



Consumer Federation of America

CENTER for
ECONOMIC
JUSTICE | FAIR ACCESS
FAIR TREATMENT

December 22, 2020

Extremely High Insurer Profits and New Accident Data Show That Auto Insurance Companies Need to Provide More Pandemic Refunds; Your Constituents Are Suffering by Your Inaction

Dear Commissioner:

The Consumer Federation of America (CFA) and Center for Economic Justice (CEJ) urge you to require all auto insurers to issue a second round of premium refunds for consumers in response to new data revealing the extent to which accidents are down in 2020 and the ongoing realities of this pandemic. COVID-19 has dramatically reduced driving and accident claims, handing auto insurers massive windfall profits. Spring 2020's premium relief was insufficient at the time and the need for further refunds has grown significantly over the past six months.

Data collected from four states with timely data available – Colorado, Maryland, Massachusetts, and Texas – representing different population densities and responses to COVID-19, show over 181,000 fewer accidents in those states during the pandemic than during the same period in 2019. This includes a decline of more than 83,000 accidents after May, when most insurers stopped providing refunds and premium credits, outside of California where refunds continued. The statistics show that crashes are down by 31% since the beginning of the pandemic when comparing 2020 with 2019. While the decline was somewhat less during the summer months, crashes are falling again as the pandemic worsens.

It is inarguable that there have been far fewer auto crashes than prior years due to the pandemic and the resulting restrictions on businesses, schooling, and other activities, as well as general public caution. While the data we present is for four states, there is nothing to suggest that other states' experience is significantly different from these four. Though millions of drivers have been off the roads for 10 months, many insurers are still charging premiums based on pre-pandemic expectations of far more crashes and claims.

Recently, auto insurers have announced incredible profits, even after accounting for their spring refunds to consumers. Progressive reported over \$3.3 billion in net income between April and September (Q2 and Q3), which is \$1.5 billion, or 82%, more than 2019. Instead of offering relief to its COVID-beleaguered customers, Progressive doubled its dividends to stockholders, a Scrooge-like Christmas present to the wealthy. GEICO's pre-tax earnings tripled during the second and third quarters of 2020 to \$2.34 billion compared with \$769 million in 2019. And

Allstate's auto insurance underwriting income for the first two quarters of 2020 was \$1.87, over a billion dollars more than 2019.

Auto insurance premium relief is all the more important given that COVID-19 cases are rising at record levels and states across the country are reimposing restrictions to curb the spread and stop health care systems from getting overwhelmed. Massachusetts, Maryland, and Colorado announced new limits in November. California, Oklahoma, Pennsylvania, and Virginia implemented similar limits in December, and communities around the country are either ordering or recommending that residents stay at home. These policies will further reduce driving and crashes, leading to an ongoing reduction in claims and larger profits for insurers, unless you act. Finally, COVID-19 vaccines will take a while to have an impact, meaning we have a considerable way to go before the pandemic is over and driving habits will not return to something like normal for many months. According to Dr. Fauci, this new normal won't arrive until the second or third quarter of 2021.

With the economic pain that has accompanied this pandemic, the fact that most Insurance Commissioners allowed insurers to set the terms for refunds and have not ordered more has been a failure of leadership.¹ But action on behalf of consumers today is still much better than none at all. In order to protect consumers from continued overpayment for auto insurance during the pandemic, it is critical that you demand companies refund the excess premium that has been, and continues to be, collected from policyholders. We urge you to mandate this relief as quickly as possible.

Sincerely,



J. Robert Hunter
Director of Insurance
Consumer Federation of America



Birny Birnbaum
Executive Director
Center for Economic Justice

¹ We note that refund orders were issued by Commissioners in California, Michigan, New Jersey, and New Mexico, and we particularly recognize the bulletins of California Commissioner Lara that extended refund mandates beyond the Spring.