

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 604
Finance

(Senator Kelley, *et al.*)

Economic Matters

Motor Vehicle Insurance - Uninsured Motorist Coverage - Effect of Consent to Offer of Settlement

This bill allows uninsured motorist insurers to consent to settlements by persons claiming uninsured motorist benefits without (1) limiting their right to raise any issue relating to liability or damages in an action against the insurer; and (2) admitting as to any issue raised in an action against the insurer.

Fiscal Summary

State Effect: The bill does not directly affect State governmental operations or finances.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: None.

Analysis

Current Law: All motor vehicle insurance policies issued, sold, or delivered in the State are required to include coverage for damages and injuries caused by other uninsured motor vehicles. “Uninsured motor vehicles” are defined as any motor vehicles the ownership, maintenance, or use of which has resulted in the bodily injury or death of an insured and for which the sum of the limits of liability under all valid and collectible liability insurance policies, bonds, and securities applicable to bodily injury or death (1) is less than the minimum amount of coverage required by law; or (2) has been reduced by payment to other persons for claims arising from the same occurrence to an amount less than the required minimum.

If an injured person receives a written offer from a motor vehicle insurance liability insurer to settle a claim for bodily injury or death, and the amount of the settlement offer would exhaust the bodily injury or death limits of the applicable liability insurance policies, the injured person is required to send a copy of the liability insurer's written settlement offer to any insurer that provides uninsured motorist coverage for the bodily injury or death. Within 60 days after receipt, the uninsured motorist insurer is required to send written consent to or refusal of acceptance of the settlement offer to the injured person. If the uninsured motorist insurer refuses consent, it must pay to the injured person the amount of the settlement offer within 30 days of the refusal, but such payment preserves the uninsured motorist insurer's subrogation rights against the liability insurer and its insured.

Background: The bill is in response to *Maurer v. Pennsylvania National Mutual Casualty Insurance*, No. 131, (September Term 2006), a recent Maryland Court of Appeals decision. In *Maurer*, the court stated that "Maryland law is clear that an uninsured/underinsured motorist carrier, which consents to the settlement of its insured's tort claim against an uninsured/underinsured tortfeasor, is bound by the settlement." The court goes on to state that the uninsured motorist insurer may not later contest either liability or damages.

Additional Information

Prior Introductions: None.

Cross File: HB 715 (Delegate Feldman) - Economic Matters.

Information Source(s): Maryland Insurance Administration, Judiciary (Administrative Office of the Courts), Maryland Automobile Insurance Fund, Department of Legislative Services

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