

SB 373 - MAIF - FAV.pdf

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Position: FAV



TESTIMONY IN SUPPORT OF SENATE BILL 373

Date: February 10, 2021

Position: Favorable

Bill Number: Senate Bill 373

Bill Title: **Vehicle Laws – Suspension of Driver’s License or Vehicle Registration – Unpaid Judgments**

Senate Bill 373 restores Maryland Automobile Insurance Fund’s (MAIF) ability to request the Motor Vehicle Administration to suspend a driver’s license or vehicle registration for an unpaid judgment. This ability encourages at-fault drivers to pay for the damages they caused while driving uninsured. Without this ability, MAIF will collect on fewer judgements and will have to rely more on funding from the State and from MAIF policyholders. For this reason, MAIF supports SB 373.

MAIF’s Interest in SB 373

MAIF operates both as an insurer (Insured Division) and as the successor to the Unsatisfied Claims and Judgement Fund (Uninsured Division). In both capacities, MAIF relies on recoveries from uninsured motorists who were at-fault in motor vehicle accidents.

In the Insured Division, MAIF pays claims to its policyholders under uninsured motorist coverage for damages incurred in an accident with an uninsured motorist. This is standard in the insurance industry and MAIF’s process is the same.

In the Uninsured Division, MAIF, using State funds, pays claims to Maryland residents involved in automobile accidents when no other collectible insurance is available. Most of these cases involve either a pedestrian or a passenger. The claims are funded by the State through a portion of uninsured motorist penalty fines collected by the MVA under *Transportation Art. §17-106*. Once a claim is paid, recovery efforts are expected against the at-fault, uninsured motorist. *Insurance Art. §20-608*.

The concept is that the at-fault driver, rather than the State or MAIF policyholders, should be responsible for the loss. The funds collected are separately accounted for and are used to pay claims and expenses of the respective divisions. *Insurance Art. §20-301(c)(2)(iii)*. If collections by either division are reduced, additional funding from the State (Uninsured Division) or the policyholders (Insured Division) would be required.

SB 373

SB 373 would restore the ability of MAIF to initiate the suspension of a driver's license or registration when the uninsured motorist fails to either pay the judgement or enter a payment plan. This ability was withdrawn with the passage of HB 280, Ch.149 (2020). That bill primarily addressed license suspension based on failure to pay fines and fees but also covered judgements. SB 373 would leave most of Ch.149 intact and would, going forward, allow suspensions only based on the failure to pay a judgement.

While some uninsured motorists voluntarily enter a payment plan or pay in full once a judgement is issued, the more typical case is that the uninsured motorist ignores the process until advised their license or registration may be suspended. A potential suspension is the only leverage in the typical case to encourage the uninsured motorist to enter into a payment plan, often \$100 a month or less. Maryland Auto's payment plans are very flexible as we believe any recovery is positive and payment plans are the most productive. Without a potential suspension, MAIF believes that payment plans will be much harder to achieve and recoveries will be substantially reduced.

MAIF does rely on these recoveries to fund operations. The Insured Division typically had approximately 350 current payment plans that generated on average \$55,000 per month. The Uninsured Division average of 230 payment plans generated on average \$30,000 per month. These payment plans have dropped considerably from a combined number of 580 to 459 in January 2021 and the amount recovered has dropped to \$53,000 from \$85,000. MAIF believes that these recoveries will continue to drop each month as fewer and fewer individuals will be inclined to continue current plans or enter new payment plans.

Amendment

The amendment would make it clear that MAIF is covered by the bill

Conclusion

Accordingly, MAIF urges the Senate Judicial Proceeding to issue a favorable report on Senate Bill 373, as amended.

For Information: Sandra Dodson – Government Relations – 667-210-5182

SB 373 Vehicle Laws Support 02102021_.pdf

Uploaded by: Egan, Nancy

Position: FAV



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Testimony of American Property Casualty Insurance Association (APCIA)

Senate Judicial Proceedings Committee

Senate Bill 373 Vehicle Laws – Suspension of Driver’s License or Vehicle Registration – Unpaid Judgments

February 10, 2021

Letter of Support

The American Property Casualty Insurance Association (APCIA) represents more than 1200 insurers and reinsurers that provide critically important insurance protection throughout the U.S. and world. Together, APCIA members write 60% of the property casualty insurance in the U.S. APCIA represents companies of all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe. In Maryland, our members write 66.6% of the property casualty insurance written in the state. APCIA appreciates the opportunity to provide written comments in support of Senate Bill 373.

Senate Bill 373 requires at the Motor Vehicle Administration, upon receiving notice from an insurance company on behalf of a judgement creditor, to suspend the license and registration of all vehicles owned by the judgement debtor. Insurers often attempt to collect amounts paid to their policyholders from at fault parties on uninsured motorists. This suspension tool assists insurer subrogation departments in recovering these payments, and directly offset loss costs, benefiting consumers.

The possibility that a driver’s license, or vehicle registrations could be suspended often leads to the debtor to repay the insurer or enter a payment plan, either of which averts the suspension. Without this change, a judgement creditor is forced to garnish wages.

For these reasons, the APCIA urges the Committee to provide a favorable report on Senate Bill 373.

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Uploaded by: Suls, Robert

Position: FAV

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February 8, 2021

Re: SB 0373

Dear Senator Reilly,

I am writing today to express my support for SB 0373, which is before the Judicial Proceedings Committee.

I have been licensed attorney since 1986 and have been practicing for almost 35 years. My firm practices primarily in insurance subrogation and defense, and I deal regularly with the enforcement of civil judgments against uninsured motorists who have caused the death, bodily injury and property damage to Maryland citizens who have maintained insurance, including the suspension of driving privileges.

A 2020 report from The National Association of Insurance Commissioners Auto Insurance Database, noted in 2016 in Maryland there were 11,682 uninsured or underinsured motorist (UM/UIM) bodily injury incurred claims which resulted in payments of \$160,127,370.00. During the same time period there were 49,227 UM/UM property damage claims which resulted in the payment of \$77,452,630.00.

With a UM/UIM deductible on these claims of \$250.00/claim insured Maryland motorists' losses in 2016 alone totaled \$15,227,250.00. These insured motorists are entitled to recover their deductibles from the financial irresponsible uninsured motorists. These injured Marylanders and their insurance carriers, by instituting subrogation actions seek to recover these losses for its insureds and the companies to enable the insurance carriers to avoid increasing premiums.

I am writing to support SB 0373 which would repeal and reenact, without amendments, Transportation Article Section 17-201, Ann. Code of Md. 2020 Repl. Vol, repealing and reenacting, with amendments, Transportation Article Sec. 17-202 and 17-209, Ann. Code of Md. 2020 Repl. Vol. and by addition to Article Transportation Section 17-204 through 17-207. These changes would restore the ability for judgment creditors to request the suspension of driving privileges based on failure to pay civil judgments arising from uninsured motorist bodily injury and property damage claims.

HB 280 and SB 0234 which were passed last year and signed into law was applauded by Maryland's Attorney General Brian Frosh, as the law to stop driver's license suspension for unpaid fines which had resulted in tens of thousands of people having lost the privilege to drive due to fee-based driver's license suspensions. The purpose of the changes was noble. AG Frosh

recognized Maryland's were being penalized for being poor, limiting their ability to get to work, doctor's appointments, and pick-up children from school.

I had the pleasure of speaking with Delegate Brooke Lierman, a sponsor of HB 0280 recently. We both recognized the importance of individuals to have the ability to drive and the difficulties faced by individuals in attempting to reach the Central Collections Unit of Maryland to resolve disputed fines and penalties and work out payment arrangements. Del. Lierman and I spoke about the **unintended consequences** of the change in the law as it relates to civil judgments arising from uninsured motorist bodily injury and property damage claims. As a result of the passage of SB 0280 and SB 0234 last year, the civil judgments entered against these individuals who have caused death, injury and property damage can no longer be enforced with the threat or suspension of driving privileges. Judgments will now need to be enforced through wage and bank garnishments as well as attachments on personal and real property. The enforcement of judgments in these manners result in increased use of judicial resources, additional costs to the judgment creditor which are passed on to the judgment debtor and much harsher economic consequences for the judgment debtor than a threat or suspension of driving privileges.

The prior law which was repealed by HB 0280 and SB 0234 provided the judgment creditors the decision-making power in conjunction with the consultation with the judgment debtor as to what constitutes a fair plan for repayment. Every judgment debtor has the right, under the former statutes, to apply to the courts for a payment plan in order to reinstate their license. The courts maintain the ultimate authority to decide what arrangements to repay the debt are satisfactory.

In my personal experience, these judgment debtors are much more willing to reach a mutually agreeable payment plan when confronted with the potential loss of their driving privileges in order to maintain their privileges than to face attachment of their bank accounts or wages. Wage garnishments are automatic, every pay period and unless the debtor files for relief, typically results in a 25% attachment of each paycheck. Bank garnishments result in the attachment of the balance in their accounts up to the amount of the judgment. Under the previous law, prior to suspension every debtor was notified by the Department of Motor Vehicles' Order of Suspension as to their legal rights and remedies.

The insurance companies my firm represents are very flexible, willing to negotiate and work with any debtor who is legitimately interested in satisfying a judgment. It is my experience that any uninsured motorist involved in an accident causing property damage or bodily injury, if they have a sincere desire to satisfy the judgment, will come forward after a judgment is obtained and act responsibly.

Under the former statute, suspension of a debtor's license for failure to pay a judgment is not permanent. It is limited to the enforceability of the underlying judgment, which in most cases is 12 years unless additional steps are taken.

In 2016 alone, almost \$253 million dollars in losses were incurred by insurance providers and Maryland citizens due to the damages caused by uninsured/underinsured motorists. The passage last year of HB 0280 and SB 0234 removed the subrogation industries strongest and most effective collection tool. Over 15 million dollars in insurance deductibles in 2016 were incurred

by Maryland citizens and the restoration of this tool for collecting these judgments by passage of SB 0373 will assist in the return of these funds to responsible Marylanders. The failure to pass SB 0373 and restore these provisions will result in decreased collections, increased cost of collections which, the insurance industry will be forced to pass on to its consumers and judgment debtors. Passage of HB 0280 and SB 0234 last year has resulted in uninsured motorists who are involved in serious accidents which have caused significant property damage and personal injuries to have almost no consequences, while passing the cost of their destructiveness onto those drivers who are responsible enough to be insured.

I have significant experience working with insurance companies and the operation of these provisions of the law. I plan to appear before the Senate Judicial Proceedings Committee tomorrow to address these issues and will be available to answer any of the Committee Members' questions.

Thank you very much for your time.

Sincerely,

A handwritten signature in blue ink that reads "Roberta A. Smith". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

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Uploaded by: Dews, Christopher

Position: UNF



Advocating better skills, jobs, and incomes

TESTIMONY IN OPPOSITION OF SENATE BILL 373

Vehicle Laws - Suspension of Driver's License or Registration - Unpaid Citations or Judgments

TO: Hon. William Smith, Chair, and Members of the Senate Judicial Proceedings Committee

FROM: Christopher Dews, Policy Advocate

DATE: February 10, 2021

The Job Opportunities Task Force (JOTF) is an independent, nonprofit organization that advocates for better jobs, skills training, and wages for low-income workers and job seekers in Maryland. We strongly oppose Senate Bill 373 as a means to ensure that we are not further pushing the poor into poverty via driver's license suspension and punitive civil judgement enforcement due to their inability to pay insurance debts.

Mobility is key in Maryland's regional economy. The employment opportunities for individuals with a suspended driver's license are nearly nonexistent, especially for low-wage workers. Most of the jobs they are eligible to even apply for require a valid driver's license including construction, plumbing, sales, and CDL positions. Additionally, the lack of a regional public transit system places most residents at the mercy of mobility – the key to mobility being a valid driver's license. In fact, only 9% of jobs in the Baltimore region can be reached within one hour, one-way by public transit. Almost half of working Marylanders travel to another county to work, yet many are already choosing between income and safety, or even further, income and criminal penalties because their driver's license is suspended.

Current Maryland law allows private auto insurers to utilize non-driving related factors including credit scores, education level, occupation, and zip code to set insurance premiums. The use of these factors results in disproportionately high premiums for low-income workers of color who simply can't afford it. A study conducted in Maryland found that holding all other factors constant, drivers living in urban neighborhoods pay 60% to 100% more than drivers living in nearby suburbs. This effect is most pronounced in communities of color.

Beyond this, Maryland Code Ann., Transportation §16–303 and §17–707 state that driving on an invalid license (suspended, canceled, or revoked) or without auto insurance in Maryland is a crime punishable by up to (1) one year in jail, a \$1000 fine, or both. As such, this bill will needlessly criminalize poverty by mandating that if lower-income individuals do not immediately pay inflated auto insurance rates, then a suspended driver's license and registration, arrest, and/or incarceration await them. Further complicating the ability of low-wage workers to secure and maintain employment.

JOTF JOB OPPORTUNITIES TASK FORCE

Advocating better skills, jobs, and incomes

Across the country, national nonpartisan research has guided states away from using this highly punitive measure to ensure debt collection. This practice not only deprives residents of their ability to access jobs and maintain their employment, but it ultimately costs more than is collected due to the resources used to ensure driver's licenses are suspended.

Employment barriers for low-wage workers are seemingly insurmountable. They need access to affordable higher education, consistent employment, and reliable transportation in order to meet life's demands- not the complete destruction of personal opportunities debts that they are already too poor to pay. JOTF opposes efforts to deepen barriers to employment for Marylanders struggling with volatile incomes. For these reasons, we respectfully urge an **unfavorable** report on Senate Bill 373.

2021-02-10 SB 373 (Oppose).pdf

Uploaded by: Jung, Roy

Position: UNF

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410-576-6584

February 10, 2021

TO: The Honorable William C. Smith, Jr.
Chair, Judicial Proceedings Committee

FROM: Hannibal G. Williams II Kemerer
Chief Counsel for Legislative Affairs, The Office of the Attorney General

RE: SB0373 Vehicle Laws – Suspension of Driver's License or Vehicle Registration –
Unpaid Judgments (OPPOSE)

The Office of Attorney General urges this Committee to unfavorably report Senate Bill 373. During the 2020 session, the Attorney General championed, and the General Assembly unanimously passed (SB 234/HB 280), legislation to eliminate the Motor Vehicle Administration's ability to suspend driver's licenses for failing to pay fines, fees, or judgments. The Governor elected not to veto the bills and they became law effective October 1, 2020.

In the wake of that 2020 legislation, more than 89,000 Marylanders have had their licenses reinstated.¹ We are currently in the midst of the COVID-19 global pandemic and millions of Americans have lost their jobs. It would be anathema to good public policy to now, in the midst of this health and economic crisis, overturn the reform enacted by the General Assembly last year and go back to permitting the insurance companies of judgment creditors to cause debtor's driver's licenses to be suspended.

For the foregoing reasons, the Office of the Attorney General urges an unfavorable report on Senate Bill 373.

cc: Senator Edward R. Reilly and Members Judicial Proceedings Committee

¹ See E-mail from Patrick Strauch, Project Manager, Md. Dep't of Transp., to Damon Bell, Counsel, Md. Dep't of Transp., (Dec. 14, 2020, 03:35 PM EST) (on file with author).

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Uploaded by: Schneiderman, Franz

Position: UNF



**Testimony to the Senate Judicial Proceedings Committee
SB 373 -- Vehicle Laws – Suspension of Driver’s License or Vehicle Registration–
Unpaid Judgments
Position: Unfavorable**

February 10, 2021

The Honorable Will Smith
Judicial Proceedings Committee
2 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Judicial Proceedings Committee

Dear Chairman Smith and Committee Members,

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works with consumer-friendly auto dealers and consumer advocates to foster safety, transparency, and fair treatment for Maryland drivers, car buyers and dealers.

We oppose **SB 373** because it is unfairly (and perhaps counter-productively) punitive toward drivers who may be unable to quickly fulfill a judgment against them for damages caused on Maryland's roads – or who may miss even a single payment of an installment plan meant to satisfy such a judgment. Indeed, the additional sanctions it mandates will tend, in many cases, not only to make it more difficult for drivers facing judgments to meet those judgments – and their other debts and obligations – but to push them into further legal difficulties.

The bill enables insurers who represent creditors to move quickly to suspend both the driver's license and vehicle registration(s) of a driver who hasn't been able to pay the judgment, if a judgment is unmet just 30 days after it is handed down – based only on the judgment itself and a "certificate of facts" from the insurer itself. While it does allow the court to reinstate the debtor's license and registration if an installment plan to meet the debt has been established, the bill also enables the insurer to renew suspension of the driver's license and registration if a single payment is missed or if the debtor violates any term of the repayment agreement.

Yet because being able to drive is frequently critical to a Marylander's ability to make a living, losing the right to drive (legally) will in many cases significantly impede the debtor's ability to earn enough to repay the debt – and to meet his or her many other needs. At the same time, we know that all too often drivers with suspended licenses and registrations continue to drive illegally – sometimes because they feel they need to do so to meet their family's needs.

Allowing insurers to move as peremptorily as this bill would allow to void a debtor's license and registration will thus cause more drivers to struggle to escape debt traps after a judgment and to face further legal jeopardy that may put themselves and their families in even more difficult situations even as it makes it harder for the claimant to recover the judgment owed..

We oppose **SB 373** and ask you to give the bill an **Unfavorable Report**.

Sincerely,
Franz Schneiderman, Consumer Auto

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Uploaded by: Stern, Isadora

Position: UNF



Maryland Consumer Rights Coalition

Testimony to the Senate Judicial Proceedings Committee
SB 373: Vehicle Laws – Suspension of Driver’s License or Vehicle Registration – Unpaid Judgments
Position: Unfavorable

February 10, 2021

The Honorable William Smith Jr., Chair
Senate Judicial Proceedings Committee
2 East Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Judicial Proceedings Committee

Honorable Chair Smith and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances economic rights and financial inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing today in opposition to SB 373.

MCRC’s 2019 report *“No Exit: How Maryland’s Debt Collection Practices Deepen Poverty and Widen the Racial Wealth Gap”*, documented the ways in which with numerous fines and fees, particularly local and state-owed fines, lead to a vicious cycle of debt for low-income and working families. The loss of a drivers’ license exemplifies this practice. Low-income Marylanders who owe a traffic citation or judgement risk the suspension of their licenses due to an inability to pay the citation-in other words, due to poverty.

Loss of a license means an individual may no longer be able to get to work and may lose their job; thus making it more difficult to pay their bills and other debts. Should an individual risk driving without a license, if caught, they risk additional fines and possibly jail. MCRC clients who work with us on financial counseling or tenant advocacy have a median income of \$20,000-for these individuals, an unexpected bill whether it is \$50 or \$300 is unaffordable and cataclysmic for their financial well-being.

SB 373 poses a threat to our work to end this vicious cycle. The bill will require the Motor Vehicle Administration to suspend drivers licenses as a penalty for unpaid judgements. This is excessive punishment that places enormous burden on low-income drivers. A suspended license prevents most working families from getting to their jobs, making it nearly impossible to pay traffic tickets or other state fines that may have been the cause of the revoked license.

For the protection and well being of working families in Maryland, we oppose SB 373 and urge an unfavorable report.



Maryland Consumer Rights Coalition

Best,

Isadora Stern
Economic & Tenants' Rights Organizer
Maryland Consumer Rights Coalition