Consumer Federation of America

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Before the

United States Senate Committee on Commerce, Science, and Transportation
Subcommittee on Consumer Protection, Product Safety, Insurance, and Data Security

Hearing

Insurance Fraud in America: Current Issues Facing Industry and Consumers

August 3, 2017

Chairman Moran, Ranking Member Blumenthal and other members of the Consumer Protection, Product Safety, Insurance, and Data Security Subcommittee. I appreciate the opportunity to provide testimony on Consumer Federation of America's (CFA) perspectives on Insurance Fraud in America. I am Rachel Weintraub, Legislative Director and General Counsel at CFA. CFA is a non-profit association of approximately 280 pro-consumer groups that was founded in 1968 to advance the consumer interest through advocacy and education.

CFA is concerned about insurance fraud and is working to contain it as well as document and identify it. We were a founding member of the Coalition Against Insurance Fraud and continue even today to serve on its Board of Directors and we conduct research to document inequality in the insurance market, especially the auto insurance market.

CFA is concerned about both kinds of fraud: that is, fraud by the insurance industry against consumers and fraud by consumers against the industry. Both cost consumers dearly.

I. Fraud by the Insurance Industry Against Consumers

I will first focus on fraud by the insurance industry against consumers. Although most insurance companies and agents/brokers are honest and ethical, fraud by the insurance industry against consumers is a serious problem. It costs consumers when they pay premiums for coverage they do not need; when they pay excessive and actuarially unjustifiable rates for coverages they are required to buy; when they buy insurance priced in an unfairly discriminatory manner; and it costs them when they are presented with inadequate and misleading policy language that is constructed to make them believe they are purchasing protection they will never, in fact, receive. And, of course, fraud by insurers also costs consumers who face unfairly denied claims, underpaid claims and claims that take far too long to be paid.

Examples abound, and here are just a few of many:

- Insurers, as Congress knows, have used faked engineering reports to deny flood insurance claims after Superstorm Sandy. This was documented by *60 Minutes* in "The Storm After the Storm."[1]

- At times insurers participate in the sale of unnecessary policies. A recent example is the placing of unnecessary auto insurance onto the auto loan payments of borrowers who were not advised of such action by Wells Fargo. This was documented just last week by numerous news outlets.[2]

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[1] https://www.youtube.com/watch?v=11VjWZvA0Ig

[2] https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html; https://www.reuters.com/article/us-wells-fargo-insurance-idUSKBN1AG20Q; https://www.washingtonpost.com/news/business/wp/2017/07/28/wells-fargo-charged-570000-customers-for-auto-insurance-they-didnt-need-potentially-forced-some-to-have-cars-repossessed/?utm_term=.9073ef7bfeff

- A Medicare Advantage Insurer settled a whistleblower case for $32 million, in a case where the insurer exaggerated how sick patients were.[3]

- Two top executives of AIG settled an accounting fraud case, agreeing to return almost $10 million in salary.[4]

- In just the last few years, insurers have begun to raise rates on people who do not shop around, a process called "price optimization." In this scam, insurers use information from non-driving related sources such as third-party consumer databases, grocery store shopping records, and social media analysis to determine if a person does or does not shop when prices go up. They use this information to raise the rate above the actuarially sound price on the non-shopping consumer. This is illegal in every state, since state laws require prices to be based on driving risk, not shopping tendency. Since CFA raised the issue three years ago, 20 states have banned the practice, but we believe this fraudulent pricing system is still being deployed or introduced in several states.

A quick search over the last month or so of headlines from *Insurance Business Magazine* identifies some other examples of the consistent drumbeat of insurer/agent fraud against consumers:

- A San Diego insurance agent was charged in connection with allegedly scamming five people – three of them seniors – out of a total of more than $1.1 million.[5] (July 24, 2017)

- A Connecticut man presented himself as an insurance agent after the state pulled his license and is headed to prison for nearly four years. The insurance agent pleaded guilty to wire fraud, according to the *San Francisco Chronicle.* Prosecutors say he scammed people out of more than $874,000.[6] (July 21, 2017)

- Farmers Insurance Exchange will refund $315,000 to more than 1,600 Minnesota drivers, after authorities found that the firm wrongfully charged the drivers with higher auto insurance rates. The state's Commerce Department said the insurer charged drivers with higher rates solely because they were home renters rather than homeowners. Minnesota law prohibits firms from setting auto insurance rates or benefits, or denying coverage, based on a driver's status as a residential tenant.[7] (July 19, 2017)

- A U.S. District Court has approved the $32.5 million settlement of a racial discrimination case against MetLife filed by a class of African-American former MetLife financial

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[3] http://www.npr.org/sections/health-shots/2017/05/31/530868367/medicare-advantage-insurers-settle-whistleblower-suit-for-32-million
[4] https://www.nytimes.com/2017/02/10/business/dealbook/former-aig-executives-reach-settlement-in-accounting-fraud-case.html?_r=0
[5] http://www.insurancebusinessmag.com/us/news/breaking-news/insurance-agent-charged-in-1-1-million-scam-73861.aspx
[6] http://www.insurancebusinessmag.com/us/news/breaking-news/fake-insurance-agent-gets-nearly-four-years-73739.aspx
[7] http://www.insurancebusinessmag.com/us/news/breaking-news/farmers-insurance-exchange-must-make-refunds-to-1600-drivers-73452.aspx

services representatives. The former employees filed the case against the insurer in 2015. They accused the firm of maintaining "a racially biased corporate culture and stereotypical views about the skills, abilities, and potential of African-Americans that affect personnel," a court docket said.[8] (July 12, 2017)

- A health care system suing Chubb paid itself "excessive" amounts from employee retirement programs and "unjustly enriched itself," the insurer claims.[9] (July 7, 2017)

- A Colorado insurance broker was sentenced to 12 years in state prison on Monday after he pleaded guilty to several counts of forgery, insurance fraud, and theft. The insurance broker pocketed some $130,000 in workers' compensation premiums that he wrote while his license was revoked. Previously, this broker had been sentenced to two years of probation and had his license revoked in 2014 after pleading guilty to forgery in what was described as a similar case.[10] (June 28, 2017)

- A recommended federal class-action lawsuit against Allstate has been approved by the Pennsylvania Supreme Court. The class-action is in relation to Allstate's policy that mandates claimants undergo medical exams by a doctor of the carrier's preference before they can receive benefits.[11] (June 21, 2017)

- The owners of a California insurance agency have been indicted by a federal grand jury for allegedly sending more than a million pieces of mail without paying the postage.[12] (June 13, 2017)

A. Auto Insurance Pricing

CFA has undertaken a series of reports on the plight of good-driving, lower-income Americans. These consumers are unable to afford state-required auto insurance due to the use of unfair rating factors related to income. Our research has identified that good-driving low-income people often pay more for auto insurance than wealthier people with accidents and tickets. It is, unquestionably, a defrauding of American consumers when insurers charge safe drivers more than unsafe drivers for the same coverage.

CFA's research addresses several different aspects of auto insurance rates, premiums and the market, but all point to a few key findings:

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[8] http://www.insurancebusinessmag.com/us/news/breaking-news/judge-approves-metlifes-32-5-million-race-bias-class-action-settlement-72878.aspx
[9] http://www.insurancebusinessmag.com/us/news/breaking-news/insurer-claims-health-system-unjustly-enriched-itself-72483.aspx
[10] http://www.insurancebusinessmag.com/us/news/workers-comp/insurance-broker-gets-long-custodial-sentence-after-fraud-71698.aspx
[11] (http://www.insurancebusinessmag.com/us/news/breaking-news/allstate-hit-by-another-potential-class-action-71111.aspx
[12] http://www.insurancebusinessmag.com/us/news/breaking-news/insurance-agents-indicted-for-300000-mail-fraud-70249.aspx

- The cost of state-mandated basic liability insurance is higher than many lower-income Americans can afford and the number of uninsured citizens in this category is higher than the national average as a result;
- Insurers use a variety of socio-economic rating factors unrelated to driving that push auto premiums up for lower-income Americans despite good driving records; and
- Stronger state consumer protections related to auto insurance rate setting leads to greater access to and more stability in auto insurance markets.

A description of each of the reports that CFA has issued since 2012 is available in the attached appendix. This is followed by a summary of the key recommendations from the reports. Our research documents that states require good-driving, lower-income Americans to purchase auto insurance to drive and harshly penalize them for driving without that insurance. But most states do not regulate the use of factors that raise rates on widows, renters, low-wage workers, people with less education and other factors that adversely discriminate against the poor.

B. Actions Against Insurers for Bad Faith

There are hundreds of legal actions against insurers for bad faith. Consumers pay money for premiums, often for many years, prior to an event occurring or a claim being filed. Consumers believe that insurers will do right by them if they file a claim. Once a claim is filed, the insurer owes the consumer a duty of utmost good faith in handling the claim. If the insurer improperly denies or delays payment of the claim, it is possible that the insurer has not acted in good faith. It is likely that the number of times consumers are defrauded by insurer bad faith is orders of magnitude larger than the number of times insurers are sued for this kind of fraud. For many consumers, this fraud comes in the form of an insurer's low-ball offer – on a total loss claim on a car insurance policy, for example – that may short the consumer by $1,500, which is devastating to a consumer but not a viable legal action against the insurance company either because the cost of litigation is too high or because many states prohibit such suits.

C. Fraud Against Consumers by Other Entities Involved in the Insurance Market

1. Storm Chasers

CFA warns consumers about "storm chasers," which are repair firms that come in after a storm and offer to repair structures. Often, they have no local connections, may not have proper insurance for their workers, and do subpar repairs. They have opportunities to do work, particularly after catastrophic weather events, because there are so many repairs that need to be done in a relatively short time. Insurers want to settle claims from storms as quickly as possible. However, insurers should work with reliable contractors to make sure that there are sufficient workers and supplies in the catastrophe area as repairs must be done in a timely way. State government action could assist in making sure that there are sufficient resources available to complete repairs promptly.

As bad as storm chasers can be, those that do acceptable work do help to get necessary work completed. The market demands an increase of contractors after a storm, and there would be value in helping communities identify those who will not cut corners in the repairs and can meet standards of quality that will equal the promises contained in the insurance contract. Consumers would be served by better tools to help distinguish between the fraudulent storm chasers and those contractors who arrive in the wake of a catastrophe not just looking for a quick buck but to provide a quality service.

Regardless of what additional resources might be made available in the future, CFA always advises consumers to make sure that the people they contract with for repairs after a storm are (1) capable of doing the work well, (2) properly credentialed, and (3) have references. We urge consumers to check with their insurance company if they have questions about a contractor who approaches them.

2. Opioids

Insurers have the data to monitor opioid prescription levels and should be a force for good in finding ways to tackle this mounting problem. We encourage insurers' full cooperation in working with government and others seeking solutions. However, insurers can also be part of the problem in a number of ways. First and most importantly, some insurers will not pay for alternatives to opioids such as steroid injections, physical therapy and nerve blocks.[13] Second, insurers try to do the right thing by limiting the amount of opioids to a person but sometimes are not sophisticated in doing so, since some patients have been on the specific drug for a long time and need more of the drug to get the necessary relief. In these cases, the patients often turn to street drugs, exacerbating the problem.

We could list many other examples of frauds against consumers by insurers. The point that CFA wants to make clear is that fraud against consumers by insurers needs Congressional attention.

II. Fraud Against the Insurance Industry by Consumers

Fraud against the insurance industry by consumers is a serious issue. There are two types of such insurance fraud: hard fraud and soft fraud.

Hard fraud entails someone deliberately planning or inventing a loss, such as a collision, auto theft, or fire that is covered by their insurance policy in order to receive a claim payment. Criminal rings are sometimes involved in hard fraud schemes that can steal millions of dollars. The data on hard fraud are fairly reliable, since such data can be collected from criminal case records.[14]

Soft fraud consists of policyholders exaggerating otherwise legitimate claims. For example, when involved in an automotive collision an insured person might claim more damage than actually occurred.

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[13] http://addictionblog.org/treatment/health-insurance-and-its-influence-on-the-opioid-epidemic/
[14] http://www.insurance.ca.gov/0400-news/0200-studies-reports/0700-commissioner-report/upload/AnnualReport2013.pdf, at page 39.

The statistics on the extent of such soft fraud are very squishy and the insurers seem to have some incentives to over-report it. Congress should be very cautious about claims of soft fraud exceeding more than a few percent of premium dollars.

Some consumers believe that it is acceptable to increase insurance claims to make up for deductibles or because they believe their insurer has been unfair to them in some way. The Coalition Against Insurance Fraud found these disturbing attitudes among consumers;[15]

- 24 percent say it's acceptable to pad an insurance claim to make up for the deductible — that's a drop since 33 percent said it was acceptable in 2002;
- 18 percent believe it's acceptable to pad a claim to make up for premiums paid in the past;
- Younger males were much more likely to condone claim padding, and 23 percent of 18 to 34-year-old males say it's alright to increase claims to make up for earlier premiums. This compares with 5 percent of older males and 8 percent of females of the same age;
- More than half (55 percent) of U.S. consumers say poor service from an insurance company is more likely to cause a person to defraud that insurer;
- More than three-quarters (76 percent) say they're more likely commit insurance fraud during an economic downturn than during normal times (up from 66 percent in 2003)

A specific consumer's likelihood to commit soft fraud appears to be impacted by how the consumer sees the insurance industry's treatment of them to be. The public's perception of insurers is very negative. The 2015 Harris Poll on consumer attitudes towards various industries rates Insurance as 35% positive (only Financial Services, Tobacco and Government rank lower).[16] If the industry can repair its image, that could positively impact the degree of fraud against it.

CFA supports insurer attempts to control fraud, including the creation of Special Investigative Units (SIUs) to look into suspicious claims. However, SIUs and other attempts to control fraud must be reasonable. There are examples of such investigations going on for extensive periods of time while, for example, people are not able to return to their home because of the investigation into alleged arson until the damage is repaired. Frequently, these delays go on for an excessive period only to conclude with the finding that there was no fraud. Steps must be taken to assure that insurer fraud investigations are completed in a timely way so innocent people are not left hanging, for example, without a place to live for month after month.

III. Conclusion

In conclusion, CFA is concerned about insurance fraud; we are aware of numerous types of fraudulent activity by a few insurers and by a few consumers using the insurance market, both of which harm the vast majority of consumers who are honest and ethical. We would welcome Congress undertaking research to document and to minimize these types of harmful actions that put consumers at great economic disadvantage, so long as the effort is deployed in such a way

[15] http://www.insurancefraud.org/statistics.htm
[16] https://skift.com/wp-content/uploads/2015/02/2015-RQ-Media-Release-Report_020415.pdf at page 13.

that considers the whole range of frauds being committed in the insurance market, as we have outlined here. We support efforts to control these types of fraud, with the important warning that the prospect of fraud should not be used as a device to justify an unscrupulous attack on innocent consumers seeking claims payments.

Appendix to Testimony for Insurance Fraud in America: Current Issues Facing Industry and Consumers Hearing

United States Senate Committee on Commerce, Science, and Transportation
Subcommittee on Consumer Protection, Product Safety, Insurance, and Data Security
Rachel Weintraub, Consumer Federation of America
August 3, 2017

Consumer Federation of America Auto Insurance Research

3 Major Auto Insurers Usually Charge Higher Prices to Good Drivers Previously Insured by Non-Standard Insurers *Consumer Federation of America (2017)*
Auto insurance giants Allstate, Farmers, and American Family often charge nine to fifteen percent higher premiums to good drivers previously insured by smaller, "non-standard" insurers than those who had coverage from State Farm or other primary competitors. Allstate charged 15 percent ($235) more on average to good drivers previously covered by non-standard auto insurers such as Safe Auto Insurance and Equity Insurance Co. than if they had been previously insured by State Farm. Farmers charged nine percent ($260) more on average to customers coming from non-standard companies, including Titan Insurance and Access Insurance Company, than those hailing from State Farm policies. American Family Insurance, the nation's ninth largest auto insurer, charged nine percent ($166) more on average to customers previously with non-standard carriers, such as Direct General and Safeway Insurance.

Major Insurance Companies Raise Premiums After Not-At-Fault Accidents *Consumer Federation of America (2017)*
Safe drivers who are in accidents caused by others often see auto insurance rate hikes. The research analyzed premium quotes in 10 cities from five of the nation's largest auto insurers. Among the cities tested, drivers in New York City and Baltimore pay out the most for an accident where the driver did nothing wrong, and customers in Chicago and Kansas City also face average increases of 10 percent or more when another driver crashes into them.
CFA's research over recent years has consistently found that good drivers with certain socio-economic characteristics that suggest lower incomes generally pay more for auto insurance than higher-income drivers with the same driving record. This pattern holds when it comes to penalizing drivers for accidents in which they were not at fault. Higher-income drivers paid $78 more on average after a not-at-fault accident, while moderate-income drivers paid $208 more on average after a not-at-fault accident.

Major Insurers Charge Moderate-Income Customers With Perfect Driving Records More Than High-Income Customers With Recent Accidents
Consumer Federation of America (2016)
Auto insurance prices are often more closely aligned with personal economic characteristics than with drivers' accident and ticket history. Testing premiums offered by the nation's five largest insurers in ten U.S. cities for drivers with different socio-economic characteristics and different driving records, CFA found surprising results, including: upper-income drivers with DUIs often pay less than good drivers of modest means with no accidents or tickets on their driving record; moderate-income drivers with perfect records pay more than upper-income

drivers who caused an accident in which someone was injured; progressive and GEICO consistently charge upper-income bad drivers less than moderate-income good drivers; moderate-income good drivers often pay more than upper-income drivers with multiple points on their record.

Major Auto Insurers Raise Rates Based on Economic Factors *Consumer Federation of America (2016)*
In most states auto insurance premiums are driven in large measure by economic factors that are unrelated to driving safety, a practice that most Americans consider unfair. Among the most common of the individual economic and socio-economic characteristics used by auto insurers are motorists' level of education, occupation, homeownership status, prior purchase of insurance, and marital status. Because each of these factors are associated with an individual's economic status and because insurers consistently use each factor to push premiums up for drivers of lesser economic means, the combined effect of insurers' use of these factors can result in considerably higher prices for low- and moderate-income Americans, leaving many overburdened by unfairly high premiums and others unable to afford insurance at all.

Good Drivers Pay More for Basic Auto Insurance If They Rent Rather Than Own Their Home *Consumer Federation of America (2016)*
Several major auto insurance carriers hike rates on good drivers who rent their home rather than own it. CFA tested the premiums charged by seven large insurers to a good driver in ten cities. For each test we only changed the driver's homeownership status and found that renters were charged seven percent more on average – $112 per year – for a minimum limits policy than insurers charged drivers who own their homes, everything else being equal.

Price of Mandatory Auto Insurance in Predominantly African-American Communities *Consumer Federation of America (2015)*
CFA released research comparing auto insurance prices in predominantly African-American Communities with prices paid in predominantly white communities. Nationwide, in communities where more than three quarters of the residents are African American, premiums average 71 percent higher than in those with populations that are less than one quarter African American after adjusting for density and income. In Baltimore, New York, DC, Detroit, Boston and other cities, the disparity of premiums is more than 50 percent between predominantly African American and predominantly white ZIP codes.

New Research Shows That Most Major Auto Insurers Vary Prices Considerably Depending on Marital Status *Consumer Federation of America (2015)*
CFA released research on how insurers utilize marital status in their pricing of auto insurance policies. CFA questions the fairness and relation to risk of this pricing by most major insurers, particularly their practice of hiking rates on women whose husbands die by 20% on average, the "widow penalty."

Auto Insurers Fail to Reward Low Mileage Drivers *Consumer Federation of America (2015)*

CFA released research showing that large auto insurers frequently fail to reward drivers with low mileage despite a strong relationship between this mileage and insurance claims. The study found that three of the five largest insurers often give low-mileage drivers no break at all. In a 2012 nationwide survey conducted by ORC International for CFA, 61 percent of respondents said that it was fair for auto insurers to use mileage in pricing auto insurance.

Large Auto Insurers Charge High Prices, to a Typical Lower-Income Safe Driver with Car Financing, for Minimal Coverage *Consumer Federation of America (2014)*
CFA found that annual auto insurance premiums are especially high for the estimated eight million low- and moderate-income drivers who finance their car purchases. These drivers must purchase the comprehensive and collision coverage required by auto lenders in addition to the liability coverage required by states. In the 15 cities CFA surveyed, annual premium quotes were almost always more than $900 and were usually more than $1,500.
In a related national opinion survey undertaken by ORC International for CFA, nearly four-fifths of respondents (79%) said that a fair annual cost for this auto insurance coverage was less than $750. One-half (50%) said that a fair annual cost was less than $500. Respondents were asked what they thought was a reasonable annual cost for a "30-year old woman with a modest income and ten years driving experience with no accidents or moving violations" for required liability, collision, and comprehensive insurance coverage.

High Price of Mandatory Auto Insurance for Lower Income Households *Consumer Federation of America (2014)*
The country's five largest auto insurance companies do not make a basic auto insurance policy available to typical safe drivers for less than $500 per year in over 2,300 urban and suburban ZIP codes including 484, or more than a third, of the nation's lowest-income ZIP codes. In the report, CFA analyzed 81,000 premium quotes for State Farm, Allstate, Farmers, Progressive, GEICO and each of their affiliates in all ZIP codes in 50 large urban regions, which include urban, suburban and adjacent rural communities. CFA also reviewed the premium quotes from an additional 58 insurance companies – comprising a total of 207 insurance affiliates including those of the five largest insurers – which produced similar results.

In 24 of the 50 urban regions, there was *at least one* lower-income ZIP code where annual premiums for a minimum limits policy exceeded $500 from every major insurer. In nine of these 50 areas – Miami/Ft. Lauderdale, Detroit, Minneapolis/St. Paul, Tampa/St. Petersburg, Baltimore, Orlando, Jacksonville, Hartford, and New Orleans – prices exceeded $500 in *all* lower-income ZIP codes.

This report included the finding from a recent national survey that more than three-quarters of Americans (76 percent) believe that a "fair annual cost" for state-mandated insurance for a typical good driver with no accidents and no tickets should be less than $500.

Uninsured Drivers: A Societal Dilemma in Need of a Solution *Consumer Federation of America (2014)*

This report found that most uninsured drivers in America have low incomes and cannot afford to purchase the mandatory minimum liability coverage required by their state. The report also revealed that these low-income drivers are increasingly adversely impacted by state and local government actions, including raising liability requirements (driving up premiums), more rigorous enforcement, and stiffer penalties. However, there is little difference in uninsured rates between those states that penalize uninsured drivers harshly and those that do not. The report reviewed penalties for driving without auto insurance in every state and found some of these very harsh penalties for lower-income Americans who truly cannot afford the required insurance:

- Fourteen states allow jail sentences for a first offense.
- Thirty-two states allow for the possibility of license suspension for a first offense.
- Thirty-three states have possible fines of $500 or more for a first offense.

CFA Analysis Shows Auto Insurers Charge Higher Rates to Drivers with Less Education and Lower-Status Jobs *Consumer Federation of America (2013)*
Several major auto insurers place a heavy emphasis on their customers' occupation and education when setting prices, forcing lesser educated, blue collar workers with good driving records to pay substantially higher premiums than drivers with more education and higher paying jobs. For example:

- GEICO charges a good driver in Seattle 45% more if she is a factory worker with a high school degree than if she is a plant superintendent with a bachelor degree;
- Progressive charges the factory worker 33% more in Baltimore; and
- Liberty Mutual charges the worker 13% more in Houston.

The reported also highlighted a national survey that found that about two-thirds of Americans believe that it is unfair to use education and occupation when pricing insurance policies.

What Works: A Review of Auto Insurance Rate Regulation in America and How Best Practices Save Billions of Dollars *Consumer Federation of America (2013)*
Over the past quarter century, auto insurance expenditures in America have increased by 43 percent on average and by as much as 108 percent. These increases occurred despite substantial gains in automobile safety and the arrival of several new players in the insurance markets. Only in California, where a 1988 ballot initiative transformed oversight of the industry and curtailed some of its most anti-consumer practices, did insurance prices fall during the period, resulting in more than $4 billion in annual savings for California drivers. This report used NAIC data to assess the impact of different types of insurance market oversight (prior approval, file and use, use and file, flex rating, and deregulation) on rates, industry profitability, and competition. It also provided a detailed analysis of California's experience with the nation's most consumer protective rules governing the auto insurance market.

Largest Auto Insurers Frequently Charge Higher Premiums To Safe Drivers Than To Those Responsible For Accidents *Consumer Federation of America (2013)*
CFA analyzed premium quotes from the five largest auto insurers in twelve major cities and found that two-thirds of the time, insurers would charge a working class driver with a 45 day lapse in coverage and a perfect driving record more than companies charged an executive with no lapse in coverage but a recent at-fault accident on their record. In 60% of the tests, the lower-income good driver was charged at least 25% more than the higher-income driver who had caused an accident.

Use of Credit Scores by Auto Insurers Adversely Impacts Low- and Moderate-Income Drivers *Consumer Federation of America (2013)*
Holding all other factors constant, the two largest auto insurers, State Farm and Allstate, charge moderate-income drivers with poor credit scores much higher prices than drivers with excellent scores. Using data purchased from a third party vendor of insurance rate information, this report showed that State Farm increased rates for the low credit score driver an average of 127 percent over the high credit score customer and Allstate raised rates by 39 percent, costing State Farm and Allstate customers an average of more than $700 and $350, respectively, based solely on credit scores.

The report also pointed to a recent national survey conducted for CFA that found that, by a greater than two to one ratio, Americans reject insurer use of credit scores in their pricing of auto insurance policies.

Auto Insurers Charge High and Variable Rate for Minimum Coverage to Good Drivers from Moderate-Income Areas *Consumer Federation of America (2012)*
This report used extensive website testing to show that good drivers — those with no accidents or moving violations — who live in moderate-income areas in 15 cities were being quoted high auto insurance rates by major insurers for the minimum liability coverage required by those states. Over half (56%) of the rate quotes to two typical moderate-income drivers were over $1000, and nearly one-third of the quotes (32%) exceeded $1500.
The report also presents findings from a national survey that shows that lower-income families report knowing people who drive without insurance at a much higher rate than higher-income drivers. Further, nearly 80 percent of drivers agreed that "they [the uninsured drivers] do so because they need a car but can't afford the insurance."

Lower-income Households and the Auto Insurance Marketplace: Challenges and Opportunities *Consumer Federation of America (2012)*
Access to an automobile plays a critical role in creating economic opportunities for lower-income Americans and the affordability of auto insurance plays a key role in this access. This report provides an overview of the auto insurance market with a detailed discussion of low- and moderate-income (LMI) households' participation in the auto insurance market. The report summarizes pricing information collected by CFA as well as data related to availability, residual markets and uninsured motorists.

At the heart of this report, which was the first in the series of reports outlined above, is the finding that for millions of lower-income Americans auto insurance is unaffordable and inaccessible despite their unblemished driving records. High priced auto insurance, which often leads LMI drivers to choose between giving up their cars or driving uninsured, creates serious economic hardships, and the issue must be addressed by policymakers and regulators. The report concludes with a summary of the issues, obstacles and needs facing LMI customers and policy suggestions for addressing them.[1]

[1] Links to the series with thumbnail descriptions of each report ac be accessed at: http://consumerfed.org/cfa-studies-on-the-plight-of-low-and-moderate-income-good-drivers-in-affording-state-required-auto-insurance./