

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 80 (Chairman, Finance Committee)
(Departmental - Automobile Insurance Fund)

Finance

**Insurance - Maryland Automobile Insurance Fund -
Motor Vehicle Administration Referrals**

This departmental bill changes the requirements under which the Maryland Automobile Insurance Fund (MAIF) refers the status of an insured's driver's license to the Motor Vehicle Administration (MVA) for a determination. The bill requires MAIF to refer the status of an insured's driver's license to the MVA when the insured has had three or more chargeable accidents involving third party liability within the last 12 months.

Fiscal Summary

State Effect: Transportation Trust Fund expenditures could increase by \$2,300 to \$4,600 annually due to an increase in the number of hearings conducted by the Office of Administrative Hearings (\$1,725 to \$3,450 in FY 2001, which accounts for the bill's effective date). Any workload increase could be handled with existing resources. Revenues would not be affected.

Local Effect: None.

Small Business Effect: MAIF has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: MAIF is required to refer the status of an insured's driver's license to the MVA for a determination if, after being insured by the MAIF for any ten months in an 18-month period, the insured has had three or more chargeable accidents with a claim payment of \$300 or more, based on third party liability. If, after a hearing, the MVA suspends or revokes the insured's driver's license, MAIF is required to cancel or refuse to continue the coverage. If the MVA does not suspend or revoke the insured's driver's license, MAIF must continue coverage of the insured.

Background: Created by the General Assembly in 1972, MAIF provides automobile insurance coverage for those individuals who are otherwise unable to obtain insurance.

MAIF advises that tying the reporting requirement to MAIF's rules and rates schedule avoids requiring MAIF to make separate determinations for underwriting and referral purposes. MAIF's current chargeability standard is \$400 for property damage or bodily injury.

MAIF advises that there is often a substantial gap between the date of an accident and any third party payment, especially if suit is filed. Because of this, the time of payment can be so far from the date of the accident that the accident is no longer included under the current reporting requirement. Thus, two individuals with three accidents during the reporting period could be treated differently. For illustrative purposes, if individual #1 had three accidents during the reporting period but payments were not made until after the reporting period, individual #1 would not be referred to the MVA. However, individual #2, whose cases were settled immediately, would be referred to the MVA because the payments were made within the reporting period.

State Expenditures: The MVA currently receives approximately 100 referrals per year from MAIF. Most referrals require a hearing by the Office of Administrative Hearings. The cost to the MVA for an administrative hearing is \$92. Assuming that MAIF refers an additional 25 to 50 cases per year, the cost to the MVA for additional hearings could range from \$2,300 to \$4,600. MAIF and the MVA can absorb the additional workload in processing these cases with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 18, 2000

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