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OFFICE OF THE COMPTROLLER

City Hall – Room 204  
100 Holliday St Baltimore, MD 21202

February 15, 2022

The Hon. C.T. Wilson, Chairman  
Economic Matters Committee  
Maryland House of Delegates  
House Office Building, Room 230  
Annapolis MD 21401

Dear Chairman Wilson:

I am writing to express my support for HB 436, “Motor Vehicle Insurance – Use of Credit History Rating Policy.” HB 436 will be heard by the Economic Matters Committee on Thursday February 17, 2022. This bill would prohibit an insurer from using the credit history of an applicant for, or policyholder of, a motor vehicle insurance policy when rating a risk, offering coverage under a policy, or renewing an existing policy. This bill would make meaningful progress in eliminating the use of non-driving-related factors when calculating rates for automobile insurance.

Maryland law mandates that all drivers have auto insurance. Yet over 600,000 Marylanders actively drive while uninsured because they can’t afford it. This is due to the fact that Maryland state law allows insurance companies to use non-driving factors when underwriting insurance premiums. Factors such as zip code, credit history, income, and education- none of which are related to an individual’s driving ability- are factored into the calculation, sharply raising the rates for lower-income communities of color.

By permitting auto insurance companies to use factors unrelated to a person’s driving record in determining rates, current Maryland law penalizes policyholders and applicants for policies who have experienced financial hardship through no fault of their own. The deep and lasting economic disruption caused by the COVID-19 pandemic over the last two years has resulted in hundreds of thousands of Marylanders losing their jobs and remaining unemployed for extended periods of time. Small businesses have been forced to close, depriving their owners and employees of their main source of income. This economic turmoil, along with other factors such as unexpected medical debt faced by persons who have lost their health insurance, has inevitably posed challenges for low-income individuals to pay all their bills on time, which in turn obviously harms their credit rating.

Well before the COVID -19 pandemic, in fact, the use of credit ratings in calculating auto insurance rates was demonstrated to have a particularly inequitable impact on Maryland residents. In a 2015 study, Consumer Reports found that a Maryland driver with good credit will pay \$255 more than a driver with excellent credit, while a driver with poor credit will pay **\$1,759** more than a driver with excellent credit.<sup>1</sup>

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<sup>1</sup> <https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm>

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According to the Maryland Consumer Rights Coalition, the majority of Maryland drivers with poor credit see a 40% increase in their auto insurance rates, regardless of their driving record. This practice disproportionately impacts low-income drivers and drivers of color who tend to have less access to credit. It also impacts women, particularly single heads of households, who tend to have less access to credit. Maryland has already banned the use of credit in setting home insurance rates. California, Massachusetts, and Hawaii ban the use of credit in auto insurance, and it is time for Maryland to do so as well.

The unaffordability of Maryland's auto insurance — driven by the state's high-cost minimum liability limits and use of non-driving related factors — has created a population of Marylanders that cannot afford to drive insured. The high cost of auto insurance criminalizes poverty; individuals who cannot afford car insurance yet continue to drive to obtain work or remain employed risk costly fines, fees, or even jail. In 2019, 14.1% of Maryland drivers were driving without insurance. The cost of uninsured drivers is passed on to consumers through higher premiums - driving up the cost for everyone.

As Comptroller of Baltimore City, I am committed to protecting my constituents' financial interests, which includes ensuring equity in access to transportation. But HB 436 would make auto insurance more accessible not only for residents of lower-income black and brown neighborhoods — who are charged nearly double what the residents of white neighborhoods are charged, regardless of their actual driving records — it would also benefit all Marylanders who have experienced a decline in their credit rating for reasons having nothing to do with safe or unsafe driving habits.

As someone who supports fair pricing and the elimination of redlining in auto insurance, I respectfully request that the Committee issue a favorable report on HB 436. Thank you for your time and attention. If you have any questions, please feel free to contact me at 410-396-4577 or via email at [comptroller@baltimorecity.gov](mailto:comptroller@baltimorecity.gov).

Sincerely,



Bill Henry  
Baltimore City Comptroller

CC: Delegate Stephanie Smith, Chair of the Baltimore City Delegation  
Delegate Melissa Wells  
Natasha Mehu, Mayor's Office of Government Relations