

## Price Optimization

The term “Price Optimization” has taken a front and center place in media, legal and regulatory discussions about how insurers are digging into people’s finances, health and personal life (“data mining”) to price policies and maximize profits. Thanks to work by the Consumer Federation of America, United Policyholders, the Center for Economic Justice, Consumers Union, and others, journalists, regulators and consumers are waking up to inappropriate ways insurers are using technology.

Price optimization is a departure from traditional ratemaking, where a person’s driving record, claim history, and the features of their property are typically the most important factors in determining rates and premiums. Instead, insurers are taking into account the individual policyholder’s economic status, behaviors and habits, whether or not they are likely to comparison shop, and other information available to insurers in the age of [big data](#). UP Executive Director Amy Bach recently testified before state insurance regulators that in addition to unfairly penalizing low income consumers, price optimization wipes out the loyalty discount that customers think they’re getting by sticking with the same insurer.

On a panel at the [CPCU Society’s 2015 Annual Meeting](#), Bach and [Indiana Insurance Commissioner Stephen Robertson](#) agreed that Price Optimization is an improper rating factor because it doesn’t relate to risk of loss.

Because of concerns about the impact of price optimization on consumers, including vulnerable groups and loyal customers, regulators in [Ohio](#), [Maryland](#), [Washington](#), [Vermont](#), [Indiana](#), [Colorado](#), [California](#), [Connecticut](#), [Delaware](#), [Minnesota](#), [Montana](#), [Missouri](#), [Pennsylvania](#), and [Rhode Island](#) have issued bulletins limiting or prohibiting this unfairly discriminatory practice. [Oklahoma](#) and [Montana](#) have proposed legislation. The [Connecticut Office of Legislative Research recently prepared a helpful memo](#) on the various approaches states are taking regarding price optimization. United Policyholders, in partnership with the [Consumer Federation of America](#) and the Center for Economic Justice have asked the [National Association of Insurance Commissioners](#) to look into and regulate the practice. The NAIC has adopted a [whitepaper](#) on price optimization. Some states, including Illinois, are [intentionally staying on the sidelines](#).

United Policyholders remains committed to opposing and working with regulators to prevent insurers’



practice of implementing strategies that increase profits through unfair and in some cases - illegal means that are not transparent to their customers or the public in general. See [Allstate records raise yet more questions](#)

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