

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1394 (Delegates Pendergrass and Gordon)
Economic Matters

Referred to Finance

Motor Vehicle Liability Insurance - Uninsured Motorist Coverage - Arbitration

This amended bill provides that in a dispute arising out of a claim under the uninsured motorist coverage of a motor vehicle liability policy, before an insurer hires an attorney to represent the uninsured motorist, the insurer must offer for the dispute to be submitted to arbitration. When submitted to arbitration, the parties will select an arbitrator by mutual agreement or arbitration will be supplied by the American Arbitration Association. The costs of arbitration will be shared equally by the insurer and the insured, unless otherwise agreed by the parties.

Fiscal Summary

State Effect: Potential minimal decrease in premium tax revenues. Indeterminate increase in general fund revenues due to one-time fees collected by the Maryland Insurance Administration. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None. The bill would not directly affect small businesses.

Fiscal Analysis

State Revenues: If arbitration is used more often to settle disputes, rather than litigation, auto insurance premiums could decrease in the long run. The impact on revenues, if any, from a reduction in the 2% premium tax is assumed to be minimal.

General fund revenues could increase by an indeterminate amount since auto insurance companies would be subject to \$100 rate and form filing fees by the Maryland Insurance Administration. The number of insurers who will file new rates and forms as a result of the bill cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

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

Fiscal Note History: First Reader - March 7, 1997

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