January 23, 2024

Honorable Jake Johnson
Representative
300 North Salisbury Street, Room 306B1
Raleigh, North Carolina 27603-5925

Honorable Harry Warren
Representative
300 North Salisbury Street, Room 611
Raleigh, North Carolina 27603-5925

Re: December 20, 2023 Request by the House Oversight and Reform Committee

Dear Representative Johnson and Representative Warren:

On behalf of the North Carolina Reinsurance Facility ("Facility"), I would like to thank you for the invitation to appear on January 30, 2024 and speak with the House Oversight and Reform Committee ("Committee") regarding the benefits and costs of the Facility. This written testimony has been prepared in consultation with Facility staff, Facility Board of Governors, and Facility legal counsel to address the topics outlined by the Committee in its correspondence dated December 20, 2023 requesting my appearance to testify.

I. <u>Introduction and background</u>

We appreciate your desire to learn more about the Facility, as it plays an important role in North Carolina's auto insurance marketplace. However, it is important to realize that the Facility is only one component of the combined regulatory and physical environment that serves to hold auto liability insurance rates in North Carolina at one of the lowest levels countrywide. The combination of state and federal laws, DMV, DOT, and DOI rules and regulations, the Facility itself, and the North Carolina Rate Bureau, coupled with favorable demographics spread among multiple large population centers and large swaths of rural areas with good roads and low snowfall amounts, are key to this outcome. All of these institutions and factors contribute to the strong and vibrant auto insurance marketplace in North Carolina, and as such none of these should be viewed in a vacuum.

The Facility was established by the NC General Assembly in 1973 and operates in accordance with NCGS Chapter 58, Article 37 titled *North Carolina Motor Vehicle Reinsurance Facility*, which "created a nonprofit unincorporated legal entity to be known as the North Carolina Motor Vehicle Reinsurance Facility consisting of all insurers licensed to write and engaged in writing within this State motor vehicle insurance or any component thereof. Every such insurer, as a prerequisite to further engaging in writing such insurance in this State, shall be a member of the Facility and shall be bound by the rules of operation thereof as provided for in this Article and as promulgated by the Board of Governors. No company may withdraw from membership in the Facility unless it ceases to write motor vehicle insurance in this State or ceases to be licensed to write such insurance." (NCGS § 58-37-5)

Attached as Exhibit A is a glossary of terms that will be referenced throughout this testimony.

Types of auto insurance coverage

There are two basic types of auto insurance coverage: liability insurance, which covers the liability of the vehicle owner or operator for bodily injury or property damage of others caused by an accident, and physical damage insurance, which covers the damage to the owner's or operator's own vehicle or property. North Carolina law requires that owners and operators maintain financial responsibility for their ownership, maintenance, or use of motor vehicles, and the predominant way that owners and operators satisfy that legal requirement is through the purchase of auto liability insurance. On the other hand, auto physical damage insurance is optional and not required by law. There are differences between the rules governing auto liability insurance and the rules governing auto physical damage insurance. **The operation of the Facility relates exclusively to auto liability insurance**, and unless this testimony specifically indicates otherwise, it relates only to auto liability insurance. Likewise, as the majority of Facility risks are private passenger auto policies, unless this testimony specifically indicates otherwise, it relates to private passenger auto liability insurance.

Statutory requirements related to auto insurance in North Carolina

Under the Facility statutes, all companies as a condition of selling auto liability insurance in North Carolina "shall accept and insure any otherwise unacceptable applicant therefor who is an eligible risk." (NCGS § 58-37-25) This is the "take all eligible comers" requirement; companies cannot refuse to sell auto liability insurance to any applicant so long as that applicant is an eligible risk under the Facility statutes. The Facility statutes further provide that "[t]he operation of the Facility shall assure the availability of motor vehicle insurance to any eligible risk and the Facility shall accept all placements made in accordance with this Article, the plan of operation adopted pursuant thereto, and any amendments to either." (NCGS § 58-37-35) If the risk is eligible; the Facility must accept and reinsure the risk. "Eligible risk" is defined in NCGS § 58-37-1 for both private passenger auto and commercial auto risks.

So, North Carolina law requires that automobile owners and operators buy auto liability insurance and that insurance companies ("insurers") sell it to any eligible risk who asks for it. Further, North Carolina law provides that those companies can reinsure that liability coverage in the Facility if the companies so choose.

The rates for auto liability insurance are regulated under North Carolina law. The North Carolina Rate Bureau files a proposal for actuarially sound private passenger auto rates for use in the voluntary market with the Commissioner of Insurance for his approval. Those filed rates are based on all of the loss and expense history/experience of all drivers in North Carolina and therefore are effectively average rates. In simple terms, those filed rates are proposed such that the resulting premiums should be sufficient to pay all of the expected losses and expected expenses and leave a fair profit. If the approved rates are lower than those proposed rates filed by Rate Bureau, the approved rates may not be sufficient to pay all of the expected losses and expenses and leave a fair profit. The approved rates are published in the Rate Bureau private passenger auto manual ("manual rates"). On liability business that companies write in the voluntary market and retain in their voluntary book of business, they can use the published rates or they can deviate downward, or discount, their liability rates below the published manual rates, but they cannot charge more than the published manual rates.

For any auto liability business that companies determine they do not want to write voluntarily and retain in their voluntary book of business, they can cede that business to the Facility (i.e., reinsure that business in the Facility). The rates that must be charged by the companies for the policies they cede to the Facility are determined in accordance with the Facility statutes.

Clean risks vs. Other than Clean risks

For private passenger auto liability policies ceded to the Facility, there are two sets of approved rates – one for "clean risks" and one for "other than clean" risks. For "clean risks" (defined in the statutes as any owner of a nonfleet private passenger auto if the owner, principal operator, and each licensed driver in the owner's household have at least two years' driving experience and none of them has been assigned any Safe Driver Incentive Plan (SDIP) points during the last three years), the Facility rates are statutorily required to be equal to the maximum rates approved by the Commissioner for the voluntary market and the Facility adopts those rates for clean risks. In effect, the clean risk rates are capped at the level of the voluntary market published manual rates and historically, has not generated sufficient premium to pay all of the expected losses and expected expenses of the Facility's clean risk business. This has created a shortfall in the clean risk business that will be discussed later in this testimony. For all other policies (the other than clean risks) and for all commercial auto policies ceded to the Facility, the Facility files rates with the Commissioner based on the aggregate loss and expense history/experience of those respective groups of policies, with no provision for profit. There is no clean risk rate for commercial auto policies. All of these Facility rates are likewise published in the rate manual. For private passenger auto insurance, there is a single published rate manual that includes both the voluntary manual rates and the Facility manual rates. For commercial auto insurance, there is a separate published rate manual that includes just the Facility manual rates for ceded commercial auto policies.

Vital role of the Facility

Thus, the Facility is an integral part of the statutory framework for auto insurance in North Carolina. It is a mechanism for ensuring that auto liability risks who cannot obtain coverage in the voluntary market can obtain the coverage required by North Carolina's financial responsibility laws. Since North Carolina statutes require that 1) insurance companies offer auto liability coverage to all eligible risks, and 2) insurance companies may not charge more than the maximum rates approved by the Commissioner for that liability coverage, the Facility is needed to ensure the availability of auto liability coverage for a risk when insurance companies choose, for whatever reason, not to write the coverage voluntarily. Given the requirement that a company has to sell auto liability insurance to any eligible risk even if the company finds that risk to be unacceptable, many insurance companies might choose not to voluntarily write auto insurance business in North Carolina at all if they did not have the ability to cede the liability portion of any policy to the Facility. Some examples of risks that may be unacceptable to an insurance company are those risks which are inadequately priced based on the approved rates allowed to be charged or the insurance company may lack the expertise to underwrite and service the risk (i.e. antique cars, motorcycles, etc.).

Policyholder choice

The Facility also ensures that North Carolina policyholders have a choice of insurance companies when obtaining their required auto liability coverage. Keep in mind that the Facility does not issue policies or write insurance itself; it just provides reinsurance. The policyholders select their insurance companies. Insurance companies then make a choice to retain the risk for their voluntary book of business and charge voluntary market rates (which are capped at the approved manual rates) or to cede (reinsure) the risk to the Facility and charge the Facility rates. In either scenario, the insurance companies issue and service the policy, including adjusting and paying any claims. Insurance companies are required to treat all policies the same, regardless of whether they are retained as voluntary business or ceded to the Facility. Under this system, policyholders retain the ability to choose a company and/or agent of their preference. This choice is typically not available in an “assigned risk” system. Also keep in mind that policyholders typically receive a single policy from their company, even if they buy physical damage coverage in addition to liability coverage. Policyholders deal solely with their company and rarely if ever directly with the Facility.

Expense allowance/reimbursement for ceded policies

On ceded policies, the insurance company sends all of the liability premium to the Facility. The Facility provides expense allowances to the insurance company to reimburse the company for the costs of writing and servicing the policy (the “ceding expense allowance”) and the costs of adjusting and paying any claims (the “claims expense allowance”). In addition, the Facility reimburses the insurance company for liability claim payments made under the policy. The expense allowances for the costs of writing and servicing the policy and the costs of adjusting any claims are determined annually by the Facility based on the statewide aggregate expense data and the amounts included in the approved rates for those costs. These allowances are set as percentages of the ceded premium. For the ceding expense allowance, each company receives the lesser of that company’s actual average expenses or the allowance set by the Facility. For the claims expense allowance, each company receives the allowance set by the Facility. The reimbursements do not include any provision for profit to the companies. Also, the Facility other than clean and commercial rates are set with a goal of breaking even and include no provision for profit (unlike voluntary rates, where the statutes provide that those rates are to include a fair and reasonable profit). Thus, the Facility provides a mechanism for insurance companies to cede liability risk that they choose not to retain voluntarily, without any profit or incentive to do so.

II. Basic numbers on people, policies and premiums in the Facility

As of the end of the Facility’s fiscal year (September 2023), there were approximately 1,351,000 private passenger auto policies in force and 25,000 commercial auto policies in force, for a total of 1,376,000 policies in force in the Facility.

As of the end of the Facility’s fiscal year (September 2023), written premium for private passenger auto policies was approximately $1,160,000,000 and written premium for commercial auto policies was approximately $133,000,000, for a total of $1,293,000,000 in liability written premium in the Facility.

Policies ceded to the Facility can insure varying numbers of vehicles and/or drivers. The Facility has data on the number of exposures (individual vehicles) on ceded policies, however, the number of drivers is not known and is not available. In section VI of this testimony, information is provided related to exposures in the Facility.

III. How much policyholders pay the Facility in clean risk surcharges, loss recoupment surcharges, and any other surcharges

Exhibit B attached to this testimony is a chart of the Facility recoupment surcharges assessed to North Carolina policyholders in recent years to cover clean risk recoupment and loss recoupment. The percentages and dollar amounts shown on this exhibit are collected by member companies and paid to the Facility for clean risk recoupment and loss recoupment. The amounts assessed to policyholders include, as required by statute, an additional amount for compensation of insurance agents.

The surcharges are provided for and are determined in accordance with the Facility statutes (NCGS § 58-37-35 and 58-37-40), and they include:

- Clean Risk Recoupment surcharge – Clean Risk Recoupment is the amount of the shortfall created by the difference between the rates approved by the Commissioner in the voluntary market (which, by statute, become the Facility's clean risk rates) and the actuarially sound and self-supporting rates for clean risks reinsured in the Facility. A clean risk is defined by statute as "any owner of a nonfleet private passenger motor vehicle as defined in NCGS § 58-40-10, if the owner, principal operator, and each licensed operator in the owner's household have two years' driving experience as licensed drivers and if none of the persons has been assigned any Safe Driver Incentive Plan points under Article 36 of this Chapter during the three-year period immediately preceding either (i) the date of application for a motor vehicle insurance policy or (ii) the date of preparation of a renewal of a motor vehicle insurance policy." NCGS § 58-37 (l) History shows that the rates that should be charged to clean risks (the actuarially sound and self-supporting rates) are significantly higher than the statutorily mandated clean risk rates, which are capped. Recent clean risk recoupment calculations indicate that ceded clean risks, as a group, should pay rates approximately 70% higher than they actually pay. The clean risk recoupment surcharge is a percentage of premium charged on the liability premiums on all North Carolina private passenger auto policies (ceded or retained) to recoup this shortfall amount. The clean risk definition and category of business does not apply to commercial auto liability insurance ceded to the Facility.

- Loss Recoupment surcharge – Loss Recoupment allows the Facility to recover net operating losses from prior time periods. The Facility can only recoup losses already incurred. The Facility cannot surcharge for projected future losses. The Loss Recoupment surcharge is a percentage of premium charged on the liability premiums on all North Carolina private passenger auto policies and/or commercial auto policies (ceded or retained). The Facility maintains records separately for private passenger auto policies and commercial auto policies, and it applies separate loss recoupment surcharges on those two separate types of policies.

IV. <u>How those surcharges are established each year and the range for each surcharge, in dollars and percent of premium, since 2014</u>

Exhibit B reflects the clean risk and loss recoupment surcharges since 2014.

The Facility has various task forces and subcommittees that make recommendations to the Board of Governors. The Facility Recoupment Task Force, which is comprised of six representatives from Facility company members plus one agent member of the Board of Governors, meets quarterly to review Facility results and determine whether a recommendation should be made to the Facility Board of Governors for imposition of or adjustments to the recoupment surcharges in accordance with the governing statutes.

The methodology utilized to calculate the clean risk recoupment surcharge percentage is as follows:
(1) use only current rate levels or rates approved to become effective during the recoupment period;
(2) calculate the amount to be recovered through clean risk recoupment as the difference between the rates charged to clean risks and the actuarially sound and self-supporting rate level for these risks;
(3) determine the total premium to be collected for all North Carolina private passenger auto policies; and
(4) set the clean risk recoupment surcharge percentage equal to the ratio of the clean risk recoupment amount to the total North Carolina private passenger auto premium.

The methodology utilized to calculate the loss recoupment percentage is as follows:
(1) review the current Facility financial position data reflecting the losses the Facility has incurred;
(2) determine the total premium to be collected for all North Carolina policies (for private passenger auto, this is the same amount described above for use in the clean risk recoupment surcharge calculation);
(3) set the loss recoupment surcharge percentage equal to the ratio of losses to be recouped to the total North Carolina premium; and
(4) these calculations are performed separately for private passenger auto and commercial auto business.

These calculations and the levying of these surcharges are done in accordance with the statutes governing the Facility.

NCGS § 58-37-40 provides that these recoupment surcharges are to be "combined with and displayed as part of the applicable premium charges."

These calculations are performed by actuarial consultants at Insurance Services Office (ISO), a division of Verisk, which is an insurance advisory organization that provides statistical and actuarial information and expertise to the insurance industry. ISO focuses on property/casualty insurance, including both personal and commercial lines.

V. Other fees and rates companies may charge policies in the Facility

As noted previously, insurance companies cannot charge more than the approved rates for voluntary or ceded liability coverage. The Facility has no other fees or charges that can be applied to ceded coverages.

VI. A distribution analysis of policies in the Facility, specifically the Committee hopes to understand how many drivers would have paid more in the voluntary market than they pay in combined premiums and associated charges and surcharges

For private passenger auto insurance ceded to the Facility, the latest data reflect that approximately 78% of ceded autos are on clean risk policies and approximately 22% are on other than clean risk policies. Since the rates for other than clean risks are significantly higher, the breakdown by premium is approximately 58% clean risk and approximately 42% other than clean risk. The clean risk definition and category of business do not apply to commercial auto insurance ceded to the Facility.

Insurance companies may not charge more than the approved manual rates for liability insurance, and the approved rates for business ceded to the Facility are equal to (for clean risks) or greater than the approved rates for voluntary insurance (for other than clean risks). All auto liability insurance policies in North Carolina are subject to the same clean risk recoupment and loss recoupment surcharges. Consequently, drivers whose liability insurance is ceded to the Facility pay either the same (because liability rates for clean risks are capped at the published rates) or more than they would have paid in the voluntary market (because the Facility rates for other than clean risks are higher than the voluntary rates).

For commercial auto liability insurance, companies file their own rates with the Commissioner of Insurance for voluntary business, and the Facility files the rates for the business ceded to it. Any loss recoupment surcharges apply equally to both voluntary and ceded commercial business. Consequently, the logical expectation is that drivers whose commercial auto liability insurance is ceded to the Facility pay more than they would have paid in the voluntary market if they could have found coverage there.

VII. The role of contributory negligence in North Carolina's liability system to keep insurance premiums low compared to other states

Commissioner Causey's testimony to this Committee dated December 4, 2023 states,

> "However, another factor that may influence our state's low auto insurance rates is the fact that North Carolina is a contributory negligence state. This means that, in a lawsuit for damages based on negligence, a claimant's own negligence is a complete bar to recovery if it contributed to the claimant's injuries. As a result, a claimant's negligence is considered a factor in settlement negotiations with an insurer before a lawsuit is filed. Lower settlement amounts, as well as verdicts that result in no recovery because of the claimant's negligence, can be seen as contributing to North Carolina's low auto insurance rates."

The Facility does not have data regarding the impact of the contributory negligence standard in North Carolina and therefore cannot provide an informed response on this topic. However, the Facility agrees that the general view is that the contributory negligence standard leads to lower losses than would a comparative negligence standard.

VIII. The role of uninsured motorist rates in keeping premiums low compared to other states

The Facility does not collect data on uninsured motorist rates in other states and does not maintain data on the percentage of uninsured drivers in North Carolina. A 2019 report of uninsured driver percentage by state published by the Insurance Research Council ranks North Carolina as the 10th lowest state for percentage of uninsured drivers (see Exhibit C).

Facility staff are generally aware that the percentage of uninsured motorists in North Carolina compares favorably with nearby states. It is also true that a lower percentage of drivers going uninsured contributes to lower insurance rates for uninsured motorists' coverage (which is a mandatory coverage in North Carolina), which in turn serves to lower overall auto liability premiums in North Carolina. The statutory framework in North Carolina requiring mandatory liability coverage for all drivers and the availability of the Facility as a place for insurance companies to cede the risk for otherwise unacceptable applicants would appear to be a positive factor leading to a relatively low percentage of uninsured motorists in the state.

IX. The Reinsurance Facility's relationship with the Department of Insurance

The Facility interacts with the Department of Insurance in a variety of ways. In accordance with NCGS § 58-37-35, the Commissioner of Insurance serves as an ex-officio non-voting member of the Facility's Board of Governors. The Commissioner also selects 7 of the 12 members that serve on the Facility Board of Governors (two of the member companies and all five of the agent members).

The Facility is also required to file with the Commissioner of Insurance rules, rates, rating plans, policy forms, and Plan of Operation as outlined below:

Per NCGS § 58-37-35, "The classifications, rules, rates, rating plans and policy forms used on motor vehicle insurance policies reinsured by the Facility may be made by the Facility or by any licensed or statutory statistical organization or bureau on its behalf and shall be filed with the Commissioner."

Per NCGS § 58-37-40, "… the Facility shall submit to the Commissioner, for his approval, a proposed plan of operation, consistent with the provisions of this Article, which shall provide for economical, fair and nondiscriminating administration and for the prompt and efficient provision of motor vehicle insurance to eligible risks. … Any revision of the proposed plan of operation or any subsequent amendments to an approved plan of operation shall be subject to approval or disapproval by the Commissioner in the manner herein provided in subsection (b) with respect to the initial plan of operation."

Additionally, the Facility's Board of Governors is authorized to hear various disputes or complaints pertaining to the operation of the Facility and any such formal ruling by the Facility's Board of Governors may be appealed to the Commissioner for review.

X. Conclusion

The North Carolina Reinsurance Facility serves an essential role in supporting North Carolina's auto insurance market and enabling many North Carolina drivers to comply with its financial responsibility laws. The information in this testimony is meant to outline the statutory responsibilities of the Facility and describe the benefits the organization provides to North Carolinians and the auto insurance market. Among these key benefits are assuring the availability of automobile liability coverage to any eligible risk regardless of driving record and allowing policyholders to choose the company they wish to provide this coverage.

Sincerely,

Joanna Biliouris
General Manager
North Carolina Reinsurance Facility

Exhibit A **GLOSSARY**

Term	Descriptions for purposes of this testimony
Approved Rates	For the purposes of this testimony, "approved rates" refer to automobile insurance rates approved by the Commissioner of Insurance for publication by the Rate Bureau and the Facility for use by their member companies.
Auto Liability Coverage	(Required by law) Auto insurance coverage for bodily injury and property damage *to others* incurred through ownership or operation of a vehicle (liability **may** be ceded to the Facility).
Auto Physical Damage Coverage	Auto insurance coverage that insures against damage to a vehicle insured on a policy (including, for example, coverage for collision, vandalism, fire, and theft) (physical damage **cannot** be ceded to the Facility).
Cede	The act of transferring the risk of liability loss from the individual insurer to the Facility.
Clean Risk	Any owner of a nonfleet private passenger auto if the owner, principal operator, and each licensed driver in the owner's household have at least two years' driving experience and none of them has been assigned any Safe Driver Incentive Plan (SDIP) points during the last three years (see below for "other than clean risk").
Contributory Negligence	North Carolina contributory negligence law bars a claimant from collecting damages if determined to be partially at fault. In essence, if a claimant's own negligence contributes to an accident, the doctrine of contributory negligence bars the claimant from recovering on a liability claim. Any disagreement over negligence may ultimately have to be resolved in a court of law.
Eligible Risk	People or entities who can be reinsured with the NC Reinsurance Facility per NCGS 58-37-1.
Filed Rates	For the purposes of this testimony, "filed rates" refer to automobile insurance rates filed with the Commissioner of Insurance.
North Carolina Rate Bureau	The North Carolina Rate Bureau (NCRB/Bureau) is a non-profit, unincorporated rating bureau created by the General Assembly of North Carolina under the provisions of Article 36 of Chapter 58 of the General Statutes of North Carolina in 1977. The NCRB provides services and programs for the insurance industry in North Carolina for automobile, residential real property with not more than four housing units, and workers compensation insurance.
North Carolina Reinsurance Facility	The Reinsurance Facility is a mechanism for pooling of insurance risks who cannot obtain coverage in the voluntary market. Under the Facility statutes, licensed and writing carriers and agents must accept and insure any statutorily eligible applicant for coverages and limits that are available in the Facility. The Facility accepts cession of bodily injury and property damage liability, medical payments, uninsured and combined uninsured/underinsured motorists' coverages. Automobile physical damage coverages are not eligible for cession. Any eligible risk which a company elects not to retain in its voluntary book of business may be ceded to the Facility.
Other Than Clean Risk	Any owner of a nonfleet private passenger auto if the owner, the principal operator, or a licensed driver is not defined as a Clean Risk (see above for "clean risk").
Reinsure	For the purposes of this testimony, "reinsure" means the transfer of auto liability risk from an insurance company to the Facility.
Retain	For the purposes of this testimony, "retain" means the insurance company chooses to keep the automobile liability risk in its voluntary book of business (not cede to Facility).
Safe Driver Incentive Plan	The North Carolina Safe Driver Incentive Plan (SDIP) was created by state law (NCGS 58-36-65 and 58-36-75) to give drivers a financial incentive to practice safe driving habits. SDIP points are charged for convictions and at-fault accidents occurring during the experience period (the three-year period preceding either the date an individual applies for coverage or the insurance company prepares to renew an existing policy).
Servicing	The work performed by the ceding company to underwrite the risk, sell and issue policies, bill policyholders, collect premiums, answer policyholder questions, etc., for both new business and renewal business.
Voluntary Market	For the purposes of this testimony, the "voluntary market" refers to all NC auto liability risks *not reinsured* with the Facility.

Exhibit B

Product	Status	Effective Month	Length	Clean Risk Recoupment (without agent compensation)	Clean Risk Recoupment (ITD Collected)	Loss Recoupment (without agent compensation)	Loss Recoup $ (ITD Collected)	Clean Risk & Loss Recoupment Combined	Total Recoupment (ITD Collected)
PPA	Closed	October 2013	6 months	2.25%	$ 34,847,663	N/A		**N/A**	**$ 34,847,663**
PPA	Closed	April 2014	6 months	4.67%	$ 75,840,449	N/A		**N/A**	**$ 75,840,449**
PPA	Closed	October 2014	1 year	4.86%	$ 159,334,360	N/A	$ -	**N/A**	**$ 159,334,360**
PPA	Closed	October 2015	1 year	4.06%	$ 137,839,310	N/A	$ -	**N/A**	**$ 137,839,310**
PPA	Closed	October 2016	6 months	4.94%	$ 84,741,624	3.32%	$ 56,951,860	**8.26%**	**$ 141,693,484**
PPA	Closed	April 2017	6 months	4.94%	$ 87,270,992	5.00%	$ 88,330,963	**9.94%**	**$ 175,601,955**
PPA	Closed	October 2017	6 months	5.25%	$ 100,635,544	5.06%	$ 96,993,496	**10.31%**	**$ 197,629,041**
PPA	Closed	April 2018	6 months	5.25%	$ 103,267,227	6.67%	$ 131,198,553	**11.92%**	**$ 234,465,781**
PPA	Closed	October 2018	6 months	6.82%	$ 133,531,047	3.06%	$ 59,912,757	**9.88%**	**$ 193,443,804**
PPA	Closed	April 2019	6 months	6.82%	$ 137,085,562	1.55%	$ 31,155,809	**8.37%**	**$ 168,241,371**
PPA	Closed	October 2019	1 year	3.84%	$ 169,475,219	0.28%	$ 12,357,568	**4.12%**	**$ 181,832,787**
PPA	Closed	October 2020	1 year	5.12%	$ 233,398,146	1.77%	$ 80,686,469	**6.89%**	**$ 314,084,614**
PPA	Closed	October 2021	1 year	6.66%	$ 308,386,068	0.16%	$ 7,408,674	**6.82%**	**$ 315,794,742**
PPA	Open	October 2022	6 months	7.64%	$ 178,732,999	1.14%	$ 26,669,584	**8.78%**	**$ 205,402,583**
PPA	Open	April 2023	6 months	7.64%	$ 185,491,619	4.51%	$ 109,498,324	**12.15%**	**$ 294,989,943**
PPA	Current	October 2023	6 months	11.11%	$ 98,292,965	2.66%	$ 23,533,689	**13.77%**	**$ 121,826,654**
PPA	Pending	April 2024	8 months	9.36%	$ -	0.47%	$ -	**9.83%**	**$ -**

Product	Status	Effective Month	Length	Loss Recoupment (without agent compensation)	Loss Recoupment (ITD Collected)
CA	Closed	October 2018	1 year	7.07%	$ 52,002,480.57
CA	Closed	October 2019	1 year	7.07%	$ 56,289,361.44
CA	Closed	October 2020	1 year	4.56%	$ 43,395,933.93
CA	Closed	October 2021	6 months	1.81%	$ 9,324,136.21
CA	Open	April 2022	6 months	4.66%	$ 23,506,466.90
CA	Open	October 2022	1 year	1.17%	$ 13,645,776.94
CA	Current	October 2023	6 months	2.16%	$ 3,723,977.30
CA	Pending	April 2024	6 months	3.74%	$ -

Data shown is through October 2023
PPA = Private Passenger Auto
CA = Commercial Auto
ITD Collected = Inception to date collected

Insurance Research Council

News Release

The Institutes™
Proven Knowledge. Powerful Results.

Date: March 22, 2021

Contact: David Corum, CPCU
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One in Eight Drivers Uninsured

$13 Billion Spent in 2016 to Protect Against Uninsured and Underinsured Drivers

MALVERN, Penn.—March 22, 2021—One in eight drivers on the road in 2019 was driving without insurance, according to a new report from the Insurance Research Council (IRC). In 2019, the estimated countrywide uninsured motorist rate was 12.6 percent. At-fault drivers who fail to comply with state insurance requirements increase the cost of insurance for those who comply with state requirements. Insured drivers paid, on average, approximately $78 per insured vehicle in 2016 for insurance protection against at-fault drivers who are uninsured or who have inadequate insurance to cover the medical costs and property damage incurred by others. Across the U.S., insured drivers in 2016 paid more than $13 billion for uninsured/underinsured motorist coverage.

Uninsured motorist rates varied substantially across states, ranging from 3.1 percent in New Jersey to 29.4 percent in Mississippi. Although the countrywide uninsured motorist rate increased only 1.2 percentage points from 2015-2019, several states experienced more significant increases, including Washington (6.9 percentage points), Rhode Island (6.8 percentage points) and Mississippi (6.4 percentage points). Other states experienced decreases in uninsured motorist rates, including Michigan (10.1 percentage points) and Delaware (2.9 percentage points).

“Uninsured drivers increase the cost of insurance for those who comply with their state’s insurance requirements,” said David Corum, vice president of the IRC, “and that’s not fair.“ “Keeping auto insurance affordable is more difficult when a significant number of drivers refuse to carry their fair share of the costs.”

The IRC report, *Uninsured Motorists, 2021 Edition*, examines data collected from 11 insurers representing 60 percent of the private passenger auto insurance market in 2019. For more information on the study’s methodology and findings, contact David Corum, at (484) 831-9046, or by e-mail at IRC@TheInstitutes.org. For more information about the report, visit the IRC’s Web site at www.insurance-research.org.

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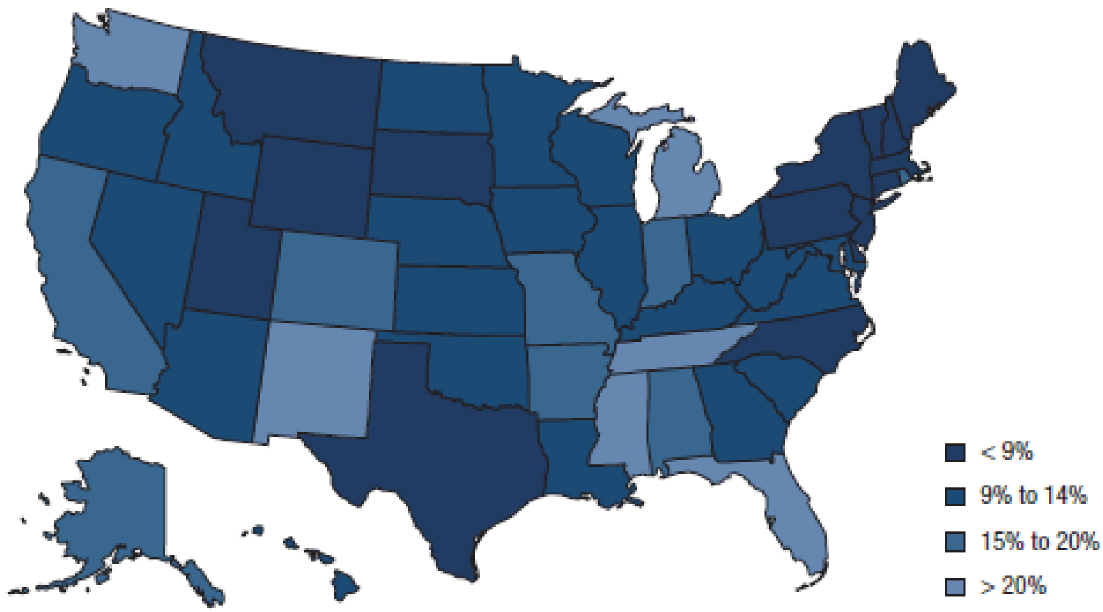
NOTE TO EDITORS: The Insurance Research Council is a division of the The Institutes. The Institutes are an independent, nonprofit organization dedicated to providing educational programs, professional certification, and research for the property-casualty insurance business. The IRC conducts research on a wide range of public policy issues affecting property-casualty insurance companies and their customers, and is supported by leading property-casualty insurance organizations.

Estimated Percentage of Uninsured Drivers in 2019



Mississippi	29.4%	Oklahoma	13.4%	Nebraska	9.3%
Michigan	25.5%	Wisconsin	13.3%	West Virginia	9.2%
Tennessee	23.7%	Idaho	13.2%	Vermont	8.8%
New Mexico	21.8%	Ohio	13.0%	Montana	8.5%
Washington	21.7%	North Dakota	13.0%	Delaware	8.5%
Florida	20.4%	Georgia	12.4%	Texas	8.3%
Alabama	19.5%	Arizona	11.8%	South Dakota	7.4%
Arkansas	19.3%	Illinois	11.8%	North Carolina	7.4%
District of Col.	19.1%	Louisiana	11.7%	Utah	6.5%
California	16.6%	Iowa	11.3%	Connecticut	6.3%
Rhode Island	16.5%	Kansas	10.9%	New Hampshire	6.1%
Missouri	16.4%	South Carolina	10.9%	Pennsylvania	6.0%
Colorado	16.3%	Oregon	10.7%	Wyoming	5.8%
Alaska	16.1%	Virginia	10.5%	Maine	4.9%
Indiana	15.8%	Nevada	10.4%	New York	4.1%
Maryland	14.1%	Minnesota	9.9%	Massachusetts	3.5%
Kentucky	13.9%	Hawaii	9.3%	New Jersey	3.1%