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

	Change	2022	2021	Change	2022	2021	2022	2021	2022	2021
AL	8.1%	11,716	10,841	(2.2) pts	59.6%	61.9%	6,765	6,476	11,343	10,469
AK	8.3%	1,853	1,711	1.4 pts	49.2%	47.8%	880	798	1,789	1,670
AR	11.0%	15,629	14,087	6.1 pts	67.6%	61.5%	10,112	8,329	14,966	13,543
AR	9.2%	7,015	6,422	23.0 pts	87.5%	64.5%	5,952	4,021	6,803	6,235
CA	7.9%	103,941	96,312	6.3 pts	62.6%	56.2%	63,161	51,888	100,913	92,253
CO	11.5%	18,256	16,368	(4.0) pts	59.1%	63.1%	10,283	9,876	17,397	15,649
CT	6.3%	10,652	10,016	0.4 pts	61.4%	61.0%	6,364	5,908	10,365	9,692
DE	7.8%	3,515	3,262	14.2 pts	66.6%	52.4%	2,287	1,641	3,433	3,134
DC	11.9%	2,606	2,328	5.2 pts	51.5%	46.3%	1,268	1,032	2,462	2,229
FL	14.1%	75,735	66,401	34.4 pts	94.7%	60.3%	66,957	37,927	70,681	62,851
GA	9.4%	29,010	26,513	10.3 pts	73.5%	63.2%	20,497	16,128	27,895	25,510
HI	10.1%	3,183	2,891	(1.2) pts	45.8%	47.0%	1,404	1,310	3,066	2,786
ID	14.2%	4,397	3,849	(1.3) pts	60.9%	62.2%	2,514	2,282	4,128	3,667
IL	9.2%	33,302	30,485	3.6 pts	61.4%	57.8%	19,631	16,743	31,953	28,959
IN	9.9%	14,925	1ID61.4%ID	6						

UNDERWRITING OPERATIONS

The industry posted a $24.6 billion underwriting loss, the worst since 2011 as inflation and natural catastrophes drove a sharp deterioration in personal lines. Although the commercial market outperformed the personal market, commercial carriers also experienced challenges in 2022. Higher

were hit by power outages and more than fifty people lost their lives. Some reports estimate insured losses from Elliot of $6 billion, which follows last year's record-breaking Winter Storm Uri insured loss total of $15 billion.

Commercial Lines Market

The commercial lines market has been profitable for two consecutive years, as commercial insurers have been able to respond to market challenges with rate increases as noted on page 2, providing a boost to insurers' bottom lines. While results have improved, there are still challenges, primarily in liability lines, as many recorded combined ratios of over 100 percent.

<u>Other Liability – Occurrence</u>

Adverse loss reserve development of prior accident years and rising loss costs due to social inflation have challenged the profitability in this line in recent years. The past two years barely eked out a profit with a combined ratio of 99.0% and 99.5% for 2021 and 2022, respectively, as rate increases have outpaced increases in losses and LAE incurred.

<u>Commercial Multiple Peril (Liability Portion)</u>

Litigation has been largely to blame for the trend in poor results in this line which has generated an underwriting loss for seven consecutive years and nine of the last ten years. The combined ratio for 2022 was 104.0%, a 2.8-point deterioration compared to 2021.

<u>Commercial Auto Liability</u>

Adverse loss reserve development of prior accident years and a sharp rise in nuclear verdicts have contributed to a trend of underwriting losses within the commercial auto liability space, a trend that began in 2011. Insurers have increased rates each quarter for 42 consecutive quarters, according to the CIAB .911 (w)-3.(u)13.1 (re)-3 (rs)]Taw2 (e)-3 (
6 . 1 0 3 (

INVESTMENT OPERATIONS

Net investment income of $71.1 billion was flat compared to last year. Net investment income earned increased 31.2% YoY to $69.4 billion. Investment income earned was primarily derived from bonds at 43.9% of the total, or $37.2 billion, while other invested assets comprised 26.5%, and stocks 22.7%. Realized capital gains plummeted 90.8% to $1.7 billion compared to $18.2 billion last year as equity markets took a sharp downturn in 2022

on%h

toaaponps

The trend of favorable prior year reserve development continued with a one-year redundancy of $5.3 billion and a two-year redundancy of $9.2 billion. However, the sustainability of reserve releases is being stressed by inflation as the pace of favorable reserve development is decelerating as shown in the chart on the right.

The chart below shows prior year reseJ- dbm3 0 3-37.902 h(a)-3.3 (l)7.6 ((o)-9.6 ((o)-9.6 (n)-0.7 n)-0.8 (a)-3.2 83 0 7J-0.003.3

nonproportional reinsurance lines have been the three largest lines, though not necessarily in the same order, for each of the past five years.

Net premiums written has increased steadily since 2019, up 7.8% year over year or 40.0% over the past five years to

Over the five year period, the combined ratio decreased a total of 10.1 points, composed of a 6.7-point decrease in the net loss ratio and a 3.4 point decrease in the expense ratio. Professional reinsurers reported a combined ratio 3 points better, a net loss ratio 7.6 points better, and an expense ratio that was 5 points worse than the property and casualty

Title Insurance Industry

new housing starts compared to 2021. In addition, new housing permits in 2022 decreased 4.9% compared to 2021, while housing completions increased 3.7% (not seasonally adjusted). Seasonally adjusted new housing starts were down 17.2% in March 2023 from March 2022, which signifies that the slide in title premiums will [illegible]

NAIC Financial Regulatory Services
Financial Analysis and Examination Department

Contributors:
Brian Briggs, Senior Financial Analyst
BBriggs@naic.org
816-783-8925

Topher Hughes, Financial Analyst II
CHughes@naic.org
816-783-8125

Shelby Milligan, Financial Analyst II
SMilligan@naic.org
816-783-8437

Contacts:
Bruce Jenson, Assistant Director - Solvency Monitoring
BJenson@naic.org
816-783-8348

Andy Daleo, Senior Manager – P/C Domestic and International Analysis
ADaleo@naic.org
816-783-8141

Rodney Good, Property/Casualty & Title Financial Analysis Manager
RGood@naic.org
816-783-8430

