

Personal Lines Update

July 2025

STONYBROOK CAPITAL



Private & Confidential

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Personal Lines – Overview

The \$539B personal lines market is bifurcated with stabilization in auto and continuing pressure in homeowners

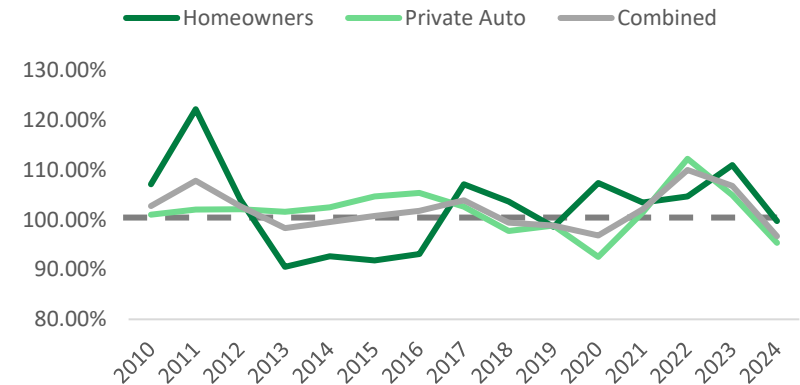
Market Overview

- ▶ The U.S. personal lines market averages over \$4,000 per household in P&C premiums and is a major economic contributor.
 - Results are diverging across auto and homeowners. Auto has stabilized with stronger pricing and underwriting, although inflation, rising accident severity, and higher repair costs remain headwinds. Homeowners remains challenged.
- ▶ The Personal Lines composite gained 116%⁽¹⁾ across 2024 and year-to-date 2025, compared to a 38%⁽¹⁾ increase for the Commercial Lines composite over the same period.
- ▶ Despite inflation and CAT losses, strong underwriting and pricing discipline are driving investor confidence.
- ▶ During COVID-19 lockdowns, fewer miles driven drove a sharp drop in Auto claims, while the industry suffered an increased number of large house fires.
- ▶ Inflation in materials, labor, and repair costs sharply increased claims severity in both auto and homeowners.
- ▶ As restrictions eased in 2021–2022, auto and home claims rebounded to normal levels, prompting carriers in 2023 to restore rates and tighten underwriting to address rising loss severity.
- ▶ Homeowners remains under pressure, with AM Best maintaining a negative outlook as catastrophe losses from convective storms, hurricanes, and wildfires continue to drive volatility.
- ▶ Reinsurance markets remained tight until recently, with higher prices and stricter terms forcing primary insurers to absorb greater retentions. Improved investment returns has helped support insurers' surplus and cushion some of this pressure.
- ▶ While still a small factor, fronting carriers have seen a notable increase in their presence within the personal lines segment, where their share in the Homeowners and Personal Auto market increased by 110.8% from 0.39% in 2023 to 0.83% in 2024. This trend reflects the improved rating environment in the standard market.

USA 2024 Personal Lines Market

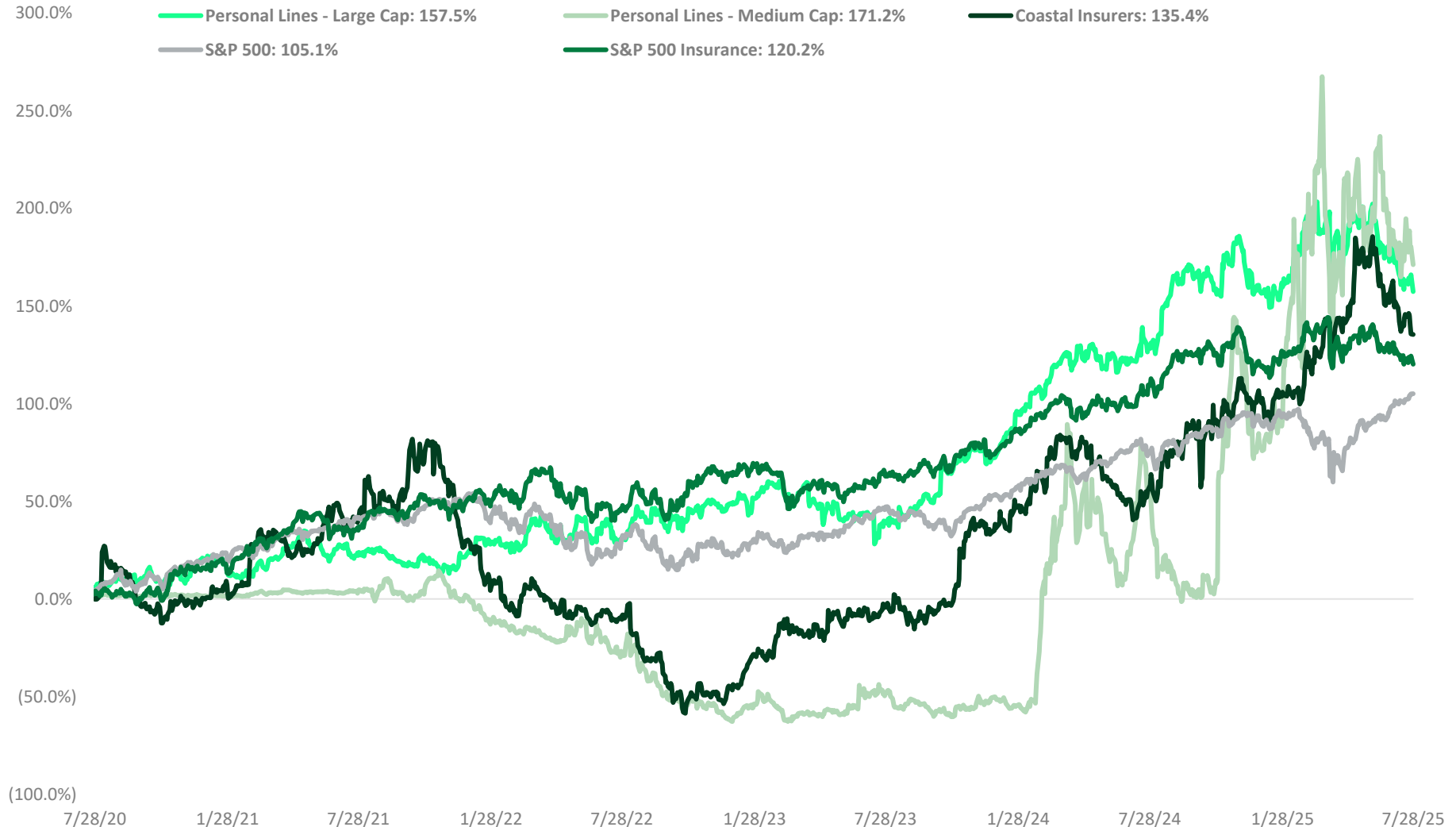
Company	Market Share	DPW (\$000s)	DPW Growth % ⁽²⁾
 State Farm	18.5%	\$99,598,083	16.7%
 PROGRESSIVE	11.7%	63,327,193	23.7%
 Allstate	9.7%	52,115,029	12.2%
 GEICO	7.8%	42,259,529	6.9%
 USAA	6.3%	34,040,299	12.7%
 FARMERS INSURANCE	4.3%	23,008,890	3.6%
 Liberty Mutual INSURANCE	4.2%	22,710,533	(5.8%)
 TRAVELERS	2.9%	15,620,339	8.5%
 AMERICAN FAMILY INSURANCE	2.8%	15,025,667	16.6%
 Nationwide	1.7%	9,140,405	(9.4%)
Top 10 Total	69.9%	\$376,845,967	12.0%
Grand Total	100.0%	\$539,380,608	13.1%

Personal Lines Combined Ratio



Personal Lines – Five Year Stock Performance

Most Personal Lines Insurers Have Outperformed Broader Indices Over the Last 5 years





Homeowners Insurance

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Homeowners Market Update

The Homeowners & Farmowner insurance market saw a ~13% growth from 2023 to 2024 to \$179B, averaging over \$1,300 per household

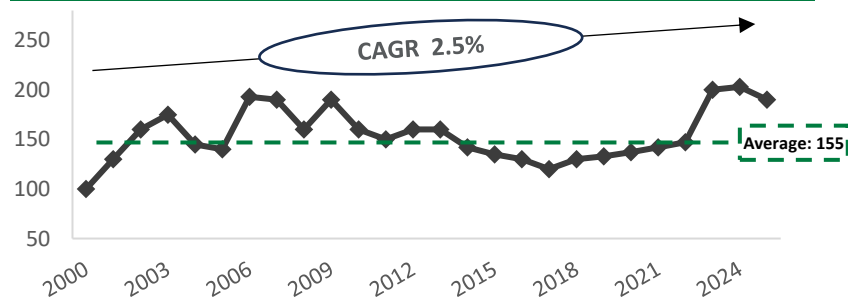
Commentary

- ▶ The homeowners and farmowners insurance market experienced a significant 13% growth from 2023 to 2024.
- ▶ State Farm continues to dominate with a 17.8% market share, followed by Allstate and USAA at 8.7% and 6.6%, respectively. Despite the overall growth, the competitive landscape remains dynamic, with smaller personal lines specialist players like Mercury Insurance and Country Insurance holding less than 1% of the market.
- ▶ The Florida homeowners insurance market is (cautiously) stabilizing as 2022–2023 reforms reduced lawsuit incentives (ended one-way attorney fees and banned AOB; broader tort changes via HB 837) and added state backstop reinsurance (RAP in May 2022; FORA for the 2023 season), helping curb litigation and draw private carriers back—seen in Citizens' ongoing depopulation and some moderated rate actions. The following 12-month, 24-month, and 36-month median Florida Coastal Insurers⁽¹⁾ stock price changes are as follows – +61.9%, +207.9%, and +344.6%.
- ▶ While premium growth has been steady, the market faces challenges. Rising reinsurance costs, inflationary pressures on claims costs, labor market shortages impacting repair timelines, and rising losses from natural catastrophes have created a challenging operating environment. These factors have led insurers to increase premiums aggressively to maintain profitability, which could impact affordability for policyholders in the long run.
- ▶ California wildfires have intensified pressure on carriers, prompting State Farm and Allstate to halt new homeowners policies in the state. Both cited rising catastrophe risk, regulatory hurdles, and reinsurance challenges. At the same time, the E&S market is experiencing a major surge, with carriers aggressively stepping in to fill the void left by admitted carriers' non-renewals. E&S insurers are capturing significant premium growth at much higher rates and stricter terms—an ongoing 'bonanza' for the sector.
- ▶ Changes in home usage patterns during the pandemic—including remote work and increased home occupancy—led to a notable increase in large claims.
- ▶ Other specialist insurer players such as PURE's reciprocal model for high-net-worth.
- ▶ Insurers have shifted reinsurance to cover high-severity events while retaining more mid-sized, weather-driven risks. This reflects both strategic discipline and reduced reinsurance capacity.
- ▶ Looking ahead, the interplay between natural catastrophe risks, reinsurance costs, and evolving consumer expectations will shape the homeowners insurance market's trajectory in 2025 and beyond.

USA 2024 Homeowners & Farmowners Market

Company	Market Share	DPW (\$000s)	DPW Growth % ⁽²⁾
 State Farm	17.8%	\$31,849,891	16.2%
 Allstate	8.7%	15,533,217	14.3%
 USAA	6.6%	11,904,468	15.1%
 Liberty Mutual	6.1%	10,969,062	1.5%
 FARMERS	5.3%	9,516,235	6.0%
 AMERICAN FAMILY	4.9%	8,851,486	22.8%
 TRAVELERS	4.7%	8,435,960	7.9%
 CHUBB	2.5%	4,501,632	12.9%
 Nationwide	2.4%	4,339,530	(7.2%)
 Auto-Owners	1.9%	3,358,404	34.0%
Top 10 Total	60.9%	\$109,259,885	12.4%
Grand Total	100.0%	\$179,388,882	13.1%

Property CAT – Reinsurance Rate Fluctuation



- ▶ Note: The ROL Index is a measure of the change in dollars paid for coverage year-on-year on a consistent program base. The index reflects the pricing impact of a growing (or shrinking) exposure base, evolving methods of measuring risk and changes in buying habits, as well as changes in market conditions. The index provides context for evaluating actual movement in dollars flowing into the system to measure changing views of risk, exposure and other factors.

January California Wildfires

Commentary






Overview

- ▶ The 2025 California wildfire season had been the most severe in recent history, with significant fires affecting multiple counties, most severely in Los Angeles and Sonoma.
 - Likely the biggest-ever dollar amount in insured loss out of a series of wildfires. The underlying cause was Santa Ana winds which pull hot, dry air out of the eastern desert. This condition was relatively stronger and longer lasting than usual, which exacerbated fire, spreading across both densely populated and wilderness areas.
 - The wildfires caused extensive damage, leading to evacuation orders for over 250,000 residents and destroying more than 15,000 structures.
 - Some evacuees received living expense coverage.

Immediate Impact

- ▶ Insured losses largely fell on the Homeowners lines, with the state's FAIR plan taking a large share and distributing it across the admitted insurance industry, who can recoup much of these assessments through policy surcharges in later years.
 - Many private insurers have stopped writing new policies in wildfire exposed areas or withdrawn from the market entirely due to regulatory constraints and rate suppression, resulting in over 3x growth in the state-backed FAIR Plan since 2020, even prior to the fires.
- ▶ Regionally-exposed HO writers had significant catastrophe reinsurance losses. Nationally exposed writers could have losses to their first layers.
 - Treaty terms include limitations on the time and breadth of defining an occurrence. Much of the LA County damage is considered to be one occurrence for reinsurance recoveries: One reinsurance retention, but only one limit.
 - In addition to Cat XOL reinsurance, the high valued coastal locations caused meaningful losses to some Property Per Risk reinsurances and HNW insurance programs written outside of the admitted market.
- ▶ Stonybrook estimates that industry total losses are well in excess of \$40B. This takes into consideration loss expenses, non-property coverages, labor shortages, and judicial factors.
- ▶ California's Insurance Commissioner implemented suspension orders to prevent insurers from canceling or non-renewing policies in wildfire-impacted areas, aiming to protect consumers from losing coverage during critical times.
- ▶ No insolvencies have been announced as of July 2025; even highly exposed carriers such as Mercury (MCY)—a one-state HO writer, and MCY remains only ~12% below their 52-week high, suggesting losses appear manageable given reinsurance recoveries, FAIR Plan assessments, and surplus levels.

Various Estimated Insured Total Losses

Company	Insured Loss Estimate
 CoreLogic	\$30B ⁽¹⁾
 PCS	\$36B ⁽²⁾
 AON	\$38B ⁽³⁾
 GuyCarpenter	\$40B ⁽⁴⁾
 Swiss Re	\$40B ⁽¹⁾

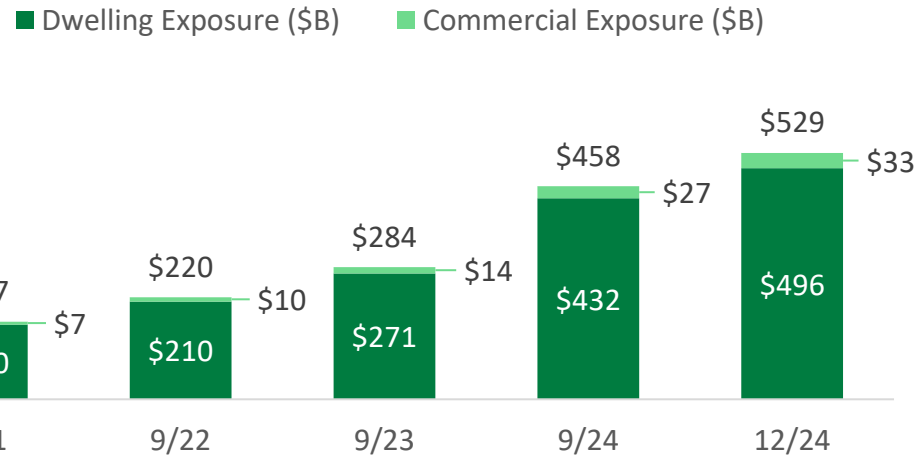
Stonybrook Estimate

 STONYBROOK CAPITAL	\$40B+
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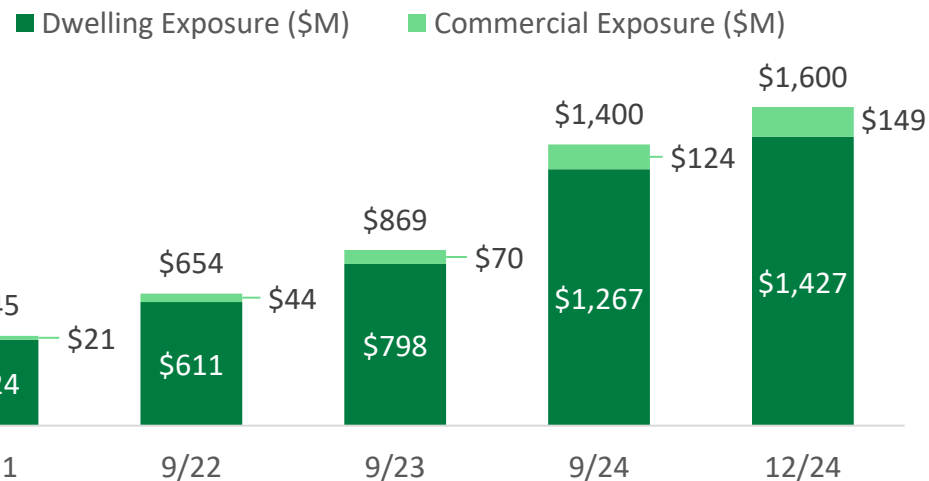
The California Fair Plan

California FAIR Plan Surges Amid Insurer Pullback and Wildfire Risk

Fair Plan Exposure



Total Dwelling & Commercial Written Premium



Commentary

Sharp Rise in FAIR Plan Exposure:

- As of December 2024, total exposure reached \$529⁽¹⁾ billion, up 15.5% since September 2024 and 217% since FY 2021, driven by increased wildfire risk and insurer retreat from the voluntary market.

Significant Growth in Policies in Force:

- The FAIR Plan now writes 516,313 total policies, an 11.1% increase since September 2024 and 115% growth since FY 2021.

Surge in Written Premiums:

- Total written premium hit \$1.6 billion, marking a 13.3% increase since September 2024 and an extraordinary 254% rise since FY 2021.

New Business Spike:

- In Q1 FY 2025 alone, the FAIR Plan added 71,436 new policies, a 34.2% increase over the FY 2024 monthly average and a 336.2% increase compared to FY 2021.
- The rapid expansion of the FAIR Plan adds systemic pressure to the broader insurance market, introducing backdoor exposure as private carriers remain indirectly tied to residual market performance.

Shift to FAIR Plan Reflects Market Instability:

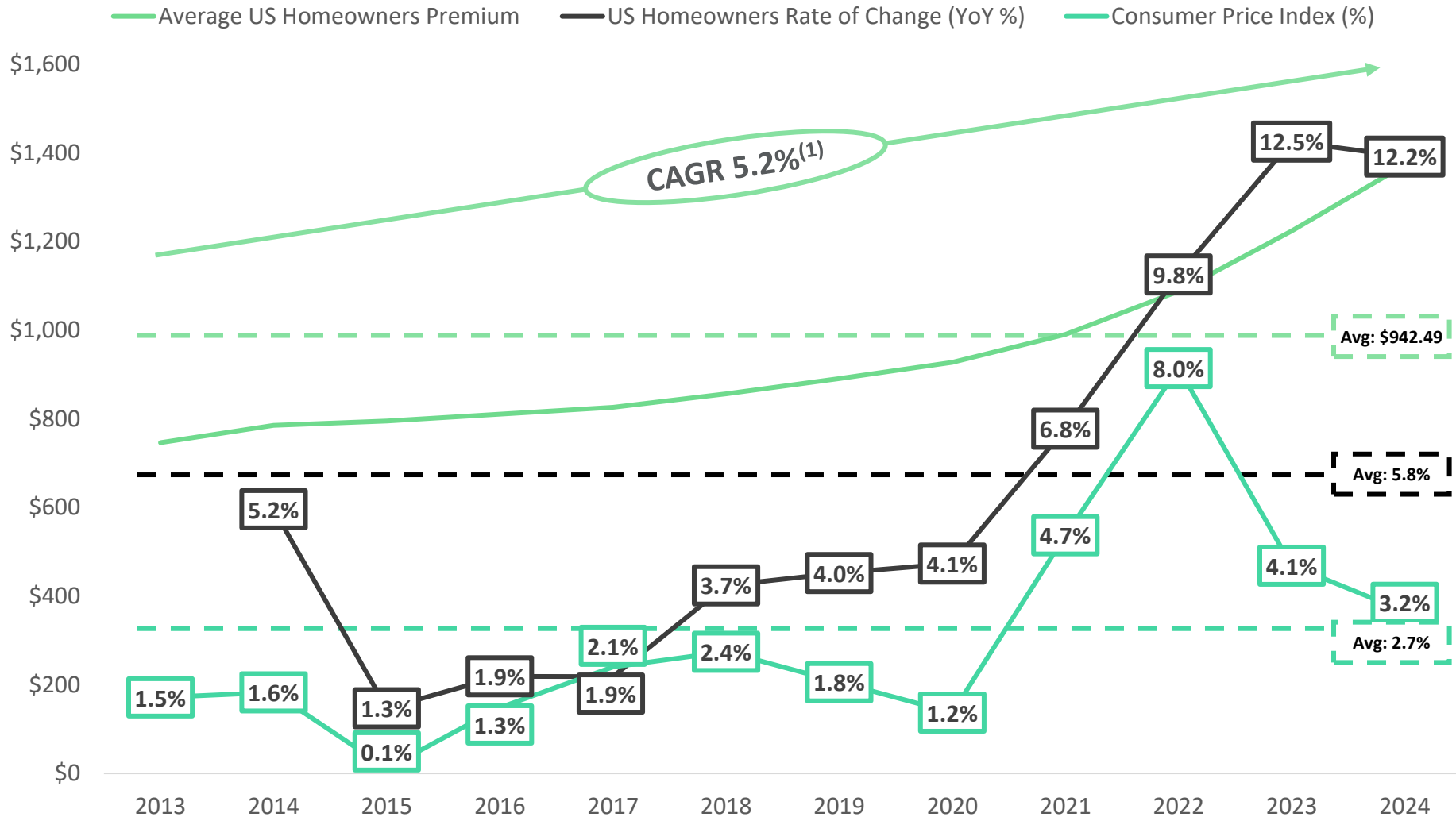
- The rise in FAIR Plan enrollment highlights the impact of both wildfire risks and insufficient rate adequacy, prompting many insurers to non-renew or avoid issuing new policies.

US Homeowners Major Losses in 2024-25

Event (2024)	Insured Loss	Date	Commentary
U.S. Severe Convective Storms	~\$34B	Jan. – June	Severe convective storms with tornadoes, hail, and strong winds caused insured losses exceeding \$34 billion. Notably, 12 separate storms in the U.S. each caused more than \$1 billion in damages
Houston Derecho	~\$2B (included above)	May 16 – 17	The Houston Derecho was associated with a larger convective storm system that affected the U.S. Southeast and Gulf Coast. The derecho caused significant straight-line wind damage, particularly in Houston, Texas
Hurricane Beryl	\$3.5B+ (including Mexico and Caribbean)	June 28	Hurricane Beryl became one of the earliest and most intense storms of the season, reaching Category 5 intensity before making a Category 1 landfall in Texas, causing widespread wind and flooding damage
Hurricane Helene	\$6 - \$12B	Sept. 26	Hurricane Helene made landfall as a Category 4 hurricane and caused extensive flooding from surge in the Tampa Bay Area and catastrophic in higher elevations inland in the Carolinas
Hurricane Milton	\$30 - \$50B	Oct. 9	Hurricane Milton landed along Florida's Gulf Coast, about 70 miles south of Tampa, as a Category 3 hurricane. Storm surge of 8 to 10 feet put parts of Sarasota and other nearby communities under water
Event (2025)	Insured Loss	Date	Commentary
California Wildfires	\$40B+	Jan. 7 – 31	Wildfires in January 2025 burned over 57,000 acres across Southern California, with the Palisades and Eaton fires causing the most damage. Insured losses will exceed \$40B, driven by structural damage and widespread disruption in densely populated areas
Midwest Severe Convective Storms	\$5 - \$7B	May 15 – 16	Severe convective storms in May brought damaging tornadoes, hail, and winds across the Central U.S., driving estimated insured losses over \$5 billion. The event affected major population centers and continued a broader trend of billion-dollar storm events contributing to record SCS loss totals in 2025
Texas Floods	<\$1B	Jul. 4 - 13	Most insured homeowners losses borne by FEMA. Insured losses limited to tenants and inland marine coverages.

Homeowners: US Premium and Rate Changes

Homeowners insurance premiums have climbed steadily since 2013, with sharp acceleration in recent years as inflation and CAT Reinsurance costs drive double-digit rate increases



A photograph of a car dealership lot. In the foreground, a bright yellow SUV is parked next to a black SUV. The background features a large, light-colored dealership building with a blue sign on the left. The sky is overcast and grey. A semi-transparent dark green banner is overlaid across the middle of the image, containing the text "Personal Auto Insurance".

Personal Auto Insurance

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Personal Auto Market Update

At \$359B, the Personal Auto Insurance market witnessed growth from 2023 to 2024 driven by increased premium rates

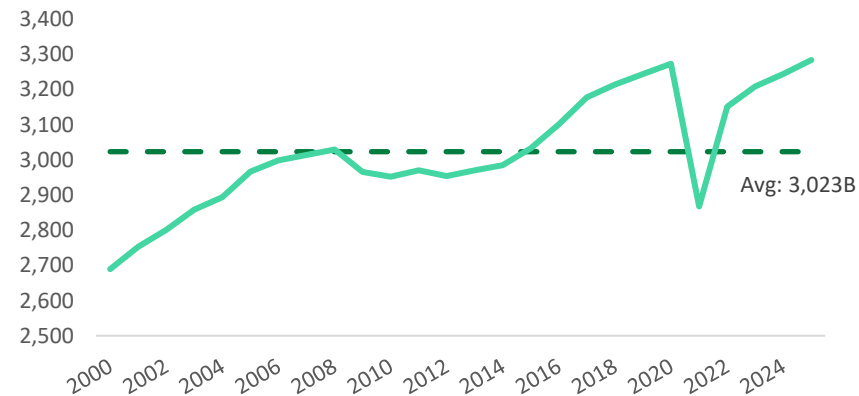
Commentary

- ▶ The personal auto insurance market continues to be dominated by major players, with State Farm leading at 18.9%, followed by Progressive 16.7% and GEICO 11.6%. Allstate and USAA round out the top five. Smaller carriers like Auto Club Insurance Association, The Hartford, and Markel hold less than 1% market share.
- ▶ Personal auto is largely placed with admitted carriers, but high-risk/nonstandard drivers are often written on E&S (non-admitted) paper for faster rate/form flexibility; Non-standard personal auto market grew by 24% in the 1st half of 2024.
- ▶ COVID-19 lockdowns caused a sharp decline in miles driven and claim frequency. As COVID restrictions eased, driving activity surged, increasing frequency that continues to affect pricing models and reinsurance strategies.
- ▶ Distracted driving has been a major cause of loss frequency since the widespread adoption of smart phones began about 15 years ago.
- ▶ Following lockdown, used car prices, auto part shortages, and broader inflation have significantly increased the cost to settle claims. Replacement cost trends remain elevated, and supply chain issues are still influencing severity on physical damage claims.
- ▶ Social inflation—particularly in litigated bodily injury cases—has driven loss costs higher and created pressure on reserves and pricing adequacy.
- ▶ Looking ahead, carriers face the challenge of balancing profitability with rate fatigue among consumers. Some major carriers, like GEICO and Progressive, have begun lowering rates selectively in certain states following improved underwriting performance. After back-to-back years of substantial premium hikes—+12.0% in 2022 and +16.4% in 2023—the average national rate increase has moderated to 7.2% in 2024.
- ▶ Hagerty has gained attention in the personal auto space with a differentiated business model, building a collector-car ecosystem that includes events, a marketplace, and club services.
- ▶ Kemper's recent turnaround driven by exiting underperforming preferred auto/home lines and refocusing on specialty auto has improved profitability and underwriting metrics.
- ▶ Looking forward in the Personal Auto insurance market, there is an increasing use of shared vehicles and in the future, driverless cars.

USA 2024 Personal Auto Market

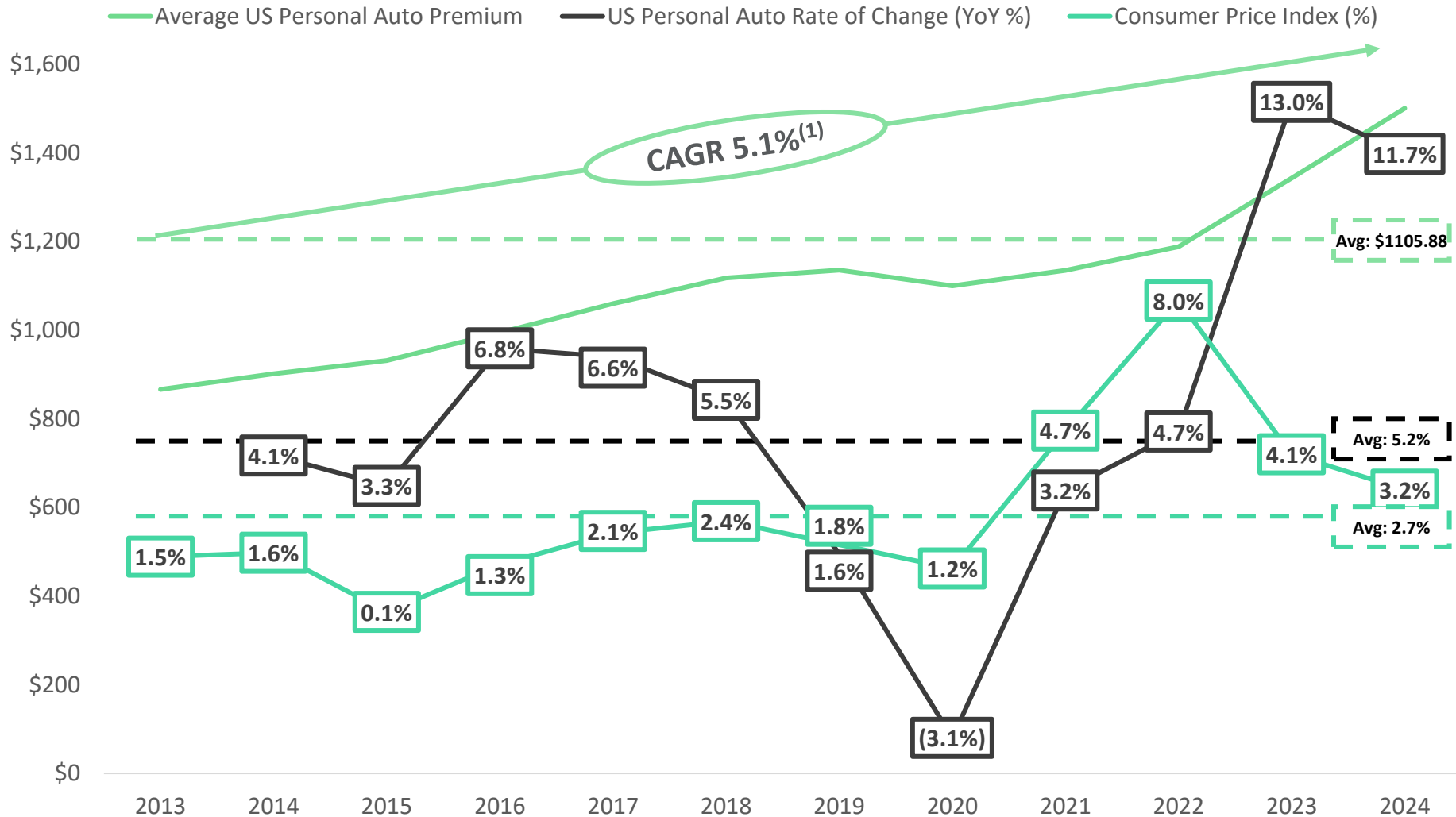
Company	Market Share	DPW (\$000s)	DPW Growth % ⁽¹⁾
 State Farm®	18.9%	\$67,748,192	16.9%
 PROGRESSIVE®	16.7%	60,053,469	24.4%
 GEICO	11.6%	41,764,021	7.2%
 Allstate	10.2%	36,547,655	11.6%
 USAA®	6.2%	22,135,830	11.5%
 FARMERS INSURANCE	3.8%	13,492,655	2.0%
 Liberty Mutual INSURANCE	3.3%	11,741,471	(11.8%)
 TRAVELERS	2.0%	7,184,379	9.2%
AAA of Southern California	1.8%	6,465,137	33.9%
 AMERICAN FAMILY INSURANCE	1.7%	6,174,180	(9.1%)
Top 10 Total	76.0%	\$273,306,989	9.6%
Grand Total	100.0%	\$359,392,785	12.7%

U.S. Miles Driven (Billions)



Personal Auto: Premium and Rate Changes

Private auto premium growth surged post-2020 following a brief pandemic-driven dip, with double-digit increases in 2023 and 2024 amid rising inflation and loss severity, and now averages well above \$1,000 per vehicle



An aerial photograph of the New York City skyline, featuring the Empire State Building and other skyscrapers. A semi-transparent green grid is overlaid on the lower half of the image.

STONYBROOK CAPITAL

Stonybrook Overview

Stonybrook Capital's Strengths

Our experienced team strives to provide industry-leading service to companies that are overlooked by Wall Street firms

Insurance Focused

Stonybrook *specializes in insurance related investment banking advisory services*, as well as (re)insurance broking transactions through its wholly owned subsidiary Stonybrook Risk Management

Global Presence

With *"Boots on the Ground"* in Bermuda, London, and our New York headquarters, Stonybrook provides a global perspective

InsurTech

With **exclusive placement agent appointments** for the #1 InsurTech fund in America (iacapgroup.com) as well as the #1 InsurTech fund in the UK (insurtechgateway.com) Stonybrook is lightyears ahead of its peers with respect to InsurTech



Conflict Free

We are **conflict-free**. Our clients' needs remain our sole focus; we do not engage in lending or proprietary trading and do not answer to outside stakeholders

Active in The Market

Continuous dialogue with key market participants, including jurisdiction regulators and sector rating agencies

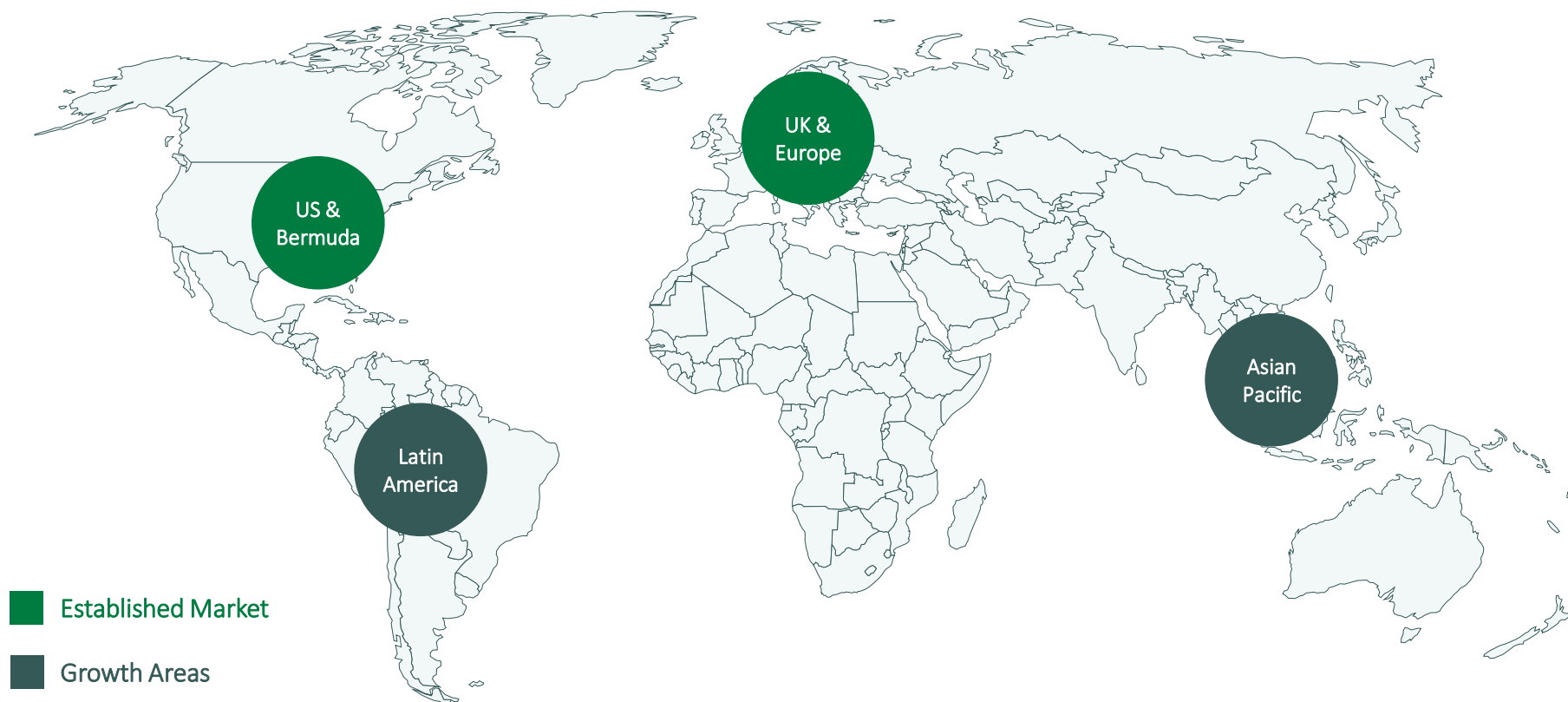
Unique Perspectives

Innovative ideas and demonstrated **thought leadership** built on decades of experience

Stonybrook focuses exclusively on the insurance industry, specializing in middle market transactions - Our team leverages strong relationships, decades of experience in all matters related to investment banking and (re)insurance, along with an uncompromising commitment to the best client service possible

Global Coverage

Stonybrook is entrenched within the Global Insurance industry providing a full breadth of advisory services



Stonybrook Investment Banking

M&A Advisory

Capital Raising

Strategic Advisory

Divesting Assets

Stonybrook Risk Management

Reinsurance Broking

Market Finding
Agreements

Stonybrook Alternative Investments













InsurTech Fund Placements

FAL (Funds at Lloyd's)

Stonybrook Capital Transactions

Stonybrook is a leading provider of Investment banking services to the Insurance industry in addition to Risk Management solutions

Selected M&A Transactions

 Acquired by  Exclusive Sell-Side Financial Advisor	 Acquired by  Exclusive Sell-Side Financial Advisor	 Acquired by  Exclusive Sell-Side Financial Advisor	 Security & Alarm Business Acquired By  Exclusive Sell-Side Financial Advisor	 Merged with  Financial Advisor	 Acquired by  Exclusive Buy-Side Financial Advisor	 Acquired by  Exclusive Advisor to CSE's Management	 Acquired by  Exclusive Buy-Side Financial Advisor	 Acquired by  Exclusive Buy-Side Financial Advisor
 Investment by  Exclusive Sell-Side Financial Advisor	 Acquired by  Exclusive Transaction Advisor to Xchange	 Acquired  Exclusive Buy-Side Financial Advisor	 Sale to  Exclusive Sell-Side Financial Advisor	 Acquired by  Exclusive Buy-Side Financial Advisor	 Sale to  Exclusive Sell-Side Financial Advisor	 Sale to  Exclusive Sell-Side Financial Advisor	 Sale to  Exclusive Sell-Side Financial Advisor	 Sale to  Exclusive Sell-Side Financial Advisor













Selected Capital Raising Transactions

 \$30,000,000 Follow-On	 (Undisclosed Amount) Equity Capital Raise	 Senior Secured Term Loan Facility \$20,000,000 Capital Raise	 \$70,000,000 Capital Raise	 Non-Controlling Investment in  Financial Advisor \$25,000,000 Capital Raise	 Common Stock Offering \$25,000,000 Capital Raise	 Growth Equity Financing Financial Advisor	 Series A Financing	 \$7,500,000 Capital Raise
 \$20,000,000 Capital Raise	 \$45,000,000 Capital Raise	 \$30,000,000 Capital Raise	 \$125,000,000 Capital Raise	 \$30,000,000 Capital Raise	 \$20,000,000 Capital Raise	 \$28,000,000 Capital Raise	 \$20,000,000 Capital Raise	 \$50,000,000 Capital Raise

Selected Legacy Transactions

 Artisan Contractors Book LPT 	 Sale to 	 Sale of Great Lakes Casualty 
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Selected Market Finding Assignments

 Program Placed  Exclusive Advisor to NEC Specialty	 Placed Program  Exclusive Advisor to Inter Insurance Agency	 Placed Program  Exclusive Advisor to Energi	 Placed Program  Exclusive Advisor to FSIM	 Non-Controlling Investment in  Financial Advisor	 Fronting Arrangement  Exclusive Advisor to Triangle Surety
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