

## MYTHBUSTER

### **2004 Was the *Most Profitable Year Ever* for the Insurance Industry**

#### **Insurance industry profits are booming like never before**

- The property-casualty insurance industry's after-tax net income for 2004 was the highest ever: a record-breaking \$38.7 billion!<sup>1</sup>
- Income in 2004 was up 29 percent from 2003, and comes on the heels of an earlier, astounding 997 percent increase from 2002 to 2003.<sup>2</sup>
- The property/casualty industry's surplus also is at the highest level ever, rising 13.4 percent in 2004 to over \$393 billion.<sup>3</sup>

#### **Health insurers' profits (and their executives' salaries) have also skyrocketed, as they raise premiums and limit reimbursement to doctors.**

- "Despite a weak economy and soaring medical costs, U.S. health insurers have raked in earnings at a far greater pace than the rest of corporate America, with annual profits and margins doubling in the last four years."<sup>4</sup>
- "Average pay for the five top executives at [the top] health insurers almost doubled [over the last four years] to \$3 million a year."<sup>5</sup>
- Health insurers raised premiums 59% during the same four-year period.<sup>6</sup>

#### **While telling lawmakers that payouts to injured patients are costing insurers too much money, internally the insurance industry has been "celebrating" its rapidly rising profits.**

- "The financial and underwriting performance of the property/casualty insurance industry during 2004 was the best in years." — Dr. Robert P. Hartwig, Insurance Information Institute<sup>7</sup>
- "The property/casualty industry can look forward to another year of underwriting profits... 'Despite a softening market, we fully expect that the underwriting profits of 2004 will continue at least into 2005.'" — Conning Research and Consulting<sup>8</sup>
- "I think the industry should have peak (return on equity) years the next couple of years." — Cliff Gallant, Keefe, Bruyette & Woods<sup>9</sup>

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#### **Notes**

<sup>1</sup> Insurance Services Office, Inc. [ISO] & Property Casualty Insurers Assoc. of America [PCI], *First Underwriting Profit Since 1978 and Investment Gains Propelled P/C Industry's Net Income and Surplus to Record Highs* (April 12, 2005).

<sup>2</sup> ISO & PCI, *Sharp Increase in P/C Industry's Net Income Propels Surplus Upward in 2003* (April 2004).

<sup>3</sup> ISO & PCI, *supra* note 1.

<sup>4</sup> Russ Britt, "Health insurers getting bigger cut of medical dollars," *Investors' Business Daily*, Oct. 15, 2004.

<sup>5</sup> *Ibid.*

<sup>6</sup> Kaiser Family Found. & Health Research and Educational Trust, *Employer Health Benefits: 2004 Annual Survey* 16 (2004).

<sup>7</sup> Insurance Information Institute, *2004 – Year End Results*.

<sup>8</sup> Press Release, Conning Research and Consulting, *Conning Research Predicts Property-Casualty Underwriting Profit Again in 2005* (May 10, 2005) (quoting Stephan Christiansen, director of research at Conning).

<sup>9</sup> Ins. Info. Inst., *2004 – First Half Results*.