



Consumer Federation of America

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CFA CALLS ON INSURANCE COMMISSIONERS AND FEDERAL INSURANCE OFFICE TO INVESTIGATE INSURER USE OF ZIP CODES

New Bankrate.com Study Finds Auto Insurance Premiums Can Jump Dramatically for Customers on the Wrong Side of a Zip Code Line

Washington, DC –The website [Bankrate.com](http://www.bankrate.com) published research yesterday (May 28, 2015) showing that good drivers living in two adjacent ZIP codes can pay widely different premiums for the same auto insurance coverage. In one example, a Chicago driver was quoted a 64% higher premium by one company than he would have been charged by the same insurance company had he lived 0.3 miles away in the next ZIP code. The company tested premiums from three major insurers in 10 U.S. cities and found several examples in which addresses just a few blocks from each other could swing premiums substantially.

The Bankrate.com article can be viewed here:
<http://www.bankrate.com/finance/insurance/auto-insurance-too-expensive-it-could-be-your-zip-code-1.aspx>

While insurers claim that the use of ZIP code is related to actuarial loss data, the Consumer Federation of America (CFA), which studies auto insurance rates, argues that whatever differences there might when comparing dense neighborhoods with sparsely populated communities cannot account for dramatic price differences being charged to drivers on different sides of a street. In response to the Bankrate.com article, CFA calls upon insurance commissioners and the Federal Insurance Office to investigate insurance companies' use of ZIP codes. CFA says that consumer protection laws should be enacted that ensure auto insurance rates are based primarily on a driver's safety record and annual mileage and that ZIP codes should not have so much weight that results such as those found by Bankrate can occur.

"State laws require that every driver has to buy auto insurance, no matter where they live," said Stephen Brobeck, Executive Director of CFA. "So how can it be fair that insurers charge the same person radically different rates for moving just a few blocks away?"

Over the past three years, Consumer Federation of America has researched the cost of auto insurance, particularly as it impacts low- and moderate-income Americans. Its studies have shown that in many low-income communities across the country good

drivers have access to few or no policies that cost less than \$500 per year, which most Americans consider a reasonable price for basic insurance coverage. CFA's studies have also shown that many insurers charge much higher premiums to blue-collar, lesser-educated customers than to highly educated, white-collar customers even when both have perfect driving records. Similarly, premiums spike for good drivers with low credit scores, by over 100% in some instances, according to CFA research. A recent CFA report found that several large insurers do not even consider mileage when setting auto premiums.

CFA's research can be reviewed here: <http://consumerfed.org/financial-services/insurance/auto-insurance - press-releases>

The Consumer Federation of America is an association of more than 250 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education. CFA researcher Michelle Styczynski collected price data for this research.

