



Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

Testimony to the House Economic Matters Committee
HB 355 – Baltimore City Lifeline Low-Cost Automobile Insurance Program
Position: Favorable

The Honorable C.T. Wilson
House Economic Matters Committee
251 Lowe House Office Building
Annapolis, MD 21401
cc: Members, House Economic Matters Committee

Feb. 9, 2023

Honorable Chair Wilson and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a nonprofit group that works for safety, transparency and fair treatment for Maryland drivers and car buyers.

We support **HB 355** because we believe a low-cost insurance program would be an innovative and effective way to make car insurance more fair and more affordable for many low- and moderate-income families in Baltimore City.

This program would provide long-overdue relief for some of the lower-income Marylanders who have for too long have been unfairly burdened by insurance policies and rating practices (allowed by the state) that help to make the cost of the mobility and transportation they need exceedingly expensive, if not outright unaffordable. It could also become a model we can extend to provide affordable insurance to eligible drivers across the state.

In Baltimore, as in many other parts of Maryland, having reliable personal transportation is critical to access to jobs, education and other opportunities as well as to services that are important to a family's well-being and quality of life. Yet for many low and middle-income Marylanders, the high cost of auto insurance is a real barrier to car ownership.

This problem is especially acute in Baltimore, which has both a high rate of poverty and some of the nation's highest auto insurance rates. The Consumer Federation of America (CFA) found that the average cost of the minimum liability insurance in Baltimore for a driver with a good record is \$1,892. But many drivers must pay much more than that—and lower-income and African-American drivers very often pay much more.

CFA found, for instance, that people in the lower income, mostly African-American Greater Mondawmin neighborhood pay, on average, more than \$700 more than those in the higher-income, mostly white Hampden/Medfield area (\$2,424 vs. \$1,717). Similarly, drivers in the lower-income, mostly Black Pimlico area paid more than \$600 those in wealthier, whiter Mount Washington paid.¹

1. <https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/603d482c9e1e6b26c0d61423/1614628908438/Policy+Brief-How+Zip+Codes+Impact+Maryland+Auto+Insurance+Premiums+.docx+%283%29.pdf>



And across the state, CFA found that drivers in zip codes with a higher percentage of African-American residents consistently pay significantly more for car insurance.²

Unfortunately, the way the state allows insurers to use zip codes to influence rates is only one of many rating practices that add to the cost burden many drivers of modest means face. A driver's credit score often also has a dramatic impact on what he or she will pay. A 2020 survey from Wallet Hub found that the average price fluctuation based on credit in Maryland is 41%, with some companies charging as much as 95% more on this basis.³ Since many lower-income households have suffered economic reversals that damage their credit more than half of white households have a FICO credit score higher than 700 while only 21% of African American households do,⁴ this practice also pushes up the cost of insurance for many lower-income and minority drivers.

While the details of their policies vary, many major car insurers to also charge more to drivers who have a high school education rather than a college or graduate degree; to drivers in blue collar or service occupations rather than more professional jobs; or to drivers who rent rather than own their homes.⁵

All of these state-approved rating practices work to increase the cost of insurance for many Baltimore residents and lower-income Marylanders. At the same time, Maryland requires drivers to carry a relatively high (and expensive) level of insurance to drive legally – and imposes quite serious penalties on those who drive uninsured (up to a \$1,000 fine and a year in prison for a first offense; \$2,000 or more in fines and up to two years in prison for a second offense).

As a result, many city residents face car insurance bills that can exceed \$3,000/year to drive legally. They are left with a series of bad choices: to pay more than they can afford for insurance; to risk serious legal jeopardy by cheating and driving without insurance; or to struggle to use Baltimore's unreliable and time-consuming public transit system to meet their needs.

By offering more modest levels of coverage at lower rates to good drivers with low and moderate incomes, the Baltimore City Lifeline Low-Cost Automobile Insurance Program **HB 355** would establish promises to offer thousands of drivers a much better choice.

This plan is loosely based on a very successful program California has used to make car insurance affordable for thousands of low- and moderate-income families for more than 20 years. Much like the program outlined in **HB 355**, California's plan is available to people who own modest cars (worth \$25,000 or less), have safe driving records, and have incomes less than 250% of the federal poverty level. California's program makes basic car insurance available through the private insurance market at low rates that reflect the costs and risk level in each county. The base rate in

² Ibid

³ <https://wallethub.com/edu/ci/car-insurance-by-credit-score-report/4343>

⁴ <https://www.nbcnews.com/politics/politics-news/bad-credit-shouldn-t-affect-car-insurance-experts-say-states-n1276173>

⁵ <https://www.consumerreports.org/car-insurance/why-your-education-and-job-could-mean-youre-paying-too-much-for-car-insurance-a3116553820/>



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every county in the state (including high-cost urban areas like San Francisco and Los Angeles) is less than \$500, though some drivers also pay surcharges that add a few hundred dollars to their bills.⁶

While the California program certainly delivers affordable coverage even in the most expensive parts of the state, one difficulty is that it is reaching a relatively small number of families -- in part because the low levels of coverage it offers (with a maximum coverage of just \$3,000 for property damage) may not be adequate for many families.

The insurance Maryland would make available in Baltimore City under **HB 355** would likely be somewhat more costly more than the California plan. But Maryland's plan would also provide fuller coverage – up to \$7,500 for property damage and more coverage than California's plan offers for death or injury to others. That higher level of coverage could help Maryland's program reach a broader audience. And the fact that the income ceiling on Maryland's plan would be a little higher than California's plan allows (300% of federal poverty level rather than 250%) would help bring rate relief to a larger set of drivers.

For many Baltimore drivers of modest means, the high cost of car insurance imposes significant sacrifices and limits their ability to build a better life. **HB 355** offers an opportunity to give them some real relief. And if it works nearly as well in Baltimore as California's similar program has worked, it could be a great precedent for offering relief to lower-income drivers around the state.

Consumer Auto supports HB 355 and urges a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

⁶ <https://www.valuepenguin.com/auto-insurance/california/low-cost-auto-insurance-program>