

STATE FARM INSURANCE COMPANIES
OPPOSITION TO HB 266 (PRIVATE PASSENGER MOTOR VEHICLE LIABILITY INSURANCE –
ENHANCED UNDERINSURED MOTORIST COVERAGE – OPT OUT OPTION)

HB 266 would change enhanced underinsured motorist (EUIM) coverage from being an optional coverage that must be offered to all private passenger motor vehicle insurance applicants, but provided only to those demonstrate their desire to have (and pay for) the coverage by opting in, to being a default coverage that is provided to all insureds except those that affirmatively decline it.

Under current law, all insurance applicants must be notified in writing of the availability of this coverage and given the option to purchase it if they choose. The Maryland Insurance Administration promulgated the form of the notice that must be provided to applicants and explaining what EUIM coverage is so that applicants can make an informed choice whether to purchase the coverage. If the applicant decides that s/he wants the coverage, the applicant simply checks the box on the form to purchase the coverage and signs the form.

Since the law requiring EUIM coverage to be made available passed in 2017, only 0.5% of State Farm's auto insurance policies include this coverage. Put another way, virtually all – 99.5% - of insurance applicants do not opt to buy this coverage, which costs more than twice (2.23 times) more than traditional UM coverage on average. Given the overwhelming lack of interest in this coverage, there is no basis to make it the default option. Doing so will result in insureds being provided -- and paying higher premiums for -- coverage that experience has shown they do not want or need.

For more information, please contact Marta Harting (mdharting@venable.com).