



California & Insurance

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Insurance Information Institute



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Insurance Information Institute (Triple-I)

Our Promise

We are the Triple-I. The trusted voice of risk and insurance; providing unique, data-driven insights to educate, elevate and connect consumers, industry professionals, public policymakers, and media.

Insurance As Financial First Responders

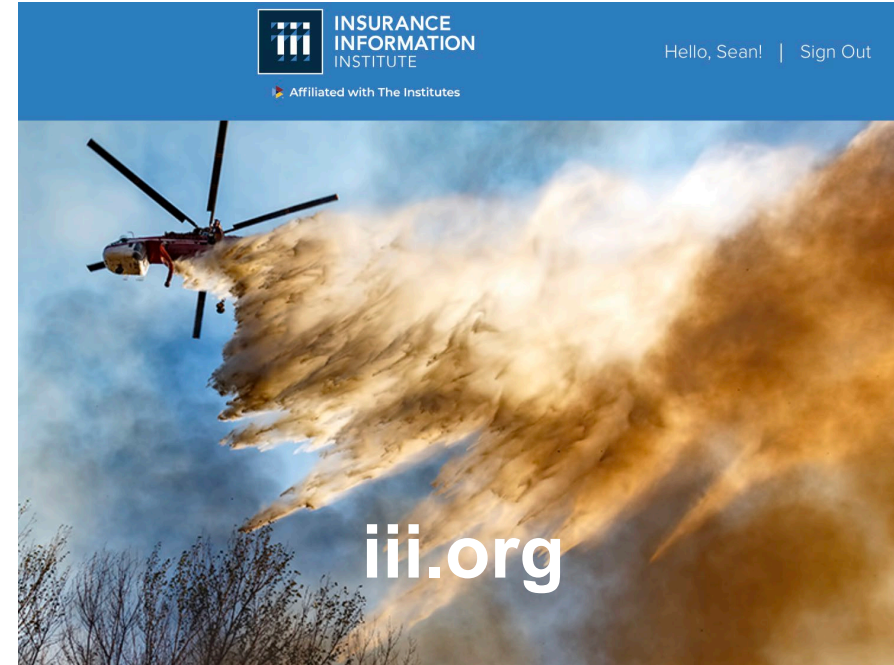
“Talk with your insurance professional...”

Claims Being Paid

- Additional living expenses
- 30-50% immediate contents payments
- Inventory assistance

Capital on Hand to Keep Promises

- Policyholder surplus
- FAIR plan
- Guaranty fund system



California Wildfires Update

Triple-I's Janet Ruiz is appointed to California State Board of Fire Services

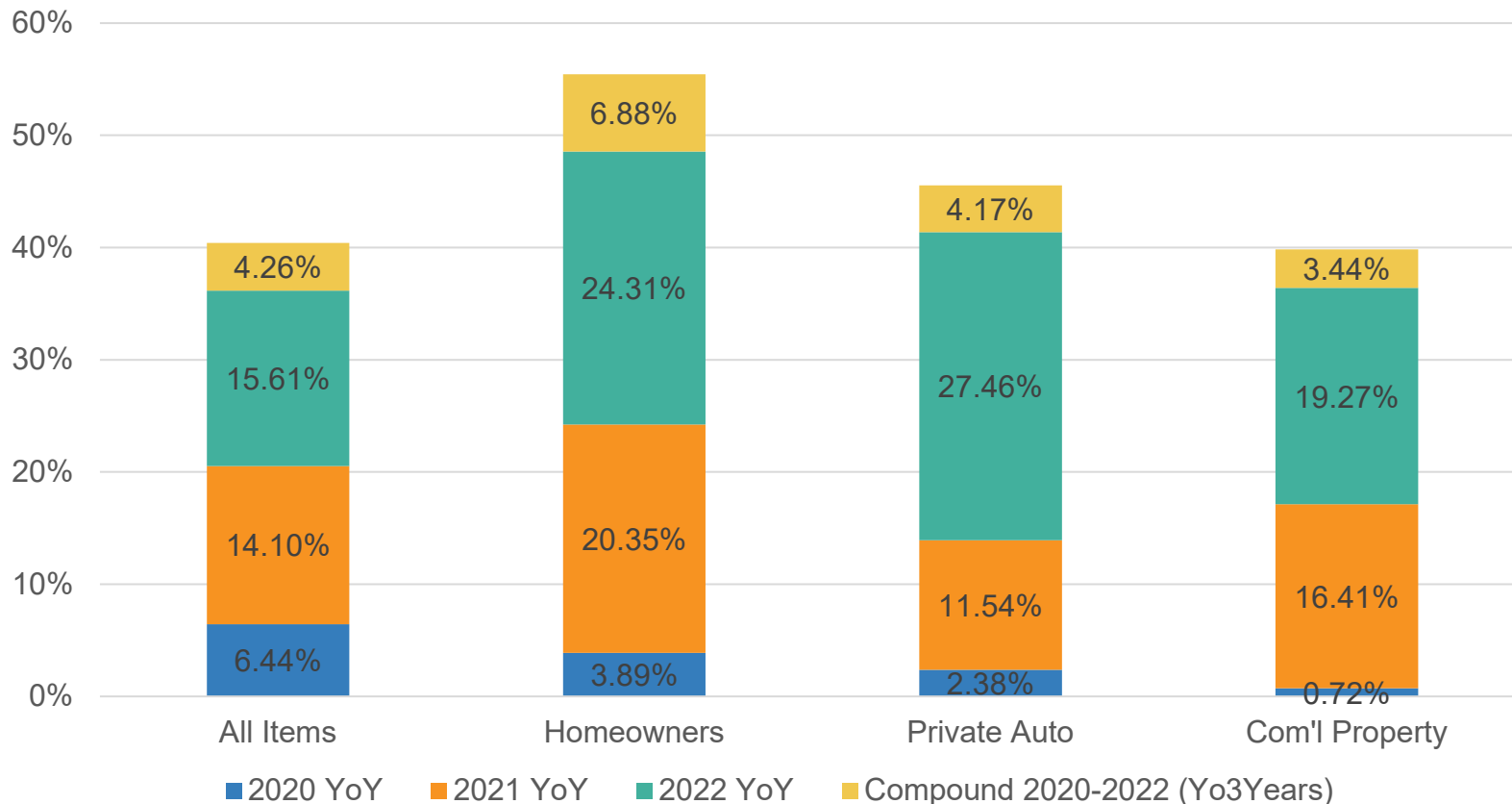
US Homeowners Insurance Market



COVID Inflation Led to Widespread Increases Insurance Costs

Cumulative P&C Replacement Cost Increases from 2019 to 2022

All P&C and Key Lines (YoY% and Yo3Y%)



Replacement costs for all P&C lines increased 40.4% from 2019 to 2022 - even after the recent decreases in U.S. CPI.

Cumulative P&C Replacement Costs Increases (Yo3Y% 2019-22)

- All P&C Lines: 40.4%
- Homeowners: 55.4%
- Private Auto: 45.6%
- Commercial Property: 39.9%

Homeowners Economic Drivers

Replacement Costs Normalizing

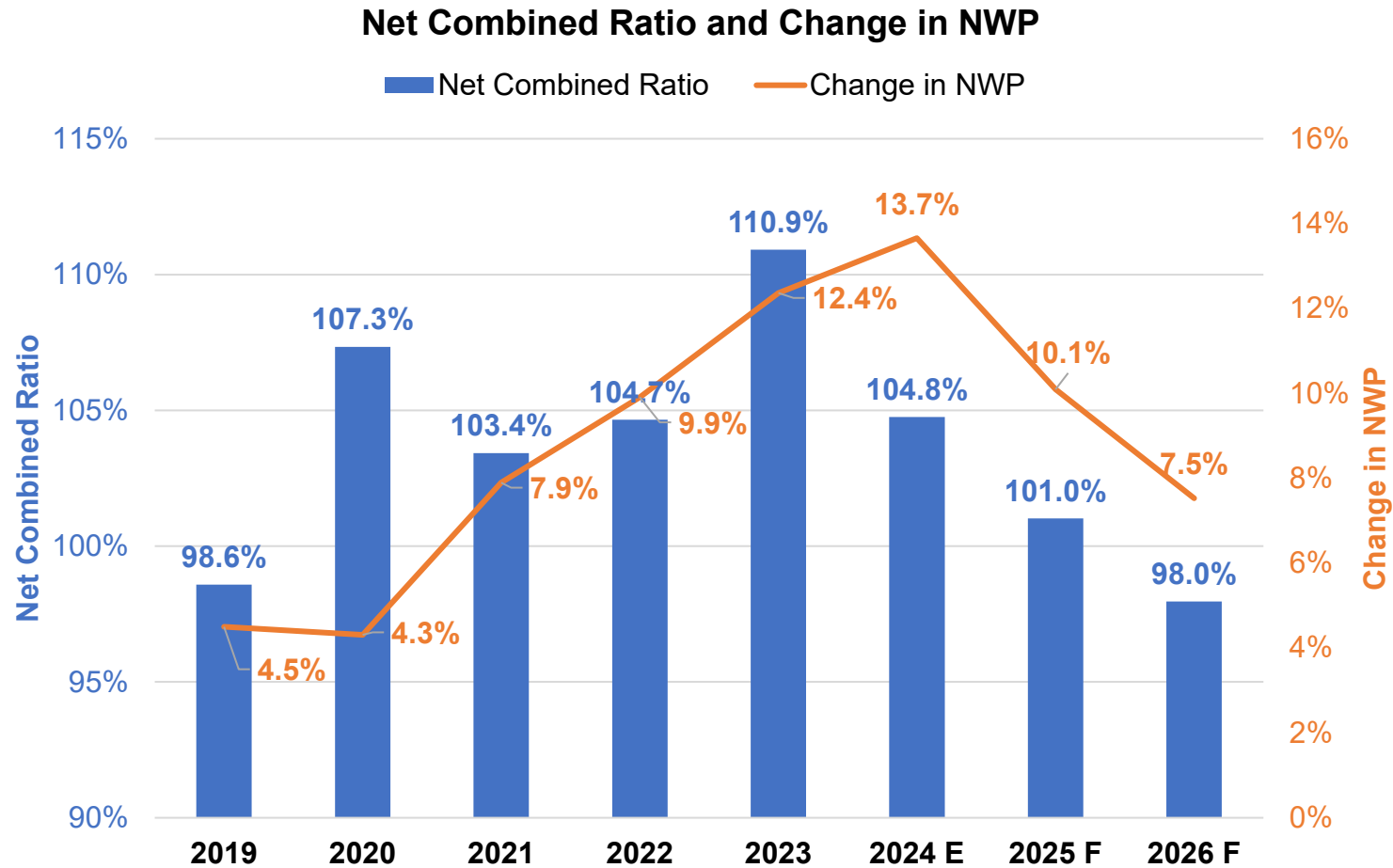
Homeowners (YoY%)	2022	2023	2024	2025	2026
Underlying Growth	1.7%	-5.4%	1.3%	2.0%	2.3%
Housing Unit Starts	-4.2%	-12.3%	-0.2%	1.0%	1.5%
Residential Construction Employment	6.1%	0.8%	2.8%	3.0%	3.2%
Retail Sales	8.9%	2.3%	2.7%	2.9%	3.1%
Replacement Costs	9.4%	2.5%	0.8%	2.7%	3.5%
Shelter	5.9%	7.5%	4.8%	5.0%	4.5%
Household Furnishings & Supplies	9.7%	2.9%	-2.4%	1.0%	2.0%
Construction Materials	12.6%	-2.9%	0.1%	2.0%	4.0%

Key Takeaway



Source: Insurance data and analysis: Triple-I; U.S. economic data: FRED (as of 01/01/2025)

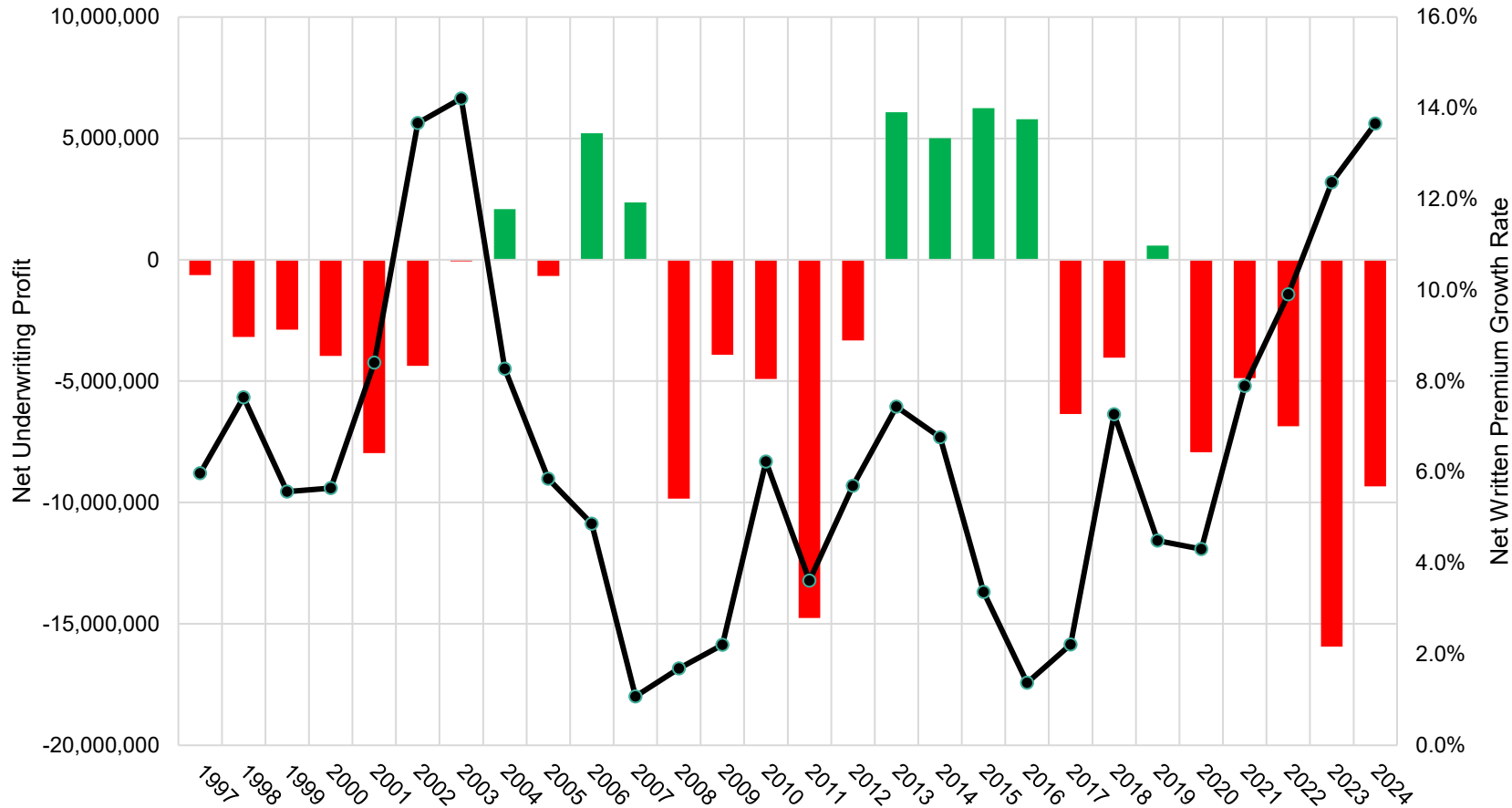
Homeowners Insurance Underwriting



- Combined Ratio is expenses paid out versus premiums paid. Profitable when under 100
- Replacement costs inflation drives up costs of risk / insurance
- Industry average projected to catch up to inflation in 2026

Homeowners Insurance Long-Term Underwriting Profitability

Net Underwriting Profit vs. Net Written Premium Growth Rate

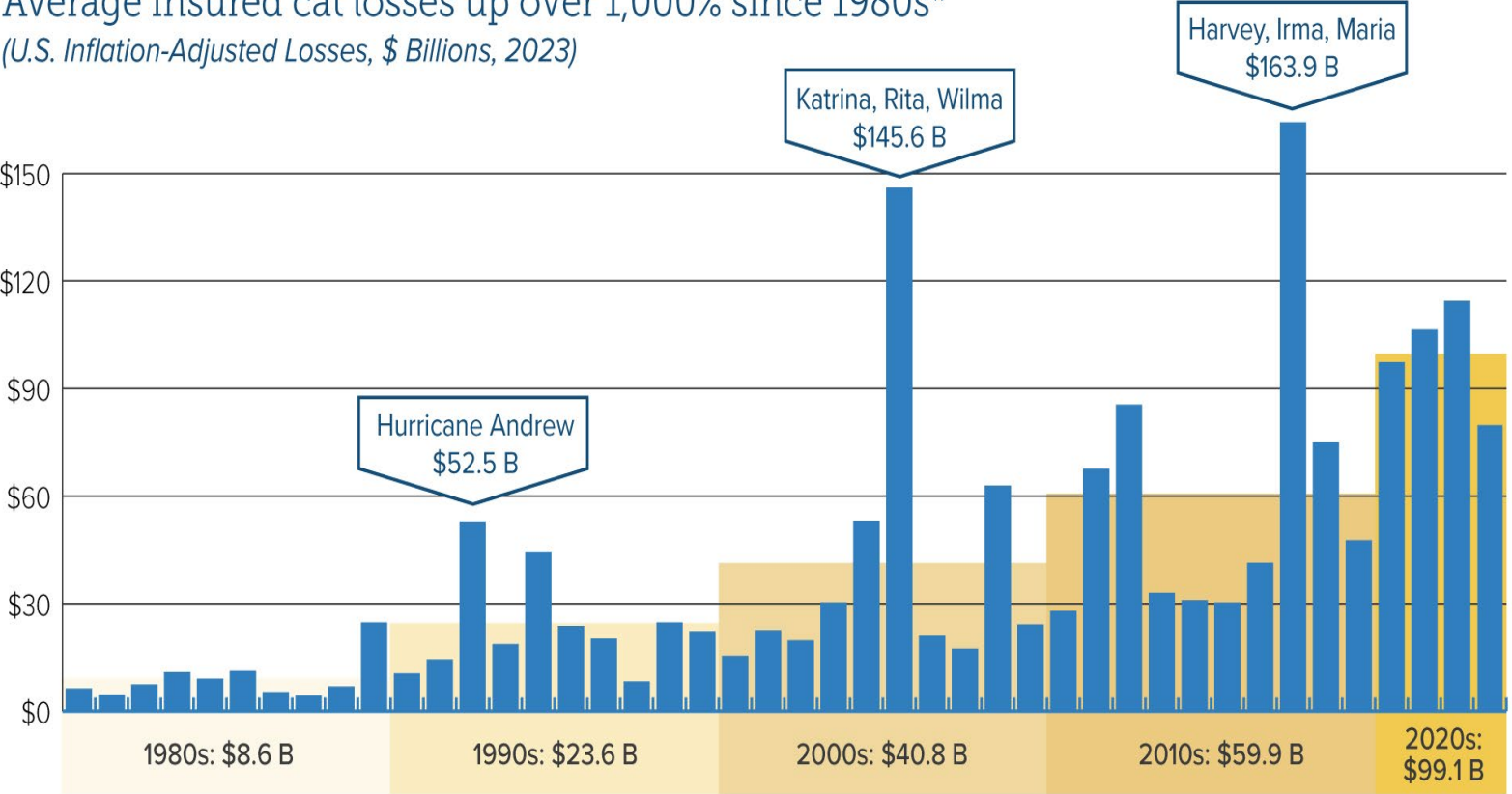


- Industry achieved underwriting profit in only 8 of 28 years
- 1997-2024 Cumulative Underwriting Loss of \$82B
- Premium growth rate exceeded 10% in 2023-2024 for first time since 2003

Sources: NAIC Statutory Financial Data through S&P Global Market Intelligence Analysis (as of 9/24/2024): Insurance Information Institute, Milliman.

U.S. Catastrophe Losses Steadily Climbing

Average insured cat losses up over 1,000% since 1980s*
 (U.S. Inflation-Adjusted Losses, \$ Billions, 2023)



Population Growth in Harms Way...

	Population Change* (M)	Median Home Value ** (%chg)
Fastest-growing	(2010-2020)	(2010-2022)
1 Texas	4.00	123%
2 Florida	2.73	72%
3 California	2.28	56%
4 Georgia	1.02	84%
5 Washington	0.98	88%

*Includes insured losses from all natural perils.

Source: Aon (Catastrophe Insight)

Long before “climate risk” was commonly discussed, Hurricane Andrew (1992) and Northridge earthquake (1994) were the industry’s call to mitigate the severity of natural catastrophes

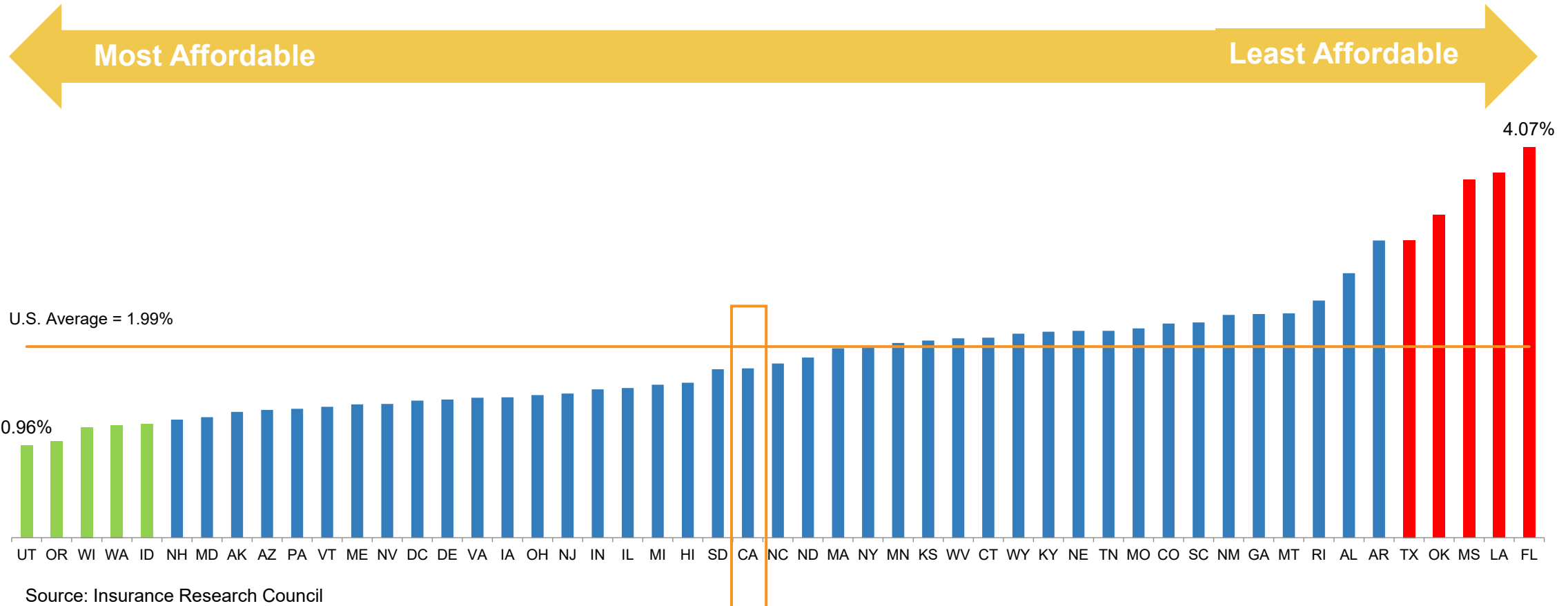
Key Drivers of Increasing Insurance / Risk Pricing



California Insurance Market



Homeowners Insurance Premiums as Percent of Median Income (2021)



California has “artificially” below average home insurance rates

Compounding of Fires, Regulatory Restrictions, and Inflation Caused Property Risk Crisis in California

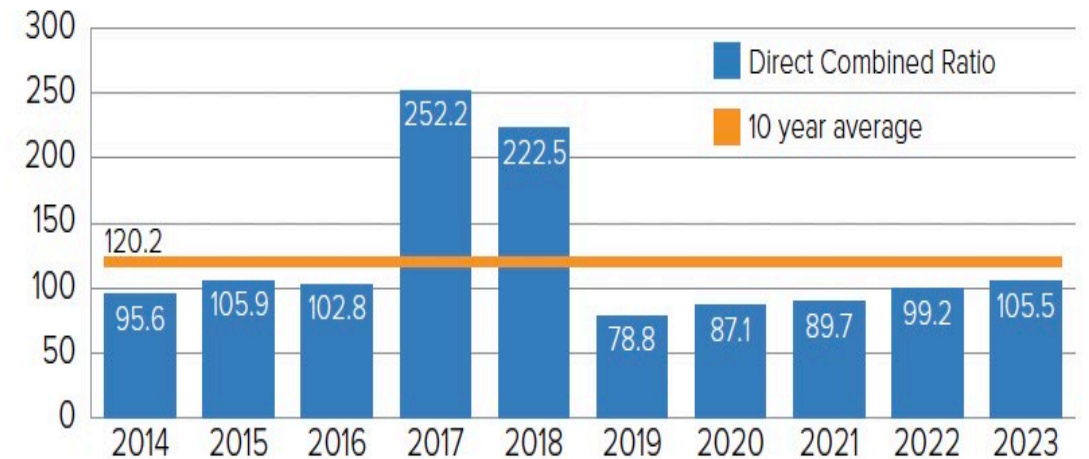
Insurance Availability Crisis Building for Decades

- Industry Homeowners Combined Ratio averaged 120.2 from 2014-2023
- Proposition 103 restricted insurance pricing and underwriting for 35 years after its implementation
- Many insurers reduced appetite for property risk

Regulatory Reform – January 2025

- California Department of Insurance “Sustainable Insurance Strategy” introduced new regulations to allow cat models and reinsurance to be included in pricing

California Homeowners Direct Combined Ratio



Source: Triple-I analysis of NAIC Annual Statements available through S&P Global Market Intelligence.

Our Future Depends on Resilience

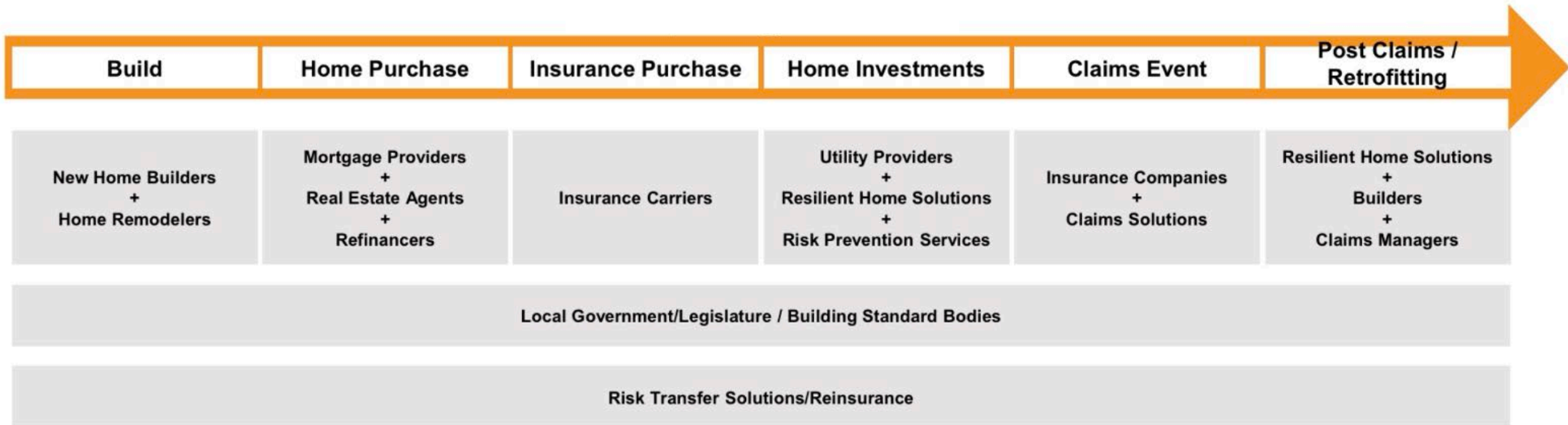


Detect
&
Repair

The diagram consists of two rectangular boxes connected by a blue arrow pointing from left to right. The left box is orange and contains the text 'Detect & Repair'. The right box is teal and contains the text 'Predict & Prevent'.

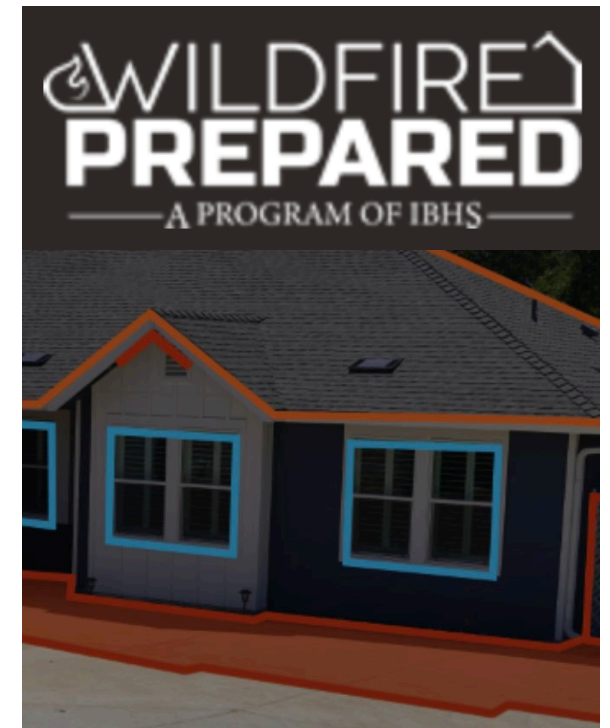
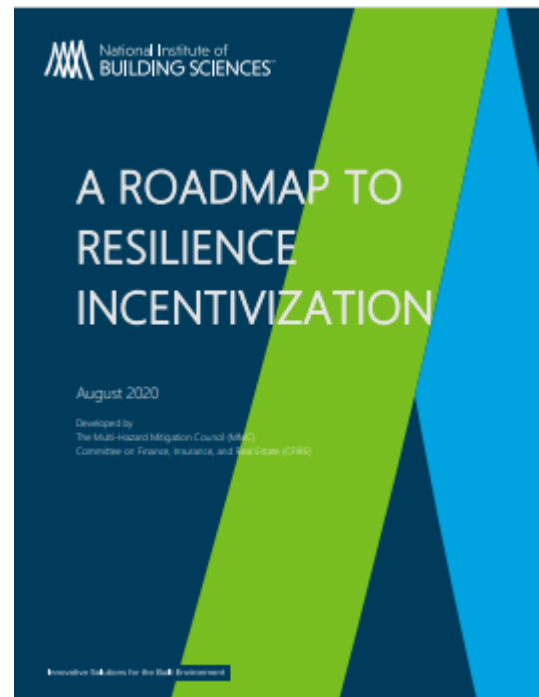
Predict
&
Prevent

Resilience Building: Creating economic value that drives behavioral change and helps people and communities better manage risk



Insurance is essential, but just one tool in the resilience toolkit alongside risk modeling, technology, public policy, finance, and science

Learning from and Scaling Resilience



Rebuilding Los Angeles as well as future building in the State of California must adhere to residence standards to ensure survivability and insurability

Thank You

Questions?

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