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My name is Anna Laitin and I am the Director of Financial Policy for Consumer Reports (CR), based here in our Washington, DC office.[1] On behalf of my organization, I thank you for inviting our testimony. Consumer Reports is an independent, nonprofit member organization that works side by side with consumers for truth, transparency, and fairness in the marketplace. We use our rigorous research, consumer insights, journalism, and policy expertise to inform purchase decisions, improve the products and services that businesses deliver, and drive regulatory and fair competitive practices.

Over the course of the last 25 years, Consumer Reports has advocated in the courts, before state agencies, and in legislatures to improve insurance. We have addressed issues such as automobile insurance rating factors, the affordability of coverage, and insurance redlining.

As we have long argued, the appropriate basis for auto insurance pricing is by risk. Risk in auto insurance should primarily be defined by the insured's driving record, length of driving history and miles driven per year. The insurance industry's Christmas tree approach of adding new and different ratings factors in setting its prices – when the law permits it – obscures this basic fact: consumers should be priced by how they drive and not who they are.

To protect its residents against unfair and discriminatory pricing practices, Washington DC should ban the use of credit history, education and occupation as ratings factors, and base pricing and underwriting primarily on driving-related factors.

I. Background: Auto Insurance Ratings Factors

Insurance companies regularly consider driving-related and non-driving related factors in pricing automobile insurance policies. Typical driving-related factors include an insured's driving record, number of miles driven per year, and years of driving experience. Common non-driving related factors considered can include credit history, education level, occupation, homeowner vs. renter status, and marital status, to name a few. State laws often dictate which factors must or may be considered and how much weight the factors can have in overall pricing decisions.

The impact on pricing depends upon which factors are used, whether they are mandatory or discretionary, and how much weight each factor is given in the overall pricing of a consumer's auto insurance policy. When driving-related variables are considered first and foremost in pricing, good drivers pay less and bad drivers pay more, even if some non-driving related factors are allowed.

Of the non-driving related factors considered in pricing policies in many states, there are several commonly used variables that Consumer Reports has long argued should be banned in every state. These are factors that may more closely reflect an individual's socioeconomic standing. And they closely correlate with race and income, which are rating factors prohibited in every state as unfairly discriminatory. In this category we place credit based data, education level, and occupation. The

[1] Consumer Reports is the world's largest independent product-testing organization. It conducts its advocacy work in the areas of privacy, telecommunications, financial services, food and product safety, health care, among other areas. Using its dozens of labs, auto test center, and survey research department, the nonprofit organization rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 6 million members and publishes its magazine, website, and other publications.

unfairness of considering these factors is most glaring when excellent drivers are charged much more for their auto insurance than other drivers who have a poor safety record.

California as a Model

California has had a regulatory pricing structure in place since 1988 that requires that driving related factors tied directly to the individual's performance (driving safety record), frequency as a driver behind the wheel (number of miles driven per year) and skill level (years of driving experience) – in this order – be the prime determinants in establishing auto insurance rates for consumers.[2] The law requires that insurers give these factors more weight in pricing decisions. The law permits consideration of non-driving related factors "that have a substantial relationship to the risk of loss."[3] And key non-driving factors are not permitted to be considered at all, including credit score, education, employment, and continuity of coverage.

As a result, in California, how one drives matters most in how much one pays for auto insurance and this has proven to be a successful model for insurance rate regulation. In 2019, Consumer Federation of America examined the impact of this legal structure and concluded that California's insurance market remains robust and competitive and that the best practices have saved consumers $154 billion in auto insurance premiums from 1989 to 2015. Many factors contribute to its success in addition to the requirements on ratings factors, including requiring the prior approval of rate changes and opportunities for the public to participate in ratemaking process.[4] Not only are good drivers in California are rewarded with lower premiums, but the auto insurance marketplace in California is thriving with the participation of nearly every major insurer operating nationwide. And these drivers do not have to subsidize bad drivers who in many other states may get more favorable treatment when driving related factors do not count most and some non-driving related factors, particularly credit rating, education level, and occupation are considered.

Even under the best regulatory systems, discriminatory impacts can arise. California's laws however, enable the Commissioner to quickly respond and address these problems when they arise. In 2017, Consumer Reports and Pro Publica published a joint investigative report on auto insurance pricing: "Car Insurance Companies Charge Higher Rates in Some Minority Neighborhoods."[5] In four states where the appropriate zip-code level data were available, the report revealed substantial disparities in auto insurance prices between minority and nonminority neighborhoods, disparities wider than average risk could explain. CR called on the California Insurance Commissioner to conduct a review, since the findings raised questions about how insurers were setting auto insurance prices.[6] The review linked the pricing disparities to incorrect applications of a provision in California law.[7] As a result of the review,

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[2] Proposition 103 enacted Sections 1861.05-1861.14 of the *California Insurance Code.*

[3] California Insurance Code § 1861.02(a)(4)

[4] Consumer Federation of America, Auto Insurance Regulation: What Works 2019: How States Could Save Consumers $60 Billion a Year, February 11, 2019, available at: https://consumerfed.org/wp-content/uploads/2019/02/auto-insurance-regulation-what-works-2019.pdf.

[5] Consumer Reports, Car Insurance Companies Charge Higher Rates in Some Minority Neighborhoods (2017), *available* at: https://www.consumerreports.org/consumer-protection/car-insurance-companies-charge-higher-rates-in-some-minority-neighborhoods/.

[6] Letter from Consumers Union to California Department of Insurance (April 5, 2017), available at: https://advocacy.consumerreports.org/wp-content/uploads/2017/05/FINAL-CA-Insurance-letter-April-2017.pdf.

[7] California Requires Auto Insurers to Adjust Rates After CR, ProPublica Investigation (Sept. 20, 2017) https://www.consumerreports.org/consumer-protection/california-requires-auto-insurers-adjust-rates-after-cr-propublica-investigation/.

Nationwide and USAA were required to adjust their auto insurance rates.[8] The department said that the adjustments would largely erase the racial disparities we found in the two companies' pricing.[9]

II. Use of Credit Scores for Pricing and Tier Placement

Most consumers are not aware of the role that credit scores can play in pricing auto insurance. According to a 2005 national survey of 1,578 Americans by the Government Accountability Office, two-thirds of consumers did not not know that credit histories could affect insurance coverage or premiums.[10] Those that do oppose the practice.[11]

Consumers have good reason to be deeply concerned about the use of credit scores for pricing auto insurance, because the underlying credit reports used to calculate these scores are too often riddled with errors and inaccuracies. Consumer Reports research shows that one in five consumers who checked their credit reports found errors that could negatively affect their credit scores. Of those who found errors and tried to correct them, more than half - 58% - faced challenges (e.g. were ignored, confused, rejected, or lied to) with credit reporting agencies or data furnishers in their pursuit to resolve credit report errors.[12] Other organizations have made similar findings.[13]

The credit standing of consumers can be unfairly damaged by mistakes made by the credit reporting companies and the data furnishers, such as banks, financial companies and retailers. It is therefore highly questionable for auto insurance companies to then use this information for pricing, underwriting and tier placement purposes. There may also be a substantial lag time and lack of follow-up by creditors in removing non-existent debts from collections.

Even if credit reports were perfect, the lack of transparency around the special scores that insurers use raise questions. While credit reports were originally developed for "credit-granting purposes," beginning in the 1990s, insurance companies began to use credit history for pricing and underwriting purposes. To prepare insurance credit scores, insurance companies buy data from credit reporting agencies, and cherry-pick particular variables and measures to create proprietary, secret algorithms for calculating an insurance credit score, that is unique to that company, and not the same as the more common FICO score that consumers may see. This secretive insurance industry practice means consumers are being judged on

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[8] *Id.*

[9] *Id.*

[10] U.S. Government Accountability Office, Credit Reporting Literacy: Consumers Understood the Basics and Could Benefit from Targeted Educational Efforts, GAO-05-223, March 2005, p. 63, available at: https://www.gao.gov/assets/250/245667.pdf.

[11] A 2012 national survey commissioned by the Consumer Federation of America found that only 31 percent of the public thought it was fair for insurers to use credit scores in setting auto insurance rates, while 67 percent disagreed. 47 percent of the total sample of 1,000 people stated that the use of credit score was "very unfair." *See* ORC International, Auto Insurance Omnibus (June 7-10, 2012), commissioned by Consumer Federation of America. Cited in: Brobeck, Stephen, J. Robert Hunter, and Thomas Feltner. "The Use of Credit Scores by Auto Insurers: Adverse Impacts on Low- and Moderate-Income Drivers." Consumer Federation of America, December 2013, available at http://www.consumerfed.org/pdfs/useofcreditscoresbyautoinsurers_dec2013_cfa.pdf.

[12] *How Your Credit Card Can Help You—Or Hurt You*, CONSUMER REPORTS, Nov. 2014, *available at* http://www.consumerreports.org/cro/magazine/2015/01/how-your-credit-report-can-help-you-or-hurt-you/index.htm .

[13] FED. TRADE COMM'N, REPORT TO CONGRESS UNDER SECTION 319 OF THE FAIR AND ACCURATE CREDIT TRANSACTIONS ACT OF 2003 2 (2012) [hereinafter 2012 ACCURACY REPORT], *available at* https://www.ftc.gov/sites/default/files/documents/reports/section-319-fair-and-accurate-credit-transactions-act-2003-fifth-interim-federal-trade-commission/130211factareport.pdf.

measures that are not visible and transparent, and that vary from company to company. While insurance companies are required to provide adverse action notices if a decision is made to reject customers or raise their rates, customers cannot reasonably know how the insurance company is calculating the insurance score, and the specific information they are relying on to make their pricing and underwriting determinations.

In addition to the problems with the credit reports themselves, Consumer Reports has been making the case for years that the use of credit information to price insurance can have discriminatory impacts, and should not be allowed. In our first report on the subject in 2006, we wrote (as Consumers Union):

> Credit-based underwriting and pricing in insurance is becoming increasingly commonplace, but at a high price to consumers. Consumers Union opposes both the practice and the sanctioning of this practice because using credit information as the basis to make decisions about insurance is both unnecessary and unfair to consumers. Using credit information in insurance decisions leads to a discriminatory impact which makes insurance more expensive for low-income consumers and for members of some minority groups who are otherwise good insurance risks. The practice is unnecessary because insurers have many other rating and underwriting factors at their disposal to properly rate a policy. There is no need to use a factor that has a discriminatory impact and makes essential insurance products, such as homeowners and automobile insurance, less affordable thus less available for consumers.[14]

Since that time, additional investigation has provided more backing for our concerns that the use of credit scores can lead to discriminatory outcomes. And that overreliance on these scores can punish good drivers with poor credit.

2015 Investigation Demonstrates the Impact from Rating Based on Credit Scores

In September, 2015, Consumer Reports published the results of a two-year investigation into auto insurance pricing, that revealed a very serious problem with auto insurance pricing in many states where credit history is allowed. We gathered more than 2 billion price quotes across 33,419 general U.S. ZIP codes to understand the factors that raise rates.[15] Our investigation revealed that how one drives may have little to do with how much one pays.

Credit score seems to play a particularly important role in pricing auto insurance. At the national level, Consumer Reports found that single drivers with clean driving records paid an average of $190 more for merely having "good" credit, compared to consumers with "excellent" credit. That national difference was $1,200 for consumers with "poor" credit scores. However, the differences were even sharper in Washington, D.C., where a driver with a clean driving record, but only "good" instead of "excellent" credit history would pay $229 more in premiums. A driver with a clean driving record and "poor" credit would pay a whopping $1,534 more.

Perhaps even more shocking, consumers with clean driving records but with poor credit paid considerably more for their auto insurance than drivers with a drunk driving conviction but an excellent

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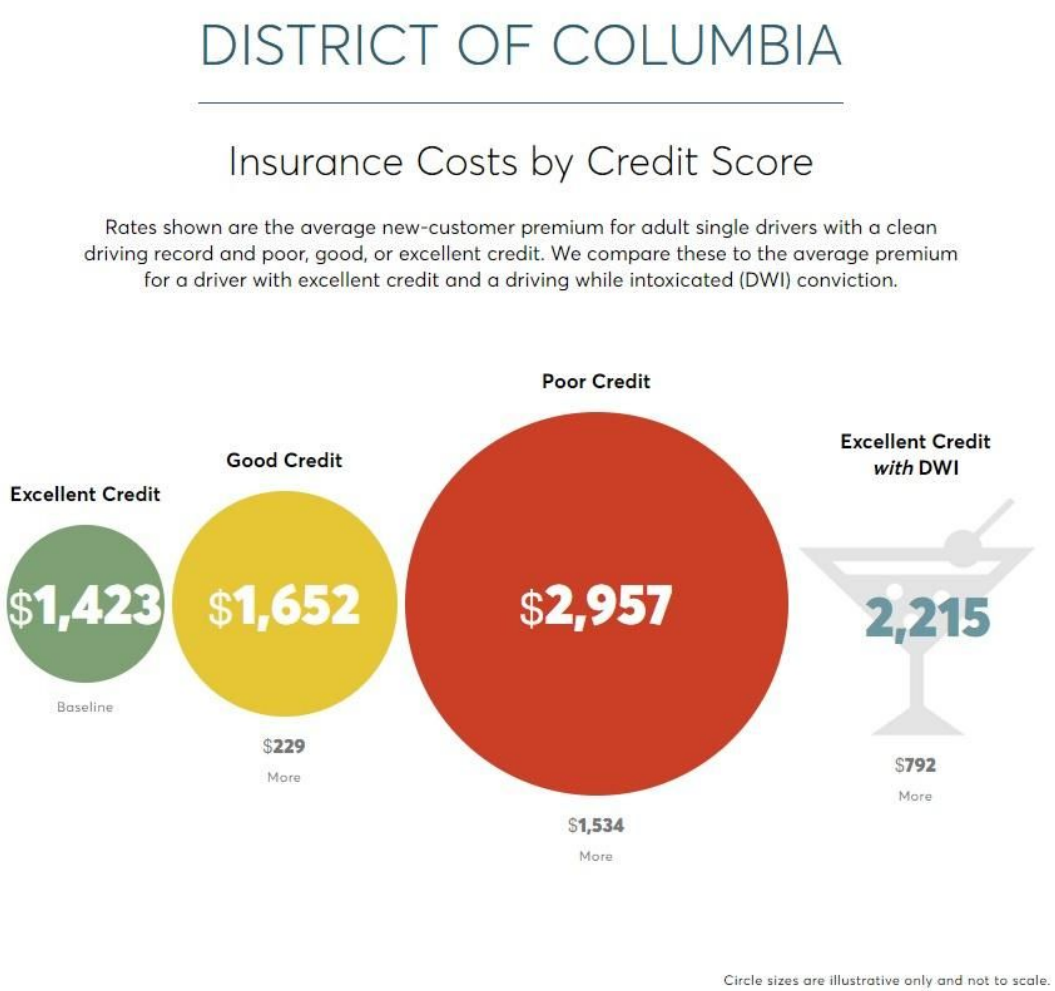
[14] Norma P. Garcia, *Score Wars: Consumers Caught in the CrossfireThe Case for Banning the Use of Credit Information in Insurance,* CONSUMERS UNION 2006, *available at* https://advocacy.consumerreports.org/research/score-wars-consumers-caught-in-the-crossfire-the-case-for-banning-the-use-of-credit-information-in-insurance/.

[15] *The Truth About Car Insurance*, CONSUMER REPORTS, Sept. 2015, *available at* http://www.consumerreports.org/cro/car-insurance/auto-insurance-special-report/index.htm.

credit history.

In Washington, D.C., the top insurers reported an average rate of $2,957 for auto coverage for consumers with a clean driving record and poor credit, compared to an average rate of $2,215 for drivers with a drunk driving conviction and excellent credit.[16] Looking at it another way, this means a driver with a clean driving record – no accidents or traffic violations – but who happens to have poor credit, is being charged $742 MORE in premiums than the drunk driver with the DUI conviction.

It is patently unfair and unwise to let convicted drunk drivers pay less for their auto insurance than an excellent driver with poor credit. When this is allowed, excellent credit can function as a socio-economic buffer against being charged the highest rates, even if a driver has engaged in and has been convicted of one of the worst driving behaviors possible – drunk driving.



Source: "The Secret Score Behind Your Rates," *Consumer Reports*, September, 2015[17]

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[16] *The Truth About Car Insurance*, CONSUMER REPORTS, Sept. 2015, *available at* http://www.consumerreports.org/cro/car-insurance/auto-insurance-special-report/index.htm.

[17] "*The Secret Score Behind Your Rates*," CONSUMER REPORTS, September, 2015, available at: available at: https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm

Other states have taken the lead

There are currently three other states that do not allow the use of credit information in auto insurance pricing decisions – California, Hawaii and Massachusetts. For years, the insurance companies operating in these markets have been able to price auto insurance without using a consumer's credit information, so we know it is both highly possible and feasible for to do this here in the District. Banning the use of credit scores in auto insurance pricing is good public policy and good for consumers.

III. Additional Proxy Factors

States have universally banned race and income as ratings factors because of their discriminatory impact. And DC has gone one step further, banning the use of location as a ratings factor. But more work remains. As evidenced from our 2017 study with ProPublica, discussed above, insurance company ratings systems can have discriminatory results, even if those explicit ratings factors are not used.

Education and Occupation

Using education level and occupation for pricing and tier placement in auto insurance is potentially discriminatory, and may result in sharply higher rates that are not justified by drivers' driving ability or risk. The ability to attain a particular level of education, and to hold a particular job or occupational title, often reflects longstanding income, wealth, racial and gender disparities, and unequal access to education and higher-paying jobs.

In the current socio-economic environment in the United States – and in the District of Columbia – education level and occupation continue to be closely tied to race and income, factors which otherwise cannot legally be considered by insurance companies in calculating insurance premiums.

When education level is considered in insurance pricing decisions, those with the least education will pay more. The Bureau of Labor Statistics reports that educational attainment is closely related to one's earning. Individuals with advanced degrees earn more than those with only bachelor degrees, some college but no degree, no college, high school diploma only, or no high school diploma.[18]

When the Florida Office of Insurance Regulation (OIR) investigated the use of education and occupation as ratings factors in 2007, the state found that there was a "demonstrable correlation between occupation, education, and income-level and ethnicity." The Florida OIR also found that the auto insurance companies had not investigated the potential negative effects or disparate impacts on low-income and minority drivers, and whether the use of these factors violated drivers' civil rights. The report also noted there was a long history of race being used as a ratings factor for the life insurance industry, which led to multi-state investigations and corrective actions by the NAIC and state insurance commissioners. The use of occupational categories for life and auto insurance developed shortly after using race became unacceptable and illegal, beginning in the 1960s.[19]

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[18] U.S. Dep't of Labor, Bureau of Labor Statistics, TED: The Economics Daily, Median weekly earnings by educational attainment in 2014 (2015), http://www.bls.gov/opub/ted/2015/median-weekly-earnings-by-education-gender-race-and-ethnicity-in-2014.htm.

[19] McCarty, Commissioner Kevin M., "The Use of Education and Occupation as Underwriting/Ratings Factors for Private Passenger Automobile Insurance," Florida Office of Insurance Regulation, March 2007, available at: http://www.floir.com/siteDocuments/OCCRateRpt.pdf

This finding was buoyed in 2014, through research carried out by the New York Public Interest Research Group (NYPIRG). That study found that New York drivers with less education or lower occupational status may pay significantly higher premiums, as much as 20% more in some cases.[20] In response to the concerns raised by NYPIRG, and New Yorkers for Responsible Lending, the New York Department of Financial Services (NY DFS) launched an investigation into the potential disparate impact of using education and occupation for auto insurance pricing.

After three years of investigation and analysis, in 2017, NY DFS issued and finalized a regulation to ban the use of education and occupation for pricing and tier placement in New York State, unless companies could demonstrate that the use of these factors is not unfairly discriminatory.[21] This announcement made New York the third state after California (1988) and Massachusetts (2007) to ban the use of education and occupation for auto insurance pricing. In addition, the NY DFS announced that major insurers such as Liberty Mutual, Allstate and Progressive had reached agreements with the agency to come into compliance with the regulation, and take steps to eliminate any continuing impact of their prior use of education level attained and/or occupational status in initial tier placement.[22]

The New York DFS noted that many New York drivers were being charged higher rates in New York based on their education and occupation, without adequate actuarial justification. According to the December 13, 2017 NY DFS news release:

> DFS conducted a multi-year investigation, which revealed that some, but not all, insurers in New York use an individual's education level and/or educational status in establishing initial tier placement without a clear demonstration of the required relationship between these factors and driving ability. As a result, classes of insureds have been placed in less favorably rated tiers, which may lead to higher premiums, without sufficient actuarial support that an individual's education level and/or occupational status related to his or her driving ability or habits in such a way that the insurer would have a different risk of loss.[23]

By banning the use of education and occupation as ratings factors, the District can improve the fairness of auto insurance pricing for tens of thousands of drivers in the state, who may otherwise be unable to obtain auto insurance coverage they can afford.

Algorithmic Pricing

There is growing concern about the use of sophisticated models and algorithms in setting prices and rate tiers in auto insurance. This is happening in numerous areas of the economy – with algorithms being used widely, without any accountability or consumer knowledge and control over their use, to make important, and sometimes life-changing, decisions about individuals. In addition to setting insurance rates,

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[20] "Top NY Auto Insurers Charge Higher Rates to HS Grads and Blue Collar Workers," New York Public Interest Research Group, News Release, April 3, 2014. See also: THE WESTERN N.Y. LAW CTR., MAJOR AUTO INSURERS CHARGE HIGHER RATES TO HIGH SCHOOL GRADUATES AND LOW INCOME WORKERS 1-2 (2015), *available at* http://wnylc.com/wp-content/uploads/2015/09/July-2015-Western-New-York-Law-Center-Auto-Insurance-Report.pdf.

[21] New York State Department of Financial Services, "NY DFS Announces Final Regulation and Agreements with Two Major Insurers to Protect New York Drivers from Unfairly Discriminatory Auto Insurance Rates" news release, 12/13/17, available at: http://www.dfs.ny.gov/about/press/pr1712131.htm.

[22] *Id*.

[23] *Id*.

algorithms are routinely used to determine creditworthiness,[24] willingness to pay,[25] and employment prospects.[26] In addition, algorithmic tools are employed to: serve search engine results;[27] match children with schools;[28] detect employment,[29] healthcare, and Medicaid fraud[30] (sometimes erroneously[31]); and identify biometric markers.[32] Unfortunately, algorithms can exacerbate bias or have unexpected discriminatory effects. The discriminatory effects stem from historical data sets, lack of rigorous testing, and from the imperfect and inherently biased people who create them.[33] In comments to the Federal Trade Commission in 2019, Consumer Reports laid out several principles for regulators to consider when examining any algorithms used in decision making[34]:

- **The use of algorithms should be transparent to the end users.** When algorithms make decisions about consumers the individual should have notice that an algorithm was used.
- **Algorithmic decision-making should be testable for errors and bias, while still preserving intellectual property rights.** Algorithms should be able to be tested by outside researchers and investigators. Opaque algorithms that have the ability to affect a large number of people in life-changing ways should be subject to higher scrutiny.
- **Algorithms should be designed with fairness and accuracy in mind.** Companies should not simply rely on outsiders to detect problems with their algorithms; instead, companies should be required to plan for and design to avoid adverse consequences at all stages of the development of

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[24] *Understanding Credit Score Algorithms*, AMPLIFY (Dec. 8, 2017), https://www.goamplify.com/blog/improvecredit/understanding-credit-score-algorithms.aspx.
[25] *See*, *e.g.*, Nicholas Diakopoulos, *How Uber Surge Pricing Really Works*, WASH. POST (Apr. 17, 2015), https://www.washingtonpost.com/news/wonk/wp/2015/04/17/how-uber-surge-pricing-really-works/?utm_term=.b7ecadd3dc6b; *How Uber's Surge Pricing Algorithm Works*, CORNELL UNIV. (Mar. 17, 2016), https://blogs.cornell.edu/info4220/2016/03/17/how-ubers-surge-pricing-algorithm-works/.
[26] Alexia Elejalde-Ruiz, *The End of the Resume? Hiring is in the Midst of a Technological Revolution with Algorithms, Chatbots*, CHICAGO TRIBUNE (July 19, 2018), http://www.chicagotribune.com/business/ct-biz-artificial-intelligence-hiring-20180719-story.html.
[27] Dave Davies, *How Search Engine Algorithms Work: Everything You Need to Know*, SEO (May 10, 2018), https://www.searchenginejournal.com/how-search-algorithms-work/252301/; *and*, *see*, Latanya Sweeney, *Discrimination in Online Ad Delivery*, SSRN (Jan. 28, 2013, *available at* https://ssrn.com/abstract=2208240.
[28] Alvin Roth, *Why New York City's High School Admissions Process Only Works Most of the Time*, CHALKBEAT (July 2, 2015), https://www.chalkbeat.org/posts/ny/2015/07/02/why-new-york-citys-high-school-admissions-process-only-works-most-of-the-time/.
[29] *See*, *e.g.*, NORTH CAROLINA GOVERNMENT DATA ANALYTICS CENTER, NC IT, https://it.nc.gov/services/nc-gdac (last visited Aug. 17, 2018).
[30] Natasha Singer, *Bringing Big Data to Fight Against Benefits Fraud*, N.Y. TIMES (Feb. 20, 2015), https://www.nytimes.com/2015/02/22/technology/bringing-big-data-to-the-fight-against-benefits-fraud.html.
[31] VIRGINIA EUBANKS, AUTOMATING INEQUALITY: HOW HIGH-TECH TOOLS PROFILE, POLICE, AND PUNISH THE POOR, p. 5 (2018) [hereinafter AUTOMATING INEQUALITY].
[32] Robert Triggs, *How Fingerprint Scanners Work: Optical, Capacitive, and Ultrasonic Variants Explained*, ANDROID AUTHORITY (Feb. 9, 2018), https://www.androidauthority.com/how-fingerprint-scanners-work-670934/; Rod McCullom, *Facial Recognition Technology is Both Biased and Understudied*, UNDARK (May 17, 2017), https://undark.org/article/facial-recognition-technology-biased-understudied/; *How Facial Recognition Algorithm Works*, BECOMING HUMAN (Oct. 16, 2017), https://becominghuman.ai/how-facial-recognition-algorithm-works-1c0809309fbb.
[33] *See* Cathy O'Neil, *How Algorithms Rule Our Working Lives*, THE GUARDIAN (Sept. 1, 2016), https://www.theguardian.com/science/2016/sep/01/how-algorithms-rule-our-working-lives.
[34] Letter from Consumer Reports to the Federal Trade Commission (Feb. 15, 2019), available at: https://advocacy.consumerreports.org/wp-content/uploads/2019/02/CR-AI-FTC-comments.pdf.

algorithms.

- **The data set used for algorithmic decision-making should avoid the use of proxies.** Algorithms can only serve to address the question posed to it. When possible, algorithms should avoid the use of unnecessary proxies like zip codes or credit scores that may be used to make discriminatory decisions against individuals. This problem persists even when the creators are trying to correct for unexpectedly biased results.

- **Algorithmic decision-making processes that could have significant consumer consequences should be explainable.** In some cases, algorithms are programmed to learn or evolve over time, such that a developer might not know why certain inputs lead to certain results. This could lead to unfair results if there is no meaningful accountability for how decisions are made. If an algorithm is (1) used for a purpose that is likely to have substantial effects on the individual, like the determination of a credit score and (2) its outcomes cannot be sufficiently explained, then the process should not be used.

Conclusion

To protect its residents against unfair and discriminatory pricing practices, Washington DC should ban the use of credit history, education and occupation as ratings factors, and base pricing and underwriting primarily on driving-related factors, similar to what California does.

This action would help restore fairness to the marketplace, and ensure that consumers are not unfairly judged by factors that have nothing to do with their ability to drive safely, and avoid violations and accidents.

In considering this issue, we would also urge you to consider that many DC drivers rely on cars for their livelihoods, to get to school and to medical appointments, and for many other vital purposes. Auto insurance companies' persistent use of drivers' credit histories to price car insurance imposes an unfair burden that disproportionately affects DC residents of color, women and lower-income people, who may also lack access to reliable public transportation.

Further, many in the District pay unaffordable auto insurance rates. Washington, DC's average premium of $1,827 is the sixth most expensive in the nation, significantly higher than the average national rate of $1,365.[35] And, according to a 2017 Department of Treasury report, approximately 144,000 District residents live in zip codes where average auto insurance rates are unaffordable (20019, 20020 and 20032), making up 35% of DC's total population.[36]

Banning the use of these ratings factors is clearly warranted by the lack of actuarial justification and transparent information supporting their use; and their clear potential disparate impact on low-income, moderate-income and minority drivers. The fact that three other states – California, Hawaii and

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[35] Vallet, Mark. *Car Insurance Rates by State, 2018 Edition*, October 18, 2018, Insure.com, available at: https://www.insure.com/car-insurance/car-insurance-rates.html.

[36] Federal Insurance Office, U.S. Department of the Treasury, *Study on the Affordability of Personal Automobile Insurance*, January 2017, page 12, available at: https://www.treasury.gov/initiatives/fio/reports-and-notices/documents/final%20auto%20affordability%20study_web.pdf. See also Auto Affordability Study Data at: https://www.treasury.gov/initiatives/fio/reports-and-notices/Documents/FINAL%20Data%20for%202016%20FIO%20US%20Auto%20Affordability%20Analysis.xlsx (The report identified as unaffordable the ZIP codes in which basic auto insurance premiums cost, on average, more than 2% of the ZIP's median household income).

Massachusetts – have already successfully banned the use of credit scores, and that California, Massachusetts and New York have banned education and occupation, shows that there are viable and practical alternatives to the status quo.

Thank you for your leadership in investigating this important issue. We look forward to working together with you to make the auto insurance marketplace work for all consumers.