

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 84
Economic Matters

(Delegate Brown)

Insurance - Personal Injury Protection - Notice of Claim

This bill extends the minimum required period, from 12 months to three years after the date of a motor vehicle accident, within which an original claim for benefits under a personal injury protection (PIP) insurance policy must be made with the insurer.

Fiscal Summary

State Effect: Special fund revenues could increase by at least \$25,000 in FY 2004 from rate and form filing fees. Potential general fund increase from premium tax revenues. Any increase in workload from filings under the bill could be handled with the existing resources of the Maryland Insurance Administration (MIA).

Maryland Automobile Insurance Fund (MAIF): Increase in payouts for PIP claims, offset by an increase in premium revenues.

Local Effect: Potential increase in PIP insurance premiums for local governments that do not self-insure.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Generally, an insurer must make payments under PIP coverage periodically as claims for benefits arise and within 30 days after the insurer receives satisfactory proof of a claim. A PIP insurance policy may limit the time period within which an original claim for benefits must be made to 12 months after the date of the

motor vehicle accident. A PIP policy may also require reasonable medical proof of an injury's recurrence if an individual claims additional benefits based on an alleged recurrence of the injury after a lapse in the period of total disability, or in the medical treatment of an injured individual who has received benefits under the PIP coverage. The aggregate PIP benefits payable to an individual may not exceed the maximum limits stated in the policy.

When a PIP insurer receives written notice from an insured that a motor vehicle accident has occurred for which PIP benefits may be available, the insurer must notify the insured, by mail, of the latest date on which a claim may be filed for PIP benefits.

Background: The statute of limitations applicable to most civil cases is three years from the date the cause of action accrues.

State Revenues: Special fund revenues for MIA would increase by at least \$25,000 from insurers filing the \$125 rate and the \$125 form filing fees. MIA advises that 100 independent commercial motor vehicle insurers and 100 personal motor vehicle insurers would file revised forms. To the extent insurers raise rates because of the bill, special fund revenues for rate filings would also increase.

The increased filing period for PIP claims could cause an increase in payouts for PIP insurers. General fund revenues from the 2% premium tax administered by MIA would increase to the extent insurers increase rates because of the bill. Any increase cannot be accurately estimated at this time.

MAIF: MAIF estimates that submitted PIP bills and payments would increase by 5% to 10% under the bill. MAIF advises that the increase would result in a \$36 per year increase for nondiscounted PIP coverage and an increase of \$66 per year in Baltimore City for PIP coverage.

Small Business Effect: Small businesses that carry PIP coverage could experience an increase in the cost for this coverage.

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 4, 2003
ncs/jr

Analysis by: Ryan Wilson

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