

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Revised

House Bill 1388

(Delegates Riley and Glassman)

Commerce and Government Matters

Judicial Proceedings

Vehicle Laws - Insurance Claim Settlements - Salvage

This bill provides that if a vehicle has been retained by the owner upon a claim settlement with an insurance company, it is not considered to have been acquired by the insurance company and, therefore, does not require the insurer to retain the title. The bill also requires an insurance company to notify the Motor Vehicle Administration (MVA) of a claim settlement on a salvage vehicle retained by the owner if the vehicle is seven model years old or newer (rather than four years) and provide the MVA with: (1) the title; (2) a fee established by the MVA; and (3) a statement that the cost to repair the vehicle is greater than the fair market value of the vehicle prior to sustaining the damage for which the claim was paid or that the vehicle is not rebuildable, will only be used for parts, and will not be retitled.

If the cost to repair the vehicle is greater than its fair market value prior to sustaining the damage for which the claim was paid, the company must notify the owner that the vehicle registration will be suspended unless the owner proves to the MVA that the vehicle has received a safety inspection within 90 days of the notice. The MVA must send a new title for the vehicle to the owner after the vehicle has been inspected for safety. If the vehicle is not rebuildable, the insurance company must issue a salvage certificate to the vehicle owner and notify the owner that the registration has been suspended and directs the registration plates be returned immediately to the MVA.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Transportation Trust Fund revenues would increase slightly as a result of the fee that the MVA would be authorized to collect from insurance companies to process the title for a salvage vehicle.

Local Effect: None.

Small Business Effect: Minimal. Most of the insurance companies affected by the bill would not qualify as small businesses.

Analysis

Current Law: The definition of salvage includes any vehicle that: (1) has been damaged to the extent that the cost to repair for local operation on a highway exceeds the fair market value of the vehicle; (2) has been acquired by an insurance company as result of a claim settlement; or (3) has been acquired by an automotive dismantler and recycler as an abandoned vehicle or for rebuilding or use as parts only. Currently, the insurance company keeps title to a salvage vehicle even if it has been retained by the owner after a claims settlement. Vehicle owners who want to retain a salvaged vehicle must obtain a new title for the car and a salvage title certificate from the insurance company, which in turn obtains the certificate from the MVA for \$20. The vehicle must be inspected by the State Police and also pass a standard State safety inspection. If the insurance company declares the car a total loss and the owner does not wish to keep the car, the company purchases the car from the owner at fair market value and must obtain a salvage certificate.

An insurance company must promptly notify the MVA when it makes a claim settlement on a vehicle that is salvage if the vehicle is four model years old or newer and the owner keeps the vehicle, and include in the notification the name of the vehicle's owner and a description of the vehicle.

Background: The Maryland Insurance Administration (MIA) advises that insurance companies may incur some additional administrative costs to comply with the bill as they would be required to provide notice for an expanded number of vehicles and pay a fee established by the MVA. However, the bill also streamlines the titling procedure for salvage vehicles so that the insurance company simply transfers the title to the MVA, rather than assuming the title and possibly transferring the title back to the owner. MIA also advises that insurance companies could face difficulty supplying the vehicle title to the MVA if the owner decides to retain ownership.

State Fiscal Effect: The bill would cause Transportation Trust Fund revenues to slightly increase as a result of the fee that the MVA would be authorized to charge insurance companies under the bill. The MVA advises that the new fee would likely be the same as the salvage certificate fee (\$20).

The Maryland Insurance Administration advises that any increase in consumer complaints from claimants that would be generated by the legislation could be handled with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Transportation (Motor Vehicle Administration), Maryland Insurance Administration, Department of Legislative Services

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Analysis by: Ann Marie Maloney

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510