

AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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American Family is now well-positioned to compete for AARP member insurance contract. Page 3

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THE GRAPEVINE

Insurers Charging More For Distracted Driving Violations

Insurers increasingly penalize drivers for distracted driving violations, but the size of these penalties varies greatly, according to an analysis by **The Zebra**, an auto insurance search engine. They are also far less than penalties for drunk driving. A ticket for distracted driving would have raised rates an average 0.2% in 2011, costing less than \$3 per year; in 2017, the same violation will raise rates 16%, or about \$226, a rise of almost 8,000%, compared with a 33% increase for all other violations, according to the report. Penalties range from just under \$2.51 in **New York** to \$681 in **Michigan**. **Vermont** and **Connecticut** have the largest rate hikes for distracted driving. [AIR](#)

American Family Continues To Diversify With Ameriprise Buy

American Family's acquisition of Ameriprise Auto and Home last week marks the mutual insurer's fifth major expansion and diversification in the past seven years, giving American Family a powerful tool for attracting an entirely new type of customer, a new call center, as well as important geographic diversification.

The most valuable part of the acquired business is a contract worth more than \$1 billion in personal lines premium to sell insurance to customers of **Costco**, the wholesale warehouse chain. American Family will continue the Costco contract after the sale. American Family will retain the Ameriprise employees and keep the Ameriprise product name until a new name can be developed and approved.

American Family will pay **Ameriprise Financial** about \$1.05 billion to acquire the property and casualty business. Ameriprise Financial will now focus on its wealth manage-

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Court Ruling Rattles Stable Auto Insurance Market in Pennsylvania

Insurers in **Pennsylvania** are facing a wave of litigation following a high court decision that struck down decades of precedent by declaring that the household exclusion in personal auto policies violates the state's insurance law.

Some lawyers predict the case will have far-reaching implications for the way insurers underwrite policies and handle claims in Pennsylvania, which is an otherwise healthy and increasingly competitive market that continues to attract new carriers, including **New Jersey Manufacturers**, **Plymouth Rock** and **Root**.

In January, the **Pennsylvania Supreme Court** ruled in *Gallagher v. Geico* that the plaintiff, a man severely injured in a motorcycle accident, should receive benefits from stacking underinsured motorists coverage in his personal auto insurance policy despite an exclusion that precluded

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ment and asset management businesses.

Ameriprise reported \$822.8 million in 2018 personal auto direct premium written, up 6.8% from 2017. Preliminary data shows the industry rose a total of 7.2%. Ameriprise also reported \$280.8 million in 2018 homeowners multiperil, down 19.7% from 2017. The industry total premium rose about 5.2% in preliminary data.

The combined enterprises will have about \$5.8 billion in personal auto premium, bringing American Family, the ninth-largest U.S. auto insurer, closer to **Nationwide**, ranked eighth, which will still be nearly \$1 billion larger.

Ameriprise brings American Family a significant presence in **California**, with \$351.9 million in 2018 personal auto premium written and \$67.0 million in homeowners premium. American Family reported \$61.0 million in personal auto and \$113.8 million in homeowners in 2018.

(Our charts below show 2017 data because not all companies have reported for 2018, making industry totals preliminary. We will have final data in May.)

A decade ago American Family leadership was gloating about not writing on the coasts, avoiding **Florida** hurricanes and catastrophic lawyers, California's earthquake and fires and catastrophic regulation, the broad range of troubles presented by **Texas**, and the big-city complexity of **New York**. Under the "be careful what you wish for" column, over the next several years American Family's Midwestern focus proved to be troublesome, on the property side in particular. Today, American Family touts the acquisition of Ameriprise as a way to balance its geographic risk concentration. Though most of that balance comes by adding California, Ameriprise brings a modest amount of new exposure

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American Family Insurance Group Personal Auto Insurance By State 2017 (000)

State	Written Premium 2017	Market Share 2017	Group Loss Ratio 2017	Industry Loss Ratio 2017	Written Premium 2016	Market Share 2016	Group Loss Ratio 2016	Industry Loss Ratio 2016	Premium Change 2016-17
Wisconsin	\$583,243	18.7%	59.4%	63.1%	\$558,054	18.9%	55.2%	64.2%	4.5%
Missouri	\$506,153	13.0%	66.8%	67.3%	\$471,420	13.1%	69.3%	72.7%	7.4%
Minnesota	\$418,487	11.6%	63.0%	63.6%	\$387,722	11.4%	55.9%	62.1%	7.9%
Colorado	\$384,892	8.4%	100.4%	82.2%	\$340,385	8.4%	84.9%	85.0%	13.1%
Illinois	\$324,588	4.4%	68.7%	64.6%	\$294,845	4.2%	60.2%	66.4%	10.1%
Arizona	\$276,833	5.7%	71.4%	68.6%	\$247,689	5.7%	63.7%	73.4%	11.8%
Kansas	\$227,157	12.3%	65.6%	63.5%	\$212,022	12.3%	64.2%	66.7%	7.1%
Washington	\$178,684	3.5%	78.1%	67.1%	\$169,202	3.5%	80.6%	70.7%	5.6%
Ohio	\$176,153	2.6%	57.4%	60.8%	\$174,360	2.8%	54.2%	63.0%	1.0%
Indiana	\$171,186	4.5%	61.9%	61.9%	\$158,880	4.5%	54.7%	66.8%	7.7%
Georgia	\$159,806	1.9%	92.1%	71.1%	\$115,100	1.5%	96.7%	77.7%	38.8%
Iowa	\$111,227	6.3%	69.9%	64.7%	\$103,657	6.3%	55.7%	62.4%	7.3%
Nebraska	\$101,238	8.1%	77.1%	70.2%	\$91,626	7.9%	62.9%	66.0%	10.5%
Oregon	\$91,870	3.2%	66.6%	63.2%	\$90,671	3.4%	65.7%	68.3%	1.3%
Utah	\$87,583	4.5%	82.8%	67.2%	\$78,863	4.6%	71.4%	71.8%	11.1%
Nevada	\$69,913	3.0%	74.9%	73.7%	\$68,726	3.2%	59.1%	77.3%	1.7%
California	\$66,296	0.2%	77.4%	70.1%	\$54,720	0.2%	69.7%	72.9%	21.2%
Florida	\$56,791	0.3%	67.4%	71.3%	\$41,718	0.2%	69.6%	71.5%	36.1%
Totals	\$4,381,962	1.90%	70.3%	68.8%	\$4,005,549	1.87%	65.1%	72.0%	9.4%

Data Source: SNL Financial and the *Auto Insurance Report* Database.

Loss ratio is incurred losses as a percentage of direct premium earned and does not include dividends or loss adjustment expense.

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in New York, doubles the Texas business, and expands Florida. American Family is still a Mid-western company, but can no longer be considered a regional insurer.

One of the more interesting parts of this deal is the competitor it creates for **The Hartford** in the affinity marketing arrangement with **AARP**. The Hartford has enjoyed a long alliance with AARP, selling property and casualty products to its 38 million members. The business, which represents more than 90% of Hartford's personal lines premium, has been shrinking. According to the Hartford's 10-K report for 2018, "Business sold to AARP members, either direct or through independent agents, amounted to earned premiums of \$3.0 billion, \$3.2 billion and \$3.3 billion in 2018, 2017 and 2016, respectively."

The Hartford reported lower new business sales as well as lower retention with AARP.

If American Family can build up the Ameriprise operation, it could be a formidable competitor for the AARP contract.

Improving the book won't be easy. Ameriprise put its auto and home business up for sale because of poor performance. The Ameriprise expense ratio of about 4% is well below the 10% industry average, but higher than its direct-response marketing peers, according to **SNL Financial**. Using the same methodology, **Geico**, **USAA** and **Amica** are all under 3%.

The Ameriprise auto insurance book of business has consistently run a higher combined ratio than the industry. The business needs to be repriced, always a tricky proposition in terms of retention and customer satisfaction. Fortunately, as a mutual, American Family can take its time and absorb some losses in the name of customer stability. And though American Family is not

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Ameriprise Financial Inc. Personal Auto Insurance By State 2017 (000)

State	Written Premium 2017	Market Share 2017	Group Loss Ratio 2017	Industry Loss Ratio 2017	Written Premium 2016	Market Share 2016	Group Loss Ratio 2016	Industry Loss Ratio 2016	Premium Change 2016-17
California	\$312,160	1.1%	74.1%	70.1%	\$280,101	1.1%	85.2%	72.9%	11.4%
Washington	\$55,321	1.1%	75.7%	67.1%	\$54,601	1.1%	70.1%	70.7%	1.3%
Michigan	\$43,321	0.5%	89.9%	82.7%	\$49,516	0.6%	80.0%	89.2%	-12.5%
Texas	\$34,973	0.2%	85.4%	76.6%	\$30,312	0.2%	84.1%	79.8%	15.4%
New York	\$34,562	0.3%	72.5%	69.2%	\$38,233	0.3%	84.5%	69.0%	-9.6%
New Jersey	\$28,195	0.4%	65.3%	65.0%	\$29,468	0.4%	97.6%	66.9%	-4.3%
Arizona	\$24,940	0.5%	56.8%	68.6%	\$22,612	0.5%	85.6%	73.4%	10.3%
Oregon	\$22,996	0.8%	50.5%	63.2%	\$21,857	0.8%	64.9%	68.3%	5.2%
Florida	\$22,396	0.1%	68.4%	71.3%	\$22,249	0.1%	67.2%	71.5%	0.7%
Colorado	\$17,646	0.4%	114.4%	82.2%	\$14,995	0.4%	96.5%	85.0%	17.7%
Georgia	\$15,071	0.2%	65.3%	71.1%	\$13,870	0.2%	84.2%	77.7%	8.7%
Minnesota	\$14,246	0.4%	67.7%	63.6%	\$13,956	0.4%	63.2%	62.1%	2.1%
Nevada	\$11,773	0.5%	94.6%	73.7%	\$11,861	0.6%	73.5%	77.3%	-0.7%
Maryland	\$11,401	0.2%	64.9%	69.7%	\$11,300	0.2%	84.8%	73.2%	0.9%
Massachusetts	\$10,709	0.2%	59.9%	62.4%	\$11,247	0.2%	78.7%	63.6%	-4.8%
Illinois	\$10,389	0.1%	99.0%	64.6%	\$10,379	0.2%	62.8%	66.4%	0.1%
Connecticut	\$10,388	0.4%	66.0%	66.1%	\$11,203	0.4%	91.3%	66.9%	-7.3%
Virginia	\$9,809	0.2%	57.1%	65.7%	\$11,451	0.2%	70.8%	69.5%	-14.3%
Totals	\$770,106	0.33%	74.2%	68.8%	\$738,692	0.35%	80.6%	72.0%	4.3%

Data Source: SNL Financial and the *Auto Insurance Report* Database.

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Pennsylvania Personal Auto Insurers

Groups Ranked by Total 2017 Direct Premium Written (000)

Group Name	2017 Premium	Mkt share 2017	Loss Ratio 2017	2016 Premium	Mkt share 2016	Loss Ratio 2016	2015 Premium	Mkt share 2015	Loss Ratio 2015
State Farm Mutual	\$1,779,915	20.4%	63.7%	\$1,654,528	20.0%	70.9%	\$1,577,153	20.1%	67.3%
Erie Insurance Group	\$1,153,856	13.2%	64.9%	\$1,094,243	13.2%	60.6%	\$1,044,586	13.3%	68.4%
Allstate Corp.	\$998,919	11.4%	55.6%	\$982,571	11.9%	60.7%	\$941,294	12.0%	67.9%
Progressive Corp.	\$875,579	10.0%	58.6%	\$787,831	9.5%	63.6%	\$697,760	8.9%	61.5%
Nationwide Mutual Group	\$786,109	9.0%	60.0%	\$789,432	9.6%	69.1%	\$774,044	9.9%	67.6%
Berkshire Hathaway/GEICO	\$706,897	8.1%	74.2%	\$602,848	7.3%	69.1%	\$548,793	7.0%	75.6%
Liberty Mutual	\$424,106	4.8%	61.1%	\$431,759	5.2%	57.5%	\$434,817	5.6%	61.1%
Travelers Companies Inc.	\$335,963	3.8%	62.4%	\$304,125	3.7%	57.4%	\$280,281	3.6%	56.1%
USAA Insurance Group	\$299,488	3.4%	72.1%	\$271,916	3.3%	76.6%	\$246,536	3.1%	78.2%
Farmers Insurance Group	\$192,162	2.2%	74.1%	\$182,315	2.2%	80.9%	\$166,060	2.1%	63.7%
Donegal Insurance Group	\$126,880	1.5%	63.4%	\$118,076	1.4%	56.8%	\$112,898	1.4%	61.8%
Penn National Insurance	\$98,293	1.1%	62.6%	\$88,430	1.1%	66.2%	\$81,966	1.1%	61.9%
Hartford Financial Services	\$92,539	1.1%	63.7%	\$97,827	1.2%	72.7%	\$96,056	1.2%	62.0%
CSAA Insurance Exchange (NorCal)	\$60,545	0.7%	61.1%	\$62,296	0.8%	71.1%	\$61,413	0.8%	67.0%
MetLife Inc.	\$56,838	0.7%	54.9%	\$51,918	0.6%	60.8%	\$48,169	0.6%	65.4%
Westfield Insurance	\$53,908	0.6%	55.8%	\$51,870	0.6%	56.4%	\$51,020	0.7%	60.1%
American Family Insurance Group	\$50,931	0.6%	61.6%	\$45,227	0.6%	66.1%	\$33,450	0.4%	51.1%
Safe Auto Insurance Co.	\$49,166	0.6%	41.0%	\$43,705	0.5%	50.6%	\$47,360	0.6%	57.5%
American Independent Cos. Inc.	\$44,999	0.5%	91.3%	\$57,590	0.7%	83.1%	\$44,574	0.6%	73.4%
Chubb Ltd.	\$43,470	0.5%	49.2%	\$42,848	0.5%	66.4%	\$41,232	0.5%	51.8%
Auto Club Exchange Group (SoCal)	\$32,490	0.4%	60.7%	\$24,990	0.3%	57.6%	\$23,097	0.3%	67.3%
Amica Mutual Insurance Co.	\$31,860	0.4%	60.9%	\$30,660	0.4%	61.9%	\$30,185	0.4%	63.4%
Agency Insurance Co. of Maryland Inc.	\$31,381	0.4%	58.1%	\$23,464	0.3%	54.2%	\$18,236	0.2%	62.7%
Goodville & German Mutual Group	\$28,866	0.3%	62.1%	\$26,446	0.3%	61.2%	\$24,720	0.3%	62.6%
Mutual Benefit Insurance Co.	\$28,410	0.3%	61.5%	\$28,793	0.4%	68.0%	\$27,931	0.4%	63.6%
National General Holdings Corp.	\$24,434	0.3%	74.8%	\$23,171	0.3%	88.4%	\$23,025	0.3%	83.0%
NJM Insurance	\$22,297	0.3%	72.4%	\$19,850	0.2%	76.7%	\$18,803	0.2%	92.1%
Capitol Insurance Co.	\$20,705	0.2%	88.1%	\$18,513	0.2%	72.1%	\$22,895	0.3%	77.3%
Selective Insurance Group Inc.	\$20,522	0.2%	96.2%	\$16,491	0.2%	58.7%	\$15,635	0.2%	74.2%
Grange Mutual Casualty Co.	\$17,514	0.2%	68.8%	\$14,996	0.2%	67.7%	\$14,937	0.2%	71.0%
Kemper Corp.	\$16,939	0.2%	53.9%	\$16,360	0.2%	42.6%	\$17,507	0.2%	55.8%
Horace Mann Educators Corp.	\$16,751	0.2%	41.1%	\$15,805	0.2%	72.7%	\$15,319	0.2%	64.1%
Main Street America	\$15,156	0.2%	71.2%	\$8,377	0.1%	51.8%	\$7,149	0.1%	50.3%
Markel Corp.	\$14,895	0.2%	39.1%	\$12,953	0.2%	35.1%	\$11,396	0.2%	63.6%
American National Insurance	\$14,740	0.2%	54.9%	\$14,145	0.2%	60.3%	\$14,003	0.2%	54.9%
Cincinnati Financial Corp.	\$14,553	0.2%	69.0%	\$14,062	0.2%	76.8%	\$13,496	0.2%	71.8%
MMG Insurance Co.	\$12,656	0.1%	75.3%	\$12,893	0.2%	86.1%	\$13,248	0.2%	81.6%
State Auto Insurance Companies	\$11,236	0.1%	57.8%	\$11,639	0.1%	65.0%	\$12,813	0.2%	56.7%
Mapfre	\$11,063	0.1%	76.4%	\$6,930	0.1%	84.9%	\$2,681	0.0%	86.2%
Statewide Totals	\$8,745,386		63.0%	\$8,270,326		65.5%	\$7,840,873		66.8%

Source: SNL Financial, by permission, 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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State Market Focus: PENNSYLVANIA

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coverage for vehicles in the same household that are insured by a separate policy. In this case, **Geico** wrote two separate policies, one for the motorcycle and one for Gallagher's two automobiles.

Under Pennsylvania law, stacked uninsured and underinsured coverage – on all vehicles and all policies – is the default coverage for every insured. An insured can waive stacked coverage in exchange for a lower premium by signing a standard statutory form. The court found that the household exclusion in the personal auto policy “impermissibly acts as a *de facto* waiver of stacked uninsured and underinsured motorist coverages.”

Despite the “explicit requirement that an insurer must receive an insured’s written acknowledgment that he knowingly decided to waive UM/UIM coverage, the household vehicle exclusion strips an insured of default UM/UIM coverage without requiring an insurer to demonstrate, at a bare minimum, that the insured was even

aware that the exclusion was part of the insurance policy,” the court wrote. “This practice runs contrary to the [Motor Vehicle Financial Responsibility Law] and renders the household vehicle exclusion invalid and unenforceable.”

Soon after the Jan. 23 decision, plaintiff lawyers began filing class-action lawsuits on behalf of defendants who were denied stacked UM/UIM benefits because of a household exclusion. Lawsuits against several insurers – including **USAA**, **Geico** and **Allstate** – have been moved to federal court, while others remain in state court.

While the case before the Supreme Court applied specifically to the stacking of two policies issued by the same insurer, plaintiff lawyers are expected to use the case to attack household exclusions more broadly. The question now is how insurers, the courts, regulators and the legislature will respond.

“The Supreme Court’s decision in *Gallagher* has far-reaching implications for insurance

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

Line of Business	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	2008 Total Profit	Avg Total Profit
Personal Auto Liab	8.2	5.7	5.1	7.4	9.4	8.9	10.7	10.8	7.1	6.3	8.0
Personal Auto Phys	7.6	4.2	2.6	-3.9	3.3	4.2	-0.4	6.2	6.7	6.4	3.7
Personal Auto Total	8.0	5.1	4.0	2.7	6.8	7.0	6.1	8.9	7.0	6.3	6.2
Comm. Auto Liab	10.0	10.5	11.5	9.8	11.5	11.3	12.1	16.6	12.2	12.1	11.8
Comm. Auto Phys	6.6	6.7	5.4	-0.6	4.2	2.5	-4.9	5.5	7.2	8.3	4.1
Comm. Auto Total	9.0	9.5	9.8	7.0	9.6	9.0	7.9	13.8	10.9	11.1	9.8
Total All Lines*	15.6	10.9	11.5	8.4	15.4	10.7	8.0	9.2	10.0	6.2	10.6

*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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State Market Focus: PENNSYLVANIA

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carriers that do business in Pennsylvania, both because of its effect on underwriting and claims-handling, and because it appears to invalidate a commonly used exclusion and the substantial body of case law interpreting it,” lawyers **Bryan Shay** and **Marni Sabrina Berger** wrote in a blog post for their law firm, **Post and Schell**.

“Just how far-reaching these implications are remains to be seen; however, what is clear is that *Gallagher* dramatically changed the landscape for insurance carriers that offer personal automobile policies in Pennsylvania.”

The Supreme Court, in a footnote in the majority opinion, acknowledged the complications

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Pennsylvania Commercial Auto Insurers

Groups Ranked by Total 2017 Direct Premium Written (000)

Group Name	2017 Premium	Mkt share 2017	Loss Ratio 2017	2016 Premium	Mkt share 2016	Loss Ratio 2016	2015 Premium	Mkt share 2015	Loss Ratio 2015
Erie Insurance	\$162,799	10.9%	56.9%	\$155,992	11.1%	56.9%	\$149,350	11.1%	60.0%
Progressive Corp.	\$110,553	7.4%	62.3%	\$91,574	6.5%	58.9%	\$77,084	5.7%	49.3%
Travelers Companies Inc.	\$94,898	6.4%	60.8%	\$85,516	6.1%	55.1%	\$80,822	6.0%	50.7%
Nationwide Mutual Group	\$91,496	6.2%	56.3%	\$94,769	6.7%	61.8%	\$98,227	7.3%	63.8%
Baldwin & Lyons, Inc.	\$79,177	5.3%	50.8%	\$73,276	5.2%	43.7%	\$65,731	4.9%	40.9%
Zurich Insurance Group	\$78,973	5.3%	64.3%	\$82,903	5.9%	51.6%	\$71,693	5.3%	69.3%
Selective Insurance Group Inc.	\$59,807	4.0%	63.2%	\$57,273	4.1%	57.0%	\$50,063	3.7%	59.4%
Liberty Mutual	\$53,596	3.6%	76.0%	\$52,181	3.7%	58.5%	\$49,749	3.7%	70.7%
Cincinnati Financial Corp.	\$40,569	2.7%	56.3%	\$39,160	2.8%	70.4%	\$38,866	2.9%	64.6%
Tokio Marine	\$39,724	2.7%	48.1%	\$38,201	2.7%	33.8%	\$34,721	2.6%	41.5%
Penn National Insurance	\$35,055	2.4%	61.3%	\$32,728	2.3%	52.7%	\$32,340	2.4%	65.3%
Old Republic International Corp.	\$33,346	2.2%	56.3%	\$25,618	1.8%	69.3%	\$23,028	1.7%	58.5%
Donegal Insurance Group	\$32,836	2.2%	69.6%	\$31,057	2.2%	53.9%	\$28,482	2.1%	56.3%
Berkshire Hathaway Inc.	\$31,402	2.1%	72.1%	\$21,224	1.5%	61.4%	\$28,572	2.1%	49.0%
Chubb Ltd.	\$24,899	1.7%	60.5%	\$24,963	1.8%	53.6%	\$23,874	1.8%	45.6%
Munich Re	\$22,657	1.5%	67.4%	\$23,912	1.7%	52.1%	\$22,020	1.6%	67.3%
American Financial Group Inc.	\$22,165	1.5%	43.3%	\$23,766	1.7%	38.9%	\$23,172	1.7%	73.4%
American International Group	\$21,685	1.5%	112.2%	\$26,153	1.9%	92.4%	\$36,185	2.7%	51.1%
Motorists Insurance Group	\$21,138	1.4%	84.9%	\$18,605	1.3%	53.2%	\$15,280	1.1%	48.8%
Acuity Mutual Insurance	\$19,527	1.3%	72.6%	\$16,877	1.2%	51.8%	\$14,726	1.1%	48.9%
Westfield Insurance	\$18,804	1.3%	50.8%	\$20,648	1.5%	59.0%	\$20,461	1.5%	65.4%
Sentry Insurance Mutual	\$18,362	1.2%	58.7%	\$17,550	1.2%	47.3%	\$16,695	1.2%	73.5%
W. R. Berkley Corp.	\$18,018	1.2%	42.6%	\$17,124	1.2%	68.6%	\$21,144	1.6%	100.5%
AmTrust Financial Services	\$16,965	1.1%	61.2%	\$16,516	1.2%	89.3%	\$15,545	1.1%	76.7%
Hartford Financial Services	\$14,405	1.0%	56.7%	\$17,052	1.2%	57.8%	\$15,302	1.1%	33.3%
State Farm	\$14,155	1.0%	38.5%	\$12,835	0.9%	101.4%	\$12,557	0.9%	3.9%
CNA Financial Corp.	\$12,430	0.8%	52.4%	\$13,868	1.0%	15.9%	\$13,347	1.0%	56.8%
Statewide Totals	\$1,488,482		60.8%	\$1,409,934		58.2%	\$1,350,422		58.0%

Source: SNL Financial, by permission, 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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for insurers.

“We recognize that this decision may disrupt the insurance industry’s current practices; however, we are confident that the industry can and will employ its considerable resources to minimize the impact of our holding,” the court said. “For example, when multiple policies or insurers are involved, an insurer can require disclosure of all household vehicles and policies as part of its application process.”

In an interview, Insurance Commissioner **Jessica Altman** said the **Pennsylvania Insurance Department** will be working with the industry to navigate changes that might need to occur in response to the decision. “We recognize this decision is complicated, both in terms of products on the market and understanding the full scope of the implications for different policies that have been in effect,” she said. To the degree that insurers might need to change forms and rates to comply with the court decision, “we will see some filings in that regard.”

Insurance Agents and Brokers, the trade group representing independent agents in Pennsylvania, laid out some of the questions raised by the decision, including how the court’s decision will influence personal auto underwriting, whether carriers will revise policy language to either comply with the court’s ruling or mitigate its effects, and whether future court decisions will effectively abolish the household exclusion under all possible scenarios and whether the Pennsylvania legislature will modify existing UM/UIM and stacking law to either permit the household exclusion or expressly outlaw it.

In a footnote to its decision, the Supreme Court pointed out that the “legislature is free to alter” the mandatory insurance law to allow this type of exclusion.

Insurers are watching how the issue unfolds

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Pennsylvania Snapshot

Regulator: Insurance Commissioner Jessica Altman

Rate regulation: prior approval; file and use for some rate decreases

Size of personal auto market:

\$8.75 billion (2017 DPW) Rank: 6th

Average policy expenditure: \$918 (2016)

Rank: 18th

Auto Insurance Report PAIN Index rank:

20th (2016)

Property Insurance Report HURT Index rank:

34th (2016)

Auto registrations: 4.5 million (2016)

Truck registrations: 5.8 million (2016)

Vehicle miles traveled (VMT): 104.02 billion (2017)

Traffic fatalities: 1.09 per 100 million VMT; U.S.: 1.16 (2017)

Vehicle thefts: 101.4 per 100,000 residents; Region: 92.6 (2017)

Liability defense: modified comparative fault, 51% bar

Minimum Insurance Requirements:

BI: \$15,000/\$30,000 • PD: \$5,000 • PIP: \$5,000

Safety Laws

Texting ban for all drivers

Graduated licensing

Secondary safety belt law

Motorcycle helmets required for riders under 21

Demographics

Population: 12.8 million (2018 est.)

Change 2010-2018: 0.8%, U.S.: +6.0%

Median household income (avg. 2013-2017): \$56,951; U.S.: \$57,652

Population density: 283.9 per square mile;

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

Sources: SNL Financial; NAIC; U.S. Dept. of Transportation; NAMIC; U.S. Census; Insurance Institute for Highway Safety; FBI; Matthiesen, Wickert & Lehrer

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as they determine an appropriate response.

“As insurers, we are still coming to grips with the ruling and its scope, as are the trial bar and the Insurance Department – and as will the courts, since litigation has already begun,” said **Samuel Marshall**, president and CEO of the **Insurance Federation of Pennsylvania**. “This may also need a legislative remedy, as the Supreme Court suggested, and we are considering possible modifications to Pennsylvania’s auto law that would address the court’s concern that the decision not swallow the statutory waiver [requirement] while still ensuring that insurers and policyholders not subsidize undisclosed vehicles and therefore unrated risks.”

One idea, he said, is to eliminate the statutory

Insurers are still coming to grips with a Supreme Court UM/UIM ruling that invalidates the household exclusion.

limit that UM/UIM coverage not exceed bodily injury coverage. “If that were done, there would be no need for stacked UM/UIM coverage – consumers could buy as much as they want without having to rely on stacked coverage to circumvent that limit.”

While UM/UIM exclusions are common, not all insurers use the household exclusion as worded in the Geico policy. For example, the **ISO** UM/UIM stacked coverage endorsements have “owned but not insured” (OBNI) exclusions, which “generally only apply to the extent than an individual named insured or family member fails to insure their owned vehicle for UM/UIM coverage,” according to a statement from **Verisk**. The company does not plan to revise its UM/UIM stacked coverage endorsements under the personal auto, motorcycle and commercial programs at this time.

The insurer response to the stacking issue is playing out in an increasingly competitive market that has been attracting new insurers, intensifying the challenge to grow

Based on our analysis of preliminary data from **SNL Financial**, Pennsylvania personal auto premium increased about 4.3% in 2018, down from 5.7% and 5.5% growth in the previous two years. The slowdown is not surprising: The top 10 personal auto insurance groups increased rates an average 7.1% in 2016 and 4.6% in 2017, according to SNL Financial’s RateWatch. But last year, the average rate for the top 10 declined 0.2%. **State Farm**, the No. 1 writer with 20% of the market, lowered rates an average 5.6% in 2018. The rate trends are in response to improving loss experience and greater competition. The statewide personal auto loss ratio declined last year for the fourth straight year to about 61.7%, according to preliminary 2018 data.

Meanwhile the market has attracted several new entrants. New Jersey Manufacturers began offering personal lines products in early 2018. “Pennsylvania is our first stop into the process of becoming a more regional player over time,” said **John Hardiman**, NJM public affairs director. Plymouth Rock entered the market in August 2017 followed that fall by Root.

As commissioner, Altman has emphasized her role nurturing competition and innovation, seeing them as a path to a better market for consumers. “In the vast majority of cases I’ve found that the best way to make the insurance market work for consumers is to make it work for the insurers that serve those consumers,” she said in testimony at her confirmation hearing in March 2018. “We want options for consumers, and we want those options to be robust, affordable, and provide for meaningful choice. The best way to achieve all of those goals is by ensuring our markets are competitive by fostering a collaborative

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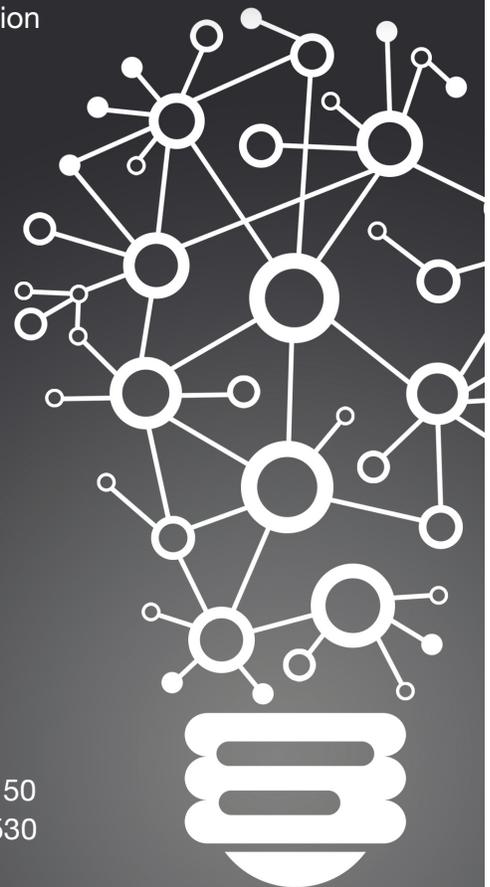
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AMERICAN FAMILY *Continued from Page 3*

considered among the top rank of insurers in pricing skills, it is far more skilled than Ameriprise has proven to be. It is reasonable to assume American Family can do a much better job with this customer set than Ameriprise.

Though we're sure American Family would have been happy to buy this business if it were located anywhere in the United States, there is a significant advantage to having its base of operations in De Pere, **Wisconsin**, just 125 miles from American Family's Madison, Wisconsin, headquarters, past Lake Winnebago and the paper mills of Neehah. Employees of the new business partners share a cultural similarity. If nothing else, they both know the benefit of fresh cheese curds (complete with the squeak) versus the refrigerated variety. Geography will make it easier to integrate the operations, as employees and managers will be able to more easily move between divisions.

So far, American Family's track record of integrating acquisitions has been impressive. In 2012, American Family acquired **Perma-ment General** (The General), giving it access to direct-response marketing talent. That same year, the company took over **Lumbermens Casualty Insurance** from a parent in receivership, renamed it **Midvale Indemnity** and used it as a platform to expand in commercial lines. The 2013 acquisition of startup managing general agent **AssureStart** gave it an online commercial insurance platform that is now used by American Family agents as well. The 2013 acquisition of direct homeowners provider **Homesite** brought yet more skill in direct sales, as well as **Fabian Fondriest**, the Homesite chief executive who now runs all of American Family's direct operations and will be responsible for integrating the new Ameriprise operation. Last year, American Family bought **Main Street America**, giving it management talent and an established independent agency marketing channel in both commercial and personal lines. **AIR**

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Established 1993

Brian P. Sullivan, Editor

Telephone: (949) 443-0330

Email: bpsullivan@riskinformation.com

Leslie Werstein Hann, Managing Editor

Phone: (908) 310-7129

Email: leslie@hannwriting.com

Contributing Writers

Annmarie Geddes Baribeau,

John Yoswick

Subscription Information: (800) 633-4931

On the Web: www.riskinformation.com

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and responsive regulatory environment.”

Altman became acting commissioner in August 2017, succeeding Commissioner **Teresa Miller**, for whom she served as chief of staff for two years.

Her biggest concern when it comes to auto insurance, she told us, is how to change the societal norm regarding the use of electronic devices while driving to stem the rising number of distracted-driving crashes. At the **National Association of Insurance Commissioners**, she's been very involved in discussions about big data and predictive analytics and emerging liability risks, such as autonomous vehicles.

“Pennsylvania has always been known as professional rather than political, and Commissioner Altman has continued that tradition and brought in the next generation of genuinely professional regulators,” said Marshall of the Insurance Federation of Pennsylvania. “The auto market is strong and stable and competitive, and to the extent that we have threats, it's not on the regulatory side.” **AIR**

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