

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 915  
Finance

(Senator Jennings)(By Request)

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**Motor Vehicle Liability Insurance - Advance of Medical Expenses**

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This bill requires a motor vehicle liability insurer in the State to pay part of an individual claimant's medical benefits in advance when the individual is (1) occupying another motor vehicle that is involved in a collision with the insured, at-fault vehicle or (2) injured as a pedestrian by the insured, at-fault vehicle. If an injured individual who claims the advanced benefit does not incur actual verified medical expenses that meet the amount advanced within one year, the insurer may recover the amount of the excess payment from the individual. This benefit may not be waived under the personal injury protection (PIP) or uninsured motorist laws by a policyholder and is not subject to the provisions of law that prohibit a person from recovering benefits from more than one motor vehicle liability insurance policy or insurer on a duplicative or supplemental basis.

The bill applies to all private passenger motor vehicle liability insurance policies issued, sold, or delivered in the State on or after the bill's October 1, 2016 effective date.

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**Fiscal Summary**

**State Effect:** Minimal increase in Maryland Insurance Administration (MIA) special fund revenues in FY 2017 due to \$125 rate and form filings. Review of the filings can be handled with existing resources. To the extent that motor vehicle liability insurers increase premiums for the enhanced benefits established by the bill, general fund revenues increase minimally due to the 2% tax collected on all insurance premiums paid in the State.

**Maryland Automobile Insurance Fund (MAIF) Effect:** MAIF expenditures increase to make advanced medical payments and then to track and recover any residual amount remaining; however, the precise impact cannot be reliably estimated at this time. Revenues increase correspondingly as MAIF passes the increased costs on to its policyholders by increasing premiums.

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

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** The insurer may establish the maximum benefit that may be advanced under the bill; however, it must be at least \$2,500 and no more than \$10,000. The bill may not be construed to limit the total amount of damages that may be claimed or recovered by an injured individual.

**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 security required must provide 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;
- for property of others damaged or destroyed in an accident of up to \$15,000;
- unless waived, for PIP of \$2,500 per person; and
- for 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).

If the first named insured does waive PIP, the waiver (1) constitutes a waiver under the first named insured's policy or any other motor vehicle liability insurance policy in the State and (2) is binding on each named insured, each listed driver, and each member of the first named insured's family who is age 16 or older and resides in the first named insured's household. PIP, a no-fault coverage, provides medical, hospital, and disability benefits as well as payment of lost income and funeral expenses.

A person may not recover benefits related to the required securities for motor vehicle liability insurance from more than one motor vehicle liability insurance policy or insurer on a duplicative or supplemental basis.

**MAIF Fiscal Effect:** MAIF advises that, in 2015, it received 8,820 liability injury claims; had the bill been in effect that year (assuming MAIF set the advanced payment at the \$2,500 floor), MAIF would have been required to advance \$22 million to injured individuals. MAIF advises that tracking a payment made to ensure a claimant incurred medical costs for the full amount of the medical benefit advance, and then recovering the

residual advanced payment if the claimant did not, would likely be both difficult and costly because MAIF has no contract with the injured party. MAIF must pass the additional costs of tracking and recovery on to its policyholders through increased premiums; however, the precise impact cannot be reliably estimated at this time.

**State Revenues:** MIA advises that the medical benefit advance required by the bill is likely to result in motor vehicle liability insurers increasing their premium rates. Under the bill, an insurer must track and investigate claimants who receive the advanced payments to determine whether they actually incur medical costs for the full amount of the medical benefit advance payment within the one-year period specified in the bill and, if they did not, then attempt to recover any excess payment made. The costs associated with tracking, investigation, and recovery are likely to be passed on to insureds through increased premiums. Therefore, general fund revenues from the premium tax increase minimally; however, the precise impact depends on the magnitude of any premium rate change and cannot be reliably estimated at this time.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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