

INSURANCE INDUSTRY NEWS

Auto Insurance Premiums Rise 17% in H1 of 2023

In the first half of 2023, car insurance premiums increased 17%, which is more than double the 7% increase analysts had predicted for the year. The primary drivers of the increase are skyrocketing replacement and repair costs and severe weather and catastrophe losses. Offsetting this price increase, the number of drivers purchasing full coverage policies has declined significantly this year. Many are comparison shopping plans and policies, but those in high risk states will likely find limited options.

Source: InsuranceJournal.com

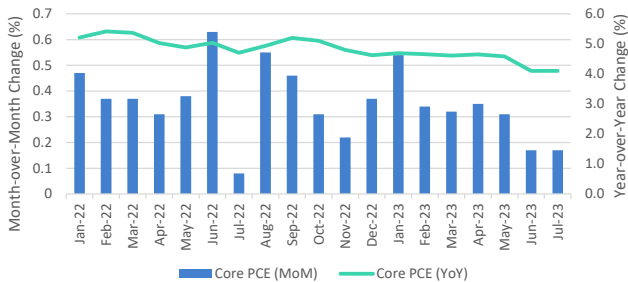
FEATURED MARKET DATA

Fed's Last Hike?

The last week of July brought a mixed bag of economic data and comments from the Federal Reserve Chair. Inflation declined as measured by the Fed's preferred measure of inflation, Personal Consumption Expenditures (PCE). The chart below shows PCE excluding food and energy, which declined for the month on a decrease in the price of goods. The week also brought the first look at second quarter GDP growth which exceeded expectations at 2.4% on stronger business investment. The Fed raised rates by 0.25% as Fed Chair Powell noted the Fed remains data dependent with respect to any future rate hikes. At PMA, we see only a small chance for further rates hikes while also expecting rates to remain higher for longer.

Sources: www.bea.gov, Bloomberg

Inflation Declining



Source: Bloomberg

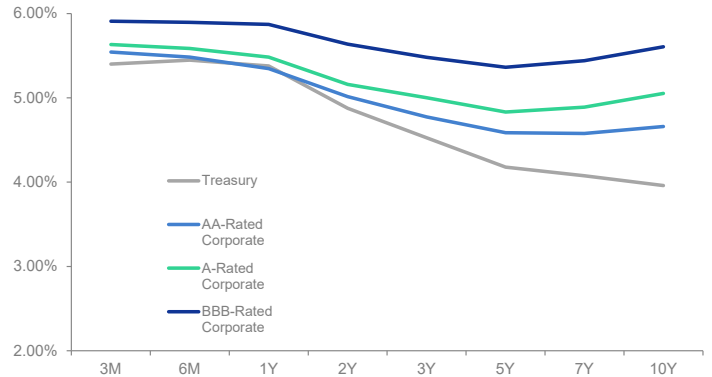
RECENT NEWS

Fitch Downgrades US Debt

On Tuesday, August 1st, Fitch Ratings downgraded the U.S. long-term credit rating one notch to 'AA+'. Additionally, it removed the U.S. from Rating Watch Negative and assigned a Stable Outlook. Fitch had placed the U.S. on Rating Watch Negative in May during the debt ceiling debate. In their announcement, Fitch noted the "exceptional strengths" underpinning the US economy. However, Fitch also highlighted multiple governance, fiscal and budgeting issues. In 2011, S&P downgraded the U.S. to 'AA+'. The U.S. Treasury market took the Fitch downgrade in stride, rising only a few basis points immediately following the news. While we continue to view the U.S. as the strongest credit in the world, for insurers it is important to evaluate how the rating change impacts compliance with state code and investment policies.

Source: PMA

Market Yields



Source: Bloomberg Finance L.P. 07/31/23

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	07/12/23	JUN	3.1%	3.0%	4.0%
Existing Home Sales (MoM)	07/20/23	JUN	-2.3%	-3.3%	0.2%
GDP Annualized QoQ	07/27/23	2Q A	1.8%	2.4%	2.0%
Personal Income	07/28/23	JUN	0.5%	0.3%	0.5% (R)
Personal Spending	07/28/23	JUN	0.4%	0.5%	0.2% (R)
ISM Manufacturing	08/01/23	JUL	46.9	46.4	46.0
Change in Nonfarm Payrolls	08/04/23	JUL	200K	187K	185K(R)
Unemployment Rate	08/04/23	JUL	3.6%	3.5%	3.6%
Avg. Hourly Earnings (YoY)	08/04/23	JUL	4.2%	4.4%	4.4%

Source: Bloomberg Finance L.P. 08/04/23. Glossary terms on following page.

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Glossary of Terms

Term	What is it:
Building Permits	Records the number of permits for future housing construction.
Capacity Utilization	Tracks the extent to which capacity is being used in the production of goods and services.
Change in Nonfarm Payrolls	This indicator measures the change in the number of employees on business and government payrolls.
Chicago Fed National Activity Index	A nationwide measure of economic activity and inflation pressures. An index value of zero indicates that the national economy is expanding at its historical trend rate of growth.
Consumer Confidence	Index examines how consumers feel about jobs, the economy and spending.
Consumer Price Index (CPI)	Measures the average change in retail prices over time for a basket consisting of more than 200 categories of assorted goods and services paid directly by consumers.
Core Consumer Price Index (Core CPI)	This measure of CPI excludes food and energy costs.
Durable Goods Orders	A measure of new orders placed with domestic manufacturers for durable goods, which are items that last three years or more.
Existing Home Sales	Measures monthly sales of previously owned single-family homes.
GDP Annualized QoQ	Measures the annualized quarterly growth of the final market value of all goods and services produced within a country. GDP is the foremost report on how fast or slow the economy is growing.
Housing Starts	Records the number of new housing units started during a period.
Index of Leading Economic Indicators (LEI)	An index designed to predict the direction of the economy.
Initial Jobless Claims	Tracks new filings for unemployment insurance benefits.
ISM Manufacturing	Measures manufacturing activity based on a monthly survey of purchasing managers.
MBA Mortgage Applications	The Mortgage Bankers Association's weekly mortgage application survey includes home loan application activity for conventional and government loans for home purchases and refinances.
Mortgage Delinquencies	A measure of the percent of total conventional and government loans which are at least one payment past due, but not in the process of foreclosure.
Personal Consumption Expenditure (PCE)	The Federal Reserve's preferred measure of inflation tracks overall price changes for goods and services. Core PCE excludes food and energy.
Personal Income and Spending	Index records the income Americans receive, how much they spend, and what they save.
Retail Sales	Tracks the sale of new and used goods for personal or household consumption.
Retail Sales Ex. Auto	Retail sales excluding motor vehicles and parts.
S&P Case-Shiller Home Price Index	Tracks the value of single-family housing within the U.S. There are multiple indexes including the 20-City Composite.
Unemployment Rate	The U-3 unemployment rates tracks the percentage of the civilian workforce that is unemployed.

Source: Bloomberg, The Secrets of Economic Indicators by Bernard Baumohl; PMA Asset Management, LLC

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