



consumeraction



CR Consumer Reports™

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Cc: Joint Committee on Financial Services Members

Re: Support of S.790-An Act to Eliminate Geographic Auto Insurance Discrimination

The undersigned organizations urge your support for the redrafted version of S.790, An Act to Eliminate Geographic Auto Insurance Discrimination. This redraft seeks to create an equitable auto insurance market that more heavily weighs driving-related factors like driving record and annual mileage rather than demographic factors that correlate highly with income like zip code or homeowners insurance. Importantly, the amendments to this bill maintain existing consumer protections in Massachusetts law in order to ensure that insurance companies do not have access to loopholes by which they would replace one form of socioeconomic discrimination with another.

In 2018, the Attorney General's Office sent a letter¹ to the Joint Committee on Financial Services making the case that reform is urgently needed in the auto insurance market because it

¹ Massachusetts Office of the Attorney General. (2018, February 2). *Letter from Attorney General Maura Healey to the Senate and House Chairs of the Joint Committee on Financial Services: Premium disparities affecting minority and low-income drivers* (PDF). Commonwealth of Massachusetts. <https://harvardlawreview.org/wp-content/uploads/2018/03/AG-Healey-to-Financia-Services-Committee-Feb22018.pdf>

discriminates against Black and Brown communities and punishes poverty. They found that “in the most heavily concentrated minority and lowest income communities, drivers pay nearly twice as much for significantly less coverage than drivers with comparable driving records in the whitest and most affluent communities.” These profound disparities have not yet been addressed by the legislature.

Massachusetts’ history of redlining Black and Brown people into urban areas and excluding them from homeownership opportunities in the suburbs² should not be overlooked in the context of these rate disparities. Auto insurance companies should not be allowed to charge the same Black and Brown families that were segregated into urban areas *more than double* what their white counterparts pay in the suburbs. The legislature has a responsibility to undo the market structures that hold up and exacerbate a cycle of generational poverty that was facilitated, in the first place, by government exclusion and discrimination.

Low-income drivers are facing severe economic hardship as a result of the rising cost of living in Massachusetts. Regressive auto insurance rates are compounding the difficulty of affording life in this state and unfairly burdening our most disadvantaged communities. Massachusetts requires all drivers to purchase and maintain auto insurance and therefore the state has a responsibility to make sure this product is affordable and consumers do not experience unfair discrimination. Currently Massachusetts prohibits the use of credit scores and certain other non-driving factors, but there are important gaps in consumer protection still to be filled.

The redraft of S.790 would require auto insurance rates to be based on classifications of risk that consumers understand and support:³ the driver’s driving safety record, the number of miles they drive annually, the driver’s level of experience, and the make and model of their car. These mandatory classifications would make up 75% of the insurance rate, although insurers would be able to consider other classifications that are substantially related to loss.

Consistent with existing prohibitions against rating based on income and credit score, the redraft would also prohibit insurers from using rating factors that are closely associated with socio-economic status including homeownership insurance, territory, ZIP code, principal place of garaging, and prior insurance coverage (including the provider of prior coverage, the level of prior coverage, and the consistency of prior coverage).

² Elton, C. (2020, December 8). How has Boston gotten away with being segregated for so long? Boston Magazine. <https://www.bostonmagazine.com/news/2020/12/08/boston-segregation/>

³ Dixon, Lloyd and Anderson, James M. (2024, September 5). *Public Attitudes Toward Risk-Based Pricing and Risk-Sharing in Insurance*. “Premiums that vary with individual risk are not popular in many settings, and results suggest that many people are willing to pay considerable amounts to subsidize the insurance premiums of higher-risk individuals.” https://www.rand.org/pubs/research_reports/RRA2872-1.html

A consumer's auto insurance should be based on their driving record, not where they live or who they are. In a state that values equity, opportunity, and the idea that no matter where you come from you should be given a fair chance to succeed, this redraft would move Massachusetts significantly closer to reflecting that vision.

Sincerely,

Consumer Action
Consumer Federation of America
Consumer Reports
Public Citizen