



February 27, 2020

The Honorable William C. Smith, Jr.
Chair, Senate Judicial Proceedings Committee
2 East, Miller Office Building
Annapolis, MD 21401

Senate Bill 819- Distracted Driving Monitoring Systems – Authorization - Support

Dear Chairperson Smith and Members of the Committee:

My name is Christian Liu. I am a licensed Insurance Producer and Agent with the Martens Johnson Insurance Agency, now a member of the Hilb Group. For over thirty years the Martens Johnson Insurance Agency has offered Property and Casualty Insurance in Maryland from our office in Rockville. Our primary focus is in Commercial Automobile Insurance, and as such we have first hand experience in the myriad of changes in the Automobile Insurance industry in and around Maryland and the Washington, D.C. metropolitan region. The Martens Johnson Insurance Agency is a member of many local and national trade association groups including Independent Insurance Agents of Maryland and the parent "Big I" group.

For my own part I have been a resident of the state of Maryland my entire life. I have worked for Martens Johnson as a producer for nearly 15 years now. During this time I have primarily worked in the Commercial Automobile Insurance industry to assist clients in obtaining the most appropriate coverage for the most competitive prices. I have experienced these changes to the industry through my personal dealings with clients and with my relationships with a variety of insurance companies, wholesalers and

brokers. As a result I have firsthand knowledge of the changes in the Automobile Insurance industry, and none more dramatic than those of the past few years.

Distracted Driving has always been a significant contributing factor to the frequency of automobile accidents. Since the advent of the smart phone in the 1990's to the release of the iPhone starting in 2007 and the accompanying explosion in adoption of "Smart Phone" technology this problem with distracted driving has only intensified. What the National Association of Insurance Commissioners refers to as an "epidemic" can be reflected in the drastic increases in both automobile accidents related to distracted driving as well as increase in automobile insurance premium. The National Highway Transportation Safety Administration (NHTSA) released a study investigating fatalities in automobile collisions that can be attributed to Distracted Drivingⁱ. Using data from the Fatality Analysis Reporting System (FARS) for 2017, it was determined that 3,166, or 9% of all fatal crashes involved distracted drivers. Of these crashes, 14% can be directly linked to cell phone usage.

This was reiterated by a similar study released by Erie Insurance in 2018ⁱⁱ. This study utilized FARS data for the period of 2012-2016 and found similar results: of the 172,000 fatal crashes for this period, about 1 in 10 accidents nationwide involved distracted driving likewise indicating 14% of these accidents involved cell phone usage.

Maryland DOT has released statistics on fatalities involving distracted driversⁱⁱⁱ. In 2017 there were a total of 56,364 distracted driving related crashes in Maryland, resulting in 27,961 injuries and 220 fatalities. This represents an increase in distracted driving related collisions of 10% over data from 2014, and an increase in distracted driving related fatalities of 59%. Unfortunately this data does not specify the type of distraction involved.

It is important to note that these are the minimum statistics, as it is not always possible to know when a collision involves distracted drivers due to a lack of information, lack of honesty or lack of national reporting standards.

Given these statistics it is only natural to assume there will be an impact on both the local and national insurance marketplace. James Lynch of the Insurance Information Institute provided testimony to the District of Columbia Department of Insurance in 2018^{iv}. According to his testimony for the period between 2015 and 2017 in the District of Columbia Bodily Injury Liability costs rose 11%, Property Damage Liability costs rose 15%, and Collision costs rose 12%. This trend is also reflected nationwide, as costs of auto crashes are increasing at a rate of three times inflation. This has resulted in a rise in auto

insurance rates 15% nationwide, while insurer profits have fallen or stagnated. Maryland ranks the 11th most expensive state to purchase automobile insurance as of 2018^v.

The impact has been even more pronounced in the Commercial Automobile insurance space. The sum of commercial automobile claims and insurer expenses and business costs divided by premiums is known as the Combined Ratio, and is an indicator of insurer profitability. For 2018 the national Combined Ratio was 108%^{vi}. This reflects a profitability gap in the Commercial Automobile space. From a more personal perspective, I have watched Commercial Automobile rates for my clients rise as much as 15% unrelated to individual experience rating in the past year alone. This has resulted in a very large amount of stress and anxiety for Maryland business owners that operate Commercial Automobiles. In addition to this many insurance companies have ceased writing Commercial Automobile insurance for a variety of specific industries, further tightening the marketplace and making it more difficult to obtain affordable Commercial Automobile insurance.

Any significant reduction in the incidence in vehicle collisions will lead to a reduction in associated insurance claims costs. If we can bring down insurance claims costs we can increase profitability in the automobile insurance space, which will result in an increase in competition and as a result an increase in competitive pricing. This is important for the local economy as well as the safety and health of Maryland residents. Thank you for your time.



Christian Liu

ⁱ <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/812700>

ⁱⁱ <https://www.erieinsurance.com/blog/distracted-driving-study-2018>

ⁱⁱⁱ <http://www.mva.maryland.gov/safety/mhso/Benchmark-Reports/DistractDrBR-18Apr30-19.pdf>

^{iv} https://www.iii.org/sites/default/files/docs/pdf/dctestimony_013018.pdf

^v <https://www.iii.org/fact-statistic/facts-statistics-auto-insurance>

^{vi} <https://www.spglobal.com/marketintelligence/en/news-insights/trending/8p7awI5ulfQPktLB1pKIhA2>