



Factsheet on S-111/A1657

FAIR Act, Fairness in Auto Insurance Rates

S-111 / A1657, sponsored by Senator Nia Gill and Asw Quijano will help protect consumers, make auto insurance more affordable, and end unfairness and racial bias that is now allowing New Jersey auto insurers to unjustifiably charge Black, Latinx and blue collar drivers significantly more for auto insurance, or price them out of the market, forcing them to become uninsured.

The bill would prohibit the use of education, occupation, or credit score in pricing auto insurance. **These factors have no connection to a consumer's driving record, but instead serve as proxies for income and race.** By banning the use of these factors, S-111/A1657 will make insurance more affordable and require that insurance eligibility and rates be based on driving-related factors and not these unfair ones.

It is racially biased to allow this practice to continue. Allowing these rating factors to continue to be used will mean the rich get richer in New Jersey (unfairly), while the poor get poorer and the racial wealth gap continues to expand. The Legislature has a responsibility to make sure auto insurance is affordable, as New Jersey requires that all drivers purchase auto insurance.

- Consumer Federation of America analyzed premium data for New Jersey and found that a 35 year old driver with excellent credit would pay an average annual premium of \$842.14, but the same driver with fair credit would pay an annual premium of \$1,384.40, and if they had poor credit, their premium would be \$2,152.54.

- Auto insurers' use of these discriminatory factors is especially unfair to Black and Latinx drivers in New Jersey, who are more likely to have lower paying jobs, a lower level of education, or a low credit score. This practice contributes to and reinforces racism-these people already have less income on average, but are charged more due to factors beyond their control. It is racially unjust to charge Black and Latinx drivers more for auto insurance than white drivers in New Jersey with similar or worse driving records.
- It is unfair to charge a janitor with a perfect driving record more for auto insurance than a doctor with a poor driving record. Drivers with less education or who work in blue collar occupations are not more likely to get into crashes. Under the current system they have to pay more for auto insurance while earning less.

- It is unfair to charge a family economically devastated by COVID with job loss and a declining credit score, more than a family who was minimally impacted economically by the COVID pandemic.

In states where these consumer protections have been adopted, drivers are evaluated on their safety record not socio-economic status, without sacrificing insurance market stability. Indeed, in the three states that prohibit the use of credit history in auto insurance, the 10 year average profits have been higher than in the nation as a whole according to industry data compiled by the National Association of Insurance Commissioners

This bill will reduce auto insurance costs for consumers, promote racial justice and combat discrimination, and help struggling consumers during this economic downturn. Making auto insurance affordable is an equity issue.

S-111/A1657 is supported by leading racial, consumer, and economic justice groups:

African-American Chamber of Commerce
Anti-Poverty Network
Consumer Federation of American
Consumers Reports
Fair Share Housing
Fair and Welcoming Communities Coalition of Somerset County
Faith in New Jersey
Immigration Committee – Greater Red Bank Women’s Initiative
Latinas United for Political Empowerment (LUPE)
Latino Action Network (LAN)
Latino American Legal Defense and Education Fund (LALDEF)
Make the Road NJ
New Jersey Alliance for Immigrant Justice
New Jersey Association on Correction
New Jersey Citizen Action
New Jersey Institute for Social Justice
New Jersey Policy Perspective
New Jersey State Conference of the NAACP
New Jersey Tenants Organization
NJ-08 for Progress
Salvation and Social Justice
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Please reach out to us at dena@njcitizenaction.org if you have any questions.