



Consumer Federation of America

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Contact: Bob Hunter, CFA, (703) 528-0062

LARGEST AUTO INSURERS FREQUENTLY CHARGE HIGHER PREMIUMS TO SAFE DRIVERS THAN TO THOSE RESPONSIBLE FOR ACCIDENTS

12-City Survey Shows Rating Factors Rejected By Most Americans Cause Safe Low- and Moderate-Income Drivers to Pay More

Washington, DC – In its third report on auto insurance premiums charged by the largest auto insurers, the Consumer Federation of America (CFA) found that these insurers frequently charge higher premiums to safe drivers than to those who recently caused an accident. In two-thirds of the 60 cases studied, large auto insurers quoted higher premiums to safe drivers than to those responsible for an accident. And in more than three-fifths of the cases with these higher premiums, the premium quoted the safe driver exceeded the premium quoted the unsafe driver by at least 25 percent.

These higher prices for “good drivers” mainly reflect insurer use of rating factors such as education and occupation that, in a 2012 nationwide survey, [over two-thirds of Americans said were unfair](#).

“State insurance regulators should require auto insurers to explain why they believe factors such as education and income are better predictors of losses than are at-fault accidents,” said J. Robert Hunter, CFA’s Director of Insurance and former Texas Insurance Commissioner. “Policymakers should ask why auto insurers are permitted to discriminate on the basis of non-driving-related factors such as occupation or education,” he added.

“Unfortunately, the discriminatory practices of auto insurers mainly harm low- and moderate-income drivers,” noted Stephen Brobeck, CFA’s Executive Director. “This damage can be considerable since all states but one require drivers to carry auto insurance, and most Americans need a car to pursue work opportunities,” he added.

As the appended document indicates, CFA priced policies in twelve cities using the websites of the five largest auto insurers – State Farm, Allstate, GEICO, Farmers, and Progressive – who together have over half the private auto insurance market. It compared premiums quoted to two 30-year old women who each had driven for 10 years, lived on the same street in the same middle-income zip code, and sought minimum liability coverage required by that state. But these two women differed in several important respects: One was a single receptionist with a high school education who rents, has been without insurance coverage 45

days, and has never had an accident or moving violation. And the other woman was a married executive with a Masters degree who owns a home, has had continuous insurance coverage, and has had an at-fault accident with \$800 of damage within the past three years.

Insurers Differ in Use of Discriminatory Factors

There were significant differences, however, among the five major insurers. On the one hand, in every case Farmers, GEICO, and Progressive quoted the safe driver a higher premium than the driver causing an accident. (In several cases, companies refused a quote to the good driver but gave one to the accident-causer.) On the other hand, in all twelve cities State Farm charged the good driver less. Moreover, in all twelve cities, the rates quoted by State Farm were either the lowest (6 cities) or the second lowest (6 cities).

“With nearly one-quarter of the private passenger auto insurance business, State Farm dominates the market. If they can be a successful company without using highly discriminatory factors, other large companies should be able to do so as well,” noted CFA’s Hunter.

Prices Vary Considerably Among Cities and Insurers

The most recent report priced policies in middle-income ZIP codes, not moderate-income zip codes, as in the two earlier reports. Yet, this report found similar pricing patterns, namely, virtually no consistency of pricing within cities or among companies. As the appended table reveals, among the twelve cities, Allstate’s annual premiums for good drivers ranged from \$850 (St. Louis) to \$3,292 (Baltimore) while Progressive’s annual premiums ranged from \$864 (Cleveland) to \$1,928 (Baltimore).

There was also wide variation within individual cities. In Baltimore, despite the high rates quoted by Allstate and Progressive, a rate of \$822 was quoted by GEICO for good drivers. And in Phoenix, the quoted Progressive rate was \$1,304 while the quoted State Farm rate was only \$480.

“Again, our research on auto insurance prices reveals a marketplace that is highly uncompetitive,” said CFA’s Brobeck. “Any economist will tell you that when prices range 100%, even 200%, for similar products, that marketplace is not competitive. But it appears that this lack of competitive pricing mainly reflects the frequent lack of interest of major auto insurers in selling basic products to low- and moderate-income drivers,” he added.

Most Quoted Prices to Safe Drivers Are Excessive and Unaffordable

In 35 of the 60 cases studied, the insurers either quoted annual premiums in excess of \$1,000 or refused to quote a price. And, in only four cases did they quote an annual premium under \$500.

“A fairly high percentage of low- and moderate-income drivers cannot afford to purchase auto insurance, which is why so many risk breaking the law and getting stuck with accident bills,” said CFA’s Hunter. “State regulators should ask insurers why they cannot offer more safe drivers basic minimum liability coverage for about \$300, and never more than \$500, annually. In California’s state-run, low-income auto insurance program for good drivers, even most

participating drivers from Los Angeles are provided this coverage for under \$400 annually,” he added. These premiums cover insurer losses with no subsidy from other drivers.

The Consumer Federation of America is a non-profit association of more than 250 consumer groups that was established in 1968 to advance the consumer interest through research, advocacy, and education.

**Comparison of Annual Auto Insurance Premiums
for Minimum Liability Coverage Quoted a
Receptionist with a Good Driving Record and an
Executive with an At-Fault Accident**



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Shared Characteristics

Female, 30 years old, driven 10 years
Reside in city in ZIP code with median income of about \$50,000
Drive 2002 Honda Civic they own 7500 miles/year
Minimum liability auto insurance coverage required by state law

Varying Characteristics

Receptionist: driver is a single receptionist with a high school education who rents, has been without insurance coverage 45 days, and has never had an accident or moving violation

Executive: driver is a married executive with a Masters degree who owns a home, has had continuous insurance coverage, and has had an at-fault accident with \$800 of damage within the past 3 years

City	Company	Receptionist (\$)	Executive (\$)	Difference (\$)	Difference (%)	Quotes greater than \$1,000 or no quote provided	Quote of less than \$500
Baltimore	Allstate	\$3,292	\$1,248	\$2,044	164%	Yes	
	Farmers	NQ	1,954	+X	NV	Yes	
	GEICO	822	652	170	26		
	Progressive	1,928	1,012	916	91	Yes	
	State Farm	1,082	1,662	-580	-35	Yes	
Washington, DC	Allstate	1,622	950	672	71	Yes	
	Farmers	2,074	1,486	588	40	Yes	
	GEICO	760	554	206	37		
	Progressive	1,344	1,126	218	19	Yes	
	State Farm	1,210	1,394	-184	-13	Yes	
Atlanta	Allstate	1,248	1,386	-138	-10	Yes	
	Farmers	1,274	782	492	63	Yes	
	GEICO	812	546	266	49		
	Progressive	1,224	1,218	6	0.5	Yes	
	State Farm	770	1,090	-320	-29		
Tampa	Allstate	NQ	NQ	NV	NV	Yes	
	Farmers	2,952	2,204	748	34	Yes	
	GEICO	NQ	1,020	+X	NV	Yes	
	Progressive	1,748	1,248	560	40	Yes	
	State Farm	1,792	2,265	-473	-21	Yes	
Cleveland	Allstate	1,072	962	110	11	Yes	
	Farmers	NQ	1,744	+X	NV	Yes	
	GEICO	454	362	92	25		Yes
	Progressive	864	656	208	32		
	State Farm	436	552	-116	-21		Yes

Comparison of Annual Auto Insurance Premiums for Minimum Liability Coverage Quoted a Receptionist with a Good Driving Record and an Executive with an At-Fault Accident

City	Company	Receptionist	Executive	Difference (\$)	Difference (%)	Quotes greater than \$1,000 or no quote provided	Quote of less than \$500
Chicago	Allstate	\$1,358	\$1,454	-96	-7%	Yes	
	Farmers	NQ	2,046	+X	NV	Yes	
	GEICO	632	392	240	61		
	Progressive	1,348	946	402	42	Yes	
	State Farm	310	650	-340	-52		Yes
St. Louis	Allstate	850	1,170	-320	-27		
	Farmers	NQ	1,366	+X	NV	Yes	
	GEICO	616	440	176	40		
	Progressive	1,260	1,000	260	26	Yes	
	State Farm	578	670	-92	-14		
Denver	Allstate	1,334	1,420	-86	-6	Yes	
	Farmers	NQ	1,046	+X	NV	Yes	
	GEICO	588	476	112	24		
	Progressive	1,003	862	141	16	Yes	
	State Farm	538	634	-96	-15		
Houston	Allstate	1,184	1,006	178	18	Yes	
	Farmers	NQ	1,234	+X	NV	Yes	
	GEICO	588	506	82	16		
	Progressive	1,226	1,104	122	11	Yes	
	State Farm	1,048	1,302	-254	-20	Yes	
Phoenix	Allstate	944	1,228	-284	-23		
	Farmers	NQ	844	+X	NV	Yes	
	GEICO	540	366	174	48		
	Progressive	1,304	1,186	118	10	Yes	
	State Farm	480	714	-234	-33		Yes
Los Angeles	Allstate	832	1,334	-502	-38		
	Farmers	888	678	210	31		
	GEICO	624	578	46	8		
	Progressive	790	694	96	14		
	State Farm	678	942	-264	-28		
Seattle	Allstate	1,554	1,890	-336	-18	Yes	
	Farmers	NQ	1,888	+X	NV	Yes	
	GEICO	624	604	20	3		
	Progressive	1,028	780	248	32	Yes	
	State Farm	784	1,044	-260	-25		

NQ = no quote (values of NQ assumed to be higher than values of actual quotes)
 NV = no values available to allow computation of differences
 X = positive or negative unknown