



## Gender Equity in Auto Insurance Support HB 657

### **The Problem:**

What does your sex or your marital status have to do with your auto insurance? It has nothing to do with how you drive, but based on current Maryland law, these factors may drive up the cost of your car insurance.

### **Why Does This Happen?:**

The Maryland Insurance Administration (MIA) allows insurance companies to use a driver's sex and marital status to set their auto insurance rate. These factors, along with many others, have nothing to do with how safe or unsafe a driver may be.

MIA allows auto insurance companies to use non-driving related factors “in predicting the likelihood that you will be in an auto accident in the future or will file a claim for damages.”<sup>1</sup>

Predicting the likelihood that you will be in an accident makes sense – predicting the likelihood that you *may file a claim* economically discriminates against women, low-income drivers, and drivers of color. Each insurance company determines whether or not they will use sex and marital status when setting a rate, as well as the weight that each of these factors will have when combined with other non-driving related factors, including educational attainment, occupation, homeownership, credit, and ZIP code.

These decisions cost women – in many cases – a lot. In 2017, MCRC released new research outlining the way auto insurance companies drive up these costs for women.<sup>2</sup> The study's findings include:

- Progressive increased its rate by 39% – or \$458 annually when the model driver was a woman;
- Farmers Insurance increased its rate by 29% – or \$500 annually when the model driver was a woman; and
- A single woman's rates increase, on average across companies, by 24% compared to a 0.8%

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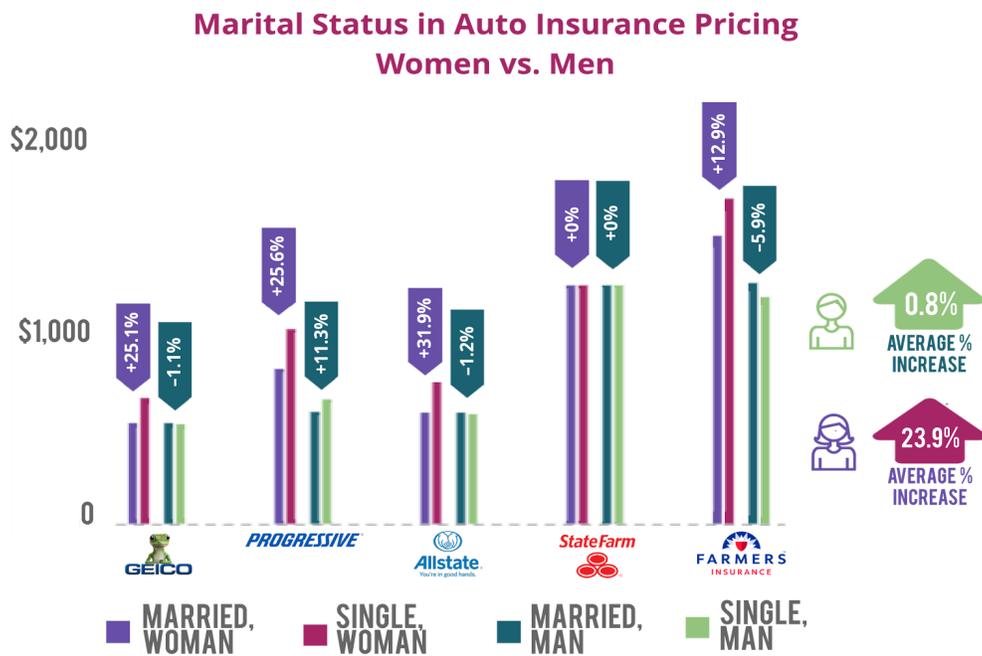
<sup>1</sup> [Auto Insurance Guide](http://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf), <http://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf>

<sup>2</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)



for single men when the model driver's marital status changed.



Similar findings were uncovered by the Consumer Federation of America (CFA), which released a national study looking at auto insurance rates between men and women<sup>3</sup>. Their research found that:

- In six instances good drivers faced premiums at least \$500 higher solely because they were female.
- GEICO charged female drivers higher premiums 83% of the time, with surcharges on women averaging \$176 annually, including average penalties of \$143 on young female drivers compared with young male drivers;
- Progressive charged women more 60% of the time, while Allstate, Liberty Mutual, and

<sup>3</sup> [CFA Research Gender and Auto Insurance](https://consumerfed.org/press_release/large-auto-insurers-charge-40-60-year-old-women-higher-rates-men-often-100-per-year/),

[https://consumerfed.org/press\\_release/large-auto-insurers-charge-40-60-year-old-women-higher-rates-men-often-100-per-year/](https://consumerfed.org/press_release/large-auto-insurers-charge-40-60-year-old-women-higher-rates-men-often-100-per-year/)



Farmer's each charged men higher rates more frequently.

Auto insurance companies are driving up costs for women by hundreds of dollars a year – simply for being a woman. At the same time, women's wages continue to lag behind men's wages – a fact that is especially true for women of color.

Insurance companies justify the use of these rate factors by noting that the factors are correlated to the likelihood of a driver filing a claim. However, this claim does not stand up to scrutiny. If sex were an actuarially sound factor, all Maryland insurance companies would use the factor – but that's not the case.

**Table 1: Auto Insurance Companies Use of Marital Status and Sex to Set Rates**

	State Farm	GEICO	All State	Progressive	Far mers	Liberty	Nationwide	MAIF
Marital Status	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sex	No	Yes	Yes	Yes	Yes	Data not available	Data not available	Data not available

As Table 1 demonstrates, not all insurance companies use these factors – the inconsistent usage casts doubt on their predictive ability. In addition, for those companies that do use these particular rate factors, the results are mixed: in many cases women pay more, but at times, men do. The inconsistency of usage and outcomes suggests that claims of correlation are deeply flawed.

**Solution:**

Women are paid less than men and are being charged more for a product they are required to purchase by the state of Maryland. This is an issue of gender discrimination and bias – pure and simple. To address this issue, the Maryland General Assembly should pass legislation to remove sex and marital status from the list of rating factors auto insurance companies use to price their products.