



Residual Markets, Uninsured Motorists and Competition in Maryland Auto Insurance

Maryland Auto Insurance Plan

Senate Hearing on Uninsured Motorists

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Executive Summary: Residual Markets and Uninsured Motorists in Maryland

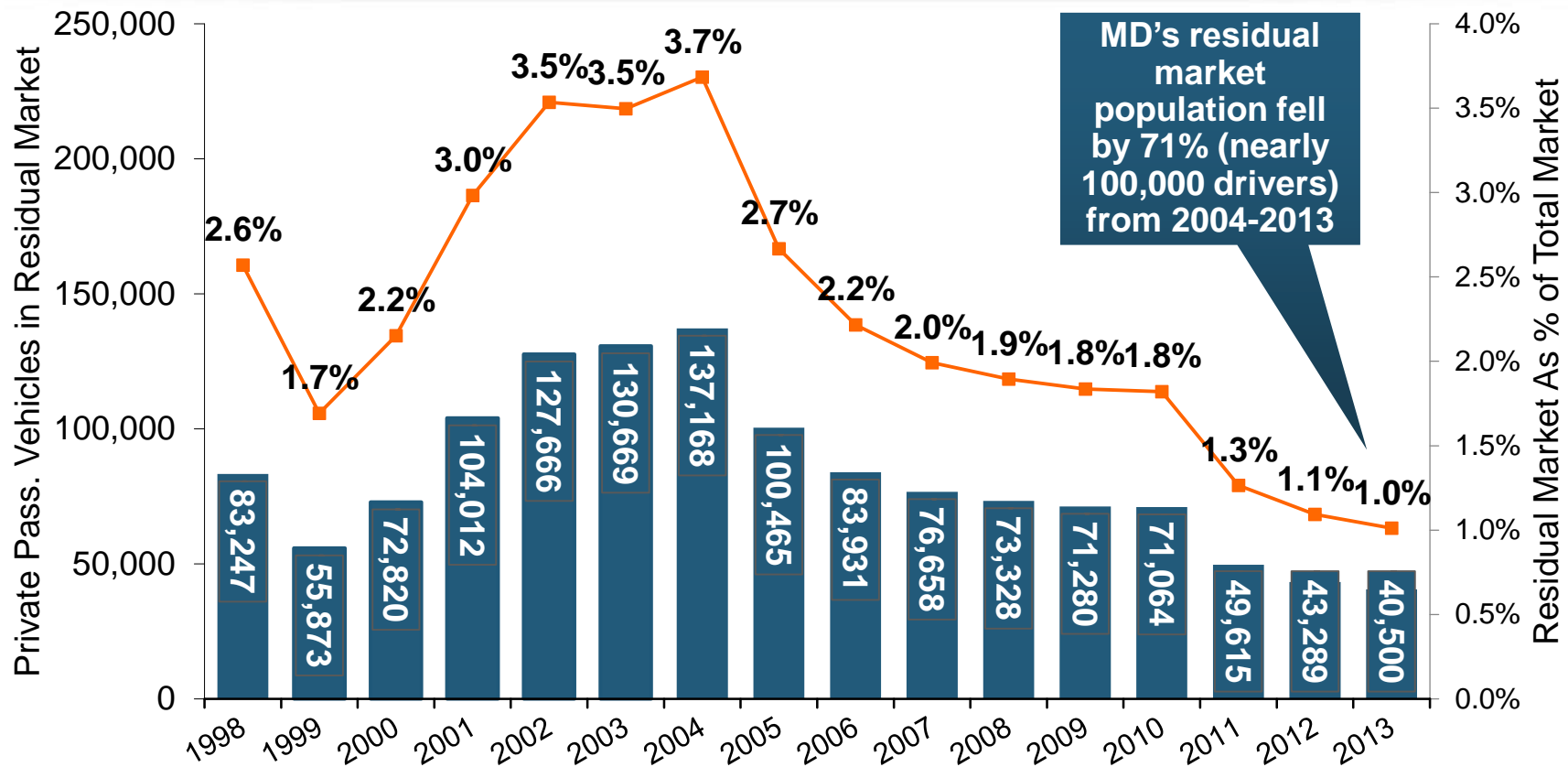
- **99% of all private passenger motor vehicles insured in Maryland are insured in the private market (as of 2013)**
 - ◆ Only 1% are insured by the state residual market (same as the US overall)
 - ◆ MAIF's market share has shrunk from 3.7% in 2004 to 1.0% in 2013
 - ◆ Very small market share in the "market of last resort" is indicative of healthy and strong pvt. insurer competition, sophisticated underwriting
 - ◆ In 2014, a total of 59 insurers were offering pvt. pass. auto insurance in MD
- **The number of vehicles insured by MAIF plunged by 70.5% from 2004 to 2013, a decline of 96,668 (from 137,168 in 2004 to 40,500 in 2013)**
- **The Uninsured Motorist Percentage in Maryland fell from 14.9% in 2009 to 12.2% in 2012 (latest available, Insurance Research Council)**
 - ◆ Maryland's Uninsured Motorist percentage in 2012 was lower than the 12.6% recorded for the US overall
- **Bottom Line: Residual Market and Uninsured Motorist trends in Maryland are *favorable*, suggesting that markets are healthy and competition is vigorous, even for riskier drivers**



Maryland Private Passenger Auto Residual Market Overview

**Residual Market Shares in
Maryland Have Been Shrinking**

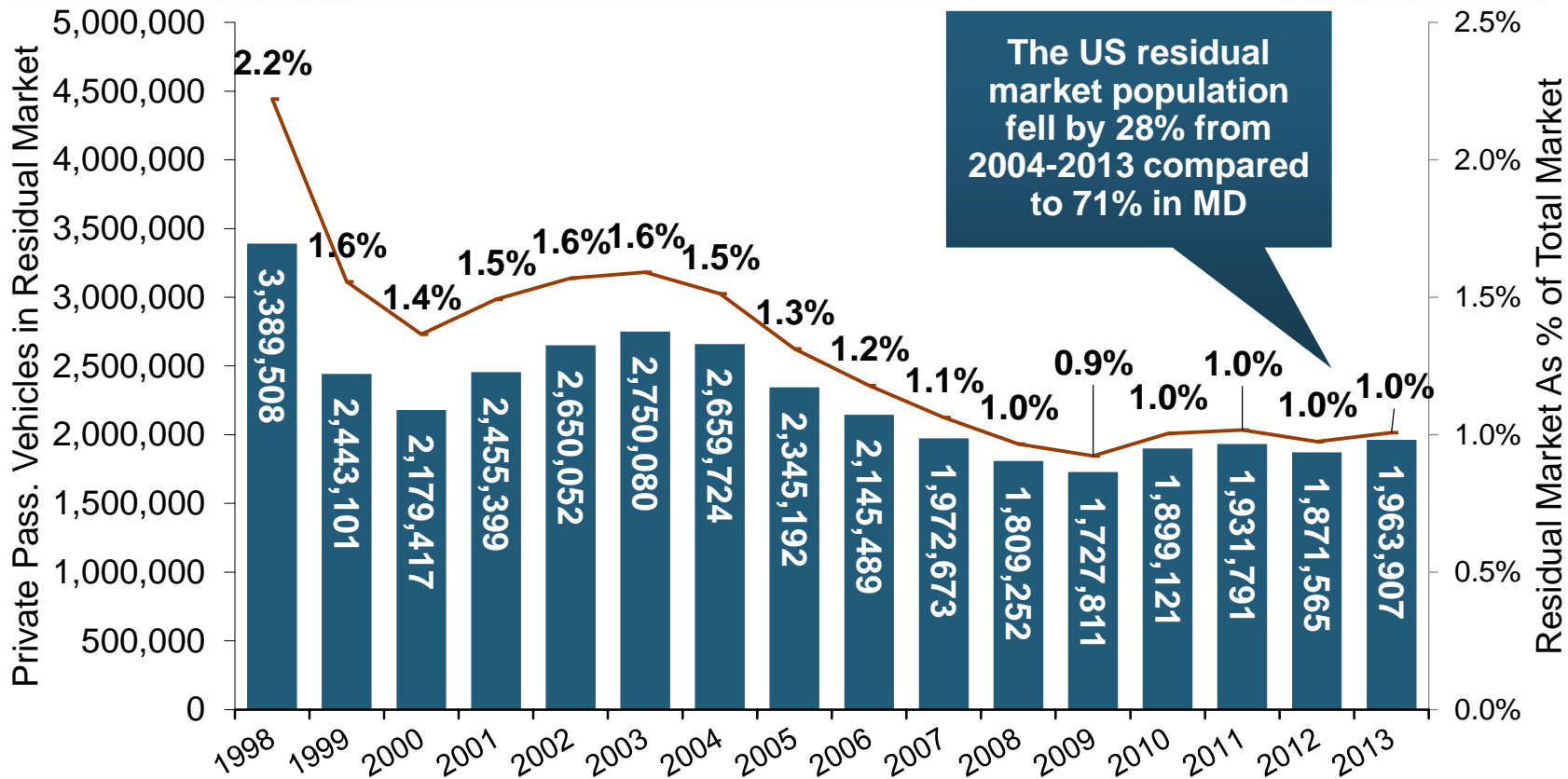
Residual Market - Maryland



SOURCES: AIPSO Fact Books, Insurance Information Institute.

The Residual Market Has Been Shrinking in Maryland and Across Most of the Country.

Residual Market – USA*

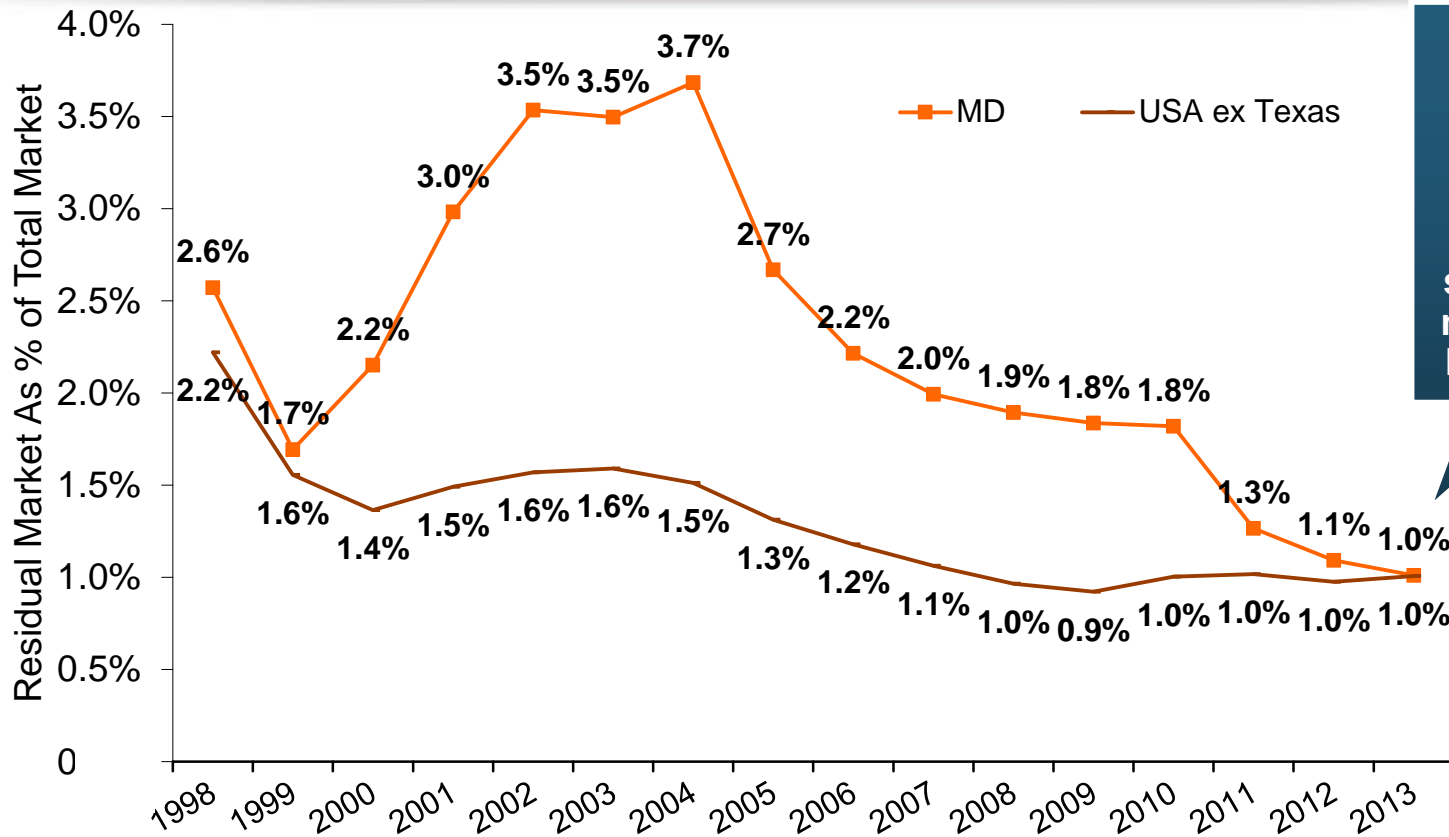


The US residual market population fell by 28% from 2004-2013 compared to 71% in MD

*Excludes Texas – No Data After 2012.
 SOURCES: AIPSO Fact Books, Insurance Information Institute.

The Residual Market Has Been Shrinking in Maryland and Across Most of the Country

Residual Market – MD vs. US*



MD's residual market population fell by 71% from 2004-2013, bringing the state's residual market share in line with the US

The Residual Market Has Been Shrinking in Maryland and Across the Country. North Carolina Remains an Outlier.

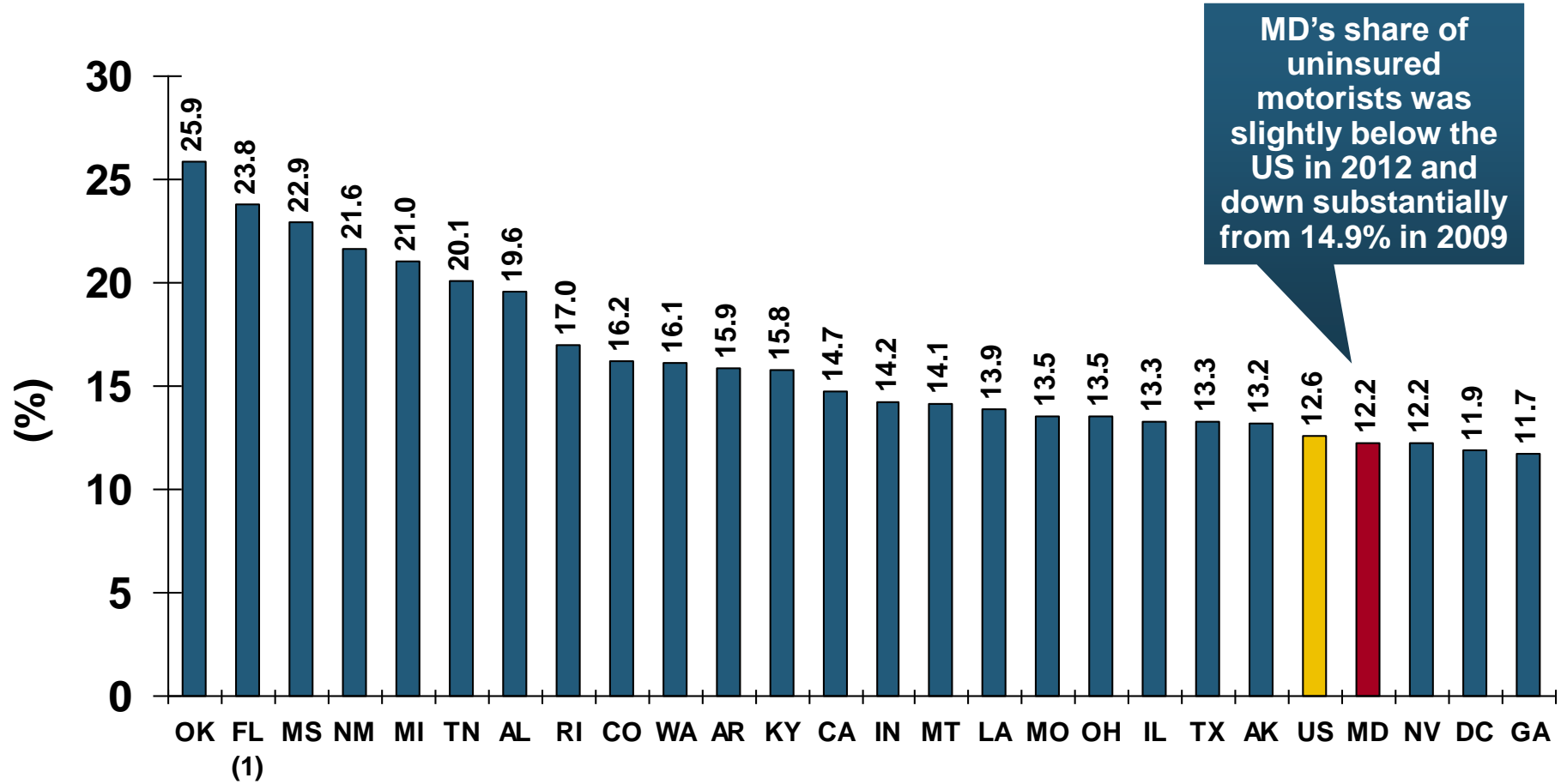
*Excludes Texas – No Data After 2012.
 SOURCES: AIPSO Fact Books, Insurance Information Institute.



Maryland Private Passenger Uninsured Motorist Analysis

Uninsured Motorist Shares in Maryland Has Been Shrinking

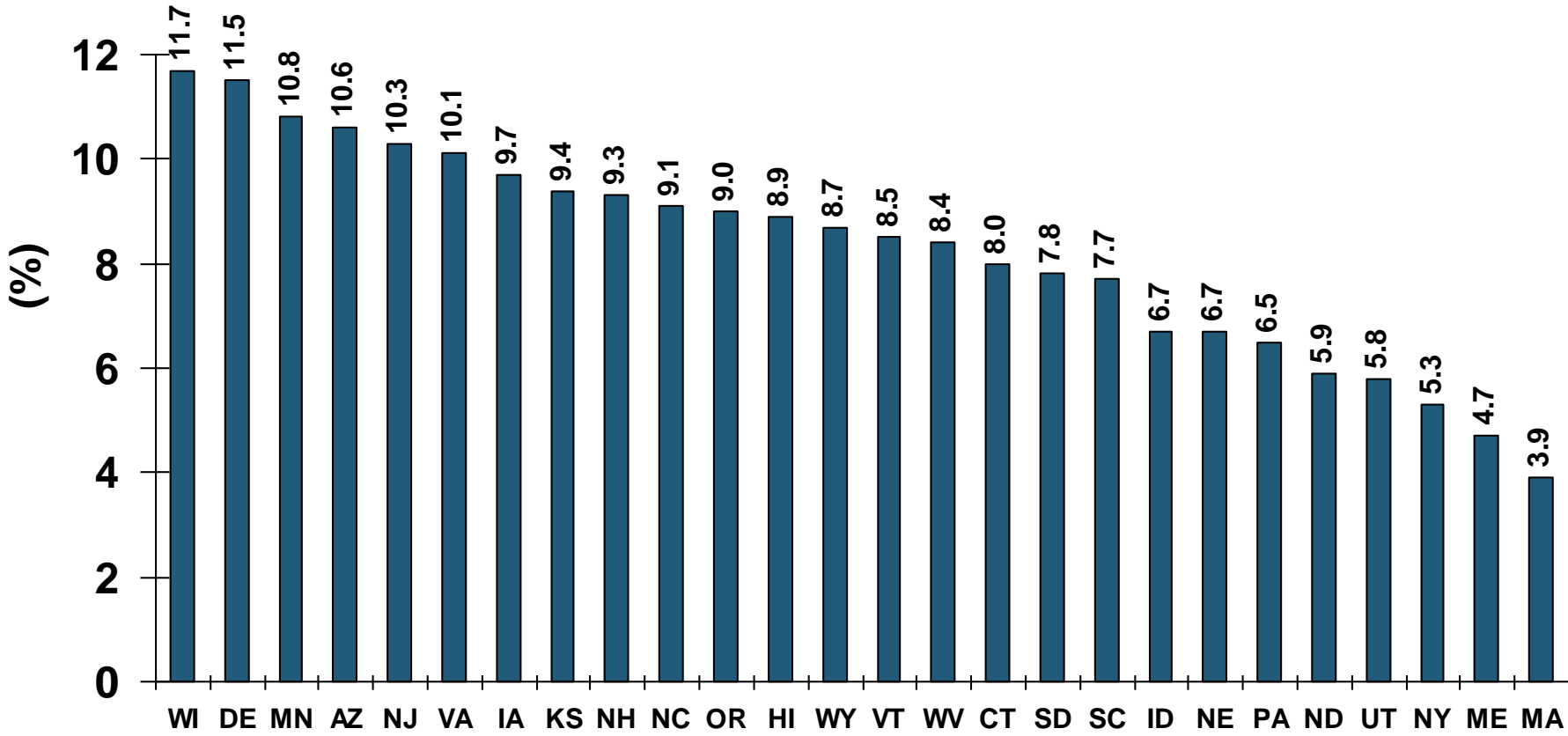
Estimated Percentage of Uninsured Motorists by State, 2012: Highest 25 States*



*Percentage of uninsured drivers, as measured by the ratio of uninsured motorists (UM) claims to bodily injury (BI) claims frequencies.
 (1) In Florida, compulsory auto laws apply to personal injury protection (PIP) and physical damage, but not to third party bodily injury coverage.

Source: Insurance Research Council; Insurance Information Institute.

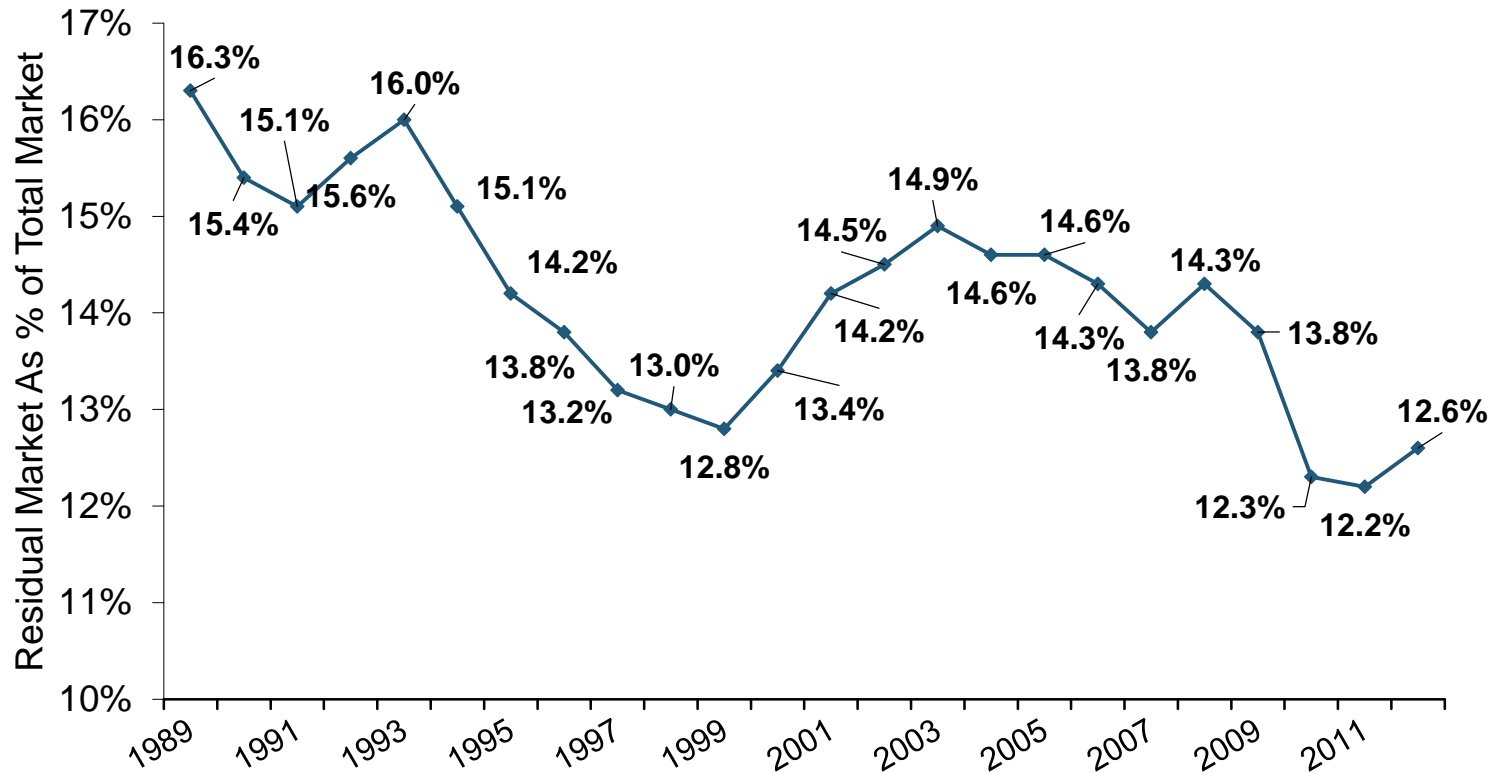
Estimated Percentage of Uninsured Motorists by State, 2012: Lowest 25 States*



*Percentage of uninsured drivers, as measured by the ratio of uninsured motorists (UM) claims to bodily injury (BI) claims frequencies.

Source: Insurance Research Council.

Uninsured Driver Percentage: United States, 1989 – 2012*

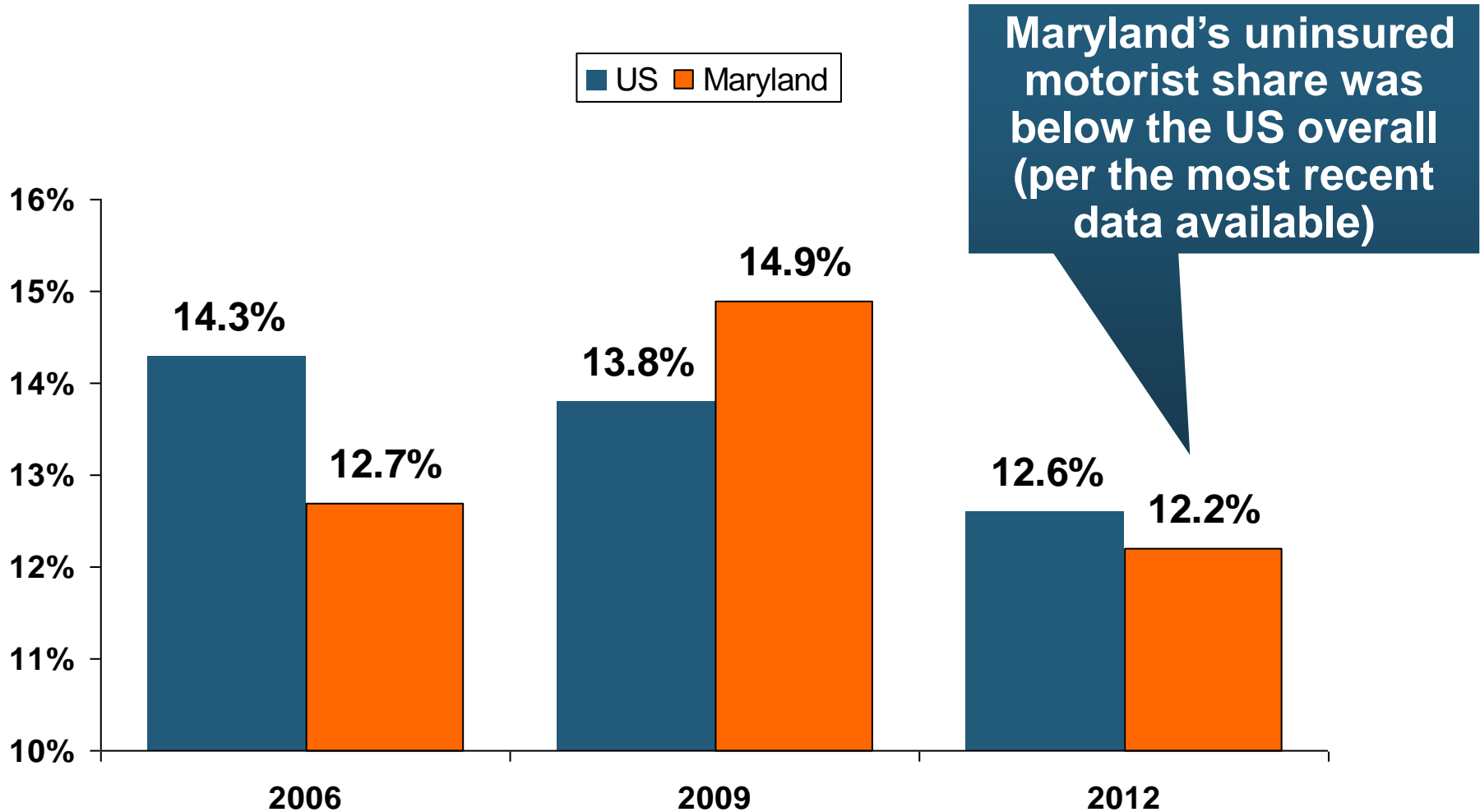


Over the Past Three Decades, the Percentage of Uninsured Motorists Has Been Shrinking Across the Country.

*Latest available.

SOURCE: Insurance Research Council; Insurance Information Institute.

Uninsured Motorist Share, Maryland vs. US, 2006 – 2012



Source: Insurance Research Council (latest available); Insurance Information Institute.

Strategies for Reducing the Uninsured Motorist Population

■ Education

- ◆ Educating drivers as to their legal requirement to carry auto liability insurance is an important factor in achieving the goal of low rates insured by the state residual market (same as the US overall)

■ No Pay, No Play Laws

- ◆ Laws that prevent uninsured motorists from collecting compensation for noneconomic damages arising from a traffic accident with an insured, at-fault driver
- ◆ Logic is that if you violate the law and are driving illegally without insurance there should be no recovery for noneconomic damages
- ◆ Theory and empirical evidence (IRC) suggest such laws do reduce uninsured motorist rates

■ Enforcement and Penalties

- ◆ Stringent enforcement is necessary to reduce flaunting of the law
- ◆ Should be backed with appropriate penalties

- **Maryland’s residual market population and share have experienced significant shrinkage in recent years (from 3.7%% in 2004 to 1.0% in 2012)**
 - ◆ **This is indicative of strong competition among private passenger auto insurers for event the riskiest drivers (59 pvt. passenger auto insurers competed for business in the state in 2014)**
 - ◆ **99% of drivers are covered in the voluntary market by private insurers**
 - ◆ **A small residual market is a critical part of a healthy, competitive private market; A true “market of last resort”**
- **Maryland’s uninsured motorist percentage has declined significantly as well (from 14.9% in 2009 to 12.2% in 2012); Now below US average**
- **Education and Enforcement are keys to keeping the down proportion of uninsured motorists on the road**
 - ◆ **“No Pay, No Play” laws can help**

QUESTIONS?

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***Thank you for your time
and your attention!***

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