



OFFICE OF INSURANCE AND SAFETY FIRE COMMISSIONER

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VIA HAND DELIVERY

Representative David Ralston
Chairman, Judiciary Non-Civil Committee
132 State Capitol
Atlanta, Georgia 30334

Re: SB 276 – Uninsured Motorist Coverage

Dear Chairman Ralston:

Recently, my office has received inquiries from various parties, including Senator Staton, regarding the effects on automobile insurance rates should SB 276 be enacted into law. Since first obtaining industry estimates of the average increase in rates for uninsured motorist coverage, my office has further analyzed the expected increase in uninsured motorist rates as well as personal automobile liability rates on the whole. In the event it may be helpful to your Committee, a brief summary of our analysis follows.

Under current law, uninsured motorist (“UM”) coverage also pays for damages caused by an underinsured motor vehicle up to the difference between the at-fault party’s available liability coverage limits and the injured party’s UM coverage limits.¹ Under SB 276, the full limits of the UM coverage would be available. However, broader coverage does mean more expensive coverage.

Approximately 84% of the personal automobiles insured in Georgia have UM coverage.² Based upon the estimates of the two largest automobile insurers in Georgia, we estimate SB 276 would result in average UM rate increase of approximately 150%.³ Of course, the impact on individual policyholders will vary greatly depending on the insurer and the selected coverage and limits. Nevertheless, assuming a 150% UM

¹ See O.C.G.A. § 33-7-11.

² National Association of Insurance Commissioners (“NAIC”) Auto Insurance Database Report.

³ State Farm and Progressive estimate that UM rates could increase between 100 – 200%.

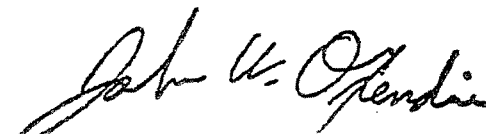
premium increase, the proposed broader coverage, by our estimates, will result in Georgia consumers paying an additional \$400,000,000.00 per year.⁴

Using data extracted from the NAIC Auto Insurance Database Report, we have further analyzed the overall potential impact on personal automobile liability coverage premiums. In 2003, the average premium for liability coverage (including bodily injury, property damage, medical payments, and UM) in Georgia was \$431.19. Assuming a UM rate increase of 150% for UM coverage alone, the average liability premium would increase to \$523.04 for Georgians (an overall 21.3% premium increase - or approximately \$92.00 a year). For policyholders with comprehensive and collision coverage, the average premium increase would be 9.7%.⁵ Please keep in mind these figures anticipate that UM rates will only increase 150%.

In my analysis, the minimal benefits of SB 276 would be greatly outweighed by the increased costs to Georgia consumers.

Should you or the members of your Committee have any questions, please do not hesitate to contact me.

Sincerely,



John W. Oxendine

cc: Senator Cecil Staton
Judiciary Non-Civil Committee Members

⁴ In the unlikely event UM rates only increased 100%, Georgia consumers would still pay an additional \$270,000,000.00 per year. If UM rates increased 200%, Georgia consumers would have to pay an additional \$540,000,000 per year.

⁵ For purposes of comparison, these figures were calculated on an earned premium basis.