



MARYLAND
AUTO INSURANCE

POSITION ON PROPOSED LEGISLATION

Senate Finance Committee: March 26, 2024

Position: Favorable

Bill Number: House Bill 1482

Bill Title: Insurance – Maryland Automobile Insurance Fund – Uninsured Driving Penalties

The Maryland Automobile Insurance Fund (MAIF)

MAIF was created in 1973 with two distinct functions. First, MAIF’s Insured Division provides automobile insurance to Maryland residents that have been turned down by two insurance companies or canceled or non-renewed by one. *Insurance Article §20-301*. Second, MAIF’s Uninsured Division administers the State’s program to provide financial recovery to Maryland residents who are innocent victims in automobile accidents where there is no other collectible insurance. *Insurance Article §20-601*. For example, if a pedestrian who does not own a vehicle is injured by an uninsured driver, the victim can file a claim with the Uninsured Division.

House Bill 1482 provides additional funding from the uninsured motorist fines for the “exclusive use of the Uninsured Division” and increases uninsured motorist penalty fines. Accordingly, this funding would not support the MAIF’s insurance operations or MAIF’s surplus and would have no effect on a potential MAIF assessment.

Uninsured Motorist Fines

Automobile insurance is mandatory in Maryland. To enforce compliance, *Transportation Article §17-106* imposes fines on individuals who drive without automobile insurance. These fines have not increased since 1991. House Bill 1482 increases the fine from \$150 to \$200 for the first 30 days and from \$7 to \$10 for each day thereafter. The maximum penalty for a 12-month period is increased from \$2,500 to \$3,500. The fines are assessed and collected by the Motor Vehicle Administration (MVA). At any time, the vehicle owner can stop the accumulation of fines by obtaining insurance or returning registration plates to MVA. By statute, the fines are allocated to the MVA, Safe Schools Fund, Vehicle Theft Prevention Fund, the Uninsured Division of MAIF and the General Fund.

House Bill 1482 Review and Analysis:

As noted above, the Uninsured Division is funded through an allocation of uninsured motorist penalty fines. It also relies on collections against at fault drivers who caused the injury and investment income. MAIF’s share of the uninsured motorist penalty fines is a fixed sum, increased annually by the Consumer Price Index (CPI). *Transportation Article §17-106*.

In 2022, MAIF's statutory fine allocation was \$4.3 million and in 2023 was \$4.5 million. This increase resulted from approximately a 4% CPI increase. This funding is proving to be inadequate in light of much higher inflation in the insurance industry, increased claims and reduced collections. HB 1482 would provide much needed additional funding.

In 2023, MAIF's Uninsured Division estimated income totaled \$5.4 million -- \$4.5 million allocation from the fines, approximately \$676,000 in collections and \$232,000 in net investment income. Claims and other expenses total \$8.6 million. The 2023 year-end surplus is negative (\$1.36 million). Without the passage of HB 1482, we project that the surplus deficit will grow in subsequent years.

Funding under current law has not kept pace with increased claims and expenses. Claim payments and provision for anticipated future payments increased by \$2.2 million from \$1.3 million in 2022 to \$3.5 million in 2023. While claims increased \$2.2 million, funding from the fines increased by only by approximately \$173,000.

MAIF's Uninsured Division experience is consistent with general insurance industry trends. Insurance costs have increased much faster than the general inflation level due to increases in claim severity, rising medical costs, increased costs in auto parts due to supply chain issues, and other factors. In fact, the CPI for motor vehicle insurance has averaged 13% over the past 3 years compared to 2.2 % for the CPI used to adjust MAIF's funding. As a result, the funding to the Uninsured Division has not been sufficient and the surplus level has eroded.

While claims and expenses have grown, collections have decreased. High levels of inflation and other economic factors have impacted the ability of uninsured motorists to repay debts to the Uninsured Division, even where we file suit and obtain a judgment. In addition, HB 280 (Ch. 149, 2020) deleted the authority to suspend a driver's license based on an unpaid judgment and this decreased the incentive to repay the Uninsured Division. It is also noteworthy that 50% of the Uninsured Division claim payments were caused by hit and run drivers, so no recovery is available for those payments. These factors have led to decreased collections.

House Bill 1482 would increase MAIF's funding by \$3 million, an amount that is projected to cover anticipated losses in the future. This amount will become part of the annual base funding that will be increased by the CPI, as under current law. This enhanced funding will allow the Uninsured Division to continue to pay claims and maintain a reasonable surplus for the foreseeable future.

For these reasons, the MAIF urges a favorable report.

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