

FINANCE COMMITTEE

MARYLAND SB 816: Motor Vehicle Insurance – Rate Filings – Trade Secrets and Factors Used to Establish Rates—UNFAVORABLE

March 15, 2023

Chairwoman Griffith and members of the committee,

On behalf of the National Association of Mutual Insurance Companies¹ (NAMIC), I respectfully request an unfavorable report on Senate Bill 816.

NAMIC is a national trade association comprised of 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America 22 of which are domiciled in the state of Maryland.

Senate Bill 816 has two provisions: the use of territory as a rating factor and the protection of proprietary rate-related information—NAMIC is opposed to all components of SB 816.

Territory

Most people would agree that you should pay a premium that relates to your specific risk. The use of territory determined by an insurer helps tell the insurer what risk a policyholder and their surroundings pose. In order to accurately price premiums, insurers must determine, to the best degree possible, an individual's risk.

Geography is an important consideration in insurance pricing. Historical analyses demonstrate that living in densely populated areas comes with a higher incidence of fender benders, vandalism, and theft. Quite simply, the more people there are, the more cars there are. And with more cars, comes a greater chance of accidents and increased risk.

Trade Secret Rate-Related Information

The motor vehicle insurance market is built on competition. Insurers compete for policyholders with the coverage and pricing options they can offer. Insurers hold their position in the market by using their own rating models, formulas, analyses, etc. that are currently protected as proprietary information. Removing the protection for proprietary rate-related information, would likely minimize competition by allowing insurance competitors to see and use proprietary rate-information which could ultimately lead to the use generic rating models that are less precise to

¹ NAMIC member companies write \$357 billion in annual premiums and represent 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.



the risks which will create upward pressure on auto insurance premiums. We all have a shared interest in maintaining an accessible and affordable insurance market that eases the overall costs of insurance for Maryland drivers while maintaining adequate and accurate rates.

In closing – if enacted, SB 816 will not lower the cost of insurance, instead it will likely create upward pressure on all auto insurance premiums. For that reason, I request the committee return an unfavorable report on Senate Bill 816.

Sincerely,

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