



Maryland Consumer Rights Coalition

Testimony to the House Economic Matters Committee

HB 660: Baltimore City and Prince George's County - Lifeline Low-Cost Automobile Insurance Program

Position: Favorable

February 19, 2020

Delegate Dereck Davis, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, Maryland 21401
Cc: Members, House Economic Matters Committee

Honorable Chair Davis and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial inclusion and economic justice for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

MCRC is in strong support of HB 660.

HB660 provides a much-needed, revenue-neutral policy solution to the nearly intractable problem of uninsured drivers in Maryland. Despite passage of a number of laws that increase the fines and penalties for driving without insurance, the percentage of uninsured drivers in Maryland remains unchanged, as 12% of drivers are without insurance, far more than surrounding states including Pennsylvania (7.6%), Virginia (9.9%), Delaware (11.4%), New York (6.1%) and West Virginia (10.1%)¹.

Yet the need for a car is clear: in many ways, economic mobility is inextricably tied to transit mobility. A 2015 federal study found that “having one car per adult in the household would translate into next year income gains of ...\$2,258 for families in poverty, and \$1,851 for low-skill families².” In addition to increased earnings, low-income households with access to a car save time and increase their access to after-school activities, medical care, and groceries. Most importantly, low-income households with access to a car increase their ability to secure jobs that provide family-sustaining wages which are only accessible by car.

¹ Insurance Research Council, Uninsured Motorists (2017 edition).

² Smart, M.J. & Klein, (2015) N.J. A Longitudinal Analysis of cars, transit, and employment outcomes. MNTRC Report



In fact, many Baltimore-area households can only get to 9% of the region's jobs in under an hour using public transportation. And even when public transportation is available, it may not be accessible for workers whose shifts are at unusual hours or whose work schedule is irregular.

Maryland, like every state except New Hampshire, requires drivers to carry a minimum level of auto insurance. In 2011, Maryland increased the minimum level of required insurance to \$30,000 for bodily injury per person, \$60,000 for bodily injury for two or more people, and \$15,000 for property damage to another driver or vehicle in an accident.³ Maryland also requires drivers to purchase Uninsured Motorist Coverage as well as Personal Injury Protection (PIP), though PIP can be waived.

As a result of the 2011 law, Maryland's limited liability auto insurance is the fifth-highest in the country and the rates that drivers pay reflect these high premiums.

Table 1. Minimum Liability Policies in Surrounding States

State	Limited Liability Policy
Maryland	\$30,000/\$60,000/\$15,000
Delaware	\$20,000/\$50,000/\$10,000
Washington, D.C.	\$25,000/\$50,000/\$10,000
Pennsylvania	\$15,000/\$30,000/\$5000
Virginia	\$25,000/\$50,000/\$20,000
West Virginia	\$25,000/\$50,000/\$25,000
New Jersey	\$15,000/\$30,000/\$5,000
New York	\$25,00/\$50,000/\$10,000

³ ["Insurance Requirements for Maryland Vehicles."](#) Maryland Department of Transportation Motor Vehicle Administration. Accessed June 25, 2019



A survey of recipients who qualified for a free car program in Maryland found that many spent 12% of their monthly budget on car insurance – far more than the 2% of income affordability standard developed by the Federal Insurance Office.⁴ The Federal Insurance Office's study on auto insurance affordability assessed the cost of auto insurance in underserved communities throughout the nation. FIO found that over 330,000 people live in ZIP codes in Maryland where auto insurance is currently unaffordable.⁵

A 2013 study by the Consumer Federation of America (CFA) found that the costs of limited liability insurance ranged from \$1,225 a year to more than \$4,180 a year for a Baltimore City driver.⁶ These prices comprise between 10%-25% of low-wage drivers budgets-prohibitively high and often impossible.

The public policy question is simple: Maryland mandates that drivers purchase a minimum level of insurance yet the cost of this mandate is prohibitively expensive for low-income drivers to comply with the law. Consequently, low-wage drivers risk forgoing medicine, food, or other bills to cover the costs of car insurance or risk fines, fees, and possible incarceration for driving without insurance.

HB 660 creates a means-tested program for auto-insurance that would allow low-income drivers to purchase auto-insurance at half the coverage currently required under law (\$15,000/\$30,000/\$7500). While the coverage is lower, some coverage is better than no coverage. Moreover, the coverage that would be provided is exact same level that Pennsylvania requires for all minimum liability drivers.

The program is revenue-neutral; it can be administered by Maryland Auto or independent producers could sell the policy for qualified drivers through an assigned-risk model, and based on ten years of data from California, this lower-level of coverage provides more than enough coverage for these good drivers. In fact, in California, drivers in the low-cost program cause only \$6,000 in bodily injury and \$1850 in property damage-well below the lower limited liability requirements in this bill.

HB660 provides a lifeline to low-income drivers, allowing them to comply with the law while still enabling them to meet their basic needs.

For all these reasons, we support HB660 and ask for a favorable report.

Best,

Marceline White
Executive Director

⁴ <https://www.treasury.gov/press-center/press-releases/Pages/jl0512.aspx>

⁵ *ibid*

⁶ <http://consumerfed.org/pdfs/auto-insurers-charge-higher-rates-high-school-grads-blue-collar-workers.pdf>