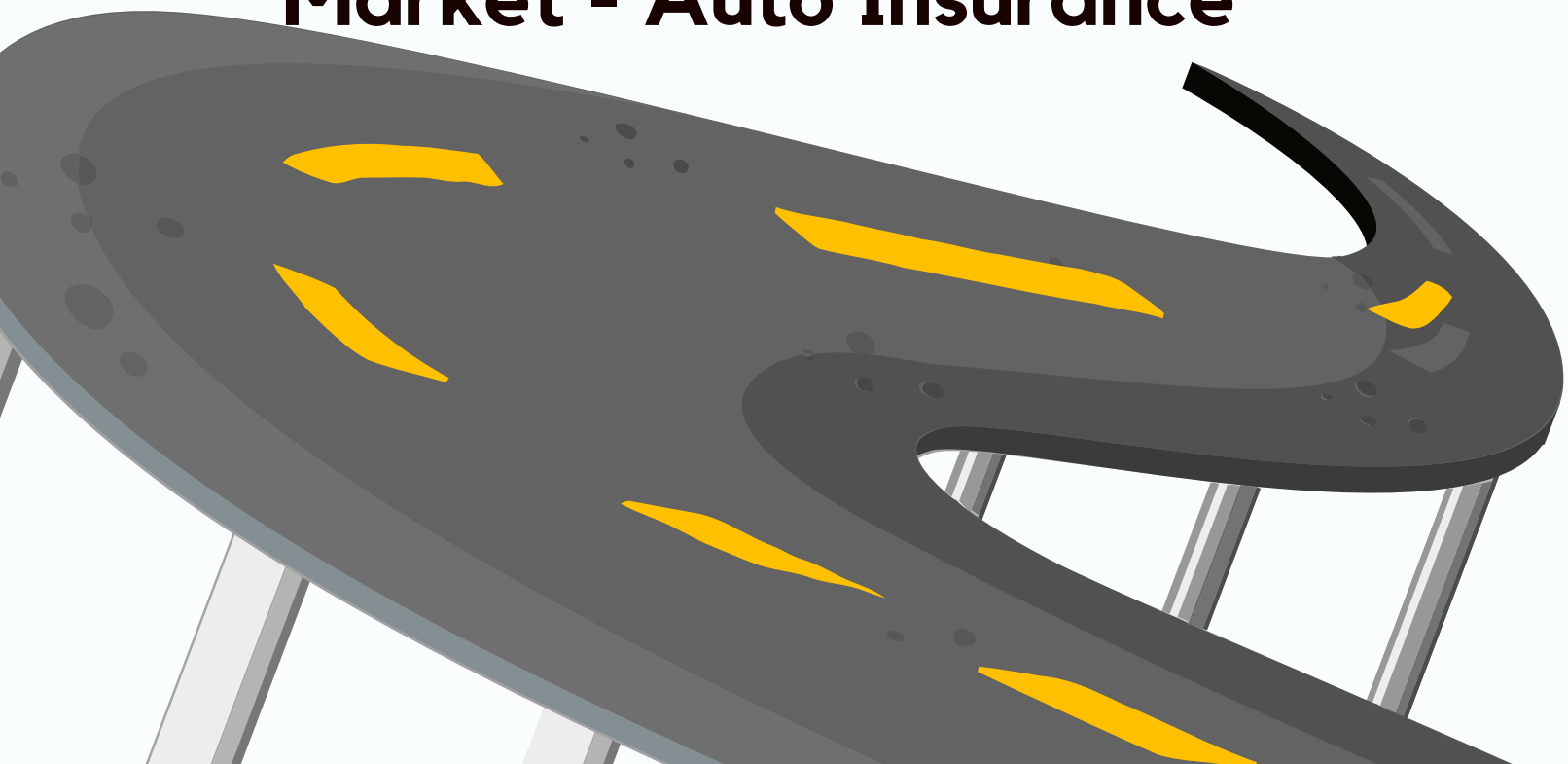# Road to the Standard Market - Auto Insurance

ROAD TO STANDARD MARKET GUIDE- AUTO INSURANCE

Making your way to the Standard Market

Welcome to the "Road to Standard Auto Insurance Market" guide, designed to help you navigate the complexities of auto insurance pricing. In this document, we'll explain how individuals are charged based on a combination of eligibility and rating factors. These factors play a crucial role in determining your insurance premium, reflecting the level of risk associated with your coverage.

Auto insurance pricing is influenced by two main categories of factors: eligibility factors and rating factors. Eligibility factors determine if you qualify for a particular type of coverage, while rating factors assess the risk associated with insuring you, directly impacting the cost of your premium.

Now, let's explore the journeys of four personas to better understand how these factors come into play.

YOU WILL BE CHARGED BASED ON YOUR RISK

Eligibility factors and rating factors are key components that insurance carriers consider when determining the risk associated with an individual and, consequently, the premium they will be charged.

While it may be tempting to reduce or eliminate coverages to help lower your car insurance premium, it's important to know that there are other factors that may also affect the price you pay.

WHAT DETERMINES RISK?

Eligibility Factors:

- Definition: Eligibility factors are criteria that an individual must meet to qualify for a particular type of auto insurance coverage. These factors are used to determine whether an applicant is eligible to purchase insurance from a specific company or under a specific policy.
- Examples: Driving History, Insurance History, Payment Behavior

Rating Factors:

- Definition: Rating factors are characteristics or variables that insurers use to assess the level of risk associated with insuring a particular individual. These factors directly influence the calculation of insurance premiums. Rating factors help insurers evaluate the likelihood of a policyholder filing a claim.
- Examples: credit score, vehicle type, risk profile, demographic information, and driving history

You can only be denied insurance based on eligibility factors.

ROAD TO THE STANDARD INSURANCE MARKET
Customer Personas

What is a Persona?

A persona is a detailed and fictional representation of a customer archetype, created to embody specific characteristics, challenges, and behaviors. These personas serve as examples, aimed to help customers relate to different scenarios and understand how their actions can influence their insurance standing.

Personas

Jones Family

01

2 Adults, 2 Kids, 1 of the kids drive

Mr. Thompson

02

70 year old, single, lapse in coverage due to non payment

Mr. and Mrs. Jones

03

Married, no young drivers, one of the insureds has a DUI

Dylan

04

18-21 year old, 1st time coverage

Meet the Jones Family

Persona Details:
Two adults, Two children,
One Young Driver

Current Market:

Standard

About:

1. What characteristics do they have that place them in this market?
    a. Pay their bills on time
    b. Have continuous coverage
    c. Minimal Claims History
2. What unique challenges may they face?
    a. Young drivers can result in high premiums
3. What behaviors would place them in the non-standard market?
    a. Frequent claims leading to higher perceived risk
    b. Infractions leading to higher perceived risk
    c. Inconsistent payment of premiums
    d. Lapse in auto insurance coverage

Meet Mr. Thompson

Persona Details:
70 year old, single, lapse in coverage due to non payment

Current Market:
Non- Standard

About:

1. What characteristics do they have that place them in this market?
   a. Struggle with consistent premium payments leading to cancellation of policy causing a lapse in coverage
2. What unique challenges may they face?
   a. Limited flexibility in payment options (ex: required to pay a full 6-month premium up front).
   b. Higher premiums
   c. If he's on Medicare, he wouldn't be eligible for the excess medical discount on his Personal Injury Protection (PIP).
3. What steps could they take to get into the standard market?
   a. Maintain continuous coverage for the next 6 months
   b. Take senior driving courses for additional discounts

Meet Mr. and Mrs. Jones

Persona Details:
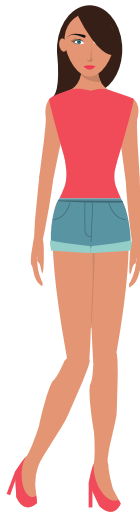Married, no young drivers, one of the insureds has a DUI

Current Market:
Non- Standard

About:

1. What characteristics do they have that place them in this market?
   a. Driving Under the Influence (DUI) on Driving Record
2. What unique challenges may they face?
   b. Limited carrier options
   c. Higher Premiums
3. What steps could they take to get into the standard market?
   a. Maintain a clean driving record
   b. Maintain continuous coverage

Meet Dylan

Persona Details:

18-21 year old, 1st time coverage

Current Market:

Non-Standard

About:

1. What characteristics do they have that place them in this market?
    a. Minimal driving or insurance history
2. What unique challenges may they face?
    a. Higher premiums due to the increased likelihood for accidents, tickets, and claims
    b. Lack of proven continuous insurance coverage
    c. Limited Carrier Options
3. What steps could they take to get into the standard market?
    a. Choosing a reputable agent with access to multiple carrier markets.
    b. Consistent Payment History
    c. Continuous coverage