



Consumer Federation of America

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**OVER 30 NATIONAL AND STATE ORGANIZATIONS URGE THE
FEDERAL INSURANCE OFFICE TO GATHER INFORMATION ABOUT
HOW MUCH LOW- AND MODERATE-INCOME AMERICANS PAY FOR
STATE-MANDATED AUTO COVERAGE**

(Washington, D.C.) – Over 30 organizations from around the country urged the U.S. Treasury Department’s Federal Insurance Office (FIO) to collect data from insurance companies in order to assess the affordability of auto insurance for low- and moderate-income Americans and those living in historically underserved communities. The consumer, civil rights, community and other public interest groups wrote to the FIO in response to the agency’s Request for Information regarding the issue of “Monitoring Availability and Affordability of Auto Insurance.”

The comments are available here: <http://bit.ly/1pWHEOZ>

The groups recommended three key requirements for FIO’s information gathering efforts:

1. Data collected should be precise enough to indicate the actual premiums insurers charge drivers, rather than average rates that obscure the wide range of premiums that companies charge to good drivers with different socio-economic characteristics and the factors that tend to drive up prices for low- and moderate-income and minority drivers.
2. An affordability metric should consider both the public’s views on reasonable prices and programmatic efforts to make auto insurance affordable for low-income drivers in California.
3. FIO should work with regulators and, as necessary, use its own authority under the provisions of Dodd-Frank (31 U.S.C. §313 (e)) to collect data directly from insurance companies in order to ensure the most accurate information is available.

In today’s comments, the groups noted that 76% of Americans believe that a good driver should pay less than \$500 per year for a basic auto insurance policy, according to a recent representative national survey conducted for Consumer Federation of America (CFA) by ORC International. Other research by CFA (linked below) has shown that, for millions of Americans, socio-economic factors – including occupation, education and credit score – push bare bones auto insurance premiums far beyond this \$500 threshold, making auto insurance coverage inaccessible to many good but low- or moderate-income drivers.

CFA suggests that a reasonable standard for affordability is that annual premiums for basic insurance coverage for low- and moderate-income drivers with excellent driving records should not exceed \$500.

The 33 groups reiterated the FIO's previously stated concerns that the mandatory nature of auto insurance in all states but New Hampshire, in conjunction with the well-documented facts that access to an automobile dramatically increases economic opportunity and unaffordable insurance drives up the number of uninsured motorists on the roads. However, instead of focusing on aggregate data and average premiums, the groups emphasized the need to get precise information about how much insurance companies charge actual good drivers with low- and moderate-incomes, as well as those living in minority and other underserved communities.

“Average data won't give the public or policymakers the information needed to really understand the scope of the challenge facing lower-income Americans when it comes to buying even the most basic auto insurance policy,” said J. Robert Hunter, Director of Insurance at CFA and former Texas Insurance Commissioner. “Average rates mask the high prices faced by millions of drivers whose incomes are below average while their premiums are much higher than it. Since forty-nine of fifty states require that drivers buy insurance, we need a research program like the one being contemplated by the FIO in order to come to grips with the scale of the affordability problem.”

Recent CFA reports on the subject include:

[Uninsured Drivers: A Societal Dilemma in Need of a Solution](#). Consumer Federation of America (2014).

[CFA Analysis Shows Auto Insurers Charge Higher Rates to Drivers with Less Education and Lower-Status Jobs](#). Consumer Federation of America (2013).

[CFA Reveals California is the Only State Where Auto Insurance Expenditures are Lower Than 25 years Ago](#). Consumer Federation of America (2013).

[Largest Auto Insurers Frequently Charge Higher Premiums To Safe Drivers Than To Those Responsible For Accidents](#). Consumer Federation of America (2013).

[Use of Credit Scores by Auto Insurers Adversely Impacts Low- and Moderate-Income Drivers](#). Consumer Federation of America (2013).

[What Works: A Review of Auto Insurance Rate Regulation in America and How Best Practices Save Billions of Dollars](#). Consumer Federation of America (2013).

[Auto Insurers Charge High and Variable Rate for Minimum Coverage to Good Drivers from Moderate-Income Areas](#). Consumer Federation of America (2012).

[Lower-income Households and the Auto Insurance Marketplace: Challenges and Opportunities](#). Consumer Federation of America (2012).

The Consumer Federation of America is an association of more than 250 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education.