

Macro-Trends Affecting the U.S. P/C Industry

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P/C Industry-Wide Economic Driver Forecasts

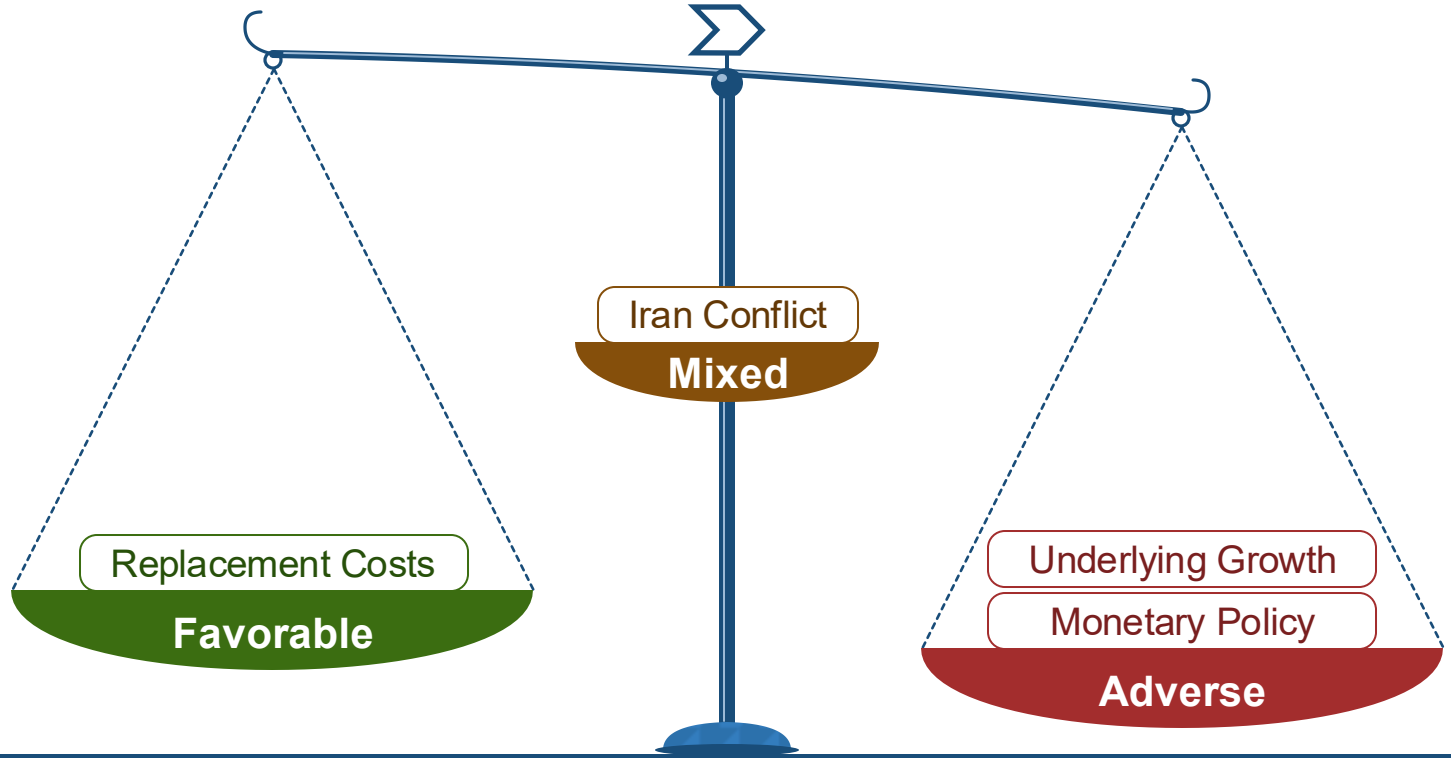
- P/C Economic Drivers Outlook Balance
- Monetary Policy Expectations
- P/C and U.S. Growth
- Replacement Costs and Inflation
- Iran Conflict Impact on P/C Industry

Economic and Underwriting Outlook by Line

- Homeowners
- Commercial Property
- Farmowners
- Personal Auto
- Commercial Auto
- General Liability
- Workers Compensation

For additional insight into this presentation or any questions about P/C Economics please contact Dr. Michel Léonard at Michell@iii.org

P/C Economic Outlook Balance



P/C Economic Drivers Balance tilts adverse

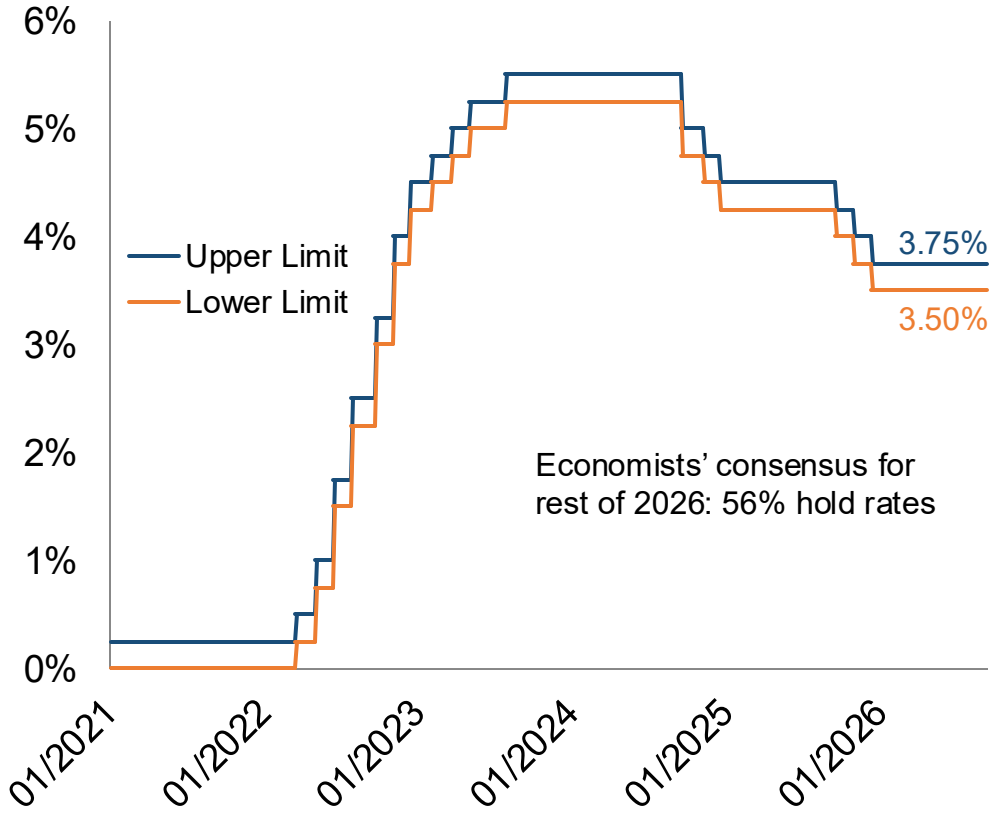
- Replacement costs below inflation in 2027, above in 2028.
- Iran Conflict: oil-driven inflation contained so far; winter energy demand is the risk.
- Underlying growth below GDP in 2027, above in 2028.
- Fed tightening through 2027 slows growth, especially in homeowners.

P/C Performance and Monetary Policy Expectations

Increasing odds of the Fed raising rates could significantly depress underlying growth for homeowners and personal auto insurance.

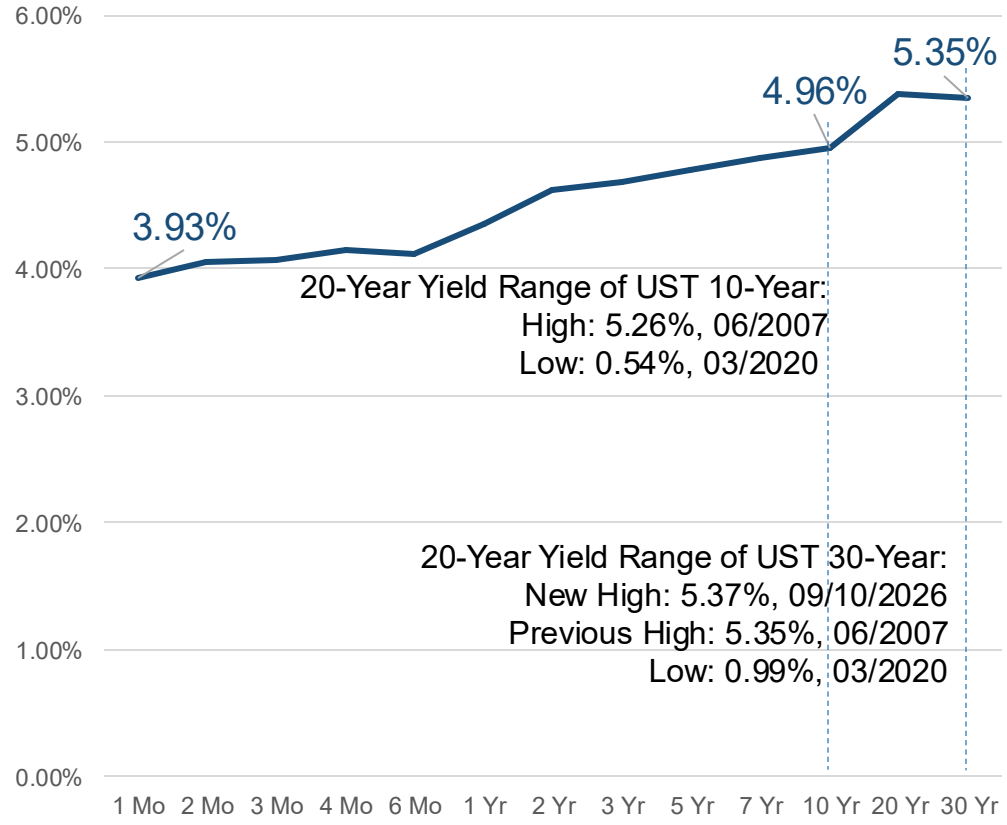
Monetary Policy Expectations

(01/2021 – 09/2026, Percent per Year)



UST Yield Curve as of 09/11/2026

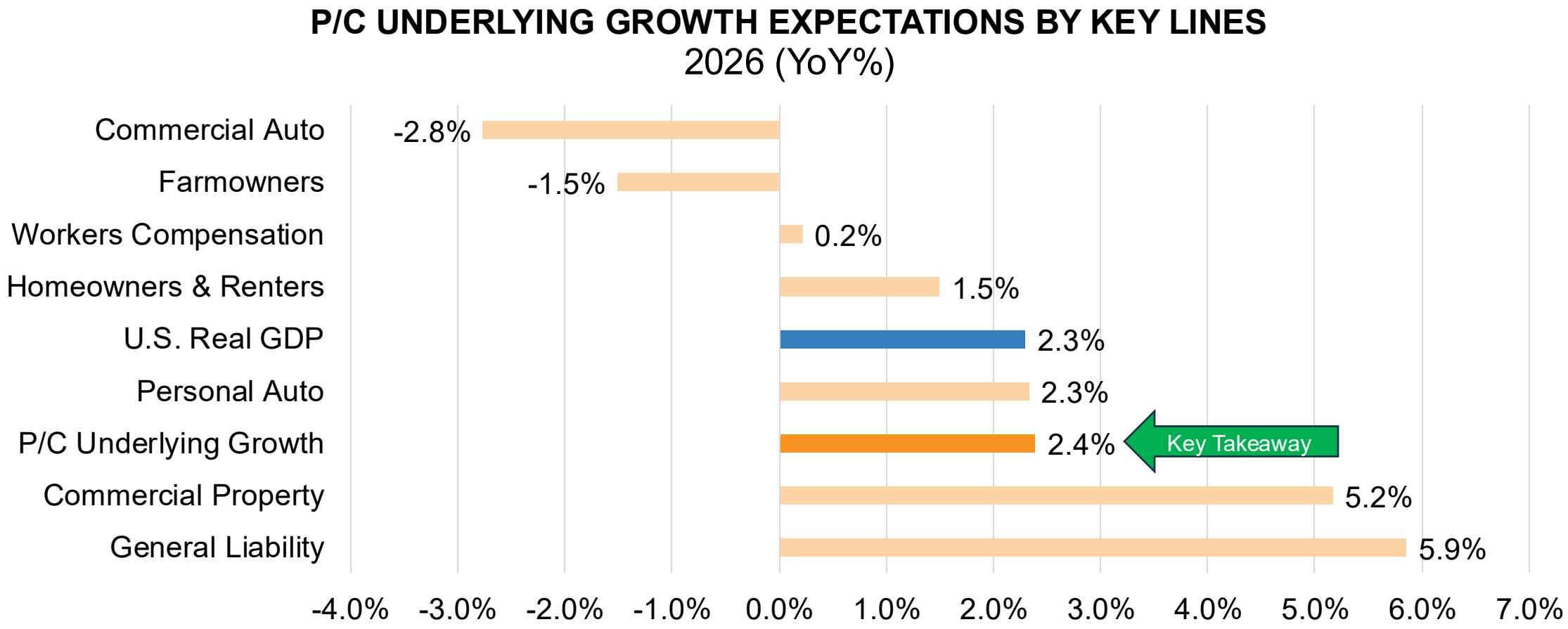
(1 Mo to 30 Yr Maturity, Percent per Year)



Sources: Analysis: Triple-I. Consensus: Reuters. Data: U.S. Treasury, Federal Reserve through FRED (As of 09/11/2026).

P/C Industry Underlying Growth Economic Drivers

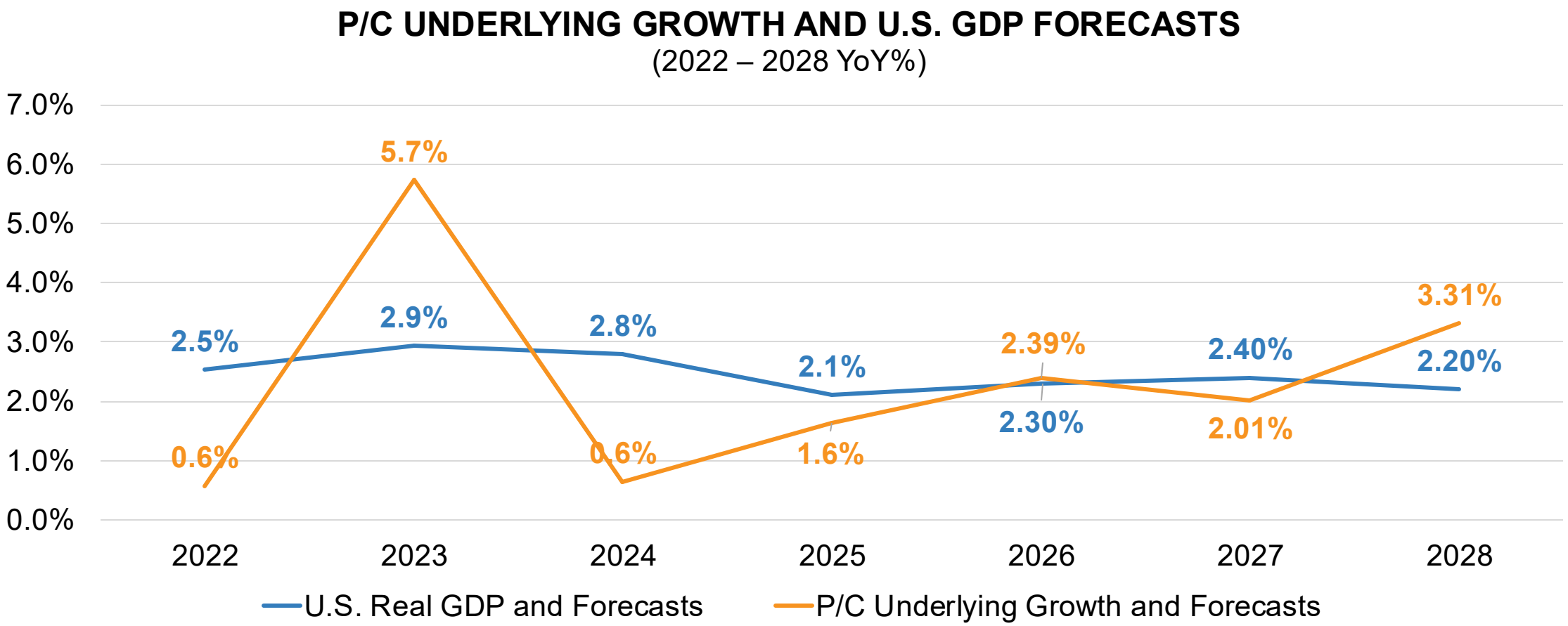
Economic premium volume drivers are expected to increase by 2.4% YoY in 2026, above overall U.S. GDP estimated at 2.3%.



Sources: P/C Underlying Growth: Triple-I; U.S. GDP: BEA (2025) and Fed (2026-2028); (As of 10/01/2026).

P/C Underlying Growth and U.S. GDP Forecasts

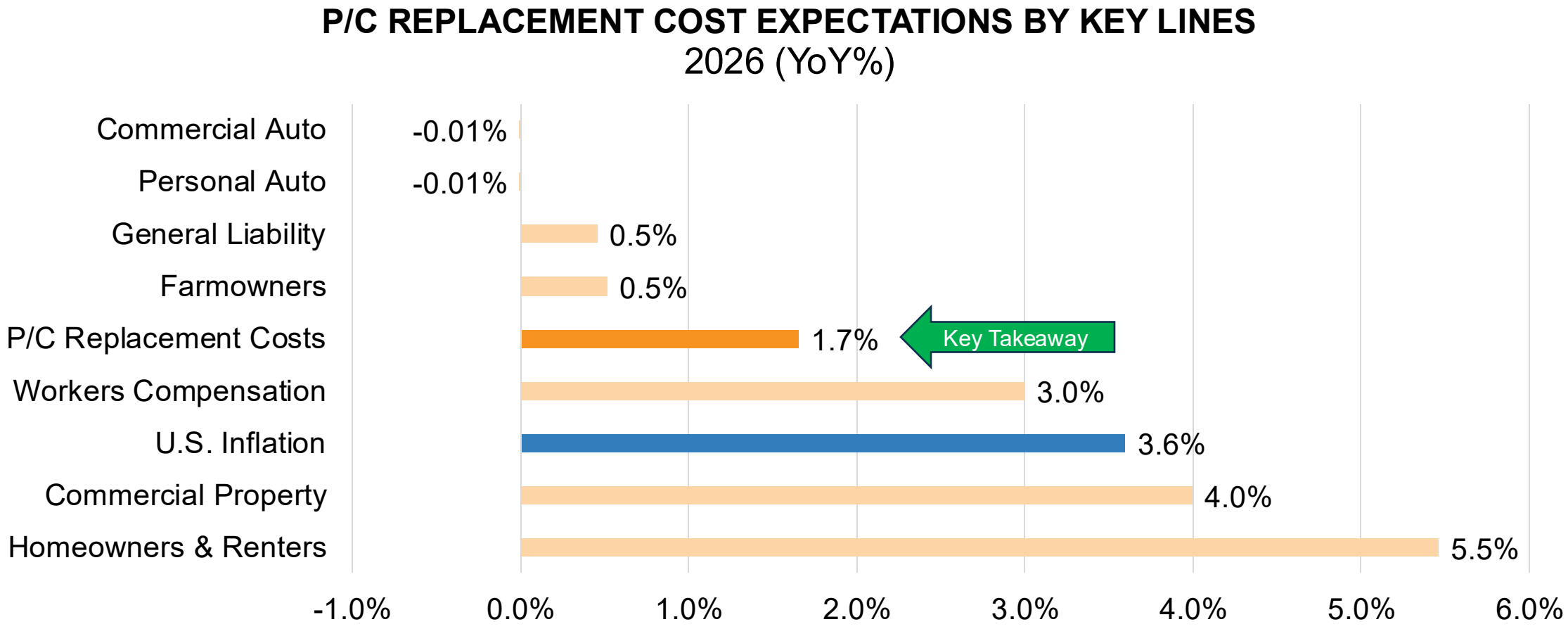
P/C underlying growth, a key driver of new business premium volume, is expected to slow below overall U.S. GDP in 2027 before outpacing overall U.S. growth in 2028.



Sources: P/C Underlying Growth: Triple-I; U.S. GDP: BEA (2025) and Fed (2026-2028); (As of 10/01/2026).

P/C Industry Replacement Costs by Key Lines

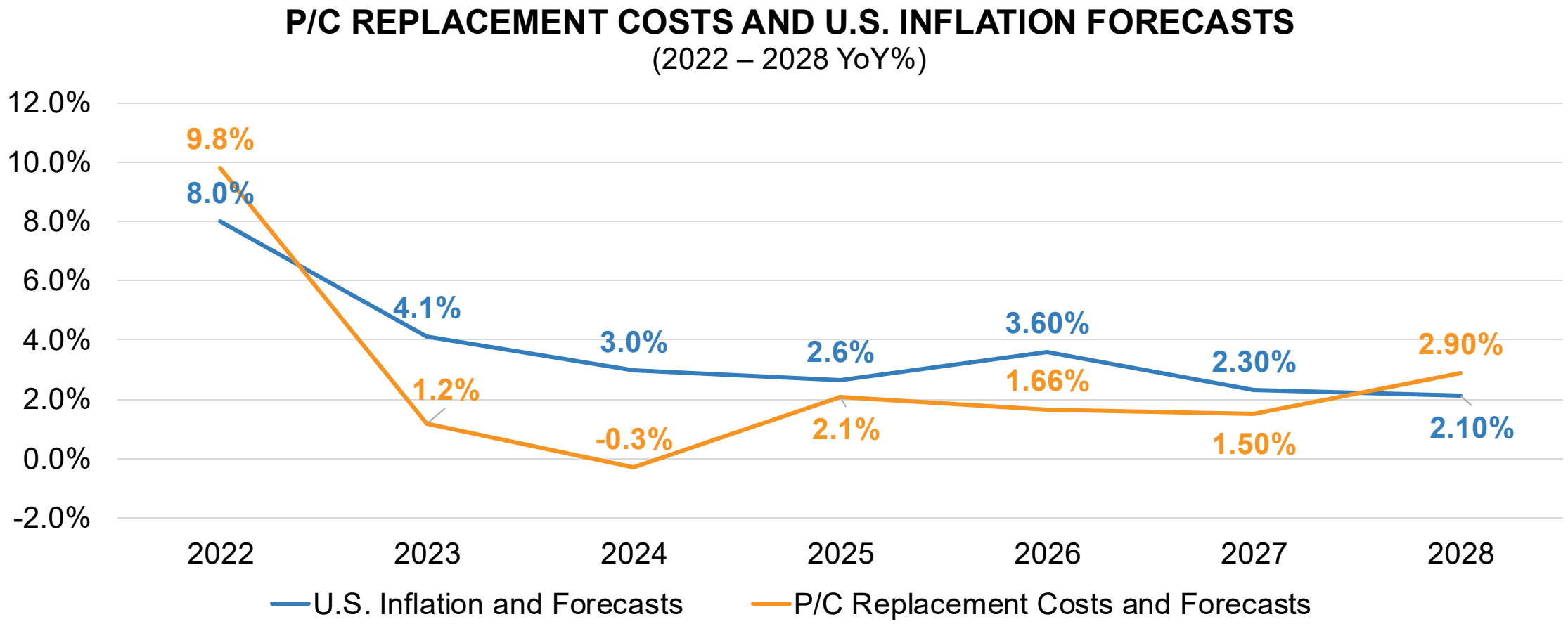
P/C replacement costs are expected to increase by 1.7% YoY in 2026, below overall inflation of 3.6%.



Sources: P/C Replacement Costs: Triple-I; CPI: BLS; (As of 10/01/2026).

P/C Replacement Costs and U.S. Inflation Forecasts

Replacement costs are expected to increase at a slower pace than overall inflation in 2027 before outpacing it in 2028.



Sources: P/C Replacement Costs: Triple-I; Data: Inflation: BLS (2025) and Fed (2026-2028); (As of 10/01/2026).

Iran Conflict Impact on Key P/C Insurance Lines

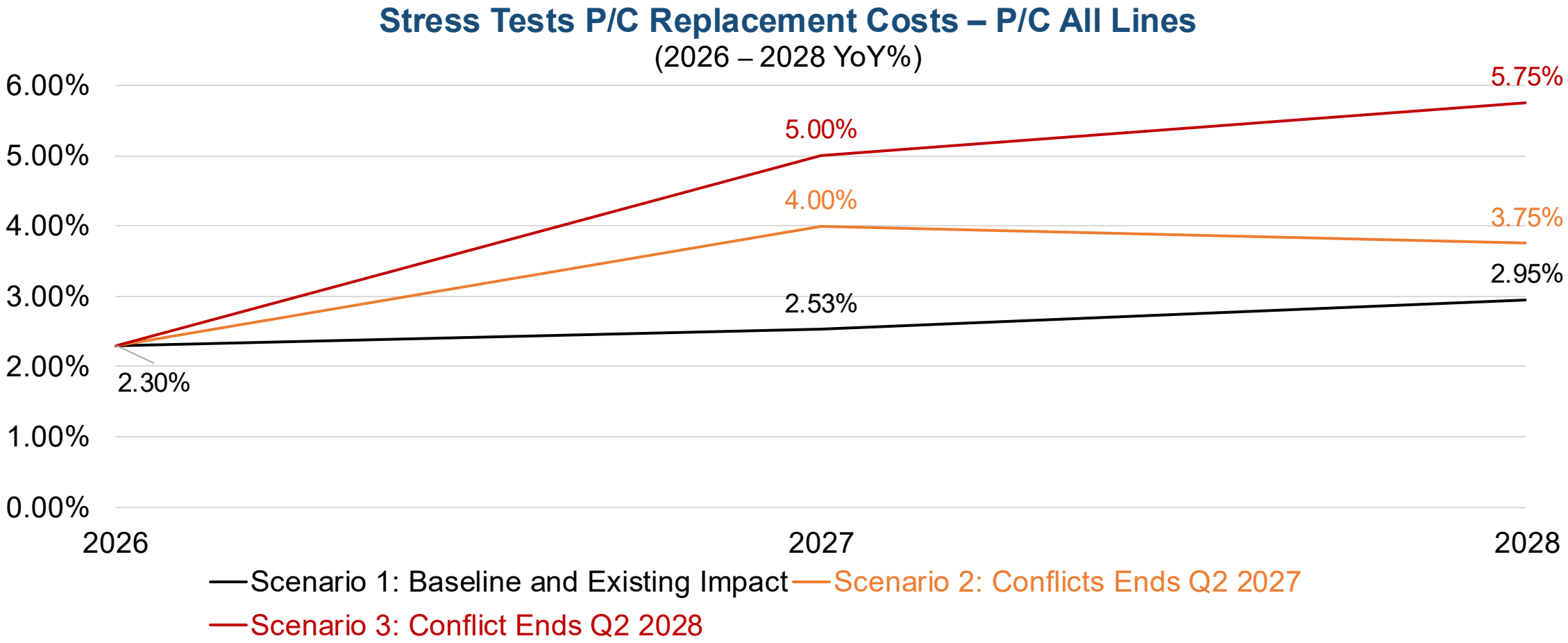
Replacement costs for farmowners, commercial and personal auto, and commercial property insurance are most impacted by the Iran conflict inflationary pressures.

ALREADY MATERIALIZING		CONTINGENT / EMERGING	
1	**Farmowners:** Fertilizers, pesticides, and herbicides price increases are feeding into higher farm input costs, crop inventory valuations, and equipment replacement.	5	**Business Interruption:** Supply chain disruption and input cost volatility may extend claim durations and raise indemnity exposure.
2	**Personal & Commercial Auto:** Synthetic rubber (tires) and plastics (components, panels, wiring) are driving repair and replacement costs upward.	6	**Inland Marine:** Domestically held petrochemical-derived goods in warehouses may be worth well above stated values.
3	**Commercial Property:** Rising petrochemical and plastics costs are raising building contents, equipment, and inventory replacement valuations.	7	**Ocean Cargo:** Goods stranded inside the Persian Gulf or unable to transit the Strait of Hormuz may depreciate in value over time.
4	**Construction:** PVC, insulation, sealants, and adhesives are adding to residential and commercial replacement costs.		

Source: Triple-I (As of 09/2026).

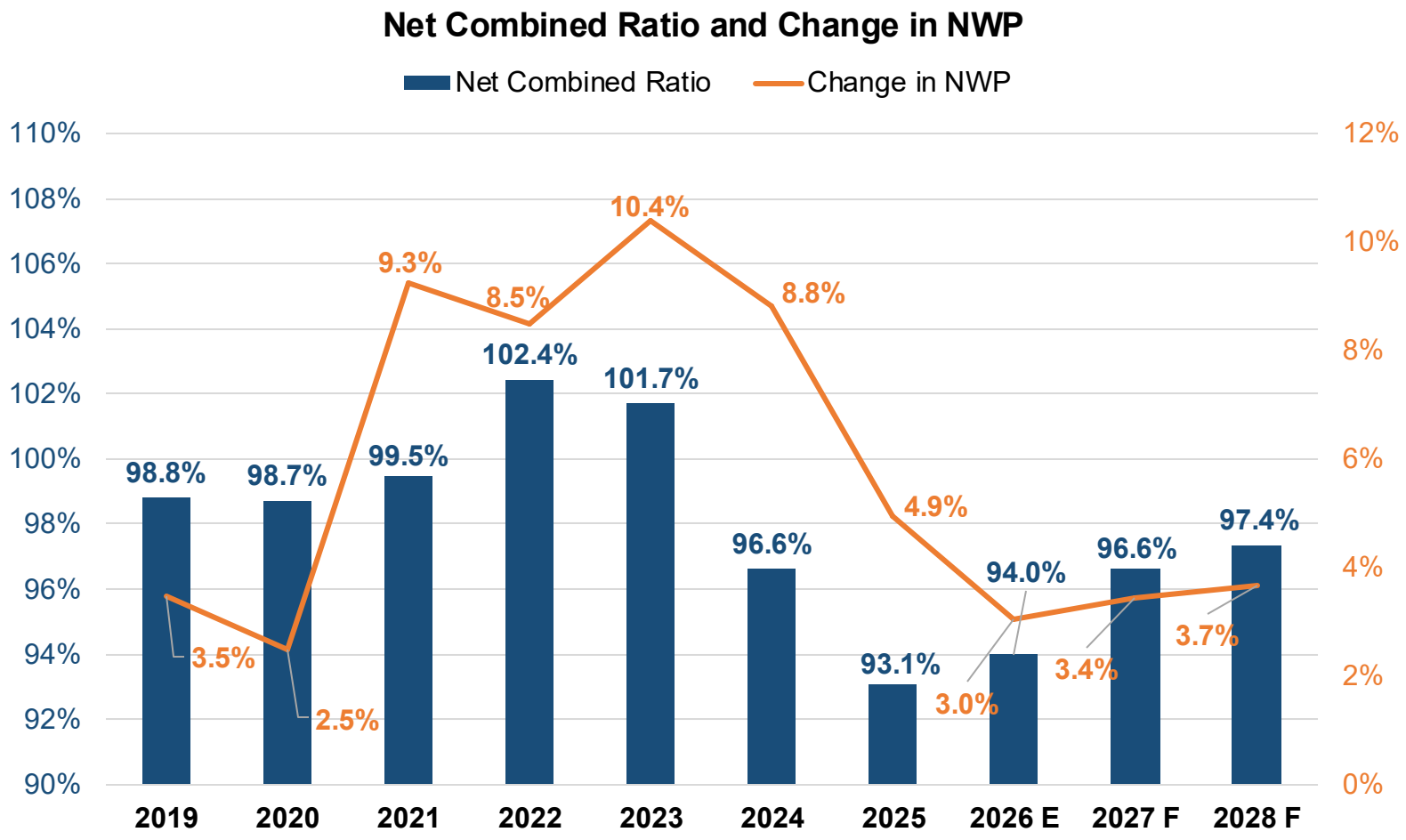
Iran Conflict Stress Test for P/C Replacement Costs

The stress test upper limit discounts the highest annual and monthly year-over-year CPI and PPI components during the COVID pandemic.



Source: Triple-I (As of 07/2026).

P/C Industry Underwriting Outlook



KEY INSIGHTS

2026 E:

P/C industry Net Combined Ratio of 94.0%, the 3rd straight year of underwriting profit.

Homeowners Net Combined Ratio of 85.1%, a decade low.

General Liability and Commercial Auto Net Combined Ratios exceed 100%.

2027 F – 2028 F:

Underwriting profits continue through 2028.

Net Combined Ratio rises to 97.4%.

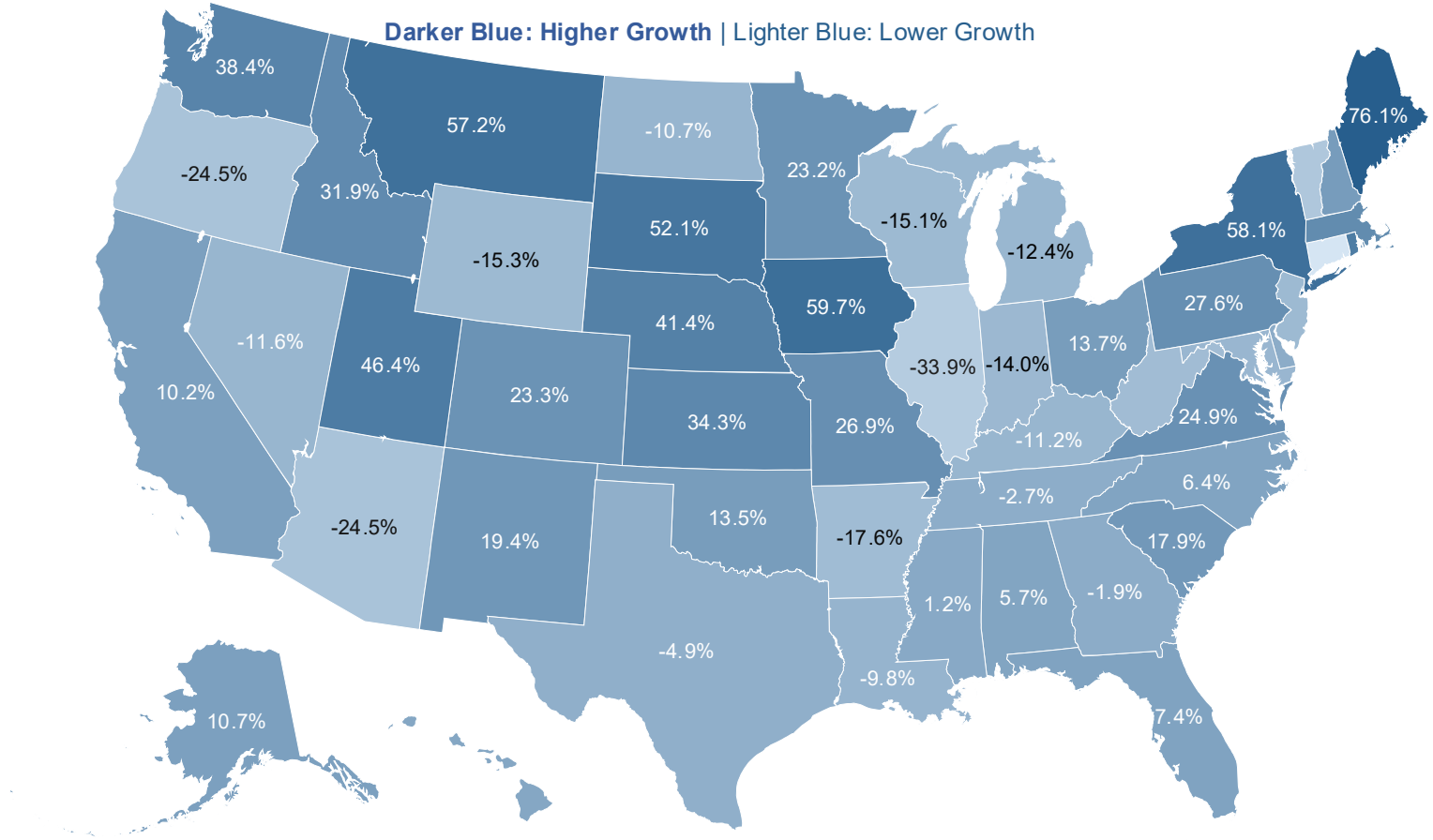
Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

Homeowners Underlying Growth Economic Drivers

The U.S. growth average is 9.6%, ranging from lowest in Connecticut at -58.4% to highest in Maine at 76.1%.

New Private Housing Units Authorized by Building Permits

(07/2025 – 07/2026 YoY%)



VT	-28.6%
NH	14.7%
MA	30.6%
CT	-58.4%
RI	45.6%
NJ	-15.3%
DE	-1.6%
MD	-12.0%
WV	-18.0%
HI	3.2%

Sources: Analysis: Triple-I. Economic Data: FRED (As of 09/10/2026). Map: Microsoft.

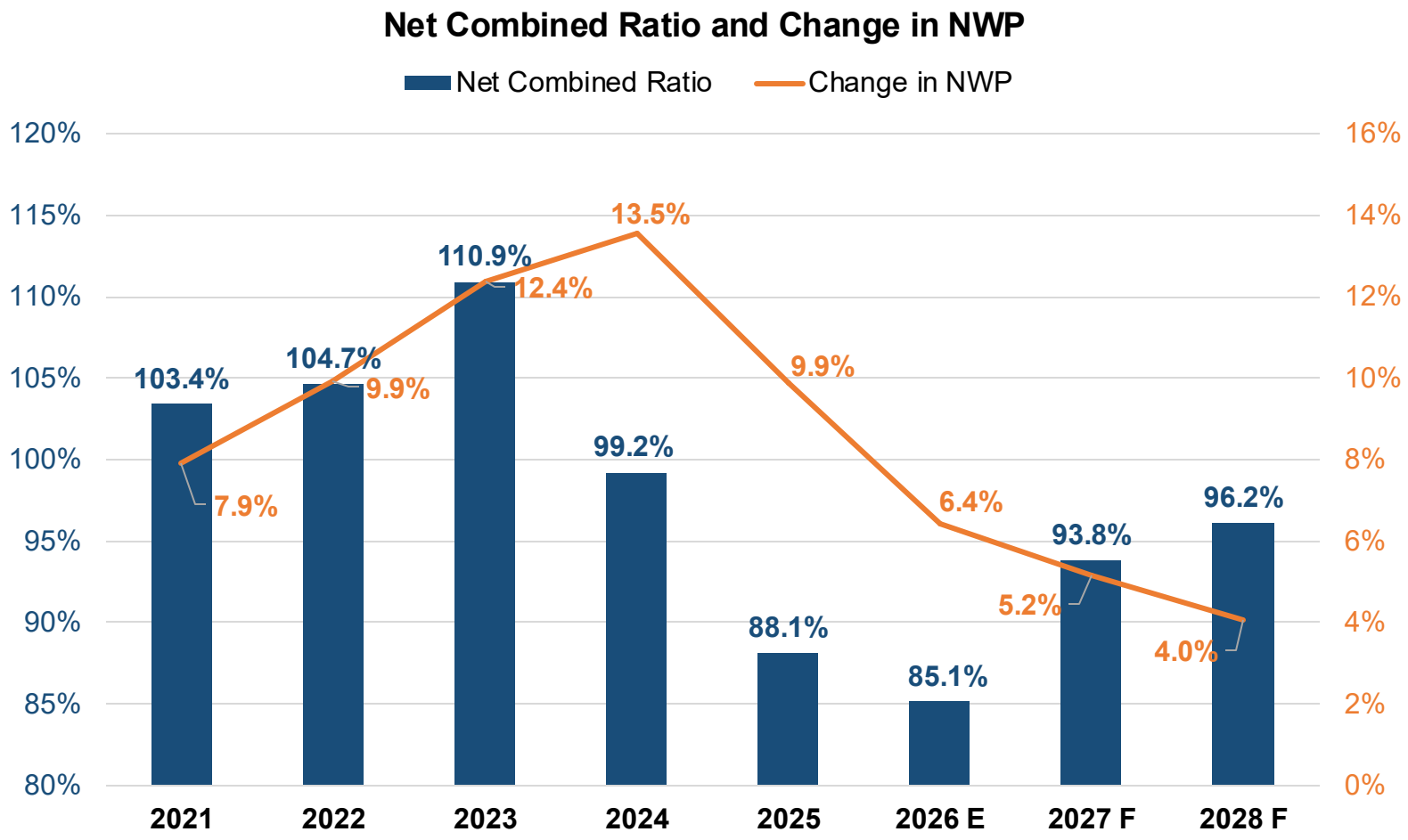
Homeowners & Renters Economic Driver Forecasts

Housing starts improved from 2025 to 2026, but monetary tightening will like depress their growth deeper in 2027 and 2028. Replacement costs are expected to increase at a faster pace than overall inflation through 2028.

HOMEOWNERS & RENTERS ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Underlying Growth (Key Takeaway)	**-0.72%**	**1.50%**	**0.56%**	**1.50%**
Housing Unit Starts	-3.0%	0.5%	-1.0%	-1.0%
Residential Construction Employment	-0.7%	-1.0%	-1.3%	2.0%
Retail Sales	3.7%	6.0%	5.5%	6.0%
Replacement Costs (Key Takeaway)	**3.09%**	**5.46%**	**5.65%**	**7.24%**
Construction Materials	2.9%	10.4%	12.0%	15.0%
Household Furnishings and Operations	2.8%	2.2%	0.3%	1.5%
Shelter	3.6%	3.8%	4.7%	5.3%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

Homeowners Underwriting Outlook



KEY INSIGHTs

2026 E:

Net Combined Ratio estimate of 85.1%, a decade low.

Net Written Premium growth of 6.4%, the lowest since 2020 but nearly twice U.S. GDP.

Q2 Direct Incurred Loss Ratio of 53.9%, best in a decade.

2027 F – 2028 F:

Underwriting profitability forecasted ahead but catastrophes remain the key uncertainty.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

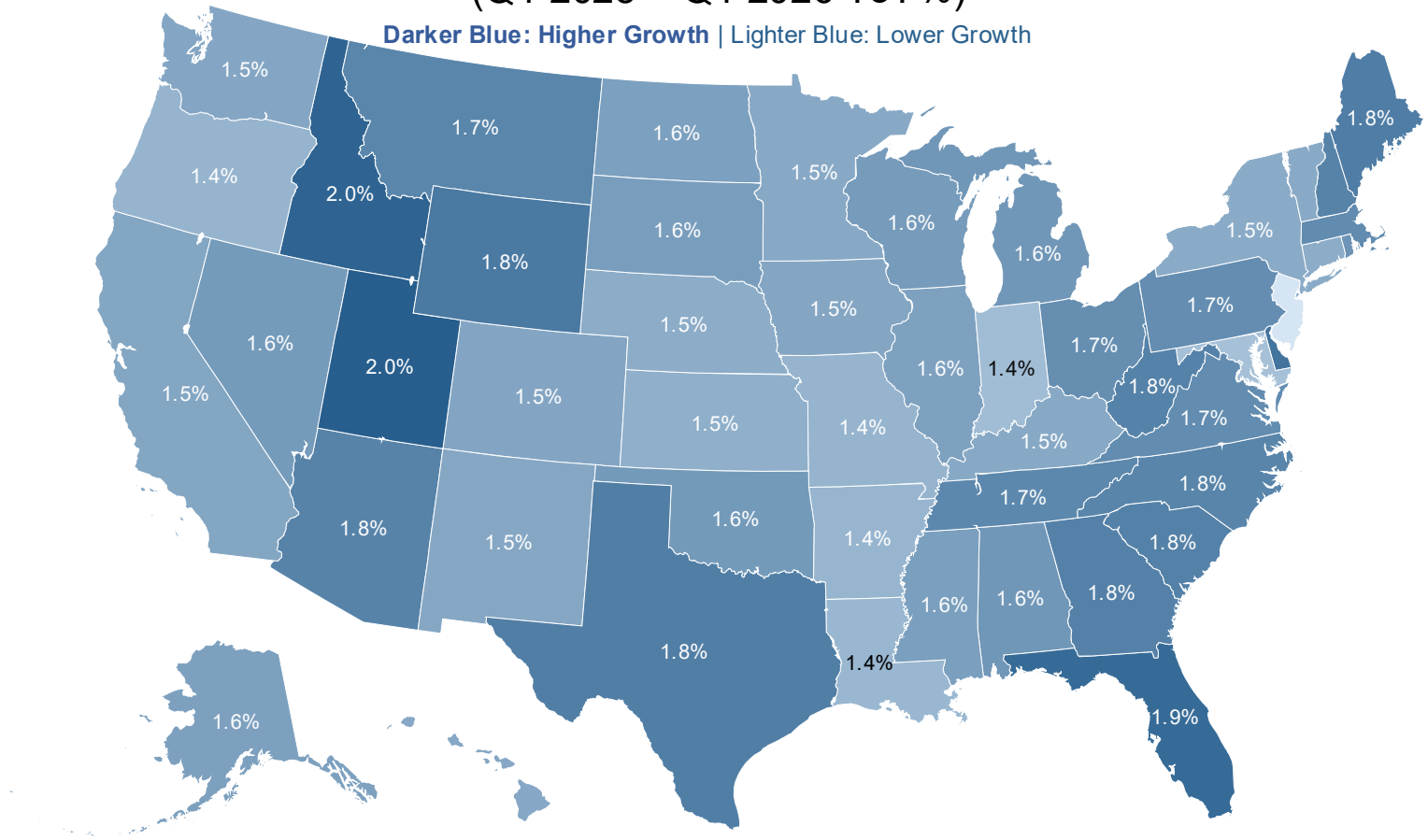
Commercial Property Underlying Growth Economic Drivers

The U.S. growth average is 2.0%, down YoY, with lowest in New Jersey at 1.1% and highest in Idaho at 2.0%.

Real Estate, Rental and Leasing

(Q1 2025 – Q1 2026 YoY%)

Darker Blue: Higher Growth | Lighter Blue: Lower Growth



VT	1.5%
NH	1.8%
MA	1.7%
CT	1.5%
RI	1.6%
NJ	1.1%
DE	1.9%
MD	1.3%
HI	1.5%

Sources: Analysis: Triple-I. Economic Data: FRED (As of 09/10/2026). Map: Microsoft.

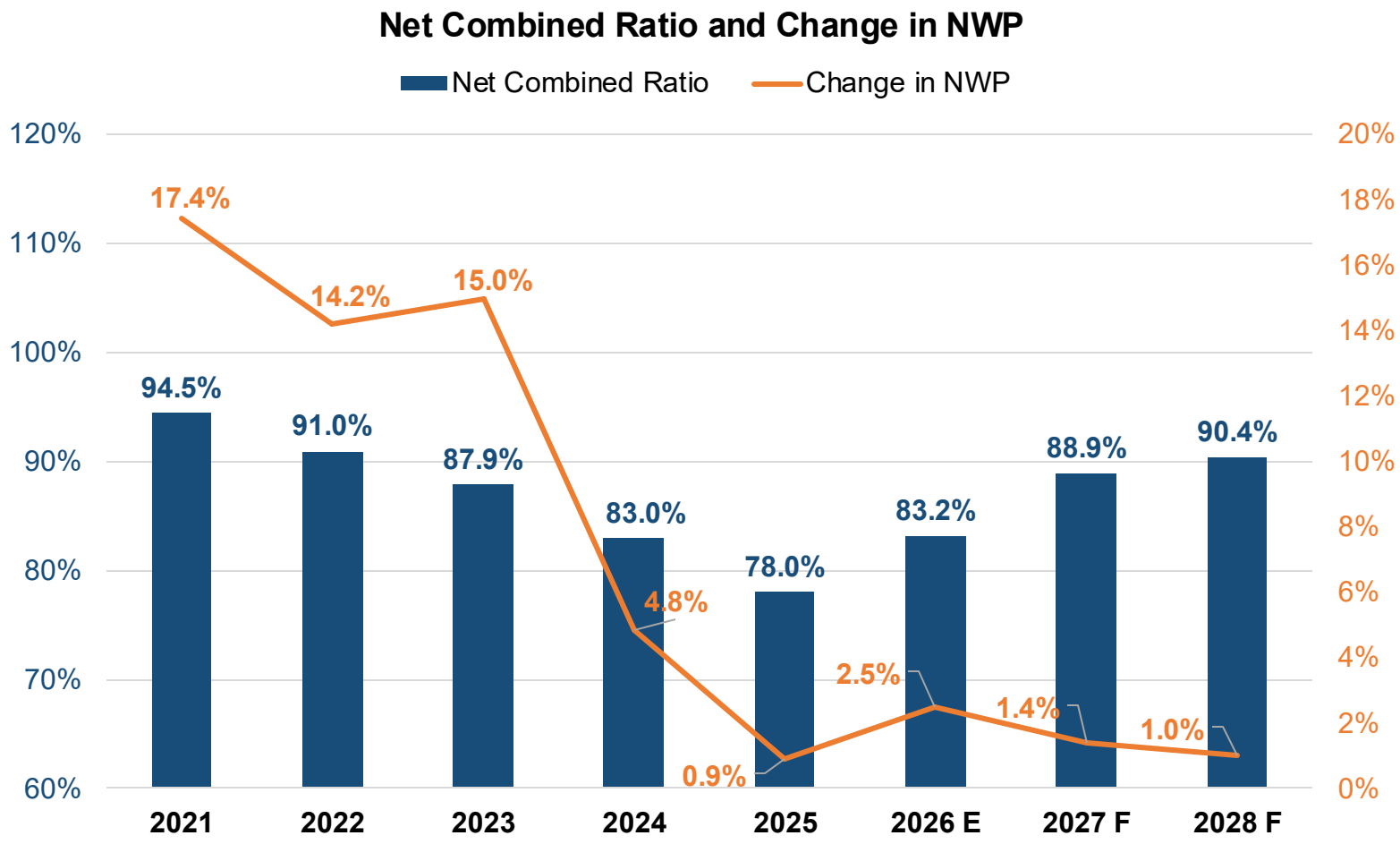
Commercial Property Economic Driver Forecasts

Underlying growth remains above overall GDP – but real estate activity is hyperlocalized to specific urban areas.
Replacement costs are expected to increase at a faster pace than overall inflation through 2028.

COMMERCIAL PROPERTY ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Underlying Growth Key Takeaway	**3.29%**	**5.17%**	**4.25%**	**5.50%**
Real Estate, Rental & Leasing	2.9%	2.0%	1.8%	2.5%
All Employees Non-Residential Buildings	1.3%	4.0%	3.0%	5.0%
Private Non-Residential Fixed Investment	5.7%	9.5%	8.0%	9.0%
Replacement Costs Key Takeaway	**1.10%**	**4.00%**	**4.34%**	**5.00%**
Construction Materials	2.9%	10.4%	12.0%	15.0%
Total Private Capital Investment Costs	3.2%	2.6%	3.5%	4.0%
Information Technology Prices	-2.8%	-0.9%	-2.5%	-4.0%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

Commercial Property Underwriting Outlook



KEY INSIGHTS

2026 E:

Net Combined Ratio estimate of 83.2%.

Net Written Premium growth of 2.5%, second lowest since 2017.

Q2 Direct Incurred Loss Ratio: 44.8%, best in 15+ years.

2027 F – 2028 F:

Favorable underwriting results forecast through 2028.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

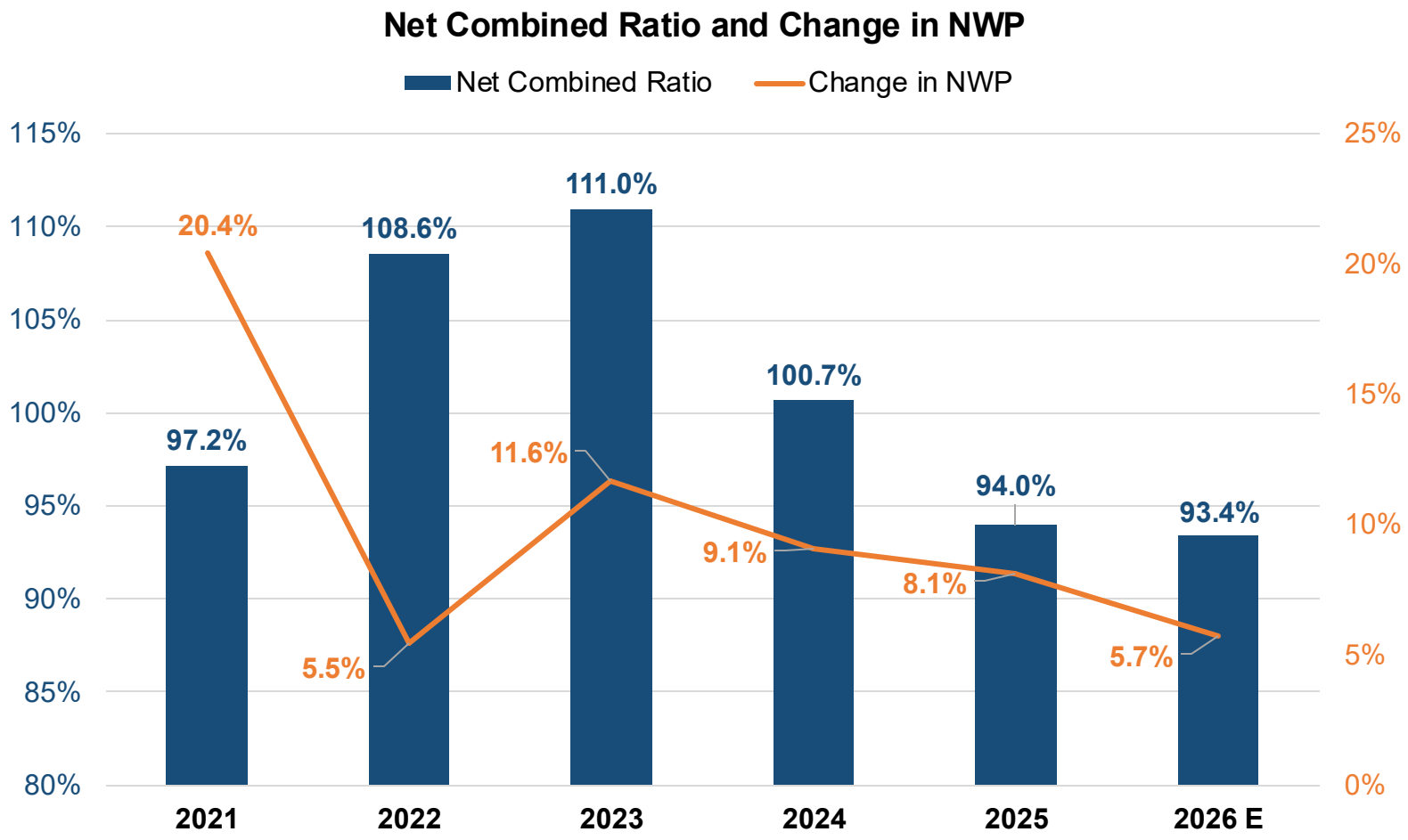
Farmowners Economic Driver Forecasts

Proprietors' farm income is expected to initiate a downward cyclical pattern in 2027 and 2028.
Replacement costs are expected to increase at a faster pace than overall inflation in 2027 and 2028.

FARMOWNERS ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Underlying Growth Key Takeaway	**10.37%**	**-1.51%**	**-8.67%**	**-8.00%**
Proprietors' Farm Income	31.1%	10.5%	-10.0%	-20.0%
Agriculture, Forestry, Fishing and Hunting	0.9%	-12.0%	-15.0%	-5.0%
Employment Level - Agriculture and Related Industries	-0.8%	-3.0%	-1.0%	1.0%
Replacement Costs Key Takeaway	**0.03%**	**0.52%**	**4.67%**	**9.17%**
Animal Food Manufacturing	1.0%	5.5%	10.0%	15.0%
Pesticides, Fertilizers, Agr. Chemicals	-2.2%	-6.0%	0.5%	7.5%
Farm Machinery and Equipment	1.3%	2.0%	3.5%	5.0%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

Farmowners Underwriting Outlook



KEY INSIGHTS

2026 E:

Net Combined Ratio estimate of 93.4%, the lowest since 2016.

Net Written Premium growth of 5.7%, down 2.4% from 2025 but higher than overall U.S. GDP growth.

We do not provide an underwriting outlook for this insurance line.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

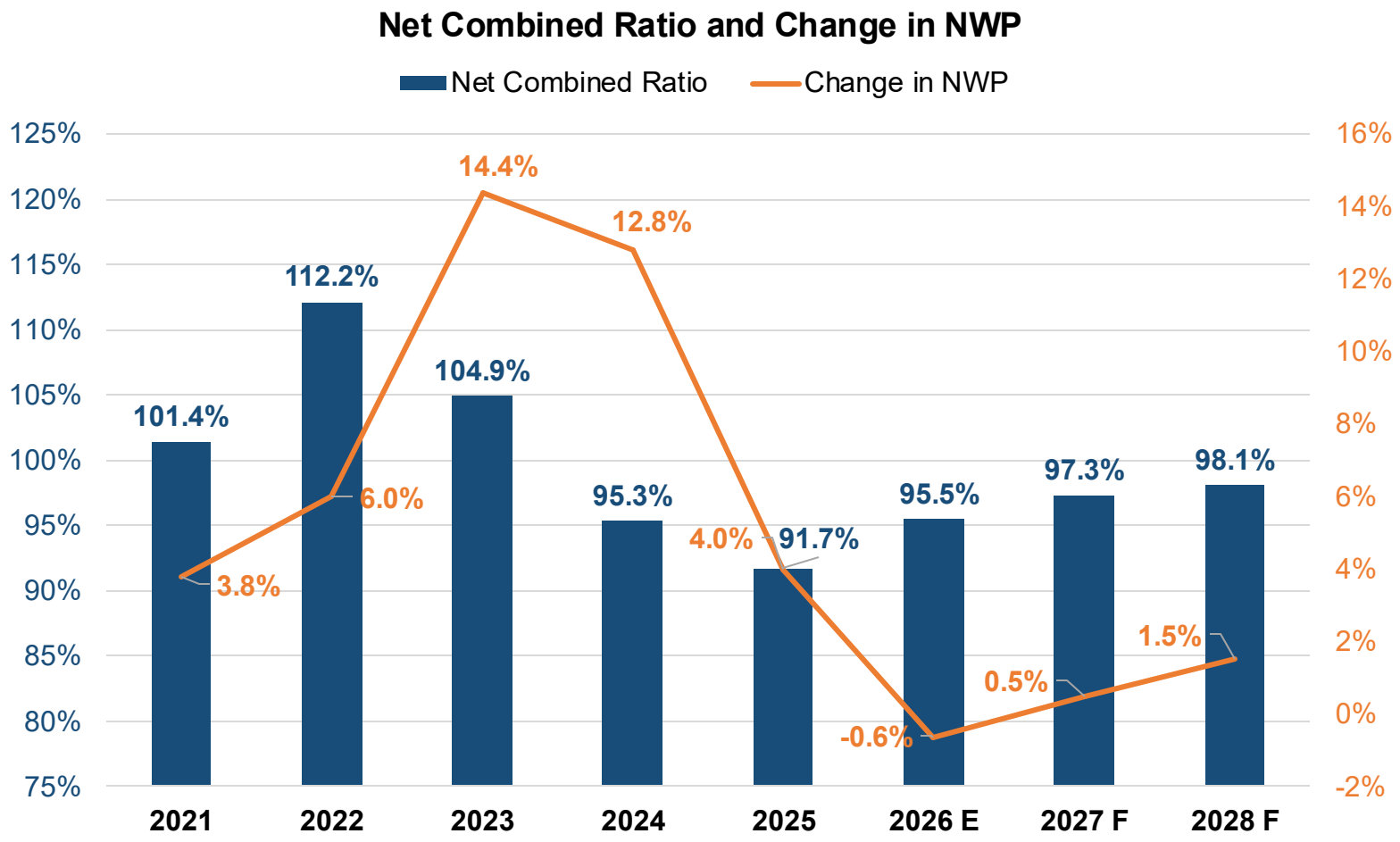
Personal Auto Economic Driver Forecasts

Auto and light truck sales are expected to remain between 2% and 3% through 2028 – before pricing in consumer credit tightening. Replacement costs are currently expected to decrease in 2027 and to remain below inflation in 2028.

PERSONAL AUTO ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Underlying Growth Key Takeaway	**2.76%**	**2.33%**	**2.00%**	**2.83%**
Auto and Light Truck Sales	2.4%	3.0%	2.0%	2.8%
Motor Vehicle Personal Expenditures	3.5%	1.0%	2.0%	3.0%
Replacement Costs Key Takeaway	**1.76%**	**-0.01%**	**-0.35%**	**1.30%**
New Vehicles	0.3%	0.04%	-0.3%	0.8%
Used Cars and Trucks	2.8%	-2.4%	-2.8%	1.0%
Motor Vehicle Parts & Equipment	2.1%	2.3%	2.0%	2.1%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

Personal Auto Underwriting Outlook



KEY INSIGHTS

2026 E:

Net Combined Ratio estimate of 95.5%, up 3.8% YoY.

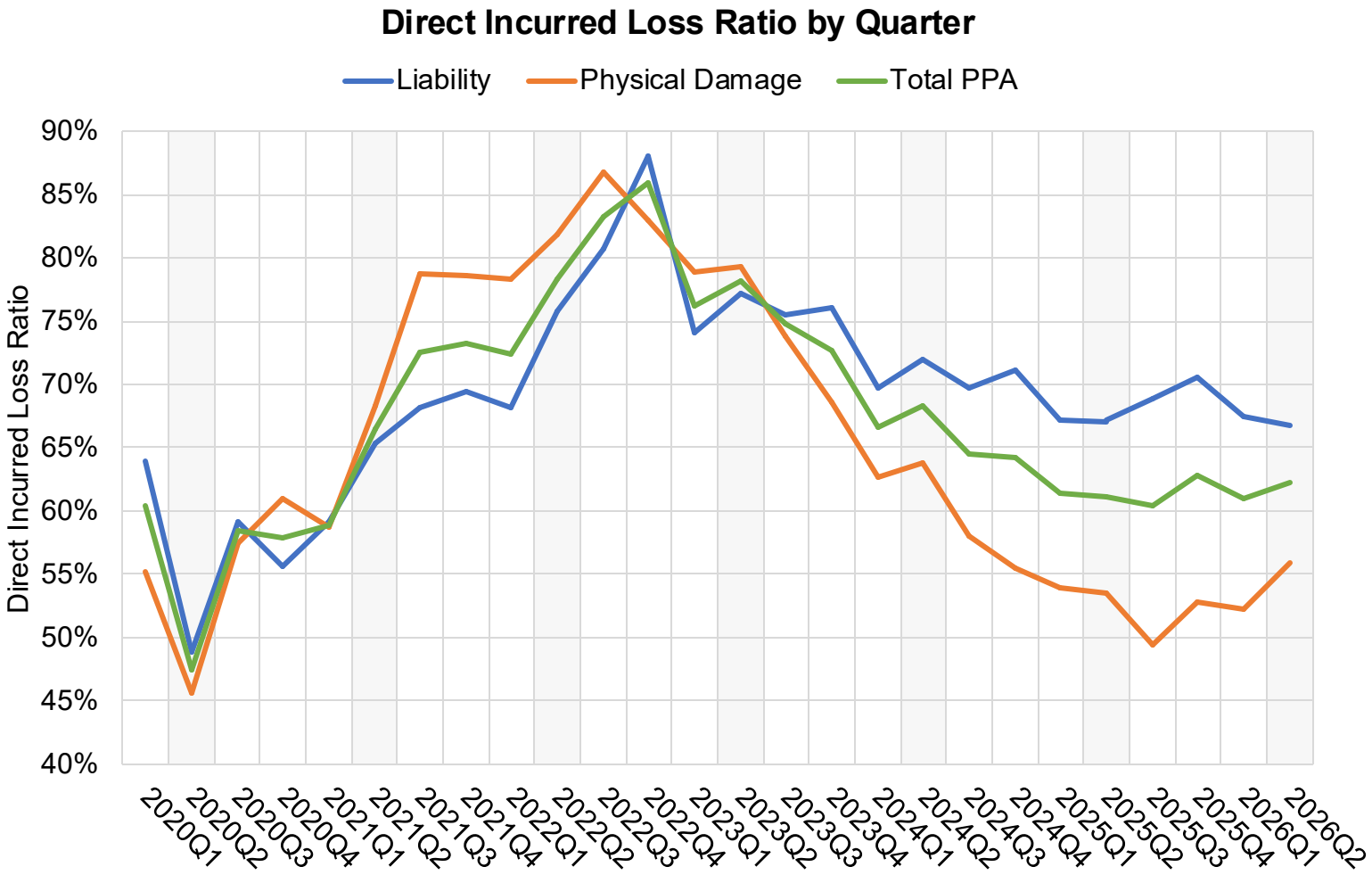
Net Written Premium growth of -0.6%, the lowest since 2020.

2027 F – 2028 F:

Underwriting profits forecast through 2028.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

Personal Auto Loss Ratio



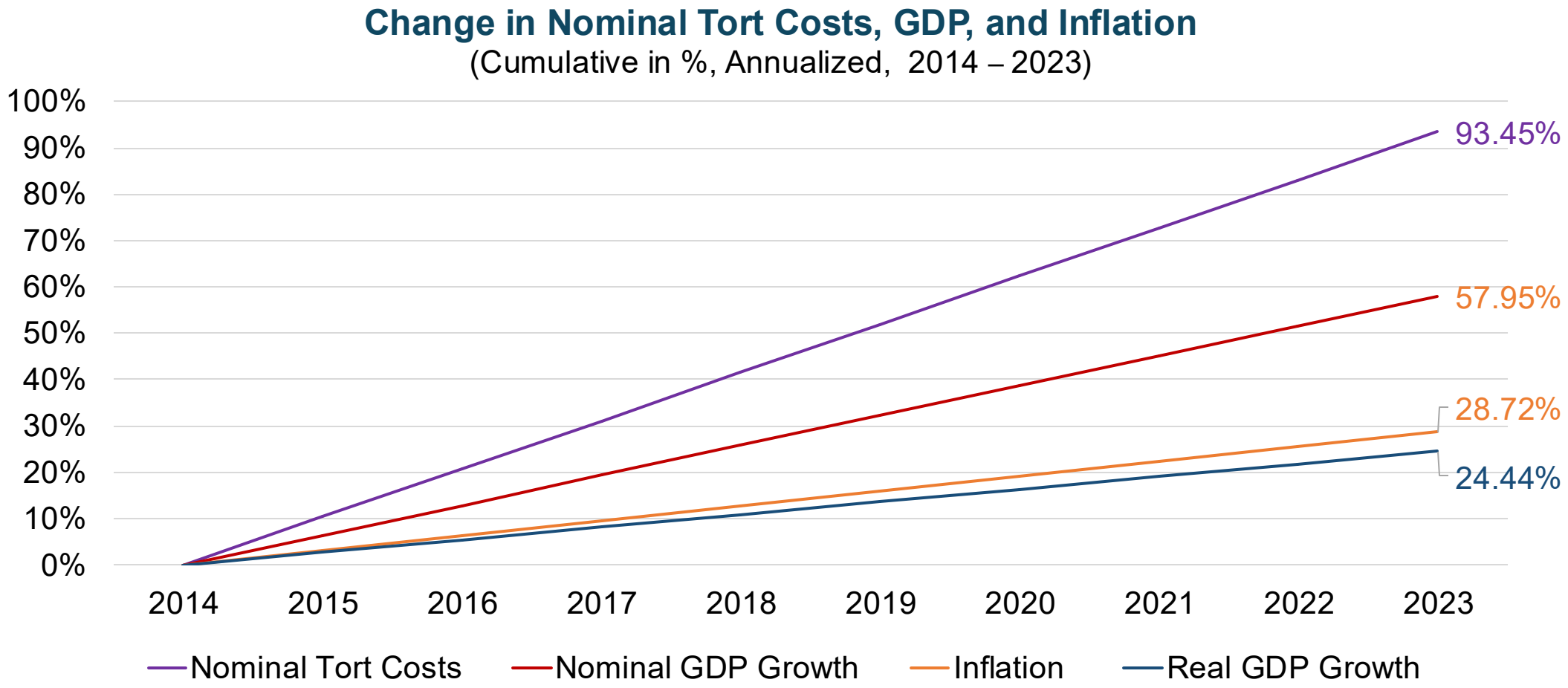
KEY INSIGHTS

2026 Q2:

- Direct Incurred Loss Ratio of 62%, up 1% from 2026 Q1.
- Physical Damage ran 11% below Liability, the 8th straight quarter of a double-digit gap, partly due to rising legal system abuse.
- The gap stopped widening year-over-year in 2026 Q2, the first time since 2022 Q2.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

Legal System Tort Costs Outrun Inflation and GDP

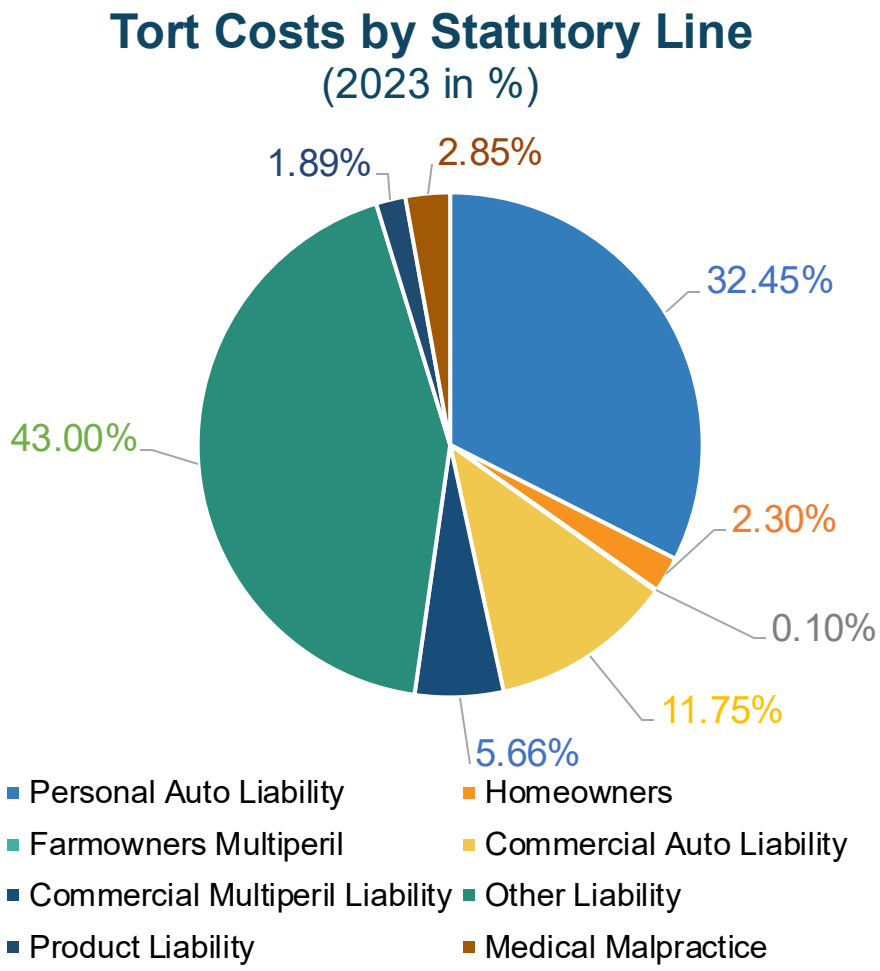


Sources: Institute for Legal Reform and Insurance Information Institute (2026).

Tort Costs Deeper Dive

The total tort costs burden in 2023 was $579.73 billion.

Tort Costs by Line and Type (2023 $B)	Insured	Self/ Uninsured	TOTAL
Personal Auto Liability	$184.44	$3.69	$188.13
Homeowners	$13.05	$0.26	$13.31
Farmowners Multiperil	$0.56	$0.01	$0.57
Personal Lines:	**$198.05**	**$3.96**	**$202.01**
Commercial Auto Liability	$53.24	$14.89	$68.13
Commercial Multiperil Liability	$22.88	$9.93	$32.81
Other Liability	$124.65	$124.65	$249.31
Product Liability	$5.47	$5.47	$10.93
Medical Malpractice	$12.19	$4.35	$16.54
Commercial Lines:	**$218.43**	**$159.29**	**$377.72**
TOTAL:	**$416.48**	**$163.25**	**$579.73**



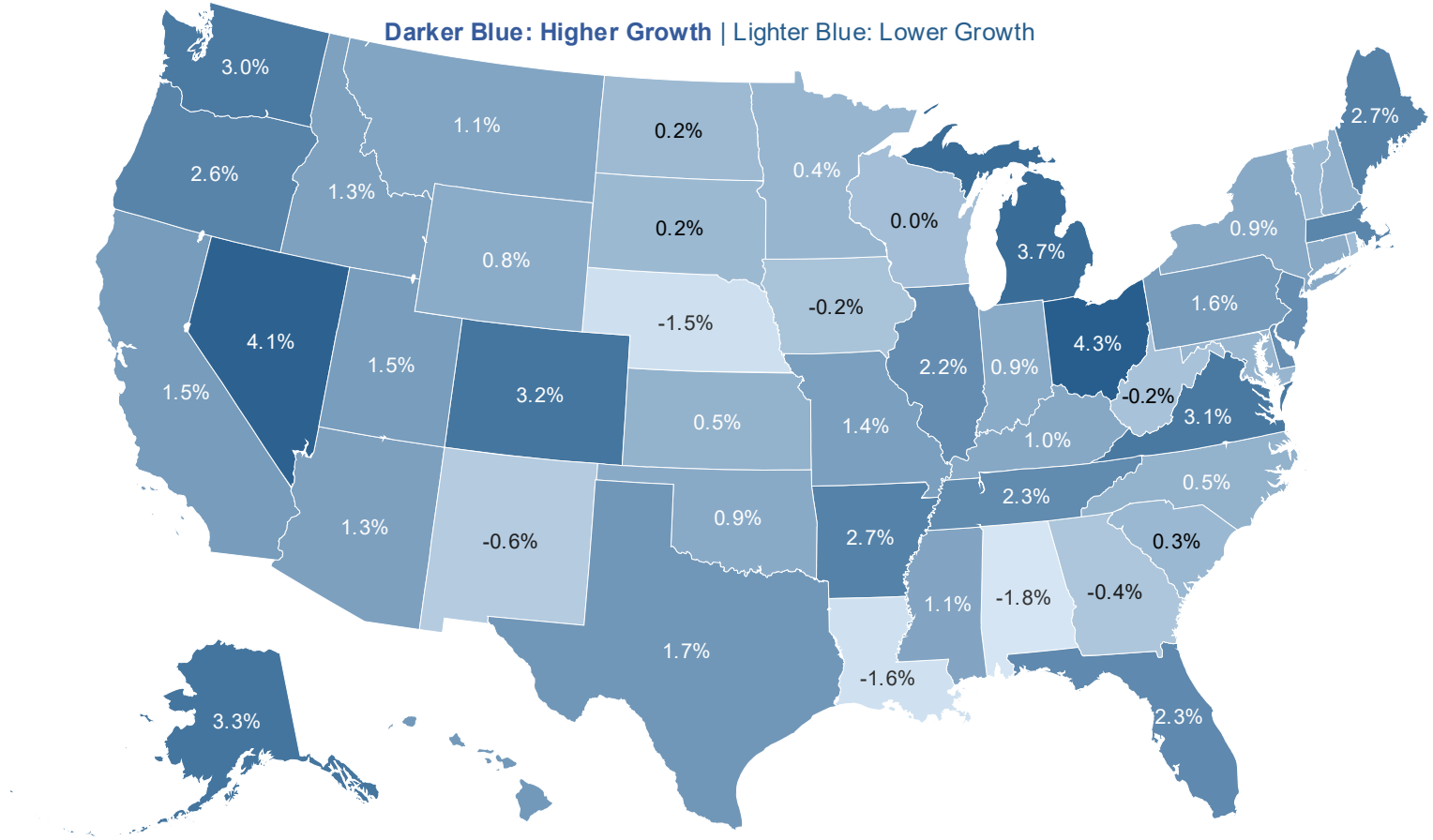
Sources: Institute for Legal Reform and Insurance Information Institute (2026).

Commercial Auto Underlying Growth Economic Drivers

The U.S. growth average is 1.3%, ranging from lowest in Alabama at -1.8% to highest in Ohio at 4.3%.

Transportation and Warehousing

(Q1 2025 – Q1 2026 YoY%)



VT	0.3%
NH	0.6%
MA	2.5%
CT	0.8%
RI	0.0%
NJ	2.1%
DE	2.2%
MD	0.4%
HI	1.6%

Sources: Analysis: Triple-I. Economic Data: FRED (As of 09/10/2026). Map: Microsoft.

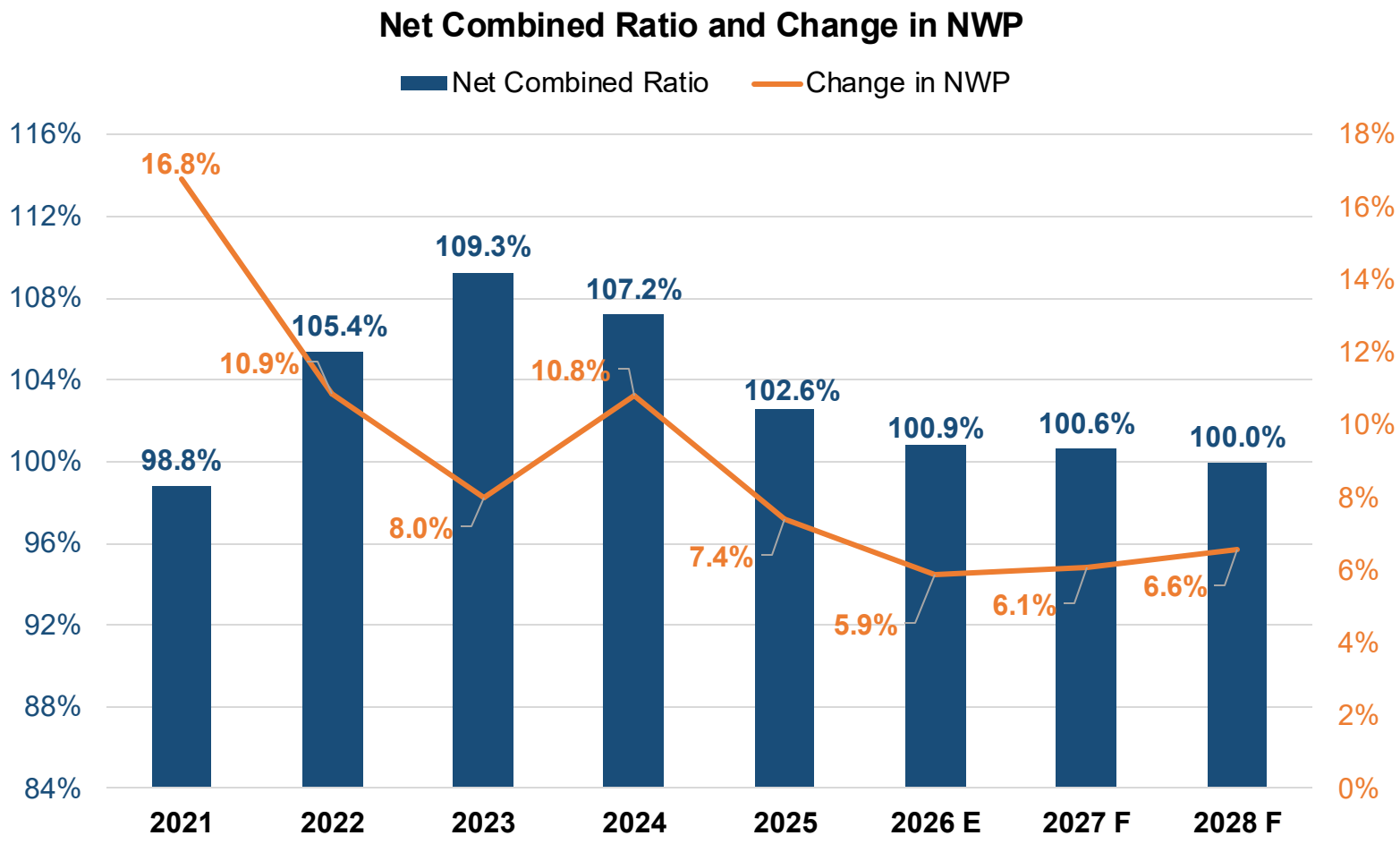
Commercial Auto Economic Driver Forecasts

Underlying growth is expected to improve in 2027 and 2028 after decreasing in 2026.
Replacement costs are currently expected to decrease in 2027 and to remain below inflation in 2028.

COMMERCIAL AUTO ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Underlying Growth Key Takeaway	**-4.63%**	**-2.77%**	**1.00%**	**8.67%**
Heavy Weight Trucks Sales	-13.3%	-7.5%	-5.0%	10.0%
Light Trucks Sales	2.4%	-1.3%	3.0%	6.0%
Motor Vehicle Output Private Fixed Investment	-3.0%	0.5%	5.0%	10.0%
Replacement Costs Key Takeaway	**1.76%**	**-0.01%**	**-0.35%**	**1.30%**
New Vehicles	0.3%	0.04%	-0.3%	0.8%
Used Cars and Trucks	2.8%	-2.4%	-2.8%	1.0%
Motor Vehicle Parts & Equipment	2.1%	2.3%	2.0%	2.1%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

Commercial Auto Underwriting Outlook



KEY INSIGHTS

2026 E:

Net Combined Ratio estimate of 100.9%, down 1.7% from 2025.

Net Written Premium growth estimate of 5.9%, down 1.5% YoY.

2027 F – 2028 F:

Underwriting remains unprofitable through 2027.

Breakeven forecast in 2028 (100.0%).

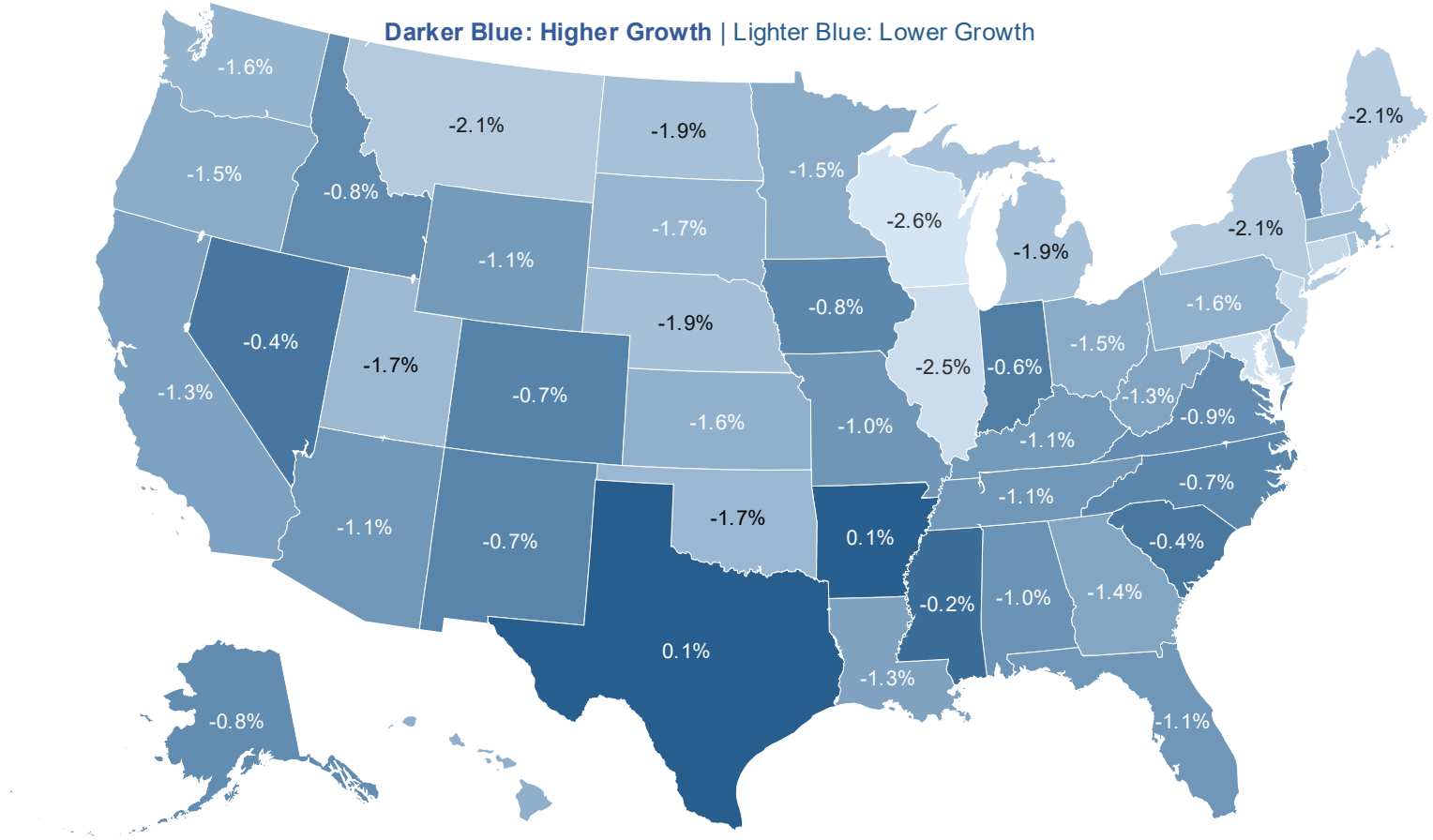
Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

General Liability Frequency Economic Drivers

The U.S. growth average is -1.4%, ranging from lowest in Wisconsin at -2.6% to highest in Texas and Arkansas at 0.1%.

Retail Trade

(Q1 2025 – Q1 2026 YoY%)



VT	-1.0%
NH	-2.1%
MA	-1.7%
CT	-2.3%
RI	-1.9%
NJ	-2.4%
DE	-1.3%
MD	-2.5%
HI	-1.5%

Sources: Analysis: Triple-I. Economic Data: FRED (As of 09/10/2026). Map: Microsoft.

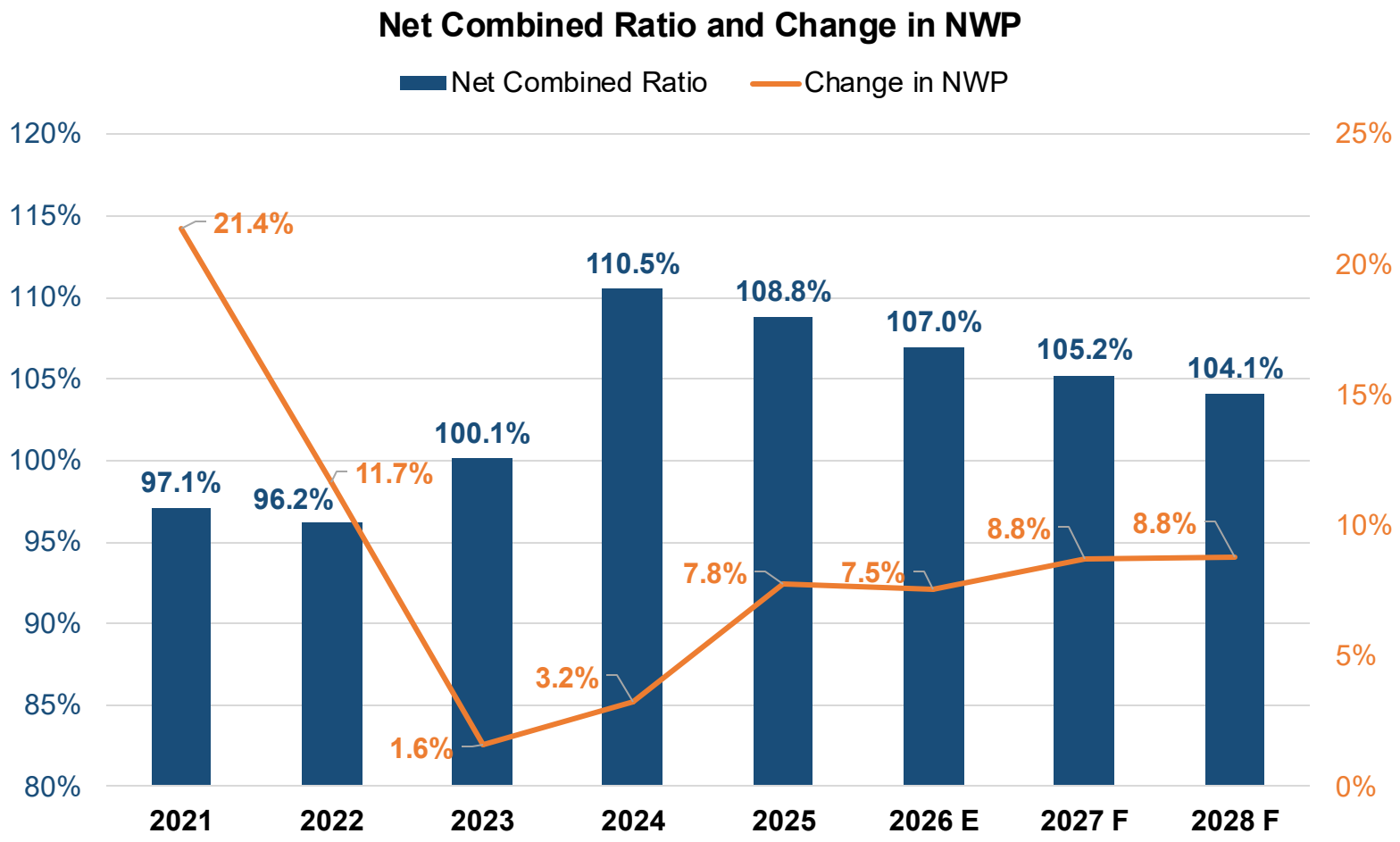
General Liability Economic Driver Forecasts

Frequency drivers are expected to continue to outpace overall GDP growth in 2027 and 2028.
Severity drivers are expected to increase at a slower pace than overall inflation through 2028.

GENERAL LIABILITY ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Frequency Drivers (Key Takeaway)	**3.57%**	**5.86%**	**4.75%**	**4.95%**
Retail Sales	3.7%	6.0%	5.5%	6.0%
Finance & Insurance Sector	3.4%	5.7%	4.0%	3.9%
Severity Drivers (Key Takeaway)	**1.89%**	**0.46%**	**0.01%**	**1.69%**
Medical Care Commodities	0.9%	-2.5%	-2.5%	1.2%
All CPI Items Less Food & Energy	2.8%	3.4%	2.5%	2.2%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

General Liability Underwriting Outlook



KEY INSIGHTS

2026 Q2:

Net Combined Ratio estimate of 107.0%, down 1.8% from 2025.

Direct Incurred Loss Ratio of 63.6%, below 2024–2025 but third highest Q2 in 15+ years.

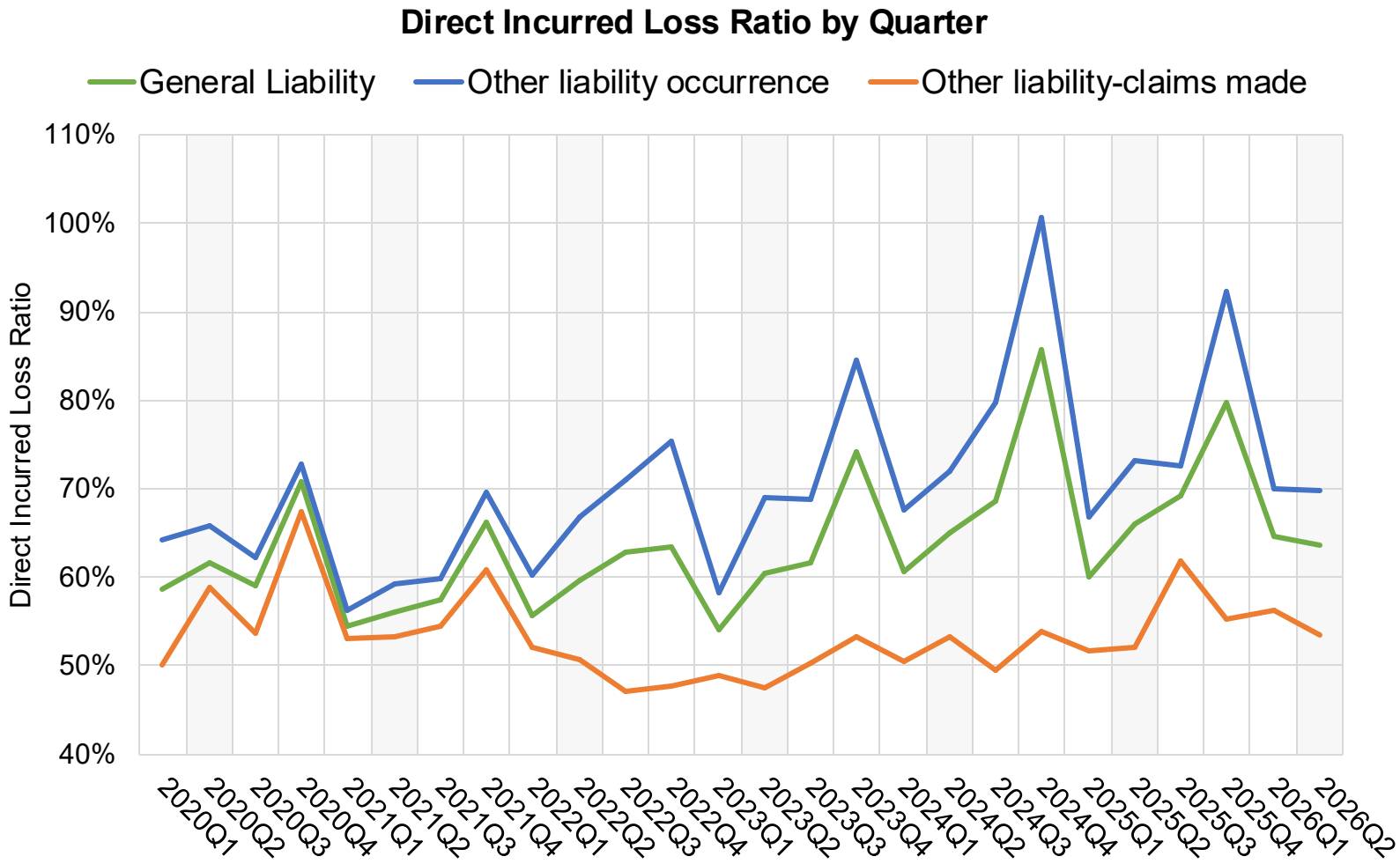
Net Written Premium growth of 7.5%, on par with 2025 (7.8%) and above U.S. GDP growth.

2027 F – 2028 F:

Unprofitable through 2028 despite a falling Net Combined Ratio and faster premium growth.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

General Liability Loss Ratio



KEY INSIGHT

2026 Q2:

Direct Incurred Loss Ratio: 63.6%, down 2% year-over-year.

Other Liability-Claims Made beats Occurrence in every quarter since 2017.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).

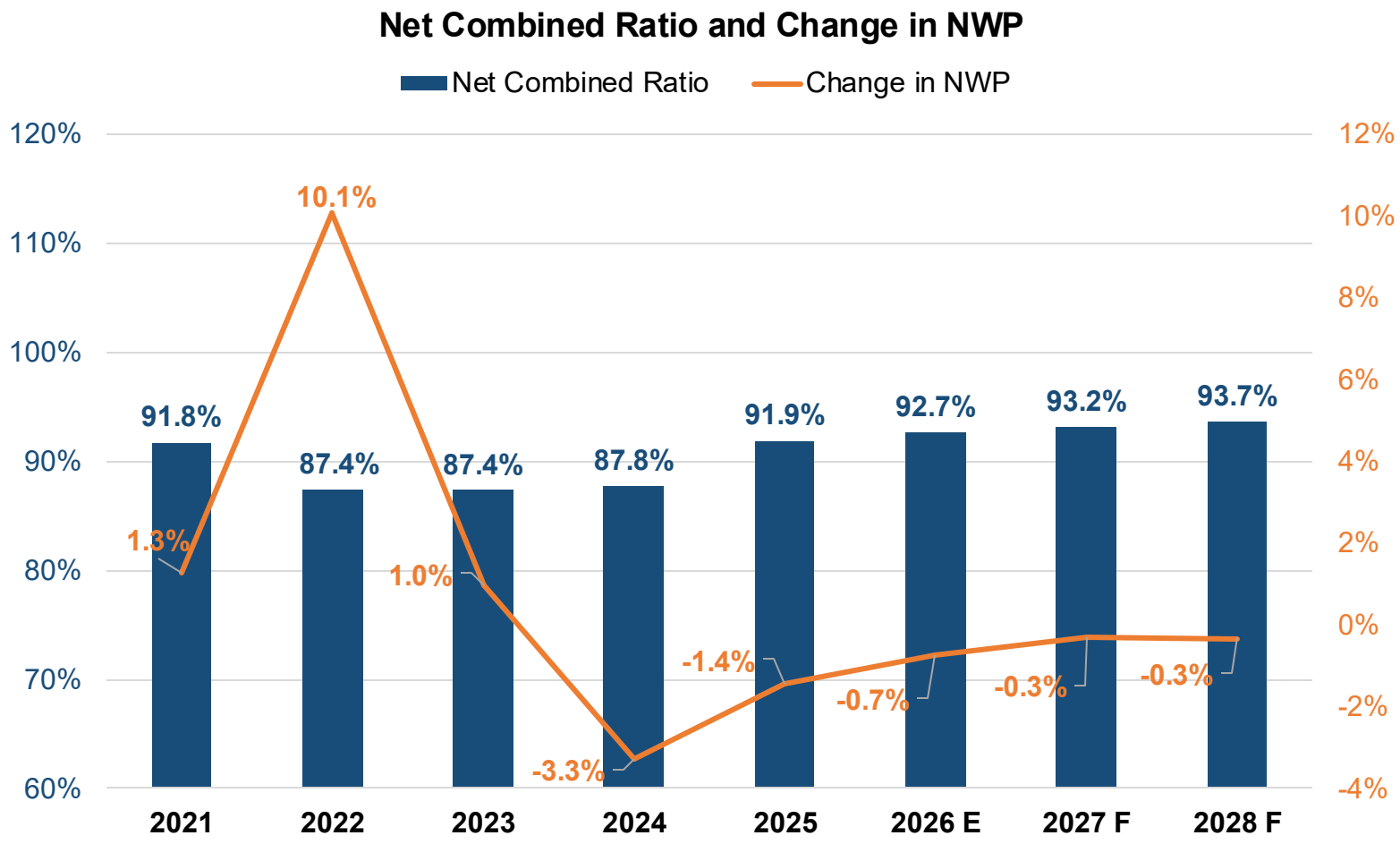
Workers Compensation Economic Driver Forecasts

Frequency drivers are expected to decrease in 2027 and 2028.
Cost drivers, specifically hourly earnings, are expected to be broadly aligned with overall inflation.

WORKERS COMPENSATION ECONOMIC DRIVER FORECASTS (YOY%)				
	2025	2026	2027	2028
Frequency Drivers				
Total Non-Farm Payroll (Key Takeaway)	0.5%	0.2%	-2.0%	-2.0%
Cost Drivers				
Average Hourly Earnings (Key Takeaway)	4.0%	3.0%	3.0%	2.8%

Sources: Insurance data and analysis: Triple-I; U.S. economic data: BLS, BEA via FRED; (As of 10/01/2026).

Workers Compensation Underwriting Outlook



KEY INSIGHTS

2026 E:

Net Combined Ratio estimate of 92.7%, up 0.8%, but the 12th straight profitable year.

Net Written Premium growth estimate of -0.7%, though up 0.7% YoY.

2027 F – 2028 F:

Premium growth improves slightly to -0.3%, still negative.

Underwriting profits expected through 2028.

Sources: Analysis: Triple-I and Milliman; Data: NAIC Statutory Financial Data through S&P (as of 10/10/2026).



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Dr. Léonard brings more than twenty years of insurance experience providing forward-looking economic analysis, data analytics, and cat modeling to quantify the risk exposures of property/casualty and specialty lines. He has held senior and leadership positions in the industry such as Chief Economist and Data Scientist at Alliant; Chief Economist at Jardine Lloyd Thompson; and Chief Economist for Trade Credit and Political Risk at Aon. Immediately prior to joining Triple-I, he was the Founder and CEO of MaKro LLC.

Dr. Léonard's previous academic appointments include Adjunct Faculty at New York University's Center for Data Science; Adjunct Faculty at Columbia University's Data Science Institute and Statistics Department; and Fellow in the Institute of Latin American Studies at Columbia University.

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Trained in economics at the University of South Carolina Darla Moore School of Business, Marina was a research assistant for economic research projects in South Carolina and tutored economics students as part of the Rising Scholar's initiative for fostering inclusive excellence among diverse and underserved students. Marina also interned at the Richland County Economic Development office working on census and other government data analysis for grant proposals.

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