

**TESTIMONY OF SANDRA DARBY  
PROPERTY AND CASUALTY ACTUARY  
BUREAU OF INSURANCE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION  
In opposition to L.D. 918  
An Act to Allow a Qualifying Religious Organization to Self-insure for  
Automobile Insurance  
Presented by Representative Foster  
Before the Joint Standing Committee on Health Coverage,  
Insurance & Financial Services  
March 18, 2025 at 1:00pm**

Senator Bailey, Representative Gramlich, and members of the Committee, I am Sandra Darby, Property and Casualty Actuary at the Bureau of Insurance. I am here today to testify in opposition to LD 918.

Although it does not amend the Insurance Code, the bill would allow organizations to conduct insurance-like activities while avoiding the insurance regulations that protect the public from financial harm. Similar bills have been introduced in two previous sessions, but neither passed.<sup>1</sup> After LD 1004 last session, the Bureau participated in a stakeholder group; however, the group was unable to reach a solution acceptable to all parties.

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<sup>1</sup> LD 1004 in the 131<sup>st</sup> First Special Session; LD 103 in the 130<sup>th</sup> First Special Session

LD 918 attempts to address the dilemma of those Mainers who have religious objections to the purchase of insurance but who are subject to the state's Financial Responsibility and Insurance law,<sup>2</sup> which requires all drivers to have either liability insurance or some other means to cover the costs of property damage, injury, or death caused by motor vehicle collisions. We understand that some religious organizations would prefer to share legal liabilities among their members on an informal basis rather than using formal insurance contracts. LD 918 would create a framework under which members of these organizations will not be required to carry liability insurance or provide other evidence of financial responsibility.

Although we respect these beliefs, we are concerned that the bill would entrust religious organizations with the responsibilities of an insurer without the regulatory guardrails that keep insurers accountable to their insureds and to claimants. Like insurers, religious organizations could become an important source of recovery for injured third parties, who in most cases will not be members of the organization nor have any other relationship with the organization. Unlike insurers, however, religious organizations would not be subject to the rigorous solvency requirements that ensure that insurance companies have sufficient reserves to cover anticipated losses. A religious organization could qualify as a "self-insurer" if it could prove that it is "financially solvent." This is a very low bar. The fact that an organization is technically solvent—that is, its assets exceed its liabilities—is not a good indication that it will be able to pay the auto liability claims against a group of drivers if, in the future, those drivers cause significant losses to third parties.

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<sup>2</sup> 29-A M.R.S. §§ 1551 – 1677.

Similar problems could arise from the lack of regulations governing other elements of these “self-insurance” arrangements. Laws governing how insurance policies are marketed, sold, written, and interpreted would not apply. Without contracts clearly defining the parties’ rights and obligations, claims administration would presumably be done on an ad hoc basis. As currently worded, the bill appears to allow anyone who obtains a copy of the organization’s self-insurance certificate from the Secretary of State to claim membership in the organization and exempt themselves from insurance.

Additionally, although the proposal imposes some minimum liability limits, it is unclear how those limits would operate in the absence of an insurance contract. The bill establishes a “combined single limit” but it is unclear how that “limit” would operate. Ordinarily, the limit of liability is the maximum that an insurer will indemnify a policyholder for a single incident. But the proposed arrangement does not anticipate any formal indemnification. The only apparent import of the “combined single limit” is that it would dictate how much money the religious organization would need to deposit with the State Treasurer as an assurance that it will pay claims. When compared to an insurance policy, however, that amount, \$250,000 for up to ten vehicles, is remarkably low. By law, an insurance policy must cover at least \$125,000 in liability just for one vehicle. Unlike a deposit with the Treasurer, that amount must be available for each accident, so there is no concern that a driver who causes one accident will have no insurance available to cover a second. A \$250,000 deposit, spread across many vehicles and over an indeterminate time, could expose uninsured drivers to claims against their personal assets and leave innocent third parties with no meaningful source of recovery.

Although LD 918 may be intended as a narrow exception for a limited number of clearly defined religious communities, it could have broader implications. The bill would make “self-insurance” available to organizations that “hold a common belief in mutual financial assistance in time of need.”<sup>3</sup> Such a subjective standard could open a loophole for those who are more interested in a cheap alternative to insurance than in pursuing sincere religious convictions. Regulators saw a similar problem in the health insurance market, where laws meant to allow members of religious groups to pool their healthcare expenses in an informal way have been used by large interstate organizations to sell cheap quasi-insurance that does not always meet consumer expectations.<sup>4</sup> We are concerned that LD 918 could create similar problems.

Though the requirement that the religious organization be recognized by the US Internal Revenue Service is an attempt to address concerns about eligibility, the Bureau believes that the risk of participation by scam or sham organizations is still present.

Finally, insurance is not the only option for drivers under current law. Public Law 254, passed in the 130<sup>th</sup> Legislature, already provides the opportunity for any Maine consumer to self-insure in order to meet the financial responsibility requirement by deposit of cash or securities with the Treasurer of State.

Thank you, I would be glad to answer any questions now or at the work session.

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<sup>3</sup> Proposed 29-A M.R.S. § 1613(1)(C).

<sup>4</sup> Bookman, T. (2019, Nov. 25). “Regulators Allege Christian-Based Health Care Provider Broke State, Federal Rules,” National Public Radio, *available at* <https://www.npr.org/2019/11/25/780612410/regulators-allege-christian-based-health-care-provider-broke-state-federal-rules>. See also Gabrielson, R. and McSwane, J. David, “A Christian Health Nonprofit Saddled Thousands With Debt as It Built a Family Empire Including a Pot Farm, a Bank and an Airline,” ProPublica, *available at* <https://www.propublica.org/article/liberty-healthshare-healthcare-sharing-ministries-obamacare>.