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U.S. Auto Insurance Expenditures in 2012 Projected to Be Lower Than in 2004

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FOR IMMEDIATE RELEASE
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NEW YORK, September 24, 2012 ? The ability of insurance companies to determine more precisely the risk of auto accidents has fostered competition and, for millions of Americans, has reduced auto insurance expenditures to their lowest levels in eight years, according the Insurance Information Institute [2] (I.I.I.).

The average annual expenditure for U.S. auto insurance coverage this year is expected to total $839, less than the $842 the typical U.S. driver spent for coverage in 2004, according to I.I.I. forecasts (see Figures 1 and 2). When adjusted for inflation, auto insurance expenditures are expected to be 19 percent lower in 2012 than in 2003 and lower than at any point in nearly 20 years.

The I.I.I.?s findings were released the same day the Consumer Federation of America (CFA) called for severe restrictions on auto insurers? use of certain rating factors when pricing policies. If state insurance departments were to heed the CFA?s advice, and restrict the number and type of rating factors insurers are currently employing?all of which have long been approved by state insurance departments?auto insurance premium expenditures would almost surely increase, with good drivers paying more and riskier drivers paying less, the I.I.I. observed.

Actuarially supported and regulator-approved rating factors used to measure risk enable auto insurers to identify safe drivers, and reward them with lower premium rates. The growing popularity of ?pay-as-you-drive? policies, voluntary programs that allow auto insurers to monitor miles driven, promise even greater savings to safe drivers.

?Auto insurers have made great advances in their ability to assess risk and this trend, along with innovative new products, such as pay-as-you-drive policies, has resulted in highly competitive auto insurance markets in every state. Consumers have never had more options in terms of the number of insurers competing for their business, offering them an unprecedented ability to compare prices, shop and save,? said Dr. Robert Hartwig, president of the I.I.I. and an economist. ?Furthermore, state assigned risk pools?auto insurance markets of last resort?are insuring fewer drivers these days, another upside to today?s competitive and vibrant marketplaces.?

Drivers who shop around for auto insurance will find they can generally select from a number of insurance companies offering policies at different prices. Competition is simply good for consumers, according to the I.I.I.

Every state except New Hampshire requires its licensed drivers to have auto liability insurance before they can legally drive a motor vehicle. Liability insurance pays the other driver?s medical, vehicle repair and other costs when the policyholder is at fault in an accident. State laws set the minimum amounts of insurance that drivers must pay for the harm caused by their negligence if an accident occurs.

Figure 1

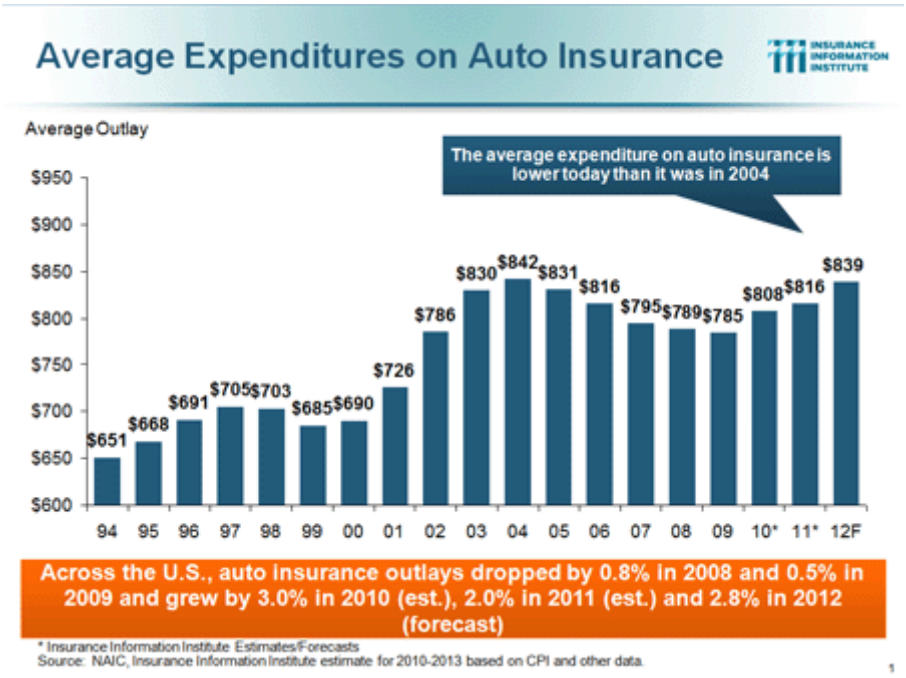
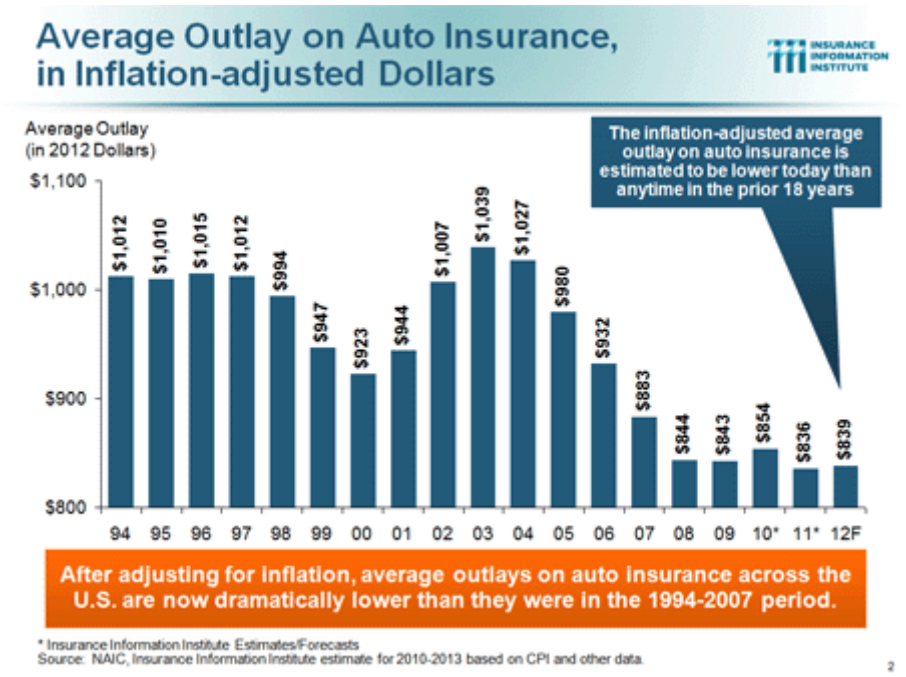


Figure 2



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