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The Honorable Luke Clippinger
Chairman, House Judiciary Committee
Room 101 House Office Building
Annapolis, Maryland 21401

RE: House Bill 721 - Tort Claims Acts – Limits on Liability – Letter of Information

Dear Chairman Clippinger and Members of the Committee,

I am writing on behalf of the Maryland Association of Mutual Insurance Companies (MAMIC), and respectfully submit this letter of information on House Bill 721.

MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of MAMIC members are domiciled in Maryland and are key contributors and employers in their local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

MAMIC understands that the General Assembly, and your Committee in particular, is considering the broad subject of legislation addressing police conduct in our State. That subject is clearly a central focus of HB 721; however, MAMIC is not taking a position or offering comments on that subject.

Instead, MAMIC wishes to narrowly address specific provisions of HB 721 found on page 2, lines 1-5 of the bill. These provisions increase the liability of a local government for damages caused by tortious acts from the current statutory level of \$400,000 per claim and \$800,000 per occurrence to \$600,000 per claim and \$1,200,000 per occurrence. Our comments are focused solely on the new proposed limit of \$1,200,000 per occurrence.

Local governments often contract with private businesses for goods and services, and in so doing, a universal requirement of the contractor is to secure a certificate of insurance with limits of liability established by the local government. Liability insurance policies, whether for motor vehicle liability, general liability or other forms of liability, are typically available in different amounts. To offer these amounts, insurers must contract with reinsurance companies, and must also make required filings with the Maryland Insurance Administration.

It is not uncommon for insurers to offer liability limits of \$500,000 per occurrence, or \$1,000,000 per occurrence. For motor vehicle liability insurance subject to federal Department of Transportation requirements, a limit of \$750,000 is also typical.

While some larger insurers may also offer limits in excess of \$1,000,000 per occurrence, many do not. To our knowledge, no insurer offers the specific “per occurrence” limit required by HB 721 of \$1,200,000. Furthermore, requiring a limit in excess of \$1,000,000 may eliminate the availability of liability insurance from many small and medium-sized insurers that provide this coverage today. In any event, imposing a limit of \$1,200,000 would likely require a renegotiation of a substantial number of reinsurance treaties, and would require the re-filing of these products with the Maryland Insurance Administration. There are substantial cost and availability issues associated

with both of those requirements.

To avoid inevitable market disruption and the potential inability of insurers to provide the unusual liability limit of \$1,200,000, MAMIC offers the Committee a suggestion. MAMIC believes that the better approach is to adopt limits of \$500,000 per claim and \$1,000,000 per occurrence. We note that the current statutory limit for tort claims is \$400,000 and \$800,000 per occurrence. MAMIC further notes that such a change would constitute a 25% increase in the current statutory minimum limit of liability. Such limits, as noted above, are already widely available, and therefore would not be disruptive to the liability insurance market available to local governments through the contractors they employ. These limits constitute a substantial increase over the limits under current law.

We respectfully request the Committee's consideration of these comments as it deliberates the provisions of HB 721.

Respectfully submitted,

A handwritten signature in black ink, reading "Bryson Popham". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Bryson F. Popham, Esq.

cc: Jill Showalter, MAMIC President