

COMMENTS BY STEPHEN BROBECK, EXECUTIVE DIRECTOR,  
CONSUMER FEDERATION OF AMERICA, TO NAIC AUTOMOBILE  
INSURANCE STUDY GROUP, DECEMBER 15, 2013

Thank you Commissioner. I am Stephen Brobeck, executive director of the Consumer Federation of America.

CFA appreciates the creation and existence of this Study Group, in part because it acknowledges the importance of ensuring that all Americans are able to afford the liability coverage required by nearly every state.

CFA also appreciates your state survey of the availability and affordability of auto insurance. We were especially pleased that nearly all states provided a broad array of information on the topic.

The one change to this draft we suggest is distinguishing those state programs and initiatives that are current or ongoing and those that are not. You collected this information yet did not include it in the draft report. Making this distinction would provide a more accurate picture of current efforts and make it easier for all of us to learn more about these efforts.

I would conclude, however, by saying that this survey does reveal that a large majority of states have done little to focus on the availability and affordability of auto insurance to low- and moderate-income drivers. We understand that insurance commissions face many daunting challenges, including changes to the health insurance system and limited resources. But we also hope that commissioners recognize the huge importance of lower income auto insurance issues remembering that two-fifths of all U.S. households have annual incomes under \$36,000.

There is much research, and a strong consensus, that in almost all parts of the country, easy access to auto transport has a profound economic and social impact on lower income families, most importantly, in their access to jobs or better jobs. But to drive legally, your states require that these families carry liability coverage.

This coverage would not be an issue if it were priced, as it is in the California lower income program, at \$250-\$350 annually for good drivers. But in many urban areas that we have studied, it is NOT available to good drivers for under \$500 and, in some areas, for under \$1000. As the highly

regarded Vehicles for Change program has repeatedly said, the greatest barrier to auto ownership for their clients is not purchase price nor that of gasoline and maintenance, but of liability premiums.

Our research suggests that these premiums for lower income drivers are high not just because of risk and claim levels. But I don't have the time now to argue this point. However, I would note the empirical finding that many of the non-driving factors – including occupation, income, and credit scores – which increasingly are being used by insurers, are highly correlated with income and also probably with race. In fact, whether or not it is by insurer intention, these factors are effectively functioning as proxies for income and race.

Regardless, as you and other commissioners have recognized, this issue needs more study and attention. Our research using insurer websites clearly shows high and disparate liability prices quoted to moderate income urban drivers. We do not understand how the Study Group can seriously address low- and moderate-income issues without doing research on these prices and their pricing. Just identifying a sample of lower income zip codes and asking insurers to supply you with data about annual premiums and coverages would provide important information about the nature and the extent of this pricing.

We also urge commissions to consider the benefits of creating a special program for good drivers, such as the one in California. Despite relatively low participation, the program at least gives these drivers the opportunity to comply with the law without imposing unsustainable financial burdens.

Again thank you for this opportunity.