

January 31, 2022

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

RE: Senate Bill 278 – Maryland Automobile Insurance Fund – Installment Payment Plans  
UNFAVORABLE

Dear Chairwoman Kelley and Members of the Senate Finance Committee,

I write today on behalf of the National Association of Mutual Insurance Companies (NAMIC) in opposition to SB 278. NAMIC is the largest property/casualty insurance trade group with a diverse membership of nearly 1,500 local, regional, and national member companies, including eight of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 67 percent of the homeowner's insurance market and 55 percent of the auto market. NAMIC requests an unfavorable report on Senate Bill 278 as it will fundamentally alter the installment payment authority of the Maryland Automobile Insurance Fund (MAIF). NAMIC has two primary areas of concern with the bill:

1. **Impact on the private auto insurance market**--MAIF was created to serve as a market of last resort in the Maryland auto insurance market. SB 278 would remove nearly all of the statutory requirements that have been enacted on MAIF's installment payment plan over many years. These statutory revisions are replaced, under the bill, with a requirement that a MAIF installment plan must meet the requirements of Section 27-216 of the Insurance Article. These are effectively the same requirements that govern a private insurer's installment billing plan. NAMIC supports efforts to keep insurance affordable and it recognizes the necessity and role of MAIF in moving towards that goal, but we do not believe removing from MAIF the constraints which should apply to an insurer of last resort will accomplish this task.
2. **Expanded authority of the Insurance Commissioner**--SB 278 would require the Commissioner, in considering the factors of a MAIF installment plan, to include "THE OVERALL AFFORDABILITY OF THE INSTALLMENT PAYMENT PLAN IN COMPARISON TO OTHER PAYMENT OPTIONS AVAILABLE TO THE POLICYHOLDER." This change imposes a new duty on the insurance regulator to evaluate, without any guidelines, the affordability of a single insuring entity's product. This is new responsibilities for an insurance regulator's



traditional tasks to evaluate rates based on whether they are “excessive, inadequate or unfairly discriminatory.” NAMIC is concerned that this language does not contain a requirement that the Commissioner consider the actuarial basis for premiums or the underlying insurance product. In essence this could permit MAIF to create installment plans that do not cover the full premium owed. We are concerned that this possibility could both undermine the financial positioning of MAIF and lead to additional financial assessments on the private insurance market, ultimately leading to increased premium pressures in the private marketplace.

For these reasons, NAMIC requests an unfavorable report on SB 278.

Thank you,

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