



**SB 805 Motor Vehicle Insurance - Rate Filings - Discrimination, Trade Secrets, and States of Emergency
Finance
March 3, 2021
Support**

Chairwoman Kelley, Vice-Chair and members of the committee, thank you for the opportunity to present written testimony in support of Senate Bill 805. This policy will require the insurance commissioner to reduce rates if the current state of emergency is extended as well as makes all rate determining factors open to the public and prevent insurance companies from utilizing territory and credit score as elements in calculating the rate premium.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program ‘VITA’, offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH’s tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

Under current law, vehicle insurance companies are allowed to use zip codes and credit score information as a major factor in determining the amount charged for private car insurance. This is problematic and reinforces poverty and disadvantage. People live where they can afford to pay for housing. For low-wage workers, the cost of housing is disproportionately high and the housing choices are few and far between.¹ And the long-term combination of wage stagnation with the rising cost of housing has led to some areas becoming heavily concentrated with low-income households, compounding the disadvantage. A recent report compared rates of similar drivers with adjacent zip codes and found severe price differences, “Insurance companies once drew red lines around communities they didn’t want to serve. Now they overpriced them”.² Currently, insurance companies can issue a surcharge for as much as 40% for a person who has a low credit score. Today, insurance companies increase rates based on non-driving factors by anywhere from 4% to 76%.³ These discrepancies are alarming, as they disproportionately impact low-income individuals and families, further reinforcing disadvantage. Right now, 12.2% of Maryland drivers are uninsured, often barred by the cost of insurance.⁴

The proposed changes will prevent insurance companies from relying on discriminatory processes that overburden low-income households in disadvantaged areas which are overrepresented by people of color and makes the procedure transparent and fair to all Maryland drivers.

For these reasons, we encourage you to return a favorable report of Senate Bill 805.

¹ <https://nlihc.org/housing-needs-by-state/maryland>

² https://consumerfed.org/press_release/auto-insurers-often-charge-identical-neighbors-considerably-higher-premiums-because-of-zip-code-differences/

³ http://www.marylandconsumers.org/penn_station/folders/consumer_education/reports/Auto_Insurance_Gender_Discrimination_Research_Report_Color.pdf

⁴ <http://www.iii.org/fact-statistic/uninsured-motorists>