



June 8th, 2026

**Testimony from the Consumer Federation of America in
Support of S2248—Prohibits Use of Education, Occupation,
and Credit Score as Rating Factors in Automobile Insurance
Underwriting**

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Cc: Vice Chair Joseph Cryan, Committee Members

The Consumer Federation of America (CFA) urges your support for [S2248](#), which would prohibit the use of education, occupation, and credit score as rating factors in auto insurance underwriting. By banning insurers from pricing customers based on these socioeconomic factors, S2248 will make the insurance market fairer and more affordable for millions of New Jerseyans who struggle with the high cost of coverage.

New Jersey requires drivers to purchase and maintain auto insurance. The state therefore has a responsibility to make sure this product is affordable and that drivers do not experience unfair discrimination. However, under current law auto insurers charge dramatically different rates to drivers based on factors that reflect their socioeconomic status and not their driving behavior.

When insurance companies use credit history to calculate premiums – usually in the form of “credit-based insurance scores” -- consumers with less than excellent credit face premium surcharges. CFA’s 2023 report on New Jersey auto insurance premiums found that consumers with excellent credit and a perfect driving record paid an average annual premium of \$660 for basic coverage. But if those same consumers instead had fair credit, their average premium increased to \$1,087. And if they had poor credit, their average premium climbed even higher, to \$1,663. New Jersey consumers with poor credit were paying on average

152% more just because of their credit information.¹ And since auto insurance rates have increased substantially over the last several years, the surcharges are even larger.

Other reports show that education and occupation also result in penalties for consumers, forcing them to pay higher rates. A Consumer Reports investigation uncovered that GEICO, Liberty Mutual, and Progressive charged higher premiums to consumers who had less education and that GEICO and Progressive charged higher premiums to consumers who were cashiers compared to consumers who were executives.²

These penalties add up. A consumer can pay one penalty because they work as a bank teller instead of a bank executive, another penalty because they graduated from high school but not college, and a third penalty because they only have average credit. These penalties can easily result in hundreds or even thousands of dollars in additional auto insurance premiums leaving far too many New Jerseyans struggling to pay their premiums and comply with the mandatory coverage law. Insurers' use of credit history, education, and occupation also disproportionately hurts Black and Latino drivers, who are more likely to be classified in the more expensive categories of each of these non-driving rating factors.

The New Jersey State Senate has a chance to solve this problem and lower auto insurance costs for good drivers. S2248 bans educational level, employment, and credit history as rating factors in auto insurance underwriting and rating. California, Hawaii, and Massachusetts have already prohibited the use of credit score in auto insurance, and auto

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. Consumer Federation of America. July 31, 2023. Available at https://consumerfed.org/wp-content/uploads/2023/07/Official-CFA-Credit-Score_2023-FINAL-REPORT.pdf.

² "Consumer Reports Investigation Finds Some Auto Insurers Quoted Higher Premiums to Drivers With Less Education and Lower-Paying Jobs." Consumer Reports. January 28, 2021. Available at <https://www.consumerreports.org/media-room/press-releases/2021/01/consumer-reports-investigation-finds-some-auto-insurers-quoted-higher-premiums-to-drivers-with-less-education-and-lower-paying-jobs/>.

insurance companies still operate in those states without any catastrophes.

Suggested Amendment

In order to ensure clarity regarding the prohibition intended by this legislation, we think it would be helpful to add the phrase “credit-based insurance score” to the new language contained on page 2 line 26 of the legislation. It would then read, in relevant part: “or (3) credit score, **credit-based insurance score**, or any information derived from an insured’s credit report.” While we believe the language in the bill as drafted is sufficient to prevent insurers from considering consumers’ credit history, because insurers generally refer to the scores used in New Jersey as “credit-based insurance scores,” it would be useful to include that language in the law.

CFA thanks Senator Ruiz for her work on insurance and urges a favorable report on S2248. A consumer’s insurance premium should be based on their driving behavior, not their job or whether they went to college or their credit score.

Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

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