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# policy report

Office of the New York City Comptroller  
Office of Policy Management

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Comptroller**

## Highway Robbery: The High Cost of Automobile Insurance in New York



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# policy report

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## Executive Summary

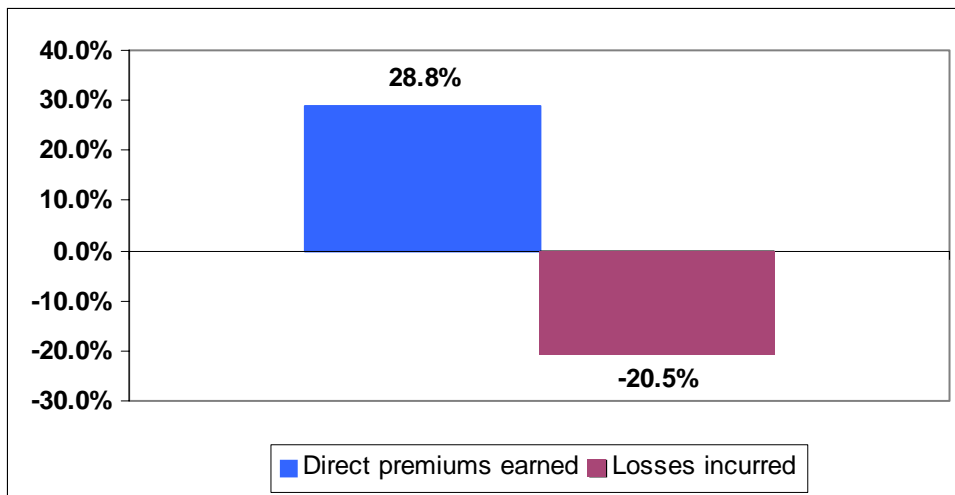
Since 2001, New York's status as one of the most expensive states to insure an automobile has been reinforced by statewide premium increases that were substantially greater than the inflation rate and exceeded 40 percent in much of New York City for some major insurers.

An analysis of automobile insurance industry financial data by the Office of the New York City Comptroller determined that these increases were excessive relative to national averages and in relation to other states and led to unprecedented auto insurer profitability within New York State. Overall premiums should be reduced by at least 15 percent on average—at least \$1.5 billion statewide—to bring rates back to historical balance.

### *Key findings on automobile insurer profitability:*

- **From 2000 to 2005, automobile insurance premiums in New York increased nearly 29 percent, to \$10.5 billion. At the same time, losses (claims payouts) decreased more than 20 percent, to \$5.1 billion.** Chart 1 illustrates this divergence.

Chart 1. Direct Premiums Earned vs. Losses Incurred, New York State (2000–2005).



Source for premiums and loss ratios used to calculate percentages: National Association of Insurance Commissioners (NAIC).

In contrast, premiums increased 33.8 percent nationally, moderately faster than New York, yet losses nationally actually *increased* 12.9 percent. Looking further back, from 1990 to 2005, premiums increased nationally at a rate 1.6 times as fast as losses. In New York during this period, premiums increased at a rate 4.6 times as fast as losses. Nationally, the property and casualty insurance industry, which includes automobile insurers, is expected to report record net income of \$60 billion in 2006, up from a near record \$43 billion in 2005; New York drivers are contributing disproportionately to this success.

- **The amount by which premiums exceeded losses in New York reached \$5.4 billion in both 2004 and 2005, by far the largest such gap since at least 1990.** From 1990 to 2002, the amount by which premiums exceeded losses ranged only from approximately \$1.4 billion to \$3.2 billion.

- **Rising premiums and decreasing losses led the private passenger automobile insurance loss ratio—the portion of each premium dollar that goes to pay claims—to plummet to an extraordinarily low 50 percent in 2000 and, notwithstanding small premium reductions, to only 48.4 percent in 2005.** These were the lowest loss ratios in the nation. In fact, only seven times between 1990 and 2004 was the loss ratio less than 50 percent in *any* state. Historically, automobile insurer loss ratios have ranged between 60 percent and 75 percent.
- **Return on net worth was an extraordinary 18.6 percent in 2004.** Return on net worth is the main indicator of insurer profitability reported by the National Association of Insurance Commissioners (NAIC). In 2004 (the latest year available), return on net worth for private passenger automobile insurance was 18.6 percent, the highest New York return since at least 1990 and well above the 13.2 percent nationwide return. In fact, the New York return in 2004 substantially exceeded the nationwide return in any year between 1990 and 2004.

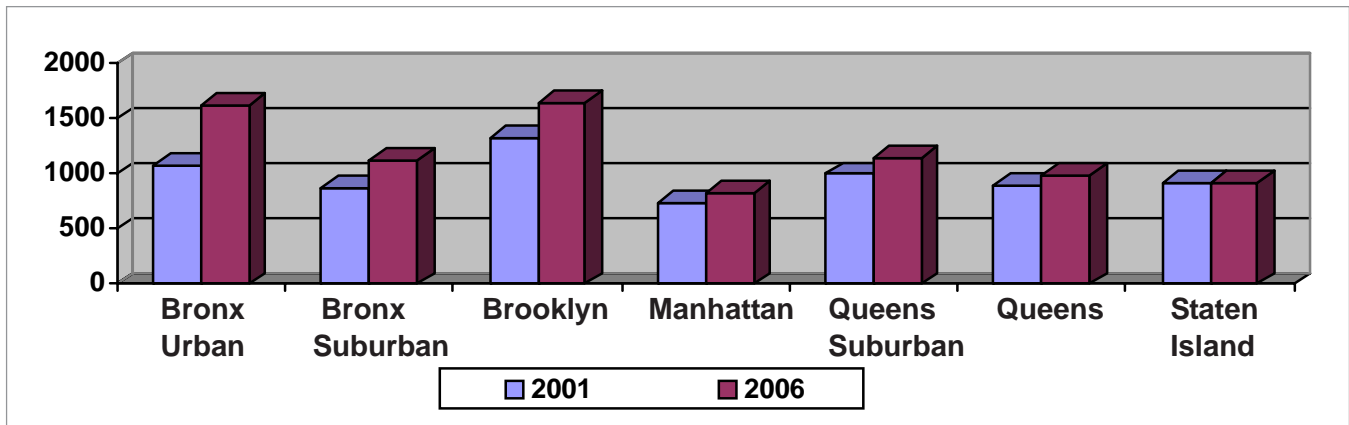
Underwriting profit in 2004 also was unusually high. Underwriting profit (or loss) is the amount left after losses, expenses and dividends are subtracted from premiums. Typically, automobile insurers have an underwriting loss but still realize a profit due to investment income. Yet the underwriting profit for private passenger automobile insurance in New York during 2004 was 13.2 percent of earned premiums, double the highest previous New York underwriting profit and more than double the highest national underwriting profit in the 1990-2004 period.

- **A \$1.5 billion annual reduction in premiums would restore to historical levels the gap between premiums and losses.** This figure takes into account any conceivable increase in losses and inflation, and the phase-in of rate reductions approved by the Insurance Department in 2005 and the first half of 2006.

*Key findings on increases in insurance premiums:*

- **Rates for the entire New York State automobile insurance market increased an average of 8.1 percent in 2001, 8.4 percent in 2002, and 5 percent in 2003 substantially exceeding the rate of inflation.**
- **However, in most of New York City and for most major insurers, the increases since 2001 were much greater than the rest of New York State.** Table 4 (page 10) shows changes in representative premiums published in the Insurance Department's *Consumers Guide to Automobile Insurance* for the State's largest insurers and the assigned risk plan in 16 insurance rating territories around the State. (The Insurance Services Office, Inc., an insurance rating service, defines rating territories as shown in the maps in Appendix D.) Premium increases in the Bronx and Brooklyn were especially large, exceeding 40 percent for some major insurers from 2001 to 2006.
- **Despite modest premium reductions by most insurers in 2005 and 2006, since 2001 automobile insurance has become much less affordable for moderate-income drivers, especially in Brooklyn and the Bronx.** Chart 2 shows that in 2006, the average of the representative premiums for the State's four largest insurers for minimal, required coverage for a 35-year-old male exceeded \$1,500 in Bronx Urban (southern) and Brooklyn. In Bronx Urban, this amount increased 51.2 percent and in Brooklyn it went up 24.5 percent. (Allstate's 2005 premiums were used because Allstate has begun to write new policies with a different affiliate than was shown in the 2005 *Consumers Guide*.)

Chart 2. Representative premium, average of four largest New York State insurers, required automobile insurance coverage, 35-year-old male. (2005 instead of 2006 for Allstate. See Table 1 note, page 6).



Source: NYS Dept. of Insurance, *Consumers Guide to Automobile Insurance*

As shown in Table 2 below, when optional coverage is purchased, including collision and comprehensive (theft), and the coverage limit for bodily injury and property damage is increased to \$100,000/\$300,000, a 35-year-old male in Brooklyn with a good driving record would pay more than \$3,000 a year and more than \$9,000 a year in the Assigned Risk Plan.

## I. The High Cost of Automobile Insurance in New York

### A. Automobile insurance is particularly costly in New York City.

Automobile insurance premiums in New York State and in particular, New York City, have increased sharply and remain extraordinarily high compared to historical averages.

Every automobile insurer in New York State must annually submit to the Insurance Department what it considers to be a typical or “representative”<sup>1</sup> premium in each of the 70 Insurance Services Office insurance rating territories in the State.<sup>2</sup> Premiums for four representative policyholders<sup>3</sup> in 27 rating territories are then published in the Price Comparison Tables included in the Department’s annual *Consumers Guide to Automobile Insurance*.<sup>4</sup> Representative premiums for a 35-year-old male<sup>5</sup> for the minimum, required liability coverage as of July 1, 2006 by the largest insurers in the State and the New York Automobile Insurance Plan (the “Assigned Risk” plan<sup>6</sup>) in 11 sample rating territories are shown in Table 1.<sup>7</sup> In Brooklyn and especially in the Urban Bronx<sup>8</sup> rating territories, premiums approach or exceed \$2,000, while Upstate premiums tend to be a small fraction of New York City premiums. (See Appendix D for an illustration of rating territories.)

**Table 1. Representative annual premium in dollars for required coverage. 35-year-old male. 2006, except 2005 for Allstate.**

	Allstate Insurance*	GEICO	State Farm Mutual	Progressive NE	Assigned Risk
<i>Downstate</i>					
<b>Bronx Urban</b>	1,925	1,200	2,264	1,143	2,453
<b>Bronx Suburban</b>	1,359	822	1,316	966	2,237
<b>Brooklyn</b>	1,801	1,290	1,998	1,539	4,093
<b>Manhattan</b>	943	672	864	864	2,332
<b>Queens Suburban</b>	1,211	769	1,521	1,126	2,944
<b>Queens</b>	1,053	795	1,114	1,017	2,133
<b>Staten Island</b>	871	764	1,076	933	1,935
<b>Suffolk West</b>	799	651	882	667	1,649
<i>Upstate</i>					
<b>Clinton County</b>	303	296	385	264	523
<b>Rochester Suburban</b>	205	415	407	300	835
<b>Utica</b>	509	514	463	414	1,128

\*Percentage changes for Allstate are to 2005. The 2006 representative premiums for Allstate are not comparable to other insurers because in 2006, the *Consumers Guide* substituted the entity Allstate Property & Casualty Insurance Company for the entity Allstate Insurance Company, reflecting the decision by Allstate to write new business with Allstate Property & Casualty instead of Allstate Insurance Company. In some territories, representative mandatory coverage premiums for Allstate Property & Casualty for 2006 are less than half the representative premiums for Allstate Insurance Company in 2005.

As shown in Table 2, the total premium for adding comprehensive and collision coverage, raising bodily injury liability limits to \$100,000 per person/\$300,000 per occurrence,<sup>10</sup> purchasing Supplementary Uninsured Motorist, collision, and comprehensive coverage and for Property Damage limits of \$60,000 exceeded \$3,000 for some insurers in some rating territories.

Table 2. Representative annual premium in dollars, minimum required coverage plus bodily injury limits of \$100,000/\$300,000, purchase of Supplementary Uninsured Motorist coverage, comprehensive and collision coverage, and property damage liability coverage of \$60,000. 35-year-old male, 2006, except 2005 for Allstate.

	Allstate Insurance*	GEICO	State Farm Mutual	Progressive NE	Assigned Risk
<i>Downstate</i>					
Bronx Urban	4,078	2,808	4,105	2,539	5,787
Bronx Suburban	2,662	2,079	2,581	2,132	5,462
Brooklyn	3,280	3,090	3,436	3,130	9,604
Manhattan	1,896	1,601	1,785	1,861	5,131
Queens Suburban	2,390	1,976	3,080	2,326	6,803
Queens	2,127	2,066	2,301	2,276	5,984
Staten Island	1,864	1,907	2,144	1,993	5,593
Suffolk West	1,533	1,481	1,864	1,365	3,945
<i>Upstate</i>					
Clinton County	790	1,157	1,046	744	2,037
Rochester Suburban	702	1,134	1,029	743	2,289
Utica	1,078	1,313	1,091	955	3,219

\*Percentage changes for Allstate are to 2005. The 2006 representative premiums for Allstate are not comparable to other insurers because in 2006, the *Consumers Guide* substituted the entity Allstate Property & Casualty Insurance Company for the entity Allstate Insurance Company, reflecting the decision by Allstate to write new business with Allstate Property & Casualty instead of Allstate Insurance Company. In some territories, representative mandatory coverage premiums for Allstate Property & Casualty for 2006 are less than half the representative premiums for Allstate Insurance Company in 2005.

Appendix B shows representative premiums in 2006 for a 20-year-old unmarried male for a) required coverage and for b) required coverage plus increased bodily injury limits to \$100,000/\$300,000, purchase of Supplementary Uninsured Motorist coverage, and property damage liability of \$60,000.

**B. Statewide rate increases from 2001 to 2003 significantly exceeded the inflation rate.**

**1. Statewide annual rates surged from 2001 to 2003.**

Table 3 shows the annual percentage rate change for private passenger automobile liability coverage, physical coverage, and for coverage combined from 1996 to 2005 for insurers who changed rates in those years.<sup>13</sup> Rates are the cost of unit of insurance, typically per \$1,000, as opposed to premiums, which are the actual prices charged for coverage and which are affected by individual policyholder characteristics ranging from driving record to credit score. Liability coverage includes no-fault (Personal Injury Protection) and bodily injury and property damage coverage. Physical coverage includes comprehensive and collision insurance; comprehensive insurance primarily covers vehicle theft and vandalism. From 2000 to 2003, insurance rate increases exceeded increases in the New York-area Consumer Price Index, rising at *more than several times the CPI* increase in 2001, 2002, and 2003.<sup>14</sup>



Table 3. Average percentage rate change in New York State for automobile insurers that changed rates, 1996-2005.

	Liability	Physical	Liability and physical combined	Annual percentage increase, CPI, New York-area	% of total industry premium affected, combined	Impact on the entire market of combined rate change
2005	-3.9	-8.6	-5.3	3.9	62.8	-3.3
2004	+0.2	-9.1	-2.7	3.5	62.4	-1.7
2003	+14.6	-2.2	+9.6	3.1	52.5	+5.0
2002	+15.2	-0.9	+9.3	2.6	87.6	+8.4
2001	+17.2	-2.4	+10.5	2.5	77.5	+8.1
2000	+9.0	-6.2	+4.1	3.1	69.9	+2.9
1999	+2.7	-7.2	-0.5	2.0	76.2	-0.3
1998	-2.6	-7.6	-3.6	1.6	57.4	-1.5
1997	+5.8	-6.9	-0.6	2.3	68.6	-0.4
1996	+8.5	-5.0	+3.2	2.9	37.9	+1.2

Rate source: *Annual Reports of the New York State Department of Insurance to the New York State Legislature, Private Passenger Automobile Rate Filings Reviewed*. CPI source: *U.S. Department of Labor, Bureau of Labor Statistics*.

Rates for physical coverage declined in all years shown in Table 3, reflecting a sharp reduction in automobile thefts.<sup>15</sup> Table 3 also illustrates how the large increases in combined liability-physical rates in 2001, 2002 and 2003 were driven by liability rate increases that neared or exceeded 15 percent annually during these three years.

The 2000 to 2003 rate increases solidified New York’s standing as one of the most expensive states for auto insurance:

- The Insurance Information Institute (III) reports that in both 2002 and 2003, New York State had the second highest average automobile insurance expenditure in the nation, \$1,087.38 in 2002 and \$1,160.80 in 2003.<sup>16</sup> The amount in 2003 was 29 percent higher than the national average. New York had the third highest average expenditure from 1998 to 2001. In 1989, the average auto insurance customer in New York spent \$665.07 on insurance, eighth most in the nation.
- In 2004 and 2005, the annual *Auto Insurance Pricing Report* issued by Insurance.com found that in both years New York drivers were quoted the highest premiums in the nation.<sup>17</sup> Insurance.com explains that its *Auto Insurance Pricing Report* is derived from “actual auto insurance quotes received from over a dozen of the nation’s leading auto insurance companies who participate on Insurance.com’s comparative auto insurance platform,” and the quote information for 2005 was collected from more than seven million insurance quotes.

**2. The cost of required coverage has soared for many New York City drivers.**

Table 4 shows the percentage changes<sup>18</sup> in representative premiums in selected rating territories<sup>19</sup> for required insurance<sup>20</sup> for a 35-year-old male from 1996 to 2006 and from 2001 to 2006 as published by the New York State Department of Insurance in its annual *Consumers Guide to Automobile Insurance* for New York State’s five largest insurers and the Assigned Risk Plan.<sup>21</sup> Only insurers that were reported in the *Consumers Guide* in 1996, 2001 and 2006 are shown.<sup>22</sup> These percentages take into account premium reductions implemented by July 1, 2006.<sup>23</sup> From 1996 to 2006, premiums charged by several of the largest insurers soared in much of New York City. Premiums in certain suburban and Upstate locations also increased dramatically, although in most Upstate locations the increases, if any, were much smaller than they were in New York City.



**2001-2006.** State Farm Mutual, Liberty Mutual and Assigned Risk plan representative premiums increased at rates for many areas well in excess of the 13.6 percent increase in the 2001-2006 Consumer Price Index (first half). Increases by State Farm Mutual were particularly large in the Bronx (120 percent Bronx Urban, 36.2 percent Bronx Suburban), Brooklyn (48.9 percent) Queens Suburban (31.9 percent), Buffalo-Lackawanna (50.7 percent), Suburban Rochester (39.9 percent) and Suburban Buffalo (60.3 percent). The largest Liberty Mutual increases were in New York City, ranging from 45.9 percent in Queens Urban to 52.7 percent in Queens Suburban as well as in Hempstead (46.0 percent) and Mt. Vernon-Yonkers (45.6 percent). The largest Assigned Risk Plan increases were in New York City, ranging from 20.0 percent in Staten Island to 61.9 percent in Bronx Urban and 54.7 percent in adjacent Mt. Vernon-Yonkers.

For the 2001-2005 period, the largest Allstate Insurance Company increases were in the Bronx (87.6 percent Bronx Urban, 74.2 percent Bronx Suburban), Brooklyn (54.2 percent), Manhattan (48.3 percent) and Queens (32.8 percent Queens Suburban, 37.1 percent Queens).

**1996-2006.** The four largest State Farm Mutual increases in Table 4 were in the Bronx Urban (179.2 percent), Buffalo-Lackawanna (98.6 percent), Brooklyn (89.2 percent) and Bronx Suburban (76.6 percent). The four largest Liberty Mutual increases were in Bronx Suburban (69.2 percent), Bronx Urban (67.8 percent), Brooklyn (65.8 percent) and Queens Suburban (54.2 percent). By far, the largest Assigned Risk Plan increases occurred in the Bronx, Brooklyn, Queens and Manhattan, exceeding 95 percent in all of these areas. From 1996 to 2005, Allstate representative premiums increased by at least 40 percent in Brooklyn (67.5 percent), Bronx Urban (99.5 percent), Bronx Suburban (85.9 percent), Manhattan (46.2 percent) Queens (40.2 percent), and Mt. Vernon-Yonkers (40.7 percent), but declined in most of the Upstate territories shown.

The largest GEICO premium increases were 41.6 percent in Suburban Rochester, 29.7 percent in Brooklyn, 24.9 percent in Bronx Urban, and 22.2 percent in Utica. There were substantial decreases in some Upstate territories, most notably Elmira (-30.3 percent) and Suburban Buffalo (-17.0 percent).

**Table 4. Percent change in representative private passenger auto insurance premiums in selected rating territories for the largest New York State automobile insurance companies and the Assigned Risk Plan. 35-year-old male, required coverage.<sup>24</sup>**

	Allstate*	GEICO	State Farm	Liberty** Mutual	Progressive	Assigned Risk
<i>Top number, 1996-2006*. Bottom number, 2001-2006*</i>						
<b>New York City</b>						
<b>Brooklyn</b>	67.5 54.2	29.7 0.8	89.2 48.0	65.8 52.2	Na 1.0	163.1 53.6
<b>Bronx Urban</b>	99.5 87.6	24.9 6.6	179.2 120.0	67.6 48.8	Na 0.4	100.7 61.9
<b>Bronx Suburban</b>	85.9 74.2	2.2 -4.3	76.6 36.2	69.2 49.6	Na 3.7	95.7 44.5
<b>Manhattan</b>	46.2 48.3	-4.8 -4.3	47.2 25.2	45.8 48.7	Na -4.7	102.6 48.3
<b>Queens Suburban</b>	30.6 32.8	-0.5 -6.4	65.0 31.9	54.4 52.7	Na 1.3	135.5 47.4
<b>Queens</b>	40.2 37.1	8.2 -5.6	24.6 16.0	48.1 45.9	Na 2.5	105.7 32.6
<b>Staten Island</b>	4.1 -0.3	6.8 -2.0	17.7 2.2	47.6 47.1	Na -3.7	57.4 20.0
<b>NYC Suburbs</b>						
<b>Suffolk West <sup>25</sup></b>	-1.0 0.00	-3.6 1.6	17.6 2.9	48.3 41.2	Na -6.3	51.8 15.6
<b>Mt. Vernon-Yonkers</b>	40.7 29.4	0 -1.0	49.5 30.3	53.1 45.6	Na 33.1	73.1 54.7
<b>Hempstead</b>	18.1 22.7	3.6 -1.5	35.7 21.5	41.0 46.0	Na -6.0	74.6 28.7
<b>Upstate</b>						
<b>Utica</b>	-0.6 -9.4	22.4 36.7	31.9 12.6	32.6 33.2	Na 8.3	28.2 12.2
<b>Clinton County</b>	-14.9 -9.3	-12.2 3.8	27.1 19.0	25.7 34.4	Na -1.8	-32.2 1.5
<b>Buffalo-Lackawanna</b>	1.5 -4.5	-10.2 0.7	98.6 50.7	41.9 38.8	Na 1.4	32.8 14.2
<b>Rochester Suburban</b>	-5.0 1.1	41.6 52.0	74.7 39.9	30.5 25.5	Na 3.8	39.4 13.4
<b>Buffalo Suburban</b>	-1.3 -4.8	-17.0 2.4	92.9 60.3	36.0 35.2	Na 9.8	15.2 3.3
<b>Elmira</b>	-39.9 2.5	-30.3 6.2	-7.8 27.4	-11.6 33.4	Na 2.2	30.4 6.2

\*Percentage changes for Allstate are to 2005. The 2006 representative premiums for Allstate are not comparable to other insurers because in 2006, the *Consumers Guide* substituted the entity Allstate Property & Casualty Insurance Company for the entity Allstate Insurance Company, reflecting the decision by Allstate to write new business with Allstate Property & Casualty instead of Allstate Insurance Company. In some territories, representative mandatory coverage premiums for Allstate Property & Casualty for 2006 are less than half the representative premiums for Allstate Insurance Company in 2005.

\*\*In all years shown, Liberty Mutual wrote single limits of coverage at a \$60,000 minimum level. This means a policyholder is not limited to \$25,000 per person or \$10,000 for property damage (the minimum limits set by law). Rather, an aggregate limit of \$60,000 will cover claims resulting from bodily injuries to one or more persons and/or claims for property damage. Rates reflect the higher level of coverage.

Appendix A provides the representative premiums for the rating territories shown in Table 4. Premiums are shown for the largest insurance companies in terms of market share and for the New York Automobile Insurance Plan (the assigned risk plan) for 1996, 1999, and for each year from 1999 to 2006.

Appendix A also shows that in 2005 and 2006, representative premiums declined slightly from the year before for most insurers in most territories shown, reflecting the rate reductions shown in Table 3.

## II. Automobile Insurance Industry Profitability in New York

An insurer's profitability is based on its premiums, losses, expenses, and investment income. In the last three years, the automobile insurance industry has become very profitable in New York, largely because premiums continued to climb even as losses moderated and declined. The result has been plummeting loss ratios and historically very high profitability.

### A. Loss ratios have declined for automobile insurers

#### 1. The total loss ratio declined 29.9 percentage points since 2000. By 2005, premiums exceeded losses by over \$5.4 billion.

According to the National Association of Insurance Commissioners, in 2005 New York auto insurers reported total incurred losses<sup>26</sup> (for liability and physical coverage combined) of 48.4 percent of total direct premiums earned. In other words, 48.4 cents was paid out to policyholders for each premium dollar earned.<sup>27</sup> The 2005 total loss ratio was 29.9 percentage points below its 15-year peak of 78.3 percent in 2000. Table 5 presents loss ratios by year and coverage type for New York and the U.S. from 1990 to 2005.

**Table 5. Loss ratios (incurred losses as a percent of direct premiums earned) for private passenger automobile insurance, 1990-2005, total, liability, and physical damage coverage.**

	Total (liability and physical)			Liability			Physical Damage		
	New York	United States	NY vs. US	New York	United States	NY vs. US	New York	United States	NY vs. US
2005	48.4	60.2	-11.8	47.6	62.1	-14.5	50.1	57.0	-6.9
2004	50.0	58.6	-8.6	51.4	62.5	-11.1	46.8	53.1	-6.3
2003	56.3	62.8	-6.2	58.6	66.4	-7.8	51.4	58.0	-6.6
2002	71.4	67.5	+3.9	79.4	72.1	+7.3	54.9	61.3	-6.4
2001	74.1	72.7	+1.4	82.5	76.6	+5.9	57.5	67.4	-9.9
2000	78.3	71.3	+7.0	89.1	74.3	+15.0	57.6	67.3	-9.7
1999	67.5	65.9	+1.6	74.4	67.6	+6.8	53.9	63.4	-9.5
1998	63.8	63.1	+0.7	69.4	62.7	+6.7	52.6	63.7	-11.1
1997	60.2	62.9	-2.7	63.5	62.2	+1.3	53.2	64.1	-10.9
1996	60.5	66.6	-6.1	62.3	64.9	-2.6	56.4	69.7	-13.3
1995	64.2	67.2	-3.0	69.6	68.0	+1.6	53.5	65.8	-9.8
1994	67.5	67.7	-0.2	73.4	71.1	+2.3	56.0	61.6	-5.6
1993	71.7	66.4	+5.3	81.6	71.5	+10.1	53.5	57.4	-3.9
1992	71.9	66.6	+5.3	82.8	72.6	+10.3	53.6	56.2	-2.3
1991	72.4	68.8	+3.6	85.7	76.4	+9.3	52.3	56.3	-4.0
1990	75.4	74.2	+1.2	84.4	81.8	+2.6	62.5	62.3	+0.2

Source: National Association of Insurance Commissioners Annual Profitability Reports

To calculate the dollar value of incurred losses annually for each year in Table 5, direct premiums earned were multiplied by the loss ratio. The results are in Table 6. From 2000 to 2005, incurred losses declined from \$6.406 billion to \$5.094 billion. At the same time, premiums increased from \$8.181 billion to \$10.534 billion. From 2003 to 2005, premiums exceeded losses by an average of \$5.123 billion. The 2003, 2004 and 2005 gaps were extremely large by historical standards; as Table 6 illustrates, from 1990 to 2002, the amount by which premiums exceeded losses ranged only from approximately \$1.4 billion to approximately \$3.2 billion.

**Table 6. Private passenger direct premiums earned and incurred losses, 1990-2005, all coverages, New York State. Billions of dollars.**

	Direct earned premiums	Direct earned premiums, % change from year before	Losses incurred	Incurred losses, % change from year before	Difference between premiums earned and losses incurred
2005	10.534	-2.03	5.094	-5.24	5.440
2004	10.752	+3.16	5.376	-8.38	5.376
2003	10.423	+8.38	5.868	-14.53	4.554
2002	9.617	+9.54	6.866	+5.55	2.751
2001	8.779	+7.31	6.505	+1.54	2.274
2000	8.181	+0.55	6.406	+16.64	1.775
1999	8.136	0.00	5.492	+5.82	2.644
1998	8.135	+1.59	5.190	+7.67	2.945
1997	8.007	+1.47	4.820	+0.96	3.187
1996	7.891	+7.03	4.774	+4.78	3.117
1995	7.373	+4.71	4.556	-4.14	2.817
1994	7.041	+4.62	4.753	-1.49	2.288
1993	6.730	+4.47	4.825	+4.17	1.905
1992	6.442	+6.51	4.632	+5.80	1.810
1991	6.048	+5.86	4.378	+1.64	1.670
1990	5.713	—	4.307	—	1.406

\*Source of earned premiums and ratios used in calculations: National Association of Insurance Commissioners.

Table 7 shows how from 2000 to 2005, the nation’s experience was markedly different from New York’s. From 2000 to 2005, earned premiums rose 33.8 percent nationally, moderately faster than the 28.8 percent increase in New York, but losses nationwide *increased* 12.9 percent, as opposed to a 20.5 percent *decline* in New York’s losses. Looking further back, from 1990 to 2005 premiums increased at a rate 1.6 times as fast as losses nationally. In contrast, in New York during this period, premiums increased at a rate 4.6 times as fast as losses. (105.6 percent versus 66.9 percent nationwide, 84.4 percent versus 18.3 percent New York.)

**Table 7. Private passenger direct premiums earned and incurred losses, 1990-2005, liability and physical combined, New York and the nation. Billions of dollars.**

	Earned premiums, NY	Earned premiums, nationwide	Losses incurred, NY	Losses incurred, nationwide
2005	10.534	161.412	5.094	97.062
2004	10.752	159.709	5.376	93.589
2003	10.423	152.569	5.868	95.813
2002	9.617	140.279	6.866	94.688
2001	8.779	128.576	6.505	93.470
2000	8.181	120.587	6.406	85.978
1999	8.136	117.764	5.492	77.606
1998	8.135	116.248	5.190	73.352
1997	8.007	113.131	4.820	71.159
1996	7.891	107.550	4.774	71.628
1995	7.373	102.482	4.556	68.832
1994	7.041	97.296	4.753	65.869
1993	6.730	92.199	4.825	61.220
1992	6.442	87.562	4.632	58.316
1991	6.048	82.484	4.378	56.749
1990	5.713	78.366	4.307	58.147

Source of earned premiums and ratios used to calculate dollar amounts: National Association of Insurance Commissioners.

Table 7 illustrates how earned premiums barely increased in New York from 1997 to 2000, rising only \$174 million, or 2.2 percent during this period. At the same time, losses surged \$1.6 billion, or 32.9 percent. However, this period of rapid growth in losses and slow premium expansion was temporary and was not the norm for the 1990 to 2005 period. From 1993 to 1996, premiums grew 17.2 percent and losses *declined* 1.0 percent. And, from 2001 to 2004, premiums grew 22.5 percent and losses *declined* 17.4 percent.

## **2. Physical coverage loss ratios also declined.**

In 2004, New York's physical coverage loss ratio fell to its lowest level, 46.8 percent since at least 1991. Since 1991, New York's physical coverage loss ratio has been lower than the national ratio—in some years, more than 10 percentage points lower. Traditionally, the Insurance Department has approved higher than otherwise indicated physical premiums, which has resulted in physical loss ratios much lower than for liability coverage. This helped offset high liability losses and kept overall premium increases lower than they would have been. In 2004 and 2005, however, both physical *and* liability loss ratios in New York were extremely low, resulting in the very low loss ratios for liability and physical combined. Indeed, by 2005, the liability loss ratio was lower than the physical loss ratio for the first time since at least 1990.

### ***B. Automobile insurance company profitability has surged***

Declining loss ratios have resulted in higher profits. The main profitability indicators reported by the NAIC have registered sharp increases since 2003.

#### **1. Underwriting profit was more than twice the national level.**

Underwriting profit or loss consists of earned premiums less incurred losses and the expenses shown in the table in Appendix C (loss adjustment expenses, general and selling expense, taxes and fees and policyholder dividends). In most years, nationwide and in New York, insurers experience an underwriting loss, meaning that losses plus expenses exceed premiums. The industry is nevertheless able to earn a profit through investment income.

Table 8 shows that from 1990 to 2004 (most recent data available), insurance companies experienced an underwriting profit in New York for five years, and in the nation as a whole, for three years. The 13.2 percent New York underwriting profit in 2004 far surpassed any underwriting profit since at least 1990 in both New York and the nation as a whole, as shown in Table 8. Because losses in 2005 declined more than premiums, it is likely that insurance company underwriting profits were even greater in 2005 than in 2004. (Appendix C shows that expenses and policyholder dividends historically have remained stable: between 35 percent and 40 percent of earned premiums.)

Table 8. Underwriting profit (loss), private passenger auto, 1994-2004, as a percent of direct premiums earned.

	All coverages		Liability		Physical	
	New York	United States	New York	United States	New York	United States
2004	13.2	6.0	9.2	0.4	21.9	14.0
2003	4.5	1.0	(1.0)	(4.5)	16.4	8.6
2002	(9.9)	(3.5)	(21.1)	(10.2)	13.0	5.6
2001	(13.7)	(9.2)	(25.9)	(14.9)	10.4	(1.4)
2000	(21.1)	(11.6)	(35.9)	(16.6)	7.1	(4.9)
1999	(6.9)	(3.2)	(17.3)	(6.8)	13.6	2.1
1998	(2.4)	(1.5)	(10.8)	(3.0)	14.7	0.8
1997	3.7	0.9	(1.6)	0.5	14.8	1.7
1996	5.6	(0.3)	1.8	0.4	13.7	(1.4)
1995	1.2	(0.9)	(6.0)	(2.6)	15.7	2.3
1994	(1.7)	(0.7)	(9.2)	(5.1)	13.1	7.3
1993	(8.5)	(0.3)	(21.1)	(7.0)	17.0	11.4
1992	(7.8)	(1.2)	(21.6)	(8.9)	15.3	12.2
1991	(8.4)	(4.4)	(24.8)	(14.0)	16.3	11.5
1990	(10.7)	(9.5)	(22.2)	(19.4)	5.9	6.0

Source: National Association of Insurance Commissioners

Table 9 shows the dollar amount of underwriting profit or loss in New York from 1990 to 2004. In 2004, underwriting profit came to \$1.4 billion, far in excess of the next highest year, \$468 million in 2003. Table 11 additionally compares underwriting profit or loss and return on net worth. Even in years when the return on net worth was comparatively high, such as 1996 and 1997, underwriting profits were much lower than the \$1.4 billion posted in 2004 and the percentage of earned premium was well under half the percentage in 2004.

Table 9. Underwriting profit (loss) in hundreds of millions of dollars, and return on net worth, private passenger automobile insurance, New York State, all coverages. Millions of dollars.

	Underwriting profit (loss)	Return on net worth %
2004	1,419	18.6
2003	468	12.9
2002	(952)	0.5
2001	(1,203)	1.0
2000	(1,726)	(1.1)
1999	(561)	6.2
1998	(195)	9.8
1997	296	13.9
1996	441	16.2
1995	88	13.5
1994	(120)	10.7
1993	(572)	7.3
1992	(502)	8.6
1991	(508)	7.5
1990	(611)	5.0

Source of ratios used to calculate underwriting profit or loss and source of return on net worth: National Association of Insurance Commissioners.

## 2. Insurance company transaction profit and return on net worth were unusually high during 2004.

Profit on insurance transactions consists of insurers' underwriting profit plus investment gain on insurance transactions minus estimated related Federal income taxes. In effect, it measures investment gain that results because premiums are paid upfront but insurance protection is delivered over an entire year. Nationally, private passenger automobile insurers realized profit on insurance transactions of 7.2 percent of direct premiums earned in 2004. In New York, they realized 13.0 percent, exceeded only by Vermont (13.4 percent). A 1995-to-2004 comparison of private passenger automobile insurance carriers' profit on insurance transactions in New York and the nation as a whole is shown in Table 10.

**Table 10. Profit on insurance transactions, percent of direct premiums earned, 1995-2004.<sup>27</sup>**

	New York	U.S.	N. Y. vs. U.S.
2004	13.0	7.2	+5.8
2003	7.3	3.9	+3.4
2002	(2.4)	0.5	-2.9
2001	(3.2)	(1.9)	-1.3
2000	(7.3)	(3.2)	-4.1
1999	1.5	2.1	-0.6
1998	4.9	3.7	+1.2
1997	8.9	5.5	+3.4
1996	10.2	5.0	+5.0
1995	7.3	4.5	+2.8

Source: National Association of Insurance Commissioners.

According to the New York State Department of Insurance, “[R]eturn on net worth is generally considered to be the measure most comparable to profitability standards used in other industries.”<sup>28</sup> Return on net worth is the primary NAIC indicator of insurer profitability. (Return on net worth is defined as all income, underwriting and investment, divided by net worth. It takes into account investment income, federal income taxes, as well as changes in reserves, which are the monies set aside to pay for future losses.)

As a result of rate increases from 2000 to 2003 and moderating losses and stable expenses in 2004, return on net worth for automobile insurers nationally rose to the highest levels in a decade. In New York, it increased to levels not seen since at least 1990. The NAIC reports that in 2004 in New York, industry return on net worth was 18.6 percent, compared to 13.2 percent nationally.

Table 11 shows the automobile insurance industry's return on net worth in New York compared to the nation as a whole from 1990 to 2004, the most recent year for which return data are available. The national net return (for all types of coverage) of 13.2 percent in 2004 was exceeded in only two years, 1993 and 1992, and the 18.6 percent rate in New York was the highest in any year in New York and the nation as a whole during the 1990 to 2004 period.



**Table 11. Return on net worth, private passenger automobile insurance.**

	All coverages			Liability coverage			Physical coverage		
	New York %	U.S.%	N.Y. vs. US	New York %	U.S.%	N.Y. vs. U.S.	New York %	U.S.%	N.Y. vs. U.S.
2004	18.6	13.2	+5.4	15.5	9.4	+6.1	30.9	21.9	+9.0
2003	12.9	9.4	+3.5	9.7	6.3	+3.4	25.5	16.4	+9.1
2002	0.5	4.1	-3.6	(4.6)	0.6	-5.2	20.4	11.7	+8.7
2001	1.0	2.0	-1.0	(3.5)	0.6	-4.1	17.9	5.3	+12.6
2000	(1.1)	2.2	-3.3	(4.9)	2.1	-7.0	13.8	3.5	+10.3
1999	6.2	7.7	-1.5	2.9	7.0	-4.1	19.2	9.4	+9.8
1998	9.8	10.1	-0.3	6.9	10.5	-3.6	21.3	9.0	+12.3
1997	13.9	12.4	+1.5	11.7	13.1	-1.4	23.1	10.2	+12.9
1996	16.2	12.1	+4.1	14.3	13.7	+0.6	24.3	6.8	+17.5
1995	13.5	11.6	+1.9	9.9	11.6	-1.7	28.6	11.7	+16.9
1994	10.7	11.4	-0.7	7.0	9.0	-2.0	26.2	19.1	+7.1
1993	7.3	14.2	-6.9	1.3	10.1	-8.8	30.7	27.6	+3.1
1992	8.6	14.3	-5.7	1.7	9.4	-7.7	32.5	29.6	+2.9
1991	7.5	10.6	-3.1	(1.3)	4.5	-5.8	34.6	28.8	+5.8
1990	5.0	4.8	+0.2	0.0	-0.7	+0.7	19.5	20.3	-0.8

Source: National Association of Insurance Commissioners Annual Profitability Reports.

### III. Premium Reductions Have Been Insufficient

#### A. Post-November 2004 reductions have been modest.

On November 15, 2004, the New York State Department of Insurance sent letters to Allstate, GEICO, Hartford Financial Services Group, Liberty Mutual Group, Metropolitan Life, Nationwide, New York Central Mutual, One Beacon Insurance Group, Progressive, State Farm Mutual, Travelers and USAA, asking that they reduce their rates. Additional letters were sent on December 28, 2004 to Amica, Merchants Mutual, Great Northern (Chubb), Clarendon National, StateWide, Erie Insurance Group, GMAC, and American International Group (AIG). As a result of the letters, some 20 insurers agreed to reduce rates. Consumers will receive total savings of roughly \$500 million a year when this reduction is fully implemented.<sup>29</sup> Rate decreases by the four largest insurers were:<sup>30</sup>

- Allstate Insurance reduced its rates by 3 percent for all coverages (ten percent in Manhattan).
- In late 2004, GEICO and GEICO Indemnity reduced rates by 6 percent overall, including a 12 percent reduction in PIP, 19 percent reduction in comprehensive, 6 percent reduction in collision (5 percent for GEICO Indemnity), and no reduction in bodily injury/uninsured motorist rates.<sup>31</sup> In June 2006, GEICO reduced rates another 4.2 percent overall, including a 2.2 percent reduction in uninsured motorist, 3.4 percent reduction in PIP, 2.4 percent reduction in property damage, 11.25 percent reduction in comprehensive, and 4.2 percent reduction in collision rates.
- State Farm Mutual reduced rates 5 percent overall (February 2005); 9.9 percent in PIP, 1.0 percent in property damage liability, 5.8 percent in comprehensive, and 8.0 percent in collision rates. In December 2005, State Farm Mutual reduced rates another 3 percent; 3 percent PIP, 1 percent bodily injury/uninsured motorist, 1 percent property damage liability, 7.8 percent comprehensive, and 5.6 percent collision.

- Progressive Northeastern reduced rates 5.1 percent overall (December 2004); by 4.1 percent for PIP, 4.9 percent bodily injury liability/uninsured motorist; 3.1 percent property damage liability; 8.4 percent comprehensive; 8.0 percent collision. This followed a 3.8 percent overall decrease in 2004, an 8.2 percent overall increase in 2001, and a 6.5 percent overall increase in 2002.

Although these reductions are certainly a step in the right direction, they remain insufficient to address the continuing cost disparities for New York City motorists.

A reduction of at least \$1.5 billion in insurance premiums would restore the industry’s historical levels of profitability. Such a reduction would still provide an ample margin for the effects of inflation, any conceivable increase in insurer losses and for remaining phase-in during 2006 of the rate reductions requested by the Insurance Department in 2005 and the first half of 2006. According to the Insurance Department, these reductions will save consumers approximately \$500 million a year.

## IV. Recommendations

### A. Reduce premiums.

The dramatic decline in the loss ratio for private passenger automobile insurance in New York from 2003 to 2005 has resulted in extraordinary automobile insurance carrier profits. After a sharp run-up in losses between 2000 and 2002, incurred losses have retreated to their 1998 level. But premiums, which were raised to compensate for the surge in losses, have barely declined. It is time they did—substantially.

**Return on net worth is far above national levels.** Private passenger automobile insurer return on net worth in New York was 18.6 percent in 2004, compared to a range of 6 percent to 12 percent nationally since 1990.

**New York has lagged behind other states in reducing premiums, according to price quotes.** Since 2003, loss ratios have declined faster in New York than elsewhere, yet premiums declined more rapidly in a number of other states. According to the annual survey of automobile insurance premium quotes issued by Insurance.com (based on seven million quotes in 2005), from 2003 to 2004, average premium quotes increased slightly in New York State but declined in at least 10 other states. From 2004 to 2005, premium quotes declined 3.4 percent in New York, a rate of decline matched or exceeded in 12 other states. Table 12 illustrates this trend.

**Table 12. Annual percentage change in premiums, Insurance.com premium quotes.**

2003-2004		2004-2005	
New York	+0.2	New York	-3.4
New Hampshire	-13.9	Pennsylvania	-9.7
North Carolina	-9.4	New Hampshire	-9.5
Rhode Island	-7.4	Colorado	-8.5
Indiana	-6.1	Minnesota	-8.4
Kansas	-6.1	Ohio	-6.0
Missouri	-4.2	Texas	-5.8
Illinois	-3.9	Illinois	-5.5
Colorado	-3.3	Louisiana	-4.9
Ohio	-2.1	Missouri	-4.9
Maine	-1.0	Connecticut	-3.5

**B. Allow municipalities to petition the Insurance Department for rate reductions.**

Proposed legislation introduced into the New York State Legislature includes a bill to permit municipalities to petition the Insurance Department for automobile insurance rate changes. This proposal was developed after New York City had sought in the 1990's to force insurers and the Insurance Department to adjust local rates to reflect the dramatic decline in the number of automobile thefts. According to the sponsor's memorandum in support of this measure, New York City unsuccessfully sought to force automobile insurers to reduce their rates to reflect the dramatic decline in vehicle thefts: "Among the points in contention is the standing of the City in such proceedings before the agency and in the courts. Enabling officials in local governments to intercede on behalf of their constituents will provide an opportunity to focus attention on problem areas when they believe insurance rates are not reflective of changes in local conditions."

**C. Improve New York's Consumers Guide to Automobile Insurance.**

The Price Comparison Tables included in the New York State Department of Insurance annual *Consumers Guide to Automobile Insurance* are of limited practical use to consumers shopping for the lowest-cost insurance. The representative premiums referenced in the charts are for rating territories, which typically encompass numerous zip code areas when, in fact, premiums can vary substantially among zip code areas within a territory. Nor do the pricing tables take into account variances in individual driving records, miles driven or car model. New York State has not updated the *Consumers Guide* price comparison charts methodology or assumptions since they were begun in 1992.

New York should revise its Price Comparison Tables using the California annual Automobile Premium Survey as a model. California drivers can go on-line to obtain premium information based not only on the coverage requested, but also on annual mileage, years licensed, three-year driving record (e.g., one at-fault accident), and vehicle model. New York's price comparison charts provide prices in 27 sample rating territories, omitting some parts of the State. In contrast, California's website provides premiums for insurers in over 300 zip-code areas, making it possible to compare premiums among, for example, "Riverside Moreno," "Riverside Hot Springs," "Riverside Corona," "Riverside Indio," "Riverside Cathedral City" and "Riverside Banning."

In addition, insurance providers should be required to publish loss and premium data by territory and in a uniform manner. This would permit New York City residents to better track cost disparities within their community and help to rationalize insurance company pricing.

**D. Establish an Office of Insurance Consumer Advocate Within the Department of Insurance.**

There currently is no New York State official who is charged exclusively with the task of representing insurance consumer interests at the Insurance Department and with reviewing rate applications filed by insurers. Legislation to create such an office is pending in the New York State Legislature. This legislation should be enacted. The May 1998 report by the Assembly Speaker's Task Force on Automobile Insurance, *Asleep at the Wheel: NY's Move to the Top of the List in Auto Insurance Rates*, estimated that such an office would save consumers \$600 million a year.

## Automobile Insurance Glossary

**Assigned risk plan.** Sometimes called the assigned risk pool, it is a facility through which drivers can obtain auto insurance if they are unable to buy it in the regular (“voluntary”) market, typically because they are considered higher risk drivers. All insurers selling auto insurance in the State are assigned these drivers to insure, proportionate to the amount of insurance they sell in the regular market. Assigned risk insurance usually costs substantially more than regular market insurance. In New York, the New York State Automobile Insurance Plan is the assigned risk plan.

**Bodily injury liability coverage.** Coverage for legal liability for causing physical injury or death to another.

**Comprehensive coverage.** Insurance Information Institute: “Portion of an auto insurance policy that covers damage to the policyholder’s car not involving a collision with another car (including damage from fire, explosions, earthquakes, floods, and riots), and theft.”

**Loss adjustment expense.** The amount insurers pay for investigating and settling insurance claims, including the costs of defending lawsuits in court. Allocated loss adjustment expenses are those that relate to a specific claim. Unallocated loss adjustment expenses are fixed costs to process claims regardless of the individual claims.

**Losses incurred.** Losses that occurred within a specified time period whether paid during that period or not.

**Loss ratio.** The ratio of incurred losses and allocated loss adjustment expenses (see definitions above) to earned premiums. A loss ratio represents what an insurer spends to pay policyholder claims, expressed as a percentage of its premiums.

**Physical damage.** Damage to a covered vehicle from perils including, but not limited to, collision with another vehicle or object, fire, vandalism and theft.

**Premium.** The price an insurance company charges for coverage. Among factors that affect the premium are the insured’s driving record, age, sex and number of years driving, where the car is usually driven and what it is primarily used for (e.g., daily commuting), how many miles the car is driven per year, and the car make and model. Some insurance carriers also consider the insured’s credit history.

**Premium, direct.** Property/casualty premiums collected by the insurer from policyholders before reinsurance premiums are deducted.

**Premium, earned.** Insurance Information Institute: “The portion of premium that applies to the expired part of the policy period. Insurance premiums are payable in advance but the insurance company does not fully earn them until the policy period expires.” With a one-year policy, half of the total premium has been earned after six months.

**Rate.** Insurance Information Institute: “The cost of a unit of insurance, usually per \$1,000. Rates are based on historical loss experience for similar risks.” Automobile insurance rates are regulated by the New York State Department of Insurance.

**Return on net worth.** All income, including underwriting and investment, divided by net worth. It is the main indicator of profitability calculated by the National Association of Insurance Commissioners and published in the annual NAIC *Profitability Report*. According to the New York State Insurance Department, “Return on net worth is generally considered to be the measure most comparable to profitability standards used in other industries.”

**Underwriting income (gain or profit).** Insurance Information Institute: “The insurer’s profit on the insurance sale after all expenses and losses have been paid. When premiums aren’t sufficient to cover claims and expenses, the result is an underwriting loss. Underwriting losses are typically offset by investment income.” In most years, automobile insurers report an underwriting loss.

## Endnotes

<sup>1</sup> For example, a recent Insurance Department rate filing by Allstate Property & Casualty Company explains how the company determined its “representative” premium. The company selected a pricing tier where “we expect to represent a large portion of business,” assumed a 2005 Ford Taurus SE, and applied the passive restraint discount, the anti-lock and anti-theft device discounts. The driver was a Premium Plus driver, which meant that he or she was “accident and violation free.”

<sup>2</sup> As required by Section 337 of the Insurance Law. Specifically, Section 337(5) requires “representative information on the availability and costs of automobile insurance from insurers for rating territories in the state, for classes of drivers, including information on premium credit and surcharge practices.”

<sup>3</sup> 20-year-old unmarried male, 20-year-old unmarried female, 35-year-old male, 69-year-old retired male or female.

<sup>4</sup> The *Consumers Guide* gives prices in a sample of 10 Downstate and 17 Upstate insurance rating territories as of July 1<sup>st</sup> of each year. According to an Insurance Department press release, “The Guide offers an excellent overview of typical premium rates in different parts of the state,” Press Release, “Department Issues 2005 Guide to Automobile Insurance,” October 24, 2005.

<sup>5</sup> The premiums for the 35-year-old male cited in the *Consumers Guide* assume driving to work 10 miles away and no surchargeable accidents or violations.

<sup>6</sup> In 2004, the Assigned Risk Plan had a New York State market share of approximately 4 percent, disproportionately located in New York City: New York City accounted for 17.8 percent of all private passenger automobile insurance exposures (in earned car years) in the State but 34.1 percent of 369,200 Assigned Risk Plan exposures. 10.5 percent of NYS Assigned Risk Policies were in the Bronx, 4.3 percent in Brooklyn, 11.2 percent in Queens, 3.3 percent in Staten Island, 4.4 percent in Manhattan. The Bronx had the highest percentage of cars insured through the Assigned Risk Plan: 35.7 percent of the 50,283 automobile exposures in the Urban Bronx Territory and 11.5 percent of the 182,115 automobile exposures in the Suburban Bronx Territory. Source: *Annual Report of the Superintendent of Insurance to the New York State Legislature*.

<sup>7</sup> These territories were selected to illustrate insurance costs in a range of communities, including Downstate Urban, Upstate Urban, Suburban and Rural.

<sup>8</sup> Consists of the portion of Bronx County not in the Bronx Suburban territory (see Appendix D).

<sup>9</sup> Consists of that portion of Bronx County which lies north and east of a line drawn by the northern border of Soundview Park to its intersection with the Bronx River Parkway, continuing north on the Bronx River Parkway to its intersection with Fordham Road, west on Fordham Road to its intersection with Kingsbridge Road, west on Kingsbridge Road and 225th Street to its intersection with Broadway, south on Broadway to its intersection with the New York County Line, and west on the New York County Line to its intersection with the Hudson River (see Appendix D).

<sup>10</sup> The per-occurrence limit is the amount an insurance carrier will pay for all claims arising from a single accident.

<sup>11</sup> Bodily injury liability insurance covers legal liability for causing physical injury or death to another.

<sup>12</sup> The per-occurrence limit is the amount an insurance carrier will pay for all claims arising from a single accident.

<sup>13</sup> Reports for 1995 and most other previous years were not available from the Insurance Department.

<sup>14</sup> CPI All Items, New York-Northern NJ-Long Island MSA.

<sup>15</sup> From 2000 to 2005, motor vehicle thefts declined 48.8 percent in New York City and 21.5 percent elsewhere in the State. From 1995 to 2005, motor vehicle thefts declined 74.7 percent in New York City and 42.8 percent elsewhere in the State. Source: New York State Division of Criminal Justice Services, *Index Crimes Reported*.



<sup>16</sup> Average expenditures for 2004 and 2005 were not yet published as of this writing. It should be noted that changes in expenditure do not necessarily entirely correlate with changes in rates and premiums. Among the factors that determine total expenditure is the average age of insured vehicles (consumers tend to spend more insuring new vehicles than old).

<sup>17</sup> Not including Alaska, Hawaii, Massachusetts and New Jersey because not all of the major insurers quote rates in those states.

<sup>18</sup> If the premium in 1996 was comparatively low, an especially large increase may have brought the premium merely up to industry levels in 2006. See Appendix A for representative premiums for 1996, 1999, 2001, 2003, 2004, 2005 and 2006.

<sup>19</sup> Insurance Services Office, Inc. (ISO) divides New York State into 70 rating territories which are used by the industry in setting rates. However, the largest insurers have their own territories; Allstate, for example, divides Brooklyn into three territories instead of one ISO territory. For purposes of the Price Comparison Tables, where the territories differ, insurers used the territories that most closely correspond to the ISO territories.

<sup>20</sup> Required insurance to register a car in New York consists of no-fault (Personal Injury Protection, or PIP), liability, and uninsured motorist coverage. *No fault*: No-fault (or PIP) Personal Injury Protection covers necessary medical and rehabilitation expenses, a portion of lost earnings, a \$2,000 death benefit, and other reasonable and necessary expenses, up to a total maximum of \$50,000. It is paid regardless of fault in an accident. *Liability*: The minimum limits of third-party injury liability coverage mandated by the Vehicle and Traffic Law are: a) \$25,000 for bodily injury (not resulting in death) or \$50,000 for any injury resulting in death sustained by any one person in an accident, and b) \$50,000 for bodily injury (not resulting in death) sustained by two or more persons in any one accident, or \$100,000 for any injuries resulting in death, sustained by two or more persons in any one accident. These minimum liability limits are typically referred to as \$25,000/\$50,000 or "25/50." *Uninsured Motorist*: Same minimum bodily injury limits as liability insurance.

<sup>21</sup> The Insurance Department states that the price comparisons in the *Consumers Guide to Automobile Insurance* Price Comparison Tables are "not intended" to serve as a comparison of rate increases and decreases from one year to the next because factors and criteria used for the rate examples and insurers' underlying rating structures may change. Year-to-year changes in premiums are presented in this report, however, to illustrate changes in premiums industry-wide. In addition, since the Insurance Law requires insurers to submit "representative" information on the cost of automobile insurance for each rating territory, and these representative premiums are presented in the *Consumer Guide* as valid for comparing premiums among insurers in a particular year, the Office of the Comptroller believes it is appropriate to present them in this report. A Department Press Release (October 25, 2005) refers to Price Comparison Table premiums as the "typical premium rates in different parts of the state."

<sup>22</sup> Progressive NE, the fourth largest insurer (2004 market share) is not shown for 1996-2005 because it was not reported in the 1996 *Consumers Guide*.

<sup>23</sup> All of these insurers used a multi-tier rating structure in 2006. None did in 1996.

<sup>24</sup> The driver assumptions used in the *Consumers Guide* have remained consistent since at least 1996: The 35-year-old adult male drove to work 10 miles away, was rated as driving 10,000 miles annually and as having been licensed three years at the effective date of the policy, and had no surchargeable accidents or violations.

<sup>25</sup> Covers the towns of Babylon, Huntington, Islip and Smithtown.

<sup>26</sup> Incurred losses are considered a better indicator of losses associated with policies in a particular year than are paid losses and are used in developing automobile insurance rates. Losses used in these ratios include allocated loss expenses, which are claims settlement expenses attributable to a particular claim, as opposed to non-allocated adjustment expenses, which are expenses for the overall claims settlement process.

<sup>27</sup> Earned premium is the portion of a premium that has been "used up" during a policy term. With a one-year policy, half of the total premium has been earned after six months.

<sup>28</sup> Return on net worth is the profitability indicator utilized to determine if motor vehicle insurers had “excess profit” under New York’s motor vehicle excess profit law, Section 2329 of the Insurance Law. As explained in 11 NYCRR Subpart 166-2, *Treatment of Excess Profits in Motor Vehicle Insurance, Discussion of General Rules*, §166-2.4, *Discussion of measurement of profitability*: “a) Some theoreticians favor return on assets, and others favor return on earned premiums, as the proper method for reflecting the profitability of the insurance business. Each of these measures gives valuable information. Both assets and earned premiums are easily calculated, while net worth is more difficult to estimate. However, return on net worth is generally considered to be the measure most comparable to profitability standards used in other industries.”

<sup>29</sup> In January and February 2006, the Insurance Department estimated savings to consumers at about \$400 million. However, according to an email from the Department’s Office of Public Affairs to the Office of the Comptroller (August 9, 2006), the revised total savings is expected to be \$500 million a year.

<sup>30</sup> Source: New York State Department of Insurance, *Recent Private Passenger Automobile Rate Decreases*, provided to the Office of the Comptroller in August 2006 by the New York State Insurance Department.

<sup>31</sup> In addition, according to an Insurance Department press release, GEICO received Insurance Department approval to alter its internal tiered rating system, “a move that will link their customers’ improved driving performance with lower premium rates and result in more consumer savings.” Press Release, “Insurance Department Will Approve 6 Percent Auto Rate Reduction for GEICO Customers,” December 14, 2004.



## Appendix A

### Representative Premiums, Private Passenger Automobile Insurance 1995-2006,<sup>1</sup> 1996, 1999-2006, Selected Rating Territories<sup>2</sup> Percentages are increases unless otherwise noted.

35-year-old male, mandated coverage, July 1  
Insurers with 2004 New York State market share of at least 2%  
Names of insurers who had 4% or greater NYS market share are italicized.

#### New York City

##### Bronx Urban

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate*</i>	965	887	939	1,026	1,241	1,419	2,039	1,925	1,925*	87.6%*	99.5%*
<i>Assigned Risk</i>	1,267	1,238	1,330	1,591	2,047	2,047	2,628	2,576	2,543	61.9%	100.7%
<i>GEICO</i>	961	1,109	1,109	1,126	1,126	1,144	1,282	1,205	1,200	6.6%	24.9%
<i>GEICO Indemnity</i>	Na	1,206	1,157	1,374	1,718	1,524	1,610	1,717	1,709	24.4%	Na
<i>Liberty Mutual**</i>	864	861	861	973	1,090	1,232	1,463	1,448	1,448	48.8%	67.6%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	1,385	1,215	Na	Na
<i>Nationwide Mutual</i>	675	787	787	1,013	1,173	1,487	1,652	Na	Na	Na	Na
<i>NY Central Mutual</i>	856	749	749	907	1,125	1,395	1,395	1,395	1,395	53.8%	62.9%
<i>Progressive NE</i>	Na	887	1,013	1,138	1,351	1,203	1,114	1,143	1,143	0.4%	Na
<i>State Farm Mutual</i>	811	859	1,012	1,029	1,319	2,037	2,137	2,243	2,264	120.0%	179.2%
<i>Travelers***</i>	1,354	1,303	1,303	1,319	Na	Na	Na	1,757	1,769	Na	Na

##### Bronx Suburban

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	731	665	715	780	949	1,091	1,421	1,359	1,359*	74.2%*	85.9%*
<i>Assigned Risk</i>	1,143	1,223	1,325	1,548	1,866	1,866	2,394	2,347	2,237	44.5%	95.7%
<i>GEICO</i>	804	871	871	859	859	785	872	826	822	-4.3%	2.2%
<i>GEICO Indemnity</i>	Na	1,143	1,155	1,373	1,618	1,431	1,510	1,542	1,542	12.3%	Na
<i>Liberty Mutual**</i>	718	718	718	812	910	1,029	1,227	1,215	1,215	49.6%	69.2%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	1,385	1,215	Na	Na
<i>Nationwide Mutual</i>	675	787	787	1,013	1,173	1,487	1,652	Na	Na	Na	Na
<i>NY Central Mutual</i>	670	600	600	725	896	1,116	1,116	1,116	1,116	53.9%	66.6%
<i>Progressive NE</i>	Na	682	775	931	1,101	1,082	1,003	966	966	3.7%	Na
<i>State Farm Mutual</i>	745	795	937	966	1,238	1,938	1,463	1,407	1,316	36.2%	76.6%
<i>Travelers***</i>	1,146	1,102	1,102	1,022	Na	Na	Na	1,384	1,391	Na	Na

<sup>1</sup> As published in the Price Comparison Tables in the New York State Department of Insurance *Consumers Guide to Automobile Insurance*. The *Guide* notes that these are approximations and that individual underwriters do not disclose actual premiums charged without a potential customer providing detailed, personal information. In addition, the Consumer Guide notes that "factors and criteria used for the rate examples as well as individual insurers' rating structures may change."

<sup>2</sup> Rating territories were selected from among the 27 territories in the *Consumers Guide* so as to provide as representative a sample as possible, covering New York City, New York City suburbs, Upstate cities and suburbs, small cities and rural areas.

**Brooklyn**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	1,075	977	1,057	1,168	1,429	1,587	1,875	1,801	1,801*	54.2%*	67.5%*
<i>Assigned Risk</i>	1,557	1,751	2,086	2,665	3,420	3,420	4,380	4,295	4,093	53.6%	163.1%
<i>GEICO</i>	995	1,226	1,226	1,279	1,279	1,227	1,371	1,295	1,290	0.8%	29.7%
<i>GEICO Indemnity</i>	Na	1,514	1,592	1,889	2,182	1,931	2,034	2,232	2,221	17.5%	Na
<i>Liberty Mutual**</i>	1,023	993	993	1,114	1,262	1,430	1,714	1,696	1,696	52.2%	65.8%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	1,479	1,226	Na	Na
<i>Nationwide Mutual</i>	947	1,163	1,163	1,502	1,754	2,183	2,330	Na	Na	Na	Na
<i>NY Central Mutual</i>	879	838	1,163	1,010	1,254	1,571	1,571	1,571	1,571	55.5%	78.7%
<i>Progressive NE</i>	Na	1,014	1,158	1,524	1,823	1,715	1,587	1,539	1,539	1.0%	Na
<i>State Farm Mutual</i>	1,056	1,061	1,250	1,350	1,832	2,666	2,309	2,165	1,998	48.0%	89.2%
<i>Travelers***</i>	1,437	1,361	1,361	1,465	Na	Na	Na	2,163	2,224	Na	Na

**Manhattan**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	645	525	563	636	773	891	1,091	943	943*	48.3%	46.2%
<i>Assigned Risk</i>	1,151	1,236	1,330	1,570	1,944	1,944	2,495	2,447	2,332	48.5%	102.6%
<i>GEICO</i>	706	766	766	702	702	639	703	673	672	-4.3%	-4.8%
<i>GEICO Indemnity</i>	Na	1,050	977	1,035	1,207	1,068	1,126	1,138	1,133	9.5%	Na
<i>Liberty Mutual**</i>	655	598	598	642	728	821	965	955	955	48.7%	45.8%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	839	708	Na	Na
<i>Nationwide Mutual</i>	590	Na	692	825	936	1,162	1,289	Na	Na	Na	Na
<i>NY Central Mutual</i>	627	692	538	647	802	981	981	981	981	51.6%	56.4%
<i>Progressive NE</i>	Na	611	695	907	1,061	1,048	971	864	864	-4.7%	Na
<i>State Farm Mutual</i>	587	671	731	690	788	1,193	952	916	864	25.2%	47.2%
<i>Travelers***</i>	942	875	875	929	Na	Na	Na	1,241	1,253	Na	Na

**Queens Suburban**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	927	777	833	912	1,111	1,171	1,253	1,211	1,211*	32.8%*	30.6%*
<i>Assigned Risk</i>	1,250	1,399	1,603	1,997	2,454	2,454	3,149	3,086	2,944	47.4%	135.5%
<i>GEICO</i>	773	871	871	822	822	734	811	771	769	-6.4%	-0.5%
<i>GEICO Indemnity</i>	Na	1,150	1,089	1,296	1,461	1,293	1,361	1,419	1,412	8.9%	Na
<i>Liberty Mutual**</i>	893	840	840	903	1,033	1,168	1,393	1,379	1,379	52.7%	54.4%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	1,137	932	Na	Na
<i>Nationwide Mutual</i>	795	957	957	1,233	1,418	1,761	1,885	Na	Na	Na	Na
<i>NY Central Mutual</i>	779	742	742	849	1,033	1,214	1,214	1,214	1,214	43.0%	55.8%
<i>Progressive NE</i>	Na	747	850	1,111	1,314	1,293	1,197	1,126	1,126	1.3%	Na
<i>State Farm Mutual</i>	922	922	1,037	1,153	1,480	2,233	1,758	1,641	1,521	31.9%	65.0%
<i>Travelers***</i>	1,046	962	962	1,116	Na	Na	Na	1,631	1,637	Na	Na

**Queens**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	751	651	701	768	943	1,039	1,091	1,053	1,053*	37.1%*	40.2%*
<i>Assigned Risk</i>	1,037	1,166	1,343	1,608	1,882	2,723	2,280	2,234	2,133	32.6%	105.7%
<i>GEICO</i>	735	835	835	842	842	760	843	798	795	-5.6%	8.2%
<i>GEICO Indemnity</i>	Na	835	1,039	1,223	1,447	1,279	1,346	1,390	1,383	13.1%	Na
<i>Liberty Mutual**</i>	804	755	755	816	914	1,034	1,203	1,191	1,191	45.9%	48.1%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	1,152	971	Na	Na
<i>Nationwide Mutual</i>	795	957	957	1,233	1,418	1,761	1,885	Na	Na	Na	Na
<i>NY Central Mutual</i>	661	596	596	683	845	1,028	1,028	1,028	1,028	50.5%	55.5%
<i>Progressive NE</i>	Na	672	762	992	1,175	1,100	1,018	1,017	1,017	2.5%	Na
<i>State Farm Mutual</i>	894	885	961	960	1,167	1,697	1,254	1,189	1,114	16.6%	24.6%
<i>Travelers***</i>	1,082	1,108	1,108	1,138	Na	Na	Na	1,613	1,618	Na	Na

**Staten Island**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	837	735	797	874	1,079	1,071	917	871	871*	-0.3%*	4.1%*
<i>Assigned Risk</i>	1,229	1,314	1,379	1,612	1,857	1,834	2,065	2,024	1,935	20.0%	57.4%
<i>GEICO</i>	715	798	798	780	780	732	812	768	764	-2.0%	6.8%
<i>GEICO Indemnity</i>	Na	1,047	999	1,071	1,203	1,064	1,122	1,151	1,146	7.0%	Na
<i>Liberty Mutual**</i>	846	795	795	849	955	1,083	1,215	1,249	1,249	47.1%	47.6%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	1,023	918	Na	Na
<i>Nationwide Mutual</i>	720	Na	849	1,063	1,220	1,444	1,498	Na	Na	Na	Na
<i>NY Central Mutual</i>	549	420	420	480	590	680	680	680	680	41.6%	23.9%
<i>Progressive NE</i>	Na	733	834	969	1,143	1,075	996	933	933	-3.7%	Na
<i>State Farm Mutual</i>	914	897	942	1,053	1,159	1,681	1,212	1,130	1,076	2.2%	17.7%
<i>Travelers***</i>	1,007	1,037	1,037	1,073	Na	Na	Na	1,495	1,503	Na	Na

**NYC Suburbs**

**Suffolk West**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	807	683	729	800	989	949	841	799	799*	0.0%*	-1.0%*
<i>Assigned Risk</i>	1,086	1,190	1,269	1,426	1,535	1,535	1,753	1,717	1,649	15.6%	51.8%
<i>GEICO</i>	676	709	709	641	641	531	611	586	651	1.6%	-3.6%
<i>GEICO Indemnity</i>	Na	968	951	1,014	1,098	971	1,022	944	858	-15.4%	Na
<i>Liberty Mutual**</i>	703	691	691	739	841	953	1,053	1,043	1,043	41.2%	48.3%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	713	615	Na	Na
<i>Nationwide Mutual</i>	642	695	695	806	848	990	1,014	Na	Na	Na	Na
<i>New York Central Mutual</i>	559	559	559	628	761	886	886	886	886	41.1%	58.5%
<i>Progressive NE</i>	Na	532	603	712	836	760	705	667	667	-6.3%	Na
<i>State Farm Mutual</i>	750	755	844	857	968	1,282	914	916	882	2.9%	17.6%
<i>Travelers***</i>	806	807	807	800	Na	Na	Na	1,067	1,100	Na	Na

**Hempstead**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate</i>	829	679	729	798	981	995	1,035	979	979*	22.7%*	18.1%*
<i>Assigned Risk</i>	1,175	1,276	1,394	1,594	1,821	1,821	2,184	2,141	2,052	28.7%	74.6%
<i>GEICO</i>	782	865	865	822	822	731	853	813	810	-1.5%	3.6%
<i>GEICO Indemnity</i>	Na	1,065	1,030	1,100	1,220	1,079	1,133	1,159	1,155	5.0%	Na
<i>Liberty Mutual**</i>	760	696	696	734	826	934	1,083	1,072	1,072	46.0%	41.0%
<b>Nationwide of America</b>	Na	Na	Na	Na	Na	Na	Na	906	829	Na	Na
<b>Nationwide Mutual New York</b>	717	850	850	1,096	1,227	1,377	1,436	Na	Na	Na	Na
<i>Central Mutual</i>	565	565	565	630	761	899	899	899	899	42.6%	59.1%
<i>Progressive NE</i>	Na	657	748	953	1,125	1,062	985	896	896	-6.0%	Na
<i>State Farm Mutual</i>	795	774	820	888	1,041	1,452	1,159	1,101	1,079	21.5%	35.7%
<i>Travelers***</i>	928	909	909	894	Na	Na	Na	1,228	1,232	Na	Na

**Mt. Vernon & Yonkers**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	609	547	585	662	787	853	903	857	857*	29.4%*	40.7%*
<i>Assigned Risk</i>	976	1,010	1,087	1,092	1,407	1,274	1,799	1,763	1,689	54.7%	73.1%
<i>GEICO</i>	658	702	702	662	662	595	693	658	656	-1.0%	0.0%
<i>GEICO Indemnity</i>	Na	924	830	887	1,073	949	999	1,056	1,051	18.5%	Na
<i>Liberty Mutual**</i>	584	575	575	614	689	778	902	894	894	45.6%	53.1%
<b>Nationwide of America</b>	Na	Na	Na	Na	Na	Na	Na	718	665	Na	Na
<b>Nationwide Mutual</b>	600	656	656	793	916	1,081	1,169	Na	Na	Na	Na
<b>NY Central Mutual</b>	514	514	514	587	721	854	854	854	854	45.8%	66.1%
<i>Progressive NE</i>	Na	394	445	567	659	826	766	755	755	33.1%	Na
<i>State Farm Mutual</i>	610	644	697	700	763	1,073	954	939	912	30.3%	49.5%
<i>Travelers***</i>	861	838	838	763	Na	Na	Na	1,001	1,023	Na	Na

**Upstate**

**Buffalo & Lackawanna**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	596	547	583	634	729	745	639	605	605*	-4.5%*	1.5%*
<i>Assigned Risk</i>	895	900	924	1,041	1,130	1,130	1,255	1,229	1,189	14.2%	32.8%
<i>GEICO</i>	462	477	477	412	412	380	431	416	415	0.7%	-10.2%
<i>GEICO Indemnity</i>	Na	695	647	696	740	654	692	661	658	-5.5%	Na
<i>Liberty Mutual**</i>	491	458	458	502	546	618	703	697	697	38.8%	41.9%
<b>Nationwide of America</b>	Na	Na	Na	Na	Na	Na	Na	661	641	Na	Na
<b>Nationwide Mutual</b>	533	599	599	698	737	882	954	Na	Na	Na	Na
<b>NY Central Mutual</b>	455	435	435	477	574	612	612	612	612	28.3%	35.0%
<i>Progressive NE</i>	Na	425	442	511	536	623	623	518	518	1.4%	Na
<i>State Farm Mutual</i>	368	405	477	485	534	780	697	712	731	50.7%	98.6%
<i>Travelers***</i>	660	657	657	615	Na	Na	Na	834	863	Na	Na

**Clinton County**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	356	281	299	334	387	377	323	303	303*	-9.3%*	-14.9%*
<i>Assigned Risk</i>	771	501	495	515	569	569	551	539	523	1.5%	-32.2%
<i>GEICO</i>	337	341	341	285	285	274	307	296	296	3.8%	-12.2%
<i>GEICO Indemnity</i>	Na	449	341	447	498	439	458	407	406	-9.2%	Na
<i>Liberty Mutual**</i>	342	298	298	320	357	401	434	430	430	34.4%	25.7%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	286	271	Na	Na
<i>Nationwide Mutual</i>	322	322	322	369	390	432	433	Na	Na	Na	Na
<i>NY Central Mutual</i>	328	264	264	294	350	384	384	384	384	30.6%	17.1%
<i>Progressive NE</i>	Na	250	248	269	307	316	316	264	264	-1.8%	Na
<i>State Farm Mutual</i>	306	295	347	327	322	400	399	395	389	19.0%	27.1%
<i>Travelers***</i>	477	465	465	342	Na	Na	Na	438	450	Na	Na

**Utica**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	512	485	517	562	645	607	533	509	509*	-9.4%*	-0.6%*
<i>Assigned Risk</i>	880	932	963	1,005	1,063	1,063	1,191	1,168	1,128	12.2%	28.2%
<i>GEICO</i>	420	448	448	376	376	360	406	392	514	36.7%	22.4%
<i>GEICO Indemnity</i>	Na	611	569	611	660	583	607	586	685	12.1%	Na
<i>Liberty Mutual**</i>	393	358	358	391	413	465	526	521	521	33.2%	32.6%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	393	360	Na	Na
<i>Nationwide Mutual</i>	427	396	396	455	490	574	588	Na	Na	Na	Na
<i>NY Central Mutual</i>	356	330	330	365	436	477	477	477	477	30.6%	33.9%
<i>Progressive NE</i>	Na	315	344	382	459	494	492	414	414	8.3%	Na
<i>State Farm Mutual</i>	351	370	436	411	431	565	468	475	463	12.6%	31.9%
<i>Travelers***</i>	620	611	611	409	Na	Na	Na	527	536	Na	Na

**Rochester Suburban**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	300	247	261	282	333	341	303	285	285*	1.1%*	-5.0%*
<i>Assigned Risk</i>	599	621	664	736	835	835	880	861	835	13.4%	39.4%
<i>GEICO</i>	293	322	322	273	273	262	298	283	415	52.0%	41.6%
<i>GEICO Indemnity</i>	Na	431	396	431	467	412	429	416	658	52.6%	Na
<i>Liberty Mutual**</i>	286	257	257	275	288	323	362	359	359	30.5%	25.5%
<i>Nationwide of America</i>	Na	Na	Na	Na	Na	Na	Na	377	374	Na	Na
<i>Nationwide Mutual</i>	311	316	316	356	386	459	485	Na	Na	Na	Na
<i>NY Central Mutual</i>	254	220	220	243	287	291	291	291	291	19.7%	14.6%
<i>Progressive NE</i>	Na	236	242	289	342	365	365	300	300	3.8%	Na
<i>State Farm Mutual</i>	233	262	307	291	301	390	383	393	407	39.9%	74.7%
<i>Travelers***</i>	435	431	431	318	Na	Na	Na	424	437	Na	Na

**Elmira**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	484	255	271	284	327	347	307	291	291*	2.5%*	-39.9%*
<i>Assigned Risk</i>	718	763	809	881	944	944	994	974	936	6.2%	30.3%
<i>GEICO</i>	451	355	355	296	296	290	329	315	314	6.1%	-30.4%
<i>GEICO Indemnity</i>	Na	485	451	483	517	456	477	461	459	-5.0%	Na
<i>Liberty Mutual**</i>	438	283	283	290	323	362	391	387	387	33.4%	-11.6%
<b>Nationwide of America</b>	Na	Na	Na	Na	Na	Na	Na	293	281	Na	Na
<i>Nationwide Mutual</i>	441	320	320	373	386	429	437	Na	Na	Na	Na
<i>NY Central Mutual</i>	442	279	279	307	367	397	397	397	397	29.3%	-10.2%
<i>Progressive NE</i>	Na	231	249	273	325	347	347	279	279	2.2%	Na
<i>State Farm Mutual</i>	383	270	285	277	286	417	354	356	353	27.4%	-7.8%
<i>Travelers***</i>	603	416	416	336	Na	Na	Na	429	436	Na	Na

**Buffalo Suburban**

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2001-2006	1996-2006
<i>Allstate Insurance</i>	382	337	357	396	459	455	403	377	377*	-4.8%*	-1.3%*
<i>Assigned Risk</i>	598	591	604	667	724	724	722	708	689	3.3%	15.2%
<i>GEICO</i>	417	404	404	338	338	318	357	347	346	2.4%	-17.0%
<i>GEICO Indemnity</i>	Na	555	508	542	571	503	522	483	482	-11.1%	Na
<i>Liberty Mutual**</i>	361	336	336	363	403	453	496	491	491	35.2%	36.0%
<b>Nationwide of America</b>	Na	Na	Na	Na	Na	Na	Na	490	467	Na	Na
<i>Nationwide Mutual</i>	372	390	390	455	497	603	651	Na	Na	Na	Na
<i>NY Central Mutual</i>	339	294	294	322	383	419	419	419	419	30.1%	23.6%
<i>Progressive NE</i>	Na	287	283	336	386	410	410	369	369	9.8%	Na
<i>State Farm Mutual</i>	310	339	397	373	405	553	562	576	598	60.3%	92.9%
<i>Travelers***</i>	487	486	486	413	Na	Na	Na	585	601	Na	Na

\*Percentage changes for Allstate are to 2005. The 2006 representative premiums for Allstate are not comparable to other insurers because in 2006, the *Consumers Guide* substituted the entity Allstate Property & Casualty Insurance Company for the entity Allstate Insurance Company, reflecting the decision by Allstate to write new business with Allstate Property & Casualty instead of Allstate Insurance Company. In some territories, representative mandatory coverage premiums for Allstate Property & Casualty for 2006 are less than half the representative premium for Allstate Insurance Company in 2005.

\*\*In all years shown, Liberty Mutual wrote single limits of coverage at a \$60,000 minimum level. This means a policyholder is not limited to \$25,000 per person or \$10,000 for property damage (the minimum limits set by law). Rather, an aggregate limit of \$60,000 will cover claims resulting from bodily injuries to one or more persons and/or claims for property damage. Rates reflect the higher level of coverage.

\*\*\* Travelers Indemnity in 1996, 1999 and 2000, Travelers Indemnity IL in 2001, Travelers P & C of America in 2005 and 2006. Representative premiums for Travelers were not listed in the 2002, 2003 and 2004 *Consumers Guide*. The *Consumers Guide* notes that Travelers P & C of America has different liability requirements for each tier of its multi-tier rating structure.

<sup>1</sup> As published in the Price Comparison Tables in the New York State Department of Insurance *Consumers Guide to Automobile Insurance*. The *Guide* notes that these are approximations and that individual underwriters do not disclose actual premiums charged without a potential customer providing detailed, personal information. In addition, the *Consumer Guide* notes that “factors and criteria used for the rate examples as well as individual insurers’ rating structures may change.”

<sup>2</sup> Rating territories were selected from among the 27 territories in the *Consumers Guide* so as to provide as representative a sample as possible, covering New York City, New York City suburbs, Upstate cities and suburbs, small cities and rural areas.

**Appendix B**  
**Private Passenger Automobile Insurance Representative Premiums,<sup>1</sup>**  
**With Optional Coverages**  
**July 1, 2006\***  
**Selected Years and Rating Territories.<sup>2</sup>**

**Largest New York Insurers by 2004 Market Share and the Assigned Risk Plan**

**Table B1. Representative annual premium in dollars for minimum required coverage, 20-year-old unmarried male.**

	Allstate*	GEICO	State Farm Mutual	Progressive NE	Assigned Risk Plan
<i>Downstate</i>					
Bronx Urban	3,949	2,433	4,754	3,632	3,771
Bronx Suburban	2,643	1,660	2,759	3,086	3,433
Brooklyn	3,379	2,629	4,195	4,918	6,328
Manhattan	1,909	1,358	1,808	2,832	3,580
Queens Suburban	2,197	1,553	3,190	3,538	4,356
Queens	1,909	1,603	2,335	3,171	3,271
Staten Island	1,729	1,537	2,254	2,996	2,963
Suffolk West	1,487	1,083	1,845	2,159	2,620
<i>Upstate</i>					
Clinton County	597	491	873	798	819
Rochester Suburban	543	698	915	958	1,319
Utica	913	844	1,044	1,333	1,789

**Table B2. Representative annual premium in dollars, minimum required coverage plus bodily injury coverage of \$100,000/\$300,000 and Supplementary Uninsured Motorist coverage, and property damage limit of \$60,000. 20 year-old unmarried male.**

	Allstate*	GEICO	State Farm Mutual	Progressive NE	Assigned Risk Plan
<i>Downstate</i>					
Bronx Urban	5,523	3,093	5,533	4,736	4,716
Bronx Suburban	3,665	2,114	3,328	3,987	4,239
Brooklyn	4,607	3,290	4,993	6,333	7,505
Manhattan	2,479	1,802	2,218	3,683	4,485
Queens Suburban	2,933	1,979	3,853	4,511	5,540
Queens	2,502	2,029	2,867	4,029	4,036
Staten Island	2,377	1,905	2,793	3,837	3,640
Suffolk West	1,908	1,366	2,307	2,744	3,260
<i>Upstate</i>					
Clinton County	759	603	1,077	991	1,058
Rochester Suburban	651	857	1,125	1,179	1,665
Utica	1,392	1,020	1,280	1,633	2,248

\*Allstate premiums are for 2005. The 2006 representative premiums for Allstate are not comparable to other insurers because in 2006, the *Consumers Guide* substituted Allstate Property & Casualty Insurance Company for Allstate Insurance Company, reflecting the decision by Allstate to write new business with Allstate Property & Casualty instead of Allstate Insurance Company. In some territories, representative mandatory coverage premiums for Allstate Property & Casualty for 2006 are less than half the representative premium for Allstate Insurance Company in 2005.

<sup>1</sup> As published in the Price Comparison Tables in the New York State Department of Insurance *Consumers Guide to Automobile Insurance*. The Department notes that these are approximations and that individual underwriters do not disclose actual premiums charged without a potential consumer providing detailed, personal information.

<sup>2</sup> Rating territories were selected from the 27 sample ISO territories listed in the *Consumers Guide* so as to provide as representative a sample as possible, covering New York City, New York City suburban, and Upstate urban, suburban and rural territories.



## Appendix C

### *Private Passenger Automobile Insurance Expenses and Dividends, New York 1990-2004*

Loss adjustment expense, general expense, selling expense, taxes-licenses-fees and policyholder dividends as a percentage of earned premiums, private passenger automobile insurance, 1990-2004.

	NY/US	NY total expenses and policyholder dividends, billions
2004	36.8/35.1	\$3.957
2003	39.2/36.1	\$4.098
2002	38.4/35.8	\$3.693
2001	39.8/36.6	\$3.494
2000	42.9/40.3	\$3.509
1999	39.5/34.0	\$3.216
1998	38.5/38.4	\$3.132
1997	36.1/36.1	\$2.891
1996	34.1/33.6	\$2.691
1995	34.6/33.6	\$2.573
1994	34.2/33.0	\$2.408
1993	36.7/33.9	\$2.470
1992	35.8/34.6	\$2.306
1991	36.1/35.6	\$2.183
1990	35.3/35.4	\$2.016

Source for percentages: NAIC Annual Profitability Reports

### Appendix D

