

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 18 (Delegate Arnick)

Economic Matters

Maryland Automobile Insurance Fund - Claims - Maximum Amounts Payable

This bill increases the maximum amount payable from MAIF's Uninsured Division:

- from \$20,000 to \$30,000 for injury to one person;
- from \$40,000 to \$60,000 for injury to more than one person; and
- from \$10,000 to \$15,000 for property damage.

Fiscal Summary

State Effect: None. The bill would not immediately affect State finances or operations. However, in the long run, an increase in MAIF's Uninsured Division's claims payouts and expenses may result in the need for increased subsidization of the division from the State's general fund or another source.

Maryland Automobile Insurance Fund (MAIF): Potential significant increase in claims payouts and expenses for the Uninsured Division.

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Background: One of the functions of MAIF, an off-budget agency that provides auto insurance to those who cannot obtain it in the private market, is to continue the old Unsatisfied Claims and Judgements Fund. Thus, MAIF's Uninsured Division pays claims to individuals who are hit by an at-fault uninsured motorist and who do not have recourse to any uninsured motorists coverage from an insurance company. Owners of uninsured or insured vehicles are not eligible as claimants.

The bill would increase the amount payable for those already eligible for compensation. The bill would also increase the pool of individuals eligible for compensation since eligible individuals hit by an insured driver carrying the minimum 20/40 limits could claim up to the additional \$10,000.

Currently, about 60% of the funding for the Uninsured Division comes from a portion of fines collected by the Motor Vehicle Administration (MVA) from uninsured motorists. In 1993, MAIF's share of the MVA fines was limited by statute to \$2.7 million with an annual increase based on the CPI - medical care index. MAIF's share of the fines for 1998 is \$3.295 million. Other sources of funding for the division are collections on notes and judgements and investment income. MAIF's Uninsured Division's estimated 1998 surplus is \$18.448 million.

State Expenditures: While the bill would not have an immediate effect on State expenditures, it is noted that an increase in claims payouts and expenses for MAIF's Uninsured Division over time may eventually require increased State subsidization of the division, either through an increased share of MVA fines, which would otherwise revert to the general fund, or through some other means. While MAIF's Uninsured Division's 1998 surplus is estimated at \$18.448 million, MAIF advises that if as a result of this bill the Uninsured Division's costs increase by more than \$1 million, legislation would be needed to enable MAIF to receive more MVA fine money.

Maryland Automobile Insurance Fund (MAIF): Last year, MAIF's Uninsured Division handled 536 claims. For illustrative purposes, if 4% of these claims have injuries exceeding the minimum statutory limits by an average of \$7,500, claims currently handled by the division could increase by \$160,800. In addition, there may additional claims from individuals such as pedestrians, bus riders, etc. who are collecting from an at-fault driver's insurance company, but have injuries that exceed the minimum 20/40 limits carried by the at-fault driver. If 61 additional such claims at an average cost of \$7,500 are made, the additional cost would be \$457,500. Based on the assumptions outlined above, the total claims cost increase would be \$618,300, plus \$135,000 for loss adjustment expenses and collection costs, for a total estimated increase for MAIF's Uninsured Division of \$753,300.

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

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