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IRC Study Shows Disparities in Rate Regulation for Personal Auto Insurance Has Negative Market Impacts

MALVERN, Pa., Nov. 20, 2024 – A new study from the [Insurance Research Council \(IRC\)](#), an affiliate of [The Institutes](#), shows that the processes to achieve approved rate filings for personal auto insurance throughout the U.S. has become more cumbersome since 2010, negatively impacting market performance.

To better understand the regulatory environment of personal auto during the timeframe studied (2010-2023), IRC reviewed common rate filing measures across all states and the District of Columbia.

Key findings from IRC's study, [Rate Regulation in Personal Auto Insurance: Comparison of State Systems](#), included:

- Approximately 10,200 rate filings each year without much variance.
- Average number of days to approve rate filings has grown by ~40%
- Number of filings withdrawn across all rate filings has grown by ~40%
- Frequency of filings receiving less rate impact than requested grew by ~10 points
- Severity of difference in that approved rate impact grew by ~2 points
- Market concentration (as measured by the Herfindahl-Hirschman Index, or HHI) has increased by ~9%
- Strong to moderate correlation between net underwriting losses and premium shortfalls within states and across time
- Filing process measures and market outcomes vary by regulatory systems.

IRC's analysis noted that from 2010 through 2023, direct written premium for personal auto insurance nearly doubled, increasing 93% from \$164 billion to \$317 billion with the highest year-over-year change in 2023 of 14.3%. The only decline occurred in 2020, a drop of 1.5% due to decreasing traffic volume trends from the COVID-19 pandemic quarantine. Yet despite additional premiums, insurance companies experienced an underwriting loss in 11 of those 14 years, with net combined ratio for personal auto exceeding 100 (the break-even point for insurance underwriting).

"There are many factors which can create unexpected underwriting results for personal auto insurance such as weather trends, increasing inflation, and changes in driving behavior. To combat these factors, insurance carriers file necessary rate changes through the different state regulatory environments," said Dale Porfilio, FCAS, MAAA, president of IRC and chief insurance officer at the [Insurance Information Institute \(Triple-I\)](#).

"Ultimately, these protracted processes are causing more disparity from timely and necessary rate increases by insurance carriers to achieve adequate rate and helping push the industry toward a less competitive landscape," added Porfilio.

About Insurance Research Council

The [Insurance Research Council \(IRC\)](#), an affiliate of [The Institutes](#), is an independent, nonprofit research organization supported by leading property and casualty insurance companies and associations. IRC provides timely and reliable research to all parties involved in

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