

# Sham Study No Comfort to Wisconsinites Paying Higher Auto Insurance Premiums

## *Citizen Action Tries to Mislead Public*

1. **Slight of Hand** – In the space of two sentences, Citizen Action switches from discussing insurance premiums to rates. The study confuses rate increases with premium increases, perhaps intentionally. Premiums are the amount a policyholder pays on the insurance bill. Rates are the amount charged for a given level of insurance. While the state mandates passed in the budget will likely increase rates in the long run, the major impact is to force drivers to buy more insurance which increases their insurance bill (or premium). Put another way, when that customer writes the next check to their auto insurer, they will write a bigger number on it if maintaining some level of insurance.
  - *Example: Let's say you can only afford the minimum level of insurance protection (25,000/50,000/15,000) and the state doubles the minimum to 50,000/100,000/20,000. The RATE charged for 50,000/100,000/20,000 won't be higher. But your auto insurance PREMIUM (your bill) will definitely rise because the state is mandating you buy more insurance.*
  - *The study says that auto insurers are not filing for substantially higher rates, therefore premiums will not rise. Wisconsin insurers have not predicted that rates will increase. **They have predicted that premiums will increase.** The Wisconsin law mandates higher minimum limits so anyone whose coverage ratchets up from the old minimum limits will see his/her premiums rise.*
  - *The Citizen Action report grossly distorts the financial position of property/casualty insurers. According to the Wisconsin Office of the Commissioner Insurance's annual report, Wisconsin-based property-casualty insurers posted a net loss of \$1.1 billion from all operations in 2009.*
  - *Auto insurance profits in Wisconsin have been on the decline in recent years and are somewhat below that of the U.S.*
  
2. **Ignores Impact on the Poor** – Citizen Action cut out the part of the WIA analysis that showed the largest premium increases for those who can least afford it. The largest impact is on the 20-25% of policyholders who can only afford to buy the minimum level of insurance. During the worst recession since the Great Depression, the state is mandating low and middle income families to buy about twice as much insurance.
  - *If you were among the 20-25% of Wisconsinites with auto insurance who struggle to pay for the minimum level of insurance, you are paying more for your insurance...a lot more.*
  - *Experience in other states shows raising insurance premiums for those least able to pay will increase the number of uninsured motorists, despite mandating auto insurance.*
  - *When the state mandates higher insurance costs on the poor during a recession, many of those forced to pay the largest increase are unemployed workers.*
  
3. **Removed Consumer Choice and Increased Costs** - The Legislature removed consumer choice of coverage and coverage levels by mandating the highest minimums in the country. The increased auto insurance costs mandated in the budget have not all kicked-in, yet. These mandates will likely increase insurance costs for years to come.
  - **Ignores Governor Doyle's Own Veto Caution** – The Doyle veto reduced the increase in cost of the mandate passed by the Legislature. The Governor's veto message recognizes the magnitude of the premium increases. He justifies vetoing some of the proposed increased mandate by stating, *"However, with the implementation of this mandate, it is more essential than ever to ensure that insurance premiums remain affordable for all drivers required to purchase coverage."*