

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 716
Economic Matters

(Delegate Myers, *et al.*)

Motor Vehicle Insurance - Recovery of Costs for Rental Vehicle

This bill provides that a person who is entitled to recover for damage to or destruction of a motor vehicle, in addition to any other damages, may recover the reasonable costs actually incurred in renting a comparable substitute motor vehicle for the period of time that the person is deprived of the use of the person's motor vehicle.

The bill applies to insurers that issue, sell, or deliver motor vehicle liability insurance policies in the State. It applies to motor vehicle liability insurance policies and contracts issued, delivered, or renewed on or after October 1, 2006.

Fiscal Summary

State Effect: Special fund revenues would increase in FY 2007 from filing fees collected under the bill. General fund revenues from the insurance premium tax would increase minimally to the extent insurers increased their rates because of the bill. Any additional workload could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA).

Maryland Automobile Insurance Fund (MAIF): MAIF would increase its rates to the extent its costs increase under the bill.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The rental period for which costs may be recovered may not exceed: (1) a reasonable period for repairs to be made; or (2) if the original motor vehicle is a total loss, a reasonable time to purchase a new vehicle. This does not relieve a person of the duty to mitigate damages.

If an insurer fails to reimburse a person entitled to recover rental costs under the bill and a court finds that the failure was not made in good faith, the insurer is liable to the person for the greater of \$500 or twice the amount of the recoverable rental costs. If a court finds that an action was brought against an insurer in bad faith or is frivolous, the court may order the person to pay the insurer's reasonable attorney's fees.

The bill does not preclude a party from seeking any additional remedies that may be available.

Current Law: Generally, whether, and at what level, an insurer offers coverage for the cost of rental vehicles is a matter of the contract between the insured and the insurer.

State Revenues: It is assumed that insurers would pass any additional costs along to insureds in the form of higher rates. 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.

MAIF: MAIF advises that it, like most insurers, offers rental car coverage as required under the bill for third-party liability. However, MAIF, like most insurers, offers separate coverage for first-party claims for rental vehicles. MAIF advises that it would raise the cost of its collision and comprehensive coverage to cover the cost of rental reimbursement coverage. MAIF advises that its cost to do so would be approximately \$50 to \$60 per vehicle.

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 20, 2006
mam/ljm

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