

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 486 (Delegates Krysiak and Feldman)
Economic Matters

Finance

Private Passenger Motor Vehicle Liability Insurance - Coverage for Claims of Family Members

This bill requires a private passenger motor vehicle liability insurance policy to provide, if requested or elected by the first named insured, liability coverage for claims made by a family member in the same amount as the liability coverage for claims made by a nonfamily member under the policy, if the liability coverage under the policy or binder exceeds the statutory minimum coverage. The bill requires an insurer to offer such coverage. An insurer may not refuse to underwrite a first named insured because the first named insured requests or elects the liability coverage for claims made by family members in an amount equaling the amount for nonfamily members. The Insurance Commissioner may suspend, revoke, or deny a certificate to; impose a penalty on; or issue a cease and desist order to an insurer in violation of the bill.

The bill requires the Maryland Insurance Commissioner to study and report on the bill's effect on motor vehicle liability insurance rates by January 10, 2008.

The bill applies to private passenger motor vehicle liability insurance policies and binders issued, delivered, or renewed on or after January 1, 2005.

Fiscal Summary

State Effect: Special fund revenues would increase by an estimated \$25,000 in FY 2005 from the \$125 filing fees for insurers that file forms, rates, and rules to comply with the bill. Potential minimal increase in general fund revenues from the 2% premium tax collected by the Maryland Insurance Administration (MIA) to the extent insurers raise rates because of the bill. Expenditures would not be affected.

Maryland Automobile Insurance Fund (MAIF): Minimal increase in expenditures to inform private passenger policyholders who carry higher limits of the change.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Coverage for family members who make claims against an insured's policy is subject to the State's mandatory minimum limits: (1) \$20,000 per person and \$40,000 per accident for bodily injury; and (2) \$15,000 for property damage.

Background: Chapter 199 of 2001 partially abrogated the doctrine of parent-child immunity. Under Chapter 199, an action between a parent and a child for wrongful death, personal injury, or property damage arising out of the operation of a motor vehicle may not be restricted by the doctrine of parent-child immunity or any insurance policy provisions, up to the State's mandatory minimum coverage limits. In *Bozman v. Bozman*, 376 Md. 461 (2003), the Court of Appeals completely abrogated the doctrine of interspousal tort immunity in Maryland.

MAIF, the State's motor vehicle insurer of last resort, advises that it handles approximately five cases annually that involve parent-child immunity.

State Revenues: Each form and rate/rule filed with MIA is subject to a \$125 filing fee. MIA estimates that 100 insurers would each file one form and a companion rate/rule because of the bill. Based on that estimate, special fund revenues to MIA would increase by \$25,000 in fiscal 2005.

Additional Information

Prior Introductions: Similar bills were introduced in the 2003, 2002, 2001, and 2000 sessions. In 2003, SB 517 was amended and passed third reading in the Senate. It was referred to the Rules Committee and later the Economic Matters Committee in the House. HB 502 was also introduced in 2003 and was referred to the House Economic Matters Committee. Both bills were voted favorably by Economic Matters but were not reported to the floor before the General Assembly adjourned *sine die*. In 2002, HB 633 was amended and passed third reading in the House. It was amended again in the Senate and passed third reading; however, no conference committee met before the General Assembly adjourned *sine die*. SB 273 of 2002 was heard in the Senate Finance Committee, where no further action was taken. In 2001, SB 349 passed third reading in the Senate and received an unfavorable report from the House Economic Matters

Committee. In 2000, SB 596 and HB 883 received unfavorable reports from the Senate Finance Committee and the House Economic Matters Committee, respectively.

Cross File: SB 460 (Senator Gladden, *et al.*) – Finance.

Information Source(s): Maryland Automobile Insurance Fund, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2004
lc/ljm Revised - House Third Reader - April 12, 2004

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510