

# I.I.I. MESSAGE POINTS: PROPUBLICA; AUTO RATES BY ZIP CODE

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**Issue overview:** ProPublica contends the U.S.'s private-passenger auto insurers charge minority policyholders more than their non-minority ones, based on ProPublica's assessment of zip-code level data in four states (CA, IL, MO, & TX).

**Key idea:** U.S. auto insurers do not know the ethnicity of their policyholders. By law, auto insurers are not allowed to ask prospective policyholders about their race when they apply for coverage.

**Objective:** To convey the fact that U.S. auto insurers neither gather information based on race nor do they discriminate against anyone on the basis of race. Moreover, U.S. auto insurers do not adjust their rates based on any proxy for race.

**Stakeholders:** State insurance regulators and legislators—as well as the general public—must understand the setting of private-passenger auto insurance rates is a color-blind process.

## **Audiences/Constituents:**

### *Regulators and legislators*

- Rates are based on an auto insurer's loss costs.
- Loss costs include claim payouts, loss adjustment expenses, and, in some cases, legal fees.
- Insurance is closely regulated by state regulators and lawmakers.
- U.S. auto insurers must submit to the state detailed filings to justify how much they charge policyholders.
- There is a reasonable chance ProPublica's model is faulty.
- The model implies most of the nation's regulators have been oblivious to this alleged pattern of discrimination.

### *General Public*

- Your auto insurer knows your zip code because the insurer requested that information from you.
- Your auto insurer does not know, however, your race because it cannot ask you that question.
- The price you pay for auto insurance is based on factors beyond your zip code, including your personal driving record, the make/model of your vehicle, the amount of miles you drive, and the amount of coverage you purchased.

### *California*

- California is one of the most heavily regulated auto insurance markets.
- Private-passenger auto insurance rates must be approved in advance after a thorough review that sometimes takes months or even years.
- ProPublica's model also implies that intervenors—including a consumer group which has earned millions of dollars since 2003 by successfully challenging private-passenger auto rate filings—have also been asleep at the switch.