

York Road Partnership

Testimony to the House Economic Matters Committee
HB0057: Motor Vehicle Insurance - Discrimination in Underwriting and Rating - Use of Zip Code
Position: Favorable

January 20, 2022

Delegate C. T. Wilson, Chair
House Economic Matters Committee
Room 231, HOB
Annapolis, Maryland 21401

Cc: Members, House Economic Matters Committee

Honorable Chair Wilson and Members of the Committee:

This testimony is being submitted on behalf of the York Road Partnership, a membership network of more than twenty neighborhoods and affiliates promoting the vitality of Baltimore City's York Road community as a desirable urban environment in which to live, shop, work and worship. I am a resident of District 43. I am testifying in support of HB 57.

What the bill does

HB0057 would eliminate the use of zip codes in auto insurance premiums and allow consumers to know what their insurance costs are actually based on. The proposed legislation would sharply 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 actual driving record.

Use of non-driving related factors

Maryland law mandates that all drivers have auto insurance. Yet over 600,000 Marylanders actively drive uninsured because they can't afford it. This is due to the fact that Maryland state law allows insurance companies to use non-driving factors when underwriting insurance premiums. Factors such as zip code, credit history, income, and education- none of which are related to an individual's driving ability- are factored into the calculation, sharply raising the rates for lower-income communities of color. The Baltimore-Towson metropolitan region, the largest metropolitan region in Maryland, was found to have the highest racial disparity in auto insurance premiums in the nation, with average premiums in predominantly [African-American zip codes being nearly double, or 94% higher than, the average premiums in predominantly white communities](#) within the region. [Michigan has banned the use of zip codes](#) altogether. Maryland should follow suit and opt for a broader territorial rating, as House Bill 57 promotes.

Criminalization of Poverty

The unaffordability of Maryland's auto insurance — driven by the state's high-cost minimum liability limits and use of non-driving related factors — has created a population of Marylanders that cannot afford to drive insured. The high cost of auto insurance criminalizes poverty; individuals who cannot afford car insurance yet continue to drive to obtain work or remain employed risk costly fines, fees, or even jail. In 2019, 14.1% of Maryland drivers were driving without insurance.

The York Road Partnership includes both wealthy, predominantly white neighborhoods to the west of York Road and less wealthy, predominantly Black neighborhoods east of York Road. Part of our mission is to reverse the effects of historical and present day discrimination which has led to these disparities. For these reasons we urge you to vote in support of House Bill 57.

Sincerely,

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Treasurer, YRP