



# 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**

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Advancing Fairness  
in the Marketplace for All

# Presenter – John Van Alst

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- 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 work for seven years as an Attorney with Legal Aid of North Carolina.

# Presenter – Douglas Heller

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- 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



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in the Marketplace for All

# Agenda

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- 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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- John W. Van Alst- National Consumer Law Center
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- Douglas Heller - Consumer Watchdog
  - [doug@consumerwatchdog.org](mailto:doug@consumerwatchdog.org)

## For more information

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- 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

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## Cars and Insurance

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

National Consumer Law Center®

September 22, 2011

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# Other Insurance Issues

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- Insurance Companies and Claims for Damage to Cars
- Dealer Sales of Insurance and Insurance Related Products

# Total Loss

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- 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

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- 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

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- 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

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- State Law and Regulation
- Who's insurance company is responsible
- Policy terms if dealing with your own insurance company

# Insurance Companies and Diminished Value

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- 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

# Databases Webinar

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## 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 Herrera  
National Consumer Law Center®

March 13, 2010

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# Insurance and Insurance-like Products Sold by Dealers

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- 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

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## 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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    - <http://www.consumerlaw.org/issues/auto/index.shtml>
  - Consumer Watchdog:
    - <http://www.consumerwatchdog.org/>
  - National Motor Vehicle Title Information System:
    - <http://www.nmvtis.gov>

# Cars and Insurance

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## Questions



[www.ConsumerWatchdog.org](http://www.ConsumerWatchdog.org)

# Buying Auto Insurance in St. Louis



**A Tale of Two Drivers**



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Neighborhood or City or ZIP Code or Address

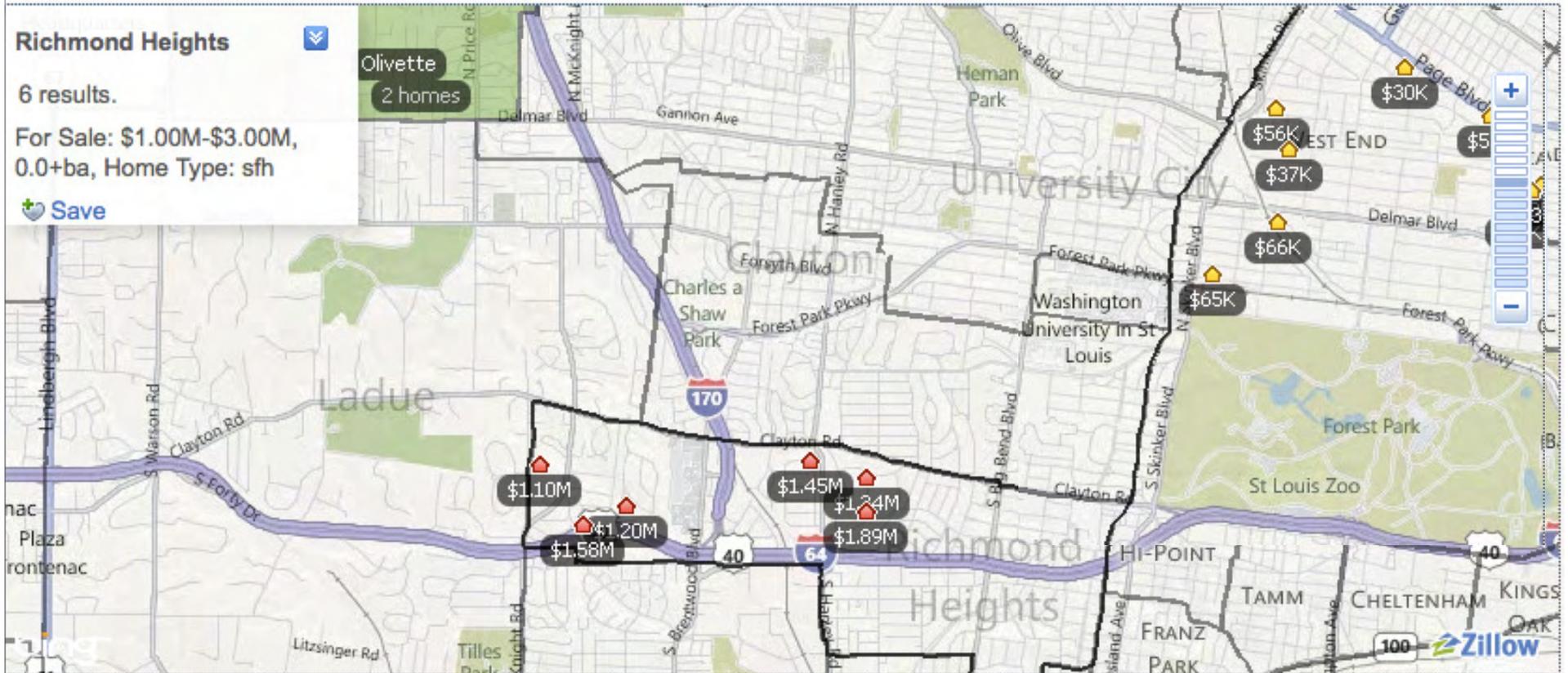
GO

### Richmond Heights

6 results.

For Sale: \$1.00M-\$3.00M,  
0.0+ba, Home Type: sfh

[Save](#)



# 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



# No Masters Degree, High School Only



... is now unemployed



...and moved four miles to 63112



...and needs to pay on an installment basis





*Intermission*

# CATCH - 22

Quote For: Warren Example | Location: MO, 63112 | Reference: 117921C4712364

## Driver Information (Applicant)

Please add all of the drivers in your household

First name

Last name

Marital status

Gender  Male  Female

Social Security number  -  -

Do you currently have auto insurance?

Select Yes if you are an insured driver (as a member's or a company's policy).

- Yes
- No, I haven't needed insurance
- No, my insurance ran out
- No, I was on deployment or overseas

Were you licensed to drive before turning 23?

Full-time student  No  Yes

1-800-841-5660

Call an agent anytime

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



...or had been uninsured  
209% more than the first quote.



# Mercury Insurance Quote in Nevada 73% more without prior insurance



## Auto Insurance: TX

Quote ID: 18252261

You will be able to review this quote for the next 30 days using your Zip Code and Quote ID#.

### Speak to an Agent

Get live help by calling one of our agents at: (800) 956-3728

Or enter your zip code below to locate an agent near you.



ZIP CODE

GO

GET STARTED

DRIVER INFO

VEHICLE INFO

COVERAGE

CONTACT INFO

YOUR RATE

## >> Step 1: Get Started

CONTINUE

\* Indicates a required field

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

How many [vehicles](#) will be included in this quote?\*

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

Have you been insured for the past six months?\*

Yes  No

The reason for not having prior insurance?\*

Select One

- 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

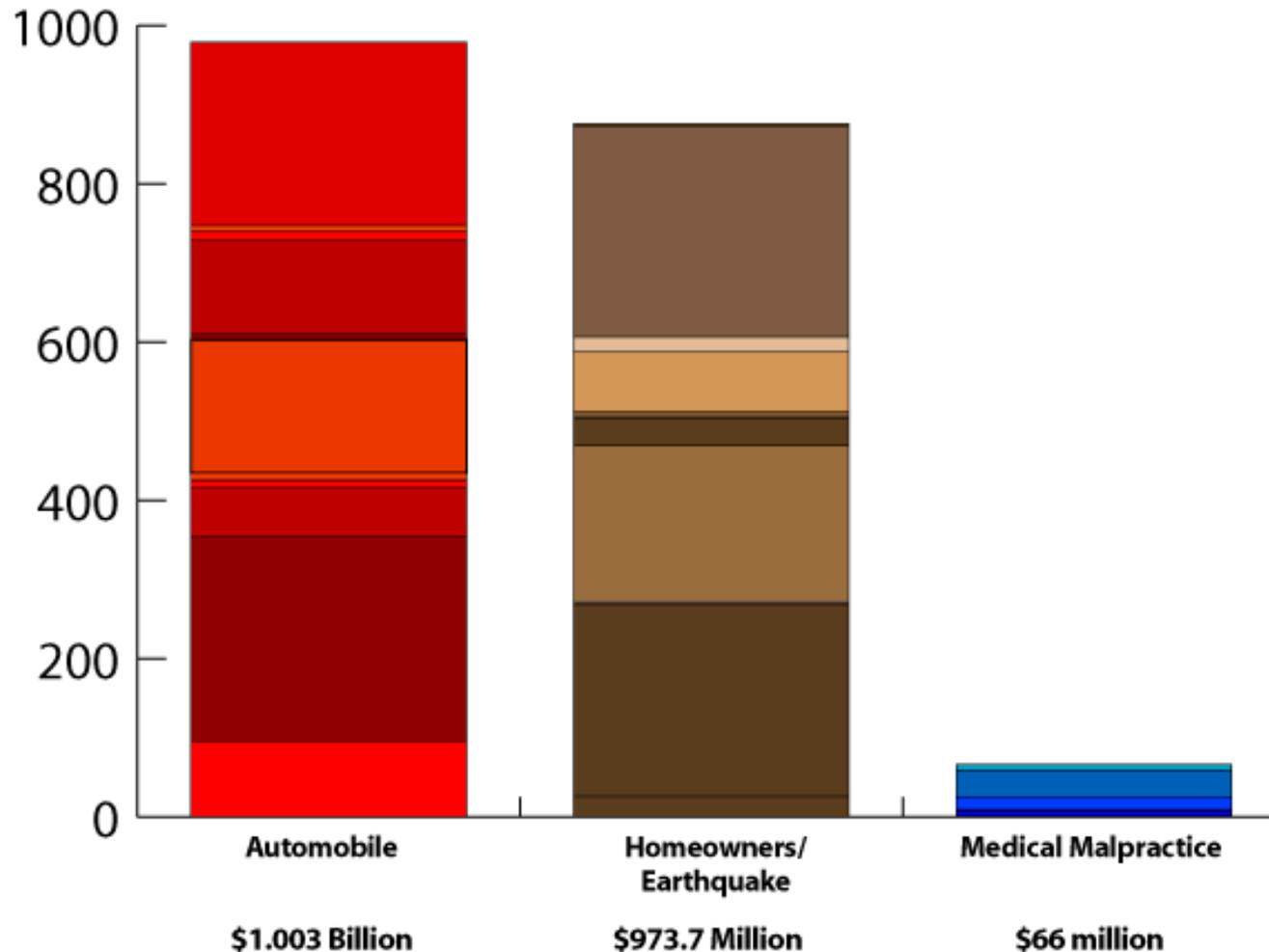
Do you own your residence?

# 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.

# CA Prop. 103 (2003-2010)

## Consumer Watchdog rate challenge savings



### Automobile

21st Century	95.9
Allstate	258.0
Auto Club	61.6
Calif Cas. Indem. Exch.	9.6
Executive Risk (Chubb Group)	1.2
Explorer	8.3
Farmers Ins Exchange	168.0
Hartford	7.0
Mercury	118.2
Mid-Century	12.4
Liberty Mutual Auto	24.1
Progressive Choice	7.0
State Farm Mutual Auto Ins. Co	231.4
Topa Insurance	0.3

**SubTotal: \$1.003 Billion**

### Homeowners/Earthquake

AAA of Northern Cal.	26.0
Allstate - 2008	339.6
American Modern HO	2.1
CA Casualty Ins. Co.	3.2
Farmers	195.5
Fireman's Fund	35.1
Fireman's Fund Eq - 2008	2.2
Geovera - 2008	5.7
Safeco	75.1
Safeco - Earthquake	19.3
State Farm - 2006	266.1
State Farm - Mobilehomes	3.8

**SubTotal: \$973.7 million**

### Medical Malpractice

Amer. Casualty of Reading, PA	1.6
Medical Protective Co.	6.4
National Union	0.9
Norcal Mutual	16.5
SCPIE	34.0
The Doctors Co. - 2004	6.6

**SubTotal: \$66 million**

**\$2.04 Billion  
Total Savings**

# The Sacramento Bee

Insurance Reform  
Page 8

FRIDAY, APRIL 25, 2008 •

## Court tells Allstate: No delay on rate cut

By Mark Glover  
mglover@sacbee.com

On the same day a new study dubbed California the nation's leader in holding the line on auto insurance rates, a judge in San Francisco denied Allstate's bid to delay cutting its rates an average of 15.9 percent as the insurer appeals state action ordering the reduction.

Allstate said Thursday that it will continue to appeal the auto insurance rate-reduction order issued last month by an administrative law judge.

The rate reductions amount to an average of \$124 per vehicle each year, according to the state Department of Insurance, which disagreed with Allstate's

proposed rate revision filed in 2006.

San Francisco Superior Court Judge Peter Busch's ruling Thursday denied Allstate's attempt to keep current rates in place and could prompt rate reductions as soon as Monday, according to consumer groups.

But the insurer indicated Thursday that it will "explore our options" on that Monday deadline, and court officials in San Francisco declined to comment on it.

In a statement following the judge's ruling, Allstate spokesman Peter DeMarco said: "Allstate wants to lower its auto rates and reduce the cost of auto

► ALLSTATE, Page D3

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

► FROM PAGE D1  
insurance in California, especially during difficult economic times for our customers.

"However, the proposed auto rate reduction Allstate is being asked to take is neither fair nor reasonable. We are reviewing the details of the court's ruling and will continue to explore our options going forward."

Busch's ruling came just hours after the release of a Consumer Federation of America insurance-regulation study that compiled information from all 50 states and the District of Columbia over a 17-year period starting in 1989.

Insurance premiums in the Golden State rose by 12.9 percent from 1989 to 2005, compared with the national average increase of 50.2 percent.

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

"Consumers fare best under a system of prior approval of insurance rates," said J. Robert Hunter, CFA's director of insurance 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 spurring competition and generating significant profits for insurers, the federation said, noting that the worst-performing states were those



To read the  
Consumer  
Federation of  
America's complete report on  
auto insurance rates, go to  
► [www.sacbee.com/links](http://www.sacbee.com/links)

with either weak regulation standards or none at all.

Using projected rate 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 \$1,670 per California ratepayer, the group said.

Harvey 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 Department of Insurance figures.

Call The Bee's Mark Glover,  
(916) 321-1344.



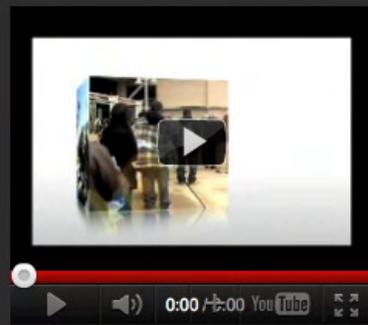
## CALIFORNIA'S LOW COST AUTO INSURANCE

To purchase or learn if you qualify,  
call toll free 1-866-602-8861

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### Low Cost Auto Insurance Program



### 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](#)

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