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Restrict Insurers' Use of External Consumer Data (SB21-169)

Testimony to Senate Business, Labor, & Technology Committee

Andrea Kuwik, Policy Analyst • May 3, 2021

Thank you for the opportunity to testify in support of SB21-169. My name is Andrea Kuwik, and I'm a policy analyst with the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create apractical policy agenda that promotes economic mobility for every Coloradan.

A variety of analyses show the indiscriminate use of external data in insurance practices can be an inadequate indicator of consumer risk and liability. For example:

- In a national study by Pro Publica, researchers find, even when individuals have the same risk level, insurers charge higher premiums to consumers of color vs their white counterparts.
- In a separate report by Consumer Reports, analysts highlight factors like one's credit score can dictate the cost of one's car insurance more so than driving history.

However, we do know several prominent forms of external data, including credit history, homeownership, and place of residence very much reflect the impacts of both historical and ongoing discriminatory public policy. Some examples include:

- **Homeownership:** In 2020, the Bell released a series of briefs on Colorado's racial wealth gap. In an examination of homeownership throughout our state, we see that there have always been historical discrepancies in white homeownership vs those among Black, Native American, Latinx, and Asian Coloradans. Concerningly, however, we see over the years this gap has not only continued, but grown. As noted in this brief, continuing gaps continued to be connected to the deeply discriminatory and racist policies such as redlining, restrictive zonings and covenants, and both historical termination and relocation efforts that impacted Native American communities.
- **Access to Affordable Credit:** Through both our ongoing research and partnerships in communities across our state, we also know there are tremendous disparities, based upon race, in communities' access to affordable credit. For example, the Center for Investigative Reporting finds, even when controlling for a host of social and economic variables, those fromcommunities of color, as compared to their white counterparts, are more likely to be denied non-Federal Housing Administration mortgage loans. Additionally, reporting by LendingTree finds, across income levers, Black adults are more than twice as likely to be denied a variety of traditional creditoptions compared to white adults. Concerningly, as it relates to what we're discussing today, when denied affordable credit options, Coloradans of color are left with more expensive lending options, which have higher interest rates and fees. These products are connected to greater default rates, which negatively impacts a person's credit score.

Of course, homeownership rates, place of residence, and credit scores are just threeof many, many examples where the data reflects historical biases, racism, and discriminatory policies. By creating the structures posed by SB21-169, and asking insurers to intentionally examine the data they use to cover residents across our state, we can reduce the ongoing impacts of unjust policies and practices that disproportionately impact certain communities.

Thank you again for the opportunity to testify in support of SB21-169, and thank you to Senator Buckner for bringing forward this important bill. We encourage your support, and I’m happy to take any questions.