

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1251 (Delegate McHale, *et al.*)
Economic Matters

**Insurance - Maryland Automobile Insurance Fund - Offers of Coverage -
Limitation**

This bill limits the coverages that the Maryland Automobile Insurance Fund (MAIF) may provide for private passenger motor vehicle liability insurance to the minimum required liability coverages, collision coverage, and comprehensive coverage. The bill does not prohibit MAIF from offering benefits in an amount that exceeds the minimum required liability coverages.

Fiscal Summary

State Effect: Any increase in complaints received because of the bill could be handled with the existing resources of the Maryland Insurance Administration (MIA). Revenues would not be affected.

MAIF: Assuming that the amounts charged for these coverages roughly approximate MAIF's cost to offer them, limiting the coverages that MAIF may offer would not materially affect its finances or operations.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: Each policy issued by MAIF must contain the minimum liability coverages and may contain other provisions determined by MAIF's executive director and approved by its board of trustees and the Maryland Insurance Commissioner. Each motor vehicle liability insurance policy must include: (1) bodily injury or death coverage

of up to \$20,000 for any one person and up to \$40,000 for any two or more persons, in addition to interest and costs; (2) property damage coverage of up to \$15,000, in addition to interest and costs; (3) up to \$2,500 in personal injury protection (PIP) coverage; and (4) uninsured motorist coverage. Under PIP coverage, insurers pay medical, hospital, and disability benefits for individuals injured in a motor vehicle accident.

Background: MAIF applied for and received approval from MIA in August 2005 to offer towing and rental reimbursement coverages to its insureds. In a subsequent civil action brought in the Circuit Court for Anne Arundel County, the plaintiffs challenged MAIF's ability to offer towing and rental reimbursement coverages to its insureds, arguing that MAIF was not authorized to offer these coverages. The plaintiffs sought a preliminary injunction to prohibit MAIF from offering the coverages during trial on the merits; however, the court denied this motion, stating that the plaintiffs failed to meet any of the criteria for a preliminary injunction under Maryland law. Both parties moved for summary judgment. MAIF advises that immediately after the oral arguments, the court granted the defendant's motion for summary judgment. Under the Maryland Rules, summary judgment must be granted if the motion and response to it show that: (1) there is no genuine dispute as to any material fact; and (2) the party in whose favor judgment is entered is entitled to judgment as a matter of law.

MAIF: MAIF advises that approximately 1,000 of its insureds have accepted the towing and rental coverages per month since it began offering them, at a combined annual premium for the two coverages of approximately \$67. MAIF estimates that its annual aggregate premium for these coverages would be approximately \$804,000.

Additional Information

Prior Introductions: None.

Cross File: SB 826 (Senator Astle, *et al.*) – Finance.

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

Fiscal Note History: First Reader - March 6, 2006
mam/ljm

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