

An excerpt from Weapons of Math Destruction (WMD) by Cathy O’Neil

The Case of Car Insurance – A Weapon of Math Destruction

Take auto insurance. In 2015, researchers at Consumer Reports conducted an extensive nationwide study looking for disparities in pricing. They analyzed more than two billion price quotes from all the major insurers for hypothetical customers from every one of the 33,419 zip codes in the country. What they found was wildly unfair, and rooted—as we saw in the last chapter—in credit scores.

Insurers draw these scores from credit reports, and then, using the insurer’s proprietary algorithm, create their own ratings, or e-scores. These are proxies for responsible driving. But Consumer Reports found that the e-scores, which include all sorts of demographic data, often count for more than the driver’s record. In other words, how you manage money can matter more than how you drive a car. In New York State, for example, a dip in

a driver's credit rating from "excellent" to merely "good" could jack up the annual cost of insurance by \$255. And in Florida, adults with clean driving records and poor credit scores paid an average of \$1,552 more than the same drivers with excellent credit and a *drunk driving conviction*.

We've already discussed how the growing reliance on credit scores across the economy works against the poor. This is yet another example of that trend, and an egregious one—especially since auto insurance is mandatory for anyone who drives. What's different here is the focus on the proxy when far more relevant data is available. I cannot imagine a more meaningful piece of data for auto insurers than a drunk driving record. It is evidence of risk in precisely the domain they're attempting to predict. It's far better than other proxies they consider, such as a high school student's grade point average. Yet it can count far less in their formula than a score

drawn from financial data thrown together on a credit report (which, as we've seen, is sometimes erroneous).

So why would their models zero in on credit scores? Well, like other WMDs, automatic systems can plow through credit scores with great efficiency and at enormous scale. But I would argue that the chief reason has to do with profits. If an insurer has a system that can pull in an extra \$1,552 a year from a driver with a clean record, why change it? The victims of their WMD, as we've seen elsewhere, are more likely to be poor and less educated, a good number of them immigrants. They're less likely to know that they're being ripped off. And in neighborhoods with more payday loan offices than insurance brokers, it's harder to shop for lower rates. In short, while an e-score might not correlate with safe driving, it does create a lucrative pool of vulnerable drivers. Many of them are des-

Reflection: Take several minutes to reflect on this piece. What emotions did you experience while you read this selection? (Being cognizant of one's emotions can help support meaningful conversation around challenging topics.)

It is challenging to confront facts or opinions that cause us to rethink our views. You may recall that ASM speaker George Goehl of People's Action recommended a practice he called deep canvassing. For this discussion, let's practice deep listening. If you find yourself in general agreement with Dr. O'Neil's points, prepare to present a counterargument. In similar fashion, if you generally disagree with the author's perspective, prepare a defense of one or more of her key points.

Discussion: Each member of the group has up to two minutes to present their case argument/counterargument. After everyone has taken their turn, go around the circle one more time allowing each participant to ask one question to another student in regard to their argument (or counterargument as the case may be).