

Emerging Homeowners and Personal Auto Exposures

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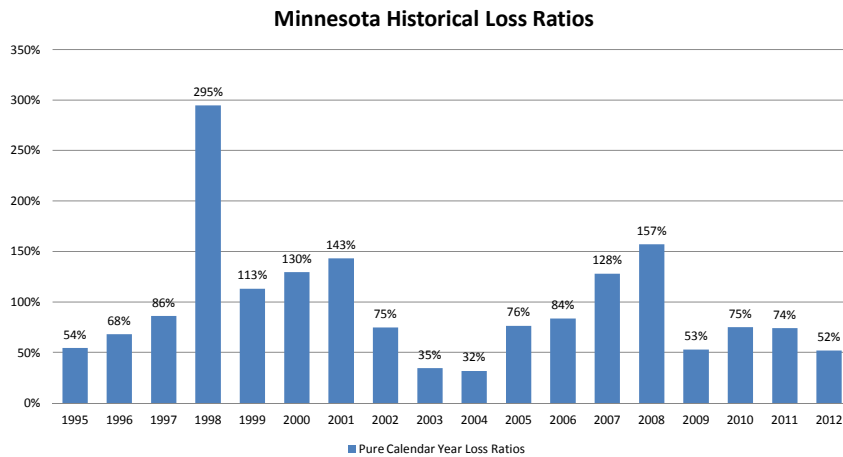
Homeowners Emerging Issues

- HO Rate Increases
- Cat Components in Rates
- Climate Change
- New/Different Methodologies
- Coverage Reductions
- More Complex Rating
- Water Non-weather Claims
- HO Telematics

Large Increases in Homeowners Rate Filings

Measured Rate Change Over Calendar Year for Minnesota					
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
All Companies Combined		9.5%	7.4%	7.7%	11.1%
Notes: (1) This exhibit uses market shares from statutory state page for 2012 to assign weights and market shares.					
(2) Percentage changes were pulled from rate filings that were reviewed for most of the companies representing 106 of the 138 companies with over 99.7% of the market share.					

Pure Loss Ratios in Minnesota



Catastrophe Component for Weather

Climate Change

- What is happening?
- How do we take that into account in improving rating?

New/Different Methodologies

- Improved Rating techniques.
- Improved Expense / Allocation methods.

The Other Solution for Insurance Companies – Coverage Reduction

More Complex Rating Schemes

Water Non-Weather Losses

- Are water non-weather (e.g. appliance) claims increasing?
- Is there anything that can be done from a rating or coverage standpoint?

Homeowners Usage-Based Insurance

- What is “Telematics”? What could it mean for Homeowners Insurance?
- What would the perfect HO telematics device be?
- What barriers exist?

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Personal Auto Emerging Issues

- Electronic Stability Control
- Forward Collision Warning
- Mandatory Backup Camera Legislation Update
- Other Features of Note
- Self-Driving Cars
- Teenage Drivers

The Safety Feature of Today – Electronic Stability Control

- Electronic stability control
 - Standard on 2012 and later models
 - an extension of antilock brake technology that helps drivers maintain control on curves and slippery roads
 - engages automatically to help keep the vehicle in the intended line of travel
 - lowers the risk of a fatal single-vehicle crash by about half and the risk of a fatal rollover by up to 80 percent.
- Timeline of the feature
 - Introduced in 1995 models
 - Standard on 10 percent of 2000 models and optional on 4 percent
 - Required by NHTSA to be standard on all passenger vehicles as of model year 2012.
 - HLDI predicts that 95 percent of registered vehicles in 2029 will have either come with ESC standard or had it available as an option.

<http://www.iihs.org/iihs/brochures/shopping-for-a-safer-car-2013>
<http://www.iihs.org/iihs/news/statusreport/article/47/1/1>

Backup Camera

Another Safety Feature to Watch – Forward Collision Warning

- Timeline of the feature
 - Available primarily on luxury vehicles, although recently it also has been offered by Ford, Chrysler, and other nonluxury brands
 - First appeared on a U.S. car in model year 2000
 - Standard on just 1 percent of 2005 models and optional on 2 percent
 - In 2010, it was standard on 1 percent and optional on 11 percent of models
 - Estimated to be available on 95 percent of registered vehicles in 2049
- However, if further research confirms the benefits of the technology, it could be expected to move faster.

<http://www.iihs.org/iihs/news/statusreport/article/47/1/1>

Safety of the 'Future' - Adaptive Cruise Control / Automatic Braking

- The technology is already here today, but will be improved upon greatly in the near future.
 - Developed in 1990.
 - First appeared in the US market in 2000.
 - When 25% of cars have Adaptive Cruise Control, travel times fall by 37.5%.
 - When 25% of cars have Adaptive Cruise Control, traffic delays were reduced by 20%
 - By 2017, 6.9 million new cars will be released with Adaptive Cruise Control.
 - Incorporates crash avoidance through automatic braking.
 - 29.6% of all collisions in 2005 were rear-end collisions.

Where to start? Edmunds Top 10 List (2006)

- Tire-pressure monitoring
- Adaptive cruise control/collision mitigation
- Blind-spot detection/side assist/collision warning
- Lane-departure warning/wake-you-up safety
- Rollover prevention/mitigation
- Occupant-sensitive/dual-state airbags
- Emergency brake assist/collision mitigation
- Adaptive headlights and/or night-vision assist
- Rearview camera
- Emergency response

Driver Assist to Driverless Google car



Teenage Drivers

- Percentage of High School Seniors Getting Driver's License
 - 85% in 1996
 - 73% in 2012
- Internet Impact
- Economy