June 9, 2014

Michael T. McRaith
Director, Federal Insurance Office
Room 1319 MT
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: Monitoring Availability and Affordability of Auto Insurance

Dear Director McRaith:

We write on behalf of the National Association of Insurance Commissioners (NAIC)[1] regarding your proposal to undertake a study of the availability and affordability of auto insurance. We understand the importance of exploring these issues and share the goal of exploring ways to increase access to affordable insurance products.

As state insurance regulators, we use our regulatory authority to ensure that premiums are not excessive, inadequate, or unfairly discriminatory, and that insurance companies remain solvent and are able to pay policyholder claims. Protecting policyholders is one of our fundamental principles while also facilitating a competitive and stable marketplace for insurance products. We strive to maintain this critical balance between insurer solvency and reasonable rates, which can be challenging in certain areas or for certain policyholders that insurers view as presenting a greater risk of loss, and continue to actively examine the availability and affordability of insurance products for consumers.

As part of these efforts, through the NAIC, state insurance regulators formed an Auto Insurance Study Group to review issues related to low-income households and the auto insurance marketplace. Over the past year, the group has worked to compile a report about the availability and affordability of auto insurance ("Compendium of Reports Related to the Pricing of Personal Automobile Insurance") that will be considered by the full NAIC membership later this summer. Specifically, the report addresses the competitiveness of auto insurance markets, uninsured motorists, insurer initiatives, state laws and regulations, and describes particular actions states have taken related to availability and affordability initiatives. We intend for this document to serve as a resource for state insurance regulators as we continually evaluate availability and affordability in our states. In addition to the report, the Auto Insurance Study Group continues to consider the possibility of collecting data from insurers and study

[1] The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

other emerging issues that could affect low-income consumers such as the use of price optimization by auto insurers.

These efforts build on prior work of the NAIC to examine this complex issue. For example, a prior NAIC study found that consumers in low-income, high-minority urban neighborhoods in contrast to those in high-income, low-minority urban markets or suburbs: 1) pay more for insurance in relation to coverage provided; 2) often purchase policies with less coverage; and 3) are more likely to be insured in residual market programs. However, in analyzing this data, researchers were unable to draw definitive conclusions about the causes of these market conditions and the data could not prove conclusively that unfair discrimination exists. Our work has shown that concepts of affordability and availability are somewhat subjective and vary depending on a number of factors like financial resources, historical norms and experience, supply and demand, and expectations for the scope of coverage, among others. Similarly, insurance access and cost can vary greatly and is influenced by factors like population density, exposure to natural disasters, crime, and myriad other variables. Further, there are important public policy considerations that impact whether insurance premiums are purely "actuarially justified" (i.e. rates reflect the actual risk of loss for an insured) versus premiums that include adjustments for "social equity" and flatten out pricing such that higher risk drivers pay less and lower risk drivers pay more. Understanding and improving availability and affordability, particularly for property/casualty products like auto insurance, may require holistic solutions that extend beyond insurance and insurance regulation.

We appreciate the Federal Insurance Office's interest in this important subject and look forward to sharing our research and analysis with your office as this work progresses. We have attached the most recent version of our auto insurance report that has been approved by the NAIC's Property and Casualty Insurance Committee and the Market Regulation and Consumer Affairs Committee.

We appreciate and share your interest in studying auto insurance affordability and availability issues, and reiterate our strong commitment as state insurance regulators to protecting all consumers in the insurance marketplace.

Sincerely,

Adam Hamm
NAIC President
North Dakota Insurance Commissioner

Monica Lindeen
NAIC President-Elect
Montana Commissioner of Securities and Insurance

Michael F. Consedine
NAIC Vice President
Pennsylvania Insurance Commissioner

Sharon P. Clark
NAIC Secretary-Treasurer
Kentucky Insurance Commissioner

Attachment: "Compendium of Reports on the Pricing of Personal Automobile Insurance"

Compendium of Reports on the Pricing of Personal Automobile Insurance

Report of the Auto Insurance (C/D) Study Group
Adopted by Auto Insurance (C/D) Study Group, March 29, 2014

Introduction

This document, created by the NAIC's Auto Insurance (C/D) Study Group, is meant to serve as a resource for state insurance regulators seeking to know more about issues concerning the availability and affordability of automobile insurance. The document contains background information that provides: prior work done by the NAIC; summaries of materials relevant to the issue; and a list of studies and surveys examining the use of credit, occupation or education. The document also includes potential policy options, consisting of an array of state laws and initiatives that may impact the availability or affordability of automobile insurance.

The information contained in this document was collected by the Auto Insurance (C/D) Study Group that was created in 2012. The Study Group created a work plan in August 2012 that called for the collection of research related to its charge to "review issues relating to low-income households and the auto insurance marketplace and to make recommendations as may be appropriate." In addition to research collected by the Study Group, two separate surveys of state insurance regulators were conducted in order to obtain information concerning laws and various initiatives that states have undertaken to address issues related to the availability and affordability of automobile insurance. These results are summarized in Appendix E – "Policy Options" of this document.

State insurance regulators are frequently called upon to research the issue of auto insurance availability and affordability. The Auto Insurance Study Group hopes that regulators find this document useful when conducting such research for their state. The policy options section of this document will allow state insurance regulators to review and evaluate what actions other states have taken in order to determine the best policy options for their own state.

A. Prior NAIC Work

1. NAIC Insurance Availability and Affordability Task Force, Final Report, January 1998.
2. Improving Urban Insurance Markets: A Handbook of Available Options, NAIC Insurance Availability and Affordability (EX3) Task Force, June 4, 1996. [March 2013 Summary]
3. "Preliminary Analysis of Urban Insurance Markets," Robert Klein, Presented to the NAIC Insurance Availability and Affordability (EX3) Task Force, Feb. 28, 1996. [March 2013 Summary]
4. "Best Practices for Developing a Premium Comparison Guide," drafted by the Transparency and Readability of Consumer Information (C) Working Group and adopted by NAIC membership in 2012. Posted at: http://www.naic.org/documents/committees_c_trans_read_wg_related_bp_prem_comp.pdf
5. "Consumer Shopping Tool for Auto Insurance," drafted by the Transparency and Readability of Consumer Information (C) Working Group and adopted by NAIC membership in 2013. Posted at: http://www.naic.org/documents/committees_c_trans_read_wg_related_auto_shop_tool.pdf

B. Summaries Drafted by the Auto Insurance (C/D) Study Group

Uninsured Motorist Issues

1. Summary of Insurance Research Council's Study, "Uninsured Motorists – 2011 Edition," March 2013
2. Summary of Insurance Research Council's Study, "The Potential Effects of No Pay, No Play Laws, November 2012," March 2013

Competiveness of Auto Markets

3. Auto Insurance Industry Results, from NAIC's Competition Report, Profitability Report and Auto Insurance Database, March 2013

C. Studies, Reports and Surveys Examining the Use of Credit Scoring, Occupation or Education in Insurance

1. List of studies collected by the Auto Insurance (C/D) Study Group, March 2013

D. Insurer Initiatives Related to Availability and Affordability Issues

1. "Summary of Insurer Initiatives to Address the Availability and Affordability of Auto Insurance for Low Income Drivers," February 26, 2014
   a. PCI report titled "The U.S. Private Passenger Automobile Insurance Market is a Sound and Efficient One that Benefits Consumers," July 2013
   b. NAMIC letter, April 2013
   c. PCI letter, February 2013
   d. Progressive disclosure forms, November, 2012

E. Policy Options

1. "Summary of State Laws Related to Auto Insurance," December 2013. Posted at : http://www.naic.org/documents/committees_c_d_auto_insurance_study_group_related_auto_law_summary.pdf

   Includes state laws related to:
   - Rate Filing
   - Form Filing
   - Fault System
   - Tort Threshold
   - Compulsory Liability
   - Compulsory PIP
   - Compulsory Uninsured Motorists
   - Minimum Liability Limits
   - No-Pay, No Play
   - Negligent Systems

2. "Results of State Survey Concerning Programs and Initiatives Related to the Availability and Affordability of Automobile Insurance," December 2013. Posted at: http://www.naic.org/documents/committees_c_d_auto_insurance_study_group_related_auto_law_results.pdf

   Includes information related to:
   a) State studies, hearings or inquiries regarding the availability or affordability of auto insurance for low-income households
   b) Changes to state residual auto insurance markets
   c) State identification of uninsured motorists
   d) State data collection that can be used to examine the impact of underwriting or rating practices on low-income consumers
   e) State initiatives
   f) States requiring insurers to provide a disclosure notice to automobile insurance applicants or policyholders that includes underwriting guidelines, rating factors, or discounts
   g) States with publicly available auto insurance underwriting guidelines
   h) 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
   i) States with Market Assistance Programs for automobile insurance
   j) States with auto insurance rate comparison guides
   k) Other initiatives
   l)

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National Association of Insurance Commissioners
Insurance Availability and Affordability Task Force

Final Report

I. Introduction

The NAIC Availability and Affordability Task Force has been studying and reporting on issues concerning urban insurance markets since June 1992. During this process, the task force had the benefit of comments, reactions and information from representatives of consumers and the insurance industry, other regulators and NAIC staff. This final report is an executive summary of the activities during this period and recommendations for future action. All the reports previously issued by or released through the task force are attached to or noted in this report.

II. History and Purpose of the NAIC Insurance Availability and Affordability Task Force

The 1992 Los Angeles riots refocused national attention on urban problems, including insurance availability and affordability concerns. A California Department of Insurance survey after the riots suggested that a significant portion of homeowners and businessowners were inadequately insured, had purchased coverage from questionable off-shore surplus lines companies, or had difficulty collecting on claims. Other groups, such as ACORN, also helped refocus attention on this issue.

These findings and their implications for other urban communities prompted the NAIC to establish the Subgroup on Urban Insurance Issues in June 1992. In September 1993, the subgroup was elevated to its current task force status. The task force's mission was to: study and make recommendations regarding insurers' underwriting and market practices; and suggest solutions to insurance availability and affordability problems.

Throughout this process, the task force considered both quantitative reports and qualitative information from all interested parties. This information has been invaluable in helping the task force prepare its working papers and formulate these final conclusions and recommendations to the Market Conduct and Consumer Affairs (EX3) Subcommittee.

III. Reports and Working Papers Prepared by the Task Force and Considered in Making its Recommendations

The following is a list of the working papers and reports submitted to or prepared by the task force. These reports, some of which are preliminary, and working papers represent a combination of a wide variety of opinions.

A. *Improving Urban Insurance Markets: A Handbook of Available Options*, June 4, 1996. This handbook is designed to provide regulators with a menu of possible actions that can be taken in the event the regulator identifies an urban insurance market problem. The actions are on a continuum from the least intrusive actions to the government provision of insurance. The task force recognizes that each state's urban markets are different as is each state's regulatory philosophy. This handbook attempts to assist all states. The task force intends for the handbook to be a living document.

B. *Preliminary Analysis of Urban Auto Insurance Markets*, Feb. 28, 1996. This paper analyzes personal automobile insurance data and economic/demographic data for approximately 1,300 ZIP codes in 63 communities in 20 states. This research can provide further guidance to regulators and policymakers on how to prioritize their efforts for their individual states.

C. *Structure and Performance of Homeowners Insurance Market in St. Louis*, Aug. 31, 1995. The objective of this analysis is to review how insurers' market penetration varies within a city, and factors related to this variation.

D. Results of the Commercial Lines Audit, Oct. 9, 1995. In October 1993 the task force initiated a data call of statistical information for certain urban ZIP codes in 23 states to analyze urban insurance markets and problems of availability and affordability. KPMG Peat Marwick was selected to perform an independent audit of the processes and procedures used by the statistical agents and to ensure the credibility of the commercial lines company data that was submitted.

E. *Impact of Loss Costs on Urban Homeowners Insurance Markets*, June 22, 1995. This paper contributes to prior research by incorporating a specific measure of loss costs in a multiple regression analysis of homeowners average premiums and FAIR plan penetration in urban areas. Loss costs are measured at a territory level and not a ZIP code level in this analysis.

F. Results of the Statistical Agencies Processing (EDP) and Personal Lines Audits, March 27, 1995. In October 1993 the task force initiated a data call of statistical information for certain urban ZIP codes in 23 states to analyze urban insurance markets and problems of availability and affordability. KPMG Peat Marwick was selected to perform an independent audit of the processes and procedures used by the statistical agents and to ensure the credibility of the personal lines company data that was submitted and to evaluate the adequacy of controls used by the statistical agencies to process the data they submitted. The auditors did not test the validity of the data submitted by the insurers. They also did not evaluate the adequacy of the edits used by the statistical agents to test the validity of the data.

G. *Urban Insurance Problems and Solutions: Interim Report,* Dec. 6, 1994. This report presents the initial observations of the task force with respect to urban property insurance problems and possible solutions. The report was issued for comment by interested parties and with the understanding that the task force would further analyze and refine the research and solutions in additional working papers. Attached is this report was *A Review of Possible Measures to Address Urban Insurance Problems.* This review was later modified and included in *Improving Urban Insurance Markets: A Handbook of Available Options*

H. A *Preliminary Analysis of Urban Insurance Markets,* Oct. 17, 1994. This paper analyzes personal homeowners insurance and economic/demographic data for approximately 1,300 ZIP codes in 33 metropolitan areas in 20 states. The information can provide further guidance to regulators and policymakers on whether they need to conduct further investigation and research, and how to prioritize their efforts for their individual states.

IV. Data Collection and Analysis

Numerous studies, both prior to and since the formation of the task force, have addressed urban insurance problems. The bibliography of *Urban Insurance Problems and Solutions: Interim Report* includes a listing of many of these studies. Some studies, such as the 1994 ACORN report, conclude that redlining or unfair discrimination does exist. Other studies, such as the American Insurance Association telephone survey, conclude there is no evidence of a redlining problem. However, even the studies that conclude there is no evidence of redlining acknowledge that conditions in urban insurance markets can be improved and favor suggestions and activities to improve insurance availability and affordability and the overall economic viability of urban areas.

The question of a data call was highly debated during task force meetings. Questions included: 1) What kind of data should be collected? 2) Given resource concerns, how much data should be collected? and 3) Would the data prove conclusively that unfair discrimination exists, or to what extent it exists? The task force concluded that it would be beneficial to obtain and evaluate information on current market conditions.

The task force issued a special statistical data call in October 1993 and the data was received in 1994. Twenty-three states participated in the data call. Data was collected for the top 40 groups and ZIP codes in the major metropolitan statistical areas in these states. The data includes premiums, exposures, insurer initiated cancellations and non-renewals, policies in force, and agents appointed, by ZIP code and by company, for homeowners, dwelling fire/allied lines, personal auto liability, business owners and class-rated commercial fire. The premium and exposure information is for calendar year 1992; cancellations and non-renewals are for the fourth quarter 1992; policies in force are as of Dec. 31, 1992 and agents appointed are as of Dec. 1, 1993. The information from the special data call was supplemented with census data. Territory level insurance data was obtained from the statistical agents to supplement the other data compiled by the NAIC. In addition, the task force analyzed reports on this issue prepared by individual states, including California, Illinois and Missouri.

The commercial lines data was not analyzed by the task force for two reasons: the data was more limited than personal lines data and it was determined that it would not be cost effective to analyze it; and problems identified during the audit with the consistency of the data collected would cause any findings to be suspect.

The personal lines data collected and its subsequent analysis showed that consumers in low-income, high-minority urban neighborhoods in contrast to those in high-income, low-minority urban markets or suburbs: 1) pay more for insurance in relation to coverage provided; 2) often purchase policies with less coverage; and 3) are more likely to be insured in residual market programs. However, in analyzing this data, researchers were unable to draw definitive conclusions about the causes of these market conditions and the data could not prove conclusively that unfair discrimination exists.

The task force believes a wide range of factors, to varying degrees, have contributed to the insurance differences between low-income, high-minority urban neighborhoods and other urban and suburban areas. Some of these factors include: 1) the particular risk conditions of the neighborhoods themselves; 2) the economic circumstances of neighborhood residents; 3) the higher loss costs in many of the neighborhoods; 4) the activities and policies of the insurance industry, whether intended or not; and 5) insurance regulatory practices.

The task force believes that, while the limitations of statistical data and analysis make it difficult to draw definitive conclusions about unfair discrimination, the studies and other investigative techniques (hearings, public forums, community meetings, personal interviews and focus groups) can help regulators better understand the nature and extent of the market problems or issues, if any, in their individual states.

V. Summary of Major Findings and Recommendations

The possible sources and causes of urban insurance concerns are numerous and the issue is controversial. The task force attempted to analyze and consider all viewpoints in making its recommendations. Members know that, in those neighborhoods that are experiencing problems, there are many factors that are responsible.

Government and society in general must bear some responsibility for resolving urban problems such as crime, fire hazards, and adverse social-economic conditions. Private industry as a whole also bears some responsibility for improving urban economic conditions. The task force acknowledges that the insurance industry is not the sole cause of and cannot provide the sole solution to urban issues; however, the insurance industry should participate in the solutions and strive to eliminate any practices which could exacerbate urban problems and are inconsistent with the economic principles that should govern the sale of insurance.

The task force recognizes that urban insurance market conditions and issues vary across the country. Regulators in individual states must make the determination of what needs to be done or should be done in their state. While it is not possible to generalize about national market conditions, the task force agrees that there is room for improvement in most states. Even regulators from states that have issued reports showing no proof of racial discrimination and general availability of some type of property coverage continue working to improve market conditions in their states.

At the same time the task force's investigations and analyses were occurring, many individual state insurance departments and various consumer and insurance industry groups were working together to form partnerships to find voluntary solutions to urban insurance concerns. These partnerships and new ones are continuing to initiate new activities. The task force recognizes and encourages more of these efforts because it believes urban insurance issues must be addressed to benefit all participants in the urban insurance marketplace.

In addition, recently several major companies have modified their underwriting guidelines by eliminating some limitations which were particularly burdensome to consumers in urban neighborhoods. These modifications include elimination of minimum coverage limits and maximum dwelling age. The changes should allow more consumers to qualify for coverage. Different insurers made these changes for different reasons including Department of Justice settlements, state regulatory action and voluntary action.

The task force recommends that the Market Conduct and Consumer Affairs (EX3) Subcommittee continue to monitor conditions in the urban insurance marketplace using various sources of information in a cost effective way and support urban insurance issues by:

1) encouraging individual regulators to determine what problems, if any, exist in their insurance markets, and work diligently with both consumer and industry groups to find viable solutions;

2) encouraging states with valued policy laws to review them. Modifications of the statutes may be required in order to spur development and use of modified replacement cost policy forms and facilitate the provision of coverage desired by consumers.

3) providing forums to present information on efforts to solve urban insurance issues, such as outreach projects, successful partnerships, and educational efforts;

4) analyzing the outcomes of individual states' regulatory interventions;

5) encouraging states to provide updated regulatory, community and industry responses to EX3 in order to keep the *Handbook of Available Options* current; and to submit articles on successful efforts to newspapers, trade journals and other publications;

6) conducting an annual survey of urban insurance initiatives and projects, their successes and failures; and

7) sponsoring a public hearing every two years to evaluate the status of urban insurance markets, with the first hearing to be held in December 1997. At the first hearing a structured agenda will include consideration of any finalization of the preliminary reports listed in this document. In addition, interested parties will be asked to provide testimony on specific topics. The task force considered Dr. Robert W. Klein's August 5, 1996 preliminary working paper *Urban Homeowners Insurance Market in Missouri* and requested Dr. Klein provide a more final analysis at the December, 1997 hearing.

The task force sincerely thanks insurance departments, NAIC staff, consumer representatives and insurance industry representatives for their thoughtful insights. We believe the work done by the task force will assist all interested parties in improving insurance markets for all consumers.

Summary of
“Improving Urban Insurance Markets: A Handbook on Available Options”
NAIC Insurance Availability and Affordability (EX3) Task Force, June 4, 1996

Auto Insurance (C/D) Study Group
March 2013

In 1996, the NAIC Insurance Availability and Affordability (EX3) Task Force concluded that some urban areas have significant insurance market problems and inadequate availability, leading to high costs in urban areas for low-income drivers. In its paper titled, “Improving Urban Insurance Markets: A Handbook on Available Options,” the Task Force developed a continuum of potential remedial measures for state insurance regulators to fit the specific circumstances in their respective markets.

The paper begins by providing a detailed analysis of how regulators might assess market conditions, including an analysis of the theory of competition and market failures and problems. This section shows how to use available data to measure market structure, conduct, and performance.

The Task Force’s opinion was that regulators should apply tools least intrusive to market intervention to address market failures, although it was stressed that the states could choose different measures from different levels along the continuum based on the particular circumstances within their own state.

The continuum of policy options within the paper are organized based on the degree of intervention in the market required by each:

> “The limited market intervention level would maximize reliance on and facilitate the exercise of market forces in resolving urban insurance problems. The moderate market intervention level sets standards and safeguards but still emphasizes market forces to determine the prices and amount of insurance available in different areas. Extensive market intervention contemplates a much more restrictive approach in which there is significantly less room for market forces to determine prices and products and the actions of insurers and agents would be highly constrained or subject to mandates in order to achieve specific public policy objectives. At the farthest end of the spectrum, public provision of insurance would reject reliance on, and supplement, or supplant, the private market to provide insurance.”

Limited Market Intervention – Emphasis is placed on eliminating barriers to competition and enhancing incentives for profits and cost reduction.

- Institute territorial ratemaking – true competitive rating systems and no constraints on territorial rate differentials.
- Establish market assistance plans and partnership/outreach programs – temporary programs to address a specific line of insurance where availability issues occur.
- Develop partnership/outreach programs – partnerships between local community development groups and insurers to expand insurance coverage in urban areas by educating consumers.
- Allow policy innovations – modified deductible policies; modified benefit policies; alternative coverage limits.
- Require disclosure of declinations.
- Enhance market information on prices, products, and quality of service for consumers.
- Promote risk-reduction and cost-containment incentives and programs – such efforts could make urban risks more insurable and could lower premiums.
- Ease restrictions on distribution systems to increase entry and access
- Fair Access to Insurance Requirements (FAIR) plans/residual markets – maintain residual market that does not compete with the voluntary market.
- Encourage participation by insurance agents.
- Monitor underwriting guidelines.
- Foster development of voluntary market incentive programs.

Moderate Market Intervention – Insurers and agents are given leeway, but business practices are required to meet specific regulatory standards of reasonableness and supporting analysis would be subject to greater supervision and monitoring.

- Require rating factors to meet certain standards.
- Institute territorial definition standards.
- Institute underwriting criteria standards.
- Limit termination.

- Require insurer self-monitoring.
- Maintain competitive residual markets with take-out and keep-out provisions.
- Create a selected array of products.
- Disclosure of market practices.

Extensive Market Intervention – Assumes there is significant evidence of market failures that can only be remedied by close regulatory supervision and extensive government intervention in the marketplace.

- Tight regulation of rate levels, rate structures and rating factors (prohibit or mandate certain factors).
- Mandate standard territory definitions.
- Approve list of underwriting criteria.
- Restrict termination provisions.
- Mandate product and service requirements – "take all comers" laws.
- Impose agent appointment/compensation provisions.
- Require insurers to offer a full array of products.

Public Provision of Insurance

- Government-owned insurers.
- Pay-at-the-pump auto insurance.
- Government compensation.

Summary of
Insurance Research Council's Study, "Uninsured Motorists – 2011 Edition"

Auto Insurance (C/D) Study Group
March 2013

METHODOLOGY

- Auto injury claim frequency data was collected from nine insurers representing more than 50% of the private passenger automobile market.
- Size of the uninsured motorist population was estimated by comparing the injury portion of the uninsured motorist (UM) coverage with the bodily injury (BI) liability coverage.
- A ratio of the UM claim frequency to the BI claim frequency produces an estimate of the percentage chance that, in an accident where someone is injured, the at-fault driver is uninsured, or the percentage of uninsured drivers.
- The ratio of UM to BI claim frequencies establishes a measure for comparison across the states that is not affected by the level of hazard or the legal environment in particular areas.
- UM and BI coverages were compared because both are fault-based, with the difference between them being whether the at-fault driver was insured.
- Participating companies provided data on a state-by-state basis for 2008 and 2009.
- Each insurer provided data covering its total private passenger line of business (preferred, standard, and nonstandard lines) in each state.
- The number of earned car-years and the number of incurred claims, including incurred but not reported (IBNR) claims, were aggregated to determine the claim frequencies in each state for both UM and BI coverage.
- Participating companies:
    - Allstate Insurance Company
    - American Family Insurance Group
    - Erie Insurance Group
    - GEICO
    - The Hartford Financial Services Group
    - Liberty Mutual Group
    - Safeco Insurance Companies
    - State Farm Insurance Companies
    - United Services Automobile Association

DATA

- Roughly one in seven auto accidents involving injury include an uninsured at-fault driver. The countrywide UM to BI ratio decreased from 14.3% in 2008 to 13.8% in 2009.
- The 2008 report documented a strong historical correlation between the national unemployment rate and the UM-to-BI ratio. For every percentage point increase in the unemployment rate, there was a corresponding 0.75 percentage point increase in the UM-to-BI ratio.
- The estimated percentage of uninsured motorists in 2009 varied significantly by state, from 4% to 28%.
- Some states, namely Nevada, experienced a steady decrease in the percentage of uninsured motorists over time, as identified by the UM-to-BI ratio. In Nevada, the UM-to-BI ratio went from 17% in 2005 to 15.2% in 2007 to 13.2% in 2009.
- In a few states, the UM-to-BI ratio indicated an increase in the percentage of uninsured motorists, namely Rhode Island and Michigan. Rhode Island's UM-to-BI ratio increased from 13.6% in 2007 to 17.6% in 2009.

RESPONSE TO NEVADA COMMENTS

> **Nevada:** "With respect to identifying the number of uninsured motorists, the methodology commonly used by the insurance industry relies upon UM coverage claims information. This is problematic in states where the uninsured and underinsured motorist coverages are inseparable. Pursuant to Nevada law, the uninsured motorist coverage includes underinsured motorist coverage. For Nevada, where the financial responsibility coverage requirement is relatively low (15/30/10) and underinsured motorists claims are therefore fairly commonplace, using UM claims information to estimate the number of uninsured drivers likely overestimates the number of uninsured motorists."

IRC: "While state law requires the pairing of these coverages, instructions for submitting data to IRC on UM experience explicitly directs companies to submit data for uninsured motorist coverage experience. I would discourage anyone from assuming that companies are unable to separate UM and UIM experience simply because state law requires both coverages to be provided together. Given Nevada's relatively low minimum liability requirements, I would expect to see a significantly higher UM rate for the state than the 2011 estimate of 13.2%, if UIM experience was included in the UM data reported to IRC."

Summary of
"The Potential Effects of No Pay, No Play Laws"
Insurance Research Council (IRC), November 2012

Auto Insurance (C/D) Study Group
March 2013

The Insurance Research Council (IRC) released a report in November 2012 titled, "The Potential Effects of No Pay, No Play Laws." This report aimed to evaluate the effectiveness of "no pay, no play" laws that prevent uninsured motorists from collecting non-economic damages from a traffic accident involving an insured, at-fault driver. One purpose of these laws is to encourage uninsured motorists to become insured, thus lowering the state uninsured rate.

Ten states have enacted these "no pay, no play" laws. The IRC study seeks to determine whether the laws have reduced the number of uninsured motorists and to measure the potential cost savings in the states that have not enacted these types of laws.

The study recognizes a correlation between unemployment rate and an insurance affordability index and the percentage of uninsured motorists. A regression equation was created using a dummy variable for whether a state had a "no pay, no play" law, the unemployment rate and an insurance affordability index in order to attempt to measure the percentage of uninsured motorists.

Results found that enacting a "no pay, no play" law is associated with a 1.6% decline in the percentage of uninsured motorists. The correlation, although limited, is statistically significant. The unemployment rate has the strongest correlation with the percentage of uninsured motorists.

The IRC study also looked at how much compensation paid to uninsured motorists could potentially be eliminated by the institution of a "no pay, no play" law. The study created a model that used the average compensation for noneconomic loss in bodily injury claims, the percentage of uninsured motorists, the percentage of bodily injury claimants who were drivers, and the number of bodily injury claimants. Using these data points, the study estimated the amount paid in noneconomic damages to uninsured motorists in each state.

The study found that the average insured driver in 2007 paid an additional $4.69 to address the average $17.5 million loss to uninsured claimants in each state.

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Auto Insurance Industry Results
From NAIC's Competition Report, Profitability Report
and Auto Insurance Database

Auto Insurance (C/D) Study Group
March 2013

The NAIC's *Competition Database Report*, *Report on Profitability by Line by State*, and *Auto Insurance Database Report* contain numerous metrics that can be used to evaluate the competeiveness and performance of the auto insurance market. Data for the auto physical damage and auto liability lines of business for the data year 2011 are shown on a countrywide and state basis in the analysis below.

<u>Market Concentration</u>

Market concentration is looked at in two ways within the Competition Report. The first is by looking at the market share of the four largest groups in an insurance line. This traditional measure of market concentration is often used as a rough indicator of market competition. While there is no formal way to determine market competitiveness based on this calculation, values above 50% suggest that concentration at least be given a closer look in judging the overall competitiveness of a market.

Top Four Market Shares – National Results

On a national basis, the top four writers of private passenger auto liability make up 47% of the overall market, while the top four writers of private passenger physical damage make up 44% of the market.

Top Four Market Shares – State Results

The top four writers of auto insurance in individual states range from a market share of 44% to 74%. Forty-one states have at least one of the auto lines with a four-firm market share of more than 50%. Two states, with small populations, have four-firm market share percentages of more than 70%.

The report also shows the competitiveness of the market by examining the Herfindahl-Hirschman Index (HHI). The HHI is calculated by summing the squares of the market shares (as a percentage) of all groups in the market. For example, if a market had only one seller, its market share would be 100% and the HHI would be 10,000. If a market had 10 sellers, each with an equal 10% of the market, the HHI would be 1,000.

Although there is no precise point at which the HHI indicates that a market or industry is concentrated highly enough to restrict competition, the U.S. Department of Justice has developed guidelines with regard to corporate mergers. Under these guidelines, if a merger of companies in a given market causes the HHI to rise above 1,800, the market is considered highly concentrated. If, after the merger, the HHI is between 1,000 and 1,800, the market is considered moderately concentrated, and an HHI of less than 1,000 is considered not concentrated. Because these numbers are guidelines, judgment must be used to interpret what information the HHI provides for a particular market.

HHI – National Results

In 2011, the HHI for auto liability was 735, while it was 691 for auto physical damage.

HHI – State Results

In individual states, the HHI ranges from 724 to 1,776 in the auto liability line and from 664 to 1,924 in the auto physical damage line. No state had an HHI above 1,800 in either auto line. Twenty-nine states had HHI figures above 1,000 in at least one of the auto lines. Two states had HHI figures above 1,600 in each of the two auto lines.

<u>Market Size and Entries/Exits</u>

Analysts of competition are usually interested in how many insurance groups are participating in a market, as well as how many insurance groups are deciding to enter or leave a market. A market demonstrating a steady increase in the number of groups providing insurance (more groups enter the market than exit) can be considered a strong market where insurers see an opportunity to make a profit. Conversely, markets where more groups are exiting the market than entering might indicate that insurers are unable to earn a profit sufficient to justify a continued presence. Because there are a number of insurance groups that, for various reasons, have a small amount of direct written premium in a given market, a threshold was used to identify true market participants. While a number of different thresholds could be used, the Competition Report uses a threshold of 0.1% of a market's total direct written premium.

Number of Group Sellers – National Results

The number of groups writing auto liability was 74 in 2011, with 76 groups writing auto physical damage.

Number of Group Sellers – State Results

The number of groups writing in individual states ranged from 13 to 62 for auto liability and from 13 to 60 for auto physical damage.

Entries/Exits – National Results

Over the past five years, the auto liability line had 11 new entries and 14 exits, while the auto physical damage line experienced eight new entries and 11 exits.

Entries/Exits – State Results

The states generally experienced entries and exits that resulted in net changes that did not greatly alter the market. No state had a double-digit loss in terms of net exits out of the market over the past five years (2007–2012).

<u>Market Growth</u>

Market growth can be a measure of competition, as growing markets typically attract competitors. The Competition Report shows how the market has grown over the three years and the 10 years preceding each annual release of this report. Market growth can be initiated by one of two different types of events. One is when new consumers enter into the market and demand new insurance coverages. The second is when existing consumers start to purchase additional coverage, such as when property values increase or consumers purchase more expensive automobiles as their incomes rise. In general, both of these events create market growth over time. However, increasing premium rates could cause direct written premium to increase, giving the appearance of market growth when, in fact, there is none.

Market Growth – National Results

Auto liability experienced a 5.4% growth from 2008 to 2011 and a 22.9% growth from 2001 to 2011. Auto physical damage experienced a 0.7% decline from 2008 to 2011 and a 6.5% growth from 2001 to 2011.

Market Growth – State Results

Market growth varied greatly across states. For auto liability, results ranged from a three-year decline of 3% to a three-year increase of 19% in premium. Ten-year results for auto liability ranged from a 6% decline to 45% growth.

For auto physical damage, results ranged from a three-year decline of 9% to a three-year increase of 15% in premium. Ten-year results for auto physical damage ranged from a 21% decline to 42% growth.

Profitability

Insurer profitability results can be examined to determine whether a market is attractive to insurers to enter, thereby creating greater competition, or unattractive, causing insurers that are in the market to leave. Persistently high levels of profitability could indicate that a market is failing to attract competitors, thus enabling non-competitive rates of return to be earned. Alternatively, persistently low levels of profitability could indicate that insurers have difficulty estimating losses and/or are unable to set premium rates at adequate levels.

The Profitability Report stresses several caveats, including the fact that the report cannot and should not be used to determine whether current rates are adequate to cover future costs. In addition, the report provides only approximations of actual profits earned by line and by state. The data for all companies in all of the states are aggregated prior to allocation of that data by line and by state. Data that the companies do not allocate by state and that the report allocates by state from countrywide aggregates for all companies combined include: net worth, investment gain, federal taxes, general expenses, unallocated loss adjustment expenses, other acquisition expenses, and the effects of consolidation of affiliated insurers.

Return on Net Worth – National Results

The average annual return on net worth from 2001 to 2011 was 5% for auto liability coverage and 13% for auto physical damage coverage.

Return on Net Worth – State Results

For individual states, average return on net worth from 2001 to 2011 ranged from -5% to 18% in the auto liability line and from 3% to 28% in the auto physical damage line. Ten states experienced average return on net worth above 10% in auto liability, while 41 states had return on net worth above 10% in the auto physical damage line.

Auto Insurance Database Report

The *Auto Insurance Database Report* obtains data from statistical agents and state insurance departments in order to calculate average expenditures and premiums for private passenger automobile insurance. The state average expenditure per insured vehicle is the total written premium for the combined liability, collision and comprehensive coverages, divided by the liability written car-years (exposures) in that state. This assumes that all insured vehicles carry liability coverage but do not necessarily carry the physical damage coverages (i.e., collision and/or comprehensive). The state-combined average premium per insured vehicle, on the other hand, is calculated by summing the average premiums for the three coverages. The result is the average cost of an auto insurance policy in the state that contains all three coverage (i.e., liability, comprehensive and collision).

Aggregate written premiums and aggregate written exposures are used in calculations with no distinction as to policyholder classifications, vehicle characteristics, or the selection of specific limits or deductibles. Nor do the results consider differences in state auto and tort laws, rate filing laws, traffic conditions, or other demographics. It is important to recognize that the report is not intended to be a true comparison of auto insurance rates/premiums from state to state. The most recent results available for this report are from the data year 2010.

Average Expenditure and Premiums – National Results

Results within the report show that, from 2006 to 2010, there has been a general decline in average expenditures and average premiums on a national basis. This decline has been about 3%.

Average Expenditure and Premiums – State Results

Average expenditures in individual states have varied. From 2006 to 2010, average expenditures have fallen by as much as 17% and risen by as much as 6%. Average premiums have fallen by as much as 17% and risen by as much as 4.5%. Thirteen states saw an increase in average expenditures from 2006 to 2010 and five saw a decrease of more than 10%. In the same time period, average premiums rose in eleven states and fell by more than 10% in six states.

The NAIC's *Competition Database Report*, *Report on Profitability by Line by State*, and *Auto Insurance Database Report* are available for state insurance regulators via the NAIC's StateNet, under "Publications," at https://i-site.naic.org/cgi-bin/statenet/publications_home.htm. The public can find more information about these publications at http://www.naic.org/store_pub_statistical.htm

National Association of Insurance Commissioners

The Center for Insurance Policy and Research

Studies, Reports and Surveys Examining the Use of
Credit Scoring, Occupation or Education in Insurance
March 2013

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Summary of Insurer Initiatives to Address the Availability and Affordability of Auto Insurance for Low Income Drivers
Automobile Insurance (C/D) Study Group
February 26, 2014

Introduction

One element of the Auto Insurance (C/D) Study Group's Work Plan is to work with insurers to identify initiatives taken by insurers to address the cost of insurance for low income drivers and to investigate and document how those initiatives are working. To that end, the Study Group requested that Property & Casualty trade organizations provide information on the initiatives the industry has taken to address the issue of the availability and affordability of auto insurance for low-income drivers and the outcome of those initiatives. Property Casualty Insurers Association of America (PCI) submitted a response dated February 9, 2013, and subsequently provided an additional review it conducted of the auto insurance marketplace dated July 2, 2013. The National Association of Mutual Insurance Companies (NAMIC) also submitted comments dated April 30, 2013. The information provided by PCI and NAMIC, as well as additional industry initiatives identified by Study Group members, are summarized below.

PCI

PCI commented that insurers take a risk-based pricing approach, as governed by applicable law. With regard to availability and affordability, they advocate for measures that reduce risk, and therefore reduce cost, for all drivers, without regard to income. PCI noted that to the extent costs are reduced, there may be a particular benefit to consumers with lower incomes.

PCI identified the following industry initiatives intended to reduce costs:

1. Highway Safety Measures – The industry has supported the work of the Insurance Institute for Highway Safety and Advocates for Highway and Auto Safety. PCI contends that industry's support of safety measures such as strong seatbelt laws, graduated drivers licensing programs, text messaging bans, more vigorous enforcement of DUI laws and tighter blood alcohol standards have reduced highway deaths and injuries and have reduced costs.

2. Anti-Fraud Efforts – The industry has taken steps to prevent, detect, and prosecute insurance fraud.

3. Efforts to Reduce Health Care, Auto Repair, and Litigation Costs – Insurers have worked with state governments to implement health care cost containment measures in some states, which PCI contends have lowered auto injury costs for the benefit of policyholders. Similarly, industry has supported measures to reduce auto repair costs, such as allowing alternatives to original equipment manufacturers repair parts. And "[w]here necessary, insurers have supported the elimination of incentives for frivolous lawsuits" to reduce litigation costs.

4. Usage Based Insurance ("Pay-As-You Drive") – PCI observed that information collected from telematics devices can be used to distinguish lower risks from higher risks and make prices more competitive, accurate, and equitable.

5. Opposition to Mandatory Insurance and Increased Financial Responsibility Laws – PCI has opposed mandatory liability insurance and increases in financial responsibility limits, which PCI contends can impose an unreasonable burden on those who can afford to purchase only minimum coverage.

6. No Pay-No Play Laws – Insurers have supported laws that prohibit uninsured drivers from collecting damages from insured drivers, which PCI contends help reduce costs and potentially reduces the number of uninsured drivers.

7. Low Cost Policies – PCI cited its work with states such as New Jersey and California to implement measures that create lower cost minimum policies for low income drivers.

8. Use of Technology – PCI noted insurers' use of technology to increase efficiency and thereby reduce costs.

In it July 2, 2013 letter, PCI summarized certain "positive results" for auto insurance consumers, including more affordable insurance coverage as compared with other household expenditures; a highly competitive auto insurance marketplace; fair and equitable rates; small assigned risk pools, denoting more available coverage; a declining trend in auto insurance-related consumer complaints; and industry efforts to increase highway safety measures and reduce insurance fraud.

NAMIC

In its comments dated April 30, 2013, NAMIC questioned two assumptions implicit in the above-referenced element of the Study Group's Work Plan: first, that there is an "issue" concerning the cost of insurance for low-income drivers; and second, that "insurers are, or perhaps should be, taking 'initiatives' to 'address' this 'issue'." In NAMIC's view, usage-based auto insurance is not intended to address a particular cost issue for low income consumers, but rather is "a way to grow [insurers'] book of business and increase their market share." NAMIC emphasized that in the highly competitive auto insurance marketplace, insurers strive to provide coverage to all consumers at the lowest possible price. According to NAMIC, insurers' use of credit-based insurance scoring, in particular, "makes auto insurance more available and affordable."

Other Industry Initiatives

Study Group members identified certain insurer disclosures as another means by which to enhance auto insurance availability and affordability for low income consumers. For example, the Study Group reviewed one consumer-friendly disclosure that identifies factors for which consumers' credit history was favorable and unfavorable and provided consumers with information about potential steps they can take to improve their credit scores and lower their auto insurance premiums.

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THE U.S. PRIVATE PASSENGER AUTOMOBILE INSURANCE MARKET IS A SOUND AND EFFICIENT ONE THAT BENEFITS CONSUMERS

Introduction

Private passenger automobile insurance coverage affects nearly every household in the U.S. Despite the recent financial crisis, the auto insurance market remains a sound and efficient one that benefits consumers. Over the years, the insurance industry has made great strides in improving the availability and affordability of coverage and initiated or participated in efforts to save hundreds of thousands of lives, prevent millions of injuries and combat crime.

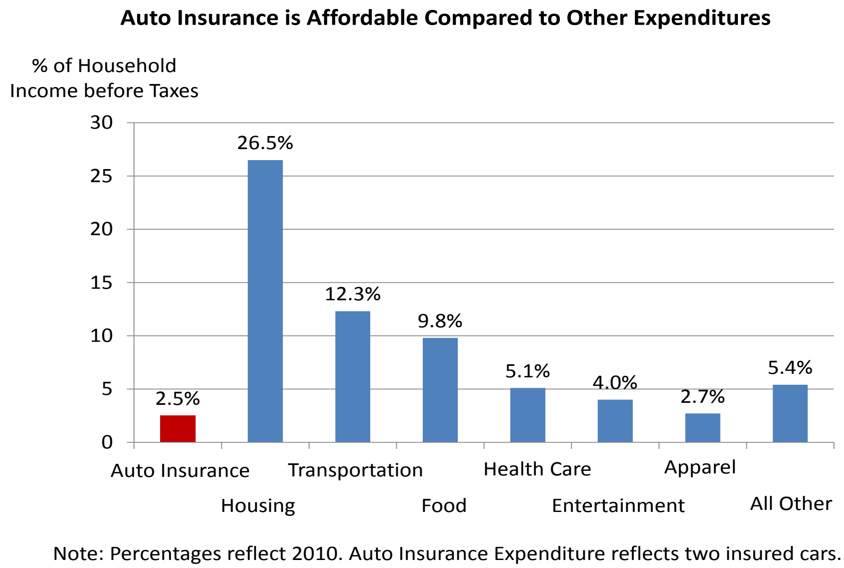
Positive results for the auto insurance-buying public include:

- more affordable insurance coverage, compared to other household expenditures
- a very competitive market with a wide choice of products and services
- fair and equitable rates, contributing to a decreased uninsured motorist population
- more available coverage, as denoted by a very small assigned risk market
- greater customer satisfaction
- safer driving and vehicles and less fraudulent activity

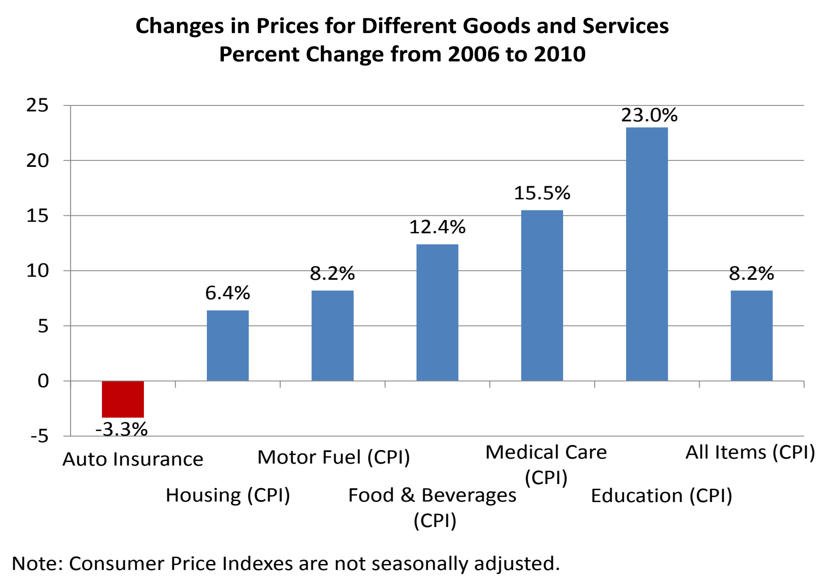
Benefits

- Latest (2010) data indicate that the annual average expenditure for auto liability and physical damage insurance is $791 per insured car. Compared to other important consumer expenses, the cost of auto insurance represents the smallest percentage of the average household income.[1]

[1] National Association of Insurance Commissioners (NAIC) and U.S. Bureau of Labor Statistics, Economic News Release, “Consumer Expenditures, 2011,” www.bls.gov/news.release/cesan.nr0.htm



- The average expenditure for auto coverage has been declining over time. In 2006, drivers in the U.S. paid an annual amount of $818 per insured car; by 2010, this amount dropped 3.3 percent to $791. In contrast, the cost of other economic sectors based on the Consumer Price Index has increased over the same period (from 6.4 percent for housing to 23.0 percent for education).[2]



[2] PCI, based on data from the NAIC and Consumer Price Index provided by the U.S. Bureau of Labor Statistics

- A total of 945 large, medium and small insurance companies throughout the country – or an average of 150 carriers per state – currently offer personal auto coverage.[3] Based on the Herfindahl-Hirschman Index (HHI), state auto insurance markets are found to be unconcentrated. In other words, with an average index of 688,[4] the markets in each state are very competitive with many different companies providing a wide array of auto insurance products and services to consumers.

- Under state law, insurance prices cannot be inadequate, excessive or unfairly discriminatory. In compliance with these laws, and subject to state regulatory review, auto insurers use predictive rating factors to distinguish lower-risk drivers from higher-risk drivers. These factors measure driving performance and loss likelihood, as well as the context in which the driving occurs. For example, the prior experience of the drivers is considered and increasingly, their actual vehicle usage.

  Another important underwriting and rating factor is the geographical location, or place of garaging. Because certain areas have greater traffic density, higher cost of health care and body shop repairs, a greater likelihood to report injuries, more vehicle thefts, etc. compared to others, more claims and higher losses per insured car result in these areas. If the use of geographical location were eliminated or restricted, lower-risk drivers would end up paying more for insurance coverage than their fair share to subsidize higher-risk drivers.

  By permitting insurers to use predictive tools in their underwriting and rating process, consumers are charged appropriate rates that reflect their underlying costs and can benefit from a healthy competitive insurance market. Risk-based pricing also encourages insurers to commit more capital to a market because they can better predict and price for the risk they are assuming.

- The latest (2009) estimated uninsured motorist population in the U.S. is about 13.8 percent; in general, the proportion of drivers without auto insurance has been declining since 2003 when it was 14.9 percent.[5] This downward trend suggests that more people are finding affordable auto insurance and are purchasing liability (and physical damage) coverage. A lower U.M. population also means lower U.M. rates for drivers.

- Today's assigned risk market is very small (0.93 percent), indicating that the overwhelming majority of the nation's drivers have no problem finding auto insurance coverage in the primary voluntary market. This is a vast improvement from 20 years ago when the assigned risk market was 6.7 percent and there was less coverage availability in the voluntary market.[6]

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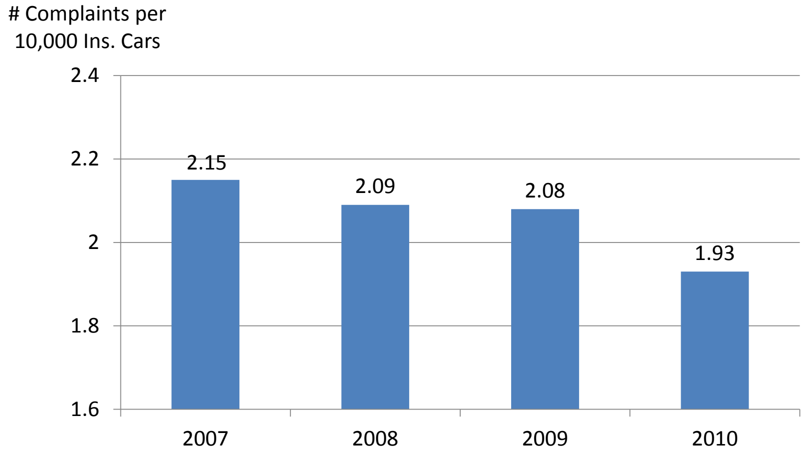
[3] SNL Financial LC, using NAIC data; the state average of 150 is computed by PCI using the arithmetic mean of the number of personal auto carriers in each state.
[4] The Herfindahl-Hirschman Index (HHI), used extensively by the U.S. Department of Justice and economists, is a commonly accepted measure of market concentration, taking into account the relative size and distribution of the insurers in a market. Index values less than 1,500 denote "unconcentrated" or competitive markets [U.S. Dept. of Justice & FTC, *Horizontal Merger Guidelines* § 5.2 (2010)]. The state average of 688 – indicating a very competitive market – is computed by PCI using the arithmetic mean of the individual state indexes.
[5] Insurance Research Council, *Uninsured Motorists, 2011 Edition*
[6] Auto Insurance Plans Service Office, 2010 and 1990

- Based on various state insurance department reports, the trend in auto insurance-related complaints has been dropping. The downward trend suggests that customer expectations related to insurers' products, prices and claim settlements are being met on a more frequent basis.[7]

Consumer Personal Auto Insurance-Related Complaints Have Been Dropping Over Time



Note: Aggregated complaints are from Colorado, Indiana, Missouri, North Carolina and Texas state insurance department reports. Most other state reports are not readily available.

The above chart illustrates the four-year trend of complaints for every 10,000 insured cars found in five different states combined. To offer another perspective on how few auto insurance-related complaints have been filed by the public, the latest one-year complaint ratio relative to the total number of insured cars in 14 states is an infinitesimal 0.0002 (i.e., about 19,870 complaints relative to 103 million insured cars!).[8] Such a small number indicates that consumers throughout the nation are by and large satisfied with their auto insurers.

- Other efforts that the insurance industry has successfully supported include strong seatbelt laws, graduated drivers licensing programs, text messaging bans, more vigorous enforcement of DUI laws, and tighter blood-alcohol standards. Insurers have also engaged in their own anti-crime efforts, e.g., establishing special investigative units and maintaining anti-fraud plans, and increased data sharing aimed at detecting and preventing fraud. They have partnered with government in efforts to rein in out-of-control costs, working to improve the efficiency of claims operations.

[7] PCI, based on NAIC insured cars and available state insurance department reports on personal auto complaints. Note that many states may not publish aggregate complaints or complaint ratios.
[8] The complaint ratio relative to the number of insured cars reflects Arizona, California, Colorado, Illinois, Indiana, Kansas, Michigan, Missouri, New Jersey, New York, North Carolina, Ohio, Oregon and Texas.

*The **Property Casualty Insurers Association of America (PCI)** is a trade association consisting of more than 1,000 insurers of all sizes and types, and representing 39.6 percent of the total general insurance business and 45.8 percent of the total personal auto business in the nation.*

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VIA EMAIL

April 30, 2013

Ms. Therese M. Goldsmith
Insurance Commissioner
Chair, NAIC Auto Insurance (C/D) Study Group
tgoldsmith@mdinsurance.state.md.us

Re: Request for Comments on the Availability and Affordability of Auto Insurance

Dear Commissioner Goldsmith:

On behalf of the National Association of Mutual Insurance Companies, I offer these comments in response to your March 21, 2013 letter requesting that NAMIC submit a report regarding initiatives undertaken by NAMIC and its members "to address the issue of the availability and affordability of auto insurance for low-income drivers."

NAMIC is the largest and most diverse property/casualty trade association in the country, with 1,400 national, regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders. These companies write in excess of $196 billion in annual premiums, accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. More than 200,000 people are employed by NAMIC member companies.

As noted in your letter, the Study Group's work plan calls for the group to "work with insurers to identify initiatives taken by insurers to address the issue of the cost of insurance for low income drivers (e.g., usage based programs)." There are two assumptions here, both of which are open to question. First, the Study Group assumes that there is an "issue" concerning the cost of insurance for low-income drivers. Second, the Study Group assumes (or seems to assume) that insurers are, or perhaps should be, taking "initiatives" to "address" this "issue."

Regarding the first assumption, as far as I am aware, the Study Group has yet to determine empirically that the cost of insurance for low-income drivers is an "issue" in the sense that it represents a problem in need of a solution. Therefore, asking insurers to explain what they are doing to address this matter strikes me as putting the cart before the horse. It may be that the "issue" you refer to is not really an issue at all.

Regarding the second assumption, even if one were to grant that the cost of insurance for low-income drivers is a genuine "issue" in the sense delineated above, it is not clear that insurers could do anything beyond what they have always done, which is to offer quality products that consumers want at the lowest possible price. That is the essential business model followed by all insurers that operate in the highly competitive auto insurance market. As their advertising attests, insurers recognize that no consumer, regardless of income, wants to pay more than necessary for auto insurance.

Your letter cites "usage based programs" as an example of an initiative that insurers might undertake to "address the issue" of the cost of insurance for low-income drivers. While it is true that many auto insurers, including some NAMIC member companies, are developing usage-based policy options, I would submit that their purpose in doing so is not to address any particular cost "issue" associated with any particular income group. Rather, they are acting on the results of market research that indicates that a considerable number of consumers would like to be able to purchase this type of insurance product, and consequently, they see these products as a way to grow their book of business and increase their market share.

If we broaden the inquiry to ask, "What do insurers do to make auto insurance available and affordable?"—not just for low-income drivers, but for all drivers—we can answer in two words: "They compete." Auto insurance is sold in a market that is not just competitive but extremely competitive. Every advertising medium is rife with messaging from auto insurers seeking to attract applicants. And given that price is a significant factor that influences a consumer's choice of insurer, insurers competing for business naturally strive to offer coverage at the lowest price possible.

Mutual insurers, operated for the sole benefit of their policyholders, are particularly focused on providing coverage to their members at the lowest possible price. Mutual insurers are affected by the same competitive forces that prompt all insurers to offer coverage at low prices, but they do not have stockholders seeking to earn investment income.

Auto insurers are able to compete effectively, thereby keeping costs to consumers as low as possible, by using multiple rating factors to ensure that rates are commensurate with risk. In particular, credit-based insurance scoring is a powerful tool that allows auto insurers to offer discounts to many drivers and enables them to offer coverage to applicants they might not otherwise offer coverage. In other words, insurers' use of credit-based insurance scoring makes auto insurance more available and affordable.

Auto insurers are also able to compete effectively and thereby keep costs to consumers as low as possible when they are able to adjust their rates swiftly in response to changing market conditions. Knowing that rates can be increased if circumstances warrant provides insurers with a level of confidence that allows them to lower rates as they compete for business. When rates must be approved by a regulator prior to their being used, insurers will lack that confidence. In other words, greater rating freedom makes auto insurance more available and affordable.

To the extent that the ultimate goal of the Auto Insurance Study Group is to identify ways to make auto insurance more available and affordable, we would suggest that it identify statutory and regulatory impediments to the full benefits of competition, such as prior approval of rates and limits on the use of rating factors including credit-based insurance scoring.

Finally, to turn from the activities of NAMIC member companies to the activities of NAMIC itself, I would note that NAMIC, on behalf of its members, consistently advocates in support of insurance regulatory reforms that are aimed at increasing the supply of insurance and keeping insurance costs as low as possible.

Thank you for your consideration of these comments. Please contact me if you need any additional information by way of explanation or clarification.

Sincerely,

Robert Detlefsen

Robert Detlefsen, Ph.D.
Vice President, Public Policy

Property Casualty Insurers
Association of America

Advocacy. Leadership. Results.

February 9, 2013

BY ELECTRONIC MAIL

Therese M. Goldsmith
Insurance Commissioner
Maryland Insurance Administration
Suite 2700
200 St Paul Place
Baltimore, Md. 21202

Dear Commissioner Goldsmith:

Thank you for your involvement in the NAIC's initiative regarding auto insurance affordability and availability and the opportunity to provide information regarding insurers' efforts to reduce costs and improve affordability and availability in auto insurance. We look forward to continuing to work with you, other regulators and all stakeholders on this effort.

Measures that Reduce Costs Improve Affordability and Availability.

Insurers base pricing and underwriting on risk, as governed by applicable law, and do not use factors such as income for those purposes. So, in approaching the issue of availability and affordability, we push for measures that would benefit the entire system and then allow risk based pricing, again as regulated by applicable law, to allocate the costs without regard to factors such as income. However, to the extent costs are reduced, there is a particular benefit to those who may have lower incomes. In addition, through long experience, we wish to provide guidance on how to maximize availability and competition.

The industry has been active in many areas to reduce costs for all drivers, sometimes through their operations where permitted and sometimes through advocacy for governmental action. In combination, these efforts have saved hundreds of thousands of lives and prevented millions of injuries and have helped combat crime, all of which have obvious society-wide benefits as well as cost reductions for our policyholders.

Highway Safety Measures
Starting with highway safety measures, our support for the Insurance Institute of Highway Safety (IIHS) and Advocates for Highway and Auto Safety has produced abundant benefits for society and our customers in terms of lower costs, because of the well-documented reduction in highway deaths and injuries resulting from federal safety standards and state and federal driving laws that our industry has supported. Other industry-backed measures that have saved lives and reduced costs include strong seatbelt laws, graduated drivers licensing programs, text messaging bans, more vigorous enforcement of DUI laws, and tighter blood-alcohol standards.

Auto Theft and Insurance Fraud
On the issues of auto theft and other types of insurance fraud, insurers have engaged in their own anti-crime efforts, e.g., establishing special investigative units and maintaining anti-fraud plans, and increased data sharing aimed at detecting and preventing fraud. In addition, we have advocated for enactment of effective state and federal laws and have assisted in prosecutions. We also support the National Insurance Crime Bureau, Coalition Against Insurance Fraud and sister state coalitions that comprise insurer organizations, consumers and law enforcement agencies that work together to enact anti-fraud legislation and educate the public. Two examples of anti-fraud measures include legislation adopted to decertify certain physicians involved in fraudulent schemes related to auto accidents in New York and tighten Florida's licensing standards for medical clinics that treat injured victims in auto crashes.

Health care, auto repair and litigation costs can get out of hand as well, hence adversely affecting consumers.

Health Care Costs
Here too, insurers have worked to improve the efficiency of claims operations and have partnered with government in efforts to rein in out-of-control costs. Examples of health care cost containment measures can be found in Colorado, New Jersey and Pennsylvania. In Colorado, insurers had advocated for managed care programs allowing them to direct injured parties to state-approved health care organizations. By allowing insurers to have input into medical care, auto injury costs were lowered for the benefit of policyholders. Medical fee schedules were put in place in New Jersey and Pennsylvania to control escalating health care costs. By placing modest restraints consistent with quality care on providers' bills and medical treatment costs, fees, charges, and reimbursements are more fair and reasonable.

Auto Repair Costs
To reduce auto repair costs, we have supported pro-competitive measures that allow alternatives to original equipment manufacturers (OEM) repair parts and that allow consumers to have their cars repaired by network providers combined with better warranties. We have also opposed legislative measures that sought to artificially inflate repair costs by restricting competition and consumer choice. For example, one hard fought battle in Rhode Island led by PCI and insurers resulted in the governor's veto of a bill that would have made body shops more likely to take civil action against insurance companies; this would have further increased body shops' revenues at the expense of Rhode Island drivers.

Litigation Costs
In general, unnecessary lawsuits and skyrocketing litigation and insurance costs end up hurting everyone. Rampant fraud in some areas has even led to a two-tiered system with most consumers paying for unnecessary medical bills and attorney fees for those taking advantage of the system. Where necessary, insurers have supported the elimination of incentives for frivolous lawsuits.

Rating Has Become More Accurate, Thereby Reducing Costs for Good Drivers.

In the recent past, insurance pricing was basically limited to three tiers and relied heavily on large groupings, because of the limited availability of individual data. Now, however, with the availability of more data, insurers can much more accurately peg the price of insurance to each driver's particular risk of loss. One of the most obvious innovations in this area is Usage Based Insurance (UBI, or "pay as you drive"). Attached is more information on that topic, so you can readily see that UBI is not limited to one company or even a category of companies, but is increasingly widespread. Other innovations have also helped to distinguish lower risks from higher risks and make prices more competitive, accurate and equitable.

Insurers Have Opposed Legislation for Mandatory Insurance and Increased State Financial Responsibility (FR) Laws that Cause Costs to Rise.

We oppose mandatory liability insurance and, once enacted, have argued for levels of mandatory FR limits that are not set so high as to impose an unreasonable burden on people, especially those who can only purchase the minimum coverage. We consistently oppose increases in FR limits, as well, for the same reason. And we oppose adding mandated coverages such as uninsured and underinsured motorists(UM/UIM).

Insurers Have Pushed for Other Reforms that Lower Costs.

No Pay/No Play Laws
Insurers have supported so-called "no pay/no play" laws that prohibit uninsured drivers from collecting damages from insured drivers. These laws help to reduce costs and potentially reduce uninsured drivers, providing a strong incentive to comply with FR mandates. And, while we challenged inefficient FR enforcement measures, we have offered alternatives if the state wishes to adopt an electronic enforcement program.

Low Cost Policies
Insurers have also worked with the states to implement their measures to create lower cost minimum policies for low income drivers. Examples of these types of policies can be found in both New Jersey and California.

Insurers are Employing Technology to Reduce Costs and Improve Service.

Insurers have fully embraced new technologies that have been the driving force behind advances in pricing, repair service, and predictive analytics. In addition to the use of on-line comparative pricing and applications and online repair service information that improve efficiency, insurers are able to respond more quickly to natural disasters that impact not just homes but motor vehicles as well. With improved technology, insurers can dispatch large amounts of information, locate catastrophe victims more easily to offer assistance, be more productive in their work, and provide a more efficient claims settlement process.

Insurers Need Regulators' Help to Continue to Reduce Costs.

A significant challenge lies ahead with regard to the implementation of the federal health care legislation. Most important is the much increased risk of cost shifting from health care to auto insurance. As cost-saving measures kick in under the health care law, we fear a greater and greater shift of these costs to first- and third-party auto insurance. We will need to cooperate with the state regulators and the federal government to prevent this from occurring. Simply put, it does no good to reduce health insurance payments from one pocket of a consumer just to see that same consumer pay more for auto insurance out of the other pocket--it all comes from the same pay check. Further, such a cost shift would serve to undercut one of the major objectives of the health care reform.

Beyond this new challenge, there continue to be unnecessary inefficiencies in some state regulation. Among these are repetitive filing, reporting and licensing requirements. Just as important is the need to void and repeal well-meaning rate regulation that actually has an anti-competitive effect, such as that seen in Massachusetts, New Jersey and South Carolina before their reforms and as can be still be seen today in North Carolina, for example.

Conclusion

Insurers have done much to contain costs for all drivers on their own and in partnership with government. This has already produced huge savings of special benefit to policyholders who may have lower incomes. But old and new challenges remain. We sincerely hope this NAIC initiative on availability and affordability will help us identify pro-competitive actions, consistent with risk based pricing, that we can take to further reduce costs for all drivers, and thereby have a sound competitive market with even more available coverage at more affordable prices.

Sincerely,

David F. Snyder
Vice President

JOHN DOE
123 MAIN ST
ANY, OH 44095

PROGRESSIVE DIRECT

Reference number: 1231201551
November 7, 2012

Personal insurance credit inquiry for JOHN DOE

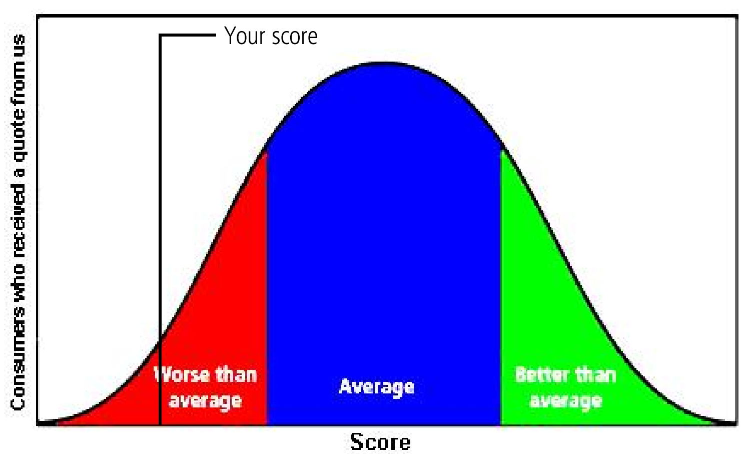
Progressive uses credit information in addition to other information to determine your rate. Here's how it works:

- We calculate your insurance score based on your credit history.
- Then we place you with other consumers who have similar scores, and use that placement together with other underwriting factors, such as prior insurance and your driving and claims history, to determine your rate.

We obtained your credit information from EXPERIAN. For a free copy of your credit report, call EXPERIAN at 1-888-397-3742. If you have any questions or need additional information about this insurance credit inquiry report, please contact our Credit Information Team at 1-800-822-4763, Monday through Friday, from 8:00 am to 8:00 pm EST.

Your credit results

Your insurance score puts you in the 0th percentile. This means that you have a better insurance score than 0% of consumers who have quoted with us. The chart below illustrates how your insurance score compares to these consumers.



Continued

For these factors, your credit history was favorable:

- You have 1 or more open, satisfactory loans or accounts.
- You opened 0 - 3 loans or accounts in the last year.
- Your most recent reported auto loan or lease was opened over 24 months ago.
- You have credit history reported for more than 70% of the last 10 years.

For these factors, your credit history was unfavorable:

- You had 7 collection accounts in the last 7 years.
- You applied for credit 17 times in the last 2 years, excluding auto and mortgage applications.
- You applied for 6 or more auto loans or leases in the last 2 years.
- You applied for 8 or more mortgages in the last 2 years.
- You had a derogatory loan or account in the last 7 years.
- Your most recent application for credit was in the last 22 days.
- Your most recent past due payment was 0 - 5 months ago.

For these factors, your credit history was neutral:

- You are using 96 - 100% of your available credit.

Definitions

Loans have fixed terms with regular payments. Examples include car loans or leases, mortgages, student loans, and personal loans.

Accounts have varying payments depending on the balance of the account. Examples include major credit cards, gas cards and cards from department stores.

DEROG or **derogatory** refers to a loan or account that has a derogatory payment status. Examples include collection accounts, defaults, repossessions, foreclosures, charge-offs and bankruptcies.

If you have multiple **applications for auto financing** within 30 days of one another, then only one is counted toward your insurance score. Likewise, multiple **mortgage applications** within 30 days of one another are counted as one. **Other credit applications** include all other loan or credit card applications. However, we do not count inquiries that result from insurance quotes, from ordering your own credit report, from creditors reviewing the terms of your credit cards or loans, or from creditors prescreening you for unsolicited credit cards or loan offers.

Summary of State Laws Related to Auto Insurance

ST	Rate Filing Laws for (Prior Approval, Use & File, File & Use, No File, Flex Rating)	Form Filing Laws (Prior Approval, Use & File, File & Use, No File)	Fault System (Tort, No-Fault, Add-on)	Tort Threshold (C = Choice, V = Verbal)	Compulsory Liability	Compulsory PIP	Compulsory UM (* = Insured can reject in writing)	Minimum Liability Limits	No Pay - No Play Laws	Negligence Systems
AK	F&U/Flex	PA/F&U	T	N/A	Y	N	Y	50/100/25	Y	Comparative
AL	PA	PA	T	N/A	Y	N	N	25/50/25	N	Contributory
AR	F&U	PA	AO	$5,000	Y	Y	*	25/50/25	N	Mod. 50%
AZ	U&F	PA	T	N/A	Y	N	N	15/30/10	N	Comparative
CA	PA	PA	T	N/A	Y	N	N	15/30/5	Y	Comparative
CO	F&U	NF	T	N/A	Y	N	N	25/50/15	N	Mod. 50%
CT	PA, F&U,Flex	F&U	T	N/A	Y	N	N	20/40/10	N	Mod. 51%
DC	F&U	PA	NF optional	C or V	Y	N	Y	25/50/10	N	Contributory
DE	F&U	U&F	AO	N/A	Y	Y	N	15/30/10	N	Mod. 51%
FL	PA/U&F	PA	NF	V	Y	Y	*	10/20/10	N	Comparative
GA	PA	PA	T	N/A	Y	N	N	25/50/25	N	Mod. 50%
HI	PA	PA	NF	$5,000	Y	Y	N	20/40/10	N	Mod. 51%
IA	U&F	PA	T	N/A	N	N	*	20/40/15	Y	Mod. 51%
ID	U&F	U&F	T	N/A	N	N	N	25/50/15	N	Mod. 50%
IL	U&F	U&F	T	N/A	Y	N	Y	20/40/15	N	Mod. 51%
IN	F&U	F&U	T	N/A	Y	N	*	25/50/10	N	Mod. 51%
KS	Flex	F&U	NF	$2,000	Y	Y	Y	25/50/10	Y	Mod. 50%
KY	Flex	PA	NF optional	$1.000 or V	Y	N	N	25/50/10	N	Comparative
LA	Modified PA	PA	T	N/A	Y	N	*	15/30/25	Y	Comparative
MA	F&U	PA	NF	$2,000	Y	Y	Y	20/40/5	N	Mod. 51%
MD	F&U	PA	AO	N/A	Y	Y	Y	30/60/15	N	Contributory
ME	F&U	F&U	T	N/A	Y	N	Y	50/100/25	N	Mod. 50%
MI	F&U	PA	NF	V	Y	Y	N	20/40/10	Y	Mod. 51%
MN	F&U	PA	NF	$4,000 or V	Y	Y	Y	30/60/10	N	Mod. 51%
MO	U&F	U&F	T	N/A	Y	N	Y	25/50/10	N	Comparative
MS	PA	PA	T	N/A	Y	N	*	25/50/25	N	Comparative
MT	F&U	PA	T	N/A	Y	N	N	25/50/10	N	Mod. 51%
NC	PA	PA	T	N/A	Y	N	Y	30/60/25	N	Contributory
ND	PA	PA	NF	$2,500 or V	Y	Y	Y	25/50/25	Y	Mod. 50%
NE	F&U	F&U	T	N/A	Y	N	Y	25/50/25	N	Mod. 50%
NH	F&U	PA	T	N/A	N	N	Y	25/50/25	N	Mod. 51%

Summary of State Laws Related to Auto Insurance

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NJ	PA	PA	NF optional	C or V	Y	Y	Y	15/30/5	Y	Mod. 51%
NM	F&U	PA	T	N/A	Y	N	N	25/50/10	N	Comparative
NV	PA	PA	T	N/A	Y	N	*	15/30/10	N	Mod. 51%
NY	Flex	PA	NF	V	Y	Y	Y	25/50/10	N	Comparative
OH	F&U	F&U	T	N/A	Y	N	N	25/50/25	N	Mod. 51%
OK	U&F	PA,U&F	T	N/A	Y	N	*	25/50/25	Y	Mod. 50%
OR	F&U	PA	T	N/A	Y	Y	Y	25/50/20	Y	Mod. 51%
PA	PA	PA	NF optional	C	Y	N	N	15/30/5	N	Mod. 51%
PR	PA	PA	T		Y			4 PD		
RI	Modified F&U/Flex	PA	T	N/A	Y	N	*	25/50/25	N	Comparative
SC	Flex	PA	T	N/A	Y	N	Y	25/50/25	N	Mod. 51%
SD	F&U	PA	AO	N/A	Y	N	Y	25/50/25	N	Comparative
TN	PA/Flex	PA	T	N/A	N	N	*	25/50/15	N	Mod. 50%
TX	F&U	PA	NF optional	N/A	Y	Y	*	30/60/25	N	Mod. 51%
UT	U&F	F&U	NF	$3,000	Y	Y	*	25/65/15	N	Mod. 50%
VA	F&U	PA	T	N/A	N	N	Y	25/50/20	N	Contributory
VI	No File	PA	T		Y	Y	Y	10/20/10		
VT	U&F	PA	T	N/A	Y	N	Y	25/50/10	N	Mod. 51%
WA	PA	PA	AO	N/A	Y	Y	N	25/50/10	N	Comparative
WI	U&F	F&U	AO	N/A	Y	N	Y	25/50/10	N	Mod. 51%
WV	PA	PA	T	N/A	Y	N	Y	20/40/10	N	Mod. 50%
WY	No File	PA	T	N/A	Y	N	N	25/50/20	N	Mod. 51%

LEGEND	
	Contributory = Pure Contributory Negligence
	Comparative = Pure Comparative Negligence
	Mod. 50% = Modified Comparative Negligence -- 50% Rule
	Mod. 51% = Modified Comparative Negligence -- 51% Rule

Citations for State Laws Related to Auto Insurance

ST	RATE FILING	FORM FILING	NO FAULT OR VARIATION	TORT THRESHOLD	COMPULSORY LIABILITY	COMPULSORY PIP	COMPULSORY UNINSURED MOTORISTS	MINIMUM LIABILITY LIMITS	NO PAY NO PLAY	NEGLIGENCE
AK	§21.39.210, 21.39.220	§§21.42.120, 21.42.123, AS 21.41.125	N/A	N/A	§ 28.22.011	N/A	AS 28.20.440(b)(3), AS 28.22.101(e), AS 21.96.020(c)	§ 28.22.101(d)	§09.65.320	§09.17.060;09.17.080
AL	Ins. Reg. 123	§27-14-8	N/A	N/A	§ 32-7A-4	N/A	N/A	§ 32-7-6(c)(4)	N/A	Alabama Power Co. v. Schotz, 215 So.2d 447 (Ala. 1968).
AR	§23-67-211	§23-79-109	§ 23-89-202 to 23-89-216	§ 23-89-207	§ 27-22-104	§ 23-89-202 to 23-89-216	Ark. Code Ann. 23-89-403	§ 27-22-104	N/A	§16-64-122.
AZ	§20-385	§20-398	N/A	N/A	§ 28-4135	N/A	N/A	§ 28-4009(2)	N/A	§12-2505
CA	Ins s 1861.05; 1851	§1861.01 c	N/A	N/A	Vehicle Code § 16020	N/A	N/A	Vehicle Code § 16451	Ins § 11580.2	Liv v. Yellow Cab, 119 Cal. Rptr. 858 (1975).
CO	§10-4-401; 10-4-403(5); Ins. Reg. 5-1-10; 5-1-11	N/A	N/A	N/A	§ 10-4-619	N/A	N/A	§ 10-4-620	N/A	§13-21-111
CT	§38a-688, 368-389	§38a-676c	N/A	N/A	§ 14-112, 38a-371	N/A	§38a-334, 368-371	§ 14-112, 38a-371	N/A	§52-572o
DC	§31-2704	§31-2502.27	§ 31-2404	§ 31-2404	§ 31-2403	N/A	§ 31-2406	§ 31-2406	N/A	Wingfield v. People's Drug Store, 379 A.2d 685 (D.C. 1994).
DE	18 §§ 2502 to 2506	18 § 2712	Tit. 21 § 2118	N/A	Tit. 21 § 2118	Tit. 21 § 2118	N/A	Tit. 21 § 2118	N/A	10 § 8132
FL	§627.0651	§627.410	§ 627.736	§ 627.737	§ 324.022	§ 627.736	N/A	§ 324.022	N/A	§768.81

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GA	§33-9-21	§33-24-9	N/A	N/A	§ 33-34-4	N/A	§ 33-7-11	§ 33-34-4	N/A	§51-11-7
HI	§431:14-104	Haw. Rev. Stat. §§ 431:10C-201 to 216	§431:10C-306	§431:10C-306	§431:10C-104; §431:10C-301	§431:10C-104, §431:10C-301; §431:10C-304; §431:10C-306	N/A	431:10C-301	N/A	§663-31
IA	§§515F.20 to 515F.25	§ 515.102	N/A	N/A	§ 321.20B	N/A	§516A.1	§ 321A.1; 321A.21	§613.2	§668.3
ID	Bulletin 91-1	§41-1812	N/A	N/A	§ 49-1229	N/A	N/A	§ 49-117	N/A	§6-801
IL	Reg. tit. 50 §§ 754.10 to 754.40	Ch. 215 § 5/143	N/A	N/A	625 ILCS 5/7-601	N/A	215 ILCS 5/143a	625 ILCS 5/7-203	N/A	735 ILCS 5/2-1116
IN	§27-1-22-4	§27-1-22-4	N/A	N/A	§ 9-18-2-11; § 27-1-13-7	N/A	§ 27-7-5-2	§ 9-25-4-5	N/A	§34-51-2-6
KS	§40-955	§40-216	§ 40-3103, et. al.	§ 40-3117	§ 40-3104	§ 40-3107	§ 40-3107, 40-284	§ 40-3107	§40-3130	§60-258a
KY	§304.13-051, §304.13-021	§304.14-120	§ 304.39-030; 304.39-040; 304.39-060	§ 304.39-060	§ 304.39-110	N/A	N/A	§ 304.39-110	N/A	§411.182
LA	§22:1451	R.S. 22:861	N/A	N/A	§ 32:861	N/A	§22.1295	§ 32:900	§32:866	C.C. Art. 2323
MA	175E §§ 5 to 7	175 § 2B	90 § 1A	231 § 6D	90 § 1A	90 § 34M	175 MGLA 113L	90 § 34A	N/A	§231:85
MD	Ins. § 11-306 through 11-319	Ins. §11-206	§ 19-505 through 19-508	N/A	Trans. § 17-103	Trans. § 17-103 and Ins. § 19-505 and 19-506	Insurance §19-509 through 19-511	15 Trans, § 17-103	N/A	Board of County Comm'r of Garrett County v Bell Atlantic, 695 A.2d 171 (Md. 1997).

Citations for State Laws Related to Auto Insurance

ST	RATE FILING	FORM FILING	NO FAULT OR VARIATION	TORT THRESHOLD	COMPULSORY LIABILITY	COMPULSORY PIP	COMPULSORY UNINSURED MOTORISTS	MINIMUM LIABILITY LIMITS	NO PAY NO PLAY	NEGLIGENCE
ME	24-A s 2302; 2304-A	24-A § 2412	N/A	N/A	tit. 29-A § 1601	N/A	24 AMRSA 2902	tit. 29-A § 1605	N/A	14 § 156
MI	§500.2108	§500.2236	§500.3101, et. seq.	§500.3135	§ 257.520	§500.3101, et. seq.	N/A	§ 257.520	§257.1105	§600.2959
MN	§60A.315	§70A.06	§ 65B.48	§ 65B.51	§ 65B.48	§ 65B.41-71	§65B.48	§ 65B.44	N/A	§604.01
MO	§379.321	§375.92	N/A	N/A	§ 303.025	N/A	§379.203	§ 303.190	N/A	Gustafson v. Benda, 661 S.W.2d 11 (Mo. 1983).
MS	§83-2-7	§83-2-7	N/A	N/A	§ 63-15-4	N/A	§83-11-101	§ 63-15-4	N/A	§11-7-15
MT	§33-16-203	§33-1-501; 33-4-509	N/A	N/A	§ 61-6-301	N/A	N/A	§ 61-6-103	N/A	§27-1-702
NC	§58-36-70	§58-36-55; §58-38-30	N/A	N/A	§§ 20-309; 20-314	N/A	§20-279.21	§ 20-279.1	N/A	§99B-4
ND	§26.1-25-04	§26.1-30-19 to 2020	§26.1-41-02	§26.1-41-01	§§ 26.1-40-15.2; 26.1-41-01; 39-08-20; 39-16.1-01	§26.1-41-02	§26.1-40-15.2	§ 26.1-40-01, 39-16.1-02	N/A	§32-03.2-02.1
NE	§§44-7501 to 44-7535	Neb. Rev. Stat. § 44-7501, et seq.	N/A	N/A	§ 60-3,167	N/A	§44-6408	Neb. Rev. Stat. § 60-310	N/A	§25-21,18
NH	§412:16	§412:5 I	N/A	N/A	§ 264:2	N/A	§264:15	§ 264:20	N/A	§507:7

Citations for State Laws Related to Auto Insurance

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NJ	§17:29A-46.6; Reg. 11:3-16.6 to 11:3-16.16; Reg. 11:3-16B.1 to 11:3-16B.6	§17:29A A-6	§§ 17.28-1.1; 39:6A-8; 39:6A-8.1	§ 39:6A-8	§ 39:6A-14	§ 39:6A-4	§39:6A-14	§ 39:6A-3.1 to 39:6A-4; § § 17:28-1.1	§39:6A-4.5	§2A:15-5.1
NM	§S59A-17-9; 59A-17-13	§59A-18-12	N/A	N/A	§§ 66-5-205; 66-5-205.1	N/A	N/A	§ 66-5-208	N/A	Scott v. Rizzo, 634 P.2d 1234 (N.M. 1981).
NV	§§ 686B.070 to 686B.110	NRS 686B.070 ; NRS 686B.030	N/A	N/A	§ 485.185	N/A	NRS 687B.145	§ 485.185	N/A	§41-141.
NY	Ins. Law § 2305	Ins. Law § 2307	§§ 5102; 5103	§ 5102(d); §5104	Veh. & Traf. Law, Sections 311 and 312	§§ 5102; 5103	Insurance 3420	§§ 345; 3420	N/A	Ins. Law § 1411
OH	§3937.03	§3937.03	N/A	N/A	§§ 4509.44; 4509.45; 4509.46	N/A	N/A	§ 4509.51	N/A	Ohio Rev. Code Ann. § 2315.32 - 2315.36.
OK	titl. 36 § 987	36 § 3610	N/A	N/A	tit. 47 § 7-601	N/A	36 Okla. St. Ann. 3636	tit. 47 § 7-324	47 § 7-116	23 § 13
OR	§737.205	§742.003	N/A	N/A	§ 806.010 § 806.080	§ 806.010	§278.215	§ 806.070	§31.715	§31.600
PA	75 P.S. §§ 2003 to 2009	40 PS 477b	Tit. 75 § 1705	Tit. 75 § 1705	Tit. 75 § 1786	N/A	N/A	Tit. 75 § 1702	N/A	§42-7102
PR	tit. 26 §1205	tit. 26 §1111			tit. 26 § 8053			tit. 26 §8052(k)		

Citations for State Laws Related to Auto Insurance

ST	RATE FILING	FORM FILING	NO FAULT OR VARIATION	TORT THRESHOLD	COMPULSORY LIABILITY	COMPULSORY PIP	COMPULSORY UNINSURED MOTORISTS	MINIMUM LIABILITY LIMITS	NO PAY NO PLAY	NEGLIGENCE
RI	§§27-44-6; 27-6-8 to 27-6-11; 27-9-7 to 27-9-10	§27-9-6.1	N/A	N/A	§ 31-31-7	N/A	§27-7-2.1	§§ 31-32-24; 31-47-2	N/A	§9-20-4
SC	§§38-73-340; 38-73-915; 38-73-960; 38-73-520	§38-73-1060	N/A	N/A	§ 38-77-140	N/A	§38-77-150	§ 38-77-140	N/A	Nelson v. Concrete Supply, 399 S.E.2d 783 (S.C. 1991).
SD	§§58-24-1 to 58-24-67	§58-11-12; 58-11-16; 58-11-17	§58-23-8	N/A	§ 32-35-113	N/A	§58-11-9	§ 32-35-70	N/A	§20-9-2
TN	§56-5-305	§56-5-305	N/A	N/A	§ 55-12-102	N/A	§56-7-1201	§ 55-12-102	N/A	McIntyre v. Balentine, 833 S.W.2d 52 (Tenn. 1992).
TX	Texas Insurance Code, §§2251.001 and 2251.101	Texas Insurance Code, Chapter 2301	Texas Insurance Code, §1952.151	N/A	Texas Transportation Code, §601.051	Texas Insurance Code, Chapter 1952, Subchapter D	Texas Insurance Code, Chapter 1952, Subchapter C	Texas Transportation Code, §601.072	N/A	Texas Civil Practice and Remedies Code, §§33.001-33.017
UT	§31A-19a-201-§31A-19a-207	§31A-21-201	§ 31A-22-302 to 307	§ 31A-22-309	§ 41-12A-301	§31A-22-307 - 309	§31A-22-305	§ 31A-22-304	N/A	78B-5-817; 78B-5-818
VA	§§ 38.2-1904, 38.2-1906, 38.2-2003, 38.2-2005, 38.2-2006	§§ 38.2-2218 through 38.2-2223, 38.2-317	N/A	N/A	N/A	N/A	§ 38.2-2206	46.2-472	N/A	Common law of Virginia

Citations for State Laws Related to Auto Insurance

ST	RATE FILING	FORM FILING	NO FAULT OR VARIATION	TORT THRESHOLD	COMPULSORY LIABILITY	COMPULSORY PIP	COMPULSORY UNINSURED MOTORISTS	MINIMUM LIABILITY LIMITS	NO PAY NO PLAY	NEGLIGENCE
VI		22 V.I.C. 810			Tit. 20 § 701			Tit. 20 § 703		
VT	tit. 8 § 4688	T. 8 § 3541	N/A	N/A	Tit. 23 § 800	N/A	23 V.S.A. 941	Tit. 23 § 800	N/A	T. 12 § 1036
WA	§48.19.060	§48.18.100	§ 48.22.085	N/A	§ 46.30.020	§ 48.22.095	N/A	§ 46.29.090	N/A	§4.22.005-015
WI	§625.13	§631.20	§632.32	N/A	§§ 344.01; 344.29	N/A	§632.32	§§ 344.01; 344.33	N/A	§895.045
WV	§33-20-4; W. Va. Code R. § 114-75-3	§33-6-8	N/A	N/A	§§ 17D-2A-3; 17D-4-2	N/A	§33-6-31	§ 17D-4-2	N/A	Bradley v. Appalachian Power Co., 256 S.E.2d 879 (W. Va. 1979).
WY	§26-14-107	§26-15-110	N/A	N/A	§ 31-4-103	N/A	N/A	§ 31-9-405	N/A	§1-1-109

Additional Comments Provided by the States

Rate Filing Laws	
Connecticut	Rate filing law gives the company a choice between F&U and U&F. However, to use the F&U option the company must allow us a minimum of 60 days to examine the filing and make a judgement on its compliance with the staute before actually implementing it. Most people take this as a form of Prior Approval, despite the statues calling it F&U. There is a U&F option where a company can implement a rate change and submit a filing as much as 30 days later. The rate filing is best characterized as PA/U&F. This excludes Commercial Auto where F&U is the closest characterization of those in use.
Georgia	In 2008, the legislature changed the rate filing law, OCGA 33-9-21 to provide that rate filings for minimum required liability limits be filed on a prior approval basis. All other liability limits and other coverages are filed on a file and use basis and can be implemented when received by the Department.
Rhode Island	Modified File and Use as state can extend deemer dates for reviews. State allows flex rating if +/- 5%.
Fault System	
Kentucky	KY has No Fault for BI only, not for PD. While each individual can reject the limitations on their tort rights, unless they have properly done so, they are deemed to have accepted the limitations.
Compulsory PIP	
Kentucky	PIP is a compulsory coverage, it must be provided on every policy even if all insureds have rejected. There must be coverage for guest passsengers and pedestrians struck by the insured vehicle.
Compulsory UM	
Georgia	In 2008, the legislature amended the UM law, OCGA 33-7-11 to provide two forms of UM coverage. Unless rejected by the insured, the default coverage provides the UM Limits added to the liability limits of the "at fault" party. The optional selection provides for the UM Limits reduced by the liability limits of the "at fault" party.
Kentucky	UM is a compulsory coverge that must be provided on the policy unless the named insured rejects UM in writing.
Nevada	An insurer transacting motor vehicle insurance in NV must offer, on a form approved by the Commissioner, UM/UIM coverage to the insured in an amount equal to the limits of coverage selected by the insured for bodily injury liability under the policy. The insured can reject that coverage, but a written signature of the insured must be obtained if the insured selects less coverage than is required to be offered or if the coverage is rejected.
Virginia	Limits of at least $25,000/$50,000/$20,000 required on motor vehicle liability policies.

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

Automobile Insurance (C/D) Study Group

December 15, 2013

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 50^{th} 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