



# Trends Report

**State of the Mutual P&C Industry 2024:  
Industry Leaders Chart the Path Forward**



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# Introduction

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## **Our 2024 Survey of Mutual leaders reveals the state of the industry**

We asked 100 executives in the Mutual industry for insights into their business. We wanted to learn about the opportunities they saw, the strategic challenges they face going forward, and their outlook on the future for the industry and their business. We think the answers offer a valuable snapshot of where the industry is today, and a clear-eyed look at the road ahead.

## **Mutual Industry: After some challenging years, optimism prevails**

Executives at these companies remain optimistic about the future of the Mutual industry and their ability to leverage their distinct competitive advantages. However, they recognize that achieving their long-term financial objectives requires investment in new capabilities to compete in a dynamic marketplace.



# Taking the Pulse of the Mutual Industry

When we launched MCA in 2019, we entered the P&C industry in a turbulent time, with challenges both globally and company-specific. Five years later, disruption and change in the marketplace continue to be the order of the day. In our 2024 Mutual Industry Survey, we began by gathering Mutual executives' views on the current state of the Mutual marketplace. Key areas of focus were the competitive advantages of the Mutual P&C industry that are durable across any market cycle, their perspective on the changes in the competitive marketplace, and their long-term views for financial success.



# Durable competitive advantages remain but threats are on the rise

## DURABLE COMPETITIVE ADVANTAGES

The survey results from Mutual insurance executives reveal several key areas where they believe their companies hold a competitive advantage in the market, particularly in how they manage relationships, respond to market conditions, and maintain financial stability.

**The key competitive advantages in the Mutual insurance space, as highlighted by industry executives, revolve around several core areas:**



### Service and Relationships

Many executives emphasized strong agency relationships, service quality, and accessibility as crucial competitive edges. They value the “human touch” in processes and emphasize close, personalized interactions with agents and customers.



### Flexibility and Nimbleness

Organizations are focusing on flexibility in products and pricing, as well as nimbleness in decision-making and response times. This is often linked to the smaller size of their companies, which allows them to be more agile compared to larger competitors.



### Underwriting Expertise

Maintaining underwriting discipline, combined with a strong commitment to Mutual success with agents, is a priority. This includes a focus on niche markets where they have stable, long-term offerings.



### Capital and Financial Strength

Some executives pointed to their organizations’ strong capital positions, financial strength, and long-term stability as significant advantages.



### Brand and Reputation

A strong brand, particularly among agents and members, with an emphasis on fairness in claims adjusting and consistent capacity and pricing, is considered important for long-term relationships and success.

## THE CHANGING COMPETITIVE LANDSCAPE

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In the rapidly evolving landscape of the insurance industry, understanding how competition has shifted over the past three years is crucial for organizations striving to maintain their edge. The significant impact of technological advancements, market dynamics, and strategic shifts in focus all represent challenges to which the industry has had to adapt.

As companies navigate a volatile market, characterized by aggressive rate actions and increased emphasis on profitability, the importance of strong agency relationships and the ability to remain nimble has never been more apparent. Additionally, the challenges posed by regulatory environments and industry consolidation further complicate the competitive terrain. Overall, the competitive landscape has become more complex, with a greater focus on technology, profitability, and strategic relationships amidst challenging market conditions.

### Technological Advancements

Systems, connectivity, and efficiency have become increasingly important, with many companies investing in analytics and business intelligence to become nimbler and more sophisticated.

### Market Dynamics

The insurance market has seen significant volatility, leading to strained capacity and the need for companies to be more focused and strategic. The difficult market conditions have driven aggressive rate actions and underwriting restrictions.

### Agency Relationships

Agency consolidation poses a threat to competitive advantage, and there's a growing concern about maintaining strong relationships with agents amidst the turmoil. Some companies are also focusing on acquisitions or affiliations to strengthen their position.

### Stability and Opportunity

While some competitors have pulled back or exited certain markets, Mutual companies have an opportunity to gain market share by remaining committed to their policyholders and maintaining strong relationships with agents.

### Regulatory Challenges

Regulatory environments, particularly in personal lines, have created challenges for carriers, with restrictions on rate filings and underwriting practices making it difficult to achieve profitability.

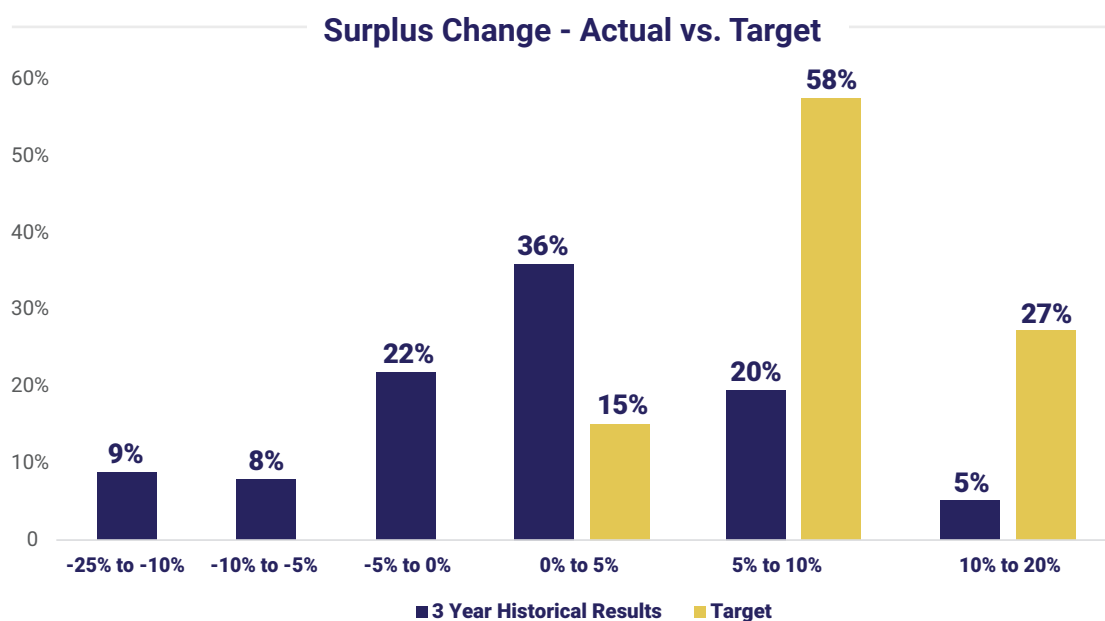
## MCA PERSPECTIVE

As national and regional competitors aggressively addressed their profitability challenges over the last few years, the competitive dynamics in the coming years will intensify as carriers seek growth. Mutuals not leveraging data and analytics appropriately are significantly increasing the risk of adverse selection in both retained and new policies.

## IMPROVING FINANCIAL PERFORMANCE

The most significant change that our executive respondents aligned around is the need to considerably improve the financial performance of the Mutual industry going forward. While Mutuals aren't concerned with quarter-to-quarter results, they do need to profitably grow over time to be viable. Our respondents are positive that the industry can achieve profitable growth in the coming years, leading to increased financial stability as they will have a larger surplus base.

The most important financial objective for our respondents is growing surplus, as that is the lifeblood of any Mutual's on-going success. Based on respondents' feedback, their long-term objective for surplus growth is in the high single, low double-digit ranges.



These expectations are in sharp contrast to the Mutual industry results from the last three years. In the recent past, nearly 40% of carriers had negative surplus growth, while only 26% had combined annual surplus growth of 5% or more.

### MCA PERSPECTIVE

Achieving surplus growth will be challenging. The issue for many Mutuals is that achieving these results are a step-change improvement from the last three years where surplus grew on average by 1%. While we expect that investment income will marginally improve these results, the planned surplus growth targeted by CEOs will only be realized by sustained underwriting profits.

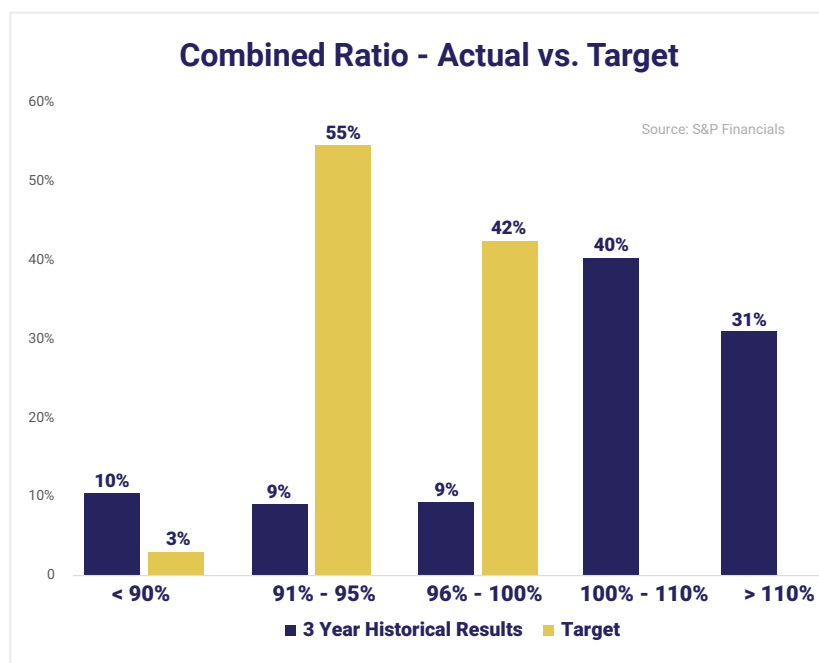
## COMBINED RATIO

The last few years have been incredibly challenging for the entire industry, but particularly so for the Mutual industry. The list of challenges is lengthy—heightened severe convective storms, increased inflation, regulatory limitations, etc.—and carriers have had to react.

While respondents recognize these differentials, the ability to manage the business over a longer-term cycle has respondents bullish that the actions they have taken (and will take in the near future) will significantly improve their ability to turn around under-

writing performance. Notably, 100% of respondents expect that their combined ratio will be below 100% in the future. This is in stark contrast to the last three years where only 29% of Mutuals actually generated an underwriting income.

Per a recent S&P Global Market Intelligence report, they are forecasting a 99.2% combined ratio for the entire P&C industry in 2024, which will be the first year since 2021 that the industry has generated an aggregate underwriting profit. Underlying these results though is a strong difference between stock insurers and Mutuals. The Mutual industry has underperformed the rest of the industry by 11.3 points in the recent past and a delta is expected to remain in 2024.



## MCA PERSPECTIVE

The biggest risk to the ongoing success of the Mutual industry is the ability to consistently deliver underwriting income with a combined ratio under 100%. While many Mutuals have taken more aggressive rate and underwriting actions than they have historically been comfortable with, data and tools are available to bridge the shortfall from historical results to prospective objectives. The most successful Mutuals will be those who consistently harness these data and tools across their enterprise.



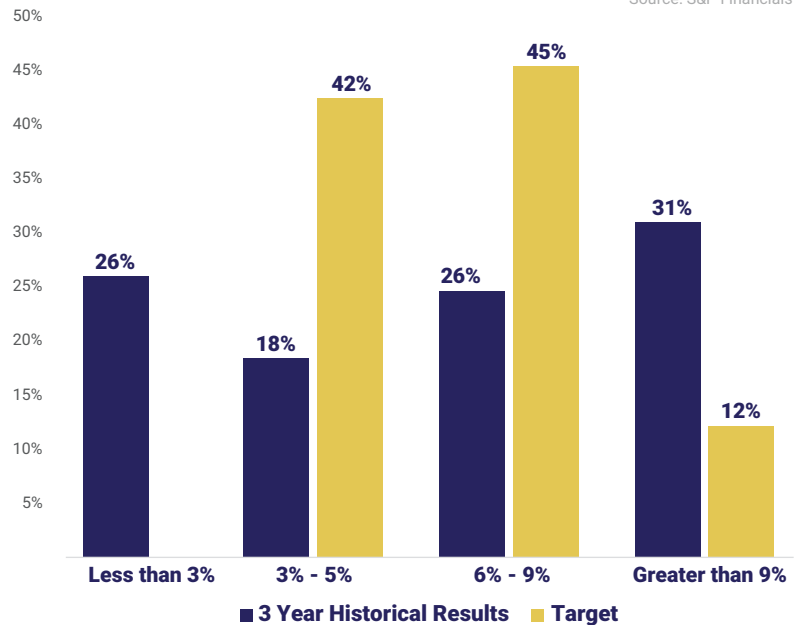
## PREMIUM GROWTH

With the disruption in the marketplace combined with strong rate and exposure increases, Mutuals have successfully grown their companies over the last few years. In fact, many Mutuals have actually spent more time trying to limit growth, especially in Personal Lines, as they manage their leverage ratios and underwriting results.

**In order to achieve this level of consistent growth going forward, Mutuals must capture more policyholder growth as expectations for rate and exposure growth level off.**

### Premium Growth - Actual vs. Target

Source: S&P Financials



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Our long-term health comes from increasing our market share, not just growing premium like we have from rate and exposure over the last few years.

*Mid-Atlantic based  
Product, Data and  
Underwriting Executive*

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# Changes to Improve Performance

With the durable strengths that Mutuals continue to capitalize on and a vastly changing marketplace, we asked executives what changes were required to be successful going forward. The consistent themes we received focused on optimizing their portfolio of businesses, becoming a more data-driven company, and investing in the talent and organizational alignment to be successful.

## MCA PERSPECTIVE

Commercial Lines provides attractive opportunities for profitable growth, but Mutuals need to invest in all parts of the value chain to create differentiation. These capabilities run the gamut from technology to underwriting to analytics and agency experience. In Personal Lines, carriers will need to be selective in the market in which they participate for their agents to be able to drive modest growth and profitability. Mutuals have the “relationships inside track” and need to invest in analytics to effectively compete.



## PORTFOLIOS TRANSFORM FROM PERSONAL LINES WEIGHTED TO COMMERCIAL LINES DOMINANT

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**Our surplus is both a cushion for volatility and for investment in realigning into small commercial lines where we can more effectively compete.**

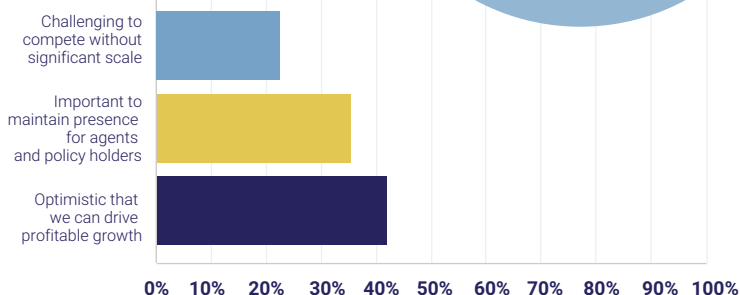
*Midwest CEO*

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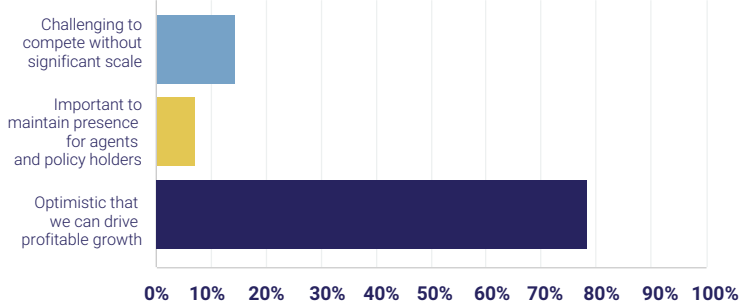
Many Mutual executives are making a critical shift, transitioning their portfolios away from a primary focus on Personal Lines and toward a more balanced approach that includes Commercial Lines. Historically, the Mutual industry has been comprised of roughly two thirds Personal Lines and one third Commercial Lines. Our industry executives have very different outlooks on these segments going forward.

The biggest challenge that executives see in Personal Lines is competing without significant scale, especially in Personal Auto. As the top 15 writers capture 83% of the personal auto market and

### Personal Lines



### Commercial Lines



71% of homeowners, the big are getting bigger and using this scale to invest in technology, pricing segmentation, and digital experiences that may widen that gap.

In Commercial Lines, specifically Small Commercial, there is much more optimism about the opportunities that lie

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**Where we lack scale in personal lines, we need to differentiate and become a niche player to stay relevant.**

*New York based CEO*

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ahead. In a marketplace that is roughly \$140B and growing, has historically been profitable, and no one carrier has more than 5% market share, almost 80% of executives are excited about capturing more of this business to transform their portfolios.

## INDUSTRY FOCUSED ON LOSS RATIO IMPROVEMENT; SMALLER CARRIERS ADDITIONALLY CONCERNED WITH EXPENSE COMPETITIVENESS

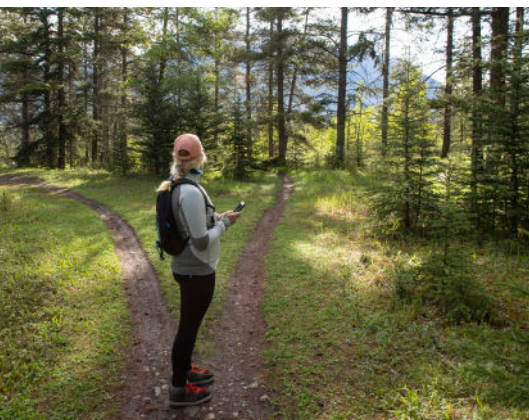
In addition to the ongoing portfolio transformation that is underway, respondents identified that improving the loss ratio will be more important than expense reductions in enhancing the combined ratio. When prioritizing factors for ongoing success, executives emphasized the importance of improving risk selection and pricing sophistication.

While better matching price to risk is identified as critical for success for companies of all sizes, the additional challenge that executives at smaller-sized Mutuals identified is related to expense management. With higher expense ratios that have not improved with recent growth, the ability to invest in new capabilities is problematic.

### Rank Level of Importance



Premium Size	Avg. 2023 Expense Ratio	Avg. 2020 Expense Ratio	Variance
<\$25M	41.4%	40.5%	+0.9%
\$25M-\$100M	34.4%	34.3%	+0.1%
\$100M-\$250M	34.3%	33.2%	+1.1%
\$250M-\$1B	29.9%	30.6%	-0.7%
>\$1B	27.0%	28.6%	-1.6%

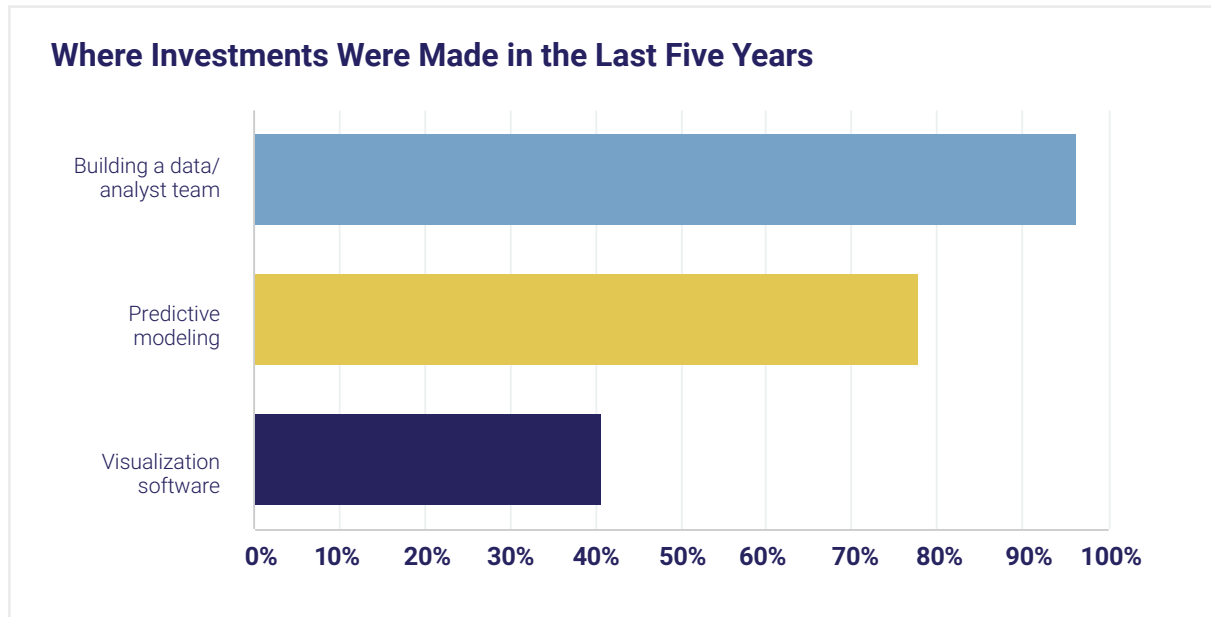


## MCA PERSPECTIVE

While Underwriting remains a critical component of success to help match price to risk, top performing carriers are investing even more heavily in areas like Product Management and Actuarial. There is an immediate need to employ nimbleness in product enhancements and technical rate filings as agents, consumers, and especially regulators are rate wary and becoming resistant to change.

## BECOMING A DATA-DRIVEN COMPANY

Every respondent mentioned that they are making investments in data and analytics in their company, but the effectiveness of those efforts and the utilization across different disciplines varies widely.



While the investments are significant, the challenges in generating returns on these investments were attributed to three big hurdles:

1. **Lack of expertise**
2. **Cost**
3. **Lack of available data**

In addition, the path to becoming a data-driven company is predominantly focused in the Underwriting discipline. While 100% of respondents were positive on the use of data and analytics in Underwriting, only 52% were using data and analytics for Finance departments with that number going down to only 35% for Claims, Distribution and Operations units.

### MCA PERSPECTIVE

The road to becoming a data-driven company extends across all disciplines. Mutual carriers are making investments in data and analytics in Underwriting and have large opportunities in other disciplines. While everyone makes investments, the successful carriers will be those that are able to generate actionable insights from these investments to drive profitable growth.



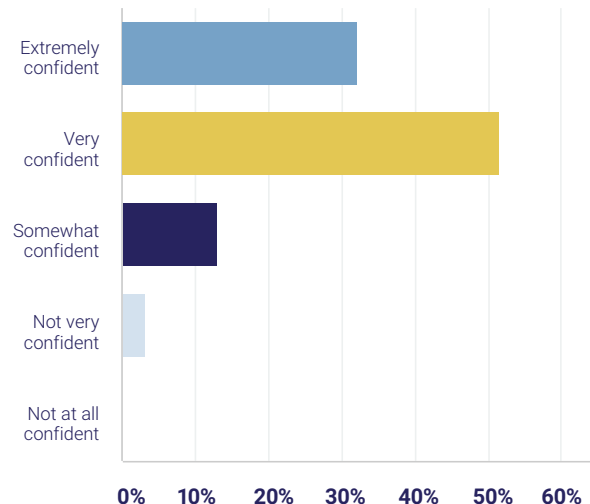
# The Road Ahead: The Case for Cautious Optimism

The combination of strong technology, resilient business models, strategic partnerships, and a focus on long-term relationships and niche markets gives Mutual insurance executives confidence in their ability to thrive in the coming years.

## WHAT MAKES YOU OPTIMISTIC ABOUT THE MUTUAL LANDSCAPE OVER THE NEXT THREE YEARS?

As the Mutual insurance industry navigates a rapidly changing landscape, executives remain optimistic about the future, driven by several key factors that reinforce their confidence. From harnessing technological advancements to capitalizing on market opportunities, these leaders see significant potential for growth and stability in the coming years. Their optimism is bolstered by strong partnerships, the ability to attract and retain top talent, and a steadfast commitment to resilience and long-term relationships. Overall, Mutual insurance executives are confident in their ability to thrive and adapt in an evolving marketplace.

### How Confident Are You in Your Future Success?



## Partnerships and Relationships

Relationships still matter! The commitment of independent agents, especially in commercial insurance, and their alignment with Mutual carriers are viewed as vital to sustaining growth and stability.

**Market Opportunities** The movement of larger carriers in and out of certain lines and classes of business presents opportunities for Mutuals to capture market share. The ability to focus on local markets, take a long-term view, and serve niche or under-served areas also provides a competitive edge.

**Resilience and Stability** The resilience of Mutual insurers, demonstrated over the past three years, reinforces their ability to adapt to changing conditions. Executives believe that the Mutual model, with its emphasis on neighbor helping neighbor and stakeholder orientation, will continue to offer stability, especially in contrast to profit-driven national carriers.

**Niche Focus** Mutual insurers are optimistic about their continued ability to offer value in niche markets that are often overlooked by larger, national carriers. Serving smaller, rural areas remains a key focus, with Mutuals well-positioned to meet the needs of these communities.

## DESPITE OPTIMISM, THREATS TO THE MUTUAL INDUSTRY REMAIN

As the Mutual insurance industry looks ahead to the next three years, executives are keenly aware of the significant threats that could impact their operations and overall stability. Rising expenses coupled with inadequate investment in technology pose a major challenge, particularly as national carriers advance their capabilities in segmentation and ease of business. The limited scale and geographic diversification of many Mutual insurers make them especially vulnerable to market shifts, regulatory changes, and climate-related risks.

Digital transformation remains a critical area of concern, with many Mutuals struggling to achieve the pricing sophistication of their national competitors. This challenge is further

compounded by issues related to capital access and governance, where delayed decision-making could jeopardize the survival of smaller carriers. Regulatory changes, the cost of reinsurance, and the increasing frequency of catastrophic events add further strain to the financial stability of the industry.

In addition to these pressures, talent acquisition and retention are growing concerns, as larger and more technologically advanced carriers attract top talent. The competitive landscape is becoming increasingly difficult, with national carriers leveraging big data, artificial intelligence, and other advanced technologies to outpace Mutuals.



# In Conclusion

The recent survey of 100 executives in the Mutual insurance industry offers a comprehensive view of the sector's current state, challenges, and future prospects. Despite a challenging past few years, there is a prevailing sense of optimism among these executives about the industry's ability to leverage its competitive advantages and achieve long-term financial objectives. However, respondents acknowledge the need for significant investment in new capabilities to remain competitive in a dynamic marketplace.



# KEY INSIGHTS FROM THE SURVEY HIGHLIGHT THE MUTUAL INSURANCE INDUSTRY'S STRENGTHS, CHALLENGES, AND OUTLOOK FOR THE FUTURE

**Every respondent mentioned that they are making investments in data and analytics in their company, but the effectiveness of those efforts and the utilization across different disciplines varies widely.**

## Financial Performance and Surplus Growth

The financial health of the Mutual insurance sector is paramount, with a strong emphasis on growing the capital base. Executives highlighted the importance of achieving consistent profitable growth to ensure financial stability. The projection of a 99.2% industry combined ratio by 2024, along with the need for surplus growth in the high single-to-low double digits, underscores the industry's focus on maintaining a robust financial foundation. However, achieving these growth targets will be challenging, especially given the modest surplus growth of 1% over the past three years.

## Competitive Advantages

Executives identified several key strengths that give Mutual insurers a competitive edge, including strong agency relationships, underwriting expertise, financial strength, and a commitment to member-focused service. The ability to maintain flexibility, respond swiftly to market changes, and uphold long-term stability are seen as crucial advantages in a rapidly evolving industry.

## Evolving Market Landscape

The competitive landscape has become increasingly complex, driven by technological advancements, market dynamics, and regulatory challenges. While some competitors pulled back in the last few years as profitability

was challenged, the marketplace is expected to be even more competitive going forward as carriers look to more aggressively grow their market share. Mutual insurers are eager to leverage their strengths in relationships, brand reputation, and market responsiveness to navigate these changes.

## Challenges and Threats

Despite executives' optimism, significant challenges remain. Rising expenses, inadequate investment in technology, limited scale, and the threat of regulatory changes pose substantial risks. The ability to achieve digital transformation and pricing sophistication is critical for Mutuals to compete with national carriers. Additionally, the cost of reinsurance and the increasing frequency of catastrophic events further strain the financial stability of the industry.

## Future Outlook

Executives express cautious optimism about the future, bolstered by technological advancements, strategic partnerships, and a focus on niche markets. However, they are acutely aware of the need to address the industry's vulnerabilities, particularly in terms of digital transformation, governance, and talent acquisition. The Mutual insurance sector's ability to thrive in the coming years will depend on its capacity to adapt to these challenges and capitalize on emerging opportunities.

## MCA PERSPECTIVE

The Mutual industry has thrived for hundreds of years by focusing on relationships, commitment to members, long-term planning, and their ability to weather the ups and downs of the insurance marketplace. We expect that Mutuals will continue to thrive in the market going forward, but there are significant investments that need to be made to compete with the enhanced sophistication in the marketplace.

### Key Elements to Consider for all Mutuals:

- Embark on a strategic re-focus that includes a robust growth plan with intentional markets, lines, and classes
- Make the utilization of data and analytics an enterprise investment, not just a box that is checked
- Develop inorganic growth options and avenues to capital
- Execute confidently and expect digestible missteps
- Monitor results regularly and make ongoing adjustments

## NEXT STEP: GET YOUR INDIVIDUALIZED PERFORMANCE REPORT

Interested in discovering how your company stacks up against your peers in the Mutual industry?

Learn how you rank across metrics like surplus growth, combined ratio, and premium growth. For a detailed discussion of your organization's performance, contact Geoff Hunt at [Geoffhunt@mcanalytics.net](mailto:Geoffhunt@mcanalytics.net).





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