

Current and Future Trends for Property & Casualty Insurance

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Insurance sector undergoes significant price-risk adjustment

- **The complexity of risk in the insurance industry has dramatically increased, leading insurance companies to increase the cost for protection for auto and homes**
- Price adjustments to align with increasingly more complex risks were **in the cards even prior to the pandemic**
- In personal and commercial autos, the costs of repairing vehicles involved in accidents jumped in part due to the **technology inside vehicles has grown more complex**
- **Increased frequency of accidents**
- **Bigger settlements** after a car collision in part due to higher medical expenses.
- **Increased theft** particularly of catalytic converters
- **Increased litigation abuse**, nuclear court verdicts and social inflation
- **The pandemic then greatly exposed and amplified the mis-pricing** of risk and massively accelerated price adjustments
- The impact of **Covid first hit goods inflation** including great lifting the price of car parts, new and used cars
- Then **services costs rose** due the tightness in the labor market and higher wages. Additionally, the typical car mechanic now needs to be more of a technician given the increased technology in cars.
- **Worse of the adjustments behind us so expect more moderate price adjustments going forward**

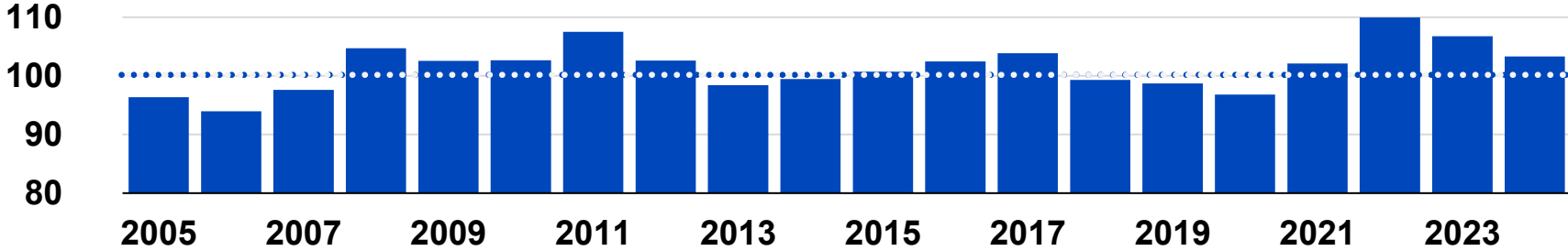
Insurance sector undergoes significant price-risk adjustment

- **In the residential and commercial property sector risks were rising pre-pandemic**
- **Higher frequency and intensity of natural disasters** stemming from storms and wildfires
- **Pandemic first increased sharply the cost of construction materials** such as lumber and concrete as well as major appliances
- **Then service costs for home repair and maintenance increased** and continues to rise at a rapid clip
- **Premium costs for property insurance increase to better align with risks and higher inflation**
- **Reduced concentration of geographical risks within the US**

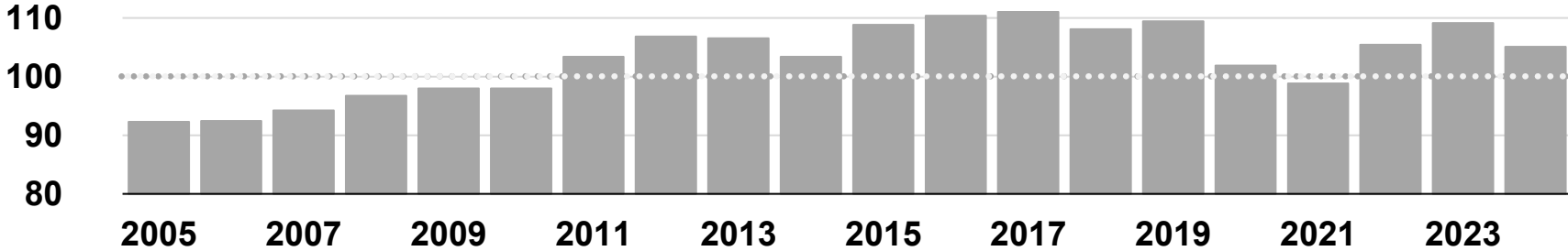
Trade Combined Ratio – measure of profitability

(readings below 100 indicate profitability)

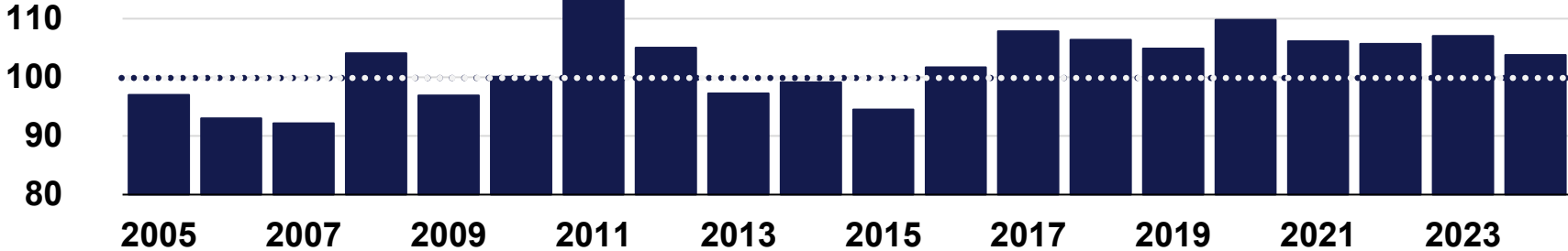
Personal Auto Lines
Percent



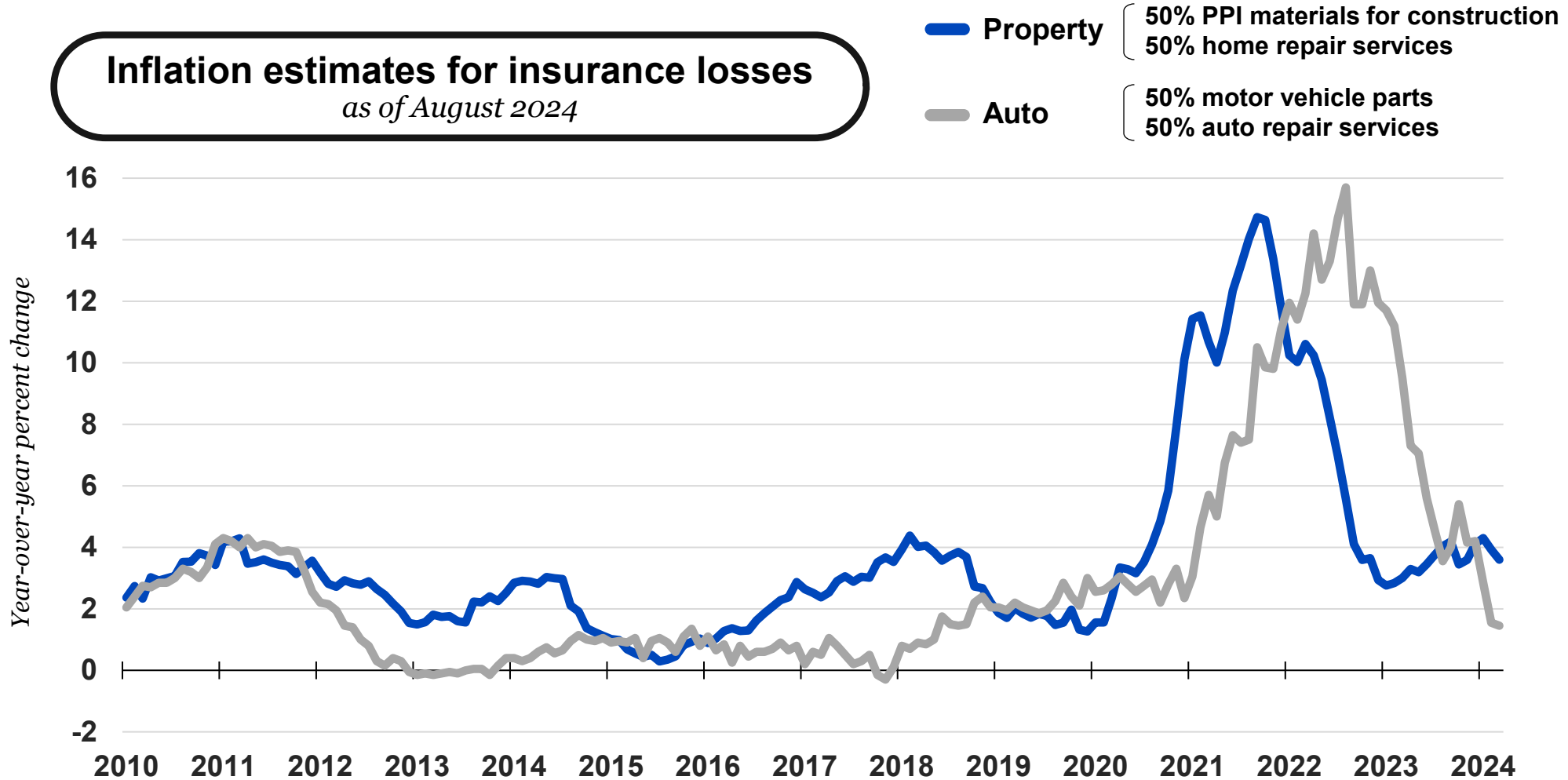
Commercial Auto
Percent



Commercial Multiperil
Percent



The surge in costs for insurance claims has passed

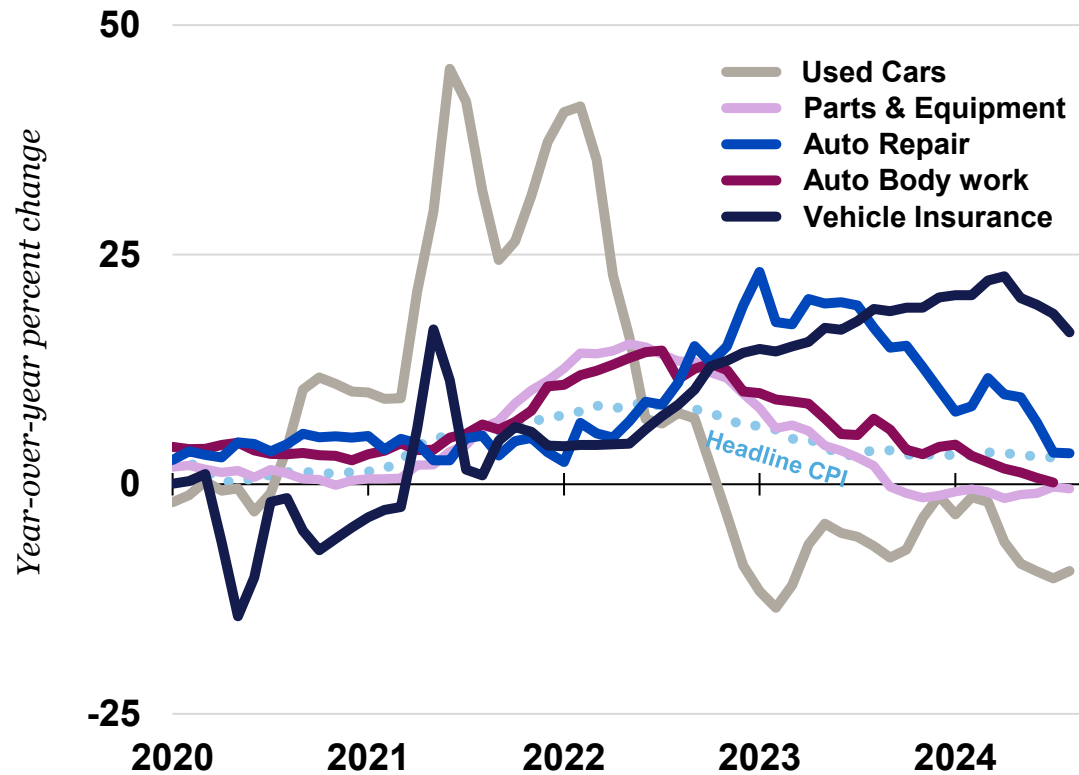


Sources: Bureau of Labor Statistics; Haver Analytics, Nationwide Economics

Auto insurance has caught up with repair cost increases

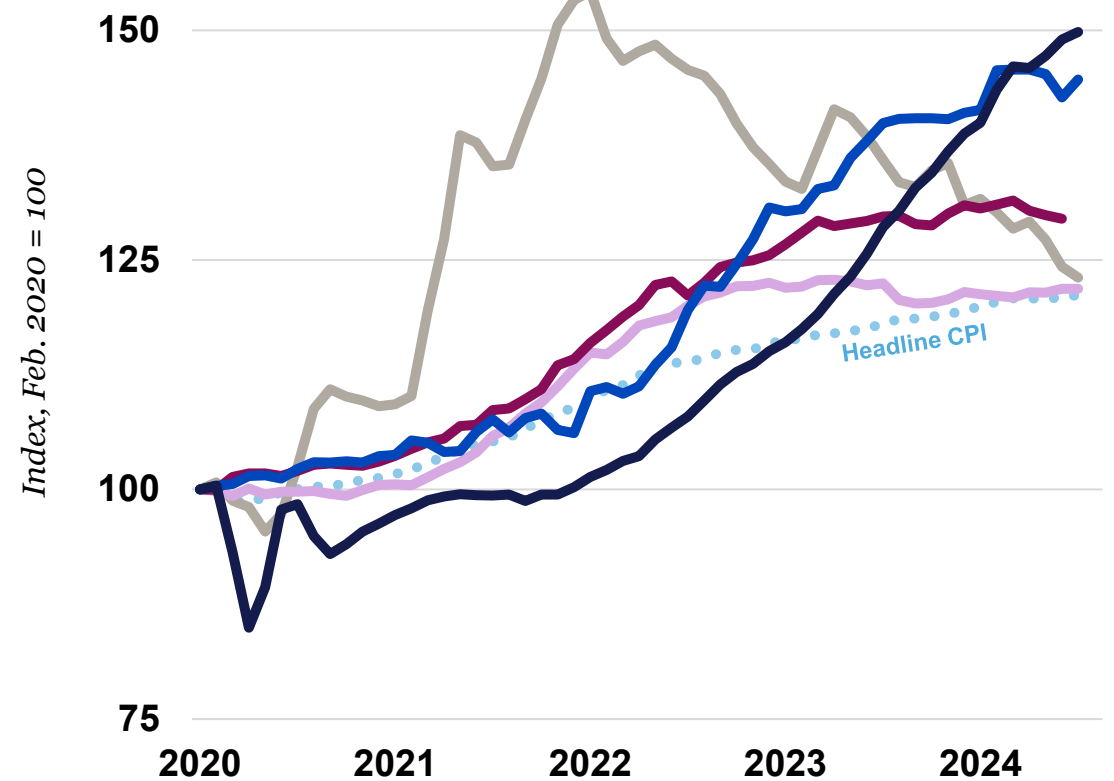
Inflation rate

as of August 2024

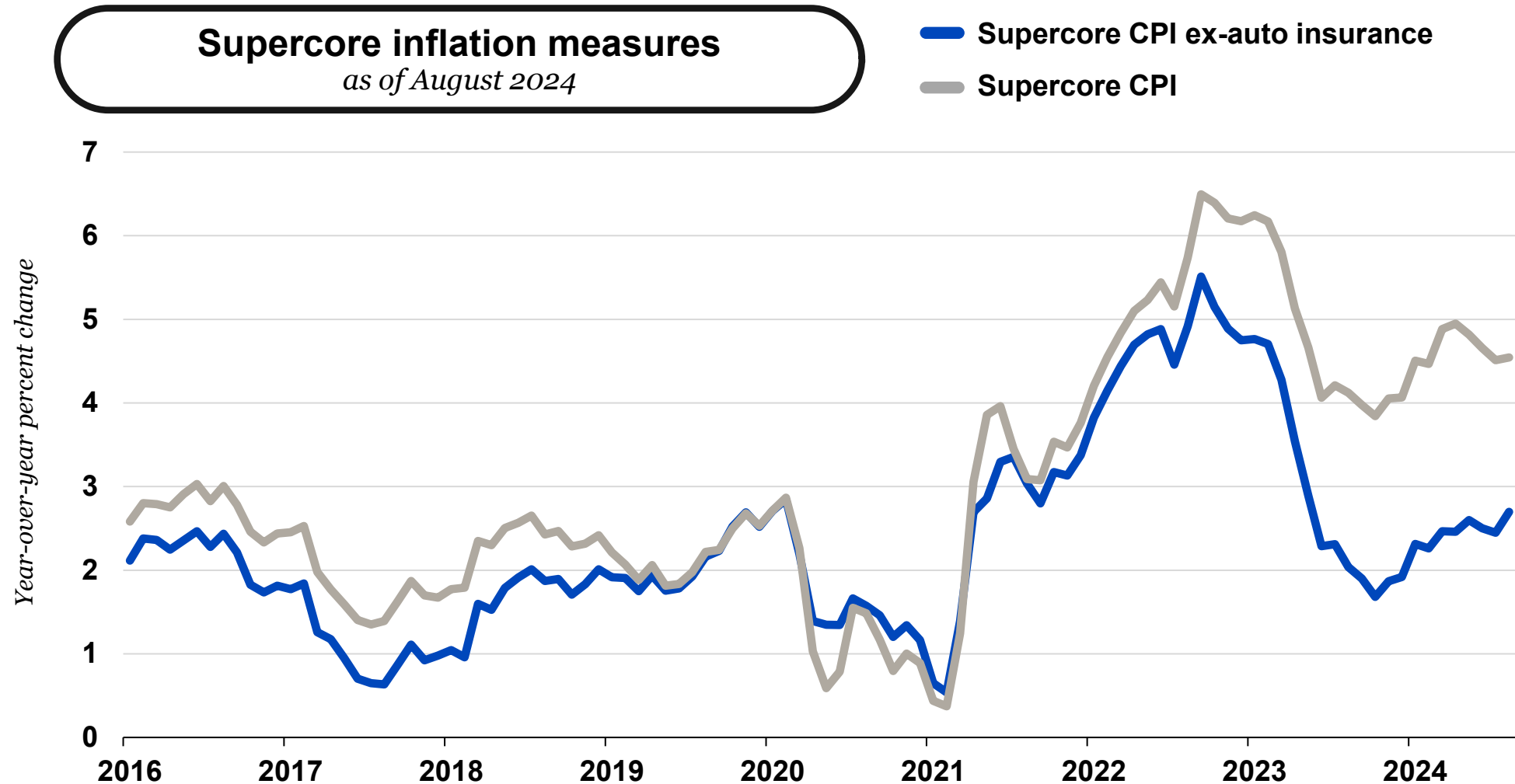


Price level

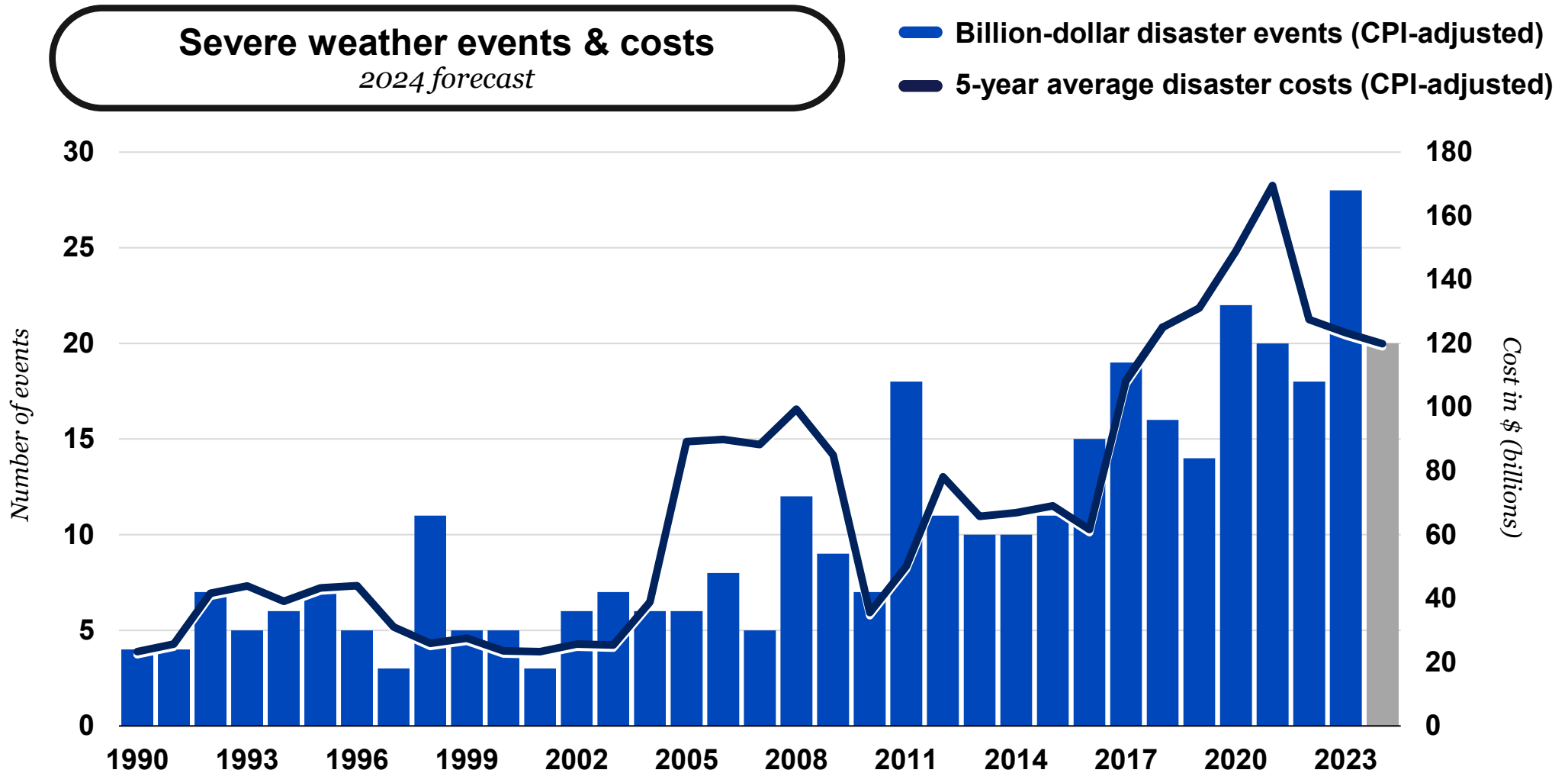
as of August 2024



Cooling auto insurance increases to lessen pressure on core services prices



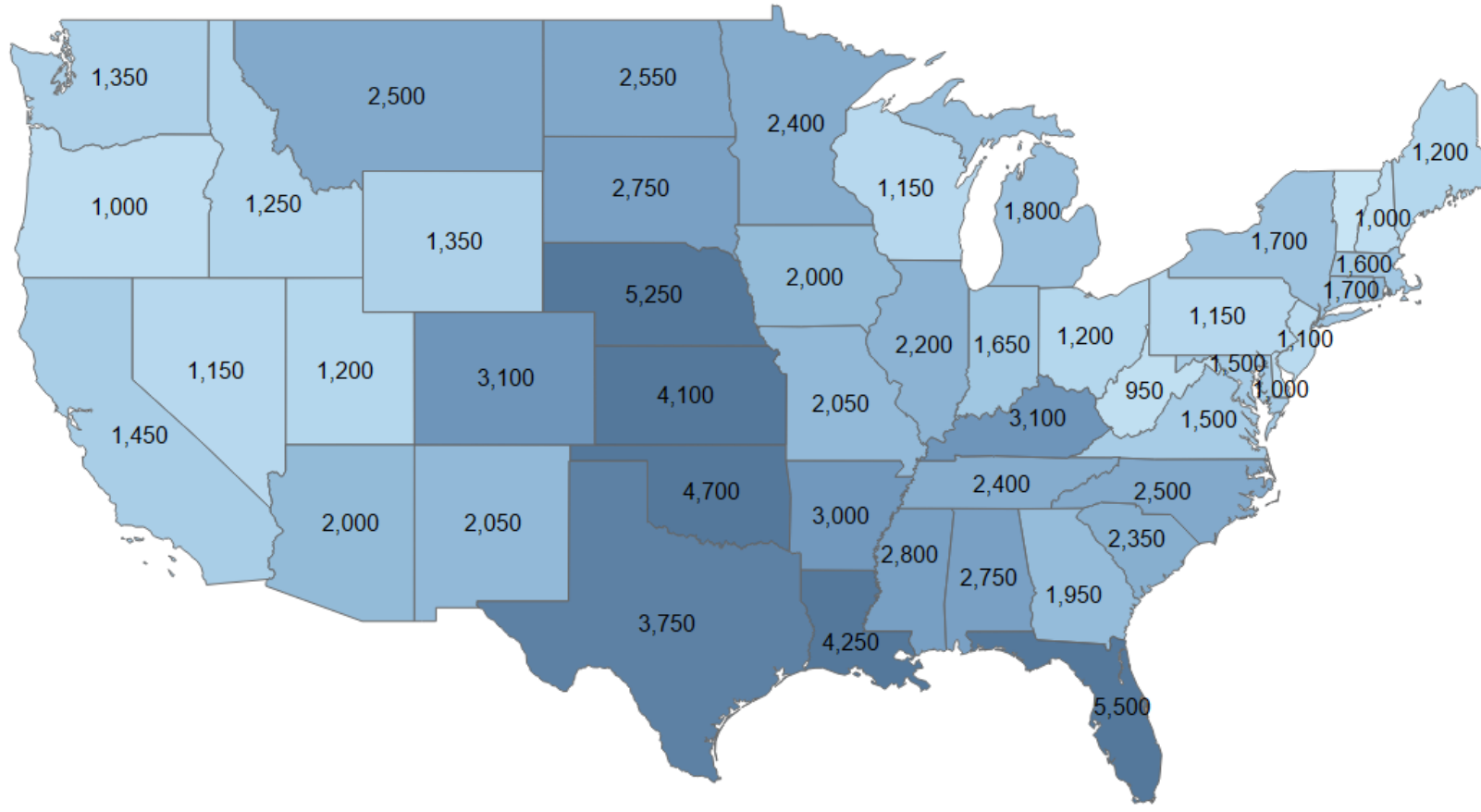
Weather losses for property insurance continue to climb



Storm activity pushing up premiums in many areas

Average annual home insurance costs

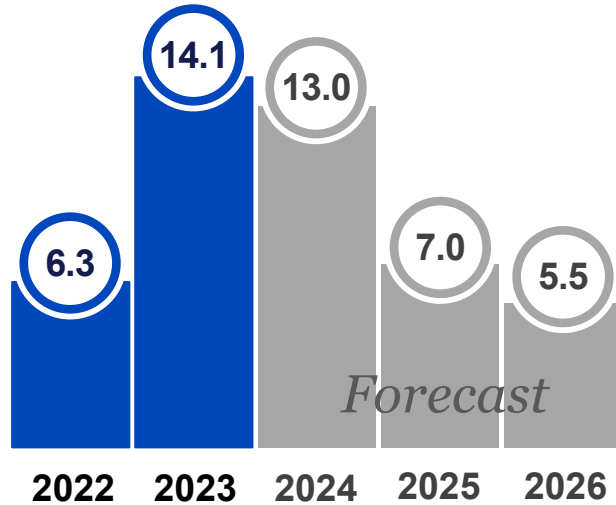
For \$300k in coverage



Industry property rates projected to remain elevated through 2026

Personal Auto DWP

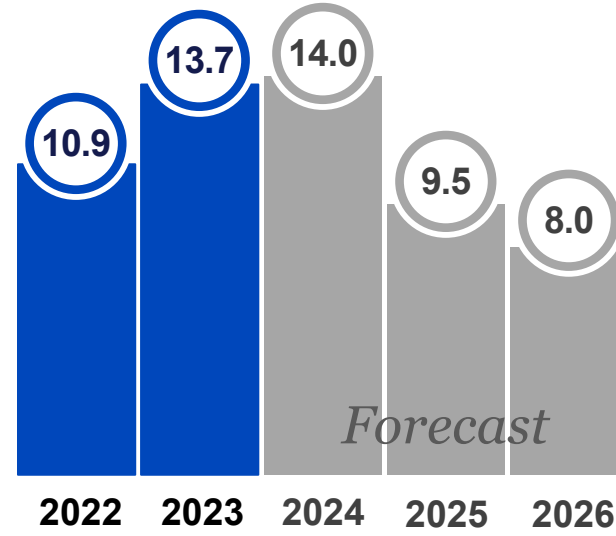
Year-over-year, percent



Cooler rate increases slow industry growth through 2026

Homeowners DWP

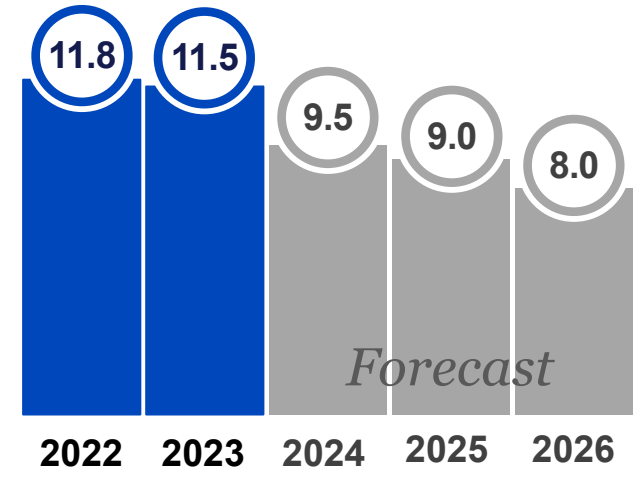
Year-over-year, percent



Industry rates remain higher over outlook, lifting DWP growth

Commercial Property DWP

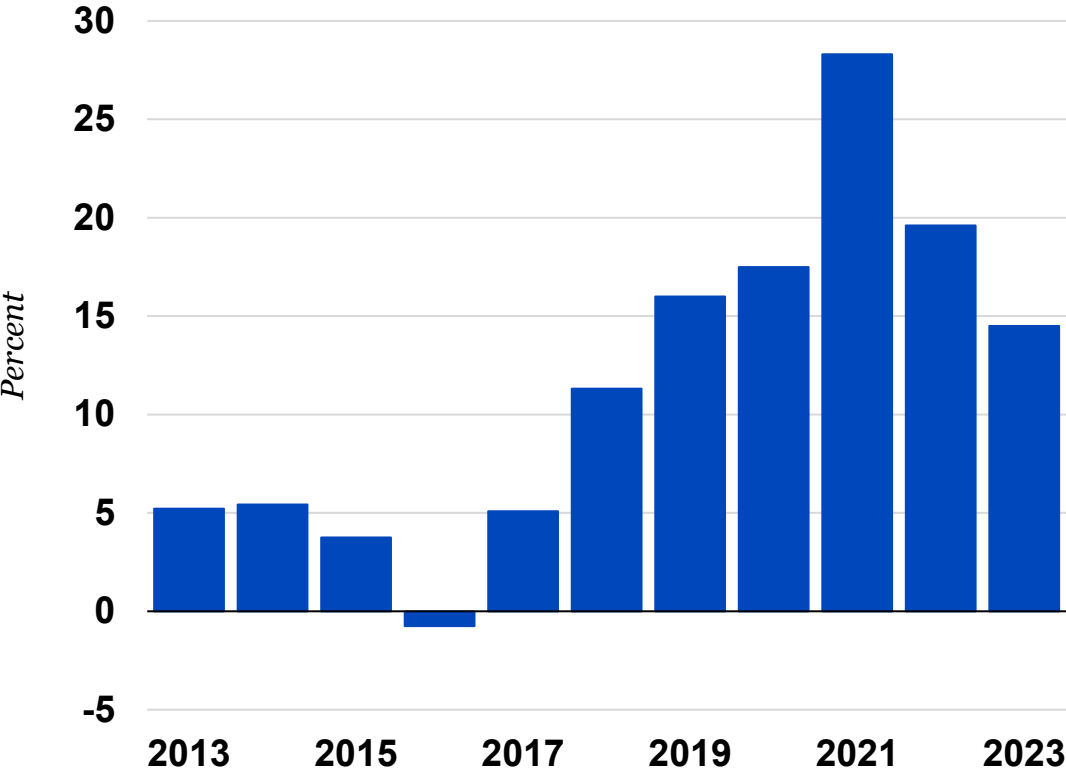
Year-over-year, percent



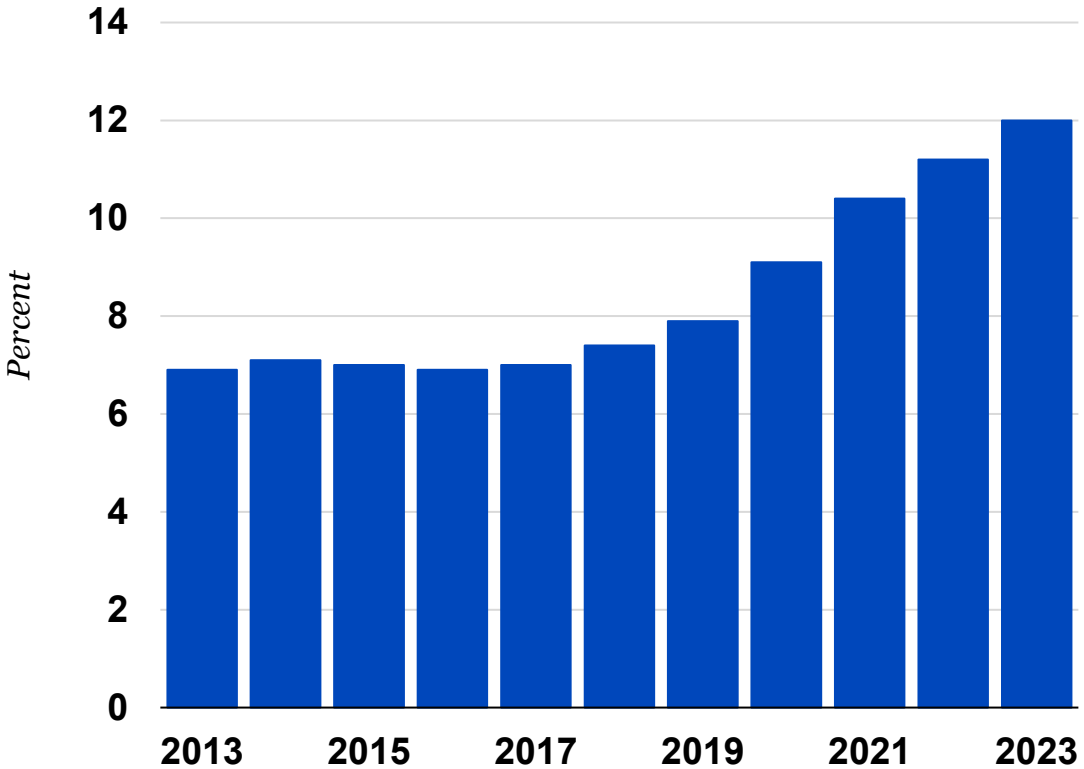
Weather losses drive higher rates and premium growth

More of the industry coverage is leaving standard lines

Industry E&S Growth in Premium



E&S Share of Total Industry





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