

# Prince George's County\_FAV\_SB125

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Position: FAV



# THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

**BILL:** Senate Bill 125 -Private Passenger Motor Vehicle Insurance - Prohibition on Cancellation Due to Towing or Emergency Roadside Coverage Claims

**SPONSOR:** Senator Feldman

**HEARING DATE:** February 5, 2020

**COMMITTEE:** Finance

**CONTACT:** Intergovernmental Affairs Office, 301-780-8411

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**POSITION:** SUPPORT

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The Office of the Prince George's County Executive **SUPPORTS Senate Bill 125** which prohibits a private passenger motor vehicle insurer from canceling, refusing to renew, or otherwise terminating coverage for a policy, because of a claim under the towing or emergency roadside service (ERS) coverage in the policy.

Access to affordable automobile insurance is critical for many individuals who rely on their vehicles to transport them to and from work. Affordable automobile insurance is even more crucial to individuals who live in low and moderate income communities, where there is a lack of access to reliable public transportation. Similar to a majority of states, Maryland requires all drivers to purchase liability coverage. Even though a mandate exists, there are still barriers to affordable automobile insurance for many consumers.

Canceling or refusing to renew an insurer's automobile policy due to a claim under the towing or emergency roadside service (ERS) coverage can disadvantage consumers who solely rely on their automobiles as their main mode of transportation. Removing the ability to cancel a private passenger motor vehicle policy allows insurers to focus on more important patterns regarding the insurability of an applicant, like driving history. For the reasons stated above, the Office of the Prince George's County Executive **SUPPORTS Senate Bill 125** and asks for a **FAVORABLE** report.

**MIA\_FAV\_SB125**

Uploaded by: Reed, Dytonia

Position: FAV

LARRY HOGAN  
Governor

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Lt. Governor



# Maryland

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**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.

**MCRC\_FWA\_SB125**

Uploaded by: White, Marceline

Position: FWA



Maryland Consumer Rights Coalition

**Testimony to the Senate Finance Committee**  
**SB 125: Private Passenger Motor Vehicle Insurance - Prohibition on Cancellation Due to Towing or**  
**Emergency Roadside Coverage Claims**  
**Position: Favorable with Amendment**

February 05, 2020

The Honorable Delores Kelley, Chair  
Senate Finance Committee  
3 East, Miller Senate Office Building  
Annapolis, Maryland 21401  
cc: Members, Senate Finance Committee

Honorable Chair Kelley 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 SB 125, 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 SB 125 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.

SB 125, 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 SB 125 with the proposed amendment.

Best,  
Marceline White

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<sup>1</sup> SB 125 Fiscal Note

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