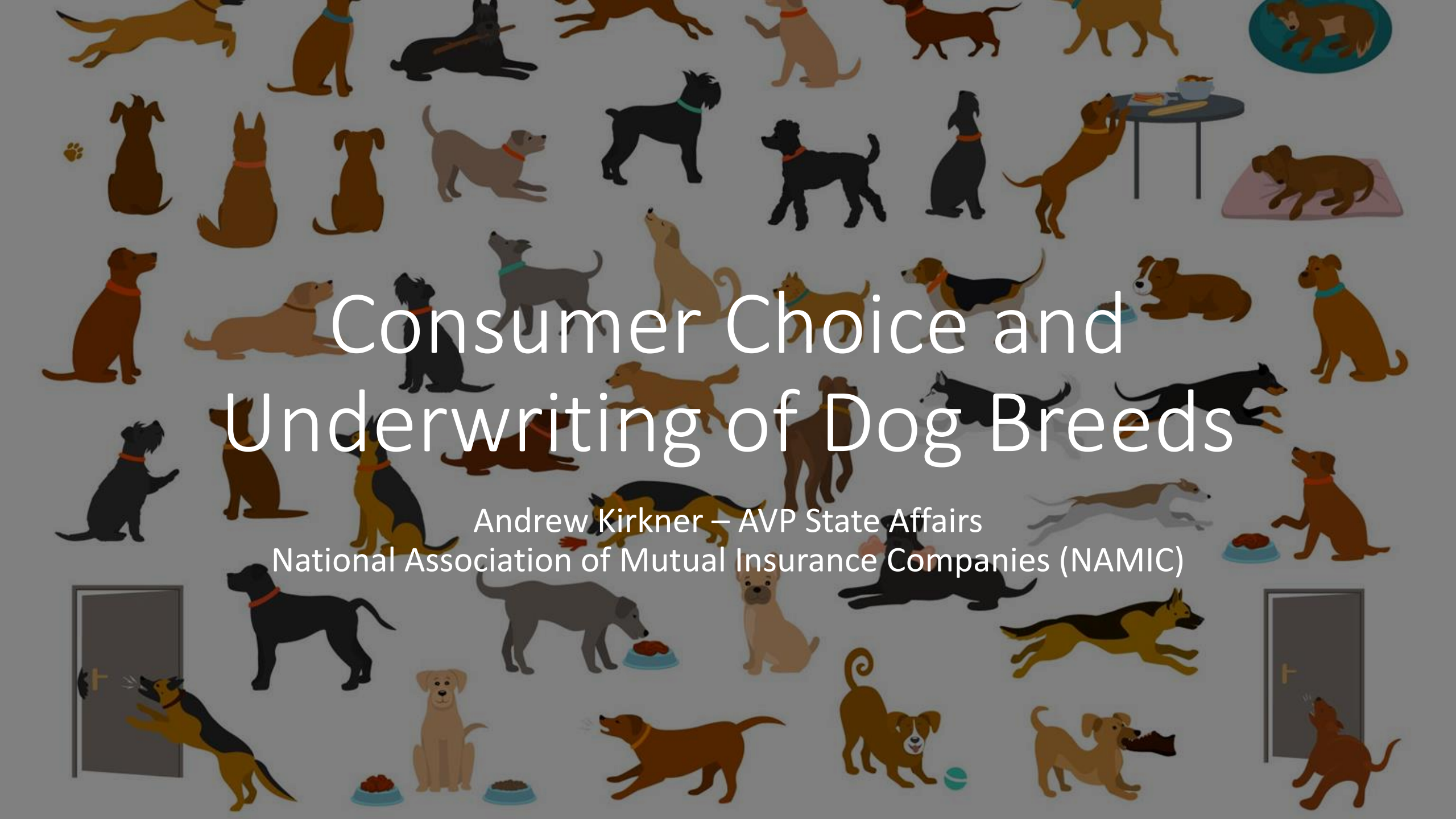

Consumer Choice and Underwriting of Dog Breeds

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Dog-Related Claims Scenarios

- 4.5 million Americans per year are bitten by dogs
- 18,000 dog bite claims
- Average dog bite claim: $44,760

-Dog to human bites

-Dog to dog bite

-Dog to human death

-Dog to dog death

-Dog damage to property

-Related claims

How Are Dogs Covered Today?

- Homeowners/Renters/Umbrella policies
  - Liability covering bites/more serious dog attacks
  - Breed questions generally at application and notification requirements

- How Do Insurers Consider Dog Breed?
  - No standard treatment across insurers (competing on price)
  - Some insurers: don’t breed information collection, rate on breed information, but write all breeds (hybrid), choose not to write certain breeds
  - Open marketplace, good for consumers

Can Consumers Find Coverage for Their Dog?

Unquestionably, YES

- Homeowners/Renters Policies:
  - Two of the country's largest insurers don't ask about dog breed – focus on behavior
  - Several additional large insurers use hybrid method – writing all breeds but factoring breed into rate
- Canine liability policies
  - Emerging market
  - Specific underwriting criteria
  - Disruption/app-based insurers

Why do Some Insurers Care About Dog Breed?

- Insurance is voluntary transfer of financial risk.
- Insurers agree to assume financial risk of policyholder in exchange for premiums.
- In the case of a covered dog, an insurer agrees to cover liability and property damage in exchange for a premium.
- In a healthy and competitive insurance marketplace, insurers compete on price by most accurately figuring out risk and applying a commensurate premium (this is good for consumers).

Why Might Dog Breed Help Insurers Ascertain Risk?

Propensity

- Ohio State Medical Center (2019):
  - Specifically looked at dog-related facial injuries in children
  - Found that pit bulls (22.5%) and mixed breed (21.2%) dogs have the highest risk of biting and cause the most damage per bite
  - Dogs over 66 pounds with square head more likely to bite
- Centers for Disease Control: Study examining dog-bite-related fatalities
  - 1979 – 1994: 279 deaths (60 Pit Bulls – 21%, 28 Rottweiler – 10%, 19 German Sheppard – 6.8%)
- DogsBite.org
  - 2005-2017: 433 deaths (284 Pit Bull – 66%, 45 Rottweiler – 10%, 20 German Sheppard – 4.6%)
- But…

Why Might Dog Breed Help Insurers Ascertain Risk?

Tools/Severity

- Ohio State Medical Center (2019):
  - Pitt bulls and mixed-breed dogs more likely to cause severe claims
- UCSF level 1 Trauma Center (2018):
  - 51% increase in severity according to breed
  - “Pit bull terrier bites were responsible for a significantly higher number of orthopaedic injuries and resulted in an amputation and/or bony injury in 66% of patients treated, whereas bites from law enforcement dogs and other breeds were less associated with severe injuries.”

Why Might Dog Breed Help Insurers Ascertain Risk?

Faulty Assumptions

Claim: Insurers lack actuarial basis for excluded dog lists

- Fact: insurers use claims data to inform risks they are willing to take on

Claim: No proof some dogs are better equipped/disposed to aggression

- Fact: Data indicates some breeds do in fact have a higher propensity for attacks. Even where this data is disputed, however, there is no reasonable dispute that some dogs are better equipped to cause damage/injury.

Claim: There is no distinction between breeds, each dog is an individual

- Fact: Animal group advocacy websites, including some proponents of reform are replete with “breed tendencies”. It stretches reason that there are tendencies by breed

Faulty Assumptions

Claim: Prohibiting insurers from excluding or factoring in dog breed will make insurance more affordable and available

- Fact: If insurers are prohibited from accurately pricing risk, some may decide to exclude all dogs from coverage. Even where insurers continue to write, drivers with non-risky dogs will be subsidizing risky dogs.

Question to Consider for 2022:

Does NCOIL want to be in the business of requiring insurers to either take on risk they do not want to assume or make insurance less available/affordable?

Questions?