



**HB 436 - Motor Vehicle Insurance - Use of Credit History Rating Policy**  
**Economic Matters Committee**  
**February 17, 2022**  
**SUPPORT**

Chair Wilson, Vice-Chair, and members of the committee, thank you for the opportunity to submit testimony in support of House Bill 436. This bill limits insurance companies' ability to adjust auto insurance rates based on a driver's credit history.

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, auto insurance companies are permitted to use factors unrelated to a person's driving record in determining rates. As a result, major insurance companies in Maryland currently increase rates based on gender, homeownership status, marital status, employment and occupation, education level, and credit score. In fact, 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%.<sup>1</sup> **In Baltimore, area's that have a majority of residents that are racial minorities have an average credit score that is 125 points lower than white areas<sup>2</sup>.** Car insurance companies that use credit scores to determine price will end up charging racial minorities more, not because of negative driving records, but due to the likelihood of them having subprime credit. This puts an undue burden on racial minorities to be able to afford car insurance.

HB 436 reduces discriminatory practices in establishing rates and promotes access to transportation by prohibiting insurance companies from using credit history to establish rates.

Right now, 12.2% of Maryland drivers are uninsured, often barred by the cost of insurance.<sup>3</sup> This policy does not seek to provide a discount to those currently insured but promotes access to auto insurance for those who are currently left out. Other states, like California and Massachusetts already prohibit the use of some non-driving related factors in setting auto insurance rates, and we believe Maryland should follow their example.

**For these reasons, we encourage a favorable report on HB 436.**

<sup>1</sup> [http://www.marylandconsumers.org/penn\\_station/folders/consumer\\_education/reports/Auto\\_Insurance\\_Gender\\_Discrimination\\_Research\\_Report\\_\\_\\_Color.pdf](http://www.marylandconsumers.org/penn_station/folders/consumer_education/reports/Auto_Insurance_Gender_Discrimination_Research_Report___Color.pdf)

<sup>2</sup> <https://apps.urban.org/features/city-financial-health/city.html?city=baltimore-md>

<sup>3</sup> <http://www.iii.org/fact-statistic/uninsured-motorists>