



POLICY & ACTION FROM CONSUMER REPORTS

April 5, 2017

David Mattax, Commissioner of Insurance
Texas Department of Insurance
333 Guadalupe Street
Austin, Texas 78701

Re: Request for investigation into auto insurance pricing in Texas

Dear Commissioner Mattax,

Consumers Union, the policy and mobilization division of the nonprofit Consumer Reports, requests that you investigate the pricing practices of auto insurers in Texas 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 has long advocated that auto insurance pricing be primarily based on driving-related factors, such as a driver's safety record, miles driven, and skill level (years of driving experience). We have long been concerned that the extensive use of non-driving rating factors such as education, occupation, credit score and zip code is driving up rates for good drivers who have clean driving records, and causing a disparate impact on low-income and minority drivers.

The research we are releasing today reveals substantial disparities in auto insurance prices between minority and non-minority neighborhoods. These disparities are wider than average risk can explain, raising questions about how insurers are setting auto insurance prices. It appears that some insurers may be overestimating risk in urban areas and in minority neighborhoods. The Consumer Reports – ProPublica investigation found that in Texas half of the insurers we studied were charging higher liability rates on average for the same safe driver in high-risk minority communities than in comparably risky white communities.

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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 Texas. Many consumers are already struggling to make ends meet without the extra burden of unfairly high auto insurance rates.

Thank you in advance for your prompt attention to this important consumer issue. If you have any questions, please contact me at ctetreault@consumer.org or 415-431-6747.

Sincerely,



Christina Tetreault
Staff Attorney
Consumers Union