

Industry Outlook

Insurance - Property and Casualty

Industry Rank: Top 9% (23 out of 250)

Sector: Finance

Sector Rank: Top 7% (1 out of 16)

Industry Description

The Zacks Property and Casualty Insurance industry comprises companies that provide commercial and personal property insurance, and casualty insurance products and services. Such insurance helps to safeguard property in case of any natural or man-made disasters. Liability coverages are also provided by some industry players. The insurance coverage offered also includes automobiles, professional risk, marine, excess casualty, aviation, personal accident, commercial multi-peril, and professional indemnity and surety. Premiums are the primary source of revenues for these insurers. Better pricing and increased exposure drive premiums. These companies invest a portion of premiums to meet their commitments to policyholders. However, a likely interest rate cut in September and prospects of more later in the year raise concerns.

Industry Vs. iShares Core S&P 500 ETF - 1 Year



Top 3 Industry Players (By Market Cap)

Berkshire Hathaway Inc (BRK.A)

Berkshire Hathaway Inc (BRK.B)

The Progressive Corporation (PGR)

Industry Trends

Better pricing to help navigate claims: Catastrophes are a concern for insurers due to the high degree of losses incurred. Insurers implement price hikes to ensure uninterrupted claims payment. Global commercial insurance prices remained flat in the second quarter of 2024 after improving for 26 straight quarters, per Marsh Global Insurance Market Index. Better pricing will help insurers write higher premiums and address claims payment prudently. Per Fitch Ratings, personal auto is likely to deliver better performance in 2024. This, coupled with better investment results and lower claims, should fuel insurers' performance next year per Fitch Ratings. Per Deloitte Insights, gross premiums are estimated to increase sixfold to \$722 billion by 2030. China and North America should account for more than two-thirds of the global market, per the report. Analysts at Swiss Re Institute predict premiums to grow 7% in 2024 and 4.5% in 2025.

Catastrophe loss induces volatility in underwriting profits: The P&C insurance industry is susceptible to catastrophe events, which drag down underwriting profits. Per a Colorado State University (CSU) report, 2024 will have a very active hurricane season. AM Best estimates cat loss to contribute 680 basis points to the expected

Key Metrics	Industry	Sector
YTD Return	24.63%	14.02%
1-Year Return	29.17%	28.01%
Beta	0.62	0.87
Hist. EPS Growth	9.26%	5.75%
Proj. EPS Growth	22.57%	2.15%
Hist. Sales Growth	7.86%	9.78%
P/E F1	12.77	11.56
PEG	1.59%	1.55%
P/B	1.59	1.07
P/S	1.21	1.94

combined ratio of 100.7 in 2024. Swiss Re estimates combined ratio to improve from the 2023 level to 98.5% in both 2024 and 2025. Aon estimates the first half of 2024 incurred total economic losses of \$117 billion, whose 50% is covered by insurance. Underwriting profitability is expected to be under pressure, primarily due to soft performance in personal lines, which are expected to witness higher catastrophe losses per Insurance Information Institute and Milliman. Nonetheless, they expect profitability in 2025. Exposure growth, better pricing, prudent underwriting and favorable reserve development will help withstand the blow. Also, frequent occurrences of natural disasters should accelerate the policy renewal rate.

Merger and acquisitions: Consolidation in the property and casualty industry is likely to continue as players look to diversify their operations into new business lines and geography. Buying businesses along the same lines will also continue as players look to gain market share and grow in their niche areas. With a sturdy capital level, the industry is witnessing a number of mergers, acquisitions and consolidations. Deloitte estimates more mergers and acquisitions in the reinsurance space in 2024.

Increased adoption of technology: The industry is witnessing increased use of technology like blockchain, artificial intelligence, advanced analytics, telematics, cloud computing and robotic process automation that expedite business operations and save costs. The industry has also witnessed the emergence of insurtechs or technology-led insurers. Insurers continue to invest heavily in technology, generative AI in particular, as it is expected to improve basis points, scale and efficiencies. However, the use of technology poses cyber threats.

Zacks Industry Rank Indicates Bright Prospects

The group's Zacks Industry Rank, which is basically the average of the Zacks Rank of all the member stocks, indicates rosy prospects in the near term. The Zacks Property and Casualty Insurance industry, which is housed within the broader Zacks Finance sector, currently carries a Zacks Industry Rank #23, which places it in the top 9% of more than 250 Zacks industries. Our research shows that the top 50% of the Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

The industry's positioning in the top 50% of the Zacks-ranked industries is a result of a positive earnings outlook for the constituent companies in aggregate. Earnings estimates for the current year have increased 12% year over year.

Before we present a few property and casualty stocks that you may want to consider for your portfolio, let's take a look at the industry's recent stock-market performance and valuation picture.

Industry Matches Sector, Underperforms S&P 500

The Property and Casualty Insurance industry has performed in line with its sector but underperformed the Zacks S&P 500 composite over the past year.

The stocks in this industry have collectively risen 27% in a year compared with the Zacks S&P 500 composite's increase of 28.4%.

One-Year Price Performance



Current Valuation

On the basis of the trailing 12-month price-to-book (P/B), which is commonly used for valuing insurance stocks, the industry is currently trading at 1.56X compared with the S&P 500's 8.56X and the sector's 3.6X.

Over the past five years, the industry has traded as high as 1.59X, as low as 0.96X and at the median of 1.38X.

Price-to-Book (P/B) Ratio (TTM)



Price-to-Book (P/B) Ratio (TTM)



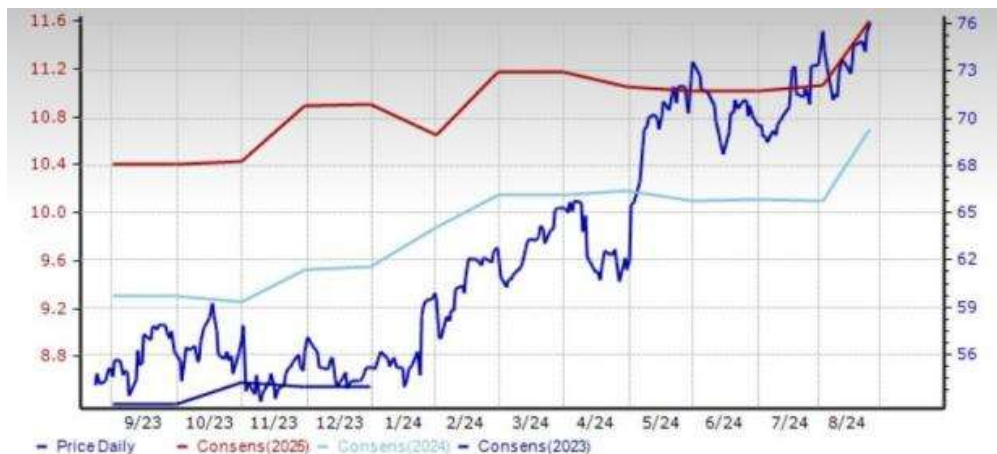
5 Property and Casualty Insurance Stocks to Bet On

Here, we are discussing two Zacks Rank #1 (Strong Buy) and three Zacks Rank #2 (Buy) stocks from the P&C Insurance industry.

Axis Capital Holdings: Bermuda-based Axis Capital focuses on growth areas, including wholesale insurance and lower middle markets, deploying resources prudently while enhancing efficiencies and improving its portfolio mix and underwriting profitability. AXIS Capital is also working with its distribution partners to use expanding digital capabilities to create new business growth in desirable smaller accounts. AXS, aiming for leadership in specialty risks, has an impressive dividend history. It has hiked dividends for 18 straight years and boasts one of the highest dividend yields among its peers. It sports a Zacks Rank #1.

The Zacks Consensus Estimate for AXS' 2024 and 2025 earnings suggests 8.6% and 8.4% year-over-year growth, respectively. The consensus estimate for 2024 and 2025 has moved up 3 cents and 4 cents respectively, in the past seven days. The company delivered a four-quarter average earnings surprise of 94.62%. The expected long-term earnings growth rate is pegged at 27.8%, better than the industry average of 11%.

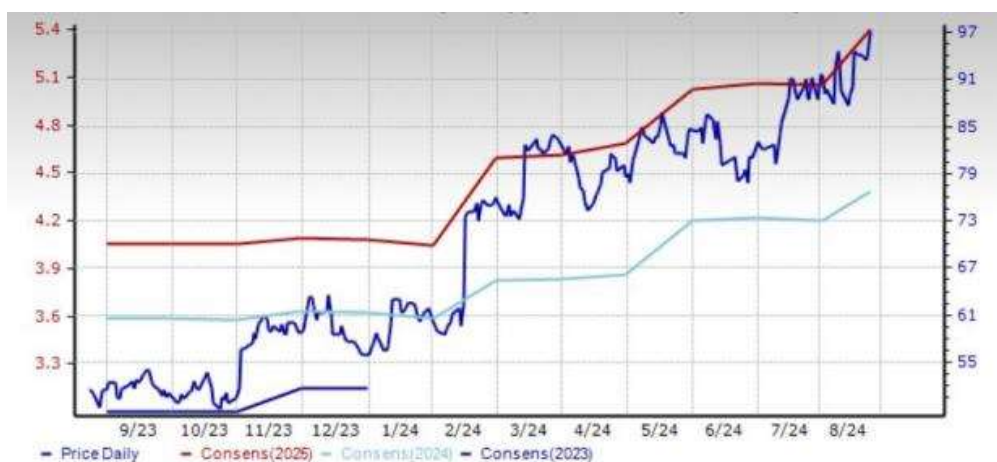
Price and Consensus: AXS



Palomar Holdings: La Jolla, CA-based Palomar is a rapidly growing and profitable company focused on the provision of catastrophe insurance for personal and commercial property. Focus on new business, strong premium retention rates for existing business and renewal of existing policies strategic expansion of geographic and distribution footprint and new partnerships combined with better pricing poise it well for growth. Palomar expects to generate adjusted net income between \$113 million and \$118 million in 2024. It sports a Zacks Rank #1.

The Zacks Consensus Estimate for PLMR's 2024 and 2025 earnings suggests 30.9% and 19.9% year-over-year growth, respectively. The consensus estimate for 2024 and 2025 earnings has moved 1.3% and 2.7% north, respectively, in the past seven days. It delivered a four-quarter average earnings surprise of 17.10%.

Price and Consensus: PLMR



RLI: Headquartered in Peoria, IL, RLI is one of the industry's most profitable property and casualty writers with an impressive track record of underwriting profits. A broad range of product offerings, focus on specialty insurance lines, business expansion, sustained rate increase, improved retention, expanded distribution and operational strength bode well for this Zacks Rank #2 insurer. RLI has been paying dividends for 187 consecutive quarters and increased regular dividends in each of the last 49 years apart from paying special dividends.

The Zacks Consensus Estimate for RLI's 2024 and 2025 earnings suggests 23.9% and 2.5% year-over-year growth, respectively. The consensus estimate for 2024 and 2025 has moved up 4.8% and 3.1%, respectively, in the past 30 days. It delivered a four-quarter average earnings surprise of 140.08%.

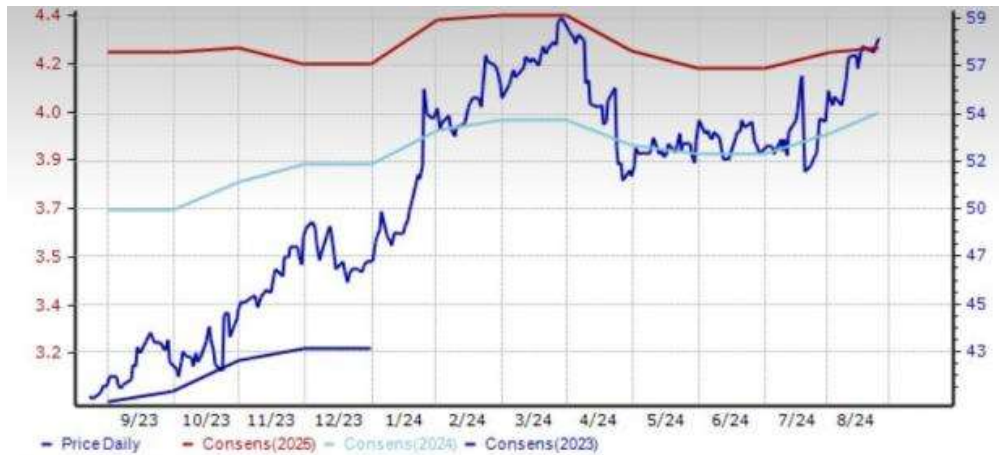
Price and Consensus: RLI



W.R. Berkley: Based in Greenwich, CT., W.R. Berkley is one of the nation's largest commercial lines property casualty insurance providers. Its insurance business and international business benefit from rate increases, reserving discipline, solid balance sheet and prudent capital management policy. This Zacks Rank #2 insurer has continually paid dividends for nearly five decades.

The Zacks Consensus Estimate for WRB's 2024 and 2025 earnings suggests 22.9% and 5.6% year-over-year growth, respectively. The consensus estimate for 2024 and 2025 bottom line has moved 1.8% and 0.5% north, respectively, in the past 30 days. The expected long-term earnings growth rate is 13.5%. It delivered a four-quarter average earnings surprise of 11.43%.

Price and Consensus: WRB



Arch Capital Group: Pembroke, Bermuda-based Arch Capital is a leading specialty P&C and mortgage insurer and is poised to gain from new business opportunities, rate improvement, growth in existing accounts and a solid capital position. Widespread operations coupled with a compelling product portfolio provide meaningful diversification and earnings stability to this Zacks Rank #2 insurer. Its international expansion strengthens operational capabilities while diversifying business at attractive risk-adjusted returns.

The Zacks Consensus Estimate for ACGL's 2024 and 2025 earnings suggests 6.5% and 2.5% year-over-year growth, respectively. The consensus estimate for 2024 and 2025 earnings has moved 4.9% and 1.6% north in the past 30 days. The expected long-term earnings growth rate is 6.1%.

Price and Consensus: ACGL

