

September 28, 1998

California's Uninsured  
Policy Research Bureau  
California Department of Insurance

Preliminary Report  
Executive Summary

Preliminary estimates indicate approximately 3.4 million owners of 5.3 million uninsured vehicles (Autos, Motorcycles, Vans, Pickup Trucks, etc.) out of an estimated total of about 23.5 million vehicles on the road as of June 1, 1997. Owners may be single persons, married couples, businesses, etc. This is an uninsured vehicle rate of 22.6 percent, somewhat lower than many earlier estimates. These estimates were derived as the result of a file match of all insured vehicles as of that date with the Department of Motor Vehicles (DMV) file of registered and recently registered vehicles as of that same date. Unmatched records were written to an exception file. Two telephone surveys followed up this match, one a random sample of the state population and the other a sample of persons who showed no match between the insurer and DMV files.

The purpose of the study is to identify those who are driving without required liability coverage as required by California's auto financial responsibility laws. Most earlier estimates of the uninsured rate were based on aggregate data from DMV and various other sources. These data would permit some adjustments but were not detailed enough to permit all the adjustments that should be made for self-insured, government owned vehicles, and the like. Our data also came at a time when there was a rush of persons getting auto insurance because of laws that went into effect in January 1997. These included a requirement for proof of insurance to register or renew registration and Proposition 213 which eliminated recovery for certain damages to persons without insurance.

Los Angeles County has 35 percent of the uninsured vehicles. When San Diego and Orange Counties are added the count is 50 percent. The top eleven counties account for over three-quarters of the total, mostly in the more populous southern counties. When examined by zip code, the highest incident areas largely overlap low income urban or rural zip codes.

There are two distinct populations of uninsured vehicle owners. One group, about 1.5 million owners, with 2.2 million vehicles, own one or two vehicles, none of which are insured. These tend to be younger, lower income, single, and drive daily to work or school. The other group, about 1.9 million owning 3.1 million uninsured vehicles, tends to be older, better off, own multiple vehicles at least one of which is insured. Those with all vehicles uninsured we refer to as pure uninsured while those with some insured vehicles and some not we refer to as hybrid uninsured. It is likely that our sample does not adequately represent the pure uninsured. There are many who are highly mobile, who do not have permanent addresses or phones, who will not speak with telephone survey personnel or who will simply misrepresent their insurance status. A

more accurate measurement would likely result in this group being a larger portion of the uninsured. The population admitting to being uninsured in the exception file survey were different from those in the random survey being older, more stable and better off. Since they were mainly in Los Angeles, this is probably not representative of the entire state.

Hybrid uninsured tend to give a vehicle related reason why they are uninsured: it does not run or it is used only occasionally. Pure uninsured tend to give a cost related reason for being uninsured: it is perceived as costing too much relative to their income. Uninsured in both groups compared to insured, tend to have poorer views of insurance companies and more likely to say others like them are also uninsured.

We found that close to 90 percent of the pure uninsured had one or no tickets or accidents. If they had three years of experience, they would qualify for the good driver discount.

There is no law that requires liability coverage of a vehicle that does not run or is only operated off road. These are perhaps called legally uninsured. If these were eliminated from consideration, only 2.6 million vehicles would be of concern, largely owned by the pure uninsured.

For those hybrid uninsured who have vehicles that are used occasionally, or whose non-running vehicle is repaired from time to time, one possibility would be to offer in each renewal where there are already two or more insured vehicles, a very low price multi-car add-on for vehicles that are occasional use, under 500 miles per six months and covered for only minimum limits liability. The extremely low mileage used in the rating and, perhaps, additional stripped features, for example, a named driver only rider because the fully insured vehicles would be available for permissive drivers, would help to bring premium costs lower.

For those with one or two vehicles and no insurance, there is a different problem. Some segment of these are people the carriers traditionally have avoided because of age or driving habits. Yet these fairly low income people need their cars to get to work if nothing else. What appears somewhat surprising is the number of them, nearly 90 percent, that might be eligible for the good driver discount. A home to work only policy, for example, might have several features that would bring the price down even for this group. At the outset, miles would be well down if no pleasure driving were covered. For example, the policy might not cover accidents that occur on weekends for people who do not work weekends. Such a policy could be underwritten only until such time as it takes for the owner to qualify for standard minimum limits coverage at good driver rates, or the owner could opt whether to move to standard coverage or remain in limited coverage.

As long as we wish to focus only on this segment, we would want to limit who could get the coverage and avoid adverse selection. Rating could be based on industry wide data on drivers and vehicles similar to this population in order to get an initial cost basis. Later years would be based on actual loss cost experiences. It could be limited further to only those with one or two vehicles that do not have an at fault accident or more than two tickets, but who have been

uninsured for a year or more. A driver with less than three years of experience with no tickets or at fault accidents might be treated like a good driver in this program, especially if the driver has had driving training. This could then cover up to 90 percent of this group of uninsured.

These remedies could, we believe, largely be implemented under the Commissioner's current regulatory authority.

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## **Introduction and Background**

As a matter of public policy California has determined that people who own vehicles and who drive on public roadways must have liability insurance in case they cause damage to another person or vehicle. That this requirement for financial responsibility is flaunted by millions is a perennial topic in the press and the State Legislature. There is an adage in insurance that one "does not insure a burning house". The counterpart of this in auto insurance when it comes to a certain class of drivers is one does not insure an accident in the making. Many carriers report that it is probable they will have higher losses if they insure a previously uninsured vehicle than a vehicle which had insurance. If they are to insure such vehicles they must charge more which they were allowed to do until the auto rating factor regulations were put into effect in 1997.

Thus there is in part some tension between the goals of this public policy and the economic imperatives of the insurance industry. Charging more for insurance under supply and demand means fewer policies will be sold. For lower income drivers, it certainly means fewer will have insurance on their vehicles even though their own economic imperatives require they drive.

While there are various estimates of the size of the uninsured population, what is sure is that it is large and that no population that size can be seen as a monolithic group. We suspect when we are speaking of millions of Californians, there are likely to be a variety of reasons people own vehicles that are uninsured and this, in turn, suggests there may be a number of public policy adjustments that could contribute to the goal of having all vehicles on the road meet the law's financial responsibility requirements. Some may be in the nature of carrots and some of sticks. Early evidence of the effect of laws requiring insurance to register a vehicle and Proposition 213 which limits pain and suffering awards to people with insurance seems to indicate significant increases in the number of vehicles covered in 1997 over prior years. Yet sticks have limits when affordability is at issue. Stopping the practice of surcharging for having previously being uninsured probably brought coverage cost down for some drivers and allowed them to become insured.

What has been lacking in most of this debate has been data detailed enough to understand the different groups among the uninsured. This information is necessary to clarify issues and resolve the tension between the imperatives of the public policy and of the economics of the industry and vehicle owners. While the Department of Insurance, among others, have produced estimates of the uninsured vehicle rate using methodology that has been reasonable and accepted, the data on which they are based were largely aggregates that gave little clue to details needed for finer adjustments and for descriptions of patterns. The rates found in this study are different and lower than those reported in the past in part because of the time frame and in part because the micro data available in this study allowed for a much finer set of adjustments to both

the insurer and the DMV data. The time frame of our data collection, as of June 1, 1997, came after the laws described above had been in effect for five months. We thus reflect the significant increase in the number of vehicles insured in our study. We also had the individual records of registrations provided by DMV, rather than county or zip code aggregates. This allowed us to make adjustments to the number of vehicles used in calculating the uninsured rate. We were able, for example, to account for government owned vehicles, rental company owned vehicles, and a host of other refinements that will be described in detail in the final report. An increased count of insured vehicles and an adjusted count of on road vehicles, gives an uninsured rate lower than that reported for earlier years.

## **The Current Study**

The California Department of Insurance with the cooperation of the Department of Motor Vehicles has undertaken a major data collection effort with the following components:

A data call was made to all vehicle insurers to report the vehicle identification numbers (VIN) of every insured vehicle as of June 1, 1997.

The Department of Motor Vehicles (DMV) provided us their data tapes on all 44 million registered and formerly registered vehicles as of that same date.

A match was made of the two files and vehicles in the DMV file not in the insurer file were written out to an exception file. This constituted the first cut at the probable uninsured, registered vehicles. We made adjustments for uninsured unregistered vehicles. With this data set, we are able to examine uninsured rates down to the zip code.

Two telephone surveys were then conducted. One survey took a sample of the exception file and phoned the persons listed asking about why, if it was true, the vehicle was uninsured. The other survey asked a similar question of a random sample of the state population. Each survey also collected information on respondent characteristics as well as attitudes and experiences with insurance.

This is a preliminary report on some key findings of this study. Many issues about the knowledge and attitudes of the uninsured about the law and about insurance, the type of vehicle uninsured, geographic variations and the like will take more time to analyze. Yet the initial findings are so compelling and the potential for informing the policy debate so pressing that we feel obligated to make some findings available now.

## **Definitions**

What is uninsured? There is confusion between an uninsured motorist and an uninsured vehicle. Insurance companies insure vehicles, not individuals. In reports on an accident in which the at fault driver had no liability insurance, the press, and the public, speaks about the

uninsured motorist when in insurance terms it is an uninsured vehicle. When numbers of uninsured are cited, one should understand if that relates to vehicles or to persons driving those vehicles. Since many owners have more than one vehicle, one would expect there to be more uninsured vehicles than uninsured motorists.

Generally, the complaint about the uninsured is about private passenger vehicles. In our study, the commercially insured vehicles are the most poorly reported, in large measure because they do not come under the same rating or data regulations as are the private lines insurers. We are less certain of our estimate of how many commercial licensed vehicles, especially pickup trucks, are part of the uninsured problem. California does not offer the option of having the owner declare at registration whether the pickup is to be used in commercial activity or as a personal use vehicle unless the pickup has a camper shell. In some states, this declaration allows for less expensive private passenger plates and insurance, but no use of commercial loading zones.

Under California definitions “vehicles” include automobiles, motorcycles, trucks of all sorts, vans, etc. Trucks, including pickup trucks, are usually registered as commercial vehicles regardless of their actual use even though most popular small pickups are really used as private passenger vehicles. Heavy trucks should always have both a commercial license from DMV and commercial insurance. Pickup trucks generally have DMV commercial licenses, but the majority of them are not used for business purposes and thus carry personal lines coverage.

As used in this report, an uninsured motorist is one who is actually on a public roadway driving a vehicle that has no liability insurance. A motorist who has two vehicles, one insured one not, who drives the insured vehicle is not at that time an uninsured motorist although he or she is the owner of an uninsured vehicle. If the other vehicle is driven, then we can refer to an uninsured motorist. When we examine the data, we will usually refer to uninsured vehicles.

An illegally uninsured vehicle is one that is operated on the public roadways and is required to have liability insurance, but does not. A vehicle that is not able to be driven on the public roadway that has no insurance is not an illegally uninsured vehicle. There is no requirement that a non running or off highway vehicle have liability insurance. In a more colloquial way, it is a legally uninsured vehicle.

## **Data Limitations**

Despite the extensiveness of our data, there are limitations. The methodology will be fully described in the final report.

About 1.8 million of the vehicles reported by insurers did not have valid VINs. These were primarily commercial vehicles. Adjustments were made so that rates and distributions at the state and county level are reasonably accurate. Variations in such reporting could result in misleading bias at the zip code level. Personal lines insurers writing over 99.8 percent of the market in 1996 provided

data, but only 63 percent of the commercial insurers provided data.

The DMV data had some erroneous VINS. Some of the other fields, especially the text fields like name and address, did not seem to be standardized. For example, some offices might record Pacific Gas and Electric, others might write PG&E, PG/E, Pac. Gas. & Elec. and so forth. When trying to match on name these are all different to the computer and require considerable programming to reconcile. As a result, we are unable to identify how many vehicles are owned by how many entities using this large data set.

The DMV data are very complex. Many vehicles are fleet owned or self insured. Information on some vehicles is simply suppressed for good and legal reasons. For example, records of peace officers or persons with court orders against stalkers are not publicly available. We also found that ownership, for example, by rental car companies could considerably skew a given zip code if it a) was not clearly owned by a recognizable rental company or b) was not on the list of self insured entities provided by DMV. We have made adjustments to account for these vehicles.

The random statewide survey resulted in about half the predicted rate of uninsured. Being uninsured is a sensitive area. A good number of the uninsured refused to respond at all or probably lied about their insurance status. Another reason for the low uninsured response rate is that some proportion of the uninsured are very itinerant and do not have permanent addresses or phones. The cost to remedy these data problems is very high and well out of the range of the budget available. We do not, therefore, claim our sample is totally representative of California's uninsured. The hardest to find have probably been missed. This survey also resulted in a larger than anticipated number of respondents with minimum limits coverage. We believe this is a reflection of the population that bought new policies in 1997 as a result of the law changes.

The results of the exception file based survey showed differences from the random survey in that the exception sample was more stable, somewhat better off, a bit older and tended to live in Los Angeles. This sample was contacted in January, seven months after the report cut-off date. They had listed phones and lived in the same place for at least seven months. Thus they are a somewhat different segment of the uninsured than we found in the random survey.

## **File Match Results**

DMV provided 44 million records. We then removed boats, government owned vehicles, farm vehicles, trailers, mopeds, records in process, disabled placards and the like. This left about 23.5 million vehicles, cars, trucks, vans, RVs and motorcycles, that are registered currently (21.4 million) or within the past year

but not currently (2.1 million) that we consider as potentially on the road. The inclusion of the not currently registered is to accommodate an estimate of the difficult to quantify unregistered. While we do not know how many of these previously registered are actually on the road, we believe there would be greater bias if we ignored the reality of the unregistered. An old DMV study estimates the unregistered on the road at 5 percent. Our method is more conservative in that it estimates about 9 percent, which should give an upward bias to the uninsured rate. An analysis of DMV data on registrations since 1991 also shows a significant drop starting at the end of 1996. This is consistent with the experience of Utah when it implemented an insurance requirement to register. As some contended, the effect of such a requirement seems to initially increase the number of unregistered vehicles. If these are not accommodated in the analysis, the drop in registrations alone would show a drop in the uninsured rate since there would be fewer vehicles in the denominator even if the number of insured remained the same. This 9 percent rate for unregistered on road vehicles is the same as found in a study by the California Energy Commission for 1995.

We were able to account by match for 15.8 million vehicles as insured or self insured. We then adjust for vehicles included in the insurer files but not matched to any vehicle in the DMV file because of problems with VINs. We also account for insurance companies that either did not report or did not report completely. We end up with the total **insured** count for all vehicles of 18.2 million

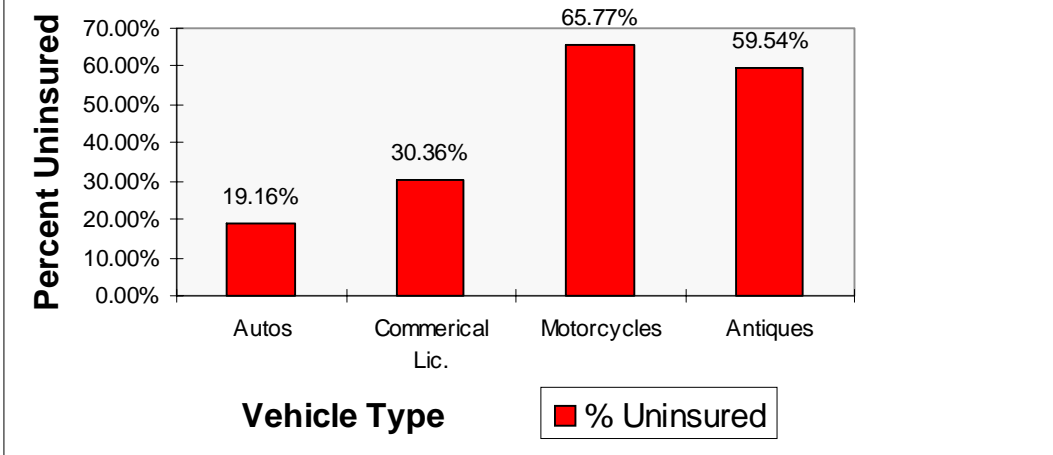
This leaves about 5.3 million uninsured vehicles of all types. These data do not show how many of these are inoperative and by our definition legally uninsured. We will count all of these as uninsured. The statewide uninsured rate is 22.6 percent<sup>1</sup>. As shown in the accompanying chart, motorcycles, about 523,000, are 65.8 percent uninsured, about 344,000. Antique vehicles are about 59 percent uninsured but only about 11,000 vehicles. Commercially licensed vehicles (4.9 million), including pickup trucks, are about 30.4 percent uninsured (1.5 million). Automobiles (18 million) are about 19.2 percent uninsured, about 3.4 million.

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<sup>1</sup> In this case, as in most of the other percentages reported, we round. As a result some totals may not add to 100 percent.



## California Uninsured Rates by Vehicle Type, June 1, 1997

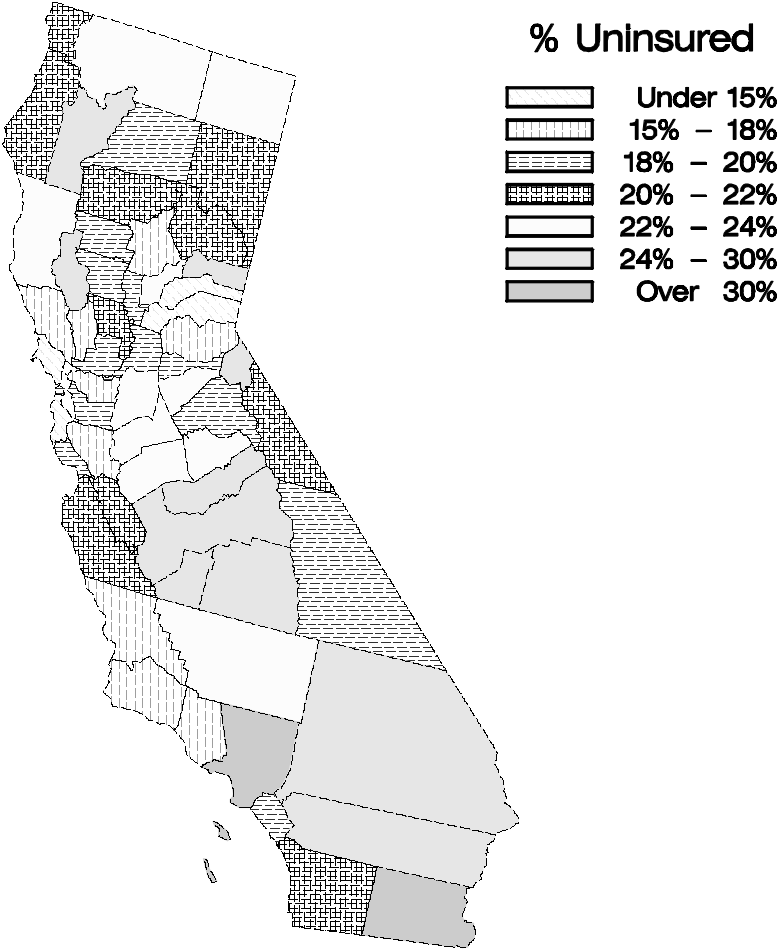


### County Results

Every county has its uninsured problem, with the best county in terms of **rates** being Marin. The worst county in terms of **rates** is not Los Angeles, but Imperial with 46.5 percent uninsured. Los Angeles is next at 30.7 percent. A series of rural counties make up most of the remaining of the bottom ten. (Table 1, Map1)

Imperial	46.5%	Marin	12.8%
Los Angeles	30.7%	San Mateo	13.1%
Tulare	27.1%	Placer	14.6%
Alpine	26.3%	Nevada	15.0%
Fresno	26.2%	Contra Costa	15.2%
San Bernardino	25.5%	Napa	15.2%
Sierra	25.4%	San Luis Obispo	15.3%
Lake	24.9%	Santa Clara	15.3%
Kings	24.5%	Sonoma	16.1%
Madera	24.4%	Santa Barbara	16.5%

Map 1  
California Motor Vehicle Uninsured Rates by County  
as of June 1, 1997

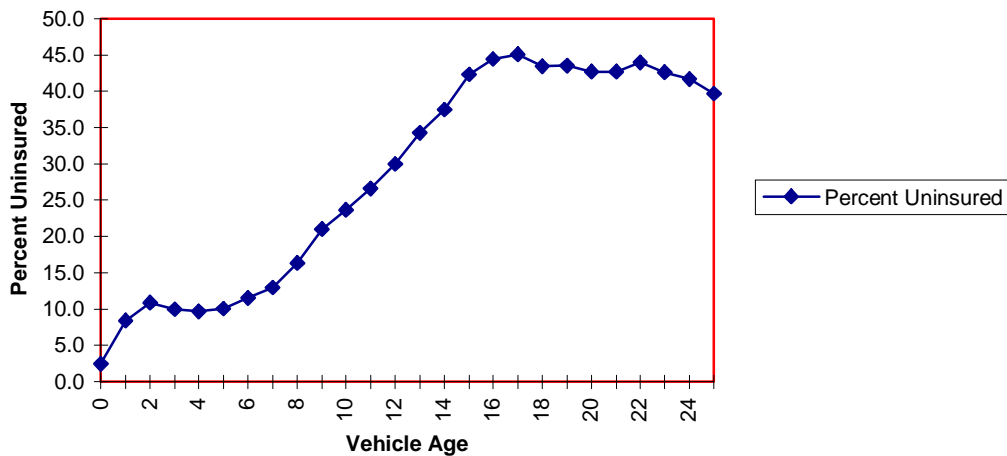


The rankings change when examined for the absolute number of uninsured vehicles since many of the high uninsured rate counties are rural with few vehicles. Los Angeles far outstrips any other county with about 1.8 million. This is followed by other southern California counties. **The top three counties account for half the 5.3 million uninsured vehicles while the top eleven account for over three quarters.** (Table 2)

County	Uninsured Vehicles	Cumulative Percent
Los Angeles	1,848,024	34.88%
San Diego	400,902	42.44%
Orange	398,869	49.97%
San Bernardino	287,031	55.39%
Riverside	237,384	59.87%
Santa Clara	197,343	63.59%
Alameda	189,752	67.18%
Sacramento	155,357	70.11%
Fresno	133,796	72.63%
Contra Costa	107,886	74.67%
Kern	104,942	76.65%

In general, the older the vehicle, the higher the percentage uninsured. Anomalies occur at vehicle ages 3 and 4 and again after 17. The former may be associated with the end of popular financing periods. The latter may be associated with a perception of increased value of vehicles that may become antiques. (Table 3)

**California Uninsured Vehicles by Vehicle Age**



<b>Table 3: Vehicle Age and Uninsured Rate</b>			
Vehicle Age	% Uninsured	Vehicle Age	% Uninsured
0	2.4%	11	26.6%
1	8.4%	12	30.0%
2	10.9%	13	34.3%
3	10.0%	14	37.5%
4	9.7%	15	42.3%
5	10.1%	16	44.4%
6	11.5%	17	45.1%
7	13.0%	18	43.4%
8	16.4%	19	43.5%
9	21.0%	20	42.7%
10	23.6%		

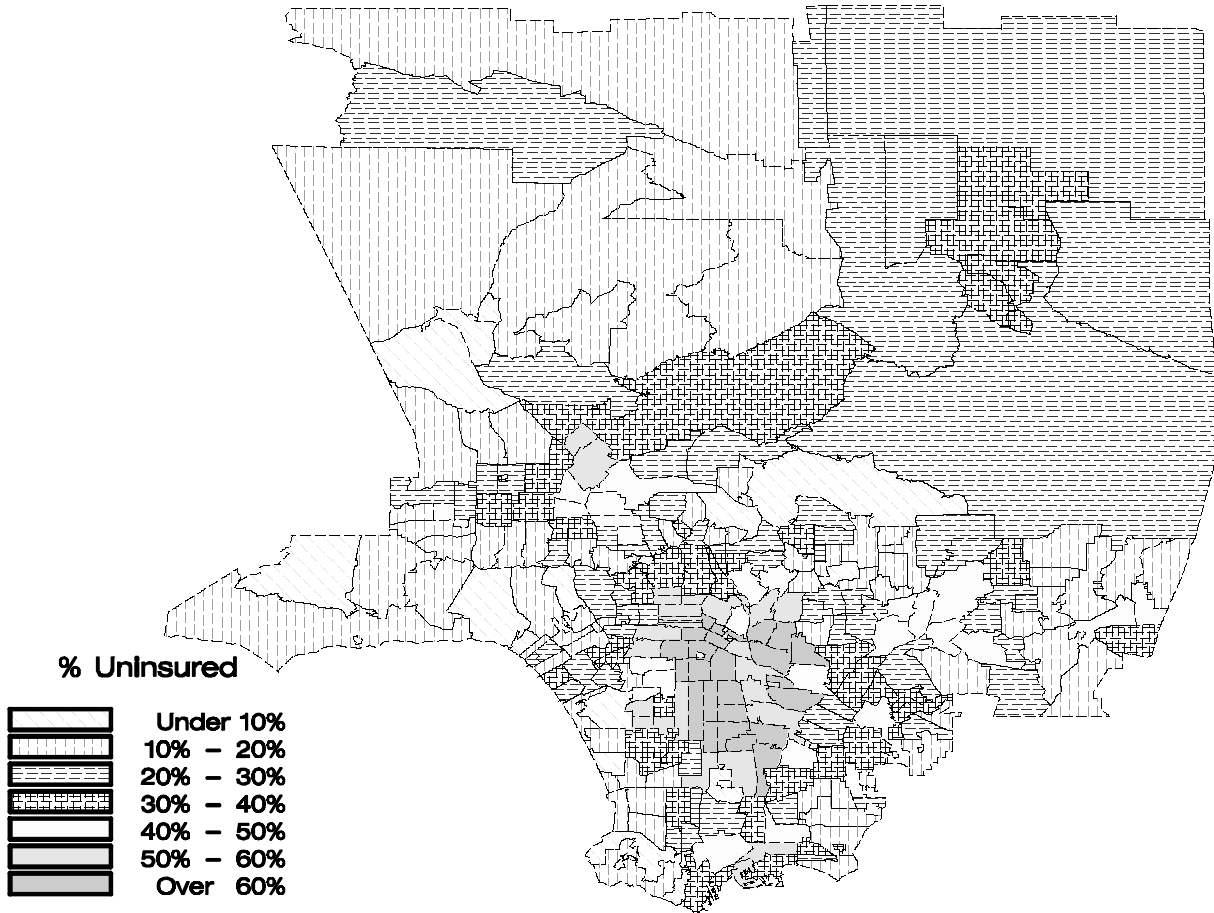
Zip Codes

The zip code results for Los Angeles County show marked differences in rates. (Map 2) In the south central portion of the county rates of uninsured are 60 percent or higher. This is shown in red (dark gray). In a radiating pattern immediate to this area rates decline in 10 percentage point increments. However, the bulk of the geographic area of the county shows rates between 10 percent and 40 percent.

In most other counties the rates do not go so high and we limit the top end to "over 30 %". Examining the Maps for San Diego/Orange (Map 3), San Francisco (Map 4) and Sacramento Counties (Map 5) shows the northern counties with fewer highest rated zip codes than the southland.

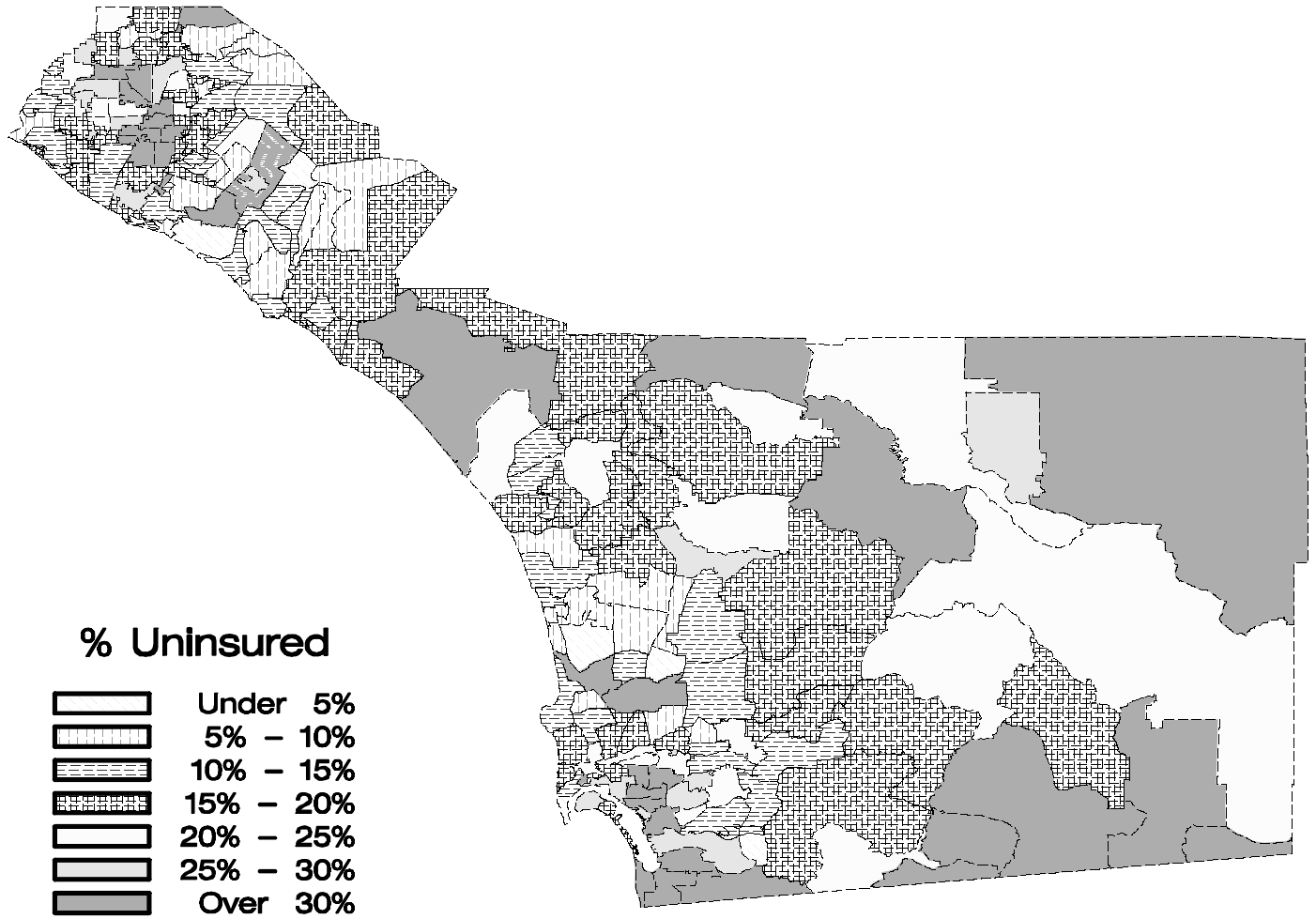
A cursory analysis of the high rate zip codes tends to show them concentrated in low income and/or more rural parts of the counties. This will be examined in more detail in the final report.

Map 2  
**Uninsured Motor Vehicle Rates  
Los Angeles County, by ZIP Code  
as of June 1, 1997**



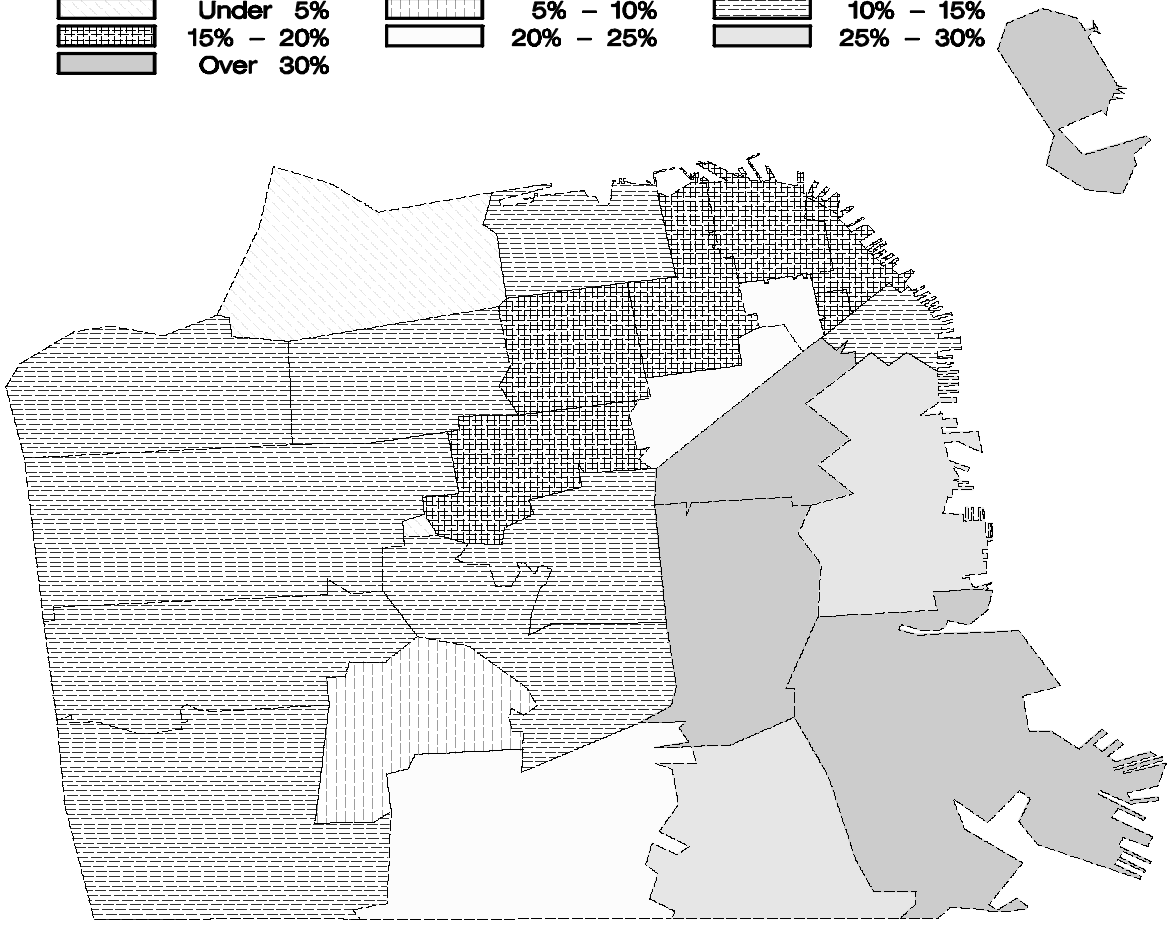
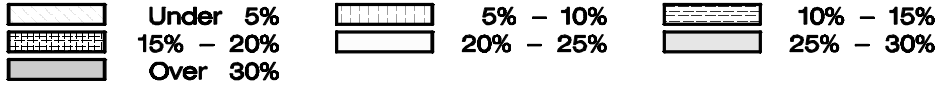
**NOTE: Los Angeles County has a Unique Scale**

Map 3  
Uninsured Motor Vehicle Rates  
San Diego & Orange Counties, by ZIP Code  
as of June 1, 1997

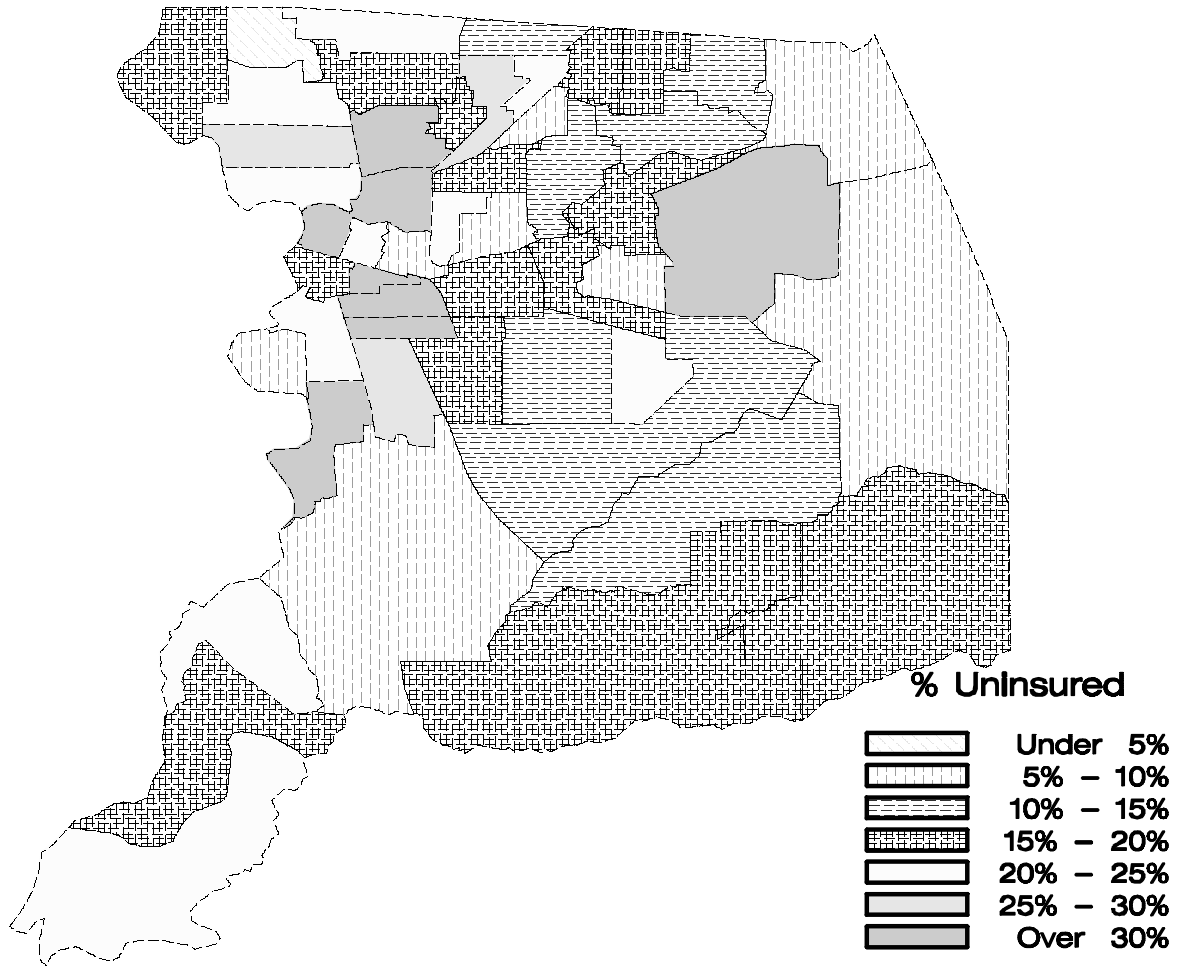


Map 4  
Uninsured Motor Vehicle Rates  
San Francisco, by ZIP Code  
as of June 1, 1997

% Uninsured



Map 5  
Uninsured Motor Vehicle Rates  
Sacramento County, by ZIP Code  
as of June 1, 1997





## Random Survey Findings

This survey was a random digit dialing (RDD) sample of 1,007 California households who owned at least one vehicle. One section of the survey asked about vehicle ownership, what type, how many and how old. Other sections addressed vehicle registration (or reasons for not being registered), vehicle use frequency, and vehicle expenses including insurance costs, attitudes and experiences with insurance companies, knowledge of the law with respect to liability coverage, and other insurance related questions to be discussed in a later report. We got basic demographic information. A section on uninsured vehicles asked for reasons for being uninsured, tickets, and accidents.

### Characteristics of the Uninsured in the RDD

This summary estimates the characteristics of the uninsured as compared to those with insurance. The uninsured are further divided into “pure” and “hybrid” and compared. “Pure” uninsured own no insured vehicle. “Hybrid” uninsured own both uninsured and insured vehicles. The survey found the uninsured are 43% pure and 57% hybrid. However, it is likely that “pure” represent a much larger percentage of the uninsured than reflected here because of the hard to find segment.<sup>2</sup> Table 4 gives the percentage of respondents that reported any uninsured vehicle. Not all vehicles owned are uninsured.

# of Vehicles. Owned	% Total	Pure	Hybrid
1	30.61%	30.61%	
2	31.63%	9.18%	22.45%
3	19.39%	2.04%	17.34%
4+	18.37%	1.02%	17.35%
	100.00%	42.86%	57.14%

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<sup>2</sup>It must be emphasized that while these estimates are based on the best information currently available, they are probably not unbiased. It is likely that the RDD survey is subject to under-reporting and under-coverage. For the estimates presented here, it is debatable whether those uninsured who were not counted are similar to those who were counted. From the general research literature on surveys on sensitive subjects, it seems likely that those not being counted are likely to be more marginal members of society with lower incomes, greater mobility, and generally younger. It is likely that this group will be less insured and less amenable to attempts to bring them into the system.

About 31 percent owned one vehicle and it was uninsured. All vehicles owned are also uninsured, so all are “pure” uninsured.

Of the 32 percent who owned two vehicles, 9 percent had both vehicles uninsured, while the other 22 or so percent had only one of the two uninsured. This is what we are calling “hybrid” uninsured.

Of the nearly 20 percent reporting any uninsured vehicle who owned three, only about 2 percent had all three uninsured, while the other nearly 18 percent had one or two insured.

After four vehicles owned, there are virtually no pure uninsured in the sample. That is, of those who own many vehicles, at least one is insured.

**Table 5: Percent of Respondents by Number of Uninsured Vehicles and Pure/Hybrid Split in Each Category**

Vehicles. Uninsured	Respondent Total	Pure	Hybrid
1	69.40%	44.10%	55.90%
2	19.40%	47.30%	52.70%
3	5.10%	40.00%	60.00%
4+	6.10%	16.70%	83.30%

Of those who reported any uninsured vehicle, the vast majority, over 69 percent, reported only one vehicle was uninsured regardless of the number owned. In 44 percent of the one uninsured vehicle group was this the only vehicle owned. The remaining 56 percent were in households with other vehicles which had insurance. When four or more vehicles were reported as uninsured, only 17 percent reported all owned were uninsured. (Table 5)

**Table 6: Percent of Vehicles by Number of Uninsured Vehicles and Pure/Hybrid Split in Each Category**

Vehicles. Uninsured	Vehicle Total	Pure	Hybrid
1	44.70%	44.10%	55.90%
2	27.60%	35.70%	64.30%
3	9.90%	40.00%	60.00%
4+	17.80%	29.60%	70.40%

When examined for the number of vehicles rather than number of respondents, the overall

distributions change somewhat, although the pure/hybrid splits remain somewhat constant. The uninsured vehicle count shows about 45 percent in the one vehicle category and about 28 percent in the two. Over a quarter of uninsured vehicles were in units with three or more uninsured. (Table 6)

Examining Table 7 shows that the majority of respondents reporting an uninsured vehicle owned cars, but that the pure insured tended more to be car owners than owning other types of vehicles. Trucks were the second most frequently owned vehicle, about a quarter of all owned.

<b>Table 7: Percent Respondents Owning Vehicle Type</b>		
Type Vehicle	Any Uninsured Owning	Pure Owning
Auto	53.1	66.1
Truck	24	21.5
Van	11.2	7.6
Motorcycle	11.6	4.6

<b>Table 8: Percent Vehicle Status with Respect to Insurance Status</b>		
	All Vehicles (Percent)	Uninsured Only (Percent)
Pure	25.2	39.9
Hybrid	38.0	60.1
Insured	36.8	

Of all the vehicles reported owned when at least one is uninsured, over one-third are insured. Among those uninsured, about 41 percent are pure and the rest hybrid. From the point of view of numbers of vehicles, there are far more uninsured in the hybrid group than in the pure. (Table 8)

<b>Table 9: RDD Differences Selected Groupings</b>		
	Difference between Uninsured & Insured	Difference between Pure & Hybrid Uninsured
<i>Demographics</i>	Uninsured are more likely to be:	Pure are more likely to be:
Sex	- male (62% v. 51%)	- female (46% v. 32%)
Employment	- not different	- not employed (39% v. 24%)
Education	- H.S. or less (45% v. 33%)	- H.S. or less (61% v. 32%)
Age	- 18 to 24 (22% v. 10%)	- 18 to 24 (34% v. 13%)
Ethnicity	- Hispanic or Black (35% v. 24%)	- Hispanic or Black (54% v. 22%)
Marital	- not different	- single (37% v. 23%)
Household	- larger HHD (3.3 v. 3.0)	- larger HHD (3.5 v. 3.2)
	- more kids (1.4 v. 1.1)	- more kids (1.7 v. 1.2)
Home Owner	- renters (48% v. 33%)	- renters (61% v. 39%)
Stability	- less time in home (93 v. 139	- less time in home (67 v. 110 mo.)
Language	mo.)	- speak another at home (34% v.
	- not different	16%)
Income	- less than \$20,000 (32% v. 16%)	- less than \$20,000 (51% v. 18%)

The data in Table 9 show that compared to the insured, the uninsured tend to be younger, male, lesser educated, and lower income than the insured. Between the pure uninsured and those with at least one insured vehicle, the pure show far lower incomes, more are female and younger, single and less well educated and more are unemployed. Minorities are somewhat over represented as are renters compared to home owners in both comparisons. The uninsured tended to be more mobile staying in their residences for shorter periods.

<b>Table 10: Interests and Attitudes Between Selected Groupings</b>		
Factor	Difference between Uninsured & Insured	Difference between Pure & Hybrid Uninsured
Reason for Not Insuring	n.a.	Hybrid's primary reason (70%) is the vehicle is not used or doesn't run (v. Pure 20%). Pure's primary reason (63%) is high cost (v. Hybrid 5%).
Insurance Attitudes	Uninsured are more likely to agree that: auto ins. costs more money than I have (59% v. 41%), many people similar to me don't have ins. (60% v. 42%); and less likely to say ins. companies are operated in a fair way (29% v. 41%)	Pure are more likely to agree that: auto ins. "costs more money than I have" (73% v. 48%), many people similar to me don't have ins. (68% v. 54%)
Availability & Affordability	Uninsured are more concerned about availability (67% v. 55%). Concern about affordability is very wide spread with uninsured slightly more concerned (91% v. 86%).	Pure have more concern about availability (74% v. 61%), but paradoxically less concern about affordability (80% v. 98%).
Tickets & Accidents	n.a.	Pure report having fewer tickets and accidents (22% v. 30%).

Of those who reported at least one uninsured vehicle and gave a reason why it was uninsured, there are marked differences between the pure and hybrid uninsured.

Vehicle does not run or it is not used was the top reason (49 percent) but it was given by 71 percent of the hybrid and only 20 percent of the pure.

Costs too much was given by 30 percent of the total, but only 5 percent of the hybrid and 63 percent of the pure.

From these data it appears the uninsured vehicle problem reflects two distinct populations. One is people who already have insurance on at least one vehicle they own and who have additional vehicles which either do not run, or which are used only occasionally. These are people already in the insurance system and are underwritten and rated by current procedures. These represent nearly 60 percent of the vehicles. The second population is the pure uninsured where the vehicle is usually driven, but where cost is a primary reason for not insuring. Since the bulk of the pure uninsured are in the one vehicle owned, one uninsured group, we will take a closer look at them.

About 86 percent have vehicles with model years older than 1990. Over 96 percent are older than 1994.

Cars are the vehicle in 70 percent of the cases and pickups about a quarter.

About 62 percent drive daily. About 14 percent drove less than five times a week and about 20 percent claimed to drive only about once a month to less than once a year.

About twenty percent of them had tickets or an at fault accident. Half with tickets or an accident also drive daily.

Of those reporting income, 71 percent were under \$20,000 per year.

About a third were married, the rest are single, divorced, separated or widowed.

About 34 percent were White, 45 percent Hispanic, 17 percent Black and the rest multi-cultural or Asian.

About 21 percent were under age 21, 24 percent 22-24, 38 percent 25-39 and 17 percent over 40.

There were 26.6 percent who reported less than high school, 40 percent finished high school and 33 percent reported more than high school.

Full or part time employment was reported by 55 percent, 13 percent were unemployed but looking, and the rest were retired, on welfare, students or homemakers.

This group of one owned, one uninsured is a younger, mainly unmarried and lower income population. Only 20 percent have any ticket or at fault accident. Of those with tickets, a third had only one, about 7 percent of the total. Under the good driver discount regulations, the 80 percent with no tickets and the 7 percent with one ticket, about 87 percent in all, would have qualified for the good driver discount if they met the three year experience requirement.

## Exception File Survey Findings

This survey was to get more information on persons identified as not matched between registered and insured files and to validate the extent to which there were some insured vehicles in this exception file due to the reporting problems described above. The winnowing process started with a 16,000 person random sample of the exception file, which was reduced due to lack of phone matching, inability to contact, or refusal to participate to collecting information on 804. We go into this detail to show how difficult such an effort is and how the final result cannot be said to represent the entire uninsured population.

The interview content was similar, but not identical to that used in the random survey due to our ability to specifically identify the vehicle that was in the exception file. We asked whether this was owned in June, 1997 (and now) by the respondent. For the validation purpose of the survey, we anticipated we would find about 34.2 percent in the exception file to be insured based on analysis of how many the insurers should have reported. Of the 804 contacted, some refused to participate in whole or part, and about 588 gave complete interviews. We found the sample insured rate to be about 40 percent. This is fairly close agreement given the biases introduced in the tele-matching and respondent contact processes.

Of those in the exception file survey reporting any uninsured vehicle:

About 13 percent owned one vehicle and it was uninsured about a third the rate of the random survey.

Of the 25 percent who owned two vehicles, only 5 percent had both vehicles uninsured, while the other 20 or so percent had one of the two insured, again lower than the random survey.

Of the 27 percent who owned three, only about 4 percent had all three uninsured, while the other nearly 23 percent had one or two insured, a higher rate than the random survey.

After four vehicles owned, there are virtually no pure uninsured in the sample as with the random survey.

Other differences with the random survey include the exception survey were less likely to be pure uninsured. They are more likely to be male, older, married, own their own home, employed, better educated, have slightly more income, come from Los Angeles county and more likely Hispanic.

Of those who reported at least one uninsured vehicle and gave a reason why it was uninsured, there are marked differences between the pure and hybrid uninsured.

Vehicle does not run was the top reason (63 percent) was given by 67 percent of the hybrid and 52 percent of the pure. For the pure, this was more than double the rate of the random survey.

“Costs too much” was given by about nearly 16 percent of the total, but by 14 percent of the hybrid and 22 percent of the pure, far fewer than in the random survey.

The population in the exception sample overlaps the RDD sample to some extent, but is clearly a somewhat different segment of the uninsured. While statistically we would have captured both in a survey that was large enough, we cannot say with these data at this time just how the two groups should be weighted to be representative of the entire uninsured population. Accordingly, we will not present data for the combined sample.

### Projections and Estimates

We have reported on the limitations on the RDD survey. It is, however, the only source which can be used to develop projections. If we use the results of the file match to reflect the control totals, the application of the RDD survey percentages gives some insight into the dynamics of the 5.3 million vehicles. We continue to work on the survey data to increase our level of confidence in the areas in which it is representative and appropriately used to project from the match data.

<b>Table 11: Number of Uninsured Vehicles and Owners (millions)</b>		
	Uninsured Vehicles	Owners
Pure	2.16	1.5
Hybrid	3.14	1.9
Total	5.3	3.4

Applying percentages from the random survey to the 5.3 million uninsured vehicles from the match shows about 3.4 million owners (we cannot estimate the number of multiple or joint owners). Of this 5.3 million uninsured vehicles, about 41 percent are “pure” uninsured (2.2 million) and 59 percent hybrid (3.1 million) vehicles. (Table 11)

Across all reporting an uninsured vehicle, average ownership is 2.6 vehicles (insured and uninsured) of which on average, 1.6 are uninsured. The pure uninsured report fewer by a full vehicle, 1.4 vehicles owned and, by definition, uninsured. This reflects the finding that the bulk of the pure uninsured are in the one vehicle owned, one uninsured category. Because of this lower level of ownership, the pure represent 1.5 million owners compared to about 1.9 million owners in the hybrid group. In the hybrid group, average ownership is about 3.6 of which 1.6 on



average are uninsured.

<b>Table 12: Number of Vehicles Uninsured</b>			
Number Uninsured	All Uninsured	Pure	Hybrid
1	2,371,000	1,046,000	1,325,000
2	1,465,000	628,000	837,000
3	523,000	209,000	314,000
4+	941,000	279,000	662,000
	5,300,000	2,162,000	3,138,000

Table 12 shows about 45 percent, 2.4 million, of the uninsured vehicles are in the one vehicle uninsured category. Less than half (44 percent) of those who have one vehicle uninsured are the pure uninsured, that is the only vehicle they own is uninsured. These would account for a million vehicles. The others with only one vehicle uninsured owned one or more other vehicles that were insured.

A little over 28 percent of the uninsured vehicles are by owners who have two uninsured vehicles, about 1.5 million. About 43 percent of these are pure, that is own two vehicles and both are uninsured, about 628,000 vehicles.

Where there are 3 or more uninsured vehicles, almost 1.5 million of the 5.3 million are represented. The pure represent about 33 percent of this group, about 480,000 vehicles.

From these data we can classify the uninsured roughly as follows:

A group of about 1.5 million “pure” uninsured, with 2.2 million vehicles, largely concentrated among those who own only one or at most two vehicles, who are somewhat younger, lower income and need their vehicles to get to school or work. This segment is outside of the insurance system. They are dependent upon their uninsured vehicle to get around.

A group of 1.9 million “hybrid” uninsured with 3.1 million uninsured vehicles, who own more than one vehicle, own at least one vehicle that is insured, and are somewhat better off economically. They are currently participating in the insurance system. Their uninsured vehicles tend to be in-operative or rarely driven.

**Discussion**

There are some people whose records are such that they cannot be insured and should not be driving. While a small percentage, there are no policy options that would make these high risk drivers worth insuring, and many should not be allowed on the roads at all. These are law enforcement not insurance problems. Certainly some concentrated enforcement of laws on the books in the highest incident zip codes or counties would be a start.

Many vehicle owners are already insured but could benefit from an option to buy very inexpensive coverage for rarely used vehicles. Many of these owners have no incentive at all to insure since their vehicle does not operate. These are not at the heart of the concern about the uninsured. If we take out of the equation those whose reasons for being uninsured are that the vehicle does not run or is not used, about 48 percent of the respondents, owning 57 percent of the uninsured vehicles, would be removed from the picture. This represents about 55 percent of the pure and 70 percent of the hybrid, and would leave only 2.2 million total uninsured vehicles. The nature of the problem becomes more focused on the pure uninsured group, most of whom are the ones about which the public is most concerned. Considering that this is the segment of the population that we most undercounted in the surveys, greater emphasis on remedies in this area would be appropriate.

For those hybrid uninsured who have vehicles that are used occasionally, or whose non-running vehicle is repaired from time to time, one possibility would be to offer in each renewal where there are already two or more insured vehicles, a very low price multi-car add-on for vehicles that are occasional use, under 500 miles per six months and covered for only minimum limits liability. We believe such a policy would be allowable under current regulations. The extremely low mileage used in the rating and, perhaps, additional stripped features would lead to low premium costs. For example, a named driver only rider may make sense because the fully insured vehicles would be available for permissive drivers.

For those with one or two vehicles and no insurance, there is a different problem. Some segment of these are people the carriers traditionally have avoided because of age or driving habits. Yet these fairly low income people need their cars to get to work if nothing else. What appears somewhat surprising is the number of them, nearly 90 percent, that might be eligible for the good driver discount. A home to work only policy, for example, might have several features that would bring the price down even for this group. At the outset, miles would be well down if no pleasure driving were covered. For example, the policy might not cover accidents that occur on weekends for people who do not work weekends. Such a policy could be underwritten only until such time as it takes for the owner to qualify for standard minimum limits coverage at good driver rates, or the owner could opt whether to move to standard coverage or remain in limited coverage.

As long as we wish to focus only on this segment, we would want to limit who could get the coverage and avoid adverse selection. Relativities could be based on industry wide data on drivers and vehicles similar to this population in order to get an initial cost basis. Later years would be based on actual loss cost experiences. It could be limited further to only those with one or two vehicles that do not have an at fault accident or more than two tickets, but who have been uninsured for a year or more. A driver with less than three years of experience with no tickets or

at fault accidents might be treated like a good driver in this program, especially if the driver has had driving training. This could then cover up to 90 percent of this group of uninsured.

These remedies could, we believe, largely be implemented under the Commissioner's current regulatory authority.

There are more things these data suggest that could be done to attack the uninsured problem. As we will report subsequently, there is a substantial absence of information, and some gross misinformation about the law, the cost of insurance and the value of insurance that could be attacked through public education efforts by a combination of the Department of Insurance, DMV, CHP and the insurance industry.

There could be some sticks in with all the carrots. There are vehicles that are and will remain uninsured because they are worth nothing and may well be polluters to boot and their owners have terrible driving records. Several states have started programs to confiscate uninsured vehicles, especially those for repeat offenders.

Once a low price product or products are available, they should be announced in a major public education effort.

### Conclusion

This preliminary look at some of the data identified two segments with different remedies in which one segment looks a lot like the insured and could be addressed with a set of fairly simple adjustments to existing multi-vehicle arrangements. The more difficult group is one that requires an approach that results in meeting their driving needs at a price they can afford. To do this might require a special policy that would cover occasional use, limited mileage, limited number of days or be something like a home to work policy, consistent with DMV policy which allows a special suspended license that permits only home to work driving.