



Gender Discrimination in Maryland's Auto Insurance Pricing

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Maryland Consumer Rights Coalition

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Acknowledgements

The Maryland Consumer Rights Coalition (MCRC) is a statewide organization that advances fairness and justice for Maryland consumers through research, education, service and advocacy. MCRC strives to make the marketplace fair and safe for consumers.

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Overview on Auto Insurance

Many individuals and families in Maryland cannot afford auto insurance. Maryland has the 5th most expensive state-minimum liability coverage in the country.¹ Maryland's costly minimum liability requirements make auto insurance 24.8% more expensive than the national average. Maryland drivers can expect to pay approximately \$1,880 per year for full coverage auto insurance or \$770 per year for minimum coverage.² The national average for auto insurance is around \$1,670 annually for full coverage and about \$600 per year for minimum coverage.³

These high costs are often prohibitively expensive for the low-income drivers who most need access to cars to obtain better jobs. In 2019, Maryland ranked among the bottom ten states for quality of state transportation infrastructure.⁴ Even in regions with strong transit systems, many low-income families have trouble reaching jobs for which they are qualified. Some are forced to turn down good positions in favor of lower paying ones with transit access. Driving increases access to family sustaining jobs, fresh food, recreational activities, and education.⁵

The high cost of auto insurance criminalizes poverty; individuals who cannot afford car insurance yet continue to drive to obtain work or remain employed risk costly fines, fees, or even jail.⁶ In 2019, 14.1% of Maryland drivers were driving without insurance.⁷ The cost of uninsured drivers is passed on to consumers through higher premiums - driving up the cost for everyone.

While the high cost of insurance impacts all Maryland drivers, some drivers carry a heavier burden.

Non-driving related factors

In addition to the high cost of minimum liability requirements, another reason auto insurance is so expensive in Maryland is the use of non-driving related factors to set rates. The Maryland Insurance Administration (MIA) allows auto insurance companies to use credit score, occupation, education, housing status, gender, and marital status in auto insurance underwriting. While the correlation between these factors and a person's ability to drive remains unclear, it is clear that cumulatively these factors increase the cost of car insurance for low-income drivers of color and perpetuate systemic bias based on gender, gender orientation, and gender identity.⁸

¹ <https://www.coverage.com/insurance/auto/states/>

² <https://www.bankrate.com/insurance/car/states/>

³ <https://www.bankrate.com/insurance/car/average-cost-of-car-insurance/>

⁴ <https://www.usnews.com/news/best-states/rankings/infrastructure/transportation>

⁵ <https://www.vehiclesforchange.org/why-vfc/>

⁶ <https://mva.maryland.gov/vehicles/Pages/insurance-uninsured.aspx>

⁷ <https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists>

⁸ https://consumerfed.org/press_release/important-insurance-anti-discrimination-bill-becomes-law/

Gender

Many of Maryland’s top insurers use gender as a primary factor in setting auto insurance premiums (Table 1). As the data illustrate, the use of gender is driving up costs for women across the state (Table 2). The “pink tax” for auto insurance is an additional cost women shoulder while only earning an average of 86 cents to every dollar earned by men in Maryland. The gender pay gap is even wider for women of color.⁹ Allowing insurers to increase rates based solely on the gender of a driver disproportionately harms women, particularly women of color, exacerbating the financial inequality women already face.

The use of gender as a rate factor has a disparate impact on women and may carry civil rights implications. The passage of the Affordable Care Act (ACA) set a precedent for the removal of gender discrimination in insurance ratings. Prior to the ACA, more than half of individual plans charged higher premiums for a 40-year-old female non-smoker than for a 40-year-old male smoker.¹⁰ The Affordable Care Act (ACA) marked dramatic improvements for women’s health coverage and care by ending discriminatory health insurance practices and making health coverage more affordable and easier to obtain.¹¹ Auto insurance should be analogous. The ACA and other great civil rights legislation have improved women’s equality, yet women continue to face systemic economic barriers and see their wages lag behind those of their male counterparts. Gender discrimination in auto insurance pricing is one such barrier.

Methodology

The Consumer Federation of America (CFA) recently acquired data from Quadrant Information Services, LLC that includes auto insurance premiums in every Maryland zip code from 10 of the largest insurance carriers in the state, representing almost 90% of the market. The premiums in the dataset reflect the cost of a policy covering only the state’s mandatory coverage for a customer with no accidents, tickets, or claims on their driving record. The findings indicate that women consistently pay higher rates for auto insurance across the state.

DRIVER PROFILE	
GENDER/AGE	Female/35
HOUSING STATUS	Renter
EDUCATION	High School
DRIVING RECORD	0 Points
MARITAL STATUS	Unmarried

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GENDER/AGE	Male/35
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DRIVING RECORD	0 Points
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*See Data Source for full driver profile

⁹ <https://www.aauw.org/resources/research/simple-truth/>

¹⁰ <https://www.healthinsurance.org/obamacare/women-and-health-insurance/>

¹¹ <https://www.nwlc.org/sites/default/files/pdfs/stateofcoverage2015final.pdf>

Findings

Gender Discrimination

Using our data from Quadrant on auto insurance premiums in Maryland, we were able to calculate the average annual premiums for Maryland's top ten insurers by gender. This enabled us to calculate the price difference between our model male and model female driver.

The results were significant; all but two of Maryland's top insurers use gender as a factor when setting rates. Below is a chart detailing the results:

Table 1. Use of Gender as a Rate Factor by Maryland's Top Ten Insurance Companies

<i>Average of Annual Premium</i>	<i>Drivers</i>			
Insurance Company	35 Year Old Single Female	35 Year Old Single Male	Price Difference Between Genders	Uses Gender as a Rate Factor
Allstate	\$ 1,293	\$ 1,208	\$ 85	✓
Berkshire Hathaway (GEICO)	\$ 1,317	\$ 1,219	\$ 98	✓
Erie	\$ 916	\$ 924	\$ 8	✓*
Maryland Automobile Ins Fund (MAIF)	\$ 1,296	\$ 1,287	\$ 9	✓
Nationwide	\$ 1,222	\$ 1,213	\$ 9	✓
Progressive	\$ 1,231	\$ 1,077	\$ 154	✓
State Auto	\$ 1,280	\$ 1,337	\$ 57	✓*
State Farm	\$ 1,061	\$ 1,061	\$ 0	
Travelers	\$ 1,009	\$ 1,042	\$ 33	✓*
United Serv Automobile Assn (USAA)	\$ 618	\$ 618	\$ 0	

**average annual premium cost is more expensive for male drivers*

Eight of Maryland's top insurance companies currently use gender as a rate factor. While the companies that do use gender most commonly charge women higher premiums, Erie, State Auto, and Travelers charge male drivers more. Among the companies that use gender as a rate factor, the average difference between premium costs between the genders is about \$57. For companies that charge women more than men, women are paying on average \$71 more. For companies that charge men more than women, men are paying on average \$33 more. The most egregious offenders are Progressive, which charges \$154 more for women, and GEICO, which charges \$98 more for women.

Geography and Gender

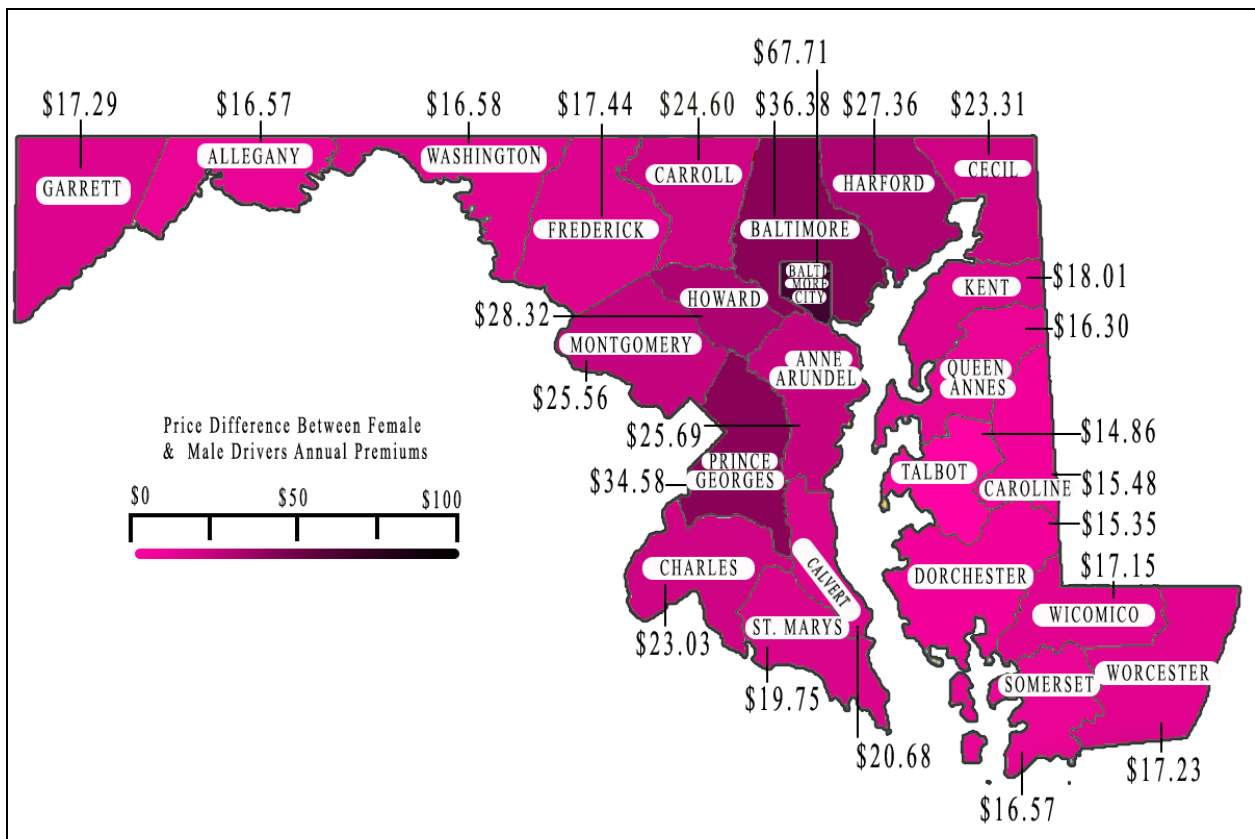
To assess how widespread the issue of gender discrimination in auto insurance is in Maryland, we considered the average annual premium for our model female and male driver in each zip code in Maryland's twenty-four counties. The average for each county is outlined in the chart below and visualized in *Image 1*.

Table 2. Cost of Premiums by Gender Across Maryland by County

Average of Annual Premium	Drivers		
County	35 Year Old Single Female	35 Year Old Single Male	Price Difference Between Genders
Allegany County	\$ 849.59	\$ 833.02	\$ 16.57
Anne Arundel County	\$ 1,152.85	\$ 1,127.16	\$ 25.69
Baltimore City	\$ 2,028.93	\$ 1,961.22	\$ 67.71
Baltimore County	\$ 1,424.83	\$ 1,388.45	\$ 36.38
Calvert County	\$ 1,018.49	\$ 997.81	\$ 20.68
Caroline County	\$ 872.06	\$ 856.58	\$ 15.48
Carroll County	\$ 1,053.88	\$ 1,029.28	\$ 24.60
Cecil County	\$ 1,094.15	\$ 1,070.84	\$ 23.31
Charles County	\$ 1,126.48	\$ 1,103.45	\$ 23.03
Dorchester County	\$ 894.42	\$ 879.07	\$ 15.35
Frederick County	\$ 907.33	\$ 889.89	\$ 17.44
Garrett County	\$ 827.22	\$ 809.93	\$ 17.29
Harford County	\$ 1,135.51	\$ 1,108.14	\$ 27.37
Howard County	\$ 1,178.54	\$ 1,150.22	\$ 28.32
Kent County	\$ 864.74	\$ 846.73	\$ 18.01
Montgomery County	\$ 1,171.30	\$ 1,145.74	\$ 25.56
Prince George's County	\$ 1,399.72	\$ 1,365.14	\$ 34.58
Queen Anne's County	\$ 859.96	\$ 843.66	\$ 16.30
Somerset County	\$ 900.12	\$ 883.55	\$ 16.57
St. Mary's County	\$ 980.25	\$ 960.50	\$ 19.75
Talbot County	\$ 871.41	\$ 856.55	\$ 14.86
Washington County	\$ 875.49	\$ 858.91	\$ 16.58
Wicomico County	\$ 894.79	\$ 877.64	\$ 17.15
Worcester County	\$ 878.68	\$ 861.45	\$ 17.23

Female drivers are charged higher premiums across Maryland's twenty-four counties. On average, female drivers in Maryland are charged \$25.15 more than male drivers. The highest difference in pricing between male and female drivers occurs in Baltimore City, where female drivers are charged \$67.71 more, and Baltimore County, where female drivers are charged \$36.38 more. No counties are exempt from gender discrimination in auto insurance pricing. The smallest difference in pricing can be found in Talbot County at a \$14.86 difference. The data clearly indicate that women are charged a "pink tax" when purchasing auto insurance.

Image 1. Price Difference Between Annual Premiums for Female & Male Drivers by County



Predictive Ability

Auto insurers argue that considering the gender of policyholders is a useful way to assess driving risk and establish their premiums. However, there is little proof that gender is an actuarially sound factor. For one, not all Maryland insurance companies use this factor. Inconsistent usage casts doubt on the predictive ability of this factor. In addition, companies that do use gender as a rate factor weigh the factor irregularly; in many cases women pay more, but at other times men do. The inconsistency of usage and outcomes suggests that claims of correlation are deeply flawed.¹²

¹²

<https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/60f8b5858c7b33121df7b0d1/1626912135126/Auto+Insurance+Gender+Discrimination+Research+Report+%E2%80%93+Color.pdf>

The predictive ability of gender as a rate factor is further dismantled when transgender drivers are considered. There are numerous cases of rate hikes when transgender drivers report a name change or gender change to their insurance companies. In Michigan, a trans woman contacted her insurance company in regards to a change to her legal name and saw her policy increase by \$80.¹³ Her ability to drive did not change when she transitioned from life as a man to life as a woman, but her insurance rate reflected a change nevertheless.

Furthermore, companies that use gender in Maryland operate in states where the use of gender is banned. Currently, six states prohibit gender discrimination in auto insurance rating: California, Hawaii, Massachusetts, Michigan (though there are exceptions for a significant portion of this market), North Carolina, and Pennsylvania.¹⁴ All of Maryland's top ten insurers, with the exception of MAIF, operate in one or more of the above-mentioned states where the use of gender in auto insurance underwriting is illegal. Eliminating the use of gender as a rate factor would not alter Maryland's competitive insurance market nor risk the loss of companies currently operating in the state.

The inability to prove the predictive ability of gender in driving means women are being charged more simply because they are women. The use of this non-driving related factor reflects only the drivers' gender rather than their driving safety records. This is disproportionately driving up the average cost of insurance for all female drivers, particularly low-income drivers of color.

Summary of Findings

The data demonstrate that when gender is considered in auto insurance pricing, women pay more than men. The use of this non-driving related factor undermines landmark legislation such as the ACA that protects against gender discrimination in insurance. Women are paid less than men and are being charged more for a product that Maryland requires them to purchase. Eliminating gender-based pricing in auto insurance would bring us closer to a world where being a woman won't cost you.

Policy Recommendations

- Maryland should join the states of California, Colorado, Hawaii, Massachusetts, Michigan, North Carolina, and Pennsylvania in banning gender-based pricing when setting car insurance rates. This will eliminate gender discrimination in auto insurance pricing.
- We need clearer, more transparent rating systems, lower costs, and ratings that reflect driving-related risks. The use of non-driving related factors is driving up the cost of auto insurance in Maryland, creating a population of drivers who cannot afford to be insured. We must eliminate the use of non-driving related factors in order to make auto insurance more affordable and Maryland roads safer for everyone.

¹³

<https://www.wxyz.com/news/transgender-woman-shocked-by-higher-car-insurance-rates-for-women-in-michigan>

¹⁴

https://consumerfed.org/press_release/california-prohibits-auto-insurance-companies-from-considering-gender-when-setting-prices/

Data Source

Data for this report were acquired by the Consumer Federation of America from [Quadrant Information Services, LLC](#). The data are representative of publicly sourced data using the variables and base profile defined below and individual rates may differ.

The base profile is that of a male or female driver who is 35 years old, unmarried, drives a 2011 Honda Civic LX, has a perfect driving record, is a renter, has a high school diploma, and drives a 12-mile commute five days a week, for a 12,000 mile annual commute. They also have the state minimum insurance.