

Bryson F. Popham, P.A.

Bryson F. Popham, Esq.

191 Main Street
Suite 310
Annapolis, MD 21401
www.papalaw.com

410-268-6871 (Telephone)
443-458-0444 (Facsimile)

March 1, 2021

The Honorable Delores G. Kelley
Chair, Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 805 - Motor Vehicle Insurance - Rate Filings - Discrimination, Trade Secrets, and States of
Emergency - UNFAVORABLE

Dear Chair Kelley, Senator Peters and Members of the Senate Finance Committee,

My client, the Insurance Agents and Brokers of Maryland (IA&B), wishes to register its opposition to Senate Bill 805. IA&B is a trade association of independent insurance agencies whose members do business in Maryland.

The principal problem with automobile insurance is not the method by which rates are set or the rating factors that are used. Those features are already heavily regulated by our Maryland Insurance Commissioner to protect automobile insurance consumers.

Instead, the problem with automobile insurance is its high cost. Although we have many insurance companies doing business in Maryland, a number of factors (not rating factors) combine to make its cost high. And because buying automobile insurance has been compulsory for car owners in Maryland since 1972, the only way that consumers can effectively drive down the cost of this mandatory product is through shopping for it.

The rating factors used in automobile insurance have all been reviewed repeatedly by our State insurance regulators. Senate Bill 805 seeks to eliminate the use of territory as a rating factor. Territory is perhaps the first rating factor used in calculating automobile insurance rates in the United States. Its use goes back at least 100 years, and it has been repeatedly and thoroughly examined by state insurance regulators and others. Territory has been found to be highly predictive of future losses – the essential element of any rating factor.

Proponents of Senate Bill 805 argue that the use of territory as a rating factor is unfair in its application. They have compared it to the illegal practice of “redlining,” in which geographic areas were avoided by lenders or insurers based, in part, on their racial composition. The use of race as a rating factor for automobile insurance is expressly prohibited under Maryland law. Territory as a rating factor continues to be a reliable indicator of future losses for an insurer for other reasons. Here are some reasons.

Some basic facts will illustrate the fundamental validity and fairness of territory as a rating factor in automobile insurance. Maryland has approximately six million residents. Maryland also has over two million registered motor vehicles. Maryland is the 5th most densely populated state in the United States. From these facts alone it is logical to infer that there is much more traffic on Maryland roads than in many other states. It is also logical to infer that traffic volume is not distributed equally: that urban and suburban areas within Maryland have more traffic, and therefore a greater risk of traffic accidents, than in other areas. Driving behavior, while important, is simply another factor that insurers use to measure the risk of future loss. Both factors are predictive, which is why both are used virtually everywhere.

IA&B agrees with the proponents’ contention that automobile insurance in Maryland is expensive – more expensive

than in some other states. IA&B does not agree, however, that the cost of automobile insurance – its affordability – is determined by the use of territory or any other rating factor permitted under Maryland insurance statutes and regulations. If territory is removed as a rating factor, insurers will have one less tool to measure risk. Rates would then increase for a majority of insureds, and the inability of insurers to accurately price future losses would exert further upward pressure on rates.

Despite high costs, Maryland has a vibrant and competitive automobile insurance market. We should be encouraging competition, since it is the only way to reduce the cost of this essential product for consumers.

For these reasons we respectfully request an unfavorable report on Senate Bill 805. Thank you for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Bryson F. Popham". The signature is fluid and cursive, with the first name being the most prominent.

Bryson F. Popham, Esq.

cc: The Honorable Douglas J. J. Peters, douglas.peters@senate.state.md.us