Private Passenger Auto Insurance Trends in Georgia

Georgia House and Senate Insurance Committees
Atlanta, GA
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Georgia Auto Insurance Market: Outline

- Georgia Auto Insurance Markets: Competition Profile
- Highway Deaths: Georgia's New Epidemic?
- Claim Severity and Loss Ratio Trends in Georgia: Rapid Deterioration
- Inflation: The Impact on Auto Insurance Claim Costs & Consequences
- Summary and Q&A

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Georgia Auto Insurance Competition Profile

Georgia's Auto Insurance Market Is Highly Competitive

Competition: The Facts About Georgia Auto Insurance Markets

- **211 Private Passenger Auto insurers competed for business in Georgia in 2021, writing some $10.5 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 647 in 2021. 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.****

*US Dept. of Justice accessed 3/22/22 at: https://www.justice.gov/atr/herfindahl-hirschman-index
Source: University of South Carolina, Risk and Uncertainty Management Center from S&P Global Markets.

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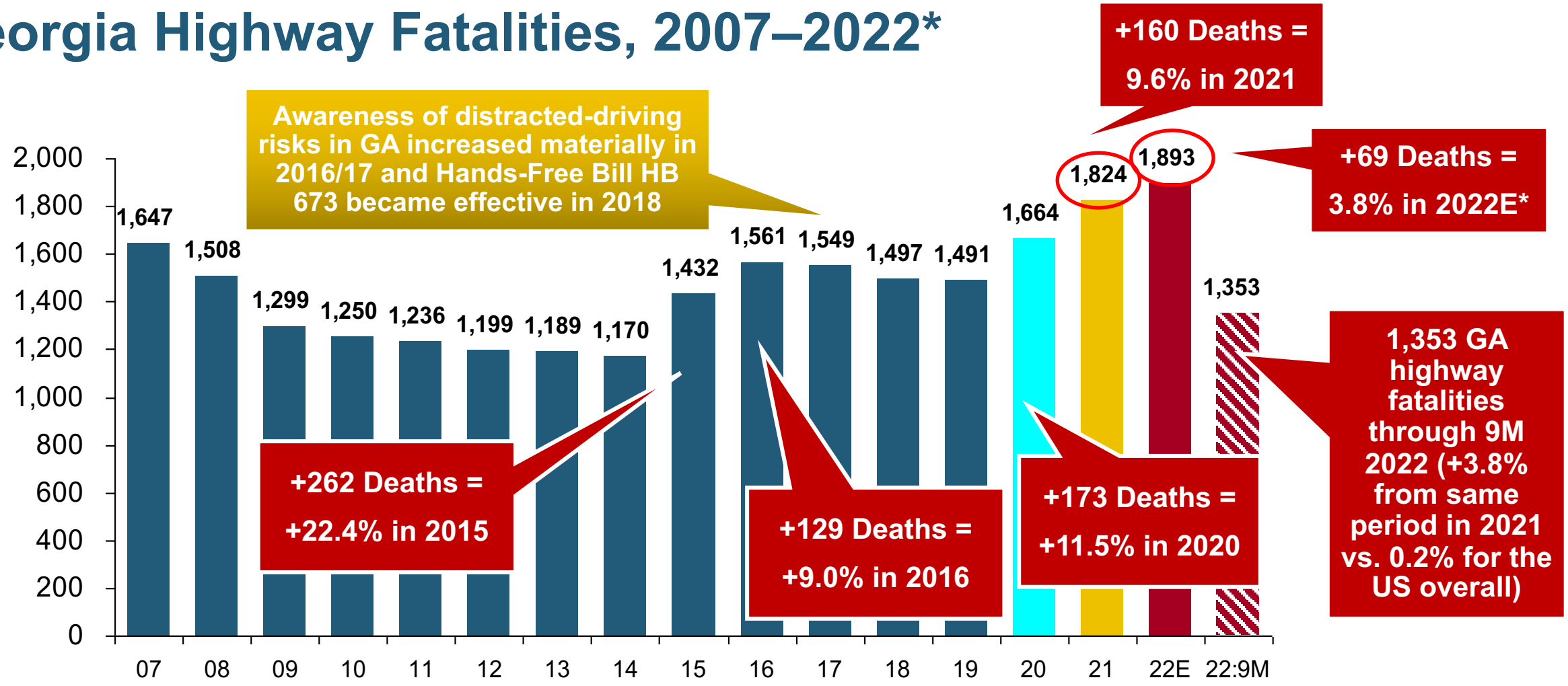
Auto Fatalities Are Soaring in Georgia

Fatal Auto Accidents Increased Rapidly in Georgia—Despite the Pandemic—*And Continue to Climb*

Most Deaths Are Due to Unsafe Driving Behaviors

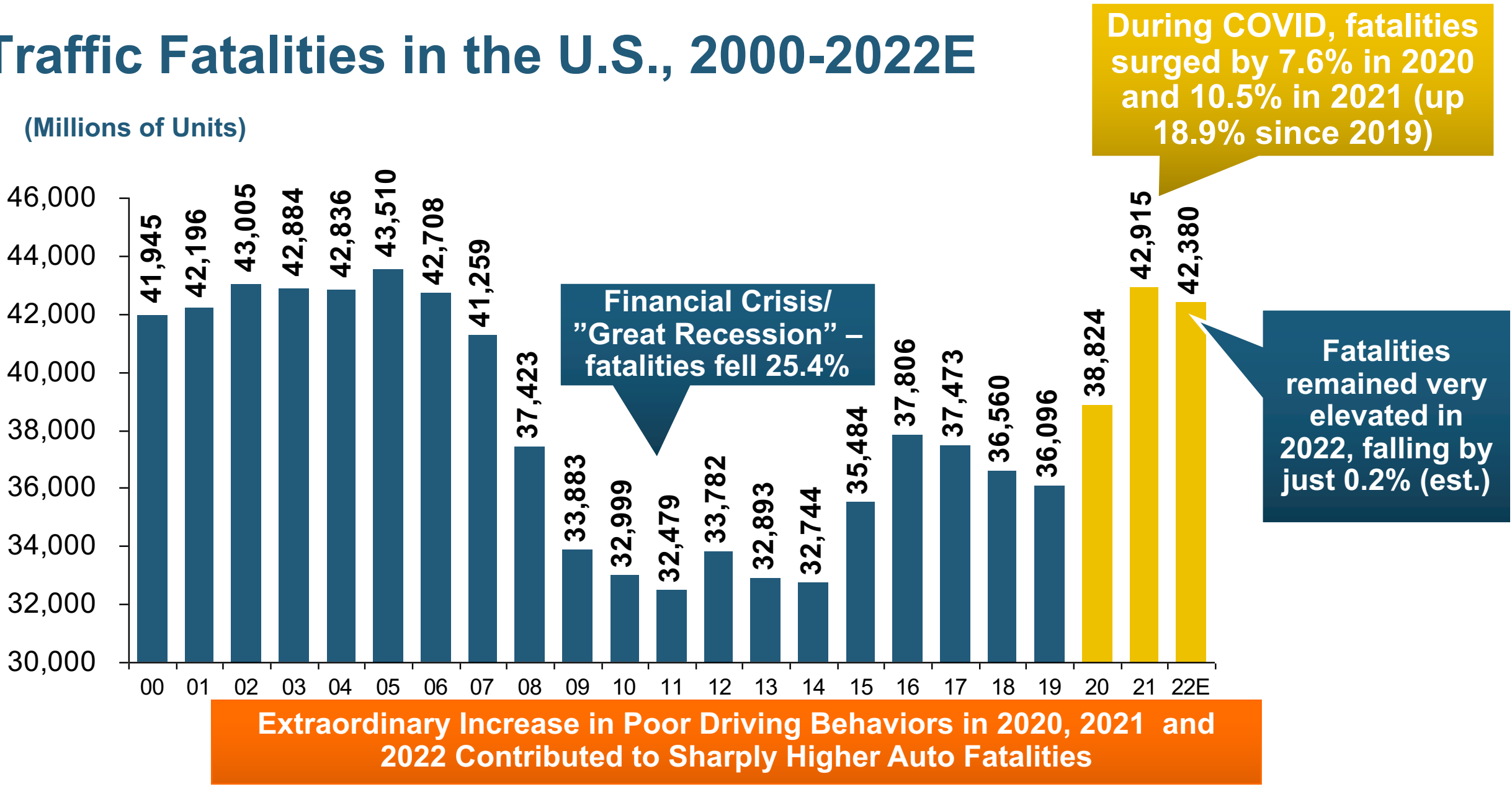
Georgia Highway Fatalities, 2007–2022*



Highway fatalities have skyrocketed in Georgia in 2020 and 2021, reaching their highest levels in many years—despite less driving overall during the pandemic

*Full-year 2022 figure of 1,893 is estimated by applying the 3.8% increase in 9M actual fatalities in 2022 to 2021 full-year actual fatalities of 1,824 deaths.
Sources: Georgia Department of Transportation data for years 2007 – 2018 and 2021 accessed 3/22/22 at: http://www.dot.ga.gov/DS/SafetyOperation/DAAA; Data for 2019-20 from National Highway Traffic Safety Administration, accessed at: https://www-fars.nhtsa.dot.gov/states/statesfatalitiesfatalityrates.aspx and Overview of Motor Vehicle Crash Statistics (Dec. 2022): https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813406.

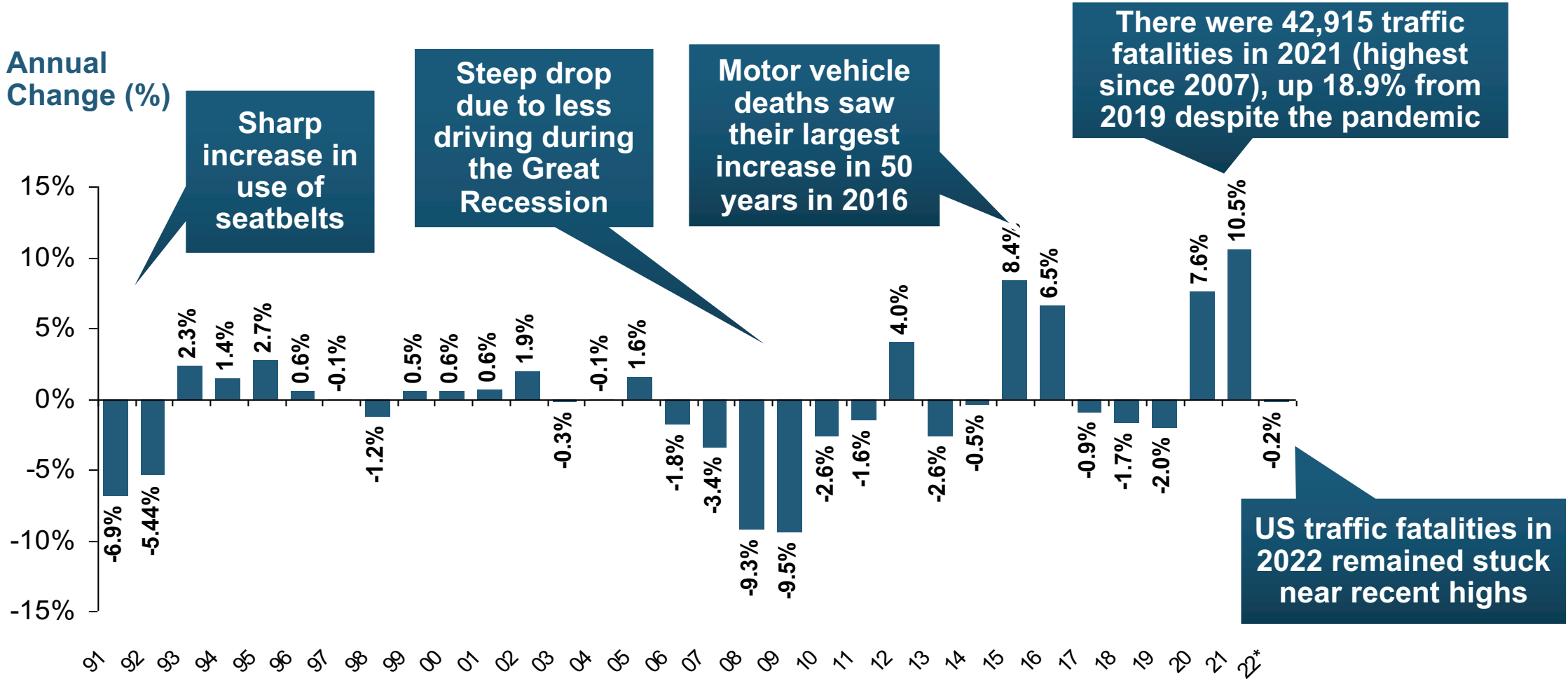
Traffic Fatalities in the U.S., 2000-2022E



*2022 figure is annualized based on actual of 31,785 through Sept. 30 (a decline of 0.2% from the same period in 2021).

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 and NHTSA (2022): https://www.nhtsa.gov/press-releases/early-estimates-traffic-fatalities-first-half-2022; Risk and Uncertainty Management Center, University of South Carolina.

U.S. Annual Change in Automobile Deaths, 1991- 2022*

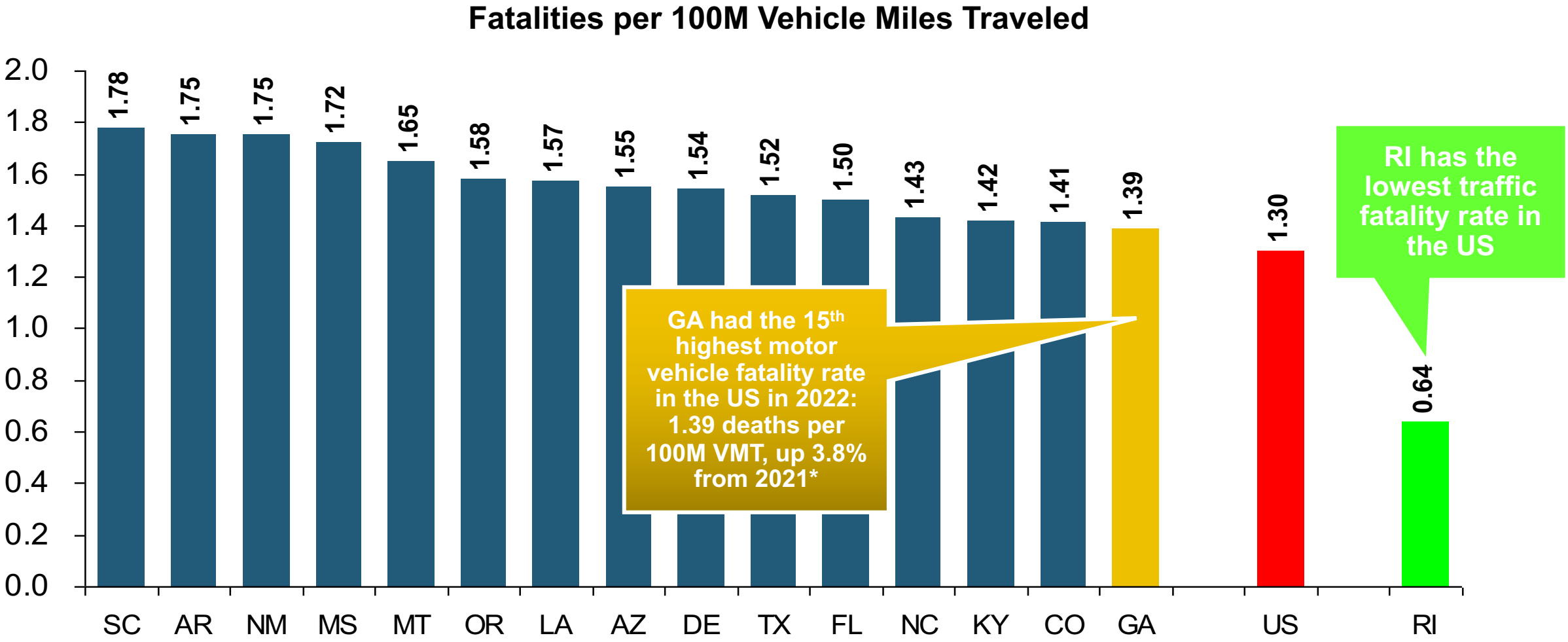


Extraordinary Increase in Poor Driving Behaviors in 2020, 2021 and 2022 Leading to Sharply Higher Auto Fatalities

*First 9 months 2022 vs. same period in 2021.

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 and NHTSA (2021): https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813240; Risk and Uncertainty Management Center, University of South Carolina.

Motor Vehicle Traffic Fatality Rates, Top 15 States: 9M 2022



*Figures are for the first 9 months of 2022 vs. the same period in 2021.
Sources: NHTSA Traffic Safety Facts, Dec. 2022: https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813406; USC RUM Center.

Facts About Highway Deaths in Georgia in 2021*

1,844

people died on Georgia's roads in 2021.

56%

of victims were not wearing seatbelts or unknown.

76%

fatalities in crashes are caused by unsafe driving behaviors, including distractions, impairment or driving too fast for conditions. This includes all angle, rear end collisions, head-on along with failure to stop collisions.

17.5%

of fatalities were pedestrians.

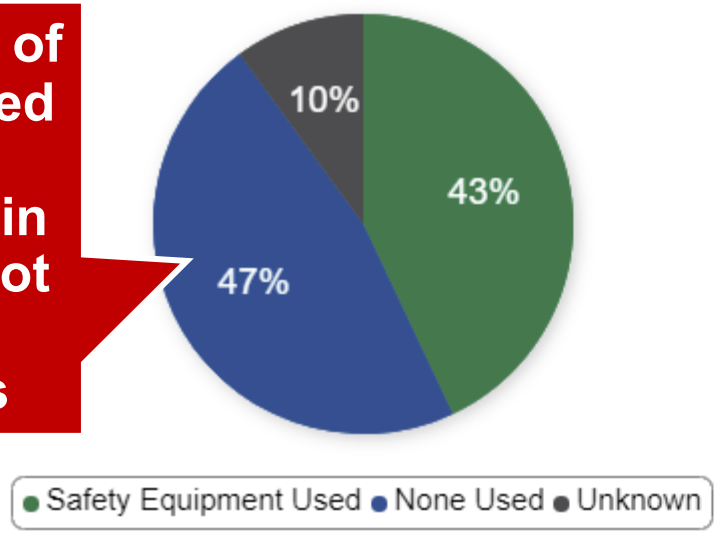
GDOT found that more than 3 out of every 4 highway deaths (76%) in 2021 were caused by unsafe drivng behaviors, 56% of victims weren't weaing seatlbelts and that 17.5% of victims were pedestrians

*Latest available.
Source: Georgia Department of Transportation accessed 1/27/23 at: http://www.dot.ga.gov/DS/SafetyOperation/DAAA.

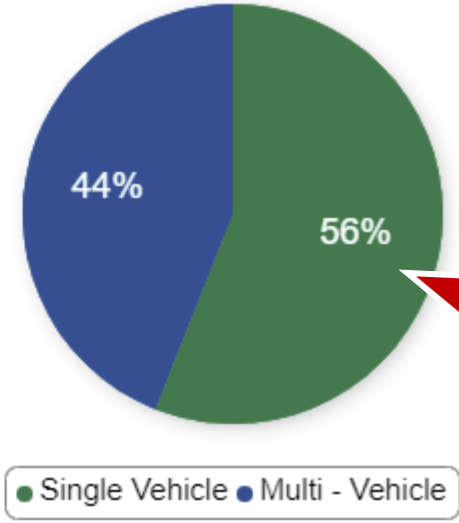
More Facts About Highway Deaths in Georgia in 2021*

Nearly half of people killed in traffic accidents in GA were not wearing seatbelts

2021 Fatalities
Occupant Safety Equipment



2021 Fatality Collisions
Single Vehicle Vs Multi-Vehicle



Most fatal accidents involve more than one vehicle

*Latest available.
Source: Georgia Department of Transportation accessed 1/27/23 at: http://www.dot.ga.gov/DS/SafetyOperation/DAAA.

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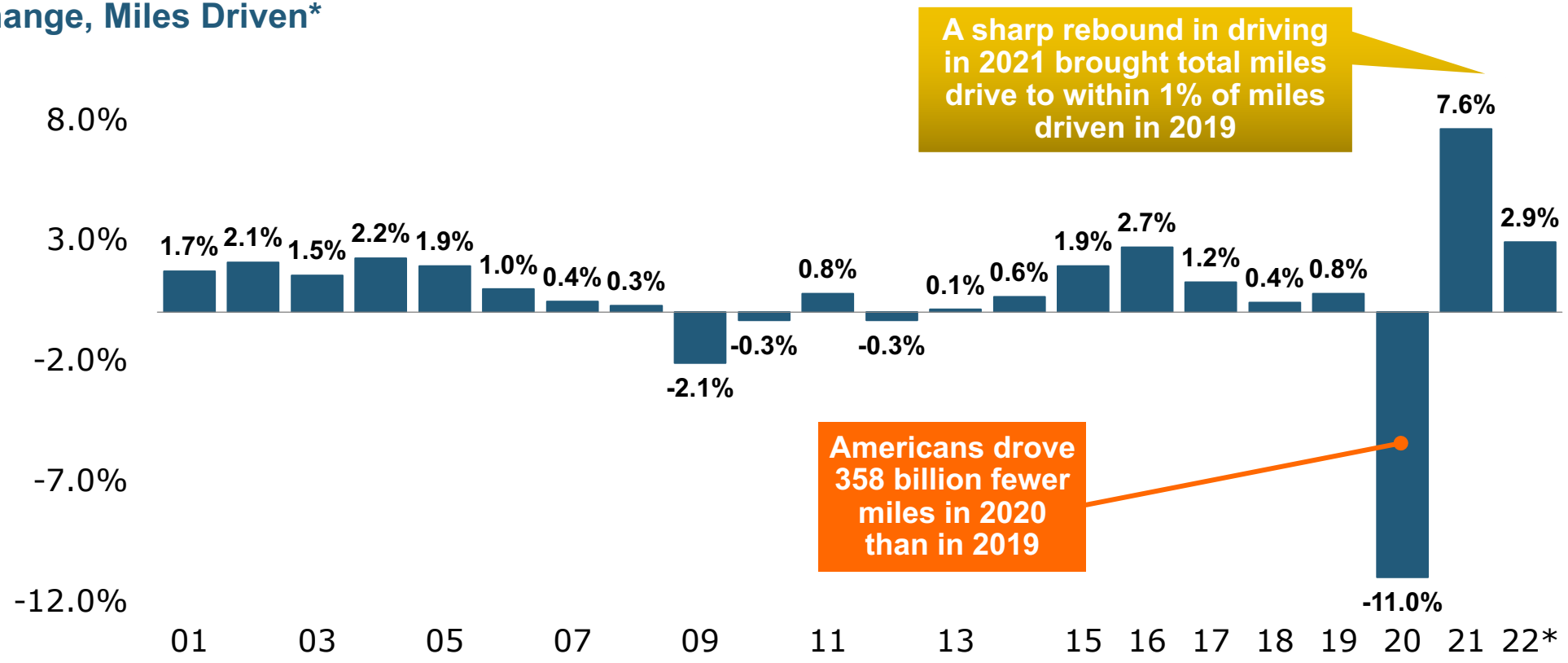
Back Behind the Wheel

Americans Are Back Behind the Wheel

Miles Driven Will Likely Set a New Record in 2022

Vehicle Miles Driven Have Rebounded Sharply

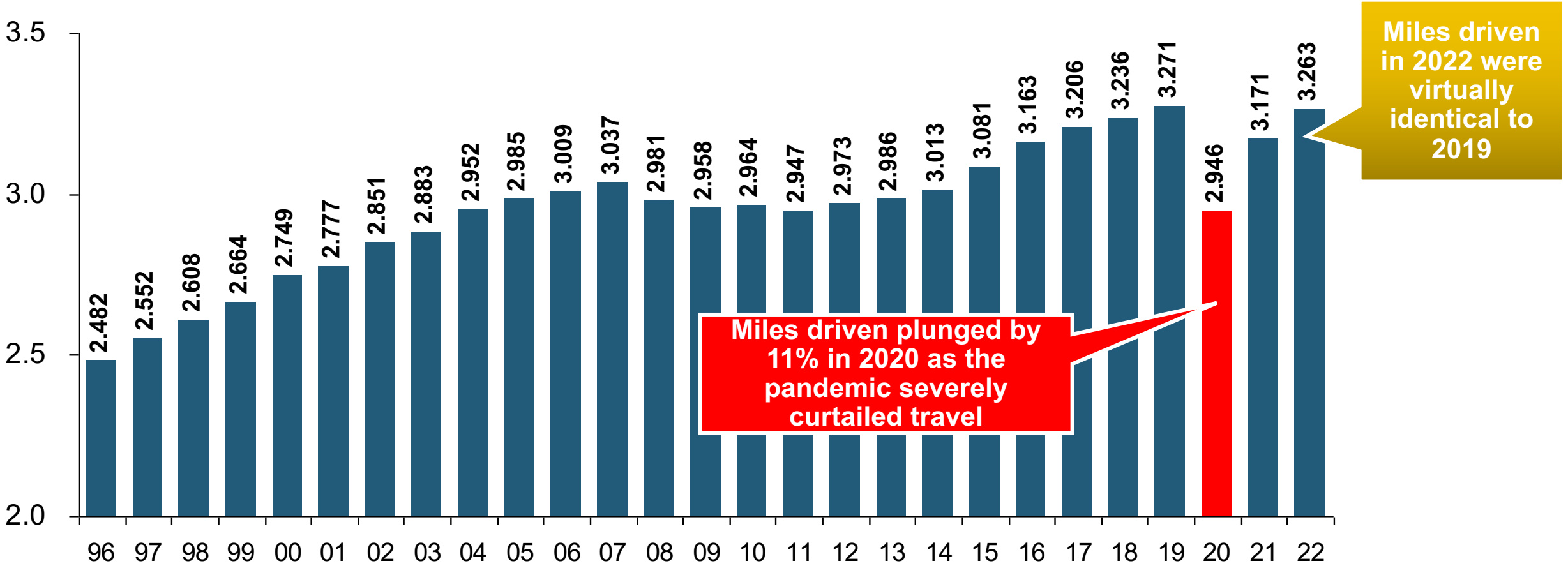
Percent Change, Miles Driven*



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

*Moving 12-month total vs. prior year through November 2022.
Sources: Federal Highway Administration.

Travel in Trillions of Vehicle Miles in U.S.: 1996–2022*



Miles driven in 2022 returned to pre-prandemic levels, though was likely held back by soaring gas prices that could led vehicle owners to scale back on their driving

*2022 figure is for the 12 months ending in Nov. 2022.
Sources: Sources: Federal Highway Administration at https://www.fhwa.dot.gov/policyinformation/travel_monitoring/22novtvt/page2.cfm; USC RUM Center.

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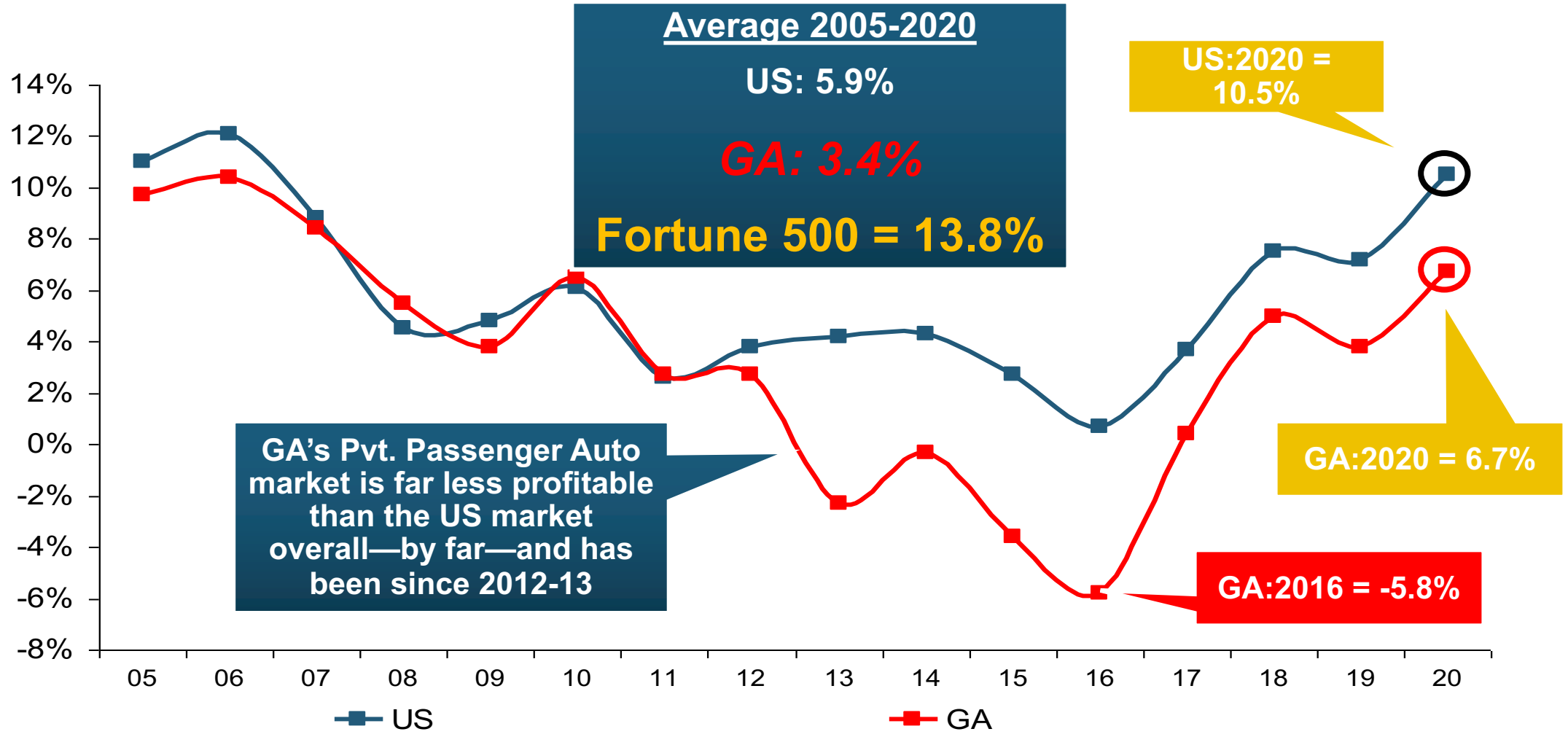
Private Passenger Auto Profitability in Georgia vs. US and Southeastern States

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

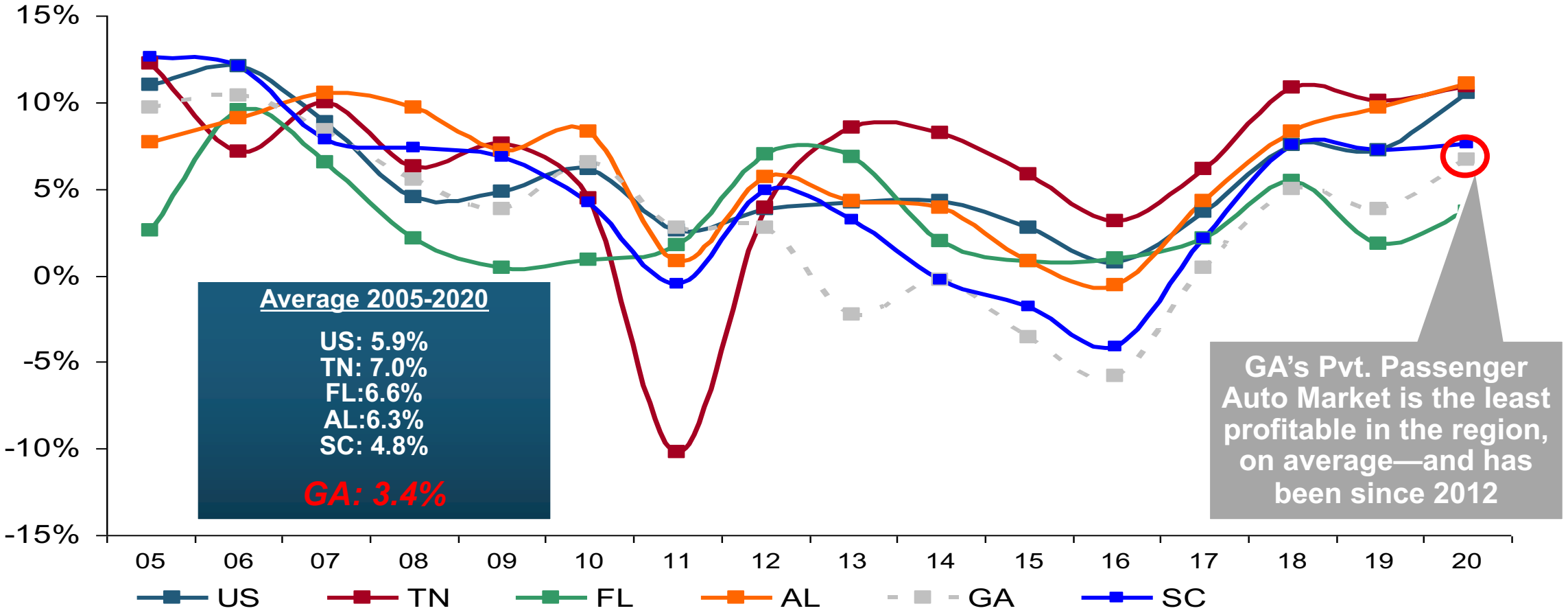
Return on Net Worth PP Auto: GA vs. U.S., 2005-2020



Private Passenger Auto Insurers Sustained Significant Underwriting Losses in GA Between 2013 - 2016

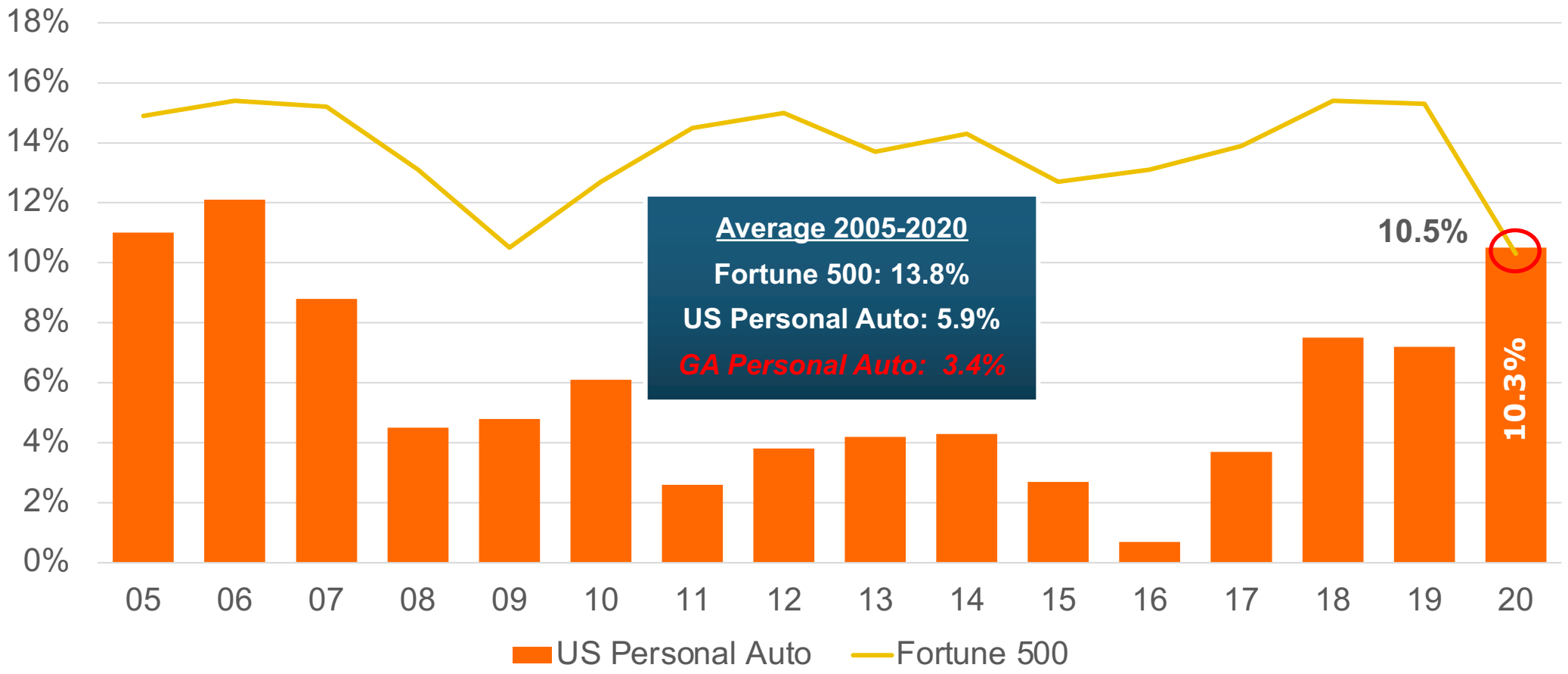
Source: NAIC; University of South Carolina, Center for Risk and Uncertainty Management

RNW PP Auto: GA vs. SC,TN, FL, AL and the U.S., 2005-2020



Source: NAIC; University of South Carolina, Center for Risk and Uncertainty Management.

Return on Net Worth: US Personal Auto, 2005-2020



U.S. Personal Auto Insurance Returns on Net Worth Are Less than Half that of the Fortune 500. In GA Returns in Personal Auto Are Barely Half that of the US and About 1/4 of the Fortune 500

Source: NAIC; University of South Carolina, Center for Risk and Uncertainty Management.

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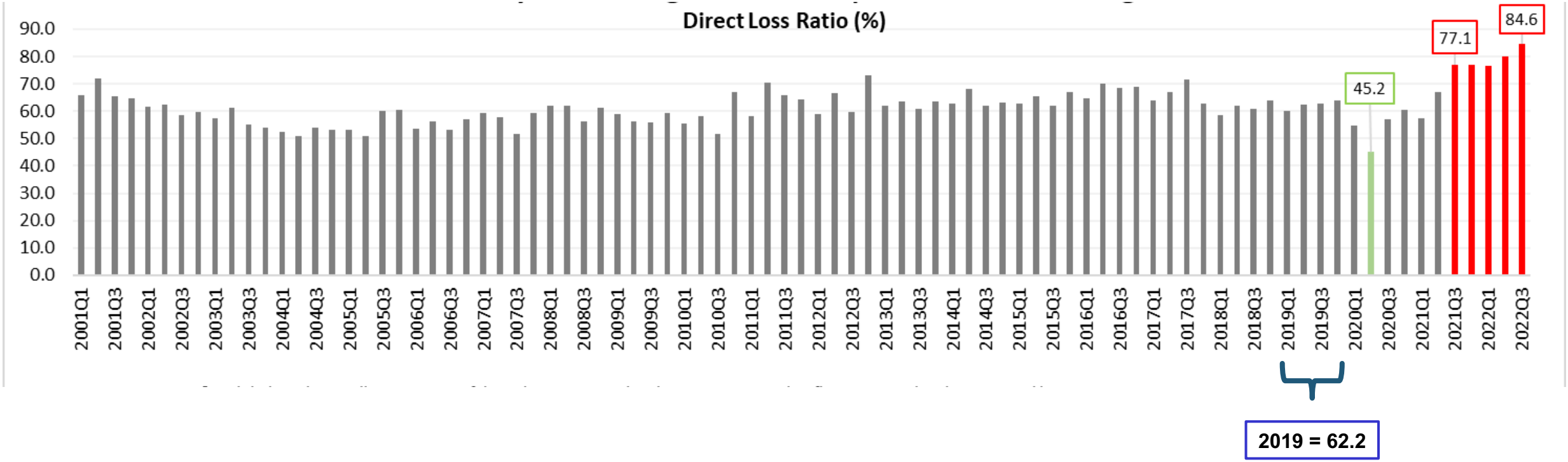
Private Passenger Auto Severity Trends in Georgia

Claim Severity Echoes the Sharp Increase in Auto Crash Deaths

Inflation Is Also Pressuring Severity and Pushing Loss Ratios Upward

U.S. Auto Physical Damage Loss Ratio Spikes to a 20+ Year High

Auto physical damage loss ratios are up nearly 40 points since early in the pandemic and 24.4 points since 2019, before the pandemic began. The implication is that rates are under more pressure now than prior to Covid.



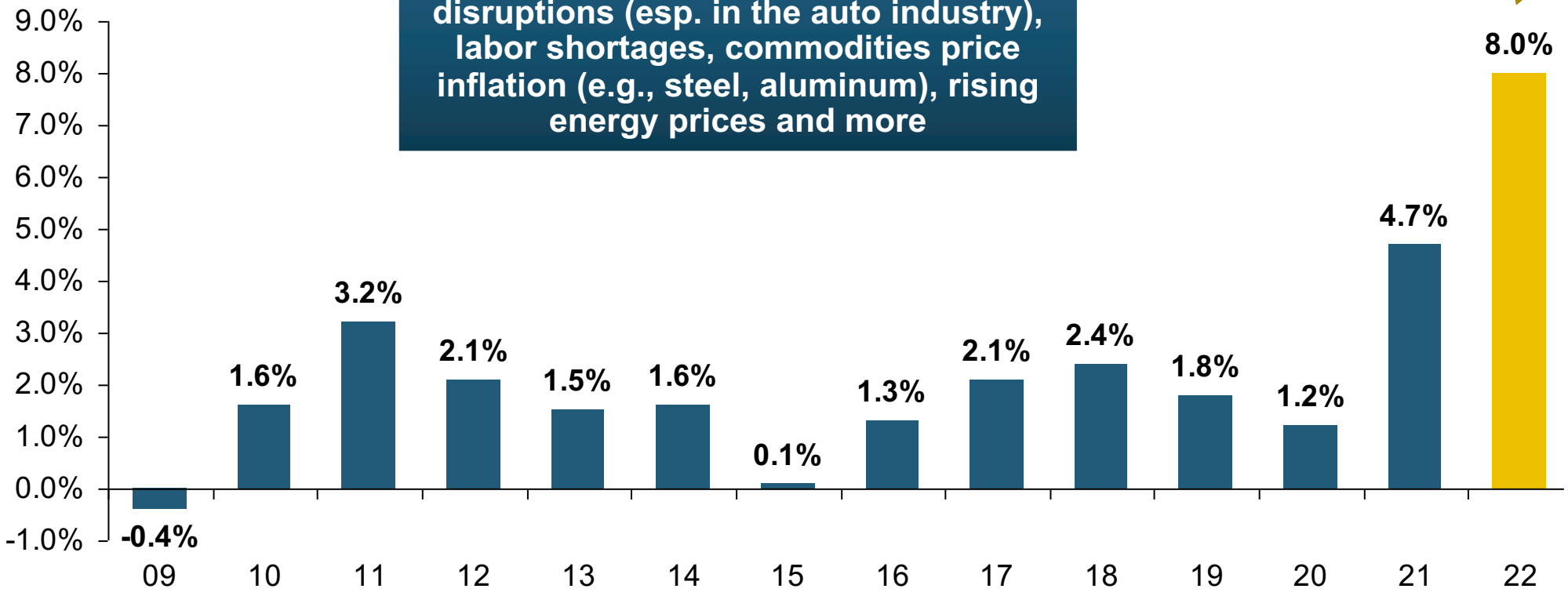
Source: APCIA using S&P Global Market Intelligence; ratio of direct losses incurred and premiums earned; reflects personal and commercial business.

U.S. Inflation Rate: 2009-2022

Percentage Change (%)

Inflation is being driven by many factors, including severe supply chain disruptions (esp. in the auto industry), labor shortages, commodities price inflation (e.g., steel, aluminum), rising energy prices and more

Inflation accelerated sharply in 2021 and 2022 to a 40-year high



Insurer Concerns About Inflation

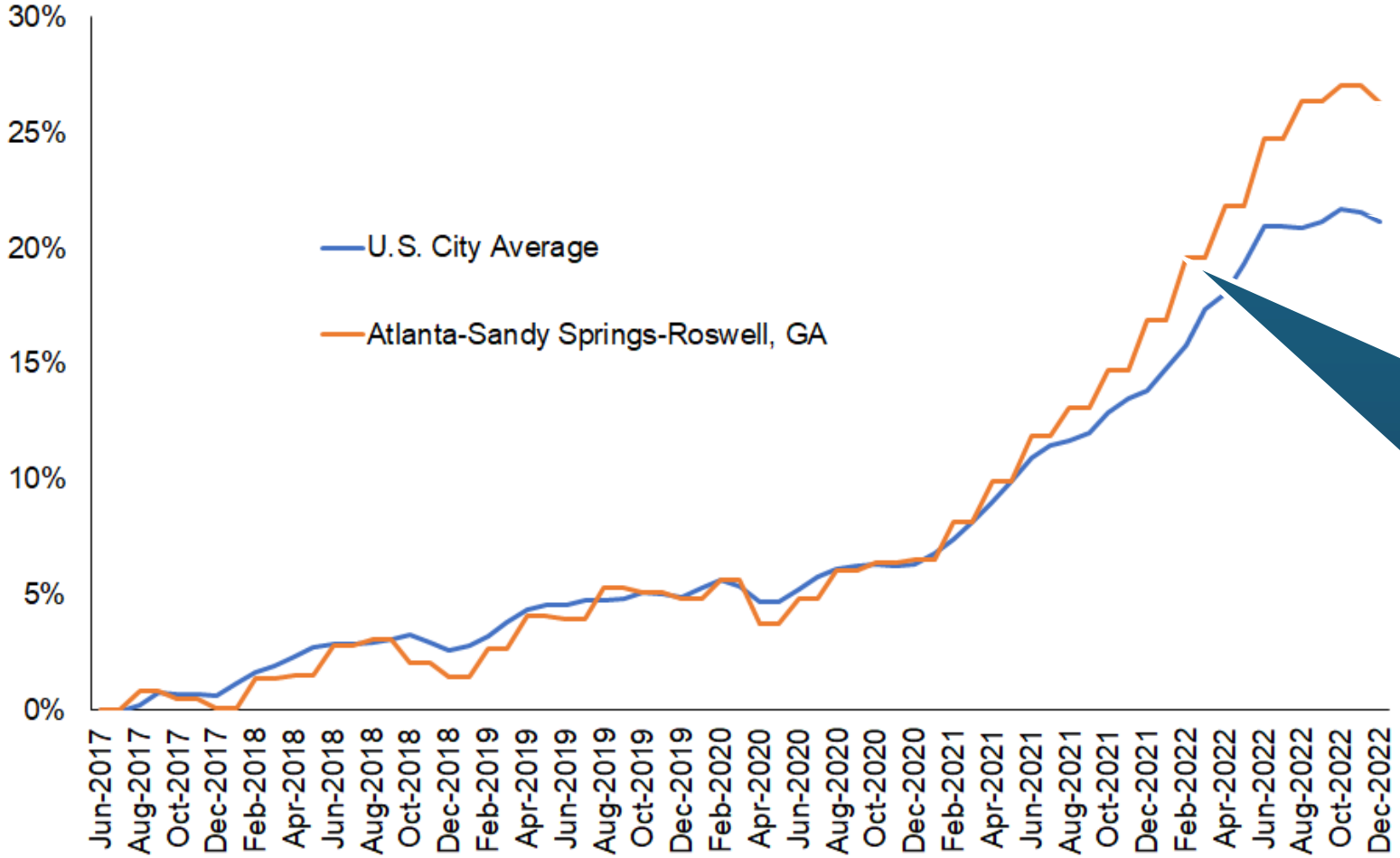
Rate Inadequacy

Reserve Inadequacy

*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).

Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities.

Cumulative Price Changes (All Items): U.S. City Average vs. Atlanta-Sandy Springs-Roswell GA Metro Area



Source: Bureau of Labor Statistics.

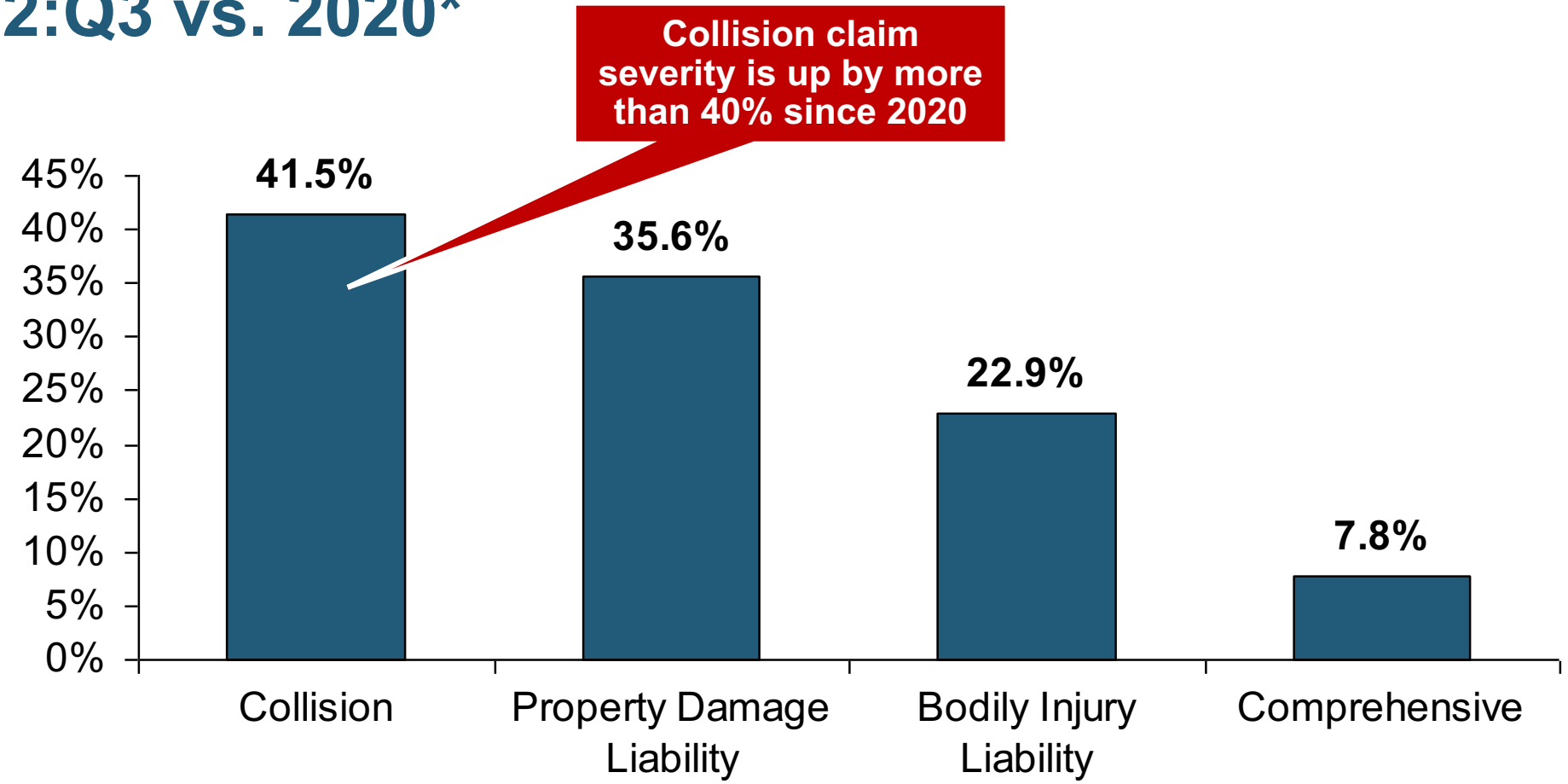
+26%

+21%

Inflation has been materially higher in the Atlanta metro area than in the US overall since early 2021. This includes items that factor into the cost of auto insurance including new and used vehicles, repairs, rental vehicles and medical services.

Source: U.S. Bureau of Labor Statistics.

Georgia Increases in Claim Severity by Coverage: 2022:Q3 vs. 2020*

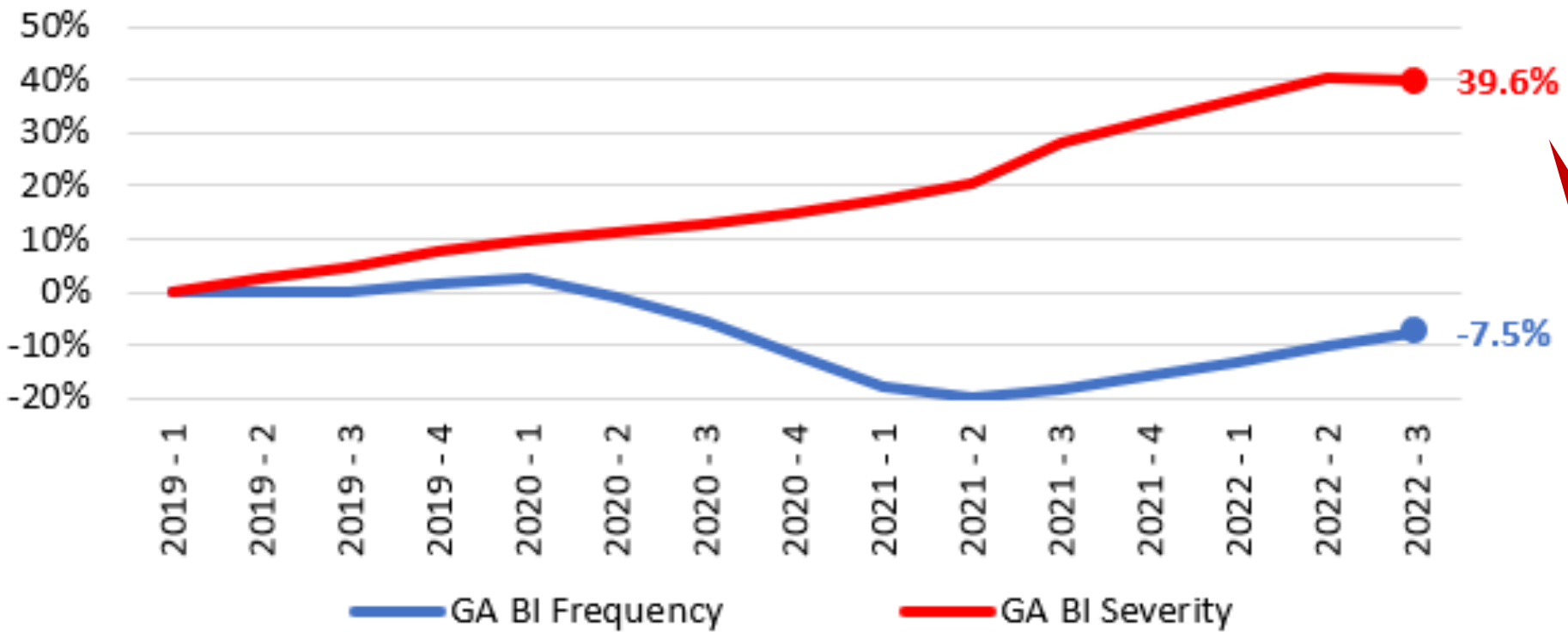


Claim Severities Are Up Sharply in GA in 2022 (and 2021) Across All Major Coverages: Inflation, Proliferation of Poor Driving Behaviors and Pandemic Recovery Are All Driving Claims Costs Upward

*2022:Q3 figure vs. full-year 2020.

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

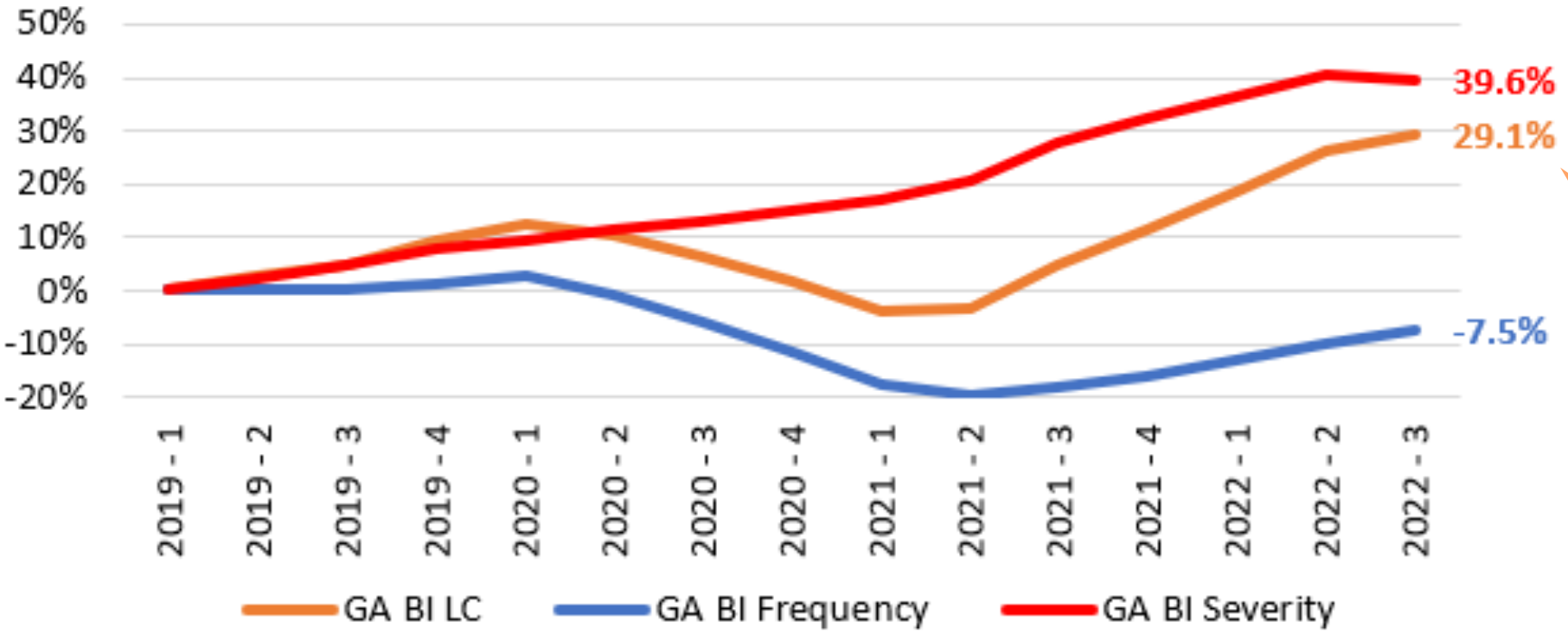
Georgia Bodily Injury Liability Frequency and Severity: Percent Change Since Q1: 2019 *(Rolling 4 Quarters)*



Bodily injury severity in Georgia is skyrocketing and swamps the pandemic-driven decline in frequency (which is recovering quickly)

Source: APCIA using Fast Track Monitoring System, ISS Fast Track Plus.

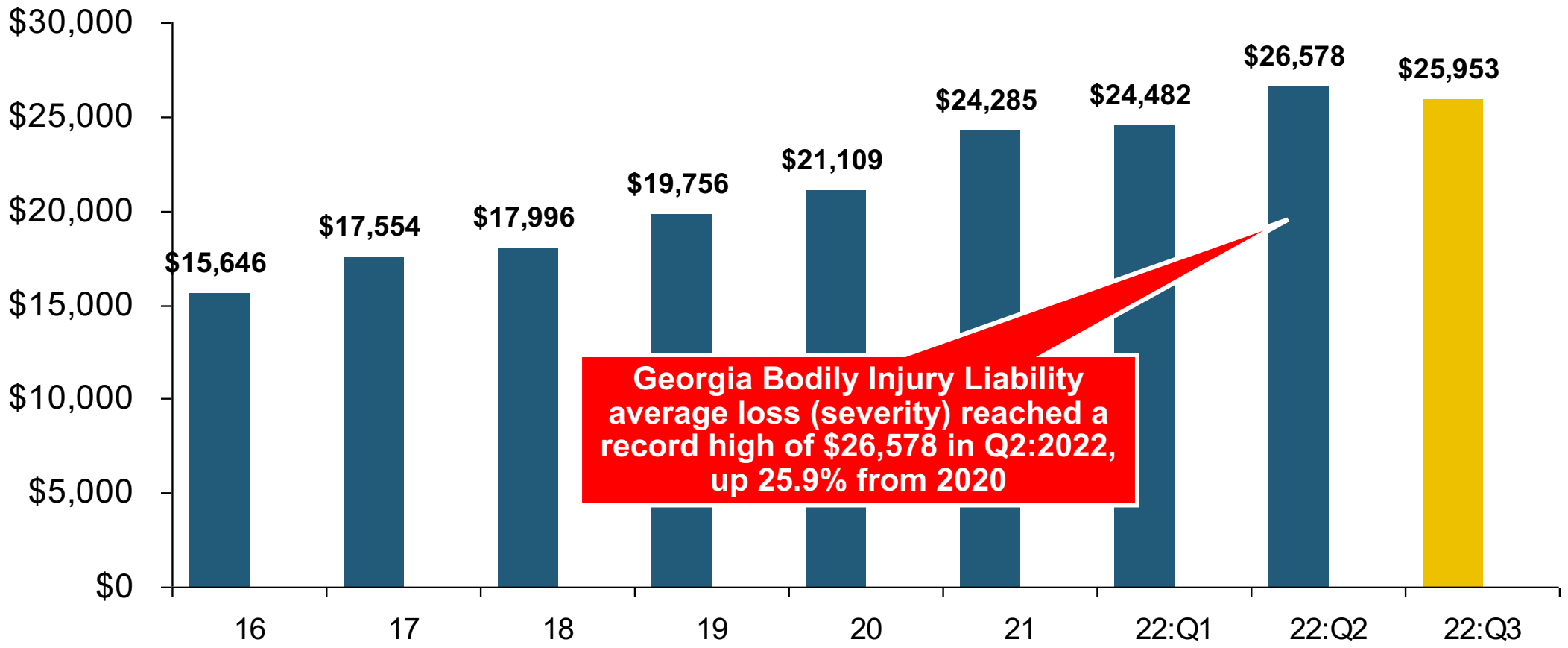
Georgia Bodily Injury Liability Frequency, Severity and Loss Cost: Percent Change Since Q1: 2019 *(Rolling 4 Quarters)*



BI Loss Cost in GA is up 29.1% since 2019:Q1, driven by skyrocketing claim severity with only modest (and shrinking) offsets in claim frequency

Source: APCIA using Fast Track Monitoring System, ISS Fast Track Plus.

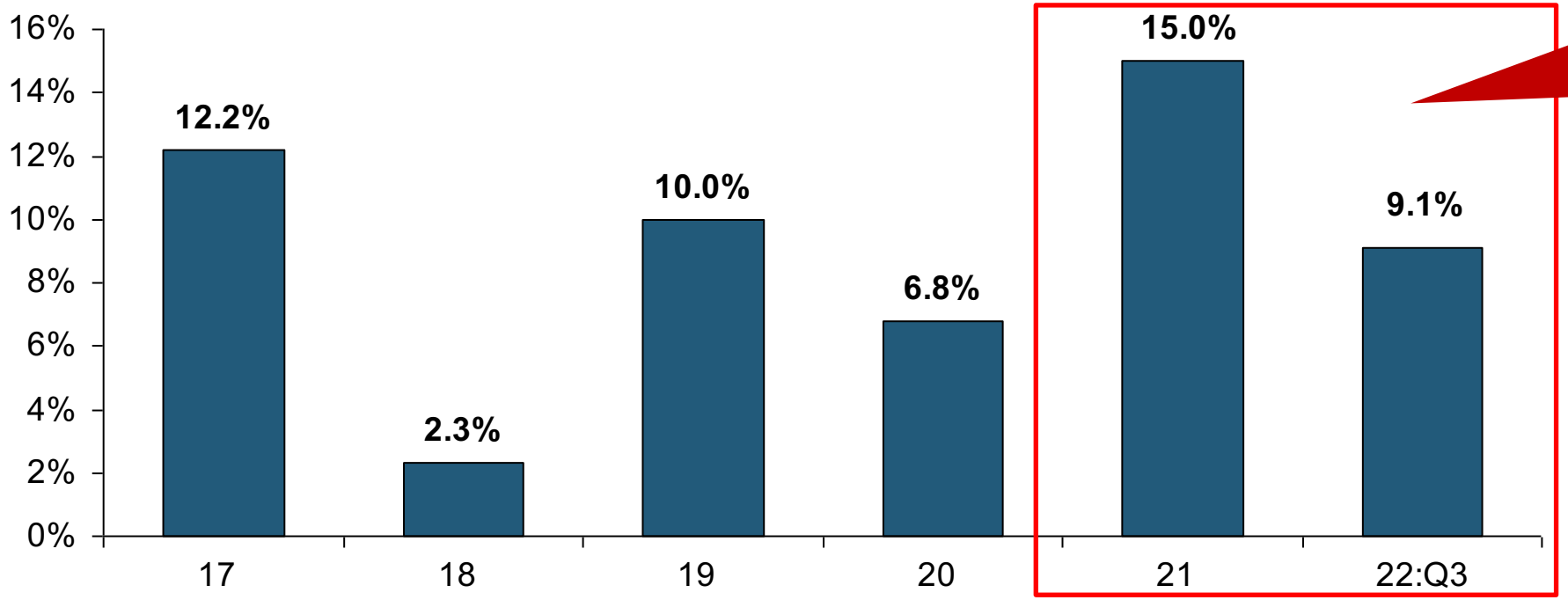
Georgia Bodily Injury Claim Severity (Avg. Loss), 2016–2022:Q3*



The average cost of Bodily Injury Liability claims is rising rapidly in Georgia

*Latest available.
Sources: Sources: ISO Fast Track as of Q3 2022; USC Risk and Uncertainty Management Center.

Georgia Bodily Injury Liability Severity: Sharp Increase in Claims Costs Underway*



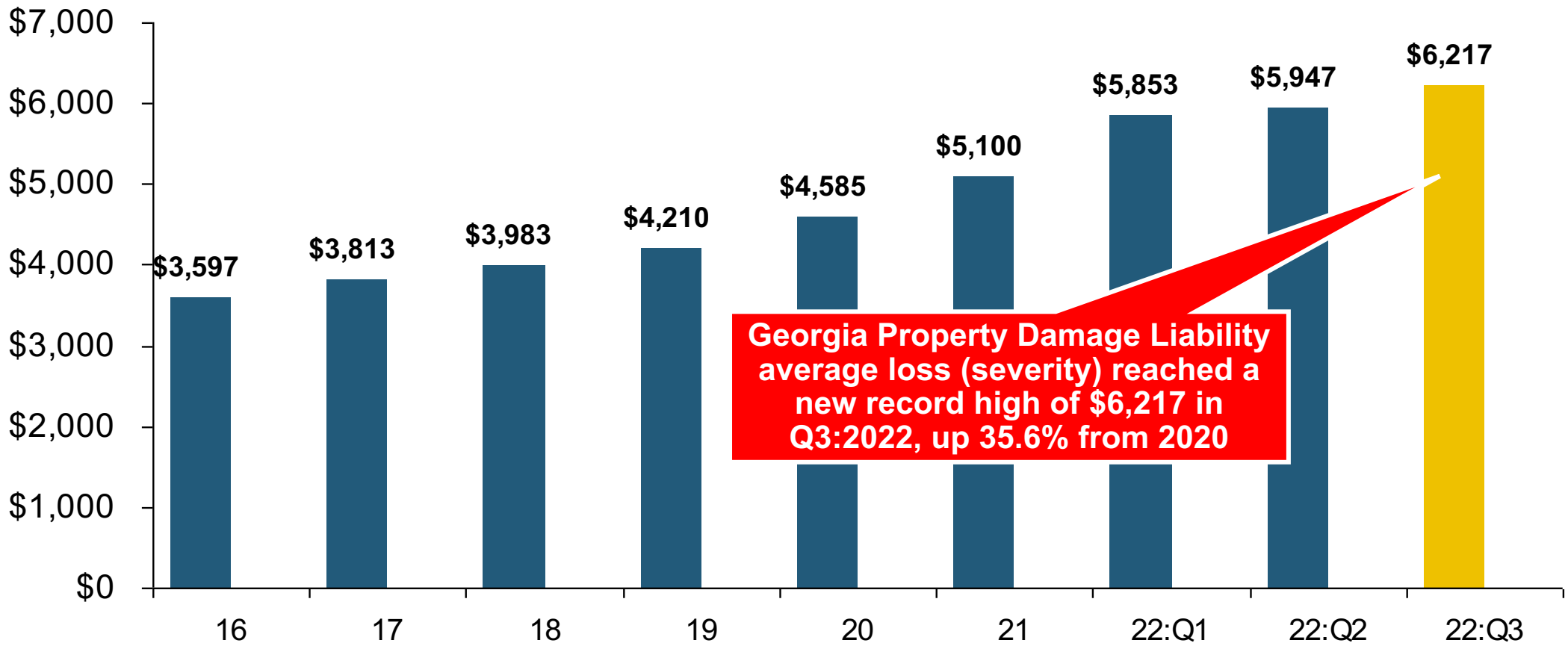
Bodily Injury Liability claim costs are up sharply in recent years

Inflation, Pandemic Recovery, Poor Driving Behaviors Are Causing Claim Costs to Surge in Georgia

*2022 figures is for the 4 quarters ending in Q3 2022.

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

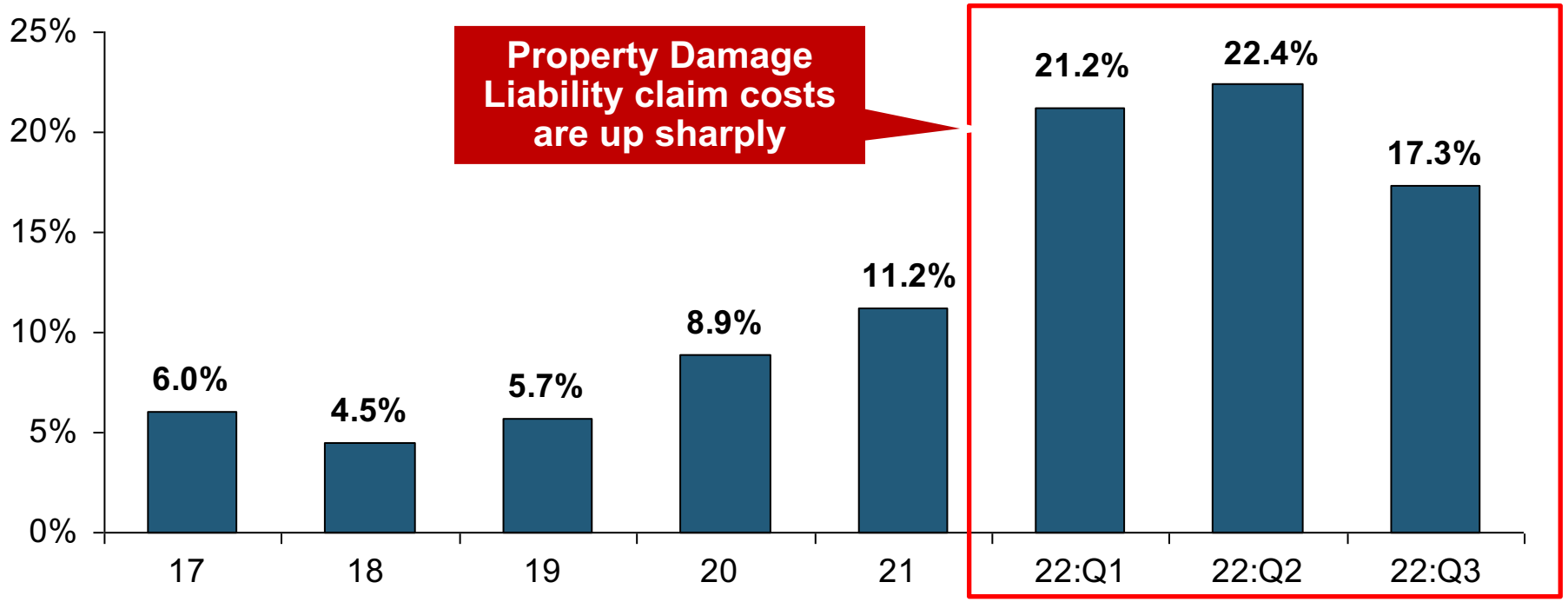
Georgia Property Damage Liability: Average Loss, 2016–2022:Q3*



The average cost of Property Damage Liability claims is rising rapidly in Georgia. Accelerating inflation is a major factor.

*Latest available.
Sources: Sources: ISO Fast Track as of Q3 2022; USC Risk and Uncertainty Management Center.

Georgia Property Damage Liability Severity: Sharp Increase in Claims Costs Underway*

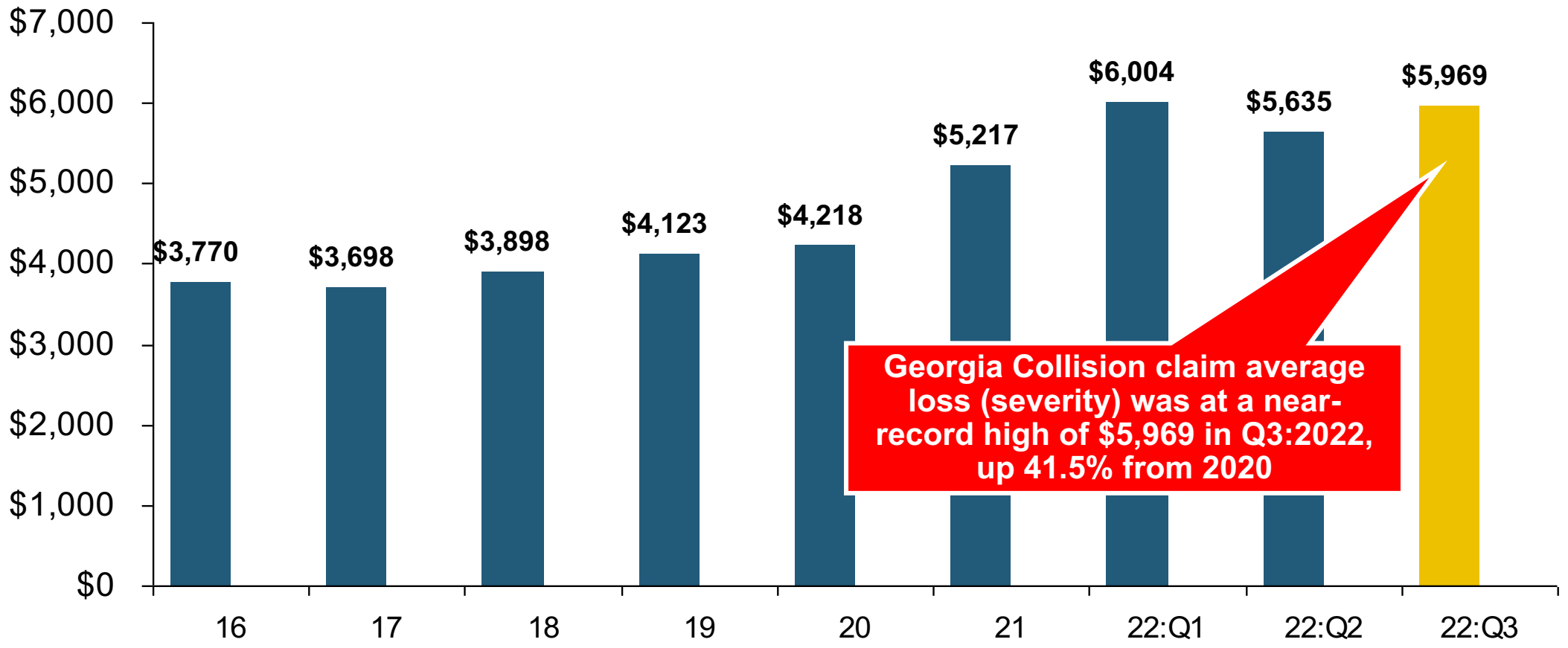


Inflation, Pandemic Recovery, Poor Driving Behaviors Are Causing Claim Costs to Surge in Georgia

*Quarterly data for 2022 show change relative to the same quarter in prior year.

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

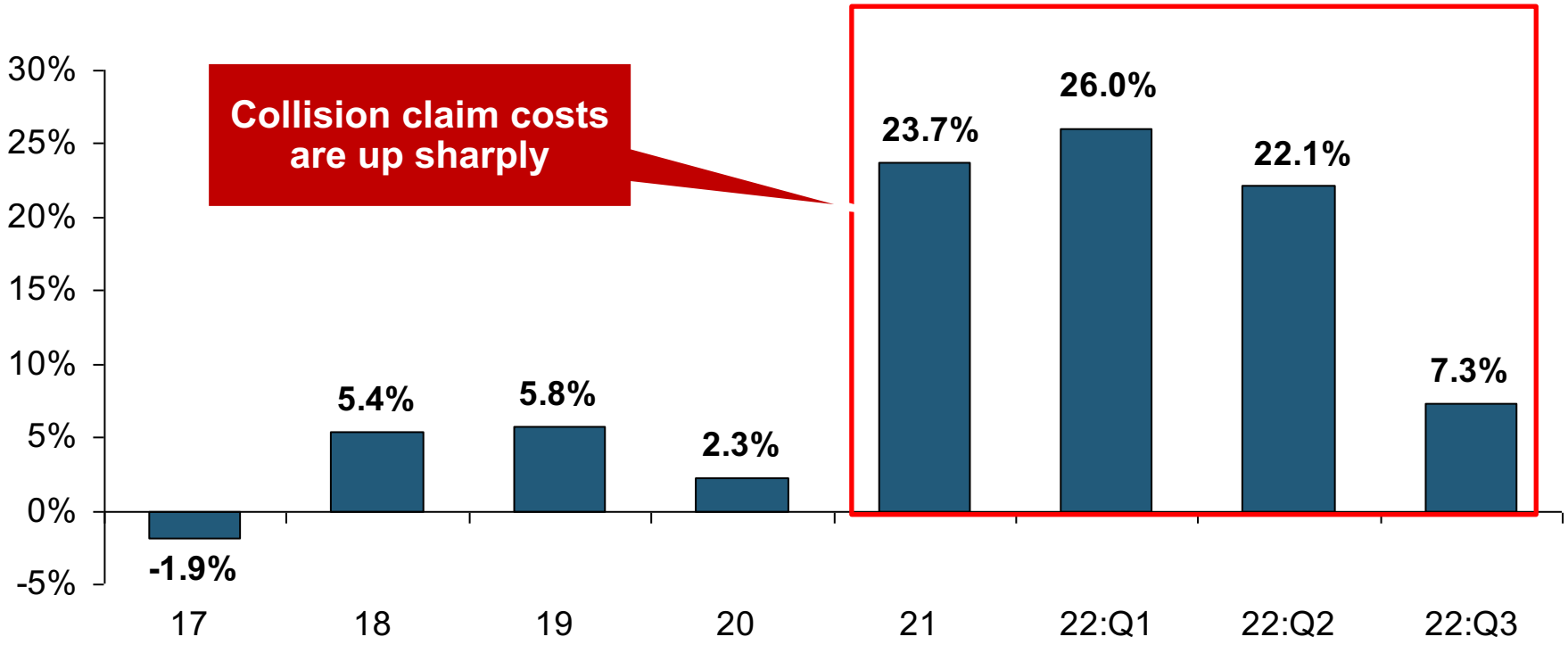
Georgia Collision Claim Average Loss, 2016–2022:Q3*



The average Collision claim cost is rising rapidly in Georgia as inflation, poor driving behaviors and the pandemic recovery all drive losses upward

*Latest available.
Sources: Sources: ISO Fast Track as of Q3 2022; USC Risk and Uncertainty Management Center.

Georgia Collision Claim Severity: Sharp Increase in Claims Costs Underway*



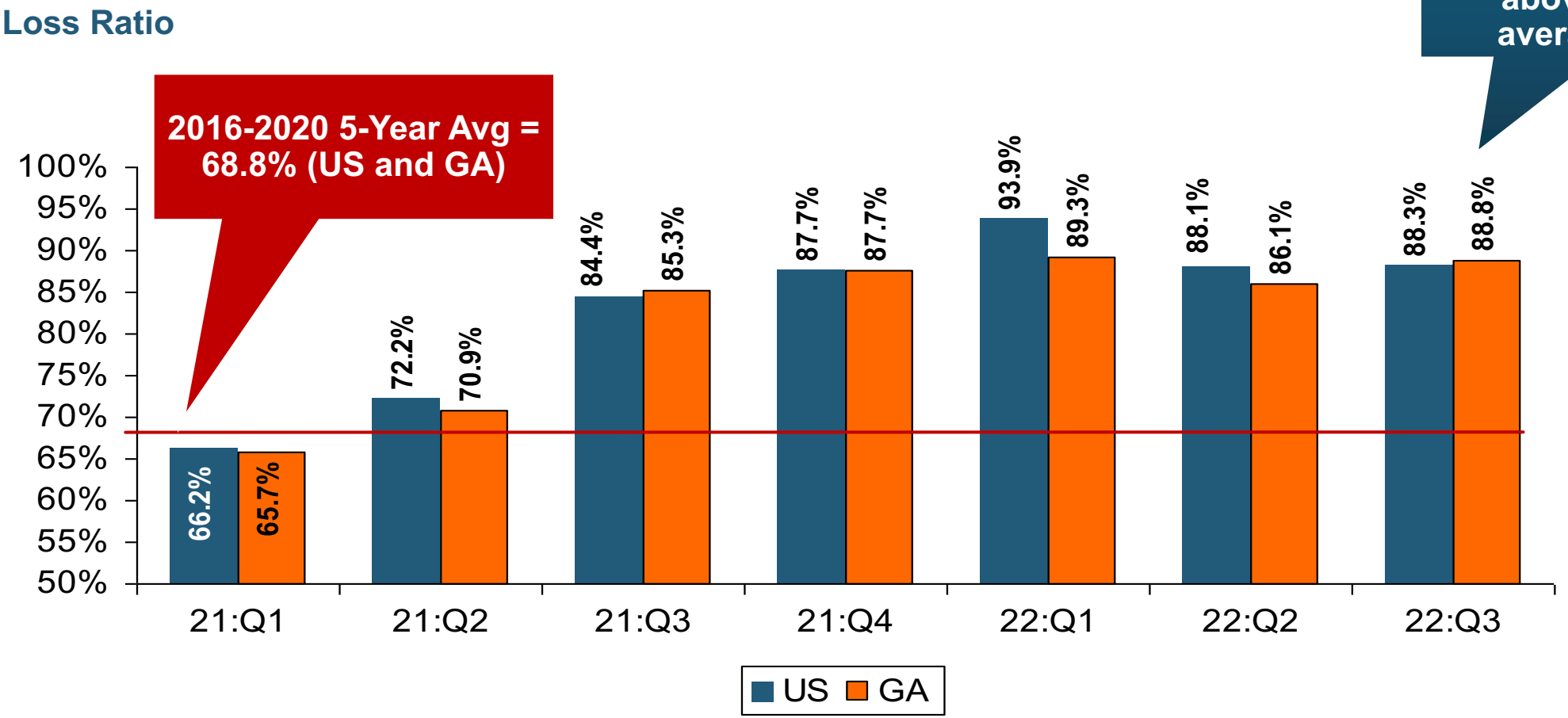
Inflation, Pandemic Recovery, Poor Driving Behaviors Are Causing Claim Costs to Surge in Georgia

*Quarterly data for 2022 show change relative to the same quarter in prior year.

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

Collision Loss Ratio Trending Upward: Pvt. Passenger Auto, GA vs. US, 2010 – 2022:Q3*

GA's Collision loss ratio is up 23.1 points since Q1: 2021 and as of Q3:2022 is 20 points above the 5-year average of 68.8%

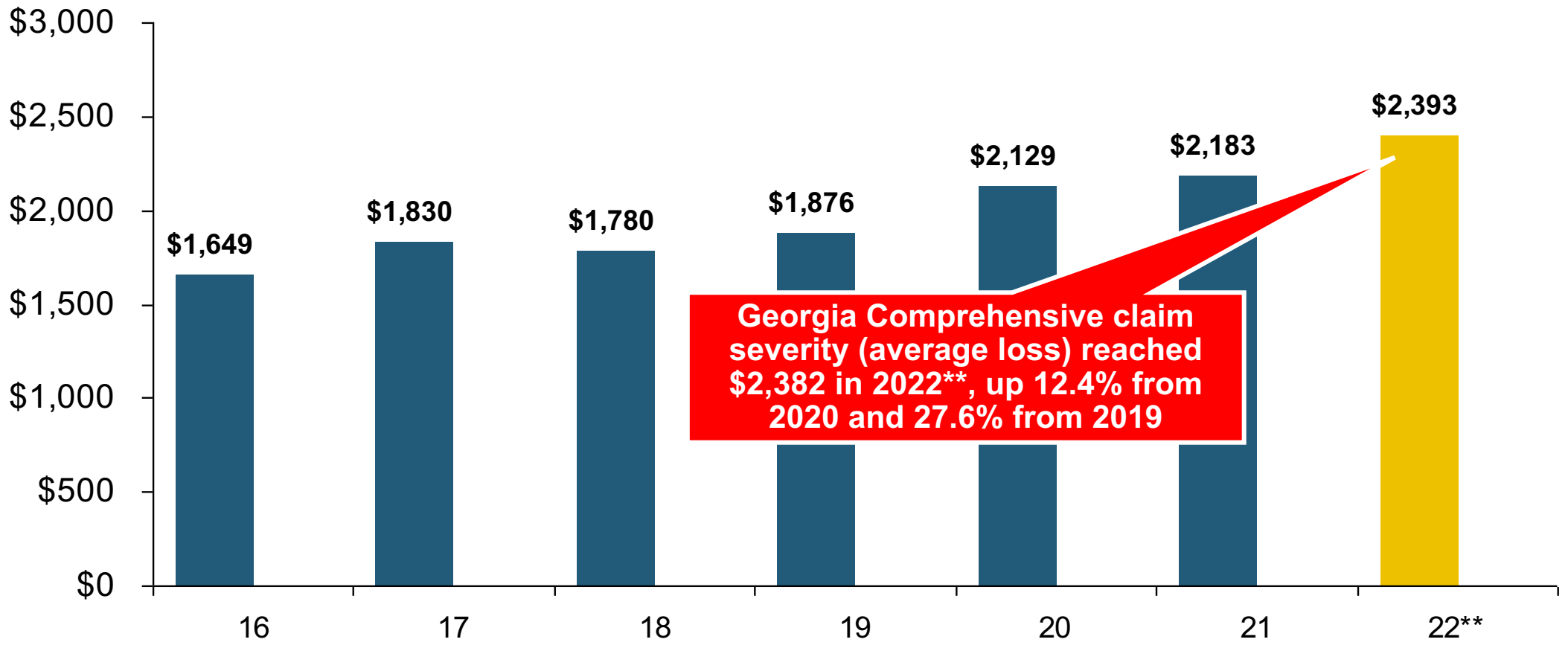


Collision Loss Ratios Are Rising Rapidly and Are Far Above the 5-Year Average

*Latest available.

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

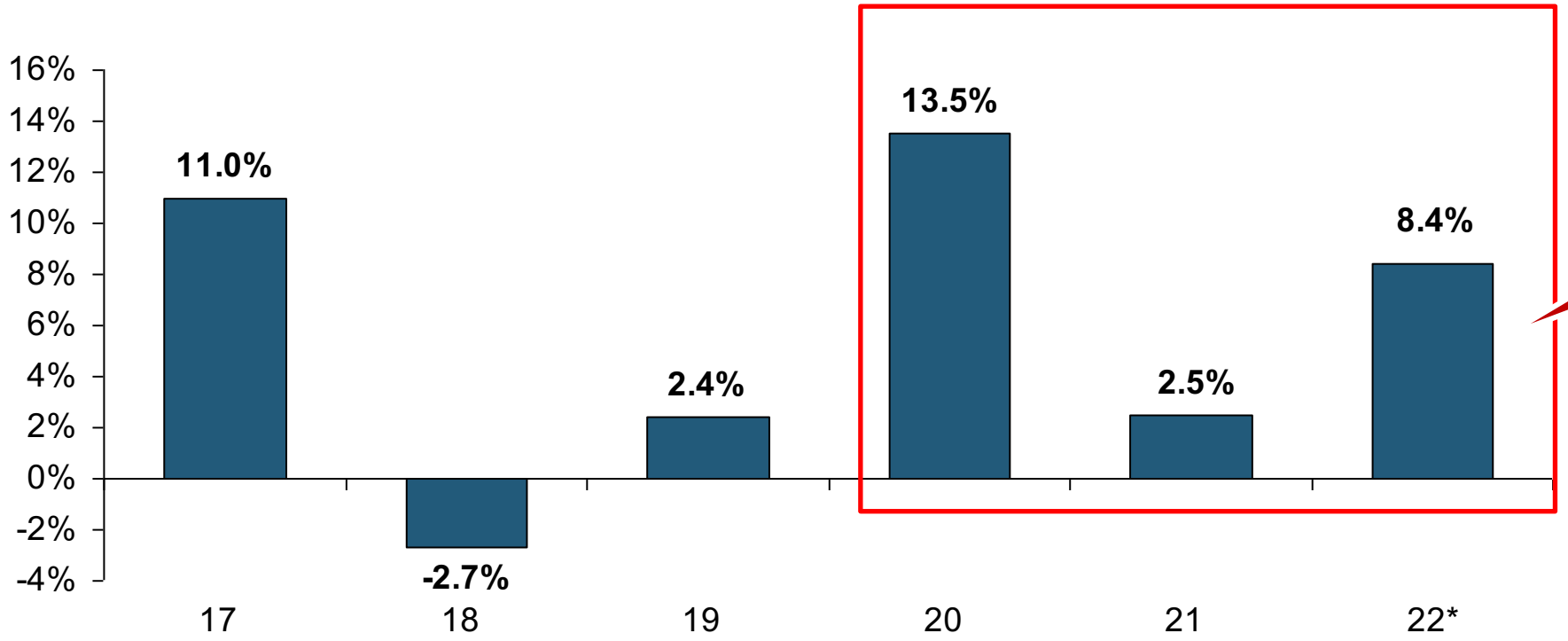
Georgia Comprehensive Claim Severity (Avg. Loss), 2016–2022:Q3*



The average Comprehensive claim cost is rising rapidly in Georgia as inflation, severe weather and the pandemic recovery all drive losses upward

*Latest available. **2022 figure is for the four quarters ending in 2022:Q3.
Sources: Sources: ISO Fast Track as of Q3 2021; USC Risk and Uncertainty Management Center.

Georgia Comprehensive Claim Severity Costs Are Rising: Severe Weather, Inflation Play Roles*

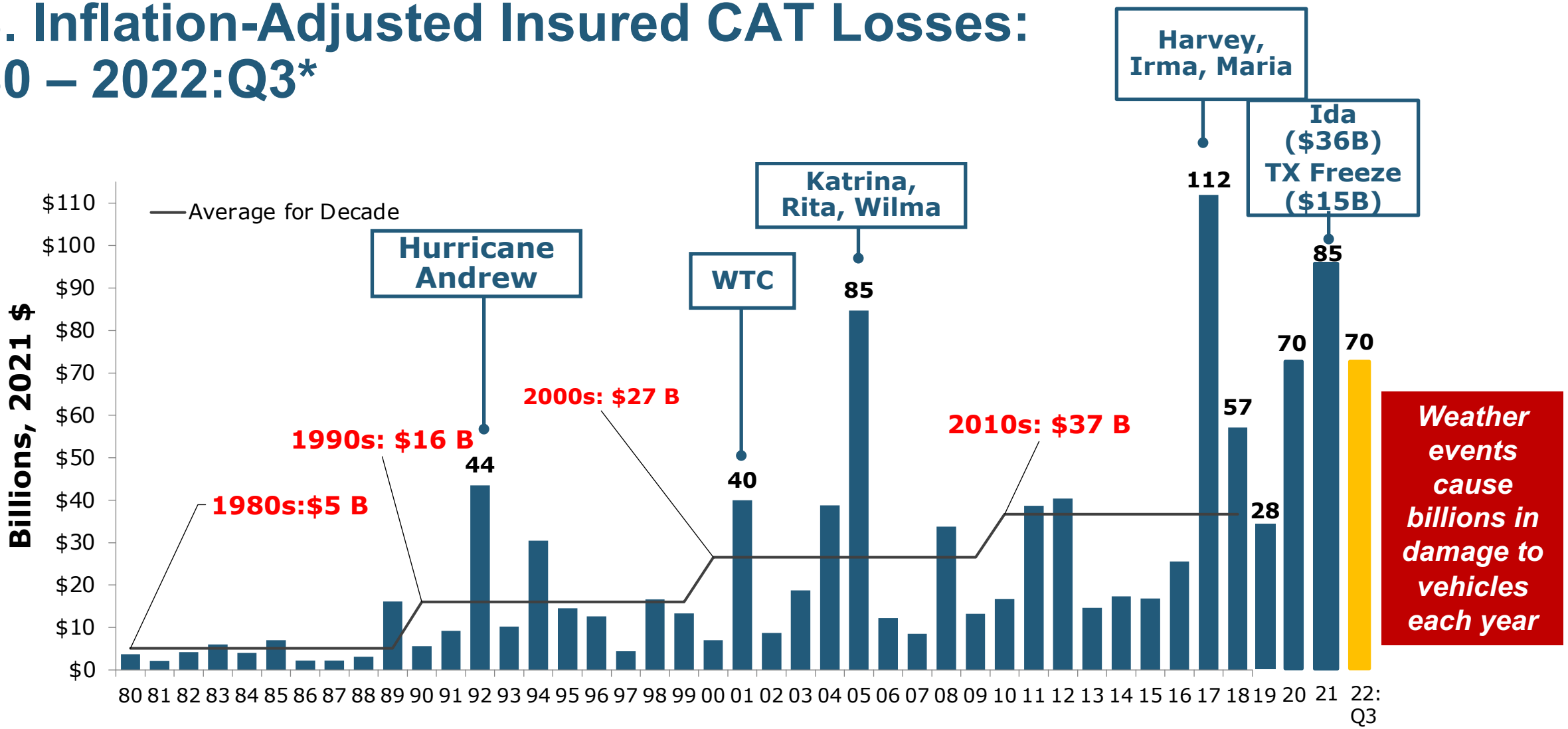


Severe Weather, Inflation, Crime Are Causing Comprehensive Claim Costs to Surge in Georgia

*2021 figure is for the four quarters ending 2022:Q3.

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

U.S. Inflation-Adjusted Insured CAT Losses: 1980 – 2022:Q3*



Weather events cause billions in damage to vehicles each year

Average Insured Loss per Year*
1980-2021: $23.8 Billion
2012-2021: $44.1 Billion

The 2020s are off to an ominous start with $76B in average annual insured losses (2020-21)

*Stated in 2021 dollars except 2022:Q3 (2022 dollars).
Sources: Property Claims Service, a Verisk Analytics business (1980-2019); 2020-21 figures from Munich Re; 2023 YTD data from Aon; Insurance Information Institute; University of South Carolina, Risk & Uncertainty Management Center.

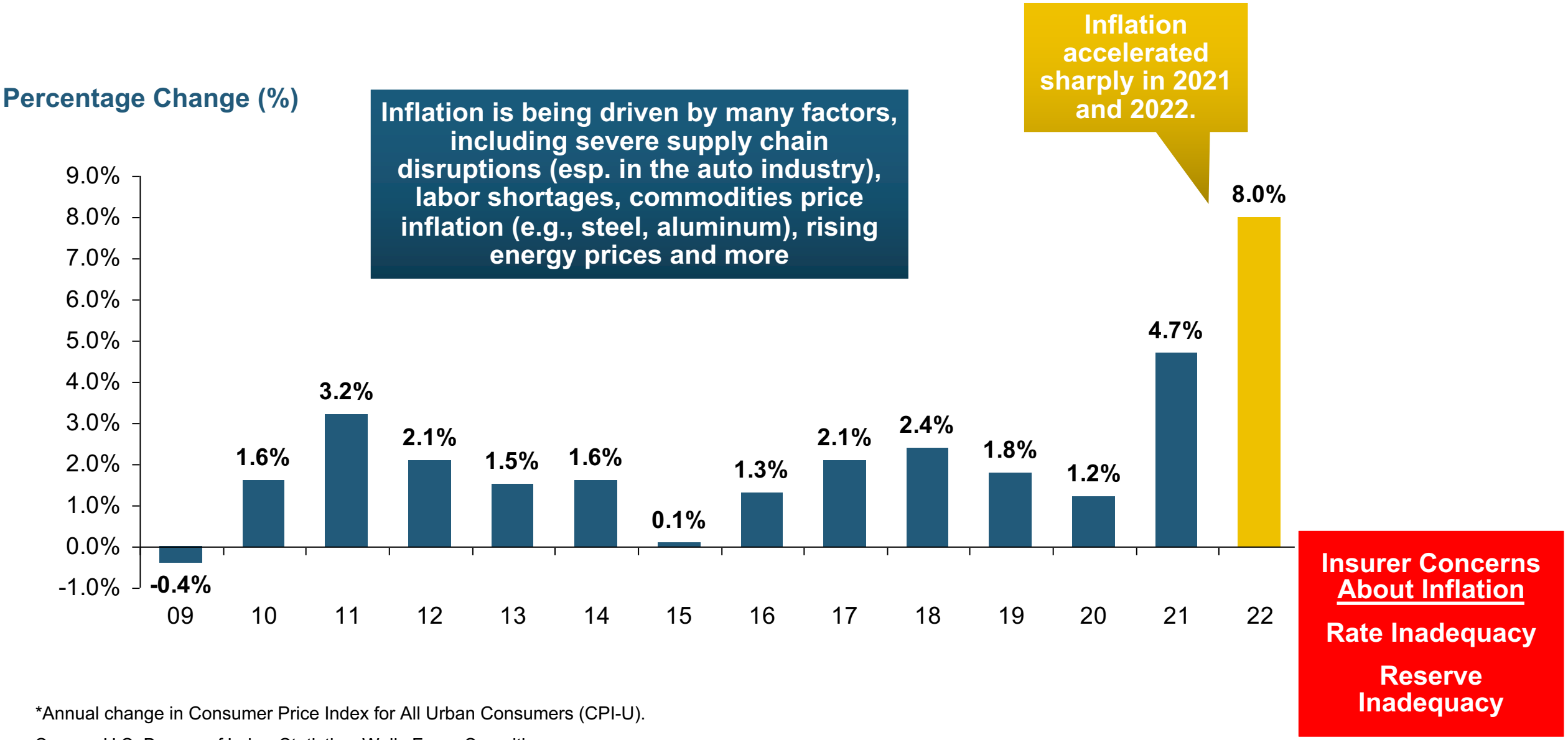
Private Passenger Auto & Inflation

Personal Auto Is Experiencing Significant Inflationary Pressure from Multiple Sources

Claim Severities and Loss Ratios Are Rising Rapidly

36

U.S. Inflation Rate: 2009-2022



*Annual change in Consumer Price Index for All Urban Consumers (CPI-U).

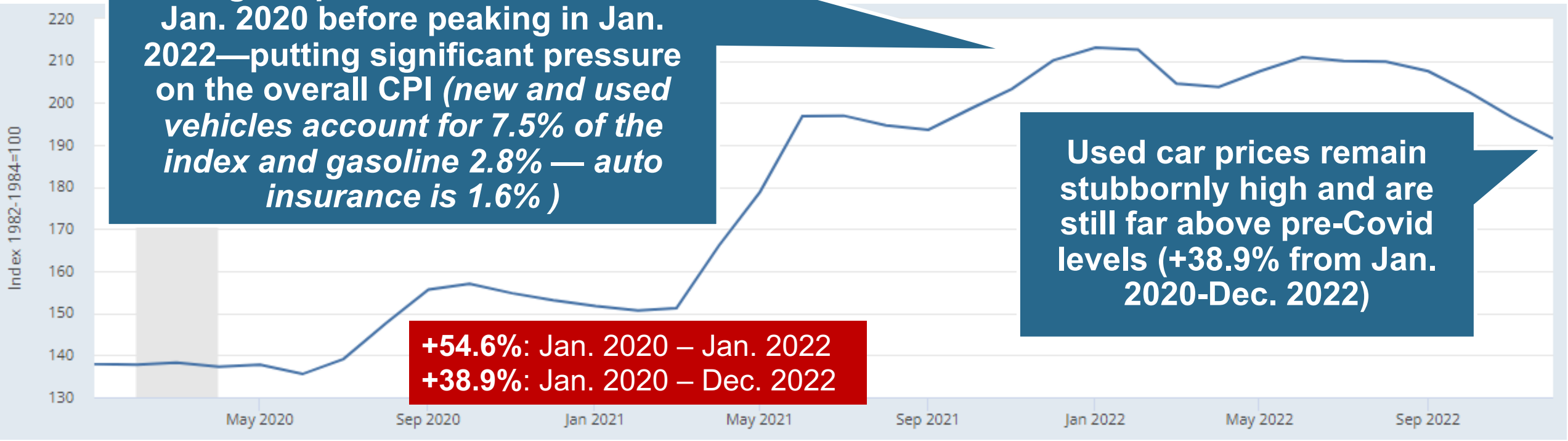
Source: U.S. Bureau of Labor Statistics; Wells Fargo Securities.

Price Index Changes for New Vehicles (% Change from Year Ago), Jan. 1973 – Dec. 2022

Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Price Index Changes for Used Cars & Trucks, Jan. 2020 – Dec. 2022

New and Used Vehicle prices surged during the pandemic, +54.6% from Jan. 2020 before peaking in Jan. 2022—putting significant pressure on the overall CPI *(new and used vehicles account for 7.5% of the index and gasoline 2.8% — auto insurance is 1.6%)*



Used car prices remain stubbornly high and are still far above pre-Covid levels (+38.9% from Jan. 2020-Dec. 2022)

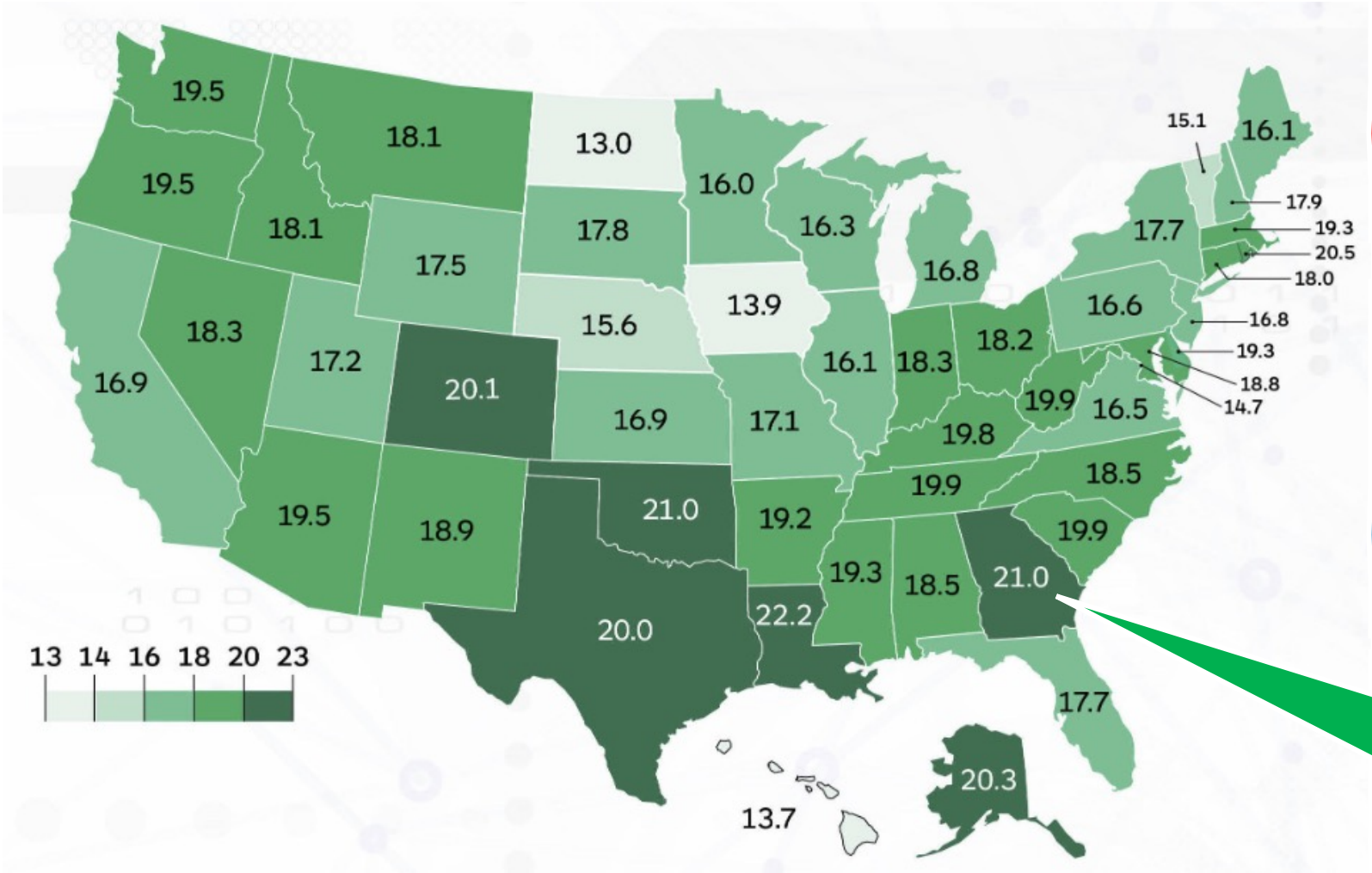
+54.6%: Jan. 2020 – Jan. 2022
+38.9%: Jan. 2020 – Dec. 2022

Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Change in Price for Replacement Passenger Car Rentals, Jan. 2010 – Dec. 2022 (% Change from Year Ago)

Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

Length of Collision Replacement Rentals by State (Days), 2022:Q3



Avg. Length of U.S. Rental

2022:Q3: 18.2 days

2021:Q3: 15.2 days

2020:Q3: 12.3 days

CHANGE: +3.0 Days over the past 4 quarters and +5.9 days since 2020:Q3

Avg. Length of GA Rental

2022:Q3: 21.0 days

2021:Q3: 17.1 days

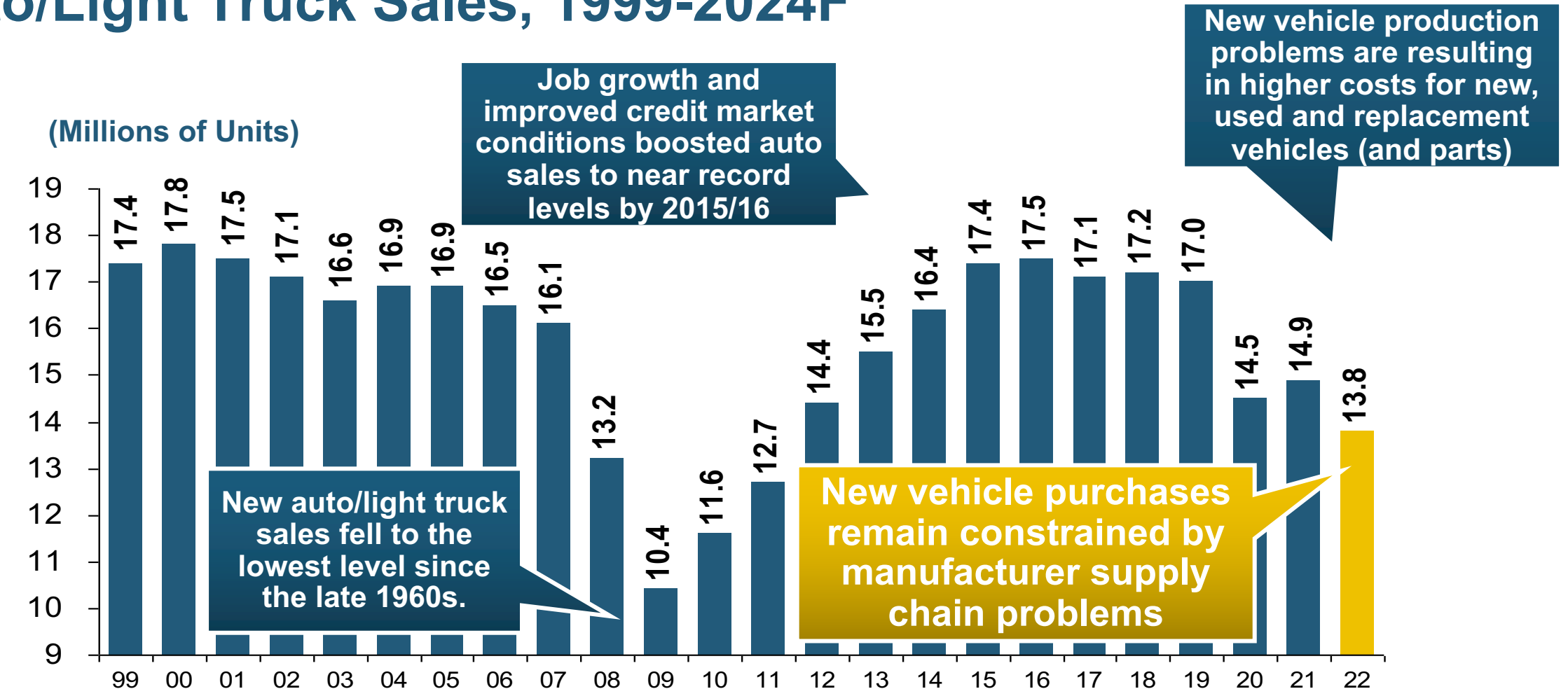
2020:Q3: 12.5 days

CHANGE: +3.9 Days over the past 4 quarters and +8.5 days since 2020:Q3

Length of rental replacement in GA at 21.0 days is tied (with OK) for second highest in the US, trailing only LA (22.2 days)

Source: Enterprise Rental-A-Car U.S. Length of Rental Report accessed via Repair Driver News at:
https://www.repairerdrivennews.com/2022/10/31/average-length-of-rental-up-by-nearly-one-third-since-2020-enterprise-reports/

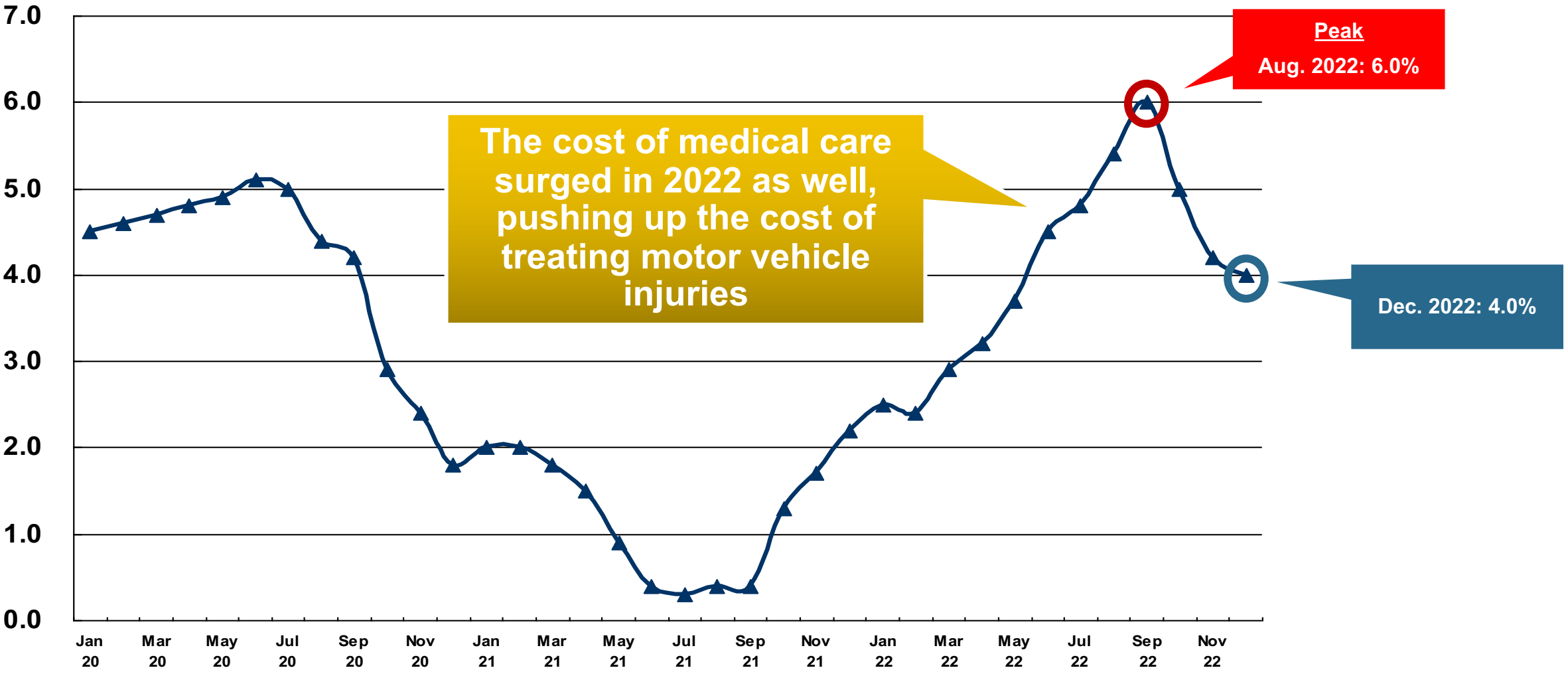
Auto/Light Truck Sales, 1999-2024F



Yearly car/light truck sales remain below pre-COVID levels. Auto manufacturer supply chain issues are expected to linger into early 2023. PP Auto premium might grow by 4%-5%.

Source: U.S. Department of Commerce; Wells Fargo Securities (1/23 for 2022-24F); Univ. of South Carolina, Center for Risk and Uncertainty Management..

Medical Cost Inflation, Jan. 2020 – Dec. 2022
(Percent Change from Year Ago)



Sources: US Bureau of Labor Statistics; Risk and Uncertainty Management Center, University of South Carolina.

SUMMARY

- Georgia has a very competitive auto insurance market, but…
- Georgia's highways are becoming increasing deadly
- The insurance industry's claim experience mirrors the sharp increase in Georgia highway fatalities
- Georgia today has extremely adverse auto claim severity trends
- Rising claim severities are pushing loss ratios higher, well above pre-pandemic levels
- Inflationary pressures remain, affecting the cost of new and used vehicles, parts, labor, replacement vehicles, and medical care
- Rate adequacy is an immediate concern for auto insurers as loss ratios soar

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Thank you for your time and your attention!

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Download at www.uscriskcenter.com