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**Testimony to the Senate Finance Committee  
SB 934 – Baltimore City and Prince George’s County --  
Lifeline Low-Cost Automobile Insurance Program  
Position: Favorable**

March 4, 2020

The Honorable Delores G. Kelley  
Senate Finance Committee  
3 East, Miller Senate Building  
Annapolis, MD 21401  
cc: Members, Senate Finance Committee

**Honorable Chair Kelley and Members of the Committee:**

I’m a consumer advocate and Executive Director of Consumer Auto, a group that brings together consumer-friendly auto dealers and consumer advocates to work for safety, transparency and fair treatment for Maryland drivers and car buyers.

Consumer Auto supports **SB 934** because we believe a low-cost insurance program would be an innovative and effective way to make car insurance more fair and more affordable for many low- and moderate-income families in Baltimore City and Prince George’s County. This program could also become a model that we can extend to provide affordable insurance to eligible drivers across the state.

Making car insurance more affordable would help more families get access to reliable personal transportation that opens up access to jobs, education and other opportunities, as it improves public safety by cutting the number of uninsured motorists on our roads.

The high cost of car insurance is a real barrier to car ownership in our state – especially in Baltimore, which has both a high rate of poverty and some of the nation’s highest auto insurance rates. A July 2016 study from the Consumer Federation of America found that the average price quote for a relatively high status Baltimore driver from five major national insurers was \$1,644. But for lower-status drivers (who are much more likely to earn low incomes) the median quote came in much higher – at \$2,272.<sup>1</sup> And in many parts of the city the average cost is much higher. A 2019 survey found that five zip codes in the city had average car insurance rates of more than \$2,300/year, with the highest average rate \$2,423/year (in Zip Code 21216).<sup>2</sup>

With 22.4% of city residents living at or below the poverty line, car insurance bills of \$2,000 or more (rates over \$3,000/year are not unusual in the city) are surely one of the reasons an estimated 80,000 Baltimore-area families do not own to a car.<sup>3</sup> And in a metropolitan area like Baltimore that lacks a well-integrated public transportation system, it is difficult and time-

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1 [http://consumerfed.org/wp-content/uploads/2016/06/6-27-16-Auto-Insurance-and-Economic-Status\\_Report.pdf](http://consumerfed.org/wp-content/uploads/2016/06/6-27-16-Auto-Insurance-and-Economic-Status_Report.pdf)

2 <https://www.carinsurance.com/city/Baltimore-auto-insurance-MD.aspx>

3 MCRC Policy Brief, “Low Income Drivers and the Need for Affordable Auto Insurance,” Jan. 2014, p. 4.



consuming for people without a car to reach many of the region's jobs, let alone to pursue education or job-training or get children to day care and access other key services while commuting to a demanding job.

The MAIF fund does act as a helpful insurer of last resort for some lower-income families. But the high cost of even a liability-only MAIF policy is difficult for many to afford, and puts a real burden on the budgets of those families that can purchase it.

This low-cost insurance plan is loosely based on a very successful program California has used to make car insurance affordable for thousands of low- and moderate-income families. Much like the program outlined in **SB 934**, California's plan is available to people who own modest cars (worth \$25,000 or less), meet safety qualifications, and have incomes less than 250% of the federal poverty level. California's program makes basic car insurance available at low rates that reflect the risk level in each county. In 2016, the highest cost for coverage under the plan was just \$566 (in Los Angeles County)<sup>4</sup>

While the California program certainly delivers affordable coverage even in the most expensive parts of the state, one difficulty is that it is reaching a relatively small number of families -- in part because the low levels of coverage it offers (with a maximum coverage of just \$3,000 for property damage) may not be adequate for many families.

The insurance Maryland would offer in Baltimore City and Prince George's County offer under **SB 934** would likely be more costly more than the California plan, but would also provide fuller coverage -- up to \$7,500 for property damage and more coverage than California's plan offers for death or injury to others. That higher level of coverage could help Maryland's program reach a broader audience.

As an advocate and a 30-year Baltimore resident, I've seen many efforts to make car insurance more affordable come and go, with little relief won for hard-pressed city drivers. Opposition from people in other parts of the state, who fear that protecting city residents from rate-setting practices that help make insurance very expensive in Baltimore might raise rates in other counties, has, I think, been one of the key reasons these initiatives usually haven't succeeded. .

The low-cost insurance program takes a rather different approach to the problem -- one that carries few drawbacks for drivers in areas where insurance is less costly as it promises to help low- and moderate-income families in Baltimore and in Prince George's County. That difference helps give this plan a real chance to succeed where others have failed, and to finally bring much-needed rate relief to drivers of modest means.

**Consumer Auto supports SB 934 and urges the committee to give it a FAVORABLE report.**

Sincerely,

Franz Schneiderman

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<sup>4</sup> [http://www.consumer-action.org/english/articles/californias\\_low\\_cost\\_automobile\\_insurance\\_program](http://www.consumer-action.org/english/articles/californias_low_cost_automobile_insurance_program)



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