

# POWERFUL SOLUTIONS

For maximum F&I profitability

## Inflation and Loss Ratios

Reflecting upon current events, while working with our Guests, is usually a good idea! It certainly creates a credible argument. Most folks are familiar with the terrain in front of them but may not realize how the current state of things could impact *their* situation. As experts in communication, it is up to us to help our Guests understand the effects current market conditions may have upon them.

Inflation, for example, is on the front of *everyone's* mind, currently. Many of our daily consumables have increased in price, recently, and there is no end in sight. How does this effect our products? Let's look at two reports to gain a better understanding, ourselves. By doing so, we should be better prepared to explain what's at stake for our Guests.

Loss Ratio Summary*				
	New	Near New	Used	Total
Last 12 Months	97.91%	101.87%	98.29%	99.04%
Year to Date	97.91%	101.87%	98.29%	99.04%
Last Year to Date	99.47%	102.76%	87.72%	95.98%

  

Paid Claims Summary				
	New	Near New	Used	Total
Last 12 Months	\$4,973,687	\$3,208,664	\$4,873,926	\$13,056,278
Year to Date	\$4,973,687	\$3,208,664	\$4,873,926	\$13,056,278
Last Year to Date	\$4,604,734	\$2,769,665	\$3,962,120	\$11,336,520

\* Please note that GAP is excluded from the Loss Ratio Calculations.

2019

Loss Ratio Summary*				
	New	Near New	Used	Total
Last 12 Months	89.00%	110.70%	105.34%	100.18%
Year to Date	89.00%	110.70%	105.34%	100.18%
Last Year to Date	88.98%	103.59%	94.93%	94.74%

  

Paid Claims Summary				
	New	Near New	Used	Total
Last 12 Months	\$5,391,242	\$4,049,593	\$5,791,359	\$15,232,194
Year to Date	\$5,391,242	\$4,049,593	\$5,791,359	\$15,232,194
Last Year to Date	\$5,116,845	\$3,564,935	\$5,045,067	\$13,726,847

\* Please note that GAP is excluded from the Loss Ratio Calculations.

2021



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What we see here are two production reports detailing activity concerning Conley Insurance Group Clients, involving a single Contract Provider with whom we work. This data involves the calendar years 2018, 2019, 2020, and 2021... the last whole year for which this data is available. Considering the last four years of information should provide a reasonably comprehensive look at how things are currently trending...

For the purposes of this review, let's first consider the 2019 Production Report. Reading from the bottom-right, up... it is, first, the box "Paid Claims Summary" we see listed. The information concerning 2018 is contained on the lines "Last Year to Date". We see that in 2018, \$11,336,520 in claims were paid. This represents a loss ratio of 95.98% (from the next higher box, "Loss Ratio Summary"). In 2019, \$13,056,278 in claims were paid... a loss ratio of 99.04%.

Now we'll consider the 2021 Production Report. Again, this time, the information concerning 2020 is contained on the lines "Last Year to Date". We now see that in 2020, \$13,726,847 in claims were paid. This represents a loss ratio of 94.74% (a possible explanation for this decline would be that far fewer miles were driven at the onset of the pandemic). In 2021, \$15,232,194 in claims were paid... a loss ratio of 100.18%.

And, as is denoted by the asterisk on both reports... GAP is excluded from the Loss Ratio Calculations! It is common knowledge, in our industry, that GAP claims regularly exceed 100% loss ratios and, if included in these reports, would almost certainly result in *even higher* loss ratios, overall!!!

The bottom-line here is that, as most folks are aware, when loss ratios exceed 100%... more money is being paid in claims than is being earned in premium.

Why does any of this matter?

It is easy to understand that once loss ratios eclipse 100%... something must change. Either the quality of the product must decrease and/or the price-of-admission must increase. We are *clearly* offering our Guests tremendous value, in the Business Office! We shouldn't find it difficult to communicate that, "Folks... we have reviewed reports indicating that loss ratios have recently surpassed 100%, regarding paid claims! Therefore, something has to give. We have the opportunity, *right now*, to take advantage of the current "Top-Shelf" level of security, and piece-of-mind, before concessions to quality of coverage and/or enhancements to the price-of-admission must occur... "

Think about it.

Good luck and good selling!

