MARYLAND

AUTO INSURANCE

TESTIMONY – HOUSE BILL 1251

Date: February 25, 2021 **Position:** **Unfavorable**

Bill Number: House Bill 1251

Bill Title: Motor Vehicle Insurance – Rate Filings – Discrimination, Trade Secrets, and States of Emergency

House Bill 1251 Review and Analysis

First, House Bill 1251 prohibits an insurer, including Maryland Auto, from using territory as a factor in rating private passenger automobile insurance. Maryland Auto has used territory rating to determine premiums for decades as location is an important actuarial factor in evaluating risk and predicting claims. If territory rating were prohibited, Maryland Auto rates would increase for many policyholders and decrease for many others. The breakdown, on average, would be as follows:

REGION	$ Change in Average Premium	% Change in Average Premium
Baltimore Metropolitan Area	-$847	-34.1%
Northern Maryland	-$213	-10.8%
Eastern Shore	+$661	+57.5%
Southern Maryland & Anne Arundel County	+$65	+ 3.8%
Western Maryland	+$403	+27.4%
Montgomery & Howard Counties	+$160	+10.6%
Prince George's County	+$54	+3.5%
Statewide	**+$0**	**+0.00%**

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Also, HB 1251 allows the Insurance Commissioner to require insurers to reduce rates for private passenger motor vehicle insurance policies under certain circumstances during a State of Emergency. The impact of a rate reduction is difficult to calculate since the amount of the reduction and length of time for reduction are unknown. As an illustration however, if the Insurance Commissioner required a 10% rate reduction for 6 months in 2020, Maryland Auto would have experienced a premium loss of $3.5 million which would have reduced surplus by the same amount. This calculation assumes claims payments and expenses remain constant.

For these reasons, Maryland Automobile Insurance Fund urges an unfavorable report on House Bill 1251.

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