



POLICY & ACTION FROM CONSUMER REPORTS

April 5, 2017

Jennifer Hammer, Director
Illinois Department of Insurance
320 W. Washington Street
Springfield, IL 62767-0001

Re: Request for investigation into methods of auto insurance pricing in Illinois

Dear Director Hammer,

Consumers Union, the policy and mobilization division of the nonprofit Consumer Reports, requests an investigation into the pricing practices of auto insurers in Illinois in light of the findings of a joint investigative report released today by Consumer Reports and ProPublica entitled Car Insurance Companies Charge Higher Rates in Some Minority Neighborhoods, available at CR.org/carinsuranceinvestigation.

Consumers Union, a non-profit organization whose mission is to fight for fairness in the consumer marketplace, urges your state to ensure that auto insurance pricing be based on fair and nondiscriminatory factors such as driving history, rather than on zip code or other non-driving factors.

The Consumer Reports – ProPublica investigation found that many of the disparities in auto insurance prices between minority and non-minority neighborhoods are wider than average risk of loss can explain, raising questions about how insurers are setting auto insurance prices.

The disparities uncovered in Illinois are troubling. In Illinois, 33 of the 34 auto insurance companies reviewed charge average rates for liability coverage that were more than 10% higher for the same safe driver in minority zip codes than in comparably risky non-minority zip codes. Furthermore, our investigation found that six Illinois insurers, including Allstate, the second largest insurer in the state, had average disparities of higher than 30%.

It is unclear why these pricing disparities are occurring. Therefore, we are calling on your office to investigate whether insurers are accurately predicting and pricing risk in Illinois. Overpriced insurance can be a significant burden for households. Many consumers are already struggling to make ends meet without the extra burden of unfairly high auto insurance rates.

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Thank you in advance for your prompt attention to this important consumer issue. If you have any questions, please contact me at (914) 378-2507 or cbell@consumer.org.

Sincerely,

A handwritten signature in black ink that reads "Charles W. Bell". The signature is written in a cursive style with a large initial "C" and "B".

Chuck Bell
Programs Director
Consumers Union