Consumer Federation of America

June 29, 2016

Dear Commissioners:

On Monday, Consumer Federation of America released a new study of auto insurance premiums across the country that revealed disturbing patterns in the rates faced by good drivers as a result of insurance companies' use of non-driving related rating factors. The report reveals how states' mandatory auto insurance requirements combined with lax oversight of auto insurers' rating practices seriously harm low- and moderate-income drivers.

As you review the report – which found that premiums jumped by an average of 59%, or $681 annually, when personal characteristics of the drivers were changed to reflect a lower economic status – we urge you to recognize the role your department plays in abetting this serious problem and the opportunity you have to address it.

A copy of the study is available here: http://bit.ly/298tfw6

A few of the news articles about the report are available here:

*New York Times* | Auto Insurance Is Costlier at Lower Incomes, Study Says http://goo.gl/bWwbMb

*CBS* | This group pays the most for car insurance http://goo.gl/Mcr7AN

*Minneapolis Star Tribune* | If you're poor, you'll pay more for car insurance, study finds http://goo.gl/VnCY9v

*Michigan Public Radio* | Consumer advocate: Car insurance companies charging poor/moderate income people more money http://goo.gl/WTYxDV

In addition to the pricing research conducted for this report, CFA also commissioned a national poll about insurance companies' use of various rating factors for the pricing of auto insurance. While the vast majority of Americans consider it fair to use moving violations and traffic accidents in pricing, more than 60% consider it unfair to use non-driving characteristics that reflect customers' economic status.

We believe that you and other regulators around the country should conduct further research and analysis regarding the pricing practices in your states, especially with respect to this troubling relationship between rates and lower economic status. While we provide suggestions as to how you might begin to address this in the report, we would be happy to have more detailed discussions with you and your staff if you would like.

As you undertake the research, please consider the possibility that your state fits this description (all but a handful of states do fit it):

- A car is a necessity in modern America. Almost everyone needs a car for work, finding reasonable shopping deals, participating in the children's education and athletic endeavors and for other purposes.
- Unless you are New Hampshire, your state forces drivers, including the good driving poor, to buy insurance on cars they must use so that their families can thrive.
- Unless you are California, your state almost surely fails to comprehensively assure the price is fair and within the budget of the poor. This is because almost all states allow insurers to use factors that jack up the price on the poor by an average of 59%, in violation of promises and rules that do not allow income to be used in pricing.
- Unless you are California, your state does not have a low cost (but not subsidized) program for good driving low-income residents.
- Most likely, your state, after allowing insurers to charge good drivers more based on their economic status, imposes serious penalties on drivers for not carrying the required coverage.

If your state fits this description, reform should become a top priority for your Department.

Sincerely,

J. Robert Hunter

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Consumer Federation of America