

Do car owners subsidize SUV-owners' premiums?

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HARTFORD — SUVs and light trucks, auto makers' highest profit generators, are fast becoming one of auto insurers' biggest risks, according to a study by Conning Research and Consulting, Inc.

"For years, car owners have been subsidizing the light truck owners' premiums, and the personal automobile insurance industry has been slow to respond," said Michael Weinstein, director of research at Conning.

"Given the highly competitive nature of the personal lines insurance industry and the challenge of producing profits, one has to ask: why have most underwriters not yet differentiated broadly between light trucks/SUVs and passenger cars?"

The Conning study, "Light Truck/SUV Underwriting: The Differences Matter" explains the many physical differences that cause trucks to inflict more severe injuries and greater damage than cars. In addition, the study delves into federal injury and property damage data to present the significant differences in liability exposure between the vehicle types, and it explores differential underwriting and the process needed to prepare and implement new pricing.

"A few of the larger insurers have recognized that the problem exists and are beginning to respond," said Weinstein.

"However, as the light truck category continues to expand, it is clear that the success of every personal auto company is contingent on differential pricing. Those that delay face adverse selection." □