Title: The Effect of Open Competition Law on Insurance Price in Property and Casualty Insurance

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Abstract

The study addresses the insurance price regulation issue in the automobile and homeowners insurance. Illinois adopts open competition laws that allow insurers to charge any rates to Illinois consumers in most insurance lines with no direct state interference. This study makes an attempt to find whether insurance rates in Illinois are lower and less volatile than in other states where rates are regulated. When premiums are compared from one state to another state, all other risk characteristics except territory should be held constant. Therefore, readers should be cautioned when the premium survey data and loss ratios are compared and interpreted. The study reports loss ratios and the survey data on insurance premiums obtained from the Illinois Department of Insurance. The analysis of the surveyed premiums and loss ratios seems to indicate that Illinois policyholders do **not** pay higher premiums than residents in other comparable states. The automobile and homeowners premiums are lower in Illinois than in other states. The loss ratio of all lines does not seem to indicate higher premiums in Illinois since severe weather and resulting catastrophic losses are responsible for higher loss ratios in California, Texas, and Florida. In my opinion, the open competitive law in Illinois can deserve a partial credit for lower premiums in Illinois.