

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 254

(Chair, Judicial Proceedings Committee)(By Request -
Departmental - Transportation)

Judicial Proceedings

Economic Matters

Vehicle Laws - Motor Vehicle Insurance Companies - Requirements

This departmental bill requires each insurer (or other provider) of required motor vehicle security to (1) participate in the Motor Vehicle Administration (MVA) online verification program (OLV) for vehicle insurance policies for law enforcement and administrative purposes and (2) electronically provide MVA with all active insurance policies in the format and at the interval required by MVA. **The bill takes effect January 1, 2025.**

Fiscal Summary

State Effect: While the bill is not anticipated to materially affect State operations or finances, MVA is likely to experience administrative efficiencies, as discussed below.

Maryland Automobile Insurance Fund (MAIF) Effect: MAIF can meet the bill's requirements using existing budgeted resources. Revenues are not affected.

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

Small Business Effect: The Maryland Department of Transportation has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law:

Required Security

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. MVA may not

issue or transfer the registration of a motor vehicle unless the owner or prospective owner of the vehicle provides satisfactory evidence to MVA that the required security is in effect.

If the required security for a vehicle lapses at any time, the registration of that vehicle is suspended automatically as of the date of the lapse, effective within 60 days after notification to MVA. After receiving this notice, MVA must make a reasonable effort to notify the owner of the vehicle that registration on the vehicle has been suspended. The registration remains suspended until the vehicle owner submits evidence of replaced security on a designated MVA form, certified by the insurance provider, along with the uninsured motorist penalty fee. Additionally, Chapter 549 of 2022 prohibits MVA from assessing a penalty for a vehicle if the vehicle's registration plates are returned within 10 days after the termination or lapse and other specified conditions are met.

Requirements for Insurers

To assist MVA in its duty to ensure vehicles operated in Maryland maintain the required insurance, each insurer of motor vehicles registered in the State must immediately notify MVA electronically of new motor vehicle insurance policies issued for such vehicles and, for each fleet policy, electronically notify MVA every 30 days of any additions, deletions, or modifications to the fleet policy, including those policy numbers affected.

Background: MVA advises that the bill is needed to improve and modernize the process by which insurance companies for vehicles registered in the State notify MVA of new and canceled automobile insurance policies.

MVA advises that 66% of motor vehicle insurers currently use OLV while the remainder still track and submit the information through transaction data manually, which can more often lead to delays and mistakes. Through OLV, participating insurers automatically submit all relevant policy data to MVA on a nightly basis, allowing MVA to match expired and lapsed policies to vehicles and granting both MVA and law enforcement officers access to this information in real time to determine whether any given vehicle is insured.

State Expenditures: While the bill is not anticipated to materially affect MVA operations or finances, MVA is anticipated to experience administrative efficiencies in its operations, most notably during its investigations into motor vehicle insurance lapses.

For example, MVA advises that, in fiscal 2022, 201,549 lapse cases were closed without payment of an uninsured motorist penalty and, of that total, 77.4% of the cases (156,042) were closed after MVA determined the vehicle in question did not actually have a lapse in its insurance coverage that warranted a penalty. With each insurer participating in OLV and more accurate and consistent data available to MVA as a result, these false positive

cases will be much less common, allowing MVA to direct its staff time and resources to investigating actual insurance lapses and other duties.

Additional Information

Recent Prior Introductions: Similar legislation has not been considered within the last three years.

Designated Cross File: HB 229 (Chair, Economic Matters Committee)(By Request - Departmental - Transportation) - Economic Matters.

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

Fiscal Note History: First Reader - January 18, 2024
km/ljm Third Reader - March 14, 2024
Revised - Amendment(s) - March 14, 2024

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Vehicle Laws – Motor Vehicle Insurance Companies –
Requirements

BILL NUMBER: SB 254

PREPARED BY: Maryland Motor Vehicle Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS