



DEPARTMENT OF

**Professional &  
Financial Regulation**

STATE OF MAINE

- OFFICE OF SECURITIES
- BUREAU OF INSURANCE
- CONSUMER CREDIT PROTECTION
- BUREAU OF FINANCIAL INSTITUTIONS
- OFFICE OF PROF. AND OCC. REGULATION

# **The Impact of Public Law Chapter 395 on Premiums in the Maine Automobile Insurance Market**

PREPARED BY THE MAINE BUREAU OF INSURANCE  
FEBRUARY 2024

JANET T. MILLS  
GOVERNOR

ANNE L. HEAD  
COMMISSIONER

TIMOTHY N. SCHOTT  
ACTING SUPERINTENDENT

## Contents

Introduction .....	3
Survey Description .....	4
Limitations .....	4
Risk and Uncertainty .....	4
Personal Auto.....	5
Commercial Auto .....	5
Survey Responses – Overview .....	6
Survey Responses – Rate Impacts.....	7
Personal Auto.....	7
Commercial Auto .....	8
Insurance Services Office, Inc. ....	9
“Continued” Language in Statute .....	10
Conclusion.....	10
Appendix A: Public Law Ch. 395, “An Act to Require a Liability Automobile Insurance Policy to Cover the Costs of Towing and Storing Certain Vehicles.” .....	11

## Introduction

In July 2023, the Maine legislature enacted Public Law Ch. 395, “An Act to Require a Liability Automobile Insurance Policy to Cover the Costs of Towing and Storing Certain Vehicles.” The law amended Ch. 13 of Title 29-A, which sets out the proof of financial responsibility requirements for Maine insurance policies. The law added a requirement that Maine automobile liability policies provide coverage for up to \$500 per accident for “the reasonable towing and storage charges incurred as a result of an accident involving the insured vehicle if the vehicle is towed at the request of a law enforcement officer.” 29-A M.R.S. § 1605(1)(C)(5), 29-A M.R.S. § 1605-B § A-4.

The law applies to “... all motor vehicle liability insurance policies executed, delivered, issued for delivery, continued, or renewed in this State on or after July 1, 2024. For purposes of this Part, all policies are deemed to be renewed no later than the next yearly anniversary of the contract date.” P.L. Ch. 395, Sec. A-4.

Section B-1 of P.L.Ch. 395 directs the Bureau to review proposed rates of insurers to determine the premium impact and submit a report to the committee no later than February 1, 2024. However, rate filings for the premium impacts will not be filed in time for the Bureau to estimate the cost impact that the new law will have on Maine policyholders and report its findings to the committee so a survey of insurance carriers was conducted.

According to the insurers who submitted estimates, annual personal automobile insurance premiums are expected to increase an average of approximately 2.6 percent for liability-only policies and 0.5 percent for all policies. This average cost represents an average of \$10 per year but could be upwards of \$100 a year for some liability only policies. Some respondents indicated that they were going to wait for experience to develop before incorporating towing claims into their rates so the price impact might be greater over time as costs are added.

Annual commercial automobile insurance premiums are estimated to increase approximately 0.3 percent for policies that already have towing coverage and 0.5 percent for policies that do not have towing coverage. As explained further below, several insurers were unable to provide estimates, and there are expected to be premium differences based upon several factors.

No other states have this law in place, so we were unable to leverage nationwide data or other source data in the estimates.

## Survey Description

To gather the information on the potential rate impact of the new law, the Bureau prepared a survey and distributed it to insurance carriers writing auto insurance policies in Maine that, together, comprise a significant portion of the Maine personal and commercial automobile insurance market. Survey responses were requested separately for Personal Auto and Commercial Auto.

Survey respondents provided an overview of the methodology used to estimate cost impacts on consumers. The overviews included consideration of how the law change is anticipated to impact both claim frequency and claim severity. The estimated cost impacts are subject to risk and uncertainty and in some cases may be based on limited information and the judgment of the survey respondents.

In addition to estimated cost impacts, the survey also requested feedback on areas including the following:

- Description of how the coverage mandated by the law compares to any current towing and storage coverage offerings;
- Consumer impact concerns;
- Areas where interpretation of P.L. Ch. 395 needs clarification; and
- Implementation approaches and needs.

To accomplish the intended purpose, the survey was distributed to 26 insurance companies, which combined, represent about 96% of the personal lines market share by direct written premium and 81% of the commercial lines market share by direct written premium. Responses were received for approximately 85% of the personal lines market and approximately 42% of the commercial lines market.

## Limitations

The estimates provided within and derived from survey responses are estimated impacts. The estimates should not be construed as an estimated impact on any individual consumer. Consumer impacts will vary from estimated averages due to differences in an individual's policy and coverage level characteristics. In addition, rates develop over time as insurers develop experience, so it is likely that premium impacts will change as insurers incur more or fewer losses than initially expected.

## Risk and Uncertainty

There is inherent risk and uncertainty in cost estimates that influence a consumer's premium levels. Actual costs incurred by insurance companies will most likely deviate from expected cost impacts due to the nature of insurance losses. Ambiguity in legislation can increase uncertainty in estimates.

## Personal Auto

Companies were asked for specific information about their book of business and how they believe this law will affect their book.

Companies were asked to provide a policyholder and premium distribution by coverage type (e.g., policies with liability and physical damage were provided separately from liability-only policies). The Bureau also asked companies to provide the percentage and dollar impacts to consumers within the following categories:

- Whole book of business premium impacts (dollars and as a percentage);
- Liability and physical damage premium impacts (dollars and as a percentage); and
- Liability-only policy premium impacts (dollars and as a percentage)

The Bureau explicitly inquired into how cost impacts would be specifically influenced by the use of the word “continued” in the following language (emphasis added):

This Part applies to all motor vehicle liability insurance policies executed, delivered, issued for delivery, *continued* or renewed in Maine on or after July 1, 2024. For purposes of this Part, all policies are deemed to be renewed no later than the next yearly anniversary of the contract date.

The survey requested feedback on logistical considerations and other compliance costs perceived by the surveyed companies.

## Commercial Auto

Companies were asked to provide a policyholder and premium distribution by coverage type (e.g., policies with liability and physical damage were provided separately from liability-only policies). The Bureau also asked companies to provide the percentage and dollar impacts to consumers within the following categories:

- Whole book of business policy impacts (dollars and as a percentage); and
- Dollar and percentage impacts separately for the portion of the book that already has towing coverage versus the portion of the book that does not currently carry towing coverage.

The Bureau also asked about the cost impact of the use of the word “continued” in the law (emphasis added):

This Part applies to all motor vehicle liability insurance policies executed, delivered, issued for delivery, *continued* or renewed in Maine on or after July 1, 2024. For purposes of this Part, all policies are deemed to be renewed no later than the next yearly anniversary of the contract date.

The survey requested feedback on logistical considerations and other compliance costs anticipated by the surveyed companies.

Survey responses presented in the report have been anonymized but left largely intact to communicate as clearly as possible respondent feedback in areas the Bureau believes to be the most useful and relevant to the legislative committee.

## Survey Responses – Overview

Tables 1 through 4 on subsequent pages demonstrate the estimated premium impacts provided by survey respondents. The premium impacts vary due to a variety of factors, including the type of policy and the type of covered vehicle. The average impact on liability-only policies is expected to be higher than the average impact on auto policies and vehicles that already have both liability and physical damage coverage. There were also differences in the range of variation of estimated premium impacts between liability-only policies and those with both liability and physical damage coverage. There was a wider range of variation of estimated premium impacts for liability-only policies. Estimated premium impacts were also influenced by the survey respondents' current storage and towing coverage offerings in their typical policies.

The premium impacts provided do not consider organizational or administrative resource costs to implement the change; some survey respondents provided premium estimates separately for estimated implementation costs. A few of the survey respondents may be intending to adopt loss costs recommended by their advisory organization, which would replace initial cost estimates provided within the survey.

Survey respondents expressed either confusion or varying interpretations of certain aspects of the law, particularly as to whether the new law applies to in-force policies as of July 1, 2024, regardless of their renewal date. A clarification of this issue would be helpful. This could be achieved by removing the word “continued,” in the section setting the effective date.

Some common concerns expressed by the responding insurers include:

- Premium impacts on consumers, making policies, especially liability-only policies, less affordable;
- A decreased ability to control towing costs through existing relationships with towing companies;
- The applicability of the law to policies that are already in force on the effective date and do not include the mandatory coverage;
- Interpretation of the law as it relates to the definition of an “accident”; and
- Insufficient time for full implementation of coverage changes required by the law.

Some insurers did not express significant concern and noted minimal expected impacts. These carriers appear to have relatively fewer liability-only policies.

## Survey Responses – Rate Impacts

Survey respondents provided an overview of the methodology used to estimate premium impacts on consumers. The overviews included consideration of how the law change is anticipated to impact both claim frequency and claim severity. The estimated premium impacts are based on limited information and the judgment of the survey respondents. No other states have this law in place, so we were unable to leverage nationwide data or other source data in the estimates.

### Personal Auto

Responses were received by 21 active insurance market participants who represent approximately 78% of personal auto market share in Maine by direct written premium. This represents coverage of approximately 1 million vehicles. Estimated premium impacts were provided by respondents representing about 65% of personal auto market share in Maine based on direct written premium, the other 13% indicated that they did not estimate premium impacts of the new requirement. Severity assumptions ranged from \$200 to \$500 per tow with some carriers noting there is no incentive for tow companies to charge less than the \$500 limit.

The anticipated dollar premium impacts per policy and per vehicle are summarized in the following table.

**Table 1 Impact on Personal Auto Premium**

<b>Survey Responders</b>			
<b>Annual Premium Impact Per Policy</b>			
	<b>10th Percentile</b>	<b>Average</b>	<b>90th Percentile</b>
Liability and Physical Damage	\$0	\$2	\$7
Liability Only	\$0	\$14	\$106
<b>Annual Premium Impact Per Vehicle</b>			
	<b>10th Percentile</b>	<b>Average</b>	<b>90th Percentile</b>
Liability and Physical Damage	\$0	\$1	\$4
Liability Only	\$0	\$10	\$26

The average annual dollar amounts shown represent average dollar impacts indicated by each survey respondent weighted using each survey respondent’s premium volume. The 10<sup>th</sup> percentile means that at least 10 percent of survey respondents reported anticipated impacts less than or equal to the values shown. The 90<sup>th</sup> percentile means that at least 90 percent of survey respondents reported anticipated impacts less than or equal to the value shown. According to the NAIC 2019/2020 Auto Insurance Database Report, the most recently completed report, the annual average liability-only premium is \$372.04, and the annual average combined premium is \$788.84 for 2020. Because automobile premiums have increased in the last three years, the 2023 annual average premiums will be higher.

The anticipated percentage premium impacts are summarized in the following table.

**Table 2 Percentage Impact on Personal Auto Premium**

Survey Responders			
% Impact on Premium			
	10th Percentile	Average %	90th Percentile
Liability and Physical Damage	0.0%	0.2%	0.9%
Liability Only	0.0%	2.6%	14.9%
Whole Book	0.0%	0.5%	1.3%

Whole Book impacts are intended to represent the combined impact of both Liability and Physical Damage policies and Liability only policies.

We observed that some respondents who showed a 0.0 percent cost impact also expressed concerns about some aspects of the law that would increase costs including increased frequency of towing and increased costs of tows. Accordingly, it is possible that a 0.0 percent entry may not mean that a company anticipates no cost impacts. Rather, it could be that the company faced some limitations in putting together meaningful cost estimates in the time prescribed to provide survey responses. Other carriers responded they are not going to add the cost to premiums until it flows through in the experience in their next rate filing.

### Commercial Auto

Responses were received by 17 active insurance market participants who represent about 63 percent of the commercial auto market share in Maine based on direct written premium. Impacts across nearly 200,000 vehicles were represented by the survey respondents.

The anticipated dollar premium impacts per policy and per vehicle are summarized in the following table.

**Table 3 Impact on Commercial Auto Premium**

Survey Responders			
Annual Premium Impact Per Policy			
	10th Percentile	Average	90th Percentile
Whole Book	\$1	\$18	\$21
Annual Premium Impact Per Vehicle			
	10th Percentile	Average	90th Percentile
Whole Book	\$0	\$7	\$10

Severity assumptions ranged from \$400 to \$500 per tow.

The anticipated percentage premium impacts are summarized in the following table.



**Table 4 Percentage Impact on Commercial Auto Premium**

Survey Responders			
% Impact on Premium			
	10th Percentile	Average %	90th Percentile
Have Towing	0.0%	0.3%	1.0%
Do Not Have Towing	0.0%	0.5%	8.1%

We observed that some respondents who showed a 0.0 percent cost impact also expressed concerns about the law that would increase costs for example increased frequency of towing and increased costs of tows. Accordingly, it is possible that a 0.0 percent entry may not mean that a company anticipates no premium impacts. Rather, it could be that the company faced some limitations in putting together meaningful cost estimates in the time prescribed to provide survey responses. Other carriers responded they are not going to add the cost to premiums until it flows through in the experience in their next rate filing.

### Insurance Services Office, Inc.

Insurance Services Office, Inc. (ISO) was also surveyed. ISO is a national advisory organization and statistical data agent that collects data from multiple carriers and uses it to create loss costs that then can be adopted by carriers who do not have enough of their own data to create credible rates. ISO noted that there is a considerable amount of uncertainty in their estimates. ISO indicated that this law is the first of its kind in the country.

ISO estimated that frequency would be approximately 40% of current towing and labor frequency due to the fact that the new coverage does not apply unless law enforcement requests that the vehicle be towed. Severity was assumed to be \$225 for personal automobiles and \$400 for commercial. Based on these assumptions, the ISO calculated the following impact of the law on premiums:

#### Average Impact of the additional mandatory \$500 towing and storage coverage:

##### Personal Auto

- Liability only = +2.7%
- Liability with physical damage for a policyholder not currently purchasing towing and labor coverage = +1.2%
- Liability with physical damage for a policyholder currently purchasing towing and labor coverage +0.8%

##### Commercial Auto

- Liability only +0.5%
- Liability + Collision + Comprehensive: +0.25% (the impact would be lower for a policyholder currently purchasing towing and labor coverage)

## “Continued” Language in Statute

While the Bureau asked companies to isolate the impact of the use of the word “continued” in the statute, only two respondents provided an estimate that appears to contemplate mid-policy addition of this coverage. The use of the word “continued” increased these respondents’ overall estimated cost of the law change.

While other respondents did not quantify this impact, a requirement to add coverage mid-policy term can be expected to increase costs without the insurer collecting the corresponding premium.

## Conclusion

In the personal automobile insurance market, responding insurers who provided premium impact estimates reported that annual personal automobile insurance premiums are estimated to increase approximately 2.6 percent for liability-only policies and 0.5 percent for all policies. This is consistent with the ISO estimate of 2.7 percent for liability-only policies. This average cost represents an average of \$10 per year but could be upwards of \$100 a year for some liability only policies. Some respondents indicated that they were going to wait for experience to develop before incorporating towing claims into their rates so the price impact might be greater over time as costs are added.

In the commercial automobile insurance market, responding insurers who provided premium impact estimates reported that the annual premium impact on average is estimated to be 0.3 percent for policies that already have towing coverage and 0.5 percent for policies that do not have towing coverage. This is also consistent with the ISO estimate of 0.25% and 0.5% respectively.

As noted above, it is also recommended that the “continued” language be clarified to avoid a requirement for new coverage in an in-force policy.

Appendix A: Public Law Ch. 395, “An Act to Require a Liability Automobile Insurance Policy to Cover the Costs of Towing and Storing Certain Vehicles.”

STATE OF MAINE

IN THE YEAR OF OUR LORD TWO  
THOUSAND TWENTY-THREE

S.P. 666 - L.D. 1661

**An Act to Require a Liability Automobile Insurance Policy to Cover the Costs of  
Towing and Storing Certain Vehicles**

Be it enacted by the People of the State of Maine as follows:

**PART A**

**Sec. A-1. 29-A MRSA §1605, sub-§1, ¶C**, as amended by PL 2007, c. 213, §1 and affected by §3, is further amended to read:

C. Be in the amount or limit of at least:

- (1) For damage to property, \$25,000;
- (2) For injury to or death of any one person, \$50,000;
- (3) For one accident resulting in injury to or death of more than one person, \$100,000; ~~and~~
- (4) For medical payments pursuant to section 1605-A, \$2,000.; and
- (5) For towing and storage charges pursuant to section 1605-B, \$500.

**Sec. A-2. 29-A MRSA §1605-B** is enacted to read:

**§1605-B. Towing and storage charges**

A motor vehicle liability policy issued for a motor vehicle registered or principally garaged in this State must provide coverage in an amount up to \$500 per accident for the reasonable towing and storage charges incurred as a result of an accident involving the insured vehicle if the vehicle is towed at the request of a law enforcement officer. The coverage required by this section applies only to the reasonable towing and storage charges of the insured vehicle. This section does not apply to a policy insuring more than 4 motor vehicles, nor to any policy covering a garage, automobile sales agency, repair shop, service station or public parking place.

**Sec. A-3. 29-A MRSA §1861, first ¶**, as amended by PL 2017, c. 120, §1, is further amended to read:

A person holding or storing an abandoned vehicle, holding or storing a vehicle towed at the request of the vehicle's operator, owner or owner's agent or holding or storing a vehicle stored at the request of a law enforcement officer may hold the vehicle and all its accessories, contents and equipment, not including the personal effects of the registered owner, until reasonable towing and storage charges of the person holding or storing the vehicle are paid, except that a person may not hold the perishable cargo of a commercial motor vehicle, as defined in 49 Code of Federal Regulations, Part 390.5, as amended, when the perishable cargo being transported in interstate or intrastate commerce is not owned by the motor carrier or driver of the commercial motor vehicle being held and the person holding or storing the towed vehicle is presented with evidence of insurance, as defined in section 1551, covering the commercial motor vehicle and the vehicle's cargo. For purposes of this paragraph, "perishable cargo" means cargo of a commercial motor vehicle that is subject to spoilage or decay or is marked with an expiration date. The owner of the vehicle shall maintain, at a minimum, the amounts of motor vehicle financial responsibility in accordance with section 1605-B to pay the reasonable towing and storage charges of the person holding or storing the vehicle.

**Sec. A-4. Application.** This Part applies to all motor vehicle liability insurance policies executed, delivered, issued for delivery, continued or renewed in this State on or after July 1, 2024. For purposes of this Part, all policies are deemed to be renewed no later than the next yearly anniversary of the contract date.

**Sec. A-5. Appropriations and allocations.** The following appropriations and allocations are made.

**PROFESSIONAL AND FINANCIAL REGULATION, DEPARTMENT OF**

**Insurance - Bureau of 0092**

Initiative: Provides a one-time allocation of funds for review of rate plans and forms associated with motor vehicle liability policy coverage of towing and vehicle storage.

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>2023-24</b>	<b>2024-25</b>
All Other	\$0	\$20,250
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	\$0	\$20,250

**PART B**

**Sec. B-1. Review of impact on premiums.** The Department of Professional and Financial Regulation, Bureau of Insurance shall review proposed rates provided by insurers offering motor vehicle liability insurance in this State on or after July 1, 2024 to determine the premium impact on rates of requiring coverage in accordance with the Maine Revised Statutes, Title 29-A, section 1605-B. The bureau shall submit a report to the Joint Standing Committee on Health Coverage, Insurance and Financial Services no later than February 1, 2024. The committee may report out a bill based on the report to the Second Regular Session of the 131st Legislature.