

AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

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THE GRAPEVINE

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All Hail Small Markets, Delivering Consistently Big Profits Over Time 2018 Profit Report Shows Market Peak

Personal auto insurers enjoyed a 7.6% after-tax profit margin in 2018, the highest since 8.1% in 2006 and sharply improved from just 0.8% in 2016 and 4.3% in 2017, according to an *Auto Insurance Report* analysis of data from the **National Association of Insurance Commissioners**.

Preliminary data shows profits fell in 2019 to between 6% and 7%, which remains well above the 4.2% average for the past decade. (See AIR 12/9/19)

Much of the 2018 improvement comes from significantly higher profits for physical damage coverage, though that may be fleeting. Physical damage profit margins surged to 8.9% nationally, the highest since 2006. Some of that is from better pricing, but much of it is from better weather. For example, in 2018, the three states with the highest physical damage profit margins – **Oklahoma** (15.7%), **Texas** (16.3%) and **Nebraska** (14%) – frequently experience the worst losses due to hail and flooding. Texas insurers, for example, suffered physical damage losses of 11.1% in 2017 and 9.9% in 2016.

Nationally, liability margins improved to 6.7% in 2018 from 4.0% in 2017 and a break-even performance in 2016.

The nation's smallest states consistently generate the highest profit margins, despite the challenges associated

Please see PROFITS on Page 2

Rates of Return On Net Worth

	NAIC Personal Auto	Fortune All- Industry
2009	4.8%	10.5%
2010	6.1%	12.7%
2011	2.6%	14.3%
2012	3.8%	13.4%
2013	4.2%	16.6%
2014	4.3%	14.3%
2015	2.7%	12.7%
2016	0.7%	13.1%
2017	3.7%	13.9%
2018	7.5%	15.4%
2009-18	4.0%	13.7%

Source: NAIC



PROFITS *Continued from Page 1*

with small markets. With premium growth slowing in 2019, insurers looking for profitable business might take a harder look at New England, **Alaska, Hawaii** and **North Dakota**.

The 10 smallest states combined produced \$5.85 billion in 2018 earned premium, slightly more than **Virginia**, the 10th largest state. These 10 small states combined delivered a 10.6% profit margin, measurably better than the industry's 7.6% and higher than the profit in eight of the 10 largest states and 18 of the 20 largest. Their combined after-tax profit of \$622 million was more than insurers generated in **Illinois**, which is the ninth largest market and slightly more profitable than the national average.

Granted, a focus on small markets can be challenging as insurers have to deal with a larger number of small insurance departments that may not be well-staffed, while also tracking numer-

ous legislative and legal developments. But if a company commits to building an efficient infrastructure that can manage multiple small markets, the profit rewards are there.

The best market over time is Hawaii, with a 14.1% average margin for the decade ended 2018, compared to 10.3% for second-ranked Alaska and 4.2% for the nation. Hawaii has actually come back to the pack a bit – the profit margins were in the 20s two decades ago – but remains the outstanding performer. New England remains the strongest region over time, with high profits in **Maine, New Hampshire, Vermont** and **Connecticut**, and above-average results in **Massachusetts** and even challenging **Rhode Island**. Only Massachusetts, ranked 14th by premium, could be considered a large state.

Among the largest auto insurance markets, **Ohio** stands out as the most profitable over time,

Please see PROFITS on Page 10

Best Personal Markets Over Time

States Ranked By Average Profit Margin
On Direct Personal Auto Insurance Premiums Earned 2009-2018

	Margin			Margin			Margin	
	10-Yr Avg	2018		10-Yr Avg	2018		10-Yr Avg	2018
1) Hawaii	14.1	14.6	19) Kansas	6.3	10.7	37) Nebraska	4.4	14.4
2) Alaska	10.3	7.1	20) Illinois	6.3	7.8	38) California	4.2	4.7
3) Maine	10.1	12.5	21) Virginia	6.3	8.5	39) Mississippi	4.1	9.0
4) New Hampshire	9.9	12.6	22) Washington	6.2	8.6	40) Alabama	3.7	7.2
5) Vermont	9.8	14.9	23) New Mexico	6.1	7.3	41) New York	3.5	4.7
6) West Virginia	9.7	10.2	24) Wyoming	6.0	4.2	42) Texas	3.0	11.8
7) North Dakota	9.5	11.5	25) Montana	6.0	11.2	43) Florida	2.8	5.1
8) Idaho	9.0	9.5	26) Massachusetts	5.6	10.1	44) Kentucky	2.6	9.1
9) Dist. of Columbia	8.6	7.8	27) Arizona	5.5	8.0	45) Nevada	2.5	4.1
10) Ohio	7.9	12.7	28) Delaware	5.4	9.1	46) South Carolina	1.9	6.7
11) Wisconsin	7.7	11.0	29) Utah	5.3	4.8	47) South Dakota	1.2	4.8
12) Minnesota	7.5	10.1	30) Missouri	5.1	9.4	48) Louisiana	0.7	5.2
13) Oregon	7.4	12.8	31) Oklahoma	5.1	15.7	49) Georgia	0.6	4.5
14) Indiana	7.0	11.4	32) Maryland	4.7	7.0	50) Colorado	-1.2	-9.6
15) Iowa	6.9	9.1	33) Arkansas	4.6	10.2	51) Michigan*	-6.3	7.1
16) New Jersey	6.9	10.2	34) Rhode Island	4.6	9.5	<i>United States</i>	4.2	7.6
17) Connecticut	6.6	9.0	35) North Carolina	4.6	5.5			
18) Pennsylvania	6.5	9.2	36) Tennessee	4.4	9.3			

Note: This table is calculated by *Auto Insurance Report* using data from the National Association of Insurance Commissioners, which does not endorse these calculations. See adjacent footnote for information on data limitations. *Michigan results are skewed by the state's catastrophic claims association. The 10-year profit is higher than shown.

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Where The Money Is

2018 Personal Auto Insurance Profits After-Tax On Direct Premiums Earned (\$ Millions)

	Profit	Margin	Premium	Prem Rank		Profit	Margin	Premium	Prem Rank
1) Texas	\$2,635	11.8	\$22,320	2	27) Alabama	\$254	7.2	\$3,513	24
2) California	\$1,366	4.7	\$29,151	1	28) Louisiana	\$249	5.2	\$4,753	18
3) Florida	\$1,034	5.1	\$20,156	3	29) Arkansas	\$208	10.2	\$2,043	32
4) Ohio	\$873	12.7	\$6,862	10	30) Kansas	\$206	10.7	\$1,923	34
5) Pennsylvania	\$830	9.2	\$9,030	7	31) Nebraska	\$187	14.4	\$1,298	37
6) New Jersey	\$809	10.2	\$7,901	8	32) Mississippi	\$176	9.0	\$1,950	33
7) Michigan*	\$661	7.1	\$9,339	5	33) Iowa	\$166	9.1	\$1,815	35
8) New York	\$643	4.7	\$13,778	4	34) West Virginia	\$128	10.2	\$1,264	38
9) Illinois	\$590	7.8	\$7,580	9	35) Hawaii	\$113	14.6	\$774	43
10) Massachusetts	\$538	10.1	\$5,326	14	36) New Hampshire	\$110	12.6	\$873	42
11) Virginia	\$481	8.5	\$5,660	12	37) Nevada	\$109	4.1	\$2,632	30
12) Washington	\$466	8.6	\$5,429	13	38) New Mexico	\$107	7.3	\$1,465	36
13) Indiana	\$445	11.4	\$3,884	22	39) Utah	\$100	4.8	\$2,061	31
14) Oklahoma	\$430	15.7	\$2,748	29	40) Idaho	\$96	9.5	\$1,014	39
15) Georgia	\$416	4.5	\$9,210	6	41) Maine	\$94	12.5	\$754	45
16) Arizona	\$412	8.0	\$5,148	15	42) Rhode Island	\$90	9.5	\$949	40
17) Tennessee	\$398	9.3	\$4,258	20	43) Montana	\$85	11.2	\$760	44
18) Oregon	\$389	12.8	\$3,032	28	44) Delaware	\$82	9.1	\$900	41
19) Missouri	\$382	9.4	\$4,075	21	45) Vermont	\$57	14.9	\$384	50
20) Minnesota	\$379	10.1	\$3,738	23	46) North Dakota	\$56	11.5	\$486	47
21) Maryland	\$358	7.0	\$5,119	16	47) Alaska	\$34	7.1	\$480	48
22) Wisconsin	\$351	11.0	\$3,207	25	48) Dist. of Columbia	\$29	7.8	\$365	51
23) North Carolina	\$343	5.5	\$6,262	11	49) South Dakota	\$27	4.8	\$563	46
24) Kentucky	\$287	9.1	\$3,152	26	50) Wyoming	\$17	4.2	\$407	49
25) South Carolina	\$287	6.7	\$4,265	19	51) Colorado	-\$470	-9.6	\$4,909	17
26) Connecticut	\$275	9.0	\$3,040	27	<i>United States</i>	\$18,394	7.6	\$242,561	

Note: This table is calculated by *Auto Insurance Report* using data provided by the National Association of Insurance Commissioners. The NAIC does not endorse any analysis or calculation based on its data. It is not possible to provide an exact total of company profits, because insurance companies do not track all expenses, taxes or investment income by state and by line. The profit margin and profit total are estimates calculated with NAIC data, which uses state-specific data where possible and then allocates national data to the states where necessary. While the report has limitations, we are confident this table provides the clearest picture possible of the profits earned by insurance companies on personal auto insurance in each state. *Michigan results are skewed by data reporting anomalies related to the state's catastrophic claims association. See AIR 6/17/19 for details. Email bpsullivan@riskinformation.com for a copy if needed.

Personal Auto Insurance Profit Margins

Ranked by 2018 Total Profit as a Percent of Direct Premiums Earned

State	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Avg
1) Oklahoma	15.7	10.8	6.7	5.0	9.7	-2.8	3.0	3.4	-1.7	1.1	5.1
2) Vermont	14.9	12.4	11.3	9.9	1.1	8.5	12.1	6.8	10.7	10.6	9.8
3) Hawaii	14.6	10.9	8.9	9.3	14.4	14.6	16.6	15.7	18.2	18.0	14.1
4) Nebraska	14.4	2.4	4.2	7.1	-3.4	1.0	7.3	-1.0	6.0	5.9	4.4
5) Oregon	12.8	8.7	3.6	3.5	8.9	7.0	6.5	6.2	9.6	7.6	7.4
6) Ohio	12.7	9.0	6.3	6.5	8.0	7.4	6.9	5.1	9.3	7.9	7.9
7) New Hampshire	12.6	10.6	9.4	10.0	8.2	7.7	9.9	8.4	11.8	10.7	9.9
8) Maine	12.5	9.3	9.0	8.5	5.2	8.9	12.0	10.5	12.6	12.9	10.1
9) Texas	11.8	-2.4	-6.0	-0.8	4.1	4.2	2.9	3.7	8.3	3.9	3.0
10) North Dakota	11.5	11.9	2.0	10.0	12.6	9.0	11.3	8.1	10.7	8.4	9.5
11) Indiana	11.4	8.7	4.1	4.3	6.4	5.9	6.1	8.6	9.8	4.9	7.0
12) Montana	11.2	9.5	-4.3	2.1	1.6	8.3	12.4	7.6	0.7	10.5	6.0
13) Wisconsin	11.0	8.7	6.8	7.4	4.9	5.2	6.4	5.8	11.0	9.8	7.7
14) Kansas	10.7	7.0	3.5	7.1	7.8	4.8	6.8	1.6	10.0	4.0	6.3
15) New Jersey	10.2	9.1	6.2	7.4	8.9	8.5	6.2	7.5	6.9	-1.9	6.9
16) West Virginia	10.2	12.1	6.7	8.1	11.3	14.2	9.6	8.4	8.8	7.8	9.7
17) Arkansas	10.2	6.7	-3.5	1.7	6.5	6.5	7.4	2.5	5.7	2.8	4.6
18) Minnesota	10.1	6.7	6.4	8.1	8.5	5.1	8.7	6.5	7.2	7.6	7.5
19) Massachusetts	10.1	7.7	5.8	3.8	5.6	5.4	6.8	3.6	4.3	2.5	5.6
20) Rhode Island	9.5	6.4	2.1	1.6	4.5	1.6	5.7	1.1	7.1	6.4	4.6
21) Idaho	9.5	6.9	3.9	5.6	8.7	7.5	10.0	11.9	13.5	12.9	9.0
22) Missouri	9.4	4.9	0.0	2.9	5.3	7.8	1.3	2.8	10.1	6.9	5.1
23) Tennessee	9.3	6.0	3.0	5.6	8.0	8.0	3.5	-9.1	3.9	6.1	4.4
24) Pennsylvania	9.2	8.0	5.1	4.0	2.7	6.8	7.0	6.1	8.9	7.0	6.5
25) Iowa	9.1	6.1	6.2	7.1	4.7	6.4	10.2	4.2	8.2	6.9	6.9
26) Kentucky	9.1	4.8	-0.8	1.4	5.2	6.0	-0.1	1.7	0.0	-0.9	2.6
27) Delaware	9.1	3.8	1.4	4.2	6.0	11.1	5.6	4.7	3.8	3.8	5.4
28) Connecticut	9.0	6.7	4.8	5.9	5.6	3.7	6.7	5.8	10.5	7.4	6.6
29) Mississippi	9.0	5.8	1.7	3.5	4.5	-6.6	6.6	4.4	6.6	5.0	4.1
30) Washington	8.6	5.2	1.4	2.2	5.7	6.3	7.1	7.7	10.1	8.0	6.2

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Personal Auto Insurance Profit Margins

Ranked by 2018 Total Profit as a Percent of Direct Premiums Earned

State	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Avg
31) Virginia	8.5	6.6	2.6	5.4	7.3	8.2	5.6	4.7	7.8	5.8	6.3
32) Arizona	8.0	4.5	-0.4	2.9	6.3	4.8	6.5	5.5	5.1	12.0	5.5
33) Dist. of Columbia	7.8	6.0	1.6	3.1	10.4	14.5	11.7	11.1	10.3	9.2	8.6
34) Illinois	7.8	6.3	4.0	4.8	5.8	6.0	7.5	7.2	8.6	5.2	6.3
35) New Mexico	7.3	4.6	2.8	4.2	8.5	5.3	5.9	3.9	8.3	10.0	6.1
36) Alabama	7.2	4.3	-0.6	0.8	3.7	3.9	4.9	0.7	7.0	5.5	3.7
37) Alaska	7.1	5.1	8.1	8.2	13.3	13.5	12.5	12.5	11.9	10.8	10.3
38) Michigan*	7.1	13.7	5.7	12.7	6.7	-12.5	-24.0	-37.4	-13.9	-21.6	-6.3
39) Maryland	7.0	4.3	0.7	1.2	5.3	9.1	6.2	4.1	4.7	4.0	4.7
40) South Carolina	6.7	2.2	-4.1	-1.8	-0.3	3.1	4.4	-0.4	3.7	5.5	1.9
41) North Carolina	5.5	3.6	1.1	3.6	6.3	7.3	5.0	1.4	6.1	5.8	4.6
42) Louisiana	5.2	1.6	-15.7	-1.1	1.5	-2.0	1.4	2.8	7.7	5.4	0.7
43) Florida	5.1	2.3	1.1	0.9	2.2	7.0	6.8	1.7	0.9	0.4	2.8
44) Utah	4.8	4.3	-0.3	1.7	5.7	3.8	7.3	7.7	11.2	6.9	5.3
45) South Dakota	4.8	5.1	3.7	0.9	-9.3	-7.2	5.3	-2.5	4.4	7.2	1.2
46) California	4.7	1.6	-1.7	1.7	5.2	4.4	4.4	5.0	8.2	8.3	4.2
47) New York	4.7	3.6	2.7	3.1	5.1	7.6	-1.3	3.2	3.6	2.6	3.5
48) Georgia	4.5	0.4	-5.8	-3.6	-0.3	-2.2	2.4	2.4	5.6	3.0	0.6
49) Wyoming	4.2	5.8	-0.2	9.9	6.7	7.4	14.4	-4.1	6.1	9.8	6.0
50) Nevada	4.1	-0.8	-4.9	-2.7	2.8	2.3	3.5	4.8	9.7	5.7	2.5
51) Colorado	-9.6	-5.0	-8.1	-1.6	-7.1	0.4	2.6	3.6	8.6	3.9	-1.2
United States	7.6	4.3	0.8	3.1	4.9	4.6	3.9	2.7	6.1	4.3	4.2

Note: This table is calculated by *Auto Insurance Report* using data provided by the National Association of Insurance Commissioners. The NAIC does not endorse any analysis or calculation based on its data.

It is not possible to provide an exact total of profits here, because insurers do not track all expenses, taxes or investment income by state and by line. The profit margins in this table are estimates calculated by *Auto Insurance Report* using NAIC data, which uses state-specific data where possible and then allocates national data

to the states where necessary.

While the data has limitations, we are confident this table provides the clearest picture possible of insurers' state profits.

*Michigan liability data is skewed each year by the Michigan Catastrophic Claims Association. Michigan's profit margins are not as good as the NAIC report suggests for 2015 and 2017, or as poor over time.

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Personal Auto Liability Profit Margins

Ranked by State 2018 Auto Liability Profit as a Percent of Direct Premiums Earned

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Avg
1) Wyoming	19.0	12.9	11.7	12.8	12.9	15.2	16.7	12.5	15.0	10.4	13.9
2) Hawaii	18.0	10.9	9.6	8.4	15.9	16.8	17.2	16.0	19.1	18.1	15.0
3) Vermont	17.2	12.2	10.1	9.2	9.1	9.0	13.4	9.0	8.4	7.8	10.5
4) South Dakota	16.6	12.4	1.8	9.0	8.6	7.6	8.6	9.7	9.5	14.5	9.8
5) Wisconsin	15.7	10.9	8.0	8.2	4.7	6.0	5.1	7.5	13.7	9.3	8.9
6) Nebraska	14.8	10.7	5.0	3.7	6.0	6.0	9.8	7.5	11.6	7.2	8.2
7) New Hampshire	14.5	10.2	7.6	10.3	6.2	5.8	9.2	9.7	11.5	9.6	9.5
8) Ohio	13.8	7.3	4.6	6.5	9.2	8.0	7.9	9.2	9.9	7.3	8.4
9) Iowa	13.7	11.7	4.2	6.5	9.3	8.8	10.9	12.8	12.9	8.8	10.0
10) North Dakota	13.7	13.8	9.9	11.8	15.5	8.4	7.3	9.8	13.3	6.3	11.0
11) Idaho	13.3	7.9	4.1	6.5	10.2	8.4	10.4	12.7	13.4	12.8	10.0
12) Oregon	13.3	10.3	4.4	3.1	10.2	7.0	5.9	4.8	7.8	5.5	7.2
13) Maine	13.3	8.4	7.4	10.2	2.3	9.0	12.4	10.9	10.9	11.4	9.6
14) Oklahoma	13.1	10.0	4.9	6.5	8.5	5.6	6.0	6.0	4.6	1.4	6.6
15) Minnesota	12.6	8.5	6.8	8.9	9.4	8.6	9.7	9.2	8.7	6.2	8.9
16) West Virginia	12.6	13.0	11.7	9.3	13.7	19.0	11.4	10.1	9.7	9.1	12.0
17) Montana	12.6	10.1	7.1	2.8	11.1	11.3	13.3	10.0	14.2	14.1	10.6
18) Indiana	12.4	8.5	3.2	4.2	8.2	8.0	9.6	12.1	9.7	3.1	7.9
19) Pennsylvania	12.0	8.2	5.7	5.1	7.4	9.4	8.9	10.7	10.8	7.1	8.5
20) Arkansas	11.9	6.1	-2.9	2.6	7.1	5.1	5.9	8.0	5.2	6.1	5.5
21) Massachusetts	11.4	6.5	4.4	5.5	4.6	4.7	6.9	7.5	6.5	5.3	6.3
22) New Jersey	10.2	7.4	4.3	6.1	8.1	6.1	11.7	7.6	4.1	-9.9	5.6
23) Rhode Island	10.0	5.3	0.4	1.4	4.3	0.8	5.3	0.2	6.7	4.5	3.9
24) Delaware	9.7	1.6	-0.4	4.0	8.7	13.9	5.0	4.6	3.2	2.1	5.2
25) Connecticut	9.3	4.0	2.2	4.2	3.1	1.2	6.0	6.9	9.8	5.7	5.3
26) Virginia	8.7	4.8	2.8	3.7	6.7	8.4	5.5	5.6	8.0	5.7	6.0
27) Tennessee	8.6	5.9	1.4	5.0	7.4	7.3	7.7	3.8	4.9	4.3	5.6
28) Kentucky	8.4	2.7	-1.9	1.8	5.6	6.0	6.2	2.0	-2.8	-2.0	2.6
29) Texas	8.4	4.4	-2.8	-1.6	2.7	3.6	3.8	3.8	6.0	4.2	3.3
30) Kansas	8.2	6.9	3.0	5.9	6.9	7.9	7.4	9.2	10.6	4.3	7.0

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Personal Auto Liability Profit Margins

Ranked by State 2018 Auto Liability Profit as a Percent of Direct Premiums Earned

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Avg
31) New Mexico	7.9	6.9	3.4	7.3	10.0	3.5	3.1	-3.1	4.4	9.3	5.3
32) Michigan*	7.6	17.3	5.8	17.1	10.8	-20.9	-41.0	-64.0	-29.1	-44.0	-14.0
33) Illinois	7.5	5.6	2.5	4.2	6.7	7.0	10.4	12.0	8.8	2.7	6.7
34) Missouri	7.1	5.6	-1.9	2.4	5.9	6.9	7.2	7.2	10.9	5.4	5.7
35) Arizona	6.9	2.4	-2.2	2.7	4.9	3.3	4.9	4.8	10.7	10.5	4.9
36) Alabama	6.8	2.1	-4.6	-1.7	3.3	4.2	4.7	4.8	6.8	6.2	3.3
37) Washington	6.7	4.1	-0.3	0.4	4.4	4.7	5.6	5.8	8.5	6.0	4.6
38) Maryland	6.4	2.1	-0.7	-0.6	4.8	10.1	5.4	4.1	4.6	2.3	3.9
39) Alaska	6.3	4.5	8.2	5.8	11.9	13.9	12.5	11.2	8.9	7.2	9.0
40) Mississippi	6.2	3.3	-0.3	2.0	4.7	5.0	5.9	4.4	4.5	2.7	3.8
41) Dist. of Columbia	6.0	2.2	-2.3	-3.2	6.5	13.0	7.8	8.6	7.4	5.0	5.1
42) Colorado	5.0	1.7	-3.2	-1.1	0.1	-1.0	2.6	4.4	10.1	8.8	2.7
43) South Carolina	4.1	0.3	-6.7	-3.3	0.0	1.5	3.8	2.2	3.2	3.9	0.9
44) Florida	3.3	2.4	0.8	0.6	1.8	7.9	7.2	-0.1	-3.1	-3.8	1.7
45) California	3.0	-0.4	-5.2	-0.1	4.5	3.2	2.5	4.1	7.2	7.4	2.6
46) Utah	2.5	3.8	-0.8	0.6	4.7	3.6	6.5	7.6	10.7	5.9	4.5
47) New York	2.4	0.9	0.7	2.9	6.4	7.9	9.1	6.1	2.2	-0.1	3.8
48) Nevada	1.6	-3.1	-7.4	-5.2	1.0	-0.2	0.9	1.1	6.7	1.8	-0.3
49) North Carolina	1.6	-4.8	-1.8	-0.3	4.0	5.9	3.0	4.8	5.9	4.6	2.3
50) Georgia	1.5	-3.1	-10.8	-8.6	-5.3	-5.8	-3.9	-2.9	-1.2	-2.6	-4.3
51) Louisiana	0.5	-2.1	-7.8	-4.4	-2.0	-1.5	0.1	0.7	4.1	1.2	-1.1
United States	6.7	4.0	0.0	2.4	5.0	4.5	4.3	2.8	4.8	2.0	3.7

Note: This table is calculated by *Auto Insurance Report* using data provided by the National Association of Insurance Commissioners. The NAIC does not endorse any analysis or calculation based on its data.

It is not possible to provide an exact total of profits, because insurers do not track all expenses, taxes or investment income by state and by line. The profit margins in this table are estimates calculated by *Auto Insurance Report* using NAIC data, which uses state-specific data where possible and then allocates national data

to the states where necessary.

While the data has limitations, we are confident this table provides the clearest picture possible of insurers' state profits.

*Michigan liability data is skewed by the Michigan Catastrophic Claims Association. We are certain Michigan's after-tax results are not as good, or bad, as the NAIC report suggests, and there are likely to be modest profits.

For further information, contact editor Brian Sullivan at (949) 443-0330 or bpsullivan@riskinformation.com.

Personal Auto Physical Damage Profit Margins

Ranked by State 2018 Auto Physical Damage Profit as a Percent of Direct Premiums Earned

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Avg
1) Oklahoma	18.8	11.8	9.0	3.3	11.2	-13.9	-1.1	0.1	-10.3	0.8	3.0
2) Texas	16.3	-11.1	-9.9	0.0	5.8	4.9	1.6	3.6	11.2	3.4	2.6
3) Nebraska	14.0	-7.1	3.5	10.9	-14.1	-4.9	4.3	-11.8	-1.3	4.1	-0.2
4) Louisiana	13.7	7.9	-29.2	4.2	7.5	-2.9	3.4	6.0	13.4	11.4	3.5
5) Kansas	13.6	7.2	4.0	8.4	8.8	1.6	6.0	-6.6	9.3	3.7	5.6
6) Vermont	12.7	12.8	12.4	10.7	-7.3	7.9	10.6	4.4	13.1	13.6	9.1
7) Mississippi	12.4	8.8	4.1	5.5	4.1	-21.5	7.5	4.4	9.4	7.9	4.3
8) Missouri	12.2	4.0	2.2	3.3	4.5	9.1	-6.3	-2.8	9.1	8.7	4.4
9) Washington	12.2	7.2	4.8	6.2	8.5	9.6	10.1	11.4	13.2	11.6	9.5
10) Oregon	11.8	5.0	1.9	4.7	6.1	6.7	7.9	9.2	13.2	11.8	7.8
11) Maine	11.5	10.4	10.7	6.4	8.6	8.8	11.4	9.7	14.8	14.6	10.7
12) Ohio	11.4	11.1	8.3	6.6	6.5	6.7	5.5	-0.4	8.3	8.5	7.3
13) South Carolina	11.2	5.0	0.1	0.6	-0.8	5.7	5.2	-4.8	4.6	8.0	3.5
14) New Hampshire	10.5	11.0	11.2	9.7	10.5	10.1	10.5	6.8	12.1	12.0	10.4
15) Kentucky	10.3	8.5	1.3	0.6	4.4	5.7	-13.3	1.1	5.4	1.0	2.5
16) Tennessee	10.3	6.3	5.0	6.2	8.7	9.0	-2.1	-26.5	2.5	8.3	2.8
17) Nevada	10.2	4.6	0.7	2.5	7.0	7.9	9.1	12.4	15.6	13.1	8.3
18) Indiana	10.2	8.9	5.1	4.7	3.9	3.1	1.2	3.5	10.1	7.2	5.8
19) New Jersey	10.2	12.7	10.5	10.3	11.1	14.2	-6.5	7.1	12.8	14.2	9.7
20) Dist. of Columbia	10.1	10.7	6.1	9.9	14.8	16.1	16.5	14.2	13.7	13.9	12.6
21) Georgia	10.0	6.7	2.5	4.4	7.4	3.1	11.1	9.3	14.4	9.7	7.9
22) Montana	10.0	8.7	-17.1	1.2	-9.9	4.6	11.1	4.4	-17.6	5.6	0.1
23) Hawaii	10.0	10.9	7.8	10.4	12.2	11.1	15.5	15.1	16.6	17.8	12.7
24) Arizona	9.8	7.6	2.3	3.2	8.4	7.0	8.9	6.4	-2.5	14.0	6.5
25) North Carolina	9.8	12.5	4.4	8.3	9.0	9.3	7.8	-3.3	6.3	7.5	7.2
26) North Dakota	9.7	10.3	-4.5	8.4	10.2	9.5	14.8	6.6	8.5	10.3	8.4
27) Florida	9.5	2.0	1.6	1.9	3.5	4.4	5.7	6.7	10.8	10.1	5.6
28) New York	8.7	8.5	6.1	3.2	2.8	6.9	-23.2	-2.4	6.4	7.6	2.5
29) Rhode Island	8.7	8.3	5.6	1.7	4.8	3.3	6.3	2.4	7.9	10.1	5.9
30) Utah	8.6	5.0	0.7	3.5	7.4	4.1	8.6	8.0	12.0	8.6	6.7

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Personal Auto Physical Damage Profit Margins

Ranked by State 2018 Auto Physical Damage Profit as a Percent of Direct Premiums Earned

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Avg
31) Connecticut	8.6	11.0	9.4	8.6	9.8	7.9	7.9	3.9	11.5	10.4	8.9
32) Massachusetts	8.5	9.3	7.5	1.6	6.9	6.3	6.4	-2.2	0.9	-2.1	4.3
33) Virginia	8.2	8.9	2.4	7.5	8.1	8.0	5.6	3.5	7.6	5.9	6.6
34) Alaska	8.2	6.0	8.0	11.9	15.6	13.0	12.3	14.5	16.7	16.5	12.3
35) Arkansas	8.2	7.3	-4.3	0.6	5.7	8.1	9.4	-4.5	6.2	-1.4	3.5
36) Illinois	8.2	7.3	5.8	5.6	4.5	4.9	3.6	0.4	8.5	8.5	5.7
37) Alabama	7.9	7.0	4.1	3.5	4.3	3.7	5.3	-3.9	7.2	4.8	4.4
38) Maryland	7.7	7.6	2.6	3.9	6.2	7.4	7.3	4.1	4.8	6.6	5.8
39) Delaware	7.4	8.4	5.2	5.0	-0.2	4.7	7.1	4.7	5.5	7.4	5.5
40) West Virginia	7.2	11.0	0.5	6.8	8.0	7.5	6.9	5.9	7.4	5.6	6.7
41) California	7.1	4.0	2.7	4.1	6.1	6.0	7.1	6.3	9.4	9.5	6.2
42) Minnesota	7.0	4.5	6.1	7.0	7.4	0.3	7.1	2.7	5.0	9.6	5.7
43) New Mexico	6.3	0.8	1.8	-1.1	5.9	8.5	10.6	15.2	14.3	10.9	7.3
44) Michigan*	6.0	7.1	4.9	4.8	-1.3	2.0	3.5	2.0	6.8	5.7	4.2
45) Pennsylvania	5.8	7.6	4.2	2.6	-3.9	3.3	4.2	-0.4	6.2	6.7	3.6
46) Wisconsin	4.9	5.7	5.3	6.4	5.1	4.1	8.4	3.2	7.2	10.5	6.1
47) Iowa	4.7	0.7	8.1	7.7	0.1	3.8	9.5	-5.1	3.2	4.8	3.7
48) Idaho	4.3	5.3	3.4	4.1	6.5	6.2	9.5	10.8	13.5	13.0	7.7
49) South Dakota	-5.0	-1.1	5.4	-6.6	-26.1	-21.2	2.1	-14.6	-0.9	-0.7	-6.9
50) Wyoming	-8.0	-0.3	-10.7	7.3	0.9	-0.1	12.2	-21.0	-2.7	9.2	-1.3
51) Colorado	-31.5	-15.1	-15.2	-2.2	-17.9	2.6	2.7	2.6	6.1	-3.5	-7.1
United States	8.9	4.5	1.8	4.1	4.7	5.0	3.4	2.4	8.1	7.7	5.1

Note: This table is calculated by *Auto Insurance Report* using data provided by the National Association of Insurance Commissioners. The NAIC does not endorse any analysis or calculation based on its data.

It is not possible to provide an exact total of profits, because insurers do not track all expenses, taxes or investment income by state and by line.

The profit margins in this table are estimates calculated by *Auto Insurance Report* using NAIC data, which uses state-specific data

where possible and then allocates national data to the states where necessary.

While the report has limitations, we are confident this table provides the clearest picture possible of insurers' state profits. It is particularly effective in measuring changes over time.

*Data issues that affect profit figures for Michigan are confined to personal auto liability and do not impact physical damage.

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PROFITS *Continued from Page 2*

with an average annual profit margin of 7.9% for the decade ended 2018, compared to the 3.9% national average. (See table on page 2.) **New Jersey**, once considered a problem market but now boasting an average 6.9% profit for the decade, and **Pennsylvania**, at 6.5%, are also strong performers among large markets.

California – which for many years was a big driver of national profits – has suffered through several sub-par years. As auto insurance profits fell below the national average for four straight years, the average over the decade fell to the national average.

At the other end of the spectrum, the poor 10-year results for **Colorado** (-1.2%), **Louisiana** (0.7%) and **Georgia** (0.6%) demonstrate real long-term problems.

We always caution that problems with **Michigan** data can undermine the accuracy of the profit numbers, and since Michigan represents about 4% of national liability premium, the impact of this data problem can be measurable. Because of the state's unique catastrophic claims system, incurred losses are misleading. The state is not nearly as troubled as our 10-year average would suggest. The data problems do not extend to physical damage.

These tables come from the [Report on Profitability by Line by State 2018](#), recently released by the NAIC. Though dated, the report is an invaluable tool for measuring insurance markets, especially over time.

The “total profit” numbers have been calculated by *Auto Insurance Report* using a formula previously defined by the NAIC: return on net worth as a percentage of the ratio of earned premium to net worth. The NAIC dropped the “total profit” number long ago, focusing instead on return on net worth. But we believe return on net worth is not as easily understood by the public and is misleading given the high net worth carried by the industry's many mutual and reciprocal competitors. That distortion is seen in our

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comparison of the NAIC's calculated return on net worth for auto insurance relative to the *Fortune* magazine average for all industries. (See page 1.) Auto insurance is not nearly as bad an investment as these figures suggest.

While we recognize that data limitations exist, we are convinced “total profit” provides the best possible way to measure insurance lines of business against other industries. “Total profit” also works best in public policy debates.

The profit figures shown include underwriting results and investment gains on both insurance transactions and capital and surplus, taking into account federal taxes. The goal is to get as close as possible to the “net income” number so common to other industries using generally accepted accounting principles (GAAP). Where possible, state-specific data is used. Where necessary, the NAIC allocates data that is only available on a nationwide basis (such as corporate overhead and federal taxes) to the individual states. **AIR**

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