



Investigatory Hearing on the Use of Group Rating in Private Passenger Automobile Insurance

Background

- In May of 2019, Insurance Commissioner Ricardo Lara directed the CDI to investigate whether personal automobile Affinity Group discounts increased the cost of insurance for lower-wage, less-educated consumers, or for classes of consumers protected by the Unruh Civil Rights Act.
- That same month, the CDI sought information and data on this subject from a number of consumer organizations, insurance companies and other interested persons.
- In preparation for today's hearing, the CDI aggregated the personal automobile data in order to provide the public with more information about how Affinity Groups affect different classes of drivers.

Personal Automobile Data Included in Analysis

- CDI contacted 95 of the 168 companies actively writing personal automobile insurance in California to participate in the survey.
- Those 95 companies comprise 95% of the total personal automobile market, based on 2018 direct written premium.

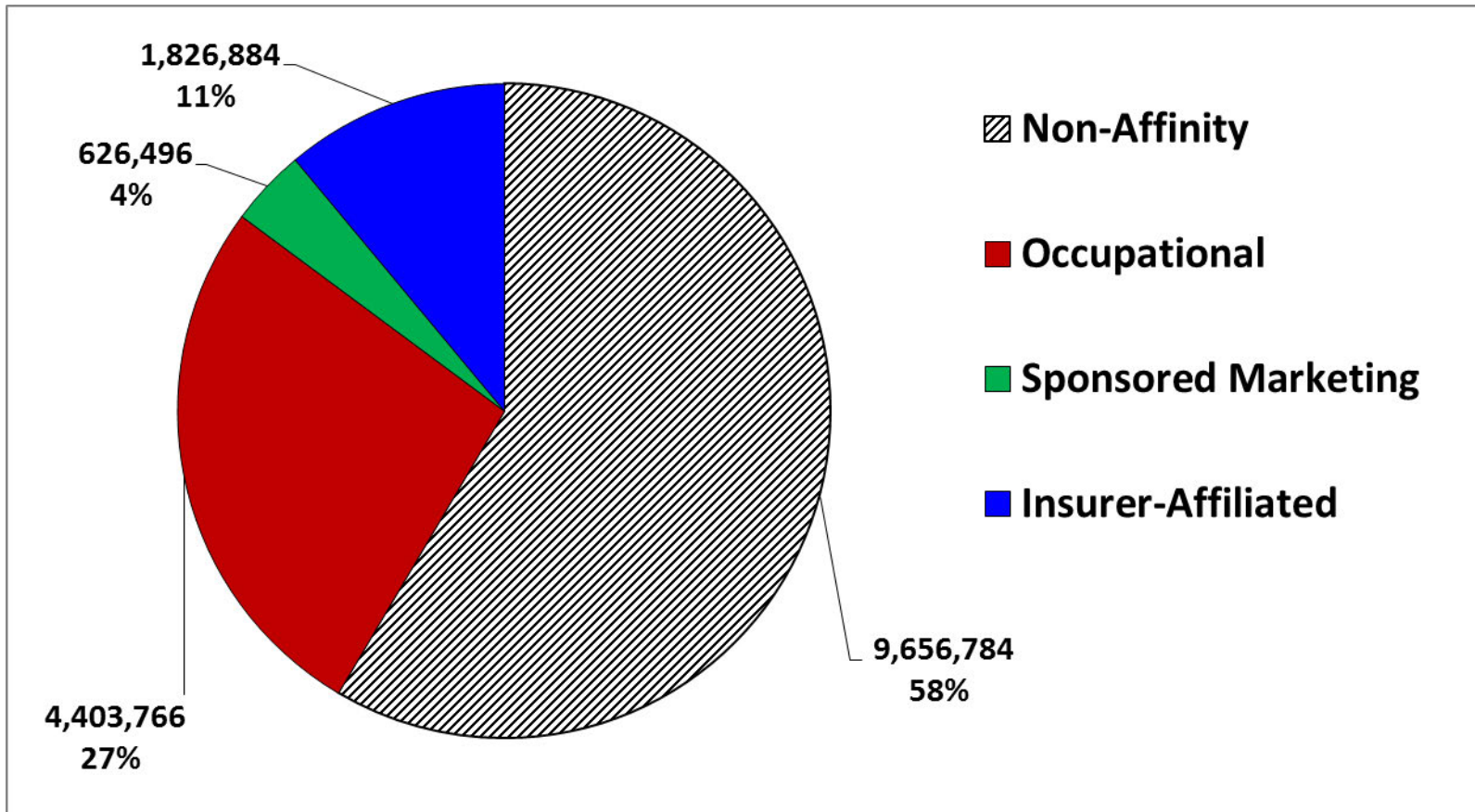
Personal Automobile Data Included in Analysis

- Of the 95 companies surveyed, 33 (representing 62% of the total personal automobile market) submitted survey data.
- Over 16 million insured vehicles are reflected in the results of this survey data.
- Of the 33 companies that submitted data in response to the survey, 100% offer Affinity Groups.

Affinity Group Categorization

- **Non-Affinity** – Includes all exposures not in any Affinity Group.
- **Occupational** - Includes military, public safety workers, licensed or credentialed professionals (e.g., lawyers, teachers) and other professionals (e.g., scientists, engineers).
- **Sponsored Marketing** - Includes members of professional associations, alumni associations, credit unions, fraternities/sororities, employer-sponsored groups, Costco, trade or advocacy groups (non-professional, e.g., Sierra Club).
- **Insurer-Affiliated** - Includes membership programs (e.g., motor clubs), employees of insurer.

Affinity Group Distribution



Over half of the vehicles included in the survey data are owned by Non-Affinity customers. Over one-quarter of the vehicles are owned by insureds who are in Occupational groups.

Affinity Group Differentials For Bodily Injury Coverage

	Occupational	Sponsored Marketing	Insurer-Affiliated
Min	1.5%	2.0%	5.0%
Max	25.0%	25.9%	10.5%
Median	7.7%	5.0%	8.0%
Wtd Avg	8.4%	6.1%	4.9%

Customers in Affinity Groups receive a reduction in premium that ranges from 1.5% to 25.9%, depending on insurer and Group.

Demographic Data by ZIP Code

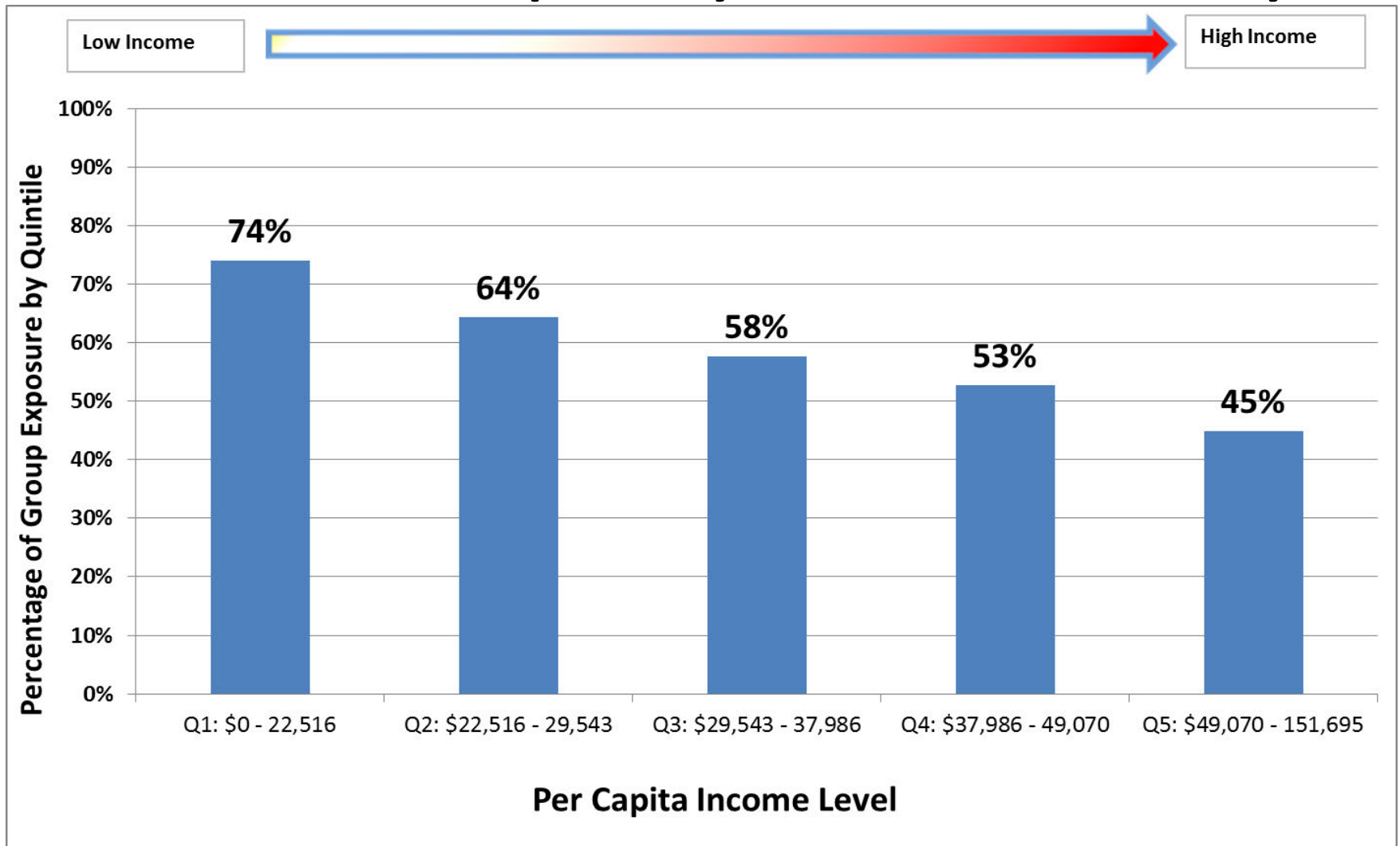
- The following slides use the aggregated Bodily Injury vehicle exposure data as of December 2018 by ZIP code provided by the industry.
- Demographics are appended to this data (per capita income level, educational level, non-Hispanic White %).
- ZIP codes are aggregated into quintiles, or sets, of approximately equal insured vehicle size based on their concentration of the demographic analyzed.
- The resulting graphics display a comparison of Affinity Groups by quintile.

Note: Demographic data was pulled from two sources: ESRI Demographics and CDX Technologies.

Quintile Approach – Per Capita Income

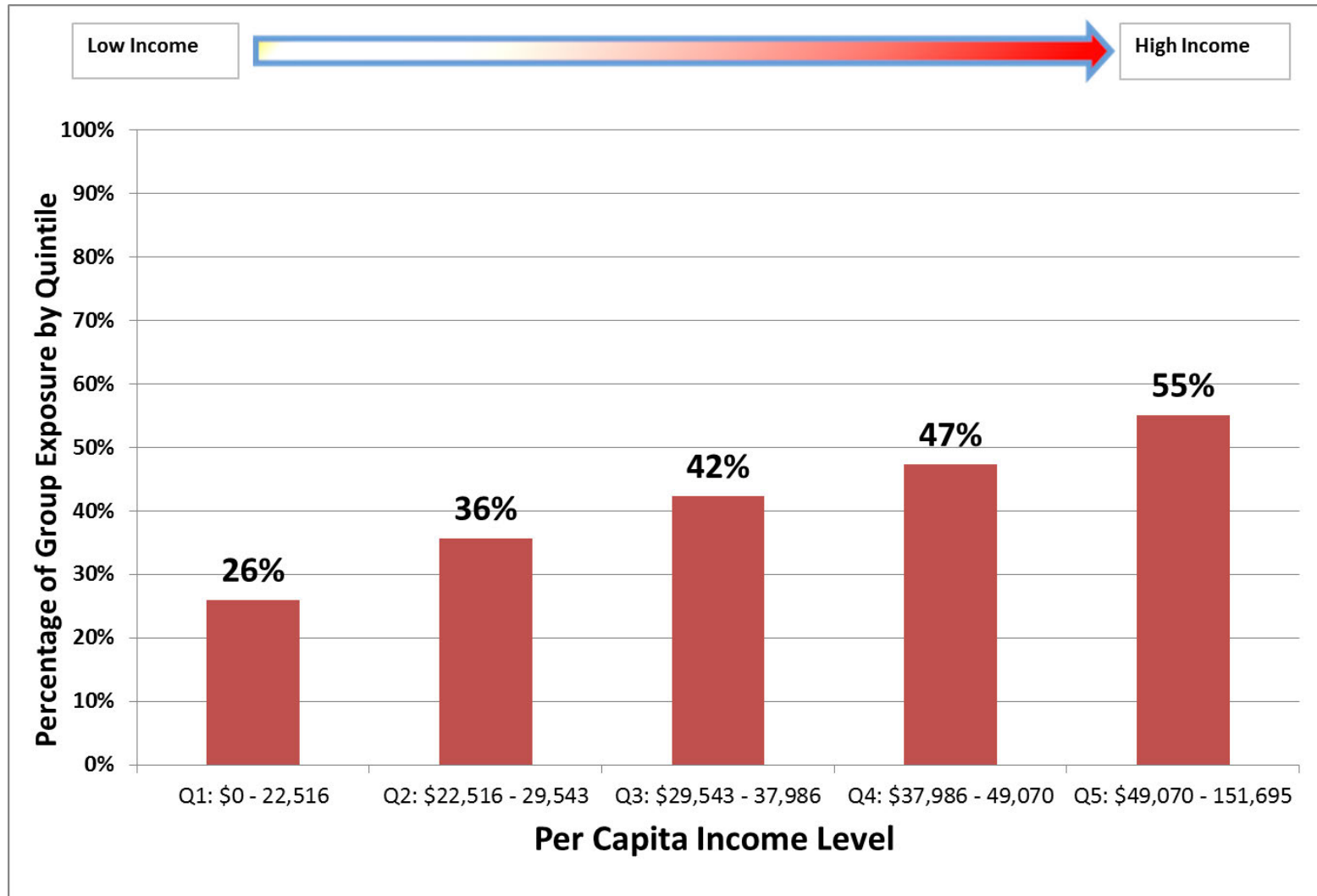
Quintile	Income Range	# of Vehicles	# of ZIP Codes
1	\$0 - \$22,516	3,307,451	428
2	\$22,516 - \$29,543	3,320,912	349
3	\$29,543 - \$37,986	3,321,648	353
4	\$37,986 - \$49,070	3,300,120	287
5	\$49,070 - \$151,695	3,337,182	339
Total		16,587,312	1,756

Income Disparity – Non-Affinity



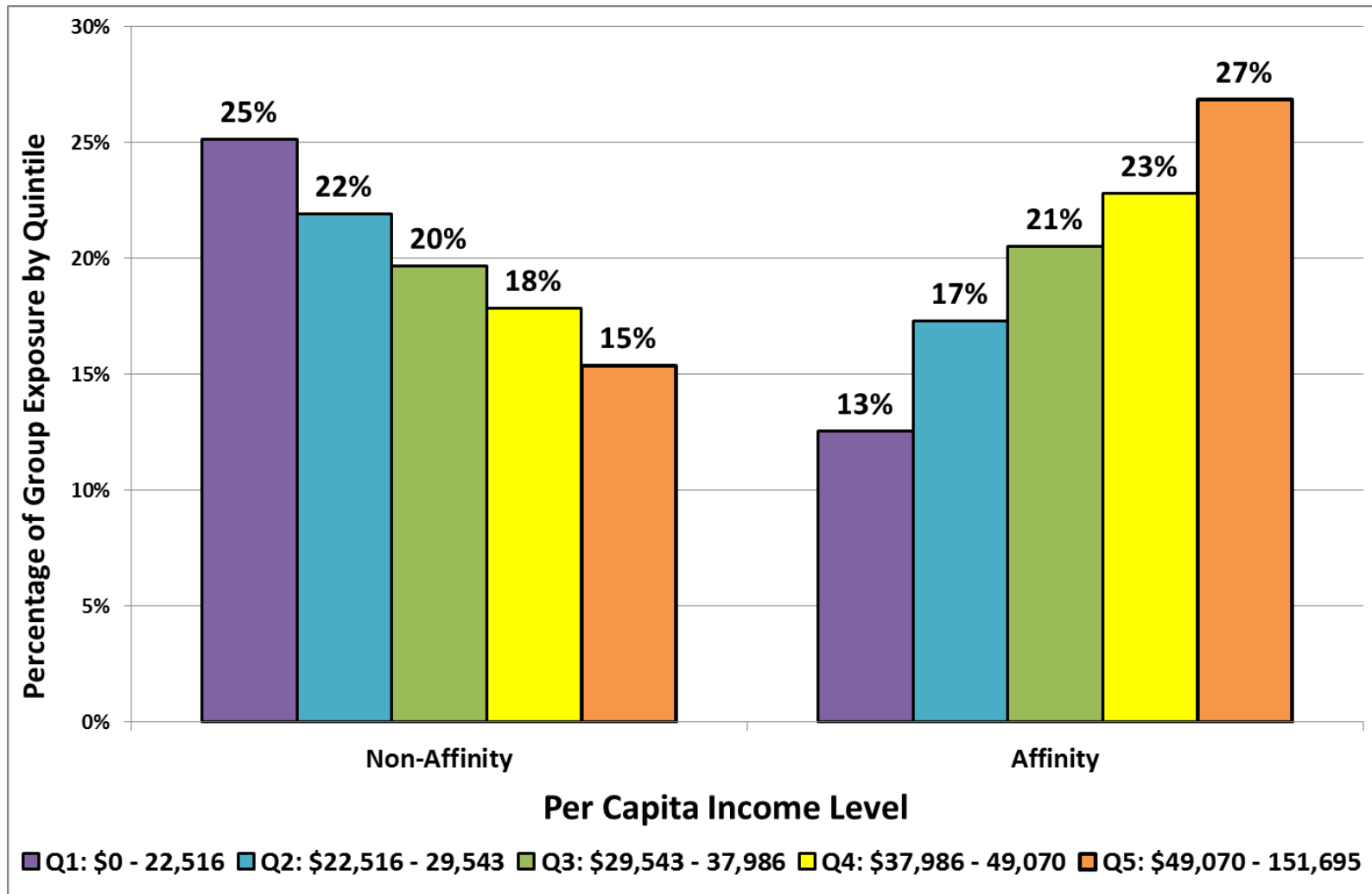
Customers that are *not* in Affinity Groups tend to be in lower income ZIP codes.

Income Disparity – Affinity



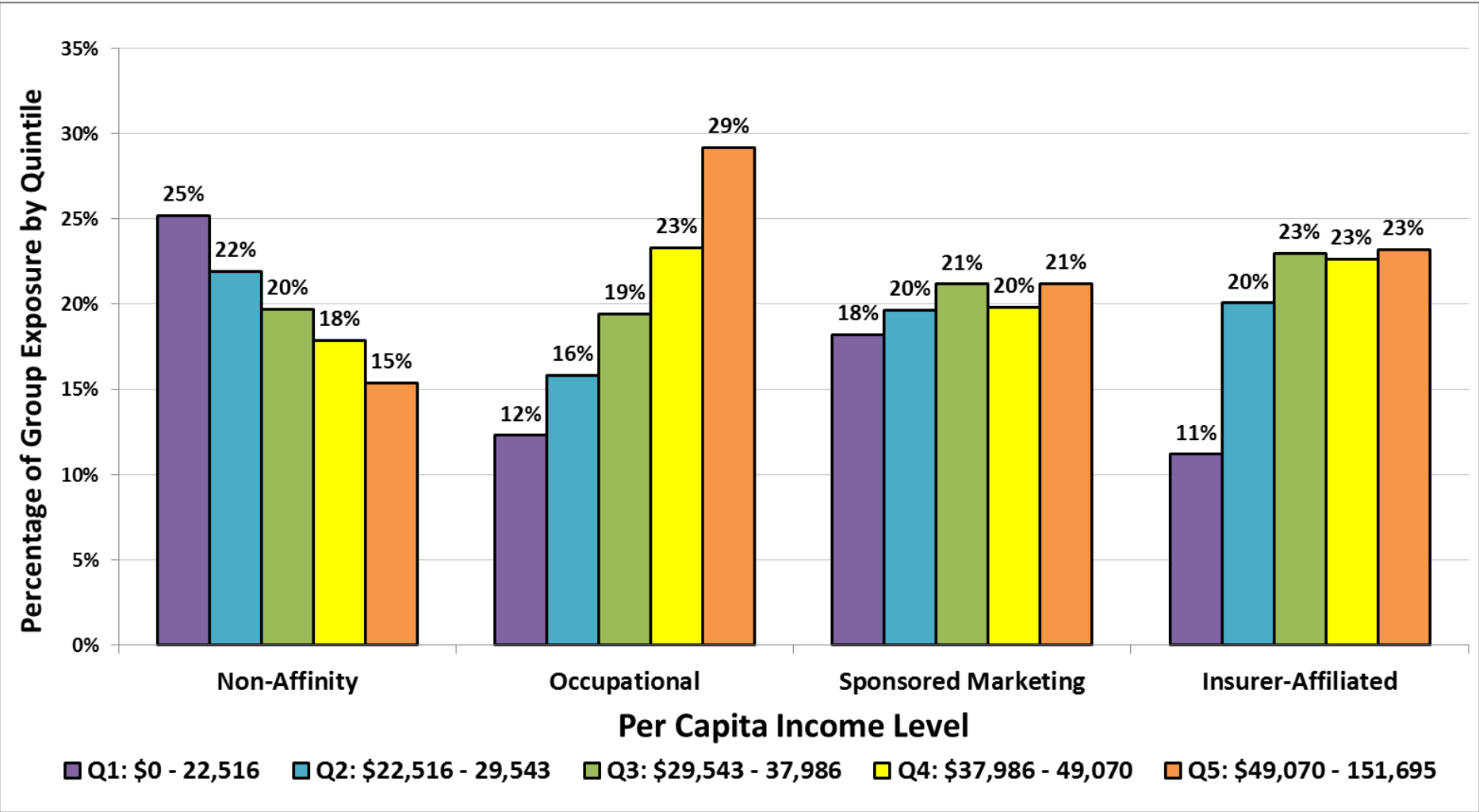
Customers in Affinity Groups tend to be in higher income ZIP codes.

Income Disparity



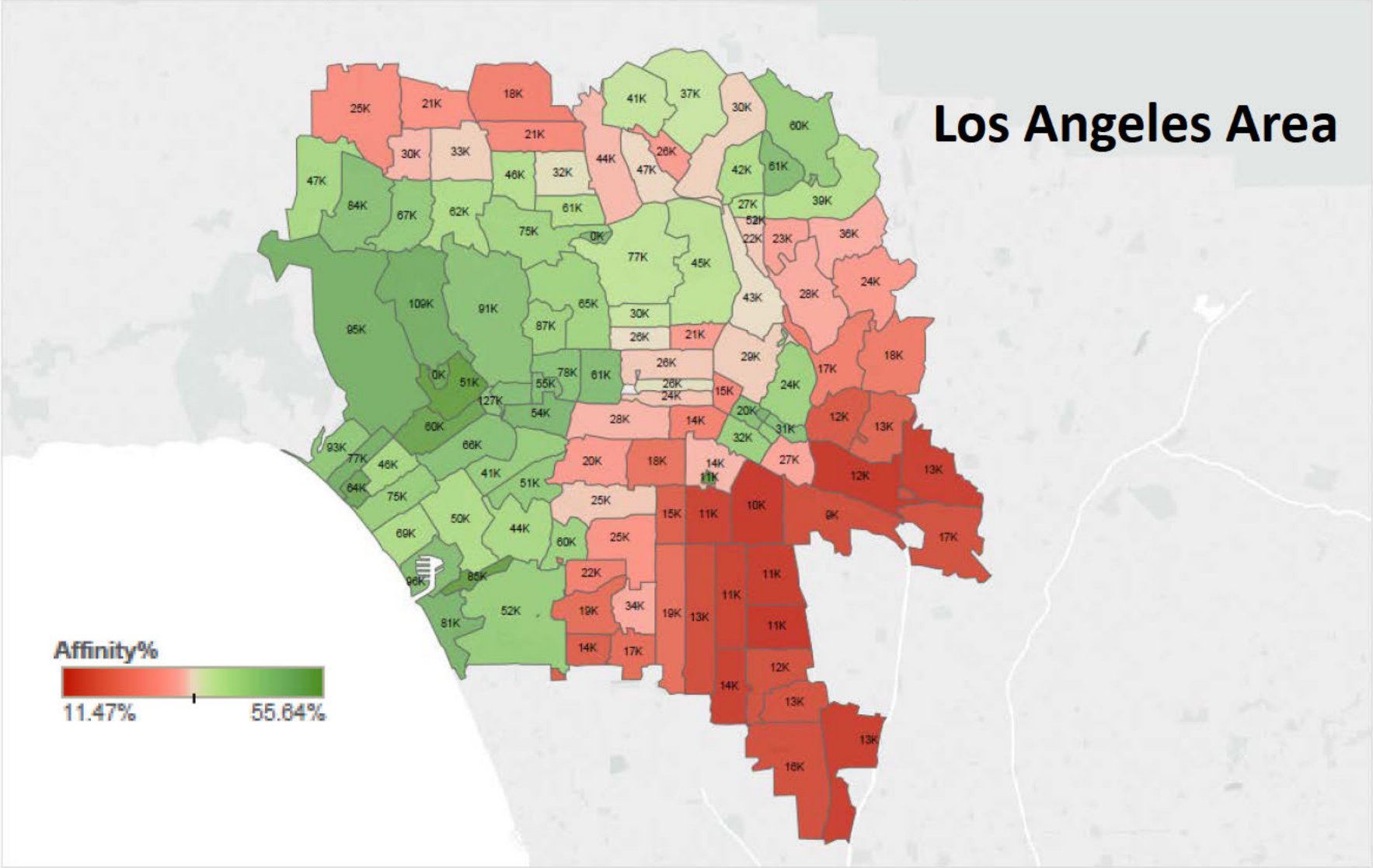
Customers in Affinity Groups tend to be in higher income ZIP codes.

Income Disparity by Affinity Group Category



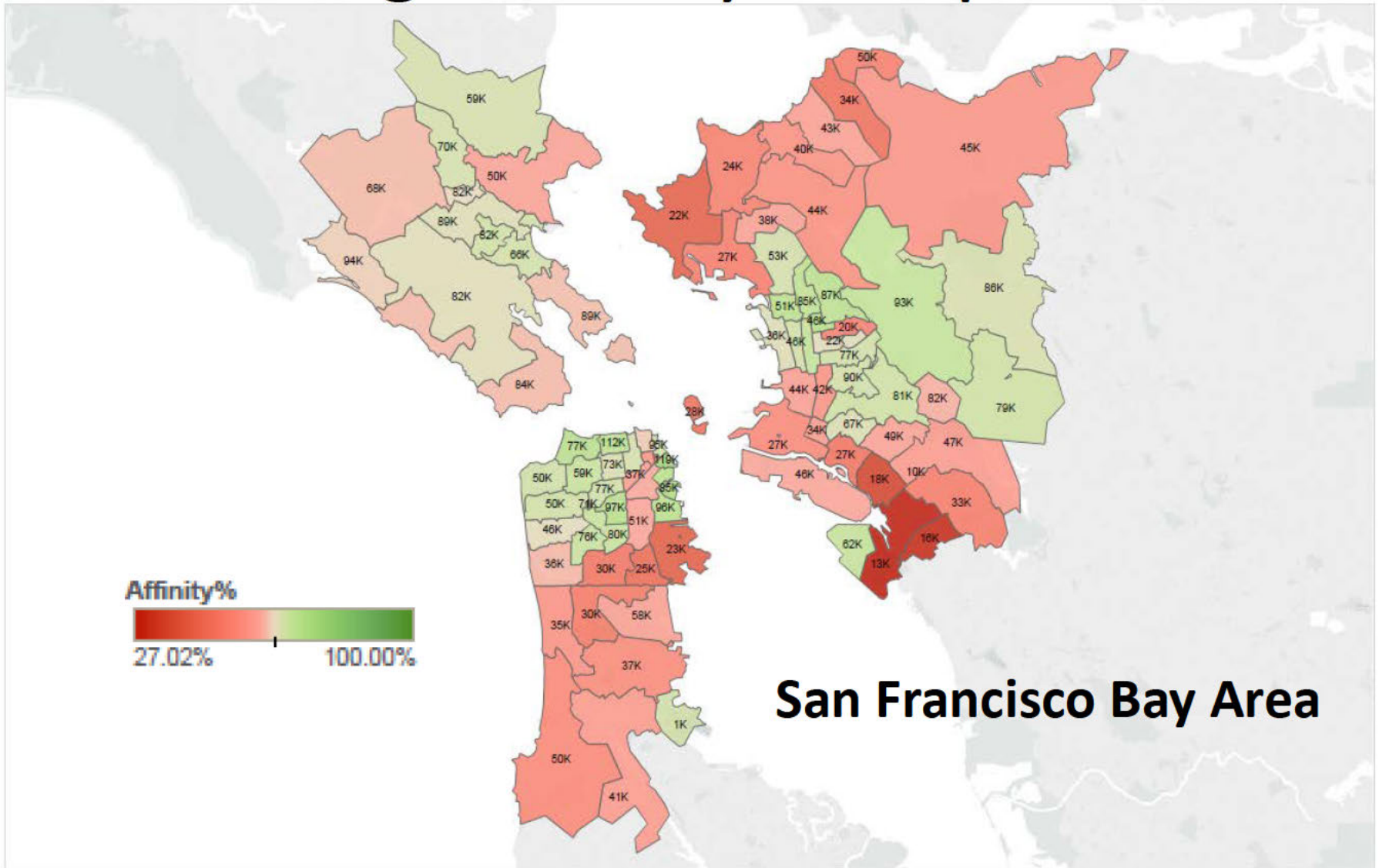
Customers in Affinity Groups tend to be in higher income ZIP codes.

Percentage Affinity Group – LA Area



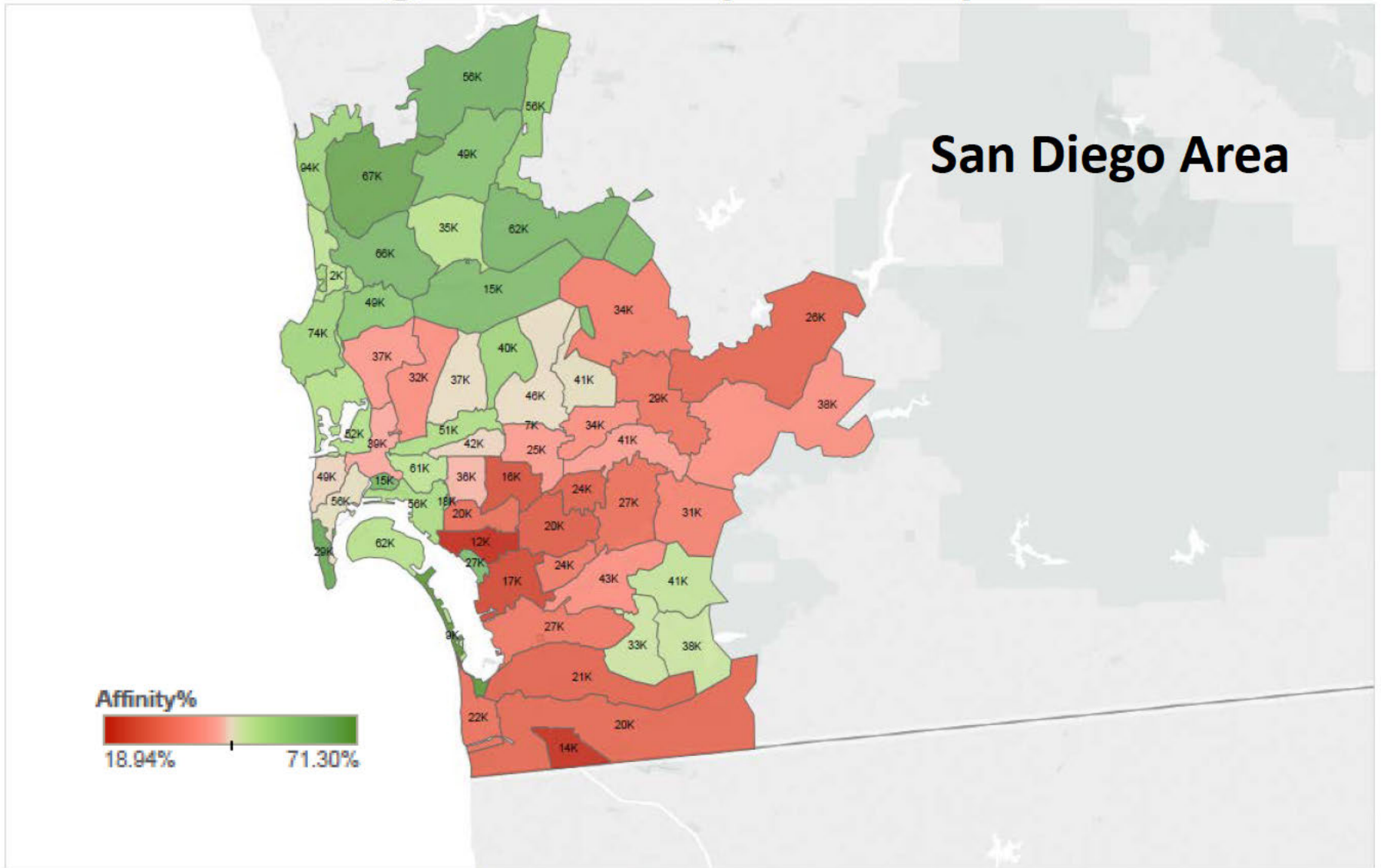
Map based on Longitude (generated) and Latitude (generated). Color shows sum of Affinity%. The marks are labeled by PCI. Details are shown for ZIP. The data is filtered on City, which keeps 20 of 1,168 members.

Percentage Affinity Group – SF Area



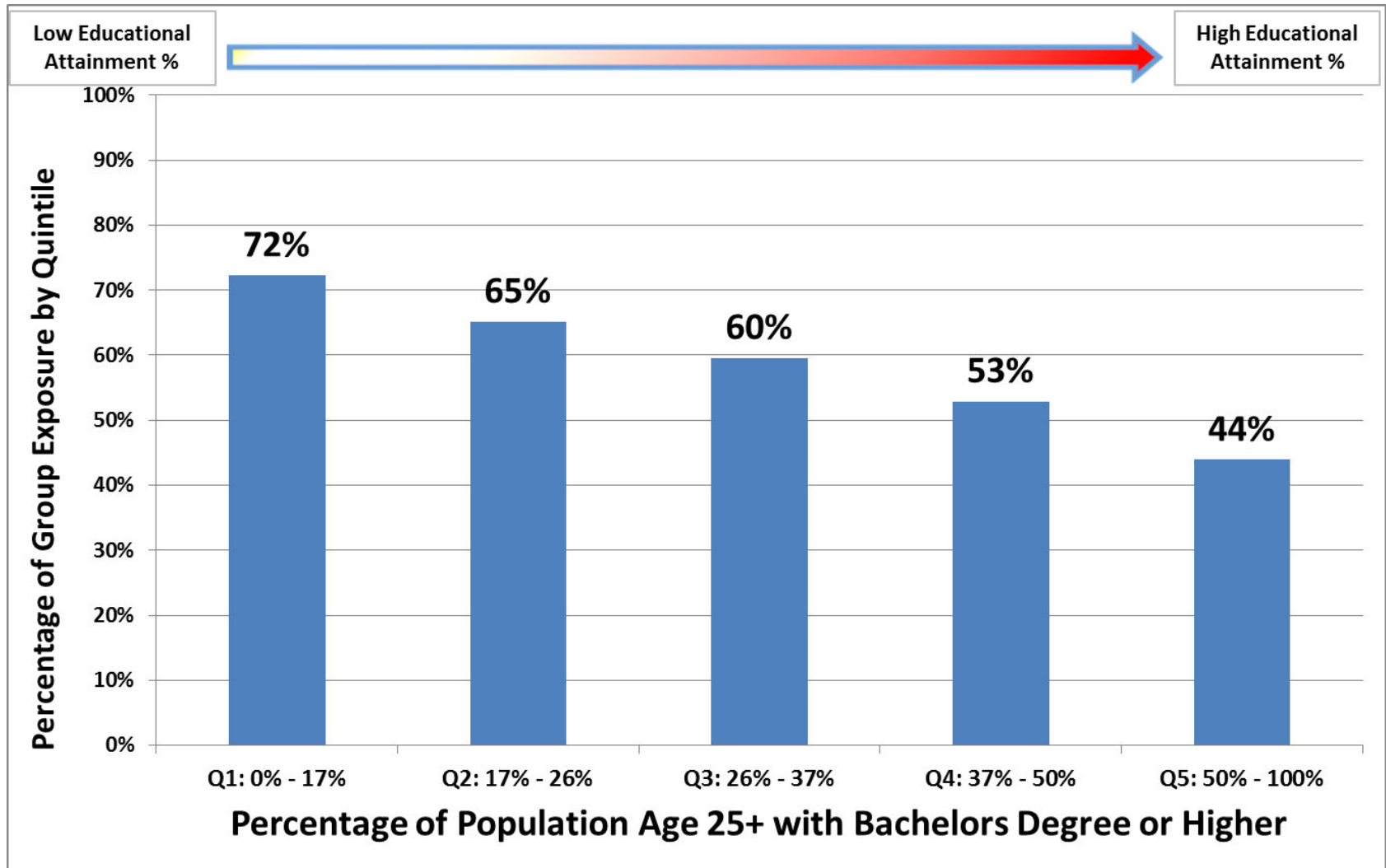
Map based on Longitude (generated) and Latitude (generated). Color shows sum of Affinity%. The marks are labeled by PCI. Details are shown for ZIP. The data is filtered on City, which keeps 36 of 1,168 members.

Percentage Affinity Group – SD Area



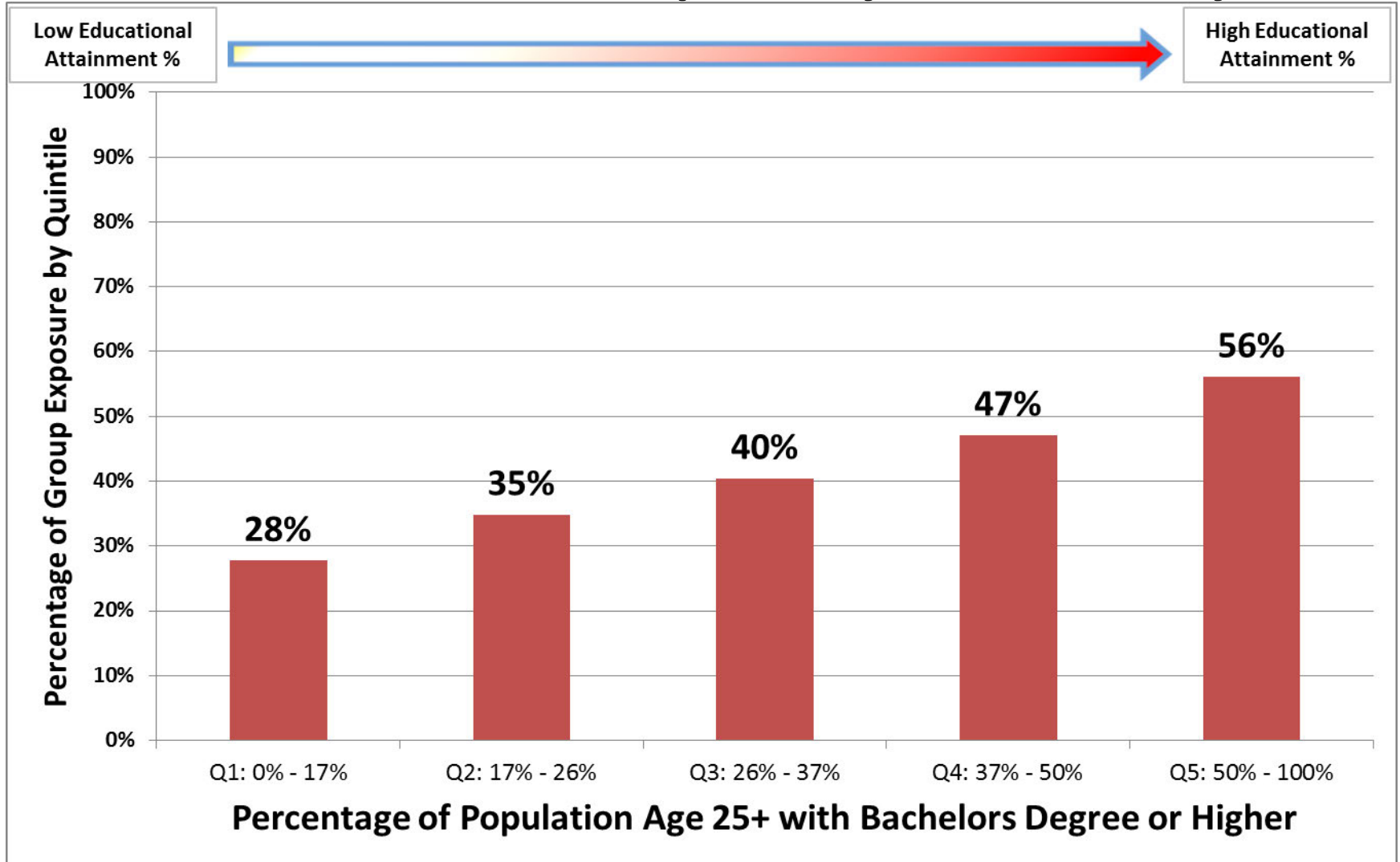
Map based on Longitude (generated) and Latitude (generated). Color shows sum of Affinity%. The marks are labeled by PCI. Details are shown for ZIP. The data is filtered on City, which keeps 14 of 1,168 members.

Education Disparity – Non-Affinity



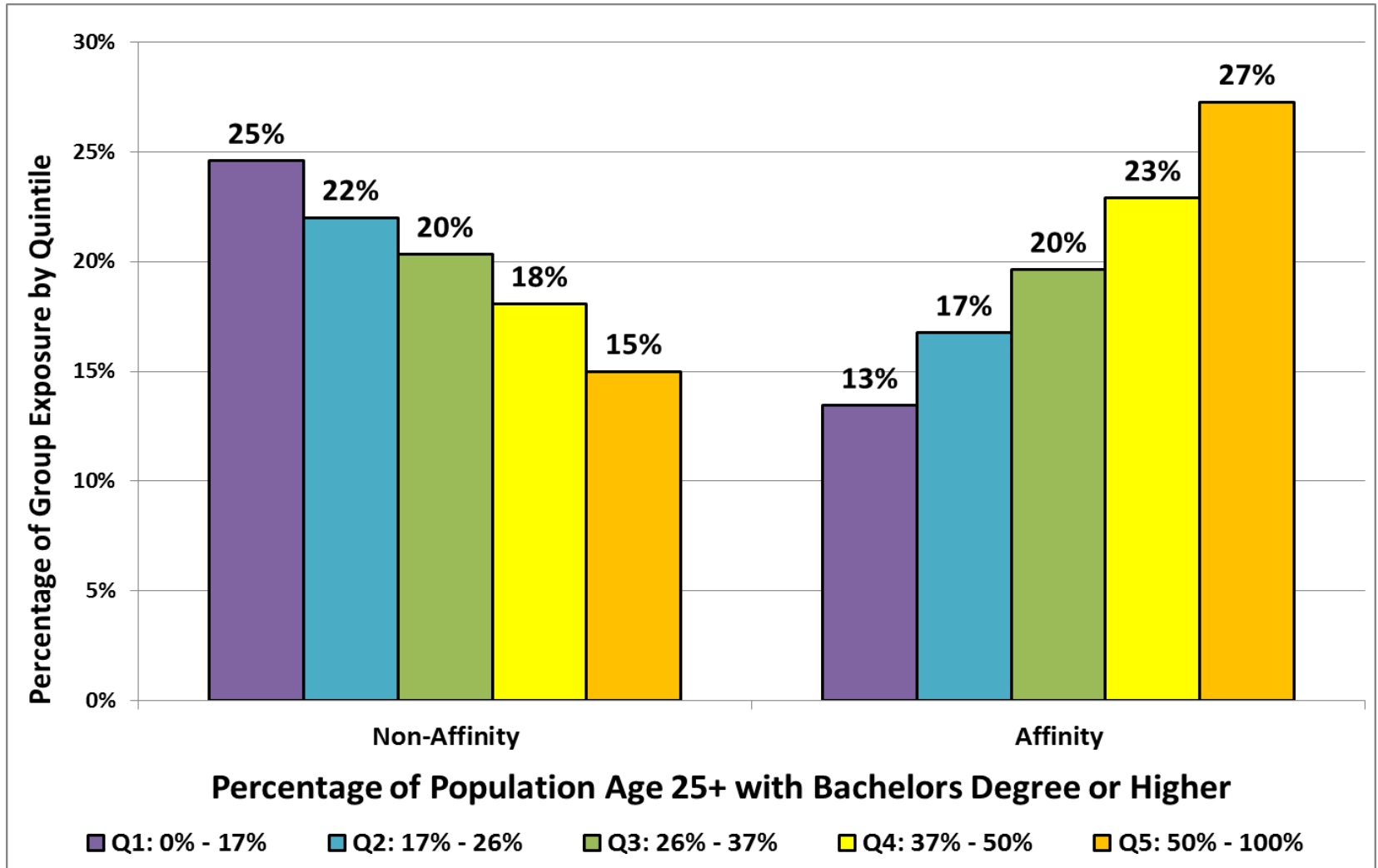
Insureds not in Affinity Groups are more likely to reside in ZIP codes with lower average educational attainment.

Education Disparity - Affinity



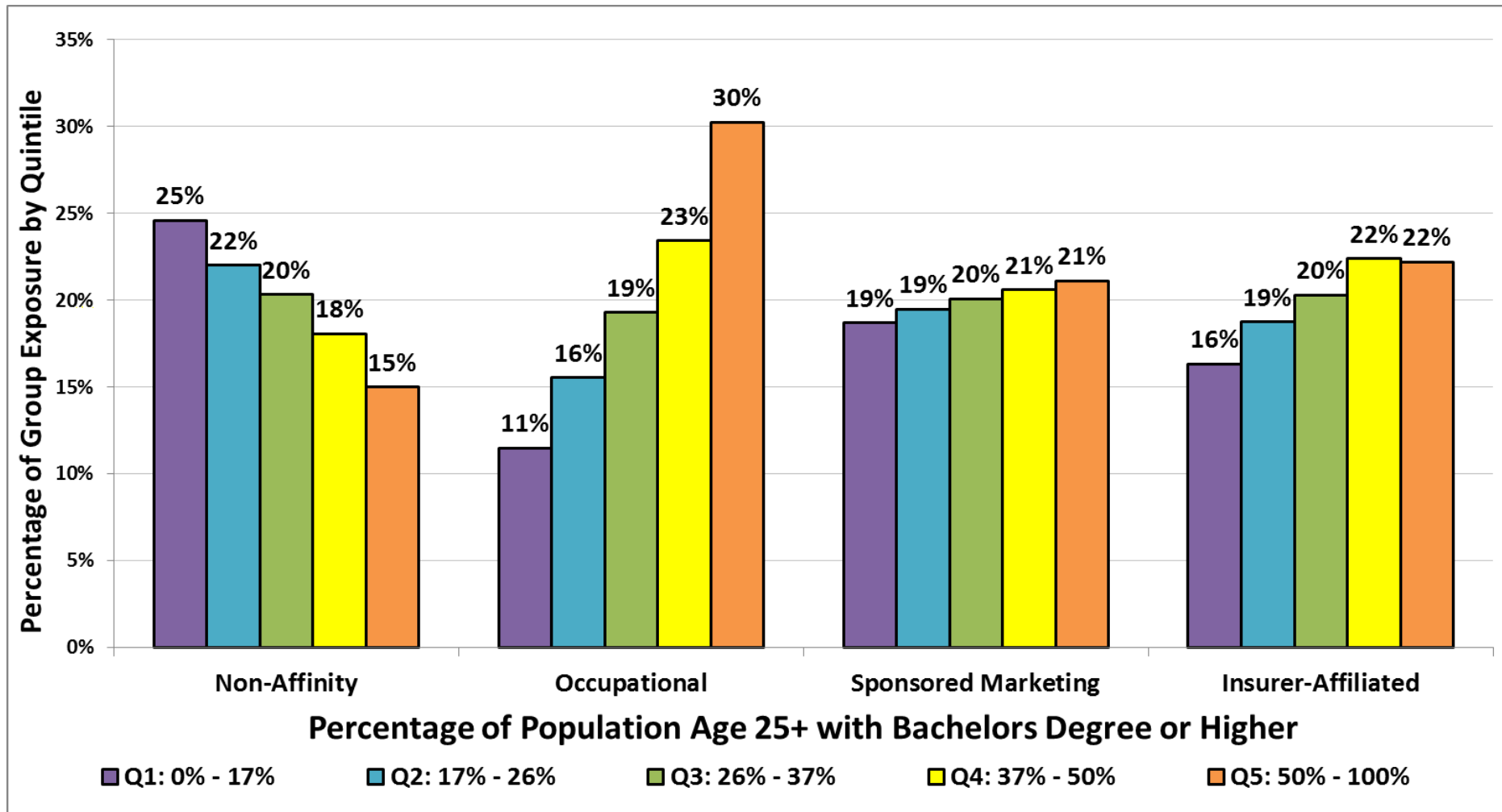
Insureds in Affinity Groups are more likely to reside in ZIP codes with a higher average educational attainment.

Education Disparity



Insureds in Affinity Groups are more likely to reside in ZIP codes with a higher average educational attainment.

Education Disparity by Affinity Group Category

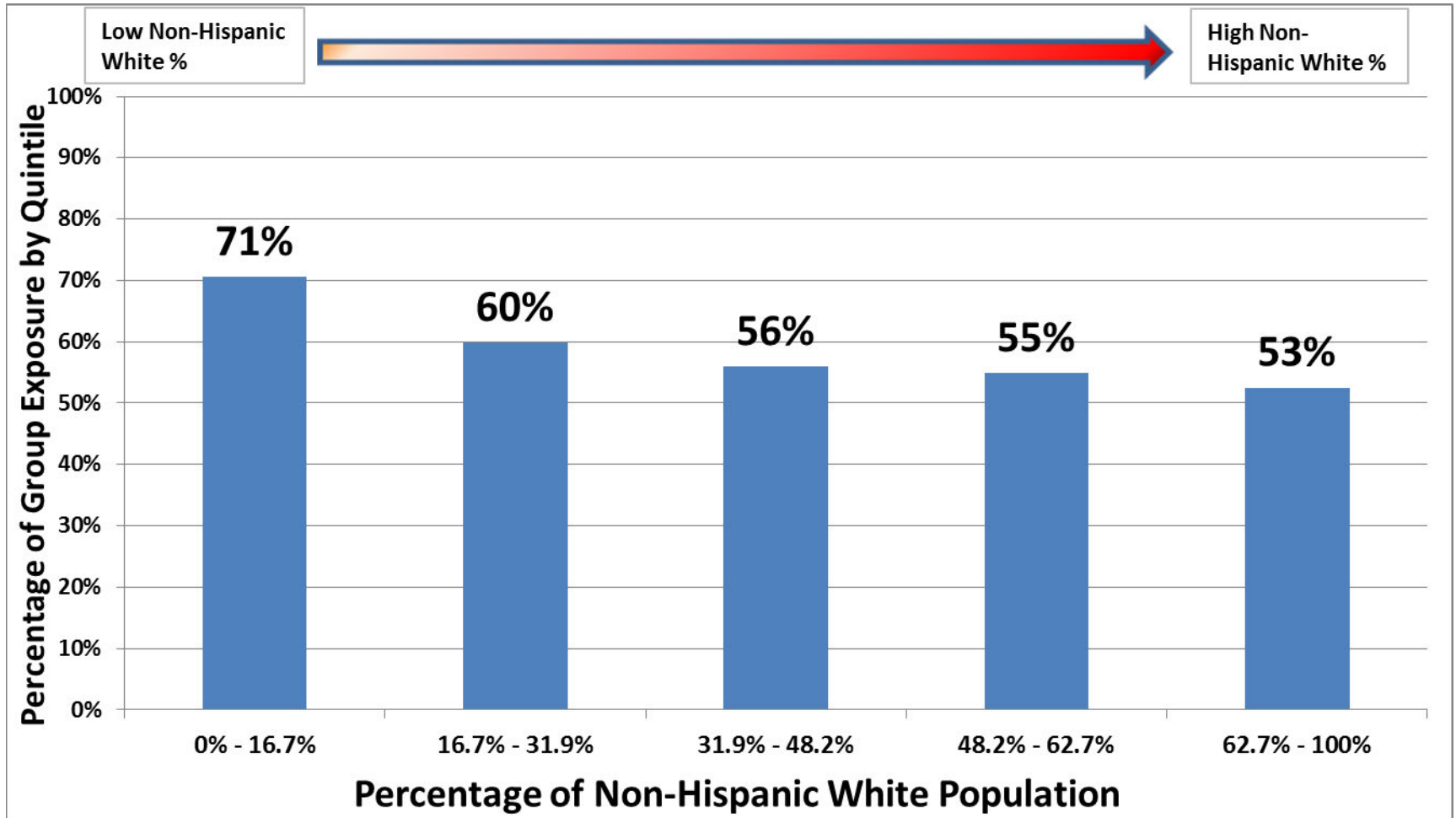


Insureds in Affinity Groups tend to be in ZIP codes with a higher average educational attainment.

U.S. Census Bureau Definitions

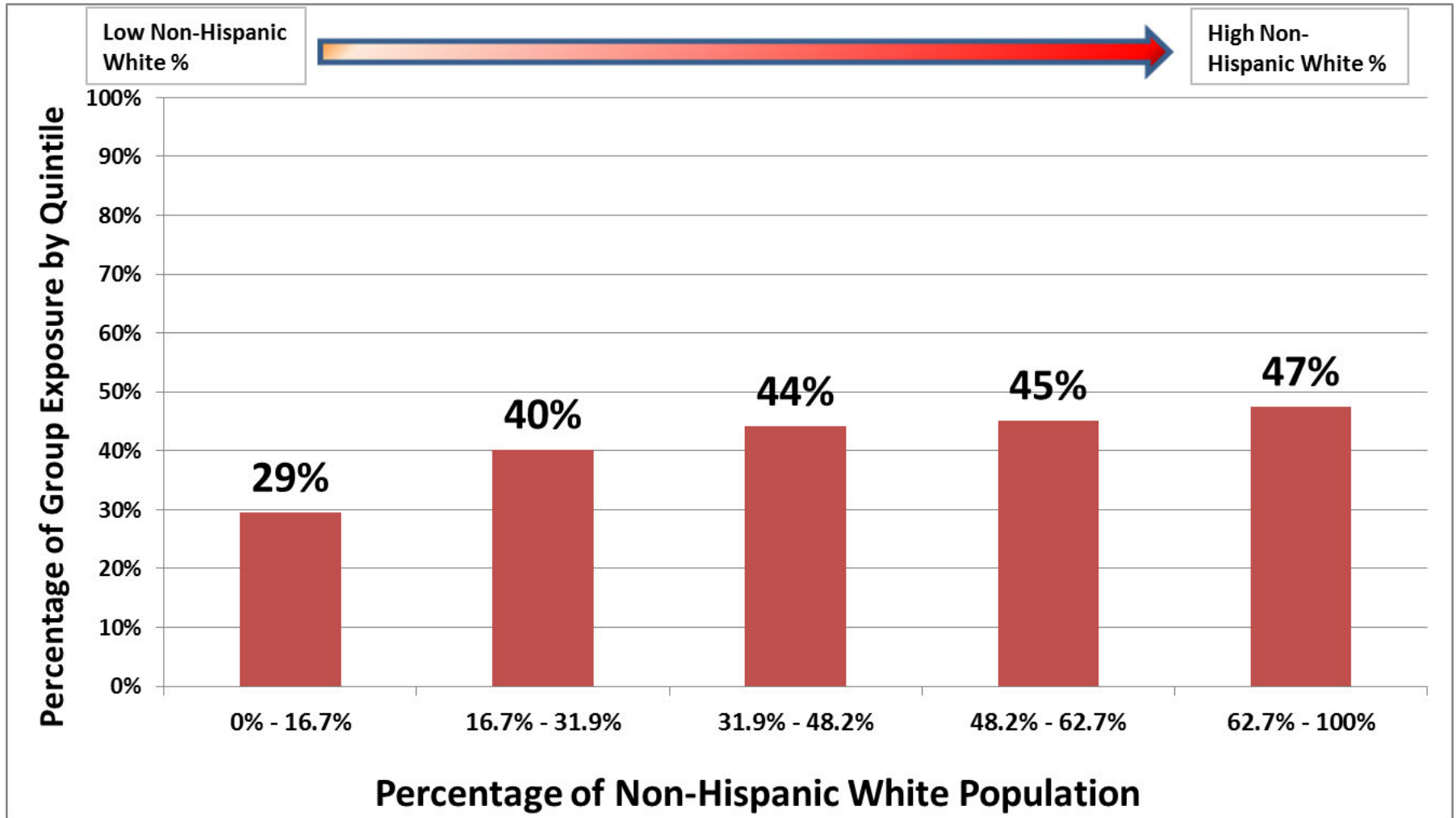
- The Census Bureau differentiates between persons who self-identify as “Hispanic White” versus “Non-Hispanic White.”
- According to the U.S. Census Bureau “Hispanic” refers to persons who self-identify as Cuban, Mexican, Puerto Rican, South or Central American, or a person of another Spanish culture or origin, regardless of race. People who identify as Hispanic or Latino may be of any race.
- Using the U.S. Census Bureau’s criteria, an estimated 36.6% of California’s population is “Non-Hispanic White,” i.e., they identify their race as White, without indicating a Hispanic or Latino origin.

Non-Hispanic White Population Disparity Non-Affinity



Insureds not in Affinity Groups are more likely to reside in ZIP codes with fewer Non-Hispanic Whites.

Non-Hispanic White Population Disparity Affinity



Insureds in Affinity Groups are more likely to reside in ZIP codes with a higher Non-Hispanic White population.

Underserved Communities

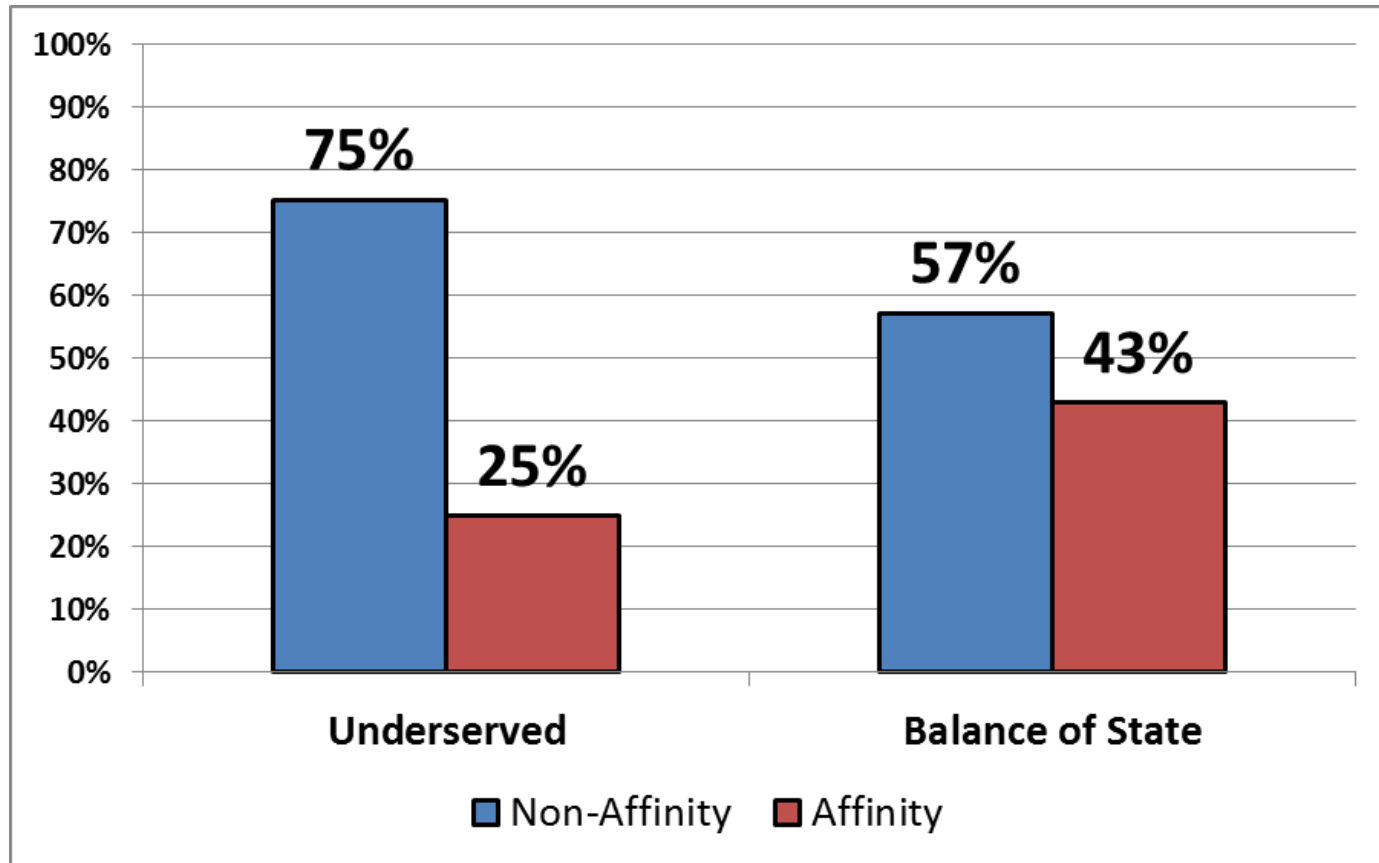
- The following slide uses the aggregated Bodily Injury vehicle exposure data as of December 2018 by ZIP code.
- ZIP codes from the Department's 2015 Commissioner's Report on Underserved Communities are appended to this data.
- The resulting graphic displays a comparison of distributions of Affinity Groups by Underserved ZIP codes versus the balance of the state.

Underserved Community Defined

- “Underserved Community” means those communities which the CDI has determined are underserved as set forth in the “Report on Underserved Communities”
- Regulation §2646.6 establishes the criteria for defining an underserved community as ZIP codes:
 1. With a percentage of uninsured motorists 10 points above the statewide average, and
 2. With per capita income below the 50th percentile, and
 3. That are predominantly minority (i.e. 2/3 or greater).

Affinity Group Participation

Underserved Community vs Balance of State



Based on the companies included in our survey, three-quarters of the underserved community's vehicle exposures are not in an Affinity Group.

Affinity Group Impacts On California's Drivers

- The CDI's investigation illustrates that Affinity Groups disproportionately and adversely impact drivers residing in ZIP codes:
 1. With lower per capita incomes;
 2. With lower levels of educational attainment; and
 3. With a lower percentage of Non-Hispanic White population.
- Almost two-thirds of the Affinity Group vehicles belong to insureds in occupational groups.

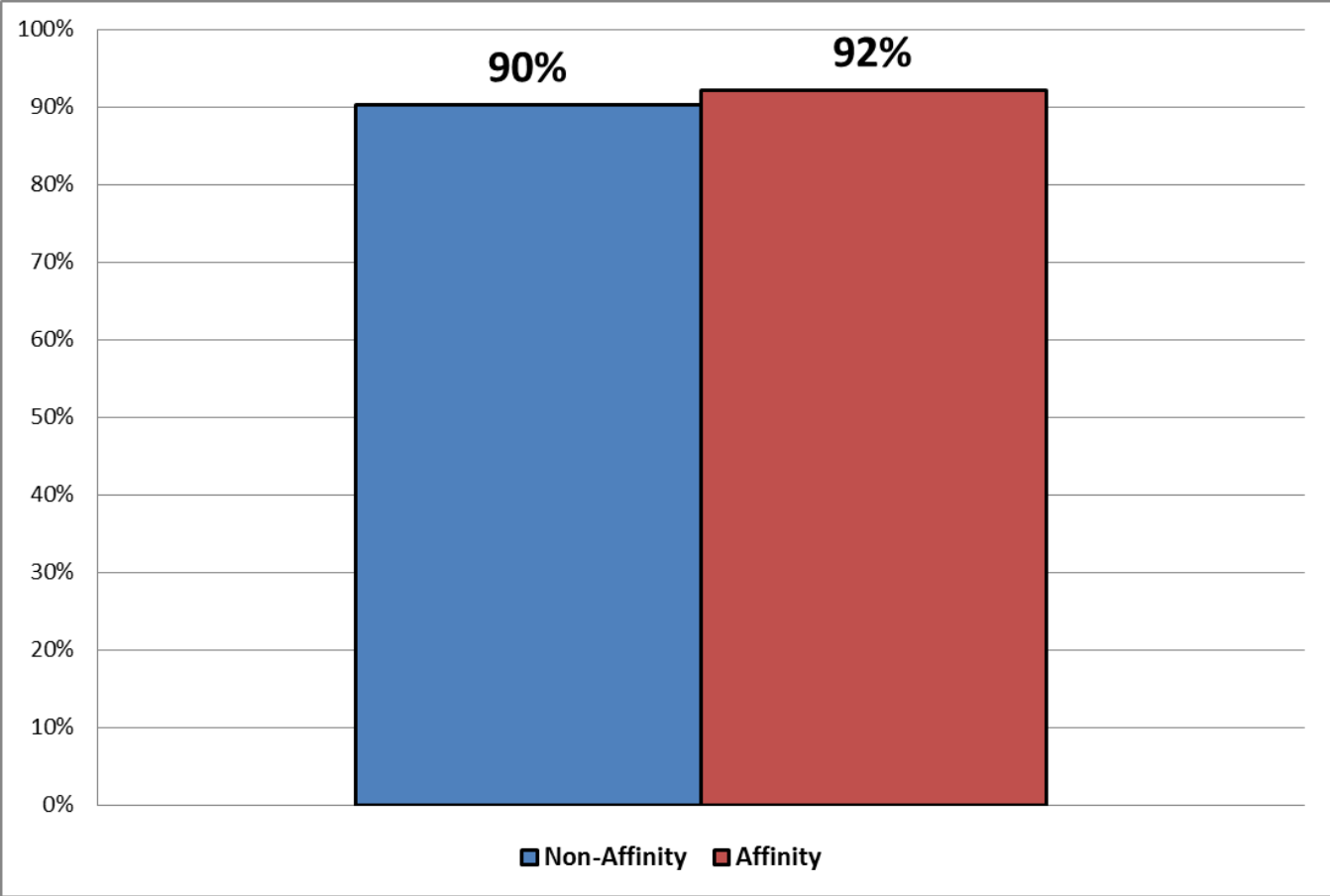
APPENDIX

RATING DISTRIBUTIONS

Rating Distributions

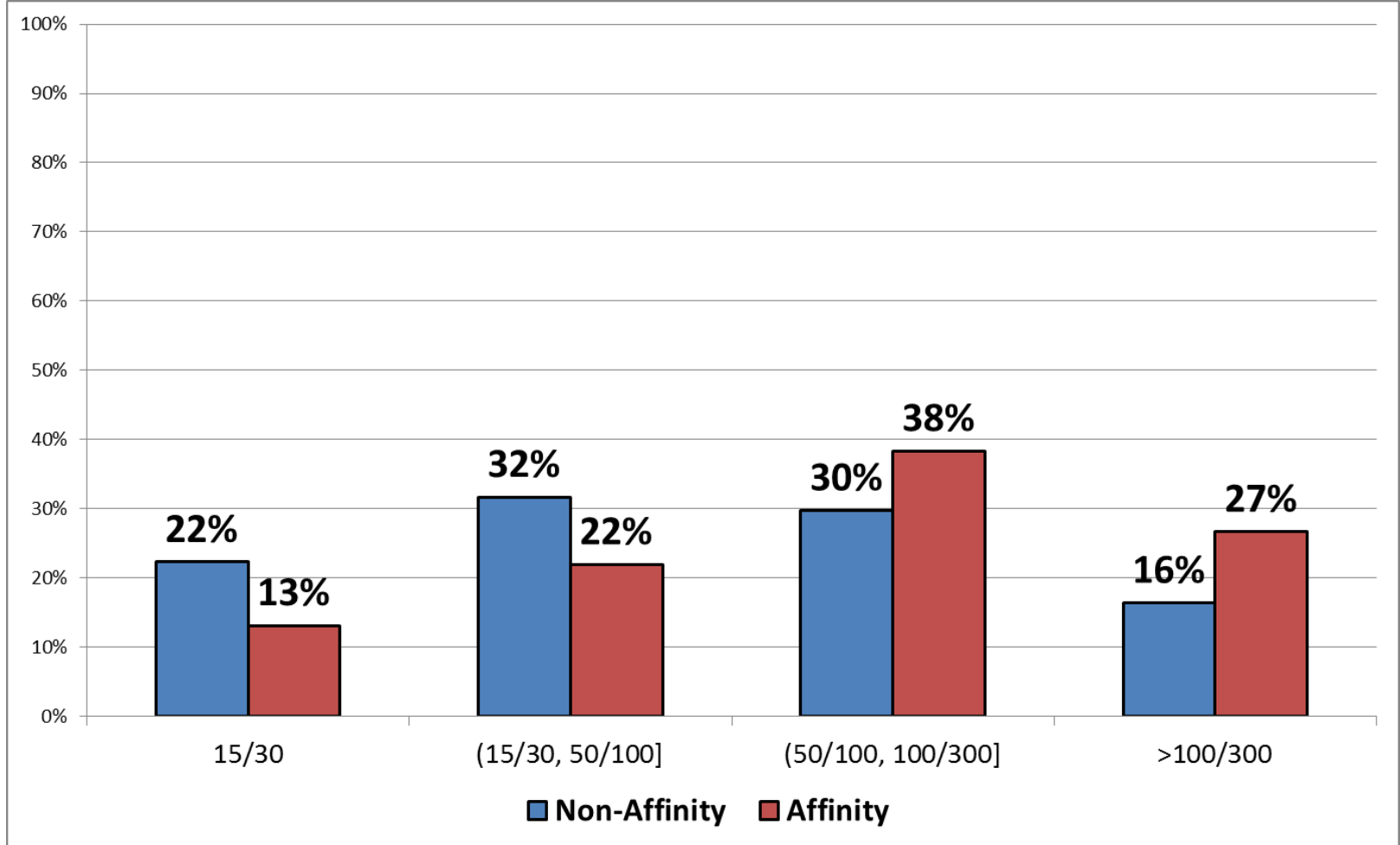
- While not included in the body of the CDI's presentation, the following rating distributions provide additional insight into the composition of Affinity Groups.
- These distributions are based on additional aggregated Bodily Injury vehicle exposure data as of December 2018 provided by the insurance companies in response to the CDI's survey.
- The resulting graphics aggregate the Affinity Group industry distributions by various criteria (Good Driver, Bodily Injury Limit, Persistency, Auto/Home, and Marital Status).
- Companies that do not use a particular rating factor were eliminated from the aggregations.

Good Driver Distribution



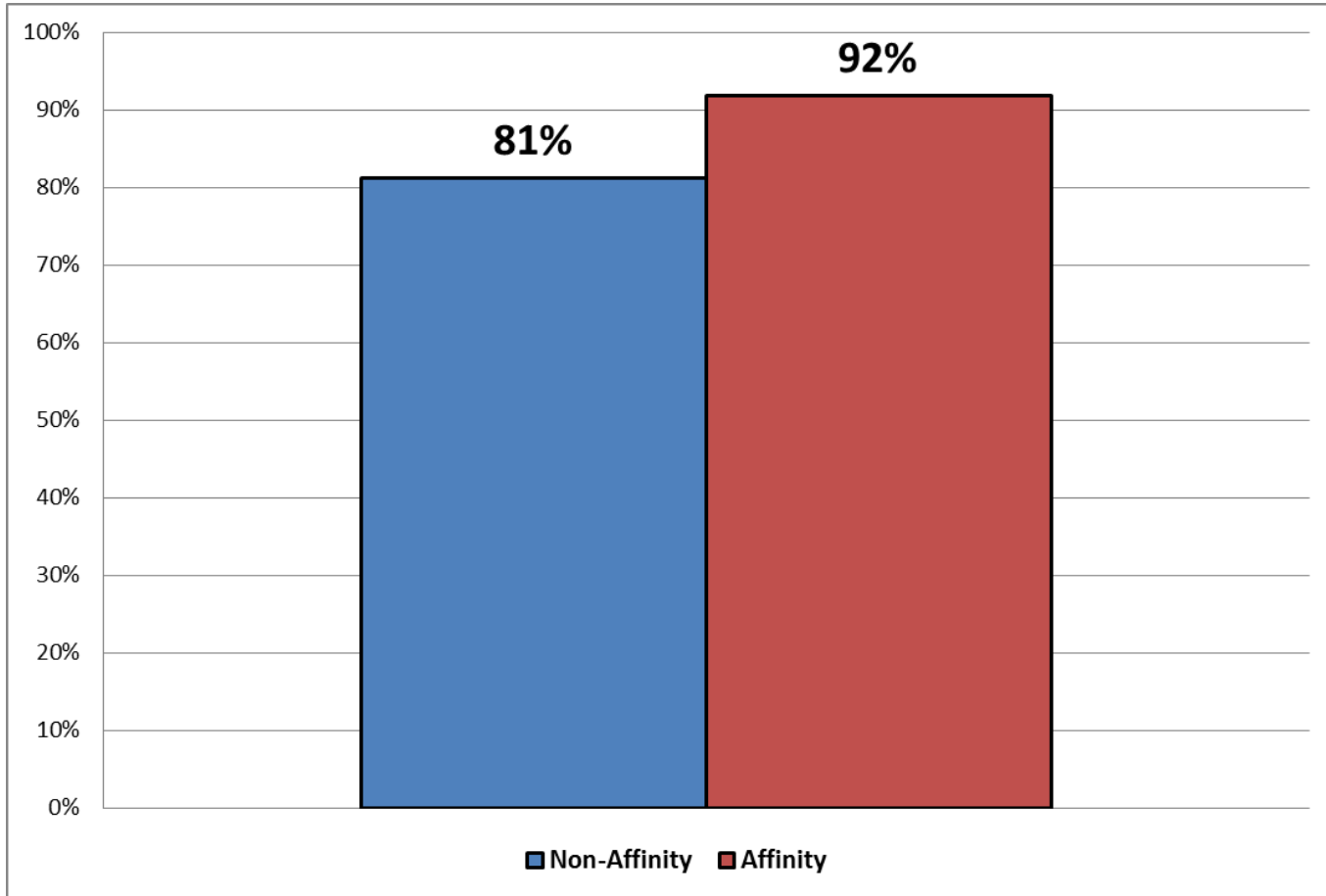
Customers in Affinity Groups generally have a slightly greater proportion of Good Drivers than Non-Affinity customers.

Bodily Injury Limit Distribution



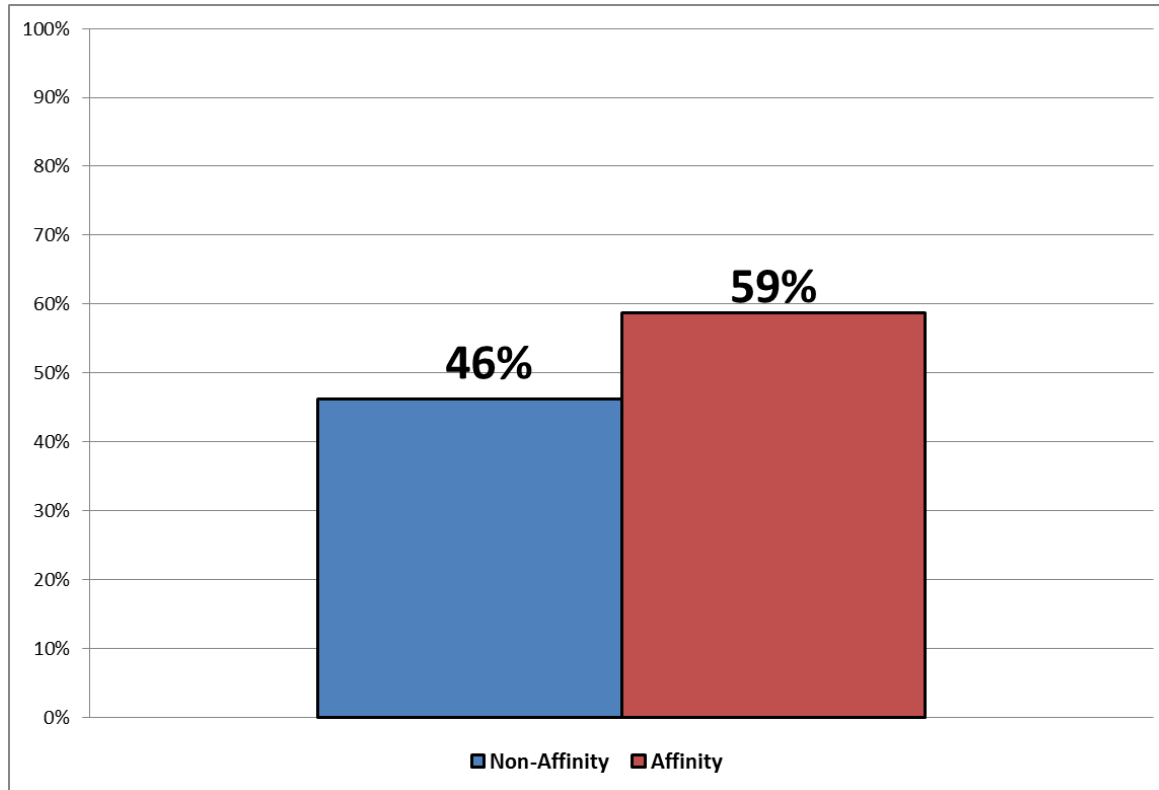
Customers in Affinity Groups tend to hold higher coverage limits (over 50/100), whereas Non-Affinity customers tend to hold policies with lower coverage limits.

Persistency Distribution



Customers in Affinity Groups generally have a higher persistency (tenure with a particular insurer) than Non-Affinity customers.

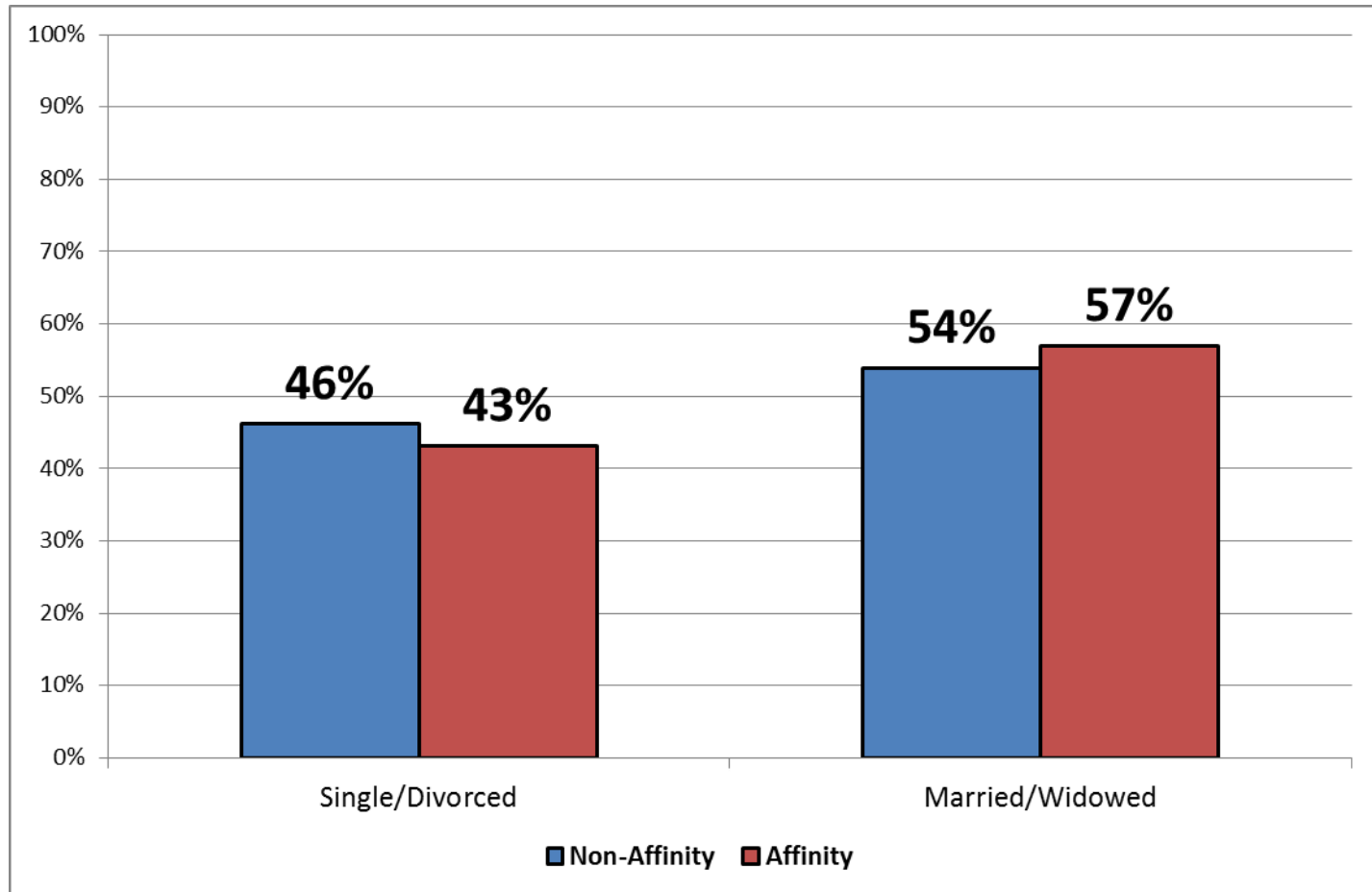
Auto/Home Distribution



Customers in Non-Affinity Groups generally have a lower proportion of bundled Auto and Home policies than Affinity customers.

Note: Companies that do not offer a discount to insureds that bundle their Auto and Home policies together have been eliminated from the analysis to remove any distortion on the results.

Marital Status Distribution



Customers in Affinity Groups generally have a higher proportion of the married population than Non-Affinity customers.