

**Testimony to the Senate Finance Committee
SB805: Motor Vehicle Insurance-Rate Filings-Discrimination, Trade Secrets
Position: Favorable**

March 3, 2020

The Honorable Delores Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance Committee

Chair Kelley 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.

We are here in strong support of SB805.

Last week at his town hall in Milwaukee, WI, President Joe Biden remarked that *“Your car — you never had an accident in your car. If you live in a black neighborhood, you’re going to pay a higher premium on your car.”*

Maryland does not use race or income but zip codes and other non-driving related factors act as proxies for race and class

Today, MCRC and the Consumer Federation of America released a study using real auto insurance premiums that shows that auto insurance rates rise in direct proportion to the percentage of people of color living in a zip code. Conversely, the more white people living in a zip code, the lower the average auto insurance premium is. The unintended impact of the use of zipcodes to price auto insurance is that lower-income, predominately Black, and Latinx drivers are charged hundreds of dollars more for the same product.

This legislation is particularly important today as we grapple with a global pandemic and accompanying recession in Maryland. As the United Way’s 2020 ALICE report notes, 39% of Maryland households struggle to make ends meet¹. Thousands of households have lost jobs, with Black and Latinx households grappling with greater job loss and a higher risk of contracting COVID, and with it, the healthcare costs and potential loss of earnings. Moreover, many of our essential workers who are in the retail and service industries reside in communities that are paying much higher costs for insurance-which places an additional burden on these workers.

¹ [United Way ALICE report, 2020](#)

While insurance companies may claim that accident rates, road conditions, and other factors are the reason that the rates differ, a 2013 study from the NIH looked at hotspots and geography of crashes in Baltimore City and using statistical analysis found that income, age, sex, and population size was not a predictor of crashes, explaining only about 20% of crashes.² Therefore, auto insurance rates that use these non-driving factors to set prices are not using factors that explain crashes.

SB508 provides the committee with two ways to address this issue. The two options for consideration by the committee include: 1) drawing larger boundaries for auto insurance companies to rate-which smoothes out zipcode differences, and 2) reducing the impact of zip codes by proscribing that there can only be a 25% variance between zip codes. We recommend that the committee consider using both. However, even adopting one of the amendments would reduce the racial discrimination experienced by Black and Brown drivers that the current system perpetuates.

This legislation does not prohibit the use of zip codes to price auto insurance, it simply provides a way to rectify the disparate impact of zipcodes in setting rates and ensures that rates are more fair and equitable.

SB805 also increases transparency and accountability by making the ratings factors and weights each company uses publicly available. Many states make these ratings weights and factors available to the public but Maryland decided to shield them as trade secrets a few years ago. Auto insurance companies often suggest that consumers shop around but this practice of hiding information makes it difficult to do so.

SB805 will reduce the reliance on zipcode in auto insurance and ensure greater equity in auto insurance rates as well as increase transparency so consumers have access to the informatio they need to make informed decisions.

For all of these reasons, we support SB 805 and urge a favorable report.

Best,

Marceline White
Executive Director

² [Hotspots and Causes of Motor Vehicle Crashes in Baltimore](#)