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REPORT OF THE TASK FORCE ON MARYLAND AUTOMOBILE INSURANCE

December, 1984

ANNAPOLIS, MARYLAND

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General Assembly of Maryland
TASK FORCE ON MARYLAND AUTOMOBILE INSURANCE
Room 118
LEGISLATIVE SERVICES BUILDING
90 STATE CIRCLE
ANNAPOLIS, MARYLAND 21401-1991

December 4, 1984

The Honorable Harry Hughes, Governor
The Honorable Melvin A. Steinberg, President of the Senate
The Honorable Benjamin L. Cardin, Speaker of the House of Delegates
All Members of the Legislative Policy Committee

Ladies & Gentlemen:

On May 25, 1984 the Legislative Policy Committee created the Maryland Automobile Insurance Task Force. The charge stated "the Task Force is to give particular emphasis to whether changes to existing laws are required to ensure the continuing viability of the Maryland Automobile Insurance Fund, or whether private insurers should replace the Fund. The Task Force is also charged with reviewing the problems associated with the recent number of motorists who do not carry automobile insurance coverages as required by State law."

The goal of the Task Force was to be in a position to recommend to the 1985 General Assembly realistic proposals, including any legislation, to address the concerns all of us share concerning the enforcement and enhancement of State laws to deal with high risk motorists and those who are driving without legally mandated automobile insurance.

After conducting at least twelve public meetings and hearings from June 5 through December 4, 1984 (exclusive of informal and related subcommittee meetings), the Task Force hereby recommends the following legislative and administrative changes:

ADMINISTRATIVE PROPOSAL

Recommendation #1:

That the General Assembly support an increase of a minimum of ten new positions in the Motor Vehicle Administration's Investigation Division.

BALTIMORE: 841-3852 TTY for deaf- ANNAPOLIS: 841-3814 . D.C. METRO: 858-3814 WASHINGTON: 858:3852

LEGISLATIVE PROPOSAL (Line references are to the enclosed bill)

Recommendation #2: (Lines 189 - 192)

Clarifying the Insurance Commissioner's authority in approving rates of the Maryland Automobile Insurance Fund in accordance with the Fund's statutory purpose as an insurer of the last resort.

Recommendation #3 (Line 216)

Reducing MAIF's maximum permissible assessment from 4 percent to 3 percent, thereby limiting maximum potential consumer cost.

Recommendation #4: (Lines 252 - 275)

Codifying the existing regulatory requirement that insurers fully disclose the recoupment charge on individual policyholder billings.

Recommendation #5: (Lines 276 - 284)

Establishing a regulatory provision for insurers or agents for noncompliance with the insurance verification laws.

Recommendation #6: (Line 298)

Increasing the per diem penalty assessed against a motorist for failing to maintain required security from $2 to $5.

Recommendation #7: (Line 312 - 313)

Restricting registration privileges for anyone failing to pay the fines assessed under the Act.

Recommendation #8: (Lines 315 - 330)

Providing that monetary penalties assessed under this Act may not be avoided by transferring the title to the vehicle.

Recommendation #9: (Lines 338 - 364)

Refining existing procedures for identifying uninsured motorists in order to minimize the burden on the general motoring public.

Recommendation #10: (Lines 366 - 473)

Establishing certain presumptions and procedural rights with respect to determination of noncompliance with the compulsory insurance laws, and clarifying the period for which a penalty may be assessed.

The Task Force strongly believes that the above recommendations form an integrated approach which will achieve maximum cost-effectiveness for the insurance consuming public together with the highest degree of effective enforcement of the law.

The Chairman is deeply indebted to the members and staff of the Task Force for their commitment of time and effort in accomplishing the charge set forth by the Legislature.

Casper R. Taylor, Jr., Chairman
Maryland Automobile Insurance Task Force

MEMBERSHIP

TASK FORCE ON MARYLAND AUTOMOBILE INSURANCE

Senator Troy F. Brailey
2405 Baker Street
Baltimore, MD 21216
Phone: 669-7124

Jay S. Bernstein
Attorney at Law
Suite 1201
8728 Colesville Road
Silver Spring, MD 20910
Phone: 587-1000

Senator Jerome F.Connell, Sr.
5 Central Avenue
Glen Burnie, MD 21061
Phone: 761-2430

Senator George W. Della
801 Light Street
Baltimore, Maryland 21230
Phone 244-8400

Mr. Frederick L. Dewberry
Secretary, Department of
Licensing and Regulation
501 St. Paul Place
Baltimore, MD 21202
Phone: 659-6200

Leo W. Doyle, Esquire
National Association of
Independent Insurers
12 Francis Street
Annapolis, MD 21401
Phone: 268-8055

Delegate Richard Dixon
Non-voting observer/Committee
on Appropriations
1224 Western Chapel Road
New Windsor, MD 21776
Phone: 462-3400

Vincent H. Howley, Executive Director
Maryland Automobile Insurance Fund
1750 Forest Drive
Annapolis, MD 21401
Phone: 269-1680

Mati Koiva, Administrator
Motor Vehicle Administration
6601 Ritchie Highway, N.E.
Glen Burnie, MD 21062
Phone: 768-7000

Mr. John Morley
Independent Insurance Agents
of Maryland, Inc.
105 W. Chesapeake Avenue
Towson, MD 21204
Phone: 296-8585

Mr. Stuart G. Morris
Self-Emplolyed
6 St. Andrew Road
Severna Park, MD 21146
Phone: 987-5332

Edward J. Muhl
Commissioner of Insurance
501 St. Paul Place
Baltimore, MD 21202
Phone: 659-3000

Paul M. Nussbaum, Esq.
Reichelt, Nussbaum & Brown
Suite 1000
7500 Greenway Center Drive
P.O. Box 627
Greenbelt, MD 20770
Phone: 474-9000

Delegate Nathaniel T. Oaks
4811 Liberty Heights
Baltimore, MD 21207
Phone: 367-3200

Bryson F. Popham, Esq.
Professional Insurance Agents
Association of Pa., Md., & Del.
10605 Concord Street
Kensington, MD 20795
Phone: 933-6100

H. Morton Rosen, Esq.
Rosen-Esterson
Green Building
211 St. Paul Place
Baltimore, MD 21202
Phone: 539-0606

Joseph A. Schwartz, III, Esq.
Brocato, Schwartz & Keelty
Suite 1402
Fidelity Building
210 N. Charles Street
Baltimore, MD 21201
Phone: 752-6818

Delegate Patricia R. Sher
1916 Rookwood Road
Silver Spring, MD 20910
Phone: 589-7188

Delegate Casper R. Taylor, Jr.
Chairman, MAIF Task Force
316 Prince George's Street
Cumberland, MD 21502
Phone: 724-9234

Thomas J. Wohlgemuth, Esq.
State Farm Insurance Companies
190 Duke of Gloucester Street
Annapolis, MD 21401
Phone: 263-2644

General Assembly of Maryland
TASK FORCE ON MARYLAND AUTOMOBILE INSURANCE
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The Honorable Harry Hughes, Governor
The Honorable Melvin A. Steinberg, President of the Senate
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All Members of the Legislative Policy Committee

The cost of automobile accidents is high, whether it be measured in lives lost, injuries inflicted, or damage to property. The physical suffering and the monetary loss of the victims of automobile accidents has been exacerbated by situations where one or more of the parties involved turned out to be uninsured.

Maryland has traditionally recognized this problem and has for some years required that all registered vehicles be insured in the hope that compulsory insurance laws would minimize the burdens on society caused by the uninsured motorist. In addition, the Maryland General Assembly created the Maryland Automobile Insurance Fund (MAIF) to provide policies for those motorists who cannot obtain insurance from private insurers and would otherwise go uninsured. The Fund also provides recovery for persons who have been victimized by an uninsured motorist and who have no other recourse.

However, Maryland's compulsory insurance laws have not worked as well as hoped. Currently, it is estimated that the percentage of uninsured vehicles in the State ranges from 3 percent to 10 percent of those registered. This works out to between 90,000 and 300,000 uninsured vehicles of the little over 3 million vehicles registered in Maryland.

In addition, the losses caused by MAIF policyholders and by uninsured motorists have caused MAIF to incur increased aggregate deficits currently totalling over $38,000,000 from 1974 to 1983. These deficits have in turn increased the statutory surcharge imposed on each automobile insurance policy in the State from an average of $3 to over $13 per year.[1]

These alarming statistics prompted the Legislative Policy Committee to establish the Maryland Automobile Insurance Task Force at the beginning of the 1984 Interim to study ways of minimizing the number of uninsured motorists and assuring the solvency of MAIF.

MARYLAND AUTOMOBILE INSURANCE FUND

With the creation of the Maryland Automobile Insurance Fund in 1972, the State of Maryland made a commitment to provide automobile insurance policies to persons whose poor accident and driving records make it impossible or extremely expensive for them to obtain insurance from private insurers. In addition, claims may be made against the Fund to the extent that the claim is not covered by other insurance if the claimant has been injured by an uninsured motorists.

Rate Structure

MAIF has proven to be essential for the successful operation of the mandatory insurance laws by providing the high risk driver with an insurer of last resort.[2] MAIF prevents high risk drivers from becoming uninsured merely because of the expense or unavailability of privately written policies.[3] By providing affordable rates to high risk drivers, MAIF functions as a safeguard against an increasing uninsured motorists population. This in turn lowers the rates of all private insurers because these insurers do not have to pass on to their policyholders losses caused by accidents involving uninsured motorists and their own policyholders.

Recommendation #2:

The fact that certain MAIF rates are lower than those offered by substandard market insurers has caused some concern in the Task Force. Under Article 48A, Subsection 242, the Insurance Commissioner is required to approve only those rates which, among other criteria, are not inadequate. In September of 1983, the Insurance Commissioner found that some rates charged to MAIF policyholders did not adequately reflect the losses to the Fund chargeable to those policyholders. As a result the Commissioner ordered MAIF to increase its rates to adequate levels in all State markets. MAIF has now increased its rates to adequate levels in all markets except those in some metropolitan areas where rates are still inadequate.[4]

However, the increase in MAIF rates had an unfortunate but predictable effect on the number of policies written by the Fund. MAIF experienced a 32.5% loss in the number of policies written in the State subsequent to the rate rise. Even with MAIF rates equal to or higher than those of residual market insurers in all jurisdictions except some metropolitan areas, many policyholders looked elsewhere for cheaper insurance. Many persons who cancelled their MAIF policies chose to become uninsured.

For example, in Baltimore City, where MAIF rates are still lower than those of substandard market insurers, the Fund suffered a one-third loss in the number of policies. At a hearing at which representatives of substandard market insurers testified, it became clear that many persons insured by the Fund could not afford the new rates; while substandard insurers only write 10% of high risk auto insurance in Baltimore City, they did not experience a commensurate increase in business which would account for the number of policies lost by MAIF.

In examining the problem, the Task Force found that there has been a decrease in the Fund's share of the insurance market in the past few years. (See Appendix 5). While more innovative underwriting mechanisms by private insurers are undoutedly responsible for part of this decrease, the Task Force found that because substandard market insurers operate principally in the non-urban areas such as the Eastern Shore and Western Maryland (See Appendix 6), the bulk of the high-risk insurance written in urban areas is written by MAIF. In addition, because the concentration of vehicles and traffic is higher in urban areas, the Task Force found that the incidence in loss was greater in areas such as metropolitan Baltimore. Thus, it is clear, not only that a loss in the number of MAIF policies means that proportionately more urban drivers are going uninsured, but also that these drivers are the higher risks which MAIF was set up to insure. However, if MAIF were to charge rates in metropolitan Baltimore which were commensurate with its losses in that area, it could undoubtedly cause even more of these high risks to become uninsured.

The loss in the number of MAIF policies, especially in metropolitan areas, has concerned the Task Force greatly because it appears to indicate that MAIF rates must not only be at a high enough level to cover losses but also low enough to induce the high risk driver who cannot otherwise obtain insurance to buy insurance from the Fund rather than go uninsured. The Task Force has found that the demand of the worst-risk drivers for auto insurance is highly elastic. While most of these drivers will obtain insurance at "affordable" rates, they will not buy insurance if the rates exceed voluntary (i.e. non-high risk) private rates by a great amount. This elasticity of demand may result from the fact that many of the worst-risk drivers insured by MAIF are of lower income groups and, therefore, cannot afford the rates charged by private substandard insurers.

In an effort to strike a balance between adequacy and affordability of MAIF rates, the Task Force examined the provisions of Article 48A which deal with the establishment of MAIF rates. Section 242(c), made applicable to MAIF by Section 243C(a), requires of all insurers that their rates "shall not be inadequate." Sections 243A and 243M, applicable solely to MAIF, provide nevertheless that MAIF's annual losses (i.e., in excess of premium and other revenues) may be offset by an annual insufficiency assessment. Section 243N(d) encapsulates this dichotomy. While it prohibits MAIF from taking "into

consideration such amounts received or any funds remaining in the insufficiency assessment reserve fund account for rate-making purposes," it does not prohibit MAIF from taking into account in its rate-making the fact that the legislature has established an insufficiency assessment mechanism. The legislative history of the insufficiency assessment shows a continuing, clear, but statutorily unexpressed legislative policy for the affordability of MAIF rates. Likewise, the administrative and regulatory interpretation of these provisions have consistently evidenced similar policy concerns. The result has left us with statutory provisions working at cross purposes.

However, if MAIF is to fulfill its statutory purpose of providing insurance for those persons who would otherwise remain uninsured, its rates must be affordable to that very population group which it is intended to serve. If requiring MAIF to have rates which are adequate in all geographical markets contributes to a substantial decrease in the number of MAIF policies and an increase in uninsured motorists, then MAIF cannot accomplish its mission as an adjunct to the State's mandatory insurance laws. Because the Fund, unlike private insurers, has to underwrite each person who qualifies to be insured by it, MAIF cannot be expected to recover all the losses caused by its policyholders without charging extremely high rates. For this reason, the Task Force believes that the Fund should not be required to charge rates which are adequate in all regions if that adequacy impedes the Fund's statutory purposes as listed in Article 48A, §243A, §243B, and §243M.

The Task Force recommends that Article 48A, §243C be amended to allow the Insurance Commissioner, in reviewing proposed MAIF rates, to consider the Fund's statutory purposes in addition to the rating principles set forth in §242(c) (i.e. adequacy). In this way, the adequacy of MAIF rates can be weighed against their affordability so that MAIF can reduce losses by the Fund through its policyholders while at the same time retaining those policyholders who would otherwise go uninsured.

MAIF Assessment

Recommendation #3:

The accumulated deficits suffered by MAIF from its policyholders and from uninsured motorist claims have in past years amounted to $38,000,000 since 1974. Though this figure seems large, it is by no means excessive when compared with similar losses suffered by MAIF-equivalent mechanisms in other Atlantic states (Table A, Appendix 4). For example, the cumulative statutory deficit for Massachusetts is $1.155 billion; for New Jersey, it is $1.449 billion; for New York, it is $436 million; for Pennsylvania, it is $320 million; for North Carolina, it is $166 million and so on. It is clear that, as a residual market loss,

the cumulative MAIF deficit is small in relation to the seas of red ink in states such as Massachusetts and New Jersey. However, such operating losses create cash flow problems for the Fund which, in turn, cause an increase in the insufficiency assessment charged against insurers.

Currently, the insufficiency assessment allocation percentage charged against all insurers under §243M(d) may not exceed 4% (See footnote 5). In other words, all insurers may be charged for the most recent MAIF operating losses up to 4% of the total of aggregate net direct written premiums written by those insurers and MAIF; each insurer is then charged a pro rata share of the total insufficiency assessment.

Before 1983, the insufficiency assessment was calculated on a prospective basis; the Executive Director would submit an estimate of the projected insufficiency for the current year; the assessment in turn was based on this estimate. The use of an estimated operating loss was not a very accurate way of calculating the assessment and could result in surpluses or deficits in a given year. In 1983, the Maryland General Assembly enacted Chapter 617 which required that the assessment be calculated retroactively on the basis of the actual operating loss experienced by the Fund in order to provide a more effective way of calculating the assessment and minimizing its size.

Traditionally, the insufficiency allocation percentage has hovered around 2% and has in no event exceeded 2.5%. Notwithstanding the fact that this percentage has remained well below the statutory maximum, the Task Force is concerned that even with Chapter 617, further increase in MAIF operating losses may cause correspondent increases in the insufficiency assessment allocation percentage beyond 2.5%. Even with the proposed amendment to Section 243C(a)(affordability), it is possible that future increases in MAIF rates will prompt even more people to become uninsured; thus, causing operating losses from increased uninsured motorist claims and loss of premium income. Conversely, if MAIF rates are affordable, but slightly inadequate, they will also result in an operating loss.[6] Either of these scenarios could cause operating losses which could increase the assessment percentage.

For this reason, the Task Force recommends that the maximum insufficiency assessment allocation percentage be lowered from 4% to 3%, in order to minimize the risk of increasing assessments. The Task Force feels that if MAIF's operating losses cause the assessment percentage to reach 3%, it is an indication that the Fund's rates may have to be increased to minimize the assessment in the coming year.

Recommendation #4:

In addition, it must be remembered that the cost of insufficiency assessment may be currently passed through by an insurer to its policy holders. Under current insurance regulations, an insurer may either (1) absorb the cost of the assessment; (2) include the assessment as a

cost in future rate filings; or (3) pass through directly to the policyholder the cost of the assessment. However, if the insurer elects the last course, the pass through must be itemized on the policyholders' premium billing. The vast majority of insurers chose the third alternative.

The requirement that a pass-through of the assessment must be identified serves several useful purposes:

1. Maryland, unlike many states has always required full and complete disclosure to the public which bears the cost of assessment.

2. The Maryland Automobile Insurance Fund's assessment has remained substantially below that in other states which do not disclose this assessment. Maryland's full disclosure policy regularly and routinely encourages MAIF, the Insurance Commissioner, and the Legislature, to focus on MAIF's operations and to encourage its continued effectiveness and efficiency.

3. Full disclosure will insure that MAIF assessments are not "hidden" and thus not allowed to rise to unacceptable levels.

4. Disclosure encourages MVA's efforts to identify and fine the violators of the compulsory insurance law since the administrative fine revenue is dedicated to the MVA and MAIF.

However, the Task Force realizes that though the current Insurance Commissioner strongly supports the notice regulation, the regulation could be rescinded by a future Insurance Commissioner. For this reason, the Task Force recommends that this regulation be amended and codified and thus provide the public with easier access to its provisions.

ENFORCEMENT OF MANDATORY INSURANCE LAWS

It is an oft-repeated axiom that a law which is not enforced is as good as no law at all. Maryland's mandatory automobile insurance laws are an expression of the State policy that an insured motoring public is better protected from the losses caused by automobile accidents than an uninsured one. However, regardless of the loftiness of the goals of a State policy, such a policy will be ineffective if the law does not contain adequate penalties for noncompliance and the State does not enthusiastically enforce those penalties.

The adequate enforcement of Maryland's mandatory insurance laws has become a protracted struggle to identify and penalize those persons

who drive uninsured. It has been estimated that there are between 90,000 and 300,000 uninsured vehicles on Maryland roads, comprising 3% to 10% of the total number of vehicles registered in the State. The General Assembly, fearing that the Motor Vehicle Administration (MVA) did not have adequate enforcement tools at its disposal, enacted Chapter 617 (H.B. 633) during the 1983 Session, which created an Insurance Verification Program to identify uninsured motorists and increased the penalties for driving without insurance.

Insurance Verification Program

The Insurance Verification Program consists of the following provisions:

1) Random Sampling

The Motor Vehicle Administration is to obtain a random sample consisting of at least 10% of all vehicle registrations subject to a security requirement within the State and verify whether the vehicles sampled are insured according to law. Each owner of a vehicle selected for verification must submit proof of insurance within 30 days of the receipt of the notice from MVA. The proof must be on a form prescribed by the MVA and must be certified by an insurer or agent. If the proof of insurance is not submitted within 30 days by owner of the vehicle, the failure to comply is *prima facie* evidence that the vehicle is uninsured. In such a case, the MVA is empowered to impose any sanctions allowed by law against the owner of the vehicle. (Appendix 7)

2) Sanctions Against Uninsured Motorists

Prior to 1983, Maryland law required that if the required security for a vehicle terminated or lapsed at any time, the registration of that vehicle would be suspended automatically as of the date of the termination or lapse and would remain suspended until the required security was replaced. Chapter 617 added the additional condition that the registration would remain suspended until the owner submits proof of insurance on a prescribed form and has the proof certified by an insurer or agent.

Before 1983, the MVA was empowered to assess the owner of a vehicle a fine of up to $100 for each vehicle found to be uninsured; the average fine assessed was actually $60. Chapter 617 altered the fine to $100 for the first 30 days the vehicle is uninsured and beginning with the 31st day, $2 for each additional day the vehicle is uninsured. In addition, 5 points may be assessed against a motorist's driving record upon conviction by a court for driving without insurance.

3) Other Situations Requiring Submission Of Proof of Insurance

Chapter 617 also provided that a person must provide proof of insurance on a prescribed form and certified by an insurer or agent when the person attends a conference or hearing as a result of point accumulation, or for license suspension or revocation, and where the person has been issued a safety equipment order.

Finally, an insurer must provide prompt notice of a cancellation or lapse of insurance where the cancellation or lapse is final and occurs within the first six months of the issuance of the policy.

The Insurance Verification Program's first random sample was undertaken in April and May of this year when 280,931 insurance verification requests were mailed out to vehicle owners. Of these, 232,209 were verified as being insured. A further 29,432 vehicles were found not to be subject to proof of insurance coverage or a penalty fee since the vehicle either was not currently registered, was moved out of the State, changed ownership or was junked. The remaining 19,290 vehicles were either found to be uninsured or did not respond to the insurance verification request and thus are presumed under the law to be uninsured. Action to suspend the registrations of those presumed to be uninsured is being taken; the Investigation Division of the MVA is currently picking up the tags or obtaining evidence of security for these vehicles.

Another program requires the submission of proof of required security when the vehicle is subject to an automotive safety repair order. Of the safety repair orders issued by State and local law enforcement agencies throughout Maryland from December, 1983 through September, 1984, 67,794 were referred to MVA's Financial Responsibility Division by the Automotive Safety Enforcement Division of the Maryland State Police for non-compliance with the insurance verification requirement. Verification of insurance was received for 40,811 vehicles. The remaining 26,983 have either been found to be uninsured or have not responded and are presumed to be uninsured.

The MVA also received 309,649 cancellation notices from insurers for cases where the insured cancelled coverage within six months. Of these, 42,448 vehicles were found not to be continuously insured.

It is clear that the Insurance Verification Program has finally put some teeth into the enforcement of the mandatory automobile insurance laws. As a result of the first year of implementation, the MVA has collected nearly twice the amount of penalty fees as the year before and has managed to increase the risk to an uninsured driver of being caught (Appendix 8). However, the implementation of the Program also

highlighted some areas of concern which the Task Force has sought to remedy (Appendix 9). These areas of concern are treated below under separate headings.

Implementation Problems Of Verification Program

Of the insurance verification requests which have been processed by the Financial Responsibility Division of the MVA, the majority have been completed correctly and show that the majority of vehicle owners examined have in fact been continously insured. However, a few respondents did not enclose the appropriate forms with their response or did not have their verification of insurance certified by an insurer or agent.

In other cases, the insurer or agent certified only that the vehicle owner was insured on the notice date. The law requires that there be certification to show continuous coverage from the notice date through the current date. The MVA has taken steps to insure that clear instructions accompany the insurance verification requests so that both the vehicle owner and the insurer or agent are aware of exactly what information is required.

Some vehicle owners have complained about the implementation of the insurance verification program right after the latest tag renewal period which ended on March 31, 1984; however, the program was delayed until that date because of start-up difficulties. Because the Program is based on random sampling, the MVA could not use the insurance information from the most recent registration renewal period as proof of insurance but had to make a separate sample of the entire vehicle population. On recommendation of the Task Force, the MVA, this year, began taking the 10% sample over a 9 month period running from September through June. In this way, the sample is more accurate and the burden on the public and insurers is less.

Many people complained that the insurance verification request letter was unduly harsh, stating that failure to respond would result in suspension of vehicle registration or the assessment of penalty fees. The MVA originally drafted the request letter by closely following the letter of the law; however, the letter did not fully explain the nature and purpose of the Verification Program. In response to the Task Force's request, the MVA has redrafted the request letter to include references to the purpose of the Program and to refer to the economic benefit to all motorists of compliance with Maryland's automobile insurance laws (Appendix 10).

Finally, the Task Force discovered that some agents were illegally charging a fee to certify that their client was insured. The MVA, on the Task Force's recommendation, has included language in the insurance verification request which informs the vehicle owner that completion of the certification of insurance must be made free of

charge. The Insurance Commissioner, also on the Task Force's request, has issued an order which makes it clear that charging a fee for verification is a violation of the Insurance Code and will be prosecuted by his office.

Negative Verification

Recommendations #5 & #9

Many Maryland vehicle owners have complained that the Verification Program is merely an additional burden on them because they have already certified on their registration card that they are insured and with whom. While it is true that most persons who certify on their registrations are continously insured throughout the year, the Verification Program was not designed merely to inconvenience these persons. Instead, it was designed to detect those persons who cancel their insurance after six months (thus avoiding being reported by the insurance company) and remain uninsured.

However, the Task Force has been very concerned that the effort to detect and prosecute the uninsured motorist should not unduly burden those of the general public who are insured. In response to complaints from the public, the Task Force set up a Technical Ad Hoc Subcommittee to examine whether other less burdensome verification methods could be used. After receiving the Subcommittee's report (Appendix 11), the Task Force proposed a "negative" verification program to improve the current verification program. Under this proposal, the MVA would select a 10% sample of registrations and note the insurance information on the registration cards. The sample would be divided into at least ten monthly mailings. The MVA would compile a computer generated list of the insureds by company; the insurance company would then be requested to verify coverage and advise the MVA of those who are not insured. Those individuals not verified will be asked to provide proof of insurance. A pilot test of this proposal will be conducted later this year. While the obvious advantage of a "negative" verification system is to minimize the burden on the law abiding public, it also has the potential of expediting the processing of insurance verification; thus, saving money for insurers and the MVA in the long term.

Therefore, the Task Force recommends that §17-108(a) of the Transportation Article be amended to require that the MVA institute a negative verification program to supplement the current insurance verification program. Under this amendment, the vehicle owner's agent or insurer would be required to verify within 30 days to the MVA that the owner's vehicle is not insured. The vehicle owner is asked to submit proof of insurance only if the owner's insurer or agent certifies that the owner's vehicle is not insured or if the MVA cannot determine from its record the name of the owner's insurer or agent or

the number of the owner's insurance policy. The owner must then in turn submit proof within 30 days as currently required by law.

Enforcement

Probably the most critical aspect of the Insurance Verification Program is adequate enforcement of the penalties against violators of the mandatory insurance laws. Without enforcement, the Program and the laws it is designed to implement would be ineffective. The Task Force examined all aspects of enforcement of the Program and found some areas in which enforcement was not legally or practically possible.

Recommendations #6 and #7:

The first area of concern was whether the fine structure was an adequate deterrent to uninsured motorists. While the revenue from penalty fees has almost doubled in the first year of implementation of the Verification Program (Appendix 8); it is not clear that the maximum yearly fine of $770 can deter a person who is considering driving uninsured, especially in light of the fact that the yearly premium for a high risk driver may be well above that figure.

The Task Force feels strongly that the maximum yearly fine should at least equal the yearly premium charged to a high risk driver. However, in light of the large increase in fine revenue already experienced, the Task Force feels that the penalty fee structure should only be increased to the extent necessary to equalize the yearly fine with a yearly premium. Therefore, the Task Force recommends that §17-106(e)(1) be amended to increase the current per diem penalty from $2 to $5 for each day after the first 30 days that the vehicle is uninsured. The initial penalty fee of $100 for the first 30 days that the vehicle is uninsured should be left unchanged. To encourage payment of the penalty fee, the Task Force also recommends that the vehicle owner may not be issued any new registration until the fee is paid.

Recommendation #10:

A second area of concern is the date from which the penalty fee begins to run. The MVA, in response to advice from in-house counsel, has charged the penalty fee from the date of the verification notice on the grounds tht it had received no explicit authority to charge the fine from the date the vehicle became uninsured. The Task Force disagreed with this procedure on the grounds that when the vehicle owner certified on the back of his registration card that he is insured, any later lapse in required security should be penalized for its entire duration within that registration year. The Task Force then requested a letter of advice from the Office of the Attorney General on this issue. To everyone's dismay, the Attorney General disagreed with both the above interpretations of the law and indicated instead that the MVA can penalize a vehicle owner only at the end of the 30 day period which the owner has to respond to the random verification request.

In keeping with its view that the penalty fee should cover any period that a vehicle is uninsured within the current registration year, the Task Force recommends that §17-108, §17-109, and §17-110 of the Transportation Article be amended to clearly establish a legal presumption that a vehicle has been uninsured since the most recent date of registration if the vehicle owner either fails to respond to the insurance verification request or fails to prove coverage on dates certain (except in the case of a hearing, in which case the owner has to prove continuous coverage). Also, the MVA would be given the express power to assess a penalty fee for the entire period the vehicle was uninsured within a maximum period of 3 years. While the proposed legislation allows the vehicle owner to rebut the presumption, it also makes clear the intent of the General Assembly that the offense with which the Insurance Verification Program is concerned is driving without insurance and that, therefore, the penalty fee should be assessed for any period without the required security up to 3 years.

Recommendation #8:

Thirdly, some motorists have avoided paying the penalty fee assessed against them by transferring the vehicle to a family member. The Task Force recommends that §17-106(e) of the Transportation Article be amended to provide that the penalty fee cannot be avoided by a transfer in title and that any suspension in the vehicle's registration will remain in effect even after the transfer until the penalties are paid.

Recommendation #1

Another issue is that the MVA only has sixty investigators available to pick up the tags of vehicles whose registrations have been suspended under the Program; furthermore, the pick-up of tags is only one of the many duties of these investigators. The Task Force is concerned that a lack of personnel will hamper enforcement and has requested that the MVA allocate the revenue derived from penalty fees under the Verification Program to the expansion of enforcement personnel. In addition, the Task Force has requested that the Senate Budget and Taxation Committee and the House Appropriations Committee consider an increase in funding for the MVA for enforcement purposes.

The Task Force strongly believes that the availability of investigators within the MVA is crucial to enforcement of the insurance verification program. If the program is to succeed, the MVA must be capable of removing the license plates from those vehicles which have had their registrations suspended because the owner has not maintained the required security. Mere suspension of registrations without the removal of tags will not sufficiently deter that segment of the public which now drives uninsured despite the suspension.

Therefore, the Task Force recommends that the General Assembly support an increase of 20, but not less than 10, new positions in the MVA's Investigation Division. These added positions would give the MVA the manpower to better enforce the insurance verification program and the compulsory insurance laws.

Computerization

A final issue considered by the Task Force is the computerization of the MVA, especially of insurance information on registration cards and responses to the Insurance Verification Program. The Task Force expressed an interest in computerizing the entire program if that cost may be kept down and effectiveness may be increased. The Task Force has asked that the Department of Transportation proceed with all haste towards computerization and that a data system be set up which can handle a negative verification program. However, the Task Force has refrained from recommending any legislative action on this issue only because of the strong assurances given to the Task Force by Secretary of Transportation William K. Hellman that computerization of the MVA is a high priority of the Department and that a feasibility study of the computerized needs of the MVA has already begun. (See Appendix 12). When this study is complete, the Task Force recommends that the General Assembly examine it in detail and encourage the development of an electronic data system within the MVA.

OTHER INSURANCE ISSUES EXAMINED

Unfair Claims Settlement Practices

One of the agenda items that this task force addressed was the concept of an Unfair Claims Settlement Practice Act that would be added to the provisions of the Insurance Code. Insurance Commissioner Muhl advised that he has requested such a proposal to be submitted as departmental legislation for consideration in the 1985 term of the General Assembly.

This particular item, although of interest to this Task Force, should stand alone and separate from other agenda items which address certain resolutions involving the Maryland Automobile Insurance Fund. Therefore, reference is made in this report that the majority of the members of this task force endorse the concept of an Unfair Claims Settlement Practice Act.

Minimum Mandatory Insurance Coverage

Currently, a vehicle owner is required to insure each vehicle owned by him for a minimum of $20,000 per individual for bodily injury, $40,000 per accident for bodily injury, and $10,000 per accident for property damage. In addition, the owner must maintain uninsured motorist

coverage at the same levels and must carry $2,500 in Personal Injury Protection (PIP).

The issue of increasing the various mandatory minimum insurance coverages was brought to the Task Force by various legislators. As the issue was being discussed, it became apparent that many members were concerned about the effect of increasing mandatory minimums would have on insurance rates as a whole. It is known that an increase in mandatory minimums generally pushes up the price of insurance to the public. Also, after reviewing the relationship of Maryland mandatory minimums to those in other states, the Task Force found the Maryland minimums to be in the mainstream of nationwide required coverages (Appendix 13). However, the Task Force has concluded that while the issue was not unimportant, it was not within the purview of the charge received by the Legislative Policy Committee. Therefore, this issue was not examined further by the Task Force.

Personal Injury Protection (PIP)

The Task Force also studied whether Personal Injury Protection (PIP) should remain mandatory or become fully or partially optional at the election of the policyholder. The question deliberated by the Task Force was whether the benefits produced outweighed the attendant costs. The Task Force reached a concensus that this was a matter that should not be addressed as a Task Force recommendation.

Repeal of Compulsory Insurance Laws

The Task Force also examined a proposal to repeal the compulsory insurance law in Maryland. The argument for the proposal is that a compulsory insurance law can never be fully enforced and that insurance costs will decrease when insurers do not have to insure bad risks. However, the Task Force was of the opinion that these arguments were not sufficient to overturn a system which encourages vehicle owners to become insured and thus provides an adequate remedy for all persons in the State. In addition, the Task Force believes that in light of the proposed omnibus bill which this report addresses, the compulsory insurance laws could be effectively enforced. Therefore, the Task Force voted to reject the proposal to repeal the compulsory insurance law.

Casper R. Taylor, Jr., Chairman
Maryland Automobile Insurance Task Force

FOOTNOTES TO TEXT

[1] While the increase in the dollar amount of the MAIF assessment charged to each policy has increased, it must be remembered that the statutory deficit per MAIF insured vehicle in Maryland is lower than similar deficits in most other industrialized Atlantic Coast States (See Table A, Appendix 1). This, in turn, lowers the cost of the MAIF losses to all other privately insured vehicles which contribute a yearly assessment. (See Table B, Appendix 1).

[2] It must be noted that the term "high-risk" driver does not necessarily mean that the person is a "bad driver." The term "high risk" really refers to the characteristics of the driver which may place that driver in a particular rating group; it does not mean that the person has had any accidents or has a bad driving record. For example, one category of high risk drivers is single, 21 year old males who drive a sports car. These factors can be proven to create a statistically greater risk to an insurer than an average driver. The presence of a bad driving record is merely an added consideration.

[3] The following is a sample of the annual rates charged a married 45 year old male by various types of insurers:

	State Farm (non-high risk)	Progressive (high-risk insurer)	MAIF (residual market insurer-high risk)
Balto. City	$384	$1,311	$801
Western MD	$169	$ 515	$477

NOTE: These figures are approximations, due to the broad nature of the category used. The rates are pure premium rates and do not take into account other charges which may increase the total insurance cost.

It must be noted that the non-standard market insurers often write policies on a one-month basis; therefore, the yearly rates for some non-standard market insurers have been obtained by multiplying the monthly rate by 12 and thus may appear to be higher than they would be if actually written on a yearly basis. Also, while MAIF rates may appear low for the particular type of risk listed in the appendix, MAIF, unlike private substandard market insurers, cannot refuse a risk even if that person does not comply with underwriting standards. Because of this, MAIF rates may be much higher than those listed in the table for a person who is not only a high risk but also has a very poor driving record.

For a more complete rate table, see Appendix 2.

[4] See Appendix 3. Also, as can be seen in Table B, Appendix 4, even if MAIF rates are not entirely adequate to cover the risk involved, the Fund has a high percentage of premium adequacy compared to other Atlantic Coast States.

[5] Article 48, Subsection 243M, created the Industry Automobile Insurance Association (IAIA) which is composed of all insurers licensed to write motor vehicle insurance in Maryland; it does not include MAIF. Currently, MAIF charges an assessment against each member of the IAIA to cover MAIF's losses. Each assessment is based on a percentage obtained by dividing the Fund's most recent certified operating loss by the aggregate net direct written premiums of all members of IAIA and MAIF. These monies are then paid into the Insufficiency Assessment Reserve Fund.

[6] It must be noted that while §243N(d) prohibits MAIF from using anticipated insufficiency assessment revenue to establish lower rates, §243A(b) allows MAIF to recover operating losses derived from rates which proved to be insufficient. This is because insurers cannot always accurately predict future loss experience when formulating their rates for the coming year. Since MAIF is an insurer, this possibility for error is recognized in §243A(b). However, because MAIF is an insurer of last resort and cannot refuse an eligible person, it cannot be expected to recover all its losses through higher rate filings or stricter underwriting criteria. For this reason, the law allows MAIF to recover its operating losses through the insufficiency assessment, while prohibiting the Fund from using future assessments in determining future rates.

Appendix #1

COMPARISON OF RESIDUAL MARKET OPERATING RESULTS
AND SUBSIDIES BETWEEN MARYLAND AND OTHER EAST COAST STATES
(Private Passenger Non-Fleet Experience)

TABLE A

DEFICIT PER RESIDUAL MARKET VEHICLE*

	Maryland	Massachusetts	New Hampshire	New Jersey	New York	Pennsylvania	Rhode Island	South Carolina	Virginia	West Virginia	Delaware	North Carolina	Connecticut
1978	$ 37.49	$124.67	$ 74.97	$190.35	$ 28.65	$155.46	$136.66	$ 46.23	$ 24.86	$ 28.25	$ 26.46	$ 36.40	$ 57.78
1979	146.64	173.36	171.44	205.54	55.76	191.46	240.62	75.14	28.77	41.47	31.53	46.55	98.73
1980	185.51	229.55	128.93	236.46	126.18	217.74	246.98	119.29	15.60	102.08	61.51	43.95	117.75
1981	51.81	250.27	66.29	255.66	162.72	315.43	271.81	105.00	14.75	27.56	97.01	31.62	162.04
1982	186.02	217.01	111.65	237.10	149.13	414.11	286.44	153.87	- 1.88	28.62	104.08	43.55	162.95
AVERAGE	$117.32	$205.12	$109.33	$227.40	$104.16	$230.36	$236.12	$ 93.48	$ 18.60	$ 43.15	$ 61.40	$ 40.23	$122.11

TABLE B

DEFICIT PER VOLUNTARY MARKET VEHICLE*

	Maryland	Massachusetts	New Hampshire	New Jersey	New York	Pennsylvania	Rhode Island	South Carolina	Virginia	West Virginia	Delaware	North Carolina	Connecticut
1978	$2.11	$ 59.83	$13.67	$ 79.18	$ 4.51	$ 12.38	$ 12.97	$ 17.95	$ 2.62	$ 0.46	$ 2.65	$ 13.12	$ 6.83
1979	7.02	106.02	37.92	99.28	8.83	12.47	23.33	24.55	2.40	0.67	2.90	12.70	11.97
1980	7.87	161.71	39.61	129.67	20.54	11.59	21.44	29.77	1.19	1.18	6.59	16.24	19.06
1981	1.44	217.83	21.82	147.29	23.06	11.96	24.40	22.28	0.91	0.40	8.86	10.63	22.32
1982	4.56	190.51	42.89	149.46	20.41	11.96	23.38	31.28	-0.06	0.29	6.09	14.20	18.37
AVERAGE	$4.60	$143.18	$31.06	$120.19	$ 15.73	$ 12.06	$ 21.24	$ 25.40	$ 1.35	$ 0.59	$ 5.48	$ 13.34	$ 15.90

*A NEGATIVE VALUE INDICATES A SURPLUS

NOTE: Table A represents by State the loss incurred for each vehicle insured in the residual market. Maryland is represented by MAIF.

Table B represents the cost to the privately insured driver to cover the operating loss caused by the residual market in various states; Maryland is represented by MAIF. The cost in Maryland to cover MAIF losses for each privately insured vehicle may not agree with the average assessment charge per vehicle for those years because they were based on a projected cash flow loss. The statutory deficit measurement is used for Maryland in order to use the same standard as the other States. Also, Virginia is not a compulsory insurance State. West Virginia has no major urban areas.

ANNUAL PREMIUMS

20/40/10, EL, UM (AS OF 6-1-84)

Rating Factors: Principal Operator, Single Vehicle Driven Less Than 10 miles to work or over 7,500 miles annually, but less than 15,000 miles (annual premiums). Adult Male - Age 45 - Married

	Baltimore City	Balt.+AA Co. Metro Area	Montgomery Co. Metro Area	Western Maryland
MAIF	(801.00)	(636.00)	(568.00)	(477.00)
PROGRESSIVE*	(1,311.00)	(892.00)	(561.00)	(515.00)
COLONIAL*	(1,392.00)	(852.00)	(744.00)	(504.00)
DAIRYLAND*	(1,128.00)	(768.00)	(552.00)	(528.00)
STATE FARM	(384.00)	(240.00)	(233.00)	(169.00)
NATIONWIDE	(484.00)	(290.00)	(288.00)	(172.00)
ALLSTATE	(426.00)	(245.00)	(226.00)	(136.00)
GEICO	(363.00)	(236.00)	(196.00)	(157.00)

* Substandard market insurers.

NOTE: These rates are estimates because of different methods used by each insurer to establish rate categories.

Effective Date	Approved Increase	PPA Policies In Force @ Eff. Date	Anniversary Date	% Change
3/80	+20.7%	74,929	60,061	-19.8%
7/81	+ 3.1%	59,804	50,176	-16.1%
9/83	+24.8%	53,931	36,407	-32.5%

NOTE: The term "Inforce" refers to the net number of policies remaining after cancellation. The rate of cancellation has traditionally averaged in excess of 33.3%

Estimated Rate Adequacy Levels For
Private Passenger Auto (Liability Only)

Territory	Prior To 9/1/83 Filing	As Of 9/1/83 Filing	Proposed As Of 1/1/85
01 (Baltimore City)	55.2%	71.8%	80.5%
02 (Baltimore County w/i 5 miles of Baltimore City)	71.2%	92.6%	96.2%
08 (Rockville, Montgomery)	84.2%	100.0%	100.0%
09 (Prince George's)	79.3%	100.0%	100.0%
10 (Anne Arundel/ Northern Balto. County)	72.3%	93.9%	100.0%
11 (Montgomery County w/i 5 miles of D.C.)	83.8%	100.0%	100.0%
12 (Prince George's County w/i 5 miles of D.C.)	82.1%	100.0%	100.0%
13 (Eastern Shore)	78.7%	100.0%	100.0%
14 (Balance of State)	79.9%	100.0%	100.0%
Overall	66.0%	85.0%	88.9%

Appendix #4

COMPARISON OF RESIDUAL MARKET OPERATING RESULTS
AND SUBSIDIES BETWEEN MARYLAND AND OTHER EAST COAST STATES
(Private Passenger Non-Fleet Experience)

TABLE A

DEFICIT FOR RESIDUAL MARKET*

	Maryland	Massachusetts	New Hampshire	New Jersey	New York	Pennsylvania	Rhode Island	South Carolina	Virginia	West Virginia	Delaware	North Carolina	Connecticut
1978	$ 4,063,096	$ 107,344,074	$ 4,891,321	$ 198,636,105	$ 23,440,208	$ 61,376,583	$ 4,344,515	$ 18,822,420	$ 6,208,283	$ 368,948	$ 742,294	$ 31,475,583	$ 9,195,073
1979	14,[illegible],263	177,647,179	13,620,009	245,415,061	48,094,336	66,869,692	8,469,930	26,398,271	6,170,747	549,006	864,424	33,324,946	17,416,923
1980	16,331,692	260,612,847	13,486,987	311,520,491	111,631,977	61,826,027	7,491,197	34,041,487	3,059,819	960,684	1,962,560	37,969,233	27,159,140
1981	3,105,964	324,190,556	7,827,060	351,188,313	132,661,885	64,842,285	8,903,564	26,283,750	2,492,835	353,737	2,736,079	26,544,863	33,345,308
1982	10,025,604	283,278,251	14,900,640	342,752,882	120,454,907	65,939,124	8,571,531	39,324,133	- 230,629	277,696	1,927,462	36,947,143	28,509,362
TOTAL	$47,888,621	$1,153,072,907	$54,926,017	$1,449,532,852	$436,283,313	$320,853,711	$37,780,737	$144,870,061	$17,701,055	$2,520,071	$8,232,819	$166,261,768	$115,625,806

NOTE: The current cumulative deficit as of December 31, 1984 has decreased to $38,139,937. 1982 was the most recent year for which data could be obtained from all the relevant States.

TABLE B

PERCENT OF PREMIUM ADEQUACY

	Maryland	Massachusetts	New Hampshire	New Jersey	New York	Pennsylvania	Rhode Island	South Carolina	Virginia	West Virginia	Delaware	North Carolina	Connecticut
1978	92.11	65.01	77.50	60.82	93.72	67.11	74.71	82.94	92.99	92.26	90.87	75.41	85.01
1979	76.09	59.64	62.57	61.85	88.67	68.13	63.11	80.11	92.64	90.19	90.12	77.49	78.81
1980	74.21	56.20	70.35	59.94	76.84	69.86	65.23	76.97	96.11	78.52	81.39	76.61	75.13
1981	92.97	56.75	84.07	61.47	74.06	65.01	63.50	81.65	96.64	91.38	76.77	82.87	71.86
1982	77.65	66.72	75.81	67.11	76.41	61.46	65.22	73.95	100.36	94.46	79.23	78.65	74.48
AVERAGE	81.85	60.87	74.46	62.65	81.04	66.56	65.88	78.85	95.45	89.50	83.02	78.31	76.06

*A NEGATIVE VALUE IN THIS COLUMN INDICATES A SURPLUS

COMPARISON OF RESIDUAL MARKET OPERATING RESULTS
AND SUBSIDIES BETWEEN MARYLAND AND OTHER EAST COAST STATES
(Private Passenger Non-Fleet Experience)

RESIDUAL MARKET VEHICLES INSURED

	Maryland	Massachusetts	New Hampshire	New Jersey	New York	Pennsylvania	Rhode Island	South Carolina	Virginia	West Virginia	Delaware	North Carolina	Connecticut
1978	108,338	861,018	65,244	1,043,651	818,166	394,812	31,791	407,111	249,683	13,061	28,052	864,660	159,144
1979	97,954	1,024,756	79,447	1,194,003	862,552	349,266	35,201	351,307	214,488	13,238	27,414	715,942	176,403
1980	88,037	1,135,345	106,159	1,317,461	884,692	283,950	30,331	285,358	196,081	9,489	31,906	863,832	230,647
1981	59,948	1,295,349	118,077	1,373,637	815,283	205,565	32,757	250,324	168,970	12,908	28,204	839,592	205,783
1982	53,896	1,314,604	133,462	1,445,595	807,697	159,230	29,924	255,569	122,437	9,702	18,519	848,348	174,953
TOTAL	408,173	5,631,072	502,389	6,374,347	4,188,390	1,392,823	160,004	1,549,669	951,659	58,398	134,095	4,132,374	946,930

PERCENT OF RESIDUAL MARKET RISK IN-STATE

	Maryland	Massachusetts	New Hampshire	New Jersey	New York	Pennsylvania	Rhode Island	South Carolina	Virginia	West Virginia	Delaware	North Carolina	Connecticut
1978	5.33	32.43	15.43	29.38	13.60	7.37	8.67	27.96	9.52	1.60	9.10	26.49	10.57
1979	4.57	37.95	18.11	32.57	13.67	6.12	8.84	24.63	7.71	1.59	8.43	21.43	10.82
1980	4.07	41.33	23.50	35.42	14.00	5.05	7.99	19.97	7.07	1.14	9.67	26.98	13.93
1981	2.70	46.54	24.76	36.55	12.41	3.65	8.24	17.51	5.79	1.45	8.37	25.16	12.11
1982	2.39	46.75	27.75	38.66	12.04	2.81	7.55	16.89	4.15	1.00	5.53	24.59	10.13
AVERAGE	3.78	41.11	22.12	34.58	13.12	4.98	8.25	21.36	6.78	1.35	8.20	24.90	11.52

EXAMPLE - PROGRESSIVE

I.S.O. Territory		Percent Earned Premium
01	(Baltimore City)	2.34%
02	(Baltimore County within five miles of Baltimore City)	8.63%
08	(Rockville, Montgomery)	6.81%
09	(Prince George's)	6.49%
10	(Anne Arundel - Northern Baltimore County)	1.99%
11	(Montgomery County within five miles of D.C.)	13.87%
12	(Prince George's County within five miles of D.C.)	7.46%
13	(Eastern Shore)	12.71%
14	(Balance of State)	39.70%

NOTE: Percentages do not account for relative size of geographic area. For example, Territory 14 covers a disproportionately large percentage of the State.

IMPLEMENTATION OF HOUSE BILL 633 BY THE MVA

On April 2, 1984, the MVA commenced mailing out Insurance Verification Requests (IVR) Form FR-9 to the vehicle owners who had been randomly selected for insurance verification. The vehicle owner must submit a "Maryland Insurance Certification" (MIC) Form FR-19 together with the IVR in order to comply. The usual procedure is for the vehicle owner to notify his insurer or agent that he needs to have his proof of insurance verified by the insurer or agent. The insurer or agent fills out Form FR-19 and returns it to the insured, who in turn forwards it to the MVA.

The Financial Responsibility Division of the MVA reviews the MIC for "acceptance" (i.e. proof of insurance). To constitute acceptance, the vehicle owner must show continuous coverage from the random insurance verification letter's notice date to the current date. The notice date is the date of the IVR letter; the current date is the date the response is processed by the MVA. The MIC is not acceptable to prevent registration suspension if there is a lapse or termination in coverage from the notice date to the current date. In such case, the number of days the vehicle owner is without insurance is calculated and the uninsured motorist penalty fee is assessed; the MVA sends a notice to the vehicle owner advising the steps the owner can take to prevent registration suspension.

Analysis of MVA Procedures in Various Situations

1) If the vehicle owner is uninsured, he may respond to the random insurance verification request by surrendering the tags and registration card of the vehicle and the registration will be suspended. To recover the registration and the tags, the vehicle owner must prove that he is insured and pay the required penalty.

2) If the vehicle owner responds to the IVR letter but does not submit the MIC form or return his tags:

a) If the response indicates that the vehicle has been junked, sold, impounded, stolen, totalled, or repossessed, and the MVA has no record of the tags being surrendered, the registration is suspended. It should be noted that the vehicle owner is responsible for insuring the vehicle until the vehicle is disposed of; if the vehicle is disposed of after the notice date, the owner must still prove that it was insured while still in the owner's possession.

b) If the response indicates that the vehicle is parked, garaged, or being repaired, the owner will be advised that the tags must be surrendered and the motorist penalty fee will be applicable. The registration will be suspended and a pick-up request will be made to the MVA Investigative Services to track down the vehicle and remove the tags.

3) If the vehicle owner fails to respond to the random insurance verification request by the response date (i.e.) responds late), the registration of the vehicle will be suspended and a pick-up request will be forwarded to the Investigative Services to locate the vehicle and remove the tags.

4) Where the vehicle owner responds to the IVR after the response date and the registration has been suspended and a pick-up request has been forwarded, the following situations can exist:

(a) If the owner submits a Maryland Insurance Certification which is acceptable (i.e. proves insurance coverage), then the suspension is revoked and the pick-up request cancelled.

(b) If the owner submits a Maryland Insurance Certification which is not acceptable (i.e. does not prove continuous coverage), the suspension and pick-up request remain in effect.

(c) If the owner shows that the tags were returned on or before the notice date (where the vehicle was junked, sold, impounded, stolen, totalled or repossessed), the suspension is revoked and the pick-up request is cancelled.

(d) If the owner indicates that the vehicle was disposed of (junked, sold, etc.), but the MVA has no record of the tags being returned, the registration remains suspended but the pick-up request is cancelled.

5) Where the vehicle owner fully complies with the requirements of the random insurance verification program in person at a public counter of the MVA, the owner is issued a "withdrawal notice" once all the necessary information is submitted and any applicable penalty fee is paid. The withdrawal notice, in effect, is proof of compliance.

Comparison of Revenues Derived From Uninsured Motorist Penalty Fees

	F.Y. 1983	F.Y. 1984
Total fine revenue	$1,909,000	$3,556,000
MAIF Revenue	1,718,000	2,807,000
MVA Revenue	191,000*	749,000*

* Prior to Chapter 617, the MVA received 10% of total revenues; MAIF received the remaining 90%.

Under Chapter 617, the MVA receives 10% of the first $100 collected from each violator and 50% of any fine amount over $100. This formula resulted in the following numbers for MVA revenues in 1984:

10% of first $100	-	$250,000
50% of remainder	-	$499,000

It should be noted that the amount of fines collected in 1984 would have been greater if the Chapter 617 fine structure had been implemented at the beginning of the fiscal year instead of September 1, 1983.

EDITOR

Appendix #9

6A—The News American, Friday, October 19, 1984

A division of the Hearst Corporation, 301 E. Lombard Street

They drive, you pay

It should gripe you — it sure gripes us — that every year when you get your bill from your automobile insurance company an extra $18 or so is tacked on. Why? To pay the deficits piled up by the Maryland Automobile Insurance Fund, which insures those 40,000 or so motorists whose driving records are so lousy they can't buy or can't afford coverage anywhere else. Not only that. Also tacked on to your bill is another charge: $20 to $30 to help your insurance company pay the claims when you get involved in an accident with a completely uninsured motorist. How many of these admirable folks do we have in Maryland? Between 180,000 and 300,000, estimates the General Assembly task force that spent the summer looking into the whole sorry problem.

Indeed the chairman, Del. Casper R. Taylor Jr. — he represents Allegany and Washington counties — says that the problems cry out for tougher laws and procedures, and little wonder that the task force, among whose members are the state insurance commissioner and the heads of the Motor Vehicle Administration and state licensing departments, are going to recommend that such laws be given close and indeed priority attention in the next legislative session.

There is, and we applaud it, a public relations aspect to some of the legislation. The task force aims to get the public riled up, and the public *should* get riled up. For example, the surcharge you pay to help handle the MAIF deficit fluctuates, and if it has to go up, Del. Taylor and his colleagues believe increases should be spelled out on your insurance bill. Although Maryland is the only state that has been up front in specifying such charges — in Massachusetts, for example, $100 is added to auto insurance premiums for that state's version of MAIF without the public knowing what the charge is for — the task force is convinced that the public doesn't realize how much it has to cough up to bail out the worst drivers among us.

As for uninsured drivers, the task force seeks rough treatment as well as the public pressure it thinks knowledge of the problem will put on the legislature and the appropriate state government agencies. One suggested bill would raise the fines imposed on these drivers from the present $2 a day to $5, those fines to start the day the driver becomes uninsured. This could be very costly to the irresponsible, considering that they already are slapped with a $100 fine if they've been driving for 30 days without coverage. And they already are getting their their licenses revoked and their tags confiscated when they fail to pay the fines and get insurance.

A legislative task force wants the state to get tough with the high-risk and uninsured drivers who cost Marylanders so much money — for example, the $40 or so added to everybody's auto insurance bill every year.

Who *are* these people who dodge buying insurance and thus bleed the rest of us? Crooks, of course, but the typical offender, says Del. Taylor, is a middle-aged, middle-income male who thinks he can get away with it because he regards himself as a safe driver. How is he caught? If he has an accident, or gets a summons from a cop because something is wrong with his car — a busted headlight, say — a check of his insurance status is made with the MVA.

But if you think these people get caught because they write false information on the form that all of us have to fill out when it's time to renew our licenses, you're in for a surprise: The MVA, amazingly, does not check these forms, meaning you could write in a nonexistent agent's name and a fake policy number and get away with it. Ah, but that will change: Every licensee's insurance situation will be stored in an MVA computer within the next year and a half or so, and checking will take place; also, the present at-random verification of 10 percent of the state's 2 million-plus drivers will continue, but more efficiently if the task force has its way. It wants the 10 percent contacted not all at once but over a 10-month period, and wants the insurance companies to do the verifying: When a motorist tells the MVA he's insured with Company A, that company would be obliged to substantiate it.

Right now you stand too good chance that the guy who rams into you isn't insured. Del. Taylor says, and we agree, that the public needs to be convinced that "the same kind of effort that has been going into dealing with drunken drivers has got to come into play" to get a handle on this complex problem. That effort, he says, has got to mean that state agencies follow any stricter, stronger policies set by the General Assembly. Amen to that. The realization that all of us have to spend so much of our hard-earned money because so many thousands of drivers don't pay their way is almost too much to bear.

ANNAPOLIS "CAPITAL"

EDITORIAL

October 26, 1984

Submitted Oct 30, 1984 for the record

Appendix #9

"CAPITAL" 10/26/84

Irresponsible drivers

LAWMAKERS SHOULD move swiftly in their next session to increase the fines that can be levied on uninsured drivers. If the beneficiary is the Maryland Automobile Insurance Fund, OK. But the real idea should be to get those drivers insured, get them off the road or simply make them pay for their stupidity.

If there's any hazard of the road on par with the drunk driver, it's the uninsured driver. Whereas the drunk driver might not have sense enough to consider the potential damage he can do, the uninsured driver — assuming he's sober — knowingly gambles that he won't cause damage or injury every time he gets behind the wheel.

Considering the importance and responsibility that society attaches to the automobile, driving without insurance is the epitome of modern irresponsibility.

Uninsured motorists, in a few words, deserve whatever trouble they get themselves into. They must pay heavily for that irresponsibility. Their failure to take responsibility for their actions means higher insurance rates for those who do.

The risk they pose to us all is simply unacceptable.

Maryland Department of Transportation
MOTOR VEHICLE ADMINISTRATION
6601 RITCHIE HIGHWAY, N.E.
GLEN BURNIE, MARYLAND 21062

INSURANCE VERIFICATION REQUEST

FR-9 (3-84)

Appendix #10

FR Case No:
(For any communication pertaining to this request, refer to FR Case Number)

FR

DATE OF NOTICE:
RESPONSE DATE:
YEAR & MAKE:
VIN NUMBER:
TITLE NUMBER:

L

In a continuing effort to identify and eliminate uninsured vehicles from Maryland's highways this Administration is required by law to randomly select not less than 10% of registered vehicle owners to verify insurance coverage. At the present time, the information needed cannot be exchanged by computer transactions between this Administration and the various insurance companies.

The intent of this law is to protect the public by requiring the uninsured motorist to purchase insurance, thereby insuring their ability to have the resources to meet their obligation when they are involved in at-fault accidents. The elimination of the uninsured motorist should help reduce insurance costs thereby benefiting the motoring public.

In order to comply with this request you should obtain free of charge an insurance verification form, FR-19, from your insurance company or agent and return it along with this letter in the enclosed self-addressed envelope. The FR-19 form must show your policy was in force on or before the date of this letter and that coverage is still in force. If you changed insurance companies or renewed your policy, it may be necessary to obtain two forms.

Your prompt response to this letter is necessary to avoid suspension of your vehicle registration. The law states that the failure of a vehicle owner to submit the required proof of insurance within a 30 day period shall be evidence that the vehicle is uninsured. If it is determined the vehicle is uninsured a penalty fee of $100 for any uninsured period of 1 to 30 days and $2.00 additional per day beginning the 31st day shall be assessed.

In the event your vehicle is uninsured you must return your tags and registration card with this letter. If you subsequently obtain insurance you should contact this Administration to determine the amount of penalty fee to be forwarded with this letter and your FR-19 form.

We appreciate your cooperation.

FINANCIAL RESPONSIBILITY DIVISION
TELEPHONE (301) 768-7651

Maryland Automobile Insurance Task Force
Report of State/Insurance Industry
Technical Subcommittee

September 18, 1984

The objectives and membership of the committee are shown on attached sheet. The committee met twice.

The following is a summary of the committee's deliberations and conclusions:

1. The current automobile insurance verification process which requires that MVA annually random samples 10% of the vehicle population and asks each vehicle owner to provide updated proof of insurance (FR-19) from the insurance company was reviewed and discussed. Advantages and disadvantages were developed and are attached.

2. The following alternatives were also discussed and advantages and disadvantages for each developed and are attached:

   a. Alternative I

      Based on random computer selection, MVA manually pulls 10% of the registration applications and notes insurance information. Enter data into computer, computer then generates lists of insureds by company. Insurance company verifies coverage and returns resluts to MVA. Those individuals not verified are asked to provide proof of insurance.

   b. Alternative II

      Require proof of insurance (FR-19) at registration time annually and continue requirement for insurance companies to notify MVA of all (12 months) cancellations.

   c. Alternative III

      Require a one-time filing of proof of insurance (FR-19) for all vehicles. Based on this filing, the State would establish an insurance data base for each vehicle. Insurance companies would provide all changes to this data base thereafter.

   d. Alternative IV

      Pick 10% sample at renewal time. Segregate sample registration cards @ renewal time from rest. Divide into monthly mailings and follow Alternative I.

e. Conclusion

The Subcommittee concluded that Alternative I and/or IV are the most viable as a substitute for the current method and should be implemented as soon as practicable. The procedure used would be a negative verification, i.e. "no insurance" with the certification by the insurance company that the entire list submitted by MVA has been checked. The annual sample would be spread over at least a ten month period. A "live" test using one of the months as a sample will be conducted later this fiscal year. Based on a pilot test, the estimated cost to perform the verification under Alternative I and/or IV is $355,000 vs. $150,000 for the current method. Advice of counsel, copy attached, has been obtained indicating that this type of alternative verification process can be done under the current law.

3. Other recommendations of the subcommittee:

a. Review the current sample size of "at least 10 percent" for effectiveness.

b. Review the effectiveness of requiring proof of insurance with safety equipment repair orders under 17-110.

c. Data required for verification of insurance between MVA and insurance companies should contain the following data elements:

- Name of company
- Name of vehicle owner
- Address of owner
- Vehicle description
- Vehicle identification number
- Birthdate of owner
- Policy number
- "No insurance _____"

d. Tape transfer of information between MVA and insurance companies would be desirable and should be further studied for potential future use.

e. At the presnt time, the insurance industry is opposed to direct computer linkage because of unresolved privacy issues; however, should be considered as a future possibility.

f. A common company/policy identification number format would be desirable and necessary for computer-to-computer links and should be studied as a national effort.

4. Depending on the desires of the Task Force, the members of the Subcommittee agreed to be available for future consultation to the Task Force and to the Maryland Department of Transportation.

Maryland Department of Transportation
The Secretary's Office

Harry Hughes
Governor

William K. Hellmann
Secretary

October 11, 1984

Honorable Casper R. Taylor, Jr.
316 Prince George's Street
Cumberland, Maryland 21502

Dear Delegate Taylor:

Thank you for your letter inviting me to attend the Automobile Insurance Task Force meeting on October 16th to discuss computerization of insurance information and the distribution of penalty fees between the Transportation Trust Fund and the Maryland Automobile Insurance Fund.

A study is being conducted to determine the overall computerized needs of the Motor Vehicle Administration. Recording insurance information on the automated system is included in this feasibility study. Under the present system, however, capturing insurance information once a year during registration renewal would require individual data recording of approximately three (3) million records in a two (2) month period which would delay updating the registration file. A delay in updating the file has an adverse effect on Law Enforcement Agencies, the Vehicle Emission Inspection Program, the Financial Responsibility Program including the Random Sample Insurance Verification Program and other areas where current registration data is needed. In the interim a program is being developed to obtain proof of insurance directly from insurance companies, rather than individuals. As soon as the programming is completed and the forms obtained, the new procedure will be initiated.

At the present time, I see no need to change the funding formula for the Financial Responsibility Program. The new law has shown a large increase in the amount of penalty fees collected both for the Maryland Automobile Insurance Fund as well as the Department of Transportation even though the penalty fees collected were for less than an entire fiscal year. Perhaps a full years experience may show the funding for the Financial Responsibility Division is close to the present actual cost.

When the study of a computerized system for the Motor Vehicle Administration is completed, I will be in a better position to respond to the question of the feasibility of automating the insurance information as well as the overall cost and funding of the Financial Responsibility Division. I do not think that I could contribute anything additional to the information contained in this letter by personally attending the meeting of the Automobile Insurance Task Force at this time.

Sincerely,

Bill

William K. Hellmann
Secretary

WKH:CWK:cmj

My telephone 859-7397

FINANCIAL RESPONSIBILITY LAWS
(As of 07-01-83)

State	Minimum Limits (000 Omitted)	Type of Law*
Alabama	$10/20/ 5	B
Alaska	25/50/10	C
Arizona	15/30/10	A
Arkansas	25/50/15	B N
California	15/30/ 5	A
Colorado	25/50/15	A N
Connecticut	20/40/ 5	A N
Delaware	10/20/ 5	A N
District of Columbia	10/20/ 5	A N
Florida	10/20/ 5	C N
Georgia	10/20/10	A N
Hawaii	25/Unlimited/10	A N
Idaho	25/50/15	A
Illinois	15/30/10	B
Indiana	25/50/10	A
Iowa	20/40/15	B
Kansas	25/50/10	A N
Kentucky	10/20/ 5	A N
Louisiana	5/10/ 1	A
Maine	20/40/10	C
Maryland	20/40/10	A N
Massachusetts	10/20/ 5	A N
Michigan	20/40/10	A N

State	Minimum Limits (000 Omitted)	Type of Law*
Minnesota	$25/50/10	A N
Mississippi	10/20/ 5	C
Missouri	25/50/10	B
Montana	25/50/ 5	A
Nebraska	15/30/10	C
Nevada	15/30/10	A B
New Hampshire	25/50/25	C
New Jersey	15/30/ 5	A N
New Mexico	15/30/ 5	D
New York	10/20/ 5	A N
North Carolina	25/50/10	A
North Dakota	25/50/10	A N
Ohio	12.5/25/7.5	B
Oklahoma	10/20/10	A
Oregon	15/30/ 5	A N
Pennsylvania	15/30/ 5	A N
Rhode Island	25/50/10	B
South Carolina	15/30/ 5	A N
South Dakota	15/30/10	B N
Tennessee	10/20/ 5	B
Texas	10/20/ 5	A N
Utah	20/40/10	A N
Vermont	20/40/10	C
Virginia	25/50/10	B N
Washington	25/50/10	B
West Virginia	20/40/10	A
Wisconsin	25/50/10	B
Wyoming	10/20/ 5	A

* Type of Law

A - Compulsory Insurance Law

B - Proof of Insurance required at time of accident

C - Proof of Insurance required at time of accident and, if no insurance, future proof of insurance required

D - No proof required

N - No Fault Laws

Typed by lll/kristiansen
Proofread by _____
Corrected by _____
Checked by _____

By:

A BILL ENTITLED

AN ACT concerning

Insurance - Maryland Automobile Insurance Fund
and Uninsured Motorists

FOR the purpose of altering the maximum insufficiency assessment allocation percentage under the Maryland Automobile Insurance Fund; providing that the Insurance Commissioner shall give due consideration to the Maryland Automobile Insurance Fund's statutory purposes when reviewing its rates; clarifying the conditions under which a recoupment charge may be imposed on an insurer's policyholders if it opts to recoup the assessment; providing for the identification of the recoupment charge; providing for a waiver of the recoupment charge; providing that an insurer may absorb the assessment or recover all or part of the assessment through a rate filing; increasing the daily amount assessed against the owner of a motor vehicle by the Motor Vehicle Administration if the required security for the vehicle terminates or otherwise lapses during the vehicle's registration year; providing that certain penalties may not be avoided by transferring title to the

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.

vehicle; requiring that the Motor Vehicle Administration 52
request proof of required security from a registered motor 53
vehicle owner's insurer or agent under certain 54
circumstances; requiring the submission of proof of required
security from the insurer or agent within a certain period; 55
providing for a request for proof of insurance to the 56
vehicle owner under certain circumstances; amending current 57
law to provide that a vehicle owner shall submit the proof 58
of required security after a certain notification; 59
providing that failure by a vehicle owner to submit proof of 60
required security within a certain period of time shall 61
constitute prima facie evidence that the vehicle has been
uninsured for a certain period of time; providing for 62
rebuttal of the presumption that a vehicle is uninsured; 63
providing that the Administration may impose certain 64
penalties; defining certain terms; generally relating to the
Maryland Automobile Insurance Fund, uninsured motorists, and 65
verification of required security; and providing that 66
provisions of this Act are severable.

BY adding to 68

Article 48A - Insurance Code 71
Section 481C 73
Annotated Code of Maryland 75
(1979 Replacement Volume and 1984 Supplement) 76

BY repealing and reenacting, with amendments, 79

Article 48A - Insurance Code 82

Section 243C(a) and 243M(d) and (e) 84

Annotated Code of Maryland 86

(1979 Replacement Volume and 1984 Supplement) 87

BY repealing and reenacting, with amendments, 90

Article - Transportation 93

Section 17-106(e), 17-108(a), 17-109, and 17-110 95

Annotated Code of Maryland 97

(1984 Replacement Volume and 1984 Supplement) 98

BY adding to 101

Article - Transportation 104

Section 17-111 106

Annotated Code of Maryland 108

(1984 Replacement Volume and 1984 Supplement) 109

Preamble 113

WHEREAS, Maryland law requires automobile insurance on the 116
owner of any vehicle registered with the Motor Vehicle 117
Administration; and

WHEREAS, In 1972 the Maryland General Assembly enacted 119
insurance reform legislation, and, as a by-product, created the 120
Maryland Automobile Insurance Fund to provide coverage for 121
Maryland residents who were either cancelled by private insurers 122
or refused insurance by 2 private insurers; and

WHEREAS, The number of vehicles registered in this State 124
whose owners have opted to be uninsured number between 90,000 and 125
300,000; and

WHEREAS, The Maryland Automobile Insurance Fund was mandated 127
to insure only the worst of the high risk drivers, and though its 128
rates have risen to and beyond the point of affordability, they 129
do not accurately reflect the degree of risk involved; and 130

WHEREAS, Many uninsured motorists do not retain coverage 132
because they cannot afford the rates currently charged by the 133
Fund and by private insurers; and

WHEREAS, The Maryland Automobile Insurance Fund normally 135
experiences losses caused by its insured motorists, the Fund's 136
problems are exacerbated by the addition of annual losses caused 137
by uninsured motorists which have, in turn, required the 139
imposition of a surcharge on all private policies from an average 140
of $3 to over an average of $13 per year; and

WHEREAS, The Fund has a current deficit in excess of $38 142
million; and

WHEREAS, It is the policy of the State of Maryland that 144
effective steps must be taken to eliminate the problem of the 145
uninsured motorists; and

WHEREAS, Current mechanisms to enforce the compulsory 147
automobile insurance laws are cumbersome and create an 148
unnecessary burden on the vehicle owners who comply with the law; 149
and

WHEREAS, The burden on the public of complying with the current insurance verification laws can be alleviated by first requesting insurance information of insurers and by amending the laws so that the vehicle owner is required to verify insurance coverage only if the owner's insurer cannot verify whether the owner is insured; and

WHEREAS, The Maryland Automobile Insurance Fund and the Insurance Commissioner have been constrained in their efforts to address the financial pressures of a changing residual automobile insurance market; and

WHEREAS, Rates charged by the Maryland Automobile Insurance Fund must adequately reflect the degree of risk involved but must also remain affordable to that segment of the population which is dependent on the Fund for automobile insurance; now, therefore,

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article 48A - Insurance Code

243C.

(a) (1) The executive director shall determine the premiums to be charged on policies issued by the Fund, subject to approval by the Commissioner of Insurance. The provisions of § 242(c) of this article shall apply to the determination of premiums by the executive director, but nothing in said § 242(c) or in this subtitle shall preclude the executive director from basing

premiums on the number of points accumulated by an insured or 184
applicant for insurance under the point system provided for in 185
Title 16, Subtitle 4 of the Transportation Article, or upon the 186
prior claims experience of an insured or applicant for insurance, 187
or both.

(2) IN REVIEWING RATES FILED BY THE FUND, THE 189 -Rec #2 -
COMMISSIONER SHALL GIVE DUE CONSIDERATION NOT ONLY TO THE RATING 190
PRINCIPLES SET FORTH IN § 242(C) BUT ALSO TO THE FUND'S STATUTORY 191
PURPOSE AS REFLECTED IN §§ 243A, 243B, AND 243M OF THIS ARTICLE. 192

243M. 194

(d) The board of directors shall receive from the Maryland 198
Automobile Insurance Fund the certification of any actual 199
insufficiency for a preceding calendar year in accordance with § 200
243A(b). On or before June 30 of each year in which the board 201
receives such a certification, it shall: 202

(1) Determine from the Insurance Commissioner the 205
aggregate net direct written premiums of all members of the 207
association during the most recent calendar year determined by 208
the Insurance Commissioner.

(2) Calculate an assessment allocation percentage by 211
dividing the Fund's most recent certified operating loss by the 212
total of (i) the aggregate net direct written premiums referred 213
to in (1) above, plus (ii) the Fund's total net direct written 214
premium for the same period. The assessment allocation 215 -Rec #3-
percentage shall in no event exceed [4] 3 percent.

(3) Notify all members, the Maryland Automobile 218
Insurance Fund, and the Maryland Insurance Commissioner of the 219
assessment allocation percentage so determined.

(4) Assess and collect from each member of the 222
association an amount equal to each member's net direct written 223
premium for the most recent calendar year determined by the 224
Insurance Commissioner multiplied by the assessment allocation 225
percentage determined in (2) above.

(5) Deposit the assessment payment as required by § 228
243A(b).

(e) (1) The Insurance Commissioner shall promptly review 231
the assessment allocation percentage calculated by the 232
association. Unless the Commissioner finds the computation to be 233
inaccurate, the Commissioner shall authorize each member to 234
[surcharge] IMPOSE A RECOUPMENT CHARGE each policy of motor 235
vehicle liability and physical damage insurance written or 236
renewed in this State, for a period of one year commencing the 237
next ensuing July 1, by the same percentage as the assessment 238
allocation percentage. [This surcharge] SUBJECT TO PARAGRAPH (3) 239
OF THIS SUBSECTION, THIS RECOUPMENT CHARGE shall be computed by 240
applying the assessment allocation percentage to the premium at 241
the inception or renewal of the policy, and shall not be subject
to change or refund for any reason. [Surcharges] RECOUPMENT 242
CHARGES shall not be considered premium income for purposes of 244
the State premium tax or the payment of commissions.

(2) In the event that a policyholder fails to pay the 247
assessment [surcharge] RECOUPMENT CHARGE when due, the member may 249
cancel the policy in accordance with the policy terms for 250
nonpayment of premium.

(3) (I) EACH MEMBER COMPANY SHALL ELECT ON OR BEFORE 252
JUNE 30 OF EACH YEAR WHETHER OR NOT TO RECOUP ITS SHARE OF THE 253
ASSESSMENT FOR THE IMMEDIATELY PRECEDING YEAR BY IMPOSING A 254
RECOUPMENT CHARGE ON EACH OF THE COMPANY'S POLICYHOLDERS.

(II) IF ON OR BEFORE JUNE 30 A COMPANY DOES NOT 256
ELECT TO RECOUP ITS SHARE OF AN ASSESSMENT, IT SHALL BE DEEMED TO 258
HAVE RECOUPED THAT ASSESSMENT AND TO HAVE WAIVED ITS OPTION TO 259
IMPOSE A RECOUPMENT CHARGE ON ITS POLICYHOLDERS UNDER 260
SUBPARAGRAPH (III) OF THIS PARAGRAPH.

Rec #4

(III) IF A COMPANY ELECTS TO RECOUP ITS SHARE 262
OF AN ASSESSMENT ON OR BEFORE JUNE 30, IT MUST CLEARLY IDENTIFY 263
ANY RECOUPMENT CHARGE IMPOSED ON ITS POLICYHOLDERS BY INCLUDING 264
THE FOLLOWING STATEMENT ON THE PREMIUM BILLING OF EACH 265
POLICYHOLDER: "RECOUPMENT OF MAIF ASSESSMENT, $_____". NO 266
OTHER STATEMENT MAY ACCOMPANY THIS PREMIUM BILLING.

(IV) NOTHING IN THIS PARAGRAPH SHALL DENY ANY 268
COMPANY THE RIGHT TO:

1. ABSORB THE ANNUAL ASSESSMENT; OR 270

2. RECOVER ALL OR PART OF THE ANNUAL 272
ASSESSMENT AS COSTS IN RATE FILINGS MADE UNDER THIS ARTICLE, IN 273

WHICH EVENT THE MAIF ASSESSMENT SHALL BE IDENTIFIED ON ANY 274
PREMIUM BILLING TO THE POLICYHOLDER.

481C. 276

(A) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE, AN 278
INSURER OR AN AGENT SHALL COMPLY WITH § 17-108(A)(2) OF THE 279
TRANSPORTATION ARTICLE.

(B) WILLFUL FAILURE TO COMPLY WITH § 17-108(A)(2) OF THE 282
TRANSPORTATION ARTICLE SHALL CONSTITUTE A VIOLATION OF THIS
SECTION.

-Rec #4-/-----Rec #5----------

Article - Transportation 285

17-106. 288

(e) (1) In addition to any other penalty provided for in 293
the Maryland Vehicle Law, if the required security for a vehicle
terminates or otherwise lapses during its registration year, the 294
Administration may assess the owner of the vehicle with a penalty 295
of $100 for each vehicle without the required security for a 296
period of 1 to 30 days. If a fine is assessed, beginning on the 297
31st day the fine shall increase by a rate of [$2] $5 for each 298
day.

-Rec #6-

(2) A penalty assessed under this subsection shall be 301
paid to the uninsured section of the Maryland Automobile 302
Insurance Fund except that the Administration may deduct 10 303
percent of the amount collected under this subsection in any year 304
to cover its costs before remitting the balance. If a penalty is 305

assessed under this section, any amount collected over the 306
initial $100 shall be divided equally between the Maryland
Automobile Fund and the Administration. 307

(3) If the Administration assesses a vehicle owner 310
with a penalty under this subsection, the Administration may not 311
reinstate a registration suspended under this section OR ISSUE A 312
NEW REGISTRATION TO THAT VEHICLE OWNER until the penalty is paid. 313

(4) (I) IN THIS PARAGRAPH, "FAMILY MEMBER" MEANS ANY 315
INDIVIDUAL WHOSE RELATIONSHIP TO THE VEHICLE OWNER IS ONE OF 316
THOSE LISTED UNDER § 13-810(B)(1) OF THIS ARTICLE AS BEING EXEMPT 317
FROM PAYING THE EXCISE TAX IMPOSED ON THE TRANSFER OF A VEHICLE. 318

(II) THE MONETARY PENALTIES PROVIDED IN THIS 320
SUBSECTION MAY NOT BE AVOIDED BY TRANSFERRING TITLE TO THE 321
VEHICLE.

(III) REGARDLESS OF WHETHER MONEY OR OTHER 324
VALUABLE CONSIDERATION IS INVOLVED IN THE TRANSFER, IF TITLE TO A
VEHICLE IS TRANSFERRED BY AN INDIVIDUAL WHO HAS VIOLATED THIS 325
SUBTITLE TO A FAMILY MEMBER, ANY SUSPENSION OF THE VEHICLE'S 327
REGISTRATION THAT OCCURRED BEFORE THE TRANSFER SHALL CONTINUE AS 328
IF NO TRANSFER HAD OCCURRED AND A NEW REGISTRATION MAY NOT BE 329
ISSUED UNTIL THE PENALTY FEE IS PAID.

17-108. 331

(a) (1) The Administration shall annually select for 334
verification on a random sample basis not less than 10 percent of 335

-Rec #7-/----------Rec #8----------

vehicle registrations subject to the security required by this 336
subtitle.

(2) (I) UPON THE SELECTION OF ANY REGISTERED VEHICLE 338
OWNER FOR VERIFICATION, THE ADMINISTRATION SHALL REQUEST PROOF OF 339
INSURANCE FROM THE VEHICLE OWNER'S INSURER OR AGENT. 340

(II) THE REGISTERED VEHICLE OWNER'S INSURER OR 342
AGENT SHALL CERTIFY AND, WITHIN 30 DAYS, SUBMIT TO THE 343
ADMINISTRATION ON A FORM PRESCRIBED BY THE ADMINISTRATION NOTICE 344
IF THE REGISTERED VEHICLE OWNER IS NOT INSURED WITH THAT INSURER 345
OR AGENT ON THE DATE SPECIFIED BY THE ADMINISTRATION.

(3) (I) THE ADMINISTRATION PROMPTLY SHALL REQUEST 348
PROOF OF INSURANCE FROM A REGISTERED VEHICLE OWNER IF: 349

1. IT RECEIVES THE NOTICE REQUIRED UNDER 351
PARAGRAPH (2) OF THIS SUBSECTION AND THAT NOTICE SHOWS THAT THE 352
VEHICLE OWNER IS NOT INSURED WITH THAT AGENT OR INSURER; 353

2. THE ADMINISTRATION CANNOT DETERMINE 355
FROM ITS RECORDS THE NAME OF THE VEHICLE OWNER'S AGENT OR INSURER 356
OR THE VEHICLE OWNER'S POLICY NUMBER.

(II) FOLLOWING A REQUEST UNDER SUBPARAGRAPH (I) 359
OF THIS PARAGRAPH, [The] THE registered vehicle owner selected 360
for verification shall submit proof of insurance within 30 days 361
OF THE REQUEST to the Administration on a form prescribed by the 363
Administration and certified by an insurer or agent.

Rec #9

[(3) The failure of a vehicle owner to submit the required proof under this section within a 30 day period shall be prima facie evidence that the vehicle is uninsured.]

(4) IT SHALL BE PRIMA FACIE EVIDENCE THAT THE VEHICLE HAS BEEN UNINSURED SINCE THE EFFECTIVE DATE OF THE VEHICLE'S MOST RECENT REGISTRATION IF THE VEHICLE OWNER:

(I) FAILS TO RESPOND WITHIN A 30-DAY PERIOD TO A REQUEST FOR PROOF OF INSURANCE ISSUED BY THE ADMINISTRATION UNDER PARAGRAPH (3) OF THIS SUBSECTION; OR

(II) RESPONDS WITHIN A 30-DAY PERIOD TO A REQUEST FOR PROOF OF INSURANCE ISSUED BY THE ADMINISTRATION UNDER PARAGRAPH (3) OF THIS SUBSECTION, BUT FAILS TO PROVE COVERAGE BY THE REQUIRED SECURITY ON THE ORIGINAL DATE SPECIFIED BY THE ADMINISTRATION UNDER PARAGRAPH (2) OF THIS SUBSECTION.

(5) A VEHICLE OWNER WHO HAS MAINTAINED THE REQUIRED SECURITY, BUT WHO HAS FAILED TO SUBMIT THE REQUIRED PROOF WITHIN THE 30-DAY PERIOD, MAY SUBMIT THE REQUIRED PROOF TO REBUT THE PRESUMPTION MADE UNDER PARAGRAPH (4) OF THIS SUBSECTION.

(6) A VEHICLE OWNER AGAINST WHOM A PRESUMPTION HAS BEEN MADE UNDER PARAGRAPH (4) OF THIS SUBSECTION MAY SUBMIT PROOF THAT OWNER'S LAPSE IN REQUIRED SECURITY HAS BEEN FOR A PERIOD OF SHORTER DURATION THAN THE PERIOD SPECIFIED IN THE PRESUMPTION.

(7) NOTHING IN THIS SECTION PREVENTS THE ADMINISTRATION FROM ASSESSING A PENALTY CALCULATED UPON THE

Rec # 10

ENTIRE PERIOD OF A LAPSE IN REQUIRED SECURITY SINCE THE EFFECTIVE 397
DATE OF THE VEHICLE'S MOST RECENT REGISTRATION.

17-109. 399

(a) (1) A person shall submit evidence at a conference or 402
hearing that any vehicle [or vehicles] registered in the person's 403
name, individually or jointly, [are] HAS BEEN CONTINUOUSLY 404
covered, SINCE THE EFFECTIVE DATE OF THE VEHICLE'S MOST RECENT 405
REGISTRATION, by the security required by this subtitle, if the 406
person attends a conference or hearing: 407

(i) As a result of point accumulation under 410
Title 16, Subtitle 4 of this article; or

(ii) To show cause why the person's license 413
should not be suspended or revoked under Title 16, Subtitle 2 of 414
this article.

(2) The evidence of security shall be on a form 417
prescribed by the Administration and certified by an insurer or 418
agent.

(b) (1) [Failure to submit the required proof under this 421
section] IT shall be prima facie evidence that any [vehicles] 422
VEHICLE registered in [that] A person's name, individually or 424
jointly, [are uninsured] HAS BEEN UNINSURED SINCE THE EFFECTIVE 425
DATE OF THE VEHICLE'S MOST RECENT REGISTRATION IF THE PERSON:

(I) FAILS TO SUBMIT THE PROOF REQUIRED UNDER 427
SUBSECTION (A) OF THIS SECTION; OR

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(II) FAILS TO PROVE THAT THE PERSON'S VEHICLE 429
HAS BEEN CONTINUOUSLY COVERED SINCE THE EFFECTIVE DATE OF THE 430
VEHICLE'S MOST RECENT REGISTRATION.

(2) THIS PRESUMPTION MAY BE REBUTTED IN THE MANNER 432
SPECIFIED IN § 17-108(A)(5) AND (6). 433

17-110. 436

(a) If a person has been issued a safety equipment repair 439
order as provided in § 23-105 of this article, in addition to the 440
requirements to comply with that section, the person shall send 441
to the Automotive Safety Enforcement Division [evidence of] PROOF 442
THAT THE VEHICLE WAS COVERED ON THE DATE THE VEHICLE REPAIR ORDER 443
WAS ISSUED BY THE security required by this subtitle on a form 445
prescribed by the Administration and certified by an insurer or
agent.

(b) (1) The failure to [submit the evidence] SEND PROOF OR 448
THE FAILURE TO PROVE CONTINUOUS COVERAGE AS required by 450
subsection (a) of this section shall: 451

(I) BE PRIMA FACIE EVIDENCE THAT THE VEHICLE 453
HAS BEEN UNINSURED SINCE THE EFFECTIVE DATE OF THE VEHICLE'S MOST 454
RECENT REGISTRATION; AND 455

(II) [result] RESULT in the suspension of the 457
registration of the vehicle cited and the assessment of the 458
uninsured motorist penalty fee under this subtitle. 459

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(2) THIS PRESUMPTION MAY BE REBUTTED IN THE MANNER 461
SPECIFIED IN § 17-108(A)(5) AND (6). 462

17-111. 465

NOTHING IN THIS SUBTITLE PREVENTS THE ADMINISTRATION FROM 467
ASSESSING A PENALTY CALCULATED UPON: 468

(1) THE ENTIRE PERIOD OF A LAPSE IN REQUIRED SECURITY 470
UP TO 3 YEARS; OR

(2) UPON ANY PART OF A PERIOD OF A LAPSE IN REQUIRED 472
SECURITY UP TO 3 YEARS.

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SECTION 2. AND BE IT FURTHER ENACTED, That if any provision 476
of this Act or the application thereof to any person or 477
circumstance is held invalid for any reason, the invalidity shall 478
not affect the other provisions or any other application of this 479
Act which can be given effect without the invalid provisions or 480
application, and to this end all the provisions of this Act are 481
declared to be severable.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall 486
take effect July 1, 1985. 487

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