News Brief

U.S. P&C Insurance Industry Expected To Post 103.9% Combined Ratio for 2023

U.S. property and casualty (P&C) insurers will likely see a combined ratio of around 103.9% for 2023, with commercial lines posting an underwriting profit at 97.7% and personal lines missing the mark at 109.9%, according to projections from the Insurance Information Institute (III) and Milliman.

The authors of the report cited severe convective storm losses as the "single biggest driver" of the industry's performance last year. The higher claims costs offset net written premium growth, which is expected to have finished the year at 9%.

"The bad news is that the 2023 Q3 incurred loss ratio for homeowners, commercial auto, and commercial multi-peril exceeded our expectations, as 2023 Q3 incurred loss ratios were above historical averages," said Dale Porfilio, III chief insurance officer, in a statement.

The U.S. homeowners market produced particularly poor results despite the highest net written premium growth in a decade at a growth rate of 12.4%.

"For 2023, the net combined ratio is forecast at 112.3, the worst since 2011" Porfilio said. "We expect personal auto and homeowners lines to improve in 2024 and 2025, but to remain unprofitable."

The industry is also expected to lag U.S. gross domestic product, which accelerated to 4.9% in Q3, but is likely to average out to year-over-year growth of 2.1%, according to Michel Léonard, the III's chief economist.

"Year-over-year P&C underlying growth grew 1.3% in 2023 and is forecasted by Triple-I to grow 2.6% in 2024," said Léonard. "This is below U.S. GDP growth in 2023 and slightly above U.S. GDP growth in 2024. Year-over-year P&C replacement costs increased by 1.1% in 2023 and are forecasted to increase by 2.0% in 2024."

On the other side of the market, commercial property and workers' compensation produced a profitable year in 2023, according to Jason B. Kurtz, principal and consulting actuary for Milliman. Other commercial lines proved more challenging, however.

"Looking at commercial auto, underwriting losses continue, with a projected 2023 net combined ratio of 110.2, the highest since 2017," said Kurtz. "For 2023 Q3, the incurred loss ratio was the highest in over 15 years, while the 2023 net written premium growth rate of 6% is noticeably lower than the prior two years."

He added, "For commercial multiperil, the 2023 net combined ratio of 110.3 is forecast to be the highest since 2011."

With an expected combined ratio of 88.7% for 2023 and annual premium growth of 2% expected through 2025, workers' compensation remains a bright spot for the industry.

"We've seen loss costs decline for 10 consecutive years," said Donna Glenn, chief actuary for the National Council on Compensation Insurance (NCCI), adding that the industry continues to monitor rate adequacy closely.

Payroll increases driven by the labor market and economy have outpaced decreases in loss costs, she noted, and while medical costs are increasing, the changes are moderate.