AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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INSIDE

Early Third-Quarter Reports Show Improved Auto Results

If early reports are any indication, the sharply improved profits of the first half of 2024 (AIR 9/9/24) have continued through the third quarter.

Travelers (AIR 10/7/24) provided a pleasant surprise for Wall Street with an auto insurance combined ratio of 93.4%, despite 4.9 points of catastrophe losses, primarily from Hurricane Helene. "The underlying combined ratio of 91.2% improved 9.4 points compared to the prior year quarter," **Michael Klein**, president of personal insurance, told analysts on a recent conference call. The improvement, he said, continues to be driven by the benefit of higher earned premium and lower losses from physical damage coverages.

Progressive's newest data has

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New York Auto Market Crashes Into Complex, Costly Realities

Shocking dashcam video that blew up on **TikTok** this month shows how a **New York** driver was snared in a staged accident on the Belt Parkway in Queens. A Silver Honda cut her off and hit the brakes. When she managed to stop in time to avoid a crash, the driver of the Honda hit the gas in reverse to slam into her. Several passengers jumped out to photograph the damage that they would surely use to file an insurance claim for injuries. But for the dashcam, the scam very well might have worked.

New York insurers have been dealing with staged accidents and no-fault fraud for years. It took TikTok for the world to know about the problem that plagues claims operations and contributes mightily to New York City's ranking as the second-most-costly city in the third-most-costly state for auto insurance, according to *The Zebra* and data from

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Is the Crime Wave Over? New Laws and Falling Prices Curtail Theft of Catalytic Converters

Catalytic converter thefts, once a surging problem, have declined for the second year, according to claims data from **State Farm**. The two most likely reasons for the falloff in thefts are a plethora of state laws that make it harder to sell stolen catalytic converters and lower prices for the precious metals that make them so valuable to thieves.

State Farm reported a 74% drop in claims for stolen catalytic converters in the first half of 2024 when compared with the same period last year. In the first half of this year, State Farm received 3,800 claims for the devices, valued at $11.2 million, compared with 14,800 claims in the first half of 2023 and 21,200 for the full year.

Converter thefts, which began to rise sharply during the Covid-19 pandemic, spiked in 2022, when State Farm reported 45,000 claims – at a cost of $115.4 million – up from

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2,500 claims in 2019.

While thefts and overall claims costs associated with catalytic converters have dropped, the cost of the average claim has remained high, rising from $1,900 in 2019 to $2,900 last year, according to State Farm data.

Catalytic converters, which reduce polluting gases in engine exhaust, have been required in the U.S. since 1975. The surge in thefts is often attributed to the mining and supply chain disruptions during the Covid-19 pandemic that caused a spike in the price of metals contained within catalytic converters.

Catalytic converters thefts fell sharply in Massachusetts after prosecutors took down a regional crew.

As the number of stolen catalytic converters rose sharply, police and lawmakers took action to deter thefts, such as laws prohibiting scrapyards from buying converters with scratched out vehicle identification numbers (VIN) and requiring them to maintain documentation from sales. Some newer laws require dealers to ensure the VIN is etched onto the catalytic converter before a car leaves the lot.

"That's making it harder for these types of thefts to occur, and particularly for these catalytic converters to be sold on the black market," said State Farm spokesman **Myles Mitchom**.

Federal prosecutors in Boston attributed "a precipitous decline" in catalytic converter thefts in **Massachusetts** to the takedown of a regional crew that stole more than 500 devices across New England. On Oct. 1, crew leader **Rafael Davila** was sentenced to a decade in federal prison, and several others have pleaded guilty.

The U.S. Attorney's Office in Boston said Davila maintained meticulous notes identifying the locations targeted, the number and makes and models of catalytic converters that had been stolen, and when they were dropped off for sale. The crew sold them to **Jose Torres**, who awaits sentencing for his role accumulating stolen catalytic converters from multiple theft crews and selling them to scrap dealers, who also have been charged, according to prosecutors.

Federal legislation addressing catalytic converter thefts has languished in Congress. HR 621, known as Preventing Auto Recycling Theft Act (PART Act), has been sitting in committee since its introduction in early 2023. The legislation would require new vehicles to have traceable, identifying numbers stamped onto catalytic converters at the time of assembly and create a $7 million grant program to stamp VIN or other identifiers onto existing catalytic converters at no cost to the vehicle's owner. The bill would also

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yet to break out its personal auto bottom line, but the corporate combined ratio of 89.0% in the 2024 third quarter is an improvement from 92.4% in the same period a year earlier.

Personal lines policies in force at the end of September rose 17% from a year earlier.

The Hartford reported significant progress in its personal auto business, with a third-quarter combined ratio of 105.7, improved from 110.8 in same quarter of 2023. The underlying combined ratio of 101.5 improved from 108.5 in third quarter 2023, the company said, "primarily due to improvement in underlying loss and loss adjustment expense ratio."

Hartford management credited double-digit increases in earned pricing increases and lower physical damage claim frequency,.

While the auto physical damage claim severity trend has moderated from the prior year, the company said that increases in auto liability severity "continue to recognize the inflationary effects and higher attorney representation rates on bodily injury claims." AIR

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create a federal criminal penalty for the theft, sale, or trafficking of stolen catalytic converters, including up to five years in jail.

Advocates for federal legislation – including the **American Property Casualty Insurance Association** (APCIA) and **National Association of Mutual Insurance Companies** (NAMIC) – tried a different tack, urging lawmakers to include the catalytic converter legislation as an amendment to the National Defense Authorization Act for fiscal year 2025.

"The lack of traceable identifying marks on a catalytic converter allows criminals to launder the parts by selling to local middlemen, often referred to as 'core buyers,' who buy stolen parts to then sell to scrapyards or smelters," they wrote in a letter. "Stolen catalytic converters can garner anywhere up to $350 each on the black market, while the replacement cost to vehicle owners can be as high as $2,500. Repair costs are often higher because thieves regularly damage other parts of the vehicle when removing the catalytic converter."

> ***New laws require the VIN be etched on the catalytic converter before a car leaves the auto dealer's lot.***

Without federal legislation, states have taken action. According to the **National Insurance Crime Bureau** (NICB), this year lawmakers in 29 states considered bills addressing catalytic converter theft, and nine enacted them into law. The states that passed new laws already had passed legislation within the past three years.

"The laws enacted this year were primarily to strengthen existing law or to address identified problems with the current law," NICB spokesman **Nicholas Zeitlinger** said in an email. In all, 49 states have laws addressing catalytic converter them. Only **Wyoming** and the **District of Columbia** do not.

New **California** laws that went into effect Jan. 1 require vehicles sold by dealers to have the VIN engraved on the catalytic converter and make it illegal to remove the VIN from the part. These laws, passed in 2023, supplement 2022 legislation that prohibits individuals and recyclers from purchasing a used catalytic converter from anyone other than specific sellers who are required to keep detailed records.

Thefts of catalytic converters have remained high in California. The state reported nearly 15,000 thefts in 2023, 54% of the countrywide total. Still, this was a 38% decrease from 2022, Zeitlinger said. State Farm claims in California fell about 63% from the first half of 2023 to the first half of 2024.

Under **Washington State** legislation (HB 2153) passed this year, scrap metal buyers will require licenses and will be subject to inspection, beginning in April 2025. The new law also bolsters tracking of catalytic converters, requiring dealers to etch the last eight numbers of the VIN onto the catalytic converter.

Tennessee created a Scrap Metal Registration Program in 2021, mandating that anyone buying or selling a catalytic converter as a single item must give written notification to their local chief of police and sheriff. They also must be registered as a scrap metal dealer with the state. At the end of 2023, police in Chattanooga, Tennessee, reported a 76% drop in catalytic converter thefts from the previous year, according to a TV news report.

One big reason thefts of catalytic converters have dropped is because the price of precious metals commonly found in them have diminished. "Thefts are likely tied to precious metal prices," Zeitlinger said. "Rhodium, which was a significant reason for thieves to seek catalytic converters, has maintained lower prices over the last year and a half."

Statista, an online aggregator of statistics, reported that the price of rhodium, which was

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$11,665 per troy ounce in February 2020, peaked in April 2021 at $28,775, before falling throughout 2022 and early 2023, reaching $4,663 by June 2024. The prices of platinum and palladium, other precious metals found in catalytic converters, have also risen and fallen in the same period, but neither has been as severe as rhodium. Langley Recycling reported that a catalytic converter for a car has 1 to 2 grams of rhodium, along with 3 to 7 grams of platinum and 2 to 7 grams of palladium.

While thefts of catalytic converters are dropping, **Matt Moore**, senior vice president of the **Highway Loss Data Institute** (HLDI), said that vehicle theft claims doubled from 2019 to 2023.

"Hyundai and Kia vehicles were a big driver of that," Moore said, referring to the spike in thefts of certain models of these cars due to security vulnerabilities. "But when we look at vehicles from other manufacturers, we see a marked increase in claim frequencies there as well. Nothing on the order of magnitude of the Hyundai and Kia problem, but still roughly a doubling of theft claim frequencies."

The theft of catalytic converters may seem relatively new, but Moore said that there's always some car part that becomes hot on the black market. When he first started at HLDI, airbag thefts were common; later, the headlights of certain vehicles were a popular item to steal.

"Now, catalytic converters are [having] their time in the limelight," he said.

While NICB hasn't issued a new report with updated theft data, Zeitlinger indicates that the slowdown in catalytic converter thefts appears to have continued.

"It's fair to say that no U.S. state has returned to pre-pandemic numbers of catalytic converter thefts, where a vast majority of states only saw single- or double-digit totals for the year," Zeitlinger said. "But we are not seeing any signs that would indicate another increase in catalytic converter thefts."

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the **National Association of Insurance Commissioners**. (AIR 8/5/24)

No-fault fraud is just one of the challenges auto insurers face in New York. Other pressing issues include an insurance crisis for New York City taxi and rideshare drivers; extremely long delays in getting approval for personal auto rate increases; an antiquated insurance verification system; legislative flip-flops on spousal liability coverage; and the threat of legislation that – unless once again vetoed by Gov. **Kathy Hochul** – will greatly expand damages in wrongful death suits.

In addition, the **New York State Department of Financial Services** (DFS) issued a circular this summer with guidance on insurers' use of artificial intelligence for pricing and underwriting.

Adrienne Harris
Superintendent
N.Y. Department of Financial Services

"New York has a strong track record of supporting responsible innovation while protecting consumers from financial harm," DFS Superintendent **Adrienne Harris** said in a July 11 news release. "Today's guidance builds on that legacy, ensuring that the implementation of AI in insurance does not perpetuate or amplify systemic biases that have resulted in unlawful or unfair discrimination, while safeguarding the stability of the marketplace."

The New York guidance is broader than **Col-**

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orado's ground-breaking law in some respects, and narrower in others, according to lawyers at **Debevoise & Plimpton**, who discussed the circular in a blog post and a webcast moderated by **Eric Dinallo**, a partner in the firm who previously served as New York insurance superintendent.

While Colorado's 2021 legislation aims to regulate the use of external consumer data and information sources (ECDIS) in all major insurance practices – from marketing to pricing to claims – New York's guidance applies just to pricing and underwriting. It covers personal lines products and commercial products that have an impact on consumers, such as insurance sold to a small-business owner. It is broader, however, in the sense that it applies to AI systems regardless of whether the insurer uses ECDIS.

New York's circular offers more flexibility in its approach to quantitative testing for bias than Colorado's initial testing regulation for life insurance, they said. New York also requires qualitative testing, including being able to explain how the insurer's AI system operates and "the logical relationship between the ECDIS and an insured or potential insured individual's risk."

While circulars do not change state law, DFS uses them to "provide guidance to the insurance industry regarding how it interprets existing law and regulations, to address issues and industry practices that it finds require changes and to clarify its expectations of the industry," they wrote.

"The final circular imposes significant obligations on insurers using artificial intelligence systems or external consumer data and information sources and is likely to affect the AI regulatory landscape beyond New York State and perhaps beyond the insurance sector," the Debevoise & Plimpton attorneys wrote.

Rate Approvals

While New York's regulators move forward with lofty policy initiatives, they are also working to unclog a backlog of overdue rate filings.

The good news for insurers is that DFS has

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New York
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	-6.2	0.4	7.0	0.5	2.4	0.9	0.7	2.9	6.4	7.9	2.3
Personal Auto Phys	-9.1	-3.5	11.8	8.9	8.7	8.5	6.1	3.2	2.8	6.9	4.4
Personal Auto Total	-7.3	-1.1	8.8	3.5	4.7	3.6	2.7	3.1	5.1	7.6	3.1
Comm. Auto Liab	-2.7	1.9	-1.8	-6.3	-10.3	3.7	-1.7	-2.8	-2.8	-1.2	-2.4
Comm. Auto Phys	9.4	14.9	21.6	12.4	5.8	0.4	7.4	10.2	8.5	7.6	9.8
Comm. Auto Total	-0.8	3.9	1.7	-3.7	-8.0	3.3	-0.5	-1.0	-1.1	0.0	-0.6
Total All Lines*	10.8	11.2	9.3	11.9	13.2	14.9	11.5	11.6	15.3	21.7	13.1

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

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

New York
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
Berkshire Hathaway/Geico	$4,866,741	28.4%	81.5%	$4,473,179	29.3%	84.7%	$4,617,548	30.9%	75.6%
State Farm Mutual	$2,763,539	16.1%	103.6%	$2,206,289	14.4%	107.1%	$1,887,611	12.6%	82.6%
Allstate Corp.	$2,644,529	15.4%	93.3%	$2,428,790	15.9%	86.0%	$2,263,586	15.2%	73.7%
Progressive Corp.	$1,883,944	11.0%	70.1%	$1,614,664	10.6%	70.3%	$1,641,794	11.0%	69.9%
Liberty Mutual	$1,016,009	5.9%	79.0%	$1,054,650	6.9%	74.9%	$1,124,092	7.5%	79.8%
Travelers Companies Inc.	$767,870	4.5%	69.7%	$666,453	4.4%	71.9%	$623,651	4.2%	64.0%
NYCM Insurance	$551,847	3.2%	67.1%	$432,070	2.8%	64.5%	$398,087	2.7%	64.0%
USAA Insurance Group	$499,838	2.9%	84.2%	$461,116	3.0%	94.8%	$454,753	3.0%	76.8%
Farmers Insurance Group	$350,856	2.0%	75.6%	$319,900	2.1%	78.1%	$306,818	2.0%	66.3%
Nationwide Mutual Group	$252,491	1.5%	104.6%	$263,448	1.7%	104.1%	$283,960	1.9%	98.1%
Erie Insurance Group	$198,230	1.2%	90.6%	$145,085	1.0%	91.0%	$130,148	0.9%	66.8%
Hartford Financial Services	$174,914	1.0%	98.8%	$153,850	1.0%	74.0%	$146,950	1.0%	66.8%
American Family Insurance Group	$123,743	0.7%	74.8%	$113,558	0.7%	73.8%	$110,073	0.7%	65.8%
Chubb Ltd.	$114,481	0.7%	62.7%	$108,807	0.7%	58.6%	$104,716	0.7%	56.0%
Plymouth Rock Co.	$109,419	0.6%	79.1%	$83,421	0.6%	79.3%	$80,315	0.5%	72.5%
Utica National Insurance Group	$90,386	0.5%	74.7%	$80,397	0.5%	76.7%	$80,367	0.5%	68.2%
Amica Mutual Insurance Co.	$90,012	0.5%	65.0%	$82,295	0.5%	74.7%	$83,110	0.6%	50.9%
Hanover Insurance Group	$89,288	0.5%	78.1%	$76,447	0.5%	73.7%	$64,601	0.4%	63.5%
Country-Wide Insurance Co.	$80,101	0.5%	77.3%	$67,425	0.4%	59.3%	$70,874	0.5%	86.0%
Preferred Mutual Insurance Co.	$67,830	0.4%	61.3%	$54,859	0.4%	55.0%	$55,850	0.4%	51.0%
Kemper Corp.	$65,205	0.4%	89.3%	$70,771	0.5%	88.3%	$92,110	0.6%	89.7%
Markel Corp.	$58,407	0.3%	58.8%	$50,979	0.3%	57.8%	$40,776	0.3%	49.8%
Tokio Marine Group/PURE	$46,138	0.3%	69.4%	$42,591	0.3%	73.5%	$38,663	0.3%	65.8%
Cincinnati Financial Corp.	$38,763	0.2%	66.6%	$35,004	0.2%	70.7%	$31,367	0.2%	75.9%
Brookfield Reinsurance/American Nat'l	$28,289	0.2%	104.5%	$18,848	0.1%	75.9%	$19,336	0.1%	54.0%
Mercury General Corp.	$24,786	0.1%	117.0%	$26,061	0.2%	93.3%	$22,978	0.2%	77.2%
American International Group	$23,309	0.1%	51.5%	$24,062	0.2%	63.9%	$25,772	0.2%	57.7%
Plymouth Rock of New Jersey	$20,119	0.1%	69.6%	$24,053	0.2%	111.5%	$39,978	0.3%	106.4%
Merchants Insurance	$19,855	0.1%	77.0%	$19,360	0.1%	84.3%	$18,640	0.1%	71.8%
CSAA Insurance Exchange (NorCal)	$19,358	0.1%	99.4%	$12,855	0.1%	61.9%	$11,534	0.1%	72.9%
Munich Re	$17,224	0.1%	54.2%	$16,819	0.1%	39.0%	$16,935	0.1%	59.5%
Stillwater Insurance/WT Holdings Inc.	$12,118	0.1%	139.7%	$11,633	0.1%	71.1%	$12,722	0.1%	94.6%
VA Farm Bureau Federation	$11,783	0.1%	100.1%	$7,933	0.1%	94.2%	$6,880	0.1%	68.5%
W. R. Berkley Corp.	$10,940	0.1%	59.5%	$6,579	0.0%	75.4%	$3,972	0.0%	69.9%
Electric Insurance Co.	$8,114	0.1%	69.4%	$8,099	0.1%	76.2%	$7,861	0.1%	39.8%
Central Insurance Companies	$7,048	0.0%	89.7%	$6,423	0.0%	67.4%	$6,617	0.0%	67.4%
Sterling Insurance	$4,956	0.0%	81.5%	$4,276	0.0%	60.5%	$4,167	0.0%	67.2%
Tiptree Inc.	$2,453	0.0%	-145.3%	$0	0.0%	0.0%	$5,651	0.0%	3.1%
Sentry Insurance Mutual	$1,380	0.0%	52.7%	$1,466	0.0%	47.6%	$1,404	0.0%	30.0%
Statewide Totals	$17,157,520		84.6%	$15,275,581		84.3%	$14,937,654		74.6%

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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approved some long-awaited rate increases, which could spur carriers that limited new business to ease underwriting restrictions.

Allstate's largest subsidiary, for example, received approval Aug. 2 to increase rates 18.7% at the end of September, on top of a 14.6% increase in January. **Mario Rizzo**, Allstate president for property and liability, told analysts Aug. 1 that while the company continued to write very low volumes in New York, management would "revisit that stance" in light of the rate approvals.

The top 10 personal auto groups, which account for 90.9% of statewide premium, were approved to increase rates an average 12.5% this year and 16.9% last year, according to RateWatch from **S&P Global Market Intelligence**, which includes filings through Oct. 3. **Geico**, New York's leading writer with 28.6% of pre-

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New York 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.	$472,689	12.4%	106.2%	$403,930	12.1%	70.2%	$365,737	11.8%	60.4%
American Transit Insurance Co.	$324,101	8.5%	76.8%	$271,110	8.1%	64.3%	$253,189	8.2%	61.2%
Liberty Mutual	$250,669	6.6%	83.2%	$166,761	5.0%	81.1%	$123,374	4.0%	84.8%
Travelers Companies Inc.	$220,544	5.8%	82.9%	$183,007	5.5%	71.3%	$176,601	5.7%	62.7%
Hereford Insurance Co.	$146,482	3.8%	57.7%	$129,831	3.9%	64.1%	$109,231	3.5%	64.9%
State Farm Mutual	$138,006	3.6%	151.8%	$113,235	3.4%	124.3%	$99,115	3.2%	68.0%
Erie Insurance Group	$130,117	3.4%	103.2%	$110,822	3.3%	86.1%	$101,913	3.3%	64.1%
Utica National Insurance Group	$124,000	3.2%	59.0%	$109,788	3.3%	60.3%	$100,036	3.2%	44.9%
Allianz Group	$115,404	3.0%	71.8%	$57,906	1.7%	18.9%	$60,973	2.0%	26.6%
Berkshire Hathaway Inc.	$113,449	3.0%	71.7%	$113,273	3.4%	67.6%	$126,575	4.1%	67.9%
Merchants Insurance	$105,295	2.8%	93.2%	$96,027	2.9%	73.1%	$87,468	2.8%	56.1%
Zurich Insurance Group	$85,229	2.2%	152.4%	$79,098	2.4%	115.8%	$60,351	2.0%	118.7%
Hartford Financial Services	$82,669	2.2%	66.9%	$77,014	2.3%	82.2%	$71,599	2.3%	69.5%
Selective Insurance Group Inc.	$77,344	2.0%	54.2%	$70,547	2.1%	55.5%	$64,808	2.1%	52.7%
W. R. Berkley Corp.	$76,623	2.0%	72.4%	$66,484	2.0%	67.7%	$56,894	1.8%	37.6%
StarStone/Lancer/Core Specialty Ins	$71,724	1.9%	44.8%	$65,238	2.0%	56.3%	$56,253	1.8%	53.1%
Allstate Corp.	$70,570	1.9%	146.1%	$84,978	2.6%	125.8%	$88,084	2.9%	82.0%
Chubb Ltd.	$69,746	1.8%	108.5%	$61,051	1.8%	65.3%	$51,890	1.7%	75.6%
Tokio Marine	$67,376	1.8%	62.4%	$62,345	1.9%	70.7%	$63,355	2.1%	69.0%
American International Group	$62,572	1.6%	84.9%	$59,215	1.8%	71.8%	$51,511	1.7%	141.3%
Brookfield Reinsurance Ltd./Argo	$60,664	1.6%	58.3%	$56,890	1.7%	72.4%	$56,378	1.8%	56.2%
Old Republic International Corp.	$58,331	1.5%	190.5%	$57,801	1.7%	136.1%	$60,687	2.0%	101.9%
Nationwide Mutual Group	$52,912	1.4%	93.7%	$76,918	2.3%	93.3%	$72,729	2.4%	82.0%
Great American Insurance	$51,356	1.3%	85.8%	$54,167	1.6%	77.2%	$54,915	1.8%	12.5%
AF Group	$47,628	1.3%	74.8%	$29,317	0.9%	61.3%	$12,594	0.4%	56.6%
Statewide Totals	$3,822,011		87.3%	$3,334,374		75.6%	$3,088,030		68.1%

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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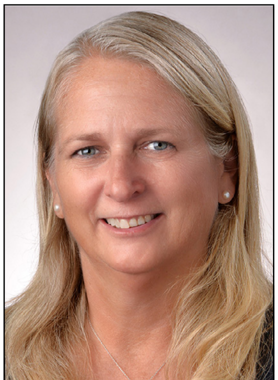
mium, increased rates an average 6.9% this year and 17.3% last year. **State Farm** increased rates an average 23.8% this year and 21.7% in 2023, according to RateWatch.

Insurers have long complained about lengthy delays in the approval process – a problem attributed mostly to staff shortages – but the situation became dire as losses spiked following the pandemic. New York personal auto insurers suffered an 84.6% incurred loss ratio last year, higher than every state except **Washington** and **Nevada**. (AIR 6/17/24)

Growth in the residual market provides one sign of insurers' retreat last year due to rates they considered too inadequate to compete. Applications to the assigned risk pool surged from 19,718 in 2022 to 62,495 in 2023, and private passenger premium more than doubled to $140.1 million, according to data from **AIPSO**.



Kristina Baldwin
APCIA

In the first half of this year, it took 110 days from the submission of a personal auto rate filing to approval, according to **Perr & Knight's** *State Filings Pulse*. Some 35% of filings in the first half of 2024 were approved for rates lower than requested, an improvement from the 51% figure for all of 2023.

"I don't believe this is outright rate suppression by the department," said **Kristina Baldwin**, vice president of state government relations for the **American Property Casualty Insurance Association** (APCIA). "I believe that they have recently been successful in filling some positions, but they're still short-staffed, and the filing approval delays are still a significant problem."

In the department's 2023 annual report, Harris acknowledged that years of being "critically understaffed" created "significant risk to the state and financial markets." The DFS hired 202 new staff members and promoted 182 others last year.

Insurers are pushing for legislation that would enable DFS to hire outside consultants to help speed the review process for rates and forms. Senate Bill 9354 was introduced in May, too late to gain traction, but Baldwin expects the issue to come up again next year.

Even if the market shakes loose a bit with the slowdown in inflation and improving auto insurance profitability, some New York insurers continue to struggle, creating problems for agents and drivers.

Adirondack Insurance Exchange blamed the rapid rise in loss costs and the need for big rate increases for a surplus shortage that is forcing it to exit the New York market. Adirondack, which is managed by **Allstate**-owned **National General**, wrote $90.2 million in personal auto premium last year and $103.5 million in homeowners premium in the state. Its sister company, **Mountain Valley Indemnity Co.**, which wrote $75.4 million in homeowners premium, is also leaving New York. Nonrenewals began Oct. 1 for about 88,000 affected policyholders, according to **Theophilus Alexander**, government and industry affairs specialist for the **Professional Insurance Agents** (PIA) **Northeast**.

"Our members are struggling with placing that business," he said. "It's a combination of the volume and just the attitude of carriers about what type of risk that they're willing to write."

Taxi Insurance Crisis

The hardest hit segment of the auto market in the state is the niche serving New York City taxis and rideshare drivers, with regulators raising the alarm that the state's second-largest commercial auto insurer, **American Transit Insurance Co.**

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(ATIC), is on the brink of failure and requiring its competitors to set aside larger reserves.

After decades of financial problems, American Transit, which covers nearly two-thirds of the 117,000 taxis, rideshare drivers and other for-hire vehicles in New York City, was found to have "massively deficient" reserves – to the tune of $700 million. In April, DFS ordered American Transit to find more capital or consider a sale.

"If this situation is not resolved, ATIC is at significant risk of failure," **Bernard Ganley**, DFS deputy insurance superintendent, wrote to the company in an April letter accompanying financial examination reports from 2018 and 2019.

"The collapse of ATIC would leave tens of thousands of livery drivers uninsured and without a source of income. Furthermore, hundreds

> ***Regulators say the insurer covering more than 60% of New York City taxi and Uber drivers is at risk of failure.***

of millions of dollars in anticipated claims from accident victims and their health care providers could go unpaid," he wrote. "This would be economically devastating for livery drivers, passengers, health care providers, and the New York economy, and would disrupt vital transportation services."

For now, American Transit is still in business, and an announcement last month on its website seemed to indicate it didn't plan to shut down. The company noted that it continues to fight a major lawsuit filed by **Uber**, which claimed American Transit improperly denied claims for 23 drivers, causing the insured parties to file suit against the ride-hailing platform.

"The company is working tirelessly to address a long-standing issue of statutory solvency amid rampant insurance fraud and escalating costs," according to an announcement American Transit posted last month on its website. "We are working closely with industry participants towards a solution that does not unduly impact the broader market in an adverse manner."

Theophilus Alexander
PIA Northeast

American Transit, which has been in business for 52 years, has a reputation for keeping rates artificially low, which has helped sustain its dominance in the market.

In an article, Alexander of PIA Northeast noted that if American Transit were to shut down, drivers would face higher premiums as remaining insurers account for the increased risk. The second-largest TLC carrier, **Hereford**, writes about 21% of the market.

About four years ago, **Maya Assurance**, another significant player, made the decision to start writing more livery coverage in Westchester and Upstate New York while reducing its New York City market share from 6% to 3%, according to **K.J. Singh**, the company's president and chief operating officer.

Singh attributed troubles in the New York City livery insurance market to no-fault fraud, a enduring problem that has gotten worse in recent years. Fraud is pervasive in New York auto insurance, but taxi and rideshare drivers in New York City experience staged accidents like the one that went viral on TikTok "a thousand times a day," he said.

"It definitely has gotten a lot more aggressive in the past four, five years," he said. "It's much more organized, and the aggressiveness has doubled, if not tripled – meaning the volume and intensity. That, combined with the competi-

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tive rate deterioration, makes it an unsustainable environment."

In 2023, no-fault accounted for 75% of the nearly 45,000 reports of suspected fraud statewide, according a DFS report.

In a letter to the governor, **Jerry Theodorou**, director of finance, insurance and trade policy for the **R Street Institute**, described "criminal rings that stage accidents in cahoots with complicit attorneys and health care providers who submit claims for injuries that are padded or nonexistent." He also cited "a pattern of abusive billing with no-fault coverage prevalent in New York."

In June, federal prosecutors in New York announced sentences ranging from seven to 15 years for leaders of a $40 million fraud ring that targeted auto insurance companies through sham medical clinics and pharmacies. "By posing as legitimate medical providers, they exploited the system, prescribed unnecessary treatments and jeopardized patient care," U.S. Attorney **Damian Williams** said in a news release.

While a fee schedule limits treatment costs for auto accident victims under personal injury protection (PIP) coverage, there are no constraints on utilization, enabling fraudsters to quickly run up bills to PIP limits.

New York City taxi drivers are an attractive target for scammers because of their high coverage limit.

New York State requires drivers to carry a minimum $50,000 in PIP coverage; $25,000 per person and $50,000 per accident in bodily injury liability; and $10,000 for property damage liability. The New York City **Taxi and Limousine Commission** (TLC), however, requires taxis, ride-hailing drivers and other livery to have a commercial auto liability policy with $50,000 per person and $200,000 per accident for PIP in addition to $100,000 per person and $300,000

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New York Snapshot

Regulator: Superintendent Adrienne Harris
Rate regulation: file and use for rate changes within 5% flex band; prior approval for others
Average rate approval time (2023): 107 days
U.S. average: 64 days

Size of personal auto market: $17.16 billion (2023 DPW) Rank: 4th
Average policy expenditure: $1,549 (2022)
Rank: 3rd
Auto Insurance Report PAIN Index rank: 9th (2022)
Property Insurance Report HURT Index rank: 27th (2021)

Auto registrations: 3.0 million (2022)
Truck registrations: 5.3 million (2022)
Vehicle miles traveled (VMT): 115.38 billion (2022)
Traffic fatalities: 1.02 per 100 million VMT; U.S.: 1.33 (2022)
Vehicle thefts: 137.1 per 100,000 residents; Region: 150.1 (2022)
Liability defense: pure comparative fault
Minimum Insurance Requirements:
BI/UM: $25,000/$50,000 for injury; $50,000/$100,000 for death • PD: $10,000 • PIP: $50,000 •

Safety Laws
Ban on hand-held cellphones for texting and internet
Primary enforcement for seat belts
Motorcycle helmets required for all riders
Red light and speed cameras allowed

Demographics
Population: 19.6 million (2023)
Change 2010-2020: +4.2%, U.S.: +7.4%
Median household income (avg. 2018-2022): $81,386; U.S.: $75,149
Population density: 428.7 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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per occurrence for liability.

New York City Council Member **Carmen De La Rosa** last month introduced legislation that would prohibit the TLC from requiring for-hire drivers to buy more PIP coverage than the $50,000 minimum required statewide.

"This excessive regulation has led to spiraling insurance costs that have pushed drivers into a cycle of financial pain," she wrote in an op-ed. "To make matters worse, this inflated threshold has made New York City a target for insurance scammers, who file fraudulent claims to exploit the higher payouts available here."

Lower required PIP limits will help, Singh said, but it won't solve the problem.

"If you reduce the limits, you're reducing the payouts, but you're not reducing the fraud,"

> ***High PIP limits make taxis a rich target for no-fault scammers, who stage accidents and run up medical bills.***

he said. "The only thing that will happen is they will then stage more accidents to compensate."

In his letter to the governor, Theodorou asked what seems an obvious question, given regulators' long knowledge of ATIC's deficient reserves, lack of reinsurance and likely underpricing: "In view of this reality and the known troubled financial picture of ATIC, why did the DFS not take action?" he wrote. "The two overriding duties of the insurance regulator are policyholder protection and maintaining the solvency of insurers in its jurisdiction. The ATIC saga shows that the regulator failed in both areas."

For now, DFS regulators are tightening their scrutiny of all the TLC writers, requiring many to set aside more reserves for losses.

"I told DFS directly, I feel bad I have to charge my drivers more to pay for organized syndicates to get rich," Singh said.

An optimist might hope that by shining a light on no-fault fraud, the taxi insurance crisis and the viral TikTok video could spur additional action to crack down on staged accidents. Legislation in 2019 made it a crime to intentionally cause an accident for the purpose of committing insurance fraud. A bill (SB 7754A) introduced this year sought to broaden current law to include "those who mastermind these staged collisions by recruiting or directing others to commits staged accidents." The bill didn't advance out of committee but could return.

Expanding Damages for Wrongful Death

New York lawmakers did pass some auto insurance bills this session, for better and for worse.

Like they have in the past, insurers are urging the governor to veto legislation that "represents a major expansion of damages associated with wrongful death actions," according to a letter from APCIA's Baldwin and **Alison Cooper**. The bill expands potential damages to include grief or anguish, loss of services and support, and the loss of nurture and guidance.

"Given the emotional situations involved in wrongful death cases, juries are understandably faced with a task that is highly subjective and speculative in nature in determining damages," they wrote. "As a consequence, the broad expansion of permissible damages included in this bill could lead to excessive awards and greater uncertainty and unpredictability in the tort system."

Making matters worse, the law would be retroactive to July 2021 and would extend the statute of limitations from two to three years.

The actuarial firm **Milliman** estimated that premiums would increase by $2.7 billion if the law were enacted.

In an interview, Baldwin said that changes in the legislation from years past did not address

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any of the concerns Hochul expressed when she vetoed two similar bills in the last two years.

Lawmakers also passed bills last year that were priorities of agents groups.

New York law has long required vehicles with comprehensive and collision coverage to have a photo inspection to confirm pre-existing physical damage. If the photo inspection didn't take place with 14 days of issuing a new policy, the insurer was required to drop the physical damage coverage. Assembly BIll 2586 allows insurers to waive the requirement.

Last year the Legislature also passed what agents call a "bait-and-switch" bill (SB 5764B) to prevent the practice of quoting a low rate before verifying driving history and then increasing the price after the policy is bound. The law requires insurers that use driving history as a rating or underwriting factor to make a good faith effort to verify the motor vehicle record of all named drivers on the policy before binding it.

Lawmakers also revised a law they passed over the objections of auto insurance companies. Until Aug. 1, 2023, insurers had to offer optional spousal liability coverage, which provides bodily injury liability coverage when a person is injured or killed in a motor vehicle accident caused by the negligence of the person's spouse. A 2022 bill requires insurers to include the coverage unless rejected. Policyholders who don't want to pay for the added coverage have to opt out by signing a declination form that includes the premium for the coverage.

After the reality of cost increases for single people who failed to opt out hit the headlines, lawmakers changed the law again. A9407A, signed last month, requires the coverage be included by default (opt-out) if the applicant indicates on the application that they have a spouse. Otherwise, the insurer is obliged, as before the 2022 legislation, to notify the applicant that the coverage is available upon request. This change doesn't take effect until March 26, 2025.

Insurers have also been pushing for a modern online insurance verification system that would replace the error-plagued current system, which relies on exchanging massive amounts of data using old technology and manual processing.

The state **Department of Motor Vehicles** is developing the new system for verifying coverage, but lawmakers still have to pass legislation.

"We are very hopeful that we will be get the statutory changes in place so that the new system will be OK to move forward and put in place when it's ready," Baldwin said. AIR

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Correction

Washington State requires prior approval for insurance rates. The information was incorrect in the Snapshot in the Oct. 14 issue of *Auto Insurance Report*. We regret the error. A corrected issue is available here. AIR