



## Consumer Federation of America

May 29, 2015

Dear Commissioner:

Last week Consumer Federation of America released the results of new research showing that four of the nation's five largest auto insurers give little or no weight to the annual mileage of their policyholders when setting premiums. This surprising result flies in the face of public polling showing that Americans believe that mileage is an appropriate factor for setting auto insurance prices.

Here is a link to our report: <http://consumerfed.org/news/902>

Here are links to a few of the news articles about our findings:

Chicago Tribune | Auto insurers cut motorists who drive few miles little slack:

<http://trib.in/1eDsNWP>

NBC News | Insurers blasted for not giving low-mileage discounts: <http://nbcnews.to/1BiJbkl>

As you will see in the study – in which we compared premiums in 10 cities for a good driver who drives 5,000 miles a year with one who drives 20,000 miles – in most cases Progressive, Allstate and Farmers provide no discount to very low mileage customers even when compared with very high mileage customers. Only State Farm consistently provides a significant break for the low mileage drivers. The one notable exception is the substantial discount that all insurers provide in California, where annual mileage is required to be the second most important rating factor behind driving safety record.

The report also provides you with references to actuarial and academic research demonstrating the clear relationship between mileage and risk – "annual mileage is an extremely powerful predictor of the number of claims at-fault," explained one scholarly article. Additionally, our study points to research providing evidence that low-income Americans drive fewer miles each year than people with higher incomes. This leaves lower income customers bearing more than their share of risk when their insurers do not include, or minimize, mileage in pricing. Inevitably, this failure to appropriately price auto insurance leads to some number of low-income motorists driving uninsured, because they simply cannot afford the premiums in the market.

In light of these findings, we urge you to look at the practices of insurers in your state and insist that companies incorporate mileage into their rate plans in an appropriately significant manner. CFA would, of course, be more than happy to work with you and your staff to further pursue this important issue.

Sincerely,

A handwritten signature in black ink that reads "J. Robert Hunter". The signature is written in a cursive style with a large, looping initial "J".

J. Robert Hunter  
CFA, Director of Insurance