



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

February 8, 2023

The Honorable C. T. Wilson, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, MD 21401
Cc: Members, House Economic Matters Committee

Honorable Chair Wilson and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are here today in strong support of HB 355.

I am here today both as an advocate and to share my personal story about why Maryland Auto (MAIF) in its current form is not effective to meet the needs of low-income drivers in Baltimore City.

My 20 year old son graduated from The Baltimore City College during the pandemic so he wasn't enrolled in driving lessons due to a combination of the pandemic & the fact he has a chronic illness & was bed bound part of his junior year. He is now a sophomore at UMBC and wants to get his driver's license but needs to get his 60 hours of drive time. Because neither his father nor I drive, neither of us has auto insurance that we could add him onto. He has a car and I was working last fall to insure his car so he could use it to obtain his 60 hours of driving time to comply with Maryland law.

No carrier would insure the car (rather than the driver). The only place that would do so was Maryland Auto (MAIF). MAIF colleagues were very helpful and I located a State Farm Agent who quoted me the price to insure the car, rather than a driver: \$870 per month, or \$10,000 a year to comply with the law. Now, his rate will go down a bit when he gets a license, but not a lot because of non-driving rate factors

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such as my zipcode.

While my situation is unusual, it is not unusual for Baltimore City drivers to be enrolled in MAIF only because they are low-income. In fact, 60% of Baltimore City drivers in MAIF are there because they had a lapse in insurance (likely because of an affordability issue -since rates go up if you're lapsed & have to make up fees, and then renew), or because of poor credit scores. In MAIF's recent hearing before Appropriations, Commissioner Redmer noted that INSERT HERE....

In fact, the latest BNIA Vital signs show that in many Baltimore neighborhoods, especially those in the Black Butterfly, many households do not have a car. It may be by choice, or it may be an issue of affordability-difficulty affording a car or insurance. If these households try to obtain insurance, they are likely to get high quotes because they lapsed in the past or have no or little driving record. City residents throughout Baltimore will benefit from this legislation.

Table 1: Public Transport and Neighborhood Demographics, Baltimore City

	% of Pop that Uses Public Transportation	% of Households with No Vehicles	% of residents Black/ African-American (non-Hispanic)
Sandtown Winchester	38.5	62.3	92.5
Greenmount East	26.8	47.8	93.2
Southern Park Heights	32	49.5	90.5
Southwest Baltimore	36.5	53	75.2
Madison/East End	29.9	45.1	77.5
Oldtown	29.9	58.6	77.5
Upton	27	48	88

And the average rate that MAIF charges drivers is more than \$2000 which is unaffordable for many low-wage and financially fragile City residents. MAIF acknowledges the affordability issue. In their testimony in front of the House Appropriations Committee last week, MAIF stated that the number of cancellations (people not being able to pay) is going up which strongly suggests an affordability issue.

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MAIF further highlighted the strain the current model has on consumers, noting that “Folks are canceling 2 or 3 times a year. They are low income - they drop insurance - then they get more money then they cancel again.”

In other words, current policy is a strain on MAIF financially and results in low-income drivers purchasing and dropping coverage 2-3 times a year which is poor public policy, resulting in more uninsured drivers. With passage of HB 355, the low-income, good drivers will be insured and able to maintain their coverage, MAIF will cover its administrative costs to provide the new policy, and the rate assessment will support MAIF's other costs-just as rates are assessed in more than 40 other states.

HB 355 is good public policy, expands access to insurance for low-income drivers, is revenue-neutral, and provides a funding mechanism to enable MAIF to insure drivers who can't obtain coverage elsewhere, as intended by its creation.

For all these reasons, we support HB 355 and ask for a favorable report.

Best,

Marceline White
Executive Director

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