

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

HB436 / HB690 - Facts, Data & Statistics

For Consideration by the House ECM Committee on 2022's HB436/HB690.

This bill will eliminate the use of credit history in auto insurance premiums

Links to all those attached

➤ **The Credit History Disparities**

- Maryland Specific
 - Bankrate released a [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 (\$2,935 vs. \$1565).
 - The Consumer Federation of America (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).
- Nationwide
 - A [2015 study](#) by the 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.

➤ **Vehicular Transit in Maryland - The Necessity**

- The Census Bureau reported that [almost 50% of Marylanders travel outside their county](#) for employment.
 - 47% of Marylanders drive to another county for work according to a 2019 [American Community Survey](#)
- Baltimore Region
 - 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.

➤ **State Laws on Auto Insurance**

- [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. (See subsection “d”)
- [Maryland Code Ann., State Finance and Procurement §3-304](#)
 - Failure to respond to MVA insurance notifications will result in your case being transferred to the Central Collections Unit (CCU).
 - Once your case is sent to CCU, fines are subject to a 17% collection fee, and your income tax return will be intercepted.

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➤ Uninsured Rates in MD - 14.1%

- Number of Licensed Drivers in MD - [4.3 Million](#)
 - Also [reported](#) from the MDOT/MVA (Page 6)
- Uninsured Rates in Insurance Information Institute
 - Reported in 2021 that [14.1% of Marylanders drive uninsured](#).
- 602,000 Uninsured Drivers
 - $4,300,000 \times 14.1\% = 602k$
- Uninsured Rates by County - [2015 MVA Data](#) (Page 39)
 - 8.7%: Anne Arundel County
 - 11.1%: Baltimore City;
 - 11.5%: Montgomery County;
 - 16.0%: Baltimore County; and
 - 22.8%: Prince George's County
 - Taken from [DLS Report](#) to Study Methods to Reduce the Uninsured Drivers (Page 39)

➤ Other States

- States that have removed it:
 - [Michigan](#) - SB1 (2019)
 - [Press Release](#)
 - California
 - Hawaii
 - Massachusetts
 - [Washington](#) - Insurance Commissioner just announced

➤ Sites and Sources

- Articles
 - [NBC News Article](#) on Credit History
 - [Money Article](#) on Washington's new rule to ban credit
- Bankrate article exposing the cost disparity for the use of credit history
 - <https://www.bankrate.com/insurance/car/credit-score-impact/>
 - <https://www.bankrate.com/insurance/companies/aaa-vs-allstate/>
 - <https://www.bankrate.com/insurance/companies/state-farm-vs-farm-bureau/>
- CFA Reports on Credit History
 - <https://drive.google.com/file/d/1GjoMBOVgeI3EyHjKmPLfkyk8CLeWhg2X/view?usp=sharing>
 - https://consumerfed.org/wp-content/uploads/2015/11/151118_insuranceinpredominantlyfricanamericancommunities_CFA.pdf
- MCRC Report - Zip Code
 - MCRC Report on Auto Insurance - Zip Code

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- <https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/5cd32d49085229c13bc2b900/1557343566040/MCRC+Zip+Code+Auto+Insurance+Fact+Sheet.pdf>
 - CFA Article - Zip Codes
 - https://consumerfed.org/press_release/auto-insurers-often-charge-identical-neighbors-considerably-higher-premiums-because-of-zip-code-differences/
 - Insurance Information Institute - Uninsured Motorists Stats
 - <https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists>
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Out for Justice

Broadly, this practice exacerbates the cycle of poverty and the criminalization of poverty

- People in poverty naturally have trouble paying their bills → causes lower credit scores
 - if that raises their insurance premiums, they may have even less money to pay their bills & their credit score gets worse
 - they may not be able to afford their car insurance rates at all, but need to risk driving to work without insurance to provide for their basic needs
 - driving without insurance may lead to yet more fines and event to incarceration
 - more fines and incarceration deepens poverty

The current law prohibits explicit use of race to determine auto insurance; however, the use of credit scores circumvents this protection

- Using credit history to determine insurance rates disproportionately denies Black Marylanders access to affordable insurance for the reasons outlined below:
 - >50% of white households have a credit score over 700 compared to only 21% of Black households ([The Urban Institute](#), 2019)
 - 33% of Black households have insufficient credit histories to have a credit score, while just 18% of white families lack such a credit history ([The Urban Institute](#), 2019)
 - The above disparities are linked to a myriad of economic barriers historically and presently Black Marylanders
 - A recent research report by Payscale found that "55 years after the passage of the Civil Rights Act, we find equal pay for equal work is still not a reality... Even as black or African-American men climb the corporate ladder, they still make less than equally qualified white men." ([Payscale](#), 2019)
 - Furthermore, Black Marylanders are likely to receive harsher consequences, including incarceration for the same crimes within the criminal legal system ([Rothwell](#), 2015; [The Sentencing Project](#), 2016)
 - this leads to yet more gaps in work history and reduced wealth accumulation

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- These are just some of the systemic racial disparities above that contribute to an inability to pay bills and accrue positive credit

With the above facts in mind, it is no wonder that some scholars have referred to this practice as “Modern Day Redlining”, including Darrick Hamilton, a professor of economics and urban policy at The New School for Social Research. ([NBC News, 2021](#))

- **It’s time to follow the lead of lawmakers that have outlawed this practice** in several other states, including California, Hawaii and Massachusetts, [Colorado](#), [New Jersey](#), [New York](#) and [Oregon](#). ([NBC News, 2021](#))