

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 998
Economic Matters

**Maryland Insurance Administration - Study on Diminished Value Within the
Automobile Industry**

This bill requires the Maryland Insurance Administration (MIA) to study and make recommendations regarding State practices on diminished value within the automobile industry. MIA must report its findings and recommendations to the Governor and the General Assembly by December 31, 2023. **The bill takes effect June 1, 2023.**

Fiscal Summary

State Effect: MIA can conduct the study using existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: In conducting the study, MIA must:

- examine first-party coverage for diminished value;
- review State licensed insurance companies' compliance with existing statutes, policies, and regulations;
- identify statutory and regulatory gaps in the implementation of current practices;
- analyze the economic impact of statutory and regulatory gaps on drivers and businesses in the State and local governments;

- develop recommendations for a uniform standard for valuation of vehicles and vehicle claims; and
- develop a framework for best practices, which may include best practices used in other states.

Current Law: According to a December 2022 MIA [consumer advisory](#), after a car accident, the post-repair value of a vehicle may be less than its value immediately before the accident because the vehicle now has an accident history. This is commonly called “diminution in value” or “diminished value” (D-V).

An individual may be able to file an insurance claim for D-V if the sum of the cost of repairs and the D-V do not exceed the value of the car immediately before the accident. Generally, an individual cannot file a D-V claim if the individual has been found at fault or to have contributed to the cause of the accident. If a vehicle is damaged by an uninsured motorist or the at-fault party is unknown, a D-V claim may or may not be covered by the individuals’ uninsured motorist property damage coverage. Some automobile insurance policies specifically exclude coverage for D-V in this situation. The insurer of the at-fault driver is not obligated to notify an individual that they might have a D-V claim. An individual must file the claim and prove the amount. Under Maryland law, there is no required method for determining the D-V claim amount.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2023
km/jc

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