



Testimony to the House Economic Matters Committee
HB355: Baltimore City Lifeline Low-Cost Automobile Insurance Program
Position: Favorable

February 09, 2023

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

Honorable Chair Wilson and members of the committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing today in strong support of HB355.

HB355 provides a much-needed, revenue-neutral policy solution to the problem of unaffordable auto insurance and uninsured drivers in Baltimore City. The percentage of uninsured drivers in Maryland is over 12% - which is far more than surrounding states including Pennsylvania (7.6%), Virginia (9.9%), New York (6.1%), and West Virginia (10.1%)¹. High premium costs and lack of affordable options is a leading cause for drivers to go without insurance.

A key structural issue driving up costs for auto-insurance in Maryland is our minimum liability requirement. The minimum liability is broken into three amounts of coverage: bodily injury per person/bodily injury per accident, and property damage liability. In 2010, the General Assembly raised the minimum liability required for auto insurance from \$20,000 /\$40,000/\$15,000 to \$30,000/\$60,000/15,000.² This brings Maryland's limited liability requirements to one of the highest in the entire country.³ Only Alaska, Michigan, Maine, and North Carolina have higher minimum liabilities and all neighboring states have lower limits.

While Maryland has increased coverage and has passed a number of policies to enforce the law requiring drivers to purchase insurance, the state has done very little to make auto insurance more affordable to enable low-wage workers to comply with the law. Being able to drive significantly improves economic opportunities for low-income Marylanders, and without insurance people are either forced to rely on public transportation or to drive illegally without coverage, driving up costs for everyone.

¹ Insurance Research Council, Uninsured Motorists (2017 edition).

² <https://mgaleg.maryland.gov/mgaweb/legislation/Search/Legislation?target=/2010rs/billfile/HB0825.htm>

³ <https://www.policygenius.com/auto-insurance/car-insurance-required-in-every-state/>



We can require that drivers carry insurance, but it is poor public policy if we create a system that can jail someone for failure to carry insurance⁴, yet does nothing to make sure that low-income drivers can afford to comply with the law.

In Baltimore, a car remains necessary for working families to attain upward mobility. In addition to increased earnings, low-income households with access to a car save time and increase their access to after-school activities, medical care, and groceries. Most importantly, low-income households with access to a car increase their ability to secure jobs that provide family-sustaining wages which are only accessible by car. In fact, only 9% of jobs in the Baltimore region can be reached within one hour, one-way by public transit.⁵ And even when public transportation is available, it may not be accessible for workers whose shifts are at unusual hours or whose work schedule is irregular.

A survey of recipients who qualified for a free car program in Maryland found that many spent 12% of their monthly budget on car insurance – far more than the 2% of income affordability standard developed by the Federal Insurance Office. The Federal Insurance Office’s study on auto insurance affordability assessed the cost of auto insurance in underserved communities throughout the nation. FIO found that over 339,000 people live in underserved ZIP codes in Baltimore where auto insurance is currently unaffordable.⁶

Average Cost of Auto Insurance by Baltimore City District *red arrows indicate a premium cost twice as high as the FIO affordability standard of 2%

District	Average Annual Premium	Median Household Income	% of Income Spent on Premium
District 40	\$2,009	\$33,900	5.93% [^]
District 41	\$1,978	\$47,200	4.19% [^]
District 43	\$1,958	\$47,600	4.11% [^]
District 45	\$1,909	\$39,600	4.82% [^]
District 46	\$1,715	\$59,400	2.89%

The average cost of premiums in all Baltimore City Districts are considered unaffordable by the FIO standard.

HB355 creates a means-tested low-cost auto insurance program for Baltimore City that would allow low-income, good drivers (drivers with three years of driving experience, no DUIs, and 1 or fewer points on their record) to purchase auto-insurance at half the coverage currently required under law (\$15,000/\$30,000/\$7,500). While the coverage is lower, this would provide coverage to otherwise

⁴ <https://mva.maryland.gov/vehicles/Pages/insurance-uninsured.aspx>

⁵ <https://www.baltimoresun.com/opinion/editorial/bs-ed-1214-transit-grade-baltimore-20201211-omp76olc7bbal-moridbj4a5jhg-story.html>

⁶ https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study_web.pdf



completely uninsured drivers. And based on ten years of data from California - where a similar program has been hugely successful -this lower-level of coverage provides more than enough coverage for these good drivers.

We need an affordable insurance solution. Maryland Auto is the state's insurer of last resort intended to insure those who have been refused insurance elsewhere, and yet it is one of the top ten largest insurers in Maryland's market. In fact, it is among the top four largest residual insurers in the country.⁷ In 2022, Maryland Auto reported that 58% of their policyholders have not had an at-fault accident or a moving violation within the last three years and that the leading cause policyholders are enrolled through Maryland Auto is lack of a credit history or poor credit scores or no continuous automobile insurance coverage.⁸

In 2020 Maryland Auto reported an average policy cost of \$2,071 for their currently enrolled drivers who would qualify for the Low-Cost Program. This is 29% more than the average premium cost in the state. These high costs are unsustainable for drivers who, as reported by Maryland Auto, cancel their policies one or more times a year, renewing their insurance when they find the money to do so.⁹ Not only is this unsustainable for drivers, it places a burden on Maryland Auto to process cancellations and renew policies for a single driver multiple times a year.

A low-income affordable insurance program will create an on-ramp for working families who are not driving because of the high cost of insurance, who are driving without insurance, or who are sacrificing vital necessities in order to pay for insurance. More insured drivers means more affordable coverage and safer roads for everyone.

For these reasons we support HB355 and urge a favorable report.

Respectfully,

Isadora Stern
Policy Manager

⁷ https://abell.org/wp-content/uploads/2022/02/Auto20Insurance20Report2011_20_191.pdf

⁸ <https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/63d93da4e516ab7b9d5e377f/1675181476962/FINAL+-+MAIF+Budget+Follow+up+%283%29.pdf>

⁹ https://mgaleg.maryland.gov/mgawebsite/Committees/Media/false?cmte=t%26e&clip=TAE_2_2_2023_meeting_1&ys=2023rs