Consumer Federation of America

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Testimony of the Consumer Federation of America in Support of HB 80—Prohibiting the Use of Credit, Education, and Occupation in Underwriting, Rating, and Renewing Certain Insurance Policies

February 27th, 2025

Chair Doreen Y. Gallegos
New Mexico House Commerce & Economic Development Committee
490 Old Santa Fe Trail #100
Santa Fe, NM 87501

Cc: Committee Members

The Consumer Federation of America (CFA) urges your support for HB 80, which prohibits the use of credit information, education, and occupation in auto insurance underwriting, rating, and policy renewals. This bill would make auto insurance more affordable, reduce unfair discrimination, and help combat systemic racism.

CFA is an association of nonprofit consumer organizations that works to advance the consumer interest through research, advocacy, and education; over 250 organizations participate in the association and govern it through our Board of Directors. Our testimony is based on years of working to make insurance more affordable and accessible, combat unfair discrimination, and strengthen insurance markets.

New Mexico, along with every other state except New Hampshire, requires drivers to purchase and maintain auto insurance. The Office of the Superintendent of Insurance (OSI) and the state in general therefore have a responsibility to make sure that insurance is affordable and that drivers do not experience unfair discrimination. Unfortunately this is currently not the case; auto insurers charge appallingly high penalties to consumers based on socioeconomic factors. HB 80 seeks to reduce those penalties by banning auto insurance companies from using the following factors to underwrite or rate drivers: credit information, education level, and job/occupation.

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CFA's research has found that New Mexico drivers with fair and poor credit pay significantly higher premiums.[1] Using auto insurance premium data from 2020, Table 1 below shows how New Mexicans were charged substantially more for coverage based on their credit history, even if they had perfect driving records.

Table 1: Auto Insurance Premiums Charged to New Mexico Drivers Based on Credit Information[2]

Consumer Credit History	Consumers With Excellent Credit	Consumers With Fair Credit	Consumers With Poor Credit
Average Annual Auto Insurance Premium	$412	$560	$733
Percentage Increase Due to Credit History	0%	36%	78%

Credit information results in New Mexicans paying hundreds of dollars more in premiums. A 2015 study by Consumer Reports found that a New Mexico driver with poor credit will pay *$389 more* than a driver with excellent credit and a driving while intoxicated (DWI) conviction.[3] We believe that this inequality—where safe drivers with poor credit subsidize drivers with excellent credit and drunk driving convictions—that Consumer Reports identified a decade ago persists.

[1] "The One Hundred Percent Penalty: How Auto Insurers' Use of Credit Information Increases Premiums For Safe Drivers and Perpetuates Racial Inequality." By Douglas Heller and Michael DeLong. The Consumer Federation of America. July 31, 2023. Available at https://consumerfed.org/wp-content/uploads/2023/07/Official-CFA-Credit-Score_2023-FINAL-REPORT.pdf.

[2] Data for this report were analyzed by the Consumer Federation of America from Quadrant Information Services, LLC and are from August 2020. The base driver profile is a 35-year-old unmarried driver with a perfect driving record, who has a high school diploma and rents their home. They drive a 2011 Honda Civic LX on a 12-mile commute, 5 days per week for about 12,000 miles annually and purchase New Mexico's minimum statewide auto insurance coverage—25/50/10.

[3] "The Secret Score Behind Your Rates." Consumer Reports. July 30, 2015. Available at https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm.

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Additional studies by Consumer Reports found that insurers' use of education and occupation results in consumers paying higher premiums.[4] Their reports collected 869 online policy price quotes from nine auto insurers for a hypothetical driver, using 21 ZIP codes in six states and Washington, DC. The resulting analysis found that GEICO, Liberty Mutual, and Progressive provided higher premium quotes for consumers with less education. Liberty Mutual quoted less educated drivers $62 more per year on average compared to more educated drivers. Progressive quoted less educated drivers $101 more per year. Finally, GEICO quoted less educated drivers the largest penalty—an average of $115 more per year.

GEICO and Progressive also quoted higher premiums to consumers with lower-paying jobs compared to consumers with higher-paying jobs. Progressive charged these consumers with lower-paying jobs an average of $31 more per year compared to consumers with higher-paying jobs, while GEICO charged consumers with lower-paying jobs an average of $97 more per year.

When insurers use these socioeconomic factors in auto insurance, they disproportionately harm Black, Latino, and Native American consumers, reinforcing systemic racism. Studies by the Consumer Financial Protection Bureau (CFPB), as well as data from the U.S. Census Bureau and the Federal Reserve, show that Black and Latino consumers are more likely to have lower credit scores, to have lower levels of education, and to work in lower paying jobs.[5] White consumers have an average credit score of 734, while Hispanic or Latino consumers have an average credit score of 701 and African American consumers have an average credit score of 677. 16% of white consumers are employed in service jobs, which tend to be low paying, while 24.5% of African Americans and 58.5% of Latinos are employed in these jobs. And regarding education levels, 36.8% of white consumers have either dropped out of high school or only graduated from high school, compared to 45.3% of African American consumers and

[4] "Effects of Varying Education Level and Job Status on Online Auto Insurance Price Quotes." Consumer Reports. January 2021. Available at https://advocacy.consumerreports.org/wp-content/uploads/2021/01/Auto-Insurance-White-Paper-Report-FINAL1.26C.pdf.

[5] "Auto Insurance Rating Factors and Their Effect on Different Demographics of Consumers." The Consumer Federation of America. February 14, 2025. Available at https://consumerfed.org/testimonial/auto-insurance-rating-factors-by-demographics-2/.

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58.5% of Latino consumers. Data also show that Native American consumers have lower credit scores than white consumers.[6]

Moreover, these socioeconomic factors are interdependent and result in cumulative penalties for consumers, causing even greater harm. Lower-income workers are more likely to have less education and have poor credit. For example, a working-class consumer with fair or poor credit who graduated from high school has three strikes against them even if they have a pristine driving record. Auto insurers could charge them a higher premium based on their income, compound that with a surcharge based on their education level, and finally add another 40%, 50%, or even 100% increase based on their credit, resulting in them paying hundreds or even thousands of dollars more for insurance despite never having caused a crash. And since New Mexicans require a car to get around quickly and reliably, they often have no choice but to drive without insurance, putting themselves at risk and driving up costs for everyone.

California, Hawaii, and Massachusetts have already banned credit information from being used in auto insurance. And California, Massachusetts, Michigan, and New York have already banned the use of education and occupation in auto insurance pricing. New York was the most recent state to ban socioeconomic factors in auto insurance; in 2017 the New York Department of Financial Services conducted an investigation and found that insurers used consumers' education levels and occupations to penalize them, and required that the companies demonstrate that their use of their factors was not excessive or unfairly discriminatory. The insurance companies declined to demonstrate this, and so the Department issued a regulation banning education and occupation in insurance rates.[7]

[6] "Native Americans Purchase More to Finance Home Purchases Than White Borrowers." By Matthew Gregg and Caryn Mohr. Federal Reserve Bank of Minneapolis. March 8, 2024. Available at https://www.minneapolisfed.org/article/2024/native-americans-pay-more-to-finance-home-purchases-than-white-borrowers. "Postal Banking: How the United States Postal Service Can Partner on Public Options." By Terri Friedline, Xanthippe Wedel, Natalie Peterson, and Ameya Pawar. Poverty Solutions, University of Michigan. May 2021. Available at https://poverty.umich.edu/files/2021/05/PovertySolutions-Postal-Banking-PolicyBrief.pdf.
[7] "DFS Announces Final Regulation and Agreements With Two Major Insurers to Protect New York Drivers From Unfairly Discriminatory Auto Insurance Rates." New York

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HB 80 would eliminate unnecessary and unfair insurance practices by banning insurance companies from using credit information, education, and occupation in auto insurance rating, underwriting, and policy renewals. Insurers can and should set a fair price for drivers without punishing them for their credit history, their education level, and their job or occupation. A consumer's auto insurance premium should be based on their driving record, not these non-driving related socioeconomic factors.

The Consumer Federation of America thanks OSI for their work on this issue and urges a favorable report on HB 80. Please contact us at mdelong@consumerfed.org with any questions.

Sincerely,

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Department of Financial Services. December 13th, 2017. Available at https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1712131#:~:text=The%20new%20regulation%20prohibits%20insurers,rates%20that%20are%20unfairly%20discriminatory.