

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1089
Economic Matters

(Delegate Braveboy)

Finance

Vehicle Laws - Rental Vehicles - Required Security

This bill extends to rental vehicles that are not used as replacement vehicles the application of existing requirements regarding required security coverage of replacement vehicles and the disclosure of this coverage to individuals who are loaned replacement vehicles.

Fiscal Summary

State Effect: The bill pertains primarily to private-sector activities; however, special fund revenues may increase negligibly in FY 2014 only for the Maryland Insurance Administration (MIA) to the extent that the bill results in the collection of any additional \$125 rate form and filing fees associated with the revision of rental vehicle company insurance policies. The review of any rate filings can be handled within existing MIA resources.

Maryland Automobile Insurance Fund (MAIF) Effect: Nonbudgeted expenditures increase in FY 2014 and subsequent years to account for an increase in the number of claims paid. Revenues are not affected.

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

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Rental Vehicle: The Motor Vehicle Administration (MVA) may not register any rental motor vehicle, trailer, or semitrailer until the owner of the vehicle certifies to MVA's satisfaction that the owner has the following security amounts:

- 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).

This security covers the owner of the vehicle and each person driving or using the vehicle with the permission of the owner or lessee.

Replacement Vehicle: A “replacement vehicle” is defined as a vehicle that is loaned by an auto repair facility or a dealer, or that an individual rents temporarily, to use while a vehicle owned by the individual is not in use because of breakdown, repair, service, damage, or some other reason described in the individual’s insurance policy.

The owner of a replacement vehicle may satisfy the requirement to maintain required security under the Maryland Vehicle Law by maintaining required security that is secondary to any other valid and collectible coverage of the owner’s vehicle, which meets the minimum required levels, while it is used as a replacement vehicle. If the owner of a replacement vehicle provides this secondary coverage, the agreement to be signed by the individual to whom the replacement vehicle is loaned must contain on the face of the agreement, in at least 10-point bold type, information that the coverage on the vehicle being serviced or repaired is primary coverage for the replacement vehicle and the coverage maintained by the owner on the replacement vehicle is secondary.

Background: Recently, the Supreme Court of Virginia held that a self-insured car rental company was permitted to seek reimbursement from the renter’s personal automobile insurer after the company had satisfied any damages caused by the renter of the vehicle. *Farmers Insurance Exchange v Enterprise Leasing Company*, Case No. 100082 (VA S.Ct., Apr. 21, 2011).

MAIF Effect: Nonbudgeted expenditures increase in fiscal 2014 and subsequent years to account for an increase in the number of claims paid. The increase in nonbudgeted expenditures is not able to be estimated. Contributing factors to the increase include the number of MAIF policyholders that rent a vehicle and subsequently are involved in an accident and the extent of the damage caused by any accident. MAIF estimates that the number of claims paid may increase by 5%; however, as noted above, any estimate is merely conjecture. However, if claims increase by 5%, MAIF will pay an additional 170 bodily injury claims and 322 property damage claims. On average, MAIF pays \$5,453 for a bodily injury claim and \$2,527 for a property damage claim. If 5% is a reasonable estimate, MAIF's nonbudgeted expenditures increase by \$927,010 for bodily injury claims and \$813,694 for property damage claims.

Small Business Effect: Potential meaningful beneficial impact on small business vehicle rental companies to the extent the bill results in a reduction in the cost of maintaining required security for rental vehicles. Similarly, small business providers of required security may be meaningfully impacted to the extent the bill results in changes in existing coverage of rental vehicles. However, MIA has previously advised that it does not anticipate that the bill will result in any material change in business practices for vehicle rental companies.

Additional Information

Prior Introductions: HB 356 of 2012 passed the House and was heard by the Senate Finance Committee, but no further action was taken. Its cross file, SB 907 of 2012, received a hearing from the Senate Finance Committee, but no further action was taken. HB 1058 of 2011 received a hearing in the House Economic Matters Committee, but no further action was taken. Although not designated as a cross file, SB 711 of 2011 was identical; it received a hearing in the Senate Finance Committee, but no further action was taken.

Cross File: Although designated as a cross file, SB 919 (Senator Garagiola, *et al.* – Finance) is not identical.

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

Fiscal Note History: First Reader - February 27, 2013
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