



**City of Riverside  
Finance Committee  
State of the Insurance Market**

**June 11, 2025**

**Presented by:**  
Robert Lowe



**City of Riverside  
Presentation Overview**



- State of the Insurance Market 2025
  - Financial Performance
  - Loss Trends & Market Disruptors
  - Underwriting Trends
  - Toward the Future



## Market Overview



**Financial  
Performance**



**Loss Trends &  
Market Disruptors**



**Toward the  
Future**

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## Market Pressures...



Cost of climate  
change natural  
disasters (wildfires)



Social Inflation/  
Nuclear Verdicts  
& Legislation



Cyber Attacks



Mass Shootings



Global Political  
Conflict

*The outlook for the next six months is marked by heightened expectations of potentially costly wildfires and hurricanes, as well as continuing convective storm activity in the United States.*

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Aging  
Infrastructure



Climate Change



Inflation &  
Increased Loss Cost



Natural Disasters

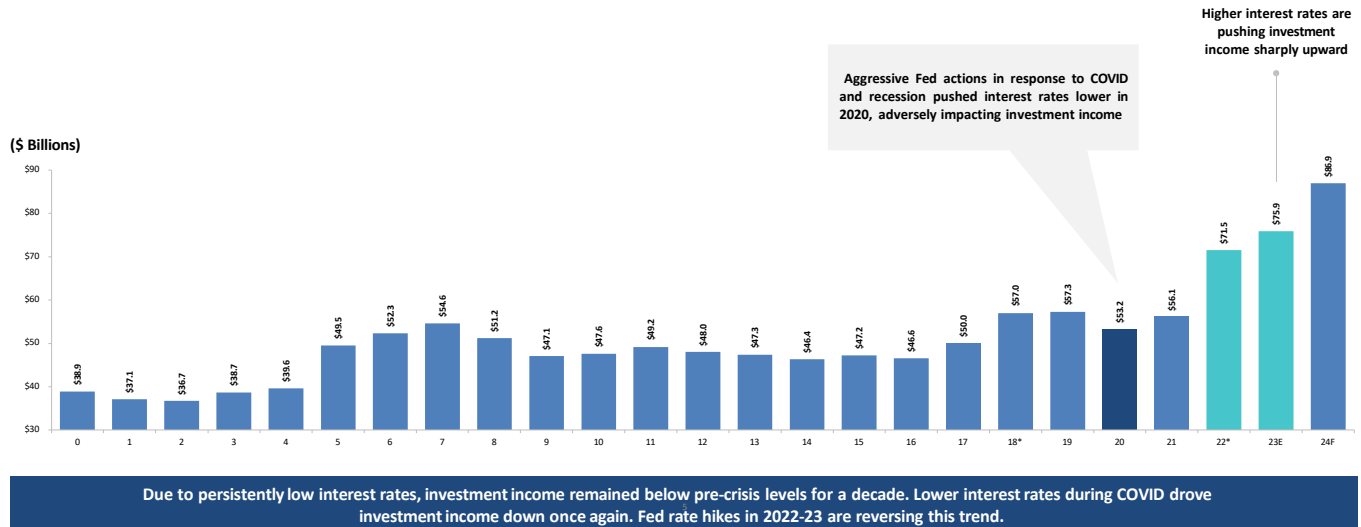


Supply Chain &  
Labor Shortage



Proliferation of  
"secondary"  
perils (SCS)

## Property/Casualty Insurance Industry Investment Income: 2000–2024F\*



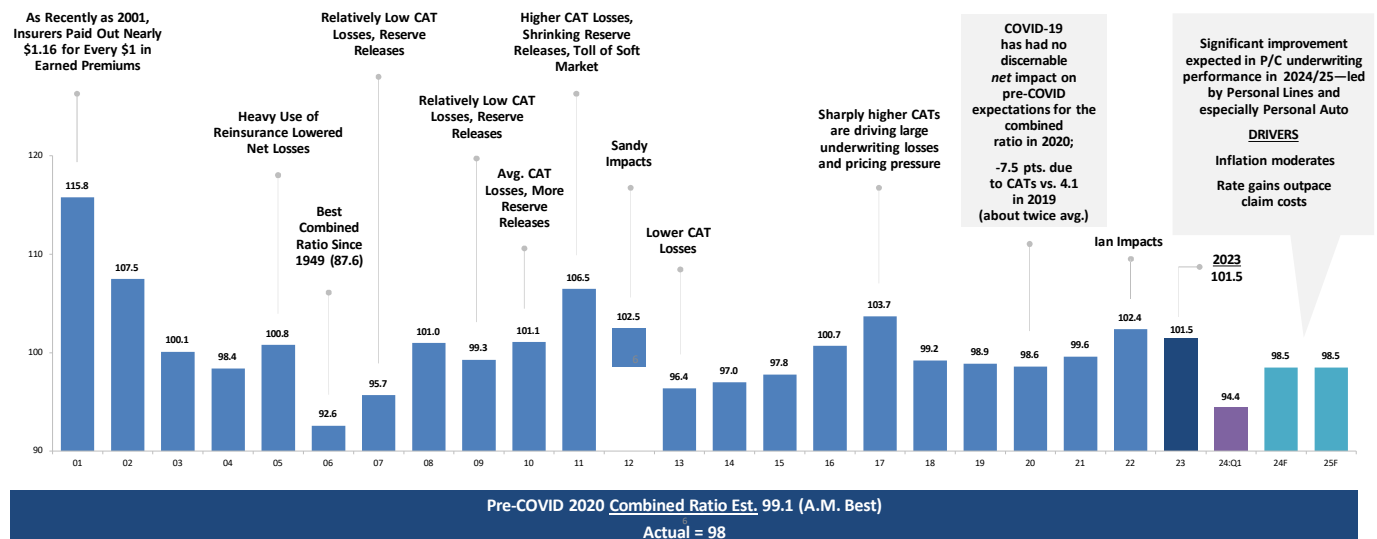
\* 2018-19 figures are distorted by provisions of the TCJA of 2017. Increase reflects such items as dividends from foreign subsidiaries.

\*\*2022 figure includes a \$10.8B intercompany distribution by a large reinsurer that flowed through NII.

1 Investment gains consist primarily of interest and stock dividends. Sources: A.M. Best Review & Preview (March 2024); ISO; University of South Carolina, Center for Risk and Uncertainty Management.



## P/C Insurance Industry Combined Ratio, 2001–2023F\*



\*\*Excludes Mortgage & Financial Guaranty Insurers 2008–2014.

Sources: A.M. Best, ISO (2014–2024F).

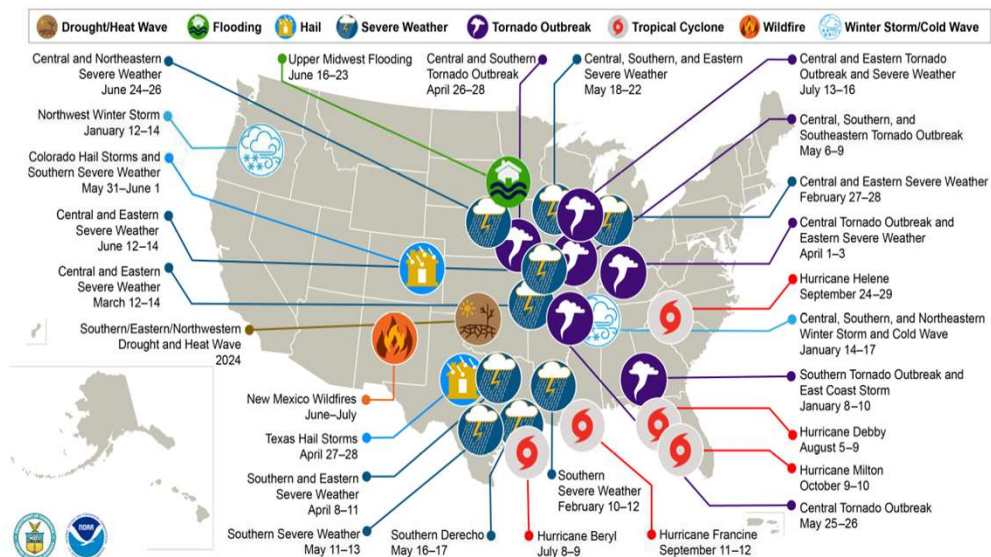


## Loss Trends & Market Disruptors



### Major U.S. Losses in 2024

#### U.S. 2024 Billion-Dollar Weather and Climate Disasters



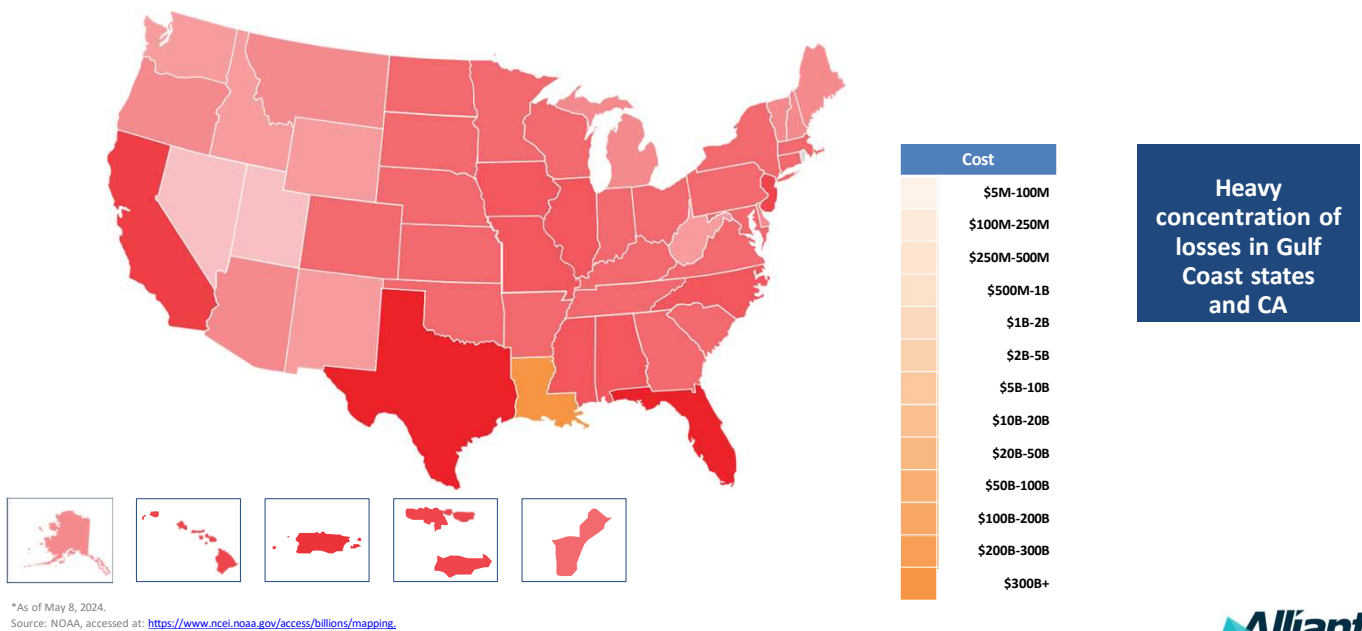
This map denotes the approximate location for each of the 27 separate billion-dollar weather and climate disasters that impacted the United States in 2024.

- In 2024, there were 27 confirmed weather/climate disaster events with losses exceeding \$1 billion each to affect United States.
- These events included 1 drought event, 1 flooding event, 17 severe storm events, 5 tropical cyclone events, 1 wildfire event, and 2 winter storm events.
- Overall, these events resulted in the deaths of 568 people and had significant economic effects on the areas impacted.
- The 1980–2023 annual average is 8.5 events (CPI-adjusted); the annual average for the most recent 5 years (2019–2023) is 20.4 events (CPI-adjusted).





## Distribution of Losses from US Billion-Dollar Weather and Climate Disasters 2024\* (CPI-Adjusted)



**Alliant**

## California Wildfires (as of Jan. 21, 2025)

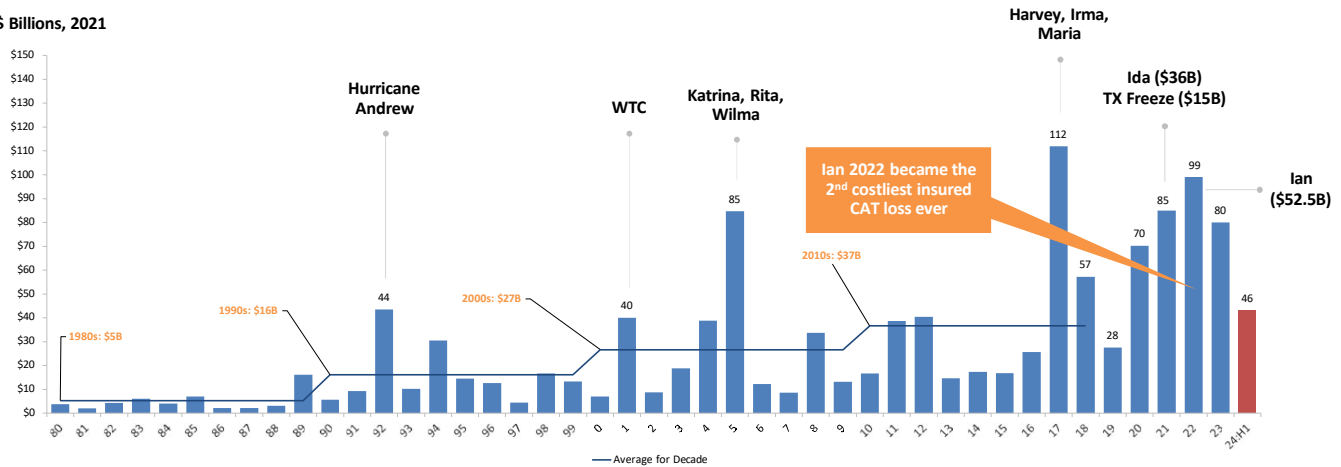
- ~17,000+ structures destroyed/damaged
- ~40,000 acres burned across all fires
- 27 confirmed fatalities
- ~170,000 residents were under evac. orders
- ~\$32.5B: Insured Loss Est. (midpoint)
  - ~\$1.9M per claim!
  - \$250B - \$275B: Econ Loss Est.
- **CA FAIR Plan: Largest Exposure**
  - Has \$2.63B reins., co-reins, assessments
- Issue rapidly politicized, Insurers demonized



**Alliant**

## U.S. Inflation-Adjusted Insured CAT Losses: 1980–2024:H1

\$ Billions, 2021



Average Insured Loss per Year\*  
1980-2021: \$23.8 Billion | 2012-2021: \$44.1 Billion

The 2020s are off to an ominous start with \$83.5B in average annual insured losses (2020-23)

\*Stated in 2021 dollars except 2022-2024 (in current dollars).  
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-22 figures from Munich Re; 2023 and 2024:H1 figure from Aon. Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

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## Social Inflation: Many Interrelated Causes, Difficult to Manage

*California is the trial bar's laboratory. It's where they go to pursue innovative new theories of liability and push the envelope with regard to expanding liability for business. The courts welcome these theories with open arms and businesses are overwhelmed with claims.*



### Nuclear verdicts

Number of reported verdicts over \$100 million hit an all-time high of at least 23 in 2023

2023

**\$23.8 million**

Median nuclear verdict

**\$21.1 million**

Median nuclear verdict for personal injury/wrongful death cases

**\$88.9 million**

Mean nuclear verdict for personal injury/wrongful death cases

### Insurance claim costs



Increasing Propensity to Sue



Size of Jury Awards



Courts/Juries Favoring Plaintiffs



Growing Distrust of Large Corps.



Litigation Financing



Aggressive Plaintiff Bar Ads



Changes in Regulatory and Legal Environment

Source: Risk and Uncertainty Management Center, Univ. of South Carolina, adapted from Verisk "Social Inflation" presentation (2020); Source: Risk & Insurance June 11, 2024

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## Underwriting Trends Toward the Future



## Property Renewal Outlook



### Continued scrutiny of data (SOV, COPE, ITV with Increased Construction Cost)

- *Must go to market with a compelling narrative*
- *Emphasis on data quality will not be going away any time soon*



### Increased retentions and caps on certain types of exposure

- *Programs that have not undergone changes over the course of the last few renewal cycles may face scrutiny, particularly on Windstorm & Severe Convective Storm*
- *Separate, increased Water Damage deductibles are gaining momentum*



### Rate outcomes are highly dependent on remainder of 2024 Wind Season and individual client losses



### Underwriter submission activity remains high – imperative to engage early and access global market



### Regional Underwriting: Property markets are affected differently across the nation

- *e.g., West: Wildfire/Earthquake, East: Hurricanes, Midwest: SCS, etc.*



### **The Los Angeles fires are expected to have significant consequences for both the insurance and reinsurance markets.**

*High Losses: Insured losses could exceed \$50 billion, with total economic losses possibly reaching up to \$150 billion. A large portion of the damages may be uninsured, highlighting the growing coverage gap.*

## Liability Claim Trends and Inflationary Pressures



### Liability Claims frequency has increased

- Third-party litigation funding (TPLF)
- Aging Infrastructure
- Dissatisfaction



### Liability Claim severity has increased

- Social Inflation (legal system abuse)
- Medical Cost Inflation
- Plaintiff Bar Success – Advertising, Reptile Theory, etc.



### Inflation Toll

- As inflation increases, Insurance Carriers seek increased premiums
  - Higher claims payouts, operational costs, etc.
  - Investment Portfolio is impacted
- Claims more likely to approach retention levels, retentions increases are common

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## Cyber Market – Cyber Liability Claims Trends



Ransomware losses continue to be a major concern, as it is the #1 cybersecurity threat to all businesses



MetaPixel and Movelt claims have skyrocketed and as such, underwriters are adding exclusions to those without sufficient controls



Select U.S. markets have begun inserting 'widespread event' or 'catastrophic first party loss' exclusions on their renewals



As the war in Ukraine continues, London underwriters are all deploying proprietary/Lloyd's war exclusion language



Despite some groups conducting politically-motivated ransomware and data extortion attacks the vast majority of ransomware and data extortion attacks continue to be financially motivated. Fewer of these attacks involve encryption (locking) of data compared to years past



Expected increase in state and federal regulations and cyber related enforcement actions

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## Factors Contributing to Record Workers' Compensation Claims Severity

### Factors serving as cost drivers resulting increased claims severity



Medical  
Technology



Accident  
Survivability



Life Expectancy



Fee Schedules



Presumption  
Laws



The Job Market



Vendor Labor  
Shortages



Comorbidities  
& COVID-19

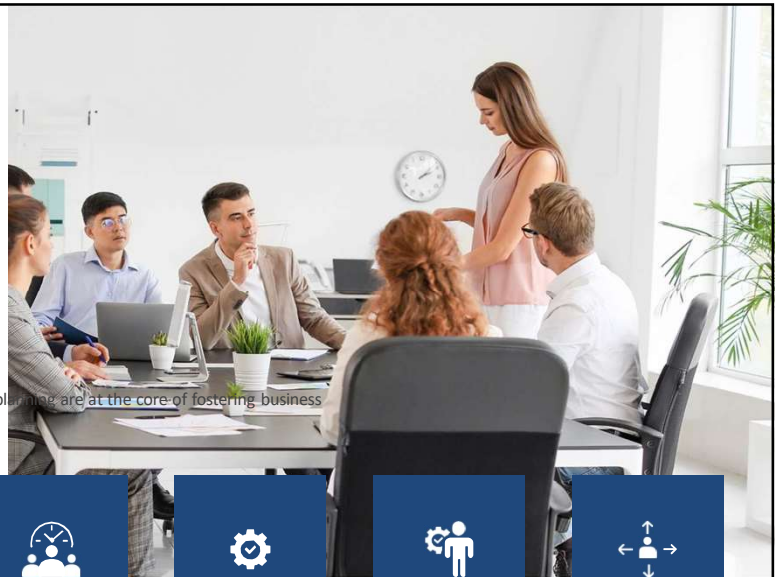
Source: Safety National

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## Successfully Navigating the Market

Proactive risk management and strategic planning are at the core of fostering business resilience,



Information



Meetings



Relationships



Start Early



New Capacity



Restructuring



Placement  
Enhancements

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**Thank you!**

**Questions?**

Please contact us if you would like a copy of this presentation.

