

AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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THE GRAPEVINE

Deloitte's COVID Crystal Ball

Continuing health concerns, broader acceptance of working from home, and an ongoing economic slowdown could extend the pandemic-induced reduction in vehicle usage for some time to come, according to a [report](#) by **Deloitte**. The firm's baseline forecast suggests a 6.2% decline in personal auto premiums and a 3.5% drop in commercial auto premiums in 2020.

Even if temporary refunds and premium credits end, personal auto insurers may still lower rates by single digits for the next several quarters, keeping premiums well below pre-pandemic levels until 2023. For commercial, the economic slowdown might keep premiums below pre-pandemic levels at least until 2022. [AIR](#)

American Family's Dichotomy: Combine Stability and Disruption

American Family Insurance Group is a profoundly different company than a decade ago, when it was operating in the Midwest with a modest product list, a single distribution model and a well earned reputation for avoiding innovation or change. Today, the ninth-largest U.S. auto insurer operates nationwide and is among the more innovative and acquisitive in the business.

Somehow, American Family has managed to radically transform since 2011 – when current leadership took over – without radically making over the core enterprise. That's why the American Family-branded auto insurance business grew just 27.5% from 2011 to 2019, about half the 52.1% growth of the industry. But thanks to the acquisition of non-standard specialist **Permanent General** (in 2012), independent agent company **Main Street America** (in 2018) and direct **Costco**-endorsed **Ameriprise** (in 2019), the overall

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Citing COVID, Illinois Delays Program Targeting Uninsured

When it finally gets rolling, the new system to verify auto insurance in **Illinois** will vastly increase the number of vehicles checked each year from around 300,000 to 16 million.

While the system has already started matching insurance policies against registrations, officials have delayed notifying suspected scofflaws. Instead of sending out letters seeking proof of insurance beginning this summer, as planned, “we’re taking it one month at a time” because of the COVID-19 pandemic and the ensuing financial troubles families are facing, said **Carrie Leitner**, chief of operations for the **Illinois Vehicle Services Division**.

Under the verification system, insurers upload policies to vendor **MV Solutions**, which twice a year checks each of the approximately 8 million automobile registrations for

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American Family auto insurance enterprise has grown 89.8%. Apparently satisfied with its current trajectory, last week American Family announced a most traditional succession plan.

On Jan 1, 2022, **Jack Salzwedel**, who joined the company in 1983 and became chairman and CEO in 2011, will hand off the CEO role to **Bill Westrate**, who joined American Family in 1996 and has long served as Salzwedel's lieutenant.

Westrate was executive vice president of the personal lines and commercial-farm/ranch divi-

sions when he was named chief operating officer in 2014 and then president in 2017. Salzwedel will remain chairman, and the duo will continue to provide their unique version of stable radical change.

The acquisitions have fueled American Family's auto insurance growth as the captive agency business – representing 67% of the group total – remains stagnant. We calculate the various companies selling through captive agents generated \$3.87 billion in 2019 written premium,

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American Family Insurance Group Personal Auto Insurance By State 2019 (000)

State	Written Premium 2019	Market Share 2019	Group Loss Ratio 2019	Industry Loss Ratio 2019	Written Premium 2018	Market Share 2018	Group Loss Ratio 2018	Industry Loss Ratio 2018	Premium Change 2018-19
Wisconsin	\$619,445	18.6%	56.7%	61.8%	\$614,254	18.9%	60.5%	61.0%	0.8%
Missouri	\$534,824	12.5%	57.7%	63.7%	\$537,061	13.0%	69.4%	62.3%	-0.4%
Minnesota	\$469,682	12.0%	63.1%	65.0%	\$472,361	12.4%	64.6%	60.3%	-0.6%
California	\$467,890	1.5%	79.7%	64.5%	\$412,905	1.4%	76.4%	65.7%	13.3%
Colorado	\$420,467	7.9%	68.1%	69.1%	\$423,864	8.4%	95.3%	84.7%	-0.8%
Illinois	\$345,139	4.4%	65.0%	64.1%	\$353,498	4.6%	65.6%	62.7%	-2.4%
Arizona	\$316,531	5.7%	68.3%	64.8%	\$328,600	6.2%	70.5%	64.6%	-3.7%
Washington	\$263,480	4.6%	62.7%	63.1%	\$258,613	4.7%	75.1%	63.4%	1.9%
Kansas	\$243,636	12.2%	59.5%	62.5%	\$242,168	12.4%	59.0%	60.4%	0.6%
Ohio	\$191,699	2.7%	58.7%	59.1%	\$193,215	2.8%	56.9%	57.3%	-0.8%
Indiana	\$184,208	4.6%	62.2%	60.9%	\$186,276	4.7%	62.2%	59.5%	-1.1%
Georgia	\$172,467	1.7%	79.9%	66.8%	\$194,385	2.1%	80.7%	65.5%	-11.3%
Florida	\$127,911	0.6%	68.5%	70.9%	\$111,564	0.6%	68.3%	66.8%	14.7%
Iowa	\$119,455	6.4%	51.7%	60.9%	\$119,180	6.5%	62.5%	61.4%	0.2%
Nebraska	\$109,108	8.1%	70.7%	68.1%	\$109,099	8.3%	60.2%	56.0%	0.0%
New York	\$106,822	0.8%	82.8%	68.8%	\$107,093	0.8%	70.3%	67.4%	-0.3%
Oregon	\$106,286	3.4%	57.9%	60.8%	\$113,168	3.7%	59.5%	59.0%	-6.1%
Utah	\$99,490	4.4%	62.1%	66.0%	\$102,328	4.8%	76.9%	66.2%	-2.8%
Nevada	\$84,396	3.0%	54.0%	63.6%	\$87,466	3.2%	74.7%	66.4%	-3.5%
Pennsylvania	\$80,001	0.9%	59.1%	65.3%	\$79,781	0.9%	64.0%	61.7%	0.3%
South Dakota	\$56,541	9.5%	60.4%	62.4%	\$55,434	9.7%	69.6%	65.3%	2.0%
Tennessee	\$55,940	1.3%	52.3%	62.2%	\$57,690	1.3%	60.4%	61.7%	-3.0%
Connecticut	\$52,597	1.7%	84.5%	64.7%	\$51,787	1.7%	77.3%	63.4%	1.6%
Texas	\$51,786	0.2%	65.0%	64.4%	\$69,198	0.3%	70.3%	59.0%	-25.2%
Virginia	\$50,360	0.9%	70.8%	65.3%	\$52,432	0.9%	69.2%	63.8%	-4.0%
Massachusetts	\$48,795	0.9%	51.7%	62.2%	\$53,958	1.0%	84.7%	60.3%	-9.6%
Totals	\$5,776,711	2.28%	64.9%	64.7%	\$5,797,901	2.36%	69.6%	64.5%	-0.4%

Source: S&P Global Market Intelligence and the *Auto Insurance Report* database.

Loss ratio is incurred losses as a percentage of direct premium earned and does not include dividends or loss adjustment expense.

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down 0.6% from 2018 and up only 27.5% from 2011, when the acquisitions began. The loss ratio was an attractive 61.5%, compared to the 64.7% industry result.

Ameriprise, rebranded **Connect**, is the second-largest segment, with about \$853.8 million in auto premium, or 15% of the total. Premium rose 3.8% last year, with a loss ratio of 78.6%, but it is far too soon to measure the virtues of this business for American Family.

Permanent General, Salzwedel's first big

deal, posted \$754.4 million in 2019 personal auto direct written premium, or 13% of the total, down 4.0% from 2018, with a 61.2% loss ratio.

Merging with Main Street America (MSA) was as much a move to acquire talent in the independent agency channel and small commercial arena as it was to add premium. The personal auto business generated about \$288.7 million in 2019 written premium, up only 0.5% from 2018. The 78.7% loss ratio is similar to Connect, but MSA has a much higher expense ratio, so the

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American Family Insurance Group Personal Auto Insurance By State 2019 (000)

State	Written Premium 2019	Market Share 2019	Group Loss Ratio 2019	Industry Loss Ratio 2019	Written Premium 2018	Market Share 2018	Group Loss Ratio 2018	Industry Loss Ratio 2018	Premium Change 2018-19
North Dakota	\$44,306	8.7%	58.1%	67.5%	\$43,627	8.9%	54.5%	57.2%	1.6%
South Carolina	\$37,825	0.8%	78.0%	64.7%	\$41,736	1.0%	73.6%	64.5%	-9.4%
North Carolina	\$36,524	0.6%	108.8%	68.0%	\$30,804	0.5%	90.8%	66.5%	18.6%
Idaho	\$34,790	3.1%	52.5%	58.6%	\$34,264	3.3%	68.8%	62.1%	1.5%
Michigan	\$30,890	0.3%	69.3%	60.4%	\$37,556	0.4%	78.8%	84.6%	-17.7%
Alabama	\$26,446	0.7%	64.2%	61.9%	\$24,338	0.7%	70.0%	63.4%	8.7%
Rhode Island	\$22,418	2.3%	79.2%	65.8%	\$26,917	2.8%	83.3%	63.6%	-16.7%
New Jersey	\$20,436	0.3%	71.0%	63.3%	\$25,360	0.3%	69.7%	64.2%	-19.4%
Maryland	\$20,116	0.4%	75.3%	66.1%	\$23,557	0.5%	69.5%	66.6%	-14.6%
Oklahoma	\$15,010	0.5%	50.6%	57.9%	\$14,167	0.5%	58.9%	53.4%	6.0%
Louisiana	\$14,208	0.3%	77.8%	61.8%	\$15,764	0.3%	71.5%	65.2%	-9.9%
Maine	\$13,870	1.8%	80.8%	61.1%	\$13,086	1.7%	71.5%	58.5%	6.0%
New Hampshire	\$13,531	1.5%	70.9%	59.0%	\$12,332	1.4%	72.5%	59.4%	9.7%
Montana	\$9,260	1.2%	93.5%	74.5%	\$8,522	1.1%	57.8%	57.8%	8.7%
Arkansas	\$8,033	0.4%	51.0%	61.0%	\$8,951	0.4%	60.6%	59.9%	-10.3%
Kentucky	\$7,776	0.2%	58.8%	63.2%	\$9,115	0.3%	42.2%	62.0%	-14.7%
Vermont	\$7,101	1.8%	74.1%	56.1%	\$6,789	1.8%	60.2%	55.8%	4.6%
West Virginia	\$7,017	0.6%	51.8%	60.4%	\$5,871	0.5%	54.7%	58.9%	19.5%
Delaware	\$6,830	0.7%	81.3%	70.7%	\$7,204	0.8%	54.7%	63.4%	-5.2%
New Mexico	\$6,300	0.4%	58.7%	60.7%	\$5,546	0.4%	70.9%	64.0%	13.6%
Mississippi	\$5,727	0.3%	86.8%	63.9%	\$5,106	0.3%	65.8%	61.1%	12.2%
District of Columbia	\$5,028	1.3%	100.1%	65.6%	\$5,501	1.5%	81.5%	67.1%	-8.6%
Hawaii	\$2,674	0.3%	69.3%	61.8%	\$2,815	0.4%	61.1%	57.9%	-5.0%
Wyoming	\$1,289	0.3%	93.8%	76.4%	\$1,043	0.3%	69.6%	67.8%	23.6%
Alaska	\$351	0.1%	109.5%	61.1%	\$556	0.1%	99.9%	65.0%	-36.9%
Totals	\$5,776,711	2.28%	64.9%	64.7%	\$5,797,901	2.36%	69.6%	64.5%	-0.4%

Source: S&P Global Market Intelligence and the *Auto Insurance Report* database.

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an insurance policy match. Registrations with no match are checked again in 30 days, after which owners are sent a letter demanding proof of insurance within 30 days. If no proof is provided, the registration is suspended. The owner must pay a \$100 fee to reinstate the registration.

The previous system was so limited as to be

ineffective. Motor vehicle officials selected random individuals from the registration database and sent a postcard, which had to be mailed back with the driver's policy number. Once the postcard was returned, a staffer would call the insurance company to verify that it was, in fact, in effect. "We could only do 300,000," Leitner said.

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Illinois Personal Auto Insurers

Groups Ranked by Total 2019 Direct Premium Written (000)

Group Name	2019 Premium	Mkt share 2019	Loss Ratio 2019	2018 Premium	Mkt share 2018	Loss Ratio 2018	2017 Premium	Mkt share 2017	Loss Ratio 2017
State Farm Mutual	\$2,312,444	29.7%	66.6%	\$2,314,237	30.3%	64.0%	\$2,365,801	31.9%	67.7%
Allstate Corp.	\$897,732	11.5%	56.7%	\$876,585	11.5%	52.6%	\$854,959	11.5%	51.7%
Progressive Corp.	\$616,481	7.9%	62.5%	\$523,000	6.8%	61.8%	\$428,172	5.8%	58.6%
Berkshire Hathaway/GEICO	\$549,641	7.1%	72.4%	\$517,285	6.8%	70.6%	\$468,402	6.3%	74.4%
Country Financial	\$526,075	6.8%	67.8%	\$508,123	6.6%	67.4%	\$494,300	6.7%	63.7%
American Family Insurance Group	\$345,139	4.4%	65.0%	\$353,498	4.6%	65.6%	\$334,977	4.5%	69.6%
Farmers Insurance Group	\$306,020	3.9%	57.6%	\$319,787	4.2%	59.2%	\$326,135	4.4%	63.5%
Liberty Mutual	\$227,691	2.9%	55.3%	\$218,751	2.9%	59.1%	\$216,617	2.9%	62.0%
USAA Insurance Group	\$197,318	2.5%	76.7%	\$193,837	2.5%	80.1%	\$175,859	2.4%	76.6%
Travelers Companies Inc.	\$133,384	1.7%	58.7%	\$126,922	1.7%	55.4%	\$119,798	1.6%	63.1%
MetLife Inc.	\$119,014	1.5%	61.7%	\$111,456	1.5%	54.3%	\$104,263	1.4%	52.9%
Erie Insurance Group	\$100,822	1.3%	77.6%	\$98,060	1.3%	77.1%	\$90,252	1.2%	76.9%
Auto-Owners Insurance	\$98,562	1.3%	66.0%	\$91,510	1.2%	66.5%	\$81,175	1.1%	71.5%
Auto Club Insurance Assn. (Michigan)	\$94,774	1.2%	67.0%	\$93,809	1.2%	63.1%	\$91,107	1.2%	68.4%
Producer's National Corp.	\$92,581	1.2%	64.0%	\$118,100	1.5%	70.5%	\$99,096	1.3%	54.6%
Nationwide Mutual Group	\$83,049	1.1%	58.6%	\$86,460	1.1%	55.6%	\$90,379	1.2%	68.2%
Hartford Financial Services	\$79,089	1.0%	58.4%	\$82,879	1.1%	66.3%	\$91,537	1.2%	72.3%
Pekin Insurance	\$78,759	1.0%	68.2%	\$78,413	1.0%	65.0%	\$79,570	1.1%	65.8%
American Access Casualty Co.	\$67,381	0.9%	60.2%	\$76,876	1.0%	65.0%	\$90,665	1.2%	73.3%
American Alliance Casualty Co.	\$61,928	0.8%	45.8%	\$65,416	0.9%	55.3%	\$60,440	0.8%	52.1%
Hanover Insurance Group	\$58,461	0.8%	65.5%	\$55,957	0.7%	69.7%	\$52,780	0.7%	66.0%
Utica National Insurance Group	\$50,611	0.7%	64.8%	\$43,308	0.6%	55.2%	\$52,468	0.7%	69.6%
National General Holdings Corp.	\$45,514	0.6%	66.2%	\$53,955	0.7%	81.5%	\$41,892	0.6%	75.0%
Nodak Mutual Group Inc.	\$43,655	0.6%	42.3%	\$44,497	0.6%	3.6%	\$36,227	0.5%	51.4%
Western National Insurance	\$36,882	0.5%	38.7%	\$33,676	0.4%	32.2%	\$29,452	0.4%	30.2%
West Bend Mutual Insurance Co.	\$36,656	0.5%	58.0%	\$34,797	0.5%	57.2%	\$32,285	0.4%	55.2%
Chubb Ltd.	\$33,719	0.4%	57.7%	\$33,076	0.4%	65.8%	\$32,246	0.4%	71.2%
Statewide Totals	\$7,798,502		64.1%	\$7,650,560		62.7%	\$7,422,938		64.6%

Source: S&P Global Market Intelligence and the *Auto Insurance Report* database.

Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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State Market Focus: ILLINOIS

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“It was a very small sampling, and it had a lot of problems.”

While law enforcement can demand proof of insurance at motor vehicle stops, Illinois stopped requiring it at registration because it “provided a false sense of security,” Leitner said. Drivers could purchase an insurance policy to present at registration and then drop it the next day.

Unlike a number of other states updating their verification systems, Illinois has so far opted not to implement a web-based, real-time verification system, Leitner said. Such systems, advocated by the **Insurance Industry Committee on Motor Vehicle Administration**, allows law enforcement to confirm active insurance at motor vehicle stops and motor vehicle agencies to check it upon registration.

In its preliminary test of the verification system, just 12.5% of registered vehicles didn’t have insurance, less than expected, Leitner said. The **Insurance Research Council** has estimated that 13.7% of Illinois drivers were uninsured in

2015, but other estimates often hovered in the 20% to 30% range.

“We were very surprised and very pleased,” when the figure came in at under 15%, Leitner said. “Hopefully, we can get that even lower when we are completely up and running.”

If the verification system has the intended effect of forcing more drivers to buy car insurance, shoppers will find carriers competing mightily for their business, many offering dramatically lower rates than they have in recent years.

In June, **State Farm**, which writes 29.7% of statewide premium, announced a 13.7% reduction in personal auto insurance rates, attributed in part to lower claims from reduced driving due to COVID-19. No. 3 **Progressive**, whose 17.9% premium growth last year far outpaced every insurer in the top 20, cut rates a groupwide average of 8.9% so far this year, according to RateWatch from **S&P Global Market Intelligence**.

Even as State Farm and Progressive have aggressively slashed rates, some top 10 carri-

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Illinois Auto Insurance Profit Margins Ten-Year Summary, Percent of Direct Premiums Earned

Line of Business	2018 Total Profit	2017 Total Profit	2016 Total Profit	2015 Total Profit	2014 Total Profit	2013 Total Profit	2012 Total Profit	2011 Total Profit	2010 Total Profit	2009 Total Profit	Avg Total Profit
Personal Auto Liab	7.5	5.6	2.5	4.2	6.7	7.0	10.4	12.0	8.8	2.7	6.7
Personal Auto Phys	8.2	7.3	5.8	5.6	4.5	4.9	3.6	0.4	8.5	8.5	5.7
Personal Auto Total	7.8	6.3	4.0	4.8	5.8	6.0	7.5	7.2	8.6	5.2	6.3
Comm. Auto Liab	6.3	5.6	8.9	7.7	11.4	6.4	11.9	10.2	16.7	9.9	9.5
Comm. Auto Phys	10.6	7.0	5.1	8.7	4.5	3.1	-0.9	1.1	8.5	7.1	5.5
Comm. Auto Total	7.4	5.9	8.0	7.9	9.8	5.6	9.0	8.1	14.8	9.3	8.6
Total All Lines*	15.2	13.9	13.3	13.0	13.2	10.9	7.4	9.6	10.4	6.1	11.3

*Auto; Home, Farm & Commercial Multiperil; Fire; Allied; Inland Marine; Med Malpractice; Other Liability; Workers Comp; All Other

Note: Profit calculations are by *Auto Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

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ers continue to raise rates. **Country Financial**, the state's fifth-largest personal auto insurance group, raised rates an average 4.4% this year on top of a 7.4% hike in 2019. After raising rates a groupwide average of 10.6% last year, **American Family Insurance** inched rates up just 1.3% this year. No. 9 **USAA** boosted rates 3.8% this year after a 5.0% increase last year.

Given the outsized role State Farm plays in the Illinois market, its large rate decrease this year is sure to put a drag on already feeble state-wide premium growth. In 2019, personal auto premium grew just 1.9%, down from 3.1% in 2018 and less than the meager 2.9% countrywide increase last year.

Another reason for slow growth in Illinois, is, frankly, that the state is shrinking. From 2010

to 2019, the population in Illinois declined 1.2% while the U.S. population grew 6.3%.

Despite challenges, insurers love to compete in Illinois. The nation's ninth-largest market with \$7.80 billion in personal auto premium, Illinois is profitable with a 6.3% average annual profit market for the decade ended 2018. Regulators and legislators give insurers a relatively free hand to duke it out for customers, by making it easy to change rates and introduce new products.

Case in point: Illinois is one of three states where Geico has rolled out its usage-based insurance products. (The others are **Pennsylvania** and **Connecticut**.) Among the top 10 personal auto groups in Illinois, Geico ranked fourth, grew 6.3%, faster than all companies in the top 10 other than Progressive, the outlier.

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Illinois Commercial Auto Insurers

Groups Ranked by Total 2019 Direct Premium Written (000)

Group Name	2019 Premium	Mkt share 2019	Loss Ratio 2019	2018 Premium	Mkt share 2018	Loss Ratio 2018	2017 Premium	Mkt share 2017	Loss Ratio 2017
Progressive Corp.	\$202,506	10.3%	62.4%	\$156,551	8.9%	48.1%	\$104,509	7.2%	76.8%
Travelers Companies Inc.	\$145,332	7.4%	65.4%	\$137,326	7.8%	64.3%	\$116,834	8.0%	52.5%
Allstate Corp.	\$137,757	7.0%	66.4%	\$117,404	6.7%	74.8%	\$8,730	0.6%	83.9%
Old Republic International Corp.	\$90,102	4.6%	50.9%	\$78,844	4.5%	59.7%	\$75,324	5.2%	52.1%
Zurich Insurance Group	\$79,928	4.1%	17.8%	\$54,049	3.1%	38.0%	\$74,797	5.1%	55.5%
IAT Insurance	\$57,984	2.9%	44.0%	\$53,254	3.0%	47.0%	\$48,570	3.3%	41.2%
Acuity Mutual Insurance	\$54,433	2.8%	57.0%	\$42,296	2.4%	56.4%	\$34,461	2.4%	66.6%
Chubb Ltd.	\$48,880	2.5%	67.6%	\$39,460	2.3%	71.0%	\$25,843	1.8%	50.2%
Berkshire Hathaway Inc.	\$45,562	2.3%	63.3%	\$47,816	2.7%	51.9%	\$38,927	2.7%	56.7%
Markel Corp.	\$43,001	2.2%	61.8%	\$38,308	2.2%	42.9%	\$28,908	2.0%	43.4%
Auto-Owners Insurance	\$42,337	2.2%	63.8%	\$40,256	2.3%	65.1%	\$36,733	2.5%	71.1%
Liberty Mutual	\$42,251	2.1%	89.6%	\$41,263	2.4%	76.3%	\$38,840	2.7%	120.2%
Amer Inter-Fidelity Exchange	\$41,129	2.1%	91.3%	\$35,022	2.0%	99.7%	\$29,451	2.0%	93.2%
Sentry Insurance Mutual	\$40,656	2.1%	62.5%	\$33,295	1.9%	78.6%	\$28,428	2.0%	122.4%
AmTrust Financial Services	\$39,454	2.0%	78.4%	\$44,158	2.5%	73.4%	\$32,655	2.3%	69.4%
Pekin Insurance	\$39,408	2.0%	53.4%	\$38,462	2.2%	54.0%	\$37,028	2.5%	63.2%
Statewide Totals	\$1,970,529		63.6%	\$1,753,458		64.2%	\$1,454,228		65.8%

Source: S&P Global Market Intelligence and the *Auto Insurance Report* database.

Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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State Market Focus: ILLINOIS

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Illinois requires insurers to submit an informational filing of rates and forms within 10 days of their effective date, though they aren't formally subject to regulatory approval.

While consumer advocates press for tighter regulation, insurers argue that the system serves consumers well. Illinois drivers spent an average of \$897 on auto insurance in 2017, far less than the \$1,005 national average. On our PAIN Index, which compares premium to income as an indicator of affordability, Illinois ranked 34th, making it among the more affordable markets.

Robert Muriel, a civil and commercial lawyer, was appointed director of the **Illinois Department of Insurance** last year by Democratic Gov. **J.B. Pritzker**. Observers say he has continued the tradition of providing a regulatory environment that encourages competition among carriers, many of whom are headquartered in Illinois and are among the state's largest employers. These include industry behemoths State Farm and Allstate as well as Country Financial, CNA, Kemper, Safeway, Horace Mann, Old Republic and RLI.

As discussions have arisen about restricting underwriting factors, the issues rarely advance.

"Whether they follow the industry lead or not, they have been very good about including the industry in the process," said **Brett Gerger**, a former Illinois regulator who now oversees education and agency resources for the **Independent Insurance Agents of Illinois**.

An even with Democratic control of both the state House and Senate and a powerful trial bar, Illinois lawmakers rarely advance legislation strongly opposed by insurers. This includes **Senate Bill 1598**, introduced last year, which would have barred the use of ZIP codes in underwriting or rating. There is also a constant battle concerning requirements for repair parts and procedures,

Please see ILLINOIS on Page 8

Illinois Snapshot

Regulator: Insurance Director Richard Muriel

Rate regulation: use and file

Size of personal auto market: \$7.80 billion (2019 DPW) Rank: 9th

Average policy expenditure: \$897 (2017)

Rank: 25th

Auto Insurance Report PAIN Index rank:

34th (2017)

Property Insurance Report HURT Index rank:

33rd (2017)

Auto registrations: 4.5 million (2018)

Truck registrations: 5.8 million (2018)

Vehicle miles traveled (VMT): 107.95 billion (2018)

Traffic fatalities: 0.96 per 100 million VMT; U.S.: 1.13 (2018)

Vehicle thefts: 153.8 per 100,000 residents; Region: 192.6 (2018)

Liability defense: modified comparative fault, 51% bar

Minimum Insurance Requirements:

BI: \$25,000/\$50,000 • PD: \$20,000

Safety Laws

Ban on handheld cellphones and texting and streaming videos for all drivers; cellphone ban for drivers under 19 Graduated licensing

Primary safety belt law

Motorcycle helmets not required

Demographics

Population: 12.7 million (2019 est.)

Change 2010-2019: -1.2%, U.S.: +6.3%

Median household income (avg. 2014-2018):

\$63,575; U.S.: \$60,293

Population density: 231.1 per square mile;

U.S.: 87.4 per square mile (2010)

Sources: S&P Global Market Intelligence; NAIC; U.S. Dept. of Transportation; NAMIC; U.S. Census; Insurance Institute for Highway Safety; FBI; Matthiesen, Wickert & Lehrer

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AMERICAN FAMILY Continued from Page 3
result is not as attractive. Importantly, MSA has been lowering its expense ratio since the merger.

Looking to individual states where the company operates, Connect drives personal auto insurance growth in **California**, while Permanent General fuels the business in **Florida**. Everywhere that the American Family brand is dominant, including the home state of **Wisconsin**, premium growth is small or nonexistent.



Jack Salzwedel
American Family

Thus, the company has done a great job of growing and expanding the franchise through acquisition. But organic growth, especially in auto insurance, has been slight. For that kind of good news, one must turn to the **Homesite** division, acquired in 2013. There, the direct homeowners insurance business is flourishing, with premium up 25.1% in 2019, alongside a fledgling online offering of small commercial insurance (via a 2013 investment in a startup).

Can a vibrant competitor thrive on growth derived almost entirely by acquisition? Probably not, which is where Westrate's challenge comes in. Salzwedel built a diversified operation with solid management teams empowered to run their own divisions.

Now Westrate must develop the successor management teams that will lead their divisions to a performance superior to the competition to produce strong organic growth and solid profits.

That's no small task, but then again neither was moving American Family out of the dark ages. **AIR**



Bill Westrate
American Family

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Focus: ILLINOIS

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including **House Bill 4916**.

Two years after former Gov. **Bruce Rauner** vetoed legislation regulating peer-to-peer car rentals as if they were traditional rental companies, a compromise **bill** addressing insurance requirements was waylaid by the pandemic shutdown, but is likely to reemerge in November or the 2021 session.

Independent agents are pushing for passage of SB 3263, which would require insurers to pay taxes and title and license fees on the purchase of a vehicle after a third-party total loss claim, just as the law now requires them to do for first-party claims.

In 2019, lawmakers strengthened the state's distracted driving law with **SB 86**, which bars drivers from using an electronic device to watch or stream video. The law already banned texting and using a handheld cellphone. **AIR**

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