

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 528 (Delegate Miller, *et al.*)
 Economic Matters

Maryland Automobile Insurance Fund - Eligibility for Coverage

This bill alters the eligibility requirements for purchasing automobile insurance from the Maryland Automobile Insurance Fund (MAIF).

Fiscal Summary

State Effect: Special fund revenues could increase by approximately \$1,000 in FY 2006 from rate and form filings with the Maryland Insurance Administration (MIA). Expenditures would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$1,000	\$0	\$0	\$0	\$0
SF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$1,000	\$0	\$0	\$0	\$0

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

MAIF: If MAIF's insurance premium revenues decline because it insures fewer people, MAIF would be required to make an assessment on other automobile insurers.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill specifies that the required good faith attempts to purchase insurance from other automobile insurers and the required denials of coverage have to be

from substandard insurers. The bill repeals provisions entitling a MAIF policyholder to continued coverage at rates that are reasonably comparable to those charged by standard insurers.

The bill requires a MAIF producer that binds coverage for an applicant to certify, in writing, that the applicant has been turned down by two substandard insurers. MAIF's board of trustees must include this requirement in its regulations under the evidence of an applicant's qualification for coverage.

Current Law: In order to be eligible to purchase automobile insurance from MAIF, an applicant must first attempt in good faith to obtain a policy that contains the required minimum coverage from at least two authorized automobile insurers. The applicant must also have been rejected or refused coverage for a reason other than nonpayment of premiums. Alternatively, the applicant must have had a policy that contains the required minimum coverage cancelled or nonrenewed by an authorized automobile insurer for a reason other than nonpayment of premiums.

A MAIF policyholder is entitled to continued coverage at rates that are reasonably comparable to those charged by standard insurers if the policyholder, for three consecutive years under a MAIF policy, has not: (1) been charged with a moving traffic violation; (2) had a chargeable traffic accident; and (3) been assessed more than one point by the Motor Vehicle Administration. However, such a driver is not entitled to a safe driver credit. In determining eligibility for these rates, MAIF may not consider: (1) a lapse in coverage of 30 days or less; and (2) the addition of a driver to the policy who meets the same criteria.

Generally, a MAIF producer may bind the minimum required insurance for an applicant if the applicant submits an application to the producer and pays the required premium. MAIF's board of trustees must adopt and make available to each MAIF producer reasonable regulations governing binding of coverage through MAIF. The regulations must include: (1) the amount of the premium; (2) the evidence necessary to establish an applicant's qualifications for coverage; (3) the procedure for notifying MAIF of the binding of coverage; and (4) the time within which the producer must give notice.

State Revenues: MAIF would need to make new eligibility rule and application form filings to comply with the bill's requirements. MIA estimates that MAIF would make eight filings under the bill. Each filing would be subject to the \$125 filing fee. Assuming this, revenues for the Insurance Regulation Fund would increase by \$1,000 in fiscal 2006.

MAIF: To the extent premium revenues do not cover MAIF's operating expenses, MAIF must make an assessment on other automobile insurers. MAIF advises that it has not made an assessment in 16 years. Changing the eligibility standards to meet the bill's requirements could decrease the number of people eligible to be insured through MAIF, and thereby decrease premium revenues.

MAIF further advises that it currently offers discounts to its insureds for remaining accident and traffic violation free in the following manner: (1) a 10% discount for the first year, which covers approximately 27.5% of MAIF's insureds; (2) a 20% discount for the second year, which covers approximately 23.5% of MAIF's insureds; and (3) a 30% discount in the third year, which covers approximately 5.1% of MAIF's insureds. At the end of the three-year period, MAIF must give notice to these drivers informing them of their right to obtain insurance from a commercial insurer. MAIF must also give these persons a copy of MIA's sample rate guide and other information to help the insured obtain insurance from a commercial insurer. In turn, a private passenger motor vehicle insurer must offer insurance to these persons, unless a person does not meet an insurer's eligibility or underwriting standards.

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 16, 2005
mp/ljm

Analysis by: T. Ryan Wilson

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