TESTIMONY IN SUPPORT OF HB0655:

Driving Without Required Security - Repeal of Incarceration Penalties

TO: Hon. Luke Clippinger, Chair, and Members of the House Judiciary Committee

FROM: Iman Freeman - Chair of the People's Commission

DATE: February 15th, 2022

The People's Commission to Decriminalize Maryland was established in 2019 with the purpose of reducing the disparate impact of the justice system on Marylanders who have been historically targeted and marginalized by local and state criminal and juvenile laws based on their race, gender, disability, or socioeconomic status. We strongly support House Bill 655 as a means to ensure that we are not criminalizing poor communities of color for attempting to maintain employment.

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 a vehicle and affordable auto insurance are necessary.

Maryland law mandates that all drivers have auto insurance when operating their vehicles. Specifically, 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 for the first offense. Yet, the Insurance Resource Council announced that 14.1% of Maryland's 4.3 million drivers, drive uninsured. This means that every day, over 600,000 Marylanders risk incarceration due to the lack of affordable insurance. This is due to current Maryland laws that permit insurers to determine eligibility for coverage and insurance premiums on the basis of education, credit history, occupation, and most notably, zip code- none of which have any relation to an individual's driving ability. The effects of using these non-driving factors, especially zip code and credit history, result in extreme racial disparities in auto insurance premiums and further perpetuates a cycle that many low-income workers are desperately trying to break.

In 2014, The Maryland Consumer Rights Coalition (MCRC) did a study examining the disparate impact the use of zip code can have on an individual's insurance premiums. They found that a single 30-year-old man in Baltimore City pays, on average, more than **$500 more** than he would pay for the same insurance in Montgomery County. They go on to show that many drivers pay $150 - $700 more for car insurance in one neighborhood than they would pay in an adjacent neighborhood. When examining the cost of Geico's insurance rates by zip code, they found that holding all factors constant, a resident of Southwest Baltimore City's zip code of 21223 pays **$674 more** for the same coverage than a resident of Baltimore County's 21227 zip code ($1314 vs. $640). If the same driver lived in Howard County, her insurance

would cost **$400 less** than if she moved five miles into Baltimore County. Though less dramatic, she would save $139 annually if she moved from Upper Marlboro (20774- Prince George's County) to Silver Spring (20904- Montgomery County). The catch is that each of the counties with higher insurance premiums, namely Baltimore City, Baltimore County, and Prince George's County, has a stronger concentration of lower-income African Americans. The Consumer Federation of America (CFA) found that the Baltimore-Towson Metropolitan Area had the worse racial disparities in the nation, with average premiums in predominantly African American ZIP codes being almost double, or **94 percent higher** than the average premiums in its predominantly white communities.

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/

The use of non-driving factors effectively prices the majority of Maryland's lower-income communities out of the insurance market. MAIF, which is supposed to be the insurer of last resort, also fails to address the issue as they are also far too expensive for lower-income workers- evidenced by their recent attempt to pass legislation to create payment plans with the hope of increasing accessibility to their service. When individuals can't afford insurance, they simply drive without to get to work, risking incarceration and a hefty fine.

Beyond this, is the $1000 fine imposed by the current state law for driving without insurance. As stated, the primary reason for driving uninsured is the inflated insurance rates. People simply do not have the money. With multiple pre-pandemic reports showing that most Americans can't even afford a $1000 emergency expense due to bills and debt- it can be assured that most Marylanders do not have $1000 to spare for motor vehicle fines. We ask that the committee take that into consideration when examining this issue as well.

House Bill 655 repeals incarceration as a penalty for driving without insurance. We see this as a step in the right direction towards decriminalizing poverty and race in Maryland. No one's poverty should

determine their mobility or cause them to relinquish their freedom. For these reasons, we respectfully urge a **favorable** report on House Bill 655.

Regarding the $1000 fine, we are supporting a possible amendment to the bill to sharply reduce it and create a more progressive rating mechanism.