WHEN A CONSUMER REPORT STEERS CONSUMERS WRONG

By David A. Sampson

A Consumer Reports investigation last month, which rekindles a tired argument long since refuted, claims to have uncovered startling revelations about the process by which auto insurance premiums are set. Unfortunately, the piece presents inaccuracies and misguided assertions. Resultant media hype is not only baseless; it is disingenuous to the consumer.

The outlet boldly suggests to be letting readers in on a “big secret”, namely that one’s credit history is a factor in the score used to determine automobile insurance quotes. The article falsely infers that because one’s credit score is consulted, discrimination must be at play.

But here are the facts. Credit-based insurance scoring is not based on socioeconomics, or race for that matter, but instead simply on a proven methodology designed to predict the likelihood of a driver getting into an accident and filing a claim. Numerous studies show this common sense method is far more reflective of driver safety than one’s own driving record, as records can be wiped clean of injurious car accidents and safety violations through the completion of easy driver safety courses. In fact, studies go on to show most consumers benefit from the use of this system since it ultimately keeps rates affordable, a fact backed up by a Federal Trade Commission report which found credit-based insurance scores “may allow insurers to price coverage more efficiently producing cost savings that could result in lower premiums.”

At present, almost every state in our Union regulates to ensure auto insurance rates are not excessive or unfairly discriminatory. Would Consumer Reports recommend additional layers of federal regulation, rendering the auto-insurance market non-competitive, and thus, pricing the majority of Americans out of the ability to drive a car, get to work, and provide for their families?

It is unfortunate Consumer Reports chose to cast aspersions on one of the most pro-consumer and fiercely-competitive marketplaces in the world, in which safe driving is indeed rewarded through price, but in which a myriad of exemplary product choices are offered to all. The portfolio of solutions auto insurers successfully offer and deliver to tens of millions of motorists every year in all 50 states, regardless of ancestry or personal wealth, is as diverse as the drivers who navigate the highways and back roads of our great Nation. The current methodology that determines auto insurance premiums works well and makes sense, as it distinguishes between high and low-risk drivers. Thus, it is fair and just.