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Date: March 16, 2023

Bill # / Title: House Bill 998 - Maryland Insurance Administration - Study on Diminished Value Within the Automobile Industry

Committee: House Economic Matters Committee

Position: Support with amendments

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support with amendments for House Bill 998 (HB 998).

House Bill 998 as drafted, would require the MIA to undertake a study on “diminished value within the automobile industry” and to report its findings to the Governor and the General Assembly on or before December 31, 2023. “Diminished value” refers to the difference between the fair market value of a vehicle immediately before it is damaged in an accident and after the repairs to the vehicle have been completed. The MIA supports the intent of HB 998. However, the scope of the bill in its current form veers from a study and report into one of the agency’s core functions of Market Regulation.

The [Property and Casualty](#) and [Market Regulation and Professional Licensing Divisions](#) within the MIA carries out our responsibility for regulatory oversight of the general business practices of domestic and foreign insurance companies, including those that handle diminished value claims, through a variety of methods, including: individual consumer complaint investigations; comprehensive and targeted market conduct examinations to ensure compliance with Maryland insurance laws and regulations. The language contained in HB 998 goes beyond directing the Maryland Insurance Administration to conduct a study and issue a report and requires the MIA to initiate certain market regulation compliance activities.

The MIA respectfully requests that HB 998 revise the scope of the study to focus on research and advice and to eliminate the market regulation review component of the bill. We believe that our amendments, which have been provided to you, accomplishes the primary objective of requiring the Maryland Insurance Administration to study the issues associated with diminished value claims and report our findings back to the General Assembly. The amendments will require the MIA to:

- Review and report on the history and current status of Maryland insurance laws, regulations and policy language with respect to first-party and third-party diminished value claims;
- Review and report on consumer complaint activity concerning diminished value vehicle claims in Maryland and other states;
- Review and report on the use of uniform standard formulas in other states for valuation of diminished value vehicle claims and make recommendations regarding the potential for the use of such formulas in Maryland.

With the inclusion of these amendments the spirit of the bill will remain intact while maintaining the important separation from the MIA's market regulation function. Thank you for the opportunity to provide this written letter of support with amendments for HB 998. The MIA is available to provide drafting assistance or any additional information regarding these matters that might be helpful to the sponsor or the Committee.

Amendments to HB0998

Amendment No. 1

On page 1, line 5, strike “State” and “on diminished value” and after “automobile” insert **insurance**

On Page 1, line 5, after “industry” insert **on diminished value vehicle claims** and strike the remaining language in lines 6 and 7

Amendment No. 2

On page 1, line 11, strike “State” and after “value” insert **VEHICLE CLAIMS** and after “automobile” insert **INSURANCE**

On page 1, line 14, after “(1)” insert **REVIEW AND REPORT ON EXISTING POLICY LANGUAGE RELATED TO** and strike “examine” and after “value” insert **VEHICLE CLAIMS**

On page 1, line 15, after “review” and insert **AND REPORT ON THE NUMBER OF CONSUMER COMPLAINTS CONCERNING DIMINISHED VALUE VEHICLE CLAIMS IN MARYLAND AND OTHER STATES AND THE OUTCOME OF THOSE COMPLAINTS FILED IN MARYLAND** and strike the remaining language in lines 15 and 16

On page 1, line 17, after “(3)” insert **REVIEW AND REPORT ON MARYLAND INSURANCE LAWS AND REGULATIONS APPLICABLE TO DIMINISHED VALUE VEHICLE CLAIMS** and strike the remaining language on lines 17 and 18

On page 1, line 19, after “(4)” insert **REVIEW AND REPORT ON THE USE OF STANDARDIZED VALUATION FORMULAS FOR DIMINISHED VALUE VEHICLE CLAIMS IN OTHER STATES AND MAKE RECOMMENDATIONS REGARDING THE POTENTIAL FOR SUCH USE IN MARYLAND;** and strike the language starting with “analyze” to “claims;” on line 22

On page 2, line 1, strike “(6)” and insert **(5)**