

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE

House Bill 599 (Delegate Dembrow)
 Economic Matters

Motor Vehicle Liability Insurers - Issues of Dispute - Mediation

This bill establishes a system which would permit a person covered by a motor vehicle insurance policy to request mediation to discuss any issue in dispute with the insurer prior to litigation between the parties. The request for mediation must be filed with the Insurance Commissioner and the Commissioner must refer that request to a mediator. Unless the parties agree otherwise, the cost of mediation are split by the parties involved. The Insurance Commissioner is required to prepare a list of individuals qualified to perform mediation and may adopt rules of procedures for mediation and review fees charged for such mediation.

Absent an act of malice or bad faith, a mediator, as described in this bill, has immunity from suit for any act or decision made within the scope of the mediator’s authority.

Fiscal Summary

State Effect: General fund revenues would increase by about \$30,000 in FY 1997 due to the collection of one-time fees. General fund expenditures would increase by about \$42,600 in FY 1997. Future year expenditures reflect a full-year of operation with turnover and inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$30,000	\$0	\$0	\$0	\$0
GF Expenditures	42,600	50,200	52,000	53,800	55,700
Net Effect	(\$12,600)	(\$50,200)	(\$52,000)	(\$53,800)	(\$55,700)

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

Local Effect: None.

Fiscal Analysis

State Revenues: Private motor vehicle insurers, the Maryland Automobile Insurance Fund (MAIF), and the Insurance Services Office would need to file revised forms with the Insurance Commissioner and pay the form filing fee of \$100. As a result, general fund revenues would increase by about \$30,000 in fiscal 1997. This is a one-time increase which will not continue in future years.

The bill could potentially have an impact on motor vehicle insurance premiums and subsequently on the premium taxes. However, at this time it is not certain if the bill would reduce insurance premiums by deterring litigation or increase premiums by increasing mediation.

State Expenditures: The Maryland Insurance Administration (MIA) would need to hire an employee to maintain a list of approved mediators, schedule mediation requests, and maintain certain records. As a result, general fund revenue would increase by \$42,578 in fiscal 1997. This figure includes a salary of \$24,853, fringe benefits, one-time start-up costs, and ongoing operating expenses and reflects the October 1, 1996 effective date.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Any decrease in the Judiciary's caseload resulting from this bill is not expected to materially affect the Judiciary's finances.

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

Fiscal Note History: First Reader - February 16, 1996

ncs

Analysis by: Tina Bjarekull
Reviewed by: John Rixey
(410) 841-3710
(301) 858-3710

Direct Inquiries to:
John Rixey, Coordinating Analyst