AUTO INSURANCE REPORT
The Authority on Insuring Personal and Commercial Vehicles

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INSIDE

Texas AG Sues Arity, Alleges Data Collected Without Proper Disclosure

The **Texas** attorney general last week broadened his attack on the collection and sale of telematics data with a lawsuit against **Allstate** and its **Arity** subsidiary.

The Jan. 13 lawsuit comes on the heels of a suit Attorney General **Ken Paxton** filed last year against **General Motors** and investigations into several automakers that collect and share driving data. Paxton said the suit against Allstate and Arity is the first enforcement action under the Texas Data Privacy and Security Act, which went into effect Jan. 1.

The suit alleges Arity illegally collects driving data and combines it with personal data without properly informing consumers of the various ways the data is sold and

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Having Been Burned, Insurers Tread Carefully in California

If auto insurance writers in **California** began 2025 with resolutions to slowly restart their marketing engines, the conflagration that has consumed swaths of Los Angeles might force them to tap the brakes again.

Unrelated to the raging fires, insurance carriers that specialize in California's large nonstandard market are also navigating a new landscape as higher minimum limits went into effect Jan. 1. Limits increased to $30,000 for bodily injury (BI) or death of one person, $60,000 for injury or death per accident and $15,000 for property damage (PD) liability, up from $15,000/$30,000/$5,000.

Back in 2022, when lawmakers were considering Senate Bill 1107, the **California Department of Insurance** (CDI) estimated that about 26% of the state's drivers car-

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REVISED: National Personal Auto Rate Increases Eased in 2024, But States Varied Widely

*Editor's note: This story has been updated to correct for an error in **S&P Global Market Intelligence's** RateWatch database. Personal auto rate changes from 2019 to 2023 were incorrectly reported. The tables published here are corrected. Fortunately, the original analysis remains correct, as the adjustments did not impact the trends we identified. Adjustments have been made to percentage changes for years prior to 2024. The biggest changes come in the 2023 data estimated for individual companies, which are all higher than originally reported, some substantially. We apologize for the error and inconvenience.*

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Personal auto insurers generally sought smaller rate increases last year to reflect a substantial improvement in claims trends. (AIR 12/9/24) However, state-by-state rate trends varied wildly, as some states remain bedeviled by

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used. Paxton's accusations focus on the company's relationship with third-party apps, notably Life360, that embed Arity's software to enable functions, such as crash detection, requiring geolocation and accelerometer data.

The lawsuit claims "consumers were entirely unaware that by allowing one of the mobile apps to access their 'location,' they were also permitting Arity … to own, collect, analyze and sell their sensitive data in a variety of ways, including by selling it to insurers to adjust their car insurance premiums."

The suit claims Arity and its app partners did not provide consumers clear, accessible privacy notices and that Arity failed to receive affirmative consent to collect data and provide opt-outs.

Life360 spells out details of the company's relationship with Arity and its other data partner, **Placer.ai**, in a blog. Its website also explains how insurers may gain access to information: "The insurance company is required to ask for your explicit consent to have your Life360 driving data utilized for a personalized insurance quote. Only after your consent is given, will your driving data be shared with the insurer via Arity." The site also details how to opt out of data sharing. "Your Life360 driving and geolocation data cannot be used for informing your insurance rates unless you grant explicit consent." AIR

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high claims, while in other states insurers were trying to catch up from past rate increases that were too low to fully cover rising costs.

The largest insurers received approval to increase rates an average 7.6% last year, down from 16.5% in 2023 and 12.1% in 2022, according to RateWatch from **S&P Global Market Intelligence**. The cumulative rate change for 2023 and 2024 was 25.4%.

RateWatch tracks approved rate changes for the top 10 insurers in 49 states, plus any top 10 insurers nationally that are not among the top 10 in a state. **Wyoming** and the **District of Columbia** are not included.

While it is not a complete picture of rate changes, it serves as an excellent proxy because the top 10 groups write more than three quarters of personal auto premium nationwide. It is also important to note that RateWatch tracks rate changes by renewal effective dates, but it takes time for them to flow through a book of business. Therefore, RateWatch data does not provide an accurate measure of actual increased premium dollars for the year. A January renewal rate increase may be fully earned in the year it takes effect, but a December rate change will be mostly earned the following year. In some states, rate changes are put into effect before any recorded approval. For a strategic look at the marketplace, however, the RateWatch data serves very well, and it is certainly better than any alternative.

The five states with the largest average rate increases last year had among the worst underwriting profits in 2023. (AIR 6/17/24)

Washington rates rose 17.5% last year, reflecting an 85.7% loss ratio in 2023 that was second highest in the nation and far worse than the already disappointing 75.5% national average. As parting gift from retiring insurance commissioner **Mike Kreidler**, Washington also posted the second-largest cumulative rate increase in 2023 and 2024, at 41.3%. (AIR 10/14/24)

New Jersey rates rose 17.2% to help offset an 80.3% loss ratio. (AIR 7/22/24)

Rates for the top insurers in **California**, the nation's biggest market, rose 16.2% in the face of an 84.0% loss ratio and prior rate suppression by regulators. Expect insurers to keep working to increase rates to bring the state back into balance. Several thousand vehicles incinerated in the recent Los Angeles fires won't seriously impact auto insurers, but it certainly won't help.

Nevada had the nation's highest incurred loss ratio in 2023 at 88.0%; by that measure, its 14.5%

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Personal Auto Approved Rate Changes for Largest Insurers by State

2019-2024 as Reported by RateWatch (Revised)

State	Direct Written Premium (000)	Approved Rate Change						Cumulative Rate Change	
	2023	2019	2020	2021	2022	2023	2024	2023-2024	2019-2024
Alabama	$4,262.8	0.2%	-2.5%	1.1%	8.5%	10.4%	6.1%	17.1%	25.5%
Alaska	$591.7	1.0%	-2.8%	1.0%	5.2%	10.6%	4.9%	16.0%	21.0%
Arizona	$6,485.6	0.6%	-1.4%	3.5%	16.9%	18.6%	3.4%	22.6%	47.2%
Arkansas	$2,458.3	-0.7%	-4.3%	1.2%	8.4%	16.5%	7.0%	24.7%	30.0%
California	$33,079.4	2.1%	-0.7%	0.0%	1.3%	12.6%	16.2%	30.8%	34.3%
Colorado	$6,057.9	3.0%	-0.4%	4.0%	13.1%	16.6%	5.2%	22.7%	48.2%
Connecticut	$3,014.9	-0.1%	-0.7%	0.3%	8.9%	16.3%	12.3%	30.5%	41.5%
Delaware	$1,080.7	-0.1%	-2.6%	2.4%	14.0%	11.3%	11.1%	23.7%	40.5%
District of Columbia	$415.7	0.2%	-2.4%	0.3%	16.0%	15.0%	9.3%	25.6%	42.8%
Florida	$27,118.5	-0.2%	1.4%	5.6%	18.8%	25.4%	3.1%	29.3%	64.2%
Georgia	$11,541.4	2.4%	-1.8%	1.6%	17.0%	18.1%	4.0%	22.8%	46.6%
Hawaii	$853.5	-0.2%	-2.9%	-2.9%	0.6%	3.9%	6.6%	10.7%	4.8%
Idaho	$1,346.5	0.7%	-0.8%	1.4%	9.0%	10.5%	5.7%	16.8%	29.0%
Illinois	$8,165.6	1.4%	-4.4%	1.9%	17.9%	16.6%	5.0%	22.4%	42.5%
Indiana	$4,244.4	-0.3%	-4.3%	1.7%	12.1%	15.7%	4.7%	21.2%	31.8%
Iowa	$2,054.0	0.4%	-1.3%	3.0%	10.3%	17.3%	2.6%	20.4%	35.5%
Kansas	$2,204.9	1.0%	-1.6%	1.8%	13.2%	15.0%	6.6%	22.6%	40.5%
Kentucky	$3,404.1	-1.4%	-3.5%	1.7%	8.5%	16.0%	5.8%	22.7%	28.8%
Louisiana	$5,191.9	-1.3%	-3.8%	0.7%	9.3%	18.3%	3.5%	22.4%	28.0%
Maine	$813.8	-0.3%	-1.2%	2.1%	14.2%	13.0%	8.9%	23.1%	41.4%
Maryland	$6,100.7	1.0%	-2.4%	-2.3%	17.4%	21.2%	3.6%	25.5%	42.0%
Massachusetts	$5,717.1	1.0%	1.1%	0.0%	5.2%	14.4%	8.8%	24.4%	33.9%
Michigan	$9,337.7	2.8%	-3.8%	0.8%	6.8%	12.6%	11.2%	25.2%	33.2%
Minnesota	$4,208.7	0.9%	-2.5%	2.9%	14.2%	18.6%	5.8%	25.5%	45.1%
Mississippi	$2,366.2	-0.3%	-1.5%	1.5%	8.6%	13.7%	7.5%	22.2%	32.2%
Missouri	$4,868.0	1.0%	-3.6%	3.6%	15.7%	13.4%	5.8%	20.0%	40.1%
Montana	$961.2	-1.4%	-1.6%	1.4%	6.6%	11.6%	4.4%	16.6%	22.3%
Nebraska	$1,498.3	-0.4%	-1.9%	5.0%	9.2%	17.9%	7.6%	26.9%	42.2%
Nevada	$3,099.2	2.1%	-2.4%	-0.4%	4.9%	28.6%	14.5%	47.2%	53.3%
New Hampshire	$899.3	-0.4%	-2.3%	-0.6%	15.6%	11.1%	6.2%	18.0%	32.0%
New Jersey	$8,992.1	1.7%	-0.7%	0.1%	6.0%	10.3%	17.2%	29.3%	38.5%
New Mexico	$1,764.9	-0.5%	-3.2%	-1.2%	13.7%	9.8%	5.9%	16.3%	25.9%
New York	$15,721.4	2.4%	1.5%	1.8%	6.3%	16.9%	13.5%	32.7%	49.3%
North Carolina	$7,971.3	0.7%	-1.3%	-0.3%	3.7%	9.2%	-0.1%	9.1%	12.1%
North Dakota	$532.7	-0.3%	-2.2%	1.5%	9.8%	14.7%	5.5%	21.0%	31.5%
Ohio	$6,978.7	-1.4%	-4.1%	3.1%	18.9%	19.6%	3.5%	23.8%	43.6%
Oklahoma	$3,105.2	-2.0%	-4.3%	2.8%	13.9%	15.8%	4.9%	21.4%	33.3%
Oregon	$3,521.9	-1.8%	-3.3%	1.2%	15.5%	17.0%	3.3%	20.8%	34.1%
Pennsylvania	$9,505.9	0.4%	-3.7%	1.7%	15.4%	12.8%	9.7%	23.7%	40.3%
Rhode Island	$1,081.4	1.0%	0.9%	-0.5%	7.1%	11.6%	5.6%	17.9%	27.9%
South Carolina	$5,571.3	0.4%	-0.4%	1.6%	13.3%	14.1%	9.7%	25.2%	44.1%
South Dakota	$644.0	0.5%	-1.7%	1.8%	7.4%	15.4%	5.6%	21.9%	31.6%
Tennessee	$5,361.2	-1.0%	-2.0%	0.8%	17.3%	16.7%	6.5%	24.3%	42.5%
Texas	$27,288.0	-1.8%	-1.9%	3.2%	25.4%	18.8%	2.9%	22.3%	52.4%
Utah	$2,676.8	2.9%	-1.3%	3.8%	15.2%	16.2%	7.0%	24.3%	50.9%
Vermont	$389.0	-0.1%	-2.6%	-0.7%	6.5%	14.0%	4.0%	18.5%	21.9%
Virginia	$7,050.6	0.2%	-1.2%	3.2%	14.4%	17.2%	4.3%	22.3%	43.0%
Washington	$5,884.8	1.7%	-2.1%	-0.1%	2.9%	20.3%	17.5%	41.3%	44.6%
West Virginia	$1,396.4	-1.6%	-3.5%	1.3%	8.3%	13.0%	9.0%	23.2%	28.3%
Wisconsin	$3,489.7	0.4%	-2.6%	1.2%	12.5%	15.7%	4.8%	21.2%	34.9%
US Total	**$282,884.0**	**0.7%**	**-1.5%**	**1.8%**	**12.1%**	**16.5%**	**7.6%**	**25.4%**	**41.8%**

Source: S&P Global Market Intelligence RateWatch. Data gathered for between 10 and 13 of the largest companies in each state. The District of Columbia and Wyoming are not included in the RateWatch database.

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increase last year – fourth highest in the country – seems almost timid. But its nation-leading 2023 increase of 28.6% pushed the cumulative increase for the two years to 47.2%, larger than every other state. (AIR 11/25/24)

Rates in **New York**, the nation's fourth-largest market, rose an average 13.5% last year – not enough to recover from its 84.6% loss ratio in 2023. (AIR 8/21/23)

Looking toward states with low rate increases in 2024, **North Carolina** stands out as a special case. (AIR 5/13/24) The state's 75.6% personal auto incurred loss ratio is right in line with the national average, suggesting that carriers in the state would need the same 7.6% taken nationally. But instead, North Carolina's rates actually fell 0.1% in 2024 after a 9.2% rise in 2023. The 9.1% cumulative rate increase for 2023 and 2024 is the lowest in the nation. How can this be? The state's insurers must seek rate increases together through the **North Carolina Rate Bureau**. The bureau filed in 2023 for a 28.4% rate increase but had to settle with regulators for just 4.5% effective Dec. 1, 2023, and another 4.5% on Dec. 1, 2024.

Iowa came by its modest 2.6% rate increase – second lowest in the nation – the honest way: with three straight years of loss ratios below the national average. (AIR 10/23/23)

Texas is hardly a low-cost high-profit Shangri-la, but it had the nation's third-lowest rate increases in 2024 because insurers were able to get on top of rising claims costs in a hurry. (AIR 5/6/24) Rates rose 18.8% in 2022, the second-largest increase in the nation that year. That brought the 81.8% loss ratio of 2022 down to 74.6% in 2023, which was better than the 75.5% national average. After another 25.4% average increase in 2023, Texas settled into a 2.9% rise in 2024.

It remains to be seen if Texas insurers took their foot off the gas too soon, but they certainly had confidence born of their earlier actions. **Progressive's** Texas actions are instructive, with rate increases of 13.4% in 2021, 22.2% in 2022 and 22.4% in 2023. Apparently satisfied, RateWatch records no rate increases for Progressive in 2024.

Florida insurers and regulators were doing their best to support the market reforms they have championed, increasing rates just 3.1% in 2024, after a frantic 25.4% in 2023. Was this wise? The jury is out on tort reforms and other adjustments, and it will take some time – certainly more than one year – to assess the real impact on claims costs. Florida is one of the states where insurers can implement rate increases prior to approval, so there may be rate actions that are not reflected in the RateWatch data. For now, hope springs eternal, and early indications are positive. (AIR 8/19/24)

RateWatch reports approved rates for the largest auto insurance groups in each state, but it does not provide a national summary of rate activity. To examine national rate behavior by group, *Auto Insurance Report* created estimates based on a weighted average of state activity by multiplying 2023 and 2024 rate increases by the

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Estimated Total Personal Auto Rate Changes (Revised)

Approved Rate Changes as Percent of 2023 Premium

2023 Rank	Group Name	Direct WP in millions 2023	Estimated Total Rate Change	
			2023	2024
1	State Farm Mutual	$57,775	18.3%	8.7%
2	Progressive Corp.	$48,104	17.0%	3.0%
3	Berkshire Hathaway/Geico	$38,719	13.2%	3.6%
4	Allstate Corp.	$32,787	15.1%	11.3%
5	USAA Insurance Group	$19,724	18.0%	2.6%
6	Liberty Mutual Group	$13,260	18.1%	9.8%
7	Farmers Insurance Group	$13,159	18.2%	9.7%
8	American Family Insurance Group	$6,787	19.2%	15.9%
9	Travelers Companies Inc.	$6,558	14.3%	7.3%
10	Nationwide Mutual Group	$5,397	21.1%	9.8%

Source: S&P Global Market Intelligence Ratewatch, Auto Insurance Report

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2023 written premium. That gives rate changes appropriate weight based on how much premium each state represents to the insurer's total. It is an imperfect calculation, but still valuable for strategic analysis of insurer behavior. It also doesn't account for rates put into market that have yet to receive regulatory approval.

State Farm isn't fooling around in its effort to reverse its underwriting failures, which delivered a 94.9% personal auto incurred loss ratio in 2022 and 84.4% in 2023. Our analysis of RateWatch data shows an 18.3% increase in 2023, which certainly helped improve the loss ratio for the first nine months of 2024 to 75.5%. (AIR 12/9/24) Nevertheless, it is still 10 points above the 65.5% industry average, so the 8.7% hike for 2024 might not be enough. For the decade ended 2019 – before the pandemic – State Farm's loss ratio averaged just 2.3 points higher than the industry, so it has a way to go. (AIR 9/2/24)

Progressive has been running away from the competition by doing just about everything better than everyone else, according to recent conversations with executives at most of its competitors. (AIR 11/11/24) Comfortable that it adjusted prices before everyone else and has a clear picture of current claims, Progressive increased rates just 3.0% on average last year, far less than the 7.6% industry average. There is no need for more rate when the personal auto incurred loss ratio lands at 60.0% for the first nine months of 2024, 6.5 points better than the industry. Other big insurers, such as **Farmers** and **Nationwide**, enjoyed that kind of loss ratio, but both were rapidly shrinking their top line while Progressive grew faster than almost every other competitor.

Geico senior managers openly admit they worshipped at the altar of growth for too many years, at the expense of the bottom line. (AIR 9/16/24). Since **Todd Combs** took over as CEO in 2020, the company has completely shifted focus from top line growth to bottom line health. It was easy to stop the growth, but not every insurer can fix its bottom line. Geico has succeeded, with a 66.5% incurred loss ratio in the first nine months of 2024, matching the industry. Geico has among the industry's lowest expense ratios, so matching the loss ratio means the profits are better than the industry average.

That gave Geico the confidence to raise rates just 3.6% in 2024, improving its competitive posture and positioning the insurer, which lost market share in 2024, to possibly return to growth in 2025.

Allstate is an enigma. The company tells Wall Street, and everyone else, that it wants to grow. It has invested heavily in its own core software to find differentiation and advantage in a world where so many insurers rely on third parties. It bought into the independent agency space in early 2021 with the $4 billion acquisition of **National General**, which appears to be working. And yet, it increased rates more than its competitors in 2024, at an average 11.3% compared to 7.6% for the industry.

The larger rate increase might have contributed to Allstate's small decline in market share and slightly higher than average profits for the first nine months of 2024. Allstate has been saying for several years that it is on the verge of breaking out and delivering profitable growth. Could 2025 be the year that it delivers on this elusive promise?

No insurer's rate actions have been more volatile than **USAA's**. In 2023, its 18.0% average rate increase was a third more than the industry average, while in line with many of its large company competitors. In 2024, USAA raised rates just 2.6%, less than all of its top 10 competitors and about one third of the industry national average.

It just might be working, as USAA posted a loss ratio in line with the industry average for the first nine months of 2024 after several years of being far behind. Market share fell just a little. As **John Andrade** takes over as CEO in April, USAA has a chance to reverse its fortunes in 2025. (AIR 1/13/25) AIR

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ried the minimum BI limits with either $5,000 or $10,000 in PD. The legislation requires minimum limits to rise again in 2035 to $50,000/$100,000/$25,000.

CoreLogic's estimates last week put insured wildfire losses in the ballpark of $35 billion to $45 billion. Most of the attention has rightfully focused on the 24 lives lost and more than 12,300 structures damaged or destroyed in the fires as of Jan. 15, according to data from the **California Department of Forestry and Fire Protection**, known as Cal Fire. But before the fires are completely extinguished, they will have charred and melted thousands of vehicles – including high-priced exotic and collector cars in wealthy enclaves– producing substantial losses for insurers that have struggled in recent years to charge high enough premiums, given restrictions on rating factors and a lengthy and arduous regulatory approval process.

Source: Cal Fire

The Palisades fire charred thousands of cars.

"It will be interesting to see what happens after these fires, because I'm looking at car after car gutted," said **Laine Caspi**, owner of **Paratus Insurance Services** in Granada Hills in the San Fernando Valley region of Los Angeles. "There's going be a whole lot of auto losses coming up."

California personal auto insurers generated a 3.3% average annual profit margin for the decade ended 2022 – ranked 41st in the country – and the 2023 loss ratio worsened to 84.1% from 81.1% in 2022 as the countrywide average improved to 75.5% from 80.2%.

This year was supposed to mark the beginning of the turnaround as auto insurance loss trends began to moderate; the CDI granted significant rate increases in 2023 and 2024, ending a pandemic-era moratorium that lasted long after drivers returned to the roads; and Insurance Commissioner **Ricardo Lara** adopted new rules to streamline the rate review process.

In its preliminary assessment of the financial impact of the fires on insurers, the investment banking firm **Keefe, Bruyette & Woods** (KBW) assumed auto physical damage would account for 10% of the overall insured loss, with personal property representing 60% of insured losses and commercial property at 30%. In a report last week, **BMO Capital Markets** assumed auto losses would represent 2% of the total. KBW estimated that **Allstate**, **Travelers** and **Chubb** had the largest exposure to losses from the recent fires. As of Friday, **State Farm**, which insures 250,000 homes and 880,000 cars in Los Angeles County, had begun to process more than 8,300 home and auto claims.

Before the fires, some insurers declared a renewed appetite for taking on new auto insurance customers, though most were still understandably restrained. An early illustration came last summer from Allstate, when **Mario Rizzo**, president of property-liability, told Wall Street analysts that after receiving approval

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to increase rates 30%, "we are now writing in California, and we're spending some marketing dollars there."

Even if insurers' rate need is less urgent than it has been the last two years, the market remains exceptionally challenging.

"Carriers are seeing an improvement in their loss experience, but we're not out of the woods, so everybody seems to be very cautious," said **Dina Campana Smith**, managing director of Western region private client services for broker **Arthur J. Gallagher** and president of the **Independent Insurance Agents & Brokers of California**.


Laine Caspi
Paratus Insurance Services

The situation had grown so bad that insurance carriers took steps to slow business in a state that prohibits them from rejecting applicants who qualify as "good drivers." State law defines good drivers as those who have been licensed for three consecutive years, have no more than one point on their driving record, and were not principally at fault as the driver in an accident that resulted in an injury.

To deter new business without the ability to reject good drivers, insurers stopped advertising, limited how many policies an agency could submit, charged a large upfront premium payment for installment plans, required applicants to complete questionnaires and submit copies of documents, and imposed a lengthy underwriting period that made it impossible to place same-day coverage for new cars.

"A year ago, I couldn't even get you insured if you didn't have insurance. You had a 10- to 14-day wait period before I could even get you covered," said Caspi, who serves on the board of the **American Agents Alliance**. "There were one or two companies writing same day, but almost everybody wanted a hold. They didn't want the business, so they were saying if you need it today, we're not for you."


Dina Campana Smith
Arthur J. Gallagher

In a December 2023 bulletin, Lara warned insurers that he was receiving complaints of practices that appeared to violate state law. He emphasized that insurers are required to bind coverage for a good driver within 15 business days after receiving an application, and they could not change eligibility requirements nor restrict coverages offered in specific geographic areas without submitting the requirements to the CDI as part of their rate filing.

"These waiting periods, questionnaires and other practices may serve as barriers to the acceptance of otherwise qualified drivers and are being used as roadblocks to slow down, restrict, nonrenew or outright refuse auto insurance coverage," according to the bulletin, which threatened enforcement actions.

A year later, the market is still challenging, but things are noticeably better

"I think every company is now writing same day," Caspi said. "I can get you that policy today, which is a huge relief because for at least five of my clients, I said, 'you're going to have to Uber for two weeks. There's literally nothing I can do.'"

As the most populous state with 27.8 million licensed drivers and 35.7 million registered vehicles, California holds great appeal for personal auto insurers, who wrote $36.49 billion in pre-

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mium in 2023. But for all its potential, California presents the nation's most difficult regulatory environment. Proposition 103, the 1988 ballot measure that strictly regulates insurance rates, is one problem; the other is a slow-moving bureaucratic machine that takes so long to approve rates that they are often obsolete before insurers can put them into effect.

Allstate, for example, sought approval for another rate hike soon after the 30% increase went into effect. The May 2024 filing, which is still pending, said the indicated rate need was more than 18%, though the company was seeking less than 7.0%, thus avoiding a mandatory public hearing process.

"We filed an additional 6.9% rate to stay ahead of the loss trend because you don't want to get behind in California," Rizzo said in August.

Proposition 103 calls for rates to be deemed approved in 60 days, but CDI invariably asks carriers to waive the 60-day "deemer" to allow more time. The participation of a consumer group in a rate filing, known as the intervenor process, under Prop 103 can also dramatically increase the time and cost of the rate approval process.

Rex Frazier
PIFC

Regulators, meanwhile, lay some of the blame at the feet of insurers, saying they submit incomplete rate filings, requiring a lengthy back-and-forth. **Rex Frazier**, president of the **Personal Insurance Federation of California**, said rate reviewers sometimes hold filings hostage, slowing down the process unless insurers agree to some other demand on an issue unrelated to the rate filing.

The problem came to a head when Canada-based **Wawanesa General Insurance Co.** – then the state's 13th largest personal auto insurance group – refused to waive the deemer. It finally

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California
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	-4.2	7.6	12.7	5.2	3.0	-0.4	-5.2	-0.1	4.5	3.2	2.6
Personal Auto Phys	-8.4	-0.5	13.6	7.1	7.1	4.0	2.7	4.1	6.1	6.0	4.2
Personal Auto Total	-6.1	4.1	13.1	6.0	4.7	1.6	-1.7	1.7	5.2	4.4	3.3
Comm. Auto Liab	-8.7	-0.2	-4.9	-6.8	-4.6	-5.0	-7.9	-2.8	0.3	4.0	-3.7
Comm. Auto Phys	8.7	10.2	14.9	9.2	6.7	1.3	3.0	1.8	5.3	-0.9	6.0
Comm. Auto Total	-5.3	2.0	-0.9	-3.5	-2.2	-3.2	-5.4	-1.9	1.5	3.0	-1.6
Total All Lines*	9.7	13.8	14.2	16.2	-0.3	-3.1	8.2	9.6	12.0	12.0	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.

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received approval in March 2023 for a 6.4% filing from December 2021 followed by a 30% hike that took effect in May 2023. Four months after receiving those approvals, Wawanesa filed another 6.9% rate request, but rather than wait for the outcome, it sold its U.S. business to the **Southern California Auto Club** in a deal that closed in March 2024.

Since then, things have improved somewhat, with the CDI reviewing rate filings more quickly. New rate review rules provide hope for a much more streamlined process in the future. While most of the regulatory reforms that form Lara's "sustainable insurance strategy" are designed to address the state's property insurance crisis, the reforms that make changes to the rate review process will help auto insurers, too.

Sheri Scott
Milliman

Under the new rate review rules, the CDI has an initial 60 days to review filings, and consumer groups have 45 days after a filing is submitted to intervene. If the CDI doesn't approve the filing within 60 days, regulators can continue their review for up to two additional 30-day periods. When extending the review, the CDI must provide the insurer and any intervener involved a written update on the status of the filing that states what issues have been resolved, what issues remain unresolved, and the CDI's position on those unresolved issues.

After 120 days, the CDI must propose an estimated rate increase that it would be willing to accept, and carriers have 10 days to accept or reject it. If the insurer or intervenor reject the rate proposed by the CDI, the review continues with written updates every 30 days.

"We do look forward to testing the 60-30-30 approach that the commissioner announced," Frazier said. "Who knows if it'll work, but it's certainly better than the current system, which says you waive your deemer or you go to hearing. At least this is a door number three that requires the department to look at a filing at least once a month. That's better than what we have now, when you could not hear from an analyst for two or three months at a time."

Carriers will have to wait to see how the system works. For the new process, CDI is developing a filing portal that includes a data reconciliation tool to ensure rate applications contain all required information without data errors.

"We don't anticipate the portal is going to be ready until the end of 2025," Frazier said.

For now, insurers are hoping that even before the new system is in place that regulators will continue to move rate filings more quickly.

It took close to nine months, on average, to get private passenger auto insurance rate filings approved in 2024, roughly three months longer than in 2023, according to **Sheri Scott**, principal and consulting actuary with **Milliman**. This compares to three to four months in **Florida** and **Texas**, both states with a rigorous approval process and four times the volume of personal auto rate filings. California homeowners filings also take an average nine months to approve, an improvement from 11 months in 2023.

"In a double-digit inflation economy that we are now in, neither private passenger auto nor homeowners insurance rates are sustainable if the insurer needs to wait over a year to seek approval of and implement a rate change," said Scott. "The commissioner finding ways for insurers to more quickly react to changing market conditions and cover all costs of risk transfer will entice insurers back into the California market."

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California
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	$4,697,720	12.9%	98.5%	$4,051,523	12.4%	92.4%	$3,824,085	12.1%	63.6%
Berkshire Hathaway/Geico	$3,985,780	10.9%	85.5%	$3,854,481	11.8%	92.9%	$3,788,985	12.0%	75.5%
Allstate Corp.	$3,733,850	10.2%	91.4%	$3,508,959	10.7%	88.1%	$3,375,694	10.6%	66.2%
Farmers Insurance Group	$3,592,919	9.9%	74.8%	$3,341,723	10.2%	71.9%	$3,250,494	10.3%	60.4%
Auto Club Exchange Group (SoCal)	$3,584,040	9.8%	78.0%	$3,031,824	9.3%	78.5%	$2,857,588	9.0%	61.9%
CSAA Insurance Exchange (NorCal)	$2,871,844	7.9%	80.6%	$2,302,534	7.0%	68.9%	$2,168,226	6.8%	56.3%
Progressive Corp.	$2,346,713	6.4%	77.6%	$1,943,371	5.9%	72.6%	$1,895,825	6.0%	68.2%
Mercury General Corp.	$2,299,537	6.3%	70.1%	$2,120,415	6.5%	73.1%	$2,262,252	7.1%	56.5%
USAA Insurance Group	$1,790,225	4.9%	86.2%	$1,580,753	4.8%	89.6%	$1,517,628	4.8%	71.8%
Kemper Corp.	$1,605,507	4.4%	99.0%	$1,896,954	5.8%	73.1%	$2,145,741	6.8%	75.3%
Liberty Mutual	$960,740	2.6%	70.7%	$929,830	2.8%	70.9%	$858,971	2.7%	58.0%
American Family Insurance Group	$675,086	1.9%	110.6%	$580,311	1.8%	102.3%	$515,500	1.6%	73.8%
Wawanesa General Insurance Co.	$632,689	1.7%	90.8%	$530,283	1.6%	103.0%	$524,713	1.7%	74.7%
Travelers Companies Inc.	$474,426	1.3%	79.8%	$422,096	1.3%	77.7%	$392,315	1.2%	61.3%
Markel Corp.	$466,379	1.3%	78.1%	$305,897	0.9%	53.6%	$199,284	0.6%	97.9%
Nationwide Mutual Group	$460,973	1.3%	84.0%	$475,547	1.5%	82.5%	$509,366	1.6%	66.2%
Aspire General Insurance Co.	$334,102	0.9%	59.7%	$141,269	0.4%	63.3%	$93,650	0.3%	62.2%
Sentry Insurance Mutual	$228,812	0.6%	61.4%	$169,492	0.5%	57.1%	$138,849	0.4%	51.3%
California Casualty	$200,866	0.6%	74.0%	$158,190	0.5%	75.7%	$156,675	0.5%	60.7%
Loya Insurance	$177,688	0.5%	60.2%	$163,753	0.5%	62.6%	$166,137	0.5%	62.1%
Hartford Financial Services	$175,638	0.5%	92.2%	$174,965	0.5%	64.8%	$184,834	0.6%	55.3%
Anchor Ins Holdings Inc.	$145,644	0.4%	68.5%	$110,174	0.3%	72.6%	$87,223	0.3%	74.8%
Amica Mutual Insurance Co.	$111,241	0.3%	89.7%	$101,261	0.3%	77.8%	$73,754	0.2%	51.3%
Chubb Ltd.	$77,422	0.2%	85.3%	$69,435	0.2%	57.3%	$60,162	0.2%	44.3%
Mapfre	$76,063	0.2%	75.3%	$93,589	0.3%	82.5%	$57,685	0.2%	60.9%
Tokio Marine Group/PURE	$66,259	0.2%	72.1%	$61,203	0.2%	72.1%	$55,541	0.2%	61.7%
Brookfield Reinsurance/American Nat'l	$57,533	0.2%	89.3%	$48,029	0.2%	84.9%	$42,876	0.1%	66.7%
Auto-Owners Insurance	$57,446	0.2%	64.7%	$53,527	0.2%	50.5%	$56,343	0.2%	53.0%
Lemonade Inc./Metromile	$54,342	0.2%	97.8%	$60,083	0.2%	87.8%	$63,734	0.2%	71.8%
LD Investments, LLC	$53,584	0.2%	50.5%	$3,480	0.0%	75.9%	$1,494	0.0%	42.7%
Horace Mann Educators Corp.	$52,825	0.1%	74.8%	$50,302	0.2%	81.2%	$49,733	0.2%	66.0%
Merfax Financial/Redpoint County Mutl	$51,973	0.1%	70.3%	$10,374	0.0%	102.9%	$1,543	0.0%	125.6%
Nations Insurance Co.	$37,920	0.1%	62.9%	$30,050	0.1%	70.5%	$23,992	0.1%	61.9%
Randall & Quilter Investment Holdings	$34,722	0.1%	74.4%	$10,139	0.0%	71.8%	$3,798	0.0%	66.4%
Grange Insurance Assn.	$29,246	0.1%	70.6%	$25,450	0.1%	72.5%	$24,803	0.1%	70.2%
Tiptree Inc.	$28,936	0.1%	97.4%	$34,487	0.1%	76.1%	$36,438	0.1%	82.8%
Knight Insurance Group	$27,918	0.1%	59.4%	$27,633	0.1%	85.2%	$17,840	0.1%	56.2%
Safeway Insurance	$27,077	0.1%	70.0%	$27,293	0.1%	79.5%	$24,761	0.1%	60.2%
American International Group	$24,350	0.1%	55.5%	$28,672	0.1%	73.7%	$44,382	0.1%	40.6%
Statewide Totals	$36,494,139		84.1%	$32,701,447		81.1%	$31,715,580		65.5%

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.

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In 2023, the top 14 personal auto groups were approved to increase rates an average 7.9% followed by 16.2% in 2024, according to RateWatch from **S&P Global Market Intelligence**. (See story on page 1.) State Farm, the state's largest writer, is increasing rates an average 17.7% for renewals effective Jan. 31 after an average 21.0% hike last year. State Farm initially filed for a 23.4% hike in personal auto rates, but it reduced the increase to 17.7% in a settlement with CDI and **Consumer Watchdog**, the main consumer group that intervenes on behalf of con-

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California 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.	$918,857	12.4%	119.4%	$840,578	11.7%	93.6%	$863,300	14.1%	67.1%
CSAA Insurance Exchange (NorCal)	$502,880	6.8%	94.5%	$379,074	5.3%	81.3%	$874	0.0%	0.0%
Travelers Companies Inc.	$460,334	6.2%	75.7%	$420,360	5.9%	61.9%	$393,285	6.4%	52.5%
Fairfax Financial	$396,312	5.3%	74.2%	$325,052	4.5%	69.0%	$153,512	2.5%	56.9%
Berkshire Hathaway Inc.	$346,886	4.7%	88.1%	$269,590	3.8%	57.4%	$247,291	4.1%	60.2%
Old Republic International Corp.	$283,625	3.8%	92.4%	$260,950	3.6%	84.9%	$237,422	3.9%	72.3%
Kemper Corp.	$247,091	3.3%	75.9%	$258,854	3.6%	64.7%	$206,560	3.4%	62.2%
Utica National Insurance Group	$245,932	3.3%	81.2%	$193,518	2.7%	80.7%	$181,515	3.0%	64.1%
Zurich Insurance Group	$234,249	3.2%	112.9%	$210,307	2.9%	92.5%	$182,936	3.0%	101.1%
Nationwide Mutual Group	$222,033	3.0%	73.8%	$287,205	4.0%	64.3%	$300,229	4.9%	68.4%
State Farm Mutual	$185,200	2.5%	153.5%	$162,110	2.3%	119.7%	$138,205	2.3%	66.4%
Hartford Financial Services	$173,518	2.3%	85.6%	$149,895	2.1%	77.5%	$115,627	1.9%	61.3%
Chubb Ltd.	$165,855	2.2%	88.4%	$235,756	3.3%	68.6%	$161,344	2.6%	71.2%
Liberty Mutual	$159,692	2.2%	98.0%	$186,912	2.6%	78.6%	$195,405	3.2%	60.5%
Southlake Financial Holdings LLC	$138,338	1.9%	68.6%	$75,747	1.1%	62.4%	na	na	na
Farmers Insurance Group	$131,848	1.8%	69.3%	$139,924	2.0%	60.1%	$146,018	2.4%	60.1%
Great American Insurance	$131,533	1.8%	75.9%	$137,226	1.9%	59.1%	$112,937	1.9%	36.5%
American International Group	$129,164	1.7%	64.2%	$116,063	1.6%	66.3%	$103,917	1.7%	91.6%
Tokio Marine	$126,382	1.7%	79.5%	$112,384	1.6%	71.5%	$100,363	1.6%	81.4%
AmTrust Financial Services	$117,531	1.6%	89.4%	$115,966	1.6%	72.8%	$103,291	1.7%	68.7%
Sentry Insurance Mutual	$112,300	1.5%	84.7%	$96,949	1.4%	65.0%	$74,569	1.2%	54.7%
W. R. Berkley Corp.	$92,862	1.3%	65.2%	$83,031	1.2%	57.4%	$67,563	1.1%	62.6%
Allstate Corp.	$87,852	1.2%	139.2%	$265,169	3.7%	141.2%	$240,343	3.9%	88.4%
CNA Financial Corp.	$77,309	1.0%	96.3%	$61,960	0.9%	0.3%	$57,319	0.9%	74.3%
Everest Re Group Ltd.	$75,478	1.0%	89.6%	$70,844	1.0%	61.0%	$69,590	1.1%	59.1%
AXA SA	$68,767	0.9%	228.0%	$57,097	0.8%	276.3%	$29,378	0.5%	246.7%
Arch Capital Group Ltd.	$67,893	0.9%	98.9%	$51,373	0.7%	67.6%	$52,268	0.9%	69.7%
Federated Mutual Group	$67,696	0.9%	56.9%	$61,481	0.9%	62.5%	$67,768	1.1%	55.5%
Statewide Totals	$7,428,404		92.7%	$7,172,248		81.1%	$6,105,053		69.7%

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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sumers in the rate review process.

Policyholders who previously purchased limits lower than the current requirement are facing even larger increases in their auto insurance bills, especially if they buy from nonstandard carriers that specialize in low-limits policies.

Mitchell Paden, senior consulting actuary with **Perr & Knight**, estimated that drivers buying minimum limits from nonstandard writers face an average 42% increase for BI coverage, and a 24% increase for BI coverage from top 20 insurers.

Ricardo Lara
California Insurance Commissioner

For drivers moving from the common $25,000/$50,000 BI limit to the new minimum, premiums are increasing an average 11% for nonstandard writers and 6% for the top 20 carriers.

For those increasing PD liability from the previous $5,000 limit, premiums are up close to 31% for nonstandard writers and nearly 20% for the top 20 writers.

The fastest-growing nonstandard specialist is **Aspire General Insurance Co.**, which soared into the California's top 20 personal auto insurance groups in 2023, more than doubling its statewide premiums to $334.1 million and its market share to just under 1.0%. (See AIR 9/30/24 for more on the nonstandard market.) Aspire grew 74.8% to $406.4 million in personal auto premium – almost all of it in California – in the first nine months of 2024 compared to 2023.

In his review of filings, Paden was struck by the great variance in new rates charged by different nonstandard programs in response to

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California Snapshot

Regulator: Insurance Commissioner Ricardo Lara
Rate regulation: prior approval
Average rate approval time (2023): 268 days
U.S. average: 70 days

Size of personal auto market: $36.49 billion (2023 DPW) Rank:1st
Average policy expenditure: $1,087 (2022)
Rank: 18th
Auto Insurance Report PAIN Index rank: 44th (2022)
Property Insurance Report HURT Index rank: 32nd (2021)

Auto registrations: 13.8 million (2022)
Truck registrations: 16.4 million (2022)
Vehicle miles traveled (VMT): 315.24 billion (2022)
Traffic fatalities: 1.40 per 100 million VMT; U.S.: 1.33 (2022)
Vehicle thefts: 512.2 per 100,000 residents; Region: 520.2 (2023)

Liability defense: pure comparative fault
Minimum Insurance Requirements:
BI: $30,000/$60,000 • PD: $15,000

Safety Laws
Ban on handheld use of a cellphone while driving; cellphone ban for drivers under 18
Primary safety belt law
Motorcycle helmets required for all riders
Red-light and speed-enforcement cameras allowed by state law

Demographics
Population: 39.4 million (2024)
Change 2010-2020: 6.1%, U.S.: +7.4%
Median household income (avg. 2019-2023): $96,334; U.S.: $78,538
Population density: 253.7 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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the change in limits.

"It's a new world for them. Their entire existence is at those minimum limits," Paden said. "I think there's going to be a lot of jockeying for position in the next six months. It could potentially be a rude awakening for some."

The new California legislative session could include a renewed push for more robust use of telematics. Assembly Member **Tina McKinnor** introduced a resolution last year urging Lara to consider allowing their use in auto insurance pricing so that consumers can benefit from safe driving incentives.

California Assembly Member Tina McKinnor

The resolution emphasized the potential safety benefits that could derive from the use of devices that monitor driving behavior. In addition, the resolution noted that the traditional driving records that are the mainstay of pricing under Proposition 103 can be unfair to minority drivers.

"Moving violations only account for part of a driver's overall behavior, and there is a public concern about differing traffic enforcement rates for minorities, as showcased in recent research by **Stanford** and **Harvard** universities," according to the resolution. "California should allow drivers to choose to have their insurance premiums be based in part on actual driving behaviors as measured through a safe driver incentive program to reduce the emphasis on traffic stops and moving violations."

The resolution did not gain any traction, in part because it was introduced late in the session, Frazier said. "All indications are that McKinnor would reintroduce that resolution and start push-

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