

# WSJ Print Edition

## Insurers' Big Profits Draw Regulators' Ire

BY JEAN EAGLESHAM

Insurance companies that cover homes and cars are reaping the rewards of the inflation-busting price increases that have squeezed household budgets nationwide.

But the stark contrast between near-record profits and sharp rate hikes has put the industry in the regulatory firing line. Insurers are starting to feel the heat from the political wrangle over affordability.

New York Gov. Kathy Hochul, a Democrat, became this month the latest state official to advocate profits caps on insurers, to tackle escalating home- and "crushingly expensive" auto-insurance rates.

Her plan would require home insurers with "outsized profit margins" to lower or justify their rates, and review the profits threshold at which auto insurers are required to refund customers.

Also this month, lawmakers in states including Oklahoma proposed profit caps targeting insurance.

"The near-record profits are fueling tremendous anger... among people in every state," said Amy Bach, executive director of consumer group United Policyholders.

Travelers Cos., an insurer seen as a bellwether for the industry, reported on Wednesday net income last year jumped 26% to \$6.3 billion, up from \$5 billion in 2024. Chief Executive Alan Schnitzer said the results reflected exceptional performance across the business.

This quarter's round of insurer earnings will likely intensify the pressure for politicians to act. Companies are set to report even better results than 2024, when they recovered from

a postpandemic run of losses.

The property and casualty industry, which includes home and auto insurers, racked up last year its highest underwriting profit in almost two decades, according to S&P Global Market Intelligence forecasts.

Rate increases are feeding into the political conversation about how to tackle rising prices more generally in the economy. President Trump recently floated a slew of ideas, from capping credit-card rates to banning big investors from buying single-family homes.

The industry's financial well-being is at odds with the experience of many of its customers.

Rates on home-insurance policies continue their relentless upward trajectory. States approved last year increases averaging 6% nationwide, according to S&P. That is an improvement on the double-digit increases of the previous two years, but still more than double last year's rise in consumer prices, the data show.

Homeowners in some states are even worse off. In wildfire-prone Colorado, approved rates have more than doubled since 2020, including a highest-in-the-nation hike of 21% last year, according to S&P. No state sanctioned a decrease in home-insurance rates last year.

In contrast, drivers are starting to feel the benefit of insurers' increased profitability, although much depends on where they live.

Nationally, rates were little changed last year, the S&P data show. Approved rate cuts of up to 6% in many states were offset by increases elsewhere, including 10% in New Jersey.

Insurers said profit curbs are often counterproductive. Restricting profits reduces competition and can prompt an exodus from a market, according to the industry.

“We wouldn’t want other states to force [insurers to exit] for reasons of political rhetoric,” said Sean Kevelighan, chief executive of industry body the Insurance Information Institute. He described the current levels of profitability as “really a catchup” from postpandemic losses.

Even as profit margins on car insurance narrow, companies appear determined to resist the kinds of price cuts that would send them into losses.

“There seems to be this view that we’re all going to, like, slice our own throats,” Tom Wilson, chief executive of insurer Allstate, told an analysts conference last month. Companies aren’t in that --mode, he said: “We can keep making money.”

The escalating threat of such regulation—in New York and elsewhere—has hit insurance company stocks in recent weeks, analysts said.

The seeming disparity between higher industry profits and slow-to-fall rates is partly a function of how the market works, analysts said. The more money insurers make selling a policy, the more they typically compete to win new customers, in part by cutting rates.

But changes to home and auto insurance policies can take months to be approved, and regulators typically work off historic data, so profits can take a long time to filter through to prices.

“There’s a time lag that can create a mismatch between market conditions and rates,” said Tim Zawacki, an S&P analyst. Consumers typically benefit from this when insurers are in the red and can’t raise rates quickly, but lose out when the industry swings back to profit.

Insurers have been more cautious about rate cuts than in past cycles because some significantly cut prices during the pandemic and then lagged behind rivals in returning to profit after inflation spiked, said Michael Zaremski, an analyst at BMO Capital Markets.

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