

# Record Profits vs. Critical Care

## A Growing Gap Between Profits — and Promised Care

Michigan's largest auto insurers earned record profits in 2020, with Progressive, State Farm, Allstate, and Citizens reporting billions in auto insurance profits nationwide— while the coronavirus pandemic took a financial toll on drivers.

Douglas Heller — a consumer advocate and nationally recognized insurance expert conducting insurance-related research and advocacy on behalf of Consumer Federation of America and other consumer organizations across the country — conducted an analysis of financial records of Progressive, State Farm, Allstate, and Citizens' parent company Hanover Insurance Group. What he found is astounding: All reported windfall profits in 2020. These four companies represent almost 50% of all auto insurance sold in Michigan.

### **About the Methodology**

The data used in this analysis were gathered from public statements and financial filings made by the insurance companies cited or their holding companies. This includes annual reports, SEC 10-K filings, and company financial reports to investors. While the companies break out profit data in different ways, the results discussed here are consistent.

### **About the Researcher**

Douglas Heller's work as a consumer advocate and nationally recognized insurance expert conducting insurance-related research has saved policyholders hundreds of millions of dollars on insurance premiums, helped curb unfair insurance pricing practices, and increased access to insurance markets for lower-income consumers.

Mr. Heller is an appointed member of the Federal Advisory Committee on Insurance, which advises the

Treasury Department's Federal Insurance Office. Since 2013, Heller has been an appointee of California's Insurance Commissioner, serving as a Consumer Representative on the California Automobile Assigned Risk Plan (CAARP) Advisory Board, which oversees that state's residual auto insurance market and innovative Low-Cost Auto Insurance Program for low-income drivers. He is also a member of the Executive Committee of the Coalition Against Insurance Fraud, which is the nation's only alliance of consumers, insurers, government agencies, legislators, and prosecutors combating insurance-related fraud.

For nine years (2004-2012), Mr. Heller served as the executive director of the national consumer advocacy organization Consumer Watchdog. Mr. Heller holds a B.A. in Political Science from the University of California, Berkeley and a Master of Public Administration degree from the University of Southern California.

# 2020: A Year Of Record-Smashing Profits

Insurer	Michigan Market Share	2020 Nationwide Results
Progressive	17.89% (#1)	<ul style="list-style-type: none"> <li>• 44% increase in profits nationwide, netting \$5.7 billion income</li> <li>• Auto insurance represents about two-thirds of all Progressive's policies</li> <li>• Paid investors \$2.6 billion on January 15, 2021, through what appears to be its largest ever annual dividend to shareholders – \$4.50 per share. This annual dividend for 2020 was double what the company gave shareholders for 2019</li> <li>• Each month since the pandemic began, Progressive has explained its profit increase in part with a note similar to the note reporting its August 2020 results: <i>“Excluding the impact of catastrophe losses in both August 2020 and 2019, our companywide loss/LAE ratio was 5.7 points lower than August last year, reflecting continued lower auto accident frequency on a year-over-year basis due to restrictions put in place to help slow and/or stop the spread of the novel coronavirus, or COVID-19.”</i></li> </ul>
State Farm	16.33% (#2)	<ul style="list-style-type: none"> <li>• Reported a national auto insurance “underwriting gain” of \$1.7 billion after accounting for its COVID-refunds. This excludes the billions it earns by investing drivers' premiums</li> <li>• This profit is 50% higher than the next best underwriting results from the last 10 years</li> <li>• Marks only the second time in a decade in which State Farm reported an underwriting gain at all; usually it reports an underwriting loss and reaches profitability only after including investment income</li> </ul>
Allstate	7.74% (#5)	<ul style="list-style-type: none"> <li>• More than doubled its auto insurance “underwriting income” to \$3.4 billion, after accounting for its pandemic premium credits</li> <li>• Reported highest companywide net income in at least 20 years</li> <li>• On February 22, 2021, Allstate announced that it would pay an \$0.81/share quarterly dividend to shareholders, which appears to be its largest quarterly dividend ever, and a 50% increase over the dividend paid for the same quarter last year</li> </ul>
Citizens (Hanover Group)	6.47% (#6)	<ul style="list-style-type: none"> <li>• Citizens Insurance parent company Hanover Insurance Group reported a 47% increase in 2020 personal lines insurance income before interest and taxes, after accounting for pandemic-related refunds</li> <li>• Auto insurance accounts for two-thirds of Hanover's personal lines business</li> <li>• \$212.5 million personal lines operating income made 2020 Hanover's highest earning year in at least a decade</li> <li>• According to Hanover CEO John C. Roche: <i>“In a year marked by a global pandemic and the related economic recession, very active weather and social unrest, we delivered outstanding results, rising to the occasion, posting record operating earnings...”</i></li> </ul>
Auto-Owners	10.65% (#4)	<ul style="list-style-type: none"> <li>• Michigan-based Auto-Owners said this about its 2020: <i>“From a financial perspective, Auto-Owners enjoyed another year of profitable growth in 2020, achieving a record ninth consecutive year with an underwriting profit. The many fine independent agents that represent us favored us with more than \$1.1 billion in new business premium. Total premium grew more than \$300 million, or 3.9%. And that includes the premium refund made to auto policyholders during the second quarter, when vehicle usage was down considerably as we dealt with the various executive orders.”</i></li> </ul>