



Consumer Federation of America

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August 18, 2016

Wayne Goodwin, Chair
Laura Cali, Vice Chair
Auto Insurance (C/D) Working Group

Dear Commissioners and Members of the Auto Insurance (C/D) Working Group:

On March 15, 2012, NAIC consumer representatives and consumer groups across the country provided the Working Group with a proposal regarding the charge and work plan for this group, calling on the group to:

Examine, analyze and, if necessary, make recommendations regarding the availability and affordability of auto insurance for low-income consumers and the impact of insurer and government auto insurance-related practices on low-income consumers, including, but not limited to insurer sales, marketing, risk classification, premium financing and claim settlement and government enforcement of financial responsibility laws.

Later that year, on August 14, 2012, the Group established its charge as follows:
to review issues relating to low-income households and the auto insurance marketplace and to make recommendations as may be appropriate.

Now, four years and many meetings later, this committee has almost nothing to show for its effort. A survey of states describing efforts to address the issue of affordability and an incomplete and dated collection of others' thinking and research on the issue, including industry recommendations for punishing drivers who can't afford auto insurance, are about all that has been completed in these four years. For example, to this point, the committee has not collected the price for state-required minimum liability limits that would be charged to a good driving, low-income person to even get a feel for whether that price might be difficult for that person to afford. To say we are disappointed in the lack of progress deeply understates our view. Our view is that your effort on behalf of the citizens whom you require to buy this insurance is shameful. The failure of this Working Group to meaningfully focus on the real life challenges faced by lower-income working families who are forced to buy auto insurance but, in too many cases, are unable to afford it, brings us to the conclusion that the Working Group simply does not have the will to meet its original charge at all.

At this point in time, there appears to be an opportunity to get more done in terms of gaining a deeper understanding of the affordability of auto insurance through the Federal Insurance Office (FIO). As we noted in our August 1, 2016 letter to this Working Group, the FIO analysis should be more robust and granular, and, we pointed out, this research would be better and more appropriately conducted by state Departments of Insurance. However, FIO has actually taken meaningful steps toward taking on the task of understanding the markets from the perspective of



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lower-income working families, and this Working Group has not. Stated bluntly, you have abdicated this work to the federal government.

In the continued absence of the Working Group's willingness to really press forward on the issue for which it was created, we will continue to work with our state and national partners to encourage FIO's work in this regard. While we have always hoped that this Working Group would take a lead role in helping to solve the affordability problems in the auto insurance market, our commitment to reforming the market and addressing the weaknesses in the current regulatory system take greater precedent than the level of government from which the data and analyses flow.

The sole current activity of this Working Group should be developing a robust and granular research program concerning auto insurance affordability for working families and lower-income drivers. If the Working Group decides that it will regain such focus and devote more resources to fulfilling its original charge, we will be pleased to re-engage and offer our assistance.

Sincerely,

J. Robert Hunter
Director of Insurance

Cc: John Huff
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