NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

317.875.5250 | [F] 317.879.8408
3601 Vincennes Road, Indianapolis, Indiana 46268

202.628.1558 | [F] 202.628.1601
20 F Street N.W., Suite 510 | Washington, D.C. 20001

August 19, 2025

South Carolina House Insurance Rate Review Ad Hoc Committee
South Carolina Statehouse
1100 Gervais Street
Columbia, SC 29208

Re: August 19th Insurance Rate Review Ad Hoc Committee Hearing

Members of the House Insurance Rate Review Ad Hoc Committee:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), thank you for the opportunity to provide written testimony to provide insight of the current state of insurance rates in South Carolina and across the United States.

NAMIC is the largest property and casualty insurance trade association in the country, with over 1,300 member companies. We support regional and local mutual insurance companies as well as some of the country's largest national insurers.

Since its inception, the property/casualty insurance industry in the United States has concentrated on helping policyholders find ways to identify, minimize, and mitigate their risks. Property/casualty insurers exist to protect policyholders consistent with a legal contract that governs the terms for providing coverage protecting homes, businesses, and automobiles from financial loss.

Despite best efforts, property/casualty insurers find themselves threatened by new levels of claims, which include increasingly costly disasters, lawsuits, and other actions. Together these realities have driven combined ratios to over 100 for many companies, meaning that between claims and expenses, they are paying out more than they are taking in from premium.

For yearend 2024, the combined ratio for homeowners' insurance in South Carolina 143.9% which means for every $1 of premium collected, $1.44 was paid out. The combined ratio in 2021 was 78.5%, 2022 94.8%, and 2023 88.2%; however, the losses incurred in 2024 wiped out the previous three years of positive underwriting results. With respect to auto insurance, the combined ratio in South Carolina: 95.8% in 2024, 103.8% in 2023, 113.3% in 2022- with the 10-year average of 104.3%.

In a recent press release highlighting the recent auto insurance decreases in Louisiana, Commissioner Tim Temple said, "as cost drivers in the market go down, losses go down with them, and businesses are incentivized to complete for customers through lower pricing". If South Carolina wants to lower the cost of insurance, you must first reduce the cost drivers in the market which will result in losses going down and ultimately allow for a downward pressure on rates.

Regarding the availability and affordability concerns that have been raised in South Carolina and across the country, there are four consequential developments facing the current property/casualty insurance market as the industry works to adapt to the new era of risk: (1) Extreme weather; (2) Economic and inflationary pressure; (3) Legal system abuse; and (4) Regulatory overreach.

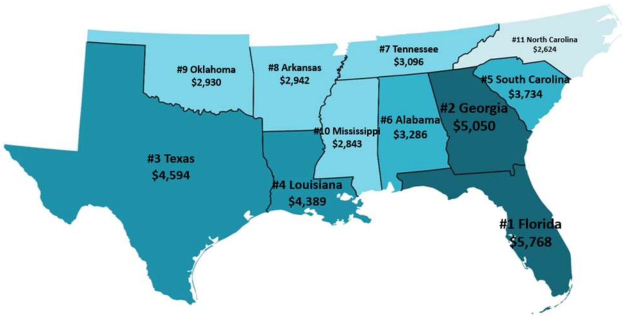
1. **Extreme weather:** While weather challenges are far from unfamiliar territory for insurers, recent increases in the frequency of extreme weather events accompanied by inflationary pressure on materials and labor needed to repair and rebuild pose new levels of difficulty for carriers providing coverage. More hurricanes, severe convective storms, and wildfires significantly complicate carrier efforts to help policyholders rebuild after an event.

   For perspective, according to NOAA's National Centers for Environmental Information, in 2024, there were 27 billion-dollar disasters across the United States. Hurricane Helene caused catastrophic damage across the southeast and became the deadliest natural disaster in the mainland United States since Hurricane Katrina in 2005. The storm was responsible for approximately $75 billion in economic losses and $17.5 billion in insured losses were incurred[1]. While insures cannot stop extreme weather, the focus in this area is to better understand, support and fund mitigation and resilience efforts. It is essential to see meaningful risk reduction at scale when it comes to learning how to live with extreme weather. This requires strengthening the built environment through the adoption and enforcement of the most modern statewide building codes.

2. **Economic/Inflationary Pressure:** The confluence of new era of risk developments is collectively exacerbated for insurers finding themselves forced to respond to lingering post-COVID supply chain challenges, inflationary spikes, and record growth in claims expenses. Insurance tends to lag other industries in terms of responding to changes to market conditions due to the retroactive nature of the business as premiums collected today are to cover the losses of tomorrow. Of note for insurers are the continued elevated prices of building materials, auto parts, and labor – the key elements necessary for insurers to fulfill their commitments to policyholders in times of need.

3. **Legal System Abuse:** The origins and causes of legal system abuse have been around for several decades. While they may have operated in separate vacuums or silos in years past, in the new era of risk, these abuses have systematically and concertedly whipped many legal hazards into a cost-causing storm within the legal community. This is not the result of a single decision, but a confluence of developments, including:

[1] 25_MutualFactor_MidYear.pdf



a. Third Party Litigation Funding
b. Attorney Advertising
c. Removal of guardrails on non-economic damages
d. Expansion of insurance bad faith standards
e. And Prejudgment and Post-Judgement Interest among others

These systemic challenges have a direct financial impact on households in South Carolina. Among the southern states, South Carolina has the fifth highest tort tax per household ($3,700) which is driven by excessive litigation and inefficiencies within the legal system. Notably, three of the four states with a greater tort tax, recently enacting significant tort reform efforts to reduce cost drivers in their respective markets. You’ve heard from other panelists on specific challenges in the legal system here in South Carolina.

NAMIC advocates for fair claims settlement laws—laws that balance the need to protect consumers while giving insurers the flexibility to resolve disputed claims without expensive litigation that drives up costs that invariably put upward pressure on rates.

4. **Regulatory Overreach:** The insurance industry is already one of the most heavily regulated industries in the country. Property/casualty insurance regulation has traditionally been left to the states. But as insurance discussions become more mainstream, many legislators and regulators are seeking more involvement in the business. While interest in the issues that impact constituents is understandable, more involvement can grow into overreach when interest moves into a level of control of private business. Regulatory overreach can lead to duplicative work and increased costs that can hinder insurers from accomplishing their core mission of keeping their promises to their policyholders.

   For example, while South Carolina is technically a flex rating state, meaning prior approval is needed only for rates if they exceed a certain percentage (7%) above the previous rates, individual components of a filing are subject to prior approval - including the profit provision within the rate filing - among other provisions that can affect the overall rate. The result is that proposed overall rate changes can be and are driven down, thereby making South Carolina an effectively prior approval state when it comes to the issue of rates that insurance companies can charge. The reality is that South Carolina's rates are already considerably lower as compared with other states in the region. This was outlined during a previous meeting of the Committee when an overview of the cumulative rate increases of neighboring states over the last several years compared to South Carolina. South Carolina has experienced around half of the cumulative rate increases of states in the region which strongly suggests that South Carolina has artificially low rates that do not reflect the true market.

Conclusion:

South Carolina is critical to the well-being of the U.S., given the role it plays in the nation's food, fiber and timber supply, manufacturing sector, international shipping sector, and in our national defense. For these sectors to work efficiently, the insurance markets need to work well. That's why we're appreciative of the opportunity to share our ideas on how policymakers can take steps to lower cost drivers and improve the state's insurance market to continue its vital role in the well-being of the U.S.

As we continue to face growing uncertainty, insurers must stand firm in identifying, assessing, and pricing risk – leaning into the future with all the tools at their disposal to help policyholders and manage and mitigate risk as it is, not as we would like it to be.

Sincerely,

Matthew Overturf

Matthew Overturf
Assistant Vice President, State Affairs

Gina Rotunno

Gina Rotunno
Regional Vice President, Mid-Atlantic