

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 38
Finance

(Senator Stone) (By Request)

Motor Vehicle Liability Insurance - Notice of Intention to Cancel for
Nonpayment of Premium - Method of Mailing

This bill requires a motor vehicle liability insurer to mail the required notice of its intention to cancel a policy for nonpayment of premium by certified mail, return receipt requested. If the postal service is unable to obtain a recipient's signature because no one is available or willing to sign, the attempt to deliver the notice is deemed to be sufficient notice of the intention to cancel the policy.

Fiscal Summary

State Effect: Minimal general fund revenue increase beginning in FY 2006 from the insurance premium tax if insurers raise their rates as a result of the bill. Special fund revenues from filing fees would increase to the extent insurers increase rates as a result of the bill. Any workload increase could be handled with existing resources of the Maryland Insurance Administration (MIA).

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: At least 10 days before the date an insurer proposes to cancel a motor vehicle liability insurance policy for nonpayment of premium, the insurer must cause to be sent by certificate of mailing a written notice of its intention to cancel.

Generally, however, a motor vehicle liability insurer must send written notice of a cancellation or nonrenewal to the last known address of the insured by certified mail at least 45 days before the proposed effective date of the action. For notices of other actions, including premium increases and policy exclusions, the notice must be sent by certificate of mailing.

State Revenues: The fee for a certificate of mailing from the U.S. Postal Service is \$0.30 for each piece mailed, whereas the fee for certified mail, return receipt requested would be \$3.75 for each piece mailed (\$2.30 for certified mail and \$1.75 for a return receipt). To the extent insurers pass these costs along to insureds in the form of higher rates, the insurers would be required to pay the \$125 filing fee for each rate filed with MIA. The number of rates that would be filed under the bill cannot be accurately estimated. General fund revenues from the 2% insurance premium tax would increase to the extent insurers raised rates as a result of the bill. Any such increase is assumed to be minimal.

The Motor Vehicle Administration may assess the owner of the vehicle a penalty for having the insurance on the vehicle lapse. However, changing the mailing requirement from certificate of mailing to certified mail is not expected to affect the number of owners who would pay their past-due insurance premiums. Therefore, revenues from these penalties would not be affected.

Additional Information

Prior Introductions: None.

Cross File: HB 183 (Delegate Minnick) – Economic Matters.

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

Fiscal Note History: First Reader - February 1, 2005
ncs/ljm

Analysis by: T. Ryan Wilson

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

