The "Auto Insurance Regulation - What Works 2019" report by the Consumer Federation of America evaluates the effectiveness of state regulatory approaches to auto insurance and their influence on consumer costs. It reveals that stronger regulatory frameworks correlate with lower auto insurance rates, exemplified by California's prior approval regulation, which has saved drivers approximately $154 billion since 1988. During the period from 1989 to 2015, California's average auto insurance expenditure increased by only 12.5%, significantly less than the national average increase of 61.1%. The report estimates that if all states implemented similar consumer protections, American drivers could collectively save around $60 billion annually. It also highlights the disparity in auto insurance expenditures across states, with some experiencing increases exceeding 100%. The analysis, based on data from the National Association of Insurance Commissioners, indicates that regulatory oversight does not impede insurer profitability and emphasizes the necessity of a competitive market for consumer protection.

The document further discusses comprehensive and collision coverage alongside liability insurance, noting that since 1989, the national average premium for liability coverage has risen by 58.5%, with only California and Hawaii seeing slight decreases. In contrast, eleven states experienced more than double their premiums, with Michigan's liability premiums tripling. This surge in costs raises concerns about the affordability of state-mandated auto insurance, particularly for lower-income drivers who may forgo comprehensive and collision coverages. The report categorizes states into six regulatory structures: Prior Approval, File and Use, Use and File, Limited Flex, Flex, and Deregulated. States with robust regulatory systems, especially those requiring prior approval for rate changes, have shown better consumer outcomes, with prior approval states experiencing an average premium increase of 36.1%, compared to 110.05% in deregulated states.

Market competition is also addressed, noting that auto insurance is a government-mandated purchase, complicating consumer choice. The report employs the Herfindahl-Hirschman Index (HHI) to measure market concentration, revealing that deregulated and flex-rating states often have higher market concentration, contradicting the belief that deregulation enhances competition. It suggests practices that could improve competition, such as requiring insurers to accept all good drivers, which helps balance supply and demand in a mandatory insurance market. California's prior approval system is highlighted for mandating that insurers offer the lowest priced policy to good drivers, preventing the shifting of these drivers to more expensive subsidiaries. The report concludes that effective regulation, particularly through prior approval systems, is essential for consumer protection and cost savings in the auto insurance market.

The document estimates potential annual consumer savings in millions if states adopted California-style oversight, with Florida and Texas showing the highest potential savings at $6,437 million and $6,856 million, respectively. Other states with significant savings include Michigan ($3,973 million), Georgia ($2,235 million), and Virginia ($1,651 million), leading to a total hypothetical savings of $940 billion over 27 years since 1989. The report emphasizes that states requiring prior approval for rate changes achieve better consumer outcomes, including slower rate increases and greater competitiveness. It advocates for best practices in auto insurance regulation, including incentivizing safe driving, preventing the pass-through of inefficient costs to consumers, and ensuring transparency in ratemaking.

Additionally, the document provides data on average expenditures and liability premiums from 1989 to 2015, showing significant cost increases across various states. It includes metrics such as Return on Net Worth (RONW) and HHI by state, reflecting the financial performance of insurance companies and market concentration. The report urges policymakers and regulators to implement these insights to ensure fair and reasonable pricing in the auto insurance market. It also categorizes insurance coverage into "tort" and "no fault" systems, detailing the prevalence of each type across states. For instance, North Carolina has a high percentage related to its reinsurance facility. The document lists premium amounts for auto insurance in each state, ranging from $1,927 in Virginia to $3,356 in Wyoming, and provides statistics on traffic density, urban population percentages, and car theft rates, illustrating the complexities and variances in auto insurance regulation and market conditions across the United States.