

AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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THE GRAPEVINE

Preliminary NAIC Data Shows Modest Growth

The **National Association of Insurance Commissioners** reports less than 3% growth in 2019 personal auto direct premium written, to about \$253 billion, with a loss ratio holding stable from 2018 at about 64.5%.

The report, available on the [NAIC website](#), captures data from 97.7% of company filings, and includes premium written by U.S. carriers in Canada and U.S. territories, but it is very close to what the final numbers will be. We will be publishing our more detailed first look at the data in a few weeks when more companies file, but this early glimpse reveals some powerful trends.

As we reported last week,

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Data Flowing to Rate Call One, Improving Accuracy and Sales Discounted Tools Break Pricing Logjam

The insurance industry's leading vendors are pioneering new products and pricing to bring more data to the very first quote offered to a consumer shopping online.

By offering deep discounts on real data that can be used for quoting but not for binding, the vendors are enabling insurers to gain insights into credit scores, driving records, loss history, prior insurance and more in the initial quoting process.

When shoppers decide they want to buy, then the insurer reaches back to the vendor and pays full price for the traditional data sets necessary to create a bindable quote. **Verisk, TransUnion, LexisNexis and Equifax** (credit only) all have variations on this theme.

One of the insurance industry's bigger challenges in selling online has been how to offer accurate price quotes to shoppers who are just kicking the tires without a clear in-

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Kansas Facing Uncertainty As Court Lifts Cap on Damages

The **Kansas Supreme Court's** decision last summer to throw out caps on noneconomic damages has left regulators and insurers searching for ways to head off potential problems.

"I think the concern is the decision, as it was written, left a lot of uncertainty," said **Hilary Segura** of the **American Property Casualty Insurance Association**. "Insurance companies do not care for uncertainty."

This uncertainty shifts the dynamic in a market that insurers view as stable and profitable, despite a propensity for hail damage and a spike in auto thefts. Kansas was among the top five states for hail claims in 2016 to 2018, according to the **National Insurance Crime Bureau (NICB)**.

The Supreme Court ruling came in the case of *Hilburn*

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tent to buy. The data used for accurate underwriting and pricing has been too expensive to use in these initial quotes, so insurers were stuck using estimates.

The new tools solve two problems. The first is reducing the number of customers who receive a preliminary quote, often called “rate call one,” that is substantially different from the final quote because the first quote did not incorporate a full data set that might have included a poor credit score, a bad driving record or additional operators in the household. While insurers are careful to communicate that the initial price is only an estimate, more than a few customers complain that the change is a “bait and switch,” even though the higher price is usually the result of a

Bringing data forward not only improves accuracy, but it also increases speed, ease and thus retention.

shopper forgetting an important factor, or intentionally trying to game the system.

Moving more data to the front of the process solves a second problem by presenting the quote much more quickly without the customer having to enter too much information. In addition to being faster, prefilled data is more accurate than self-reported data.

This prefill component of the evolving tools has become even more important as the vast majority of online shopping moves from desktop to mobile devices, which have smaller screens and may be used far from the places where customers store the information insurers ask for when creating a quote.

The apotheosis of these tools would be the ability to deliver an extremely accurate quote based on just one or two pieces of personal information, such as a Social Security number, name and address, etc., or simply in response to a text.

When it works, everyone wins. The customer

gets a more accurate price more quickly. Insurers get better close ratios and far less friction. Vendors make more money by selling a new data set and tools. The tricky part is getting this to work in a cost-effective way, requiring flexibility on pricing among vendors and insurers.

For many years, insurers and vendors have worked off fairly standard pricing lists, with volume discounts. If a vendor gave one insurer a discount, there would be hell to pay if that discount was not offered to everyone. That doesn't mean it didn't happen, but it was tough to have custom pricing.

These new tools challenge the pricing status quo in two ways.

Most obviously, it is hard to calculate exactly how much they're worth to insurers. These evolving products have clear benefits, but they're not yet widely used and their history is short. We're confident vendors know how much it costs to provide the data. But it will take time for insurers to understand the real value of this data, and therefore exactly how much they are willing to pay. For a time, both insurers and vendors will have to show flexibility in determining prices for data being pushed to the first quote.

A second factor that comes into play in pricing is the different business models insurers employ. Some carriers cast a wide net, offering quotes to a large number of shoppers and happily living with a relatively low conversion rate. Other insurers invest in targeting their marketing more tightly, trying hard to attract only those shoppers who will convert into customers at a relatively high rate. How much an insurer is willing to pay for data to offer a more accurate initial quote depends on which model it uses.

Now that insurers know more about who online shoppers are and where they are in their shopping journey, they are more willing to invest in more robust data for an initial quote.

Companies such as **Jornaya** help insurers track shoppers through their online journey and

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make data decisions accordingly. If someone has been seen shopping for a few weeks, visiting half a dozen sites, they are likely to be close to a decision and may be worthy of a bigger investment than someone who just appeared in the shopping world for the first time.

Under the requirements of the Fair Credit Reporting Act (FCRA), the data provided for initial quotes typically cannot be used to bind a policy. Ultimately, this helps ensure that the vendors won't wind up gutting their business by selling discounted preliminary data, since carriers will be forced to come back and get the real thing in order to comply with FCRA.

Vendors are using two types of data in these preliminary pricing tools.

The first are advanced predictors that look at a range of non-FCRA data and create proxy credit scores, driving scores, and more. While not the real thing, advances in data science have made these tools extremely accurate and usable for an ever-growing segment of the shopping population. Some of these tools were initially developed to help insurers decide if they should pull data reports at all. For example, for several years insurers have utilized tools that assess whether it is worth the money to pull a driving record from states with high costs.

The second type is FCRA data, such as an actual full-blown credit score, but with limitations on use beyond developing an initial quote. (For example, you can't use these tools to take adverse actions, such as a rejection.) The insurer pulls the score, uses it for preliminary pricing, and if the customer decides to buy, the insurer then pays for the traditional report and score.

The tools pushing more insights into the quote process have been in development for a long time. Five years ago, we wrote about an effort by some of the shopping aggregator sites to have the aggregator buy the credit report, share it with the four or five insurers offering prices to a shopper, and then having the winning insurer

pick up the cost when a sale took place. Vendors spent money to make it happen, but it never got off the ground. (See AIR 3/23/15)

Verisk – merging data from Equifax and its own internal data on driving records, coverage, claims history and more – is probably the most aggressive in preliminary quoting as it gains traction with a product called LightSpeed.

Armed with its insurance prequalification score and court record violation data from its DriverRisk tool, TransUnion has been providing data to insurers earlier in the process for several years.

LexisNexis has a delivery platform designed to pull data at the various points of quoting based on the insurer's strategy. The company

Finding the right price for the new data tools will require flexibility by both insurers and their vendors.

works with customers that want to bring more data forward, including credit, loss data and motor vehicle record predictors. It also offers data that helps the insurer better know the customer they are dealing with and the vehicles that may be in the household. Another product, called Comparative Credit, was introduced a few years ago to help support online shopping aggregators, though insurers have not shown much interest.

Independent of its partnership with Verisk, Equifax is offering insurers a product called InitialQuote Score, which provides a credit/insurance score that can be used for preliminary pricing, with the full report being purchased only when the customer buys the policy.

While all of these tools are in use today, none have reached full maturity. As insurers get better at measuring shopping behavior and the impact of various data points on sales, they'll be better able to guide data suppliers on what they need and what they're willing to pay. We're sure the vendors will remain only too happy to help. [AIR](#)

Kansas Personal Auto Insurers

Groups Ranked by Total 2018 Direct Premium Written (000)

Group Name	2018 Premium	Mkt share 2018	Loss Ratio 2018	2017 Premium	Mkt share 2017	Loss Ratio 2017	2016 Premium	Mkt share 2016	Loss Ratio 2016
State Farm Mutual	\$374,633	19.2%	55.1%	\$374,079	20.2%	64.4%	\$351,343	20.4%	68.3%
American Family Insurance Group	\$241,193	12.4%	59.1%	\$227,157	12.3%	65.6%	\$212,022	12.3%	64.2%
Progressive Corp.	\$225,248	11.6%	60.4%	\$199,252	10.8%	59.4%	\$181,432	10.5%	67.8%
Farm Bureau Financial Services	\$145,316	7.5%	62.8%	\$138,914	7.5%	65.0%	\$133,509	7.7%	61.9%
Farmers Insurance Group	\$116,335	6.0%	47.8%	\$119,885	6.5%	54.0%	\$120,459	7.0%	61.5%
Allstate Corp.	\$113,021	5.8%	82.4%	\$106,161	5.7%	57.3%	\$98,668	5.7%	63.9%
Berkshire Hathaway/GEICO	\$112,168	5.8%	76.5%	\$91,086	4.9%	71.8%	\$76,533	4.4%	70.3%
USAA Insurance Group	\$109,177	5.6%	70.4%	\$102,544	5.6%	71.9%	\$95,200	5.5%	77.2%
Nationwide Mutual Group	\$82,379	4.2%	53.9%	\$81,476	4.4%	62.5%	\$79,724	4.6%	67.8%
Travelers Companies Inc.	\$68,404	3.5%	57.9%	\$61,409	3.3%	64.4%	\$50,334	2.9%	61.1%
Shelter Insurance	\$62,323	3.2%	61.0%	\$58,031	3.1%	67.9%	\$53,636	3.1%	80.0%
Liberty Mutual	\$55,693	2.9%	50.5%	\$61,418	3.3%	57.6%	\$61,766	3.6%	55.7%
Auto Club Exchange Group (SoCal)	\$20,006	1.0%	57.4%	\$18,853	1.0%	70.5%	\$18,363	1.1%	65.4%
Traders Insurance Co.	\$19,335	1.0%	65.8%	\$16,418	0.9%	67.3%	\$11,843	0.7%	64.3%
Farmers Alliance Cos	\$18,935	1.0%	51.9%	\$15,894	0.9%	67.4%	\$14,056	0.8%	68.9%
MetLife Inc.	\$18,538	1.0%	52.3%	\$16,085	0.9%	53.9%	\$13,641	0.8%	59.0%
Key Insurance Co.	\$17,906	0.9%	69.0%	\$18,047	1.0%	65.8%	\$17,512	1.0%	69.9%
Hartford Financial Services	\$13,283	0.7%	53.6%	\$15,004	0.8%	62.0%	\$16,756	1.0%	75.5%
State Auto Insurance Companies	\$12,972	0.7%	89.2%	\$13,907	0.8%	58.7%	\$13,881	0.8%	70.3%
Auto-Owners Insurance	\$12,789	0.7%	63.3%	\$8,893	0.5%	95.8%	\$5,097	0.3%	55.3%
Sentry Insurance Mutual	\$11,260	0.6%	52.6%	\$10,036	0.5%	55.7%	\$8,864	0.5%	59.3%
CSAA Insurance Exchange (NorCal)	\$9,677	0.5%	63.8%	\$11,378	0.6%	73.1%	\$11,537	0.7%	104.8%
Chubb Ltd.	\$6,908	0.4%	60.9%	\$6,373	0.3%	80.2%	\$5,984	0.4%	80.7%
Country Financial	\$6,878	0.4%	73.5%	\$6,265	0.3%	86.5%	\$5,730	0.3%	88.9%
Columbia Insurance	\$6,849	0.4%	46.0%	\$7,297	0.4%	58.1%	\$8,223	0.5%	74.6%
QBE Insurance Group Ltd.	\$5,799	0.3%	48.9%	\$5,802	0.3%	57.3%	\$5,868	0.3%	54.9%
Markel Corp.	\$5,655	0.3%	34.2%	\$4,896	0.3%	37.5%	\$4,212	0.2%	34.3%
Goodville & German Mutual Group	\$5,406	0.3%	55.0%	\$4,922	0.3%	61.1%	\$4,570	0.3%	71.0%
Acuity Mutual	\$5,362	0.3%	51.4%	\$4,537	0.3%	72.7%	\$4,149	0.2%	48.7%
Cincinnati Financial Corp.	\$4,594	0.2%	64.3%	\$4,578	0.3%	56.0%	\$4,596	0.3%	62.5%
Buckeye Insurance	\$4,255	0.2%	62.1%	\$4,388	0.2%	76.4%	\$4,652	0.3%	75.8%
American National Insurance	\$4,179	0.2%	76.6%	\$3,974	0.2%	64.1%	\$3,640	0.2%	69.8%
Kemper Corp.	\$3,871	0.2%	45.2%	\$3,617	0.2%	55.0%	\$4,419	0.3%	59.0%
Safe Auto Insurance Co.	\$3,825	0.2%	60.6%	\$3,092	0.2%	51.8%	\$1,821	0.1%	53.0%
BIC Holdings LLC	\$3,769	0.2%	10.3%	\$4,079	0.2%	67.6%	\$3,546	0.2%	86.4%
North Star Mutual Insurance Co.	\$3,012	0.2%	72.1%	\$1,215	0.1%	68.0%	\$46	0.0%	21.1%
Amica Mutual Insurance Co.	\$2,866	0.2%	46.8%	\$2,627	0.1%	58.4%	\$2,308	0.1%	59.8%
Upland Mutual Insurance Inc.	\$2,475	0.1%	48.5%	\$2,170	0.1%	58.4%	\$2,001	0.1%	63.0%
California Casualty	\$2,342	0.1%	55.4%	\$2,365	0.1%	69.0%	\$2,508	0.2%	69.1%
Statewide Totals	\$1,950,317		60.4%	\$1,848,756		63.5%	\$1,725,608		66.7%

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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v. Enerpipe, involving plaintiff **Diana K. Hilburn**, who was injured when her car was hit from behind by a semi-truck in November 2010.

She sued Enerpipe, which owned the truck, alleging driver negligence. Jurors awarded her \$335,000 in damages, including \$302,509 for noneconomic losses.

State law then capped awards for noneconomic losses at \$250,000. The cap has since increased under a schedule previously adopted by the legislature. It rose to \$325,000 and was scheduled to go to \$350,000 in 2022.

The judge in Hilburn's case reduced the award to bring it into compliance with the \$250,000 cap in effect at the time. Hilburn appealed on the grounds that the cap was unconstitutional. After the state Court of Appeals ruled against her, she appealed to the state Supreme Court.

The **Kansas Chamber of Commerce**, among others, urged the high court to leave the cap intact, citing what it described as the success

of tort reform legislation as far back as the 1970s and 1980s.

“Due in no small part to these tort reforms, the legal environment in Kansas has stabilized over the past 30 years, and as a result, Kansans have come to expect and enjoy a vibrant economic marketplace,” the chamber wrote in an amicus brief.

“Eliminating the statutory limit for recovery of noneconomic damages would reward only some unknown claimants at the expense of all other Kansans who would face the risk of higher insurance costs, more uninsured defendants, and diminished economic opportunities.”

But last June, the state Supreme Court handed down the opinion that has insurers bracing for the effects. The high court ruled that the cap violated the state Constitution's right to a jury trial.

“Allowing this substitutes the legislature's nonspecific judgment for the jury's specific judgment,” the decision stated. “The people deprived the legislature of that power when they made the

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

Line of Business	2018 Total Profit	2017 Total Profit	2016 Total Profit	2015 Total Profit	2014 Total Profit	2013 Total Profit	2012 Total Profit	2011 Total Profit	2010 Total Profit	2009 Total Profit	Avg Total Profit
Personal Auto Liab	8.2	6.9	3.0	5.9	6.9	7.9	7.4	9.2	10.6	4.3	7.0
Personal Auto Phys	13.6	7.2	4.0	8.4	8.8	1.6	6.0	-6.6	9.3	3.7	5.6
Personal Auto Total	10.7	7.0	3.5	7.1	7.8	4.8	6.8	1.6	10.0	4.0	6.3
Comm. Auto Liab	12.5	13.0	7.6	8.0	13.0	12.5	18.2	10.3	24.5	14.7	13.4
Comm. Auto Phys	6.8	4.3	4.0	4.4	3.0	-2.7	-4.0	-12.4	5.0	1.2	1.0
Comm. Auto Total	10.3	9.5	6.1	6.6	9.0	6.6	9.8	1.9	17.6	9.8	8.7
Total All Lines*	17.0	14.9	16.0	17.5	12.9	6.6	0.9	-6.5	16.3	7.2	10.3

*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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right to trial by jury inviolate.”

Kansas has had some form of limitation on noneconomic damages in certain cases since 1986 when the law applied only to medical malpractice cases, according to research prepared for the state legislature. The cap was extended to all personal injury cases the following year.

After the state Supreme Court raised questions about the cap, lawmakers in 2014 passed a

measure phasing in the increases.

The *Hilburn* ruling has left legislators, insurance industry advocates and the business community looking for a remedy to prevent an explosion in large jury awards that could raise insurance rates and hurt businesses. Possibilities include passage of a law that would stand up to court scrutiny or an amendment to the state Constitution.

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Kansas Commercial Auto Insurers

Groups Ranked by Total 2018 Direct Premium Written (000)

Group Name	2018 Premium	Mkt share 2018	Loss Ratio 2018	2017 Premium	Mkt share 2017	Loss Ratio 2017	2016 Premium	Mkt share 2016	Loss Ratio 2016
Nationwide Mutual Group	\$35,205	9.9%	65.7%	\$35,781	10.7%	53.5%	\$35,723	11.5%	52.9%
Progressive Corp.	\$28,786	8.1%	59.3%	\$23,467	7.0%	79.3%	\$20,683	6.6%	64.3%
Travelers Companies Inc.	\$26,994	7.6%	63.0%	\$24,407	7.3%	62.5%	\$22,475	7.2%	65.1%
Old Republic Insurance	\$26,649	7.5%	55.1%	\$25,010	7.5%	55.6%	\$21,601	6.9%	52.0%
EMC Insurance	\$24,721	7.0%	51.6%	\$24,212	7.3%	33.9%	\$23,580	7.6%	62.8%
Great American Insurance	\$14,747	4.2%	79.8%	\$15,239	4.6%	64.5%	\$14,241	4.6%	64.2%
Berkshire Hathaway Inc.	\$14,536	4.1%	45.8%	\$10,951	3.3%	46.9%	\$9,493	3.1%	57.8%
Zurich Insurance Group	\$10,829	3.1%	32.6%	\$13,341	4.0%	77.1%	\$10,994	3.5%	36.8%
Motors Insurance Corporation	\$10,705	3.0%	95.2%	\$8,708	2.6%	72.1%	\$6,907	2.2%	61.6%
Liberty Mutual	\$8,472	2.4%	67.6%	\$8,551	2.6%	82.4%	\$7,673	2.5%	66.4%
W. R. Berkley Corp.	\$8,000	2.3%	48.4%	\$11,514	3.5%	67.5%	\$12,469	4.0%	55.3%
United Fire Group Inc.	\$7,759	2.2%	61.9%	\$7,308	2.2%	48.6%	\$6,180	2.0%	77.5%
Cincinnati Financial Corp.	\$7,547	2.1%	64.6%	\$6,996	2.1%	60.7%	\$6,413	2.1%	69.0%
Auto-Owners Insurance	\$7,160	2.0%	74.8%	\$5,995	1.8%	42.8%	\$4,286	1.4%	74.9%
Chubb Ltd.	\$7,098	2.0%	55.6%	\$5,415	1.6%	30.5%	\$5,364	1.7%	26.1%
Farm Bureau Financial Services	\$6,876	1.9%	49.3%	\$6,045	1.8%	62.2%	\$5,712	1.8%	56.3%
Sentry Insurance Mutual	\$6,821	1.9%	45.1%	\$5,795	1.7%	106.8%	\$5,584	1.8%	65.6%
Tokio Marine	\$6,639	1.9%	136.2%	\$6,261	1.9%	69.1%	\$5,774	1.9%	100.1%
State Farm Mutual	\$6,350	1.8%	73.6%	\$6,296	1.9%	40.5%	\$6,115	2.0%	51.4%
Federated Insurance	\$5,563	1.6%	29.8%	\$4,245	1.3%	33.8%	\$4,292	1.4%	22.7%
Acuity Mutual Insurance	\$5,247	1.5%	47.7%	\$3,853	1.2%	160.3%	\$2,758	0.9%	51.9%
Hartford Financial Services	\$4,731	1.3%	23.8%	\$4,531	1.4%	27.2%	\$4,500	1.5%	50.9%
IAT Insurance	\$4,652	1.3%	45.9%	\$4,773	1.4%	58.9%	\$5,328	1.7%	86.3%
State Auto Insurance Companies	\$4,573	1.3%	51.9%	\$4,410	1.3%	80.0%	\$4,211	1.4%	46.4%
CNA Financial Corp.	\$4,327	1.2%	38.7%	\$3,766	1.1%	32.8%	\$3,011	1.0%	23.3%
Statewide Totals	\$355,593		59.9%	\$333,580		61.5%	\$311,263		62.5%

Source: S&P Global Market Intelligence and the *Auto Insurance Report* database.

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The Kansas Chamber of Commerce “is looking into a variety of options to improve our legal climate,” said **Sherriene Jones-Sontag**, vice president of communications. The chamber supports legislation that would cap attorney fees, regulate legal advertising and require disclosure when third parties finance litigation. “Unfortunately, given the pace of the session, we don’t believe these bills will be heard by the Senate committee,” Jones-Sontag said.

The chamber made dire predictions about the impact of the decision. “That ruling threw out more than 30 years of how Kansas has approached insurance,” said chamber President and CEO **Alan Cobb**. “All Kansas citizens – families, senior citizens, small business owners – will foot the bill through higher insurance premiums as liability becomes more unpredictable for insurance carriers to plan for and to provide.”

The exact effect of the court decision is not yet known, however. And one insurance company representative said that so far it has not become an issue for auto insurance policies, which typically limit coverage amounts in any event.

It will likely come into play in umbrella lines of insurance, which have higher coverage limits. The pressure is “not being felt yet,” the company representative said. “Currently, today, it’s not in my mind a show stopper.”

But **Marlee Carpenter**, lobbyist for the **Kansas Association of Property and Casualty Insurance Companies**, said the ruling is “very concerning.” She added, “We anticipate there will be rate increases, considerable rate increases, in all kinds of insurance.”

Insurance advocates are still seeking legislative changes to address another court ruling from 2014. In the case of *Bussman v. Safeco Insurance Co.*, the state Supreme Court expanded the application of a statute that awarded plaintiffs at-

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Kansas Snapshot

Regulator: Commissioner Vicki Schmidt

Rate regulation: flex band for changes +/-12%

Size of personal auto market: \$1.95 billion (2018 DPW) Rank: 34th

Average policy expenditure: \$714 (2016)

Rank: 39th

Auto Insurance Report PAIN Index rank:

36th (2016)

Property Insurance Report HURT Index rank:

8th (2017)

Auto registrations: 987,259 (2017)

Truck registrations: 1.6 million (2017)

Vehicle miles traveled (VMT): 32.19 billion (2018)

Traffic fatalities: 1.26 per 100 million VMT;

U.S.: 1.13 (2018)

Vehicle thefts: 269.4 per 100,000 residents;

Region: 236.9 (2018)

Liability defense: modified comparative fault, 50% bar

Minimum Insurance Requirements:

BI: \$25,000/\$50,000 • PD: \$25,000 • PIP: \$4,500 • UM/UIM: \$25,000/\$50,000

Safety Laws

Texting ban for all drivers; cellphone ban for novice drivers

Graduated licensing

Primary seat belt law

Motorcycle helmets required for riders under 18

Demographics

Population: 2.9 million (2019 est.)

Change 2010-2019: +2.1%, U.S.: +6.3%

Median household income (avg. 2014-2018):

\$57,422; U.S.: \$60,293

Population density: 34.9 per square mile;

U.S.: 87.4 per square mile (2010)

Sources: S&P Global Market Intelligence; NAIC;

U.S. Dept. of Transportation; NAMIC; U.S.

Census; Insurance Institute for Highway Safety;

FBI; Matthiesen, Wickert & Lehrer

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State Market Focus: KANSAS

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torneys fees in certain property insurance cases. The court extended that provision to other lines of insurance, including auto.

Efforts to address that ruling over the years since have, thus far, failed to produce results. Segura said the issue remains a priority. "There is a need to bring back the scope of the statute to apply to just property damage claims as it was intended," she said.

Lawmakers are also looking into some other auto insurance issues, including insurance related to peer-to-peer car rental transactions.

Proposed legislation would adopt the provisions of a model act crafted by the **National Council of Insurance Legislators (NCOIL)**. The model requires both the owner and driver of

Auto thefts have been rising twice as quickly in Kansas as nationally, sparking introduction of new legislation.

the shared vehicle to be insured. It sets standards for the amount of coverage, among other provisions. Carpenter said her organization supports the proposal. "We just need to know what the rules are," she explained.

Segura said the legislation is "clarifying the guidelines for insurance coverage and bringing certainty that consumers are protected if an accident occurs. This helps to ensure that all participants in peer-to-peer auto sharing know where they stand."

Overall, the auto insurance climate has been relatively quiet in Kansas. After a few years of price increases, rates have settled to a place where they're relatively flat.

The company representative said one thing to keep an eye on is the complicated and contradictory role that vehicle technology is playing. On one side, the technology is expected to help

reduce the number of crashes, which leads to lower insurance costs. On the other side, when accidents occur, the cost to repair vehicles has increased substantially, largely due to expensive technology and sensors that must be recalibrated, adjusted or replaced. This creates pressure to raise insurance rates.

In 2019, the top 10 personal auto insurance groups raised rates an average of 1%, a smaller increase than 2018's 1.8% and much smaller than the 7.2% seen in 2017, according to Rate-Watch from **S&P Global Market Intelligence**. So far this year, **State Farm**, the state's largest insurer writing 19.2% of personal auto premium, has lowered rates by 2%. Others either raised rates slightly or left them the same. The greatest increase among the top 10 groups came from No. 9 **Nationwide** at 1.8%.

In 2018, Kansas auto insurers generated a loss ratio of 60.4%, better than the national average of 64.5% and a significant improvement over 2017 when the loss ratio was 63.5%. Looking at the market over time, Kansas auto insurers performed better than the national average with an average annual profit margin of 6.3% for the decade that ended in 2018, ranking 19th.

For commercial auto, Kansas auto insurers ranked 32nd, with an average annual profit margin of 9.5% for the decade.

Overall, personal auto insurance premiums in Kansas are relatively affordable. In 2016, the average expenditure was \$714, according to the most recent data from the **National Association of Insurance Commissioners**. On our PAIN Index, which compares premium to income as a gauge of affordability, Kansas ranked 39th.

One challenge for Kansas auto insurers is the rise in auto thefts. Auto thefts rose in Kansas by 25.4% between 2014 and 2017, compared to an increase of 12.6% nationwide, according to legislative testimony from several Kansas law

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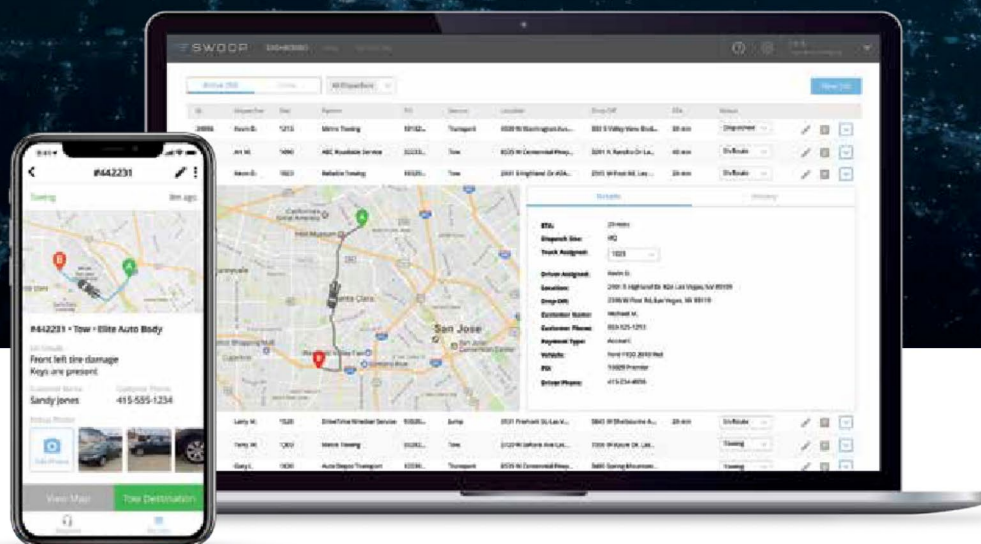
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State Farm's top line fell about 2.6%, and market share has fallen to 16.1%, the lowest level in decades. At least the group's loss ratio improved to about 61.8% in 2019 from about 62.6%, as measured by the NAIC. (Our final State Farm loss ratio last year was 63.2%, so you can see this NAIC data, while useful directionally, does not line up perfectly.)

Seventh-ranked **Nationwide's** decline in premium continued, with the preliminary data showing a 7.7% drop in 2019 to about \$6.2 billion on top of the 8.4% decline recorded in 2018. The loss ratio continued to improve, dropping to about 57.7% in 2019 from 58.2% in 2018.

American Family, thanks to the acquisition of **Ameriprise** and its \$822 million in 2018 written personal auto premium, saw the top line rise 18.8% in 2019 to about \$5.8 billion, passing **Travelers** (up 4.2% to \$4.90 billion) for ninth place on the market share table. American Family's loss ratio improved in the NAIC study to 64.9% in 2019 from 68.6%. (Our final data last year showed 69.0%.)

The Hartford also continued to lose premium and market share in 2019, dropping 4.0% to \$2.0 billion after losing 8.6% of its top line in 2018. It was replaced in 19th place by the **Michigan Auto Club**. The Hartford's management has expressed confidence in the future, and we suppose losing less share than before is progress.

Auto-Owners, with 9.0% growth to about \$3.2 billion in premium, passed both **National General** (up 4.7%) and **CSAA** (down 0.4%) and now ranks 14th. The growth at Auto-Owners came at a modest price, with the loss ratio rising to about 67.1% in 2019 from around 66.0% in 2018.

As we have reported, **Progressive** had a terrific 2019, growing about 12.8% to about \$27.1 billion, while the loss ratio rose modestly to 62.1% in 2019 from 61.5% in 2018. **AIR**

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enforcement associations. From 2016 to 2017, auto thefts rose 8.7% in the state, compared to 0.8% nationwide. The Wichita metropolitan area ranked eighth on the NICB's top 10 auto theft hot spots for 2018 after ranking 27th in 2017.

The rise in auto thefts prompted law enforcement officials to press for legislation (**House Bill 2448**) that would, among other things, make the theft of a motor vehicle valued at less than \$1,500 a felony, instead of a misdemeanor, which is the case for theft of other types of property valued at less than \$1,500. Supporters pressed for the stronger penalty because stolen vehicles are often used to commit other crimes. They also argued that the theft of low value vehicles hurts people with low incomes and often are not insured for theft. The bill passed the House in February and was scheduled for a Senate hearing last week. **AIR**

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