



Consumer Federation of America

December 9, 2016

Dear Commissioner,

As you may recall, I have sent you and your staff a series of letters over the last few years regarding my concerns about the use of price optimization techniques by insurers and, in particular, about a rating plan that Allstate has begun implementing in several states.

As you may be aware, 19 jurisdictions have banned or severely limited use of price optimization, and the NAIC has adopted a white paper calling on states to ban the practice.

I am attaching an [article](#) I recently wrote for Carrier Management magazine about Allstate's price optimization process, which it calls Complementary Group Rating or CGR. The article explores this new approach to rate setting and policyholder pricing that Allstate has adopted and explains how it violates critical actuarial principles and how this leads to unfairly discriminatory rates. The article also addresses an Allstate-sponsored paper and related article that aimed to defend the company's CGR plan, but, as you will see, the arguments sponsored by Allstate only confirmed my view that regulators must take immediate action to end Allstate's use of this anti-consumer and actuarially aberrant approach to pricing.

I hope that you will have the opportunity to review this article, and I would be pleased to discuss it with you or your staff if you have any questions about Allstate's CGR or other companies' plans to use price optimization techniques in your state.

Sincerely,

J. Robert Hunter
Director of Insurance
Consumer Federation of America
(703) 528-0062