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March 3, 2021

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 805 – Motor Vehicle Insurance – Rate Filings – Discrimination, Trade
Secrets, and States of Emergency (SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 805 submitted by Senator Douglas J.J. Peters. The bill permits the Insurance Commissioner to require a private passenger automobile insurer to reduce rates during a State of Emergency and prohibits the use of residential territory in the rating of a private passenger automobile insurance policy. Proponents of using territory to rate insurance policies often argue that certain territories are indicative of an increased risk of loss. But driving habits do not factor in any way into an individual's residential territory and, likewise, one's residential territory does not affect one's driving habits.

Use of territory in setting automobile rates results in arbitrary situations, such as neighbors paying significantly disparate rates because one neighbor's house is in one jurisdiction while the other neighbor's house is in another. The choice of where to live may be determined by a number of factors, including cost, where a person works, ability to access public transportation and relative distance from family and friends, among other things. For some, they may choose to live in what is currently considered a higher-risk territory, but primarily use public transportation; or they may choose to live in an area considered a lower-risk territory but drive long distances to get to work and see family on a regular basis. However, the decision of where to reside does not necessarily translate to a higher risk of an automobile loss. Even if an individual drives the average amount for a particular territory, this does not necessarily mean that he or she is a higher or lower risk merely due to where he or she resides. Instead, those rates should be based on the driving history and rating characteristics of the individuals and their vehicles. This is the only way of truly ensuring that the individual is properly rated for the risk he or she presents, rather than his or her current residential territory.

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For these reasons, we ask that the Finance Committee return a favorable report on this bill.

cc: The Honorable Douglas J.J. Peters
Members, Finance Committee