

April 1, 2015

Committee Members,

My name is Nathan Brown and I am the Montana Auto Product Manager for Progressive Insurance. Progressive is requesting a simple amendment that would enable us to support HB 78. Below is the outline for my verbal testimony.

1. Progressive is the market leader in usage based insurance
 - a. R&D started in 1992, first product in 1996, current product in 2010 (Snapshot)
 - b. Over \$10M invested in developing this technology
 - c. Offerings in 46 states, UBI in MT since 2011
 - d. Over 12 B vehicle miles traveled
2. Key issue: HB78 limits our ability to rate on observed driving behavior
 - a. Insurance rate plans take the population and split them into risk groups
 - b. More risky drivers pay more (as they should because they have more losses on average)
 - c. Conversely less risky drivers pay less
 - d. If you don't allow rating on driving behavior then its effect is averaged out
 - i. If you don't rate on risky drivers then safe drivers pay more on average
 - ii. HB 78 promotes subsidies for risky drivers and prevents larger discounts for safe drivers. This is not good public policy.
3. We are requesting a simple amendment in section 3 to allow the CSI the flexibility to approve optional programs that allow for rating up or down on observed driving behaviors.
4. There are several reasons to accept this amendment:
 - a. MT CSI retains the ability to approve or disapprove these programs
 - b. UBI programs are optional for customers so this preserves customer choice.
 - c. Rating on actual driving behaviors makes sense to customers since it is related to driving and is in their control, plus we show them real time feedback so they can improve.
 - d. Rating on observed driving behavior is the most predictive rating tool in existence which means subsidies are eliminated (risky drivers pay more, safe drivers pay less)
 - e. Rating is actuarially justified based on over 12 Billion miles traveled
5. What happens if you don't accept this amendment
 - a. The worst ~2 out of 10 drivers raise rates on average for the other ~8 out of 10 drivers who have to subsidize their losses. That is not personal accountability or good public policy. It is not fair to the ~8 out of 10 people that do the right thing.

- b. Ask yourself. When you travel the roads do you see risky drivers tailgating, speeding up for yellow lights, driving distracted, texting, jamming the brakes, etc. You inherently know these behaviors create more risk to the public at large and that these drivers should pay more for insurance than less risky drivers. We should not be subsidizing risky drivers. We have actuarial tools today that can price these risks more accurately.

Thank you for allowing my testimony here today. I ask for your support of this simple amendment that will benefit Montana consumers by allowing insurers that offer optional usage based insurance programs to use information about actual driving behaviors in the same way that many other rating factors are used. This will mean that rates are more accurate and that good drivers won't subsidize more risky drivers. Moreover, the rates of these programs would be regulated by the CSI to ensure that they are actuarially sound, fair, and reasonable.

Respectfully,

Nathan Brown
Auto Product Manager
Progressive
440.620.9254