



Advocating better skills, jobs, and incomes

TESTIMONY IN SUPPORT OF SB017:

**Motor Vehicle Administration - Authority to Suspend Registration for Violations
Recorded by Traffic Control Signal Monitoring Systems - Repeal**

TO: Senator Smith, Chair, and Members of the Judicial Proceedings Committee

FROM: Christopher Dews, Policy Advocate

DATE: January 29, 2020

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-wage workers and job seekers in Maryland. JOTF supports Senate Bill 17 as a means to reduce discriminatory practices by insurers that result in disproportionately high auto insurance premiums and denials of coverage for individuals who are low-income, have limited education, and lack access to opportunities that can generate higher credit scores.

Mobility is a vital factor for working families, yet the insurance industry practice of using credit history, and other non-driving factors, targets individuals who are low-income, have limited education and do not have the means to change their financial state. Currently, the law permits insurers to determine eligibility for coverage and insurance premiums on the basis of education, place of residence, occupation, and most notably, credit history.

The effects of using these non-driving factors, specifically credit history, results in extreme racial disparities in auto insurance premiums and further perpetuates a cycle that many low-income workers are desperately trying to break. A 2013 study by the Consumer Federation of America (CFA) showed that several major auto insurers charge higher rates to drivers with less education and lower-status jobs, who also, undoubtedly, have a poor credit history. Lack of access to banking institutions, financial literacy, and the mounting fees associated with poverty, cause many low-income families to fall victim to predatory lending and debt that tank their credit. A 2012 CFA study also showed that insurers' use of credit scores, which are a proxy for income, show disparate treatment of low- and moderate-income drivers, with low-income drivers in Baltimore - the majority of whom are African American - being asked to pay significantly higher premiums due to their low-income status.

Contrary to this practice, a national survey in 2012 revealed that, by large majorities (68%), the public rejects the use of education and occupation by auto insurers in setting rates. Therefore, this practice is against good public policy and public opinion. Because of the discriminatory effect of using credit history in setting insurance premiums, California, Massachusetts, and Hawaii have banned insurer use of

JOTF JOB OPPORTUNITIES TASK FORCE

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credit scores in pricing. Since Maryland law mandates that drivers purchase at least a basic liability insurance policy that covers accidents caused by the driver, it is imperative that the unjust, discriminative practice of insurers using an individual's credit history to determine coverage and premiums for auto insurance be eliminated. The disproportionately high auto insurance premiums placed on low-income individuals, individuals of color, and individuals with limited educational attainment are regressive and present a great financial barrier in not only obtaining and securing employment, but survival on a limited income, for the individuals who are least able to afford it.

Senate Bill 17 seeks to address this issue. The bill prohibits insurers from using an applicant's credit history in determining their level of risk. While insurance companies must charge different premiums to different groups based on their risk, there must be limits to the types of discrimination we allow insurers to engage in, to ensure a system that minimizes *actual* risk and provides protection in a fair and equitable manner. As Senate Bill 17 seeks to ensure that low-income and low-skill Marylanders are not unfairly denied coverage or saddled with high insurance premiums simply because they are poor, we respectfully urge the committee to issue a favorable report.