



April 29th, 2026

Letter in Support of SB 267-Prohibits the Use of a Consumer's Credit Information and ZIP Code in the Underwriting or Rating of Auto Insurance Premiums

Chair Kirk Talbot
Louisiana Senate Insurance Committee
Room B297
State Capitol Building
900 N. 3rd St., Sub-Basement
Baton Rouge, LA 70804
senins@legis.la.gov

The Consumer Federation of America (CFA) and Real Reform Louisiana urge the Senate Insurance Committee to support SB 267, which prohibits the use of a consumer's credit information and ZIP code in the underwriting or rating of auto insurance premiums. However, as we describe below, we urge one clarifying amendment to ensure the legislation achieves its intended objective of protecting consumers from unfair and arbitrary rates.

Insurers' use of these two factors in auto insurance forces many Louisiana consumers to pay higher premiums for their coverage, even if they have a history of safe driving. Prohibiting insurers from considering these factors in underwriting decisions and setting consumer premiums will increase access to auto insurance for financially vulnerable residents and make pricing fairer for all drivers.

Louisiana currently allows auto insurers to levy surcharges on drivers based on a variety of socioeconomic factors, and two of the most harmful factors are credit information and ZIP codes. Over the past several years CFA has studied the impact of credit information on auto insurance pricing. In 2023, a CFA report found that a Louisiana driver with a good driving record and excellent credit paid an average annual premium of \$713 for the minimum required coverage. But if that same Louisiana driver only had fair credit, their premium climbed to \$1,093. If the driver had poor credit, their average premium skyrocketed to \$1,505—a 111% premium hike compared to a driver with excellent

credit.¹ This credit surcharge was imposed even if the Louisiana driver had a perfect driving record.

Other studies have found similar results. A 2015 study by Consumer Reports found that a Louisiana driver with poor credit and a perfect driving record paid an average annual premium of \$3,548, while a Louisiana driver with excellent credit and a drunk driving conviction paid an average premium of \$2,643.² Put differently, a safe Louisiana driver with poor credit paid \$905 more than a convicted drunk driver with a high credit score.

When insurance companies use credit information for underwriting and rating, certain drivers get penalized substantially more than others. Research by the Consumer Financial Protection Bureau (CFPB) has found that lower-income consumers often have weaker credit histories, and therefore face higher premiums.³ This practice also disproportionately harms Black and Hispanic consumers, who tend to have lower credit scores due to the longstanding racial wealth gap, past and present discrimination in financial services, scoring methodologies, and other persistent structural barriers.⁴ Additionally, consumers frequently have low credit for reasons that are totally unrelated to their risk of loss—for example, credit scores often fall because of the impact of student loans, unemployment, accumulated medical debt, divorce or the death of a family member, or other financial hardships. It is also important to note that insurance companies do not actually extend credit or face credit risk: a missed payment does not result in a loss for the insurer, as insurers can cancel a customer for non-payment of premium.

Research into insurers' use of ZIP codes reveals that this practice of slicing up the market into arbitrary territories defined by the postal service leads to a deep unfairness in the market. A CFA analysis found that the average premium in Louisiana ZIP codes with a white plurality is \$1,129. By contrast, the average premium in ZIP codes with a Black plurality is \$1,318—a \$189 increase, or 17% more. Our investigation also found that as the percentage of Black residents in a ZIP code increases, so do auto insurance premiums. For ZIP codes where 25-49% of residents were Black, the average premium was \$1,189. For ZIP codes where 50-74% of residents were Black, the average premium was \$1,273. And for ZIP

¹ "The One Hundred Percent Penalty: How Auto Insurers' Use of Credit Information Increases Premiums for Safe Drivers and Perpetuates Racial Inequality." By Douglas Heller and Michael DeLong. The Consumer Federation of America. July 31st, 2023. Available at https://consumerfed.org/wp-content/uploads/2023/07/Official-CFA-Credit-Score_2023-FINAL-REPORT.pdf.

² "The Secret Score Behind Your Rates." Consumer Reports. July 30th, 2015. Available at <https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm>.

³ "Consumer Financial Protection Bureau Study Finds Consumers in Lower-income Areas Are More Likely to Become Credit Visible Due to Negative Records." Consumer Financial Protection Bureau. June 7th, 2017. Available at <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-study-finds-consumers-lower-income-areas-are-more-likely-become-credit-visible-due-negative-records/>.

⁴ "Past Imperfect: How Credit Scores "Bake in" and Perpetuate Past Discrimination." National Consumer Law Center. Updated February 2024. Available at https://www.nclc.org/wp-content/uploads/2016/05/20240227_Issue-Brief_Past-Imperfect.pdf.

codes where 75% or more of residents were Black, the average premium was \$1,401. Insurance is meant to be a pooling system, but by allowing the segmentation of drivers into these small geographic territories, many communities bear too heavy a load or are shut out of the market.

In order to achieve the objective of this protection, we urge that the proposed legislation be amended to prevent insurers from ending the use of ZIP code pricing and, instead, using even smaller territories, further exacerbating the unfair pricing problem. Subsection (c)(2) of the proposed legislation should be amended as follows:

(2) No insurer shall use a single United States Postal Service ZIP code or a combination of ZIP codes in underwriting or rating a consumer for automobile insurance. ***Nor shall an insurer use any territory that is smaller in size than the ZIP Code that corresponds with any territory.***

These two factors – credit information and small geographic territories – build on and reinforce each other. A driver can pay one penalty because of the neighborhood in which they live and a second penalty because of their credit score, and these penalties can easily add up to hundreds or even thousands of dollars. Such costs make auto insurance unaffordable for many drivers, forcing them to drive without coverage.

By banning these factors with the amendment we suggest, SB 267 will protect drivers from these unfair practices, improve affordability in the Louisiana insurance market, and reduced the number of people who drive uninsured. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

Consumer Federation of America
Real Reform Louisiana