The Honorable C. T. Wilson
Chair, House Economic Matters Committee
Room 231 House Office Building
Annapolis, Maryland 21401

     RE: House Bill 125 - Motor Vehicle Insurance – Discrimination in Underwriting and Rating
     – Use of Gender - UNFAVORABLE

Dear Chairman Wilson and Members of the House Economic Matters Committee,

Good afternoon, Chairman Wilson, and members of the committee. My name is Matt Overturf on behalf of the National Association of Mutual Insurance Companies. NAMIC is the nation's largest trade association with more than 1,400 members, 22 of which are domiciled in Maryland. NAMIC requests and unfavorable report on HB 125 as it would significantly alter the existing risk-based pricing system.

Insurance is priced differently than virtually every other product available to consumers. Unlike nearly all products and services, the actual cost of providing insurance is unknown at the time it is offered.

In order to offer competitive policies, insurers use a number of rating factors and models to predict potential losses and charge accurate prices to policyholders. Through this practice, rather than a punitive one-price-fits-all approach, consumers who present lower risk pay less for their coverage. Ultimately, risk-based pricing makes it possible for insurers to offer customers competitive rates while remaining financially stable.

Analyzing past losses helps forecast potential future losses. However, prior claims alone are not enough to accurately predict future risk. Even for the safest of drivers, things like weather, theft, and being hit by riskier drivers are all considerations of future risk. In order to match risk to rate as accurately as possible, insurers rely on actuarial science to most fairly ascertain and measure the future risk predictors.

No single factor accurately measures the totality of risk represented by an individual consumer. The state of today's actuarial science dictates that risk assessments are most accurate when they take a variety of factors into account. In other words, the more actuarially sound factors used, the more accurate the picture of future risk becomes. In reviewing the use of a factor, data is analyzed to determine its potential correlation with risk. Importantly, insurers must file these rating factors and

models with the Maryland Insurance Administration, who reviews those filings to ensure that rates and those factors are both actuarily sound and not unfairly discriminatory.

The use of gender as a factor in today's auto insurance provides a good example. While insurers consider a number of risk-predicting factors like driving history, vehicle information, vehicle safety equipment, and miles driven, they also use other data such as gender to determine potential correlation with risk. Data from the U.S. Department of Transportation shows that as a group, younger males may be more likely to engage in riskier driving behavior and/or that they are more likely to be involved in a greater number of accidents.

It is important to note, however, that factors such as income, race, and ethnicity are not considered by insurers.

Notably, consumers benefit greatly from risk-based pricing. In today's highly competitive marketplace, insurers compete for potential policyholders by offering lower rates and better coverage than their competitors. Each insurer uses its own risk-based rating techniques that often result in different prices for the same consumer. Given the level of competition in the market, it is in the best interest of insurers to use their risk-based models to offer the most attractive pricing as possible to their potential customers.

NAMIC appreciates the opportunity to appear before the committee today to request an unfavorable report on HB 125.

If you or any of the members of the committee have questions, please don't hesitate to reach out to me.

Thank you,

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