



**CALIFORNIA'S
LOW COST
AUTO INSURANCE**

Sponsored by the California Department of Insurance

Report to the Legislature & Consumer Education and Outreach Plan

2014

Required by Insurance
Code Section 11629.85



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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 2008, 51,234 Californians have applied for insurance through the program, of which 46,025 assignments were made. At the end of 2013, there were 11,521 policies in force. According to statistics from the California Automobile Assigned Risk Plan (CAARP), approximately 94% - a 22% increase over the previous year's assigned motorists had been uninsured at the time of application for a CLCA policy.

The California Department of Insurance believes that it is important that the CLCA program be visible within the community. For 2014 CDI proposes a campaign where information will be delivered to the homes of potential customers through partnerships with Department of Motor Vehicles. We are continuing to maintain an interactive website so that consumers can obtain information on the CLCA program as well as begin the initial application process and select an agent.

To catch the attention of the public, the program proposes to use billboard advertising, television, radio, printed ads in newspapers and rely heavily upon our website to increase the number of participants in the program.

To entertain agent interest in the program, the program will offer workshops where producers will be trained in the CLCA program and receive updated/current information on changes that may occur in the program during 2014. Also, the program will offer continuing education credit towards licensing renewal. The program will also make available sales tools such as the 11 language CLCA brochure, window clings, tip cards and posters to promote the CLCA program within their offices.

For 2014 the program will work with the California Assigned Risk Plan in making changes to the guidelines of the program that create barriers to consumers qualifying for the program, (i.e., household definition,) and will eliminate quiz questions that also disqualify otherwise qualified participants into the program.

CDI will also continue to focus on improvements, as needed, to fully implement Assembly Bill 1024 (2011) which allows producers to accept and process online applications, and continue to recommend systematic changes within CAARP in order to increase efficacy and efficiency.

CLCA remains as an important program to Californians. The program's goal is to decrease the number of uninsured motorists on the road, and CLCA undoubtedly accomplishes this goal. Nonetheless, the Department believes that the program could serve thousands if barriers to eligibility were modified. Currently, many applicants continue to be deemed ineligible due to the program's restrictive eligibility factors.

The program's goal is to provide a sense of security to motorists on California roads and encourage consumers without insurance to obtain and maintain auto insurance. The current goal is for drivers to "Stop Worrying. Start Driving", knowing that their vehicles are insured through reputable insurance companies participating in the program.

Prepared for the California State Legislature on March 1, 2014.

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 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 as 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 December 10, 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 is provided by a \$0.05 special purpose assessment on each vehicle insured in the state in order to inform consumers about the program. The authority for the special purpose assessment is scheduled to sunset on January 1, 2015 (California Insurance Code Section 1872.81).

The CLCA program anticipates that it will be funded at \$1,410,000, the same level as the 2013/14 fiscal year. The proposed use of the funding is as follows:

FY 2014-15 ELEMENTS	COST
Consumer Education and Outreach	\$88,575
Materials Development and Production	\$88,075
Community Outreach Events - Travel	\$5,000
Advertising and Outreach Contracts	\$1,225,250
Miscellaneous Consumer Education and Outreach	\$3,100
Total	\$1,410,000

Note: While the annual report is based on the calendar year, the budget associated with this program is based on the fiscal year.

THE RATES

California Insurance Code Section 11629.72 provides that rates for CLCA policies issued under the program shall be reviewed and revised annually and that CAARP shall submit the loss and expense data, together with a proposed rate and the 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, that are incurred due to participation in the program. 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 year 2013 are shown on the following page:

CALENDAR YEAR 2013: CLCA RATES BY COUNTY

COUNTY	
Alameda	\$276.00
Alpine	\$238.00
Amador	\$238.00
Butte	\$250.00
Calaveras	\$238.00
Colusa	\$250.00
Contra Costa	\$276.00
Del Norte	\$250.00
El Dorado	\$238.00
Fresno	\$226.00
Glenn	\$250.00
Humboldt	\$250.00
Imperial	\$238.00
Inyo	\$238.00
Kern	\$238.00
Kings	\$226.00
Lake	\$250.00
Lassen	\$250.00
Los Angeles	\$338.00
Madera	\$226.00
Marin	\$276.00
Mariposa	\$238.00
Mendocino	\$250.00
Merced	\$226.00
Modoc	\$250.00
Mono	\$238.00
Monterey	\$226.00
Napa	\$250.00
Nevada	\$238.00

COUNTY	
Orange	\$338.00
Placer	\$238.00
Plumas	\$250.00
Riverside	\$238.00
Sacramento	\$276.00
San Benito	\$226.00
San Bernardino	\$238.00
San Diego	\$238.00
San Francisco	\$276.00
San Joaquin	\$276.00
San Luis Obispo	\$226.00
San Mateo	\$276.00
Santa Barbara	\$226.00
Santa Clara	\$276.00
Santa Cruz	\$226.00
Shasta	\$250.00
Sierra	\$238.00
Siskiyou	\$250.00
Solano	\$250.00
Sonoma	\$250.00
Stanislaus	\$276.00
Sutter	\$276.00
Tehama	\$250.00
Trinity	\$250.00
Tulare	\$226.00
Tuolumne	\$238.00
Ventura	\$238.00
Yolo	\$250.00
Yuba	\$238.00

2014 CONSUMER EDUCATION AND OUTREACH PLAN

For 2014, CDI's plan is to increase the number of participants in the CLCA program. It is important that information be made available to as many eligible consumers throughout the State of California. Our plan for this year will focus on working with the California Department of Motor Vehicles, and direct outreach to consumers and producers who sell CLCA policies.

We intend to use Paid Advertising and Media; Website engagement, Producer Outreach and other Partnership Outreach opportunities.

Department of Motor Vehicle Partnership Opportunities

Daily, thousands of consumers receive information from the California Department of Motor Vehicles (DMV) for the purpose of renewing or registering vehicles. California law requires that all drivers in California carry proof of financial responsibility in their vehicles, which is generally proof of liability insurance coverage. CDI sees a partnership with DMV as an excellent opportunity to reach out to DMV's customer base and we are developing a proposal to create and distribute a CLCA informational insertion into vehicle registration renewal correspondence.

To maintain high CLCA visibility of the CLCA program in DMV Offices, CDI will continue placing CLCA poster materials within each of the 176 DMV offices throughout the State of California.

CDI staff will continue to do weekly meetings with staff of the DMV to educate them 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.

Employment Development Department Partnership Opportunities

CDI staff will continue to visit Employment Development Department (EDD) One-Stop Centers to educate and train staff on CLCA in 2014. CDI will also work to re-establish the CLCA link on the EDD website homepage.

Community Based Organization Partnership Opportunities

All outreach efforts will include collateral distribution, web link placement, social media, and possible event participation.

Community Based Organization Partnership Outreach

- Community Centers
- Consumer groups
- Foundations (i.e. The California Endowment's *We Connect Resource Fairs*)
- Legislative Offices

California Assigned Risk (CAARP) Partnership Opportunities

In 2014, the plan is to implement Phase 2 of AB 1024, to expand access to the program by processing on-line applications of program eligible consumers.

CDI will continue to work with CAARP in appointing members to the CAARP Advisory committee and CDI staff will regularly attend CAARP Advisory Board meetings.

CDI's goal is to simplify the process of applying for and maintaining coverage in the CLCA program, and will continue to work with the CAARP Advisory Board to this end. This includes issues such as expanding the definition of "household" to increase eligible motorists; modifying the current structure of installment payment plans; simplifying the online application; and developing a more streamlined policy renewal system.

CDI and CAARP will coordinate two (2) CLCA producer workshops for both CAARP certified and non-CAARP certified insurance agents in Northern and Southern California. The goal of the workshops will be to encourage agents that aren't already certified to become certified, and those that were already certified to keep abreast of the CLCA program and to encourage them to continue to sell CLCA policies. The workshops will be conducted by CAARP and CDI staff members. To encourage participation in the workshops agents will be eligible to earn a continuing education credit towards their insurance license renewal. In January and February 2014 four successful workshops were conducted in Riverside/San Bernardino, Fresno, Stockton/Modesto and Sacramento areas.

For 2014, CDI will focus on various methods to inform consumers about the CLCA program. The plan is based on previous years' education and outreach campaigns, as well as efforts to carry out a comprehensive and thorough campaign to income-eligible persons in the community. Our efforts will include: *Paid Advertising and Media, Digital Media Engagement, Media Relations, Producer Outreach and Partnership Outreach.*

Digital Media Engagement

Website

The www.mylowcostauto.com website will continue to drive more unique users, have more page views and click through traffic through 2014. The website will continue its consumer education, with qualifying and cost by county information, as well as a link to a quiz to determine if consumers qualify. Additionally, to engage producers and make it easier for them to communicate CLCA program information to their customers, a "For Agents" page was created with agent-specific information and an online materials order form available for them to submit their collateral requests digitally. The website is linked to Google Analytics for up-to-date monitoring and reporting. Throughout the duration of the campaign, the website will serve as the primary source of information education about the CLCA program.

Text Messaging (SMS) Campaign

The SMS campaign has been expanded for 2013-2014 to encompass new sourcing keywords on all current and upcoming CLCA advertising and collateral materials. Leads are sourced daily to producers.

Social Media

CDI will continue its robust social media campaign, including the utilization of Facebook, Twitter and YouTube. In 2013, CDI added a custom tab for producers to support and encourage CLCA sales efforts. The number of Facebook followers increased 11.7% from July 2013 to January 2014. CDI's Twitter page aims to provide educational information to both producers and consumers, highlighting the CLCA program as well as other useful information related to driving. The page also cross promotes with DMV and its programs. CDI's Twitter followers have grown significantly over the past year, and as of January 2014 had 237 followers, a 930.4% increase from the previous year. CDI's YouTube channel features "Producer Spotlight Videos" from both the 2012-2013 and 2013-2014 efforts and an "Ask an Agent" series. Additionally, in 2013 a LinkedIn group just for agents who sell CLCA has been created. All mediums are maintained and updated on a daily basis to maximize social media reach and effectiveness.

Paid Advertising and Media

Ethnic TV Placement

CDI hosted two Univision phone banks with producers in February 2014. As part of these events, Univision aired promotional spots leading up to and during the event. These events invited viewers to call in to find out if they were qualified for CLCA. Participating producers were able to leave the phone banks with the leads they generated and follow up with callers the next day.

Online Display Ads and Re-targeting

SEM (Search) ads are geo-targeted for the State of California. The ads, which started in July 2013, will run through June 2014, with pay-per-click search ads (e.g. Google Adwords) in English and Spanish. Pop-up ads in conjunction with keywords searches will also be used for re-targeting efforts.

Paid Radio Placement

:15 radio spots were developed and ran on local Sacramento radio stations to promote the Sacramento producer outreach workshop.

DMV Advertising

CLCA ads are running on a 12-month program at three key DMV locations (Fontana, Riverside, East Riverside) through the DMV's Motor Vehicle Network (MVN). These ads are in English and Spanish.

Newspaper and Community Advertising

In spring 2014, CDI will start a three-month campaign with BPC Media targeted at community outreach to the Latino and African American markets by utilizing print ads in community newspapers, community poster distribution at local barbershops, beauty salons and faith community/congregants, social media outreach, and an online digital ad program in the counties of Sacramento, Fresno, Riverside and San Bernardino.

Media Relations

CDI has planned strategic media relations efforts around events and timely campaign content. These efforts include the following elements:

Media Pitching

- Drafting and distribution of newsworthy releases on items relating to the CLCA Program
- Seeking opportunities for live interviews on radio & television

PSA Placement

- Placement of developed :15 and :30 radio spots
- Placement of :30 TV Spot
- PSAs developed in English and Spanish

Radio and TV Interviews

CDI representatives will be regularly featured on radio and TV interviews throughout the state discussing the benefits of the CLCA program

CLCA Collateral Materials

CDI has updated campaign materials that are distributed as part of its public education and outreach campaign. Materials include:

- 11-language brochure
- Double sided English/Spanish tip card
- Auto document case
- English and Spanish posters
- CLCA contact business card
- Fact Sheet
- FAQ Sheet
- Window clings
- Co-branded tip card
- Benefits of Selling CLCA FAQ Sheet

The Department will also continue to partner with other state agencies to outreach to target communities. This includes the California State Controller's *Financial Literacy Resource Fairs* and the California Air Resources Board's *Tune In and Tune Up* events.

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.

CLCA Collateral Materials

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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 2013 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 undoubtedly serves and benefits underserved communities throughout California.

Household incomes of all policyholders do not exceed established federal policy guidelines. In fact, CAARP statistics document that approximately 85% of policies issued in 2013 were issued to applicants whose household income was at or below \$20,000 per year. Also, while law states that an applicant's vehicle at the time of application cannot exceed \$20,000, the predominant vehicle value for policies issued in 2013 was less than \$5,000.

Applications assigned in 2013 totaled 9,451, 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 2013, 94% 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.

CLCA Advertising Causes Uninsured Motorists to Purchase a Policy “Better” than CLCA

Assembly Bill 1597 (2010) added a success measure – that the program’s advertising caused uninsured motorists to visit a producer and obtain insurance other than CLCA insurance. Data shows that 702 motorists visited a producer in 2013 because of the CLCA advertising and left with a “better” policy.

STATUTORY REVISIONS

CDI has been doing extensive tracking, research and analysis, both internally and with external stakeholders, to determine what programmatic factors could be changed to improve and enhance CLCA. Statistics show that, though the program has served tens of thousands of Californians since its inception, CLCA can capture an even greater percentage of its target community. The Department may provide a set of recommendations to The State Legislature to effect important changes that require statutory revision in the future.

IMPEDIMENTS TO SUCCESS

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

Eligibility Criteria

Eligibility criteria required to purchase a CLCA policy are very stringent, requiring a motorist to be income eligible, qualify as a “good driver” (as defined in California Insurance Code Section 1861.025) and live in a household with only “good drivers”. The combination of these factors for an applicant is the major deterrent in eligibility for the program. For example, if a working mother in the CLCA program has a teenage child who obtains a driver’s license, she and the entire household then becomes ineligible for the program.

The statistics clearly reflect that eligibility is an impediment to participation. In 2013, approximately 567,500 Californians expressed interest in the program, while only 51,755 were deemed eligible. In other words, only 9% of those who sought out the program were eligible to participate in it.

Converting “eligible” applicants into “insured” motorists

Last year, 51,755 people were deemed eligible for CLCA, but only 28% of those eligible (14,251 applicants) visited a producer to complete the process of purchasing a CLCA policy. Of those who visited a producer, 71% (10,153 applicants) purchased CLCA or another auto insurance policy.

Increasing the number of eligible applicants who visit a producer would significantly increase the number of CLCA policies sold to motorists. CDI is currently working 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.

Payment Plan

The installment plans that have been setup for CLCA are outdated and confusing for program participants. A missed or late CLCA installment payment causes cancellation of the CLCA policy. CDI is currently working with CAARP to develop a simpler and more streamlined installment payment plan that will be implemented in the spring of 2014.

Competitors

A number of insurers have entered the “low end” of the voluntary market, offering liability insurance with higher coverage limits and for just a few dollars more per month than the CLCA policy. Additionally, producers use CLCA advertising to draw in potential consumers and then “up sell” a more robust product within the voluntary market.

Though the end goal of CLCA is to decrease the number of uninsured motorists on the road – whether through coverage under a CLCA or other auto insurance policy – industry competition inherently affects the number of CLCA policies sold.

CONCLUSION

The program has proudly met the success measures outlined in statute and CDI will continue to work aggressively in 2014 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. The Insurance Commissioner remains in strong support of the program and the important role it plays in decreasing the uninsured motorist population and thus, protecting consumers in the State of California.