AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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INSIDE

New PAIN Index Shows State Markets in State of Change

Auto insurance affordability enjoyed a last hurrah in 2022, as post-Covid rate increases had yet to fully take hold while household incomes continued to rise just as inflation set in. The ratio of insurance costs to income fell to a historic low that year – a level which is almost certainly not to be seen again for quite some time as insurance costs soared and income levels stagnated.

These are among the findings of our most recent PAIN Index, which is the ratio of insurance expenditures as measured by the **National Association of Insurance Commissioners** (NAIC), to average household income, as measured by the **U.S. Census Bureau**. The report has been updated more quickly than usual because

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Auto Repair Severity Has Deep Roots and Won't Ease Soon

As vehicles become more complicated, the cost of buying and insuring modern cars and trucks has been soaring. Prices for new and used vehicles, auto repair parts, auto body work, and auto insurance have experienced more than double-digit growth in the last several years. The trends are accelerating as older, less complicated vehicles come off the roads and are replaced by ever more complicated new vehicles.

The big strategic questions for insurers are how long and how high costs will continue to rise and what they can do to manage in a world where premiums struggle to keep up with loss costs. Though the answers are by no means certain, enough evidence is starting to emerge that insurers can shift from panicked reactions toward intelligent planning.

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Minnesota Insurers Bristle Against Low-Cost Auto Plan

Minnesota lawmakers are expected to make another push to create a low-cost auto insurance program that proponents hope will reduce the number of uninsured drivers and industry advocates fear could leave insurance companies on the hook for losses.

House File 5173, which did not advance in this year's legislative session, would have required the **Minnesota Department of Commerce** to create the Minnesota Lifeline Insurance Program to provide low-cost motor vehicle insurance to eligible low-income residents. The legislation did not receive a hearing, but insurance representatives and advocates for the program expect the proposal – or something like it – to reemerge next year.

"They are still doing research to obtain more details about the cost of implementing and administering the program," said **Todd Feltman**, chairman of the governing

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Growing Vehicle Complexity

Historically, vehicle repair costs increased 1% to 3% annually, according to data from **CCC Intelligent Solutions**. But starting in 2018, the pace ramped to over 5% annually, peaking at a 12.5% increase in 2022 before dropping to a 6.6% increase in 2023. In addition, the cost differential for repairing older versus newer model year vehicles has grown, according to CCC.

For example, the average repair cost for a current model year vehicle in 2014 was 74.9% higher than the average repair cost for vehicles aged 11 years and older. By 2023, however, the average repair cost for a current model year vehicle was 101.3% higher than the oldest cars (model years 2011 and older).

Prices for new cars have risen as consumers shift to more light trucks and feature-laden vehicles.

Changes to improve crashworthiness and crash avoidance mean repairs on newer vehicles now require more replacement parts, labor time, and diagnostic operations like scanning and calibration.

Advanced driver assistance systems (ADAS) and electric vehicles (EVs) are among the biggest disrupters the industry has experienced in some time, dramatically increasing the complexity of underwriting and collision repair, according to **Michael Lastuka**, auto industry liaison at **State Farm**.

As of 2024, it's estimated that vehicles of 2016 model year or newer account for nearly 40% of all light duty vehicles in operation in the U.S, according to a report from **Hedges & Co.** With well over 90% of all new light vehicles now sold in the U.S. minimally equipped with front automatic emergency braking, that number will continue to grow.

Unfortunately, along with the growth in complexity comes longer repair cycle times and longer rental car durations. Storage and towing fees also rise.

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Higher Prices for New and Used Vehicles

New vehicle prices have steadily risen as automakers and consumers have shifted to more light trucks and vehicles with more features. Supply chain shortages that began with the Covid-19 pandemic interrupted new car production, further driving up prices for both new and used vehicles.

The average transaction price of a new vehicle peaked at $49,507 in December 2022, according to **Kelley Blue Book**. It was down less than 2% to $48,644 by June 2024 and still 20% higher than in March 2021.

Wholesale used vehicle prices peaked in January 2022, when **Manheim** data shows prices were up 67% from January 2020. By June 2024, used prices had finally come down over 30%, but they were still 27% higher than in January 2020.

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Collision Repair Industry Headwinds

The collision repair industry, like many trades, has been struggling to recruit new technicians to replace the growing number expected to retire in the next several years.

According to data from **Tech Force Foundation**, demand for collision technicians is far outpacing supply. The technician shortage has resulted in much larger increases in wages and subsequently labor rates, helping to drive up repair costs even further. Specialized equipment and training necessary to repair ever more complex vehicles also means shops are having to make significant capital outlays.

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

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pandemic.

The combination of these factors and others created a perfect storm that the repair industry is still trying to get ahead of. But ultimately the question remains: has the trajectory of vehicle claim costs shifted higher permanently?

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Higher Costs Are Here to Stay

More inventory, more incentives, less pent-up demand, and tighter consumer budgets have helped both new and used vehicle prices come down from their peaks in 2022, which in turn has helped reduce total loss vehicle claim payouts.

Lower shipping costs and improved supply chains helped drive down the year-over-year increase in the average cost of a replaced part to just 0.3% in 2023 versus 7.3% in 2021 and 5.4% in 2022, according to CCC data. But with more parts replaced per repair, and continued growth in vehicles equipped with numerous sensors, cameras and other technologies like ADAS and connected car technologies, repair costs are still climbing. In addition, more hours are required per repair, paid now at higher rates stemming from technician shortages and more labor requiring specialized skills.

> ***More accident avoidance systems means fewer small claims, leaving only the big hits for shops to deal with.***

The good news? We could be on the tail end of a cycle, where repair costs may not fall, but may increase less sharply than they have in the past several years, according to **Toan Nguyen**, president and CEO of Atlanta-based **Classic Collision**, a multisite operator of collision repair shops.

For example, as more vehicles incorporate ADAS and require calibration work, the collision industry will acquire more expertise and become more efficient, ultimately meaning greater consistency in costs, just as happened with pre- and post-repair scans.

Toan Nguyen
Classic Collision

Unfortunately, as noted by research from the **Highway Loss Data Institute**, more ADAS means the average cost of repair will likely rise. Accident-avoidance systems will eliminate many of the lower cost repairs that result from low-speed crashes.

For example, rear bumper repairs from drivers who back into something have all but disappeared with the help of backup cameras and sensors. But the remaining higher speed crashes will cost more for an ADAS equipped vehicle than for one lacking costly electronics.

Additionally, litigation alleging shoddy repairs involving aftermarket parts, notably the 2017 lawsuit in Texas filed against the **John Eagle Collision Center**, has changed the way some body shops conduct repairs, according to **Dave Luehr**, owner of **Tennessee**-based **Elite Body Shop Solutions**.

For example, he said, more shops may be reluctant to use aftermarket or recycled parts, and instead use OEM parts but only charge insurers the cost of aftermarket or recycled parts. Sometimes the OEM parts suppliers lowers their price, and sometimes the shops themselves will buy the OEM part at full price but only charge the insurer the lower price. (Known as "price matching.")

In addition, body shops are increasingly aware of the need to use repair procedures prescribed by the original equipment manufacturer (OEM).

In a coaching video, Luehr recounts working with repairers to revisit what they thought were small repairs where OEM procedures were not consulted. When the repair orders were rewritten using the OEM procedures, it showed how im-

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portant steps had been missed in the repairs, and the resulting repair orders cost more and generated more profit for the shop.

Exercises like these are making shops more aware of the importance of researching OEM procedures for all repairs, leading more shops to pursue "short-pay" repairs. With "short-pay," the shop collects payment directly from the customer for the difference between what it charges and what insurance pays. The shop then coaches the customer on how to collect reimbursement for their out-of-pocket cost from their insurer.

While this approach is not new, it appears to be gaining traction, with organizations like the **Wisconsin Collision Repair Professionals** providing templates that shops can give to their customers to show how the shop's charges differ from the allowed amount, and providing documentation for the consumer to try to recover their costs from the insurer.

> ***Technology holds promise for mitigating challenges, like repair complexity and technician shortages.***

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Falling Claim Counts

Loss costs are a by-product of vehicle claim costs, but also claim frequency. Claim frequency dropped off a cliff in the early days of the Covid-19 pandemic, but then surged over the last several years as the number of miles driven rebounded, drivers were going faster and were more distracted, and the police reduced traffic enforcement.

Fast forward to early 2024, and claim counts and resulting repair volumes have started to fall. Earnings conference calls in the first quarter with companies such as **Boyd Group** and **LKQ** report repair volumes were down over 10%, in large part due to less winter precipitation and fewer large hailstorms in many parts of the U.S. this year.

Dave Luehr
Elite Body Shop Solutions

Insurers like **Geico** and **Allstate** reported fewer claims for the first quarter as well. Customers may also be reluctant to make claims due to fear of policy cancellation, higher deductibles and premium increases. ADAS technologies may also finally be helping to reduce accident frequency.

While the impact has been small but measurable to date, new emergency braking requirements are expected to substantially reduce the frequency of rear-end collisions and resulting injuries and fatalities. The recently released Federal Motor Vehicle Standard No. 127 will make automatic emergency braking (AEB), including pedestrian AEB, standard on all passenger cars and light trucks by September 2029.

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Technology to the Rescue

Nguyen of Classic Collision is optimistic that technology will help address issues like repair complexity and technician shortages.

"There is always going to be a limit to the number of qualified people you can hire but no limit to computing power that can be harnessed," he said. "So as technology is used that addresses and aids with repairs, those shops that can take advantage will be much better positioned."

He cited the example of Porsche's development of virtual calibration software that uses artificial intelligence (AI), reducing the need for bench tests and test drives in the calibration phase of the vehicle. Shops using solutions such as UVeye – a "drive-through MRI" that uses cameras, sensors and AI to identify body damage and other flaws on a vehicle – are finding it helps with intake and diagnostics.

There are also opportunities to reduce the

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inefficiencies that remain in many shops, according to Luehr. For example, touch times – essentially the number of labor hours completed per day the vehicle is in the body shop – have decreased since the pandemic, with the average running about two hours per day.

Supply chain issues and technician shortages are partly to blame, but Luehr said one often overlooked problem is how shops schedule and manage work in progress. In the United States, some shops that have touch time of four hours per day, double the national average. Some shops in the U.K. and elsewhere show better productivity and cash flow when they can "control the controllables," Luehr said, such as only bringing a vehicle in for repair when all parts are available and the vehicle can be worked on continuously.

Ultimately, numerous factors remain in play that will keep vehicle claim severity elevated, but there may be enough other factors that will help change the trajectory of the last several years. AIR

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the NAIC accelerated the release of average premium data by six months. (See AIR 3/25/24 for the 2021 index.)

Looking at trends over five years, the PAIN Index fell to a record low of 1.07% in 2022, from 1.08% in 2021, 1.19% in 2017 and 1.33% back in 2005. The improvement came as the 11.8% rise in expenditure from 2017 to 2022 was overwhelmed by the 24.9% rise in average household income.

But this can't last. The biggest insurers in-

> ***The largest insurers increased rates an average 11.6% in 2022, 15.5% in 2024, and 6.5% so far in 2024.***

creased rates an average 11.6% in 2022, according to RateWatch from **S&P Global Market Intelligence**. (AIR 1/22/24) But insurers only earned half of that in the same year, leading to just a 6.1% increase in 2022 average expenditure. (AIR 3/18/24) The rest of those increases were realized in 2023, along with much of the 15.5% in rate hikes that year followed by another 6.5% in increases so far in 2024.

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, 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 1.30% 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 in-

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The P·A·I·N Index

Personal Auto Insurance Nastiness

2022 Personal Auto Insurance Expenditures as a Percentage of Average Household Income

State	2022 Average Expenditure	Rank	2022 Average Household Income	Rank	Premium to Income Ratio	2022 Rank	2017 Rank	Prem Change 17-22	Income Change 17-22
Louisiana	$1,558	2	$79,175	48	1.97%	1	1	7.5%	20.1%
Florida	$1,625	1	$99,349	24	1.64%	2	3	20.1%	30.6%
Mississippi	$1,061	19	$72,624	51	1.46%	3	4	13.7%	21.0%
Michigan	$1,319	8	$91,856	35	1.44%	4	2	-3.1%	21.7%
South Carolina	$1,205	15	$88,704	42	1.36%	5	8	17.5%	26.3%
Georgia	$1,347	7	$99,863	23	1.35%	6	9	18.8%	26.2%
Nevada	$1,300	9	$98,422	25	1.32%	7	7	13.8%	25.5%
Rhode Island	$1,425	5	$108,023	16	1.32%	8	6	9.6%	26.7%
New York	$1,549	3	$119,130	10	1.30%	9	11	14.7%	22.7%
West Virginia	$953	31	$75,265	50	1.27%	10	5	4.2%	26.4%
Delaware	$1,296	10	$105,438	18	1.23%	11	10	5.8%	21.8%
Texas	$1,233	14	$101,738	20	1.21%	12	15	12.4%	22.9%
Arkansas	$924	35	$76,853	49	1.20%	13	14	8.7%	20.9%
Alabama	$965	27	$82,956	44	1.16%	14	17	12.6%	25.1%
New Mexico	$958	30	$82,382	47	1.16%	15	12	9.9%	27.5%
Oklahoma	$959	29	$82,741	45	1.16%	16	16	6.7%	21.6%
Arizona	$1,156	17	$101,316	21	1.14%	17	18	15.8%	30.8%
Kentucky	$938	33	$82,614	46	1.14%	18	13	3.0%	23.1%
Missouri	$992	26	$88,586	43	1.12%	19	21	13.7%	21.4%
Colorado	$1,276	13	$119,039	12	1.07%	20	24	21.2%	28.7%
New Jersey	$1,413	6	$134,191	2	1.05%	21	19	4.6%	21.9%
Tennessee	$924	34	$89,799	40	1.03%	22	23	12.2%	24.7%
Pennsylvania	$1,018	22	$100,015	22	1.02%	23	22	5.4%	23.5%
Maryland	$1,281	12	$125,876	6	1.02%	24	28	11.9%	18.7%
Dist. of Columbia	$1,502	4	$148,872	1	1.01%	25	26	12.4%	22.9%
Connecticut	$1,282	11	$128,160	5	1.00%	26	27	9.7%	19.3%

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 Dept. of Insurance has not verified 2021 or 2022 data. D.C. is entirely urban, and is not directly comparable to states with rural areas.

The P·A·I·N Index

Personal Auto Insurance Nastiness

2022 Personal Auto Insurance Expenditures as a Percentage of Average Household Income

State	2022 Average Expenditure	Rank	2022 Average Household Income	Rank	Premium to Income Ratio	2022 Rank	2017 Rank	Prem Change 17-22	Income Change 17-22
Oregon	$1,006	24	$102,923	19	0.98%	27	20	4.6%	28.4%
Montana	$885	37	$90,874	36	0.97%	28	25	12.8%	28.0%
Wyoming	$848	40	$90,018	39	0.94%	29	39	14.0%	18.7%
Illinois	$994	25	$106,728	17	0.93%	30	34	10.5%	21.1%
Kansas	$867	39	$93,221	33	0.93%	31	35	12.8%	22.9%
Alaska	$1,014	23	$109,524	15	0.93%	32	36	8.9%	18.2%
Ohio	$832	43	$90,109	38	0.92%	33	30	6.1%	22.9%
Nebraska	$872	38	$94,599	28	0.92%	34	38	13.5%	22.5%
Indiana	$814	45	$88,805	41	0.92%	35	32	8.9%	24.2%
South Dakota	$823	44	$90,806	37	0.91%	36	43	18.3%	23.6%
Utah	$1,026	21	$114,044	13	0.90%	37	33	15.2%	31.9%
North Carolina	$840	42	$94,353	30	0.89%	38	41	21.2%	27.3%
Massachusetts	$1,181	16	$133,823	3	0.88%	39	29	3.9%	25.5%
Minnesota	$962	28	$109,737	14	0.88%	40	45	14.4%	20.7%
Wisconsin	$810	46	$94,085	31	0.86%	41	42	10.5%	21.6%
Iowa	$781	48	$92,695	34	0.84%	42	47	15.7%	22.8%
Washington	$1,048	20	$125,847	7	0.83%	43	31	5.4%	33.5%
California	$1,087	18	$131,504	4	0.83%	44	44	12.6%	29.2%
Idaho	$772	49	$94,503	29	0.82%	45	40	13.7%	35.1%
Vermont	$793	47	$97,261	27	0.82%	46	37	4.0%	27.0%
Maine	$758	50	$93,555	32	0.81%	47	46	13.4%	27.1%
Virginia	$949	32	$119,058	11	0.80%	48	49	15.7%	21.9%
North Dakota	$729	51	$97,699	26	0.75%	49	50	10.1%	21.1%
New Hampshire	$889	36	$119,452	9	0.74%	50	48	7.8%	26.0%
Hawaii	$844	41	$120,969	8	0.70%	51	51	4.9%	22.7%
United States	$1,127		$105,555		1.07%			11.8%	24.9%

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 Dept. of Insurance has not verified 2021 or 2022 data. D.C. is entirely urban, and is not directly comparable to states with rural areas.

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creasingly 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.

It is easy to see why **Louisiana** has the worst PAIN Index, saddled as it is with the second-highest average expenditure and the third-lowest average household income. And **Hawaii** enjoys the most affordable auto insurance, on the strength of an average expenditure that is lower than all but 10 other states and the ninth-highest household income. Both states remain in the same PAIN Index ranking as five years earlier.

> ***Modest expenditure increases and higher incomes improve affordability Massachusetts and Vermont.***

More usefully, the PAIN Index can reveal both trouble and stability that are not immediately apparent in average expenditure data. For example, in 2022, **Mississippi** ($1,061) and **West Virginia** ($953) both had average expenditures below the $1,127 national average. But Mississippi had the nation's lowest average household income that year, at $72,624, and West Virginia was the second lowest at $75,265. The national average was $105,555. As a consequence, Mississippi ranks third on the PAIN Index, and West Virginia ranks 10th. Just as importantly, West Virginia is clearly making progress, since it ranked fifth in 2017.

The PAIN Index also reveals the true affordability of insurance in states such as **New Jersey** and **Connecticut**. New Jersey may have the nation's sixth-highest average personal auto expenditure, but it also boasts the third-highest household income. As a result, the state's 2022 PAIN Index rank is an affordable 21st, improved from 19th five years earlier. Likewise, Connecticut's average expenditure ranks 11th highest in the nation, but with the sixth-highest average household income, the PAIN Index rank is an affordable 26th, improved from 27th five years earlier.

We found some significant affordability progress in **Massachusetts** and **Vermont**.

In 2017, the Bay State ranked 29th in the nation on the PAIN index, but affordability improved dramatically with a 25.5% increase in household income and just a 3.9% rise in average expenditure, improving the state to 40th, with affordability much better than the national average. For consumers, only **Michigan** had a better track record than Massachusetts on average expenditure, with a 3.1% decline, but the nation's eighth-highest premium and 35th-highest income means that even though affordability improved, the ranking fell to only fourth from second.

In the Green Mountain State, a similarly small expenditure increase – just 4.0% from 2017 to 2022 – married to a 27.0% increase in household income moved the state from 37th in 2017 to 47th in 2022. Vermont's average expenditure of $793 is lower than all but four other markets.

Going in the other direction is **Wyoming**.

Although the Equality State's average expenditure of $848 remains well below the national average, and lower than all but 11 other states, those modest costs are rising faster than the national average while its modest household income is not rising as quickly as the rest of the country. Thus, its PAIN Index ranking has risen from 39th to 29th.

(Trivia: In 1869 Wyoming was the first state to allow women the right to vote and hold elective office, and thus it claims "Equal Rights" as the official state motto.) AIR

State Market Focus: MINNESOTA

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committee of the **Minnesota Auto Insurance Plan** (MNAIP), the state's auto insurance residual market. "I believe when they have these costs, it'll be reintroduced."

Brooke Kelley, assistant vice president of the **American Property Casualty Insurance Association** (APCIA), said insurers worry a low-cost auto program might compete with the open market and could drive up costs for insurers and consumers.

The bill introduced this session would have required that the residual market facility file rates for the program based on loss experience and auto insurance trends, but it also included a provision requiring a meeting to solicit "public comment on the proposed rates and the rate setting process." A version introduced last year (HF 2245) required the Commerce Department to set rates for the first two years of the program and to contract with "a qualified consumer organization" and solicit public comment in the rate-setting process.

Aaron Cocking
Insurance Federation of Minnesota

Aaron Cocking, president and CEO of **Insurance Federation of Minnesota** (IFM), has been involved with proposals for a low-cost auto plan for five years, but he still has "significant questions."

A low-cost plan, he said, would be unfair if other drivers must pay a higher premium to subsidize it. Insurers are also concerned about the prospect of having to pay assessments to cover operating costs in addition to deficits if premiums are insufficient to cover claims.

"Increased costs associated with policies are harmful to carriers placing policies and the overall reputation of the industry," Kelley said.

The low-cost auto insurance program was initially modeled on the program in **California**,

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Minnesota
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	4.7	13.3	16.4	10.9	12.6	8.5	6.8	8.9	9.4	8.6	10.0
Personal Auto Phys	-21.1	3.7	8.0	-0.1	7.0	4.5	6.1	7.0	7.4	0.3	2.3
Personal Auto Total	-7.8	8.8	12.6	6.1	10.1	6.7	6.4	8.1	8.5	5.1	6.5
Comm. Auto Liab	13.7	17.5	19.7	13.3	15.7	13.0	7.5	16.0	11.9	16.2	14.5
Comm. Auto Phys	-5.1	14.8	14.9	2.7	8.1	1.5	7.7	5.9	4.3	-1.8	5.3
Comm. Auto Total	7.2	16.6	18.1	9.7	13.1	9.0	7.6	12.7	9.4	10.6	11.4
Total All Lines*	-10.0	13.7	9.1	4.1	16.6	10.2	15.3	15.3	11.4	6.4	9.2

*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: MINNESOTA

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which provides safe drivers who meet income requirements with low coverage for low premiums. (AIR 6/24/24)

Minnesota Rep. **Erin Koegel**, who sponsored bills in the last two years, said in an interview that drivers who can least afford it are often saddled with the highest auto insurance costs because of the socioeconomic factors insurers rely upon to set rates. The goal of a low-cost program is to provide low-cost insurance for people who

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Minnesota Personal Auto Insurers

Groups Ranked by Total 2023 Direct Premium Written (000)

Group Name	2023 Premium	Mkt share 2023	Loss Ratio 2023	2022 Premium	Mkt share 2022	Loss Ratio 2022	2021 Premium	Mkt share 2021	Loss Ratio 2021
State Farm Mutual	$1,156,997	23.5%	76.8%	$955,451	22.2%	93.4%	$873,388	21.9%	66.7%
Progressive Corp.	$1,023,043	20.8%	72.9%	$908,315	21.1%	77.7%	$832,116	20.8%	68.6%
American Family Insurance Group	$494,615	10.0%	68.5%	$436,714	10.1%	77.3%	$423,609	10.6%	55.9%
Farmers Insurance Group	$277,165	5.6%	60.5%	$255,567	5.9%	68.8%	$248,636	6.2%	55.8%
Allstate Corp.	$225,161	4.6%	72.3%	$201,429	4.7%	82.3%	$194,580	4.9%	54.6%
Auto-Owners Insurance	$220,648	4.5%	76.9%	$172,427	4.0%	79.8%	$153,091	3.8%	58.4%
Liberty Mutual	$211,497	4.3%	79.0%	$215,301	5.0%	81.5%	$190,094	4.8%	53.5%
Berkshire Hathaway/Geico	$203,915	4.1%	81.2%	$191,900	4.5%	92.3%	$178,177	4.5%	66.7%
USAA Insurance Group	$190,699	3.9%	79.0%	$154,889	3.6%	95.3%	$145,142	3.6%	67.6%
Travelers Companies Inc.	$126,124	2.6%	69.1%	$117,335	2.7%	76.9%	$107,254	2.7%	58.9%
North Star Mutual Insurance Co.	$98,681	2.0%	78.1%	$80,542	1.9%	91.2%	$66,784	1.7%	77.8%
Nationwide Mutual Group	$78,791	1.6%	77.6%	$80,300	1.9%	94.6%	$72,152	1.8%	73.5%
Auto Club Insurance Assn. (Michigan)	$75,677	1.5%	75.1%	$66,100	1.5%	84.1%	$68,594	1.7%	53.0%
Western National Insurance	$67,655	1.4%	77.9%	$55,331	1.3%	77.1%	$50,721	1.3%	53.6%
Farm Bureau Financial Services	$47,638	1.0%	95.3%	$39,346	0.9%	96.0%	$36,892	0.9%	61.5%
Westfield Insurance	$45,616	0.9%	90.4%	$33,857	0.8%	107.9%	$19,147	0.5%	72.8%
Country Financial	$43,326	0.9%	70.7%	$42,535	1.0%	78.6%	$45,637	1.1%	66.2%
West Bend Mutual Holding Co.	$40,314	0.8%	88.5%	$34,053	0.8%	66.6%	$31,240	0.8%	62.2%
Grinnell Mutual	$37,078	0.8%	79.6%	$34,034	0.8%	83.0%	$32,755	0.8%	62.7%
Secura Insurance Companies	$28,747	0.6%	78.8%	$26,106	0.6%	92.8%	$23,901	0.6%	57.2%
Horace Mann Educators Corp.	$22,899	0.5%	75.7%	$20,357	0.5%	89.1%	$19,577	0.5%	-27.0%
Acuity Mutual Insurance	$20,216	0.4%	80.3%	$15,522	0.4%	89.3%	$14,841	0.4%	59.2%
Hartford Financial Services	$19,557	0.4%	62.9%	$17,924	0.4%	69.8%	$19,560	0.5%	48.6%
RAM Mutual Insurance Co.	$17,360	0.4%	62.0%	$15,115	0.4%	98.5%	$13,453	0.3%	67.3%
Markel Corp.	$16,804	0.3%	36.2%	$14,714	0.3%	37.0%	$10,939	0.3%	33.9%
Chubb Ltd.	$15,826	0.3%	71.8%	$14,987	0.4%	71.3%	$14,805	0.4%	46.2%
Brookfield Reinsurance/American Nat'l	$14,104	0.3%	63.1%	$13,339	0.3%	69.5%	$13,975	0.4%	47.0%
Selective Insurance Group Inc.	$13,789	0.3%	98.5%	$10,456	0.2%	71.9%	$9,388	0.2%	63.4%
Cincinnati Financial Corp.	$13,117	0.3%	45.9%	$12,075	0.3%	61.1%	$12,993	0.3%	50.2%
Statewide Totals	$4,929,103		74.2%	$4,309,055		83.3%	$3,992,311		62.2%

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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would otherwise go without coverage because they don't enough money to pay for it.

Minnesota drivers are required to buy a minimum of $30,000 per individual and $60,000 per accident in bodily injury liability (BI) coverage, $10,000 for property damage (PD) liability, $25,000/$50,000 uninsured/underinsured motorist (UM/UIM) coverage and $40,000 in personal injury protection (PIP) coverage, divided equally between medical expenses and income loss.

Early discussions in Minnesota considered bills with lower liability limits, but the idea faced opposition from trial lawyers and medical providers, according to Cocking and Koegel.

HF 2245, which was introduced in 2023, for example, called for limits of $20,000/$40,000 in BI and UM/UIM, $10,000 in PD liability and $10,000 in PIP, with $5,000 for medical expens-

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Minnesota Commercial Auto Insurers

Groups Ranked by Total 2023 Direct Premium Written (000)

Group Name	2023 Premium	Mkt share 2023	Loss Ratio 2023	2022 Premium	Mkt share 2022	Loss Ratio 2022	2021 Premium	Mkt share 2021	Loss Ratio 2021
Old Republic International Corp.	$103,001	11.2%	72.6%	$94,250	11.0%	48.8%	$88,023	11.0%	52.8%
Progressive Corp.	$75,765	8.2%	53.5%	$74,073	8.6%	59.0%	$71,074	8.9%	53.3%
Auto-Owners Insurance	$75,280	8.2%	83.9%	$67,946	7.9%	85.1%	$60,918	7.6%	48.5%
Western National Insurance Group	$61,196	6.6%	46.4%	$53,406	6.2%	67.8%	$48,933	6.1%	44.7%
Travelers Companies Inc.	$51,962	5.6%	56.5%	$50,060	5.8%	53.4%	$44,659	5.6%	44.1%
Secura Insurance Companies	$37,261	4.0%	61.9%	$33,242	3.9%	62.3%	$29,524	3.7%	49.8%
Acuity Mutual Insurance	$30,589	3.3%	48.6%	$28,905	3.4%	66.4%	$28,735	3.6%	44.9%
Zurich Insurance Group	$27,030	2.9%	93.5%	$19,162	2.2%	73.7%	$19,194	2.4%	33.5%
EMC Insurance Companies	$26,135	2.8%	69.3%	$22,766	2.7%	65.6%	$22,011	2.8%	44.1%
West Bend Mutual Insurance Co.	$26,126	2.8%	65.7%	$24,588	2.9%	69.7%	$23,981	3.0%	59.8%
Federated Mutual Group	$24,964	2.7%	64.4%	$22,525	2.6%	57.5%	$20,827	2.6%	52.0%
Liberty Mutual	$24,721	2.7%	64.5%	$16,483	1.9%	71.4%	$15,598	2.0%	47.7%
Grinnell Mutual	$18,703	2.0%	75.9%	$17,187	2.0%	99.8%	$16,112	2.0%	101.7%
Grange Insurance	$17,121	1.9%	70.2%	$14,516	1.7%	61.3%	$16,510	2.1%	61.4%
W. R. Berkley Corp.	$17,020	1.8%	50.5%	$12,545	1.5%	60.0%	$11,142	1.4%	30.4%
Sentry Insurance Mutual	$16,963	1.8%	67.8%	$17,780	2.1%	138.1%	$18,775	2.3%	93.9%
CSAA Insurance Exchange (NorCal)	$14,707	1.6%	94.2%	$9,910	1.2%	114.7%	$4,602	0.6%	110.3%
Nationwide Mutual Group	$13,888	1.5%	66.5%	$17,882	2.1%	43.0%	$20,033	2.5%	43.8%
State Farm Mutual	$13,170	1.4%	101.6%	$11,423	1.3%	65.5%	$10,539	1.3%	69.7%
Selective Insurance Group Inc.	$12,454	1.4%	57.2%	$9,602	1.1%	76.3%	$7,799	1.0%	66.3%
Chubb Ltd.	$12,063	1.3%	43.5%	$12,017	1.4%	57.5%	$9,607	1.2%	32.6%
Hanover Insurance Group	$11,952	1.3%	55.5%	$10,265	1.2%	92.1%	$9,580	1.2%	89.0%
Great American Insurance	$11,237	1.2%	50.4%	$9,841	1.1%	47.5%	$9,899	1.2%	7.3%
Cincinnati Financial Corp.	$10,469	1.1%	35.3%	$10,829	1.3%	57.9%	$10,578	1.3%	74.1%
Statewide Totals	$923,673		62.2%	$860,289		67.6%	$801,827		55.3%

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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es and $5,000 for income loss.

When that idea faced intense opposition, Koegel sought other ways to provide a quality, low-cost policy priced to be self-supporting. This year's bill included the same minimum liability and UM/UIM coverage limits that all drivers must carry, while reducing the no-fault coverage requirement dramatically. She noted that very few states require drivers to have PIP coverage.

Instead of $40,000 PIP coverage, the low-cost policy in the most recent bill would offer $5,000 for "reimbursement for all loss suffered through injury arising out of the maintenance or use of a vehicle." To be eligible for the policy, all members of the applicant's household would have to be covered by state health insurance programs for low-income residents, Medicare or coverage for veterans.

State Representative Erin Koegel

The proposal raised some concern about shifting the cost of auto accident injuries onto the government health insurance programs, Cocking said.

Koegel said she was committed to continuing to negotiate for a workable solution, recognizing that no one will likely consider it perfect.

Auto insurers will be closely watching.

"We've been successful in holding this off for the last five years," Cocking said. "I know it's going to get a renewed push, potentially next year, depending on what the composition of the Legislature looks like. But it's something that we're seriously concerned about. I like that we're evaluating the cost of auto insurance, but why are we only doing it for one segment of the

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Minnesota Snapshot

Regulator:
Commerce Commissioner Grace Arnold
Rate regulation: file and use
Average rate approval time (2023): 132 days;
U.S. average: 64 days

Size of personal auto market: $4.93 billion (2023 DPW) Rank: 23rd
Average policy expenditure: $962 (2022)
Rank: 28th
Auto Insurance Report PAIN Index rank: 40th (2022)
Property Insurance Report HURT Index rank: 20th (2021)

Auto registrations: 1.7 million (2022)
Truck registrations: 3.7 million (2022)
Vehicle miles traveled (VMT): 57.47 billion (2022)
Traffic fatalities: 0.77 per 100 million VMT;
U.S.: 1.33 (2022)
Vehicle thefts: 287.9 per 100,000 residents;
Region: 311.8 (2022)

Liability defense: modified comparative fault, 51% bar
Minimum Insurance Requirements:
BI: $30,000/$60,000 • PD: $10,000 • PIP: $40,000 • UM/UIM: $25,000/$50,000

Safety Laws
Ban on hand-held cellphones while driving; cellphone ban for novice drivers
Primary enforcement seat belt law
Motorcycle helmets required for riders under 18

Demographics
Population: 5.7 million (2023)
Change 2010-2020: +7.6%, U.S.: +7.4%
Median household income (avg. 2018-2022): $84,313; U.S.: $75,149
Population density: 71.7 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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population? Why are we not looking about what the cost drivers are altogether?"

As in other markets across the country, Minnesota auto insurance rates have increased steeply.

The state's top 10 personal auto insurance groups increased rates an average 18.5% in 2023 after 13.5% in 2022, according to RateWatch data from **S&P Global Market Intelligence**. Rates increased another 6.6% on average in filings recorded through July 19.

State Farm, Minnesota's largest carrier writing 23.5% of personal auto premium, raised its rates by 17.6% last year on top of 13.1% the previous year. Already in 2024, State Farm boosted rates an average 11.8%.

> ***Insurers are frustrated that they agreed to pay higher fees so regulators could hire more staff, but delays continue.***

Progressive, which writes 20.8% of statewide premium, raised rates by an average 20.5% in last year after an 18.1% increase in 2022. So far this year, Progressive increased rates 3.0%.

No. 5 **Allstate** has been among the most aggressive in raising rates, with groupwide increases of 20.4% last year and 15.1% this year.

Cocking hopes that the inflationary pressure now diminishing will soon bring an end to the hard market, but other issues – rising frequency of crashes, severe weather, and expensive auto repairs – may mean the need for higher rates could linger.

In addition to the cost pressures insurers face nationwide, Minnesota insurers have had to contend with a barrage of vehicle claims from flooding and hail, including the notorious "happy hour hailstorm" of August 2023, which caused more than a $1 billion in property damage.

The 2023 statewide loss ratio of 74.2% was better than the 75.5% countrywide average, however the physical damage loss ratios in both 2023 (79.1%) and 2022 (97.9%) were far higher than the national of averages of 75.0% last year and 82.7% the year before.

Minnesota allows insurers to put rates and rules into effect after they are filed with the **Minnesota Department of Commerce**, but forms must receive prior approval. An analysis by the actuarial firm **Milliman** shows a dramatic slowdown last year in the time it takes for rate filings to receive regulatory approval. The department took an average 132 days to approve auto insurance rate filings in 2023, more than twice the countrywide average of 64 days.

According to Cocking, some insurance companies have been having trouble being approved to do business in Minnesota.

"Minnesota is easily one of the slower states in allowing and approving new products to come to the market," Cocking said.

Two years ago, carriers agreed to higher fees to recruit and hire more staff at the Commerce Department. But when Cocking recently asked about the delays, he said he was told the department is still low on staff and has had trouble finding new hires.

"I can understand that to a certain extent, but we're paying these higher fees to expedite – or at least bring into some sort of semblance of normalcy – for how long it takes for a product and new entrants to be approved," Cocking said. "We want the more entrants and more carriers, as the more there are the better it is for the market, because consumers have additional options."

Despite these challenges, both Cocking and Kelley said insurers have a good relationship with Minnesota regulators. Commissioner **Grace Arnold** has overseen the department since 2020, and **Julia Dreier** has been deputy commissioner

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of the Insurance Division since 2021.

Arnold emphasized the department's focus on consumer protection when it announced a consent order last fall in which **Liberty Mutual** agreed to pay $7.7 million to 85,000 home and auto policyholders due to alleged regulatory violations, including an automatic increase in rates for auto policyholders and the failure to offer a discount for antitheft devices.

"When consumers pay premiums for insurance policies, they are protected by state law to ensure they get what they pay for," Arnold said in a news release. "This case demonstrates Commerce's work to protect consumers and also ensure a fair and equitable marketplace."

Grace Arnold, Minnesota Commerce Commissioner

In this year's legislative session, insurance trade groups successfully fought legislation that they said would have increased claims costs and threatened underwriting freedom.

A proposal from body shops advocated for all repair supplements to be approved by insurers within three days. This would have been "unworkable," Cocking said. Carriers can't always get adjusters out to shops that quickly, and sometimes when adjusters arrive on the scene, the car is not properly torn apart for adjusters to examine, he added.

"It feels like that proposal unduly put the onus on insurers to falsely approve supplements because they don't have the ability to look at the vehicle," Cocking said.

"There's an obligation most insurers take seriously to make sure that the work being billed by the body shop is proper. If it's not, we're paying out more in losses than we should be. And that gets reflected in higher premiums for everybody."

Kelley expects the collision repair industry to push for the proposal again during next year's session.

"It was a pretty extensive proposal, trying to create as many procedural hoops to jump through as possible," she said. "And it would make it more expensive and time consuming for an insurer to resist unreasonable charges."

Minnesota legislators did not approve HF 1754, which would have prohibited insurers from using sex, gender, location or credit information in underwriting insurance policies.

"The more closely you can align price to risk, the better and fairer it is for all policyholders," Cocking said, "To prohibit certain risk factors, you're going to arbitrarily lower the costs for some people, which means you're arbitrarily going to raise it for other people relative to their risk. It becomes incredibly unfair to do that." AIR

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