

March 13, 2017

Montana State Legislature
House Business and Labor Committee

sent via email to:
karmstrong@mt.gov

**RE: SB 212, Motor Vehicle Insurance Rate Reduction - NAMIC's written testimony IN
OPPOSITION**

Dear Representative Noland, Chair; Representative Curtis, Vice-Chair; Representative Ricci, Vice-Chair; and honorable members of the House Business and Labor Committee:

Thank you for affording the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to the House Business and Labor Committee for the March 21, 2017, public hearing.

The National Association of Mutual Insurance Companies (NAMIC) is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly \$225 billion in annual premiums. NAMIC has 134 members who write property/casualty in the State of Montana, which represents 40% of the insurance market.

Although NAMIC appreciates the value of motorist traffic safety courses, we have the following public policy concerns with the proposed expansion of the Defensive Driving Act insurance rate reduction requirement to make it apply to all drivers (current law applies it to only drivers 55 years of age and older) for three years (current law applies it to only two years) after completing the course:

1) There is no evidence to support the contention that motorist traffic safety courses actually reduce motor vehicle accident exposure for all drivers.

Automobile insurance carriers have a duty to their policyholders to match their insurance rates to the consumer's personal risk of loss exposure. Insurers accomplish this rating endeavor by basing their rates upon *actuarially sound* data. NAMIC is unaware of any national data that supports the contention that risk of loss exposure decreases for all drivers as a result of them taking a motorist safety course.

Unless there is clear and reliable data that supports the contention that all drivers, of all ages, of all levels of driving experience, and of all varying driving records have a reduced risk of being involved in an automobile accident for three years after the completion of a driver safety course, NAMIC believes that the proposed rate reduction mandate should be rejected as being inconsistent with basic and fundamental insurance risk of loss rating practices.

2) The proposed legislation would likely result in some insurance consumers being forced to subsidize the rates of other, possibly higher risk of loss exposure, insurance consumers.

Except for older drivers, who frequently take a defensive driving course as a proactive education to refresh them on current traffic laws and driver safety principles, most of the motorists who take a driver safety course are doing so because they lack valuable driving experience or have been ordered by the courts or DMV to take a motorist safety course because they were involved in traffic safety infractions. These inexperienced drivers and motorists who fail to adhere to the law on safely operating a motor vehicle are by their very nature high risk of loss exposure motorists, so the mere fact that they took a driving safety course doesn't (in and of itself) mean that they should be automatically considered to be safer drivers with a lower risk of loss exposure and given an insurance premium rate reduction. Driving experience and past driving record are still the most predictive variables as to whether a motorist is likely to be involved in an auto accident.

NAMIC is concerned that the proposed legislation is really just a motorist safety course "business development act", that will end up forcing low risk of loss exposure drivers, who don't need to take a driver safety course, to have to subsidize the insurance rates of high risk of loss exposure drivers. This is unfair and entirely inconsistent with the foundational principle of insurance rating, i.e. high risk of loss exposure consumers should pay more for their insurance coverage than low risk of loss exposure consumers.

3) There is no evidence to support the contention that the pro-safety influence of a driver safety course last three years from the date of completion of the course.

NAMIC believes that the current two year rate reduction requirement is more than fair and pro-consumer safety. There is no data to support the contention that the mandated insurance rate reduction period should be or needs to be increased by a year. Ultimately, the motorist's driving record post-driver safety course is the key variable and insurers already take this information into consideration when they rate auto insurance applicants.

4) The proposed legislation is unnecessary in Montana's competitive auto insurance marketplace.

Insurance consumers benefit from robust competition between insurers in their rating and underwriting criteria. If insurers want to voluntarily extend the rate reduction to a motorist for taking a driver safety course or offer other motorist safety discounts, these insurers should have the right to consider their business plan and book of business then decide whether such a rate reduction makes sense for their policyholders. In a competitive marketplace, there will always be insurers looking to distinguish themselves and offer a discount that provides them with a pricing advantage. These insurers should be allowed to develop such products and compete, as opposed to the state creating a "one size fits all" rate reduction mandate.

For the aforementioned reasons, NAMIC respectfully requests that the House Business and Labor Committee **VOTE NO on SB 212.**

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,



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