

Testimony of Consumer Federation of America in Support of HB 125— Motor Vehicle Insurance –Discrimination in Underwriting and Rating— Use of Gender

January 20th, 2022

Chair Wilson, Vice Chair Crosby,

Consumer Federation of America (CFA) submits the following testimony in support of HB 125—Motor Vehicle Insurance—Discrimination in Underwriting and Rating—Use of Gender. This bill would ban automobile insurance companies from rating or underwriting auto insurance based on someone’s gender. The bill will end gender discrimination in the auto insurance market that currently forces Maryland women to pay more on average for auto insurance than men.

CFA is an association of non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education. Over 250 groups participate in the federation and govern it through our representatives on the Board of Directors. For decades we have worked to make auto insurance more affordable and ensure that consumer voices are heard. Our testimony is based on our years of experience monitoring insurance markets and premiums, collecting and analyzing data, and hearing from consumers about the rising costs of auto insurance. We strongly support HB 125 and urge a favorable report on this bill.

Maryland currently requires all drivers to purchase auto insurance. Because of this requirement, the Legislature has a special responsibility to ensure that this mandatory product is affordable and that auto insurers do not unfairly discriminate against drivers. Consumers believe that auto insurance costs should be based on their driving safety history and experience behind the wheel. This includes, for example, whether or not they have caused accidents, received multiple tickets, or been convicted of driving under the influence of alcohol.

However, insurers use numerous other non-driving related factors to charge drivers higher premiums, even if they have perfect driving records. One of the factors used to determine rates is gender—in Maryland, several of the largest auto insurers charge women more than men.

In fall 2020, CFA acquired auto insurance premium data from Quadrant Information Services, LLC for premiums charged by the ten largest auto insurers for every ZIP code in Maryland. Statewide, our analysis found that a 35 year old male driver pays an average premium of \$1,099. But a 35 year old female driver with the same driving record and all other factors held constant pays an average premium of \$1,124. Eight of Maryland’s top auto insurers charge women higher premiums, with women paying those companies \$57 more than men on average. As a result, many women get charged a “pink tax” for driving simply because of their gender, even though they have exactly the same driving history as their male counterparts.

The chart shows the ten largest auto insurers in Maryland and the average premiums charged to both men and women.

Auto Insurer	Average Premium Charged to 35 Year Old Single Male	Average Premium Charged to 35 Year Old Single Female
Allstate	\$1,208	\$1,293
Berkshire Hathaway (GEICO)	\$1,219	\$1,317
Erie	\$924	\$915
Maryland Automobile Insurance Fund	\$1,287	\$1,296
Nationwide	\$1,213	\$1,222
Progressive	\$1,077	\$1,231
State Auto	\$1,337	\$1,280
State Farm	\$1,061	\$1,061
Travelers	\$1,042	\$1,009
USAA	\$618	\$618
Overall Total	\$1,099	\$1,124

Allstate, GEICO, Maryland Automobile Insurance Fund, Nationwide, and Progressive charge women more than men. Erie, State Auto, and Travelers charge men more than women, and State Farm does not use gender as a rating factor at all. The worst offenders are Progressive, which charges women \$154 on average, and GEICO, which charges women \$98 more on average.

This behavior also occurs in all Maryland counties across the state. Our analysis found that the largest difference in pricing occurs in Baltimore City, where women are charged \$68 more on average, and in Baltimore County, where women are charged \$36 more. Auto insurers claim that considering gender of policyholders is a useful way to assess drivers' risk and to establish their premiums. But there is little proof that gender is an actuarially useful factors, since the insurers that use this factor weigh it irregularly – with some pricing as though women are riskier drivers and others pricing as though men are -- and some do not use it at all. Moreover, six states—California, Hawaii, Massachusetts, Michigan, North Carolina, and Pennsylvania—already prohibit gender discrimination in auto insurance.

Gender discrimination leads to women, and in some cases men, paying higher auto insurance premiums despite pristine driving records. Furthermore, in many areas auto insurance is a significant burden for Maryland drivers, who require cars for transportation but face unaffordable coverage. HB 125 would eliminate the harmful discrimination on the basis of gender and move Maryland toward a fairer marketplace for all drivers.

CFA strongly urges all committee members to support this bill. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

Michael DeLong

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