AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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INSIDE

J.D. Power Shopping Study: Consumers Feverishly Seek Lower Insurance Prices

Having experienced a sharp rise in auto insurance costs for more than a year, consumers are aggressively shopping around looking for a better deal, according to a new insurance shopping study by **J.D. Power**.

The survey of 10,003 consumers found 49% were actively shopping for new coverage, and 29% of those shoppers switched carriers. Switch rates were highest among customers under age 28 (Gen Z).

The study, fielded from March 2023 through January 2024, found that electric vehicle (EV) owners were less satisfied with the shopping process than those with gasoline-powered vehicles, due in part to higher EV insurance prices. AIR

Advertising Finds a Bottom As 2023 Spending Dries Up

Property/casualty insurance companies slashed their advertising spending by 21.2% in 2023 to $6.91 billion, the lowest level since 2017 and down 31.1% from the record $10.02 billion spent in 2021, according to **Dowling and Partners Securities**.

The cut in spending was wise. Reducing advertising budgets by $3.11 billion from the 2021 high went a long way to helping shrink big underwriting losses in 2022 and 2023. In addition, insurers discovered that consumers facing big rate increases were shopping aggressively without the encouragement of big advertising campaigns.

Don't feel too sorry for the advertising industry's lost revenue. At least four insurers still outspent the two biggest beer companies, **Constellation Brands** and **Anheuser-Busch**, as well as **Coca-Cola**, though the insurance industry still falls short of the multibillion-dollar campaigns of

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Punishing Hail and Appraisal Disputes Challenge Texas Auto

Amid the most challenging insurance market in decades, someone at a recent meet-and-greet asked **Texas** Deputy Insurance Commissioner **Mark Worman** what worries him most.

Without hesitation, he blurted an answer that took the questioner by surprise. It wasn't regulatory compliance or fast-rising insurance rates. It wasn't a tight reinsurance market or rising repair costs. It wasn't the challenge of regulating carriers dipping their toes into the world of artificial intelligence.

It was the four-letter curse word curling every Texas auto and property insurer's lips: hail.

"A lot of people have referred to [last year's hail] losses and the claims activity as death by 1,000 cuts," Worman said in an interview. "Last spring was a very active hail

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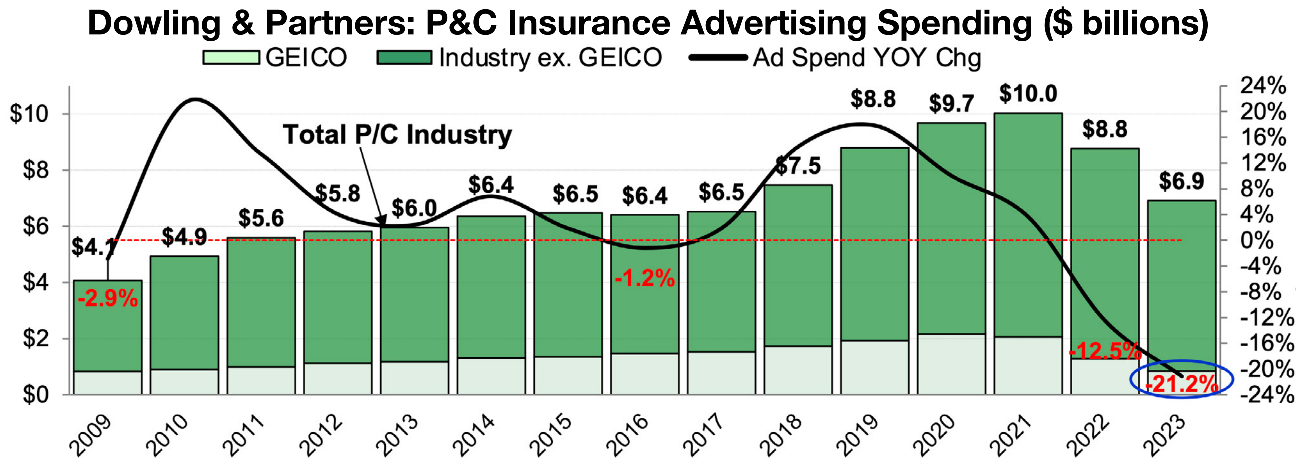

Source: S&P Global Market Intelligence, Dowling & Partners Analysis

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the largest carmakers.

For the second straight year, **Progressive** was the biggest spender on advertising, at $1.22 billion, though it cut its ad budget 30% from 2022. Progressive reports that while it is spending more in 2024, it is still being careful for two main reasons: It is already attracting plenty of customers driven to shop by rate increases, and it wants to keep costs down to improve profits.

Since Progressive has been outperforming the industry in the past two quarters, it stands to reason that it will be confident enough to return to advertising sooner and with more vigor than competitors less confident in their pricing.

Two decades ago, **Geico** showed the industry that big advertising could pay, and it set a spending record of $2.16 billion in 2020. It has since slashed that spending to just $838 million last year following reductions of 38.1% in 2022 and another 34.6% in 2023.

Geico acted with greater urgency than the rest of the industry as it had more to gain from cutting its ad budget. Geico was spending too much to attract the wrong customers and losing money as a result. The drop in spending reflected the need to cut costs, but more importantly to find the right price and the right marketing methods to attract the right customers. Geico has come a long way in that regard, but it still has some work to do this year before it can return to the ranks of fast-growing profitable insurers.

Dowling uses data from **S&P Global Market Intelligence** and supplements it with its own research because some statutory advertising data is incomplete. (See notes accompanying the table on page 3.) It remains unclear how companies report sponsorships, naming rights and other long-term advertising or brand expenses. While Dowling's numbers are the best available, they are not exact, sometimes understating spending.

Not included in the table on page 3 are "allowances to managers and agents," which is spending outside of agent commissions that includes general management expenses but also co-op advertising. At most insurers, these allowances are usually modest or nonexistent, but they matter a great deal when talking about **State Farm**, which not only spends big money on advertising directly, but also sends big money to its branded agents for them to spend on marketing.

According to Dowling, companies with the largest allowances in 2023 were State Farm ($1.55 billion), **Liberty Mutual** ($297 million), **American Family** ($120 million) and **Hartford** ($104 million).

Among the biggest advertisers, State Farm has kept its spending most stable. Spending fell just 1% in 2023 when adjusted for the allowances, and just 4% in 2022, far below the industry reductions of 21.2% in 2023 and 12.5% in 2022.

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Dowling Analysis of Largest Insurance Company Advertisers

'23 Ad Rank	'22 PP Auto Rank	Group	Advertising ($, M) 2019	2020	2021	2022	2023	Year Over Year Change 21/20	22/21	23/22	Ad Rank '21	'22	'23	Points on Stat CR* 2021	2022	2023
1	2	Progressive Corp.	$1,663	$1,953	$1,874	$1,731	$1,218	-4%	-8%	-30%	2	1	1	4.0%	3.4%	2.0%
		of which = Direct	**$1,344**	**$1,560**	**$1,533**	**$1,421**	**$944**	**-2%**	**-7%**	**-34%**				**9.2%**	**7.7%**	**4.1%**
		of which = Agency	$223	$288	$223	$189	$192	-23%	-15%	1%	State Farm Adjusted = -1%			1.0%	0.8%	0.7%
		of which = Other	$96	$105	$117	$120	$82	12%	3%	-32%				1.5%	1.4%	0.8%
2	3	Berkshire Hathaway	$1,998	$2,262	$2,290	$1,541	$1,117	1%	-33%	-27%	1	2	2	3.4%	2.3%	1.4%
		of which =GEICO	**$1,936**	**$2,164**	**$2,069**	**$1,281**	**$838**	**-4%**	**-38%**	**-35%**				**5.5%**	**3.3%**	**2.1%**
3	1	State Farm	$1,209	$1,167	$1,068	$1,013	$992	-8%	-5%	-2%	4	3	3	1.5%	1.3%	1.1%
4	4	Allstate Corp.**	$940	$1,004	$1,297	$948	$651	29%	-27%	-31%	3	4	4	3.4%	2.2%	1.4%
		of which =Esurance	**$146**	**$75**	**NA**	**NA**	**NA**							**NM**	**NM**	**NM**
		of which =Nat'l General	$72	$72	$3	$0	$3	-95%	-100%					-0.5%	NM	1.6%
5	**5**	**USAA Group**	**$364**	**$501**	**$283**	**$418**	**$364**	**-44%**	**48%**	**-13%**	**8**	**6**	**5**	**1.2%**	**1.6%**	**1.2%**
6	9	American Family	$187	$330	$376	$347	$297	14%	-8%	-15%	6	7	6	3.0%	2.5%	1.8%
7	6	Liberty Mutual	$641	$726	$840	$745	$293	16%	-11%	-61%	5	5	7	2.3%	1.9%	0.7%
8	**24**	**Amica Mutual**	**$150**	**$120**	**$167**	**$172**	**$205**	**39%**	**3%**	**19%**	**9**	**9**	**8**	**7.5%**	**7.4%**	**7.8%**
9	7	Farmers (Incl Met P&C)	$280	$275	$346	$260	$172	26%	-25%	-34%	7	8	9	2.2%	1.5%	0.9%
10	10	Nationwide Mutual	$168	$142	$128	$128	$163	-10%	1%	27%	10	11	10	0.9%	0.9%	0.9%
11	**22**	**NJ Manufacturers**	**$24**	**$42**	**$95**	**$136**	**$128**	**127%**	**43%**	**-6%**	**13**	**10**	**11**	**4.9%**	**6.6%**	**5.4%**
12	257	Allianz Insurance Group	$8	$12	$29	$58	$109	130%	103%	88%	20	16	12	0.9%	1.4%	2.7%
13	8	Travelers Companies	$84	$102	$109	$97	$83	7%	-11%	-14%	12	13	13	0.4%	0.3%	0.2%
14	**130**	**Lemonade Inc.**	**$15**	**$21**	**$29**	**$31**	**$72**	**41%**	**4%**	**136%**	**19**	**19**	**14**	**15.3%**	**11.4%**	**22.6%**
15	**11**	**Auto Club Enterprises (SoCal)**	**$98**	**$101**	**$114**	**$111**	**$68**	**13%**	**-3%**	**-38%**	**11**	**12**	**15**	**2.5%**	**2.2%**	**1.1%**
16	**14**	**CSAA Insiurance (NorCal)**	**$13**	**$51**	**$51**	**$60**	**$54**	**0%**	**17%**	**-9%**	**15**	**15**	**16**	**1.2%**	**1.2%**	**0.9%**
17	**18**	**Hartford**	**$72**	**$72**	**$87**	**$77**	**$50**	**21%**	**-11%**	**-36%**	**14**	**14**	**17**	**0.7%**	**0.6%**	**0.3%**
18	**17**	**Auto Club Assn (Michigan)**	**$20**	**$28**	**$31**	**$40**	**$38**	**10%**	**30%**	**-4%**	**18**	**17**	**18**	**1.2%**	**1.5%**	**1.2%**
19	13	Erie Insurance Group	$28	$28	$24	$29	$35	-13%	21%	19%	22	20	19	0.3%	0.3%	0.3%
20	26	Country Financial	$32	$26	$26	$33	$32	-3%	28%	-3%	21	18	20	1.0%	1.2%	1.0%
21	257	Zurich NA	$19	$17	$21	$28	$30	24%	36%	6%	26	21	21	0.4%	0.5%	0.5%
22	44	Tokio Marine Group (PURE)	$19	$15	$19	$26	$29	32%	37%	9%	29	23	22	0.2%	0.3%	0.3%
23	12	Auto-Owners Insurance	$21	$20	$22	$23	$28	10%	5%	22%	25	25	23	0.2%	0.2%	0.2%
24	30	Chubb Ltd	$26	$23	$23	$27	$25	-3%	19%	-9%	23	22	24	0.1%	0.1%	0.1%
25	**257**	**FM Global Group**	**$19**	**$18**	**$9**	**$20**	**$24**	**-51%**	**123%**	**24%**	**41**	**27**	**25**	**0.2%**	**0.4%**	**0.4%**
26	19	Sentry Insurance Group	$17	$18	$23	$24	$22	23%	5%	-6%	24	24	26	0.8%	0.7%	0.6%
27	257	Jewelers Mutual Group	$13	$15	$18	$18	$18	21%	3%	-2%	30	28	27	6.1%	5.5%	4.8%
28	37	Loya Group	$11	$5	$13	$7	$16	132%	-48%	142%	31	55	28	2.1%	1.1%	2.2%
29	257	Kin Insurance Inc.	$0	$0	$1	$7	$16	160%	659%	143%	144	56	29	2.2%	NM	24.8%
30	28	Shelter Insurance Group	$17	$19	$20	$17	$16	4%	-14%	-8%	28	29	30	1.0%	0.8%	0.6%
31	20	Plymouth Rock/Palisades	$16	$16	$20	$17	$16	22%	-18%	-6%	27	30	31	1.3%	1.0%	0.8%
32	222	AXA Insurance Group	$12	$6	$5	$10	$13	-16%	117%	23%	66	40	32	0.2%	0.2%	0.3%
33	25	Alfa Insurance Group	$11	$11	$12	$12	$13	6%	4%	2%	34	33	33	0.8%	0.7%	0.6%
34	2638	AmTrust Group	$5	$4	$6	$11	$12	51%	95%	10%	58	37	34	0.2%	0.4%	0.4%
35	32	American International Group	$19	$22	$10	$12	$12	-55%	25%	2%	37	34	35	0.1%	0.1%	0.1%
36	138	GoAuto Insurance Co.	$8	$7	$9	$7	$12	27%	-20%	61%	40	49	36	26.0%	22.7%	25.6%
37	35	Kentucky Farm Bureau	$8	$8	$9	$9	$11	11%	5%	25%	42	42	37	0.8%	0.8%	0.9%
38	83	Fairfax Financial	$8	$8	$11	$22	$11	44%	91%	-51%	35	26	38	0.1%	0.2%	0.1%
39	31	Tennessee Farmers Ins Cos.	$9	$8	$8	$11	$11	-2%	35%	0%	45	39	39	0.5%	0.7%	0.6%
40	257	Trupanion Goup	$4	$7	$11	$14	$10	65%	20%	-29%	36	32	40	1.8%	1.7%	1.0%
41	16	Mercury General***	$42	$38	$50	$12	$9	32%	-76%	-25%	16	35	41	1.3%	0.3%	0.2%
42	29	Texas Farm Bureau	$8	$7	$6	$8	$9	-5%	17%	19%	52	48	42	0.5%	0.5%	0.5%
43	257	Metropolitan General Insurance	$0	$0	$1	$0	$9		-56%	1759%	136	205	43	1.3%	0.3%	3.1%
44	202	Assurant Inc.	$14	$14	$9	$9	$8	-34%	1%	-12%	38	43	44	0.3%	0.3%	0.2%
45	234	American Financial Group	$5	$5	$7	$8	$8	29%	17%	2%	50	46	45	0.1%	0.1%	0.1%
46	57	Acuity Mutual Insurance	$9	$8	$8	$9	$8	-6%	17%	-14%	46	41	46	0.4%	0.4%	0.3%
47	36	Iowa Farm Bureau	$7	$7	$7	$7	$8	-8%	9%	11%	51	50	47	0.4%	0.4%	0.4%
48	184	Swiss Re	$3	$4	$5	$5	$8	32%	0%	44%	60	66	48	0.1%	0.1%	0.3%
49	55	West Bend Mutual	$7	$6	$7	$8	$7	17%	8%	-7%	47	45	49	0.5%	0.5%	0.4%
50	51	Indiana Farm Bureau	$6	$6	$6	$7	$7	8%	14%	2%	55	51	50	0.9%	1.0%	0.9%
		TOP 20	**$7,995**	**$8,963**	**$9,262**	**$7,974**	**$6,141**	**3%**	**-14%**	**-23%**				**2.3%**	**1.9%**	**1.2%**
		TOP 21-50	**$363**	**$343**	**$374**	**$395**	**$424**	**9%**	**6%**	**7%**				**0.3%**	**0.3%**	**0.3%**
		All Other	$436	$368	$386	$396	$345	5%	3%	-13%				0.2%	0.2%	0.2%
		P&C INDUSTRY	**$8,794**	**$9,674**	**$10,022**	**$8,765**	**$6,910**	**4%**	**-13%**	**-21%**				**1.4%**	**1.1%**	**0.8%**

Source: S&P Global Market Intelligence, NAIC, company reports, Dowling and Partners Analysis. **Bold = Direct Writer. Advertising expenditures** = Statutory Underwriting and Investment Exhibit Part 3, Line 4 and consists of services of advertising agents, public relations counsel, space in publications, literature for advertising/promotional purposes, drawings in connection with advertising, printing/paper charges in bills covering advertising, media broadcasts, prospects/mailing lists and signs for agents, and souvenirs for general distribution. *Advertising dollars as a percent of total statutory combined ratio, which uses net premium written. **Geico net premium written adjusted for an internal loss portfolio transfer and quota share in 2014 and forward. *** State Farm's advertising includes allowances for managers and agents, which is not included in the statutory advertising exhibit, thus we show an adjusted change. See adjacent story for more detail. **** Allstate acquired Esurance in 2011 and National General and Safe Auto in 2021. Allstate data is pro forma for all periods. ****Mercury expenditures are GAAP from company's 10K as statutory advertising spending is understated.

***ADVERTISING** Continued from Page 2*

The reason: even though State Farm has been losing billions of dollars in personal auto underwriting, it has added a significant number of new policyholders in recent years, and it is looking to keep the new-business motor running so it can cross-sell other products to those monoline customers. If State Farm can pull it off, the returns on investment will be significant. State Farm spent $992 million in advertising and $1.55 billion in allowances to managers and agents. An argument can be made that combining the two makes State Farm the biggest advertiser, with $2.54 billion in ad spending, more than twice what Progressive spent last year.

Allstate joined the spending-cut parade, slashing its ad budget 31.3% last year to $651 million. It had the desired effect, as profitability improved, but the company would have preferred not to lose market share.

Combining its ad budget with allowances to agents and managers makes State Farm the biggest advertiser.

USAA is by far the most inconsistent insurance advertiser, with the budget rising from $365 million in 2019 to $501 million in 2020, then falling to $283 million in 2021 before rising to $418 million in 2022 (a year when almost no competitor increased spending). Last year, it reduced its ad budget much less than most competitors, to $364 million. The company struggled more than most with profitability in recent years, but it made measurable progress in 2023.

No auto insurer reduced advertising spending on a percentage basis more than the 60.7% drop for Liberty Mutual, to just $293 million in 2023 from $745 million in 2022 and $840 million in 2021. The allowances to managers and agents have held steady at around $300 million for the last several years.

Over the last two years, **Mercury General** cuts its ad budget by a larger percentage than any other auto insurer, slashing ad spending from $50 million in 2021 to $12 million in 2022 and again to $9 million in 2023. That's an 82% decline over two years. With insurance prices frozen by **California** regulators for more than year even as insurers were losing money, it made sense for California-concentrated Mercury to retreat and wait for better times.

Bucking the trend toward lower budgets is **Amica Mutual**, whose advertising budget rose from $120 million in 2020 to $167 million in 2021, $172 million in 2022 and $205 million in 2023. The company hasn't been gaining market share, but it has held its own without seeing profitability weaken as much as the competition. Amica spends more on advertising relative to its personal auto premium (14.8%) and total combined ratio (7.8%) than 107 larger auto insurers. That is a sea change from two decades ago, when we joked that Amica's sole advertising strategy was to print its name on No. 2 pencils and hand them out to **Rhode Island** school children.

The 109th-largest personal auto insurer, **Lemonade**, also continues to spend aggressively relative to its 2023 personal auto premium (66.8% of $107.8 million) and combined ratio (22.6%). Its advertising budget had risen from $15 million in 2019 to $31 million in 2022 before more than doubling to $72 million in 2023. Lemonade's spending also supports its much larger property insurance business.

Lemonade's 2022 acquisition of **Metromile** accounts for 90.7% of the insurer's personal auto premium. Lemonade may need robust ad spending to keep things afloat, but it didn't improve the top or bottom line last year, as premiums fell 7.0% and the 94.5% incurred loss was far worse than the 67.5% industry average. Even with Lemonade's lower expenses, that performance is burning through the company's cash.

Several companies with midsize advertising budgets decided to stay the course. **CSAA's**

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2023 ad spending fell 9% to $54 million from its record $60 million in 2022, but it remains in line with the $51 million spent in 2020 and 2021, reflecting a commitment to a bigger advertising plan launched after spending just $13 million in 2019. Similarly, the **Auto Club Michigan** has held its budget steady, spending $38 million in 2023 after $40 million in 2022, which was double the 2019 budget.

The other big auto club, **AAA Southern California**, joined the industry trend in cutting its much larger budget from $111 million in 2022 to $68 million in 2023.

Erie Insurance countered the industry trend by increasing ad spending 19% last year to $35 million, up from $29 million in 2022 and $24 million in 2021. Erie has stayed the advertising course despite poor personal auto underwriting results that produced incurred loss ratios of 89.2% in 2023 and 90.2% in 2022.

As the largest advertisers have been slashing their budgets, insurers with smaller budgets – between $7 million and $30 million – increased their spending 6% in 2022 and 7% in 2023. According to the Dowling analysis, the top 20 advertisers reduced their spending 14% in 2022 and 23% in 2023. The smallest advertisers combined increased spending by 3% in 2022 and reduced it by 13% in 2023. AIR

State Market Focus: TEXAS

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season in Texas, but it wasn't like this one huge storm that caused billions of dollars in damage that hit Dallas or Austin or San Antonio. It was multiple storms that together accounted for a lot of claims activity in both residential property and in the auto market."

Hail and other natural disasters haven't deterred insurers from the promise of Texas's strong economy, rapid population growth in diverse regions, business-friendly climate and reasonable regulators under the leadership of Texas Insurance Commissioner **Cassie Brown**. The market is competitive with 174 personal auto carriers and 325 commercial carriers writing auto premium last year. The problem is that insurers venturing into the Texas auto insurance market risk losing their shirt.

Helped by large rate increases, Texas insurers managed to improve the personal auto incurred loss ratio last year to 74.2% from 82.1% in 2022, according to preliminary data from **S&P Global Market Intelligence**. The improvement reflects a dramatically better liability loss ratio (76.4% in 2023 vs. 87.0% in 2022) and a modestly better physical damage loss ratio (72.5% for 2023 vs. 75.5% for 2022).

For perspective, however, it's important to look at the long term. For the decade ending 2022, Texas personal auto insurers suffered an average annual loss of 5.6%, eighth worst in the country, and a loss of 0.7% for commercial auto, fifth worst.

In addition to dodging hailstones, Texas insurers are navigating a deluge of legislative, litigation and regulatory issues – some with potentially large cost consequences.

Top of the list is a controversy about insurers' efforts to limit appraisal rights and opposing proposals to make it mandatory in all personal auto and homeowners policies.

When an insurer and a claimant cannot agree on repair costs or a total loss value, the appraisal process is used to estimate the amount of loss. Generally, policies allow the insurance consumer or an insurer to invoke appraisal, and each can hire an appraiser. If the estimates differ, the two appraisers go to a third appraiser, who decides.

In 2022, the **Office of Public Insurance Counsel** (OPIC), a state agency that represents consumer interests in insurance matters, recommended that lawmakers pass legislation requiring personal auto and residential insurers in

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State Market Focus: TEXAS

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Texas to preserve the consumer's right to invoke appraisals in disputes regarding the cost to repair or the amount of a total loss.

Anticipating legislation next year after several appraisal bills stalled in 2021 and 2023, the **Texas Department of Insurance** (TDI) issued a detailed data call with responses due by July 12.

Texas Watch, which supported 2023 legislation mandating appraisal clauses in auto insurance policies, published a limited analysis early last year that demonstrated how appraisal increases claims payments. The analysis of 1,246 claims – almost 1,000 of them for total losses – found that the appraisals increased settlements by 131% for repair claims on average and 26% on total loss claims. Texas Watch argued that without the ability to demand appraisals to dispute repair and total loss offers, claimants were stuck with low-ball settlements from insurers.

The TDI data call is much more far-reaching, requiring companies in the top 10 private passenger and homeowners multiperil groups to report information on claims reported between June 2020 and June 2023. Among the required information is the number of appraisals initiated by the claimant vs. insurer, the number of appraisals requested before or after a lawsuit, the amount originally offered, the appraisal award amount and appraisal expenses.

Mark Worman, Texas Deputy Insurance Commissioner

"Last session's discussion around appraisal-related legislation did not have the benefit of significant data about the appraisal process," **Jon Schnautz,** vice president of state affairs for the **National Association of Mutual Insurance Companies** (NAMIC), said in an email. "The data call is extremely comprehensive and will require significant company resources to respond to, but the results should help make for a more

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

Line of Business	2022 Total Profit	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	Avg Total Profit
Personal Auto Liab	-9.7	-0.1	8.7	5.6	8.4	4.4	-2.8	-1.6	2.7	3.6	1.9
Personal Auto Phys	-0.5	-1.5	14.4	8.5	16.3	-11.1	-9.9	0.0	5.8	4.9	2.7
Personal Auto Total	-5.6	-0.7	11.3	6.8	11.8	-2.4	-6.0	-0.8	4.1	4.2	2.3
Comm. Auto Liab	-3.3	-12.2	-8.7	-10.9	-3.3	-4.0	-5.0	-1.7	2.3	4.5	-4.2
Comm. Auto Phys	9.9	15.0	15.2	9.5	10.7	-14.4	-8.9	1.6	3.7	3.4	4.6
Comm. Auto Total	-0.7	-6.5	-3.3	-6.2	0.0	-6.5	-6.0	-1.0	2.6	4.2	-2.3
Total All Lines*	5.5	-5.4	10.2	6.2	15.2	-14.3	-1.6	8.3	13.2	12.6	5.0

*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.

Texas
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
Progressive Corp.	$4,276,697	16.1%	67.2%	$3,795,014	16.1%	69.4%	$3,414,823	15.1%	52.6%
State Farm Mutual	$4,016,685	15.2%	99.8%	$3,357,022	14.2%	77.9%	$3,231,777	14.3%	57.4%
Berkshire Hathaway/Geico	$3,279,213	12.4%	87.4%	$3,254,007	13.8%	81.2%	$3,066,825	13.6%	60.7%
Allstate Corp.	$3,179,410	12.0%	83.8%	$2,750,562	11.6%	74.5%	$2,790,144	12.4%	49.2%
USAA Insurance Group	$2,155,077	8.1%	89.5%	$1,995,113	8.4%	79.0%	$2,014,025	8.9%	56.4%
Farmers Insurance Group	$1,920,407	7.2%	67.1%	$1,817,348	7.7%	61.9%	$1,770,197	7.8%	53.0%
Liberty Mutual	$1,201,857	4.5%	73.8%	$1,082,468	4.6%	60.6%	$1,057,435	4.7%	55.3%
Texas Farm Bureau Insurance	$843,015	3.2%	85.6%	$763,618	3.2%	79.4%	$770,477	3.4%	61.5%
Consumers County Mutual Ins Co.	$656,572	2.5%	77.5%	$517,161	2.2%	63.6%	$489,483	2.2%	47.8%
Home State Insurance Group	$530,064	2.0%	78.8%	$426,518	1.8%	73.4%	$364,627	1.6%	60.0%
Redpoint County Mutual Insurance Co.	$501,962	1.9%	93.0%	$341,358	1.4%	75.7%	$230,889	1.0%	64.6%
Kemper Corp.	$501,557	1.9%	84.7%	$569,372	2.4%	85.3%	$522,526	2.3%	60.9%
Auto Club Exchange Group (SoCal)	$443,193	1.7%	81.9%	$380,630	1.6%	71.5%	$350,437	1.6%	58.9%
Old American Capital Corp.	$344,826	1.3%	83.0%	$294,949	1.3%	71.3%	$269,368	1.2%	55.4%
Nationwide Mutual Group	$324,430	1.2%	76.3%	$316,627	1.3%	72.0%	$336,432	1.5%	71.3%
Germania Insurance	$312,353	1.2%	72.9%	$250,832	1.1%	68.4%	$233,938	1.0%	52.0%
Loya Insurance	$270,939	1.0%	65.2%	$265,473	1.1%	59.4%	$259,643	1.1%	49.3%
Sentry Insurance Mutual	$139,455	0.5%	64.6%	$119,947	0.5%	58.6%	$104,307	0.5%	51.3%
Amica Mutual Insurance Co.	$131,313	0.5%	100.9%	$128,448	0.5%	76.5%	$143,793	0.6%	55.8%
Hartford Financial Services	$110,603	0.4%	66.9%	$12,829	0.1%	52.3%	$4,255	0.0%	60.0%
Elephant Insurance Co.	$102,947	0.4%	87.0%	$84,713	0.4%	67.9%	$87,199	0.4%	61.0%
Alinsco Insurance Co.	$101,307	0.4%	93.5%	$124,396	0.5%	83.4%	$111,376	0.5%	68.9%
Falcon Insurance Co.	$96,631	0.4%	62.7%	$66,655	0.3%	56.3%	$53,488	0.2%	56.8%
Mercury General Corp.	$96,563	0.4%	80.9%	$68,222	0.3%	72.1%	$55,927	0.3%	52.2%
Chubb Ltd.	$73,863	0.3%	57.2%	$70,898	0.3%	51.7%	$76,003	0.3%	53.2%
Root Insurance Co.	$66,065	0.3%	71.0%	$135,604	0.6%	87.5%	$132,476	0.6%	74.0%
Hochheim Prairie Insurance	$62,771	0.2%	80.3%	$53,058	0.2%	90.1%	$53,986	0.2%	64.1%
American Family Insurance Group	$58,196	0.2%	85.2%	$42,002	0.2%	78.4%	$39,404	0.2%	58.0%
Markel Corp.	$56,320	0.2%	39.2%	$46,294	0.2%	38.7%	$39,991	0.2%	35.1%
Concert Insurance Group	$55,708	0.2%	61.8%	$46,366	0.2%	54.3%	$49,336	0.2%	54.8%
Warrior Invictus Holding Co.	$54,035	0.2%	69.4%	$24,491	0.1%	88.0%	$4,366	0.0%	63.8%
Tokio Marine Group/PURE	$48,925	0.2%	69.7%	$42,621	0.2%	64.1%	$39,269	0.2%	54.1%
Travelers Companies Inc.	$44,243	0.2%	52.7%	$49,837	0.2%	50.8%	$37,833	0.2%	56.9%
Clearcover Insurance Co.	$42,364	0.2%	90.7%	$27,783	0.1%	100.1%	$11,713	0.1%	86.8%
Buckle Corp. LLC	$39,993	0.2%	101.3%	$17,680	0.1%	78.1%	na	na	na
Agricultural Workers Mutual Auto	$39,457	0.2%	77.2%	$36,296	0.2%	87.0%	$36,475	0.2%	62.3%
Safeway Insurance	$39,212	0.2%	72.8%	$24,269	0.1%	75.4%	$19,600	0.1%	61.8%
Branch Insurance Exchange	$35,809	0.1%	98.2%	$3,304	0.0%	77.5%	na	na	na
Horace Mann Educators Corp.	$31,963	0.1%	77.9%	$30,328	0.1%	61.2%	$34,354	0.2%	47.6%
Statewide Totals	$26,511,399		81.8%	$23,636,772		73.5%	$22,566,433		55.9%

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.

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informed discussion. Any future parameters around the appraisal process should avoid making the process prone to abuse that will only drive up the cost of insurance."

Managing repair costs is a major issue for auto insurers facing claims for tens of thousands of hail-damaged homes and vehicles. Texas insurers also suffer big losses from tornadoes, hurricanes, floods, wildfires and, more recently, winter freezes, but the increasing frequency and severity of hailstorms has become a grave concern as a fast-growing, sprawling population creates more opportunity for auto and property damage.

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Texas
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.	$1,426,803	21.5%	62.8%	$1,310,589	22.3%	78.0%	$885,455	18.2%	70.4%
Liberty Mutual	$344,338	5.2%	87.7%	$274,128	4.7%	69.2%	$255,743	5.3%	74.4%
Berkshire Hathaway Inc.	$282,558	4.3%	57.7%	$287,642	4.9%	59.5%	$229,590	4.7%	58.1%
Travelers Companies Inc.	$274,121	4.1%	75.1%	$243,135	4.1%	63.3%	$242,454	5.0%	82.7%
Old Republic International Corp.	$210,945	3.2%	78.0%	$186,068	3.2%	69.7%	$186,637	3.8%	87.7%
Clear Blue Insurance	$205,486	3.1%	84.9%	$150,042	2.5%	67.8%	$115,906	2.4%	58.0%
W. R. Berkley Corp.	$197,472	3.0%	74.5%	$160,459	2.7%	61.9%	$121,132	2.5%	66.0%
Chubb Ltd.	$178,915	2.7%	84.7%	$125,332	2.1%	58.7%	$130,540	2.7%	88.6%
Zurich Insurance Group	$170,368	2.6%	80.2%	$135,380	2.3%	89.1%	$152,943	3.1%	75.4%
Nationwide Mutual Group	$159,157	2.4%	77.8%	$166,087	2.8%	78.5%	$152,010	3.1%	84.8%
Trisura Group Ltd.	$145,118	2.2%	59.3%	$145,991	2.5%	67.0%	$133,068	2.7%	60.3%
American International Group	$140,926	2.1%	102.8%	$125,903	2.1%	65.1%	$110,553	2.3%	101.7%
State Farm Mutual	$138,424	2.1%	135.5%	$123,891	2.1%	80.8%	$88,907	1.8%	74.1%
Hartford Financial Services	$134,078	2.0%	78.6%	$106,612	1.8%	66.0%	$87,934	1.8%	69.7%
Fairfax Financial Holdings	$129,964	2.0%	72.7%	$116,187	2.0%	74.4%	$85,778	1.8%	70.8%
Kemper Corp.	$128,600	1.9%	63.1%	$90,424	1.5%	68.5%	$72,622	1.5%	49.4%
CNA Financial Corp.	$98,763	1.5%	81.7%	$87,680	1.5%	81.0%	$77,579	1.6%	64.0%
Farmers Insurance Group	$95,564	1.4%	76.9%	$85,887	1.5%	103.5%	$81,045	1.7%	84.6%
Acuity Mutual Insurance	$94,102	1.4%	91.8%	$77,182	1.3%	72.2%	$54,216	1.1%	52.5%
Sentry Insurance Mutual	$91,195	1.4%	60.5%	$77,783	1.3%	81.8%	$59,711	1.2%	65.7%
Great American Insurance	$79,333	1.2%	76.4%	$68,511	1.2%	495.9%	$62,016	1.3%	65.6%
Federated Mutual Group	$73,422	1.1%	65.0%	$67,216	1.1%	62.5%	$58,437	1.2%	85.5%
Arch Capital Group Ltd.	$73,265	1.1%	81.5%	$69,020	1.2%	69.7%	$44,422	0.9%	75.4%
Tokio Marine Group	$71,281	1.1%	77.3%	$57,171	1.0%	68.0%	$56,288	1.2%	79.0%
AF Group	$66,435	1.0%	75.2%	$133,896	2.3%	95.9%	$122,631	2.5%	55.0%
Everest Re	$65,307	1.0%	70.3%	$51,667	0.9%	55.9%	$45,981	0.9%	57.9%
Allstate Corp.	$63,650	1.0%	125.6%	$57,775	1.0%	86.8%	$56,390	1.2%	33.7%
Statewide Totals	$6,651,372		75.0%	$5,887,295		79.7%	$4,871,396		73.6%

Source: S&P Global Market Intelligence and the *Auto Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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CoreLogic estimated that in just one week last June, straight-line winds and hail generated between $7 billion and $10 billion in insured losses, 95% of it from hail, making it one of the largest hail losses in history. In September, the highly populated Austin metropolitan area was pummeled by softball-sized hail stones the size of softballs, and the next month large hail struck Lubbock.

"Hail is always a worry, particularly as Texas grows," said **Albert Betts**, executive director of the **Insurance Council of Texas**. "There are areas that used to be mostly farmland or open land in the Dallas/Fort Worth area or here in the Austin area, and there are now houses and cars."

Albert Betts, Insurance Council of Texas

Indeed, last year personal and commercial auto insurers recorded the largest number of hail claims in the last five years, according to data from **Verisk's** ClaimSearch. The 86,722 personal auto hail claims far exceeded the Texas average of about 51,000 since 2019, according to Verisk. Likewise, commercial auto insurers reported 3,158 claims last year, compared with the five-year average of about 2,000.

Aside from the impact of the weather, trends in the post-Covid environment made a difficult claims environment even worse. Insurers scrambled to react to higher claims costs due to more dangerous driving, inflation-fueled costs for new and used cars, and high repair costs due to inflation, labor shortages and choked supply chains. While fast-rising claims costs have affected insurers nationwide, they hit Texas faster and

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Texas Snapshot

Regulator: Commissioner Cassie Brown
Rate regulation: file and use
Average rate approval time (2023): 102 days; U.S. average: 64 days

Size of personal auto market: $26..51 billion (2022 DPW) Rank: 2nd
Average policy expenditure: $1,123 (2021)
Rank: 16th
Auto Insurance Report PAIN Index rank: 14th (2021)
Property Insurance Report HURT Index rank: 5th (2021)

Auto registrations: 7.7 million (2022)
Truck registrations: 15.2 million (2022)
Vehicle miles traveled (VMT): 285.03 billion (2021)
Traffic fatalities: 1.58 per 100 million VMT; U.S.: 1.37 (2021)
Vehicle thefts: 331.2 per 100,000 residents; Region: 321.3 (2022)

Liability defense: modified comparative fault, 51% bar

Minimum Insurance Requirements:
BI: $30,000/$60,000 • PD: $25,000

Safety Laws
Texting ban for all drivers; cellphone ban for drivers under 18
Primary enforcement seat belt law
Motorcycle helmets required for riders under 21

Demographics
Population: 30.5 million (2023)
Change 2010-2020: +15.9%, U.S.: +7.4%
Median household income (avg. 2018-2022): $73,035; U.S.: $75,149
Population density:111.6 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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harder than in other markets. (AIR 12/19/22)

One theory was that Texas opened for business sooner than other states during the Covid-19 pandemic and returned more quickly to more normal levels of driving. According to **Arity**, total miles driven rose 10% in Texas from Jan. 1, 2019, through July 1, 2021, compared with 8% nationwide. But the rest of the country seems to have caught up. Looking at 2019 through 2023, total miles driven in Texas rose 7.6%, less than the 8.1% national average.

After dramatically increasing rates at a rapid clip, auto insurers navigating the dangerous Texas landscape are now trying to figure out how quickly to reopen the spigot given early indications that show some signs of improvement.

Cassie Brown
Texas
Insurance Commissioner

"Texas is such a big state that you can't wait to see how everything develops, you have to act," an insurance executive said. "It will be interesting to see what the competitive environment looks like now that carriers have gotten rate."

Personal auto insurers increased rates an average 25.5% last year, on top of an average 23.8% in 2022, Worman said. By contrast, rates rose just 2.9% in 2021.

"We hear from some that there are still some supply chain issues for certain parts and even labor shortages," Worman said. "We've heard in a number of areas from body shops and others that they've had trouble filling vacancies. Some have said there's been some improvement, but there are still some issues that have just been lingering for the past couple of years that have just continued to be reflected in these rate increases."

So far in 2024, regulators have approved a large rate increase for just one of the top 10 insurance groups, though under the state's file-and-use law other insurers maybe implementing rate hikes before receiving TDI approval. **Liberty County Mutual Insurance Co.**, **Liberty Mutual's** largest unit writing personal auto insurance in Texas, is increasing rates an average 15.9% across renewals in January in June.

In addition to increasing rates, some insurers have taken additional actions to reduce losses. Some have increased deductibles, while others have limited coverage for permissive drivers to minimum limits. (Named driver exclusions are allowed, but the Texas Legislature passed a law banning insurers from issuing or renewing named driver policies after Jan. 1, 2020.)

Several insurers have tried to remove appraisal clauses, but so far regulators have rejected those efforts.

There is, however, one exception that for several years seemed to go unnoticed.

State Farm, the state's second-largest personal auto writer with 18.5% of premium, received approval in 2015 for a policy form that eliminated both the policyholder's and the insurer's right to an appraisal for disagreements about vehicle repair costs, while maintaining the contractual right to appraisal for disputes in total loss vehicle claims. While dormant for years, the issue heated up when **Geico** applied for a similar change, citing TDI's approval of the State Farm policy.

Regulators have no plans for now to approve policies that lack appraisal rights for repairs or total losses, though they did approve an insurer's effort to add time frames to its appraisal clause to "keep the process moving," Worman said.

Last year, two bills (House Bills 1437 and 4194) that would have required appraisal clauses in insurance policies passed the House but died

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in the Senate. A third (HB 597) never made it out of the House. Insurers expect to battle similar bills when the Texas Legislature convenes for its next regular session in 2025.

Another piece of legislation passed last year (HB 1900) requires insurers to give policyholders more notice when they are nonrenewing a personal auto or residential property insurance policy. The law changed the notice requirement from 30 days to 60 days.

The Legislature last year also passed HB 2065, which closed a loophole in 2021 legislation that required insurers to nonrenew a policy if an at-fault insured refuses to cooperate in the settlement or defense of claims. Last month, TDI formally adopted rules to implement the law. The rules take effect Jan. 1, 2025.

> ***Texas truck insurers blame loopholes in 2021 legislative reforms for ongoing litigation troubles.***

"The legislation was effective and they should have been complying," Worman said, "but it became clear that insurers had many questions about how to comply."

Last month, TDI also updated its Filings Made Easy Guide to include requirements that insurers provide detailed information for each third-party data set and third-party model used in ratemaking. The requirements reflect a 2020 TDI bulletin reminding insurers they are responsible for the accuracy of third-party data they use in rating, underwriting and claims handling.

Regulators believe that these, in combination with actuarial scrutiny, are sufficient to protect consumers from the potential risks associated with insurers' growing use of artificial intelligence (AI), machine learning and increasingly complex algorithms and predictive models.

"Our actuaries certainly have seen over the past few years more and more companies using these types of models, AI, third-party vendor data, all that kind of stuff … and it's okay for them to use it," Worman said. "But our actuaries still ask questions, and they want to know how those things work. They make them pop the hood and show them what's going on underneath.

"It may take the actuaries a little longer to get through those," Worman added, "but at the end of the day, they still really scrutinize those things and make sure that they understand how they work and that they comply with state law."

Worman said Texas is not planning to issue a version of the model bulletin on AI adopted in December by the **National Association of Commissioners** (NAIC), confident in the protections provided by the system the state currently has in place.

While playing defense on appraisal and other auto repair bills in the 2025 legislative session, insurers expect to be playing offense on tort reforms related to commercial auto litigation and uninsured/underinsured (UM/UIM) motorists coverage.

Truckers and their insurers had high hopes for a much-improved truck insurance market after lawmakers passed House Bill 19 passed in 2021. The legislation requires TDI to collect data from insurers to analyze the law's impact, and regulators will complete the second of three biennial reports in December, Worman said.

Despite the lack of firm data, Betts said, "the general feeling is that [trucking litigation] may not have slowed down as anticipated."

The law changed the process for civil litigation, allowing trials involving commercial vehicles to be separated into two stages. The first stage seeks to determine the driver's negligence and compensatory damages arising from it. Only

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in the second stage can the jury consider the negligence of the trucking company and punitive damages. (AIR 10/4/21)

However, amendments made before final passage weakened the law, said attorney **George Christian**, president of the **Texas Civil Justice League**. The amendments added several violations of the Federal Motor Carrier Safety Act to the list of conditions that could be considered in the first phase of the trial.

"The big trucking bill in 2021 made significant changes, but it really hasn't solved much," Christian said in an interview. "Insurers are really seeing the result of that amendment in the litigation."

Jon Schnautz
NAMIC

Christian anticipates that truckers and insurers will push to tighten up the law by stripping the amendments that weakened it. He expects it will be a tough fight.

Insurers also continue to monitor the impact of a 2021 **Texas Supreme Court** decision, *Allstate v. Irwin*, that said victims in UM/UIM cases could file suit against their own insurer under the Uniform Declaratory Judgments Act (UDJA). That law gives judges the discretion to award attorney fees, increasing the risk to insurers that offer low settlements.

The ruling contradicted a 2006 decision regarding the recovery of attorney fees in UM/UIM cases. In *Brainard v Trinity Universal*, the Supreme Court previously held that a carrier has no contractual duty to pay UIM benefits until the claimant obtained a judgment establishing the liability and underinsured status of the other motorist.

The shakeout from that decision continues, as plaintiffs push for discovery of insurers' claims handling practices – often including deposition requests for corporate representatives and adjusters – before the insurer's liability on the policy has been established, Christian wrote in a blog post.

"They hope to use this discovery … to distract the jury from the real issue: whether the underinsured driver caused the plaintiff's injuries," he wrote. "If they can shift the focus from the other driver to the big, bad insurance company, they enhance their chances for both a favorable verdict and recovery of their attorney's fees."

State Farm has been most aggressive in challenging these discovery requests, Christian said, and so far, the Supreme Court has issued stays while it decides whether to accept the insurer's petitions.

"This is clearly the new way to do UIM," Christian said. "The Supreme Court has not had the last word. They are clearly getting too many of these." AIR

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Established 1993

Brian P. Sullivan Sr., Editor
(949) 443-0330
bpsullivan@riskinformation.com

Leslie Werstein Hann, Managing Editor
(908) 310-7129
leslie@hannwriting.com

Patrick Sullivan, Senior Editor
(949) 412-5851
patsullivan@riskinformation.com

Ed McMenamin, Senior Editor
(217) 201-3956
edm@riskinformation.com

Contributing Writers: Hal Conick, John Yoswick

Dana Horst Sullivan, Subscription Director
dana@riskinformation.com

www.riskinformation.com

Click Here for Index of Back Issues

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