

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 164

(Chairman, Economic Matters Committee) (By Request –
Departmental – Insurance Administration, Maryland)

Economic Matters

Motor Vehicle Liability Insurance - Exclusion of Named Driver

This departmental bill authorizes an insurer, under a commercial motor vehicle liability policy, to elect to offer to continue or renew coverage but specifically exclude a named driver from coverage if the insurer would otherwise be authorized to cancel, nonrenew, or increase the premium on the policy because of the claims experience or driving record of one or more drivers covered under the policy.

Fiscal Summary

State Effect: Special fund revenues would increase in FY 2007 to the extent insurers file revised forms because of the bill. Each form filed is subject to the \$125 filing fee. The number of forms that would be filed cannot be accurately estimated but is assumed to be minimal. Any increase in workload could be handled with the existing resources of the Maryland Insurance Administration (MIA).

Local Effect: None.

Small Business Effect: MIA has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: For a motor vehicle liability insurance policy issued in the State to a resident of a household under which more than one individual is insured, the insurer must offer to continue or renew the policy, but specifically exclude a named driver from

coverage, if the insurer would otherwise be authorized to cancel, nonrenew, or increase the premium on the policy because of the claims experience or driving record of one or more drivers covered under the policy.

Background: MIA advises that prior to the decision of the Court of Special Appeals in *Zelinski v. Townsend*, 163 Md. App. 211 (2005), it had been interpreting Maryland's insurance laws as authorizing commercial motor vehicle insurance policies to exclude named drivers from coverage in the manner authorized under the bill.

In *Zelinski*, the Court of Special Appeals found that the authorization to exclude a named driver from a motor vehicle insurance policy was only available to private passenger motor vehicle insurance, and not to commercial policies. The *Zelinski* court relied on the legislative history to Chapter 367 of 1989 (HB 62), which among other things modified the named driver exclusion provision. Specifically, the court noted that the floor report to HB 62 stated that the bill “[c]larifies that the right to exclude a driver under an automobile policy issued in Maryland is limited to policies of private passenger motor vehicle liability insurance. . . . The bill clarifies that the right to exclude drivers does not accrue to policies of commercial motor vehicle insurance.” *Id.*, at 216-17.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 27, 2006
mam/ljm

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