AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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Risky Driving, Born in Pandemic, Continues to Push Claims, Deaths

Violations for excessive speeding and distracted driving continued to surge above pre-pandemic levels earlier this year – even though people were still driving slightly less than before the Covid-19 lockdowns, according to a new study of traffic tickets from **LexisNexis**.

While speeding and distracted driving tickets were up, the overall number of moving violations in March 2022 remained just below pre-pandemic levels. Nonmoving violations, including tickets for mechanical issues like broken taillights, were also lower than in 2019, a sign that police are prioritizing dangerous infractions over less serious offenses.

The number of violations issued for major speeding – driving 26 mph or more over the speed limit – plummeted

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Auto Repairs Remain Slow, And Consumers Don't Like It

The backlog of work at autobody shops is holding steady at record levels, and the situation is unlikely to improve any time soon. That is bad news for auto insurers that want to keep policyholders happy, because surveys show long repair times are making customers grumpy. And to add salt to the wound for insurers, auto repair labor rates are on the rise and show no signs of abating.

A third-quarter survey of 600 repair shops by industry newsletter *CRASH Network* found the national average backlog remained at 4.8 weeks, unchanged from the previous quarter. That's more than double the typical backlog in the three years prior to the pandemic. While there was a slight increase in the percentage of shops with

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Insurers Can't Play in a Wyoming Sandbox, But Still Enjoy Freedoms

Concerned that a future insurance commissioner could open the door to an insurance scam billed as an innovation, **Wyoming** Gov. **Mark Gordon** vetoed legislation establishing an insurance regulatory sandbox and urged lawmakers to come back with a bill that has more restrictions and requires larger application fees.

Since **Kentucky** took the lead in 2019, five states – **West Virginia**, **South Dakota**, **Utah**, **Vermont** and **North Carolina** – have passed sandbox legislation that includes insurance, according to **Jeffrey Brewer** of the **American Property Casualty Insurance Association** (APCIA).

Sandbox legislation aims to give entrepreneurs the flexibility to launch innovative insurance-related programs and products by waiving some of the regulatory obstacles while preserving consumer protections. The issue has received attention from the **National Council of Insurance Legislators** (NCOIL), which will consider a revised model act

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52% during Covid-19 lockdowns in April 2020. But by March 2022, violations were 27.7% higher than before the pandemic. Tickets for minor speeding were also 13.1% higher than 2019 after falling 73.% at the lowest point. Distracted driving violations in March were 12.4% higher than 2019, after initially falling 96.4%.

"We see more speeding out in the market than we did pre-pandemic relative to how much people are driving," said **Adam Pichon**, vice president and general manager of auto and home insurance for LexisNexis. "Major speeding is up significantly, and we don't see any signs of that letting up – at least so far."

The report from LexisNexis is the latest sign that drivers began driving faster in the pandemic, even if they weren't necessarily getting caught. The drop in ticketing will likely distort auto insurance pricing and underwriting accuracy for several years. In an effort to correct for the 2020 blind spot, insurance carriers are looking to recapture a complete view of policyholder violation history and are ordering more frequent motor vehicle reports across their renewal books, Pichon said.

"The market right now is really struggling from a rate perspective," he said. "Getting the correct premium surcharge where they can is becoming very important. In most states they're not getting their full indicated rate, they're losing money. They're trying to shore up underwriting anywhere they can."

Insurance companies charge additional premiums for drivers with minor violations in the previous three years and major violations in the previous five years. Without traffic tickets, carriers lack a predictive factor for rating drivers who speed, change lanes without signaling, roll through stop signs, or commit more serious traffic crimes. Insurance companies generally do not charge higher rates for nonmoving offenses.

A 2021 **TransUnion** study of violations estimated that the auto insurance industry could see a 9% drop in surcharge revenue because drivers received fewer traffic violations during the pandemic. (AIR 8/9/21)

Adam Pichon
LexisNexis

In total, moving violations in March of this year were 5.7% lower than pre-pandemic figures, and nonmoving violations were down 10.3%, according to the LexisNexis report. Mileage also was 7.4% lower than before the pandemic. At the height of the lockdowns, mileage had fallen 68.6%.

Notably, major speeding violations rebounded quickly from the drop in March and April 2020, spiking above 2019 levels by summer of 2020 and remaining elevated ever since. Minor speeding and distracted driving took a more gradual path back to 2019 levels before eventually surpassing pre-pandemic trends.

Faster, more distracted drivers are one of several trends contributing to the large number of road deaths and spiking claims frequency and severity for auto insurers.

An estimated 9,560 people died on the nation's highways in the first quarter of this year, about 7% higher than the projected figures for the same period in 2021 and the highest number of first-quarter fatalities since 2002, according to preliminary data from the **National Highway Traffic Safety Administration** (NHTSA). Early NHTSA estimates for the second quarter projects the first decline in fatalities after seven consecutive quarters of year-to-year increases in fatalities that began in the third quarter of 2020.

Connected-car data collected by LexisNexis reflects the increase in speeding, showing a 24% current increase year-over-year in driving faster than 80 mph. High-speed driving increased 26% in the Midwest, 19% in the Northeast, 25% in

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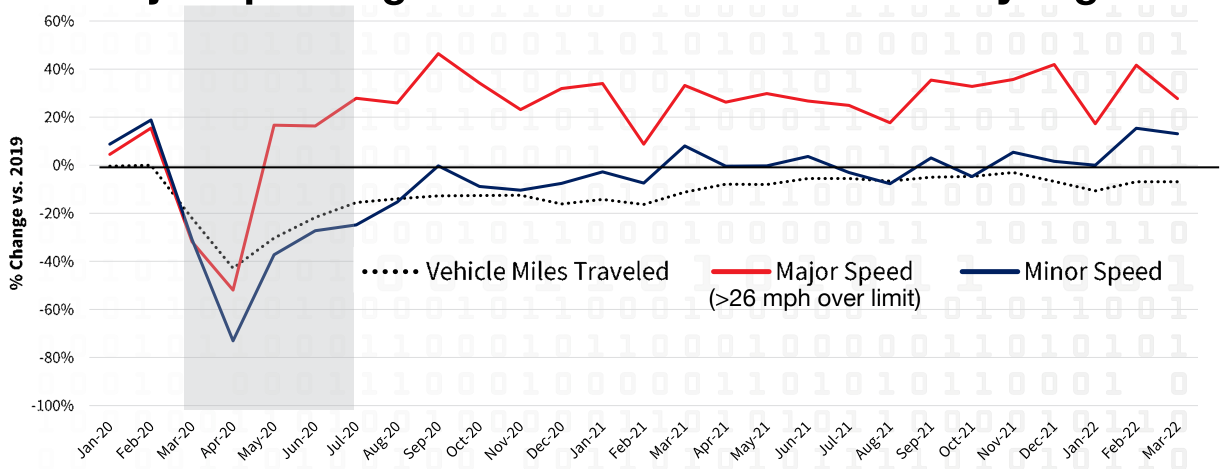
Major Speeding Violations Remain Stubbornly High



Source: LexisNexis Risk Solutions internal analysis of violation trends.

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the South and 20% in the West. LexisNexis data typically shows more high-speed driving in the West and South than the Midwest and Northeast, overall, while growth has been roughly the same in every region, according to **Adam Hudson**, vice president of the company's connected-car team.

Ticketing dropped for several reasons during the pandemic – fewer miles driven overall, changes in policing due to both the pandemic and social unrest, and court system delays.

Pichon believes the spike in speeding violations is a result of both motorists driving at higher speeds and more police enforcement of speeding laws.

"There were people that were always speeding, and they just didn't get caught," he said. "Now they're getting caught because police are focusing less on [minor] violations.

Pichon theorizes that the increase in violations will reveal that speeding tickets are even more predictive of risk than previously believed. If that hypothesis proves out in a planned study, carriers will likely begin charging higher surcharges for speeding violations.

"If you can actually find those risks, and you now can classify them correctly, your separation between the clean risks and the dirty risks should get further apart," he said.

Even before the pandemic disrupted policing and the courts, insurance companies often missed policyholder and shopper violations – and potential surcharge revenue – because many states do not have reciprocal agreements to share driving violations. The time lag between when tickets are adjudicated in the courts and when the records are processed by state motor vehicle departments cause additional delays.

"There are still many courts out there that are operating on paper," Pichon said. "You head out into areas of west **Texas**, or certain areas of **Louisiana**, it's not an overnight process for this to occur. Sometimes it's weeks, sometimes months."

Data vendors LexisNexis and TransUnion now integrate court records with motor vehicle reports to catch violations that otherwise might fall through the cracks.

Pichon said emerging from 2020 and 2021, many carriers are running more frequent checks across their renewal book.

"There are carriers out there in some states, where they only pulled MVRs every three years, now they're trying to re-pull it every 12 months, or every six months, perhaps depending on the type of book they have," he said. "That's certainly a trend." AIR

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for sandbox legislation when the group meets in New Orleans this week. The subject has also been a discussion point for the innovation committee of the **National Association of Commissioners** (NAIC).

In his veto message, Gordon acknowledged that regulations can present barriers to innovation and emphasized Wyoming's reputation as a friendly regulatory environment – a notion with which auto insurers would largely agree, given the state's lack of rate regulation. But for the governor, this legislation was a step too far, giving the insurance regulator "carte blanche responsibility to waive any statutory provision … without giving the commissioner the support needed to fully understand the consequences a consumer may experience."

Insurance Commissioner **Jeffrey Rude** said in an interview that while the **Wyoming Department of Insurance** could not lobby the Legislature, "I was quick to point out all of my concerns, and I had plenty."

Indeed, the governor echoed many of Rude's concerns about the sandbox legislation in his

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Wyoming Personal Auto Insurers

Groups Ranked by Total 2021 Direct Premium Written (000)

Group Name	2021 Premium	Mkt share 2021	Loss Ratio 2021	2020 Premium	Mkt share 2020	Loss Ratio 2020	2019 Premium	Mkt share 2019	Loss Ratio 2019
State Farm Mutual	$96,013	20.9%	60.7%	$91,385	21.0%	66.7%	$91,466	21.4%	77.3%
Progressive Corp.	$77,116	16.8%	60.2%	$72,194	16.6%	56.9%	$67,203	15.7%	79.4%
Farmers Insurance Group	$56,186	12.3%	59.0%	$52,524	12.1%	61.5%	$53,444	12.5%	74.2%
Berkshire Hathaway/Geico	$44,761	9.8%	69.2%	$39,532	9.1%	79.3%	$39,464	9.2%	81.9%
Farm Bureau Mutual Ins Co. of Idaho	$43,231	9.4%	64.3%	$44,725	10.3%	56.9%	$43,805	10.2%	83.7%
Liberty Mutual	$33,926	7.4%	53.1%	$29,730	6.8%	50.3%	$28,519	6.7%	69.8%
USAA Insurance Group	$33,068	7.2%	63.9%	$31,880	7.3%	64.4%	$29,721	6.9%	81.9%
Allstate Corp.	$25,290	5.5%	37.6%	$25,688	5.9%	73.7%	$26,292	6.1%	55.9%
Nationwide Mutual Group	$9,599	2.1%	58.5%	$9,576	2.2%	48.0%	$10,291	2.4%	61.7%
American National Insurance	$9,489	2.1%	65.0%	$8,965	2.1%	90.4%	$8,354	2.0%	97.6%
Sentry Insurance Mutual	$6,492	1.4%	49.5%	$6,539	1.5%	49.9%	$6,544	1.5%	66.9%
Hartford Financial Services	$5,525	1.2%	37.8%	$5,643	1.3%	78.9%	$6,026	1.4%	70.7%
Markel Corp.	$3,256	0.7%	35.0%	$3,383	0.8%	43.6%	$3,580	0.8%	44.3%
CSAA Insurance Exchange (NorCal)	$2,051	0.5%	40.7%	$1,774	0.4%	50.9%	$1,878	0.4%	65.9%
American Family Insurance Group	$1,804	0.4%	81.2%	$1,636	0.4%	76.3%	$1,289	0.3%	93.8%
Chubb Ltd.	$1,549	0.3%	20.6%	$1,517	0.4%	56.1%	$1,325	0.3%	24.4%
California Casualty	$1,346	0.3%	58.3%	$1,328	0.3%	74.5%	$1,354	0.3%	66.1%
Horace Mann Educators Corp.	$1,301	0.3%	37.9%	$1,290	0.3%	57.6%	$1,287	0.3%	92.1%
Badger Mutual Insurance Co.	$1,117	0.2%	79.6%	$1,265	0.3%	58.9%	$1,127	0.3%	109.0%
Tokio Marine Group/PURE	$1,054	0.2%	45.2%	$774	0.2%	71.4%	$705	0.2%	118.4%
Acuity Mutual	$1,043	0.2%	99.8%	$1,219	0.3%	61.3%	$1,338	0.3%	43.3%
American International Group	$922	0.2%	27.3%	$742	0.2%	79.6%	$603	0.1%	32.2%
Statewide Totals	$458,498		59.0%	$435,409		63.4%	$428,167		76.4%

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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veto message, including the possibility that a future commissioner might not be diligent in protecting consumers.

"While I personally trust myself not to grant a waiver that would harm consumers or that would harm the NAIC accreditation for the state, I don't know 10 years from now who is going to be on the job," Rude said. "I told the governor I don't think I should have this much authority. The Legislature passes laws, and [with the sandbox] you give me almost carte blanche to ignore them."

Gordon's veto message highlighted the complex nature of insurance and said the $10,000 filing fee in the legislation would be inadequate to cover the costs of an effective actuarial review.

"The insurance industry is heavily regulated for good reason, as past practices have not always benefited consumers of a given product," Gordon said.

Rude said his research found that states that already established insurance sandboxes aren't seeing any real benefits.

Jeffrey Rude
Wyoming
Insurance Commissioner

"The last time I checked, there was not yet an innovation that required a regulatory suspension," Rude said. "What they all find out, though, is that a lot of companies have what they think is an innovation, but what they really want is a lack of regulation in a particular area. And so they get requests, but they're always denied."

While they have supported insurance sandbox legislation in some states, insurance trade groups have expressed concerns about laws that might offer a competitive advantage to a company by relieving it of regulatory requirements. Gordon, too, made this point in his veto.

"While there may well be opportunity for truly revolutionary innovation and disruption in

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

Line of Business	2020 Total Profit	2019 Total Profit	2018 Total Profit	2017 Total Profit	2016 Total Profit	2015 Total Profit	2014 Total Profit	2013 Total Profit	2012 Total Profit	2011 Total Profit	Avg Total Profit
Personal Auto Liab	12.3	8.8	19.0	12.9	11.7	12.8	12.9	15.2	16.7	12.5	13.5
Personal Auto Phys	-0.5	-12.6	-8.0	-0.3	-10.7	7.3	0.9	-0.1	12.2	-21.0	-3.3
Personal Auto Total	5.0	-3.2	4.2	5.8	-0.2	9.9	6.7	7.4	14.4	-4.1	4.6
Comm. Auto Liab	10.7	9.1	18.3	12.9	20.9	18.8	19.9	17.4	18.4	4.2	15.1
Comm. Auto Phys	22.0	2.2	-4.3	6.3	0.0	13.1	5.3	6.8	4.5	-6.6	4.9
Comm. Auto Total	14.9	6.1	10.0	10.4	13.4	16.8	14.5	13.6	13.6	0.4	11.4
Total All Lines*	10.6	-0.6	0.0	12.2	6.3	18.3	12.1	14.2	11.0	1.0	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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the insurance marketplace, the experience so far augurs for applications to be reviewed, investigated and considered thoroughly so that no insurance provider receives an unfair competitive advantage at the expense of the consumer or that Wyoming's commissioner not be placed inappropriately in the position of picking winners and losers by virtue of being inadequately resourced to do proper due diligence," he wrote.

Gordon apparently did not have similar concerns about the risks of financial technology firms. In 2019, he signed legislation establishing a regulatory sandbox enabling innovations in blockchain and other products and services related to banking, securities, consumer credit or money transmission. Wyoming's fintech sandbox for financial products has a $500 application fee.

Gordon suggested that he would support a

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Wyoming Commercial Auto Insurers

Groups Ranked by Total 2021 Direct Premium Written (000)

Group Name	2021 Premium	Mkt share 2021	Loss Ratio 2021	2020 Premium	Mkt share 2020	Loss Ratio 2020	2019 Premium	Mkt share 2019	Loss Ratio 2019
Progressive Corp.	$22,680	18.7%	52.5%	$16,581	15.1%	50.1%	$15,176	13.4%	62.3%
Travelers Companies Inc.	$12,494	10.3%	9.9%	$11,656	10.6%	51.2%	$11,922	10.5%	54.4%
Old Republic International Corp.	$8,900	7.3%	85.8%	$8,383	7.7%	51.6%	$8,600	7.6%	47.5%
EMC Insurance Companies	$7,909	6.5%	18.6%	$7,830	7.2%	64.5%	$7,430	6.6%	29.1%
W. R. Berkley Corp.	$6,523	5.4%	30.4%	$4,693	4.3%	54.4%	$4,130	3.7%	50.7%
Liberty Mutual	$6,284	5.2%	59.5%	$7,267	6.6%	53.1%	$7,035	6.2%	75.3%
Nationwide Mutual Group	$6,115	5.0%	39.9%	$6,064	5.5%	32.5%	$5,602	5.0%	60.7%
Acuity Mutual Insurance	$5,557	4.6%	89.5%	$4,780	4.4%	77.6%	$3,694	3.3%	128.5%
Cincinnati Financial Corp.	$3,223	2.7%	51.1%	$2,622	2.4%	33.5%	$2,529	2.2%	82.0%
Farmers Insurance Group	$3,204	2.6%	53.5%	$2,911	2.7%	65.7%	$2,843	2.5%	41.7%
Zurich Insurance Group	$3,183	2.6%	32.9%	$4,762	4.3%	40.9%	$11,819	10.4%	58.8%
Berkshire Hathaway Inc.	$2,977	2.5%	1.0%	$2,384	2.2%	-5.6%	$3,567	3.2%	71.1%
American International Group	$2,641	2.2%	268.8%	$2,946	2.7%	12.3%	$1,233	1.1%	66.2%
Mountain West Farm Bureau Mutual	$2,297	1.9%	66.9%	$2,306	2.1%	88.5%	$2,119	1.9%	137.9%
Chubb Ltd.	$2,218	1.8%	30.7%	$1,969	1.8%	32.8%	$1,833	1.6%	13.6%
Arch Capital Group Ltd.	$2,106	1.7%	46.1%	$1,685	1.5%	84.4%	$1,433	1.3%	66.8%
Skyward Specialty Ins. (formerly HHIG)	$2,001	1.7%	58.6%	$997	0.9%	353.5%	$721	0.6%	-7.6%
State Farm Mutual	$1,610	1.3%	70.5%	$1,506	1.4%	14.6%	$1,404	1.2%	115.5%
Tokio Marine	$1,568	1.3%	56.8%	$1,569	1.4%	39.2%	$1,512	1.3%	28.1%
American National Insurance	$1,404	1.2%	65.9%	$1,128	1.0%	103.5%	$1,224	1.1%	59.6%
ProSight Specialty	$1,313	1.1%	50.2%	$596	0.5%	22.8%	$835	0.7%	55.7%
Federated Insurance	$1,173	1.0%	156.4%	$1,108	1.0%	36.8%	$752	0.7%	40.7%
Hartford Financial Services	$1,075	0.9%	-20.9%	$949	0.9%	12.7%	$1,123	1.0%	-84.9%
Great American Insurance	$1,003	0.8%	3.8%	$828	0.8%	54.1%	$849	0.8%	91.2%
Everest Re Group Ltd.	$902	0.7%	30.5%	$561	0.5%	74.0%	$779	0.7%	170.9%
Statewide Totals	$121,227		52.2%	$109,583		55.4%	$113,285		66.4%

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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bill that provided adequate funding for reviewing applications and that limited the statutes that the insurance commissioner could waive.

In testimony, a lawyer representing APCIA recommended that the sandbox law prohibit relief from certain essential laws, such as those governing solvency and investments and requiring participation in residual markets and guaranty funds.

Even without the sandbox, insurers view Wyoming's regulatory environment as a reasonable. The state does not have authority to regulate insurance rates – except for long term care insurance – though it does approve insurance forms.

While it does not receive rate filings, Rude said it is clear from talking to industry and gauging consumer complaints that auto insurers are increasing rates in the state, as they are nationwide. Supply chain problems are delaying auto repairs, which – along with inflation – are driving up costs.

Wyoming also has a poor record for highway safety when it comes to trucks. In 2020, Wyoming had the highest rate of truck crashes per million people, at 39.50, compared with the national average of 13.49, according to a report issued in September by the **U.S. Department of Transportation**.

Wyoming also had the nation's highest fatality rate for large trucks and buses in 2019 at 0.40 per 100 million miles traveled, according to federal data.

Dangerous crosswinds on Wyoming highways that cause "blow over" crashes are responsible for many of the deadly truck accidents. On Nov. 6, the *Cowboy State Daily* reported "mayhem and chaos" as high winds littered Wyoming highways with toppled semi-trucks and trailers.

A study published late last year examined blow-over crashes on Wyoming highways with

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Wyoming Snapshot

Regulator: Insurance Commissioner Jeffrey Rude

Rate regulation: no rate regulation

Size of personal auto market: $458.5 million (2021 DPW) Rank: 49th

Average policy expenditure: $776 (2019)
Rank: 44th

Auto Insurance Report PAIN Index rank: 41st (2019)

Property Insurance Report HURT Index rank: 20th (2019)

Auto registrations: 191,332 (2020)
Truck registrations: 637,107 (2020)

Vehicle miles traveled (VMT): 9.8 billion (2020)

Traffic fatalities: 1.30 per 100 million VMT; U.S.: 1.34 (2020)

Vehicle thefts: 165.5 per 100,000 residents; Region: 331.8 (2020)

Liability defense: comparative fault, 51% bar

Minimum Insurance Requirements:
BI: $25,000/$50,000 • PD: $20,000

Safety Laws
Texting ban for all drivers
Graduated licensing
Primary seat belt law
Motorcycle helmets required for riders under 18

Demographics
Population: 578,803 (2021)
Change 2010-2020: 2.3%, U.S.: +7.4%
Median household income (avg. 2016-2020): $65,304; U.S.: $64,994
Population density: 5.9 per square mile;
U.S.: 93.8 per square mile (2020)

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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an eye toward improving the accuracy and timeliness of high-wind hazard information. The study reported that there were 316 blow-over crashes reported from 2012 through 2017, for an average of 52.7 incidents a year.

In one event, in November 2017, dangerous winds toppled 14 tractor-trailers along Interstate 25 in southern Wyoming and northern **Colorado**. Earlier that year, a **Wyoming Highway Patrol** cruiser was destroyed when a semi-truck rolled onto it on Interstate 80 near Elk Mountain, Wyoming, according to the study. On Jan. 12, 2021, the state Department of Transportation reported 18 blow-overs in southern Wyoming in a post on Facebook.

> ***Wyoming's high winds can topple tractor-trailers, forcing the state to shut down major highways.***

In addition to safety concerns, the study noted the impact of frequent and long road closures on the state's major highways due to high winds.

With the state's long distances between towns, the cost of towing disabled vehicles from Wyoming highways has become a contentious issue, with truckers – and insurers – complaining of excessive fees. News reports gave the example of a $77,280 tow bill for a semi-truck that slid off Interstate 80 in December.

In the last session, a proposed bill (House Bill 119) would have set a fee schedule for towing, but it never was formally introduced and is unlikely to resurface in this next session.

The Legislation is also considering a draft proposal for the next session that would modernize Wyoming's anti-rebating laws, Rude said.

"We have an old-school Draconian prohibition against any sort of rebates. You can't give anybody anything generally, unless it's in the contract," Rude said. "And that" just not really fair to a lot of our insurers."

The draft bill would enable insurers to offer consumers risk-mitigation devices, from leak detectors for homes to telematics devices to monitor driving behaviors, without incorporating them into a policy.

"Rebate reform is important to allow the use of those devices," said **Lyn Elliott**, APCIA assistant vice president for state government relations in the Mountain region. "We are very supportive of the [insurance department] efforts, and we have seen draft legislation and are supportive of it. It's a good way to modernize the Wyoming insurance code."

One regulatory move of significant concern for insurers is a change in the adjuster licensing rules that will require out of state adjusters to get licensed in their home state if they have the ability to do so.

"Designated home state licensing is only acceptable in the event that the adjuster is unable to obtain an adjuster license in their resident state," **Bryan Stevens**, licensing supervisor for the Wyoming Department of Insurance, wrote in an Oct. 7 memo. "If a licensed adjuster has a resident address in a state which offers adjuster licensing, but holds a [designated home state] license in a different state, that adjuster's license will not be renewed until an acceptable license is procured."

The nonrenewal of adjuster licenses is causing frustration for insurers, who fear the shift in policy could leave adjusters without appropriate licenses to deal with claims in the next catastrophe.

"APCIA has many members that are concerned because this is a departure from the way adjuster licensure has been done," Elliott said, adding that she was puzzled as to why the Insurance Department made the change without going through the formal rulemaking process "because this is a significant change." AIR

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little-to-no backlog, only 1 in 25 shops could start work immediately on a vehicle, down from about 15% in the fourth quarter of 2019. At the other end of the spectrum, a record 25% of shops reported having eight weeks or more of work scheduled, up from 18% last summer. Until this year, that had never exceeded 2%.

The backlog is not likely to come down much before mid-2023, at the earliest, according to **Bart Mazurek**, vice president of consulting services for the automotive services group of **CCC Intelligent Solutions**. Speaking at a recent industry conference, Mazurek highlighted the shortage of technicians and declining enrollment in collision-repair training programs. The number of technicians graduating from post-secondary collision-repair training programs fell to 4,250 last year, down from about 4,500 in 2020.

"While supply chain issues will alleviate [in 2023], that's not going to cut these backlogs in half," he said. "Realistically, they will probably get worse in the interim, and then mid-next year will start to come back down. But I don't anticipate them going much below four weeks."

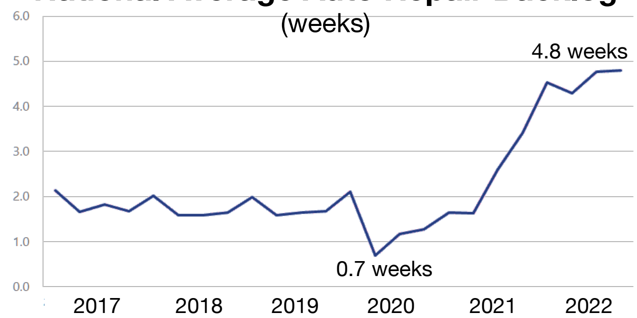
Not surprisingly, consumers are unhappy with the slow repairs. The 2022 **J.D. Power** [Auto Claims Satisfaction Study](), released Oct. 27, found overall satisfaction with the auto insurance claims process fell 7 points this year to 873 (on a scale of 1,000), driven in part by a 9-point decline in satisfaction with the repair process.

The average repair cycle time is nearly 17 days, compared with a pre-pandemic average of about 12 days, according to J.D. Power.

"This year marks the first time a majority of customers cited supply chain issues, such as waiting for parts on order and repair shop backlog, as reasons for delays in getting their vehicle back on the road," the study said.

Managing this dissatisfaction is essential because customers with claims are more likely to shop for a new insurer. A recent study by **LexisNexis Risk Solutions** found a 35% higher rate

National Average Auto Repair Backlog



Source: CRASH Network

of switching among policyholders with a first-party claim. (LexisNexis looked at 16.5 million policies with claims and 150 million policies without claims.) In multiple studies, J.D. Power has found that switching is always substantially higher among customers who are dissatisfied

> ***Backlogs at auto repair shops are likely to get worse before they start to get better in mid-2023.***

with their claims experience.

As insurers struggle with the slow pace of repairs and the resulting customer dissatisfaction, they are also paying more for those repairs. A recent *CRASH Network* survey of more than 400 repair shops found an average hourly wage increase of 8.6%, with the biggest increases paid by **The Hartford** (10.9% on average), **Travelers** (9.9%) and **USAA** (8.9%).

Insurers should think twice before turning to more self-service technology for customers to help offset these and other rising costs. In the J.D. Power survey, 34% of customers said they strongly prefer working directly with people over digital contact.

Even for those who accept digital experiences, the tools have limits. When digital is used for delivering status updates, overall satisfaction rises 56 points, with the highest levels of satis-

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faction among those using text messaging. However, when digital is used to report a first notice of loss via the internet or mobile app, overall satisfaction falls 4 points.

The LexisNexis research turned up a similar result, as customers who changed carriers after a claim were more likely to have used self-service claims tools. Those who stayed put were more likely to have spoken to carrier representatives. Best of all: when claimants were able to work with a single person they were much less likely to switch carriers. Make them talk to three or more people, and retention drops sharply.

Mark Garrett
J.D. Power

As with J.D. Power, LexisNexis found that it is essential to tailor the experience to the appropriate part of the claim, with quick, basic transactions handled digitally, but more complex, or more emotional parts of the claims process, such as first notice of loss, handled by people.

J.D. Power found one bright spot in the study: Insurers that focused on managing timing expectations, responding quickly to customers and providing multiple digital options for status updates outperformed the industry – with some even improving their satisfaction score from last year. The average overall satisfaction score among customers experiencing a repair cycle time greater than three weeks is 837. That score jumps 71 points to 908 when customers are provided with an accurate time estimate beforehand.

Said **Mark Garrett**, J.D. Power director of global insurance intelligence: "The best way forward is for insurers to start focusing on carefully managing customers' expectations and fine-tuning their digital engagement strategies to shepherd their customers through the process." AIR

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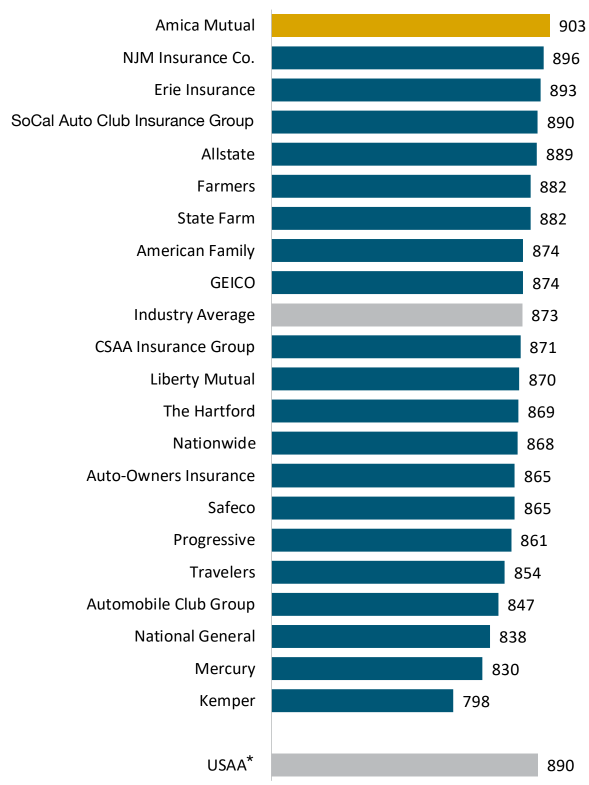
J.D. Power Auto Claims Satisfaction



Source: 2022 J.D. Power Auto Claims Satisfaction Study
**USAA not eligible for awards due to eligibility restriction.*