Consumer Federation of America

Testimony of Consumer Federation of America Before the District of Columbia Council Committee on Business and Economic Development—Public Performance Oversight Hearing on Auto Insurance Report and Insurance Companies' Underwriting of Fossil Fuel Projects

January 31st, 2024

Dear District of Columbia Council Committee on Business and Economic Development:

My name is Michael DeLong and I am a Research and Advocacy Associate here on behalf of the Consumer Federation of America (CFA). We are here to testify on two topics: first, we urge the Department of Insurance, Securities, and Banking to continue its work to combat unfair discrimination in auto insurance. And second, we urge the Committee and Department to work together to protect DC residents from the risks of climate change posed by the insurance industry, and for insurance companies to stop underwriting fossil fuel projects.

Auto insurers use numerous socioeconomic factors that result in safe drivers being charged unfairly high premiums and that result in unfair bias throughout the insurance process, from pricing and selling to claims handling and fraud fighting. These factors include someone's education level, job or occupation, gender, marital status, homeownership status, and credit information. These factors, as data show and history tells us time and again, disproportionately harm Black, Latino, Indigenous, and low-income residents. They also can lead to other perverse results in the market. Several years ago, Consumer Reports Magazine found that a DC driver with a clean driving record but poor credit would pay 33% more, on average, for auto insurance than a driver who has excellent credit but also a drunk driving conviction on their record. When drunk drivers pay less than safe drivers, an investigation of industry practices and algorithmic biases is the minimum that can be done.

We appreciate that the Department has undertaken an investigation of potential bias in the DC auto insurance market. We are eager to review the impending report about your findings, and we are concerned that it has not yet been released. We anticipate that a review of auto insurance premium quotes, underwriting, and pricing will be an important foundation for future efforts by the Department and the District to increase access to fairly priced auto insurance. Because the District requires every driver to purchase coverage, we believe it is incredibly important that the report be issued without delay.

Turning to another issue of pressing concern – the intersection of climate change and the insurance sector – we join with colleagues in other organizations to highlight the importance of focusing on the way in which insurance companies are contributing to rising insurance costs by underwriting fossil fuel projects. These projects, such as oil pipelines or coal fired power plants, are critical contributors to climate change and result in stronger and more frequent natural disasters and weather conditions, and that, in turn, drives up insurance premiums.[1] Without insurance, many fossil fuel companies would find it difficult to get the financing and investments they need to operate. To make matters worse, many insurers take the premiums they collect from consumers and invest them back into the fossil fuel industry. Rather than investing in risk reducing activities that would help mitigate the worst effects of climate change, insurers are turning consumer premiums against policyholders by investing them in firms that exacerbate the insurance crisis.

Right now the very companies charged with insuring consumers' homes and livelihoods against disasters are contributing to the devastating effects on their homes and lives from climate change-related floods, hurricanes, wildfires, and other natural disasters. And the damage doesn't stop there. Insurance companies are hiking premiums to pass on the higher costs of claims to their customers, harming consumers and making insurance unaffordable for many people. The insurance companies are essentially downstreaming the burden of climate change from the firms that create it to the communities that suffer under it.

We draw attention to Travelers Insurance, as it is the largest provider of commercial and homeowners insurance in the District of Columbia. Despite criticism from some shareholders and organizers, Travelers has continued to fund oil and gas related projects and strongly resisted any efforts to phase out its underwriting of these projects. An analysis by the California Department of Insurance found that Travelers was the 4th largest holder of fossil fuel-related investments.[2] Insurance companies must be held to account when the decisions they make to foster fossil fuel projects harm our climate and increases insurance costs for everyone. We support U.S. PIRG's campaign to get Travelers to stop underwriting these harmful ventures.

CFA urges the Committee to work with the Department of Insurance to protect DC residents from the risks of climate change posed by the insurance industry.

Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

Michael DeLong

Michael DeLong
Research and Advocacy Associate

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[1] "The Oil Merchant in the Gray Flannel Suit." By Alexander Sammon. *The American Prospect*. September 29th, 2021. Available at https://prospect.org/environment/oil-merchant-in-the-gray-flannel-suit/.
[2] "Changing Climate for the Insurance Sector: Research and Insights." By Ceres, ERM, and Persefoni. August 2023. Available at https://www.ceres.org/sites/default/files/reports/2023-08/Changing%20Climate%20for%20the%20Insurance%20Sector_%20Research%20and%20Insights.pdf.

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