



NEW YORK STATE SENATOR

Timothy M. Kennedy

Senator Kennedy Calls for Investigation into Auto Insurers that Charge Blue-Collar Workers Higher Rates Based on their Income and Education

TIMOTHY M. KENNEDY April 7, 2014

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Following a Report from NYPIRG that Auto Insurers are Targeting Lower-Income New Yorkers for Higher Rates, Senator Kennedy is Calling on NYS Dept. of Financial Services to Investigate.

Big Auto Insurers Charging as Much as \$400 a Year More to Insure Drivers without a College Degree.

Kennedy: Insurance Companies are Reaching into the Pockets of WNYers and Speeding Away with the Money.

BUFFALO, N.Y. – Senator Tim Kennedy, D-Buffalo, today called for a state investigation into auto insurance companies that are reportedly overcharging lower-income, less-educated drivers. Kennedy’s call for an investigation follows a recent New York Public Interest Research Group (NYPIRG) study that found that auto insurers quote lower-income and less-educated drivers as much as 41 percent more than similar drivers with higher-income. Kennedy called the practice flatly unfair and urged the New York State Department of Financial Services (DFS) to investigate the practice in a letter to Superintendent Benjamin Lawsky.

“Your car insurance should be based on one thing – your driving record,” said Senator Kennedy. “Charging New Yorkers more based on their income or their education level is not

only unfair, it's downright wrong. I plan to work with the Department of Financial Services and other leaders in state government to put an end to this practice once and for all. All New Yorkers, regardless of income, education, or any other factor deserve to be treated fairly and equally."

The NYPIRG report, which was released earlier this month, showed that some big insurers, such as Progressive, were charging a Buffalo bank teller 17 percent more than they would a bank executive with a similar driving record. Another insurer, Liberty Mutual, quoted a Western New Yorker with a high school degree at a rate that was \$432 higher than that of a similar applicant with a college degree. The report found that on average a less-educated applicant will receive a quote that is 18 percent higher than a more-educated applicant.

"Bank executives, CEOs and lawyers should not pay less in car insurance simply because they make more money than hardworking, blue-collar Western New Yorkers. As it turns out, it's not 15 minutes, but rather an extra \$15,000 in your bank account that can save you money on your car insurance," added Kennedy.

In addition to calling for an investigation to shed more light on the problem, Kennedy also said he is prepared to work with state leaders to introduce legislation if that is what is needed to correct the problem. In his letter to Superintendent Lawsky, Kennedy also asked DFS to help identify potential policy solutions that could help prevent insurance companies from using this predatory tactic.

Kennedy also highlighted that higher rates for lower-income and less-educated drivers comes at a time of nearly record profits for the auto insurance industry. State Farm, the largest U.S. home and car insurer, saw profits quadruple in 2012, with an increase in net income of over \$3 billion, making the company worth over \$65 billion. Similarly, AllState Corp., recorded an annual profit of \$2.3 billion in 2012.

The Department of Financial Services (DFS), who Kennedy has asked to investigate, was created in 2011 by combining the New York State Banking Department and the New York State Insurance Department into one new department. In addition to the Insurance Division, which is responsible for overseeing the nearly 1,700 insurance companies working in New York State, DFS also has a Financial Frauds and Consumer Protection Division (FFCPD). FFCPD investigates activities that may constitute violations of state law, and can then bring enforcement proceedings – including civil and criminal action where appropriate.

A copy of Senator Kennedy's letter to DFS appears below:

Dear Superintendent Lawsky:

In light of the findings from a recent study by the New York Public Interest Research Group (NYPIRG), I write to request that your office undertakes an investigation into the practices of auto insurers in New York State and their treatment of lower-income and less-educated customers. According to the NYPIRG study, several of our state's largest insurers regularly will quote customers with less education and lower-income jobs a rate that can be as much as 41 percent higher than comparable customers with more education and/or higher-paying jobs. If this is true, then these insurers need to be held accountable.

For example, the study found that Progressive Insurance charges a bank teller in Buffalo that holds a high school degree nearly 17% more every year than they would for a bank executive holding a college degree. That translates into a difference of \$250, a big number for a family that is living on a limited income. Another insurer, Liberty Mutual, provided a quote for a Buffalo applicant with a high school degree that is 25% more expensive than a college graduate, a difference of \$432. On average statewide, a less educated applicant will receive a

quote that is 18% higher than an equally-qualified, but higher educated, executive.

What is even more surprising about the statistics in the report is that drivers with worse driving records but higher education or income would still receive a lower quote than their lower-income or less-educated counterparts with better driving records. In fact, this proved true even when the higher-income applicant had received two speeding tickets or caused a car accident in the recent past while their counterpart had a flawless driving record.

As a Senator from Western New York who represents a large number of middle-class residents and working families, I am deeply concerned that New York's insurance companies are unfairly, and possibly illegally, overcharging their customers. I believe that an investigation by your office would help shed light on these practices, and force these insurers to clean up their act. In addition, it could help guide policy actions that may be needed to correct this situation.

Thank you for your attention to this important matter. If you have any questions or if I may be of assistance in any way, as always, I welcome your call.

Sincerely,

Timothy M. Kennedy

New York State Senator, 63rd District

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Senator Timothy M. Kennedy represents the New York State Senate's 63rd District, which is comprised of the town of Cheektowaga, the city of Lackawanna and nearly all of the city of Buffalo. More information is available at <http://kennedy.nysenate.gov>.