

April 09, 2024

Members of the House Committee on Commerce & Economic Development,
Vermont State House
115 State Street
Montpelier, VT 05633

RE: Opposition to S. 150 --- Auto Insurance

(sent via email 04/10/24)

Dear Chair Marcotte, Vice Chair Jerome and Members of the Committee,

On behalf of the National Association of Mutual Insurance Companies (NAMIC)¹ and its members, I thank you for the opportunity to share these comments and request you oppose S 150.

While this bill has been improved via the removal of Section 1 of the original legislation that would have raised minimum mandatory coverage for Uninsured/Underinsured Motorist Coverage (“UM/UIM”), Sections 2 and 3, represent a drastic departure from current law that will result in higher premiums for all motorists.

Specifically:

RE: Section 2 “Payments made to an injured party under the liability insurance policy of the person legally responsible for the damage or personal injury shall not be deducted from the underinsured motorist coverage otherwise available to the injured party.”

Current Vermont law compensates a policyholder for claims up to the amount of insurance coverage purchased. This assures that the insurer is writing policies and charging premiums reflective of reasonable “risk.”

Currently, if “Motorist A” is fully “uninsured” and causes damage to “Motorist B” who has UM/UIM coverage of 50/100, “Motorist B” will be compensated for up to 50/100 in damages. However, if “Motorist A” did have 50/100 UM/UIM coverage, his/her insurer would provide compensation for 50/100 to “Motorist B” and “Motorist B’s” insurer would cover any excess damages up to 50/100.

¹ The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of nearly 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner’s insurance market and 53 percent of the auto market.



However, under Section 2 of S. 150, this “offset” would be prohibited and permit “Motorist B” to recover the maximum (50/100) from “Motorist A’s” insurer and recover from his/her insurer in “excess” of the coverage “Motorist B” paid for and what his/her insurer charged for the anticipated risk. This change in law would result in higher premiums for all motorists by forcing insurers to impose an “excess limit premium” to cover losses beyond the basic liability limits outlined in the policy agreement.

RE: Section 3 “However, the right of subrogation against any third party shall not exist or be claimed in favor of the insurer who has paid or reimbursed, to or for the benefit of the insured, medical costs payable pursuant to medical payments coverage.”

Subrogation permits insurance companies to seek compensation from the *insurer* of someone who is at fault for an accident. The process rarely affects or includes the consumer but is rather an “insurer/insurer” matter that is permitted in most states.² In fact, the purpose of subrogation is pro-consumer by making it easier for injured parties to be compensated in a more fair and timely manner following an accident, including expediting payments for medical expenses, rental car costs, etc. It can also cover the cost of the injured party’s deductible. By using subrogation, the injured motorist’s insurance company can make sure a claim is taken care of more quickly and then have a way to recoup its costs from the at-fault parties’ insurance company.³

A recent U.S. News & World Report article offers this example:⁴

“... if you are rear-ended by another driver and it results in damage to your vehicle, you can file a claim with the at-fault driver’s insurer. If the company does not pay promptly enough, you can file a claim under your own policy’s collision coverage (provided you have it) and have your car repaired. After your insurer pays your claim, it will file for subrogation with the at-fault driver’s insurance company for reimbursement of those expenses.”

“When pursuing subrogation, your insurance company can not only ask for reimbursement of covered expenses such as the cost of repairs and rental car costs, but also for the amount of your deductible.”

By prohibiting subrogation claims, this legislation will add to higher premiums by forcing an insurance company to pay for claims for which the at-fault parties’ insurance company is rightfully responsible.⁵

NAMIC cautions the committee that this will result in slower claims processing and higher and inequitable auto insurance premiums for Vermont motorists.

² [Subrogation Laws in All 50 States Map | Matthiesen, Wickert & Lehrer, S.C. \(mwl-law.com\)](#)

³ [What Is Subrogation In Insurance? – Forbes Advisor](#)

⁴ [What Is Subrogation In Insurance? U.S. News \(usnews.com\)](#)

⁵ [What is Subrogation in Car Insurance? \(wallethub.com\)](#)



In conclusion, I would like to reiterate my appreciation for the Committee's continued spirit of collaboration, understanding of various viewpoints and thoughtful approach to public policy. However, despite the best of intentions, some based on anecdotal narratives, I suggest the committee consider the profound changes S. 150 would make to long-standing law and the resulting increased insurance costs for Vermont motorists.

Thank you for your consideration.

Rory Whelan
Regional Vice President, Northeast
NAMIC