



CALIFORNIA'S LOW COST AUTO INSURANCE

Report to the Legislature & Consumer Education and Outreach Plan 2010

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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 Legislature in 1999 and exists pursuant to California Insurance Code Section 11629.7 as a program designed to provide low income or income eligible persons with liability insurance protection at affordable rates as a way to meet California's financial responsibility laws.

The CLCA Program began operation in 2000 as a pilot program for the counties of Los Angeles and San Francisco. This program remained as a pilot program for those counties until April 2006 when the Legislature authorized expansion of the program into all 58 counties of the State as deemed necessary by the California Insurance Commissioner.

The counties of Alameda, Fresno, Orange, Riverside, San Bernardino and San Diego became operational effective April 1, 2006.

The counties of Merced, Monterey, Santa Barbara, Santa Clara, Sonoma, Stanislaus, Tulare and Ventura became operational effective March 30, 2007.

The counties of Amador, Butte, Calaveras, El Dorado, Humboldt, Kings, Lake, Madera, Marin, Mendocino, Napa, Placer, San Benito, Santa Cruz, Shasta, Solano, Sutter, Tuolumne, Yolo and Yuba became operational effective October 1, 2007.

The counties of Alpine, Colusa, Del Norte, Glenn, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Plumas, San Luis Obispo, Sierra, Siskiyou, Tehama and Trinity became operational effective December 10, 2007.

THE ELIGIBILITY REQUIREMENTS

Eligibility requirements for the program are established in California Insurance Code Section 11629.73. In order to participate in the program individuals must meet the following criteria:

- Applicant's annual household income may not exceed 250 percent of the federal poverty level as set out below:

Household Size (people)	Maximum Income
1	\$27,075
2	\$36,425
3	\$45,775
4	\$55,125
5	\$64,475
6	\$73,825
7	\$83,175
8	\$92,525

(Federal poverty levels are established annually. The above levels are current as of February 2009.)

- 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, at time of purchase of the CLCA policy, 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.
- College student-applicants may not be claimed as a dependent on another person's federal and/or State income tax return.

THE POLICY

California Insurance Code Section 11629.745 provides that an agent or broker (producer) shall inform every prospective automobile insurance policyholder of the existence of the CLCA program, when an applicant inquires about a policy for minimum limits. If the consumer qualifies for the policy and wishes to purchase the policy, the producer is required to submit the application and supporting documentation into the California Assigned Risk Plan (CAARP) for issuance of the policy. If the producer is not certified by CAARP, the producer is required to provide the toll-free telephone number for CAARP as an option for coverage.

The policy limits are defined in California Insurance Code Section 11629.71 as follows:

- The policy offers coverage in the amount of ten thousand dollars (\$10,000) for bodily injury to, or death of, each person as a result of any one accident and, subject to that limit as to one person.
- The amount of twenty thousand dollars (\$20,000) for bodily injury to, or death of all persons as a result of any one accident.
- The amount of three thousand dollars (\$3,000) for damage to property of others as a result of any one accident.
- Medical payments coverage is available to the consumer at an additional premium charge for the coverage.
- Uninsured/Underinsured coverage is available to the consumer at an additional premium charge for the coverage.
- The policy has an initial term of one year and is renewable on an annual basis thereafter.
- The policy covers the person named in the policy (named insured), and any other operator of the automobile, provided the use is permissive and consistent with the scope of the permission granted to the user.
- The policy contains an exception to members of the named insured's household who do not satisfy the eligibility requirements of California Insurance Code Section 11629.73. (See Eligibility Section above.).
- CLCA policies are issued by insurance companies holding certificates of authority issued by the California Department of Insurance (CDI).

CAARP offers the following payment options for CLCA policies:

- Full Annual Premium
- \$125 Deposit with balance to be paid within 30 days.
- **Option 1** = \$100 Deposit with balance to be paid in 6 bi-monthly installments.
- **Option 2** = \$125 Deposit with balance to be paid in 5 bi-monthly installments.
- **Option 3** = Deposit of 15% of total premium with balance to be paid in 6 bi-monthly installments.

THE RATES

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.

California Insurance Code Section 11629.72 provides that rates for CLCA policies issued under the program shall be reviewed and revised annually and 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 Commissioner shall act on the recommendation within 90 days of receipt of the recommendations from CAARP.

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.

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.

When the CLCA program began rates were established for Los Angeles and San Francisco counties only.

The following chart of rates compares the rates for all 58 counties from their inception into the CLCA program up to present. Current rates for the CLCA program were approved on May 11, 2009.

County	2000-2002	2003-2005	2006	2007-2008	2009
Alameda			\$322.00	\$318.00	\$272.00
Alpine				\$311.00	\$274.00
Amador				\$280.00	\$262.00
Butte				\$253.00	\$233.00
Calaveras				\$275.00	\$232.00
Colusa				\$284.00	\$252.00
Contra Costa			\$317.00	\$313.00	\$267.00
Del Norte				\$285.00	\$243.00
El Dorado				\$285.00	\$263.00
Fresno			\$299.00	\$295.00	\$258.00
Glenn				\$288.00	\$255.00
Humboldt				\$263.00	\$237.00
Imperial			\$210.00	\$208.00	\$161.00
Inyo				\$271.00	\$253.00
Kern			\$239.00	\$236.00	\$254.00
Kings				\$273.00	\$222.00
Lake				\$268.00	\$217.00
Lassen				\$286.00	\$269.00
Los Angeles	\$450.00	\$347.00	\$355.00	\$350.00	\$368.00
Madera				\$253.00	\$223.00

County	2000-2002	2003-2005	2006	2007-2008	2009
Marin				\$297.00	\$274.00
Mariposa				\$279.00	\$251.00
Mendocino				\$260.00	\$224.00
Merced				\$267.00	\$238.00
Modoc				\$292.00	\$258.00
Mono				\$286.00	\$259.00
Monterey				\$210.00	\$198.00
Napa				\$277.00	\$243.00
Nevada				\$263.00	\$251.00
Orange			\$312.00	\$308.00	\$295.00
Placer				\$314.00	\$284.00
Plumas				\$276.00	\$241.00
Riverside			\$246.00	\$243.00	\$262.00
Sacramento			\$383.00	\$378.00	\$361.00
San Benito				\$274.00	\$253.00
San Bernardino			\$283.00	\$280.00	\$274.00
San Diego			\$268.00	\$265.00	\$264.00
San Francisco	\$410.00	\$314.00	\$322.00	\$336.00	\$302.00
San Joaquin			\$295.00	\$292.00	\$278.00
San Luis Obispo				\$226.00	\$226.00
San Mateo			\$307.00	\$303.00	\$287.00
Santa Barbara				\$220.00	\$231.00
Santa Clara			\$290.00	\$286.00	\$261.00
Santa Cruz				\$252.00	\$213.00
Shasta				\$260.00	\$242.00
Sierra				\$297.00	\$272.00
Siskiyou				\$259.00	\$216.00
Solano				\$304.00	\$271.00
Sonoma				\$270.00	\$251.00
Stanislaus			\$359.00	\$354.00	\$307.00
Sutter				\$291.00	\$279.00
Tehama				\$280.00	\$235.00
Trinity				\$288.00	\$253.00
Tulare				\$222.00	\$209.00
Tuolumne				\$279.00	\$249.00
Ventura				\$280.00	\$267.00
Yolo				\$286.00	\$257.00
Yuba				\$286.00	\$260.00

If there is a single male driver in the household who is 19-24 years-old, the Liability Rate is surcharged an additional 25%.

THE APPLICATION PROCESS

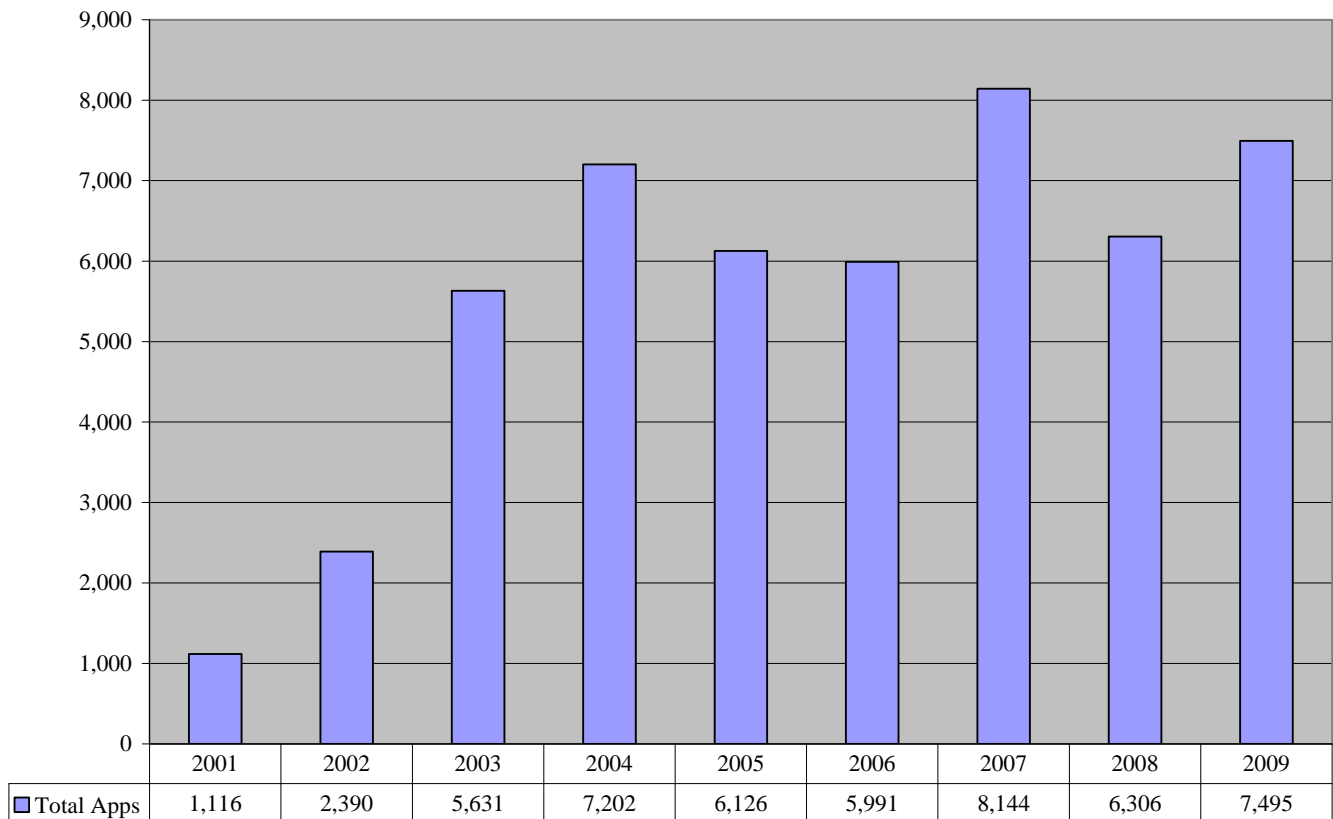
The application process for the CLCA program has become increasingly convenient over the years, with the introduction of the online application process referred to as EASi. The EASi application was implemented in November 2004 following meetings by CDI with producers who were concerned about the process of submitting applications to CAARP for CLCA policies. This process performs a preliminary eligibility qualification check by pulling the motor vehicle record of the insured to see if they meet the driving requirements of the program along with the other criteria for eligibility.

Additionally, the producer is able to download the paper version of the application, which is available in ten languages for manual submission to the CAARP.

There are approximately 2,225 currently active producers in California who are CAARP certified to write CLCA policies.

The CLCA program was only available in Los Angeles and San Francisco during the first six years of the program. During that time, applications assigned were tracked together, not separately by county. These totals are reflected in the graph below.

Applications Assigned Since Inception



Applications Assigned Annually by County Since 2006

County	2006	2007	2008	2009
Alameda	75	150	142	144
Alpine		0	0	0
Amador		0	1	4
Butte		16	51	115
Calaveras		1	11	14
Colusa		0	1	3
Contra Costa	10	113	84	117
Del Norte		0	3	0
El Dorado		1	27	35
Fresno	74	144	93	378
Glenn		0	3	4
Humboldt		1	14	40
Imperial	3	76	39	48
Inyo		0	0	2
Kern	3	55	52	121
Kings		0	3	17
Lake		0	5	7
Lassen		0	1	1
Los Angeles	5,143	5,235	3,354	2,984
Madera		0	4	12
Marin		2	16	18
Mariposa		0	0	10
Mendocino		1	3	4
Merced		26	25	68
Modoc		0	0	0
Mono		0	0	0
Monterey		15	30	45
Napa		0	5	7
Nevada		0	20	23
Orange	75	220	201	278
Placer		2	22	59
Plumas		0	1	1
Riverside	93	323	320	346
Sacramento	35	276	393	539
San Benito		0	1	2
San Bernardino	67	295	201	320
San Diego	134	359	291	326
San Francisco	211	241	163	197
San Joaquin	37	116	114	185
San Luis Obispo		0	20	39
San Mateo	10	63	35	45
Santa Barbara		19	16	16

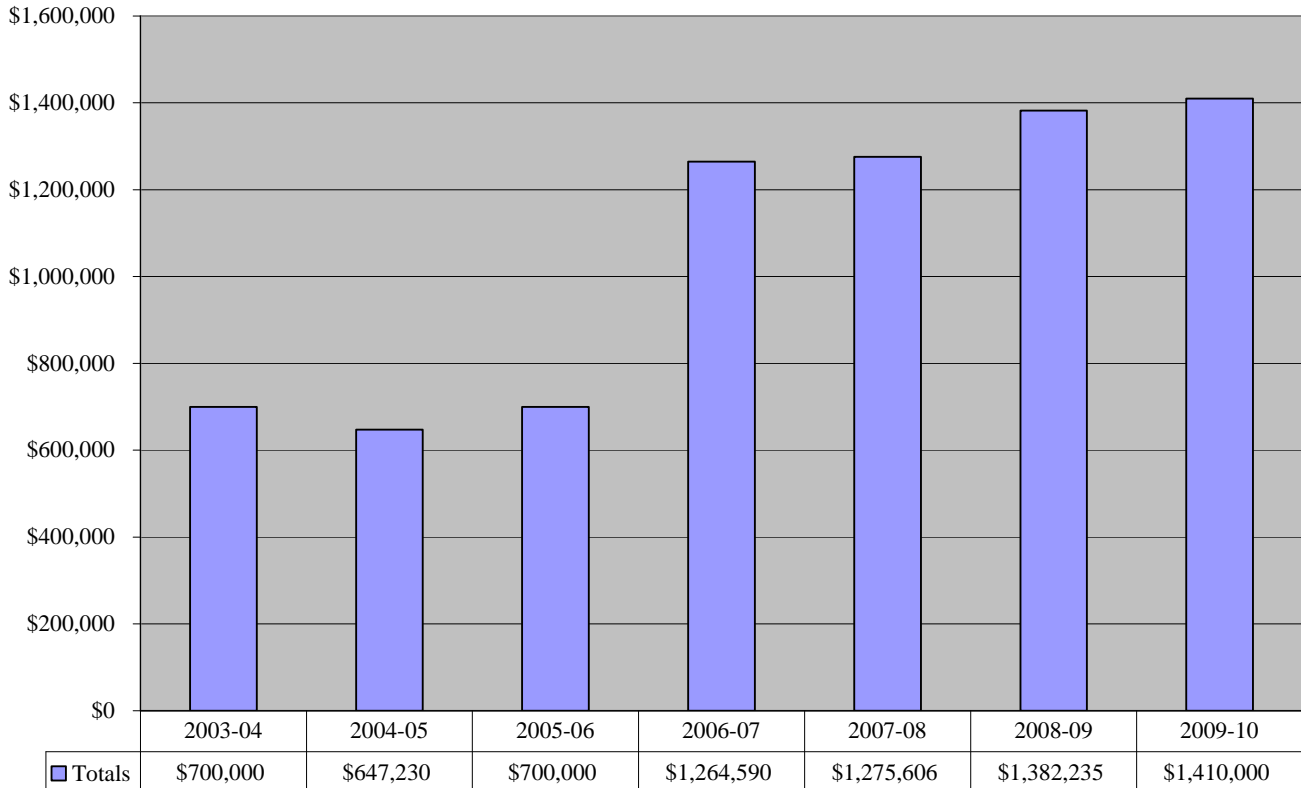
County	2006	2007	2008	2009
Santa Clara	17	163	170	199
Santa Cruz		0	2	20
Shasta		6	49	175
Sierra		0	0	0
Siskiyou		0	1	9
Solano		5	13	26
Sonoma		61	50	60
Stanislaus	4	60	71	154
Sutter		2	11	17
Tehama		0	6	25
Trinity		0	2	3
Tulare		31	28	71
Tuolumne		2	14	10
Ventura		63	92	89
Yolo		0	17	44
Yuba		1	15	33
Totals	5,991	8,144	6,306	7,509

FUNDING FOR PROGRAM OUTREACH

The legislation (SB 940, Speier, Chapter 884) that created the CLCA program in 1999 did not address the need for, nor provide funding for consumer education and outreach. In 2000, CDI initiated a consumer education and awareness campaign to inform consumers of the availability of the program.

Legislation (AB 1183, Vargas, Chapter 717) enacted in 2005 provides for CDI to use up to five-cents (\$0.05) of the thirty-cents (\$0.30) assessment levied against each insured vehicle in the state for the purpose of informing consumers about the existence of the CLCA program.

Budget Allocations for Outreach Activities Since Inception



California Insurance Code section 1872.81, which provides for the \$0.30 cent assessment, is operative until January 1, 2015, unless legislation is enacted to extend the date.

However, pursuant to California Insurance Code section 11629.84, the CLCA program is scheduled to sunset on January 1, 2011. Assemblymember Dave Jones introduced AB 725 in 2009 to extend the program to January 1, 2016. Unfortunately, Governor Schwarzenegger vetoed the bill. CDI plans to pursue new legislation in 2010 to try again to extend the sunset of the program to January 1, 2016.

2009 CONSUMER EDUCATION AND OUTREACH

Within CDI there exists the Community Relations Branch (CRB) which works to connect with consumers and communities. To achieve this mission, CRB creates and sustains collaborative partnerships with community groups, consumer organizations, small businesses, non-profits, insurance industry organizations, individuals, and government agencies. These partnerships facilitate the dissemination of consumer information on the CLCA program.

Over the course of 2009, CRB enacted many initiatives to garner awareness of CLCA including producer education and recruitment, community and event sponsorships, earned and paid media as well as outreach and brochure dissemination.

During 2009, CRB focused on working our continuing partnerships with the Los Angeles Department of Public and Social Services (LADPSS), the California Department of Motor Vehicles (DMV), Department of Human Services, EDD Centers, the Women Infants and Children (WIC) program, and Workforce Development programs throughout California in order to encourage public agencies to integrate CLCA into their programs.

In 2009, CRB participated in the California League of Cities Annual Conference in San Jose, California. The theme of the conference was “Strong Cities, Strong State, Strong Nation.” The conference offered city officials and staff that participated from cities throughout the State, many opportunities to learn how other cities are addressing some of today’s toughest issues. CRB staff members met with attendees of the conference, many of which were city council members, mayors, vice mayors, city managers, and key staff members and presented the CLCA program to them. The main goal was to familiarize city officials with the CLCA program and encourage them to make information available to members of the communities in their respective cities.

Through the Department of Aging’s Info Van programs, approximately 1,600 CLCA brochures were distributed via their mobile information centers. Info Vans travel to a variety of locations throughout counties providing information to seniors, adults with functional impairments and caregivers, targeting populations with cultural diversities.

The WE Connect program created by Maria Shriver that connects families to programs and services was another partnership created during 2009. CDI has been able to provide information on the CLCA program side by side with other state and local government agencies. We Connect events were held in Fresno, Orange and San Diego counties.

Working in concert with the City of Los Angeles, CRB partnered with their Employee Assistance Program – Community Assistance Centers, to promote the CLCA program to local communities. The Community Assistance Centers will function as a “one-stop” facility for eligible community members to receive assisted living benefits. The CLCA program is being added to their electronic benefits systems as a program that eligible members can apply for while being on site at the Community Assistance Centers. The Community Assistance Centers program is scheduled to launch in February 2010.

Throughout 2009, CRB continued to work with in partnership with community based organizations throughout the State. CRB staff participated in a wide variety of events. Through our contract with a public relations firm, CRB developed new DVDs for distribution to community based organizations and the general public promoting the CLCA program.

CRB created a new partnership with the United Way organization, which has a commitment to addressing key social issues and promoting financial stability within communities. With current economic

conditions within the State of California, more consumers look towards organizations such as United Way for help and assistance. As CLCA is a program that offers an affordable means to purchase liability insurance and meets the requirements of financial responsibility laws, this new partnership arrangement will give us an opportunity to bring information into communities to those who may become eligible or have an interest in participating in this program. CRB provided approximately 30,000 brochures to United Way's Bay Area Regional office for mailing to their clientele.

Four Community Auto Insurance Access Forums were conducted in Chico, Fresno, Bakersfield and Stockton in 2009. The purpose of the forums was to bring together community based organizations and producers to help promote partnerships, intended to increase access to the CLCA program within the community. These forums were well received by the participants and CRB anticipates that future forums such as these will produce solid working relationships between community based organizations and producers, helping to promote sales of CLCA policies in those counties where the forums will be held.

In an effort to encourage producers to seek certification through CAARP to sell CLCA policies, an email went directly to 75,000 licensees. As a result of this effort, approximately 396 new applications for certification were received by CAARP between October and December 2009.

Media Campaign

In 2009, a portion of the CLCA budget was targeted towards a media campaign using television and radio advertisements. The target audience identified by TMD Communications, our contracted public relations firm for 2009, was adults ages 25-54, directed at both general and Hispanic markets with household incomes of \$20,000 - \$50,000, with a population of 3,145,400 people in the demographic marketing areas.

The media markets for the campaign were:

- Chico-Redding
- Fresno-Visalia
- Bakersfield
- Sacramento-Stockton-Modesto
- Eureka-Crescent City

This is the first time the CLCA program had ever engaged in paid marketing in these media markets. The results of the campaign which ran from January 05, 2009 – May 31, 2009 resulted in over 29 million impressions.

During 2009, CDI held press conferences in Los Angeles, San Diego, Sacramento and Fresno counties promoting the CLCA program. The emphases in each of the press conferences was the importance of having liability insurance coverage that meets California Financial Responsibility Laws and encourage uninsured drivers to consider purchasing CLCA policies at affordable rates.

CDI through TMD Communications placed advertisements in the San Bernardino, Riverside and Inland Empire county local newspapers promoting the CLCA program. The newspapers used were the Inland Empire Community Newspaper, The Business Press, Westside Story News, San Bernardino Sun, Riverside County Record, Black Voice News and The Los Angeles Times.

PERFORMANCE MEASURES

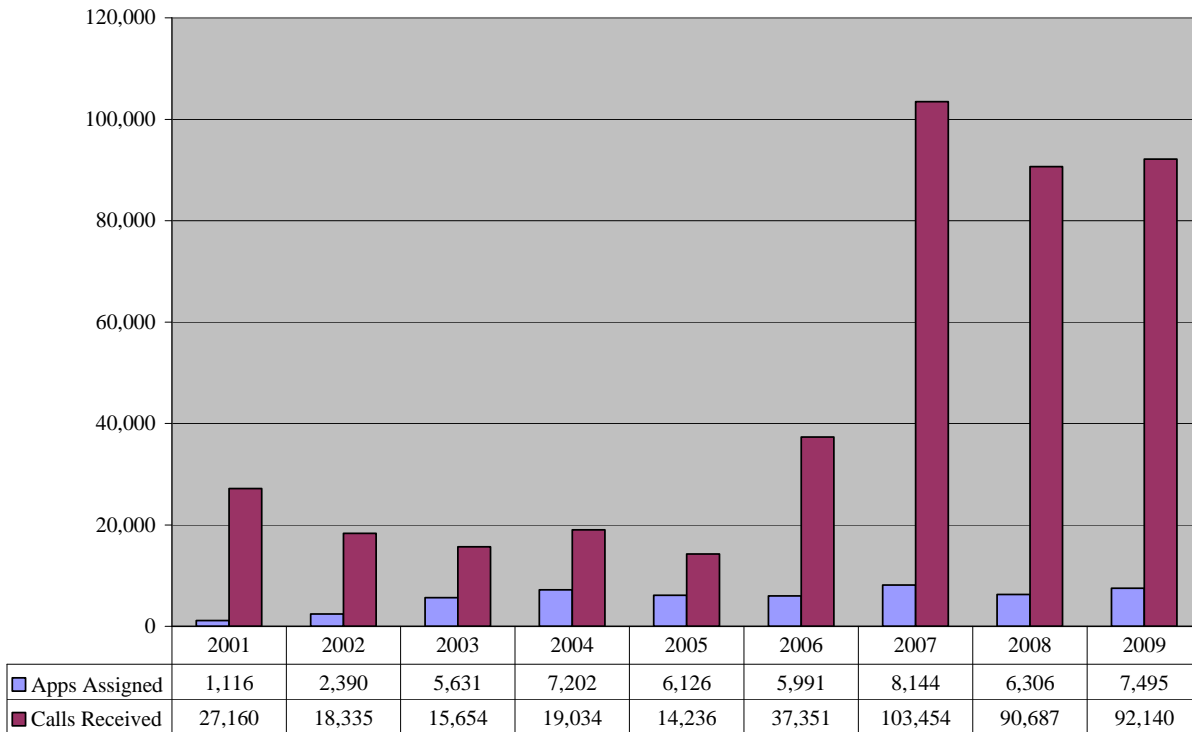
2009 Calendar Year Program Statistics

- Applications Assigned: 7,495
- Applications Received: 8,590
- Percentage of Applications Eligible for Assignment: 87%
- Policies In Force: 11,439
- CAARP Hotline Inquiries: 92,140
- Web Inquiries (www.insurance.ca.gov/lowcost): 47,271

According to statistics from CAARP, of the 7,495 applications that were assigned during 2009, approximately 4,807 or 64.1% of the applicants were uninsured at the time of applying for a CLCA policy.

A historical view of the calls received vs. applications assigned since the inception of the program is reflected in the following graph:

Total Applications Assigned Vs. Total Calls Received



2010 CONSUMER EDUCATION AND OUTREACH BUDGET & PLAN

While the annual report is based on calendar year, the contracts and budgets associated with this program are based on a fiscal year. Therefore, pending the approval of CDI's budget for FY 2010-11 the budget for the CLCA program will once again be approximately \$1.4 million.

Draft FY 2010-11 Elements	Cost
Consumer Education and Outreach	\$50,000
Materials Development and Production	\$100,000
Community Outreach Events	\$90,000
CLCA Internet Web Page	\$50,000
Earned Media and Advertising	\$1,100,000
Miscellaneous Consumer Education and Outreach Activities	\$10,000
Total	\$1,400,000

During FY 2009-10, CDI contracted with a new public relations firm, Ogilvy Public Relations (Ogilvy PR), to assist with the marketing of the CLCA program. CDI has been provided with and has approved the marketing strategies presented by Ogilvy PR as follows through June 2010:

Objective

- Increase awareness by educating Californians on eligibility requirements of the program to determine if they qualify for the CLCA program before they call the hotline
- Increase qualified applicant inquiries to the hotline and increase to the number who purchase a CLCA insurance policy
- Renew interest among consumers and producers

Target Audience

Recent studies conducted by Ogilvy PR, using information obtained from The Insurance Research Council (IRC) and the Insurance Institute of America indicate that uninsured drivers tend to be lower income, younger Latino or African American males. Based on these findings, it has been recommended focusing the CLCA message towards the following key audiences:

- Income eligible drivers, primarily males (and secondarily some females)
- Latino, African American and Asian community groups
- Key influencers (i.e., producers, law enforcement, community based organizations, colleges, universities and government agencies)

Media Relations Outreach

The media relations plan proposes to focus on media that will have the most reach into the target audiences and will provide newer and faster forms of communication to make information on the CLCA program more timely, relevant and impactful with traditional, digital and ethnic outlets.

For 2010, Ogilvy PR has recommended developing press events to promote the CLCA program. The press events are expected to be held at the beginning of spring and will be promoting the media angle of "Get out and drive". This campaign will announce the importance of the CLCA program and its availability of liability insurance to income eligible consumers just as the public begins to think about and plan spring outings. The economy continues to be a big factor in the decisions of the public so the campaign will combine the Spring Fever pitch with the cost-savings of the program.

The media relations efforts will reflect a commitment to the value of the CLCA program and how easy it is for income eligible consumers to enroll in the program. The intended outreach will be proactive and creative aimed at California reporters, editorial leaders and newsroom decision makers.

Ethnic Media Outreach

All media materials and press conferences will be complimented by Spanish media outreach. An emphasis will also be placed on ethnic radio and print media placement to compliment the media relations efforts. Radio is widely listened to among the African American and Latino population, especially while driving, according to Ogilvy PR. CDI through Ogilvy PR anticipates placing stories and Public Service Announcements (PSAs) on radio stations targeting Latino and African American audiences in four major markets (Sacramento, Central Valley, Los Angeles and San Diego).

The plan also calls for outreach to key newspapers and publications not only to place print advertising, but develop a media partnership that hopefully will include online advertising, collateral distribution at local events, PSA placement and additional media opportunities.

Partnership Outreach

CDI's outreach efforts will target community groups and organizations in order to reach Latinos in the target areas. The partners to be sought must have credibility in the Latino community and serve immigrant populations across the key target areas, so the following have been identified as the organizations that outreach efforts will be made to:

- National Council of La Raza
- League of United Latin American Citizens (LULAC)
- National Association of Latino Elected Officials (NALEO)
- The Tomas Rivera Policy Institute

These four main organizational partners will serve as a foundation for the overall outreach. Other partnerships to be developed will include Latino student organizations, like the MEChA clubs at Los Angeles Harbor College and San Diego City College or the La Raza Student Association at Los Angeles Valley College.

Community College Outreach

For 2010, CDI will identify, through Ogilvy PR, Latino student groups, administration contacts and special event schedules for community colleges. This partnership outreach will support the intended media relations efforts previously outlined and continue on an ongoing basis throughout the year 2010.

By mid-2010, CDI anticipates having Spanish language collateral materials in order to begin outreach to the colleges. CDI and Ogilvy PR staff will meet with the administration of each college and leaders of student groups to explain the CLCA program and encourage their participation as partners, which may include providing a CLCA link on the college's website, running stories in the campus newspaper, and disseminating information through the administration. Student groups would be encouraged to provide outreach to their memberships.

English as Second Language (ESL)/Citizenship Classes

Many community colleges offer ESL and Citizenship Classes, so outreach will be mostly an extension of the community college outreach program. Additionally, many high schools and community centers offer these classes as well. For example, in Los Angeles, the first identified targets outside of the community colleges will be Garfield and Roosevelt High Schools, and the Lincoln Heights Senior Center. CDI,

through Ogilvy PR will work with the administrators of these classes to disseminate information and make presentations on the CLCA program.

Collateral Material

Currently, the core information material distributed is a 12-page, multi-language CLCA brochure. This brochure provides basic information on cost, coverage and eligibility requirements in 11 languages, including: English, Spanish, Chinese, Korean, Hmong, Russian and Tagalog, among others. During 2010, CDI will evaluate the effectiveness of having this brochure in all 11 languages to be certain that the brochure is a benefit to all community groups, especially the targeted groups.

During 2010, CDI anticipates distribution of approximately 380,000 CLCA brochures to nearly 1,500 community based organizations for dissemination to their clientele.

CDI is considering the development of a variety of collateral and promotional materials for distribution to consumers within the target market that qualify for the CLCA program. These materials will be distributed at various community events, town hall meetings and workshops and to a multitude of community organizations in order to reinforce the existence of the CLCA program and encourage calls to the 1-866-602-8861 hotline as well as information made available on CDI's website:

www.insurance.ca.gov/lowcost.

Training and Development Opportunity Program

For 2010 CDI plans to continue and expand training & development opportunities for staff at agencies and organizations that serve income eligible consumers. The purpose of the program is for other agency staff to become knowledgeable about the CLCA program and make appropriate referrals to CAARP, which administers the CLCA program. CDI intends to provide the necessary supplies and materials to staffers for distribution to consumers advising of CLCA.

Government Outreach

During 2010, CDI plans to create new outreach opportunities with government entities such as Cal-Vet, The California National Guard and Tribal Governments. Additional Federal, State and local government partnerships will also be pursued.

DETERMINATION OF SUCCESS

CDI has determined that the California Low Cost Automobile Insurance program addressed each of measurements of success specified in California Insurance Code section 11629.85.

1) 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 2009 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 established federal policy guidelines. In fact, CAARP statistics document that 42% of policies issued in 2009 were issued to applicants whose household income was at or below \$20,000 per year.
- 7,495 policies were assigned in 2009, thus providing access to an affordable insurance option for income eligible households.
- While law states that an applicant's vehicle at the time of application can not exceed \$20,000, the predominant vehicle value for policies issued in 2009 was less than \$5,000.

3) Program offered Access to Previously Uninsured Motorist, thus reducing the Number of Uninsured Drivers

Statistics compiled by CAARP demonstrate that in 2009, 64% of new policies assigned were to applicants who were uninsured at the time of application. With the implementation of the CLCA program, thousands of formerly uninsured drivers are now insured through the CLCA program.

CONCLUSION

CDI believes the program has met the measurements outlined in statute for 2009 and will work aggressively during 2010 to promote this program. However, we are always looking for ways to improve the program in response to public concerns and our own observations. The following is a list of some ideas or concerns voiced to CDI which the Department will further research. Should the data gathered in the research validate these concerns and the solutions would not greatly impact the cost of the CLCA product, they may be pursued.

1) *"The renewal process is cumbersome for both policyholders and producers."*

California Insurance Code Section 11629.71(d) specifies a policy term of one year with renewals annually. However, this code section doesn't clarify the process for policy renewals. Section 30 of the CLCA Plan of Operations manual describes the renewal process, which is essentially the same as a first time purchase of a CLCA policy. CDI has heard from the certified producers at Community Auto Insurance Access Forums that this is cumbersome and discourages the renewal process.

2) *"My vehicle is valued over the limit, but I recently lost my job and still want to carry auto insurance."*

California Insurance Code Section 11629.71(f) provides value of insured vehicle be \$20,000 or less. Information on the number of rejections based on vehicle value is not currently maintained by CAARP.

3) *"Everyone is hurting in this economy; I make just over the income level of program."*

California Insurance Code Section 11629.73(a) provides that one of the requirements of the program is that participants must be income-eligible based on household gross annual income of 250% of federal poverty level.

4) *"I used public transportation and wasn't licensed during that time, now I don't qualify for this program."*

California Insurance Code Section 11629.73(b) provides that applicants for CLCA policies must be continuously licensed for the prior three years, with very limited exceptions.

5) *"I thought I was a good driver, but it seems I am not. Based on my DMV report I was rejected for this program."*

California Insurance Code Section 11629.73(e) provides participants may not have any felony or misdemeanors on their driving record.

6) *"College fees are going up, my parents are trying to help me pay for my expenses, but that means I don't qualify for this program."*

California Insurance Code Section 11629.73(f) provides that the applicant for a CLCA policy cannot be a college student being claimed as a dependent on another person's federal or state income tax purposes.

7) *"Producers don't like to sell this program because commissions are too low, so they aren't motivated."* California Insurance Code Section 11629.76 sets forth the commission schedule for CLCA policies at 12% of the annual premium for each policy, with a minimum earned commission of \$35 per policy.

8) *"This program disappears in a year, why would I apply?"*

California Insurance Code Section 11629.84 provides that the CLCA program will terminate as of January 1, 2011 unless legislation is passed that extends this program past that date.

9) *“As a public works program, we’d like to be able to transmit CLCA applications electronically, why can’t you process them without an agent present?”*

Municipalities, universities and non-profits are migrating to a "one stop shop" approach to social programs whereby the needs of income eligible communities can be determined and application processes completed while meeting with clientele. Transacting insurance is defined in California Insurance Code Section 35 and California Insurance Code Section 1631 defines the necessity of a license to sell insurance policies.

10) *“I searched for CLCA online, but it seems like there are hundreds of “low cost” auto products. And, once I found it, I couldn’t even apply online!”*

Currently there are two websites containing information on the CLCA program. One is CDI's and the other is with CAARP. Neither website is product-based, or particularly user-friendly. This makes it difficult to market. In addition, CAARP does not currently accept applications from individuals, but only from certified producers online. CAARP and CDI both have an online screening criteria or qualification “quiz”, however Sections 11629.74 and 11629.245 require document submissions and certified producers signatures on applications before coverage in CLCA can be assigned to an insurance company.

11) *“There are better products for the same amount of money in the private market.”*

CDI has heard through our Community Auto Insurance Access Forums with certified producers that the private market writes policies at a similar price with similar/better coverage.

12) *“I can’t find an agent in my area who sells the CLCA program.”*

The final phase-in of the CLCA program was completed as of December 2007. However, CDI has found that there are currently 13 counties with zero CAARP certified producers. In addition, there are another 14 counties with less than five certified producers.