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image

BRANDON BELL/ GETTY IMAGES A Southern California home last month after it was destroyed in the Palisades Fire.

Property Insurance Looks Rosy

Recent results have been strong despite inflation and disasters

Recent headlines about property and casualty insurance have been rough. Words including “crisis” have been used to describe the market, particularly in places like California.

But Warren Buffett recently used a different word to describe the improvement in his P& C insurance business at Geico in 2024: “spectacular.”

Recently reported fourth-quarter results show that last year was overall a strong one for publicly traded national property-and-casualty insurers, particularly in personal insurance. These are the primary insurers that write policies for homeowners, drivers and businesses. And despite the devastating California wildfires that started the catastrophe season early this year, things appear set up for that good performance to continue.

Of course, insurance is sometimes a matter of luck. But last year was hardly placid: Global insured losses from natural disasters reached $145 billion, more than 50% above the 21st-century average, according to the brokerage and risk manager Aon.

Yet over the past couple of years, insurers have successfully asked state regulators for permission to raise rates to compensate for higher loss costs, and those increases are now flowing through results. The average annual property- insurance premium for singlefamily homes with mortgages was up a record $276 in 2024, or 14%, according to Intercontinental Exchange’s ICE

Mortgage Monitor. Motor-vehicle insurance costs were 12% higher in January than a year prior, according to the Labor Department's consumer-price index.

Higher premiums are making up for some difficult years for insurers in the postpandemic period. A leap in underwriting profitability for some insurers in 2020, when far fewer people were driving and getting into accidents, was then met with an inflationary surge in many claims costs, such as what it cost to repair or replace a car. That rapid change in fortune made it tough for insurers to respond quickly with price changes. But now, pricing has caught up with costs in many business lines.

Buffett's **Berkshire Hathaway** has long made collecting insurance premiums, including through Geico, a key part of how it funds its investments. Geico's pretax underwriting profit was $7.8 billion last year, up from $3.6 billion in 2023 and a loss in 2022.

This was the pattern for many insurers. Industrywide, the personal- auto combined ratio—a measure of what an insurer pays out in claims and related expenses, as a percentage of premiums—is estimated at 98.8% for 2024, according to data compiled by the Insurance Information Institute. That represents an improvement from about 105% in 2023, and north of 110% in 2022.

And investors are jumping on the bandwagon. So far in 2025, P& C insurers in the S& P 500 are up about 7%, compared with declines for banks and the broader index.

Of course, the past often isn't the best guide to insurers' success. As Buffett often notes, insurers don't actually know their cost of goods sold—that is, the claims they will eventually be forced to pay out—until months, years or in some cases decades later.

Still, as best as can be discerned right now, the forward outlook for many big insurers looks promising. For one, there is a lot of growth potential in a market with rising rates. Large national carriers might now be able to grab additional market share just by keeping their rates steady or with small decreases in key growth markets, even as smaller or regional rivals might have to keep raising prices.

This past week, **Progressive** said its net premium growth last year was equivalent to adding the premium of 2023's eighth-largest auto insurer. "We feel really good about our pricing, and we'll continue to watch it very closely," Progressive Chief Executive Tricia Griffith said on the company's earnings call. "When we believe we can grow more, or that we want to let out some of that in terms of rate decreases like we did in Florida, we'll do so."

There could be further cost increases for insurers coming from tariffs, which would drive up the price of imported auto parts, lumber and other key inputs to claims coverage. But if tariffs take time to begin to affect prices, that would give insurers some time to adjust pricing before the full brunt of their effects. "Most personal insurers are fairly sanguine about potentially higher claim costs stemming from tariffs," KBW analysts said in a recent note.

Higher costs for the insurance that insurers buy, called reinsurance, aren't slowing down primary insurers right now. In the past couple of years, some primary insurers shifted their reinsurance to cover mostly "tail risk" events. This means they can get protection from big losses such as the Los Angeles wildfires, for which insured losses are estimated in the tens of billions. But many insurers tried to keep their overall reinsurance costs in check by not buying as much protection for lesser losses. That could be a benefit if underwriting results are strong, since they won't be sharing that boost with reinsurers.

As always with insurers, there is a looming possibility of a series of major losses, or that the next disaster will be "the big one." But Fitch Ratings recently wrote that in general strong capital levels, prudent management of aggregate risk and use of the reinsurance market can help the P& C industry weather volatility in losses from natural disasters.

Eliminating bigger risks would only be possible by getting out of the insurance business altogether— and for both investors and for society, that isn't the ideal path. Pricing those risks more accurately is the art of insurance.

—Telis Demos

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