Cars and Insurance Issues

Doug Heller, Consumer Watchdog
John W. Van Alst, The National Consumer Law Center

Jessica Hiemenz
National Consumer Law Center

This webinar is sponsored with a grant from the Annie E. Casey Foundation and is one of a series of webinars about working cars for working families.

September 22, 2011
Presenter – John Van Alst

• Joined NCLC in 2006 as a Staff Attorney at the Center’s Washington, DC Office.
• At NCLC John specializes in issues related to car sales and finance.
• Prior to joining NCLC John worked for seven years as an Attorney with Legal Aid of North Carolina.
Consumer Watchdog’s Executive Director Douglas Heller is one of the nation’s leading experts on, and critics of, the insurance industry. Heller is also recognized as a vocal critic of political corruption and corporate influence in government.

He has led legislative, regulatory and public education campaigns related to insurance and energy issues, healthcare reform, whistleblower protections and political accountability and is a frequent media commentator on these issues.

Heller has authored numerous reports on issues such as energy deregulation, medical malpractice and insurance industry low-balling.

He has served on several consumer- and social justice-oriented boards and has testified before Congress and several state legislatures.

In 2010, Heller led the coalition that defeated the anti-consumer Proposition 17, sponsored by Mercury Insurance, despite being outspent by more than 12 to one.

Heller also led the 2001 lobbying effort that blocked the proposed bailout of California’s electric utilities in the wake of the state’s deregulation debacle.

Through both advocacy work and community outreach, Heller has been California’s consumer leader in the effort to implement and expand the nation’s first low-cost auto insurance program for low-income motorists and managed a successful effort to change California insurance regulations to limit the impact of drivers' ZIP code on their insurance rates.
Agenda

- Doug Heller- Cost and availability of car insurance, especially for low-income families.
- Questions
- John Van Alst- Other car insurance issues including credit insurance and insurance related products and the practices of insurance companies when dealing with claims and damaged cars..
- Questions
Contact Information

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• Douglas Heller - Consumer Watchdog
  – doug@consumerwatchdog.org
For more information

• To subscribe to the listserv of those interested in Cars and Working Families just go to: http://lists.nclc.org/subscribe/ and check the Auto Ownership, Finance, and Policy list

• Visit the following website:
  – National Consumer Law Center’s Auto Page:
    • http://www.workingcarsforworkingfamilies.org
  – Consumer Watchdog
    • http://www.consumerwatchdog.org
Working Cars for Working Families

Cars and Insurance

Douglas Heller- Consumer Watchdog
John W. Van Alst- National Consumer Law Center

National Consumer Law Center®
September 22, 2011
Other Insurance Issues

• Insurance Companies and Claims for Damage to Cars

• Dealer Sales of Insurance and Insurance Related Products
Total Loss

- Actual Cash Value (ACV) based upon age, mileage, condition, etc.
  vs.
- Cost of repair
- **plus** resale value for totaled vehicle
- **plus** associated costs (rental)
- **plus** diminution in value (perhaps)
Total Loss Consumer Approaches

• Inquiry into ACV- may require your own appraiser

• Policy terms if dealing with your own insurance company

• State Law and Regulation
Insurance Companies and Diminished Value

• Repair not equal to car prior to damage

• Even if a damaged car is repaired perfectly, it is still worth less than a car that has not been damaged and repaired
  - Perception of prospective purchasers
  - Cost of assessing adequacy of repair
Diminished Value - Consumer Rights

- State Law and Regulation
- Who’s insurance company is responsible
- Policy terms if dealing with your own insurance company
Insurance Companies and Diminished Value

• Policy Implications
  – Insurance Companies reluctance to disclose claims data
  – Auto Databases
  – NMVTIS
    • http://www.vehiclehistory.gov/
    • Insurance companies must provide NMVTIS with information on total loss vehicles for past five model years and encouraged to report all
Auto Databases: Who knows where that car has been?

John W. Van Alst - National Consumer Law Center
Bernard Brown - The Brown Law Firm
Alissa Huntoon - U.S. Department of Justice
Deepak Gupta - Public Citizen
Howard Nusbaum - National Salvage Vehicle Reporting Program (NSVRP)

Jessica Nimura
National Consumer Law Center
March 13, 2010
Insurance and Insurance-like Products Sold by Dealers

- Credit Life Insurance
- Credit Disability Insurance
- Mechanical Breakdown Insurance
- Guaranteed Asset Protection
- Service Contracts
- Vehicle Anti-theft/ Window Etch
- Vendor's Single Interest (VSI) Insurance
Add-ons

Working Cars for Working Families

Add-ons and Loan Packing: How and why car dealers “pack” loans and the products they use to do it

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Contact Information

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  – Consumer Watchdog:
    • http://www.consumerwatchdog.org/
  – National Motor Vehicle Title Information System:
    • http://www.nmvtis.gov
Cars and Insurance

Questions
Buying Auto Insurance in St. Louis

A Tale of Two Drivers
Meet Warren:

- Single man in his mid-30s
- Licensed since he was 16
- Perfect driving record – no tickets or accidents
- 2005 Ford Taurus
- 20 mile daily round trip commute
- Buys a basic limits policy plus Comp and Collision with $500 Deductibles

REMEMBER: THESE FACTORS ARE THE SAME FOR EVERY QUOTE
Richmond Heights (63117) Executive

$558
No Masters Degree, High School Only

$629
... is now unemployed

$713
...and moved four miles to 63112
...and needs to pay on an installment basis $822
Intermission
<table>
<thead>
<tr>
<th><strong>Driver Information (Applicant)</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Please add all of the drivers in your household</td>
<td></td>
</tr>
<tr>
<td><strong>First name</strong></td>
<td>Warren</td>
</tr>
<tr>
<td><strong>Last name</strong></td>
<td>Example</td>
</tr>
<tr>
<td><strong>Marital status</strong></td>
<td>Single</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Male</td>
</tr>
<tr>
<td><strong>Social Security number</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Do you currently have auto insurance?</strong></td>
<td>Yes, No, I haven't needed insurance, No, my insurance ran out, No, I was on deployment or overseas</td>
</tr>
<tr>
<td><strong>Were you licensed to drive before turning 23?</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Full-time student</strong></td>
<td>No, Yes</td>
</tr>
</tbody>
</table>

Call an agent anytime:

1-800-841-5660

Associated with the Military? Call us at:

1-800-720-2198

Click for Call

Unsure who you should list as a driver?

Why does GEICO need my credit information?

Does my driving experience overseas meet GEICO's driving experience requirements?
...but didn’t have a car in the past

$1,553
...or had been uninsured 209% more than the first quote.
Mercury Insurance Quote in Nevada
73% more without prior insurance
Step 1: Get Started

How many drivers will be included in this quote?* 1

How many vehicles will be included in this quote?* 1

Policy Start Date:* - May be any date within the next 30 days.
09 30 2011

Have you been insured for the past six months?*
Yes ☐ No ☐

The reason for not having prior insurance?*
Select One
- I drove a company vehicle
- I was on active military duty
- I did not own a vehicle previously
- I was previously under the minimum driving age
- I was within 30 days of return from active military duty
- Other

Do you own your residence?
California Proposition 103 (1988)

- No rate shall be approved or remain in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of this chapter.

- Auto insurance premiums shall be based on the following factors in descending order of importance:
  1. driving safety record
  2. annual miles driven
  3. years driving experience
  4. other factors approved by the insurance commissioner

- The absence of prior insurance coverage, in and of itself, shall not be a criterion for determining rates, premium or eligibility.
Court tells Allstate: No delay on rate cut

By Mark Glover mglover@thebee.com

On the same day a new study showed California's nation's leader in holding the line on auto insurance rates, a judge in San Francisco denied Allstate's bid to delay cutting rates an average of 15.9 percent in the state, according to a source familiar with the case. Allstate's bid to delay cutting rates an average of 15.9 percent in the state was denied by a judge in San Francisco.

Allstate said Thursday that it will continue to appeal the rate reduction. Allstate is being asked to take this decision to a higher court. The insurance company has appealed the decision to a higher court.

In a statement following the judge's ruling, Allstate spokesman Peter DeMarco said: "Allstate knows it is in its best interests to reduce the cost of auto insurance for all our customers."

Allstate: State's drivers have saved $61.8 billion since 1988, study finds

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insurance in California, especially during difficult economic times for our customers. However, the proposed auto rate reduction Allstate is seeking is not a fair act reasonable. We are reviewing the details of the court's ruling and will continue to explore our options going forward."

Ruck's ruling came just hours after the release of a Consumer Federation of America study that compared insurance rates in 50 states and the District of Columbia over a 17-year period starting in 1992.

Insurance premiums in the Golden State rose by 12.6 percent from 1992 to 2005, compared with the national average increase of 50.2 percent.

The federation, based in Washington, D.C., linked Californians to the state's rate control to the 1988 approval of Proposition 103, which required insurers to set rates based on driver safety records, experience and time driven instead of where motorists live.

"Consumers fare best under a system of prior approval of insurance rates," said J. Robert Hunter, CFO of insurance companies and a former federal and state insurance regulator.

The federation's study said rates have risen more slowly in California and 14 other states that require state approval of rate increases.

States with so-called "prior approval" regulation also performed well in improving competition and generating significant profits for insurers, the federation said, noting that the worst-performing states were those with weak regulation standards or none at all.

Using projected rates increases, the federation said California drivers saved $61.8 billion in auto insurance rates since enacting Proposition 103 in 1988. Over 17 years that amounted to $1.6 billion per California motorist, the group said.

Raymond Rosenfield, author of Proposition 103 and founder of Santa Monica-based Consumer Watchdog (formerly the Foundation for Taxpayer and Consumer Rights), called the ruling against Allstate an example of the proposition's long-term effectiveness.

"This just confirms what this morning's report concludes: That Proposition 103 regulation of insurance companies has saved California consumers hundreds of dollars each year," he said.

Allstate filed its appeal two weeks ago, saying key evidence was excluded from the hearing before the administrative law judge. The company was given until Thursday to prepare arguments for a stay that would allow it to keep its rates in effect while it pursues an appeal.

Allstate's auto insurance business is the third-largest in the state, with about 9 percent of the market, according to the Department of Insurance figures.
To purchase or learn if you qualify, call toll free 1-866-602-8861

Get out and drive
Auto insurance for under $400 a year!

Find out if you qualify!

The State of California has developed this program to provide income eligible, good drivers with access to affordable liability insurance. Answer a few questions to see if you qualify and locate a certified agent in your local area.

To purchase Low Cost Auto Insurance, take the quiz! If you're eligible, we'll give you a list of agents in your local area who will assist you in signing up.

Take the Quiz!

How do I get started?
Find out if you're qualified and get all your questions answered! To find out if you're qualified for the California Low Cost Auto Insurance program, take our quiz or speak directly to an agent. Please enter your zip code to find a list of insurance agents in your area:

Submit