P/C Insurance Industry Profitability, 2026

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Property Casualty (P/C) insurance and health insurance are two different industries.

P/C Insurance

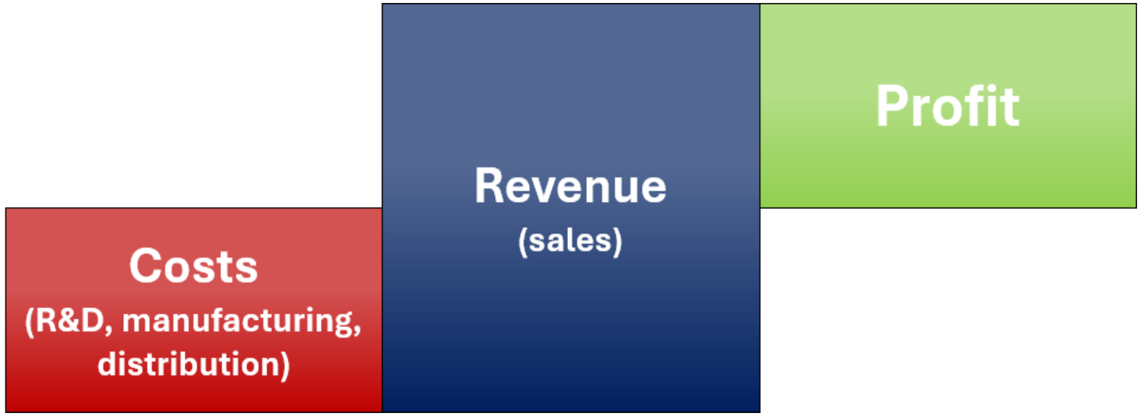
- Auto, homeowners, medical malpractice, product liability, government claims, etc.
- No federal regulation. Antitrust exemption. Regulated entirely by the states.
- Zero mandates on how many premium dollars go to pay claims.
- Highly profitable.

Health Insurance

- Purely health.
- Federal oversight including antitrust enforcement.
- Bound by federal rules that force 80-85% of premium dollars to patient care.
- Thin margins.

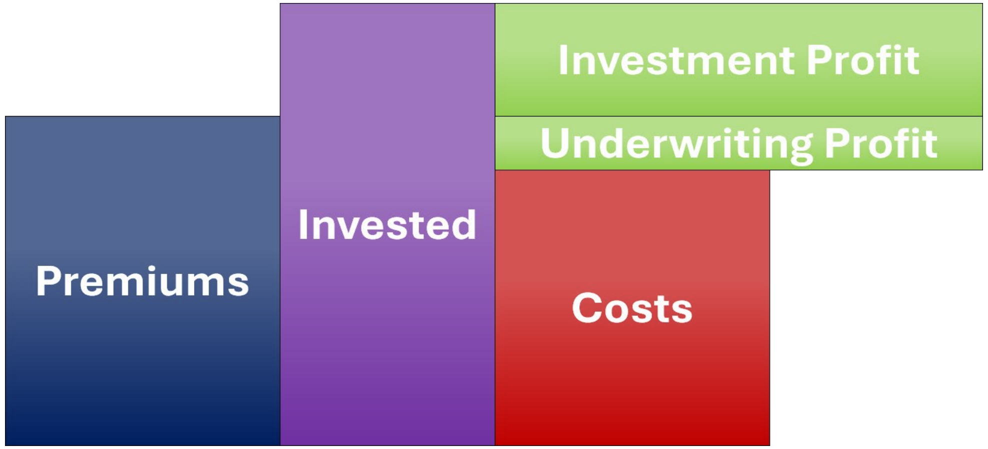
They both share a unique business model. Most corporations incur costs *before* revenue. Insurers get their revenue upfront and invest it.

This represents a simple but typical corporate model. Costs come before revenue.

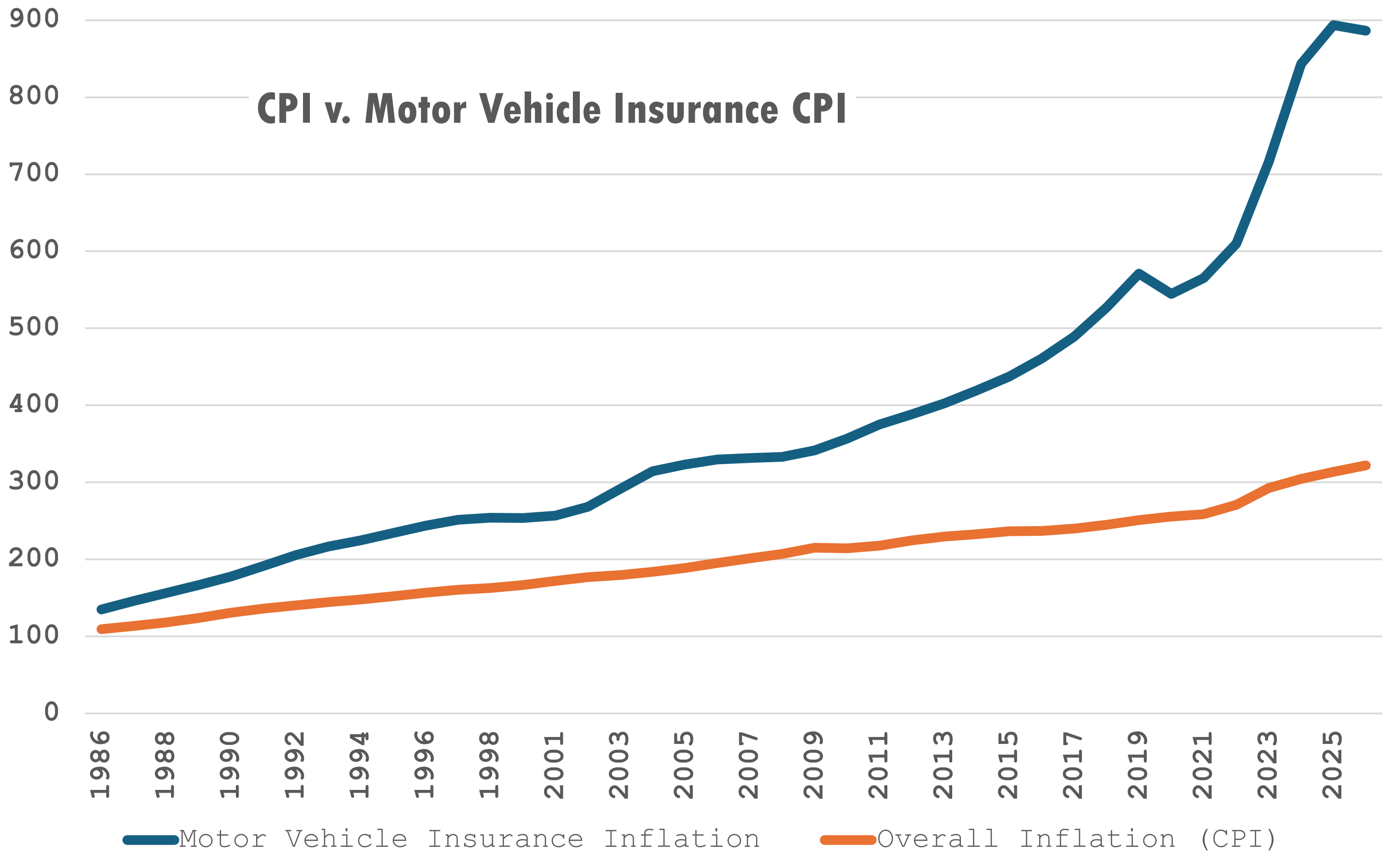


Insurance companies receive revenue upfront. They then invest this money.

Insurance companies call this money "float," or sometimes "a free cash loan."



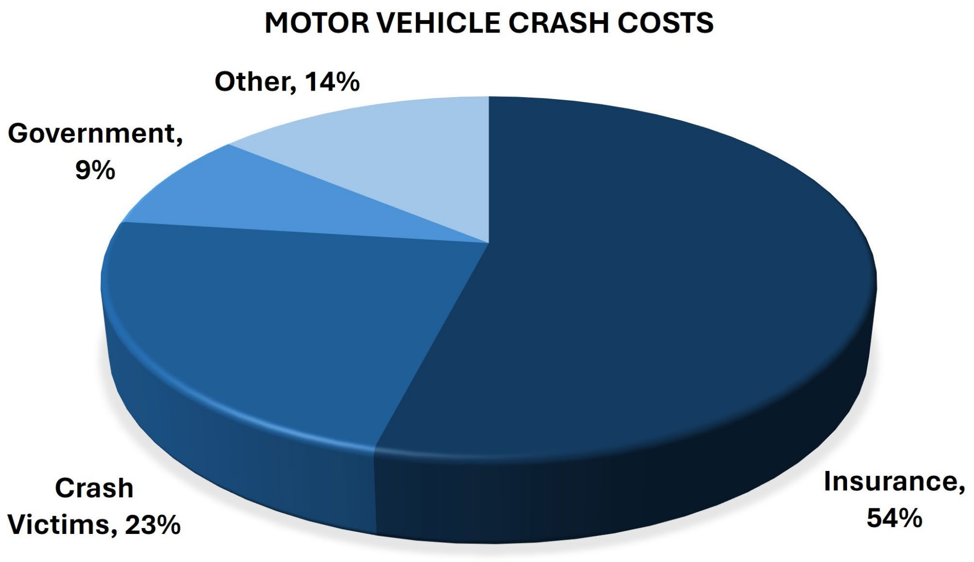
Since 2023, insurance rates have skyrocketed.



Since 2022, motor vehicle insurance has increased at an annualized inflation rate of 9.8% compared to the overall annualized inflation rate of 3.1%.

Source: Bureau of Labor Statistics.

This auto insurance also provides less protection than ever before.



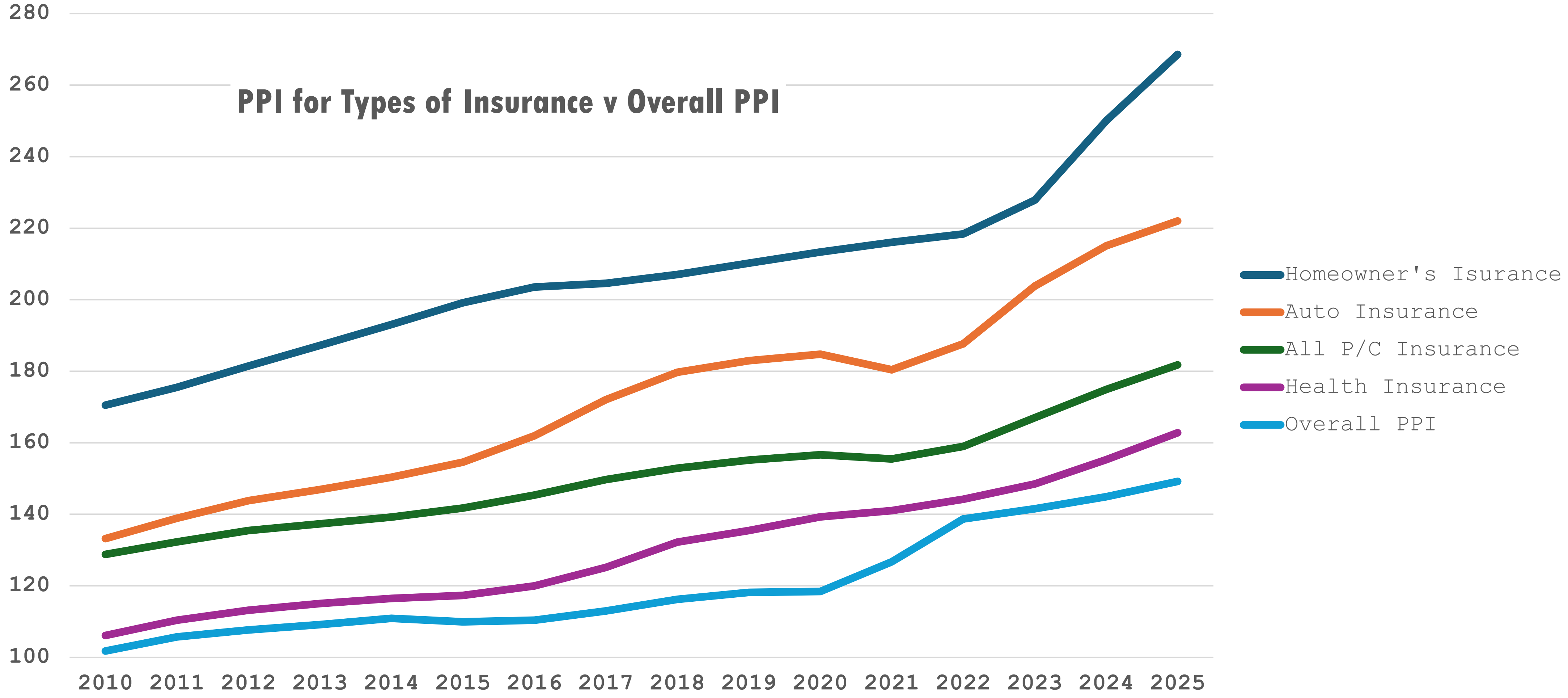
The auto insurance minimum requirements also mean this auto insurance provides less protection than ever before. New Mexico's minimums were set in 1983 when the $10,000 property damage minimum covered the cost of a new car.

The average new vehicle now costs over $50,000. Crash costs are increasingly being borne by crash victims, hospitals, and governments.

States that have raised their outdated minimums have not seen spikes in auto insurance costs, making it a change that can benefit both policyholders, insurance carriers, and the public as a whole.

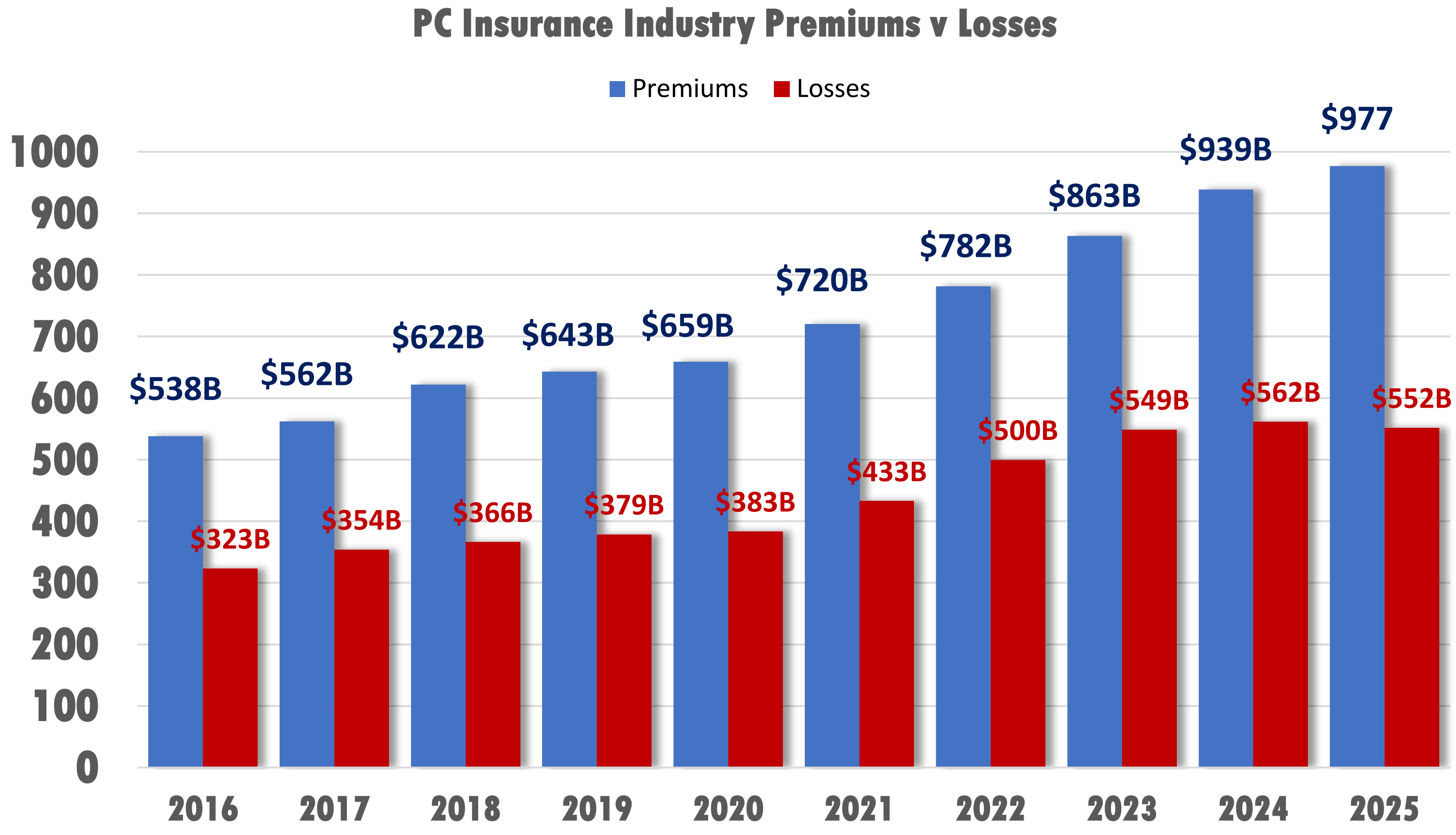
Source: National Highway Traffic Safety Administration (NHTSA).

Rates in other lines have also skyrocketed.



Source: Producer Price Index (PPI), FRED (Federal Reserve Bank of St. Louis).

While this has resulted in increasing premiums, losses have not grown to the same extent.



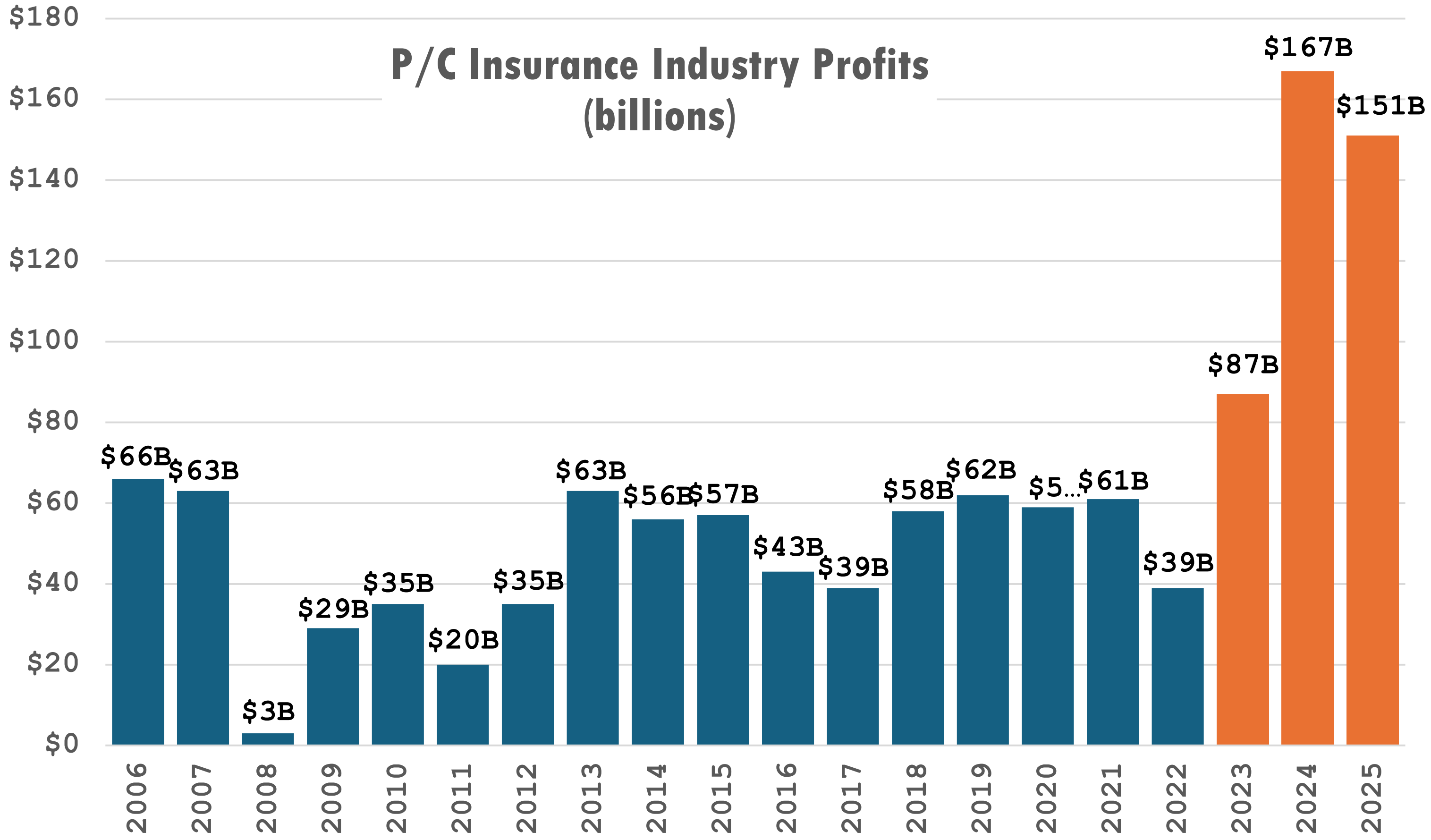
Insurers claim they needed to raise premiums because of increased losses. However, losses have stayed significantly lower than premiums for years.

These losses also include “incurred losses.” This is not cash paid out but rather the insurer’s own estimate of what claims might cost in the future.

Incurred losses frequently do not materialize and the money is absorbed back into the insurer’s bottom line.

Source: National Association of Insurance Commissioners (NAIC).

The result has been a surge in insurance industry profits.



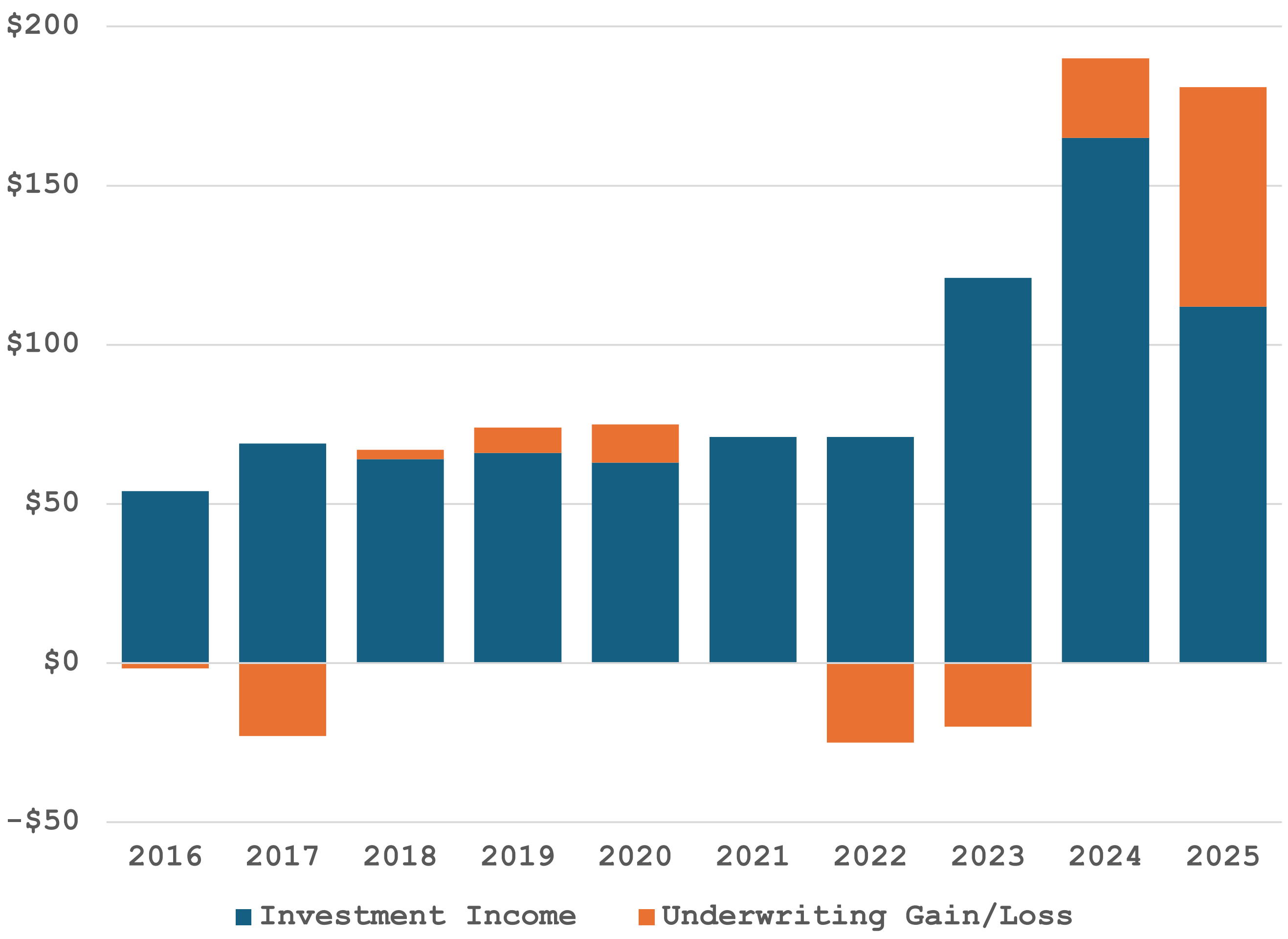
Between 2022 and 2023, profits jumped 123% to an all-time record.

The following year, profits jumped a further 92%.

Remember: unlike other products, insurance is a mandatory requirement under state law. Insurers, therefore, are required to maintain rates that are "not excessive, inadequate, or unfairly discriminatory."

Source: National Association of Insurance Commissioners (NAIC).

In addition to investment income, underwriting income has reached record levels.



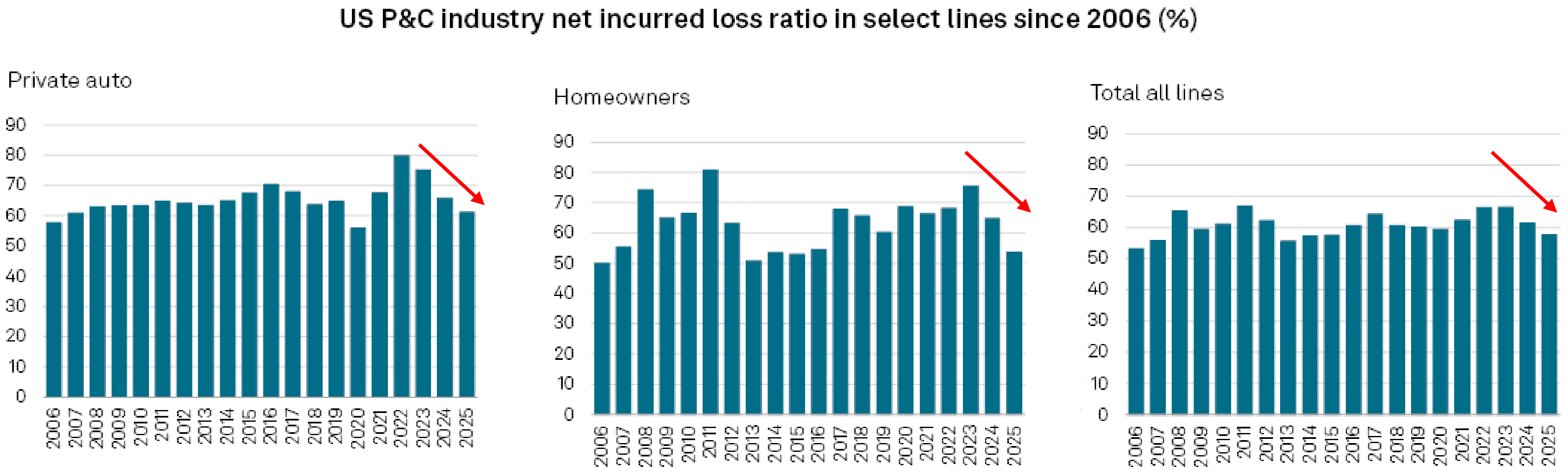
Underwriting income is the profit made from premiums minus claims paid and operating expenses before investment income.

Because of the unique structure of insurance (where revenue comes in first), investment income usually drives insurer results.

However, the last two years have seen record levels of underwriting income, indicating insurers are taking in far more than they are paying out.

Source: National Association of Insurance Commissioners (NAIC).

This is reflected in lower “loss ratios” across the industry.



The loss ratio is an indicator of how many premium dollars are spent on claims. A lower ratio indicates higher profitability.

Loss ratios are dropping across the country in most major insurance lines, indicating a national trend of higher profits. Source: S&P Global Intelligence

This is reflected in lower “loss ratios” across the industry.

Line	Loss Ratio
Total All lines	52%
Personal Auto	64%
Commercial Auto	67%
Homeowners	22%
Other Liability	73%

Loss ratios are generally very healthy across major lines of insurance in New Mexico.

All told, only 52 cents of every premium dollar goes to claims.

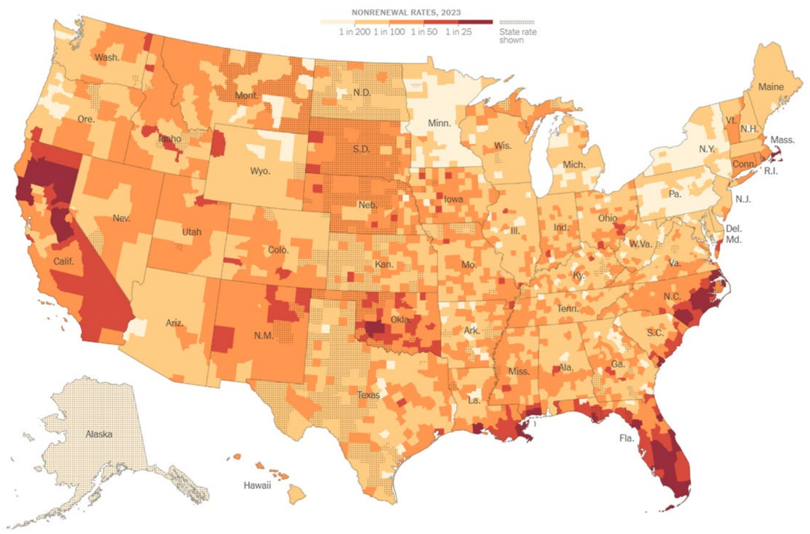
Source: National Association of Insurance Commissioners (NAIC).

The impact on consumers: in part, lower losses are driven by increasing claims denials and non-renewals.

Denials

- Insurers are denying claims at a higher rate than ever.
- The five biggest home-insurers as a group didn't pay out on more than 44% of claims resolved last year.
- The risk that a claim will result in no payment shot up from 36% a decade earlier.

Non-Renewals



Non-renewal of homeowner policies is increasing nationwide, particularly in coastal areas, and areas vulnerable to wildfires and hail.

Source: The Home-Insurance Coin Flip: Nearly Half of Claims Result in Zero Payout, Wall Street Journal, May 30, 2026; U.S. Senate Budget Committee.