

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 568
Finance

(Senator Zirkin)

Maryland Automobile Insurance Fund - Uninsured Motorist Benefits -
Procedural Requirements for Filing Claims

This bill prohibits the Executive Director of the Maryland Automobile Insurance Fund (MAIF) from adopting, by regulation, a procedural requirement that denies uninsured motorist benefits to a claimant who is an individual younger than age 16 solely because a family member the claimant resides with on a regular basis owns an uninsured motor vehicle in the State.

Fiscal Summary

State Effect: The bill does not directly affect State governmental operations or finances.

MAIF Effect: Nonbudgeted expenditures increase for MAIF in FY 2014 and subsequent years to account for additional claims from an individual younger than age 16 residing with a family member who owns an uninsured vehicle registered in the State. Any additional claims expenses can be handled with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The Motor Vehicle Administration (MVA) may not issue or transfer the registration of a motor vehicle unless the owner or prospective owner of the vehicle furnishes evidence

satisfactory to MVA that the required insurance is in effect. Maryland drivers are not required to carry proof of insurance. The required insurance, specified under Title 17, Subtitle 1 of the Transportation Article and Title 19, Subtitle 5 of the Insurance Article, must provide for at least:

- the payment of claims for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons, in addition to interest and costs (liability coverage) (these limits were increased from \$20,000 and \$40,000, respectively under Chapter 441 of 2010 (HB 825), effective January 1, 2011);
- the payment of claims for property of others damaged or destroyed in an accident of up to \$15,000, in addition to interest and costs;
- unless waived, personal injury protection coverage (minimum coverage for medical, hospital, and disability benefits up to \$2,500 for payment of expenses that arise from the accident, lost income, and reimbursement for essential services for care and maintenance of the family or family household); and
- uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

Uninsured motorist coverage pays for injury and damages caused by an uninsured (or underinsured) or hit-and-run driver. This coverage reimburses the policyholder, members of the policyholder's family, or designated driver for an accident caused by the uninsured motorist. This coverage generally pays for medical bills and wage loss; pain, suffering, and disfigurement; emotional distress; and loss of future earning capacity. Uninsured motorist coverage may also include property damage as long as the insurer's coverage is at least equal to the required coverage under MAIF's Uninsured Division and minimum coverage levels specified in Title 17 of the Transportation Article.

The Uninsured Division of MAIF exists to compensate, if specified conditions are met, qualifying individuals who file accident-related claims against unidentified, disappearing, or unavailable and uninsured vehicles.

The specified conditions that must be met for a claim made against MAIF through its Uninsured Division include (1) the claim is for damage to property greater than \$250 or the death of or personal injury to a "qualified person" as defined by Title 20, Subtitle 6 of the Insurance Article; (2) the claimant was not, at the time of the accident, in an uninsured automobile owned by either the claimant or a member of the claimant's family

residing in the claimant's household; and (3) the claimant was not, at the time of the accident, driving an automobile without a valid registration or driver's license. The claimant must also not either be the personal representative of either the individual who was driving or riding in the uninsured automobile or the personal representative or member of the family who resides in the household of the individual who was driving the automobile. A claimant may be driving or riding in the automobile.

MAIF's Executive Director must adopt regulations and the Court of Appeals must adopt rules that establish the procedure for filing claims against MAIF's Uninsured Division. A claimant must comply with each procedural requirement for claims and actions against the Uninsured Division.

Any recovery is barred from the Uninsured Division, regardless of the age, in situations where a resident family member owns a registered uninsured vehicle.

Background: Automobile liability insurance coverage is mandatory in 48 states and the District of Columbia. Only New Hampshire and Wisconsin do not have compulsory automobile insurance liability laws; however, their respective laws require financial responsibility (*i.e.*, enough assets to pay claims against the motorist if the motorist causes an accident and does not have automobile insurance) to operate a vehicle. Further, uninsured motorist coverage is not obligatory in every state; therefore, some insured drivers are not covered when they are hit by an uninsured driver. However, as described above, Maryland law requires drivers to purchase uninsured motorist coverage.

MAIF Fiscal Effect: Nonbudgeted expenditures increase for MAIF in fiscal 2014 and subsequent years to account for additional claims from an individual younger than age 16 with a family member who owns an uninsured vehicle registered in the State. Any increase in nonbudgeted expenditures cannot be estimated because it is unclear how many individuals younger than age 16 that meet the bill's criteria will file a claim.

MAIF advises that its Uninsured Division received 721 claims in 2012, and the average bodily injury claim against the Uninsured Division is \$5,100. MAIF expects an increase in claims of approximately 2%; however, as noted above, any estimated increase is merely conjecture. *For illustrative purposes only*, if the number of additional claims raise according to MAIF's estimate, MAIF receives an additional 15 claims each year and claim payments increase by approximately \$76,500 annually.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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