



Consumer Federation of America

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Contact: Michelle Styczynski, 202-387-6121
J. Robert Hunter, 703-731-6353

NEW RESEARCH SHOWS THAT MOST MAJOR AUTO INSURERS VARY PRICES CONSIDERABLY DEPENDING ON MARITAL STATUS

Higher Rates for Widows Than for Married Women, and Other Marital Price Differences, Raise Questions about the Fairness of Auto Insurer Pricing

CFA Asks State Insurance Departments to Examine Marital Pricing and Remedy Any Unfairness

Washington, DC -- Today, the Consumer Federation of America (CFA) released research on how insurers utilize marital status in their pricing of auto insurance policies. CFA questions the fairness and relation to risk of this pricing by most major insurers, particularly their practice of hiking rates on women whose husbands die. In the ten cities studied, four of six major insurers – GEICO, Farmers, Progressive, and Liberty -- increased rates on state-mandated liability coverage for widows by an average of 20 percent. The fifth insurer, Nationwide, sometimes increased rates for widows. The sixth insurer, State Farm, did not vary the rates it charged because of marital status. All State Farm price quotes for a driver in a city were the same, regardless of whether the driver was single, separated, divorced, widowed, a domestic partner, or married.

Table 1: Average and Range of Percentage Increases in Annual Premiums in Ten Cities When a Young Woman is Widowed

	Average	Range
State Farm	0%	0-0%
GEICO	29	0-226
Farmers	22	0-34
Progressive	19	12-25
Nationwide	3	0-14
Liberty	8	4-12
Total	14%	0-226%

“Hiking rates on women whose husbands die seems both unfair and inhumane,” said Stephen Brobeck, CFA’s Executive Director. “Why don’t insurers instead emphasize driving-related factors such as accidents, traffic violations, and miles driven in their pricing?” he asked. An earlier national survey of a representative sample of adult

Americans, commissioned by CFA, found overwhelming consumer support for insurer emphasis on these driving-related factors in their auto insurance pricing.

The CFA research, undertaken by Brobeck and Michelle Styczynski, utilized quotes from the websites of the auto insurers for the minimum liability insurance required by states. For each quote in the ten cities, all car, driver, and insurance characteristics were held constant except for marital status. These characteristics are listed at the end of the news release.

At Most Major Companies, Rates Are Almost Always Higher for Single, Separated, and Divorced Drivers Than For Married Drivers

Farmers, Progressive, Nationwide, and Liberty always charged single, separated, and divorced drivers the same price, and this annual premium was almost always higher than the premium it charged married persons. GEICO’s premium quotes, though always lower for married drivers, varied unpredictably, with single, separated, and divorced drivers often being charged different prices.

Table 2: Average and Range of Percentage Increases in Annual Premiums from Married Status to Single/Separated/Divorced Status at Four Major Insurers

	Average	Range
Farmers	22%	0-34%
Progressive	19	12-25
Nationwide	9	3-14
Liberty	8	4-12

These price differences appear to exist at all age levels. Most prices collected by CFA were for a 30-year old, safe, female driver. When her age was increased to 50, the price differences persisted. “One would like to see any evidence that two 50-year olds with the same characteristics pose considerably different insurer risks because of their marital status,” noted CFA’s Brobeck.

Table 3: Percentage Increases in Annual Premiums from Married Status to Single Status in Three Sample Cities When the Driver is 50 Years of Age

	Louisville	Chicago	Houston
GEICO	134%	8%	16%
Farmers	28	20	24
Progressive	12	7	6

Auto insurers say that married people deserve lower rates than others because they tend to drive more responsibly. They, and their advocates, frequently cite a study released in 2004 by the National Institutes of Health showing that single persons had higher driving

injury rates than married persons (G. Whitlock, et al, “Motor Vehicle Injury and Marital Status,” *Injury Prevention*, 10: 33-36). However, this study, undertaken by several academics, was based on data collected in New Zealand around 1990 involving only 138 injuries, a substantial minority of which involved driving motorcycles. And the difference in injury rates was only about one percentage point.

“It is significant that single, separated, and divorced persons tend to have lower incomes than those who are married,” noted CFA’s Brobeck. Insurer use of marital status in their pricing – along with their use of other non-driving factors researched earlier by CFA, including education, occupation, and credit scores – tends to discriminate against low- and moderate-income Americans.

This new research on marital status further supports CFA’s hypothesis that major insurers are not that interested in providing minimum liability coverage, most often purchased by lower income drivers, because dollar profits are so much higher on policies sold drivers who also purchase collision and comprehensive coverage, often on several cars, as well as homeowner insurance. “The lack of insurer interest in selling competitively-priced auto insurance to lower-income drivers exacts a social high price,” noted J. Robert Hunter, CFA’s Director of Insurance and former Texas Insurance Commissioner. “Most lower-income drivers need a car to meet transportation needs, yet cannot drive legally without purchasing the liability insurance required by all states except New Hampshire,” he added.

Insurer Treatment of Domestic Partners Varies Greatly

The research revealed no evidence that State Farm, Farmers, Nationwide, and Liberty charge higher premiums to domestic partners than to the married. However, both Geico and Progressive often charge domestic partners higher rates than the married. That was the case, for Geico, in Baltimore, Tampa, Louisville, Minneapolis, Denver, and Phoenix. And it was the case, for Progressive, in Baltimore, Tampa, Louisville, Minneapolis, Houston, Denver, and Phoenix. Maryland and Colorado, along with California and Oregon, offer domestic partnership status.

It is also worth noting that the smallest price differences between single and married premiums, among the ten cities, were in Oakland. California law requires auto insurers to treat driving record, miles driven, and years experience as “mandatory” and “primary” factors in rate-setting. Others factors, including marital status, are considered “optional” and cannot have as great an impact on rates.

CFA Calls on State Insurance Departments to Investigate Insurer Use of Marital Status in Auto Insurance Pricing

“The ‘widow penalty’ and other pricing related to marital status provides still another reason for state insurance departments to examine insurer pricing more carefully,” said J. Robert Hunter, CFA’s Director of Insurance and former Texas Insurance Commissioner.

“Auto insurers are increasingly using non-driving factors in this pricing, and it appears that much of this pricing is unrelated to insurer risk,” he added.

“Insurer use of ‘price optimization,’ which a number of insurance departments have recently prohibited, provides further evidence that insurers are using factors related simply to profitability, such as ‘how much the traffic will bear,’ in their pricing,” Hunter noted. “The result is that not only does insurance pricing become increasingly exploitative, but also that lower income and minority drivers are charged the highest prices simply because of their socio-economic characteristics,” he added.

CFA will be sharing the findings of this latest research with all state insurance departments and with the Federal Insurance Office, which is considering the issue of insurance affordability.

The prices in the table below are based on a driver with the following characteristics:

- Female 30 years old
- Driving since 16
- No accidents or moving violations
- High school degree
- Bank teller
- Renter in ZIP code with \$30,000 median household income
- Drives a 2005 Honda Civic which owns
- Has insurance most recently purchased 3 years ago

CFA is a nonprofit association of more than 250 consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education.

Appendix: Quoted Annual Premiums from Major Auto Insurers Related to Marital Status

Baltimore, MD	State Farm	GEICO	Farmers	Progressive	Nationwide	Liberty
Single	\$2274	\$1292	\$3010	\$2098	\$1372	\$2868
Single with child	2274	N/O	N/O	N/O	N/O	N/O
Separated	2274	1292	3010	2098	1372	2868
Divorced	2274	1292	N/O	2098	1372	2868
Widowed	2274	1408	3010	2098	1294	2868
Domestic partner	N/O	1292	N/O	2098	N/O	2604
Married	2274	1244	2676	1726	1294	2604

Tampa, FL						
Single	\$1320	\$1,978	\$2972	\$1392	N/A	N/A
Single with child	1320	N/O	N/O	N/O	N/A	N/A
Separated	1320	2334	2972	1392	N/A	N/A
Divorced	1320	1858	2972	1392	N/A	N/A
Widowed	1320	2042	2972	1392	N/A	N/A
Domestic partner	N/O	1987	N/O	1392	N/A	N/A
Married	1320	2166	2224	1110	N/A	N/A

Louisville, KY						
Single	\$1248	\$1518	N/O*	\$1384	N/A	N/A
Single with child	1248	N/O	N/O	N/O	N/A	N/A
Separated	1248	1864	2508	1384	N/A	N/A
Divorced	1248	1236	2508	1384	N/A	N/A
Widowed	1248	1302	2508	1384	N/A	N/A
Domestic partner	N/O	1518	N/O	1384	N/A	N/A
Married	1248	650	1978	1152	N/A	N/A

*Quotes are from 21st Century Insurance

Chicago, IL						
Single	\$660	\$588	\$2026	\$524	\$852	\$1152
Single with child	660	N/O	N/O	N/O	N/O	N/O
Separated	660	666	2026	524	852	1152
Divorced	660	640	N/O	524	852	1152
Widowed	660	610	2026	524	852	1152
Domestic partner	N/O	N/O	N/O	524	N/O	1068
Married	660	578	1678	454	746	1068
Civil Union	660	556	1576	454	N/O	N/O

Minneapolis, MN						
Single	\$992	\$1944	\$1618	\$642	\$1992	\$1848
Single with child	992	N/O	N/O	N/O	N/O	N/O
Separated	992	1944	1618	642	N/O	1848
Divorced	992	1584	N/O	642	N/O	1848
Widowed	992	1466	1618	642	1862	1848
Domestic partner	N/O	1944	N/O	642	N/O	1680
Married	992	894	1314	560	1772	1680

Houston, TX	State Farm	GEICO	Farmers	Progressive	Nationwide	Liberty
Single	\$1148	\$764	\$1604	\$742	\$724	\$1692
Single with child	1148	N/O	N/O	N/O	N/O	N/O
Separated	1148	890	1604	742	724	1692
Divorced	1148	764	N/O	742	724	1692
Widowed	1148	826	1604	742	660	1692
Domestic partner	N/O	764	N/O	742	N/O	1572
Married	1148	660	1304	640	660	1572

Denver, CO						
Single	\$798	\$806	\$1770	\$740	N/A	\$1140
Single with child	798	N/O	N/O	N/O	N/A	N/O
Separated	798	940	1770	740	N/A	1140
Divorced	798	806	N/O	740	N/A	1140
Widowed	798	724	1770	740	N/A	1140
Domestic partner	N/O	806	N/O	740	N/A	1092
Married	798	586	1352	596	N/A	1092
Civil Union	N/O	N/O	1352	N/O	N/A	1092

Phoenix, AZ						
Single	\$748	\$728	\$1722	\$662	N/A	\$1692
Single with child	748	N/O	N/O	N/O	N/A	N/O
Separated	748	728	1722	662	N/A	1692
Divorced	748	728	N/O	662	N/A	1692
Widowed	748	730	1722	662	N/A	1692
Domestic partner	N/O	728	N/O	662	N/A	1608
Married	748	490	1308	570	N/A	1608

Oakland, CA						
Single	\$636	\$478	\$778	\$550	\$774	\$1132
Single with child	636	N/O	N/O	N/O	N/O	N/O
Separated	636	478	778	550	774	1132
Divorced	636	478	N/O	550	774	1132
Widowed	636	388	778	550	750	1132
Domestic partner	636	388	N/O	490	750	1008
Married	636	388	778	490	750	1008

Portland, OR						
Single	\$1324	\$902	\$2226	\$1482	\$1198	\$1332
Single with child	1324	N/O	N/O	N/O	N/O	N/O
Separated	1324	902	2226	1482	1198	1332
Divorced	1324	902	N/O	1482	1198	1332
Widowed	1324	902	2226	1482	1090	1332
Domestic partner	1324	810	N/O	1218	1090	1224
Married	1324	810	1926	1218	1090	1224

N/O = Marital status not an option

N/A = No price quote available