



WHAT TO EXPECT IN 2025

GEN RE
EXECUTIVE FORUM
JANUARY 14, 2025



NAMIC MEMBERSHIP AT A GLANCE



1,300

NAMIC
Member
Companies



\$383B

Represented in
Annual Premiums



6 of Top

U.S. P/C
Companies
Among
Membership



48

Of the U.S. Auto
Insurance Market



61%

Of the U.S. Home
Insurance Market



25%

Of the U.S.
Business
Insurance Market



NAMIC OVERVIEW

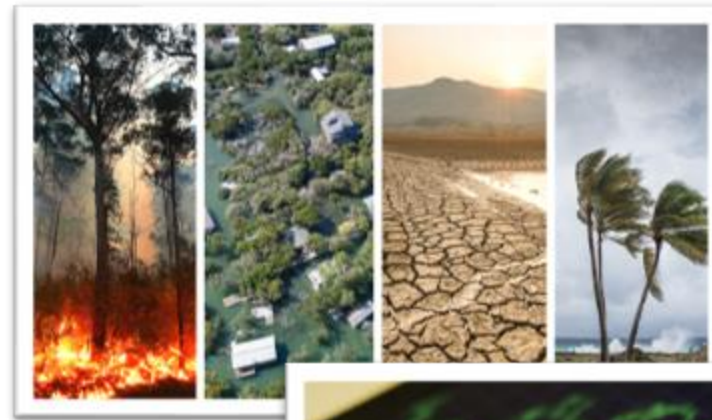
- NAMIC Profile
 - \$55 million in revenue, including affiliates and the association's insurance company, NAMICO
 - 25 advocates and policy experts in Washington D.C. and across U.S.
 - Largest insurance company trade PAC in America -- \$1.3M per election cycle





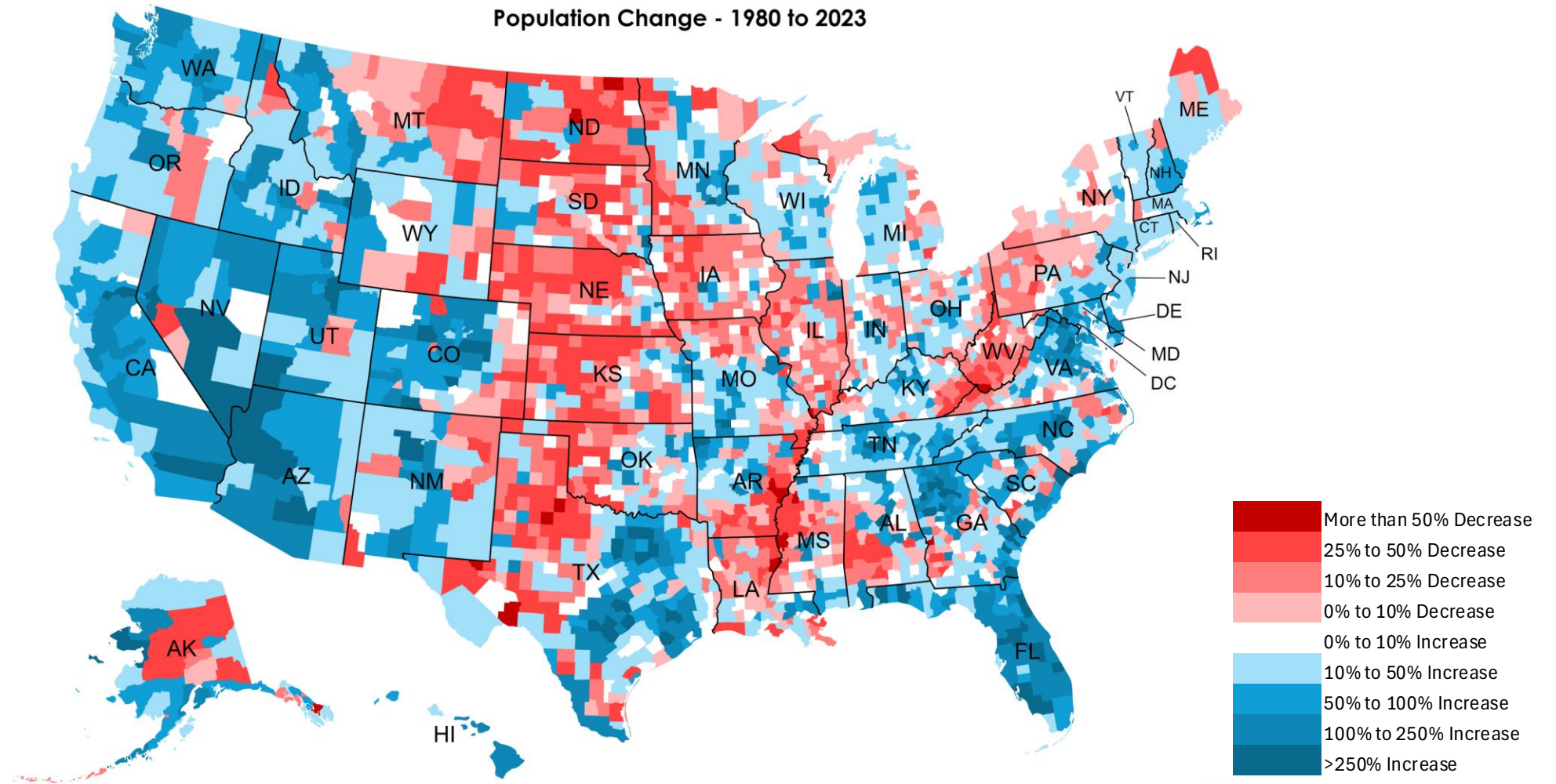
FACING A NEW ERA OF RISK

- Several pressures are converging on the industry all at once:
 - Extreme weather
 - Inflation & economic pressures
 - Legal system abuse





PART OF THE PROBLEM: PEOPLE MOVING TO RISKIER AREAS





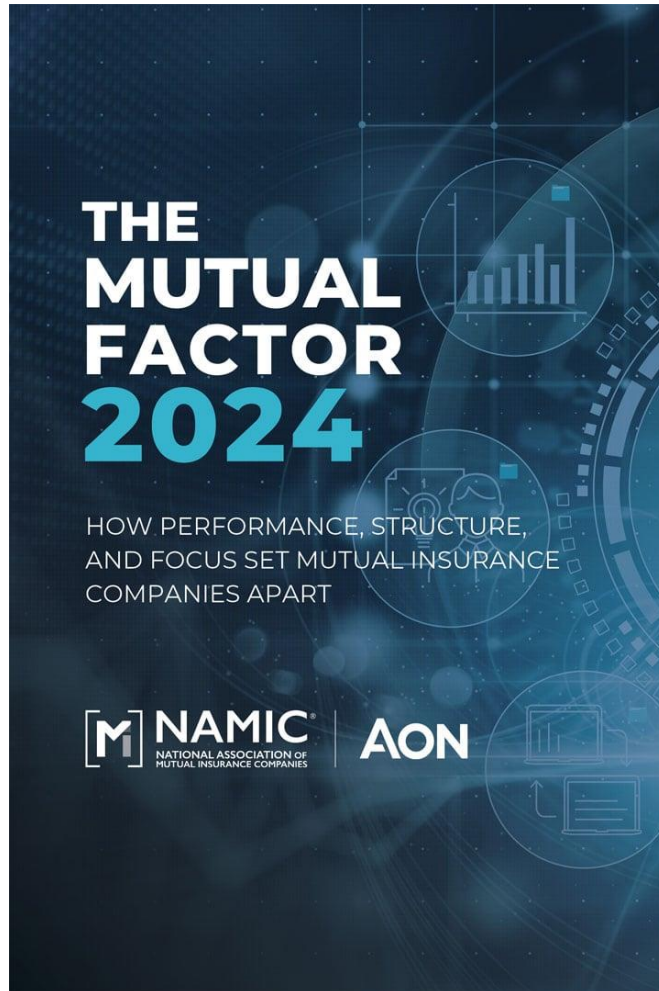
SEEKING SOLUTIONS

- NAMIC is helping lead the way by advocating for:
 - Investment in mitigation and resilience, stronger building codes
 - Accurate pricing that matches rate to risk and increases competition
 - Guardrails around legal system abuse
 - Private sector risk transfer to the global reinsurance market





THE MUTUAL FACTOR 2024



[Access the report at namic.org](https://namic.org)

Key financial performance findings:

- The combined ratio for mutual insurers for Q2 2024 was 103.6, compared to 113.7 during the same period in 2023, largely as a result of what and where many do business.
- Other insurers saw combined ratios of 94.3 in Q2 2024 versus 100 in Q2 of 2023, reflecting their focus on returns.

Key consumer survey findings:

- Of respondents familiar with mutual insurance companies, 88% said they were somewhat or very likely to choose a mutual insurance company for their next auto or home insurance purchase.
- 28% made a change in insurance company recently. Of those who made changes, 65% reported it being due to

WASHINGTON UPDATE



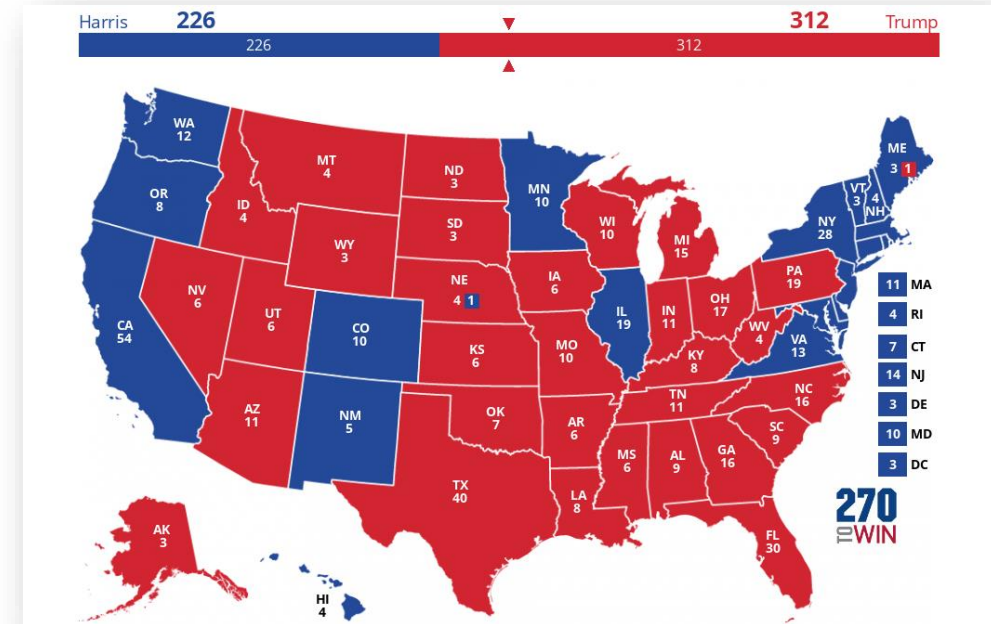


2024 → 2025

Historic 2024 election sees Donald Trump prevail over Kamala Harris to complete his political comeback and win a second term in the White House.

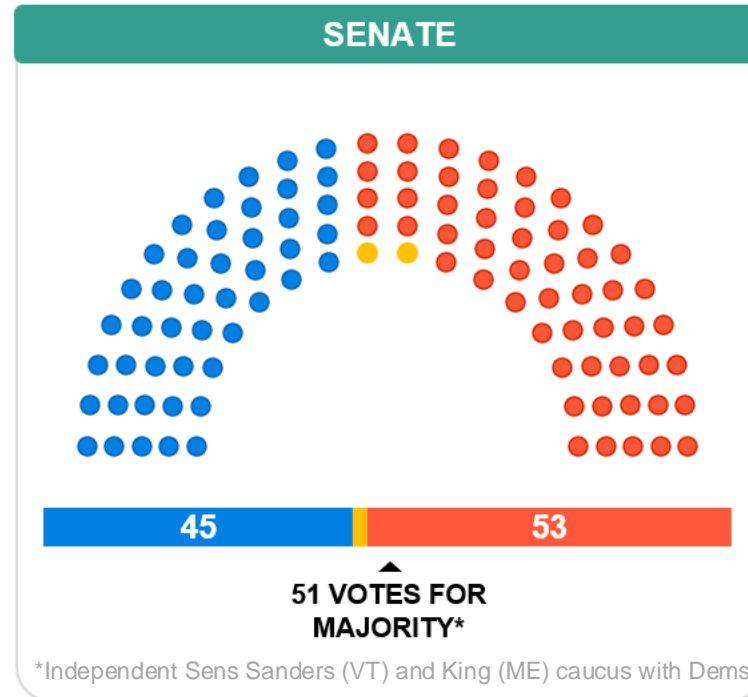
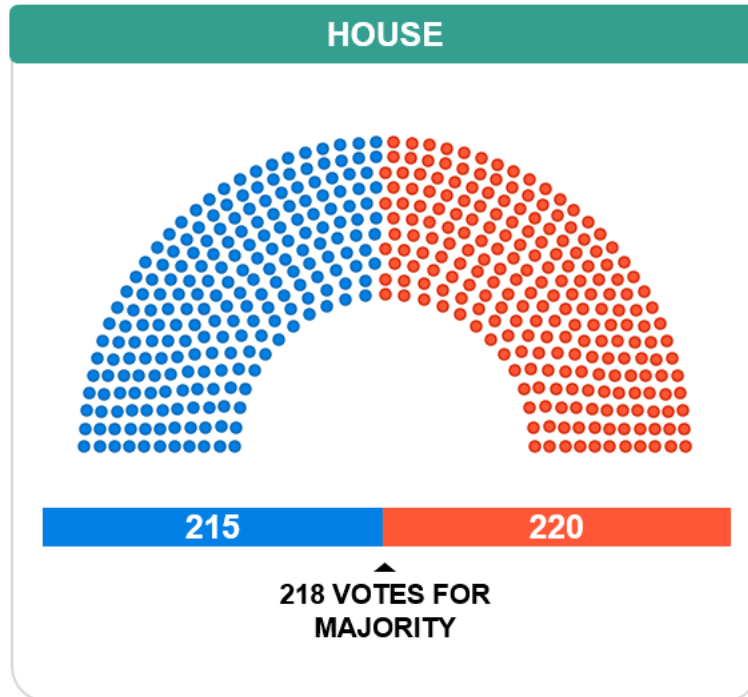
- Won all 7 swing states
- Electoral College 312-216
- First Republican to win popular vote in 20 years
- First president since Grover Cleveland in late 1800s to serve non-consecutive terms

Economy, border/immigration, crime all leading issues & too much to overcome for Democrats Joe Biden and Kamala Harris





119TH CONGRESS: GOP TRIFECTA



Newly elected Senate Majority Leader John Thune (R-SD) & House Speaker Mike Johnson (R-LA)

Republicans swept the 2024 elections, delivering Trump full control for his second term – at least for 2 years.

- **Senate:** GOP flips Upper Chamber for a sizeable 53-47 majority; McConnell makes way for Thune
- **House:** Republicans hold onto even slimmer majority; Trump helps Johnson get reelected



NEW BLOOD ATOP COMMITTEES

2025 brings with it some new faces in leadership posts on key committees considering insurance issues.

Senate Banking: Sen. Tim Scott (R-SC) takes over as Chair, with Elizabeth Warren (D-MA) replacing defeated Sherrod Brown (D-OH)

Senate Budget: former Chair Sheldon Whitehouse (D-RI) relinquishes gavel, must stop investigations

House Financial Services: Ranking Member Maxine Waters (D-CA) stays on, with Rep. French Hill (R-AR) assuming Chair from outgoing Rep. Patrick McHenry (R-NC)



Sen. Elizabeth Warren



Rep. French Hill



Brown with Sen. Tim Scott



Sen. Sheldon Whitehouse



Rep. Maxine Waters



GOP AGENDA

While Congress will have to juggle Gov't Funding, Debt Limit, nominees, and reconciliation plans...

A second Trump admin will seek to extend signature 2017 Cuts and Jobs Act while also taking a more business-minded regulatory approach.

Other priorities should include rolling back Biden-era rules (climate, ESG), government efficiency, economy, energy, immigration/border, AI, crypto, etc.



Treasury Secretary Nominee Scott Bessent



2025 FEDERAL ISSUES

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES



FEDERAL FORAYS: INSURANCE REGULATION

After more active federal agencies & “whole of government” approach under Biden, a Trump administration could reexamine:

- NAMIC’s longstanding challenge to Department of Housing and Urban Development disparate impact rule
- Federal Housing Finance Agency and government-sponsored entities Fannie Mae and Freddie Mac guidance mandating replacement cost policies
- U.S. Treasury’s Federal Insurance Office utility and existence given new regulatory environment





FEDERAL INSURANCE OFFICE



President Obama signs the Dodd-Frank Wall Street Reform and Consumer Protection Act into law in 2010 – in response to the financial crisis of 2008.

9 Insurance Commissioners Urge DOGE to Junk FIO

By [Chad Hemenway](#) | December 23, 2024

From 2021-2024, FIO was a more active office, launching unprecedented and unnecessary workstreams under guise of climate-related financial risk. This activity was met with vocal opposition by NAMIC, industry, Congress, and state regulators.

FIO was created to “monitor all aspects of the insurance sector” but is prohibited from any regulation of the insurance industry. Now, abolishing FIO is an open question and **NAMIC will continue supporting efforts to reform the office, both regulatory & legislative.**



TAX REFORM

- 2025 Tax Reform is coming HERE
- In 2017 Tax Cuts and Jobs Act (TCJA)
 - Most provisions set to expire
 - Corporate rate 35% to 21%
 - Statutory Accounting Principles
 - Maintain Treatment under Subchapter L
 - Preserve NOL carrybacks
 - Maintain Deductibility of loss reserve
- Elections mean this can be carried out via reconciliation (simple majority in House & Senate)





LEGAL SYSTEM ABUSE

One of the most significant cost drivers for p/c insurers is legal system abuse. Over recent years, insurers' claims costs have risen above general economic inflation.

A leading facilitator of this abuse is **Third-Party Litigation Funding**

TPLF: a side agreement where an investor that is not party to a lawsuit provides funding to a plaintiff or law firm in exchange for a large portion of any settlement

\$17 Billion: 2023 total in global TPLF assets

- Over half deployed in U.S., expected to grow to \$31B by 2028



At federal level, NAMIC is supporting transparency and disclosure efforts, especially with scary discovery of foreign investment. We are also leading a coalition seeking to materially reduce TPLF impacts via updates to current tax law – Americans for Litigation Tax Fairness. The issue is ripe on Capitol Hill and potential path in tax reform.

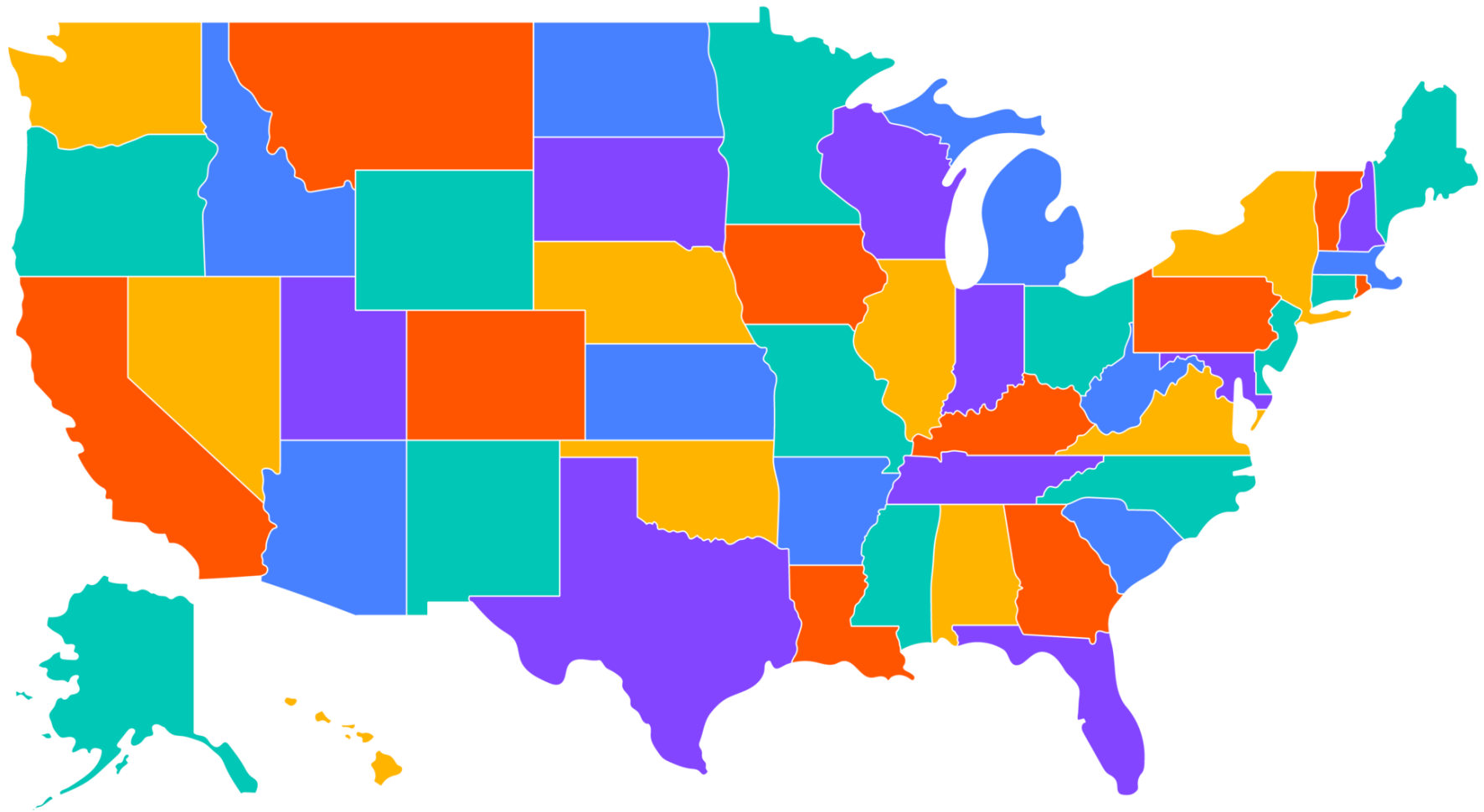




RESILIENCY

- As carriers withdraw or reduce their footprint in certain high-risk markets, certain policymakers have embraced **false narratives of greed and climate alone** as the cause
- On Capitol Hill, NAMIC is taking proactive approach bringing real solutions to interested parties:
 - Adoption and enforcement of up-to-date, modern building codes
 - Residential retrofit programs
 - Investing more in the front-end via FEMA's Building Resilient Infrastructure and Communities Program
 - Wildfire - More proactive approach encompassing both built & natural environment, given proliferation of WUI





2025 STATE ADVOCACY

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES



2024 ELECTIONS

Pre-elections: In 40 states, one party had “trifecta” control of the governorship, state House, and Senate, a 30-year high

On the ballot:

- 11 gubernatorial races
- Five insurance commissioner races
- Races for 85 of the 99 state legislative chambers

Results largely status quo:

- Post-elections: Republicans have 22 trifectas plus supermajority control of NE’s unicameral legislature and governor’s office
- Democrats lost two trifectas to have 15
- 12 states to have divided government

Trifecta election results, 2024

Showing election results in the states with gubernatorial and/or state legislative elections in 2024.

Democratic:

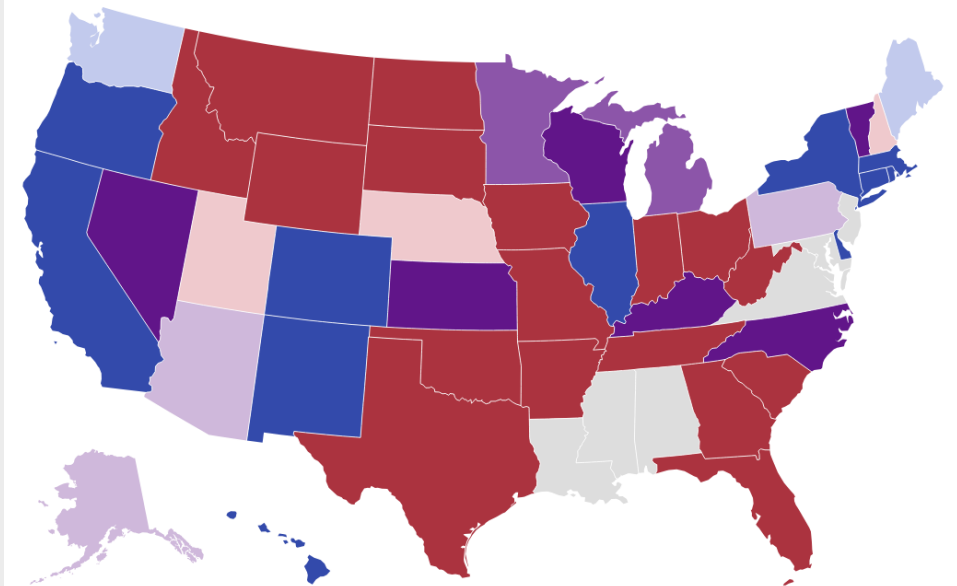
Gain Hold

Republican:

Gain Hold

Divided government:

Gain Hold

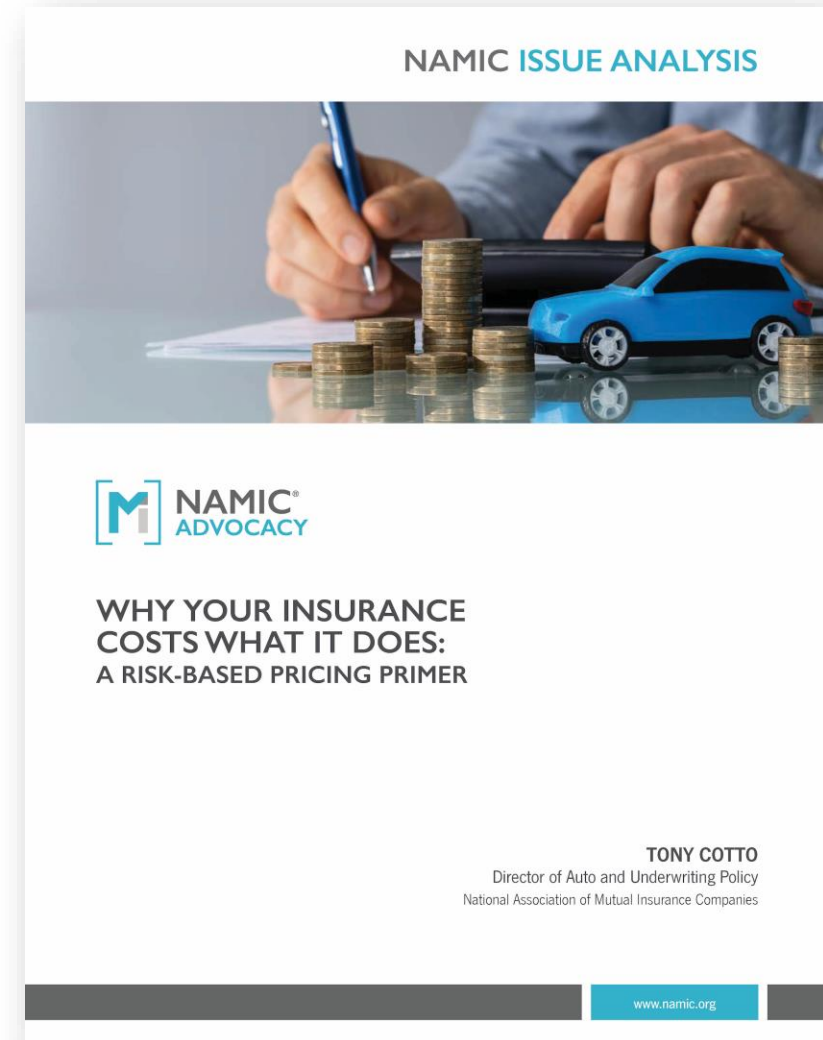


BALLOTEDIA



- **Illinois** bills banning proven rating and underwriting factors and requiring outcomes analysis, rate approval
- **NY DFS** circular letter on bias testing and external data released, NAMIC evaluating next steps
- **46 measures across states that impact risk-based pricing** including:
 - Prohibitions on factors
 - Non-cancellation
 - Outcomes consideration

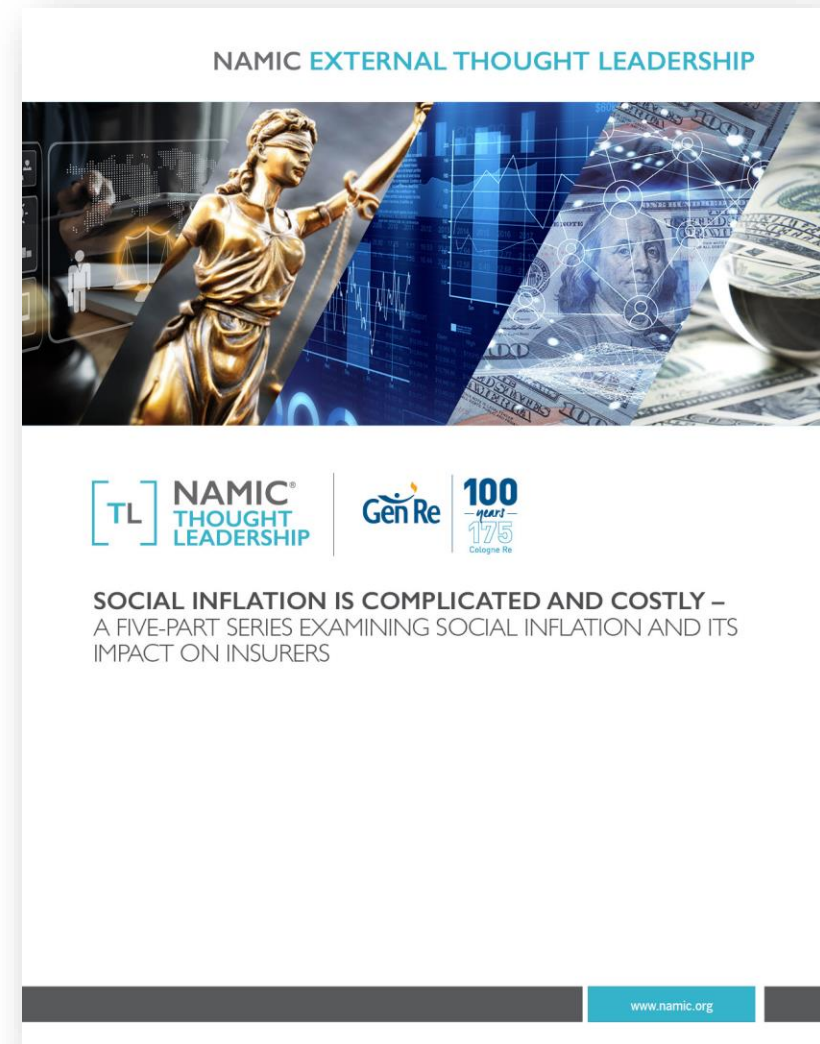
RISK-BASED PRICING





NEW ERA OF RISK ISSUES IN THE STATES

- Legal System Abuse
 - Bad Faith expansion bills considered in:
 - New York, Michigan, Washington, Virginia, and Oregon
 - Threats to insurer subrogation
 - NAMIC on offense:
 - Tort Reform
 - Third-Party Litigation Funding
 - Collateral Source Reform
 - Public Adjuster Abuse Reforms





NEW ERA OF RISK ISSUES IN THE STATES

- **Climate & Wildfire Risk**
 - States increasing discussions on:
 - Residual markets
 - State provided reinsurance
 - State funding for mitigation
 - NAIC leading nationwide data call with fundamental flaws
- **Regulatory Reforms**
 - California DOI implementing reforms to allow net cost of reinsurance in rates, FAIR plan assessment recoupments, CAT Model use in rating/underwriting, and streamlining rate review approvals and intervenor process restrictions





ARTIFICIAL INTELLIGENCE

■ AI Proposals

- With no action from Congress, states are focused on AI safety, transparency, and algorithmic discrimination
- NAIC adopted a model bulletin on use of AI systems, which introduces "bias" as a new metric for judging insurer conduct
 - 21 insurance departments have adopted a similar approach
- D.C. discussing legislation and rules





OTHER KEY STATE ISSUES

- Emerging Technology & Modernization
 - Transparency Proposals
 - Value-added Service Rebating Reform
 - Automated Vehicles
- Distracted and Impaired Driving
 - NAMIC has increased engagement with:
 - Governor's Highway Safety Association
 - National Distracted Driving Coalition
 - National Alliance to Stop Impaired Driving





2025 JUDICIAL ADVOCACY

NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES



FIRST PARTY LITIGATION

- U.S. Department of Housing and Urban Development's Disparate Impact Rule:
 - NAMIC's challenge to the rule is under appeal
 - U.S. District Court upheld rule in September 2023
 - D.C. Circuit held an oral argument November 20th, 2024, signaling skepticism on NAMIC's standing to bring a challenge
 - Rule will likely be impacted by incoming Trump administration
- Other considerations:
 - NY Circular No. 7 – Disparate Impact for AIS and ECIDS (NAMIC did not challenge)
 - NJ Attorney General Disparate Impact Rule (NAMIC considering challenge)

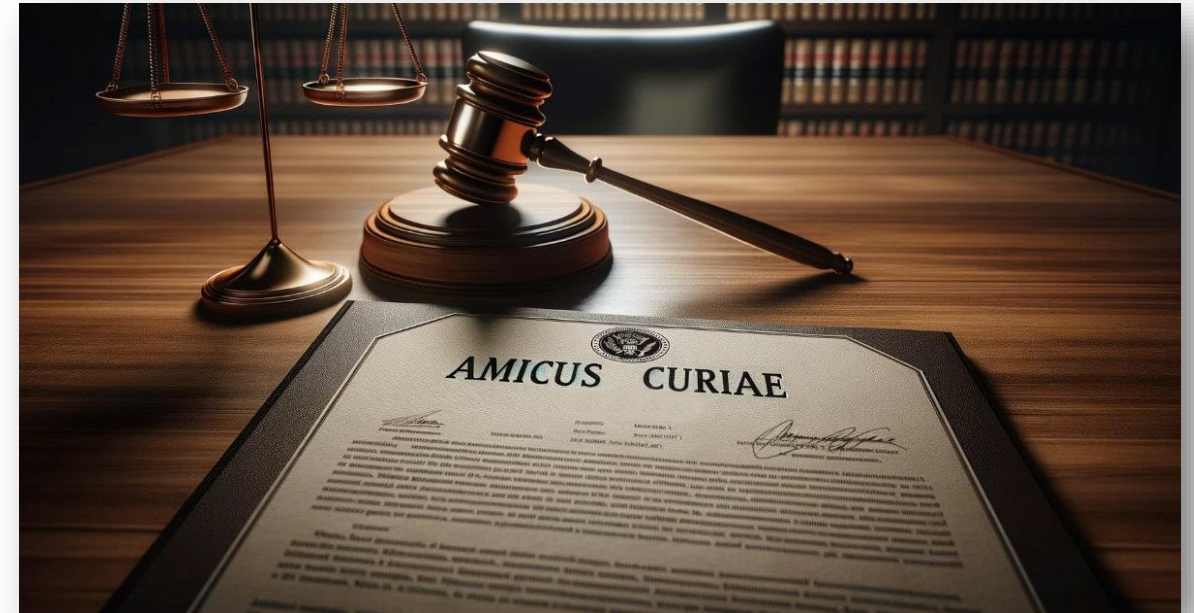




AMICUS PARTICIPATION

NAMIC filed **21 amicus briefs** in 2024

- Sourced cases from state trade partners, member companies and other industry stakeholders.
- Highlights include:
 - Country Mutual venue (where insurers fight matters)
 - Hawaii wildfire subrogation
 - New Mexico Commissioner's unilateral ALE mandate without claim support





DEFENDING THE MUTUAL IDENTITY

Sudholt v. COUNTRY Mutual

- Case is currently pending in Illinois state court
- NAMIC filed in support of COUNTRY Mutual's attempt to remove to federal court, which SCOTUS denied
- Case could have lasting impact on mutual insurance industry in Illinois and beyond
- Final resolution unlikely this year
- NAMIC will continue to defend mutual insurers via support in this case





THANK YOU!
Questions?