



Overview and Outlook for Private Passenger Auto Insurance Markets

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- **Economic Growth Drivers in Private Passenger Auto Insurance**
- **Determinants of Household Demand for Auto Insurance**
- **Premiums Growth Trends**
- **Personal Auto Ad Spending**
- **Rate and Exposure Trends**
- **Underwriting and Profitability Analysis**
- **Claim Trends by Coverage Type**
- **Autonomous Vehicles**
- ***Consumer Report* and Consumer Federation of America Attacks on Auto Insurers**
 - ◆ **Why now?**
 - ◆ **What are doing about it?**
- **Q&A**

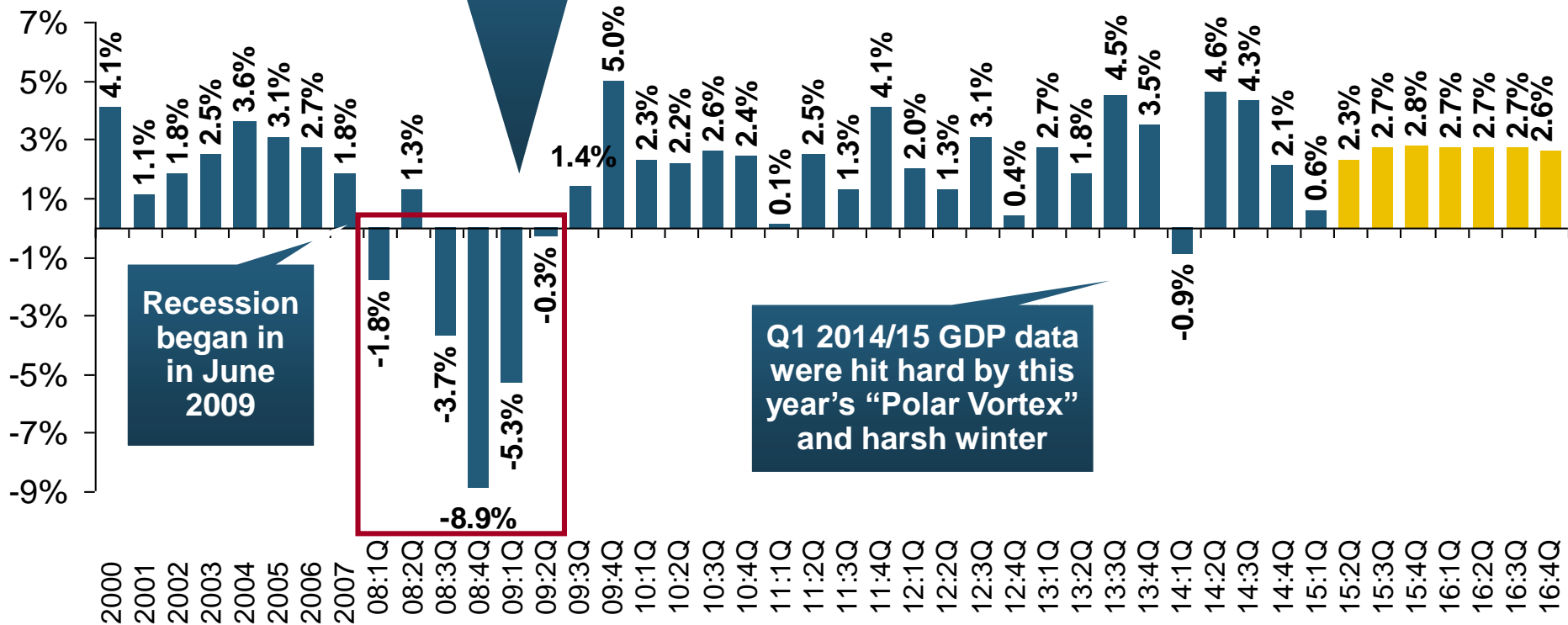


Personal Auto Growth Drivers: The Economy Is Supporting Growth of Personal Lines Exposure

**The Economy and Consumer Sentiment
Remain Sufficient to Propel Auto Sales
into 2016**

US Real GDP Growth*

Real GDP Growth (%)



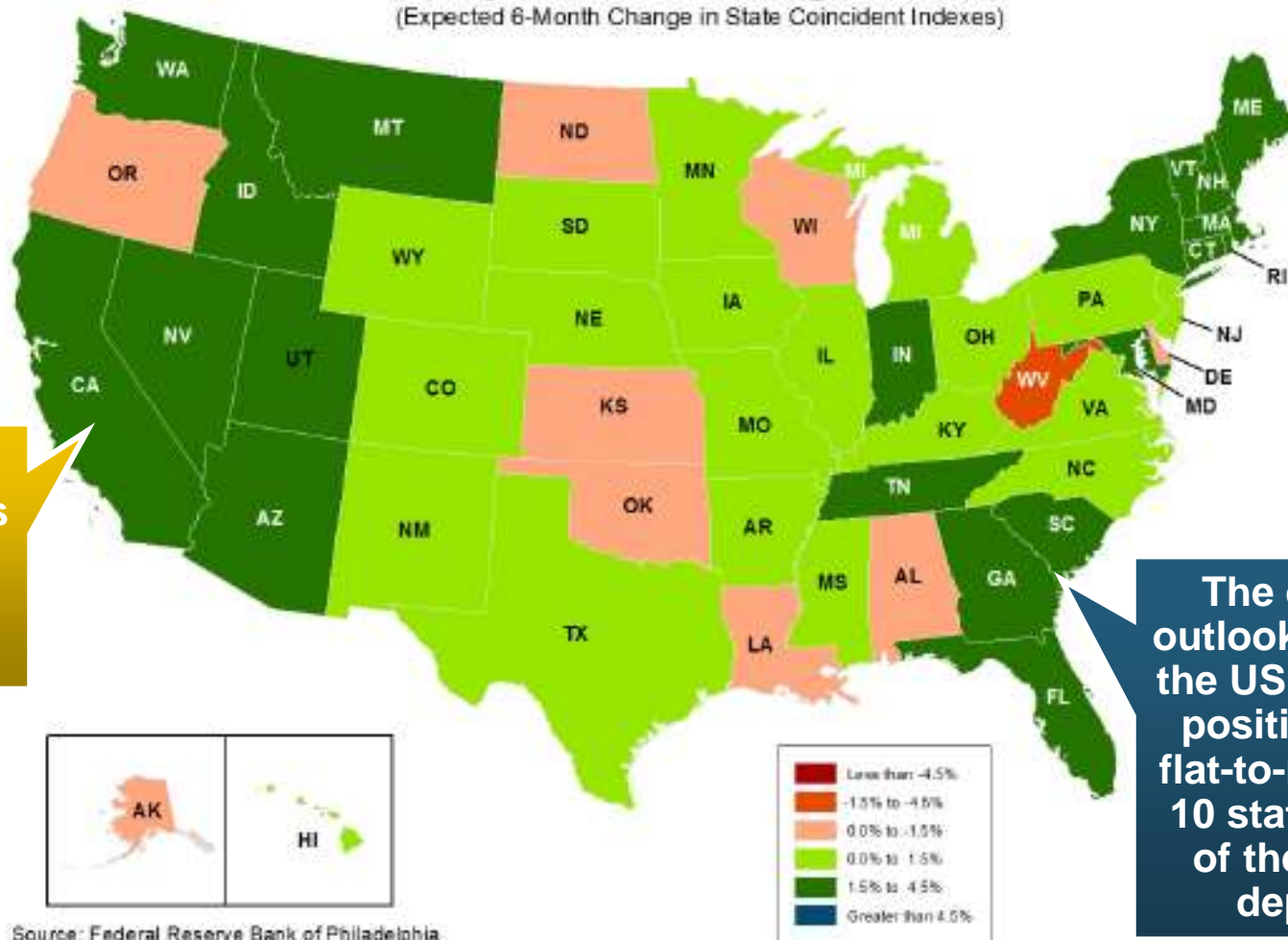
Demand for Insurance Should Increase in 2015 as GDP Growth Accelerates Modestly and Gradually Benefits the Economy Broadly

* Estimates/Forecasts from Blue Chip Economic Indicators.

Source: US Department of Commerce, Blue Economic Indicators 8/15; Insurance Information Institute.

State Leading Economic Indicators through November 2015

May 2015 State Leading Indexes
(Expected 6-Month Change in State Coincident Indexes)

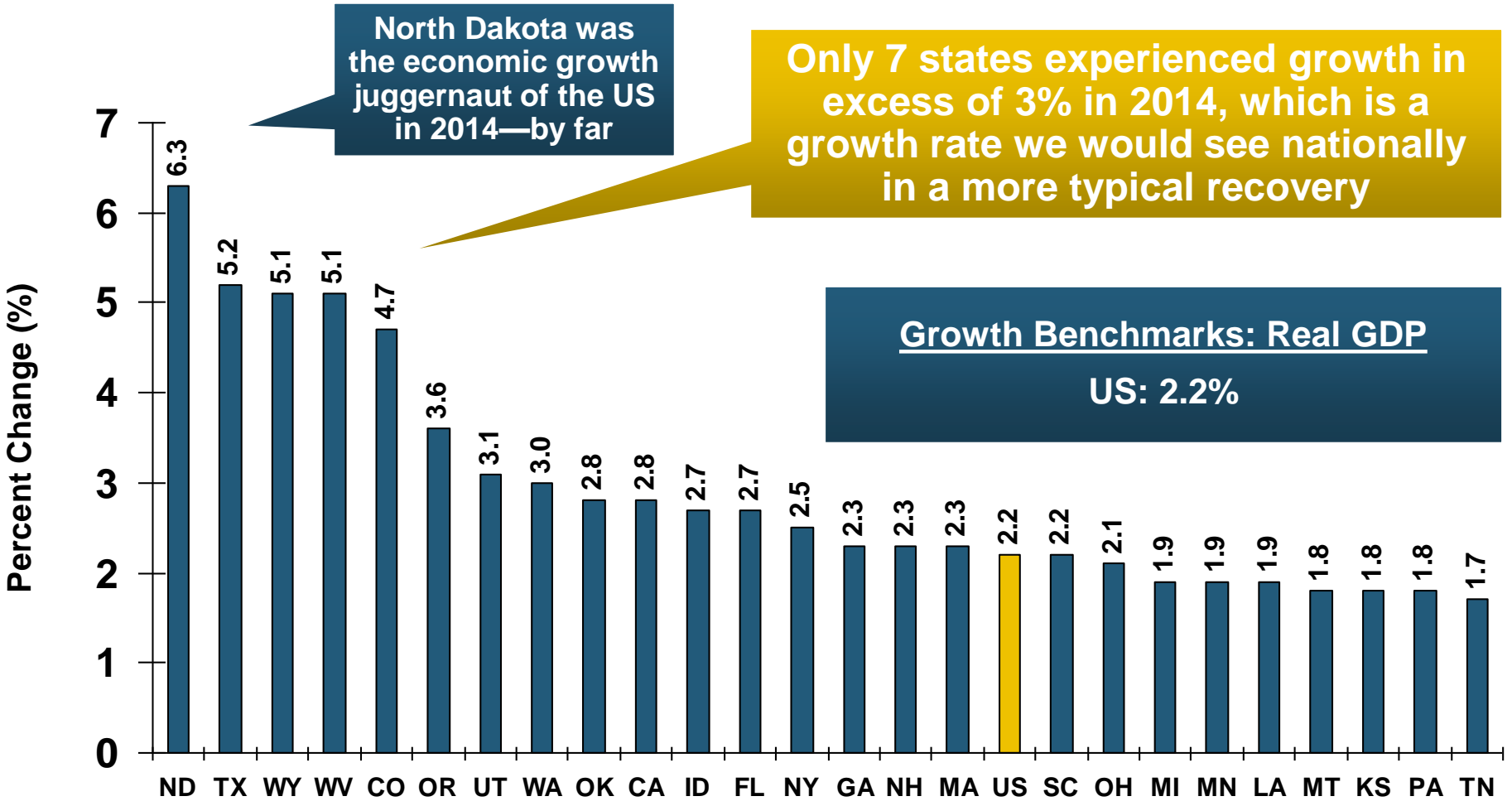


Source: Federal Reserve Bank of Philadelphia

Growth in the West is finally beginning to pick up

The economic outlook for most of the US is generally positive, though flat-to-negative for 10 states, several of them energy dependent

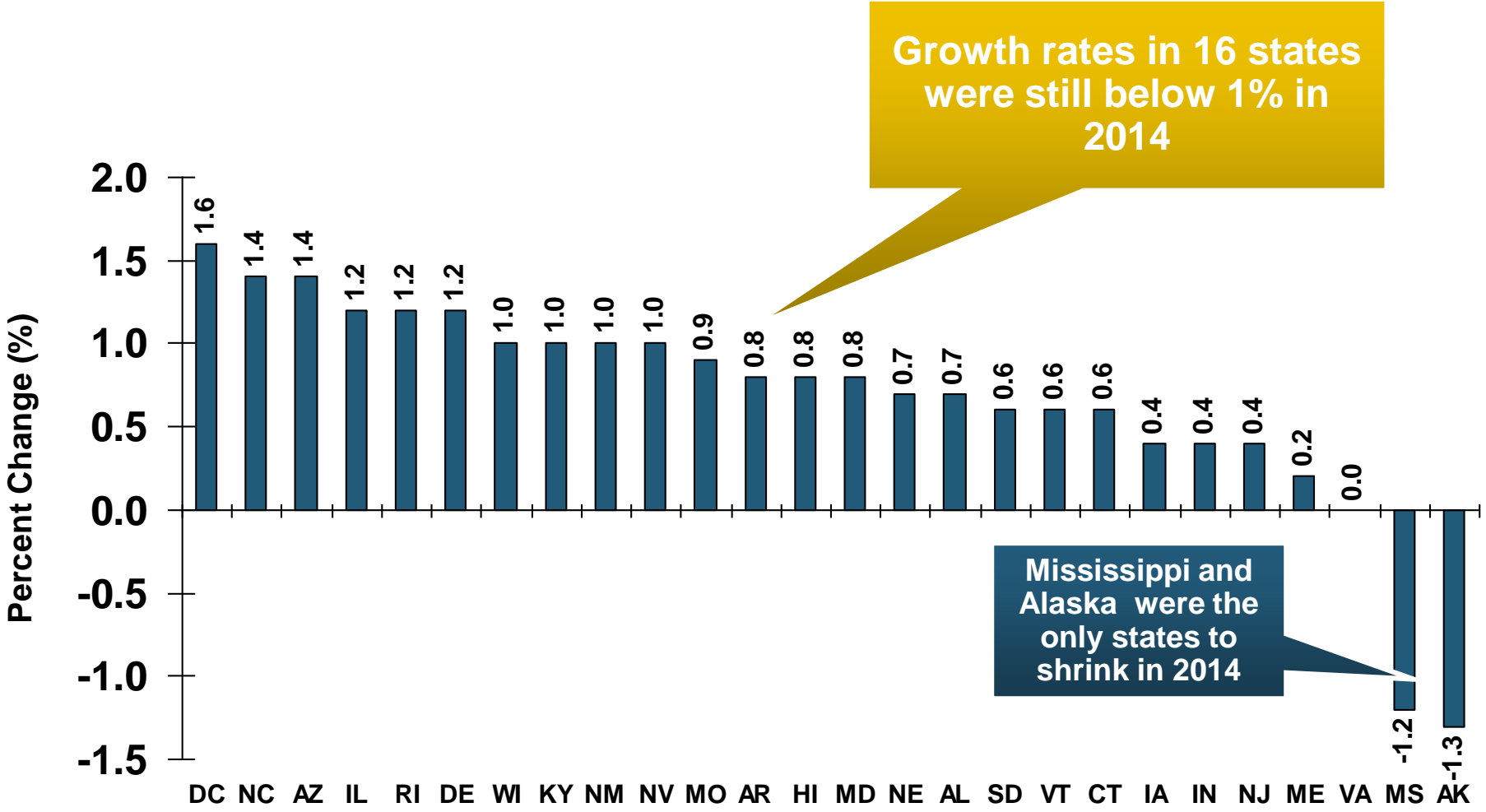
Real GDP by State Percent Change, 2014*: Highest 25 States



*Advance statistics

Sources: [U.S. Bureau of Economic Analysis](#); Insurance Information Institute.

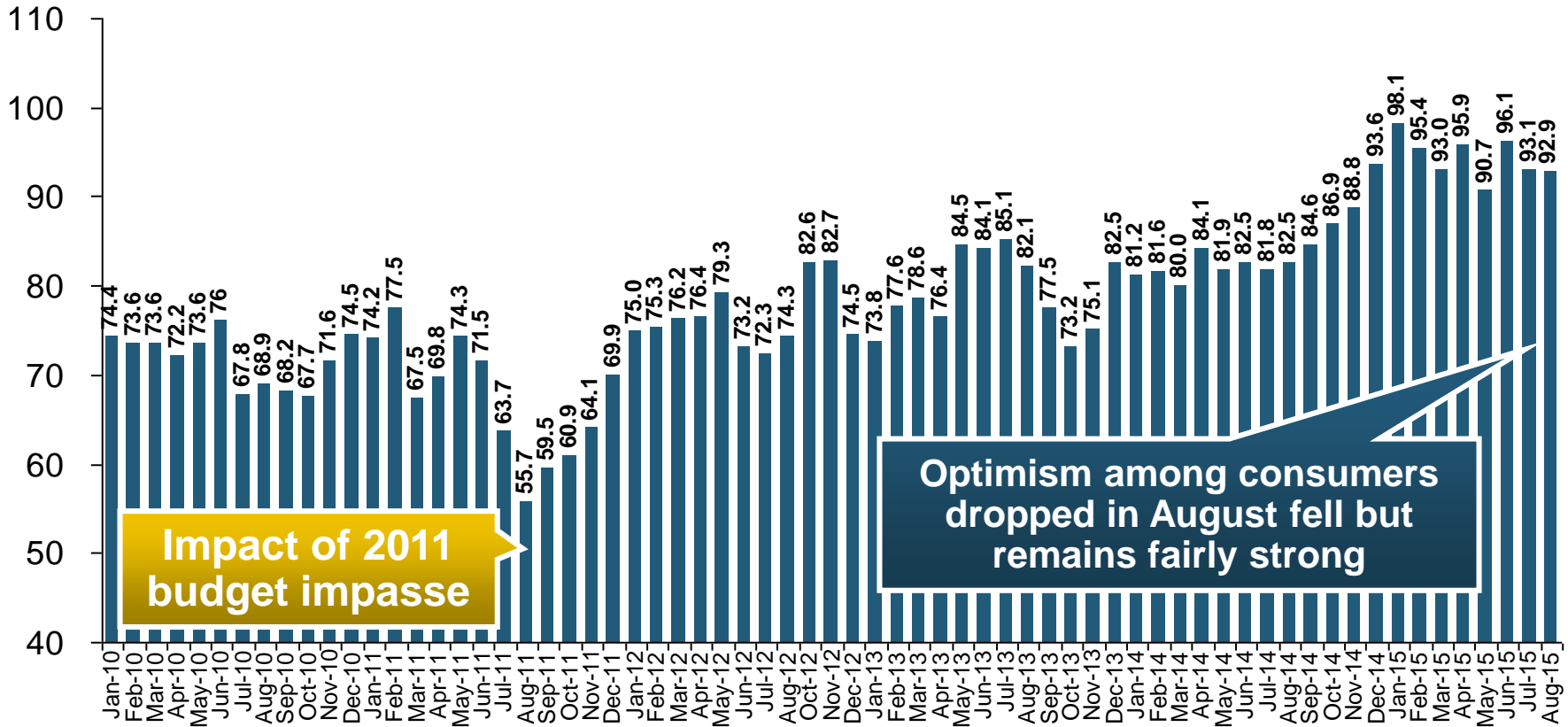
Real GDP by State Percent Change, 2014*: Lowest 25 States



*Advance statistics
Sources: [US Bureau of Economic Analysis](#); Insurance Information Institute.

Consumer Sentiment Survey (1966 = 100)

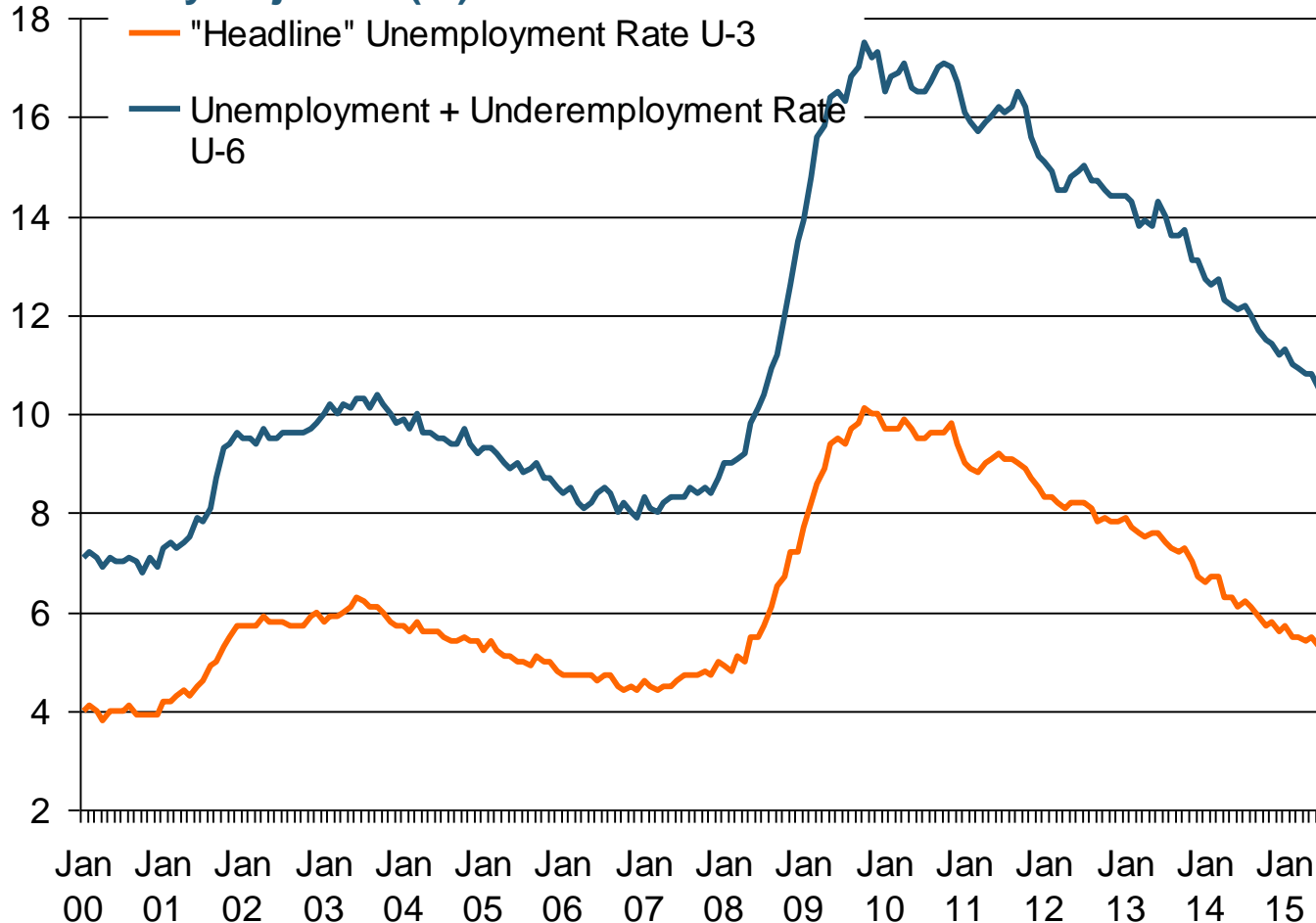
January 2010 through August 2015



Consumer confidence has experienced a substantial recovery from its crisis and post-crisis lows, substantially contributing to increased demand for vehicles and homes.

Unemployment and Underemployment Rates: Still Too High, But Falling

January 2000 through July 2015,
Seasonally Adjusted (%)



U-6 soared from 8.0% in March 2007 to 17.5% in October 2009; Stood at 10.4% in June 2015. 8% to 10% is "normal."

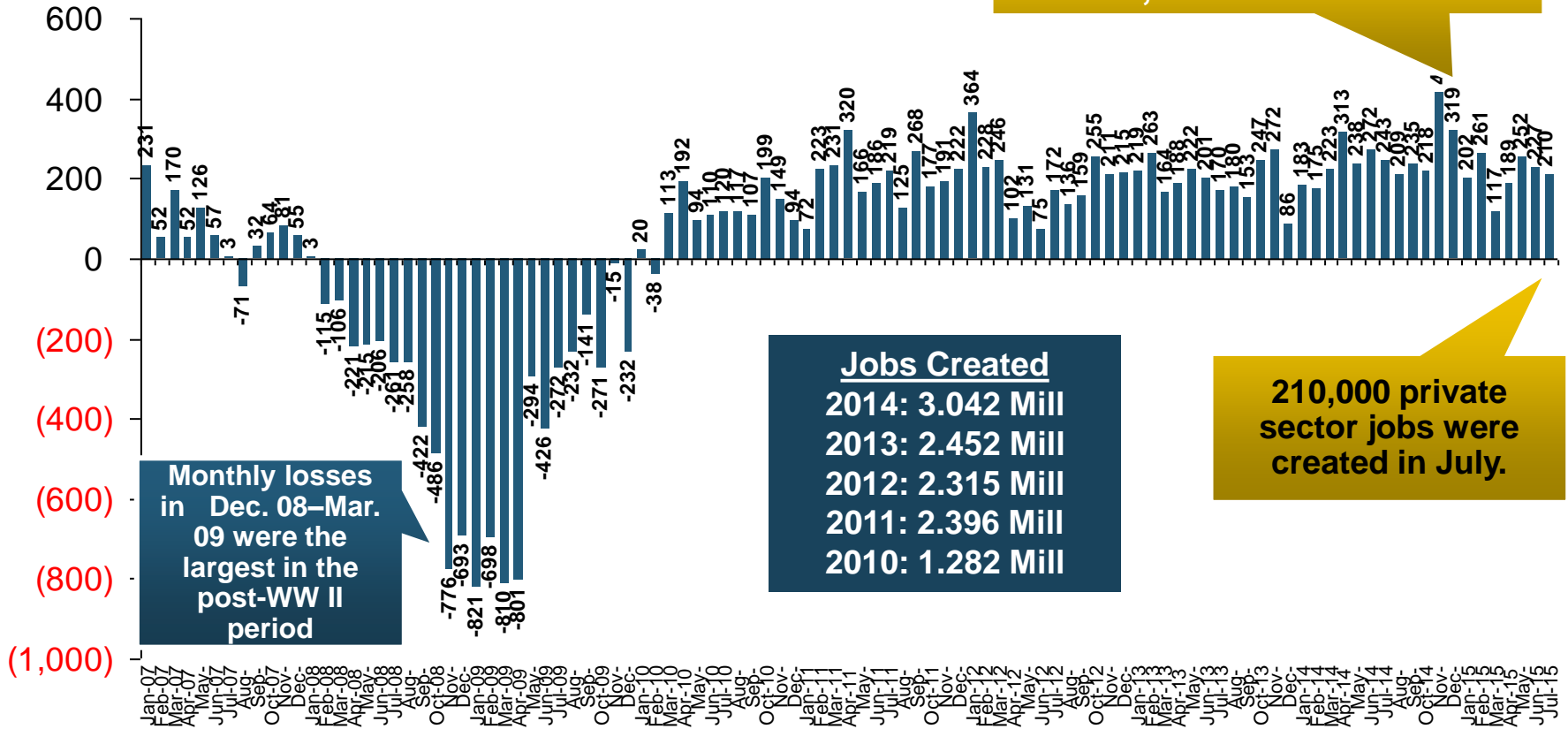
"Headline" unemployment was 5.3% in July 2015. 4.5% to 5.5% is "normal."

Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is continuing to improve.

Monthly Change in Private Employment

January 2007 through July 2015 (000s, Seasonally Adj.)

3,042,000 jobs were created in 2014, the most since 1997



Monthly losses in Dec. 08–Mar. 09 were the largest in the post-WW II period

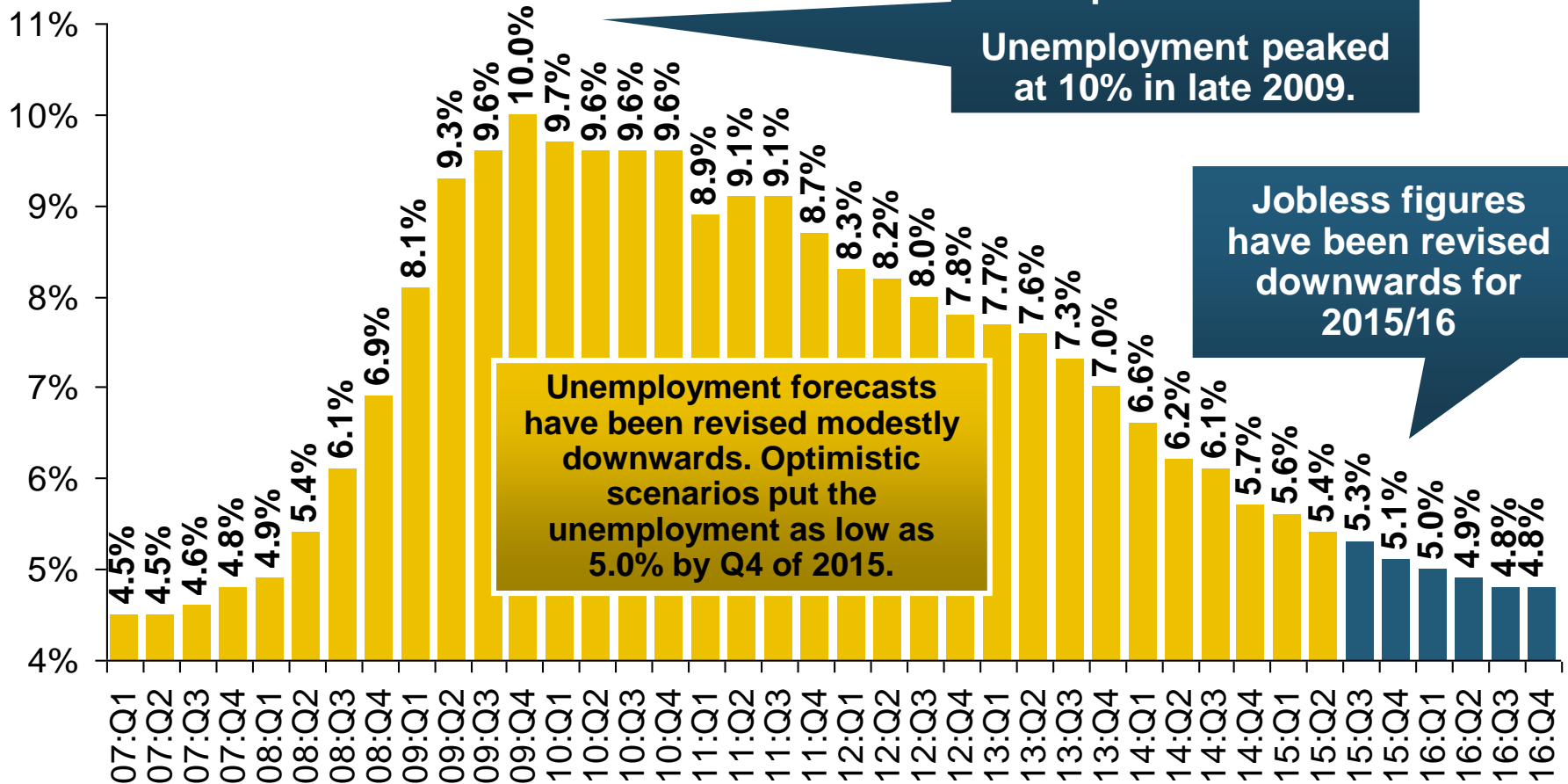
Jobs Created
 2014: 3.042 Mill
 2013: 2.452 Mill
 2012: 2.315 Mill
 2011: 2.396 Mill
 2010: 1.282 Mill

210,000 private sector jobs were created in July.

Private Employers Added 12.84 Million Jobs Since Jan. 2010 After Having Shed 5.01 Million Jobs in 2009 and 3.76 Million in 2008 (State and Local Governments Have Shed Hundreds of Thousands of Jobs)

US Unemployment Rate Forecast

2007:Q1 to 2016:Q4F*



Rising unemployment eroded payrolls and WC's exposure base.
Unemployment peaked at 10% in late 2009.

Jobless figures have been revised downwards for 2015/16

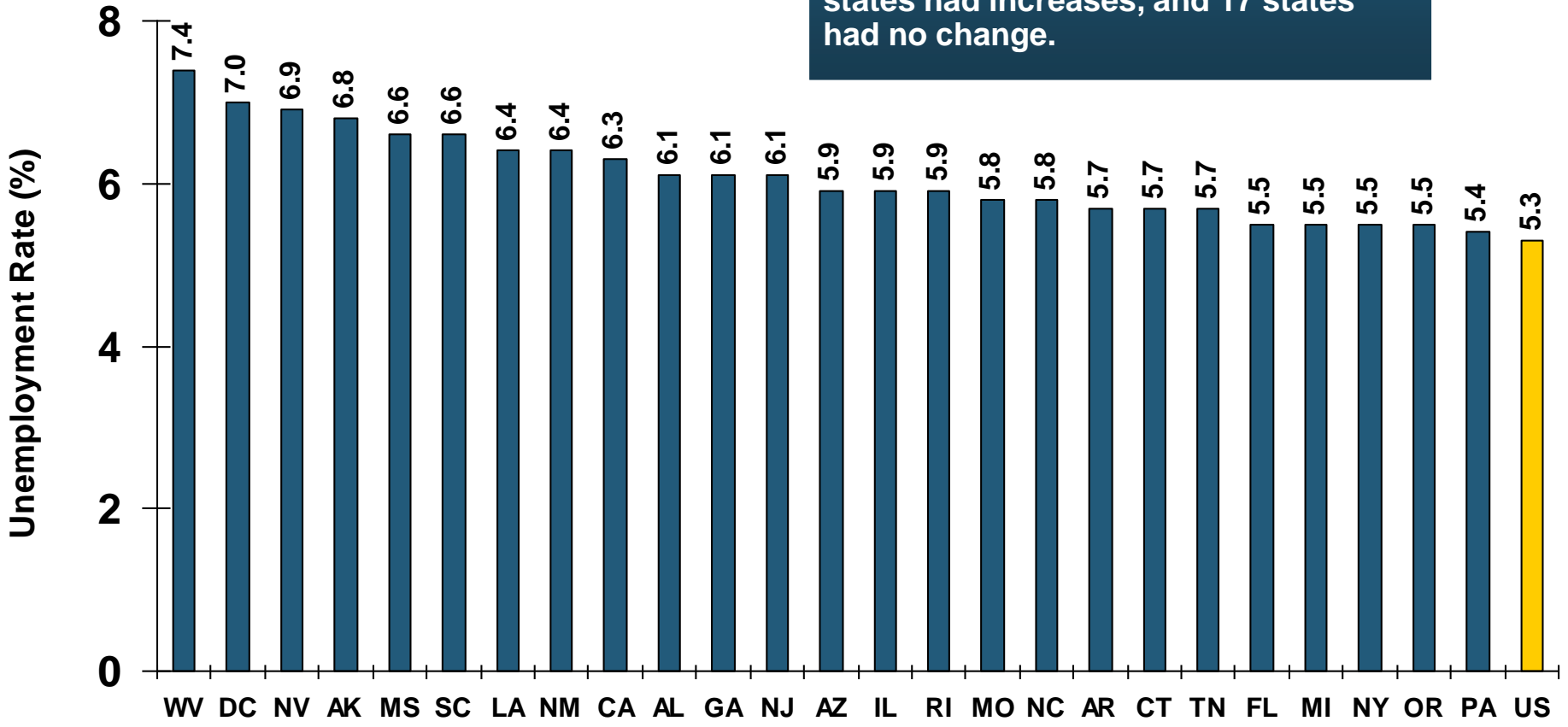
Unemployment forecasts have been revised modestly downwards. Optimistic scenarios put the unemployment as low as 5.0% by Q4 of 2015.

* = actual; = forecasts

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators (8/15 edition); Insurance Information Institute.

Unemployment Rates by State, June 2015: Highest 25 States*

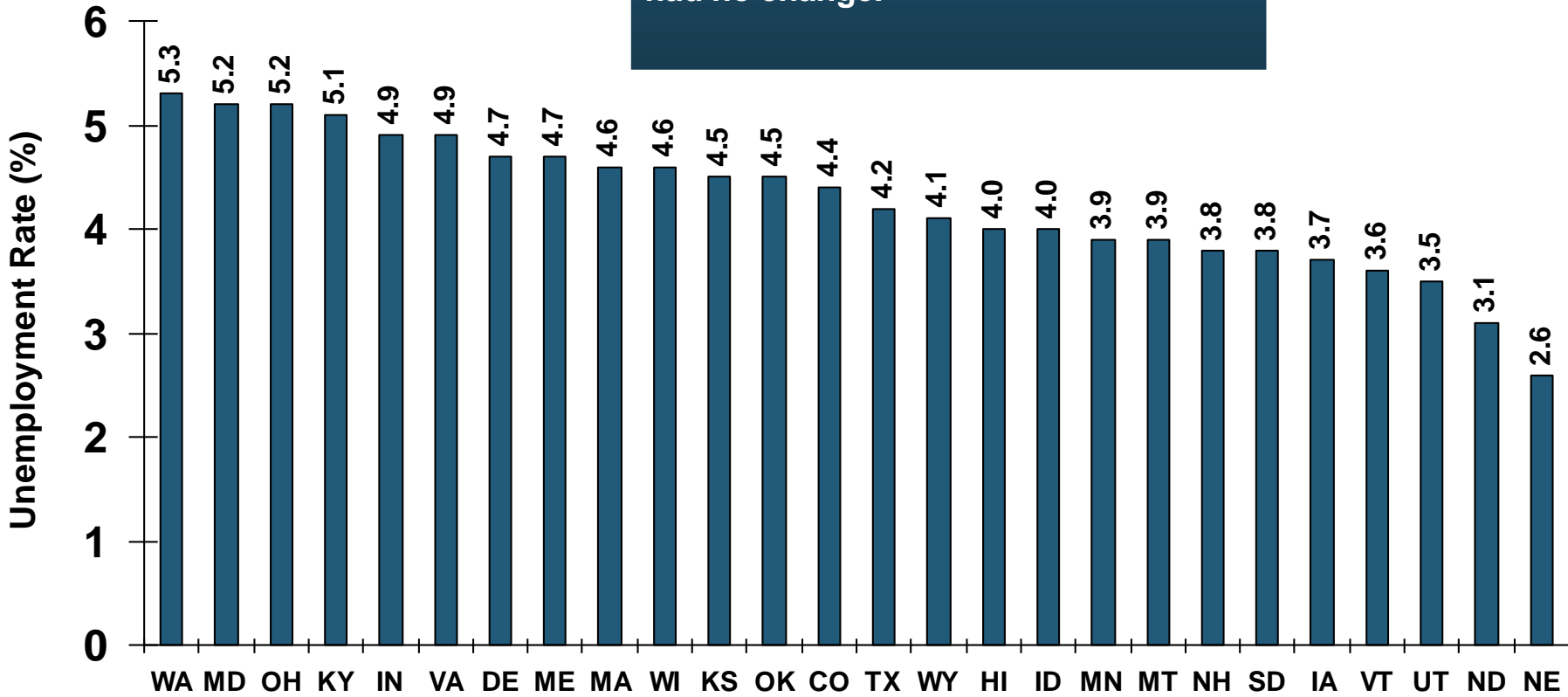
In June, 21 states and the District of Columbia had over-the-month unemployment rate decreases, 12 states had increases, and 17 states had no change.



*Provisional figures for June 2015, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.

Unemployment Rates by State, June 2015: Lowest 25 States*

In June, 21 states and the District of Columbia had over-the-month unemployment rate decreases, 12 states had increases, and 17 states had no change.



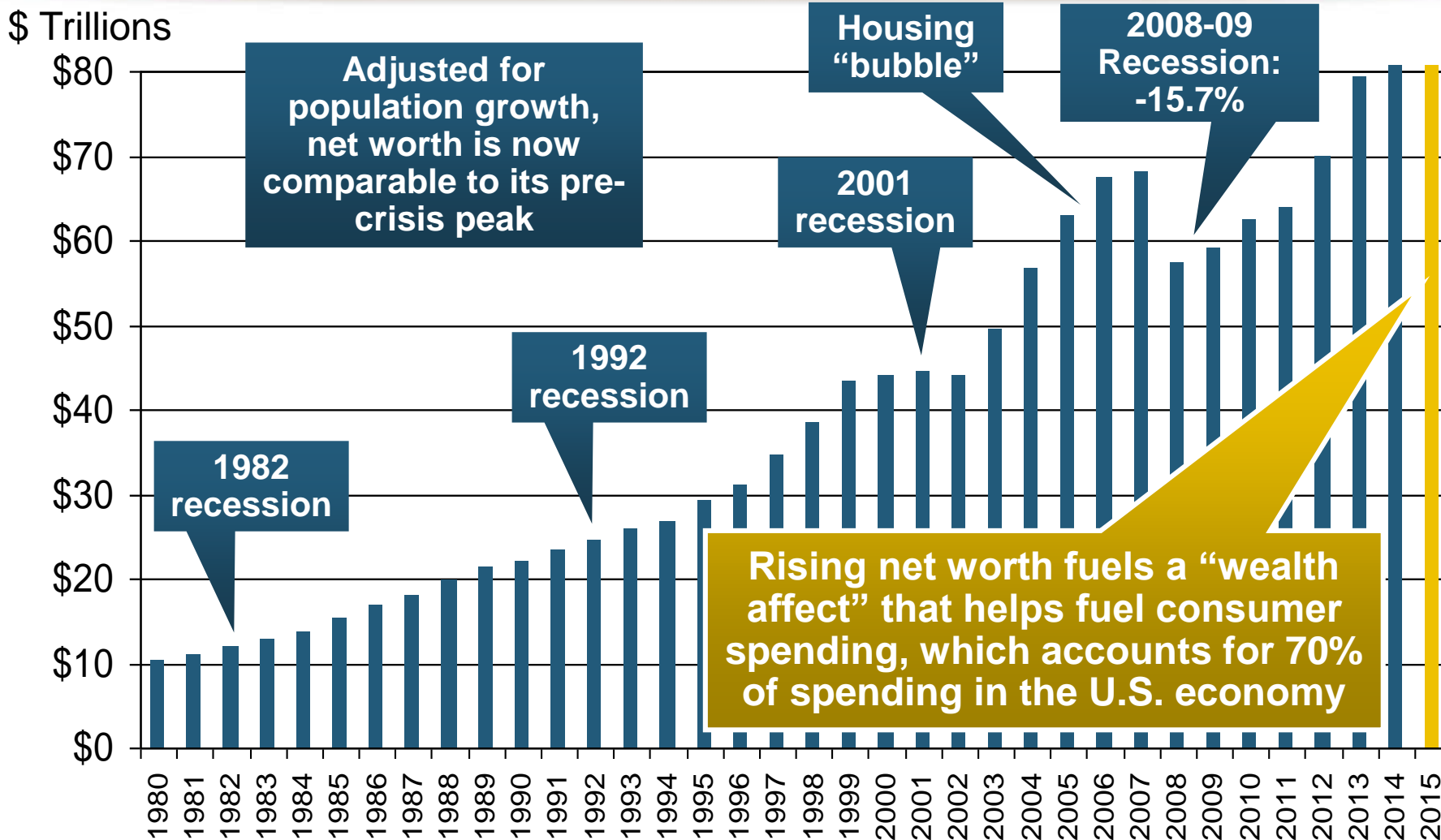
*Provisional figures for June 2015, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute.



Household Balance Sheets Are Relatively Strong

**Wealth Effects:
Indebtedness Influence
Auto Purchase Decisions**

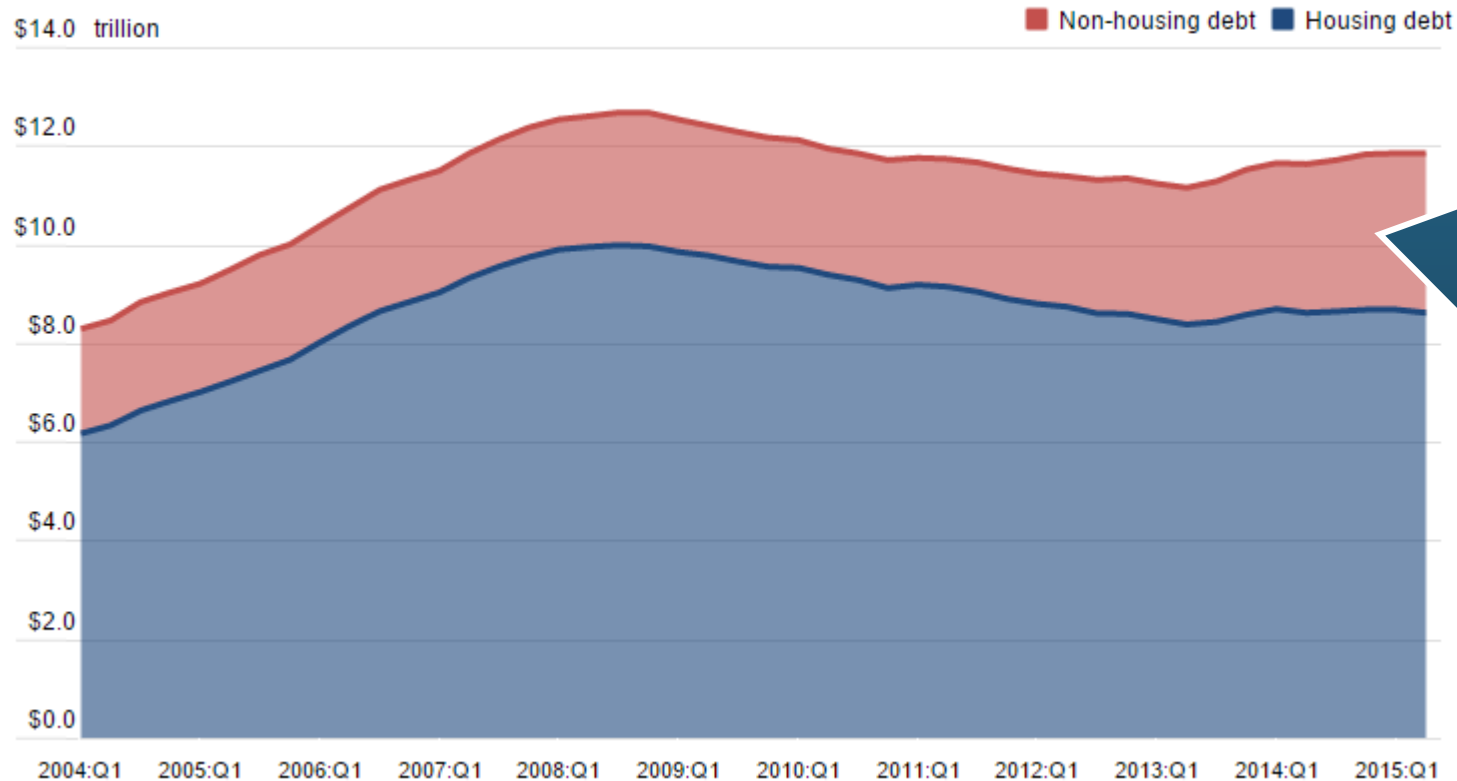
Net Worth of Households* Recently Hit A Historic High



*and nonprofit organizations. Data are as of year-end, except in 2015:Q1 (data posted on June 11, 2015. Data not seasonally adjusted or inflation-adjusted; <http://www.federalreserve.gov/releases/z1/Current/z1r-5.pdf>
Source: Federal Reserve Board at <http://www.federalreserve.gov/releases/z1/Current/z1r-5.pdf>

Household Debt Balance, 2004 – 2015:Q1

Total Debt Balance

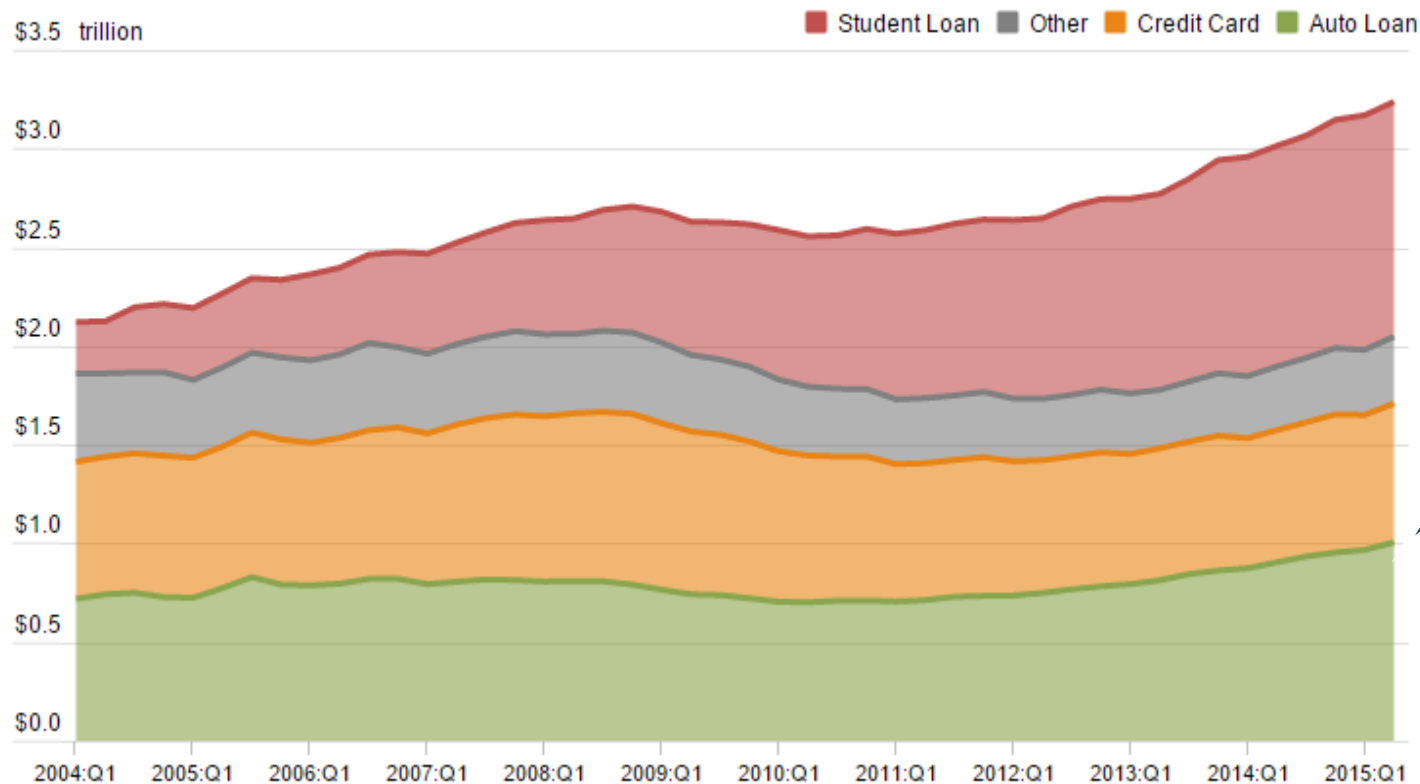


Overall household debt remains below pre-crisis peak but non-housing debt is actually larger due to student loans and auto loan debt

Household balance sheets remain much healthier than they were prior to the “Great Recession”

Auto Loans and Other Non-Housing Debt, 2004 – 2015:Q1

Non-Housing Debt Balance

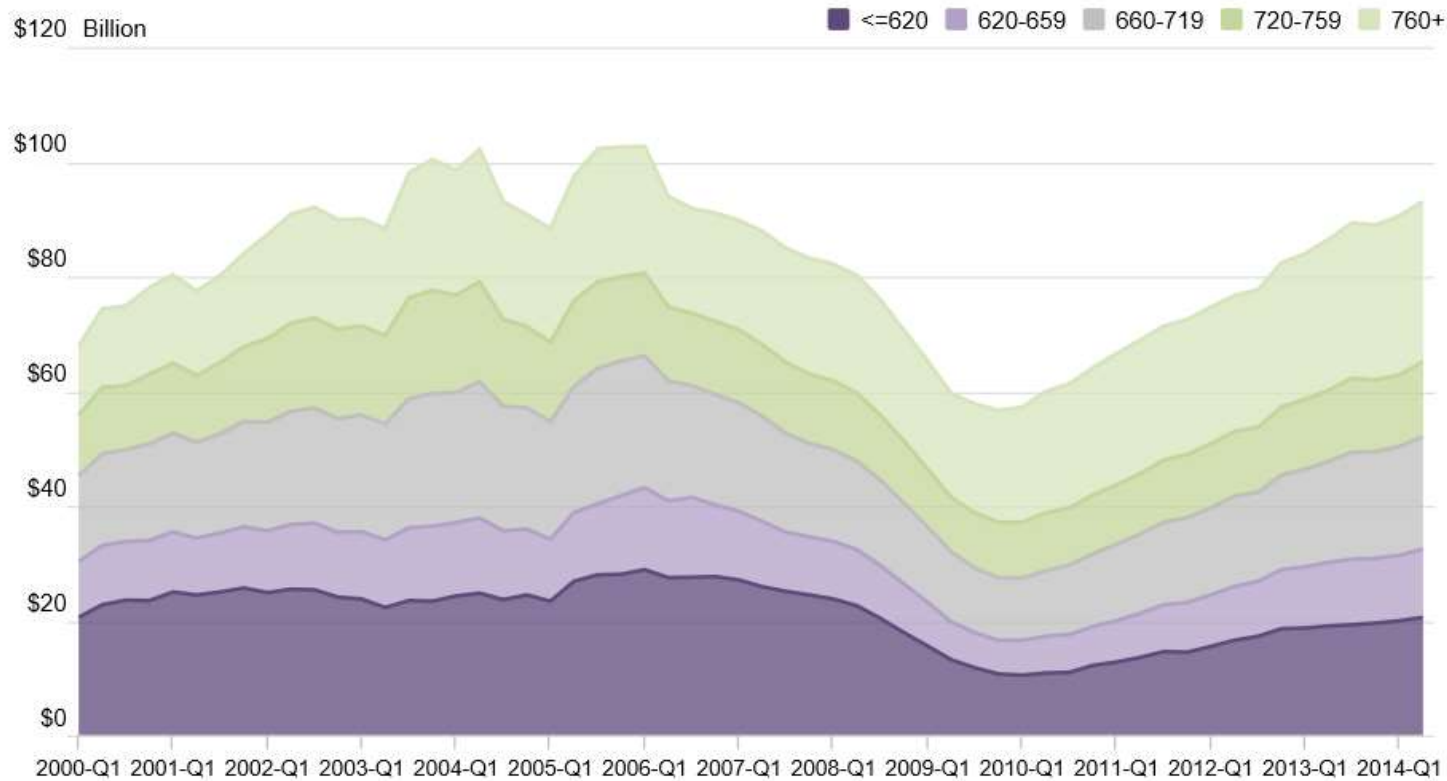


Auto loan debt outstanding reached \$1T for the first time ever in Q1 2015

Banks are becoming increasingly aggressive in marketing auto loans

Lenders are Issuing a Rising Number of New Auto Loans, Even for People with Poor Credit Scores

Auto Loan Originations by Credit Score

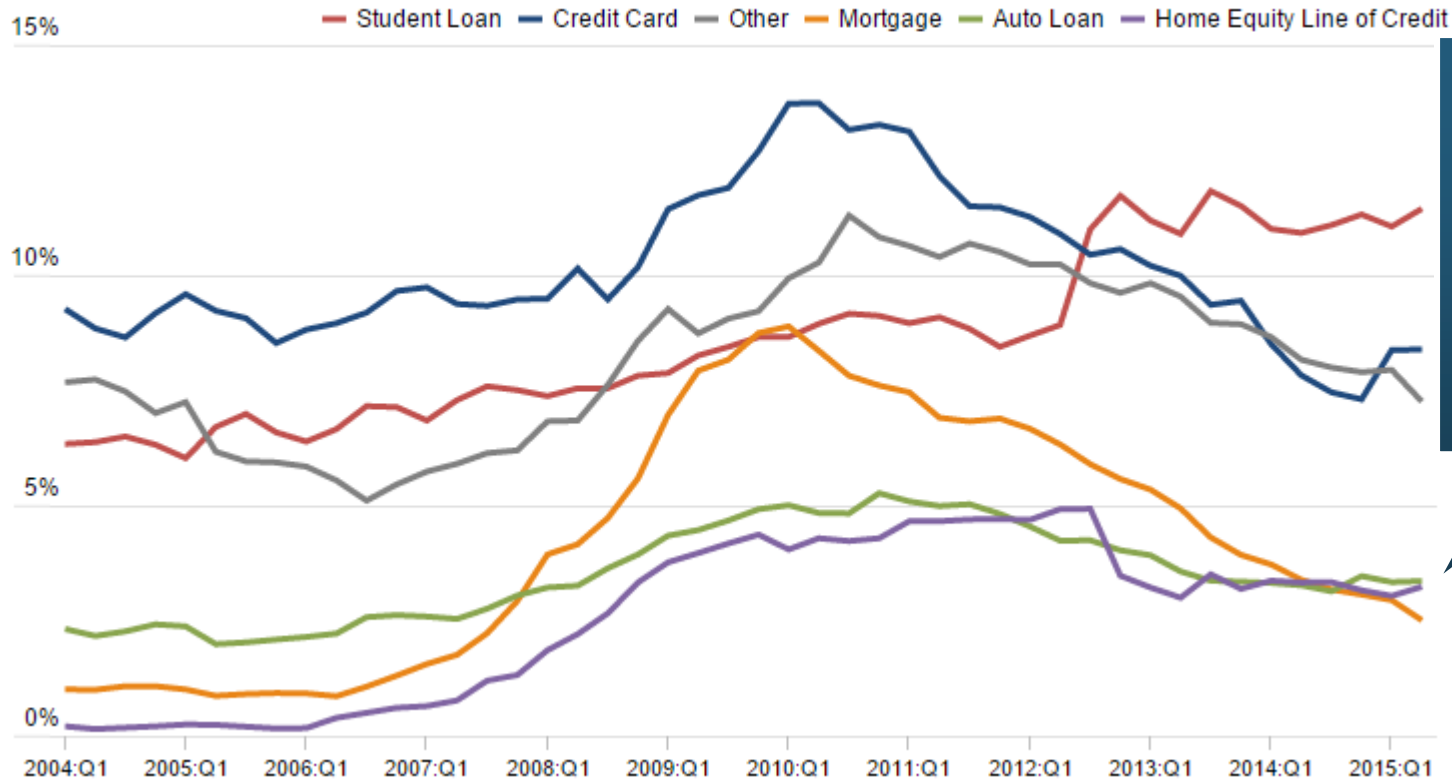


Source: FRBNY Consumer Credit Panel/Equifax

For the past several years, auto loans in nonaccrual status remained at roughly 0.25% of outstanding loans.

Auto Loan and Other Non-Housing Delinquencies, 2004 – 2015:Q1

Percent of Balance 90+ Days Delinquent



Source: FPMV Consumer Credit Panel/Equifax

Auto loan delinquencies have improved dramatically since their crisis peak but remain above pre-crisis levels

So far, increasingly aggressive marketing of auto loans has not resulting in a surge in loan delinquencies and defaults

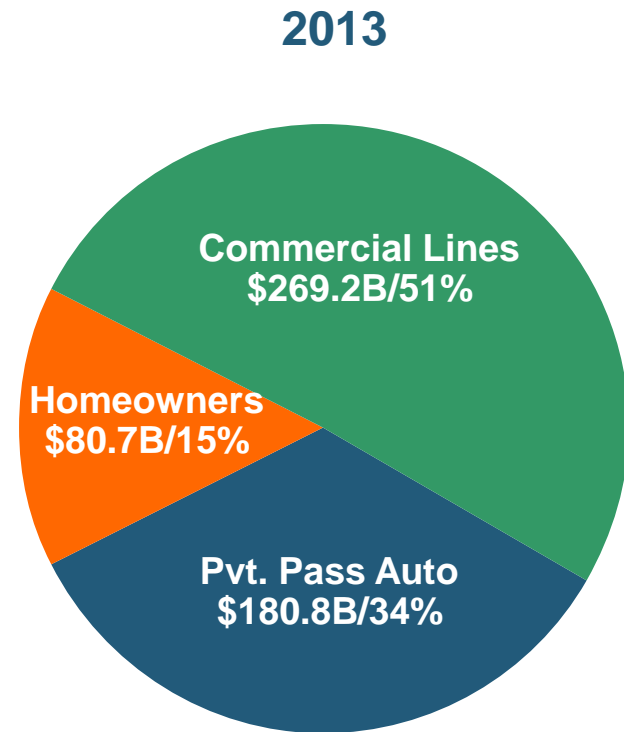
Personal Auto Growth Analysis

**Growth Trajectories Differ
Substantially by State and
Over Time**

Distribution of Direct Premiums Written by Segment/Line, 2013

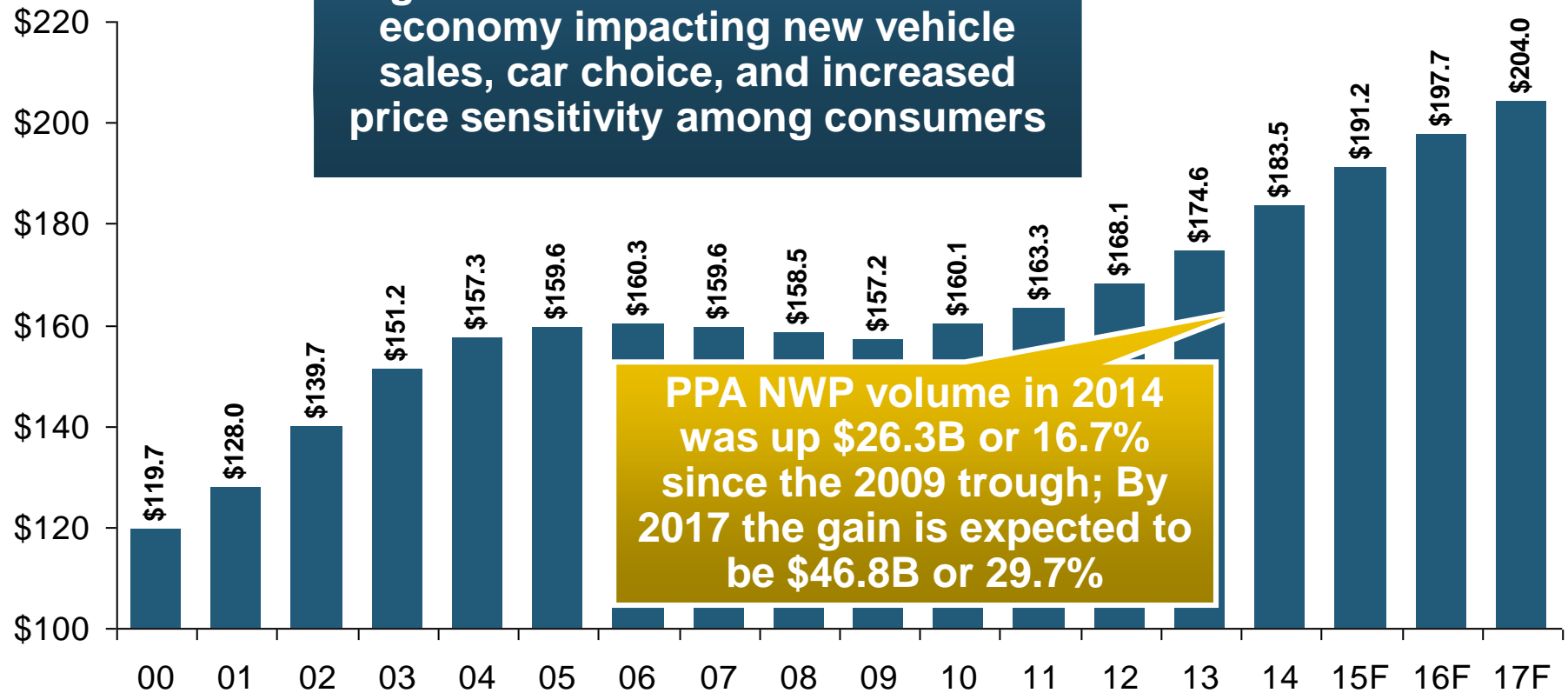
Distribution Facts

- Personal/Commercial lines split has been about 50/50 for many years
- Pvt. Passenger Auto is by far the largest line of insurance and is currently the most important source of industry profits
- Billions of additional dollars in homeowners insurance premiums are written by state-run residual market plans



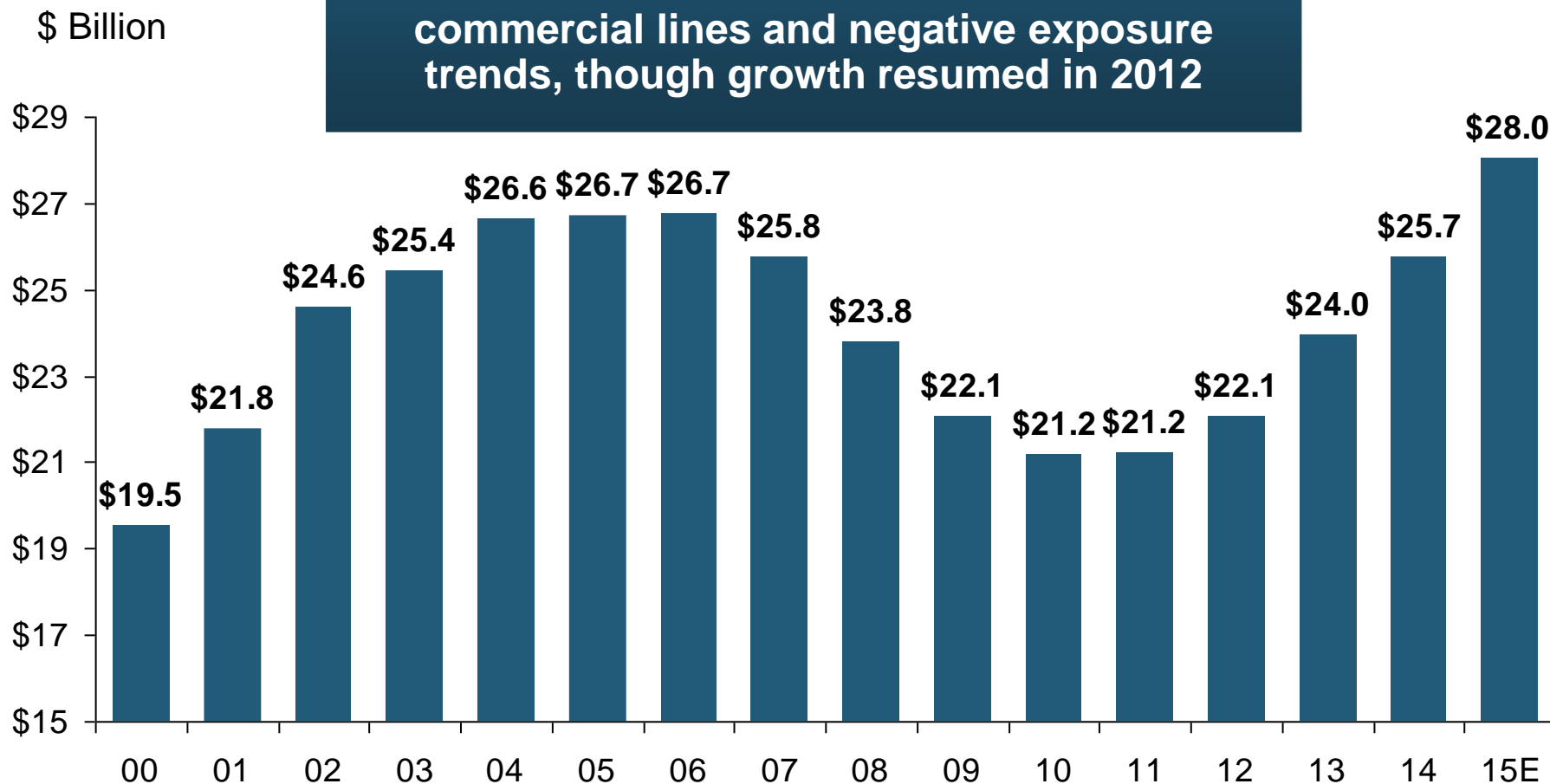
Private Passenger Auto Insurance Net Written Premium, 2000–2017F

\$ Billion



Commercial Auto Insurance Net Written Premium, 2000–2015F

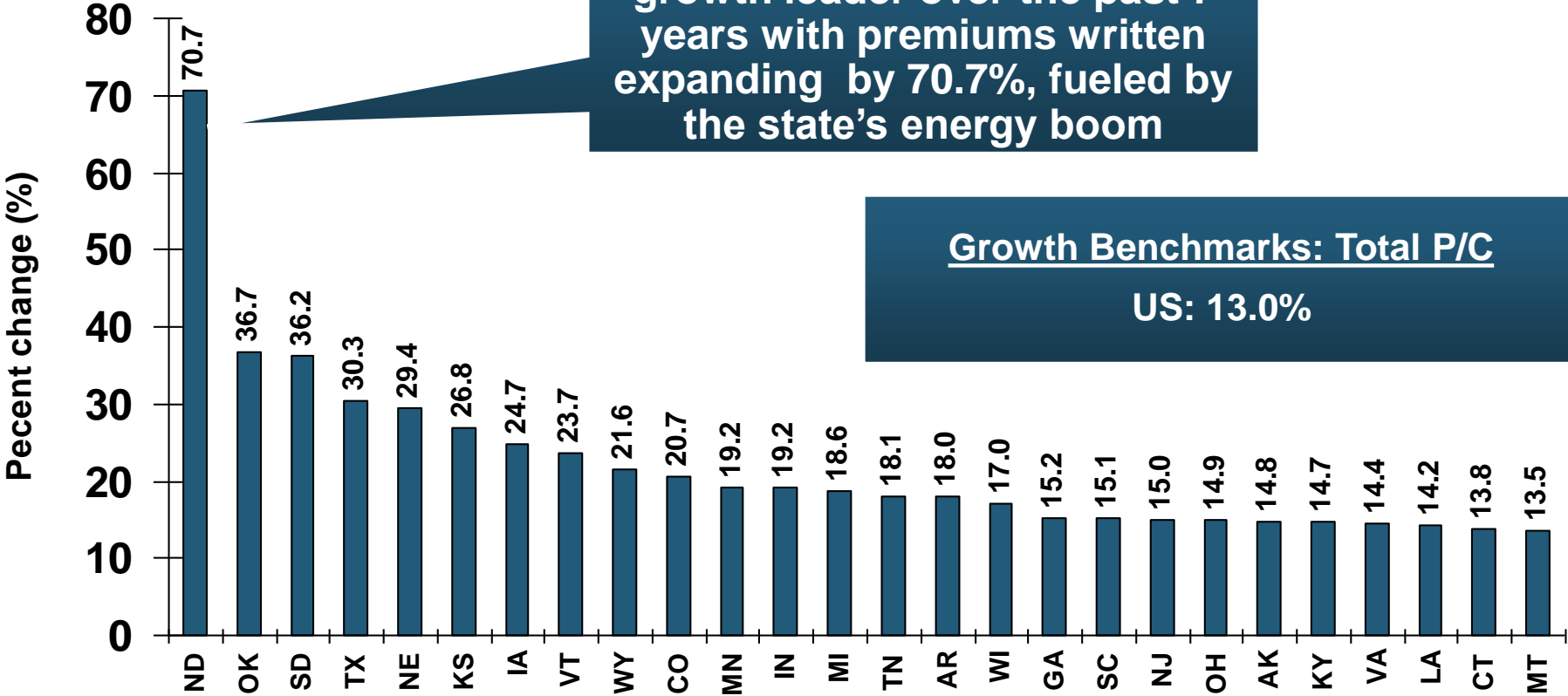
In contrast to positive PP Auto NPW growth, Commercial Auto premiums fell 21.3% between 2005 and 2011 due to soft market conditions in commercial lines and negative exposure trends, though growth resumed in 2012



Direct Premiums Written: Total P/C Percent Change by State, 2007-2014

Top 25 States

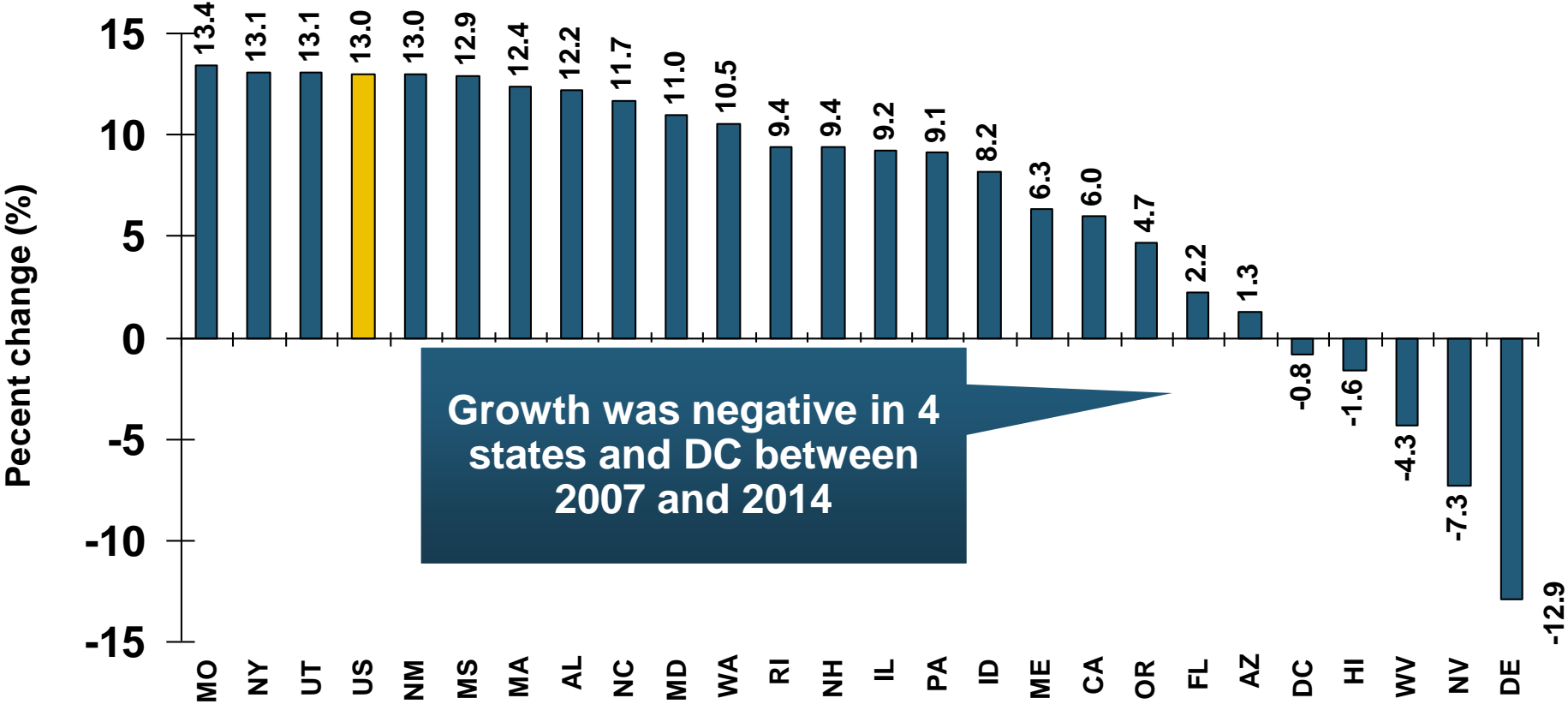
North Dakota was the country's growth leader over the past 7 years with premiums written expanding by 70.7%, fueled by the state's energy boom



Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: Total P/C Percent Change by State, 2007-2014

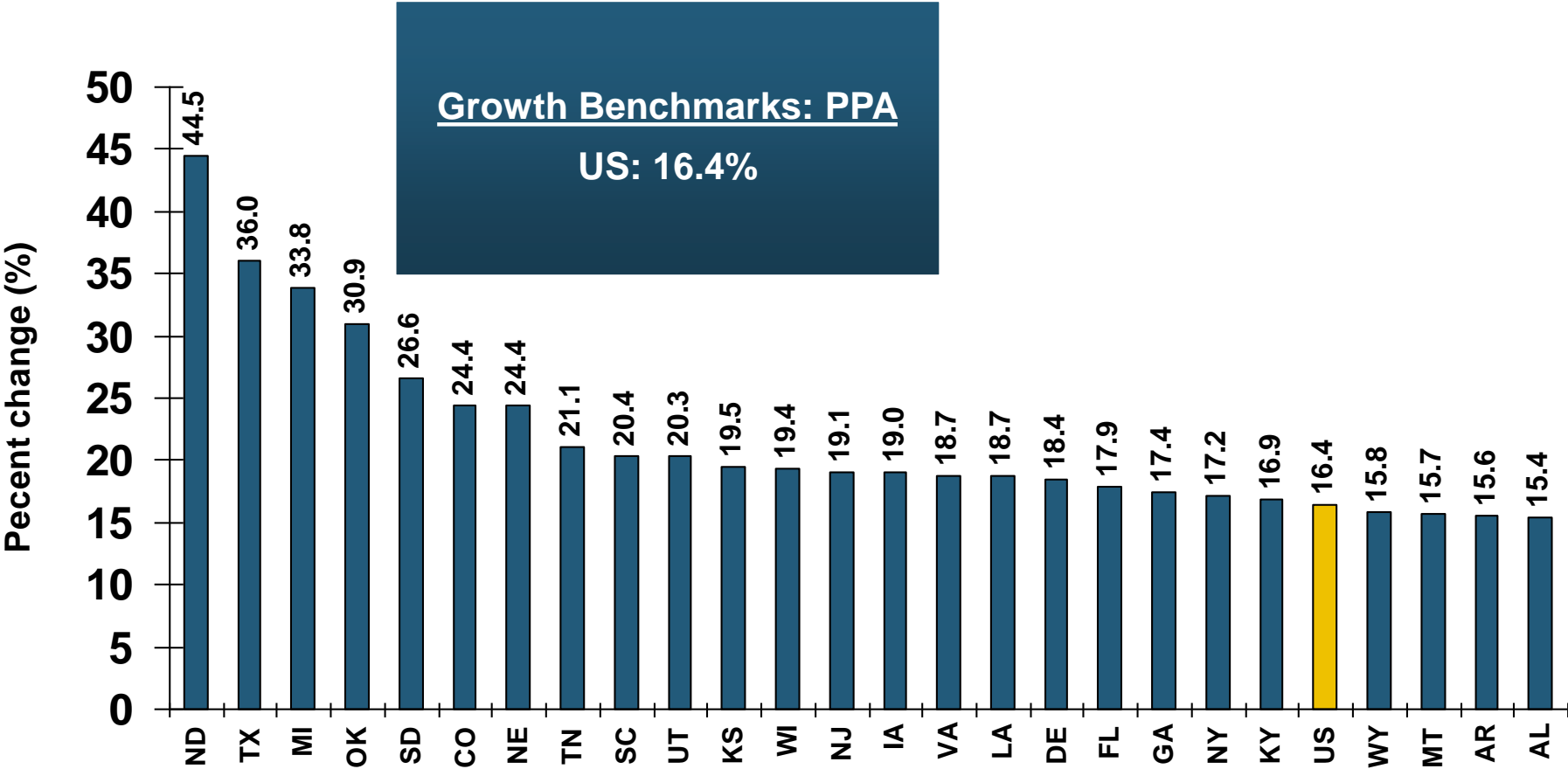
Bottom 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: PP Auto Percent Change by State, 2007-2014

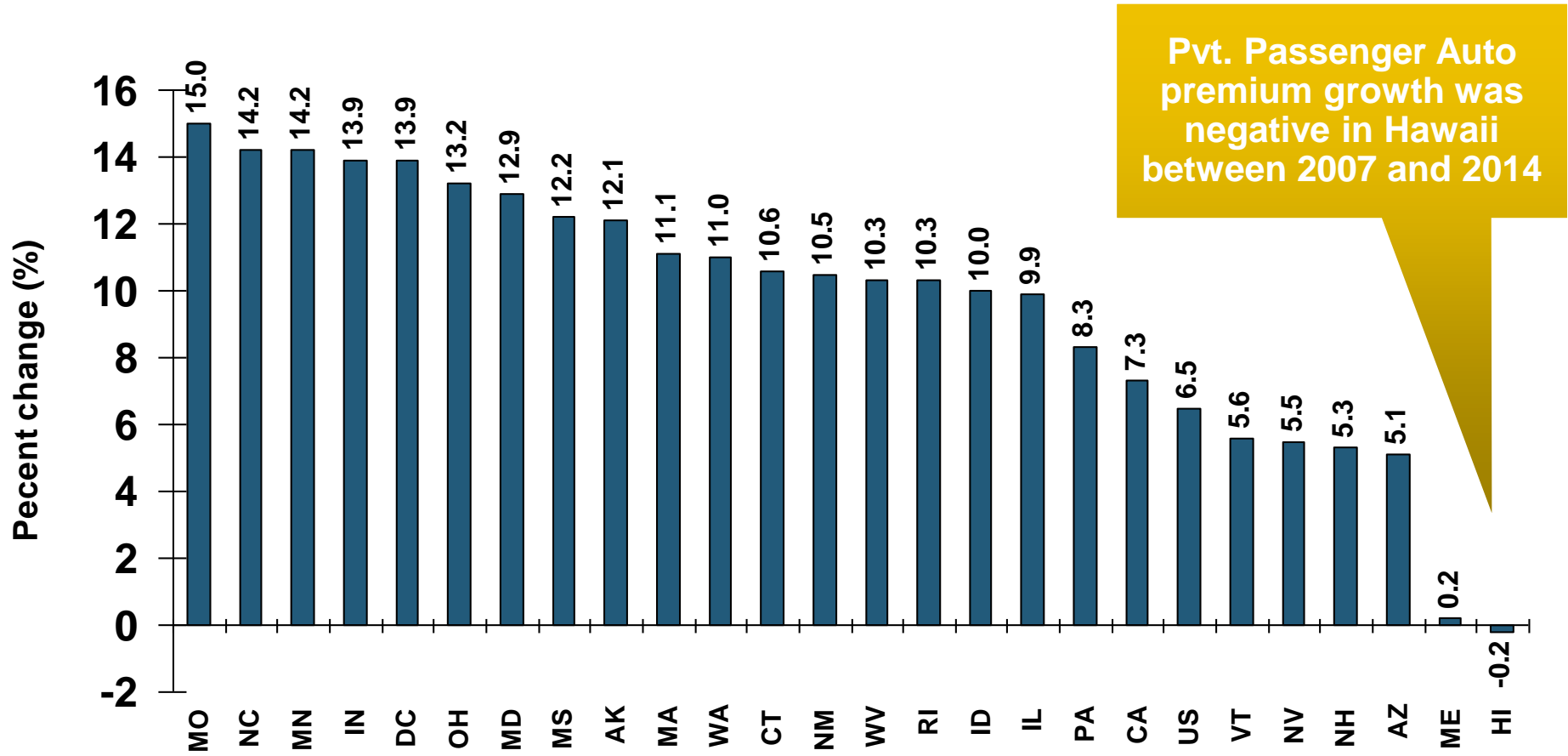
Top 25 States



Sources: SNL Financial LC.; Insurance Information Institute.

Direct Premiums Written: PP Auto Percent Change by State, 2007-2014

Bottom 25 States

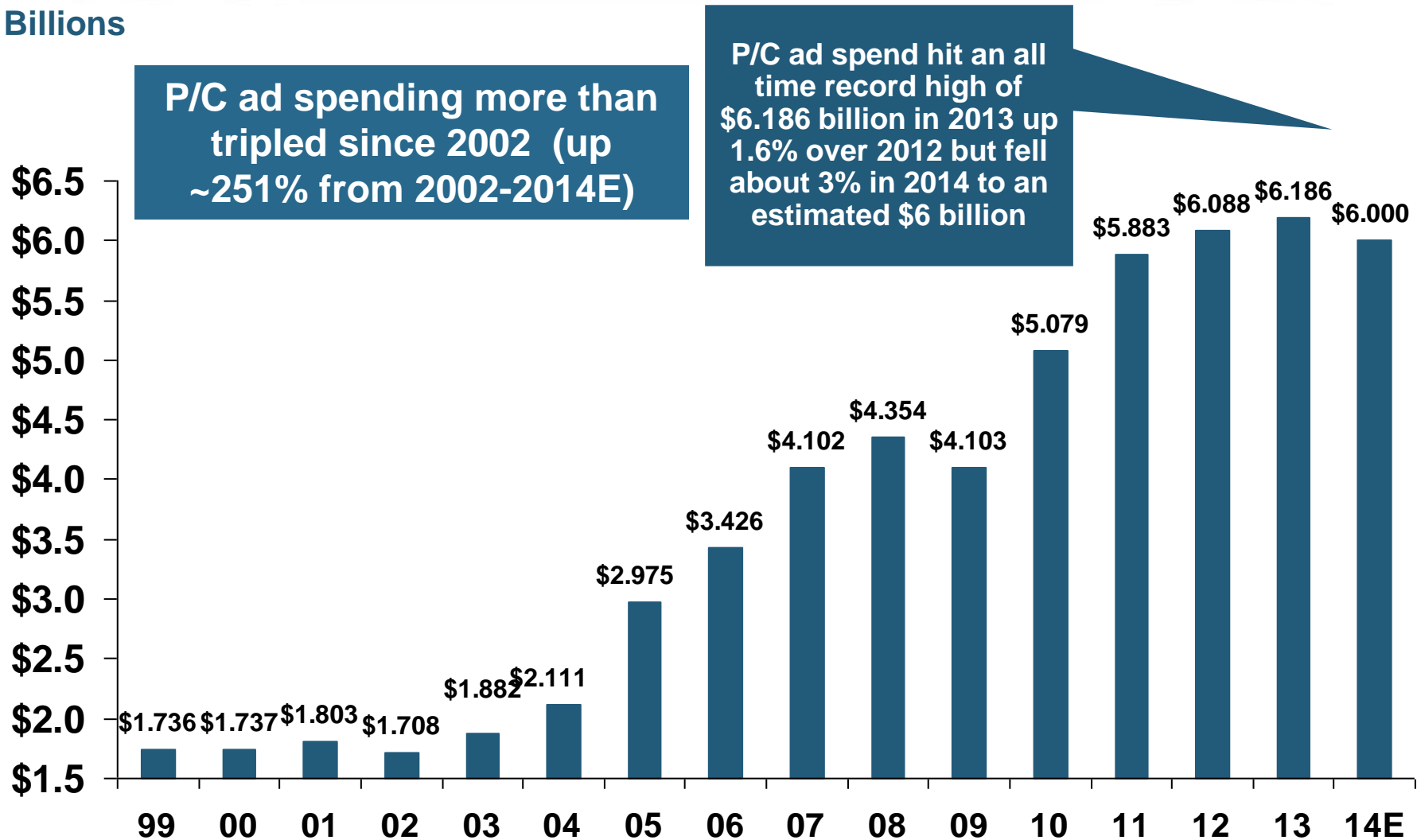


Personal Auto Ad Spend Trends

**Growth in Ad Spend Remains
Robust Among Many Top
Auto Insurers**

Advertising Expenditures by P/C Insurance Industry, 1999-2014E

\$ Billions

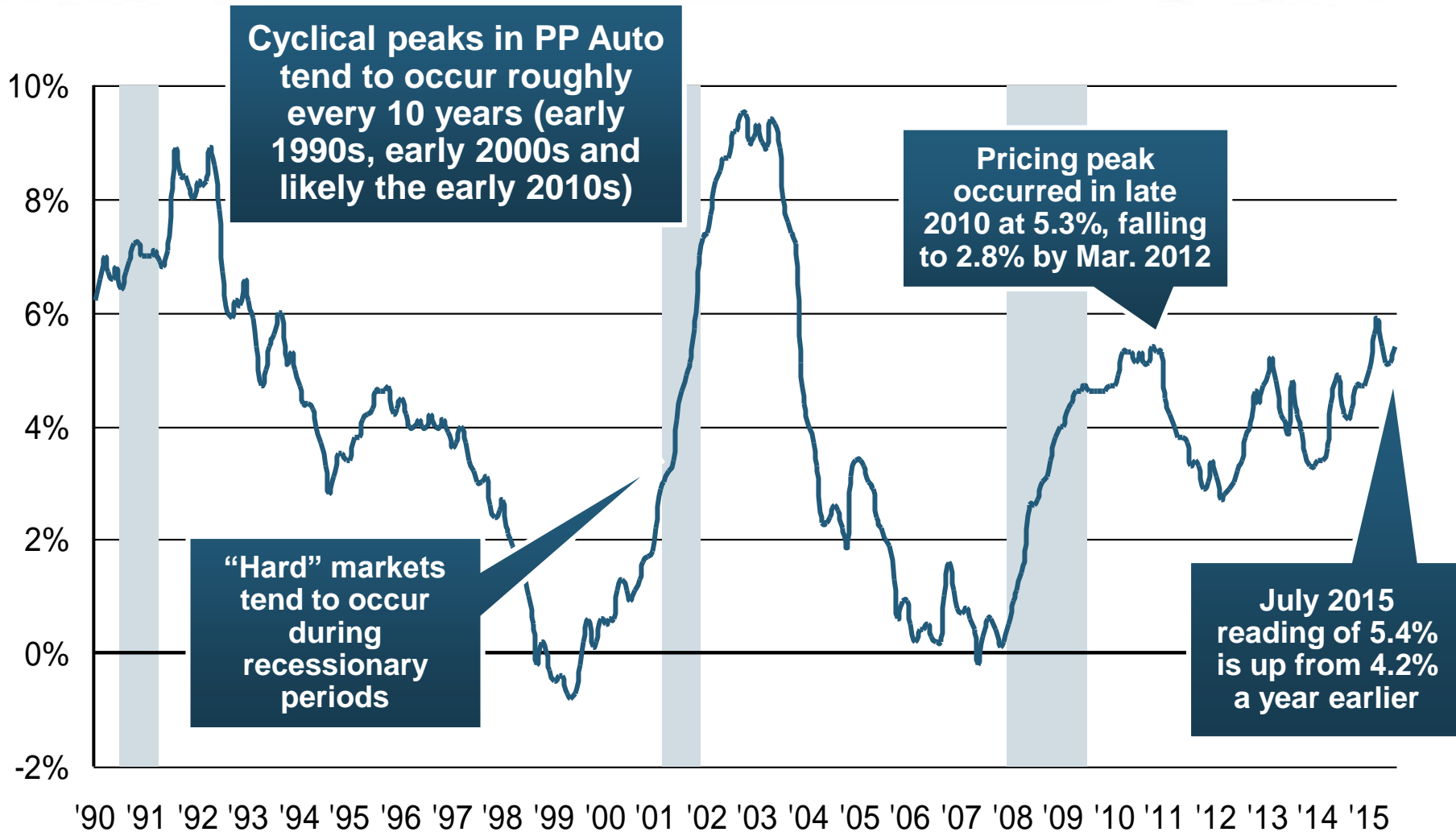




Rate and Exposure Trends for Private Passenger Auto

**Rate and Exposure Are Both
Important Drivers of Growth**

Monthly Change in Auto Insurance Prices, 1991–2015*



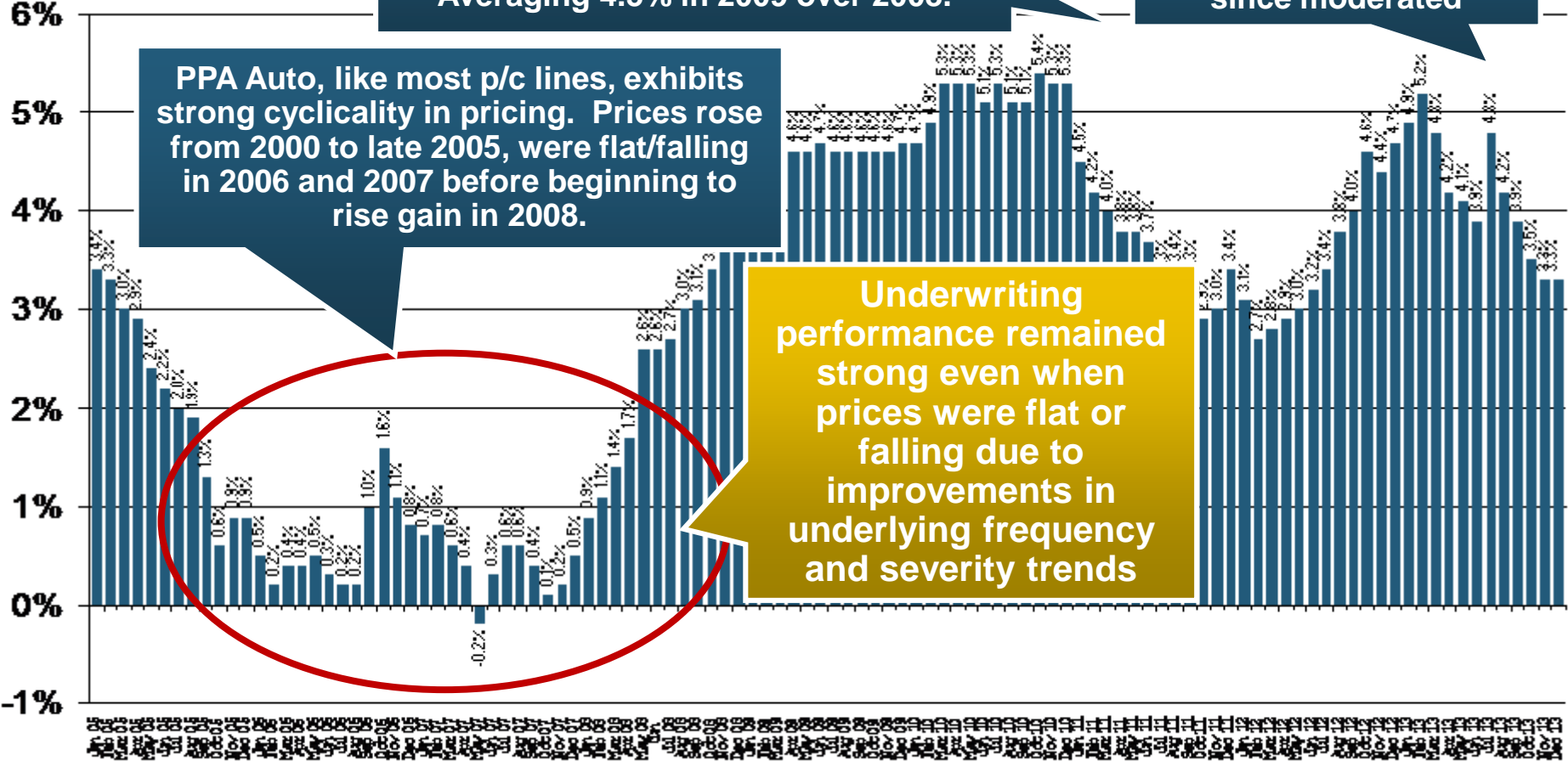
*Percentage change from same month in prior year; through July 2015; seasonally adjusted

Note: Recessions indicated by gray shaded columns.

Sources: US Bureau of Labor Statistics; National Bureau of Economic Research (recession dates); Insurance Information Institutes.

Monthly Change* in Auto Insurance Prices, January 2005 - December 2013

(Percent Change from same month, prior year)



*Percentage change from same month in prior year, seasonally adjusted.
Sources: US Bureau of Labor Statistics; Insurance Information Institute

Inflation

**Is it a Threat to Claim Cost
Severities?**

Annual Inflation Rates, (CPI-U, %), 1990–2016F

Annual Inflation Rates (%)



Inflation peaked at 5.6% in August 2008 on high energy and commodity crisis. The recession and the collapse of the commodity bubble reduced inflationary pressures in 2009/10

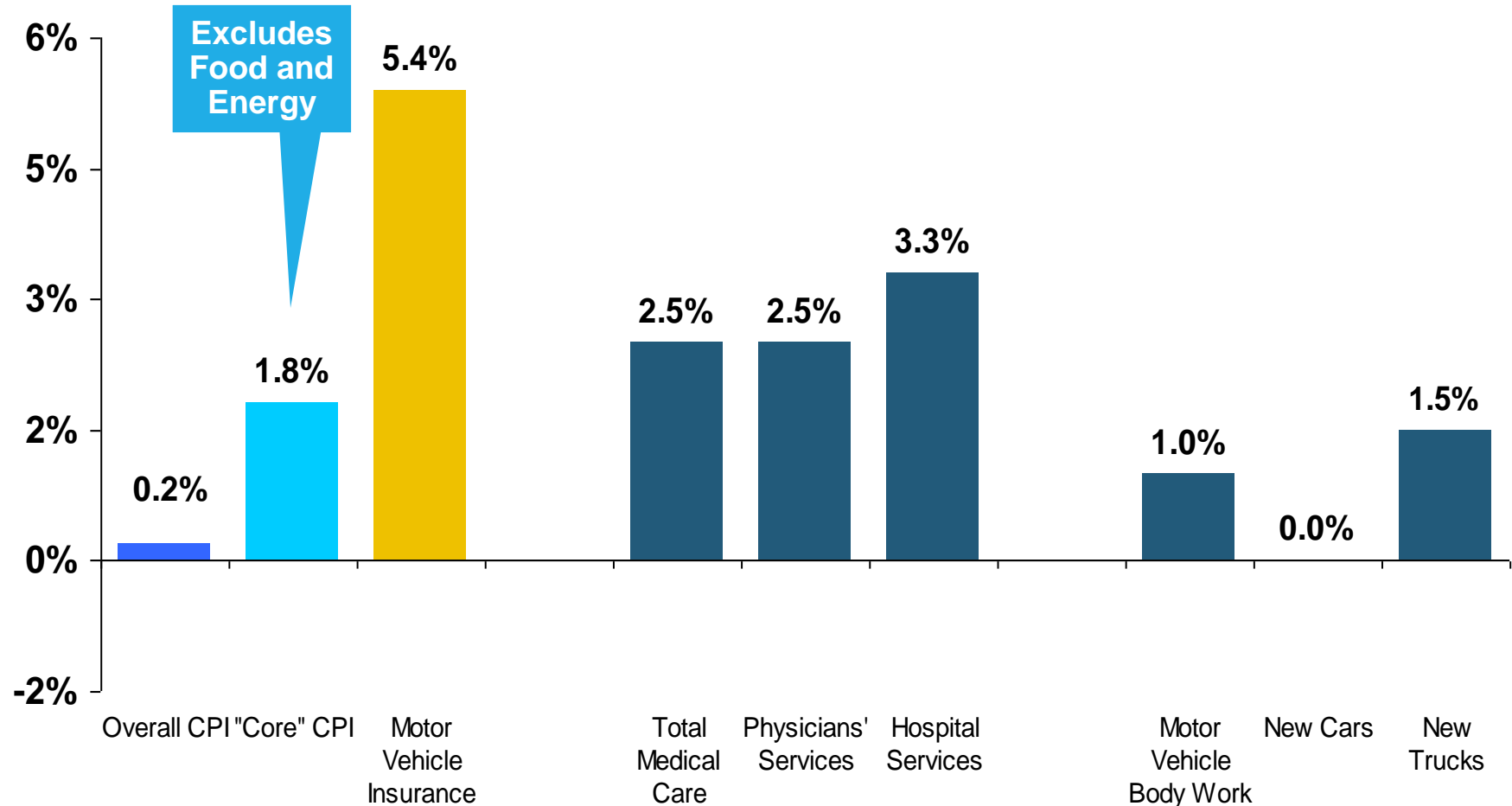
Inflationary expectations have slipped (due in part to falling energy costs) allowing the Fed to maintain low interest rates

Slack in the U.S. economy and falling energy prices suggests that inflationary pressures should remain subdued for an extended period of times

Sources: US Bureau of Labor Statistics; Blue Chip Economic Indicators, 8/15 (forecasts).

Personal Auto Insurance Claim Cost Drivers Continue to Grow Faster than CPI

Price Level Change: July 2015 vs. July 2014

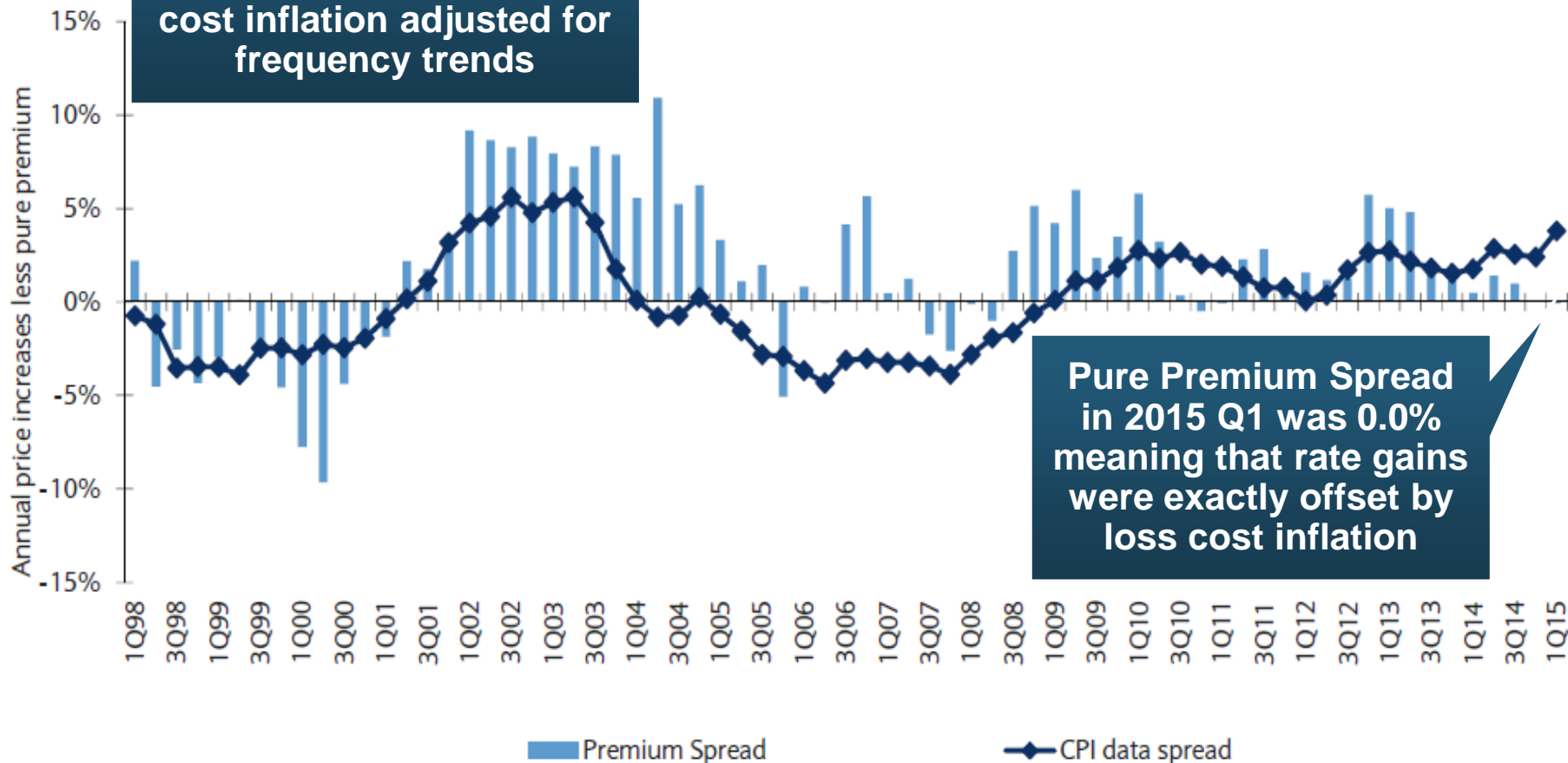


Healthcare costs are a major cost driver and are expected to accelerate in the years ahead

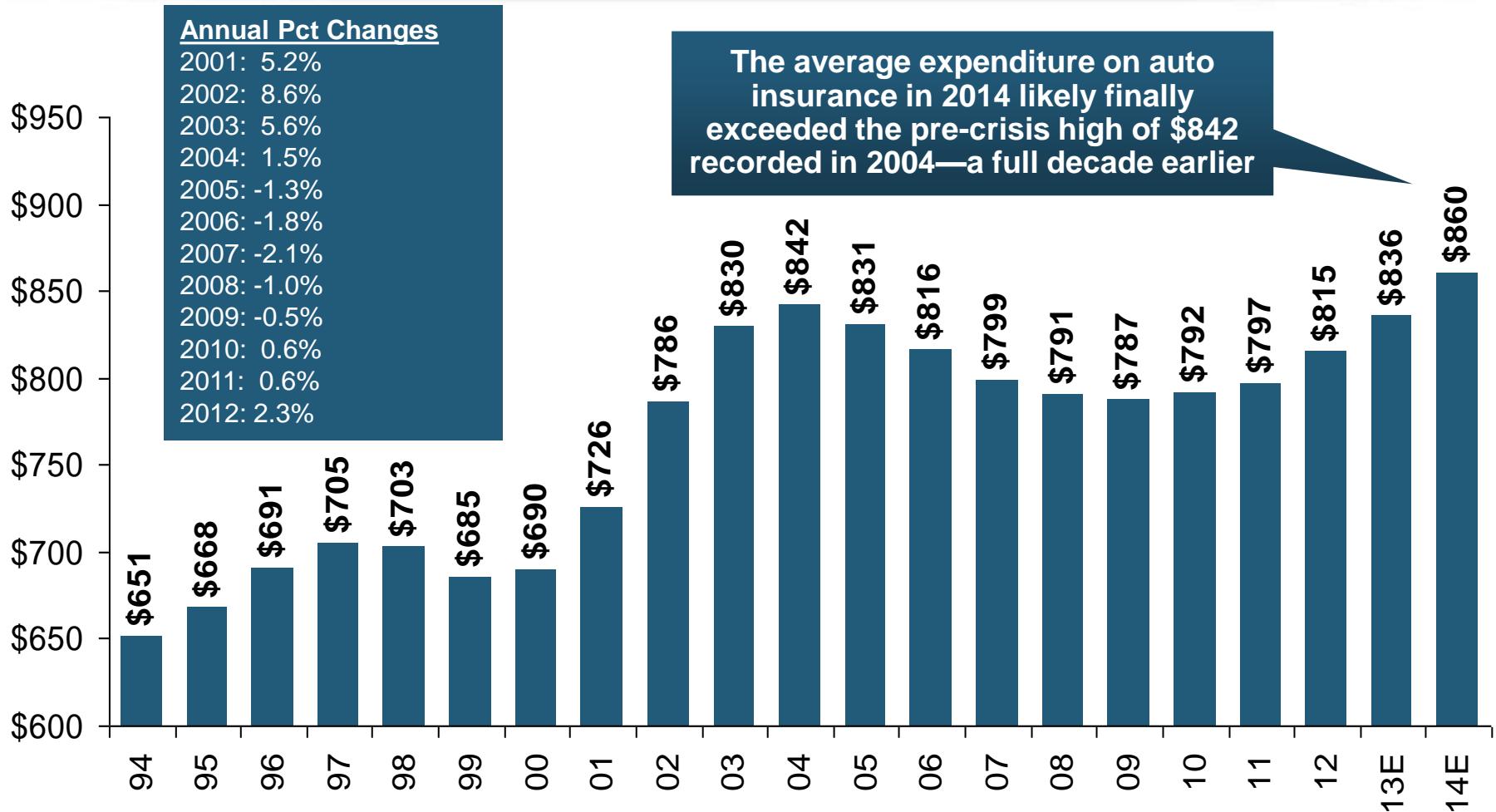
Sources: Bureau of Labor Statistics; Insurance Information Institute.

Private Passenger Auto: Premium Growth vs. Loss Cost Spread

The *Pure Premium Spread* is the difference between price increases and loss cost inflation adjusted for frequency trends



Average Expenditures* on Auto Insurance, 1994-2014E

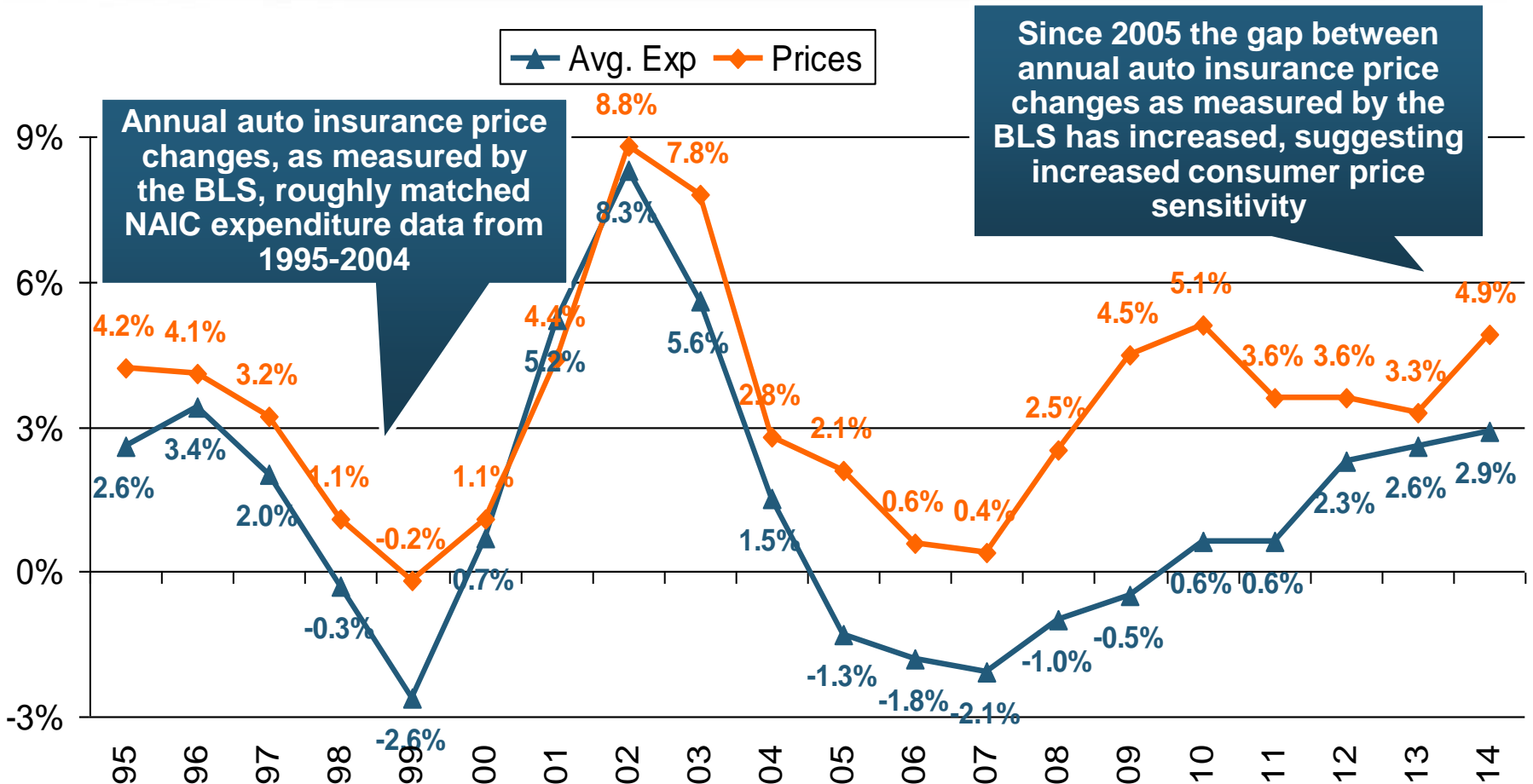


Across the U.S., auto insurance expenditures fell by 0.8% in 2008 and 0.5% in 2009 but rose 0.5% in 2010, 0.8% in 2011 and 2.3% in 2012. I.I.I. estimate for 2013 is +2.6% and +2.9 in 2014%.

* The NAIC data are per-vehicle (actually, per car-year)

Sources: NAIC for 1994-2012; Insurance Information Institute estimates for 2013-2014 based on CPI and other data.

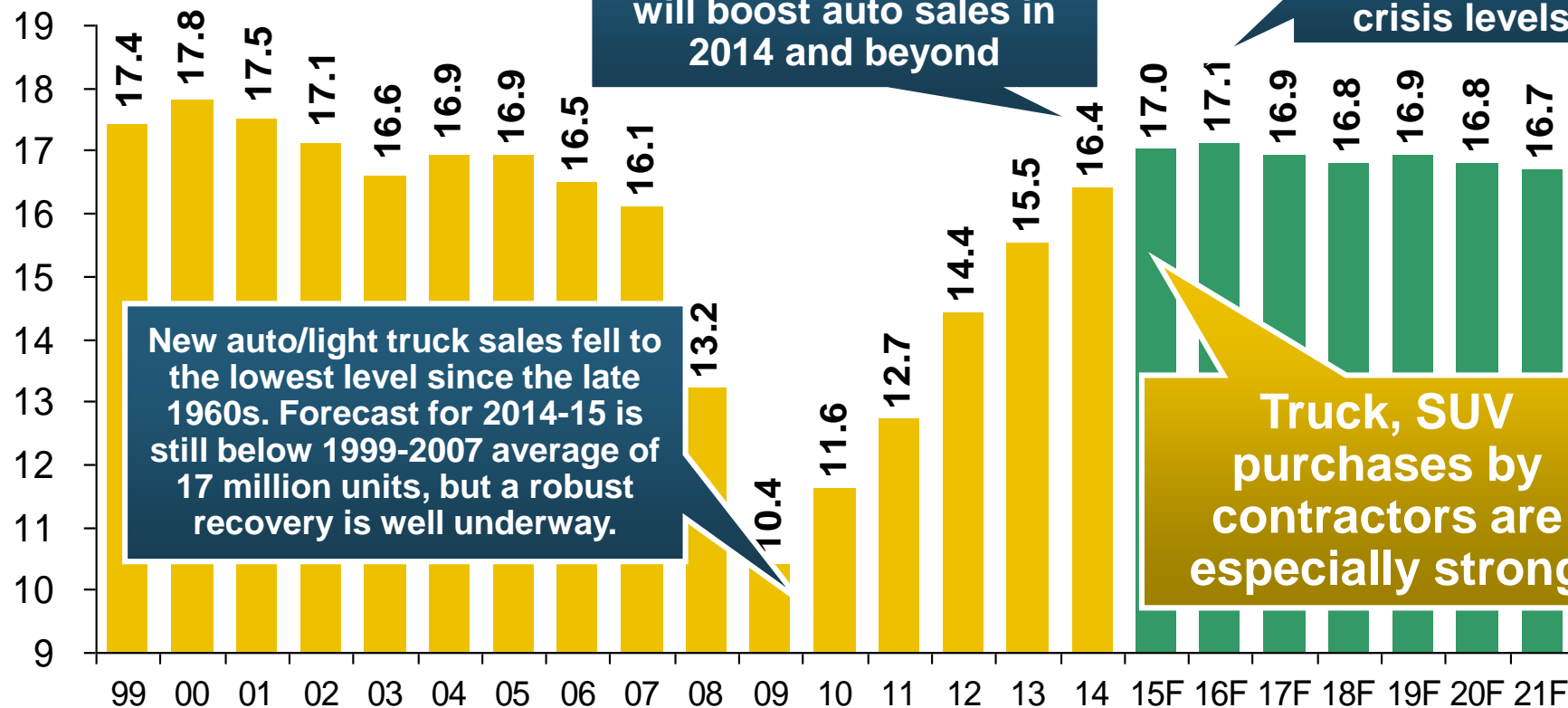
Annual Pct. Change in Avg. Expenditures on Auto Insurance, vs. Auto Insurance Prices, 1995-2015E



The gap since 2005 between price changes and expenditures on auto insurance might be due to buyers increasing deductibles, obtaining discounts, and other premium-reducing behavior.

Auto/Light Truck Sales, 1999-2021F

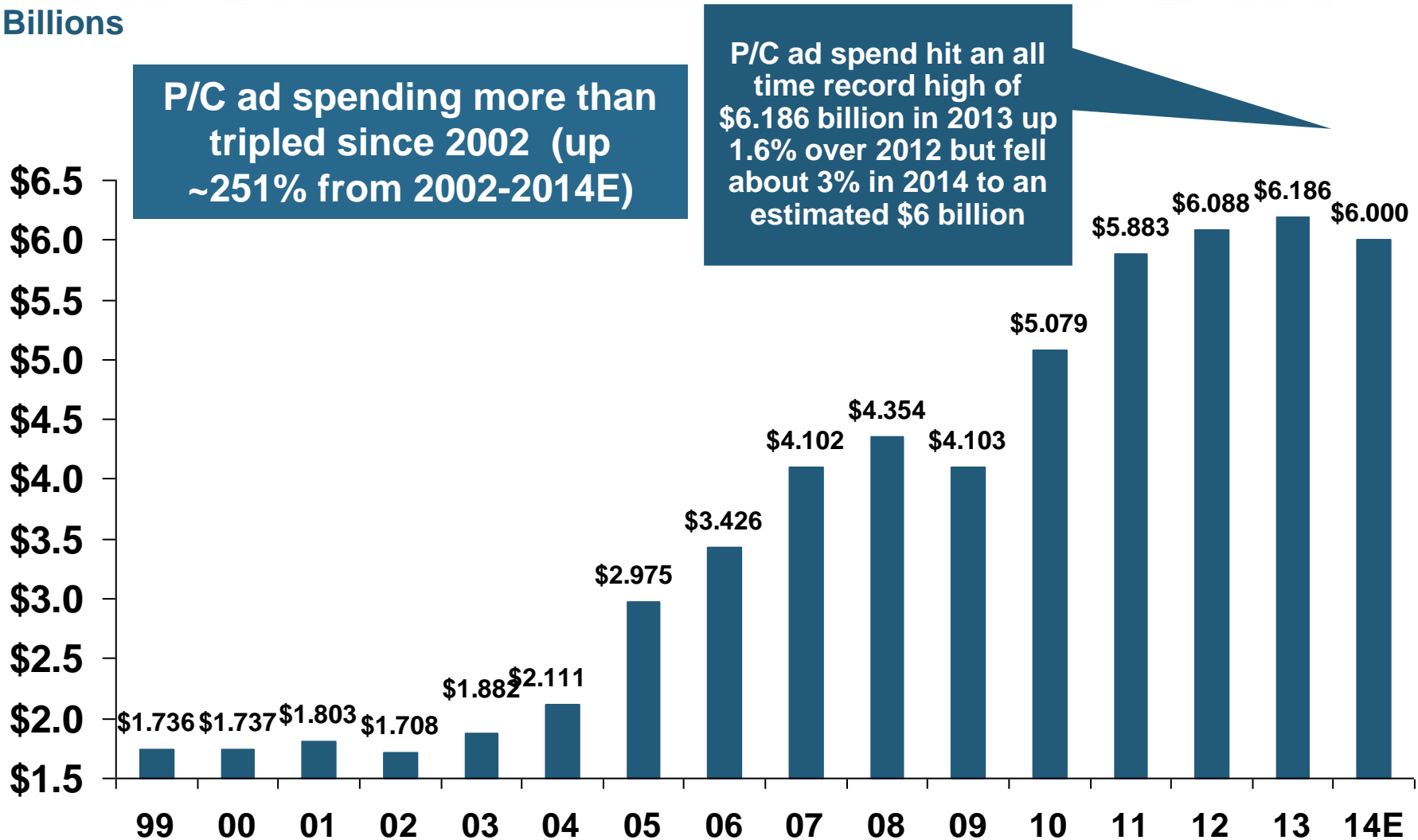
(Millions of Units)



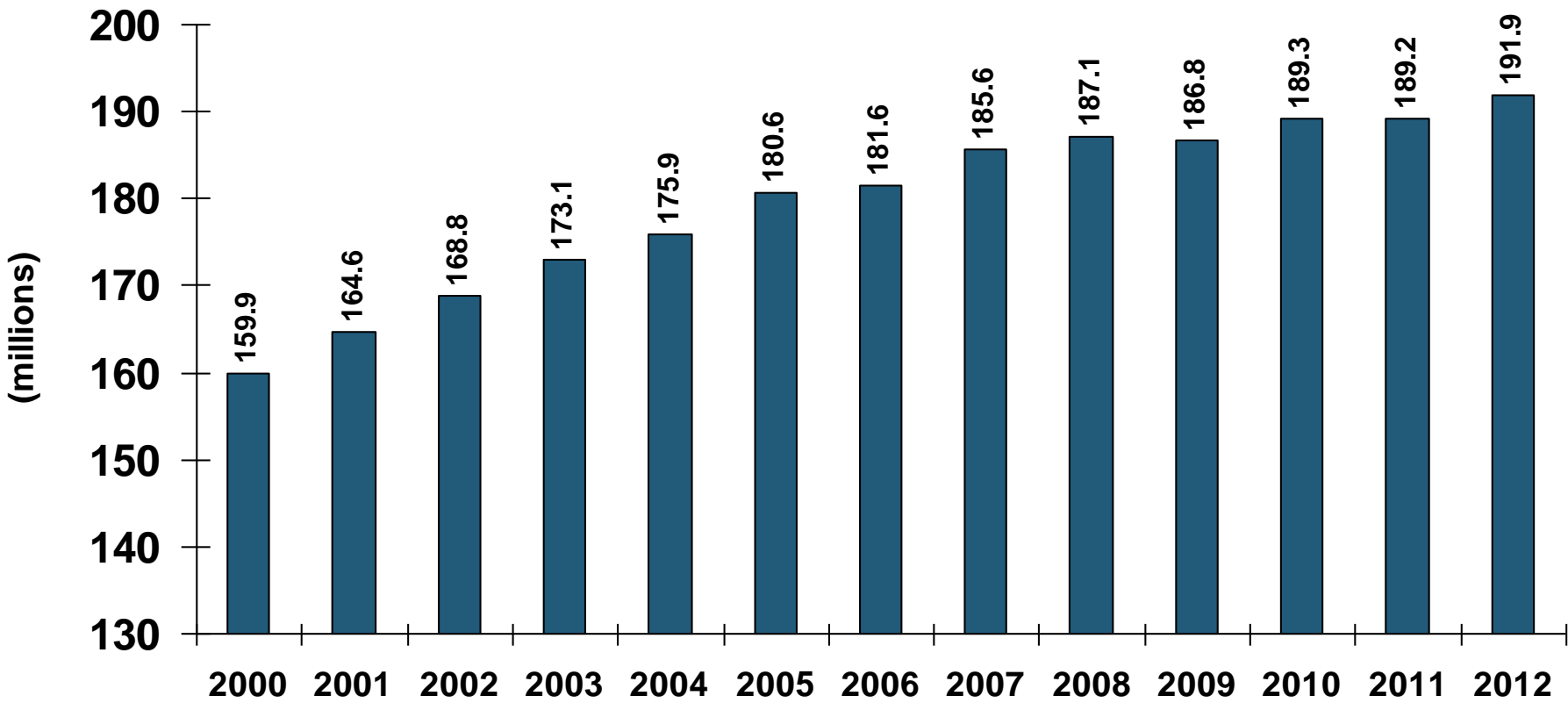
Yearly car/light truck sales will likely continue at current levels, in part replacing cars that were held onto in 2008-12. New vehicles will generate more physical damage insurance coverage but will be more expensive to repair. PP Auto premium might grow by 5% - 6%.

Advertising Expenditures by P/C Insurance Industry, 1999-2014E

\$ Billions



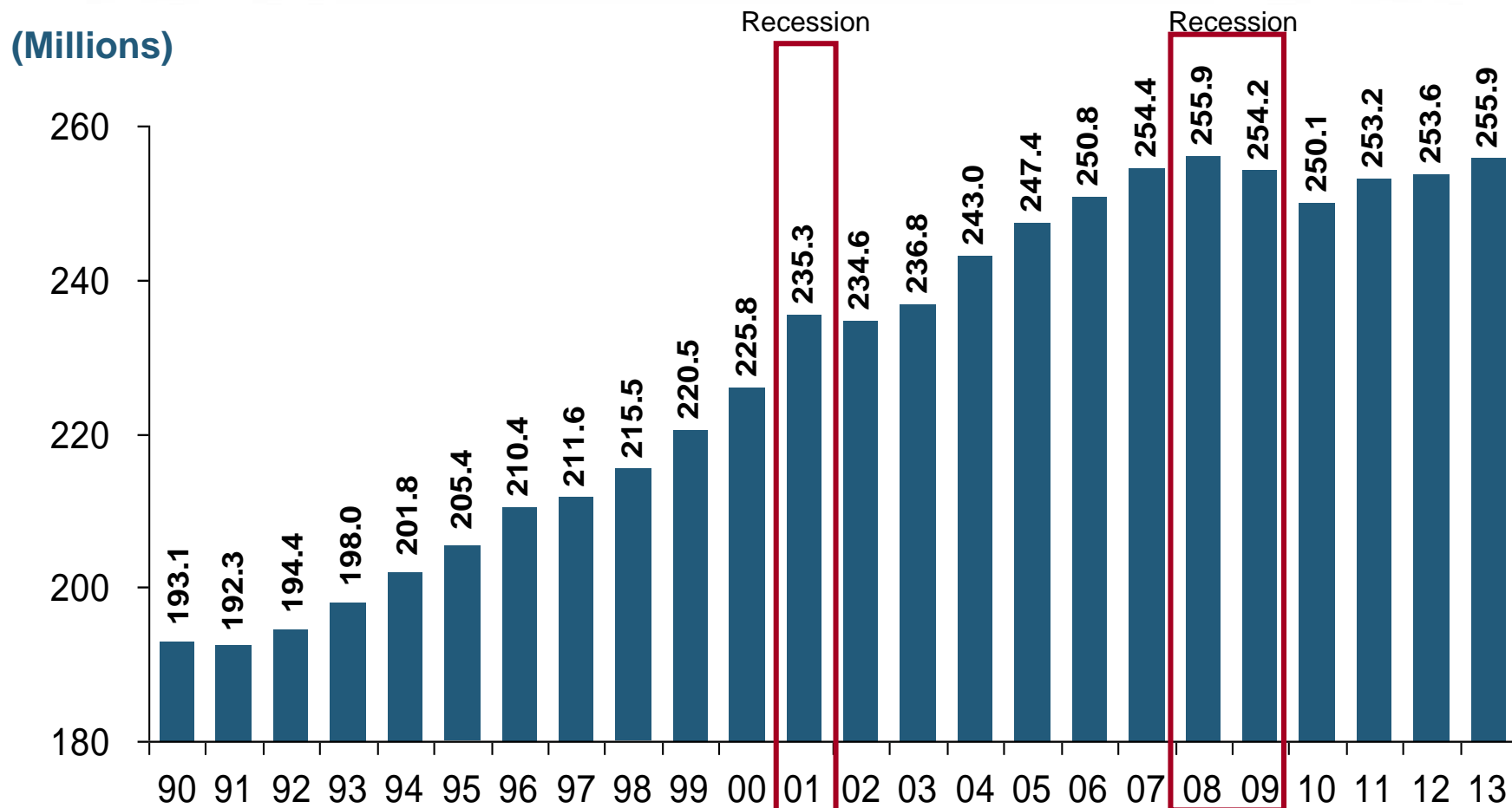
Number of Insured Vehicles in the US, 2000-2012*



The Number of Insured Passenger Vehicles Stopped Growing During the Economic Downturn. Growth Has Now Returned.

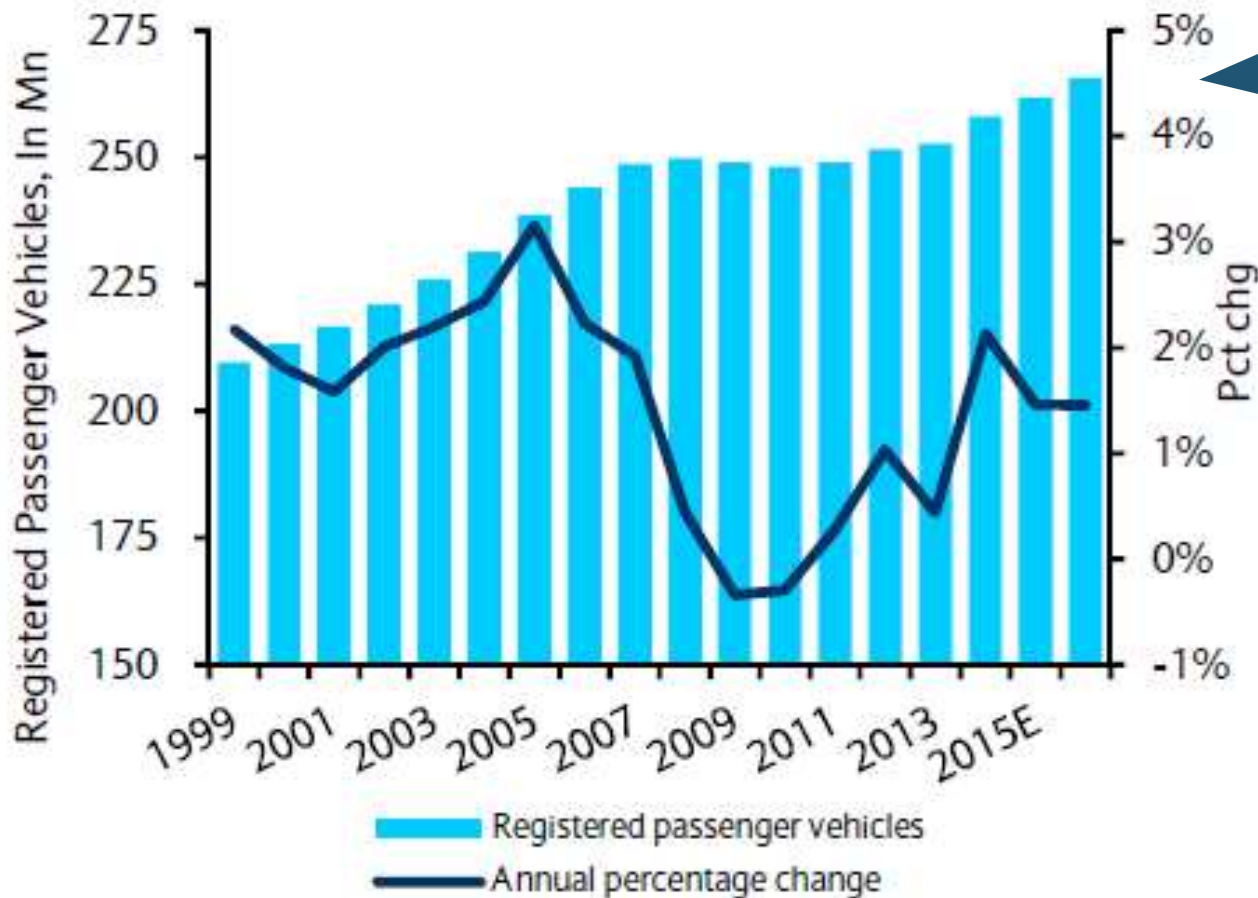
*Note: Texas car years are not available
 Source: Automobile Insurance Plans Service Office.

Registered Vehicles, 1990-2013



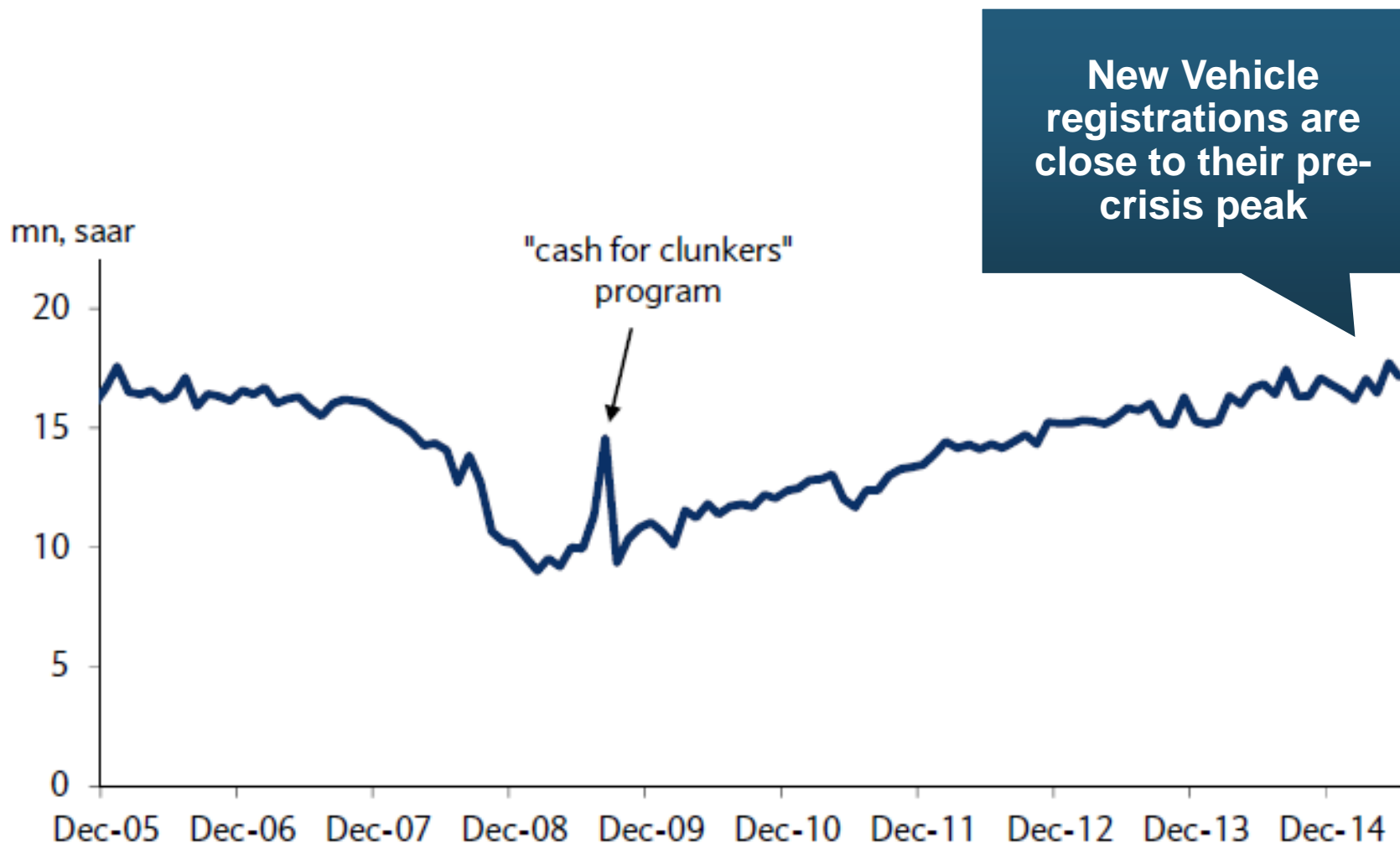
The number of registered vehicles grew consistently (except following recessions) from 1990-2007. It has been flat (through 2013) since then.

Number of Registered Passenger Vehicles in US, 1999 – 2015E



Vehicle registrations are growing once again but growth rate remains below pre-crisis peak

New Vehicle Registrations in the US, Dec. 2005 – Dec. 2014

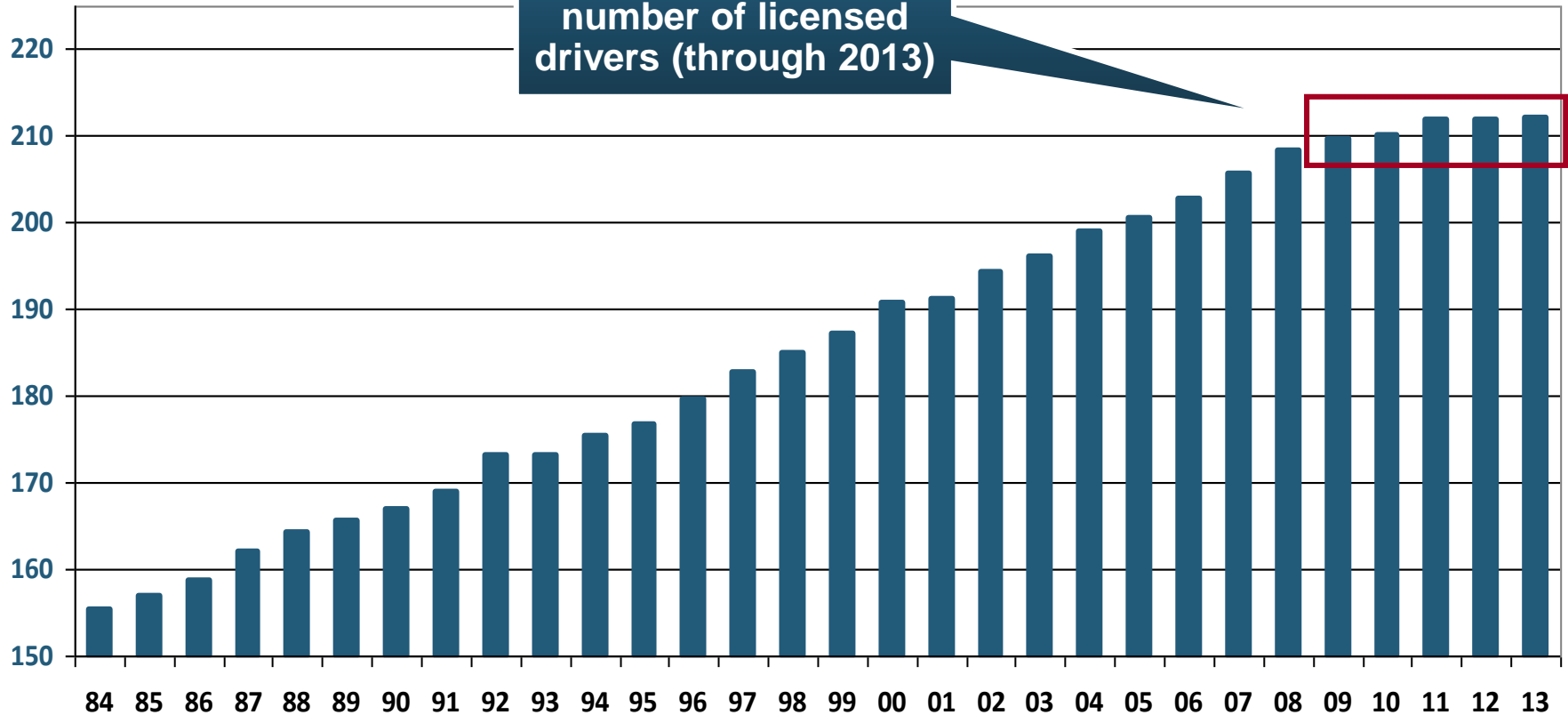


New Vehicle registrations are close to their pre-crisis peak

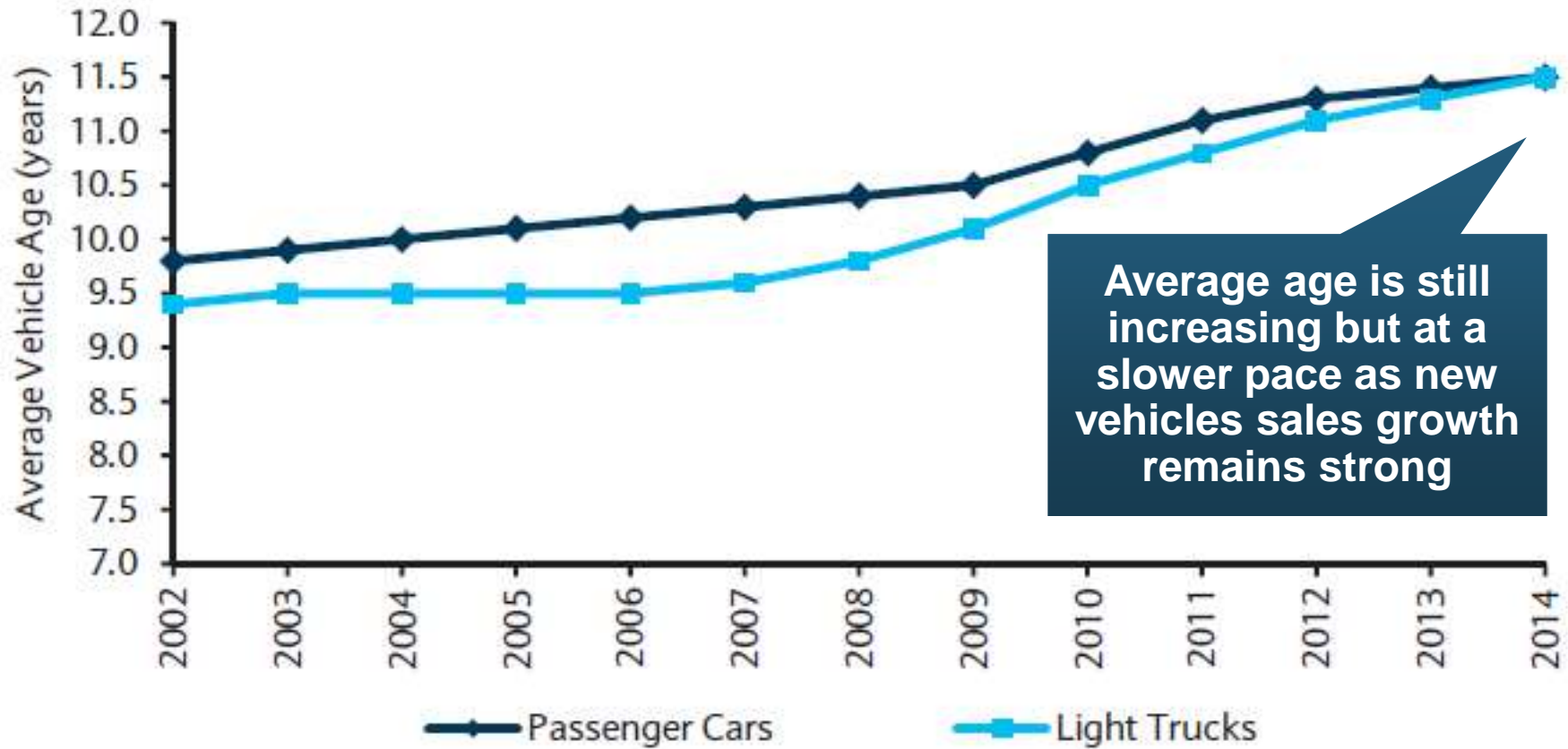
Number of Licensed Drivers, 1984-2013

of Licensed Drivers (millions)

Since 2009, virtually no growth in the number of licensed drivers (through 2013)

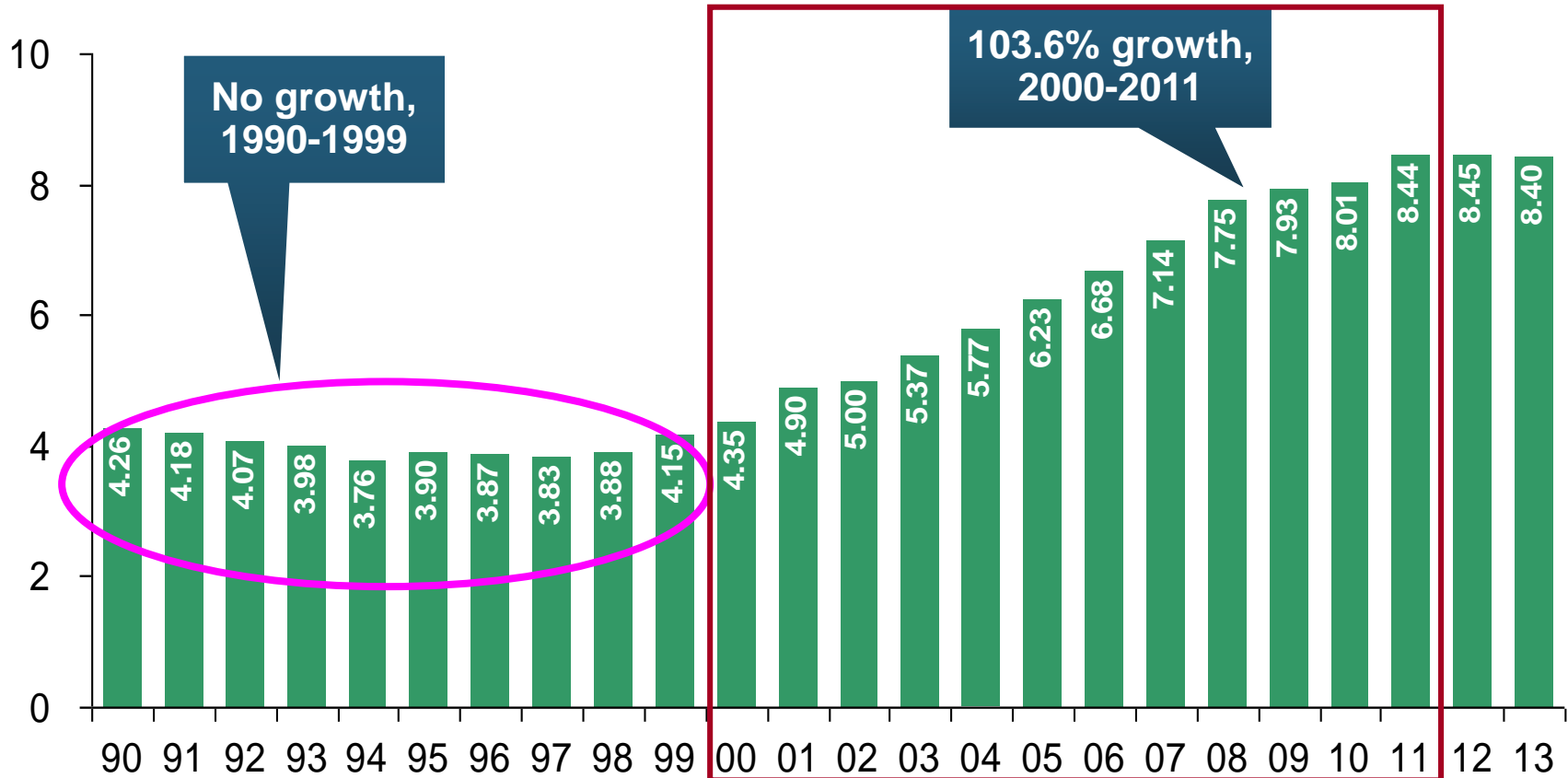


Average Vehicle Age, 2002 - 2014



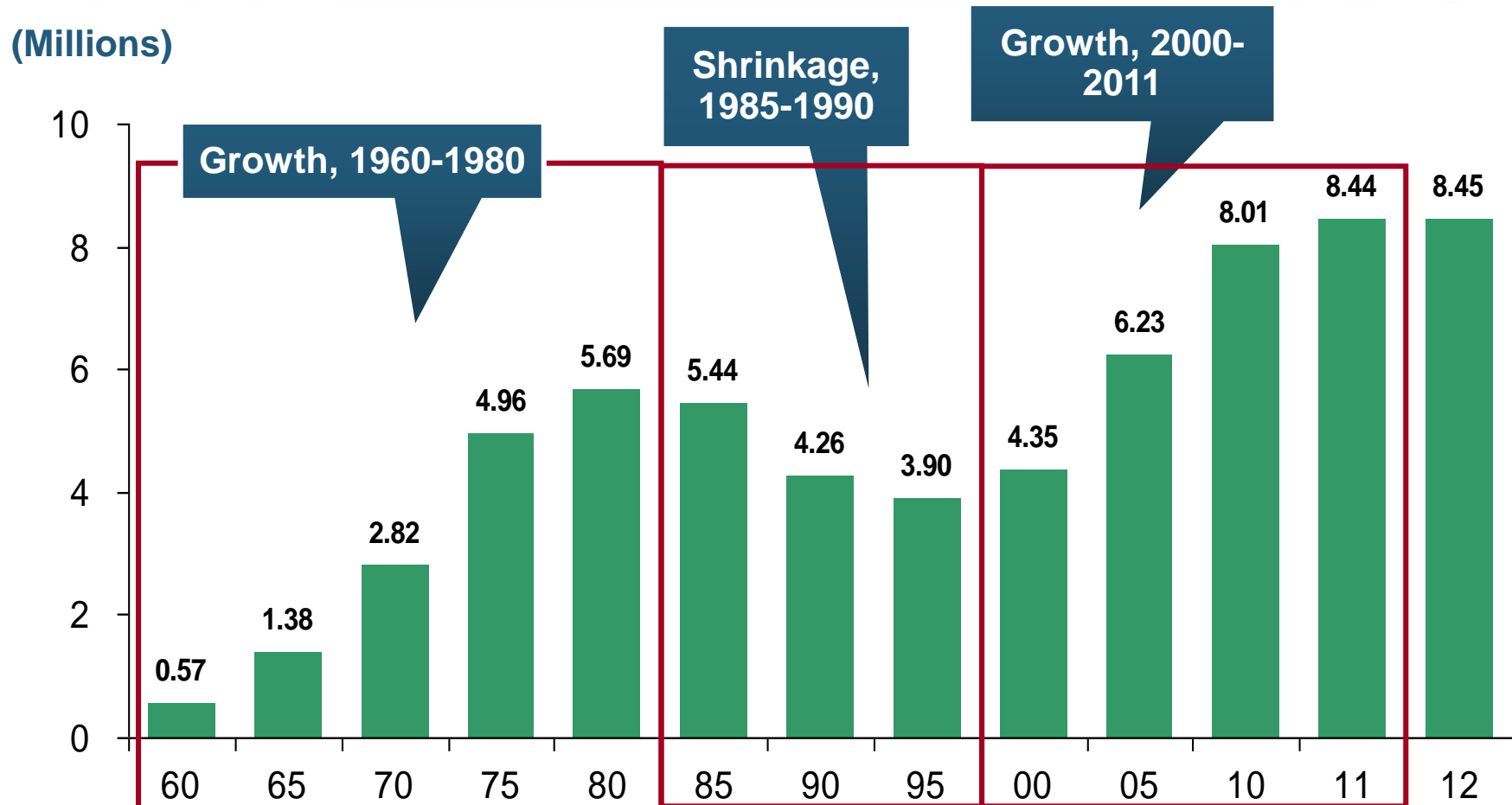
Registered Motorcycles, 1990-2013

(Millions)



The number of registered motorcycles grew dramatically in the first decade of the 21st century. Baby boomers? Millennials?

Registered Motorcycles, 1960-2012: A Changing Exposure Base

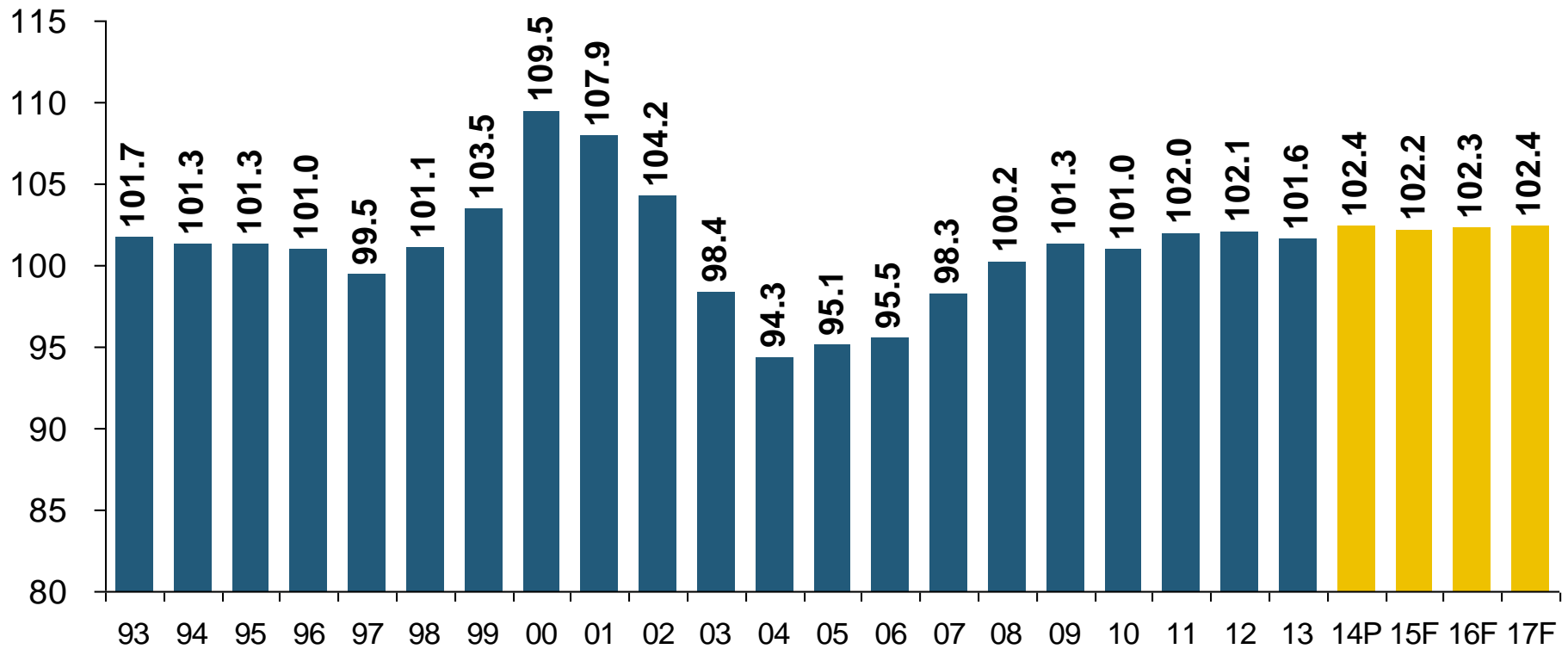


The number of registered motorcycles grew dramatically in the first decade of the 21st century. Baby boomers? Millennials?

Underwriting and Profitability Performance in Private Passenger Auto Insurance

**Significant Variability and
Volatility Over Time and
Across States**

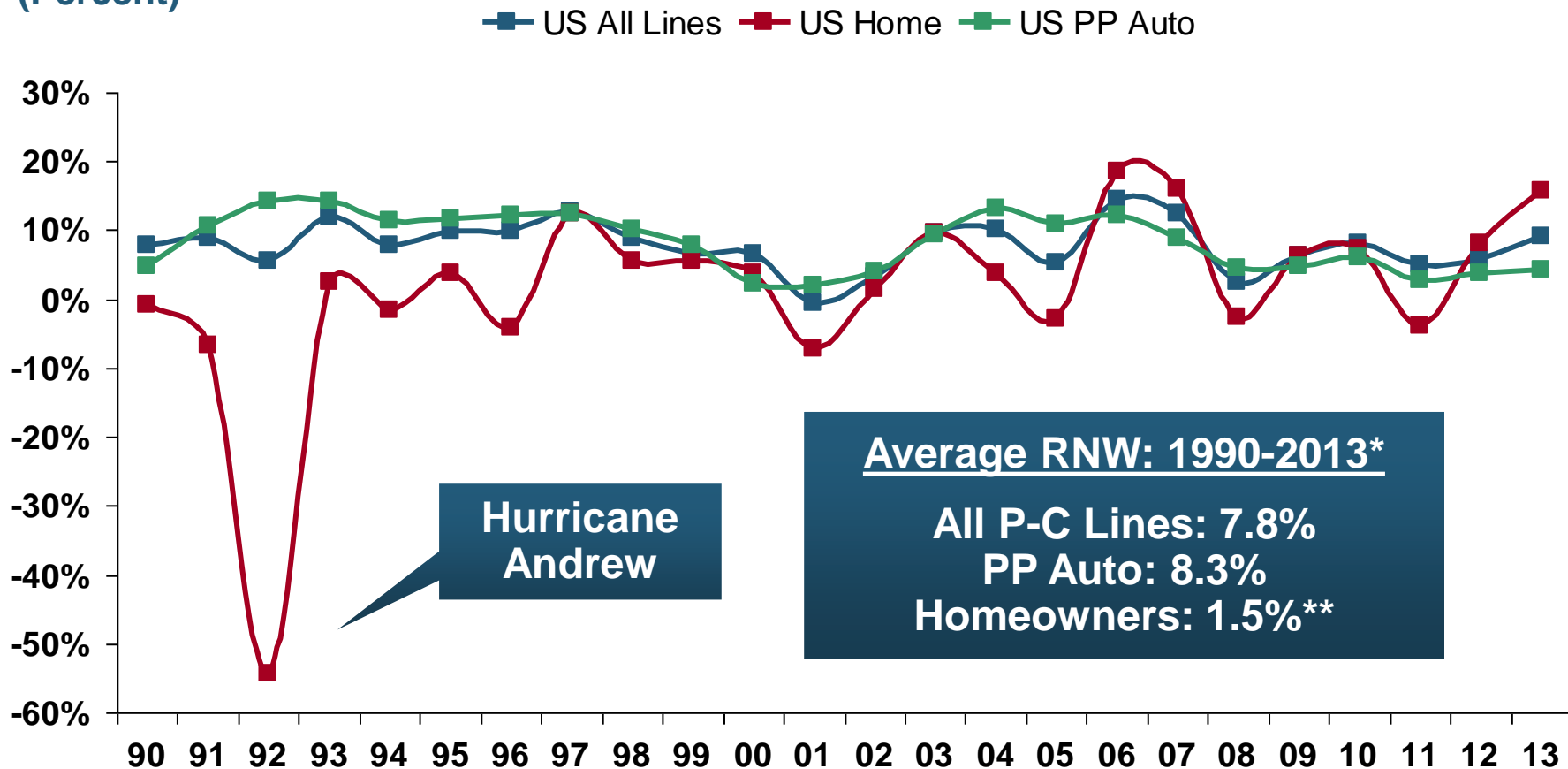
Private Passenger Auto Combined Ratio: 1993–2017F



Private Passenger Auto Underwriting Performance Is Exhibiting Remarkable Stability

Return on Net Worth: All P-C Lines vs. Homeowners & Pvt. Pass. Auto, 1990-2013*

(Percent)



Pvt.Pass. Auto Has Consistently Outperformed the P-C Industry as a Whole. Homeowners Volatility is Associated Primarily With Coastal Exposure Issues

*Latest available.

**If 1992, the year of Hurricane Andrew is excluded, the resulting homeowners RNW is 3.9%.

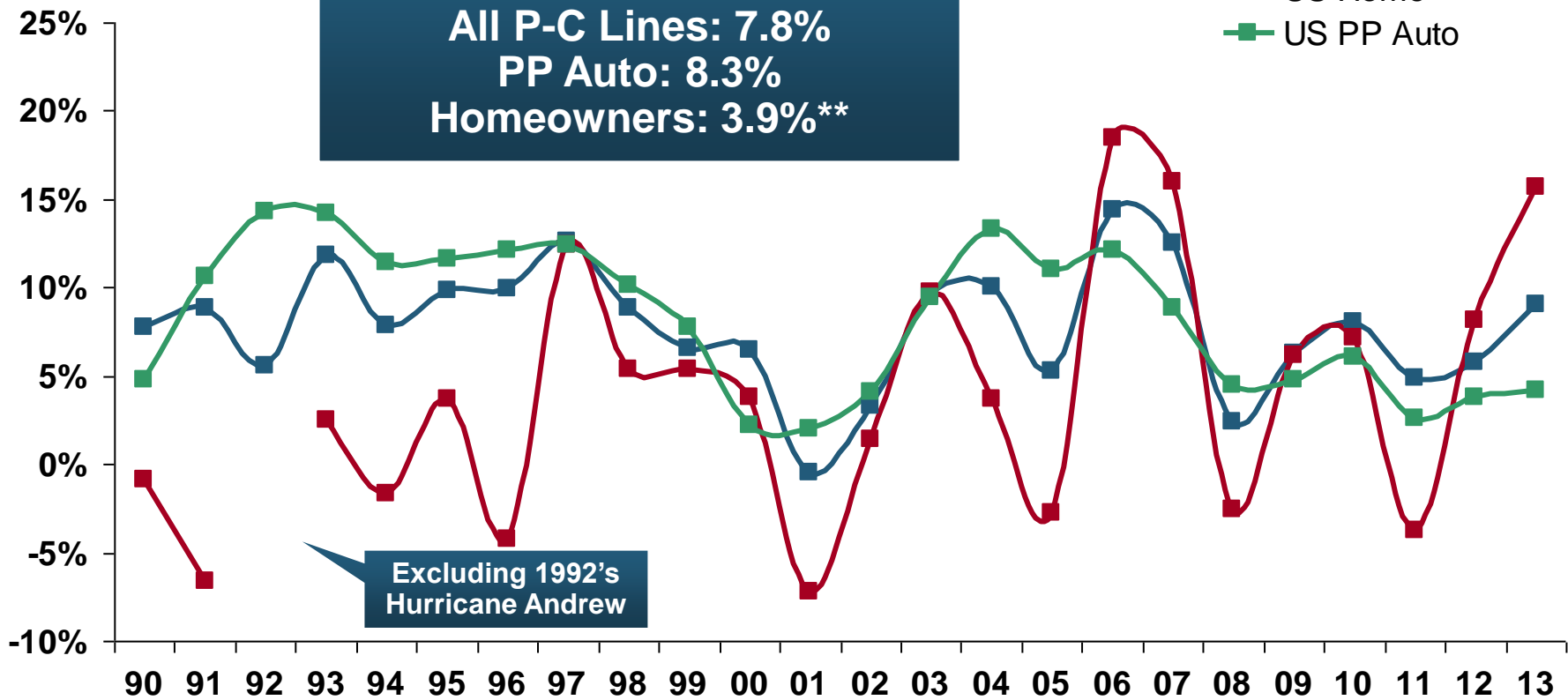
Sources: NAIC; Insurance Information Institute.

Return on Net Worth: All P-C Lines vs. Homeowners & Pvt. Pass. Auto, 1990-2013*

(Percent)

Average RNW: 1990-2013*
All P-C Lines: 7.8%
PP Auto: 8.3%
Homeowners: 3.9%**

- US All Lines
- US Home
- US PP Auto



Excluding 1992's Hurricane Andrew

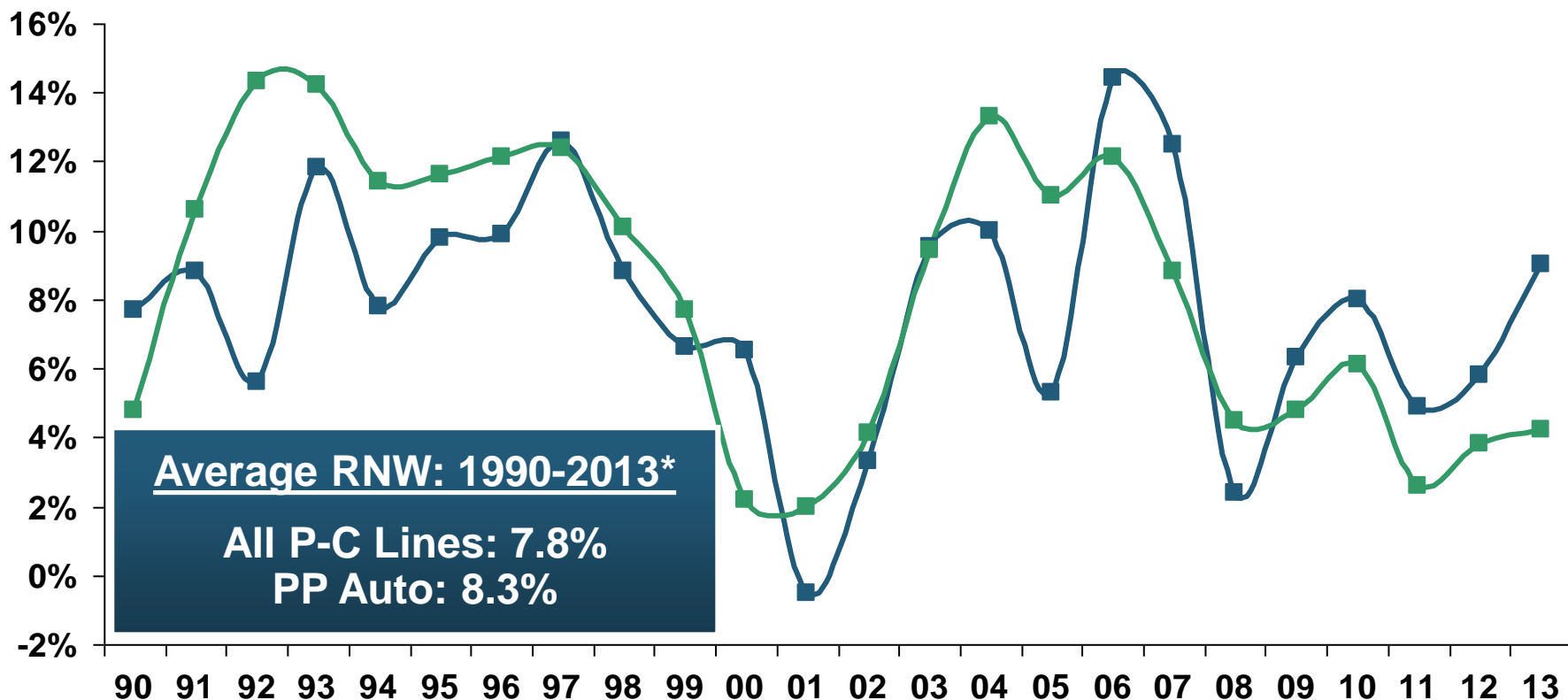
Pvt.Pass. Auto Has Consistently Outperformed the P-C Industry as a Whole. Homeowners Volatility is Associated Primarily With Coastal Exposure Issues

*Latest available.
 **Excludes 1992, the year of Hurricane Andrew. If 1992 is included the resulting homeowners RNW is 1.5%
 Sources: NAIC; Insurance Information Institute.

Return on Net Worth: All P-C Lines vs. Pvt. Pass. Auto, 1990-2013*

(Percent)

■ US All Lines ■ US PP Auto



Average RNW: 1990-2013*
All P-C Lines: 7.8%
PP Auto: 8.3%

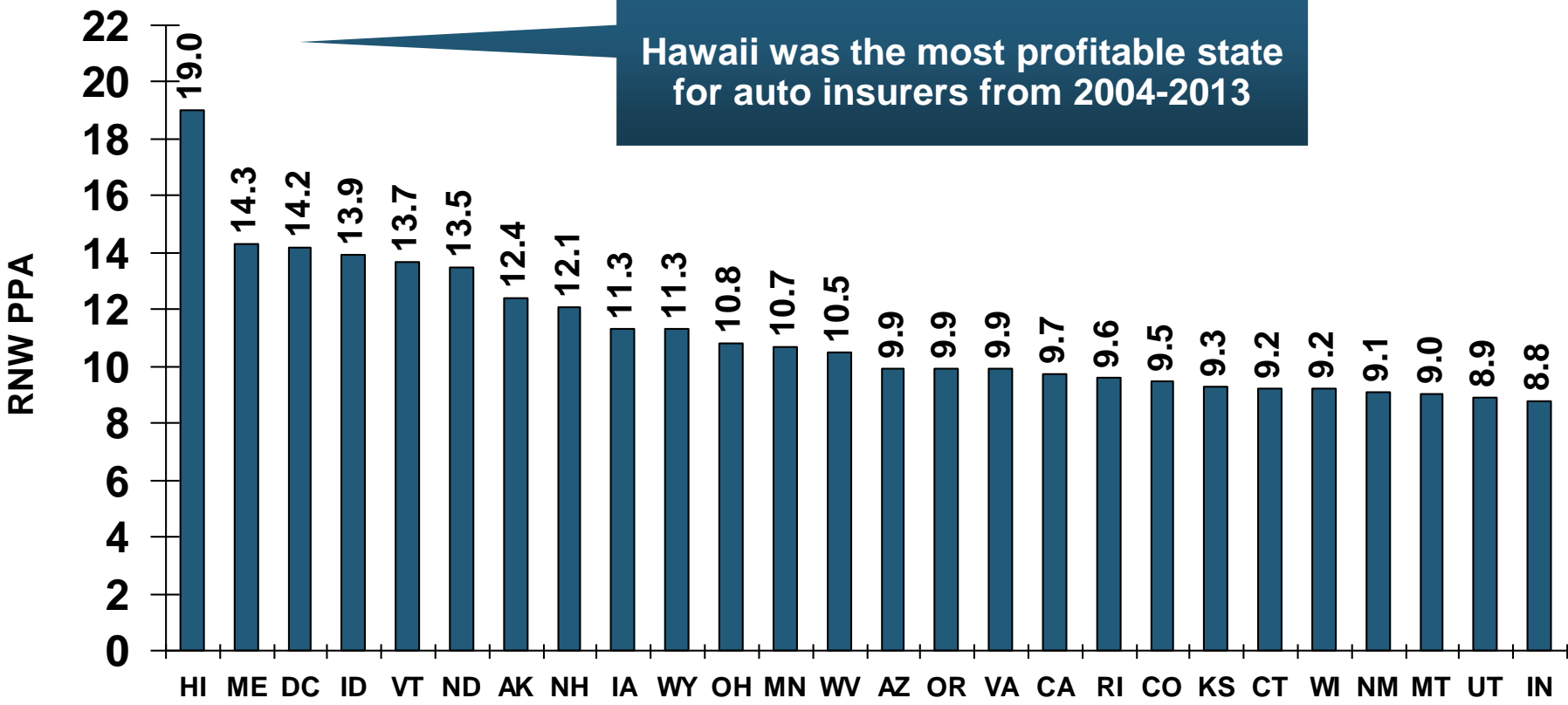
Pvt.Pass. Auto Profitability Has Exceeded the P-C Industry as a Whole in 13 of the 24 Years from 1990-2013 (Inclusive)

*Latest available.
 Sources: NAIC.

Return on Net Worth: Pvt. Passenger Auto, 10-Year Average (2004-2013*)

Top 25 States

(Percent)

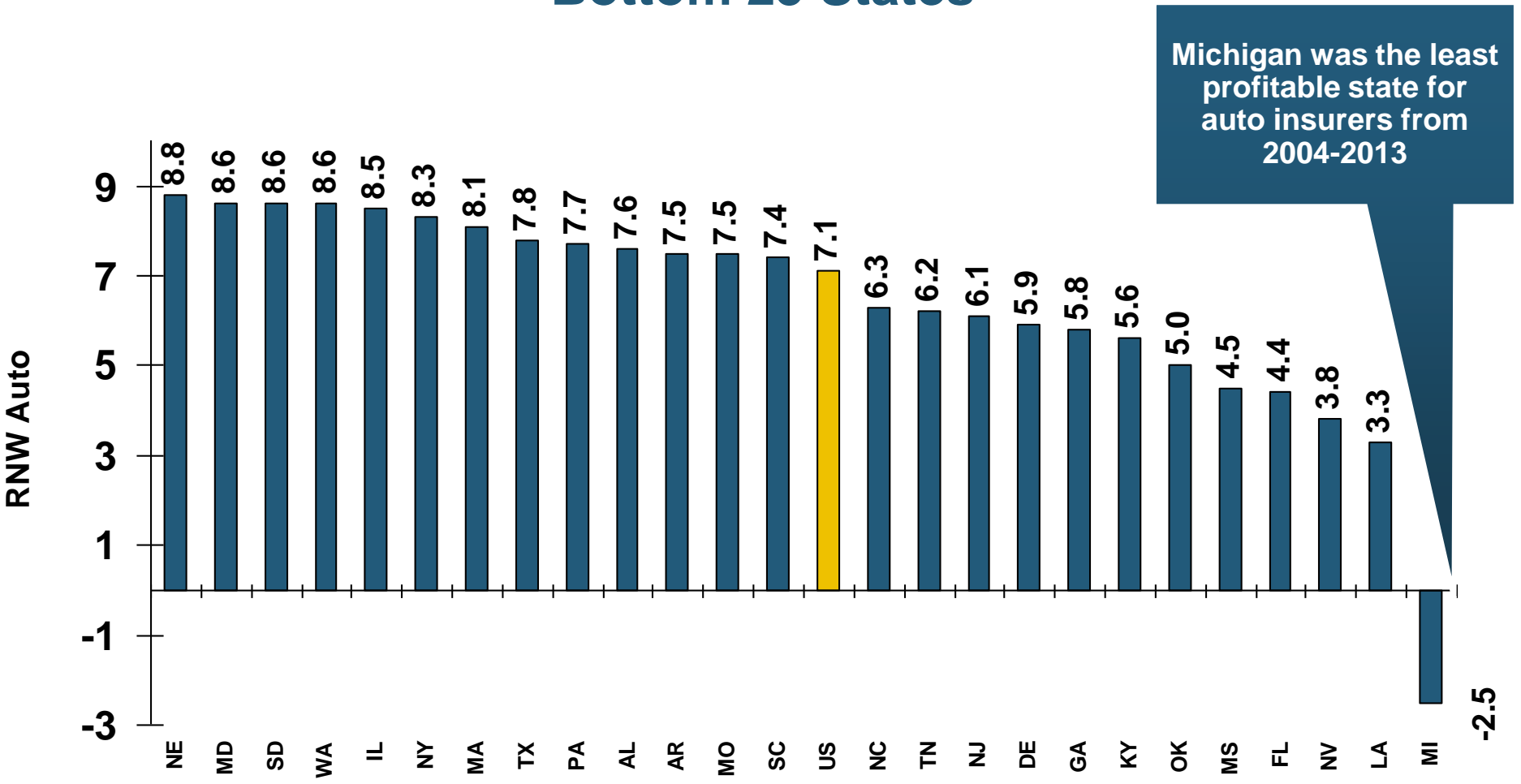


*Latest available.
Sources: NAIC.

Return on Net Worth: Pvt. Passenger Auto, 10-Year Average (2004-2013*)

(Percent)

Bottom 25 States



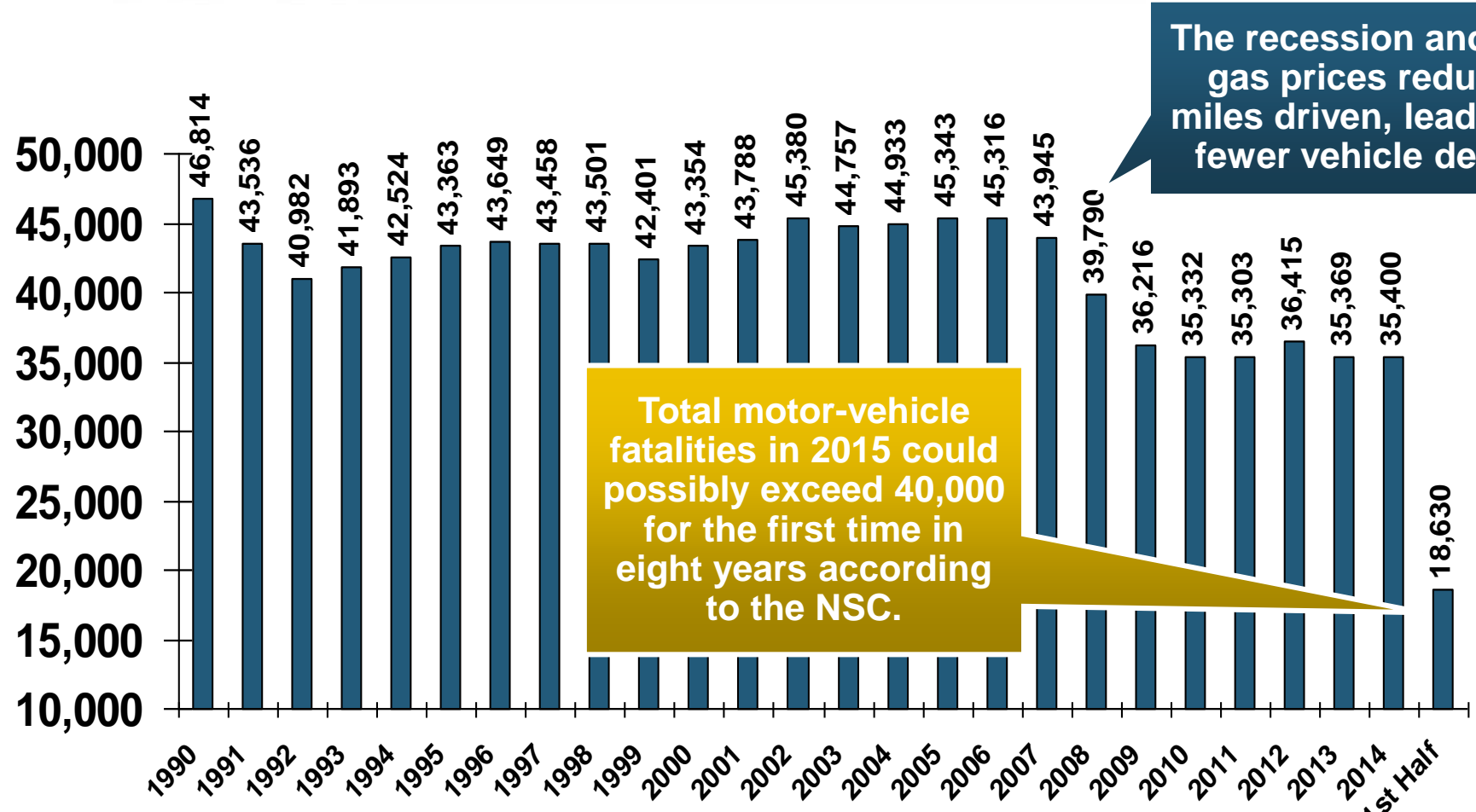
*Latest available.
Sources: NAIC

Claim Trends in Private Passenger Auto Insurance

**Rising Frequencies and Severities
in Many Coverages**

Will that Pattern Be Sustained?

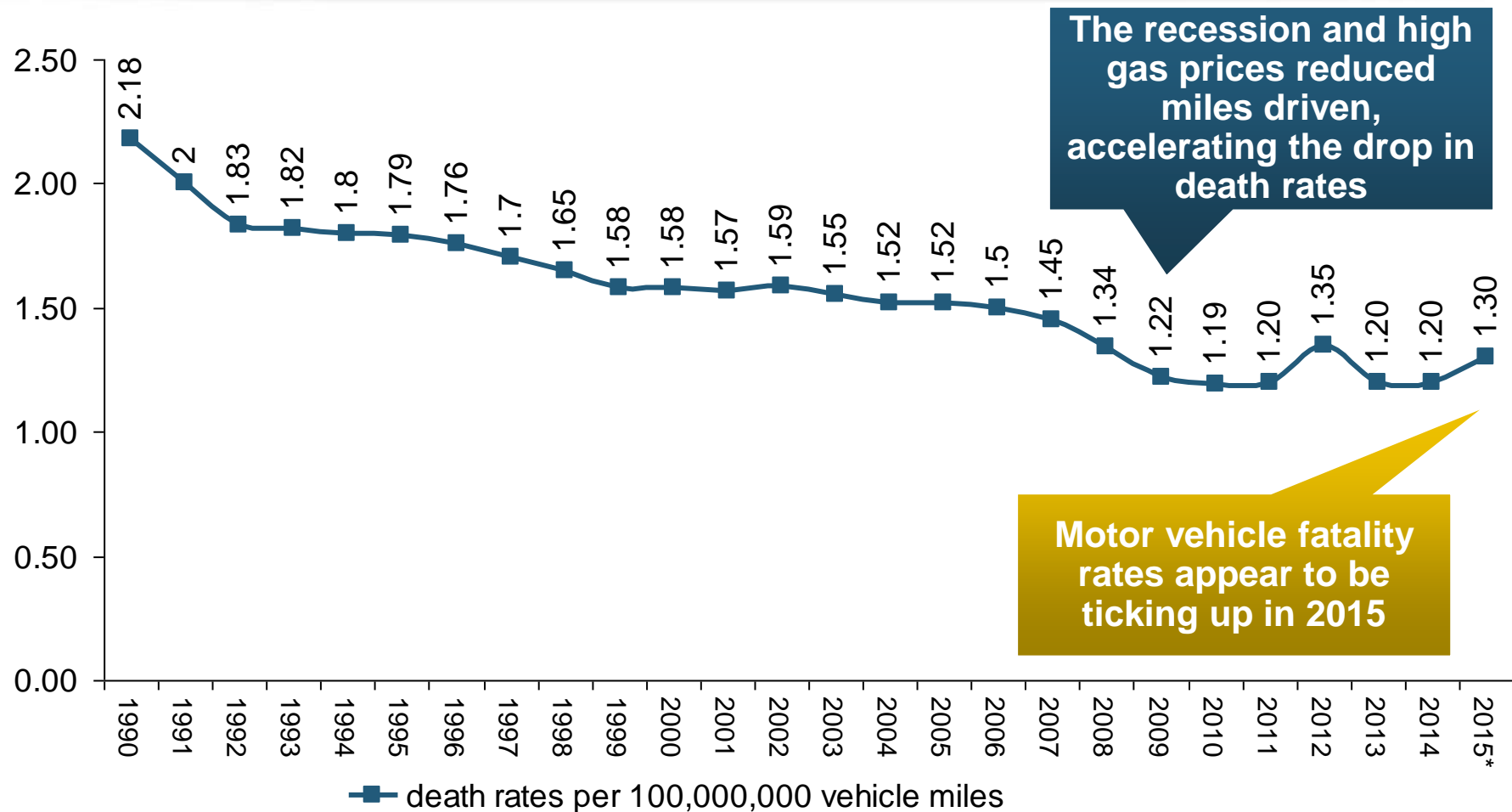
Number of Motor Vehicle Deaths, 1990- First Half 2015



NSC counts both traffic and nontraffic deaths that occur within a year of the accident.

Source: National Safety Council; Insurance Information Institute.

Death Rates per 100,000,000 Vehicle miles, 1990-2015*

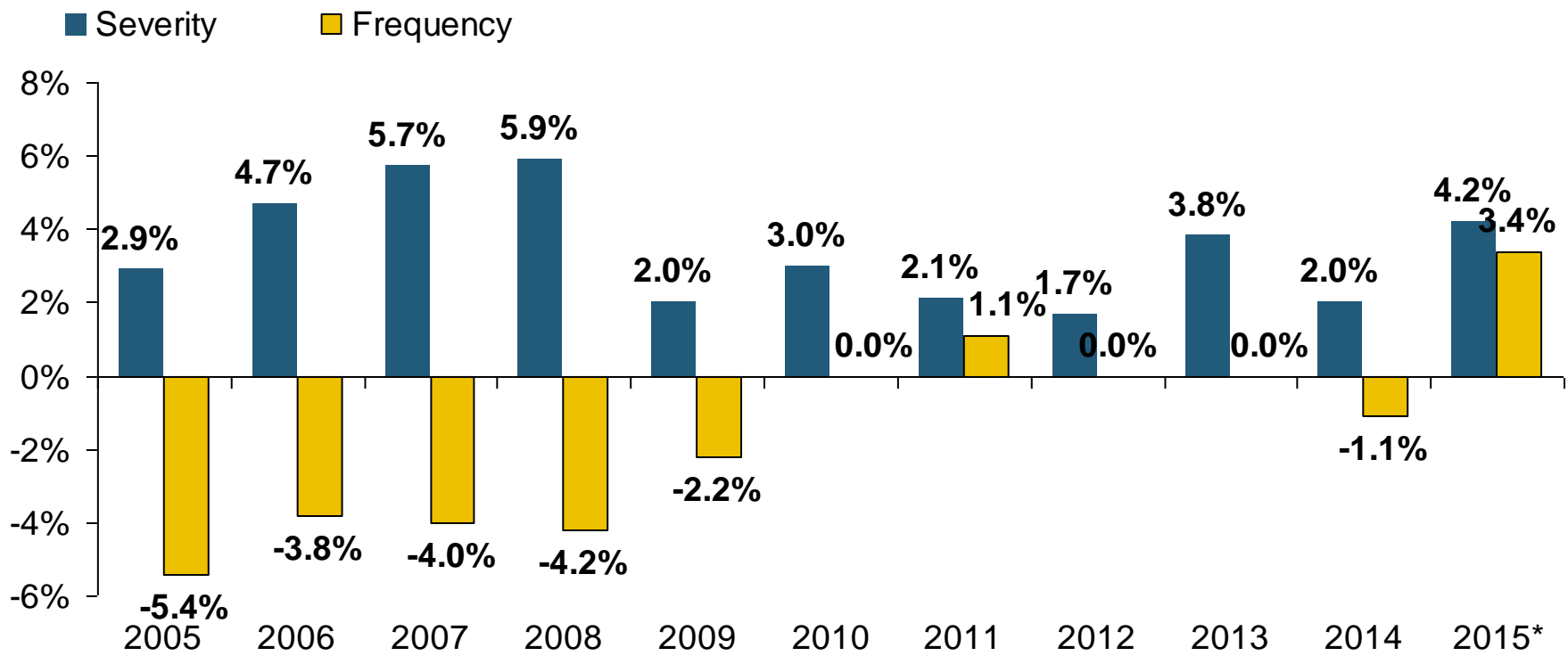


Vehicle death rates fell by nearly half between 1990 and 2010

*Projected rate for 2015 based on date through June 2015.
Source: National Safety Council; Insurance Information Institute.

Bodily Injury: Severity Trend Is Up, Frequency Decline Has Ended—Rising?

Annual Change, 2005 through 2015:Q1*

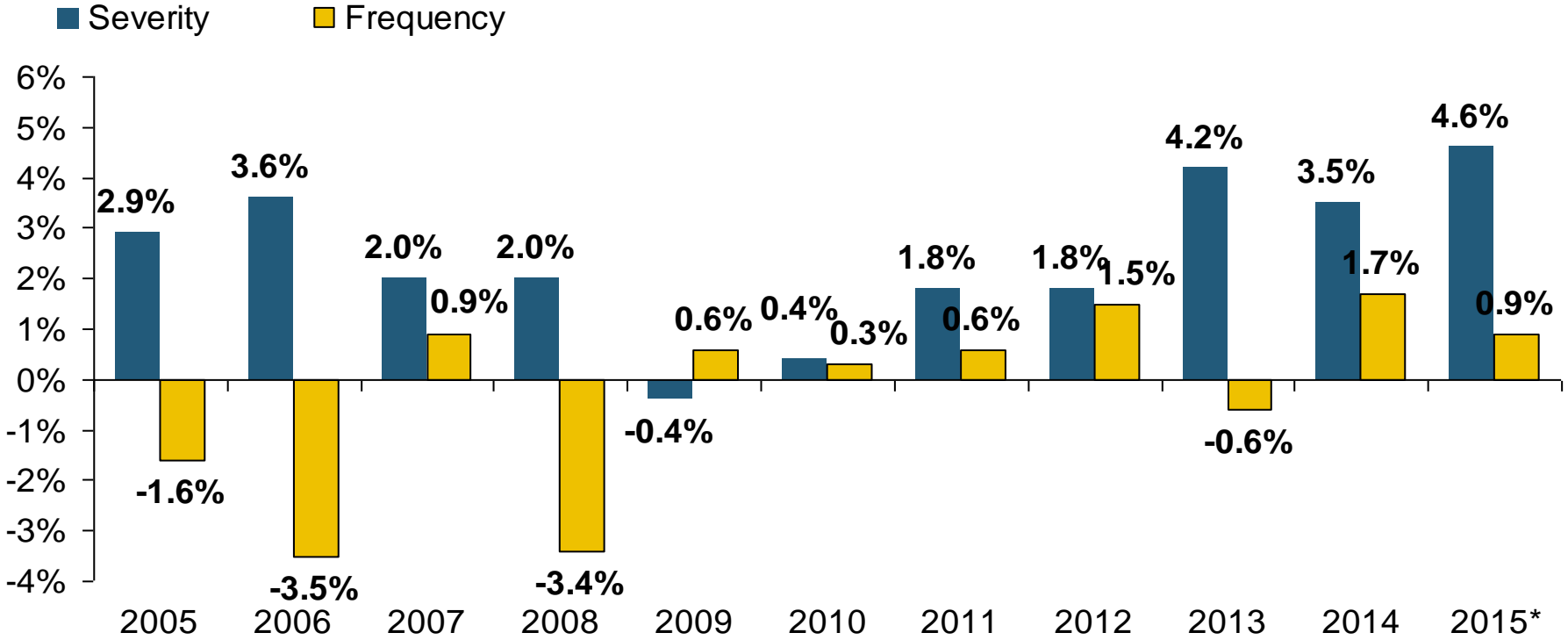


Cost Pressures Will Increase if BI Frequency and Severity Trends Persist

*2015 figure is for Q1 2015 over Q1 2014.
 Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Property Damage Liability: Severity and Frequency Are Up

Annual Change, 2005 through 2015*



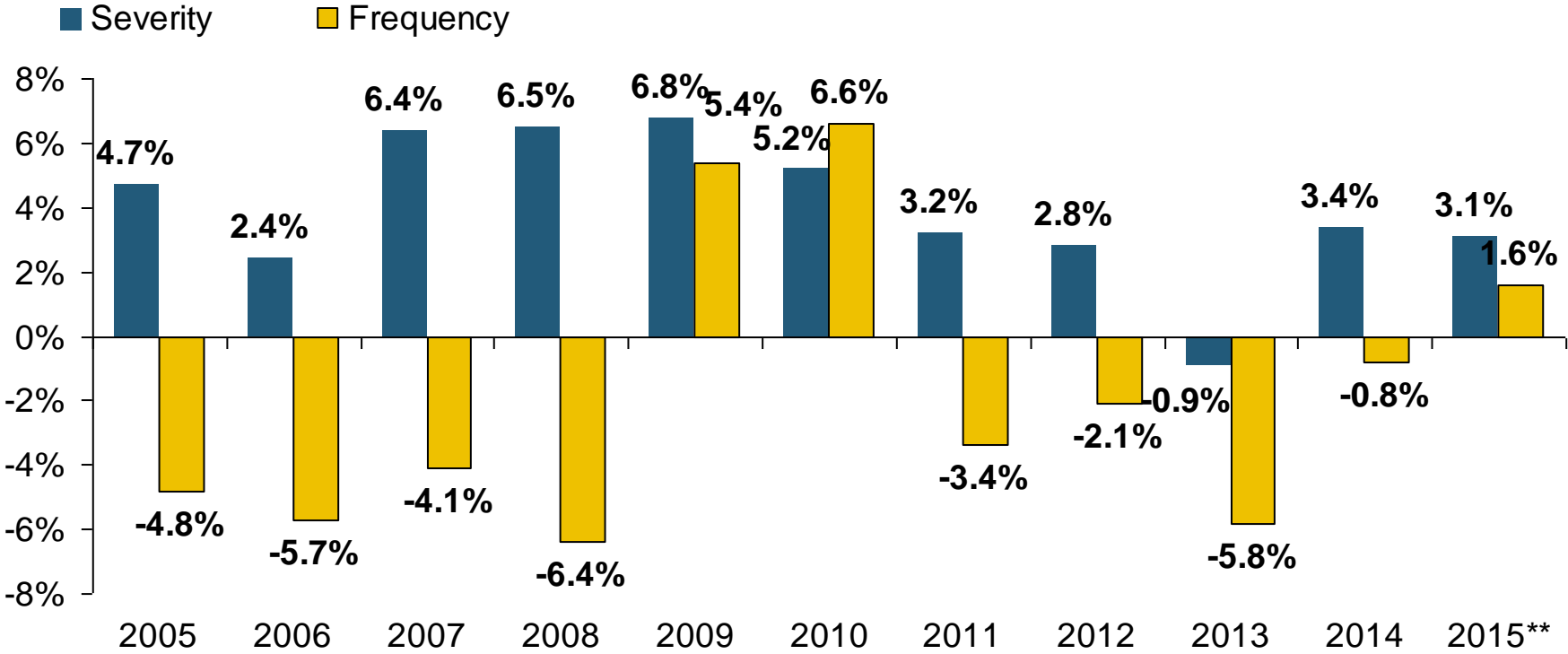
Severity/Frequency Trends Have Been Volatile, But Rising Severity since 2011 Is a Concern

*2015 figure is for the four quarters ending in 2015:Q1.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute

No-Fault (PIP) Liability: Severity is Up, Frequency Relatively Flat*

Annual Change, 2005 through 2015**



No-Fault Systems Are Less Problematic in Some States but Still of Concern in Some, Such as MI

*No-fault states included are: FL, HI, KS, KY, MA, MI, MN, NY, ND and UT.

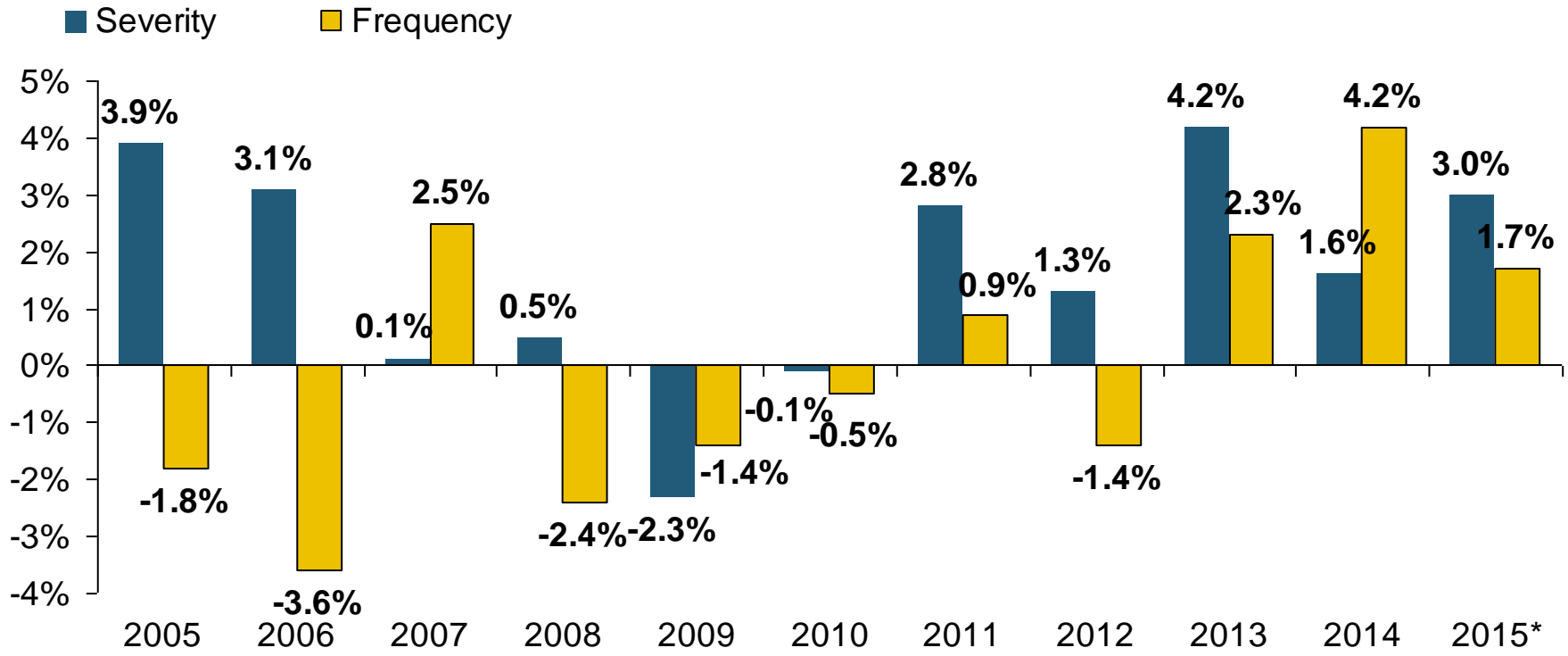
**2015 figure is for the 4 quarters ending in 2015:Q1.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Collision Coverage: Severity & Frequency Trends Are Both Higher in 2015*



Annual Change, 2005 through 2015*



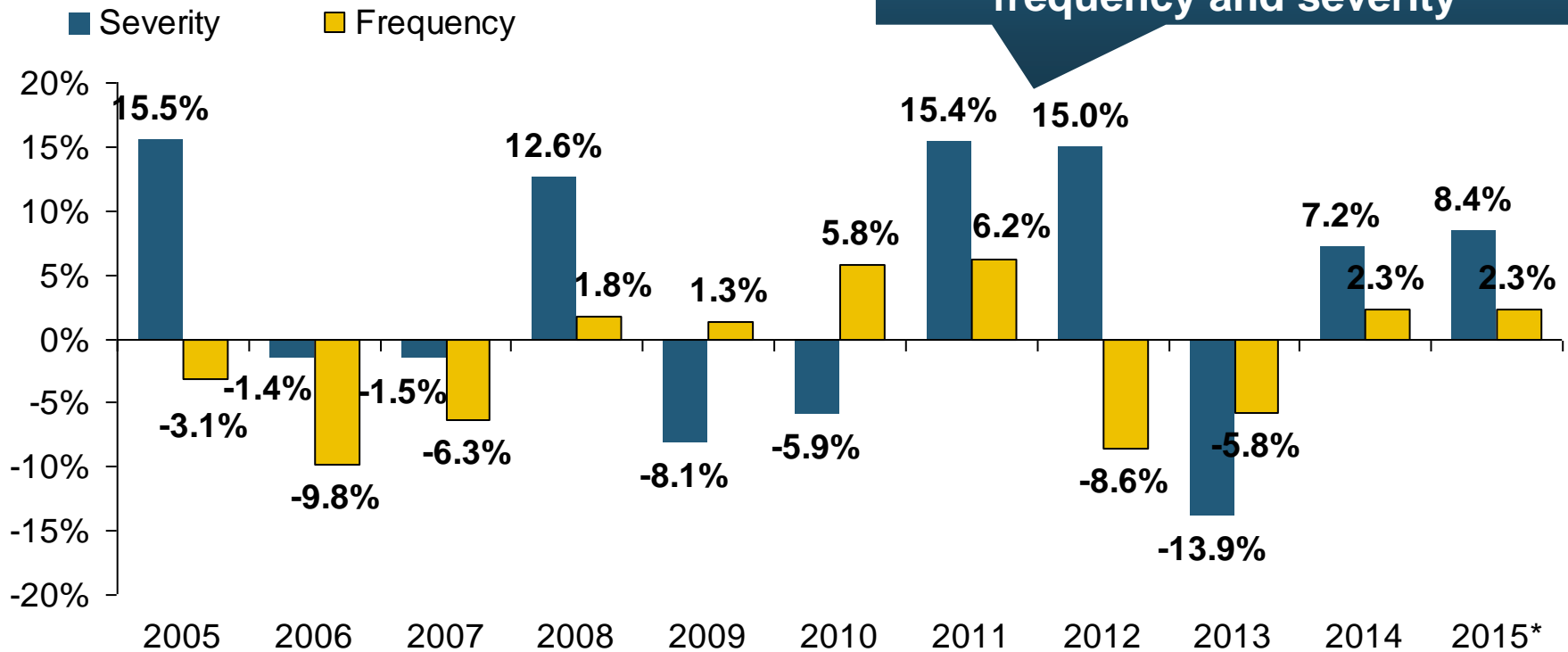
The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Will Likely Be Reversed Based on Evidence from Past Recoveries

*2015 figure is for the 4 quarters ending with 2015:Q1.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Comprehensive Coverage: Severity Trends Are Unfavorable

Annual Change, 2005 through 2015*



Weather Creates Volatility for Comprehensive Coverage

*2015 figure is for the 4 quarters ending with 2015:Q1.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute

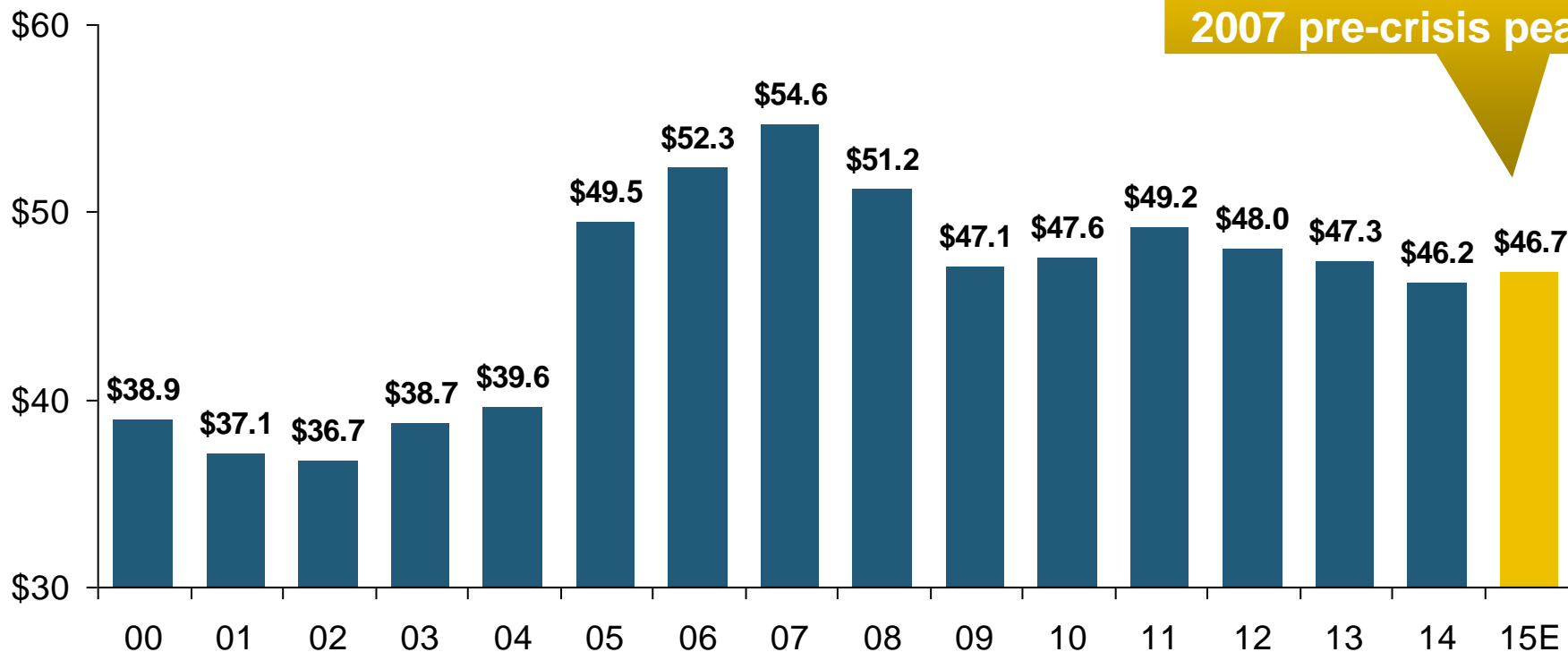
**INVESTMENTS: LOW YIELDS
EXERT RATE PRESSURE**

**Investment Performance is a Key
Driver of Profitability**

***Depressed Yields Will Necessarily
Influence Underwriting & Pricing***

Property/Casualty Insurance Industry Investment Income: 2000–2015E¹

(\$ Billions)



**Due to persistently low interest rates,
investment income fell in 2012, 2013 and 2014.**

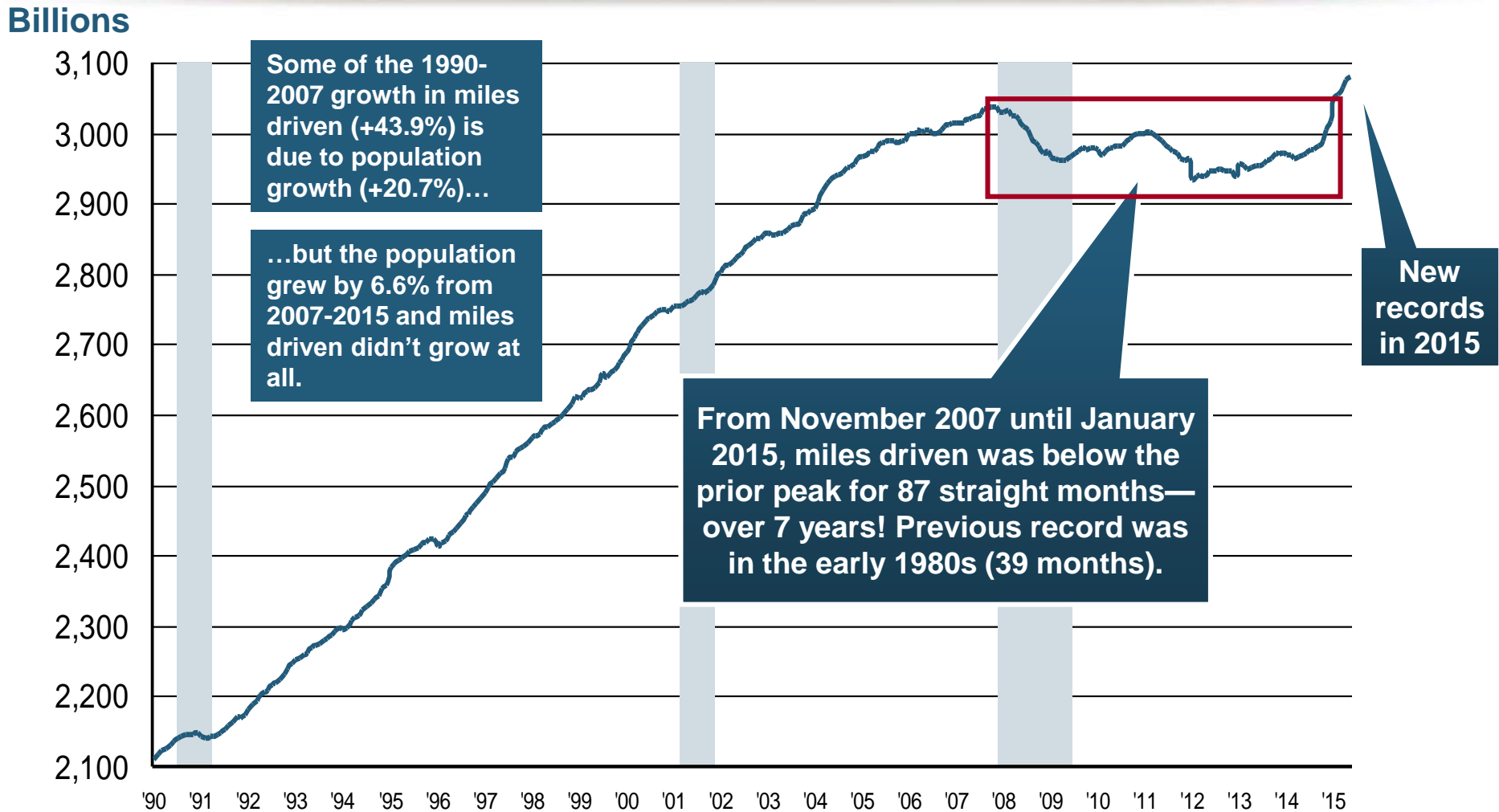
¹ Investment gains consist primarily of interest and stock dividends.
Sources: ISO; Insurance Information Institute.

*2015 figure is estimated based on annualized data through Q1.

Driving Trends, Gas Prices

**America's Love Affair with
their Cars Is Far from Over**

America is Driving More Again: Total Miles Driven*, 1990–2015

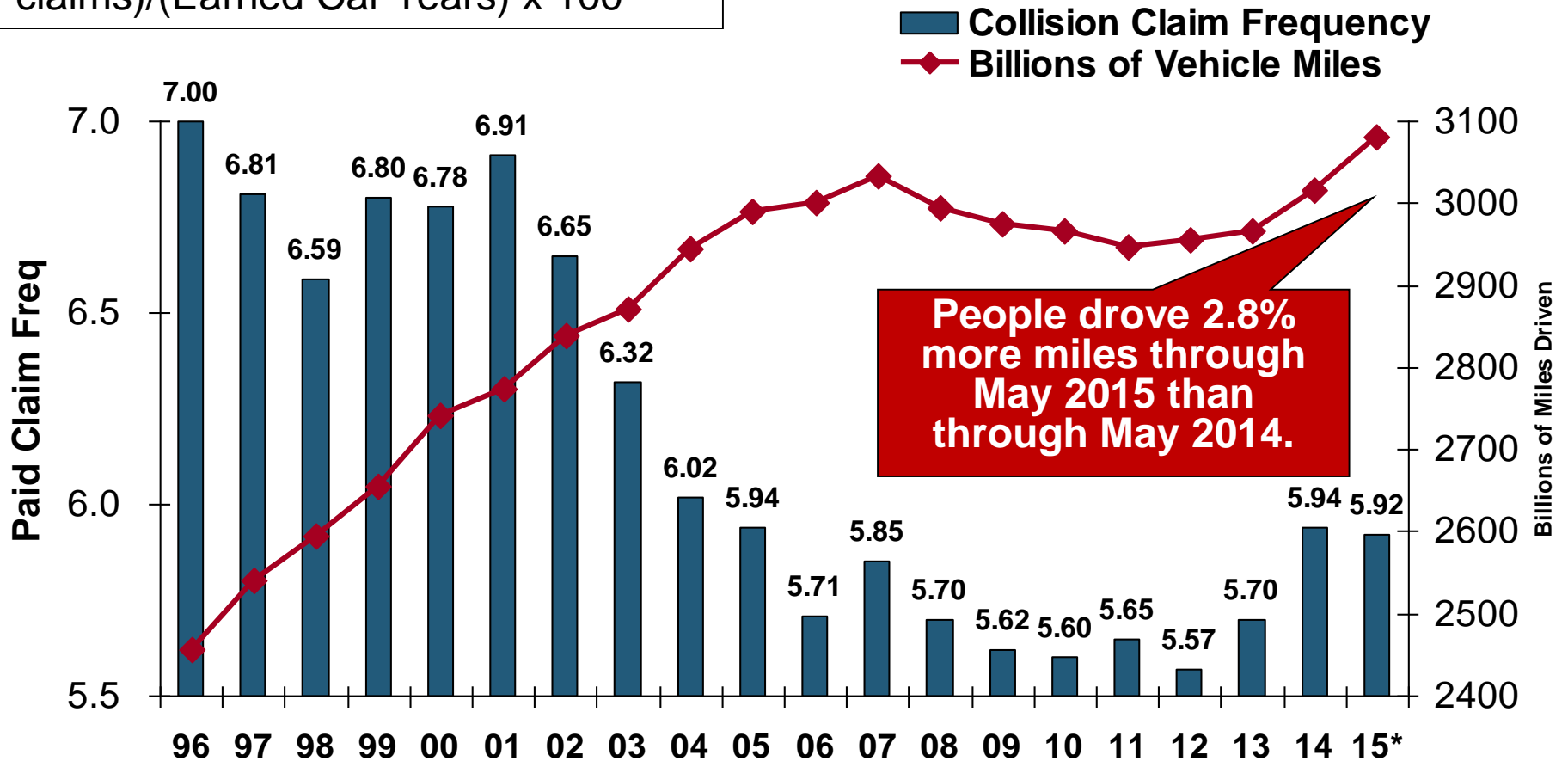


*Moving 12-month total. The 2015 data are through May 2015, the latest available.
Note: Recessions indicated by gray shaded columns.

Sources: Federal Highway Administration (http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm); National Bureau of Economic Research (recession dates); Insurance Information Institute.

Do Changes in Miles Driven Affect Auto Collision Claim Frequency?

Paid Claim Frequency = (No. of paid claims)/(Earned Car Years) x 100



Sources: Federal Highway Administration (<http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm>); ISO Fast Track Monitoring System, *Private Passenger Automobile Fast Track Data*: 1st Qtr. 2015 and earlier reports. *2015 ISO figure is for 12 months ending 2015 Q1. FHA data for 2015 is 12-month moving average ending May 2015.

% Change in Real US GDP vs. % Change in Total Miles Driven

Percent Change in Total Miles Driven

■ % change in total miles driven ◆ % change in real US GDP

% Change in Real US GDP*



The percent change in miles driven tracked the growth of the national economy fairly well. If this holds, miles driven will continue to rise.

*Data are annual rates

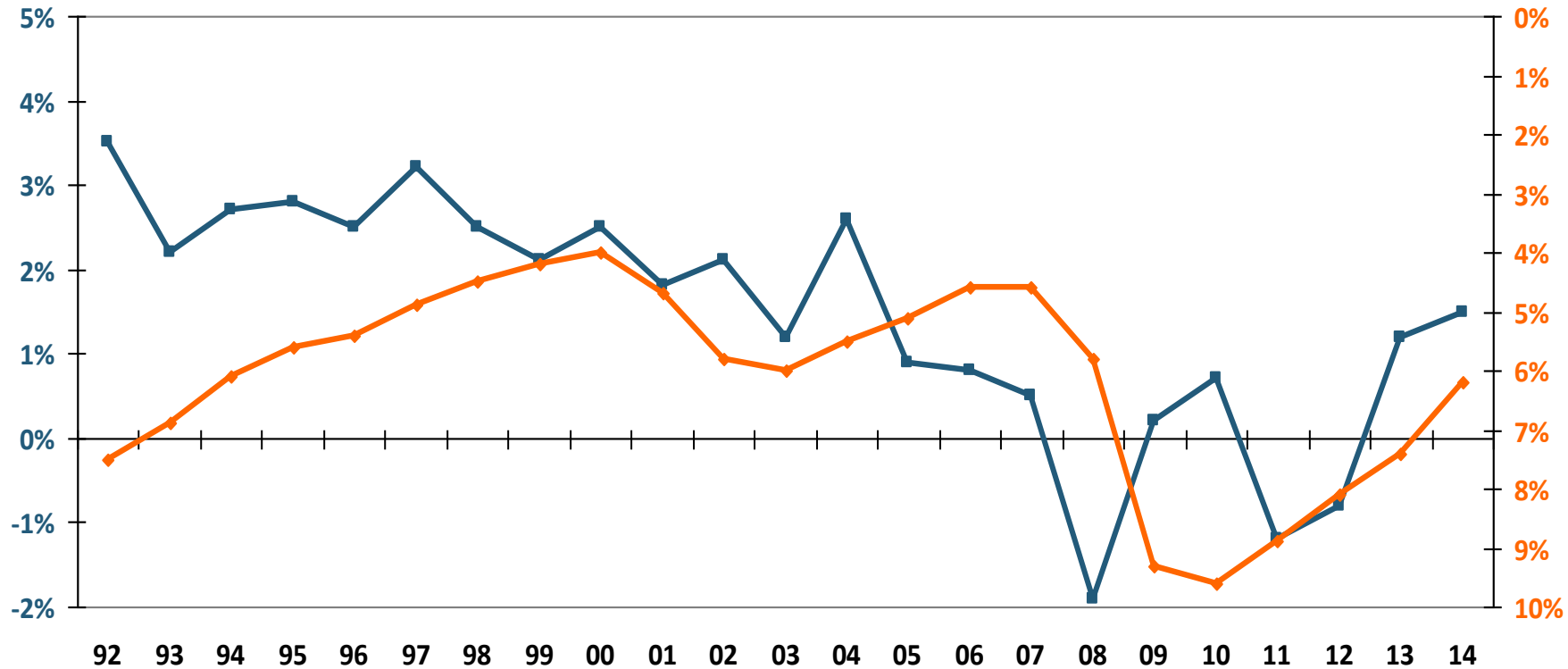
Sources: Federal Highway Administration (http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm); www.bea.gov (real GDP); I.I.I.

The National Unemployment Rate vs. % Change in Total Miles Driven

Percent Change in Total Miles Driven

■ % change in total miles driven ◆ Unemployment rate

Unemployment rate*



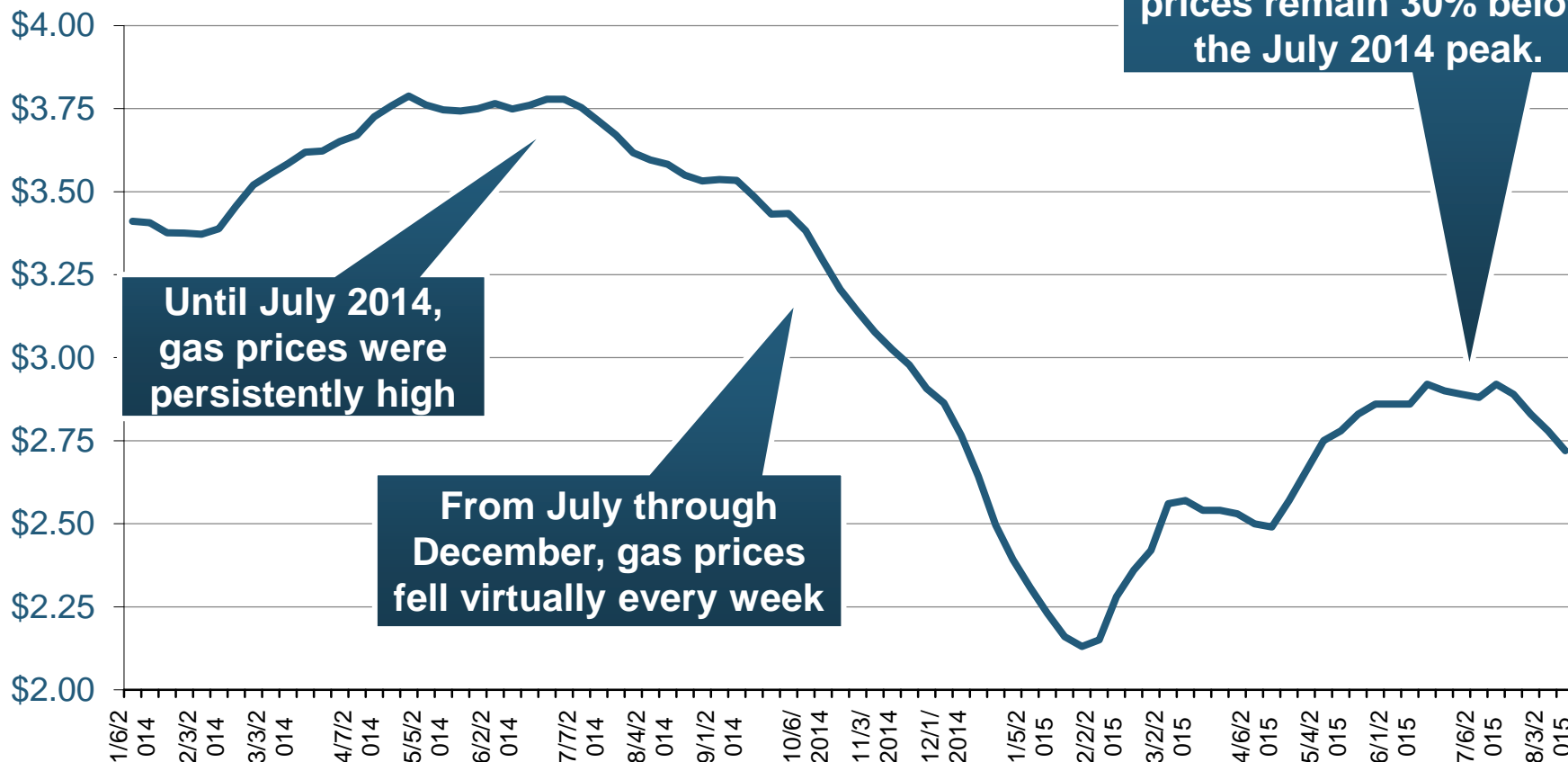
Starting in 1999, the percent change in miles driven tracked (led?) the national unemployment rate fairly well. If this holds, miles driven will continue to rise.

*Data are annual rates

Sources: Federal Highway Administration (http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm); www.bls.gov (unemployment rate); I.I.I.

The Price of Gas, Weekly, 2014-2015

Avg. Price /Gallon

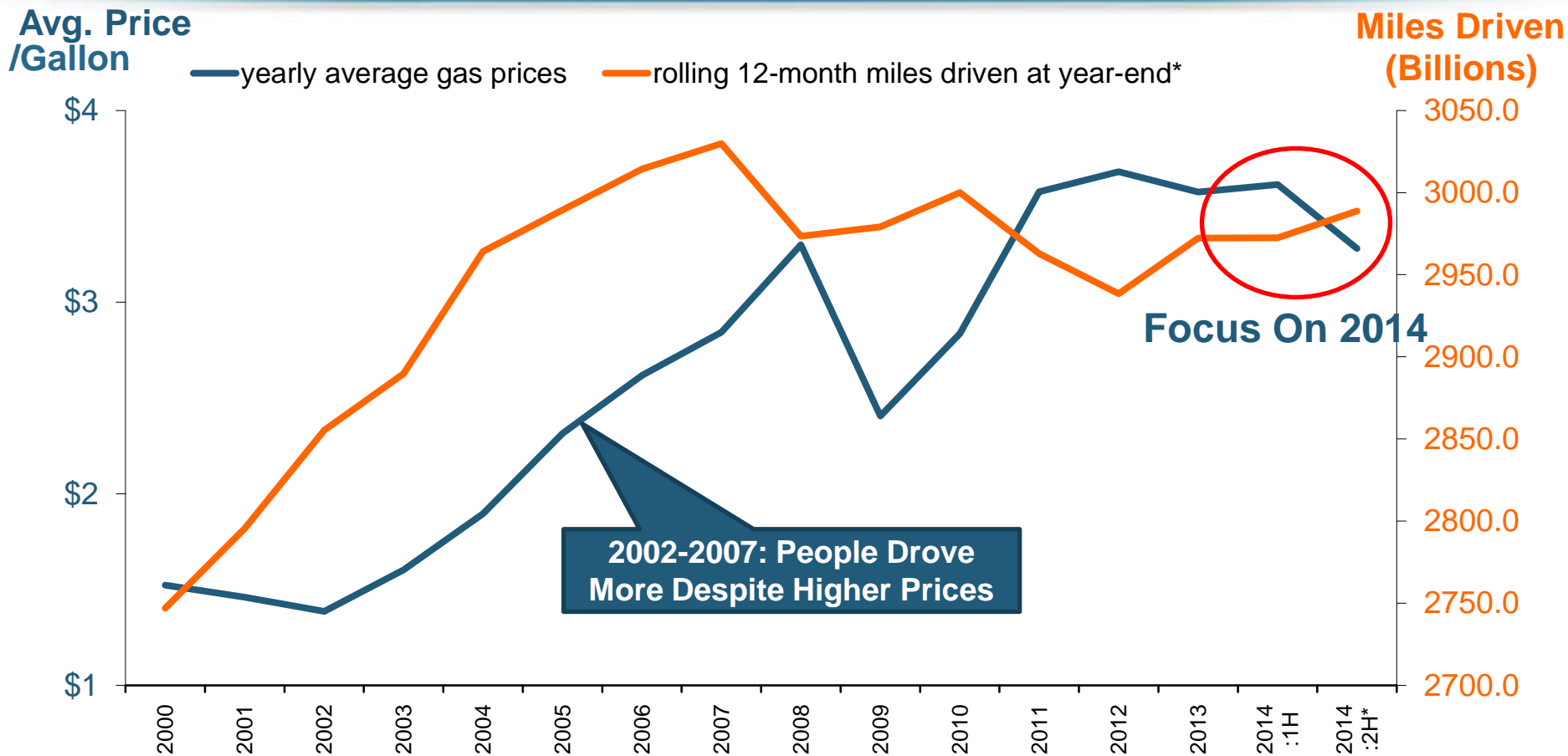


Gas Prices Fell 34% Over the Second Half of the 2014

Price is U.S. All Grades All Formulations Retail Gasoline Prices, through August 10, 2015

Sources: Federal Energy Administration (<http://www.eia.gov/petroleum/gasdiesel/>); I.I.I.

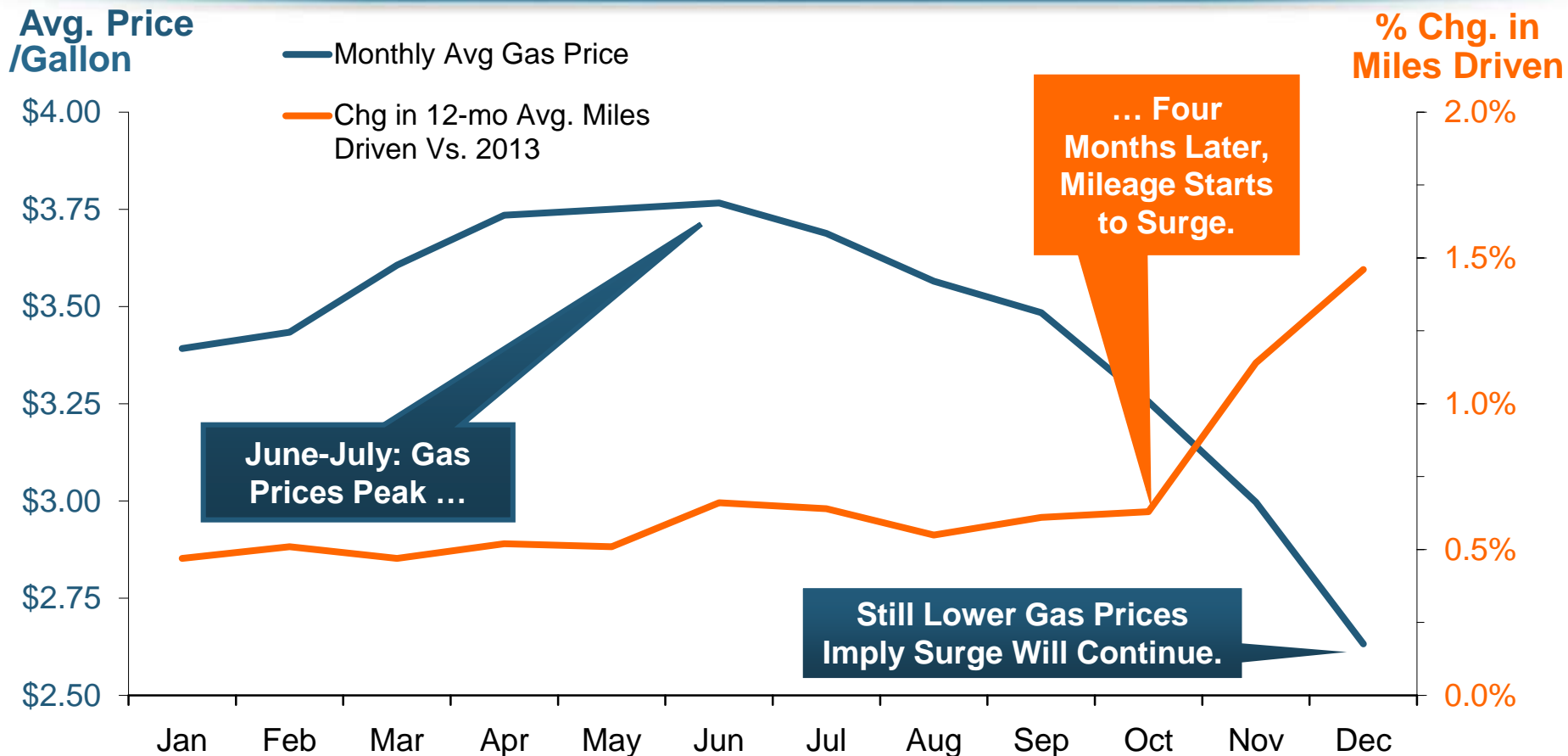
Did Changes in Gas Prices Affect Miles Driven? 2000-2014



**Many Factors Affect Miles Driven:
The State of Economy, Weather, Gas Prices, Etc.**

Sources: Federal Energy Administration (<http://www.eia.gov/petroleum/gasdiesel/>); *gas prices and miles driven through December
 Federal Highway Administration (<http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm>); I.I.I.

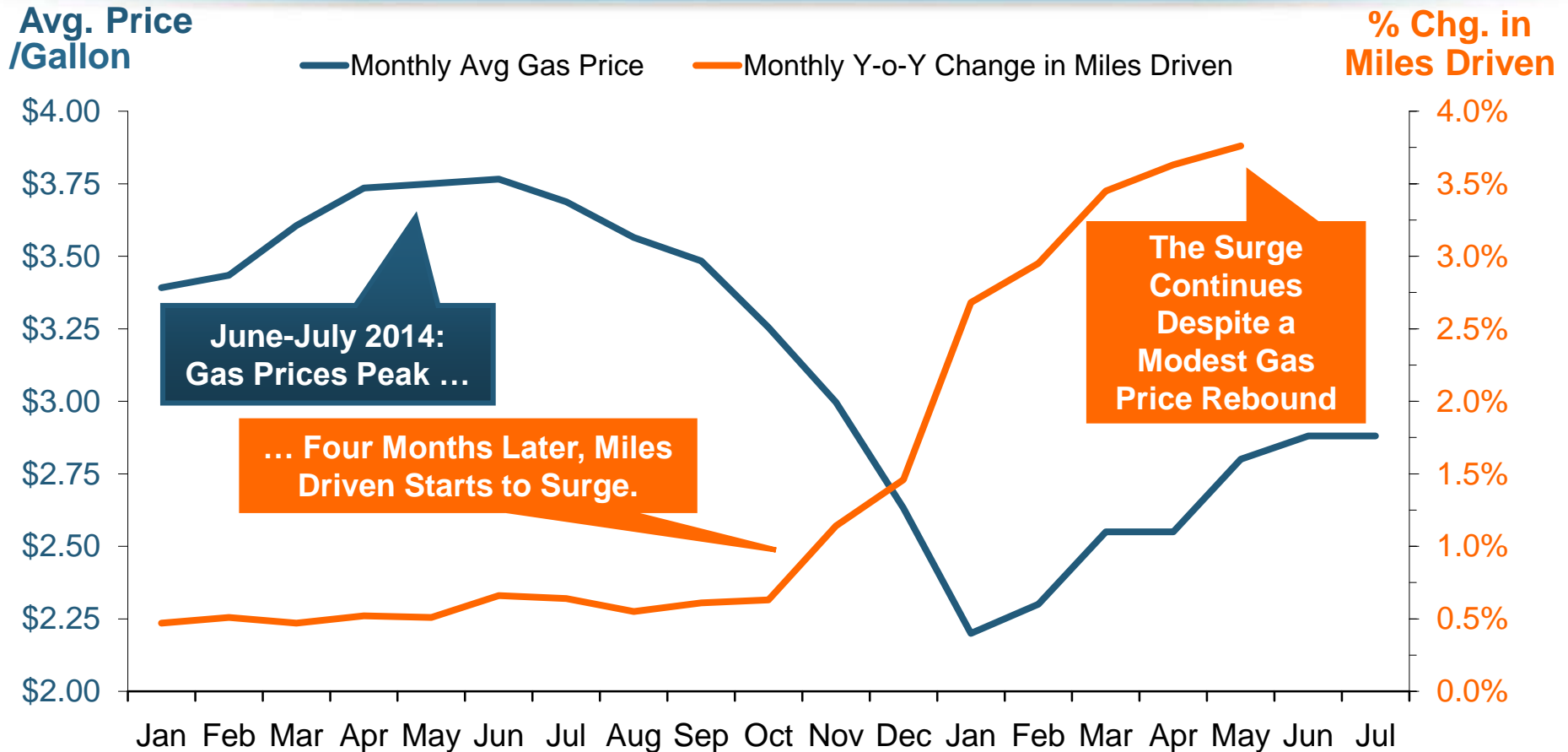
Did Changes in Gas Prices Affect Miles Driven? A Closer Look at 2014



Prior research on the relationship between gas prices and miles driven says that, in the short run, an increase in gas prices produces little change in miles driven. No recent research on the effect of price drops.

Sources: Federal Energy Administration (<http://www.eia.gov/petroleum/gasdiesel/>); *gas prices and miles driven through December Federal Highway Administration (<http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm>); I.I.I.

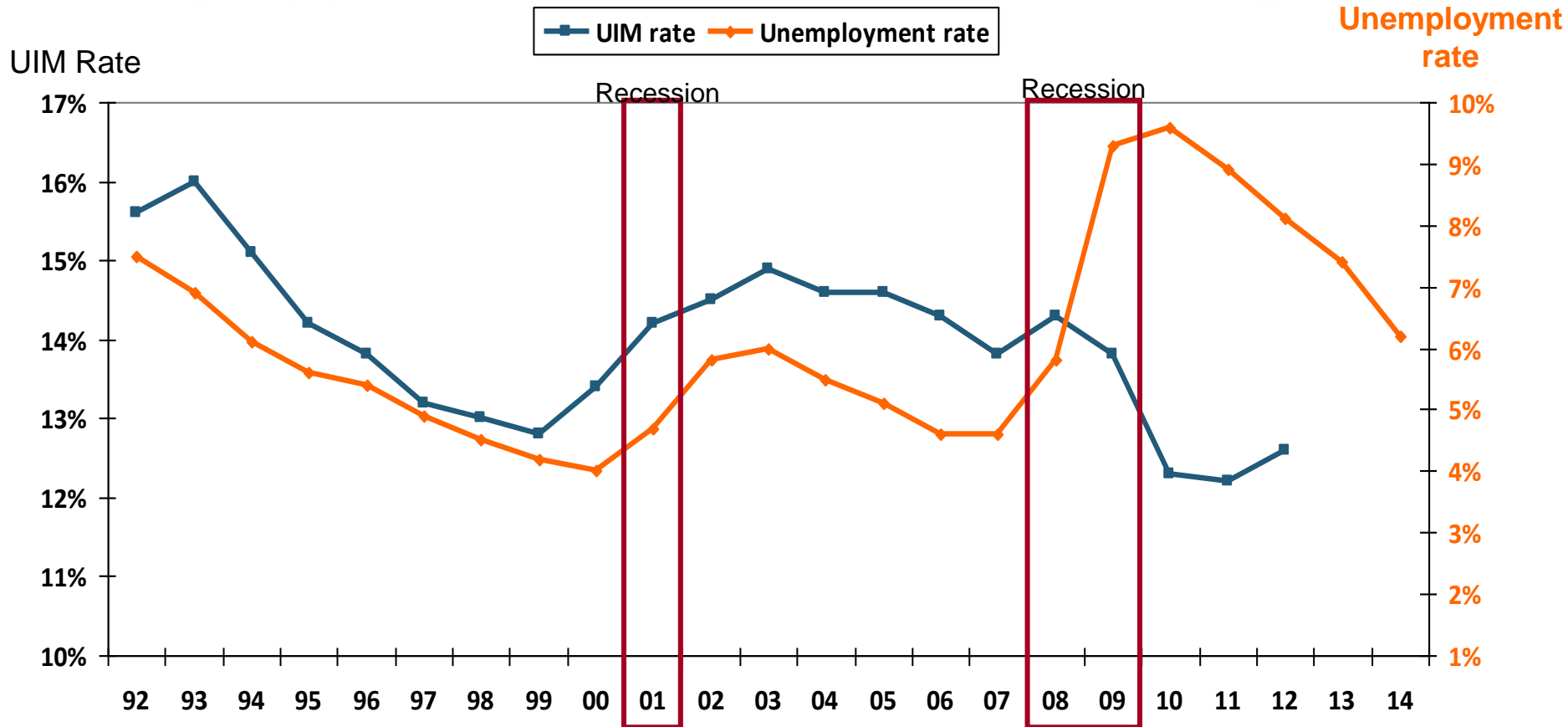
Do Changes in Gas Prices Affect Miles Driven? A Closer Look at 2014-15



Research on the relationship between gas prices and miles driven says that, in the short run, an increase in gas prices produces little change in miles driven. No recent research on the effect of price drops.

Sources: Federal Energy Administration (<http://www.eia.gov/petroleum/gasdiesel/>); *gas prices through July 2015
 Federal Highway Administration (<http://www.fhwa.dot.gov/ohim/tvtw/tvtpage.cfm>) miles driven through May 2015; I.I.I.

The National Unemployment Rate vs. the Estimated Uninsured Motorists Rate



Until 2008, the UIM rate appeared to track the national unemployment rate (as we would expect), but the two have diverged since then.

Data are annual rates

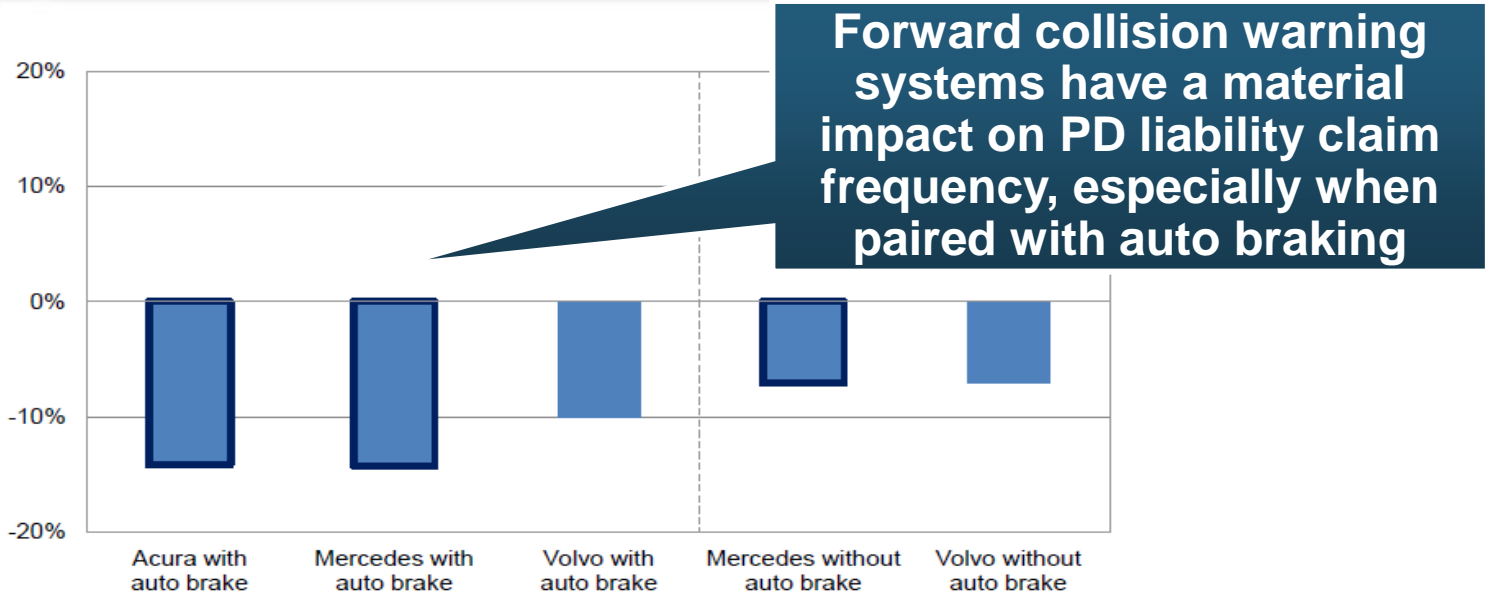
Sources: Insurance Research Council (UIM); www.bls.gov (unemployment rate); I.I.I.

The Future of Auto Insurance?

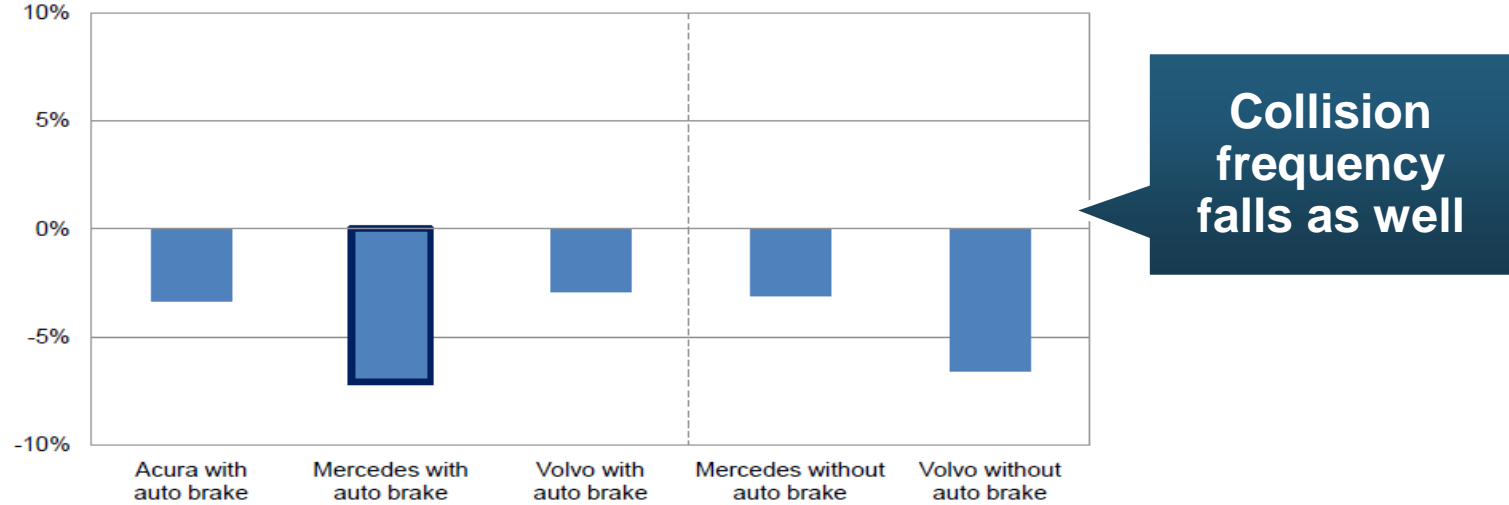
**Some Analysts and Many in
Silicon Valley Are Predicting
Doom for Auto Insurers**

Impact of Forward Collision Warning With and Without Auto Brake

Property Damage Liability Claim Frequency by Manufacturer



Collision Claim Frequency by Manufacturer



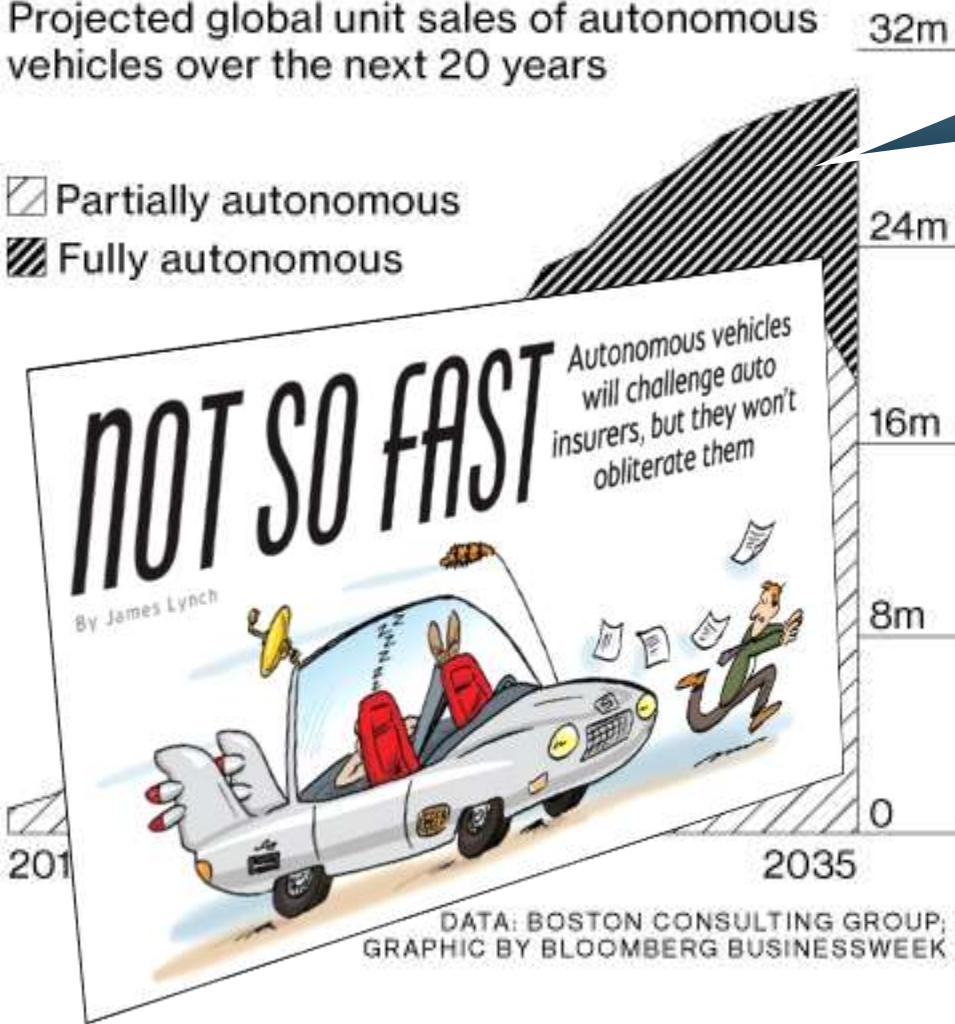
Source: Highway Loss Data Institute and Insurance Institute for Highway Safety presentation by Matthew Moore, *Measuring Crash Avoidance System Effectiveness with Insurance Data*, January 30 2013; Insurance Information Institute.

Media is Obsessed with Driverless Vehicles: Often Predicting the Demise of Auto Insurance

Hands-Free

Projected global unit sales of autonomous vehicles over the next 20 years

- ▨ Partially autonomous
- ▩ Fully autonomous



By 2035, it is estimated that 25% of new vehicle sales could be fully autonomous models

Questions

- Are auto insurers monitoring these trends?
- How are they reacting?
- Will Google take over the industry? (cars/sales)
- Will the number of auto insurers shrink?
- How will liability shift?

DATA: BOSTON CONSULTING GROUP; GRAPHIC BY BLOOMBERG BUSINESSWEEK

Source: Boston Consulting Group; Insurance Information Institute.



Price Optimization in Auto Insurance Markets

Actuarial, Economic and Regulatory Considerations

National Conference of Insurance Legislators
Indianapolis, IN
July 17, 2015

Robert P. Hartwig, Ph.D., CPCU, President & Economist

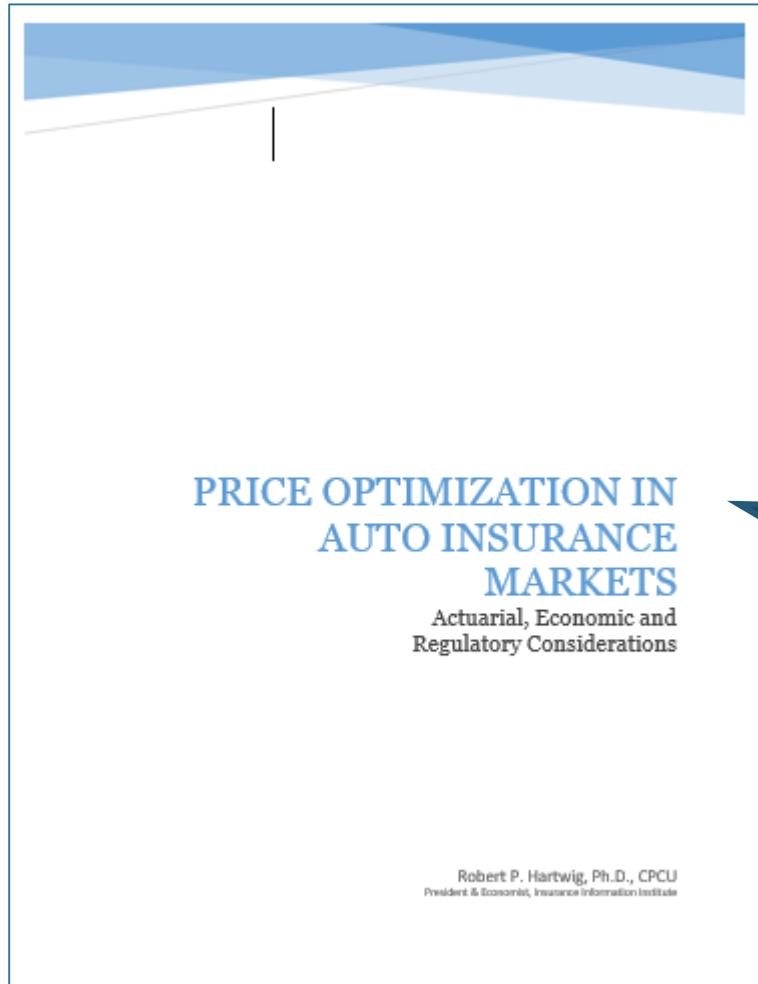
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038

Tel: 212.346.5520 ♦ Cell: 917.453.1885 ♦ bobh@iii.org ♦ www.iii.org

Price Optimization

**Healthy Markets, Strong
Competition, Satisfied Consumers**

Why the Controversy?



Testified as industry's witness at July 17 National Conference of Insurance Legislators' hearing on Price Optimization;

Worked very closely with PCI, AIA, NAMIC and independent companies.

Price Optimization: What is It?

- **Significant Discussion of Price Optimization Issue in Recent Months**
- **Several States Have Issued Bulletins Addressing Its Use**
 - ◆ Requests for information in several other states
- **Each State Defines Price Optimization Differently**
 - ◆ At least 7 definitions from states; NAIC, vendors and others
- **States' Concerns Come Despite Absence of Any Discernable or Detectable Market Disruptions**
 - ◆ Competition in auto insurance markets is intense, healthy and vigorous
 - ◆ More than 99% of drivers are insured through the voluntary market
 - ◆ Absence of consumer complaints
 - ◆ High degree of consumer satisfaction with auto insurers
 - ◆ Empowered Consumers: Have more tools available today than ever before to help them shop, collect and compare prices
 - ◆ *Rates are not inadequate, excessive or unfairly discriminatory*

Insurance Information Institute Online:

www.iii.org

*Thank you for your time
and your attention!*

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