

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 312 (Delegates Krysiak and Kirk)
Economic Matters

Insurers - Third Party Claimants - Notice of Payment to Claimant's Attorney

This bill requires an insurer to provide written notice to a third party claimant of payment of \$2,000 or more in settlement of a third party liability claim for bodily injury if the claimant is an individual and the payment is delivered to the claimant's attorney by check, draft, or other means. The notice must be delivered by regular mail no more than five days after the payment is delivered.

Fiscal Summary

State Effect: Any additional market conduct review that would be required could be handled by the Maryland Insurance Administration with existing budgeted resources. Any additional administrative or mailing costs incurred by insurance companies are assumed to have a negligible effect on premiums and thus no effect on the 2% premium tax.

Maryland Automobile Insurance Fund (MAIF): Annual costs for processing and mailing the notices required by the bill, and for answering the inquiries, could be approximately \$10,700. One-time computer programming costs could range between \$15,000 and \$25,000.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: Notice to a third party claimant of \$2,000 or more in settlement of a third party liability claim for bodily injury is optional. If a notice is sent, it must be sent at least five working days after payment is delivered.

MAIF: Based on its current claim volume, MAIF estimates that it would send approximately 1,000 notices per month. MAIF also estimates that it would receive follow-up questions from approximately 3% of the notices. Annual costs for processing and mailing the notices, and for answering the inquiries, could be approximately \$10,700 per year. This estimate includes postage, supplies, and processing costs. In addition, MAIF would be required to reprogram computer systems to facilitate the notices and responses. Reprogramming could cost between \$15,000 and \$25,000.

Additional Information

Prior Introductions: Identical bills were introduced in the 1998, 2000, and 2001 sessions. In 2001, HB 187 received an unfavorable report from the House Economic Matters Committee, and SB 147 was withdrawn. In 2000, SB 118 passed the Senate and was heard in the House Judiciary Committee, where no further action was taken on it. HB 1258 was referred to the House Rules and Executive Nominations Committee, where no further action was taken on it. In 1998, SB 476 received an unfavorable report from the House Economic Matters Committee.

Cross File: SB 69 (Senator Kelley, *et al.*) – Finance.

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

Fiscal Note History: First Reader - February 10, 2003
ncs/jr

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