Rich Gibson, Senior Casualty Fellow
American Academy of Actuaries

Auto Insurance Refunds

AMERICAN ACADEMY *of* ACTUARIES
Objective. Independent. Effective.™

Property and Casualty Insurance (C) Committee—Dec. 15, 2021

General Considerations

- Rates for insurance are set on a prospective basis.
- Actuarial Standards of Practice (ASOPs) provide guidance.
- The expected loss ratios are frequently estimated using historical accident period results.
- The industry aggregate underwriting expense ratio is 24%.
- Recent Academy publication:
  Considerations for Handling Auto Insurance Data in the Era of COVID-19

AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

Accident Year Historical Data

Accident Year	Loss and LAE Ratios[1] Personal Auto Liability	Auto Physical Damage
2011	80.4%	73.7%
2012	80.1%	75.5%
2013	79.6%	72.1%
2014	79.6%	74.2%
2015	85.4%	73.9%
2016	86.6%	76.9%
2017	81.6%	75.0%
2018	78.3%	70.4%
2019	79.6%	70.2%
2020	69.6%	65.8%
2011-2019 Average	81.3%	73.5%
2011-2019 Standard Deviation	2.9%	2.3%

[1] Source: S&P Capital IQ

Limitations

- This does not consider the investment income earned by the industry for this line of business.
- Industry aggregate data and averages therefrom may not be the best way to judge the appropriateness of refunds provided to date.
- The auto physical damage data includes both personal and commercial auto.

AMERICAN ACADEMY of ACTUARIES

Objective. Independent. Effective.™

Further Considerations

- Any potential need for refunds should be measured and considered at the company and state levels.
- Arriving at broad conclusions without a depth of analysis would be ill-advised.
- Companies continue to monitor their individual results and adjust rates as appropriate.

- Questions?

- Contact: Rob Fischer, Casualty Policy Analyst, fischer@actuary.org

American Academy of Actuaries

Objective. Independent. Effective.™