



Federal Insurance Office

Final Working Definition of Affordable Personal Auto Insurance

The Federal Insurance Office has the authority to collect data on the auto insurance industry and produce research that describes whether or not auto insurance is affordable and accessible in traditionally underserved communities. FIO's Final Working Definition of Affordable Personal Auto Insurance released in July 2016 lays out the Office's criteria for defining affordability, determining which communities are underserved, the manner in which the Office will collect data to measure affordability and the timeline of reports it will release going forward.

1. **Affordability will be determined using a two percent Affordability Index** - Auto insurance will be presumed affordable for people living in traditionally underserved communities only if the average written automobile premium divided by the median household income for traditionally underserved communities does not exceed two percent.
2. **Underserved communities**, for the purpose of this data collection and research effort, will be considered ZIP codes that are majority people of color or have a median family income of less than 80 percent of the metropolitan region or the state if the ZIP code is considered a rural area. Affected persons are people living in underserved communities.
3. **Insurance premiums to be collected** – FIO will collect premium data, through statistical agents that currently collect insurance data, from all standard and non-standard insurers (called the voluntary market) with statutory surplus greater than \$500 million and annually collect more than \$500 million in premiums. These data will be collected on a limited basis for the coming year and expanded in future years as follows;
 - *For 2017 study*, FIO will request the voluntary disclosure of data to statistical agents from insurers who have a statutory surplus of >\$500 million and annually collect more than \$500 million in premiums.
 - *For 2017 and each year going forward*, insurers who have a statutory surplus of >\$500 million and annually collect more than \$500 million in premiums must provide ZIP code premium data for liability coverage at the financial responsibility level for the voluntary market to statistical agents for review by FIO.
4. **What does this mean for consumers?** Every state but New Hampshire requires drivers to purchase auto insurance. When average premiums exceed two percent of the median income in lower-income communities and communities of color, that is a clear indication that state insurance departments and policymakers must act to improve affordability and accessibility so that drivers can comply with state insurance mandates. Using this new Affordability Index, insurers, consumers and regulators will have a benchmark for understanding the affordability or unaffordability of state-mandated liability auto insurance in communities around the country.
5. **Opportunity for further comment** - CFA will continue to review the details of the FIO working definition in the coming weeks. As part of that review, we will pay particular attention to how data will be collected and provide further comments to ensure the data reflect the actual premiums that residents of lower income communities and communities of color face in the market. Comments on the data collection portion of this proposal are due September 12, 2016.