Auto Insurance Report

The Authority on Insuring Personal and Commercial Vehicles

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INSIDE

Boring No More! Root Insurance Turns a Profit

After ten years of ups and downs, **Root Insurance** reached a major milestone in the third quarter of 2024: it turned a profit.

Just a few weeks ago we proclaimed Root had transitioned from chaotic startup to a "boring" and semi-stable insurance company. (AIR 10/14/24)

The stock soared from $40.55 a share at the opening of trading on Oct. 31, then immediately soared to $110.62 on the announcement. It then settled down to $71.01 at the close of trading last Friday.

More good news: Root has been able to reduce the $300 million line of credit with **BlackRock**, which was essential to keeping the lights on, to just $200 million, sharply reducing operating expenses. AIR

Changes Telemarketing Rules to Sharply Reduce Insurance Leads

In an effort to restrict unscrupulous marketers, the business of finding insurance sales leads is about to be turned on its head.

In 2008, a company called **U.S. Fidelis** started robocalling consumers to talk to them about their car's "extended warranty." After making one billion robocalls in just 10 months, the firm was banned from using robocalling by the **U.S. Federal Communications Commission**. After numerous complaints about their business practices, including failure to pay claims or honor cancellation requests, U.S. Fidelis subsequently went bankrupt in 2010. The two brothers who owned the firm were convicted of fraud and tax evasion resulting in prison sentences.

But despite the demise of U.S. Fidelis, the use of robocalls to sell, scam and more didn't stop.

By 2021, auto warranty calls were the FCC's single

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Kentucky Strikes at Glass Fraud, While No-Fault Abuse Thrives

Seeing influx of scammers after **Florida** cracked down on fraud and abuse in auto glass claims, **Kentucky** lawmakers took similar action.

Insurers only wish they could get lawmakers to tackle fraud and abuse problems in the no-fault auto insurance system. The industry has long complained that their inability to manage costs for treatments under personal injury protection (PIP) is an open invitation for scammers to stage accidents and unscrupulous healthcare providers – some that have migrated from Florida – to inflate charges billed to insurers. The result, according to the industry, is higher claims costs for insurers and higher premiums for drivers.

Lawmakers haven't considered significant PIP reform legislation since 2019, but abuse in auto glass claims caught their attention.

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largest complaint type as the calls morphed into various scams to secure private personal information – called phishing – used by crooks all over the world. Working to free Americans from the tyranny of robocalls and robotexts, the FCC has turned to the Telephone Consumer Protection Act of 1991 (TCPA) which governs telephone solicitations. The commission has made two critical changes to the act which impact the insurance industry.

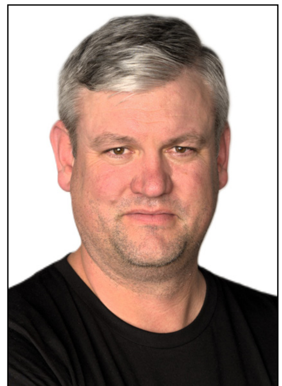
Starting January 26th, 2025, the FCC is closing the "lead generator loophole by requiring comparison shopping websites to get consumer consent one seller at a time." Sites can no longer ask for blanket consent, consumers will have to select who they wish to have contact them. Any calls or texts made to a customer must have contextual relevance. For example, it is illegal to call someone about auto insurance based on a lead generated from a consumer shopping for toddler pajamas with cars.

On April 11th, 2025, changes to "opt out" and the "revocation of consent" requirements will go into effect. Under the new version of the rules, caller and texters must accept any reasonable revocation within 10 days and cease all communications. This means that if a consumer responds to a text with specific emojis, such as 💩, or negative vulgarities, the texter must be able to understand, and accept that, as a revocation of consent.

"We definitely include emojis and swearing" said **Mark Birkenstock**, content developer at the texting service provider **Drips**. "Would a reasonable person say that a bunch of swearing emojis in a row is an opt out? We think that it at least seems like they're not happy."

The changes are specific to robocalling, robotexting, and auto dialer systems. Digital comparative raters are unaffected.

Insurance companies may not have been making calls about extended warranties, but the changes to lead generation and customer communication will have ripple effects that impact their business.



Ethan Jones
Kissterra

The changes to consent, the "lead generator loophole" as it is called, revolve around a single change to the TCPA's delivery restrictions subsection that redefines the term "prior express written consent." Going forward, the FCC will define it as an agreement, in writing, that authorizes "no more than one identified seller" to contact the person with marketing messages. Calls and texts must be "logically and topically associated with the interaction that prompted the consent".

This puts an end to the current practice of having shoppers' consent to a partner list. "People had a consent form that said, 'I agree to be auto dialed, texted, emailed, whatever, by any of the partners included in this hyperlinked listed here.' " said **Ethan Jones**, chief revenue officer of insurance marketing analytics firm **Kissterra**. Over time lists grew to include hundreds of companies, some of them not directly connected to the service being shopped for. Long time insurance lead generation site, **Everquote**, has a partners list with 614 companies on it.

In its order, the FCC used heath care comparison shopping site Assurance IQ as an example as of a problem company, having found that the site's partner list included both insurance companies and others that did not appear to be related to insurance. Assurance IQ, which was acquired by **Prudential** in 2019 for $2.35 billion, shut down in May of this year.

During a webinar hosted by Everquote on the rule changes, attorney **John Henson** of **Troutman Amin** said he believes the rule changes will put an end to the partner list. "The consumer has to select who they want to hear from, not the

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lead generator," he said.

How the shopper will select specific companies isn't clear. The FCC's analysis of its rule posted in the federal register made it clear that "one-to-one consent must come after a clear and conspicuous disclosure to the consenting consumer that they will get robotexts and/or robocalls from the seller" and that consent must come for one seller at a time.

The conservative read of these rules would have shoppers click a box to consent to each individual company they want to hear from. It is possible that lists could be "pre-checked," and consumers could remove companies they don't wish to hear from.

The challenge is something of a full employment act for web designers in the industry. Lead generators will need to explore how much visual real estate they use for consent, how that works on desktop versus mobile, and how many boxes they can present. "Some people are going to go to an exclusive model, only selling (the lead) to the highest bidder," said Jones. "Others might try and sell it three or four times, to carrier, A, B, C, D. They're playing around with the boxes and see what the sweet spot is and how many people will check."

> ***Lead generation sites might have hundreds of insurance partners, but going forward only a handful will be utilized.***

Media Alpha, a marketing and analytics firm, is already hearing from larger insurers they work with, as well as other high-volume partners that pre-checked boxes are a non-starter. Larger firms are requiring workflows with unchecked boxes for consumers to opt into.

Moving to company specific consent will make brand recognition more critical. Partner lists allowed a large array of carriers access to the same marketplace as their competitors. It is unlikely shoppers will consent to smaller carriers they're not aware of contacting at the same rate as big national brands.

"It's going to affect conversion" said **Keith Cramer**, head of property and casualty at Media Alpha. "Some smaller companies don't have any (consumer) awareness so the odds of them getting a checked box is likely to be low."

Everquote expects lead volume to decrease by up to 30%. They expect conversion rates to improve, something born out in early tests of the new TCPA quote flow. Media Alpha's early investigations have similarly found improvement in conversion rates.

Everquote stated they'll sell a lead up to four times under the current rules. Going forward they expect to sell a lead once, if at all. Shoppers will have to select the carrier they want the lead sold to and then the carrier will have to buy said lead. If a carrier does not buy the lead, it cannot be sold to anyone else.

"Everybody is focusing on one-to-one consent, that's the big change, but the contextual relevance piece is equally as important" said **Jeff Piotrowski**, vice president of insurance marketing at **Verisk**.

The change will limit to whom lead aggregators can sell leads, further limiting volume.

"If I'm looking for men's shoes and fill out a "Contact Me" form, I expect Shoe Warehouse to reach out. If I get a call from an insurance agent, that's not going to be in compliance," said Piotrowski.

To mitigate the impact on their business, Everquote expects pricing of each lead to increase to match the decline in volume.

It is not clear how this will impact independent agents who represent multiple companies. Everquote's interpretation is that currently, an independent agent who buys a lead where a shopper consents to have Insurance Company X contact them can only sell them a product from Insurance Company X and could not offer anoth-

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er carrier's product. Others are still working with their legal departments to develop a policy.

At this stage, carriers are trending towards taking a conservative approach to TCPA, expecting that the courts will have a more expansive view of what is covered. Experts across the industry have noted that major carriers are requiring one-to-one consent for all contact going forward. The rules might be limited in scope, but carriers are deeply worried about their legal exposure and expect to find themselves in court shortly after the rule change goes into effect.

To that end, an announcement by Allstate to its agents on banned lead generation vendors has been making the rounds. The document restricts agency owners ability to conduct businesses with 23 companies, including Lead Genius, Transfer Kings, Leads Town, and Atlantic Telemarking Center. The announcement focused on significant risk of legal noncompliance as the reason the sites have been blacklisted.

Colleen Sheley
Drips

The early result of these changes on insurers will be the need to better identify what leads to buy, and lead generators will need to better match shoppers with the right companies for them. "Consumers out shopping are not looking to spend more money," said **Jaimie Pickles**, CEO and co-founder of **First Interpreter**, a company that has focused on improving digital marketing metrics. "They're looking for the right coverage and a competitive price. The more we can do that for shoppers, the better."

Under the new rules, consent to being contacted can be revoked though any reasonable means. Once an opt out has been made, there is a five-minute window for a one-time follow up message confirming the request or clarifying the scope of the revocation. Once consent is revoked, firms have 10 days to include the number on their "do not call" list.

Jaimie Pickles
First Interpreter

As with one-to-one consent, this applies to robotexts, robocalls, and regulated communications technology including auto dialers. The FCC said this change applies to telemarketing and does not apply to informational calls unless the consumer opts out of those.

A key change is the addition of "any reasonable means." FCC's interpretation of its rule prohibits testers from designating how consent can be revoked. Early automated texting systems were limited, only accepting "STOP," and unable to understand any deviations such as a misspelled "STP." Though the rule finds that words like "stop," "quit," and "end" should be considered opt outs, the rules does not limit the terminology that can be used. The FCC declined to create any carve outs for specific subcategories of communication, such as fraud alerts. If someone does not want to be contacted, their wishes must be respected. Businesses cannot limit or decide what counts as an opt out.

A Drips study found that consumers used 250,000 unique ways to express that they did not want to be contacted in the future over a 60-day period. Birkenstock said that Drips has logged 2 million different opt outs over its existence. The firm has found recent innovations in natural language processing particularly impactful in systematizing the detection of opt outs.

"The end game of all of this is to improve customer experience" said **Colleen Sheley**, vice president of marketing at Drips. "The ones that don't get ready, they're going to end up going

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back to really archaic ways of communicating with their customers."

Drips solution is to rely on the one time follow up text to clarify exactly what the customer wants to opt out of, a practice the company has dubbed a "conversational closeout." The same goes with the phrasing around asking for opt outs. For Drips, the ideal outcome is helping consumers revoke their consent to be marketed to, but not revoke consent to receive updates about appointments they've scheduled, bills they need to pay, or claims they've filed.

The exact details of what is acceptable under the new TCPA rules will likely to be determined by the courts over the coming years. Carriers, lead generators, and marketers are already preparing themselves for a wave of TCPA lawsuits though early 2025 and for various circuit courts to disagree with each other.

The next year will likely be bumpy for anyone involved in the marketing space. The hope is that the new rules will provide a better experience for everyone involved. Consumers hope to see a reduction in the volume of unwanted communication they receive just as lead buyers hope to see an increase in the quality of leads they buy. AIR

State Market Focus: KENTUCKY

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Senate Bill 29 prohibits assignment of benefits (AOB) for auto glass repairs and makes it illegal to give rebates, gift cards or other incentives to make an insurance claim for an auto glass repair or replacement.

In states like Kentucky – where insurers are not allowed to charge a deductible for auto glass damage under comprehensive coverage – unscrupulous vendors set up in parking lots and solicit drivers for on-the-spot windshield repairs that they promise will be paid entirely by insurance if they sign an AOB. Insurers often receive inflated bills, and drivers get shoddy work – including a failure to properly calibrate the windshield sensors that are part of advanced driver assistance systems (ADAS).

In addition to banning AOB and incentive gifts, the law requires auto glass repair vendors to get a claim referral number and to provide an invoice of estimated costs. It also requires them to notify customers if their vehicle has ADAS technology that requires calibration and if the calibration was successful. The law took effect immediately upon signing in early April.

Kentucky, in enacting auto glass legislation, followed in the footsteps of Florida.

After years of surging auto glass litigation, Florida lawmakers passed legislation that eliminated the use of AOB and repealed the state law awarding one-way attorney fees when a policyholder won a lawsuit against an insurer. The crackdown in Florida caused auto glass lawsuits in that state to crater. (AIR 8/19/24)

J. Chris Nolan
Insurance Institute of Kentucky

Immediately after the law took effect, an influx of Florida companies involved in questionable activity registered to do business in Kentucky and filed hundreds of claims, according to **J. Chris Nolan**, executive director of the **Insurance Institute of Kentucky** (IIK).

PIP fraud in Kentucky is a much more complicated issue, and while lawmakers have enacted some reforms aimed at staged accidents, they have been unwilling to impose the cost controls insurers say are necessary.

Under the state's almost 50-year-old no-fault law, auto insurance policies must include basic PIP coverage providing up of $10,000 for

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"medical expenses, lost wages, and similar out-of-pocket costs," with an option to buy up to $50,000.

The challenge for Kentucky insurers is that without a fee schedule or other cost controls, health care providers bill auto insurers much more for services that are reimbursed at lower levels by health and workers compensation insurers. Courts have determined that medical and other costs presented in a PIP case are presumed to be reasonable, and they must be paid in 30 days. Providers have been known to bill three to five times more for PIP-related medical charges than the standard cost. (AIR 5/16/22)

"You can't dispute the amount, and you can't dispute the reasonableness," Nolan said. As an example, he added that "if I complained of neck pain in a car rear-end accident when I'm getting treated for my knee, we're not allowed to question [it]."

The limits on cost controls for medical treatments make it easy for fraudsters to collect some of the PIP money, whether it's crime syndicates that stage accidents in metropolitan areas or medical providers and lawyers who inflate claims statewide.

Last year, federal prosecutors announced that four defendants were sentenced for conspiring to commit health care fraud by recruiting people to participate in fake automobile accidents and obtain treatment at certain chiropractic clinics that billed insurance companies for the treatment. In addition to paying more for the PIP portion of their insurance coverage because of inflated costs, consumers exhaust their coverage sooner than they otherwise would.

No-fault was intended to resolve injury claims without litigation by restricting the right to sue. However, with rising medical costs, many more injuries meet the low $1,000 monetary threshold, making it easier to file lawsuits, according to a 2021 presentation to lawmakers. The industry presentation suggested that maybe no-fault had outlived its usefulness.

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Kentucky
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	1.2	8.3	9.0	6.6	8.4	2.7	-1.9	1.8	5.6	6.0	4.8
Personal Auto Phys	-10.0	-3.8	9.6	10.6	10.3	8.5	1.3	0.6	4.4	5.7	3.7
Personal Auto Total	-3.0	4.0	9.2	8.0	9.1	4.8	-0.8	1.4	5.2	6.0	4.4
Comm. Auto Liab	10.4	15.7	11.1	5.5	7.7	0.7	-0.6	-1.4	0.9	10.6	6.0
Comm. Auto Phys	-3.7	6.9	19.2	12.8	6.6	7.2	1.3	-0.2	0.1	5.7	5.6
Comm. Auto Total	6.8	13.4	13.1	7.4	7.3	2.4	-0.1	-1.1	0.9	9.4	5.9
Total All Lines*	7.7	4.7	16.2	12.8	13.3	11.3	8.6	7.3	12.6	16.5	11.1

*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.

Kentucky
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	$908,722	24.3%	79.0%	$764,199	22.8%	86.8%	$710,378	21.9%	72.6%
Kentucky Farm Bureau Insurance	$696,127	18.6%	85.8%	$615,196	18.4%	87.9%	$572,714	17.7%	78.6%
Progressive Corp.	$487,886	13.0%	66.6%	$407,263	12.2%	62.8%	$388,848	12.0%	61.3%
Allstate Corp.	$287,474	7.7%	71.8%	$264,056	7.9%	71.8%	$244,165	7.5%	53.8%
Liberty Mutual	$277,021	7.4%	73.5%	$309,161	9.2%	69.3%	$332,488	10.3%	63.4%
Berkshire Hathaway/Geico	$186,066	5.0%	60.0%	$194,625	5.8%	71.8%	$207,783	6.4%	69.0%
USAA Insurance Group	$179,736	4.8%	76.1%	$153,470	4.6%	91.2%	$155,103	4.8%	77.3%
Erie Insurance Group	$132,116	3.5%	106.2%	$102,483	3.1%	105.5%	$88,808	2.7%	91.7%
Auto-Owners Insurance	$85,084	2.3%	83.8%	$73,134	2.2%	72.7%	$68,716	2.1%	60.2%
Travelers Companies Inc.	$69,489	1.9%	59.0%	$67,275	2.0%	60.9%	$67,528	2.1%	53.9%
Shelter Insurance	$66,715	1.8%	79.7%	$55,585	1.7%	72.5%	$54,697	1.7%	68.4%
Alfa Mutual Group	$46,254	1.2%	72.1%	$36,427	1.1%	76.5%	$30,941	1.0%	60.7%
Farmers Insurance Group	$44,285	1.2%	68.3%	$46,972	1.4%	68.2%	$49,163	1.5%	59.6%
Nationwide Mutual Group	$41,348	1.1%	66.4%	$43,066	1.3%	69.5%	$45,269	1.4%	53.9%
Cincinnati Financial Corp.	$27,635	0.7%	55.9%	$22,912	0.7%	54.1%	$22,612	0.7%	52.3%
Westfield Insurance	$26,055	0.7%	75.9%	$20,751	0.6%	86.7%	$18,287	0.6%	63.5%
Grange Insurance	$24,933	0.7%	48.6%	$24,098	0.7%	80.2%	$25,542	0.8%	55.3%
Hartford Financial Services	$18,741	0.5%	44.3%	$17,729	0.5%	74.8%	$19,258	0.6%	38.6%
Sentry Insurance Mutual	$17,232	0.5%	61.5%	$15,230	0.5%	60.0%	$13,946	0.4%	57.8%
Root Insurance Co.	$16,723	0.5%	54.7%	$12,430	0.4%	57.5%	$21,040	0.7%	62.4%
Auto Club Exchange Group (SoCal)	$16,240	0.4%	97.4%	$11,502	0.3%	109.9%	$6,670	0.2%	84.8%
Kentucky National Insurance Co.	$12,604	0.3%	55.2%	$12,162	0.4%	54.8%	$14,953	0.5%	41.7%
Encova Insurance	$9,976	0.3%	64.1%	$7,713	0.2%	72.8%	$6,685	0.2%	51.2%
Virginia Farm Bureau Federation	$9,337	0.3%	84.5%	$8,697	0.3%	95.5%	$7,747	0.2%	81.5%
American Family Insurance Group	$8,732	0.2%	57.4%	$6,506	0.2%	45.3%	$7,662	0.2%	55.6%
Brookfield Reinsurance/American Nat'l	$6,623	0.2%	60.9%	$6,417	0.2%	55.9%	$6,734	0.2%	39.5%
Markel Corp.	$6,465	0.2%	32.3%	$5,676	0.2%	48.0%	$4,984	0.2%	40.6%
CSAA Insurance Exchange (NorCal)	$6,325	0.2%	60.5%	$6,434	0.2%	63.0%	$7,224	0.2%	71.5%
Clearcover Insurance Co.	$5,674	0.2%	96.6%	$3,832	0.1%	93.5%	$586	0.0%	116.6%
Amica Mutual Insurance Co.	$3,975	0.1%	52.1%	$3,942	0.1%	44.4%	$4,234	0.1%	28.7%
Munich Re	$3,759	0.1%	78.9%	$3,602	0.1%	69.7%	$3,464	0.1%	32.2%
Central Insurance Companies	$3,723	0.1%	119.2%	$3,215	0.1%	95.8%	$2,942	0.1%	60.1%
Tokio Marine Group/PURE	$3,348	0.1%	103.3%	$3,318	0.1%	62.6%	$3,197	0.1%	58.4%
Chubb Ltd.	$2,299	0.1%	45.5%	$2,063	0.1%	67.2%	$2,007	0.1%	40.0%
ECM Insurance	$1,981	0.1%	63.9%	$2,099	0.1%	81.5%	$2,178	0.1%	60.9%
Celina Insurance	$1,391	0.0%	118.1%	$1,132	0.0%	53.0%	$1,114	0.0%	39.0%
Electric Insurance Co.	$1,379	0.0%	30.5%	$1,489	0.0%	29.0%	$1,520	0.1%	39.0%
American International Group	$1,349	0.0%	87.1%	$1,440	0.0%	63.7%	$1,403	0.0%	32.6%
California Casualty	$1,133	0.0%	43.0%	$1,244	0.0%	77.7%	$1,311	0.0%	57.4%
Statewide Totals	$3,747,408		75.9%	$3,348,260		78.3%	$3,240,962		67.9%

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: KENTUCKY

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"We're a very plaintiff-friendly state at this point in time, and we're a state that's desirable to sue in, and so [Kentucky] has become a very litigious state," Nolan said. "We do have third party bad faith in Kentucky, which plaintiff's attorneys almost routinely attempt to use as a hammer in every case."

There is a push to find new solutions to address no-fault fraud. One effort involves improving information-sharing among insurance company investigators, the **National Insurance Crime Bureau**, other anti-fraud organizations, the **Kentucky Department of Insurance** (DOI) and their investigators and local prosecutors, Nolan said. The DOI's Division of Fraud Investigation currently reports monthly on the number of fraud

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Kentucky 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
Progressive Corp.	$68,631	10.2%	63.5%	$64,377	10.4%	51.6%	$58,316	10.2%	54.1%
Travelers Companies Inc.	$43,764	6.5%	63.0%	$39,987	6.4%	46.4%	$39,524	6.9%	64.9%
Liberty Mutual	$39,413	5.9%	67.2%	$37,519	6.0%	68.3%	$37,703	6.6%	43.7%
Auto-Owners Insurance	$38,042	5.7%	99.1%	$33,675	5.4%	76.9%	$30,914	5.4%	57.4%
Cincinnati Financial Corp.	$31,688	4.7%	66.8%	$29,692	4.8%	60.9%	$28,281	4.9%	42.1%
Kentucky Farm Bureau	$24,944	3.7%	98.0%	$22,433	3.6%	67.8%	$20,798	3.6%	56.8%
Acuity Mutual Insurance	$24,454	3.6%	58.4%	$23,197	3.7%	70.8%	$21,159	3.7%	66.8%
Great American Insurance	$18,665	2.8%	55.1%	$16,729	2.7%	36.4%	$15,994	2.8%	28.5%
Sentry Insurance Mutual	$17,289	2.6%	53.9%	$17,466	2.8%	69.2%	$16,150	2.8%	56.5%
Zurich Insurance Group	$16,945	2.5%	38.8%	$15,612	2.5%	59.2%	$15,505	2.7%	91.6%
Erie Insurance Group	$16,353	2.4%	108.4%	$11,847	1.9%	90.7%	$10,011	1.8%	131.1%
Old Republic International Corp.	$16,101	2.4%	80.4%	$16,444	2.7%	88.4%	$14,129	2.5%	110.0%
Berkshire Hathaway Inc.	$15,525	2.3%	37.4%	$12,444	2.0%	31.8%	$11,360	2.0%	63.0%
American International Group	$14,511	2.2%	54.9%	$14,500	2.3%	70.2%	$14,051	2.5%	43.8%
Encova Mutual Insurance Group	$14,346	2.1%	55.6%	$13,457	2.2%	68.6%	$15,887	2.8%	43.5%
EMC Insurance Companies	$11,803	1.8%	87.2%	$11,344	1.8%	81.2%	$10,000	1.8%	66.1%
Secura Insurance Companies	$11,732	1.7%	101.8%	$10,755	1.7%	75.6%	$9,977	1.7%	43.9%
Selective Insurance Group Inc.	$11,665	1.7%	68.7%	$10,136	1.6%	94.5%	$9,184	1.6%	62.5%
Tokio Marine	$11,434	1.7%	63.9%	$9,149	1.5%	46.9%	$7,403	1.3%	60.4%
West Bend Mutual Insurance Co.	$11,068	1.7%	95.5%	$9,022	1.5%	98.8%	$7,342	1.3%	43.8%
Chubb Ltd.	$10,681	1.6%	85.5%	$10,226	1.7%	92.6%	$9,913	1.7%	50.9%
Grange Insurance	$10,287	1.5%	81.8%	$9,477	1.5%	96.6%	$8,729	1.5%	76.7%
CNA Financial Corp.	$9,889	1.5%	83.1%	$9,079	1.5%	68.5%	$7,761	1.4%	60.8%
Nationwide Mutual Group	$9,668	1.4%	93.5%	$12,789	2.1%	82.4%	$12,847	2.2%	47.5%
State Farm Mutual	$9,237	1.4%	85.2%	$7,823	1.3%	69.9%	$6,661	1.2%	74.4%
Westfield Insurance	$8,986	1.3%	40.4%	$8,536	1.4%	50.1%	$8,400	1.5%	28.9%
Statewide Totals	$672,639		70.3%	$620,764		65.9%	$572,973		57.5%

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: KENTUCKY

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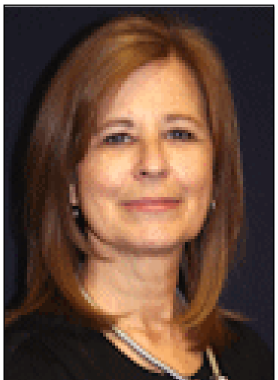
referrals, open investigations and prosecutions.

"On PIP, it's whack-a-mole, as we like to say," Nolan said. "You close one loophole, you fix one problem, and they figure out a way around it and pop up in another place."

For example, Kentucky passed a law that sought to keep accident reports out of the hands of criminals without violating the media's First Amendment right to access them. Fraud rings were pulling the reports and then "started calling or showing up on people's doorsteps" to offer so-called help in collecting the full $10,000, Nolan said. Some syndicates started claiming they were a media organization to continue to collect the records.



Sharon Clark
Kentucky
Insurance Commissioner

"It's a moving target, constantly," he said.

Looking ahead to the 2025 session, "we expect the Legislature to continue to focus on consumer protection issues," **Tara Purvis**, president and CEO of the **Independent Insurance Agents of Kentucky**, said in an email. "Big I hopes that the Legislature will continue to take a look at reforming Kentucky's PIP system."

If lawmakers didn't tackle the biggest concern for auto insurers, they did address several others.

SB 158 was designed to streamline the settlement process for people under 18 who have been awarded $25,000 or less. Now, instead of the settlements getting tied up in the courts, when the insurer, bank and injured person all agree, the money would go into a protected account that the minor could access when they turned 18.

House Bill 7 creates a regulatory framework

Please see KENTUCKY on Page 10

Kentucky Snapshot

Regulator: Insurance Commissioner Sharon Clark
Rate regulation: use and file; prior approval for rate changes greater than 25% within 12 months
Average rate approval time (2023): 12 days
U.S. average: 64 days

Size of personal auto market: $3.75 billion (2023 DPW) Rank: 27th
Average policy expenditure: $938 (2022)
Rank: 33rd
Auto Insurance Report PAIN Index rank: 18th (2022)
Property Insurance Report HURT Index rank: 16th (2021)

Auto registrations: 1.5 million (2022)
Truck registrations: 2.7 million (2022)
Vehicle miles traveled (VMT): 115.38 billion (2022)
Traffic fatalities: 1.55 per 100 million VMT; U.S.: 1.33 (2022)
Vehicle thefts: 214.2 per 100,000 residents; Region: 258.4 (2022)

Liability defense: pure comparative fault

Minimum Insurance Requirements:
BI: $25,000/$50,000 • **PD:** $25,000 • **PIP:** $10,000

Safety Laws
Ban on texting for all drivers; cellphone ban for young drivers
Primary seat belt law
Motorcycle helmets required for riders under 21
No red-light or speed cameras

Demographics
Population: 4.5 million (2023)
Change 2010-2020: +3.8%, U.S.: +7.4%
Median household income (avg. 2018-2022): $$60,183; U.S.: $75,149
Population density: 114.1 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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for autonomous vehicles, including the requirement that fully autonomous personal and commercial vehicles have $1 million in liability coverage. HB 280 addresses insurance for delivery network companies, such as **Uber Eats**. The law follows the model adopted by the **National Conference of Insurance Legislators** (NCOIL).

Kentucky lawmakers continue to resist efforts to pass legislation that aims to reduce distracted driving by allowing only hands-free use of cellphones. HB 620, which did not advance out of committee, would have tightened the law prohibiting the use of cellphones or similar electronic devices for drivers under 18.

"It's a matter of getting our legislators comfortable with the idea that you can operate in hands-free mode and still be able to use your phone, which is important to a lot of people," said Nolan.

Bart Rowland
Insurance Institute of Kentucky

Insurers have intensified their focus on distracted driving as accidents and claims costs soared after the Covid-19 pandemic.

The Kentucky Department of Insurance is under the leadership of **Sharon Clark**, the longest-serving commissioner since the department was established in 1870. Clark first served as commissioner from July 2008 to January 2016. She was reappointed to the job in January 2020.

Kentucky regulators make it easier for insurers to adjust rates than in many other states. Carriers can change rates without prior approval if the change totals 25% or less within 12 months.

The top 10 personal auto insurance groups increased rates an average 5.8% this year after an average 15.9% increase in 2023.

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The most notable rate hikes are the groupwide 40.8% average increase for Allstate subsidiaries last year, and the groupwide average increase of 40.6% for **Erie Insurance** this year after an average 22.0% hike last year.

An Erie spokesman declined to comment on the increase. But **Bart Rowland**, a former state legislator and agent who became president of the Insurance Institute of Kentucky early this year, said that Erie's rates had previously been lower than other auto insurers in the state. In 2021, Erie's incurred loss ratio was 94.7%, compared to 67.9% for the industry. It got no better in 2022, when Erie's loss ratio was 105.5%, compared to 78.3% for the industry. 2023 was even worse, as Erie's loss ratio was 106.2%, compared to 75.9% for the industry.

"Really, they probably were way underpriced for the rest of the market," he said. "And even with the increases, it kind of just puts them where everybody else is now." AIR