



April 8, 2020

Commissioner Kent Sullivan
Texas Department of Insurance
333 Guadalupe Street
Austin TX 78701
Sent via email: kent.sullivan@tdi.texas.gov

Dear Commissioner Sullivan,

Texas Appleseed is a public interest justice center. We work to change unjust laws and policies that prevent Texans from realizing their full potential.

We appreciate the important work that the Texas Department of Insurance has done to date in response to the COVID-19 pandemic, including guidance to support health insurance coverage of testing, and care-related expenses. **We request that you also take action to ensure fair pricing and charges in another area of your oversight: auto insurance.** The dramatic drop in road travel has likely led to reduced auto claims and other costs for insurers. Those reductions must be passed on to policy holders in the form of rebates.

According to one estimate, average mobility in Texas has decreased 40% to 55% since the start of the escalation of the pandemic in late February of 2020.¹ The decrease in mobility, which largely reflects a reduction in driving, is leading to a decrease in accidents and other expenses for auto insurers, based on recent evidence. Individual companies have announced rebates for customers. For example, Allstate will be providing \$600 million in rebates due to reduced claims.² As of today, a list of insurance companies is provided on the Texas Department of Insurance website, with some companies offering rebates or payment plans. The site directs people to contact insurance companies for details.³ These actions are encouraging, but rebates for reduced risk should not be discretionary nor should they require customer outreach to insurers. They should be the rule.

Texas law protects insurance customers from, “excessive, inadequate, and unfairly discriminatory rates.”⁴ According to the law, “A rate is excessive if the rate is likely to produce a long-term profit that is unreasonably high in relation to the insurance coverage provided.”⁵ Rate standards explicitly

¹ See: <https://www.unacast.com/covid19/social-distancing-scoreboard>, accessed 4/08/2020.

² Abdel Jimenez, “With fewer drivers on the road because of coronavirus, Allstate will return \$600 million in premiums to its customers,” *Chicago Tribune* (April 6, 2020), available at: <https://www.chicagotribune.com/coronavirus/ct-allstate-coronavirus-premiums-returned-20200406-jojnz57u7zfw5pmxvtrj73xsq4-story.html>.

³ <https://www.tdi.texas.gov/news/2020/covid-19-auto-insurance-actions.html>, accessed 4/08/2020.

⁴ Tx. Ins. Code §2251.051.

⁵ Tx. Ins. Code §2251.051 (b).

require that insurers consider past, but also prospective loss experience.”⁶ As your website summarizes: “Texas law requires insurance companies to charge rates that are fair, reasonable, and adequate for the risks they cover. We don’t approve rates in advance, but if we find that an insurance company’s rates are too high, we can require it to pay refunds to the people it overcharged.”⁷

The current COVID-19 pandemic has created dramatic shifts in how people work and drive across the state. It also has been accompanied by substantial financial hardship for Texas families, with unemployment at record highs and people struggling to pay for food and rent.

These broad-based economic struggles have heightened our concerns about the use credit scores in insurance pricing in Texas, particularly in the wake of the current emergency declaration. When the emergency declaration is over, millions of Texans will be recovering from a period of financial devastation. They could face unreasonable increases in insurance cost that reflect the occurrence of the pandemic rather than any additional personal driving risk. Decreases in credit scores resulting from the pandemic should not be used to justify higher insurance pricing.

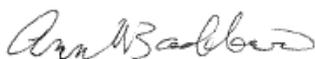
We urge you, in this time of great hardship, to take action to ensure that auto insurance companies are treating their customers fairly. It would be both an ethical and legal breach for these businesses to experience record profits based in the suffering of Texans.

We ask that you adopt rules or policies in support of fair insurance pricing in Texas:

1. Publish data comparing auto insurance losses for the first quarter of 2019 with the same data from the first quarter of 2020, to better understand how the COVID-19 pandemic is impacting losses for auto insurance providers. Continue to release this data for the duration of the emergency declaration in Texas.
2. As supported by data from auto insurers, mandate refunds to policy holders to reflect the actual risks of providing auto insurance in this crisis period.
3. Adopt rules that suspend the use of credit scoring for people impacted by the COVID-19 pandemic through loss of income, loss of employment, or through their health for at least one year after the termination of the emergency declaration in Texas.

We appreciate your attention to this urgent matter. Texans are suffering and they need relief. This crisis should not be a financial boon for an industry required to price based on risk.

Sincerely,



Ann Baddour
Director, Fair Financial Services Project

⁶ Tx. Ins. Code §2251.052.

⁷ <https://www.tdi.texas.gov/pubs/consumer/cb020.html>.