

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 58

(Senator Conway, *et al.*)

Finance

Maryland Automobile Insurance Fund - Small Businesses - Commercial Vehicles

This bill alters the purpose of the Maryland Automobile Insurance Fund (MAIF) to include providing the minimum required insurance for commercial vehicles owned by a small business (without being turned down by another insurer in order to meet eligibility requirements). Under the bill, a small business is a business entity that: (1) is independently owned and operated; (2) is not dominant in its field; and (3) employs 50 or fewer full-time employees.

Fiscal Summary

State Effect: None, assuming that MAIF would not be required to make any new filings with the Maryland Insurance Administration because MAIF's manual already provides rates for most classifications of commercial vehicles.

MAIF: Depending on the number of new customers under the bill and the nature of the risk associated with these customers, MAIF may need to increase personnel to handle the increased workload or may be able to offer lower rates for a lower risk classification.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: MAIF provides required minimum insurance coverage to persons that are unable to obtain it from an automobile liability insurer. Upon payment of the premium,

MAIF must sell a policy that provides the minimum required security to a person: (1) who owns a covered vehicle registered with the Motor Vehicle Administration (MVA), has a driver's license from the MVA, or is a lessee under a lease not intended as security; (2) who does not owe MAIF unpaid premium or a claim obtained by fraud; (3) who has attempted in good faith to obtain the required insurance from at least two other insurers, and has had the application rejected or has had a policy canceled or nonrenewed by another insurer for any reason other than nonpayment of premiums. To be eligible for a policy issued by MAIF, a person must: (1) be domiciled in the State; (2) own, lease, or rent a primary residence in the State and reside in the State for more than one year; (3) maintain a main or branch office or warehouse facility in the State, and base and operate motor vehicles intrastate in the State; (4) have filed as a resident for income tax purposes; or (5) have a nonresidential permit issued by the MVA.

MAIF: It is unclear at this time what the bill's effect will be on MAIF. MAIF is the State's motor vehicle insurer of last resort and generally has higher rates than other insurers because of the higher risk involved with its insureds. MAIF advises that coverage on commercial vehicles currently represents 5.6% of MAIF's written premium and approximately 5,000 of MAIF's approximately 162,700 applications for insurance received in 2002. Depending on the rates available from other insurers, MAIF could see an increase in its commercial business.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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