

Date of Hearing: April 26, 2023

ASSEMBLY COMMITTEE ON INSURANCE
Lisa Calderon, Chair
AB 917 (Ortega) – As Amended March 16, 2023

SUBJECT: Low-cost automobile insurance program

SUMMARY: Makes permanent the California Low-Cost Auto (CLCA) Insurance program. Specifically, **this bill:**

- 1) Eliminates the January 1, 2025 sunset date.
- 2) Requires the California Department of Insurance (CDI) to submit a report to the Legislature on or before March 15, 2024 and on or before March 15 every 5 years thereafter.
- 3) Makes other technical and non-substantive changes.

EXISTING LAW:

- 1) Requires CDI to submit a report on CLCA to the Legislature on or before March 15 each year. (Insurance (Ins.) Code, Section 11629.81)
- 2) Establishes the CLCA within the California Automobile Assigned Risk Plan (CAARP) until January 1, 2025, a low-cost automobile insurance program for all counties in California. (Ins. Code, Section 11629.7)
- 3) Provides liability coverage from any one accident in amounts of \$10,000 for bodily injury or death per person, up to \$20,000 for bodily injury or death per accident, and \$3,000 for property damage per accident. (Ins. Code, Section 11629.71)

FISCAL EFFECT: Unknown

COMMENTS:

Purpose: According to the author, “CLCA is a program that improves the lives of low-income communities across the state by providing low-cost car insurance to low-income drivers. The CLCA allows people to keep the use of their cars, which is an essential resource for workers to travel to their jobs. The CLCA was created in 2000 as a pilot program and the program’s sunset date has been extended every few years since then as it has proven to be an effective tool to provide affordable auto insurance to low-income drivers. To ensure that the CLCA program continues, AB 917 would eliminate the sunset date and make the program permanent.”

Background: Every driver in California is required to have auto insurance. The CLCA program, which began in 2000, is a state-sponsored program that makes auto insurance affordable. It’s designed to provide income-eligible drivers affordable rates to meet California’s financial responsibility limits. At inception, CLCA began as a pilot program for the counties of Los Angeles and San Francisco. In 2006, CLCA expanded to all 58 counties. According to CDI, CLCA has provided auto insurance coverage to more than 196,589 drivers since the start. In the year 2022, there was a total of 9,981 new applications assigned, 13,984 canceled policies, 15,948

renewed policies, and 1,427 policies reinstated. At the end of 2022, there were 16,371 active policies. According to CAARP, approximately 77% of applications assigned were from uninsured motorists at the time of their CLCA policy application. Currently, there are about 20,000 policies enrolled in the CLCA program. To be eligible for the CLCA program, an individual must have a valid California driver's license, own a vehicle valued at \$25,000 or less, be at least 16 years of age, have a good driving record, and meet income eligibility requirements.

Considering the CLCA program has been around for over 20 years and endured sunset extension after sunset extension, it seems reasonable to make this beneficial program permanent. According to CDI, the CLCA program has proven success by keeping rates sufficient to meet statutory rate-setting standards, serving underserved communities, and offering access to previously uninsured motorists, thus reducing the number of uninsured drivers.

Moving forward: As in print, this measure is purely an elimination of the sunset date and changes the required report from every year to every 5 years. Should this measure evolve during the legislative process and morph into a measure that makes significant and new changes to the CLCA program, the committee retains the ability to call the bill back and determine whether a sunset date extension is better suited to further evaluate the CLCA program at a later date.

Previous Legislation: SB 570 (Rubio) Chapter 274, Statutes of 2019: This measure made several programmatic changes to the CLCA Insurance Program: eliminated a gender surcharge, expanded access to students, eased income eligibility reporting requirements, simplified the consumer notice, and extended the sunset to January 1, 2025.

SB 1273 (Lara) Chapter 487, Statutes of 2014: This measure extended, until January 1, 2020, the sunset date on the CLCA; expanded eligibility criteria to include drivers with less than three years of continuous driving experience and assessed a surcharge on those drivers; and made other changes designed to increase participation.

SB 476 (Steinberg) Chapter 347, Statutes of 2013: This measure required a special purpose assessment of \$0.25 until January 1, 2016, on each vehicle insured under an insurance policy issued in this state by the insurer and authorized the CDI to use up to \$0.05 of the \$0.25 assessment to notify insurers and other members of the public about the existence of the CLCA insurance program.

AB 1024 (Hueso) Chapter 401, Statutes of 2011: This measure authorized producers to sell CLCA policies through an Internet website, required CAARP to create a website for referring consumers to certified agents or brokers for the purchase of low-cost automobile insurance, and required the Department of Motor Vehicles to update the insert regarding the CLCA insurance program that is included in registration renewals to reflect the online program established by this bill.

AB 1597 (Jones) Chapter 234, Statutes of 2010: This bill extended the program sunset date to 2016 and made various statutory changes to conform its operations to standard California administrative practices and to provide for more efficient administration of CAARP.

AB 725 (Jones), 2009-10 Legislative Session, would have extended the sunset date and made other changes. Vetoed by Governor Schwarzenegger.

SB 20 (Escutia) Chapter 435, Statutes of 2005: This measure extended the sunset date on the pilot programs until January 1, 2011, and also expanded the low cost auto insurance programs to the Counties of Alameda, Fresno, Orange, Riverside, San Bernardino, and San Diego and made the expansion of the program subject to the discretion of the Commissioner (the program was extended to all counties after this bill).

SB 1427 (Escutia) Chapter 742, Statutes of 2002: This measure extended the sunset date of the pilot programs to 2007; reduced the premium; changed the gross annual household income limit from 150 percent to 250 percent of the federal poverty level; and established other duties to make the program more available to eligible consumers.

SB 171 (Escutia) Chapter 794, Statutes of 1999: This measure established the CLCA Insurance Pilot program in the County of Los Angeles until January 1, 2004.

SB 527 (Speier) Chapter 807, Statutes of 1999: This measure established the CLCA program in the County of San Francisco until January 1, 2004.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Department of Insurance

Support If Amended

Personal Insurance Federation of California

Opposition

None on file.

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