

INSURANCE PRODUCER RATE SURVEY SUMMARY

A survey of property and casualty insurance producers in Pennsylvania's mining regions was conducted by the Department of Environmental Protection to ascertain the insurance industry's opinion about the rate of commission that should be established to compensate insurance producers for the Mine Subsidence Insurance (MSI) applications they submit which result in the issuance of a policy. On average, the insurance producers stated that a typical commission paid to agencies for the placement of a homeowners insurance policy is 15% of the annual premium, but that it may range from 15% to 25%. Such commissions are paid annually to the agencies at the time of policy renewal for as long as the policy remains in force.

In the survey, insurance producers were asked the following Question:

"Given an average policy premium of \$100, a policy life of five years, an online application process that can be completed in less than five minutes (no inspections), and no further responsibility or work by the insurance producer beyond the submission of an application, what is a reasonable onetime commission that would be paid after the first premium is paid?"

The response provided by most insurance producers was that a onetime commission of 50% should be established. Although no one suggested a rate less than 50%, a few suggested higher rates. As a justification for higher rates, one insurance producer noted that a commission for a life insurance policy is often paid as a onetime commission that may range from 55% to 100% of the first year's premium. However, that justification did not compare the significant investment of time and effort associated with a typical life insurance application to the time and effort associated with the far less complex application for MSI.

In conclusion, the level of participation by the insurance producers will be contingent upon their ability to generate commissions and make productive use of their time. Therefore, increased subscriptions generated by insurance producers will be dependent upon the following:

- 1) Easy to use and efficient application processes.
- 2) Attractive commission rates.
- 3) Favorable consumer attitudes toward the purchase of coverage.