Consumer Federation of America

High Price of Mandatory Auto Insurance in Predominantly African American Communities

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Introduction

All states except New Hampshire require drivers to purchase auto insurance, and the importance of automobile ownership for most Americans adds a special responsibility to ensure fairness in the auto insurance marketplace.[1] In previous analyses, the Consumer Federation of America (CFA) has investigated the affordability of auto insurance and researched pricing practices in the auto insurance market. That work identified the effect of the widespread use of non-driving rating factors used to set premiums, including the use of socio-economic characteristics such as level of education, occupation and others that unfairly discriminate against low- and moderate-income good drivers.

For this report, CFA looked at premium data from the five largest auto insurers for a single good driver profile in most ZIP codes throughout the country and examined average premiums in predominantly African American communities and predominantly white communities controlling for income and population density. The results of this analysis suggest that, on average, a good driver in a predominantly African American community will pay considerably more for state-mandated auto insurance coverage than a similarly situated driver in a predominantly white community.

In order to address the concern that different communities have different auto insurance risks by virtue of the type of driving typical of its residents (for example, high-speed open roads in rural communities or bumper-to-bumper traffic in densely populated urban areas), this analysis also considers auto insurance premiums by racial composition of the ZIP code controlling for population density and income.

While the insurance industry has, at times, been dismissive of concerns about the high price of auto insurance in underserved communities and for people of color,[2] we do not seek to assess or impugn the intentions of insurance companies with this report. We believe, instead, that it would be more productive to focus on the impact of high auto insurance prices and the implications these findings should have for industry, regulators, and policymakers.

[1] The requirement that drivers in every state but New Hampshire purchase auto insurance is compounded as an issue of social concern because of the strong relationship between access to a car and employment rates, hours worked, and earnings. See, for example: Charles L. Baum, "The Effects of Vehicle Ownership on Employment," Journal of Urban Economics," v. 66, n. 2, 151-163. Evelyn Blumenberg and Margy Waller, "The Long Journey to Work: A Federal Transportation Policy for Working Families," Center on Urban and Metropolitan Policy, Brookings Institute (July 20003).

[2] For example, in 2014 the National Association of Mutual Insurance Companies, the nation's largest insurance trade association, illustrated this dismissive perspective in a letter to the Federal Insurance Office (FIO): "...data reveal that households in the two lowest quintiles spent nearly as much on alcohol and tobacco products combined as on automobile insurance, and that they spent more on audio and visual (A/V) equipment and services than on automobile insurance..." and "...we would submit that the percentage of household income spent by minority consumers on automobile insurance appears to be reasonable relative to the percentage of income spent on non-essential goods" identified in the letter as tobacco products, alcoholic beverages, audio and visual equipment and services, and pets, toys and hobbies. Separately, in its 2014 letter to FIO, the Financial Services Roundtable wrote: "FSR believes that 'traditionally underserved communities' is basically impossible to define when place [sic] in the context of the auto insurance market, as essentially every community has access to a wide range of insurance coverage and pricing options."

Summary of Findings

Across the country, the price of state-mandated, minimum-limits auto insurance offered to a good driver increases where the proportion of African Americans living in a community increases. Among the findings:

- In communities where more than three quarters of the residents are African American, premiums average 70 percent higher than in those with populations that are less than one quarter African American ($1,060 vs. $622).

- In the densest urban communities, the average premium in predominantly African American ZIP codes is 60 percent higher than the average premium in equally dense predominantly white urban ZIP codes ($1,797 vs. $1,126).

- In rural ZIP codes, the average premium in predominantly African American ZIP codes is 23 percent more than the average premium in rural, predominantly white ZIP codes ($669 vs. $542).

- The average premium in upper middle-income, predominantly African American ZIP codes is 194 percent higher than the average premium charged to a similarly situated driver in an upper middle-income, predominantly white ZIP code ($2,113 vs. $717).

- Across the country, Progressive's and Farmers Insurance's good driver premiums show the most disparity between predominantly African American ZIP codes and predominantly white ZIP codes, with both companies averaging 92 percent. State Farm, Allstate and GEICO also charge substantially more—62, 56, and 52 percent respectively.

- In several metropolitan regions around the country, including the Baltimore, New York, Louisville, Washington, DC, Detroit, Boston, and Orlando metropolitan regions, the disparity of premiums is more than 50 percent between predominantly African American and predominantly white ZIP codes.

Data and Methodology

Prior Research

CFA has used two methods for determining the cost of auto insurance for lower-income people and the impact of non-driving rating factors on insurance premiums: collecting and analyzing data from insurers' websites and acquiring data from a third-party vendor.

In previous reports, CFA collected premium quotes from individual companies' websites to assess the impact of various rating factors on the price of auto insurance. Using this method, previous research found, for example, that several major insurers charge significantly higher premiums to drivers with only a high school diploma than to those drivers with higher levels of education, such as a master's degree.[3] Previous research also found that in many states, some major insurers provide no discount, or only a minimal discount, to low-mileage drivers, despite the actuarial evidence that annual mileage strongly correlates with risk of loss.[4]

In 2014, CFA used a comprehensive dataset of auto insurance quotes for a typical moderate-income good driver acquired from Quadrant Information Services to evaluate the availability and accessibility of state-mandated auto insurance in lower income communities in the 50 largest metro areas. The report found that in approximately a third of lower-income ZIP codes none of the largest insurers offered a basic policy for less than $500.[5] A previous analysis of these data found that good drivers with low credit scores are charged as much as 123 percent more than drivers with high credit scores, controlling for all other factors including driving record.[6]

In addition to reviewing data about premiums quoted by insurance companies to a typical good driver, CFA has commissioned public opinion research on affordability of auto insurance. A national survey conducted by ORC International in fall 2013 found that 76 percent of Americans believe that state required minimum coverage auto insurance policy should cost no more than $500. While there may be some debate as to what the precise measure of auto insurance affordability should be, this polling provides important insight into the public's view of what

[3] Brobeck, Stephen. "Use of Education, Occupation, and Other Non-Driving Factors Inflate Premiums for Low- and Moderate-Income Drivers." Washington, DC: Consumer Federation of America, September 24, 2012. http://consumerfed.org/pdfs/PR.AutoInsuranceRateFactorRelease.9.24.12.pdf.

[4] Brobeck, Stephen, and Michelle Styczynski. "Auto Insurers Fail to Reward Low Mileage Drivers." Washington, DC, May 21, 2015. http://consumerfed.org/news/902.

[5] Feltner, Tom, Stephen Brobeck, and J. Robert Hunter. "The High Price of Mandatory Auto Insurance for Lower Income Households: Premium Price Data for 50 Urban Regions." Washington, DC: Consumer Federation of America, September 2014. http://consumerfed.org/pdfs/140929_highpriceofmandatoryautoinsurance_cfa.pdf.

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

consumers should have to spend on a product they are required to buy in order to comply with state insurance requirements and avoid fines and other penalties.

Prior to the analysis presented here, CFA had not assessed how the differences in average ZIP code premiums vary by neighborhood racial composition. Other researchers, however, have previously addressed the issue of race and redlining in relation to auto insurance. For example, Ong and Stoll concluded that "automobile insurance rates are higher in low-income and minority neighborhoods because of both direct and indirect effects…This story is truer for residents in predominantly black neighborhoods. Residents in African American neighborhoods pay more, all things being equal."[7]

About the insurance premiums used in this report

To examine the difference in minimum liability premiums in predominantly white and predominantly African American communities, CFA acquired January 2014 premium data provided by major private passenger auto insurance groups in each state. These data include premiums for five of the largest companies by national market share – Allstate, Farmers, GEICO, Progressive, and State Farm, which represent 53.2 percent of the market.[8] The data were purchased from Quadrant Information Services, a third party data 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 1). 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 driver. 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.[9] For the following analysis, CFA used a fair insurance score – the middle category of a ten-category range provided by Quadrant Information Services.

[7] Ong, P.M., and M.A. Stoll. "Redlining or Risk? A Spatial Analysis of Auto Insurance Rates in Los Angeles." *Journal of Policy Analysis and Management* 26, no. 4 (2007): 827. doi:10.1002/pam.20287.

[8] "Property and Casualty Insurance Industry 2014 Top 25 Groups and Companies by Countrywide Premium." Washington, D.C.: National Association of Insurance Commissioners, April 6, 2015. http://www.naic.org/documents/web_market_share_150302_2014_property_lob.pdf.

[9] 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.

Figure 1. 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 ZIP code data used in this study

The following analysis compares ZIP code premiums in predominantly African American communities with ZIP code premiums in predominantly white communities with similar median incomes and population densities to better understand the relationship between the racial composition of a community and the affordability of state-mandated minimum liability coverage. The analysis uses ZIP code data from the American Community Survey to identify ZIP code median income and percentage of people in a ZIP code who identify as African American or Black.[10] The analysis also uses data provided by a data vendor to determine ZIP code population density. ZIP code income was determined using the median household income. ZIP codes were categorized by household median income quintile for the country.[11]

Predominantly African American communities were determined by dividing the ZIP code population that identified as African American or Black by the total ZIP code population and recoding the percentage by ZIP codes that contained less than 25 percent, 25 to 50 percent, greater than 50 percent to 75 percent and greater than 75 percent African American population.[12] ZIP codes with fewer than 25 percent African American drivers where white drivers represented the largest racial group in the ZIP code were considered predominantly white.

While there is no generally accepted standard for classifying communities by population densities for insurance purposes, this analysis was guided by previous demographic research that divides region types by population density. Communities with population densities of 7,500 per square mile and above are identified as "urban core," those with densities between 2,500 and 7,500 as "urban region," those with densities between 500 and 2,500 as "suburban," those with densities of

[10] U.S. Census Bureau, 2007-2011 American Community Survey Table DP05.

[11] U.S. Census Bureau, 2007-2011 American Community Survey Table B19013 and B19080.

[12] U.S. Census Bureau, 2007-2011 American Community Survey Table DP05.

100-500 as "exurban," and those with densities of fewer than 100 as "rural."[13] Approximately 110 million Americans live in the two most dense segments; approximately 85 million live in the middle segment; and approximately 110 million live in the two least dense segments.

A complete list of the income, race and population density categories used in this analysis is provided in Figure 2.

Figure 2. Categories of analysis

Percentage of African American Residents (Categories)	Median Household Income by Income Quintile (Categories)	Population Density Categories (residents per square mile)
< 25%	<$20,585	<100
25% to 49%	$20,585-$39,466	100-500
50% to 74%	$39,467-$63,001	500-2,500
> 75%	$63,001-101,685	2,500 - 7,500
	>$101,686	>7,500

In total, the dataset used for this analysis includes 293,010 quotes from 64 affiliates of Allstate, Farmers, GEICO, Progressive and State Farm in 29,664 ZIP codes representing 99.4 percent of the US population. Of these 293,010 quotes, 214,711 were provided in 942 Core Based Statistical Areas (CBSA) and 78,299 were provided in rural areas.

Analysis

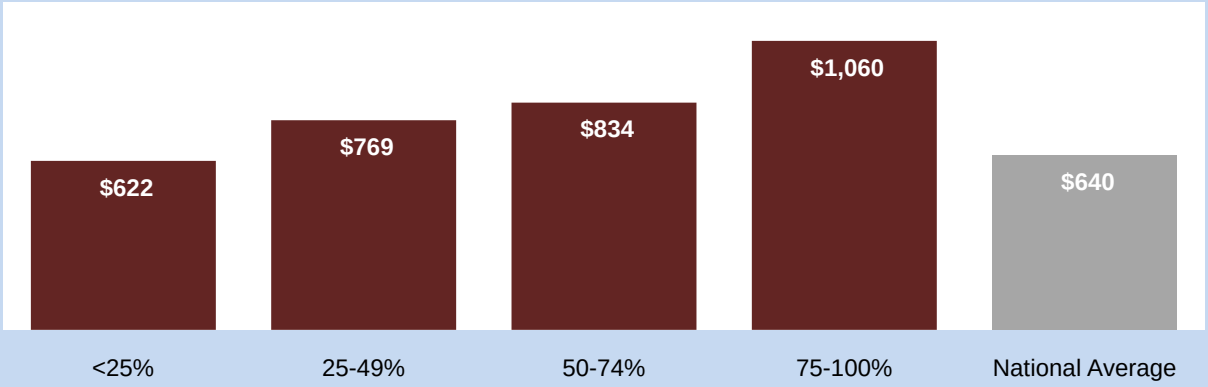
Using the data described in the previous section, CFA examined auto insurance premiums to identify the relationship between the percentage of the population of a ZIP code that identified as African American and the cost of state-mandated minimum liability coverage. The following analysis considers the difference in average premium in predominantly white communities and predominantly African American communities, controlling for ZIP code median income and population density. It also considers the average premium in predominantly white communities and predominantly African American communities by company and by metropolitan region.

[13] See, for example, Wendell Cox's "From Jurisdictional to Functional Analysis of Urban Cores & Suburbs" (2014) - http://www.newgeography.com/content/004349-from-jurisdictional-functional-analysis-urban-cores-suburbs.

Average Insurance Premiums in Predominantly African American Communities Are Higher Than Those in Predominantly White Communities

For the typical good driver described in Figure 1, the average premium available across the US for a basic limits auto insurance policy from the five largest insurers is $640. However, in those ZIP codes in which African American residents constitute 75 percent or more of the population, the average premium for a good driver is $1,060 (See Figure 3 and 4). In addition to being 66 percent above the average national premium of $640, it is 70 percent higher than the $622 average premium available in predominantly white ZIP codes.

Figure 3. Basic Liability Auto Insurance Premiums for Good Drivers Higher in Predominantly African American Communities



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

Average auto insurance premiums are higher in predominantly African American communities regardless of income

To further consider the relationship between race and insurance premiums described in the previous section and control for the possibility that the disparities between predominantly white communities and predominantly African American communities was a function of the differences in household income, CFA also examined auto insurance by both race and median income of ZIP code.

As the summary data in Figure 4 illustrate, the finding that premiums are higher on average in predominantly African American ZIP codes across the country, holds across all income levels. The increase from white to African American communities is most striking, however, in middle- and upper middle-income communities. Good drivers living in ZIP codes that have a population that is three-quarters African American or more and have a household median income in the third quintile, or between $39,467 and $63,001 annually, are charged premiums that are $665, or 113 percent more each year than in predominantly white ZIP codes with median incomes in the same quintile. In upper middle-income ZIP codes, where median household income ranges between

about $63,001 and $101,685, average premiums in predominantly African American communities are 194 percent higher – almost triple – those offered in upper middle-income white communities. As shown in Figure 4, the average premium in these ZIP codes is nearly $1,400 more annually for the lowest coverage policy available.

Figure 4. Good Drivers in Middle- and Upper Middle-Income African American Communities Face the Highest Premiums

2011 ZIP Code Income (Quintile)	Percent of ZIP code population that is African American				National Average	Percent Increase from <25% to ≥75% African American
	<25%	25-49%	50-74%	75-100%		
<$20,585 (1)	$716	$781	$772	$746	$732	4%
$20,586-$39,466 (2)	596	737	793	1,055	631	77%
$39,467-$63,001 (3)	591	784	942	1,256	604	113%
$63,001-101,685 (4)	717	917	1,079	2,113	726	194%
>$101,686 (5)	833	880	1,130	1,218	832	46%
All Quintiles	**$622**	**$768**	**$831**	**$1,064**	**$640**	**70%**

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

Average auto insurance premiums are higher in predominantly African American communities regardless of population density

In various regions of the country and within states, rates vary significantly. Traffic density is frequently cited as the reason for higher premiums in urban areas. Urban drivers often face heavy traffic and various obstacles and distractions, while rural drivers may travel at higher speeds on less well-lit roads. These differences might explain some level of risk and the resulting variation of premium for drivers in different types of communities.

To further consider the relationship between race and insurance premiums described in the previous two sections and control for the possibility that the disparity between predominantly white communities and predominantly African American communities was a function of traffic density, CFA also examined auto insurance by both race and population density (the latter as a proxy for traffic density).

To conduct the analysis, the 29,664 ZIP codes included in the premium dataset for the driver profile described in Figure 1 were categorized into the five population density groups described in Figure 2. These data show that the premiums charged to a good driver in predominantly African American ZIP codes are higher than premiums in predominantly white communities even when population density is considered.

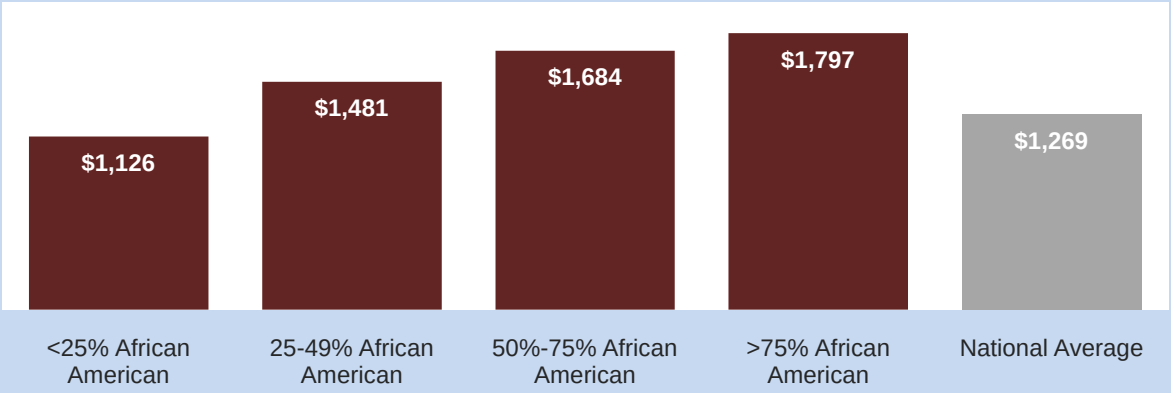
Irrespective of population density, drivers in predominantly African American ZIP codes paid, on average, higher premiums for minimum liability coverage (Figure 5-1). Drivers in the most dense, predominantly African American ZIP codes had an average premium 60 percent higher than similarly situated drivers in predominantly white ZIP codes, and drivers living in predominantly African American rural ZIP codes faced an average premium 23 percent higher than those living in predominantly white rural ZIP codes (Figure 2).

Figure 5-1. Average Premium by Population Density and Percentage of African American Residents

2011 ZIP Code Population Density	<25% African American	25-49% African American	50%-75% African American	>75% African American	National Average	Percent Increase from <25% to ≥75% African American
Most Dense	$1,126	$1,481	$1,684	$1,797	$1,269	60%
More Dense	818	899	940	1,089	845	33%
Moderately Dense	715	742	785	828	722	16%
Less Dense	636	674	784	733	639	15%
Least Dense	542	624	645	669	547	23%
All ZIP codes	**$622**	**$769**	**$834**	**$1,060**	**$640**	**70%**

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

Figure 5-2. Good driver auto insurance rates are $666 higher in predominantly African American urban core communities (>7,500 people per square mile) than in similar communities with fewer African Americans



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

Premiums are higher in African American communities at all of the five largest insurers

In addition to higher premiums regardless of ZIP code median income or population density, drivers in predominantly African American ZIP codes had higher average minimum liability premiums regardless of company. Among the five largest insurers, Progressive and Farmers Insurance both had average premiums that were 92 percent higher in predominantly African American ZIP codes than predominantly white ZIP codes. This represents a $638 annual difference for Progressive's customers and $609 difference for Farmers Insurance's customers for only the basic liability coverage required by each state (Figure 6-1).

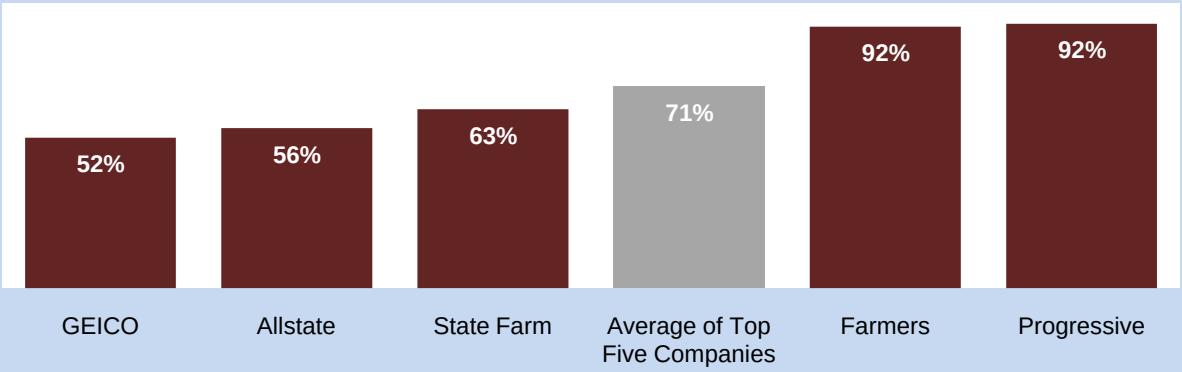
All five companies had average premiums that are at least 50 percent higher in predominantly African American ZIP codes than in those with few African American residents. GEICO, Allstate, and State Farm had average premiums that were 53 percent, 56 percent, and 63 percent higher, respectively, on average (Figure 6-2).

Figure 6-1. Average Premium by Company and Percentage of African American Residents

Company	<25% African American	25-49% African American	50-75% African American	≥75% African American	National Average	Percent Increase from <25% to ≥75% African American
Allstate	$658	$800	$848	$1,024	$674	56%
Farmers	662	757	795	1,271	676	92%
GEICO	575	713	793	876	591	53%
Progressive	694	852	911	1,332	717	93%
State Farm	543	697	771	882	561	63%
Top Five Companies	**$622**	**$769**	**$834**	**$1,060**	**$640**	**70%**

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

Figure 6-2. Average Premium increase by Company in Predominantly African American Communities Compared with Predominantly White Communities



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

Premiums in African American communities by metropolitan region

CFA also reviewed average rates in the 942 CBSAs included in the dataset and identified the 30 CBSAs with the largest differences in average premium between predominantly white communities and predominantly African American communities.

Average premiums in predominantly African American ZIP codes in the Baltimore-Towson, MD CBSA were nearly double, or 94 percent higher than, the average premiums in its predominantly white communities, and average premiums were 83 percent higher in the New York metro area and 75 percent higher in the Louisville metro area. Other metro areas in the top 10 areas with the highest differences in auto rates between predominately white and predominately African American communities are Washington-Arlington-Alexandria (+69 percent), Detroit-Warren-Livonia, MI (+60 percent), Boston-Cambridge-Quincy, MA-NH(+51 percent), Orlando-Kissimmee-Sanford, FL (+52 percent), St. Louis, MO-IL (+46 percent), Hartford-West Hartford-East Hartford, CT (+42 percent) and Flint, MI (+41 percent). The complete results are included in Figure 7.

Figure 7. CBSAs with the 30 Largest Percent Increases in Average Premiums from Predominantly White Communities to Predominantly African American Communities

CBSA	<25% African American	≥75% African American	CBSA Average	Percent Increase from <25% to ≥75% African American	2011 Population	Population Rank
Baltimore-Towson, MD	$1,035	$2,012	$1,172	94%	2,697,421	20
New York-N. New Jersey-Long Island, NY-NJ-PA	1,444	2,647	1,559	83%	18,796,078	1
Louisville/Jefferson County, KY-IN	804	1,406	847	75%	1,273,988	42
Washington-Arlington-Alexandria, DC-VA-MD-WV	733	1,241	825	69%	5,503,801	8
Detroit-Warren-Livonia, MI	1,897	3,040	2,076	60%	4,320,982	11
Orlando-Kissimmee-Sanford, FL	1,063	1,615	1,103	52%	2,113,650	26
Boston-Cambridge-Quincy, MA-NH	571	860	575	51%	4,521,737	10
St. Louis, MO-IL	544	792	582	46%	2,801,982	18
Hartford-West Hartford-East Hartford, CT	922	1,306	935	42%	1,207,636	45
Flint, MI	1,692	2,386	1,767	41%	429,272	114
Kansas City, MO-KS	519	718	534	38%	2,018,661	29
Milwaukee-Waukesha-West Allis, WI	466	610	486	31%	1,547,501	39
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	889	1,158	932	30%	5,938,918	5
Buffalo-Niagara Falls, NY	789	1,015	819	29%	1,135,750	47
Toledo, OH	417	536	429	29%	652,484	81
Miami-Fort Lauderdale-Pompano Beach, FL	1,796	2,271	1,878	26%	5,526,089	7
Atlanta-Sandy Springs-Marietta, GA	751	945	791	26%	5,213,854	9
New Orleans-Metairie-Kenner, LA	993	1,235	1,063	24%	1,139,643	46
Chicago-Joliet-Naperville, IL-IN-WI	518	639	534	23%	9,425,706	3
Richmond, VA	537	659	537	23%	1,248,271	43
Columbus, OH	430	520	439	21%	1,819,568	31
Hilton Head Island-Beaufort, SC	722	859	747	19%	183,243	226
Jacksonville, FL	940	1,108	972	18%	1,334,688	40
Virginia Beach-Norfolk-Newport News, VA-NC	510	595	535	17%	1,666,758	36
Cleveland-Elyria-Mentor, OH	435	507	451	17%	2,080,318	28
Albany, GA	638	741	646	16%	157,632	258
Macon, GA	714	829	736	16%	231,828	190
Augusta-Richmond County, GA-SC	675	781	680	16%	550,420	92
Dallas-Fort Worth-Arlington, TX	675	780	685	16%	6,280,597	4
Los Angeles-Long Beach-Santa Ana, CA	617	711	621	15%	12,777,695	2
National Average	**$622**	**$1,060**	**$640**	**70%**		

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

Conclusion

Most states prohibit the consideration of a driver's race or ethnicity when determining premiums. However, the findings of this report suggest that good drivers living in predominantly African American communities will pay, on average, 70 percent more for state-mandated minimum liability-only coverage than a similarly-situated driver in a predominantly white community. After controlling for both population density (as a proxy for traffic density) and income, we found that drivers living in predominantly African American communities continued to see higher average premiums than similarly situated drivers in predominantly white communities.

Recommendations

This analysis does not imply that auto insurance companies deploy explicitly discriminatory practices, and CFA did not conduct any research aimed at making such a determination. This analysis assesses impacts not intent, and our findings provide substantial evidence that the pricing of auto insurance results in good drivers in predominantly African American communities paying higher prices than similarly situated drivers in predominantly white communities – prices that for most lower-income drivers would be prohibitively expensive.

1. **Regulators need to more seriously address the impact of auto insurance pricing** methods on people of color and lower-income drivers. This requires that more attention be paid to the use of non-driving rating factors that, cumulatively, result in higher prices for lower-income good drivers as well as the rating practices that lead to the findings of this report.

    - **State insurance regulators should require all companies to provide a ZIP code pricing report** in which they provide the premium for a good driver (using a standardized profile such as the one described in Figure 1 above) in every ZIP code in the state. These data should also include demographic data for each ZIP code to determine if the company's pricing practices result in consistently higher premiums in communities of color. State insurance regulators should require companies that identify a pattern of higher insurance premiums in communities of color to provide further explanation of their pricing methodologies and plans to address the findings.

    - **The Federal Insurance Office (FIO) should review the affordability and accessibility of state-mandated minimum liability coverage** in low- and moderate-income communities and communities of color. This review should be based on premium data collected directly from insurers for a series of driver profiles that are reflective of typical lower-income drivers and include premiums from both the standard and non-standard markets. FIO

issued a request for information in April of 2014 and a second request for information in June 2015. We urge the completion of an affordability review in 2016.[14]

- **The National Association of Insurance Commissioners should develop a model data call** that will assist state regulators and legislators in tracking insurance costs for low- and moderate-income (LMI) drivers and those in traditionally underserved communities, including communities of color. State insurance commissioners should collect comprehensive data regarding the amount that drivers are charged for auto insurance. Since insurers do not generally collect the income of their policyholders, the NAIC should construct a model data call that will help regulators better understand the premiums charged to LMI drivers. Such a model would require insurers to provide premiums charged to drivers with certain socioeconomic characteristics typical of LMI drivers, such as occupation, education, credit score, ZIP code and homeownership status. Further, the data call could be used to determine such things as insurers' market share in LMI communities and communities of color relative to statewide market share and the actual premiums paid in these 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 that drivers pay for coverage.

2. State lawmakers should enact legislation to improve data collection and enact needed reforms.

- **Lawmakers should enact legislation requiring the collection of data** related to pricing of auto insurance in communities of color, especially where state insurance regulators fail to do so.

- **States should enact legislation that emphasizes drivers' safety records** over factors such as ZIP code and other non-driving related characteristics such as education, occupation, and credit score. The legislation should limit the rating factors insurers can use in setting auto insurance rates, including limiting the impact that a driver's ZIP code can have on his or her rates relative to driving safety record.

- **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. For several years, for example, California has offered this type of coverage to good lower income drivers for between $213 and $363 a year—a quarter to a third of the average premium currently charged in an LMI ZIP code.

[14] For more information on data collection recommendations please see comments filed in response to the Federal Insurance Office Request for Information Monitoring Availability and Affordability of Auto Insurance (TREAS-DO-2015-0005) filed by 49 consumer, community and civil rights organizations and available for review at http://www.consumerfed.org/pdfs/150831_TREAS-DO-2015-0005_FIO_consumercomments.pdf.

- **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.