



Maryland Consumer Rights Coalition

**Testimony to the House Economic Matters Committee**  
**HB 118: Private Passenger Motor Vehicle Insurance - Prohibition on Cancellation Due to Towing or**  
**Emergency Roadside Coverage Claims**  
**Position: Favorable with Amendment**

January 30, 2020

The Honorable Dereck E. Davis, Chair  
Economic Matters Committee  
Room 231, HOB  
Annapolis, Maryland 21401

cc: Members, Economic Matters Committee

Honorable Chair Davis and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are here today to support HB 118, with a proposed amendment to create an appropriate threshold to ensure that section (II) lines 10-20 can only be imposed on egregious overuse of towing and emergency roadside services.

Auto insurance is increasingly expensive in Maryland. Maryland's current minimum of \$30,000/\$60,000 is the fifth highest minimum liability coverage in the nation. In Prince George's and Baltimore City, the counties with the highest automobile insurance costs in the state, many drivers pay \$4,800-\$7,200 per year for limited liability insurance. This coverage is unaffordable for many low-income drivers to purchase, yet all drivers are legally required to purchase insurance.

The high cost of Maryland's limited liability coverage is not the only factor making auto insurance inaccessible to Maryland drivers. The unaffordability of coverage is compounded by the use of non-driving related factors to set rates including education, occupation, marital status, homeownership, and credit to set the cost of auto insurance. MCRC agrees with the Maryland Insurance Administration (MIA) that the use of towing and emergency roadside service (ERS) coverage is a non-driving related factor.

MIA advises that insurers' practice of nonrenewal of insurance due to a policyholder's use of towing or ERS coverage is problematic because, "... such claims are often the result of a dead battery, keys locked in the vehicle, a flat tire, or other innocuous events that have no bearing on an insured's driving behavior." Additionally, MIA is further concerned that, "a nonrenewal of a motor vehicle liability insurance policy for



any reason could cause problems when the policyholder attempts to obtain replacement coverage, either in the form of higher premiums or ineligibility for new coverage.”<sup>1</sup>

MCRC supports removing towing and the use of ERS as factors in determining insurance eligibility. However, we are concerned that as written HB118 that recommends removing these services or increasing the cost of premiums based on the use of services. Further increasing premiums could force low-income drivers to drop coverage and risk driving without insurance. According to MIA, uninsured vehicle owners could:

- lose license plates and vehicle registration privileges;
- pay uninsured motorist penalty fees for each lapse of insurance - \$150 for the first 30 days, \$7 for each day thereafter;
- pay a restoration fee of up to \$25 for a vehicle’s registration;
- be prohibited from registering any future vehicles until all insurance violations are cleared;
- be prohibited from renewing a suspended registration until all insurance violations are cleared;
- have license plates confiscated by an authorized tag recovery agent once a registration suspension is in effect <sup>2</sup>

These fines and fees do nothing to reduce the 15% of uninsured drivers in Maryland and only add to low-income drivers’ financial burden, driving some into debt. To address the policy concern that some drivers are profligate in their use of services, we propose that the legislation be amended to set a reasonable annual threshold of use of these services, above which would trigger repercussions.

HB 118, as is, is an excellent opportunity for the General Assembly to eliminate a non-driving factor and make auto insurance more affordable, accessible, and equitable. To ensure that bad luck or an old car doesn’t drive up insurance rates or eliminate services, we propose amending the legislation by establishing an annual threshold for excessive use can result in discontinued services or increased premiums,.

For all these reasons, we support HB 118 with the proposed amendment.

Best,  
Marceline White

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<sup>1</sup> HB 118 Fiscal Note

<sup>2</sup> <https://insurance.maryland.gov/Consumer/Documents/publications/autoinsuranceguide.pdf>