Consumer Federation of America

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September 22nd, 2026

Re: Insurance Price Optimization and Texas Department of Insurance Bulletin # B-000726

Dear Commissioner,

Earlier this month the Texas Department of Insurance (TDI) issued Bulletin # B-0007-26,[1] which prohibits the use of price optimization in insurance. We write to urge you to do the same if your Department is not already enforcing a prohibition on this unfairly discriminatory practice.

Insurance price optimization leads to higher premiums for loyal customers and those without the time, access to choices, or wherewithal to effectively shop around, irrespective of their risk. It is particularly insidious when it is used in personal lines insurance, given that auto insurance is a government mandated purchase for the vast majority of Americans and homeowners insurance is mandatory for anyone with a mortgage.

Price optimization is a type of surveillance pricing[2] in which insurance companies vary policyholders' premiums based on their expected "willingness to pay," also referred to as *elasticity of demand*. That is, the actuarially derived premium for any given customer will be increased or decreased according to an algorithmic estimate of how high their premium can go before they shop for a better deal. At its core, price optimization charges different premiums to customers with similar or even identical risk profiles according to factors that are not related to the risk of loss. As the Texas bulletin explains:

[1] "Commissioner's Bulletin # B-0007-26: Use of Price Optimization." Texas Department of Insurance. September 2nd, 2026. Available at https://www.tdi.texas.gov/bulletins/2026/commissioners-bulletin-b0007-26.html.

[2] "Explaining Surveillance Pricing and Other Data-Driven Pricing Practices." Electronic Privacy Information Center and Consumer Federation of America. August 2026. Available at https://consumerfed.org/media/wh3nbeww/explaining-surveillance-pricing-and-other-data-driven-pricing-practices-aug-21-2026.pdf.

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> "any practice that results in two policyholders with the same risk profile getting different premium increases is unfairly discriminatory under Texas law. Price optimization disregards actuarially sound estimates of policyholders' risk of loss and other costs. *Premiums must be based on cost associated with risk*. Any use of price optimization in the ratemaking or pricing process, or in establishing a rating plan, is unfairly discriminatory and violates the Insurance Code."
> Commissioner's Bulletin # B-0007-26

The Consumer Federation of America (CFA) first warned regulators about the growing use of price optimization in a 2013 letter to insurance commissioners in which we urged Departments to take steps "to end this practice, which produces unfairly discriminatory auto insurance premiums, illegal in every state."[3] In 2015, the National Association of Insurance Commissioners (NAIC) issued a white paper on price optimization, which included a model bulletin addressing the practice.[4] To the best of our knowledge, the following jurisdictions have issued bulletins concerning price optimization as of September 2026: Alaska, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Indiana, Maine, Maryland, Minnesota, Missouri, Montana, Nevada, Ohio, Pennsylvania, Rhode Island, Texas, Vermont, Virginia, and Washington State.

More recently, CFA presented our concerns about price optimization to the Federal Trade Commission, which began investigating the range of market abuses under the umbrella of surveillance pricing, including insurance price optimization.[5] While 21 states have issued

[3] "Many Auto Insurers Filing Unfairly Discriminatory Auto Insurance Rates; Price Optimization Used to Raise Rates Above the Cost-based Level." J. Robert Hunter, CFA. August 29, 2013. Available at https://consumerfed.org/media/legacy/post_4496/price-optimization-letter-state-auto-insurance-commissioners.pdf.
[4] "Casualty Actuarial and Statistical (C) Task Force Price Optimization White Paper." November 19, 2015. Available at https://content.naic.org/sites/default/files/inline-files/committees_c_catf_related_price_optimization_white_paper.pdf.
[5] "Consumer Federation of America's Past Work on Price Optimization." Consumer Federation of America. August 2nd, 2024. Available at

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bulletins, many of them are over a decade old, and we urge those of you in states with bulletins issued to review the systems in place to ensure companies have not introduced or re-introduced price optimization techniques, perhaps under different names, in the intervening years. For those states that have not yet issued a bulletin, we urge you to do so now and believe the Texas Bulletin provides a succinct and effective template.

As best we can determine, the following states have not issued any bulletin or any other official statement regarding the illegality of price optimization:

> Alabama, Arizona, Arkansas, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Utah, West Virginia, Wisconsin, and Wyoming.

We would welcome, of course, any corrections to that list if your state has, in fact, taken action to block this unfairly discriminatory pricing technique.

Please contact us at mdelong@consumerfed.org with any questions and please share with us any updated information you can regarding your Department's views on the use of price optimization by insurance companies in your state.

Sincerely,

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Consumer Federation of America

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Director of Insurance
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https://consumerfed.org/media/legacy/post_29400/Letter-to-FTC-on-Price-Optimization.pdf.

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