**Consumer Federation of America**

January 12, 2015

Dear Commissioner Doak:

On December 16, 2014, we sent you a letter commenting on an Allstate auto insurance filing in Wisconsin. A copy of that letter is attached for your reference. We write to you today concerning a similar filing in Oklahoma.

We also have previously[1] alerted you to the dangers of Price Optimization, explaining that it would be used to produce unfairly discriminatory rates, illegal in every state. We now have proof, in the form of Allstate rate filings from several states, that unfair pricing through so-called "optimization" is occurring.

In 2013, Allstate Fire & Casualty Company made a filing with your Department that produces illegal rates now being charged in Oklahoma. This filing suffers from the same flaws as the Wisconsin filing. Here are the SERFF details for the Allstate filing in Oklahoma:

> Company: Allstate Fire and Casualty Insurance Company
> SERFF Tracking #: ALSE-129200514
> Date Filed: 09/12/13
> Effective Date: 10/07/13
> Disposition Status: Filed

We write to ask that, due to the significant adverse impacts this filing has on policyholders in Oklahoma, you take action to disapprove this filing. We are convinced that the filing produces unfairly discriminatory prices in that two identical drivers of the same risk can be charged substantially different prices based on Allstate's determination of whether the individual being analyzed is more or less likely to leave the insurer if the price goes up (i.e., by use of elasticity of demand models applied individually to each policy in Oklahoma). Prices may also be excessive compared to the risk-based prices for those consumers Allstate determines will shop less or otherwise identifies as less desirable customers based on what the filing labels "marketplace considerations." Research indicates that lower-income Americans often have less access to, and shop less for, financial services so this practice adversely impacts those already struggling to afford state-required auto insurance. The use of these price optimization techniques violate not only Oklahoma law but also the Casualty Actuarial Society's Principles Regarding Property/Casualty Insurance Ratemaking requiring that rates be cost/risk-based.

[1] August 29, 2013, March 28, 2014 and an undated letter congratulating Maryland for banning Price Optimization sent on October 31, 2014.

Further, Allstate is almost certainly not the only company using price optimization tools in Oklahoma. The price optimization vendor Earnix states that about half of all large (greater than $1 billion in premiums) auto insurers are using price optimization today. The use may not be applied through a rate filing in the manner of Allstate but through tiering of policy charges or other underwriting processes. These underwriting approaches are harder to discover and root out but are no less insidious and similarly illegal. One elegant solution to the complex and often hidden price optimization issue that we suggest you consider is a ban, perhaps modeled after that done in Maryland (copy of the Maryland Bulletin is attached).

Please advise of the steps you are taking to disapprove the Allstate filing discussed above and of steps you are taking to protect Oklahoma consumers from other price optimization applications that move the price away from risk/cost-based levels throughout the Oklahoma insurance industry.

Thank you for your consideration. We hope to hear from you soon,

J. Robert Hunter
Director of Insurance
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