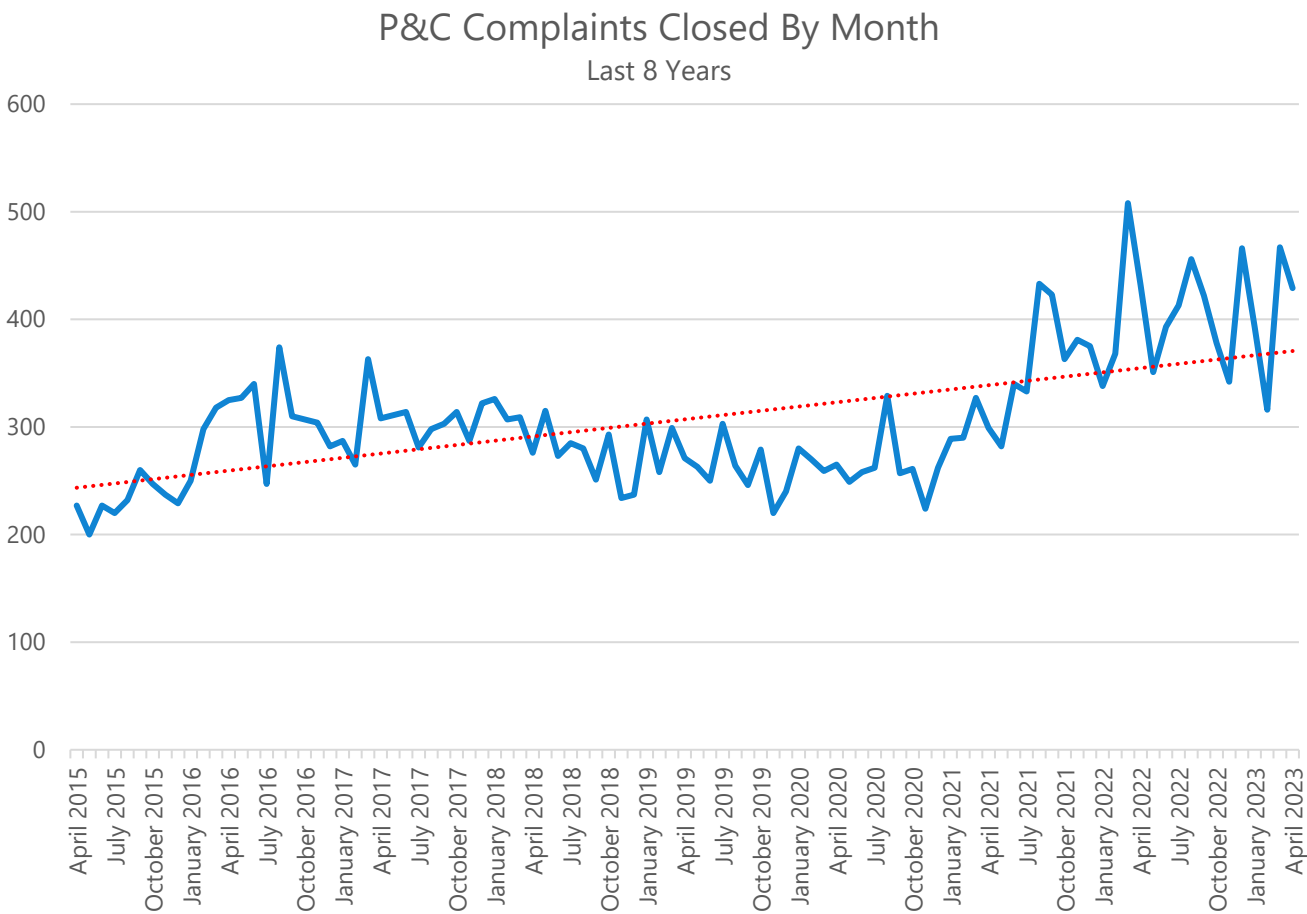


P&C Historic Trends Report

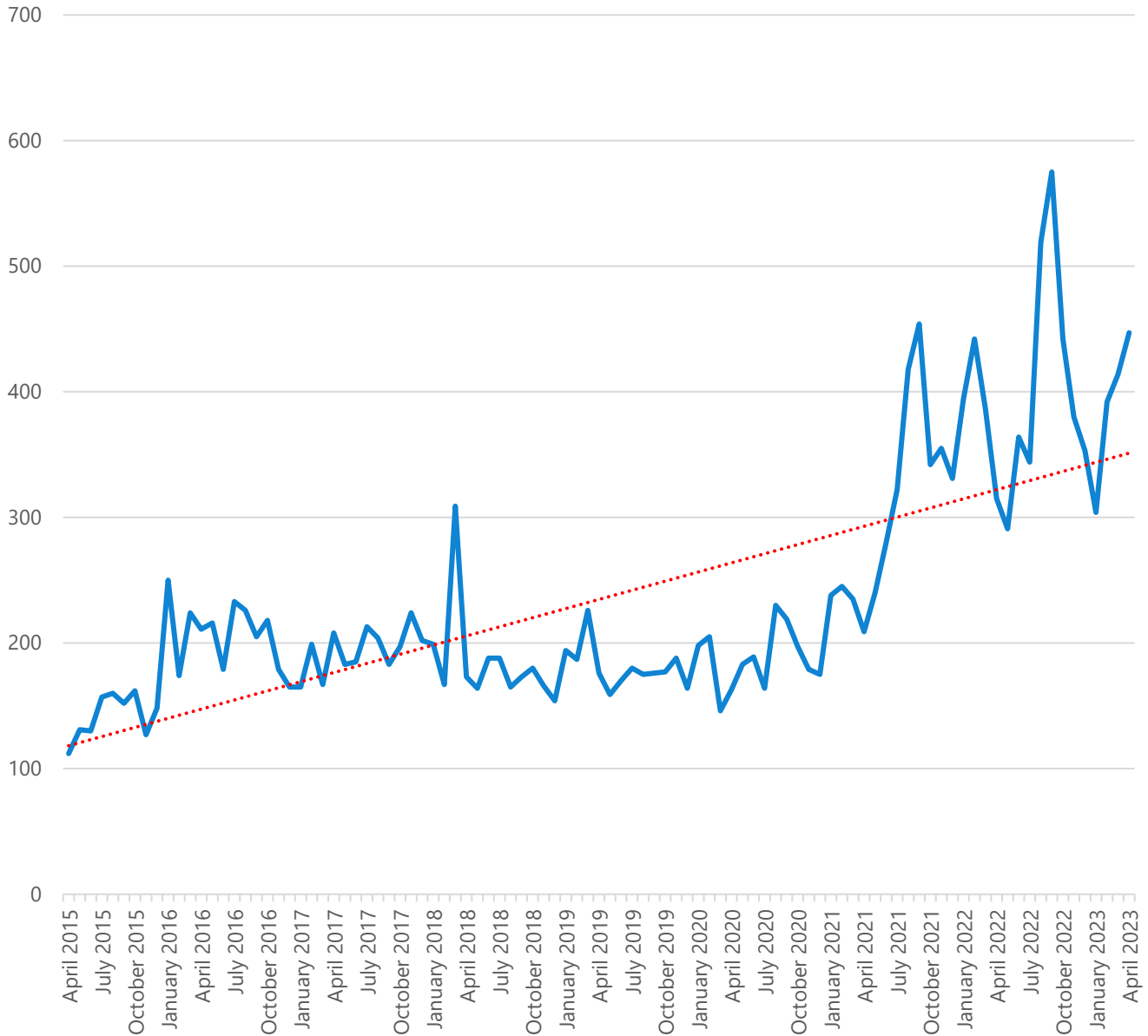
Complaint volume and rolling complaint loads

Complaints against property and casualty are at historic level for the Consumer Advocacy Program. This is most evident when looking at two key metrics: 1) cases closed per month and 2) rolling caseload per month. Figures are through May 15, 2023.



The previous chart shows how dramatically consumer complaints against property and casualty insurers have increased over the last 8 years, particularly after the COVID-19 pandemic and its associated impacts. Recently hitting an all-time high of 467 complaints in a single month, up from the historic average of 287.

P&C Rolling Complaint Load By Month
Last 8 Years

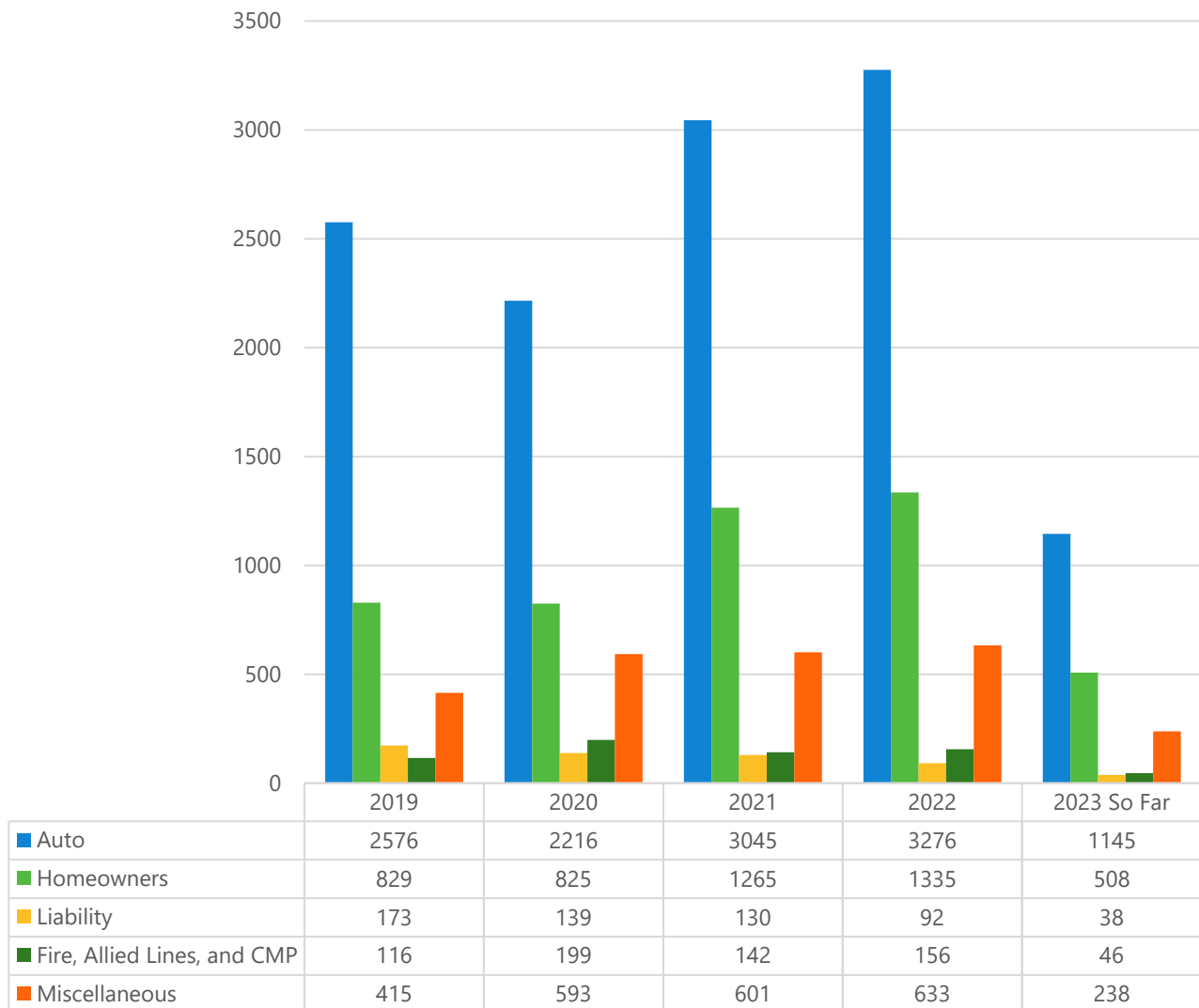


The above chart shows rolling complaint load, or the number of open cases that remain open at the end of each month, over the last eight years. This is illustrative of two factors. First, the time it is taking for property and casualty insurers to respond satisfactorily to the OIC. Secondly, the strain on property and casualty analysts with the near doubling of complaints over historic norms. This metric recently hit an all-time high of 575, a 207% increase over historic norms.

Complaints by insurance line

Seeing that complaint volume and rolling complaint load are at historic highs lends itself to the question of what is driving the increased complaint volume. Looking at how those complaints break down by line of insurance in a good first step. The chart below shows complaints by line per year for the previous 4 years and this year so far. Note that a complaint can be reopened after it has been dispositioned, these reopened complaints are counted as additional complaints in the data below.

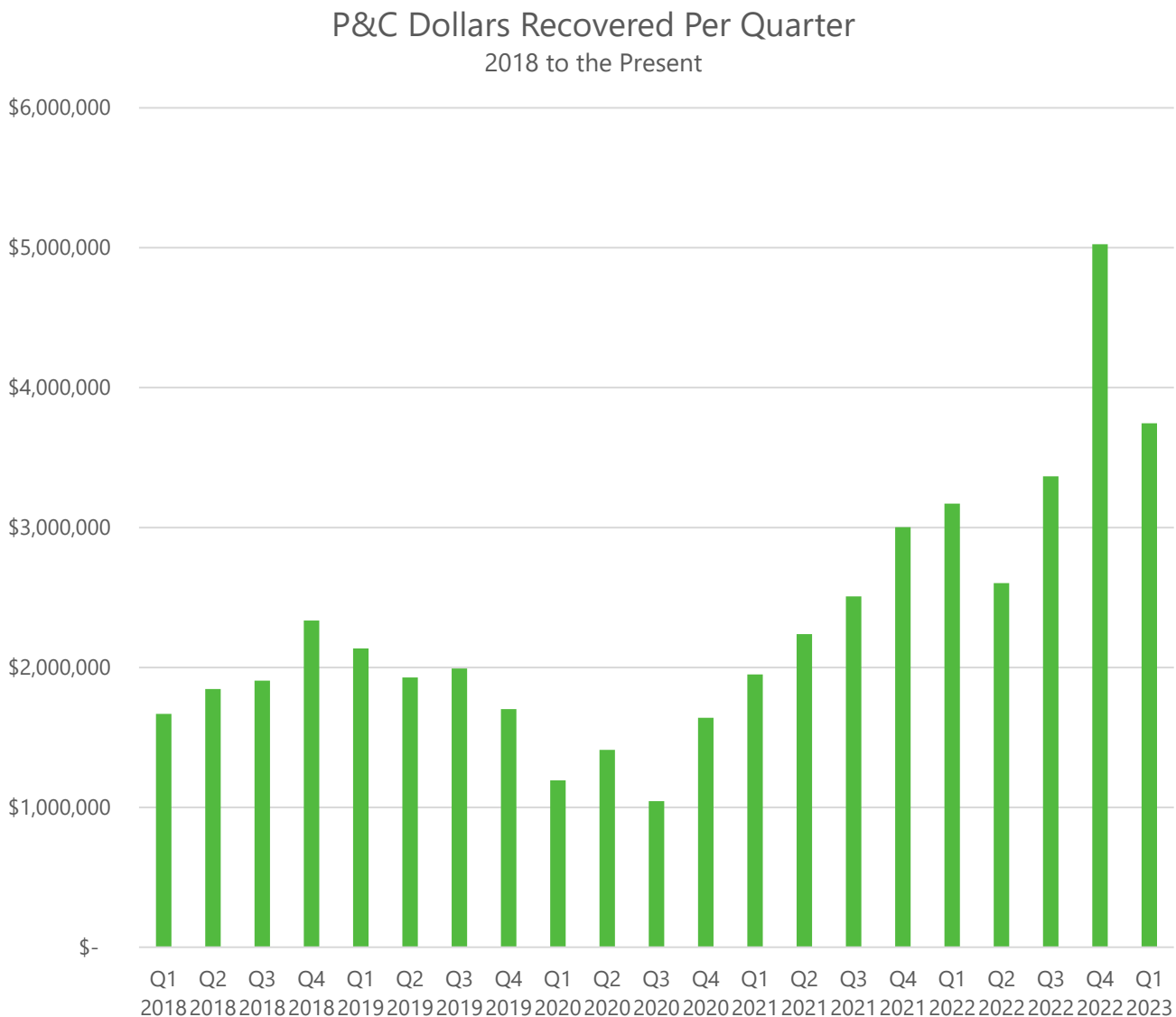
P&C Complaints By Line Per Year
2019 to the Present



The above chart makes it clear that auto insurance complaints are responsible for the majority of complaint volume, and a sizable portion of the increase in complaints. Homeowners insurance remains a distant second place, with the remaining complaint volume trailing significantly behind that.

Dollars recovered

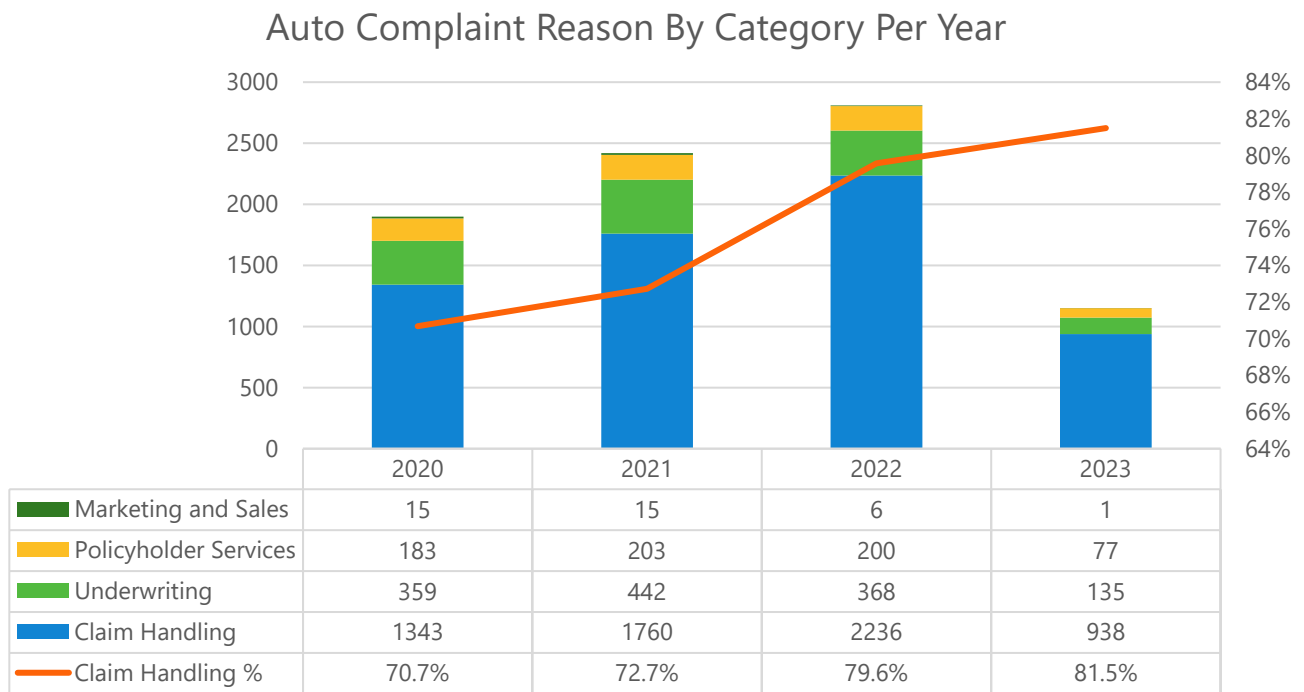
The Office of Financial Management has an established performance measure for money recovered by the OIC as a result of consumer complaints. Analysts within the Consumer Advocacy Program note these recoveries in complaint files, which are reported out quarterly. While this data is not filterable by specific line, the information can be separated by business unit. The chart below shows dollars recovered by the Property and Casualty Unit per quarter since 2018.



Recoveries are up significantly over the past several years, with the final quarter of 2022 having a total recovery of over 5 million dollars for property and casualty complaints. Contributing factors include the increasing cost of repairs and parts, increased response and communication issues with companies, and increasing distance between initial settlement offers and final payments after OIC complaints.

Auto complaint reasons

Complaints filed with the OIC are categorized by reason category and code as defined by the National Association of Insurance Commissioners (NAIC). At a high level, the four “Complaint Categories” over time can show the issues driving consumer auto complaints. The chart below shows these categories and the ratio of “Claim Handling” to total complaint reasons. Please note that a complaint can carry more than one reason category or code.



As the above chart illustrates, claims handling issues are rising dramatically, both in quantity and as a percentage of complaint reasons. In 2023 so far, claim handling issues are documented in over 80% of all complaint reasons, a historic high.

These claims handling reasons can be broken down further in to 33 specific and one generic "other" "Reason Code." Excluding the "other" codes, which are typically used in conjunction with other reasons, just 7 reasons account for more than 97% of all specific codes used. The table below shows these top reasons per year.

Reason Codes	2018	2019	2020	2021	2022	2023
Claim Delays	743	669	410	668	915	419
Unsatisfactory Settlement/Offer	614	558	509	590	478	247
Claim Denials	373	332	277	332	356	146
Cont./Comp. Negligence	62	48	40	55	39	12
Vehicle Repairs	61	64	74	96	116	29
Subrogation	43	21	27	20	19	4
Adjuster Handling	31	41	26	49	112	128

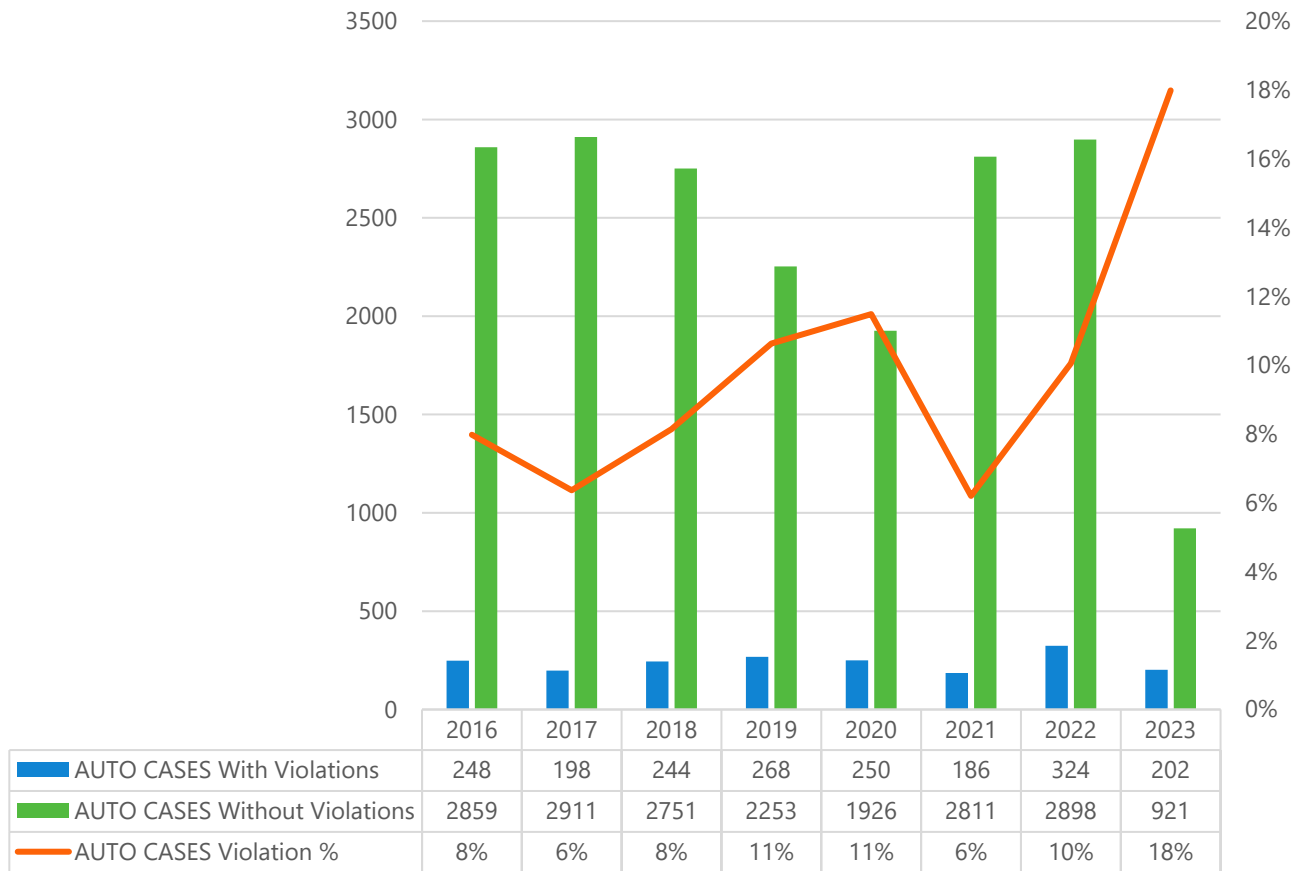
Several items in particular are worth noting from the available data:

- Claim Delays, Unsatisfactory Settlement Offers, and Claim Denials are consistently the top three reason codes cited in auto insurance claims handling related complaints.
- Adjuster Handling issues are growing exponentially, with 2023 already surpassing the previous high point in 2022 just 5 months into the year.
- Claim Delays in particular have reached concerning levels, with this one reason surpassing virtually all other reasons combined in the last year.

Suspected violations

Analysts in the OIC’s Consumer Advocacy Program note suspected violations when dispositioning complaints. Cases can include multiple suspected violations. Looking at the volume and percentage of complaints with suspected violations cited can be indicative of broader issues within the industry.

Auto Complaint Violations Per Year



Looking at the last seven years of auto complaints for suspected violations of WAC or RCW documented by analysts shows some volatility, but an average violation citation rate of 8.7%. So far in 2023, the percentage of auto insurance complaints is more than double the historic average at 18%. Stated another way, analysts are noting suspected violations on nearly 1 in 5 auto complaints we receive. In 2022, 53.7% off all cases with a violation included a violation of WAC 284-30-360, making it the most cited suspected violation in Auto insurance complaints.

Consumer complaint stories

Senior analysts within the Property and Casualty Unit were asked to provide several examples of cases they felt exemplify some of the issues consumers are facing and that are driving some of the increases previously discussed in this report. They are separated by topic below.

Photo app-based repair estimates

As noted previously, unsatisfactory settlement offers remain one of the largest drivers of auto insurance complaints, one contributing factor towards this issue is heavier reliance by insurance companies on photo app-based repair estimates. These estimates can be significantly lower than expected, which drives consumer complaints. Below are some examples.

Case 1690943 – A Seattle, Wash., resident went to a local repair shop for repairs to his Porsche. His insurance company requested he use their application to photograph the damage. They prepared an initial estimate of \$2,816 to repair the vehicle using photos submitted through the application. Both the repair shop and the consumer requested that the insurer conduct an in-person inspection, but company refused stating it was not possible at the time and that they would be doing a virtual inspection. The final cost to repair after supplemental estimates was \$13,233, more than \$10,000 higher than the initial estimate.

Case 1701312 –The insurance company’s initial app repair estimate was \$6,481.28. The final repair invoice was \$19,779.33. The insurance company requested the third-party claimant use their app estimator. The company disputed the repair shop’s labor rates, but the rates/cost approved by the insurance company to repair the Tesla was still \$13,000 more than their app estimate.

Case 1676380 – A third-party claimant was asked to use the insurance company’s photo application to estimate the damage to their vehicle. The photo app estimate was \$1,637. After the supplementals the final repair invoice was \$9,490, an almost \$8,000 difference compared to the initial estimate.

Analysts note that insurance companies are increasingly requiring consumers to take their vehicle in for repair before considering anything more than the initial photo app estimate, even when the claimant or insured has an estimate from a repair shop. Unless the consumer starts the repair process, companies are not revising their initial photo driven estimate. This can leave a claimant with less than they are entitled to from the accident if they choose to not repair their vehicle.

Untimely communication and delays

The top reason code documented in consumer auto insurance complaints is claim delays. Analysts within the Property and Casualty Unit point to communication delays as a key driver of these delays.

The high amount of WAC 284-30-360 violations noted in cases further supports this being a significant factor in claim delays. Below are some examples.

Case 1686489 – A Redmond, WA consumer was rear-ended in an auto accident the day after Christmas in 2021. The other party’s insurance company was contacted by the consumer informing them he had sold the car and was filing a diminished value claim on June 6, 2022. The company admits the claim adjuster did not respond to the demand within 10 working days. More than a month later, the company contacted an independent appraiser in Oregon who evaluated the diminished value claim using submitted photos and the damage estimate. A month after that, on August 10, the consumer was contacted with a determination significantly below what the consumer believed was appropriate.

Case 1692553 – Auto insurance is not the only line of business affected by untimely claim communications. A Graham, WA consumer filed a renter’s insurance claim after the contents of their vehicle were stolen on October 24, 2022. The initial claim was paid on November 16, and the consumer was directed to provide receipts for replacement costs, which the consumer did the following day. The consumer waited weeks without response and proceeded then to send multiple online messages and make several calls only to receive no response from the adjuster or be told that the adjuster wasn’t taking calls. The consumer was informed their issue would be escalated on two occasions yet was not contacted. The consumer filed a complaint with the OIC on December 7, and five days later a first unsuccessful attempt by the company was made to contact the consumer. Nine days later, on December 21, the consumer was successfully contacted by the company and the matter was resolved. Payment was issued the same day. The insurance company “noted gaps in communication” and admitted they did not respond to the consumer within 10 working days.

These examples do not constitute outliers, claim delay complaints are on the rise and consumers are unfortunately having to resort to complaints with the OIC to simply receive appropriate and timely communication from insurance companies.

Unreasonable explanations

Analysts within the Property and Casualty Unit also note an increase in suspected violations of WAC 284-30-330(13) for failing to provide a reasonable explanation of the basis in policies for offers of settlements. Suspected violations of WAC 284-30-330 are the second most commonly cited violations on property and casualty complaints. Below are some examples.

Case 1695780 – A consumer from Vancouver, Wash., filed a complaint that their adjuster had refused to approve their contractor’s detailed estimate for repairs relating to water damage of their home. They claimed the adjuster also refused to explain what items they were declining to approve and did not provide any supporting information for their adjustments which were nearly \$29,000 lower than the contractor’s estimate. The insurance company’s initial response to the OIC’s complaint did not answer all of the issues raised by the consumer. The assigned

analyst followed up again with the company to request a response to those issues. The insurance company provided copies of their communication with the insureds, explaining they had been in communication with the consumer throughout the process but were unable to contact the contractor. However, the company still did not give a clear explanation about why the detailed estimate for repairs was refused and which items were declined in the estimate from the contractor.

Case 1695618 – A consumer from Tacoma, Wash., purchased an airline ticket to visit a friend last year and bought travel insurance which covered illness. The trip was cancelled, due to the friend getting COVID. The insurance company denied the claim stating the friend was not covered under definition of a family member in the policy. The consumer disagreed with the denial reason because the friend was a traveling companion, which was covered by the policy. After the complaint was filed, the company advised that although they believed the denial was proper, the denial letter did not provide sufficient explanation to the consumer that in order to consider a claim under the plan, the ill party must provide documentation showing they were treated by a physician for the illness that caused the loss.

Case 1691060 – A consumer from Everett, Wash., experienced an object falling from another vehicle that damaged their vehicle. The claim was covered under their comprehensive coverage. The consumer shared that the insurer would not explain why they would not cover the full repair costs despite them asking many times via various mediums. The OIC processed their complaint against the insurance company, who explained in their response that they noted the labor rates on the estimate were aligned with the area market rates. The company also advised the shop of choice charged for plastic disposal and to disinfect the vehicle, which was not customary in the market. There is no indication in the response from the company that this was ever explained to the consumer, despite multiple attempts on their part to get that information.

As these examples show, failure to provide reasonable explanations for compromise settlements impact a wide range of property and casualty insurance products. The three issues highlighted by the subject matter experts in the Property and Casualty Unit can also intersect.

For instance, the last example also included an estimate produced by an AI, based on app-based photo submissions, which ended up being about \$1,000 lower than what was eventually paid. Additionally, the first unreasonable explanation example also included suspected violations of WAC 284-30-360 for communication delays as well.

While not the sole drivers of the increased complaint volume, handling time, money recovered, and violation citations noted in this report, these three issues remain significant contributors towards these trends.