

COLORADO'S AUTO INSURANCE MARKETPLACE

A cautionary tale on past and current premium trends

Fifteen years ago Colorado car insurance rates were on a roller coaster ride that had only one direction: **UP**. Drivers were in sticker shock over double-digit increases and paying the 8th highest premiums in the country. Then in 2003 premiums plummeted by more than 30% on average when no-fault sunset. **END OF THE STORY? NOT SO FAST...**

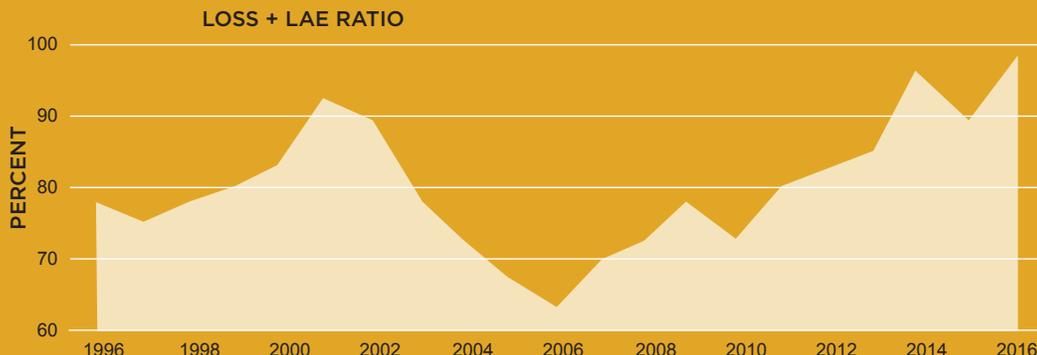
Colorado is on an insurance collision course of escalating cost trends: booming population, high-risk driving that includes distractions, no seatbelts and impaired driving, new car technology repair costs, increasing medical treatment fees, record-breaking hailstorms and out-of-control lawsuit abuses:

- **#2** in U.S. for hail insurance claims (National Insurance Crime Bureau). May 2017: \$1.4 billion hailstorm (CO's Front Range)/July 2016: \$353 million hailstorm (Colorado Springs)
- **#2** in U.S. for increased comprehensive coverage insurance costs—up 129% from (Q2) 2016- (Q2) 2017. National average increase: 11% (Fast Track Data Monitoring Service)
- Colorado traffic deaths up 29% from 2014-2017. In 2016, 77 fatalities involved high drivers (THC identified in blood). 14% increase in collision claims since legal recreational pot (CDOT, Insurance Institute for Highway Safety).



**BUMPY
CAR
INSURANCE
ROAD
AHEAD**

WHAT'S DRIVING YOUR COLORADO CAR INSURANCE RATES?



Solutions boil down to what cost drivers can we control to help stabilize Colorado's insurance marketplace for consumers.

During the past five years, insurance companies are again struggling to keep up with skyrocketing claim costs that barely break even with premiums collected—loss ratios have climbed back to the levels of the old no-fault days. If we don't put the brakes on, the car insurance rate sticker shock will again have Colorado drivers footing the bill for an out-of-control system.

Colorado Legislative and Case Law Developments

Many risk factors determine your car insurance rates, but marketplace drivers such as legislative mandates that incentivize lawsuits and exorbitant jury awards are key cost drivers. Two examples:

1 "Phantom Damages" Does this sound fair or reasonable?

Colorado juries are allowed only to see the astronomical medical bills initially charged, even if a much lower amount is actually paid to treatment providers. In deciding a fair lawsuit amount doesn't it make sense for jurors to have both billed amounts and actual payouts for medical care? Otherwise the jury only hears about these "phantom damages". *Ultimately we all pay for these non-existent bills through higher car insurance premiums.*

2 Unreasonable Delay/Denial (Statutory First-Party Bad Faith)

A recent verdict based on Colorado law opens the door to all types of home and car repair vendors suing without your consent or knowledge: a roofer fired by a Colorado homeowner for shoddy work sued their insurance company. The actual homeowner was happy with their settlement, but under Colorado's bad faith law the roofer was able to take a case to court and sue for double, even triple damages. *A 2016 statewide poll shows nearly 70% of those surveyed feel Colorado law should not allow contractors or repair shops in these situations to sue your insurance company on your behalf to get paid without your knowledge, consent and contrary to your best interests.*



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