

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
 Revised

Senate Bill 295 (Senator Teitelbaum, *et al.*)

Finance

Economic Matters

Motor Vehicle Liability Insurance - Coverage for Replacement Parts

This bill requires insurers that issue or deliver automobile insurance that includes property damage coverage to disclose that the insurer may use reconditioned, aftermarket, or non-original equipment manufacturer parts for repairs made to the insured vehicle.

Fiscal Summary

State Effect: Special fund revenues would increase by an estimated \$25,000 in FY 2002 from the \$125 form filing fee for automobile insurers that revise their forms because of the bill. Expenditures would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$25,000	\$0	\$0	\$0	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$25,000	\$0	\$0	\$0	\$0

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

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Current Law: Although no statutory provision addresses whether or under what circumstances a motor vehicle insurer may limit its coverage to the use of reconditioned, aftermarket, or non-original equipment manufacturer parts for repairs, MIA does require

an insurer, under the Unfair Claim Settlement Practices Act, to comply with the terms of its policy.

Background: MIA advises that it currently interprets automobile insurance policy language to require an insurer to replace damaged parts with parts that are of like kind and quality (LKQ). For newer vehicles, new original equipment manufacturer parts are required to meet the LKQ standard. For older vehicles, replacement and/or reconditioned parts may be used.

The Maryland Automobile Insurance Fund (MAIF) advises that its procedure is to use LKQ parts.

Small Business Effect: Each form filed with the Maryland Insurance Administration (MIA) is subject to a \$125 filing fee. MIA estimates that 100 independent commercial automobile insurers and 100 personal automobile insurers would file one policy form each because of the bill. Based on that estimate, special fund revenues to MIA would increase by \$25,000 in fiscal 2002.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – February 15, 2001
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