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Update on Georgia's Private Passenger Auto Insurance Market Following the Passage of the Hands-Free Georgia Act

**Georgia House Insurance Committee
Atlanta, GA**

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Overview: Update on Georgia's Private Passenger Auto Market Following the Hands-Free Georgia Act

■ Cost Drivers in Georgia

- ◆ Claim frequency trends
- ◆ Claim severity trends
- ◆ Georgia Fatal Auto Accident Update

■ Competition Analysis

- ◆ How competitive is GA's Private Passenger Auto Market?

■ Profitability Comparison

- ◆ GA vs. US and Southeastern States

■ Drivers of Increases in Claim Severity and Frequency

■ Summary, Q&A



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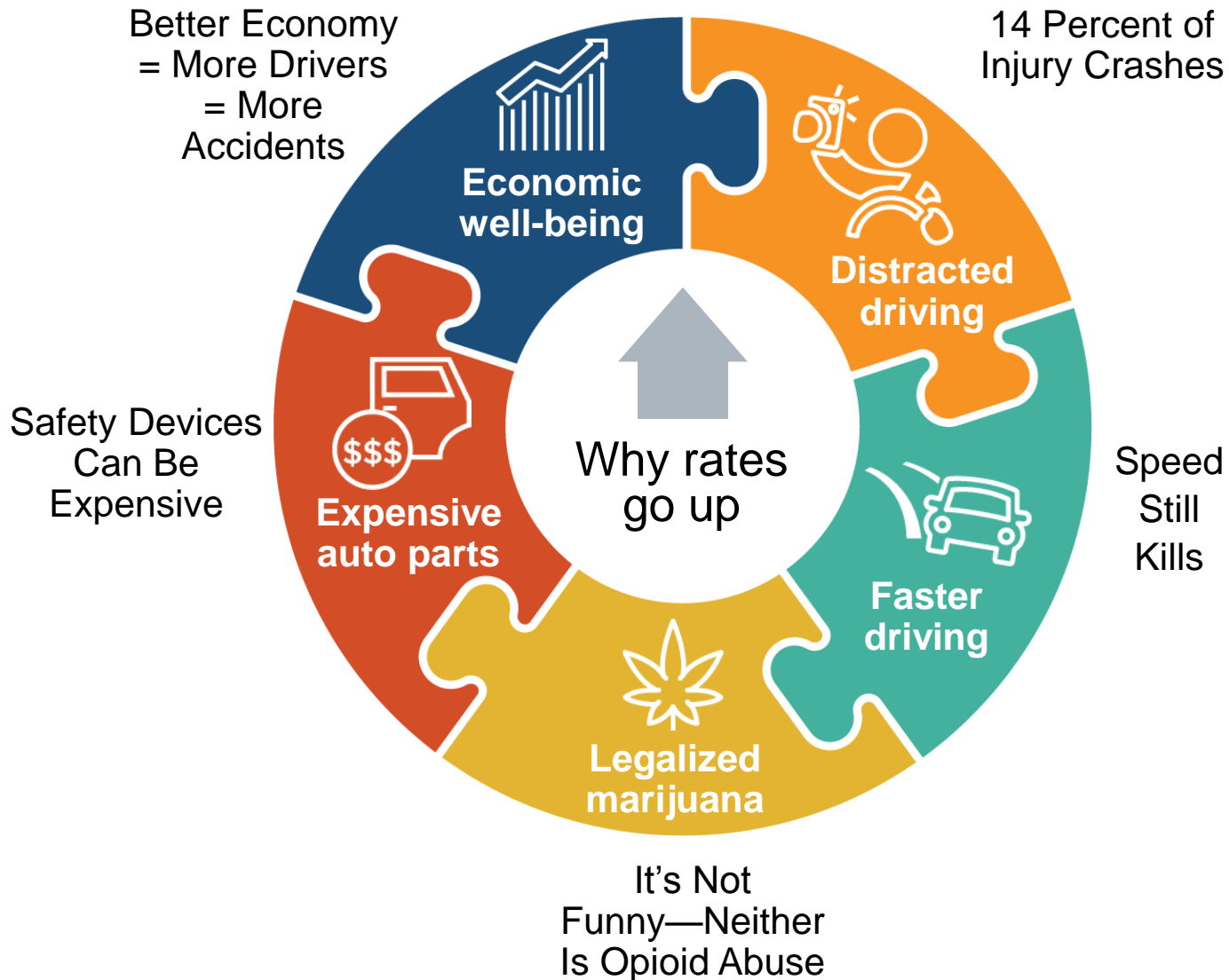
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**Private Passenger Auto Frequency &
Severity Trends in Georgia vs. Southeast
States and US**

**Frequency Trends Are Favorable,
but Severity Remains Elevated
in Georgia**

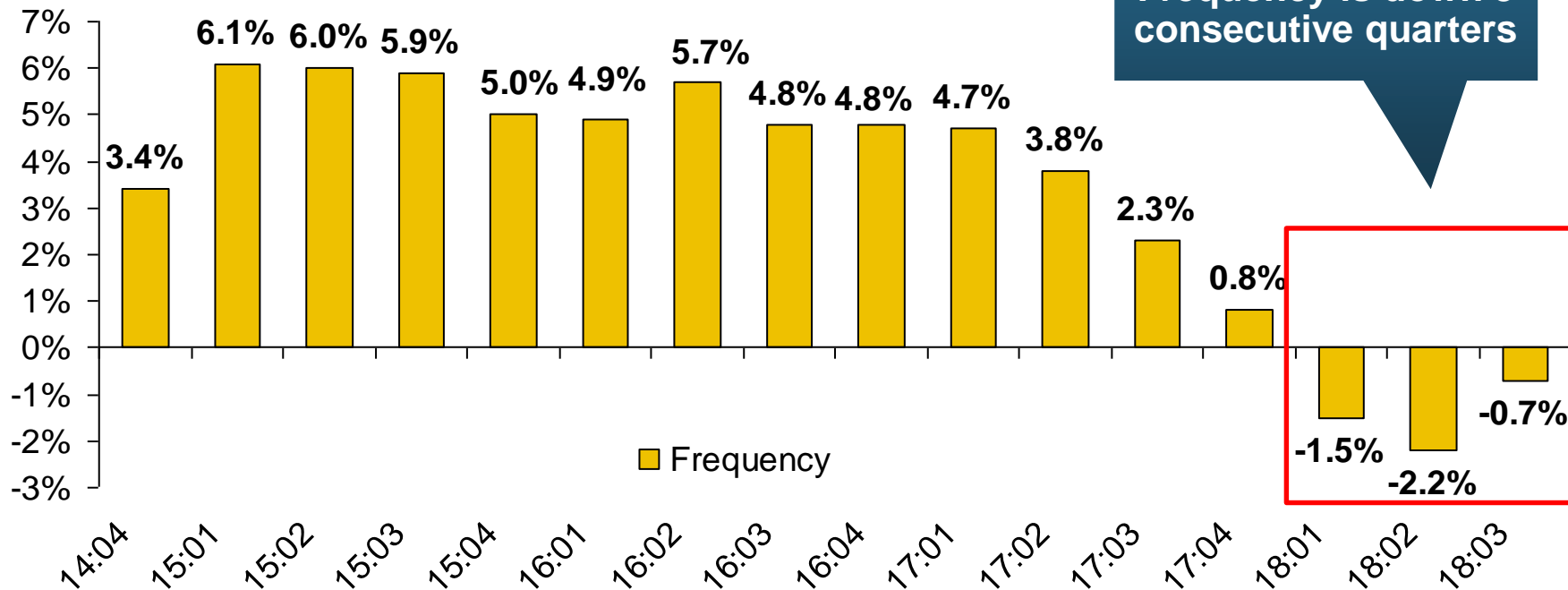
***The 2018 Hands-Free Georgia Act
Is Already Saving Lives***

Motor Vehicle Safety: Distracted Driving Is One Piece of the Puzzle



Georgia Bodily Injury Frequency: Trend Is Improving Rapidly*

Quarterly Change, 2014:Q4 through 2018:Q3*



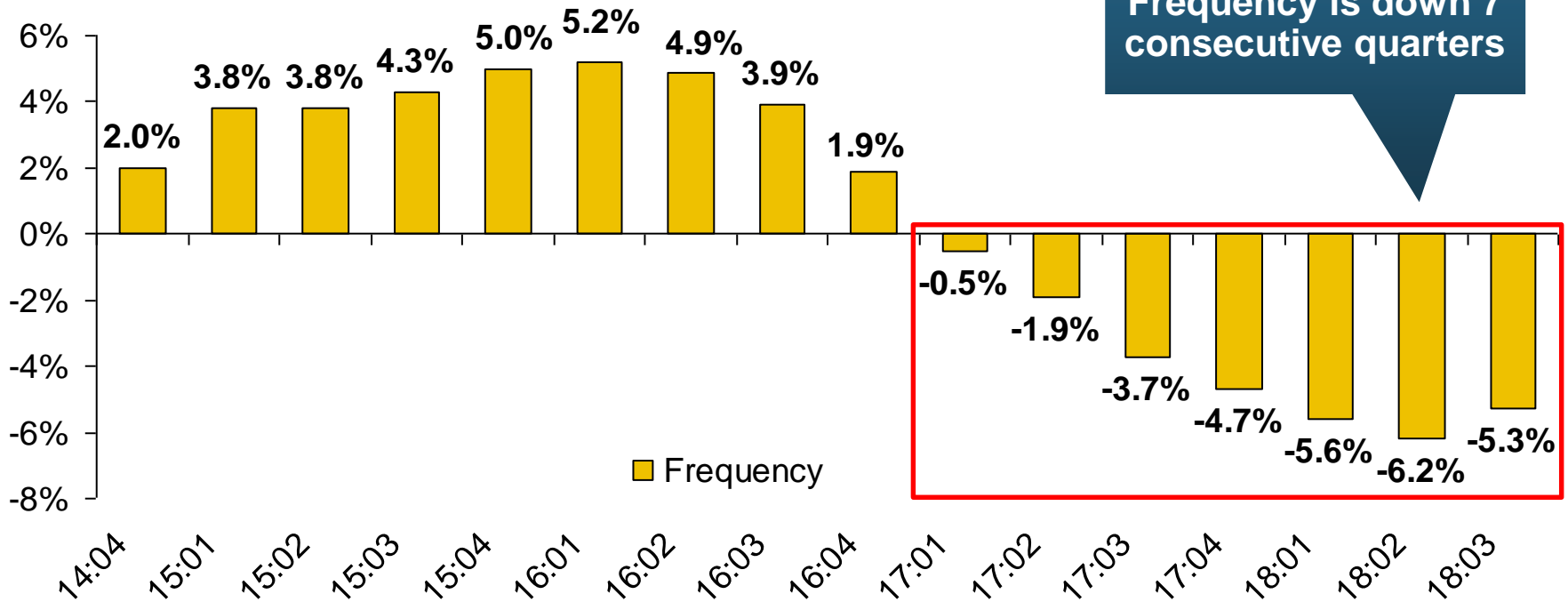
GA's Efforts to Reduced Distracted Driving Injuries and Deaths Are Beginning to Pay Off

*Quarterly data based on rolling average over the most recent 4 quarters.

Source: ISO/PCI *Fast Track* data; Risk and Uncertainty Management Center, University of South Carolina.

Georgia Property Damage Liability Frequency: Trend Is Improving Rapidly*

Quarterly Change, 2014:Q4 through 2018:Q3*



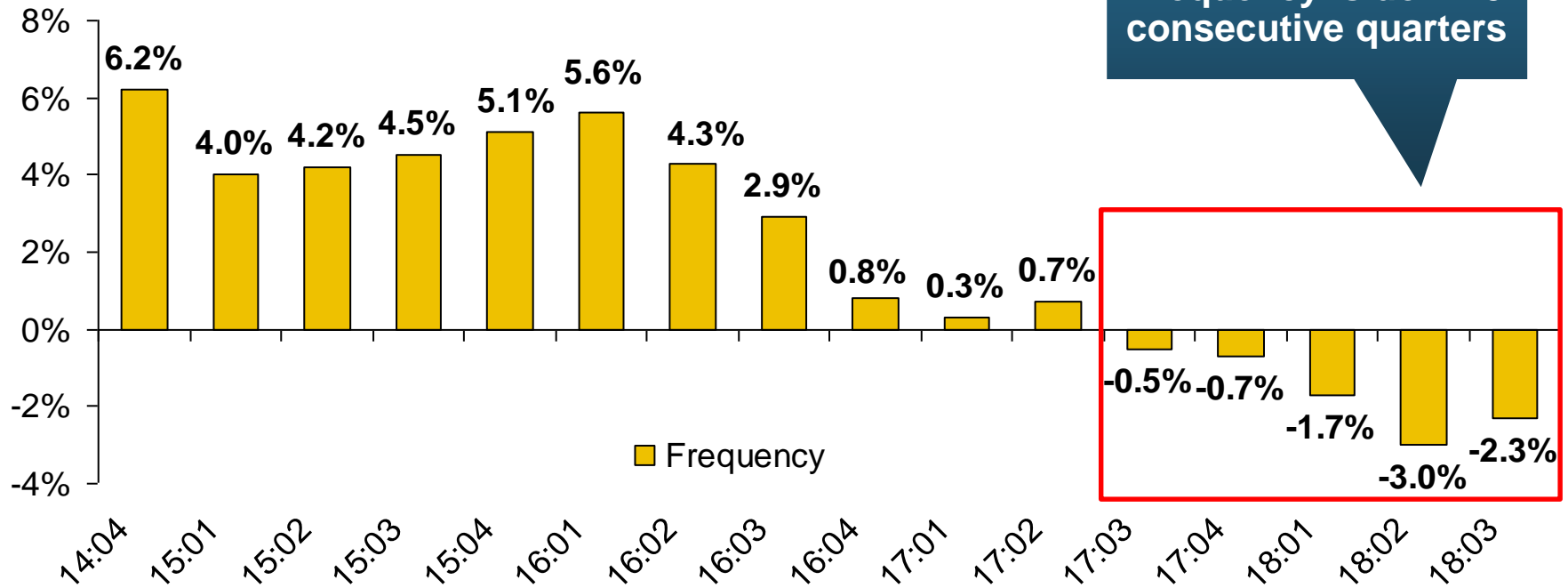
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*Quarterly data based on rolling average over the most recent 4 quarters.

Source: ISO/PCI *Fast Track* data; Risk and Uncertainty Management Center, University of South Carolina.

Georgia Collision Claim Frequency: Trend Is Improving Steadily*

Quarterly Change, 2014:Q4 through 2018:Q3*



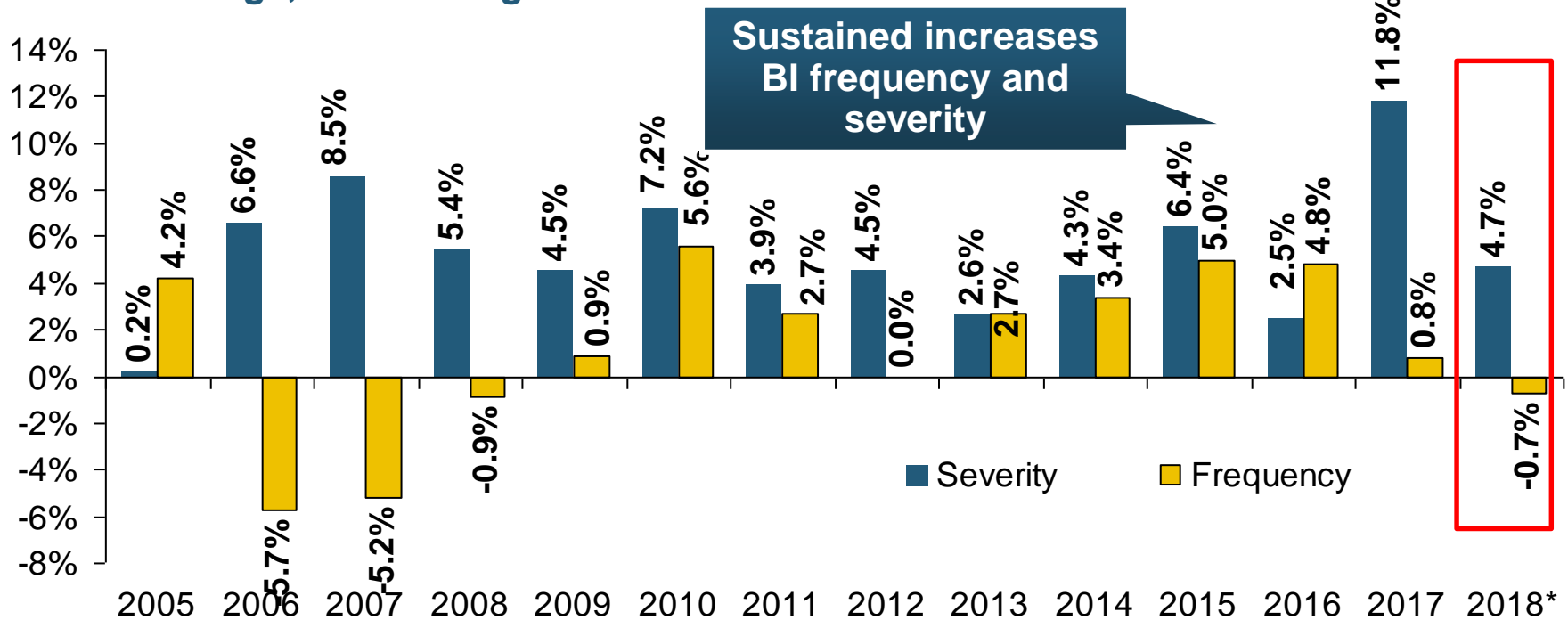
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Georgia Coverage: BI Severity & Frequency Trends Are Both Moderating*

Annual Change, 2005 through 2018*



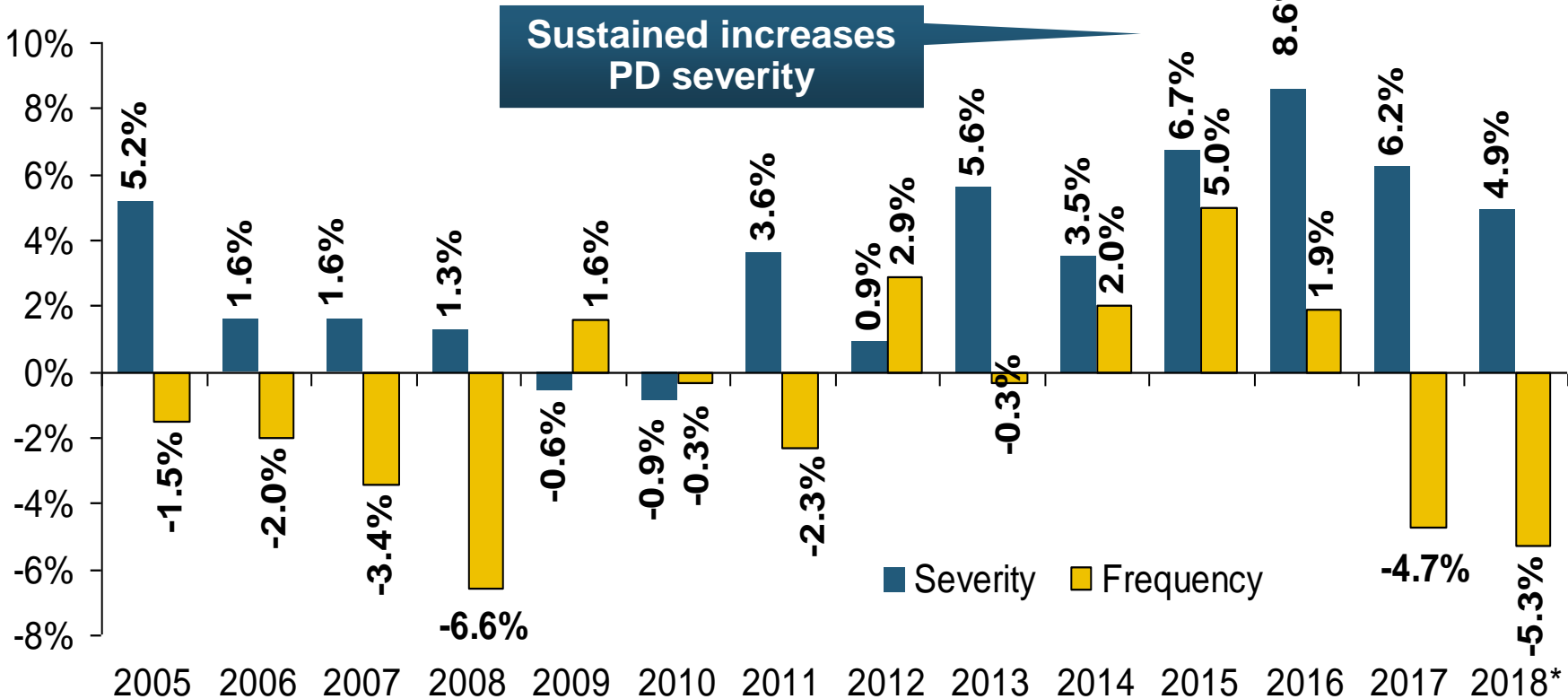
Distracted Driving—Along with More Cars, More Miles Driven, Increased Traffic Density as Well as Rising Medical and Vehicle Repair Costs are Among the Factors that Have Pushed Bodily Injury Claim Frequency and Severity Higher in Recent Years

*2018 data are for the 4 quarters ending Sept. 30, 2018.

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

Georgia Coverage: Prop. Damage Liability Frequency Trends Are Improving*

Annual Change, 2005 through 2018*



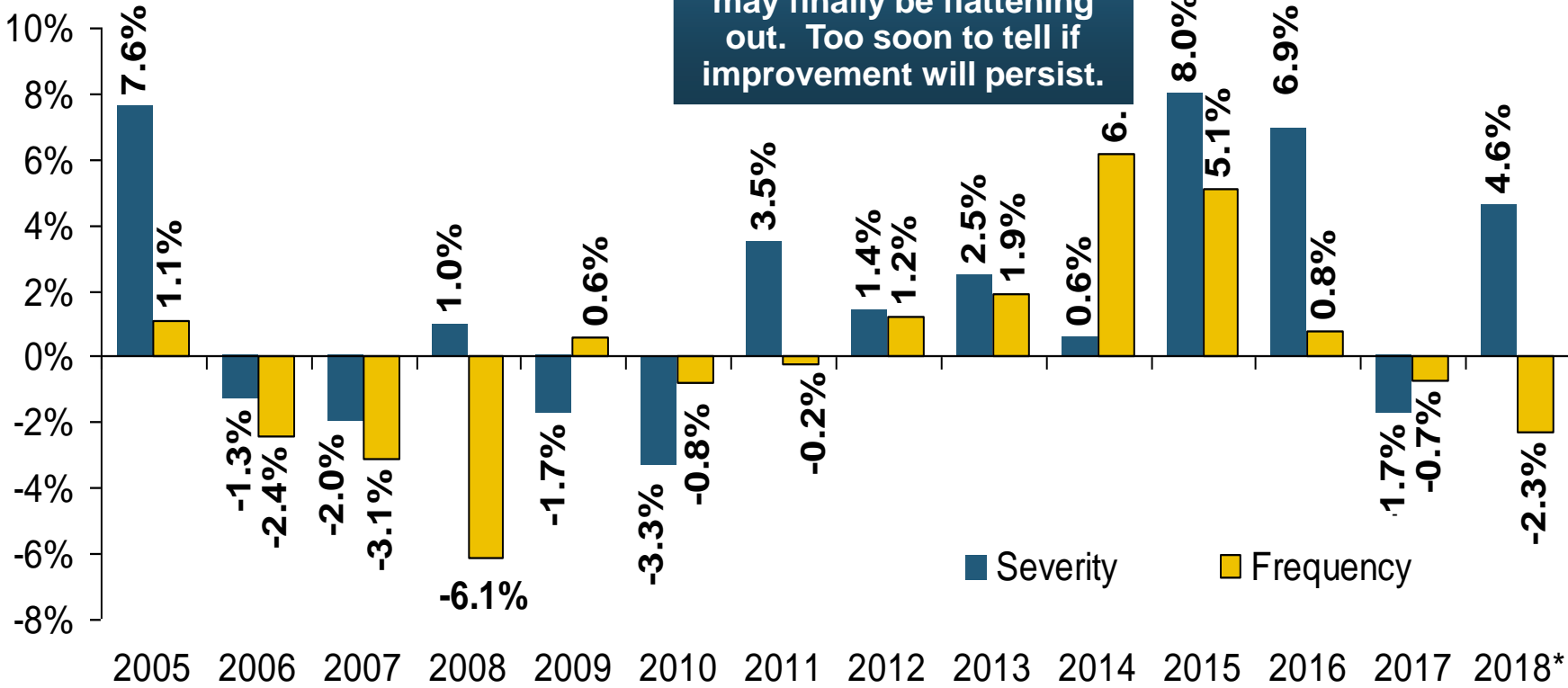
Distracted Driving Has Contributed to Adverse Property Damagae Liability Trends in Recent Years—though Some Improvements Are Evident in 2017 and 2018

*2018 data are for the 4 quarters ending Sept.30, 2018.
Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Georgia Coverage: Collision Frequency Trends Are Improving*

Annual Change, 2005 through 2018*

GA's Collision claim frequency and severity may finally be flattening out. Too soon to tell if improvement will persist.



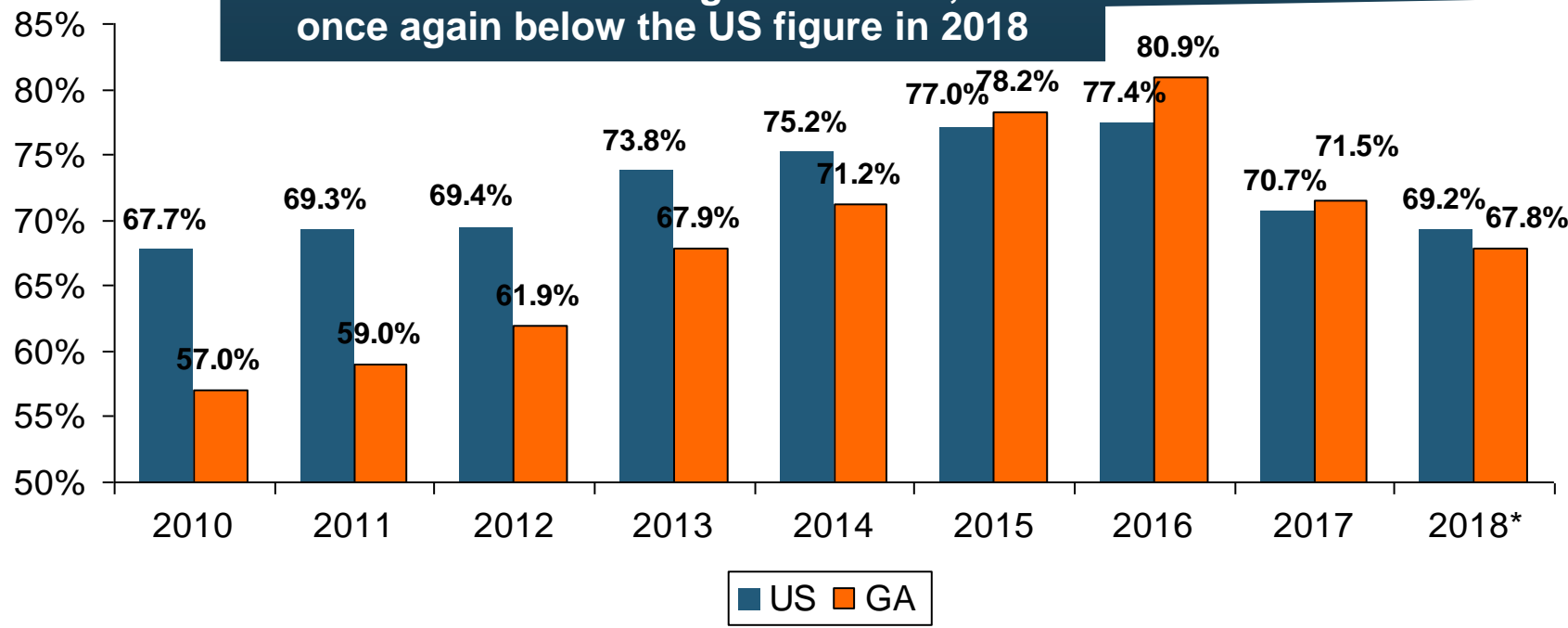
Distracted Driving is One of Many Important Factors Driving Collision Claim Frequency

*2018 data are for the 4 quarters ending Sept, 30, 2018.
 Source: ISO/PCI *Fast Track* data; Insurance Information Institute

Collision Loss Ratio Trending Upward: Pvt. Passenger Auto, GA vs. US, 2010 – 2018*

GA's Collision loss ratio is down 13.1 points since 2016 after increasing by 23.9 percentage points since 2010—far more rapidly than the US overall. For the first time in recent history, GA's collision loss ratio was above the US average in 2015-17, but is once again below the US figure in 2018

Loss Ratio



Collision Loss Ratios Are Falling After Years of Rising Much Faster in Georgia than the US Overall

*2018 data are for the 4 quarters ending Sept. 30, 2018.
Source: ISO/PCI *Fast Track* data; Insurance Information Institute

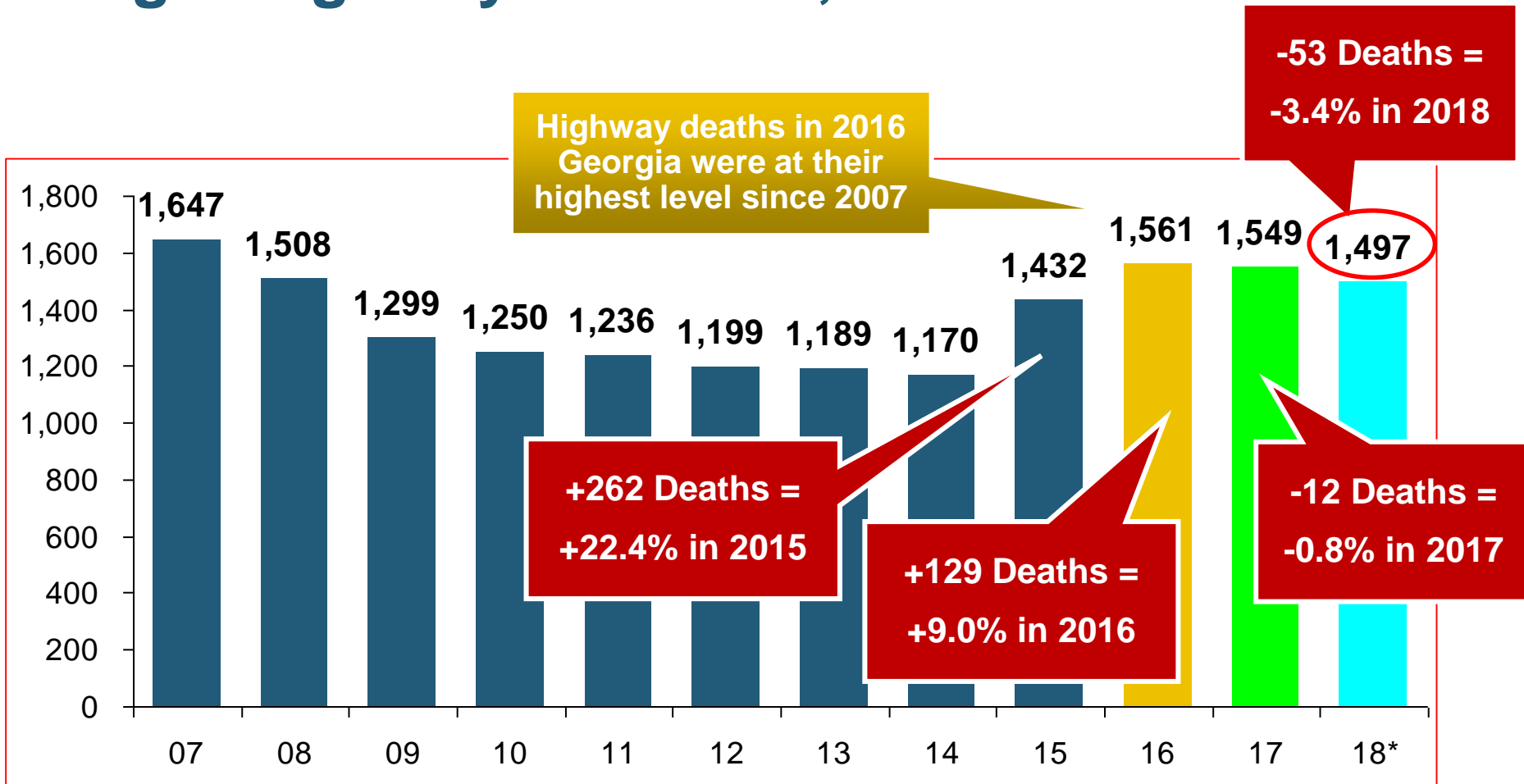


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Auto Fatalities Are Finally Beginning to Decline

**Fatal Auto Accidents Rose Rapidly
in Georgia in Recent Years But
Are Now Trending Downward**

Georgia Highway Fatalities, 2007–2018*



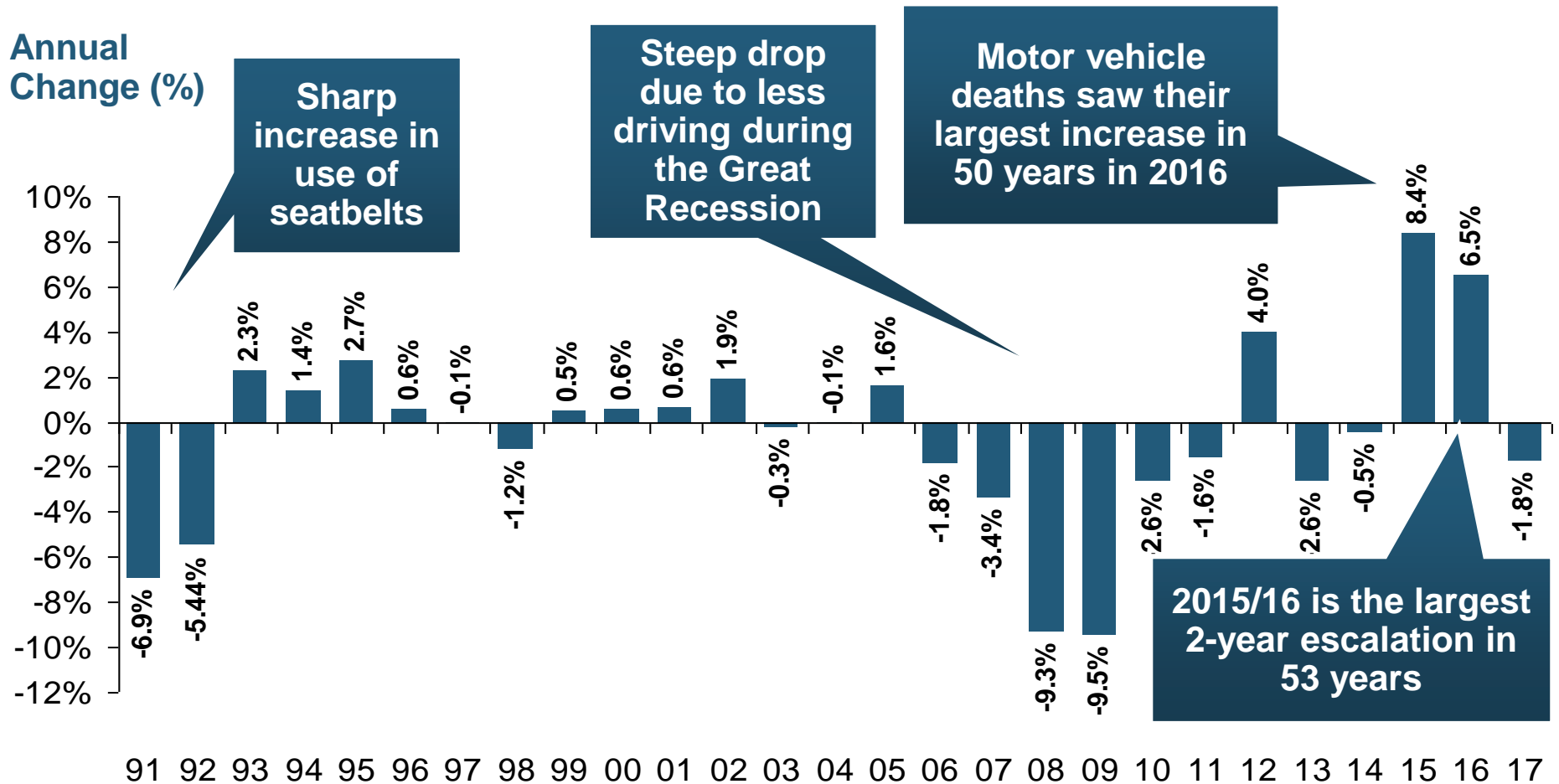
Highway fatalities surged in Georgia in 2015-2016.

Highway deaths in GA are now beginning to fall (down 4.1% since 2016 peak). A 4% decline in 2019 would save 60 lives.

*As reported through Dec 31, 2018.

Sources: Georgia Department of Transportation accessed 2/4/19 at: <http://www.dot.ga.gov/DS/SafetyOperation/DAAA>

U.S. Annual Change in Automobile Deaths, 1991- 2017



Driving Has Been Getting Safer For Decades, But Recent Trends Are Discouraging—37,133 Deaths in 2017—But Improvement Likely in 2018

Source: Insurance Institute for Highway Safety and Highway Loss Data Institute: <https://www.iihs.org/iihs/topics/t/general-statistics/fatalityfacts/overview-of-fatality-facts>; Risk and Uncertainty Management Center, University of South Carolina.



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Georgia Auto Insurance Competition Profile

**Georgia's Auto Insurance
Market Is Highly Competitive**

Competition: The Facts About Georgia Auto

- **223 Private Passenger Auto insurers competed for business in Georgia in 2017, writing some \$8.6 billion in premiums on 4 million vehicles in the state, suggesting a large and vigorously competitive auto insurance mkt.**
- **The Georgia Private Passenger Auto Insurance market is very competitive according to the most commonly used competition metric employed the U.S. Department of Justice, the Herfindahl-Hirschman Index (HHI)**
- **The HHI value for Georgia's PPA market was 628 in 2017. According to the DOJ, any value below 1500 represents a market that it considers to be "Not Concentrated"**
- ***Conclusion: By federal standards, GA's auto insurance market is very competitive. There is no evidence that a lack of competition is pressuring auto rates in GA.****

Competition: Types of Rating Laws—Ability to Adjust Rates to Reflect Costs Promotes Competition

- **Prior Approval:** Requires that rates be filed and approved for by the DOI before they can be used.
 - ◆ *Prior approval is used for rates pertaining the GA's Personal Auto minimum limits (25/50/10)*

- **File-and-Use:** Insurers are required to file rates with the state DOI and rates and be used immediately. Regulators retain the right to disapprove the rates if they violate state law.
 - ◆ *File-and-Use is used for rates pertaining to limits in excess of GA's Personal Auto minimum limits*

- **Use-and-File:** Insurers can implement rates immediately but are required to file rates with the DOI within a short period of time (e.g., 15 – 60 days)

- **No Filing Requirement:** Insurers are not required to file their rates with the DOI. The DOI, however, can request rate schedules and supporting data.

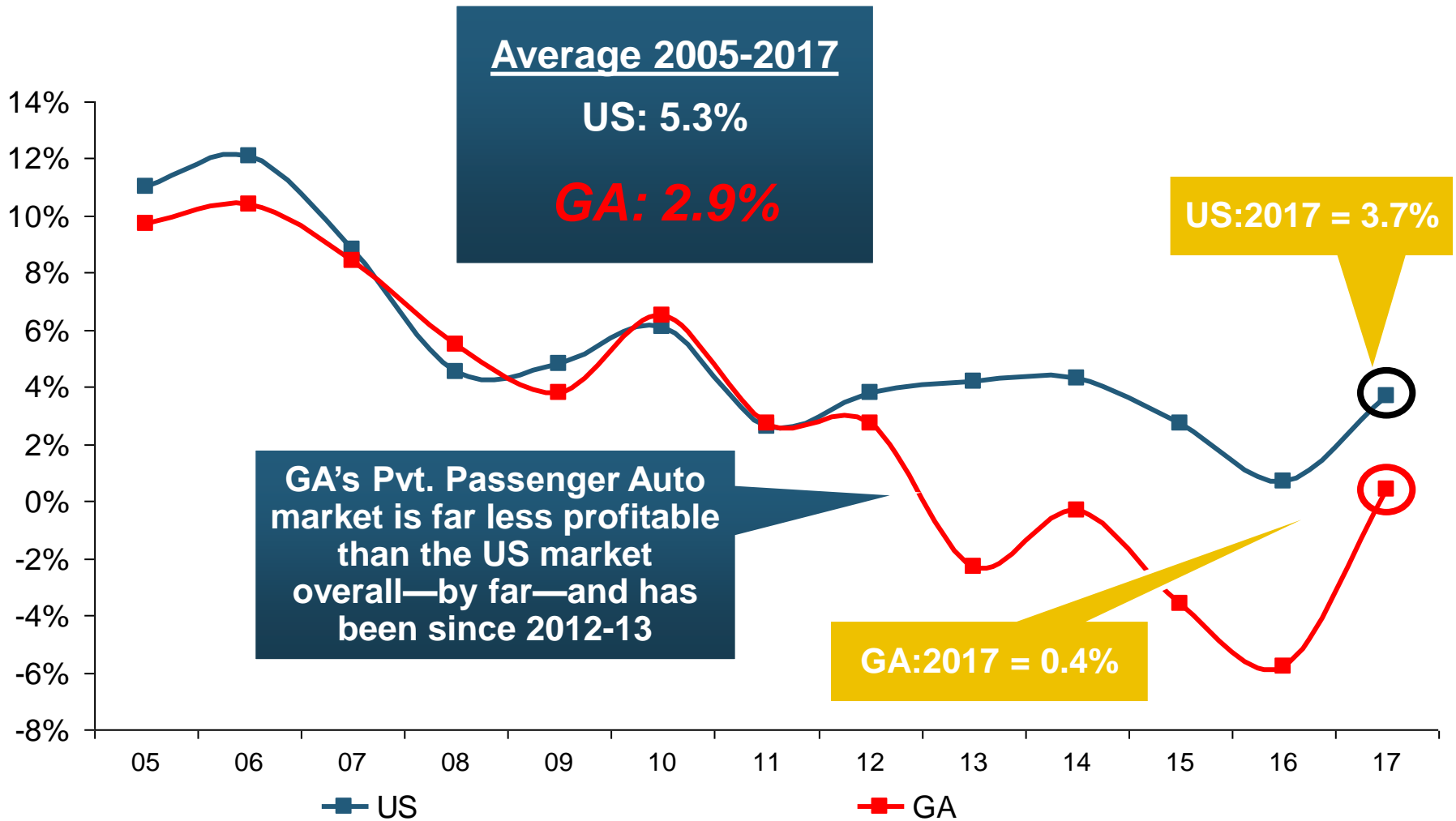


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Private Passenger Auto Profitability in Georgia vs. US and Southeastern States

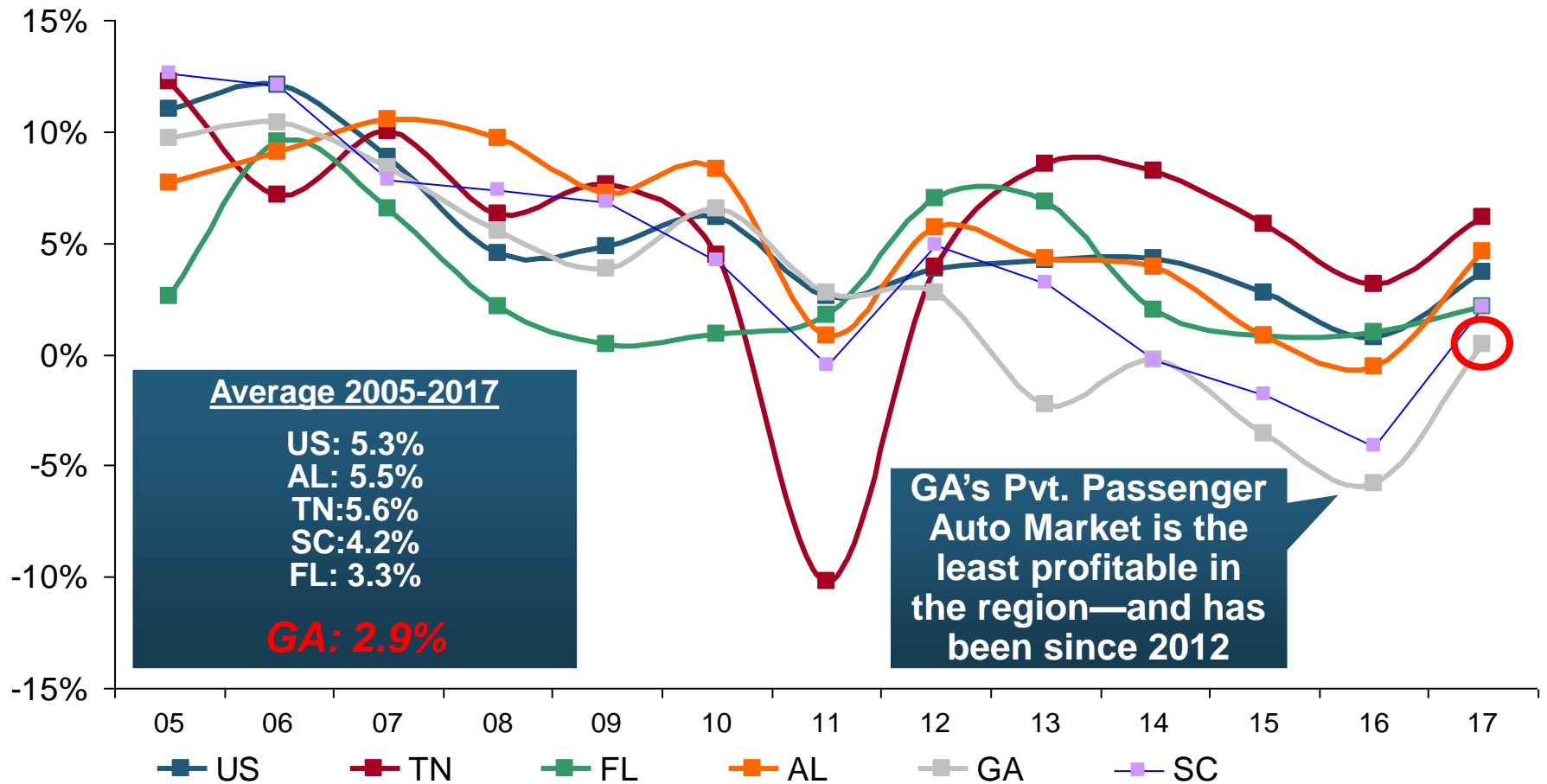
Georgia is a Profitability Laggard in the Region and Among the 50 States

RNW PP Auto: GA vs. U.S., 2005-2017

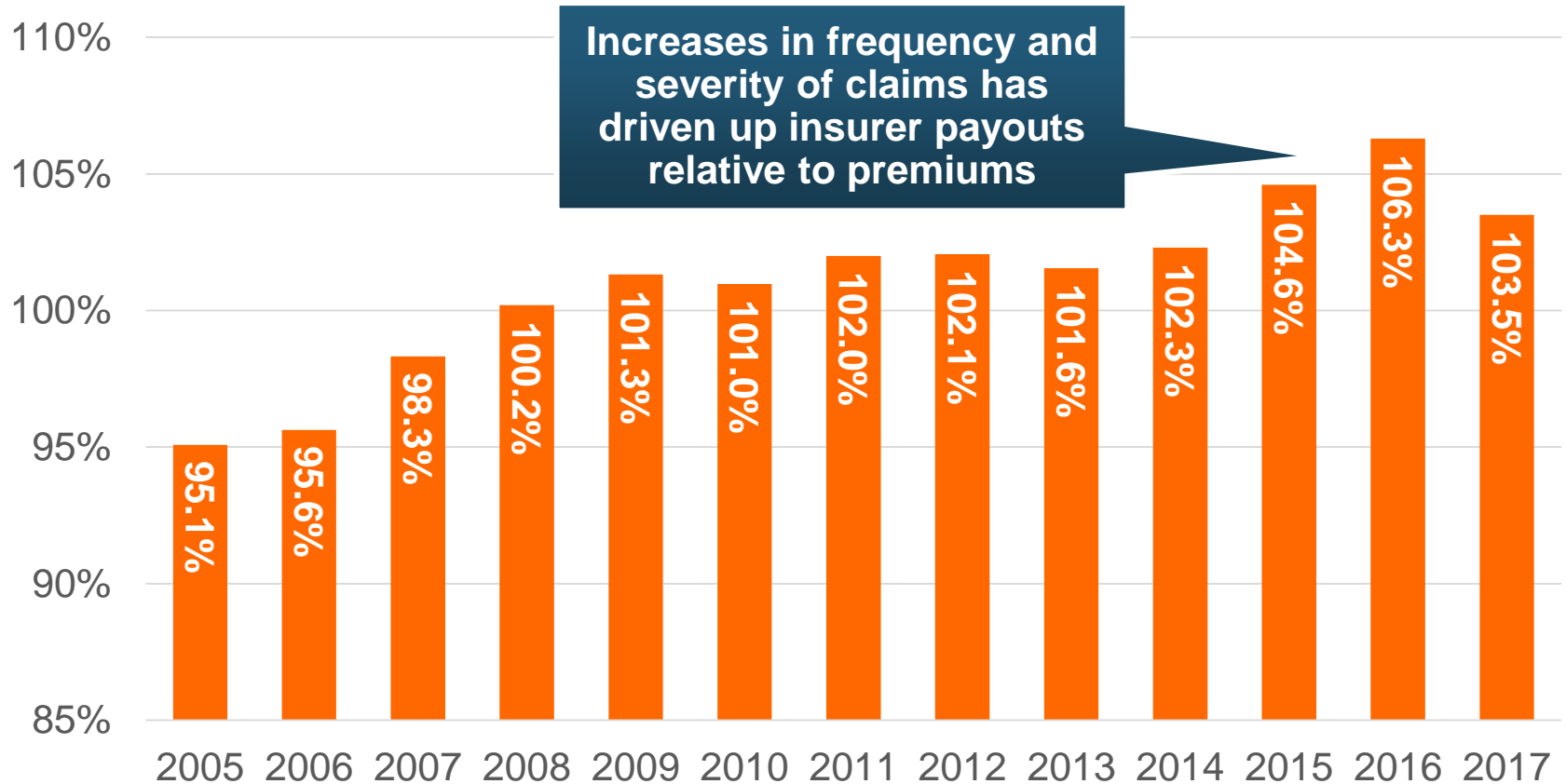


Private Passenger Auto Insurers Have Sustained Multi-Billion Dollar Underwriting Losses in GA Over the Past 5 Years

RNW PP Auto: GA vs. SC, TN, FL, AL and the U.S., 2005-2017



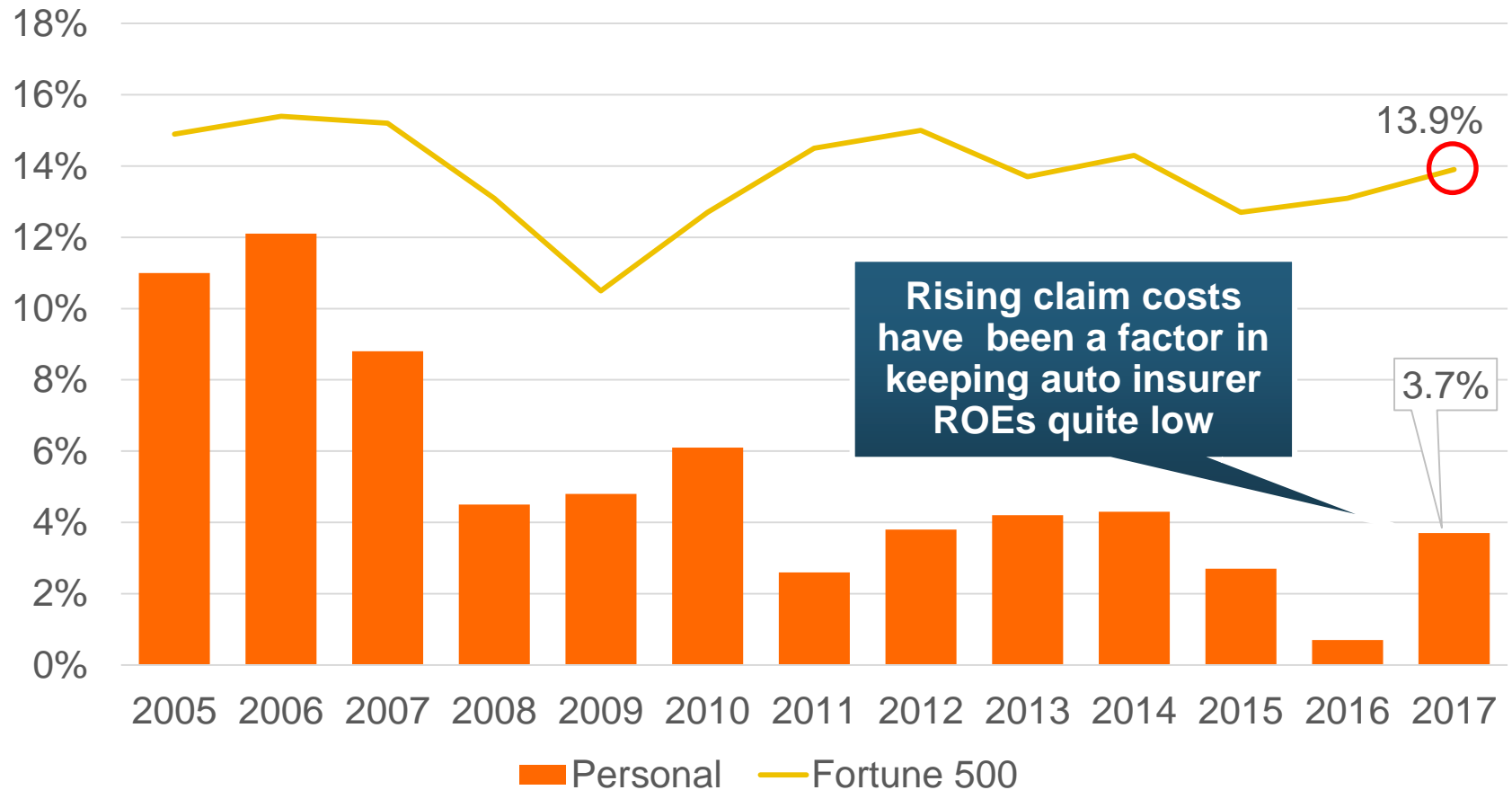
US Pvt. Passenger Auto Net Combined Ratio, 2005-2017



Private Passenger Auto Insurance Loss Ratios Are Improving After Rising for a Decade, Causing ROEs to Fall.

SOURCE: National Association of Insurance Commissioners data, sourced from S&P Global Market Intelligence, A.M. Best; Insurance Information Institute; Risk and Uncertainty Management Center, University of South Carolina.

Return on Net Worth: US Personal Auto, 2005-2017



Auto Insurance Profitability Remains Well Below Pre-Crisis Levels (12% vs. ~3%) and Far Below the Fortune 500 (13% vs. ~3%)



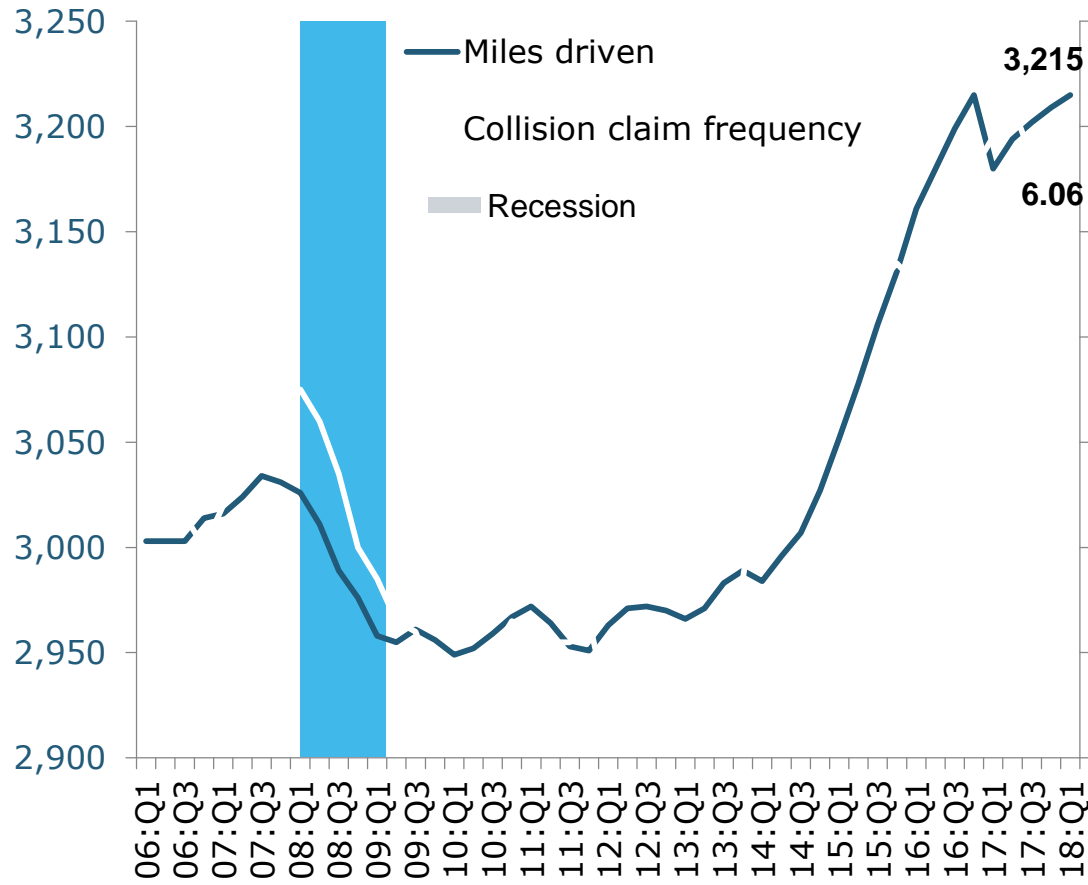
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A Few Factors Driving Adverse Private Passenger Auto Loss Trends

More Jobs, Better Economy, More People Driving, More Expensive Cars, Higher Speed Limits...

Driving Patterns Predict Claim Frequency

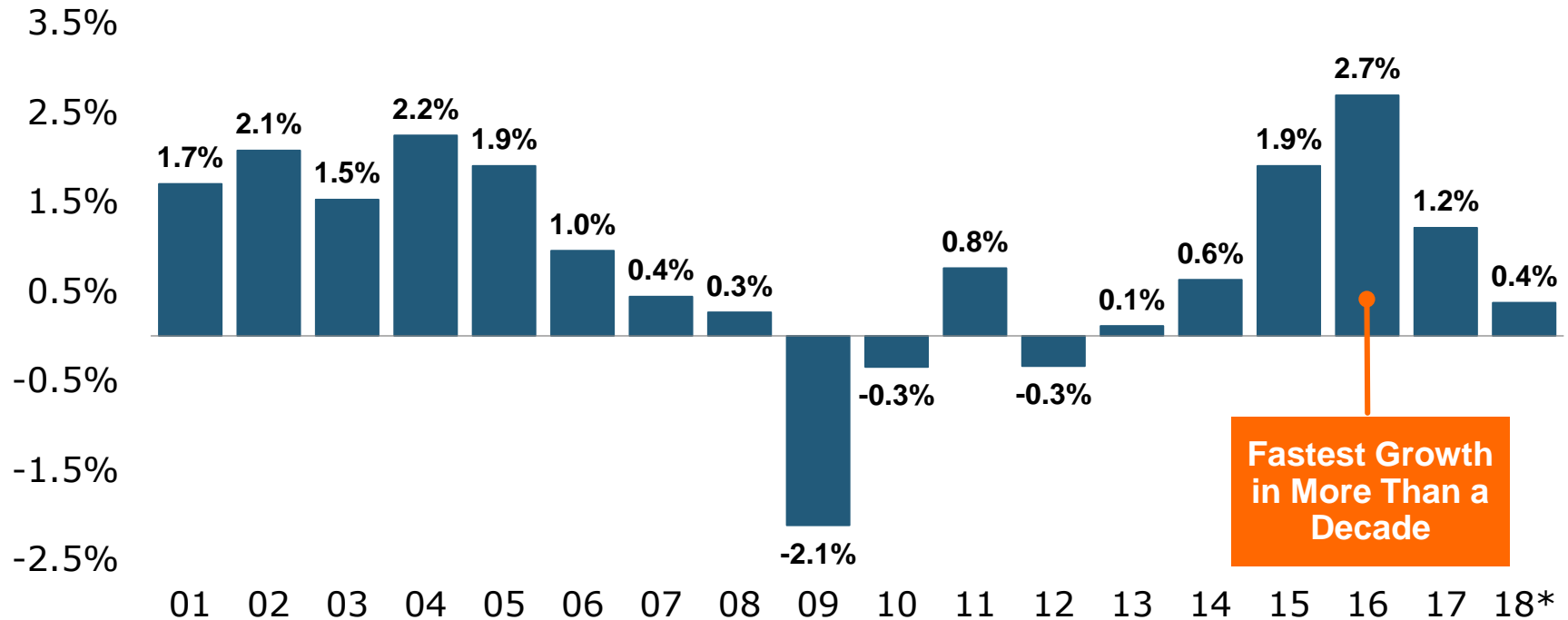
Billions of miles driven in prior year



▼ The sharp rise in collision frequency in 2014-2016 appears to have peaked in the last year. However, claim severity will likely continue to rise as vehicle repair costs increase.

America is Driving More Again: 2001-2018*

Percent Change, Miles Driven*



Material Growth in Miles Driven. The More People Drive, the More Frequently They Get Into Accidents.

*Moving 12-month total vs. prior year through November 2018.
Sources: [Federal Highway Administration](#); Insurance Information Institute.



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Summary

Safer Roads Ahead?

Summary of Georgia's Recent Private Passenger Auto Accident Frequency, Severity & Fatalities

■ Many Factors Contributed to the Sharp Increase in Death Toll on Georgia's Highways and Rising Claim Costs

- ◆ Recovering/Strong Economy: More Jobs → More Miles Driven
- ◆ Increased Vehicle Density
 - Favorable Demographics → Results in More Drivers
- ◆ Lower Gas Prices
- ◆ Lack of Highway Infrastructure Investment
- ◆ More Expensive Vehicles
- ◆ Rising Medical Costs
- ◆ **Distracted Driving**

■ Hands-Free Georgia Act Is Helping Turn Things Around

- ◆ Increased awareness
- ◆ Enforcement



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*Thank you for your time
and your attention!*

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Summary

Safer Roads Ahead?



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Auto Financial Responsibility Laws

**Georgia's Minimum Limits for
Private Passenger Auto Are
Similar to Those of Most
Other States**

Auto Financial Responsibility Limits by State

State	Insurance required	Minimum liability limits ¹
Alabama	BI & PD liability	25/50/25
Alaska	BI & PD liability	50/100/25
Arizona	BI & PD liability	15/30/10
Arkansas	BI & PD liability, PIP	25/50/25
California	BI & PD liability	15/30/5 ²
Colorado	BI & PD liability	25/50/15
Connecticut	BI & PD liability, UM, UIM	25/50/20
Delaware	BI & PD liability, PIP	25/50/10
D.C.	BI & PD liability, UM	25/50/10
Florida	PD liability, PIP	10/20/10 ³
Georgia	BI & PD liability	25/50/25
Hawaii	BI & PD liability, PIP	20/40/10
Idaho	BI & PD liability	25/50/15
Illinois	BI & PD liability, UM, UIM	25/50/20
Indiana	BI & PD liability	25/50/25
Iowa	BI & PD liability	20/40/15
Kansas	BI & PD liability, PIP	25/50/25
Kentucky	BI & PD liability, PIP, UM, UIM	25/50/10 ³
Louisiana	BI & PD liability	15/30/25
Maine	BI & PD liability, UM, UIM, Medpay	50/100/25 ⁴
Maryland	BI & PD Liability, PIP, UM, UIM	30/60/15
Massachusetts	BI & PD liability, PIP	20/40/5
Michigan	BI & PD liability, PIP	20/40/10
Minnesota	BI & PD liability, PIP, UM, UIM	30/60/10
Mississippi	BI & PD liability	25/50/25
Missouri	BI & PD liability, UM	25/50/10
Montana	BI & PD liability	25/50/20
Nebraska	BI & PD liability, UM, UIM	25/50/25
Nevada	BI & PD liability	25/50/20
New Hampshire	FR only	25/50/25
New Jersey	BI & PD liability, PIP, UM, UIM	15/30/5 ⁵

State	Insurance required	Minimum liability limits ¹
New Mexico	BI & PD liability	25/50/10
New York	BI & PD liability, PIP, UM, UIM	25/50/10 ⁶
North Carolina	BI & PD liability, UM, UIM	30/60/25
North Dakota	BI & PD liability, PIP, UM, UIM	25/50/25
Ohio	BI & PD liability	25/50/25
Oklahoma	BI & PD liability	25/50/25
Oregon	BI & PD liability, PIP, UM, UIM ⁷	25/50/20
Pennsylvania	BI & PD liability, PIP	15/30/5
Rhode Island	BI & PD liability	25/50/25
South Carolina	BI & PD liability, UM, UIM	25/50/25
South Dakota	BI & PD liability, UM, UIM	25/50/25
Tennessee	BI & PD liability	25/50/15 ³
Texas	BI & PD liability, PIP	30/60/25
Utah	BI & PD liability, PIP	25/65/15 ³
Vermont	BI & PD liability, UM, UIM	25/50/10
Virginia	BI & PD liability ⁸ , UM, UIM	25/50/20
Washington	BI & PD liability	25/50/10
West Virginia	BI & PD liability, UM, UIM	25/50/25
Wisconsin	BI & PD liability, UM, Medpay	25/50/10
Wyoming	BI & PD liability	25/50/20

¹The first two numbers refer to bodily injury (BI) liability limits and the third number to property damage (PD) liability. For example, 20/40/10 means coverage up to \$40,000 for all persons injured in an accident, subject to a limit of \$20,000 for one individual, and \$10,000 coverage for property damage. ²Low-cost policy limits for low-income drivers in the California Automobile Assigned Risk Plan are 10/20/3. ³Instead of policy limits, policyholders can satisfy the requirement with a combined single limit policy. Amounts vary by state. ⁴In addition, policyholders must carry coverage for medical payments. Amounts vary by state. ⁵Basic policy (optional) limits are 10/10/5. Uninsured and underinsured motorist coverage not available under the basic policy but uninsured and underinsured motorist coverage is required under the standard policy. Special Automobile Insurance Policy available for certain drivers which only covers emergency treatment and a \$10,000 death benefit. ⁶In addition, policyholders must have 50/100 for wrongful death coverage. ⁷UIM mandatory in policies with UM limits exceeding certain limits. Amount vary by state. ⁸Compulsory to buy insurance or pay an uninsured motorists vehicle (UMV) fee to the state Department of Motor Vehicles.