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Property/Casualty Insurance Industry's Net Income Doubles to \$17.1 Billion in First-Quarter 2018

JERSEY CITY, N.J., July 12, 2018 — Private U.S. property/casualty insurers saw their net income after taxes more than double to \$17.1 billion in first-quarter 2018 from \$7.9 billion in first-quarter 2017, helped by lower catastrophe losses and increased reserve releases, according to ISO, a Verisk (Nasdaq:VRSK) business, and the Property Casualty Insurers Association of America (PCI).

Losses and loss adjustment expenses from catastrophes dropped to \$5.0 billion in first-quarter 2018 from \$7.7 billion a year earlier. Favorable reserve development totaled \$7.4 billion, compared with \$5.5 billion a year earlier. Overall, insurers saw their net underwriting results swing to a positive \$4.2 billion in first-quarter 2018, after suffering underwriting losses for seven quarters in a row.

Insurers also experienced a 15.7 percent increase in net written premiums, a significant acceleration from 4.0 percent a year earlier. Earned premium growth also accelerated, to 9.4 percent from 3.5 percent. The net premiums were affected by multiple insurers changing their use of offshore reinsurance and keeping more premiums within the United States. At the same time, there was an acceleration in direct premium growth, bolstered by the strengthening of U.S. economic activity.

"The strong results of insurers reflect several developments affecting the industry. In the first quarter of 2018, insurers benefited from significantly lower catastrophe losses than a year ago, when three wind and thunderstorm events each resulted in more than \$1 billion in damages. Insurers were also able to release \$7.4 billion in reserves, nearly \$2 billion more than a year earlier, as the cost of prior-years' claims came in lower than previously estimated. Insurers also saw net written premiums grow 15.7 percent, due to both the continued strengthening of the economy and the changes made by multiple insurers to their reinsurance arrangements. As we move through the hurricane season, insurers remain well capitalized to help pay the catastrophe claims that may arise. But the question is whether they can offer coverages and pricing that respond to the newly emerging needs of customers. At ISO, we're working hard to develop solutions that enable insurers to address market demands."

Neil Spector, President, ISO

"This year, the industry's first-quarter underwriting results were the best since the third quarter of 2013, with significant improvements in insurers' combined ratios and net income after taxes. However, the results were likely impacted by market shifts that are rippling through the industry caused by last December's federal tax reform. Compared with the first quarter of 2017, net written premium grew 15.7 percent and net earned premium increased by 9.4 percent. This significant premium growth is partially attributed to insurers ceding less premiums than previously to foreign affiliates. Despite that growth, industry surplus actually fell by \$3.2 billion from the end of last year. This was largely the consequence of a greater-than-normal payment of dividends to shareholders as well as a significant decrease in unrealized capital gains in insurers' portfolios. Although surplus decreased, it does not affect the industry's extremely strong capitalization that both protects and keeps costs lower for consumers."

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

View the full report from ISO and PCI [here](#).

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About ISO

ISO, a Verisk (Nasdaq:VRSK) business, is a leading provider of advanced tools and analytics for the property/casualty insurance industry. Drawing on unique data assets and deep domain expertise, ISO products and services help insurers underwrite and price risks with greater precision and efficiency and manage claims more effectively across the spectrum of commercial and personal lines of insurance. For nearly 50 years, ISO has been a leader in developing innovative solutions and working with multiple stakeholders in the property/casualty insurance marketplace, including insurers, reinsurers, third-party administrators, agents and brokers, insurance regulators, and risk managers. For more information, please visit www.verisk.com/iso.

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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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