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13TH LEGISLATIVE DISTRICT



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
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Michael Humphreys
Pennsylvania Insurance Commissioner
1326 Strawberry Square
Harrisburg, PA 17120

April 2, 2024

Dear Commissioner Humphreys –

Thank you for your recent appearance before the House Appropriations Committee. As you will recall, I asked you several questions regarding a recent Philadelphia Inquirer article that detailed an individual who had seen a 35% annual increase in her GEICO auto insurance rates. A copy of that article is attached for your reference.

As we discussed, a February 15, 2024 press release from the Pennsylvania Insurance Department quotes you stating: "Car insurance rates across the state, and in much of the country, are increasing to reflect inflationary costs, but PID remains committed to thorough reviews and **has not – and will not – approve rates if they are excessive**, inadequate or unfairly discriminatory," said Pennsylvania Insurance Commissioner Michael Humphreys." (*emphasis added*)

During your testimony, you threw cold water on any claim of a 35% rate hike, specifically stating "the rates we approve are nowhere close to 35%." You also suggested that the actual insurance rate increases in Philadelphia were closer to 0.6%.

However, your follow-up letter to the Committee dated March 11, 2024 confirms that your department did indeed approve dramatic increases for three different GEICO insurance offerings in 2022 – increases of 34.4%, 46.2%, and 22.9% respectively. In addition, you approved additional GEICO increases in 2023 to the tune of 14.2%, 6.3%, and 10% respectively.

It is troubling to me that your department makes bold claims (a press release bragging about how you will not approve excessive rate hikes, your testimony that 'the rates we approve are nowhere close to 35%,') but the reality is your department is indeed approving very significant

rate hikes. Either your department is approving these rate hikes without your knowledge, or your testimony before the committee was incorrect. Both of these possibilities are a cause for concern.

I return to the questions I asked at the hearing. Respectfully, I have not received an answer to these questions, so I will ask them again:

- Why did you approve the 35% rate increase for the GEICO customer cited in the January 2024 Philadelphia Inquirer article?
- Do you believe that is an “excessive” rate increase?
- How much of the rate paid by drivers goes to advertising?
- On average, do companies that spend \$1 billion on advertising (GEICO, Liberty Mutual, State Farm, Progressive) have higher or lower automobile insurance rates?

Thank you very much for your attention to this matter.

Kind Regards -

A handwritten signature in blue ink, appearing to read 'John Lawrence', with a long, wavy underline.

John Lawrence
State Representative
Commonwealth of Pennsylvania

Shapiro Administration Blocked Over \$64 Million Of Personal Auto Premium Increases From Being Implemented In Pennsylvania In 2023

02/15/2024

PID won't approve rates that are excessive, inadequate, or unfairly discriminatory

Harrisburg, PA – Working for Pennsylvanians' best interest, **the Pennsylvania Insurance Department (PID)** announced today that the Department blocked **\$64.3 million** of personal auto premium increases from being implemented in Pennsylvania through its rate review processes in 2023.

PID has received a large volume of requests for rate increases in recent years, which the Department attributes largely to various inflationary factors, including increasing prices of vehicles and parts. In general, insurers are experiencing far higher losses than they were a few years ago and generally seek to reflect potential losses in proposed rates. As a standard practice, PID carefully reviews each request and often challenges them.

"Car insurance rates across the state, and in much of the country, are increasing to reflect inflationary costs, but **PID remains committed to thorough reviews and has not – and will not – approve rates if they are excessive, inadequate or unfairly discriminatory,**" said **Pennsylvania Insurance Commissioner Michael Humphreys**. "The Shapiro Administration is committed to getting things done for all Pennsylvanians – for PID, that means protecting consumers' hard-earned money by blocking over \$64 million in auto premium increases from being implemented in 2023. We will continue to make insurers justify every dollar in proposed new premium."

PID reminds Pennsylvanians that there are several ways to save money on their auto insurance premiums:

Drive safely! Insurers use at-fault accidents and violations to rate you.

Consider bundling your auto insurance policy with your home, condo owner or renter policy to receive a multi-policy credit.

Ask your insurer about other discounts they offer. Ask them how they use annual mileage and miles driven daily to work or school for rating purposes.

Consider enrolling in a telematics, or usage based, insurance program that rates you based on your driving behavior, including characteristics such as how hard you brake and how often you use your phone while driving. Not only can you qualify for lower rate, but you may also become a safer driver. But keep in mind that many of these programs will surcharge you if they consider you to not be a safe driver.

Talk to your agent or insurance company about optional coverages and consider what you need. You may be able to reduce limits and increase deductibles while still carrying enough insurance.

Review limited tort options with your agent or insurance company. Limited tort can save you 40% on a few major types of car insurance coverages – bodily injury liability, uninsured motorist coverage, underinsured motorist coverage, and first party benefits. Electing limited tort means giving up one's right to sue for non-economic damages, such as pain and suffering, except in certain limited circumstances.

Take a driver improvement course if you are 55 or older. Insurers are required to provide a 5% discount on your policy when all insureds named on the policy that are 55 or older take a driver improvement course that meets PennDOT's standards.

Consumers with additional insurance questions can contact PID's Consumer Services Bureau

(https://gcc02.safelinks.protection.outlook.com/?url=https://link.mediaoutreach.meltwater.com/ls/click?upn%3D3i8jCx6dG-2BW6pultME-2F0PycrYJDjgo-2F8I0FKYwazHlyhXPPtTHhkSuE4KeioQCWOrGHQYmAREyGrMLFCJXT0KefeUA24xSTiBZIT4GjLyU-3D6zOO_rAKdR0qp-2F1JTPSfemk-2BWJ1uSzlMwD5sobM0-2BCyJgBjm2QcRv4euahEpkufr2ZncjJ98FKHlz-2BldnD12hdOnJGZXd2KITAI-2B-2FDWTEIY7SwVnkNpHuW32o6Xy3PbfxFPbld-2Bji4XdhEvecHqGTSBx7YhIFfuSddY2vNMhG9E9g3661qCV1Agaz7rM6jVzkPLjxRGJtsrLFkaDHYqcHIF-2FJkDsDN-2FjwASruN2n6s4czeKSLT90-2BL3DzR8Aq22tG5TMhQ2Bf-2Fqn4TOKVdReEyBJkp6Z1zR0d-2FfadJ-2BI-2BFMI4K4R1-2FofhOAm4zK3KwXlwVwQ4imYF5S0VhN9A8zqAgGw0lILMyfV8ysgjnX-2F3HctYhhtrdG17CWtjkfdRTWx2LSmG&data=05%7c02%7cndsandino%40pa.gov%7c1lca58ae22ae46321a3508dc2e3b0005%7c418e284101284dd59b6c47fc5a9a1bde%7c0%7c0%7c638436078162326493%7cUnknown%7cTWFpbGZsb3d8eyJWljoimc4wLjAwMDAiLCJQljoIV2luMzllLjB1IjE6IktHaWwiLCJXVCi6Mn0%3D%7c0%7c%7c%7c&sdata=D0jh7QxXjegGKcQNBxs)

[online](#)  [LNJTIidrptyvsKa3KsPcFar8%3D&reserved=0](#)

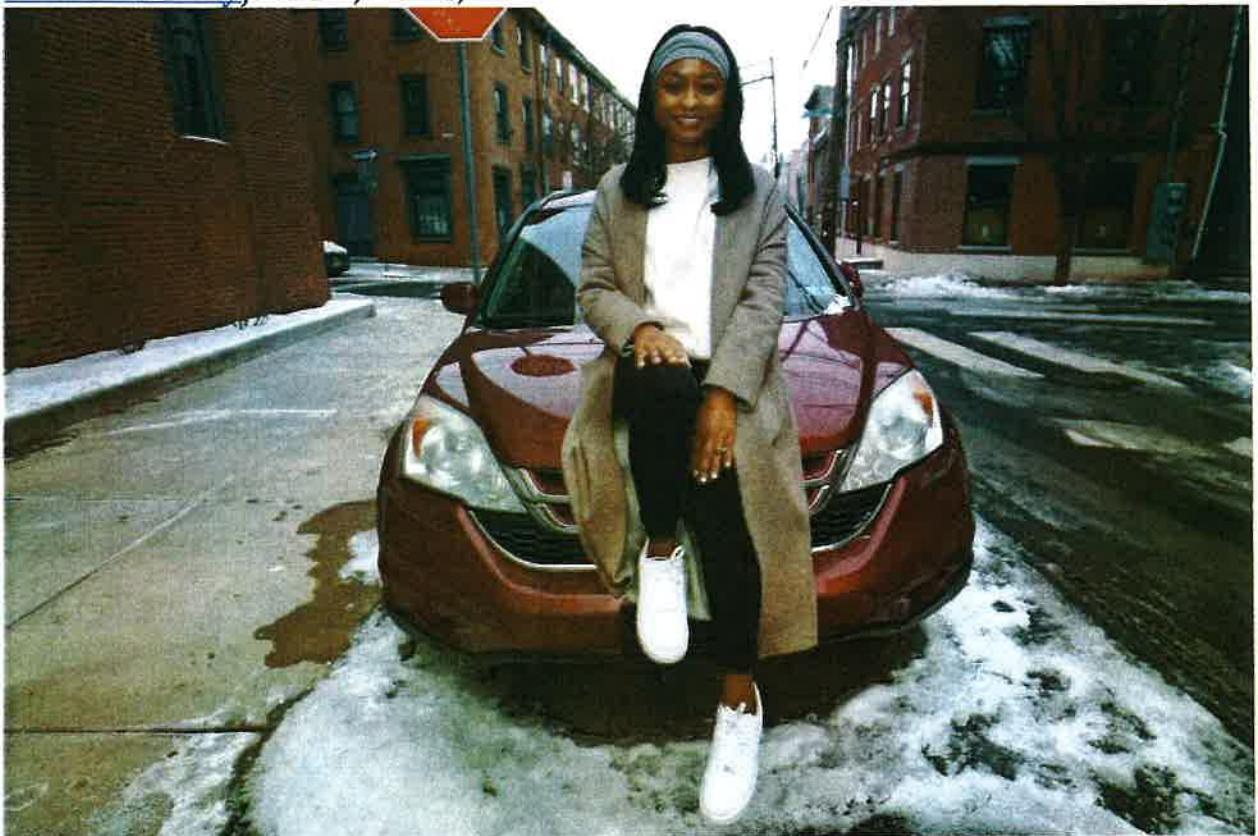
or at 1-877-881-6388.

<https://www.inquirer.com/business/car-insurance-premiums-inflation-20240122.html>

Car insurance is surging. Here's why — and how you can save.

Philadelphia-area consumers say in the past year they've been quoted rates as much as 100% higher than what they were previously paying. Nationwide, car insurance premiums have risen almost 20%.

[Erin McCarthy](#) Jan. 22, 2024, 5:00 a.m. ET



Imani Porter sits on her car in the Northern Liberties section of Philadelphia on Thursday, Jan. 18, 2024. She said a previous insurer wanted to increase her rate 35%, citing inflation. [Read more](#) Heather Khalifa / Staff Photographer

When Imani Porter received the quote for her car insurance renewal in December, she was flabbergasted.

Geico, which had insured her and her fiancé's Honda CR-V for the past year and a half, was going to charge the couple about \$1,000 for the next six-month period.

"I did the math from a year prior and I noticed it went up by 35%," said Porter, a 27-year-old project manager in the finance industry. "No reasoning. We didn't have any accidents or tickets. We never even called them. The only communication we had with them was to pay our bills."

Porter said she assumed the jump was due to the [city's surge in car thefts and reports of tires being stolen off Hondas in her Northern Liberties neighborhood.](#)

When she called Geico, a customer service representative could only cite inflation.

Car insurance rates have actually outpaced inflation. [Premiums increased nearly 20% over the past year,](#) far higher than the broader rate of 3%, according to the latest federal data. U.S. consumers pay on average \$2,542 a year for auto insurance, Bankrate found in its January report, [with drivers shelling out anywhere from \\$62 to \\$212 per month](#) depending on their level of coverage. Pennsylvania and New Jersey drivers pay similar rates on average.

Several factors are to blame for surging premiums. While there are signs that [new and used vehicle prices may be coming down,](#) [car prices remain higher than they were pre-pandemic,](#) noted Greg McBride, Bankrate's chief financial analyst, and [newer, more technologically advanced cars are increasingly expensive to fix.](#)

Consumers can also see higher rates for [more personal reasons,](#) such as where they live, their driving history and habits, what kind of car they drive, their occupation, credit history, even their age and gender (though

not in Pennsylvania, one of six states where insurers aren't legally allowed to use gender as a factor).

But these more individualized factors don't account for the current spike, said Bob Passmore, department vice president for personal lines at American Property Casualty Insurance Association, the country's main trade organization for home, auto, and business insurance.

"Whether you're a good driver who has never had an accident or a ticket, or a bad driver who's had accidents and tickets, everybody's costs are going up," said Passmore, though drivers that insurers deem riskier will see even higher rates as a result. "You're seeing this in every state ... Pennsylvania and Philadelphia of course are not immune."

Residents of Philadelphia may see higher premiums than drivers who live in the suburbs, but Passmore said [rising numbers of car thefts](#) are not as much of a factor as some consumers like Porter may think. Rates are higher in cities mainly because there are more collision claims there, he said, and car repairs, just like most everything else, tends to be more expensive in urban areas. Similarly, consumers who live in [places that are more prone to flooding](#) could pay more.

How to save on car insurance

Consumers shouldn't bank on relief, at least not any time soon.

While there are indications that prices are increasing slower than they did a year ago, "the question becomes how much of those inflationary effects are going to ease over time," Passmore said, "and how much are with us to stay."

For example, cars aren't going to start being made with less technology — even parts such as [windshields have become more sophisticated, and therefore more expensive to replace.](#)

McBride put it simply: "Short-term there aren't a lot of indications that the pace of auto insurance increases are slowing down."

Despite these projections, there are ways to save on car insurance — if consumers are willing to put in time comparing policies and reaching out to different insurers.

In Delaware County, Blake Gardner said two different insurers have tried to increase his insurance rates twice in the past year. First, he said Liberty Mutual tried to get him to renew his policy at a rate of \$670 a month, a steep increase from the \$350 he was paying for two adult drivers and three cars.

When he called Liberty Mutual's customer service, "I asked what the problem was and they said inflation was basically the issue," said Gardner, 25, of Norwood. But the simple reason for a nearly 100% jump didn't make sense to him: "Inflation hasn't gone up that much."

A Liberty Mutual spokesperson said they couldn't comment on a specific customer's policies but said they have had to increase premiums for the same reasons other insurers have.

"This is largely due to a significant rise in claims severity, driven largely by sharp inflationary increases in labor rates, and repair, used car and medical costs," spokesperson Gregory Kessler said in a statement.

He then found a rate of around \$400 a month with Allstate, he said, but when his first six months ended earlier this winter, he was quoted a premium of \$527 if he wanted to renew.

After talking to neighbors, friends, and customers of his electrical restoration business, he found the best rate with Erie Insurance, a regional insurer [known for affordability](#) (and which has [come under scrutiny by Maryland regulators for alleged discrimination, claims the company denies](#)).

Gardner said he now pays about \$360 a month.

"We don't strive to be the cheapest, but we do strive to always be better in a way that balances costs with our promise to provide the protection our

customers need and the service they expect,” Erie spokesperson Matthew Cummings said in a statement.

Spokespeople for other large national insurers, including Allstate, Geico, and Progressive, did not return requests for comment from The Inquirer.

After shopping around, Porter, the Northern Liberties resident, switched to car insurance through Costco, where she was already a member. She said she paid \$550 for her first six months.

“Every single time your insurance is up for renewal, always shop around and do your research,” Porter said. In retrospect, “I wish I did that in June of last year,” the last time her policy renewed.



March 11, 2024

The Honorable Jordan Harris
512E Main Capitol Building
P.O. Box 202186
Harrisburg, PA 17120-2186

The Honorable Seth M. Grove
245 Main Capitol Building
P.O. Box 202196
Harrisburg, PA 17120-2196

Dear Chairman Harris and Chairman Grove:

Thank you for the opportunity to appear before the House Appropriations Committee to discuss Governor Shapiro's proposed 2024-2025 Fiscal Year Budget for the Pennsylvania Insurance Department ("Department"). We appreciate your committee's interest in our work as we strive to foster a competitive, consumer-focused insurance marketplace across the Commonwealth. Please see the below responses to outstanding questions posed by members during the hearing.

* * *

1. Rep. Fleming asked about the typical profile for Pennie® consumers, including details like income range, age, and family status.
 - The 2022 Pennie® Annual Report can be found here: <https://agency.pennie.com/wp-content/uploads/2023/10/Pennie-Annual-Report-2022-Final.pdf>.
2. Rep. Malagari asked for the number of complaints received by the Department related to the coverage of infertility treatment.
 - The Department has not received any filed complaints regarding infertility coverage.
3. Rep. Marcell asked a series of questions related to the Kia and Hyundai security concerns, including:
 - The number of complaints received by the Department related to the denial of insurance coverage for Kia and Hyundai owners.
 - 33
 - The number of letters sent via PennDOT to Kia and Hyundai owners to assist in taking the proper precautions against theft or break-ins.
 - 381,597; As mentioned during the hearing, the Department realized there were increases in thefts after a press release or mention of Hyundai/Kia thefts on the news. In order to not publicly highlight the vulnerability of these vehicles, the Department went through PennDOT

to connect directly with the owners of impacted Hyundai and Kias to provide them the necessary information to protect their vehicles.

- The actions taken by the Department in cases of insurance coverage denial and rate increases for Kia and Hyundai owners.
 - In cases where companies attempted to non-renew a policy due to Hyundai/Kia ownership, the Department did not permit the non-renewal, and the consumer was able to keep their insurance policy.
 - The Department met with multiple insurers that were considering taking underwriting action such as not writing new policies for Hyundai and Kia drivers and encouraged them to instead file for rate relief.
 - Insurance companies have filed to increase rates for Hyundais and Kias in one of two ways: 1) symbol filings and 2) explicit surcharges. Rate increases specific to this issue affect comprehensive coverage only.
 - We have approx. 200 insurers writing personal auto insurance in Pennsylvania and in 2023 alone, they submitted almost 700 rate/rule filings. We have not tracked, and due to the large volume of filings are not able to determine, how many of these filings requested rate relief specific to Hyundai and Kia vehicles, or provide an average of the rate relief requested specific to Hyundai and Kia vehicles. However, all of these filings are available on-line for public inspection using [SERFF Filing Access](#), the tool used by state regulators to review policy forms.
 - The Department carefully reviews each rate filing it receives. For Kia and Hyundai rate increases, a comprehensive data request was created and issued in response to each filing until we saw enough substantial, credible information on the extent of the problem.
 - To aid in understanding the extent of the issue insurers are facing, please note that a [December 2023 Bulletin](#) from the Highway Loss Data Institute reported:
 - Theft claim frequency for 2003–23 Hyundai and Kia models in the first half of 2023 was more than 10 times higher than in the first half of 2020, and nearly 7 times higher than other vehicle makes.
 - Vandalism claim frequency for 2003-23 Hyundai and Kia vehicles was over 4 times higher in the first half of 2023 than in the first half of 2020, and over 3 times higher than other vehicle makes.
4. Rep. Lawrence asked about an individual insured by GEICO that was named in the Philadelphia Inquirer article regarding Bankrate.com’s reporting of auto rates in Philadelphia.
- In 2022:
 - GEICO Secure Insurance Company received approval for a 34.4% overall rate level increase for private passenger auto insurance.
 - GEICO Advantage Insurance Company received approval for two private passenger auto rate filings with an aggregate overall rate level increase (across both filings) of 46.2%.
 - GEICO Casualty Company received approval for two private passenger auto rate filings with an aggregate overall rate level increase (across both filings) of 22.9%.

- Among the Commonwealth’s top 20 writers of private passenger auto insurance, which combine to write approximately three-quarters of the Pennsylvania market, GEICO Advantage had the highest rate level increase in 2022, and GEICO Secure had the second highest. GEICO Casualty Company was the 5th highest.
 - 2023 was better for these three companies, but they still were approved for overall rate level changes totaling 14.2% (GEICO Secure), 6.3% (GEICO Advantage) and 10.0% (GEICO Casualty).
 - These rate increases included filings submitted in September 2021, May 2022 and February 2023. In two of the filings, the Department refused to approve GEICO’s original proposal and successfully negotiated lower proposed rate increases, blocking \$11.4 million of auto insurance premium increases from impacting GEICO customers.
 - The Department is hopeful that these GEICO companies have successfully dealt with the challenges they had been facing. Please note that the Department recently approved an overall rate level decrease of 4.1% for GEICO Secure Insurance Company that will soon take effect and that neither GEICO Advantage Insurance Company or GEICO Casualty Company have filed for further rate changes since February 2023.
 - Each filing is available for public view using SERFF Filing Access.
5. Rep. Lawrence asked whether the Department considers the amount of money an insurance company spends on advertising when approving or denying rates.
- Advertising expenses fall within the category of "other acquisition expenses," which is just a portion of one of the many factors that make up the rates charged for property and casualty insurance. The Department ensures that the "other acquisition expense" provision is appropriately supported by data.
6. Chairman Grove asked for the salary and benefits breakdown for the four positions that have been allocated for insurance investigations.

Number of Positions	Classification	Salary	Benefits	Total
1	Special Investigator 1	\$50,000	\$37,000	\$87,000
2	Special Investigator 2	\$130,000(for both positions)	\$91,000(for both positions)	\$221,000
1	Special Investigator 3	\$80,000	\$55,000	\$135,000
	Total	\$260,000	\$183,000	\$443,000

7. Rep. Flood asked what the average premium amount for flood insurance.
 - The average NFIP flood insurance premium for single family homes in Pennsylvania under Risk Rating 2.0, as of September 30, 2022, was \$1,075. See [Exhibit 2](#). Additionally, there are more than 30 insurers selling their own (non-NFIP) flood insurance policies in PA. Some of these insurers sell lower limit policies outside of SFHAs with average premiums as low as \$40.
8. Rep. Cephas asked how many complaints the Department has received related to maternity care.
 - The Department received one complaint (related to prenatal prescription coverage).
9. Rep. Mako asked what the average turnaround time is for the Department to address complaints received from consumers.
 - The Department responds to most complaints within 30-45 days of receiving the complaint.
10. Reps. Kinkead and Webster asked about the other states that have enacted a subsidy wrap program.
 - Link for more information: <https://www.healthinsurance.org/faqs/which-states-offer-their-own-health-insurance-subsidies/>
11. Rep. Ecker asked about the Department's proposal regarding long-term care insurance claims (Warrantech).
 - A one-pager and FAQ document is attached to provide more information.
12. Chairman Grove asked whether the Office of General Counsel has a legal opinion regarding the transfer of Workers' Compensation Security Fund dollars.
 - OGC is aware of the proposed transfer from the Worker's Compensation Security Fund (WCSF). They have expressed no concerns given that the transfer is consistent with previous actions taken by the Commonwealth.

Thank you for your questions and for the opportunity to speak about the Department's ongoing efforts to address the insurance needs of Pennsylvanians. If you have any further inquiries, please contact Kelsey White, Deputy Legislative Director, at kelswhite@pa.gov or 717-503-9910.

Sincerely,



Michael Humphreys
Insurance Commissioner