

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

TESTIMONY IN OPPOSITION OF HOUSE BILL 436:

Motor Vehicle Insurance - Use of Credit History in Rating Policies

TO: Hon. Delores Kelley, Chair, and Members of the Senate Finance Committee

FROM: Christopher Dews, Senior Policy Advocate

DATE: February 17, 2022

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that develops and advocates policies and programs to increase the skills, job opportunities, and incomes of low-skill, low-wage workers and job seekers in Maryland. JOTF opposes the amended House Bill 436 as it fails to reduce discriminatory practices by insurers that result in disproportionately high auto insurance premiums on the basis of credit scores.

Mobility is key in Maryland's regional economy. The Census Bureau reported that [almost 50% of Marylanders travel outside of their county](#) for employment. This statistic is more pronounced for lower-income communities of color where there is a scarcity of jobs available by public transit. In fact, only [9% of jobs in the Baltimore region can be reached within one hour, one way by public transit](#). Thus for economic sustainability, both affordable auto insurance, and a vehicle are necessary.

The effects of using non-driving factors, specifically credit history, results in extreme racial disparities in auto insurance premiums and further perpetuates a cycle that many low-income workers are desperately trying to break. A [2015 study](#) by the Consumer Federation of America (CFA) found that good drivers with low credit scores are charged as much as **123 percent more** than drivers with high credit scores, controlling for all other factors including driving record. Lack of access to banking institutions, financial literacy, and the mounting fees associated with poverty, cause many low-income families to fall victim to predatory lending and debt that tank their credit. The CFA also found that [State Farm charged Baltimore drivers](#) with poor credit scores an average of as much as **171 percent more** than drivers with excellent credit scores, controlling for all other factors including driving record (\$2,788 vs. \$1,030). Bankrate also released a recent [state-by-state analysis](#) on the impact of credit scores in auto insurance noting that Marylanders as a whole pay nearly double for poor credit versus excellent credit:

	Poor	Average	Good	Excellent	State Car Insurance Laws
Maryland	\$2,935	\$1,958	\$1,877	\$1,565	Maryland car insurance laws

Source: <https://www.bankrate.com/insurance/car/credit-score-impact/>

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[Maryland Code Ann., Transportation §17-707](#) states that driving without auto insurance in Maryland is a crime punishable by up to (1) one year in jail, a \$1000 fine, or both. As such, drivers must purchase at least a basic liability insurance policy that covers accidents caused by the driver, but with factors like credit history and zip code factored in, even this basic coverage becomes unaffordable for lower-income families. 14.1% of Maryland's 4.3 million drivers (~602,000 Marylanders), drive uninsured citing the cost of insurance as their primary concern. According to 2015 MVA Data, the uninsured rates for the largest counties were as follows:

- 11.1% of Baltimore City;
- 11.5%: Montgomery County;
- 16.0%: Baltimore County; and
- 22.8%: Prince George's County

Taken from The [Taskforce to Study Methods to Reduce the Rate of Uninsured Drivers](#), DLS 2016 (pg. 39)

House Bill 436 sought to address this issue by prohibiting insurers from using an applicant's credit history in the underwriting process. This would reduce the cost for lower-income communities making insurance more affordable and slashing the uninsured rates throughout the state. The amended version of the bill, sponsored by the [National Council of Insurance Legislators](#) (NCOIL), members of the insurance lobby, does *nothing* to reduce the cost of insurance for lower-income persons. It first assumes that the individual with poor credit already has insurance, which would be far too costly based on the data above. Then, it allows that individual to beg for a reduction in premiums only if they can prove, with documented evidence, that a catastrophic event has had an impact on their credit *recently*. This would only happen in extremely rare circumstances and the amendment has no guarantee that the actual cost would drop as the insurer can swiftly deny the request for whatever reason they deem suitable. As such, insurance does not become more affordable for the lower-income individual rendering the bill moot. Worse, if this bill passes, it could be mistakenly seen as "progress" and used as a cudgel to block future insurance reforms as some might claim that this "compromise" settled the issue.

For more information, contact:

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