Consumer Federation of America

July 23, 2020

Commissioner Kent Sullivan
Texas Department of Insurance
P.O. Box 149104
Austin, TX 78714

Dear Commissioner Sullivan:

Over the last several weeks state and local governments have taken actions to combat the spread of COVID-19 in Texas that will reduce the amount of driving and auto accidents in the state. For example,

- In late June, Governor Abbott ordered the reclosure of bars, limited restaurants to 50% capacity, and limited the size of outdoor gatherings;
- On July 20, Hidalgo County issued an emergency order urging people to stay at home and for commercial businesses to cease their activities unless they are essential and related to necessary supplies; and
- The Texas Education Agency announced that public schools can now require up to eight weeks of online-only instruction, potentially delaying the in-person start of the school year.

Moreover, driving and accidents in Texas remain significantly below normal levels. The Consumer Federation of America (CFA) has been collecting statewide crash data since the spring, and we have found that vehicle miles traveled and car crashes have been lower than normal since COVID-19 was declared a pandemic. In March and April 2020 crashes plunged as businesses closed and many others allowed employees to work from home. In fact, while crashes fluctuated between 1,300 and 2,000 crashes per day during March and April of 2019, during those months in 2020, they fell to between 600 and 1,300 per day. In May and June 2020, as businesses reopened and restrictions were eased, crashes increased but remained well below the normal levels that served as the baseline for current auto insurance rates. The recent surge in COVID-19 cases, hospitalizations, and deaths, combined with reclosures of businesses and widespread concern about the pandemic, will cause vehicle miles traveled and crashes to decline again.

Therefore, the conditions that led to auto insurance companies providing voluntary refunds and credits in the spring persist and will continue for the foreseeable future. While consumers appreciated receiving some premium credit, it was not enough. Earlier this summer, our colleagues at Texas Appleseed, Texas Watch, and TexPIRG highlighted the inadequacy of relief during the spring. The problem of excessive premiums is now amplified, as most insurers do not appear to be voluntarily providing any premium credit during these summer months in which Texans are once again driving less to combat the spread of this disease.

You and your Department must ensure that insurance rates are not excessive and consumers are not being overcharged for coverage at this time of dramatically reduced exposure to risk of loss. Because of the rising number of cases and people remaining at home, whether by order or choice, due to concerns about the pandemic, auto insurance premium refunds need to be extended through the summer. In May 2020, CFA issued a report finding that a minimum 30% premium relief payment for consumers was needed through March to May 2020. Whether the amount of premium relief that is needed now remains at this level or is something different can be determined by your staff, but there is no doubt that refunds are still needed. For exactly that reason, California Insurance Commissioner Ricardo Lara extended mandatory refunds to auto insurance policyholders into the summer.

Though a few auto insurers have announced some refund extensions or are filing for rate decreases, most insurers have not decided to return the windfall they are enjoying as Texans deal with the extended emergency that is keeping cars off the road and accidents down.

We urge you to require auto insurance premium refunds through the summer.

Please let us know if we can help or answer any questions.

Sincerely,

J. Robert Hunter

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