Results of State Survey Concerning Programs and Initiatives Related to the Availability and Affordability of Automobile Insurance

Automobile Insurance (C/D) Study Group

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Contents

Executive Summary

As a part of its charge to review issues relating to low income households and the auto insurance marketplace and to make recommendations as may be appropriate, the Auto Insurance (C/D) Study Group conducted a survey of state insurance regulators to learn more about programs or initiatives each state may have implemented to address availability and affordability issues, particularly for low income drivers. The state survey was distributed to all 56 states and jurisdictions in April 2013.

The survey was divided into two parts. The first was devoted to obtaining background information on whether states had gathered any information regarding automobile insurance for low income consumers. The second requested information on specific state initiatives that were taken to assist low income consumers.

Responses were received from 49 states as well as the District of Columbia, Guam, Puerto Rico and the Virgin Islands. According to the survey responses:

- Eight states have conducted some type of study, hearing or similar inquiry regarding the availability or affordability of automobile insurance for low income consumers. For the most part these studies were undertaken as a result of legislation or in order to determine whether legislation was necessary.
- Over the past five years, only three of the states have seen an increase in their automobile insurance residual market, while 19 states have seen a decrease in the size of their market. The basis cited for the decrease generally was the competitive market. In 24 of the states, the size of the residual market has remained the same.
- Thirty-three of the states have a process in place to identify the number of uninsured motorists.
- Only three states reported collecting data from insurers that could be used to examine the impact of underwriting or rating practices on low income consumers.
- Twenty-nine of the responses indicated that insurers were required to disclose information regarding underwriting guidelines, rating factors or discounts to applicants or policyholders. The majority of these required disclosures related specifically to the use of credit.
- Eighteen states either currently or in the past have required underwriting guidelines be made publicly available. Several states have an exception to this general rule if the company can show that the information is a trade secret.
- The majority of the states have some laws that limit the factors insurers can use in underwriting or rating. Many of them restrict the use of credit and at least four states place limitations on the use of education and occupation.
- Only four states or territories currently have or have ever had a Market Assistance Program.
- Forty-two of the states either currently, or in the past, have produced rate comparison guides.
- Seven states reported having undertaken some type of initiative to address the availability and affordability of auto insurance.

II. Background

The Auto Insurance (C/D) Study Group was established by the Property and Casualty Insurance (C) Committee and the Market Regulation and Consumer Affairs (D) Committee on March 5, 2012. The Study Group was charged to "to review issues relating to low income households and the auto insurance marketplace and to make recommendations as may be appropriate."

The Study Group approved a work plan on Aug. 14, 2012. Among the items on the work plan was a charge for the Study Group to "document innovative initiatives states have taken to address affordability issues for low income drivers. (e.g. California's low cost auto plan)" and to "investigate and document how these plans are working and challenges jurisdictions have faced." To accomplish this component of its work plan, the Study Group conducted a survey of state insurance regulators to learn more about programs or initiatives each state may have implemented to address availability and affordability issues, particularly for low income drivers. The state survey was adopted by the Study Group at the NAIC's Spring 2013 National Meeting and distributed to jurisdictions in April 2013.

III. Methodology

The state survey was distributed to the insurance regulators in all 56 NAIC member states and territories. Responses were received from 49 states as well as the District of Columbia, Guam, Puerto Rico and the Virgin Islands, resulting in a 95% response rate.

The survey was divided into two substantive parts. The first part consisted of four questions about information states may have gathered related to the availability and affordability of automobile insurance for low income consumers. The second part consisted of six questions regarding specific initiatives states may have taken to enhance the availability or affordability of automobile insurance for low income consumers. The survey also invited additional comments concerning issues related to low income households and the auto insurance marketplace.

IV. Summary of Survey Results

Survey results are summarized below, organized by category and by question within each category. A tally of responses to survey questions is included as Appendix 1.

A. Background on Auto Insurance and Low Income Consumers

Question 1: **Has your state conducted any studies, hearings or similar inquiries regarding the availability or affordability of auto insurance for low income households? ☐ Yes ☐ No**

If yes, please describe:

(a) What prompted the inquiry;
(b) When the inquiry occurred;
(c) The form of the inquiry;
(d) The focus of the inquiry;
(e) Any inquiry findings;
(f) Any recommendations made or actions taken as a result of the inquiry.

According to the survey responses, eight states (California, Iowa, Kentucky, Maryland, Michigan, Missouri, New Jersey and Texas) have conducted some type of study, hearing or similar inquiry regarding the availability or affordability of automobile insurance for low income consumers. For the most, part these studies were undertaken as a result of legislation or in order to determine whether legislation was necessary.

In 1998, California conducted legislative hearings regarding the difficulty low income Californians experienced when trying to purchase auto insurance. As a result of those hearings, California created a Low Cost Auto Insurance Program.[1] This program was created to provide income-eligible, good drivers with access to affordable automobile liability insurance. Additional description and analysis of this program can be found under Section IV.B. Question 6 of this document.

From 2008 to 2010, the Iowa Insurance Division conducted a data call of the top auto and homeowners insurers and hired a university to produce an independent study on the use of credit-based insurance scoring.[2] As a result of the study, exceptions for extraordinary life circumstances were added to insurance scoring laws to allow consumers an opportunity to have a covered life event removed from consideration in the calculation of that consumer's insurance score.

In April and May of 2013, Kentucky requested data from 14 insurers consisting of over 68% of the auto market in Kentucky. The companies were asked to rate a basic policyholder with different variables, including changes to socioeconomic factors, in order to determine rate differences. Kentucky found that:

- Employment and wage have little to no bearing on premiums.
- Regardless of income, policyholders all have the same opportunity to create a good or bad credit score.
- For educational degree vs. no type of degree, only two companies showed a slightly higher premium. Kentucky requires actuarial supports for the use of education factors.
- Negative credit history/factors adversely affected premiums.
- Driving record adversely affected premiums.
- Premiums are based on expected loss and not the ability to pay.

Maryland's 2006 Final Report of the Automobile Task Force to Study Rates in Urban Areas includes a number of recommendations to reduce the level of premiums, interest and fees charged for automobile insurance in urban areas, such as: allowing the insurer of last resort to develop an installment payment plan to offer to policyholders in lieu of premium financing their policies; eliminating duplicative coverage and subrogating against collateral sources when settling claims; combating insurance fraud more aggressively; streamlining the premium increase, cancellation and non-renewal process and procedures; educating consumers with respect to automobile insurance coverage, rates, public safety and how they are inter-related; and providing financial incentives for people to drive with insurance.[3]

All of the recommendations in the Maryland report required legislative changes, except consumer education, which the MIA has undertaken through the development of over 100 brochures, advisories, rate comparison guides, etc. and participation in over 500 outreach opportunities every year. Chapter 350, Acts of 2006 clarified some, and eliminated other requirements for information contained in notices of cancellation, non-renewal and premium increase provided to insureds effective January 1, 2007. Chapter 588, Acts of 2012 provided the MIA's fraud unit the authority to investigate allegations of civil fraud and if appropriate after investigation, impose administrative penalties up to $25,000 for each act of insurance fraud and order restitution. Chapter 334, Acts of 2013 permitted the Maryland Automobile Insurance Fund (MAIF), the automobile insurer of last resort, to accept premiums on an installment basis, subject to the approval of the Commissioner, effective July 1, 2013. In addition, the Commissioner is required to approve forms that provide information to applicants and insureds of the payment options available when purchasing auto policies from MAIF.

In Michigan, legislation was introduced in 2012 that would require insurers to provide low cost auto insurance through a pilot program. According to the Michigan Department of Insurance, the legislation arose from a concern over the cost of auto insurance.

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[1] Two bills were enacted to establish a Low Cost Auto Insurance Program. SB 171 http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=sb_171&sess=9900&house=B&author=escutia. SB 527 http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=sb_527&sess=9900&house=B&author=speier
[2] http://insuranceca.iowa.gov/hot_consumer_topics/credit_scoring.html
[3] Final Report of the Automobile Insurance Task Force to Study Rates in Urban Areas, April 2006. http://www.mdinsurance.state.md.us/sa/docs/documents/home/reports/autotaskforcereport.pdf

The state of Missouri is required by statute to collect zip code-level premium and loss data on an annual basis. The Missouri Department of Insurance regularly uses this data to monitor the private auto insurance marketplace.[4] The last full-length study was performed in 2005 and found significant issues in low income areas, including higher consumer dissatisfaction, higher rates and limits on distribution channels.

The New Jersey Department of Insurance issued a paper on insurance rates in 2008 which analyzed: applicable statutes and regulations in New Jersey and other states; consumer-advocate reports regarding impacts of the use of education and occupation as rating factors; insurer rate filings; previous findings of Maryland and Florida insurance departments; census data; and other studies. The study found that the use of education and occupation is consistent with New Jersey statutes and regulations; the use of such factors is common throughout the U.S.; the use of these factors did not create higher overall premiums for drivers with lesser occupational or educational attainment; and these factors were not used as proxies for race or income.

In 2013, legislation was introduced, but not passed, in Texas that would create a low income insurance program[5]. The Texas Legislative Budget Board's (LBB) Texas State Government Effectiveness and Efficiency Report found that data showed a relationship between vehicles identified as uninsured by the Texas Department of Insurance (TDI), poverty rates, and median income. Additional data show that a higher proportion of persons in geographic areas with less access to automobile insurance have been convicted of driving without insurance. Because of this, the report recommended a statutory change to require that TDI establish a low income automobile insurance program.

Question 2: **Over the past 5 years, the number of insureds in your state's residual auto insurance market has:**
☐ Increased ☐ Decreased ☐ Remained about the same

If the size of your residual market has increased or decreased, please summarize and provide the source(s) of any available information regarding the reason(s) for this change.

The survey responses indicated that over the past five years only three of the responding states (Florida, Michigan, and Rhode Island) have seen an increase in their automobile insurance residual market while 19 states have seen a decrease in the size of their residual market. Reasons given for an increase in the size of residual markets were: an insolvency, a non-standard carrier withdrawing from the market, and the tightening of underwriting standards. The reason most commonly cited for a reduction in the size of the residual market was the competitiveness of the auto insurance marketplace. In 24 of the responding states, the size of the residual market has remained the same. Several of the states were unable to provide a response to this question.

Question 3: **Does your state have a process in place to identify uninsured motorists?** **☐ Yes ☐ No**

If yes, please respond to the following:

- **(a) Describe the process.**
- **(b) How long has the process been in place?**
- **(c) Provide citations to any statute, regulation, or other authority that governs this process.**
- **(d) Summarize and provide the source(s) of any available information regarding the success or impact of identifying uninsured motorists.**

Thirty-three of the responding states have a process in place to identify uninsured motorists. A majority of the responses indicated that insurance companies are required to report to a state entity, such as the Department of Revenue or Department of Motor Vehicles, insurance status information, such as lapses, non-renewals or cancellations. Some states match this information with registrations while others contact drivers who have cancelled policies to ensure that they have a new policy.

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[4] http://insurance.mo.gov/reports/

[5] Introduction of proposed legislation, Senate Bill 491 and House 1111, in the 83rd Legislative Session (2013). SB 491: http://www.legis.state.tx.us/tlodocs/83R/billtext/pdf/SB00491I.pdf#navpanes=0. HB 1111: http://www.legis.state.tx.us/tlodocs/83R/billtext/pdf/HB01111I.pdf#navpanes=0

In some states, Departments of Motor Vehicles randomly select a sample of registrations and send to insurers for verification of coverage. Several states have implemented online insurance verification systems where the Department of Motor Vehicles or law enforcement can check the status of a driver's insurance coverage and can send notices to drivers who may be uninsured.

Most of these processes began in the 1980s or 1990s while some of the more comprehensive databases were implemented in the past ten years. Most states indicated that the success of the program has been difficult to measure, although several states, including Delaware, Florida, Georgia, Kentucky, New York, Texas and Utah, presented data showing uninsured motorist rates to be relatively low or lower than before the program began.

Question 4: **Does your state collect any data from auto insurers that could be used to examine the impact of underwriting or rating practices on low income consumers?**

☐ **Yes** ☐ **No**

If yes, please respond to the following:

(a) **Describe the data collected and how it is used.**

(b) **Is the data treated as confidential commercial information?**

☐ **Yes** ☐ **No**

Only three states (California, Massachusetts and Missouri) reported that they collect any data from auto insurers that could be used to examine the impact of underwriting or rating practices on low income consumers.

In California, section 2646.6 of the California Code of Regulation was adopted to identify underserved communities. California defines an underserved community as having the following three characteristics:

1) uninsured motorist ratio that is ten percentage points above the statewide ratio;
2) the per capita income is below the 50th percentile for California as measured by the most recent U.S. Census; and
3) predominately minority where two-thirds of the population is minority as measured by the most recent U.S. Census.

California's insurance department collects, by zip code, the following data from insurers licensed to write business in California:

- premium;
- exposure;
- the number of agency offices and the languages spoken in these offices;
- the number of servicing offices;
- the number of direct solicitations made; and
- the demographics of new policyholders.

California uses this data as the basis for its bi-annual Report of Underserved Communities.[6] The 2011 report found 10.3% of total earned exposures for private passenger automobile insurance to be in underserved communities. The report notes that it was not able to address the issue of why some people do not have insurance. It concluded that it is up to the community, insurance industry and the California Department of Insurance to make sure adequate coverage can be made available to all people.

[6] http://www.insurance.ca.gov/0400-news/0200-studies-reports/0800-underserved-comm/2011/index.cfm

Missouri annually collects premium, exposure and loss data at the zip code level in order to monitor the market.[7] Insurers are required by statute to provide this data and it is kept confidential by the state. Missouri is able to merge the insurance data with other data sources, such as U.S. Census data and/or vehicle registration records in order to create analyses.

Although Massachusetts does not directly collect this type of data, the state does closely monitor the impact of various rating and underwriting features on personal automobile insurance premiums. Massachusetts requires personal auto rate filings to include actuarial support for any changes to the final rating factors associated with a tier assignment. The filing company also provides underwriting tier assignments for sample policies. Massachusetts calculates the premium under the proposed rates and compares the results with the premiums available in the residual market. A Massachusetts Division of Insurance bulletin establishes a premium cap for policies that provide the minimum insurance coverage required by law for operators with certain driving records.

New York's response to this question focused on data collection related to "redlining."[8] A New York regulation requires insurers to maintain records by zip code of all agents and brokers whose contracts or accounts have been terminated; all applicable policies issued, renewed, cancelled (other than for nonpayment of premium) or nonrenewed; and all applications for insurance where the insurer did not issue a policy. The information collected is used to examine the impact of underwriting on geographical locations, which could indirectly provide information on low income consumers.

B. Specific State Initiatives

Question 1: Has your state ever required insurers to disclose information regarding underwriting guidelines, rating factors, or discounts to auto insurance applicants or policyholders?

☐ Yes ☐ No

If yes, please respond to the following:

(a) Indicate whether this is a current initiative or a past initiative.
(b) Describe the required disclosure(s).
(c) When is/was the insurer required to make the disclosure(s)?

Twenty-nine of the responses indicated that insurers were required to disclose information regarding underwriting guidelines, rating factors or discounts to applicants or policyholders. The majority of these requirements related specifically to the use of credit.

Some states required additional disclosures. For example, California's laws required the following disclosures, among others:

CIC § 381.1 -Disclosure of Specified Rating Information: Insurers are required to include this disclosure in each renewal notice that is sent prior to the renewal of the policy. The disclosure enables the named insured to check key rating information for accuracy so that he or she can request corrections to the policy premium calculation, as necessary.

CIC § 489(a) - Disclosure of the Named Insured's Right to Be Informed, Upon Request. of a Premium Increase at Renewal that is Due to an Accident or Traffic Conviction: The insurer must provide this disclosure to the named insured not less than 20 days prior to the policy renewal effective date. The disclosure is helpful to named insureds whose premium has increased at policy renewal due to an accident or traffic violation that was erroneously recorded on a comprehensive loss underwriting exchange report or on the insured's motor vehicle report.

CIC § 791.10- Notice of an Adverse Underwriting Decision: If the insurer charges a higher rate at policy renewal due to information that differs from what the policyholder furnished the insurer must notify the policyholder of its

[7] http://www.sos.mo.gov/adrules/csr/current/20csr/20c600-3.pdf

[8] Redlining is defined as when termination or refusal to renew is based solely on the geographical location of the agent or broker or of the risks for which coverage is afforded through such agent or broker. N.Y. ISC Law §§ 3433.

adverse underwriting decision and of the policyholder's rights under CIC § 791.08, § 791.09, and§ 791.1 O(b). This notice could be provided at, or prior to, the policy renewal effective date.

CIC § 11580.15- Disclosure of All Available Premium Discounts: The insurer must disclose all its available premium discounts to the named insured, in a free-standing document, when the insurer offers to renew the policy. By providing this notice, the insurer gives the named insured the opportunity to apply for premium discounts that the insured is not already receiving.

CCR § 2632.5(c)(2)(8)(iii) - Notice of the Annual Mileage Figures that Were Used for the Expired and the Renewal Policies: The insurer must provide the applicant with this notice before the policy renewal effective date. By providing the notice, the insurer gives the named insured the opportunity to challenge excessive annual mileage figures so that policy premiums can be corrected.

Michigan requires that, at least annually, an insurer provide the automobile insurance policyholder with a notice that the following information is available and will be provided upon request:

- A description of the specific rating classifications by which rates and premiums have been determined;
- A general explanation of the extent to which rates or premiums vary among policyholders on the basis of the rating classifications used by the insurer;
- Sources and reasonable procedures by which the policyholder can obtain from the insurer additional information sufficient for the policyholder to calculate and confirm the accuracy of his or her specific premium;
- Relevant information regarding the rights of the policyholder to appeal the application of the insurer's rating plan in determining his or her premium;
- A description of all of the insurer's underwriting rules based on insurance eligibility points and a description of all of the underwriting rules of the insurer's affiliates based on insurance eligibility points; and
- A suggestion that the policyholder contact his or her agent to determine if he or she is eligible for insurance from an affiliate of the insurer or under a different rating plan of the insurer that would provide to the policyholder insurance at a more favorable premium.

Pennsylvania requires the following disclosures, among others:

- At new business and at each renewal, insurers must provide each insured a notice stating that discounts are available for insureds that meet the requirements for the statutory passive restraint, anti-theft device and driver improvement course discounts.
- At new business and at least once annually, insurers must provide each insured their surcharge disclosure plan.

Question 2: Has your state ever made auto insurance underwriting guidelines publicly available, or required insurers to make them publicly available?

☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Under what circumstances are/were underwriting guidelines made publicly available?
c) Provide the statutory or regulatory authority for making underwriting guidelines publicly available.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of this initiative.

Eighteen states responded they make auto insurance underwriting guidelines publicly available. For most of these states, the guidelines fall under open records laws within the state. Several states provide a specific exemption for credit-based insurance scores or an exemption if the company can show that the information is a trade secret. Three states indicated the guidelines would only be required to be filed, and therefore available to the public, if the guidelines had an impact on rates.

No states indicated that they had conducted an analysis of the effectiveness or impact of making underwriting guidelines publicly available.

Question 3: **Has your state ever had laws or regulations that specify or limit the factors auto insurers can use in underwriting or rating including, but not limited to, credit, education or occupation? For purposes of this survey, the term "underwriting" means a rule that determines whether a person is offered coverage, is not offered coverage, or is offered coverage with some limitations. The term "rating" means a rule or factor that would cause a person's premium to be different. This would include rules that place a person into one rating tier or another. This also includes risk classification factors that differentiate price between two otherwise similarly situated individuals.**

☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Identify what underwriting or rating factors were specified or limited, and in what way.
c) Provide the statutory or regulatory authority for these specifications or limitations.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of this initiative.

Forty-one jurisdictions reported some limitations on the factors insurers can use in underwriting or rating. Approximately half of the responses indicated limits on the use of credit scores in underwriting and rating. These limitations typically require certain consumer notifications and prohibit an insurer from failing to renew or, at renewal, again underwrite or rate a personal insurance policy based in whole or in part on a consumer's credit history or insurance score. These states often prohibit an insurer from canceling, denying, underwriting or rating coverage based in whole or in part on the absence of credit history or the inability to determine a consumer's credit history.

Seven of the states indicated that a person's credit history or score shall not be the sole basis to cancel, deny or nonrenew an insurance policy. Seven states also indicated certain characteristics (income, gender, address, zip code, ethnic group, religion marital status, or nationality) could not be used to calculate a credit-based insurance score. Georgia responded that education and occupation cannot be used in rating. Wisconsin responded that insurers cannot cancel or refuse to issue or renew a policy based on occupation. In New Jersey, insurers are prohibited from using occupation, education or insurance score of the applicant or insured in acceptance criteria. In Colorado, an underwriter may not refuse to write or renew a policy solely because of a lawful occupation.

California's laws provide very specific limitations on what rating factors may be used. According to California's survey response, Proposition 103 was passed in 1998 and established three primary rating factors:

1) the insured's driving record,
2) the number of miles driven, and
3) the number of years of driving experience.

For California auto insurers, these factors must have the largest impact on the rate calculation. The optional factors that an insurer may use are prescribed in state regulations. The optional factors most closely related to territory, frequency and severity rating bands in the rating scheme must carry the least weight if they are included. Credit score is not an allowable rating factor in California. In response to the question regarding the effectiveness of the initiative, the California response stated:

> A 2008 report by the Consumer Federation of America, looking solely at automobile insurance rates before and after Proposition 103, found that consumers realized $61.8 billion in savings as a result of the reforms enacted by Proposition 103.[9]

To the question regarding the effectiveness of underwriting restrictions, Texas responded:

> The Texas Department of Insurance has not conducted any studies regarding the effectiveness or impact of these laws and regulation. However, the department provided a report to the governor and the legislature in December 2004 regarding insurers' use of credit scoring, and a supplemental report in January 2005. These reports are on the department's website at:
> http://www.tdi.texas.gov/reports/credit3.html.

Question 4: Has your state ever had a Market Assistance Program for automobile insurance?

☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Describe the parameters of the Market Assistance Program(s).
c) Provide the statutory or regulatory authority pursuant to which the Market Assistance Program is or was operated.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of the Market Assistance Program(s).

Only four responding states or territories currently have or have ever had a Market Assistance Program (New Jersey, Puerto Rico, South Carolina and Texas).

In New Jersey, the Urban Enterprise Zone program was a past initiative that allowed policies in under-served urban areas to be assigned to insurers who wrote less than their proportionate market share in those areas. This market assistance program was related to New Jersey's previous statutory requirement that insurers "take-all-comers." This statutory requirement was repealed in 2003 along with the associated Urban Enterprise Zone program.

In South Carolina, the website SCMarketAssist.com assists consumers in finding insurance coverage by helping them connect with agents and companies. A consumer may view a list of agents and companies participating in SC MarketAssist to help them search or a consumer may ask those agents and companies to contact them directly.

In Texas, the auto insurance Market Assistance Program (MAP) was launched in 1998 to assist motorists who were placed in nonstandard markets at high premium rates despite their good driving records. The program was available to drivers who met two eligibility criteria:

1) Residence in one of the 383 designated underserved ZIP codes.
2) A three-year state motor vehicle record free of traffic citations for at-fault accidents or moving violations.

The Texas Department of Insurance (TDI) has not conducted any analysis regarding the effectiveness or impact of the MAP. The auto MAP was eliminated on August 31, 2005, as part of the overall state budget reductions for 2006.

Puerto Rico described two current auto insurance assistance programs. One is the Automobile Accidents Compensation Administration (ACAA by its Spanish acronym). ACAA is a governmental insurer that provides compulsory bodily injury liability coverage on a no-fault basis for an annual premium of $35 per vehicle. Puerto Rico also has a compulsory physical damage liability coverage requirement of $4,000 minimum limit. If this coverage is not obtained in the competitive market, it

[9] http://consumerfed.org/elements/www.consumerfed.org/file/finance/state_auto_insurance_report.pdf

is provided by a Joint Underwriting Association (ASC by its Spanish acronym). The association charges a uniform premium of $99 for personal auto and $148 for commercial auto.

The premiums for these two programs are paid to the Secretary of the Treasury of Puerto Rico when a motor vehicle license is obtained or renewed, along with the payment of the fees for issuing or renewing such license. The Secretary of the Treasury of Puerto Rico then transfers the corresponding premium to ACAA and ASC. The response from Puerto Rico indicated that, with this process, no motorist should be uninsured.

Question 5: Has your state ever produced auto insurance rate comparison guides?

☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Describe the scope and content of the auto insurance rate comparison guide.
c) Provide any statutory or regulatory authority pursuant to which the comparison guide was produced.
d) Describe the manner and extent to which the comparison guide was distributed, with particular emphasis on distribution to low income drivers.
e) Summarize any analysis that has been conducted regarding the effectiveness or impact of the rate comparison guide.

Forty-two of the survey respondents either currently produce, or in the past have produced, rate comparison guides. Most states with current rate comparison guides require insurers to provide rates for several hypothetical scenarios based on varying risk categories and geographic areas. Most of these states require all insurers to provide the data while some only require data from the largest 10 or 20 insurers, and one state asks for the data on a voluntary basis. All of the states provide the rate comparisons on their websites, while many of the states also produce physical guides which are provided at locations such as libraries, fairs, and Department of Insurance events.

Although none of the states was able to provide analysis of the effectiveness or impact of the guides, several states indicated that the guides receive a large number of online hits and are well received by consumers.

Eleven jurisdictions responded that they had rate comparison guides in the past, but no longer maintain them. The submission of data was voluntary for insurers in two of these states. Other states indicated that they did not find the rate comparison guides to be indicative of actual rates in their states. Two of these states indicated that consumers could find more accurate rates from agents or other online quote systems.

Question 6: Has your state or a local jurisdiction within your state undertaken any other initiatives to address availability and affordability of auto insurance for low income consumers?

☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative(s).
b) Describe the nature of the initiative(s).
c) Provide the statutory or regulatory authority pursuant to which the initiative(s) is or was conducted.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of the initiative(s).

Seven responding states (California, Connecticut, Hawaii, Maryland, Massachusetts, New Jersey and Texas) at some point have undertaken an initiative to address the availability and affordability of auto insurance.

In 1998, the California Legislature developed California's Low Cost Auto Insurance Program to provide income-eligible, good drivers with access to affordable automobile liability insurance. The policies are sold by licensed insurance agents and issued by California licensed insurance companies. Customers can call a toll-free number or visit a website to be referred to producers in the area. To be eligible, a consumer must:

- Be at least 19 years of age;
- Have been continually licensed to drive for the past three years;
- Own a vehicle valued at less than $20,000;
- Have a good driving record; and
- Meet income eligibility requirements (approximately $36,000 for a 2-person household, or $55,000 for a 4-person household).

Additionally, all cars in the household must be insured through this program.

The California policy is a liability-only auto insurance that meets the state's financial responsibility laws. For an additional charge, consumers can add other coverages. This program does not offer comprehensive or collision coverage. The cost of the policy is less than $350 per year in every county in California. There currently are more than 11,000 people enrolled in the program out of an uninsured population of 3 million in the state. Since the program's inception, it has covered $8.6 million in medical claims and $7.8 million in property damage.

Annual reports on the California Low Cost Auto Insurance Program are provided to the Legislature.[10] The 2013 report found that California's Low Cost Automobile Insurance Program addressed and achieved each of the success measures the legislature set for it: rates were sufficient to meet statutory rate-setting standards; the program served underserved communities; the program offered access to previously uninsured motorists, thus reducing the number of uninsured drivers; and the program's advertising caused uninsured motorists to visit a producer and obtain insurance other than that provided by the program.

Connecticut's law requires flattening of certain expenses and tempering of rates with a 75% weight given to an individual territory loss cost indication and 25% to the statewide average loss cost indication.

Under the Hawaii Motor Vehicle Insurance Law, recipients of public assistance benefits consisting of direct cash payments through the Department of Human Services or benefits from the Supplemental Security Income Program under the social security administration are eligible to receive basic motor vehicle insurance coverage at no cost. However, the public assistance recipients must be licensed drivers or unlicensed permanently disabled individuals unable to operate their motor vehicles, and the sole registered owners of the motor vehicle to be insured, provided that the motor vehicle is used strictly for personal purposes, and not for commercial purposes. Recipients eligible under this provision must first exhaust all paid coverage under any motor vehicle insurance policy in force. Eligibility for basic motor vehicle insurance coverage at no cost ends upon termination of public assistance benefits. Recipients are required to notify the insurance company promptly when public assistance benefits terminate. Not more than one vehicle per eligible household shall be insured unless extra vehicles are approved by the department of human services as being necessary for medical or employment purposes.

In Maryland, Sections 11-321 through 11-326 of the Insurance Article, require every insurer and the Maryland Automobile Insurance Fund (MAIF), Maryland's insurer of last resort, to file data about the geographic distribution of private passenger premium written in the state for the preceding calendar year on a territory or zip code basis, or both. If a major insurer (as defined in statute) does not write a certain percentage of its written premium in Baltimore City, the insurer must file a marketing plan for approval by the Commissioner. The purpose of this requirement is to ensure that insurers are making automobile insurance available and affordable for residents of Baltimore City.

The Massachusetts Community Insurance Fraud Initiative (CIFI) began in 2003, and remains ongoing. It is an effort designed to root out fraud schemes in high fraud areas, notably urban areas which coincidently are heavily populated by lower income and immigrant communities. The goal is to reduce or eliminate fraudulent claims, which would in turn reduce premiums for all citizens in these communities. A report titled "The Community Insurance Fraud Initiative (CIFI) A Ten Year

[10] http://www.insurance.ca.gov/0100-consumers/0060-information-guides/0010-automobile/lca/CLCALegRpts.cfm

Retrospective" found that, in addition to the continuing efforts to drive out fraud, regulators have overhauled the residual market and opened auto insurance to competitive pricing, leading to more than a 50 percent increase (from 19 to 34) in insurers now willing to write auto insurance policies in Massachusetts.[11] The report found the average annual savings per vehicle are estimated at $185 in CIFI communities and $148 statewide since the introduction of CIFI.

In New Jersey, policies are available which provide less than statutory minimum coverage levels. The "Basic" policy is available to any insured and provides only minimal property damage, personal injury protection, and bodily injury (optional) coverage. The "Special" policy is available only to those who fall below specified income levels and it provides coverage only for emergency medical care.

The Texas Legislative Budget Board's (LBB) Texas State Government Effectiveness and Efficiency Report (submitted to the 83rd Texas Legislature) contained an issue and recommendation to reduce the number of uninsured drivers by establishing a low income automobile insurance program.[12] The report arose over concerns that uninsured drivers increase the cost of automobile insurance for all Texans and low income Texans are more likely to lack automobile insurance due to cost than Texans with higher incomes.

The report presented data showing a relationship between vehicles identified as uninsured by the Texas Department of Insurance (TDI), poverty rates, and median income. Additional data show that a higher proportion of persons in geographic areas with less access to automobile insurance have been convicted of driving without insurance. The LBB report recommended a statutory change to require that TDI establish a low income automobile insurance program. Legislation concerning this issue did not pass in 2013.

V. Conclusions

This survey of state insurance regulators demonstrated that states and territories have taken a variety of actions to address availability and affordability of automobile insurance. These range from activities common to most states, such as the creation of rate comparison guides or the implementation of restrictions on underwriting guidelines, to initiatives unique to a small number of states such as comprehensive programs to provide low-cost liability policies to low income drivers.

The Auto Insurance Study Group hopes these survey results can assist states as they evaluate auto insurance markets in their states and consider initiatives or programs that may address the issue of availability and affordability for low income drivers.

[11] http://www.ifb.org/ContentPages/DocumentView.aspx?DocId=856
[12] http://www.lbb.state.tx.us/GEER/Government%20Effectiveness%20and%20Efficiency%20Report%202012.pdf

Appendix 1: Compilation of States' Responses to 2013 NAIC Auto Insurance (C/D) Study Group Survey

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A. Background on Auto Insurance and Low Income Consumers
Question 1: Has your state conducted any studies, hearings or similar inquiries regarding the availability or affordability of auto insurance for low-income households?
☐ Yes ☐ No

If yes, please describe:

(a) What prompted the inquiry;
(b) When the inquiry occurred;
(c) The form of the inquiry;
(d) The focus of the inquiry;
(e) Any inquiry findings;
(f) Any recommendations made or actions taken as a result of the inquiry.

Yes	No	Unknown	No Response
California	Alabama	Montana	American Samoa
Iowa	Alaska		New Mexico
Kentucky	Arizona		Northern Mariana Islands
Maryland	Arkansas		
Michigan	Colorado		
Missouri	Connecticut		
New Jersey	Delaware		
Texas	District of Columbia		
	Florida		
	Georgia		
	Guam		
	Hawaii		
	Idaho		
	Illinois		
	Indiana		
	Kansas		
	Louisiana		
	Maine		
	Massachusetts		
	Minnesota		
	Mississippi		
	Nebraska		
	Nevada		
	New Hampshire		
	New York		
	North Carolina		
	North Dakota		
	Ohio		
	Oklahoma		
	Oregon		
	Pennsylvania		
	Puerto Rico		
	Rhode Island		
	South Carolina		
	South Dakota		

	Tennessee		
	Utah		
	Vermont		
	Virgin Islands		
	Virginia		
	Washington		
	West Virginia		
	Wisconsin		
	Wyoming		
8	44	1	3

A. Background on Auto Insurance and Low Income Consumers
Question 2: Over the past 5 years, the number of insureds in your state's residual auto insurance market has:
☐ Increased ☐ Decreased ☐ Remained about the same

If the size of your residual market has increased or decreased, please summarize and provide the source(s) of any available information regarding the reason(s) for this change.

Increased	Decreased	Remained about the same	Other*	No Response
Florida	Alaska	Alabama	Colorado	American Samoa
Michigan	Arizona	Arkansas	District of Columbia	New Mexico
Rhode Island	California	Georgia	Guam	Northern Mariana Islands
	Connecticut	Indiana	Idaho	Puerto Rico
	Delaware	Iowa	Montana	
	Hawaii	Kansas	Virgin Islands	
	Illinois	Louisiana		
	Kentucky	Minnesota		
	Maine	Nevada		
	Maryland	New Jersey		
	Massachusetts	North Carolina		
	Mississippi	North Dakota		
	Missouri	Ohio		
	Nebraska	Oklahoma		
	New Hampshire	Oregon		
	New York	South Carolina		
	Pennsylvania	South Dakota		
	Texas	Tennessee		
	Virginia	Utah		
		Vermont		
		Washington		
		West Virginia		
		Wisconsin		
		Wyoming		
3	19	24	6	4

* State needs to obtain information from another source; response was incomplete; fluctuation in market; or no residual market.

A. Background on Auto Insurance and Low Income Consumers
Question 3: Does your state have a process in place to identify uninsured motorists?
☐ Yes ☐ No

If yes, please respond to the following:

(a) Describe the process.
(b) How long has the process been in place?
(c) Provide citations to any statute, regulation, or other authority that governs this process.
(d) Summarize and provide the source(s) of any available information regarding the success or impact of identifying uninsured motorists.

Yes	No	No Response
Alabama	Alaska	American Samoa
Arkansas	Arizona	New Mexico
California	Hawaii	Northern Mariana Islands
Colorado	Idaho	Puerto Rico
Connecticut	Iowa	
Delaware	Maine	
District of Columbia	Michigan	
Florida	Minnesota	
Georgia	Mississippi	
Guam	New Hampshire	
Illinois	North Carolina	
Indiana	North Dakota	
Kansas	Oklahoma	
Kentucky	Rhode Island	
Louisiana	South Dakota	
Maryland	Vermont	
Massachusetts	Virgin Islands	
Missouri	Wisconsin	
Montana	Wyoming	
Nebraska		
Nevada		
New Jersey		
New York		
Ohio		
Oregon		
Pennsylvania		
South Carolina		
Tennessee		
Texas		
Utah		
Virginia		
Washington		
West Virginia		
33	19	4

A. Background on Auto Insurance and Low Income Consumers
Question 4: Does your state collect any data from auto insurers that could be used to examine the impact of underwriting or rating practices on low-income consumers?
☐ Yes ☐ No

If yes, please respond to the following:

(a) Describe the data collected and how it is used.
(b) Is the data treated as confidential commercial information?
☐ Yes ☐ No

Yes	No	No Response
California	Alabama	American Samoa
Massachusetts	Alaska	New Mexico
Missouri	Arizona	Northern Mariana Islands
New York (indirectly)	Arkansas	
	Colorado	
	Connecticut	
	Delaware	
	District of Columbia	
	Florida	
	Georgia	
	Guam	
	Hawaii	
	Idaho	
	Illinois	
	Indiana	
	Iowa	
	Kansas	
	Kentucky	
	Louisiana	
	Maine	
	Maryland	
	Michigan	
	Minnesota	
	Mississippi	
	Montana	
	Nebraska	
	Nevada	
	New Hampshire	
	New Jersey	
	North Carolina	
	South Carolina	
	North Dakota	
	Ohio	
	Oklahoma	
	Oregon	
	Pennsylvania	
	Puerto Rico	
	Rhode Island	

	South Dakota	
	Tennessee	
	Texas	
	Utah	
	Vermont	
	Virgin Islands	
	Virginia	
	Washington	
	West Virginia	
	Wisconsin	
	Wyoming	
4	49	3

B. Specific State Initiatives Question 1: Has your state ever required insurers to disclose information regarding underwriting guidelines, rating factors, or discounts to auto insurance applicants or policyholders?
☐ Yes ☐ No

If yes, please respond to the following:

(a) Indicate whether this is a current initiative or a past initiative.
(b) Describe the required disclosure(s).
(c) When is/was the insurer required to make the disclosure(s)?

Yes	Current or Past	No	No Response
Alaska	C	Alabama	American Samoa
California	C	Arizona	New Mexico
Colorado	C	Arkansas	Northern Mariana Islands
Connecticut	C	District of Columbia	
Delaware	C	Florida	
Hawaii	C	Georgia	
Idaho	C	Guam	
Illinois	C	Indiana	
Iowa	C	Kentucky	
Kansas	C	Louisiana	
Maine	C	Mississippi	
Maryland	C	Missouri	
Massachusetts	C	Montana	
Michigan	C	Nevada	
Minnesota	C	Oklahoma	
Nebraska	C	Oregon	
New Hampshire	C	Puerto Rico	
New Jersey	C	South Dakota	
New York	C	Virgin Islands	
North Carolina	C	Virginia	
North Dakota	C	Washington	
Ohio	P	Wisconsin	
Pennsylvania	C	Wyoming	
Rhode Island	C		
South Carolina	C		
Tennessee	C		
Texas	C		
Utah	C		
Vermont	C		
West Virginia	C		
30	C-29 / P-1	23	3

B. Specific State Initiatives
Question 2: Has your state ever made auto insurance underwriting guidelines publicly available, or required insurers to make them publicly available?
☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Under what circumstances are/were underwriting guidelines made publicly available?
c) Provide the statutory or regulatory authority for making underwriting guidelines publicly available.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of this initiative.

Yes	Current or Past	No	No Response
Arizona	C	Alabama	American Samoa
Connecticut	C	Alaska	New Mexico
Florida	C	Arkansas	Northern Mariana Islands
Georgia	C	California	
Guam	C	Colorado	
Idaho	C	Delaware	
Indiana	C	District of Columbia	
Iowa	C	Hawaii	
Maine	C	Illinois	
Michigan	C	Kansas	
Minnesota	C	Kentucky	
Nebraska	C	Louisiana	
Nevada	C	Maryland	
New Hampshire	C	Massachusetts	
New Jersey	C	Mississippi	
Ohio	C	Missouri	
South Dakota	C	Montana	
Utah	C	New York	
Wisconsin	C	North Carolina	
		North Dakota	
		Oklahoma	
		Oregon	
		Pennsylvania	
		Puerto Rico	
		Rhode Island	
		South Carolina	
		Tennessee	
		Texas	
		Vermont	
		Virgin Islands	
		Virginia	
		Washington	
		West Virginia	
		Wyoming	
19	C-19	34	3

B. Specific State Initiatives

Question 3: Has your state ever had laws or regulations that specify or limit the factors auto insurers can use in underwriting or rating including, but not limited to, credit, education or occupation?

☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Identify what underwriting or rating factors were specified or limited, and in what way.
c) Provide the statutory or regulatory authority for these specifications or limitations.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of this initiative.

Yes	Current or Past	No	No Response
Alaska	C	Alabama	American Samoa
Arkansas	C	Arizona	New Mexico
California	C	District of Columbia	Northern Mariana Islands
Colorado	C	Illinois	
Connecticut	C	Louisiana	
Delaware	C	North Dakota	
Florida	C	Puerto Rico	
Georgia	C	South Carolina	
Guam	C	Vermont	
Hawaii	C	Virgin Islands	
Idaho	C	Washington	
Indiana	C		
Iowa	C		
Kansas	C		
Kentucky	C		
Maine	C		
Maryland	C		
Massachusetts	C		
Michigan	C		
Minnesota	C		
Mississippi	C		
Missouri	C		
Montana	C		
Nebraska	C		
Nevada	C		
New Hampshire	C		
New Jersey	C		
New York	C		
North Carolina	C		
Ohio	C		
Oklahoma	C		
Oregon	C		
Pennsylvania	C		
Rhode Island	C		
South Dakota	C		

Tennessee	C		
Texas	C		
Utah	C		
Virginia	C		
West Virginia	C		
Wisconsin	C		
Wyoming	C		
42	C-42	11	3

B. Specific State Initiatives
Question 4: Has your state ever had a Market Assistance Program for automobile insurance?
☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Describe the parameters of the Market Assistance Program(s).
c) Provide the statutory or regulatory authority pursuant to which the Market Assistance Program is or was operated.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of the Market Assistance Program(s).

Yes	Current or Past	No	Other	No Response
New Jersey	P	Alabama	District of Columbia	American Samoa
Puerto Rico	C	Alaska		New Mexico
South Carolina	C	Arizona		Northern Mariana Islands
Texas	P	Arkansas		
		California		
		Colorado		
		Connecticut		
		Delaware		
		Florida		
		Georgia		
		Guam		
		Hawaii		
		Idaho		
		Illinois		
		Indiana		
		Iowa		
		Kansas		
		Kentucky		
		Louisiana		
		Maine		
		Maryland		
		Massachusetts		
		Michigan		
		Minnesota		
		Mississippi		
		Missouri		
		Montana		
		Nebraska		
		Nevada		
		New Hampshire		
		New York		
		North Carolina		
		North Dakota		
		Ohio		
		Oklahoma		

		Oregon		
		Pennsylvania		
		Rhode Island		
		South Dakota		
		Tennessee		
		Utah		
		Vermont		
		Virgin Islands		
		Virginia		
		Washington		
		West Virginia		
		Wisconsin		
		Wyoming		
4	C-2 / P-2	48	1	3

B. Specific State Initiatives
Question 5: Has your state ever produced auto insurance rate comparison guides?
☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative.
b) Describe the scope and content of the auto insurance rate comparison guide.
c) Provide any statutory or regulatory authority pursuant to which the comparison guide was produced.
d) Describe the manner in which and extent to which the comparison guide was distributed, with particular emphasis on distribution to low-income drivers.
e) Summarize any analysis that has been conducted regarding the effectiveness or impact of the rate comparison guide.

Yes	Current or Past	No	No Response
Alabama	C	District of Columbia	American Samoa
Alaska	C	Guam	New Mexico
Arizona	C	Idaho	Northern Mariana Islands
Arkansas	C	Indiana	
California	C	Maine	
Colorado	C	North Carolina	
Connecticut	C	Rhode Island	
Delaware	C	South Dakota	
Florida	C	Tennessee	
Georgia	C	Virgin Islands	
Hawaii	C	Wyoming	
Illinois	C		
Iowa	C		
Kansas	C		
Kentucky	C		
Louisiana	C		
Maryland	C		
Massachusetts	C		
Michigan	P		
Minnesota	P		
Mississippi	P		
Missouri	C		
Montana	C		
Nebraska	C		
Nevada	C		
New Hampshire	C		
New Jersey	C		
New York	P		
North Dakota	C		
Ohio	C		
Oklahoma	C		
Oregon	C		
Pennsylvania	P		

Puerto Rico	C		
South Carolina	C		
Texas	C		
Utah	C		
Vermont	P		
Virginia	C		
Washington	P		
West Virginia	C		
Wisconsin	P		
42	C-34 / P-8	11	3

B. Specific State Initiatives
Question 6: Has your state or a local jurisdiction within your state undertaken any other initiatives to address availability and affordability of auto insurance for low-income consumers?
☐ Yes ☐ No

If yes, please respond to the following:

a) Indicate whether this is a current initiative or a past initiative(s).
b) Describe the nature of the initiative(s).
c) Provide the statutory or regulatory authority pursuant to which the initiative(s) is or was conducted.
d) Summarize any analysis that has been conducted regarding the effectiveness or impact of the initiative(s).

Yes	Current or Past	No	No Response
California	C	Alabama	American Samoa
Connecticut	C	Alaska	Arkansas
Hawaii	C	Arizona	New Mexico
Maryland	C	Colorado	Northern Mariana Islands
Massachusetts	C	Delaware	
New Jersey	C	District of Columbia	
Texas	C	Florida	
		Georgia	
		Guam	
		Idaho	
		Illinois	
		Indiana	
		Iowa	
		Kansas	
		Kentucky	
		Louisiana	
		Maine	
		Michigan	
		Minnesota	
		Mississippi	
		Missouri	
		Montana	
		Nebraska	
		Nevada	
		New Hampshire	
		New York	
		North Carolina	
		South Carolina	
		North Dakota	
		Ohio	
		Oklahoma	
		Oregon	
		Pennsylvania	

		Puerto Rico	
		Rhode Island	
		South Dakota	
		Tennessee	
		Utah	
		Vermont	
		Virgin Islands	
		Virginia	
		Washington	
		West Virginia	
		Wisconsin	
		Wyoming	
7	C-7	45	4

