HB 95

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 95 (Delegate Arnick)
Economic Matters

Liability Insurance - All-Terrain Vehicles

This bill requires an all-terrain vehicle (ATV) that is operated in the State to be covered by a liability insurance policy written by an authorized insurer. The insurance must provide for payment of at least: (1) up to $20,000 for one person and up to $40,000 for two or more persons, in addition to costs and interest, for death or bodily injury claims resulting from an accident; and (2) up to $15,000 in addition to interest and costs for damage to, or destruction of, another person's property resulting from an accident. The ATV's insurer must notify the Maryland Insurance Commissioner within 45 days after the ATV's insurance terminates or lapses. If the required insurance does terminate or lapse, the Commissioner must assess against the owner a penalty of $150 for each ATV without insurance for a period of 1 to 30 days. Beginning on day 31, the penalty increases by $7 for each day. Penalties are credited to the general fund.

Fiscal Summary

State Effect: Special fund expenditures could increase by approximately $94,400 in FY 2006 to cover the cost of regulation by the Maryland Insurance Administration (MIA). Special fund revenues would increase in FY 2006 to the extent insurers make filings under the bill. General fund revenues could increase minimally from penalties assessed under the bill and collection of the 2% premium tax on policies written under the bill.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	-	-	-	-	-
SF Revenue	-	0	0	0	0
SF Expenditure	94,400	115,400	122,400	129,800	137,800
Net Effect	($94,400)	($115,400)	($122,400)	($129,800)	($137,800)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: No provision specifically requires an ATV to be covered by liability insurance.

Generally, a vehicle operated on a highway must be covered by the minimum required coverage under a vehicle liability insurance policy written by an authorized insurer. The minimum required coverage includes: (1) up to $20,000 for one person and up to $40,000 for two or more persons, in addition to costs and interest, for death or bodily injury claims resulting from an accident; (2) up to $15,000, in addition to interest and costs, for damage to, or destruction of, another person's property resulting from an accident; and (3) uninsured motorist coverage equaling these amounts.

An owner of a motor vehicle must maintain the required insurance coverage at all times. Further, the Motor Vehicle Administration (MVA) may not issue or transfer a motor vehicle's registration unless the owner provides evidence that the coverage is in effect. If the required insurance coverage terminates or lapses, the vehicle's registration is suspended and remains so until the coverage is replaced and any penalty fee is paid. In addition to any other penalty provided under the Maryland Vehicle Law, the MVA may assess the owner of the vehicle a penalty of $150 for each vehicle without insurance for a period of 1 to 30 days. Beginning on day 31, the penalty increases by $7 for each day. The maximum penalty that may be imposed is $2,500 for each violation in a 12-month period. Each period during which the coverage terminates or lapses constitutes a separate violation.

Background: Most homeowner's insurance policies include liability coverage for injuries or damage resulting from an accident involving an ATV. The maximum coverage is generally $1,000; however, a homeowner could include additional coverage under a rider to the policy.

State Revenues: Insurers that offer ATV liability insurance policies would be required to file rates and forms with MIA. It is unknown how many insurers would offer a separate ATV liability insurance policy, but the number is expected to be minimal. For illustrative purposes, if 10 insurers offered policies that met the bill's requirements and each filed one rate and one form, special fund revenues would increase by $2,500 in fiscal 2006.

State Expenditures: The bill would require MIA to track terminations and other lapses of liability insurance on ATVs and assess penalties on ATV owners whose insurance has terminated or lapsed. To do so, MIA would need to develop a computer system comparable to the Automated Insurance Compliance System used by the MVA. MIA could develop the computer system with existing resources.

ATVs are not required to be licensed or registered with the MVA; therefore, the number of ATVs operating in the State is unknown. As this is a new area of regulation for MIA, special fund expenditures could increase by an estimated $94,400 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring two MIA analysts to track terminations and lapses and to assess financial penalties under the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$84,000
Other Operating Expenses	10,400
Total FY 2006 State Expenditures	**$94,400**

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses. MIA estimates that three analysts would be required at a total cost of approximately $144,100 in fiscal 2006.

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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