

# **CALIFORNIA'S LOW COST AUTO INSURANCE PROGRAM**



**Report to the Legislature and  
Consumer Education and Outreach Plan**

**2009**

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The California Low Cost Automobile pilot program (“CLCA”) was enacted in 1999 to create an affordable insurance option for low-income, good drivers in Los Angeles County and the City and County of San Francisco to comply with California’s financial responsibility laws (SB 171, Escutia and SB 527, Speier).

Legislative modification and enhancement of the program occurred in 2002, with the enactment of Stats. 2002, Chapter 742 (SB 1427, Escutia). Among other things, the bill established the requirement for an annual report to the Senate and Assembly Committee’s on Insurance detailing the Insurance Commissioner’s plan to inform the public about the availability of the CLCA pilot program. In 2004, Stats. 2004, Chapter 920 (SB 1500, Speier) added additional requirements for CDI to report on the success of the program.

In 2005, Stats. 2005, Chapter 435 (SB 20, Escutia) authorized expansion of the program to all counties in California at the discretion of the Commissioner, subject to specified procedures, and mandated commencement of operations in Alameda, Fresno, Orange, Riverside, San Bernardino and San Diego counties on April 1, 2006. As authorized by legislation, in 2007 CDI announced plans to expand the program to all counties within California. The statewide rollout of the CLCA program was completed as of December 10, 2007.

Eligibility criteria, policy attributes, rate-setting standards and other requirements regarding the CLCA insurance program are set forth in the California Insurance Code (CIC), commencing with Section 11629.7.

Insurance Commissioner Steve Poizner shares the Legislature’s commitment to reduce the number of uninsured drivers on California’s roads and to make affordable liability insurance available to all consumers. As such, the Commissioner has made the CLCA insurance program a key component of his Strategic Vision which consists of a series of CDI programs and activities that focus on improving access to and availability of insurance services in low-income communities.

The report that follows includes the Commissioner’s assessment of the success of the program, details the activities and accomplishments of the past year, and outlines the consumer education and outreach plan for 2009.

The CLCA program provides an affordable auto insurance option for low-income, good drivers. The program is now available in all 58 counties within the State of California.

The California Automobile Assigned Risk Plan (CAARP) administers the CLCA program. CAARP assigns CLCA applications to licensed auto insurers based on each insurer's share of the California voluntary auto insurance market. Only producers (agents/brokers) certified by CAARP are authorized to submit program applications. Currently, there are approximately 5,400 producers certified by CAARP.

## Policy Features

The basic CLCA liability policy limits, as prescribed by state law, are \$10,000 for bodily injury or death per person in an accident, \$20,000 for bodily injury or death per accident, and \$3,000 property damage for each accident.

The annual premium rate for a CLCA liability policy varies by county. Several installment options are available, with a down payment as low as 15 percent of the total cost.

## Eligibility Requirements

- Applicant's annual household income may not exceed 250 percent of the federal poverty level.
- An applicant must be a "good driver," defined as having no more than one at-fault property damage accident, or no more than one "point" for a moving violation, but not both, no at-fault accident involving bodily injury or death in the past three years; and no felony or misdemeanor conviction for a violation of the California Vehicle Code.
- An applicant must be at least 19 years of age and a resident of the State of California.
- The applicant must have been continuously licensed to drive for the previous three years. In meeting the three year standard, up to 18 months of foreign licensure is acceptable, providing the applicant was licensed to drive in the United States or Canada for the preceding 18 months.
- The value of the vehicle to be insured may not exceed \$20,000.
- No more than two low-cost policies per person are permitted.
- A CLCA policyholder may not purchase a non-CLCA liability policy for any vehicle in the household.

## Consumer Education & Outreach Funding Sources

In 2005, AB 1183 (Vargas) authorized the use of up to five cents (\$0.05) of the 10-cent fee imposed on insurers for the purpose of improving consumer functions, subject to budget approval, to inform consumers about the existence of any low cost automobile insurance program authorized in law. In fiscal year 2008-2009, the Department allotted \$1,382,235.00 of these funds for the CLCA program.

The Department proposes to use approximately \$1,410,000.00 of the funds allocated, pursuant to California Insurance Code Section 1872.8, to fund the consumer education and outreach plan for the CLCA program in fiscal year 2009-2010.

# 2009 Consumer Education and Outreach Plan

The California Low Cost Automobile Insurance Program 2009 consumer education and outreach plan incorporates and builds upon the methods employed in the 2008 plan to meet the challenges of the program promotion within the State.

The core objective of the 2009 consumer education and outreach plan:

- Continue to develop and enhance consumer education and outreach activities within the State through partnerships with community-based organizations and government agencies

To accomplish the 2009 plan, the CDI will continue to build upon its efforts to raise consumer awareness about the program in collaboration with community-based organizations, and government agencies. The CDI will also continue to utilize the media for the placement of advertisements, work with its marketing and public relations firm, and seek opportunities to increase producer and community participation.

# FY 2009-2010 CLCA Proposed Consumer Education and Outreach Budget

Elements	Costs
<b>Consumer Education and Outreach</b>	<b>\$77,000</b>
<p>In partnership with community based organizations and government agencies, disseminate CLCA consumer education and outreach materials to increase consumer awareness about the program.</p> <ul style="list-style-type: none"> <li>• Postage, shipping and handling for bulk distribution of materials</li> <li>• Project management and staffing</li> </ul>	
<b>Consumer Education and Outreach Materials Development and Production</b>	<b>\$153,000</b>
<p>Develop and produce integrated CLCA consumer education and outreach materials: brochures, posters, inserts, flyers, collateral, and press kits.</p> <ul style="list-style-type: none"> <li>• Graphic design and layout</li> <li>• Design and produce consumer education materials for use in collaboration with community organizations and government agencies</li> <li>• Update and develop specialized distribution lists</li> <li>• Printing and production</li> <li>• Public relations consulting contract</li> <li>• Project management and staffing</li> <li>• Language translations</li> </ul>	
<b>Community Outreach Events</b>	<b>\$102,000</b>
<ul style="list-style-type: none"> <li>• Attend and/or arrange conferences, workshops, community and education events</li> <li>• Organize and conduct CLCA presentations, workshops or events</li> <li>• Related travel expenses</li> <li>• Project management and staffing</li> </ul>	
<b>CLCA Internet Web Page</b>	<b>\$51,000</b>
<ul style="list-style-type: none"> <li>• Development of Web-site concepts for ease of use by consumers</li> <li>• Project management</li> </ul>	
<b>Media and Advertising</b>	<b>\$1,020,000</b>
<ul style="list-style-type: none"> <li>• Advertising development and production</li> <li>• Advertising purchases</li> <li>• Public relations consulting contract</li> <li>• Project Management</li> </ul>	
<b>Miscellaneous Consumer Education and Outreach Activities</b>	<b>\$7,000</b>
<b>TOTAL</b>	<b>\$1,410,000</b>

## Consumer Education and Outreach Materials Development and Distribution

The CDI will distribute brochures and other outreach materials in partnership with government agencies, community-based organizations statewide for delivery to their clientele.

The CDI currently distributes materials through over 3,600 organizations. The list has expanded to include community based organizations, colleges, universities and government agencies serving CLCA eligible low-income consumers. Distribution of materials to partner organizations will be repeated periodically throughout the year and upon request.

CLCA outreach materials will also be distributed directly to consumers at community events and to producers requesting materials.

## Participation in Community and Government Agency-Sponsored Events

The CDI intends to work with governmental agencies, community-based organizations and producers to increase public awareness about the CLCA program. It will seek opportunities to participate in consumer events, educate the staff of governmental agencies and community organizations about the program, and encourage distribution of materials.

## Governmental Agency Collaboration

The CDI intends to expand existing outreach partnerships with other state and local governmental agencies, which serve low-income consumers, to increase consumer awareness of the existence of the CLCA program. Primary partnerships have been formed with the Los Angeles County Department of Public and Social Services (LADPSS), the State of California Department of Motor Vehicles (DMV), Department of Human Services, Head Start Centers, Women Infants and Children (WIC) program, Housing Authorities, and Workforce Development Programs throughout California.

## Producer Participation

The CDI will continue to seek opportunities to inform producers throughout the State about the program, and continue to work with CAARP to arrange producer education. For fiscal year 2009/2010 CDI plans to conduct four (4) Community Insurance Access Forums with producers and community based organizations with the intent of increasing the producer base and to give producers an opportunity to meet with community organizations in their respective counties.



## Training and Development Opportunities

One of the key components of the 2009 plan is to continue and expand educational opportunities for staff at agencies and organizations that serve low-income residents. The purpose of the education program is for staff to become knowledgeable about the CLCA and make appropriate referrals to CAARP, which administers the program. CDI intends to provide the necessary supplies and materials for distribution to consumers advising of CLCA.

## Media Campaign

A key goal of the advertising campaign will be to select the most effective and affordable media channels to reach low-income communities within the State. The CDI will be utilizing television and print advertisements in its media campaign in 2009.

## Print Advertising

The print publication campaign will continue to utilize community, the press and government publications to advertise the CLCA program. An emphasis will be placed on resource information publications such as the DMV Drivers Handbooks. The CDI will also seek out public service announcement opportunities.

## Television and/or Radio Advertising

Working in collaboration with its public relations firm, and in an effort to maximize advertising benefit, the CDI will focus program advertising buys with individual stations that serve several CLCA markets, in addition to Public Service Announcements and earned media opportunities

## Tracking Impact of Consumer Education and Outreach Activities

The impact of consumer education and outreach activities will be evaluated based on various data reports compiled by CAARP. The individual components of the outreach plan will be adjusted to focus resources on the activities that yield the best results.

The primary focus of the CDI's 2008 outreach activities was to continue to raise consumer awareness and increase the volume of program inquiries. This was accomplished in partnership with various community-based organizations, and state and local government agencies that serve those persons eligible for the program.

## **Consumer Education and Outreach Activities**

The CDI participated in over 198 CLCA events during 2008. Advertising concentrated on community based and ethnic specialty press to reach low-income communities in the most economic way. CDI staff educated producers on program particulars and sought to increase their participation in the program. A more detailed description of the CDI's 2008 outreach activities is provided below.

## **Consumer Education and Outreach Materials Development and Distribution**

In 2008, over 550,000 brochures were distributed to the general public, government agencies and community based organizations in the State.

## **Governmental Agency Collaboration**

Efforts to integrate the CLCA program with other state and local governmental agencies that serve low-income residents continued. These efforts focused on the Los Angeles Department of Public and Social Services (LADPSS), the California Department of Motor Vehicles (DMV), Department of Human Services, EDD Centers, Head Start Centers, the Women Infants and Children (WIC) program, Housing Authorities, and Workforce Development programs throughout California.

## **Community Based Organizations**

Throughout 2008, the CDI continued to develop relationships and partnerships with community based organizations in every county. CDI staff participated in a wide variety of events hosted by partner organizations ranging from Senior Citizen Organizations to work force agency events and street fairs. Program materials were distributed to community based organizations and the general public throughout California.

## **Producer Outreach**

Department staff continued to participate in the training course of CAARP providing information to newly licensed producers on the California Low Cost Automobile Insurance Program.

In September 2008 a Community Auto Insurance Access Forum was conducted in Sacramento, California. The purpose of the forum was to bring together Community Based Organizations and insurance producers to help promote partnerships intended to increase access to auto insurance within the community.

## **Community Based Advertising Campaign**

The consumer education and outreach plan utilized community based and the press, public service announcements, paid radio and television advertisements to advertise the CLCA program. The primary advertising goal was to select affordable publications and radio and television programs that targeted low-income communities within eligible counties.

## **Print Advertising**

In an effort to reach the largest audience within eligible communities in the most cost-effective manner, the CDI elected to advertise in community based and ethnic-specialty press. These ads enabled the Department to promote consumer awareness across a broad spectrum of communities and to amplify consumer education and outreach efforts. The print advertising campaign was delivered in English and Spanish via publications in various counties.

## 2008 Calendar Year Program Statistics

- Applications Assigned: 6,306
- Applications Received: 7,892
- Percentage of Applications Eligible for Assignment: 79.9%
  - Policies in Force: 10,619
  - Hotline inquiries: 94,366

CDI has determined that the California Low Cost Automobile Insurance program was successful in meeting each of the measurements of success specified in California Insurance Code section 11629.85, as amended by SB 1500 (Speier), SB 20 (Escutia) and AB 1183 (Vargas).

## 1. Rates Were Sufficient to Meet Statutory Rate-Setting Standards

The California Insurance Code specifies that rates shall be sufficient to cover losses and expenses incurred by policies issued under the program. Rate-setting standards also require that rates shall be set so as to result in no projected subsidy of the program or subsidy of policyholders in one county by policyholders in any other county. Consistent with these standards, the program rates in effect during 2008 generated sufficient premiums to cover losses and expenses incurred by CLCA policies issued under each respective county program.

## 2. Program Served Underserved Communities

The CDI believes it is meeting this standard, as evidenced by the following:

- Household incomes of all policyholders do not exceed 250% of the federal poverty level. In fact, CAARP statistics document that 77% of policies issued in 2008 were issued to applicants whose household income was at or below \$20,000 per year.
- 6,306 policies were assigned in 2008, thus providing access to an affordable insurance option for low-income households
- An applicant's vehicle at the time of application can not exceed \$20,000. The predominant vehicle value for policies issued in 2008 was less than \$5,000.

## 3. Program Offered Access to Previously Uninsured Motorists, thus Reducing the Number of Uninsured Drivers

Statistics compiled by CAARP demonstrate that, in 2008, 70% of new policies assigned were to applicants who were uninsured at the time of application. With the implementation of the CLCA, thousands of formerly uninsured drivers are now insured through the CLCA Program.

## 4. Administrative Costs

For fiscal year 2008-09, the Department allocated approximately \$1,382,235.00 of SB 940 (Speier) and AB 1183 (Vargas) funds for CLCA consumer education and outreach activities. The CLCA program is administered by CAARP, whose administrative costs are reflected and reported in the accompanying annual CAARP report and budget.

CDI considers the California Low Cost Automobile Insurance program a component to making liability insurance affordable and available to all consumers in California, and is committed to the program's success. CDI believes the program shows promise in helping reduce the number of uninsured drivers on California roads.

Through the elements described in the 2009 Consumer Education and Outreach Plan, the CDI expects to further raise consumer awareness, increase the volume of inquiries about the program and the number of policies assigned.

CDI seeks to aggressively promote the program to underserved communities in order to make insurance affordable to more Californians.

CDI is committed to making the California Low Cost Automobile Insurance program a model for the nation.