



NEWS RELEASE

Property and Casualty Insurers Experience Underwriting Loss in 2021, But Remain Strong

5/26/2022

JERSEY CITY, N.J., May 26, 2022 (GLOBE NEWSWIRE) -- Despite experiencing an underwriting loss, the property/casualty insurance industry ended 2021 strong and able to support policyholders, according to a report from Verisk (Nasdaq: VRSK), a leading global data analytics provider, and the American Property Casualty Insurance Association (APCIA).

In 2021, the insurance industry experienced a \$3.8 billion net underwriting loss, after a \$5.2 billion underwriting gain in 2020, as incurred losses and loss adjustment expenses grew 11.1% while earned premiums only grew 7.4%. The combined ratio deteriorated as well, to 99.6% after 98.6% in 2020.

The deterioration in underwriting results was driven by growth in non-catastrophe losses, especially for personal auto. The insured losses from catastrophes in 2021, including Hurricane Ida in September, remained significant, even though associated net incurred losses and loss adjustment expenses declined to \$56.3 billion in 2021 from \$61.4 billion in 2020.

The industry saw a slight increase in net income after taxes to \$61.9 billion, from \$60.3 billion a year prior, helped by growth in investment income and in realized capital gains. A combination of factors, including significant unrealized capital gains, propelled policyholders' surplus to a new record of \$1,032.5 billion. Insurers' rate of return on average policyholders' surplus, a measure of overall profitability, declined to 6.4% from 6.9% in 2020.

"Although insurers' net earned premium increased 7.4% and surplus topped a trillion dollars, losses and loss adjustment expenses (LLAE) grew at an even faster rate to 11.1% in 2021, causing an underwriting loss for the year," said Robert Gordon, senior vice president, policy, research & international for APCIA. "Insurers' combined ratio increased to 99.6%, and investment yields dropped to their lowest level since at least 1960. Net non-catastrophe LLAE increased 17.1%,

excluding development of LLAE reserves. Insurers' surplus growth was driven in part by \$109.2 billion in capital gains on investments, although some of those gains may have already significantly deteriorated with the strong headwinds in the bond and equity markets in early 2022. While the industry balance sheet is strong enough to meet the commitments to insureds, it is facing emerging challenges from the significant and increasing impact of catastrophic weather events, cyber risk and significant price and social inflation/lawsuit abuse."

"Last year brought strong premium and surplus growth as the economy recovered from COVID-19," said Neil Spector, president of underwriting solutions at Verisk. "Importantly, this capital cushion bolsters insurers' ability to respond to future claims as well as looming uncertainties in capital markets, global political risks and record inflation. In these complicated times, access to accurate underwriting data and advanced analytics will help equip insurers with the tools they need to weather the storms facing them."

Fourth Quarter Sees Continued Growth in Net Written Premiums

The industry's net income fell to \$19.7 billion in fourth-quarter 2021 from the record \$25.1 billion in fourth-quarter 2020, and the annualized rate of return on average surplus fell to 7.9% from 11.3% a year prior. The 7.9% is close to the 30-year average of 7.8% for rates of return.

Net written premiums rose \$13.8 billion, or 8.9%, compared to 2020. Net underwriting gains declined to \$1.8 billion from \$4.9 billion in fourth-quarter 2020, and the combined ratio deteriorated to 100.0% from 98.2% a year prior.

[Read the full report](#) from Verisk and APCIA.

About Verisk

Verisk (Nasdaq: VRSK) provides data-driven analytic insights and solutions for the insurance and energy industries. Through advanced data analytics, software, scientific research and deep industry knowledge, Verisk empowers customers to strengthen operating efficiency, improve underwriting and claims outcomes, combat fraud and make informed decisions about global issues, including climate change and extreme events as well as political and ESG topics. With offices in more than 30 countries, Verisk consistently earns certification by **[Great Place to Work](#)** and fosters an **[inclusive culture](#)** where all team members feel they belong. For more, visit **[Verisk.com](#)** and the **[Verisk Newsroom](#)**.

About APCIA

The American Property Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

Attachment

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Source: Verisk Analytics, Inc.

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2021: BY THE NUMBERS