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COMPTROLLER

November 29, 2006

Governor-elect Eliot Spitzer
Office of General Services
2 Park Avenue, 14th floor
New York N.Y. 10016

Dear Governor-elect Spitzer:

I write to alert you to a particularly troubling issue regarding New York State's unjustifiably high automobile insurance rates and its impact upon all New Yorkers. These onerous rates--and the notable absence of a justifiable reason for them--are simply unconscionable.

My office has released a report regarding the disparities in New York State automobile insurance rates. Our analysis revealed significant, persistent and unjustifiable rate disparities throughout New York State--and in particular, New York City. A copy of the report is enclosed for your convenience.

Automobile insurance for New York State residents remains among the highest in the nation. This is despite the fact that automobile insurance firms have profited from sharply lower payouts in New York State and have enjoyed truly unprecedented levels of profitability. Although insurance companies agreed to reduce premiums by approximately \$500 million a year as a result of a request by the NYS Department of Insurance, this reduction is woefully insufficient to address ongoing rate inequities.

We noted that from 1990 to 2005, insurer earned premiums increased nationally at a rate 1.6 times as fast as their incurred losses but in New York State they increased 4.6 times as fast as incurred losses. Even more troubling, there appears to be a historical reluctance on the part of the Department of Insurance to enforce appropriate insurance rates consistent with NYS Insurance Law, which requires that insurance rates be responsive to competitive market conditions.

Furthermore, although the State's Insurance Law requires insurers to submit "representative" costs of automobile insurance in rating territories throughout the State, I am very concerned that consumers are being misled. We found that the insurance company representative premiums that are being submitted to the NYS Insurance Department for inclusion in the Department's annual *Consumers Guide to Automobile Insurance* can be manipulated. Indeed, because the criteria and examples used by insurers are modified--at their discretion--when insurers change their representative premiums from year to year, insurers are largely free to adjust their premiums without regard to market conditions.

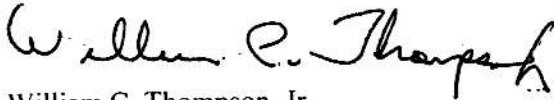
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Our office has proposed a series of measures to address this situation including: mandating an immediate 15 percent reduction in State insurance premiums, creating consistent and uniform reporting standards, permitting municipalities to petition the Insurance Department for rate reductions, updating the Insurance Department's consumer guide to provide a comprehensive list of pricing information similar to the approach used by California, and creating an office of the insurance consumer advocate within the NYS Department of Insurance.

Unreasonably high insurance rates place a significant financial strain on our residents as well as on our regional economy. I strongly urge you to closely review the pricing methods of insurance companies operating in New York as well as the operations of the Insurance Department.

We must address what has for too long been an unjustifiable and unacceptable burden upon all New Yorkers.

Very truly yours,



William C. Thompson, Jr.