

Price Optimization

Price Optimization (PO) has been coming up recently in the insurance world and many agents are expressing their concerns. Price optimization bases premiums on the maximum amount that a consumer is expected to be willing to pay rather than calculating premiums based on projected costs, such as claims, overhead and profit. We question the deceptive efforts by insurance companies who use PO to overcharge those they think can afford it. Isn't this another type of discrimination..or even redlining? We are asking agents to tell us what they think. Here is one agent's response:

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NAAFA:

If you take a look at all the questions agents ask a potential insured in order to give them a quote with "discounts", I do believe these types of questions enable such a price optimization (PO) setup.....questions such as "level of education, marital status, occupation," etc. Agents have been led to believe it is for maximum discounts, but I believe this personal information is gathered to be used for other purposes. Many have never felt credit scoring should be used in the insurance premium arena and there are many good arguments against it being used; but, it manifested its ugly head anyway. I wouldn't be surprised if PO hasn't been around for a while! A gradual process with different names! Yes, the use of same is definitely discriminatory and no wonder there are so many people that take the chance of not having *any* insurance. It is beyond their ability to pay and usually it is the low-to-average income earner with the challenging credit that gets hit with higher premiums when they are trying to dig out of debt. But what can an agent do? The quote is impossible to get without the answer to the questions. So does that enable us to stack the answers in the potential insured's favor? No, that is considered "fraud"; however, what is it called when the answers to the questions are stacked against the potential insured in favor of the insurance company's PO rating system and greed??? Why there you have it.....bias, discrimination, unethical and getting-away-with-it! Welcome to what appears to be another form of corporate theft, organized crime and state-induced, actuarial cover-ups.

[Name withheld]