



Consumer Federation of America

For Immediate Release
Thursday, April 23, 2014

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2013 PROFITS FOR P/C INSURERS SKYROCKET TO \$64 BILLION

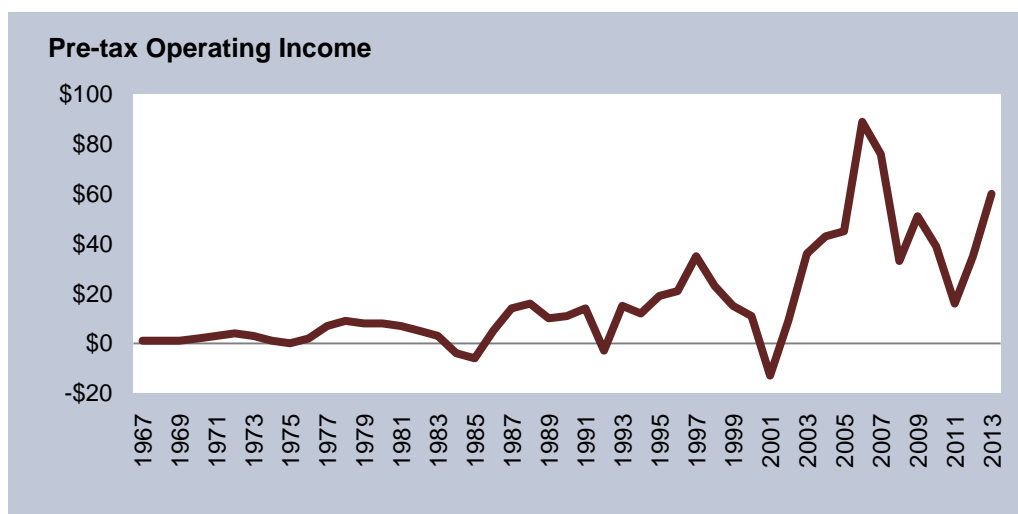
Insurers Enjoy Second Lowest Combined Ratio in History

Washington D.C. -- 2013 financial results just released for Property/Casualty Insurers in the United States¹ show that insurers enjoyed extraordinarily high returns on the highest level of annual premiums ever paid by United States consumers, businesses and public agencies.

“The data make it indisputably clear that insurance companies are overcharging their customers in order to rake in huge profits,” said J. Robert Hunter, Director of Insurance for Consumer Federation of America (CFA) and former Texas Insurance Commissioner.

Using data collected from the insurance industry and released by Insurance Services Office Monday, CFA found that in 2013:

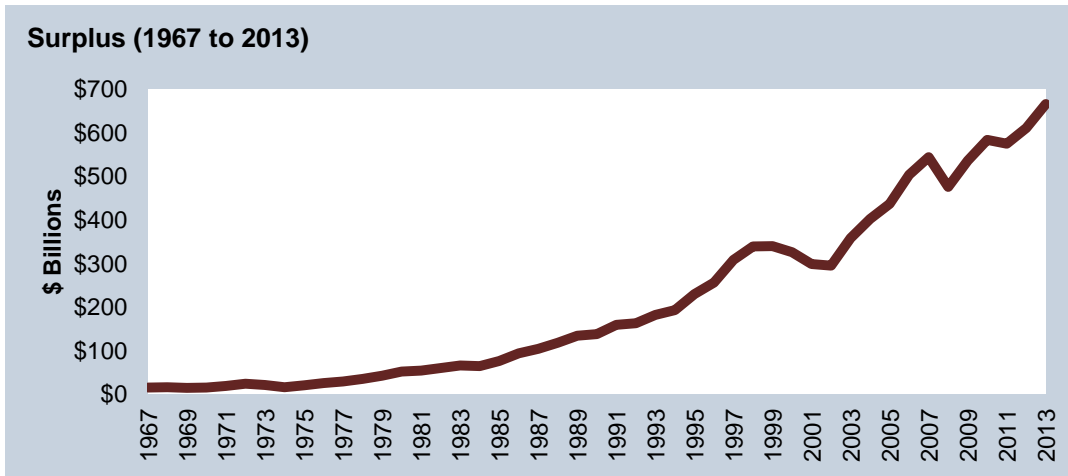
- Earned premiums were the largest in history at \$478 billion.
- Pre-tax Operating Income was the third highest in history at \$64 billion (only 2006 and 2007 had higher profits):



¹“P/C Insurers’ Profits and Profitability Reflect First Net Gains on Underwriting Since 2007,” Insurance Services Office, April 21, 2014

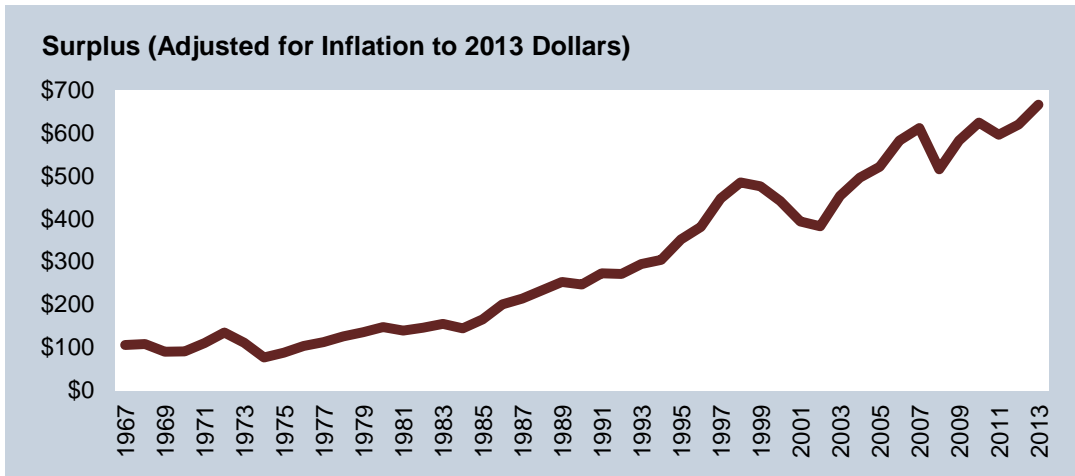
Even adjusting for inflation, the pre-tax profit in 2013 was the third highest year ever.

- The industry is approaching \$6 trillion in premiums earned since 2000 and the total earned premiums since 1967² will surpass ten trillion dollars (\$16 trillion in 2013 dollars).
- Insurers' net income since 2000 will exceed \$530 billion and is approaching \$800 billion for the period since 1967 (\$1.2 trillion in 2013 dollars).
- The Combined Ratio, 96%, will tie the record for the second lowest such ratio in history (marginally missing the record of a 93% ratio the insurers enjoyed in 2006).
- 2013 will mark only the ninth time that the Combined Ratio fell below 100% during the past 47 years. The 96 percent ratio is far below the 104% average of this period, during which the industry experienced remarkable profit and growth – showing the power of investment income on the “float”– the money held by insurers for the time between premium collection and claim payment. 2013 was an excessively profitable year for insurers.
- The surplus held by insurers is at a record high dollar level of \$653 billion:

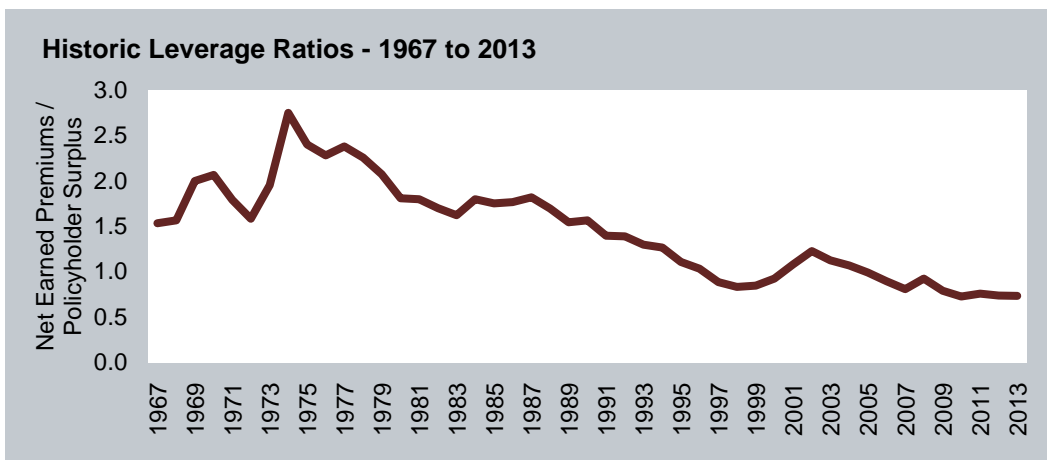


Even adjusted to constant 2013 dollars, the current surplus is the largest in history:

² The earliest year of data in time series available in “Best’s Aggregates and Averages.”



- This leads to an extremely low leverage ratio of 0.74. The leverage ratio compares insurers' premium to surplus (the level of leverage considered safe and appropriate by most experts is 1.5). The current amount of surplus is excessive.



“It is good for the P/C industry to make fair profits,” said J. Robert Hunter, Director of Insurance for CFA and former Texas Insurance Commissioner, “but it is unacceptable for insurance companies to be squeezing so much profit out of consumers who are required by laws and financial institutions to buy coverage. At a time when low- and moderate-income Americans are increasingly unable to afford unfairly priced auto insurance and many homeowners struggle to afford home insurance in many parts of the nation, huge profits like those realized in 2013 raise serious questions about the adequacy of state regulation of insurance.”

The Consumer Federation of America is an association of more than 250 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education.