



For economic and racial justice



January 13, 2022

Dana Popish Severinghaus
Acting Director
Illinois Department of Insurance
320 W. Washington St., 4th Floor
Springfield, Illinois 62767-0001

Re: Data Call and Auto Insurance Premium Refunds for Consumers

Dear Acting Director Severinghaus:

We, the undersigned legislators and advocacy organizations, write to urge you to protect Illinois consumers and ensure that insurance rates are not excessive by collecting data from Illinois auto insurers concerning claims and losses for the 12-month period between March 1, 2020 and February 28, 2021, to determine if additional premium refunds are owed to consumers. If your analysis finds that additional refunds are owed, the Department of Insurance should urge insurers to send additional rounds of auto insurance premium refunds for consumers.

Illinois, like every other state except New Hampshire, requires all drivers to purchase auto insurance. The Department has a responsibility to ensure that consumers can afford this mandatory purchase and that they are not subject to unfair discrimination.

In 2020, auto insurers across the country earned massive profits of at least \$29 billion as miles driven, vehicle crashes and auto insurance claims fell because of the pandemic, related government actions, and the resulting economic impacts.¹ People dramatically reduced their driving virtually overnight and auto insurers were exposed to less risk, which was not reflected in the prices they charged for coverage. The reduction in miles driven and auto crashes was especially massive in March, April, May and June 2020; it continued through the end of 2020 and into the first quarter of 2021.

A consumer analysis of insurers' 2020 premium and claims results, as well as the limited number of premium refunds returned by insurers, found that insurers obtained \$42 billion in excess premiums while refunding only \$13 billion—meaning they overcharged consumers \$29 billion, shortchanging them by an average of \$125 per insured vehicle. Given the well documented use of non-driving rating factors, including socioeconomic data, that unfairly

¹ "Auto Insurers Reaped Nearly \$30 Billion Pandemic Windfall Profit in 2020 as State Insurance Regulators Fail to Protect Consumers." Consumer Federation of America. August 11, 2021. Available at https://consumerfed.org/press_release/auto-insurers-reaped-nearly-30-billion-pandemic-windfall-profit-in-2020-as-state-insurance-regulators-fail-to-protect-consumers/.

discriminate against low- and moderate-income good drivers in setting rates, and the use of zip-code data that discriminates against good drivers in communities of color, this overcharge likely falls heaviest on low- and moderate-income drivers and drivers of color.²

In April and May of 2020, most large insurers, starting with Allstate, did provide refunds or credits to consumers in response to public pressure. However these refunds averaged about 15% of monthly premiums, while a consumer advocate analysis indicated that companies should have refunded 30% of premiums.³ In Illinois, the groups estimated that consumers should have received an additional \$896 million in premium relief.⁴ Instead of refunding these profits, auto insurers used them to increase payouts to stakeholders and CEOs.

The Illinois Department of Insurance should adopt three proposals:

- First, the Department should issue a data call about auto insurers, rates, and losses since the beginning of March 2020.
- Second, the Department should analyze the data to determine if and how much Illinois drivers have specifically been overcharged.
- And third, if the facts warrant it, the Department should urge insurers to give additional premium refunds to policyholders.

The Department would join other states in taking these actions. The California, New Mexico, and Washington Departments of Insurance have issued data calls to more fully assess the impact of mileage reductions on the exposure to risk of loss during the pandemic. In fact, California's Insurance Commissioner Richard Lara announced in March 2021 that, after reviewing loss data in that state, he expected insurers to refund additional premiums to customers with policies in 2020, noting that "[a]fter a systematic review of data submitted by insurance companies... he has found that insurance companies continued to overcharge consumers despite drastically reduced risk of accidents and loss due to the ongoing pandemic."⁵

At the same time, State Farm announced a major refund to its California customers, explaining in a news release that "Due to better than anticipated claim results, State Farm is returning \$400 million to California mutual auto insurance customers. The dividend applies to approximately 3.5 million private passenger auto policies in California. Through this dividend,

² "High Price of Mandatory Auto Insurance in Predominantly African American Communities," Consumer Federation of America. November 2015. available at https://consumerfed.org/wp-content/uploads/2015/11/151118_insuranceinpredominantlyafricanamericancommunities_CFA.pdf

³ "Personal Auto Insurance Premium Relief in the COVID-19 Era: A Report by the Center for Economic Justice and the Consumer Federation of America." Consumer Federation of America and Center for Economic Justice. May 2020. Available at <https://consumerfed.org/wp-content/uploads/2021/07/Auto-Insurance-Refunds-COVID-19-Update-Report-5-7-20.pdf>.

⁴ "Auto Insurers Reaped Nearly \$30 Billion Pandemic Windfall Profit in 2020 as State Insurance Regulators Fail to Protect Consumers," *ibid*.

⁵ "Commissioner Lara Finds Auto Insurance Companies Overcharged Drivers As Accidents Plummeted During the Pandemic." California Department of Insurance. March 11, 2021. Available at <http://www.insurance.ca.gov/0400-news/0100-press-releases/2021/release030-2021.cfm>.

customers can expect to receive a check of 18% of premium, or averaging about \$100 per policy, for the time period June 1 to December 31, 2020.”⁶

Even more recently, California directed the insurers Allstate, Mercury, and CSAA to refund excess premiums to California drivers or face legal action. The California Department of Insurance found that from March to September 2020 insurers returned on average 9% of auto insurance premiums, but they should have returned 17% of premiums.⁷ Illinois drivers deserve the same assurances that regulators in other states are providing to consumers.

To determine how much auto insurers should return, the Department should collect premium, class and loss data directly from auto insurers and assess whether: (a) the actual premiums, claims, and losses of 2020 reflected the results anticipated by the rates in effect at the time, or whether (b) the actual exposure to risk during the pandemic was much lower than the rates reflected.

The data call issued by the Washington Office of the Insurance Commissioner (OIC) is instructive and could serve as a template. The OIC’s order required insurers to provide the following information:

Within the attached worksheet, provide quarterly underwriting expense amounts (calendar year quarters). Also, within the attached worksheet provide the information listed below for Bodily Injury Liability, Personal Injury Protection, Property Damage Liability, Comprehensive, and Collision coverages.

- a) Earned Vehicle Exposures
- b) Loss Adjustment Expense
- c) Direct Earned Premium Before Application of any Premium Credit/Refund/Dividend
- d) The Amount of any COVID-19 Related Premium Credit/Refund/Dividend

Additionally, provide state-wide aggregate calendar quarterly accident development triangles for Bodily Injury Liability, Personal Injury Protection, Property Damage Liability, Comprehensive, and Collision coverages:

- a) Paid Losses
- b) Incurred Losses
- c) Reported Claim Counts (including Claims Closed without Payment)
- d) Closed Claim Counts (with Payment)
- e) Closed Claim Counts (without Payment)
- f) Open Claim Counts

The California data call was similar. In both cases, the data were received as public, non-confidential responses.

⁶ “State Farm Issuing \$400 Million Dividend to California Auto Consumers.” State Farm. March 10, 2021. Available at <https://newsroom.statefarm.com/state-farm-returning-400-million-dividend-to-california-auto-customers/>.

⁷ “Commissioner Lara Orders Allstate, Mercury, and CSAA to ‘Close the Gap’ on Auto Insurance Refunds Owed to Drivers Who Drove Less During the Pandemic.” California Department of Insurance. October 6, 2021. Available at <http://www.insurance.ca.gov/0400-news/0100-press-releases/2021/release099-2021.cfm>.

By collecting and publicizing this data, the Department and the Illinois public can determine whether consumer premium refunds during the pandemic were sufficient or if more refunds are necessary. This is not a small matter, as the \$100 per policy additional refund from State Farm in California illustrates. Providing this data would greatly help state policymakers determine whether additional relief should go to consumers.

As the chief line of defense for Illinois auto insurance consumers, it is your job to review the pandemic data and to help ensure that insurance companies return any excess premiums they captured when Illinois drivers had to change their driving behavior to confront a global health emergency.

We are eager to help the Department in this matter, either by offering feedback or by serving as a resource. Contact Abe Scarr of Illinois PIRG at 312-983-2789 if you have any questions.

Sincerely,

Melinda Bush

State Senator, 31st District

Jacqueline Y. Collins

State Senator, 16th District

Thomas Cullerton

State Senator, 23rd District
Member, Insurance Committee

Laura Ellman

State Senator, 21st District

Sara Feigenholtz

State Senator, 6th District
Member, Insurance Committee

Suzy Glowiak Hilton

State Senator, 24th District

Mattie Hunter

State Senator, 3rd District

Adriane Johnson

State Senator, 30th District

Patrick Joyce

State Senator, 40th District

David Koehler

State Senator, 46th District

Robert Martwick

State Senator, 10th District

Laura Murphy

State Senator, 28th District

Cristina Pacione-Zayas

State Senator, 20th District

Mike Simmons

State Senator, 7th District

Dr. Patricia Van Pelt

State Senator, 5th District

Celina Villanueva

State Senator, 11th District

Advocacy Organizations

Chicago Urban League

Legal Action Chicago

Consumer Federation of America

New America Chicago

Financial Inclusion for All Illinois

Shriver Center on Poverty Law

Heartland Alliance

Woodstock Institute

Illinois PIRG

CC: Deputy Governor Andy Manar
Senate Insurance Committee Chair Napoleon Harris III
Senator Jacqueline Collins
BCC: Signatories