

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 488 (Senator Bromwell)

Finance

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**Maryland Automobile Insurance Fund - Residential  
Ineligibility of Insured - Policy Processing Fee**

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This bill authorizes the Maryland Automobile Insurance Fund (MAIF), when a person fails to meet the residency qualifications to be a MAIF policyholder, to either charge a policy processing fee to cover expenses or keep any unearned premium that it would have had to return, whichever amount is greater. MAIF may only charge and collect this amount after it refers the person who fails to meet qualifications to the Insurance Fraud Division of the Maryland Insurance Administration (MIA). The division must submit a preliminary report by October 1, 1999 and a final report by October 1, 2000 to the Governor and General Assembly on the number of cases of possible insurance fraud that were referred for investigation and possible prosecution, and the results of the investigations and prosecutions, if any.

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**Fiscal Summary**

**State Effect:** None. The Maryland Insurance Administration could handle the bill's requirements with existing resources.

**Maryland Automobile Insurance Fund (MAIF):** Annual revenue increase of about \$48,000.

**Local Effect:** None.

**Small Business Effect:** None.

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## Fiscal Analysis

**Maryland Automobile Insurance Fund (MAIF):** State law requires that MAIF, a non-budgeted agency that functions as the auto insurer of last resort, only insure Maryland residents. The bill authorizes MAIF to charge a fee to cover expenses or keep any unearned premium that it would have had to return when a person fails to meet the qualifications to be a MAIF policyholder, whichever amount is greater. While the amount of the fee is not specified in the bill, MAIF advises that it would propose, via regulation, a \$200 fee per policy. It is noted that MAIF estimates that actual costs to investigate and void such policies average about \$500 per policy. Based on the current 240 policies voided by MAIF for residency fraud per year and a \$200 fee, an additional \$48,000 in revenues would be collected. To the extent that MAIF retains unearned premium in an amount greater than the fee, revenues would further increase. On the other hand, any deterrence effect cannot be reliably estimated at this time, but could reduce fees collected as well as expenditures related to investigating and voiding such policies.

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

**Fiscal Note History:** First Reader - February 27, 1998  
nncs Revised - Enrolled Bill - May 5, 1998

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