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**TESTIMONY OF  
THE  
MARYLAND INSURANCE ADMINISTRATION  
BEFORE THE  
SENATE FINANCE COMMITTEE**

**MARCH 4, 2020**

**SENATE BILL 934 – BALTIMORE CITY AND PRINCE GEORGE’S COUNTY – LIFELINE LOW-COST  
AUTOMOBILE INSURANCE PROGRAM**

**LETTER OF INFORMATION**

Thank you for the opportunity to provide written testimony in regards to Senate Bill 934. Senate Bill 934 will create a new “Low-Cost Automobile Insurance Program” (“the program”) for qualified applicants from economically challenged households in Baltimore City and Prince George’s County. The program would be part of, and administered by, the Maryland Automobile Insurance Fund (“MAIF”). MAIF is the State’s residual market mechanism for automobile liability insurance, meaning that it is the insurer of last resort. MAIF’s purpose is to provide automobile liability insurance to all qualified residents of Maryland who cannot obtain coverage from the admitted market, typically due to a poor driving record and / or claims history.

Senate Bill 934 would allow MAIF to sell motor vehicle liability policies to qualified applicants in Baltimore City and Prince George’s County with coverage limits that are half of the minimum requirements specified in § 17-103 of the Insurance Article. In addition to this residency requirement, eligible applicants must have a good driving record with no at-fault accidents involving bodily injury in the prior three years, a maximum of one single point moving violation or one at-fault property damage accident (but not both), and no convictions for a misdemeanor or felony motor vehicle law violation.

The Maryland Insurance Administration (“MIA”) would support a program that provides assistance to economically challenged households that can be delivered in a non-discriminatory manner without disrupting the existing market, in which close to 90% of Maryland households have affordable coverage and 88% of vehicle owners abide by our mandatory minimum insurance coverage requirements. Senate Bill 934 has a number of flaws. These flaws are highlighted below.

Senate Bill 934 is limited to residents of Baltimore City and Prince George's County and provides no benefit to economically challenged residents across the rest of Maryland;

Senate Bill 934 will cause an increase in the number of underinsured motorists claims and an increase in the rates for uninsured / under-insured coverage for all Marylanders;

Senate Bill 934 will direct good drivers from economically challenged households to MAIF instead of the admitted market. Any rate relief created by statute for good drivers from economically challenged households should be delivered via the admitted market, while drivers from such households with poor driving records should obtain such rate relief via the residual market mechanism, MAIF;

Senate Bill 934 requires MAIF to develop rates that are sufficient to cover all losses and the program's expenses for prior approval of the Insurance Commissioner. MAIF will be hamstrung in this effort by the bill's specific limitation to a single rating factor, the age of the eligible applicant. This restriction eliminates many of the most important traditional rating factors such as the type of vehicle and annual mileage driven. Additionally, this restriction will result in just two rates (under 25 years old and 25 years and older) and will prohibit therefore fail to provide the best rate to the best risks in the program.

Finally, the Bill creates a conflict between the Transportation Article, which requires minimum limits twice that provided by the program and the Insurance Article. The MIA respectfully suggests that any statutorily created rate relief for economically challenged households should resolve this conflict in favor of the Transportation Article by requiring all vehicle owners in Maryland to maintain the same mandatory minimum liability insurance coverage limits.