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Property/Casualty Insurance Industry's Net Income Drops 30.3 Percent in Nine-Months 2017

JERSEY CITY, N.J., January 29, 2018 — The private U.S. property/casualty insurance industry saw its net income after taxes drop to $22.4 billion in nine-months 2017 from $32.1 billion in nine-months 2016—a 30.3 percent decline—and its overall profitability as measured by its annualized rate of return on average policyholders' surplus fall to 4.2 percent from 6.3 percent, according to ISO, a Verisk (Nasdaq:VRSK) business, and the Property Casualty Insurers Association of America (PCI).

The industry's loss and loss adjustment expenses (LLAE) rose 11.3 percent in nine-months 2017, significantly exceeding the 7.6 percent increase a year earlier. The increase was driven by catastrophe losses, with three major hurricanes—Harvey, Irma, and Maria—making landfall in the United States in the third quarter. The net underwriting loss reached $20.9 billion, far exceeding the $1.7 billion underwriting loss for nine-months 2016.

Net written premium growth rebounded to 4.1 percent for nine-months 2017, the same growth rate as for first-half 2015 and an improvement from 2.8 percent for nine-months 2016. Net investment income increased to $35.4 billion in nine-months 2017 from $33.2 billion for nine-months 2016. Despite the underwriting losses, the investment gains pushed industry's surplus to a new all-time-high value of $719.4 billion as of September 30, 2017, an $18.6 billion increase from $700.8 billion as of December 31, 2016.

"The insurance industry experienced significant underwriting losses in the first nine months of 2017, as Hurricanes Harvey, Irma, and Maria caused widespread damage to homes and businesses in the United States. But the costs could have been much higher if Irma, for example, had taken its predicted track through Miami. In the years to come, many experts believe that catastrophic events will become more frequent and severe because of climate change. While the industry remains well capitalized and prepared to meet claims, the events have highlighted the need for better analytics to help insurers manage and price catastrophic risk. It's also illustrated the need for broader coverages, such as flood, to meet the changing needs of communities. Verisk works hard to provide the necessary resources to meet insurer needs."

Beth Fitzgerald, Senior Vice President, Industry Engagement, ISO

"Third-quarter 2017 broke 166 years of weather records with three Category 4 hurricanes making U.S. landfall—causing one of the most expensive insured loss years in U.S. history. Incurred losses and loss adjustment expenses increased $21.1 billion from third-quarter 2016 to third-quarter 2017, resulting in a $16.4 billion statutory underwriting loss for the quarter and a combined ratio of 110.7. Fortunately, despite the historic, devastating catastrophes, home, auto, and business insurers were well positioned to handle these events, as policyholder surplus remains at an all-time high. Net written premiums grew over 4 percent in the third quarter and 6.6 percent year-to-date for insurers writing predominantly personal lines. Underwriting losses were ameliorated by $6.7 billion in favorable reserve development. Financial results were also improved by significant realized and unrealized capital gains. Looking ahead, fourth-quarter net income will likely be impacted by further catastrophe loss development and write-downs of deferred tax assets resulting from federal tax reform."

Robert Gordon, PCI's Senior Vice President for Policy, Research and International

Third-Quarter Results

Insurers' net income after taxes fell to $6.9 billion in third-quarter 2017 from $10.2 billion in third-quarter 2016, and their combined ratio deteriorated to 110.7 percent in third-quarter 2017 from 99.0 percent a year earlier.

Their annualized rate of return on average surplus dropped to 3.8 percent in third-quarter 2017 from 6.0 percent a year earlier.

Net written premiums rose 4.2 percent in third-quarter 2017, compared with 2.3 percent in third-quarter 2016.

About ISO

Since 1971, ISO has been a leading source of information about property/casualty insurance risk. For a broad spectrum of commercial and personal lines of insurance, ISO provides statistical, actuarial, underwriting, and claims information and analytics; compliance and fraud identification tools; policy language; information about specific locations; and technical services. ISO serves insurers, reinsurers, agents and brokers, insurance regulators, risk managers, and other participants in the property/casualty insurance marketplace. ISO is a Verisk (Nasdaq:VRSK) business. For more information, please visit **www.verisk.com/iso**.

PCI promotes and protects the viability of a competitive private insurance market for the benefit of consumers and insurers. PCI is composed of nearly 1,000 member companies, representing the broadest cross section of insurers of any national trade association. PCI members write $220 billion in annual premium, 37 percent of the nation's property casualty insurance. Member companies write 44 percent of the U.S. automobile insurance market, 30 percent of the homeowners market, 35 percent of the commercial property and liability market and 37 percent of the private workers compensation market.

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