

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**

House Bill 1381 (Delegate Leopold, *et al.*)  
 Environmental Matters

**Vehicle Laws - Lapsed or Terminated Security - Penalties**

This bill alters the penalties on vehicle owners who fail to maintain required vehicle security (insurance coverage). The Motor Vehicle Administration (MVA) may impose \$75 for coverage failure for 1 to 15 days and \$180 for coverage failure for 16 through 30 days. On the thirty-first day of coverage failure, the penalty rises to \$9 per day. The bill also increases the cap on insurance compliance penalties from \$2,500 to \$3,000 in a 12-month period.

**Fiscal Summary**

**State Effect:** General fund revenues would increase by approximately \$1.3 million in FY 2005 and \$1.7 million annually thereafter. Transportation Trust Fund (TTF) revenues would increase by approximately \$535,100 and \$713,500 annually thereafter. Potential increase in TTF expenditures in FY 2005 only.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$1,337,800	\$1,664,800	\$1,664,800	\$1,664,800	\$1,664,800
SF Revenue	535,100	713,500	713,500	713,500	713,500
SF Expenditure	-	-	-	-	-
Net Effect	\$1,872,900	\$2,378,300	\$2,378,300	\$2,378,300	\$2,378,300

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Some small businesses would face higher fines to the extent their vehicle insurance coverage lapses.

## Analysis

**Current Law:** “Required security” is a vehicle liability insurance policy written by an insurer authorized to write policies in Maryland. A policy must, at a minimum, provide for the payment of bodily injury or death claims arising from an accident of up to \$20,000 for one person and up to \$40,000 for two or more persons, as well as interest and costs. The policy must also provide, at a minimum, for the payment of property damage claims of up to \$15,000, in addition to interest and costs. Other benefits must also be provided, as specified in statute, unless waived.

A person who knows or has reason to know that a motor vehicle is not covered by the required insurance may not drive the vehicle. If the person is the vehicle owner, the owner may not permit another person to drive it. A person may not willfully and knowingly create, certify, file, or provide false evidence of required vehicle insurance. Vehicle owners face a penalty of \$150 for each vehicle without the required security for a period of one to 30 days. If a fine is assessed, beginning on the thirty-first day the fine increases by \$7 for each day the vehicle fails to meet insurance requirements, up to \$2,500 in any one year. The MVA may not renew or issue a new registration for a vehicle until the penalty is paid.

For each fiscal year beginning July 1, 2003, 70% of the penalties paid by uninsured motorists are allocated as follows: \$600,000 to the School Bus Safety Enforcement Fund, \$2,000,000 to the Vehicle Theft Prevention Fund, and the remainder to the general fund. The remaining 30% is retained by the MVA.

**State Revenues:** Total revenues would increase by \$1,783,674 in fiscal 2005, accounting for the October 1 effective date, and \$2,378,232 annually thereafter. Of this amount, TTF revenues could increase by 30% or \$535,103 in fiscal 2005 and \$713,470 annually thereafter. General fund revenues would increase by \$1,337,756 in fiscal 2005 and \$1,664,762 annually thereafter – some of these monies may be distributed to special funds as specified by the statute. This estimate reflects 65,817 lapsed insurance cases in fiscal 2003 and uses the following assumptions:

- the MVA collected \$15,421,270 of penalties (total) in fiscal 2003; 62% of these funds (\$6,222,368) was collected for insurance lapses of 1 to 30 days and the remaining 38% (\$9,197,902) was collected from vehicle owners with insurance lapses of 31 or more days;
- the majority (75%) of uninsured vehicle owners will pay the \$75 fee assessed for one to 15 days of lapsed coverage under the bill; and

- 25% of uninsured vehicle owners will pay the \$9 per day fee (varying according to the number of days of noncompliance), as well as the \$180 penalty for failure to insure within 16 to 30 days.

Data regarding the number of customers who currently pay in the first 15 days versus the number who pay on the sixteenth to thirtieth day of noncompliance are not available. No vehicle owner paid the maximum \$2,500 fine in fiscal 2003. The number of cases is expected to remain fairly level.

**State Expenditures:** The MVA advises that it will cost an estimated \$180,000 to reprogram its computer system to reflect the new penalties. The Department of Legislative Services advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting the MVA system.

The Maryland Insurance Administration (MIA) advises that it receives 1,500 to 2,000 complaints annually from vehicle owners who have been fined by the MVA, stating that the insurance policy was unlawfully terminated by the insurance company. MIA expects the bill to generate additional complaints but expects to be able to handle them with existing resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 17, 2004  
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Analysis by: Ann Marie Maloney

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