INSURANCE Summit
Florida League of Cities

Opening General Session

The State of the Insurance Market: Property, Casualty, and What's Ahead in 2026

Discussion Topics

- State of the Public Entity Casualty Insurance Market
- Key Liability Cost Drivers & Emerging Trends
- Florida Legal & Legislative Developments
- Looking Ahead: Impact on FLC Members

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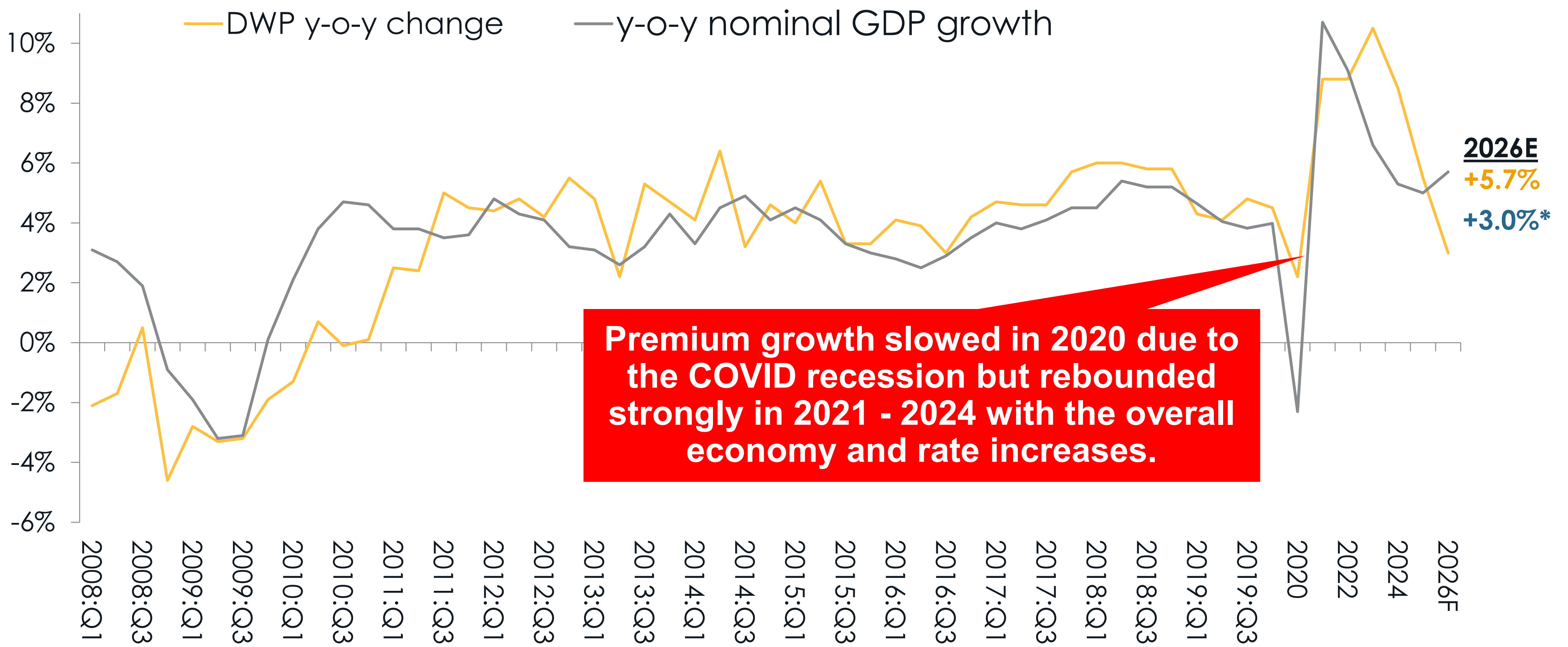
Casualty Insurance Market Update

The Economy Drives P/C Insurance Industry Premiums: 2006 Q1 – 2026 Est *

Growth (All P/C Lines) vs. Nominal GDP: Quarterly Year-Over-Year Pct. Change

Direct Premium



Direct written premiums track nominal GDP over time, suggesting the P/C insurance industry's growth prospects are linked to economic performance.

*2020-26F figures are annual.

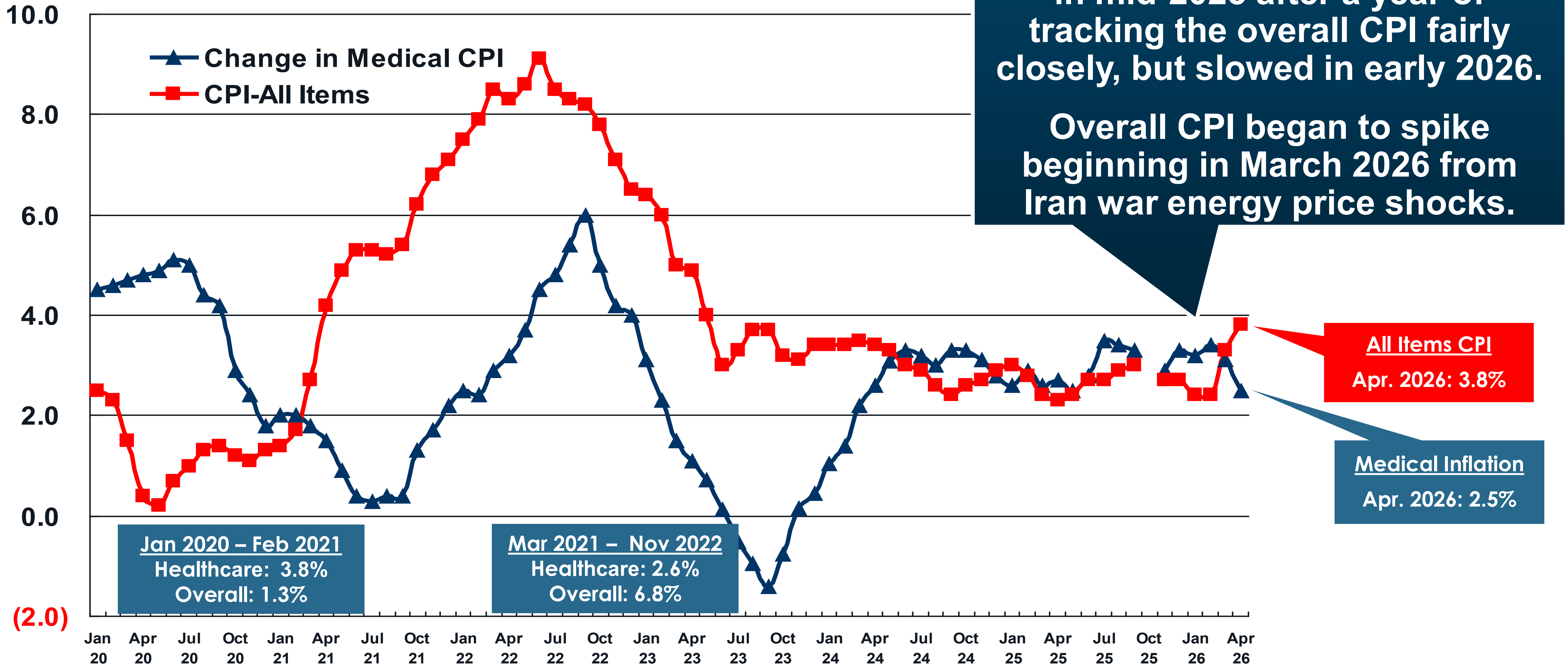
Sources: SNL Financial; U.S. Commerce Dept., Bureau of Economic Analysis; ISO;, Swiss Re (2026E) I.I.I.; Risk and Uncertainty Management Center, University of South Carolina.

Medical Cost Inflation vs. Overall CPI, Jan. 2020 – Apr. 2026

(Percent Change from Year Prior)

Medical inflation began to spike in mid-2025 after a year of tracking the overall CPI fairly closely, but slowed in early 2026.

Overall CPI began to spike beginning in March 2026 from Iran war energy price shocks.



Sources: US Bureau of Labor Statistics via Federal Reserve Bank of St. Louis: https://fred.stlouisfed.org/series/CPIMEDSL; Risk and Uncertainty Management Center, University of South Carolina.

Commercial Auto Combined Ratio, 2003 – 2023

Commercial Auto has been generally unprofitable since 2011…

Years of increased rates have provided some relief to 2024 and 2025…but are still above 100% combined ratios.

Source: S&P Capital IQ, Insurance Insider US.

What’s Driving Liability Costs?

Social & Medical Inflation

A trend of dramatic increase in claim costs that surpass general economic inflation without a corresponding change in legal or factual bases to support them.

Liability Claim Trends: Higher Verdicts, Higher Costs

Average Cost

Since 2018, the average cost of a bodily injury claim has risen by over 50%, nearly double the rate of inflation.

Up >50%

Nuclear Verdicts

Of all jury verdicts exceeding $10M in the last 10 years, 23.2% have been from automobile accidents and 14.2% from premises liability cases.

Auto: 1 in 4

Median Verdict

The median verdict exceeding $10M increased from $21M in 2020 to $44M in 2023.

2023: $44M

In 2016, 90% of respondents to an insurer survey felt there were "too many lawsuits". In 2025, that figure had fallen to 56%!

Sources: Insurance Business Magazine, "Will nuclear verdicts impact the insurance industry in 2025?", Jan. 9, 2025; Swiss RE, "Verdicts on trial: The behavioral science behind America's skyrocketing legal payouts", Sept. 24, 2025.

Plaintiff Attorney Advertising Remains Very Aggressive…

Example: Morgan & Morgan ad in the "Octagon" UFC MMA fight arena at the White House lawn.

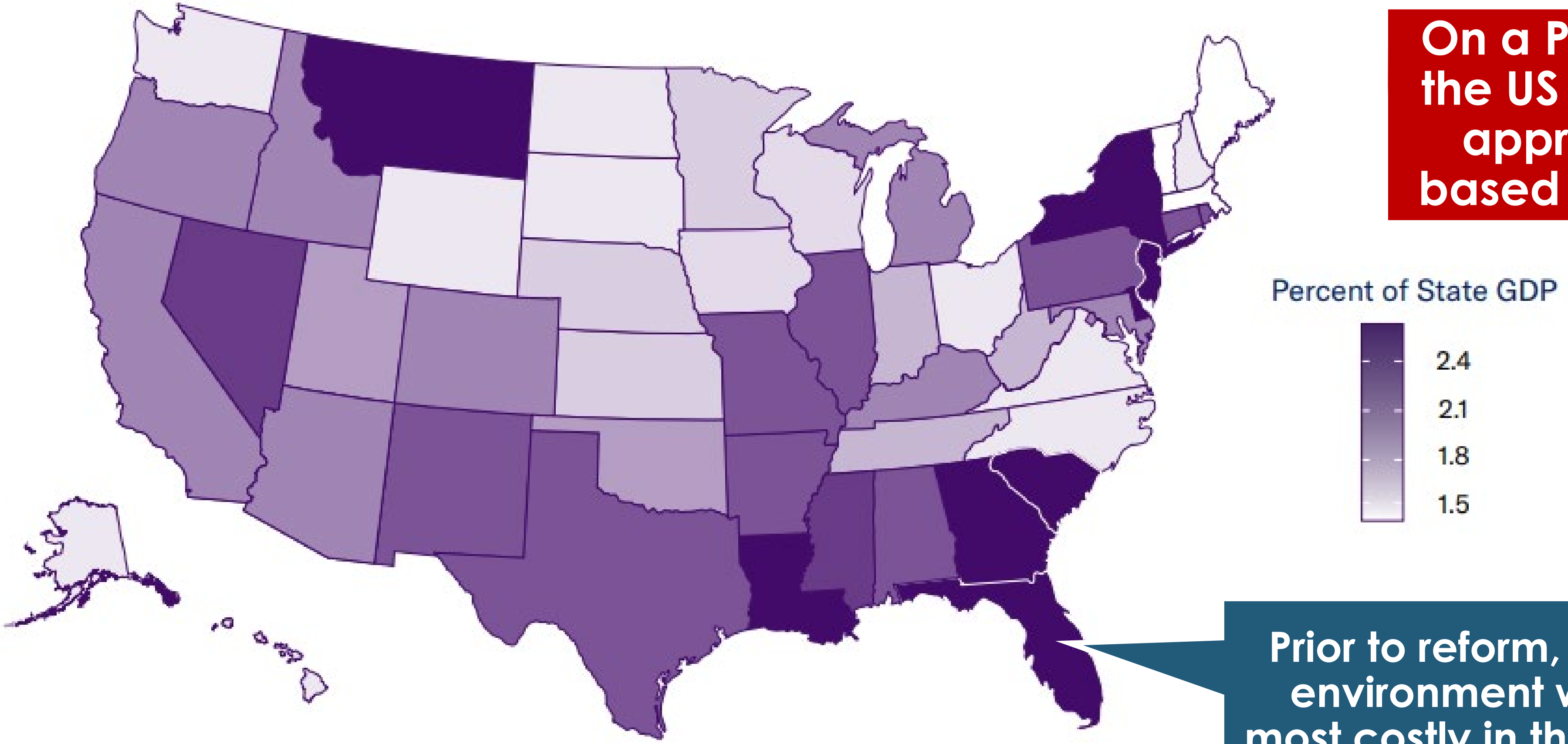
Over the past decade, legal services ad spending is up 34% to nearly $1.2B while the number of ads has nearly doubled to more than 16 million.

But, the legislative resistance has begun…

North Carolina's HB315: The nation's first statewide <u>BAN</u> on 3rd party litigation investment funding!

Photo Credit: New York Post, June 11, 2026, accessed at: https://nypost.com/2026/06/11/us-news/behind-the-scenes-of-white-houses-ufc-octagon-that-trump-boasts-will-host-the-roughest-people/.

The Importance of Jurisdiction: Tort Costs as a Percentage of State GDP



On a Per Household basis, the US "tort tax" was likely approx. $5,100 in 2025 based on historical trends.

Prior to reform, Florida's liability environment was among the most costly in the nation, with tort costs reaching 3.35% of GDP.

Source: US Chamber of Commerce Institute for Legal Reform (Nov. 2024), "Tort Costs in America: An Empirical Analysis of Costs and Compensation of the U.S. Tort System" (3rd Edition) accessed at: https://instituteforlegalreform.com/research/tort-costs-in-america-an-empirical-analysis-of-costs-and-compensation-in-the-u-s-tort-system-third-edition/. Risk and Uncertainty Management Center, Univ. of South Carolina.

Risk Profiles: Why May Public Entities Experience Different Market Conditions?

- Exposure to **high-severity**, **public-facing risks**…
  - Law enforcement
  - Transportation / transit operations
  - Public infrastructure
- Limited commercial market…
  - Sublimits and restricted appetites
  - Pools provide long-term stability
- Underwriting focus areas…
  - Claims history (recent trends)
  - Training and policies
  - Operational controls

But also unique protections and legislative support!

Florida Tort Reform and Legislative Update

Liability Related

- **Passed in 2023 – HB 837: Civil Remedies**
  - Designed to reduce litigation and stabilize liability costs by tightening negligence rules, limiting damages, and curbing lawsuit incentives

- **Proposed/Vetoed in 2026 – HB 145: Suits Against the Government**
  - Would have increased the Tort Cap to $350K/$500K effective Oct. 2026

Workers' Compensation Related

- Presumption Claims
  - **Passed in 2018 – SB 376:** Post-Traumatic Stress Syndrome expansion for first responders
  - **Passed in 2019 – HB 1399:** Firefighter Cancer Presumption expansion
  - **Proposed in 2025 – HB 269/SB 366:** Would have revised definitions related to certain disabilities, including heart disease, hypertension, and tuberculosis for FF, Law Enforcement, Correctional Officers

- **Passed in 2024 – Senate Bill 362:** Increases the Medicare maximum reimbursement allowances for physicians and surgical procedures.
  - NCCI estimated this will increase FL WC "System" costs by 5.6%.

Florida Tort Reform Impact | HB 837

Key Objectives: Improved Claims and Operating Environment, Better Predictability of Outcomes & Reduced Litigation Pressure

Shift to **modified comparative negligence**
- Plaintiff barred from recovery if >50% at fault

Statute of limitations reduced
- From 4 years → 2 years for negligence; but still <u>4 years for public entities</u>

Attorney fee and bad faith changes
- Reduced incentives for litigation

Medical damages standards revised
- More limitations on recoverable amounts

Increased **defense leverage** in litigation

Potential reduction in…
- Frequency of marginal claims
- Settlement values in certain cases

However…
- Impact will emerge **gradually over time**
- Does not eliminate risk of high-severity claims

Underwriting response…
- Continued monitoring of **actual loss emergence**

Practical Implications for FLC Members: What Does This Mean for Florida's Public Entities?

EPIC

Budgeting

- Continued pressure on liability program costs
- WC stability may provide partial offset

Program Structure

- Greater use of:
  - Higher deductibles and self-insured retentions
  - Layered excess towers
  - Shared/self-insurance mechanisms

Risk Management

- Increased importance of:
  - Claims management discipline
  - Enhanced training & safety measures
  - Data quality in underwriting submissions

Key Takeaways & Summary

Casualty remains the most pressured segment of the insurance marketplace.

- Social inflation, nuclear verdicts, rising defense costs, and litigation funding.

Auto Liability and Excess Liability continue to face the greatest pressure.

- Workers' Compensation remains comparatively stable and favorable.

Public Entities face unique exposure challenges due to public-facing operations.

- Vehicle fleets, infrastructure, law enforcement, and community services.

Underwriters are increasingly focused on claim severity, risk controls, and claims management practices rather than simply historical loss frequency.

- Recent tort reform efforts in Florida may improve long-term market conditions.

Discussion Topics

- Global Loss Trends
- U.S. Catastrophe Losses
- Florida Losses
- El Niño and Hurricane Forecast
- The Florida Factor

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Property Insurance Market Update

Terminology

CATs – Large natural catastrophe loss events

Terminology

Kitty CATs – natural catastrophe loss events < $1 billion in value

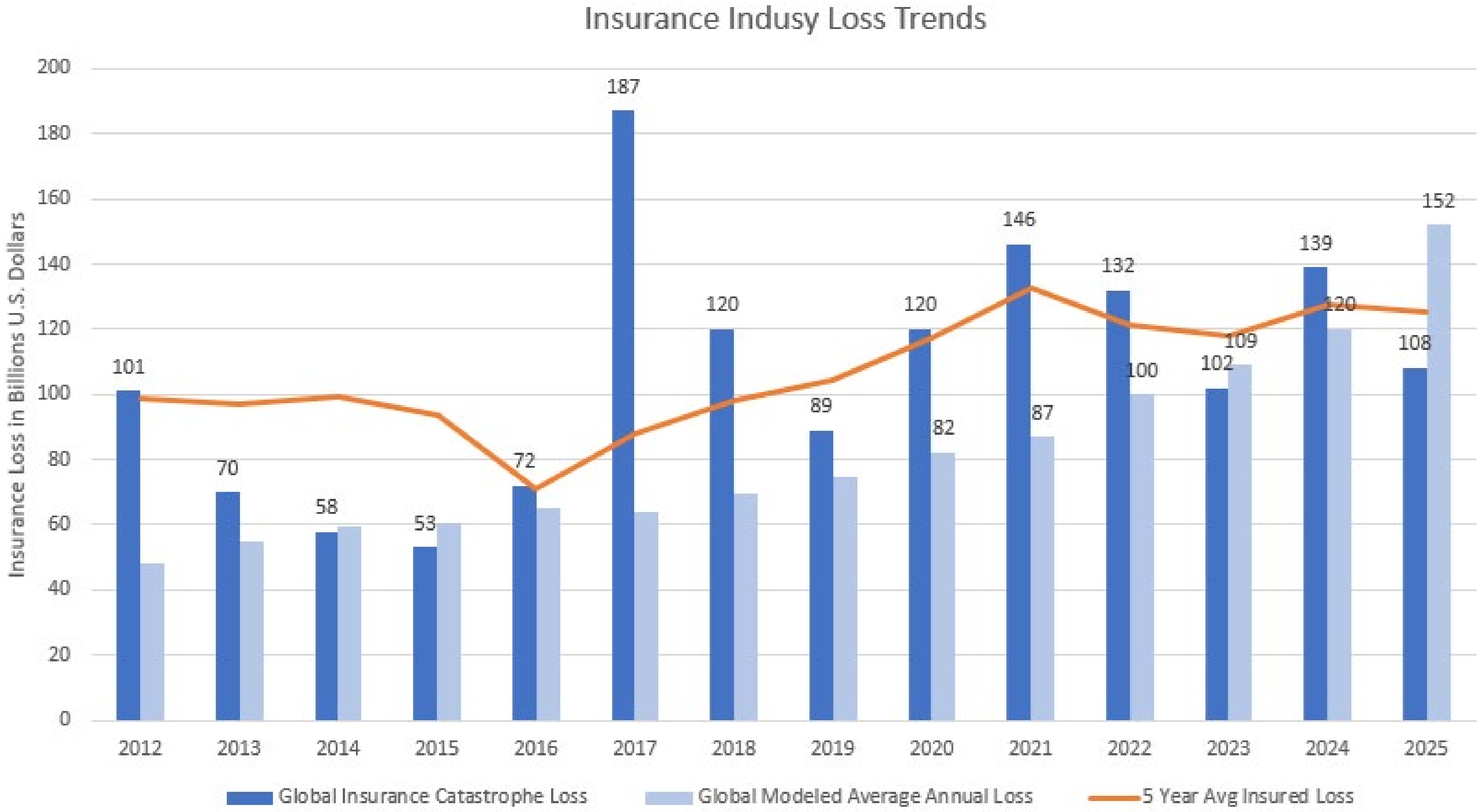
Terminology

CAT Modeling – probabilistic computer modeling of natural hazard exposures and expected losses

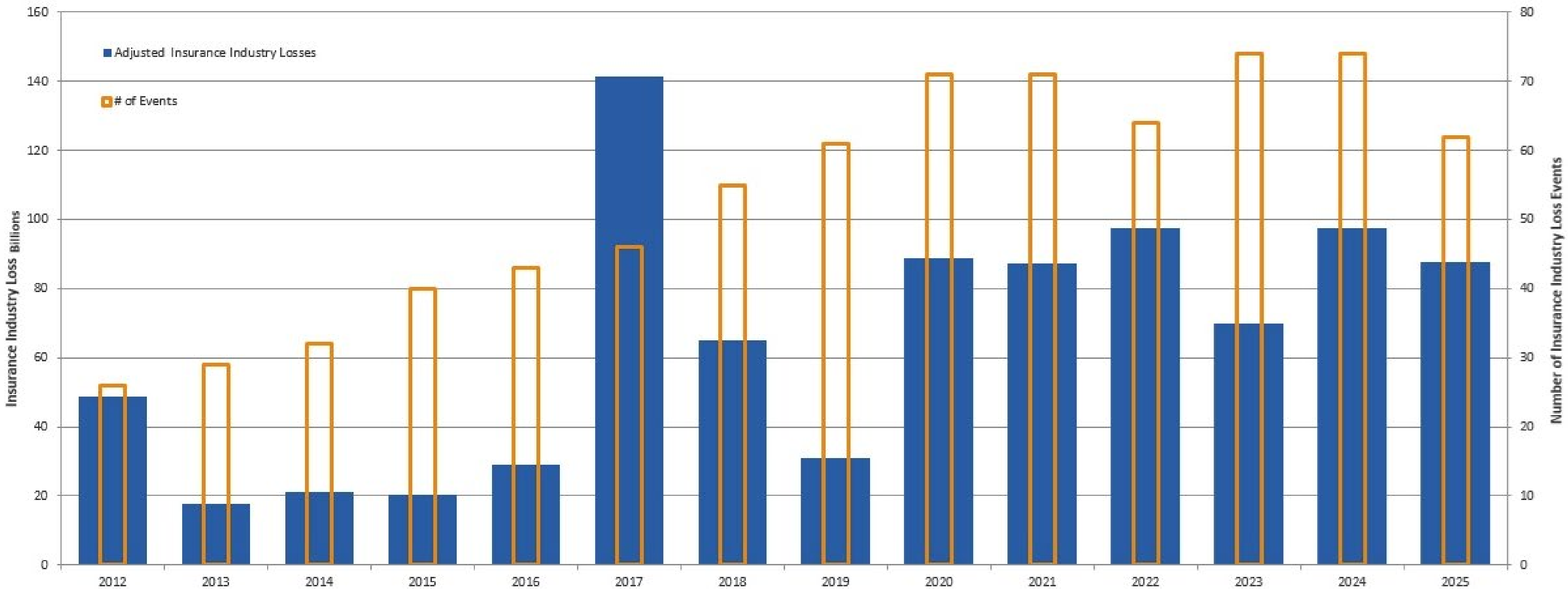



Global Property Natural Catastrophe Loss Trends

- From 2017 to 2024, Global Insured losses outpaced the expected modeled Average Annual Loss (AAL)
- 2025 saw a reversal of that trend
- Global Insured losses expected to be $166 billion in 2026, and YTD losses are very low



U.S. Insurance Industry
Losses and Event Count (all perils)

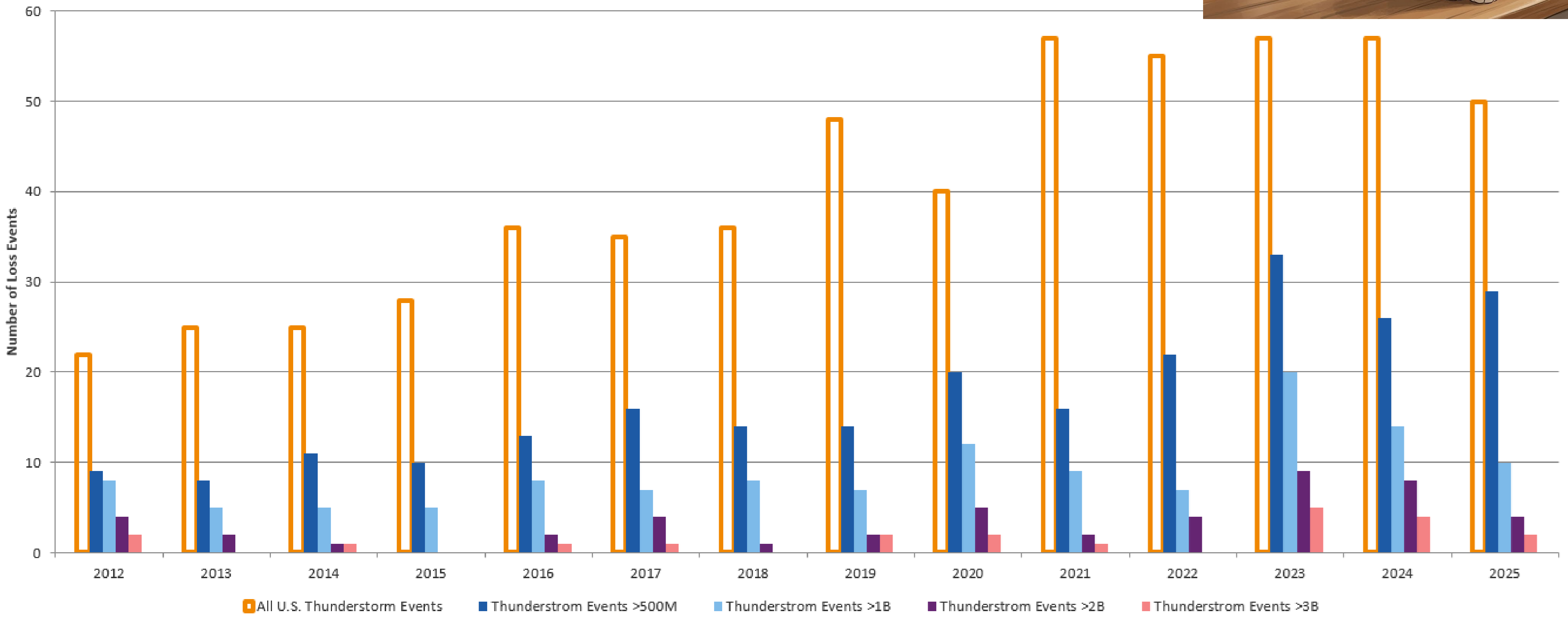


- 2017 loss amount predominantly based upon Hurricanes Harvey, Irma & Maria
- Increase in Severe Convective Storm driving event count
- In 2025, Palisades and Eaton fires drove loss total higher

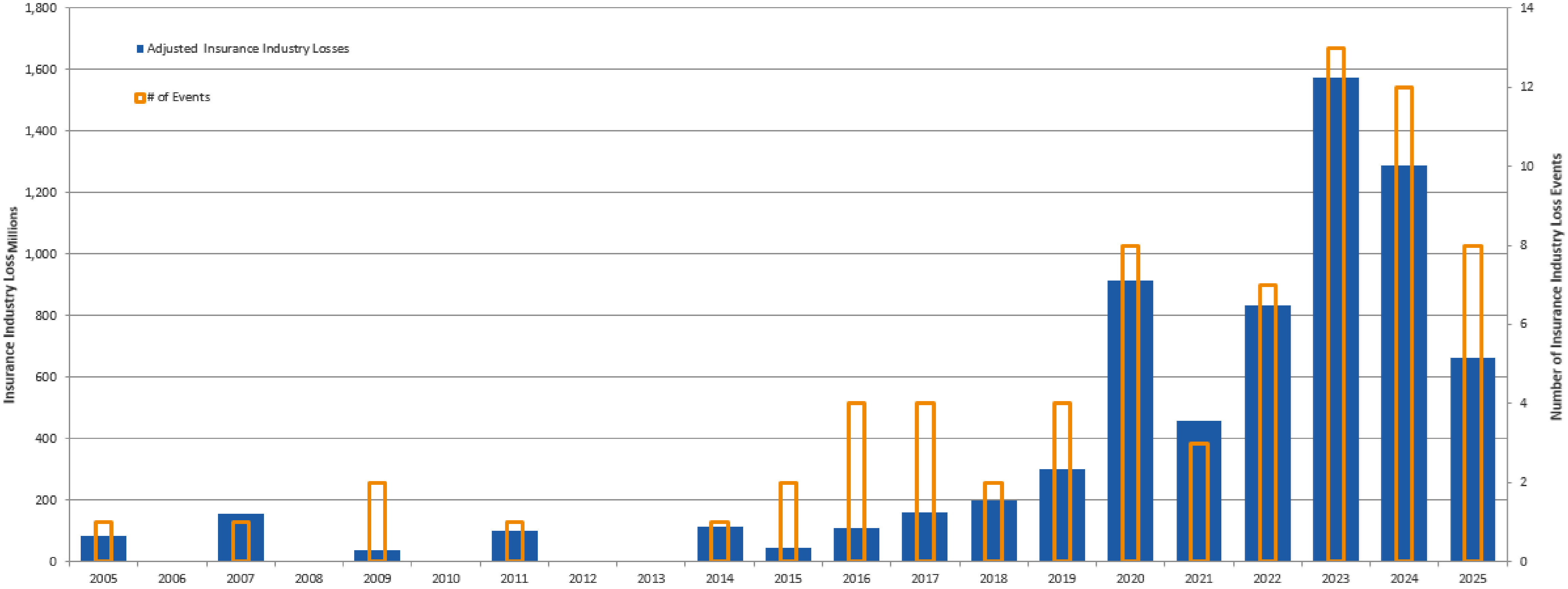
The Rise of Kitty Cats

Severe Weather Loss Event Counts by Severity

- Steady rise in the number of severe weather events since 2012
- Step function increase in the number of severe weather events after 2019
- Rise in kitty cat events compared to larger Cat events of $1 billion plus



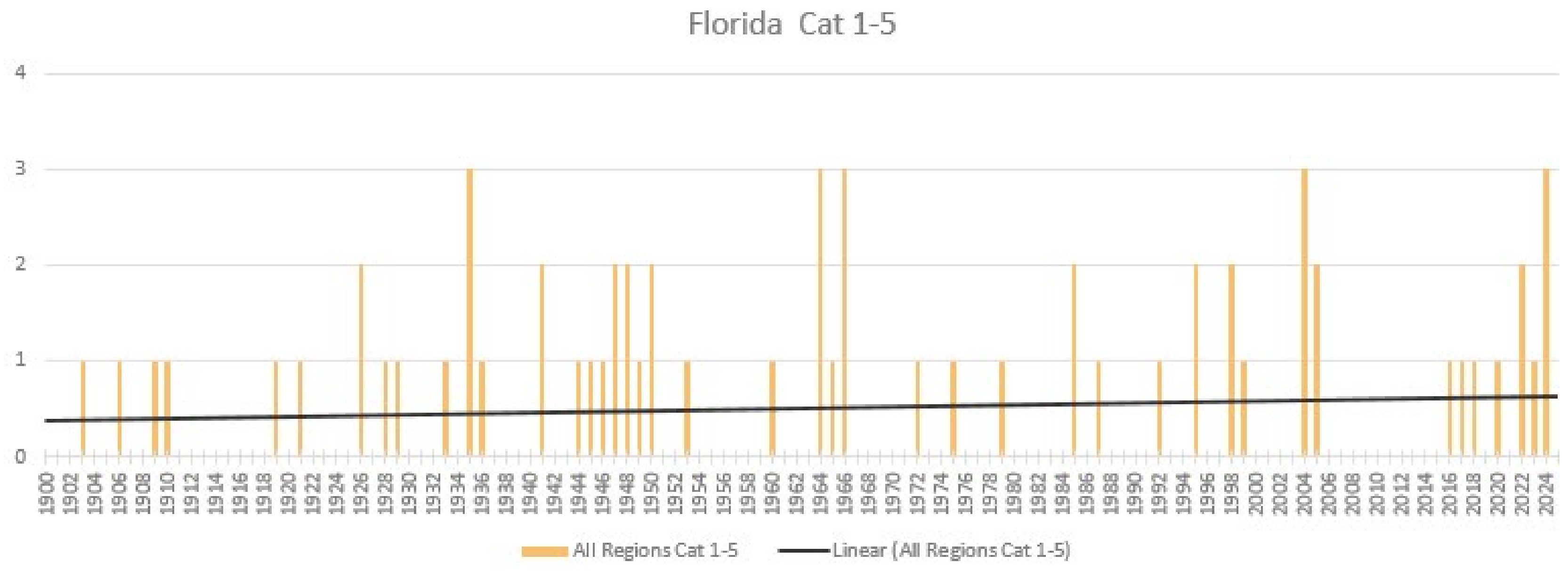
Florida Severe Weather Losses

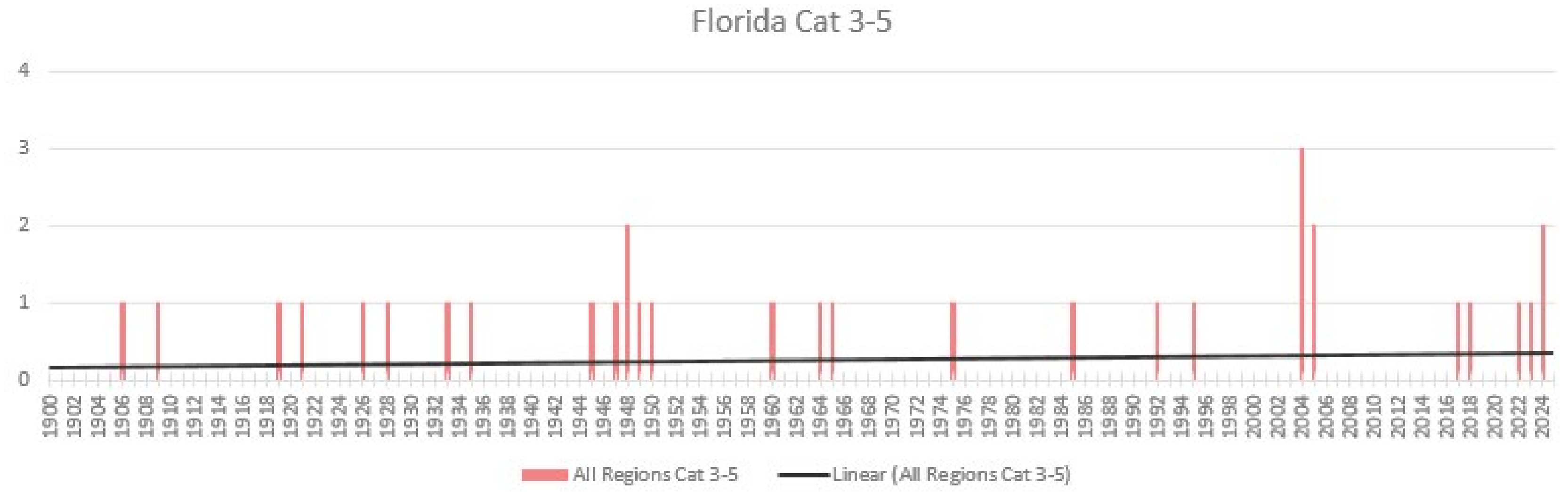


- Prior to 2019, severe weather losses across Florida were uncommon
- In the past few years, the state averages roughly 7 severe weather loss events per year
- Losses not necessarily driven by more occurrences of severe weather, but more due to socioeconomic-related issues post-COVID years (work from home, more reporting, relentless contractors looking for losses)

Florida Hurricane Landfalls

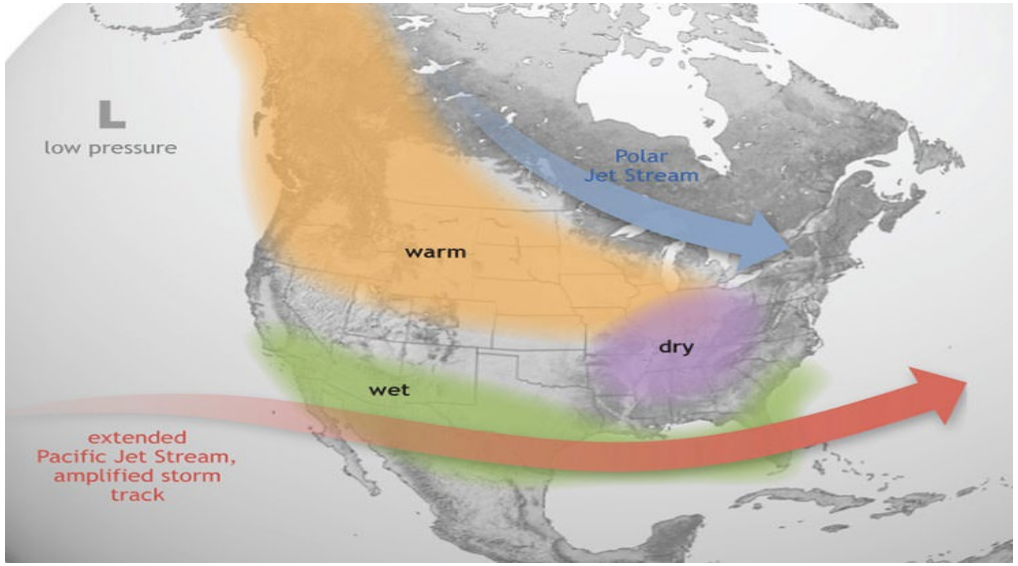
- Average annual probability of a landfalling hurricane is 86%
- Probability of a major hurricane landfall is 15%
- No trend in major hurricane impacts
- Steady increase in hurricane impacts since 1900



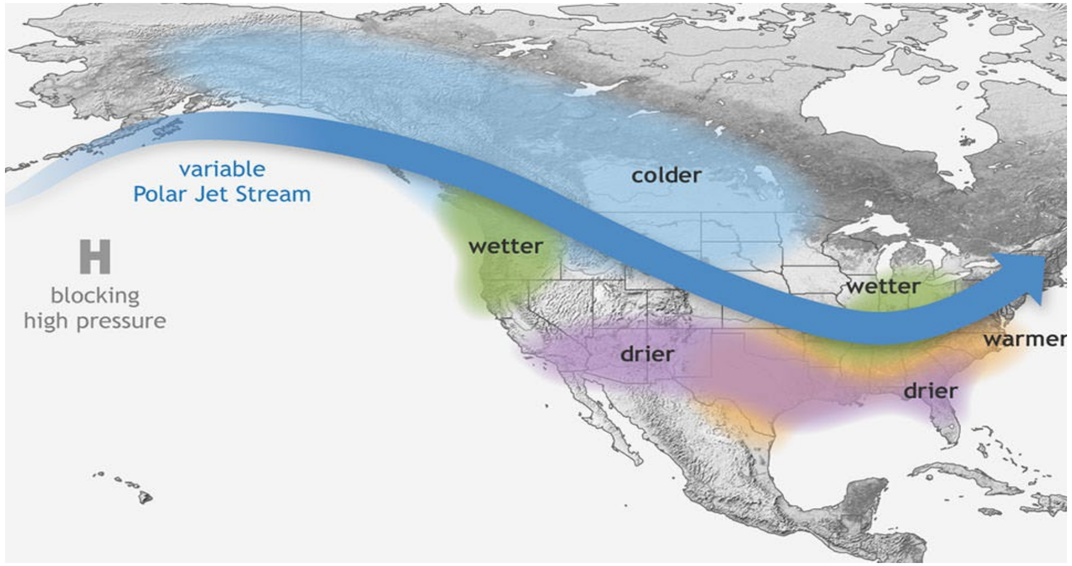


El Niño and La Niña

El Niño



La Niña



El Nino impact

- Florida typically experiences wetter, cooler, and stormier dry season
- Increased moisture across the Gulf Coast = above average rainfall, increase in frequency of cold fronts, and increased risk of severe thunderstorms and wintertime tornadoes

Hurricane Category	El Niño Phase	Neutral Phase	La Niña Phase
All Hurricanes (Average per year)	1.04	1.61	2.23
Major Hurricanes (Cat 3+) (Average per year)	0.23	0.68	0.95
Probability of 2+ Landfalls	28%	48%	66%

2026 Hurricane Season Forecast

- Moderate El Nino conditions likely to intensify, with high potential for strong El Nino for peak of hurricane season
- Strong El Nino drives high levels of vertical wind shear across tropical Atlantic and Caribbean, disrupting storm formation and intensification
- Anticipate below-normal hurricane season, with forecasted storm activity decreasing in recently-issued forecasts

	Average Season	April 9th Forecast	June 10th Forecast	July 8th Forecast
Named Storms	14	13	11	9
Hurricanes	7	6	5	4
Major Hurricanes - CAT 3+	3	2	2	1

Source: Colorado State University Dept. of Atmospheric Science

- Reduction in overall risk of hurricanes compared to La Nina phases
- Notable reduction in major (Category 3+) hurricanes
- Rare but significant events, like major landfalls in strong El Nino years, serve as reminders that individual seasons can defy averages due to other factors such as warm Gulf waters
- Increased moisture across the Gulf Coast = above average rainfall, increase in frequency of cold fronts, and increased risk of severe thunderstorms and wintertime tornadoes

Hard Market to Soft Market Insurance Cycle

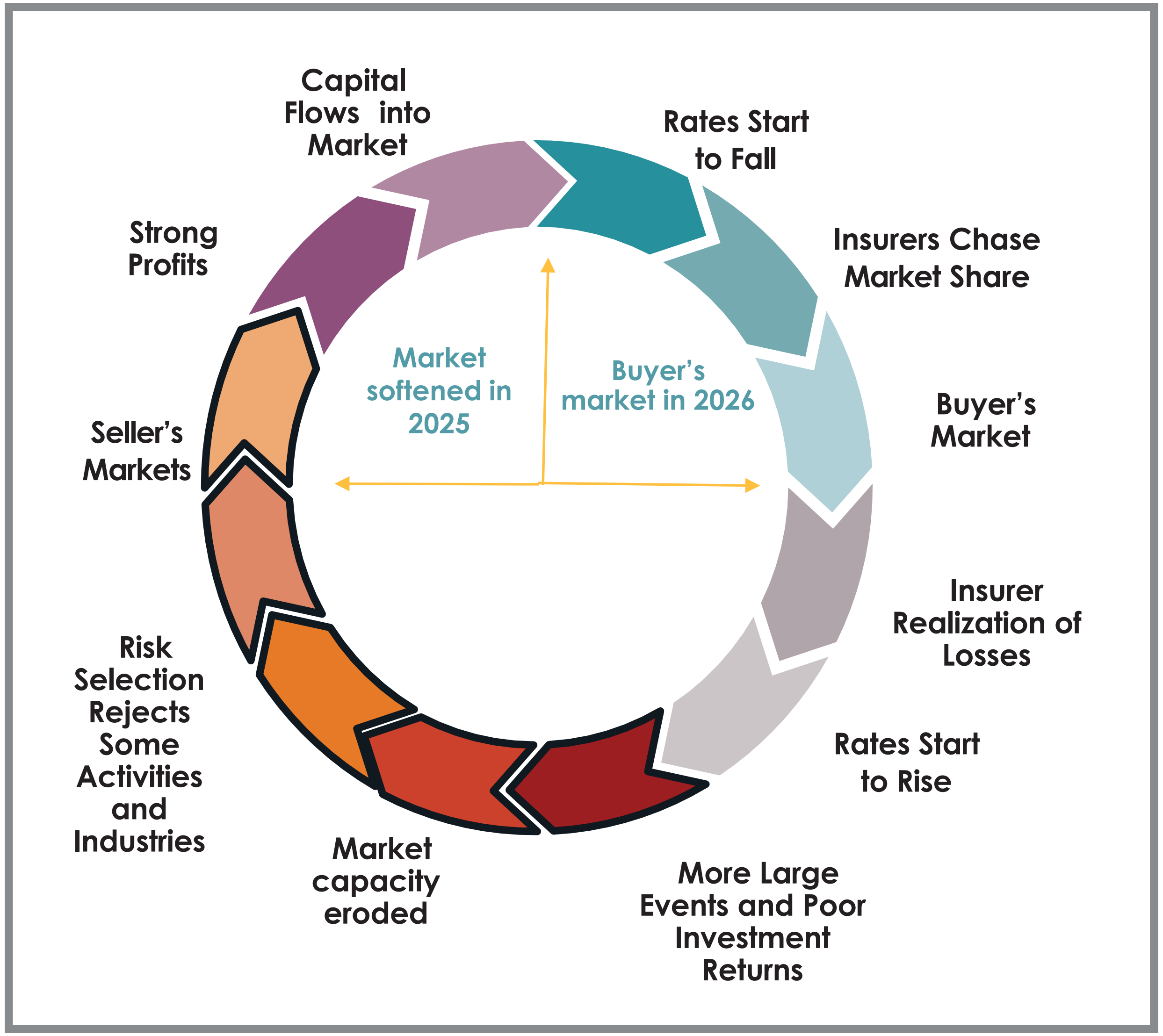
Insurance is Cyclical

Cycles usually span a number of years. We are currently in what is known as a '**Hard Market**'

A Hard Market is when there's high demand for insurance coverage and a low appetite to insure.
During a hard market, rates are high and coverage is difficult to find.

A Soft Market is when insurance is readily available.
Rates are stable or falling because of healthy competition in the market.

Direction of market cycle can change following a high-loss year.



2026 Property Market Trends

- Property CAT treaty reinsurance is stable, with rate reductions the norm for 2026 renewals
- Insurance capacity has flowed back into the industry due to elevated rates and premiums, leading to a more competitive marketplace
- Property insurance rate reductions are now common, to varying degrees depending on exposures and loss experience
- Less scrutiny of terms and conditions, with most policies renewing with no change in limits, deductibles, sub-limits, etc.
- Model-driven, analytics-based industry continues to push importance of accurate replacement cost valuations
- Stable and competitive marketplace and outlook, though property market can shift quickly following major events

The Florida Factor

Florida continues to be the most challenging catastrophe risk zone in the world

ZERO landfalling hurricanes in the continental U.S. in 2025…first time since 2015. 2024 saw 3 landfalling hurricanes in Florida, including 2 major hurricanes that could have been much worse

Treaty reinsurance pricing flattened out in 2024 and has declined in 2025 and 2026

Insurers continue to exhibit some discipline when providing their limited Florida wind capacity

Despite legislative reforms to Florida insurance laws, insurers remain concerned about potential claim inflation, public adjuster activity, and legal climate within the state

While Florida insurance buyers are seeing a more competitive market for the third consecutive year, the 2026 hurricane season and other global loss activity will drive future market trends

THANK YOU

Questions?