

February 6, 2024

The Honorable William C. Smith, Jr.
Chair, Senate Judicial Proceedings
2 East, Miller Senate Office Building
Annapolis MD 21401

***RE: Letter of Support - Senate Bill 254 - Vehicle Laws - Motor Vehicle Insurance
Companies - Requirements***

Dear Chair Smith and Committee Members:

The Maryland Department of Transportation (MDOT) supports Senate Bill 254 as it streamlines insurance verification to reduce the burden on insurance companies, the Motor Vehicle Administration (MVA), law enforcement, and vehicle owners themselves.

Senate Bill 254 requires insurance companies to provide their complete book of business at periodic intervals. It further requires insurers to participate in the MVA's online verification (OLV) system. The periodic transmittal of the book of business will allow the burden of accurate and timely insurance information to be shifted to the MVA in a more efficient manner. At the same time, it will mandate OLV participation that will allow real-time verification of insurance by the MVA and in the future law enforcement to allow for timely enforcement of Maryland insurance coverage laws. These requirements further reduce the frequency of false lapse cases incurred by Marylanders due to inaccurate information provided by their insurance company, reducing burdens on both Maryland vehicle owners and the MVA.

This bill will change the approach of relying on insurance companies to transmit various types of transactions daily to the MVA and substitute what is believed to be a more effective approach of a regular transfer of all policies. The MVA will then match those policies to customer vehicles. Insurance companies will no longer need to report transactional data, which has proven to be inconsistent and leads to false cases being created. Over the years, the MVA has made continual efforts to improve the reliability of insurance information, but there remain legitimate challenges. The current process of relying on several hundred independent, multi-jurisdictional insurance companies to record and transmit accurate data has not resulted in timely customer insurance records and the ability to confirm insurance with greater confidence. Removing the transactional nature of data shared and providing more reliable transmission of the data shared will move all facets of this process to a system less prone to natural human mistakes.

Additionally, the bill requires all insurance companies to participate in the OLV system. This system will allow a search of insurance company records in real time to find if a vehicle is insured at various points in time.

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In fiscal year 2022, a total of 201,549 lapse cases were closed without payment of an uninsured motorist penalty. The most common scenario for case closure without payment of a penalty is proof that the vehicle was insured during the alleged lapse. 156,042 lapse cases were closed in FY22 with proof of vehicle insurance. Almost 70% of insurers participate in OLV, but the remaining non-participants create a problem in preventing false lapse cases through real-time verification. Reducing these cases, which lead to unnecessary inconvenience for customers and subsequent work to ensure companies verify insurance with the MVA after the false lapse case was created, will improve customer service for the MVA and reduce administrative overhead for insurers and the MVA.

Further, the MVA is currently using OLV with those companies currently participating, but this legislation would mandate participation by all companies. With participation mandatory for all insurers with active policies in Maryland, the MVA will be able to use OLV to effectively verify policies in real time during registration transactions. Verification of valid insurance prior to issuance of registration will further reduce the opportunities for lapse case creation on a properly insured vehicle.

For these reasons, the Maryland Department of Transportation respectfully requests the Committee grant Senate Bill 254 a favorable report.

Respectfully submitted,

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