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## THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

### **Testimony in Support of HB1251 - Motor Vehicle Insurance – Rate Filings – Discrimination, Trade Secrets, and States of Emergency**

HB1251 will make auto insurance more affordable, equitable, and transparent for Marylanders. It does not take much research to know that if you move into a predominantly Black neighborhood, your auto insurance premiums are going to increase. This is the unfortunate reality that has been the case in the State of Maryland for decades, and it continues to impact communities of color to this day. The current practice of using zip codes exacerbates costs for people who need the most relief.

To begin to address this important issue in a reasonable way, we have drafted two amendments to this bill. They provide different options to the committee, both of which would be a drastic improvement to the current situation facing our residents. The first option is to limit the use of zip codes as a factor, so that there is no more than a 25% variance in automobile insurance rates attributed to the use of zip codes. The second option is to require that an insurer uses no more than five territories for the State when establishing automobile insurance rates. Under both amendments, we are striking the language requiring the MIA Commissioner to issue rebates on insurance payments during the State of Emergency.

Insurance companies in Maryland are not allowed to use race or income to set insurance rates, but they can use a variety of non-driving factors that act as proxies – including zip code – to set premiums. Maryland law allows auto insurance companies to use these non-driving related factors “in predicting the likelihood that you will be in an auto accident in the future or will file a claim for damages.” The data finds that this is almost always tied directly to race.

Data from the Consumer Federation of America and Maryland Consumer Rights Coalition finds that the more Black people that live in a zip code, the higher the auto insurance premium charged. In fact, in zip codes that are adjacent or a mere mile apart, the zip codes in which a majority of African-Americans live are charged from between \$173-\$700 more. Consider these examples:

- The median income in Fairmont Heights, a predominantly Black community in Prince George's County, is only \$64,141. Drivers pay \$1,576 for insurance, \$274 more than those in College Park, which has a higher median income and higher white population.
- In Baltimore City, the discrepancy is much greater. Drivers in Greater Mondawmin, a community with a median income of about \$41,000 pay \$2424 for insurance, \$700 more than their neighbors in Medfield/Hampden zip codes who pay \$1717 for auto insurance.

African-American Population Decile	Average Annual Auto Premium	How Many Zip Codes	Sum of Total Population in Zip Codes	Percentage of Total Maryland Population in Zip Codes
1	\$987.77	240	1,606,469	26.72%
2	\$1,101.15	78	1,362,334	22.66%
3	\$1,149.44	51	1,078,968	17.95%
4	\$1,180.37	23	348,807	5.80%
5	\$1,360.54	13	322,389	5.36%
6	\$1,406.73	15	266,039	4.43%
7	\$1,472.74	12	257,278	4.28%
8	\$1,962.19	8	329,633	5.48%
9	\$1,664.36	12	409,251	6.81%
10	\$2,424.92	1	30,179	0.50%

As you can see, the difference in cost when grouped by race is incredibly alarming. Low-income drivers in communities of color are subsidizing the discounts that auto insurance companies provide for wealthier drivers in the State of Maryland.

In the past, I have proposed legislation that would simply eliminate the use of territory as a rating factor. As amended, this bill does not do that. The two options presented to the committee are reasonable, common sense policies that can lighten the financial burden on residents, while still creating minimal disruption to current business practices in the insurance industry. This body requires Maryland drivers to purchase auto insurance - and it is our duty to ensure it is affordable and equitable.

President Biden recently touched on this issue in a recent town hall: “If you live in a black neighborhood, you’re going to pay a higher premium on your car.” This is simply the reality for Marylanders and people across the country. It is past time that the General Assembly takes meaningful action to address the inequitable auto insurance rates that continue to burden our Black and brown residents. This bill is the first step in achieving that objective.

For these reasons, I respectfully request a favorable report on HB1251.