

**R-1 Responses to  
Unavailable Personal Lines  
Insurance in the Voluntary  
Market**

THE AUTOMOBILE ASSIGNED RISK  
MARKET

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**PURPOSE**

- ▶ Brief history of the Auto Assigned Risk Plan
- ▶ How they work
- ▶ Current status of the Plans

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### The Automobile Assigned Risk Market

- The first auto assigned risk plan introduced in New Hampshire in 1938, as a result of the Auto Financial Responsibility Law.
- Following NH, Mass was the next state to adopt a Plan on Nov. 16, 1939
- Purposes of the Plan
  - Make insurance available to those who could not secure it via the regular market
  - Distribute those risks equitable among carriers

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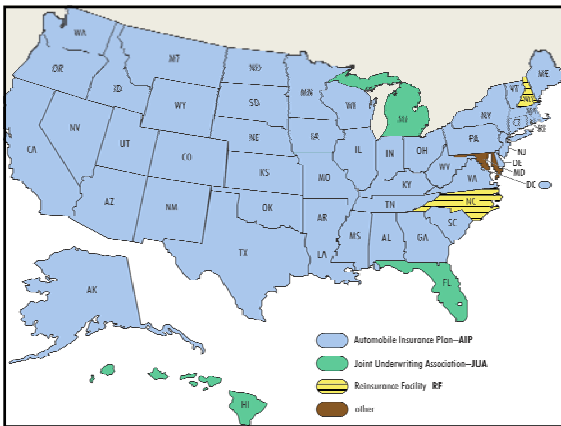
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### The Automobile Assigned Risk Market

- ▶ Types of responses to the problem
  - JUA - HI, FL & MI
  - Reinsurance Facility - NH & NC
  - State Plan -- MD
  - Auto Insurance Plan - All other States

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## RATES

- ▶ Originally the risk assumed the premium of the company that it was assigned to with a surcharge
- ▶ Later on uniform rates were established for the assigned risk market
- ▶ Certain states have subsidies directly built into the rating mechanism, namely
  - New York - Stewart Formula with shortfall charged to voluntary market
  - Rhode Island - An additional charge for the voluntary market policy used to subsidized the assigned risk insured
  - Penn - An additional \$2/policy is collected and used as a subsidy

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## Affordability

- ▶ California - Low Cost Auto Policy
- ▶ New Jersey
  - 1 Basic Policy
  - 2 SAIP
- ▶ Hawaii - Certified Public Assistance Insureds
- ▶ Subsidized rates
  - New York
  - Penn
  - R.I.

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## Limited Assignment Distribution (LAD) Program

A program to deal with Insurance companies who do not wish to participate in the AIP

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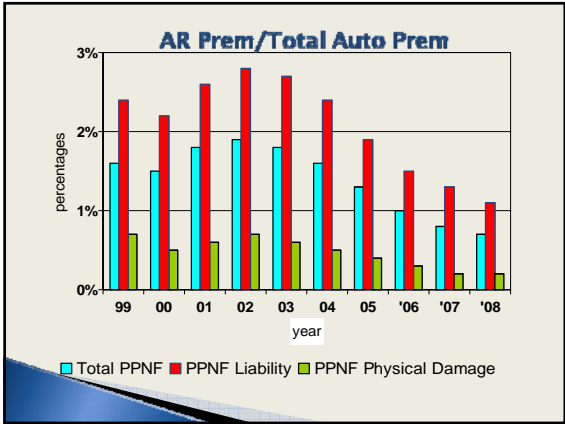
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### AR Prem/Total Auto Prem PRIVATE PASSENGER

▶ 1986	8.1%
▶ 1988	9.2
▶ 1990	8.2
▶ 1992	5.5
▶ 1996	3.5
▶ 2000	1.5
▶ 2002	1.9
▶ 2008	0.7

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### REASONS FOR THE DECLINE

▶ COMPANIES ARE ABLE TO PRICE THE RISK PROPERLY

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