

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor



Maryland

INSURANCE ADMINISTRATION

AL REDMER, JR.
Commissioner

JAY A. COON
Deputy Commissioner

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2408 Fax: 410-468-2020
Email: Michael.paddy@maryland.gov
www.insurance.maryland.gov

**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE**

FEBRUARY 5, 2020

**SENATE BILL 125 – PRIVATE PASSENGER MOTOR VEHICLE INSURANCE - PROHIBITION ON
CANCELLATION DUE TO TOWING OR EMERGENCY ROADSIDE COVERAGE CLAIMS**

POSITION: SUPPORT

Thank you for the opportunity to provide written comments regarding Senate Bill 125. Senate Bill 125 prohibits an automobile liability insurer from canceling or refusing to renew an insurance policy based on claims made under the policy’s towing or emergency roadside service (“ERS”) coverage. Senate Bill 125 clarifies that an insurer that wishes to increase any part of the policy premium, or eliminate the towing or ERS coverage from the policy as a result of a towing or ERS claim(s) must comply with the requirements of §§ 11-317, 27-613 and 27-614 of the Insurance Article.

Towing or ERS coverage is widely available in the marketplace from motor clubs like AAA. Typically, a well-informed consumer would not purchase towing or ERS coverage from their automobile liability insurer if they recognized that using the coverage could result in a policy cancellation. While the Maryland Insurance Administration (MIA) does not wish to prevent an insurer from selling such coverage, the MIA does want to prohibit the practice of cancelling a policy in its entirety due to a towing or ERS claim(s).

The MIA has received several consumer complaints where the insurer had notified the policyholder it would be non-renewing the policy due to the policyholder’s use of towing / ERS coverage. Such claims are often the result of a dead battery, keys locked in the vehicle, flat tire, or other innocuous events that have no bearing on an insured’s driving behavior. Additionally, prior to our receipt of these complaints, the MIA had not seen non-renewal actions by insurers as a result of towing / ERS activity. Rather, in cases where the policyholder used the coverage

more frequently than the insurer's guidelines allow, the insurer would remove just the coverage from the policy and issue the reduction in coverage notice required under § 27-613.

The Maryland Insurance Administration supports Senate Bill 125 and urges the Committee to give Senate Bill 125 a favorable report.