



191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

February 7, 2023

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

RE: House Bill 355 - Baltimore City Lifeline Low-Cost Automobile Insurance Program - UNF

Dear Chair Wilson and Members of the Committee,

On behalf of the Maryland Association of Mutual Insurance Companies (MAMIC), I respectfully request an unfavorable report on House Bill 355. At the outset, we should note that MAMIC opposed similar legislation when it was introduced in 2020.

MAMIC is comprised of twelve mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens. As mutual insurers, MAMIC members are owned entirely by our policyholders, and any profits earned are either retained by the company or returned to policyholders in the form of dividends. By contrast, stock insurers are owned by shareholders. Profits generated by a stock insurer are distributed to investors who may or may not have a policy of insurance with the company.

House Bill 355 addresses a critically important issue – the affordability of automobile insurance in Maryland. Unfortunately, the proposal to address the cost of automobile insurance in the bill fails to account for the fundamental principles of insurance itself; i.e., principles such as the spread of risk and the law of large numbers that are essential to a properly functioning insurance market.

A better approach to the problem of affordability would be a careful, thoughtful examination of its elements. These include such fundamental issues as the operation of our civil liability system in Maryland, including the financial responsibility limits required on every automobile insurance policy, the increasing cost of repairing automobiles, with the technology and equipment advances being made in automobile manufacturing, and improving our system for verifying compliance with the statutory requirement that all vehicles in the State be insured.

Maryland made automobile insurance compulsory in 1972. Notwithstanding that legal requirement, it is reliably estimated that one in ten (or more) vehicles garaged in Maryland are, at any given time, uninsured. With this background, and with the understanding that compulsory automobile insurance benefits all Maryland citizens, an appropriate subject for legislative attention would be a study of the cost drivers for automobile insurance, such as seat belt use, road safety, tort environment, distracted driving just to name a few. Just as there is no single cause of high automobile insurance rates, so there is no single answer.

House Bill 355 seeks to address high costs in one distinct region of the state. Moreover, the bill would benefit only a small subset of drivers, primarily drivers with a household income less than 300% of the federal poverty level each year.

Apart from the difficulty of verifying an applicant's income level for the program, the question of affordability under the bill is better addressed by the process described above, in which multiple factors contribute to the situation where automobile insurance – a requirement under Maryland law – is unobtainable for some applicants.

If enacted, the bill would raise an obvious question about affordability in the remainder of Maryland. Automobile insurance costs are high throughout the state, so why is just one region chosen to alleviate this statewide problem?

The bill contains other automobile insurance rating requirements as well; however, none of these requirements, if enacted, will increase the affordability of automobile insurance.

In closing, MAMIC reiterates our acknowledgement of the sponsors' concern about the affordability of automobile insurance. We share that concern. MAMIC respectfully requests an opportunity to work with legislators and mutually focus our energies on a comprehensive approach to this important issue.

Thank you for your consideration of our views.

Sincerely,

A handwritten signature in black ink, reading "Jeane A. Peters". The signature is written in a cursive, flowing style with a large initial "J".

Jeane A. Peters, President

cc: Bryson F. Popham