



**CALIFORNIA'S  
LOW COST  
AUTO INSURANCE**

Sponsored by the California Department of Insurance

## Report to the Legislature & Consumer Education and Outreach Plan

# 2013

Required by Insurance  
Code Section 11629.85



**Prepared By:** California Department of Insurance

Chris Shultz, Deputy Commissioner, Community Programs, (916) 492-3589

Melanie Ramil, Chief, External Affairs, (916) 492-3522

Linda Yarber, Bureau Chief, Consumer Education and Outreach, (213) 346-6887

Barry Nelson, Supervisor, Consumer Education and Outreach, (213) 346-6095

Durriya Syed, Community Programs Coordinator, (916) 492-3418

**California Low Cost Automobile Insurance Program's Hotline: 1-866-602-8861**

Consumer website: [www.mylowcostauto.com](http://www.mylowcostauto.com) | Facebook Page: [www.facebook.com/mylowcostauto](http://www.facebook.com/mylowcostauto)

Twitter Page: [www.twitter.com/CALowCostAuto](http://www.twitter.com/CALowCostAuto) | CAARP website: [www.aipso.com/PlanSites/CaliforniaLow Cost.aspx](http://www.aipso.com/PlanSites/CaliforniaLowCost.aspx)

## **TABLE OF CONTENTS**

EXECUTIVE SUMMARY.....	3
THE PROGRAM.....	4
FUNDING FOR PROGRAM OUTREACH.....	5
THE RATES.....	6
2013 CONSUMER EDUCATION AND OUTREACH CAMPAIGN.....	8
DETERMINATION OF SUCCESS.....	13
STATUTORY REVISIONS.....	14
IMPEDIMENTS TO SUCCESS.....	15
CONCLUSION.....	16

## **EXECUTIVE SUMMARY**

**California's Low Cost Automobile Insurance Program (CLCA)** continues to demonstrate solid results for Californians.

Since the program's inception, 87,282 Californians have applied for insurance through the program, of which 73,786 assignments were made. At the end of 2012, there were 9,068 policies in force. According to statistics from the California Automobile Assigned Risk Plan (CAARP), approximately 53% of last year's assigned motorists had previously been uninsured.

The California Department of Insurance (CDI) has an aggressive advertising and outreach campaign for 2013, including a robust social media campaign, creative advertising mechanisms (such as gas pump topper advertisements), various collateral pieces (from auto document cases to tip cards), and collaborative and inventive events with CLCA producers, including a Producer Contest and Univision Phone Bank Event.

CDI is also focusing on improvements to the program itself. Recent changes include moving toward an online application process, implementation of Assembly Bill 1024 (2011) which allows producers to accept and process online applications, and systematic changes within CAARP in order to increase efficacy and efficiency.

CLCA is a unique and important program to thousands of Californians each and every year. 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 are deemed not eligible due to the program's restrictive eligibility factors.

The program's impact is the habit it instills in California motorists to obtain and maintain auto insurance. The opportunity to increase the program's participants, and thus make significant gains in decreasing the uninsured motorist population, exists and should be considered.

The Insurance Commissioner is committed to the program, as its impact and effects on motorists and California's consumers are tremendous and significant.

*Submitted to the California State Legislature on March 1, 2013*

## **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).

This revenue source was projected to generate \$1,468,495 in FY 2012-13 and expenditures were projected at \$1,410,000. The proposed use of the funding is as follows:

<b>FY 2012-13 ELEMENTS</b>	<b>COST</b>
<b>Consumer Education and Outreach - General Expense</b>	<b>\$88,575</b>
<b>Materials Development and Production</b>	<b>\$88,075</b>
<b>Community Outreach Events - Travel</b>	<b>\$5,000</b>
<b>Advertising and Outreach Contract</b>	<b>\$1,225,2500</b>
<b>Miscellaneous Consumer Education and Outreach Activities</b>	<b>\$3,100</b>
<b>Total</b>	<b>\$1,410,000</b>

*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 2012 are as follows on the following page:

**CALENDAR YEAR 2012: CLCA RATES BY COUNTY**

<b>COUNTY</b>	<b>RATE</b>
Alameda	\$287.00
Alpine	\$248.00
Amador	\$248.00
Butte	\$256.00
Calaveras	\$248.00
Colusa	\$256.00
Contra Costa	\$287.00
Del Norte	\$256.00
El Dorado	\$248.00
Fresno	\$231.00
Glenn	\$256.00
Humboldt	\$256.00
Imperial	\$248.00
Inyo	\$248.00
Kern	\$248.00
Kings	\$231.00
Lake	\$256.00
Lassen	\$256.00
Los Angeles	\$347.00
Madera	\$231.00
Marin	\$287.00
Mariposa	\$248.00
Mendocino	\$256.00
Merced	\$231.00
Modoc	\$256.00
Mono	\$248.00
Monterey	\$231.00
Napa	\$256.00
Nevada	\$248.00

<b>COUNTY</b>	<b>RATE</b>
Orange	\$347.00
Placer	\$248.00
Plumas	\$256.00
Riverside	\$248.00
Sacramento	\$287.00
San Benito	\$231.00
San Bernardino	\$248.00
San Diego	\$248.00
San Francisco	\$287.00
San Joaquin	\$287.00
San Luis Obispo	\$231.00
San Mateo	\$287.00
Santa Barbara	\$231.00
Santa Clara	\$287.00
Santa Cruz	\$231.00
Shasta	\$256.00
Sierra	\$248.00
Siskiyou	\$256.00
Solano	\$256.00
Sonoma	\$256.00
Stanislaus	\$287.00
Sutter	\$287.00
Tehama	\$256.00
Trinity	\$256.00
Tulare	\$231.00
Tuolumne	\$248.00
Ventura	\$248.00
Yolo	\$256.00
Yuba	\$248.00

## 2013 CONSUMER EDUCATION AND OUTREACH CAMPAIGN

For the period January – June 2013, 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 the target community. These include, and are detailed below, as follows: *Paid Advertising and Media, Digital Media Engagement, Media Relations and Partnership Outreach.*

### Paid Advertising and Media

#### Radio Advertising

Leading up to the 2013 media buy, CDI developed :15 and :30 second English and Spanish radio spots to convey the campaign message and drive eligible consumers to the website. The developed spots will be placed on the following radio stations December 2012 through June 2013:

Call Letters	Format	Dial Position
<b>KAMP-FM</b>	Rhythmic CHR	97.1
<b>KTWV-FM</b>	Smooth Adult	94.7
<b>KROQ-FM</b>	Modern Rock	106.7
<b>KHHT-FM</b>	Hot Adult Contemporary	92.3
<b>KPWR-FM</b>	Rhythmic CHR	105.9
<b>KLVE-FM</b>	Spanish Adult Contemporary/Romantic	107.5
<b>KRCD-FM</b>	Spanish Adult Hits	103.9
<b>KTNQ-AM</b>	Spanish Talk	1020

#### DMV Handbooks Ads

CDI developed a one-page advertisement for the DMV Driver Handbook and Senior Driver Handbook. The ad features the redesigned look and feel of the campaign and includes a direct source call to action, including a text keyword. Content was translated into 11 languages and placed in DMV's 2013 Driver Handbooks.

#### Ethnic TV Placement

The paid media schedule with ethnic media outlets include airtime on Univision KMEX 34 in Los Angeles from February to May, and then again from September to November.

CDI will also host a Phone Bank Event with Univision on March 7, 2013. The event will include CLCA promos leading up to and during the event.

### Gas Pump Toppers

Gas pump topper advertisements will be placed in target neighborhoods, based on median household income, from February to May. The ads will be placed at 102 participating gas stations, including Thrifty, Chevron, Arco and Shell. Window clings will also display the CLCA logo and program contact information.

### Online Display Ads and Re-targeting

SEM (Search) will be geo-targeted for Los Angeles County, 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.

## Digital Media Engagement

### Website

Following the December 2012 launch of the redesigned CLCA website ([www.mylowcostauto.com](http://www.mylowcostauto.com)), CLCA aims to drive more unique users, have more page views and click through traffic through 2013. The new 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 in 2013 to include the sourcing keywords on all current and upcoming CLCA advertising and collateral materials. Leads are sourced daily to producers. CDI has added the following keywords to help source the effectiveness of the marketing materials and paid advertising strategies:

- **Radio:** Radio
- **DMV:** DMV handbooks
- **LCWeb:** Digital banner ads
- **LCFacebook:** Facebook
- **LCTwitter:** Twitter
- **Tips:** Tip cards
- **Gas:** Pump toppers
- **LCAuto:** Window clings
- **CLCA:** Posters and brochure
- **Laundry:** Laundromats

### Social Media

CDI will continue its robust social media campaign, including utilization of Facebook, Twitter and YouTube. Facebook includes a custom producer tab to support and encourage CLCA efforts; Twitter cross promotes with DMV and its programs; and YouTube features “Producer Spotlight Videos” and an “Ask an Agent” series. All mediums are maintained and updated on a daily basis to maximize social media reach and effectiveness.

## **Media Relations**

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

### Media Pitching

- Draft and distribution of news releases
- Follow-up calls to media outlets
- Coordination of interviews

### PSA Placement

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

### CLCA Collateral Materials

CDI has developed new campaign materials that feature the new logo and tagline 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

### Car Wraps

CDI updated the wrapping on their Department of Insurance cars to be consistent with the new campaign look. Cars will be used at community events and education outreach seminars.



### **Partnership Outreach**

#### CAARP (California Automobile Assigned Risk Plan)

CDI and CAARP worked to implement Phase 1 of Assembly Bill 1024 by December 5, 2012. In 2013, the plan is to implement Phase 2 of AB 1024, which will expand access to the program by authorizing a Primary Online Producer (POP) to assign CLCA to eligible motorists.

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.

### Department of Motor Vehicles

CDI staff will continue to visit DMV offices throughout the state to educate and train staff on CLCA and, in 2013, aim to setup and staff information booths at DMV offices. Partnership with DMV will also include: collateral placement, social media cross promotion, Senior Ombudsman partnership, and website link. CDI also plans to purchase advertising space on DMV's Video Network.

### Social Service Departments and Other State Agencies

CDI staff will continue to visit Employment Development Department (EDD) One-Stop Centers to educate and train staff on CLCA in 2013. CDI will also work to re-establish the CLCA link on the EDD website homepage.

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.

### Community Based Organizations and Other Partnerships

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

#### *Community Based Organization Partnership Outreach*

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

#### *Auto Retailers and Smog Shops Partnership Outreach*

- Automotive Repair Shops
- Tire Service Shops
- Smog Check and Inspection Centers
- Auto Parts Stores

## **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 2012 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 2012 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 2012 was less than \$5,000.

Applications assigned in 2012 totaled 7,411, 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 2012, 53% 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 533 motorists visited a producer in 2012 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 view the following as impediments to greater CLCA success:

### **Eligibility Criteria**

The eligibility criteria required to purchase a CLCA policy is 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 2012, approximately 450,000 Californians expressed interest in the program, while only 22,840 were deemed eligible. In other words, only 5% of those who sought out the program were eligible to participate in it.

### **Converting “eligible” applicants into “insured” motorists**

Last year, 22,840 people were deemed eligible for CLCA, but only 45% of those eligible (10,483 applicants) visited a producer to complete the process of purchasing a CLCA policy. Of those who visited a producer, 76% (7,944 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.

### **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 2013 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.