



Advocating better skills, jobs, and incomes

TESTIMONY IN SUPPORT OF HB355

Baltimore City Lifeline Low-Cost Automobile Insurance Program

TO: Chair C. T. Wilson and Members of the House Economic Matters Committee

FROM: Ioana Stoica, Policy Advocate

DATE: Tuesday, July 7, 2023

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that advocates for better jobs, skills training, and wages for low-income workers and job seekers in Maryland. We strongly support HB355 to increase transit access for jobseekers in Baltimore, Maryland.

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 in Baltimore 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.

In 2018, JOTF released its groundbreaking report called "[The Criminalization of Poverty](#)" which dissects the various intersections by which Maryland residents from impoverished communities unjustly encounter the criminal justice system. One of the most salient ways lies within Maryland's motor vehicle laws regarding auto insurance. 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

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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 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 uninsured to work, risking incarceration and a hefty fine.

HB355 is a targeted bill that seeks to address this issue by creating a low-cost pilot program in Baltimore City, where drivers are significantly impacted by the high cost of insurance. As more low-income, good drivers become insured by obtaining insurance policies through this new program, our roads will become safer, and low-wage workers will be able to afford to comply with the law. JOTF sees this as a step in the right direction toward supporting transit access for workers in Maryland. For these reasons, we respectfully **urge a favorable report on House Bill 355.**

For more information, contact:

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