



## **YES on HB 329/SB 233 – Stop Economic Profiling in Auto Insurance**

**The Issue:** The Maryland Insurance Administration (MIA) allows insurance companies to set auto insurance rates based on: 1.) the likelihood of the driver getting in an accident; and 2.) the likelihood of a driver to file a claim.

Maryland bans the use of race and income in setting auto insurance rates but uses other “non-driving related factors” including credit, zip code, sex, marital status, homeownership, education, and occupation to set a driver’s rate.

Separately and together, these factors mean that low-income and working families pay a surcharge – they pay more because insurance companies know that lower income drivers are more likely to need to file claims to cover the costs of repair. They can’t afford not to do so, unlike wealthier drivers, who may cover the costs of a small fender bender without getting insurance involved.

So, auto insurance companies pre-charge drivers who fit a low-income “profile” a surtax on their rate – regardless of their driving record. Separately and in combination, these factors discriminate against low-wealth drivers and amount to economic profiling.

### **The Impact of Using Education & Occupation on Rates**

#### **Education:**

- A driver with a high school degree would pay \$300 more than the same driver with a college degree.
- One insurance company, Progressive, charges a man with a high school degree \$102 more a year than a man with a college degree. A woman who graduates high school pays \$138 more than a college graduate.<sup>1</sup>

#### **Occupation:**

- Progressive charges a Baltimore factory worker 33% more than the plant supervisor (\$1,818 vs \$1,362).
- A 2015 study used 1,200 online quotes to test non-driving related factors and found that major insurers increased premiums on drivers with less education and lower-wage jobs by 15% to 24%.<sup>2</sup>
- A teacher will pay more than a firefighter – both of whom will pay more than a lawyer. An unemployed person will pay the most.<sup>3</sup>

### **Who uses these factors?**

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<sup>1</sup> [Taking the Low Road](http://www.marylandconsumers.org/penn_station/folders/consumer_education/reports/Auto_Insurance_Gender_Discrimination_Research_Report__Color.pdf).

[http://www.marylandconsumers.org/penn\\_station/folders/consumer\\_education/reports/Auto\\_Insurance\\_Gender\\_Discrimination\\_Research\\_Report\\_\\_Color.pdf](http://www.marylandconsumers.org/penn_station/folders/consumer_education/reports/Auto_Insurance_Gender_Discrimination_Research_Report__Color.pdf)

<sup>2</sup> [Western New York Law Center Study, 2015](http://wnylc.com/wp-content/uploads/2015/09/July-2015-Western-New-York-Law-Center-Auto-Insurance-Report.pdf).

<http://wnylc.com/wp-content/uploads/2015/09/July-2015-Western-New-York-Law-Center-Auto-Insurance-Report.pdf>

<sup>3</sup> Kunkle, Frederick The Washington Post



In Maryland, only GEICO and Progressive use both education and occupation as factors to price insurance products. Farmers' uses occupation. None of the other auto insurance companies in Maryland use these factors.

**Companies claim that education and occupation are predictive of claim loss, but if there were actually strongly predictive, all the companies would use them—the fact that so few use them, means they are not very effective factors.**

#### **What do other states do?**

California, Massachusetts, Hawaii, and New York ban the use of these factors. This government regulation, along with additional insurance regulation, has held down the cost of insurance for consumers. A 2019 Consumer Federation of America report found that the states with the strongest regulations exhibited the lowest increase in auto insurance expenditure between 1989-2015. California, which is the most highly regulated insurance market, saw an increase of 12%, while Maryland saw an increase over the same time period of 60%.<sup>4</sup>

#### **Solution**

Maryland should pass HB 329/SB 233 to ban the use of education and occupation in setting insurance rates. Alternately, Maryland could amend HB 329/SB 233 to mirror the New York legislation, which prohibits the use education and occupation *unless a company can demonstrate that the use is not unfairly discriminatory*.

In 2017, New York banned the use of education and occupation following a three year study looking at the disparate impact by the Department of Financial Services (DFS). The DFS regulation prohibits the use education and occupation *unless a company can demonstrate that the use is not unfairly discriminatory*. None of the companies operating in New York, including GEICO, Progressive, Allstate, and others **have demonstrated that the factors are not discriminatory**.

#### **Who Benefits from this Legislation:**

- Low-wage workers who are charged more under this current system including:
  - 47,608 janitors and cleaners
  - 32,843 nursing assistants
  - 15,557 personal care aides
  - 28,030 teacher assistants
  - 71,936 retail salespersons
- High school graduates who do not pursue higher education.
- African American and Latinx Marylanders who are concentrated in low-wage, low-status service sector occupations and are less likely to pursue higher education due to systemic barriers.
- Women who are concentrated in low-wage service positions and other low-status employment.

#### **Supporters**

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<sup>4</sup> <https://consumerfed.org/wp-content/uploads/2019/02/auto-insurance-regulation-what-works-2019.pdf>



Maryland Consumer Rights Coalition

AFL-CIO, CASH Campaign of Maryland, Consumer Auto, Consumer Federation of America, Consumer Law Center, Civil Justice, Dickinson Law Firm, JOTF, Public Justice Center, The Women's Law Center, 1199SEIU

**Opponents**

Insurance companies.

**Vote YES on HB 329/SB 233 to help end economic profiling in auto insurance!**