AUTO INSURANCE REPORT

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INSIDE

Insurers Slow to Assess Auto Repair Supplements, Driving Up Costs, Slowing Cycle Time

A survey of auto repair shops found the average wait time for large insurers to conduct an in-shop inspection or remote review of a supplement has hit another record high, nearly double what it was before the pandemic.

Nearly 500 shops responded to the June survey by industry publication *CRASH Network,* which focused on the eight largest auto insurers. Shops reported that they had to wait an average 5.4 days for an insurer to complete an in-shop inspection to approve supplements, up from just 2.9 days in 2018.

Wait times for a remote or "virtual" review are also at record highs, and only slightly shorter than in-shop reviews. On average, shops said they now wait 4.7 days for a

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Growing Skills by Plaintiff Bar Exceeding Insurer Response

As embattled auto insurers navigate the most challenging claims environment in decades, they fear the impact of litigation trends that make the bad situation worse and portend a future with more lawsuits and bigger damage awards.

While third-party litigation funding has come under increasing scrutiny, insurers are also seeing a rise in efforts by plaintiff attorneys to ascertain how much coverage is available before they file suit and then load up expenses. A cottage industry of firms that specialize in policy searches has cropped up to help them.

"The problem starts way before litigation," **Claudia Rodriguez**, former vice president of claims for **Auto Club Enterprises**, said at the 2022 Auto Insurance Report National Conference. "They're building the case to the policy limit."

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Mississippi Unaffordability Creates Stresses With No Easy Solutions

Even when prices are rising as fast as they are now, **Mississippi** drivers, the poorest in the nation, struggle to pay auto insurance premiums, explaining why an estimated 30% go without coverage.

And even when costs to repair and replace cars aren't rising as fast as they are now, Mississippi auto insurers struggle to stay ahead of claims, explaining why they are pursuing strategies beyond rate hikes – like requiring big down payments – to navigate today's turbulence.

After 15 years regulating the state's insurance markets, Insurance Commissioner **Mike Chaney** – who just won the Republican primary to run for a fifth term in office – takes the long view.

The market is "stable," he said in an interview, "but the prices are up."

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LITIGATION *Continued from Page 1*

Litigation Finance

Long after insurers started clanging alarm bells about the dark side of third-party litigation funding (TPLF), the issue is getting mainstream attention. (AIR 8/2/21)

The distinguished television news magazine *60 Minutes* aired a segment highlighting its complexities and lack of transparency just as regulators and lawmakers started taking an interest. At the behest of several lawmakers, the **Government Accountability Office** (GAO) issued a report in December that examined the growth of the litigation funding industry over the last decade and recent efforts to regulate the field. In July, the **Coalition Against Insurance Fraud** hosted a webinar, with a range of speakers from the funding and insurance worlds, as well as **Indiana** Rep. **Matt Lehman**, who said lawmakers discussed the topic at a recent meeting of the **National Council of Insurance Legislators**. "It's going to be on our agenda for our next meeting in November," said Lehman, who authored the Indiana bill and was drawn to the issue as it expanded beyond smaller loans.

"It's no longer the $2,500 or $5,000 loan to your neighbors who are trying to get to the end of the year. People were coming in, private equity and others, putting $10 million into these massive lawsuits." Leman believes that funding needs to be more transparent, and discoverable. "The jury should know what is going on, that these people here aren't going get the whole $10 million; $8 million is going to these other guys."

Seventeen states introduced bills this year, according to the **American Property Casualty Insurance Association** (APCIA), and Indiana and **Montana** became the latest states to enact litigation funding laws.

Indiana's House Bill 1124 expands its lawsuit lending laws by requiring plaintiffs to provide written notice to defendants and insurers that they've entered into a third-party litigation funding contract. The law makes the contract discoverable, although the written notice is not admissible as evidence. Under a 2019 law, Indiana capped interest rates on lawsuit loans at 36%. "We're here to protect consumers," Lehman said. "We don't want to cut off the market, but we can't let the market dictate what ends up being the consumers responsibility to pay."

Claudia Rodriguez
AAA SoCal (retired)

In addition to mandating disclosure, Montana's Senate Bill 269 requires litigation funders to register with the state, makes them jointly liable for costs and establishes a 25% cap on the amount that a funder can receive from a lawsuit.

Wisconsin and **West Virginia** also require the disclosure of funding agreements.

In addition to Indiana, the states that cap interest rates are **Nevada**, **Illinois**, West Virginia, **Tennessee** and **Arkansas**. Litigation funders tend to stay away from the states with the tightest interest rate caps: West Virginia, at 18%, and Arkansas, at 17%, according to the Coalition Against Insurance Fraud. (See map on page 5.)

The laws try to create some transparency in what remains a deeply opaque field. Aside from "The Westfleet Insider," a report that provides an annual snapshot of commercial litigation funding, there is no comprehensive data on the number of funders, deals, assets under management or amount of funding committed. The GAO report calls out the lack of industry data.

There is no doubt, though, that the industry has been growing quite rapidly. In 2022, the Westfleet Insider reported $3.2 billion in new commercial deals last year – a nearly 16% increase over 2021 – resulting in $13.5 billion in assets under management. Westfleet emphasized that even as it grows, the "U.S. commercial litigation finance industry is but a rounding error."

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LITIGATION *Continued from Page 2*

Swiss Re described the United States as the center of the world's third-party litigation funding (TPLF) industry, representing half of the estimated $17 billion in investment in litigation financing globally in 2020.

There are no specific estimates of the personal litigation funding industry, though the GAO report said consumers are becoming more familiar with it and lawyers are getting more comfortable with it. "The consumer TPLF market is becoming more mature," according to the report. "One trade association said this maturation could be seen through the emergence of securitization in consumer TPLF."

The Swiss Re research found that third-party litigation financing contributes to higher awards, longer cases and greater legal expenses. "Longer cases increase claim costs, on average, due to higher legal expenses and compound interest on the litigation finance," Swiss Re said. "TPLF also diverts a greater share of legal awards to the funder rather than the plaintiff. The result is an opaque, bottom-up wealth transfer from consumers to sophisticated investors and law firms."

The issue is one of the key legislative priorities for APCIA. "We appreciate what was said in the GAO report, that there is so little knowledge on this subject. It is obviously impacting the civil justice system, and we need to know more," said **James Whittle**, APCIA vice president and counsel. "We would like the ability to obtain disclosure and understand when financiers are involved, both pre-litigation, as well as during litigation," he added. "We'd like to have discovery of it."

APCIA is also pushing for limitations on "self-dealing" activities in which "financing firms are sending plaintiffs off to lawyers, or sending them to doctors, or any kind of referral that creates build up," Whittle said.

These deals are classified as non-recourse loans, where the party accepting the funds has no obligation to pay it back if they don't win the case. As a contract between two private parties, there has traditionally been no requirement to disclose them.

Rep. Matt Lehman Indiana

"We think regulators should be empowered to look at [litigation financing] and examine how this is affecting their jurisdictions," Whittle said.

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Building Up Cases

Rodriguez, the longtime Auto Club claims executive who is now a consultant, identified firms that search for policy limits as a key engine driving up claims costs, whether or not a case is filed.

Policy disclosure requirements differ from state to state, but in many jurisdictions, lawyers can file for disclosure of policy limits once a suit has begun as part of discovery. Obtaining those limits before a lawsuit is a newer twist that can involve dubious tactics.

"They get this information early on, so they know what to build the case to," she told the audience at the Auto Insurance Report National Conference in 2022. "If they find out that it's a $100,000 policy limit, then all they need to do is give us a policy limit demand for $75,000 for epidurals, and that's going to put the pressure on us to pay the $100,000.

"They don't have to file anything because all they've done now is pay the policy limit search company," she added. "They haven't spent a dime in litigation, and there's no deadlines."

When plaintiff attorneys hire private eye **Matthew Spaier** to investigate cases, he turns to policy search companies to determine the insurance policy limits.

"I've got personal injury cases with policies where we need to determine limits," said Spaier, owner of **Satellite Investigations Inc.** "You've

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***LITIGATION** Continued from Page 3*

got non-cooperative individuals that are not providing that information, or hit and run accidents, where they've left and not provided information."

Spaier hires policy search firms like **Pacific Liability Research** (PLR) or **ML Research Group** to assist him in getting insurance information. Other companies that promise an array of insurance information at a price include **Fund Capital America**, **Find Policy Limits** and **Advanced Legal Research**.

Fund Capital America promises personal auto limits within three to five days for $175, personal umbrella limits for $200 and commercial auto limits for $305.

The goal for private investigators and their clients is to identify how much coverage a claimant could potentially access. They say it's about transparency: in representing the victim of an accident who was not at fault, they want to know the potential avenues of liability coverage.

PLR founder **Steven Villarreal** discussed his view of the work in a recent appearance on Spaier's podcast.

"It's such vital information. What's sad is that it's not already information that's provided to the injured party, to representation of the injured party," Villarreal said. "The fact that it is an advantage, that we are looking at it from that perspective, really shows how over the years legislation has been introduced on a state level to really benefit the insurance companies in not requiring them to disclose that information when a claim is filed."

In an interview, Villarreal said he would like to see something similar to the state-run databases that make it possible to search for the presence of a worker's compensation policy and its details.

In the pursuit of limits data, some firms may bend the truth by pretending to be the insured.

"They're calling our call centers, and they're spoofing our insureds' phone numbers," Rodriguez said at the conference. "Your call center doesn't know that it's not your insured calling, [that] it's a policy limit search company … who is trying to get your policy limit information."

Matthew Spaier
Satellite Investigations

The call-center security company **Pindrop**, which works with leading banks and insurers, estimated that 1% to 2% of all calls coming into its clients' call centers are spoofed, according to **Jeff Staloch**, the company's sales director. (AIR 4/10/23)

Villarreal declined to elaborate on how his company finds personal insurance policies, but he noted that a lot of what they find is accessible online. "I'd say in 80% of our cases, there is information that's already out there. But it's a little bit here and a little bit there, more like a jigsaw puzzle that you put together," he said. "There's no one database out there."

He cited one example in which his firm was able to find policy limits on documents a defendant company was required to submit for a government contract. For PLR, public records are a key resource.

Spaier and Villarreal noted that the reports prepared by policy search companies are used as evidence in the course of litigation, namely in demonstrating to a judge that there is coverage available for a plaintiff.

"I don't know how companies like PLR source their information, but I do know that their reports are used to negotiate and settle claims," he said. If there were issues with their legality, he noted, defendants would challenge them during legal proceedings.

Call centers are not the only way to get policy information from an insurance company.

The revolution in online shopping and the

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LITIGATION *Continued from Page 4*

expansion of prefill allow clever PIs and search firms to deduce policy limits. If someone starts a quote using what they know from the defendant policyholder, they might see recommended limits based on the what the insured previously purchased.

This risk has led to some carriers, like Auto Club Enterprises, to pull back on their use of prefill. Some search firms charge more or decline to search for policies from particular companies.

Vendors that provide prefill data have not been sitting back. **LexisNexis**, which supplies verification of an applicant's current carrier, has been tightening its systems, offering both passive and active measures to slow policy search firms from gaining access to limits. The company's ThreatMetrix tool looks for strange traffic, such as the same computer requesting quotes for multiple individuals, to make it more difficult for search companies.

Some companies go beyond searching for policy limits. Fund Capital America offers to help connect lawyers with funding, medical networks, doctors willing to accept payment based on a future settlement, medical financiers, and a broader network of parties to assist in developing cases. As its website proclaims, the company is looking to be a "one-stop shop for all legal service.

"The point is they want to get [the limits] early to model the case to your policy limit." Rodriguez said.

She laid out a scenario in which lawyers connect their clients with doctors who perform medical procedures to build a case toward the coverage limit revealed by policy search companies.

In a worst-case scenario, plaintiffs undergo procedures unnecessarily. If a case requires more resources, lawyers can use litigation financing to bolster their case and give the plaintiff advance payments though the process.

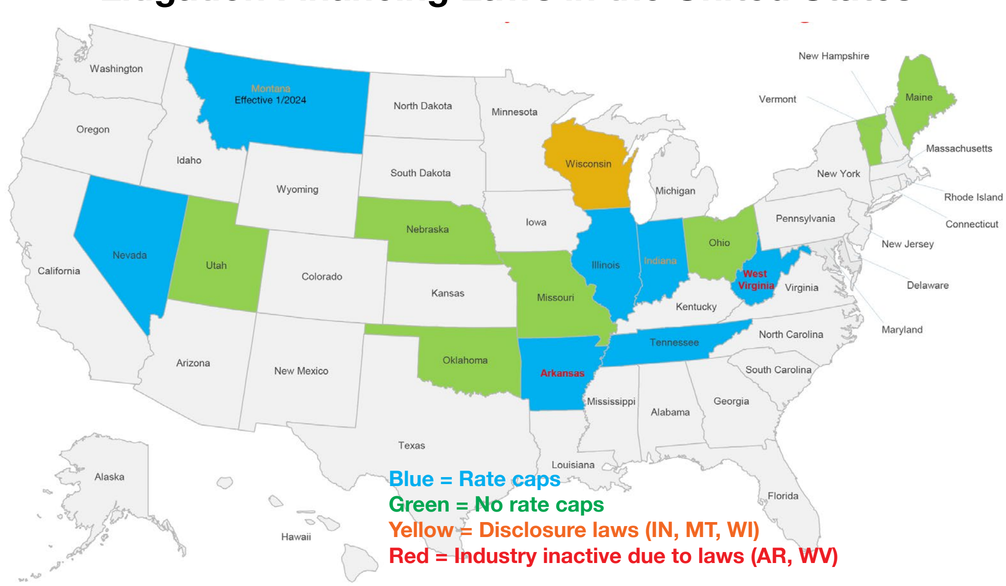
In the best-case scenario, plaintiffs in need of medical intervention are able to get help they need quickly, without having to wait for a case to conclude.

"All of these components together make up the firestorm," Rodriguez said in a recent interview. "It's not just the policy limit search companies, it is everything added together … There's a search company, the policy limit demand, the third-party litigation financing. All of that then just builds on each other to this whole new paradigm of litigation, whether it's personal casualty or commercial casualty."

Rodriguez believes insurers need to be paying more attention to how this is playing out.

"What worries me most," she said, "is that without a basic understanding of where to start, we're going to be years behind." AIR

Litigation Financing Laws in the United States



Sources: Coalition Against Insurance Fraud, Alliance For Responsible Consumer Legal Funding

State Market Focus: MISSISSIPPI

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In filings recording through July 10, the top 10 personal auto insurance groups increased rates an average 10.9%, following an average 8.5% increase in 2022, according to RateWatch from **S&P Global Market Intelligence**. Of the top 10 insurers in the state, **Geico** increased rates most, with a groupwide average 22.1% this year. **Southern Farm Bureau Casualty Group** raised rates 19%, and **Alfa Insurance Group** had a rate hike of 18.4%

State Farm, which writes nearly a quarter of statewide personal auto premium, increased rates an average 7.6% in June after 14.0% last year, the highest of the top 10 groups. But within

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Mississippi Personal Auto Insurers

Groups Ranked by Total 2022 Direct Premium Written (000)

Group Name	2022 Premium	Mkt share 2022	Loss Ratio 2022	2021 Premium	Mkt share 2021	Loss Ratio 2021	2020 Premium	Mkt share 2020	Loss Ratio 2020
State Farm Mutual	$544,360	24.2%	82.1%	$499,297	23.0%	74.8%	$470,599	23.1%	65.2%
Progressive Corp.	$336,324	15.0%	63.9%	$315,317	14.5%	66.2%	$278,248	13.7%	58.5%
Southern Farm Bureau Casualty	$255,217	11.4%	81.6%	$243,529	11.2%	69.7%	$232,901	11.4%	66.9%
Allstate Corp.	$217,352	9.7%	66.1%	$210,130	9.7%	54.4%	$195,758	9.6%	54.2%
Liberty Mutual	$163,715	7.3%	74.0%	$163,274	7.5%	66.2%	$161,007	7.9%	62.1%
Berkshire Hathaway/Geico	$157,826	7.0%	76.2%	$173,928	8.0%	72.4%	$152,018	7.5%	75.9%
USAA Insurance Group	$126,656	5.6%	86.1%	$124,416	5.7%	72.8%	$121,086	6.0%	65.3%
Alfa Mutual Group	$84,055	3.7%	72.9%	$73,465	3.4%	69.6%	$67,131	3.3%	59.0%
Nationwide Mutual Group	$78,971	3.5%	66.0%	$81,846	3.8%	60.3%	$84,485	4.2%	55.5%
Shelter Insurance	$72,999	3.3%	68.7%	$68,961	3.2%	66.7%	$68,053	3.3%	61.7%
Farmers Insurance Group	$52,475	2.3%	66.5%	$55,289	2.5%	58.6%	$52,269	2.6%	66.1%
Safeway Insurance	$34,849	1.6%	68.1%	$36,494	1.7%	61.7%	$35,037	1.7%	54.9%
Travelers Companies Inc.	$33,470	1.5%	73.8%	$29,573	1.4%	61.2%	$26,393	1.3%	51.9%
Hartford Financial Services	$14,483	0.6%	63.4%	$14,310	0.7%	57.2%	$14,121	0.7%	47.1%
USA Insurance Co.	$11,518	0.5%	69.6%	$12,197	0.6%	76.3%	$13,778	0.7%	66.2%
Root Insurance Co.	$10,761	0.5%	85.7%	$13,911	0.6%	113.3%	$8,756	0.4%	97.6%
Auto Club Exchange Group (SoCal)	$10,612	0.5%	87.4%	$10,351	0.5%	62.2%	$9,569	0.5%	73.3%
Sentry Insurance Mutual	$6,733	0.3%	58.7%	$6,731	0.3%	51.9%	$6,427	0.3%	43.0%
First Acceptance Corp.	$5,451	0.2%	74.2%	$5,989	0.3%	65.8%	$5,187	0.3%	61.2%
American National Insurance	$5,211	0.2%	66.5%	$5,342	0.3%	56.9%	$5,337	0.3%	41.6%
Premier Holdings, LLC	$5,184	0.2%	75.3%	$5,900	0.3%	79.8%	$6,164	0.3%	62.7%
American Family Insurance Group	$5,148	0.2%	69.3%	$9,569	0.4%	55.8%	$7,873	0.4%	71.2%
Tokio Marine Group/PURE	$2,668	0.1%	77.4%	$2,348	0.1%	62.4%	$2,238	0.1%	69.9%
Markel Corp.	$2,256	0.1%	45.2%	$1,156	0.1%	55.9%	$896	0.0%	46.0%
Home State Insurance Group	$2,206	0.1%	45.0%	$1,057	0.1%	38.2%	$544	0.0%	46.7%
ECM Insurance	$2,094	0.1%	61.9%	$2,639	0.1%	41.2%	$2,635	0.1%	75.5%
Tiptree Inc.	$1,848	0.1%	23.7%	$2,292	0.1%	19.0%	$1,720	0.1%	44.1%
Statewide Totals	$2,248,838		74.4%	$2,173,864		67.9%	$2,035,848		62.9%

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.

State Market Focus: MISSISSIPPI

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the State Farm Group, **MGA Insurance**, which serves the nonstandard market, was approved for a 29.9% increase that took effect in June.

Nonstandard carriers play an important role in the Mississippi market, in part because of the large number of drivers who let their coverage lapse when finances are especially tight.

Though the department has received "very few rate increase requests from them," Chaney said, "we are seeing some nonstandard companies seeking large increases."

Other recently approved rate hikes from nonstandard companies include the 32.3% increase for **American Family's Permanent General** unit and 20.6% for **Viking Insurance Co. of Wisconsin**.

Although Mississippi law allows insurers to use rates 30 days after filing if they are not "disapproved," in practice, insurers wait for prior approval. Chaney said the department generally allows just one rate change in 12 months. In exceptional circumstances, if a company can justify a need to increase rates twice in 12 months, the department will consider it if the support for the second increase is included with the first filing. The department has no actuaries on staff, he said, and it has limited its use of outside actuaries for property/casualty rate reviews to save money.

Mike Chaney
Mississippi Insurance Commissioner

Chaney said in his 15 years in office there are only a few examples of companies approved for two rate increases in a year. "We just don't allow them," he said.

Insurers' ability to implement increases quickly can also be affected by objections that slow the review process, an insurance executive said.

"Everyone's trying to get rate, and you can't get rate fast enough," he said.

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

Line of Business	2021 Total Profit	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	Avg Total Profit
Personal Auto Liab	7.1	6.3	4.7	6.2	3.3	-0.3	2.0	4.7	5.0	5.9	4.5
Personal Auto Phys	-0.5	1.9	8.7	12.4	8.8	4.1	5.5	4.1	-21.5	7.5	3.1
Personal Auto Total	3.6	4.3	6.5	9.0	5.8	1.7	3.5	4.5	-6.6	6.6	3.9
Comm. Auto Liab	12.4	4.1	2.5	1.1	8.9	-4.3	-3.9	2.0	6.8	5.3	3.5
Comm. Auto Phys	12.6	10.1	10.7	4.8	3.0	4.3	6.4	0.1	-20.6	4.1	3.6
Comm. Auto Total	12.4	5.6	4.6	2.1	7.4	-1.9	-1.0	1.4	0.0	5.0	3.6
Total All Lines*	10.4	1.8	12.4	14.8	12.1	9.9	13.1	9.7	-3.2	15.5	9.6

*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.

State Market Focus: MISSISSIPPI

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The executive said that if conditions stay the way they are, "I think you're going to see carriers leave the state, or just choosing not to write in it."

For the decade ended 2021, Mississippi personal auto insurers generated an average annual profit margin of 3.9%, ranked 42nd in the country. The incurred loss ratio rose to 74.4% last year – from 67.9% in 2021 – though it was better than the 80.2% national average.

For now, some carriers are taking actions, such as increasing down payments, that could have the effect of slowing new business. In some cases, carriers are requiring full payment upfront for comprehensive and collision coverage, while accepting the normal down payment for a policy

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Mississippi Commercial Auto Insurers

Groups Ranked by Total 2022 Direct Premium Written (000)

Group Name	2022 Premium	Mkt share 2022	Loss Ratio 2022	2021 Premium	Mkt share 2021	Loss Ratio 2021	2020 Premium	Mkt share 2020	Loss Ratio 2020
Progressive Corp.	$95,284	16.8%	65.5%	$94,283	17.6%	61.5%	$67,606	14.6%	58.7%
Travelers Companies Inc.	$41,557	7.3%	66.6%	$39,961	7.5%	56.7%	$39,647	8.6%	69.2%
Old Republic International Corp.	$33,002	5.8%	63.6%	$28,860	5.4%	53.1%	$24,961	5.4%	71.7%
Liberty Mutual	$32,807	5.8%	58.1%	$27,789	5.2%	55.2%	$23,576	5.1%	78.9%
W. R. Berkley Corp.	$29,798	5.2%	69.5%	$26,809	5.0%	47.0%	$25,171	5.4%	44.3%
Sentry Insurance Mutual	$22,568	4.0%	72.3%	$21,168	4.0%	57.5%	$16,104	3.5%	65.9%
Zurich Insurance Group	$20,266	3.6%	36.9%	$18,041	3.4%	53.4%	$19,419	4.2%	73.8%
FCCI Mutual Insurance Holding Co.	$19,841	3.5%	53.0%	$18,609	3.5%	48.5%	$16,334	3.5%	72.7%
Berkshire Hathaway Inc.	$18,945	3.3%	58.6%	$18,118	3.4%	71.4%	$18,676	4.0%	79.6%
Nationwide Mutual Group	$15,319	2.7%	64.0%	$18,336	3.4%	56.7%	$22,854	4.9%	83.2%
EMC Insurance Companies	$12,942	2.3%	44.5%	$11,765	2.2%	36.1%	$11,198	2.4%	71.8%
Great American Insurance	$12,413	2.2%	76.4%	$11,672	2.2%	42.4%	$9,793	2.1%	56.4%
Arch Capital Group Ltd.	$11,430	2.0%	53.6%	$6,955	1.3%	57.6%	$7,623	1.6%	59.9%
American International Group	$10,287	1.8%	45.5%	$9,632	1.8%	86.1%	$8,210	1.8%	77.0%
Chubb Ltd.	$8,690	1.5%	168.0%	$5,417	1.0%	43.7%	$4,312	0.9%	169.0%
Fairfax Financial Holdings	$8,583	1.5%	51.1%	$9,246	1.7%	69.2%	$6,837	1.5%	54.1%
Hartford Financial Services	$8,359	1.5%	77.4%	$9,627	1.8%	66.4%	$7,022	1.5%	59.3%
Watford U.S.	$8,208	1.4%	44.6%	$3,920	0.7%	44.4%	$2,012	0.4%	54.5%
Federated Mutual Group	$7,611	1.3%	58.0%	$6,467	1.2%	30.5%	$5,993	1.3%	51.2%
Tokio Marine Group	$7,338	1.3%	49.0%	$6,953	1.3%	72.1%	$6,903	1.5%	107.3%
State Farm Mutual	$7,315	1.3%	73.8%	$7,255	1.4%	66.7%	$6,192	1.3%	45.2%
Cherokee Insurance Co.	$7,279	1.3%	79.0%	$8,802	1.6%	70.8%	$7,146	1.5%	47.3%
Prime Insurance	$7,191	1.3%	85.7%	$7,577	1.4%	45.5%	$4,743	1.0%	22.3%
Everest Re	$6,914	1.2%	54.1%	$7,154	1.3%	44.9%	$6,521	1.4%	61.6%
Shelter Insurance	$6,869	1.2%	68.4%	$6,777	1.3%	49.5%	$6,335	1.4%	48.5%
Ambac Financial Group	$6,661	1.2%	51.6%	$68	0.0%	69.8%	$0	0.0%	na
Statewide Totals	$568,792		64.6%	$535,960		58.8%	$463,549		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.

State Market Focus: MISSISSIPPI

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with just liability coverage.

Commercial auto is also seeing significant rate increases, especially in trucking, but Chaney said the situation in his state isn't as bad as others because of tort reforms that limit damage awards. Mississippi law caps pain and suffering damages at $1 million in personal injury cases.

Among U.S. states, Mississippi has the lowest median household income, and as such drivers in the Magnolia State are especially sensitive to rising auto insurance prices, especially as they deal with the impact of inflation on other household costs coupled with the loss of public health insurance. Mississippi began dropping tens of thousands of residents from its Medicaid rolls when the federal government phased out a rule that barred disenrollments during the Covid public health emergency.

"People have to make a choice getting automobile [insurance] and not getting a ticket or health care insurance and not being sued by a hospital or health care provider," Chaney said. "I'm very aware of it, and I think you're going to see an uptick in uninsured motorists not just in Mississippi, but in a lot of other states."

Mississippi's average personal auto expenditure was just $979 in 2020, below the $1,047 national average. But with the nation's lowest household income, insurance is a significant burden. On our PAIN Index – the ratio of auto insurance costs to income – Mississippi ranks as the fourth worst state in the nation for affordability, keeping company with markets as troubled as **Louisiana**, **Michigan** and **Florida**. (AIR 3/27/23)

Given the lack of affordability, it is no surprise that in its most recent report from 2021, the Insurance Research Council estimated that 29.4% of Mississippians drove without insurance in 2019, the highest percentage of any state.

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Mississippi Snapshot

Regulator: Insurance Commissioner Mike Chaney

Rate regulation: prior approval in practice, though the law is file and use

Size of personal auto market: $2.25 billion (2022 DPW) Rank: 33rd
Average policy expenditure: $979 (2020)
Rank: 20th
Auto Insurance Report PAIN Index rank: 5th (2020)
Property Insurance Report HURT Index rank: 4th (2020)

Auto registrations: 893,598 million (2021)
Truck registrations: 1.5 million (2021)
Vehicle miles traveled (VMT): $40.85 billion (2021)
Traffic fatalities: 1.89 per 100 million VMT; U.S.: 1.37 (2021)

Vehicle thefts: 216.8 per 100,000 residents; South Region: 249.0 (2021)

Liability defense: pure comparative fault

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

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

Demographics
Population: 2.9 million (2022)
Change 2010-2020: -0.2%, U.S.: +7.4%
Median household income (avg. 2017-2021): $49,111; U.S.: $69,021
Population density: 63.1 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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The **Mississippi Department of Public Safety** has had an insurance verification system in place since 2017, with the penalty for driving without insurance increased from a civil violation to a criminal offense in 2018.

"We let private contractors work with cities and municipalities to take images of car tags and cross-reference them to see if those people have insurance coverage," Chaney said. "They put a pretty hefty fine on those folks if they don't have coverage."

Chaney understands the challenge.

"They end up buying insurance, but you've got to remember that the cheapest insurance you can buy on a car today is somewhere just north of $50 a month," Chaney said. "So you pay $600

> ***A large percentage of Mississippians drive without insurance because they can't afford to pay for it.***

or $700 a year for minimum coverage in the state. And it's tough on someone who's sweeping your floors or chopping up your chicken in a processing plant, working at $35,000 or $40,00 a year income."

To save money on premiums, Mississippi regulators suggest consumers review their coverage with an agent.

"A lot of people are making their own coverage decisions, and already they have an overlap of coverages," said **Andy Case,** the **Mississippi Insurance Department's** director of consumer affairs. "We're telling people about the importance of sitting down with an agent every 12 months and discussing your needs [and] your coverage, because there can be some overlap."

For instance, Case said, drivers could save on premiums by waiving uninsured motorist property damage [UMPD] and buying just collision and rental reimbursement coverage.

Andy Case
Mississippi Insurance Department

"Many policyholders carry UMPD in addition to collision coverage and rental reimbursement coverage," Case said. While UMPD applies only in an accident with an uninsured at-fault driver, "collision coverage and rental reimbursement apply to any accident with any motorist – whether uninsured or not – and regardless of fault. So, if collision provides a much broader coverage, then does a policyholder really need UMPD coverage? In that case, it's a duplicate coverage."

Chaney said he didn't entirely agree, because UMPD isn't very expensive, and – unlike collision coverage – it doesn't require the insured to pay a deductible. "It's a battle of educating that consumer, whether they're upper income, middle income, or lower income, as to how to save some money," he said. "We kind of put ourselves in their shoes to understand what they're doing and to educate them. … What you try to do it utilize your agent base. We tell agents, 'If you've got a commission, you're supposed to take care of that customer.' You don't need to be out on the golf course playing golf. You need to be taking care of the people who pay your bills.'"

Some of the claims challenges insurers face nationwide are exacerbated in Mississippi by its especially dangerous roads and catastrophic weather, typically tropical storms and hurricanes along the Gulf Coast. In March of this year, an EF-4 tornado caused death and destruction as it blazed a nearly 60-mile path. Losses exceeded $100 million, including 1,700 private passenger auto claims estimated at about $21 million.

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"We've been talking to [and] listening to people about climate change," Case said. "Whether you think it's manmade or cyclical, it's irrelevant. It's here. And it's creating a little bit of havoc on our auto market, as well."

The state's already high motor vehicle fatality rate spiked in the first quarter of 2023 to 1.99 per 100 million vehicle miles traveled from 1.72 for the same period in 2022, according to the **National Highway Traffic Safety Administration** (NHTSA).

"We're a rural state," said the insurance executive. "Anytime you go anywhere, you have to drive a long way. And when you drive a long way, you're driving at higher speeds. … Accidents are more severe on two-lane roads in rural areas, and I don't know if there's anything you can do about that."

Chaney said Mississippi added 300 highway patrol officers to state roads to make sure motorists are driving more slowly and safely. In addition, the state Legislature dramatically increased spending on infrastructure, including $450 million for construction projects that add new lanes or build new roadways.

For several years, a lack of funding forced the **Mississippi Department of Transportation** (MDOT) to focused largely on maintenance projects instead of major construction projects.

MDOT Executive Director **Brad White** said the funding will allow the agency to embark on major projects that will increase safety and alleviate congestion. AIR

***SLOW** Continued from Page 1*

remote review, more than two full days longer than the 2.4-day average reported in 2018.

Average wait times have been rising rapidly since 2019, increasing almost half a day every year.

While in prior years the survey listed "more than seven days" as the longest response option, the recent survey allowed shops to report wait times of up to 10 days or more. This change resulted in average wait times about a half day longer than under the previous methodology, but the results are undoubtedly more accurate – even suggesting that last year's wait times may have been slightly underreported.

Unaffected by this change in methodology is the percentage of shops reporting wait times of

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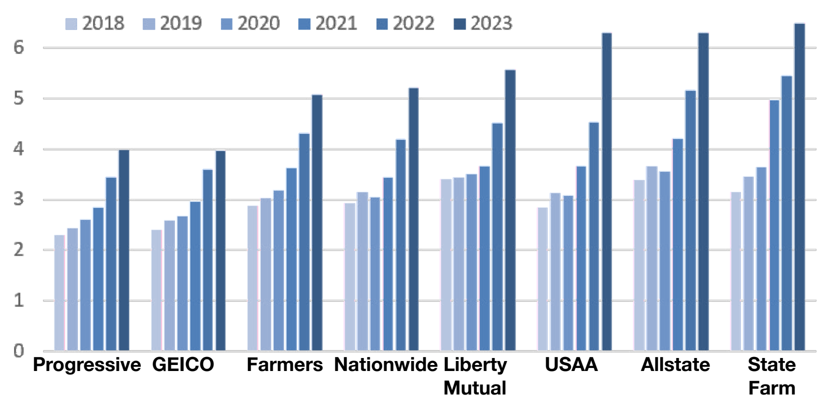
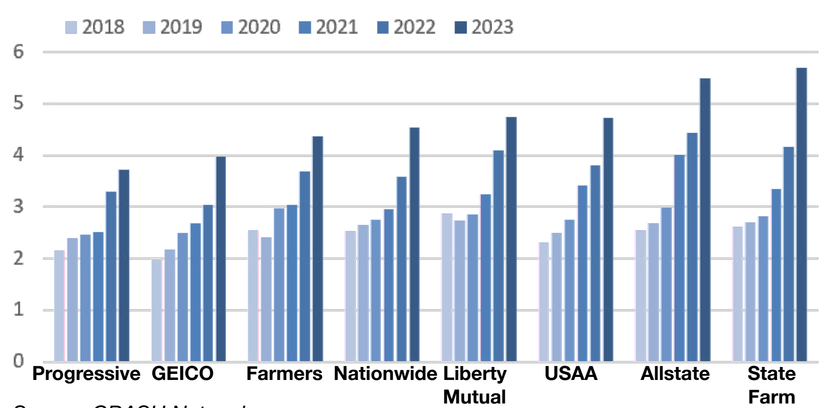
Average Days Cars Wait for Repair – In-Shop Review



Average Days Cars Wait for Repair – Remote Review



Source: CRASH Network

SLOW *Continued from Page 11*

more than seven days. This year, 29% of shops reported average wait times longer than seven days for an in-shop inspection, up from 4% reporting such long wait times in 2018. For remote reviews, 20% of shops reported waiting more than seven days on average this year, compared to just 3% in 2018.

Also noteworthy are the significant differences among the eight insurers. For example, 44% of shops said they are waiting more than seven days for an in-shop review by **State Farm**, while only 13% reported waiting longer than seven days for an in-shop review by **Progressive**. And there are similar differences even for remote reviews – 31% of shops wait more than seven days to hear from **USAA**, while only 11% of shops wait that long for **Geico** to get back to them.

Cars lying idle waiting for approvals before work can continue is likely having an impact on shop productivity, though supplement delays are not the only issue.

In its most recent edition of *Crash Course*, **CCC Intelligent Solutions** reports that the average number of labor hours per repair day has dropped from approximately 3.2 in 2018 to about 2.2 in 2022. CCC also reported that average "vehicle in" to "vehicle out" times increased from 9.9 days in 2018 to 16.7 days in 2022.

"As shops compete for a smaller number of technicians, and as repairs continue to become more complex requiring new skill sets, many shops have indicated they cannot repair as many vehicles at the same time as they did before the pandemic," the report notes.

While vehicle complexity certainly increases overall repair time, shops say another big killer of their productivity – as measured by labor hours per repair day – is when jobs sit while waiting for the insurer to approve a supplement.

Those delays may increase the amount of time shops must spend moving delayed vehicles in or out of the shop, taking them on or off a frame rack or alignment machine, and ensuring the interiors are protected from weather, shop dust or other damage in the interim.

Frank Terlep, chairman of the **Collision Industry Conference** (CIC), said increasing wait times are costing both shops and insurers.

CCC reports about 60% of claims include at least one supplement, up from 47% in 2010. (AIR 2/6/23) *CRASH Network* estimates that leads to at least 8.4 million supplements a year. If, according to the *CRASH Network* survey, auto repair shops wait an average of 4.7 days for those supplement reviews, "that equates to 39 million man-days wasted each year in this industry," Terlep said. "We're accepting that. It's crazy." AIR

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Correction

An article about the **New York** market in the Aug. 21 edition of *Auto Insurance Report* incorrectly stated that **Allstate** halted new business in New York and **New Jersey**, when in fact it tightened underwriting guidelines in both states to slow production. We regret the error. Please download a corrected edition of that issue **here**.

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David I. Maurstad, Senior Executive, National Flood Insurance Program
Not a moment too soon, the National Flood Insurance Program is implementing increasingly precise pricing tools. What will this mean for the nation's risk profile, and the potential for a private market?

Keeping The Water In the Toilet: Addressing Attritional Loss in the Home
Chin Ma, Founder and President, CHRP Technologies; Leman Porter, President and CEO, Frontline Insurance
Advances in automated photo analysis and machine learning, combined with consumer willingness to submit photos of their property, now make it possible to identify problems before they turn into claims.

The Explosive Future of Lithium Ion
Steve Kerber, Vice President and Executive Director, Underwriters Laboratories Fire Safety Research Institute
If lithium ion batteries are to power the future, they must solve one important problem: They have a tendency to burst into flames that are difficult to extinguish. We look at the science and potential solutions.

Ensuring That Insurers Keep Their Promises
Amy Bach, Executive Director, United Policyholders
Amy Bach has spent two decades helping consumers navigate the complex challenges of dealing with their property insurers, while doing her best to maintain insurance availability for all.

How To Fix the California Property Insurance Market: A Modest Proposal
Patrick Sullivan and Brian Sullivan, Conference Co-Chairs
The nation's largest property insurance market is broken. Insurers are pulling back as regulators struggle and consumers are caught in the middle. It won't be easy, but the market's problems can be fixed.

Shining a Light on the Risk of Rooftop Solar Panels and Battery Storage
Aaron Brunko, President, Property Estimating Solutions, Verisk
Solar energy might be the future, but the installation of solar panels and backup battery storage can create headaches for insurers. Here is a close look at how claims for solar solutions are developing.

Use of Private Fire Risk Resources Is Heating Up
Clark Woodward, CEO, Redzone; Deserie Thigpen, Vice President, Vault Insurance
Insurers are taking more control of managing wildfire risk by utilizing skilled inspectors and collaborating with firefighters to give their insured properties the greatest chance of escaping the flames.

The Changing Face of Main Street Businesses
Patrick Foy, Commercial Insurance Strategy Leader, TransUnion
The nature of small business risk is changing rapidly, driven by demographics, the pandemic, and the constantly changing work-from-home environment. We look closely at the new world.

New Tools Are Revealing the Big Damage of Small Hail
Roy Wright, President and CEO, Institute for Business and Home Safety; Attila Toth, Founder and CEO, ZestyAI
Everyone knows that big hail stones damage roofs, but new research has revealed the impact of small hail, empowering insurers to better understand the risks they are taking on.

Trying To Understand a Housing Market That Won't Stand Still
Selma Hepp, Chief Economist, CoreLogic
To plan for the future, insurers must understand how the pandemic, soaring interest rates, aging baby boomers, maturing millennials, and more are shaking the housing market to its core. Is it possible?

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