Insurance Research Council

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Contact: David Corum, CPCU
Phone: (484) 831-9046
E-mail: corum@TheInstitutes.org

New Study Documents Long-Term Benefits of Rate Regulatory Reforms in Automobile Insurance Markets

MALVERN, Pa.— A new study from the Insurance Research Council (IRC) provides clear evidence of the long-term positive effects of rate regulatory reform in automobile insurance markets. By examining insurance markets in three states before and after adopting regulatory reforms, the study documents the benefits to consumers and industry of insurance rate regulation modernization.

For the study, the automobile insurance markets of South Carolina (reformed in 1999), New Jersey (reformed in 2004), and Massachusetts (reformed in 2008) were examined. Prior to the enactment of regulatory reforms, each state followed a strict approach to regulating automobile insurance rates and experienced severe stress in their automobile insurance markets. The study shows that in each state, following the adoption of regulatory reforms:

- Insurance premium expenditures declined relative to previous trends or projections
- Insurance availability increased or was maintained at previous levels as insurers were encouraged to write more business and enter markets for the first time
- Insurer underwriting results were maintained or improved to be consistent with regional or national averages
- Underlying claims rates decreased or remained at pre-reform levels

The study, *The Long-Term Effects of Rate Regulatory Reforms in Automobile Insurance Markets*, was authored by Sharon Tennyson, associate professor in the Department of Policy Analysis and Management at Cornell University, and was commissioned by the IRC.

“The results of this study show that regulatory reforms have led to a number of positive developments without leading to increases in insurance prices or reductions in availability or service quality," said Elizabeth A. Sprinkel, senior vice president of the IRC. “The favorable performance of the more market-based rate-setting introduced in these states provides strong support for the idea that strict government oversight of automobile insurance rate-setting is unnecessary, and may even be detrimental to markets and consumers.”

For more detailed information on the study, contact David Corum at (484) 831-9046, or by e-mail at irc@TheInstitutes.org. Copies of the study are available for $125 for an electronic version or $140 for a printed copy. Visit IRC’s Web site, www.insurance-research.org, for more information.

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