THE MUTUAL FACTOR 2024

HOW PERFORMANCE, STRUCTURE, AND FOCUS SET MUTUAL INSURANCE COMPANIES APART

NAMIC® NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES | AON

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ABOUT AON

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business. Follow Aon on X and LinkedIn. Stay up-to-date by visiting the Aon Newsroom and sign up for News Alerts here.

ABOUT NAMIC

The National Association of Mutual insurance Companies consists of nearly 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write $391 billion in annual premiums and represent 68 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets.

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FOREWORD

Now in its seventh iteration – NAMIC's 2024 Mutual Factor report follows the release of the second midyear report issued in late June, which previewed the high-level U.S. insurance company financials emanating from 2023 and the start of 2024. NAMIC and Aon appreciate the continued interest in this report, with the subsequent pages sharing a unique perspective on the impact that the past 24 to 30 months have had on our industry.

In particular, we draw your attention to the challenges our industry faced from forces outside of our control (weather being a prime example), but also to headwinds insurance companies are facing while actively managing their portfolios appropriately i.e., the increase in leverage ratios as proper ratemaking earns through books of business at a faster rate than capital growth. As it has in the past, the 'State of the Mutuals' section of this report shines a light on these challenges but also serves to showcase the remarkable resiliency of the U.S. insurance market.

As climate volatility, legal system abuse, and tempering (but still positive) inflationary trends maintain their pressures on the industry, the 2024 Mutual Factor report continues with its data-driven framework for sharing perspective on the overall results for mutual and stock insurers. In addition, the partnership with Aon has led us to collaborate on an expanded section for 2024 that includes further segmentation for the industry. Through that work, we hope our readers will gain further perspective on the impact of these factors – and in particular regionalized weather – have had on our industry.

In the true spirit of mutual companies, we continue to strive to learn from one another for the good of our industry. We hope that this year's report helps our members to:

- Further understand the impact of the many challenges that our industry has been navigating
- Analyze the differences we are experiencing across regional markets, and
- See the considerable progress being made to strengthen the industry following the impact of the confluence of forces mentioned above.

EXECUTIVE SUMMARY OF FINDINGS

The 2024 Mutual Factor report provides a unique overall view of the financial strength and stability of the mutual insurance segment as it relates to market performance and stock company competitors. The report looks at some distinctions in the key measures of operating performance between mutual and stock insurers and the industry overall through June 2024, during 2023, and over a five-year period. In addition, the report analyzes the impact of ratings agency criteria on mutuals and looks at how the mutual industry is perceived by key stakeholders. A total of nearly 30 metrics are compared across the mutual, stock, and “other” insurer categories. New for 2024 is an enhanced analysis to incorporate a greater amount of market segmentation. The primary goal of this enhancement is to further demonstrate the regionality of many of the market headwinds.

MARKET PERFORMANCE & ENHANCED SEGMENTATION – FULL YEAR 2023

2023 was another challenging year for the industry. Mutual insurers recorded loss and loss adjustment expenses of 84.0% of premium compared to the five-year average of 77.3%. Stock companies outperformed their mutual counterparts at 71.1% for 2023, which compares more closely to their five-year average of 70.8%.

Expense ratios remained fairly consistent year-over-year (YOY) across all segments of the insurance industry, with stock companies reporting a slight improvement in 2023: 24.8% compared to 25.5% in 2022, while mutuals reported a similar improvement: 25.1% for 2023 and 26.5% for 2022. Diligent expense management and the impact of rate increases beginning to earn through portfolios are key contributors to these overall improvements.

In 2023, the industry grew capital and surplus by 6.1%, a considerable shift from the 6.5% decrease in capital in 2022. Challenging underwriting results and lower investment returns contributed to mutual insurers growing capital at a slower rate of 3.2% compared to stock companies at 8.1%.

While capital grew for the industry, the influence that weather, inflation, and poor results had on the rate environment (broad market hardening) has increased the overall leverage ratio of the industry, with mutuals seeing a larger increase than stock companies.

Additionally, the impact of regional weather and business mix (personal lines vs. commercial lines) continues to have tremendous influence on the overall performance of the mutual insurer segment. Mutuals with a more diversified footprint have demonstrated a greater consistency in financial performance over a five-year period. Likewise, the Midwest and Western regions of the U.S. have experienced a more challenging two- to three-year period from a results perspective. Lastly, the susceptibility of personal lines exposure to weather, along with the inherent lag in underwriting and pricing initiatives, relative to commercial lines, has contributed to greater deterioration and volatility in personal lines results relative to commercial lines.

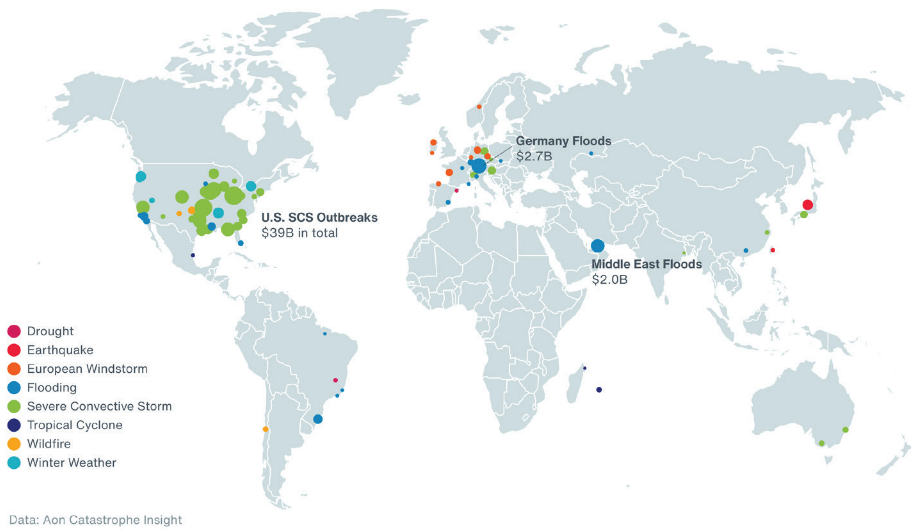
MARKET PERFORMANCE – Q1/Q2 2024

As the most recent Mutual Factor reports have highlighted in great detail, the first two quarters of the year have been active from a natural catastrophe perspective for much of the industry over recent years. The same can be said for 2024 with above average activity in certain regions, an increase in the overall number of tornadoes being reported, and heightened sea surface temperatures dominating the headlines.

Globally, insured losses from natural disasters are estimated to reach $58 billion. This is significantly higher than the average and median of insured losses from natural disasters since 2000 ($39 billion and $36 billion respectively). However, it is the lowest amount observed since 2020, with the years of 2021-2023 all exceeding the $60 billion mark.

Despite the decrease in global insured losses relative to the most recent years, severe convective storms (SCS) in the United States generated the majority of the global insured losses in the first half of 2024.

Q1/Q2 2024 Insured Loss Events

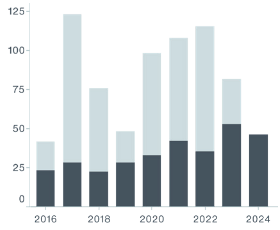


Additionally, U.S. severe convective storms contributed four of the globe's top five costliest insured natural catastrophes through the first half of the year. Natural disasters in the U.S. accounted for nearly 80 percent of global insured losses in the first half of 2024, reaching nearly $46 billion. This was more than 90 percent higher than the long-term first half average since 2000.

Top 5 Costliest Insured Loss Events – Q1/Q2 2024

Date	Event	Location	Fatalities	Injured Loss (2024 $ bn)
03/12-03/16	Severe Convective Storm	United States	3	4.7
05/06-05/10	Severe Convective Storm	United States	6	4.0
05/17-05/22	Severe Convective Storm	United States	5	3.8
06/01-06/07	South Germany Floods	Germany	6	2.7
05/25-05/26	Severe Convective Storm	United States	26	2.3

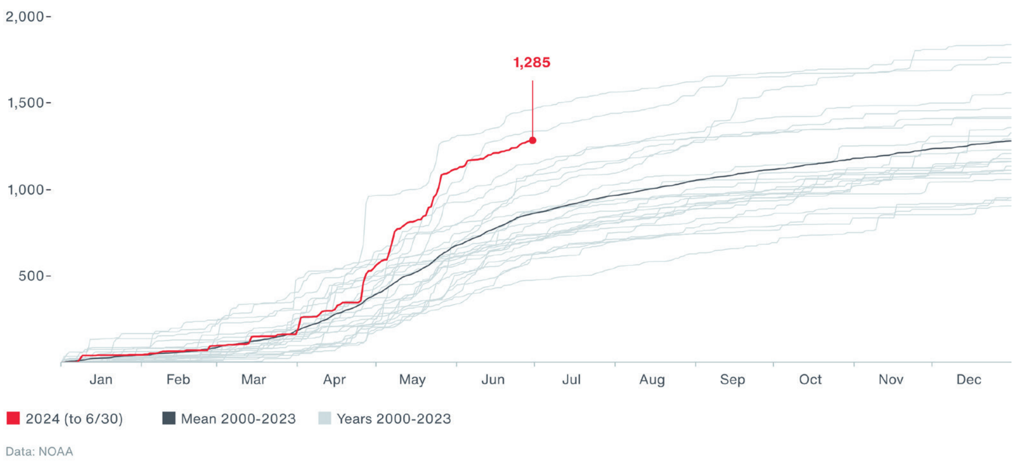
US Insured Losses Q1/Q2 2024



An exceptionally active period of continuous severe weather in April and May 2024 created another record year for SCS in the U.S. A significant severe weather outbreak over the central and southern U.S. on May 6-10 generated more than 165 tornadoes and more than $5 billion in economic damage. Memorial Day weekend was highlighted by deadly, persistent SCS activity that killed 30 people and injured more than 150 people. Additionally, Texas has been especially impacted by multiple large SCS events in 2024, including a notable derecho event in downtown Houston that generated wind gusts of up to 100 mph. Although severe weather typically peaks in Q2 in the U.S., SCS-related insured losses through June exceeded $36 billion. This is the second highest figure on record through Q2, only behind 2023.

U.S. tornadic activity has been remarkable thus far in 2024. Aggregations of preliminary tornado reports from the Storm Prediction Center in 2024 are already the third highest on record since 2000 on an annual basis, behind only 2008 and 2011.

Preliminary Annual Tornado Reports from the Storm Prediction Center (2000-2024)



MUTUAL AM BEST RATINGS

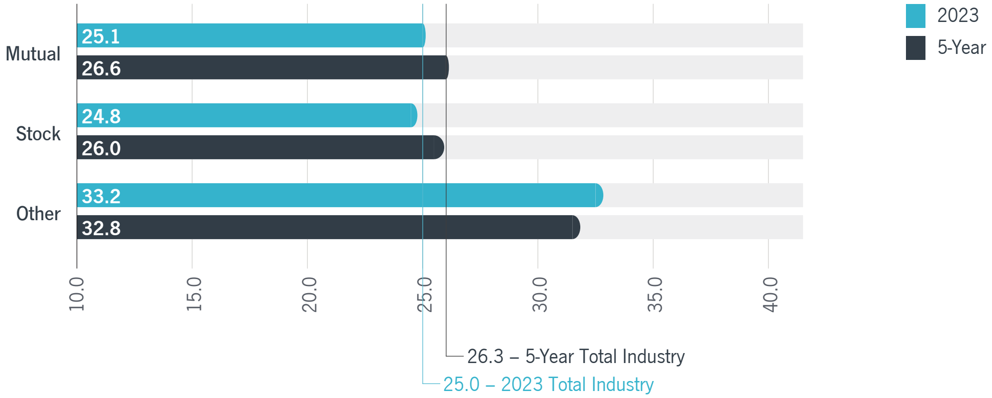
The 2024 Mutual Factor report includes a study on how mutual companies compare to stock companies under AM Best's Credit Rating Methodology (BCRM). The study includes all rating components throughout the BCRM, and similar to last year's report, shows that mutual insurer ratings compare favorably to ratings of stock insurers.

Challenging results for the industry have translated into a heightened awareness to rating agency action and key financial metrics. While downgrades are outpacing upgrades for the mutual insurance segment, it is important to note 90% of mutuals experiencing a ratings review in the first half of 2024 had their rating affirmed by AM Best. As negative rating outlooks for mutuals (14% of mutuals) exceeds that of positive outlooks (4%), the industry will remain in a period of heightened focus around key performance and capital metrics.

THE STATE OF MUTUALS

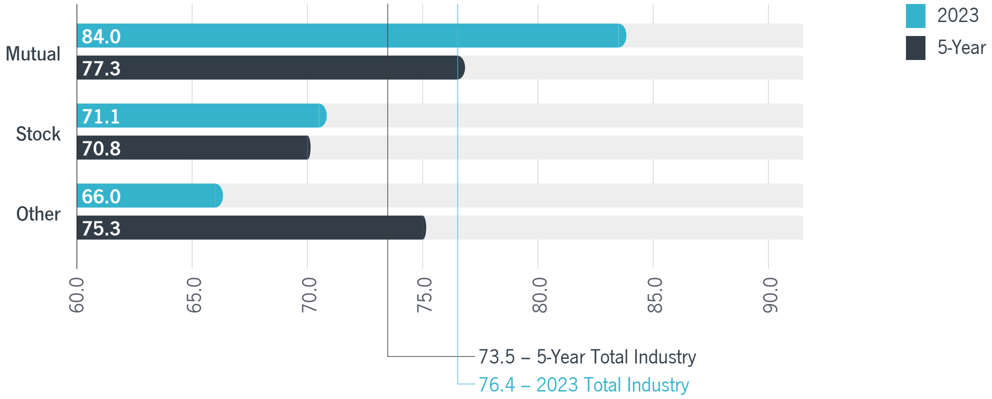
EXPENSE RATIO (%)

The expense ratio of mutual insurers is 25.1%, which is about 30 basis points higher than the expense ratio of 24.8% for stock insurers in 2023. However, on a five-year basis the expense ratio for mutuals is 26.6%, which is about 60 basis points higher when compared to 26.0% for stock insurers. This suggests that the expense load for mutuals is competitive with that of stock insurers and the market overall.



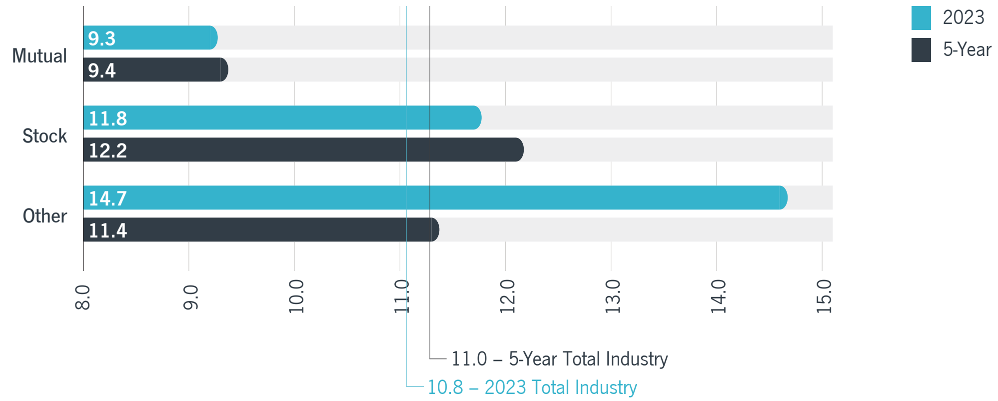
LOSS & LAE RATIO (%)

Mutual insurers typically pay out a higher share of each premium dollar in claims and claim-related expenses, known as loss adjustment expenses or LAE, than stock insurers. In 2023, mutual insurers paid out 84.0% of each premium dollar for claims and claim-related expenses compared to 71.1% for stock insurers. Results are more stable when evaluated on a five-year basis with the Loss & LAE ratio for mutuals at 77.3% and stocks at 70.8%.



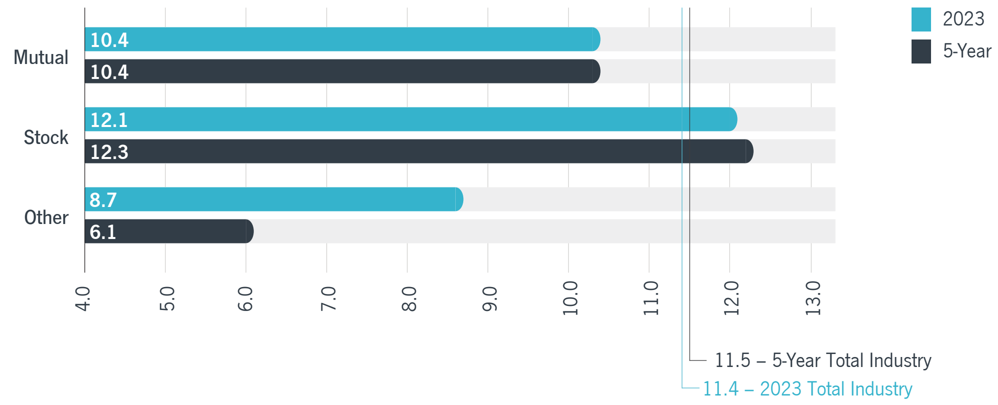
NET COMMISSION RATIO (%)

The commission expense ratio of mutual insurers (9.3%) is about 2.5 points better than stocks (11.8%) for 2023, reflecting the benefit that business mix and type of distribution have on the commission structure for large mutual insurers. The difference between mutual and stocks results are similar on a five-year basis at 9.4% and 12.2% respectively.



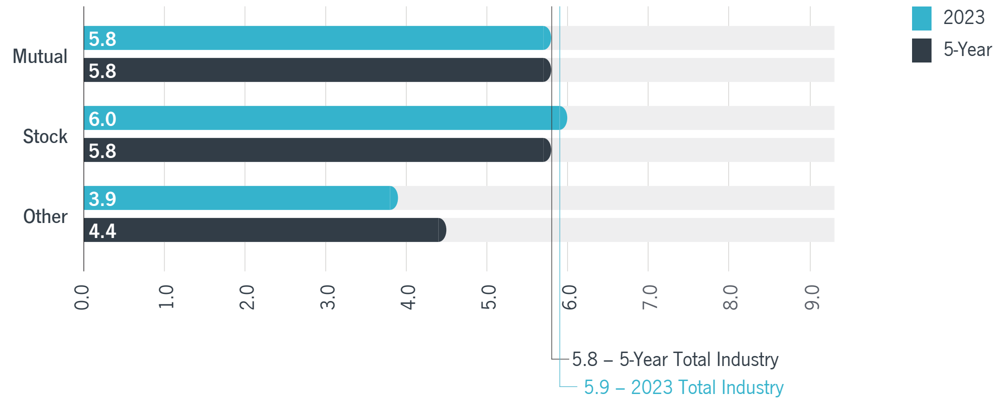
DIRECT COMMISSION & BROKERAGE EXPENSE RATIO (%)

The direct commission and brokerage expense ratio of mutual insurers (10.4%) is around 2 points better than stocks (12.1%) for 2023, reflecting the benefit that business mix and type of distribution have on the commission structure for large mutual insurers. Five-year results are similar to 2023, with mutuals at 10.4% and stocks at 12.3%.



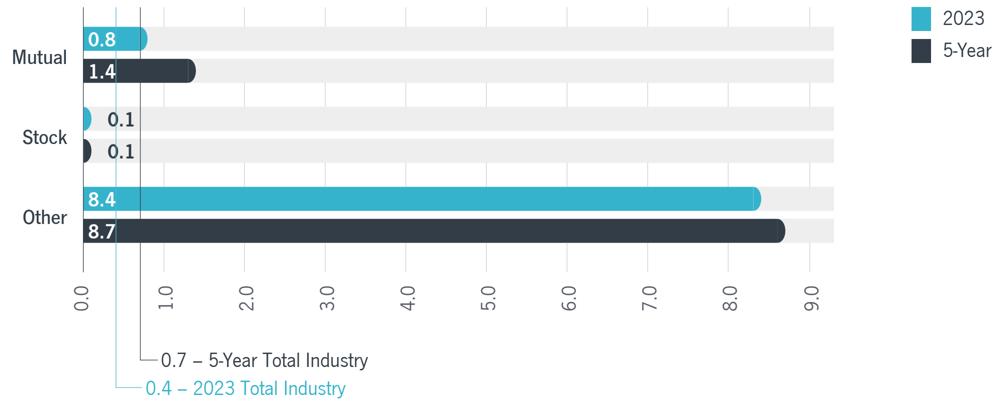
DIRECT GENERAL EXPENSE RATIO (%)

General expenses reflect the cost to the insurer of underwriting and servicing policies. Expressed as a ratio to direct premiums written, this ratio in 2023 was 5.8% for mutual insurers and 6.0% for stock insurers. On a five-year basis, the result for mutuals and stocks is similar to 2023, both at 5.8%.



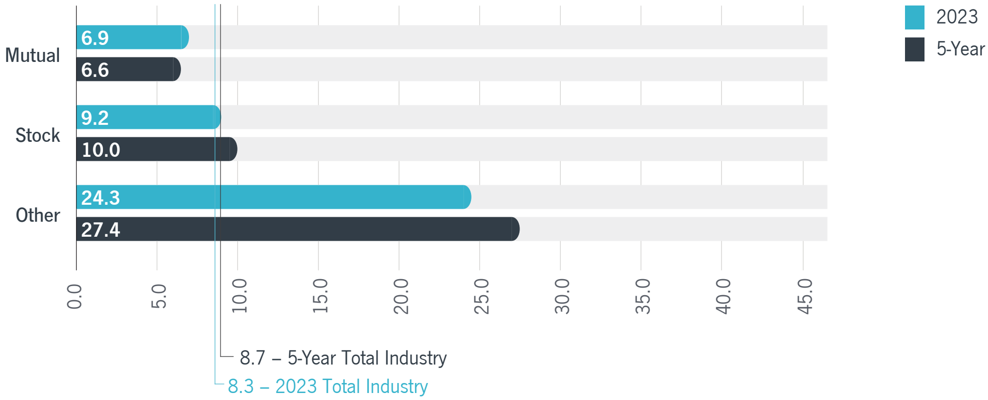
DIVIDEND RATIO (%)

Paying dividends to policyholders is much more common among mutuals than stock companies, reinforcing the fact that mutual policyholders are also the company's owners. In 2023, mutual insurers paid dividends to policyholders equal to 0.8% of net premiums compared to 0.1% for stock companies, with the total industry falling within the median at 0.4% for the year. Mutual companies reported less in their dividend ratio in 2023 when compared to the recent five-year period given the challenging operating profitability environment. Dividend payments remain consistent for stocks over five years. Policyholder dividends are an important customer retention tool for some mutuals and can also represent a reward and incentive for policyholders who file few, if any, claims.



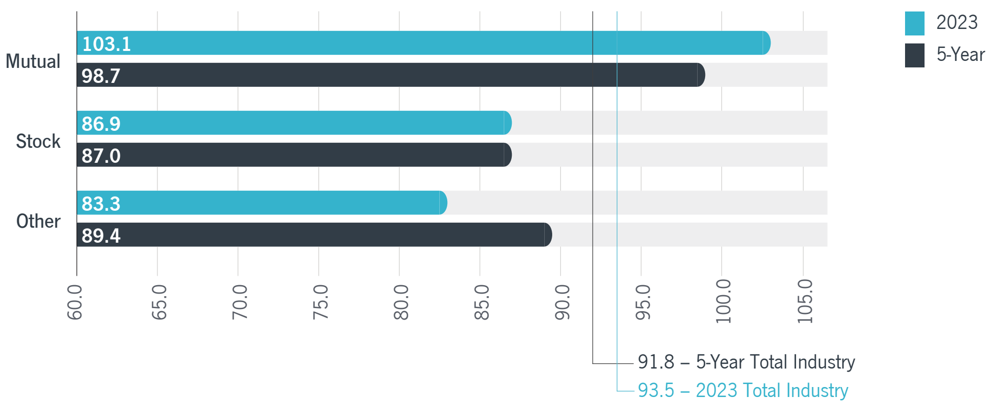
NET INVESTMENT INCOME RATIO (%)

The net investment income ratio for mutual insurers in 2023 stood at 6.9%, below the 9.2% recorded for stock insurers. The same trend can be identified on a five- year average, where the net investment income ratio for mutuals is 6.6%, which is lower than the stocks' 10.0%. The lower figure reflects, in part, the mutual segment's more conservative approach to investing and lower asset leverage. The high net investment ratio for Other is a result of state funds and higher asset leverage to back long-tailed reserves.



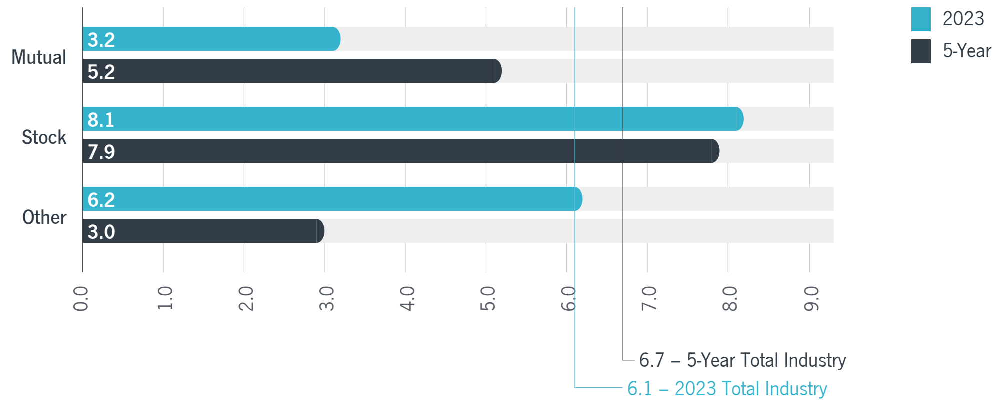
OPERATING RATIO (%)

The operating ratio for mutual insurers in 2023 was approximately 16 points higher than for stock insurers. Over the last five years mutual insurers were almost 12 points higher than stock insurers. This emphasizes the combined effects of higher loss ratios and a lower investment income ratio.



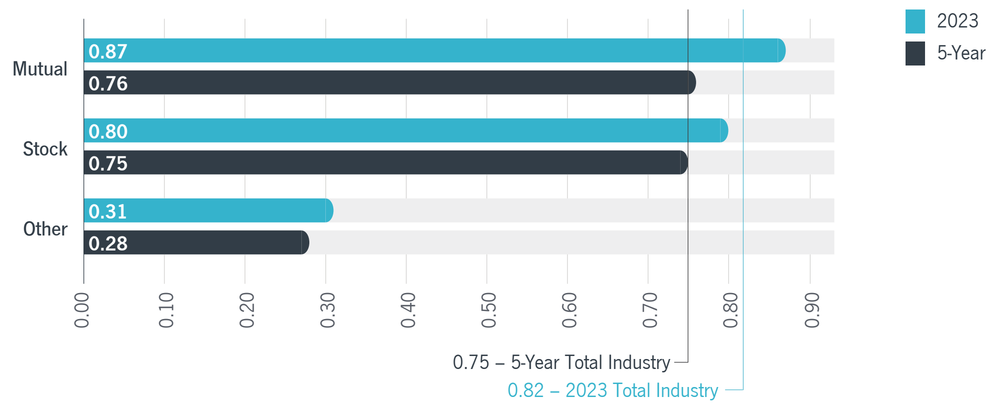
CAPITAL AND SURPLUS GROWTH (%)

Surplus grew for the entire industry by 6.1%, compared to a 6.4% decrease experienced in 2022. The mutual segment grew by 3.2% in 2023 and stock companies grew by 8.1%. The last five years showed positive surplus growth for both mutuals (5.2%) and stocks (7.9%).



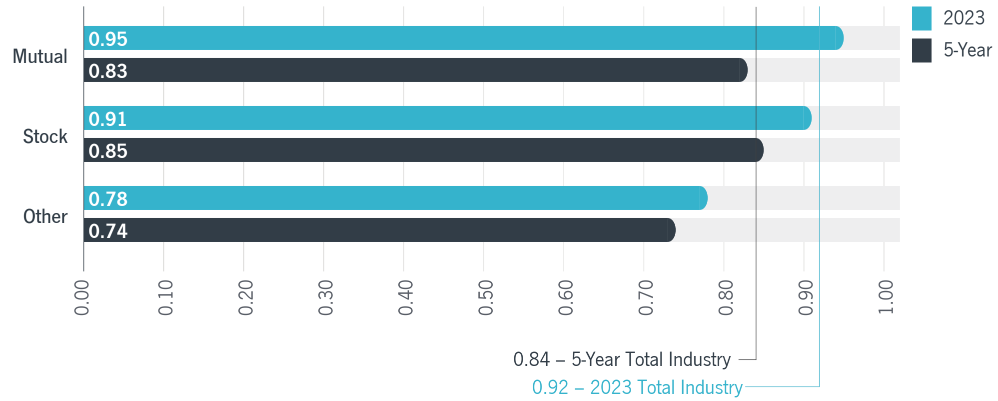
NET WRITTEN PREMIUM TO SURPLUS RATIO (%)

Historically, mutual insurers operate with slightly less leverage than stock insurers. This means that mutual insurers carry more surplus per dollar of net written premium. In 2023, mutual insurers held $1.13 in surplus for every $1 in net written premiums received, while stock insurers held $1.20 in surplus for every $1 in net written premium received. These compare similarly to the total industry, in which the industry holds $1.28 in surplus for every $1 in net written premium as of year-end 2023. This number has increased for the industry from 2022, where the industry held $1.27 in surplus for every $1 in net written premium.



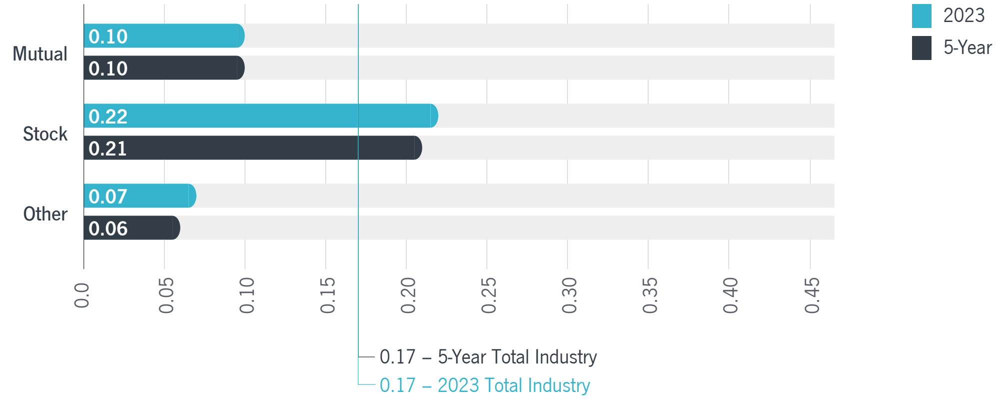
DIRECT WRITTEN PREMIUM TO SURPLUS (%)

Over a five-year period, stock insurers held $1.15 per $1 in direct written premium, compared to $1.17 per $1 for mutual insurers. Historical trends flipped in 2023, with mutual insurers operating slightly more leveraged than stock companies as they held $1.05 per $1 in direct written premium compared to $1.09 per $1 in direct written premium for stock insurers.



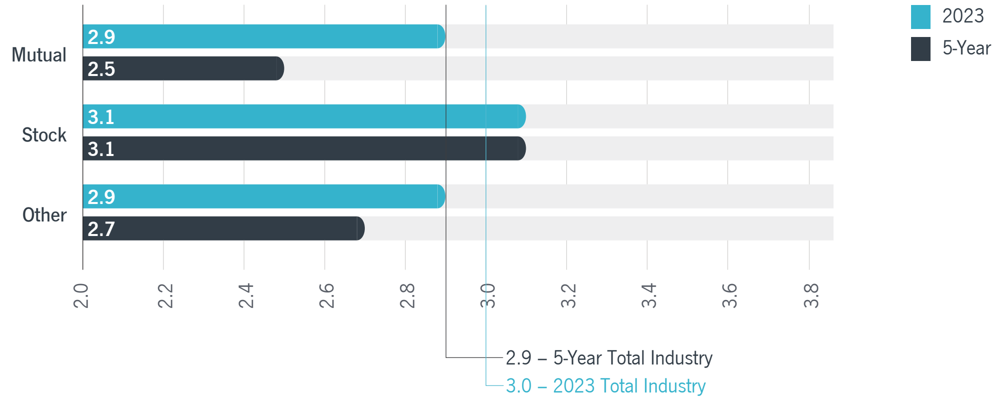
CEDED-TO-DIRECT WRITTEN PREMIUM RATIO (%)

Ceded-to-direct written premium shows how much reinsurance is purchased relative to a company's direct writings. Mutual insurers are ceding about 10% of their direct writings, while stock companies are ceding about 22% for 2023.



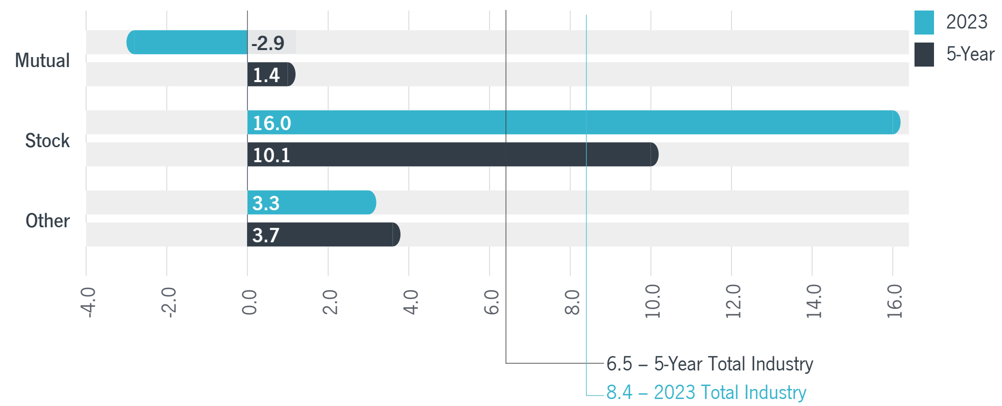
NET YIELD ON INVESTED ASSETS (%)

Interest rates began to dramatically increase through 2022 and continued to rise in 2023. This increase will take some time to be reflected in the results as bonds in the insurers' investment portfolios begin to mature. Net yield on invested assets for the industry in 2023 was 3.0%, which is slightly higher compared to the five-year average of 2.9%. This reflects the early impact of increased interest rates.



RETURN ON AVERAGE EQUITY (C&S) (%)

Profitability across the entire property/casualty insurance industry decreased in 2023 in large part due to increased catastrophe losses and inflation trends. Return on Average Equity (Capital & Surplus) is lower within the mutual segment due primarily to the fact that mutuals paid out a higher share of each premium dollar in claims and claim-related expenses and because they tend to invest more conservatively.



2023 RAW DATA[1]

AGGREGATE UNDERWRITING RATIOS				
	SEGMENT			
	MUTUAL	STOCK	OTHER	TOTAL
Net Written Premium ($)	350,769,889	502,317,578	4,119,336	857,206,803
Net Earned Premium ($)	334,544,145	482,544,289	3,917,699	821,006,132
Expense Ratio (%)	25.1	24.8	33.2	25.0
Loss & LAE Ratio (%)	84.0	71.1	66.0	76.4
Dividend Ratio (%)	0.8	0.1	8.4	0.4
Combined Ratio (%)	109.9	96.1	107.6	101.8
Net Investment Income Ratio (%)	6.9	9.2	24.3	8.3
Operating Ratio (%)	103.0	86.9	83.3	93.5

ADDITIONAL AGGREGATE METRICS				
	SEGMENT			
	MUTUAL	STOCK	OTHER	TOTAL
Net Written Premium ($)	350,769,889	502,317,578	4,119,336	857,206,803
Direct Written Premium ($)	380,950,497	572,075,447	10,179,722	963,205,666
Dir. Commission & Brokerage Exp. ($)	39,646,133	69,531,256	884,168	110,061,557
Ceded Reins: Premiums Ceded ($)	37,176,880	125,771,168	754,212	163,702,260
Gross Written Premiums ($)	389,588,855	650,753,231	10,436,108	1,050,778,194
Surplus, Five-Year Average ($)	402,422,365	626,710,938	13,093,530	1,042,226,832
Net Total Assets ($)	977,889,301	1,816,891,441	35,799,698	2,830,580,439
Net-to-Direct Written Premium Ratio	0.92	0.88	0.40	0.89
Ceded-to-Direct Written Premium Ratio	0.10	0.22	0.07	0.17
Ceded-to-Gross Written Premium Ratio	0.10	0.19	0.07	0.16
Net Commission Ratio (%)	9.3	11.8	14.7	10.8
Dir. Com. & Brokerage Exp. Ratio (%)	10.4	12.2	8.7	11.4
Direct General Expense Ratio (%)	5.8	6.0	3.9	5.9
Capital & Surplus Growth (%)	3.3	8.1	6.2	6.2
Net Written Premium to Surplus Ratio	0.87	0.80	0.31	0.82
Dir. Written Premium to Surplus Ratio	0.95	0.91	0.78	0.92
Pretax Return on Revenue (%)	-3.9	12.1	12.1	5.6
Return on Average Equity (C&S) (%)	-2.8	15.9	3.3	8.4
Return on Average Assets (%)	-1.2	5.5	1.2	3.1
Net Yield on Invested Assets (%)	2.9	3.1	2.9	3.0

Source: S&P Global Market Intelligence

[1]Some totals have been rounded up or down

FIVE-YEAR RAW DATA*

AGGREGATE UNDERWRITING RATIOS				
	SEGMENT			
	MUTUAL	STOCK	OTHER	TOTAL
Net Written Premium ($)	298,510,440	426,554,067	3,380,470	728,444,977
Net Earned Premium ($)	289,937,118	411,887,090	3,279,004	705,103,213
Expense Ratio (%)	26.6	26.1	32.8	26.3
Loss & LAE Ratio (%)	77.3	70.8	75.3	73.5
Dividend Ratio (%)	1.4	0.1	8.7	0.7
Combined Ratio (%)	105.3	97.0	116.8	100.5
Net Investment Income Ratio (%)	6.6	10.0	27.4	8.7
Operating Ratio (%)	98.7	87.0	89.4	91.8

AGGREGATE UNDERWRITING RATIOS				
	SEGMENT			
	MUTUAL	STOCK	OTHER	TOTAL
Net Written Premium ($)	298,510,440	426,554,067	3,380,470	728,444,977
Direct Written Premium ($)	322,773,366	482,339,375	9,029,370	814,142,111
Dir. Commission & Brokerage Exp. ($)	33,613,053	59,516,810	554,142	93,684,005
Ceded Reins: Premiums Ceded ($)	31,137,798	103,040,987	564,058	134,742,843
Gross Written Premiums ($)	330,072,989	549,548,461	9,192,615	888,814,066
Surplus, Five-Year Average ($)	391,901,011	570,122,620	12,220,777	974,244,407
Net Total Assets ($)	896,227,282	1,596,588,829	35,311,165	2,528,127,276
Net-to-Direct Written Premium Ratio	0.92	0.88	0.37	0.89
Ceded-to-Direct Written Premium Ratio	0.10	0.21	0.06	0.17
Ceded-to-Gross Written Premium Ratio	0.09	0.19	0.06	0.15
Net Commission Ratio (%)	9.4	12.2	11.4	11.0
Dir. Com. & Brokerage Exp. Ratio (%)	10.4	12.3	6.1	11.5
Direct General Expense Ratio (%)	5.8	5.8	4.4	5.8
Capital & Surplus Growth (%)	5.2	7.9	3.0	6.7
Net Written Premium to Surplus Ratio	0.76	0.75	0.28	0.75
Dir. Written Premium to Surplus Ratio	0.82	0.85	0.74	0.84
Pretax Return on Revenue (%)	1.0	12.3	7.8	7.6
Return on Average Equity (C&S) (%)	1.4	10.1	3.7	6.5
Return on Average Assets (%)	0.6	3.6	1.3	2.5
Net Yield on Invested Assets (%)	2.5	3.1	2.7	2.9

*Five-year data represents data from 2019 through 2023

TOP TEN STATS & FACTS

TOP TEN MUTUAL WRITERS								
RANK			GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK			MARKET SHARE
2023	2022				2023	2022		
1	1		State Farm	$93,787,274	1	1		9.7
2	2		Liberty Mutual	$45,794,528	5	5		4.7
3	3		USAA	$32,002,400	7	8		3.3
4	4		Farmers Insurance	$27,220,677	9	9		2.8
5	5		Nationwide	$19,766,499	10	10		2.0
6	6		American Family Insurance	$16,628,159	12	14		1.7
7	7		Auto-Owners Insurance	$12,824,712	16	18		1.3
8	8		Erie Insurance	$10,056,484	19	22		1.0
9	9		FM Global	$6,953,774	28	32		0.7
10	10		Auto Club Exchange	$6,778,736	29	34		0.7

Source: S&P Global Market Intelligence

TOP TEN MUTUAL WRITERS OF PERSONAL AUTO								
RANK			GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK			MARKET SHARE
2023	2022				2023	2022		
1	1		State Farm	$57,973,413	1	1		18.2
2	2		USAA	$19,847,916	5	5		6.2
3	3		Liberty Mutual	$13,312,836	6	6		4.2
4	4		Farmers Insurance	$13,221,687	7	7		4.2
5	5		American Family Insurance	$6,790,423	8	9		2.1
6	7		Auto Club Exchange	$5,468,156	10	11		1.7
7	6		Nationwide	$5,413,758	11	10		1.7
8	8		Erie Insurance	$4,240,246	12	13		1.3
9	9		Auto-Owners Insurance	$4,133,693	13	14		1.3
10	10		CSAA Insurance Exchange	$3,817,543	14	15		1.2

Lines of business for this table include: 19.1 Pvt Pass Auto No-Fault, 19.2 Oth Pvt Pass Auto Liab, and 21.1 Pvt Pass Auto Phys Damage | Source: S&P Global Market Intelligence

TOP TEN STATS & FACTS

TOP TEN MUTUAL WRITERS OF COMMERCIAL AUTO

RANK 2023	RANK 2022		GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK 2023	OVERALL RANK 2022		MARKET SHARE
1	1		Liberty Mutual	$2,716,060	3	3		4.2
2	3		Auto-Owners Insurance	$1,815,912	7	8		2.8
3	4		State Farm	$1,674,411	8	12		2.6
4	2		Nationwide	$1,241,900	10	7		1.9
5	6		Sentry	$931,455	18	20		1.4
6	7		Erie Insurance	$891,288	19	22		1.4
7	8		Acuity A Mutual Insurance Co.	$810,564	23	23		1.3
8	9		Federated Insurance	$733,644	24	25		1.1
9	11		CSAA Insurance Exchange	$679,970	26	31		1.1
10	10		EMC Insurance	$650,429	27	27		1.0

Lines of business for this table include: 19.3 Comm'l Auto No-Fault, 19.4 Oth Comm'l Auto Liab, and 21.2 Comm'l Auto Phys
Source: S&P Global Market Intelligence

TOP TEN MUTUAL WRITERS OF COMMERCIAL PROPERTY AND LIABILITY

RANK 2023	RANK 2022		GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK 2023	OVERALL RANK 2022		MARKET SHARE
1	1		Liberty Mutual	$16,951,825	3	2		4.7
2	2		Nationwide	$8,618,900	9	8		2.4
3	3		FM Global	$6,951,299	14	18		1.9
4	4		State Farm	$5,700,758	21	21		1.6
5	5		Farmers Insurance	$4,152,210	25	24		1.1
6	6		Auto-Owners Insurance	$4,114,883	26	26		1.1
7	7		American Family Insurance	$2,431,828	35	36		0.7
8	8		USAA	$1,808,432	39	39		0.5
9	10		Erie Insurance	$1,766,542	40	42		0.5
10	12		Westfield Insurance	$1,665,834	41	47		0.5

Lines of business for this table include: 2.1 Allied Lines (Sub), 2.2 Multiple Peril Crop, 2.3 Federal Flood, 2.4 Private Crop, 2.5 Private Flood, 3 Farmowners MP, 5.1 Comm'l Multi Prl (Non-Liab), 5.2 Comm'l Multi Prl (Liab), 6 Mrtg Guaranty, 8 Ocean Marine, 9 Inland Marine, 10 Financial Guaranty, 11 Med Prof Liab, 12 Earthquake, 17.1 Oth Liab (Occurrence), 17.2 Oth Liab (Claims), 18 Product Liability, 22 Aircraft, 23 Fidelity, 24 Surety, 26 Burglary & Theft, 27 Boiler & Machinery, 28 Credit, 30 Warranty, 34 Oth P&C (State) | Source: S&P Global Market Intelligence

TOP TEN STATS & FACTS

TOP TEN MUTUAL WRITERS OF WORKERS' COMPENSATION								
RANK			GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK			MARKET SHARE
2023	2022				2023	2022		
1	1		Liberty Mutual	$2,214,277	6	6		3.8
2	2		Texas Mutual Insurance Co.	$1,090,472	15	15		1.9
3	3		Encova Insurance	$572,310	24	25		1.0
4	4		CopperPoint Insurance Companies	$536,254	25	26		0.9
5	5		Pinnacol Assurance	$515,536	26	27		0.9
6	6		Sentry	$508,367	27	29		0.9
7	7		Erie Insurance	$498,984	28	30		0.9
8	9		MEMIC	$417,367	33	35		0.7
9	10		Nationwide	$391,715	34	36		0.7
10	11		Federated Insurance	$388,695	35	37		0.7

Lines of business for this table include: 16 Workers' Comp and 17.3 Excess Workers' Comp
Source: S&P Global Market Intelligence

TOP TEN MUTUAL WRITERS OF ACCIDENT AND HEALTH								
RANK			GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK			MARKET SHARE
2023	2022				2023	2022		
1	1		State Farm	$1,095,730	1	1		13.2
2	2		Liberty Mutual	$123,200	15	15		1.5
3	4		Nationwide	$22,963	35	27		0.3
4	7		Coverys	$21,061	36	41		0.3
5	5		American Family Insurance	$18,226	38	38		0.2
6	6		Physicians Insurance	$16,388	40	40		0.2
7	8		Sentry	$4,246	45	45		0.1
8	10		Rural Mutual Insurance Co.	$847	52	53		0.0
9	9		Texas Farm Bureau Insurance	$804	53	51		0.0
10	18		Underwriters at Lloyd's (VI)	$457	56	76		0.0

Lines of business for this table include: 13.1 Comprehensive (hosp & med) individual, 13.2 Comprehensive (hosp & med) group, 14 Credit A&H (Grp & Ind), 15.1 Vision Only, 15.2 Dental Only, 15.3 Disability Income, 15.4 Medicare Supplement, 15.5 Medicaid Title XIX, 15.7 Long-Term Care, 15.8 Fed Employees Health Benefits Program Plan Premium, 15.9 Other health | Source: S&P Global Market Intelligence.

Note: An update to A&H line of business reporting from the NAIC makes comparison to 2022 ranking difficult.

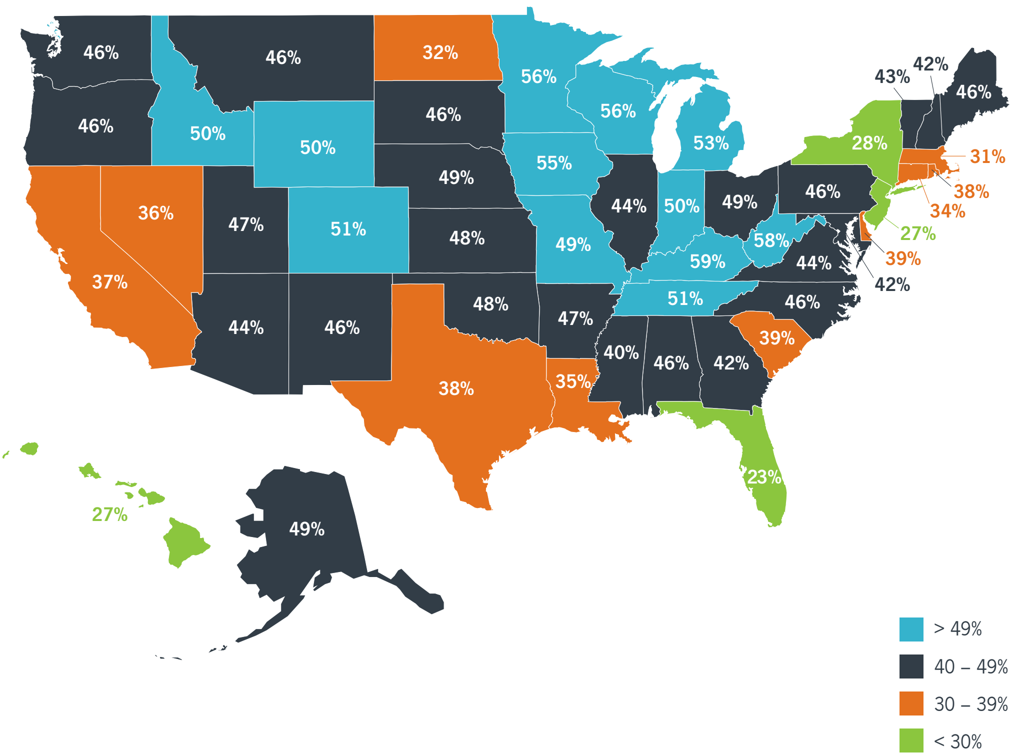
TOP TEN MUTUAL WRITERS OF HOMEOWNERS								
RANK			GROUP/COMPANY	DIRECT WRITTEN PREMIUM ($000)	OVERALL RANK			MARKET SHARE
2023	2022				2023	2022		
1	1		State Farm	$27,037,940	1	1		17.7
2	2		Liberty Mutual	$10,476,330	3	3		6.9
3	3		USAA	$10,346,045	4	4		6.8
4	4		Farmers Insurance	$8,981,110	5	5		5.9
5	5		American Family Insurance	$7,010,000	7	7		4.6
6	6		Nationwide	$4,077,262	8	8		2.7
7	7		Erie Insurance	$2,659,423	12	12		1.7
8	8		Auto-Owners Insurance	$2,479,400	13	13		1.6
9	9		CSAA Insurance Exchange	$1,323,341	16	16		0.9
10	10		Auto Club Exchange	$1,244,079	17	17		0.8

Lines of business for this table include: 4 Homeowners MP | Source: S&P Global Market Intelligence

MUTUAL STATE MARKET SHARE (%)

In 2023, mutuals owned 40% of the property/casualty insurance market in the United States, where the stock and other segments had 59% and 1%, respectively.

Although the mutual segment has a smaller share of the market compared to the stock segment, the mutual segment has a consistent market share presence throughout the U.S. Mutuals have the majority of the market share in 11 states and at least 40% market share in another 25 states. The states with more mutual company presence are in the Midwest. In the four states, plus the District of Columbia, where the mutual segment's market share is less than 30%, premiums are typically written by larger national stock insurers such as Allstate, Travelers, Zurich, The Hartford, and Progressive.



THE DIFFERENCE BETWEEN MUTUAL & STOCK COMPANY COMBINED RATIOS

Mutual insurers have historically operated with combined ratios that are several points above stock insurers. From 2019 through 2023, the average combined ratio of the mutual segment was 105.3 compared to 97.0 for stocks companies. This was true in 2023 as well, with mutual insurers running a combined ratio of 109.9 compared to 96.1 for stock insurers. There are several reasons for this, discussed below.

POLICYHOLDER DIVIDENDS

The overwhelming majority of policyholder dividends are paid by mutual insurers to their policyholders in recognition of their ownership stake in the company. Stock companies pay dividends as well, but generally to their shareholder owners, and they are not included in the combined ratio. The dividend ratio for mutual insurers in 2023 was 0.8% compared to 0.1% for stock insurers. For mutuals, this number was down from the five-year of average of 1.4% and highlights the challenging year reflected in the 2023 results.

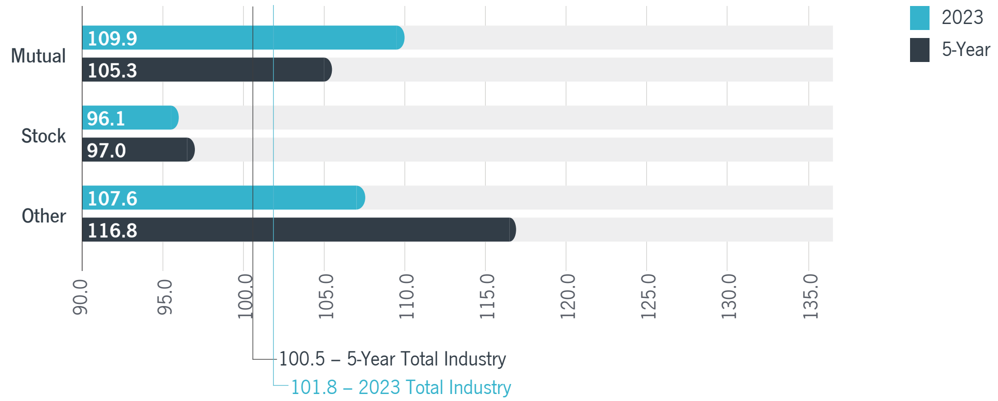
PRICING STRATEGY

Policyholders of mutual companies may also benefit from differences in pricing strategies. Some mutuals, rather than or in addition to the payment of dividends to policyholders, tend to temper the pace of rate increases. This translates into greater pricing stability and lower relative premiums for policyholders. At the same time, a slower pace of rate increase for mutuals will generally lead to loss ratios and ultimately combined ratios that are higher than those of stock companies. Stock insurers tend to operate in this manner because of their responsibility to maximize returns for shareholders. Mutual insurers over the long run must operate profitably, of course, but with their primary objective being growth of surplus. Consequently, mutual insurers do not generally face the same degree of immediacy with respect to the need to increase rates that in turn benefits policyholders, as the mutual insurer will pay out a higher share of each premium dollar collected from customers.

Note that this does not mean the average cost per claim, i.e., claim severity, is higher for mutuals. It simply means that mutual insurers on average absorb proportionately more losses than stock companies.

COMBINED RATIO (%)

Mutual insurers saw an uptick in their combined ratios because of several challenges facing the industry in 2023, mainly inflation trends and higher than average natural catastrophe activity. Mutuals' combined ratio for year-end 2023 is 109.9, which is right in line with what they experienced the year prior. Despite the recent high catastrophe years, mutuals' combined ratio on a five-year basis is at 105.3. In contrast, the stocks' combined ratio is much lower at 96.1 for 2023 and 97.0 on a five-year average. Stocks compare favorably to the industry combined ratio of 2023 (101.8), whereas mutuals exceed the industry average.



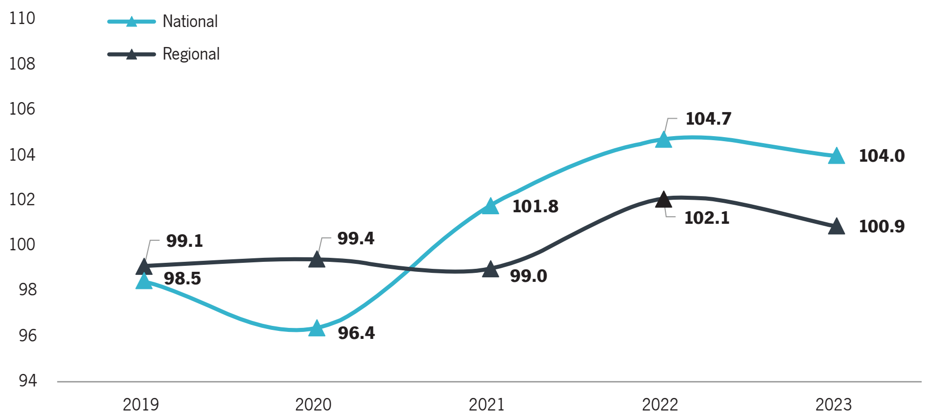
ADDITIONAL SEGMENTATION

Challenging personal lines performance and outsized weather events in the Midwest have negatively impacted insurance companies' bottom line over the last few years. Segmentation of results by region, as well as by personal/commercial focus, allows us to examine the data on a more granular level and get a better sense of what is driving industry results. Regional companies outperformed national companies in 2019 and 2020 but that trend has reversed over the last three years. Similarly, personal lines-focused companies outperformed commercial lines-focused companies in 2019 and 2020, but the results have flipped in recent years.

NATIONAL VS. REGIONAL

In 2019 and 2020, regional companies outperformed national companies. This reversed in 2021, as national companies outperformed regionals by 2.8 points. The spread between national and regional combined ratios results has remained stable YOY, never rising above 3.1 points.

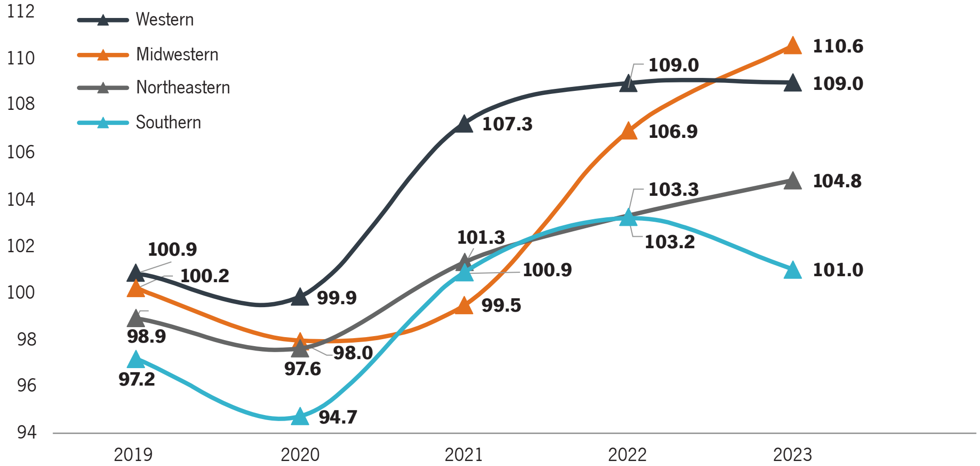
National vs. Regional Combined Ratios



SPLIT BY REGION

Combined ratios have increased for all regions since 2019. Midwestern companies have been hit the hardest, with their combined ratios increasing from 98.0 in 2020 to 110.6 in 2023. Southern companies had the lowest combined ratio in all years except 2021, when Midwestern companies outperformed them.

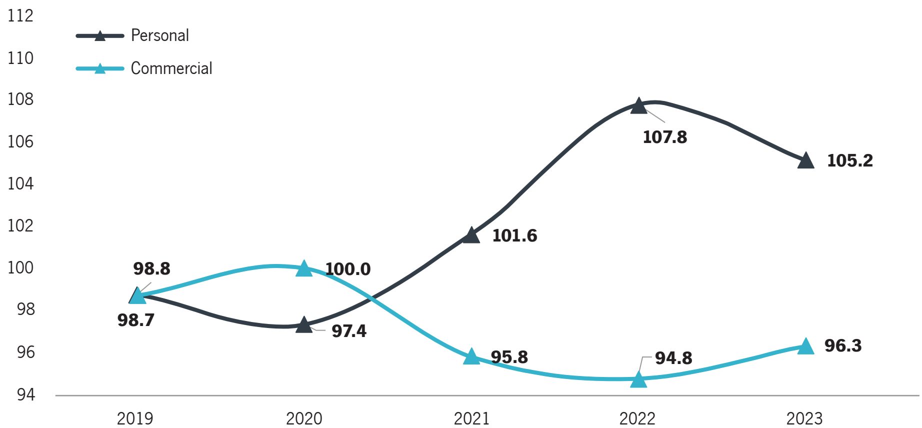
Split Regional Combined Ratios



PERSONAL VS. COMMERCIAL

In 2019 and 2020, personal lines outperformed commercial lines on a combined ratio basis. In the last three years this relationship has flipped as personal lines has struggled, and the difference in combined ratios has gotten much wider than in previous years. 2023 saw some minor progress toward closing the combined ratio gap, from a spread of 13 points in 2022 to a spread of 8.9 points in 2023.

Personal vs. Commercial Combined Ratios

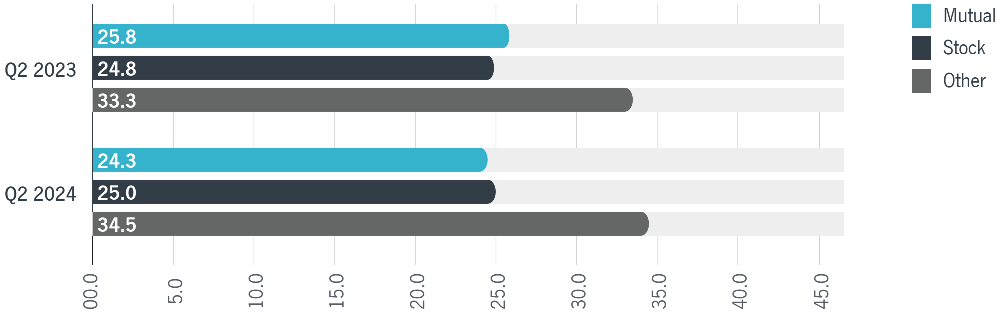


2024 YTD PERFORMANCE THROUGH JUNE

In this section, we review preliminary results from June 2024 statutory financials. While there remains some compilation of group results at the time of this report, about 91% of companies and premium are represented in the analysis below.

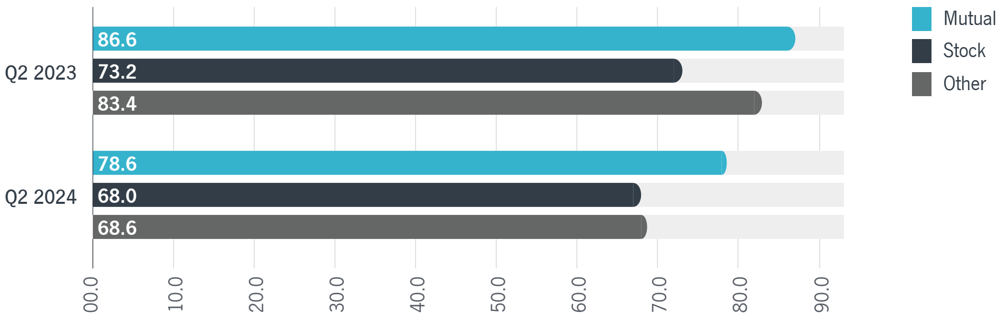
EXPENSE RATIO (%)

Mutual companies were able to lower their expense ratio by more than 1 point in Q2 2024 compared to Q2 2023. Stock companies remained flat, while the Other segment saw some expense ratio deterioration, with a 1 point increase in Q2 2024.



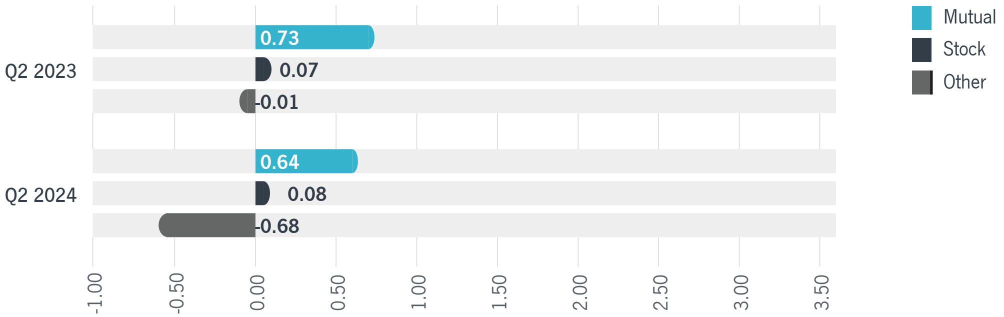
LOSS & LAE RATIO (%)

Loss & LAE ratio in Q2 2024 has improved from Q2 2023 for both mutual and stock companies. Mutuals saw an improvement of more than 8 points while the stock companies saw an improvement of 5 points. While Q2 2024 also saw an elevated amount of catastrophe experience (similar to Q2 2023), the loss ratio improvement signals that the rate action many companies are starting to earn is as companies across all segments strive for a return to profitability.



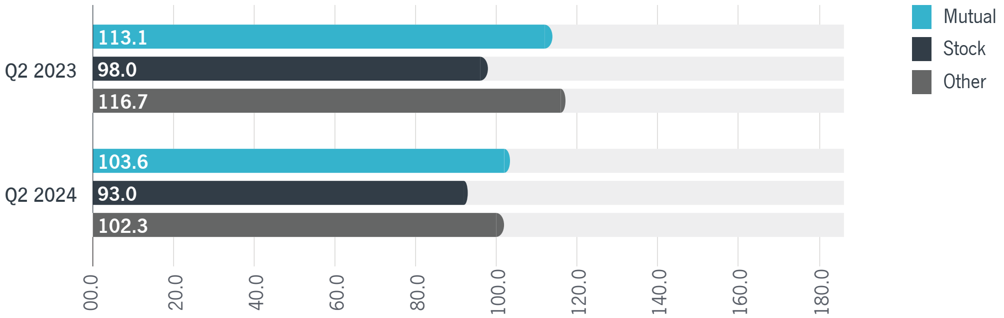
POLICYHOLDER DIVIDEND RATIO (%)

The policyholder dividend ratio has been reduced in Q2 2024 when compared to Q2 2023 for the mutual segment, although it remains the highest overall as mutual companies continue to use dividends to return value to their policyholders at a greater rate than their stock counterparts.



COMBINED RATIO (%)

Both mutual and stock insurers saw combined ratio improvement from Q2 2023 to Q2 2024. The reduction in loss ratio is driving this increase with YOY improvement in the expense ratio for mutual and stock companies also contributing. The expense ratio increase the Other segment reported for Q2 2024 was offset by their loss ratio improvement, allowing combined ratio results to decrease YOY.



BENCHMARK STUDY FOR AM BEST RATINGS

OVERVIEW

AM Best continues to be a recognized source of information and commentary on global insurance trends and issues. This rating agency demonstrates expertise, high standards, and sole focus on the insurance industry. As a result, AM Best has emerged as the preeminent rating agency for U.S. insurance companies. BCRM provides a comprehensive explanation of AM Best Rating Services' rating process.

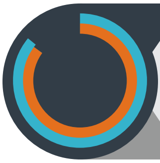
Best's Credit Ratings includes Best's Financial Strength Ratings (FSR), Issuer Credit Ratings (ICR) and Issue Credit Ratings. AM Best uses an array of both quantitative and qualitative measures to analyze rated organizations.

The credit rating process is a continuous dialogue with the rated company's management, which is facilitated by a rating analyst. The rating analyst monitors the rating unit's financial and non-financial results, in addition to any significant developments for each rated entity or issue in their portfolio.

Our benchmark study is based upon 602 U.S. property/casualty insurance companies that have been rated by AM Best under the BCRM framework. The findings consist of groups and unaffiliated single companies. With a total count of 602 U.S. property/casualty insurance companies, 54% are represented as stock companies and 46% as mutuals. Stock companies that are part of mutual group ratings were counted as a single mutual company. Reciprocal exchanges, Risk Retention Groups, Cooperatives, and Lloyds were counted as mutual companies. The study is a result of Aon's ability to track how mutual companies are rated under the AM Best criteria. This is based upon ratings as of July 2, 2024.

KEY FINDINGS

The BCRM Benchmark Study provides deep insight and conclusions regarding how mutuals are rated under the AM Best criteria.



It was found that **85%** of mutual companies are rated “A-”or higher and **86%** have a “Positive” or “Stable” outlook.

The median VaR 99.6 BCAR score for mutual companies is **54%**, 8 points higher than stock companies at **46%**.

89% of mutuals have “Strongest” or “Very Strong” Balance Sheet Strength, compared to **81%** of stock companies.

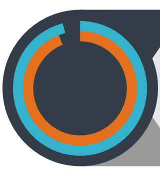
85%

Mutual companies have an operating performance distribution with **85%** “Adequate” or better assessments, 3 points worse than stock companies at **88%**.

17%

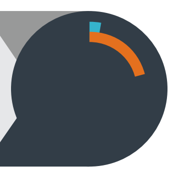
The median five-year combined ratio volatility highlights that stock companies exhibit **17%** higher standard deviation than mutual companies.

47% of mutual companies have “Neutral” or better business profile versus **39%** for stock companies.



96% of mutuals have “Appropriate” or better ERM assessment compared to **94%** of stock companies.

Only **3%** of mutuals receive a rating lift from parent affiliation while **21%** of stock companies depend on this lift.



U.S. PROPERTY/CASUALTY COMPANIES RATING DISTRIBUTION

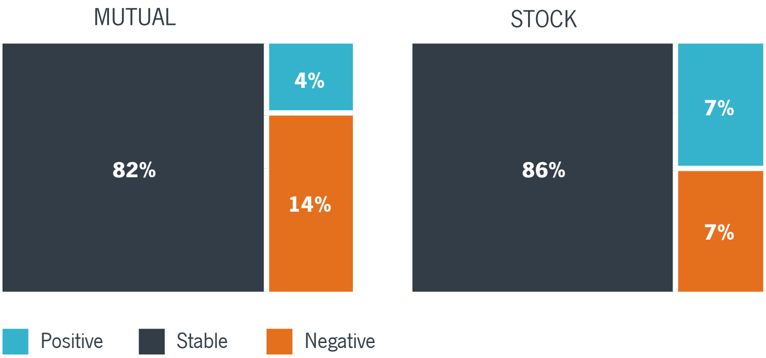
Out of the 602 U.S. property/casualty insurance companies, the majority are either rated "A" or "A-." Slightly fewer mutuals are rated "A++"/ "A+," with 8% receiving the highest rating, compared to 11% of stock companies. However, more mutuals received an "A" rating than stock companies. Forty-eight percent of mutuals received an "A" for 2023, compared to 32% of stock companies. It is important to note that 8% of stock companies received a "B+" or lower. This compares to only 5% of mutuals that received a "B+" or lower.

CURRENT RATING

Count: Mutual – 279, Stock – 323

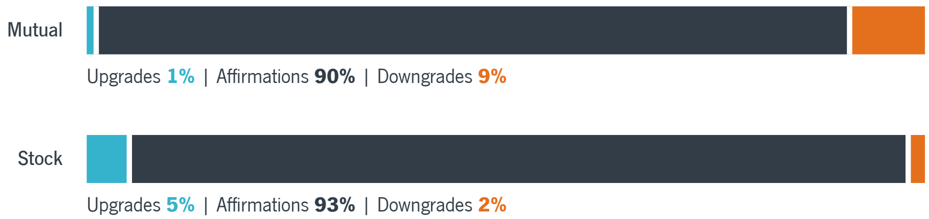
CURRENT RATING OUTLOOK

The majority of companies have a stable rating outlook for the following year, with mutual and stock companies having a stable outlook of 82% and 86%, respectively. Four percent of mutual companies are on positive outlook, compared to 7% of stock companies. Fourteen percent of mutual companies have a negative outlook, compared to 7% for stock companies. Having a positive or negative outlook does not guarantee rating action.



RATING ACTION

For the first half of 2024, AM Best has taken rating action on nearly 300 companies. Of the mutual companies, 90% had their ratings affirmed, while 10% receiving a change in rating. This compares to 93% of stock companies that had their ratings affirmed, with 7% receiving a change in rating. Mutual companies have experienced more downgrades than upgrades so far in 2024.

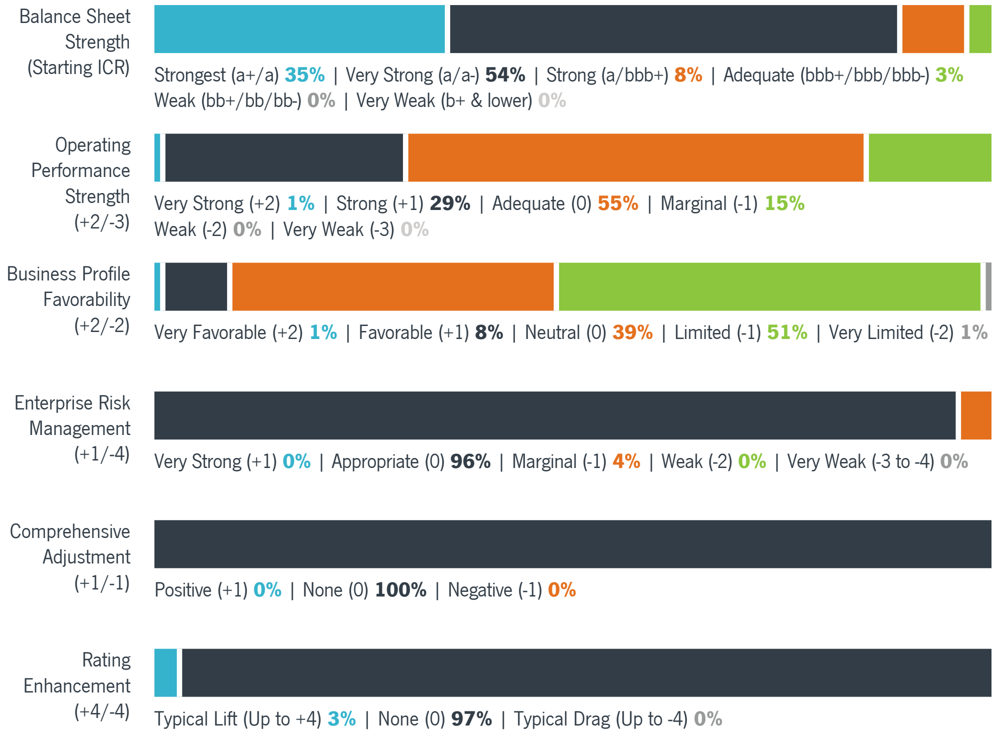


Total: Upgrades – 8, Downgrades – 12

BCRM BUILDING BLOCK ASSESSMENTS

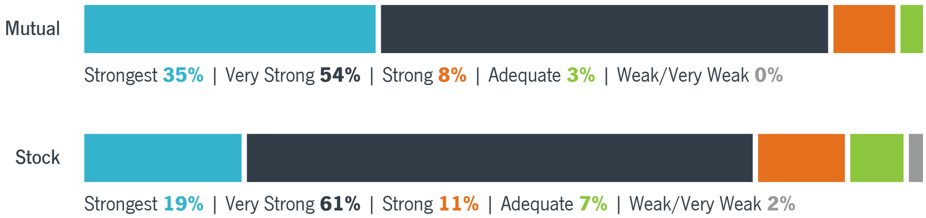
AM Best follows a building block rating approach that assesses individual components and applies positive or negative notching. Balance Sheet Strength sets a base ICR based on the company's BCAR score and other key financial metrics. AM Best will then assess operating performance, business profile, and ERM. After these building blocks, AM Best may apply a comprehensive adjustment if there is something unique not captured in the first four categories. Lastly, AM Best may apply a rating enhancement depending on the parent company before determining the ICR. A company's FSR is a direct function of its ICR.

Referencing the U.S. P&C Mutual Distribution Building Block Assessment, 54% of mutuals have a "Very Strong" Balance Sheet Strength. This results in an initial ICR of "a/a-." The majority of mutuals receive an "Adequate" Operating Performance. Fifty-one percent of mutuals receive a "Limited" Business Profile. Ninety-six percent of mutuals have "Appropriate" ERM, given their risk profile. Not one mutual has received a comprehensive adjustment. Despite some mutuals having parental affiliation, 97% of mutuals do not receive a rating enhancement. This notching approach would result in a final ICR for mutuals of "a-," with an FSR of "A-."



BALANCE SHEET STRENGTH

Balance Sheet Strength is the first building block in the BCRM. Companies receive a "Strongest," "Very Strong," "Strong," "Adequate," "Weak," or "Very Weak" assessment depending on their BCAR score and other key financial metrics (leverage, reserve development, reinsurance, etc). The Balance Sheet Strength provides a range of starting ICR for the analyst to select. Eighty-nine percent of mutual companies receive a "Strongest" or "Very Strong" assessment, which simultaneously results in 89% of mutuals starting with an "a+," "a," or "a-" ICR. Additionally, no mutuals are considered to have "Weak" or "Very Weak" Balance Sheet Strength.

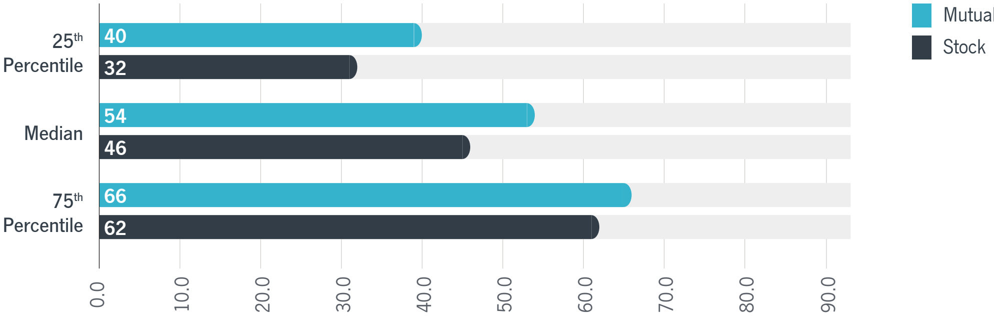


PUBLISHED BCAR SCORES

The primary quantitative tool used to evaluate a company's capitalization is BCAR. AM Best will calculate BCAR at five confidence intervals (C.I.) VaR 95, 99, 99.5, 99.6, and 99.8 with each C.I. using different capital factors that reflect 20-, 100-, 200-, 250-, and 500-year events, respectively. AM Best will run a baseline calculation as well as a stressed calculation, but only the baseline scores at the VaR 95, 99, 99.5, 99.6 C.I. will be published. The scores provide a starting point for the Balance Sheet Strength assessment. Overall, BCAR scores are trending down for the industry in 2023 due the challenges facing all companies, regardless of organization type.

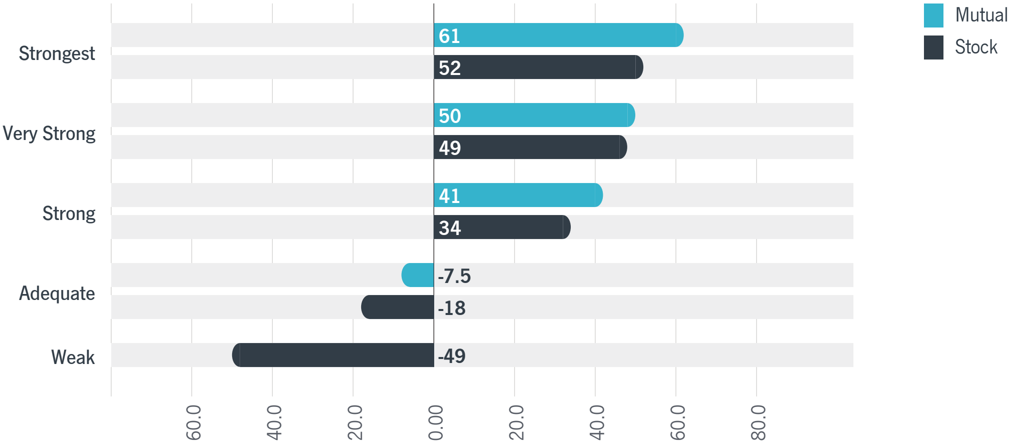
BCAR AT VAR 99.6 PERCENTILES

The most relevant C.I. in the published BCAR output is the VaR 99.6. A company must maintain a BCAR ratio above 10% or 25% to receive a "Very Strong" or "Strongest" Balance Sheet Strength assessment, respectively. While meeting the BCAR requirement does not guarantee those assessments, most companies manage to be well above the 10% and 25% thresholds. Mutuals at all percentiles maintain a higher capitalization compared to stock companies. The numbers below reflect all possible Balance Sheet Strength assessments.



MEDIAN BCAR AT VAR 99.6 BY BALANCE SHEET STRENGTH ASSESSMENT

The median BCAR score for mutuals and stock companies at each Balance Sheet Strength assessment follows a trend that illustrates the two are correlated. Companies with higher BCAR scores tend to receive more favorable assessments. The median BCAR score for stock companies is less than mutuals as stock companies benefit from having more financial flexibility. It is important to note that BCAR is just one component of the Balance Sheet Strength. This leads to a wide range of assessments, even with most BCAR scores well above the 10% and 25% thresholds.

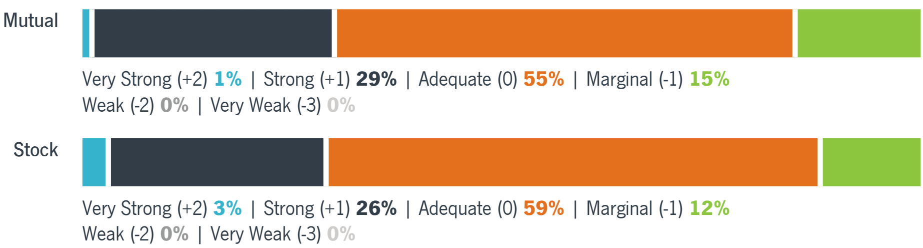


OPERATING PERFORMANCE

Following the Balance Sheet Strength assessment, a company's starting ICR can receive positive, negative, or neutral notching reflective of its Operating Performance. This assessment examines combined ratio, operating ratio, net income, surplus growth, and other performance metrics to determine "Very Strong" (+2), "Strong" (+1), "Adequate" (0), "Marginal" (-1), "Weak" (-2), or "Very Weak" (-3) notching.

OPERATING PERFORMANCE STRENGTH

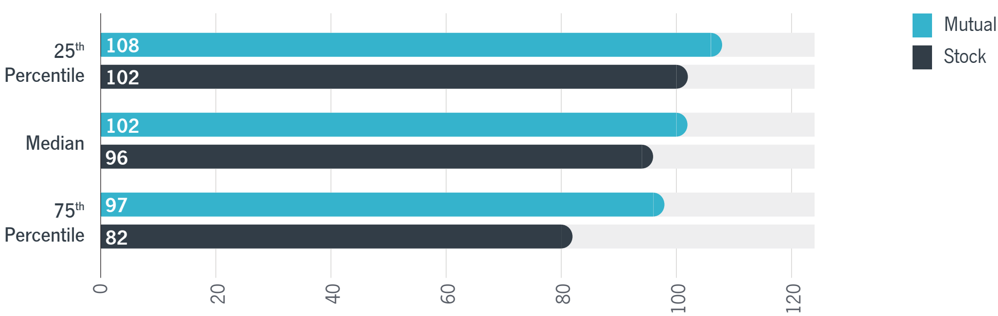
Overall, mutual and stock companies receive similar assessment distributions for the Operating Performance building block. Eighty-five percent of mutual companies do not receive negative notching.



COMBINED RATIO AND COMBINED RATIO VOLATILITY 5-YEAR PERCENTILES

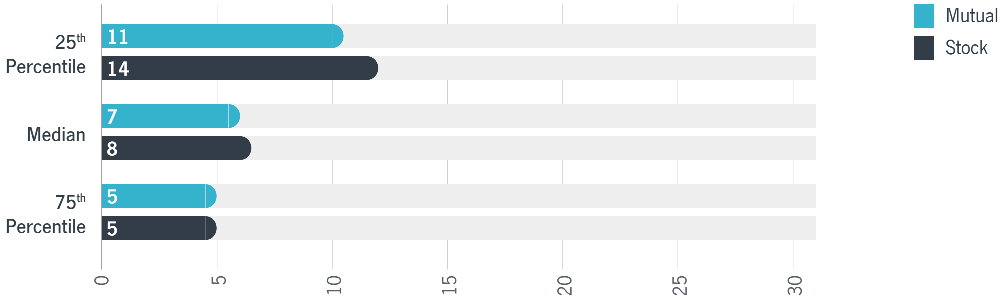
Although the five-year combined ratio for mutuals is higher than their stock counterparts, mutual companies experience less volatility when examined through most percentiles. At the median level, mutual companies are about 17% less volatile in terms of five-year combined ratio standard deviation. The results below reflect all possible Operating Performance assessments.

FIVE-YEAR COMBINED RATIO



Count: Mutual – 279, Stock – 323

FIVE-YEAR COMBINED RATIO VOLATILITY



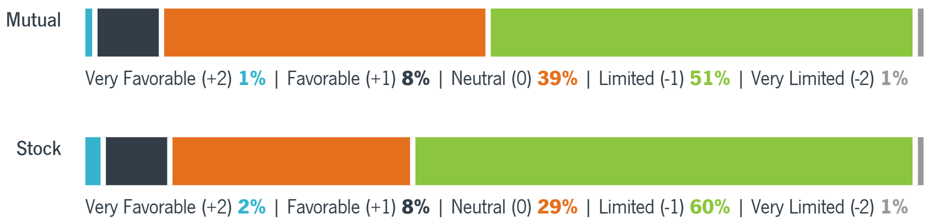
Count: Mutual – 279, Stock – 323

BUSINESS PROFILE ASSESSMENT

After concluding the operating performance review, rating analysts assess the rating unit's business profile. Business profile factors in the following characteristics: market position, pricing sophistication, management quality, data quality, regulatory & market risk, product risk, distribution channels, degree of competition, product/geographic concentration, and innovation.

BUSINESS PROFILE FAVORABILITY

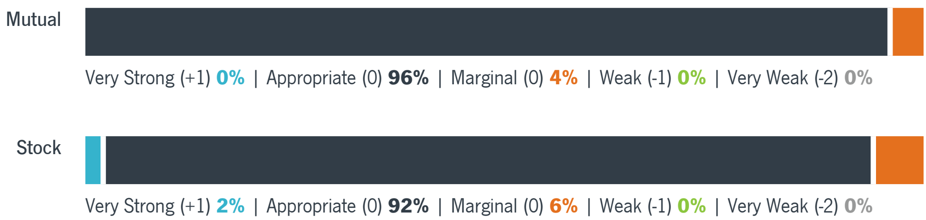
The business profile assessment can result in an increase, decrease, or no change in the respective rating. Forty-eight percent of mutual companies have "Neutral" or better business profile compared to only 39% of stock companies. Stock companies are more likely to receive a "Limited" assessment at 60% compared to mutuals at 51%.



Count: Mutual – 279, Stock – 323

ENTERPRISE RISK MANAGEMENT

ERM is becoming a more prominent factor in AM Best Rating Methodology. AM Best evaluates ERM on three major fronts: risk management framework, risk management capabilities considering risk profile, and overall strength of ERM. The analysis of ERM can result in either an increase, decrease, or no change in the respective rating. Ninety-six percent of mutual companies have "Appropriate" or better ERM assessment compared to 94% of stock companies. It is important to note that none of the U.S. property/casualty insurance companies have received "Weak" or "Very Weak" assessment.

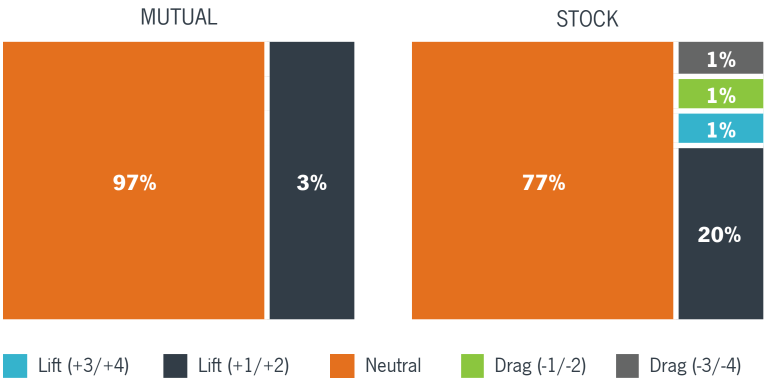


RATING ENHANCEMENT

Non-lead rating units that are well integrated within the organization may receive a notching lift based on implicit/explicit support of the broader organization. Conversely, a non-lead rating unit may be penalized for its association with a weaker holding company and receive a drag. In addition to the Rating Lift/Drag building block, there is also a building block for a Comprehensive Adjustment. Not one company globally in all insurance sectors has received a Comprehensive Adjustment.

DRAG/LIFT PERCENTAGES

Only 3% of mutual companies receive a rating lift from parent affiliation, while 21% of stock companies depend on this lift. The rating adjustment can be anywhere from +4 notches to -4 notches. While no mutual companies received +3 or more in lift, not one mutual has received rating drag.



RATING AGENCY HOT TOPICS

The insurance industry's future contains both challenges and opportunities. Weakening balance sheets, reserve adequacy, returning to profitability, catastrophe losses, and investment market volatility could have an impact on individual ratings and how rating agencies view the industry overall.

WEAKENING BALANCE SHEETS FOR MANY; STRONG OVERALL

While the overall industry capital position remains strong, many companies have experienced a decline in capital adequacy metrics in the past 12 months. Elevated reinsurance retentions coupled with volatile catastrophe losses, especially severe convective storms, have contributed to primary insurers' declining surplus positions. Rate-driven premium growth is outpacing capital growth, and rating agencies will be focused on companies meeting and maintaining capital targets, as well as their ability to access diverse sources of capital.

RESERVE ADEQUACY

Moderating but still positive inflationary pressure along with legal system abuse continue to impact many carriers across both property and casualty lines. On the casualty side, many have shown adverse development in general liability, medical professional liability, and product liability. This is increasing rating agency scrutiny around loss reserve practices and assumptions and how adverse development is impacting capital and earnings. Increased use of stress testing in this area is something that rating agencies expect to see more of as these trends continue.

RATE ADEQUACY AND RETURN TO PROFITABILITY

While personal lines are expected to show incremental profit in 2024, volatile catastrophe losses make this challenging. Commercial lines have been profitable in recent years, but slowing rate increases and gross domestic product decline may disrupt performance. Rating agencies and regulators need to understand how companies plan to return to profitability, including rate increases, policy/exposure reductions, and adjustments to reinsurance structures.

CATASTROPHE LOSSES

Total U.S. catastrophe losses during the first half of 2024 reached nearly $46 billion, which is about 90% higher than the long-term first-half average since 2000. Severe convective storm activity comprised $39 billion of the total for first half 2024, second to the record-breaking first half 2023 totals. The U.S. also saw an increase in tornado activity, with 2024 being the third highest year since 2000 in terms of preliminary tornado report aggregations. Catastrophe risk management questions from rating agencies continue to focus on these increased trends.

INVESTMENT MARKET VOLATILITY

As inflation trends have moderated, the focus has moved to reducing the interest rate to avoid an economic downturn. Investment markets experienced a set back in Q3 2024 after a relatively solid performance the past year. An election in the U.S. and other geopolitical risks also contribute to a volatile investment market. Rating agencies are keen to understand how companies are dealing with this volatility and that liquidity positions are well maintained.

CONSUMER SURVEY

NAMIC conducted a public opinion survey in July 2024 with outside research firms Readex Research and Dynata to assess consumer opinions surrounding the property/casualty insurance industry. The association fielded a similar study in 2018 with John Gilfeather and Associates, which serves as a benchmark. This summary highlights key findings from the 2024 survey and comparisons with the 2018 survey.

The research results are based on 1,238 online survey responses from a nationally representative sample of U.S. personal auto and/or home insurance buyers who are 18 or older and identify as the sole or joint decision-makers for household insurance purchases. The 2024 survey has a margin of error of +/- 2.8%, though the margin of error for percentages based on smaller sample sizes will be larger. Percentages may not sum to 100 due to either rounding or neutral choices. It should also be noted that some changes to methodology have occurred between studies. However, in both studies, consumers were asked a series of multiple choice questions where familiarity, favorability, and preferences as related to the insurance industry were assessed.

INDUSTRY FAVORABILITY

Consumer impressions of the industry remain nearly unchanged, with 57% of consumers reporting a favorable impression of the property/casualty insurance industry. Some consumers remain neutral and do not fall within favorable or unfavorable for all favorability charts.

Overall Impressions	2018 (n=1,001)	2024 (n=1,238)	Change Over Time
Favorable	58%	57%	-1%
Unfavorable	15%	17%	+2%
Where favorable is defined as a rating of four or five on a five-point scale where five is very favorable and one is very unfavorable.			

MUTUAL FAVORABILITY

In 2024, 79% of consumers report being at least slightly familiar with mutual insurance companies, up from 77% in 2018, with 66% reporting the same level of familiarity with stock insurance companies, up from 62% in 2018. Of those who report having heard of each type of company, it was found that favorability toward mutual insurance companies among consumers matches that of the industry with stock insurance company favorability lagging 6% behind. A large increase in favorability toward mutuals was noted since the 2018 study while stock favorability remained unchanged.

Mutuals Overall Impressions	2018 (n=771)	2024 (n=961)	Change Over Time
Favorable	49%	57%	+8%
Unfavorable	4%	4%	0%
Where favorable is defined as a rating of four or five on a five-point scale where five is very favorable and one is very unfavorable.			

Stocks Overall Impressions	2018 (n=627)	2024 (n=824)	Change Over Time
Favorable	51%	51%	0%
Unfavorable	6%	6%	0%

Where favorable is defined as a rating of four or five on a five-point scale where five is very favorable and one is very unfavorable.

ATTRIBUTE RATINGS

The percentages below indicate how many buyers rate each attribute at least "very important" when purchasing insurance. Consumers were able to rate all attributes as extremely important, very important, important, somewhat important, or not at all important. Notably, "has affordable prices" was 2% higher than the next highest-ranked attribute, "always settles claims fairly."

Attribute: Importance to Insurance Company Choice	2018 (n=1,001)	2024 (n=1,238)	Change Over Time
Always Settles Claims Fairly	90%	85%	-5%
Have Excellent Customer Service	89%	84%	-5%
Works Hard to Keep Prices Stable	88%	84%	-4%
Are Very Strong Financially	80%	78%	-2%
Are Socially Responsible	58%	50%	-8%
Employ the Latest Technology	56%	53%	-3%
Has Affordable Prices	Not Asked	87%	N/A

Where importance is defined as a rating of four or five on a five-point scale where five is extremely important and one is not at all important.

To understand the impact of specific company practices on favorability, insurance buyers familiar with each type of company were asked how well the same attributes describe the companies. Consumers were able to rate all attributes as describes well, describes somewhat, describes just a little bit, or does not describe at all. Changes over time are highlighted below.

Mutuals Attribute Ratings	2018 (n=771)	2024 (n=961)	Change Over Time
Always Settles Claims Fairly	81%	78%	-3%
Have Excellent Customer Service	83%	81%	-2%
Works Hard to Keep Prices Stable	78%	79%	+1%
Are Very Strong Financially	87%	84%	-3%
Are Socially Responsible	74%	68%	-6%
Employ the Latest Technology	80%	78%	-2%
Has Affordable Prices	Not Asked	79%	N/A

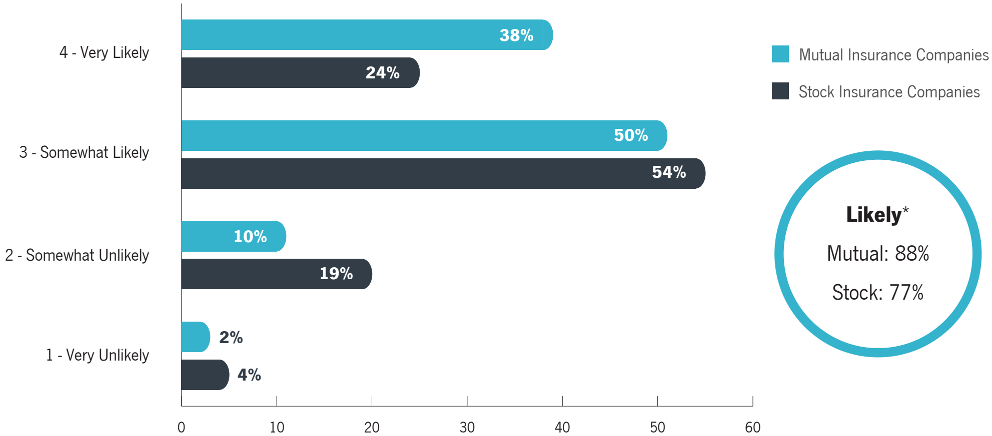
Percentages represent those who rated attributes as a three or four on a four-point scale where four describes very well and one does not describe.

Stocks Attribute Ratings	2018 (n=662)	2024 (n=824)	Change Over Time
Always Settles Claims Fairly	73%	73%	0%
Have Excellent Customer Service	73%	75%	+2%
Works Hard to Keep Prices Stable	73%	71%	-2%
Are Very Strong Financially	85%	80%	-5%
Are Socially Responsible	66%	63%	-3%
Employ the Latest Technology	83%	77%	-6%
Has Affordable Prices	Not Asked	71%	N/A

Percentages represent those who rated attributes as a three or four on a four-point scale where four describes very well and one does not describe.

Although the ratings for mutual insurance companies in various categories have declined slightly compared to 2018, 88% of survey respondents indicated they were at least somewhat likely to choose a mutual insurance company for their next auto or home insurance purchase, compared to 77% for stock insurance companies. This aligns with the differences between mutuals and stocks in 2024, highlighted below.

Likelihood of Considering for Next Car/Home Insurance Purchase



*Where likely is defined as a rating of three or four on a four-point scale where four is very likely and one is very unlikely.

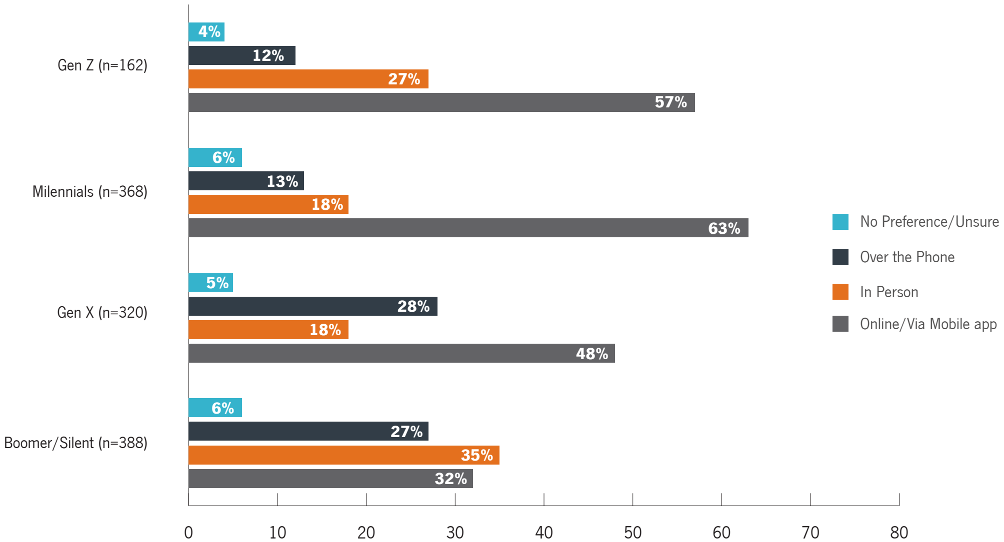
Attribute Comparison: Mutual vs. Stock (2024)	Mutual (n=961)	Stock (n=824)	Difference
Always Settles Claims Fairly	78%	73%	+5%
Have Excellent Customer Service	81%	75%	+6%
Works Hard to Keep Prices Stable	79%	71%	+8%
Are Very Strong Financially	84%	80%	+4%
Does Not Put Profits Ahead of Customers	36%	35%	+1%
Are Socially Responsible	68%	63%	+5%
Employ the Latest Technology	78%	77%	+1%
Has Affordable Prices	79%	71%	+8%

Percentages represent those who rated attributes as a three or four on a four-point scale where four describes very well and one does not describe.

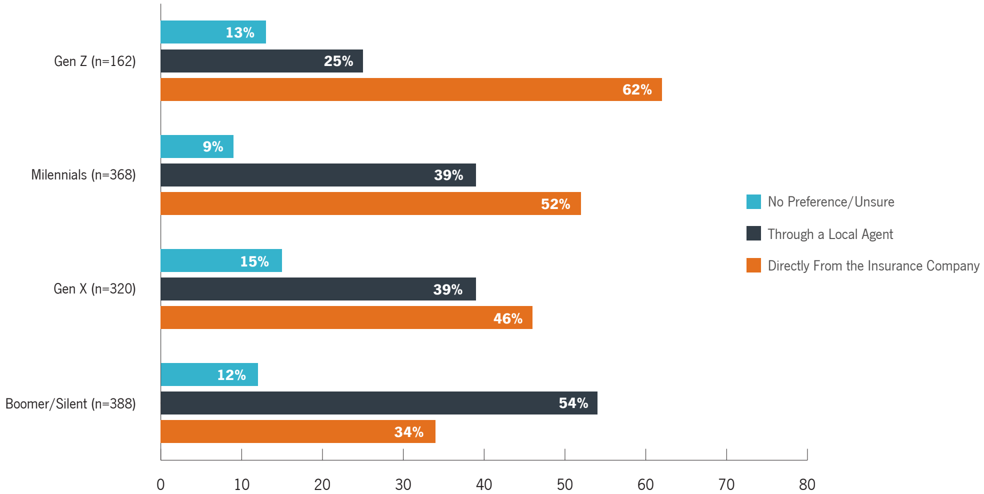
PREFERRED PURCHASING METHODS

In the 2024 survey, participants were asked about their preferred methods for purchasing insurance. Initially, respondents were asked to select their most preferred option among three platforms: online/via app, in person, or over the phone. Following this, they were asked, regardless of their preferred platform, whether they preferred to purchase insurance directly from the company or through a local agent. The results are broken out by generation based on the age of the respondents, as presented below, where Gen Z is defined as those born 1997-2012, millennials is defined as those born 1981-1996, Gen X is defined as those born 1965-1980, and boomer and silent generations are defined and grouped together as those born 1928-1964.

Platform Most Preferred When Purchasing Insurance by Generation



Method Most Preferred When Purchasing Insurance by Generation



OTHER KEY TAKEAWAYS FROM THIS STUDY

- Favorability ratings were consistently higher for mutual insurance companies across all generations compared to stock insurance companies. Notably, millennials exhibited the highest favorability toward mutuals, followed by Gen Z, while the lowest favorability was observed among the boomer and silent generations.
- 70% of consumers surveyed reported using the same insurance company for auto and home insurance, up 2% from 2018.
- 46% of consumers surveyed were aware of premium changes requiring prior approval by the state insurance department in some states.
- 58% report their state has experienced an increase in recent severe weather.
- 28% reported making a change in insurance company recently. Of those who made changes:
    - 65% reported it being due to price of premium
    - 19% reported it being due to coverage options available
    - 17% reported it being due to their insurance company no longer offering coverage in their area and
    - 15% reported it being from their current company declining to renew their policy;

Mutual insurance companies have managed to increase consumer familiarity and positive perception since 2018, presumably by emphasizing the unique benefits of mutuality and fostering customer satisfaction. Despite a decline in importance of all surveyed attributes in consumer purchasing decisions, mutuals have maintained a stronger favorability compared to stocks, indicating that consumers may prioritize the philosophy and benefits of mutual companies over specific attributes. Consumers may also continue to be more critical in evaluating specific attributes while still holding a generally positive view of the industry, demonstrating the multifaceted nature of consumer decision-making. However, mutual insurance companies in particular remain well positioned to leverage their strengths and address emerging consumer needs, ensuring sustained relevance and success in the market.

MARKET ANALYSIS METHODOLOGY & TECHNICAL NOTES

GENERAL

Insurance companies were assigned to one of three segments based on an internal review conducted by NAMIC and Aon, classifying each insurer as a policyholder-owned "mutual," a shareholder-owned "stock," or "other."[1]

Using financial data for groups and unaffiliated singles as provided by S&P Global's Market Intelligence and NAMIC, two types of aggregate metrics were calculated for each segment and the three segments as a group: sums for dollar-denominated fields such as premiums and cumulative metrics for ratios such as the net commission expense ratio.

For example, in calculating the cumulative dividend ratio for the mutual segment, the sum of all mutual earned premium was divided by the sum of all mutual dividends to policyholders, where no special weighting was given based on size of a company. This approach allows for a more holistic view of each respective segment.

FURTHER COMMENTS ON NAMIC AND AON'S INTERNAL REVIEW OF COMPANY CLASSIFICATION

Previously, the Benchmark Study for AM Best Rating's section included an "Others" segment; however, due to a limited number of insurers classifying as "other" within AM Best's database, NAMIC and Aon carefully reviewed each company and reclassified these companies as either mutual or stock based on the company's history and operations.

OTHER NOTES

Aggregate combined ratios are the sums of aggregate expense ratios, aggregate loss and loss adjustment expense ratios, and aggregate dividend ratios, rather than weighted averages. Similarly, aggregate operating ratios are the sums of aggregate combined ratios and aggregate investment ratios.

Quarterly data is as of July 30, 2024, and data may later change or be incomplete due to late filers, consolidation issues, amended financials, etc.

Five-year data is representative of all companies operating in 2023. This data will not include any companies that were removed from S&P Global's Market Intelligence database. For example, American Capital Assurance Corp will not be included in any of the five-year data even though it operated until 2021.

Geographic regions are defined by the US Census Bureau.

[1] LLCs, U.S. branch of alien insurers, insurance pool of trusts, and syndicates.

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