



Consumer Federation of America

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UNINSURED DRIVERS INCREASINGLY TARGETED BY STATE AND LOCAL GOVERNMENTS, BUT MOST NEED TO DRIVE, HAVE LOW INCOMES, AND CANNOT AFFORD HIGH INSURANCE PREMIUMS

CFA Urges State Regulators and Legislators to Ensure That Mandatory Liability Coverage is Affordable for All Safe, Responsible Drivers

Washington, DC – The latest report from the Consumer Federation of America (CFA) on low-income auto insurance issues – [“Uninsured Drivers: A Societal Dilemma in Need of a Solution”](#) – shows that most uninsured drivers have low incomes and cannot afford to purchase high-priced minimum liability coverage required by all states (except New Hampshire). The report also reveals that these low-income drivers are increasingly adversely impacted by state and local governments through higher liability requirements (driving up premiums), more rigorous enforcement, and stiffer penalties including large fees, vehicle impoundment, and even jailtime.

The report, which includes new survey data showing strong public support for mandatory insurance, acknowledges the complexity of the uninsured driver issue but urges policymakers to recognize that most uninsured drivers, especially those in high-premium urban areas, need to be able to drive to work and cannot afford annual liability premiums.

Most of these drivers with good driving records must pay at least \$500 annually for mandatory coverage while many must spend at least \$1,000.

“Most uninsured drivers are responsible citizens; they just can’t afford auto insurance premiums that represent their largest driving expense,” said CFA’s Executive Director Stephen Brobeck. “Tough enforcement of punitive insured driver laws target many low-income workers who are struggling to survive financially. And increases in required liability coverage just force more of them to drive without insurance.”

CFA recognizes that there are no easy or perfect solutions to this dilemma, but recommends that state and local officials mitigate it in several ways:

- Establish state programs, like California’s, in which low- and moderate-income residents with good driving records can purchase liability coverage for \$350 or less.

- For a start, lower liability minimums for those lower income drivers with good driving records.
- Restrict insurer use of rating factors – such as occupation, income, credit rating, marital status, and homeownership – that are highly correlated with income and discriminate against lower income drivers.
- Focus laws and enforcement efforts on drivers who have demonstrated that they do not drive safely.

“State legislators and insurance regulators need to recognize that the uninsured motorist problem is much more about affordability than about irresponsibility,” said J. Robert Hunter, CFA’s Director of Insurance and former Texas Insurance Commissioner. “These officials need to take steps, such as eliminating insurer use of discriminatory rating factors and creating programs for safe lower-income drivers, that allow these drivers to afford required liability coverage.”

Large Majority of Americans Support Required Auto Insurance, But the Actual Penalties Are Punitive

Recently, CFA commissioned a national opinion survey that found strong public support for mandatory liability laws. In September 2013, ORC International asked a representative sample of more than 1,000 adult Americans whether “you favor requiring all drivers to purchase liability insurance.” Nearly nine in ten (87%) agreed, with only 10 percent opposing, and there was just as much support for this requirement from low-income respondents as from high-income respondents. The margin of error was plus or minus three percentage points on this survey based on landline and cell phone interviews.

This support, according to the CFA report, reflects the widespread belief that drivers should take responsibility for paying the accident-related costs that they cause. It also underlies efforts by some state and local officials to increase mandatory liability limits – as have Alabama, Maryland, Texas, and Louisiana in recent years – to enforce these laws more effectively with the aid of statewide identification systems, and to impose tough penalties on violators. The CFA report includes an analysis of these penalties that found:

- **Jail Time:** Fourteen states allow jail sentences for a first offense, and an additional six states allow sentences for a second offense.
- **License Suspension:** Thirty-two states allow for the possibility of license suspension for a first offense.
- **Fines:** Thirty-three states have possible fines of \$500 or more for a first offense, with West Virginia’s possible maximum fine at \$5,000.

- **Overlap of Penalties:** Seven states – Georgia, Kansas, Massachusetts, Michigan, Minnesota, South Dakota, and West Virginia – allow for first-time offenders to be jailed, have their license suspended, and be fined \$500 or more.

There is, however, there is little difference in uninsured rates between those states that penalize uninsured drivers harshly and those that do not.

Most Uninsured Drivers Have Low Incomes, Need a Car to Get to Work, and Cannot Afford High Liability Premiums

The [CFA report](#) reviewed research and data on the uninsured and found the following:

- **Lower-income drivers are much more likely than higher-income drivers to be uninsured.** That has been the conclusion of several Insurance Research Council studies. That has also been the conclusion of research in particular cities and states. In an analysis of California data on uninsured rates by ZIP Code, we found that the ratio of uninsured vehicles to registered vehicles was five times higher in low- and moderate-income areas (by ZIP Code) than in upper income areas. Moreover, there is a strong correlation among states between poverty levels and uninsured rates.
- **Lack of affordability is the most important reason lower-income drivers do not carry insurance.** As the report shows, both the uninsured and professionals who work with them acknowledge this reality. Marty Schwartz, longtime President of Vehicles for Change, says: “Insurance charges often exceed the cost of car payments. This is an important reason that some drive without insurance.” A half-dozen surveys by CFA of liability premiums quoted to safe, moderate-income drivers in urban areas found that the large majority of all annual premiums exceeded \$500 while a significant percentage exceeded \$1,000.
- **Most of the uninsured drive because they need to get to work.** As one Brookings Institution Policy Brief put it: “Most poor households seek access to a car as the sprawling nature of many metropolitan areas, workplace, and residences virtually requires private vehicle transportation.”

State and Local Officials Should Focus on the Uninsured Who Drive Unsafely and Irresponsibly, Not on the Uninsured Who Drive Safely and Responsibly But Cannot Find Affordable Insurance

The [CFA report](#) recommends that state and local officials redirect their efforts from punishing safe uninsured drivers to helping them afford mandatory liability coverage. It does, however, distinguish between safe, responsible drivers and those who drive unsafely and irresponsibly, urging government officials to crack down only on the latter.

“Some uninsured drivers simply don’t want to pay for auto insurance, even if they can afford it, and some drivers have caused so many accidents, and been ticketed so often

for speeding and other moving violations, that their premiums are huge,” said CFA’s Brobeck. “Governments should focus on these uninsured drivers, not the majority who take special pains to drive safely and responsibly so they are not stopped by the police. But they don’t need expensive new state verification systems to do so. They already have access to adequate information about moving violations and reckless driving.” And the report argues that the “no pay, no play” laws adopted by some states, which restrict the uninsured from suing for non-economic damages caused by accidents that are not their fault, are not fair to the majority of the uninsured who are safe drivers but cannot afford coverage.

While no panacea, several measures would be very helpful in improving the ability of safe, lower-income drivers to afford liability coverage. These responsible drivers should be given the opportunity to purchase this coverage for no more than several hundred dollars. Creating a program for good, low- and moderate-income drivers, such as the one in California, is a good option. In this program, the \$250-\$350 annual premiums charged cover all losses paid on behalf of participating policyholders. Just lowering the liability limits for these lower-income safe drivers could lower annual premiums by as much as \$100 or more.

The report also recommends that state insurance commissioners should investigate the increased use and importance by some insurers of rating factors that have nothing to do with driving but are highly associated with income. “Insurer use of factors such as education, occupation, and credit rating discriminates against lower-income drivers,” noted CFA’s Hunter. “State officials should insist that auto insurers reduce dependence on these non-driving factors and increase the importance of driving factors such as miles driven, accidents caused, and moving violations.”

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.

Related materials:

State Law Chart: [Penalties for Driving without Auto Insurance by State \(as of January 2014\)](#)