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OFFICE OF
INSURANCE COMMISSIONER

Technical Assistance Advisory 2026-01[1]

TO: **Property and Casualty Insurers Doing Business in Washington State**

FROM: **Insurance Commissioner Patty Kuderer**

DATE: **October 12, 2026**

RE: **Price Optimization**

The purpose of this Technical Assistance Advisory ("TAA") is to reaffirm guidance the agency issued in 2015 addressing the practice of price optimization. That guidance noted that to the extent price optimization results in premiums, rates, or rating factors unrelated to cost and risk, it is unfairly discriminatory under Washington State law governing permissible rates.

In general, the practice of price optimization involves an insurer's use of statistical analysis, often using non-insurance data, to estimate an insured's sensitivity to price, and base the insured's premium on their estimated price sensitivity, when there is no relation to expected costs.
One example is using statistical analysis of consumer behavior to determine the premium an insured would be willing to pay at renewal before they shop for a new policy. This practice can result in two insureds receiving different premium increases, even though they have the same expected costs and risk profile. It can also result in increased premiums for insureds who keep their business with the same insurer—in other words, a loyalty penalty.

Washington State law requires that premium rates for insurance are not excessive, inadequate, or unfairly discriminatory (RCW 48.19.020). A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer (WAC 284-24-065(1)). Thus, an insured's premium must be based on cost associated with risk.

Charging different premiums to insureds based on their expected price sensitivity does not reflect a genuine difference in expected cost incurred by the insurer based on increase risk for these insureds. This practice is considered by the Insurance Commissioner to be unfairly discriminatory and in violation of Washington State law. Rates that are unlawfully discriminatory will not be approved.

Please direct any questions about this advisory to the Rates, Forms, and Provider Networks Helpdesk, at rfhelpdesk@oic.wa.gov, or at 360-725-7111.

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STATE OF WASHINGTON
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[1] This advisory is an interpretive policy statement released to advise the public of the OIC's current opinions, approaches, and likely courses of action. It is advisory only. RCW 34.05.230(1).