

FIO FOCUS

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Devoted to exploring the progress of the modernization of the insurance industry, FIO Focus provides information and insights about the organizations and issues that are driving change and influencing the future of the industry.

The FIO Publishes Request for Comments on Affordability and Availability of Auto Insurance

On April 10, 2014, the Federal Insurance Office (FIO) solicited comments relating to its authority to monitor the availability and affordability of auto insurance. Under the Dodd-Frank Act, the FIO is authorized to “monitor 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.”

In the notice, the FIO states that the definition of “availability” is largely settled, but the definition of “affordability” with respect to personal auto insurance remains unclear. Last year, the Availability and Affordability Subcommittee of the Federal Advisory Committee on Insurance suggested that “affordability” should be defined as a cost that “is a reasonable percentage of a consumer’s income.” In the notice, the FIO states that measuring affordability according to that definition would be a “difficult and subjective task.”

The FIO has requested comments on:

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) the 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.

(MORE)

The FIO signaled that data collected by the National Association of Insurance Commissioners may not be adequate and that “other data sources will likely be needed.” Under the Dodd-Frank Act, the FIO has the authority to collect information directly from the insurance industry that “it may reasonably require” in carrying out its duties. Before it can do that, the FIO must determine that the information is not available in a timely manner from relevant federal agencies, state regulators and publicly available sources. The FIO also has subpoena power in certain circumstances.

In its report on “[How to Modernize and Improve the System of Insurance Regulation in the United States](#),” released December 12, 2013, the FIO recommended that states develop standards for the appropriate use of data for pricing of personal lines insurance. The FIO also indicated that it will study and report on the manner in which personal information is used for insurance pricing and coverage purposes.

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