



CALIFORNIA'S LOW COST AUTO INSURANCE

Sponsored by the California Department of Insurance



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California Automobile Assigned Risk Plan

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Report to the Legislature & Consumer Education and Outreach Plan

2016

Prepared for the California State Legislature on March 15, 2016, as required by Insurance Code section 11629.85.

California Low Cost Automobile Insurance Program's Hotline: 1.866.602.8861

Consumer website: www.mylowcostauto.com | Facebook Page: www.facebook.com/mylowcostauto

Twitter page: www.twitter.com/CALowCostAuto

CAARP website: www.aipso.com/PlanSites/CaliforniaLowCost.aspx

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EXECUTIVE SUMMARY

California's Low Cost Automobile Insurance Program (CLCA) continues to be a very much needed program for Californians. Since inception, 110,823 Californians have received insurance through the program. At the end of 2015, there were 15,404 active policies, 1,610 cancelled policies, and 2,010 renewed policies. According to statistics from the California Automobile Assigned Risk Plan (CAARP), approximately 96.42% of applications assigned were from uninsured motorists at the time of their CLCA policy application.

As a result of AB 60 (Alejo 2013) and SB 1273 (Lara 2014), barriers to participation in CLCA are reduced for income-eligible consumers. AB 60 authorized undocumented immigrants to obtain drivers licenses effective January 1, 2015. California Department of Motor Vehicles (DMV) reported that 605,000 undocumented drivers obtained AB 60 drivers licenses in 2015.

The California Department of Insurance (CDI) received general inquiries about whether there was a corresponding increase in automobile insurance. CDI is currently surveying insurance companies regarding auto insurance policies sold in 2015 and this data should be available spring 2016.

California Senate Bill 1273 (Lara 2014) was signed into law and took effect January 1, 2015. This legislation expands eligibility for the CLCA program by allowing more low-income drivers to participate in the program. It also:

- Extends the "sunset date" for the CLCA program to January 1, 2020;
- Increases commission paid to producers from \$35 to \$50 for each CLCA policy sold;
- Increases limits on the values of vehicles insured from \$20,000 to \$25,000; and
- Eliminates the requirement that drivers be continually licensed for three years, thus allowing new drivers and younger drivers to qualify for the program (while incurring an additional surcharge).

During 2015, CDI and CAARP made a number of changes to the program. CDI and CAARP:

- Adopted a new 30% surcharge, effective January 1, 2015, for drivers without three years of documented driving history;
- Moved website from CAARP to CDI contractor, designed to be more consumer-centric, and meet SB 1273 requirements;
- Allowed credit/debit for initial payment and made progress towards accepting credit/debit card for installment payments; and
- Updated reporting to better distinguish cancellations, new policies, and re-writes.

In 2015, CDI introduced a campaign which will allow for information to be delivered to potential customers through partnerships with Community Based Organizations.

Important changes adopted in 2016 include:

- Consumer online application, eliminating the need to visit a producer, effective Feb. 1, 2016;
- Commission for producers increased from \$35 to \$50, effective Jan. 1, 2016; and
- Contracted with Primary Online Producer.

CLCA's motto for 2016: Auto Insurance is required by Law! The CLCA program will help income-eligible motorists comply with the law and new program regulations.

THE PROGRAM

California law requires that all drivers of vehicles within the State maintain evidence of financial responsibility.

California's Low Cost Automobile Insurance Program (CLCA) was established by the State Legislature in 1999 and exists pursuant to California Insurance Code Section 11629.7. The program is designed to provide income-eligible persons with liability insurance protection at affordable rates and is a way to meet California's financial responsibility laws.

CLCA began operation in 2000 as a pilot program in the counties of Los Angeles and San Francisco. Since 2007, the program has been available in all 58 counties of the State.

FUNDING FOR PROGRAM OUTREACH

Funding for California's Low Cost Automobile Insurance Program outreach is provided by a \$0.05 special purpose assessment on each vehicle insured in the state used to inform consumers about the program. The authority for the special purpose assessment is scheduled to sunset on January 1, 2020 (California Insurance Code Section 1872.81).

The funding for the CLCA program for FY 2015/16 totals \$1,191,814. The use of the funding is as follows:

FY 2015 16 ELEMENTS	COST
Advertising and Outreach Contracts	\$1,018,107
Materials Development and Production	\$69,622
Information Systems and Website Development	\$62,384
Consumer Education and Outreach	\$ 41,701
Total	\$1,191,814

Proposed funding for FY 2016-17 is \$1,189,925. Preliminary use of funding is allocated as follows:

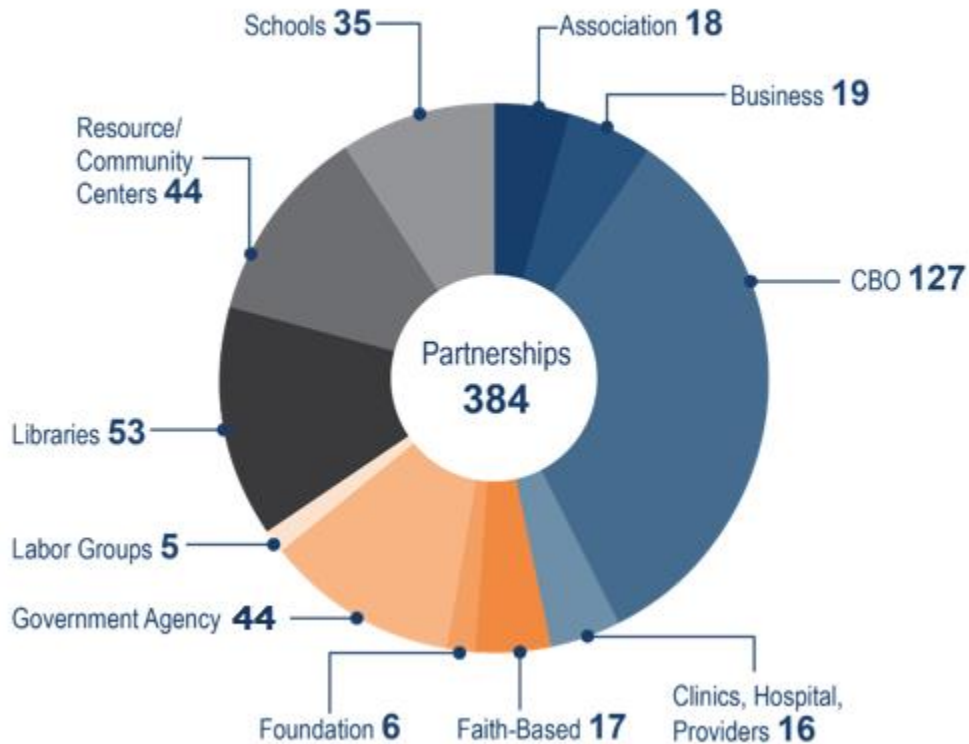
Proposed FY 2016 17 ELEMENTS*	COST
Advertising and Outreach Contracts	\$1,101,191
Materials Development and Production	\$88,734
Total	\$1,189,925

* While this annual report is based on the calendar year, the budget associated with this program is based on the fiscal year. More detailed elements are determined mid-year.

SUMMARY OF 2015 ACTIVITIES

The California Department of Insurance engaged a program design and management contractor for outreach and marketing activities. The scope of services included partnership development, collateral materials development, and outreach events in fiscal year 2015 – 2016. Detailed descriptions are provided in later sections.

Partnerships - 384



CDI also continued its partnership with the Department of Motor Vehicles at 73 locations.

CDI updated and distributed the collateral materials listed below.

Collateral Materials



- Multi-language brochure
- English posters
- Spanish posters
- Auto document cases
- Tip Cards
- FAQs
- Fact Sheets
- Window Clings
- Producer-focused handout
- Co-branding brochure
- Pop up banners

CDI participated in community events, statewide, informing consumers about the program.

Outreach Events 160 Total Events and 75,053 Total Participants



THE RATES

California Insurance Code Section 11629.72 provides that rates for CLCA policies shall be reviewed and revised annually. CAARP shall submit the loss and expense data, with a proposed rate and surcharge for the program, to the Commissioner for approval.

The rates are required to be sufficient to cover losses incurred and expenses, including, but not limited to, costs of administration, underwriting, taxes, commissions, and claims adjusting. The term “losses incurred” means claims paid, claims incurred and reported, and claims incurred, but not yet reported.

The rates are required to be set so as to result in no projected subsidy of the program by policyholders of insurers issuing policies under the program who are not participants in the program.

In addition, the rates are required to be set with respect to the program so as to result in no projected subsidy by policyholders in one county of policyholders in any of the other counties.

As required by California Insurance Code Section 11629.85(c) (5), the rates for each county for calendar years 2015 and 2016 are shown on the following subsequent pages.

2016 rates illustrate the 30% surcharge for drivers with no documented driving history that was added by SB 1273 (Lara 2014).



Making low cost auto insurance available to Californians.



BASE Rate in the chart below is for most drivers with 3 years of good driving history
25% Surcharge if the driver is a single male 19-24 years old
30% Surcharge if the driver has less than 3 years of verifiable driving history

THE MAXIMUM SURCHARGE ON ANY CLCA POLICY IS 30%. RATES EFFECTIVE 01/01/2015.

COUNTY	ANNUAL LIABILITY PREMIUM			COUNTY	ANNUAL LIABILITY PREMIUM		
	BASE	25%	30%		BASE	25%	30%
Alameda	\$261	\$326	\$339	Orange	\$363	\$454	\$472
Alpine	\$225	\$281	\$293	Placer	\$225	\$281	\$293
Amador	\$225	\$281	\$293	Plumas	\$251	\$314	\$326
Butte	\$251	\$314	\$326	Riverside	\$225	\$281	\$293
Calaveras	\$225	\$281	\$293	Sacramento	\$261	\$326	\$339
Colusa	\$251	\$314	\$326	San Benito	\$213	\$266	\$277
Contra Costa	\$261	\$326	\$339	San Bernardino	\$225	\$281	\$293
Del Norte	\$251	\$314	\$326	San Diego	\$225	\$281	\$293
El Dorado	\$225	\$281	\$293	San Francisco	\$261	\$326	\$339
Fresno	\$213	\$266	\$277	San Joaquin	\$261	\$326	\$339
Glenn	\$251	\$314	\$326	San Luis Obispo	\$213	\$266	\$277
Humboldt	\$251	\$314	\$326	San Mateo	\$261	\$326	\$339
Imperial	\$225	\$281	\$293	Santa Barbara	\$213	\$266	\$277
Inyo	\$225	\$281	\$293	Santa Clara	\$261	\$326	\$339
Kern	\$225	\$281	\$293	Santa Cruz	\$213	\$266	\$277
Kings	\$213	\$266	\$277	Shasta	\$251	\$314	\$326
Lake	\$251	\$314	\$326	Sierra	\$225	\$281	\$293
Lassen	\$251	\$314	\$326	Siskiyou	\$251	\$314	\$326
Los Angeles	\$363	\$454	\$472	Solano	\$251	\$314	\$326
Madera	\$213	\$266	\$277	Sonoma	\$251	\$314	\$326
Marin	\$261	\$326	\$339	Stanislaus	\$261	\$326	\$339
Mariposa	\$225	\$281	\$293	Sutter	\$261	\$326	\$339
Mendocino	\$251	\$314	\$326	Tehama	\$251	\$314	\$326
Merced	\$213	\$266	\$277	Trinity	\$251	\$314	\$326
Modoc	\$251	\$314	\$326	Tulare	\$213	\$266	\$277
Mono	\$225	\$281	\$293	Tuolumne	\$225	\$281	\$293
Monterey	\$213	\$266	\$277	Ventura	\$225	\$281	\$293
Napa	\$251	\$314	\$326	Yolo	\$251	\$314	\$326
Nevada	\$225	\$281	\$293	Yuba	\$225	\$281	\$293

2016 Rates



**CALIFORNIA'S
LOW COST
AUTO INSURANCE**

**Making low cost auto insurance
available to Californians.**



BASE Rate in the chart below is for most drivers with 3 years of good driving history
25% Surcharge if the driver is a single male 19-24 years old
30% Surcharge if the driver has less than 3 years of verifiable driving history
THE MAXIMUM SURCHARGE ON ANY CLCA POLICY IS 30%. RATES EFFECTIVE 01/01/2016.

COUNTY	ANNUAL LIABILITY PREMIUM			COUNTY	ANNUAL LIABILITY PREMIUM		
	BASE	25%	30%		BASE	25%	30%
Alameda	\$301	\$376	\$391	Orange	\$428	\$535	\$556
Alpine	\$253	\$316	\$329	Placer	\$253	\$316	\$329
Amador	\$253	\$316	\$329	Plumas	\$270	\$338	\$351
Butte	\$270	\$338	\$351	Riverside	\$253	\$316	\$329
Cajaveras	\$253	\$316	\$329	Sacramento	\$301	\$376	\$391
Colusa	\$270	\$338	\$351	San Benito	\$241	\$301	\$313
Contra Costa	\$301	\$376	\$391	San Bernardino	\$253	\$316	\$329
Del Norte	\$270	\$338	\$351	San Diego	\$253	\$316	\$329
El Dorado	\$253	\$316	\$329	San Francisco	\$301	\$376	\$391
Fresno	\$241	\$301	\$313	San Joaquin	\$301	\$376	\$391
Glenn	\$270	\$338	\$351	San Luis Obispo	\$241	\$301	\$313
Humboldt	\$270	\$338	\$351	San Mateo	\$301	\$376	\$391
Imperial	\$253	\$316	\$329	Santa Barbara	\$241	\$301	\$313
Inyo	\$253	\$316	\$329	Santa Clara	\$301	\$376	\$391
Kern	\$253	\$316	\$329	Santa Cruz	\$241	\$301	\$313
Kings	\$241	\$301	\$313	Shasta	\$270	\$338	\$351
Lake	\$270	\$338	\$351	Sierra	\$253	\$316	\$329
Lassen	\$270	\$338	\$351	Siskiyou	\$270	\$338	\$351
Los Angeles	\$428	\$535	\$556	Solano	\$270	\$338	\$351
Madera	\$241	\$301	\$313	Sonoma	\$270	\$338	\$351
Marin	\$301	\$376	\$391	Stanislaus	\$301	\$376	\$391
Mariposa	\$253	\$316	\$329	Sutter	\$301	\$376	\$391
Mendocino	\$270	\$338	\$351	Tehama	\$270	\$338	\$351
Merced	\$241	\$301	\$313	Trinity	\$270	\$338	\$351
Modoc	\$270	\$338	\$351	Tulare	\$241	\$301	\$313
Mono	\$253	\$316	\$329	Tuolumne	\$253	\$316	\$329
Monterey	\$241	\$301	\$313	Ventura	\$253	\$316	\$329
Napa	\$270	\$338	\$351	Yolo	\$270	\$338	\$351
Nevada	\$253	\$316	\$329	Yuba	\$253	\$316	\$329

2016 OUTREACH AND ADVERTISING PLAN

CDI has worked with an outreach program design and management contractor, Richard Heath & Associates Inc. (RHA), to create a customized outreach and advertising campaign based on demonstrated knowledge of the target consumer. This grassroots outreach approach is founded on the understanding of income-eligible consumers and recognition that a variety of channels and messages are needed to reach the diverse segments of the income-eligible market in California.

Program Goals

CDI's goal through this campaign is to increase enrollment in the CLCA program and decrease the overall number of uninsured motorists.

The expected outreach and advertising goals during 2016 include:

1. Increase the number of consumers enrolled in CLCA annually;
2. Increase awareness of CLCA and the number of people reached through the media campaign;
3. Conduct and facilitate eligibility questionnaires;
4. Increase program awareness through increased website total page views per year;
5. Develop partnerships with producers to increase conversion rates and enrollments; and
6. Develop, deploy, and maintain a new online application for consumers.

Targets

The CLCA program works with organizations such as the Metropolitan Area Advisory Committee on Anti-Poverty (MAAC) and Catholic Charities Diocese of San Diego to conduct outreach and support campaigns related to providing driver's license information for newly eligible drivers regardless of immigration status. Immigration advocates are already working to ensure successful implementation of AB 60. Organizations such as Catholic Diocese of California and the coalition DriveCA conduct training workshops and classes to prepare newly eligible individuals for the DMV process. These organizations are actively conducting outreach to the newly eligible populations by providing information and resources for applying for a driver's license.

Objectives

The 2016 objectives for the outreach and advertising plan are provided in the charts below.

Outreach Strategy	2016 Objectives
Outreach Partner Network	Secure and train new Outreach Partners and provide technical assistance and strategic support to existing Outreach Partners to assist consumers in completing the eligibility questionnaire.
Presentations and Collateral Placement	Secure and complete presentations to organizations that interact with the target market. The call-to-action is to secure pro bono placement of collateral materials to leverage consumer traffic and the organizations' trusted messenger relationship with their constituency.
Events	Identify and staff events frequented by the target market.
Newsletters / Website Links	Secure pro bono newsletter article placement and website links to disseminate and distribute CLCA information directly to consumers and to those that interface with income-eligible consumers.
Community Collaboratives	Participate in community collaboratives to promote the program and broker relationships with service agencies.
OP/Producer Partnerships	Connect each Outreach Partner and Producers to facilitate shared resources, collaborative lead generating events/activities, improve services, and build social currency.

Advertising Strategy	2016 Objectives
Brand Evolution	Assess existing CLCA brand and recommend a brand evolution that is current and relevant.
Mass Media	Develop a comprehensive media plan that includes radio, digital media, social media, and mailings in primary target counties.
Collateral and Materials Development	Refresh or redesign materials based on the brand evolution. "Auto Insurance is required by law!"

Information Systems	2016 Objectives
Mylowcostauto.com Website	CDI, CAARP and RHA launched the fully online application required by SB 1273 (Lara 2014) on February 1, 2016.

Community Based Organization Partnership Opportunities

Outreach to community based organizations will continue through an outreach program design and management contract which took effect December 1, 2014. The outreach program will consist of:

- Recruitment and selection of organizations most aligned with the CLCA targeted population;
- Development of goals, tracking progress, and providing oversight of Outreach Partners¹; and
- Conducting outreach activities, including education, about the CLCA program, program enrollment assistance, and seeking additional partner referrals through Network Organizations.²

¹ Outreach Partners are contracted with RHA to conduct outreach and increase enrollments.

² Network Organizations are non-compensated and increase CLCA awareness through collateral placement.







The outreach program design and management contractor will continue to recruit mission aligned community based organizations with the following characteristics:

- Established successes with the target population;
- Locations in Southern California with a multi-county or statewide reach;
- Proven track record of developing and successfully managing community outreach networks;
- Culturally and linguistically appropriate staff; and
- Ability to engage consumers and achieve program goals.

The contractor secured 391 Network Partners (non-compensated) in 2015. These mission-aligned organizations provide pro bono support to the program. They place complimentary ads in their community newsletters, website, or social networking pages and distribute collateral throughout their organization, network, affiliates, and directly to their clients/constituents. The Network Partners have exponentially expanded program reach to the target audience and assist in marketing the program to hard-to-reach communities. The contractor anticipates recruiting an additional 150 Network Partners in 2016.

In addition, the contractor will continue to recruit, train, and support Outreach Partners (contracted and compensated) who serve as trusted messengers by providing outreach and education, as well as complete CLCA eligibility questionnaires with prescreened consumers. Fifteen Outreach Partners were secured in 2015.

For 2016, the program outreach deliverables are:

<i>Deliverable</i>	<i>July 1, 2015 – June 30, 2016*</i>
 Community Events	100
 Pro Bono Newsletters	20
 Presentations	450
 Collateral Placements	200,000 – 500,000
 Outreach Partners	15
 Broker Outreach Partner/Producer Relationships	15

*FY 2016-17 program deliverables to be determined midyear 2016.

Website

Mylowcostauto.com will continue to drive more unique users, more page views and click through traffic through 2016. The website will continue its consumer education, with qualifying criteria and county pricing information, and a link to an eligibility questionnaire. Google Analytics provides reporting of site traffic. The website will continue to serve as the primary source of information and education about the CLCA program.

To engage producers and make it easier for them to communicate CLCA program information to their customers, a “For Agents” page was created in 2014. In 2015, the “For Agents” page was updated and provides a downloadable ordering page for no-cost CLCA materials and current information pertaining to changes occurring within the CLCA program. Google Analytics will be maintained to provide up-to-date monitoring and reporting.

The CLCA website is a critical piece of the advertising and outreach plan, serving as the hub of program information and eligibility processing. The following enhancements were made in 2015:

- Incorporation of the brand refresh, including colors, fonts and images;
- Copy editing of website and eligibility questionnaire to ensure consumer-friendly language;
- Incorporation of SB 1273 amendments;
- Reconfiguration of page layouts so eligibility questionnaire start is prompted on most pages;
- Conversion of website to mobile-friendly, optimizing content placement for mobile use;
- Improvement of search engine optimization;
- Incorporation of a social media feed to the home page;
- Addition of appropriate code for retargeted digital advertising; and
- Enhancement of Google Analytics tracking features and reporting.

For 2016, the CLCA website introduced a feature where consumers can complete the eligibility questionnaire and complete an online application before meeting with a producer. Additionally, website use data will continually be monitored to identify updates and enhancements to improve the consumer experience.

Social Media

CDI will continue its robust social media campaign, including the utilization of Facebook, Twitter and YouTube. The number of Facebook followers increased 29% from January 2015 to January 2016. CDI’s Twitter page aims to provide educational information to both producers and consumers, highlighting the CLCA program as well as useful driving information. The page also cross promotes with DMV and its programs. CDI’s Twitter followers have continued to grow over the past year, and as of January 2016 experienced a 32.2% increase from the previous year. Facebook and Twitter strategies include both traditional/organic social marketing and paid advertising to select target population, including Facebook ads created from English and Spanish posts and Twitter lead cards to geographically targeted audiences based on specific hashtag searches such as #usedcar, #driverslicense, #insurance, etc. Organic content and paid posts will be carefully monitored to optimize engagement. Organic content will reach all markets throughout the state.

This media strategy allows for geo-, demo- and psycho-graphically targeted advertising while providing a specific call-to-action and opportunities for engagement of:

- ✓ Newly licensed eligible populations regardless of immigration status
- ✓ Latinos

Digital Advertising

A multi-pronged digital advertising strategy will include:

- Direct ads placed with targeted websites serving the target audiences;
- Third party aggregators who serve ads on hundreds of sites to target audience specifications;
- Retargeted ads utilizing cookies picked up on the CLCA website, which follows users as they navigate alternative sites; and
- Search engine marketing, utilizing Google AdWords, which place ads based on geographic and keyword data.

Digital ads will be displayed in English or Spanish depending on data cues including source sites or browser preferences, and all digital advertising will be mobile-optimized. Ad formats will include static, and potentially animated, images and video messages.

To optimize the reach and frequency exposure, ads will be monitored, evaluated, and placed on days that show the best results. Then, based on performance, the impressions per ad will be changed to reflect user interaction.

This media strategy also allows for engagement with geo-, demo- and psycho-graphically targeted advertising while providing a specific call-to-action for these identified markets depending on the website and visitor audience:

- ✓ Newly licensed eligible populations regardless of immigration status
- ✓ Latinos

CLCA Collateral Materials

CDI updated its collateral materials and is in the process of updating additional campaign materials as part of its public education and outreach campaign. Materials include:

- Two-sided pamphlets in English and other language
- Double sided English/Spanish DMV tip card
- Auto document case
- CLCA contact business card
- Frequent Asked Question sheets in 11 languages
- Car wraps
- Pop-up banner screen replacements
- Program tablecloths
- Small event banners

Rack Cards

廉价车险

CALIFORNIA'S LOW COST AUTO INSURANCE | mylowcostauto.com

为什么... 如果您持... 法律要求... 保险是一... 的汽车保...
 谁符合... 合格的驾...
 • 持有有...
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 1 在ww... 填写...
 2 免费...
 3 完成...
 如果您无... 1-866-602-8861

Seguro de auto económico

CALIFORNIA'S LOW COST AUTO INSURANCE | mylowcostauto.com

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Affordable Auto Insurance

CALIFORNIA'S LOW COST AUTO INSURANCE | mylowcostauto.com

Why is this program important?
 If you have a valid driver's license and drive a vehicle, the law requires that you have auto insurance. California's Low Cost Auto Insurance is a state-sponsored program that makes auto insurance affordable, helping you drive responsibly and legally.

Who qualifies for this program?
Qualifying drivers must:

- Have a valid California driver's license
- Own a vehicle valued at \$25,000 or less
- Meet income eligibility requirements
- Be at least 19 years old

Who is eligible?
These are the maximum income levels by household size for eligibility:

- 1 Person - \$29,425
- 2 People - \$39,825
- 3 People - \$50,225
- 4 People - \$60,625

Additional eligibility levels available on the website.

What does it cost?
 The annual premiums in California vary by county, ranging from **\$244** to **\$556**. Discounts are available if the consumer has been a licensed driver with 3 years of good driving history. To check the rates in your county or calculate a payment schedule, go to www.mylowcostauto.com/coverage.

How do I sign up?
To apply, follow these 3 steps:

- 1 Complete the eligibility questionnaire at www.mylowcostauto.com
- 2 Connect with an insurance agent at no cost
- 3 Complete the application process

If you do not have internet access or need additional assistance, please call 1-866-602-8861.

Document Holder

CALIFORNIA'S LOW COST AUTO INSURANCE

MyLowCostAuto.com

1-866-602-8861

¿Involucrado en un accidente de auto?

- **¡DETÉNGASE!** ¡Quédese en el sitio del accidente!
- Llame a la policía si hay lesiones o daños en exceso de \$750.
- Utilice una cámara (si está disponible) para documentar las posiciones del vehículo, el daño y las placas de licencia.
- Si su vehículo es manejable, mueva el automóvil al lado de la carretera.
- Intercambie su licencia de conducir, el número de su póliza de seguro y el número de registro del vehículo con el otro conductor.
- Apunte siempre el día, la hora y el lugar del accidente.

CALIFORNIA'S LOW COST AUTO INSURANCE

MyLowCostAuto.com

1-866-602-8861

Involved in a collision?

- **STOP!** Do not leave the scene!
- Call the police if there are injuries or damage in excess of \$750.
- Use a camera (if available) to document vehicle positions, damage and license plates.
- If drivable, move your car to the side of the road.
- Exchange driver license, insurance policy number, insurance provider and vehicle registration with the other driver.
- Always note day, time and location of the collision.

Department of Motor Vehicle Partnership Opportunities

On October 3, 2013, AB 60 (Alejo) was signed by the Governor authorizing approximately 1.4 million undocumented immigrants to obtain driver licenses effective January 1, 2015. California Department of Motor Vehicles (DMV) reported that 605,000 undocumented drivers obtained AB 60 drivers licenses in 2015. CDI received inquiries about whether there was a corresponding increase in automobile insurance. CDI is currently surveying insurance companies about auto insurance policies sold in 2015 and this data should be available spring 2016.

However, not all 605,000 undocumented drivers that obtained an AB 60 driver license in 2015 will purchase or qualify for CLCA insurance, for a number of reasons:

- Californians do not need auto insurance to obtain a driver license;
- Eligibility requirements for CLCA are not met;
- Prior to AB 60, undocumented immigrants could register a car with a Matricula Consular or an out-of-state driver license; and
- An estimated 25 insurance companies sold automobile insurance to those who owned cars, but did not have a driver license.

CDI's contractor will participate in outreach events sponsored by DMV, Mexican Consulates, and legislative offices to advise new licensees of the importance of maintaining liability insurance.

CDI staff will continue to conduct weekly meetings with staff of the DMV to educate on the CLCA program and will also take the opportunity while at DMV offices to staff booths and meet with members of the public who are visiting DMV offices.

DMV has agreed to distribute 1.5 million tip cards to all new AB 60 license applicants. The tip card provides information about avoiding unscrupulous sales tactics by producers and other entities.

For 2015 CDI contracted for 12 months of CLCA public services announcement to be run in 16 DMV locations in Southern California. CDI has also arranged to advertise in the English & Spanish driver handbooks.

CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN (CAARP)

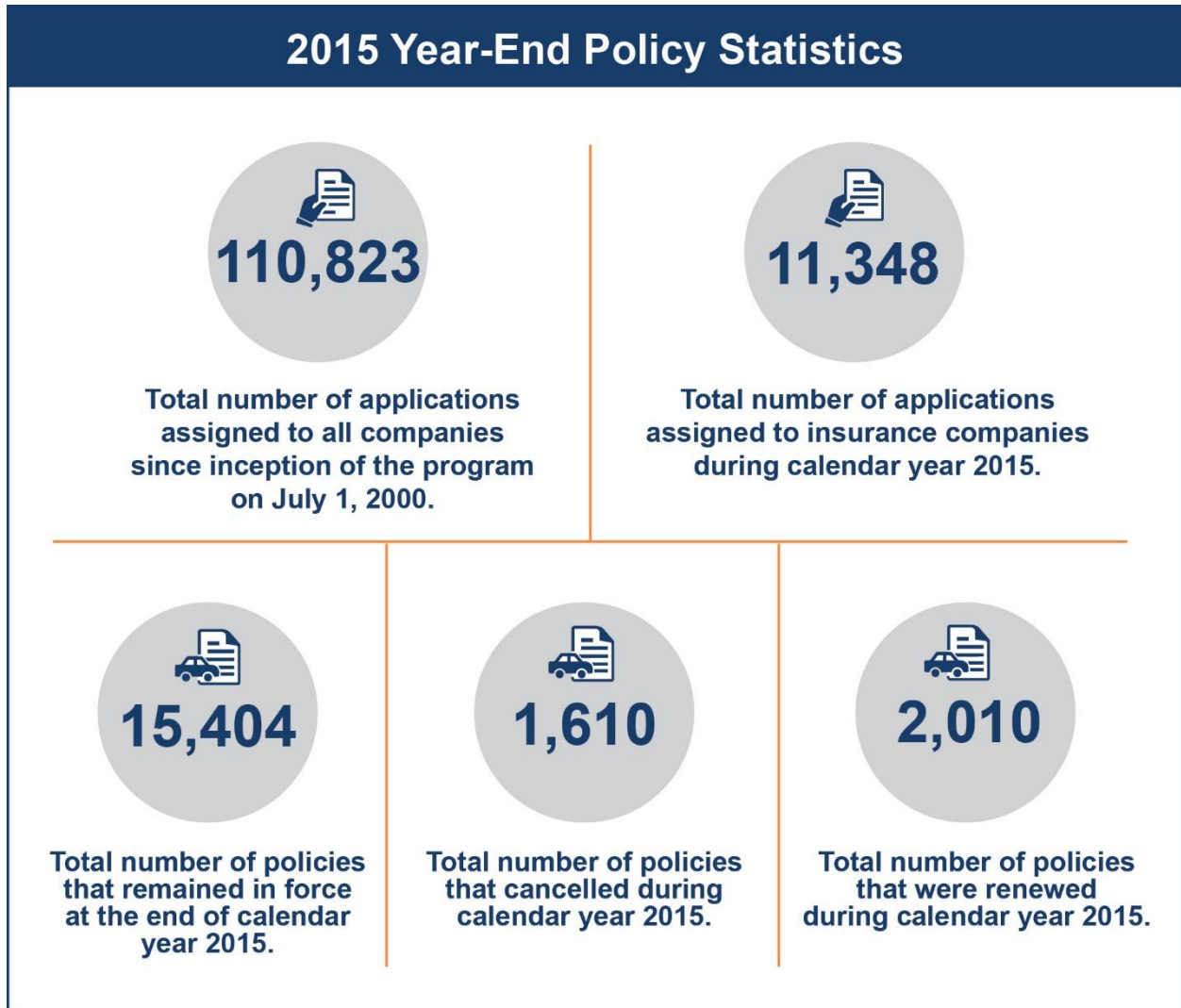
Pursuant to California Insurance Code Section 11629.81, the reporting requirements of the California Automobile Assigned Risk Plan to the Legislature have been combined with the CDI Report to the Legislature.

The CLCA program has been administered by the California Automobile Assigned Risk Plan (CAARP) since inception in 2000. CLCA applications are assigned to insurance companies from CAARP's administrative office in San Francisco. Applications are submitted by licensed fire and casualty agents or producers who are certified with CAARP to write the CLCA Program. Certification requires completion of training, which is primarily provided online. There are approximately 1,800+ CAARP certified producers as of February 19, 2016, of those; approximately 200 are lead accepting producers.

CAARP supports CLCA with customer service, monitoring producer compliance, and processing applications for assignment. This includes responding to email and phone inquiries from consumers, producers, and companies. CAARP, working with the Advisory Committee and CDI, monitors CLCA Plan

rules and develops rates proposals for the Commissioner’s consideration pursuant to California Insurance Code Section 11629.72.

CAARP collects and maintains data about the CLCA program. This includes information about applicants, certified producers, and the number of assigned applications.



During 2015, CAARP proposed amendments to the Plan of Operations. The proposed amendments are scheduled for approval through the Office of Administrative Hearings in spring 2016. The proposed amendments:

1. Clarify that a household assignment may be made under the household procedure if the company has a quota and is taking assignments.
2. Eliminate the printing and shipping of Plan manuals and forms (publications). Electronic publications are currently available on the AIPSO website.
3. Update the private passenger and commercial territory listings to include an additional zip code for the City of Sacramento.
4. Increase the commission rates from \$35 to \$50 for LCA policies, which would be applicable to both new and renewal LCA policies.
5. Allow LCA applicants and insureds to designate a third party to receive notices of lapse, termination, expiration, non-renewal, or cancellation for nonpayment of premium on their behalf at the time of application and at any time during the policy period.
6. Propose a separate minimum premium of \$50 per policy to reflect insurer obligation for commission payment and insurer costs associated with policy issuance and cancellation.

In 2015, CAARP worked with CDI to implement the provisions of SB 1273. SB 1273 requires a consumer-oriented website be established and maintained and that a plan be submitted, subject to the approval of the commissioner, allowing consumers to purchase a policy without physically visiting the office of a producer, upload documents, electronic signatures, and geographic linking of consumers to producers. The plan included the implementation of AB 1024 (Hueso 2011), which provides for the establishment of an online producer who has responsibility for processing online applications of program eligible consumers. As stated previously in this report, the online application was successfully launched on February 1, 2016. SB 1273 also expands applicant eligibility for a Low Cost Auto Insurance policy. To comply with SB 1273, the Low Cost Auto Insurance program has been enhanced as follows:

- A definition of the term “driver’s license” was introduced. A person unable to submit satisfactory proof that the individual’s presence in the U.S. is authorized under federal law may be eligible for a driver’s license if he or she meets all other qualifications.
- Applicant eligibility is expanded to include those 19 years of age or older who have not been continually licensed or have less than 3 years of driving history. They may qualify subject to a surcharge.
- The maximum value of the vehicle at the time of the application has been increased from \$20,000 to \$25,000 as indicated by the Vehicle License Fee (VLF) Code on the registration or certificate of title issued by the California Department of Motor Vehicles.

In addition to the enhancements, which are required to comply with SB 1273, the following changes have been made to the CLCA Program Plan of Operations:

- The definition section is amended to review the definitions of family and household to indicate how an applicant may demonstrate income eligibility.
- Section 22 is amended to delete references to eligibility and rating information related to insurer requests for information.
- Section 23 is amended to expand the application requirements to include listing of any family members for which the applicant is financially responsible for and the means tested program that may be used to verify income eligibility.

- Section 26 is amended to state premium payment options contained in that section pertain to Low Cost Auto Insurance policies with effective dates of December 31, 2014, or prior.
- New Section 26 A, applicable to policies with effective dates of January 1, 2015, and later, introduces a new installment premium payment option that requires a deposit of 20% of the estimated annual premium and provides seven monthly installments.
- Section 31 is amended to state the renewal procedures contained in that section pertain to Low Cost Auto Insurance policies with effective dates of December 31, 2014, and prior.
- New Section 31 A, applicable to policies with effective dates of January 1, 2015, and later, introduces provisions that streamline the renewal process by:
 - Eliminating the requirement that the insurer issue an annual renewal questionnaire to each insured to confirm eligibility;
 - Stating that the insurer may, on an as-needed basis, request underwriting and rating information from the insured at the start of the renewal process;
 - Clarifying that information received by an insurer earlier than the 40th day prior to expiration of the policy will be used to determine the renewal premium;
 - Stating that if the insured fails to respond to a request for information, the insurer may base its renewal offer on known policy information provided the insured continues to be eligible; and
 - Stating that if the risk is no longer eligible, the insurer may issue a nonrenewal notice.
- Section 32 introduces an assignment period of 36 months, eliminating the need for the applicant to re-qualify annually for a Low Cost Auto Insurance policy.
- Section 37 is amended to clarify the premium payment options available and introduce a new installment payment option featuring a deposit of 20% of the estimated annual premium and seven monthly installments for policies with effective dates of January 1, 2015, and later. It also introduces a new procedure for request for information which allows the insurer to obtain underwriting and rating information from the insured on an as-needed basis at the start of the renewal process and introduce an end of assignment period procedure which allows the insured to re-qualify for a Low Cost Auto Insurance policy and another 36 consecutive month assignment period.

DETERMINATION OF SUCCESS

CDI has determined that California's Low Cost Automobile Insurance program addressed and achieved each of the success measures specified in California Insurance Code section 11629.85.

Rates Were Sufficient to Meet Statutory Rate-Setting Standards

California Insurance Code Section 11629.72 provides that rates for the CLCA program 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 requirements, the program rates in effect during 2015 generated sufficient premiums to cover losses and expenses incurred by CLCA policies issued under each respective county program.

Program Served Underserved Communities

The statistics show that the program continues to serve and benefit underserved communities throughout California.

Household incomes of all policyholders do not exceed established federal policy guidelines. In fact, CAARP statistics show that approximately 87% of policies issued in 2015 were issued to applicants whose household income was at or below \$20,000 per year. Also, while the 2015 law stated that an applicant's vehicle at the time of application cannot exceed \$25,000, the predominant vehicle value for policies issued in 2015 was less than \$5,000.

Applications assigned in 2015 totaled 11,348, thus providing access to an affordable insurance option for income-eligible households.

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

Statistics compiled by CAARP demonstrate that in 2015, 96% of applications assigned to the program came from applicants who were uninsured at the time of application. Since the inception of the CLCA program, thousands of formerly uninsured drivers have been or are currently insured through the CLCA program.

STATUTORY REVISIONS

During 2016 CDI will continue to monitor participation in the CLCA program against established California Insurance Code laws, and CAARP Plan Guidelines, to determine the need for statutory revisions during the 2016 Legislative session. At this time, there are no recommendations to be made to the State Legislature.

IMPEDIMENTS TO SUCCESS

Program staff members view the following as impediments to greater CLCA success.

Eligibility Criteria

Very stringent eligibility requirements such as qualifying as a “good driver” (as defined in California Insurance Code Section 1861.025) and the household definition (all persons related by blood or marriage living under the same roof), continued to be problematic for the CLCA program during 2014.

For 2015, with the passage of SB 1273, the eligibility requirements of the program have been changed to allow drivers with less than 3 years driving experience to participate in the program. An actuarially sound premium surcharge rate of 30% will be applied to the base rate of the premium for each county. Also the definition of household has been changed for the program to define a household as being “All persons who can be claimed on a Federal or State Income Tax form.” This addresses previous issues of disqualification from a CLCA policy because blood-related relatives lived under the same roof and income from all persons in the living structure were considered one household.

The statistics clearly reflect that eligibility is an impediment to participation. In 2015, approximately 443,539 Californians expressed interest in the program, while only 51,444 were deemed eligible. In other words, only 12% of those who sought out the program were eligible to participate in it.

Converting “eligible” applicants into “insured” motorists

For 2015, 51,444 people were deemed eligible for CLCA, but only 22% of those eligible (11,348 applicants) visited a producer to complete the process of purchasing a CLCA policy. However, in 2015 the CLCA program experienced an 8.6% increase in policies assigned from 2014.

Increasing the number of eligible applicants who visit a producer would significantly increase the number of CLCA policies sold to motorists. For 2016, CDI will continue to work with CAARP to increase communication with eligible applicants, and to make it as easy as possible for them to visit a producer to purchase a policy. In addition, the newly introduced online application provides eligible applicants an easier way to apply without having to visit a producer.

CONCLUSION

The program has proudly met the success measures outlined in statute and CDI will continue to work aggressively in 2016 to promote California’s Low Cost Automobile Insurance Program.

The California Department of Insurance will also continue to advocate for changes to enhance the program on behalf of the State’s income-eligible motorists.