



## Consumer Federation of America

April 4, 2018

Dear Commissioner,

Over the past several years, your Department and nineteen others issued bulletins to insurance companies generally clarifying that the use of price optimization techniques and related pricing approaches would constitute unfair discrimination under the laws of your state. With this letter, we ask that you provide Consumer Federation of America with an update concerning the pricing practices of companies in your state.

As you may recall, the National Association of Insurance Commissioners, in 2016, adopted the Casualty Actuarial and Statistical (C) Task Force *Price Optimization White Paper*, emphasizing that states should require that, under all insurer rating plans, “two insurance customers having the same risk profile should be charged the same premium for the same coverage.” While this is hardly a controversial standard, it cut to the core concern that has arisen over the past several years as insurance consultants and companies have developed and installed price optimization strategies.

We are very interested in learning about your experience with insurance company rating plans and underwriting guidelines over the last few years. In particular, we would appreciate as much detail as you can provide about the following questions:

1. Have companies changed rating plans to remove unfairly discriminatory pricing techniques?
2. Has your department identified any such technique and/or rejected any rating plans or underwriting guidelines due to price optimization practices?
3. Does your department have the resources to identify attempts to use price optimization?
4. Does your state require sufficient transparency in ratemaking and underwriting to find evidence of price optimization techniques? and
5. What challenges has your staff identified in its efforts to ensure that companies are complying with the bulletin and statute?

Price optimization punishes customers based on their shopping habits, meaning that low risk consumers may pay more than they should and end up subsidizing higher or equivalent risk customers based on personal choices and opportunities or algorithmic estimates that have nothing to do with the likelihood of incurring a loss. Consumers in your states are counting on you and your staff to prevent this abusive and unfair pricing technique. Please let us know how this effort is going.

We very much appreciate the steps you have taken to protect consumers from the unfairness in pricing that price optimization introduces. We look forward to learning from you how this effort is progressing in your state.

Very Truly Yours,

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

J. Robert Hunter  
Director of Insurance  
Consumer Federation of America