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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 25, 2026

The Honorable Pamela Beidle, Chair
Finance Committee
Maryland State Senate
Annapolis, Maryland

**Re: SB865 - Workgroup on the Affordability of Private Passenger Automobile Insurance –
Extension and Alteration of Membership and Duties**
Position: Favorable

Dear Chair Beidle and Members of the Committee:

I respectfully submit this testimony in support of Senate Bill 865, legislation that promotes consumer protection and fairness by extending the termination date and altering the membership and duties of the Workgroup on the Affordability of Private Passenger Automobile Insurance.

Chapter 395 of the Acts of the General Assembly of 2025 directed the Maryland Insurance Administration (MIA) to establish a workgroup to study the affordability of private passenger automobile (PPA) insurance and report its findings and recommendations to the Governor and the General Assembly. Despite identifying territorial rating and other nondriving rating factors as key areas of concern, the workgroup did not reach consensus and was unable to provide specific legislative recommendations to modify or reform the use of territorial rating in Maryland. Additionally, the current membership lineup failed to include representatives of a nonprofit research or consumer advocacy organization with demonstrated expertise in automobile insurance rating practices and affordability.

An insurer that engages in territorial rating assesses the risk of potential claims and losses based on the physical location where a vehicle is primarily parked overnight and adjusts the location-specific base rate accordingly. According to a joint policy brief by the Consumer Federation of America and the Economic Action Maryland Fund, auto insurance premiums decline as the diversity in a community declines and the white population grows. The average premium for basic coverage decreases by \$72 for each 10% increase in the proportion of white residents in a zip code. For example, the low-income zip code 21216 in Baltimore is 95%

African American and has a median household income of \$40,178. This zip code pays an average annual premium of \$2,424.92, over \$1,000 more than the average premium in the Silver Spring zip code and almost \$1,400 more than the average premium in the Bethesda zip code.

The bill would allow for a longer timeline for Workgroup to develop actionable policy options and change the membership requirements to facilitate more thoughtful and representative feedback to inform deliberations. SB865 would extend the termination date from June 30, 2026, to June 30, 2027, so that data-driven, concrete legislative recommendations to reduce premiums, including specific proposals regarding the use of territorial rating and other nondriving rating factors that may contribute to racial disparities, are developed. The bill would also add two representatives of a nonprofit research or consumer advocacy organization with demonstrated expertise in automobile insurance rating practices and affordability as members. This would allow for another perspective during discussions, especially much needed representation from the consumer side while these important conversations regarding affordability are occurring.

The legislation does not determine what the policy recommendations should be or what “affordability” looks like. It also does not ban or remove territorial rating as a factor when determining rates. The bill will ensure that actionable policy options are discussed and developed and policyholders have someone representing them and their interests during Workgroup deliberations.

During the midst of rising PPA insurance rates and premiums, Marylanders deserve relief and reform, and this legislation will serve as a measure for fairness and consumer protection.

For these reasons, I respectfully request a favorable report on Senate Bill 865.

With Regards,

A handwritten signature in black ink, appearing to read 'Alonzo T. Washington', written in a cursive style.

Alonzo T. Washington

Maryland State Senate

District 22