70.4%	66.3%	68.6%	60.7%	77.6%	82.8%
Expense Ratio	26.3%	27.1%	27.1%	26.9%	28.2%	27.7%	25.1%	29.8%	28.3%	27.5%
Combined Ratio	101.2%	100.2%	103.7%	108.7%	98.6%	94.1%	93.8%	90.6%	106.0%	110.3%
Net Invmnt. Inc. Earned	12,966	14,720	17,021	12,587	11,794	13,087	19,503	15,699	13,846	12,620
Net Realized Gains (Loss)	5,810	3,464	2,423	2,875	2,443	2,142	3,219	10,081	521	1,807
Net Invmnt. Gain (Loss)	18,776	18,184	19,443	15,462	14,237	15,229	22,722	25,780	14,368	14,427
Investment Profit Ratio	19.5%	19.0%	20.2%	21.0%	19.7%	20.2%	27.6%	42.5%	26.2%	28.8%
Net Income	16,119	15,324	13,584	1,055	13,283	16,010	21,120	26,625	9,617	8,169
Return on Revenue	14.0%	13.5%	11.7%	1.2%	15.4%	17.7%	20.1%	30.8%	13.9%	12.7%

Assumed premiums written in the U.S. Property & Casualty industry totaled $589.9 billion, a 3.9% increase compared to $567.6 billion in 2019. Affiliated assumptions totaled $523.7 billion and unaffiliated totaled $66.2 billion. The professional reinsurance market consists of the reinsurers that comprise 75% of the total unaffiliated assumptions. In 2020, 24 reinsurers assumed $49.6 billion in premiums. As seen in the table above, operating results worsened YoY as catastrophe losses were significantly higher in 2020 as discussed on page 5. The underwriting loss for this market was $2.3 billion versus $765.0 million last year and the combined ratio worsened 1.0-point to 101.2%. Strong investment returns and total other income of $72.9 million (mostly due to a large retroactive reinsurance gain from one reinsurer) resulted in net income of $16.1 billion, a moderate increase compared to last year.

Unaffiliated Assumptions by Largest Lines of Business ($M)



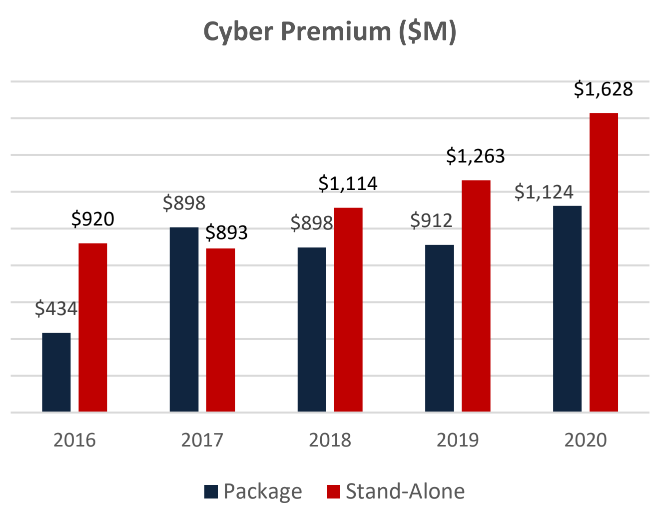
Reinsurance Continued…

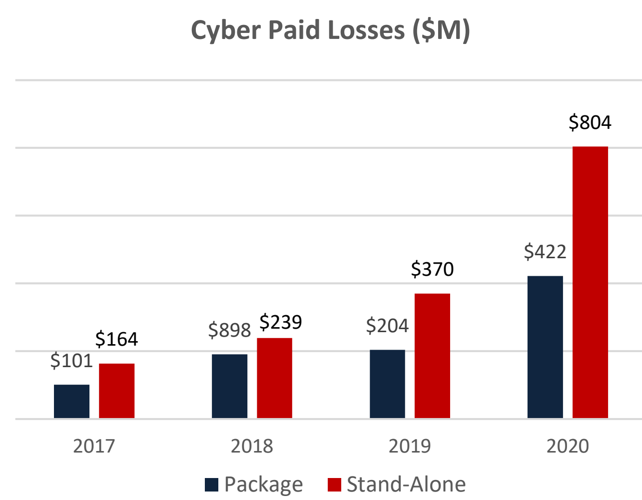
The reinsurance market has faced a variety challenges that have contributed to a hardening market over time such as elevated catastrophe loss activity, diminishing investment returns, a trend of increasing loss frequency and severity for liability losses, and uncertainty related to Covid 19 loss development. These factors have caused reinsurers take extra precautions in their underwriting, amend reinsurance contracts, increase rates, tighten policy language, and add more exclusions, specifically for pandemic and cyber related claims.

EMERGING RISKS

Cyber

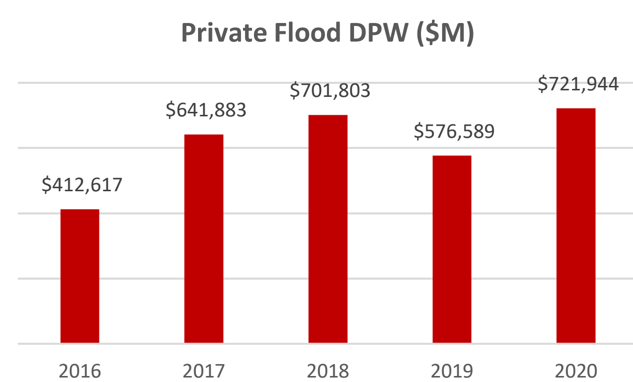
Cyber insurance direct premium written increased 26.5% to $2.8 billion in 2020. The demand for cyber coverage continues to climb due a higher amount of network intrusions, data theft and ransomware incidents. The Covid-19 pandemic has also resulted in an increased demand for cyber coverage as a rapid transition to remote work occurred for businesses which placed stresses on networks that may not have been prepared to facilitate remote access to a large share of their workforce. Further, there has been an uptick in the number of cyberattacks since the onset of the pandemic. According to the CIAB, average premium rates increased 11.1% for cyber during the fourth quarter of 2020 and 66% of survey respondents noted an increase in cyber claims activity. As seen in the chart below, stand-alone coverage has become more popular with businesses in recent years due to broader coverage options. The PDLR for stand-alone coverage was 72.7% in 2020 versus 46.6% last year.



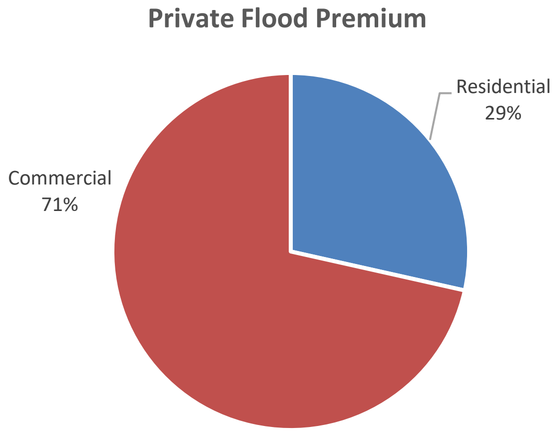


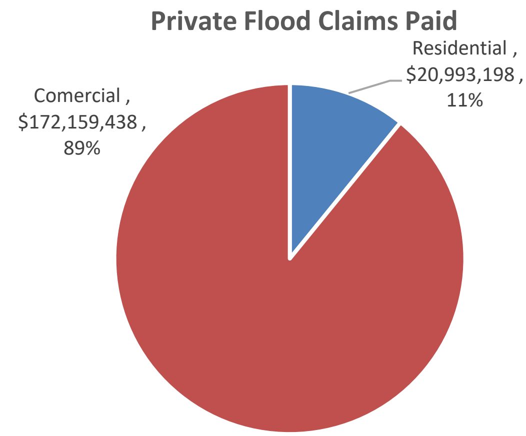
Private Flood Insurance

As natural catastrophes become more frequent and severe, flood damage across the U.S. has been on the rise. According to the Federal Emergency Management Agency (FEMA) floods occur in every single region of the U.S. and 90% of all natural disasters in the U.S. involve flooding. Private flood DPW totaled $721.9 million in 2020. Commercial Private Flood comprised the majority of premiums at $516.2 million while residential premiums totaled $205.8 million. With respect to claim payments, residential payments totaled $21.0 million and commercial totaled $172.2 million in 2020.



Private Flood Continued…





Title Insurance Industry

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

For the year ended December 31,	YoY Chg	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Premiums Written	22.9%	$19,353	$15,752	$14,731	$14,617	$14,133	$12,964	$11,156	$12,569	$11,246	$9,249
Title Premiums Earned	22.1%	$19,054	$15,599	$14,678	$14,461	$13,976	$12,787	$11,389	$12,490	$11,233	$9,364
Loss & LAE Incurred	(7.2%)	$562	$605	$644	$629	$687	$672	$742	$825	$851	$1,102
Operating Exp. Incurred	21.3%	$18,310	$15,090	$14,137	$14,089	$13,357	$12,163	$10,659	$11,919	$10,881	$9,300
Net Operating Gain/(Loss)	47.4%	$1,804	$1,224	$1,103	$885	$871	$831	$799	$686	$498	($22)
Net Loss Ratio	(1.0) pts	2.9%	3.9%	4.4%	4.3%	4.9%	5.3%	6.5%	6.6%	7.6%	11.8%
Expense Ratio	(1.0) pts	94.6%	95.6%	96.0%	96.4%	94.6%	93.9%	95.7%	94.8%	96.7%	100.9%
Combined Ratio	(1.9) pts	97.6%	99.5%	100.4%	100.8%	99.5%	99.1%	102.2%	101.5%	104.3%	112.7%
Net Invmnt. Inc. Earned	(11.4%)	$385	$435	$360	$348	$276	$326	$261	$274	$321	$346
Net Realized Gains (Loss)	NM	$(40)	$75	$(75)	$142	$162	$9	$1	$26	$36	$34
Net Invmnt. Gain (Loss)	(32.3%)	$345	$510	$285	$489	$437	$336	$262	$299	$356	$380
Net Income	23.2%	$1,713	$1,391	$1,230	$1,016	$961	$871	$855	$769	$719	$309
Net Cash From Ops	37.5%	$2,145	$1,560	$1,441	$1,193	$1,081	$1,039	$698	$706	$844	$167
Liquidity Ratio	(1.8) pts	67.1%	68.9%	66.9%	67.9%	70.6%	70.4%	73.3%	76.1%	81.7%	96.3%

December 31,	YoY Chg	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Policyholders' Surplus	10.0%	$6,229	$5,664	$4,818	$4,800	$4,357	$4,121	$4,122	$3,842	$2,950	$2,984

NM=Not Meaningful

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PREMIUM

Title industry premiums stem from direct operations or agency operations, with the majority produced by non-affiliated agencies which represented 63.0% of total direct premiums written in 2020. Direct premiums written increased 22.9% YoY to $19.4 billion reflective of low mortgage interest rates which stimulated refinances and improved house affordability.

TX, CA, FL, NY, and PA represented nearly half of direct premiums with 45.3% of the total. As reinsurance is nominally utilized in the industry, net premiums written totaled $19.4 billion, representing a 22.9% YoY increase. Net writings leverage worsened 32.6 percentage points to 310.7%.

The sharp premium growth in 2020 was also attributed to a rise in new home sales. Per the most recent U.S. Census Bureau and the U.S. Department of Housing and Urban Development (HUD) new residential statistics report, despite a slowdown in the first quarter due to Covid-19, new home sales jumped 19% in 2020. In the first quarter of 2021, he upward trend continued, as new home sales soared 66.8% during compared to March 2020.

PROFITABILITY

A profitability trend continued as the industry reported net income of $1.7 billion, representing a 23.2% increase compared to net income of $1.4 million in 2019. Net operating gains has been reported each year since 2012 due to increases in title insurance premiums earned and more efficient management of expenses. For the current year, a net operating gain of $1.8 billion was reported compared to $1.2 billion in 2019 primarily due to a 22.1% increase in title insurance premiums earned to $19.1 billion and a 7.2% decrease in losses and LAE incurred to $562 million, resulting in a net loss ratio of 2.9%--a ten-year low. Although operating expenses incurred increased 21.3%, the expense ratio improved 1.0-percentage points to 95.6%. Overall, the combined ratio of 97.6% for 2020 represented a 1.9-percentage point improvement compared to a 99.5% last year.

Net investment gains of $345.0 million were reported, representing a 32.3% YoY decline due to a $40.4 million net realized capital loss, compared to a $74.6 million gain in 2019, and a 11.4% decrease in net investment income earned to $385.4 million related to lower short-term interest rates and market volatility in 2020.

CAPITAL & SURPLUS

The title industry continued to report an upward trend in policyholders' surplus as surplus increased 10.0% to $6.2 billion at December 31, 2020. The current year increase was primarily due to the above-mentioned net income of $1.7 billion and $232.8 million in net unrealized capital gains, partially offset by $1.4 billion in dividends paid to stockholders. Return on surplus improved 2.5 points to 28.8%.

CASH & LIQUIDITY

Net cash from operations increased 37.5% to $2.1 billion for the year compared to $1.6 billion in 2019 as premiums collected net of reinsurance were up 22.3% to $19.4 billion and miscellaneous income was up 20.9% to $1.4 billion which led to a 21.3% rise in cash inflows to $21.2 billion. At the same time, a 21.3% increase in commission, expenses paid drove cash outflows up 19.8% to $19.1 billion, partially offset by a 13.6% decline in benefit and loss related payments.
Net cash used by investment activities was negative at ($436.7) million, a 157.1% deterioration over the prior year. Net cash used by financing activities totaled $1.5 billion primarily due to a 34.4% increase in dividends to stockholders.

The industry's liquidity ratio improved 2.0 percentage points to 67.1%, as liquid assets increased 10.5% to $9.1 billion and adjusted liabilities increased 7.6% to $6.2 billion.

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