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The Abell Report

What we think about, and what we'd like you to think about

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Actuarial Discrimination: City residents pay up to 198% more for car insurance than county residents

The facts, the consequences and recommendations for resolving the problem.

ABELL SALUTES:
"Live Baltimore"— for reversing the figures by spreading the words

Although in the heat of a battle it is hard to see who's winning, the generals know; Tracy Gosson, Executive Director of Live Baltimore Home Center is the general in Baltimore City's battle to attract more residents. She knows. She's winning.

In 1960 the City's population was 932,000 and falling at a rate as high as 1,000 a month by the 1990's. Ms. Gosson's mission is nothing less than the reversal of these figures. To get things happening, Live Baltimore first, had to identify prospects for city living; then, to persuade them to move into Baltimore

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By Tom Waldron

1. Baltimore's higher cost for auto insurance

Along with 45 other states, Maryland law requires all drivers to carry automobile insurance. However, a variety of factors has made that insurance unaffordable for many drivers in the state. Those hit hardest are residents of Baltimore City, who pay significantly more, on average, than drivers in other areas do.

While individual rates will vary significantly, a driver who lives in the middle of Baltimore City will pay, on average, nearly 60 percent more for automobile insurance that that same driver would pay living a few miles north, in Baltimore County. That driver will pay between 80 percent and 100 percent more than he would if he lived in Carroll County. [See Table 1]

Consider two 30-year-old women. Each is single and has an unblemished driving record. Each drives to work in a 2002 Toyota Camry insured by Geico General Insurance Co., one of the largest insurers in Maryland. One woman pays $798 annually for her insurance policy; the other pays 70 percent more – $1,359.

The 70 percent difference in cost is based on a single factor – where the two women live. The first woman lives in Timonium, two miles outside the Baltimore Beltway. The other lives nine miles to the south, in Charles Village, a rowhouse community in North Baltimore. A two-car family in north-central Baltimore City will pay at least $2,399 for insurance; the same family could get the same coverage for as little as $1,626 if it lived in Cockeysville, or as little as $1,385 in Carroll County. Drivers who live just inside the Baltimore City limits can pay hundreds of dollars more than

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Table 1: Baltimore City average rates compared to those in Baltimore and Carroll counties

Type of Driver	Baltimore City Rate in Zip 21218	Baltimore County Rate in Zip 21030	Baltimore City rate compared to Baltimore County	Carroll County Rate in Zip 21157	Baltimore City rate compared to Carroll County
Family of 3 with 2 cars	$5,833	$3,651	160 %	$2,942	198 %
Single male, Age 23	$4,577	$2,934	156%	$2,520	181%
Single female, Age 30	$1,898	$1,204	158%	$1,005	189%

Source: Maryland Insurance Administration Comparison Guide for Maryland Auto Insurance. August 2004.
Note: Rates listed reflect average of rates listed by the state's 10 largest insurance companies. Rates effective July 1, 2003.

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neighbors living across the street and in Baltimore County.

While common sense would suggest that a person's driving record, how many miles he drives each year and his experience behind the wheel should be the determining factors in establishing insurance premiums, the reality is that a more important factor is where that driver lives, a pricing mechanism known as territorial rating.

A System Stacked Against Low-Income Drivers

Aside from the penalties imposed by territorial rating, some low-income drivers are also being hit with higher premiums at least indirectly because they are poor. This happens as auto insurance companies turn increasingly to the use of a driver's credit history to set auto premiums. Insurers justify the practice with studies that have found a correlation between a driver's credit score and his likelihood of filing an insurance claim. However, there is also emerging evidence that the use of credit histories tends to fall most heavily on low-income drivers, that is, those most likely to be unable to pay their bills.

Finally, drivers who lose their insurance because of poor payment history often have no option but to sign up with the Maryland Automobile Insurance Fund (MAIF), the state's insurer of last resort, which typically charges significantly higher premiums than for-profit companies. Along with higher premiums, insurance with MAIF almost always comes with other hidden costs. Due to a longstanding and problematic section of state law, MAIF is prohibited from allowing its customers to pay insurance bills in installments, as standard companies typically allow. Without the money to pay an entire premium in advance, these customers must instead borrow from high-cost finance companies, adding hundreds of dollars in interest and fees to the cost. Given the high costs, it is no surprise that half of all MAIF customers cancel their policies within three months, presumably after they have registered their cars.

An Un-insured Epidemic

A combination of these and other factors create rates so high that many Baltimoreans give up, ignore the law and drive without insurance. Overall, roughly one in four drivers in Baltimore is uninsured. That figure comes from data compiled by the Insurance Research Council (IRC), which estimated that 23.2 percent of drivers in Baltimore in the mid-1990s were uninsured. Similarly, an industry-backed report from the late 1980s showed that among major cities, Baltimore had the highest rate of uninsured motorist claims in the nation.

The cost of automobile insurance, while not as pressing an issue for Baltimore City residents as crime and education, remains a significant irritant to city residents and an obstacle to Baltimore City's ongoing efforts to maintain and attract residents. It is also a hindrance to low-income workers who need reliable transportation to reach jobs.

This report examines this problem and poses some recommendations for change. [For a lengthier version of this report, including reference material, see the Abell Foundation website: www.abell.org.]

2. Why are rates so high in the city?

Maryland requires drivers to carry liability insurance on their vehicles, to compensate others for personal injuries and physical damage they cause. Maryland requires at least $20,000 in coverage for injuries to one person and $40,000 for injuries to two or more people; and at least $15,000 in coverage for physical damage caused in an accident. Twenty-nine states have at least one higher minimum coverage requirement than Maryland does. The other states have either the same or lower requirements.

Maryland law allows companies to raise and lower rates on their own. The Maryland Insurance Administration reviews them to ensure they are not "excessive, inadequate or unfairly discriminatory." Maryland's average insurance premium was $853 in 2001, the most recent figures available from the National Association of Insurance Commissioners – making Maryland insurance, on average, the 14th most expensive in the nation. Baltimore City premiums have remained considerably higher than the statewide average. In 2001, data presented by the Maryland Insurance Administration showed that the average premium in parts of central and northwest Baltimore was 60 percent higher than the statewide average.

Insurers defend the higher rates with statistics showing that drivers who live in the city file more claims than drivers who live elsewhere. A 2002 IRC report showed that drivers living in Baltimore City had the highest frequencies of bodily injury, property damage and personal injury protection claims in the state. [See Table 2]

The chart shows that the average bodily injury claim in Baltimore City was not as costly for insurers as those in other jurisdictions, in part because accidents in the city tend to be less serious than those in suburban or rural areas. However, Baltimore City residents were more likely to file a bodily injury claim

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Table 2: BODILY INJURY CLAIMS HISTORY: Maryland, 1995-1997

Territory	Earned car years	Claim Frequency	Claim Severity	Average Loss Cost
Baltimore City	481,112	4.88	$6,190	$302
Baltimore County Inner	1,263,783	2.75	$6,731	$185
Montgomery County Outer	425,068	1.99	$8,386	$166
Prince George's County Outer	515,522	2.27	$7,968	$181
Baltimore County Outer	696,962	2.12	$7,718	$163
Montgomery County Inner	736,141	2.14	$7,606	$162
Prince George's County Inner	562,724	3.13	$7,285	$228
Eastern Shore	588,177	1.38	$8,877	$122
Rest of State	3,534,719	1.82	$7,859	$142
MARYLAND TOTAL	8,804,208	2.26	$7,454	$168

Source: Insurance Research Council, "Trends in Auto Injury Claims, 2002 edition"
Notes: 1. Claim frequency is the number of claims per 100 insured drivers.
2. Claim severity is the average loss paid per claim.
3. Average loss cost is the average amount of loss per year per insured car, including cars not involved in accidents.
4. One "earned car year" denotes a car insured for a 12-month period in that jurisdiction.

than were residents of other areas, and each policy written in Baltimore City led to higher average bodily injury losses than a policy written for a driver elsewhere in Maryland. For each insured car in Baltimore City, insurers paid out, on average, $302 in bodily injury claims, the highest in the state.

Other cost factors

Maryland's tort system, as currently constituted, creates pressure that drives up the costs of some insurance claims. Of particular concern are claims for non-economic damages – also known as "pain and suffering" awards – which can be manipulated, according to lawyers and others involved in such cases. During the 1996 session of the General Assembly, compelling testimony detailed abuses designed to pad claimants' medical bills. In one example, a minor accident that caused only $25 in damage to a bumper resulted in $15,000 in bodily injury claims from six occupants of the car.

Likewise, automobile insurance fraud, which experts contend is common, drives up the cost of premiums. Maryland has a unit within the insurance administration (in conjunction with the attorney general's office) to investigate and prosecute insurance fraud cases. However, the division has significantly fewer investigators than it did several years ago and the office can not pursue many cases due to a lack of personnel. The office also does not have up-to-date computer systems that would allow for better analysis and tracking of cases.

In another area, additional attention and enforcement by police agencies has led to significant reduction in auto thefts in Baltimore City. In 1994, police reported 13,603 stolen vehicles in the city. That number declined in all but two years in the decade since, and last year, 6,096 vehicles were reported stolen in Baltimore City. Despite the good results, the Maryland Vehicle Theft Prevention Council has seen its state funding decrease in recent years.

3. Problems with territorial rating

To establish premiums, an insurer typically divides Maryland into rating territories. State Farm Mutual Automobile Insurance Co., the state's largest insurer with 20 percent of the market, divides Maryland into 16 territories. Baltimore County is split between three territories while Baltimore City has two. One, Territory 16 takes in the vast majority of the city. The rest of the city is assigned to Territory 13, which takes in five separate chunks areas, none contiguous to any other, on the northern and eastern edges of the city [see map]. That territory, which has significantly lower insurance premiums than Territory 16, takes in such neighborhoods as Guilford, Roland Park, Mt. Washington and parts of Parkville, Rosedale and the portion of Baltimore City that borders Dundalk.

A deeper look at State Farm's Baltimore territories provides interesting findings. Using Census data, we can estimate that Territory 13 has about 81,000 residents. Territory 16, which includes the city's most impoverished neighborhoods, is seven times larger, with about 570,000 residents.

Insurance companies may not consider the race of its policyholders in setting rates. However, some statistical

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analysis is revealing. We estimate that State Farm's Territory 13 has a white population of approximately 57 percent, while Territory 16 has a white population of about 28 percent. Those drivers who live in predominantly white Territory 13 will pay roughly 19 percent less for State Farm's liability coverage, 26 percent less for comprehensive coverage and 57 percent less for personal injury protection coverage than drivers in predominantly black Territory 16. In other words, State Farm's rating territories create a significant imbalance in rates between a predominantly black part of the city and a predominantly white and largely affluent section.

In 2001, the state's then-commissioner of insurance prepared industry-wide data showing that in zip code 21217 in Baltimore (taking in Bolton Hill, Reservoir Hill and other neighborhoods) – an area with a population that was 92 percent black – the average insurance premium was $1,357. Just north, in 21210, which takes in Roland Park and has a nearly all-white population, the average premium was $972, almost 30 percent less.

MIA's data showed that in zip code 21210, the average household income was $45,998, which meant that the average premium of $972 equaled 2 percent of each household's income. In significantly less affluent zip code 21217, the average premium of $1,357 represented more than 9 percent of the average household income of $14,813. These premium differences, which tend to echo differences in income and race within Baltimore City, raise serious questions.

But all city residents are at a disadvantage compared to their suburban neighbors. Roland Park residents may pay less than Bolton Hill residents do, but they still pay about 20 percent more than their neighbors to the north, who happen to live across the boundary line in Baltimore County. And, of course, rates are significantly lower for drivers living farther from Baltimore.

Arbitrary lines

Insurance companies cite claims experience to justify the rates they set for their various territories. This report does not attempt an actuarial analysis of rate filings by any state insurer. However, it is important to point out the arbitrariness of these boundary lines. State Farm, the state's largest insurer, has been using the same territories for Maryland since 1982. This is so despite that fact that in the 22 years since the maps were first established, the City of Baltimore has lost almost 150,000 residents, or 19 percent of its population.

Insurance Services Office Inc. (ISO), a New Jersey-based firm that provides actuarial analysis for several Maryland companies, divides the state into 19 territories and 14 additional sub-territories. The largest, Territory 26, takes in a huge swath of suburban and rural Maryland, including parts of Montgomery, Baltimore, Harford and Cecil counties. ISO, meanwhile, has 14 territories or sub-territories either entirely or partially within Baltimore City, including Territory 35, which takes in only two zip codes, 21213 and 21218. Within that area, ISO-affiliated insurers insured only 5,600 cars, a tiny fraction of the number covered in Territory 26. Small rating territories allow insurers to target rate increases more precisely at areas that generate large claims losses. However, using such small territories can also severely penalize good drivers who happen to live in those targeted areas.

There is nothing sacrosanct about any insurer's territories; indeed, the state could be carved into any number of territorial arrangements. For example, there is no reason one territory could not take in both South Baltimore and northern Anne Arundel County since driving patterns and traffic congestion are comparable on either side of the dividing line. Similarly, Baltimore City and Baltimore County could logically be considered a single territory, given the number of people who routinely cross the dividing line to work, shop, or for countless other reasons.

Policymakers must scrutinize the territorial rating process, beginning with sometimes arbitrarily drawn maps that consign city drivers to high-cost zones and divide the city in ways that result in higher premiums for low-income and minority drivers.

4. Credit Scoring

For some Baltimore City drivers, securing affordable car insurance has become more difficult in recent years as some insurers have made increasing use of a driver's credit score to establish premiums. To justify the practice, these insurers point to industry studies that suggest that a driver with a poor credit score is more likely to file an insurance claim. Because of this practice, drivers with poor credit ratings can see their premiums climb, sometimes by hundreds of dollars. After a change in 2002, Maryland law prohibits insurers from canceling a policy or from increasing rates on an existing policy because of a poor credit score. However, the law allows insurers to use a driver's credit score in setting rates for any new business. The law allows insurance companies to tack on an additional 40 percent to rates for a new customer with a poor credit score. (The law also allows a 40 percent discount for drivers with good credit scores.) Michigan officials have gone further to stop what they consider an unfair rating practice that led to increased rates by proposing a ban on the use of credit scores in setting automobile and home insurance premiums. A 2002 Michigan Office of Financial and Insurance Services study found that Michigan insurers had "greatly increased their base rate to all customers to compensate, at least in part for the credit scoring dis-

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counts to policyholders."

An MIA study released in 2004 noted that 31 Maryland insurers, accounting for more than 35 percent of the state market, use credit scoring to set rates. The study also showed that in selected Baltimore zip codes, as the percentage of minority residents increased, household income dropped as did the percentage of residents with good credit scores. In other words, high-minority areas in Baltimore tended to have more people with lower credit scores and, therefore, higher insurance premiums.

More in-depth analyses are confirming a correlation between income and credit scores. A Missouri Department of Insurance study "found that residents of high minority and low-income areas in Missouri tend to have significantly worse credit scores than residents of wealthier areas with fewer minorities," states a summary of the report.

The Michigan study concluded that the "majority of the companies using insurance credit scoring penalize those policyholders that have not used credit (obtained loans or payments plans), and therefore do not develop a credit history, by placing them at either the base rate without a credit scoring discount or in a higher rated tier even though their loss ratio statistics as a group may not warrant such a placement. Policyholders most likely to fall in this category are the young, those of college age, senior citizens, lower income individuals or those who pay all their bills in full and on time by cash, check or money order."

A rating system that penalizes low-income drivers with higher premiums should strain our sense of fairness. As the ongoing debate over the use of credit scoring unfolds in studies and the courts, Maryland policymakers should continue to examine this issue.

5. Maryland Automobile Insurance Fund

Created in 1972 by the General Assembly, the Maryland Automobile Insurance Fund (MAIF) supplements the for-profit insurance market to guarantee that all drivers have access to insurance. MAIF may issue policies to drivers who have been refused coverage by at least two private insurers or who have had their insurance cancelled. Those insured by MAIF do not necessarily have bad driving records; 81 percent of MAIF customers have two MAIF points or fewer on their driving records. Rather, MAIF officials report that many customers are low-income drivers, including many who have had trouble paying premiums, and new drivers without a record of being insured, including a large number of immigrants.

As of October 2004, the average statewide MAIF premium for basic liability coverage alone was $1,366, substantially higher than the average for-profit premium (which include collision, comprehensive and higher liability coverage). With 3.5 percent of Maryland drivers insured by MAIF, Maryland has the fifth highest proportion of drivers in the "shared" market – that is, drivers who cannot obtain insurance in the open market. By comparison, in 43 states, less than 1 percent of drivers are in the "shared" market. MAIF is the insurer of last resort but it is also a major insurer within Baltimore City. About 17,000 drivers in Baltimore City, or somewhere between 6 and 8 percent of Baltimore's registered vehicles, end up being insured by MAIF and paying its higher rates. This gives MAIF one of the largest segments of the Baltimore City insurance market. By comparison, MAIF insured less than 2 percent of the vehicles registered in Baltimore County.

MAIF has taken an important step to make its products more affordable in Baltimore City, one that could hold implications for the state as a whole. For 20 years, state law has required the insurance commissioner to consider the affordability of MAIF's rates before they go into effect – a reflection of MAIF's role as insurer of last resort. Officials with MAIF and the insurance administration analyzed MAIF rates in Baltimore and concluded they were too high to meet the affordability mandate. In an "informal" agreement with the Maryland insurance commissioner dating back about 15 years, MAIF has set its premiums for Baltimore City drivers 15 percent below the level called for by actuarial experience. That discount is now ingrained within the rate-setting mechanism at MAIF and is embedded in the premiums charged to all MAIF customers in Baltimore City, regardless of their income.

This discounting of Baltimore City rates must inevitably force premiums in other areas to increase, albeit slightly. This partial subsidization has worked acceptably for MAIF customers but such an approach has not been seriously considered as a way to ease private-sector rates for all Baltimore City drivers.

Installment payments

While most for-profit insurers allow customers to pay their premiums on installments for a nominal fee, a problematic section of state law prohibits MAIF from allowing its customers to do so. Instead, MAIF customers must pay their full premium in advance. Given the low economic standing of many MAIF customers, about 95 percent of them must borrow the premium amount from a finance company, adding significantly to the cost. State law caps the interest a premium finance company may charge to 1.15 percent per month, or roughly 13.8 percent per year, but MAIF officials estimate that financing fees increase the annual cost of insurance by as much as 36 percent. The high financing costs contribute to an extremely high cancellation rate by MAIF customers. Rough-

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ly half of all MAIF policyholders cancel their coverage in the first three months. MAIF officials suspect that many of these customers are signing up for insurance only long enough to register a vehicle; once their registrations are in place, the insurance coverage is cancelled.

The legislature should undo this section of state law to give MAIF customers a less costly option for paying for auto insurance.

6. Reform efforts elsewhere

California

In 1988, California voters approved Proposition 103, which mandated, among other things, a 20 percent across-the-board reduction in auto insurance premiums and significant good-driver discounts. It also required insurers to base their premiums primarily on a driver's safety record, the number of miles he drives and his years behind the wheel. However, advocates for the legal change have had to work aggressively to force California insurers and state regulators to adhere to the intent of the ballot question. A ruling by the California insurance commissioner – later upheld by the courts – gave insurance companies more latitude to use territorial factors in rate setting. That ruling is now under challenge from representatives of Los Angeles, San Francisco and other urban areas, where residents continue to pay significantly more for insurance.

In recent years, a new focus for California has been to help low-income drivers – particularly in urban areas – secure car insurance. In 1999, the California legislature created a low-cost, bare-bones policy for residents of Los Angeles and San Francisco. The policy was available to low-income drivers with good driving records, and included basic liability coverage that was less than what had been previously required under California law. To spur larger enrollment, the legislature subsequently cut the cost of the policies – to $347 in Los Angeles and $314 in San Francisco – and increased the income limits to allow more drivers to become eligible. By the summer of 2004, about 6,000 people had enrolled in the low-cost program. Advocates blame the low enrollment on a lack of public awareness and on small commissions that agents collect for selling the policies. California's insurance commissioner supports the low-cost program and has launched an information campaign through churches and community groups.

Philadelphia

Beginning roughly 15 years ago, Philadelphia leaders began doing something about the city's high insurance rates. A key change came in 1990, when the Pennsylvania legislature allowed drivers to choose policies that limit their ability to sue for damages after an accident. These limited-tort policies allow policyholders to recover lost wages and unpaid medical bills but prohibit them from suing for pain and suffering claims for most accidents. In Philadelphia, roughly 70 percent of drivers have chosen such coverage, as have more than half of all Pennsylvania drivers. In exchange, these drivers have paid less for their policies – in the range of 8 percent to 15 percent less. Recently, state insurance officials, under pressure from Philadelphia leaders, ordered Pennsylvania insurance companies to increase the discount due to car-owners opting for limited-tort coverage.

Since 1998, the city has also battled auto theft. The number of cars stolen in Philadelphia has fallen by roughly half since 1996, thanks in part to an industry-funded campaign.

Insurance costs in Philadelphia have moderated. In 1993, the average premium for a Philadelphia resident was $1,339; in 2000, it had dropped to $1,327. While premiums for Philadelphia drivers remain higher than those paid by suburban and rural drivers, the decrease in rates over an eight-year span represents at least modest progress.

New Jersey

New Jersey has created a "dollar-a-day" policy that costs only $365 a year. The policy pays for emergency medical treatment and treatment of serious brain and spinal cord injuries, with benefits capped at $250,000. The policy is available only to residents already enrolled in Medicaid. As of September 2004, more than 7,600 New Jersey drivers had taken out the bare-bones policies. While some in the industry have criticized the "dollar-a-day" policy as offering little protection for policyholders, advocates suggest that such policies help low-income New Jersey residents remain legal drivers, able, for example, to drive themselves to work.

New Jersey drivers can also opt for a Basic Policy, which carries less coverage than normally mandated in the state. In the Trenton rating territory, some insurance companies offer the policy for less than $200 (and many others offer it for less than $500), for a 30-year-old male driver with one car and a clean driving record. Unlike with the Dollar-a-Day policies, premium rates for the Basic Policy vary significantly depending on other factors, such as age, driving record and the amount of miles driven in a year. More than 30,000 of the Basic Policies are in place in New Jersey.

Massachusetts

While Massachusetts drivers pay some of the highest premiums in the nation, the state bears consideration. First, the state's regulatory system is premised on a goal of maintaining affordable rates for urban and young drivers. This requires suburban and rural drivers to pay slightly more for coverage to subsidize premiums for city-dwellers and new drivers. Drivers with full insur-

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ance coverage and who live in the urban Roxbury area, for example, receive an average subsidy of $1,368 this year. Such subsidies are made up by non-urban drivers, who pay an additional premium amount ranging from $10 to $89, according to the Automobile Insurers Bureau of Massachusetts, which establishes rates in the state. Even with the discounts, urban and younger drivers still must pay more than the statewide average. The state's rates may never drop significantly, given that Massachusetts has the highest accident rate in the nation and a high rate of bodily injury claims. But it is crucial to note that the state has one of the lowest rates of uninsured drivers in the nation – an estimated 7 percent of the total.

Massachusetts also encourages various groups to obtain insurance discounts for members of their groups. More than 1,800 group insurance discounts are now on file with the state, ranging from between 1 percent and 15 percent.

Pay-As-You-Go policies

Progressive Insurance this fall began offering policies to a group of Minnesota drivers that provide discounts based on a motorist's driving habits. A special tracking device monitors how many miles the car is driven, at what times of day the miles are driven and how often the driver uses excessive speed. The company then calculates a premium discount for that driver. As of December 2004, Progressive officials were exploring a similar pilot program in Baltimore.

There are some logistical questions about such policies. However, new approaches offer worthwhile alternatives to the current system and deserve support from the legislature and the Maryland Insurance Administration.

7. Recommendations

- **Understand the Problem**

— Maryland requires drivers to carry automobile insurance. But state policymakers must recognize that the current state system leads to dramatically higher costs for this mandatory product in Baltimore City. Far too many Baltimore City residents who depend on their cars simply cannot afford coverage and end up driving without insurance. The large numbers of uninsured drivers in Baltimore City leads to higher costs for insured drivers.

— The State should adopt a public policy that insurance coverage should be affordable to as many drivers as possible.

— The MIA should work with the Motor Vehicle Administration and the state's insurers to measure the number of uninsured drivers in the state and in each local jurisdiction.

- **Let the Public in on the Insurance Business**

— Maryland law should allow the public to obtain information about which companies are most active in Baltimore City. Lawmakers should insist on a new analysis of competition and availability of insurance in Baltimore City, including the size and scope of the non-standard market in the city.

— Lawmakers should charge the MIA with preparing regular analyses of actual premiums throughout the state to allow policymakers to be sure that they are not "excessive" or "unfairly discriminatory," as mandated by state law. As part of such analyses, the MIA should carefully examine premium data to see if minority drivers are being treated unfairly.

- **Build political will**

— Baltimore City should create an office to advocate for city drivers, both with the Maryland Insurance Administration and with state policymakers. Such an advocate, backed by actuarial staff, could examine insurance rate filings for accuracy and fairness, and lobby for change.

— Baltimore City leaders should work with leaders from Prince George's County and other areas to build support for making mandatory insurance affordable to as many drivers as possible.

- **Authorize new insurance products**

— Maryland should create a low-cost insurance option, and ensure that it is widely publicized and marketed.

— Maryland should encourage the use of policies that place a greater emphasis on a motorist's actual driving habits, such as that being offered by Progressive Insurance.

- **Expand the use of group-policy discounts**

— The State should work with insurers and a wide range of groups – including churches, employers, community associations and fraternal groups – to encourage the use of group discounts.

- **Consider limits to territorial rating**

— State insurance regulators should examine the size and demographics of rate-setting territories and consider the role these territories play in making insurance unaffordable for many drivers, with a special focus on minority and low-income motorists.

— Maryland should examine California's effort to force insurance companies to put more weight on such factors as a driver's safety record, driving experience and the number of miles driven instead of on where that driver lives.

- **Re-visit the use of credit scoring in premium setting**

— Michigan is taking steps to be the first state to ban the use of credit scoring in setting insurance premiums. Maryland should re-examine the use of credit scoring to gauge its fairness to all groups of drivers, and should take

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advantage of ongoing research around the country to set future policy.

- **Cap financing costs**

  — State law should allow the Maryland Automobile Insurance Fund to collect premiums on an installment basis, just as private sector companies do.

- **Increase funding to fight automobile theft and fraud**

  — The State should increase spending to combat automobile theft.

  — The State should increase the budget of the MIA's insurance fraud division to allow the division to hire more investigators and other personnel and to purchase up-to-date computer systems.

- **Examine Maryland's tort system**

  — State lawmakers should examine the fairness of the "collateral source" rule that can require automobile insurance companies to pay medical bills also paid by a third-party health insurer, creating a windfall for the plaintiff and the plaintiff's lawyer.

  — The State should examine the adoption of a fee schedules for post-accident medical treatments, to hold down costs.

About the Report and Author:

Tom Waldron is a Baltimore-based researcher and writer and a former reporter for the Baltimore Sun. He has written on a variety of topics for non-profit groups, including the Earned Income Tax Credit, the nation's working poor, health insurance, homeland security and Baltimore demographics. To prepare this report, he reviewed news coverage, industry analyses, non-profit groups' work, legislative records, congressional testimony and several other sources. The report also relies on interviews with more than three dozen people in the insurance field.

The full report of "Actuarial Discrimination: City residents pay up to 198% more for car insurance than county residents" is available on The Abell Foundation's website at www.abell.org or: write to The Abell Foundation 111 S. Calvert Street, Baltimore, MD 21202

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City. Her weaponry consists of the words -- arguments, data, documentation, incentives—reaching out to prospects with news releases and editorial comments, with advertising and PR, in brochures, and on the world-wide web.

Words at work: The prospects receive:

- "Welcome to Baltimore City Living," Relocation Kit (over 7,000 distributed to date);
- Incentives to "Live Near Your Work," a program with over 85 companies participating (employees are awarded $2,000 toward the purchase of a new home in Baltimore City; in 2002 there were 322 homes sold under the program);
- Invitations to the "Buying Into Baltimore Home Buying Fair," which sponsors tours throughout city neighborhoods. $3,000 down payments are awarded annually to 100 new homebuyers –- more than $1.8 million has been awarded to date;
- The "Baltimore City Living Resource Guide" provides rental and home buying information—free, distributed bi-annually throughout the Baltimore Metro area;
- The "Preferred Real Estate Professional" Program boasts 115 members and over 850 agents have taken their training class since 2000;
- The Washington, D C campaign, consisting of a program of paid advertising and P.R. which has put Baltimore City living in front of prospects on TV, radio and print in Philadelphia, New York, and Washington;
- Their "Home Center," offering a complete one-stop shop for the persuade-ables with on-site professionals to assist them and events (providing educational programs in Baltimore City and in Washington);
- And more, much more—events, bumper stickers, volunteer and resident referral programs, grassroots fundraising support.

How does Tracy Gosson know how the battle goes? While it is impossible, and hardly fair, to attribute Baltimore City's continuing recovery of population to any one factor, or agency, the energy and inventiveness of Live Baltimore and their staff of seven has to figure heavily in it: Data tells the story: The population figure of 939,924 continued its decline until 2000, when it stabilized at 651,164; as for those monthly losses (as high as 1,000) the figures have been dropping precipitously, with the 2003 estimate at only 33 per month and (hopefully) still falling. Meanwhile, prices of Baltimore City houses have soared; the house that sold for $63,000 in the City in 1998 sells for $124,000 today.

The Abell Foundation salutes Live Baltimore and its leadership under Tracy Gosson for closing in on its goal — reversing the population decline of Baltimore City. Though the war is far from over, it is being won—battle by battle, word by word.