September 25, 2025

Profitable Results for US Property/Casualty Mutuals as Rate Adequacy Improves

P/C mutuals report sizable net gains and policyholders' surplus growth in 2024 and through the first half of 2025, supported by a strong push for rate adequacy

Principal Takeaways

- In 2024, both net written and earned premiums grew by double digits as a product of insurers' continued emphasis on achieving rate adequacy.
- Operating profits have carried into the first half of 2025, and the segment is reporting just under $14 billion of net income, which is higher than this same period last year.
- Although losses incurred remained flat from the prior year, P/C mutual insurers recorded $26 billion of net income in 2024, which primarily drove surplus growth.
- Rated mutuals remain exposed to severe and unpredictable weather conditions, as well as inflated claims costs, and continue to tailor underwriting and pricing models to adapt.
- Mutual insurers continue to remain financially sound and hold a strong portion of the total P/C market, regardless of consolidation in the space over recent years.

Methodology

The P/C insurance companies discussed in this report are mutuals, insurance cooperatives, and reciprocal exchanges, which include risk retention groups and state funds, comprising 258 US-domiciled rating units as of December 31, 2024. A rating unit—either an individual insurer or a consolidation of companies—forms the basis for our rating evaluations. In general, the financial results of rating units represent the way insurance groups operate and manage their business. **Exhibits 1 to 25** are based on annual statutory data as filed with the National Association of Insurance Commissioners (NAIC). To be included, rating units must have at least five years of historical financial data, which many of the subsequent exhibits use for comparison. Historical financial information is "as-is," reflecting any structural changes that may have occurred since the initial record. Common examples include data resubmitted to or recalculated by AM Best for a prior period after a revision to historical data or industry mergers and acquisitions.

Analytical Contacts:
Lauren Magro, Oldwick
+1 (908) 882-2082
Lauren.Magro@ambest.com

Janet Hernandez, Oldwick
+1 (908) 882-2484
Janet.Hernandez@ambest.com

Contributors:
David Blades, Oldwick
Helen Andersen, Oldwick
Richard Attanasio, Oldwick

2025-131

Property/casualty (P/C) mutual insurance organizations, including reciprocal exchanges and insurance cooperatives are built upon a philosophy that prioritizes policyholder interests. Because of this, these companies do not operate under profit goals of investors and can focus on fostering long-term financial strength and stability, as well as preserving capital. This structure encourages an alignment between the company's success and the interests of its members.

Over the past several years, mutual insurers have operated in a volatile environment driven by the increased frequency and severity of weather-related activity, an ever-changing reinsurance market, growing inflation, and swings in the equity markets. During these years, their resilience was demonstrated through the maintenance of robust balance sheets, as well as reactions to changing market conditions through strategy adjustments, refining risk selections, and a greater focus on profitability as opposed to growth.

Improved Rate Adequacy Drives Premium Growth and Profitable Results

For AM Best-rated mutuals, operating results have become profitable again. Net income of $26.0 billion was reported in 2024, as compared to a $10.8 billion net loss in 2023 (**Exhibit 1**). Losses incurred and loss adjustment expenses remained mostly unchanged from the prior year, yet underwriting expenses were up by 8.2%. This is a product of rising commission expenses given the segment's higher premium levels and, to a lesser extent, due to increased technology costs for risk management, claims, and underwriting purposes, as well as software upgrades and continued marketing costs. Fixed income securities continue to benefit from a higher interest rate environment, boosting net investment income, which was up by just under 22% from the prior year.

Improved results can be largely attributed to rate adequacy across the segment's largest lines of business. There has been a notable increase in gross premiums written (GPW) since 2021. Inflationary trends along with expensive and tight reinsurance conditions pressured top-line and bottom-line growth (**Exhibit 2**). Mutuals reacted to these emerging trends and began adjusting base rates, inflation guard factors, and Coverage A limits, all with the goal of obtaining appropriate premium levels to cover higher loss amounts. Still, in a standard 12-month homeowner insurance policy, once new rates are implemented, it takes time to earn the premium.

However, double-digit increases in net premiums earned (NPE) were reported in both 2023 and 2024 (**Exhibit 2**), indicating that pricing adjustments are flowing through insurers' books. Growth has accelerated over the past several years because of these actions. Between 2022 and 2024, premiums have grown at substantially higher margins than in any year dating back to 2015. Based on the segment's improved results, which suggest that rates are much more adequate today compared to several years back, AM Best expects that premium growth will moderate over the next few years. Net premium written (NPW) growth has begun to ease up through 2024, albeit remaining at double digits.

Exhibit 1
US P/C Mutuals – Financial Indicators
($ billions)

	2023	2024	% Change
Net Premiums Written	352.3	387.4	10.0
Net Premiums Earned	336.0	374.0	11.3
Pure Losses Incurred	247.3	247.7	0.1
Loss Adjustment Expenses (LAE)	33.9	34.2	0.9
Losses & LAE	281.2	281.9	0.2
Underwriting Expenses	88.5	95.8	8.2
Policyholder Dividends	2.7	3.2	20.2
Underwriting Income/(Losses)	-36.5	-6.9	81.0
Net Investment Income/(Losses)	23.4	28.6	21.9
Other Income/(Losses)	0.2	0.6	192.2
Pre-Tax Operating Income/(Losses)	-12.8	22.3	273.8
Net Realized Capital Gains/(Losses)	1.0	5.7	NM
Federal Income Taxes (Benefit)	-1.0	1.9	NM
Net Income/(Losses)	**-10.8**	**26.0**	**341.2**

Figures may not add up due to rounding.
Source: AM Best data and research.

Exhibit 2
US P/C Mutuals – Premium Growth over 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gross Premiums Written ($ billions)	400.6	418.9	440.0	456.9	471.2	479.4	516.0	566.0	623.5	672.8
Change From Prior Year (%)	*3.6*	*4.6*	*5.0*	*3.8*	*3.1*	*1.7*	*7.6*	*9.7*	*10.2*	*7.9*
Net Premiums Written ($ billions)	232.8	242.3	252.7	263.6	270.3	274.1	286.0	311.8	352.3	387.4
Change From Prior Year (%)	*3.4*	*4.1*	*4.3*	*4.3*	*2.6*	*1.4*	*4.3*	*9.0*	*13.0*	*10.0*
Net Premiums Earned ($ billions)	229.2	238.9	248.6	259.4	266.2	269.9	278.8	301.3	336.0	374.0
Change From Prior Year (%)	*4.3*	*4.2*	*4.1*	*4.4*	*2.6*	*1.4*	*3.3*	*8.1*	*11.5*	*11.3*

Source: AM Best data and research

Concentration across the largest rated mutual insurers tends to shift minimally year-over-year, which was observed in 2024. The top 25 largest mutual insurers account for 83.8% of NPW, with State Farm accounting for over 25% (**Exhibit 3**). Nationwide Property & Casualty Group dropped to the #6 spot as opposed to its previously held #4 spot. There was some movement within the middle of the pack, but the population of companies in totality remained unchanged. A majority of the rated mutuals listed on a net basis are also in the top 25 on a direct basis.

Exhibit 3

Top 25 P/C Mutuals Ranked by NPW, 2024

AMB#	Company Name	NPW ($ millions)	Market Share (%)
88	State Farm Group	107,765	27.8
60	Liberty Mutual Insurance Companies	38,494	9.9
4080	USAA Group	35,195	9.1
32	Farmers Insurance Group	19,516	5.0
124	American Family Insurance Group	17,790	4.6
5987	Nationwide Property & Casualty Group	17,219	4.4
4354	Auto-Owners Insurance Group	15,423	4.0
4283	Erie Insurance Group	12,052	3.1
18515	Auto Club Enterprises Insurance Group	7,941	2.0
18460	CSAA Insurance Group	7,462	1.9
18502	FM Group	6,407	1.7
86	Sentry Insurance Group	4,519	1.2
312	Auto Club Group	3,713	1.0
302	COUNTRY Financial Property Casualty Grp	3,517	0.9
730	Westfield Group	3,132	0.8
598	Shelter Insurance Companies	3,049	0.8
468	Acuity, A Mutual Insurance Company	2,966	0.8
18522	Amica Mutual Group	2,933	0.8
4284	Federated Mutual Group	2,792	0.7
4233	Farm Bureau Property & Casualty Group	2,349	0.6
106	Alfa Insurance Group	2,241	0.6
964	West Bend Insurance Company	2,108	0.5
18154	Tennessee Farmers Insurance Companies	2,075	0.5
18754	Texas Farm Bureau Insurance Group	2,073	0.5
346	EMC Insurance	2,057	0.5
	Top 25 Mutuals	**324,787**	**83.8**
	Total – P/C Mutuals	**387,394**	

Source: AM Best data and research

Losses Remain Flat, Offset by Continued Inflation and Weather Impacts

While on a dollar basis, losses incurred were flat, the incurred loss ratio in 2024 came down by 7.6 points as compared to 2023 (**Exhibit 4**). Over the past several years, ultimate loss costs, including costs for auto parts and repairs as well as building materials such as shingles and lumber, have risen substantially because of economic inflation. Costs have now plateaued at these higher levels. Insurers have addressed this through pricing adjustments, which, as proven through 2024 results, have facilitated improvement. Still, for the homeowners' multiple peril and private passenger automobile liability lines—the two largest lines of business for mutuals—pure loss ratios were recorded in excess of the segment total.

Although overall results improved, rated mutuals were impacted by severe weather. According to the National Oceanic and Atmospheric Administration, there were 27 confirmed events with losses above $1 billion each in the United States in 2024, as compared to 28 events in 2023. The total cost of these events for the two respective years was $182.7 billion and $93.8 billion. While the frequency of 2024 events remained in line with 2023, the severity of weather-related losses almost doubled; however, mutual insurers turned a profit. But 2025 did not begin well, owing to the losses incurred from the California wildfires—and while results for 1H 2025 are continuing an improving trend, the hurricane season is not over yet.

Secondary perils, including severe convective storms, continue to have a sizable impact and made up a majority of the 27 events referenced in 2024. Additionally in 2024, Hurricanes Beryl, Debby,

Exhibit 4
P/C Mutuals – 2024 NPW and Incurred Loss Ratios, by Line of Business

Line of Business	NPW ($ billions)	(%)	Incurred Loss Ratio (%)
Homeowners Multiple Peril	94.5	24.4	69.6
Private Passenger Auto (Liability)	92.3	23.8	74.2
Private Passenger Auto (Physical Damage)	80.4	20.8	61.5
Other Liability & Products Liability[1]	18.7	4.8	80.8
Fire & Allied Lines[2]	16.8	4.3	53.7
Commercial Multiple Peril (Non-Liability)	15.5	4.0	59.5
Commercial Automobile (Liability)	14.3	3.7	73.0
Workers' Compensation	13.1	3.4	44.4
Commercial Multiple Peril (Liability)	8.7	2.3	66.3
Inland Marine	6.0	1.6	41.5
Excess of Loss Reinsurance	5.4	1.4	60.7
Farmowners Multiple Peril	5.1	1.3	65.8
Commercial Automobile (Physical Damage)	5.0	1.3	60.0
Medical Professional Liability	3.7	0.9	45.5
Fidelity & Surety	2.6	0.7	15.6
Boiler & Machinery	1.7	0.4	25.5
Accident & Health	1.6	0.4	80.8
All Other Lines[3]	2.0	0.5	69.8
Total	**387.4**	**100.0**	**66.2**

[1] Includes excess liability, excess workers' compensation, directors & officers liability, environmental liability, professional liability, general liability, and employment practices liability.

[2] Includes earthquake, multiple peril crop, private crop, private flood, and federal flood.

[3] Includes mortgage guaranty, financial guaranty, ocean marine, aircraft, burglary & theft, credit, international, warranty, and aggregate write-ins.

Source: AM Best data and research

Francine, Helene, and Milton all made landfall in the southeastern region of the US. Hurricane Helene was the costliest event of the year, having made landfall in the Florida Big Bend region as a Category 4 storm and subsequently continuing inland as a fast-moving and large storm materially affecting Georgia and the Carolinas. Less than two weeks later, Hurricane Milton occurred and predominately impacted Florida.

In 2024, the homeowners multiple peril line of business exceeded the private passenger auto liability line in terms of total NPW, which has historically held the top spot (**Exhibit 5**). Along with rate increases, many insurers adjusted their underwriting criteria; a large portion were targeted toward the property side, like actual cash value endorsements and cosmetic damage exclusions. Some mutuals targeted these changes based on specific risk attributes, including the age and type of material that a roof or dwelling is fabricated from.

The top three lines of business remain the same for rated mutuals and comprise over $267 billion in NPW (nearly 70%) of total premiums within the segment (**Exhibit 5**). In 2019, these lines made up 68% of total premiums for mutuals—relatively the same as today. Due to the long-term nature of their business plans, mutuals tend to remain consistent in their key product offerings. They have expertise in these areas and have gained a high degree of market knowledge by writing these types of products.

With 57.9% of the segment's premiums concentrated in property-related exposures, including

Exhibit 5
P/C Mutuals – Change in NPW, by Line of Business
($ billions)

Line of Business	2023 NPW	2024 NPW	Change	Change (%)
Homeowners Multiple Peril	83	95	12	14.5
Private Passenger Auto (Liability)	84	92	8	9.3
Private Passenger Auto (Physical Damage)	71	80	10	13.7
Other Liability & Products Liability[1]	18	19	1	4.3
Fire & Allied Lines[2]	16	17	1	5.7
Commercial Multiple Peril (Non-Liability)	15	15	1	5.0
Commercial Automobile (Liability)	13	14	1	8.0
Workers' Compensation	14	13	-1	-5.4
Commercial Multiple Peril (Liability)	9	9	0	1.3
Inland Marine	7	6	-1	-11.2
Excess of Loss Reinsurance	4	5	1	20.5
Farmowners Multiple Peril	5	5	0	10.2
Commercial Automobile (Physical Damage)	5	5	0	9.2
Medical Professional Liability	3	4	0	5.2
Fidelity & Surety	2	3	0	5.1
Boiler & Machinery	2	2	0	6.5
Accident & Health	2	2	0	4.5
All Other Lines[3]	1	2	1	167.9
Total	**352**	**387**	**35**	**10.0**

[1] Includes excess liability, excess workers' compensation, directors & officers liability, environmental liability, professional liability, general liability, and employment practices liability.

[2] Includes earthquake, multiple peril crop, private crop, private flood, and federal flood.

[3] Includes mortgage guaranty, financial guaranty, ocean marine, aircraft, burglary & theft, credit, international, warranty, and aggregate write-ins.

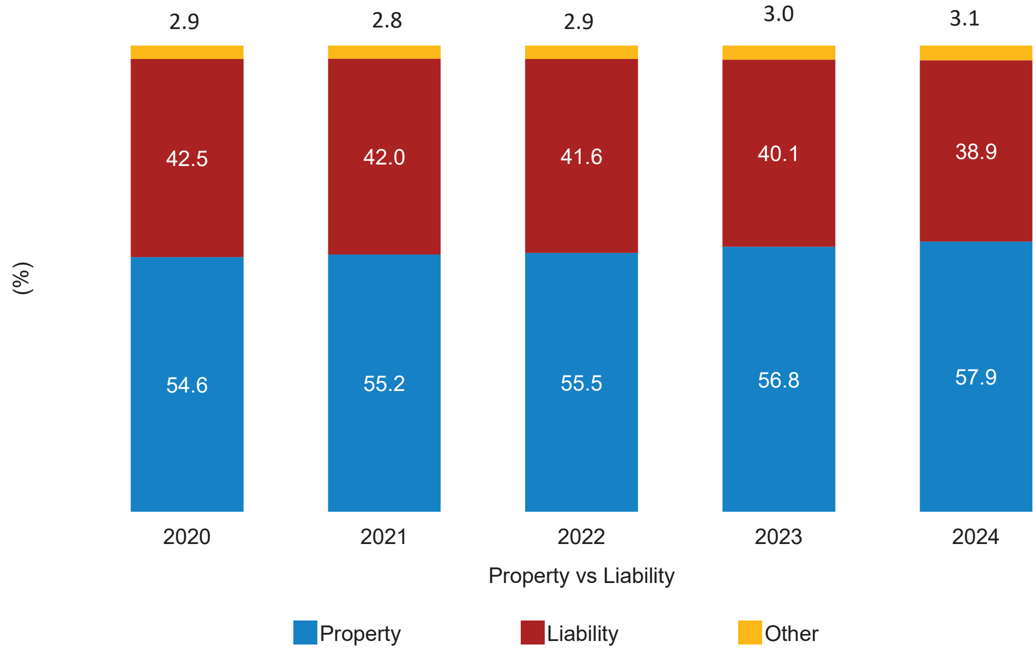
homeowners multiple peril and private passenger automobile physical damage, mutuals remain subjected to weather catastrophe losses, as well as inflationary pressures, especially more recently (**Exhibit 6**). The 27 weather events recorded in 2024 were exacerbated by pressures related to supply shifts affecting building material prices given the rise in cost for steel, aluminum, and lumber, though recent trends indicate these costs are stabilizing. Uncertainty remains regarding tariffs and the impact that this could have over the near term for mutual insurers.

Liability-related exposures still comprise over 38% of the segment's NPW (**Exhibit 6**). Social inflation, nuclear verdicts, and higher claim defense costs have dampened results in these lines and could deteriorate loss reserves and operating results given the longer-tail nature of these lines.

Line of business concentration has been stable despite a small increase in personal lines premiums, which is related to the rate changes implemented over the previous two years (**Exhibit 7**). Although personal lines are the largest segment, commercial lines remain important for diversification, as well as offering insureds a comprehensive range of products. However, the commercial liability lines also have the potential for volatility in results resulting from higher severities, social inflation, and claim defense costs.

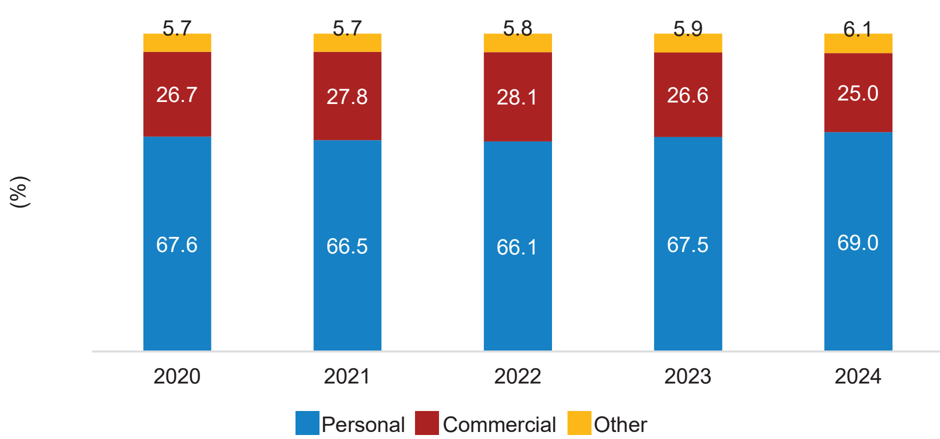
Despite an active weather year, the segment's loss ratio improved compared with 2023. Mutuals were able to absorb these large events mostly due to rate adequacy. The segment also reported a small decrease in the expense ratio despite investments in innovation, continued technological improvements, and loss control efforts. The combined ratio after policyholder dividends was down

Exhibit 6
US P/C Mutuals - Line of Business Concentration - Property vs Liability



Source: AM Best data and research

Exhibit 7
US P/C Mutuals - Line of Business Concentration - Personal vs Commercial



Source: AM Best data and research

about 10 points in 2024 compared with the previous two years (**Exhibit 8**). The improved results in 2024 pushed the segment's five-year average combined ratio to approximately 105%.

Larger mutuals, in terms of policyholders' surplus (PHS), tend to have a substantial impact on the segment's overall results, with the largest category alone (PHS above $2 billion) comprising over 82% of all NPW in 2024 (**Exhibit 9**). These companies reported higher loss ratios in 2024 compared with smaller mutuals, though this was offset by lower expense and LAE ratios due to their scale advantage. However, smaller mutuals (PHS under $100 million) maintain a more favorable loss position, with

Exhibit 8

US P/C Mutuals – Combined Ratio Components

	2020	2021	2022	2023	2024	5-Yr. Avg.
Net Premiums Written ($ millions)	274,107	285,963	311,753	352,285	387,394	322,300
Net Premiums Earned ($ millions)	269,842	278,833	300,020	336,025	374,011	311,753
Pure Loss Ratio	59.8	64.5	72.4	73.6	66.2	67.3
Loss Adjustment Expense (LAE) Ratio	10.6	10.3	10.4	10.1	9.2	10.1
Loss & LAE Ratio	70.4	74.8	82.8	83.7	75.3	77.4
Underwriting Expense Ratio	27.6	27.3	26.3	25.2	24.8	26.2
Policyholder Dividend Ratio	2.5	1.4	0.9	0.8	0.9	1.3
Combined Ratio (after dividends)	100.5	103.5	109.9	109.7	101.0	104.9

Source: AM Best data and research

Exhibit 9

US P/C Mutuals – 2024 Combined Ratio Components, by Financial Size Category (FSC)

	FSC I-VII	FSC VIII-XIV	FSC XV
Net Premiums Written ($ millions)	3,018	65,244	319,097
Net Premiums Earned ($ millions)	2,921	63,117	307,989
Pure Loss Ratio	58.9	60.7	67.3
Loss Adjustment Expense Ratio	11.7	10.3	8.9
Underwriting Expense Ratio	32.9	29.3	23.8
Policyholder Dividend Ratio*	8.0	1.8	0.9
Combined Ratio, before Pol. Dividends	**103.5**	**100.3**	**100.0**

* Shown only for companies that made dividend payments in 2024, divided by their net premiums earned

FSC Groups	Policyholders' Surplus
I – VII	Up to $100 million
VIII – XIV	$100 million to $2 billion
XV	More than $2 billion

Source: AM Best data and research

a pure loss ratio that is almost 10 points below the larger mutuals. Many of these insurers tend to write in niche or local markets and maintain strong ties with their insureds, which fosters a great deal of underwriting knowledge and higher retention within the customer base. These companies also returned a higher rate of dividends to policyholders compared with larger mutuals, which tends to be a business retention tool. Companies concentrated in niche markets or geographic territories remain subject to a higher degree of volatility, as they are exposed to potentially severe weather-related events or regulatory changes.

Many rated mutuals saw another year of increases in retention levels to achieve small risk-adjusted savings or maintain similar pricing on their reinsurance programs (**Exhibit 10**). Renewals in 2024 were less challenging than in previous years as a result of overall improved market capacity, as many reinsurers looked to grow their portfolios after shedding some risk over the previous two years. This was an encouraging development given the difficulty mutuals faced placing their programs in prior years. In 2024, companies were able to renew their programs with similar protection in the upper layers; however, reinsurers continued to focus on terms and conditions. Costs remained elevated with an increase of about 34% over the most recent five-year period. However, overall rate increases in 2024 were more moderate compared with prior years, especially for portfolios that were not impacted by significant weather losses.

As most reinsurers continued to report favorable results in 1H 2025, many mutuals are encouraged that future renewals will experience stability with additional capacity in the market. However, this will depend on weather activity for the remainder of 2025.

Exhibit 10

US P/C Mutuals – Ceded Reinsurance Over Time

($) millions	2015	2020	2024
Paid Losses	1,629	3,422	4,098
Unpaid Losses	28,780	31,154	33,495
IBNR Losses	15,887	19,553	27,747
Unearned Premiums	6,651	8,541	12,667
Commissions	95	34	112
Funds Withheld	2,276	4,438	7,048
Total Reinsurance Recoverables	50,767	58,266	71,071

($) millions	2015	2020	5-Yr Chg 2015 - 2020	2024	5-Yr Chg 2020 - 2024	10-Yr Chg 2015 - 2024
Total Reinsurance Recoverables	50,767	58,266	14.8	71,071	22.0	40.0
Ceded Premiums Written	22,992	25,521	11.0	40,977	60.6	78.2
Total Ceded Reinsurance	73,759	83,787	13.6	112,048	33.7	51.9

Source: AM Best data and research

Surplus Growth Accelerates

PHS grew around 9% in 2024 as the segment benefited from significant improvement in net income compared to prior years, mainly the result of the lag effect of earning rate increases implemented in prior years (**Exhibit 11**). Net income for 2024 was $26 billion, driving return on equity (ROE) to almost 10%, a significant improvement compared with prior years. Unrealized capital gains also played a role in the surplus strengthening experienced in 2024, as markets ended with overall positive performance and returned to more customary levels. Although there was some market volatility in the fourth quarter, the overall results showed improved yields.

Fixed income securities remained the largest allocation for mutuals at almost 60%, followed by stocks, which made up about 21%, and other investments at roughly 17% of the investment portfolios (**Exhibit 12**). Other investments, reported on Schedule BA, include assets such as real estate, investment in subsidiaries, and alternative investments that tend to be less liquid than traditional investments. In 2024 mutuals reduced their other investment holdings and increased their allocations to cash and short-term investments. This was due to a preference for liquidity in a challenging market with uncertainty regarding interest rates and elevated catastrophe losses seen over the past two years.

Rated mutuals remain optimistic as positive operating results carry into 2025. Through the first half of 2025, the segment has reported $13.8 billion of net income, which is higher than the $9.4 billion reported through the first half of 2024 (**Exhibit 13**). While losses and expenses have risen slightly, mutuals continue to benefit from growing premium bases, particularly as it relates to NPE, which grew by 7.2% since this same time last year. In aggregate, these companies have

Exhibit 11

US P/C Mutuals – Change in Policyholders' Surplus

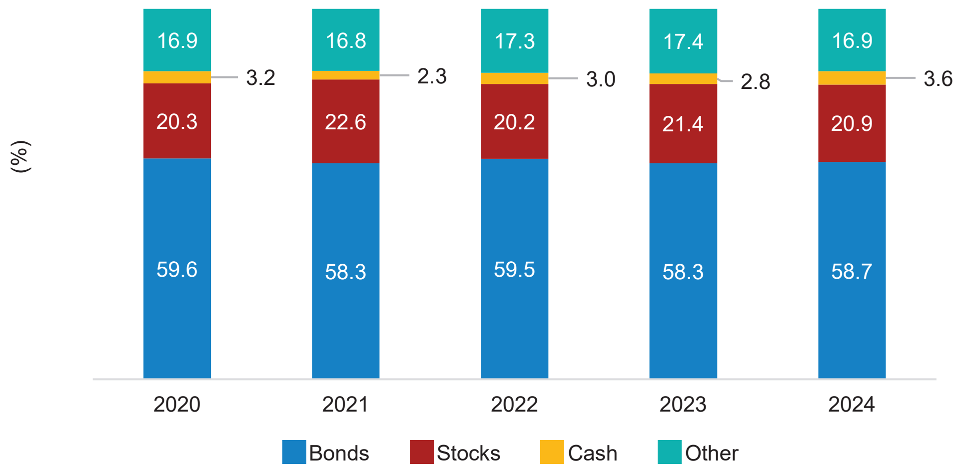
($ billions)

	2023	2024
Beginning PHS at Prior Year End	389.4	399.6
Net Income	-10.8	26.0
Unrealized Capital Gains/Losses	18.5	15.4
Contributed Capital	1.7	-1.5
Other Changes	2.4	-1.3
Ending Policyholder's Surplus	399.6	436.9
Changes in PHS from Prior Year End ($)	10.2	37.2
Policyholders' Surplus Growth (%)	**2.6**	**9.3**
After Tax Return on Surplus (ROE) (%)	**1.9**	**9.9**

Source: AM Best data and research

not yet turned an underwriting profit, as evidenced by a $2 billion net underwriting loss recorded through the first half of 2025, though this is still an improvement of over 78% from the first half of 2024. It is worth noting that the reduction in net investment income year-over-year is influenced by a series of transactions at one large rating unit, and excluding this company, overall net investment income would have grown. Investment activity continues to remain a steady contributor to the segment's total earnings.

Exhibit 12
US P/C Mutuals - Portfolio Allocations Over Time



Source: BESTLINK

Exhibit 13
US P/C Mutuals – Financial Indicators 1H2025
($ billions)

	1H2024	1H2025*	YoY % Change
Net Premiums Written	191.2	201.2	5.2
Net Premiums Earned	181.9	194.9	7.2
Pure Losses Incurred	126.2	129.1	2.3
Loss Adjustment Expenses	16.8	17.4	3.4
Underwriting Expenses	46.9	49.4	5.3
Policyholder Dividends	1.2	1.0	-9.9
Underwriting Income/Losses	-9.1	-2.0	78.1
Net Investment Income/(Losses)	14.2	13.7	-3.7
Other Income/Losses	-0.7	-0.7	4.6
Net Realized Cap. Gains/Losses	3.9	3.5	-11.8
Federal Income Taxes (Benefit)	0.0	1.5	NM
Net Income/(Losses)	**9.4**	**13.8**	**47.7**

*As of Sept. 17, 2025 Filings
Note: Figures may not add up due to rounding
Source: AM Best data and research

Ratings Implications

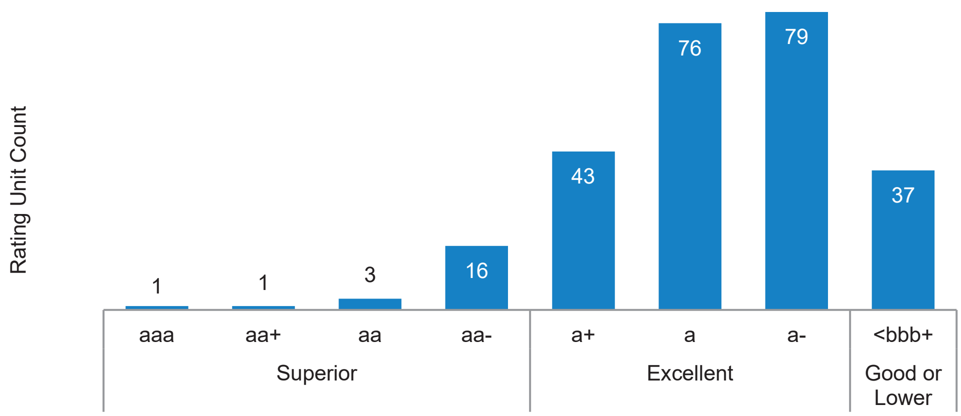
The mutual segment overall remains robust and financially sound. About 85% of mutuals referenced in this report had Excellent or higher Financial Strength Ratings—8% in the Superior category and 77% in the Excellent category. Another 15% are rated Good or below (**Exhibit 14**). Despite the adverse trends that insurers faced through this time, this composition has remained consistent over the past five-year period, demonstrating mutual insurers' emphasis on preserving capital.

The ratings outlook for the vast majority of mutuals—over 73%—is Stable. A Positive, Negative, or Stable outlook is assigned in tandem with a Best's Credit Rating (BCR) and other opinion types to provide an indication of the potential future direction of the opinion over an intermediate period. As of year-to-date, just over 20% of mutuals maintain a Negative outlook, which has fallen from 22% at the same time last year. Rating units with Negative outlooks have an average combined ratio over the five-year period that is nearly 8 points higher than rating units with Stable outlooks (**Exhibit 15**). With further improvement across the segment's overall results, the number of Negative outlooks may continue to trend downward.

In some cases, rating units that have the potential for a near-term change due to a recent event or abrupt change in financial condition could be placed Under Review, which is clarified with a Positive, Developing, or Negative implications, based on the specific circumstances of the Under Review status. As of year-to-date 2025, there has been a notable decline in the number of rated mutuals that have been placed Under Review. Currently, one rated mutual is Under Review, which compares to eight rated mutuals that were Under Review at this same time in 2024. This shift is attributable to capital

Exhibit 14

US P/C Mutuals – Long-Term Issuer Credit Rating Distribution

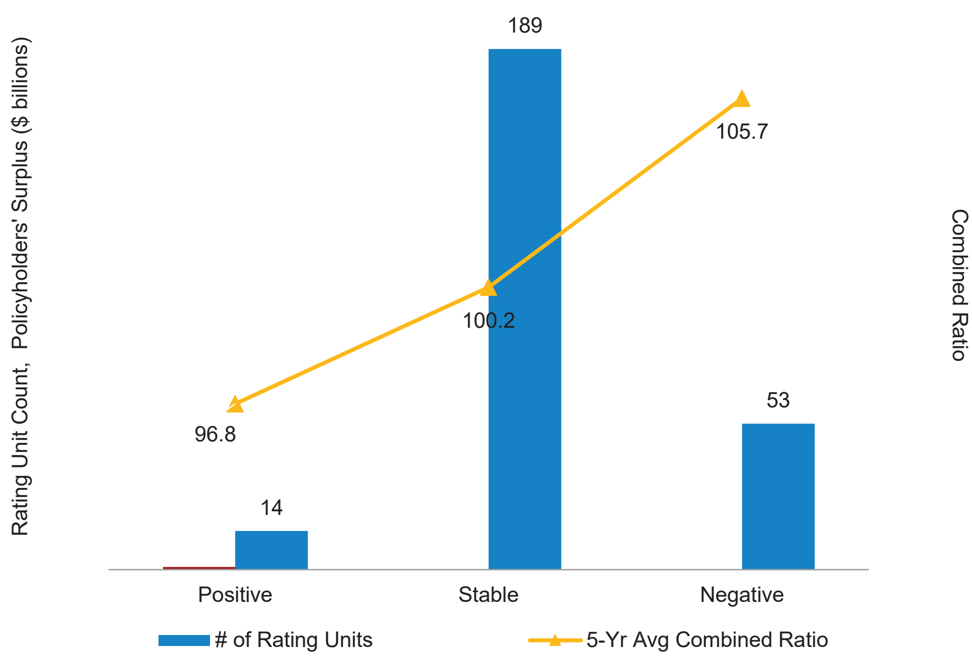


As of Sept 17, 2025

Source: AM Best data and research

Exhibit 15

US P/C Mutuals – Long-Term Issuer Credit Rating Outlooks



Data Includes one rating unit that is currently Under Review with Positive Implications

Source: AM Best data and research

management strategies and an improved rate environment, which have helped to alleviate operating performance and bolster balance sheet strength. It has also been influenced by various structural modifications and transactions that have already been executed or are currently pending approvals.

Balance Sheet Strength

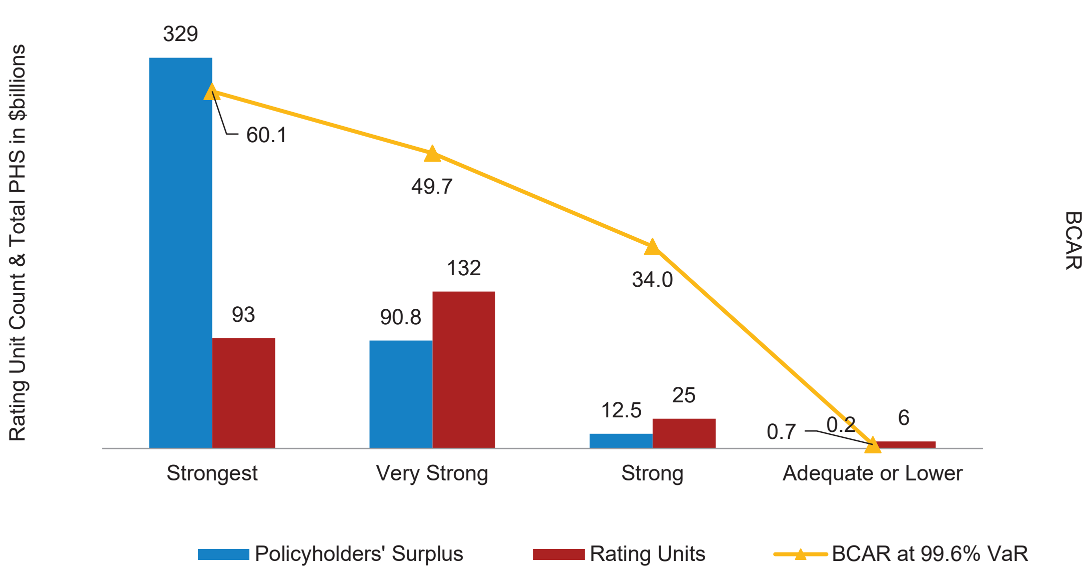
The balance sheet strength assessments of over 85% of mutual insurers are either Strongest or Very Strong (**Exhibit 16**). Rating units that maintain the highest balance sheet strength assessment of Strongest tend to be larger from a capital perspective—the total policyholders' surplus of insurers assessed at the Strongest level is nearly $330 billion, compared to just over $90 billion for mutuals assessed at the Very Strong level.

Risk-adjusted capitalization levels, as measured by Best's Capital Adequacy Ratio (BCAR), are a key component of the balance sheet strength assessment and, on average, are lower as you move down the assessment categories. Most mutual insurers maintain levels of risk-adjusted capital that fall within the strongest indication, which is measured by a BCAR score that exceeds 25.0 (**Exhibit 17**). For insurers assessed at levels lower than Strongest, favorable BCAR positions may be offset by AM Best's assessment of other quantitative and qualitative balance sheet strength factors, including but not limited to loss reserving trends, operating and financial leverage, quality of capital, appropriateness of reinsurance and reinsurance dependence, as well as asset liability management (ALM). Generally, many rated mutuals are also somewhat limited in their financial flexibility.

Operating Performance

AM Best views an insurer's operating performance to be a leading indicator of future balance sheet strength and long-term financial stability. Among rated mutuals, nearly 58% maintain an operating performance assessment of Adequate, followed by 26% assessed at higher levels (Very Strong or Strong) and nearly 16% at lower levels (**Exhibit 18**). Insurers who maintain higher operating performance assessments perform better than industry standards and peer groups and exhibit volatility in results on a year-over-year basis, which fosters consistency in overall earnings. The median

Exhibit 16
US P/C Mutuals – Balance Sheet Strength Distribution and Characteristics



Source: AM Best data and research

combined and operating ratios over the past five years for mutuals assessed as Very Strong or Strong are 93.5% and 83.4%, respectively, compared to mutuals assessed at lower levels, which are 109.1% and 103.9%, respectively (**Exhibit 19**).

Exhibit 17
US P/C Mutuals – Quartile Benchmarks of BCAR Scores

	99.6% VaR BCAR Score (%)		
Balance Sheet Strength Assessment	**25th**	**Median**	**75th**
Strongest	51.4	60.1	68.8
Very Strong	37.1	49.4	61.8
Strong	16.8	33.0	49.2
Adequate and Lower	-22.5	0.7	23.8

Lower includes "weak" and "very weak" assessments
Source: AM Best data and research

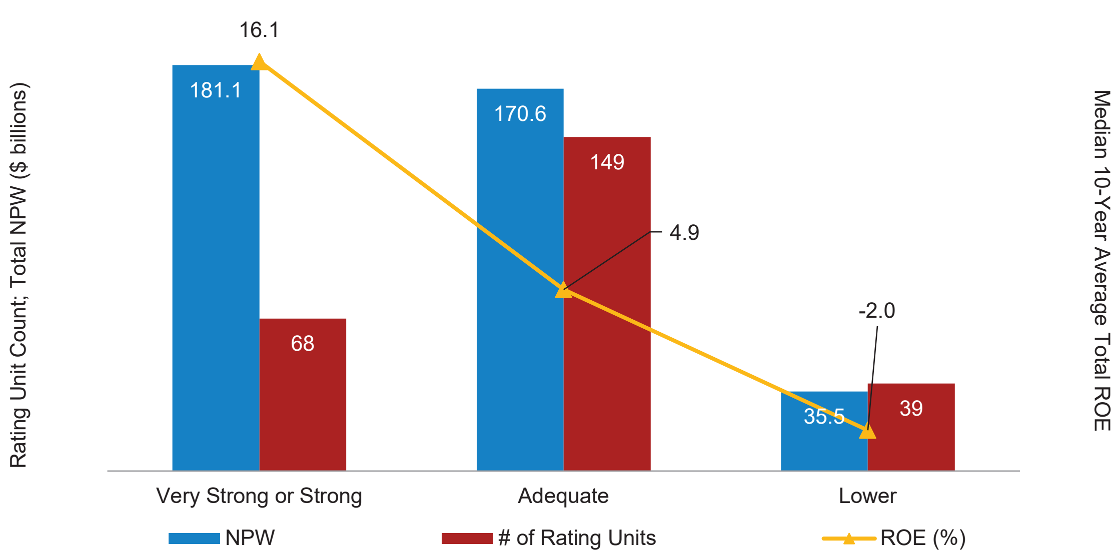
Business Profile

Potential factors that AM Best considers in the assessment of an insurer's business profile include, but are not limited to, market position, degree of competition, control of distribution channels, pricing sophistication, and management quality. We also consider the level of product/geographic concentration risk, as well as innovation.

Across the rated mutual population, approximately 63% write more than half of their business in a single-state environment. On average, in 2024, these companies' combined ratio was almost 6 points higher than companies that maintain a greater geographic spread of risk (**Exhibit 20**). Similarly, minimal diversification in overall product offerings can expose results to volatility, as rated mutuals who write more than half of their business in one product line (approximately 48%) reported an average combined ratio of 8 points higher than others who maintain a greater spread of product offerings.

However, product/geographic concentration is not the sole determinant of the business profile assessment. An insurer's market position, degree of competition, pricing sophistication and data quality, regulatory/event/market risks, and quality of the management team are also considered. Rating units that are assessed at higher levels tend to be market leaders, which is why the total NPW

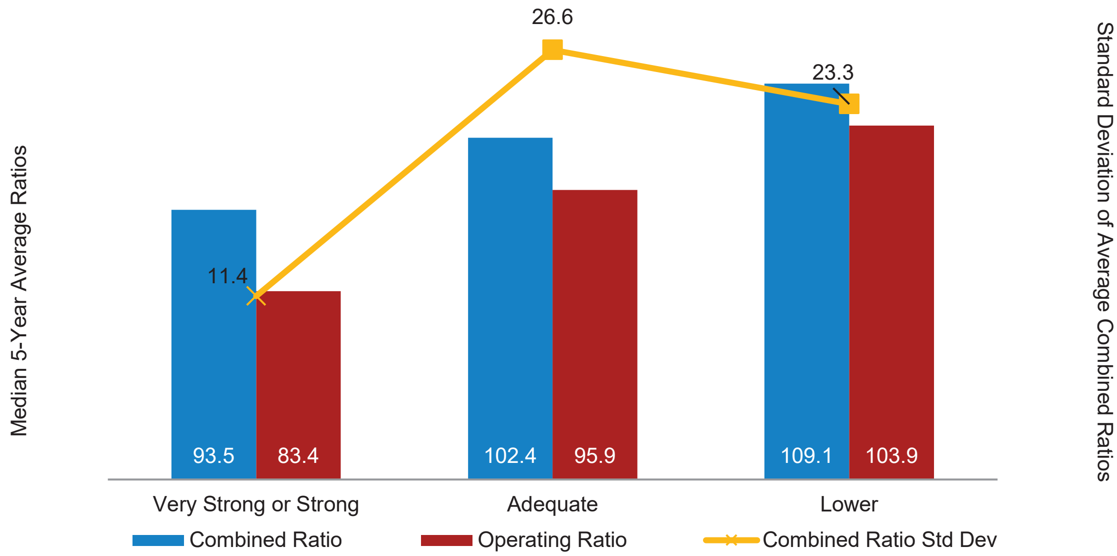
Exhibit 18
US P/C Mutuals – Operating Performance and Distribution of NPW



"Lower" includes marginal, weak, and very weak assessments.
ROE is median of 10-year average.
Source: AM Best data and research

Exhibit 19

US P/C Mutuals – Underwriting & Operating Ratio and Variability



As of Sept 17, 2025

Source: BESTLINK

out of the 22 rated mutuals assessed as Very Favorable or Favorable is just shy of $290 billion. Of the remaining mutuals, just over $81 billion of NPW is tied to the 101 rating units assessed as Neutral, and $16.2 billion is tied to the other 133 rating units assessed at Limited or lower (**Exhibit 21**).

Exhibit 20

US P/C Mutuals – Concentration Indicators

	# of Rating Units	Avg. 2024 Combined Ratio
Largest State ≥50%	161	104.7
Largest State <50%	95	98.9
Largest LOB ≥50%	122	106.9
Largest LOB <50%	134	98.6

Totals may not add up due to rounding.

Source: AM Best data and research

While they are generally smaller from a premium perspective, rated mutuals assessed as Limited or lower display favorable loss experience (**Exhibit 22**). Conversely, rated mutuals assessed as Limited or lower are subject to higher underwriting expenses. Smaller mutuals lack economies of scale and generally utilize independent agents as a distribution method, which increases commission expenses as compared to companies that utilize a captive agency force.

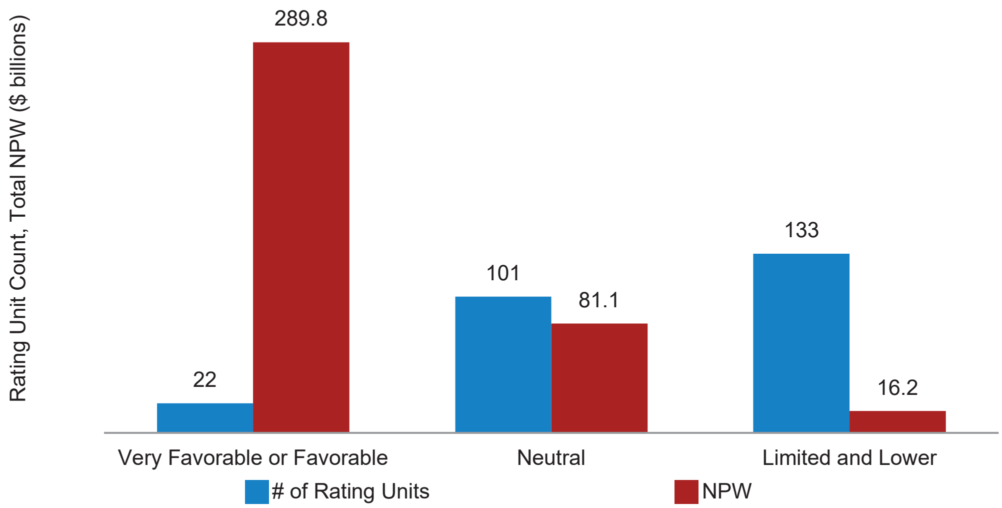
Enterprise Risk Management

Enterprise risk management (ERM) examines the quality of an insurer's risk management capabilities in relation to its overall risk profile. At present, all rated mutuals are either assessed as Appropriate or Marginal, with the vast majority being assessed as Appropriate (over 96%) (**Exhibit 23**). While this proves the value that mutual insurers see in risk management strategies, rated mutuals must continue to further develop their ERM processes to keep pace with emerging risks and market trends.

In general, the efficacy of an insurer's ERM process is pivotal to its operating results. Rated mutuals that maintain appropriate ERM assessments have performed more favorably compared to rated mutuals that maintain marginal ERM assessments. On a 10-year average basis, insurers with marginal assessments have recorded combined and operating ratios above breakeven, as well as negative pre-tax returns on revenue (ROR) and total returns on equity (ROE). On a five-year average

Exhibit 21

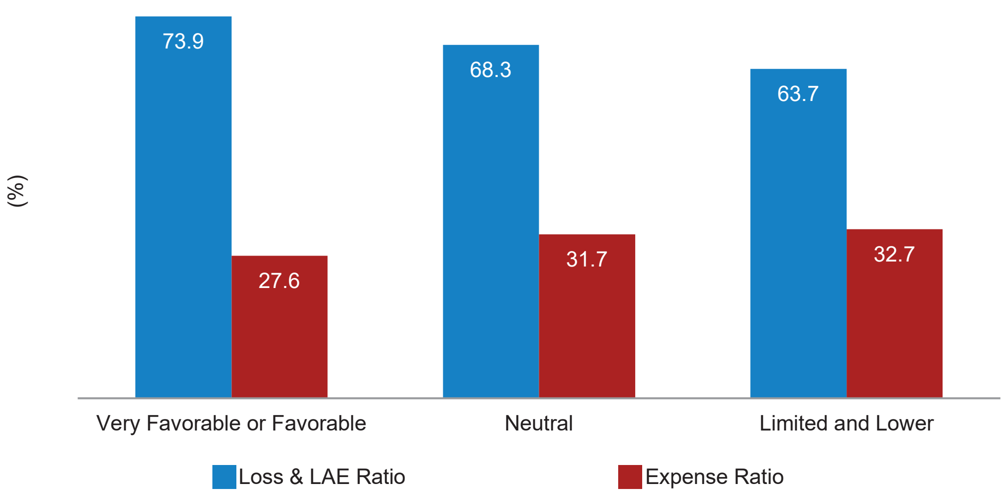
US P/C Mutuals – Premiums Written by Business Profile



Source: AM Best data and research

Exhibit 22

US P/C Mutuals – Incurred Loss and Expense Ratios by Business Profile



Source: AM Best data and research

basis, insurers with marginal ERM assessments averaged 12.6% in policyholders' surplus reduction, compared to insurers with appropriate ERM assessments who have averaged 24.3% in policyholders' surplus growth (**Exhibit 24**).

The Path Ahead for Mutuals

Rated mutuals continue to maintain a strong position in the total P/C industry (**Exhibit 25**), and over the past five-year period, market share has only changed slightly. With philosophies directed towards long-term financial success and serving their policyholders, mutual insurers continue to evolve and better position themselves to adapt to emerging risks and market trends.

Exhibit 23
US P/C Mutuals – ERM Assessment Characteristics

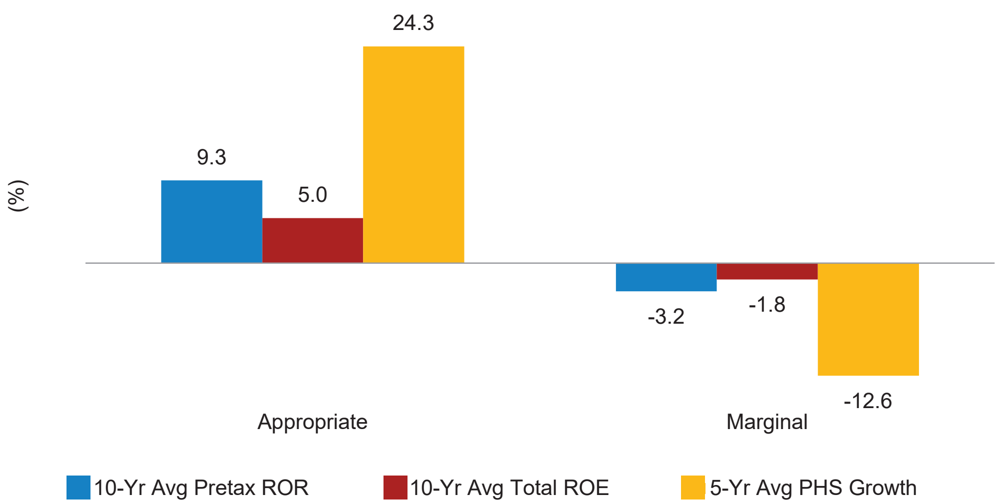
ERM Assessment	# of Rating Units	10-Yr Avg Combined Ratio	10-Yr Avg Operating Ratio
Appropriate	247	98.8	90.3
Marginal	9	106.3	103.4

As of Sept 17, 2025
Source: AM Best data and research

Over recent years there has been some consolidation in the space. The number of rated mutual insurers through December 31, 2024, was 258, which is moderately lower than the 276 rating units that made up the mutual segment five years prior. This is a product of merger and acquisition activity that has been more prevalent in recent years, considering a hardened reinsurance environment. Aside from grappling with heightened reinsurance costs and retention levels, many mutuals faced tighter terms and conditions, and non-renewals of specific coverages like aggregate reinsurance covers still prove to be a challenge. For some, consolidation in the form of mergers, acquisitions, and affiliations was used as a strategy to strengthen themselves through these hurdles.

Considering the volatile environment that these companies have operated in over recent years, enhancing financial flexibility and access to capital remains a priority. AM Best finds that some rated mutuals are implementing newly formed reciprocal exchanges, or mutual holding company structures, to achieve this. Similarly, mutual holding company structures can allow mutual insurers to more easily generate capital, engage in acquisitions, and expand the services they offer to their policyholders. As time goes on, mutuals will continue to build upon current processes in an ever-changing operating environment, as demonstrated through technological advancements, continued refinement of underwriting strategies and risk selection, and ongoing structural modifications.

Exhibit 24
US P/C Mutuals – Operating Return Characteristics by ERM Assessment



Source: AM Best data and research

Exhibit 25

US P/C Mutuals – Rating Unit Count and Market Share of P/C Industry by Direct Premiums Written, 2019 vs 2024

(%)

	2019	2024
Number of Rating Units	276	258
Total Rated Mutuals DPW Market Share	42.0	39.1
Top 25 Rated Mutuals DPW Market Share	34.7	32.6

Source: AM Best data and research

Published by AM Best

BEST'S MARKET SEGMENT REPORT

A.M. Best Company, Inc.
Oldwick, NJ
CHAIRMAN, PRESIDENT & CEO **Arthur Snyder III**
SENIOR VICE PRESIDENT & TREASURER **Cynthia Young**
SENIOR VICE PRESIDENT **Lee McDonald**

A.M. Best Rating Services, Inc.
Oldwick, NJ
PRESIDENT **James Gillard**
EXECUTIVE VICE PRESIDENT & COO **Stefan W. Holzberger**
EXECUTIVE VICE PRESIDENT & CSO **Andrea Keenan**
EXECUTIVE VICE PRESIDENT & CIO **James F. Snee**
SENIOR MANAGING DIRECTOR & CHIEF RATING OFFICER **Kenneth Johnson**
SENIOR MANAGING DIRECTOR **Edward H. Easop**

AMERICAS
WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY
A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcadía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)
LONDON
A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM
A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*
A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780
*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC
HONG KONG
A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE
A.M. Best Asia-Pacific (Singapore) Pte. Ltd
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000

Best's Financial Strength Rating (FSR): an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts.

Best's Issuer Credit Rating (ICR): an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.

Best's Issue Credit Rating (IR): an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis (obligations with original maturities generally less than one year).

Best's National Scale Rating (NSR): a relative measure of creditworthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.

Rating Disclosure: Use and Limitations

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AM Best.

Version 011624