

Cabinet Presentation - Personal Injury Protection

Tallahassee, Florida

August 2011

Types of Auto Insurance Systems

- **No Fault – 10 States**

Economic damages from injuries sustained in an auto accident are covered by each party's own insurance; the negligent party may be sued for additional funds to compensate for noneconomic damages after a specified threshold has been exceeded.



Types of Auto Insurance Systems

- Tort – 38 States

At-fault drivers are liable for the economic and noneconomic damages they inflict on others.

- Choice – 2 States and DC

Drivers choose between differing types of auto insurance.



Auto Insurance Coverage Types

- **Liability** – Coverage for all sums the insured is legally obligated to pay due to an accident
 - **Bodily Injury (BI)** – Provides coverage for death or serious and permanent injury to others when you are legally liable for an accident involving your automobile.
 - **Medical Pay (Med Pay)** – Provides coverage for medical treatment for the insured or resident family member resulting from an auto accident, regardless of fault, as well as any person occupying the covered auto.
 - **Personal Injury Protection (PIP)** – Provides coverage for medical benefits, lost wages and funeral benefits for insured or resident family member when injured in their own vehicle, in someone else’s vehicle, as a pedestrian or as a bicyclist.
 - **Property Damage (PD)** - Coverage in the event that negligent acts or omissions of an insured result in damage or destruction of another’s property.
 - **Uninsured Motorist (UM)** – Coverage provided to the insured, resident family members and any other person occupying the covered automobile for bodily injury resulting from an accident involving an uninsured or underinsured driver.



Auto Insurance Coverage Types

- **Physical Damage** – Coverage for damage to your covered automobile and other related coverages
 - **Collision** – Coverage provided for damage caused by a collision with another vehicle or object
 - **Comprehensive** – Coverage for physical damage (excluding collision) or theft of the insured vehicle(e.g. theft, fire or hail damage)
 - **Towing** – Coverage for towing and road service for your covered automobile
 - **Rental Reimbursement** – Reimbursement for auto rental up to specified limits if you get into an accident with your own automobile and can no longer drive it.

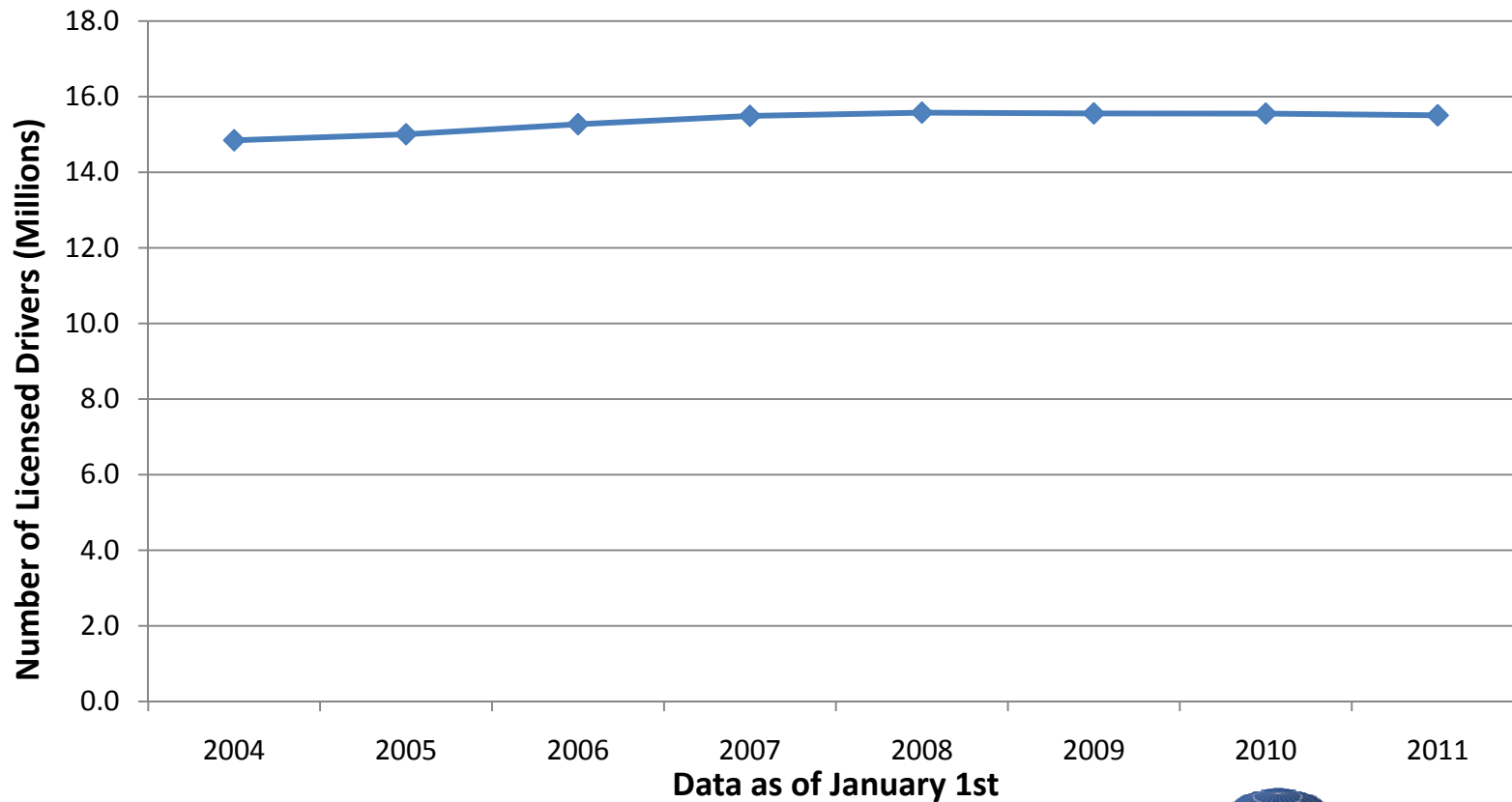


PIP/No Fault History in Florida

- 1972 – Florida Enacts No-Fault Law (\$5,000 PIP Benefit)
- 1979 – PIP Benefit is Raised to \$10,000
- 1988 – Mandatory Property Damage Liability Coverage (\$10,000 Benefit)
- 2000 – Statewide Grand Jury Findings
- 2001 – Enhanced Fraud Protections Enacted Including Clinic Licensure and Limited Third-Party Access to Crash Reports
- 2003 – Further Anti-fraud and Licensing Provisions
- 2007 – PIP Sunsets, But is Re-enacted during Special Session (with some reforms)



Number of Licensed Drivers Has Remained Stable Since 2004

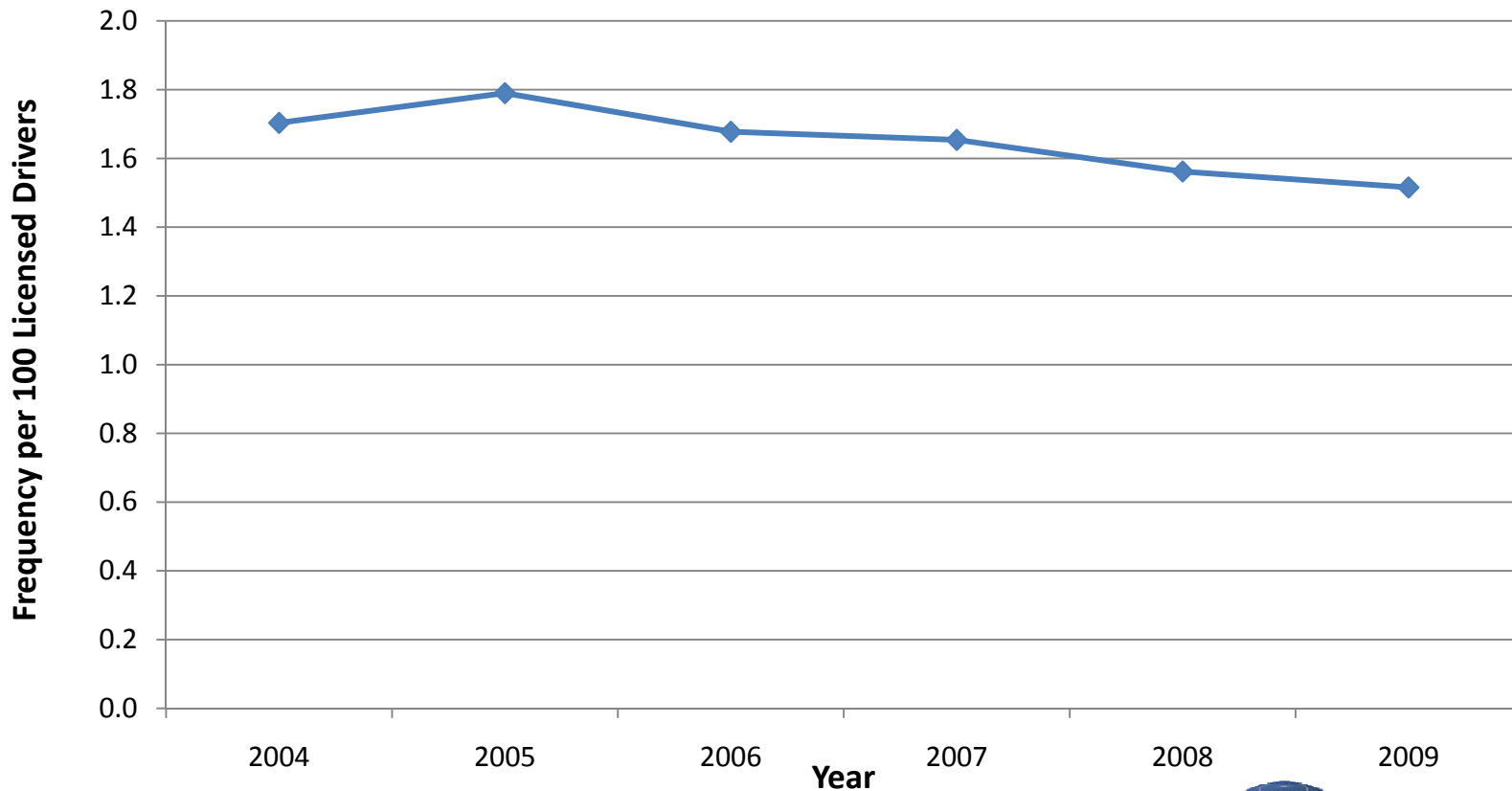


Source: Driver Demographic Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)



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Frequency of Crashes Has Decreased Since 2005

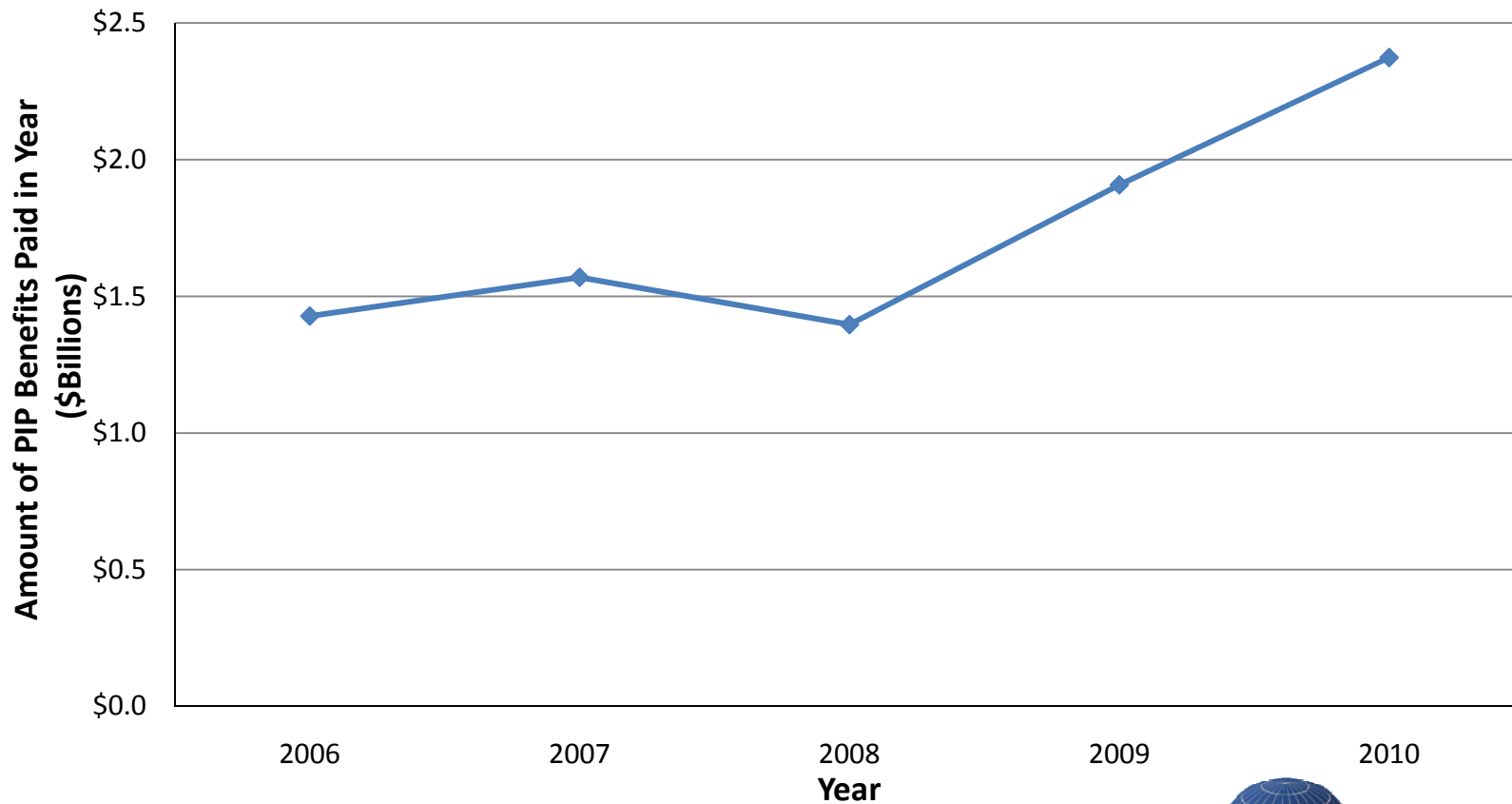


Source: Driver Demographic Reports and Traffic Crash Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)



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Total PIP Benefits Paid Have Increased Significantly Since 2008

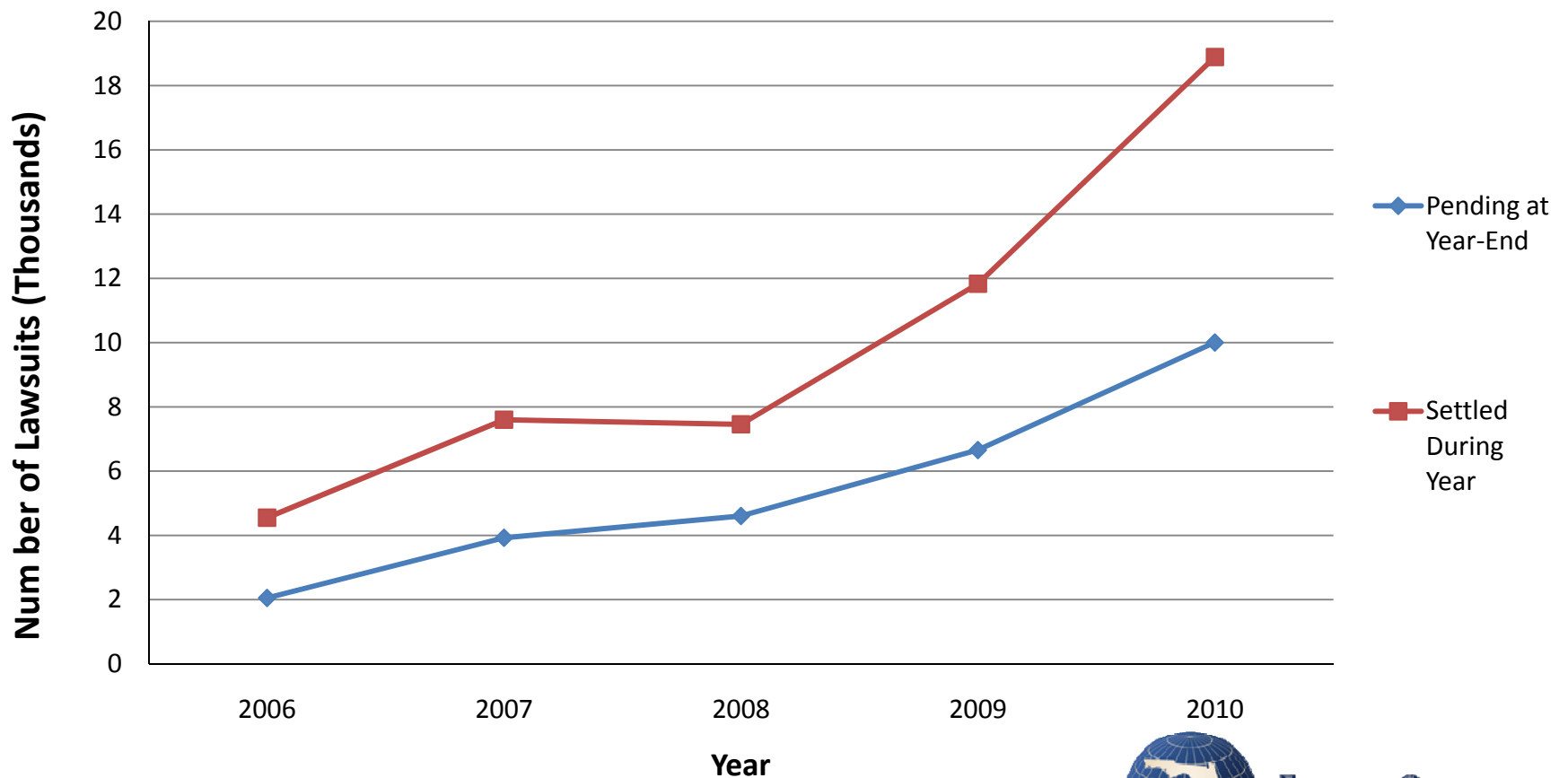


Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011
Data shown is for total payments for PIP benefits and excludes attributable expenses.



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Number of PIP-Related Lawsuits Has Increased Significantly Since 2008



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011
Number of PIP-related lawsuits where the insurer was the defendant



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Top Five PIP States

| State | No-Fault Limit | Bodily Injury Limit (If mandatory) |
|------------------|---|---|
| 1. Michigan | Unlimited PIP | \$20,000 per person/\$40,000 per accident |
| 2. Florida | \$10,000 PIP limit | N/A |
| 3. New York | \$50,000 Limit | \$25,000 per person/\$50,000 per accident |
| 4. New Jersey | \$250,000 Standard Limit (A \$15,000 Basic limit is available) | \$15,000 per person/\$30,000 per accident for Standard Policy \$10,000 per accident available as option for Basic Policy |
| 5. Pennsylvania* | \$5,000 Medical Benefits Only (Funeral expenses, wage loss, etc. available as additional optional coverages) | \$15,000 per person/\$30,000 per accident |

Source for Rankings: Annual Statement – 2010 Direct Written Premium from Statutory Page 14 for Private Passenger Auto No-Fault (Personal Injury Protection) line of business.

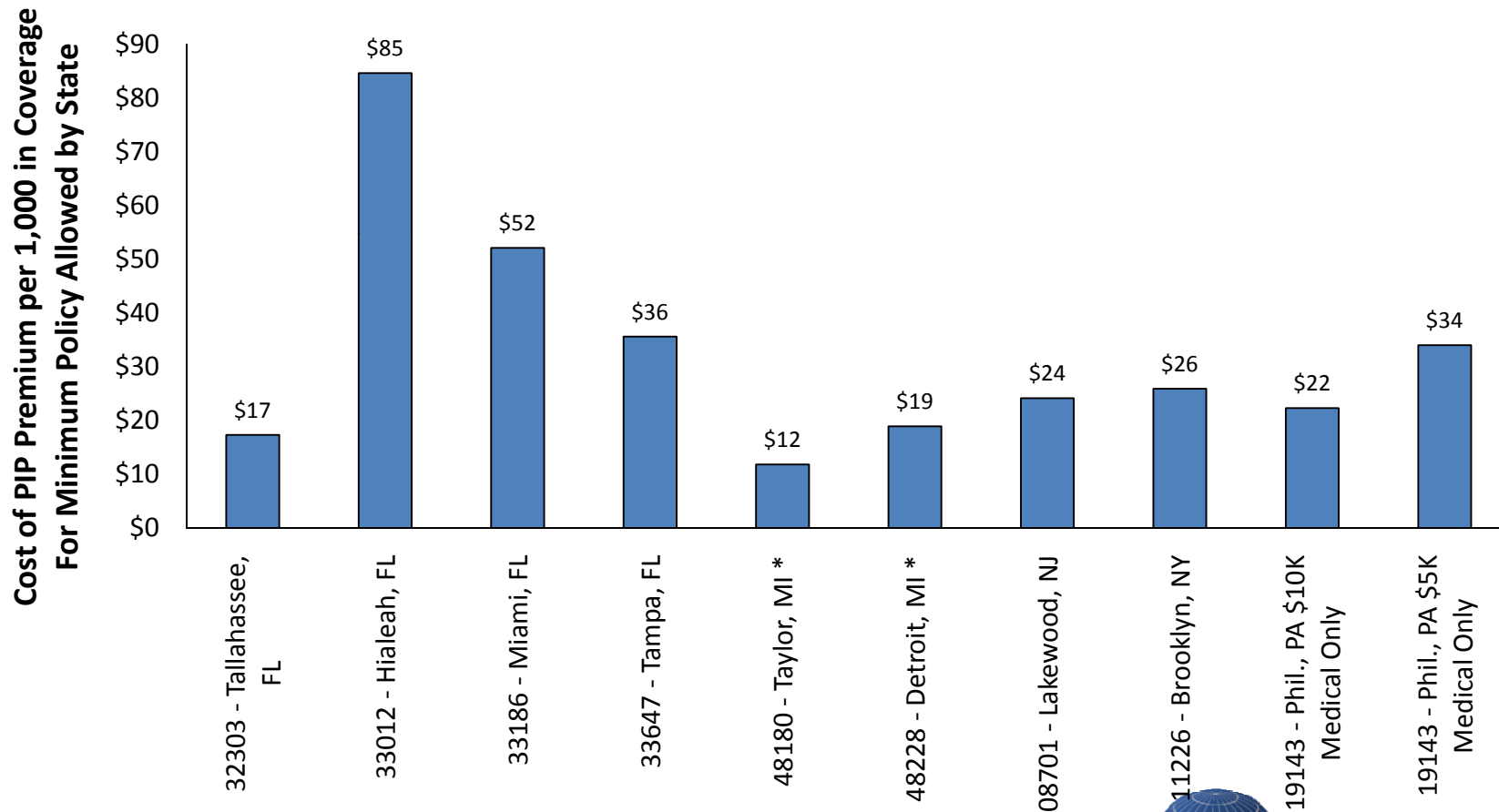
** Pennsylvania allows insureds a choice between a no-fault and a tort system.*



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Actual PIP 6-Month Premium Quotes

(For Selected Zip Codes in Top Five PIP States)



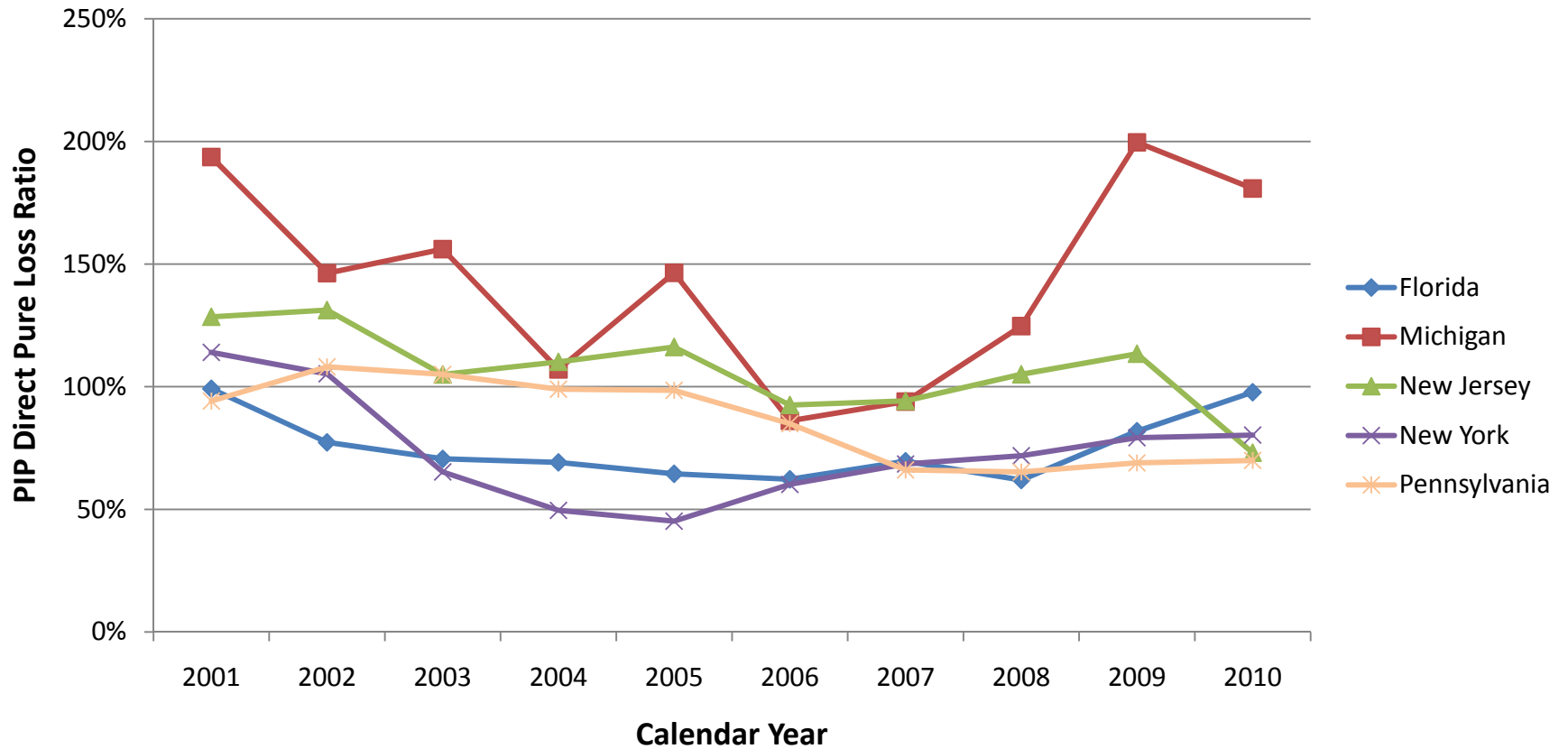
Source: Large national carrier's online quote tool for 25-year-old single female, with no accidents/violations in last five years, and less than one year at current insurer at minimum or no BI limits. For states where occupation is used, Food Service.

* \$50,000 used as proxy for limit for Michigan since PIP coverage is provided on unlimited basis.



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PIP Direct Pure Loss Ratio For Top Five PIP States

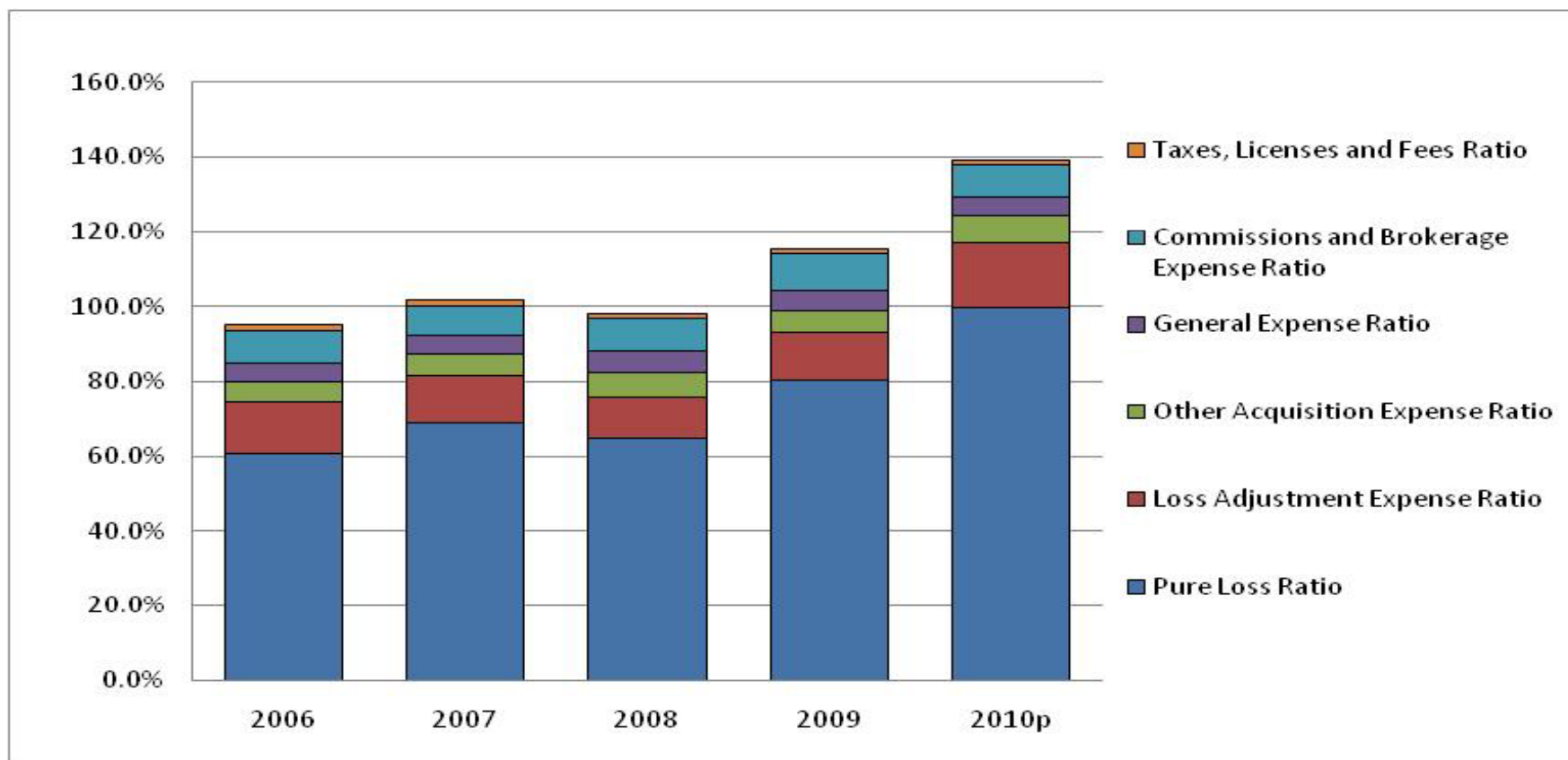


Source: Annual Statement - Statutory Page 14



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PIP Combined Loss Ratios



Source: Calendar Year Experience Reporting Form (Form OIR-B1-308); 2010 is preliminary
 Only includes information from insurers that write 0.5% or more of the total industry-wide
 written premium for that line of business of the preceding calendar year



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Cumulative Rate Changes For Top Five Auto Insurers (Since 1/1/2009)

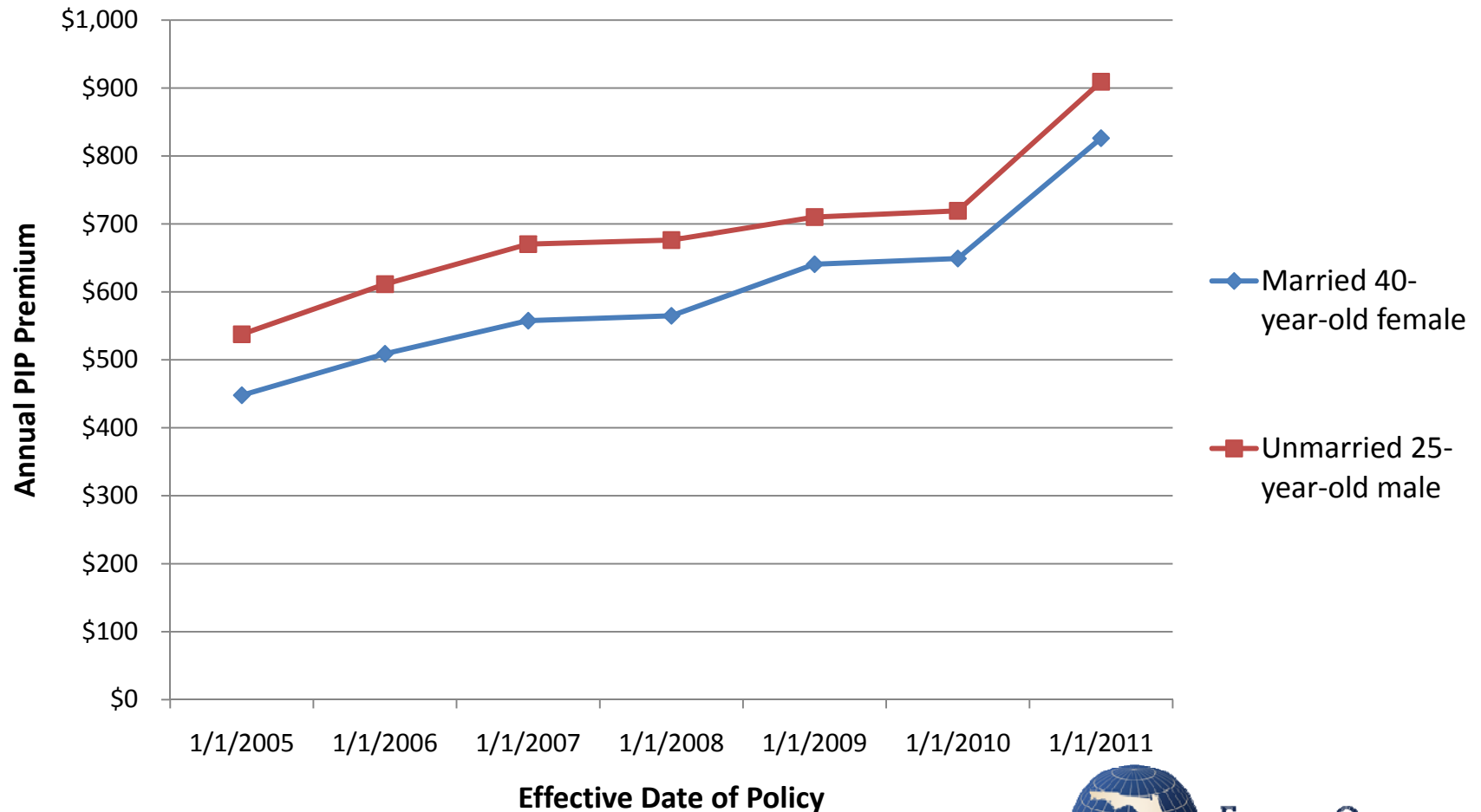
| Coverage | STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY | GEICO GENERAL INSURANCE COMPANY | PROGRESSIVE AMERICAN INSURANCE COMPANY | PROGRESSIVE SELECT INSURANCE COMPANY | ALLSTATE INSURANCE COMPANY |
|---------------|--|---------------------------------------|---|---|----------------------------------|
| BI | 40.0% | 40.0% | 33.0% | 36.0% | 46.3% |
| PD | 40.0% | -6.0% | -4.2% | 2.3% | 29.6% |
| PIP | 49.7% | 72.2% | 63.0% | 48.5% | 35.1% |
| UM | 52.4% | -3.3% | 48.7% | 67.8% | -7.4% |
| MP | -3.8% | -1.9% | -1.7% | -0.2% | 23.1% |
| COLL | -15.9% | -22.1% | -19.8% | -12.4% | -24.7% |
| COMP | -7.2% | -18.0% | -29.5% | -16.6% | -26.3% |
| Total: | 26.0% | 14.0% | 19.0% | 18.8% | 11.5% |
| Market Share: | 19.9% | 8.6% | 5.2% | 4.7% | 4.5% |

Source: For filings implemented by insurers with effective dates for new business on or after January 1, 2009; Based on data submitted in the Rate Collection System as of August 1, 2011.



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Comparison of PIP Premium Over Time for Miami Insured

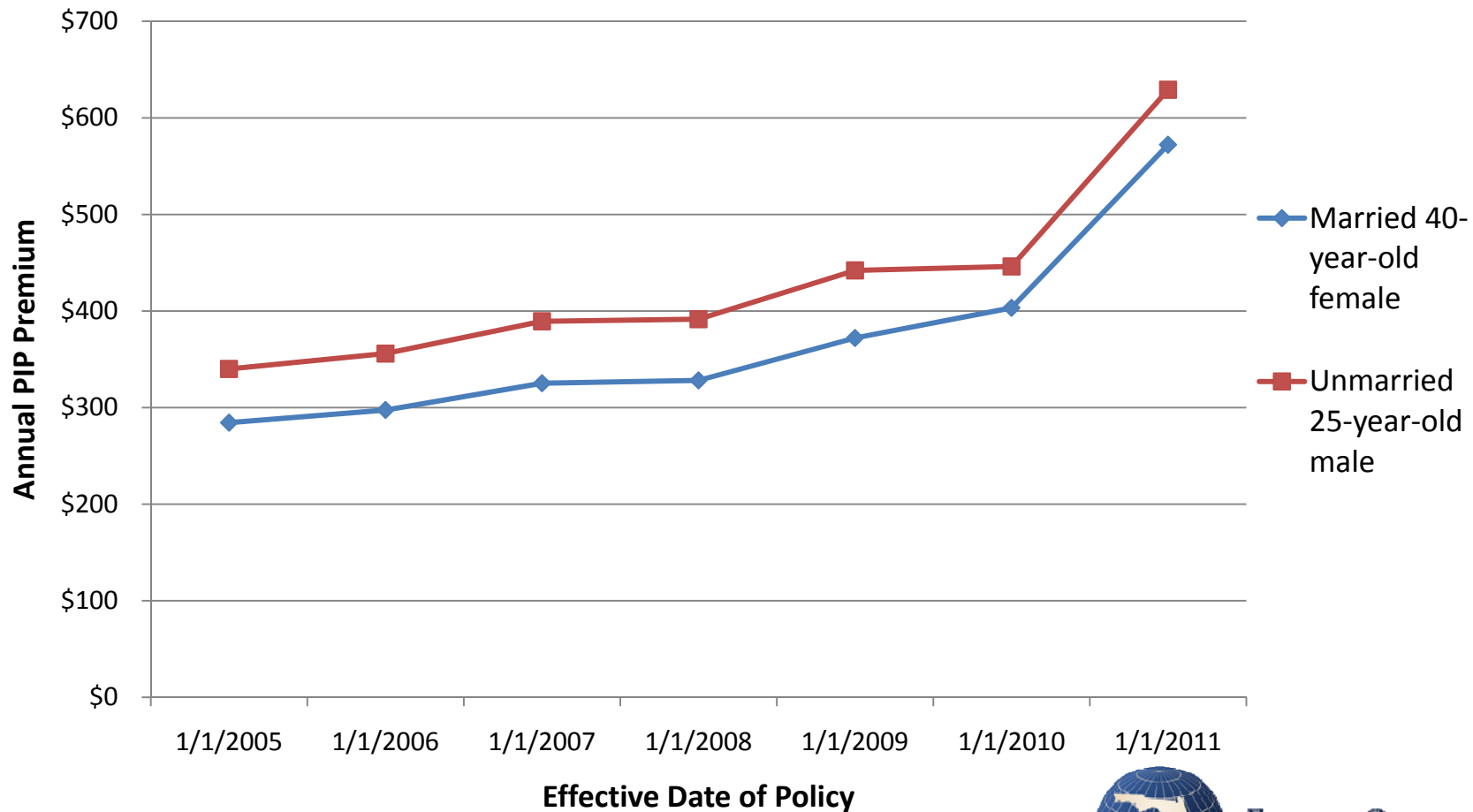


Source: Annual PIP premium for Miami zip code 33126 for a large national carrier. Assumes neutral risk score, no tickets/accidents, anti-lock brakes and automatic front seat belts.



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Comparison of PIP Premium Over Time for Tampa Insured

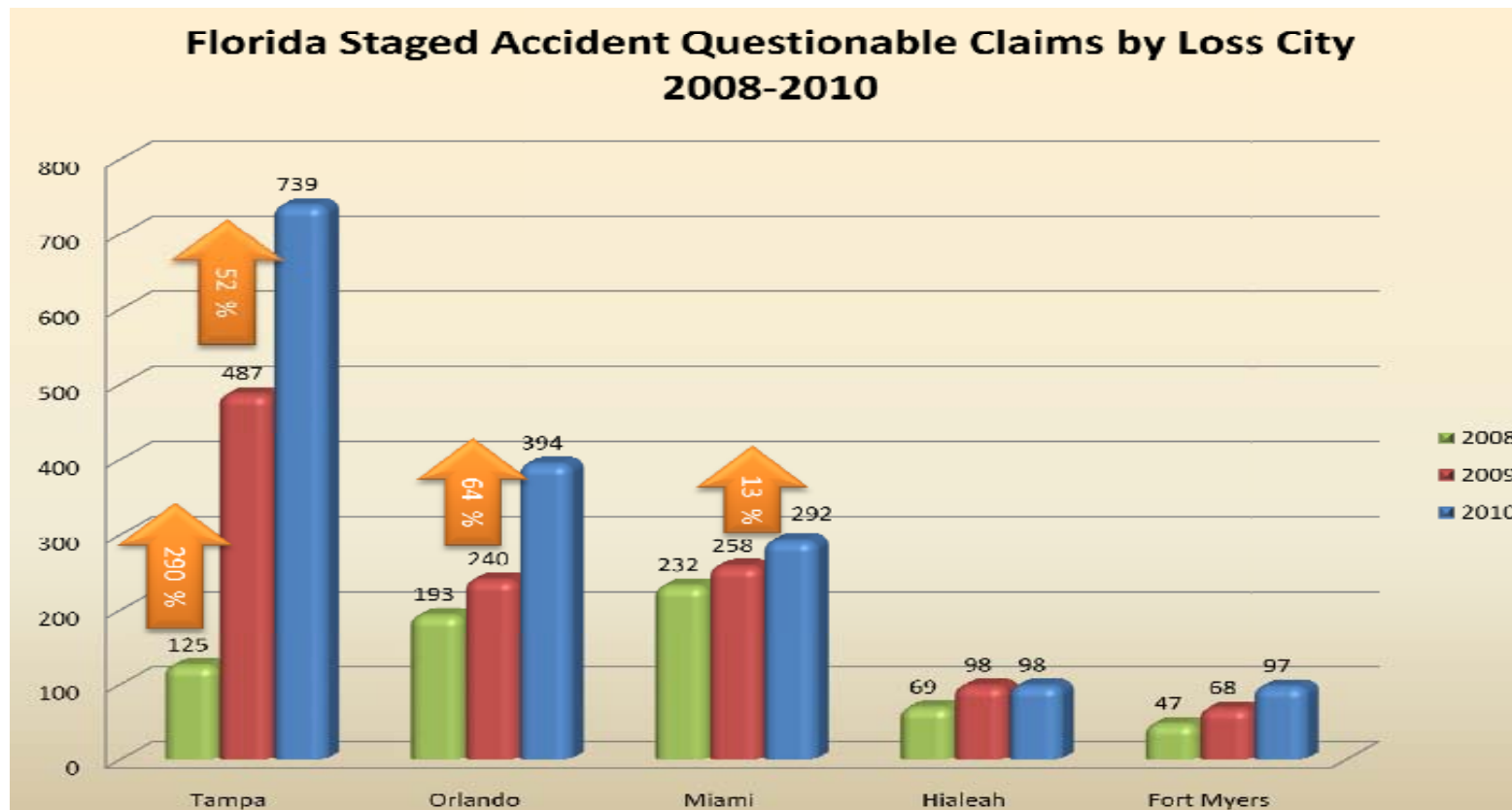


Source: Annual PIP premium for Tampa zip code 33606 for a large national carrier. Assumes neutral risk score, no tickets/accidents, anti-lock brakes and automatic front seat belts.



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Tampa Continues to Lead the State in Staged Accident Questionable Claims

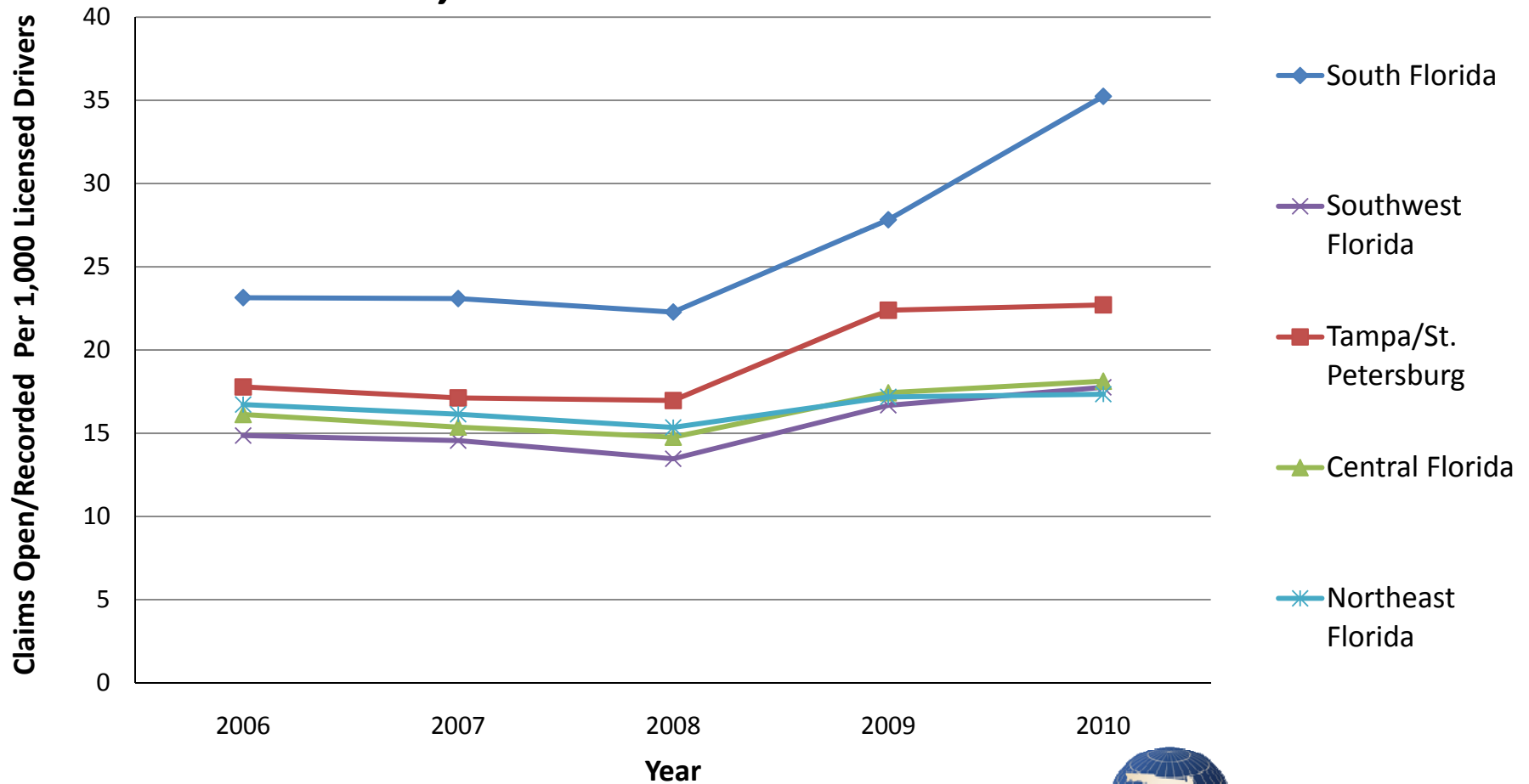


Source: NICB, "Staged Accidents Analysis – Florida 2008-2010", released April 20, 2011
(www.nicb.org/newsroom/news-releases/florida-staged-accident-qc-report)



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Claims Opened/Recorded By Region Per 1,000 Licensed Drivers

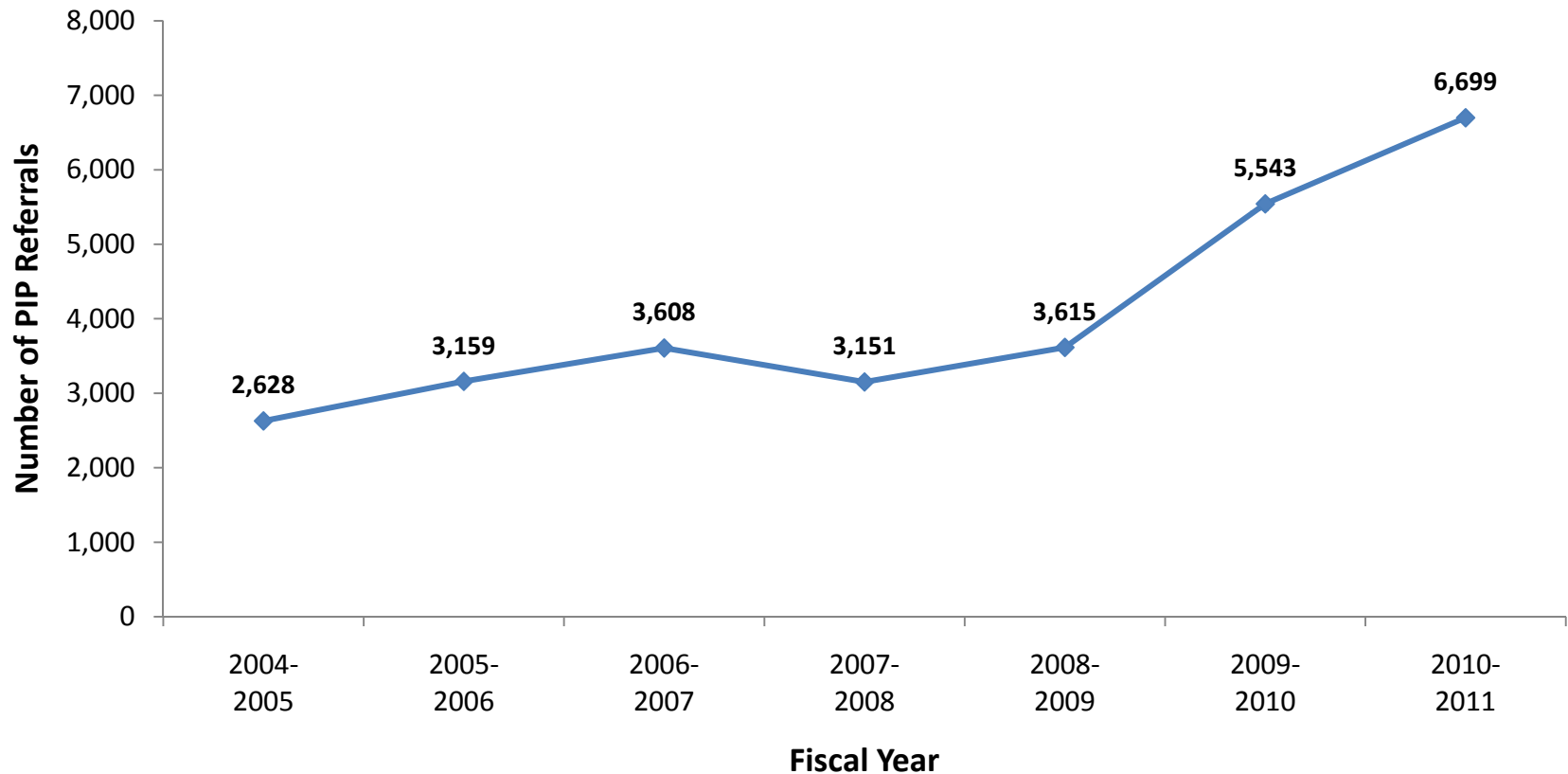


Source: Claims from Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011 and licensed drivers from Driver Demographic Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)



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PIP Fraud Referrals Have Increased Significantly Since 2007

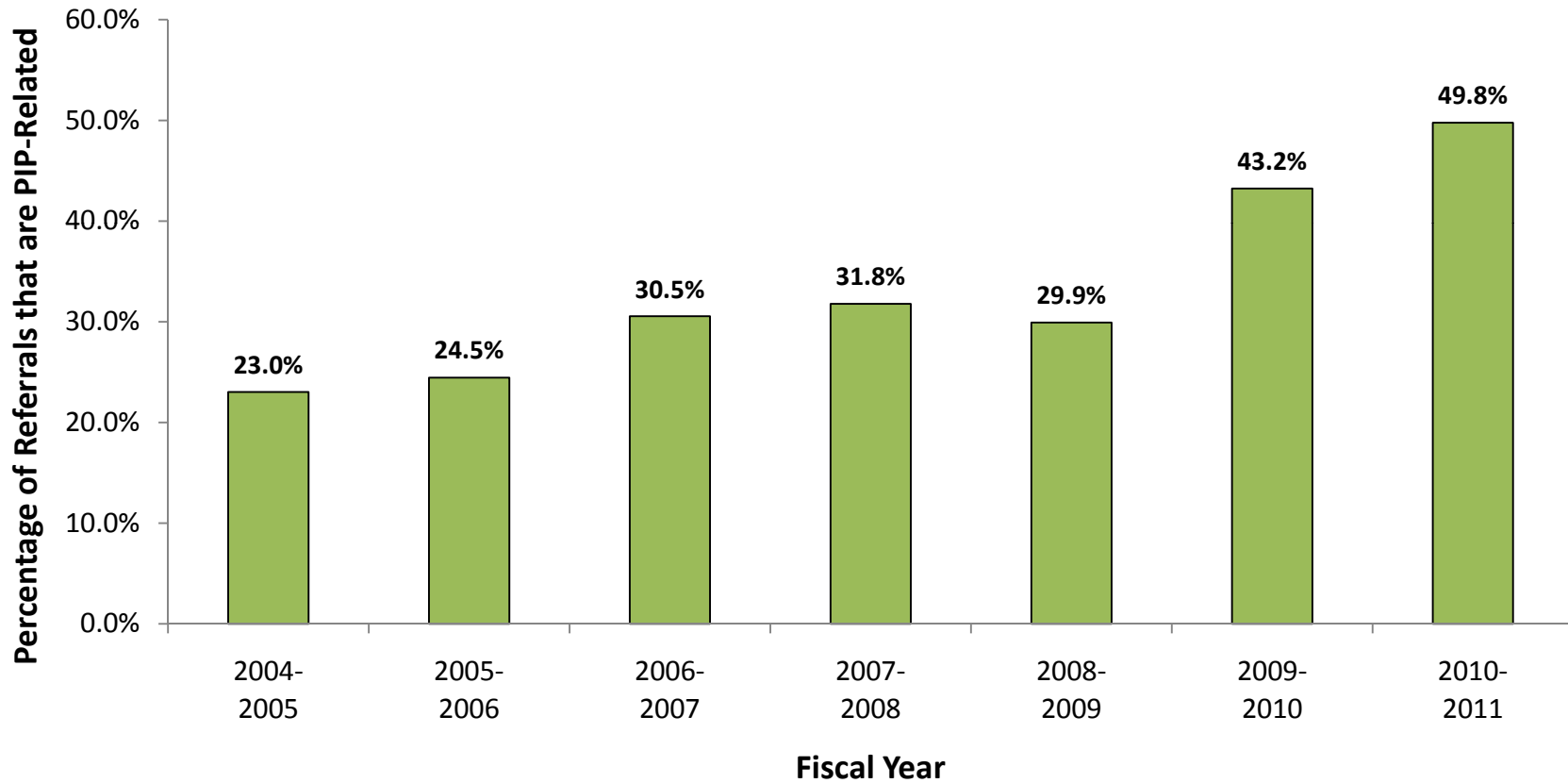


Source: Florida Department of Financial Services, Division of Insurance Fraud



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Almost 50% of Total Referrals Are Now PIP-Related

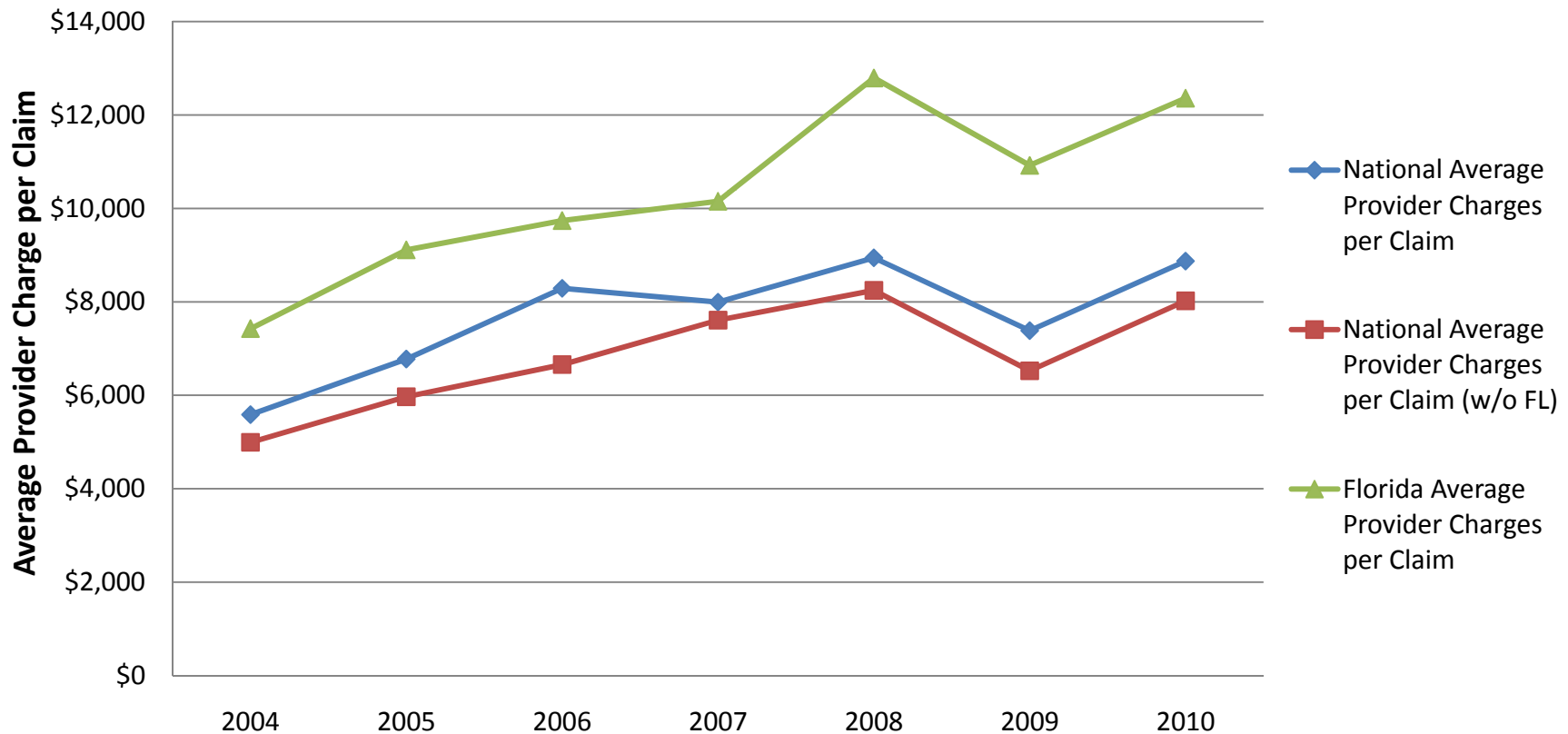


Source: Florida Department of Financial Services, Division of Insurance Fraud



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The Average Provider Charges Per Claim Continue to Increase

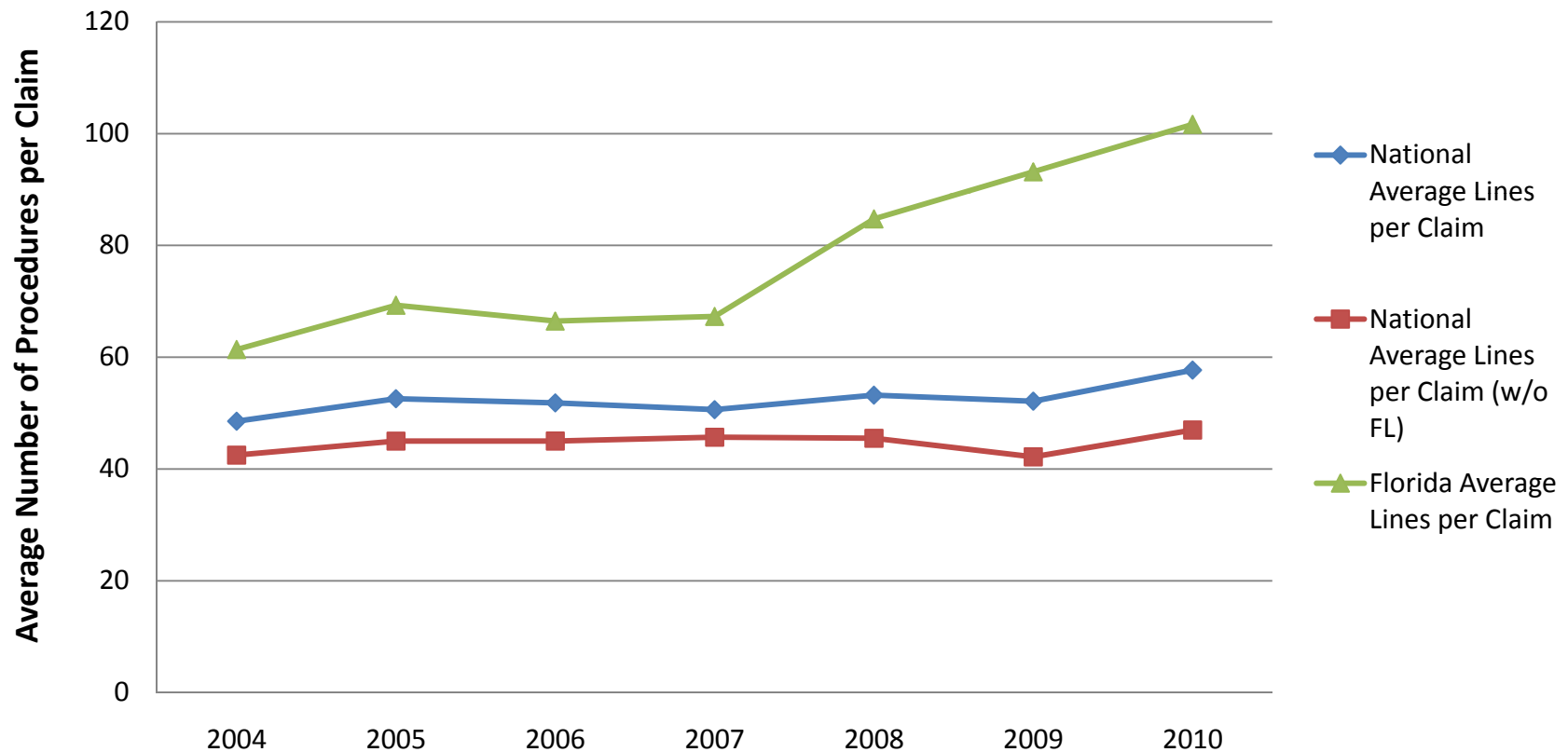


Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011



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Average Procedures Per Claim Have Increased Significantly Since 2007

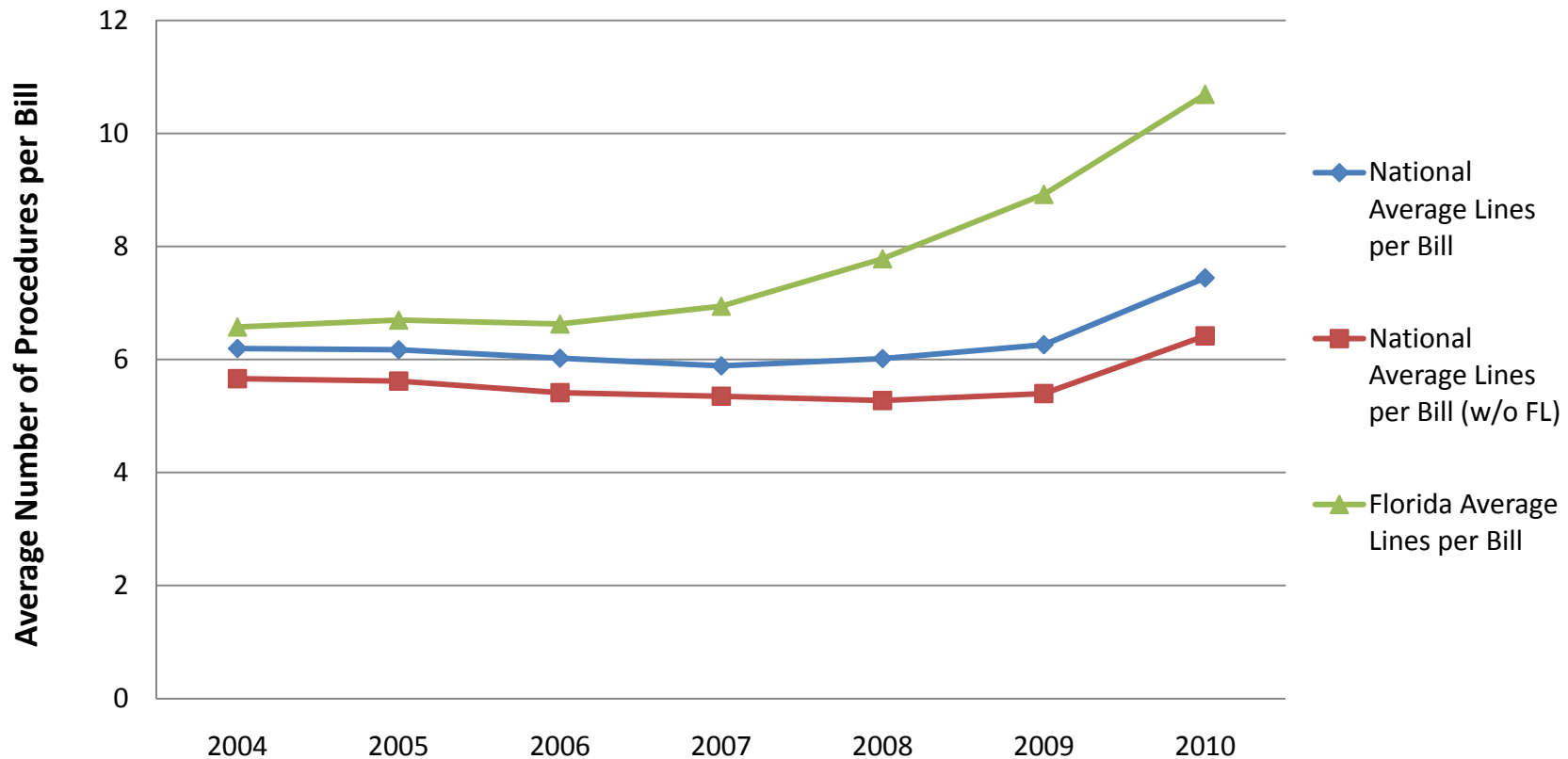


Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011



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Average Procedures Per Bill Have Also Increased Since 2007



Source: Report on Review of the 2011 Personal Injury Protection Data Call - April 11, 2011



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SB 1930/HB 1411 Summary

(Senator Bogdanoff and Representative Boyd)

- Enhanced tools to fight fraud
- Improved investigation of claims for No-Fault benefits
- New guidelines for handling fraudulent No-Fault claims
- New guidelines for submission of bills to insurer
- Reimbursement criteria for No-Fault benefits
- New guidelines for demand letters
- Allows for the creation of Preferred Provider PIP networks



SB 1694/HB 967 Summary

(Senator Richter and Representative Horner)

- Authorizes the use of arbitration to resolve disputes
- Grants exclusive original jurisdiction to circuit courts to hear challenges to PIP arbitration decisions
- Caps attorney fee awards in disputes under the No-Fault Law
- Bars use of a contingency risk multiplier in determining fee awards in No-Fault cases
- Creates a fee schedule based on Medicare Part B Durable Medical Equipment and care rendered by Clinical Labs
- Creates a fee schedule for care provided at ambulatory surgical centers limited to 80 percent of the workers' compensation fee schedule when not reimbursable under Medicare Part B
- Requires insureds who are seeking PIP benefits to comply with all terms of the insurance policy, including submitting to an examination under oath (EUO) and allows for the EUO to be recorded
- Sets standards for the EUO process

