

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 153

(Senator Middleton, *et al.*)

Finance

Economic Matters

Motor Vehicle Insurance - Task Force to Study Methods to Reduce the Rate of
Uninsured Drivers

This emergency bill establishes the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers. The Department of Legislative Services (DLS) is required to staff the task force, and the Motor Vehicle Administration (MVA) and the Maryland Insurance Administration (MIA) must provide staff assistance. A preliminary report with findings, recommendations, and any proposed legislation is due by December 31, 2014. A final report with findings, recommendations, and any proposed legislation is due by December 31, 2015.

The bill terminates December 31, 2015.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DLS, MVA, and MIA are assumed to be minimal and absorbable within existing budgeted resources. MIA advises, however, that staff may have to be diverted from other priorities to meet the bill's requirements.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The 17-member task force includes 2 members of the Senate and 2 members of the House of Delegates. The President and the Speaker must appoint

1 member of each respective chamber to co-chair the task force. Members of the task force may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations.

The task force must study and make recommendations regarding (1) the rate of uninsured drivers in the State and other states and the ways in which the rate is calculated by MVA and other entities; (2) the deterrents and incentives that are used in the State and in other states, or that could be used in the State, to reduce the rate of uninsured drivers; and (3) methods to lower the cost of insurance as a way to reduce the rate of uninsured drivers and promote economic and job opportunities associated with vehicle ownership.

Current Law/Background: 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 security required must provide at least the payment of claims (1) 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; (2) for property of others damaged or destroyed in an accident of up to \$15,000; (3) unless waived, for personal injury protection of \$2,500 per person; and (4) for uninsured motorist coverage in the same amounts as required for bodily injury or death. Automobile liability insurance coverage is mandatory in 49 states and the District of Columbia. Only New Hampshire does not have compulsory automobile insurance liability laws; however, its 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. Maryland law requires drivers to purchase uninsured motorist coverage.

The Uninsured Division of the Maryland Automobile Insurance Fund (MAIF) exists to compensate, if specified conditions are met, qualifying individuals who file accident-related claims against unidentified, disappearing, or unavailable and uninsured vehicles. However, someone who is insured under a policy that covers damage sustained from the operation of an uninsured motor vehicle is not considered a “qualified person” for this type of claim. The majority of the income that MAIF’s Uninsured Division receives is derived from an uninsured motorist fine levied by MVA. The total fine income received by MAIF is indexed annually based on the Consumer Price Index.

Penalties for uninsured drivers in the State, in addition to any fines or penalties imposed by a court of law, include (1) loss of license plates and vehicle registration privileges; (2) penalty fees for each lapse of insurance; (3) restoration fees for a vehicle’s registration; (4) prohibition from registering any future vehicles or renewing a suspended registration until all insurance violations are clear; (5) license plate confiscation; and (6) paying a fine of up to \$1,000 and/or one-year imprisonment for providing false

evidence of insurance. For each lapse of insurance, MVA may assess the owner of an uninsured vehicle with a penalty of \$150 for each vehicle without the required security for a period of 1 to 30 days. If a fine is assessed, beginning on the thirty-first day, the fine increases by a rate of \$7 for each day. MVA collects approximately \$18 million in penalties each fiscal year. According to MVA, approximately 4.8 million vehicles are registered in Maryland, and approximately 4.5% of those vehicles have insurance compliance issues.

Additional Information

Prior Introductions: None.

Cross File: HB 130 (Delegate Rudolph) - Economic Matters.

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

Fiscal Note History: First Reader - January 17, 2014
ncs/ljm Revised - Senate Third Reader - March 17, 2014

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510