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Report Finds New York Drivers Pay Far More for Auto Insurance Solely Based on Their Credit Scores and Black and Latino Drivers Face Steepest Price Hikes

Consumer Federation of America and New Yorkers for Responsible Lending Call on State Lawmakers to End Auto Insurance Pricing Discrimination

WASHINGTON, D.C. – New York drivers pay substantial insurance premium penalties if they have fair or poor credit scores, according to a new [report](#) released today by the Consumer Federation of America (CFA). In its new study, CFA researchers found that insurance companies charge drivers with poor credit hundreds or even thousands of dollars in additional premiums, even if they have perfect driving records.

The report is prompting calls from CFA and [New Yorkers for Responsible Lending](#) for state lawmakers to protect drivers from discriminatory auto insurance pricing. The groups are supporting [legislation](#) introduced by Assembly Majority Leader Crystal Peoples-Stokes that would prohibit insurers from using a driver’s credit history and other socioeconomic factors to determine how much they pay for auto coverage.

“On average, New Yorkers with poor credit are charged almost three times as much for auto insurance as residents with excellent credit, even if they have the exact same driving history, and the credit penalties are most severe in the state’s majority Black and Latino ZIP codes,” said Douglas Heller, CFA’s Director of Insurance. “State law requires every driver to buy auto insurance, so the Legislature and Governor have a special obligation to ensure that pricing is fair and reasonable and they should take action to address the unfairness of credit-based premium hikes for good drivers.”

CFA acquired auto insurance premium data for every ZIP code in New York from Quadrant Information Services LLC for ten New York auto insurers, representing about 80% of the state insurance market. Analysis of the data found significant differences in premiums for New Yorkers solely due to their credit history. The data below show the average premium (weighted by company market share) charged for the minimum required auto insurance coverage to residents with clean driving records.

Average New York Premium for Basic Auto Insurance Coverage by Credit History		
Excellent Credit	Fair Credit	Poor Credit
\$730	\$1,148	\$2,097

In percentage terms, the penalty for having fair credit rather than excellent credit is a 57% premium hike. Drivers with poor credit pay 187% more on average.

“People have poor credit for a lot of reasons—including medical crises, job losses, poverty, and the legacy and persistence of systemic bias in financial services – and the price they pay for mandatory auto insurance should not be impacted by their credit history,” said Michael DeLong, CFA’s Research and Advocacy Associate. “With this report, we hope state officials will come to understand just how harsh the insurance industry’s credit penalties are on financially vulnerable New Yorkers.”

In certain cities and boroughs, credit surcharges are even worse than the statewide average. For example, Buffalo drivers with poor credit pay on average \$2,259 for auto insurance. Queens drivers with poor credit pay an average of \$5,152. And Brooklyn drivers with poor credit face premiums averaging \$5,971 annually.

As the study reveals, average premiums are already much higher in New York’s communities of color due to the ZIP code pricing that companies use. Since Black and Latino consumers are more likely to have poorer credit than white consumers, as other research demonstrates, the combination of the credit penalty and the impact of ZIP code pricing brings into stark relief the severity of credit-based insurance premiums.

ZIP Code Demographics	# of ZIP Codes	Average Premium	Premium with Excellent Credit	Premium with Fair Credit	Premium with Poor Credit
Majority White	1,514	\$1,152	\$647	\$1,006	\$1,803
Majority People of Color	210	\$2,529	\$1,314	\$2,131	\$4,141
Majority Black	41	\$3,027	\$1,564	\$2,543	\$4,975
Majority Latino	32	\$3,056	\$1,573	\$2,554	\$5,042
Total Statewide Average	1,724	\$1,325	\$730	\$1,148	\$2,097

“Using socioeconomic and non-driving factors that are not inherently related to a person’s ability to operate a car safely forces good drivers who are of lower socioeconomic status to pay more for our state’s obligatory auto insurance,” said Assembly Majority Leader Crystal Peoples-Stokes. “I am deeply concerned that the use of credit history is having a highly negative impact on low and moderate income drivers, especially Black and Latino drivers who live in neighborhoods where auto insurance is already very expensive.”

In addition to its own data analysis, CFA highlights the findings of a 2015 study by Consumer Reports, which shows that the credit penalty on low credit safe drivers serves to subsidize the premiums currently charged to more dangerous drivers who happen to have high credit scores. The Consumer Reports study found that New York drivers with poor credit and a clean driving record were charged *\$589 more* on average than drivers with excellent credit and a drunk driving conviction.

“It makes absolutely no sense that a good driver with a poor credit record can end up paying hundreds of dollars more for insurance than someone with a DUI conviction who happens to have excellent credit,” said Chuck Bell, advocacy program director for Consumer Reports. “Insurance should be priced fairly based on a person’s driving record, not on credit scores that result in higher premiums for low income drivers and communities of color.”

While New York law currently allows insurance companies to incorporate consumer credit history into insurance pricing, it prohibits insurers from unfairly discriminating against any customer. In 2017, the New York Department of Financial Services adopted new rules aimed at preventing unfair discrimination by insurers that sought to vary auto insurance premiums based on drivers’ level of education or their occupation.

“Auto insurance is already extremely costly in many low- and moderate-income neighborhoods and communities of color, and the use of credit scoring is making it worse,” said David R. Jones, President and CEO of the Community Service Society. “We strongly support bill A843 which will ban the use of credit history and other socioeconomic factors like gender and housing status for auto insurance pricing.”

Consumer Federation of America, noting that three states (California, Hawaii, and Massachusetts) prohibit the use of credit in insurance pricing, urges lawmakers, the Governor, and the Department of Financial Services to review its report and take action to eliminate the use of credit history in auto insurance pricing.

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