ConsumersUnion
POLICY & ACTION FROM CONSUMER REPORTS

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Auto Insurance (C/D) Study Group
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Comments of Norma P. Garcia on behalf of Consumers Union

Introduction

My name is Norma Garcia and I am a senior attorney and manager of the financial services advocacy program for Consumers Union, the advocacy and policy division of Consumer Reports.[1] On behalf of my organization I thank you for inviting our testimony. As a non-profit whose mission is to advance consumer interests, we fight for a fair insurance marketplace for consumers and provide the public with independent and unbiased advice on how best to shop for auto insurance. Every year, Consumer Reports surveys subscribers to learn more about their experiences with insurance companies. Based upon their feedback and our other analysis, we make recommendations about which insurance companies provide the best services and value for consumers. Additionally, over the course of the last 25 years, staff from our West Coast Office in San Francisco, California, has advocated in the courts, before state agencies, and in the legislature on behalf of insurance consumers. We have addressed issues such as automobile insurance rating factors, uninsured motorists, and insurance redlining.

Most recently, Consumer Reports undertook a two-year insurance pricing project in which we studied more than 2 billion price quotes across every U.S. ZIP code to understand the factors that raise rates.[2] This investigation revealed that how one drives may have little to do with how much one pays, and may depend more heavily on socioeconomic factors, an outcome which has prompted over 15,000 citizens from all over the country to sign our petition[3] calling on the NAIC to fix car insurance.

In response to the information requested by the NAIC for today's hearing, below we highlight the impact of some frequently used auto insurance rating factors which can raise rates as revealed by our recent investigation, including credit information (insurance scores) and price optimization. We also include a discussion of some other non-driving auto insurance related factors that can have a big impact on rates even for drivers with clean records. Raised recently in investigations conducted by other organizations, these factors merit the NAIC's attention as well and include education level, and occupation, which like credit-based ratings, are closely tied to socio-economic status. We also urge the NAIC to examine the impact of marital status on rates.[4] We conclude with our recommendations for reforming auto insurance pricing to increase fairness, access and affordability for all.

[1] Consumer Reports is the world's largest independent product-testing organization. Using its more than 50 labs, auto test center, and survey research center, the nonprofit rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications. Its advocacy division, Consumers Union, works for health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace.
[2] *The Truth About Car Insurance*, CONSUMER REPORTS, Sept. 2015, *available at* http://www.consumerreports.org/cro/car-insurance/auto-insurance-special-report/index.htm.
[3] *See id.* (scroll down to view petition).
[4] While these factors will be the focus of our testimony, this is not meant to be an exclusive list of rating factors that may be deserving of the NAIC's attention

Question 1: What rating variables are being used by auto insurers?

Insurance companies regularly consider driving related and non-driving related factors in pricing automobile insurance policies. Typical driving related factors include an insured's driving record, number of miles driven per year and years of driving experience. Common non-driving related factors considered can include credit related data, the likelihood of shopping for insurance from a competitor (price optimization), penalties for coverage lapses, education level, occupation, and marital status, to name a few. State laws may dictate which factors must or may be considered and how much weight the factors can have in overall pricing decisions. Some states do not allow insurance companies to consider certain non-driving factors such as credit information, price optimization, education level, occupation, and marital status.

Question 2: What effect do the rating variables have on consumers?

The impact of rating variables on consumers depends upon which factors are used, whether they are mandatory or discretionary, and how much weight each factor is given in the overall pricing of a consumer's auto insurance policy. When driving-related variables are considered first and foremost in pricing, good drivers pay less and bad drivers pay more, even if some non-driving related factors are allowed.

This is the regulatory pricing structure in place in California since 1988, enacted through the voter mandate known as Proposition 103.[5] Driving related factors tied directly to the individual's performance (driving safety record), frequency as a driver behind the wheel (number of miles driven per year) and skill level (years of driving experience), --in this order--are required to be the prime determinants in establishing auto insurance rates for consumers. The law requires that insurers give these factors more weight in pricing decisions, even when considering non-driving related factors that are permitted by law.

As a result, in California, how one drives matters most in how much one pays for auto insurance and this has proven to be a successful model for insurance rate regulation. In 2013, Consumer Federation of America examined the impact of Proposition 103 and concluded that California's insurance market remains robust and competitive and that the best practices inherent in Proposition 103 have saved consumers billions of dollars at the same time. Many factors contribute to its success, including requiring the prior approval of rate changes, opportunities for the public to participate in ratemaking process and a rating variable structure that ties rates most closely to how one drives, to name a few.[6] Not only is the auto insurance marketplace in California thriving with the participation of nearly every major insurer operating nationwide, but good drivers in California are rewarded with lower premiums. Nor do they have to subsidize bad drivers who in many other states may get more favorable treatment when driving related factors do not count most and some non-driving related factors, particularly credit rating, education level, and occupations are considered.

Of the non-driving related factors considered in pricing policies in many states, there are several commonly used variables that we believe ought to be banned in every state. These are factors that may more closely reflect an individual's socioeconomic standing. Whether or not they have any predictive value as some insurers assert, they closely correlate with race and income, which are rating factors prohibited in every state as unfairly discriminatory. In this category we place using credit based data, education level, occupation to determine rates. Nowhere is the unfairness of considering these factors

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[5] Proposition 103 enacted Sections 1861.05-1861.14 of the *California Insurance Code*

[6] CONSUMER FED'N OF AMERICA, WHAT WORKS: A REVIEW OF AUTO INSURANCE RATE REGULATION IN AMERICAN AND HOW BEST PRACTICES SAVE MILLIONS OF DOLLARS (2013), *available* at http://www.consumerfed.org/pdfs/whatworks-report_nov2013_hunter-feltner-heller.pdf.

most evident as when excellent drivers are charged much more for their auto insurance when such factors are considered in pricing.

Credit Information in Insurance Pricing

For many years, Consumer Reports and Consumers Union have raised concerns about the use of credit information in auto insurance pricing. In 2006, Consumer Reports published *Caution! The secret score behind auto insurance* which alerted consumers those credit-based insurance scores had become as important in determining their annual premiums as their driving record and the neighborhood of residence.[7] The same year, Consumers Union published an in-depth white paper entitled *Score Wars: Consumers Caught in the Crossfire--The Case for Banning Credit Information in Insurance Pricing*.[8] Though we published these items nearly 10 years ago, our concerns over the use of credit data in insurance underwriting have not abated and the points we made then about the negative public policy ramifications remain relevant today. These include secrecy in determining insurance scores such that consumers cannot reasonably know what goes in them, problems with accuracy of information contained in credit files that underlie insurance scores derived from credit information, the existence of alternatives to using insurance scores to predict claims, the unfavorable impact on low-income and minority communities when credit scores function as proxies for race and income, and the insufficiency of current laws to protect against unfair results in states that allow the practice. We note that three states do not allow the use of credit information in auto insurance pricing decisions. These are California, Hawaii and Massachusetts.

After reading Consumer Reports' September 2015 report, many consumers wrote to us and were outraged about the use of credit data in pricing their insurance policies. They had plenty to say about how this common practice is impacting them.

Aaron and Betty from Zanoni, Missouri have a message for you:
"Dear Insurance Policymakers, We feel we are discriminated against our insurance premiums because we do not have a credit card or even a debit card. We pay with cash or check. We pay our bills ON TIME whether it is for utilities, doctor's bills, medicines or car repairs. We may drive our drive for 10 to 12 years. We own our home with no mortgage and our land is paid for. We pay our personal property taxes IN FULL every year. WHY are our insurance premiums more because we don't have a credit score? It is NOT FAIR to be paying a higher premium. Please help us and others like us who pay on time and don't own credit cards! Thank you for your help! P.S. No traffic tickets, accidents or any moving violations."

Similarly impacted, George from San Antonio, Texas shared his story about how the use of credit information has raised his insurance prices. In his case, he is <u>penalized by insurance scoring because he does not have outstanding debts</u>. He said,

"My auto insurance company raised my premiums based on my credit score. Although I have a very good credit score, it is not tops. The insurance company customer service rep. told me that my score was not the highest because I had no debts, no mortgage (house is paid for) and no car loan (car is paid for). They said if I took out a loan my score would go up and my insurance premiums could be lowered."

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[7] *Caution! The Secret Score Behind Your Auto Insurance*, CONSUMER REPORTS, Aug. 2006, *available at* http://consumersunion.org/pdf/CR-Aug2006.pdf.

[8] NORMA P. GARCIA, CONSUMERS UNION, SCORE WARS: CONSUMERS CAUGHT IN THE CROSSFIRE – THE CASE FOR BANNING THE USE OF CREDIT INFORMATION IN INSURANCE (2006), *available at* http://consumersunion.org/pdf/ScoreWars.pdf.

Kathleen from Duluth, Minnesota shared a similar story.
"My car insurance rate went up considerably about a year ago. AAA stated it was because I don't use credit cards. They said I would have to get a credit card and use it on a regular basis in order for my insurance rate to go back to normal. I have a good driving record etc. I have no interest in using a credit card. I did a little research and apparently this is legal in the state of MN. It's just not right."

Joseph from Wilmington, Delaware put it bluntly, *"Folks who manage to not need credit cards or loans are more likely to file? What lunatic dreamed this one up?"*

Cathy from Wooster, Ohio told us about how her non-U.S. resident status has impacted her credit and hence her insurance costs.
"I am one of about 500,000 Canadians who spend their winters in the US, many of whom own residences and cars in the US. My insurance for my US car is with Progressive (although all companies do this) which refuses to gives (sic) me its best rate because I do not have a US credit rating. The fact is that as a non-resident I cannot get a social security number and thus cannot apply successfully for a US credit card, despite the fact that in Canada I have an extremely high credit rating. . . The result is that we are lumped together with all Americans who do not have a credit rating and pay a financial penalty for our insurance as a result."

Selma, a disabled senior citizen from Houston, Texas told us how getting sick impacted her auto insurance rates. She said:
"We recently had our excellent credit score drop. All our insurance rates promptly jumped to almost double from 3 separate insurance companies upon renewal. These companies (Travelers, GMAC, National, Allstate) who have carried our insurance for over 7 years without claims yet they increase our rates based on a drop in our credit score. This is just a means to increase their profits and is plain wrong. For disabled seniors living on a fixed income who struggle to make ends meet this becomes an inescapable trap. With raising medical expenses it often becomes a choice of purchasing medicines and paying doctors or credit card bills on time which drops your credit score. Once the credit score is dropped all your insurance rates increase stretching an already tight budget even more. Strapped seniors who suddenly find themselves with unaffordable insurance rates than are forced to start using their credit cards to pay the suddenly outrageous rates; They then end up with large credit card bills which decreases their credit score even more and the cycle continues in a downward spiral."

Several consumers shared their stories about how perplexed they are that good credit scores do not necessarily mean good insurance scores and that it is unfair they are getting dinged with higher rates.

For example, Thomas of Seattle, Washington said:
"I was recently informed, when receiving an auto insurance renewal offer that I was not eligible for their "preferred" rate due to my low auto insurance score from the TransUnion credit reporting agency. . .I happen to have an excellent regular credit score (according to TransUnion), of approximately 812. This is the score I received from them when I bought my last care in 2012. And currently, according to TransUnion, I now have a regular credit score of 790 (still excellent). I am a member of Kredit Karma (info supplied by TransUnion), an on-line credit reporting system supplied to me in association with my Sears credit account. It is by utilizing my Kredit Karma information that I was made aware of the fact that TransUnion is giving me a "Very Poor" auto insurance credit score, and thereby creating a situation whereby my auto insurance company is able to charge me a "non-preferable" rate for my auto insurance. In my opinion, this represents collusion between the credit-reporting industry and the auto insurance industry. Not one of the auto insurers I have spoken with has been willing/able to do anything regarding this false auto insurance credit score (even given the fact that I have had no tickets or accidents in the last 20 years, coupled with my near perfect regular credit score 790-low 800's). And why should they? It is their license to steal from me, an otherwise proven person of High credit worthiness."

April from Swanton, Vermont wrote:
"Insurance Co [sic] are now looking at credit scores to determine insurance. I have a 795 credit score yet I was sent a paper saying that my insurance was at a higher rate because of my Credit score? Not to mention this is now another credit request that could affect my score without my consent."

Kenneth from Santa Fe, New Mexico adds to this and mentions how the <u>secrecy</u> behind the insurance scores makes it confusing to understand why he pays so much for insurance. He wrote:
"Several insurance companies have informed me that due to problems with my insurance credit report I have not been provided their best rate. The problem report was provided them by Transunion. I have gone to Transunion and cannot see anything wrong with my credit, though they admit some info provided to insurance companies is not provided to me."

Still, others cite <u>errors with the credit reporting bureaus and inconsistencies among bureau reports</u> as reasons that have led to them paying higher insurance prices when credit information is used in the calculation.

For example, Randy from Canton, Illinois said:
"I have had homeowners, car insurance, motorcycle insurance, etc. for over 40 years. Now because Transunion has my credit score screwed up and I won't pay to fix it, my insurances have all gone up due to being a larger risk. My credit is still considered good. I would hate to see it if it was bad. This isn't right."

Judy from New York City wrote:
"Based upon erroneous information and assumptions made hastily, my car insurance company with which I had worked for several decades doubled my insurance rates overnight. I have not been able to get copies of my credit scores from the 3 credit companies or to get them to remove the erroneous information to date."

Larry from Fort Mohave, Arizona wrote:
"Credit reports are not always accurate - ours are not. We attempted to have them corrected several years ago, but were not successful. An incorrect address in Texas - not Oregon - is on there because the bank sent the title to our pickup to another person with the same names when we paid off the contract. The bank never straightened that out, (the man in Texas was honest enough to send us our title.) Maybe the Texas guy's credit info goes on our report too - we don't know. We bought a house in 2013, therefore had several credit score inquiries and they lowered our scores because of that. The whole credit score system needs [to be] revised and insurance companies do too. (We each have a report, and one score is higher than the other.) Thank you for working on this injustice by insurance companies."

And finally, on the problem of accuracy, Jeffrey from Nixa, Missouri wrote:
"Until credit scores are 100% correct for everyone, there (sic) use by companies should be outlawed!!"

Others wrote about how unfair it is that <u>using credit based information in a secret manner makes life more difficult for good drivers who are trying to make ends meet</u>.

Kyle from Tumwater, Washington sums this up:
"It is deplorable that while consumers are required to purchase auto insurance to drive on the public roads, insurers utilize credit scores and other baseless credit information to further marginalize the poor and those living on the margins. I am one of them. After 25 years with Allstate, I do not qualify for any of their advertised rates, apparently because of secret credit information they access in my credit reports. My credit in not bad, but apparently not good enough to qualify for Allstate's good rates despite my not

having accidents and that I've been with the company for more than a quarter of a century. This mean economy, this depression, has left me, along with countless others, living on the margins."

These serious concerns with the unfair impact of insurance companies considering credit data in pricing are not the only problem.

Consumer Reports' recent investigation revealed another serious problem with auto insurance pricing in many states where credit data is allowed: *Excellent drivers with perfect driving records but with poor credit paid more for their auto insurance than drivers with a drunk driving conviction but an excellent credit history.*[9]

We believe it is patently unfair and unwise to let convicted drunk drivers pay less for their auto insurance than an excellent driver with poor credit. When this is allowed, excellent credit can function as a socio-economic buffer against being charged the highest rates, even if one has engaged in and has been convicted of the worst driving behavior possible-- drunk driving. When credit is allowed and matters too much, good drivers with poor credit can end up subsidizing the rates paid by convicted drunk drivers with excellent credit. In a pricing scheme that does not allow the use of credit information and places more emphasis on driving behavior, such a result would not be possible.

Additionally, from a public safety perspective, this makes no sense. Highway traffic safety is an important public safety priority and one that we have advocated for over many years and have written about in Consumer Reports.[10] That's one reason why we are extremely troubled when we see insurance companies giving convicted drunk drivers with excellent credit better rates than a safe driver with poor credit. According to the most recently available statistics from the Insurance Institute for Highway Safety (IIHS), there were over 11,000 known blood alcohol content (BAC) related driver deaths in 2013.[11] IIHS notes, "For the nation in 2013, BAC was reported for 72 percent of fatally injured passenger vehicle drivers."[12] No doubt, the hazards of drunk driving are painfully real. By contrast, despite the negative view of drivers with poor credit held by many insurance companies, we are not aware of any traffic fatalities attributable to poor credit, yet in many cases, these drivers continue to pay more than the most hazardous drivers on the road.

Robert from Cape Coral, Florida told us he thinks it's just plain unfair to have to subsidize bad drivers with better rates. He wrote:
"No accidents 10 to 20 years. No tickets parking or speed to 20 years. Miles each year driven. Age and condition of auto mileage on auto. No DUI's. I haven't been stopped in over 20 years. I do not drive slow, nor excessively. I don't see why I must pay for others who do."

<u>Education Level and Occupation as Rating Factors Create Unfavorable Outcomes for all Consumers and Especially Minorities and the Poor</u>

In the current socio-economic environment in the United States, education level and occupation continue to be closely tied to race and income, factors which otherwise cannot legally be considered by insurance companies in calculating insurance premiums. For example, according the Bureau of Labor Statistics

[9] *The Truth About Car Insurance*, CONSUMER REPORTS, Sept. 2015, *available at* http://www.consumerreports.org/cro/car-insurance/auto-insurance-special-report/index.htm.
[10] *Crash Course on Car Safety*, CONSUMERREPORTS.ORG, Aug. 2013, http://www.consumerreports.org/cro/magazine/2013/10/crash-course-on-car-safety/index.htm.
[11] Ins. Insti. for Highway Safety, General Statistics, Fatality Facts, State by State, Alcohol Involvement, 2013, http://www.iihs.org/iihs/topics/t/general-statistics/fatalityfacts/state-by-state-overview#Alcohol-involvement (estimated number and percent of fatally injured passenger vehicle drivers with BAC $\geq$ 0.08 percent by state).
[12] *Id.*

most recently available data, in the 3rd Quarter of 2015, blacks aged 16 years or older are nearly twice as likely to be unemployed as whites in the same age group.[13] (Unemployed Whites = 4.5 percent versus 9.5 percent for Blacks 9.5%) The Hispanic unemployment rate of 6.5% for the same period and same age group is lower than Blacks' but still higher than Whites'. Also, according to the Bureau of Labor Statistics data from 2010as compared to Whites and Asians, a significantly smaller percentage of Blacks and Hispanics are employed in the highest paying occupations noted as the "management, professional or related fields" which are occupations that translate into lower auto insurance rates when occupation is considered in pricing.[14]

According to the National Center for Education Statistics, among 25 to 29 year olds, at present and historically speaking since 1920, Blacks and Latinos are less likely than Whites or Asians to have completed a high school diploma, earn a college degree and significantly less likely to have earned an advanced degree.[15] Blacks are approximately half as likely to hold bachelors degrees as Whites, and Hispanics are approximately one-third as likely to hold bachelors degrees as Whites in 2014. As for Masters degrees or higher, the gaps grow even larger with 9.0 percent of Whites holding such degrees, followed by 3.9 percent of Blacks and only 2.9 percent of Hispanics. When education level is considered in insurance pricing decisions, those with the least education will pay more. The Bureau of Labor Statistics reports that educational attainment is closely related to one's earning. Individuals with advanced degrees earn more than those with only bachelor degrees, some college but no degree, no college, high school diploma only, or no high school diploma.[16]

Thus, unless prohibited by a state, when insurance companies regularly base premiums on education level and/or occupation, those with lower levels of education (typically not White or Asian) and less lucrative professions (typically not White or Asian) can pay more for auto insurance due to their socio-economic standing despite a clean driving record.

The Western New York Law Center (WNYLC) recently documented the impact of such insurance pricing in Buffalo, New York.[17] The Center examined the impact on insurance premiums paid by drivers with clear records according to their education level and occupation. Many, though not all, insurance companies ask about and consider education level and occupation, according to the study. The WNYLC explained its methodology and after examining over 1,200 price quotes from 5 major insurers, and manipulating only two factors, education level and occupation, concluded that low-to-moderate income drivers are unfairly harmed by higher prices when education and occupation are used.[18]

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[13] U.S. Dep't of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, http://www.bls.gov/web/empsit/cpsee_e16.htm.

[14] U.S. Dep't of Labor, Bureau of Labor Statistics, TED: The Economics Daily, Earnings and employment by occupation, race, ethnicity, sex, 2010 (2011), http://www.bls.gov/opub/ted/2011/ted_20110914.htm.

[15] Nat'l Ctr. For Educ. Statistics, Digest of Education Statistics, https://nces.ed.gov/programs/digest/d14/tables/dt14_104.20.asp.

[16] U.S. Dep't of Labor, Bureau of Labor Statistics, TED: The Economics Daily, Median weekly earnings by educational attainment in 2014 (2015), http://www.bls.gov/opub/ted/2015/median-weekly-earnings-by-education-gender-race-and-ethnicity-in-2014.htm.

[17] THE WESTERN N.Y. LAW CTR., MAJOR AUTO INSURERS CHARGE HIGHER RATES TO HIGH SCHOOL GRADUATES AND LOW INCOME WORKERS 1-2 (2015), *available at* http://wnylc.com/wp-content/uploads/2015/09/July-2015-Western-New-York-Law-Center-Auto-Insurance-Report.pdf.

[18] According to the Western New York Law Center, "In the study, over 1,200 quotes were generated using the online quote systems for Progressive, Liberty Mutual, GEICO, Farmers Insurance, and State Farm. The quotes were generated for profiles of 30 year old females, males, and married couples. Each driver has a perfect driving record and drives a 2002 Honda Civic DX sedan. The individual or family rents their home and drives 10,000 miles per year. The only factors that were manipulated were the consumer's level of education and occupation. Education was moved from high school graduate/GED to Master's degree/greater than bachelors degree; and occupation was moved from bank teller to Vice President. The results indicate that those with lower socioeconomic class, lower level of education, and lower professional title paid more for auto insurance than those who have higher wages and higher education." *Id.* at 1-2 (pdf).

Marital Status

Consumer Federation of America (CFA) in July 2015 released a study concluding that one's marital status can have a dramatic impact on the price insurance companies charge consumers for auto insurance.[19] CFA rightly questions the fairness and relation to risk of using marital status to price insurance, particularly raising rates for widows whose husbands have died. CFA documented that some insurers were worse than others regarding how marital status is considered in pricing, to wit:

> *"In the ten cities studied, four of six major insurers – GEICO, Farmers, Progressive, and Liberty — increased rates on state-mandated liability coverage for widows by an average of 20 percent. The fifth insurer, Nationwide, sometimes increased rates for widows. The sixth insurer, State Farm, did not vary the rates it charged because of marital status. All State Farm price quotes for a driver in a city were the same, regardless of whether the driver was single, separated, divorced, widowed, a domestic partner, or married."*

We join CFA in the call to state insurance commissioners to ban the use of marital status as a pricing factor in states where it is still permitted. Pat from Cumming, Georgia wrote us to say: *"Became widow Nov 14 - Insurance went up!!"* We know the impact for real people like Pat can be distressing. This is an unconscionable result that someone who loses their spouse should not have to endure.

Price Optimization: How Shopping Habits Can Impact Pricing:

In the last several months, several state insurance commissioners have acted to ban the practice of price optimization from the auto insurance marketplace. The practice uses data about the customer and statistical models to gauge how likely a consumer is to shop around for a better price, then charges those who are least likely to shop around more for their insurance. We think it is anti-consumer to charge customers more simply because they may not shop around. So far the practice is not allowed in several states as noted above. We urge the insurance commissioners in remaining states to follow the lead of the other states which do not allow such a practice. Price optimization is already prohibited in California, Florida, Indiana, Washington, Maryland, Ohio, Pennsylvania, Maine, the District of Columbia, Delaware, Montana, Rhode Island and Vermont.

Question 3: What are the benefits of using a broad selection of rating variables?

Using a broad selection of rating variables allows for the evaluation of an insured to be based on multiple factors. However, the first consideration should always be fairness in auto insurance pricing, even if this means that fewer factors are allowed in pricing decisions and they are given different weights. In our view and as discussed, more rating factors are not necessarily better; the use of only fair and non-discriminatory factors, properly weighed, is what's required.

Question 4: How has the expanded use of rating variables affected the affordability of auto insurance?

To the extent that an expanded use of rating variables includes factors that tie closely to one's socioeconomic status, affordability of auto insurance is impacted. When insurance is priced to high, it becomes inaccessible for those who have the least. But affordability is an issue which impacts all drivers, whether they know it or not. It's easy to demonize some consumers who cannot afford to buy auto insurance assuming they choose not to buy a product they can easily afford. But raising insurance prices

[19] Press Release, Consumer Fed'n of America, New Research Shows that Most Major Auto Insurers Vary Prices Considerably Based on Marital Status (July 27, 2015), *available at* http://consumerfed.org/press_release/new-research-shows-that-most-major-auto-insurers-vary-prices-considerably-depending-on-marital-status/.

for those with less education who do not work in high paying occupations, who may not have the highest credit ratings may put affordable insurance out of the hands of many good drivers. Such practices swell the ranks of the estimated 30 million uninsured motorists in the United States. [20] More uninsured motorists on the road translates into higher premiums for uninsured motorist coverage for those who do buy insurance. As a result, all drivers, uninsured and those with coverage, are impacted when insurance becomes unaffordable for the wrong reasons.

Question 5: Does the use of certain rating variables lead to more or less favorable consumer outcomes?

As discussed earlier, basing auto insurance premiums first and foremost on driving related factors yields the most fair pricing results. Consumers experience less favorable outcomes when rating factors tied to socioeconomic factors are allowed, especially where those factors are given more weight than driving related factors. Decreased access to fairly priced insurance hurts everyone.

As to whether shopping can really yield better outcomes for consumers, according to a 2014 survey[21] by the Consumer Reports National Research Center, only 10 percent of 19,000 ConsumerReports.org subscribers who compared premiums found that they would save money by switching insurers. That doesn't mean shopping is a waste of time, but it does mean that there are limits to what shopping can yield. That's why fair pricing and a square deal on the front end should always be the marketplace rule and not the exception.

Question 6: Do outcomes vary by a consumer's socio-economic status?

Yes, absolutely. Please see above.

Question 7: Are there rating variables that should not be allowed to be used?

As noted above, we believe the following rating factors should be prohibited by law where they are still allowed: Credit-based data and scores; education level, occupation, marital status, and the practice of price optimization. The NAIC should examine all other non-driving related factors in use to determine if they should be prohibited or have a limited impact in pricing calculations, where this is not already required by state laws.

Question 8: Should other regulatory actions be taken?

NAIC members should undertake market conduct surveys to learn more from insurers about their rating practices involving the factors we have identified which are unfairly driving up auto insurance.

In doing so, NAIC members should determine the impact of those practices not only on individual drivers but on entire communities.

The Federal Insurance Office should collect data sufficient to conduct a comprehensive review of auto insurance access and affordability of auto insurance.

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[20] Jeff Blyskal, *How to protect yourself against uninsured drivers*, CONSUMERREPORTS.ORG, Mar. 2, 2015, http://www.consumerreports.org/cro/news/2015/03/how-to-protect-yourself-against-uninsured-drivers/index.htm (citing data from the Insurance Research Center).

[21] *Car Insurance Buying Guide*, CONSUMERREPORTS.ORG, Aug. 2015, http://www.consumerreports.org/cro/car-insurance/buying-guide.htm.

States without low-cost auto insurance options for drivers who must meet mandatory minimum insurance requirements should look to California's Low Cost Auto Insurance Program as a model to be replicated in their states.

In conclusion, Consumers Union sincerely appreciates this opportunity to present our views and those of the public before the NAIC. We look forward to working together to make the auto insurance marketplace work for all consumers. Consumer Reports will be analyzing new data for 2015 very shortly. We will be pleased to share our findings with you as you move forward in examining these very critical topics that impact auto insurance availability and affordability for all drivers in the United States.