1999-2003 State Average Expenditures and Average Premiums for Personal Automobile Insurance

Voluntary Market Business and Residual Market Business

This section provides state average expenditures and average annual premium per insured vehicle, for private passenger automobile insurance for the years 1999-2003. These statistics measure the relative cost of automobile insurance to consumers in each state. Results are included for bodily injury and property damage liability (including no-fault), collision, and comprehensive coverages—the basic components of a personal auto insurance policy.

The state **average expenditure** per insured vehicle is the total written premium for the combined liability, collision and comprehensive coverages, divided by the liability written car-years[1] (exposures) in that state. This assumes that all insured vehicles carry liability coverage but do not necessarily carry the physical damage coverages—collision and/or comprehensive. The average expenditure estimates what consumers in the state spent, on average, for auto insurance. In 2003, the countrywide average expenditure was $821, an increase of 5.7 percent over the previous year. The median average expenditure was $745.

The state **combined average premium** per insured vehicle, on the other hand, is calculated by summing the average premiums for the three coverages. The result is the average cost of an auto insurance policy in the state that contains all three—liability, comprehensive and collision—coverages. The countrywide combined average premium also increased 6.0 percent in 2003, to $939. The median combined average premium was $866.

Aggregate written premiums and aggregate written exposures are used in calculations with no distinction as to policyholder classifications, vehicle characteristics or the selection of specific limits or deductibles. Nor do the results consider differences in state auto and tort laws, rate filing laws, traffic conditions or other demographics.

CAUTION: Because of these differences, direct comparisons between state results would be misleading.

Tables 1A-1C show state 1999-2003 written premiums, written exposures and average premiums for liability insurance. Tables 2A-2C and 3A-3C show the same for collision and comprehensive insurance, respectively. State average expenditures are provided in Table 4, and state combined average premiums are displayed in Table 5.

[1] A written car-year is equal to 365 days of insurance coverage for a single vehicle and is the standard measure of exposure for automobile insurance.

Factors that Affect State Average Expenditures and Average Premiums

Many factors affect the state-to-state differences in average expenditures and premiums for automobile insurance. Some important factors include:

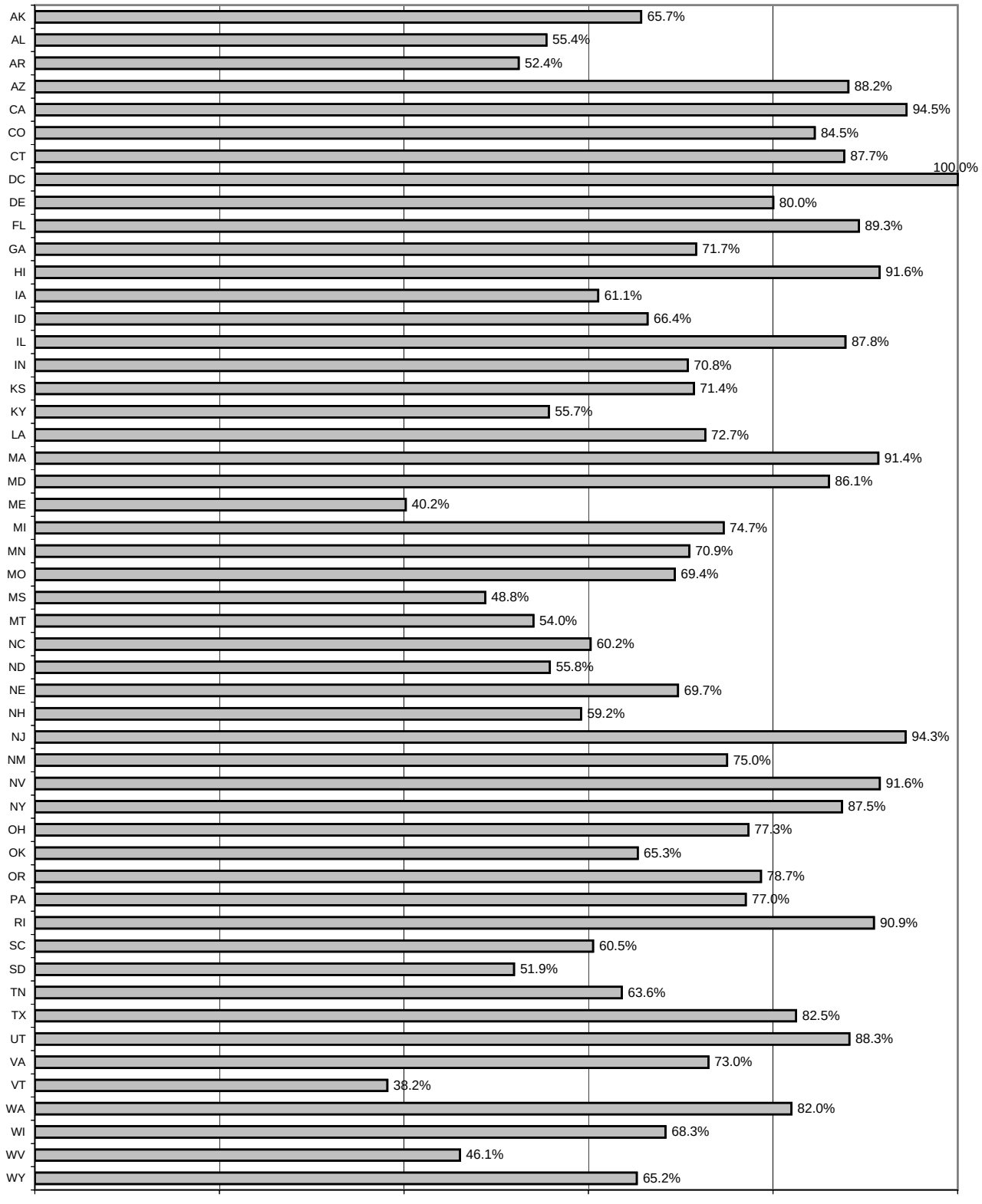
- underwriting and loss adjustment expense
- relative amounts of coverages purchased
- driving locations
- accident rates
- traffic density
- vehicle theft rates
- auto repair costs
- population density
- medical and legal costs
- per capita disposable income
- rate and form filing laws
- liability insurance requirements
- auto laws (seat belt, speed limits, etc.)

Insurance rates are developed based, primarily, on the insurer's cost of paying claims filed by insureds. Certain broad characteristics of a state contribute to the frequency and severity of auto claims and insurer loss costs in the state. Many of these cost factors can impact insurance prices not only between states, but between communities and neighborhoods as well, making price comparison between states extremely complex.

It is reasonable to consider that the "general economic conditions" in a state may affect the price of auto insurance, but no direct measure of this characteristic exists. Measurable data, however, can be used as imperfect substitutes for these characteristics to approximate their impact on insurance price.

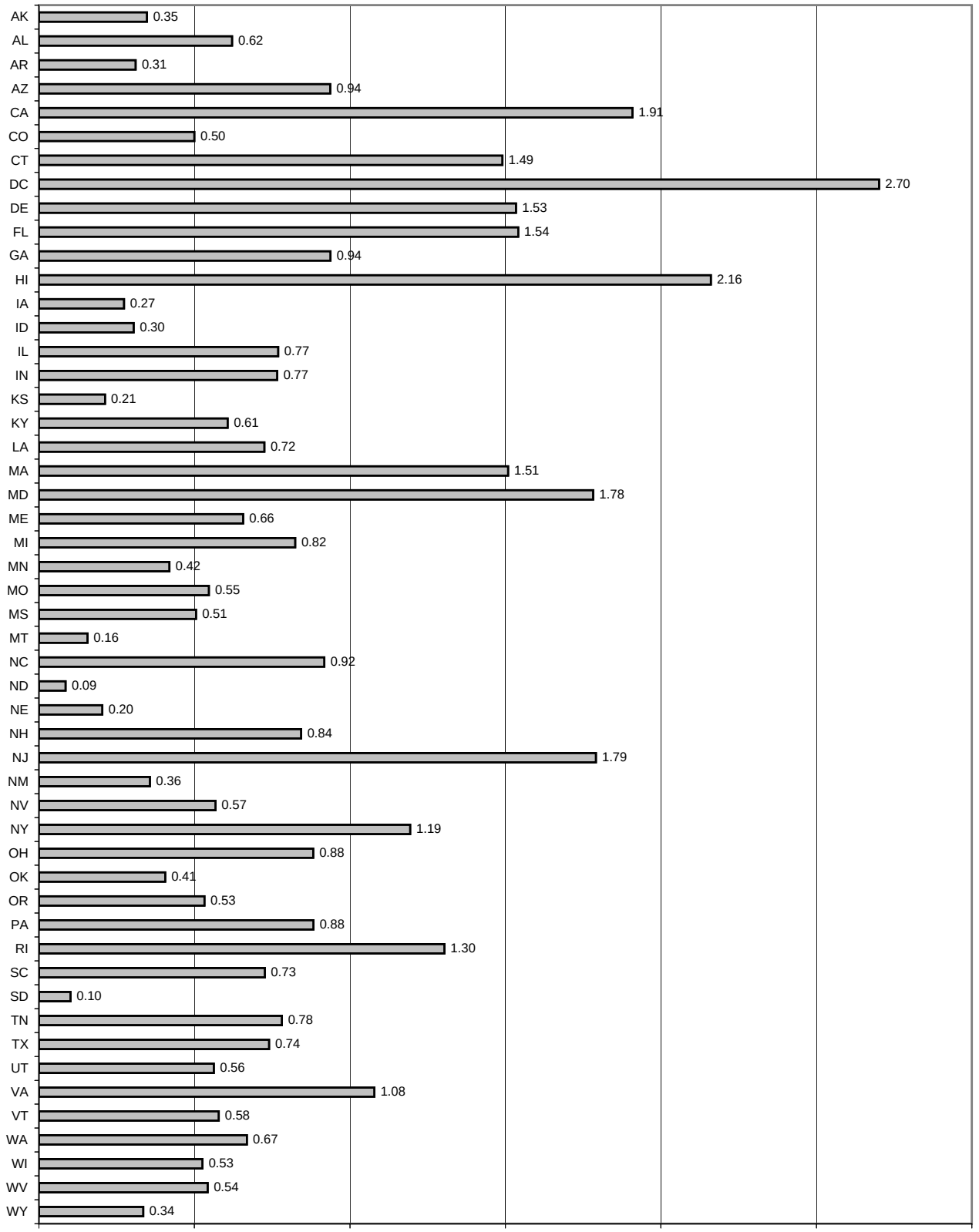
Three variables—Urban Population, Miles Driven Per Number of Highway Miles and Disposable Income Per Capita—have been identified as highly correlated with the state auto insurance premiums. Graphs on the following pages show these variables for all states. The graphs indicate that high premium states tend to also be highly urban, with higher wage and price levels and greater traffic density.

Percent of State Population Living in Metropolitan Areas
2000 U.S. Census



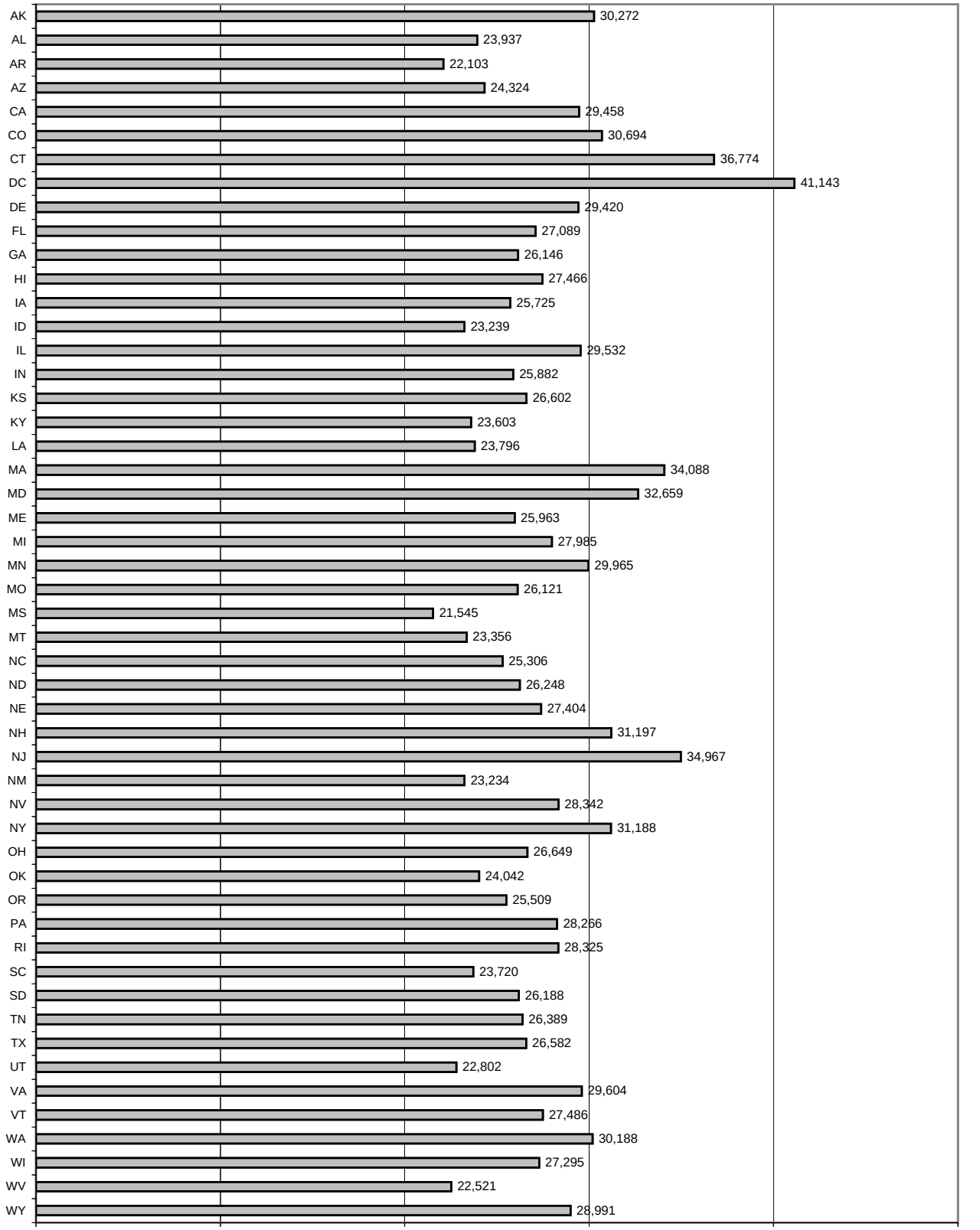
Source: U.S. Bureau of the Census Internet Site [www.census.gov]

Millions of Miles Driven per Mile of Roadway, 2003



Source: Federal Highway Administration, 2003 Highway Statistics

2003 Disposable Income per Capita



Source: Bureau of Economic Analysis [www.bea.doc.gov]

Annual Rates of Change in Consumer Price Indices, Average Expenditures and Premiums

	1999	2000	2001	2002	2003	1999-2003
Consumer Price Index - All Items*	2.68%	3.44%	1.55%	2.43%	1.87%	9.60%
CPI - Auto Insurance*	0.55%	1.84%	7.28%	9.02%	4.55%	24.53%
CPI - Total Medical Care*	3.66%	4.20%	4.71%	5.00%	3.70%	18.79%
CPI - Auto Maintenance and Repair*	2.47%	3.45%	3.56%	3.65%	2.43%	13.74%
CPI - Legal Service Fees*	5.10%	4.96%	6.49%	4.29%	5.00%	22.40%
CPI - New Vehicles*	-0.50%	0.00%	0.00%	-2.02%	-1.96%	-3.94%
CPI - Used Vehicles*	1.71%	3.35%	-1.87%	-5.53%	-11.78%	-15.48%
Average Expenditure**	-2.51%	0.61%	4.91%	7.42%	5.68%	19.82%
Combined Average Premium**	-1.89%	0.38%	4.36%	7.63%	6.04%	19.57%
Average Liability Premium**	-4.74%	-1.05%	4.47%	8.50%	6.73%	19.72%
Average Collision Premium**	1.77%	2.51%	5.81%	8.16%	5.29%	23.52%
Average Comprehensive Premium**	0.54%	0.75%	1.21%	3.80%	5.38%	11.55%

* U.S. Bureau of Labor statistics [http//www.bls.gov]
** NAIC

The Consumer Price Index (CPI) for all items measures the cost of a fixed set of consumer goods and services purchased by a set population. Similarly, the CPI for automobile insurance is an index measuring the cost of automobile insurance to consumers over time. The annual rate of change in the average premium and average expenditure will vary from the annual rate of change in the automobile insurance price index. The average premium and average expenditure are affected by changes in insurance prices as well as the choices individual consumers make as to the types and amounts of insurance purchased, whereas the insurance price index holds the amount of insurance constant to measure price changes in a uniform product.

Between 1999 and 2003, the national average expenditure for automobile insurance increased by 19.82 percent, while the CPI for all goods increased by 9.60 percent. Over the same period, the automobile insurance component of the CPI increased by 24.53 percent. The basic economic law of demand explains the difference between the

change in the CPI-Auto Insurance component and that of the measured average expenditure. As the price of insurance (as measured by the CPI) increases, the amount of insurance demanded decreases (i.e., dropping coverage or increasing deductibles), leading to a smaller increase in the average expenditure.

The national combined average premium increased 19.57 percent and average liability premiums increased 19.72 percent over the 1999-2003 period. Premiums charged for a particular coverage and annual changes in those premiums vary based on the changes in the cost of factors that impact the coverage. Bodily injury liability premiums are affected by medical costs, wage loss costs, litigation costs, etc. Property damage liability and physical damage premiums are affected by the cost of vehicles, auto repairs, auto parts, labor, motor vehicle theft rate, windstorms, hailstorms, etc.

Limitations on Comparability of Data

Comparisons of average expenditures and average premiums between states can be misleading. The average expenditure and average premium are imperfect measures of the relative "price" of insurance across states because the auto insurance product is not homogenous across states. While these data reflect the average expenditures within a state, it cannot be assumed that the data represent equal exposure and coverage across states.

Policyholder preferences: A state's average expenditure and average premium will be relatively higher if policyholders in that state tend to purchase higher coverage limits or insure more expensive cars. The type and amount of coverage purchased by an individual is influenced by various factors, both economic and non-economic. Policyholders make choices about coverages, limits and deductibles that depend on their economic situation, as well as their level of risk aversion, rural or urban driving areas, local weather and traffic conditions and other factors.

Differences in auto insurance requirements, benefit levels and exposure: Some states have tort automobile insurance laws, while others have "no-fault," "choice" or "add-on" laws. Some states do not have a compulsory auto insurance law. Minimum required limits for liability vary from state to state, as well as required policy benefits. Some states have a much higher uninsured motorist exposure than others. The average vehicle value differs from state to state. The variations emphasize that this data reflects how much consumers, on average, are spending for insurance, but do not provide information on how much insurance the consumers are purchasing for their dollars.

Demographics: Automobile premiums are higher in urban areas. Therefore, those states with a higher percentage of population in urban areas will tend to have higher average premiums. In addition, states that gain population rapidly tend to do so in urban areas. Because the population increase is usually not spread evenly over a state, the increase in average premium from year to year can fluctuate significantly.

1999-2003 State Average Expenditures and Average Premiums For Personal Automobile Insurance Technical Notes

Average Premium =
(Coverage written premiums/coverage written exposures)

Average Expenditure =
(Total all coverages written premiums/ Liability written exposures)

Combined Average Premium =
(Liability Average Premium + Collision Average Premium + Comprehensive Average Premium)

Coverages Included In Liability Written Premiums
The liability written premiums data in these tables are for the combined voluntary and residual market business and include (but are not limited to) the following coverages:

- Bodily Injury
- Uninsured or Underinsured Motorist Bodily Injury
- Uninsured/Underinsured Motorist Bodily Injury (Combined – Single Premium)
- Medical Payments
- Property Damage
- Uninsured Motorist or Underinsured Motorist Property Damage
- Uninsured/Underinsured Motorist Property Damage (Combined – Single Premium)
- Statutory Uninsured Motorist (New York only)
- Bodily Injury/Property Damage Liability – Combined Single Limit-Single Premium
- Uninsured or Underinsured Motorist Bodily Injury and Property Damage-Combined Single Limit-Single Premium
- Uninsured/Underinsured Motorist Bodily Injury and Property Damage-Combined Single Limit/Single Premium Policies
- Medical Expenses (Virginia Only)
- Package Automobile Policy – Indivisible Liability Premium
- Voluntary Uninsured/Underinsured Motorist (New York Only)
- All Other Liability Coverages – Voluntary Risks Only
- Property Protection Insurance (Michigan Only)
- Limited Property Damage Coverage (Michigan Only)
- No Fault or Personal Injury Protection

Data Source
Written premium and written exposure data were obtained from AAIS, ISO, PCI, NISS, the California Department of Insurance, the Texas Department of Insurance and the Massachusetts Commonwealth Automobile Reinsurers.

Dividends to Policyholders
The written premiums for this report do not include adjustments for dividends to policyholders. The net amount that policyholders pay for auto insurance will be affected by policyholder dividends paid in a state.

Historical Data Adjustment
Written premium and exposure data are for 2003—the most up-to-date information reported as of year-end 2004. Data for prior years were also adjusted to reflect the latest figures. Therefore, historical averages in this report may not match information published in prior editions.

Miscellaneous Vehicles Not Included In This Report

Written premium data in these tables may differ from the written premium data on Statutory Page 14 of the Annual Statement. Statutory Page 14 includes data for the following types of vehicles that are not included in this report:

- Motor Homes
- Recreational Vehicles
- Campers
- Travel Trailers
- Buggies
- All Terrain Vehicles
- Antique Autos
- Amphibious Autos
- Snowmobiles
- Golf Carts
- Motorcycles
- Scooters
- Mopeds

1999-2003 State Average Expenditures and Combined Average Premiums for Personal Automobile Insurance Additional State Information

California

The 2003 California auto insurance premium data in these tables is preliminary. The California Department of Insurance performs a rigorous set of tests on the data each year to ensure accuracy. The tests are not completed until after the publication of this report. Any adjustments to California loss data, based on these tests, will appear in the next edition of this report.

District of Columbia

The District of Columbia is entirely urban. As such, results are not directly comparable to states with large rural areas.

Illinois

To obtain more geographically specific data, contact the Illinois Department of Insurance.

Massachusetts

Data for Massachusetts reflects Safe Driver Plan credits and surcharges for 1999-2003. Massachusetts average expenditures and premiums published prior to January 1994, were not adjusted for the Safe Driver Plan and were higher than actual figures. Massachusetts's data are now provided on a comparable basis and all year-to-year comparisons should be made from this report.

New Jersey

New Jersey is predominately urban. Results are not directly comparable to states with large rural areas.

Historically, New Jersey has paid two to four times the national average in dividends to policyholders, and at times this has been as high as six times the national average, which reduces the average expenditure and combined average premium for New Jersey consumers.

Texas

The Texas Department of Insurance collects vehicle and policies in force information at the end of each calendar quarter for voluntary bodily injury liability, involuntary (residual) bodily Injury liability and collision coverages. The average number of vehicles reported for policies in force was used as a proxy for written exposures.

Comprehensive exposures were not available prior to 1994. Comprehensive exposures reported since 1994 are estimated based upon the ratio of comprehensive to collision car years for the years 1991 through 1993. That ratio is approximately 1.073. **The estimation of comprehensive car years affects combined average premium, but the estimate does not affect the calculation of the average expenditure since only liability car years are used for that calculation**.

A group of 25 insurers that write private passenger automobile insurance in Texas, called "county mutuals," are not subject to rate regulation and are not included in the data. The share of the market written by county mutuals has grown over time:

	1999-2003
1999	27.1%
2000	27.5%
2001	28.2%
2002	37.0%
2003	42.7%

Source: Texas Department of Insurance

The absence of the county mutual data, combined with the changing market share of the county mutuals over time, limits the comparability of Texas results with results in other states.

Table 5

Average Premiums and Expenditures 1999-2003

	Combined Average Premium				
STATE	2003	2002	2001	2000	1999
Alabama	792.59	756.51	733.79	718.16	704.99
Alaska	1,109.89	1,034.00	969.69	912.78	896.12
Arizona	1,054.95	991.66	914.26	876.38	876.12
Arkansas	849.61	806.27	749.19	721.84	721.14
California	949.65	878.15	800.49	766.90	771.46
Colorado	1,074.17	1,051.37	935.10	881.74	866.85
Connecticut	1,087.80	1,057.57	993.50	953.77	952.11
Delaware	1,061.88	990.91	929.84	927.30	935.93
District of Columbia	1,277.19	1,191.87	1,156.23	1,143.71	1,138.71
Florida	1,104.15	1,012.57	916.17	854.92	837.49
Georgia	920.22	883.35	848.21	810.23	805.98
Hawaii	880.73	840.00	811.12	811.15	833.73
Idaho	710.96	669.13	629.68	608.70	596.78
Illinois	845.78	801.75	747.57	725.95	713.77
Indiana	767.71	741.54	698.18	657.68	659.99
Iowa	679.28	638.56	596.44	557.67	543.43
Kansas	777.39	738.35	700.24	682.52	671.31
Kentucky	881.99	815.64	766.76	733.75	731.22
Louisiana	1,173.84	1,064.54	967.21	928.48	944.40
Maine	729.98	671.25	625.06	599.88	591.25
Maryland	978.28	910.05	853.04	828.22	830.33
Massachusetts	1,134.12	1,062.39	1,013.46	1,028.62	976.32
Michigan	1,079.56	1,011.23	871.98	841.41	836.96
Minnesota	929.33	885.84	808.63	762.84	752.56
Mississippi	853.15	820.10	784.37	770.22	763.80
Missouri	821.56	776.21	737.15	709.59	706.67
Montana	854.32	792.84	720.54	671.57	653.08
Nebraska	762.44	712.79	667.99	649.45	637.00
Nevada	1,044.33	1,011.20	965.96	937.54	938.94
New Hampshire	830.02	778.64	729.70	713.15	710.88
New Jersey	1,365.03	1,283.87	1,182.54	1,146.39	1,185.95
New Mexico	911.55	860.48	814.91	828.33	816.52
New York	1,313.28	1,240.24	1,161.27	1,093.92	1,098.15
North Carolina	716.79	697.57	667.93	670.35	666.23
North Dakota	694.81	654.17	633.78	601.31	595.93
Ohio	751.58	713.67	682.67	645.79	646.34
Oklahoma	862.38	809.04	756.21	736.17	712.82
Oregon	825.30	765.36	725.11	704.55	705.31
Pennsylvania	909.38	871.77	807.90	775.85	780.96
Rhode Island	1,156.30	1,095.57	1,027.03	972.00	977.31
South Carolina	865.51	818.03	756.20	732.53	702.50
South Dakota	727.87	694.46	648.16	618.95	617.78
Tennessee	775.43	747.67	706.80	687.09	675.51
Texas	931.71	881.74	820.24	759.45	778.01
Utah	848.16	806.18	739.19	718.03	716.30
Vermont	786.00	734.31	682.75	647.65	640.73
Virginia	751.59	712.69	688.49	650.84	634.73
Washington	923.79	879.11	836.24	803.76	784.55
West Virginia	1,000.49	918.41	841.08	815.10	813.75
Wisconsin	693.45	671.39	630.11	603.88	604.87
Wyoming	796.13	744.50	682.60	646.27	642.23
Countrywide	**939.19**	**885.66**	**822.87**	**788.50**	**785.49**