

**Testimony to the House Economic Matters Committee  
HB 1251: Motor Vehicle Insurance-Rate Filings-Discrimination, Trade Secrets  
Position: Favorable**

February 25, 2020

Delegate Dereck Davis, Chair  
House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401  
Cc: Members, House Economic Matters Committee

Honorable Chair Davis and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial inclusion and economic justice 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 here in strong support of HB1251.

Last week at his town hall in Milwaukee, WI, President Joe Biden remarked that *“Your car — you never had an accident in your car. If you live in a black neighborhood, you’re going to pay a higher premium on your car.”*

Maryland does not use race or income but zip codes and other non-driving related factors act as proxies for race and class

A forthcoming study by the Consumer Federation of America and Maryland Consumer Rights Coalition reveals that auto insurance rates rise in direct proportion to the percentage of people of color living in a zip code. Conversely, the more white people living in a zip code, the lower the average auto insurance premium is. The unintended impact of the use of zipcodes to price auto insurance is that lower-income, predominately Black, and Latinx drivers are charged hundreds of dollars more for the same product.

This legislation is particularly important today as we grapple with a global pandemic and accompanying recession in Maryland. As the United Way’s 2020 ALICE report notes, 39% of Maryland households struggle to make ends meet<sup>1</sup>. Thousands of households have lost jobs, with Black and Latinx households grappling with greater job loss and a higher risk of contracting COVID, and with it, the healthcare costs and potential loss of earnings.

While insurance companies may claim that accident rates, road conditions, and other factors are the reason that the rates differ, a 2013 study from the NIH looked at hotspots and geography of

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<sup>1</sup> [United Way ALICE report, 2020](#)

crashes in Baltimore City and using statistical analysis found that income, age, sex, and population size was not a predictor of crashes, explaining only about 20% of crashes.<sup>2</sup> Therefore, auto insurance rates that use these nondriving factors to set prices are not using factors that explain crashes.

HB1251 limits discriminatory pricing by providing two options for consideration: 1) drawing larger boundaries for auto insurance companies to rate-which smoothes out zipcode differences; and 2) reduces the impact of zipcodes by proscribing that there can only be a 25% variance between zipcodes.

This legislation does not prohibit the use of zip codes to price auto insurance, it simply provides a way to rectify the disparate impact of zipcodes in setting rates and ensures that rates are more fair and equitable.

HB1251 will reduce the reliance on zipcode in auto insurance and ensure greater equity in auto insurance rates.

For all of these reasons, we support HB1251 and urge a favorable report.

Best,

Marceline White  
Executive Director

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<sup>2</sup> [Hotspots and Causes of Motor Vehicle Crashes in Baltimore](#)