



# **Private Passenger Auto Insurance Trends in Georgia** *Frequency & Severity on the Rise*

**Georgia House Insurance Committee  
Atlanta, GA**

**January 11, 2017**

**Download at [www.iii.org/presentations](http://www.iii.org/presentations)**

**Robert P. Hartwig, Ph.D., CPCU ♦ Special Consultant  
Insurance Information Institute and**

**Clinical Associate Professor of Finance ♦ Darla Moore School of Business  
University of South Carolina**

**Tel: 917.453.1885 ♦ bobh@iii.org ♦ www.iii.org**

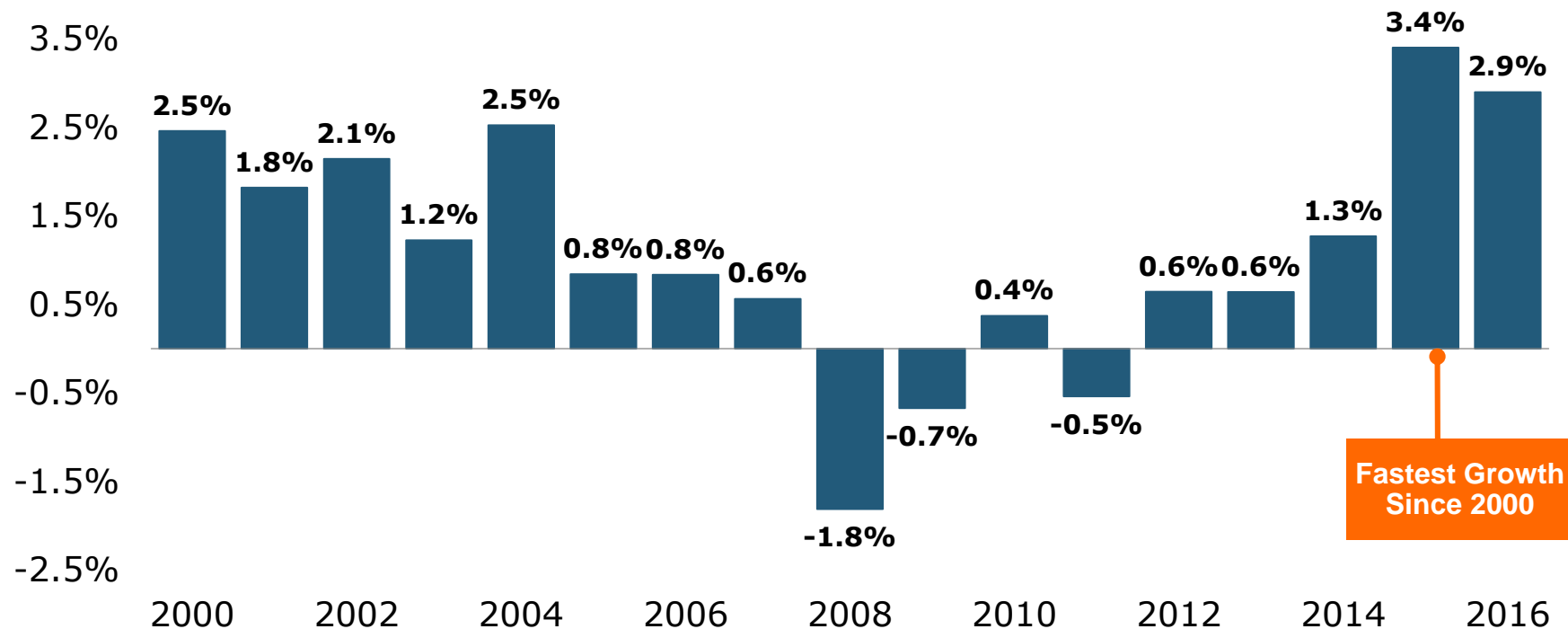


## A Few Factors Driving Adverse Private Passenger Auto Loss Trends

**More Jobs, Better Economy, More People Driving, Lower Gas Prices, Higher Speed Limits...**

# America is Driving More Again: 2000-2016

Percent Change, Miles Driven\*



Fastest Growth Since 2000

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

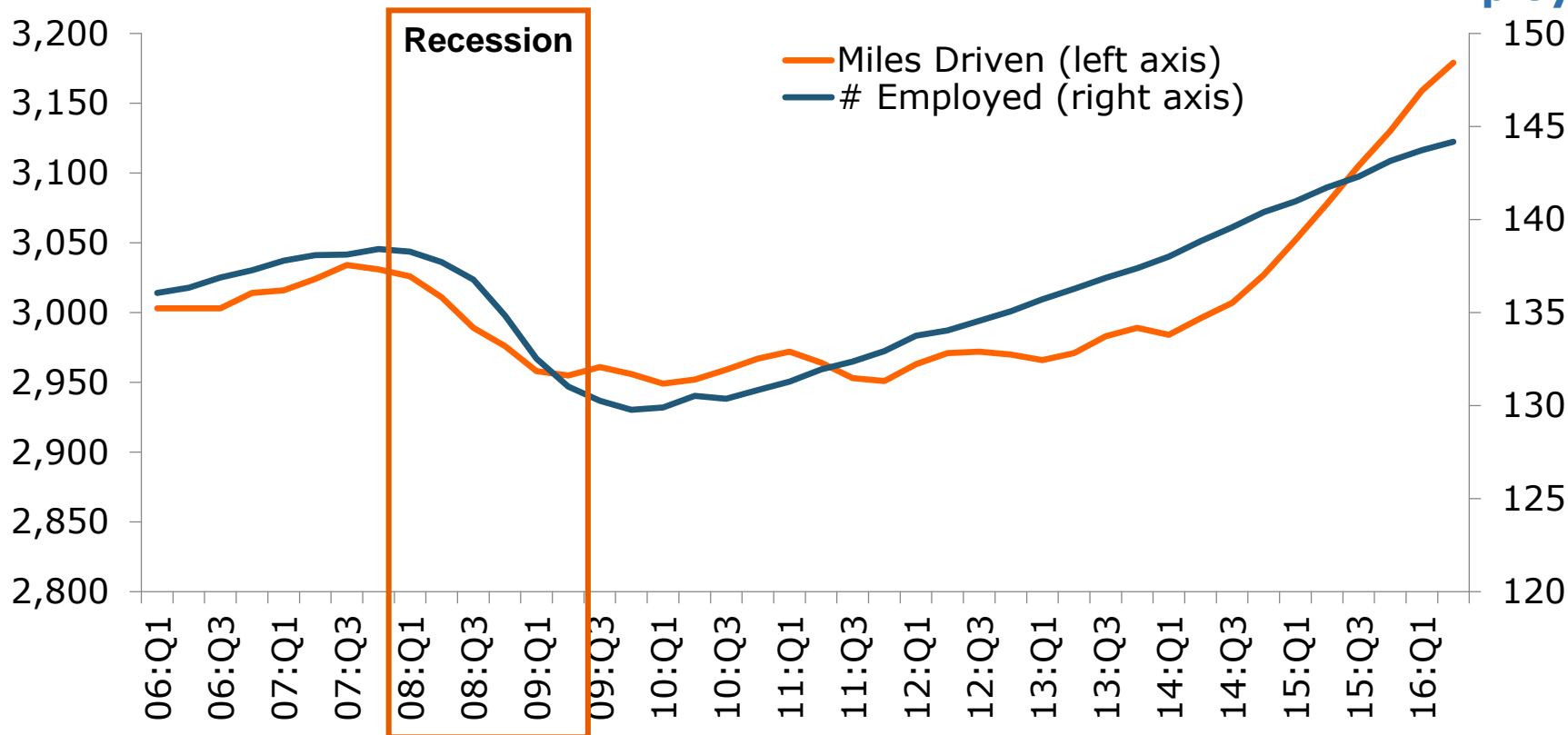
\*2000-2015: Moving 12-month total vs. prior year. 2016 data through Oct. 2016, the latest available, vs. Oct. 2015.

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

# Why Are People Driving More Miles? Is it Jobs? 2006-2016:Q2

**Billions of Miles Driven  
in Prior Year**

**Millions  
Employed**



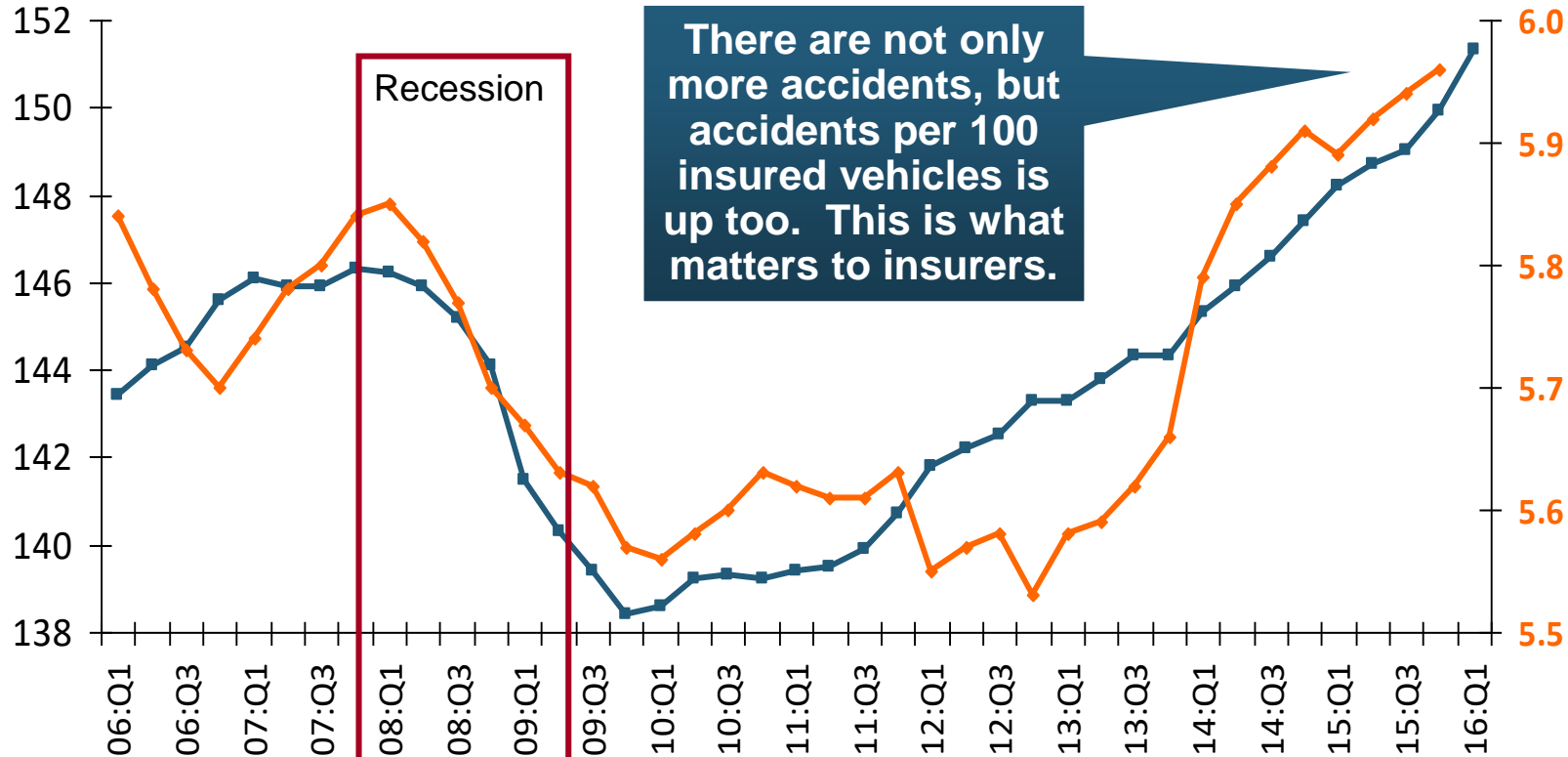
**People Drive to and from Work and Drive to Entertainment.  
Out of Work, They Curtail Their Movement.**

# More People Working and Driving => More Collisions, 2006-2016

Number Employed, Millions

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

Overall Collision Claims Per 100 Insured Vehicles



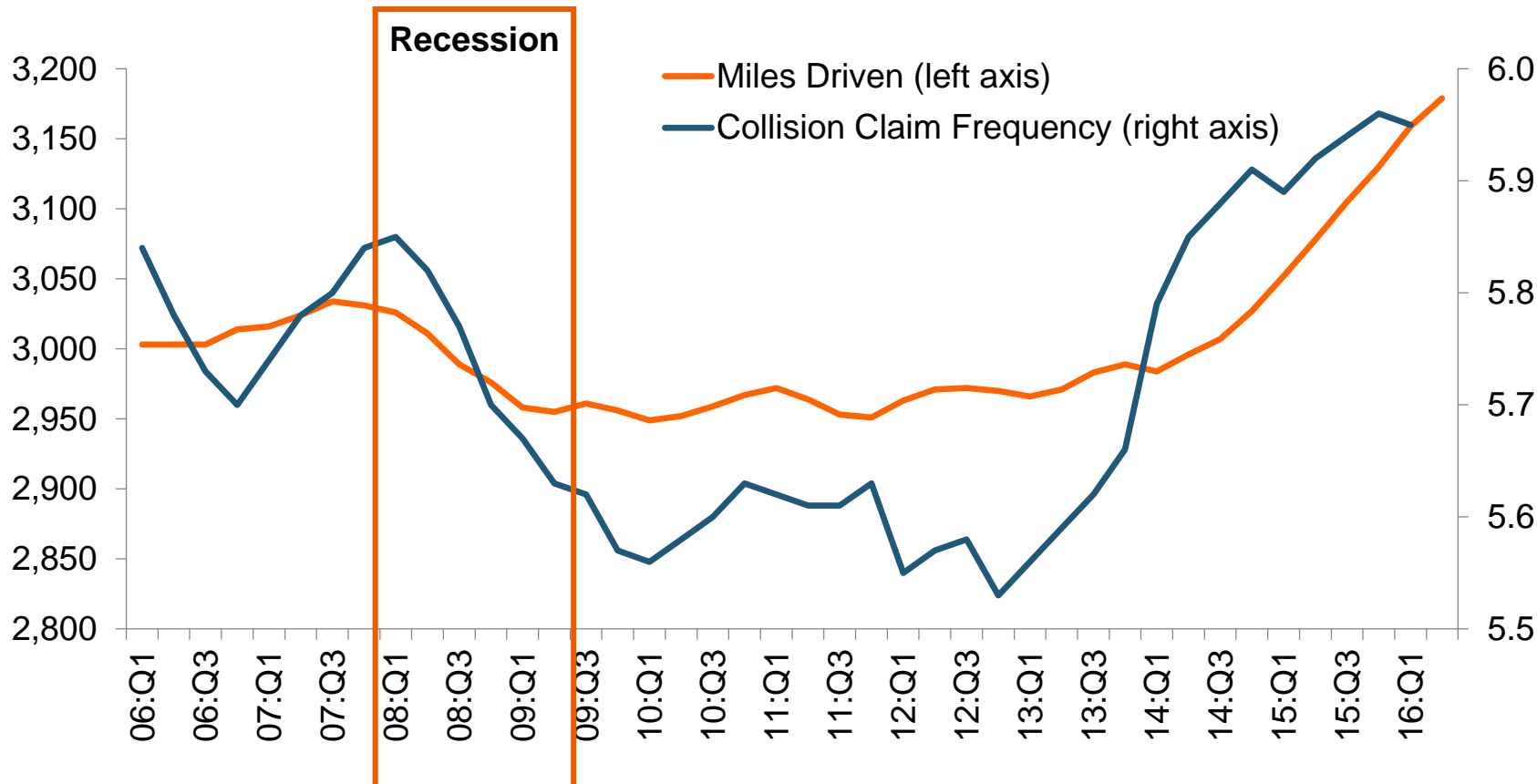
**When people are out of work, they drive less. When they get jobs, they drive to work, helping drive claim frequency higher.**

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

# More Miles Driven → More Collisions, 2006-2016:Q2

Billions of Miles  
Driven in Prior Year

Overall Collision Claims  
Per 100 Insured Vehicles



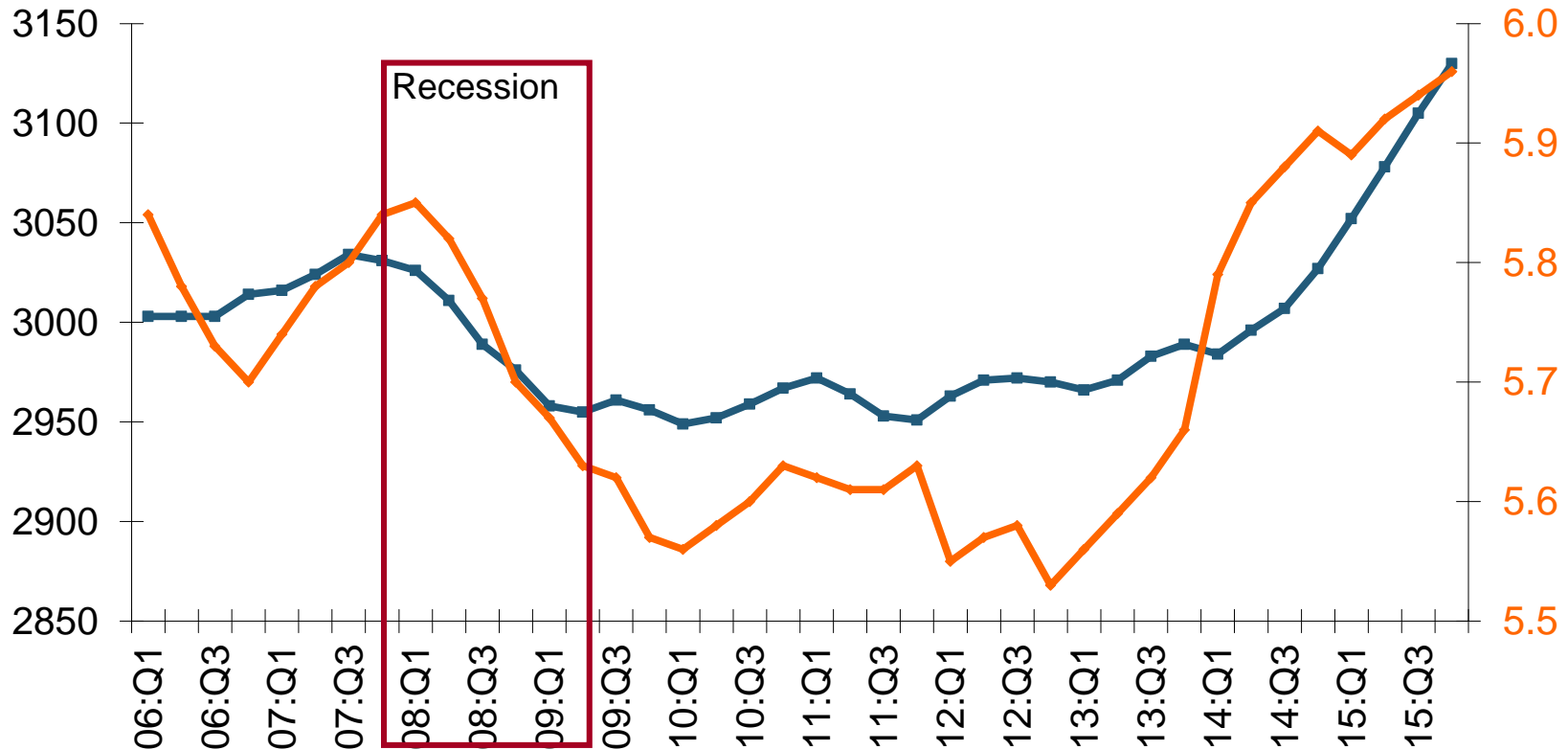
**The More Miles People Drive, the More Likely They are to Get in an Accident, Helping Drive Claim Frequency Higher.**

# More Miles Driven => More Collisions, 2006–2015:Q4

Billions of Miles Driven in Prior Year

— Miles Driven (left axis) — Collision Claim Frequency (right axis)

Overall Collision Claims Per 100 Insured Vehicles

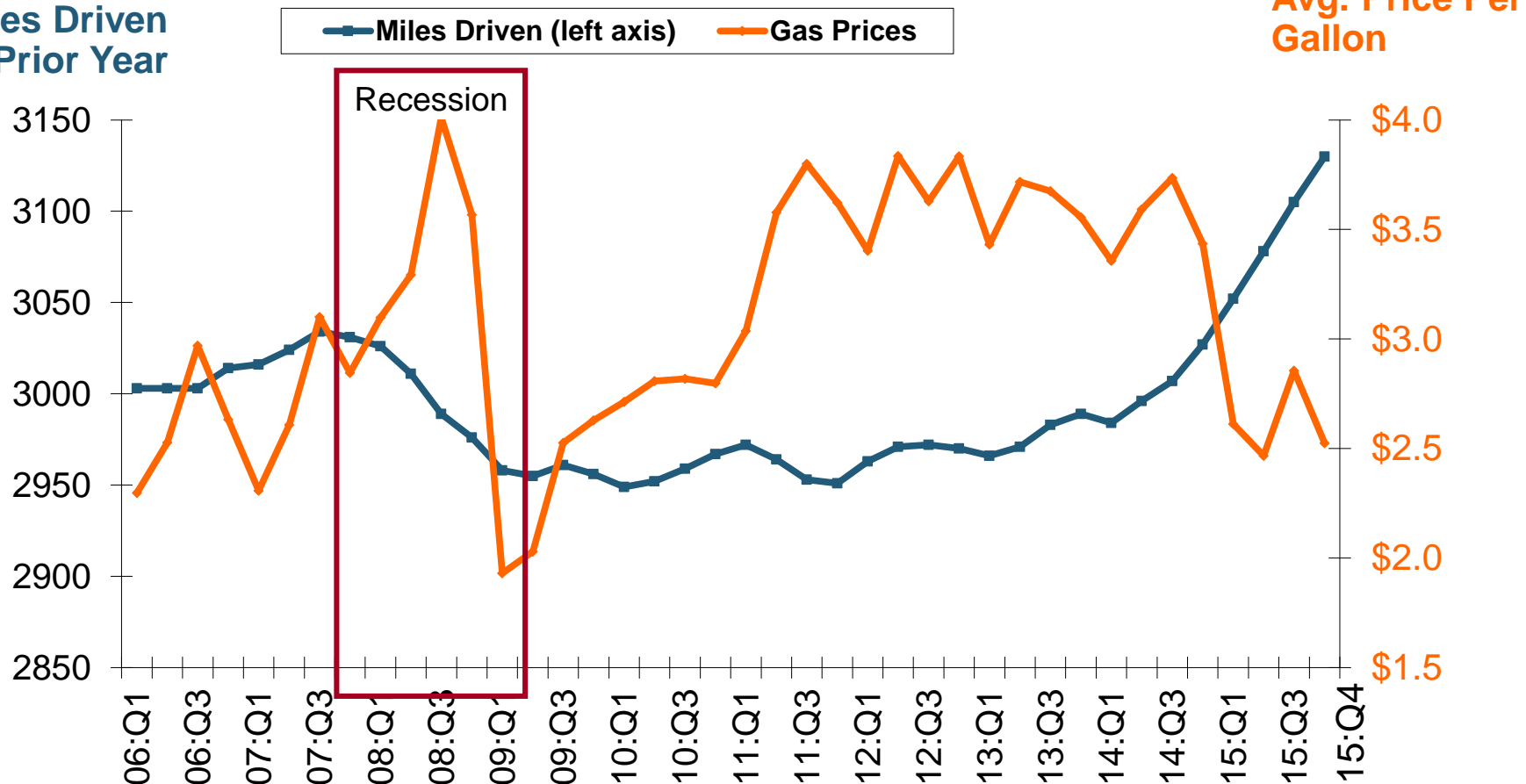


**The more miles people drive, the more likely they are to get in an accident, helping drive claim frequency higher.**

Sources: Federal Highway Administration ([http://www.fhwa.dot.gov/policyinformation/travel\\_monitoring/tvt.cfm](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?

Billions of Miles Driven in Prior Year

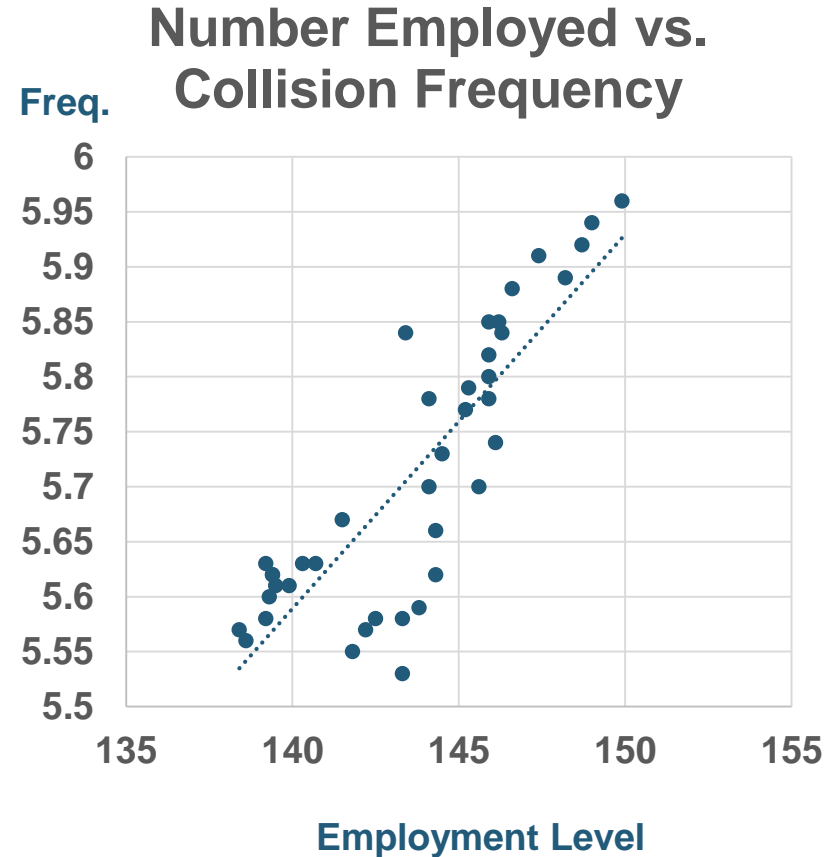
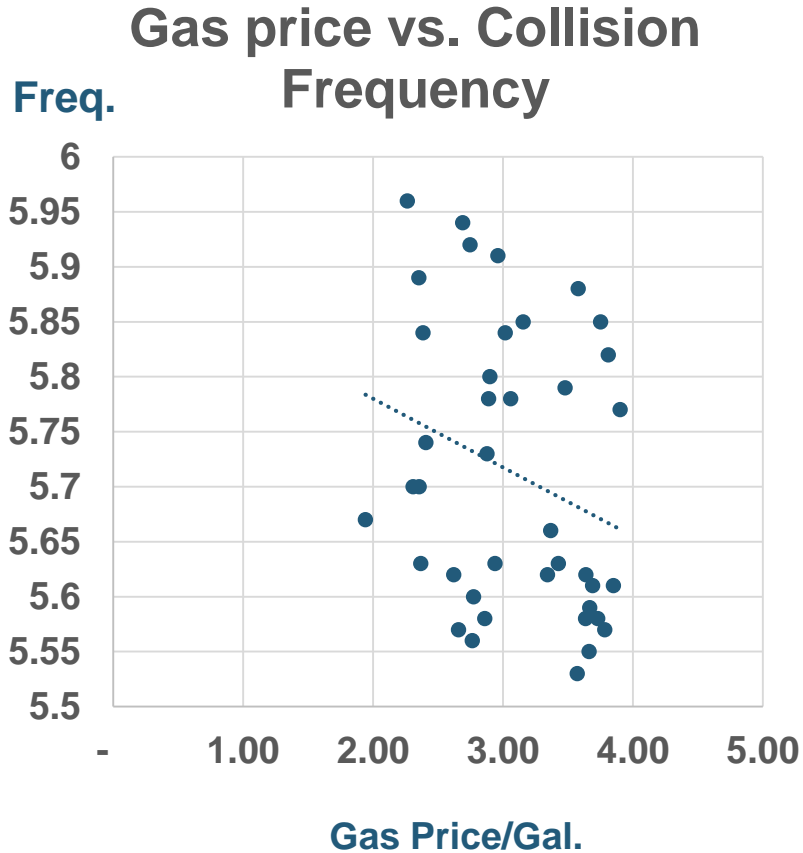


**Gas Prices Don't Seem Correlated With Miles Driven.**

Sources: Federal Highway Administration ([http://www.fhwa.dot.gov/policyinformation/travel\\_monitoring/tvt.cfm](http://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm)); [Energy Information Administration](#); Insurance Institute for Highway Safety; Insurance Information Institute.

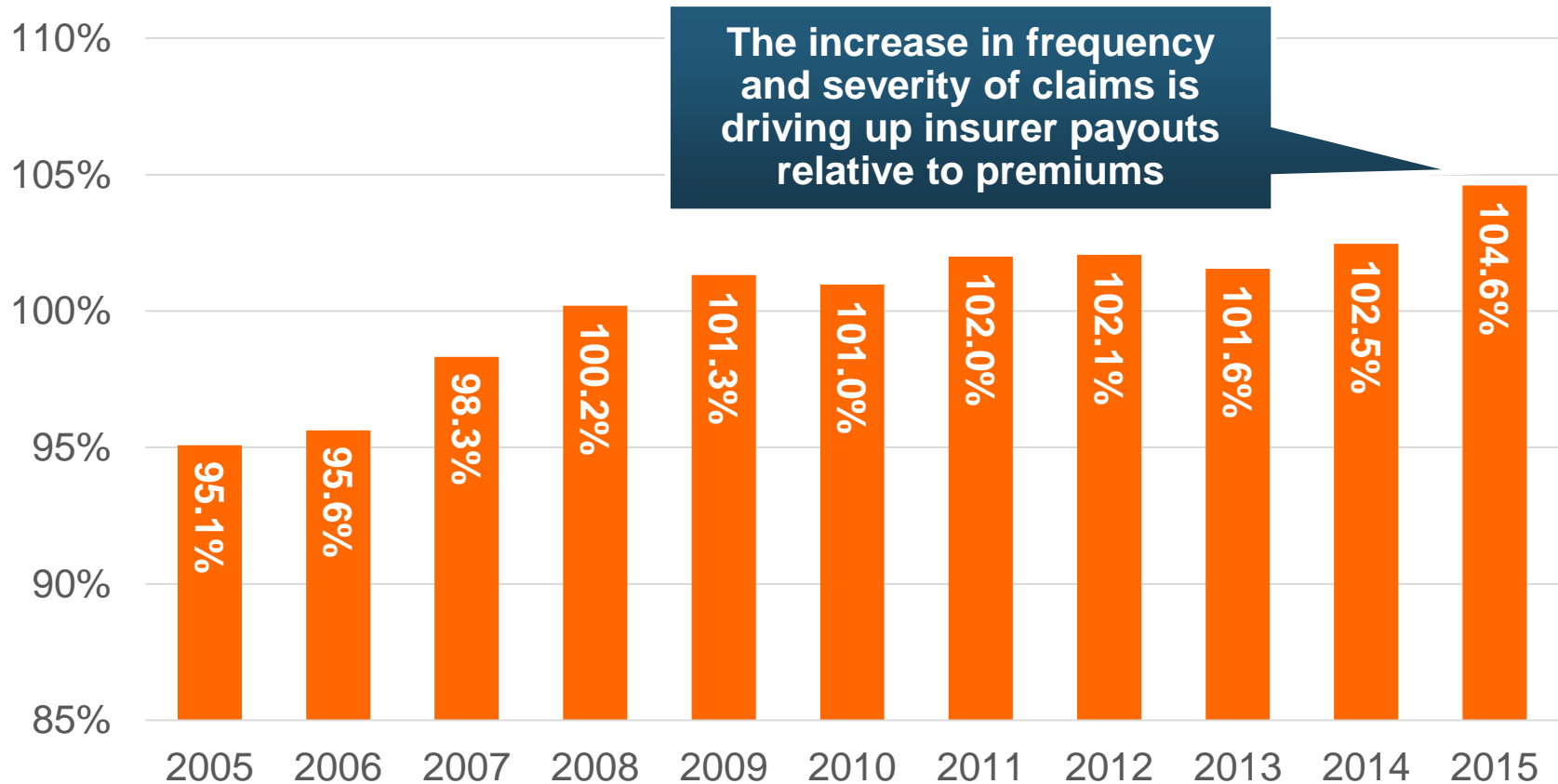


# Comparing Gas Prices, Employment on Collision Frequency



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

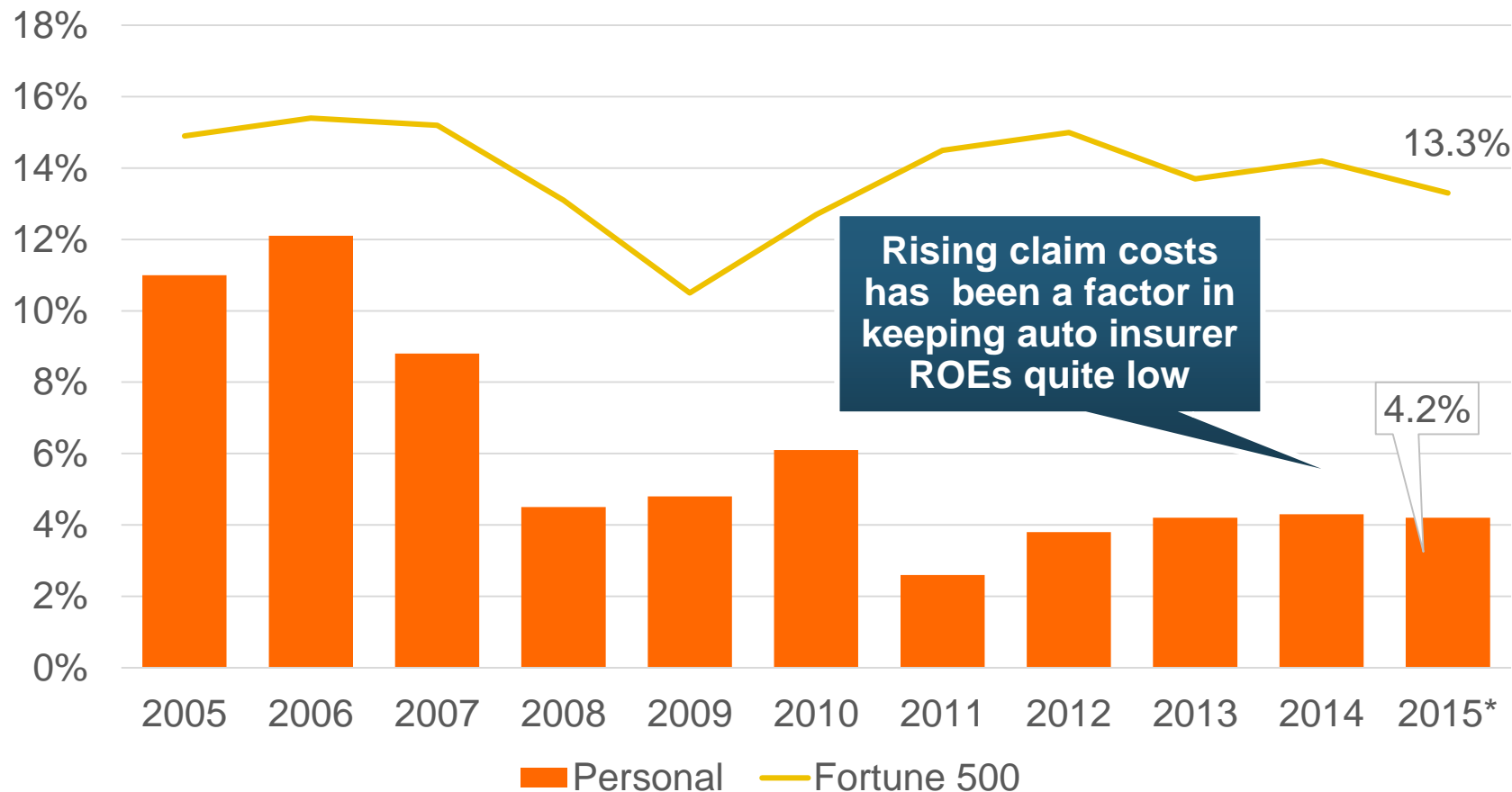
# US Pvt. Passenger Auto Net Combined Ratio, 2005-2015



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

SOURCE: National Association of Insurance Commissioners data, sourced from S&P Global Market Intelligence; Insurance Information Institute.

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



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

\*2016 Personal Auto figure is estimated.

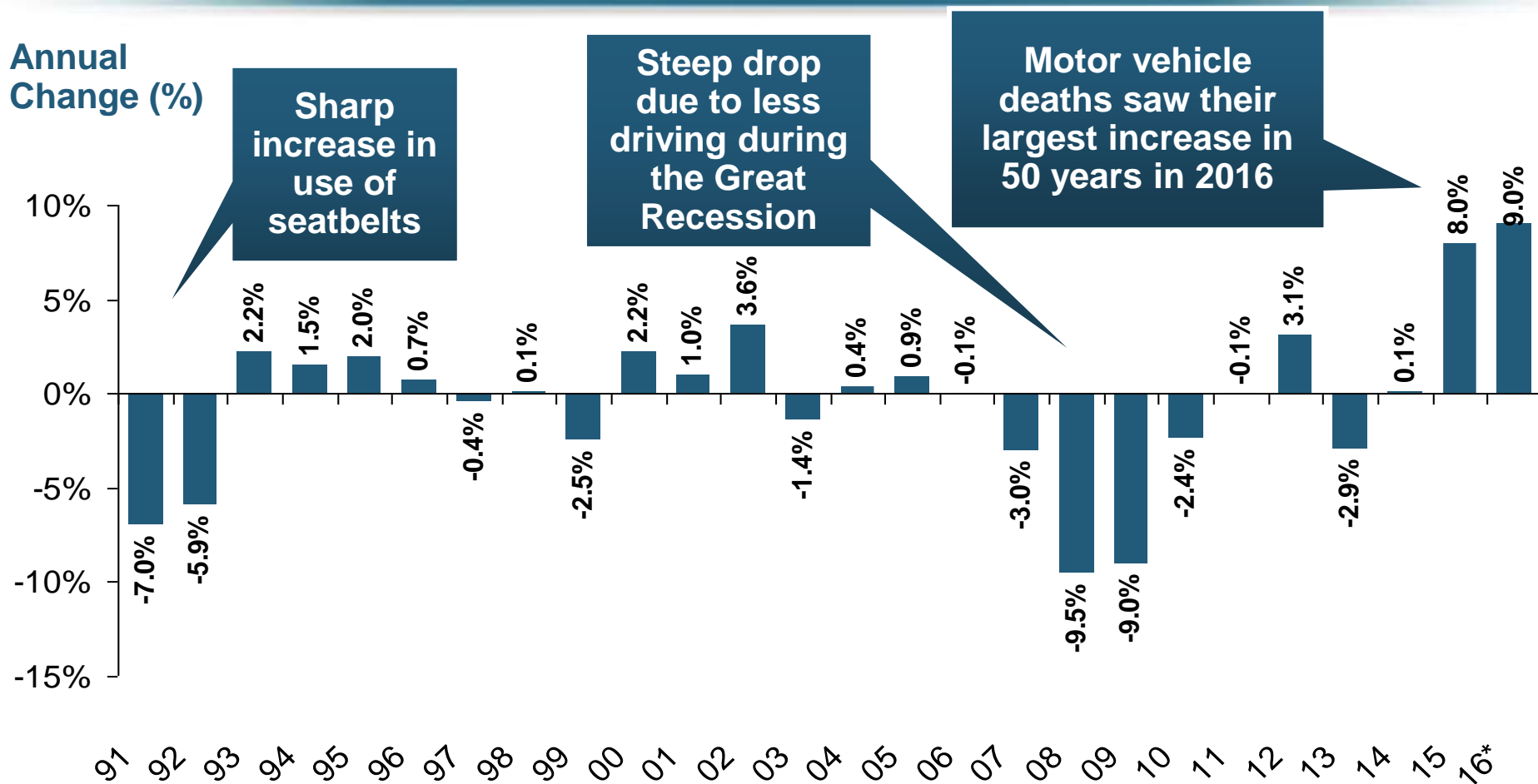
SOURCE: National Association of Insurance Commissioners.

## **Auto Fatalities Are Rising**

**Fatal Auto Accidents Are Rising  
Faster in Georgia at Nearly 3  
Times the Rate Nationally**

# U.S. Annual Change in Automobile Deaths, 1991- 2016\*

Annual Change (%)

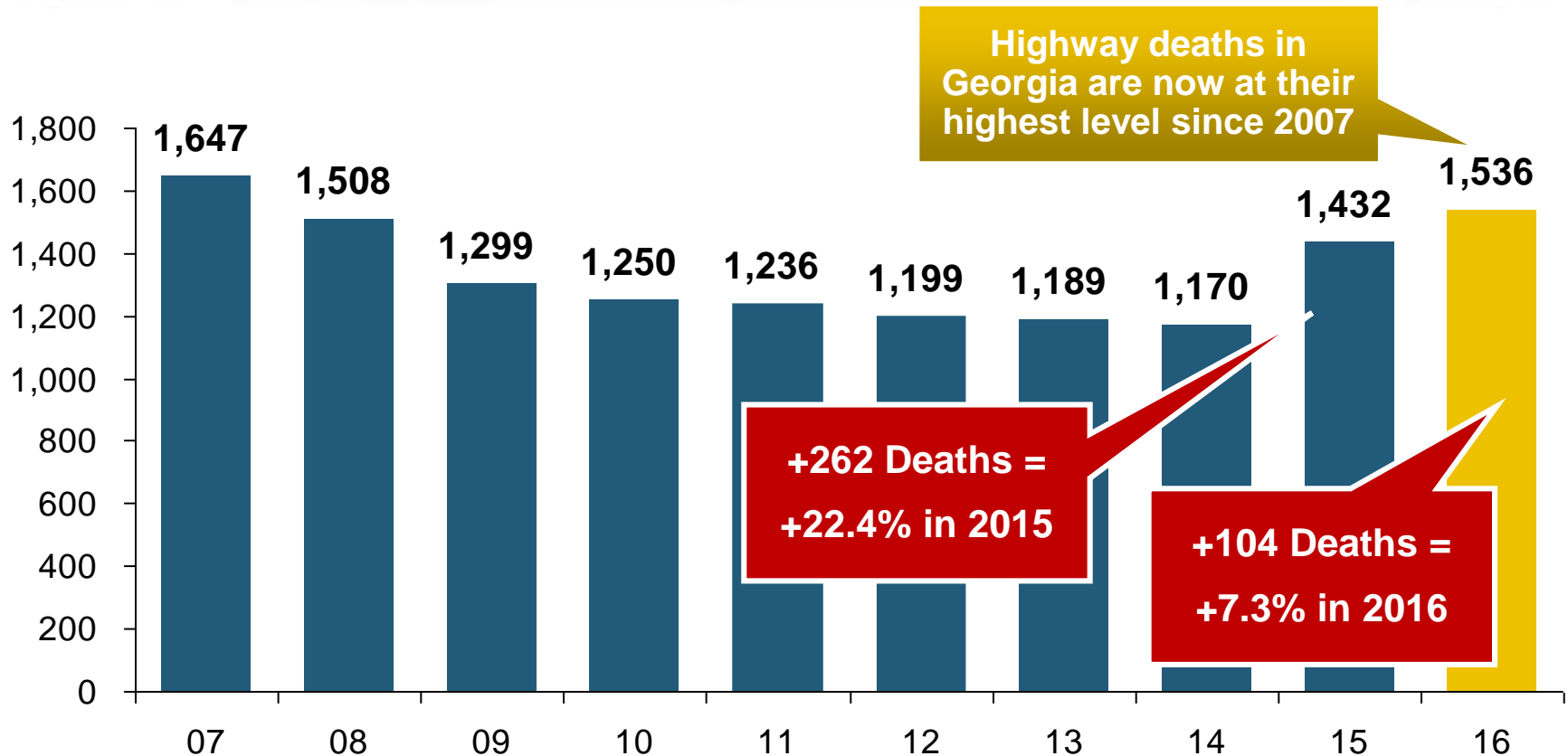


**Driving Has Been Getting Safer For Decades, But Recent Trend Is Discouraging—38,300 Deaths in 2015—and Likely More in 2016**

\*2016 data are though June 30.

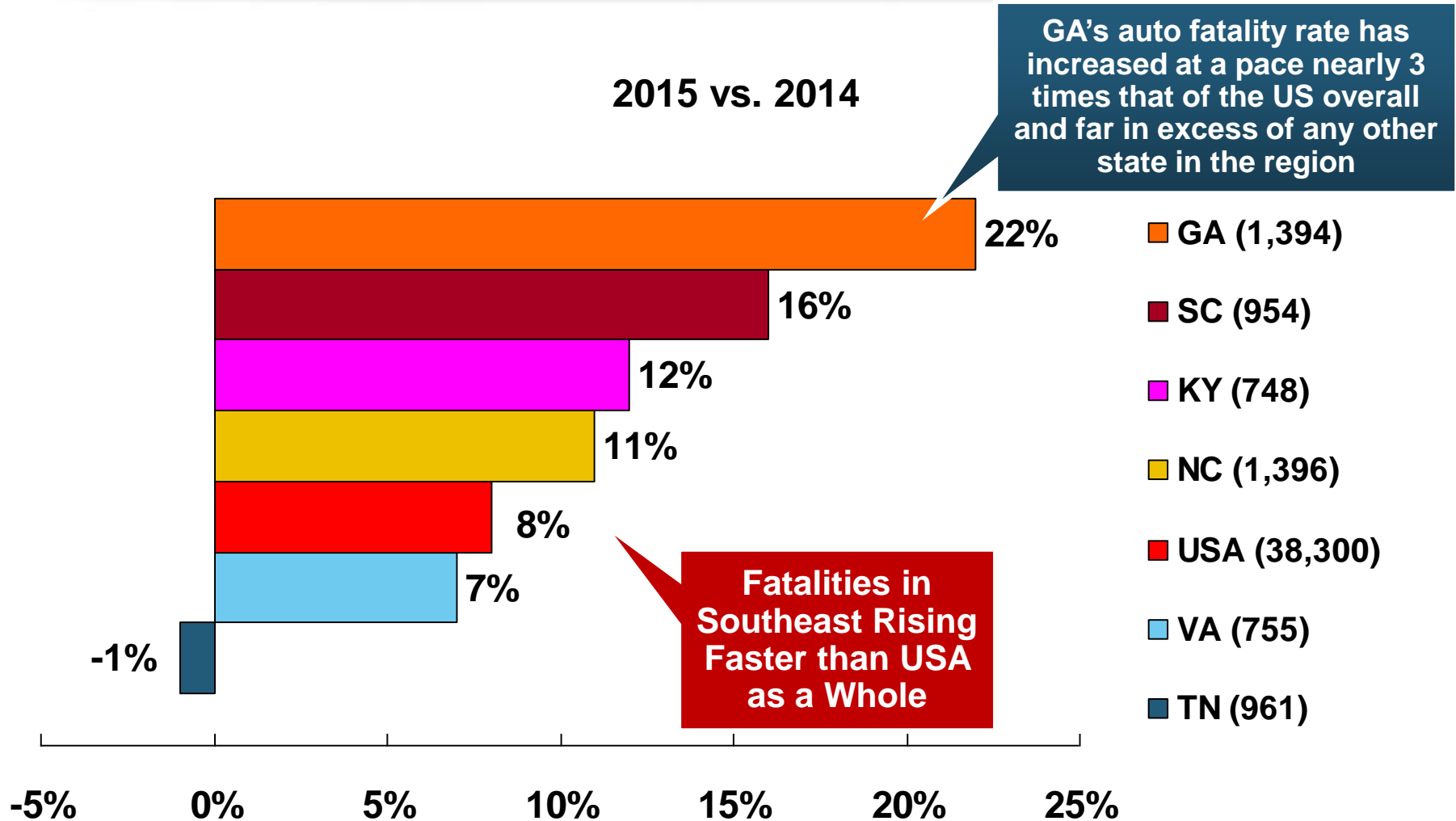
Source: National Safety Council.

# Georgia Highway Fatalities, 2007–2016



**Highway fatalities are surging in Georgia, with no end in sight**

# Change in Auto Fatalities by State: Especially Severe in Georgia

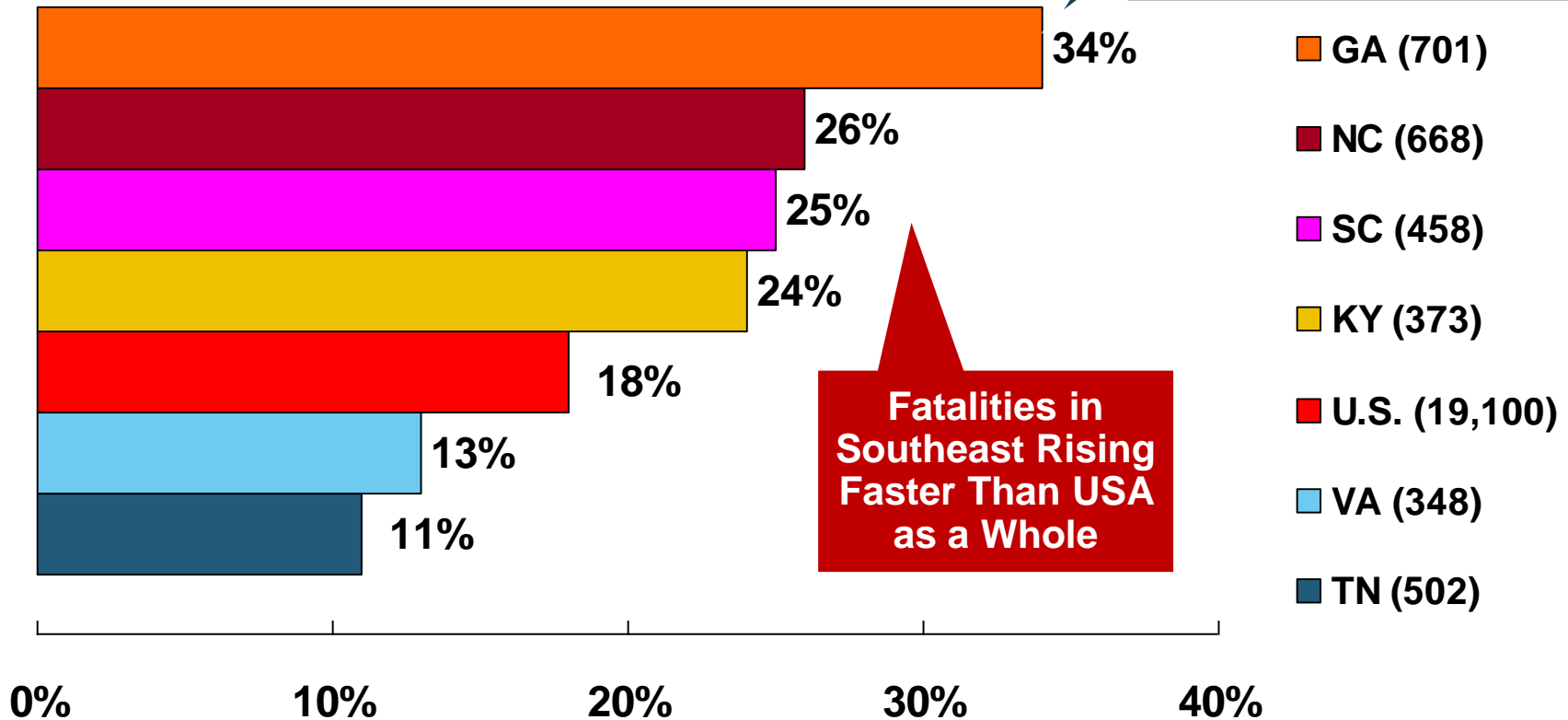


SOURCE: Estimates from National Safety Council.

# 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



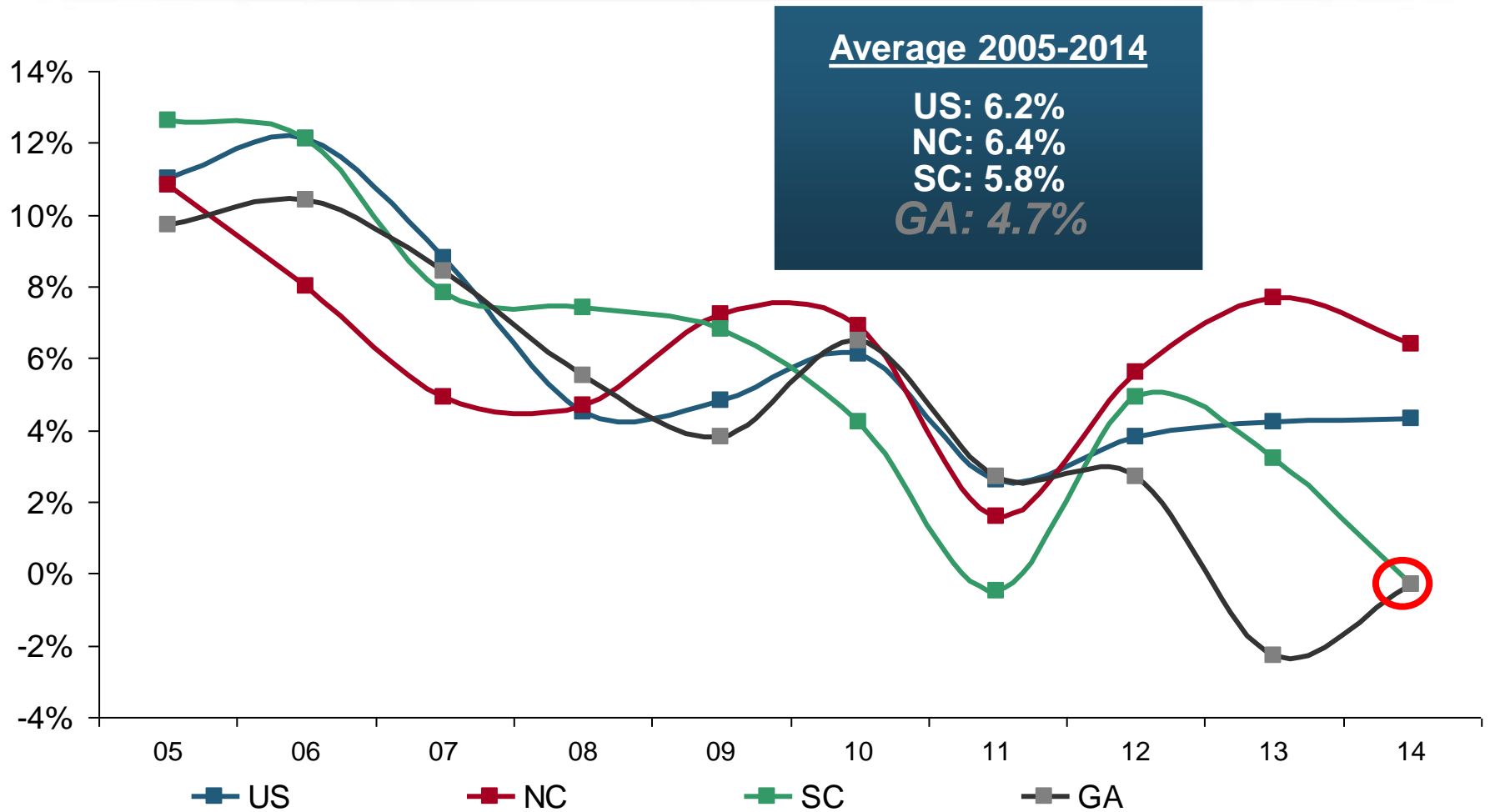




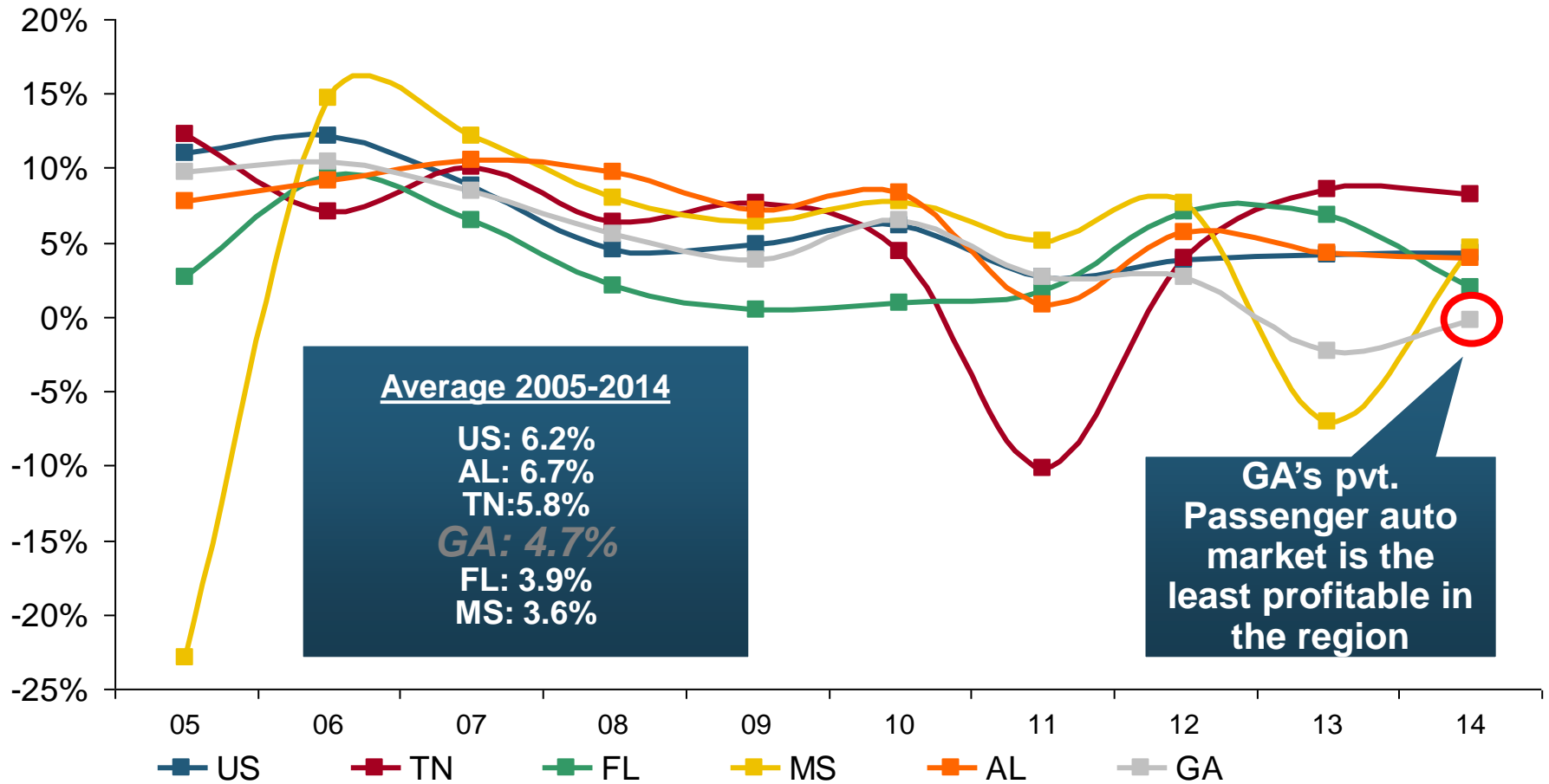
## Private Passenger Auto Profitability in Southeast States vs. US

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

# RNW PP Auto: NC, SC and GA vs. U.S., 2005-2014



# RNW PP Auto: TN, FL, MS, AL vs. U.S., 2005-2014





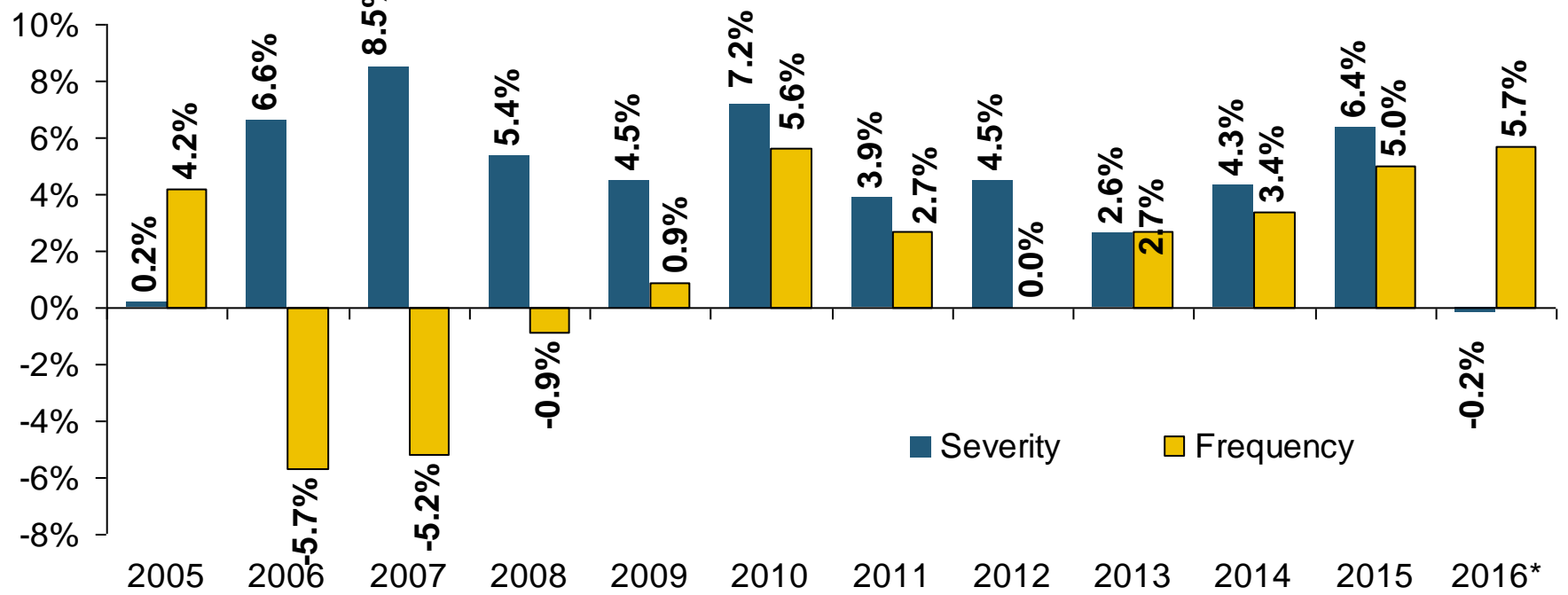
## **Private Passenger Auto Frequency & Severity Trends in Georgia vs. Southeast States and US**

# **Frequency, Severity and Loss Ratios Are Up in Georgia**

# Georgia Coverage: BI Severity & Frequency Trends Are Both Higher in Recent Years\*



Annual Change, 2005 through 2016



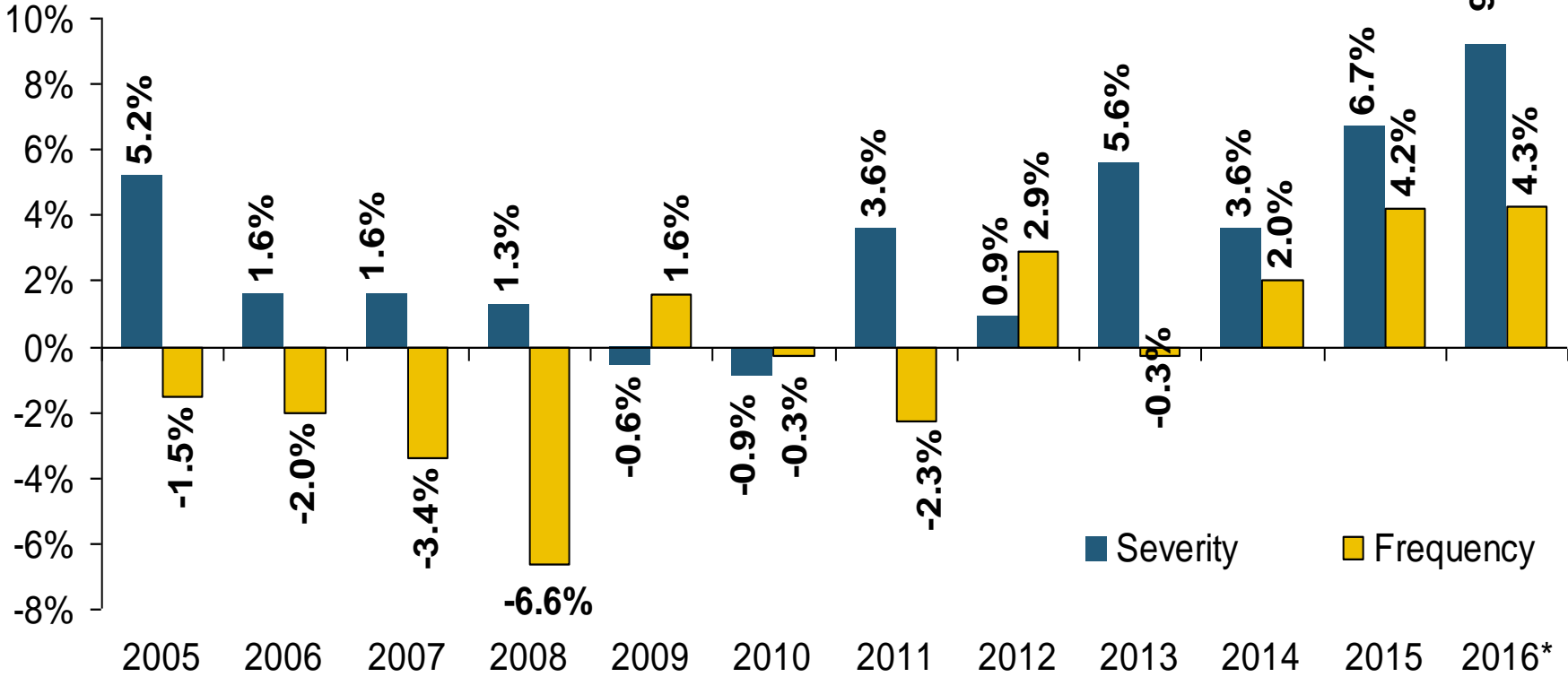
**The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries**

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

# Georgia Coverage: PD Frequency Trends Are Higher in 2014-2016\*



Annual Change, 2005 through 2016\*

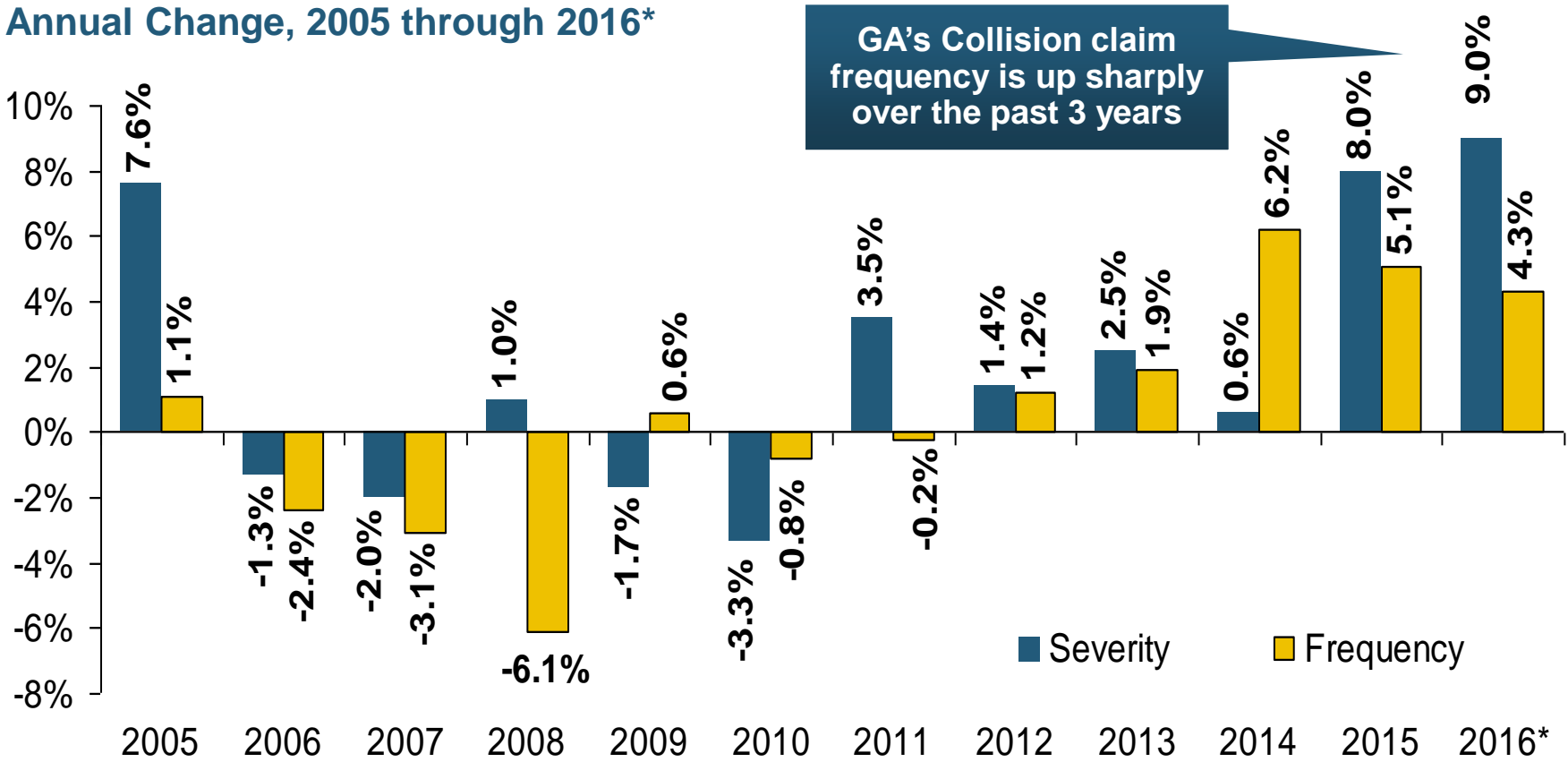


**The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries**

\*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\*



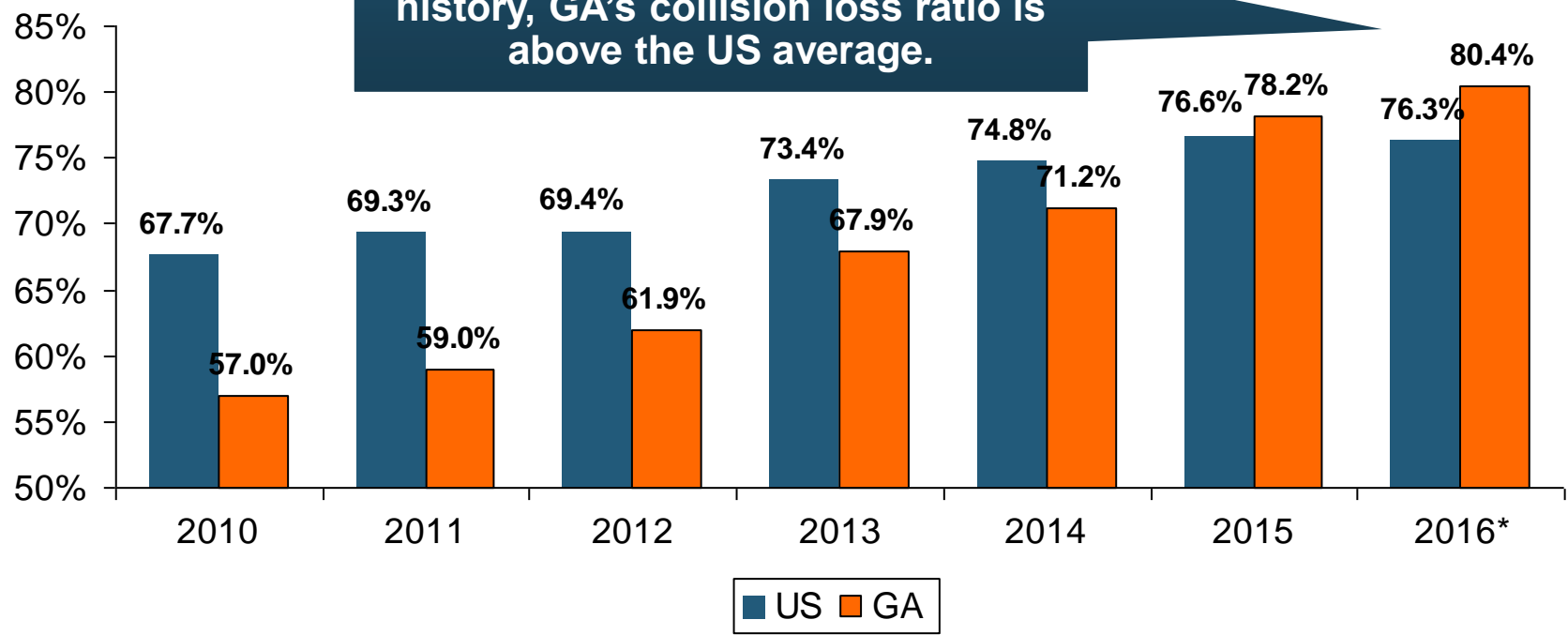
**The Recession, High Fuel Prices Helped Temper Frequency and Severity, But this Trend Has Clearly Reversed, Consistent with Experience from Past Recoveries**

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

# Collision Loss Ratio Trending Upward: Pvt. Passenger Auto, GA vs. US, 2010 – 2016\*

**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.**

Loss Ratio



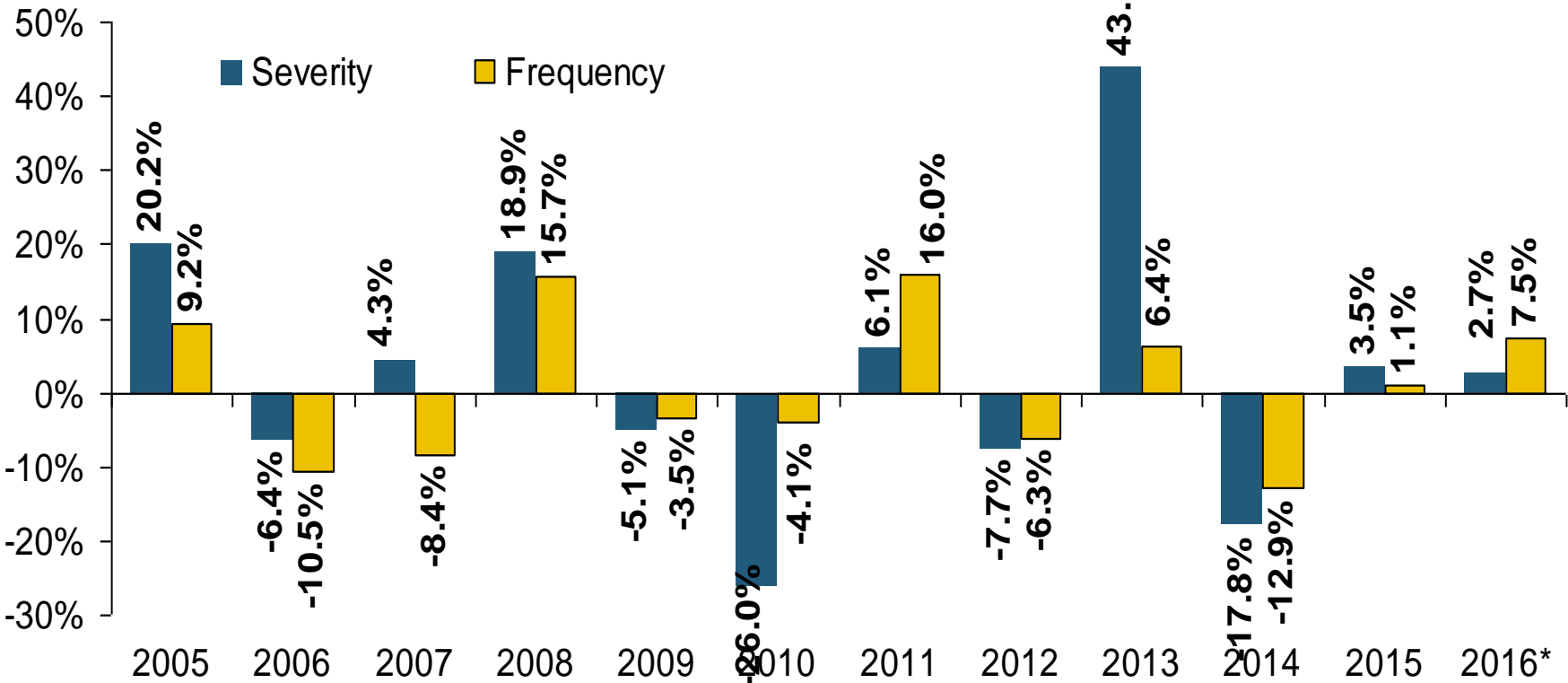
**Collision Loss Ratios are Rising Much Faster in Georgia than the US Overall**

\*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

## DEKALB COUNTY:

STATE ROUTE	FROM	MILE POINT	TO	MILE POINT	LENGTH IN MILES	SPEED LIMIT
402 (I-20)	0.34 mi. east of SR 155 / Candler Road "Overpass"	65.98	<u>Snappfinger</u> Creek	70.09	4.11	55 65
402 (I-20)	<u>Snappfinger</u> Creek	70.09	Rockdale County Line	77.35	7.26	65 70
403 (I-85)	0.51 mi. north of SR 42 / North Druid Hills Road "Overpass"	90.05	Gwinnett County Line	97.38	7.33	55 65
413 (I-675)	Cedar Grove Road "Overpass"	9.14	SR 407 (I-285)	11.04	1.90	55 65

Speed limits are up all around the densely populated metro Atlanta area—to as high as 70 mph in some areas

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

CREDIT: TASNIM SHAMMA / WABE

## COBB COUNTY:

STATE ROUTE	FROM	MILE POINT	TO	MILE POINT	LENGTH	SPEED LIMIT
401 (I-75)	Fulton County Line (N. Atlanta City Limits)	257.63	0.15 mi. south of Terrell Mill Road	260.54	2.91	55 65
402 (I-20)	Douglas County Line	44.76	Factory Shoals Road "Overpass"	45.97	1.21	65 70

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

CREDIT: TASNIM SHAMMA / WABE

## CLAYTON COUNTY:

STATE ROUTE	FROM	MILE POINT	TO	MILE POINT	LENGTH	SPEED LIMIT
401 (I-75)	Holiday Blvd. "Underpass"	234.18	Fulton County Line (S. Atlanta City Limits)	239.56	5.38	55 65
403 (I-85)	Fulton County Line	70.82	Fulton County Line	72.18	1.36	55 65

GDOT will increase speed limits in Clayton County.

CREDIT: TASNIM SHAMMA / WABE

# Higher Speed Limits in Many Parts of Georgia

## GWINNETT COUNTY:

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

Speed limits are up all around the densely populated metro Atlanta area—to as high as 70 mph in some areas

## DOUGLAS COUNTY:

STATE ROUTE	FROM	MILE POINT	TO	MILE POINT	LENGTH	SPEED LIMIT
402 (I-20)	South Baggett Road	31.62	Bright Star Road "Overpass" (W. Douglasville City Limits)	33.57	1.95	65 70
402 (I-20)	Bright Star Road "Overpass" (W. Douglasville City Limits)	33.57	0.04 mi. west of Burnt Hickory Road "Overpass" (E. Douglasville City Limits)	38.37	4.80	65 70
402 (I-20)	0.04 mi. west of Burnt Hickory Road "Overpass" (E. Douglasville City Limits)	38.37	Cobb County Line	44.76	6.39	65 70

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

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

## ROCKDALE COUNTY:

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

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



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

***Is Society Too Complacent About  
Highway Deaths and Injuries?***

# Summary of Georgia's Rapid Rise in Auto Accident Frequency, Severity & Fatalities

- **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**

Insurance Information Institute Online:

[www.iii.org](http://www.iii.org)

*Thank you for your time  
and your attention!*

*Twitter: [twitter.com/bob\\_Hartwig](https://twitter.com/bob_Hartwig)*

*Download at [www.iii.org/presentations](http://www.iii.org/presentations)*