Consumer Federation of America

March 9, 2021

Representative Julie Fahey
District 14
900 Court St. NE, H-286
Salem, OR 97301
Rep.JulieFahey@oregonlegislature.gov

Re: HB 2043 (Support) – Reduce auto insurance inequities and promote safe driving

Dear Representative Fahey:

Consumer Federation of America (CFA) urges you to support HB 2043, which would ban the use of socioeconomic factors to determine rates for personal auto insurance. CFA is an association of over 250 national, state, and local non-profit consumer organizations that was founded in 1968 to advance the consumer interest through advocacy, research and education.

HB 2043, which is sponsored by the Oregon Department of Consumer and Business Services, was heard on February 24th in the House Business and Labor Committee. The legislation promotes safe driving by prioritizing driving related factors in premium setting, and it reduces inequities in the market by prohibiting the use of certain non-driving factors for pricing, including credit history, sex or gender, marital status, education, occupation, employment status, and residential status.

Recently, CFA conducted research on auto insurance premiums across Oregon[1] and found that a driver's gender and credit score can dramatically change how much they are charged for auto insurance, even if they have maintained a pristine driving record. Using data from 10 of the largest auto insurers in Oregon representing over 75% of the auto insurance market, CFA found that:

- Women are charged, on average, \$976.05 annually while men are charged \$876.20, all other characteristics being equal. That is a \$100, or 11.4%, gender penalty;

[1] The premium data reviewed by CFA were acquired from Quadrant Information Services, LLC and include premium quotes for minimum limits auto insurance coverage from 10 of Oregon's largest auto insurers in every ZIP code. For each company CFA reviewed the premium charged to 35-year-old drivers with different credit scores. And every premium in the database that CFA used for this analysis is for a driver who has no accidents, no tickets, and no claims in their driving history, and who drives a 2011 Honda Civic 12,000 miles per year.

- Drivers with a **Fair** credit rating are charged $311.45 more on average than drivers with an **Excellent** credit rating, a 52% credit penalty; and
- Drivers with a **Poor** credit rating are charged $674.38 more on average than drivers with an **Excellent** credit rating, a 112.9% penalty, even if the customers have perfect driving records.

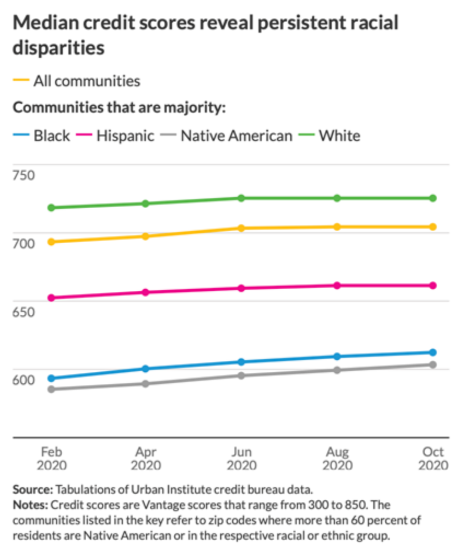
Good drivers in the ZIP code 97448 (Junction City), for example, who have **Fair** credit instead of **Excellent** credit, see average annual premiums for minimum limits insurance coverage increase from $636.55 to $923.25, an increase of 45%. If they have **Poor** credit, their premiums rise even further to $1,297.70, or 104% more than if they had **Excellent** credit. The use of credit scores in auto insurance pricing is directly harming people in your district by forcing them to pay higher premiums even if they have never caused an accident, received a ticket, or filed a claim.

A recent study by Consumer Reports looked at 900 online auto insurance quotes from nine insurers across Washington, D.C. and six states, including Oregon.[2] They found that three major insurers—GEICO, Liberty Mutual, and Progressive—charge drivers higher premiums based on their education level. For a driver with less education, GEICO charges an additional $115 per year, Progressive charges an additional $101, and Liberty Mutual charges an additional $62. GEICO and Progressive also charge drivers more if they have lower paying jobs.

When credit scores, education, occupation, and other socioeconomic factors are used to calculate insurance rights, they disproportionately harm low income drivers and drivers of color. These customers are more likely to have lower credit scores, less likely to have graduated from college, and more likely to work in blue collar jobs. The Urban Institute recently conducted a study of credit scores and found that median credit scores vary by race (see below). White Americans have significantly higher credit scores than Black, Latinx, and Native Americans,[3] which means that if the pricing of auto insurance remains tied to people's credit history, Oregon drivers of color will face disproportionately higher premiums.

[2] "Why Your Education and Job Could Mean You're Paying Too Much for Car Insurance." By Kaveh Waddell. Consumer Reports. January 28, 2021. Available at https://www.consumerreports.org/car-insurance/why-your-education-and-job-could-mean-youre-paying-too-much-for-car-insurance/.

[3] "Credit Health During the COVID-19 Pandemic." Urban Institute. February 25, 2021. Available at https://apps.urban.org/features/credit-health-during-pandemic/.



By eliminating the use of these unfair factors and basing rates primarily on driving safety, HB 2043 will help reduce auto insurance costs for those least able to afford coverage, reduce inequities in the market, bring more drivers into the market, reduce the amount insured drivers must spend on uninsured motorist premium, and incentivize safe driving. CFA urges you to support HB 2043.

We are happy to answer any questions or provide additional information; please reach out to us at douglasheller@ymail.com.

Sincerely,

Douglas Heller
Consumer Federation of America

Michael DeLong
Consumer Federation of America