

Department of Legislative Services  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 517 (Senator Gladden, *et al.*)

Finance

Economic Matters

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**Private Passenger Motor Vehicle Liability Insurance - Coverage for Claims of  
Family Members**

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This bill requires an insurer to offer liability coverage, under a private passenger motor vehicle liability insurance policy, for claims made by a family member in the same amount as the liability coverage for claims made by a nonfamily member under the policy, if the liability coverage under the policy or binder exceeds the statutory minimum coverage. An insurer may not refuse to underwrite a first named insured because the first named insured requests or elects the liability coverage for claims made by family members in an amount equaling the amount for nonfamily members. The Insurance Commissioner may suspend, revoke, or deny a certificate to; impose a penalty on; or issue a cease and desist order to an insurer in violation of the bill. The bill requires the Commissioner to study and report by January 12, 2006 to the General Assembly on the bill's effect on motor vehicle insurance rates.

The bill applies to private passenger motor vehicle liability insurance policies and binders issued, delivered, or renewed on or after October 1, 2003.

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**Fiscal Summary**

**State Effect:** Special fund revenues would increase by an estimated \$25,000 in FY 2004 from the \$125 filing fees for insurers that file forms, rates, and rules to comply with the bill. Potential minimal increase in general fund revenues from the 2% premium tax collected by the Maryland Insurance Administration (MIA) to the extent insurers raise rates because of the bill. Expenditures would not be affected.

**Maryland Automobile Insurance Fund (MAIF):** Minimal increase in expenditures to inform private passenger policyholders who carry higher limits of the change.

**Local Effect:** None.

**Small Business Effect:** None.

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### **Analysis**

**Current Law:** Coverage for family members who make claims against an insured's policy is subject to the State's mandatory minimum limits: (1) \$20,000 per person and \$40,000 per accident for bodily injury; and (2) \$15,000 for property damage.

**Background:** MAIF, the State's motor vehicle insurer of last resort, advises that it handles approximately five cases annually that involve parent-child immunity.

**State Revenues:** Each form and rate/rule filed with MIA is subject to a \$125 filing fee. MIA estimates that 100 insurers would each file one form and a companion rate/rule because of the bill. Based on that estimate, special fund revenues to MIA would increase by \$25,000 in fiscal 2004.

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### **Additional Information**

**Prior Introductions:** Similar bills were introduced in the 2002, 2001, and 2000 sessions. In 2002, HB 633 was amended and passed third reading in the House. It was amended again in the Senate and passed third reading; however, no conference committee met before the General Assembly adjourned sine die. SB 273 of 2002 was heard in the Senate Finance Committee, where no further action was taken. In 2001, SB 349 passed third reading in the Senate and received an unfavorable report from the House Economic Matters Committee. In 2000, SB 596 and HB 883 received unfavorable reports from the Senate Finance Committee and the Economic Matters Committee, respectively.

**Cross File:** HB 502 (Delegate Krysiak, *et al.*) – Economic Matters.

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

**Fiscal Note History:** First Reader - March 2, 2003  
ncs/jr Revised - Senate Third Reader - April 5, 2003

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