
By: Delegates Pendergrass and Gordon

Introduced and read first time: February 21, 1997

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 23, 1997

CHAPTER ____

1 AN ACT concerning

2 **Motor Vehicle Liability Insurance - Uninsured Motorist Coverage - Arbitration**

3 FOR the purpose of ~~authorizing policies of motor vehicle liability insurance that contain~~
4 ~~certain uninsured motorist coverage to provide that disputes between the insured~~
5 ~~and the insurer may be submitted to arbitration at the request of the insured~~
6 requiring an insurer to offer that certain disputes be submitted to arbitration under
7 certain circumstances; providing for selection of an arbitrator and for payment of
8 costs of arbitration under certain circumstances; and generally relating to
9 arbitration of disputes about uninsured motorist coverage under policies of motor
10 vehicle liability insurance.

11 BY repealing and reenacting, with amendments,

12 Article - Insurance

13 Section 19-509

14 Annotated Code of Maryland

15 (1996 Volume)

16 (As enacted by Chapter 11 of the Acts of the General Assembly of 1996)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article - Insurance**

20 19-509.

21 (a) In this section, "uninsured motor vehicle" means a motor vehicle:

22 (1) the ownership, maintenance, or use of which has resulted in the bodily
23 injury or death of an insured; and

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1 (2) for which the sum of the limits of liability under all valid and collectible
2 liability insurance policies, bonds, and securities applicable to bodily injury or death:

3 (i) is less than the amount of coverage provided under this section; or

4 (ii) has been reduced by payment to other persons of claims arising
5 from the same occurrence to an amount less than the amount of coverage provided under
6 this section.

7 (b) The uninsured motorist coverage required by this section does not apply to a
8 motor vehicle liability insurance policy that insures a motor vehicle that:

9 (1) is not subject to registration under § 13-402 of the Transportation
10 Article because it is not driven on a highway; or

11 (2) is exempt from registration under § 13-402(c)(10) of the Transportation
12 Article.

13 (c) In addition to any other coverage required by this subtitle, each motor vehicle
14 liability insurance policy issued, sold, or delivered in the State after July 1, 1975, shall
15 contain coverage for damages, subject to the policy limits, that:

16 (1) the insured is entitled to recover from the owner or operator of an
17 uninsured motor vehicle because of bodily injuries sustained in a motor vehicle accident
18 arising out of the ownership, maintenance, or use of the uninsured motor vehicle; and

19 (2) a surviving relative of the insured, who is described in § 3-904 of the
20 Courts Article, is entitled to recover from the owner or operator of an uninsured motor
21 vehicle because the insured died as the result of a motor vehicle accident arising out of
22 the ownership, maintenance, or use of the uninsured motor vehicle.

23 (d) The uninsured motorist coverage required by this section shall be in the form
24 and subject to the conditions that the Commissioner approves.

25 (e) (1) The uninsured motorist coverage contained in a motor vehicle liability
26 insurance policy:

27 (i) shall at least equal:

28 1. the amounts required by Title 17 of the Transportation
29 Article; and

30 2. the coverage provided to a qualified person under Title 20,
31 Subtitle 6 of this article; and

32 (ii) may not exceed the amount of liability coverage provided under
33 the policy.

34 (2) Unless waived in accordance with § 19-510 of this subtitle, the amount
35 of uninsured motorist coverage provided under a private passenger motor vehicle liability
36 insurance policy shall equal the amount of liability coverage provided under the policy.

37 (f) An insurer may exclude from the uninsured motorist coverage required by this
38 section benefits for:

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1 (1) the named insured or a family member of the named insured who resides
 2 in the named insured's household for an injury that occurs when the named insured or
 3 family member is occupying or is struck as a pedestrian by an uninsured motor vehicle
 4 that is owned by the named insured or an immediate family member of the named insured
 5 who resides in the named insured's household; and

6 (2) the named insured, a family member of the named insured who resides
 7 in the named insured's household, and any other individual who has other applicable
 8 motor vehicle insurance for an injury that occurs when the named insured, family
 9 member, or other individual is occupying or is struck as a pedestrian by the insured motor
 10 vehicle while the motor vehicle is operated or used by an individual who is excluded from
 11 coverage under § 27-XXX of this article.

12 (g) The limit of liability for an insurer that provides uninsured motorist coverage
 13 under this section is the amount of that coverage less the amount paid to the insured, that
 14 exhausts any applicable liability insurance policies, bonds, and securities, on behalf of any
 15 person that may be held liable for the bodily injuries or death of the insured.

16 (h) (1) A policy that, as its primary purpose, provides coverage in excess of
 17 other valid and collectible insurance or qualified self-insurance may include the
 18 uninsured motorist coverage provided for in this section.

19 (2) The uninsured motorist coverage required by this section is primary to
 20 any right to recovery from the Maryland Automobile Insurance Fund under Title 20,
 21 Subtitle 6 of this article.

22 (i) An endorsement or provision that protects the insured against damages
 23 caused by an uninsured motor vehicle that is contained in a policy issued and delivered in
 24 the State is deemed to cover damages caused by a motor vehicle insured by a liability
 25 insurer that is insolvent or otherwise unable to pay claims to the same extent and in the
 26 same manner as if the damages were caused by an uninsured motor vehicle.

27 (j) ~~†A provision in a motor vehicle liability insurance policy issued after July 1,~~
 28 ~~1975, about coverage for damages sustained by the insured as a result of the operation of~~
 29 ~~an uninsured motor vehicle that requires a dispute between the insured and the insurer to~~
 30 ~~be submitted to binding arbitration is prohibited and is of no legal effect.†~~
 31 ~~NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBTITLE, A MOTOR VEHICLE~~
 32 ~~LIABILITY INSURANCE POLICY THAT CONTAINS THE UNINSURED MOTORIST~~
 33 ~~COVERAGE REQUIRED BY THIS SECTION MAY PROVIDE THAT A DISPUTE BETWEEN~~
 34 ~~THE INSURED AND THE INSURER ABOUT COVERAGE FOR DAMAGES MAY BE~~
 35 ~~SUBMITTED TO ARBITRATION AT THE REQUEST OF THE INSURED.~~

36 (K) (1) IN A DISPUTE ARISING OUT OF A CLAIM UNDER THE UNINSURED
 37 MOTORIST COVERAGE OF A MOTOR VEHICLE LIABILITY POLICY, BEFORE AN
 38 INSURER HIRES AN ATTORNEY TO REPRESENT THE UNINSURED MOTORIST, THE
 39 INSURER SHALL OFFER FOR THE DISPUTE TO BE SUBMITTED TO ARBITRATION.

40 (2) WHEN A DISPUTE IS SUBMITTED TO ARBITRATION UNDER THIS
 41 SUBSECTION:

42 (I) THE PARTIES SHALL SELECT AN ARBITRATOR BY MUTUAL
 43 AGREEMENT, AND IF THEY ARE UNABLE TO REACH A MUTUAL AGREEMENT, AN

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1 ARBITRATOR SHALL BE SUPPLIED BY THE AMERICAN ARBITRATION ASSOCIATION
2 BY ITS PROCEDURES; AND

3 (II) THE COSTS OF ARBITRATION SHALL BE SHARED EQUALLY BY
4 THE INSURER AND THE INSURED, UNLESS OTHERWISE AGREED BY THE PARTIES.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 October 1, 1997.