



## Consumer Federation of America

July 12, 2019

Dear Commissioner,

Consumer Federation of America has just completed auto insurance pricing research in which we identified startling evidence of unfair discrimination in the premiums quoted by several major insurers. We found that auto insurers will quote different rates to drivers who are the same in every way except for the amount of insurance purchased in their current policy. In particular, people currently carrying a minimum limits policy are charged more than those who currently have higher limits coverage when they are shopping for the exact same policy.

For example, when seeking a quote for a 100/300 bodily injury liability policy, one insurer charged \$804 more (a 43% surcharge) to a customer who currently has a 30/60 policy compared with another driver who had previously purchased 100/300 coverage. Overall, our research indicates that insurers charge 14% more on average to shoppers with lower prior limits than to those with higher prior limits for the exact same coverage, even when everything else about the drivers is held constant.

According to the data, insurance shoppers whose current auto policy covers up to \$300,000 in bodily injury liability were offered that same \$300,000 coverage for \$1,849.57 per year on average in five cities and towns tested. Shoppers whose current insurance only provides their state's mandated minimum liability coverage were quoted an average annual premium of \$2,103.33 for the same \$300,000 limit policy. That equals a \$253.76, or 14%, surcharge for drivers solely because of their prior level of coverage.

Auto insurance is not just mandatory in all states but New Hampshire, it is an important asset protection tool. As people's financial situations improve, they naturally opt to buy more coverage. When they do so they should expect equal access to the products and services available to others. Pricing auto insurance based on drivers' prior purchases is both actuarially unwarranted and an entirely unfair tax for being poor. We also believe that it is illegal under every states' prohibitions against unfair discrimination.

Through our testing we received online premium quotes directly from the websites of six of the nation's largest auto insurers in five cities –Buffalo, Denver, Jacksonville, Prairieville (LA), and Towson (MD) – for safe drivers and only varied the amount of insurance coverage under their current policy. We also tested premiums for these same companies in California, where this

rating practice is barred by the state's insurance consumer protection law known as Proposition 103; these tests found that companies in California quoted the same premium to shoppers regardless of their prior coverage level.

While we only tested premiums in a few states, some additional spot testing suggests that, outside of California, this practice is widespread. That means it is likely occurring in the market you oversee, and it is, therefore, incumbent upon you to stop it.

We urge you to review the rating plans of auto insurers in your state. Should you confirm that any insurers in your state are punishing safe drivers for their prior purchase of lower limits policies we believe that the Department should immediately issue a bulletin to all insurers instructing them that using prior insurance limits to rate or underwrite is unfair discrimination and illegal. We believe that any carrier that uses prior limits as a factor should be required to refile new rating plans that do not incorporate surcharges and discounts tied to prior limits of coverage.

In the coming days we will be releasing the complete set of research data, and we will share it with you as soon as it is available. In the meantime, please contact us if you have any questions about our findings or if you or your staff would like to discuss this further.

Sincerely,

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