The State of Auto Insurance in the District

Presentation to DISB

March 25, 2019

David Snyder,

APCIA

Metrics

- Very competitive market
- 80% of premium $ returned directly to consumers as loss payments and related expenses to deliver them
- Commissions to agents largest part of remainder
- Modest profits

2017 NAIC Profitability Report–District of Columbia

Source: 2017 NAIC Profitability Report

Cost Drivers

- Frequency of claims is driving costs
- Per 100 insured cars:
  - DC BI: 1.49 vs Multi-state BI: .88
  - DC PDL: 5.95 vs Multi-state: 3.45
  - DC Collision: 11.42 vs Multi-state: 5.99
- DC ranks number 1 in combined frequency of PDL and Collision
- Insurance claims frequency data echoed by other studies of traffic congestion, putting DC near the top
- Frequency added on to high costs for services in the District

Regulatory System

- Good transparent regulator and staff
- Legal and regulatory standards are consistent with the vast majority of states—"excessive/inadequate/unfairly discriminatory" standard is key
- D.C. laws require rates be risk-based and define inappropriate discrimination
- Important to maintain mainstream regulation, assure consistency and avoid "desk drawer rules" particularly for a high underlying cost and concentrated jurisdiction such as the District
- Overall results are a competitive insurance market and modest profits despite a challenging claims cost environment
- Engage companies in upfront conversation when they plan on filing a new model or new data and support innovation to meet consumer needs

Suggestions on What To Do and Not To Do

- **What to do:**

✓ Continue to focus efforts on preventing crashes and otherwise reducing claims costs as that will help with claim frequency, the dominant source of high costs

✓ Maintain regulatory balance with mainstream standards that are applied consistently to all companies

✓ Consider whether a low cost auto policy and/or reduced mandatory coverages would be beneficial

✓ Support innovation to allow regulated insurers to meet changing consumer needs

- **What *Not* to do*:***

✓ Undermine risk-based pricing by banning long approved and regulated factors such as credit that apportion costs on the basis of risk

✓ Discourage competition by regulating inconsistently or by desk drawer rules