

Dear Members of the House Economic Matters Committee,

This testimony is being submitted by Showing Up for Racial Justice Baltimore, a group of individuals working to move white folks as part of a multi-racial movement for equity and racial justice in Baltimore City and Baltimore County. We are also working in collaboration with Out for Justice and Job Opportunities Task Force. I am a resident of MD District. I am a resident of **District 40. I am testifying in support of House Bill 57.**



House Bill 57 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.

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.

Most of Maryland's top insurers use zip code as a primary factor in setting auto insurance premiums. The Maryland Insurance Administration (MIA) currently allows that some form of territorial rating be used in setting rates but lining it up by zip code instead of congressional district or region leads to a direct form of redlining. The [Consumer Federation of America found in a study](#) that:

- In the densest urban communities, the average premium in predominantly African American ZIP codes are **60 percent higher** than the average premium in equally dense predominantly white urban ZIP codes (\$1,797 vs. \$1,126).
- In rural ZIP codes, the average premium in predominantly African American ZIP codes is **23 percent more** than the average premium in rural, predominantly white ZIP codes (\$669 vs. \$542).
- The average premium in upper middle-income, predominantly African American ZIP codes is **194 percent higher** than the average premium charged to a similarly situated driver in an upper middle-income, predominantly white ZIP code (\$2,113 vs. \$717).

More troubling, when a driver files an auto insurance claim after an accident, the claim is held primarily against the zip code where the accident occurred *not* the actual driver's zip code. As such, multiple bad drivers from an outside area can directly raise the overall insurance costs for both good drivers in a specific zip code. Those with no driving history fare worse under this system. [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.

I've lived and driven in Baltimore for over a decade. In that time, I've had firsthand experience in the ways that these wild shifts in insurance rates occur. For example, I lived in a low-traffic spot in the Better Waverly neighborhood, my insurance cost was over \$1400 annually. After moving less than a 10-minute drive to the highly trafficked Hampden neighborhood, my insurance rates dropped by about \$600 annually, while I retained the same car and the same driving history. While I feel more likely to get in an accident thanks to the density of traffic, my **rates declined significantly by virtue of moving from a majority-minority neighborhood to a majority-white one.** This perfectly reflects the capricious and racist nature of zip-code-based insurance rates that needs to end.

It is for these reasons that I am encouraging you to vote in support of House Bill 57.

Thank you for your time, service, and consideration.

Sincerely,  
Jon Smeton  
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