AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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INSIDE

Making Sense Of Nonstandard Challenges

The 2024 Auto Insurance Report National Conference program will feature a spirited panel discussion on nonstandard insurance with **Joe Skruck**, co-founder of **AssuranceAmerica**, **Paul Harrison**, president of **Aspen Managing General Agency**, and **Josh Schlesinger**, executive vice president of **Links Insurance Services**. All three have spent long careers in the nonstandard space. The panel will be chaired by **Patrick Sullivan**, senior editor of *Auto Insurance Report*, and our resident nonstandard expert. The discussion will cover the changing customer; the differences in nonstandard marketing, pricing and claims; and challenges living in the shadow of the bigger-branded standard insurers that have invaded the market. To learn more, register today! AIR

Standard Insurers Unfazed By Tricky Nonstandard Risk

The higher risk nonstandard segment of personal auto insurance is not for the faint of heart.

The segment challenges claims organizations because higher risk drivers produce more claims, and experience suggests there is a greater propensity for fraud. Nonstandard customers also tend to let their policies lapse – often before they reach the end of the first term – forcing insurers to make their money in a hurry. That isn't easy with a highly price-sensitive group of buyers driven largely by economic instability.

And yet, most of the nation's standard and preferred insurers have staked their claim to part of this market, some doing so very recently through acquisition. Although veterans of the nonstandard market snickered that the newcomers were in for a rude awakening, so far the data suggests that almost all nonstandard competitors are seeing results

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Settling UIM Debate Is No Small Potatoes for Idaho Auto Insurers

Just as a long-running issue regarding underinsured motorist (UIM) coverage in **Idaho** seems to have settled down, insurers had to fend off legislation that threatened to undermine confidence in the aftermarket crash parts commonly used in auto repairs.

Idaho law requires written repair estimates and clear identification of parts used in repairs that did not come from the original equipment manufacturer (OEM). Senate Bill 1233, which was introduced in January, would have required a new warning to Idaho consumers that non-OEM crash parts "may affect the safety and performance of your vehicle."

The legislation would have required language recommending that consumers "consult with a qualified industry expert or repair shop before making any decisions regarding the use of non-OEM crash parts."

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similar to the long established nonstandard writers. For more than a decade, the results of nonstandard insurers have been right in line with their standard and preferred brethren, losing and making money in equal turns.

By the end of 2022, seven of the top 10 personal auto writers had an active presence in the nonstandard market. **State Farm** bought **Gainsco** in 2021. **Allstate** bought **National General** and **Safe Auto** in 2021. **Liberty Mutual** bought **State Auto** in 2022. **American Family** entered the market in 2012 with the purchase of **Permanent General**. **Farmers** was a pioneer, purchasing **Bristol West** in 2007. **Geico** and **Progressive** have long written nonstandard auto. **USAA**, with its focus on members of the military, writes its own version of nonstandard with enlisted personnel and their first, often fast, cars, but it has no entity focused exclusively on nonstandard business. **Nationwide** and **Travelers** do not have a separate nonstandard operation of any significance.

Assessing the profitability of the nonstandard market requires some finesse. According to **A.M. Best Co.**, from 2011 to 2022, the average combined ratio of nonstandard insurers was 106.5%,

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Nonstandard Proxy Group Methodology

The ***Auto Insurance Report*** nonstandard proxy group is built from the list of individual insurance companies identified by **A.M. Best Co.** as writing nonstandard business. The list is incomplete, because not all insurers isolate nonstandard, standard and preferred business by underwriting company. But A.M. Best's role as a rating agency gives it unique insight into the nature of each company, and its list is the best available. The underlying premium and loss data for our table comes from **S&P Global Market Intelligence**.

We describe our table on page 3 as a proxy group because not all nonstandard premium is being captured. Most importantly, **Progressive Insurance** – who market participants says is likely the largest nonstandard writer – is not included in the table because Progressive does not segregate its nonstandard business in separate subsidiaries. To an extent the same is true for several other missing entities, including **Mercury Insurance**, **Fortegra**, **Alfa** and others, which write some level of nonstandard coverage, but not through identifiable separate subsidiaries.

Our table differs from A.M. Best's Private Passenger Nonstandard Auto Composite in that we combine the various nonstandard entities into their parent group. **Geico**, for example, wrote $38.12 billion in 2022 personal auto premium. In our proxy, we show the $2.90 billion that can be attributed to nonstandard subsidiary **Geico Secure Insurance Co. Allstate** wrote $29.61 billion in 2022 premium, of which $1.45 billion can be reliably attributed to six nonstandard subsidiaries, including the **National General** and **Safe Auto** brands. We also cut off our group at around $20 million in annual premium.

Nonstandard coverage exists for drivers whose risk exceeds the appetite of the standard market to write with normal rates. This high risk comes in many forms: multiple violations, a lack of prior insurance or history of interruptions in coverage, poor or no credit, or even lacking a driver's license.

With $16.0 billion in direct written premium, the index represents 6% of the 2022 overall personal auto market broken out across liability, personal injury protection, and physical damage. The index looks at all U.S. states and territories. Even with omissions, experts in the nonstandard industry have told us this index represents a fair proxy of the entire nonstandard market.

Any feedback or suggestions for how to improve the index are welcome. Please email Senior Editor **Patrick Sullivan** at *patsullivan@riskinformation.com.*

Auto Insurance Report Nonstandard Auto Insurance Proxy Group

Group Totals of Identifiable Nonstandard Personal Auto Insurance Companies

Group Name	Direct Premiums Written ($000)			Incurred Loss Ratio		
	2022	2021	2020	2022	2021	2020
Risk Nonstandard Proxy Group	16,043,012	14,511,852	12,588,226	77.2%	72.0%	58.0%
Kemper Corp.	3,421,501	3,848,375	3,606,831	76.2%	77.8%	59.7%
Berkshire Hathaway/Geico	2,896,732	1,746,408	758,749	99.5%	92.4%	69.9%
Allstate Corp.	1,454,714	1,385,943	1,288,505	65.7%	66.5%	52.8%
Zurich/Farmers Insurance Group	1,222,343	1,273,659	1,177,338	69.8%	66.1%	56.1%
Home State Insurance Group	686,333	564,901	488,369	79.8%	75.3%	61.3%
Sentry Insurance Mutual	660,419	602,459	554,192	65.1%	63.8%	58.8%
American Family Insurance Group	659,539	618,577	551,574	60.6%	52.6%	52.3%
Loya Insurance	565,402	558,880	542,013	66.8%	60.3%	51.2%
Merfax/Redpoint County Mutual	501,962	341,358	230,889	93.0%	75.7%	64.5%
Old American Capital Corp.	418,189	383,566	334,012	81.6%	73.7%	56.3%
Safeway Insurance	413,204	345,435	337,296	74.1%	67.4%	55.6%
United Automobile Insurance Co.	299,961	306,470	289,719	67.7%	64.6%	59.2%
State Farm Mutual	276,109	294,407	320,328	60.9%	63.1%	49.3%
AssuranceAmerica	274,851	268,396	224,045	71.7%	72.2%	61.1%
First Acceptance Corp.	265,875	203,872	200,935	67.4%	60.7%	50.7%
Agency Insurance Co. of Maryland	156,601	130,898	129,823	71.9%	66.2%	59.6%
Liberty Mutual	150,020	175,547	201,774	80.6%	67.8%	62.0%
Aspire General Insurance Co.	141,269	93,650	77,433	63.3%	62.2%	50.4%
Falcon Insurance Co.	137,887	92,964	70,773	65.3%	57.4%	57.6%
Traders Insurance Co.	123,262	109,365	98,290	76.9%	67.4%	48.7%
Warrior Invictus Holding Co.	118,176	81,787	63,079	58.9%	56.2%	50.0%
Anchor Ins Holdings Inc.	110,988	83,944	95,010	73.7%	73.9%	60.6%
Alinsco Insurance Co.	101,307	124,396	111,376	93.5%	83.4%	68.9%
Utica National Insurance Group	95,539	97,044	95,151	72.1%	63.1%	62.4%
American Alliance Casualty Co.	87,043	70,303	63,307	52.9%	44.2%	42.6%
Producer's National Corp.	82,844	66,021	71,307	99.2%	79.9%	55.6%
Gateway Insurance Co./Buckle	80,268	19,949	0	98.6%	77.9%	NA
Key Insurance Co.	64,133	74,891	87,023	77.2%	72.6%	71.6%
RFH/American Independent/Good2Go	63,189	60,600	51,534	59.3%	60.4%	48.7%
United Insurance Co.	63,004	65,292	57,658	70.6%	63.7%	53.0%
Star Casualty Insurance Co.	58,658	52,321	49,101	90.5%	74.3%	63.6%
Southern General Insurance Co.	57,069	56,848	56,529	89.3%	79.8%	68.0%
Concert Insurance Co.	55,708	46,366	49,336	61.8%	54.3%	54.8%
Discovery Insurance Co.	40,147	38,167	42,532	112.9%	104.4%	89.4%
Responsive Auto Insurance Co.	38,969	42,168	39,608	63.4%	65.2%	49.1%
Auto Club Insurance Assn. (Michigan)	38,885	37,776	36,655	87.8%	79.8%	80.0%
Commonwealth Casualty Co.	37,730	35,154	33,461	90.5%	51.2%	50.0%
USA Underwriters	31,133	29,356	14,788	19.4%	19.0%	70.8%
Nations Insurance Co.	30,050	23,992	28,317	70.4%	61.9%	54.6%
Harbor Insurance Co.	21,478	20,352	18,291	74.2%	73.7%	58.6%
Mutual Capital Group/Tuscarora Wayne	20,737	21,740	22,053	77.6%	68.4%	58.0%
Premier Holdings, LLC/Kingsway	19,784	18,255	19,222	69.8%	77.4%	55.9%

Source: S&P Global Market Intelligence, A.M. Best, *Auto Insurance Report.* Notes: Progressive Insurance, among the largest nonstandard insurers, is not included here because it does not segregate its nonstandard business into unique underwriting companies, instead combining it with standard. See methodology note on page 2 for more details.

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while standard and preferred insurers were 5.1 points better at 101.4%.

But that analysis can be misleading. When other financial factors are considered, the performance of nonstandard writers does not lag behind that of standard carriers.

Nonstandard insurers collect substantial fees to offset their high customer turnover, but these fees are not included in traditional combined ratio calculations. A.M. Best finds nonstandard fees to average an additional 5.1% of written premium. Standard auto insurers collect only 1.0% of premium in fees.

So, while the 106.5% average combined ratio for nonstandard carriers is technically accurate, it is an unfair reflection of nonstandard business performance. Not all nonstandard insurers keep the fees; they sometimes stay with MGAs writing policies. But there is more than enough in fee income that nonstandard is only slightly worse than standard over time. Nonstandard insurers know the challenges of their market, and they act accordingly.

> ***The absense of data about nonstandard policies in Progressive's book makes assessing the market tricky.***

Any attempt to quantify and assess the nonstandard segment will lack precision. There is no firm definition of what represents a nonstandard customer, and those who could be considered nonstandard are a rapidly changing group. Insurers that identify as participants in this market have wildly divergent books of business. Some insurers write habitual drunk drivers and speeders, while others write drivers who are low risk but have fallen outside the risk appetite of standard carriers. Some write new immigrants who just want an insurance card and don't make claims because they are avoiding courtrooms, while others are focused on the most economically challenged drivers whose insurance coverage comes and goes, often in connection with registering a car.

At *Auto Insurance Report*, we have endeavored to identify and measure the performance of the leading players in the nonstandard auto business through interviews with numerous insurers, managing general agents, and analysts. A foundational source is A.M. Best's annual nonstandard market segment report, which we supplement with data from **S&P Global Market Intelligence** and our own research. (See sidebar on page 2.)

The biggest flaw in everyone's research, including our own, is this: There is no reasonable estimate for the size and performance of the nonstandard business at **Progressive Insurance**. Progressive is likely the largest writer in the market, but its move toward the standard and preferred markets decades ago reduced the information available about the segment that was previously its sole focus. (In Progressive's last four quarterly calls with analysts, the word "nonstandard" was used only once, as a third quarter 2023 side note about how preferred business was growing and standard and nonstandard were shrinking.)

Even without Progressive, we have been able to pull together a robust proxy group of insurers totaling $16.04 billion in 2022 direct written premium, which presents 6% of the total personal auto business. We have gathered individual companies that insurance enterprises use for nonstandard risks in different states or in different markets. For example, the largest insurer in our proxy group is **Kemper Corp.**, which has a dozen underwriting companies generating a total of $3.4 billion in premium.

Our nonstandard proxy group has been growing much faster than the personal auto industry, with a 10.6% jump in 2022 nonstandard auto direct premium written compared to 6.3% for the personal auto insurance industry total. In 2021,

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our nonstandard proxy group grew 15.3%, compared to 4.6% for the industry total.

The biggest driver of personal auto premium growth is rate increases. (AIR 1/22/24) But executives of nonstandard insurers point to another key reason their segment is growing faster than standard: the reluctance of standard insurers to write business. With standard writers losing money – A.M. Best estimates the 2022 combined ratio in standard was 111.5% – many insurers shut down. Nonstandard was doing little better, with a 114.2% combined ratio before 4.8 points in fees, but those writers were nevertheless absorbing much of that business.

We do not have good data on rate changes for nonstandard insurers, because our source – RateWatch from **S&P Global Market Intelligence** – tracks the 10 largest groups in each market, and most nonstandard insurers fall below that level. But in the two states where Kemper – about 95% nonstandard – makes it into the top 10, it took far more rate than large standard insurers.

In **California**, Kemper was one of the few carriers to coax a rate increase out of regulators in 2022 (3.4%), and for 2022 and 2023 Kemper's combined rate increase was 21.7%, compared to 12.9% for the industry. In **Florida**, Kemper's rates went up a staggering 72.3% in 2022 and 2023, compared to 25.9% for all the largest writers.

This is more anecdote than data, but it does indicate the possibility that in addition to absorbing some business falling out of the standard market, nonstandard carriers might have also taken larger rate increases.

Auto insurers are starting to express confidence that recent rate changes are finally catching up with loss costs and modest profits may return. If and when that happens, nonstandard writers will find it harder to get customers that one executive dubbed "fallen angels" as standard competitors loosen up today's extremely tight underwriting standards and keep more business for themselves. This is not an unusual development, as nonstandard always ebbs and flows with the appetite of the larger standard market.

"Cumulative earned rate increases have exceeded cumulative loss inflation, and underwriting profitability has been reliably restored," Kemper CEO **Joe Lacher** told analysts Feb. 1.

In the fourth quarter of 2023, the insurer's personal combined ratio improved to 99.5%, from 102.1% in the third quarter, 103.8% in the second quarter, 109.1% in the first quarter and 109.8% in the fourth quarter of 2022. This was the result of repeated rate increases.

In recent years, the loss ratio trends for nonstandard insurers have tended to move in relative lockstep with the overall market. That is, they have both gotten worse at roughly the same rate, though nonstandard loss ratios grew more slowly in 2022. The incurred loss ratio for our nonstandard proxy group rose from 58.0% in 2020 to 72.0% in 2021 and then to 77.2% in 2022. The average incurred ratio for the total personal auto market rose from 64.7% in 2020, to 68.0% in 2021 and 80.2% in 2022.

> ***Rate increases are catching up with loss costs, bringing underwriting profitability into view for 2024.***

Nonstandard is a liability-focused business, with liability premiums making up 58% of our proxy group's premium, compared to 51% for the overall market.

Nonstandard writers are far from monolithic. There are a range of companies, distribution strategies and market niches offering varied coverages and products. Policy terms can range from the traditional six-month policy to "on-demand coverage" that can be turned on for as little as one day.

But there are some common themes. One feature of the nonstandard business that can trip

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up standard insurers is the price sensitivity of the customer base. If an insurer lets its price drift too high, its customers will flee to competitors much more quickly than in other personal auto market segments. Even worse, nonstandard executives said, is a price that is too low. That will result in a flood of new business and shortly thereafter a flood of new claims and red ink.

Nonstandard markets are also much more sensitive to geography than other market segments. Different agency forces, differences in the ethnic mix of customers, differing legal systems and even different styles of fraud are more important to daily operations than in other markets. Those nuances have enabled regional insurers who know their local peculiarities to flourish. To the extent national writers succeed in nonstandard, it is because they appreciate the need to avoid standardizing processes and allow state managers to react to local market issues.

> ***Managing general agents are struggling with much higher reinsurance costs, and the Vesttoo collapse didn't help.***

Nonstandard customers driven by economic circumstances have become a larger part of the market, according to executives. For many, their biggest assets are their car and their phone. These individuals tend to have a limited presence in the broader world of financial services, with some lacking even a bank account. This makes tools heavily used by the standard market, such as credit-based insurance scores, much less effective.

In addition, nonstandard customers are much less likely to renew their policies or to buy additional products, such as homeowners insurance. This lack of a long-term lifetime value results in higher expense ratios for nonstandard carriers.

MGAs writing through independent agents make up a substantial portion of the nonstandard market, though how much of the market they control is difficult to see as MGAs do not publicly report their data. MGAs require the support of a number of partners to operate, but none are as important as the risk-taking entities that back them. MGAs partner with a fronting company and/or reinsurer to provide capacity, which has become more scare and more expensive as losses mounted in 2022 and 2023, creating an extremely hard market.

The stress on MGAs and fronting companies was exacerbated by the demise of **Vesttoo**, the Israeli fintech startup that acted as an intermediary between investors and reinsurers. Vesttoo is accused of using forged letters of credit as collateral for several billion dollars of reinsurance. The collapse of those agreements, and of Vesttoo, left some nonstandard MGAs and fronting carriers over a barrel as they are being offered replacement reinsurance coverage at a steep premium. Some companies have been unable to replace all the lost capacity.

For those not involved with Vesttoo, the instability has led to a reduction in reinsurance capacity, an increase in prices and tighter scrutiny of fronting arrangements.

As the entire personal auto insurance market looks forward to post-pandemic stability, nonstandard insurers see new opportunities and challenges. The biggest challenge may come from the large competitors that have so far proven effective at allowing their nonstandard entities to operate with the freedom necessary to deal with market nuances.

If State Farm, Allstate and Liberty Mutual all continue to succeed in nonstandard – joining Progressive, Geico and Farmers – then the smaller operations in our proxy group will find competition all the more fierce.

But the opportunity is the uniqueness of the nonstandard market. This is a business that continues to demand close management at a very local level, a feature that shows no sign of changing any time soon. AIR

State Market Focus: IDAHO

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After the bill was introduced, three insurance trade groups – the **American Property Casualty Insurance Association** (APCIA), the **National Association of Mutual Insurance Companies** (NAMIC), and **Northwest Insurance Council** (NWIC) – sent a joint letter to the Senate Commerce and Human Resources Committee stating that there's no data that supports the statement that non-OEM parts hamper safety or performance.

They also emphasized the role aftermarket parts play in reducing costs at a time of rising auto insurance rates. No other state has enacted a law with this kind of language, they wrote.

"You don't want to use a scare tactic for something that has not been demonstrated or proven," said **Lyn Elliott**, APCIA assistant vice president of state government relations. Unable to negotiate alternative language with the bill's sponsor, the industry trade groups opposed the legislation outright, and it stalled in the committee where it was introduced.

Brandon Vick, regional vice president of NAMIC, said that it's not likely that this legislation would have reshaped the auto repair landscape, but auto insurance rates would have risen if consumers, deterred by the warning, demanded OEM parts en masse.

Randy Pipal
Idaho Department of Insurance

As they directed their defense against the auto repair bill, insurance lobbyists were offered a reprieve from years of legislative initiatives seeking to mandate more generous UIM coverage – an indication that the market may have settled into an equilibrium after a 2022 **Idaho Supreme Court** decision set the industry on edge.

Each year since the early 2000s, a legislator would introduce a bill to require UIM policies to provide coverage in excess of the at-fault driv-

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Idaho
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	14.6	14.0	13.1	13.3	7.9	4.1	6.5	10.2	8.4	10.4	10.3
Personal Auto Phys	8.0	13.0	12.5	4.3	5.3	3.4	4.1	6.5	6.2	9.5	7.3
Personal Auto Total	11.7	13.6	12.8	9.5	6.9	3.9	5.6	8.7	7.5	10.0	9.0
Comm. Auto Liab	14.6	14.3	7.1	7.9	8.8	21.4	7.0	13.2	15.1	10.4	12.0
Comm. Auto Phys	14.7	18.1	14.0	8.6	4.9	7.6	3.5	1.0	3.5	5.0	8.1
Comm. Auto Total	14.6	15.6	9.5	8.0	7.5	16.8	5.8	9.4	11.6	8.7	10.8
Total All Lines*	10.0	12.5	14.0	8.5	4.8	11.9	11.3	12.5	13.4	14.0	11.3

*Auto; Home, Farm & Commercial Multiperil; Fire; Allied; Inland Marine; Med Malpractice; Other Liability; Workers Comp; All Other

Note: Profit calculations are by *Auto Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

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er's insufficient liability coverage. While some carriers offered more expensive excess UIM coverage, many sold only "offset" coverage, in which the amount paid by the at-fault driver was deducted from the amount available under the UIM policy.

In 2022, the Idaho Supreme Court ruled in *Pena v. Viking Insurance Co.* that UIM coverage at the minimum limits was "illusory." The court determined that a minimum limits UIM policy with offset coverage could effectively provide no benefit because it would be erased entirely by the payment from the at-fault driver's liability policy.

The **Idaho Department of Insurance** needed to publicly address the ruling as soon as possible, according to **Randy Pipal**, the insurance department's consumer services bureau chief.

Insurance Director **Dean Cameron** issued a bulletin explaining the decision and stating that offset provisions are permissible under Idaho laws, "so long as the amount of available UIM

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Idaho
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	$191,754	14.3%	78.7%	$171,522	13.7%	67.9%	$157,464	13.7%	53.4%
Progressive Corp.	$166,652	12.4%	60.7%	$147,260	11.7%	55.1%	$130,634	11.4%	48.1%
Liberty Mutual	$166,250	12.4%	63.6%	$150,335	12.0%	56.9%	$130,349	11.4%	58.2%
Berkshire Hathaway/Geico	$150,166	11.2%	78.1%	$146,204	11.6%	63.2%	$125,620	10.9%	59.5%
Farm Bureau Mutual Ins Co. of Idaho	$125,190	9.3%	66.2%	$122,164	9.7%	62.5%	$121,112	10.5%	62.2%
Allstate Corp.	$119,375	8.9%	72.1%	$112,254	8.9%	50.8%	$102,774	8.9%	48.4%
Farmers Insurance Group	$105,177	7.8%	57.9%	$101,363	8.1%	55.6%	$95,723	8.3%	52.5%
USAA Insurance Group	$81,345	6.1%	84.5%	$79,309	6.3%	66.1%	$74,158	6.5%	56.8%
American Family Insurance Group	$39,207	2.9%	70.6%	$35,866	2.9%	58.0%	$31,227	2.7%	50.5%
Travelers Companies Inc.	$31,152	2.3%	70.6%	$28,323	2.3%	64.5%	$24,174	2.1%	47.9%
Sentry Insurance Mutual	$28,329	2.1%	65.3%	$25,665	2.0%	52.8%	$22,843	2.0%	51.5%
Auto-Owners Insurance	$23,396	1.7%	78.5%	$20,827	1.7%	69.9%	$19,469	1.7%	56.5%
Nationwide Mutual Group	$11,998	0.9%	50.4%	$11,943	1.0%	49.4%	$12,264	1.1%	42.9%
Hartford Financial Services	$11,411	0.9%	44.3%	$11,538	0.9%	41.4%	$11,396	1.0%	46.2%
Mutual of Enumclaw	$10,378	0.8%	60.5%	$10,430	0.8%	55.5%	$11,097	1.0%	45.7%
Country Financial	$6,959	0.5%	80.9%	$6,042	0.5%	84.3%	$4,879	0.4%	81.4%
American National Insurance	$6,772	0.5%	62.6%	$6,585	0.5%	49.8%	$6,291	0.6%	62.8%
Markel Corp.	$6,195	0.5%	34.8%	$5,846	0.5%	31.4%	$4,501	0.4%	44.4%
Oregon Mutual	$6,183	0.5%	54.5%	$6,957	0.6%	47.9%	$7,961	0.7%	52.3%
CSAA Insurance Exchange (NorCal)	$6,113	0.5%	73.1%	$5,587	0.4%	63.8%	$4,561	0.4%	62.9%
United Heritage Insurance	$5,119	0.4%	60.3%	$5,593	0.5%	56.4%	$6,224	0.5%	41.0%
Farmers Alliance Cos	$4,777	0.4%	92.4%	$4,208	0.3%	65.2%	$3,962	0.3%	51.5%
Grange Insurance Assn.	$4,238	0.3%	23.4%	$4,739	0.4%	90.9%	$5,620	0.5%	78.1%
Statewide Totals	$1,342,618		69.3%	$1,256,380		59.7%	$1,148,607		54.4%

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

State Market Focus: IDAHO

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coverage exceeds the amount of liability coverage required by Idaho law." He added that the Insurance Department would view offset provisions of UIM coverage as unenforceable for policies with minimum limits UIM coverage.

"Per *Pena*, UIM claims that arise on such policies on or after the date of the decision, should be paid without the offset, i.e., as 'excess' UIM coverage," Cameron wrote.

A year later, the department issued new rules on UIM. In addition to requiring disclosures and a rejection form that clearly describe the difference between excess and offset coverage, the rule states that insurers that wish to offer "offset" UIM coverage at the state's minimum limits can do so only if they don't charge a premium for it.

Lyn Elliott
APCIA

Last year, lawmakers took another stab at legislation mandating that UIM coverage pay in excess of the insufficient coverage of the at-fault driver. SB 1067 didn't advance. Insurers have been pleasantly surprised that another bill has not emerged in this session.

"We were anticipating a bill in 2024; we still have not seen one," said Elliott of APCIA. "We

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Idaho
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.	$42,621	13.6%	49.2%	$38,143	13.7%	61.9%	$28,317	11.6%	56.6%
Old Republic International Corp.	$29,408	9.4%	56.4%	$25,272	9.0%	64.7%	$22,707	9.3%	66.2%
Auto-Owners Insurance	$21,561	6.9%	55.8%	$18,050	6.5%	53.7%	$14,886	6.1%	64.3%
Farm Bureau Mutual Ins Co. of Idaho	$20,742	6.6%	67.4%	$17,893	6.4%	80.4%	$14,390	5.9%	62.5%
Liberty Mutual	$16,490	5.3%	53.4%	$17,009	6.1%	52.7%	$17,061	7.0%	53.1%
Travelers Companies Inc.	$16,111	5.1%	36.3%	$13,611	4.9%	45.1%	$12,528	5.1%	44.3%
Cincinnati Financial Corp.	$13,108	4.2%	69.1%	$12,633	4.5%	39.0%	$11,153	4.6%	45.9%
Great American Insurance	$10,437	3.3%	56.4%	$10,234	3.7%	19.8%	$8,461	3.5%	45.4%
Zurich Insurance Group	$8,824	2.8%	101.0%	$6,915	2.5%	89.6%	$7,193	2.9%	25.7%
EMC Insurance Companies	$8,627	2.8%	94.1%	$8,064	2.9%	80.6%	$7,858	3.2%	68.5%
Acuity Mutual Insurance	$8,006	2.5%	76.4%	$7,794	2.8%	71.6%	$7,071	2.9%	44.8%
Berkshire Hathaway Inc.	$7,905	2.5%	67.9%	$6,859	2.5%	57.0%	$4,581	1.9%	35.8%
Nationwide Mutual Group	$7,549	2.4%	47.0%	$7,203	2.6%	75.5%	$6,293	2.6%	47.2%
Federated Mutual Group	$6,727	2.1%	35.4%	$5,760	2.1%	46.0%	$4,912	2.0%	33.6%
Mutual of Enumclaw	$6,649	2.1%	90.1%	$6,632	2.4%	47.8%	$6,155	2.5%	56.2%
Chubb Ltd.	$5,977	1.9%	50.8%	$5,505	2.0%	62.8%	$3,960	1.6%	57.4%
Allstate Corp.	$5,844	1.9%	53.5%	$3,281	1.2%	49.8%	$2,700	1.1%	42.2%
Sentry Insurance Mutual	$5,783	1.8%	61.0%	$5,363	1.9%	93.3%	$5,241	2.1%	53.5%
Statewide Totals	$313,655		58.2%	$279,531		58.0%	$244,363		54.9%

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

State Market Focus: IDAHO

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have heard that the senator who has been concerned about this feels like there's now enough competition in the marketplace. But if a bill comes forward, he will certainly support it, as would the state trial bar. … We are not anticipating that issue returning. It's nice to put it to bed after two decades."

State Farm offered excess coverage before the *Pena* decision, and Pipal said that since the ruling, **Geico** and **Progressive** have added excess UIM insurance to their offerings in Idaho.

"There's now more choice in the marketplace," Pipal said. "Having Progressive allows independent agents to have a choice in the marketplace to offer excess coverage."

Brandon Vick
NAMIC

In addition to choosing between excess and offset coverage, drivers can choose to reject UIM and/or uninsured motorist coverage entirely.

As they are across the country, auto insurance rates are rising in Idaho, though auto insurance tends to be very affordable there. On the most recent PAIN Index, which uses a ratio of premium to income as an indicator of affordability, Idaho ranked as the 10th most affordable state with the third-lowest average expenditure. (The average expenditure data from the **National Association of Insurance Commissioners** is from 2020; figures from 2021 are imminent.)

Already in 2024, Idaho's top 10 auto groups raised rates by an average 5.0%, compared to the 6.7% from 2023, according to RateWatch from **S&P Global Market Intelligence**.

State Farm, the state's largest insurer writ-

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Idaho Snapshot

Regulator: Insurance Director Dean Cameron
Rate regulation: use and file
Average rate approval time (2023): 36 days

Size of personal auto market: $1.34 billion (2022 DPW) Rank: 38th

Average policy expenditure: $724 (2020)
Rank: 48th
Auto Insurance Report PAIN Index rank: 42nd (2020)
Property Insurance Report HURT Index rank: 38th (2021)

Auto registrations: 554,618 (2022)
Truck registrations: 1.4 million (2022)

Vehicle miles traveled (VMT): 19.31 billion (2021)
Traffic fatalities: 1.40 per 100 million VMT; U.S.: 1.37 (2021)

Vehicle thefts: 91.2 per 100,000 residents; Region: 404.3 (2022)

Liability defense: modified comparative fault, 50% bar

Minimum Insurance Requirements:
BI: $25,000/$50,000 • PD: $15,000

Safety Laws
Ban on use of hand-held electronic device
Secondary enforcement seat belt law
Motorcycle helmets required for riders under 18

Demographics
Population: 2.0 million (2023)
Change 2010-2020: +17.3%, U.S.: +7.4%
Median household income (avg. 2018-2022): $70,214; U.S.: $75,149
Population density: 22.3 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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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.

Sharing Insurers' Superior Driving Data With the Government to Improve Safety
Ryan Smith, Transportation Research Analyst, National Transportation Safety Board; Tara Casanova-Powell, Association of Transportation Safety Information Professionals
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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Focus: IDAHO

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ing 14.3% of statewide premium, raised its rates 10.2% so far this year after a 7.4% hike last year. Progressive, which moved ahead of **Liberty Mutual Group** in market share in 2022, increased rates 8.2% in 2023 with no increases reported so far this year. Liberty Mutual increased rates a groupwide average 13.3% this year after an 8.5% increase last year. No. 10 **Travelers** raised rates an average 10.6% after hiking them 9.1% last year.

More than a year ago, **USAA**, the state's eighth-largest personal auto group, filed to increase rates between 25.3% and 33.6% for its four underwriting companies in Idaho. Regulators still have the filing under review, but a USAA spokesman confirmed that the new rates are in effect, as allowed under the state's "use and file" rules for property/casualty rate filings.

"Rates have crept up for the same reasons they have everywhere," Vick said. "But Idaho enjoys one of the lowest … rates in the country."

A comprehensive policy averages $1,000 annually in Idaho, he said, vs. $1,800 in neighboring Washington. "In the grand scheme of things, Idaho is doing well."

One issue that contributes to higher losses and rates is theft of car parts. To help reduce the theft of catalytic converts, Idaho legislators passed House Bill 142 in 2023. This bill added catalytic converters to the Idaho Scrap Dealers Act to combat rising catalytic converter theft.

The Idaho Scrap Dealers Act was passed when copper was being stolen from vacant homes during the Great Recession. HB 142 amends that act slightly, mandating that anyone selling catalytic converters or their parts to a metal recycler must provide their ID, license plate, address and signature. The law went into effect July 1.

Idaho legislators also passed HB 284 last year, revising parts of the online insurance verification system. In this system, run by the **Idaho Transportation Department**, insurers report the insurance status of drivers every two weeks. If drivers don't have their insurance for two months, then don't provide proof of insurance after 30 days, Pipal said their vehicle registration is revoked and they would need to pay $75 to reinstate it.

"The problem is that we have a number of snowbirds up here who fly out for the winter," Pipal said. "They'll leave their car in the garage and take all the coverage off it on their insurance policy. When they come back, not only do they have to deal with the insurance, but their registration has been revoked."

HB 284 extends the insurance gap time to 120 days before registration is revoked.

"We still get called on this all the time when they when they send out the letters," Pipal said, even though the Insurance Department doesn't run the program. "I'm hoping [HB 284] makes it easier." AIR

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