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**TESTIMONY OF  
THE  
MARYLAND INSURANCE ADMINISTRATION  
BEFORE THE  
HOUSE ECONOMIC MATTERS COMMITTEE**

**JANUARY 27, 2022**

**HOUSE BILL 266 – Private Passenger Motor Vehicle Liability Insurance – Enhanced Underinsured Motorist Coverage – Opt-Out Option**

**POSITION: LETTER OF INFORMATION**

Thank you for the opportunity to provide written comments regarding House Bill (HB) 266. The Maryland Insurance Administration (MIA) notes that the passage of HB 266 will increase the cost of motor vehicle liability insurance for all Marylanders, including those who can least afford it.

Maryland law currently requires all private passenger motor vehicle liability policies to have Uninsured Motorist (UM) or Enhanced Underinsured Motorist (EUIM) coverage.<sup>1</sup> The difference between UM and EUIM coverage is that, in the event of a claim, the UM coverage limit is reduced by the amount of any available coverage from the at-fault party's insurer, while EUIM coverage limit is not so reduced. EUIM coverage became a mandatory offering as a result of legislation passed in 2018.

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<sup>1</sup> UM and EUIM are forms of first-party coverage that protect an insured when a third-party causes an accident, but does not have insurance or enough insurance to cover the bodily injury and/or property damage that they caused. The minimum required limits for UM and EUIM coverage are the same as for liability coverage: \$30,000 per person / \$60,000 per accident for bodily injury and \$15,000 per accident for property damage (30/60/15) or a combined single limit of \$75,000 for bodily injury and property damage per accident. If the policy's liability limits exceed the statutory minimum the UM or EUIM coverage is deemed to be the same as the liability limits, unless the named insured has expressly elected lower UM limits.

Under current law, carriers must offer EUIM coverage, and must provide policy purchasers with written notice of their UM and EUIM coverage options. Currently, a consumer must “opt in” to EUIM coverage. The default coverage is UM coverage with the same limits as liability limits. EUIM is the **most expensive and least chosen** form of uninsured motorist coverage options available. It is, however, an available coverage that must be offered to every policy purchaser. Policyholders who desire and can afford to purchase EUIM to obtain more protection against loss or damage caused by an uninsured motorist can readily do so by opting to purchase EUIM. Alternatively, a policyholder can reject EUIM, but choose to purchase higher liability limits, with the same effect and often at a lower cost than EUIM.

HB 266 will make EUIM coverage the included or default option for **all** motor vehicle liability policies issued in Maryland. If passed, all such insurance policies will include the higher cost EUIM coverage option, unless the applicant or insured affirmatively “opts out” from EUIM. This will result in consumers inadvertently purchasing coverage that they do not want or need, and **significant premium increases**.

The MIA surveyed 10 of our largest insurance groups that write motor vehicle liability insurance in the state. These groups capture about 70% of Maryland’s private passenger automobile insurance market. Our research confirms that in the past 4-plus years since the legislature required insurers to offer the EUIM coverage option, the percentage of policyholders selecting EUIM is very small. Specifically, five of our top 10 market share groups (including the top two) report that EUIM is chosen on less than 1% of policies; three of our top 10 writers report EUIM is chosen less than 2% of the time. It is clear that **there is not a high demand for the EUIM coverage** option at this time.

The refusal of consumers to elect EUIM coverage likely reflects the fact that it is only in the rare instance of a large damages claim caused by an uninsured motorist that the purchase of EUIM provides a benefit to the consumer. To illustrate this, we note that a domestic automobile insurer conducted a manual review of over 100 EUIM claims and did not find a single instance where the purchase of EUIM coverage resulted in a higher payment than what would have been paid out under standard UM coverage.

All 10 surveyed groups reported that EUIM costs significantly more than standard UM coverage. The increased cost of EUIM versus standard UM coverage ranges from 25% to over 123%, resulting in **premium increases** that could range from \$50 to several hundreds of dollars per policy period. If EUIM becomes the included coverage option as called for in HB 266, the average cost of automobile insurance in the state will rise. This is particularly concerning to the MIA, because the motor vehicle liability insurance market is presently experiencing significant upward pressure on loss costs and rates. To the extent that rates rise as a result, the added cost of EUIM coverage will be amplified and even more burdensome.

The MIA believes that consumers should have choices in the market. Current law provides these choices without penalizing those who may be unsophisticated in insurance matters or may find it difficult to understand the nuances of coverage selection forms, particularly in an increasingly digital environment where consumers do not always have the benefit of an

insurance producer to explain the available options. **Consumers are best protected by the current law**, which mandates that EUIM be offered, but requires that the consumer affirmatively opt-in to that coverage. This approach assures that the consumer is aware of the enhanced nature and cost of the coverage and has made a choice to incur the additional expense to secure the enhanced coverage. The additional cost that results from carrying limits higher than are necessary to satisfy Maryland's mandatory minimum coverage requirements should never be incurred by an insured without their full knowledge and consent. **Maryland has long recognized that consumers are best protected by an opt-in process. Default coverage selections should never be the most expensive option available.**

The MIA thanks the Committee for its close attention to this important consumer protection and market conditions matter.