AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

March 25, 2024 Vol. 31#28/1467

INSIDE

THE GRAPEVINE

NAIC Keeps CEO Job in the Family, Picks Massachusetts Commissioner Anderson

The **National Association of Insurance Commissioners** has turned to one of its own to lead the organization, naming **Massachusetts** Insurance Commissioner **Gary Anderson** as its new chief executive officer, commencing with the end of his regulatory role in May.

Anderson joined the Massachusetts Department of Insurance in 2014 as deputy commissioner after serving as policy advisor and senior counsel to the president of the Massachusetts Senate. He had previously served as general counsel for the Senate Financial Services Committee. In 2015 Anderson was appointed acting

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Illinois Lawmakers Poised to Make A U-Turn on Auto Rate Reg

The fairness debate over auto insurance rates is playing out in full force in **Illinois**, as lawmakers seek to impose regulatory restrictions in a market renowned for its free-market approach.

Rising insurance costs and interest from powerful elected officials have fueled intense interest in legislative measures that, as proposed, would require prior approval of rates, limit the use of socioeconomic rating factors and prohibit the use of third-party consumer data, algorithms or predictive models in a way that unfairly discriminates based on protected class.

These moves would represent a 180-degree turn in a market that is the home base for the nation's insurance giants, like **State Farm** and **Allstate**. In Illinois, auto insurance rates are not subject to regulatory approval, though

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The Calm Before the Auto Insurance Affordability Storm

In a cruel twist, personal auto insurance was more affordable for consumers in 2021 than it had been in more than two decades, possibly ever. The cruelty is that 2022 and 2023 saw some of the biggest rate increases in industry history, making auto insurance costly for everyone, and unaffordable for many.

Our PAIN Index, as seen in the charts on pages 2 and 3, assesses affordability by measuring average auto insurance expenditure as a percentage of average household income. States with a high PAIN Index are almost always markets where insurers are under significant pressure to manage costs.

The most recent data on insurance expenditures from the **National Association of Insurance Commissioners** (NAIC) is regrettably old, measuring only through 2021. (AIR 3/18/24) But slow-moving affordability trends tended

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The P·A·I·N Index

Personal Auto Insurance Nastiness

2021 Personal Auto Insurance Expenditures as a Percentage of Average Household Income

State	2021 Average Expenditure	Rank	2021 Average Household Income	Rank	Premium to Income Ratio	2021 Rank	2016 Rank	Prem Change 16-21	Income Change 16-21
Louisiana	$1,500	2	$75,590	47	1.98%	1	1	12.9%	15.1%
Florida	$1,432	4	$89,573	27	1.60%	2	3	13.4%	23.1%
Michigan	$1,306	7	$86,093	38	1.52%	3	2	0.2%	18.6%
Mississippi	$1,004	20	$68,048	51	1.48%	4	5	14.2%	15.4%
Rhode Island	$1,422	5	$99,144	17	1.43%	5	4	15.6%	22.1%
Nevada	$1,265	9	$89,961	25	1.41%	6	8	19.0%	22.6%
South Carolina	$1,141	15	$81,580	43	1.40%	7	10	22.6%	20.2%
New York	$1,511	1	$109,732	12	1.38%	8	9	16.0%	17.5%
Georgia	$1,268	8	$92,425	24	1.37%	9	12	26.0%	22.6%
Delaware	$1,258	10	$95,633	19	1.32%	10	7	7.2%	17.6%
West Virginia	$919	27	$72,294	50	1.27%	11	6	2.3%	20.2%
Alabama	$926	26	$75,923	46	1.22%	12	19	17.1%	17.5%
Arkansas	$886	33	$73,126	49	1.21%	13	14	13.5%	19.6%
Texas	$1,123	16	$93,668	22	1.20%	14	15	11.3%	16.6%
Oklahoma	$896	30	$75,430	48	1.19%	15	13	4.8%	13.3%
Kentucky	$902	29	$76,234	45	1.18%	16	11	7.4%	17.6%
New Mexico	$893	31	$76,989	44	1.16%	17	17	8.9%	19.3%
Arizona	$1,073	17	$93,177	23	1.15%	18	18	15.8%	25.8%
Missouri	$929	25	$84,920	39	1.09%	19	22	15.1%	19.8%
New Jersey	$1,366	6	$124,951	2	1.09%	20	16	4.5%	18.8%
Colorado	$1,190	13	$110,650	11	1.08%	21	26	25.9%	25.4%
Tennessee	$870	34	$83,777	41	1.04%	22	23	11.7%	23.0%
Connecticut	$1,243	11	$120,009	5	1.04%	23	28	12.1%	14.0%
Dist. of Columbia	$1,435	3	$138,856	1	1.03%	24	24	14.0%	21.3%
Pennsylvania	$968	22	$93,835	21	1.03%	25	20	5.7%	20.2%
Maryland	$1,198	12	$119,958	6	1.00%	26	27	10.8%	17.1%

Sources: National Association of Insurance Commissioners for average expenditure data, U.S. Census Bureau for income data. Calculations by *Auto Insurance Report,* not endorsed by data sources. California Department of Insurance has not verified 2020 data. D.C. is entirely urban, and is not directly comparable to states with rural areas.

The P·A·I·N Index

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State	2021 Average Expenditure	Rank	2021 Average Household Income	Rank	Premium to Income Ratio	2021 Rank	2016 Rank	Prem Change 16-21	Income Change 16-21
Oregon	$947	24	$95,662	18	0.99%	27	21	6.6%	23.5%
Alaska	$979	21	$100,519	15	0.97%	28	41	7.4%	7.7%
Montana	$846	37	$87,083	31	0.97%	29	30	15.8%	25.6%
Kansas	$815	40	$86,580	35	0.94%	30	36	13.3%	18.0%
Massachusetts	$1,165	14	$124,789	3	0.93%	31	25	6.3%	22.4%
Indiana	$768	45	$82,643	42	0.93%	32	32	8.8%	18.7%
Illinois	$919	28	$99,874	16	0.92%	33	34	7.7%	18.1%
Ohio	$776	44	$84,572	40	0.92%	34	31	4.5%	18.4%
Nebraska	$816	39	$89,209	28	0.92%	35	38	13.0%	19.6%
Wyoming	$790	41	$86,911	32	0.91%	36	45	10.6%	15.0%
Utah	$952	23	$105,076	13	0.91%	37	35	14.7%	24.9%
North Carolina	$780	43	$86,804	33	0.90%	38	33	17.1%	23.0%
South Dakota	$767	46	$86,194	37	0.89%	39	37	17.7%	27.0%
Washington	$1,030	19	$116,349	7	0.89%	40	29	10.1%	28.8%
California	$1,047	18	$120,953	4	0.87%	41	42	16.5%	24.7%
Minnesota	$892	32	$103,305	14	0.86%	42	39	10.1%	19.5%
Wisconsin	$758	47	$88,304	29	0.86%	43	43	8.0%	17.6%
Iowa	$725	49	$86,499	36	0.84%	44	48	14.0%	17.5%
Vermont	$780	42	$94,496	20	0.83%	45	44	6.5%	24.6%
Idaho	$742	48	$89,955	26	0.82%	46	46	17.1%	32.3%
Maine	$713	50	$87,756	30	0.81%	47	40	10.3%	24.7%
North Dakota	$692	51	$86,666	34	0.80%	48	51	8.2%	9.4%
Virginia	$864	35	$111,287	10	0.78%	49	49	10.0%	18.5%
New Hampshire	$852	36	$111,908	8	0.76%	50	47	6.3%	23.1%
Hawaii	$818	38	$111,751	9	0.73%	51	50	4.8%	16.5%
United States	$1,062		$97,962		1.08%			12.3%	20.4%

Sources: National Association of Insurance Commissioners for average expenditure data, U.S. Census Bureau for income data. Calculations by *Auto Insurance Report,* not endorsed by data sources. California Department of Insurance has not verified 2020 data. D.C. is entirely urban, and is not directly comparable to states with rural areas.

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to stay on track even during the pandemic, so studying this data still yields relevant insights.

The PAIN Index can help identify markets that are stable and those that might be in trouble. We can say with great confidence that auto insurance is a bigger burden for consumers in states with a high PAIN Index than in those with a low PAIN Index, but we urge caution before using the rankings to draw conclusions about the conditions in individual states, or between states in the middle rankings on the chart.

The "PAIN" in PAIN Index stands for "Personal Auto Insurance Nastiness," a phrase we devised to describe the relationship between income and auto insurance costs. It comes from our desire to better understand the NAIC's annual report of personal auto insurance expenditures,

> ***Without context, average auto insurance costs can be misleading, failing to account for different coverage levels.***

an important cost barometer.

Without context, the average expenditure report can be misleading, failing to account for different levels of liability coverage purchased by consumers or the values of cars being insured. It is not possible to directly compare coverage by state, so income level makes an excellent proxy. It stands to reason that in states with high incomes, more drivers will purchase higher levels of liability coverage and are more likely to insure higher value vehicles.

Expenditure data reflects the average spent per vehicle, and many families have more than one vehicle. No one should conclude **New York** residents pay 1.38% of income for auto insurance. Rather, we built a useful "index" to provide strategic insights, including the trend toward greater or lesser affordability.

When a state's auto insurance becomes increasingly unaffordable, there is trouble for everyone. Consumers, first and foremost, struggle with higher costs relative to their income. Insurers find that profitability and customer satisfaction suffer as they struggle to react to rising claims costs. And regulators find themselves caught in the middle, fighting to help consumers in the present while maintaining a healthy market for the future.

With this in mind, we offer words of caution for **Alabama** and **Colorado**, where auto insurance affordability is low and heading in the wrong direction. **West Virginia** and **New Jersey** are going in the right direction, with affordability improving after years of trouble.

Alabama is a good example of how the PAIN Index can be valuable. The state is not yet in big trouble, but the affordability trends are not good, and that can bring trouble in the future. Alabama's average personal auto expenditure of $926 is well below the $1,062 national average and ranks just 26th in the nation. (AIR 5/15/23) But Alabama ranking on the PAIN Index deteriorated to 12th in 2021 from 19th five years earlier in 2016.

The cause was twofold: First, Alabama's average expenditure rose 17.1% in those five years, while the national average rose just 12.3%. Secondly, Alabama's average household income rose 17.5%, short of the 20.4% national average. With any luck, Alabama's situation has improved, as rate increases for the top 10 personal auto groups in the state averaged 19.7% for 2022 and 2023, according to RateWatch from **S&P Global Market Intelligence**, well below the 27.0% national average. (AIR 1/22/24) Unfortunately, preliminary data suggests Alabama incomes – among the lowest in the nation – have been rising less than the national average in 2022 and 2023, which would make the market even less affordable.

Colorado's $1,190 average expenditure is the 13th highest in the nation, but it ranks 21st on the PAIN Index, making it reasonably affordable.

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(AIR 5/29/23) Unfortunately, the state is becoming less affordable, with its index declining from 26th five years earlier. The culprit has been a 25.9% rise in average expenditure, more than double the 12.3% national average. As with Alabama, approved rate increases for the past two years have been below the national average, but Colorado's income picture is improving, so there is hope for better affordability to come.

West Virginia is another example of the power of the PAIN Index. West Virginia ranks 11th on our affordability index, an improvement from sixth in 2016 and fourth in 2015. Though the state's average expenditure of $919 ranks 27th, the true difficulty comes from the average household income, which is second lowest in the country.

New Jersey, with the nation's sixth-highest auto insurance expenditure, provides another example of the relevance of the PAIN Index. With the nation's second-highest average income, New Jersey's affordability index is almost exactly the same as the national average, having improved from 13th in 2015 and 16th in 2016 to 20th in 2021, a slight worsening from 21st in 2020.

Since we launched our PAIN Index in 2001, **Louisiana** has ranked as the least affordable state all but two years (long ago in 2002 and 2003). That's what happens when you have the second-highest average expenditure and an income level lower than all but four states. Are things getting better? Not really. Our state market focus last year was titled "Louisiana Has More Big Problems Than Beads Tossed at Mardi Gras" (AIR 2/6/23) The state is trying hard to reform, but the PAIN Index difference between Louisiana's 1.98 and second-ranked **Florida's** 1.60 is statistically enormous. Louisiana has a long way to go.

At the other end of the spectrum are several small markets that are truly affordable, such as **Hawaii**, **New Hampshire**, **North Dakota**, **Maine**, **Idaho** and **Vermont**. Low expenditures or high incomes are the recipe for success in these markets. Perhaps most remarkable is **Virginia**, the 12th-largest market, which pairs a relatively low $864 average expenditure, ranked 35th, with the 10th-highest household income, creating the third most affordable market in the nation. (AIR 6/12/23) AIR

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they must be filed with the **Illinois Department of Insurance**. Illinois insurers are also free to use socioeconomic factors – such as credit-based insurance scores, homeownership, education and occupation – in rating and underwriting.

Though she remained absent from early legislative discussions, Illinois Insurance Director **Dana Popish Severinghaus** continues to express a desire for greater regulatory authority over property/casualty rates. Last year, lawmakers expanded her authority with a law requiring prior approval of rates for individual and small group health insurance policies beginning in 2026.

"The department agrees that authority to approve auto insurance rates would be a helpful regulatory tool," Insurance Department spokesperson **Caron Brookens** said in an email reply to questions. "The department stands ready to partner with consumer advocates and legislators to increase consumer protections and enhance the department's regulatory authority regarding auto insurance rates in Illinois."

Dana Popish Severinghaus
Illinois Insurance Director

Popish Severinghaus also took her own stab

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at addressing the potential for algorithmic bias with a bulletin holding insurers accountable to ensure their use of artificial intelligence systems and predictive models does not result in unintentional discrimination. Her move makes Illinois the largest insurance market to implement an AI bulletin based on the model adopted in December by the **National Association of Insurance Commissioners** (NAIC).

Lawmakers have been debating two competing bills: House Bill 4767, which would impose prior approval and restrict rating factors, **California** style, and HB 4611, modeled on a **Colorado** law that seeks to root out discrimination in insurers' use of external consumer data in algorithms and predictive models.

Insurers say the bills, if passed, would undermine the very features that make Illinois a vibrant market for both carriers and consumers. The nation's eighth-largest personal auto market, Illinois had the 28th-highest average auto insurance expenditure in 2021, according to the most recent NAIC data, and ranked an affordable 33rd on our PAIN Index, an affordability index derived from a ratio of premium to income. (See page 1) But in a reflection of rising rates, Illinois premium grew about 15% to an estimated $9.77 billion in 2023, almost twice the 2022 growth, according to preliminary data from **S&P Global Market Intelligence**. The incurred loss ratio declined 72.8% from 79.6%, according to the preliminary data.

Kevin Martin
Illinois Insurance Association

"The reason that we're the home of 200-plus companies domiciled here is because of the fact that we have an open, competitive marketplace," said **Kevin Martin**, executive director of the **Illinois Insurance Association**. "When you compare Illinois to **California** and **New York**, other states that have major metropolitan areas like Chicago, I just scratch my head as to why these consumer groups are wanting to change that without realizing the harm that they're actually doing to consumers by doing away with these rating factors, and other important tools that have been implemented that have kept the costs down."

Rep. Thaddeus Jones
Illinois State Representative

At a Feb. 26 hearing, state Rep. **Thaddeus Jones**, chair of the House Insurance Committee and sponsor of HB 4611, sought a path of compromise between the insurance industry, consumer groups, and elected officials determined to provide greater transparency and control over auto insurance rates and to limit, if not eliminate, practices that result in higher insurance costs for poor and minority residents with good driving records.

"I think we can all agree that we have to do something," he said.

The Insurance Committee has until April 5 to move bills for consideration by the full House.

"We're now in some behind-the-scenes negotiations with the industry, so we won't bring anything back to committee until we've made some progress there," Rep. **Will Guzzardi** said in an email.

From the start, HB 4611 has had the greatest political firepower. Pushed by Illinois Secretary of State **Alexi Giannoulias** and sponsored by Jones, the bill is based on **Colorado's** Senate Bill 169, the landmark legislation that aims to

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hold insurers accountable for testing big data systems – including external consumer data, algorithms and predictive models – to ensure they aren't discriminating against consumers on the basis of a protected class. Nearly three years after the law was passed, the **Colorado Division of Insurance** is still muddling through the process of developing regulations for its implementation across different lines of business and insurance practices. HB 4611 also includes a provision prohibiting auto insurers from canceling, nonrenewing, refusing to issue a policy or increasing a premium solely because a licensed driver reached the age of 65.

"Why should Illinoisans pay an inflated price for automobile insurance for reasons that have nothing to do with their driving record? HB 4611 aims to prevent insurance companies from using consumer information collected from outside data and algorithms to set auto rates based on socioeconomic factors," Giannoulias said at a House Insurance Committee hearing last month.

Will Guzzardi Illinois State Representative

"That's because employing these factors has the potential to be unfair and discriminatory, making it less available, affordable and attainable, especially to those from disadvantaged neighborhoods, communities of color and our seniors. An individual's driving record is the most accurate indicator of risk and also the fairest under state law."

In testimony and a press release, Giannoulias said the legislation would require that insurance companies use the individual's driving record to determine a fair rate, though that isn't what the bill says.

HB 4767 puts a greater emphasis on driving record by outlawing the use of many other factors in rating and underwriting. It would require

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Illinois
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	8.3	14.0	7.8	7.5	5.6	2.5	4.2	6.7	7.0	10.4	7.4
Personal Auto Phys	0.6	9.5	5.9	8.2	7.3	5.8	5.6	4.5	4.9	3.6	5.6
Personal Auto Total	4.7	11.9	6.9	7.8	6.3	4.0	4.8	5.8	6.0	7.5	6.6
Comm. Auto Liab	14.7	10.0	7.1	6.3	5.6	8.9	7.7	11.4	6.4	11.9	9.0
Comm. Auto Phys	12.9	19.4	11.8	10.6	7.0	5.1	8.7	4.5	3.1	-0.9	8.2
Comm. Auto Total	14.3	12.3	8.2	7.4	5.9	8.0	7.9	9.8	5.6	9.0	8.8
Total All Lines*	15.3	8.4	8.2	15.2	13.9	13.3	13.0	13.2	10.9	7.4	11.9

*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.

Illinois
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	$2,547,247	30.0%	94.7%	$2,262,969	28.7%	75.9%	$2,224,709	29.2%	54.4%
Allstate Corp.	$1,001,204	11.8%	74.9%	$917,617	11.7%	59.0%	$929,178	12.2%	48.9%
Progressive Corp.	$788,123	9.3%	64.2%	$724,691	9.2%	67.1%	$670,257	8.8%	53.3%
Berkshire Hathaway/Geico	$639,832	7.5%	88.3%	$598,390	7.6%	74.7%	$536,205	7.0%	63.5%
Country Financial	$548,400	6.5%	67.3%	$534,297	6.8%	63.8%	$518,769	6.8%	57.4%
Farmers Insurance Group	$395,605	4.7%	63.0%	$410,274	5.2%	59.6%	$395,258	5.2%	48.9%
American Family Insurance Group	$332,415	3.9%	76.2%	$310,222	3.9%	61.7%	$296,743	3.9%	50.9%
Liberty Mutual	$317,232	3.7%	75.5%	$309,905	3.9%	60.1%	$267,873	3.5%	55.3%
USAA Insurance Group	$210,697	2.5%	84.0%	$213,168	2.7%	69.2%	$212,799	2.8%	55.2%
Travelers Companies Inc.	$170,647	2.0%	74.3%	$152,010	1.9%	62.6%	$139,789	1.8%	49.5%
Erie Insurance Group	$114,140	1.3%	87.7%	$100,132	1.3%	74.2%	$97,656	1.3%	58.1%
Auto-Owners Insurance	$104,358	1.2%	72.0%	$100,074	1.3%	61.5%	$98,252	1.3%	58.0%
Auto Club Insurance Assn. (Michigan)	$94,047	1.1%	82.2%	$89,048	1.1%	69.7%	$90,395	1.2%	52.2%
American Alliance Casualty Co.	$87,043	1.0%	52.9%	$70,303	0.9%	44.2%	$63,307	0.8%	42.6%
Hartford Financial Services	$74,200	0.9%	63.1%	$70,411	0.9%	50.1%	$72,606	1.0%	50.2%
Nodak Mutual Group Inc.	$70,599	0.8%	53.8%	$51,350	0.7%	46.7%	$43,004	0.6%	52.1%
Nationwide Mutual Group	$70,460	0.8%	71.8%	$72,561	0.9%	72.0%	$76,685	1.0%	60.5%
Hanover Insurance Group	$69,312	0.8%	77.1%	$59,264	0.8%	55.3%	$54,370	0.7%	52.5%
Kemper Corp.	$69,131	0.8%	73.6%	$76,393	1.0%	52.6%	$77,776	1.0%	58.9%
Pekin Insurance	$66,985	0.8%	70.9%	$67,959	0.9%	65.1%	$77,673	1.0%	55.4%
Producer's National Corp.	$59,216	0.7%	106.8%	$74,347	0.9%	78.1%	$84,163	1.1%	59.8%
Utica National Insurance Group	$44,406	0.5%	76.8%	$51,644	0.7%	64.3%	$50,845	0.7%	67.9%
West Bend Mutual Insurance Co.	$39,810	0.5%	67.2%	$37,849	0.5%	49.3%	$37,306	0.5%	46.9%
Cincinnati Financial Corp.	$39,665	0.5%	67.0%	$34,121	0.4%	55.1%	$32,260	0.4%	42.2%
Markel Corp.	$39,126	0.5%	47.5%	$24,587	0.3%	30.3%	$18,826	0.3%	33.4%
Western National Insurance	$33,708	0.4%	51.2%	$33,261	0.4%	44.5%	$35,126	0.5%	43.3%
United Equitable Group Ltd.	$32,083	0.4%	48.0%	$36,879	0.5%	47.8%	$37,794	0.5%	47.8%
Safeway Insurance	$30,029	0.4%	70.5%	$18,561	0.2%	67.9%	$19,013	0.3%	52.2%
Grinnell Mutual	$25,520	0.3%	77.6%	$20,956	0.3%	73.5%	$20,747	0.3%	54.2%
Chubb Ltd.	$25,257	0.3%	58.2%	$25,227	0.3%	47.8%	$30,923	0.4%	49.9%
Shelter Insurance	$24,145	0.3%	73.5%	$22,739	0.3%	69.2%	$22,974	0.3%	54.8%
Warrior Invictus Holding Co.	$23,864	0.3%	57.5%	$16,152	0.2%	48.1%	$18,031	0.2%	57.4%
Rockford Mutual Insurance Co.	$20,957	0.3%	69.5%	$21,118	0.3%	52.4%	$23,106	0.3%	57.6%
Mercury General Corp.	$17,509	0.2%	82.5%	$13,040	0.2%	63.7%	$10,809	0.1%	54.8%
Westfield Insurance	$17,047	0.2%	68.4%	$14,817	0.2%	68.2%	$14,836	0.2%	57.7%
Root Insurance Co.	$16,987	0.2%	91.4%	$20,964	0.3%	86.7%	$15,040	0.2%	74.2%
Amica Mutual Insurance Co.	$12,032	0.1%	64.9%	$12,702	0.2%	47.3%	$13,185	0.2%	40.7%
Tokio Marine Group/PURE	$11,419	0.1%	64.8%	$10,449	0.1%	47.1%	$8,927	0.1%	36.9%
Madison Mutual Ins Co. (Illinois)	$11,387	0.1%	66.6%	$11,626	0.2%	66.6%	$13,436	0.2%	52.1%
Statewide Totals	$8,488,385		79.6%	$7,877,173		67.0%	$7,625,282		54.1%

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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prior approval of auto insurance rates, changing one of the most distinguishing features of the Illinois system. As in California, the bill requires rate hearings at the request of consumer "intervenors," or if a proposed rate increase exceeds 7% for personal lines or 15% for commercial auto insurance.

Among the factors it would ban are employment or occupation, education level, homeownership, credit information or credit-based scores and the absence or amount of prior insurance. It prohibits the use of ZIP code or smaller rating territories if the impact of premium is greater than 25%, taking a page from **Connecticut's** rule book.

Abe Scarr, director of **Illinois PIRG**, the lead consumer organization in the coalition pushing for HB 4767, noted that Illinois is one of just two states without any form of rate review for car insurance – the other being **Wyoming**, the nation's least populous state.

"When government compels individuals to purchase a product, it only makes sense the government also enforce basic cost and quality stan-

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Illinois
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.	$340,852	12.9%	63.3%	$334,237	14.4%	63.7%	$225,213	11.8%	71.7%
Travelers Companies Inc.	$135,129	5.1%	51.5%	$133,934	5.8%	52.1%	$137,944	7.2%	49.1%
Old Republic International Corp.	$107,619	4.1%	57.5%	$85,067	3.7%	50.9%	$97,131	5.1%	60.4%
Liberty Mutual	$104,286	4.0%	69.9%	$46,942	2.0%	63.6%	$42,006	2.2%	62.7%
AmTrust Financial Services	$96,386	3.7%	68.3%	$78,029	3.4%	64.7%	$39,511	2.1%	57.4%
Zurich Insurance Group	$93,366	3.5%	37.2%	$91,351	4.0%	24.3%	$74,777	3.9%	48.6%
Chubb Ltd.	$76,337	2.9%	72.9%	$66,385	2.9%	76.2%	$50,193	2.6%	80.8%
Acuity Mutual Insurance	$70,211	2.7%	60.4%	$66,125	2.9%	50.0%	$56,095	3.0%	49.7%
IAT Insurance	$66,540	2.5%	40.2%	$65,223	2.8%	52.9%	$58,683	3.1%	45.4%
State Farm Mutual	$64,562	2.5%	88.4%	$20,448	0.9%	62.3%	$19,216	1.0%	49.8%
Sentry Insurance Mutual	$61,164	2.3%	73.5%	$56,475	2.4%	65.1%	$45,565	2.4%	53.9%
Markel Corp.	$60,753	2.3%	74.3%	$43,329	1.9%	81.7%	$41,708	2.2%	62.6%
W. R. Berkley Corp.	$60,575	2.3%	61.7%	$43,087	1.9%	61.9%	$24,085	1.3%	45.6%
Fairfax Financial Holdings	$58,449	2.2%	76.8%	$31,817	1.4%	61.1%	$17,441	0.9%	43.7%
Allstate Corp.	$56,972	2.2%	112.9%	$84,537	3.7%	78.0%	$71,875	3.8%	25.1%
Nationwide Mutual Group	$49,543	1.9%	62.4%	$46,171	2.0%	43.1%	$42,017	2.2%	69.7%
Auto-Owners Insurance	$48,993	1.9%	65.3%	$46,561	2.0%	53.3%	$44,652	2.3%	62.2%
American International Group	$48,327	1.8%	65.0%	$48,604	2.1%	54.6%	$37,287	2.0%	40.3%
West Bend Mutual Insurance Co.	$45,839	1.7%	63.2%	$41,456	1.8%	49.2%	$37,410	2.0%	52.5%
Pekin Insurance	$45,324	1.7%	65.3%	$42,597	1.8%	69.9%	$41,647	2.2%	65.2%
Great American Insurance	$44,689	1.7%	42.7%	$39,559	1.7%	32.6%	$32,461	1.7%	41.7%
Statewide Totals	$2,635,270		62.9%	$2,314,952		57.6%	$1,904,290		56.3%

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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dards for that product," he testified. "It's time for Illinois to adopt the type of basic consumer protections for state-mandated car insurance that the vast majority of Americans enjoy. And I want to be clear, our position is not that rates should not have gone up at all over the last couple of years. Rather, our position is that rate review can moderate rate increases and better ensure that rates are not excessive, inadequate or unfairly discriminatory."

Large rate increases have helped build steam behind the effort to impose prior approval. While personal auto rates in Illinois decreased 4.4% in 2020 – which a report by the actuarial firm **Milliman** said was more than any other state – the top 10 groups increased rates an average 17.9% in 2022 and 16.8% in 2023, according to S&P's RateWatch.

Abe Scarr
Illinois PIRG

American Family Insurance, the seventh-largest personal auto group, is increasing rates an average 20.1% so far this year after raising rates an average 23.4% last year.

The Milliman report, prepared on behalf of the **National Association of Mutual Insurance Companies** (NAMIC), noted that other states have experienced similarly large rate increases because of inflationary trends.

Insurance representatives emphasized how the widespread use of various risk-based rating factors, especially credit history, has enabled insurers to produce more accurate pricing, which in turn has made auto insurance much more widely available, contributing to drastic reductions in the size of residual markets.

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Illinois Snapshot

Regulator: Insurance Director Dana Popish Severinghaus
Rate regulation: use and file
Average rate approval time (2023): 52 days; U.S. average: 64 days

Size of personal auto market: $8.49 billion (2022 DPW) Rank: 8th
Average policy expenditure: $919 (2021)
Rank: 28th
Auto Insurance Report PAIN Index rank: 33rd (2021)
Property Insurance Report HURT Index rank: 31st (2021)

Auto registrations: 3.7 million (2022)
Truck registrations: 6.3 million (2022)
Vehicle miles traveled (VMT): 97.53 billion (2021)
Traffic fatalities: 1.37 per 100 million VMT; U.S.: 1.37 (2021)

Vehicle thefts: 281.6 per 100,000 residents; Region: 250.9 (2022)

Liability defense: modified comparative fault, 51% bar

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

Safety Laws
Ban on handheld use of cellphone; cellphone ban for young drivers
Primary enforcement seat belt law
No motorcycle helmet law

Demographics
Population: 12.5 million (2023)
Change 2010-2020: -0.1%, U.S.: +7.4%
Median household income (avg. 2018-2022): $78,433; U.S.: $75,149
Population density: 230.8 per square mile; U.S.: 93.8 per square mile (2020)

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

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Robert Passmore, vice president of the **American Property Casualty Insurance Association** (APCIA), noted that a heavy reliance on driving record at the exclusion of other factors can produce its own problems. Studies show driving record is biased against people of color and others due to uneven police enforcement. (AIR 10-17-22)

At the heart of the debate was the definition of fairness and whether the bills would actually eliminate the disparities in pricing that the bill's proponents sought to achieve.

Lynne McChristian, who directs risk management and insurance research program in the **University of Illinois** business school, equated accuracy in pricing with fairness.

"Insurance companies want fairness, too, but the difference is that insurance companies … consider that to be accuracy in pricing," she said. "You're buying the policy for what's going to happen in the next six months to a year. And the more factors that they use, the more accurate that pricing could be based on one's risk profile. And that seems fair."

Lynne McChristian
University of Illinois

Guzzardi disagreed fiercely, pointing to a *Chicago Sun-Times* investigation that found carriers charged people from poor and minority communities more than wealthy white drivers with the same or worse driving records.

"Our goal with this bill is to refocus the industry from this focus on accuracy – this relentless pursuit of the best, the most accurate, actuarial formula – to a focus on fairness, to make sure that the factors we use in rate setting are fair," Guzzardi said. "Accuracy does not equal fairness. … I hope we can all agree that some of these factors belong in that category of the factors that we just don't use, even if they made the rates more accurate. We just won't use them because they don't align with our values as a society."

Alexi Giannoulias
Illinois Secretary of State

Roosevelt Mosley, principal with **Pinnacle Actuarial Consultants**, urged lawmakers to proceed cautiously to ensure that any changes that they make to current law will achieve the desired result while hampering a competitive

"I completely agree with the sentiment that

> ***The Connecticut AI bulletin is very close to the NAIC model, but insurers see important differences.***

… everyone should have equitable and fair access to affordable car insurance. I believe that wholeheartedly," he said. "I suggest based on my review of the bill, and based on the what's happened in other states, that the bills as they are currently proposed, will not achieve that outcome."

He noted the California, for example, has prior approval and limits rating factors, yet consumer groups still note disparities and issues with affordability.

"My recommendation is truly getting at the heart of what's driving the issue, and then putting in solutions to address the issue, and not just taking these steps, which I believe again, will not address the heart of what you're trying to get at," Mosley said.

In an email interview, regulatory consultant

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commissioner upon the resignation of his predecessor. Anderson was appointed to the position in 2017, and was one of the longest-tenured insurance regulators in the country. He has been active at the NAIC, and is Anderson is currently the NAIC's secretary of the Northeast Zone and serves on the Financial Regulation Standards and Accreditation Committee, Financial Condition Committee, and the Audit Committee. He has chaired the NAIC International Insurance Relations Committee since 2019. He also serves on the International Association of Insurance Supervisors Executive Committee as its vice chair.

Gary Anderson
NAIC

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State Farm Makes It Official: Farney is CEO

Just a few short weeks after naming him president, **State Farm** announced that **Jon Farney** would succeed **Michael Tipsord** as CEO effective June 1. (AIR 1/8/24) Tipsord will remain chairman of the nation's largest auto insurance company.

Farney comes to the job with broad experience at State Farm. He joined the company in 1993 as an accounting major fresh out of Illinois State University, and has been assistant vice president – securities products, assistant vice president – planning & analysis, vice president – financial operations and operations vice president – underwriting. He was named senior vice president, treasurer and chief financial officer in January 2016. AIR

Jon Farney
State Farm

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Auto Insurance Report, © 2024, published weekly, 48 times a year, by Risk Information Inc., 33765 Magellan Isle, Dana Point, CA 92629. It is a violation of federal law to reproduce any part of this publication without first obtaining permission from the publisher. ISSN: 1084-2950

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Jennifer Hammer, who served as Illinois insurance director from 2017 to 2018, would do better to address insurance affordability by finding ways to reduce claim costs, such as studying ways to decrease the frequency and severity of crashes. She noted that highway fatalities in 2021 increased to the highest level since 2005, even as the pandemic caused a reduction in mileage. Fatalities have slightly from that recent peak in 2022 and 2023, according to data from the **Illinois Department of Transportation**.

"Any proposal, such as HB 4611 and HB 4767, that attempts to limit the underwriting factors, predictive models, or require testing of outcomes which could require retrospective rate setting," she said, "risks destabilizing an auto insurance market that is currently competitive and working well for the consumers of this state." AIR

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Identifying Driving Behavior in the Post-Covid Speeding Frenzy
Gary Hallgren, President, Arity
Drivers started speeding on pandemic-cleared roadways and have never slowed down. We'll take a close look at current driving behavior and discuss how to measure this new risk for potential customers.

Driving Blind: How Relying on DMV Records Alone Leaves Insurers at Risk
Nicole Carengelo, Principal, U.S. Insurance Solutions, TransUnion
Covid-19 may have wreaked havoc on the value of driving records, as police reduced enforcement, but data from departments of motor vehicles was already deeply flawed. A close look at how to solve the problem.

The Great Marketing Freeze is Over. Now What?
Ethan Jones, Senior Vice President, Insurance, Kisterra
The auto insurance market profit collapse of 2022 and 2023 shut down marketing, but spending is beginning anew with newfound stability. But the world has changed, and marketing must change with it.

As Marketing Splinters, Franchises Rise
Lauren Menuey, Managing Director, Goosehead Insurance Agency
Independent agents were recently dismissed as a way to sell personal auto. But the channel has evolved into new structures that are gaining traction, none more so than big franchises. We hear from the biggest.

How to Be Smart With Artificial Intelligence
Brian Sullivan, Editor, Auto Insurance Report; Tim Christ, Associate Director, CCC Intelligent Solutions
The overheated hype around artificial intelligence has grown into hysteria, but a measured look at some new AI-powered tools finds their value in very specific insurance solutions.

The Future of Automated Accident Reporting
Josh Thompson, Senior Vice President, General Motors Insurance
No automaker is more closely connected to auto insurance than General Motors, so it makes sense that GM is leading the way in automated accident reporting, with an eye toward safety and better insurance claims.

Taking Action: Using Modern Data Tools to Measure Fairness in Insurance
Adrian Cuc, Senior Vice President and Head of Analytics, Verisk
In the past four years insurers have been working to answer questions about potential bias in their operations. In this session we go beyond talk to consider the launch of new tools to measure bias.

Fraudsters Are Using Artificial Intelligence. Insurers Must Respond in Kind
Dan Donovan, Vice President, Shift Technology
Insurance thieves are smart, often smarter than insurers, so it is no surprise they are using artificial intelligence to penetrate insurance systems to steal money. The only solution is for insurers to embrace an AI response.

Making Sense of Nonstandard Auto in a Stabilizing Market
Joe Skruck, Co-Founder, AssuranceAmerica; Paul Harrison, President, Aspen Managing General Agency;
Josh Schlesinger, Executive Vice President, Links Insurance Services
Conference Chair Pat Sullivan will moderate a lively discussion on the nonstandard market in the post pandemic era, with a particular focus on the changing customer, marketing challenges and claims.

After Three Years of Turmoil, Now is the Time to Reconsider Renewing Customer Risk
Adam Pichon, Vice President and General Manager, Personal Lines Insurance, LexisNexis Risk Solutions
Life has profoundly changed for almost everyone after the pandemic, with new driving patterns and behaviors. As the profit crisis eases, it is time for insurers to carefully reconsider renewing customer risk.

Helping the Federal Government Use Driving Data to Improve Safety
Ryan Smith, Transportation Research Analyst, National Transportation Safety Board (invited);
Tara Casanova-Powell, Association of Transportation Safety Information Professionals
Ryan McMahon, Senior Vice President, Strategy, Cambridge Mobile Telematics
The federal government makes extraordinarily important decisions on road design and safety, and has long based its decisions on academic studies. How can those decisions be enhanced by current driving data?

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