Louisiana

November 8, 2017
Auto Safety & Loss Cost Trends
Auto Loss Trends

4Q Moving Direct Loss Ratio

<table>
<thead>
<tr>
<th>Source: SNL Financial (S&amp;P Global Market Intelligence)</th>
</tr>
</thead>
</table>

**Frequency**

<table>
<thead>
<tr>
<th>Category</th>
<th>Quarter-Over-Quarter</th>
<th>Year-Over-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BI</td>
<td>-0.90%</td>
<td>-2.85%</td>
</tr>
<tr>
<td>PD</td>
<td>0.15%</td>
<td>0.53%</td>
</tr>
<tr>
<td>PIP</td>
<td>-0.71%</td>
<td>-0.42%</td>
</tr>
<tr>
<td>COMP</td>
<td>-0.75%</td>
<td>-1.26%</td>
</tr>
<tr>
<td>COLL</td>
<td>0.45%</td>
<td>2.11%</td>
</tr>
</tbody>
</table>

**Severity**

<table>
<thead>
<tr>
<th>Category</th>
<th>Quarter-Over-Quarter</th>
<th>Year-Over-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BI</td>
<td>2.2%</td>
<td>7.7%</td>
</tr>
<tr>
<td>PD</td>
<td>0.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>PIP</td>
<td>2.16%</td>
<td>3.25%</td>
</tr>
<tr>
<td>COMP</td>
<td>-0.19%</td>
<td>11.14%</td>
</tr>
<tr>
<td>COLL</td>
<td>-0.50%</td>
<td>2.07%</td>
</tr>
</tbody>
</table>

| Source: ISS/NISS/ISO Personal Auto Fast Track Data 2017 Q2 |
Causes

- Urban Congestion & Road Conditions
- Device Distractions
- Extreme Weather Events
- Speed Limits
- Impaired Driving
- Litigation Environment

Solutions

- Infrastructure Investment
- Handheld Bans & Primary Enforcement
- Weather Warning Systems
- Lower Speed Limits
- Education & Enforcement
- Tort Reform
Traffic Congestion

Average Metropolitan Area Commute Time

- LA: 2008 (22 minutes), 2016 (26 minutes)
- US: 2008 (23 minutes), 2016 (27 minutes)

Average Annual Delay (Hrs) per Auto Commuter

- Baton Rouge: 2008 (40 hours), 2016 (60 hours)
- New Orleans: 2008 (45 hours), 2016 (80 hours)
Distracted Driving

Distracted driving is a 'dangerous epidemic' in Louisiana

La. ranked worst state for distracted driving; AT&T launches campaign to curb problem
Extreme Weather Events
Tort Environment

Jury Trial Threshold

LA: $50,000
MD: $15,000
HI: $10,000
RI: $5,000
VA: $0
AL: $0
NH: $0
OK: $0
OR: $0
AK: $0
CT: $0
KY: $0
AR: $0
WV: $0
NHTSA 2017 Marijuana Study

• No reliable method to measure impairment
• Best available method = observations of well-trained officers
• Need to improve data collection on drug impaired driving.
• Make drug-impaired driving a separate offense from drunk driving
• NHTSA to develop “best practice” recommendations for roadside testing
Insurance Premium Growth

Personal Auto Since 2013

Commercial Auto Since 2013
Silver Medal Premiums

- 2\textsuperscript{nd} highest average overall premiums.
- 2\textsuperscript{nd} highest average collision premiums.
- 6\textsuperscript{th} highest average combined liability premiums.
- 8\textsuperscript{th} highest average comprehensive premiums.
Good News

“Overall customer satisfaction with U.S. auto insurers improves in 2017 and is now at a historically high level.” — J.D. Power
Bad News

Looking To The Horizon

- Worsening Frequency
- Record Severity
- Lagging Premium Growth
- Record Low Investment Income Rate
- Unsustainable Losses
- Record Negative ROE
Record Industry Losses

Increasing Compliance Burdens

Corporate/regulatory compliance expenses jumped 19% from 2013 to 2015.

Regulatory compliance may have cost property casualty insurers more than $1 billion in 2015.

Regulatory expenses for small carriers were 41% higher than the industry average.
Solutions for Louisiana

- Apply texting while driving law to all drivers
- Public education on the dangers and costs of distracted driving
- Public education on the “Tort Tax” all consumers and businesses in Louisiana are paying
- Reduce regulatory/compliance costs

Tort Reforms:
- Jury Trial Threshold
- Collateral Source rule
- Direct Action Statute
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