



HB 57- Motor Vehicle Insurance- Rate Filings- Trade Secrets and Factors Used to Establish Rates
House Economic Matters Committee
January 20, 2022
SUPPORT

Chairman Wilson, Vice-Chair, and members of the committee, thank you for the opportunity to support House Bill 57. This legislation would reduce the cost of auto insurance for lower-income black and brown neighborhoods, which are charged nearly double what white neighborhoods are charged, regardless of their driving record.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

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 premiums¹. 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. The results show how 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 if she moved five miles into Baltimore County. She would save \$139 annually if she moved from Upper Marlboro (20774- Prince George's County) to Silver Spring (20904- Montgomery County). Interestingly, each of the counties with higher insurance premiums, specifically Baltimore City, Baltimore County, and Prince George's County, has a higher population of lower-income African Americans. It is illegal to discriminate based on race in the insurance industry, however, using zip codes to determine rates has become a proxy for race.

This legislation is important for low-income Marylanders because it will eliminate the use of zip codes in auto insurance premiums and allow consumers to know what their insurance costs are based on. Racial redlining in the auto insurance industry is unacceptable and extremely harmful to lower-wage workers who must pay more than 12% of their gross income in auto insurance alone, just to secure employment.

For these reasons, we encourage a favorable report on HB 57.

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