MCRC The Voice For Maryland Consumers
MARYLAND CONSUMER RIGHTS COALITION
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VEHICLES FOR change®

AUTO INSURANCE FACT SHEET

Summary

Maryland Consumer Rights Coalition (MCRC) and Vehicles for Change (VFC) are partnering to push for affordable auto insurance in Maryland. In order to uncover the cost of auto insurance for low income drivers, VFC conducted a survey of individuals enrolled in their auto program. VFC provides automobiles to low-income men and women in Maryland, who are subsequently obligated to buy car insurance in order to meet state liability requirements.

The VFC survey asked respondents a series of questions to get a better sense of their experience navigating the auto insurance industry. **Sixty-four participants were surveyed.** All of the participants place into a low-income bracket for their household size. The maximum income for a household of one individual is **$22,000/year**, for two household members the maximum income is **$32,500/year** – all the way up to a household of six with a yearly income of **$51,875**.

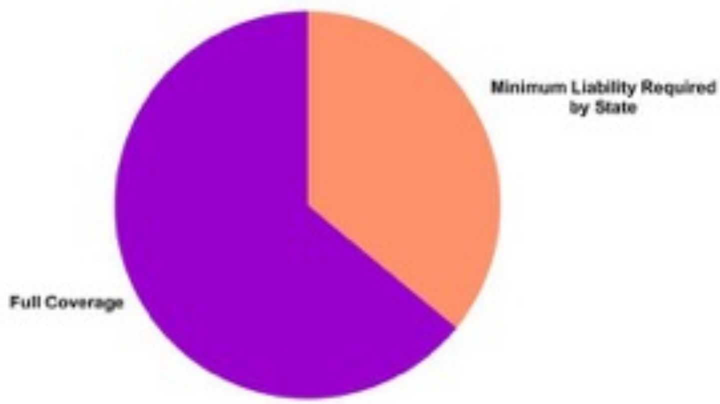
What the VFC survey found is that many of the participants consider car insurance payments to be a financial burden. Most believed that the major factor determining their safety as a driver – and thereby their monthly insurance payment – is their driving record.

Maryland requires drivers to carry $30,000 of insurance for bodily injury for one person, $60,000 for bodily injury for two or more people and $15,000 of coverage for property damage to another driver or vehicle in an accident. Only four states have higher minimum coverage requirements – and those high coverage levels have helped push up the cost of insurance for Maryland consumers. In fact, Maryland's average insurance premiums are the sixth-highest in the nation. And while Maryland does not allow insurers to determine rates based on race or income, it does allow these companies to take into consideration factors such as a driver's location, occupation, level of education, and whether or not he or she owns his or her own home. This practice results in a system that drives up auto insurance prices for low-income Marylanders based on who they are, *not* how they drive.

What the Vehicles for Change survey reveals is a group of individuals struggling to make auto insurance payments that have been inflated based on social and economic characteristics, rather than driving-related factors. These responses illustrate an unfair insurance system that is judging drivers on their incomes and zip codes, rather than on their relevant abilities.

FINDINGS

QUESTION 1: When you purchased car insurance, what type of coverage did you purchase?



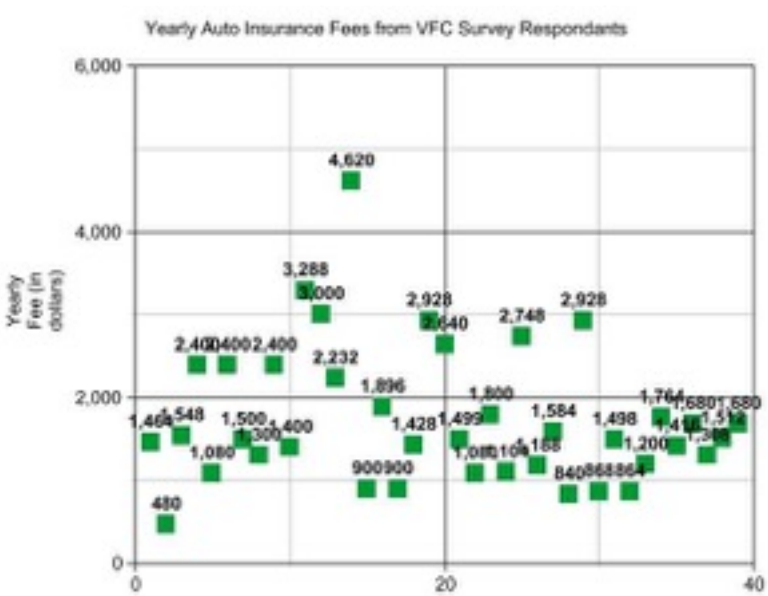
Of the 64 individuals surveyed:

- **23 (35.94%)** purchased the minimum liability insurance required by the state of Maryland
- **41 (64.06%)** purchased full coverage

69% of respondents purchased from the same three insurance providers:

- **Geico** – 26.2%
- **Progressive** – 21.4%
- **State Farm** – 21.4%

Of the 39 individuals who reported their monthly car insurance fee:



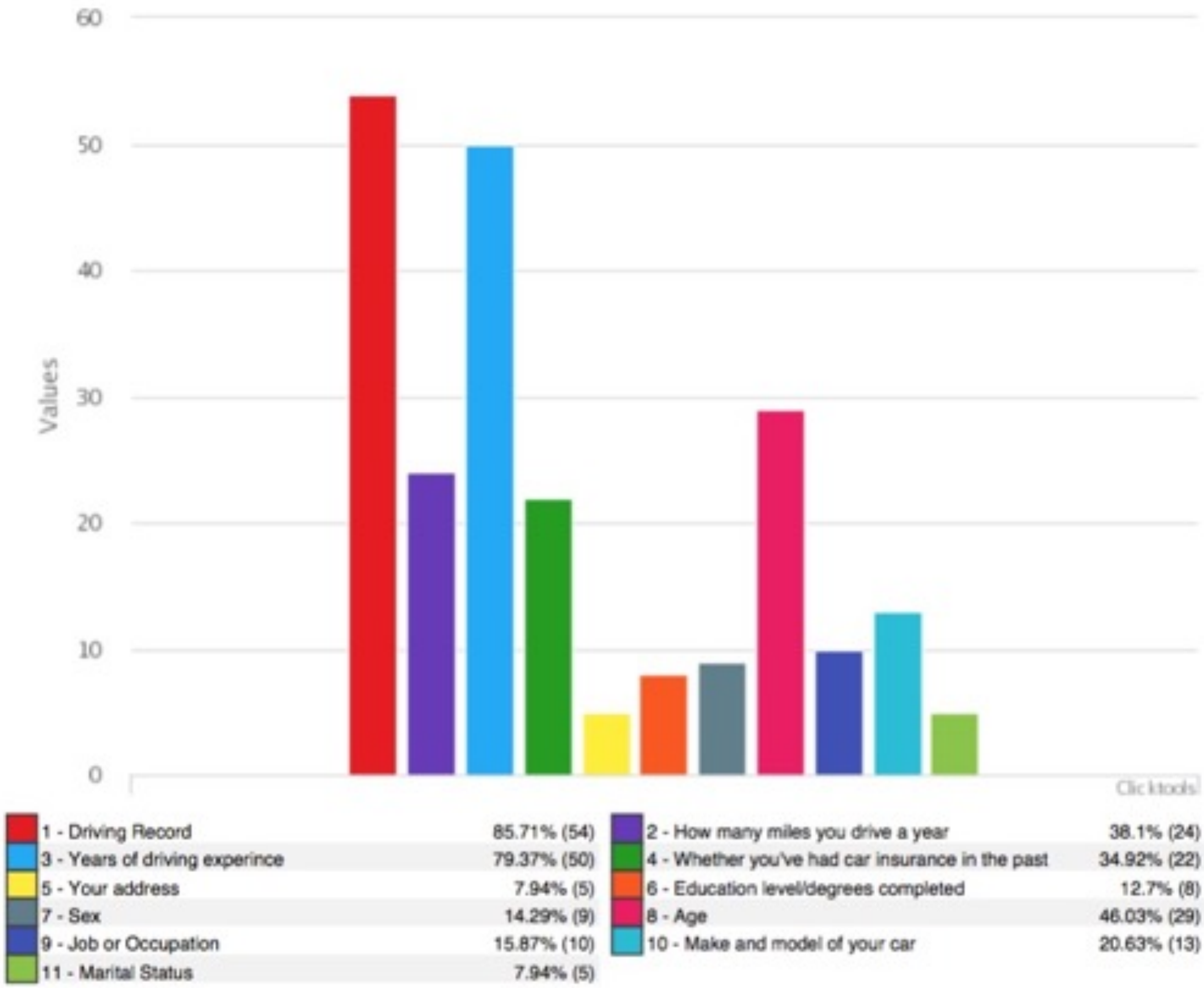
•**9 paid $2,400 or more each year on car insurance.** One individual paid as much as **$4,620** each year.

•20 participants paid between $1,200 and $2,400 each year.

•The remaining 10 paid less than $1,200 each year.

All of our respondents are considered **low-income drivers**. Some make less than $20,000/year. A $200/month payment makes up **12%** of these citizens' monthly budget.

QUESTION 2: Which factors do you think are relevant to how safe a driver you are? (Please select four):



The Maryland Consumer Rights Coalition's 2015 brief on auto insurance practices in Maryland found that a driver's zip code had more to do with calculating her monthly auto insurance payment than driving-related factors, like history of at-fault accidents.

This reality stands in stark contrast to participants of this survey who resoundingly favored a person's driving record as the most relevant factor when considering the safety of any particular driver. Over 85% of participants selected this consideration as being a primary determinant of safety. The address of an individual was the *least* popular selection – only 7.94% chose it as a determinant of driving safety. Despite this general agreement, zip code of residence remains a major determinant for insurance companies when pricing clients' monthly payments.

CONCLUSION

Auto insurance companies in Maryland add substantially to the burdens of low-income citizens. Automobiles are often necessary to lucrative employment, yet add a major financial burden to those looking to better their financial situations. For low-income citizens, monthly car payments can amount to as much as 12% of their yearly earnings, which is burdensome and simply unacceptable. Many of the participants noted that their car insurance payments are frequently overwhelming and add a new challenge to the balancing act of supporting a household.

Maryland needs to promote policies that will make auto insurance more affordable for families living on minimum and moderate incomes. To achieve this goal, MCRC recommends the following policies:

- Pass legislation prohibiting the use of non-driving related factors in setting auto insurance rates. These factors will include credit score, education, occupation, or marital status.
- Implement a low-cost affordable auto insurance program similar to the one in California which offers a low-cost insurance program for eligible low-income drivers. The plan does not raise premiums on other drivers but has kept premiums under $350 a year in every California county.

Car ownership can be the key to economic stability for low-income Marylanders. Auto insurance companies have the chance to facilitate this economic independence and should begin seizing such opportunities. The best way to do this is to forego non-driving relating factors as a measure of driver safety and in determining monthly payments.