

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 138 (Senator Stone)
Judicial Proceedings

Motor Vehicles - Maintenance of Required Security - Administrative Offense

This bill eliminates the criminal penalty for the failure to maintain the required security (insurance) for a motor vehicle, and provides that the violation is an administrative offense subject to civil penalties only.

Fiscal Summary

State Effect: Significant general fund revenue decrease from elimination of the penalty provision applicable to this offense under the Maryland Vehicle Law (maximum \$500 fine). The reduction depends on the number of drivers who would have been convicted and the fines that would have been actually assessed by the District Court, and cannot be reliably estimated at this time. No effect on expenditures.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The owner of a motor vehicle that is registered must maintain the required insurance for the vehicle during the registration period. At a minimum, a motor vehicle owner must maintain insurance for claims of bodily injury or death arising from an accident of up to \$20,000 for any one person and up to \$40,000 for two or more persons, in addition to interest and costs. The minimum property damage insurance that

must be carried is \$15,000, in addition to interest and costs. In addition, the motorist must maintain personal injury protection coverage, unless waived, and uninsured motorist coverage.

Criminal Penalty: Failure to maintain the required security is a misdemeanor offense under the Maryland Vehicle Law, subject to a maximum fine of \$500. The prepayment penalty established by the District Court is \$280.

Administrative/Civil Penalties: If a motor vehicle owner allows the required insurance to terminate or lapse, the vehicle registration is automatically suspended as of the date of termination or lapse and remains suspended until the required insurance is replaced, the vehicle owner submits satisfactory evidence of replacement to the Motor Vehicle Administration (MVA), and any assessed uninsured motorist penalty is paid to the MVA. An insurer or other security provider must immediately notify the MVA of terminations or lapses in required motor vehicle insurance.

Once the MVA receives a notice of lapsed or terminated insurance, the MVA must make a reasonable effort to notify the vehicle owner of the suspension of vehicle registration. Within 48 hours after notification, the owner must surrender all evidence of vehicle registration to the MVA. If the owner fails to comply, the MVA must attempt to recover the evidence, and may suspend the owner's driver's license until the evidence is surrendered to the MVA.

In addition to any other penalty provided under the Maryland Vehicle Law, the MVA may assess the vehicle owner an administrative penalty of \$150 for each vehicle without the required insurance for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of \$7 per day. Each period during which the required insurance security is lapsed or terminated constitutes a separate violation. The administrative fine may not exceed \$2,500 for each violation in a 12-month period.

Background: According to the MVA, about 99,000 motorists annually either let required vehicle insurance coverage lapse or have coverage terminated. Generally, about 75% of these drivers renew their insurance within 30 days. While all of these drivers are assessed the administrative penalties, relatively few are convicted of the misdemeanor offense.

State Revenues: The District Court reports that, for fiscal 2005, 2,643 drivers were convicted of not having the required security for their motor vehicles. Based on this, not charging the District Court prepayment penalty of \$280 would decrease revenues by \$740,040 annually. This estimate assumes that the number of convicted drivers (that would no longer be convicted under this bill) remains constant and they would have paid

the prepayment penalty of \$280. It is likely, however, that the number of drivers who could be convicted would fluctuate. Also, while the prepayment penalty assessed by the District Court is \$280, for contested cases, the court could assess any amount up to \$500.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), Office of Administrative Hearings, Maryland Department of Transportation, Department of Legislative Services

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