

Improving Fairness in Auto Insurance Pricing

CR September 2015 Investigation

ConsumerReports

**The Truth About
Car Insurance**

How your rate is *really* set ... and how you can demand a lower one

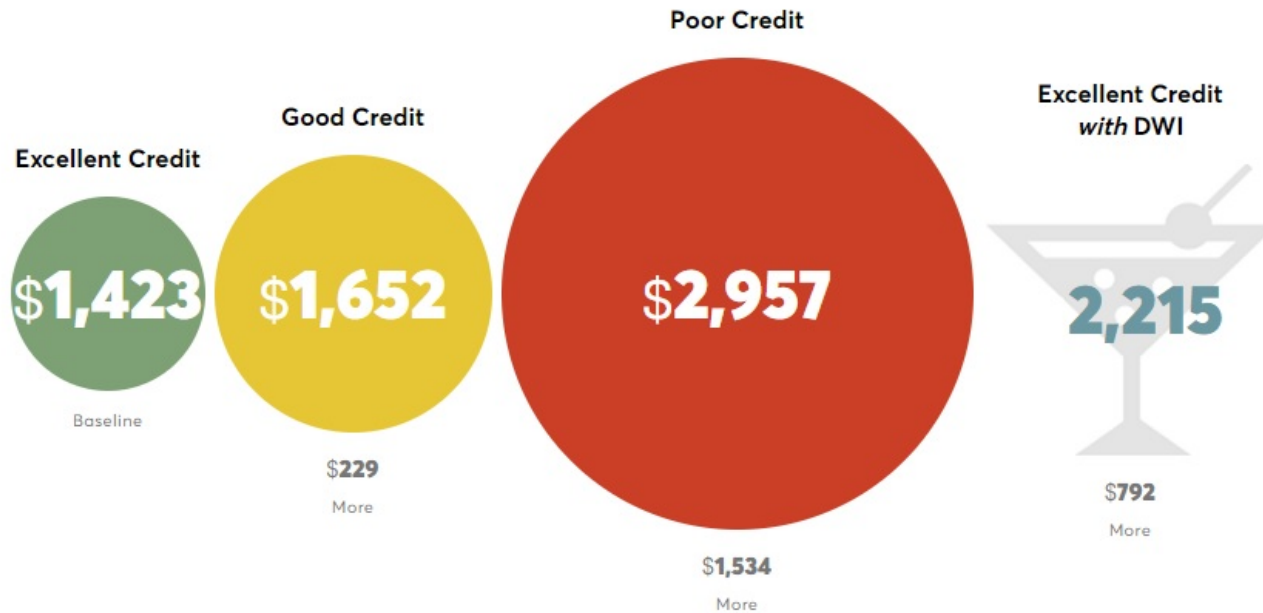


- Obtained over 2 billion price quotes for 700 auto insurance companies, in all 33,419 US Zip Codes
- Pricing based more on socio-economic factors than driving habits
- Credit score is major factor in setting prices

DISTRICT OF COLUMBIA

Insurance Costs by Credit Score

Rates shown are the average new-customer premium for adult single drivers with a clean driving record and poor, good, or excellent credit. We compare these to the average premium for a driver with excellent credit and a driving while intoxicated (DWI) conviction.



Circle sizes are illustrative only and not to scale.

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- In Washington, DC, a good driver with only “**Good**” **Credit pays \$239 more per year** than a driver with “Excellent Credit”
- A good driver with “Poor Credit” pays **\$1,534 more per year** for auto insurance.
- A good driver with “Poor Credit” ***even pays \$742 more per year than a bad driver with a Driving While Intoxicated (DWI) Conviction***, if that driver has “Excellent Credit.”

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- The Good Driver with “Poor Credit” pays a “penalty” for having poor credit (\$1,534 more) that is ***twice as much as the “penalty” paid by the Bad Driver with the DWI Conviction*** (\$792 more than the baseline)
- It is patently unfair and unwise to let convicted drunk drivers pay **LESS** for their auto insurance than an excellent driver with poor credit.
- This sends the wrong signal to drivers about how to conduct themselves and stay safe on the road.

April 2017 CR-ProPublica Investigation



Car Insurance Companies Charge Higher Rates in Some Minority Neighborhoods

First-of-its-kind data analysis finds price differences that can't be explained by risk alone

By Julia Angwin, Jeff Larson, Lauren Kirchner, and Surya Mattu of ProPublica
Last updated: April 21, 2017

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- Drivers living in predominantly minority urban neighborhoods are charged higher automobile insurance premiums on average than drivers with similar safety records in non-minority neighborhoods with comparable levels of risk
- Examined 4 states that publish claims data by zip code (California, Illinois, Missouri and Texas)
- In some cases, insurers such as Allstate, Geico, and Liberty Mutual charged premiums that were on average 30 percent higher in minority zip codes than in comparable non-minority neighborhoods.

NY DFS Issues Regulation to Restrict Use of Education & Occupation

- Use of education and occupation ratings factors affected 60% of customers;
- NY Department of Financial Services asked companies to justify the practice; no companies came forward to do so;
- Adopted regulation in 2017 banning use of education and occupation as ratings factors;
- Worked with insurers to encourage compliance; 6 month phase-in period;
- 99% of market now in compliance.