

**TESTIMONY OF SANDRA DARBY  
PROPERTY AND CASUALTY ACTUARY  
BUREAU OF INSURANCE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION**

**In support of L.D. 1401**

**An Act to Repeal the Provisions of Law Requiring Motor Vehicle Liability  
Insurance Policies to Cover the Cost of Towing and Storing Certain Vehicles**

**Presented by Representative Morris**

**Before the Joint Standing Committee on Health Coverage,  
Insurance & Financial Services**

**April 17, 2025 at 1:00pm**

Senator Bailey, Representative Mathieson, 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 support of LD 1401.

Current law mandates that, in order to qualify as financial responsibility, auto insurance policies must provide coverage in the amount of \$500 per accident for the “reasonable towing and storage charges incurred because of an accident involving the insured vehicle if the vehicle is towed at the request of a law enforcement officer.” This mandate was added to Title 29-A by the passage of LD 1661 in the 131st Legislature. LD 1401 would repeal this mandate.

LD 1661's mandate was without precedent in Maine insurance regulation and has caused the cost of auto insurance to increase slightly. The purpose of the financial responsibility requirement is to protect the public, at the most basic level, from the consequences of motorists' negligence. As such, traditionally, financial responsibility has required liability coverage only. However, the towing and storage mandate altered this purpose by making towing and storage coverage part of financial responsibility requirements. This coverage does not protect accident victims but rather guarantees that commercial service providers will be paid.

LD 1661 was advanced by the towing and storage industry to provide an alternative means for the industry to seek payment. The towing and storage companies have other remedies in law to seek payment when none is forthcoming from owners and operators of vehicles. The owner of a vehicle that must be removed from the scene of an accident is responsible for the reasonable towing and storage charges, and 29-A M.R.S. § 1861 authorizes the towing company to hold the vehicle until those charges are paid. Towing companies may refuse to release vehicles to owners who have not paid their towing and storage bill. They may also take title to vehicles that are abandoned per 29-A M.R.S. § 1862(4).

Since LD 1661 passed, the Bureau of Insurance has received multiple communications from consumers upset to discover that they are being charged for the mandated towing and storage coverage. Some complainants stated that they had low incomes, and that it was unfair that they were forced to pay for coverage that they, in their estimation, did not need. Others were upset that they were being billed for towing and storage coverage that they already had pursuant to their existing coverage.

In February 2024, the Bureau issued a report on the impact LD 1661 may have on premiums. The report detailed how premiums for personal auto policies were estimated to increase approximately 2.6% for liability-only policies and 0.5% for all auto policies. The cost increase per policy was estimated to be an average of \$10 per year but could in some instances be upwards of \$100 per year for some liability-only policies. Because low-income consumers are more likely to purchase liability-only policies, the disproportionate impact on those policies affects those who can least afford the increased cost.

The mandate in LD 1661 has caused regulatory confusion about what kind of coverage the towing and storage requirement constitutes. It is not traditional liability coverage because it does not depend on a claim or possible claim for third-party bodily injury or property damage, and it is not traditional physical damage coverage because it must be provided even if the insured does not purchase collision, comprehensive, or towing and labor coverage. Due to the confusion generated by LD 1661, the Bureau has worked with carriers on language and placement within policies to avoid ambiguous or conflicting conditions of coverage.

If LD 1401 were to pass, the financial responsibility requirement would be restored to its original purpose, and the repeal of the towing and storage mandate would help lower auto insurance costs.

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