



MAYOR JOHN F. STREET

PHILADELPHIA AUTOMOBILE INSURANCE RATE REDUCTIONS FACT SHEET

Today's action stems from the complaint Philadelphia filed with the state Insurance Department in May and the City's three individual rate petitions filed last year, which lead the Department to conclude that Philadelphia drivers were paying too much for automobile insurance. As a result, the Department has committed to lowering auto insurance rates in Philadelphia in two stages:

1. Rates for all limited tort policyholders, representing 70% of Philadelphia motorists, will be reduced by 15-25% overall, by increasing the minimum limited tort differential from 15% to 40%. This equals an aggregate dollar saving to Philadelphia drivers of approximately \$20 million.
2. Rates for all Philadelphia motorists are expected to decline by an **additional** \$35 million when the Insurance Department examines more detailed statistical data from insurance companies writing auto insurance in Pennsylvania. The Department has agreed to require all companies to provide information broken down into more specific coverage and geographic categories. This "Data Call," as it is known, will enable the Department to support and justify these additional cost reductions in Philadelphia, especially in the mandatory coverages required to drive legally in Pennsylvania.

Examples of Cost Savings

The change in the limited tort differential alone will save hundreds of dollars for most drivers in Philadelphia. Following are examples of cost savings for limited tort for a "standard" Philadelphia driver for two major insurance companies:

Company A	<u>current premium</u>	<u>savings</u>
mandatory coverage only	\$1,100	\$275
"full" coverage	\$1,710	\$170

Company B	<u>current premium</u>	<u>savings</u>
mandatory coverage only	\$1,000	\$250
"full" coverage	\$1,639	\$160

Source: Pennsylvania Insurance Department

"Standard" driver defined as married adult, age 35, clean record, currently insured, driving 2002 Ford Taurus 4-door with dual air bags, anti-lock brakes, passive anti-theft device, commuting five miles one way, 12,000 miles annually. Mandatory coverage is bodily injury, property damage and first-party medical benefits (PIP).

"Full" coverage includes mandatory coverages plus comprehensive and collision.

Timing and Implementation of Cost Savings

The state Insurance Commissioner has the authority to approve or disapprove rates filed by automobile insurance companies. By today's action, the Commissioner has agreed to:

1. Immediately advise all companies writing auto insurance in Pennsylvania (by issuing what is known as a "Statement of Policy") that the Department is raising the minimum limited tort differential from the current 15.3% to 40%. As a result, each company must adopt at least a 40% differential in its next rate filing.
2. By the end of September, require that all companies provide to the Department, within 90 days, additional information broken down into more specific coverage and geographic categories (by issuing what is known as a "Data Call"). The Department believes this additional data will illustrate and support additional rate reduction totaling \$35 million to all Philadelphia drivers across all coverages, both full and limited tort. These cost savings will take effect as the Department reviews each company's rate filing and implements reductions tailored to the specific data of each company.

Pennsylvania Required Minimum Auto Insurance Coverage

Medical Benefits - This pays medical bills for you and others covered on your policy regardless of fault. The minimum limit is \$5,000 of coverage. Higher limits are available.

Bodily Injury Liability - If you injure someone in a car accident, this coverage pays their medical and rehabilitation expenses and any damages for which you are found liable. You must buy coverage of at least \$15,000/\$30,000. The \$15,000 pays for injuries to one person while the \$30,000 represents the total available for one accident.

Property Damage Liability - If you damage someone's property in an accident and you are at fault, this coverage pays for it. You must buy at least \$5,000 of coverage. Some companies offer a single limit of \$35,000 which meets the bodily injury liability and property damage liability minimum requirements.

Source: Pennsylvania Insurance Department Web site
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