

**Testimony to the House Economic Matters Committee
H125: Motor Vehicle Insurance – Discrimination in Underwriting and Rating – Use of Gender
Position: Favorable**

January 20, 2022

Delegate C. T. Wilson, Chair
House Economic Matters Committee
Room 231, HOB
Annapolis, Maryland 21401

Cc: Members, House Economic Matters Committee

Honorable Chair Wilson and Members of the Committee:

My name is Isadora Stern I am a policy associate with the Maryland Consumer Rights Coalition. MCRC is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

MCRC is in strong support of HB125.

Currently the Maryland Insurance Administration (MIA) allows insurance companies to use a number of non-driving related factors including a driver's gender to set auto insurance rates. While the correlation between gender and a person's ability to drive remains unclear, it is clear that gender and other non-driving related factors increase the cost of car insurance for low-income drivers of color and perpetuate systemic bias based on gender, gender orientation, and gender identity.

MIA also 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."¹ 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 gender when setting a rate, as well as the weight that this factor will have when combined with other non-driving related factors, including educational attainment, occupation, homeownership, credit, and zip code.

The use of gender costs women – in many cases – a lot. MCRC released new research outlining the way auto insurance companies drive up these costs for women.² By examining the average annual premium costs of those insured by Maryland's top ten auto insurance companies we see that women pay more than men for auto insurance in every county in Maryland. The difference varies by geography and carrier, but women pay on average between \$15 more in Talbot county to nearly \$68 more in Baltimore city for their annual premiums. Of

¹ [Auto Insurance Guide](#),

<http://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf>

²<https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/61e6e0f23d4fa34e2a741826/1642520819114/MCRC.2022.Report.GenderDiscriminationAutoInsurance%282%29.pdf>

the top ten insurance companies, eight use gender as a rate factor. The most egregious offenders are Progressive, which charges women \$154 more, and GEICO, which charges \$98 more for women's annual premiums.

Auto insurers argue that considering the gender of policyholders is a useful way to assess driving risk and establish their premiums. However, there is little proof that gender is an actuarially sound factor. For one, not all Maryland insurance companies use this factor. Inconsistent usage casts doubt on the predictive ability of this factor. In addition, companies that do use gender as a rate factor weigh the factor irregularly; in many cases women pay more, but at other times men do. The inconsistency of usage and outcomes suggests that claims of correlation are deeply flawed.

Furthermore, the passage of the Affordable Care Act (ACA) set a precedent for the removal of gender discrimination in insurance ratings. Health insurers are not allowed to use gender as a factor when setting health insurance rates and auto insurance should be analogous.

Gender does not exist in the binary we were taught to believe it does thirty years ago when this factor emerged in insurance rating. Eliminating gender as a rate factor will bring the rating process in-line with existing legislation that allows drivers to select "X" as a gender on a driver's license. If a person does not prescribe to a binary gender, an insurer should not be allowed to assign one to them.

HB125 will make auto insurance in Maryland more fair and affordable by removing gender – saving women money and creating more equitable insurance schemes. Maryland should join the six states that have already removed gender from insurance underwriting. All of Maryland's top ten insurers (with the obvious exception of MAIF) have continued to operate and thrive in states that have eliminated gender and rates did not increase dramatically for policyholders. In fact, because of the inconsistent use and weight of gender as a rate factor, premiums will decrease for some policy holders.³ The removal of gender in auto insurance rating will not harm the competitiveness of Maryland's insurance market, but it will eliminate discrimination and increase the safety of our roads.

For all these reasons, we strongly support HB125 and urge a favorable report.

Sincerely,

Isadora Stern
Policy Associate

³https://consumerfed.org/press_release/large-auto-insurers-charge-40-60-year-old-women-higher-rates-men-often-100-per-year/