

AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

Vol. 27#46/1295 **Aug. 31, 2020**

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THE GRAPEVINE

Ohio Regulator Steps Down

Jillian Froment resigned last week as director of the **Ohio Insurance Department** to pursue other opportunities.

She joined the department in 2011 as chief administrative officer before being named deputy director the same year. Former Gov. **John Kasich** appointed her director in 2017 after then-Lt. Gov. **Mary Taylor**, who held both posts, stepped down from the insurance director's job.

Gov. **Mike DeWine** said **Tynesia Dorsey**, a 20-year veteran of the department, would serve as interim director.

Dorsey has served as the department's chief administrative officer since September 2011 and also serves as the agency's director of consumer relations. [AIR](#)

COVID-19 Infects New Jersey Insurance Rate Filing Process

Citing the COVID-19 pandemic, **New Jersey** regulators have refused to accept most property/casualty rate filings since mid-April. At the time, regulators said they would only accept filings that reduced rates for all policyholders, though they now appear to be considering filings that are "rate neutral."

The freeze has prevented insurers from adjusting rates in an intensely competitive market, especially when it comes to auto insurance. Some insurers also report a delay in their ability to gain approval for new products, though the freeze did not apply to those filings.

Like other insurance regulators, the **New Jersey Department of Banking and Insurance (DOBI)** took steps to ease the burden on consumers as a result of the pandemic, though in some respects New Jersey has demanded more of insurers, and those demands have lasted longer.

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Lack of Bumper Regulations Can Lead to Costly Repairs

While not necessarily reducing safety, the slim bumper design of two new SUVs may result in more expensive repairs. The design, meanwhile, reignites a longstanding concern: that federal rules for bumper designs don't apply to SUVs and pickup trucks, the two model classes that have come to dominate new vehicle sales in the United States in recent years.

The two new SUVs, the **Tesla Model Y** and upcoming **Ford Mustang Mach-E**, both have bumpers that are flush with the liftgate. The Model Y integrates the liftgate with the bumper itself, rather than placing it completely above the bumper. The design makes it easier to lift items into the trunk, but in any low-impact rear collision, the liftgate could be dented along with the bumper.

Ideally, bumpers stick out further than all other rear fea-

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tures of a vehicle to absorb low-speed impacts and protect more expensive parts or paneling.

“This is more of a damageability issue than a real safety issue, as the bumper is meant to provide protection only in low-speed crashes,” said **Joe Young**, spokesman for the **Insurance Institute for Highway Safety**.

Bumpers on passenger cars must meet a standard set by the **National Highway Traffic Safety Administration**, but SUVs and pickup trucks are exempt because they require a higher ground clearance than the standard allows to enable specialized uses, such as off-road driving.

The IIHS has long appealed to the NHTSA to regulate bumper designs for these vehicles. The exemption means automakers can technically fit any bumper design they want, or even no bum-

Advanced driver assistance features have reduced the odds of rear impacts, but not enough to eliminate bumpers.

per at all, on SUVs and pickup trucks, Young said. The design on the two new SUVs would not meet the NHTSA criteria for other vehicles such as sedans, which requires bumpers to protect the car’s exterior surfaces in a low-impact collision.

Rear-parking cameras and other advanced driver assistance features like automatic braking may help reduce the likelihood of a rear impact altogether, but the technology is not flawless nor ubiquitous, yet. “They do still occur, which is why we can’t give up on the bumper quite yet,” Young said.

None of the four Tesla-certified auto body shops surveyed by **Crash Network** on behalf of *Auto Insurance Report* have had a Tesla Y in the shop yet, nor have they seen the type of damage that could impact the liftgate and bumper simultaneously. But one body shop owner, after reviewing photos and comparable vehicle designs,



On the newly released 2020 Tesla Model Y, the entire rear of the car is on the same line, providing no protection for the rear liftgate in the event of a rear collision.

said it was likely the liftgate would be damaged in a mild “bumper to bumper” rear impact. “With this in mind, we’ll be ordering at least one [Model Y] liftgate for stock as soon as possible,” the shop owner said.

The Ford Mustang Mach-E is an all-electric SUV with Mustang branding slated for release later this year.

Without federal regulation barring them, bad SUV bumper design trends – such as rear-mounted spare tires – have proliferated in the past, raising concerns that the bumper design of the two new SUVs could catch on.

IIHS tests have uncovered high costs associated with badly designed bumpers, both in terms of safety and repair costs. IIHS has paid particular attention to SUV and pickup truck compatibility with cars. While the regulations dictate that car bumpers protect within a zone 16 to 20 inches from the ground, SUV and pickup bumpers are often higher. When bumpers don’t meet at the same height, even a low-impact crash can cause expensive damage to cars’ grills, hoods, engine cooling systems or other parts that would otherwise be protected.

Even more emphasis has been placed on lowering the overall height of SUVs and trucks, not just the bumper. In 2003, IIHS helped broker a voluntary commitment by automakers that resulted in the more compatible designs. Since then, impacts between SUVs and cars have become much less deadly thanks to engineering improvements on both ends. Stronger structures

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In the 2021 Mustang Mach E (left), there is no difference between the rear “bumper” and the tailgate, with likely significant repair costs in a modest rear collision. The 2020 Mustang Coupe (right) follows NHTSA guidelines, with the trunk sloping away from the bumper, providing the possibility of reduced rear-end damage in a collision.

SUV BUMPERS Continued from Page 2

in cars and minivans along with side airbags have made a difference, along with changes to SUV designs that lowered the vehicles’ front ends.

The lower crash-absorbing structures sometimes, but not always, also result in lower bumpers, Young said.

While the compatibility of SUVs and cars has steadily improved since 1989, pick-ups became more deadly for drivers of cars from 1989 to 2008, when the danger began to decrease. It is now essentially back to 1989 levels. (AIR 11/17/19)

Other SUV design issues related to bumpers can also create expensive problems. The Model Y and Mach-E design recalls previous auto trends like the spare tire mounted on the rear of SUVs, which would essentially render the bumper useless in certain impacts, Young said.

In a 2010 low-impact crash test between a **Toyota** Corolla sedan and RAV4 SUV, the RAV4’s rear-mounted spare tire crushed the Corolla’s hood, grille, headlights, and air conditioner. Damage to the pair totaled \$9,867 – with \$6,015 for the RAV4 alone, according to an IIHS report.

In 2006, IIHS’s sister organization, the **Highway Loss Data Institute** (HLDI), found that small and midsize SUVs from 2000-2002 with rear-mounted spares suffered 19% higher collision coverage damages and 32% higher property damage liability costs compared with vehicles without rear-mounted spares. At the time, rear-center impacts account for 24% of collision

claims and 52% of property damage liability claims for small and midsize SUVs. Automakers have trended away from rear-mounted spare tires, Young said. The Jeep Wrangler is an exception and still has a rear-mounted spare on the 2020 model.

IIHS has also seen examples where factory-equipped trailer hitches render the bumper basically useless as well.

IIHS has petitioned NHTSA periodically

IIHS has petitioned the U.S. government to impose bumper standards on SUVs and pickups without success.

to hold SUVs and pickups to the same bumper standard as cars without success. In addition to providing incompatibility evidence from its tests, IIHS also attempted to address concerns about clearance angles. A cost-benefit analysis of extending the bumper standard to SUVs and trucks found that rulemaking would not be justified, a NHTSA spokesman said. “The agency continues to monitor this issue.”

Ford, Tesla and the **Society of Automotive Engineers** did not respond to requests for comment. [AIR](#)



The Volvo S90 Sedan features a substantial rear bumper

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State Market Focus: NEW JERSEY

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In April, Commissioner **Marlene Caride** required insurers to offer a 90-day grace period for policyholders struggling to pay premiums and at least 12 months to pay off the unpaid amount. In May, she ordered property/casualty lines of business that could expect a decline in exposure due to COVID to offer premium relief to customers as the pandemic-induced economic shutdown

reduced driving, accidents and claims. (Carriers could provide documentation to support an exemption.) In addition to personal and commercial auto, affected lines included workers compensation, commercial multiperil, commercial liability and medical malpractice.

In addition to requiring that insurers file their plans for offering premium relief, DOBI ordered

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New Jersey 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
Berkshire Hathaway/GEICO	\$1,853,166	22.8%	72.2%	\$1,740,325	21.8%	70.8%	\$1,580,844	20.6%	70.0%
NJM Insurance	\$1,070,670	13.2%	60.5%	\$1,046,719	13.1%	63.5%	\$993,945	12.9%	66.3%
Progressive Corp.	\$1,005,463	12.4%	58.3%	\$926,295	11.6%	60.5%	\$856,484	11.2%	59.1%
Allstate Corp.	\$857,476	10.5%	52.3%	\$836,903	10.5%	50.3%	\$839,883	10.9%	53.0%
Plymouth Rock of New Jersey	\$639,876	7.9%	61.2%	\$632,830	7.9%	58.1%	\$614,705	8.0%	60.8%
State Farm Mutual	\$598,746	7.4%	61.1%	\$612,198	7.7%	59.0%	\$629,485	8.2%	64.7%
Liberty Mutual	\$547,468	6.7%	63.0%	\$557,463	7.0%	65.1%	\$544,321	7.1%	64.1%
USAA Insurance Group	\$322,290	4.0%	78.9%	\$311,141	3.9%	92.6%	\$294,678	3.8%	70.8%
Travelers Companies Inc.	\$295,762	3.6%	56.6%	\$289,711	3.6%	57.2%	\$284,191	3.7%	59.5%
Farmers Insurance Group	\$193,277	2.4%	67.8%	\$222,440	2.8%	79.1%	\$233,314	3.0%	79.9%
MetLife Inc.	\$144,873	1.8%	65.3%	\$139,331	1.7%	64.9%	\$133,805	1.7%	57.8%
CSAA Insurance Exchange (NorCal)	\$107,323	1.3%	72.2%	\$126,920	1.6%	77.1%	\$146,993	1.9%	81.9%
Selective Insurance Group Inc.	\$47,923	0.6%	59.7%	\$48,081	0.6%	51.1%	\$45,465	0.6%	71.3%
National General Holdings Corp.	\$46,257	0.6%	59.5%	\$53,198	0.7%	64.6%	\$42,864	0.6%	62.0%
RFH/American Independent/Good2Go	\$44,495	0.6%	52.2%	\$44,708	0.6%	52.2%	\$44,960	0.6%	64.8%
Chubb Ltd.	\$40,433	0.5%	75.9%	\$42,106	0.5%	55.9%	\$41,364	0.5%	62.0%
Hanover Insurance Group	\$40,283	0.5%	55.9%	\$36,762	0.5%	51.8%	\$35,454	0.5%	41.7%
Citizens United Repl Exchange	\$38,679	0.5%	42.7%	\$44,502	0.6%	55.1%	\$38,082	0.5%	61.6%
Amica Mutual Insurance Co.	\$33,226	0.4%	74.3%	\$45,553	0.6%	75.9%	\$46,860	0.6%	71.6%
Nationwide Mutual Group	\$30,832	0.4%	78.3%	\$28,302	0.4%	87.4%	\$20,155	0.3%	96.4%
Mercury General Corp.	\$27,856	0.3%	75.3%	\$28,857	0.4%	53.9%	\$29,518	0.4%	47.0%
Hartford Financial Services	\$22,702	0.3%	44.4%	\$23,379	0.3%	70.8%	\$24,948	0.3%	58.2%
American Family Insurance Group	\$20,436	0.3%	71.0%	\$25,360	0.3%	69.7%	\$28,199	0.4%	65.4%
Penn National Insurance	\$18,750	0.2%	62.2%	\$20,964	0.3%	77.5%	\$23,267	0.3%	67.6%
California Casualty	\$16,256	0.2%	70.9%	\$15,475	0.2%	77.8%	\$14,307	0.2%	65.5%
American National Insurance	\$14,660	0.2%	57.8%	\$15,291	0.2%	54.1%	\$15,834	0.2%	61.1%
Statewide Totals	\$8,138,058		63.3%	\$7,988,307		64.2%	\$7,682,095		65.0%

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: NEW JERSEY

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insurers with more than \$20 million in combined property/casualty premium statewide to report monthly on premium and claims activity (including frequency and severity), comparing periods pre-pandemic and during the pandemic to the same periods last year. Carriers have to report on premium relief actions taken and contemplated as well as submit monthly reports on premiums collected, refunds and adjustments, policies in force, and how many policies received refunds and adjustments. The reporting was slated to end in September, according to the [order](#).

“The department is analyzing the data submitted by carriers and will provide additional guidance as appropriate, as it continues to respond to the challenges caused by the coronavirus pandemic,” DOBI spokesperson **Trish Graber** said in an emailed reply to questions.

To some degree, the analysis has left insurers in a state of paralysis. More than the requirements that they submit large volumes of data, insurers seemed more concerned about a lack of

communication and clarity about filings that they didn’t think were subject to the freeze.

“We have no complaint about submitting whatever COVID-related data they want,” an insurance executive said. “But when that shuts down the flow of other work or communications, that’s a challenge.”

The April 14 [message](#) from regulators was understandable at the time it was issued, as the number of COVID cases in New Jersey was at its peak, with more than 1,700 patients on ventilators. But some insurers have expressed concern about the lack of an end date.

“Given this unprecedented time involving the coronavirus and the impact it is having on the residents and businesses of New Jersey, the department in the public interest has requested all companies to withdraw their pending rate filings,” according to the message. “Similarly, the department is declining to accept any new rate filings and therefore any newly submitted rate filing will be rejected. The department will

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New Jersey 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	10.2	7.4	4.3	6.1	8.1	6.1	11.7	7.6	4.1	-9.9	5.6
Personal Auto Phys	10.2	12.7	10.5	10.3	11.1	14.2	-6.5	7.1	12.8	14.2	9.7
Personal Auto Total	10.2	9.1	6.2	7.4	8.9	8.5	6.2	7.5	6.9	-1.9	6.9
Comm. Auto Liab	-5.0	-3.5	-3.2	-5.6	2.6	0.0	0.2	3.7	11.4	-3.8	-0.3
Comm. Auto Phys	5.7	12.1	5.3	6.1	6.8	-4.1	-43.7	-11.9	0.4	8.7	-1.5
Comm. Auto Total	-3.4	-1.1	-1.9	-3.8	3.3	-0.7	-6.5	1.3	9.7	-1.9	-0.5
Total All Lines*	13.3	15.7	12.1	11.0	13.5	11.7	-16.0	4.0	12.9	7.3	8.5

*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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evaluate a resubmission of this, or any similar, rate filing at a yet-to-be determined point in the future. This does not apply to rate filings where ALL POLICYHOLDERS receive decreases.”

Regulators have more recently communicated a willingness to accept filings that are “rate neutral,” meaning they might raise for some policyholders and decrease for others, but keeping them flat on average. But insurers haven’t seen evidence of that. DOBI did not respond when asked about rate-neutral filings.

“The fact is there is a rate filing freeze for any filings that have any remote increase for policyholders, regardless if that rate filing has been actuarially justified,” O’Brien said.

Caride has tied the continuation of the order to

Gov. **Phil Murphy’s** declaration of a public health emergency. To keep the public health emergency in effect, Murphy has renewed the declaration every 30 days, most recently on Aug. 1.

Now that New Jersey has achieved a low rate of infections, insurers hope Caride will soon lift the freeze.

“The commissioner has been upfront about protecting consumers during the COVID public health emergency,” said **Christine O’Brien**, president of the **Insurance Council of New Jersey**. Given the low rate of COVID transmission “and how New Jersey continues to do well in monitoring the virus, we would hope the Department of Banking and Insurance would seriously look at allowing consumers choice for more

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New Jersey 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.	\$182,154	10.5%	65.2%	\$156,332	9.8%	67.1%	\$122,292	8.8%	62.5%
Allstate Corp.	\$143,150	8.3%	74.3%	\$103,820	6.5%	75.6%	\$26,222	1.9%	67.5%
Selective Insurance Group Inc.	\$104,685	6.1%	67.9%	\$93,606	5.9%	87.6%	\$90,965	6.5%	79.2%
Travelers Companies Inc.	\$83,053	4.8%	72.7%	\$75,137	4.7%	79.4%	\$71,240	5.1%	69.3%
NJM Insurance	\$76,749	4.4%	67.9%	\$71,702	4.5%	89.8%	\$73,437	5.3%	83.6%
Nationwide Mutual Group	\$75,535	4.4%	81.9%	\$73,901	4.7%	91.8%	\$73,498	5.3%	100.5%
Liberty Mutual	\$72,553	4.2%	95.5%	\$70,284	4.4%	97.0%	\$67,356	4.8%	115.1%
Markel Corp.	\$64,674	3.7%	81.2%	\$59,680	3.8%	63.7%	\$42,098	3.0%	61.6%
Hartford Financial Services	\$55,405	3.2%	73.1%	\$50,910	3.2%	56.5%	\$50,271	3.6%	54.8%
Zurich Insurance Group	\$50,085	2.9%	85.5%	\$52,447	3.3%	62.6%	\$46,714	3.4%	72.4%
Tokio Marine	\$42,071	2.4%	80.1%	\$41,277	2.6%	55.8%	\$39,292	2.8%	53.7%
Prime Insurance	\$40,707	2.4%	36.5%	\$22,658	1.4%	34.8%	\$12,030	0.9%	13.6%
Berkshire Hathaway Inc.	\$37,165	2.2%	62.3%	\$30,904	1.9%	67.7%	\$27,780	2.0%	64.7%
Utica National Insurance Group	\$33,496	1.9%	47.5%	\$29,186	1.8%	69.2%	\$24,812	1.8%	67.3%
Fairfax Financial Holdings	\$30,617	1.8%	60.9%	\$26,007	1.6%	72.1%	\$18,972	1.4%	31.3%
American National	\$28,505	1.7%	77.8%	\$25,806	1.6%	82.0%	\$23,950	1.7%	53.6%
American International Group	\$27,992	1.6%	144.2%	\$34,617	2.2%	101.7%	\$39,027	2.8%	119.8%
Statewide Totals	\$1,730,131		74.2%	\$1,589,218		77.2%	\$1,394,222		76.9%

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

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State Market Focus: NEW JERSEY

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products and allowing insurers to get adequate rates for those products. We anticipate that Commissioner Caride will take a look at lifting the freeze. That is all that she has committed to.”

Even before the pandemic took hold, New Jersey regulators appeared to subject filings to heightened scrutiny. In several auto insurance filings closed before the pandemic, regulators knocked down the size of requested rate increases, something they hadn't done in filings submitted by the same insurers in recent years.

According to RateWatch from **S&P Global Market Intelligence**, **Geico**, the largest personal auto insurance group in New Jersey, received requested rate increases in 2015 through 2019. This year, the insurer received approval on March 4 for a 3.3% increase despite its request for 4.0%. Likewise, **USAA** received approval Feb. 5 for a 2.6% increase when it requested 6.9%. Prior requests since 2015 were approved at the requested rate.

The top 10 personal auto insurance groups in New Jersey lowered rates by an average 1.7%, according to RateWatch, which includes filings through early August. The decrease was largely driven by an average 16.8% rate cut by **State Farm**, the sixth-largest auto insurer in the Garden State. **Progressive**, which ranks third, lowered rates 5% this year.

Statewide premiums grew just 1.9% last year – less than the 2.9% national average – after 4.0% growth in 2018. The growth challenge is an indicator of both New Jersey's slow-growing population and the continually intensifying competition.

Geico has a commanding lead over competitors, writing 22.8% of statewide personal auto insurance premium. Progressive has been closing the gap with No. 2 **NJM Insurance**, which two years ago removed its membership restrictions

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New Jersey Snapshot

Regulator: Insurance Commissioner Marlene Caride

Rate regulation: prior approval with expedited process for rate changes up to 7%

Size of personal auto market: \$8.14 billion (2019 DPW) Rank: 8th

Average policy expenditure: \$1,350 (2017)

Rank: 4th

Auto Insurance Report PAIN Index rank: 19th (2017)

Property Insurance Report HURT Index rank: 37th (2017)

Auto registrations: 2.8 million (2018)

Truck registrations: 3.1 million (2018)

Vehicle miles traveled (VMT): 77.53 billion (2018)

Traffic fatalities: 0.73 per 100 million VMT; U.S.: 1.13 (2018)

Vehicle thefts: 123.9 per 100,000 residents; Region: 90.4 (2018)

Liability defense: modified comparative fault, 51% bar

Minimum Insurance Requirements:

BI: \$15,000/\$30,000 • PD: \$5,000 • PIP: \$15,000 • UM/UIM: \$15,000/\$30,000

Safety Laws

Ban on handheld cellphones and texting for all drivers. Cellphone ban for novice drivers.

Strong graduated licensing

Primary safety belt law

Motorcycle helmets required for all riders

Demographics

Population: 8.79 million (2019 est.)

Change 2010-2019: +1.0%, U.S.: +6.3%

Median household income (avg. 2014-2018):

\$79,363; U.S.: \$60,293

Population density: 283.9 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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Focus: NEW JERSEY

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and started offering personal insurance products to all state residents. For most of the company's history, policyholders had to be employed by a member of the **New Jersey Business and Industry Association** or state government. In 2015, the company began expanding its base of potential customers by making policies available to any public sector employee in the state

After acquiring the replacement carrier rights for New Jersey auto and home business from **Mapfre's Commerce Insurance Co.** in 2018, Plymouth Rock last year bought **Rider Insurance**. Plymouth Rock said the acquisition expanded its role in the motorcycle insurance segment while also offering a new group of prospects for its auto and home policies.

It's almost hard to remember what it used to be like in New Jersey, before the state adopted legislative and regulatory reforms in 2003 and as many as half the state's drivers were insured in the residual market because nobody wanted to assume the risk. The reforms overhauled the regulatory structure to speed up the rate review process, revised the excess profits law and phased out the take-all-comers law. In the decade before the reforms were passed, more than 25 insurers had withdrawn from the state and in 2001, State Farm and **American International Group**, which represented 20% of the market, were planning to do the same.

In 2012, lawmakers took additional steps to improve the market by passing reforms that targeted costs and abuses in personal injury protection coverage, including an expanded fee schedule and a program that streamlines arbitrations. The momentum for further refinements may have stalled, but for now PIP costs seem relatively stable with frequency down 2.9% and severity up just 1.4% for the four quarters ended March 31, 2020, according to Fast Track Monitoring Service data provided by the **Insurance**

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Information Institute.

Legislation introduced last year threatened to dramatically change the state's litigation environment. Insurers successfully fended off the bill, which had passed the Senate but stalled in the House. The legislation would have created a private cause of action by claimants who face "unreasonable delay or unreasonable denial" of claims under an insurance policy as well as for any violation of the current unfair claims settlement practice regulations. Unlike bad-faith laws in other states, the proposed legislation would not have required the claimant to prove malice, intent or recklessness in order to get treble or punitive damages.

At the same time, insurers were fighting legislation that would have raised minimum limits and restricted the use of rating factors, like education and occupation. None of them advanced, "My hope is our efforts have put to bed any reconsideration of similar or the same legislation," O'Brien said. **ARI**

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