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Consumer Group Questions 'High' Auto Insurance Rates

By [ANN CARRNS](#)

Safe drivers who live in moderate-income areas are being told they have to pay what consumer advocates say are "high" and widely variable rates for minimum auto insurance coverage.

A [15-city analysis](#) by the Consumer Federation of America found that such drivers are being offered online quotes for minimum, state-mandated liability coverage that exceed what most good drivers can expect to pay for broader policies that include collision and comprehensive coverage.

Consumer advocates said they were concerned that more than half the quotes for annual coverage were at least \$1,000, and almost a third at least \$1,500, which are burdensome for moderate-income workers. For such drivers, advocates say, the cost of insurance is often more of a factor than the cost of the car itself -- and is a big factor in why many consumers drive without insurance, even though all states but one (New Hampshire) make it compulsory.

Federation representatives also said it was puzzling that the same, hypothetical consumer, in the same geographic location, was quoted widely divergent prices by different auto insurers.

"Why do prices quoted to consumers in the same areas often vary so much?" Steve Brobeck, executive director of the federation, said in a conference call with reporters.

In Las Vegas, for instance, quotes for a female test consumer obtained in the analysis ranged from \$792 to \$3,390.

And in the District of Columbia, the rates quoted for a hypothetical male driver ranged from \$1,335 to \$1,738.

(The average premium for liability coverage in Washington is \$591, which includes consumers buying coverage for higher limits than the minimum required by law, the advocates said.)

For the analysis, the federation obtained quotes for two hypothetical drivers -- one male and one female -- from the Web sites of four major auto insurers: State Farm, Allstate, Progressive and Geico. The cities surveyed were Boston; Washington; Baltimore; Atlanta; Miami; Charleston, W.V.; Louisville, Ky.; Chicago; Sioux Falls, S.D.; Denver; Houston; Phoenix; Las Vegas; Los Angeles; and Oakland, Calif.

The male driver was identified as a 27-year-old laborer, while the woman was a 35-year-old bank teller. Both had good driving records free of accidents or moving violations over several years, good credit and were single with one child.

The test customers rented in moderate-income areas (with median income about \$30,000), had high school degrees and drove a paid-for 2002 Honda Civic 10,000 miles a year.

A recent telephone survey of more than 1,000 adults conducted for the federation by ORC International found that 13 percent of respondents said they knew someone who drives without insurance. The percentage was 22 percent for those with incomes of \$25,000 to \$50,000. Roughly 80 percent of those who did know someone agreed that the drivers are uninsured "because they need a car but can't afford the insurance."

Insurers, in responding to the federation's report, said rates vary because of market competition and because different companies have different methods of assessing risk. "They talked about variability from one company to another as though that's bad for consumers," said Dick Luedke, a spokesman for State Farm. "But it's good for the consumer."

The Insurance Information Institute, an industry group, said in [a prepared response](#) that the analysis focused mostly on urban areas, where costs for automobile repairs and medical care were typically higher. Also, the institute said, quotes differ because insurers price risk differently, based in part on the company's own claims experience in a given market.

Advocates argued that the large differences in quotes suggested that some companies were not pricing risk appropriately, or might in effect be ceding certain territories to other companies. If the market were truly competitive, they said, the quotes would be closer together.

J. Robert Hunter, the federation's director of insurance and a former Texas insurance commissioner, said the group was sending its analysis to all state

insurance commissioners, urging them to do additional research to see if low- and moderate-income consumers with good driving records were being charged unfairly high and unaffordable rates.

The advocates also said that they recommended that certain factors -- like a consumer's occupation -- be removed from consideration as criteria when setting auto insurance rates.

Do you know someone who drives without auto insurance due to the cost?