



Advocating better skills, jobs, and incomes

TESTIMONY IN SUPPORT OF HOUSE BILL 431:

Motor Vehicle and Homeowner's Insurance - Use of Claim History in Rating Policies

TO: Hon. Dereck E. Davis, Chair, and Members of the Economic Matters Committee

FROM: Christopher Dews, Policy Advocate

DATE: February 5th, 2020

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that advocates for better jobs, skills training, and wages for low-income workers and job seekers in Maryland. We support House Bill 431 as a means of eliminating non-driving factors in insurance premiums that lead to higher premiums removing barriers to affordable and accessible transportation for low-wage workers.

Mobility is a vital factor for working families, yet the insurance industry practice of "territorial rating" - setting premiums based on the statistical likelihood of accidents and claims by residents of a given area - means that individuals who live in low-income, predominantly African American neighborhoods and have limited education, are saddled with the highest auto insurance premiums. The current law permits insurers to determine eligibility for coverage and insurance premiums on the basis of education, occupation, gender, and notably, previous home insurance claims.

In 2018, JOTF sponsored a report displaying links to how poverty is criminalized in the state of Maryland. Lack of accessible auto insurance is one of those biggest links. It is against the law to drive while uninsured and nearly 50% of Marylanders drive cross county for work. When insurers increase auto insurance rates based on the *non-driving* related factor of previous non-vehicular claims, lower-income workers see a spike in rates for factors out of their control. When they are unable to pay the increased rates, they will choose to drive anyway for the sole purpose of providing for their families. This risk need not be taken when it is clear that previous home insurance claims have little to no relation to one's driving ability and is not an effective measure of liability.

House Bill 431 seeks to address this by eliminating the use of previous home insurance claim history as a factor when determining auto insurance rates. This would allow for a more realistic and effective auto insurance rate for workers originating from lower-income areas as they will not be penalized by neighborhood crime that is totally out of their control. For these reasons, JOTF urges a favorable report on House Bill 431.