

# **MAIF Testimony Fraser-Hidalgo LH.pdf**

Uploaded by: David Fraser-Hidalgo

Position: FAV

DAVID FRASER-HIDALGO  
Legislative District 15  
Montgomery County

Economic Matters Committee

*Chair*

Property and Casualty Insurance  
Subcommittee



The Maryland House of Delegates  
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## THE MARYLAND HOUSE OF DELEGATES ANNAPOLIS, MARYLAND 21401

Senator Pamela Beidle  
Chairwoman, Senate Finance Committee  
Miller Senate Office Building – 3 East  
Annapolis, MD 21401

Chair Beidle,

I am writing in favor of HB 1482 – Insurance – Maryland Automobile Insurance Fund – Uninsured Driving Penalties.

The Maryland Automobile Insurance Fund (MAIF) was established in 1973 by the Maryland General Assembly with two separate functions. First, to sell automobile liability insurance to Marylanders who are unable to obtain it privately.<sup>1</sup> In order to qualify for insurance from the fund, a driver must have been rejected from at least two private insurers or have had automobile insurance canceled or not renewed by one private auto insurer. The second function of MAIF is the Uninsured Division which administers the state's program to provide financial recovery to Maryland residents who are innocent victims in automobile accidents where there is no collectible insurance.<sup>2</sup> As an independent and non-budgeted agency, the Fund receives no General Funds from the state, meaning current fund assets derive from insurance premiums and uninsured motorists.<sup>3</sup>

In Maryland, all vehicles must be insured at all times by a vehicle insurance company licensed in the state.<sup>4</sup> Recent study from the Insurance Information Institute found that 12.6% of all drivers in the United States have no insurance at all. Approximately 14.1% of Maryland drivers are uninsured.<sup>5</sup> In the case of motor vehicle accidents, uninsured drivers are unable to cover the costs of damages they may have caused in accidents, leaving the financial burden on insured drivers.

HB 1482 alters penalties for failing to maintain certain required security for certain motor vehicles. More specifically, this bill increases the original penalty for uninsured driving to \$200,

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<sup>1</sup> Maryland Automobile Insurance Fund," Maryland State Archives , July 28, 2023, <https://msa.maryland.gov/msa/mdmanual/25ind/html/07autof.html>.

<sup>2</sup> "Resources for Uninsured Marylanders," Maryland Auto Insurance, September 1, 2021, <https://www.mymarylandauto.com/site/resources-for-uninsured-marylanders/>.

<sup>3</sup> Transportation Vehicle Laws, §17-106., (Md.2018).

<sup>4</sup> "Insurance Requirements for Maryland Vehicles ," Maryland Department of Transportation Motor Vehicle Administration, n.d., <https://mva.maryland.gov/vehicles/Pages/insurance-requirements.aspx#:~:text=All%20Maryland%20vehicles%20MUST%20be,for%20%20or%20more%20people.>

<sup>5</sup> "Facts + Statistics: Uninsured Motorists," Insurance Information Institute , 2019, <https://www.iii.org/fact-statistic/facts-statistics-uninsured-motorists>.

followed by a rate of \$10 for each additional day after the 30th day. Additionally, this bill would adjust the amount of the penalties that are required to be paid yearly to the Maryland Auto Insurance Fund. The amount distributed to MAIF shall equal the amount distributed to MAIF in the previous fiscal year, with an additional \$3 million dollars in fiscal year 2025 for the exclusive use of the Uninsured Division.

By passing this bill, we can ensure that victims of automobile accidents are being adequately compensated for their losses. By altering penalties for uninsured drivers, Maryland promotes accountability and encourages people to obtain the necessary insurance coverage to protect themselves and others on our roads.

**MAIF - FAV - HB 1482 - Senate Finance.pdf**

Uploaded by: Dennis Carroll

Position: FAV



**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.

For Information: Sandra Dodson – Government Relations – [sdodson@marylandauto.net](mailto:sdodson@marylandauto.net) – 667-210-5182

**MAIF - FAV - HB 1482 - Senate Finance.pdf**

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Position: FAV



**MARYLAND**  
AUTO INSURANCE

**POSITION ON PROPOSED LEGISLATION**

**Senate Finance Committee:** March 26, 2024

**Position:** Favorable

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**to Senate Finance HB1482 EconAction\_UNF (2024).pdf**

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Position: UNF



**Testimony to Senate Finance Committee**  
**HB1482 Insurance-MAIF-Uninsured Driving Penalties**  
**Position: Unfavorable**

The Honorable Pam Beidle, Chair  
Senate Finance Committee  
3 East, Miller Senate Office building  
Annapolis, MD 21401  
cc: Members, Senate Finance Committee

March 26, 2024

Chair Beidle and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

**We are writing today in opposition to HB1482.**

HB1482 will increase the fines and penalties for driving without insurance from \$150 to \$200 for the initial fine, raise the daily fine from \$7 to \$10, and raise the cap on fines annually by \$1000 from \$2500-\$3500 a year.

A portion of the increased penalties will provide MAIF with more than \$2,00,000 in FY 24 and \$2,500,000 in FY 25.

Fines and fees levied on low-income drivers should not be used as a mechanism to provide additional funding for MAIF. The onus to fund MAIF should not be borne by low-income drivers. MAIF is a quasi-public/private entity that is struggling financially-there are other available methods to address their funding needs that are not regressive.

In 2022, 58% of MAIF policyholders had not had an at-fault accident or a moving violation within the last three years. These drivers were at MAIF because of a lack of a credit history or poor credit scores, a lack of continuous automobile insurance coverage, limited driving experience or an out-of-country license precluding a report that can verify the driving experience and record.

Fines and fees are an ineffective tool to compel low income drivers to maintain their insurance. According to MAIF's March 2, 2023 budget testimony in the House Appropriations Commissioner Redmer noted that low-income drivers are canceling two-three times a year. They are dropping insurance when money is tight and picking it up again when they have money. This is an



affordability problem for most drivers, not a deliberate attempt to avoid insurance. Despite new fines and fees the percentage of uninsured drivers in Maryland has remained relatively static for years. New and costlier fines are not moving the needle on the number of insured drivers.

In 2024 Maryland Auto reported an average policy cost of \$2,800 for their currently enrolled drivers. This far exceeds an affordable price for low-income drivers to pay. Even with the affordability index that Maryland Auto uses and which we endorse, far too many drivers can't afford to buy insurance even in areas where the rates are below-market.

For all of these reasons, we oppose HB 1482 and urge an unfavorable report.

Best,

Marceline White  
Executive Director