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Financial Review
September 16, 2024

First Look: Six-Month 2024 US Property/Casualty Financial Results

Industry results were helped by improvement in the personal lines segment

AM Best's First Look report provides early insight into the current financial state of the US property/casualty industry. The data in this report are from companies whose six-month 2024 interim period statutory statements were received as of September 4, 2024. These companies account for an estimated 99% of total industry net premiums written and 99% of policyholder surplus.

The US P/C industry recorded a \$3.8 billion net underwriting gain in the first six months of 2024, a significant improvement from the \$24.0 billion loss recorded in the prior year period. Growth of 11.3% in net earned premiums offset a 2.5% increase in incurred losses and loss adjustment expenses (LAE) and a 24.9% rise in other underwriting expenses. The turnaround in the personal lines segment was primarily responsible for the improvement in underwriting results.

The industry's combined ratio improved to 97.7. We estimate that catastrophe losses accounted for 7.4 points on the six-month 2024 combined ratio, down from an estimated 9.7 points in the prior year, which had been impacted by record losses due to severe convective storm losses. Excluding \$8.0 billion of favorable reserve development during the first six months of 2024, the industry's accident year combined ratio was 99.4.

The underwriting gain, coupled with a 26.6% increase in earned net investment income, drove pre-tax operating income up 374.4%, to \$47.3 billion. A \$50 billion change in net realized capital gains at National Indemnity Company resulted in the industry's net income skyrocketing from \$9.4 billion in the first half of 2023 to \$97.6 billion this year.

Industry surplus increased from the end of 2023 to \$1.1 trillion, as a combined \$100.6 billion of net income and contributed capital was reduced by a \$23 billion change in unrealized losses, \$2.1 billion of other surplus losses, and \$13.3 billion of stockholder dividends.

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Exhibit 1

US Property/Casualty – 6-Month Financial Indicators and Combined Ratio Components, 2023/2024

(\$ billions)

Financial Indicators	6 Months 2023	6 Months 2024	Year/Year Change (%)
Net Premiums Written	419.7	463.2	10.4
Net Premiums Earned	393.3	437.8	11.3
Losses & LAE	309.5	317.1	2.5
Underwriting Expenses	106.2	115.4	8.6
Policyholder Dividends	1.5	1.5	1.2
Underwriting Income/(Loss)	-24.0	3.8	NM
Net Investment Income	33.6	42.5	26.6
Pretax Operating Income/(Loss)	10.0	47.3	374.4
Realized Capital Gains/(Losses)	2.4	58.4	NM
Federal Income Taxes	3.0	8.1	168.6
Net Income	9.4	97.6	940.0

Combined Ratio Components	6 Months 2023	6 Months 2024	Year/Year Change (Points)
Pure Loss Ratio	68.7	63.1	-5.6
Loss Adjustment Expense (LAE) Ratio	10.0	9.4	-0.6
Loss & LAE Ratio	78.7	72.4	-6.3
Underwriting Expense Ratio	25.3	24.9	-0.4
Policyholder Dividend Ratio	0.4	0.4	0.0
Combined Ratio (Reported)	104.4	97.7	-6.7
Less: Accident Year Catastrophe Losses (Points)*	9.7	7.4	-2.4
Less: A&E Losses (Points)	0.1	0.1	0.0
CORE Adverse/(Favorable) Development (Points)	-1.4	-1.8	-0.4
Combined Ratio (Normalized)	94.6	90.2	-4.3
Accident-Year Combined Ratio (Reported)	105.7	99.4	-6.3
Accident-Year Combined Ratio (Normalized)	96.0	92.1	-3.9

Notes: Figures may not add up due to rounding. Data as of September 4, 2024. NM = not meaningful.

* A Catastrophe loss is defined as an industry event that causes \$25 million or more in insured losses.

Source: AM Best data and research

Exhibit 2

US Property/Casualty – Policyholders' Surplus, 2023/2024

(\$ billions)

	6 Months 2023	6 Months 2024	Year/Year % Change
Prior Year End Policyholders' Surplus	986.1	1047.4	6.2
Net Income	9.4	97.6	940.0
Unrealized Capital Gains/(Losses)	63.3	-23.0	NM
Contributed Capital	1.3	2.9	118.4
Stockholder Dividends	-9.8	-13.3	35.2
Other Changes	1.1	-2.1	NM
Ending Policyholders' Surplus	1,051.5	1,109.6	5.5
Change in PHS from Prior Year End (\$)	65.4	62.2	
Change in PHS from Prior Year End (%)	6.6	5.9	
After Tax Return on Surplus (ROE)	0.9	8.8	

Notes: Figures may not add due to rounding. NM = not meaningful.

Source: AM Best data and research

Appendix 1

Income Statement

(\$ thousands)

	6 Months 2020	6 Months 2021	6 Months 2022	6 Months 2023	12 Months 2023	6 Months 2024
Direct Premiums Written	355,460,556	388,334,647	428,204,153	473,864,585	956,781,890	523,404,026
Assumed	290,614,558	323,139,815	364,664,960	429,909,060	833,765,694	422,994,417
Ceded	323,765,884	365,668,489	410,797,347	484,059,106	937,130,160	483,193,065
Net Premiums Written	322,309,230	345,805,974	382,071,766	419,714,539	853,417,424	463,205,378
Change in Unearned Premiums:	-10,997,716	-17,516,038	-22,992,107	-26,451,694	-36,318,850	-25,396,435
Premiums Earned	311,311,514	328,289,935	359,079,659	393,262,845	817,098,574	437,808,943
Losses Incurred	180,875,567	195,569,626	229,328,208	270,080,441	543,740,215	276,056,974
Loss Adjustment Expenses Incurred	32,616,983	33,038,425	35,160,436	39,436,069	80,885,148	41,065,060
Other Underwriting Expenses Incurred	88,854,671	92,429,595	99,069,364	106,241,228	212,597,491	115,401,611
Dividends to Policyholders	4,887,757	2,365,640	1,710,159	1,515,135	3,520,718	1,533,755
Net Underwriting Income	4,076,535	4,886,650	-6,188,507	-24,010,028	-23,644,999	3,751,543
Net Investment Income Earned	26,169,222	26,911,590	36,517,990	33,596,506	72,927,492	42,534,596
Other Income	-62,303	1,397,206	984,420	386,160	982,184	1,019,900
Pre-tax Operating Income	30,183,454	33,195,446	31,313,902	9,972,638	50,264,676	47,306,039
Pre-tax ROR (POI/NPE)	9.7	10.1	8.7	2.5	6.2	10.8
Net Realized Capital Gains (Losses)	-925,553	9,646,884	3,878,644	2,425,979	50,538,164	58,416,106
Federal and Foreign Income Taxes Incurred	4,438,591	4,975,347	3,654,497	3,010,221	10,599,222	8,086,388
Net Income	24,819,310	37,866,984	31,538,049	9,388,395	90,203,619	97,635,756
Change in Surplus:						
Beginning Surplus	867,495,387	932,562,192	1,055,623,343	986,117,145	986,254,081	1,047,361,406
Net Income / Loss	24,819,310	37,866,984	31,538,049	9,388,395	90,203,619	97,635,756
Change in Unrealized Gains (Losses)	-37,677,592	42,991,818	-106,737,414	63,334,131	66,201,093	-22,995,144
Other Surplus Gains / Losses	2,197,968	-5,131,270	7,850,752	1,122,416	4,573,572	-2,054,805
Contributed Capital	2,674,386	3,147,737	3,002,965	1,341,139	10,221,060	2,928,515
Stockholder Dividends	-13,005,492	-14,021,450	-14,869,147	-9,833,020	-108,826,528	-13,292,327
Change in Surplus	-20,991,419	64,853,819	-79,214,795	65,353,062	62,372,816	62,221,994
Ending Surplus	846,503,967	997,416,011	976,408,548	1,051,470,206	1,048,626,896	1,109,583,400
After Tax ROE (Net Income/PHS)	2.9	3.8	3.2	0.9	8.6	8.8
Annualized NPW to PHS	0.8	0.7	0.8	0.8	0.8	0.8

Balance Sheet

(\$ thousands)

	6 Months 2020	6 Months 2021	6 Months 2022	6 Months 2023	12 Months 2023	6 Months 2024
Bonds	1,083,050,526	1,164,919,444	1,217,047,109	1,255,816,393	1,290,214,638	1,343,873,311
Preferred and Common Stock*	432,616,765	585,906,526	578,476,922	639,862,968	652,668,450	594,531,328
Cash & ST Investments	159,800,249	150,856,477	117,403,113	168,477,095	198,932,344	296,061,256
Other Invested Assets	196,488,559	220,249,803	235,500,674	244,910,946	205,191,383	224,457,691
Total Invested Assets	1,871,956,099	2,121,932,250	2,148,427,819	2,309,067,403	2,347,006,815	2,458,923,587
All Other Assets	354,551,270	381,211,651	447,106,165	508,024,378	487,062,381	527,286,463
Total Assets	2,226,507,369	2,503,143,902	2,595,533,983	2,817,091,781	2,834,069,196	2,986,210,050
Loss Reserves	575,350,263	621,576,061	676,141,609	736,297,794	759,189,139	793,168,267
LAE Reserves	120,203,454	126,073,528	132,151,689	139,685,742	144,715,012	148,471,277
Total Loss and LAE Reserves	695,553,717	747,649,589	808,293,298	875,983,536	903,904,151	941,639,544
Unearned Premiums	293,906,790	315,470,656	332,640,846	365,092,870	375,123,082	399,073,854
All Other Liabilities	390,542,895	442,607,646	478,191,292	524,545,168	506,415,067	535,913,252
Total Liabilities	1,380,003,402	1,505,727,890	1,619,125,436	1,765,621,574	1,785,442,300	1,876,626,650
Total Capital and Surplus	846,503,967	997,416,011	976,408,548	1,051,470,206	1,048,626,896	1,109,583,400
Total Liabilities and Surplus	2,226,507,369	2,503,143,902	2,595,533,983	2,817,091,781	2,834,069,196	2,986,210,050

*All 6-month 2024 asset eliminations applied to stockholdings.

Data as of September 4, 2024.

Source: AM Best data and research

Appendix 2

Statement of Cash Flows

(\$ thousands)

	6 Months 2020	6 Months 2021	6 Months 2022	6 Months 2023	12 Months 2023	6 Months 2024
Net Cash From Operations	44,211,432	61,976,635	45,344,550	37,338,375	116,003,875	80,159,273
Net Cash From Investments	3,477,297	-41,925,614	-78,321,873	-17,303,205	-54,667,172	29,124,014
Net Cash From Financing/Miscellaneous	-2,125,933	-9,383,762	-7,466,145	-8,745,839	-19,636,529	-12,105,283
Net Cash Flow	45,562,796	10,667,259	-40,443,468	11,289,331	41,700,174	97,178,004
Beginning Cash & ST Investments	114,237,453	140,189,219	157,846,581	157,187,764	157,232,170	198,883,253
Ending Cash & ST Investments	159,800,249	150,856,477	117,403,113	168,477,095	198,932,344	296,061,256
Net Catastrophe Losses	19,995,028	22,873,348	19,919,835	38,230,419	69,674,891	32,207,602
Asbestos Incurred Losses	368,400	330,300	281,100	333,000	1,110,000	312,000
Environmental Incurred Losses	199,200	146,400	178,500	168,000	560,000	147,000
A&E Incurred Losses	567,600	476,700	459,600	501,000	1,670,000	459,000
Loss Reserve Development	-4,648,163	-9,552,183	-6,496,458	-5,088,527	-1,586,505	-7,583,125
Loss Reserve Development -NON A&E (CORE)	-5,215,763	-10,028,883	-6,956,058	-5,589,527	-3,256,505	-8,042,125
Loss Reserve Development to NPE - TOTAL	-1.5	-2.9	-1.8	-1.3	-0.2	-1.7
CORE Loss Reserve Development to NPE - (NON A&E)	-1.7	-3.1	-1.9	-1.4	-0.4	-1.8

Ratios

	6 Months 2020	6 Months 2021	6 Months 2022	6 Months 2023	12 Months 2023	6 Months 2024
Combined Ratio (Reported)	97.7	97.1	100.1	104.4	101.8	97.7
Less: Catastrophe Losses	6.4	7.0	5.5	9.7	8.5	7.4
Less: Accident Year Catastrophe Losses (Points)*	0.2	0.1	0.1	0.1	0.2	0.1
Combined Ratio CY (Normalized)	91.1	90.0	94.4	94.6	93.1	90.2
CY Combined Ratio (Reported)	97.7	97.1	100.1	104.4	101.8	97.7
Less: Loss Reserve Development	-1.5	-2.9	-1.8	-1.3	-0.2	-1.7
AY Combined Ratio (Reported)	99.2	100.0	101.9	105.7	102.0	99.4
CY Combined Ratio (Normalized)	91.1	90.0	94.4	94.6	93.1	90.2
Notes: Figures may not add up due to rounding. Data as of September 4, 2024.	-1.7	-3.1	-1.9	-1.4	-0.4	-1.8
* A Catastrophe loss is defined as an industry event that results in a loss of at least \$1 million.	92.8	93.0	96.3	96.0	93.5	92.1
CY Loss & LAE Ratio (Reported)	68.6	69.6	73.7	78.7	76.4	72.4
Less: Loss Reserve Development	-1.5	-2.9	-1.8	-1.3	-0.2	-1.7
AY Loss & LAE Ratio (Reported)	70.1	72.5	75.5	80.0	76.6	74.2
Less: Catastrophe Losses	6.4	7.0	5.5	9.7	8.5	7.4
AY Loss and LAE Ratio (Normalized)	63.6	65.6	69.9	70.3	68.1	66.8

Data as of September 4, 2024.

Source: AM Best data and research

Appendix 3

Direct Premiums Written by Line of Business

(\$ thousands)

	6 Months 2020	6 Months 2021	6 Months 2022	6 Months 2023	12 Months 2023	6 Months 2024
Fire	8,446,394	9,304,045	10,748,877	14,264,792	28,122,322	16,481,255
Allied Lines	15,987,968	19,851,365	13,376,557	14,729,543	27,647,793	16,096,538
Multiple Peril Crop	0	0	8,632,740	11,273,559	19,304,305	9,624,422
Federal Flood	0	0	1,342,445	1,466,149	3,132,637	1,617,885
Private Crop	0	0	480,820	573,338	1,536,290	496,240
Private Flood	0	0	603,406	700,142	1,424,029	708,958
Farmowners Multiple Peril	2,468,462	2,584,172	2,816,744	3,067,233	5,858,129	3,466,615
Homeowners Multiple Peril	51,557,332	55,722,890	62,925,339	72,232,310	151,234,721	81,979,999
Commercial Multiple Peril	22,501,270	23,973,999	26,771,965	0	0	0
Commercial Multiple Peril Non-Liability	0	0	0	20,205,477	40,454,325	22,429,303
Commercial Multiple Peril Liability	0	0	0	10,209,435	20,003,492	10,678,443
Mortgage Guaranty	2,354,111	2,387,166	2,289,537	2,317,548	4,684,678	2,374,880
Ocean Marine	2,311,550	2,486,679	2,828,763	2,984,642	5,665,457	3,158,235
Inland Marine	13,064,495	14,308,928	16,776,410	18,130,943	36,081,574	17,094,205
Financial Guaranty	166,488	178,185	175,293	109,280	281,197	192,029
Med Professional Liability - Occurrence	1,063,525	1,222,005	1,255,406	1,299,622	2,726,858	1,380,831
Med Professional Liability - Claims Made	3,969,838	4,583,014	4,921,237	5,088,192	9,448,327	5,310,429
Earthquake	1,943,308	2,383,789	2,549,245	3,068,283	6,102,185	3,185,970
Group Accident & Health	2,519,175	2,557,877	0	0	0	0
Comprehensive Individual	0	0	68,155	7,552	9,127	7,037
Comprehensive Group	0	0	1,905,278	1,520,514	2,321,045	1,275,097
Credit Accident & Health	78,732	86,238	93,377	98,984	204,122	104,023
Other Accident & Health	1,114,805	1,120,650	0	0	0	0
Vision	0	0	9,595	9,360	18,676	9,395
Dental	0	0	20,681	20,202	49,947	19,396
Disability	0	0	179,666	181,651	309,228	163,245
Medicare Supplement	0	0	198,150	198,996	435,246	255,718
Medicaid Title XIX	0	0	10,559	856	0	0
Medicare Title XVIII	0	0	0	0	0	0
Long Term Care	0	0	499,320	337,924	645,556	326,382
Federal Employees Health	0	0	0	10,936	22,514	11,219
Other Health	0	0	1,154,636	1,904,053	4,414,730	2,303,452
Workers' Compensation	26,833,153	26,831,947	29,339,594	30,760,238	58,095,355	30,501,431
Other Liab - Occurrence	26,420,164	30,583,603	34,908,748	37,031,609	74,214,580	41,082,934
Other Liab - Claims Made	13,737,815	18,049,930	20,462,424	19,230,676	40,154,755	19,053,432
Excess Workers Comp	563,717	585,895	639,162	642,204	1,470,015	672,069
Product Liab - Occurrence	1,724,971	1,671,822	1,999,736	2,215,244	4,280,431	2,332,895
Product Liab - Claims Made	366,467	413,582	443,877	427,056	855,162	473,862
Private Passenger Auto Liability	74,158,055	76,425,783	0	0	0	0
Private Passenger Auto No Fault	0	0	12,996,030	13,610,098	17,757,482	14,658,989
Other Private Passenger Auto Liability	0	0	65,521,072	73,477,050	161,053,071	84,391,752
Commercial Auto Liability	16,787,300	20,778,603	0	0	0	0
Commercial Auto No Fault	0	0	1,488,036	639,134	1,103,887	769,637
Other Commercial Auto Liability	0	0	22,278,324	24,082,338	47,593,692	26,977,010
Auto Physical Damage	55,824,175	59,752,579	0	0	0	0
Private Passenger Auto Physical Damage	0	0	57,262,045	65,904,358	137,634,241	77,844,228
Commercial Auto Physical Damage	0	0	6,606,922	7,445,100	14,641,908	8,274,344
Aircraft (all perils)	912,699	1,055,500	1,160,394	1,246,783	2,978,374	1,292,483
Fidelity	629,013	665,970	715,296	717,759	1,484,583	730,505
Surety	3,454,802	3,614,882	4,245,679	4,718,239	9,481,214	5,243,597
Burglary & Theft	223,449	212,962	257,616	267,777	557,029	285,416
Boiler & Machinery	1,035,706	1,123,998	1,222,958	1,406,852	2,924,628	1,429,852
Credit	1,001,217	1,073,113	1,239,028	1,389,886	2,935,183	1,512,267
International	19,996	23,363	17,403	14,203	35,146	14,605
Warranty	1,538,323	2,004,581	2,005,300	1,831,636	3,651,322	1,912,654
Aggregate Write-Ins	677,617	711,166	755,862	790,005	1,741,322	960,496
TOTAL	355,456,092	388,330,283	428,199,706	473,859,761	956,781,890	521,165,656

Data as of September 4, 2024.

Source: AM Best data and research

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BEST'S SPECIAL REPORT

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