



Florida Office of Insurance Regulation

Sandra Starnes, Director of Property & Casualty Product Review

Florida Personal Auto Market

Presented to:

The Florida Senate

Committee on Banking and Insurance

January 24, 2017



Rates Trends and the Impact of HB 119





Changes in Auto Rates

Changes in Personal Auto Rates for Top 25 Insurers*

Filing Effective Date Range	PIP	Liability Coverages	All Coverages
January 1, 2011 to December 31, 2012	46.2%	21.1%	13.2%
January 1, 2013 to December 31, 2014	-14.4%	-1.3%	-0.7%
January 1, 2015 to Current	25.7%	23.4%	21.4%

*Top 25 insurers determined using 2013 Calendar Year Florida Direct Written Premium for the Personal Auto lines of business. Filing information as of January 18, 2017.



Why Are Rates Increasing?

Changes in Consumer Price Index for all Urban Consumers, U.S. City Average:

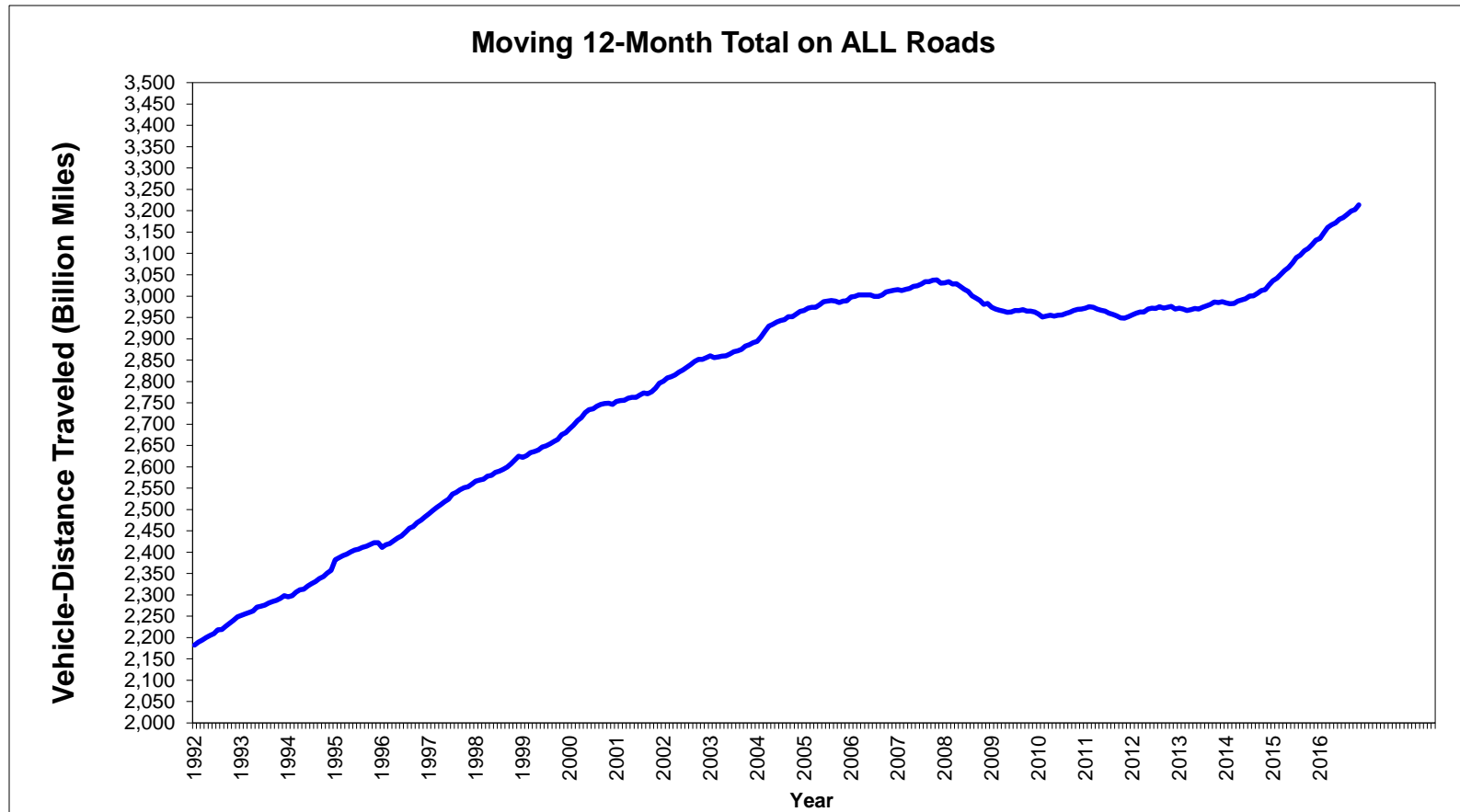
Category	Dec-2014	Dec-2016	Change
Medical care	439.720	469.447	6.8%
Hospital and related services	743.152	805.623	8.4%
Motor vehicle body work	279.096	291.454	4.4%
Motor vehicle insurance	448.993	507.589	13.1%

Base: 1982-84 = 100

Source: December 2015 and December 2016 Consumer Price Index Detailed Reports at www.bls.gov/cpi/cpi_dr.htm#2016



More Miles Are Being Driven

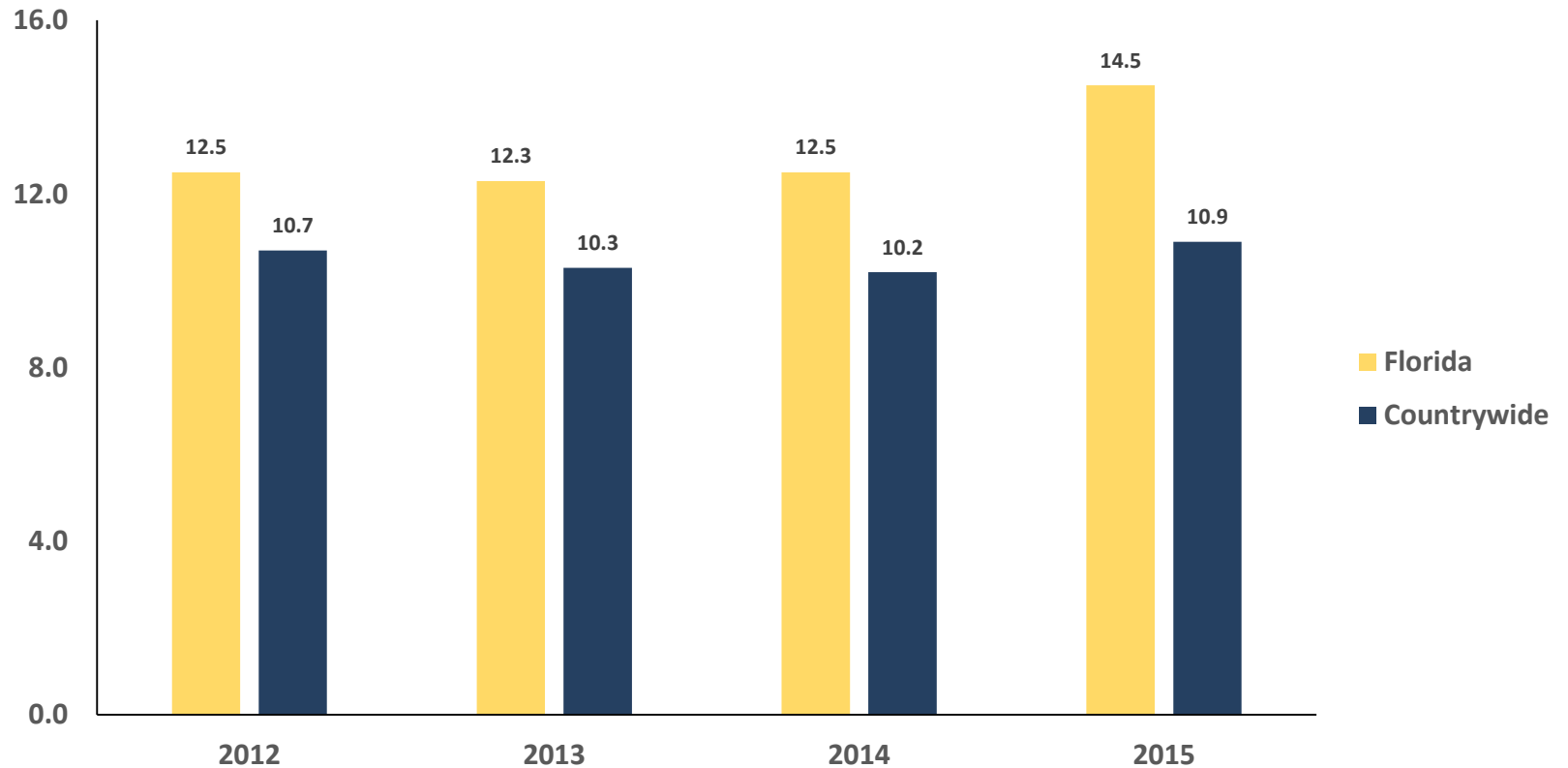


Source: November 2016 Report from the Office of Highway Policy Information, U.S. Department of Transportation's Federal Highway Administration
www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm



More Fatalities Are Occurring

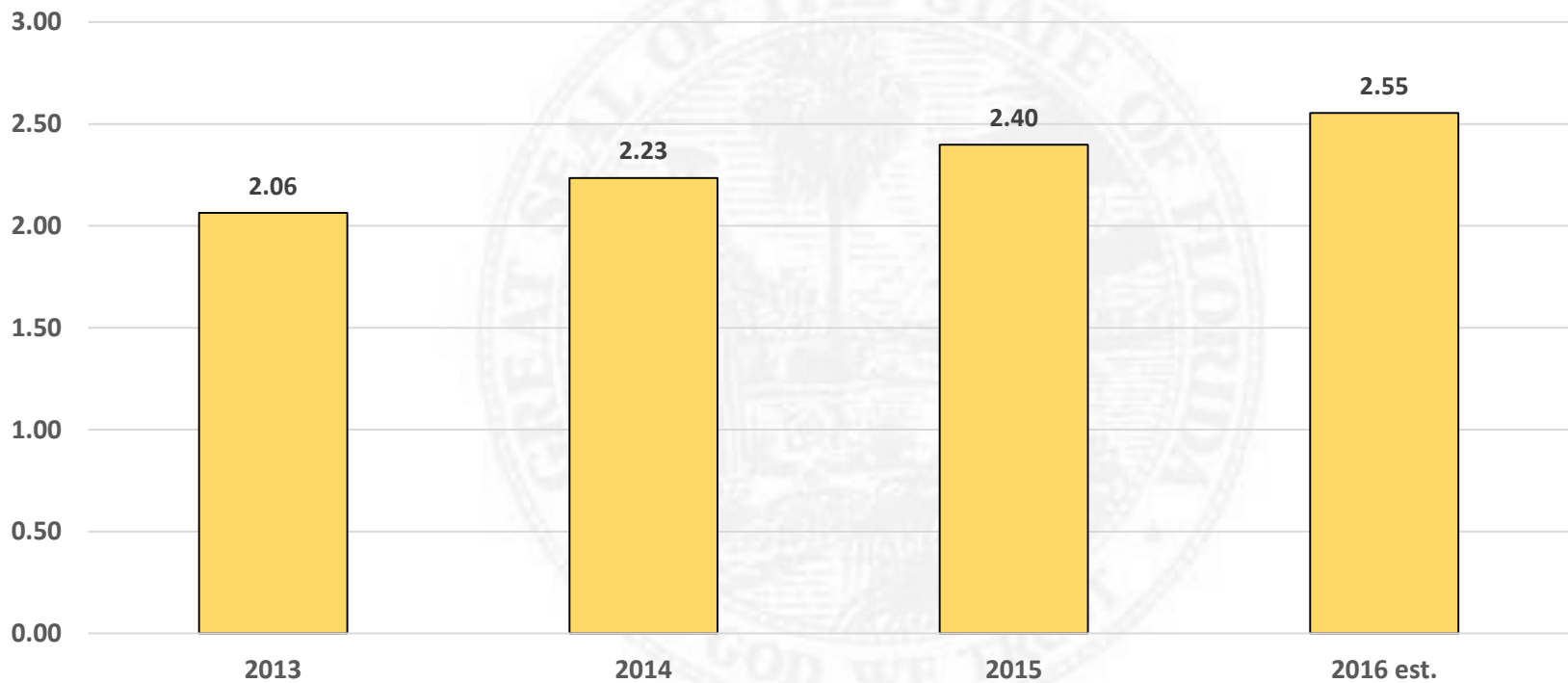
Motor Vehicle Crash Deaths Per 100,000 Population





Frequency of Crashes Has Increased

Frequency of Crashes per 100 Licensed Drivers



Source: Driver Demographics Reports and Traffic Crash Reports from Florida Department of Highway Safety and Motor Vehicles (www.flhsmv.gov/html/safety.html)
2016 frequency uses crashes occurring between January 1st and September 30th, reported as of January 19, 2017, and adjusted to estimate 2016 total number of crashes.



2016 Pinnacle Analysis

Based on Fast Track information comparing year ending December 31, 2012 with year ending December 31, 2014:

- Florida experienced a **20.0% reduction** in total PIP loss costs
- Countrywide (excl. Florida) experienced a **4.1% increase** in total PIP loss costs

*The impact of HB 119, relative to what the costs would likely have been if no reform has passed, is a **23.2% reduction** in total PIP costs.*



Impact of Moving to a Mandatory B.I. System





What Happens if PIP is Eliminated?

- There will be cost-shifting within the auto insurance industry and outside of the industry.
 - An estimated **73.8%** of PIP losses would be absorbed by other coverages in an auto policy.
 - The remaining **26.2%** of the PIP losses would impact be shifted outside of an auto policy and borne by private health insurers, health care providers, Medicare, Medicaid, and the injured persons.
- Based on results when Colorado changed from a No-Fault system to a Tort system, there will likely be an increase in the amount of unpaid emergency medical treatment costs and reimbursement timeframes for healthcare providers may increase.
- Bodily Injury (BI), Medical Payments (MP) and Uninsured Motorist (UM) premiums would increase since some benefits currently covered under PIP would shift to BI, MP or UM.



Assumptions for Estimate of Impact

- Of the estimated **73.8%** of current PIP losses that will be absorbed by the industry.
 - Approximately **49.1%** of the PIP losses will be now covered under BI.
 - Approximately **9.2%** of the PIP losses will be now covered under UM.
 - The remaining **15.5%** went to Medical Payments.
- Health care insurance is estimated to absorb **21.1%** of those costs (26.2%) likely to fall outside of the auto insurance industry with estimates for injured persons at **3.7%** and providers at **1.5%**.
- While the potential for fraud will likely be reduced by the switch to a mandatory BI system, some of the savings will likely be mitigated because:
 - The elimination of the tort threshold will allow all claims to potentially be eligible for non-economic damages such as pain & suffering, and
 - There may be increased litigation.



Impact of the Repeal of No-Fault

Estimated Statewide Average Change:

Scenario	Impact on Liability Coverages	Impact on All Major Coverages
Without Purchasing Med Pay	-9.60%	-6.70%
Optional \$2,500 Med Pay	-4.90%	-3.40%
Optional \$5,000 Med Pay	-1.00%	-0.70%



Methodology for Estimating Premium Impacts

- A rating examples from recent rate filings for five large auto insurers were reviewed to estimate the impact of the elimination of PIP.
- Three of the insurers represent the non-standard market, while the other two represent the standard, or preferred, market.
- To reflect the elimination of PIP
 - 49.1% of the PIP premium was moved to BI
 - 15.5% of the PIP premium was moved to MP
 - 9.2% of the PIP premium was moved to UM



Summary of Premium Impacts

When changing from a policy with the current minimum required limits (\$10,000 Property Damage and \$10,000 PIP) to a policy under a Tort system with PIP eliminated and limits of 10/20/10:

- Non-standard insurers experienced significant decreases across almost all regions studied, while the standard/preferred insurers had decreases in regions where PIP fraud was prevalent.
- If Full Coverage policies (containing BI, PD, PIP, UM, MP, COMP and COLL) were purchased, all insurers (across all regions studied) experienced decreases in premium.



Estimated Impact by Region

Central Miami: Married Couple – Both Age 40

	Minimum Required Limits			Full Coverage Policies (10/20/10/1)		
	PIP/PD	BI/PD* 10/20/10	Change	No-Fault	Tort * System	Change
Non-Standard Company A	\$1,810.21	\$1,348.72	-25%	\$3,252.07	\$2,852.02	-12%
Non-Standard Company B	\$3,108.25	\$2,062.40	-34%	\$5,934.25	\$5,191.87	-13%
Stand./Pref. Company C	\$1,312.80	\$1,084.72	-17%	\$3,304.62	\$3,043.36	-8%
Stand./Pref. Company D	\$1,334.90	\$1,127.33	-16%	\$3,257.13	\$3,006.12	-8%
Stand./Pref. Company E	\$1,118.81	\$1,027.12	-8%	\$2,478.69	\$2,236.23	-10%

Source: Premium shown is annual premium from Rate Collection System information for recent personal auto rate filing. Limits shown as A/B/C/D where the BI limit per person is \$A, BI limit per occurrence is \$B, PD limit is \$C and MP limit (if applicable) is \$D.

* - Includes adjustment to reflect elimination of PIP



Estimated Impact by Region

Tallahassee: Married Couple – Both Age 40

	Minimum Required Limits			Full Coverage Policies (10/20/10/1)		
	PIP/PD	BI/PD* 10/20/10	Change	No-Fault	Tort * System	Change
Non-Standard Company A	\$476.10	\$488.90	3%	\$1,462.74	\$1,384.99	-5%
Non-Standard Company B	\$876.00	\$759.92	-13%	\$2,466.00	\$2,293.81	-7%
Stand./Pref. Company C	\$633.30	\$633.70	0%	\$2,076.51	\$1,979.90	-5%
Stand./Pref. Company D	\$652.92	\$669.53	3%	\$1,990.59	\$1,898.13	-5%
Stand./Pref. Company E	\$259.44	\$436.90	68%	\$1,163.10	\$1,128.16	-3%

Source: Premium shown is annual premium from Rate Collection System information for recent personal auto rate filing. Limits shown as A/B/C/D where the BI limit per person is \$A, BI limit per occurrence is \$B, PD limit is \$C and MP limit (if applicable) is \$D.

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The Great Seal of the State of Florida is a large, faint watermark in the background. It is circular and contains the text "GREAT SEAL OF THE STATE OF FLORIDA" around the top and "IN GOD WE TRUST" around the bottom. The central image depicts a palm tree, a sun, and a figure holding a scale.

Questions?