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# Illegal Residents Get Legal Route To Car Coverage

## Insurers Find a Market As States Crack Down On Driver's Licenses

By MIRIAM JORDAN  
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Many states are cracking down on illegal immigrants by denying them driver's licenses. But auto insurers are increasingly targeting those unlicensed drivers as a lucrative market.

For decades, many states with big immigrant populations, like California, routinely issued driver's licenses to foreign citizens, regardless of their immigration status. But when those states and others began tightening up their requirements amid a backlash against illegal immigration, many illegal immigrants couldn't renew their licenses -- and their car insurance was automatically canceled.

Some auto insurers, however, were quick to see a golden opportunity. California law, for example, doesn't bar companies from selling insurance to unlicensed motorists. So, insurers, including some major ones like **Progressive Corp.**, are covering illegal-immigrant drivers, often charging them premiums above the normal market rate.

"When we figured out it was legal, and we weren't going to get punished, we went into the market within a short while," says Brian Duffy, chief executive of Alliance United, a closely held auto insurer based in Ventura, Calif. "We are exploding with growth."

The situation is another example of how illegal immigration and the purchasing power of the nation's estimated 12 million illegal immigrants are influencing public and private policy in sometimes contradictory ways. While some politicians and others complain that illegal immigrants place a burden on state and local resources, businesses ranging from banks to retailers are lining up to cater to them.

Earlier this year, for example, **Bank of America Corp.** began offering a credit card for people who lack a Social Security number and a credit history, a category that mainly includes undocumented immigrants. Smaller businesses have sprung up to help illegal immigrants file tax returns.

In tapping this new market, auto insurers are addressing a big concern for residents in many states: the potentially costly prospect of getting into an accident with an uninsured driver. Undocumented immigrants without insurance have been known to flee the scene of an accident, even abandoning their vehicles. They also sometimes plead with the other driver to let them pay for any damages in cash, to avoid being exposed as uninsured. In New Mexico, which passed legislation allowing illegal immigrants to obtain driver's licenses in 2003, police say that the state's roads are now safer.

Though critics say that insurance companies are legitimizing the presence of illegal immigrants by offering them insurance, some law-enforcement officials and immigrant advocates argue that many undocumented workers will drive to reach their jobs anyway, and that having insured motorists protects the public at large. Though driving without a valid license is illegal, it often goes unpunished if the driver's car registration and insurance papers are in order.

Amid the national debate over immigration and security in the wake of the Sept. 11, 2001, attacks, a growing number of states started requiring applicants for driver's licenses to show proof of lawful residence. States with large illegal-immigrant populations like Texas, California and Arizona don't issue driver's licenses to illegal immigrants. In 2005, California Gov. Arnold Schwarzenegger, citing security concerns, vetoed for the second time a measure passed by the state's lawmakers to explicitly allow undocumented immigrants to obtain a driver's license.

In Illinois, legislators are considering allowing people without Social Security numbers to obtain a driver's certificate, a proposal that has polarized the state.

With the states getting more restrictive, some auto insurers have adopted new strategies. Realizing that many workers without licenses drive anyway, several auto insurers began allowing undocumented immigrants to acquire a policy on the strength of a foreign driver's license -- or even a foreign identification card.

Jeff Dailey, chief executive of publicly held insurer Bristol West Holdings Inc., which specializes in nonstandard, high-risk insurance, says that the "foreign driver" segment has proved to be "good business for us," and has attracted multiple competitors. Mr. Dailey says sales agents for his company, which agreed last month to be acquired by Farmers Group Inc., accept a Mexican *matricula consular* card -- an I.D. issued by the Mexican Consulate -- from immigrants who don't have a foreign driver's license.

Of the drivers, Mr. Dailey says, "They aren't licensed to operate a vehicle, but care enough to want to present proof of financial responsibility in the event they're in an accident." Because their driving records can't be verified, he adds, "they end up being surcharged for a policy, as if they had a lot of violations."

Nationally, 15% of all motorists are believed to be uninsured, according to Insurance Research Council, but it isn't known what proportion of them are illegal immigrants. In inner cities, the percentage of uninsured individuals behind the wheel is believed to be substantially higher.

Auto insurance is regulated by individual states, and most don't require insurers to limit coverage to people with driver's licenses. "We want everyone driving to have liability," says a spokesman for the Texas Department of Insurance.

The practice of writing auto insurance for unlicensed drivers started with insurers like Alliance United, a small company focused mainly on nonstandard markets, like drivers with bad driving records. But larger insurers, such as Progressive and **Infinity Property & Casualty Corp.**, which also write policies for high-risk drivers, are active in the business. Large mainstream insurance companies like State Farm Insurance Co., **Nationwide Mutual Insurance Co.** and AAA typically require a state driver's license.

"We want to insure all drivers who want to be insured; if the regulations in a state allow us to accept drivers with foreign driver's licenses, we price those policies accurately and as the regulation allows and make a policy available to those drivers," says Russina Sgoureira, product manager for Progressive's agency business in California.

Calls to senior executives at Infinity, including President James R. Gober, weren't returned.

José Cataño, an independent agent in Southern California, runs Spanish-language radio spots to drum up business with illegal immigrants, using a slogan referring to Gov. Schwarzenegger: "Arnold won't give you a license, but Cataño will give you insurance."

What makes illegal immigrants a particularly profitable market, he says, is that they rarely report small accidents -- to avoid contact with U.S. authorities. "It's very lucrative," he adds. "We have good retention." Earlier this month, Mr. Cataño received approval to operate in Nevada and Arizona, both of which deny licenses to illegal immigrants.

One of Mr. Cataño's clients is José Rodríguez, a 32-year-old illegal immigrant from Mexico who drives a 2007 Honda Civic and pays \$127 a month for insurance. "I feel much safer driving, knowing that I have insurance," he says. "All my friends without papers are getting it."

In his car, Mr. Rodríguez carries his auto registration and proof of insurance. On him, he carries a matricula consular card instead of a driver's license.

"We are the DMV; we're not ICE [Immigration and Customs Enforcement]," says a spokesman for the Nevada Department of Motor Vehicles. "It's not our issue if you are in the country illegally. By law, you have to have insurance if you have a car."

**Write to Miriam Jordan at [miriam.jordan@wsj.com](mailto:miriam.jordan@wsj.com)**<sup>1</sup>

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