

Giannoulas Pushes to Prohibit Discrimination in Auto Insurance Ratemaking Bill Would Base Rates on Driving Record Not Socio-Economic Factors, Age

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SPRINGFIELD - Illinois Secretary of State Alexi Giannoulas has drafted legislation aimed at preventing insurance companies from using consumer information collected from outside data and algorithms to set discriminatory auto insurance rates.

Under current state law, insurance companies can use third-party site data from sources like social media to charge higher insurance premiums based on race, ethnic origin, religion, gender, sexual orientation, age, marital status or a disability. Such data also includes a consumer's credit score, zip code, home ownership status, purchasing habits and level of education, which can be used in a discriminatory way to unfairly determine rates.

“The purpose of auto insurance is to protect motorists while they drive; therefore, an individual's driving record should serve as the primary factor that's analyzed when setting rates,” Giannoulas said. “Illinois insurers on average currently charge consumers with a safe driving record and poor credit hundreds of dollars more than someone with a DWI conviction and excellent credit. This emphasis on socio-economic factors is transparently unfair and discriminatory, leading to less availability, less affordability and less attainability, especially those from disadvantaged neighborhoods and communities of color.”

HB 4611 is sponsored by State Representative Thaddeus Jones (29th District) and State Senator Napoleon Harris, III (15th District). The legislation would require that insurance companies use the individual's driving record to determine a fair rate. The bill also prohibits any insurance company from canceling or refusing to renew the policy of a licensed driver when they reach the age of 65.

“Completely irrelevant factors like whether you own a home or where that home is located should never be a barrier to your ability to secure insurance and to drive,” Jones said. “By making sure insurance companies don't overcharge relative to risk, which makes it more difficult for Illinoisans to afford coverage, this legislation provides an opportunity to make Illinois roads more equitable while keeping them safe.”

“There is no place for discrimination in our state or in our country, particularly the insurance industry, which so many Illinoisans rely on to transport their families and drive to work every day,” Harris said. “All motorists should have the opportunity to attain affordable insurance.”

Like most states, Illinois requires every vehicle owner to buy insurance, but the Land of Lincoln is one of only two states that doesn't protect insurance customers from excessive or unfair rates. The legislation ends the use of non-driving factors to determine premium rates that leads to unfair discrimination and would give the state's Department of Insurance broad authority to regulate auto insurance ratemaking.

Just last week, the Chicago Tribune reported that auto insurance premiums are up 26% nationally this year, but rates in Illinois are rising even faster. Statewide premiums are up 28% compared to an average annual cost of \$2,310, while rates in Chicago have jumped 34% to an average of \$2,532 for 2024.

A study by the Consumer Federation of America found that in areas both urban and rural, communities where more than 75% of residents are people of color, auto insurance premiums are 70% higher than those in communities that are less than 25% people of color. Although this study was national in scope, three of the communities it analyzed included Chicago, Joliet and Naperville.

Last year, the Chicago Sun-Times reported that 70-year-old drivers in Illinois pay 12% more than 60-year-old drivers, and 75-year-old drivers pay 25% more. Meanwhile, Giannoulas' office released a report last fall revealing that drivers 75 and older registered crash rates are lower than every age range of drivers between 16 and 69 years old.

According to a Consumer Reports analysis, an Illinois driver with a clean driving record but poor credit will pay 862 dollars more annually for car insurance than a driver with excellent credit and a conviction for driving while intoxicated, compared to the national average of 421 dollars.

A ProPublica investigation found auto insurers charge 30% higher car insurance rates in majority African-American zip codes compared to other areas with similar accident costs.

The Illinois Insurance Code broadly prohibits discrimination, but it includes an exception that allows discrimination that is based on "sound actuarial principles" or "reasonably anticipated experience." Insurance companies have taken advantage of this exception, utilizing algorithms and practices that set rates differently for different racial and socio-economic groups. HB 4611 would ensure the data used by insurance companies is accurate and used properly, holding them accountable and preventing systemic biases.