Consumer Federation of America

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CFA ANALYSIS SHOWS CALIFORNIA IS ONLY STATE WHERE AUTO INSURANCE EXPENDITURES ARE LOWER THAN TWENTY-FIVE YEARS AGO

Nebraska, Louisiana, Montana, Wyoming and Kentucky see largest increases – Pennsylvania, Massachusetts, New Jersey, New Hampshire and Hawaii see smallest increases

Washington, D.C. – The average California auto insurance expenditure declined between 1989 and 2010, while every other state in the nation saw substantial increases over that same period, according to a Consumer Federation of America analysis of state auto insurance expenditures. The analysis attributes the unprecedented decline primarily to California's strong oversight of the insurance industry put in place by a 1988 ballot initiative.

Auto insurance expenditures are lower in California than in other states and have decreased since 1989

Nationally, Americans spent $791 for auto insurance coverage in 2010, $240, or 43 percent, more than they did in 1989, according to the CFA analysis based on data collected by the National Association of Insurance Commissioners. Californians spent an average of $746 per year for auto insurance coverage in 2010, $2, or 0.3 percent less per year was spent in1989 without adjusting for inflation.

Between 1989 and 2010, average insurance expenditures increased by 43 percent nationwide. During that period 37 states saw larger increases than the national average, eight states and the District of Columbia saw increases smaller than the national average but still over 25 percent. Only four states saw increases less than 20 percent.

The analysis shows that, more than two decades later, California insurance costs are lower than twenty states and six percent lower than the national average, with California the only state to post a decline in auto insurance expenditures. State changes in expenditures between 1989 and 2010 are available in the appendix.

Expenditure declines attributed to strong California insurance reforms

CFA's Director of Insurance and former Insurance Commissioner of Texas J. Robert Hunter said the savings in California are directly linked to the regulatory reforms of Proposition 103, approved by California voters in 1988. At that time, California insurance rates were the third highest in the nation and 36 percent higher than the national average.

"No other state has put in place the kind of strong oversight that California voters created in 1988, and no other state has seen auto insurance prices decline," said J. Robert Hunter, Insurance Director for

Consumer Federation of America. "In California, as a result, Proposition 103 drivers are paying less for car insurance today than they were 25 years ago."

About Proposition 103

Proposition 103, which took effect in 1989, created a "prior approval" system of regulation for most lines of insurance in California, including auto, homeowners, commercial and medical malpractice insurance. Under a prior approval system, insurance companies must present any rate change plan to the Department of Insurance and cannot implement any rate hikes or other changes without authorization from the Insurance Commissioner.

In California:

- A standard ratemaking template establishes transparent and consistent standards by which all insurance company rate proposals a evaluated;

- Insurance company data and proposals are made entirely public allowing for substantially more scrutiny than other states; and

- Consumers and consumer groups can request a hearing at the Department of Insurance on improper insurance company rates or practices and are automatically granted a public hearing for large increases. This consumer participation process adds another layer of scrutiny to insurance company rate hike proposals and a measure of accountability for the staff of the Department of Insurance.

"California's version of prior approval regulation includes additional protections that have made the state's insurance system much more effective than any other states' systems," said Hunter.

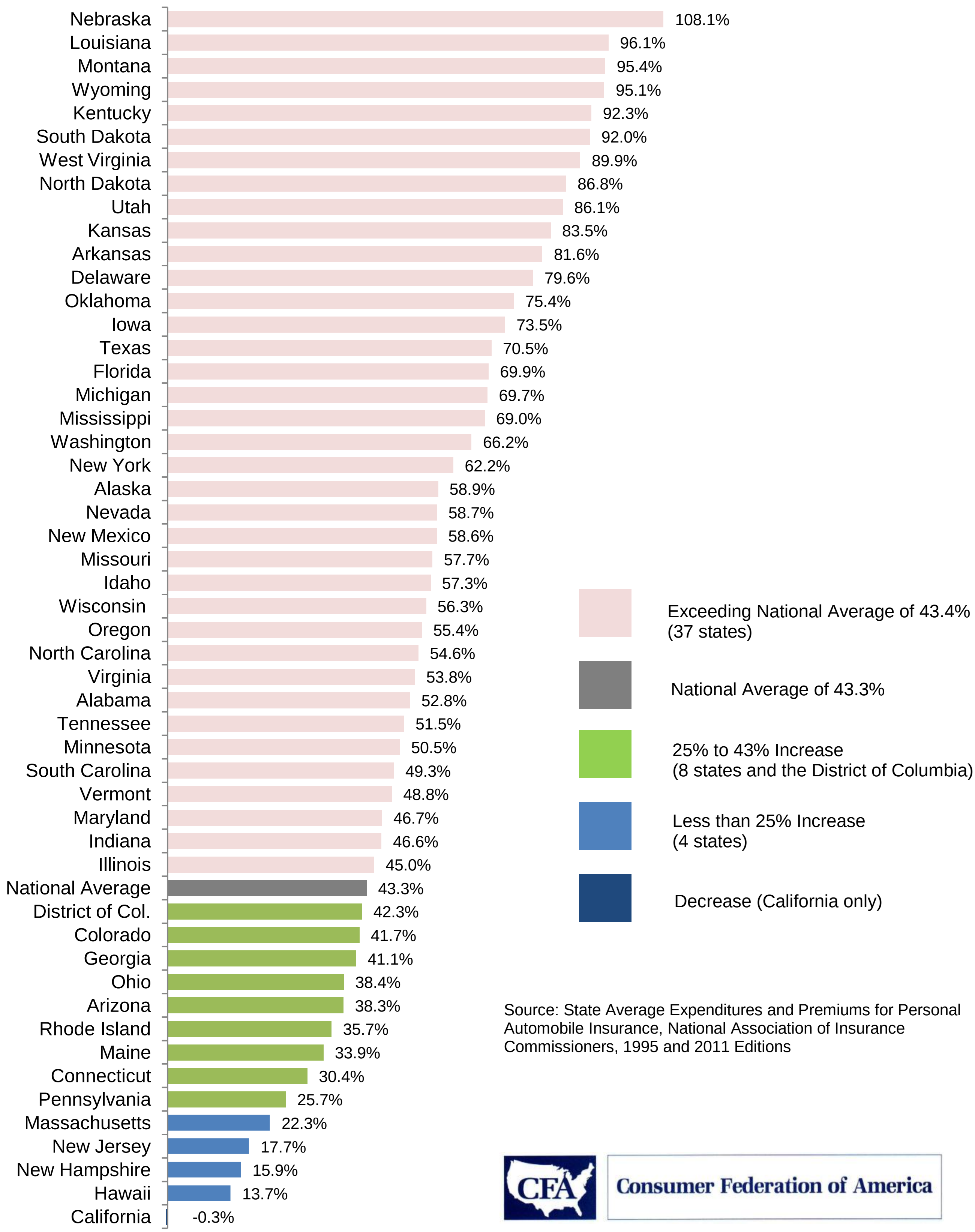
Additional resources:

CFA's 2008 national report on auto insurance, entitled *Why Not the Best*, concluded that California's Proposition 103 was a model for the protection of insurance consumers.

Consumer Federation of America is an association of nearly 280 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, education and advocacy.

Appendix. Percentage change in auto insurance expenditures

1989 to 2010



Source: State Average Expenditures and Premiums for Personal Automobile Insurance, National Association of Insurance Commissioners, 1995 and 2011 Editions

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