

September 20, 2017

Ken Allen, Deputy Commissioner
Rate Regulation Branch
California Department of Insurance
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

Re: California Department of Insurance Review of Class Plan Filings for Disparate Pricing

Dear Mr. Allen:

Thank you for undertaking an investigation of whether some insurers in California are charging drivers higher premiums in predominantly minority zip codes than drivers in white neighborhoods with comparable risk, as was documented in the April 2017 Consumer Reports-ProPublica analysis. According to the analysis, which examined pricing practices of auto insurance companies in four states, including California, eight companies doing business in California were charging minority zip codes more than 10% higher on average for liability premiums than similar non-minority zip codes. The analysis could not identify why these pricing disparities were occurring.

Following the release of that analysis, we wrote to you urging your office to undertake an investigation into current and historical rate filings, noting that California's insurance regulations are meant to ensure that insurance rates are primarily based on how individual's drive, with policy prices reflecting the risks those drivers pose. You responded that your office takes "these allegations very seriously" and pledged an investigation.

As you announced today, your investigation revealed that, for the upcoming rate period, Nationwide and USAA calculated rates for some minority zip codes improperly. We understand that you required these companies to re-submit their rate plans to ensure that drivers in these communities are now properly charged for their premiums.

While we appreciate CDI's efforts, we remain concerned that not all questions raised by the Consumer Reports - ProPublica investigation into auto insurance pricing have been adequately probed. In particular, we believe that the Department should have conducted a review of the companies' past rate filings to assess if drivers in the affected minority communities were impacted by potentially inaccurate rate calculations.

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We are renewing our request that your office conduct a thorough review of past plan filings for disparate impact to determine if good drivers in predominantly minority communities were charged more than was justified by the risk. If insurers were inappropriately pricing insurance plans, consumers must be made whole, and the companies held accountable.

Thank you again for your time and attention.

Sincerely,

Christina Tetreault
Staff Attorney
Consumers Union
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