

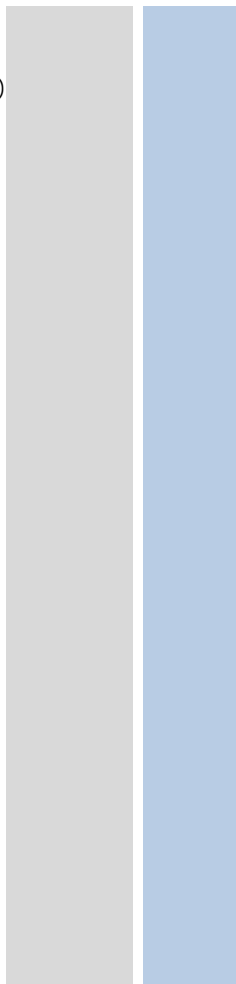
Property & Casualty Insurance Industry

PROPERTY & CASUALTY OVERVIEW

Net income in the U.S. Property & Casualty Insurance Industry jumped nearly 50% to \$39.8 billion for the first six months of 2021 compared to \$26.8 billion for the same period last year due to higher investment gains as financial markets bounced back from the economic downturn brought on by the pandemic. Conversely, underwriting gains were moderately lower due to higher losses and LAE incurred, particularly auto losses, as traffic volume returned to near normal while an increase in the frequency and severity of natural disasters led to higher property losses. Industry net income and sizeable unrealized capital gains drove policyholders’ surplus to over one trillion dollars at June 30, 2021. While financial markets have rebounded, operating results will certainly be impacted by an active hurricane season, severe storms, and unprecedented wildfires in the second half of the year.

U.S. Property/Casualty Insurance Industry Results

For the six months ended
 June 30,
 (in billions, except for percent)



MARKET CONDITIONS

Premium Pricing

Market conditions in the U.S. P&C Insurance Industry have hardened within various lines of business, b (S)1.5 (P)12.3MC /P 4(s

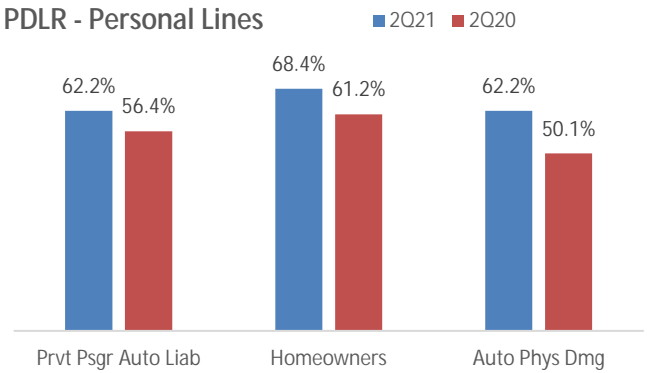
PREMIUM

Direct premiums written (DPW) increased 9.0% to \$394.8 billion in the first half of 2021 compared to \$362.3 billion for the same period in 2020. The

Pure Direct Loss Ratio

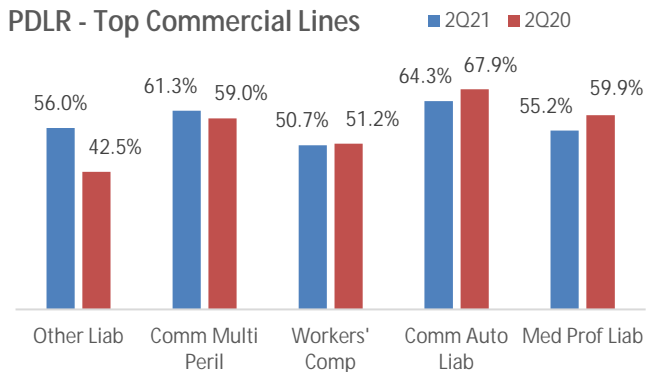
The industry’s overall pure direct loss ratio (PDLR) worsened 3.7-points compared to a year ago to 59.6%. Direct premiums earned increased 6.1% while direct losses incurred increased at a higher rate of 13.1%. The deterioration was primarily due to an 8.1-point increase in the Personal Lines Market PDLR which stemmed from an 18.8% increase in direct losses incurred. Personal Auto direct losses incurred were sharply higher as claims frequency normalized compared to the same period last year. Homeowners’ direct losses incurred were 18.3% higher due to the increased frequency and severity of natural disasters as previously discussed.

PDLR - Personal Lines



The Commercial Lines Market PDLR was 55.1%, a slight deterioration compared to 52.7% for the same period last year. Direct premiums earned increased 8.2% while direct losses incurred increased 13.2%. Last year, the pandemic forced non-essential businesses to close temporarily, reducing their exposure to liability claims. As economic activity increased in late 2020 and in the first half of 2021, so did commercial liability losses. This was particularly evident in the PDLR for the Other Liability Line, which returned to a more normalized level of 56.0% compared to 42.5% for the same period last year.

PDLR - Top Commercial Lines



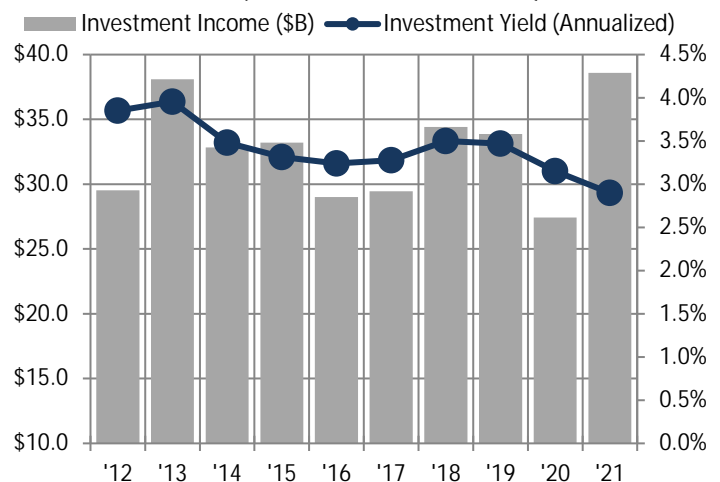
Other major commercial lines, such as Workers’ Compensation, Commercial Auto Liability, and Medical Professional Liability saw slight improvements while the Commercial Multiple Peril PDLR worsened by 2.3-points to 61.3%.

INVESTMENT OPERATIONS

Industry investment returns rebounded from the economic downturn experienced in the first half of last year, totaling \$38.6 billion for the six months ended June 30, 2021. Net investment income earned was 2.0% higher while the industry reported realized capital gains of \$9.7 billion compared to realized capital losses of \$1.0 billion a year ago. Investment yield (annualized) was 2.90% versus 3.15% for the prior year period.

One of the key drivers of the prolonged low interest rate environment is the Federal Funds Rate. The Federal Reserve (Fed) maintained the Federal Funds Rate at 0.25% on July 28, 2021, where it has been since March 2020 due to ongoing uncertainty regarding the economic outlook and the path of economic recovery being highly dependent on the course of the virus and progress of vaccinations. The Fed noted that the federal funds rate target range will be 0.0% to 0.25% until labor market conditions reach levels consistent with maximum employment and inflation reaches 2%.

Investment Income (Six months ended June 30)



CAPITAL & SURPLUS

Industry aggregated policyholders' surplus (adjusted for affiliated investments) reached \$1.0 trillion at June 30, 2021, an increase of 6.5% compared to \$955.1 billion at December 31, 2020. A long trend of net income in the industry has boosted capital levels to all-time highs in recent years. Current period unrealized gains of \$59.3 billion also contributed to the surplus growth, reflecting a rebound in the financial markets from the pandemic experienced in the prior year period when unrealized losses totaled \$43.2 billion.

LOSS & LAE RESERVES

Loss and LAE reserves increased 7.3% since the prior year-end to \$759.8 billion at June 30, 2021, and was comprised

of \$631.6 billion of unpaid claims and benefits, \$128.2 billion of unearned premium reserves, and \$0.0 billion of other reserves.

Profitability

A net operating gain of \$1.2 billion was reported for the first half of 2021, representing an 88.1% YoY improvement compared to \$632.9 million for the first half of 2020. This improvement was driven by a 48.3% (or \$4.2 billion) improvement in total operating income to \$12.9 billion, exceeding the 45.2% (or \$3.7 billion) increase in total operating expenses to \$11.7 billion. The rise in total operating income was largely due to a 49.0% increase in title insurance premiums earned.

The combined ratio of 98.1% was the lowest it has been since at least 2009. This year is the only time the mid-year combined ratio has been below 100% in that period as well. Both the net loss ratio and expense ratio showed improvements versus 2020 as well as over the longer term, with the net loss ratio now half of its value (2.4% vs 4.8%) in 2016.

A net investment gain of \$193.1 million was 8.6% higher compared to the prior year period. Net investment income earned was \$168.5 million, a 17.2% decrease compared to 2020. This is the only dollar denominated (non-ratio) item from the Summary table to decrease YoY. There was a net realized gain of \$24.7 million this year versus a \$25.7 million loss in 2020, with the sharp fluctuation concentrated in a few companies.

Overall, the solid operating results and turnaround in net realized gains more than offset the decline in investment income earned, boosting net income by 64.2% to \$1.1 billion for the first half of 2021.

Capital & Surplus

The title industry's aggregated policyholders' surplus (PHS) increased 12.0% (or \$748.7 million) to \$7.0 billion at June 30, 2021. This increase was driven by a \$457.1 million increase (to \$270 million) in net unrealized capital gains, a 64.2% (or \$433.0 million) increase in net income to \$1.1 billion, and a reduced expense for dividends. Stockholder dividends, the largest deduction to capital and surplus, decreased 7.1% (or \$48.5 million) to \$635.4 million.

Cash & Liquidity

Net cash from operations for the first half of 2021 totaled \$1.3 billion, an 86.6% increase compared to the same period in 2020. Cash inflows increased 48.8% to \$13.4 billion driven by a 51.0%

