

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**

House Bill 4 (Delegate Pendergrass)  
Economic Matters

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**Motor Vehicle Liability Insurance - Payment of Claims - Notice to Named Insured**

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This bill requires an insurer to send written notice to a named insured if the insurer pays a third-party claim for bodily injury or property damage under a motor vehicle liability insurance policy.

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**Fiscal Summary**

**State Effect:** Any increase in the number of complaints because of the bill could be handled with the existing budgeted resources of the Maryland Insurance Administration.

**Maryland Automobile Insurance Fund (MAIF):** Increase in expenditures to process notices to insureds for third-party claims and inquiries from insureds about the claims, offset by an increase in premium revenues.

**Local Effect:** Local governments that do not self-insure could experience premium increases to the extent insurers pass along increased costs associated with additional mailings and inquiries under the bill.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** No statutory provision requires an insurer to notify a named insured under a motor vehicle liability insurance policy upon payment of a third-party claim. For a rate increase for any coverage under a motor vehicle liability insurance policy or for a

coverage reduction, at least 45 days before the proposed effective date of a premium rate increase, a nonMAIF auto insurer must send written notice of its proposed action to the insured by certificate of mailing. For a cancellation or nonrenewal of the policy, the insurer must send the written notice by certified mail.

**MAIF:** MAIF advises that it had approximately 15,400 paid third-party liability claims in 2002. The mailing cost for each notice that the bill requires is approximately \$0.40, including postage and supplies. Assuming this, annual expenditures to send the notices would be approximately \$6,160. In addition to sending the notices, MAIF anticipates that it would receive additional inquiries from its insureds about payments of the claims. Moreover, MAIF anticipates that approximately 15% of the notices sent under the bill would be returned as undeliverable because an insured has moved without notifying MAIF. To process notices and inquiries, MAIF would require one additional clerical/customer service representative at a cost of approximately \$50,000.

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### **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 - January 22, 2003  
mam/jr

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Analysis by: Ryan Wilson

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510