

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 592 (Delegate Smigiel, *et al.*)
 Economic Matters

Motor Vehicle Insurance - Uninsured Motorist Coverage - Insureds

This bill defines, for the provisions governing uninsured motorist coverage, “insured” as including a family member of the named insured who is domiciled in the named insured’s household, whether or not the family member physically resides in the household.

The bill applies to motor vehicle liability insurance policies issued, sold, delivered, or renewed on or after October 1, 2007.

Fiscal Summary

State Effect: Special fund revenues would increase by approximately \$12,500 from insurer filing fees in FY 2008. General fund revenues from the insurance premium tax would increase to the extent insurers increase rates because of the bill. Any increase in workload could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA).

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	-	-	-	-	-
SF Revenue	12,500	0	0	0	0
Net Effect	\$12,500	\$0	\$0	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Maryland Automobile Insurance Fund (MAIF): Any increase in claims paid would be offset by an increase in premium revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A motor vehicle liability insurance policy issued, sold, or delivered in the State must contain uninsured motorist coverage. Uninsured motorist coverage pays for damages, subject to the policy limits, that the insured is entitled to recover from the owner or operator of an uninsured motor vehicle because of bodily injuries sustained in an accident. Damages are payable to a surviving relative if the insured dies as the result of an accident.

Under the provisions governing motor vehicle insurance (including uninsured motorist coverage), “named insured” means the person denominated in the declarations of a motor vehicle liability insurance policy. “Insured” is not defined in the statute; thus, the term’s ordinary meaning applies.

Background: In interpreting the terms of an insurance contract, the Court of Appeals recently held that an individual was not covered under the uninsured motorist provisions of his parents’ insurance policy as a resident of the household because he was not a “resident” of his parents’ household but instead resided at his grandmother’s house. *Munday v. Erie Insurance Group*, Slip Opinion Case Number CAL02-22619 (Jan. 16, 2007).

State Revenues: MIA estimates that approximately 100 insurers would make one filing each to comply with the bill. Each filing is subject to the \$125 filing fee.

General fund revenues from the 2% insurance premium tax would increase to the extent motor vehicle insurers increase rates because of the bill. The amount of any such increase cannot be accurately estimated but is assumed to be minimal.

MAIF: The bill would expand uninsured motorist coverage under MAIF policies, which could increase the number of paid claims. To the extent MAIF’s paid claims increase, MAIF would have to raise its rates. Any such increase cannot be accurately estimated.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Maryland Automobile Insurance Fund, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2007
bfl/ljm

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