

## Support HB355: Establish a Low-Cost Auto Insurance Pilot Program in Baltimore City

### Auto-insurance is too expensive for low-and moderate-income workers in Baltimore City

- The Consumer Federation of America (CFA) found that the average cost of a limited liability auto insurance premium for a driver with a clean record is \$1,892 a year in Baltimore City. Some Baltimore City drivers pay more than \$2,400 depending on their zip code.<sup>1</sup>
- As many as 15% of Maryland drivers on the road are currently uninsured, and many more community members struggle to reach jobs and medical appointments without using a car.
- In Maryland in 2022, insurance rates rose by 25%, one of the top 3 highest rate hikes in the nation.<sup>2</sup> Rates are projected to increase again in 2023.
- The Federal Insurance Office's (FIO) 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.<sup>3</sup>

**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% <sup>^</sup>
District 41	\$1,978	\$47,200	4.19% <sup>^</sup>
District 43	\$1,958	\$47,600	4.11% <sup>^</sup>
District 45	\$1,909	\$39,600	4.82% <sup>^</sup>
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.

### The Consequences and Costs of Being Uninsured

- Failure to have auto insurance carries an array of criminal and civil consequences, including: a \$150 fee for the first 30 days of driving uninsured; \$7 for each day thereafter; a \$25 restoration fee; a ban on registering new vehicles or renewing registration until all insurance suspensions are cleared; and the confiscation of license plates.<sup>4</sup>
- Driving without insurance is a misdemeanor and subject to a \$1,000 fine for a first offense and up to one year in jail and five points added to the individual's license. A second offense can surpass \$2,000 in charges and up to two years in jail. In addition, another five points may be added to the

<sup>1</sup>

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

<sup>2</sup> <https://insurify.com/report/auto-insurance/december-2022/>

<sup>3</sup> [https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study\\_web.pdf](https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study_web.pdf)

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

individual's drivers license and the driver's insurance rates will increase with a second offense.

Maryland has passed a number of policies to enforce the law requiring drivers to purchase insurance, but we have done very little to make auto insurance more affordable and 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.

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 insurance, yet does nothing to make sure that low-income workers can afford to comply with the law.

### Why is Insurance so Expensive?

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.<sup>5</sup> **This brings our limited liability requirements to one of the highest in the entire country.** Only Michigan, Alaska, and Maine have higher minimum liabilities.

State	Limited Liability Policy
Maryland	\$30,000/\$60,000/\$15,000
Delaware	\$25,000/\$50,000/\$10,000
Washington, D.C.	\$25,000/\$50,000/\$10,000
Pennsylvania	\$15,000/\$30,000/\$5000
Virginia	\$25,000/\$50,000/\$20,000
New Jersey	\$15,000/\$30,000/\$5,000
New York	\$25,00/\$50,000/\$10,000

Source: [Policy Genius](#)<sup>6</sup>

### Solution: Create an Affordable Auto Insurance Policy that Low-Wage Workers and Working Families Can Afford

Maryland can create a means-tested pilot program for an affordable auto insurance policy. The policy can start as a pilot in Baltimore City that would allow low-income drivers to purchase auto-insurance with a lower limited liability.

The program would provide a premium option with lower-limited liability than what is currently mandated

<sup>5</sup> <https://mgaleg.maryland.gov/mgaweb/legislation/Search/Legislation?target=/2010rs/billfile/HB0825.htm>

<sup>6</sup> <https://www.policygenius.com/auto-insurance/car-insurance-required-in-every-state/>



under state law. These new limits would be \$15,000 for any one person and up to \$30,000 for any two or more persons for bodily injury and \$7,500 for property. Even with this significantly reduced plan, coverage would still be greater than many of our neighboring states.

**The key factors are that the program is:**

- Means tested (300% of the poverty line);
- Good drivers only (drivers with no DUIs and no more than one point on their record)
- Revenue neutral
- Actuarially sound (meaning rates must be filed with MIA & cover administrative costs for companies)

**How would it work?**

California's experience with a successful low-income, affordable insurance program provides Maryland with a model for our pilot program. In California, under this program, the average cost of insurance for qualified drivers is \$384 (four times less than the average cost of insurance in Maryland). California achieved this by providing a bare bones (\$10,000/\$20,000) policy for low-income drivers with perfect driving records. It is crucial to note that **93% of drivers who enrolled in the program had not been insured prior to joining.**<sup>7</sup>

In California, which has a shared risk pool, each insurance company underwrote a percentage of the policies based on their share of the California insurance market, and the insurance policy was approved by the California insurance commissioner so that it was actuarially sound. The cost of the policy covered the costs to administer it, so no insurance company lost money providing the policy. Most importantly, the program was revenue neutral as it was not a subsidy or charity model but created as an equity model.

Maryland should introduce this pilot program for 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.

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.<sup>8</sup> 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.<sup>9</sup> 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. Poor drivers are being charged more for auto insurance for being poor. It is time for a solution that does not exacerbate poverty.

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

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<sup>7</sup> <http://www.insurance.ca.gov/01-consumers/105-type/95-guides/01-auto/lca/upload/2019-CLCA-Legislative-Report.pdf>

<sup>8</sup> [https://abell.org/wp-content/uploads/2022/02/Auto20Insurance20Report2011\\_20\\_191.pdf](https://abell.org/wp-content/uploads/2022/02/Auto20Insurance20Report2011_20_191.pdf)

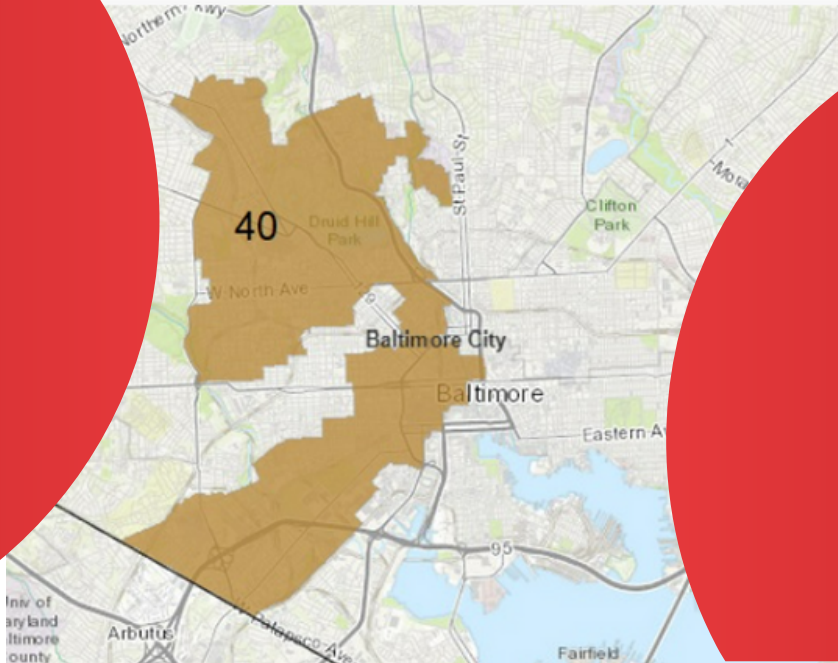
<sup>9</sup>

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



necessities in order to pay for insurance. More insured drivers means more affordable coverage and safer roads for everyone.

# THE NEED FOR AFFORDABLE AUTO INSURANCE

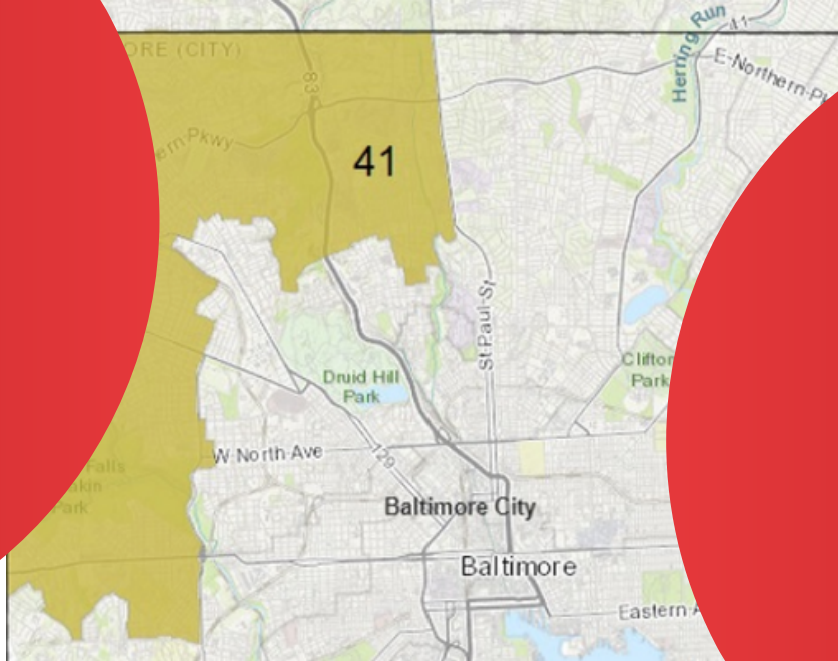


## District 40

The average annual premium in District 40 costs \$2,009.27. The median household income is \$33.9k. On average, residents of District 40 spend 5.93% of their income on auto insurance. Drivers in lower income zip-codes are consistently being charged more than drivers in higher income zip codes throughout the district and are contributing a significantly larger percentage of their income to auto insurance.

Zip code	Avg Premium	Med Income	% of Income
21201	\$1936.42	\$32,200	6.01%
21202	\$1981.77	\$37,000	5.36%
21210	\$1665.68	\$86,000	1.94%
21211	\$1717.17	\$60,500	2.84%
21215	\$2366.75	\$36,800	6.43%
21216	\$2424.92	\$34,900	6.95%
21217	\$2265.20	\$27,100	8.36%
21218	\$2119.33	\$39,600	5.35%
21223	\$2328.20	\$26,600	8.75%
21227	\$1534.78	\$62,400	2.46%
21229	\$2092.53	\$45,400	4.61%
21230	\$1678.50	\$73,200	2.29%

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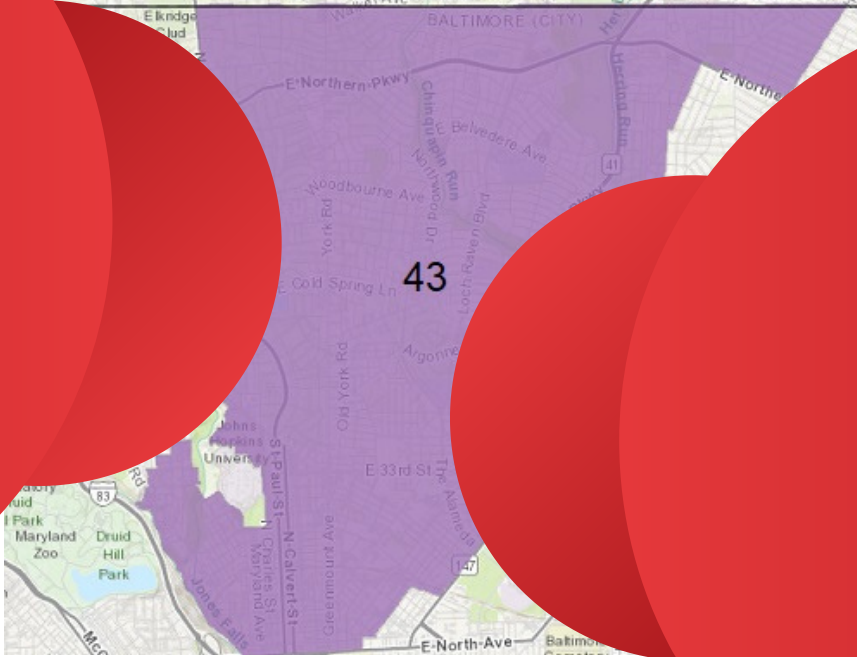
## District 41

The average annual premium in District 41 costs \$1,978. The median household income is \$47.2k. On average, residents of District 41 spend 4.19% of their income on auto insurance. Drivers in lower income zip-codes are consistently being charged more than drivers in higher income zip codes throughout the district and are contributing a significantly larger percentage of their income to auto insurance.

Zip code	Avg Premium	Med Income	% of Income
21207	\$2044.63	\$55,600	3.68%
21208	\$1853.58	\$69,300	2.68%
21209	\$1745.07	\$77,200	2.26%
21210	\$1665.68	\$86,000	1.94%
21211	\$1717.17	\$60,500	2.84%
21212	\$1750.35	\$68,300	2.56%
21215	\$2366.75	\$36,800	6.43%
21216	\$2424.92	\$34,900	6.95%
21218	\$2119.33	\$39,600	5.35%
21229	\$2092.53	\$45,400	4.61%



# THE NEED FOR AFFORDABLE AUTO INSURANCE

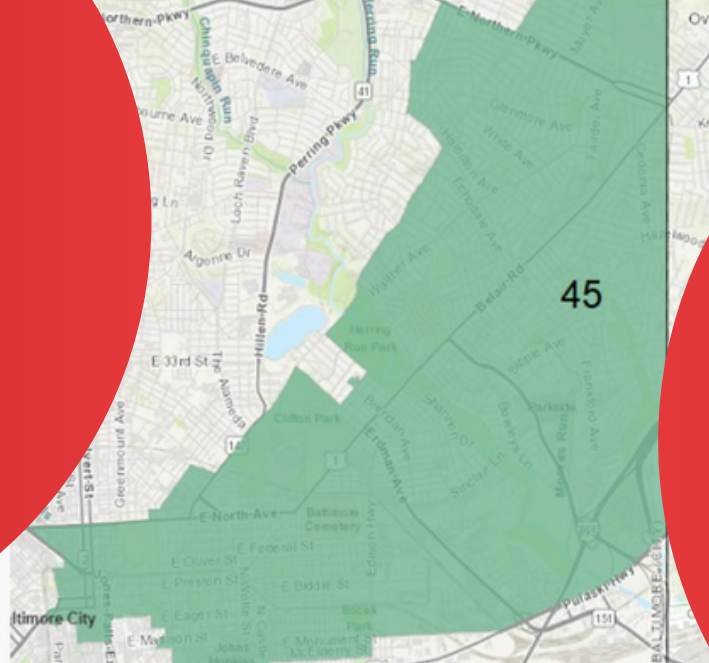


## District 43

The average annual premium in District 43 costs \$1,957.62. The median household income is \$47.6k. On average, residents of District 43 spend 4.11% of their income on auto insurance. Drivers in lower income zip-codes are consistently being charged more than drivers in higher income zip codes throughout the district and are contributing a significantly larger percentage of their income to auto insurance.

Zip code	Avg Premium	Med Income	% of Income
21201	\$1936.42	\$32,200	6.01%
21202	\$1981.77	\$37,000	5.36%
21210	\$1665.68	\$86,000	1.94%
21211	\$1717.17	\$60,500	2.84%
21212	\$1750.35	\$68,300	2.56%
21213	\$2350.58	\$33,000	7.12%
21214	\$1999.90	\$63,600	3.14%
21217	\$2265.20	\$27,100	8.36%
21218	\$2119.33	\$39,600	5.35%
21234	\$1566.98	\$60,400	2.59%
21239	\$2051.13	\$51,400	3.99%
21251	\$2086.88	\$52,400	3.98%

# THE NEED FOR AFFORDABLE AUTO INSURANCE



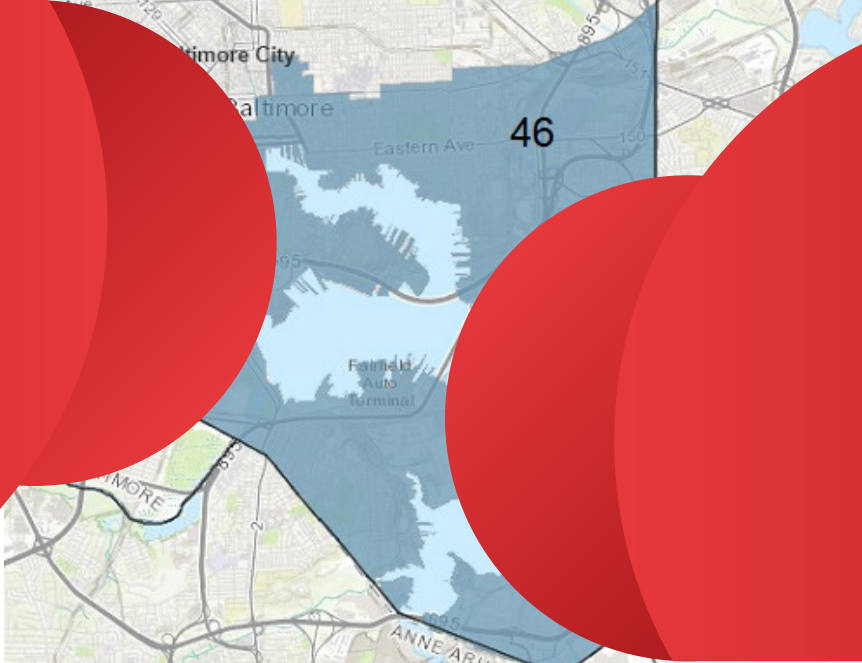
## District 45

The average annual premium in District 45 costs \$1,908.72. The median household income is \$39.6k. On average, residents of District 45 spend 4.82% of their income on auto insurance. Drivers in lower income zip-codes are consistently being charged more than drivers in higher income zip codes throughout the district and are contributing a significantly larger percentage of their income to auto insurance.

Zip code	Avg Premium	Med Income	% of Income
21201	\$1936.42	\$32,200	6.01%
21202	\$1981.77	\$37,000	5.36%
21205	\$2103.62	\$27,700	7.60%
21206	\$2097.28	\$47,900	4.38%
21213	\$2350.58	\$33,000	7.12%
21214	\$1999.90	\$63,600	3.14%
21218	\$2119.33	\$39,600	5.35%
21231	\$1790.02	\$64,000	2.80%
21234	\$1566.98	\$60,400	2.59%
21236	\$1458.37	\$74,200	1.96%
21237	\$1591.68	\$63,600	2.50%



# THE NEED FOR AFFORDABLE AUTO INSURANCE



## District 46

The average annual premium in District 46 costs \$1,715. The median household income is \$59.4k. On average, residents of District 46 spend 2.89% of their income on auto insurance. Drivers in lower income zip-codes are consistently being charged more than drivers in higher income zip codes throughout the district and are contributing a significantly larger percentage of their income to auto insurance.

Zip code	Avg Premium	Med Income	% of Income
21201	\$1936.42	\$32,200	6.01%
21202	\$1981.77	\$37,000	5.36%
21205	\$2103.62	\$27,700	7.60%
21222	\$1572.43	\$49,100	3.20%
21224	\$1664.72	\$61,000	2.73%
21225	\$1627.17	\$38,800	4.19%
21226	\$1384.75	\$73,400	1.89%
21227	\$1534.78	\$62,400	2.46%
21230	\$1678.50	\$73,200	2.29%
21231	\$1790.02	\$64,000	2.80%
21237	\$1591.68	\$63,600	2.50%