



Consumer Federation of America

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\$4 GALLON GAS SHOULD LOWER AUTO INSURANCE RATES FOR MANY CONSUMERS

--Consumers Who Are Driving Less Should Contact Their Insurance Companies--

Washington, D.C. – As the price of gasoline tops four dollars a gallon nationwide, the Consumer Federation of America (CFA) today released an analysis showing that consumers who are driving less could save an average of 5 to 15 percent on their automobile insurance rates – about \$47 to \$142.¹ (Potential average savings by state are shown below.) While skyrocketing fuel costs have created great hardship for many consumers, these increases could mean immediate savings on automobile insurance as drivers react to high gas prices by using mass transportation, car-pooling, taking fewer trips to the store or curtailing their vacations.

“Auto insurance rates are partially based on how much you drive and how you use your car,” said J. Robert Hunter, Director of Insurance for CFA and former Texas Insurance Commissioner and Federal Insurance Administrator. “If you drive less to save money on gas, these driving changes might mean that you qualify for immediate insurance rate relief,” he said. “We encourage all Americans to act now to save money by calling their insurance company or agent and asking if they qualify for an immediate rate reduction.”

CFA released the attached “Consumer Alert” that detailed several ways that Americans who are driving less can save money on automobile insurance, including:

If You have Stopped Driving Your Car to Work or School:

- Your insurance classification has changed from “Drive to Work” to “Pleasure.”
- Savings could be 10 to 15 percent.

If You are Driving Only to a Train or Bus Station, Not All the Way to Work or School:

- Your insurance classification may change from the “Drive to work” mileage category.
- Savings could be 5 to 10 percent.

If You Have Consolidated Trips and are Driving Much Less:

- This reduces your miles driven per year.
- Savings could be 5 to 10 percent.

¹ The average auto insurance premium in the U.S. was \$949 in 2005, according to the latest data from the National Association of Insurance Commissioners (see attached table showing state data). These are average savings. Based on the specifics of a consumer’s auto insurance, the savings will range from zero to hundreds of dollars.

“While these savings will vary based upon the specific auto coverage you have, it is certainly worth a call,” said Hunter. “Simply explain the actions you are taking to drive less and estimate how many fewer miles you are driving a month,” he said. “Tell the agent or company representative that you want the cheapest rate they have for drivers reflecting your new driving circumstances.”

In a letter sent earlier this week, CFA has called on the nation’s Governors to act immediately to require insurance companies to lower their rates as Americans drive less.

“As Americans drive less because of the price of gas, fewer claims will be filed with insurance companies,” said Hunter. “Whether this will mean windfall profits for insurers or rate cuts for the consumers is up to Governors and state regulators to determine,” he said. “We ask that each state immediately call hearings to determine the right auto insurance prices under the changed driving situation.”

STATE	2005 Combined Average Premium	Savings at 5%	Savings at 10%	Savings at 15%
Alabama	\$815.94	\$40.80	\$81.59	\$122.39
Alaska	\$1,151.61	\$57.58	\$115.16	\$172.74
Arizona	\$1,063.05	\$53.15	\$106.31	\$159.46
Arkansas	\$852.62	\$42.63	\$85.26	\$127.89
California	\$969.11	\$48.46	\$96.91	\$145.37
Colorado	\$972.39	\$48.62	\$97.24	\$145.86
Connecticut	\$1,095.75	\$54.79	\$109.58	\$164.36
Delaware	\$1,120.28	\$56.01	\$112.03	\$168.04
Dist. of Columbia	\$1,342.80	\$67.14	\$134.28	\$201.42
Florida	\$1,148.29	\$57.41	\$114.83	\$172.24
Georgia	\$960.05	\$48.00	\$96.01	\$144.01
Hawaii	\$959.61	\$47.98	\$95.96	\$143.94
Idaho	\$707.99	\$35.40	\$70.80	\$106.20
Illinois	\$830.69	\$41.53	\$83.07	\$124.60
Indiana	\$758.47	\$37.92	\$75.85	\$113.77
Iowa	\$664.19	\$33.21	\$66.42	\$99.63
Kansas	\$750.29	\$37.51	\$75.03	\$112.54
Kentucky	\$898.01	\$44.90	\$89.80	\$134.70
Louisiana	\$1,230.44	\$61.52	\$123.04	\$184.57
Maine	\$751.26	\$37.56	\$75.13	\$112.69
Maryland	\$1,036.68	\$51.83	\$103.67	\$155.50
Massachusetts	\$1,200.95	\$60.05	\$120.10	\$180.14
Michigan	\$1,089.12	\$54.46	\$108.91	\$163.37
Minnesota	\$886.70	\$44.34	\$88.67	\$133.01
Mississippi	\$894.00	\$44.70	\$89.40	\$134.10
Missouri	\$804.53	\$40.23	\$80.45	\$120.68
Montana	\$865.98	\$43.30	\$86.60	\$129.90
Nebraska	\$770.97	\$38.55	\$77.10	\$115.65
Nevada	\$1,117.71	\$55.89	\$111.77	\$167.66

New Hampshire	\$849.34	\$42.47	\$84.93	\$127.40
New Jersey	\$1,336.18	\$66.81	\$133.62	\$200.43
New Mexico	\$909.19	\$45.46	\$90.92	\$136.38
New York	\$1,262.52	\$63.13	\$126.25	\$189.38
North Carolina	\$730.75	\$36.54	\$73.08	\$109.61
North Dakota	\$722.12	\$36.11	\$72.21	\$108.32
Ohio	\$754.86	\$37.74	\$75.49	\$113.23
Oklahoma	\$846.47	\$42.32	\$84.65	\$126.97
Oregon	\$828.89	\$41.44	\$82.89	\$124.33
Pennsylvania	\$954.81	\$47.74	\$95.48	\$143.22
Rhode Island	\$1,223.64	\$61.18	\$122.36	\$183.55
South Carolina	\$875.15	\$43.76	\$87.52	\$131.27
South Dakota	\$723.11	\$36.16	\$72.31	\$108.47
Tennessee	\$787.73	\$39.39	\$78.77	\$118.16
Texas	\$945.52	\$47.28	\$94.55	\$141.83
Utah	\$819.09	\$40.95	\$81.91	\$122.86
Vermont	\$807.14	\$40.36	\$80.71	\$121.07
Virginia	\$795.92	\$39.80	\$79.59	\$119.39
Washington	\$737.08	\$36.85	\$73.71	\$110.56
West Virginia	\$1,028.05	\$51.40	\$102.81	\$154.21
Wisconsin	\$686.75	\$34.34	\$68.68	\$103.01
Wyoming	\$822.53	\$41.13	\$82.25	\$123.38
Nationwide	\$948.97	\$47.45	\$94.90	\$142.35

Source: 2004/2005 Auto Insurance Database Report,
National Association of Insurance Commissioners, 2007.

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Consumer Federation of America (CFA) is a non-profit association of 300 consumer groups, with a combined membership of more than 50 million people. CFA was founded in 1968 to advance the consumer's interest through advocacy and education.



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CONSUMER ALERT: RISING GAS PRICES MAY MEAN LOWER AUTO INSURANCE RATES

At a national average of over \$4.00 per gallon, gasoline prices at the pump were 93.2 cents higher (30 percent) on June 9, 2008 than they were a year before.² While this has created great hardship for many Americans, higher gasoline prices may also mean immediate auto rate savings for some and ultimately lower rates for all consumers.

As with previous increases in gas prices, consumers have taken action to reduce their gas consumption. Some have car-pooled or begun using more mass transportation. Others have simply driven less by combining trips, or by canceling driving vacations or shortening them.

Auto insurance rates vary based on many factors, including where you live, your age and marital status, and the type of car you own. Most insurers factor in the number of miles you drive when setting rates. Here are some of the ways insurance companies reflect your driving mileage:

- **If you've stopped driving to work, you might be eligible for an immediate rate reduction.** If the rise in gas prices caused you to stop driving to work or school and you are car-pooling or using mass transit, you can have this surcharge removed. Rather than being rated as a "drive to business or school" use, you will now be rated as a "pleasure" use with a lower rate. Call your insurer now and ask for a reduction in your rate and a refund if you are due one. *Savings will vary but will average about 10 to 15 percent.*
- **If you now only drive part of the way to work or school, you may be due a rate reduction.** Insurers usually charge more if you drive longer distances to work or school, instead of just driving to a train or bus station, for example. While you will still be classified as driving to work or school, you may fall into a lower price category. *Savings will average 5 to 10 percent.*
- **If you reduced the miles you drive to work or school or in other ways, such as walking to the store or consolidating trips, you may be due a rate cut.** Many insurers have several rate categories, depending on the number of miles you drive. Suppose you have reduced the number of miles you drive per week by 10 percent because of higher gasoline prices, from 200 to 180. This would represent a reduction of more than 1,000 miles driven a year, from 10,400 to 9,360. Many consumers would receive a lower rate in this situation, because

² According to the American Automobile Association, the average national price of unleaded regular gasoline on June 9, 2008 was 4.023 cents per gallon. On June 9, 2007, the price was 3.091 cents.

insurers often use 10,000 miles as a key “break point” in setting rates. *Savings will average 5 to 10 percent.*

Savings will vary by insurer. Some reductions in the number of miles driven may not produce savings at all. The average auto insurance premium in the US is \$830, so a 10 percent savings would represent \$83. A 5 percent reduction would be \$41.50. Savings would likely be more significant for consumers who are now paying higher rates for insurance, such as those who are younger or who live in urban areas. On the other hand, an adult living on a farm who pays only a few hundred dollars for auto insurance will save less.

ACT NOW TO SAVE MONEY! CALL YOUR INSURER AND ASK IF YOU QUALIFY FOR AN IMMEDIATE RATE REDUCTION.