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Consumer Advocates: Allstate's 15% Premium Cut a Good First Step, Much More Relief Needed for Drivers Idled by COVID-19

Insurer Acts after CFC Foundation, Other Consumer Groups Call for Rate Cut

Sacramento - Responding to calls from Consumer Federation of California Education Foundation and other consumer groups, Allstate took an important first step in announcing a 15% reduction in monthly automobile insurance premiums for the months of April and May. On March 24, the CFC Education Foundation called on insurance companies in California to reduce premiums for motorists who are idled under Coronavirus Stay at Home Orders. When drivers reduce their mileage, they may be entitled to premium reductions under California regulation. When roads are empty, drivers have fewer accidents, which should produce additional rate cuts that create savings for all motorists.

“Allstate set a good example in returning to its customers some of its COVID-19 windfall profits. We call on all automobile insurers to reduce their premiums now, when tens of millions of drivers are out of work and facing unprecedented economic hardship,” Richard Holober, CFC Foundation Director stated. “Contrast Allstate’s positive step with GEICO, which is hoarding excessive profits after its owner, Warren Buffett, acknowledged that accident claims are down.”

Allstate’s 15% across the board rate cut is a valuable first step, but it is inadequate for many of its customers who are suddenly unemployed or working from home. According to [2018 research](#) by Consumer Federation of America (see appendix), Allstate gives a California driver who reduces annual mileage from 12,500 to 7,500 a 27% rate cut.

Two weeks ago, CFC Education Foundation filed a petition with the California Department of Insurance calling on the Insurance Commissioner to order all insurers to immediately inform their customers of the right to get a rate cut if their mileage is reduced due to skyrocketing unemployment or Stay at Home Orders.

“Millions of California motorists are entitled to much bigger rate reductions. We have asked the Department of Insurance to develop rules that guarantee all policyholders get the full rate cut that they deserve. While Allstate’s 15% across the board cut is a blunt

instrument, all insurers should follow this lead and help their struggling customers by reducing their premiums immediately to account for lower mileage,” Holober said.

Allstate is California’s fourth largest auto insurer, earning more than \$2.6 billion in the state in 2018. Two smaller insurance carriers also announced COVID-19 rate cuts. American Family Insurance, announced a \$200 million nationwide rate cut for personal auto insurance policyholders, and Next Insurance, a commercial automobile insurance carrier announced a temporary 25% rate cut.

Link to CFCEF Petition: https://consumercal.org/wp-content/uploads/2020/03/CFC-Petition-for-Hearing_COVID-19-1.pdf

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Since 2013, the non-profit Consumer Federation of California Education Foundation and its sponsor, the Consumer Federation of California, have participated in California Department of Insurance rate cases and regulatory proceedings representing policyholder interests. CFC and the CFCEF have intervened in 15 automobile and homeowners insurance cases, saving seven million consumers over \$300 million dollars in premium payments.