

Assemblyman Collaborates With Insurance Industry to Raise Auto Insurance Rates, Invade Drivers' Privacy

by PR-NewsWire

SANTA MONICA, Calif., July 1 /PRNewswire-USNewswire/ -- Insurance companies will be allowed to install spyware in Californians' cars, and charge higher auto insurance premiums to those who refuse, under legislation authored by San Rafael Assemblyman Jared Huffman.

Proponents claim the bill will encourage motorists to drive less, but the bill grants insurance companies permission to give a discount to drivers who participate in the insurer's mileage tracking program, not those who reduce their mileage. Consumer advocates point out that the higher costs would unfairly discriminate against drivers who choose to protect their privacy by rejecting technology to monitor their driving, or those with cars too old (pre-1996, typically) to work with the tracking devices.

"Assemblyman Huffman's bill does not provide incentives for Californians to drive less. Instead, it allows insurance companies to force Californians to pay a premium for their privacy," said Carmen Balber, consumer advocate with the nonprofit Consumer Watchdog. "By not banning insurers' preferred mileage verification method - black box spyware installed in our cars - the bill sanctions them."

Assemblyman Huffman claims his bill has nothing to do with technology in cars, and calls consumer advocates' privacy concerns "silly," "extravagant," and a "phantom issue."* If this bill were not about tracking devices, citizen groups argue, then Assemblyman Huffman would have amended it to ensure that drivers don't pay higher rates for choosing to verify mileage without an insurance company-prescribed tracking device. However, such a provision to protect fair rates runs crosswise to insurance industry proponents of the bill, who have made clear that non-technological mileage verification tools are not enough.

Under current regulations, the insurance industry has the right to require consumers to provide odometer readings to verify mileage. However, most insurance companies do not verify miles driven. Insurers have argued in the media and before regulators that odometer readings are inadequate to verify mileage because industry representatives claim they are too costly and would discourage driver participation in a verification program. There are few options to verify mileage once odometer readings are rejected. The most prominent, and the clear preference of several insurance companies, is to verify drivers' mileage using technological tracking devices.

The Cost to Privacy

AB 2800 would allow insurance companies to require drivers to place technological tracking devices in their cars or pay higher insurance rates for choosing to protect their privacy. The bill does not protect Californians' privacy because it does not prohibit insurers from using on-board tracking devices to collect information -- including speed, acceleration, location and time of day -- in addition to mileage.

In fact, AB 2800 was amended in April to specifically remove a requirement that technological devices collect only mileage data. Progressive Insurance, for example, is currently tracking "how aggressively you drive" and time of day the car is on the road through their devices in other states.

By mocking these concerns as "phantom issues" Assemblyman Huffman has ignored the privacy policy implications of his bill: -- Will an insurance company invoke the black box recorder to deny a claim based on the fact that the driver had come to a screeching halt two other times in the past month?

-- Will an insurer look to avoid providing coverage to janitors who work the late shift, if the company decides that nighttime driving is riskier?

-- Will companies label certain intersections dangerous and seek to alter auto premiums for customers based on the streets they drive on?

-- Will location and other data be subject to court subpoena, as is currently the case with other tracking devices that are used, for example, by Bay Area commuters who have a FasTrak transponder to avoid bridge toll lines?

"The right to privacy is enshrined in California's Constitution, yet Assemblyman Huffman dismisses the legitimate privacy questions raised by his bill," said Balber.

Huffman, Insurers: Everybody Lies

AB 2800 would allow the insurance industry to put eyes into Californians' cars, apparently because drivers lie, in the words of the insurance industry and the author.

Michael Gunning of the Personal Insurance Federation of California told the Sacramento Bee: "I think it's ingrained, given the structure of the current system, to lie."

Bill author Huffman implied the same: "Ask yourself, what would most people do, given the opportunity to have a lower insurance rate by estimating lower miles than they actually drive?"

"If your starting point is 'average citizens can't be trusted,' then it's not much of a leap to say companies should be able to watch your every move. That kind of Big Brother mentality will only discourage people from participating," said Balber.

Mileage-based Insurance Premiums Are Already the Law in California

California law under voter-approved Proposition 103 already requires miles driven to be the second most important factor in setting insurance rates. The Insurance Commissioner, not the legislature, has the power to set regulations concerning insurance rates. The Department of Insurance has initiated a regulatory proceeding with the goal of making "pay-as-you-drive" insurance widely available in California. The first workshop was Monday, June 23, and the Department will issue draft regulations within two months.

* Santa Rosa Press Democrat, June 27, 2008; Sacramento Bee, June 30, 2008.

Source: Consumer Watchdog

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