

House Bill 2920

Feb. 22, 2023

Division of Financial Regulation



Department of Consumer
and Business Services

Use of credit history in auto insurance

Issues with using credit history:

1. Discriminatory effect on communities of color and low-income consumers
2. No direct link to safe driving
3. Accuracy and reliability issues
4. Not well understood by consumers

Issues with using credit history

Discriminatory effects on communities of color and low-income consumers

Black and Hispanic consumers are more likely to have lower credit scores, errors on scores, and lack enough credit history to generate a score.

❖ Even among people at the same income level

Credit history:

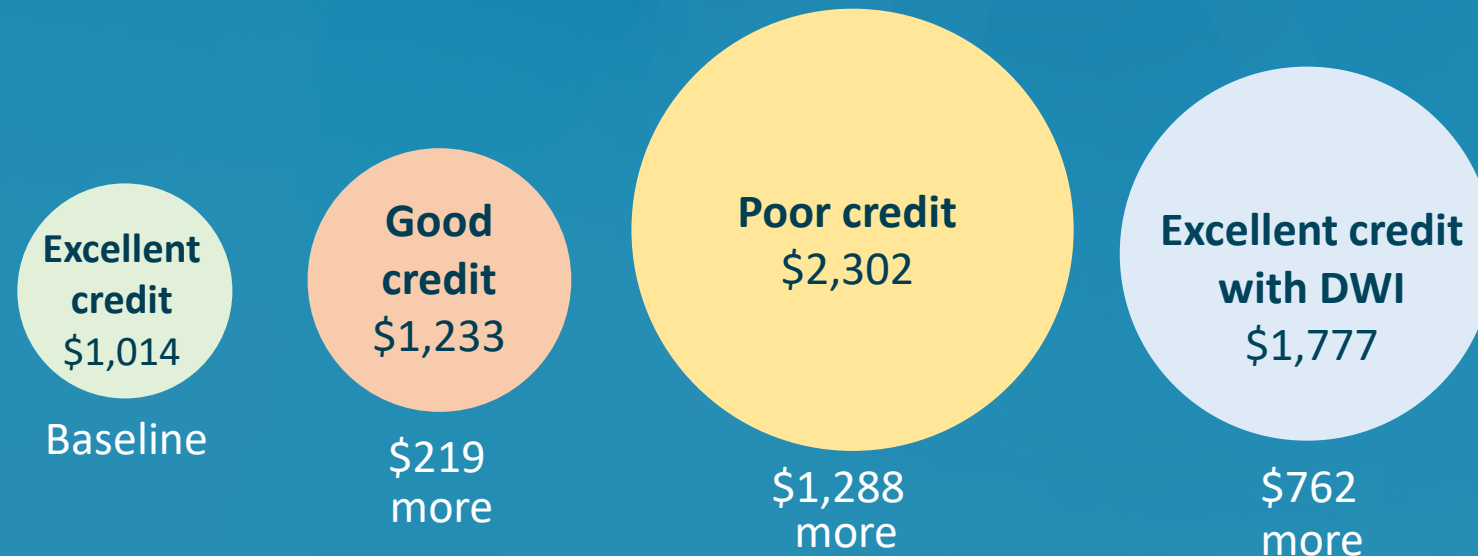
- Reflects redlining, predatory lending, and economic discrimination
- Reflects lack of access to banking services and credit
- Fails to acknowledge responsible financial decisions like on-time rent, utility, or small dollar loan payments

Issues with using credit history

No direct link to safe driving

A low credit-based insurance score can result in a higher auto insurance premium, even with a clean driving record.

A Consumer Reports study shows:



Insurance market impacts

The reduction in cost for people with poor scores is **greater than** the increase in premiums for people with good or excellent scores.

The insurance market remains strong in states that prohibit the use of credit score and other factors.

Some insurance companies are making changes to remove the use of credit from their rating algorithms.

Group affiliation discounts, such as those provided to alumni from university or members of labor or law enforcement trade organizations, would still be allowed to access those group discounts.

Fair auto insurance rating

HB 2920 will create a fair auto insurance rating system in Oregon through:

Promoting safe driving behaviors

- Driving safety record
- Miles driven
- Years of driving experience

Prohibiting discriminatory factors

- Credit history
- Sex and gender
- Marital status
- Occupation
- Education level
- Housing status

Providing more consumer protections

Additional info: fair auto insurance rating

Prohibiting discriminatory factors

Sex and gender (CA, HI, MA, MI, NC, PA)

Marital status (HI, MA, MI, MT)

- Consumer reported his premium increased following the death of his wife

Additional info: fair auto insurance rating

Prohibiting discriminatory factors

Education (CA, GA, HI, MA, MI, NY, NC)

Employment status (CA, GA, HI, MA, MI, MN, NY)

Occupation (CA, GA, HI, MA, MI, NY)

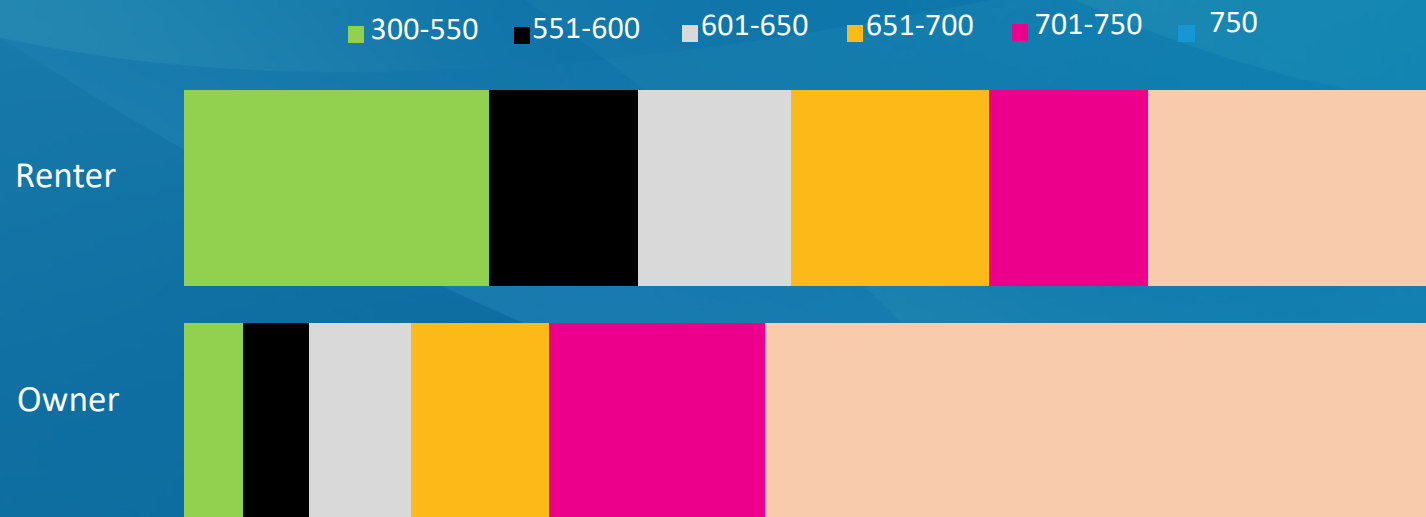
- People in trade or administrative positions pay higher rates than management (DFR, 2014)
- Black and Hispanic people are less likely to hold positions categorized as management or professional (U.S. Bureau of Labor & Statistics, 2020)

Additional info: fair auto insurance rating

Prohibiting discriminatory factors

Housing Status (CA, HI, MA, MI, MN)

- Credit profiles are closely related to whether a person rents or owns their home (Urban Institute, 2016)



Source: Author's calculations using ACS PUMS data and matched credit bureau and property record data

Summary

HB 2920 would prohibit discriminatory auto insurance rating factors, such as sex, gender, employment status, and credit history.

- Oregonians with less favorable credit history may pay up to two times more for auto insurance each year.
- Use of credit history has a negative disproportionate effect on Black and Hispanic communities harmed by economic discrimination.
- Total insurance premiums do not increase or change when the underlying rating system changes.