

Personal Insurance Affordability: Kentucky Trends and Cost Drivers

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Who We Are

Affiliates of The Institutes / Non-profit member organizations / Not lobbyists



IRC

- In-depth research
- Collaborative data structures
- Focus on public policy



 Affiliated with The Institutes



Triple-I

- Media & communications
- Market intelligence
- Consumer education
- Economic insights



 Affiliated with The Institutes

Collaborating on the Insurance Affordability Issue

IRC's Affordability Research

Developed a method to measure affordability using the ratio of average insurance expenditures to median household income

Describes affordability over time and across jurisdictions

Identifies and tracks key cost drivers of personal insurance

Does not establish a specific threshold at which insurance becomes unaffordable

Uses NAIC expenditure data, which is very credible but not timely

insurance-research.org

Triple-I's Affordability Dashboard

Projects affordability index forward for more current insights

Adds additional information on inflation and market conditions

Adds regional context for cost drivers

Creates a consumer-friendly interactive experience

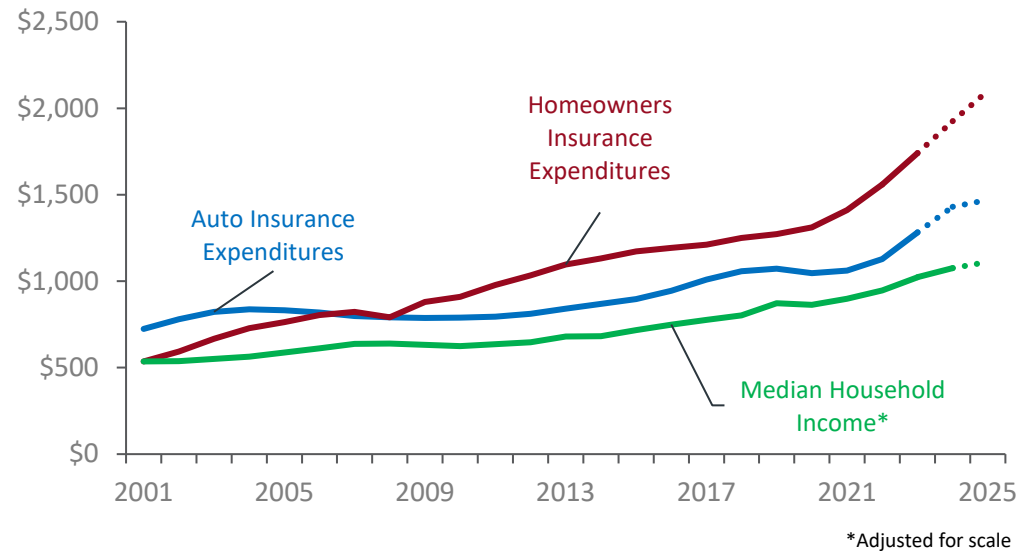
Provides suggestions for mitigation

insuranceaffordability.iii.org

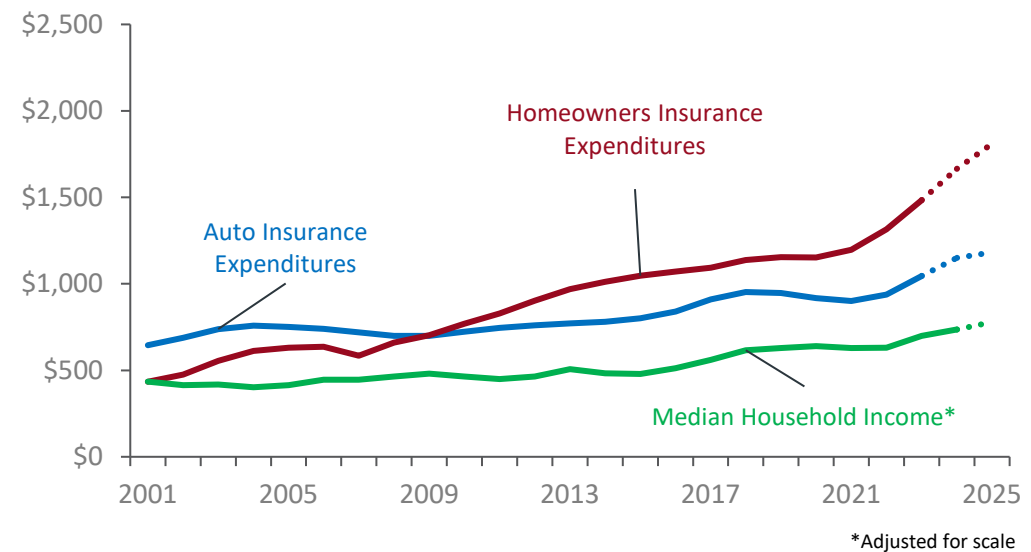
Insurance Expenditures Growing Faster Than Income

Relative to the U.S, Kentucky in 2023 experienced
18% lower auto and **14% lower homeowners** insurance expenditures.
However, household income was **23% lower**

U.S. Insurance Expenditures Vs Income Growth



Kentucky Insurance Expenditures Vs Income Growth



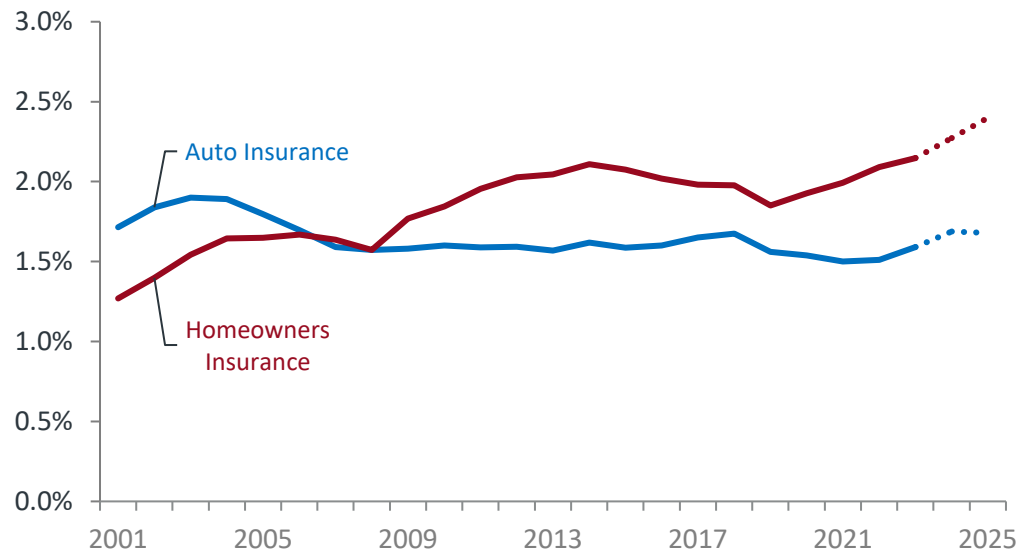
Sources: Insurance Research Council, based on data from NAIC and U.S. Census Bureau. Includes 2024-25 projections from the Insurance Information Institute.

Insurance Affordability Deteriorating Countrywide

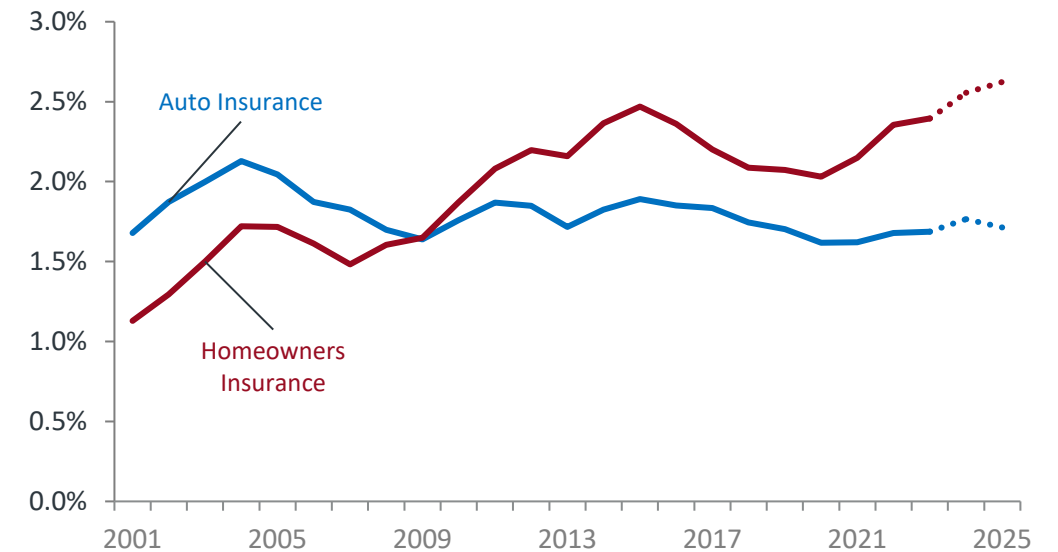
Insurance was less affordable in Kentucky.

Kentucky's share of income for insurance in 2023 was 1.69% for auto insurance, compared with 1.59% for the U.S. 2.39% for homeowners insurance, compared with 2.15% for the U.S.

U.S. Insurance Expenditures As Percent of Median Income



Kentucky Insurance Expenditures As Percent of Median Income



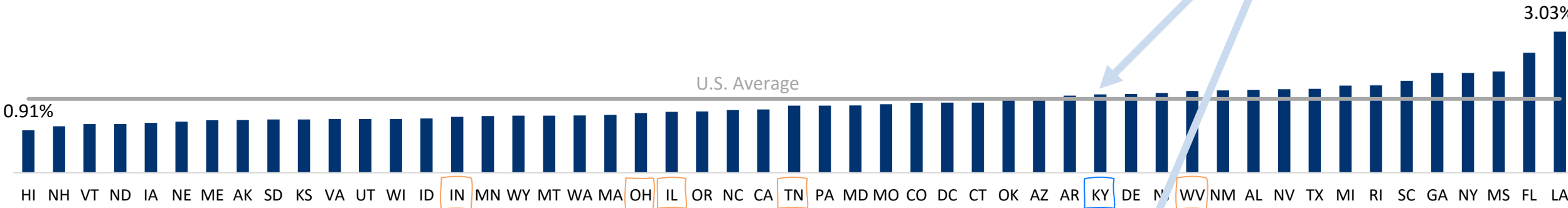
Less
Affordable
↑
More Affordable

Sources: Insurance Research Council, based on data from NAIC and U.S. Census Bureau. Includes projections from the Insurance Information Institute.

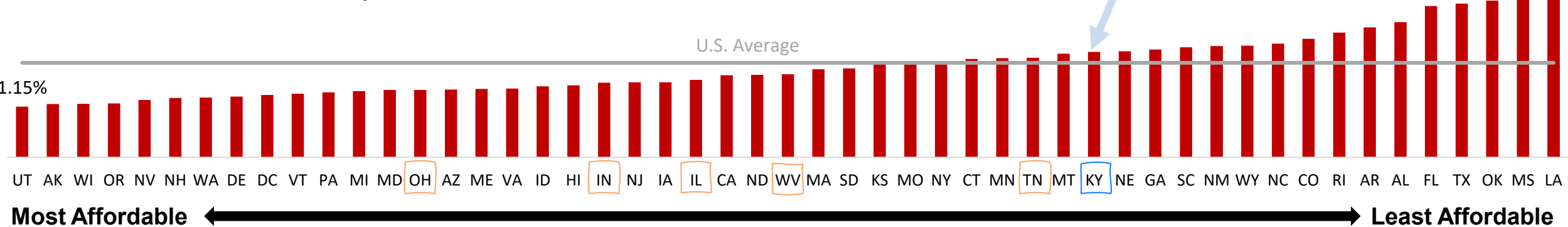
Insurance Affordability Varies Widely

Kentucky ranks 36th for both auto and homeowners affordability

Auto Insurance Expenditures As Percent of Median Income, 2023



Homeowners Insurance Expenditures As Percent of Median Income, 2023



Sources: Insurance Research Council, based on data from NAIC and U.S. Census Bureau.

Cost Drivers Are the Key to Insurance Affordability

What factors make insurance expensive in each state?
Which factors can be influenced by public policy?

Auto Cost Drivers

- Accident Frequency
- Repair Cost Severity
- Injury Claim Relative Frequency
- Injury Claim Severity
- Uninsured Motorists
- Underinsured Motorists
- Expense costs
- Litigation

Homeowners Cost Drivers

- Natural risk exposure
- Claim frequency
- Claim severity
- Catastrophe vs non-catastrophe
- Expense costs
- Litigation

Auto Cost Drivers

How Kentucky Compares

Auto Insurance Cost Drivers

Key factors affecting auto insurance costs in this state. "Most Favorable" = lowest cost pressure; "Least Favorable" = highest cost pressure. Cost Driver Source: [Insurance Research Council \(IRC\) 2025 report](#), leveraging 2023 data.

Accident Frequency	More Favorable
Repair Costs	Moderate
Injury Claim Frequency	Moderate
Injury Claim Severity	Moderate
Expense Index	Less Favorable
Uninsured Motorists	Less Favorable
Underinsured Motorists	Least Favorable
Claims Litigation	Less Favorable

Cost Drivers by Affordability of Auto Insurance										
	Expenditure Share	Accident Frequency	Repair Cost Severity	Injury Claim Relative Frequency	Injury Claim Severity	Uninsured Motorists	Underinsured Motorists	Expense Index	Claim Litigation	
North Dakota										
Hawaii										
Maine										
Iowa										
New Hampshire										
Idaho										
Minnesota										
Utah										
Vermont										
Wisconsin										
Nebraska										
Virginia										
Alaska										
Oregon										
Wyoming										
Indiana										
Washington										
Maryland										
Kansas										
Montana										
South Dakota										
Ohio										
Massachusetts										
California										
Illinois										
North Carolina										
Missouri										
Pennsylvania										
Tennessee										
Connecticut										
Colorado										
District of Columbia										
Oklahoma										
New Jersey										
Arizona										
Delaware										
Alabama										
Texas										
Kentucky										
New Mexico										
Arkansas										
Rhode Island										
Nevada										
West Virginia										
Michigan										
South Carolina										
Georgia										
New York										
Mississippi										
Florida										
Louisiana										

Sources: Insurance Research Council’s [Cost Driver Matrix](#) and Insurance Information Institute’s [Affordability Dashboard](#).

Red highlights show less favorable rankings and green highlights show more favorable rankings

Homeowners Cost Drivers

How Kentucky Compares

🏠 Homeowners Insurance Cost Drivers

Key factors affecting homeowners insurance costs in this state. "Most Favorable" = lowest cost pressure; "Least Favorable" = highest cost pressure. Cost Driver Source: [Insurance Research Council \(IRC\) 2025 report](#), leveraging 2022 data.

Natural Hazard Risk: Weather	Moderate
Natural Hazard Risk: Other	Moderate
Claim Frequency (CAT)	Moderate
Claim Frequency (Non-CAT)	Less Favorable
Claim Severity (CAT)	Most Favorable
Claim Severity (Non-CAT)	Most Favorable
Expense Index	Moderate
Claims Litigation	Moderate

Cost Drivers by Affordability of Home Insurance									
	Expenditure share	Natural Hazard Risk: Weather	Natural Hazard Risk: Other	Claim Frequency CAT	Claim Frequency NonCAT	Claim Severity CAT	Claim Severity NonCAT	Expense Index	Claims Litigation
Utah									
Oregon									
Wisconsin									
Washington									
Idaho									
New Hampshire									
Maryland									
Alaska									
Arizona									
Pennsylvania									
Vermont									
Maine									
Nevada									
D.C.									
Delaware									
Virginia									
Iowa									
Ohio									
New Jersey									
Indiana									
Illinois									
Michigan									
Hawaii									
South Dakota									
California									
North Carolina									
North Dakota									
Massachusetts									
New York									
Minnesota									
Kansas									
West Virginia									
Connecticut									
Wyoming									
Kentucky									
Nebraska									
Tennessee									
Missouri									
Colorado									
South Carolina									
New Mexico									
Georgia									
Montana									
Rhode Island									
Alabama									
Arkansas									
Texas									
Oklahoma									
Mississippi									
Louisiana									
Florida									

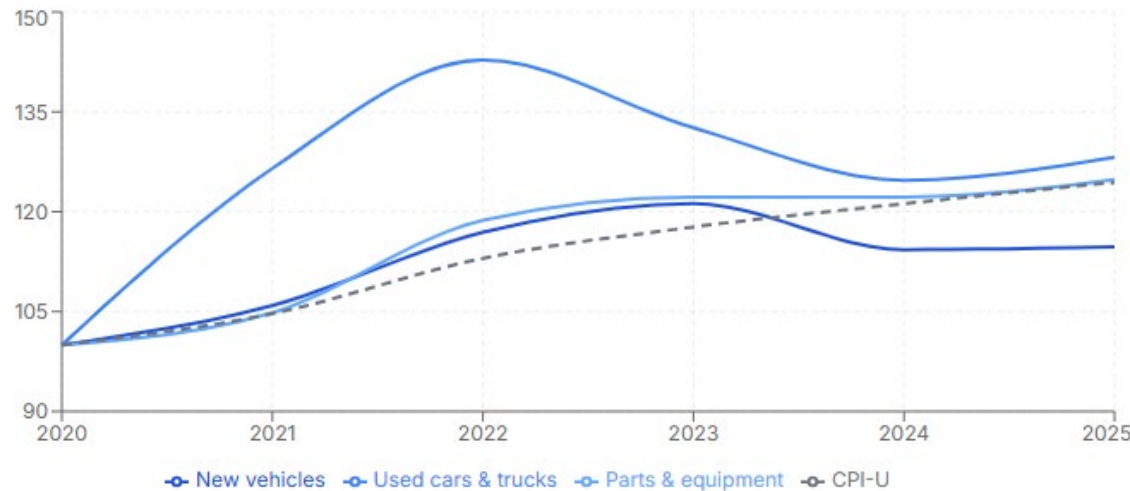
Red highlights show less favorable rankings and green highlights show more favorable rankings

Macro Drivers of Affordability

Economic inflation, replacement cost inflation, increasingly complex vehicles and homes, geographic population shifts, and climate risk are countrywide cost drivers

Auto: cost to repair and replace

Cost indexes, 2020 = 100 · CPI-U shown as reference

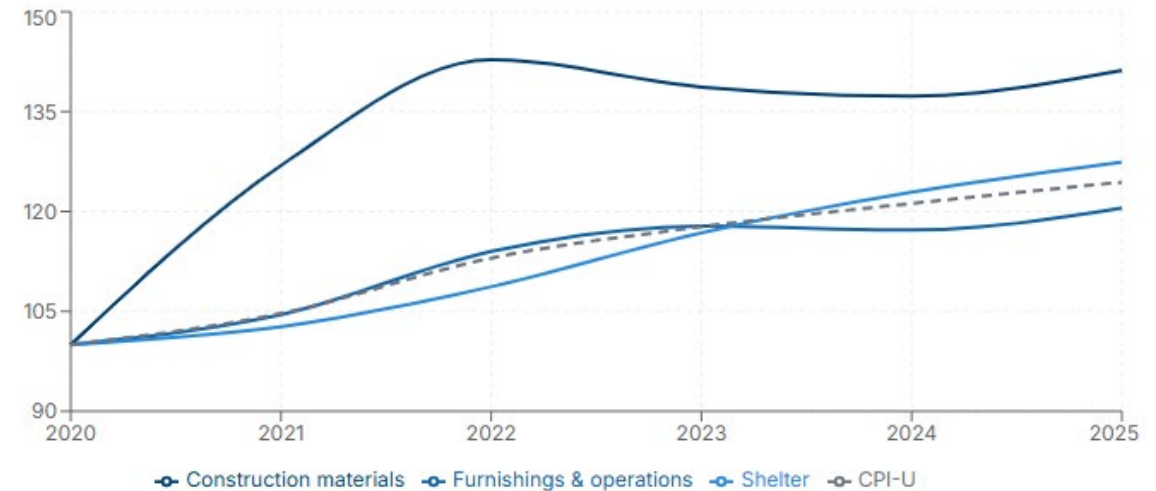


Why this varies by state — regional cost drivers:

Accident frequency Repair cost severity Injury claims Uninsured drivers Litigation environment

Home: cost to rebuild

Cost indexes, 2020 = 100 · CPI-U shown as reference

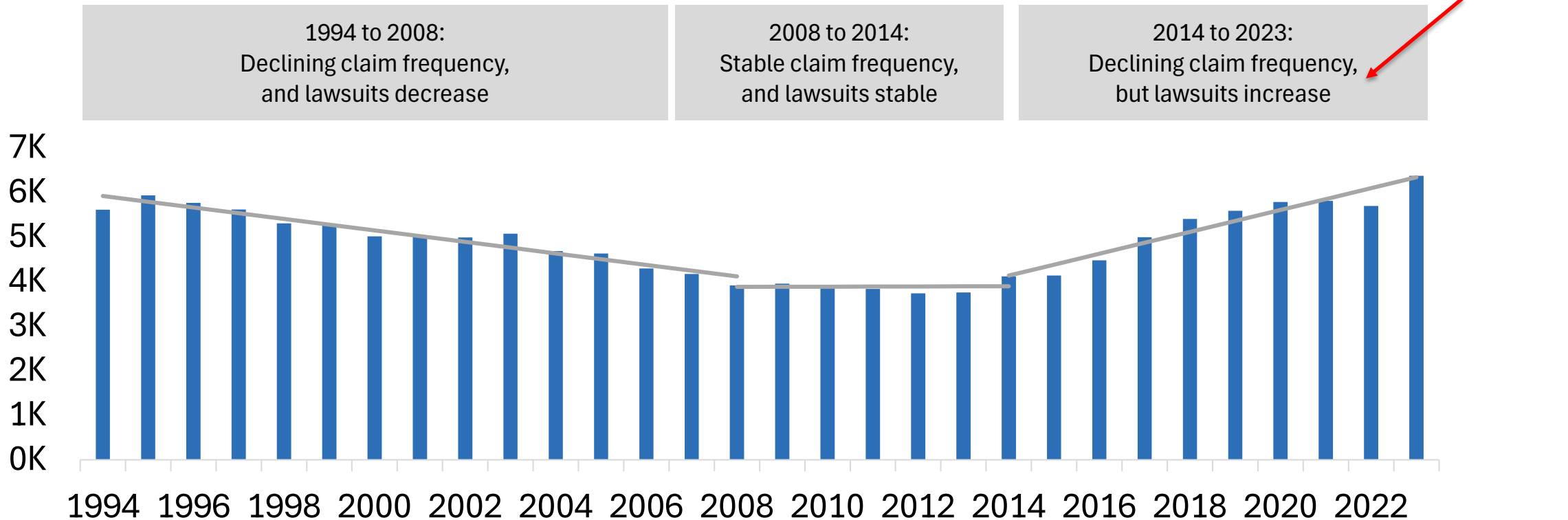


Why this varies by state — regional cost drivers:

Weather hazard risk Catastrophe frequency & severity Rebuilding costs Litigation environment

Court Data Shows Evidence of Growing Litigation

Number of Federal Court Motor Vehicle Tort Civil Case Filings



Sources: Insurance Information Institute, [Review of Motor Vehicle Tort Cases Across the Federal and State Civil Courts](#) and Insurance Research Council, [Estimating The Value of Increased Litigation: A Review of Motor Vehicle Tort Cases](#).

Litigation and Attorney Involvement: A Key Cost Driver

How It Works

Plaintiff attorney practices are encouraging American consumer to look at litigation first, rather than a last resort.

Exploitative Plaintiff Advertising — “The Billboard Effect”

Increasing Plaintiff Attorney and Contingency Fees

Bad Faith Trapping

Third-Party Litigation Funding (TPLF)

Why It Matters

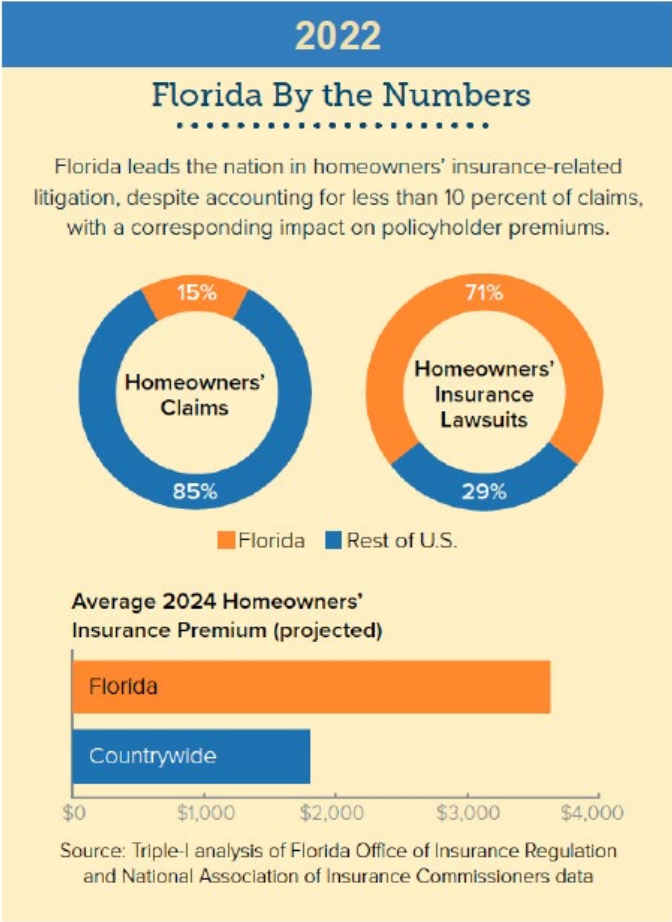
Claimants receive less after accounting for economic losses and legal fees

Claimants wait longer for settlement.

Higher claim costs leads to less affordable insurance for consumers and businesses.

Florida Legal Reform Leading to Improved Affordability

Lawsuit activity has fallen and rates have declined.

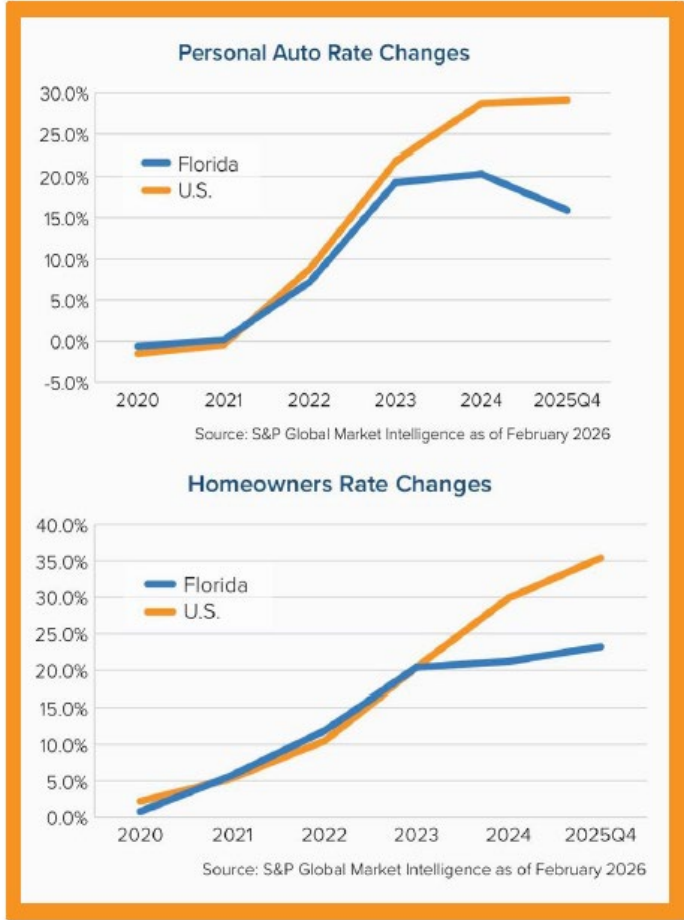


Key Reforms:

Eliminate One-Way Attorney Fees

Eliminate Assignment of Benefits

Changes to Liability Standards



How the Public Views Litigation Topics

IRC Survey Research

Attorney Advertising

Most Americans see a growing amount of attorney advertising.

Most believe that increased attorney advertising leads to more litigation.

Many also see link between attorney advertising and higher insurance costs.

Third Party Litigation Financing

Litigation financing remains largely unfamiliar to the public, but awareness is growing.

Strong consensus that litigants should be informed when outside investors are involved.

Younger respondents more likely to support litigation financing.

Source: Insurance Research Council, [*Public Opinions on Attorney Involvement in Auto Insurance Claims*](#) and previous surveys.

Attorneys in Auto Claims: Evidence from Claims

Attorney Involvement

The rate of attorney involvement is increasing.

Increases seen in both third-party and first-party claims.

Attorney involvement varies widely by state and by locality.

Claiming Behavior

Claimants with attorneys show different patterns of treatment.

Claimants with attorneys have higher medical utilization.

Claimants with attorneys wait longer to receive settlement.

Keys to Improving Insurance Affordability

- Understand specific cost drivers affecting the state
- Identify which cost drivers can be influenced by public policy and how
- Balance affordability with other priorities

U.S. Insurance Market

Market Health and Availability

Affordability is only half the story. Market Health indicates there are market distortions afoot and Availability tells you whether private carriers are still willing to write coverage at all, perhaps due to those distortions.

Availability

Residual market share

Auto: 0.07% Home: 3.4%

Share of policies written by state-run insurers of last resort — the market's pressure valve when private carriers pull back.

E&S market share

Auto: Not tracked Home: 2.2%

Share of premium written by excess & surplus lines carriers, which operate outside standard rate regulation.

Market health

HHI (market concentration)

Auto: 1,265 Home: 912

Herfindahl-Hirschman Index of insurer market share. Below 1,500 is considered a competitive market.

Days to rate approval

Auto: 54 Home: 63

Average days for regulators to approve a rate filing. Longer waits can delay carriers' response to rising costs.

✓ **Auto:** The overall US residual market is negligible, concentration is well within competitive range, yet filings can move at an inconsistent pace (depending on state regulatory system).

⚠ **Home:** Home has a real availability problem — combined residual market + E&S share has grown from 3.8% to 5.6% since 2020, though it's eased slightly off a 2024 peak of 5.8%.

Thank you for your time

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