

June 7, 2023

Chair Patrick McHenry  
House Financial Services Committee  
2134 Rayburn House Office Building  
Washington, DC 20515

Ranking Member Maxine Waters  
House Financial Services Committee  
2221 Rayburn House Office Building  
Washington, DC 20515

Cc: House Financial Services Committee Members

**Re: Support for Prohibit Auto Insurance Discrimination (PAID) Act—Prohibiting Auto Insurers From Using Certain Income Proxies to Determine Insurance Rates and Eligibility**

We, the undersigned consumer groups, support H.R. 3880, the Prohibit Auto Insurance Discrimination (PAID) Act, which would prevent auto insurance companies from using socio-economic factors to determine consumers' eligibility for auto insurance or as a basis for determining the premium they pay for coverage. Because virtually every state mandates the purchase of auto insurance, the PAID Act provides a necessary national baseline requirement that will help ensure that lower-income consumers and people of color are not disproportionately denied the opportunity to drive legally.

We believe that auto insurance reform is critical in ensuring that drivers are protected from unfairly discriminatory rating factors, which make auto insurance expensive and often unaffordable for many vulnerable consumers. Although states generally forbid the use of income and race as a rating factor, most states do not explicitly prevent the use of factors that strongly correlate with race, ethnicity, or income. The socio-economic factors used by auto insurers include consumers':

- 1) credit score, credit-based insurance score, or consumer report,
- 2) education level,
- 3) job or occupation, as well as their employment status,
- 4) home ownership status,
- 5) gender and marital status,
- 6) prior insurance coverage and previous insurers, and
- 7) home ZIP code or census tract.

The PAID Act would further require all underwriting rules and rate filings by auto insurers to be made publicly available. It would also require insurers to submit regular information to the Federal Trade Commission to demonstrate that their marketing, underwriting, rating, claims handling, and fraud investigations, and any models or algorithms used in these programs do not

have a disparate impact on any consumers based on their race, color, national or ethnic origin, religion, sexual orientation, disability, or gender identity or expression. The Federal Trade Commissioner would be responsible for enforcing this law, and violations would be considered unfair and deceptive acts.

The PAID Act should also serve as a model for state legislators and regulators who are serious about reducing unfair discrimination in auto insurance markets. Where state laws are not sufficient, the PAID Act would serve as a floor to protect consumers from the use of these non-driving factors that are driving high prices for lower-income consumers.

We urge your support for the PAID Act, H.R. 3880. Consumers' auto insurance premium should be based on their driving records, not their socioeconomic status.

Sincerely,

AKPIRG

Americans for Financial Reform

Center for Economic Justice

Consumer Action

Consumer Federation of America

Consumer Federation of California

Consumer Reports

Consumers for Auto Reliability and Safety

Economic Action Maryland

Florida Consumer Action Network

Georgia Watch

Illinois PIRG

Minnesota Asset Building Coalition

New Jersey Citizen Action

Oregon Consumer Justice

Public Citizen

Real Reform Louisiana

Texas Appleseed

Vehicles for Change