

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 603

(Delegate Parrott, *et al.*)

Environment and Transportation

Finance

Vehicle Laws - Out-of-State Vehicles - Required Security

This bill alters the definition of “required security,” as it applies to insurance requirements under the Maryland Vehicle Law to specify that (1) the existing definition applies to a vehicle registered in the State and (2) for a vehicle registered in another jurisdiction, it means security in the form and providing for the minimum benefits required by the laws of that jurisdiction. The change expressly applies the general security provisions of the Maryland Vehicle Law to out-of-state drivers. Among other things, the change expressly applies (1) a prohibition against driving a vehicle or knowingly allowing a vehicle to be driven without the required security; (2) a prohibition against providing false evidence of required security; and (3) existing criminal penalties for each violation. The bill also limits existing provisions related to using Motor Vehicle Administration (MVA) records to prosecute a person for failing to maintain the required security to apply only for a vehicle registered in the State.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures due to the application of existing penalty provisions to the extent that vehicles registered in other states are not already required to maintain security in accordance with the Maryland Vehicle Law.

Local Effect: Potential minimal increase in expenditures due to the application of the existing penalty provision. Revenues are not affected.

Small Business Effect: None.

Analysis

Current Law:

Required Security

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 or exempt by Chapters 425 and 426 of 2016, for personal injury protection 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).

MVA may not issue or transfer the registration of a motor vehicle unless the owner or prospective owner of the vehicle provides satisfactory evidence to MVA that the required security is in effect. If the required security for a vehicle lapses at any time, the registration of that vehicle is suspended automatically as of the date of the lapse, effective within 60 days after notification to MVA. The registration remains suspended until the vehicle owner submits evidence of replaced security on a designated MVA form, certified by the insurance provider, along with the uninsured motorist penalty fee.

Chapters 401 and 402 of 2016 require the driver of a motor vehicle to carry evidence of required security (generally, proof of insurance) while operating the vehicle. Those Acts also create the Uninsured Motorist Education and Enforcement Fund to educate drivers about and enforce the security requirements for motor vehicles under the Maryland Vehicle Law.

Uninsured Motorist Penalties

If the required security for a vehicle lapses, MVA may assess the owner of the vehicle a penalty of \$150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of \$7 for each day, but the total fine may not exceed \$2,500 annually, not including the additional misdemeanor penalty of up to \$500, which may be prepaid with a fine of \$290.

A person who knows or has reason to know that a motor vehicle is not covered by the required security may not (1) drive the vehicle or (2) if the person is an owner of the vehicle, knowingly permit another person to drive it. A violation of these prohibitions is a misdemeanor, subject to a penalty of up to a \$1,000 fine and/or up to one year imprisonment for a first offense. For a subsequent offense, the penalty is up to a \$1,000 fine and/or up to two years imprisonment. The fine may not be prepaid, and an offender must appear in court to answer the charge. If convicted, the violation results in the imposition of five points on the driver's license, and the offender must also undergo a mandatory Driver Improvement Program.

Whenever evidence of insurance is required, a person may not willfully and knowingly create, certify, file, or provide false evidence of required security. A violation is a misdemeanor, subject to a penalty of up to a \$1,000 fine and/or up to one year imprisonment for a first offense. For a subsequent offense, the penalty is up to a \$1,000 fine and/or up to two years imprisonment. The fine may not be prepaid, and an offender must appear in court to answer the charge.

During the prosecution of a person for failing to maintain the required security, the introduction of MVA's official records that show the absence of security for a vehicle must be considered *prima facie* evidence that a person knows or has reason to know that a motor vehicle is not covered by the required security.

Background: Automobile liability insurance coverage is mandatory in 49 states and the District of Columbia; however, the minimum security required varies from state to state. Only New Hampshire does not have compulsory automobile insurance liability laws; however, its laws require financial responsibility (*i.e.*, enough assets to pay claims against the motorist if the motorist causes an accident and does not have automobile insurance) to operate a vehicle.

Additional Information

Prior Introductions: HB 1641 of 2016, a bill with similar provisions, was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History:
mm/ljm

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