

February 15, 2021

House Committee on Business and Labor
Oregon Legislative Assembly
900 Court St NE
Salem, OR 97301

RE: Written testimony by the Stop the Debt Trap Alliance on HB 2043, Directs insurer to consider only specified information in determining rates for motor vehicle liability insurance policy.

Chair Holvey, Vice-Chair Bonham, Vice-Chair Grayber and Members of the Committee:

The Stop the Debt Trap Alliance (SDTA) welcomes the opportunity to write in support of HB 2043, which would prohibit automobile insurers operating in the State of Oregon from considering credit history (among other factors) in determining rates on motor vehicle liability insurance policies.

The Stop the Debt Trap Alliance is a coalition of organizations representing diverse constituents across Oregon to promote laws and business practices that equitably serve the interests of all consumers, particularly communities of color and those with the lowest incomes. The Alliance stands up for Oregonians challenged by economic injustices and provides a voice for consumers in Salem and in local governments where policy decisions are being made.

The SDTA is supportive of HB 2043, and believes that it would promote equity in determining auto insurance rates. We believe that HB 2043 particularly stands to benefit Black, Indigenous and People of Color who currently experience higher instances of lower credit scores or credit invisibility.

Background

The cost auto insurance policies can be determined by a number of factors including driving record, geographic location, age, gender, the car itself, and the vehicle owner's credit score.

In the example of credit history, a credit score provides context of a consumer's history of borrowing, making payments, and their current portfolio of debt. The consumer's credit score is designed to help lenders (as well as insurance firms) determine a consumer's ability to pay, or risk of default. In the context of automobile insurance, a consumer should expect to pay more in their automobile insurance policy if they have a credit score that is less than Very Good or Excellent (i.e. less than 740).

While data specific to Oregon are not as readily available as they are in other states in measuring the impact of credit history on auto insurance rates, recent data published by the Consumer Federation of America finds that good drivers in Washington State face significant penalties if the policyholder has anything less than an excellent credit history. Auto insurance penalties rise by 35% if drivers have Fair credit histories rather than Excellent credit, and those with Poor

credit pay 79% more on average. Premiums in larger metropolitan areas see a significant rise in premiums. Seattle residents, for example, can expect to see an average annual premium rise of \$508 for a safe driver with Poor credit.

It is also important to draw connections to racial disparities in credit health and credit access in the context of auto insurance. Census data and data collected by the Federal Reserve both illustrate that BIPOC communities, particularly Black and Latinx communities in the U.S. are more likely to have lower credit scores or be credit invisible. This implies that BIPOC communities pay more in automobile insurance relative to White people.

Due to the fact that automobile owners in the State of Oregon are required to have an active automobile insurance policy that covers their vehicle, the practice of determining insurance rates on a factor that disadvantages BIPOC communities is inherently regressive and further disadvantages these communities. It is also not accurate to argue, in the context of using credit scores to determine insurance rates, that these factors are race neutral.

Remarks on the HB 2043

Unless racial disparities in credit history and credit health are addressed in the U.S. and in the State of Oregon, the SDTA believes that using credit scores as a determinant for automobile insurance rates serves as a proxy factor for race. HB 2043 proposes to specifically prohibit an auto insurer from considering a consumer's credit history when determining auto insurance rates. In addition, SDTA supports the bill's intention to additionally ban the following factors about a consumer from consideration:

1. Sex or gender,
2. Marital status,
3. Previous accidents in which the consumer was not at fault,
4. Education,
5. Occupation,
6. Employment status,
7. Residential status,
8. Information about other members of the household who are not licensed to drive, and
9. Criminal history

In addition, HB 2043 prescribes a list of factors that an auto insurer can only consider in determining auto insurance rates, which include 1.) driving history, 2.) the number of miles the consumer drives, and 3.) their driving experience. The auto insurer may also consider any other information that is related these items, or is permitted by rulemaking by the Department of Consumer and Business Services.

HB 2043 is a succinct and elegant solution to the issue of using information that disadvantages and overcharges BIPOC communities on their auto insurance by simply precluding the consideration of these factors, and focusing solely on the driving behavior.

We urge the committee to support HB 2043. Thank you for the opportunity to write in support of this important measure.

Sincerely,

A handwritten signature in black ink that reads "Loren E. Naldoza". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Loren Naldoza

On Behalf of the Stop the Debt Trap Alliance