

Triple-I: Drivers Benefit from a Competitive Auto Insurance Market

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NEW YORK, April 15, 2021—To maintain a competitive private-passenger auto insurance market, state lawmakers must allow insurers to use rating factors aimed at having lower-risk drivers pay less for coverage, according to the [Insurance Information Institute's](#) (Triple-I) Chief Actuary.

“It seems clear that all parties sincerely want a more equitable society,” stated [James Lynch](#), the Triple-I’s Chief Actuary, in testimony today to the National Council of Insurance Legislators’ (NCOIL) [Special Committee on Race in Insurance Underwriting](#). “Working cooperatively, we can find solutions that address the issue of systemic racism while preserving the competitive environment that allows the insurance industry to keep its promises and protect its customers. At the same time, it is important that the discussion be based on thorough, fact-based research.”

In his prepared [remarks to NCOIL’s 2021 Spring Meeting](#), Lynch underscored the importance of fact-based research when pricing accurately a private-passenger auto insurance policy. The

Triple-I's Chief Actuary emphasized how actuarial evidence supports the effectiveness of auto insurance rating factors (e.g., a driver's age and driving record). These factors, combined with dozens of others, such as credit-based insurance scores, effectively gauge the likelihood a driver will file a claim, [multiple studies have found](#). In addition, Lynch noted rating factors are approved by state-based insurance regulators and insurers cannot use information about either a driver's race or income when pricing their policies.

While addressing NCOIL's Committee members, Lynch pointed out flaws and errors associated with a 2017 study conducted by ProPublica, in conjunction with *Consumer Reports*. It alleged insurers systematically overcharged drivers in minority communities in four states: California, Illinois, Missouri, and Texas.

"Once elemental errors in this report are corrected, findings show the exact opposite of what ProPublica asserted: auto insurers charge prices that properly reflect the actual risk in majority white and majority nonwhite neighborhoods," Lynch stated.

Lynch shared in his testimony findings from Pinnacle Actuarial Solutions, a highly respected actuarial firm retained by the Triple-I, that found "multiple concerns with the analysis and resulting conclusions" in the ProPublica study. Moreover, Lynch also cited state regulators who disputed the key assertion made in ProPublica's 2017 study.

A [comprehensive analysis](#) by the state of Missouri in 2018 determined, "no evidence was found that would indicate that higher-rated territories are charged more relative to risk than lower-rated territories." Private-passenger auto insurers generally charge drivers more in higher-rated territories.

"The growing awareness of historical injustices make these unprecedented times," Lynch added. "As the insurance industry, along with the rest of America's business and governmental institutions, examines past injustices and appropriate remedies, it makes sense to incorporate high-quality, relevant research."

RELATED LINKS:

Video: [Triple-I Chief Actuary James Lynch summarizes his NCOIL testimony](#)

White Paper: [Insurance Rating Variables: What They Are and Why They Matter\(2019\)](#)

Infographics: [What Determines the Cost of My Auto Insurance?](#), [Insurance Rating Variables: What They Are and Why They Matter](#)

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