Executive Summary
June 7, 2007

Based on company-specific data filed with the Office of Financial and Insurance Services (OFIS) and data complied by the National Association of Insurance Commissioners (NAIC) of the three leading auto insurance carriers in Michigan (AAA, Allstate and State Farm), the attached report confirms the following conclusions:

- The three leading Michigan auto insurers — AAA, Allstate and State Farm — have amassed significant profits from both liability and physical damage coverage during the last five years. These two features account for about two-thirds of the cost of auto insurance premiums.

- The profitability of no-fault coverage — which accounts for one-third of the premium cost — is almost impossible to determine because the Michigan Catastrophic Claims Association (MCCA) is not subject to the Freedom of Information Act.

- AAA — whose business is predominately in Michigan — has more than doubled their profits in the last four years from $50.9 million in 2002 to $104.2 million in 2006. Their surplus has also increased during the last four years from $915 million in 2002 to $1.534 billion in 2006.

- Michigan is one of only a few states that allow insurance companies to raise rates at will, that prohibit the insurance commissioner from mandating refunds, and that do not allow drivers to recoup the costs when auto insurers overcharge consumers.

- The Kreiner decision — a 2004 ruling from the Michigan Supreme Court that benefited the insurance industry — has a negligible effect on the cost of auto insurance premiums for three reasons: 1) the effect of rating factors dwarfs any effect Kreiner could have; 2) the insurance industry has said nothing about how Kreiner has effected their profits in their annual statements and filings — which they would have if there was an effect; 3) Kreiner affects only the liability portion of the premium, which accounts for only 15% of the total premium.

- The rating characteristic that drives up the cost of a driver's premium the most is geography — where the driver lives. Based on the 2006 Buyers Guide to Auto Insurance published by OFIS, premiums typically differ between 250 percent and 350 percent based on territory alone.

- Ways to substantially bring rates down:
    - Allow the commissioner to find and disapprove of excessive rates.
    - Stop allowing insurers to surcharge customers based on rating factors (credit history, address, etc.) that excessively drive up costs for low-income people.
    - Authorize the commissioner to order refunds when insurers illegally overcharge consumers.
    - Allow consumers to recoup the costs of illegal overcharges from insurers.
    - Make the MCCA's records available to the public.
    - Allow the commissioner to disapprove excessive MCCA assessments.

An Analysis of the Profitability and Performance

of the

Michigan Auto Insurance Market

by

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May 30, 2007

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Executive Summary

This report analyzes the Michigan auto insurance market based both on the company-specific data the three leading auto insurance carriers have filed with the Michigan Office of Financial and Insurance Services and on the aggregate data the National Association of Insurance Commissioners has compiled from the filings of all Michigan auto insurers. It finds the following:

* The Michigan auto insurance market is unique in several respects. For example, Michigan is the only state in which people injured in auto accidents can obtain unlimited no-fault benefits--reimbursement for the costs of treating their injuries, regardless of the extent of the treatment necessary, from their own insurance company. On the other hand, Michigan is also one of only a few states which not only allow insurers to raise rates at will, but also both prohibit the commissioner from ordering refunds and prohibit drivers from suing when auto insurers overcharge their policyholders.

* For the three leading Michigan auto insurers--State Farm, Allstate, and AAA--both liability and physical damage coverage have been highly profitable over the last five years. These two coverages account for about two-thirds of the auto insurance premium.

* The true profitability of no-fault coverage, which accounts for approximately one-third of the premium, is difficult to determine. That is because of the manner in which claims exceeding $400,000 are paid, and because of the manner in which insurers account for those payments. The Michigan Catastrophic Claims Association is funded by an annual per-car surcharge and pays for no-fault claims exceeding $400,000. Whether the assessments auto insurers and ultimately policyholders pay to the MCCA are reasonable, and whether the assumptions the MCCA makes as to its ultimate liability are reasonable, are not known

today, because the MCCA takes the position that it is not subject to the Freedom of Information Act.

* AAA, which is the only one of the three leading carriers whose business consists predominantly of Michigan business, more than doubled its profits in five years, from $50.9 million in 2002 to $104.2 million in 2006. AAA's surplus--the amount it holds over and above the amount it has set aside to pay claims--has also increased substantially in the last five years, from $915 million in 2002 to $1.534 billion in 2006. .

* The Michigan Supreme Court's decision in Kreiner v. Fischer, which makes it more difficult for auto accident victims to sue the driver of the car that caused the accident, has not had and is unlikely to have a material effect on Michigan auto insurance premiums. That is because, among other things, the only part of the auto insurance premium dollar Kreiner could affect is the liability portion, which accounts for only 15% of the total auto insurance premium. In addition, any effect Kreiner could have on an individual's auto insurance premium is dwarfed by the effect the driver's individual characteristics--such as where he lives, his credit history, and whether he's had a gap in coverage--have on his premium.

* The Michigan Insurance Code does not authorize auto insurers to surcharge drivers based on credit history, lack of prior coverage, education or occupation. Nevertheless, many auto insurers in Michigan do surcharge people based on these factors, since the Michigan statute does not provide for any meaningful penalty against insurers who do impose these surcharges.

* The rating characteristic which has the greatest effect on a driver's premium in Michigan is territory--where the driver lives. According to the 2006 Buyers Guide to Auto

Insurance published by OFIS, premiums typically differ by between 250% and 350% based on territory alone. Insurers also give substantial weight to credit history, notwithstanding its questionable legal status, in calculating individual premiums in Michigan.

* Various changes to Michigan law could be enacted which would bring Michigan auto insurance rates down. They include:

- Authorizing the commissioner to find rates excessive and to disapprove excessive rates.

- Strengthening the law prohibiting insurers from surcharging people based on credit history, lack of prior coverage, and other factors that have driven up rates for low-income people.

- Authorizing the commissioner to order refunds when insurers unlawfully overcharge policyholders.

- Establishing a private right of action to enable policyholders to recover illegal overcharges.

- Enabling the public to have access to the MCCA's records, and authorizing the commissioner to disapprove excessive MCCA assessments. The profitability of no-fault coverage depends to a large extent on what the ultimate liabilities of the MCCA are, and under current law the ultimate liabilities of the MCCA are whatever the MCCA says they are. Allowing the legislature and the public to have access to the MCCA's data and projections will enable the public to have a truer picture of the profitability of no-fault insurance than is available today.

I. Introduction

This report analyzes the Michigan auto insurance market based both on the company-specific data the three leading auto insurance carriers have filed with the Michigan Office of Financial and Insurance Services ("OFIS") and on the aggregate data the National Association of Insurance Commissioners ("NAIC") has compiled from the filings of all Michigan auto insurers.

First, so as to place the performance of the Michigan auto insurance market in context, this Report briefly reviews the nationwide performance of both the property/casualty industry in general and the auto insurance industry in particular.

Second, it describes the Michigan auto insurance market and explains some of the characteristics that make the Michigan market different from other state auto insurance markets.

Third, it reviews the performance and profitability of the three leading Michigan auto insurance carriers—State Farm Mutual Automobile Insurance Company ("State Farm"), Automobile Club Insurance Association ("AAA"), and Allstate Insurance Company ("Allstate")--based on the Annual Statements they have filed with the Department of Insurance and the NAIC.

Fourth, it reviews the performance and profitability of the Michigan auto insurance market as a whole, based on the aggregate data the NAIC has compiled from the Annual Statements of all Michigan auto insurers.

Fifth, based on the data insurers have filed with the Michigan Department, the Report explains the effect the case of Kreiner v. Fischer, 471 Mich. 109 (2004), which made it more

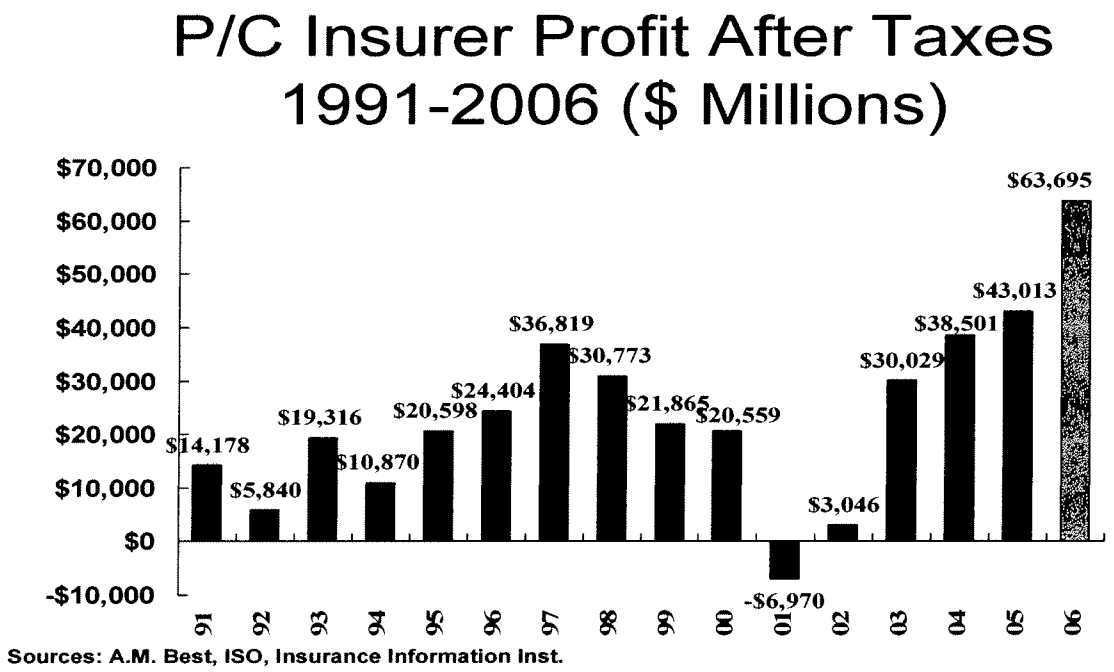
difficult for auto accident victims to sue, has had and is likely to have on Michigan auto insurers. It also explains the effect reversing that decision would be likely to have.

Finally, the Report proposes several alternative methods for bringing auto insurance rates in Michigan down.

II. The performance of the insurance industry nationally

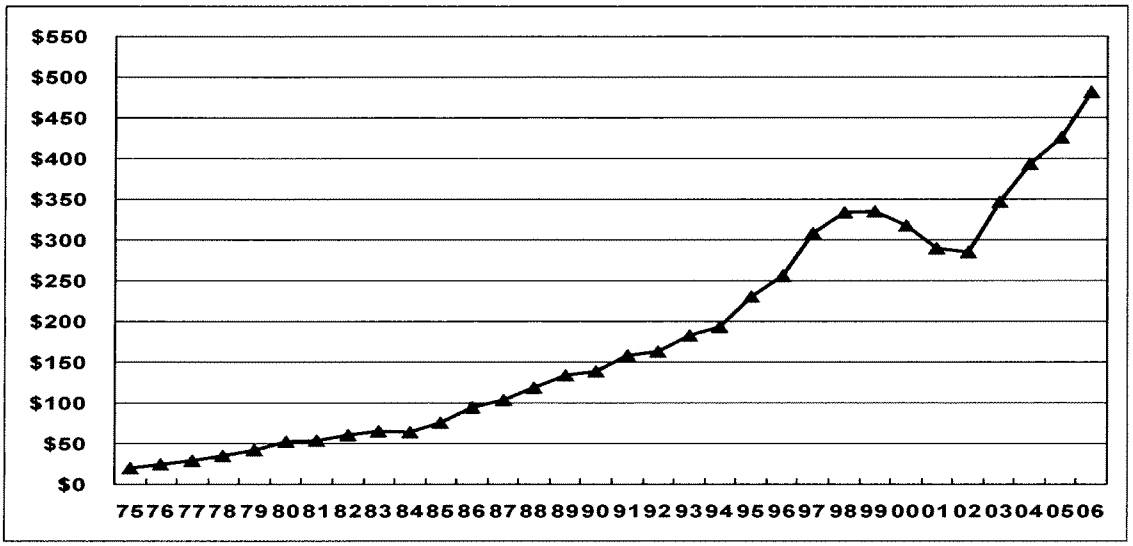
A. The performance of the property/casualty industry

Property/casualty industry profitability reached new all-time highs in 2004, 2005—even after accounting for all losses caused by Hurricane Katrina—and 2006. The industry's net income for each of the last 15 years is shown in the following chart:



As the chart indicates, the industry's $63.7 billion profit in 2006 was almost 50% greater then the record high it had set a year earlier.

Property/casualty industry surplus—the amount the industry holds in addition to the amount it has set aside as reserves to pay claims in the future—has also set new records in each of the last three years, as the following chart indicates.



Source: A.M. Best, ISO, Insurance Information Institute

At year-end 2002 the industry's surplus stood at $285 billion. That surplus increased to $391 billion in 2004, $427 billion in 2005, and $487 billion as of year end 2006. The industry's surplus thus has increased by $197 billion, or 69%, in less than four years.

Perhaps most impressive, however, is that the industry had an underwriting profit of $31.2 billion--profit from its insurance business alone, before adding in investment income--in 2006. Because they earn so much in investment income, insurers must lose money on underwriting to maintain their rates at adequate but not excessive levels: subtracting the money they lose on underwriting from the money they earn on their investments leaves them with an adequate but not excessive profit. In 2006, however, the industry earned a profit of

7.6 cents on each premium dollar it collected in addition to the profit it earned by investing its assets. That is the highest annual underwriting profit the industry has ever had.

B. The performance of the auto insurance industry nationally

While industry-wide 2006 auto insurance results are not yet available, results for the carriers that have reported, according to the Insurance Journal, are "eye-popping." For example, Allstate reported a record $5 billion profit in 2006 and State Farm's profits rose 65 percent in 2006. Moreover, in the fourth quarter of 2006 St. Paul Travelers' profits rose 600%, and AIG's rose 800%. "Insurers Reject Critics Who Say Big Profits Are at Claimants' Expense," Insurance Journal, March 28, 2007. In addition, when 2004 auto insurance results were reported a respected auto insurance industry newsletter observed that "Personal auto insurance reached its second highest after-tax profit margin in a generation in 2004." Risk Information, Inc., Auto Insurance Report, Feb. 13, 2006, at 1. Regarding 2005 auto insurance profitability, the newsletter stated that "No one is allowed to complain about the auto insurance market in 2005. Everyone, and we mean everyone, made money, just as they did in 2004, and just as they will in 2006." Risk Information, Inc., Auto Insurance Report, Dec. 19, 2005, at 1. Based on the auto insurance industry's excellent 2004 and 2005 results, the record profitability of property/casualty insurance in general in 2006, and the fact that auto insurance accounts for about 40% of all property/casualty insurance, one can reasonably expect that the profitability of auto insurance will also have set a new record in 2006.

III. The Uniqueness of the Michigan Auto Insurance Market

The Michigan auto insurance market is unique in two major respects, both of which involve trade-offs. First, people injured in auto accidents can obtain reimbursement for the costs of treating their injuries, regardless of the extent of the treatment necessary, from their own insurance company. In exchange for enabling auto accident victims to receive such benefits, the legislature has strictly limited the circumstances under which they can sue the driver of the car that caused the accident.

Second, unlike insurers in virtually all other states, who can use virtually any criteria they wish to in calculating auto insurance premiums, auto insurers in Michigan can use only the criteria specified in the Michigan Insurance Code. Counterbalancing this restriction it places on insurers, however, Michigan allows insurers to raise rates at will, and both prohibits the commissioner from ordering refunds and prohibits private parties from suing when auto insurers overcharge their policyholders.

This section discusses both these sets of trade-offs.

A. The no-fault trade-off

Michigan is the only state in the union which provides unlimited no-fault medical benefits. Thus, in Michigan all auto accident victims, including those seriously injured, can be reimbursed for all their resulting medical expenses from their own insurance company. All other states either do not enable auto accident victims to obtain any compensation from their own insurers, or severely limit such compensation.

In exchange for allowing auto accident victims to be reimbursed for their medical costs by their own insurance company, Michigan strictly limits the circumstances under which they can sue the driver who caused the accident and thus can recover from his

insurance company. Specifically, Michigan allows such suits only if the injured person has suffered "death, serious impairment of body function, or permanent serious disfigurement." MCL 500.3135(1). In contrast, states without no-fault system allow auto accident victims to sue regardless of the severity of the injury; most states with no-fault systems allow suits if damages exceed a certain amount; and those few other states that, like Michigan, describe the type of injury an individual must have to sue – rather than specifying the amount of damages he must have – allow suits for much less serious injuries than Michigan does.

Michigan is also the only state in the union that has established a fund which pays all no-fault claims exceeding a certain level. Between 1978 and 2002, that level was $250,000; it is now $400,000, and it will increase gradually to $500,000 in 2011. The fund, called the Michigan Catastrophic Claims Fund, or MCCA, is run by the industry and funded by policyholders: each year the MCCA's actuaries estimate the amount they project will be necessary to pay the claims covered by the MCCA, and calculate a per-car surcharge that each auto insurer pays to the MCCA and bills its policyholders for. The estimates on which these surcharges are based are necessarily highly uncertain because the costs the MCCA will ultimately need to pay depend to a large extent on future interest rates, future stock market performance, and the future cost of medical care—none of which any of us can possibly know today. MCCA assessment have therefore fluctuated wildly. In 1998, for example, the MCCA refunded $1.2 billion, or $180 per car, to Michigan drivers, because inflation was lower than the MCCA's actuaries expected and they projected that future claim costs would drop. In each of the three most recent fiscal years, on the other hand, the MCCA per-car surcharge was between $127 and $142.

B. The rating factor trade-off

Unlike virtually all other states, Michigan specifies the rating factors insurers must use. Rating factors are the various characteristics, such as driving record, mileage driven and years of driving experience, based on which an individual's auto insurance premium can vary. For example, auto insurers surcharge drivers with poor driving records, and give discounts to drivers with clean driving records. For both liability and no-fault coverage in Michigan, the only rating factors auto insurers can use--i.e., the only criteria based on which auto insurers can surcharge or discount an individual driver--are the following:

1. The driver's age, length of driving experience, or number of years licensed;
2. Driver primacy;
3. Mileage driven;
4. Type of use;
5. Vehicle characteristics;
6. Commuting mileage;
7. Number of cars insured or licensed operators;
8. Amount of insurance;
9. Successful completion of an accident prevention education course;
10. Driving record;
11. Territory.

MCL 500.2111(2)(a), (2)(d), (3), (4). In contrast, most states permit insurers to use virtually any rating factor they wish, including such characteristics as credit history, length of prior coverage, prior limits, education, and occupation.

Insurers have argued, notwithstanding section 2111, that a new section of the Code enacted in 1996, section 2110a, permits them to use any rating factor not authorized by section 2111 that is actuarially justified. In fact, however, 2110a allows insurers to use rating characteristics not authorized by section 2111 only if they are part of a premium discount plan, and only if (1) the rating characteristic is uniformly applied to all the insurer's policyholders, (2) the insurer's premium discount plan is consistent with the purposes of the

EIA, and (3) the plan reflects reasonably anticipated reductions in losses or expenses.[1] No insurer has ever made a showing that any rating factor not authorized by section 2111 meets the 3-part test of section 2110a.[2]

While on the one hand Michigan places a burden on auto insurers by strictly limiting the rating factors they may use, on the other hand Michigan confers a benefit on auto insurers by permitting them to raise their rates at will: rate increases are subject to neither the commissioner's prior approval nor any waiting period, but rather take effect automatically upon filing. MCL 500.2108. Moreover, the commissioner has no practical authority to disapprove rate increases even after they have taken effect. That is because under Michigan law, unlike the law of most states, to be "excessive" not only must an auto insurance rate be "unreasonably high for the insurance coverage provided," but in addition the auto insurance market must be one in which "a reasonable degree of competition does not exist." MCL 500.2109(1)(a). Because many different auto insurers do business and have always done business in Michigan, the "reasonable degree of competition does not exist" standard has never been met and could not be met. Notably, the commissioner has recently found that, although in certain territories the auto insurance market is not reasonably competitive, on a statewide basis it is. OFIS, The Competitiveness and Premium Excessiveness of the Home and Auto Insurance Industries in the State of Michigan, March 2005, at 9. As a practical matter, therefore, as the commissioner has recently pointed out, the commissioner has no

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[1] MCL 500.2110a provides, in relevant part:

"If uniformly applied to all its insureds, an insurer may establish and maintain a premium discount plan utilizing factors in addition to those permitted by section 2111 for insurance if the plan is consistent with the purposes of this act and reflects reasonably anticipated reductions in losses or expenses."

[2] The insurance commissioner has promulgated a regulation that expressly prohibits insurers from using credit history as a rating factor. However, the insurance industry sued to prevent the rule from taking effect, and a Barry County judge has enjoined its implementation. Opinion and Order Granting Permanent Injunction, Insurance Institute of Michigan v. Commissioner, Barry County Circ. Ct., File No. 05-156-CZ, April 25, 2005. The state is appealing that ruling.

authority to find auto insurance rates excessive in Michigan, regardless of how high they are or how high a return they produce. Id.

Finally, even if the commissioner were somehow to find rates excessive, the commissioner has no authority to order refunds to policyholders who paid excessive rates. All she can do is order the insurer not to charge the excessive rate in the future. MCL 500.2114(2). In addition, relying on two recent Michigan Supreme Court decisions the Sixth Circuit Court of Appeals has ruled that policyholders have no ability to obtain refunds for themselves, even if they can demonstrate that their insurer has illegally surcharged them. McLiechey v. Bristol West Ins. Co., 474 F.3d 897 (6th Cir. 2007). Thus, while on the one hand Michigan limits the rating factors auto insurers can use, on the other hand the inability of private parties to challenge illegally high premiums together with the commissioner's inability to order refunds means there is no meaningful sanction for unlawful rating practices in Michigan.

IV. The performance of three leading Michigan auto insurers: State Farm, Auto Club and Allstate

A. Background

This section analyzes the profitability of the Michigan private passenger auto insurance business of State Farm, AAA, and Allstate, based on the data in their Annual Statements. In most years, those have been the three largest auto insurers in Michigan. They typically account for approximately 45% of all Michigan private passenger auto business.

In their Annual Statements insurers are required to disclose their premiums and losses in each state, broken out by line and for auto insurance, by sub-line of insurance. The Annual Statements thus enable us to see each auto insurer's results separately for no-fault

coverage, liability coverage, and physical damage coverage, i.e., comprehensive and collision. For each of those types of insurance, the Annual Statements disclose the amount each insurer has taken in in premiums ("written premium") and paid out in claims ("paid losses") in the year of the Annual Statement. In addition, the Annual Statement discloses the amount the insurer has earned in premium ("earned premium") in the year of the Annual Statement and the amount it projects it will pay out in claims ("incurred losses") on policies in effect during the year of the Annual Statement. "Earned premium" differs slightly from written premium because it consists of the premium allocable to the portion of any policy in effect in the Annual Statement year, even if the policy is also in effect during a portion of the previous or following year. Written premium, in contrast, consists of the entire premium payable for a policy written in the Annual Statement year even if the policy covers part of the following year. Because insurers are continually writing policies, written premium and earned premium do not differ substantially when cumulated over several years.

Paid losses and incurred losses, however, do differ substantially. Paid losses are the amount the insurer pays out in claims in the Annual Statement year. Incurred losses, on the other hand, are the amount the insurer projects it will pay out in claims covered by policies in effect during the Annual Statement year, plus or minus any changes in the amount the insurer has reserved for claims covered by policies written during previous years. The meaning of "incurred losses" as set forth in the Annual Statement is thus different from what the lay person would understand "incurred losses" to mean.

B. Incurred loss analysis

A key metric insurers use to evaluate their performance is the incurred loss ratio, or what insurers call simply the "loss ratio," which is the ratio of incurred losses to earned

premium. All other things equal, the lower the loss ratio the more profitable the business. The following three tables set forth the loss ratio of each of the three largest Michigan auto insurers for each of the three types of auto insurance--no fault, liability, and physical damage--in each of the last five years.

TABLE 1

State Farm
Earned Premium v. Incurred Losses
2002-2006
(in $millions)

Year	No-Fault			Liability			Physical Damage		
	EP	IL	Ratio	EP	IL	Ratio	EP	IL	Ratio
2002	270.7	822.6	303.9	179.6	110.3	61.4	545.8	403.2	73.9
2003	377.3	586.8	155.5	177.0	94.5	53.4	554.9	378.9	68.3
2004	424.4	398.1	93.8	178.2	93.3	52.4	575.7	363.0	63.1
2005	482.6	450.8	93.4	170.4	80.0	46.9	547.7	367.4	67.1
2006	492.7	339.0	68.8	173.0	78.9	45.6	494.7	326.4	66.0
Totals	2047.7	2597.3	126.8	878.2	457.0	52.0	2718.8	1838.9	67.6

TABLE 2

Auto Club Insurance Associations
Earned Premiums v. Incurred Losses
2002-2006
(in $millions)

Year	No-Fault			Liability			Physical Damage		
	EP	IL	Ratio	EP	IL	Ratio	EP	IL	Ratio
2002	110.7	211.2	190.8	52.5	19.3	36.8	198.4	120.2	60.6
2003	122.8	576.7	469.6	49.0	30.2	61.6	196.7	109.6	55.7
2004	133.0	142.6	107.2	43.6	25.4	58.3	173.2	86.8	50.1
2005	116.8	284.3	243.4	35.0	19.0	52.3	142.5	69.9	49.1
2006	96.8	159.9	165.2	28.0	16.1	57.5	115.8	58.5	50.5
Totals	580.1	1374.7	237.0	208.1	110.0	52.9	826.6	445.0	53.8

TABLE 3

Allstate Insurance Company
Earned Premiums v. Incurred Losses
2002-2006
(in $millions)

Year	No-Fault			Liability			Physical Damage		
	EP	IL	Ratio	EP	IL	Ratio	EP	IL	Ratio
2002	126.3	-28.4	-22.5	64.6	36.3	56.2	275.8	153.2	55.5
2003	114.8	47.9	41.7	61.5	29.9	48.6	223.5	107.2	48.0
2004	99.3	369.1	371.7	50.6	27.6	54.5	182.4	83.2	45.6
2005	89.0	374.4	420.7	41.5	8.4	20.2	157.3	67.1	42.7
2006	74.2	44.1	59.4	34.3	8.4	24.5	131.9	50.9	38.6
Totals	503.6	807.1	160.3	252.5	110.6	43.8	970.9	461.6	47.5

The following three charts set forth the information above graphically:

CHART 1

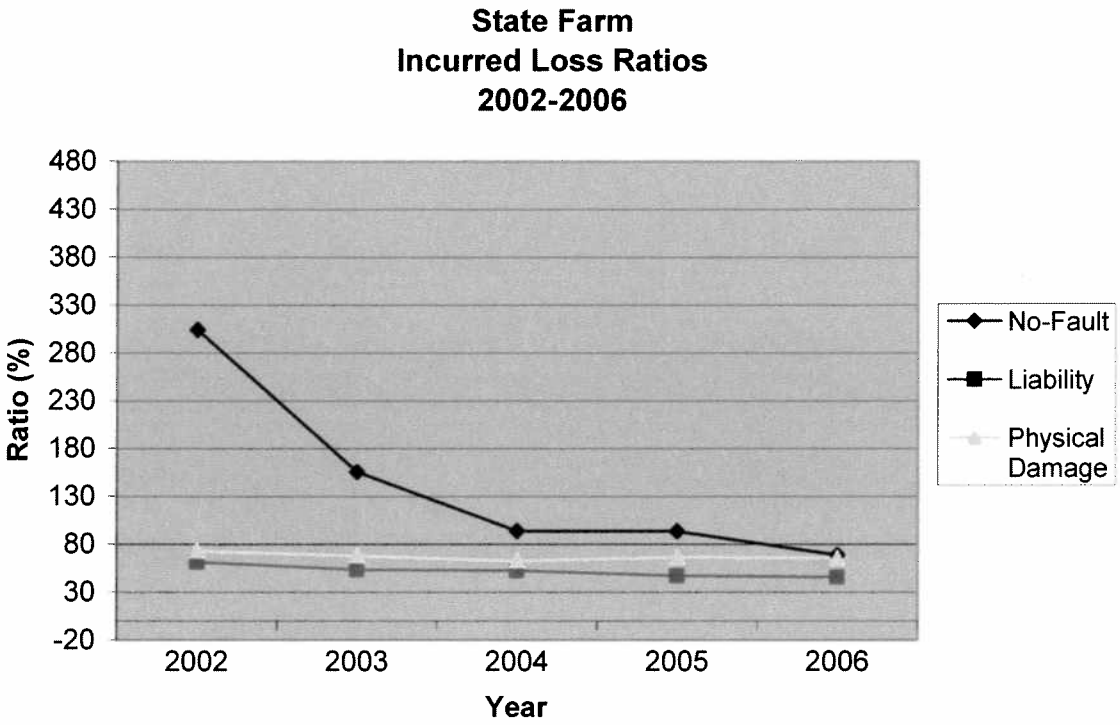


CHART 2

AAA
Incurred Loss Ratios
2002-2006

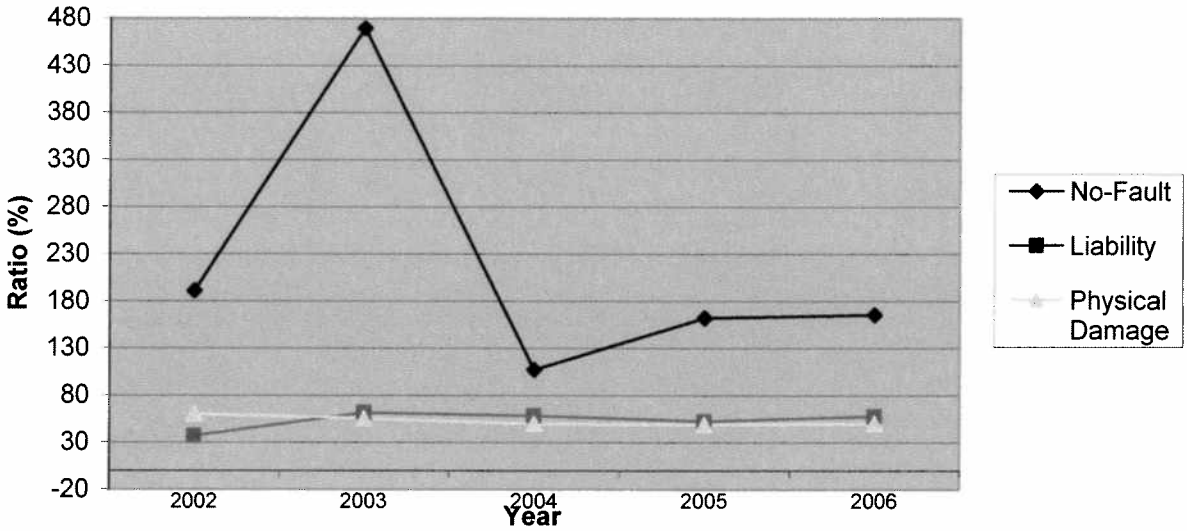
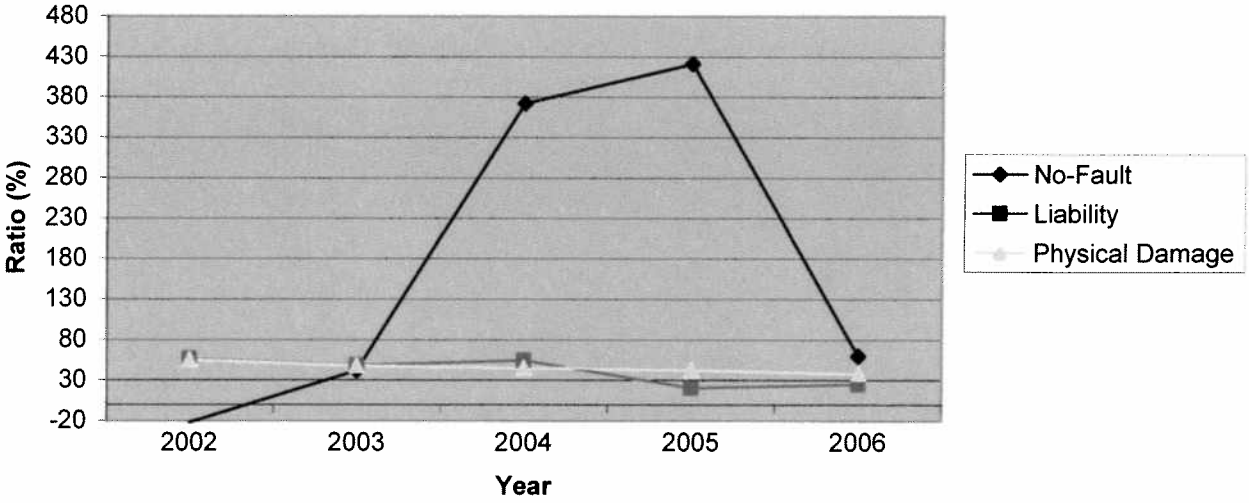


CHART 3

Allstate
Earned Loss Ratios
2002-2006



The above tables and charts appear to indicate that, based on the data the insurers have reported in their Annual Statements, over the most recent five-year period both liability and

physical damage insurance have been highly profitable, but no-fault insurance has not. Specifically, the incurred loss ratio for each insurer over this five-year period was well above 100 on no-fault insurance--varying from 126.8 for State Farm to 220.6 for Auto Club—but was below 55 on liability coverage for all three companies and was below 68 for all three companies on physical damage coverage. Liability coverage was thus the most profitable type of coverage. This is atypical: in many states where prior approval of rates is required, for example, regulators approve inadequate liability rates and excessive physical damage rates, thus in effect subsidizing the many low income people who buy only the liability coverage the law requires them to buy. In Michigan, both the liability coverage drivers are required to buy and the physical damage coverage which they have the option to buy appear to subsidize no-fault coverage, which like liability coverage is mandatory.

Notably, liability coverage accounts for a far smaller portion of the Michigan auto insurance premium dollar than either no-fault or physical damage coverage. Specifically, as the following table indicates, for each of the three companies liability coverage accounted for less than 16% of the premium dollar, whereas no-fault coverage accounted for between 29% and 36% of the premium dollar, and physical damage between 48% and 56%.

TABLE 4

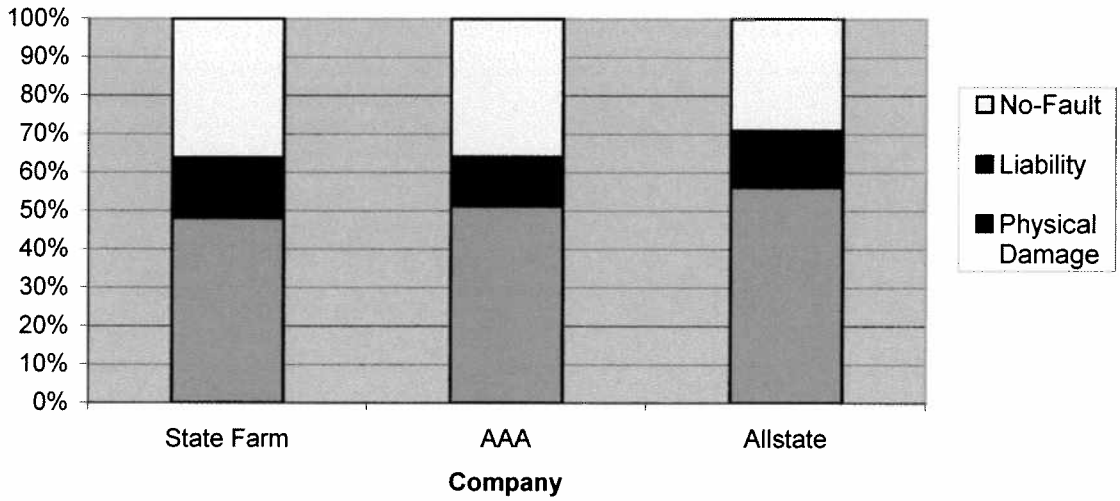
Percent of Premium by Coverage, State Farm, Auto Club and Allstate 2002-2006

	No-fault	Liability	Physical Damage
State Farm	36.2	15.6	48.2
Auto Club	35.9	12.8	51.2
Allstate	29.1	14.6	56.2
Average (unweighted):	33.7	14.3	51.9

The following chart sets forth the information above graphically:

CHART 4

Percent of Premium by Coverage
State Farm, AAA, & Allstate
2002-2006



In summary, based on the data they have reported in their Annual Statements, State Farm, Auto Club and Allstate all appear to have been charging excessive liability and physical damage rates but inadequate no-fault rates. As explained briefly in the introduction, however, and as further explained in section VC, infra, the incurred loss estimates Michigan auto insurers report in their Annual Statements for no-fault coverage may be substantially overstated, since those estimates include the amount the insurer is assessed by the MCCA to pay for all claims costs exceeding $400,000[3], and no one really knows what those costs will turn out to be.

The dramatic year-by-year variation in the loss ratios the carriers report provides further support for the proposition that no one really knows how profitable or unprofitable no-

[3] Prior to 2003, exceeding $250,000 per claim.

fault coverage really is. For example, State Farm's no-fault loss ratio ranged from a high of 303.9 in 2002 to a low of 68.8 in 2006; Auto Club's no fault loss ratio ranged from a high of 469.6 in 2003 to a low of 107.2 the next year; and Allstate's no-fault loss ratio ranged from a high of 420.7 in 2005 to a low of a negative 22.5 in 2002. (A negative loss ratio means that the amount by which the company reduced its reserves for previous years—i.e., the amount by which it overstated its original projections of its ultimate liabilities—exceeds the amount it projects it will pay out on new policies). Differences of this magnitude must necessarily be based on a combination of accounting changes and re-estimation of the prior year's reserves, rather than real changes in ultimate liabilities from year to year.

Thus, while we can say definitively that the liability and physical damage rates State Farm, AAA and Allstate have charged over the last five years have been excessive, we can make no such definitive statement about their no-fault results, due to the unique nature of the MCCA. The impact the MCCA has had on the no-fault results Michigan auto insurers report, and the difficulty of determining the true profitability of no-fault coverage in Michigan, is discussed in more detail in section VC, infra.

C. Paid loss analysis

Paid loss ratios have limited relevance in determining whether the rates an insurer charges in a given year are excessive, since the premiums an insurer takes in in a given year pay for claims paid in future years, while the claims paid in a given year are covered by policies written in prior years.

On the other hand, while it is true that many types of claims, such as medical malpractice claims, are not paid until several years after the premium is collected, other types of claims, including auto physical damage claims, are paid in a matter of weeks or months. For

physical damage coverage, therefore, the paid loss ratio is roughly equal to the incurred loss ratio, and thus is a valid indicator of the profitability of such coverage.

In addition, an insurer's cash-flow is important as a business matter: if the amount the insurer pays out in claims far exceeds the amount it takes in in premiums, it will not be able to pay its obligations as they come due. We therefore set forth the written premiums and paid losses of State Farm, Auto Club and Allstate for the three different types of auto insurance coverage for each of the last five years.

TABLE 5

State Farm
Written Premiums v. Paid Losses
2002-2006
(in $millions)

Year	No-Fault			Liability			Physical Damage		
	WP	PL	Ratio	WP	PL	Ratio	WP	PL	Ratio
2002	317.4	260.9	82.2	180.4	95.8	53.1	550.1	405.3	73.7
2003	390.2	251.4	64.4	176.8	92.0	52.0	559.2	386.4	69.1
2004	434.8	289.0	66.5	178.1	95.9	53.8	578.2	364.8	63.1
2005	491.8	276.7	56.3	167.6	88.7	52.6	537.7	370.4	68.9
2006	490.2	287.6	58.7	175.3	87.1	49.7	475.6	331.2	69.6
Totals	2124.4	1365.6	64.3	878.2	459.5	52.3	2700.8	1858.1	68.8

TABLE 6

Auto Club Insurance Association
Written Premiums v. Paid Losses
2002-2006
(in $millions)

Year	No-Fault			Liability			Physical Damage		
	WP	PL	Ratio	WP	PL	Ratio	WP	PL	Ratio
2002	115.4	167.4	145.1	51.6	39.5	76.6	197.7	121.2	61.3
2003	127.3	179.1	140.7	48.3	29.2	165.4	194.7	111.6	57.3
2004	131.1	176.9	134.9	41.2	31.2	75.7	164.7	90.2	54.8
2005	112.3	189.2	168.5	33.3	26.1	78.4	135.6	71.4	52.7
2006	90.8	167.0	183.9	26.3	20.1	76.4	109.6	53.5	48.8
Totals	576.9	879.6	152.5	200.7	146.1	72.8	802.3	447.9	55.8

TABLE 7

Allstate
Written Premiums v. Paid Losses
2002-2006
(in $millions)

Year	No-Fault			Liability			Physical Damage		
	WP	PL	Ratio	WP	PL	Ratio	WP	PL	Ratio
2002	129.8	113.5	87.4	64.2	42.0	65.4	263.0	153.4	58.3
2003	111.0	111.1	100.1	59.2	37.4	63.2	211.2	110.8	52.5
2004	96.4	105.5	109.4	48.2	34.3	71.2	175.3	82.9	47.3
2005	85.6	96.8	113.1	39.6	21.1	53.3	151.2	65.9	43.6
2006	69.9	95.1	136.1	32.4	17.9	55.2	125.6	52.5	41.8
Totals	492.7	522.0	105.9	243.6	152.7	62.7	926.3	465.5	50.3

The following charts set forth the above information graphically:

CHART 5

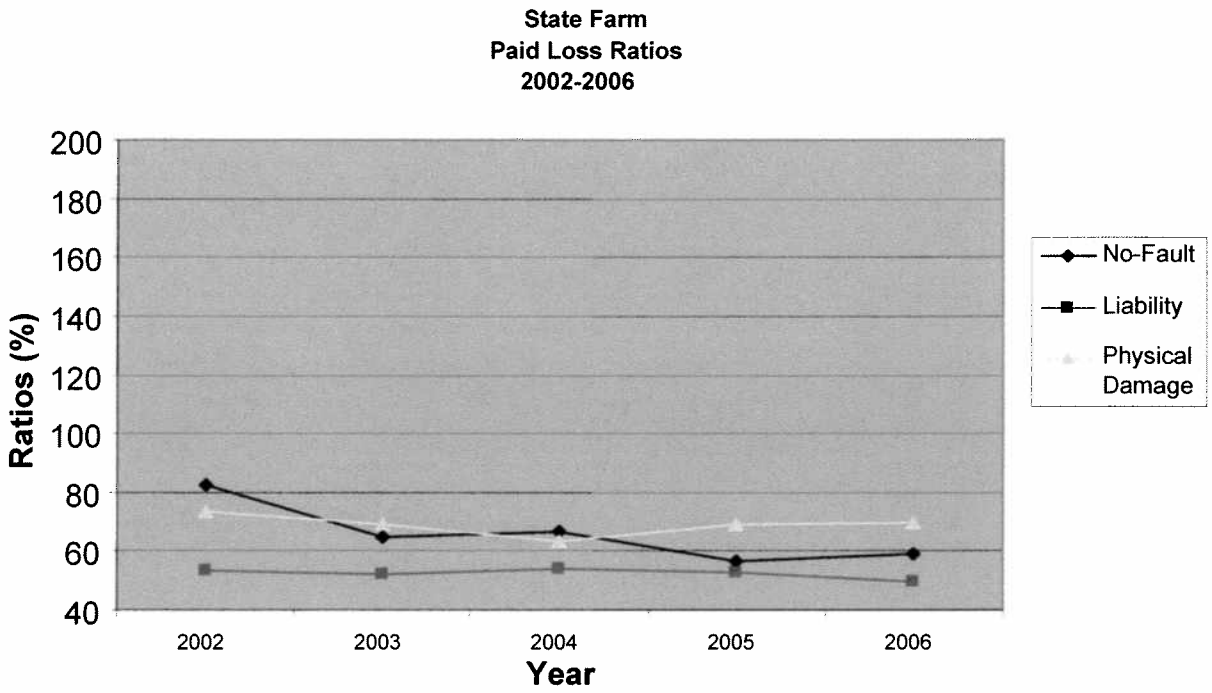


CHART 6

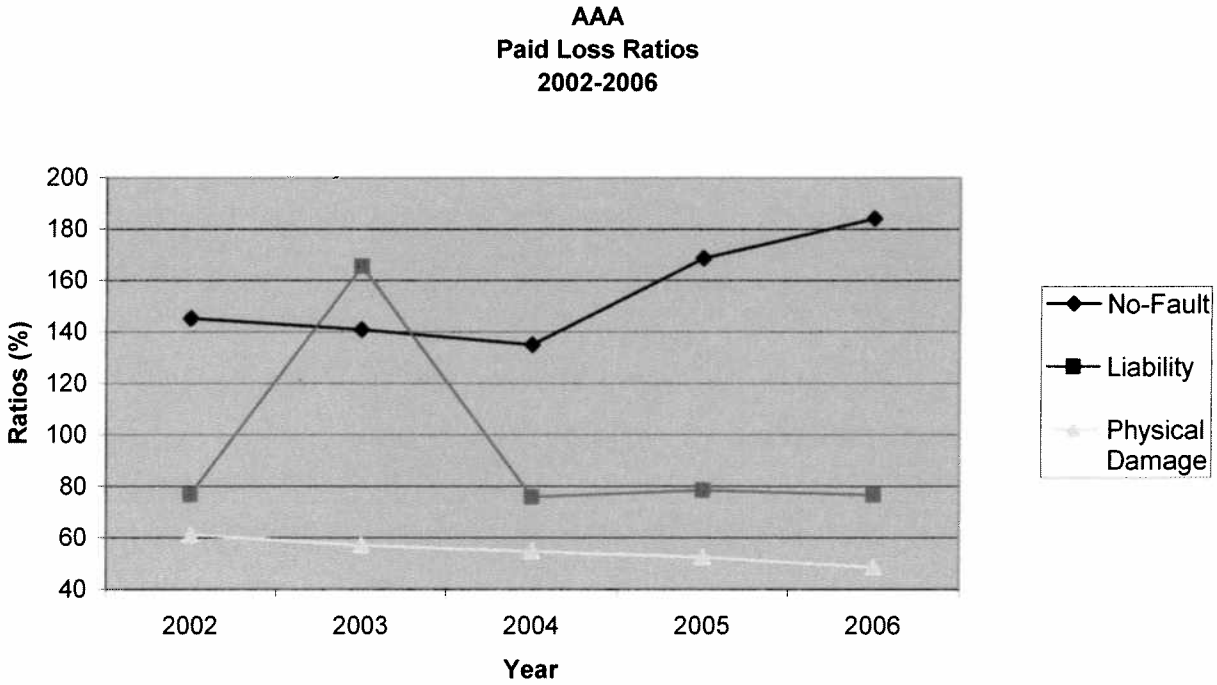
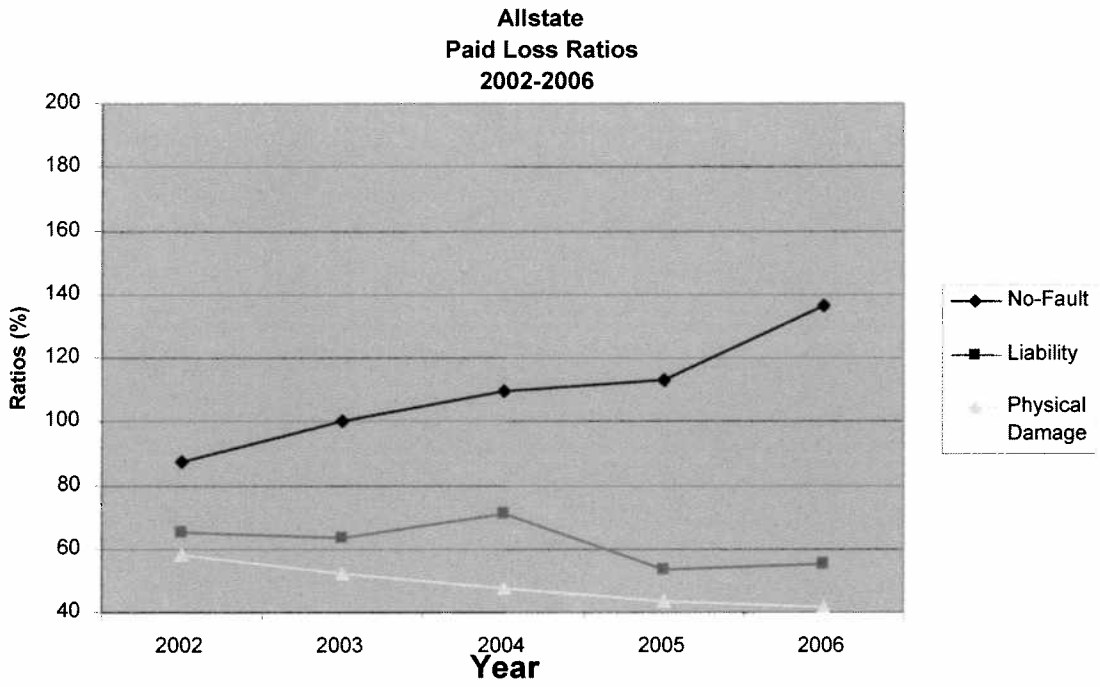


CHART 7



Interestingly, on a paid basis State Farm's no-fault loss ratio was in the same range as its liability and physical damage loss ratios: its no fault paid loss ratio for the period 2002-2006 was 64.3, compared to its liability ratio of 52.3 and physical damage ratio of 68.8. In contrast, Auto Club and Allstate both had and average no-fault paid loss ratio of more than 100 during the period 2002-2006, which far exceeded both their liability and physical damage loss ratios. Auto Club and Allstate have thus reported negative cash flow on their no-fault business, in contrast to their strongly positive cash flow on their liability and physical damage business.

The substantial difference among the three leading companies' no-fault cash-flow loss ratios during the last five years may also be another indication that reported no-fault loss ratios should not be relied on. All three companies are mature, well-known companies, with significant market shares; one would therefore expect that over a period

of several years their cash-flow loss ratios would not differ dramatically. And for both liability and physical damage coverage those ratios do not differ dramatically: for both coverages there was only a 20 point spread among the three companies. For no-fault coverage, on the other hand, State Farm's cash-flow loss ratio for the last five years was 64.3, Allstate's was 105.9, and Auto Club's, 152.5. The substantial differences in these ratios might well reflect differences in the manner in which these companies are accounting for their transactions with the MCCA rather than true differences in their experience.

D. Additional relevant data from AAA's Annual Statement

Insurance company Annual Statements contain summary data on the company's performance during the most recent five-year period, in addition to the data discussed above. The five-year summary data, however, is not broken down by state or by line; for insurers that do business in many states, therefore, that data tells us very little about the company's performance in Michigan.

AAA, on the other hand, has traditionally done most of its business in Michigan: it wrote two-thirds of its premium in Michigan in 2006, and 81% in 2002. The data in AAA's Annual Statement is thus primarily, although not exclusively, a product of Michigan data.[4] We therefore look more carefully in this section at the data on AAA's performance during the last five years contained in its Annual Statement. It reveals the following:

[4] It should also be noted that not all of AAA's Michigan data is auto insurance data, since approximately 20% of AAA's Michigan business is homeowners business.

1. AAA's net profits more than doubled in five years: its net profit went from $50.9 million in 2002 to an all-time high of $104.2 million in 2006. Its net profits in each of the last five years were as follows:

AAA Net profits (in $millions)

2002	2003	2004	2005	2006
$50.9	$46.7	$88.4	$62.3	$104.2

2. AAA's surplus—the amount it holds over and above the amount it has set aside to make future claims payments—increased by $619 million, or 68%, in five years, having risen from $915 million in 2002 to $1.534 billion in 2006. In addition, the ratio between the minimum surplus OFIS requires AAA to hold and its actual surplus—its "surplus ratio"--also increased between 2002 and 2006. The following table sets forth both the change in AAA's surplus and the change in its surplus ratio over the past five years.

AAA: Actual Surplus v. Minimum Required Surplus

Year	Actual Surplus (in $millions)	Minimum Required Surplus (in $millions)	Ratio of Actual to Required Surplus
2002	914.8	121.6	7.6 to 1
2003	1,130.9	155.7	7.3 to 1
2004	1,272.3	161.8	7.9 to 1
2005	1,386.5	177.8	7.8 to 1
2006	1,534.7	183.0	8.4 to 1.

3. AAA's incurred loss ratio was lower in each of the last three years than it was in either 2002 or 2003. In all five years, its incurred loss ratio was between 61.7 and 67.7.

AAA Incurred Loss Ratio, 2002-2006

2002	2003	2004	2005	2006
67.7	65.9	61.7	61.6	63.7

4. AAA's loss expense ratio—the ratio between its defense costs and its earned premiums—remained extremely low, at approximately 8% each year. This is what one would expect, since Michigan's strict limits on the circumstances under which auto accident victims can sue automatically limit auto insurer defense costs. AAA's loss expense ratio is lower than the loss expense ratios of virtually all insurers doing business on a national level.

5. AAA's underwriting expense ratio—the amount it pays to acquire business, which includes marketing expenses and agents commissions—is high and has been rising, as the following table shows:

AAA Loss Expense Ratio, 2002-2006

2002	2003	2004	2005	2006
26.7	27.1	27.7	31.5	32.0.

Thus, in 2006 AAA spent almost one-third of each premium dollar on agents' commissions and other underwriting expenses. Unlike its loss expense ratio, AAA's underwriting expense ratio is higher than the national average.

V. The performance of the Michigan auto insurance industry based on data compiled by the NAIC

A. The NAIC's Profitability by Line by State data

Each year, the NAIC produces a publication entitled "Profitability by Line by State" which calculates the profitability of each of 14 different lines of insurance in each state. Although the carriers report their no-fault results and their liability results separately in their Annual Statements, the NAIC Profitability Report includes only the aggregated results for these two coverages, and then warns that those results are "not meaningful because of data reporting anomalies arising from the data related to the Michigan Catastrophic Claims Association." The NAIC Report therefore does not enable us to determine the true profitability of no-fault coverage in Michigan.

The results the Report sets forth for Michigan physical damage coverage, however, do not carry an NAIC warning, and thus can be relied on. According to the Report, Michigan physical damage loss ratios for the last 10 years have been as follows:

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	AVG
76.8	82.5	76.0	65.9	67.1	72.7	72.2	66.7	61.1	56.7	69.8

The loss ratio for physical damage coverage in Michigan thus has steadily declined over the last five years to a low of 56.7% in 2004 – the latest year for which the NAIC Profitability Report is available. Over the 1995-2004 decade considered as a whole, Michigan physical damage rates were not excessive. In 2004, however, they were: the 2004 56.7 loss ratio equates to a return on net worth of 20.2%, according to the NAIC.

B. The NAIC 2003/2004 Auto Insurance Database Report

In addition to its Profitability by Line by State report, the NAIC also compiles more detailed data on auto insurance. The most recent NAIC auto insurance report is its 2003/2004 Auto Insurance Database Report. In two of the three years analyzed in that report Michigan's bodily injury liability loss ratio was lower than the countrywide loss

ratio, and over the report's three year period the Michigan bodily injury liability loss ratio was 73.54, compared to the countrywide ratio of 74.63..

The NAIC's 2003/2004 Auto Insurance Database Report also demonstrates that the frequency of bodily injury liability claims in Michigan was by far the lowest in the nation, and was only one-sixth of the countrywide average: the countrywide average was 1.18, whereas Michigan's was only .18. The only state close to Michigan was North Dakota, which had a rate of 0.21. The two next closest were Kansas, with a frequency rate of 0.32, and Minnesota, with a rate of 0.35. At the same time, Michigan's severity was by far the highest in the nation--$41,751 compared to a countrywide average of $11,991. Michigan's low frequency and high severity shows that Michigan's no-fault system is working: most claims are being handled through the no-fault system, with only the very serious claims going through the tort system.

C. The AIR analysis of NAIC data

The Auto Insurance Report, or AIR, published by Risk Information, Inc. in Dana Point, California, is a weekly newsletter that analyzes auto insurance rates and financial data and discusses various auto insurance issues. It generally has a pro-industry and anti-regulation perspective, but it is thoughtful and well-written. In 2004 AIR, relying heavily but not exclusively on NAIC data, devoted two issues to the Michigan auto insurance market.

The Auto Insurance Report concludes that Michigan auto insurers are significantly more profitable than their reported loss ratios would indicate. In particular, according to AIR, although the industry reported loss ratios for all auto coverages combined of 94.6 in 2001, 86.3 in 2002, and 89.5 in 2003, in fact "operating loss ratios

are in the mid 60s for most insurers, right in line with the national averages." Id. at 2. AIR explains that true loss ratios are 20-30 points lower than reported loss ratios because many insurers increased their reserves – and thus their incurred losses – to reflect the MCCA's having substantially increased its reserves in 2003. The increase in the MCCA's reserves was due to its adoption of a new catastrophic claims model that projected much higher losses than the prior model did. Id.

A Michigan auto insurer's true loss ratio, according to AIR, can be approximated by disregarding both the assessment the insurer pays the MCCA to cover what the MCCA projects it will pay in the future, and the amount the insurer has recouped from its policyholders for MCCA assessments it already has paid. Making these two adjustments yields loss ratios in the mid-60's, according to AIR. Id. at 2-3. Unfortunately, whether AIR's methodology is valid is difficult to ascertain, because the MCCA takes the position that it is not subject to the Freedom of Information Act. The public therefore can not determine the MCCA's actual costs, evaluate the reasonableness of its assumptions, or know the extent to which its projections have proved to be accurate.

The Auto Insurance Report also maintains that the true profitability of the Michigan auto insurance market can be determined only by cumulating the market's results over a long period of time, since insurers change their loss reserves so dramatically from year to year. In AIR's words, "the vagaries of loss reserving make individual year results maddeningly confusing. The giant 'losses' of 2001-2003 are offset by massive liability 'profits' in 1993-1998." Id. at 2.

Perhaps most significant, the Auto Insurance Report found that even without making the adjustments to their no-fault results AIR suggests, Michigan auto insurers

were at least as profitable as auto insurers countrywide, and that over the 1993-2002 decade (the most recent data available when the AIR report was published) they were significantly more profitable than the national average. Specifically, according to AIR, between 1993 and 2002 auto insurers in Michigan earned an average profit of 8.2% on net worth, whereas auto insurers countrywide earned 6.7%. For the decade ending in 2003 AIR estimated that Michigan's profit would be somewhat lower and countrywide profit somewhat higher, as a result of which "Michigan's average annual profit will be right around the national average." Id.

VI. The effect of *Kreiner*—or of reversing *Kreiner*—on Michigan auto insurance profits and premiums

In Kreiner v. Fischer, 471 Mich. 109 (2004), the Michigan Supreme Court made it more difficult for auto accident victims to prove that they had suffered a "serious impairment of body function," and thus more difficult for them to sue the driver of the car that caused the accident. Kreiner has been highly controversial. It spawned a sharp dissent from three judges, who accused the majority of imposing their own ideological views rather than applying the statute as written. 471 Mich. at 139. In addition, bills have been introduced in the legislature that would legislatively overrule Kreiner.

Nevertheless, neither the Kreiner decision itself nor legislation that would overrule it are likely to have a material effect on Michigan auto insurance premiums, for four reasons.

First, the only part of the auto insurance premium dollar Kreiner could possibly affect is the liability portion, which accounts for only about 15% of the total auto insurance premium. Thus, even if Kreiner could reduce liability premiums by 20% --

which would be an extremely generous estimate of its effect—it would reduce the total auto insurance premium by only 20% of 15%, i.e., 3%.

Second, Michigan auto insurers have said nothing about Kreiner in the rate filings they submit to the Department when they implement rate changes. In these rate filings, insurers explain why they believe they must raise or lower their rates; if they believe a court decision will have the effect of materially changing their liability, they say so. The absence of any mention of Kreiner in Michigan auto insurers' rate filings indicates that they do not believe that Kreiner has had or will have a material effect on their costs and thus on their rates.

Third, the leading carriers never mention the effect of Kreiner in their Annual Statements. The silence of State Farm and Allstate is not necessarily significant because they do business in all states, and thus a decision affecting only one state likely would not have a material effect on their business as a whole. AAA, however, writes the large majority of its business in Michigan, and thus a decision affecting its Michigan business would have a material effect on its business. Nevertheless, in the section of its Annual Statement in which it explains the factors which are responsible for its low loss ratio, AAA does not mention Kreiner. Rather, AAA attributes its excellent performance to the "strong quality of its book of business," the "continued industry-wide decline in claim frequency," and the "benign weather in the Midwest." Auto Club Insurance Association Annual Statement for the Year 2005, Management's Discussion and Analysis at 6. If AAA believed that Kreiner also had some responsibility for its low loss ratio and high profits, it would have said so.

Similarly, AIR apparently did not believe that the Kreiner decision would have a major effect on Michigan auto insurance profits or premiums because, although its Michigan issue was published in November 2004, five months after the publication of Kreiner, it makes no mention of Kreiner in its discussion of the factors affecting the Michigan auto insurance market. If AIR believed that Kreiner was likely to have a significant effect on auto insurance profits or premiums, it would have said so.

Fourth, the effect of rating factors on auto insurance premiums dwarfs any effect Kreiner or its reversal could possibly have on premiums. An insurer's "rate" is the average price the insurer charges spread over all its policyholders. An individual policyholder, however, pays not the average rate but a specific premium. As explained in section IIIB, the insurer calculates an individual premium by applying a series of "rating factors" – surcharges and discounts for each insured's rating characteristics – to the rate. For example, all other things equal, an insured with a good driving record might pay 25% less than the average rate level, while an insured with a bad driving record might pay 25% more than the average rate.

The rating characteristic to which auto insurers in Michigan appear to give the most weight is territory. According to the 2006 Buyers Guide to Auto Insurance published by OFIS, premiums typically differ by between 250% and 350% based on territory alone. The following examples of the premiums several leading companies would charge the same hypothetical insured depending on whether he lived in Kalamazoo or South Central Detroit makes this clear.

2006 Premiums for Same Hypothetical Insured, Kalamazoo v. South Central Detroit (in $)

Company	KAL	SCD	SCD as a % of KAL
Allstate Ins. Co.	1821	4394	241%
AAA	1915	4816	251%
GEICO	839	2071	247%
Liberty Mutual	2401	8366	348%
Nationwide	1288	3518	273%
State Farm	1624	5933	365%.

In contrast to the 365% a State Farm policyholder's premium could increase if he moved from Kalamazoo to Detroit, Kreiner would reduce that policyholder's premium by a maximum of 3%, as noted above. The legislature may therefore wish to focus its effort on limiting the effect territory can have on auto insurance rates if it wishes to bring down premiums for those who currently pay very high rates, particularly in urban areas.

Finally, to the extent that Kreiner did have an effect on auto insurance performance, its effect would be to make rates that are already excessive even more excessive. That is because State Farm's 54.1 liability loss ratio, Auto Club's 52.9 liability loss ratio, and Allstate's 43.8 liability loss ratio over the last five years all produce excessive liability rates. For those rates not to be excessive, the companies should be paying out a greater percentage of the premium dollar in claims. Since Kreiner makes it even more difficult for accident victims to sue than it was under prior law, to the extent Kreiner had any effect it would even further decrease the percentage of the

premium dollar that goes to pay claims, and thus could cause the already-excessive rates the companies now charge for liability coverage to become even more excessive.

VII. Possible ways to bring down auto insurance rates in Michigan

A. Authorize the commissioner to find rates excessive.

As explained in section IIIB, under current law the commissioner has no practical ability to require auto insurers to reduce their rates, either retrospectively or prospectively, regardless of how high they are or how high a rate of return they produce, because current law defines rates in a competitive market as per se non-excessive. By permitting the commissioner to find rates excessive if they produce an unreasonably high rate of return—the standard used in most states—the commissioner for the first time would be able to disapprove such rates.

Notably, the purchase of auto insurance in Michigan is mandatory, and the Michigan Supreme Court has held, in Shavers v. Kelley, 402 Mich. 554 (1978), that "Michigan motorists are constitutionally entitled to have no-fault insurance made available on a fair and equitable basis." 402 Mich. at 600. Authorizing the commissioner to find rates excessive would ensure that the constitutional entitlement set forth in Shavers is implemented.

B. Repeal MCL 500.2110a.

Section 2111 of the Essential Insurance Act specifies the rating factors auto insurers can use and prohibits them from using rating factors not authorized by that section. In 1996 the legislature enacted a provision, MCL 500.2110a, which the industry argues allows it to surcharge people based on their credit history, prior limits, prior insurance, occupation, and education. Although section 2110a does not by its terms

authorize the use of these rating factors most Michigan auto insurers do use at least some of those factors, and the current membership of the Michigan Supreme Court is capable of agreeing with the industry's argument that section 2110a authorizes their use. It is therefore essential that the legislature either repeal section 2110a or amend it to make clear that it does not enable insurers to surcharge people based on credit history, lack of prior coverage, and other factors not authorized by section 2111. These factors are all correlated with income, and thus their use has driven up rates for low-income people.

C. Limit the extent to which territory can affect auto insurance premiums.

From the time the Essential Insurance Act was enacted, Michigan has struggled with the question of the extent to which auto insurers may use territory as a rating factor. Between 1981 and 1986, for example, drivers in the highest-rated territories could be charged no more than 222% of what they would be charged in the lowest-rated territories, and rates in adjacent territories could vary by no more than 10%. Since 1996, in contrast, there have been no limits on the extent to which auto insurers could surcharge drivers based on where they live.

The legislature may wish to consider an alternative that does not limit territorial surcharges to the extent that they were limited in the 1980's, but does not give auto insurers the unlimited discretion they currently have to surcharge people based on territory. To the extent legislators are concerned about the high cost of auto insurance in urban areas, limiting the effect of territory may be more important today than ever before. That is because auto insurers today use rating factors that they did not use in 1996 – most notably credit history – that also disproportionately raise rates for low income residents. The combined impact of territory and such rating factors as credit history and prior

coverage can result in a low-income urban resident paying 500% or more of what an upper-income non-urban resident with the same driving record pays. Such a result may well run afoul of the Michigan Supreme Court's landmark holding in Shavers that Michigan motorists are constitutionally entitled to have no-fault insurance made available on a "fair and equitable" basis. 402 Mich. at 581, 599-600.

D. Authorize the commissioner to order refunds of the excessive portion of a rate and of surcharges based on unlawful rating factors.

Under current law, even if the commissioner jumps through all the hoops necessary to disapprove a rate or an illegal surcharge, all she can do is order the insurer not to overcharge policyholders in the future; the insurer is permitted to retain whatever overcharge it has already obtained. Policyholders who have paid unlawfully high auto insurance premiums should be able to obtain refunds of the unlawful overcharge they have paid.

E. Allow policyholders to hold insurers accountable for illegal overcharges.

Under current law, if an insurer has overcharged a policyholder – whether by charging an excessive rate or surcharging him based on an illegal rating factor – the policyholder has no right to go to court to obtain a refund of the unlawful overcharge. McLiechey v. Bristol West Ins. Co., 474 F.3d 897 (6th Cir. 2007). Establishing such a right would give insurers an incentive to comply with the law.

This proposal can be viewed as either a supplement or an alternative to authorizing the commissioner to order refunds.

F. Allow the public to have access to the MCCA's records, and authorize the commissioner to disapprove excessive MCCA assessments.

As discussed in this Report, it is impossible to know how profitable or unprofitable no-fault coverage is in Michigan because of Michigan's unique system of unlimited no-fault medical benefits combined with the MCCA's liability –and ultimately all Michigan drivers' liability—for all no-fault claims to the extent they exceed $400,000. The profitability of no-fault coverage depends to a large extent on what the ultimate liabilities of the MCCA are, and under current law the ultimate liabilities of the MCCA are whatever the MCCA says they are. There is thus a strong argument for requiring the MCCA to comply with the Freedom of Information Act, and in particular for it to disclose the extent to which the projections it has made in the past have proved or are proving to be accurate. Allowing the legislature and the public to have access to the MCCA's data and projections will enable the public to have a truer picture of the profitability of no-fault insurance than is available today. Further, allowing the commissioner to disapprove excessive MCCA assessments to the extent that they are based on unreasonable or demonstrably false assumptions could bring no-fault rates down.

There is a non-frivolous argument that the MCCA is not properly subject to the FOIA because it is not a governmental entity, since the insurance commissioner does not have a vote on the MCCA board--only the five insurance company directors do—and Michigan taxpayers have no direct liability for the results of the MCCA. On the other hand, the MCCA was created and authorized by the state, the insurance commissioner is a member of its board, and the universe of Michigan drivers which pays the MCCA assessment closely approximates the universe of Michigan taxpayers. In addition, the

Shavers decision held not only that Michigan drivers are constitutionally entitled to no-fault insurance at "fair and equitable" rates, but also, more broadly, that in connection with no-fault insurance, "due process protections under the Michigan and United States Constitutions...are operative." 402 Mich. at 599. Because the mandatory payment of a per-car surcharge is now part of the state's auto insurance system, there is a strong argument that drivers are entitled to due process in connection with the implementation of that surcharge, and that at the very least such due process requires that the MCCA comply with the FOIA.

Jay Angoff Biography

Jay Angoff practices insurance law with Roger Brown & Associates in Jefferson City, Missouri.

He formerly served as Insurance Commissioner of Missouri and chaired Missouri's Commission on Health Insurance Reform. He has also served as deputy insurance commissioner of New Jersey, as the director of the private health insurance group at the U.S. Health Care Financing Administration, as counsel to the National Insurance Consumer Organization, and as vice-president for strategic planning at Quotesmith.com, an Internet insurance broker and quotation service.

Mr. Angoff began his career as an antitrust lawyer with the Federal Trade Commission. He has taught and written about insurance and antitrust law in both popular and legal publications. He has extensive experience, both as a regulator and as a lawyer, in analyzing insurance company Annual Statements and rate filings.

He is a graduate of Oberlin College and Vanderbilt Law School.