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Please Support HB22-1357
Rep. Weissman
SAVING PEOPLE MONEY ON INSURANCE

Background

- Coloradans paid over **\$5.3 billion in auto insurance premiums** in 2020...
- ...and over **\$2.8 billion in homeowners' insurance premiums** in 2020¹
- Colorado has had “prior approval” for health insurance since 2008 – BUT we do not have this for auto insurance or homeowners' insurance.
- **What is prior approval?**
 - Review of rate filings by Division of Insurance prior to rates taking effect
 - **Consumer protection measure** to make sure rates are actuarially justified
- From 2014-18, **Coloradans saved over \$250 million in health insurance premiums** due to prior approval
- **“Prior approval” of insurance rates is not a new concept** in insurance oversight and is in place in **36 states**, red, blue, and purple: AL, AK, AR, CA, CT, DC, FL, HI, ID, IA, KS, KY, LA, MD, MI, MN, MS, NE, NV, NH, NJ, NM, NC, ND, OH, RI, SC, SD, TN, VT, VI, VA, WA, WV, WI, WY have prior approval for some lines of insurance.
- **Auto insurance is required by law – thus there is NOT a free market** that operates to restrain prices. Violation of this requirement is a class 1 misdemeanor traffic offense.²
- **Homeowners insurance is invariably required in connection with a mortgage loan.** Most people cannot afford to pay cash for a home. Even for those who can, going without insurance on one's most valuable asset is not a good idea. There is a strong case for oversight even though this insurance is not legally required.
- Inflation in Colorado is forecast to be **7% in 2022** – the highest in many years.³
- **By increasing oversight of insurance rates for some of the most widely used, most important types of insurance, we can save people money in a time of rising costs.**
- **Saving people 1% on 2020 auto & homeowners premiums would have let Coloradans keep \$80 million in their pockets**
- **“Loss ratio”** is insurance parlance for [claims paid] / [earned premiums]
 - Example - \$78M of claims paid out of \$100M premiums earned = 78%
- **“Loss ratio” from the consumer standpoint = “benefit ratio”**
 - What % of premium dollars paid into insurer are paid back out in **claims paid**
 - **Higher % = better value for insurance consumer**
- **If the target loss ratios in HB 1357 had been in effect in the last decade, Coloradans would have saved more than \$2 BILLION in premiums.**⁴
- **Some insurers, in some years, already achieve these target loss ratios, providing the hoped-for amount of value to insurance customers. They would not have to change anything pursuant to HB 1357.**

¹ 2020 Division of Insurance annual statistical report - <https://doi.colorado.gov/colorado-insurance-industry-statistical-report>

² C.R.S. 42-4-1409

³ March 2020 LCS estimate for Denver-Aurora-Lakewood MSA - https://leg.colorado.gov/sites/default/files/images/cpi_march_2022_lcs_forecast.pdf

⁴ Bill sponsor analysis of 2011-2020 DOI annual statistical reports – top 5 carriers by market share for auto and homeowners' lines