

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 1027

(Senator Stone)

Finance

Motor Vehicle Insurance - Uninsured Motorist Coverage - Waiver of Mandatory Deduction

This bill requires an insurer to waive the \$250 mandatory deduction from the amount payable for damages to property for an insured who (1) has a disability for which the insured receives disability payments from the State or federal government or under a pension plan of the insured's employer; and (2) makes a claim, under the uninsured motorist coverage provided in a motor vehicle liability insurance policy issued by the insurer, for property damage to a motor vehicle covered under the policy.

Fiscal Summary

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

Maryland Automobile Insurance Fund (MAIF) Effect: Nonbudgeted expenditures increase due to the elimination of a payment of a deductible by insureds that receive disability payments. Any increase is not expected to be significant. No impact on nonbudgeted revenues.

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

Small Business Effect: Minimal.

Analysis

Current Law: Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The Motor Vehicle Administration (MVA) may not issue or transfer the registration of a

motor vehicle unless the owner or prospective owner of the vehicle furnishes evidence satisfactory to MVA that the required insurance is in effect. Maryland drivers are not required to carry proof of insurance. The required insurance, specified under Title 17, Subtitle 1 of the Transportation Article and Title 19, Subtitle 5 of the Insurance Article, must provide for at least:

- the payment of claims for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons, in addition to interest and costs (liability coverage) (these limits were increased from \$20,000 and \$40,000, respectively under Chapter 441 of 2010, effective January 1, 2011);
- the payment of claims for property of others damaged or destroyed in an accident of up to \$15,000, in addition to interest and costs;
- unless waived, personal injury protection coverage (minimum coverage for medical, hospital, and disability benefits up to \$2,500 for payment of expenses that arise from the accident, lost income, and reimbursement for essential services for care and maintenance of the family or family household); and
- uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

Uninsured motorist coverage pays for injury and damages caused by an uninsured (or underinsured) or hit-and-run driver. This coverage reimburses the policyholder, members of the policyholder's family, or designated driver for an accident caused by the uninsured motorist. This coverage generally pays for medical bills and wage loss; pain, suffering, and disfigurement; emotional distress; and loss of future earning capacity. Uninsured motorist coverage may also include property damage as long as the insurer's coverage is at least equal to the required coverage under MAIF's Uninsured Division and minimum coverage levels specified in Title 17 of the Transportation Article.

MAIF's Insured Division includes uninsured motorist coverage. However, the Uninsured Division of MAIF exists to compensate, if specified conditions are met, qualifying individuals who file accident-related claims against unidentified, disappearing, or unavailable and uninsured vehicles.

MAIF's Uninsured Division is authorized to pay, less specified deductions, up to \$15,000, exclusive of interest and costs, on authorized unsatisfied claims arising from damages to property. MAIF is also authorized to pay up to \$20,000 on authorized

unsatisfied claims arising from an injury or death of one individual and up to \$40,000 for injuries or deaths to more than one individual. MAIF must also deduct \$250 from a judgment or part of a judgment for damages to property and the total amount that the claimant has received or is likely to receive from specified other sources. MAIF may bring an action to recover any amount paid out of MAIF that exceeds the authorized amount against the person that received the excess payment.

Background: Auto liability insurance coverage is mandatory in 48 states and the District of Columbia. Only New Hampshire and Wisconsin do not have compulsory auto insurance liability laws; however, their respective laws require financial responsibility (*i.e.*, enough assets to pay claims against the motorist if the motorist causes an accident and does not have auto insurance) to operate a vehicle. Further, uninsured motorist coverage is not obligatory in every state; therefore, some insured drivers are not covered when they are hit by an uninsured driver. However, as described above, Maryland law requires drivers to purchase uninsured motorist coverage.

MAIF Effect: Nonbudgeted expenditures increase due to the elimination of a payment of a deductible by insureds that receive disability payments. The amount of increase is not quantifiable because the number of insureds that receive disability payments from the State or federal government or under a pension plan of the insured's employer is unknown. However, the increase is not expected to be significant. According to MAIF, it paid 947 uninsured motorist property damage claims in 2011. *For illustrative purposes only*, if 5% of these claims were paid to insureds that receive disability payments, MAIF's nonbudgeted expenditures increase by approximately \$12,000 per year.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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