Consumer Federation of America

The High Price of Mandatory Auto Insurance for Lower Income Households:

Premium Price Data for 50 Urban Regions

September 2014

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Introduction

For most Americans, access to the best job for which one is qualified requires ownership of a car. As a result, car ownership among low- and moderate-income (LMI) households is high. According to a 2001 government survey, 65 percent of low-income households – those in the first income quintile – and 86 percent of moderate-income households – those in the second income quintile – own a car. Recent government data on household gas consumption confirms that large majorities of LMI households drive a car, with 72.7 percent and 89.5 percent of households in the first quintile and second income quintiles, respectively, spending money on gas.

All states but New Hampshire require drivers to purchase a certain level of liability auto insurance to protect other drivers in at-fault accidents. But questions have recently been raised as to whether this minimum liability insurance is reasonably and affordably priced. A series of reports by the Consumer Federation of America (CFA) using insurer websites has found that in many urban areas, a large majority of premiums quoted exceed $500, often exceed $1,000, and sometimes exceed $2,000. CFA and other nonprofit organizations have argued that for most LMI drivers with clean driving records these premium levels are neither reasonable nor affordable. In response, the National Association of Insurance Commissioners established a working group to study the issue. More recently, the Federal Insurance Office issued a request for information about data sources and methodology to evaluate the issue.

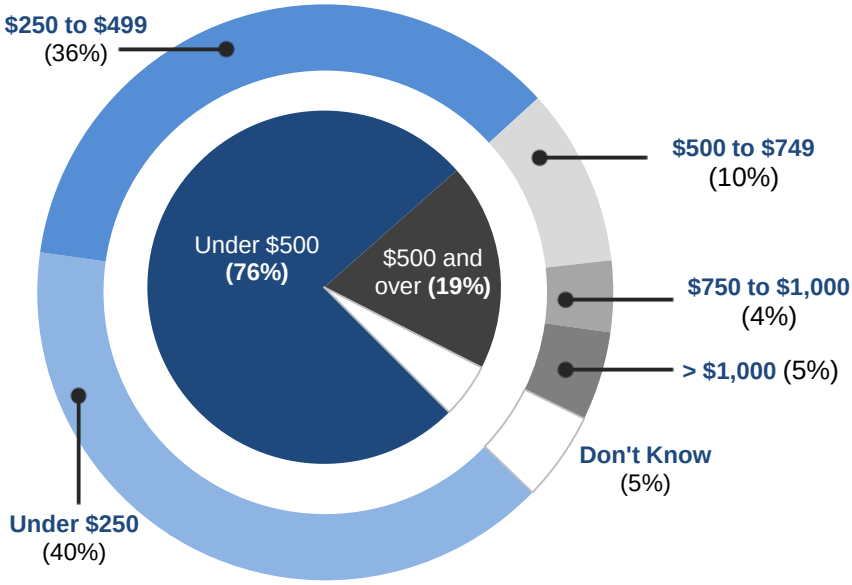
Insurer websites for price information are especially useful because they allow evaluation of how specific characteristics – ranging from accidents to residence to occupation and education – influence auto insurance premiums. But this research is so time-consuming that it makes it difficult to compare prices in many different geographic areas – not just cities but also ZIP codes. In addition, the websites do not require information about credit scores even though many insurers will use the scores when offering a customer their final price quote. To address these data collection challenges, CFA purchased data on auto insurance premiums (which take into account credit scores) for the whole country and examined quoted premiums in the 8,222 ZIP codes located in the 50 largest urban regions (including cities, suburbs and adjacent rural communities), with particular attention to those ZIP codes with a high percentage of low- and moderate-income households.

In addition, CFA commissioned a national survey of whether Americans consider certain premiums for required auto insurance to be fair. This report juxtaposes these survey findings with the ZIP code premium quotes.

Consumers Views on Fair Prices for Mandatory Auto Insurance

In September 2013, CFA commissioned ORC International to conduct a representative survey of 1,000 Americans to determine what consumers viewed as a fair annual price for minimum liability coverage. After explaining that all states but one required drivers to carry minimum liability insurance, the survey asked respondents: "For, say, a 30-year old woman with a modest income and ten years of driving experience with no accidents or moving violations, what do you think is a fair annual cost for the required minimum level of this liability insurance?" Over three-quarters (76 percent) responded that a fair annual premium should be less than $500, and 40 percent said that this premium should be under $250. Only five percent responded that the premium should be at least $1,000.

Figure 1. Public Views of a Fair Annual Cost of Mandatory Liability Coverage



Source: ORC International

As is explained in more detail below, the focus of this research is on the rates charged to a typical good driver living in a community where the median household income falls within the first or second income quintile. This means, for example, that in those ZIP codes within the first income quintile, at least half of the residents earn less than $21,865 per year and the mean family income of these residents is only $12,041. Spending $500 or more to purchase the government-mandated minimum auto insurance can be an extraordinary financial burden on these families.

Data and Methodology

Existing data sources are helpful but insufficient in conducting a broad review of rates in LMI communities

Existing data sources allow for considerable flexibility in pricing insurance for different types of drivers with different driving and socioeconomic characteristics but are time consuming to collect. In previous analyses, CFA collected minimum liability premium quotes through the websites of major insurers. Using a standard driver profile and varying specific rating factors such as education and occupation, premium information collected in this manner has proved useful in identifying the impact of potentially discriminatory non-driving rating factors on premium prices charged to LMI drivers. Using this method, previous CFA research found that half of the rate quotes to two typical moderate-income drivers were over $1,000, and nearly one-third of the quotes (32 percent) exceeded $1,500.[1] Further research found that the largest insurers frequently charge higher premiums to low- and moderate-income safe drivers, than to higher-income drivers who recently caused an accident, and that drivers with lower levels of education or lower paying occupations face higher premiums controlling for all other factors.[2] Research in New York State also relied on website quotes to examine the impact of education and occupation on premiums.[3] Website quotes have also been used in Maryland to examine the impact of marital status on insurance premiums.[4]

Collecting premium information through the websites of major insurers allows researchers to collect pricing information for a fixed driver profile, and then vary individual factors – such as education, occupation, and marital status – to determine if and to what extent the use of certain rating factors results in different prices.

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[1] *Auto Insurers Charge High and Variable Rates for Minimum Coverage to Good Drivers from Moderate-Income Areas*. Washington, DC: Consumer Federation of America, June 2012. http://www.consumerfed.org/news/545.

[2] Brobeck, Stephen. *Largest Auto Insurers Frequently Charge Higher Premiums to Safe Drivers Than to Those Responsible For Accidents*. Washington, DC: Consumer Federation of America, January 2013. http://www.consumerfed.org/pdfs/PR.AutoInsurancePremiums1.28.13.pdf and Brobeck, Stephen. *Major Auto Insurers Charge Higher Rates to High School Graduates and Blue Collar Workers*. Washington, DC: Consumer Federation of America, July 2013. http://www.consumerfed.org/pdfs/auto-insurers-charge-higher-rates-high-school-grads-blue-collar-workers.pdf.

[3] Morrison, Andrew. *Top NY Auto Insurers Charge Higher Rates to HS Grads and Blue Collar Workers NYPIRG Requests That NY Regulator Review Insurer Rate-Setting Practices*. New York, NY: New York Public Interest Group, April 2014. http://nypirg.org/pubs/consumer/2014.4_NYPIRG-auto-insurance-analysis.pdf.

[4] *Low-Income Drivers and the Need for Affordable Auto Insurance*. Baltimore, MD: Maryland Consumer Rights Coalition, January 2014. http://www.marylandconsumers.org/LinkClick.aspx?fileticket=7PB6IzKKhjA%3d&tabid=38.

Collecting data using this method has several limitations. Not all insurer websites provide quotes for all driver profiles and in some cases require consumers to contact the company or an agent before a quote can be provided. Many insurers' websites ask for (but do not require) a Social Security Number so that they can check the consumer's credit record. If a Social Security Number is not provided during the online quote process, that quote might be higher or lower than the actual price a consumer would pay depending upon their credit record. Further, since these quotes must be collected manually, it is difficult to collect premium information for a large number of geographies or driver profiles.

Evaluation of other data sources

While individual price quotes are easily available, there are very few data sources available that provide a comprehensive view of auto insurance premiums, other than in aggregate form. Many states do not require insurance companies to make rate filings public. In states that require insurance companies to file rates with state regulators, these filings are not always available in a format that allows third party analysis. Some states provide examples of annual premiums that consumers with a specific driver profile may be quoted. For example, the Maryland Insurance Administration releases an annual price guide to provide consumers with the quotes that they are likely to be offered, based on twelve typical driver profiles.[5] The rate guide, based on information provided by individual insurers, is updated annually and provides quote examples at the county level, but it does not account for differences resulting from key rating factors such as education and occupation, for example. All of these sources provide quick access to annual premiums, but none offer the ability to conduct a comprehensive review of premiums charged to LMI drivers in LMI communities across the country.

About the insurance premiums used in this report

CFA identified a data source that would provide a broad view of auto insurance affordability in low- and moderate-income ZIP codes and the overall distribution of rates charged to drivers. To conduct this analysis, CFA acquired January 2014 premium data provided by major private passenger auto insurance groups in each state. These data include premiums for the five largest companies by national market share – Allstate, Farmers, GEICO, Progressive, and State Farm, which represent 54.2 percent of the market. Additionally, the data include, and we reviewed, premiums from 58 other insurers, comprising a total of 207 insurance companies and their affiliates. As is detailed in footnotes 11 and 12 below, CFA found that whether considering the five largest insurance companies or the entire data set, access to affordable policies for LMI drivers was virtually unchanged. The data were purchased from Quadrant Information Services, a third party data

[5] "A Comparison Guide to Automobile Insurance Rates in Maryland." Maryland Insurance Administration, February 2014. http://www.mdinsurance.state.md.us/sa/docs/documents/consumer/publications/autorateguide2014.pdf.

vendor that compiles property and casualty insurance rate sets and conducts market pricing analyses.

Premiums were based on a single driver profile and represent rates quoted to an unmarried woman with a good driving history, who has graduated from high school, holds a clerical job, and rents her home (a complete list of rating factors held constant is available in Figure 2). Although premiums often vary as these factors change, for the purposes of analysis, it is our view that the good driver profile used here can serve as representative of a moderate-income motorist. Based on previous CFA research, a driver's insurance score based on credit reporting information results in considerable variation in premium price. Prices in nine cities, that research found, increased an average of 127 percent moving from the best insurance score to the worst insurance score.[6] For the following analysis, CFA used a fair insurance score – the middle category of a ten-category range provided by Quadrant Information Services.

Figure 2. About the driver profile used in this study

About our Driver:

30 year old single female
- Licensed 14 years
- No lapse in coverage
- No accidents, moving violations, or license suspensions
- High school diploma
- Employed in clerical profession
- Renter for 10 years
- No affinity group discounts
- Fair credit rating

About Her Vehicle:

2000 Honda Civic EX
Drives to work 10 miles one way, 5 days/week
10,000 total miles annually

About Her Coverage:

Minimum coverage required by state

About the low- and moderate-income ZIP codes in this study

To better understand affordability and accessibility in low- and moderate-income ZIP codes, CFA analyzed a subset of premiums provided for the 50 largest Core Based Statistical Areas (CBSAs) that contain low- and moderate-income ZIP codes. These areas, which include urban, suburban and adjacent rural communities, contain more than half of the nation's population. Low- and moderate-income ZIP codes are defined as those ZIP codes with median household incomes that fall in the first or second US income quintiles, or less than $41,638.[7] Middle-income ZIP codes were defined as those ZIP codes with a median household income that fall in the third or fourth quintile, or between

[6]Brobeck, Stephen, J. Robert Hunter, and Thomas Feltner. "The Use of Credit Scores by Auto Insurers: Adverse Impacts on Low- and Moderate-Income Drivers." Washington, DC: Consumer Federation of America, December 2013. http://www.consumerfed.org/pdfs/useofcreditscoresbyautoinsurers_dec2013_cfa.pdf.

[7] Table B19080, Household Income Quintile Upper Limits, 2007-2011 American Community Survey 5-Year Estimates.

$41,639 and $105,717. Upper-income ZIP codes were defined as ZIP codes with a median household income in the fifth quintile, or greater than $105,717. Where Quadrant Information Services provided multiple prices due to intra-ZIP code territorial differences, the average ZIP code premium for that insurer within that ZIP code was used. ZIP codes without regular mail service were excluded from the analysis.[8] In total, 8,222 ZIP codes were included, which represents the entire population of the 50 CBSAs included and 53 percent of the U.S. population. Of these, 1,377 are low- or moderate-income ZIP codes.

In total, the dataset includes 146,212 quotes from 207 affiliates of 63 insurers in the 8,222 ZIP codes within the 50 largest CBSAs that contained low- and moderate-income ZIP codes. The five largest insurers by national market share – Allstate, Farmers, GEICO, Progressive and State Farm – provided 81,350 quotes from 61 affiliates for all ZIP codes in the 50 CBSAs and 13,629 quotes for the 1,377 LMI ZIP codes in these broad urban regions.

About the data used in this analysis: benefits and limitations

Using premium information provided directly from major insurers and aggregated by a third party data vendor offers a cost-effective approach to evaluating issues of auto insurance access and affordability in LMI insurance markets. However, since the top five insurers provide a premium quote from a number of different affiliates based on a constant driver profile, it is not readily apparent to which affiliate a driver would be assigned. Since the rates provided by different affiliates often vary significantly, additional information, likely contained in insurers' underwriting guidelines, would be needed to accurately assign a driver to the same affiliate she or he would be assigned if provided a quote online or from an agent. For the purposes of this study, however, the existing dataset is sufficient, since it includes virtually the entire universe of the top five insurers' affiliates to which a driver could be assigned. That means we have included the lowest prices offered by the five insurers in each ZIP code for our consumer profile.

Analysis

To test the theory that low- and moderate-income drivers face high prices, CFA analyzed the distribution of prices charged to a likely lower-income driver living in a low- or moderate-income ZIP code by the five largest auto insurers in the 50 largest CBSAs by population with low- and moderate-income ZIP codes. Based on the methodology described in the previous section, CFA calculated the distribution of minimum, average, and maximum premiums for each ZIP code in the 50 largest CBSAs with low- and moderate-income ZIP codes. The minimum price for a ZIP code is

[8] Table B01003, Total Population, 2007-2011 American Community Survey 5-Year Estimates. Standard ZIP codes based on data provided by Datashear LCC a third party vendor.

the lowest premium quoted by all affiliates of the five largest insurers. The results are provided below.

Distribution of minimum premiums quoted by the five largest insurers

In 484, or 35.1 percent, of the low- and moderate-income ZIP codes studied, a 30-year old woman with a clean driving record and clerical job who matched the driver profile described in Figure 2 would always be quoted a minimum premium for auto insurance that exceeded $500. In 140, or 10.2 percent of those ZIP codes, she would always be quoted a minimum premium that exceeded $750 (see Figure 3).

That is, in more than a third of the LMI ZIP codes reviewed, this typical good driver would not be able to purchase the state-mandated auto insurance policy for less than $500 from any of the nation's five largest insurers or their affiliates.[9] Furthermore, even if this woman resided in a middle- or upper-income area, she would not be able to obtain insurance for less than $500 in more than a quarter of these ZIP codes.

Figure 3. Distribution of ZIP Code Minimum Quotes from 5 Largest Insurers in the 50 Largest CBSAs with LMI ZIP Codes (Percent)

ZIP Code Income (Quintile)	Less than $500	$500 to $749	$750 to $999	$1,000 or more	ZIP Codes (#)
≤ $41,515 (1-2)	64.9%	25.0%	7.7%	2.5%	1,377
$41,516-$104,624 (3-4)	73.7%	23.1%	3.1%	0.1%	5,853
>104,624 (5)	73.6%	26.3%	0.1%	0.0%	681
No Data	59.8%	37.3%	2.3%	0.6%	311
Grand Total	71.7%	24.2%	3.6%	0.5%	8,222

Source: CFA analysis of data provided by Quadrant Information Services, US Census

[9] When reviewing the complete database of premiums analyzed by CFA, which includes quotes by 207 insurers in addition to those of the five major insurers and their affiliates, the percentage of ZIP codes with minimum premiums above $500 and $750 are 32.5% and 8.6%, respectively. Even when considering a larger universe of insurers, including smaller insurers, the number of LMI ZIP codes with no premiums below $500 for our typical driver remains substantial – 448 ZIP codes.

Distribution of average premiums quoted by the five largest insurers

In 1,198, or 87 percent, of the low- and moderate-income ZIP codes studied, a 30-year old woman with a clean driving record and clerical job who matched the driver profile described in Figure 2 would be quoted an average premium for auto insurance that exceeded $500. And in 615, or 44.7 percent, of those ZIP codes, she would be quoted an average premium that exceeded $750. The average premium quoted to this driver profile would also exceed $1,000 in 351, or 25.5 percent, of LMI ZIP codes and exceed $3,000 in 35, or 2.5 percent, of LMI ZIP codes (See Figure 4).[10]

Since LMI consumers are least likely to comparison shop for services such as auto insurance,[11] they may well be more likely to purchase this insurance for average rather than minimum prices.

Figure 4. Distribution of ZIP Code Average Quotes from 5 Largest Insurers in the 50 Largest CBSAs with LMI ZIP Codes (Percent)

ZIP Code Income (quintile)	< $500	$500 to $749	$750 to $999	$1,000 to $1,999	$2,000 to $2,999	$3,000 or greater	ZIP Codes (#)
≤ $41,515 (1-2)	13.0%	42.3%	19.2%	16.8%	6.2%	2.5%	1,377
$41,516-$104,624 (3-4)	19.1%	40.5%	18.9%	18.9%	2.6%	0.2%	5,853
>104,624 (5)	16.0%	33.9%	21.9%	27.9%	0.3%	0.0%	681
No Data	10.9%	33.4%	23.8%	27.3%	2.3%	2.3%	311
Grand Total	17.5%	40.0%	19.4%	19.6%	3.0%	0.6%	8,222

Source: CFA analysis of data provided by Quadrant Information Services, US Census

Distribution of maximum premiums quoted by the five largest insurers

In 1,372, or 99.6 percent, of the low- and moderate-income ZIP codes studied, a 30-year old woman with a clerical job that matched the driver profile described in Figure 2 would be quoted a premium for auto insurance that exceeded $500 from at least one of the five largest insurers. And in 1,169, or 84.9 percent, of those ZIP codes she would be quoted a maximum premium that exceeded $750. The maximum premium quoted to this driver profile exceeded $1,000 in 734, or 53.3 percent, of LMI ZIP codes, exceeded $2,000 in 282, or 20.5 percent, of LMI ZIP codes (See Figure 5) and exceeded $3,000 in 193, or 14.0 percent, of LMI ZIP codes. [12]

[10] When considering the premiums included in the entire dataset provided by Quadrant Information Services, the number of ZIP codes with average premiums over $500 and $750 is 79.9 percent and 44.7 percent, respectively.

[11] Fellowes, M. (2006). From Poverty, Opportunity: Putting the Market to Work for Lower Income Families, pp.37-39. The Brookings Institution.

[12] When considering the premiums included in the entire dataset provided by Quadrant Information Services, the number of ZIP codes with maximum premiums over $500 and $750 is 99.7 percent and 77.37 percent, respectively.

Figure 5. Distribution of ZIP Code Maximum Quotes from 5 Largest Insurers in the 50 Largest CBSAs with LMI ZIP Codes (Percent)

ZIP Code Income	< $500	$500 to $749	$750 to $999	$1,000 to $1,999	$2,000 to $2,999	$3,000 or greater	ZIP Codes (#)
≤ $41,515 (1-2)	0.4%	14.7%	31.6%	32.8%	6.5%	14.0%	1,377
$41,516-$104,624 (3-4)	0.3%	25.1%	27.2%	30.6%	9.0%	7.8%	5,853
>104,624 (5)	0.7%	21.7%	17.8%	39.9%	13.8%	6.0%	681
No Data	0.6%	13.2%	19.6%	37.3%	6.4%	22.8%	311
Grand Total	0.3%	22.6%	26.9%	32.0%	8.9%	9.3%	8,222

Source: CFA analysis of data provided by Quadrant Information Services, US Census

Access to annual premiums less than $500 in low- and moderate-income ZIP codes

In nine of the 50 largest CBSAs, a driver with the profile described in Figure 2 would not be able to access an auto insurance premium under $500 from the five largest insurers in any low- or moderate-income ZIP Code in the CBSA. In 24 of the 50 largest CBSAs, that same driver would be unable to access an auto insurance premium under $500 in at least one low- or moderate-income ZIP Code in the CBSA (See Figure 6).

Key Finding

The above analysis of premium data in the 50 largest CBSAs (with LMI ZIP codes) suggests that, in many metropolitan regions, minimum liability premiums exceed what a large majority of the public believe to be a fair and reasonable price. In more than a third (35.2 percent) of the 1,377 low- and moderate-income ZIP codes in these broad urban areas, all prices offered by the five largest auto insurers to a representative moderate-income good driver exceed $500. And in more than a quarter (28.3 percent) of all 8,222 ZIP codes in these areas, all prices charged to this driver are above $500. Yet, more than three-quarters of Americans believe that a fair and reasonable annual premium for this mandatory insurance should be less than $500, and two-fifths believe that this premium should be less than $250.

Figure 6. The lowest annual auto insurance liability premiums charged by major auto insurers to good drivers living in LMI ZIP Codes in 50 largest CBSAs with LMI ZIP Codes

CBSA	LMI ZIP Codes with a min. premium <$500	LMI ZIP Codes	Percent of ZIP Codes with min. premium <$500	2011 Population	Population Rank
Miami-Fort Lauderdale-Pompano Beach, FL	0	51	0%	5,526,089	7
Detroit-Warren-Livonia, MI	0	43	0%	4,320,982	11
Minneapolis-St. Paul-Bloomington, MN-WI	0	10	0%	3,259,654	16
Tampa-St. Petersburg-Clearwater, FL	0	42	0%	2,770,114	19
Baltimore-Towson, MD	0	10	0%	2,697,421	20
Orlando-Kissimmee-Sanford, FL	0	22	0%	2,113,650	26
Jacksonville, FL	0	13	0%	1,334,688	39
Hartford-West Hartford-East Hartford, CT	0	7	0%	1,207,636	44
New Orleans-Metairie-Kenner, LA	0	27	0%	1,139,643	45
New York-N. New Jersey-Long Island, NY-NJ-PA	5	76	7%	18,796,078	1
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	5	36	14%	5,938,918	5
Seattle-Tacoma-Bellevue, WA	2	13	15%	3,404,443	15
Las Vegas-Paradise, NV	3	13	23%	1,928,695	30
Louisville/Jefferson County, KY-IN	8	34	24%	1,273,988	41
Denver-Aurora-Broomfield, CO	5	16	31%	2,509,230	21
Oklahoma City, OK	14	35	40%	1,238,050	43
Los Angeles-Long Beach-Santa Ana, CA*	21	52	40%	12,777,695	2
Portland-Vancouver-Hillsboro, OR-WA	5	10	50%	2,202,583	23
Providence-New Bedford-Fall River, RI-MA	9	14	64%	1,601,264	36
Houston-Sugar Land-Baytown, TX	38	58	66%	5,836,814	6
Sacramento--Arden-Arcade--Roseville, CA*	10	13	77%	2,130,801	24
Cincinnati-Middletown, OH-KY-IN	28	35	80%	2,120,924	25
St. Louis, MO-IL	55	61	90%	2,801,982	18
San Francisco-Oakland-Fremont, CA*	11	12	92%	4,292,964	12
Chicago-Joliet-Naperville, IL-IN-WI	43	43	100%	9,425,706	3
Dallas-Fort Worth-Arlington, TX	54	54	100%	6,280,597	4
Washington-Arlington-Alexandria, DC-VA-MD-WV	4	4	100%	5,503,801	8
Atlanta-Sandy Springs-Marietta, GA	35	35	100%	5,213,854	9
Boston-Cambridge-Quincy, MA-NH	13	13	100%	4,521,737	10
Riverside-San Bernardino-Ontario, CA*	33	33	100%	4,178,296	13
Phoenix-Mesa-Glendale, AZ	36	36	100%	4,150,083	14
San Diego-Carlsbad-San Marcos, CA*	8	8	100%	3,060,849	17
Pittsburgh, PA	82	82	100%	2,357,769	22
San Antonio-New Braunfels, TX	35	35	100%	2,105,462	27
Cleveland-Elyria-Mentor, OH	24	24	100%	2,080,318	28
Kansas City, MO-KS	46	46	100%	2,018,661	29
Columbus, OH	21	21	100%	1,819,568	31
Indianapolis-Carmel, IN	17	17	100%	1,739,071	32
Charlotte-Gastonia-Rock Hill, NC-SC	20	20	100%	1,729,955	33
Austin-Round Rock-San Marcos, TX	14	14	100%	1,681,167	34
Virginia Beach-Norfolk-Newport News, VA-NC	16	16	100%	1,666,758	35
Nashville-Davidson--Murfreesboro--Franklin, TN	24	24	100%	1,569,470	37
Milwaukee-Waukesha-West Allis, WI	13	13	100%	1,547,501	38
Memphis, TN-MS-AR	32	32	100%	1,309,692	40
Richmond, VA	14	14	100%	1,248,271	42

CBSA (con't)	LMI ZIP Codes with a min. premium <$500	LMI ZIP Codes	Percent of ZIP Codes with min. premium <$500	2011 Population	Population Rank
Buffalo-Niagara Falls, NY	17	17	100%	1,135,750	46
Birmingham-Hoover, AL	44	44	100%	1,122,192	47
Salt Lake City, UT	8	8	100%	1,109,380	48
Raleigh-Cary, NC	6	6	100%	1,104,503	49
Rochester, NY	15	15	100%	1,051,879	50

* While these data show that private insurers do not offer prices below $500 in some of California's LMI ZIP codes, low-income motorists with a good driving record in California have access to that state's Low-Cost Auto Insurance Program, which makes a basic liability policy available in the CBSAs analyzed in this report for the following annual premiums: Los Angeles - $338; Sacramento and San Francisco - $276; Riverside and San Diego - $238. These premiums, however, were not included in this analysis.

Source: CFA analysis of data provided by Quadrant Information Services, US Census

Recommendations

1) **The Federal Insurance Office (FIO) should conduct a comprehensive review of auto insurance access and affordability of auto insurance**. Based on the findings from its April 2014 Request for Information, FIO should conduct a comprehensive review of prices using data describing premiums offered to LMI drivers by insurers. These data can be collected directly from insurers in response to a data request from FIO or purchased from a third party vendor.

2) **The National Association of Insurance Commissioners should develop a model data call that will assist state regulators in tracking insurance costs of LMI drivers.** State insurance commissioners should be collecting much more precise data regarding the amount that LMI drivers are charged for auto insurance. Since insurers do not generally track the income of their policyholders, the NAIC should construct a model data call that will help regulators collect data that could approximate the premium distribution faced by LMI drivers at a statistically significant level. Such a model would require insurers to provide premiums charged to drivers with certain socioeconomic characteristics typical of LMI drivers, such as occupation, ZIP Code and homeownership status. Further, the data call could be used to determine such things as insurers' market share in LMI communities relative to statewide market share and the actual premiums paid in LMI communities. The NAIC is currently developing a data call to determine what rating factors insurance companies use when setting auto premiums, but it does not solicit data on the premiums customers pay for coverage.

3) **States should require insurers to offer drivers with clean driving records the lowest premium for which they qualify from among the company's affiliates doing business in the state.** The data set acquired by CFA shows the wide range of premiums charged to the very same driver by the five largest insurers, including affiliated underwriters within a single company's group. Any driver with a good driving record should be offered the opportunity to purchase coverage from the affiliate that yields the lowest premium for that coverage. Currently, only California has this "best price" requirement for good drivers.

4) **States should consider adopting low-cost purchase programs for LMI good drivers**. States should consider establishing programs that provide minimal liability coverage to safe lower-income drivers at an affordable price sufficient to fund claims covered by the program without subsidy.[13] For several years, for example, California has offered this type of coverage to good lower income drivers for between $226 and $338 a year--a quarter to a third of the average premium currently charged in an LMI ZIP code.[14]

About Consumer Federation of America

The Consumer Federation of America (CFA) is an association of non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education. Today, more than 250 of these groups participate in the federation and govern it through their representatives on the organization's Board of Directors.

[13]For example, California Insurance Code Section 11629.72 (c) provides a method for developing rates for that state's low-cost auto insurance program that are sufficient to cover program claims and adjusted regularly to avoid subsidies from either drivers in the private passenger market or the public generally.
[14] http://www.mylowcostauto.com, visited on September 24, 2014