



Presentation on Personal Injury Protection (PIP) Insurance

Senate Banking & Insurance Committee

April 2, 2013

Sandra Starnes
Director, Property & Casualty Product Review



Part I:

Implementation of HB 119 From 2012

OIR Implementation Activities

- Informational Memoranda
- Updates to Office Forms
- Form Filings
- Actuarial Report



Actuarial Report

Contractor: Pinnacle Actuarial Resources, Inc.

Estimated savings:

- PIP losses: 16.3% - 28.7%
- PIP premiums (statewide): 14.0% - 24.6%
- Personal auto premiums: 2.8% - 4.9%

An important caveat in the report:

“The savings shown assume that current rates are adequate. To the extent that current PIP rates are inadequate, it is likely that insurers will offset the savings from HB 119 against the otherwise indicated PIP rates.”

Note: PIP premiums represent approximately 20% of total personal auto premiums.



Change in PIP Premium From Rate Filings

Personal Auto Rate Filings Prior to HB 119:

- For filings effective on or after 1/1/2011 – More than 85% had approved increases in PIP. The majority were double-digit increases.

Results of 135 approved filings reflecting HB 119:

- 52% resulted in decreases
- 72% resulted in decreases or no changes



Change in PIP Premium From Rate Filings (cont.)

Filing summary for the Top 25 Personal Auto Insurers
(represents 80% of the market):

Amount of PIP Change	Number of Filings	Market Share
Decrease of at least 10%	10	42%
Decrease less than 10%	4	5%
No change	4	8%
Increase	7	25%

The weighted average approved PIP change of the Top 25 insurers was -2.0%.

If State Farm's filing is removed, the weighted average change was -4.8%.



Filings for Top 5* Personal Auto Insurers

Company Name	Market Share*	File Number	Company Indication Before HB 119	Selected PIP Percentage Change
State Farm Mutual Auto Insurance	17.5%	12-15711	+22.0%	7.9%
GEICO General Insurance	10.3%	12-15922	+16.8%	-10.0%
Progressive American Insurance	6.3%	12-15814	-0.8%	-10.0%
Progressive Select Insurance	5.3%	12-15813	-0.4%	-10.0%
GEICO Indemnity	4.8%	12-15922	+15.7%	-10.0%

* Based on 2012 Total Personal Auto premiums reported on FL state page of the annual statement.



Part II:

Replacing PIP with Mandatory Bodily Injury (BI) Coverage

Estimated Premium Impacts

Description of Coverages

- Personal Injury Protection (PIP)
- Bodily Injury (BI)
- Property Damage (PD)
- Medical Payments (Med-Pay or MP)
- Uninsured Motorist (UM)
- Comprehensive (COMP)
- Collision (COLL)



Methodology

- 2 rating examples used

- 5 large auto insurers were reviewed
 - 3 represent the non-standard market
 - 2 represent the standard or preferred market

- To reflect the elimination of PIP:
 - 50% of the PIP premium was moved to BI
 - 20% of the PIP premium was moved to MP, and
 - 10% of the PIP premium was moved to UM



Summary of Premium Impacts

From: Minimum Required Limits (\$10,000 PIP/\$10,000 PD)
To: PIP Eliminated and:

10/20/10 (BI/PD) Limits

- Non-standard insurers experienced decreases across all regions
- Standard/preferred insurers decreases in regions where PIP fraud was prevalent

25/50/10 (BI/PD) Limits

- Central Miami only region with decrease for all insurers

If **Full Coverage policies purchased** (BI, PD, PIP, UM, MP, COMP & COLL), all insurers experienced decreases in premium if BI, PD, and UM limits remain constant.

Limits shown as A/B/C where the BI limit per person is \$A, BI limit per occurrence is \$B, and PD limit is \$C.



Estimated Impact by Region - Central Miami

Married Couple – Both Age 40

	Policies with Minimum Required Limits			Policies with Full Coverage (10/20/10/1)		
	PIP/PD	BI/PD* 10/20/10	Change	No-Fault	Tort * System	Change
Non-Standard Company A	\$2,824.12	\$1,760.81	-38%	\$3,926.84	\$3,405.48	-13%
Non-Standard Company B	\$1,897.75	\$1,461.38	-23%	\$4,201.25	\$3,871.50	-8%
Non-Standard Company C	\$1,710.00	\$1,456.00	-15%	\$3,872.00	\$3,601.20	-7%
Stand./Pref. Company D	\$707.32	\$587.01	-17%	\$1,640.10	\$1,527.29	-7%
Stand./Pref. Company E	\$1,335.45	\$1,049.79	-21%	\$2,401.36	\$2,162.30	-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

	Policies with Minimum Required Limits			Policies with Full Coverage (10/20/10/1)		
	PIP/PD	BI/PD* 10/20/10	Change	No-Fault	Tort * System	Change
Non-Standard Company A	\$414.88	\$409.50	-1%	\$1,046.00	\$989.87	-5%
Non-Standard Company B	\$646.00	\$652.00	1%	\$2,027.00	\$1,944.20	-4%
Non-Standard Company C	\$565.00	\$628.00	11%	\$1,705.00	\$1,648.60	-3%
Stand./Pref. Company D	\$235.30	\$253.93	8%	\$862.15	\$833.02	-3%
Stand./Pref. Company E	\$245.80	\$345.88	41%	\$894.22	\$861.42	-4%

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.





Part III:

PIP & the Patient Protection and Affordable Care Act (PPACA)

Interplay Between PIP and PPACA

PIP provides additional benefits beyond the medical services and care, such as lost wages and death benefits (estimated to be approximately 9% of PIP payments).

In addition, even under PPACA:

- Some will refuse to purchase health insurance.
- Some will purchase high deductible plans.
- For those over age 65, Medicare Part A only covers hospital costs. Part B (Medical Services) and Part D (Prescription Drugs) are still optional.



Contact:

Sandra Starnes

Director, Property & Casualty Product Review

Phone: (850) 413-5314

Email: Sandra.Starnes@flor.com