

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 975

(Senators Gladden and Jones)

Finance

Economic Matters

Insurance - Automobile Insurance and Prosecution of Automobile Theft

This bill requires an insurer that uses territory as a factor in establishing automobile insurance rates to submit a statement to the Maryland Insurance Commissioner. The Commissioner must report, by July 1 of each year, about the use of territory as a factor in establishing private passenger automobile insurance rates by insurers and the Maryland Automobile Insurance Fund (MAIF). The bill also requires the Insurance Fraud Division in the Maryland Insurance Administration (MIA) to assist local and State law enforcement agencies in the prosecution of automobile theft.

Fiscal Summary

State Effect: Any increase in workload could be handled with MIA's existing resources. Revenues would not be affected.

Local Effect: Any savings in prosecution costs for local law enforcement agencies because of the bill are assumed to be minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: An insurer that uses territories to establish automobile insurance rates must submit a statement certifying that: (1) the territories used have been reviewed within the previous three years; and (2) the use of territories is actuarially justified.

The annual report to the General Assembly must provide information on the number of insurers actively providing private passenger automobile insurance coverage in the State and the number of insurers that use territory as a rating factor.

Current Law: Except for MAIF's rates, automobile insurance rates are subject to the State's competitive rating laws. Under the competitive rating laws, the insurer may use materials covered by the filing immediately. Generally, MAIF premiums are subject to the State's "prior approval" rating system. In addition to the standards established for prior approval rating, the Commissioner, in reviewing rates for MAIF, must also consider MAIF's statutory purpose of providing the required minimum liability coverage to persons unable to obtain it from another insurer. MAIF's premiums may take account of an insured's or applicant's number of points accumulated in a driving record or prior claims experience.

The Insurance Fraud Division in MIA has the authority to investigate each person suspected of engaging in insurance fraud. After investigation, the division must report suspected insurance fraud, if appropriate, to the Office of the Attorney General or appropriate local State's Attorney for prosecution. The division must compile and abstract information that includes the number of confirmed acts of insurance fraud and the types of acts of insurance fraud. In exercising its authority, the division must cooperate with the Department of State Police, the Office of the Attorney General, local State's Attorneys, and appropriate federal and local law enforcement. In cooperation with the Office of the Attorney General and the Department of State Police, the division must conduct public outreach and awareness programs on the costs of insurance fraud to the public.

Background: MIA's fraud division received 2,255 complaints about insurance fraud in fiscal 2004, the latest year for which complete data are available. Of the total, 425 were categorized as "personal injury – auto," and 516 were categorized as "property claim fraud – auto theft, etc." The division handles these complaints with a current staff of 25, including 11 professional investigative staff, 3 assistant Attorneys General, and 1 State Police officer.

According to the Maryland Vehicle Theft Prevention Council, there were 35,627 incidents of automobile theft statewide in 2002, the latest year reported.

Additional Information

Prior Introductions: None.

Cross File: HB 1600 (Delegate Patterson, *et al.*) – Economic Matters.

Information Source(s): Maryland Automobile Insurance Fund, Department of State Police, Maryland Insurance Administration, Office of the Attorney General, Department of Legislative Services

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