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## **DEPARTMENT OF THE TREASURY**

### **Monitoring Availability and Affordability of Auto Insurance**

**AGENCY:** Federal Insurance Office, Treasury.

**ACTION:** Notice; Request for information.

**SUMMARY:** The Dodd-Frank Wall Street Reform and Consumer Protection Act provides the Federal Insurance Office with a number of authorities including monitoring the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance, except health insurance. Treasury issues this notice to elicit comment from state insurance regulators, consumer organizations, representatives of the insurance industry, policyholders, academia, and others as appropriate regarding: (1) A reasonable and meaningful definition of affordability; and (2) the metrics and data FIO should use to monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable auto insurance.

**DATES:** Comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** Please submit comments electronically through the Federal eRulemaking Portal: <http://www.regulations.gov>, or by mail (if hard copy, preferably an original and two copies) to the Federal Insurance Office, Attention: Lindy Gustafson, Room 1319 MT, Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, D.C. 20220. As postal mail may be

subject to processing delay, it is recommended that comments be submitted electronically. All comments should be captioned with “Monitoring Availability and Affordability of Auto Insurance.” Please include your name, group affiliation, if any, address, e-mail address and telephone number(s) in your comment.

In general, comments received will be posted on <http://www.regulations.gov> without change, including any business or personal information provided. Comments received, including attachments and other supporting materials, will be part of the public record and subject to public disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

**FOR FURTHER INFORMATION CONTACT:** Lindy Gustafson, Federal Insurance Office, 202-622-6245 (not a toll free number).

**SUPPLEMENTARY INFORMATION:**

**I. Background:** Congress passed and President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (Pub. L. 111-203) in July 2010. Subtitle A of Title V of the Dodd-Frank Act established the Federal Insurance Office (FIO) in the U.S. Department of the Treasury (Treasury). The statute provides FIO with a number of authorities including monitoring the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable insurance products regarding all lines of insurance, except health insurance.

A number of insurance products provide essential financial security to consumers, in addition to satisfying certain state laws or requirements, including, but not limited to, personal auto insurance, homeowners insurance, life insurance, and annuities. FIO proposes to monitor the availability and affordability of personal auto insurance for the following reasons:

1. With the exception of New Hampshire, all states and the District of Columbia require consumers to maintain auto liability insurance as a condition of automobile ownership.
2. The percentage of uninsured motorists countrywide has hovered around 14 percent between 2002 and 2009.
3. Owning an automobile is likely associated with a higher probability of employment and other factors associated with economic well-being.
4. Industry representatives assert that auto insurance has become more affordable over time but consumer representatives assert auto insurance has become less affordable for low-income consumers and minorities.

While the definition of availability is largely settled, the definition of the affordability of personal auto insurance remains unclear. Last year, the Availability and Affordability Subcommittee of the Treasury Department's Federal Advisory Committee on Insurance (FACI Subcommittee) suggested the following definition for affordability: affordability means that the cost of [personal auto insurance] is a reasonable percentage of a consumer's income.

Measuring affordability according to the FACI Subcommittee definition is a difficult and subjective task. One approach may be to interpret personal auto insurance premium payments as affordable if such payments do not prohibit individuals and/or families from purchasing other required necessities. Or, personal auto insurance may be interpreted as affordable if it is actually purchased by individuals and/or families.

Studies have used various metrics to measure availability and affordability of personal auto insurance. These include:

1. The market share of the top ten writers of personal auto insurance;

2. The market share of the residual market;
3. The average auto insurance premium;
4. The loss ratio; and
5. An affordability index calculated by dividing the average auto insurance premium by median household income.

These metrics may be calculated only for the auto insurance coverage mandated by most states (*e.g.*, bodily injury and property damage) or all auto insurance coverage (*e.g.*, bodily injury, property damage, uninsured/underinsured motorist, collision, and comprehensive).

A data source is needed to monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable auto insurance. While data on average personal auto insurance premium by coverage is collected by the National Association of Insurance Commissioners, other data sources will likely be needed.

**II. General Solicitation for Comments:** The FIO hereby solicits comments, including supporting and illustrative information in support of such comments where appropriate and available, regarding:

1. A reasonable and meaningful definition of affordability of personal auto insurance;
2. The appropriate metrics to use in order to monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable personal auto insurance; and
3. The data source(s) FIO should use to monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income persons have access to affordable auto insurance.

**III. Solicitation for Specific Comments.** All comments received will be available to the public.

**Authority:** FIO Act 31 U.S.C. 313-14

Michael T. McRaith  
Director, Federal Insurance Office

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