

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1101 (Delegate Miller)
 Economic Matters

Motor Vehicle Liability Insurance - Personal Injury Protection Coverage - Full or Partial Waiver

This bill authorizes a partial or a full waiver of personal injury protection (PIP) coverage under a motor vehicle liability insurance policy. The bill also specifies additional individuals who are bound by a partial or full waiver of PIP coverage by the named insured.

The bill applies to all motor vehicle liability insurance policies issued, sold, delivered, or renewed in Maryland on or after October 1, 2007.

Fiscal Summary

State Effect: Special fund revenues could increase by \$62,500 in FY 2008 from filings by insurers with the Maryland Insurance Administration (MIA). General fund revenues would decrease to the extent insurers lower overall premiums because of the bill. Any such decrease cannot be accurately predicted but is assumed to be minimal. Expenditures would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	-	-	-	-	-
SF Revenue	62,500	0	0	0	0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$62,500	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Maryland Automobile Insurance Fund (MAIF): MAIF would incur a one-time charge to reprogram its electronic quoting and rating system. This cost would be offset by savings as a result of decreased PIP claims.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A full waiver by the first named insured binds all of the following:

- each named insured;
- each listed driver;
- each member of the first named insured's family residing in the first named insured's household who is at least 16 years old;
- each member of the first named insured's family residing in the household who is younger than age 16;
- each individual who is injured in a motor vehicle accident while using the insured motor vehicle with the insured's express or implied permission;
- each individual who is injured in a motor vehicle accident while occupying the insured motor vehicle as a guest or passenger; and
- each individual who is injured in a motor vehicle accident that involves the insured motor vehicle as a pedestrian or while in, on, or alighting from a vehicle that is operated by animal or muscular power.

A partial waiver binds only those individuals named above who are covered by the policy for which the first named insured chooses to waive the PIP benefits.

Current Law: Unless waived, under PIP coverage, insurers are required to pay medical, hospital, and disability benefits for the individuals injured in a motor vehicle accident. The minimum medical, hospital, and disability benefit under PIP is \$2,500 for payment of all reasonable and necessary expenses that arise from a motor vehicle accident and are incurred within three years after the accident for specified services and lost income.

If the first named insured does not wish to obtain PIP coverage, the insured must make an affirmative written waiver. Without an affirmative written waiver, the insurer must provide PIP coverage. A waiver constitutes a waiver of all PIP benefits, whether they are provided under the first named insured's policy, any other motor vehicle liability insurance policy issued in the State, or any other form of required security in place of insurance.

Generally, a waiver covers each named insured, listed driver, and member of the first named insured's family residing in the household who is at least 16. A listed driver or member of the insured's family who is at least 16 may recover PIP benefits under another motor vehicle liability insurance policy under specified conditions. A waiver of PIP coverage under a motor vehicle liability insurance policy is effective until the waiver is withdrawn in writing.

State Revenues: MIA anticipates that it would receive approximately 250 rate filings and 250 form filings in fiscal 2008 because of the bill. Each filing is subject to the \$125 filing fee. Based on this, revenues for the Insurance Regulation Fund would increase by \$62,500 in fiscal 2008.

To the extent insureds waive PIP coverage because of the bill, insurers would have fewer PIP policies and fewer PIP claims. If motor vehicle liability premium revenues decrease as a result, revenues from the 2% premium tax would drop proportionally. Any such decrease cannot be accurately predicted but is assumed to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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