

## **Department of the Secretary of State Bureau of Motor Vehicles**

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*Secretary of State*

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### **JOINT STANDING COMMITTEE ON HEALTH COVERAGE, INSURANCE AND FINANCIAL SERVICES**

#### **Testimony in Opposition to L.D. 918 "An Act To Allow A Qualifying Religious Organization to Self-insure for Automobile Insurance"**

Shenna Bellows Secretary of State,  
Department of the Secretary of State

March 18, 2025

Senator Bailey, Representative Gramlich, and Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, my name is Shenna Bellows. I am the Secretary of State and chief motor vehicle officer. I am providing testimony in opposition to L.D. 918.

The Bureau of Motor Vehicles fully supports the First Amendment rights of Maine citizens and has a track record of looking for ways to accommodate sincerely held religious beliefs in balance with its duty to promote the safety of the motoring public. This bill, however, goes beyond the alternatives outlined in current statute in ways that present administrative and potential legal challenges for the Bureau, and that pose possible unintended consequences that may be detrimental to a member of the qualifying organization or to the public at large.

As you know, drivers and vehicle owners in Maine are subject to the requirements of the Financial Responsibility Laws of Title 29-A. Most people meet these requirements by purchasing and maintaining insurance coverage for their motor vehicles and providing proof of that insurance annually when they register their vehicles. In addition, there is a process through which an individual may demonstrate financial responsibility compliance through the deposit of money or securities. This proposal would carve out yet another option depending on one's membership in a religious organization that holds a common belief in mutual financial assistance in time of need to help members meet financial obligations they cannot meet on their own.

From an administrative perspective, it is unclear whether the Bureau would be charged with setting any sort of criteria for demonstrating this belief or practice, or whether it would simply take all applicants at their word. While the religious organization must be eligible for exemption from Social Security and Medicare taxes under the United State Internal Revenue Code, it is difficult to say whether this exemption would cover merely this small group with a very specific belief system, or whether it would potentially encompass other religious denominations. It is also unclear how the Bureau would determine which individuals or which vehicles are exempted under this provision at any given time.

Other administrative challenges would include establishing a standard by which to judge solvency and determining whether those standards would be applied to the group as a whole or to each individual. The bill also calls on the Bureau to assess the ability to satisfy future judgments without providing clear criteria for doing so. And again, is this a determination for the group as a whole or for each individual member? The Bureau is not versed in the administration of insurance and does not possess the expertise to make actuarial calculations or assess risk.

Beyond the administrative challenges, the Bureau is deeply concerned about the lack of protections afforded both the folks who would use this exemption and other people who may be involved in motor vehicle crashes with them. The limits of insurance outlined in this bill are far below the statutory limits required of the general public and seem grossly inadequate to meet the potential damages from multiple accidents. This would seemingly leave both injured members of the public without adequate recourse and members of the religious organization without liability protection. Additionally, the bill does not specify what if any claims processes would be established by the self-insured organization or what might happen with unsettled claims arising from accidents during the coverage period if the group at some point ceases to be self-insured.

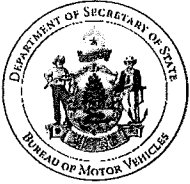
Attached to this testimony, I have submitted the report of an informal working group that I convened following the last legislative session to study the feasibility of creating an insurance exemption to accommodate this religious organization's beliefs. As you will see from that report, stakeholders studied various models of exemptions from financial responsibility laws and considered their potential impact on beneficiaries of the exemptions and on the public at large. We heard from several other states where exemptions similar to this one have been adopted.

The conclusion of those members charged with protecting the public interest was that adoption of any such exemption would be unwise. A significant concern, as already noted, is simply that a person sustaining personal injury or property damages in an accident with someone covered by this type of exemption would have significantly fewer protections as compared to the same accident with a person covered by traditional insurance. Without insurance, there is no formal claims processing – no adjuster to assess damages and work with medical providers and body shops to arrange prompt payment, no dispute resolution process except to file a time-consuming and costly lawsuit. And should the driver subject to this insurance exemption be killed in the crash, who would take charge of the situation on their behalf?

These working group members also shared the concerns already mentioned that the proposed amounts of security that would be pledged are grossly inadequate to cover multiple accidents or large claims such as would be encountered in an accident with serious injuries or multiple fatalities. And once those reserves are exhausted, how would they be replenished?

In summary, the Bureau of Motor Vehicles has no regulatory or policy framework to administer this proposal. It has neither the resources nor the ability to evaluate financial fitness and administrative competence in the insurance arena – as this responsibility is outside of the Bureau's expertise and is not consistent with its mission. In addition, we have thoughtfully and thoroughly studied the feasibility of allowing such an exemption and concluded that the detriment to the public at large is unacceptable.

For all these reasons, we oppose this bill. Thank you for your time, and I am happy to answer any questions.



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### **Report on the activities of the Self-Insurance Working Group**

In the 131<sup>st</sup> Legislature, LD 1004, "An Act to Allow a Qualified Religious Organization to Self-insure for Automobile Insurance," sponsored by Rep. Steven Foster failed passage. This was not the first attempt to accommodate religious objections to insurance by a group of Mennonites resident in Rep. Foster's district, and Rep. Anne Perry also became interested in the issue.<sup>1</sup> Although the bill failed to pass, Secretary of State Shenna Bellows agreed to convene an informal working group to study the issue.

#### **The Working Group:**

From the Legislature: Rep. Steven Foster and Rep. Anne Perry  
From the SoS: Secretary Shenna Bellows and Dep. Sec. Policy Advisor Joann Bautista  
From BMV: Dep. Secretary Cathie Curtis; Dir. Of Legal Affairs Lynne Gardner; Dir. Of License Services Chris Ireland; DLS Senior Section Manager Annette Oliver; Financial Responsibility Clerk IV Debbie Flagg  
From the OAG: AAG Jason Anton  
From the Treasurer's Office: Dep. Treasurer Greg Olson  
From BOI: Sandra Darby (BOI & P&C Actuary), Attorney Dan Lawson  
Representing the private insurance industry: Charlie Soltan  
Representing Maine consumers: Tom Record (former BOI)  
Members of the Mennonite Community:  
Paul Nolt  
James Brubacker  
Ezra Showalter

Meetings were held on November 13, 2023, December 12, 2023, and January 22, 2024.

#### **November 13, 2023 meeting:**

The meeting began with introductions and a review of the working group's goals and expectations. BMV Dir. Of Legal Affairs Lynne Gardner gave a presentation on Maine's current legal requirements for auto insurance ("financial responsibility") – minimum levels of liability insurance required with an alternative for satisfying the requirement through a deposit of money (currently \$127,000 per vehicle). Charlie

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<sup>1</sup> This issue came to light in 2019 when a member of the Mennonite community was suspended for failure to comply with the financial responsibility requirements (SR-22) following an uninsured accident in December 2018. At that time, the Mennonite community was operating under the inaccurate understanding that their internal "Assistance Agreement" complied with Maine's financial responsibility requirements. As an attempt to address the religious objections of the Mennonite community, the 130<sup>th</sup> Legislature passed LD 368, a bill submitted by the Secretary of State to clarify procedures for compliance with the financial responsibility law through the "deposit of money" option under Title 29-A, chapter 13. That same Legislature declined to pass LD 1063, "An Act To Allow a Qualifying Religious Organization To Self-insure for Automobile Insurance." The 131<sup>st</sup> Legislature considered, but also did not pass LD 1004, "An Act to Allow a Qualified Religious Organization to Self-insure for Automobile Insurance," which ultimately gave rise to this informal working group.

Soltan outlined the difference between at-fault and no-fault states. Maine is an at-fault state with a system of mandatory insurance that has helped keep rates low and protect drivers. The working group agreed that exceptions to the insurance requirement must be viewed in the context of Maine's at-fault status. Plans were laid for additional research into the following areas: how federal exemptions from Social Security and other federal programs work; what other at-fault states have relevant exemptions and how do they work; what barriers are posed by Maine's system to the Mennonite community and what exemptions have worked well for them in other states.

#### **December 12, 2023 meeting:**

Members of the Mennonite community discussed their experience with the Kentucky insurance program. In that state the church obtains a letter of credit for the exemption, but each individual is responsible for any damages they cause. If neither the individual nor the church satisfy an obligation, the entire community loses its exempt status.

Dep. Sec. Joann Bautista and Dir. Sandra Darby gave an overview of their research into other states. An AAMVA survey received responses from 25 jurisdictions: 9 states were at-fault; 11 states no-fault; 17 states allowed NO exemptions; 8 allowed a general exemption; 1 allowed a religious exemption. Programs varied regarding oversight responsibility.

AAG Jason Anton discussed federal IRS form 4029 which is used to authorize a religious exemption from Social Security and Medicare.

#### **January 22, 2024 meeting:**

The group heard presentation from representatives from Kentucky, Vermont and Iowa about their auto insurance exemption programs.

##### **Kentucky:**

- Applicants must agree to pay liabilities and become members of Kentucky Arbitration Association and Assigned Claims Bureau.
- Financial statements filed annually, must be certified by a CPA if a corporation or partnership.
- List of vehicles annually.
- Security filed, may be bonds or irrevocable letter of credit from approved bank.
- Security = \$50,000 for one vehicle and \$10,000 additional for each vehicle up to a MAXIMUM of \$200,000 with no limit on number of vehicles.
- Bureau does not audit, but requires a list of claims.
- No provision to guard against outstanding claims at time of termination.
- 30-40 Mennonites used over the years. Now some companies and local governments. Currently 22 users with one application pending.
- Some litigation but unpublished. Has included fraud. One cab company went bankrupt.

##### **Vermont:**

- Self-insurance requires \$115,000 unencumbered assets total (not per vehicle).
- 32 people use.
- No history of claims until recently – one in litigation because no assets.
- No liquidity requirement.
- No requirement assets be put in trust.
- No claims process.

Iowa:

- Self-insurance allowed since 1992 for a legal entity that can be sued and that has at least 25 vehicles.
- Bond or CD of at least \$55,000.
- Currently 8 organization including one Mennonite church and two individuals.
- Not aware of claims history.
- Requires court judgement to reach bond.

After hearing from other states, Rep. Foster and the Mennonite community were ready to move forward. Significant concerns from other participants including:

- Baseline insurance requirements in many other states are significantly lower than those in Maine, making the comparison of their exemptions difficult.
- None of the alternatives used in other states or the proposals put forth on behalf of the Mennonite community in Maine include any sort of claims adjustment or processing structure, leaving parties to an accident on their own to assess damages and fault and arrange payment.
- Levels of security/assets pledged are grossly inadequate to cover large or multiple accident liabilities.
- Most, if not all, exemptions require a court order to access funds/securities set aside for unpaid claims.
- All the alternatives leave members of the public with less protection against a Mennonite driver as compared to others.

#### **Additional information:**

While not part of the work group's discussions, it's worth noting that during the past year BOI and BMV received a complaint from a motorist who was involved in an accident with a vehicle owned by CMP – the only self-insured entity in Maine (apart from the State of Maine)<sup>2</sup>. The gist of that complaint related to CMP's claims processing practices. Neither BOI nor BMV, however, had any authority to investigate or intervene in any way. This situation highlights the very real concerns about extending any exemptions beyond those that already exist.

#### **Conclusion:**

The working group did not reach consensus, but rather divided along the same lines observed during consideration of LD 1004 in the 131<sup>st</sup> Legislature and its predecessor in the 130<sup>th</sup> Legislature. The Mennonite community and their legislative sponsors continued to contend that their good faith intentions to cover liabilities incurred by members of their flock are adequate to meet whatever circumstance might arise. They point to their success in operating under various exemptions in a few other states without apparent overwhelming difficulty as support for the contention that Maine should allow them to do the same here.

The Secretary of State, Bureau of Insurance, and group members representing the public and the insurance industry disagreed. The focus of this contingent was on the potential consequences for the public at large of allowing an exemption from Maine's current financial responsibility structure, and the collective conclusion was that the negative effects for the public would be substantial.

The specific concerns of the parties opposing the exemptions were as follows:

- Both of the previously submitted bills and all of the exemptions in other states that were evaluated required significantly lower financial reserves/solvency criteria as compared to Maine's insurance

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<sup>2</sup> CMP self-insures under 29-A MRSA §1605(3)(C), an exemption specific to utility companies.  
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requirements. These amounts were deemed grossly inadequate to cover a large liability such as an accident with one or more fatalities or simply multiple accident claims. There was also concern about how the reserve funds or assets would be replenished following payment of large or multiple claims.

- None of the proposed bills and none of the other state's exemptions included any type of claims handling procedures or oversight. This would leave parties to an accident on their own to figure out damages and liability and to negotiate and arrange payment. This contrasts with the experience of an insured accident where a fully regulated insurance industry ensures undisputed claims are handled efficiently with trained and licensed appraisers and administrators who are subject to oversight.
- All of the proposals and exemptions required a court order to access the reserve funds to pay claims. This could subject a person sustaining injuries or damage that are not promptly compensated to costly and time-consuming litigation before getting payment.
- The Bureau of Insurance informs us that Maine has, for a number of years, enjoyed the lowest premium rates in the country. There is concern that allowing a new exemption from Maine's financial responsibility laws could increase the number of uninsured and underinsured motorist claims exerting upward pressure on those rates.

While all participants respect the concerns and sincerely held beliefs of the proponents of this exemption, ultimately, those of us charged with protecting the public interest could not conclude that any of the proposed exemptions to Maine's current financial responsibility law would be wise. Ultimately, there already exists in law an option to satisfy the financial responsibility requirements through a deposit of money with the Treasurer, currently in the amount of \$127,000 per vehicle. The proposals for additional exemptions are clearly focused on providing a cheaper option for those who do not wish to purchase insurance, and previous legislative proposals seem calibrated to what the proponents can afford to pay rather than what will provide adequate protection to the public. Having now studied and considered a variety of proposals and alternatives, from the perspective of what is best for the motoring public, we cannot support additional exemptions to the financial responsibility laws.