



**INSURANCE
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Auto Insurance Trends Nationwide and in N.J.

Insurance Council of New Jersey, Monroe Township, NJ
October 14, 2016

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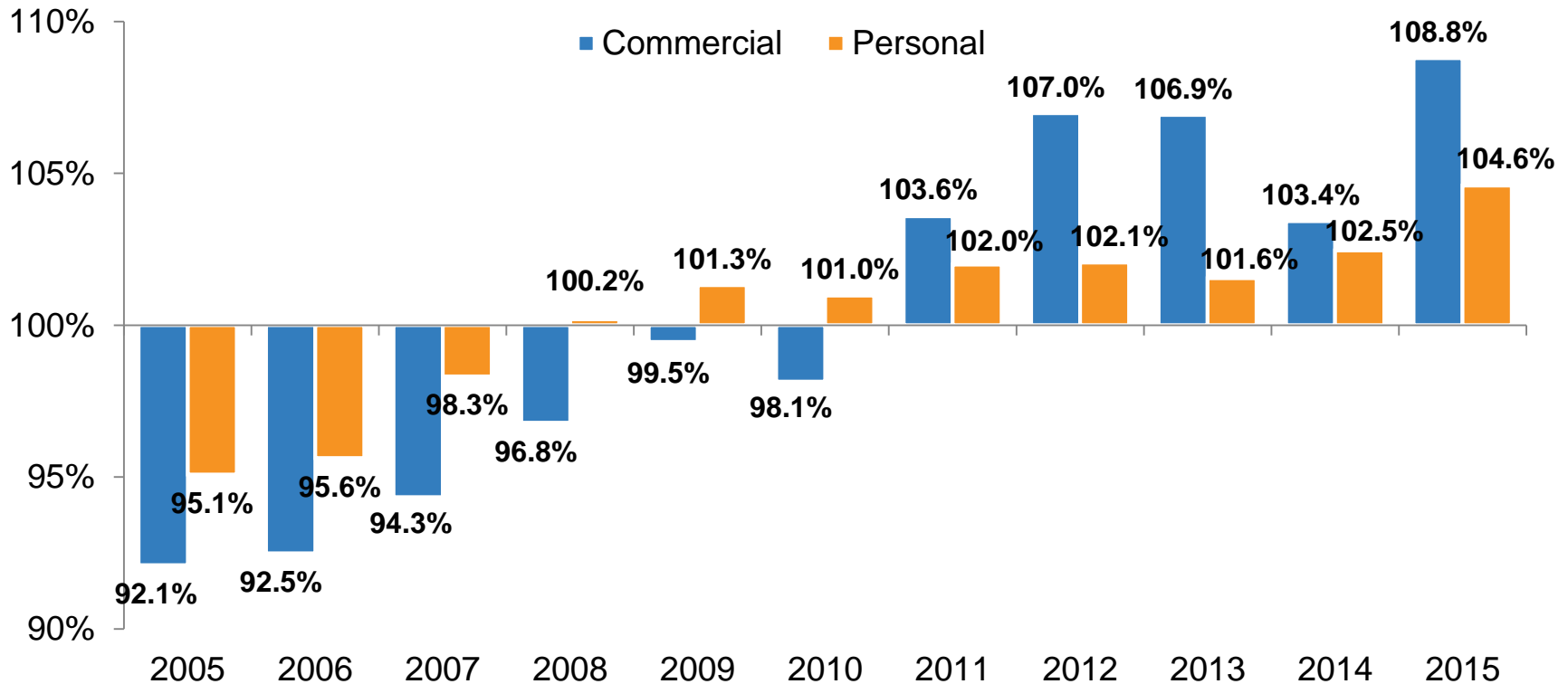
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Auto Insurance

Rising Frequency, Severity Pinching
the Largest P/C Line

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.

P/C Direct Incurred Loss Ratio by LOB

LOB	2016	2015	Chg From Year Earlier
Personal Auto Liab	72	68	4
Homeowners	56	55	1
PhysDam (PA, CA)	67	64	3
GL (incl Products)	52	51	1
WC	54	59	(5)
Fire & Allied Lines	56	55	1
CMP	51	48	3
Comm Auto Liab	64	62	3
Other	44	42	2
Total	59	57	2

**Positive Number =
Bad News**

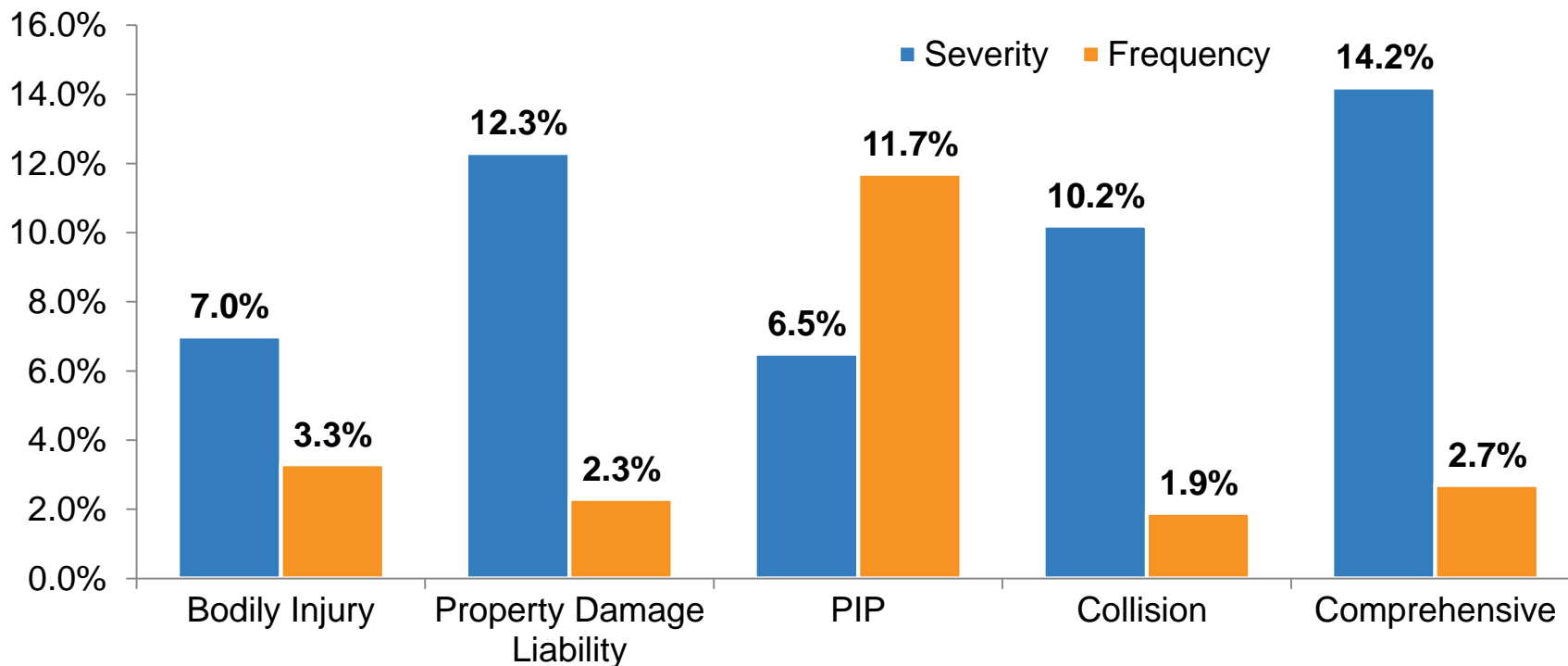


Through second quarter 2016.

Sources: NAIC data from S&P Global Intelligence, Insurance Information Institute.

Why Personal Auto Loss Ratios are Rising: Severity & Frequency by Coverage, 2016 vs. 2014

Annual Change, 2016 Over 2014*



Across All Personal Coverage Types Frequency And Severity Are Rising. This Pattern Is Continuing In 2016.



*Four quarters ending in June.

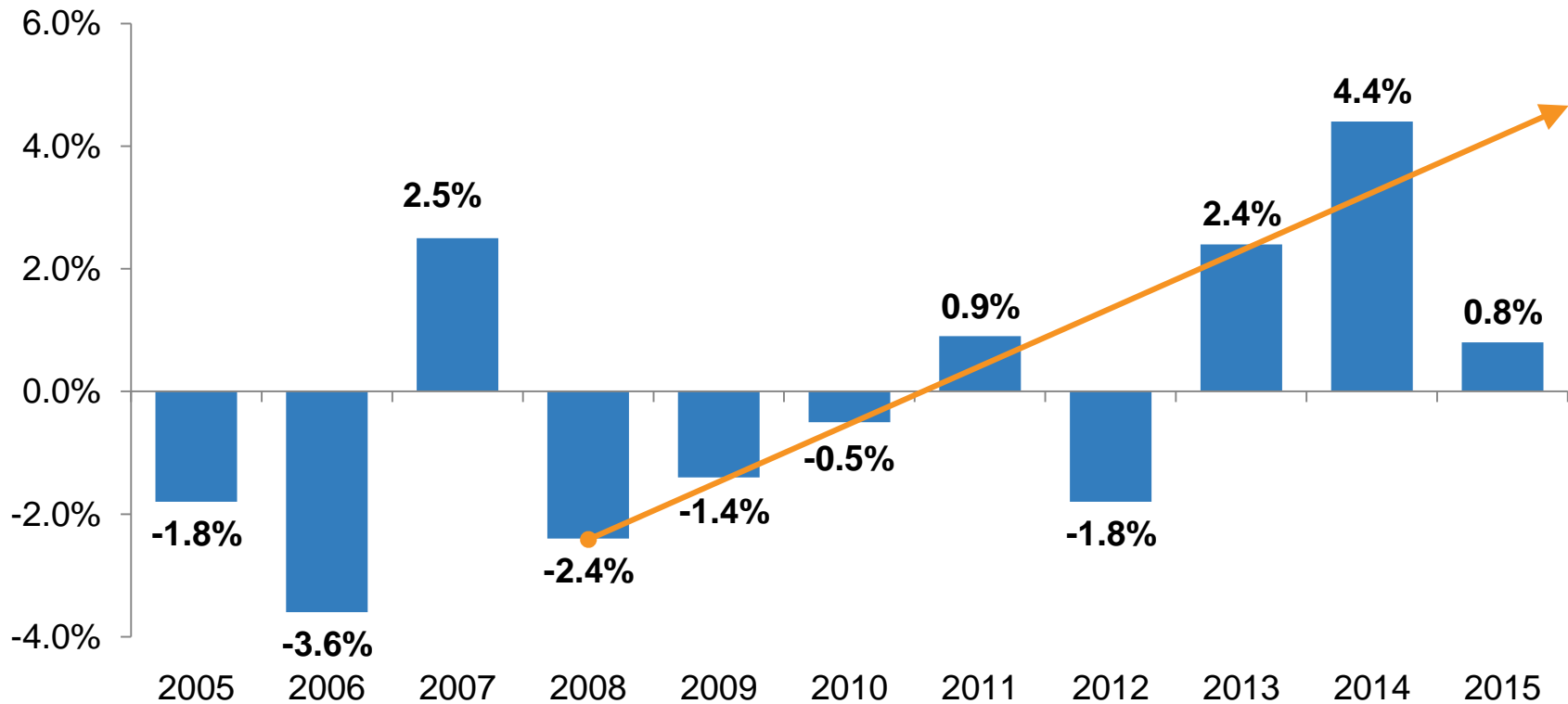
Source: ISO, a Verisk Analytics company; Insurance Information Institute.

Claim Trends by Coverage

Focus on Collision

Collision Claims: Frequency Trending Higher in 2015

Annual Change, 2005 through 2015



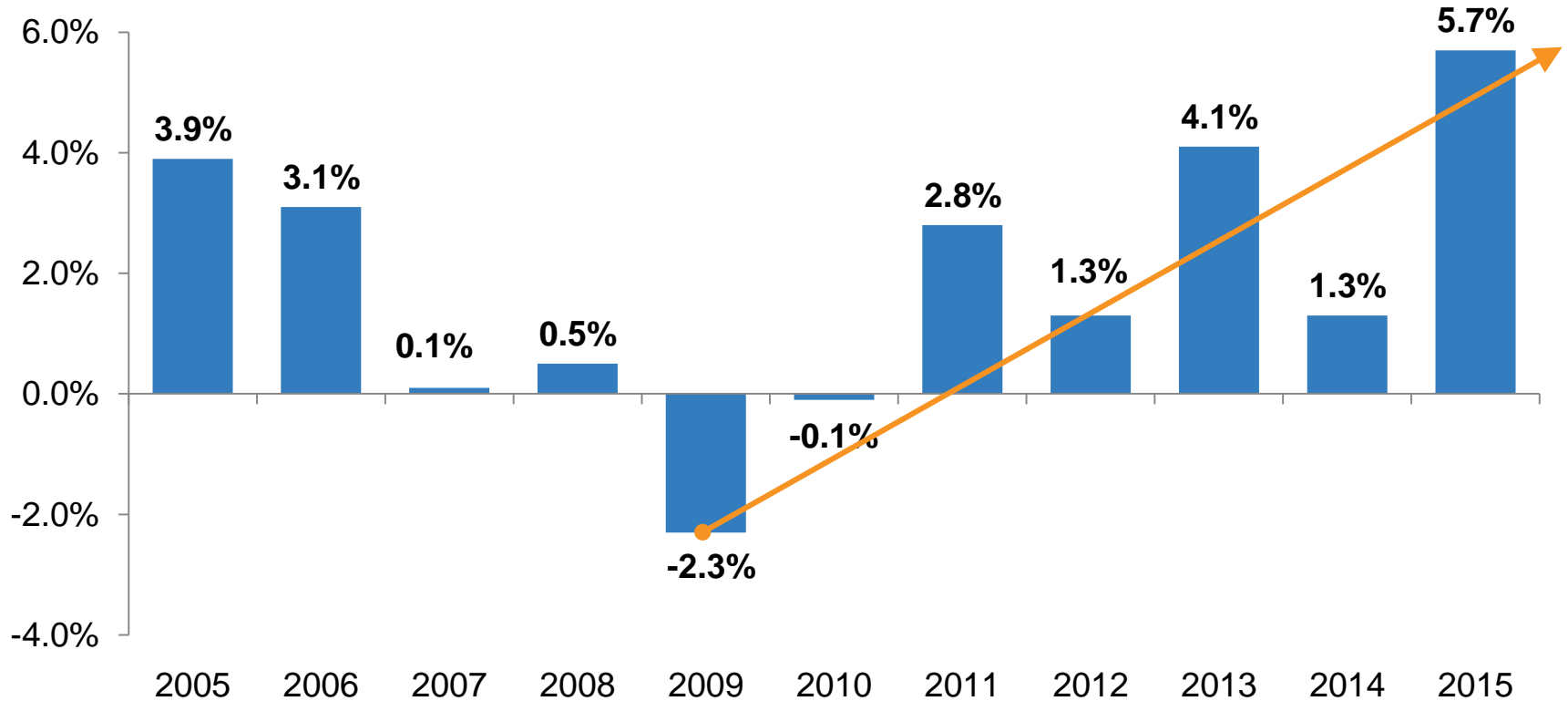
**For a Long Time, Claim Frequency Was Falling,
But Since 2010 This Trend Seems to Have Reversed.**



Source: ISO, a Verisk Analytics company; Insurance Information Institute.

Collision Claims: Severity Trending Higher in 2009-2015

Annual Change, 2005 through 2015



The Great Recession and High Fuel Prices Helped to Temper Claim Severity, But These forces Have Clearly Reversed, Consistent with Experience from Past Recoveries.



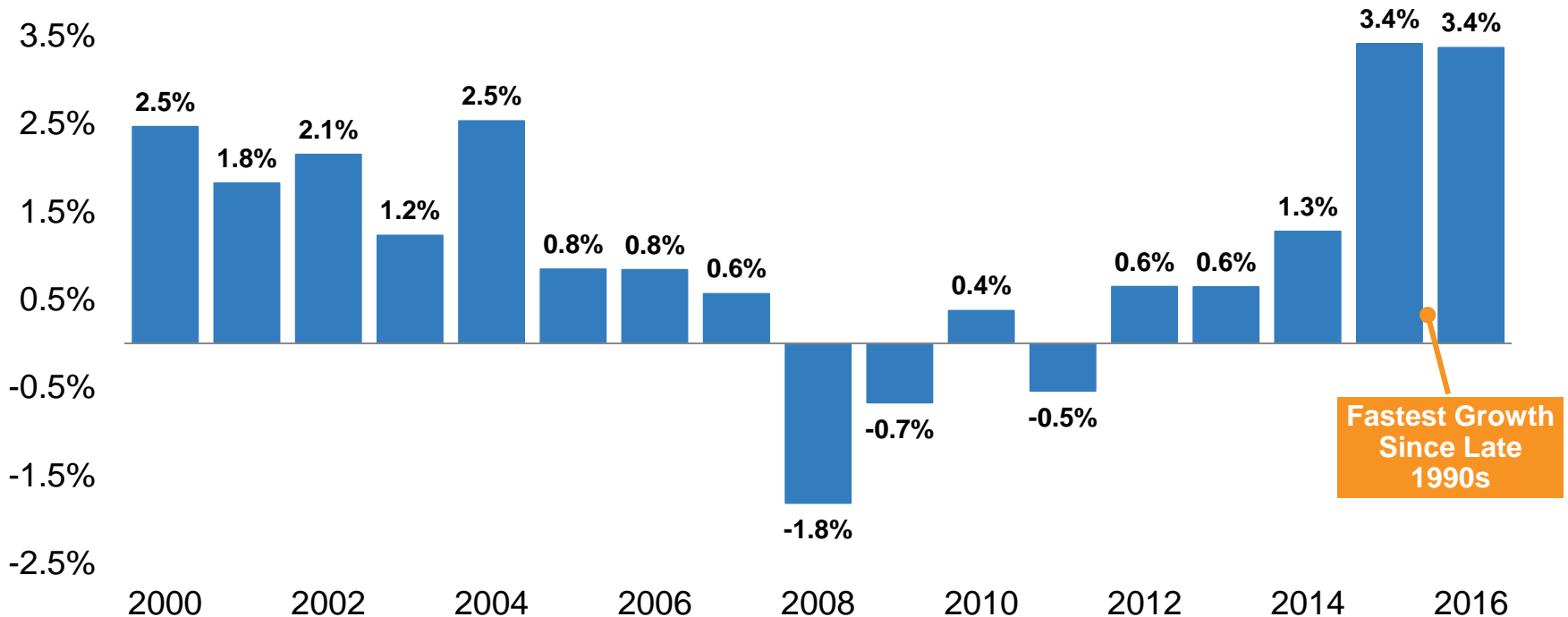
Source: ISO, a Verisk Analytics company; Insurance Information Institute.

What's Driving These Trends?

Frequency; Severity

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.

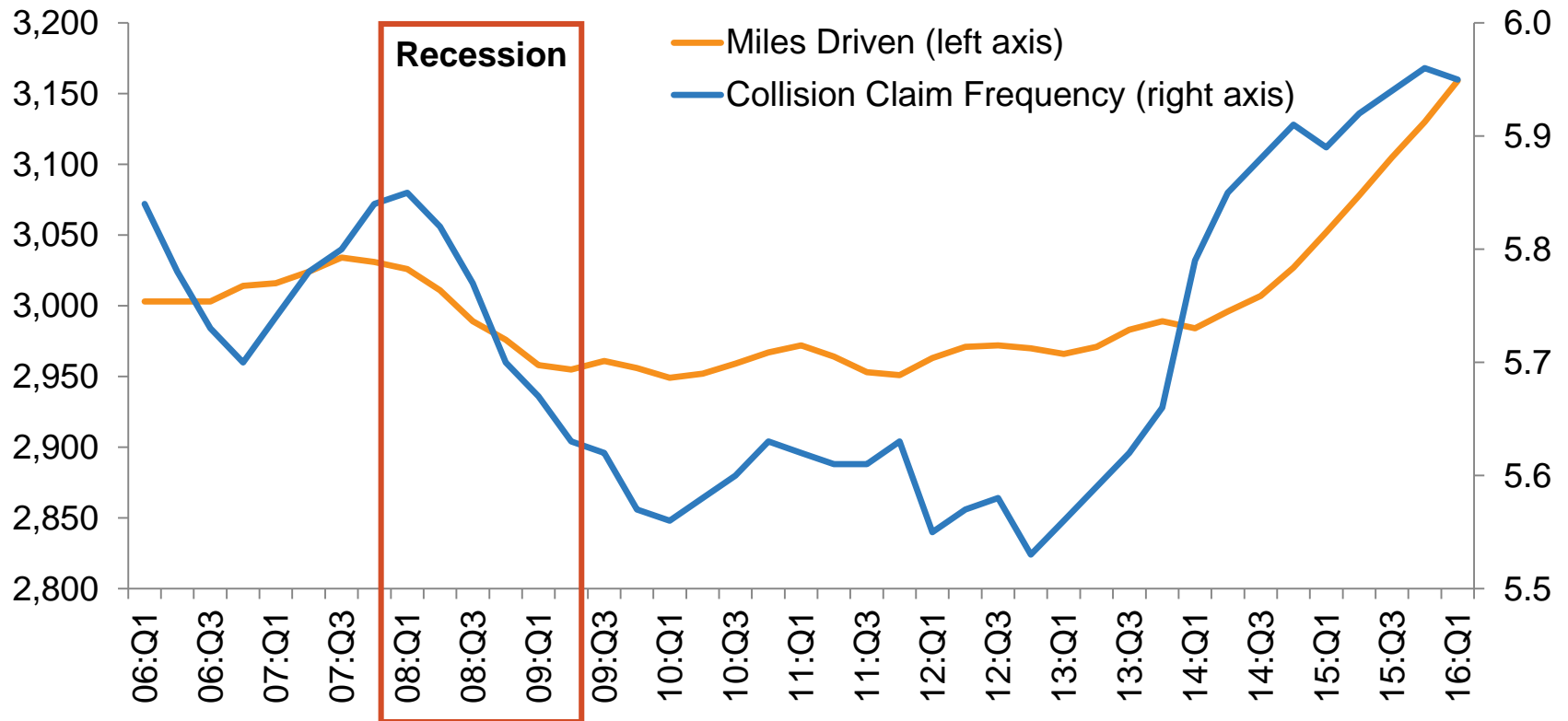


*2000-2015: Moving 12-month total vs. prior year. 2016 data through May 2016, the latest available, vs. May 2015.
Sources: [Federal Highway Administration](#); National Bureau of Economic Research (recession dates); Insurance Information Institute.

More Miles Driven => More Collisions, 2006-2016

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.

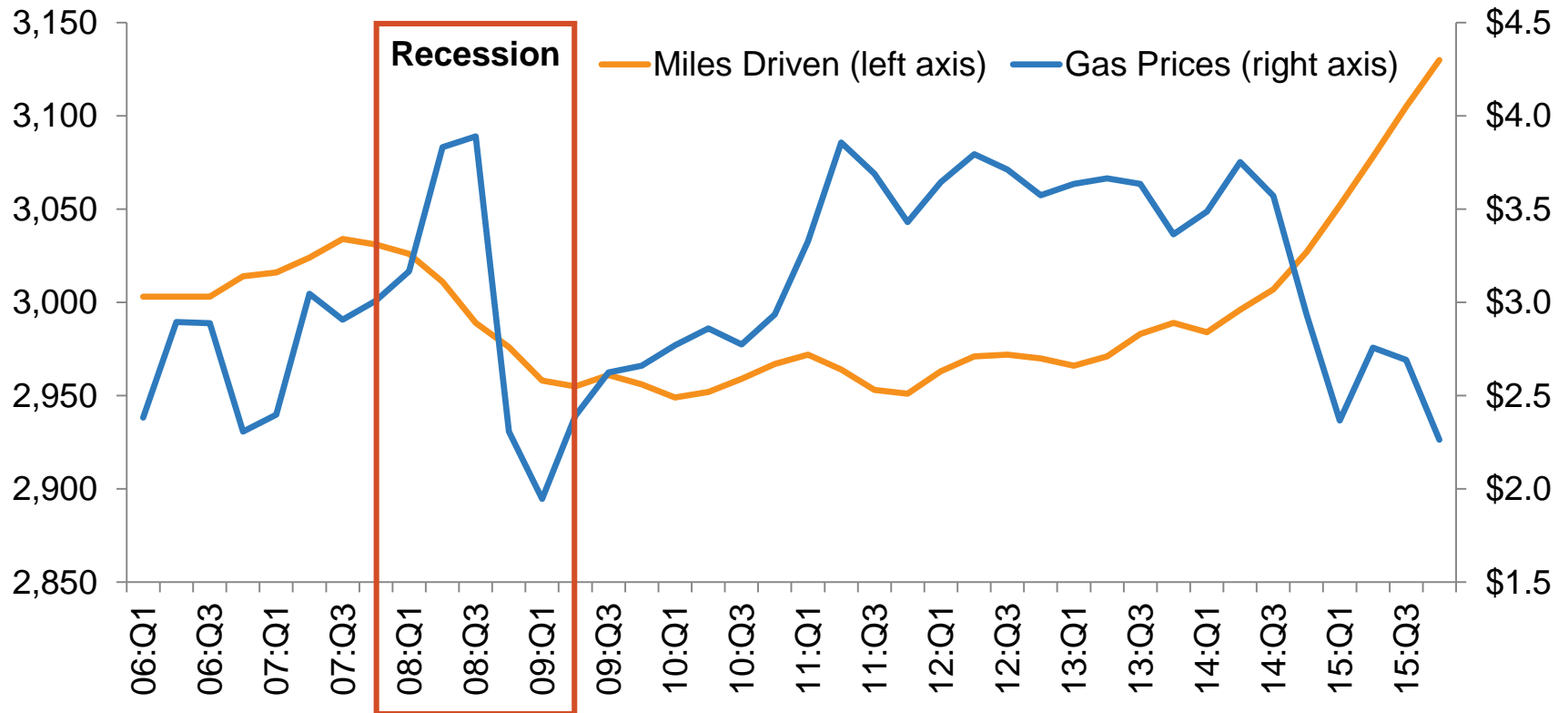


Sources: [Federal Highway Administration](#); Rolling four-quarter average frequency from ISO, a Verisk Analytics company; Insurance Institute for Highway Safety; Insurance Information Institute.

Why Are People Driving More Miles? Cheap Gas?

Billions of Miles Driven in Prior Year

Average Price Per Gallon



Gas Prices Don't Seem Correlated With Miles Driven.

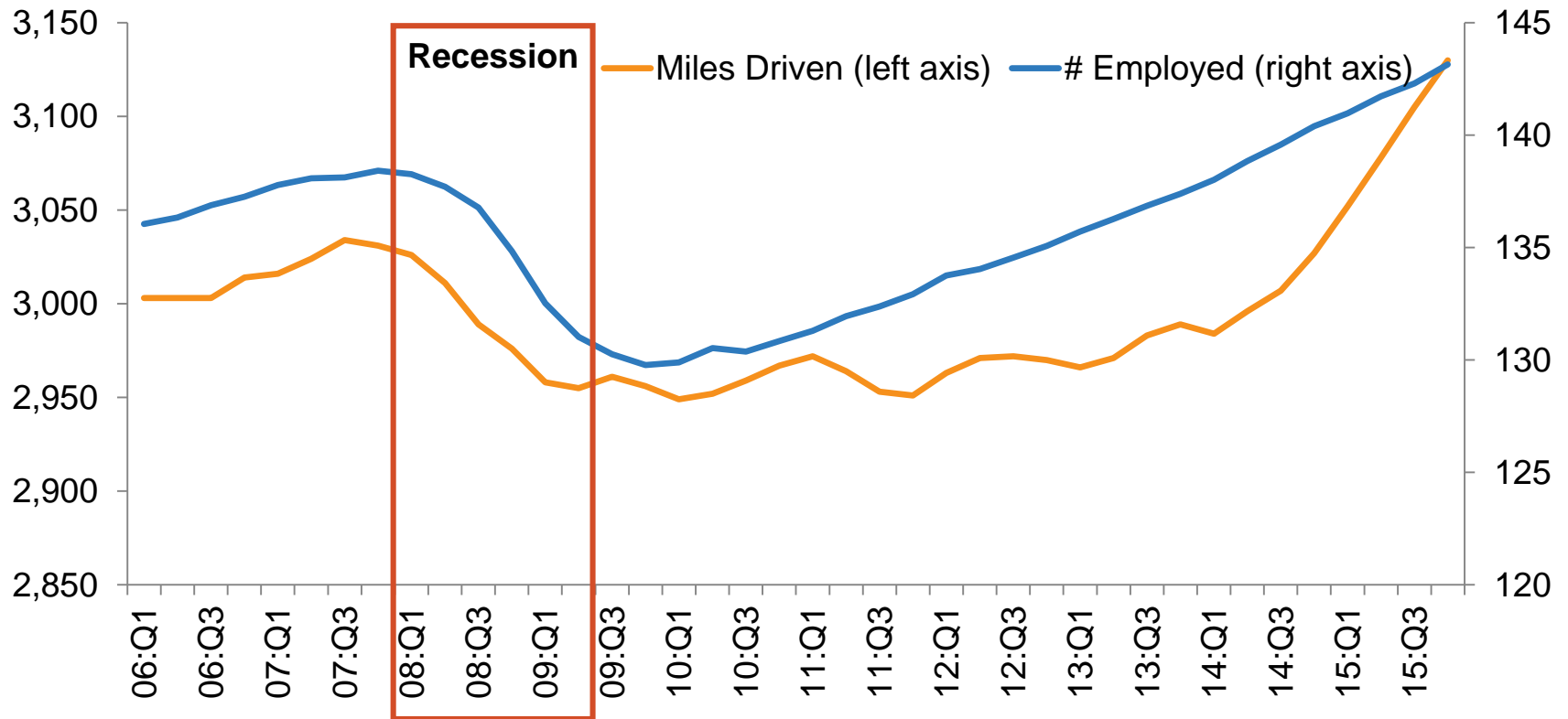


Sources: [Federal Highway Administration](#); Energy Information Administration; Insurance Institute for Highway Safety; Insurance Information Institute.

Why Are People Driving More Miles? Jobs?

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.**



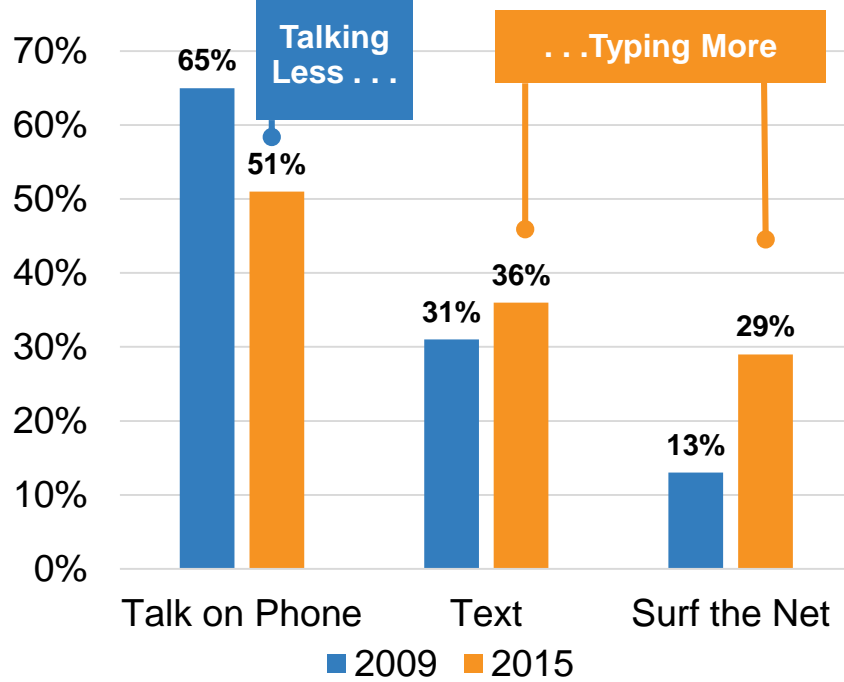
Sources: [Federal Highway Administration](#); Seasonally Adjusted Employed from Bureau of Labor Statistics; Insurance Institute for Highway Safety; Insurance Information Institute.

What About Distractions?

It's A Problem. Is It Growing?

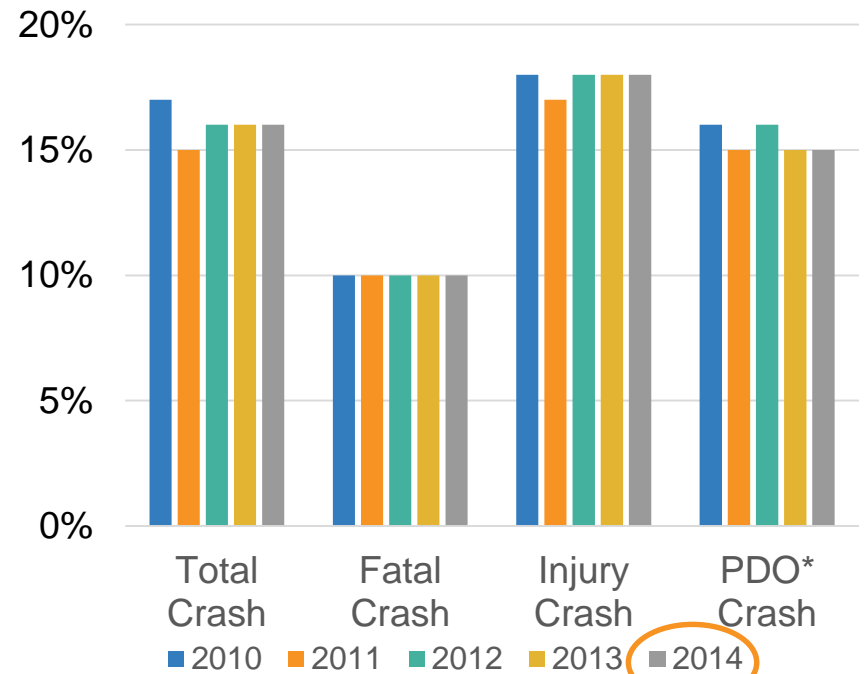
What We Do Behind The Wheel

Percentage of Drivers Who . .



But Impact Is Not Clear

Percentage of Crashes Involving Distraction



Most Recent Year

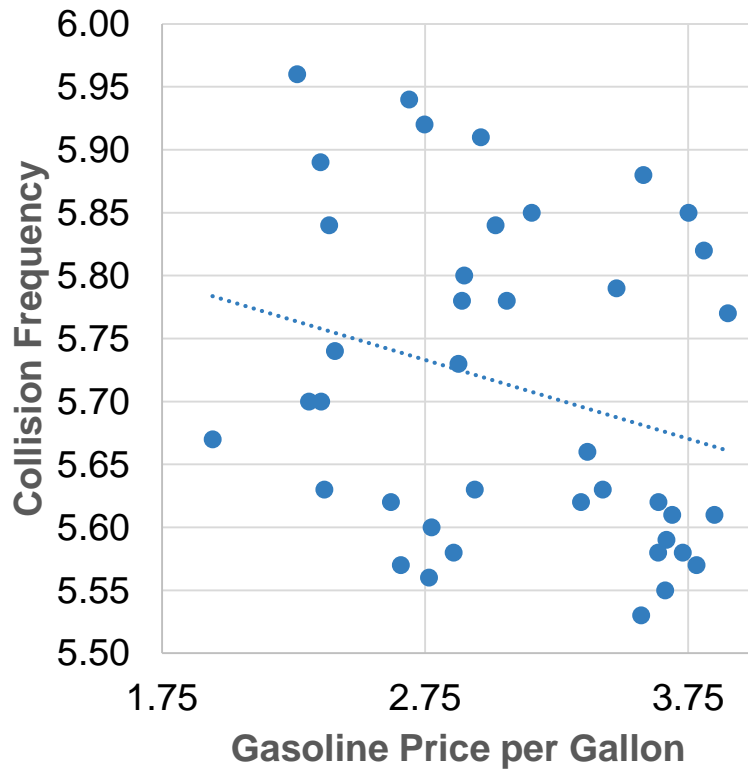


* Property Damage Only.

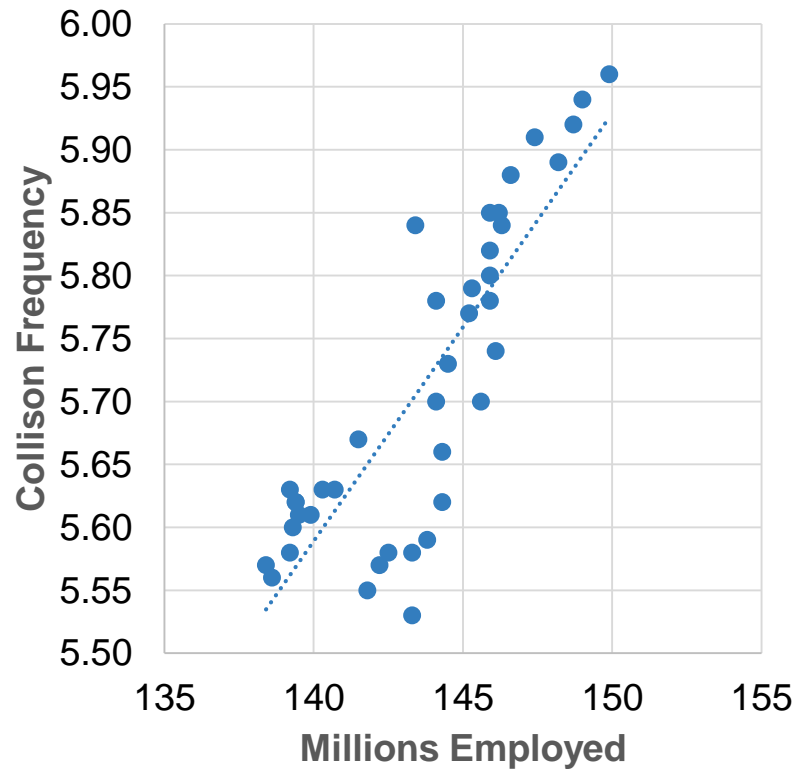
SOURCES: State Farm, National Highway Transportation Safety Administration (distraction.gov)

Comparing Gas Prices, Employment on Collision Frequency Through 2015

Gas Price vs. Collision Frequency



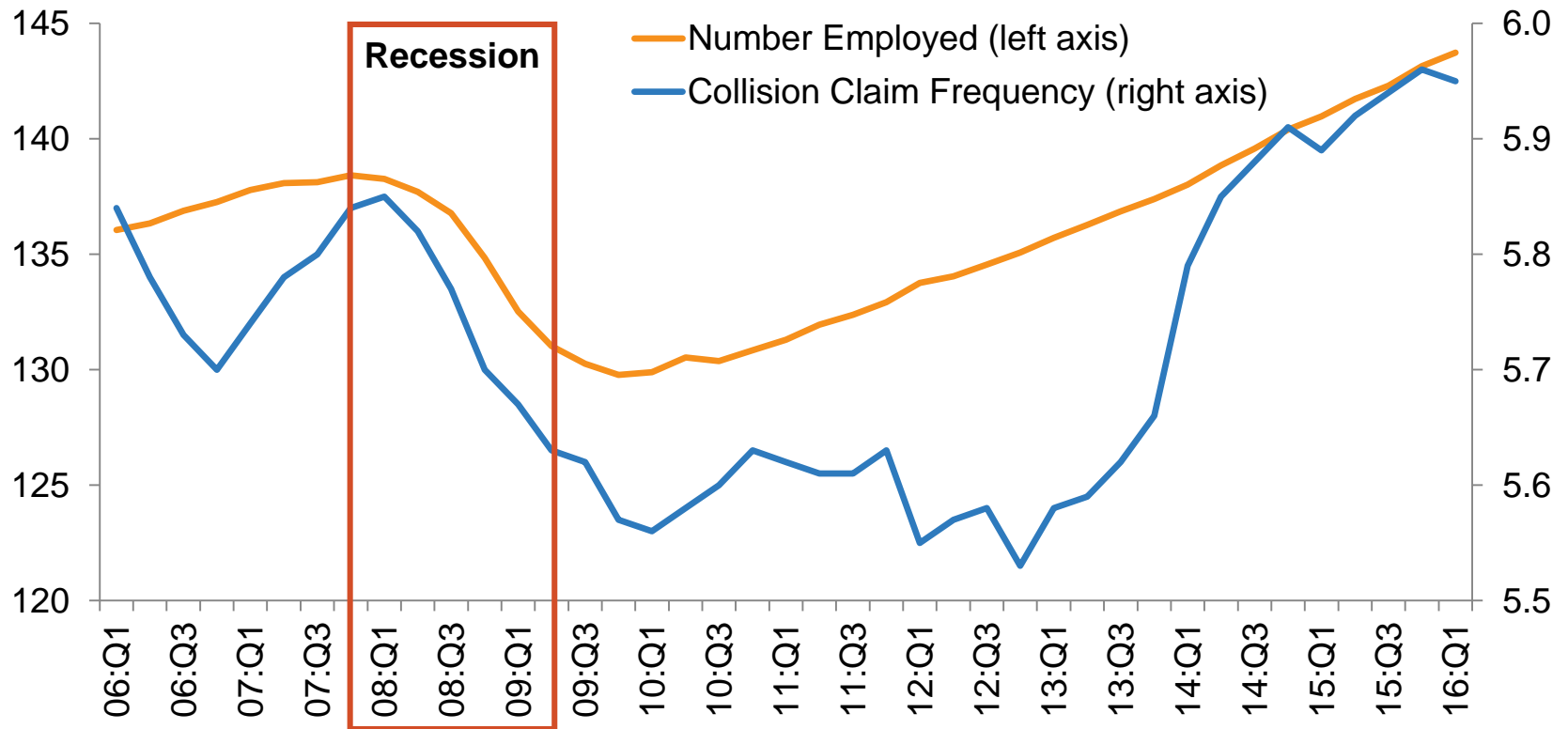
Number Employed vs. Collision Frequency



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

Number Employed, Millions

Overall Collision Claims Per 100 Insured Vehicles



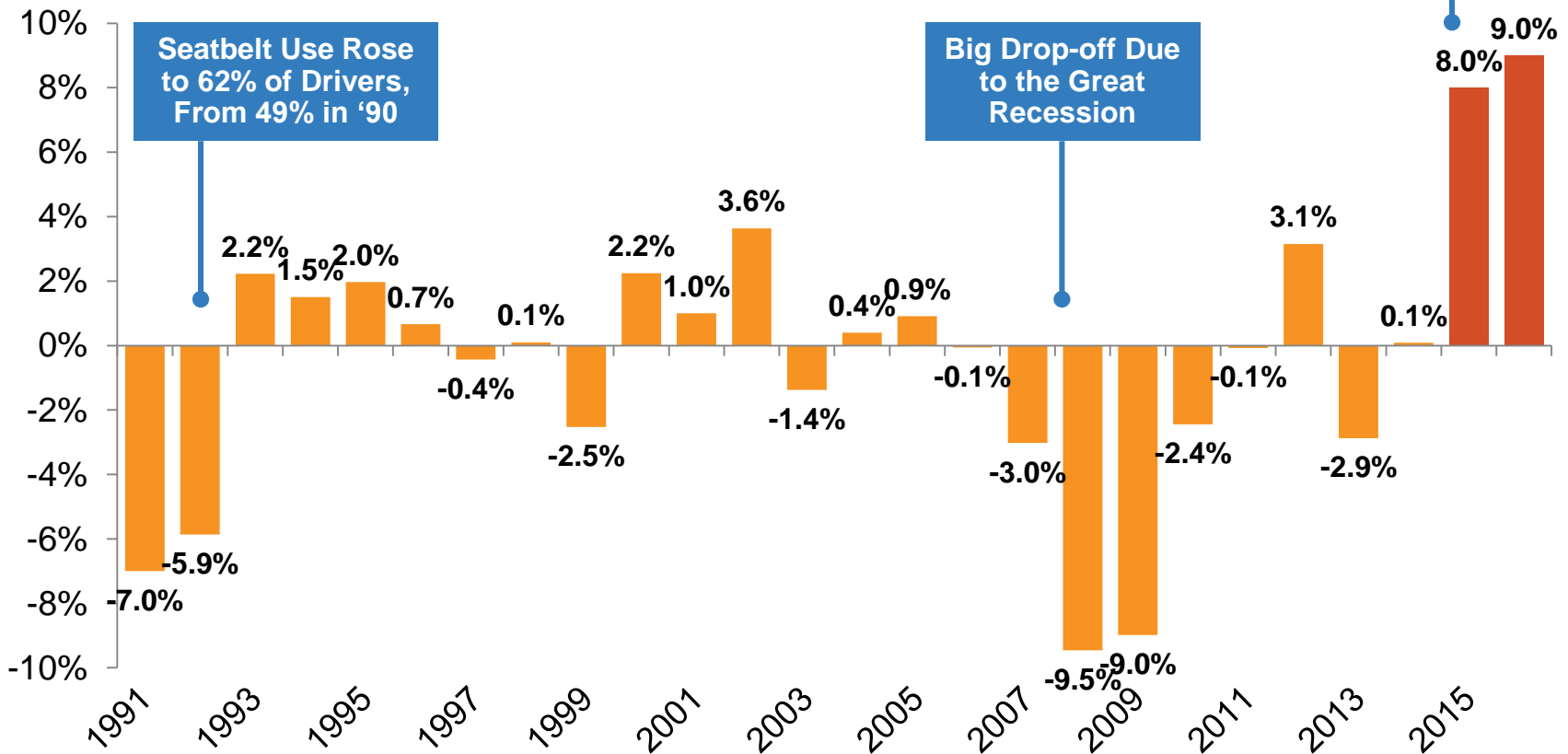
When People are Out of Work, They Drive Less. When They Get Jobs, They Drive to Work, Helping Drive Claim Frequency Higher.



Sources: Seasonally Adjusted Employed from Bureau of Labor Statistics; Rolling four-quarter average frequency from ISO, a Verisk Analytics company; Insurance Information Institute.

Severity: Driving Fatalities are Rising

Annual Change in Motor Vehicle Deaths



Driving Has Been Getting Safer for Decades, But Recent Trend is Discouraging—38,300 Deaths in 2015.

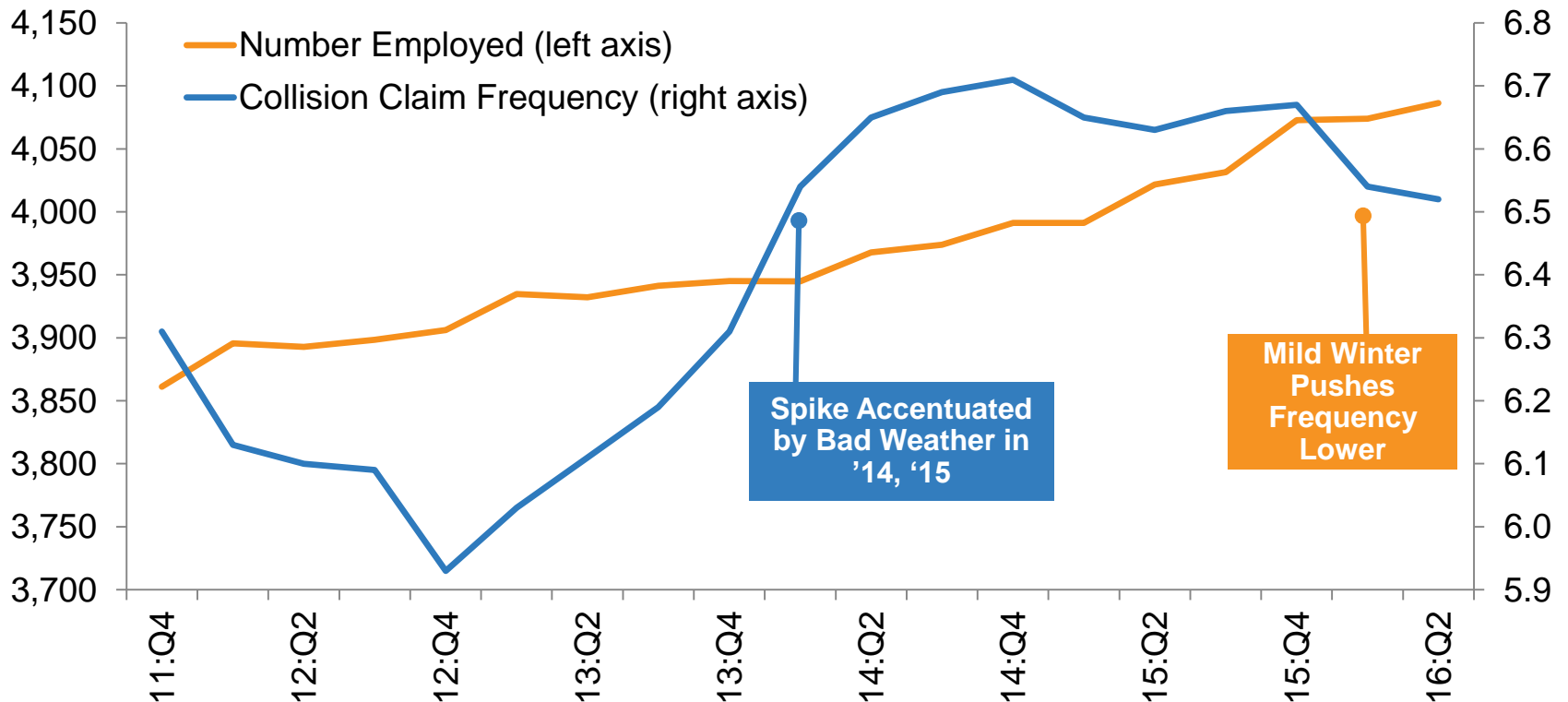


Sources: National Safety Council, Insurance Information Institute.

Meanwhile, in New Jersey . . .

Number Employed, Thousands

Overall Collision Claims Per 100 Insured Vehicles

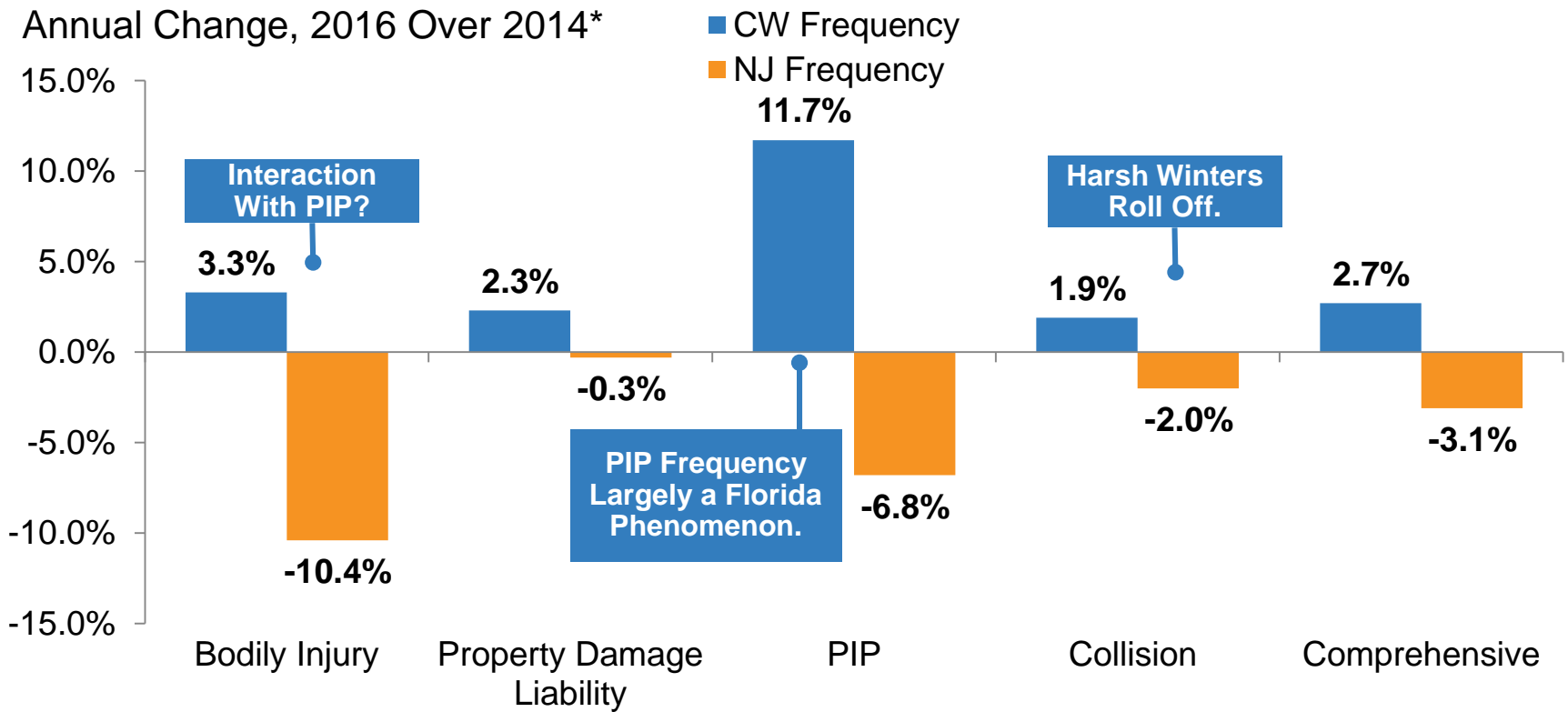


New Jersey Data Tracks National Trends, Though Slower Job Growth Has Kept Frequency in Check. Weather Has Had An Impact, Too.



Sources: Seasonally Adjusted Employed from Bureau of Labor Statistics; Rolling four-quarter average frequency from ISO, a Verisk Analytics company; Insurance Information Institute.

Accident Rate, NJ vs. Countrywide



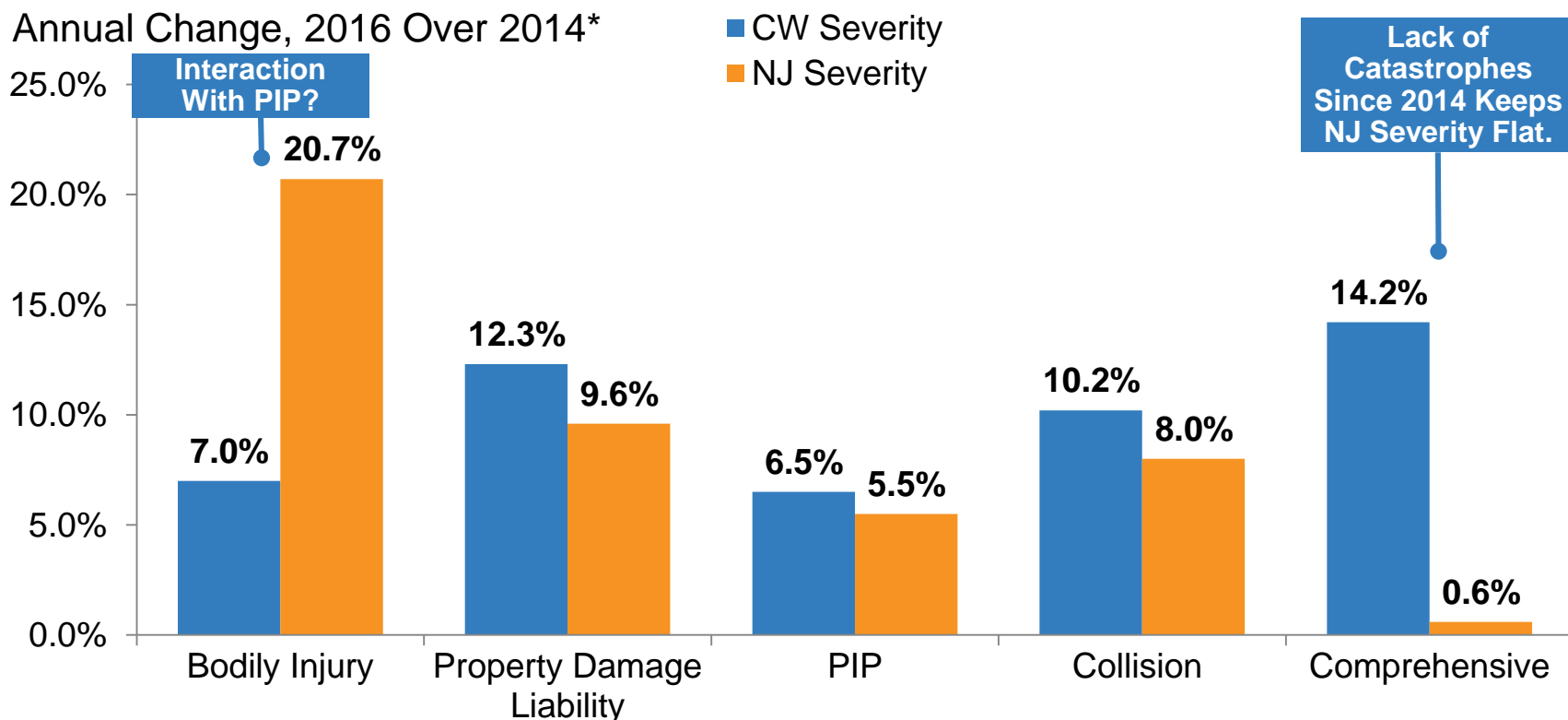
NJ Frequency Trends Are Milder Than U.S. Norms.



*Four quarters ending in June.

Source: ISO, a Verisk Analytics company; Insurance Information Institute.

Size of Claim, NJ vs. Countrywide



For Most Lines, Claim Size Is Growing Close to National Norms – Except Bodily Injury and Comprehensive.



*Four quarters ending in June.

Source: ISO, a Verisk Analytics company; Insurance Information Institute.



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and your attention!

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