A Few Factors Driving Adverse Private Passenger Auto Loss Trends

More Jobs, Better Economy, More People Driving, Lower Gas Prices, Higher Speed Limits…
America is Driving More Again: 2000-2016

Percent Change, Miles Driven*

Tremendous Growth In Miles Driven. The More People Drive, The More Frequently They Get Into Accidents.

Sources: Federal Highway Administration; National Bureau of Economic Research (recession dates); Insurance Information Institute.

Billions of Miles Driven in Prior Year

People Drive to and from Work and Drive to Entertainment. Out of Work, They Curtail Their Movement.

Sources: Federal Highway Administration; Seasonally Adjusted Employed from Bureau of Labor Statistics (Series ID CES00000000001); Insurance Institute for Highway Safety; Insurance Information Institute.

Number Employed, Millions

Number Employed (left scale)  Collision Claim Frequency (right scale)

There are not only more accidents, but accidents per 100 insured vehicles is up too. This is what matters to insurers.

When people are out of work, they drive less. When they get jobs, they drive to work, helping drive claim frequency higher.

Sources: Seasonally Adjusted Employed from Bureau of Labor Statistics; Rolling Four-Qtr Avg. Frequency from Insurance Services Office; Insurance Information Institute.
The More Miles People Drive, the More Likely They are to Get in an Accident, Helping Drive Claim Frequency Higher.

Sources: Federal Highway Administration; Rolling four-quarter average frequency from ISO, a Verisk Analytics company; Insurance Institute for Highway Safety; Insurance Information Institute.
More Miles Driven => More Collisions, 2006–2015:Q4

The more miles people drive, the more likely they are to get in an accident, helping drive claim frequency higher.

Sources: Federal Highway Administration (http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm); Rolling Four-Qtr Avg. Frequency from Insurance Services Office; Insurance Institute for Highway Safety; Insurance Information Institute.
Why Are People Driving More Miles? Cheap Gas?

Gas Prices Don’t Seem Correlated With Miles Driven.

Sources: Federal Highway Administration (http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm); Energy Information Administration; Insurance Institute for Highway Safety; Insurance Information Institute.
Comparing Gas Prices, Employment on Collision Frequency

Sources: Seasonally Adjusted Employed from Bureau of Labor Statistics; Energy Information Administration; Rolling Four-Qtr Avg. Frequency from Insurance Services Office; Insurance Information Institute.

Loss Ratios Have Been Rising for A Decade. 2015 Return on Net Worth Is Likely Close to Zero or Negative.

The increase in frequency and severity of claims is driving up insurer payouts relative to premiums.

Return on Net Worth: Personal Auto, 2005-2015*

Rising claim costs has been a factor in keeping auto insurer ROEs quite low

Auto Insurance Profitability Remains Well Below Pre-Crisis Levels (12% vs. ~4%)

*2016 Personal Auto figure is estimated.
SOURCE: National Association of Insurance Commissioners.
Auto Fatalities Are Rising

Fatal Auto Accidents Are Rising Faster in Georgia at Nearly 3 Times the Rate Nationally
Driving Has Been Getting Safer For Decades, But Recent Trend Is Discouraging—38,300 Deaths in 2015—and Likely More in 2016

*2016 data are through June 30.
Highway fatalities are surging in Georgia, with no end in sight

Highway deaths in Georgia are now at their highest level since 2007

+262 Deaths = +22.4% in 2015
+104 Deaths = +7.3% in 2016

Sources: Georgia Department of Transportation accessed 1/9/17 at http://www.dot.ga.gov/BuildSmart/performance/Pages/Fatalities.aspx
Change in Auto Fatalities by State: Especially Severe in Georgia

GA’s auto fatality rate has increased at a pace nearly 3 times that of the US overall and far in excess of any other state in the region.

Fatalities in Southeast Rising Faster than USA as a Whole

Change in Auto Fatalities by State: Especially Severe in Georgia

First 6 Months 2016 vs. First 6 Month 2014

GA’s auto fatality rate has increased at a pace nearly double that of the US overall.

Private Passenger Auto Profitability in Southeast States vs. US

Georgia is a Profitability Laggard in the Region and Among the 50 States

Average 2005-2014
US: 6.2%
NC: 6.4%
SC: 5.8%
GA: 4.7%

Source: NAIC.
Average 2005-2014
US: 6.2%
AL: 6.7%
TN: 5.8%
GA: 4.7%
FL: 3.9%
MS: 3.6%

GA’s pvt. Passenger auto market is the least profitable in the region

Source: NAIC.
Private Passenger Auto Frequency & Severity Trends in Georgia vs. Southeast States and US

Frequency, Severity and Loss Ratios Are Up in Georgia
Georgia Coverage: BI Severity & Frequency
Trends Are Both Higher in Recent Years*

<table>
<thead>
<tr>
<th>Year</th>
<th>Severity Change</th>
<th>Frequency Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0.2%</td>
<td>-8%</td>
</tr>
<tr>
<td>2006</td>
<td>4.2%</td>
<td>-6%</td>
</tr>
<tr>
<td>2007</td>
<td>6.6%</td>
<td>-4%</td>
</tr>
<tr>
<td>2008</td>
<td>8.5%</td>
<td>-2%</td>
</tr>
<tr>
<td>2009</td>
<td>5.4%</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>5.6%</td>
<td>2%</td>
</tr>
<tr>
<td>2011</td>
<td>7.2%</td>
<td>4.5%</td>
</tr>
<tr>
<td>2012</td>
<td>3.9%</td>
<td>2.7%</td>
</tr>
<tr>
<td>2013</td>
<td>2.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>2014</td>
<td>4.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2015</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>2016*</td>
<td>5.7%</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries

*2016 data are for the 4 quarters ending June 30, 2016.
Source: ISO/PCI Fast Track data; Insurance Information Institute
Georgia Coverage: PD Frequency Trends Are Higher in 2014-2016*

Annual Change, 2005 through 2016*

The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries

*2016 data are for the 4 quarters ending June 30, 2016.
Source: ISO/PCI Fast Track data; Insurance Information Institute
Georgia Coverage: Collision Frequency Trends Are Higher in 2014-2016*

Annual Change, 2005 through 2016*

GA’s Collision claim frequency is up sharply over the past 3 years

The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries

*2016 data are for the 4 quarters ending June 30, 2016.
Source: ISO/PCI Fast Track data; Insurance Information Institute

GA's Collision loss ratio is up 23.7 percentage points since 2010, rising far more rapidly than in the US overall. For the first time in recent history, GA’s collision loss ratio is above the US average.

Collision Loss Ratios are Rising Much Faster in Georgia than the US Overall

*2016 data are for the 4 quarters ending June 30, 2016.
Source: ISO/PCI Fast Track data; Insurance Information Institute
Georgia Coverage: Comprehensive Frequency, Severity Typically Tied to Weather Events

Annual Change, 2005 through 2016*

Weather Events Drive Volatility in Comprehensive Coverage

*2016 data are for the 4 quarters ending June 30, 2016.
Source: ISO/PCI Fast Track data; Insurance Information Institute
Speed Limits Are Up All Over Metro Atlanta

Force = Mass x Acceleration*

The Laws of Physics Apply Everywhere, including Georgia

*Newton’s Second Law of Motion
Higher Speed Limits in Many Parts of Georgia

<table>
<thead>
<tr>
<th>DEKALB COUNTY:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE ROUTE</td>
<td>FROM</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>0.34 mi. east of SR 155 / Candler Road “Overpass”</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>Snapfinger Creek</td>
</tr>
<tr>
<td>403 (I-85)</td>
<td>0.51 mi. north of SR 42 / North Druid Hills Road “Overpass”</td>
</tr>
</tbody>
</table>

In Dekalb County, speed limits will be increased to 65 and 70 miles per hour.

<table>
<thead>
<tr>
<th>COBB COUNTY:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE ROUTE</td>
<td>FROM</td>
</tr>
<tr>
<td>401 (I-75)</td>
<td>Fulton County Line (N. Atlanta City Limits)</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>Douglas County Line</td>
</tr>
</tbody>
</table>

Cobb County will see an increase in speed limits to 65 miles per hour along parts of I-75 and I-20.

<table>
<thead>
<tr>
<th>CLAYTON COUNTY:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE ROUTE</td>
<td>FROM</td>
</tr>
<tr>
<td>401 (I-75)</td>
<td>Holiday Blvd. “Underpass”</td>
</tr>
<tr>
<td>403 (I-85)</td>
<td>Fulton County Line</td>
</tr>
</tbody>
</table>

GDOT will increase speed limits in Clayton County.

Higher Speed Limits in Many Parts of Georgia

### GWINNETT COUNTY:

<table>
<thead>
<tr>
<th>STATE ROUTE</th>
<th>FROM</th>
<th>MILE POINT</th>
<th>TO</th>
<th>MILE POINT</th>
<th>LENGTH</th>
<th>SPEED LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR 403</td>
<td>Dekalb County Line</td>
<td>97.00</td>
<td>0.28 miles south of State Route 317 (South Suwanee City Limits)</td>
<td>111.17</td>
<td>14.17</td>
<td>70</td>
</tr>
<tr>
<td>SR 403</td>
<td>0.28 miles south of State Route 317 (South Suwanee City Limits)</td>
<td>111.17</td>
<td>1.13 miles north of State Route 317 (North Suwanee City Limits)</td>
<td>112.58</td>
<td>01.41</td>
<td>70</td>
</tr>
<tr>
<td>SR 403</td>
<td>1.13 miles north of State Route 317 (North Suwanee City Limits)</td>
<td>112.58</td>
<td>State Route 419/985 at State Route 403/1-85 Split</td>
<td>112.79</td>
<td>00.21</td>
<td>70</td>
</tr>
<tr>
<td>SR 403</td>
<td>SB CD Ramp off of I-85 0.84 miles north of Old Peachtree Road</td>
<td>109.80</td>
<td>SB CD Ramp onto I-85 0.17 miles south of Old Norcross Road</td>
<td>105.00</td>
<td>04.80</td>
<td>70</td>
</tr>
<tr>
<td>SR 403</td>
<td>NB CD Ramp off of I-85 0.60 miles north of Pleasant Hill Road</td>
<td>104.60</td>
<td>NB CD Ramp onto I-85 0.43 miles north of Old Peachtree Road</td>
<td>109.40</td>
<td>04.80</td>
<td>70</td>
</tr>
</tbody>
</table>

The speed limit in Gwinnett County will increase to 70 miles per hour in Suwanee and other parts of the county.

### ROCKDALE COUNTY:

<table>
<thead>
<tr>
<th>STATE ROUTE</th>
<th>FROM</th>
<th>MILE POINT</th>
<th>TO</th>
<th>MILE POINT</th>
<th>LENGTH</th>
<th>SPEED LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>402 (I-20)</td>
<td>Dekalb County line</td>
<td>77.35</td>
<td>0.41 miles west of West Avenue (W. Conyers City Limits)</td>
<td>80.35</td>
<td>3.00</td>
<td>65 70</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>0.41 miles west of West Avenue (W. Conyers City Limits)</td>
<td>80.35</td>
<td>S.R. 162 / Salem Road (E. Conyers City Limits)</td>
<td>84.48</td>
<td>4.13</td>
<td>65 70</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>S.R. 162 / Salem Road (E. Conyers City Limits)</td>
<td>84.48</td>
<td>Newton County line</td>
<td>86.02</td>
<td>1.54</td>
<td>70</td>
</tr>
</tbody>
</table>

GDOT is increasing the speed limit in parts of Rockdale County.

### DOUGLAS COUNTY:

<table>
<thead>
<tr>
<th>STATE ROUTE</th>
<th>FROM</th>
<th>MILE POINT</th>
<th>TO</th>
<th>MILE POINT</th>
<th>LENGTH</th>
<th>SPEED LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>402 (I-20)</td>
<td>South Baggett Road</td>
<td>31.62</td>
<td>Bright Star Road “Overpass” (W. Douglasville City Limits)</td>
<td>33.57</td>
<td>1.95</td>
<td>65 70</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>Bright Star Road “Overpass” (W. Douglasville City Limits)</td>
<td>33.57</td>
<td>0.04 mi. west of Burnt Hickory Road “Overpass” (E. Douglasville City Limits)</td>
<td>38.37</td>
<td>4.80</td>
<td>65 70</td>
</tr>
<tr>
<td>402 (I-20)</td>
<td>0.04 mi. west of Burnt Hickory Road “Overpass” (E. Douglasville City Limits)</td>
<td>38.37</td>
<td>Cobb County Line</td>
<td>44.76</td>
<td>6.39</td>
<td>65 70</td>
</tr>
</tbody>
</table>

GDOT is increasing speed limits in Douglas County to 70 miles per hour.

Rising Highway Fatalities: Georgia’s #1 Public Health Crisis?

Is Society Too Complacent About Highway Deaths and Injuries?
Many Factors Are Contributing to the Mounting Death Toll on Georgia’s Highways

- Recovering Economy
- More Jobs → More Miles Driven
- Increased Vehicle Density
- Favorable Demographics → Results in More Drivers
- Lack of Highway Infrastructure Investment
- Lower Gas Prices

More Accidents, More Severe Accidents Impacting Insurance Rates

Can’t Rely Solely on New “Autonomous” Technologies
Thank you for your time and your attention!

Twitter: twitter.com/bob_Hartwig

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