Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

FINAL REPORT

Annapolis, Maryland
July 2016

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THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

July 1, 2016

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House of Delegates
Members of the Maryland General Assembly

Ladies and Gentlemen:

The Task Force to Study Methods to Reduce the Rate of Uninsured Drivers respectfully submits its final report. The task force met four times, twice during the 2014 interim and twice during the 2015 interim. Also, an Education Ad Hoc Group (a subset of the membership) met during the 2015 interim. Under Chapter 41 (Senate Bill 153) of 2014, the task force was responsible for studying and making recommendations regarding the rate of uninsured drivers, deterrents and incentives that could be used in the State to reduce the rate of uninsured drivers, and methods to lower the cost of insurance. Maryland's uninsured motorist rate is about 12.2%.

The task force studied various ways to educate the public about the existing financial responsibility law, to enable those who may be unable to afford insurance to comply with the financial responsibility law, and to further enforce the financial responsibility law. Based on the task force's discussions, as co-chairs of the task force, we introduced a legislative package of three bills during the 2016 session. These bills were enacted as Chapters 401/402 "Insurance Identification Card – Carrying Proof of Coverage – Uninsured Motorist Education and Enforcement Fund," Chapters 425/426 "Personal Injury Protection – Rejection of Coverage," and Chapters 446/447 "Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured."

We thank the task force members for their diligence and attention to the work of the task force. Also, on behalf of the task force members, we thank Tami D. Burt, Robert K. Smith, Richard L. Duncan, and Theresa A. Silkworth of the Office of Policy Analysis, Department of Legislative Services for their assistance.

Very truly yours,

Thomas M. Middleton

Senator Thomas M. Middleton
Senate Co-chair

C. William Frick

Delegate C. William Frick
House Co-chair

TMM:CWF/TDB/tas

cc: Mr. Warren G. Deschenaux

Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

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Delegate C. William Frick, **Co-chairman**
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Senator Delores G. Kelley (monitor)
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Chapter41 (Senate Bill 153) of 2014

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Executive Summary

Background and Charge

Chapter 41 (Senate Bill 153) of 2014 established this task force for the purposes of studying and making recommendations regarding the rate of uninsured drivers, deterrents and incentives that could be used in the State to reduce the rate of uninsured drivers, and methods to lower the cost of insurance. Maryland-registered vehicles are required to maintain minimum liability insurance. Maryland's uninsured motor rate is about 12.2%.

Meetings

2014 Interim

- During the 2014 interim, the task force learned about the Motor Vehicle Administration's (MVA) existing activities aimed at reducing the rate of uninsured motorist and how MVA calculates the uninsured motorist rate. Insurance companies are required to immediately notify MVA electronically of lapses, terminations, reinstatements, policy changes, and new business for vehicles registered in the State.

- The task force learned about the Maryland Insurance Administration's (MIA) regulation of insurers. Insurers are required to apply for certificates of authority from MIA for the lines of insurance they intend to underwrite. All insurers, about 158, file their rates with MIA. MIA reviews rates, including supplementary rate information, to ensure they are not inadequate, excessive, or unfairly discriminatory. MIA reviews all factors that an insurer includes in rate filings and rating algorithms and forms to determine compliance with insurance laws and regulations and investigates complaints received from policyholders, claimants, and producers.

- The task force heard from the Maryland Automobile Insurance Fund (MAIF), the automobile insurer of last resort. MAIF's Insured Division acts as an insurance carrier and its Uninsured Division is a State fund administered by MAIF to help compensate victims who have no automobile insurance for injuries caused by uninsured drivers. MAIF's market share, which stood at 1.63%, has trended downward during the last eight years. Ninety-five percent of MAIF policyholders buy only the minimum required policy limits. There is a high cancellation rate for policyholders who finance through a premium finance company.

- MAIF suggested that solutions can be categorized in a three-prism approach to public policy – *Educate, Enable, and Enforce*. The cost of insurance is a deterrent in enabling some drivers to buy insurance. Uninsured motorist and personal injury protection account for 32.6% of the total liability insurance premium – these coverages protect the policyholder while the remaining cost of insurance coverage, for liability, protects others. The uninsured motorist penalty structure may not be adequate since it may be cheaper to pay a fine than it is to purchase required insurance.

- The task force learned that the Insurance Research Council's (IRC) most recent report shows that the percent of uninsured drivers in Maryland ranks twenty-second highest in the nation. IRC calculates the uninsured driver rate by comparing the ratio of uninsured motorist claims to bodily injury claim frequencies. With 3.8 million registered noncommercial vehicles in Maryland in fiscal 2014, a 12.2% uninsured rate translates to 463,600 uninsured motorist vehicles on Maryland's roads.

- The task force learned from insurers that IRC collects claim information from leading insurers – data from over half the market is collected. The cost of uninsured motorists on the roadways is hard to quantify because there are both direct and indirect costs. IRC estimates that the payment for uninsured motorist claims in Maryland for 2012 was $38.7 million for almost 7,000 claims. Premiums in states with fewer uninsured motorists tend to be more affordable. IRC studied the "No Pay, No Play" laws as an option about 10 states are using to lower the rate of uninsured motorists. These laws prevent uninsured motorists from collecting compensation for noneconomic damages arising from a traffic accident with an insured, at-fault driver.

- Consumer groups suggested that the task force's focus should be on jobs as a way to decrease the uninsured rate. If a person does not have a car, the person's job prospects are limited. Also, the groups suggested focusing on making car insurance more affordable. The Consumer Federation of America's (CFA) 2014 survey shows that the average premium in Maryland is $1,013, the sixth highest in the country. California has a low-cost program and also limits the use of rating factors to those that are tied to driving. Ninety-four percent of participants in California's low-cost program were not insured prior to getting insurance through the program. Consumer groups stressed that the use of credit scoring as a rating factor further increases the cost of insurance, particularly for drivers located in high-cost areas of the State.

- A producer group indicated that the cost of uninsured motorist coverage in Baltimore City is higher relative to other jurisdictions in Maryland. The group suggested having a portion of the uninsured motorist penalty go toward paying the insurance premium and making towing costs nonwaivable.

2015 Interim

- During the 2015 interim, the task force discussed issues and options under the *Educate, Enable, and Enforce* theme. Also, the task force heard from MAIF about its new marketing program that targets uninsured motorists. Of the respondents, 71% of non-MAIF customers did not know there is an insurance company for Maryland drivers who do not qualify for coverage through standard carriers. Only 20% of non-MAIF customers had heard of MAIF and knew about what it does; only 26% of the respondents familiar with MAIF knew where MAIF insurance can be purchased. MAIF advertises through many media: print, billboards, its website, digital display ads, Facebook ads, paid searches, television, radio, and transit. MAIF insures drivers who have been turned down by other insurers. The public awareness campaign resulted in a 61% increase its website traffic.

The task force agreed that there is a void in public awareness with regard to the mandate of auto insurance coverage. MAIF is well positioned to educate consumers on the benefits of being insured and the availability of MAIF insurance for residents unable to obtain coverage in the standard market.

- The task force heard from a producer that sells automobile insurance in the substandard market. The producer suggested that educating consumers should be the task force's primary focus. Schools need to teach students about insurance requirements. Some drivers are uninsured because they have substantial outstanding uninsured motorist penalty fines that they are unable to pay. The producer suggested implementing an amnesty program allowing those who owe delinquent fines to pay a portion of the fines and then work out a payment plan to address the balance of the fines.

- An Ad Hoc Education Group, a subset of the task force, met to discuss how to reach out to uninsured motorists using education campaigns. The group focused its discussion on the following questions: (1) What education efforts are happening now? (2) Can there be a better coordination of information between MIA and MVA? (3) To whom should education efforts be targeted? (4) What education efforts can be expanded or added? (5) Which efforts would be most effective to reach those who need to be targeted? (6) What would they educate the consumers about? (7) How would they present the information? At the meeting, MVA and MIA suggested a variety of ways to increase education through their websites, publications, and notices. The target audience is those who have not obtained insurance and those who obtain insurance but subsequently cancel the insurance. Education efforts should stress that there is a financial responsibility law and there are consequences to being uninsured. Also, education efforts need to include stating that MAIF is the insurer of last resort. The suggestions were presented to the task force at its subsequent meeting.

- The task force also heard from the Maryland State Department of Education on the inclusion of the financial responsibility requirements (auto insurance coverages and the consequences of being uninsured) in the public school financial literacy curriculum. The program initially started as a pilot program in Charles County and is now available to all Maryland students. Maryland's personal financial literacy standards for grades 3 to 12 includes the following topics: Why is there a need for insurance? How does insurance protect income and wealth? How much insurance coverage does one need? How will insurance needs change throughout the course of one's life? The program specifies that there are auto insurance coverage requirements under the law, including liability, uninsured motorist, and personal injury protection.

The task force was impressed by the inclusion of substantive materials relating to automobile insurance in the public school financial literacy curriculum.

- The task force learned about MVA's activities to educate drivers as a result of task force discussions. MVA updated its website; modified its online renewal web page; modified its email and paper registration renewal notices to inform customers about the financial responsibility law; modified notification emails to inform customers of an insurance cancellation reported by their insurer; began utilizing social media to post messages informing

customers about insurance requirements; revised the driver manual; updated the driver education curriculum and unit and final exams; and updated the motor vehicle network (MVA branch TV displays). The changes added new, more explicit information about required coverage and clarified other materials.

- The task force learned about MIA's activities to educate drivers as a result of task force discussions. MIA's website includes a comparison guide and a consumer guide which may be updated with more education information. MIA worked with MVA on a rate filing guide. The Insurance Commissioner may create Youtube videos to include on MIA's website that will walk consumers through the insurance process.

As a result of the task force's discussions, numerous steps have been or will be implemented to further educate the uninsured about the consequences of failing to maintain required coverage.

- The task force heard from the Insurance Information Institute (III). As of 2013, 99% of all private passenger motor vehicles insured in Maryland are insured in the private market. Only 1% are insured by the State residual market, MAIF – the same as the United States overall. The residual market and uninsured motorist trends in Maryland are favorable, suggesting that markets are healthy and competition is vigorous, even for riskier drivers. Strategies for reducing the uninsured motorist population include providing more education, implementing "No Pay, No Play" laws, and enforcing current laws.

Legislation: 2016 Session

Over the preceding two interims, the task force studied various ways to educate the public about the financial responsibility law, to enable those who may be unable to afford insurance to comply with the financial responsibility law, and to further enforce the financial responsibility law. A driver who has been uninsured generally will pay a higher cost for insurance than the driver would pay for uninterrupted insurance.

Based on the task force's discussions, the co-chairs introduced a package of three cross-filed bills during the 2016 session aimed at reducing the rate of uninsured motorists in the State.

- **"Insurance Identification Card – Carrying Proof of Coverage – Uninsured Motorist Education and Enforcement Fund"**

A driver of a motor vehicle that is required to be registered in the State must carry evidence of required security while operating the vehicle. The driver must be in possession of, or carry in the motor vehicle, the evidence of required security when operating the motor vehicle on a highway in the State and present the evidence of required security on the request of a law enforcement officer. A person who violates this requirement is subject to a waivable fine of $50 deposited in the Uninsured Motorist Education and Enforcement Fund. Fund revenues must be used to administer the fund and educate drivers about and enforce the motor vehicle security requirements under the Maryland Vehicle Law.

An insurer must provide the required evidence of security to an insured in the form of an insurance identification card, or in an electronic format if an insured and an insurer both consent.

- **Personal Injury Protection – Rejection of Coverage"**

An eligible applicant for a motor vehicle liability insurance policy may reject obtaining coverage for medical, hospital, and disability benefits – known as personal injury protection (PIP) benefits – that must otherwise be obtained (full PIP) or waived (limited PIP). To be eligible to make this rejection, the applicant must meet specified conditions, and the insurance policy being obtained cannot provide coverage in excess of the minimum liability coverage required by State law – payment of claims for bodily injury or death arising from an accident of up to $30,000 for any one person and up to $60,000 for any two or more persons, in addition to interest and costs.

At the time of application, an eligible applicant must elect in writing whether to obtain full PIP coverage or limited PIP coverage, or to reject PIP coverage outright. MAIF must offer a first-named insured the option to reject PIP coverage only if the applicant has not been insured continuously by MAIF for at least one full year prior to the application. Other insurers may offer a first-named insured, at the time of application, the option to reject PIP coverage only if the applicant's prior insurance policy was not a MAIF policy, *and* was canceled by the insurer before the end of the policy's term.

An applicant's rejection of PIP coverage is effective until the end of the policy's term, after which it is upgraded, to limited or full PIP, unless the insured withdraws the rejection in writing, obtains a policy from another insurer, or increases the policy's liability coverage above the minimum liability coverage required by State law.

"Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured"

The Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured is a limited amnesty program administered by MVA. The purpose of the program is to reduce the number of uninsured vehicles in the State by incentivizing and enabling uninsured vehicle owners with delinquent uninsured vehicle penalties to be insured. Under the program, MVA must waive 80% of a vehicle owner's delinquent uninsured vehicle fine penalties that became delinquent before January 1, 2014, and require those vehicle owners to purchase and maintain the required security for their vehicles. A participant must pay the remaining 20% of fine penalties owed before the end of the program period.

A vehicle owner is eligible to participate in the program if the owner is a resident of the State, does not have the required security on a vehicle, and has delinquent uninsured vehicle penalties that became delinquent before January 1, 2014.

These proposals were enacted into law during the 2016 session. They are aimed to *educate* the public about the financial responsibility law, by requiring drivers to carry proof of insurance; *enable* those who may be unable to afford insurance to obtain insurance, by allowing eligible applicants to reject PIP and by waiving a portion of delinquent fines; and *enforce* the financial responsibility law, by penalizing drivers for not carrying proof of insurance and requiring those who have waived fines to purchase insurance.

MIA and MVA will monitor the legislation and prepare required reports to determine the effect of the legislative package. MVA will be monitoring whether the public has been sufficiently educated about the requirement to carry proof of insurance. MIA must report compiled information relating to the rejection of PIP coverage by December 1, 2019. MVA must report on the success of the Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured, likely in early 2018.

Final Report

Charge

Under Chapter 41 (Senate Bill 153) of 2014, the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers is responsible for studying and making recommendations regarding the rate of uninsured drivers, deterrents and incentives that could be used in the State to reduce the rate of uninsured drivers, and methods to lower the cost of insurance. Specifically, in addition to any other relevant issue identified by the task force, the task force must consider the following.

Rate of Uninsured Drivers

- The rate of uninsured drivers in the State and other states and ways in which the rate is calculated by the Motor Vehicle Administration (MVA) and other entities; and

- the impact on calculating the rate of uninsured drivers in the State of insurers reinstating the insurance coverage of a driver, from the inception of the policy term, after the driver pays any delinquent insurance premiums and applicable fines, although MVA considers the driver to be uninsured during the period of lapsed coverage.

Deterrents and Incentives

- The imposition of, or an increase in, fines and penalties on uninsured drivers and how money from the fines and penalties collected is used, or could be used, to reduce the rate of uninsured drivers;

- a requirement that a minimum fine or penalty, and reimbursement to the State for towing expenses, not be waived;

- the implementation of an insurance verification system that verifies the purchase of insurance on a motor vehicle at the time the motor vehicle is registered with MVA;

- a requirement that a driver carry a card that shows evidence of insurance on the motor vehicle the driver is driving;

- the implementation of a police insurance verification system that links a license plate database to motor vehicle insurers' databases;

- the education of drivers, at the time of initial drivers' licensure, about the legal requirement to purchase insurance; and

- making the act of knowingly presenting a false or otherwise invalid evidence of insurance an offense under the Motor Vehicle Law.

Methods to Lower Cost of Insurance

- The implementation of an insurance plan with lower required coverages for specified low-income individuals;

- the expansion of the personal injury protection waiver;

- the implementation of a pay-as-you-drive insurance plan; and

- the use of safe driving and other discounts that private passenger motor vehicle insurers may offer to their policyholders.

Meetings

The task force met four times, twice during the 2014 interim (October 21 and November 10) and twice during the 2015 interim (November 3 and December 16). Also, an Education Ad Hoc Group, a subset of the task force, met on November 17, 2015. *See* **Appendix 1** for the task force's 2014 interim report, **Appendix 2** for the task force's 2015 interim report, and **Appendix 3** for background information that was compiled for the task force's use in its deliberations.

Meeting – October 21, 2014

At the task force's October 21, 2014 meeting, the co-chairs welcomed the members of the task force. The members introduced themselves. Ms. Tami Burt described the task force's charge and introduced a background paper and chart prepared by staff.

Ms. Christine Nizer, Chief Deputy Administrator, MVA, described MVA's existing activities aimed at reducing the rate of uninsured motorists and how MVA calculates the uninsured motorist rate.

- Insurance companies must immediately notify MVA electronically of lapses, terminations, reinstatements, policy changes, and new business for vehicles registered in the State. Maryland-registered vehicles are required to maintain liability insurance. Violators are flagged and fined. A tag pick-up order is issued if a customer fails to comply. MVA has expanded the Maryland MVA **eFR**-19 Online Insurance Certification Program to include producers. MVA has made several system enhancements, including comparing the National Motor Vehicle Title Information System data against pending and open files for salvage and out-of-state transfers and adding tag information to MVA's database not only to capture the transaction date but also to capture the date a vehicle was purchased. Future MVA enhancements include web verification (secure interface with the insurance industry allowing MVA to ping insurer databases for insurance verification); providing additional payment options for customers; and working with insurance companies to improve data reporting on the reason for cancellation.

- MVA calculates the percentage of uninsured motorists by dividing the number of cases with penalty fees by the number of registered vehicles in the State. In fiscal 2014, there were 200,157 total cases with penalties, 11.69% of the cases closed with penalty fees, the number of registered vehicles was 4.9 million, making MVA's estimate of the uninsured vehicle rate 4.11%.

Ms. Sandra Castagna, Associate Commissioner, Property and Casualty, Maryland Insurance Administration (MIA), described the types of required insurance coverages and MIA's regulation of private passenger insurance.

- Insurers are required to apply for certificates of authority from MIA for the lines of insurance they intend to underwrite. All insurers, including the Maryland Automobile Insurance Fund (MAIF), file their rates with MIA. MAIF's rates are subject to prior approval, but other insurers may use their rates as soon as they are filed. MIA reviews rates, including supplementary rate information, to ensure they are not inadequate, excessive, or unfairly discriminatory. MIA identifies and reviews all factors included in an insurer's rate filing and rating algorithms to determine compliance with insurance laws and regulations. Filings are complex, typically including credit scoring, tiering algorithms, and usage-based insurance data.

- Forms of all insurers, about 158 at present, must be approved prior to use. MIA reviews the forms to determine compliance with insurance laws and regulations. MIA investigates complaints received from policyholders, claimants, and producers; examines the business practices of insurers and producers; and audits insurance company financials. The number of private passenger auto protests received (premium increases, cancellations, and nonrenewals) increased 2.4% from 2013 to 2014. Approximately 14.0% of protests are resolved in the insured's favor.

Mr. Bryson Popham, representing Insurance Agents & Brokers of Maryland and Captain Thomas Williams, Commander, Regulations and Government Affairs, Maryland State Police, based on their respective experiences with dealing with uninsured motorists, suggested two issues for the task force to consider.

- Discussions between the agent/broker group and the Maryland State Police years ago lead to a preliminary draft of legislation that included two compliance and enforcement aspects. First, they suggest having a mandatory nonwaivable portion of the uninsured motorist penalty. Judges generally dismiss all uninsured motorist penalties for a driver who has secured insurance by the time the driver appears in court.
- When an uninsured motorist appears in court, the judge dismisses the cost of towing the uninsured vehicle which results in the Maryland State Police paying the towing cost.

Meeting – November 10, 2014

At the task force's November 10, 2014 meeting, Senator Middleton welcomed the members of the task force and indicated that Delegate Rudolph resigned as a result of his loss in the election. He explained that the task force would resume meeting after the appointment of a new House co-chair.

Mr. Mark D. McCurdy, General Counsel, and Ms. Sandra L. Dodson, Government Affairs, MAIF provided MAIF's observations, comments, and suggestions as the insurer of last resort.

- MAIF's Insured Division acts as an insurance carrier, handling approximately 30,000 accident-related claims per year; the division paid $4,117,568 in uninsured motorist claims in 2013. The Uninsured Division is a State fund that MAIF administers, helping compensate approximately 700 victims of uninsured drivers per year; the division paid $1,655,220 to victims of uninsured drivers in 2013. MAIF's market share stood at 1.63% which has trended downward during the last eight years. MAIF has never used any State funds in its operations. MAIF has structured rates to be less costly. Financing of premium payments dominates the payment options since MAIF's installment plan has only recently been implemented; about 2.0% of policyholders use MAIF's installment plan. Ninety-five percent of MAIF policyholders buy the minimum policy limits (30/60/15). There is a high cancellation rate in the premium finance company business, typically around the fourth month of the policy term.

- The Insurance Research Council (IRC) reports that the percent of uninsured drivers in Maryland was 12.2% in 2012, ranking as twenty-second highest in the nation. IRC calculates the uninsured driver rate by comparing the ratio of uninsured motorist claims to bodily injury claim frequencies. With 3.8 million registered noncommercial vehicles in Maryland in fiscal 2014, a 12.2% uninsured rate translates to 463,600 uninsured motor vehicles on Maryland's roads. At the time of registration, MVA provides a sticker that is

affixed to the license tag to show the date and year that the registration expires. As a way to have uninsured drivers "touch" government more often, the State could require an uninsured driver to renew the vehicle registration more often than every two years. MVA may need more tools to address the issue. In a recent MVA match program notice, about 34.0% of the drivers who indicated on their registration applications when registering their vehicles that they were insured by MAIF turned out in fact *not* to have MAIF coverage. The average cost of submitted medicals per claim increased significantly in 2011 due to the increase on January 1, 2011, of the bodily injury limits from 20/40 to 30/60.

- Solutions can be categorized in a three-prism approach to public policy – *Educate, Enable, and Enforce*. The cost of insurance is a deterrent to enabling some drivers to buy insurance. Uninsured motorist and personal injury protection account for 32.6% of the total liability premium – this coverage protects the policyholder while the remaining cost of insurance, for liability, protects others. The fine structure may not be adequate since it may be cheaper to pay the fine than it is to maintain the required insurance. Perhaps an option is to have part of the fine assessed on an uninsured motorist go toward purchasing a policy for that uninsured motorist. For enforcement options, consumers touch government in many ways: at registration; at an accident scene; at a traffic stop; getting an emissions inspection; and getting a driver's license.

Ms. Marta Harting, representing State Farm; Ms. Catherine A. Rankin, Counsel, State Farm; and Mr. Patrick G. Schmid, PhD, Director of Research, IRC provided information relating to IRC studies.

- As a public policy researcher, IRC has completed several studies (*Uninsured Motorists*, 2014 Edition; *Auto Insurance Affordability*; and *The Potential Effects of No Pay, No Play Laws*). IRC collects claim information from leading insurers – over half the market is collected. They take claim frequency information for uninsured claims and bodily injury claims and then calculate a ratio. For 2012, Maryland's rate was 12.2%, while the nation was 12.6%. Maryland's trend is generally flat. Based on the uninsured motorist rates, IRC estimates that the number of uninsured in Maryland is about 638,025; the number of uninsured in the nation is estimated at almost 30 million.

- The cost of uninsured motorists on the roadways is hard to quantify because there are both direct and indirect costs. IRC estimates that the payment for uninsured motorist claims in Maryland for 2012 was $38.7 million for almost 7,000 claims. Premiums in states with fewer uninsured motorists tend to be more affordable. IRC studied the "No Pay, No Play" laws as an option that about 10 states are using to lower the rate of uninsured motorists. These are laws that prevent uninsured motorists from collecting compensation for noneconomic damages arising from a traffic accident with an insured, at-fault driver. The theory behind these laws is (1) fairness – if one does not pay into the system, then one should not benefit; (2) it was hypothesized that the law could lower the percentage of motorists that are uninsured; and (3) it may reduce insurer losses and, therefore, lower

premiums charged to insureds. The total compensation for noneconomic losses paid to the uninsured in Maryland was estimated at $15.7 million in 2012. The findings indicate that there was a 1.6% decline of uninsured motorists in the states that have "No Pay, No Play" laws.

Mr. Jason Perkins-Cohen, Executive Director, Job Opportunities Task Force (JOTF), provided observations, comments, and suggestions relating to JOTF.

- The focus of the task force should be on jobs as a way to decrease the uninsured rate. Being able to afford car insurance is important to getting a job. Seventy-two percent of workers get to work using an automobile. More than half of them work in a county that is different from the one in which they reside. If a person does not have a car, the person's job prospects are limited. The task force should focus on "enabling," meaning making car insurance more affordable.

Ms. Marceline White, Executive Director, Maryland Consumer Rights Coalition (MCRC) provided observations, comments, and suggestions relating to MCRC.

- There are barriers to access to jobs. Maryland needs to ensure that people can afford car insurance. The Consumer Federation of American's 2014 survey shows that the average premium in Maryland is $1,013, the sixth highest in the country. There are huge disparities based on geographic area. The focus should be "enabling." California has a low-cost program and also limits the use of rating factors tied to driving, for example years licensed and miles driven. Ninety-four percent of those in California's low-cost program were not insured prior to getting insurance through the program. There should be an insurance policy that costs $500 or less.

- The use of credit scoring as a rating factor further increases the cost of insurance particularly for drivers located in high cost areas of the State. While the use of credit scoring may be only used to rate a new risk, elimination of its use will lower the cost of insurance for those who can least afford the cost of insurance. Most insurers in the State use credit scoring (MAIF does not use credit scoring).

Mr. Arthur Lambert, President, Lambert Insurance Agency and Mr. Bryson Popham, representing the Insurance Agents and Brokers of Maryland, provided observations, comments, and suggestions from the producer's prospective.

- The cost of uninsured motorist coverage in Baltimore City is higher than in other jurisdictions in Maryland. This is a major factor since it increases the economic burden on consumers. The group suggested having a portion of the uninsured motorist penalty go toward paying the insurance premium and making towing costs nonwaivable. There has been a vigorous debate on the use of credit in insurance. Maryland has one of the more

restrictive laws on the use of credit.

Meeting – November 3, 2015

At its November 3, 2015 meeting, the task force discussed issues and options under the "*Educate, Enable, and Enforce*" theme. *See* **Appendix 4** for a list of suggested education efforts that was initially discussed at this meeting, expanded at the Education Ad Hoc Group meeting, and presented at the December 16, 2015 meeting. Also, at the November 3 meeting, the task force heard from MAIF about its marketing program that targets uninsured motorists and from a producer with EZ Insurance group that sells automobile insurance in the substandard market.

Mr. Mark McCurdy, Executive Director, MAIF described MAIF's consumer awareness efforts from July 20, 2015, to September 30, 2015.

- In Phase 1 of its consumer study, MAIF determined how well consumers know about MAIF. Of the respondents, 71% of non-MAIF customers did not know there is an insurance company for Maryland drivers who do not qualify for coverage through standard carriers. Only 20% of non-MAIF customers had heard of MAIF and knew what it does; only 26% of those respondents familiar with MAIF knew where MAIF insurance can be purchased. Thirty eight percent of MAIF customers were aware that MAIF offers easy payment (installment) plans. Four percent of non-MAIF customers were aware that MAIF offered such payment plans. MAIF advertises through many media: print, billboards, its website, digital display ads, Facebook ads, paid searches, television, radio, and transit. Its slogans include: "Without Insurance, It's a Lot Harder to Get Where You Want to Be"; "We Insure the Uninsured"; "Life's Harder Without Insurance"; and "Get Insured Get Moving." In Phase 2, MAIF developed a radio script that includes telling the audience that MAIF insures drivers who have been turned down by other insurers. The public awareness campaign resulted in a 61% increase in traffic on its website, MyMarylandAuto.com; an increase in time spent on the site and the number of pages visited during each session; and an increase in quoting activity and referrals to producers.

- There is a void in public awareness with regard to the mandate of auto insurance coverage. MAIF is well positioned to educate consumers on the benefits of being insured and the availability of MAIF insurance for residents unable to obtain coverage in the standard market. Consumers cannot buy a policy through MAIF's website. They must go through a producer, which adds value. MAIF's book of business tends to grow in February and March of each year. One barrier is the 25% down and six-month payment plan; premium finance companies only require 12% down. The average MAIF insured only stays a policyholder for four months.

Mr. Greg Taylor, Vice President, EZ Insurance Group provided his perspective about increasing public awareness.

- Education of consumers should be the primary focus. Schools need to teach students about insurance requirements. His locations are next to MVA. About two people a week get insurance from him, then go to MVA, and then come back to him to cancel the insurance. They have substantial outstanding fines that they are unable to pay. He suggested implementing an amnesty program allowing those who owe delinquent fines to pay a portion of their fines and then work out a payment plan addressing the balance of the fines. He suggested changing from a two-year tag registration to a one-year system. DC's automobile plan is not like MAIF's plan; in DC, policies are cancelled after two months. DC residents are driving on Maryland roads and having accidents. MAIF should have the ability to take DC residents as an assigned risk.

Meeting – November 17, 2015, Education Ad Hoc Group

- An Ad Hoc Education Group, a subset of the task force, met on November 17, 2015, to discuss how to reach out to uninsured motorists using education campaigns. The group focused its discussion on the following questions: What education efforts are happening now for example, websites, publications, and advertising? Can there be a better coordination of information between MIA and MVA? To whom should education efforts be targeted? What education efforts can be expanded or added? Which efforts would be most effective to reach those who need to be targeted? What would they educate the consumers about? How would they present the information? At the meeting, MVA and MIA suggested a variety of ways to increase education through their websites, publications, and notices. The target audiences are those who have not obtained insurance and those who obtain insurance but subsequently cancel the insurance. Education efforts should stress that there is a financial responsibility law and there are consequences to being uninsured. Also, education efforts need to include stating that MAIF is the insurer of last resort. The suggestions were presented to the task force at its subsequent meeting.

See **Appendix 4** for a list of suggested education efforts that was initially discussed at the November 3 meeting, expanded at the Education Ad Hoc Group meeting, and presented at the December 16 meeting.

Meeting – December 16, 2015

At its December 16, 2016 meeting, the task force heard about the suggested education efforts that were initially discussed at the November 3 meeting and expanded at the Education Ad Hoc Group meeting (*see* **Appendix 4**). The task force also briefly discussed issues and options relating to the "*Educate, Enable, and Enforce*" theme (*see* **Appendix 5**) and education efforts of other states (*see* **Appendix 6**). **Appendix 7** lists comments provided by the Independent Insurance

Agents of Maryland. Also, at the meeting, the task force heard from the Maryland State Department of Education (MSDE) on the inclusion of the financial responsibility requirements – auto insurance coverages and the consequences of being uninsured – in the public school financial literacy curriculum; MVA's and MIA's efforts to integrate education about insurance compliance on their websites and in other ways; and the Insurance Information Institute (III) on the trends relating to residual markets around the country.

Ms. Lynne Gilli, Program Manager, Career and College Readiness and Ms. Tiara Booker-Dwyer, Education Program Specialist, Division of Career and College Readiness, MSDE described the automobile insurance and uninsured motorists' portion of the financial literacy curriculum in public schools.

- The program started as a pilot program in Charles County during the 2015-2016 school year. For the 2016-2017 school year, the program will be available to all Maryland students. As start-up funds, MSDE received a $250,000 grant from "race to the top."

- Maryland's personal financial literacy standards for grades 3 to 12 are organized by grade bands: 3-5, 6-8, and 9-12. The standards include the following topics: make informed and financially responsible decisions; related careers, education, and income; plan and manage money; manage credit and debt; create and build wealth; and manage risk and preserve wealth. Students engage in real-life financial decision-making scenarios. Part of this program focuses on understanding the need for insurance: Why is there a need for insurance? How does insurance protect income and wealth? How much insurance coverage does one need? How will insurance needs change throughout the course of one's life? The program specifies that there are auto insurance coverage requirements under the law, including liability, uninsured motorist, and personal injury protection. There are also optional coverages, including comprehensive and collision. Using a variety of scenarios, students compare insurance costs, learn how to file an insurance claim, and develop an insurance plan. The program stresses how the uninsured may be financially impacted. Information on the financial literacy education requirement in public schools may be found at: http://www.marylandpublicschools.org/fle/

The task force was impressed by the inclusion of substantive materials relating to automobile insurance in the public school financial literacy curriculum.

Ms. Christine Nizer, Motor Vehicle Administrator, MVA described MVA's efforts to integrate education about insurance compliance.

- The steps MVA has taken to educate drivers include updating its website, modifying its online renewal web page, modifying email and paper registration renewal notices to inform customers about the financial responsibility law, modifying notification email to inform customers of an insurance cancellation reported by their insurer, beginning to utilize social media to post messages informing customers about insurance requirements, revising the

driver manual, updating the driver education curriculum and unit and final exams, and updating the motor vehicle network (MVA branch TV displays).

- In November 2015, MVA modified the insurance compliance page of its website to include more comprehensive explanation of insurance requirements and penalties. Links to MVA's and MAIF's websites were added to the consumer information page of MVA's website. In December 2015, MVA modified the email notification for a registration renewal to include brief insurance requirements, potential penalties, and a link to the insurance compliance page of its website. The language in the email notification was developed with feedback from a consumer group and will be used consistently in other customer education efforts. MVA also modified the paper renewal notice to include a reminder about insurance requirements and potential uninsured penalties. MVA updated the registration renewal section of its "eStore" to include a message regarding insurance requirements and potential uninsured penalties.

- Effective May 2014, MVA began sending an email alert to a vehicle owner before opening an insurance case if MVA has an email address on record. This notice allows the customer to address any insurance issue before incurring any penalties. The email notification is sent 10 days after MVA is notified of the insurance cancellation if a new business or reinstatement has not been received.

- MVA uses social media for insurance education. Each week the agency posts on Twitter: "It is against the law to drive without vehicle insurance. You could be fined up to $2,500 per vehicle," and on Facebook: "Remember. It is against the law to drive without vehicle insurance. If you do not maintain your vehicle insurance on all vehicles, you could be fined up to $2,500 per vehicle."

- As the regulator of all driving schools in the State, MVA, sent the driving schools an update to the required driver education curriculum effective February 2016. All schools must present information that includes minimum coverage requirements, the maximum penalty of $2,500 per vehicle per year, and a testing question on both unit and final exams. The testing question will be: "According to Maryland law, all Maryland vehicles must be covered by vehicle insurance, or the vehicle owner will face suspension of registration and fines from MVA. True or False?"

- By spring 2016, the driver's manual will be updated to include language regarding insurance requirements and penalties. Lastly, three new insurance messages regarding compliance have been added to the MVA branch TV displays.

Mr. Lynn Dickerson, Associate Commissioner for Property and Casualty Insurance, MIA described MIA's efforts to integrate education about insurance compliance.

- MIA's website includes a comparison guide and a consumer guide which may be updated with more education information. MIA worked with MVA on a rate filing guide. The Insurance Commissioner may create Youtube videos to include on MIA's website that will walk consumers through the insurance process for private passenger motor vehicles.

As a result of the task force's discussions, numerous steps have been or will be implemented to further educate the uninsured about the consequences of being uninsured.

Mr. Robert P. Hartwig, PhD., CPCU, President & Economist, III spoke about the residual market trends and uninsured motorist issues.

- As of 2013, 99% of all private passenger motor vehicles insured in Maryland are insured in the private market. Only 1% are insured by the State residual market, MAIF – the same as the United States overall. MAIF's market share has shrunk from 3.7% in 2004 to 1.0% in 2013. The small market share in the "market of last resort' is indicative of a healthy and strong private insurer competition and sophisticated underwriting.

- The number of vehicles insured by MAIF plunged by 70.5% from 2004 to 2013, a decline of 96,668 from 137,168 in 2004 to 40,500 in 2013. The uninsured motorist percentage in Maryland fell from 14.9% in 2009 to 12.2% in 2012, the latest data available from IRC. Maryland's uninsured motorist percentage in 2012 was lower than the 12.6% recorded for the United States overall. Residual market and uninsured motorist trends in Maryland are favorable, suggesting that markets are healthy and competition is vigorous, even for riskier drivers.

- Strategies for reducing the uninsured motorist population include providing more education, implementing "No Pay, No Play" laws, and enforcing current laws. Educating drivers as to their legal requirement to carry automobile liability insurance is an important factor in achieving the goal of lowering the number insured by the State residual market. Laws that prevent uninsured motorists from collecting compensation for noneconomic damages arising from a traffic accident with an insured at-fault driver may help lower the uninsured motorist rate. III's logic is that if a person drives illegally without insurance, there should be no recovery for noneconomic damages. Theory and empirical evidence from IRC suggest that such laws reduce uninsured motorist rates. Stringent enforcement is necessary to reduce flaunting of the law. This should be backed by appropriate penalties.

Legislation: 2016 Session

Over the preceding two interims, the task force studied various ways to educate the public about the financial responsibility law, to enable those who may be unable to afford insurance to comply with the financial responsibility law, and to further enforce the financial responsibility law.

Based on the task force's discussions, the co-chairs introduced a package of three bills during the 2016 session aimed at reducing the rate of uninsured motorists in the State. These proposals were enacted as Chapters 401/402 "Insurance Identification Card – Carrying Proof of Coverage – Uninsured Motorist Education and Enforcement Fund," Chapters 425/426 "Personal Injury Protection – Rejection of Coverage," and Chapters 446/447 "Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured." *See* **Appendix 8** for the enacted legislation and associated fiscal notes.

Chapters 401/402 (Senate Bill 544/House Bill 720) "Insurance Identification Card – Carrying Proof of Coverage – Uninsured Motorist Education and Enforcement Fund" – Effective October 1, 2016

- A driver of a motor vehicle that is required to be registered in the State must carry evidence of required security while operating the vehicle. The driver must be in possession of, or carry in the motor vehicle, the evidence of required security when operating the motor vehicle on a highway in the State and present the evidence of required security on the request of a law enforcement officer.

- An insurer must provide the required evidence of security to an insured in the form of an insurance identification card, or in an electronic format if an insured and an insurer both consent. Acceptable electronic formats include display of electronic images on a cellular phone or any other type of portable electronic device. The evidence must be presented at the request of a law enforcement officer. The insurance card provided by an insurer is only valid for the period in which an insured has paid for coverage unless the insured is on an insurer-sponsored payment plan or has financed premiums. In this situation, the insurance card may be valid for six months even if an insured's payment is for a period of less than six months.

- A person who violates this requirement is subject to a waivable fine of $50 deposited in the Uninsured Motorist Education and Enforcement Fund (UMEEF) established by the Acts. UMEEF is administered by MVA and its revenues must be used to administer the fund and educate drivers about and enforce the security requirements for motor vehicles under the Maryland Vehicle Law.

- MVA may delay the implementation of the fine to allow a period of time to educate drivers of motor vehicles about the requirement to carry evidence of required security.

- UMEEF may accept funding from MAIF's Uninsured Claim and Judgement Fund (UCJF) and any other source.

Chapters 425/426 (Senate Bill 784/House Bill 900) "Personal Injury Protection – Rejection of Coverage" – Effective October 1, 2016

- An eligible applicant for a motor vehicle liability insurance policy may reject obtaining coverage for medical, hospital, and disability benefits – known as personal injury protection (PIP) benefits – that must otherwise be obtained (full PIP) or waived (limited PIP). To be eligible to make this rejection, the applicant must meet specified conditions, and the insurance policy being obtained cannot provide coverage in excess of the minimum liability coverage required by State law – payment of claims for bodily injury or death arising from an accident of up to $30,000 for any one person and up to $60,000 for any two or more persons, in addition to interest and costs.

- At the time of application, an eligible applicant must elect, in writing and on the form the Insurance Commissioner requires, whether to obtain full PIP coverage, obtain limited PIP coverage under the existing waiver process, or reject PIP coverage outright under the Acts. MAIF must offer a first-named insured the option to reject PIP coverage only if the applicant has not been insured continuously by MAIF for at least one full year prior to the application. Other insurers may offer a first-named insured the option to reject PIP coverage only if the applicant's prior insurance policy (1) was not a MAIF policy and (2) was canceled by the insurer before the end of the policy's term. The form must describe the costs and benefits of each option in a specified manner. The Commissioner must consult with insurers, insurance producers, and other appropriate persons to develop the form, including use of the form by written and electronic means.

- An applicant's rejection of PIP coverage is effective until the end of the policy's term, after which it is upgraded to limited PIP or full PIP, unless the insured withdraws the rejection in writing, obtains a policy from another insurer, or increases the policy's liability coverage above the minimum liability coverage required by State law.

- MAIF and other motor vehicle liability insurers that offer insureds the option to reject PIP coverage must report to MIA each year through 2019 on (1) the number of applicants eligible to reject PIP coverage; (2) the number of insureds who chose to obtain full PIP coverage and limited PIP coverage, respectively, and the number who elected to reject PIP coverage; and (3) any other related information the Commissioner requires.

- MIA must compile the information and submit its findings and recommendations to the

Senate Finance Committee and the House Economic Matters Committee by December 1, 2019.

- The Acts apply to policies of motor vehicle liability insurance issued, sold, delivered, or renewed in the State on or after October 1, 2016.

Chapters 446/447 (Senate Bill 888/House Bill 912) "Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured" – Effective July 1, 2016

- The Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured is a limited amnesty program administered by MVA.

- The purpose of the program is to reduce the number of uninsured vehicles in the State by incentivizing and enabling uninsured vehicle owners with delinquent uninsured vehicle penalties to be insured. Under the program, MVA must (1) waive 80% of a vehicle owner's delinquent uninsured vehicle penalties that became delinquent before January 1, 2014, and (2) require those vehicle owners to purchase and maintain the required security for their vehicles.

- The program period within which MVA may waive a vehicle owner's delinquent uninsured vehicle penalties must last up to 90 calendar days and begin on or after January 1, 2017, and end by December 31, 2017.

- A vehicle owner is eligible to participate in the program if the owner is (1) a resident of the State; (2) does not have the required security on a vehicle; (3) has delinquent uninsured vehicle penalties that became delinquent before January 1, 2014; and (4) has not been issued a judgment by the Department of Budget and Management's Central Collections Unit (CCU).

- As a condition of waiving 80% of a program participant's delinquent uninsured vehicle penalties, a participant must pay the remaining 20% owed before the end of the program period. If the account has been sent to CCU, the participant must also pay any fee owed to CCU, calculated using the remaining 20% owed and not the original uninsured vehicle penalty. MVA may allow these penalties to be paid using a monthly installment payment plan that extends beyond the end of the program period if (1) the first payment is due when a participant enters the program and (2) the remaining balance is paid within six months after the participant enters the program. Additionally, as a condition of waiving 80% of a participant's penalties, MVA must require the participant to maintain the required security on the vehicle for a period of at least six months. However, MVA may require the required security to be maintained for at least one year if the penalty waived for a participant exceeds $3,000.

- MVA must notify vehicle owners who may be eligible to participate in the program at their last known address. The notification must include MVA's website address and MIA's website address where the owner may find contact information for insurers that write motor vehicle liability insurance in the State and other information about motor vehicle insurance. The notification must also include the total delinquent uninsured vehicle penalties that the owner owes and the amount of the penalties that may be waived under the program.

- MVA must coordinate with MIA to publicize the program, including notifying motor vehicle liability insurers and producers about the program.

- MVA may adopt regulations to carry out the Acts' requirements. Within 60 days after the end of the program period, MVA must report to the Governor and Maryland General Assembly on the results of the program and any recommendations to implement another program aimed at reducing the number of uninsured motorists.

- MVA may accept funding from MAIF's UCJF to assist with administration of the program.

Effect of Legislation

These three proposals were enacted into law during the 2016 session. There was no opposition to the legislation. They are aimed to *educate* the public about the financial responsibility law, by requiring drivers to carry proof of insurance; *enable* those who may be unable to afford insurance to obtain insurance, by allowing eligible applicants to reject PIP and by waiving a portion of delinquent fines; and *enforce* the financial responsibility law, by penalizing drivers for not carrying proof of insurance and requiring those who have waived fines to purchase insurance.

MIA and MVA will monitor the implementation of the legislation and prepare required reports to determine the effect of the legislative package. MVA will be monitoring whether the public has been sufficiently educated about the requirement to carry proof of insurance. MIA must report compiled information relating to the rejection of PIP coverage by December 1, 2019. MVA must report on the success of the Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured, likely in early 2018.

See **Appendix 9** for a list of publications that were available to the task force and staff for review in working toward completion of its charge.

Appendix 1. 2014 Interim Report

THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

December 31, 2014

The Honorable Thomas V. Mike Miller, Jr., Co-chairman
The Honorable Michael E. Busch, Co-chairman
Members of the Senate Finance Committee
Members of the House Economic Matters Committee

Ladies and Gentlemen:

The Task Force to Study Methods to Reduce the Rate of Uninsured Drivers respectfully submits its interim report. Since members of the task force were not appointed until late summer, the task force was not able to hold its first meeting until October 21, 2014. Subsequently, the task force held another meeting on November 10, 2014. At these two meetings, the task force heard presentations from the Motor Vehicle Administration, the Maryland Insurance Administration, the Maryland Automobile Insurance Fund, the Insurance Research Council, the Job Opportunities Task Force, the Maryland Consumer Rights Coalition, the Insurance Agents and Brokers of Maryland, and the Maryland State Police.

Under Chapter 41 (Senate Bill 153) of 2014, the task force is responsible for studying and making recommendations regarding the rate of uninsured drivers, deterrents and incentives that could be used in the State to the reduce rate of uninsured drivers, and methods to lower the cost of insurance.

The task force will resume meeting during 2015, possibly early in the year. A final report is due by December 31, 2015. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Thomas M. Middleton

Senator Thomas M. Middleton
Senate Co-chairman

TMM:DDR/TDB/tas

Appendix 2. 2015 Interim Report

THE MARYLAND GENERAL ASSEMBLY
ANNAPOLIS, MARYLAND 21401-1991

Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

December 31, 2015

The Honorable Thomas V. Mike Miller, Jr., President of the Senate
The Honorable Michael E. Busch, Speaker of the House of Delegates
Members of the Senate Finance Committee
Members of the House Economic Matters Committee

Ladies and Gentlemen:

Under Chapter 41 (Senate Bill 153) of 2014, the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers is responsible for studying and making recommendations regarding the rate of uninsured drivers, deterrents, and incentives that could be used in the State to reduce the rate of uninsured drivers and methods to lower the cost of insurance. Under the legislation, a final report is due by December 31, 2015. The task force respectfully requests an extension for the submission of its final report.

The task force met twice during the 2015 interim – November 3 and December 16. At the first meeting, the task force discussed issues and options under the "Educate, Enable, and Enforce" theme. Also, at that meeting, the task force heard from the Maryland Automobile Insurance Fund on its marketing program that targets uninsured motorists and from a producer with EZ Insurance group that sells automobile insurance in the substandard market. Subsequent to the meeting, an ad hoc education workgroup met on November 17 to discuss how to reach out to uninsured motorists using education campaigns. At the second meeting, the task force heard presentations from both the Motor Vehicle Administration (MVA) and the Maryland Insurance Administration (MIA) on their efforts to integrate education about insurance compliance in their websites and in other ways; the Insurance Information Institute on the trends relating to residual markets around the country; and the Maryland State Department of Education on the inclusion of the financial responsibility requirements (auto insurance coverages and the consequences of being uninsured) in the public school financial literacy curriculum.

The task force was impressed by the inclusion of substantive materials relating to automobile insurance in the public school financial literacy curriculum. As a result of the task force's discussions, numerous steps have been or will be implemented to further educate the uninsured about the consequences of being uninsured. For example, both MVA and MIA's websites have been updated with information about the financial responsibility law. MVA will be utilizing other ways to educate drivers, including modifying its online renewal web page,

updating email and paper registration renewal notices, providing notification emails to inform customers of insurance cancellations reported by their insurer, posting messages on social media, revising the driver manual, updating driver education curriculum, and updating the motor vehicle network at MVA branches.

The task force will resume meeting during the 2016 session, providing comments regarding any related legislation. The task force anticipates submitting its final report by mid-2016. If you have any questions, please do not hesitate to contact us.

Very truly yours,

Senator Thomas M. Middleton
Senate Co-chair

Delegate C. William Frick
House Co-chair

TMM:DDR/TDB/tas

Appendix 3. Uninsured Drivers Information Background Paper

Uninsured Drivers Information Background Paper

Uninsured drivers affect regulators, law enforcement, insurers, insured drivers, and individuals who do not own a vehicle. *See* **Attachment 1 "**Automobile Financial Responsibility Limits and Enforcement by State" for a comparison chart of information that relates to uninsured motorists and laws in Maryland and other states.

Motor Vehicle Insurance Requirements in Maryland and Other States

Automobile liability insurance coverage is mandatory in 49 states and the District of Columbia. Only New Hampshire does not have compulsory automobile insurance liability laws; however, its law requires financial responsibility (*i.e.*, sufficient assets to pay claims against the motorist if the motorist causes an accident and does not have automobile insurance) to operate a vehicle. Further, uninsured motorist (UM) coverage is not obligatory in every state; therefore, some insured drivers are not covered when their vehicles are hit by an uninsured driver. As described below, Maryland law does require drivers to purchase uninsured motorist coverage. In Maryland, automobile insurance follows the car, not the driver.

Required Financial Responsibility Law in Maryland

Under Maryland law, motor vehicles registered in Maryland with the Motor Vehicle Administration (MVA) are required to maintain minimum levels of insurance at all times. The owner of a motor vehicle that is required to be registered must maintain the required security during the vehicle registration period. Maryland drivers are not required to carry proof of insurance. The required insurance, specified under Title 17, Subtitle 1 of the Transportation Article (TR) and Title 19, Subtitle 5 of the Insurance Article (IN), must provide for at least:

- the payment of claims for bodily injury (BI) or death arising from an accident of up to $30,000 for any one person and up to $60,000 for any two or more persons, in addition to interest and costs (liability coverage) (these limits were increased from $20,000 and $40,000, respectively, under Chapter 441 of 2010, effective January 1, 2011);

- the payment of claims for property of others damaged or destroyed in an accident of up to $15,000, in addition to interest and costs (physical damage – PD);

- unless waived by first-named insured, personal injury protection (PIP) coverage (minimum coverage for medical, hospital, and disability benefits up to $2,500 for payment of expenses that arise from the accident, lost income, and reimbursement for essential services for care and maintenance of the family or family household); if the first-named insured does waive PIP, the waiver (1) constitutes a waiver under the

first-named insured's policy or any other motor vehicle liability insurance policy in the State and (2) is binding on each named insured, each listed driver, and each member of the first-named insured's family who is at least 16 years old and resides in the first-named insured's household; and

- UM coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

Optional Coverages

- Collision coverage provides insurance, without regard to fault, against accidental property damage to the insured's motor vehicle caused by physical contact of the insured's motor vehicle with another motor vehicle or other object or by upset of the insured's motor vehicle, if the motor vehicle accident occurs in a state, Canada, or Mexico. A total vehicle loss is declared when the insurer determines the cost to repair the vehicle exceeds 75% of the value of the vehicle.

- Comprehensive coverage pays for damage to the insured's motor vehicle resulting from causes other than an accident, such as flood, vandalism, theft, glass damage not resulting from an accident, and accidents in which the vehicle strikes an animal.

Uninsured Motorist Coverage

Uninsured motorist coverage pays for injury and damages caused by an uninsured (or under-insured) or hit-and-run driver. This coverage reimburses the policyholder, members of the policyholder's family, or designated driver for an accident caused by the uninsured motorist. This coverage generally pays for medical bills and lost wages; pain, suffering, and disfigurement; emotional distress; and loss of future earning capacity. Uninsured motorist coverage is only used when the other driver is the responsible party, as shown in **Exhibit 1**.

Exhibit 1

How Uninsured Motorist Coverage Is Used in Case of an Accident

Responsible (at-fault) Party is Fully Insured	Responsible party's (1) BI liability coverage pays for injuries of the non at-fault party and (2) PD liability coverage pays for repairing or replacing the vehicle of the non at-fault party. Non at-fault party does not pay any deductibles because the non at-fault party's coverages are not triggered.
Responsible (at-fault) Party is Under-Insured	Responsible party's (1) BI liability coverage pays for injuries of the non at-fault party – up to the policy's payment limits and (2) PD liability coverage pays for repairing or replacing the vehicle of the non at-fault party – up to the policy's payment limits. If the non at-fault party's UM BI liability coverage limits exceed those of the at-fault party's BI liability limits, the non at-fault UM BI liability pays for the difference between the non at-fault party's total accident-related costs and the responsible party's maximum contribution. Total amount paid (by both insurers) will not exceed the non at-fault party's UM/BI liability coverage limits. Non at-fault party may have to pay a deductible because the non at-fault party's coverages are triggered.
Responsible (at-fault) Party is Uninsured	Responsible party is personally financially liable for the full extent of (1) the injuries of the non at-fault party and (2) repairing or replacing the vehicle of the non at-fault party. If the responsible party is unable to pay, the non at-fault party's UM/BI and UM/PD liability coverages pay for the non at-fault party's total accident-related costs – up to the policy payment limits. Non at-fault party may have to pay a deductible because the non at-fault party's coverages are triggered.

BI: Bodily injury
PD: Property damage

According to the Maryland Insurance Administration (MIA), not all uninsured motorist claims may be caused by uninsured vehicles, as described by the following situations:

- "Phantom vehicle" is a term used in the insurance and claims industry to describe a vehicle in an automobile accident that has left the scene of the accident and is unidentified.
    - A driver (who may be driving an insured vehicle) swerves into another lane of traffic and keeps driving. This action may cause an accident for others who try to avoid contact. Assuming the others who are injured due to this action were not negligent in any way, they can file a UM claim under their own policy since the driver who set the chain of events in motion cannot be identified.
    - A driver is hit by a hit-and-run driver (who may be driving an insured vehicle). Assuming those who are injured due to the hit-and-run driver's actions were not negligent in any way, they can file a UM claim under their own policy since the hit-and-run driver cannot be identified.
- A driver (who is driving an insured vehicle) suffers a sudden medical emergency and crashes into another vehicle. The medically impaired driver would not be held liable under these circumstances. The injured party involved in the crash can file a UM claim under his/her own policy.
- A driver who is excluded from coverage under the policy that covers the vehicle that the excluded driver is driving causes an accident. The injured party can file a UM claim under his/her own policy.
- A driver (who may be driving an insured vehicle) operates a vehicle without the owner's permission or operates a vehicle the driver has stolen and subsequently causes a loss that results in bodily injury or property damage. The injured party can file a UM claim under his/her own policy.

Required Financial Responsibility Law in Other States

According to the Insurance Information Institute's Compulsory Auto/Uninsured Motorists Report (October 2010), of all the states, the most common required minimum liability coverage is $25,000 (for an individual injured in an accident)/$50,000 (for all injuries in an accident). *See* **Attachment 1** "Automobile Financial Responsibility Limits and Enforcement by State" for the required minimum liability coverages in each state.

Offering of Underinsured Coverage

During the 2015 and 2016 sessions, legislation titled "Private Passenger Motor Vehicle Liability Insurance – Enhanced Underinsured Motorist Coverage" (Senate Bill 614/House Bil1 1093 of 2015 – failed; and Senate Bill 553/House Bill 667 of 2016 – failed) was introduced in Maryland that would have established enhanced underinsured motorist (EUIM) coverage in the State. The first-named insured under a private passenger motor vehicle liability insurance policy would have been able to elect to obtain EUIM coverage instead of the uninsured motorist coverage generally required for registered motor vehicles in the State. Features of the bills are described below.

Establishment of Enhanced Underinsured Motorist Coverage

"Underinsured motor vehicle" means a motor vehicle (1) the ownership, maintenance, or use of which has resulted in the bodily injury or death of an insured and (2) for which the sum of the liability limits under all valid, collectible, and applicable liability insurance policies, bonds, and securities may be the same or different than the amount of EUIM coverage provided by a policy (including when it has been reduced by payment to other persons of claims arising from the same occurrence).

The first-named insured under a private passenger motor vehicle liability insurance policy may elect to obtain EUIM coverage instead of the uninsured motorist coverage generally required for registered motor vehicles in the State. Unless the first-named insured affirmatively makes a change in writing, the election to obtain EUIM coverage applies to all subsequent renewals of coverage and to all other policies and endorsements that extend, change, supersede, or replace an existing private passenger motor vehicle insurance policy issued to the insured. An insured who obtains the EUIM coverage established by the bill under his or her private passenger motor vehicle liability insurance policy is not required to also obtain uninsured motorist coverage. EUIM does not apply to a motor vehicle liability insurance policy under two circumstances. First, it does not apply when a first-named insured has elected not to obtain the EUIM coverage. Second, it does not apply to a policy that covers a motor vehicle that is exempt from State registration requirements because it is not driven on a highway or to a policy that is exempt from State registration requirements because the covered vehicle is a snowmobile.

Coverage Amount and Related Waiver Provisions

EUIM coverage has to meet certain threshold requirements but may not exceed the amount of liability coverage provided under the policy. Unless waived, the amount of EUIM coverage equals the amount of liability coverage. EUIM coverage may be waived in a similar manner as uninsured motorist coverage if an insured's liability coverage (under his or her private passenger motor vehicle liability insurance) exceeds the amount required by State law. Thus, an insured may obtain EUIM coverage for a lower amount than the liability coverage under the policy. The waiver must be done on a written form that is approved by the Commissioner and include specified information about the nature, extent, benefit, and cost of the coverage being waived. A waiver of EUIM coverage may be on the same form as that for uninsured motorist coverage. An insurer may not refuse to underwrite a person because that person does not waive EUIM coverage.

Background and Example

EUIM coverage differs from the standard uninsured motorist coverage required by State law because uninsured motorist coverage does not pay unless the limits of liability under all valid and collectible liability insurance policies is less than the uninsured motorist coverage. Conversely, EUIM coverage pays in addition to the limits of liability under all other valid and collectible liability insurance policies. The following example illustrates the difference in the total amount a driver may recover, depending on whether he or she has uninsured motorist coverage (required under current law) or EUIM coverage (established by the bill). Under both types of insurance, a driver may only receive up to the total amount of his or her injuries. In the example, Driver A (the at-fault driver) hits Driver B's vehicle, which causes Driver B to have $80,000 in injuries. Driver A only has $30,000 in liability coverage, while Driver B has $50,000 in either uninsured motorist or EUIM coverage. In this circumstance, Driver B receives the following payments from Driver A's liability coverage and Driver B's own coverage.

Driver A has Uninsured Motorist Coverage	**Driver B has EUIM Coverage**
• $30,000 from the at-fault driver's liability coverage • $20,000 from his/her own uninsured motorist coverage ($50,000 own coverage – $30,000 from at-fault driver)	• $30,000 from the at-fault driver's liability coverage • $50,000 from his/her own EUIM coverage (paid up to the limit of own coverage)
Total Recovered by Driver A: $50,000 (Cannot receive, in total, more than limit of any policy)	**Total Recovered by Driver B: $80,000 (May use full amount of own coverage to cover injuries sustained)**

Responsibilities of State Agencies

Three State agencies are involved with insurance for the driving public: MVA in the Department of Transportation, MIA, and the Maryland Automobile Insurance Fund (MAIF).

Motor Vehicle Administration

MVA is responsible for providing motor vehicle services to the citizens of Maryland. These services include:

- licensing all passenger and commercial drivers;
- registering and titling vehicles;
- issuing tags and permits for individuals with a disability;

- providing photo identification cards for non-driver residents;

- regulating motor vehicle dealers and salesmen, title service agents, automotive dismantlers and recyclers, scrap processors, and driver education schools and instructors;

- administering the compulsory insurance compliance program, Vehicle Emissions Inspection Program (VEIP), and driver safety programs; and

- coordinating the State's highway safety efforts.

MVA serves customers through a network of branch offices, eMVA facilities (kiosks and the agency website), a telephone call center, a mobile service center, and VEIP stations.

MVA Community Outreach

The Maryland Driver's Manual includes the following information:

> *Insurance Requirements: All motor vehicles registered in Maryland must be insured by a company licensed in Maryland. Vehicle owners must have their vehicles insured for personal injury and property damage liability in amounts required by law. See the MVA website for additional information regarding specific amounts of required insurance.*

When extending a vehicle emissions date, MVA's website includes the following information:

> *I understand it is unlawful to knowingly submit false information to the Motor Vehicle Administration. For vehicle transaction(s), I certify the vehicle is covered by at least the minimum amount of insurance required by the Maryland Motor Vehicle Law, and will be continuously insured throughout its registration period.*

There are no questions on the driver's exam relating to the insurance requirements.

MVA's website provides information relating to the following topics: http://www.mva.maryland.gov/vehicles/insurance/

- Insurance requirements.

- Proof of insurance.

- Maryland Insurance Certification (FR-19).

- Avoid Penalties.

- Uninsured Vehicle Owners.

- If You're Involved in an Accident.
- Maryland Approved Insurance Companies.
- Maryland Personal Injury Protection (PIP).
- Want More Information? (provides contact phone numbers).
- MAIF.

Maryland Insurance Administration

MIA is the State regulatory agency that oversees the operations of insurers and producers. In doing so, MIA provides services to both the consumers of insurance products and the insurance industry and increases public understanding of the vital role insurance plays for Maryland residents and businesses. These services include:

- protecting consumers by regulating the State's insurance companies and producers, including assuring fair treatment of consumers; the availability of insurance coverage at fair prices; and fair sales, claims, and settlement practices;
- investigating complaints consumers have about their insurance coverage, including, life, health, automobile, and homeowners;
- licensing insurance companies and producers operating in Maryland, including assuring a competitive insurance industry;
- conducting financial examinations of insurance companies;
- conducting market conduct examinations of compliance with Maryland's insurance law;
- investigating acts of insurance fraud; and
- reviewing and approving rates and contract forms.

MIA Community Outreach

MIA's website http://www.mdinsurance.state.md.us provides several publications that may be helpful to auto insurance consumers, including:

- Tips on Shopping for Automobile Insurance.
- A Consumer Guide to Auto Insurance.
- A Consumer Guide to Auto Insurance for Teen and Young Adult Drivers.

MIA annual reports regarding auto insurance include:

- Report on the Use of Territory as a Rating Factor in Establishing Private Passenger Automobile Insurance Rates;

- Report on the Effect of Competitive Rating on the Insurance Market in Maryland.

Premium Tax

Insurance companies are subject to a 2% tax on all new and renewal gross direct premiums that are derived from or reasonably attributable to insurance business in the State of Maryland. The laws relating to the imposition of premium tax, premium tax rates, premium tax credits and deductions, filing requirements, payment of premium taxes, penalty and interest assessments and appeal rights can be found in Title 6, Subtitle 1 of the Insurance Article. In addition, foreign insurers are subject to retaliatory taxes, as delineated in Title 6, Subtitle 3 of the Insurance Article of the Annotated Code of Maryland.

For-profit Health Maintenance Organizations (HMO), Managed Care Organizations (MCO), and persons engaged in the business of writing insurance contracts, surety contracts, guaranty contracts and annuity contracts in the State of Maryland are subject to premium taxes and must file the appropriate returns with MIA. In addition, surplus line brokers and unauthorized insurers are subject to a premium receipts tax of 3% in accordance with Title 3, Subtitle 3 and Title 4, Subtitle 4 of the Insurance Article and are not subject to the aforementioned 2% premium tax and related filing requirements.

Insurance companies, for-profit (HMO) and (MCO) are required to file quarterly estimated tax returns and make quarterly payments if their total tax for the current calendar year is reasonably expected to exceed $1,000. At least 25% of the estimated tax for the full calendar year is to be paid with each quarterly report. The due dates are as follows: April 15; June 15; September 15; and December 15.

MIA assesses an annual tax on premiums that insurance companies collect as a result of business transactions that occur in the State. The premium tax revenues are general funds, and in fiscal 2014 the premium tax revenues totaled approximately $458 million. MIA itself is wholly specially funded through two separate funds, the Insurance Regulation Fund and the Health Care Regulatory Fund. The Insurance Regulation Fund supports MIA's administrative and regulatory activities and is composed mostly of various assessments and fees levied on insurers. The Health Care Regulatory Fund supports the cost of complaint investigations about payment denials involving medical necessity. The Health Care Regulatory Fund is made up almost entirely of revenues received through the health care regulatory assessment. MIA can transfer a small portion of premium tax revenue quarterly to support the administrative costs of collecting the premium tax. In fiscal 2014, the amount was less than 1% of total revenues.

Maryland Automobile Insurance Fund

The residual market for personal automobile insurance is the "market of last resort" for drivers who are unable to find coverage in the voluntary market. Maryland is the only state that has a state plan, as described below. Most states have an automobile assigned risk plan. Two states use the Joint Underwriting Association (Florida and Michigan).

Insured Division

Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private insurance market. MAIF is not in direct competition with the private insurance industry. In other states, private insurance companies share in insuring those unable to obtain insurance (known as the residual market) through an assigned risk plan in their respective states.

MAIF must issue a policy for motor vehicle liability insurance if an applicant:

- pays a premium and: owns a covered vehicle registered with MVA, has a license issued by MVA to drive a covered vehicle, or is a lessee under a "lease not intended as security" as defined by Maryland law;

- does not owe to MAIF: an unpaid premium with respect to a policy that has expired or been canceled; or a claim payment obtained by fraud;

- has made at least two good faith efforts to obtain a policy from two separate members of the Industry Automobile Insurance Association or has had a policy canceled or nonrenewed by an association member for a reason other than nonpayment; and

- meets specified residency requirements.

MAIF may not issue a policy if a person does not meet these requirements, including applicants who either lease a private passenger vehicle to an individual who does not meet the residency requirements or garages the vehicle principally outside the State. There are specified exceptions for armed forces members on active duty and students.

In most years since calendar 2006, the number of applications received (gross written policies) in the Insured Division declined. After a slight rebound in calendar 2010, the number of policies fell by more than 20% in calendar 2011. There were 74,352 policies issued in 2011, 64,045 policies issued in 2012, 63,564 policies issued in 2013, and 65,530 policies issued in 2014. MAIF indicates that possible reasons for the decrease are the current economic conditions and rate increases in calendar 2011. As MAIF's market share has declined over the past decade, market share for the top insurer groups excluding MAIF has increased. **Exhibit 2** shows the market share and the number of gross written policies for 2006 through 2014. **Exhibit 3** illustrates the geographic breakdown of MAIF's policy distribution as of September 30, 2015. According to

MAIF, since the economic downturn in 2007, its policies in force have dropped from over 100,000 to 47,000.

Exhibit 2
MAIF's Percentage Market Share and Applications Received
Gross Written Policies
Calendar 2006-2014

Year	Market Share	Applications Received
2006	3.67%	118,859
2007	3.10%	107,193
2008	2.85%	102,480
2009	2.66%	97,040
2010	2.71%	98,527
2011	2.05%	74,352
2012	1.80%	64,045
2013	1.63%	63,564
2014	1.67%	65,350

Source: Maryland Automobile Insurance Fund and Maryland Insurance Administration's *Reports on the Effect of Competitive Rating on the Insurance Markets in Maryland (November 16, 2015 and prior reports)*

Exhibit 3
MAIF's Geographic Breakdown
As of September 30, 2015

Jurisdiction	Policy Distribution
Prince George's County	33.8%
Eastern Shore	7.8%
Baltimore County	10.6%
Montgomery County	19.6%
Baltimore City	9.1%
Remainder of State	19.1%

Source: Maryland Automobile Insurance Fund

Since October 1, 2013, MAIF has offered a premium installment payment plan. *See* **Exhibit 4** for the number of policies issued from the inception of the plan to September 30, 2015. Under the law, in approving MAIF's plan for accepting premiums on an installment payment basis, the Insurance Commissioner shall ensure that MAIF's installment payment plan:

- requires an insured's initial premium payment to be no less than: for a total annual premium of less than $3,000, 25% of the total annual premium; and for a total annual premium of $3,000 or more, 20% of the total annual premium;

- adjusts the amount of the total annual premium used to determine the initial premium payment under the above bullet on October 1 of each year using data from the U.S. Government Bureau of Labor Statistics motor vehicle insurance expenditure category of the Consumer Price Index for all urban consumers;

- is structured and administered to ensure that MAIF at no time provides insurance coverage to an insured for a period during which MAIF has not received the actuarially justified premium payment;

- offers no more than: for a policy that allows an initial 25% down, six installment payments on the 12-month policy and for a policy that allows an initial 20% down, eight installment payments on the 12-month policy;

- allows insureds to make an initial premium payment and installment payments in any commercially acceptable form; and

- allows the fund to impose an administrative processing fee on insureds participating in the installment plan of no more than $8 per installment payment.

MAIF may not discriminate among insureds by charging different premiums to insureds when they select the fund's installment payment plan rather than a premium finance agreement. However, MAIF may offer a discount to insureds who pay their premium in full on an annual basis (Chapter 9 of 2014).

> *Note: Title 23 of the Insurance Article regulates the premium finance industry. "Premium finance agreement" means an agreement (i) by which an insured or prospective insured promises to pay a premium finance company the amount advanced or to be advanced under the agreement, together with interest and a service fee, to an insurer or an insurance producer in payment of premiums and (ii) that contains an assignment of or is otherwise secured by the unearned premium or refund obtainable from the insurer on cancellation of the insurance contract. "Premium finance agreement" does not include a premium financed in connection with a time sale of goods or services or an extension of credit without charge by an insurance producer. "Premium finance company" means a person that engages in the business of entering into or accepting premium finance agreements. A premium finance company must register with the Insurance Commissioner before engaging*

in business as a premium finance company in the State. The finance charge shall be computed: (1) on the amount of the entire premium loan advanced, including any taxes or fees that are financed under § 23–301.1 of this subtitle, after subtracting any down payment on the premium loan made by the insured; (2) from the inception date of the insurance contract or from the due date of the premium, disregarding any grace period or credit allowed for payment of the premium, through the date when the final installment under the premium finance agreement is payable; and (3) in an amount not exceeding the sum of 1.15% for each 30 days of the loan, computed in advance. The amount of the refund may be calculated by the actuarial method. A finance charge is earned in 30-day increments; and may be earned on the first day of each 30-day period.

Exhibit 4
Number of MAIF Policies
Using a Premium Installment Payment Plan
October 1, 2013-September 30, 2015

Number of Payments and Percent Down	Number of Policies
3 payments, 25% down	230
6 payments, 25% down	1,589
4 payments, 20% down	20
8 payments, 20% down	305
Total	**2,144**

Source: Maryland Automobile Insurance Fund

Uninsured Division

The Uninsured Division is a completely separate statutorily created program that MAIF administers. The division pays claims to Maryland residents who have been injured in an automobile accident in Maryland and have no other source of recovery or collectible insurance. These accidents involve uninsured motorists or hit-and-run incidents when no responsible party can be found. This program is available to Maryland residents who do not own a vehicle that could provide them with coverage, who do not live with a relative who might have a policy that could provide them with coverage, and both the vehicle they were riding in and the "at-fault" vehicle do not have insurance. Also, they must be "negligence free," meaning they cannot have contributed to their damages in any way. The Uninsured Division is primarily funded by uninsured motorist penalty fines imposed on uninsured drivers in Maryland and collection recoveries from at-fault drivers. Neither any insurance company nor any Maryland driver other than those drivers fined for driving without insurance has contributed to this fund.

Community Outreach

MAIF's website http://www.mymarylandauto.com/site/about/community-outreach-program/ describes its Community Outreach Program. For example, in 2015, MAIF employees held a Latino Fest and presented Casa de Maryland with a sponsorship to help fund workshops aimed to assist the Hispanic community with Maryland's Second Tier License application. In 2014, MAIF employees attended the Locust Point Festival and participated in the Believe in Tomorrow Children's Foundation Port to Fort 5K to introduce Maryland Auto to the community.

Rate of Uninsured Drivers in Maryland and Other States

Estimates for the rates of uninsured drivers in Maryland range from 5% to 15%, depending on the entity providing the calculation.

Calculated by MVA

According to MVA, the estimated number of uninsured vehicles has remained stable at around 4% for the past several years. MVA arrives at this figure by dividing the number of cancellations that resulted in a penalty by the number of vehicles registered in the State. **Exhibit 5** depicts information relating to the number of uninsured vehicles from fiscal 2010 to 2015.

Exhibit 5
Registered Vehicles, Driver Licenses, and Rate of Uninsured Vehicles in Maryland
At End of Fiscal 2010-2015

Fiscal Year	Number of Registered Vehicles	Number of Licensed Drivers	Rate of Uninsured Vehicles
2010	4,735,627	4,069,940	4.14%
2011	4,729,666	4,084,311	4.22%
2012	4,782,657	4,102,153	4.10%
2013	4,813,421	4,140,103	4.12%
2014	4,872,481	4,142,780	4.11%
2015	4,879,355	4,185,752	3.88%

Source: Motor Vehicle Administration

MVA provided the following uninsured vehicle estimate for fiscal 2015 by local jurisdiction:

- **1.0% or less:** Allegany, Caroline, Dorchester, Garrett, Kent, Queen Anne's, Somerset, Talbot, and Worcester counties;

- **1.5% to 3.8%:** Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Saint Mary's, Washington, and Wicomico counties;

- **8.7%:** Anne Arundel County;

- **11.1%:** Baltimore City;

- **11.5%:** Montgomery County;

- **16.0%:** Baltimore County; and

- **22.8%:** Prince George's County.

Calculated by the Insurance Research Council

According to the Insurance Research Council (IRC) in a news release dated April 21, 2011, one in seven drivers is uninsured. IRC estimates the percentage of uninsured drivers based on the ratio of uninsured motorist insurance claim frequency to BI claim frequency. BI claims are made by individuals injured in accidents caused by insured drivers. UM claims are made by individuals injured in accidents caused by uninsured drivers. **Exhibit 6** depicts the rate of uninsured vehicles nationwide from calendar 1989 to 2012, generally hovering around 14% (range of 12.2% to 16.0%). For 2012, the nation's uninsured motorist population is estimated at almost 30 million, while Maryland's uninsured motorist population is estimated at 638,025. In Maryland for 2012, an estimated $38 million in claim payments were made for an estimated 7,500 uninsured motorist claims.

Exhibit 6

Rate of Uninsured Vehicles in the United States and Maryland

Calendar 1989-2012

		Rate of Uninsured Vehicles
Calendar	**United States**	**Maryland**
1989	16.3%	16.2%
1990	15.4%	16.0%
1991	15.1%	16.7%
1992	15.6%	18.0%
1993	16.0%	19.05%
1994	15.1%	17.7%
1995	14.2%	16.6%
1996	13.8%	16.2%
1997	13.2%	14.2%
1998	13.0%	12.5%
1999	12.8%	10.5%
2000	13.4%	12.3%
2001	14.2%	12.8%
2002	14.5%	12.5%
2003	14.9%	13.5%
2004	14.6%	12.2%
2005	14.6%	12.5%
2006	14.3%	12.7%
2007	13.8%	12.5%
2008	14.3%*	13.4%
2009	13.8%	14.9%
2010	12.3%	11.64%
2011	12.2%	11.37%
2012	12.6%	12.24%

*The economic downturn is thought to be a major factor in the increase from earlier years.

Latest data was reported in August 2014 for calendar 2012.

Source: Insurance Research Council and Insurance Information Institute

Exhibit 7 depicts the rate of uninsured drivers by state in 2012, ranging from 3.9% to 25.9%; Maryland (12.2%) is similar to 12 other states whose rate ranges from 12.1% to 16.0%.

IRC calculates the rate of uninsured motorist in a state by comparing the ratio of UM claims to BI claims frequencies. According to an Insurance Information Institute (III) publication, the IRC calculation in 2012 ranks Maryland twenty-eighth among all 50 States with a percentage of uninsured drivers at 12.2%, Oklahoma ranked fiftieth with 25.9% of drivers uninsured, and Massachusetts ranked first with only 3.9% of its drivers uninsured. Other industry publications have placed the percentage of uninsured drivers in Maryland as high as 15.0%.

According to the IRC's 2012 report, the nation's uninsured motorist percentage is easing, but the cost of uninsured motorist claims has risen dramatically in the past decade. While the percentage decreased from 14.9% in 2003 to 12.6% in 2012, the cost paid to cover uninsured motorist claims in 2012 increased 75.0% to $2.6 billion over the 2003 to 2012 period (includes only bodily injury payments and not property damage). The report estimates that an estimated one in eight drivers is uninsured. IRC reports that states with fewer uninsured motorists tend to have more affordable insurance premiums.

Exhibit 7
Rate of Uninsured Vehicles by State
Calendar 2012

Rate of Uninsured Vehicles	Number of States and DC and List of Individual States
16.1% to 25.9%	10: Alabama, Colorado, Florida, Michigan, Mississippi, New Mexico, Oklahoma, Rhode Island, Tennessee, and Washington
12.1% to 16.0%	13: **Maryland**, Alaska, Arkansas, California, Illinois, Indiana, Kentucky, Louisiana, Missouri, Montana, Nevada, Ohio, and Texas
7.9% to 12.0%	18: Arizona, Connecticut, Delaware, DC, Georgia, Hawaii, Iowa, Kansas, Minnesota, New Hampshire, New Jersey, North Carolina, Oregon, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming
3.9% to 7.8%	10: Idaho, Maine, Massachusetts, Nebraska, New York, North Dakota, Pennsylvania, South Carolina, South Dakota, and Utah

Source: Insurance Research Counsel, *Uninsured Motorists, 2014 Edition*

Deterrents and Incentives Used in Maryland and Other States

Imposition of Fines and Penalties on Uninsured Drivers

Fines and penalties for violating mandatory liability laws include substantial fines, vehicle impoundment, loss of registration, loss of license, and possible jail time.

Maryland Law

Maryland Uninsured Motorist Penalties: Maryland law specifies the assessment of penalties if the required security for any vehicle lapses at any time, as described below:

- Suspension of the vehicle registration automatically as of the date of the lapse. The suspension takes effect no later than 60 days after notification to MVA that the lapse has occurred and the registration remains suspended until the required security is replaced and the vehicle owner submits evidence of replaced security and any uninsured motorist penalty fees assessed are paid to MVA.

- Confiscation of license plates by an authorized tag recovery agent, once a registration suspension is in effect.

- Assessment of a fine of $150 for days 1 to 30 for each vehicle uninsured and $7 per day thereafter with a maximum of $2,500 per vehicle in a 12-month period.

- Assessment of a tag pick-up fee of up to $25 to re-register a vehicle.

- Prohibition from registering any future vehicles or renewing a suspended registration of any vehicle in the vehicle owner's name until all insurance violations are cleared, or a payment plan is in place.

Knowingly Driving Without Insurance or Providing False Evidence of Insurance: Maryland law specifies penalties for knowingly driving without insurance or providing false evidence of insurance. (TR §17-107) A person who knows or has reason to know that a motor vehicle is not covered by the required security may not:

- drive the vehicle; or

- if the person is an owner of the vehicle, knowingly allow another person to drive it.

Whenever evidence of insurance is required, a person may not willfully and knowingly create, certify, file, or provide false evidence of required security (TR § 17-110). For a first offense, the person is subject to a fine up to $1,000 or up to one year in prison or both. For a second offense, the penalty is a fine of up to $1,000 or two years in prison or both. (TR § 27-101(h)).

Note: Chapter 617 of 1983 increased the fine from a maximum of $100 to: $100 for 1-30 days and $2 per day for day 31 and beyond; Chapter 610 of 1985 increased the fine for day 31 and beyond to $5 per day with a maximum of $1,175; and Chapter 444 of 1991 increased the $100 fine for 1-30 days to $150 and increased the fine for day 31 and beyond to $7 per day with a maximum of $2,500.

Uninsured Motorist Penalty Revenues: **Exhibit 8** shows the amount of uninsured motorist penalties collected during fiscal 2010 to 2015.

Exhibit 8
Amount of Uninsured Motorist Penalties Collected in Maryland
Annual Totals for Fiscal 2010 to 2015

Fiscal Year	Uninsured Motorist Penalties
2010	$95,713,189
2011	92,732,821
2012	83,252,279
2013	85,308,319
2014	84,573,535
2015	86,506,091

Source: Motor Vehicle Administration (State Stat)

Use of Uninsured Motorist Penalty Fund: Under Title 17, Subtitle 1 of the Transportation Article, an uninsured penalty is paid as follows (for fiscal years beginning on or after July 1, 2014):

- 70% to be allocated as:
  - $600,000 to the School Bus Safety Enforcement Fund;
  - $2 million to the Vehicle Theft Prevention Fund;
  - to MAIF's Uninsured Division, the amount distributed to MAIF's Uninsured Division in the prior fiscal year adjusted by the change for the calendar year preceding the fiscal year in the Consumer Price Index – All Urban Consumers – Medical Care as published by the U.S. Bureau of Labor Statistics; and
  - the balance to the General Fund; and
- 30% to MVA which:
  - must be used only for the enforcement of the vehicle insurance law; and

- may be used to provide funding for contracts with independent agents to assist in the recovery of evidences of registration (this amount may not exceed $1 million in any fiscal year and may be made only pursuant to the budget).

Exhibit 9 depicts the allocation of the uninsured motorist penalty funds from fiscal 2001 to 2015.

Exhibit 9
Use of Uninsured Motorist Penalty Funds in Maryland
Fiscal 2001-2015

	70% of Penalty Funds						30% of Penalty Funds
Year	School Bus Safety	Vehicle Theft Prevention	MAIF Uninsured Division	General Fund	Motor Vehicle Registration Enforcement Fund	Transportation Trust Fund	MVA
2001	$600,000	$2,000,000	$3,523,151	$12,861,205	$400,000	0	$8,300,771
2002	600,000	2,000,000	0	14,419,641	400,000	$9,600,000	11,562,385
2003	600,000	2,000,000	2,000,000	29,337,971	400,000	0	14,652,763
2004	600,000	2,000,000	2,100,000	40,218,160	0	0	19,209,935
2005	600,000	2,000,000	2,177,700	47,177,212	0	0	22,127,295
2006	600,000	2,000,000	2,269,163	56,458,540	0	0	26,131,925
2007	600,000	2,000,000	2,366,767	58,862,426	0	0	27,208,335
2008	600,000	2,000,000	2,451,940	59,363,215	0	0	27,507,325
2009	600,000	2,000,000	2,578,546	63,857,816	0	0	29,528,049
2010	600,000	2,000,000	2,645,588	61,260,939	0	0	28,376,524
2011	600,000	2,000,000	2,735,538	59,019,283	0	0	27,448,645
2012	600,000	2,000,000	2,825,811	52,063,920	0	0	24,491,447
2013	600,000	2,000,000	2,943,595	53,762,444	0	0	25,224,958
2014	600,000	2,000,000	3,400,000	52,599,770	0	0	24,867,317
2015	600,000	2,000,000	3,468,211	54,144,886	0	0	25,697,547

Source: Motor Vehicle Administration and Maryland Statutes

Other States

Uninsured Penalties in Other States: According to the Consumer Federation of America's Report *Uninsured Drivers: A Societal Dilemma in Need of a Solution* (March 2014) (using calendar 2009 average uninsured rates provided by the Insurance Research Council):

- 32 states allow possible license suspension for a first offense (in 14 of these states, the suspension can continue after the driver has supplied proof of insurance, paid fines, or both);

- 33 states allow possible fines of $500 or more for a first office with four additional states having possible fines of $500 or more for a second offense;

- 14 states allow possible jail time for a first offense, and an additional six states allow possible jail time for a second offense;

- 7 states allow first time offenders to be jailed, have license suspended, and be fined $500 or more;

- 5 states allow first time offenders to be jailed and be fined $500 or more; and

- 15 states allow for first time offenders to have their license suspended and be fined $500 or more.

The report concluded that there seems to be no correlation between the number of harsh penalties and the rate of uninsured motorists, as shown in **Exhibit 10**.

Exhibit 10

Number of Harsh Penalties Compared to Average Uninsured Rate
First Time Offenders
Calendar 2009

Number of Penalties on First Time Offenders	Number of States and DC	Average Uninsured Rate
No harsh penalties	7	14.0%
1 harsh penalty	16	14.4%
2 harsh penalties	21	13.1%
3 harsh penalties	7	11.7%
Total	51	13.5%

Source: Consumer Federation of America's Report *Uninsured Drivers: A Societal Dilemma in Need of a Solution* (March 2014)

Exhibit 11 describes the laws of the surrounding states.

Exhibit 11
Uninsured Motorist (Lapse of Insurance Coverage) Penalties Surrounding States

State	Fees/Fines First Offense	Fees/Fines Subsequent Offense	License Suspension Period	Registration Suspension Period	Possible Jail Time/ Community Service
Delaware	Not less than $1,500 $100 for a lapse period of up to 30 days; $5 for each additional day thereafter until the insurance is replaced or tags are surrendered	$3,000 for each subsequent offense	Up to 6 months		
D.C.	Up to $2,500 $150 for a lapse period of up to 30 days; $7 for each additional day thereafter	Same		Suspension but no time frame	
Pennsylvania	Up to $400 $300 for lapse $50 to restore vehicle registration; $50 to restore driver's license	Same	Up to 3 months	Up to 3 months	
New Jersey	Up to $1,000 $300 to $1,000 for lapse	Up to $5,000	1st offense: 1 year Subsequent offense: 2 years		14 days jail 2nd offense includes 30 days of community service
New York	Up to $2,250 $150 to $1,500 plus $750 civil fine;	Same			Up to 15 days jail first offense
Virginia	Up to $1,000 $500 fine plus $500 uninsured motorist fee	Same	Until fines are paid and coverage is in place	Until fines are paid and coverage is in place	

Source: Individual state websites; www.onlineautoinsurance.com

Recent Changes: In 2012, Louisiana passed a law allowing law enforcement the option of towing a vehicle if the driver is caught without insurance for the second or subsequent offense.

See **Attachment 1** "Automobile Financial Responsibility Limits and Enforcement by State" for the states that have uninsured motorist fines and penalties.

Stricter Uninsured Penalties vs. Lower Rates of Uninsured Drivers: According to an analysis by Online Auto Insurance Articles Team at TZ Insurance Solutions, LLC dated September 17, 2012 http://articles.onlineautoinsurance.com/coverage/uninsured-rates-vs-penalties/

- penalties for driving without insurance coverage vary widely from one state to another; stricter-than-normal uninsured motorist penalties in a state do not mean that the state has a lower rate of uninsured drivers;

- most states with the harshest penalties have middle-of-the-pack uninsured rates;

- states with the weakest penalties have mixed results;

- states with the highest and lowest uninsured rates have similar penalties;

- 15 states set their maximum/minimum penalties between $500 and $550, and 7 states set their maximum fine at $1,000;

- 29 states explicitly impose a license suspension period for uninsured violations (the longest is New Jersey which is 1 year for a first offense and 2 years for a subsequent offense); and

- a handful of the states have penalties that are based on how long the driver went without coverage (*e.g.*, in Maryland, the initial fine is $150 for a period of 30 days or less; for days 31 to 90, another $7 fine for each day, up to $2,500).

Exhibit 12 shows a comparison of the uninsured motorist penalties and uninsured motorist rates for selected states in 2009.

Exhibit 12

Uninsured Motorist Penalties vs. Uninsured Motorist Rates
Harshest Penalty States vs. Weakest Penalty States vs. Maryland
Uninsured Rates-Calendar 2009

Five States with Harshest Penalties			Five States with Weakest Penalties		
State	**First Offense Penalty: Fines/Fees, License Suspension, Other**	**Uninsured Rate**	**State**	**First Offense Penalty: Fines/Fees, License Suspension, Other**	**Uninsured Rate**
New Jersey	$300-$1,000, 1 year license suspension,, community service	11.2%	Idaho	$75	7.9%
Delaware	$1,500-$2,000, 6 months, license suspension	10.8%	North Carolina	$100, suspension until have coverage	13.5%
Kentucky	$500-$1,000, 6 months, license suspension	17.8%	Arkansas	$50-$270, suspension until have coverage	16.0%
Illinois	$600-$1,100, 3 months	14.9%	New Mexico	Maximum $300	25.7%
Arizona	minimum $500, 3 months license and registration suspension	11.9%	Vermont	$250-$500	7.1%
Average for Five States		13.32%	Average for Five States		14.04%
Maryland	Maximum $2,525 (minimum $150 initial penalty plus $7 for each day past 30 days, up to $2,500 per year plus $25 registration restoration fee); also, suspension of registration until all insurance violations are cleared and paid				15.0%

Source: TZ Insurance Solutions, LLC, 2014 *http://articles.onlineautoinsurance.com/coverage/uninsured-rates-vs-penalties); Insurance Research Council (uninsured rates)*

See **Attachment 1** "Automobile Financial Responsibility Limits and Enforcement by State" for the uninsured penalties in each state.

Insurance Verification Systems

Maryland Insurance Verification At and After Registration

At the time of vehicle registration, an owner is required to identify the owner's automobile insurer on the registration form. MVA does not verify this information at the time of vehicle registration. According to MAIF, 30% of those who claim MAIF is their insurer at the time of registration do not have MAIF coverage. For fiscal 2014, MVA reported that for 824,709 title records received, false information was provided at the time of titling in 629 cases.

Current Process: MVA utilizes the Automated Compulsory Insurance System (ACIS) to track reports of uninsured motor vehicles that are registered with MVA. With this automated computer system, MVA does not need to audit records of individual vehicles to ensure compliance. Instead, individual insurers transmit information on their policyholders to MVA.

Under Chapter 421 of 2012 (House Bill 1180), effective October 1, 2012, insurers must notify MVA electronically of new motor vehicle insurance policies issued for insured vehicles registered in the State (TR § 17-104). Before this legislation, insurers were not reporting new business or were waiting to report new business to MVA until after the 45-day underwriting period that is allowable under law for insurers to cancel a newly insured customer for any reason (IN §27-602). Also, the legislation required insurers to immediately notify MVA *electronically* of any terminations or other lapses that are final (TR § 17-106). According to MVA, insurers must immediately notify MVA electronically of not only new business, terminations, and lapses, but also reinstatements and policy changes. The following describes the process when an individual terminates an insurance policy:

- If a vehicle owner terminates an insurance policy with the owner's insurer (through sale or transfer of the vehicle or failure to make payment), the insurer sends the termination information to MVA. Subsequently, MVA marks the vehicle record awaiting notification from a new insurer that the customer has switched insurers.

- On the 45th day, if new business is not reported, MVA will create an insurance inquiry case requesting the vehicle owner to contact their insurer to provide proof of insurance coverage.

- If the vehicle owner is unable to provide proof of insurance coverage within 15 days, the vehicle owner is notified that their vehicle's registration will be suspended.

- On the 60th day, a second notice is sent and the vehicle's tags are suspended.

- On the 80th day, a third and final notice is sent.

- After the third notification, on the 105th day, a tag pick-up order is issued on the vehicle's registration to indicate to law enforcement and MVA investigators to seize the vehicle tags.

MAIF policyholders are subject to a separate statutory process. Because MAIF drivers are a higher risk and have been rejected by at least two private insurers, Maryland law requires an expedited time frame for the customer to provide proof of insurance.

- On the tenth day, if new business is not reported, MVA creates an insurance inquiry case requesting the vehicle owner to contact the insurance carrier to provide proof of insurance coverage.

- If the vehicle owner is unable to provide proof of insurance coverage within 15 days, a second notification is sent stating that the vehicle's registration will be suspended.

- After the third notification, on the fortieth day, a tag pick-up order is issued on the vehicle's registration to indicate to law enforcement and MVA investigators to seize the vehicle tags.

MVA statistics detail recent insurance compliance enforcement activities. **Exhibit 13** shows cancellations and matches from fiscal 2010 to 2015. **Exhibit 14** shows vehicle cases and outcomes for the same period.

Note: If an insurer intends to cancel or nonrenew a policy, the insurer notifies the insured by sending a notice of nonrenewal to the insured. The notice indicates that the insured has the "right to protest" to the Maryland Insurance Administration. The notice also indicates the following:

The registration plates must be returned to the Motor Vehicle Administration on or before the date the insurance policy expires or is canceled. Failure to return the registration plates may result in an uninsured motorist penalty fine which is assessed at a rate of $150 for the first 30 days and is increased by $7 each day thereafter until the insurance is replaced or the registration plates are returned. The uninsured motorist penalty fine is assessed per vehicle.

If you wish to replace your policy, you may be eligible for automobile insurance from another insurer. If you cannot obtain coverage from any other insurer, you may request insurance through the Maryland Automobile Insurance Fund. Please contact your agent or broker for information concerning insurance through the Fund or contact the Fund at the following address or phone number: 1215 East Fort Avenue, Suite 300, Baltimore, Maryland 21230, Phone: (800) 492-7120 (previously, 1750 Forest Drive, Annapolis, Maryland 21401, Phone: (410) 269-1680). (Section 27-613 (c)(3) of the Insurance Article requires the notice to state the right of the insured to replace the insurance through MAIF and the current address and telephone number of MAIF.)

Exhibit 13
Insurance Compliance in Maryland
Cancellations and Matches
Fiscal 2010-2015

Fiscal Year	Number of Cancellations	Number of Automatic Matches	Percentage of Automatic Matches
2010	1,422,270	1,117,485	78.57%
2011	1,569,157	1,255,042	79.98%
2012	1,584,468	1,258,989	79.61%
2013	1,630,311	1,282,622	78.67%
2014	1,712,229	1,366,892	79.83%
2015	1,818,533	1,500,847	82.53%

Note: 80% of all cancellations are automatically matched prior to case creation.
Source: Motor Vehicle Administration

Exhibit 14
Insurance Compliance in Maryland
Vehicle Cases and Outcomes
Fiscal 2010-2015

Fiscal Year	Number of Vehicle Cases Created	Percentage of Cancellations	Total Cases Closed (no penalty)	Percentage of Cancellations (no penalty)	Total Cases With Penalty	Percentage of Cancellations (Penalty)	Number of Registered Vehicles	Estimated Uninsured Vehicles
2010	304,785	21.43%	108,875	7.66%	195,910	13.77%	4,735,627	4.14%
2011	314,115	20.02%	114,471	7.30%	199,644	12.72%	4,729,666	4.22%
2012	322,479	20.39%	126,466	8.00%	196,013	12.39%	4,782,657	4.10%
2013	347,689	21.33%	149,444	9.17%	198,245	12.16%	4,813,421	4.12%
2014	345,337	20.17%	145,180	8.48%	200,157	11.69%	4,872,481	4.11%
2015	317,686	17.47%	128,413	7.06%	189,273	10.41%	4,879,355	3.88%

Source: Motor Vehicle Administration

Lack of Payment: MVA's December 2011 Verification Report identified two situations when it is not clear whether a vehicle is insured.

- Under insurance practice an insurance policy that has been terminated due to lack of payment may be reinstated from the date of termination once the back payment has been made. This situation makes it difficult for MVA to determine whether to penalize motorists who operate without insurance during the unpaid period.

- The second situation relates to MAIF policies with a premium finance agreement. If an insured fails to make a scheduled payment to the third party financing company, the financing company can either add a late fee and wait for payment, or notify MAIF of payment pending status, meaning that the insured may be covered at the time, but is pending cancellation.

Recent System Modifications: According to MVA, based on its improved reporting system, automated new business matches increased 29% from fiscal 2011 to 2013. During the same period, case closures for delivery date, salvage, out of state, and tag transfer matches increased 40%. MVA also expanded the electronic submission of eFR-19 insurance verification to include 10,391 agents, decreasing manual reporting by 14%. The eFR-19 program has reduced the number of paper transactions and walk-in customers, as shown below for fiscal 2010 to 2015.

Fiscal Year	eFR-19	Paper FR-19
2010	90,325	100,924
2011	96,389	83,643
2012	116,649	111,351
2013	121,495	65,137
2014	150,088	51,655
2015	146,798	47,569

MVA reports the following changes in data reporting from fiscal 2011 to 2015:

- New business reported in 0 to 15 days increased: fiscal 2011 – 46% to fiscal 2015 –98%.
- Cancellations reported in 0 to 15 days increased: fiscal 2011 – 52% to fiscal 2015 – 89%.

MVA sends quarterly compliance assessments to insurers indicating the number and percentage of cancellations and new business/reinstatements that the insurer reported within 0 to 15 days, 16 to 20 days, and over 20 days. This has resulted in 90% of new business being reported within 15 days.

In August 2014, MVA created an interface for daily reporting of traded-in vehicles. From August 1 to August 31, MVA matched 2,341 vehicles, which prevented insurance cases from being created. MVA continues to work with the dealers and electronic registration and titling system vendors to improve the process for reporting traded-in vehicles to MVA.

Starting in June 2014, MVA began to send email notifications to vehicle owners 10 days after an insurance company reported a cancellation of their policies. This helps to resolve any issues between an insurance company and the insured in a more timely manner.

In April 2014, MVA implemented additional notifications for leased vehicles so that the lessor and the lessee are both notified when an insurance case is created.

In October 2013, MVA began to use national data from the National Motor Vehicle Titling Information System to compare reported lapses to data on transferred, salvaged, or junked vehicles, which also helps to close potential cases.

Future Enhancements: According to MVA, they are looking at the ability to identify uninsured vehicles before they renew.

Verification at Registration in Other States: According to the National Conference of State Legislatures in 2001, 31 other states require proof of insurance at registration; 15 states do not require proof of insurance at registration; the remaining states require proof of insurance within 30 days or at some other time.

Requiring a Driver to Carry Proof of Insurance

Maryland Law

Maryland drivers are not required to carry proof of insurance. However, Chapters 210 and 211 of 2012 established the requirement for the operator of a moped or motor scooter to carry proof of insurance while operating the vehicle. Chapters 210 and 211 did not specify whether or not the proof of insurance should be in paper or electronic format.

House Bill 717 of 2015 (failed) would have required the driver of a motor vehicle to carry evidence of required security (automobile insurance) while operating the vehicle. The evidence may be in either a paper or electronic format.

Senate Bill 608 of 2015 (failed), a departmental bill, would have authorized property and casualty insurers to deliver any required notice or proof of insurance in an electronic format if the insurer has the consent of the party receiving the notice or proof of insurance. Additionally, if requested to do so by an insured, property and casualty insurers must make available to the insured an electronic copy of the insured's policy and endorsements through the use of a secure website, in a specified manner, and within a specified timeframe. The bill also would have required all automobile insurers to provide proof of insurance for an automobile insurance policy at any time if requested to do by the insured or a person holding an insurable interest in the policy. Such proof of insurance may be delivered by electronic means.

Other States

Twenty-six states require proof of insurance at registration, in the vehicle, and at the time of an accident; 17 states require proof of insurance in the vehicle or at the time of an accident. *See* **Exhibit 15** for the laws of the surrounding states.

Exhibit 15
Evidence of Insurance Requirements in Selected States

State	Requirement	Penalties for Failure to Show Proof
Delaware	Requires a proof of insurance card to be in possession of the vehicle operator or carried in the vehicle. Card must be produced on request of a police officer, justice of the peace, or any party involved in an accident.	Suspends driver's license and/or driving privilege for 6 months First offense: fine not less than $1,500 and no more than $2,000 Subsequent within 3 years: fine not less than $3,000 and no more than $4,000
DC	Requires motorists to show police proof of insurance (applies to all who drive in DC, regardless of where the vehicle is registered or driver's license issued).	$300 civil fine
Pennsylvania	Requires motorists to show police proof of insurance.	
New Jersey	Requires insurance identification card to be in possession of the driver or operator at all times; requires driver to show the card when involved in an accident, when stopped for a traffic violation, or when spot checked by law enforcement.	$150 fine for failure to possess or exhibit an identification card
New York	Requires owner to present to police on request an insurance identification card.	
Virginia	No requirement to carry proof of insurance.	

Source: Individual States' Statutes

Texas and Idaho

In Texas, the Dallas City Council passed an ordinance in 2009 that requires drivers stopped for a traffic violation to show proof of insurance; failure means a towed vehicle. The law already existed for uninsured motorists involved in a traffic accident.

In Idaho, motorists are required to carry proof of insurance in the vehicle; failure means that the owner has to file a form SR-22 with the Idaho insurance regulator for 1 to 3 years after a violation of failing to carry proof.

See **Attachment 1** "Automobile Financial Responsibility Limits and Enforcement by State" for the states that require proof of insurances.

Implementation of a Police Insurance Verification System That Links a License Plate Database to Insurers' Databases (or to MVA Database)

Maryland Law

Under Maryland law, within 48 hours after an owner is notified by MVA of the suspension of registration, the owner is required to surrender all evidences of that registration to MVA. If the owner fails to surrender all evidences of registration within the 48-hour period, MVA attempts to recover from the owner the evidences of registration and may suspend the driver's license until the driver returns the evidences of registration to MVA (TR § 17- 106). **Exhibit 16** shows the number of license plate tags removed under the MVA program by MVA investigators from calendar 2010 to 2014.

Exhibit 16
Removal of License Plate Tags
Motor Vehicle Administration
Calendar 2010-2015

Calendar Year	Number of Tags Removed
2010	480
2011	164
2012	215
2013	134
2014	348
2015	346

Source: Motor Vehicle Administration
Note: These numbers do not reflect other State agencies

Implementation of No Pay, No Play Law

Maryland Proposals

Generally, the following measures introduced in Maryland would have provided that an individual driving a motor vehicle that is not covered by the required minimum security is considered to have waived the right to recover noneconomic loss damages. Certain exceptions would have applied.

1995: HB 729	1999: HB 162
1996: HB 996	2000: HB 218
1997: HB 835	2001: HB 714
1998: HB 570	2003: HB 742/SB 443

Other States' Laws

Generally, "No Pay, No Play" laws prevent an uninsured motorist from collecting compensation for noneconomic damages from an insured at-fault driver or the insured at-fault driver's insurer. This reduces insurers' losses and premium costs charged to policyholders. Primarily targeted at uninsured drivers, 11 states have some variation of these laws. IRC's 2012 *The Potential Effects of No Pay, No Play Laws* provides the following key findings. Its study seeks to measure the impact of no pay, no play laws on uninsured motorist rates. It also estimates the costs of noneconomic damages rewarded to uninsured motorists in states that have yet to enact these laws.

- Using a statistical model, the results show that the percentage of uninsured motorists modestly falls by the enactment of a "No Pay, No Play" law.

- For states without the law, IRC developed a mathematical model to estimate the compensation for noneconomic loss paid to uninsured third-party claimants in a given year. This is the amount that would no longer be awarded if the state implemented the law.

- Not only would a properly enforced "No Pay, No Play" law result in a moderate decrease in the number of uninsured motorists, it may also reduce auto insurance costs.

- Across all of the 39 states studied, the average insured driver in 2007 paid an additional $4.69 ($5.10 in 2012 dollars) to address the average $17.5 million loss in each state ($19.3 million 2012 dollars).

In Maryland, noneconomic loss payments to uninsured claimants in 2012 (using 2007 dollars, $14.3 million) are estimated at $15.8 million, amounting to an estimated $4.45 average insured driver's share

Exhibit 17 provides information on the 11 states that have "No Pay, No Play" laws.

Exhibit 17
States with No Pay, No Play Laws

State	Date Enacted	Bars an Uninsured Motorist	Bars Other Motorists
Alaska	2004	Bars a motorist who does not comply with existing motor vehicle liability laws from recovery for noneconomic loss suffered while operating a motor vehicle.	
California	1996	Withholds pain and suffering damages from uninsured drivers. Can get payment for medical bills, lost wages, and vehicle repair.	Prevents recovery of noneconomic damages for injuries sustained while committing a felony or while driving under the influence.
Iowa	2000		Prohibits recovery of noneconomic damages if the motorist is injured while committing a felony.
Kansas	2011	Prohibits recovery of noneconomic loss sustained by uninsured drivers as a result of an accident (exceptions include a court finding, by clear and convincing evidence, that the person bringing a course of action did not knowingly drive a motor vehicle without mandatory PIP coverage at the time of accident, or if the motorist failed to maintain coverage for a period of 45 days or less at the time of the accident but had maintained continuous coverage for at least 1 year prior to the failure to maintain coverage).	Prohibits recovery of noneconomic loss sustained by a person convicted of, or pleading guilty to, an alcohol-or drug-related violation in connection with the automobile accident.

Exhibit 17 (continued)
States with No Pay, No Play Laws

State	Date Enacted	Bars an Uninsured Motorist	Bars Other Motorists
Louisiana	1997	Bars uninsured motorists from collecting the first $15,000 of BI damages and the first $25,000 of PD (ban does not apply if the at-fault party is driving while intoxicated, flees from the scene, is taking part in a felony, or intentionally causes the accident).	
Michigan	1996	Withholds pain and suffering damages from uninsured drivers.	
New Jersey	1997	Bars uninsured motorists.	Bars those who drive under the influence of alcohol or drugs and those who act with the intent to injure others while driving from suing for personal injuries in automobile accident cases.
North Dakota	1999	Prohibits recovery of noneconomic damages for uninsured drivers who have two or more prior convictions for driving uninsured.	
Oklahoma	2011	Bars recovery for noneconomic damages in civil action if the claimant was driving while uninsured (restrictions do not apply if the plaintiff is injured by a motorist who was driving under the influence of drugs or alcohol; if the plaintiff was a passenger in a vehicle the plaintiff does not own; if the plaintiff was not in any vehicle involved in the accident; for wrongful death claims; or if the motorist who caused the accident left the scene).	

Exhibit 17 (continued)
States with No Pay, No Play Laws

State	Date Enacted	Bars an Uninsured Motorist	Bars Other Motorists
Oregon	1999	Bars recovery for noneconomic damages if the injured motorist is driving without insurance (restriction does not apply if the uninsured driver was insured within the past 180 days and has not driven an uninsured vehicle within the year preceding the coverage lapse).	Bars recovery for noneconomic damages if the injured motorist is intoxicated or is injured in the course of a felony.
Missouri	2013 (veto overridden)	Prohibits recovery for noneconomic damages unless the responsible party was intoxicated or under the influence of drugs, or if the uninsured driver's policy lapsed less than 6 months before the accident.	

BI: Bodily Injury
PD: Property Damage

Source: Insurance Research Council's November 2012 report, *The Potential Effects of No Pay, No Play Laws*

In March 2014, legislators at the National Conference of Insurance Legislators spring meeting adopted a resolution urging states, as one approach to reduce the number of uninsured motorists, to impose limits on how much an insured driver can receive when injured in an auto accident. The proposal would allow uninsured motorists to collect economic damages, such as wage replacement, but with certain exemptions prohibit the recoupment of noneconomic damages, such as pain and suffering.

Implementation of Temporary Motorist Liability Plan in Oklahoma

In April 2013, Oklahoma took a new approach aimed at reducing the number of uninsured drivers, then estimated at about 550,000 vehicles. House Bill 1792 of 2013 created the Oklahoma Temporary Motorist Liability Plan, a form of temporary vehicle liability insurance coverage for owners whose vehicle license plates have been seized. The plan provides minimum vehicle liability insurance coverage for the payment of loss resulting from the liability imposed by law for bodily injury, death, and property damage sustained by any person arising out of the ownership, maintenance, operation, or use of a vehicle when a citation is issued and the vehicle license plate has been seized.

Effective January 2014, the following describes the process.

Plan Administrator

- The Insurance Commissioner develops and approves a policy form for coverage each year.
- The Office of Management and Enterprise Services, in consultation with the Insurance Commissioner, selects an insurer through a competitive bidding process to administer coverage under the plan.
- Bids are received by November 1 of each year and must be expressed as a daily temporary insurance rate, including all costs associated with administering the insurance portion of the plan, but excluding any additional administrative fees. The lowest and best bid is selected. If no acceptable bids are received, coverage may be suspended until acceptable bids are received.
- The Oklahoma Sheriffs Association serves as the Plan Administrator.

Coverage

- Coverage amount is equal to the state minimum liability requirement.
- Coverage from the plan begins when the citation is issued and the vehicle license plate is seized. Coverage from the plan ends at the earliest of the following (1) when the vehicle owner obtains documentation from the Department of Public Safety showing the owner has secured for the payment of the minimum vehicle liability limits or obtains the state minimum mandatory insurance from an insurer; (2) when the vehicle owner retrieves the vehicle license plate from the county sheriff's office as a result of securing the minimum mandatory insurance; or (3) when the citation serving as the temporary license plate expires.
- Coverage is only provided while the motor vehicle is operated in Oklahoma.
- Coverage is secondary to any other coverage in effect on the vehicle.
- Exclusions from coverage include driving without a license, driving during the commission of a felony, or driving while under the influence.

Seizure of License Plates

- Police officers are authorized to seize a license plate, rather than tow a vehicle, when the vehicle is determined (by probable cause) to be uninsured.
- The police officer then issues a citation which serves as a temporary vehicle license plate for up to 10 days.

- The county sheriff's office holds the license plate until the vehicle owner buys insurance and pays all fines and fees, including the premium cost of the temporary liability insurance.

- The county sheriff's office is authorized to dispose of any unclaimed vehicle license plate after 90 days. After a vehicle license plate has been disposed, the vehicle owner is required to obtain a new license plate.

- After 10 days, the vehicle may not be used until the vehicle owner provides verification of compliance and complies with the requirements to retrieve the license plate. Tag agents may not issue a new or renewed tag for the vehicle until all fines, fees, and premium costs have been paid and the vehicle license plate has been released by the county sheriff's office.

Premium Costs, Fees, and Fines

- The vehicle owner pays the county sheriff's office (1) the premium cost of temporary coverage and (2) a $125 administrative fee. These payments are then remitted to the Plan Administrator.

- The vehicle owner pays any fines and fees associated with the traffic ticket to the court clerk.

- The county sheriff's office may not waive the premium cost of temporary coverage due for any defendant.

- The Plan Administrator retains $10 of the administrative fee and remits (1) the premium cost to the selected insurer; (2) $20 of the administrative fee to the county sheriff's office to defray license plate storage expenses; (3) $70 of the administrative fee to the law enforcement agency that issued the citation; and (4) $25 of the administrative fee to the Temporary Insurance Premium Pool.

- If the premium cost for temporary coverage is not collected, the Plan Administrator pays the premium cost from the pool.

- The selected insurer has the right to recover from the vehicle owner who was cited for claims paid by the plan.

- A vehicle owner who fails to comply with the compulsory insurance law is guilty of a misdemeanor and subject to a maximum $250 fine and/or up to 30 days imprisonment.

Determination of the Cost of Insurance Coverage

According to MIA, there are over 158 active insurers authorized by MIA to write motor vehicle insurance policies for almost 4.9 million vehicles registered in Maryland. A domestic insurer may not write in the State without obtaining a certificate of authority from MIA. MIA issues certificates to insurers that meet the State's licensing requirements.

Motor Vehicle Insurers

Market Share

In calendar 2013 and 2014, 158 and 155 insurers, respectively, reported direct premium written for the private passenger automobile insurance lines of business. **Exhibit 18** shows the top 20 insurers (representing 81% of the market), based on written premium and market share in Maryland in calendar 2013 and 2014.

Exhibit 18
Written Premiums and Market Share of Top 20 Insurers
Calendar 2013 and 2014

Rank	Insurer	2014 Written Premium (in Millions)	2014 Market Share	2013 Market Share
1	State Farm Mutual Auto Insurance Company	$724.0	17.47%	17.43%
2	GEICO Casualty Company	318.6	7.69%	5.92%
3	Erie Insurance Exchange	288.8	6.97%	6.90%
4	Geico Gen Insurance Company	284.2	6.86%	7.61%
5	Government Employees Insurance Company	226.0	5.45%	6.01%
6	Allstate Ind Company	211.1	5.11%	4.59%
7	Allstate Insurance Company	170.3	4.11%	4.56%
8	Nationwide Mutual Insurance Company	139.1	3.36%	3.77%
9	United Serv Automobile Association	137.0	3.30%	3.36%
10	Nationwide Affinity Company of America	113.0	2.73%	2.05%
11	USAA Casualty Insurance Company	102.3	2.47%	2.47%
12	Progressive Select Insurance Company	101.62	2.45%	1.96%
13	Geico Ind Company	88.7	2.14%	2.51%
14	State Farm Fire & Casualty Company	79.3	1.91%	1.82%
15	Nationwide Gen Insurance Company	74.8	1.81%	2.19%
16	LM Gen Insurance Company	71.4	1.72%	1.42%
17	Maryland Insurance Automobile Fund	69.1	1.67%	1.63%
18	Liberty Mutual Fire Insurance Company	61.7	1.49%	1.80%
19	Allstate Property and Casualty Insurance Company	54.9	1.33%	1.62%
20	Progressive Specialty Insurance Company	53.6	1.29%	1.19%

Source: Maryland Insurance Administration's *Reports on the Use of Territory as a Rating Factor in Establishing Private Passenger Automobile Insurance Rates:* (June 2014 and June 2015)

Competitive Rating

Under Title 11, Subtitle 3 of the Insurance Article, MIA is required to submit a report each year on the effect of competitive rating on the insurance markets in the State. Since 1995, authorized insurers have been allowed to use rates for private passenger automobile insurance without the prior approval of the Insurance Commissioner. All rates and supplementary rate information must be filed on or before the date they become effective. Rates may not be excessive, inadequate, or unfairly discriminatory. Under competitive rating, the Insurance Commissioner may not find a rate to be excessive unless it is unreasonably high for the insurance provided and the Insurance Commissioner has issued a ruling that a reasonable degree of competition does not exist in a market to which the rate is applicable.

Unlike prior approval of rates, competitive rating allows insurers to react quickly to decreased rates or soften underwriting restrictions when claims experience is favorable to them, allowing them to increase market share by accepting more risks and making insurance more available to consumers. Conversely, insurers may react quickly to increased rates or harden underwriting restrictions when claims experience is unfavorable to them. MAIF is required to file its rates under a prior approval regulatory process.

Of the 155 insurers writing private passenger automobile insurance in the State in calendar 2013, 61 are a part of a top-10 insurer group. MIA's *Reports on the Effect of Competitive Rating on the Insurance Markets in Maryland* (November 16, 2015 and prior reports) finds:

- The market share for the top 10 insurer groups (of a total of 61 groups) has remained relatively stable from calendar 2006 to 2014. **Exhibit 19** shows the overall market share of the top 10 insurer groups and the total number of insurers during that period. **Exhibit 20** shows the individual market share of each of the top 10 insurer groups in calendar 2006, as compared to calendar 2014, and the total dollar premiums in calendar 2014.

- A commonly accepted measure of market share (Herfindahl-Hirshchman Index) indicated a moderately concentrated market.

- Market share for the top insurer groups, excluding MAIF, increased from 84.1% in 2006 to 89.0% in 2014, suggesting that insurers have competed for a greater market share by accepting more risk.

- Healthy competition exists in the private passenger automobile insurance market, providing consumers with a variety of choices, products, and pricing.

Exhibit 19

Private Passenger Automobile Insurance
Total Market Share of the Top 10 Insurer Groups (including MAIF)
Calendar 2006-2014

Year	Market Share of Top 10 Insurer Groups	Total Number of Insurers
2006	87.7%	148
2007	88.4%	134
2008	89.5%	148
2009	89.7%	151
2010	89.8%	159
2011	90.0%	157
2012	90.4%	158
2013	90.7%	158
2014	90.7%	155

Source: Maryland Insurance Administration and Maryland Insurance Administration's *Reports on the Effect of Competitive Rating on the Insurance Markets in Maryland* (November 16, 2015 and earlier reports)

Exhibit 20

Private Passenger Automobile Insurance
Market Share of Each of the Top 10 Insurer Groups
Calendar 2006-2014

Rank	Insurer Group	2014 Private Passenger Auto Premium (in Millions)	Market Share 2006	Market Share 2014
1	Berkshire Hathaway (Geico)	$917.4	19.6%	22.1%
2	State Farm	803.2	19.1%	19.4%
3	Allstate Insurance	513.4	13.8%	12.4%
4	Nationwide Corporation	353.2	9.9%	8.5%
5	United Service Auto Assn	316.6	5.5%	7.6%
6	Erie Insurance	292.8	6.0%	7.1%
7	Progressive	232.1	6.4%	5.6%
8	Liberty Mutual	211.6	2.4%	5.1%
9	MAIF	69.1	3.7%	1.7%
10	Travelers	50.4	1.6%	1.2%
		$3,760.4 of $4,145.1	87.7%	90.7%

Source: Maryland Insurance Administration and Maryland Insurance Administration's *Reports on the Effect of Competitive Rating on the Insurance Markets in Maryland* (November 16, 2015 and earlier reports)

Assessing Risk for Private Passenger Automobile Insurance in Maryland

Setting Insurance Rates

Insurers establish underwriting or eligibility guidelines to determine if a particular risk will be offered a policy of insurance. If the insurer's underwriting or eligibility guidelines allow a policy to be written for the person, the insurer will then assign a rate based on the individual risk characteristics. Private insurers must file their rates with MIA before use, but MIA approval is not required for the insurers to use those premium rates (known as "file and use"). However, MAIF's rates must be approved by MIA prior to use, known as "prior approval."

Rates may not be inadequate, excessive, or unfairly discriminatory. MIA also reviews supplementary rate information, including manual or plan of rates, statistical plan, classifications, rating schedules, minimum premiums, policy fees, rating rules, rate-related underwriting rules, and any other information the Insurance Commissioner requires by regulation. Generally, the number of rate filings, rule filings, and rate/rule filings increase each year. Below illustrates the increase from the second quarter of 2013 to the second quarter of 2014.

	Second Quarter 2014	**Second Quarter 2013**
	Filings Received/Review Completed	**Filings Received/Review Completed**
Rate Filings	118/112	78/77
Rule Filings	423/384	267/328
Rate/Rule Filings	261/251	246/263

Automobile insurance prices can vary based on the factors used by insurers to determine these rates. Insurers are allowed to consider a wide variety of individual risk characteristics in developing their premium rates. A rating factor is assigned to each criterion based on the company's loss data for insureds who exhibit those risk characteristics. Some of the criteria that insurers consider commonly include age, gender, marital status, number of miles driven annually, driving record, credit history, whether the insured vehicle is used for business or pleasure or both, the type of vehicle insured, and the location where the vehicle is principally garaged.

Policyholders who have similar insuring or risk characteristics are placed in the same group and should be charged the same premium rate. Below is a list of the commonly used insuring or risk criteria. Section 27-212(e) of the Insurance Article prohibits insurers from allowing unfair discrimination between insureds or properties having similar insuring or risk characteristics in the premium or rates charged for insurance. In accordance with IN § 27-212 (e), MIA does not allow "income level" to be used as a rating criteria for private passenger auto insurance.

Age and Gender: Males and young adults have a higher incidence of accidents; therefore, gender and age affect premium rates. Premium rates generally decrease at age 25 and may increase as a person approaches age 50 or 55. Young males up to the age of 26 generally pay higher rates than same-aged females.

Marital Status: Married individuals have a lower incidence of accidents and claims. Therefore, married individuals generally pay lower premium rates than single people.

Annual Mileage Driven: Insurers may calculate the premium rate based on the average distance the policyholder drives on an annual basis. A person with a high amount of mileage driven is considered a greater risk and will pay a higher premium rate, all other things being equal. Generally, insurers may calculate the premium based on a default mileage number in their system (10,000 to 12,000) since that is typical for drivers.

Driving Record and Claims History: Insurers are prohibited from increasing the premium rate based on traffic accidents, moving violations, or other claims that are more than three years old. Insurers may consider traffic accidents and moving violations that occurred within the past three years in determining a person's premium rate. A person with a less than perfect driving record or claims history may be considered a higher risk and may pay a higher premium rate. Many insurers have defensive driver plans, also known as "surcharge plans," that make policyholders who receive tickets or are involved in accidents or file claims pay an additional amount.

Credit Score and Credit History: Insurers may not deny coverage (fail to underwrite) based on an applicant's or insured's credit history. As allowed under law, some insurers review an applicant's credit history when determining the premium rate. Insurers argue that credit scores are correlated with claims frequency – the lower the credit score, the more frequent the claims – so they serve as a useful factor in pricing insurance policies. For example, bankruptcies, late payments, and the number of credit cards may result in a higher premium. Under Maryland law, a private passenger auto insurer may not:

- increase a renewal premium rate based on the credit history of the insured;
- apply a surcharge of more than 40% based on credit history; or
- use the following factors to rate a policy: the absence of or inability to obtain credit history, the number of credit inquiries, or any factor that is more than five years old.

Additionally, a policyholder has the right to request that the insurer recheck the policyholder's credit history once per policy period. If the credit history has improved, the renewal premium rate may be reduced. However, if the credit history has deteriorated, this information may not be used to increase the premium rate.

Type of Vehicle Insured: Premium rates are based in part on the vehicle's age, make, model, engine size, body type, and value (sticker price), repair costs, safety record, and likelihood of theft. Certain makes and models of vehicles, when involved in accidents, cause or allow greater levels of bodily injury, sustain greater levels of damage, and are more difficult and costly to repair. Insurers generally charge a higher premium to insure those makes and models. Sports and high performance cars also cost more to insure.

Geographic Area and Territorial Rating: The number of claims filed by policyholders in the geographic location of the policyholder's residence affects the premium rates charged by insurers. Counties, zip codes, or even smaller groupings of blocks based on census data are commonly used geographic areas.

MIA is required under law to submit an annual report about the use of territory as a factor in establishing rates for private passenger automobile insurance by insurers and MAIF. Insurers

using territory as a factor are required to submit a statement to the Insurance Commissioner that (1) the territories used by the insurer have been reviewed within the previous 3 years and (2) the use of territories is actuarially justified. In its latest report, *2014 Report on the Use of Territory as a Rating Factor in Establishing Private Passenger Automobile Insurance Rates* (June 2014), MIA provides the following information:

- For calendar 2013 and 2014, 158 and 155 insurers, respectively, reported direct premiums written for the private passenger automobile insurance lines of business.
- All automobile insurers use territories for rating purposes.

Prior Insurance Coverage: Most insurers ask about insurance history, including whether the person currently has coverage, the prior bodily injury coverage limits, the prior insurance company, and whether the person has ever been cancelled or nonrenewed. Some insurers require individuals to pay higher premium rates depending on whether there has been any lapse in insurance coverage, the length of the lapse in coverage, the prior bodily injury coverage limits, and the prior insurance company. Insurers are prohibited by law from denying insurance because an applicant was previously insured by MAIF.

Other Factors (List is not all inclusive):

- Homeowner or renter.
- Occupation (higher rates charged to drivers with lower-status jobs).
- Education level (higher rates charged to drivers with less education).
- Years as a licensed driver.
- Use of vehicle for business, pleasure, or both.
- Household composition.
- Discounts available, such as:
    - affinity groups;
    - early shopper;
    - claims free;
    - loyalty;
    - multiple vehicles;
    - multi-policy;
    - good student;
    - defensive driver;
    - telematics;
    - safety discounts;
    - paid in full; and
    - electronic payment.

Current Trends in Automobile Insurance Rating

Telematics

A number of insurers have made filings to use telematics for rating auto insurance in Maryland. At their most basic, telematics programs track the number of miles a policyholder drives to obtain an accurate measure of the annual mileage. Many telematics programs, however, also track other types of information for rating purposes. These include driving characteristics of the policyholder, the locations where the policyholder drives, and the time when the policyholder drives, as indicated below.

Driving Characteristics

Driving characteristics tracked by telematics programs include:

- hard braking;
- speeding;
- frequency of left turns;
- hard cornering;
- evasive maneuvers; and
- rapid acceleration.

Location

Characteristics of the areas where a policyholder drives that are tracked by telematics programs include:

- type of road;
- traffic density;
- population density;
- population characteristics;
- crime rate; and
- weather.

Time

Characteristics of the time a policyholder drives that are tracked by telematics programs include:

- time of day; and
- day of the week.

Predictive Modeling

With the increased availability of data, more insurers are using predictive modeling for auto insurance rating. Insurers first used predictive modeling to create credit scores based on information from a policyholder's credit report. Now, insurers are using models far more extensively with data obtained from numerous sources. Some rate filings contain multiple models layered one on top of another.

The increased availability of data and the use of models allow insurers to divide policyholders into ever smaller classifications for rating purposes. For example, MIA recently reviewed a filing where policyholders were assigned to a "micro-segment" based on four variables. The four variables yielded 191 million unique combinations, meaning that there were 191 million micro-segments. Each micro-segment was then assigned to one of 901 groups with a corresponding rating factor. As this indicates, insurers are moving away from rating classifications that spread the risk over a group of policyholders to more individual-based rating.

Price Optimization

The issue of price optimization is closely related to predictive modeling. Price optimization refers to the practice of varying rates based on factors other than the risk of loss, such as the likelihood that policyholders will renew their policies and the willingness of certain policyholders to pay higher premiums than other policyholders. The purpose of price optimization is to move away from traditional cost-based rating to take advantage of price elasticity in the market by charging the most that the market will bear without losing business.

One of the ways that insurers use price optimization is to analyze patterns of behavior of policyholders to try to predict whether a policyholder is likely to switch to another insurer if the insurer increases premiums. This may involve the use of a "retention model." If an insurer's analysis indicates that a policyholder is likely to switch to another insurer, that policyholder will be charged a lower premium than a policyholder who is considered unlikely to switch to another insurer.

MIA has taken the position that the use of price optimization results in rates that are unfairly discriminatory in violation of IN § 27-212(e)(1) and may not be used in Maryland.

MIA's *Auto Insurance: A Comparison Guide to Rates* (February 1, 2014) provides advice as to how to shop for auto insurance and describes the factors that affect rates.

Form Filings

MIA also approves policy forms for compliance with all applicable laws and regulations. Generally, the number of form filings increase each year. Below illustrates the increase from the second quarter of 2013 to the second quarter of 2014.

	Second Quarter 2014 Filings Received/Review Completed	Second Quarter 2013 Filings Received/Review Completed
Form Filings	722/818	716/859

Other States – Type of Regulation

The regulation of rates is handled five ways by the states: file and use; use and file; prior approval; flexible; and deregulated (competitive), as shown in **Exhibit 21**.

Exhibit 21
Type of Rate Regulation by State

Type of Rate Regulation	Number of States and DC and List of Individual States
File and Use	23: **Maryland***, Arkansas, Colorado, DC, Delaware, Florida, Indiana, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Hampshire, New Mexico, Ohio, Oregon, Rhode Island, South Dakota, Texas, and Virginia
Use and File	8: Arizona, Idaho, Iowa, Missouri, Oklahoma, Utah, Vermont, and Wisconsin
Prior Approval	15: Alabama, California, Connecticut, Georgia, Hawaii, Mississippi, Nevada, New Jersey, New York, North Carolina, North Dakota, Pennsylvania, Tennessee, Washington, and West Virginia
Flexible	3: Alaska, Kentucky, and South Carolina
Deregulated (Competitive)	2: Illinois and Wyoming

**Except, MAIF is Prior Approval.*
Source: Consumer Federation of America *What Works: A Review of Auto Insurance Rate Regulation in America and How Best Practices Save Billions of Dollars* (November 2013)

California

According to the Consumer Federation of America's April 2008, *State Automobile Insurance Regulation: A National Quality Assessment and In-Depth Review of California's Uniquely Effective Regulatory System*, California regulations require that insurers give primary consideration to three rate classifications in setting insurance rates, with the first having the greatest impact and the third having the least impact: driving record, years licensed, and miles driven. Insurers can also propose other classes for approval. Credit scoring has not been approved for use in California. If another class is approved (and several have been) the class must have less impact on insurance rates than the third mandatory factor. The state also mandates a 20% good driver discount.

Average Premium Rates in Maryland

MIA's *Auto Insurance: A Comparison Guide to Rates* (August 2015) provides 12 scenarios based on household makeup by insurer for various zip codes. The scenarios are:

1. Single young male (age 23), renter, no violations.
2. Single young female (age 23), renter, one violation.
3. Single male (age 30), homeowner, no violations.
4. Single female (age 30), homeowner, no violations.
5. Single male (age 50), homeowner, no violations.
6. Senior citizen single male (age 65), homeowner, no violations.
7. Senior citizen single female (age 65), renter, no violations.
8. Single female (age 50), renter, no violations.
9. Married male (age 35) and female (age 32), homeowners, multiple cars and drivers, no violations.
10. Married male (age 26) and female (age 24), homeowners, multiple cars and drivers, one child.
11. Married male (age 29) and female (age 29), renters, multiple cars and drivers, two children under age 12.
12. Married male (age 44) and female (age 44), homeowners, multiple cars and drivers, driving teen, some violations.

Using MAIF's premiums for comparison purposes, Baltimore City residents pay a significantly higher insurance premium than those in adjacent Baltimore County or other parts of the State as shown in **Exhibit 22.**

Exhibit 22
MAIF
Annual Premiums by Selected Scenarios and Selected Zip Codes
2015

Scenario	Prince George's	Montgomery	Charles	Anne Arundel	Baltimore City	Baltimore	Howard
1	$2,981	$2,474	$2,841	$2,525	$4,279	$3,199	$2,934
2	2,180	1,797	2,051	1,836	3,145	2,308	2,126
3	2,685	2,159	2,527	2,213	3,928	2,822	2,621
4	3,102	2,547	2,908	2,600	4,397	3,244	3,002
5	6,630	5,455	6,180	5,562	9,234	6,881	6,368
6	2,319	1,865	2,223	1,917	3,477	2,466	2,313
7	2,759	2,220	2,578	2,272	3,998	2,891	2,668
11	4,366	3,605	4,087	3,679	6,293	4,623	4,230
12	10,728	8,875	10,239	9,042	15,198	11,461	10,526

Note: Maryland Automobile Insurance Fund does not offer insurance under scenarios 8 through 10.
Source: Maryland Insurance Administration's *Auto Insurance: A Comparison Guide to Rates* (August 2015)

Affordability of Automobile Insurance

Insurance Research Council Study

The IRC's 2013 *Auto Insurance Affordability* report presented several key findings from its study of the affordability of automobile insurance.

- Auto insurance affordability improved in the 2000-2010 decade for the lowest income quintile as shown by the decrease of the average auto insurance expenditure-to-low income ratio.

- All 50 states and the District of Columbia experienced an improvement in the average auto insurance expenditure-to-income index from 2001-2005 to 2006-2010.

- Several factors were found to be correlated with the average auto insurance expenditure-to-income index. More affordable auto insurance was found to be associated with:

    - more competitive auto insurance markets;
    - less government regulation;
    - smaller residual markets;
    - less rich compensation for injuries;
    - fewer uninsured motorists; and

- lower unemployment rates.

Ways to Lower Premium Costs

According to the Consumer Federation of America's *Uninsured Drivers: A Societal Dilemma in Need of a Solution* (March 2014), research shows that lower income drivers are much more likely than upper income drivers to be uninsured since they are unable to afford car insurance. Also, research shows that, to gain reasonable access to most jobs, a car is necessary, meaning that lower income drivers risk fines and penalties for driving without insurance. Ways to lower premium costs are described below.

The Maryland Consumer Rights Coalition's report on *Low-Income Drivers and the Need for Affordable Auto Insurance* finds that the high cost of motor vehicle insurance is a key barrier to economic opportunities for working families – especially in Baltimore, where drivers pay $2,000 to $4,000 a year for motor vehicle insurance. Car ownership provides access to better job opportunities, healthcare, and childcare, as well as the flexibility to work extra shifts or overtime.

Insurance Plan with Lower Required Coverages for Low-income Individuals

Maryland Legislation

Senate Bill 732 of 2012 (failed-withdrawn) "Low-Cost Automobile Insurance Program – Prince George's County" would have established the Low-Cost Automobile Insurance Program in Prince George's County, Maryland under MAIF. In Prince George's County only, the bill would have:

- authorized the program to sell, issue, and deliver to an eligible individual a policy that provides the security as necessitated by State law;

- required the program to be developed in consultation with MIA;

- required the executive director of the program to determine premiums, subject to approval of the Insurance Commissioner;

- required the program's Board of Trustees, in consultation with MIA, to adopt regulations to establish and administer the program;

- required an individual, to be eligible for a policy, to meet specified requirements relating to residence, income, age, and driving record;

- authorized the program to (1) reject an application if the applicant owes the program an unpaid premium on an expired or canceled policy; (2) cancel a policy any time for either

nonpayment of a premium or loss of eligibility; or (3) reject an application or cancel a policy if the applicant or insured's driver's license is found to be revoked;

- required that each policy issued by the program may provide coverage only for an automobile valued at $10,000 or less at the time of purchase, as evidenced by the value given to the automobile by MVA in assessing vehicle license fees; and

- required that each policy only provide for the payment of claims for bodily injury or death arising from an accident of up to $15,000 for any one person and up to $30,000 for any two or more persons, in addition to interest and costs; and the payment of claims for property of others damaged or destroyed in an accident of up to $7,500, in addition to interest and costs.

Other States' Laws

California

According to the California Department of Insurance's website, the California General Assembly created in 1999 the California Low Cost Automobile Insurance Program (CLCA). The program is "designed to provide income eligible persons with liability insurance protection at affordable rates as a way to meet California's financial responsibility laws." The program requires insurers to offer lower-cost policies in participating counties to applicants who qualify. Gross annual income must be 250% or less of the federal poverty level. The premiums for each county are set each year by the state and are based on the county's claim history. The California Automobile Assigned Risk Plan administers the program. The program began operation in 2000 as a pilot program in two counties and expanded statewide as of December 10, 2007.

- Coverages and eligibility requirements established by the legislature include: liability limits of $10,000 bodily injury or death per person, $20,000 bodily injury for each accident and $3,000 property damage for each accident. These limits satisfy the state's current financial responsibility laws.

- Optional coverages consist of Medical Payments Coverage at $1,000 per person and Uninsured Motorist Bodily Injury at limits of $10,000/$20,000.

- Physical Damage (comprehensive and collision) coverage is not available under the program.

- To be eligible, drivers must qualify for the following good drivers requirements:

    - must be at least 19 years of age and has been continuously licensed to drive for the past 3 years;
    - have no vehicle code felony or misdemeanor convictions on their driving record;
    - have no at fault accidents involving bodily injury or death in the past 3 years;

- have not had more than one, or both, of the following in the past 3 years – a property damage only accident in which they were principally at fault, or a point for a moving violation; and
- cannot be a college student claimed as a dependent for federal/state income tax purposes.

- The cost of the insurance is based on the applicant's county of residence. No outside premium financing is allowed.

- The cost of insurance must be sufficient to cover losses incurred and expenses that are incurred due to participation in the program, including the costs of administration, underwriting, taxes, commissions, and claims adjusting. The rates must be set so as to result in no projected subsidy of the program by (1) policyholders of insurers issuing policies under the program who are not participants in the program or (2) policyholders in one county by policyholders in any other county.

- Funding for the program, effective through January 1, 2015, is provided by a $.05 special purpose assessment on each vehicle insured in the state in order to inform consumers about the program. The fiscal 2015 budget was $1.4 million.

According to the California Insurance Department's 2014 *Report to the Legislature*, since 2008, 51,234 Californians have applied for insurance through the program, of which 46,025 assignments were made. At the end of 2013, there were 11,521 policies in force. Approximately 94% had been uninsured at the time of application for the program.

New Jersey

In New Jersey, the Special Automobile Insurance Policy (SAIP) is an initiative to help make limited auto insurance coverage available to drivers who are eligible for federal Medicaid with hospitalization. These drivers can obtain a medical-coverage-only policy at a cost of $365 a year. The SAIP policy covers emergency treatment immediately following an accident and all treatment of serious brain and spinal cord injuries up to $250,000. The SAIP policy also provides a $10,000 death benefit. The SAIP policy does not cover damage caused to other persons (liability) or property, or damages to the driver's car (collision and comprehensive coverages). The SAIP policy also does not cover outpatient treatment (nonemergency doctor visits, physical therapy). Applicants must be currently uninsured and enrolled in a Medicaid program that provides hospitalization.

Usage-based Insurance (Pay-as-you-drive)

Usage-based insurance, also known as pay-as-you-drive, is a type of automobile insurance with insurance premiums that depend on the type of vehicle used measured against time, distance, behavior, and place. This differs from traditional insurance which attempts, through use of historical data, to reward "safe" drivers by giving them lower premiums. Coverage under pay-as-you drive insurance may be provided (1) based on the odometer reading of the vehicle; (2) based on mileage aggregated from GPS data, or on the number of minutes the vehicle is being used as recorded by a vehicle-independent module transmitting device; or (3) on other data

collected from the vehicle, including speed and time-of-day information, driving actions, distance, and time traveled.

According to www.carinsurance.com, several insurers offer these type of products, including Progressive (Snapshot), Allstate (DriveWise – offered in Maryland and 15 other states), State Farm (Drive and Save and In-Drive), The Hartford (TrueLane), Travelers (IntelliDrive), Esurance (Drivesense), Safeco (a subsidiary of Liberty Mutual – Rewind), and National General Insurance (formerly BMAC – Low Mileage Discount). The policies require the installation of telemetrics, a data recorder placed inside a vehicle that monitors driver behavior, which in turn is used to determine insurance premium pricing. These insurance products require tracking time of day, vehicle speeds, number of miles driven, how much and how often the brakes are used hard, how smoothly turns are navigated, and how rapidly the car is accelerated. Additional savings, which vary by provider, are realized if the car is driven less than 12,000 miles in a year and stays parked during peak accident hours (between midnight and 4 a.m.). Generally, the savings start at 5% or 10% for enrolling and can accumulate up to 30%. Insurers offer these products in many states, but not in Alaska, California, Hawaii, Indiana, or North Carolina. Some insurers offer these products in Maryland.

Recent Trends

MetroMile promises to deliver savings by tracking driving activity through its Metronome device, which plugs into the OBD-II data port in the car. Rates start at $20 monthly and 2 cents to 5 cents a mile. Currently, MetroMile is available in four states: California, Illinois, Oregon, and Washington. MetroMile acts as an agent, not a company – the policies are underwritten by National General Insurance Group.

Advantages include:

- environmental benefits from less unnecessary driving;
- commercial benefits for the insurer since the price is more aligned with actual risk;
- consumer benefits from lower premiums and only paying for how they drive; and
- public benefits from more drivers purchasing insurance instead of driving while uninsured.

Disadvantages include:

- may not provide a precise prediction of drivers' risk; and
- infringes on privacy.

Use of Safe Driving and Other Discounts Offered by Insurers

Many insurers offer discounts which may make premium rates more affordable. Not all insurers offer the same discounts, but some of the most common ones are described below. MAIF is only authorized to provide two discounts: safe driver discount (maintain a clean driving record free of accidents and traffic violations); and continued coverage discount (maintain continued MAIF insurance for 12 months or more).

Discounts Related to the Vehicle

- ***Vehicle Equipment (Safety Devices):*** Some insurers provide discounts that limit bodily injury or property damage caused by accidents for (1) airbags (for Geico, 25% off of medical payments or personal injury portion of the premium; for Allstate, up to 30%); (2) anti-lock braking system (for Geico, 5% off of the collision portion of the premium; for Allstate, 10%); (3) anti-theft system (for Geico, 25% off of the comprehensive portion of the premium); and (4) daytime running lights (for Geico, 3% discount off of certain coverages). State Farm offers a discount on the premium for PIP Coverage and Supplemental Medical Payments Coverage for vehicles equipped with factory-installed air bags or other passive restraint systems. Nationwide offers up to a 5% discount to owners who have anti-theft devices installed on their vehicles.

- ***Seat Belt Use:*** Some insurers provide discounts if the driver and passenger always wear seat belts (for Geico, 15% off of medical payments or personal injury protection portion of the premium; for Allstate, up to 30%).

- ***New Car:*** Some insurers provide a discount for first owner of the vehicle or if the vehicle is less than 2 years old (for Allstate, up to 30%).

- ***Economy Car:*** Some insurers provide a discount if the vehicle is an economy car (green) (for Allstate, up to 10%).

- ***Utility:*** Some insurers provide a discount to the owner of a utility vehicle with a model year of 2002 and prior (for Allstate, up to 15%).

- ***Farm Vehicle:*** Some insurers provide a discount if the vehicle is used primarily for farm or ranch work (for Allstate, up to 10%).

- ***Anti-Theft Devices:*** Car alarms and other theft-deterrent devices may also earn a discount (for Allstate, up to 10%).

Discounts Related to Driving

- ***Good Driving Record:*** Insurers may consider traffic accidents and moving violations that have occurred in the past 3 years in determining what to charge for a premium rate. A policyholder with a less than perfect driving record may be considered a higher risk and might pay a higher premium. Geico offers a 26% discount off of most coverages if a driver has been accident-free for 5 years. Allstate offers a 22% discount for driving 3 years without any violations or accidents and a 35% discount for driving 5 years without any violations or accidents. State Farm offers up to 10% for driving at least 3 years without a moving violation and no at-fault accidents. Nationwide offers up to 10% discount for driving at least 5 years of safe driving.

- ***Driver Education Courses:*** Many insurers offer discounts for the completion of a driver education course. According to www.geico.com, a policy rated in Maryland could be discounted 10% on applicable coverages by taking a defensive driving course; a driver is eligible if the driver is 50 years or older and completes a defensive driving course meeting the standards established by the National Safety Council or the Maryland MVA. A young driver may also qualify for a discount on most coverages after completing a driver's education course. Allstate provides a discount up to 10% when (1) a teen completes a teenSMART driver education program or (2) a driver who is 25 years old has completed 6 or more hours of defensive driving courses and has no violations and no at-fault claims. State Farm offers up to 15% for drivers under 25 years old who complete its Steer Clear course and have no at-fault accidents or moving violations in the past 3 years; also, State Farm offers up to 5% for taking a driver safety course. Nationwide offers up to 10% for drivers over 55 who have taken an approved driver safety course.

- ***Low-Mileage Usage:*** Some insurers consider low-mileage use as part of rating the risk. Others use this factor as a way to offer discounts. Some insurers provide a modest discount for driving less than 10,000 miles and a more substantive discount for driving less than 7,500 miles. Discounts range from 5% to 15%. **Exhibit 23** shows the annual mileage driven by age range for both men and women, with the younger drivers driving the most, according to www.carinsurance.com. Also, this website reports that older model cars tend to be driven less. On average, a 1990 model car may be driven a little more than 10,000 miles per year, while a 2013 model car is driven almost 12,000 miles per year. State Farm offers up to 5% for enrolling in its Drive Safe and Save program; drivers must agree to share certain driving information and have an eligible vehicle; based on the actual usage of the vehicle, savings could be up to 50% at future renewals.

Exhibit 23
Average Annual Mileage Driven by Age and Gender
Reported in 2013

Age Range	Women	Men
16 to 24	11,851	11,754
25 to 34	11,710	11,362
35 to 44	11,636	11,306
45 to 54	11,199	11,005
55 to 64	10,792	10,484
65 and older	9,628	9,549

Source: www.carinsurance.com

- ***Accident Forgiveness:*** Some insurers offer a program that provides that there will be no premium increase after a first accident. Generally, these are offered on more expensive policies and may be linked to an incentive package that may include adding a certain percentage to the premium (*e.g.*, 5%).

- ***Disappearing/Vanishing Deductible:*** Some insurers offer a partial deduction off the collision deducible after a period of time (*e.g.*, five years) without crashes or moving violations. Over time, the deductible may disappear altogether or be reduced to a minimal amount. Generally, these are offered on more expensive policies and may be linked to an incentive package that may include adding a certain percentage to the premium (*e.g.*, 5%). Nationwide offers a vanishing deductible, allowing drivers to earn $100 off of their deductible for every year of safe driving, up to $500.

- ***Safe Driving:*** Some insurers offer a discount for having safe driving habits. For Allstate, the discount is up to 45%.

Discounts Related to the Policy

- ***Multiple Policies:*** Although an insurer may not require a person to buy a homeowner's insurance policy when the person purchases an automobile insurance policy, some insurers offer discounts to policyholders who purchase both automobile and homeowner's insurance policies. Insurers may offer discounts to policyholders who have more than one vehicle insured with the insurer. The average discount is about 8%. Many insurers offer a variety of insurance lines, including homeowners, renters, condo, co-op, life, boat, personal watercraft, mobile home, identity protection, and snowmobile. For Allstate, there is a discount on an automobile policy when also purchasing a life insurance policy; also a 10% discount when purchasing homeowner's or renter's insurance. For Progressive, there is a 10% discount when also purchasing homeowner's or renter's insurance. State Farm offers up to 17% when also purchasing homeowner's or renter's insurance, life insurance, or health insurance. Nationwide offers up to a 25% discount when automobile insurance is bundled with homeowner's, life, or other types of insurance.

- ***Multiple Cars:*** Many insurers offer discounts for owning more than one car. The average discount for insuring multiple cars is typically 10% to 25%. State Farm offers up to 20% for owners who reside in the same household and are (1) related by marriage, blood, or adoption or (2) for two unrelated owners who are joint owners of the vehicles and both designated as the named insureds on the policy.

- ***Family Plan:*** The Nationwide Family Plan extends an insured's discounts (such as for multi-car and multi-policy) to another policy of any family member living with the insured (includes parents, children, aunts, uncles, cousins).

- ***Renewal Discount:*** Some insurers offer a discount to policyholders who have maintained continuous coverage with the insurer for a specified number of years.

- ***Pay in Full:*** Some insurers offer a discount if a premium is paid up front and in full. The typical discount is about 5% to 10%. Allstate offers up to a 10% discount.

- ***Early Renewal of Policy:*** Some insurers offer a discount if drivers renew their policy in advance. The typical discount is about 5%. Allstate offers up to a 10% discount.

- ***Electronic Funds Transfer (EFT):*** Some insurers offer a discount to drivers who authorize automatic electronic funds transfers by the insurer from their checking accounts. The typical discount is about 5%. Allstate offers a 5% discount.

- ***Paperless Bill and Correspondence:*** Some insurers offer a discount to drivers who sign up to access online and receive bills and other correspondence electronically, and not as paper documents. The typical discount is about 5%. Allstate offers up to a 10% discount, while Nationwide offers $30.

- ***Online Application:*** Progressive offers a discount for starting an auto insurance quote online or signing a document online when the policy is bought.

Discounts Related to Lifestyle

- ***Good Student:*** Many insurers offer discounts to full-time students (ages 16 to 25) who maintain good grades (*e.g.*, at least a B average; ranked scholastically in the upper 20% of the class; or made the dean's list or honor roll). Geico offers a 15% discount on certain coverages; for Allstate, up to 20%. State Farm offers up to 25% with savings lasting until age 25 and also applies the discounts for drivers who have earned an associate's degree or who have graduated from a four-year college or university. State Farm offers up to a 15% discount for a teen earning at least a B average.

- ***Education and Occupation:*** Some insurers consider education and occupation as part of rating the risk. Others use these factors as a way to offer discounts. According to www.carinsurance.com, the following occupations score discounts: (1) educators (college professors and school teachers); (2) first responders (police officers, firefighters, and emergency medical technicians); (3) medical professionals (physicians, surgeons, dentists, veterinarians, physical and occupational therapists, chiropractors, nurses, and speech audiologists and pathologists); (4) scientists and mathematicians; (5) engineers; and (6) military members and their families (active duty, retired, or members of the National Guard/Reserves).

- ***Marital Status:*** Most insurers offer a discount to married couples of 5% to 15%, with the average about 11%. Married couples tend to make fewer claims, buy homes, and own more cars.

- ***Senior Adult:*** Some insurers offer a discount to drivers who (1) are at least 55 years old and (2) are not actively seeking full-time employment or are retired. Allstate offers up to a 10% discount.

- ***Resident Student/Student Away at School:*** Some insurers offer a discount to insureds who have a child attending school at least 100 miles away from where the car is garaged (for Allstate, up to 35% off the premium). State Farms offers this discount and specifies that the student must reside at a school more than 100 miles from home, drive the automobile only while home during school vacation or holiday periods, and keep the automobile at home while away at school.

Discounts Related to Affiliation

- ***Driver Affiliations:*** Insurers may offer discounts to members of certain organizations and to employees of certain employers. This includes:
    - emergency deployment (up to 25% by Geico);
    - military (up to 15% on total car premium by Geico);
    - membership and employee discounts (for Geico, this includes specified alumni associations, colleges, and universities; Berkshire Hathaway Companies; business and professional organizations, including accounting, attorney, engineering, financial, medical, professional development, scientific, and technical; credit unions; educational organizations; fraternities, sororities, and honor societies; military and federal organizations; certain other organizations; and recreational organizations);
    - federal employees (up to 8% by Geico for active and retired employees);
    - member of the Farm Bureau (up to 10% by Nationwide);
    - member of partner business or organization (up to 10% by Nationwide); and

- member of AAA (CSAA Insurance Group – up to 5% for being an AAA member; up to an additional 5% over time; and up to an additional 5% when switching from current insurer – must have been with another auto carrier at least 1 year with no lapse in coverage over 3 days).

Other Ways to Lower Insurance Premiums

Raise the Deductible

The deductible is the amount a policyholder agrees to pay in the event the policyholder's vehicle is damaged. Raising the deductible generally will decrease the premium. However, with a high deductible, the policyholder will pay more money out of pocket for any damage.

Drop Comprehensive and/or Collision Coverages

A policyholder with an older vehicle that has been paid off may want to consider dropping comprehensive and/or collision coverages to reduce the premium. However, without these coverages, the policyholder will pay out of pocket for repair damages to the policyholder's vehicle if the damage is from an accident that the policyholder caused, or if the vehicle is stolen or vandalized or if the driver collides the vehicle with an animal.

Comparison Shop

Insurers charge different premiums based on the risk characteristics they consider and the company's loss experience. Many insurers belong to insurer groups. The rates can differ among the companies within an insurer group because different characteristics are being considered and the loss experience differs. Insureds should check with their producer or company representative to determine if they are insured by the insurer within the group that results in the lowest premium. Insureds should also shop for coverage with other insurers. MIA provides *A Comparison Guide to Rates* on its website (www.mdinsurance.state.md.us).

Drop Optional Coverages

- **Towing Coverage:** pays to tow a damaged vehicle to a repair shop after an accident or breakdown. This coverage is similar to coverage provided by auto clubs.

- **Rental Reimbursement Coverage:** pays for the cost of a rental vehicle while a damaged vehicle is being repaired after an accident or a loss specifically protected under comprehensive coverage.

- **Mechanical Breakdown Coverage:** pays to repair a vehicle after a mechanical breakdown.

- **Transportation Expense Coverage:** pays for additional transportation costs (*e.g.*, car rental or bus fare) while a vehicle is being repaired after an accident or loss covered under comprehensive coverage.

- **Medical Payments Coverage:** pays for medical expenses and related costs for those injured in a vehicle. This coverage may not be needed if the insured has health insurance.

- **Gap Insurance Coverage:** pays the difference between the vehicle's actual cash value paid under an automobile insurance policy and the outstanding balance on a loan on the car.

Waive PIP

In Maryland, unless waived by the first-named insured, PIP provides a minimum limit of $2,500 coverage for payment of reasonable and necessary medical, hospital, and disability expenses that arise from the accident; 85% of lost income; and reimbursement for essential services for care and maintenance of the family or family household. If waived by the first-named insured, it (1) constitutes a waiver under the first-named insured's policy or any other motor vehicle liability insurance policy in the State and (2) is binding on each named insured, each listed driver, and each member of the first-named insured's family residing in the first-named insured's household who is at least 16 years old.

Seventeen other states and D.C. require owners of vehicles to purchase PIP insurance coverage. PIP coverage may vary from state to state, although three states allow a waiver signed at initial purchase of the policy. While not mandatory, PIP is also available in other states. PIP limits range from $1,500 to $250,000. According to www.insur.com, one of the biggest factors driving auto insurance rates in Michigan is the PIP benefits. Instead of capping the benefits like other states, Michigan's benefits are lifetime if someone is seriously injured. Auto insurers must pay out the first $530,000 for medical treatment when someone is injured in an auto accident. A state-created nonprofit called the Michigan Catastrophic Claims Association pays for any treatment that exceeds the threshold. The association charges an annual assessment for every insured vehicle to insurers, which is then passed onto consumers. In comparison, Florida is capped at $10,000 and New York at $50,000. *See* **Exhibit 24** for a summary of states that require personal injury protection coverage.

Exhibit 24

Personal Injury Protection – Optional Coverage - Other States
OPTIONAL – Not True NF or Add-on

State/ UM Rate	PIP Effective Date	Minimum/ Maximum PIP	Other Information
D.C. 11.9%	1983 NF; changed to optional in 1986	Medical and rehab expenses $50,000 or $100,000; Work loss: $12,000 or $24,000; Funeral expense: $4,000	Option of NF or Tort; considered NOT a true NF or an Add-on (if choose NF, when there is an accident, policyholder has 60 days to decide to receive benefits or take other party to court; no restrictions on lawsuits); Can reject any or all of the 3 PIP coverages.
Kentucky 15.8%	1975	$10,000	Choose NF or Tort – can reject lawsuit threshold and retain right to sue; monetary threshold ($1,000).
New Jersey 10.3%	1973; reforms in 1989; reforms in 1998	$15,000	Choose NF or Tort – can reject lawsuit threshold and retain right to sue; verbal threshold (removed mandatory portions of no-fault law in 1989).
Pennsylvania 6.5%	1976 NF; repealed in 1984; reenacted in 1990	$5,000	Choose NF or Tort – can reject lawsuit threshold and retain right to sue; verbal threshold (formerly Add-on state; changed to Choice in 1990).

ADD-ON NO-FAULT/TORT – 10 STATES

State/ UM Rate	PIP Effective Date	Minimum/ Maximum PIP	Other Information
Arkansas 15.9%		Minimum $5,000	Optional – Can reject entirely; can purchase 1 or all 3 coverages (medical payments, lost wages, and death benefits).
Delaware 11.5%		Minimum $15,000 for 1 person in an accident; $30,000 for more than 1 person in an accident; $5,000 funeral expenses	Mandatory
Maryland 12.2%		Minimum $2,500	Allows limited PIP; can waive for only first named insured and family (not kids)
New Hampshire 9.3%			Optional
Oregon 9.0%		Minimum $15,000	Mandatory
South Carolina 7.7%			Optional
South Dakota 7.8%			Optional
Texas 13.3%		Minimum $2,500	Optional – Can reject entirely at time purchase policy
Virginia 10.1%			Optional
Washington 16.1%		$10,000 medical coverage/$10,000 income continuation	Optional – Can reject entirely
Wisconsin 11.7%			Optional – Can reject entirely at time purchase policy

NO-FAULT – (TRUE NF) - 9 STATES

State/ UM Rate	PIP Effective Date	Minimum/ Maximum PIP	Other Information
Florida 23.8%	1972; repealed in 2007; reenacted in 2008	$10,000	2012 fraud reforms – PIP coverage reduced; verbal threshold
Hawaii 8.9%	1974	$10,000	Monetary threshold
Kansas 9.4%	1974	$4,500	Monetary threshold
Massachusetts 3.9%	1971	$8,000	Monetary threshold
Michigan 21.0%	1973	No max.	Unlimited medical benefits – there has been attempts to limit; verbal threshold ($4,000)
Minnesota 10.8%	1975	$40,000	$20,000 medical; $20,000 lost income, replacement services, and funeral expenses; monetary threshold
New York 5.3%	1974; reforms in 2002	$50,000	2014 fraud reforms; verbal threshold
North Dakota 5.9%	1976	$30,000	Monetary threshold
Utah 5.8%	1974	$3,000	Monetary threshold

28 TRADITIONAL TORT STATES (only those who had NF and repealed it are listed)

State/ UM Rate	PIP Effective Date	Minimum/ Maximum PIP	Other Information
Colorado 16.2%	1974 NF; repealed in 1980		
Connecticut 8.0%	1975 NF; repealed in 1991		`
Georgia 11.7%	1973 NF; repealed in 1993		
Nevada 12.2%	1974 NF; repealed in 1980; reforms in 2003		

NF: No-fault
UM Rate: 2012 by Insurance Resource Council
Source: Insurance Information Institute Prepared by: Department of Legislative Services

Reasons Why Insurers Do Not Insure an Applicant

Based on a survey by MVA in February 2016 insurer cite specific underwriting reasons for not wanting to insure an applicant.

Top 10 Insurers

- any combination of more than 10 moving violations, major violations, or negligent accidents;
- DUI/DWI on new business;
- operating a criminal enterprise/participating in illegal activities;
- failure to maintain continuous insurance for 12 months prior/driving uninsured;
- driving on a suspended license/unlicensed/uninsured;
- using a vehicle to commit homicide, assault, reckless endangerment, or criminal negligence;
- participating in racing or speed contests;
- non-verifiable driving records;
- three or more at-fault accidents in the preceding three years;
- prior conviction of insurance fraud;
- foreign driver's license;
- using your vehicle for "for-hire" purposes; and
- being licensed less than 3 years.

Insurers that Target Substandard Market (*e.g.*, Progressive Specialty, Paramount Insurance, Agency Insurance, Occidental Fire & Casualty of North Carolina, and Liberty Mutual Fire Insurance)

- named insureds who have never been licensed, unless the named insured is excluded from coverage;

- drivers under the minimum age for state licensing;

- applicants who have been convicted of insurance fraud;

- applicants/insureds who have had a policy canceled or nonrenewed by the insurer for committing fraud or misrepresentation in connection with an application for insurance, a request to modify the policy, the presentation or settlement of a claim, or anytime during the policy period;

- applicants/insureds who have had a policy canceled or nonrenewed by the insurer for issuing an unauthorized or invalid payment in connection with an application for insurance or a policy;

- applicants/insureds who have knowingly threatened bodily harm or engaged in menacing behavior towards an insurer employee or an authorized independent agent of the insurer;

- eligible to be rated drivers that have a permanently revoked license; and

- insureds who violate any policy condition, including but not limited to, failing to provide necessary underwriting or rating information, failing to promptly report a claim, or refusing to cooperate in the settlement of a claim.

Attachment 1

Automobile Financial Responsibility Limits and Enforcement by State

Last updated 2/19/16

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Maryland	BI & PD Liability PIP – add-on (min. $2,500 may be waived for policyholder; compulsory for passengers/pedestrian - called limited PIP) UM 30/60/15 File and Use (except MAIF is Prior Approval)	2012: 2.2% 2009: 4.9% 2004: 2.2%	At registration (but not immediately verified). No requirement to carry proof.	Insurer must notify the Motor Vehicle Administration electronically of new business, cancellations, nonrenewals, terminations, and lapses.		$150 for the first 30 days, $7 for each day thereafter. Maximum $2,500 in 12 months.	Suspension of vehicle registration; $25 registration restoration fee; license plate confiscated; fine up to $1,000 and/or one-year imprisonment for false evidence of insurance.
Alabama	BI & PD Liability 20/40/10; increased to 25/50/25 for new business August 30, 2008; and for renewal policies November 28, 2008) PIP (optional) – tort Prior Approval	2012: 9.6% 2009: 1.8% 2004: 5.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must verify randomly selected insurance policies upon request.		1st offense: $500 fine plus $200 reinstatement fee (maximum $700). Subsequent offense: $1,000 plus $400 reinstatement fee.	Driver's license suspension: up to 6 months for 2nd and subsequent offense. Registration suspension for 1st offense until coverage is purchased and reinstatement fee is paid and for subsequent offense for a minimum of 4 months.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Alaska	BI & PD Liability 50/100/25 PIP (optional) – tort Flexible	2012: 3.2% 2009: 3.0% 2004: 5.0%	After accident; at all times in vehicle.	Insurer must verify FR or insurance after an accident or arrest.	No Pay/No Play Plan		Driver's license suspension: 90 days for 1st offense; and minimum 1 year for subsequent offense (within 10 years).
Arizona	BI & PD Liability 15/30/10 PIP (optional) – tort Use and File	2012: 10.6% 2009: 11.9% 2004: 22.0%	At time of accident; at all times in vehicle; within 30 days of registration (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify FR or insurance after an accident or arrest; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $500 fine; 2nd offense (within 3 years): minimum $750 fine; subsequent offense (within 3 years): minimum $1,000 fine.	Letter sent indicating registration suspended if proof not provided in a certain number of days. Driver's license suspension: 3 months for 1st offense; 6 months for 2nd offense; 1 year for subsequent offense. Registration suspension: 3 months for 1st offense; 6 months for 2nd offense; 1 year for subsequent offense.
Arkansas	BI & PD Liability 25/50/25 PIP – add-on (required to be offered with min, $5,000 but optional – can reject all File and Use	2012: 5.9% 2009: 6.0% 2004: 4.0%	At registration (proof may be by electronic means).	Insurer must verify FR or insurance after an accident or arrest; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $50-$250 plus $20 reinstatement fee. 2nd offense: $250-$500 fine plus $20 reinstatement fee. Subsequent offense: $500-$1,000 fine plus $20 reinstatement fee.	Registration suspension until owner presents proof of coverage and pays reinstatement fee. Possible jail time for up to 1 year.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
California	BI & PD Liability 15/30/5 Low cost program: 10/20/3 PIP (optional) – tort Prior Approval	2012: 4.7% 2009: 5.0% 2004: 5.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify FR or insurance after an accident or arrest; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).	No Pay/No Play Plan. Low Cost Automobile Program (10/20/3) offers low-cost insurance to low-income.	1st offense: $100-$200 fine plus local assessments. Subsequent offense: $200-$500 fine plus local assessments.	Assessments include: towing and storage fees if police decide to impound uninsured vehicle.
Colorado	BI & PD Liability 25/50/15 PIP (optional) – tort (had NF until 1980) File and Use	2012: 16.2% 2009: 15.2% 2004: 15.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).	Offers low-cost plan for low-income (not mandatory for insurers to offer).	1st offense: at least $500 fine; subsequent offense (within 5 years): at least $1,000 fine.	4 points against driver license; license suspension until show proof of insurance; court may add community service (up to 40 hours). Possible jail time.
Connecticut	BI & PD Liability, UM, UIM 20/40/10 PIP (optional) – tort (has NF until 1991) Prior Approval	2012: 8.0% 2009: 9.5% 2004: 12.0%	At registration; at time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; utilizes an electronic database system for checking driver's insurance status.	Sends random check letters.	Fine of a minimum $100 and maximum $1,000. $100 restoration fee.	Driver's license suspension and registration suspension: for 1st offense, 1 month; for subsequent offense: 6 months. May not be reinstated until proof of coverage is provided; owner has to file a noncancellable certificate of FR with the state for 3 years.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
DC	BI & PD Liability, UM 25/50/10 PIP (optional) – not true NF or add-on – either NF or tort File and Use	2012: 1.9% 2009: 5.3% 2004: 1.0%	At registration; at time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify randomly selected insurance policies upon request.		$150 for the first 30 days, $7 for each day thereafter. Maximum $2,500 in 12 months.	Possible jail time of up to 30 days.
Delaware	BI & PD Liability 15/30/10 PIP – add-on (required to be offered with min, $15,000 – mandatory) PIP- add-on (required) File and Use	2012: 1.5% 2009: 0.8% 2004: 2.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must verify FR or insurance after an accident or arrest; insurer must verify randomly selected insurance policies upon request; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $1,500-2,000 fine. Subsequent offense (within 3 years): $3,000-$4,000 fine.	Driver's license suspension: 6 months and until proof of coverage is provided.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Florida	PD Liability 10/20/10 (instead of policy limits, policyholder can satisfy requirement with a combined single-limit policy) PIP (required) – NF – $10,000 (verbal threshold) File and Use	2012: 3.8% 2009: 3.5% 2004: 9.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law); has been testing a single online electronic insurance verification system.		1st offense: $150 license reinstatement fee. 2nd offense (within 3 years): $250 fine. Subsequent offense (within 3 years): $500 fine.	Driver's license suspension: until 2-year SR-22 insurance is provided.
Georgia	BI & PD Liability 25/50/25 PIP (optional) – tort (had NF until 1993) Prior Approval	2012: 1.7% 2009: 5.7% 2004: 3.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $200-$210 restoration fee. Subsequent offense (within 5 years): $300-$310 restoration fee.	Driver's license suspension: 60 days and until offender provides proof of prepaid 6-month policy for 1st offense; same for subsequent offense. Registration suspension: 60 days for 1st offense and 90 days for subsequent offense.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Hawaii	BI & PD Liability 20/40/10 PIP (required) – NF – $10,000 (monetary threshold) Prior Approval	2012: 8.9% 2009: 1.2% 2004: 0.0%	At time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		1st offense: $500 fine. Subsequent offense (within 5 years): minimum $1,500 fine) plus towing and storage fees from impoundment of uninsured car.	Community service hours may be in lieu of fine (75-100 hours for 1st offense and 200-275 hours for subsequent offense). Driver's license suspension: 3 months for 1st offense; and 1 year and must present proof of coverage before reinstatement for subsequent offense. Registration suspension: for 2nd and subsequent offense. Possible jail time of up to 30 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Idaho	BI & PD Liability 25/50/15 Insurers required to offer UIM beginning January 1, 2009 PIP (optional) – tort Use and File	2012: 6.7% 2009: 7.9% 2004: 9.0%	At time of accident; at all times in vehicle. (Penalty for failure to carry proof of insurance is the requirement to file 1 – 3 years after violation with insurance regulator) (proof may be by electronic means).	None.		1st offense: $75 fine. Subsequent offense (within 5 years): maximum $1,000 fine.	Possible jail time of up to 6 months. Penalty for failure to have insurance is the requirement to file 1-3 years after violation with insurance regulator.
Illinois	BI & PD Liability, UM 20/40/15 PIP (optional) – tort Deregulated (Competition)	2012: 13.3% 2009: 14.9% 2004: 16.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must verify FR or insurance after an accident or arrest; insurer must verify randomly selected insurance policies upon request.	Random audits.	1st and 2nd offense: $500-$1,000 plus $100 reinstatement fee. Subsequent offense: $1,000 fine plus $100 reinstatement fee. Fines may be reduced to $100 if coverage is purchased by the court date.	Driver's license suspension: 3 months; if drove uninsured while license was already restricted, then 9 months.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Indiana	BI & PD Liability 25/50/10 PIP (optional) – tort File and Use	2012: 6.7% 2009: 6.3% 2004: 6.0%	At registration; at time of accident (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		1st offense: $150 reinstatement fee. 2nd offense: $225 reinstatement fee. Subsequent offense: $300 reinstatement fee.	Driver's license suspension: 90 days to 1 year for 1st offense; and 1 year (if within 3 years) for subsequent offense.
Iowa	BI & PD Liability 20/40/15 PIP (optional) – tort Use and File	2012: 9.7% 2009: 11.5% 2004: 12.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal.	No Pay/No Play Plan	$250 fine, plus fees from impoundment of vehicle.	Vehicle is towed if no proof of insurance.
Kansas	BI & PD Liability, UM 25/50/10 PIP (required) – NF – $4,500 (monetary threshold) File and Use	2012: 9.4% 2009: 9.8% 2004: 13.0%	At registration (proof may be by electronic means.)	Insurer must notify department of motor vehicles of cancellation/nonrenewal.	No Pay/No Play Plan	1st offense: $300-$1,000 fine. Subsequent offense (within 3 years): $800-$2,500 fine.	Possible jail time of up to 6 months.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Kentucky	BI & PD Liability 25/50/10 PIP – CHOICE (required) – NF – $10,000 (monetary threshold - $1,000) Flexible	2012: 15.8% 2009: 17.8% 2004: 2.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $500-$1,000 fine. Subsequent offense (within 5 years): $1,000-$2,500 fine.	Driver's license suspension: 6 months for 1st offense and 1 year for subsequent offense. Registration suspension: 1 year or until owner provides SR-22. Possible jail time of up to 180 days.
Louisiana	BI & PD Liability 10/20/10 (increased to 15/30/25 on January 1, 2010) PIP (optional) – tort File and Use	2012: 13.9% 2009: 12.9% 2004: 10.0%	At registration; after accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).	No Pay/No Play Plan	1st offense: maximum $175 fine. Subsequent offense: maximum $500 fine. Plus possible towing and storage fees from impoundment of vehicle.	Impound uninsured vehicles; vehicle is towed if no proof of insurance. Possible jail time of 30 to 90 days.
Maine	BI & PD Liability, UM, UIM 50/100/25 PIP (optional) – tort File and Use	2012: 4.7% 2009: 4.5% 2004: 4.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify FR or insurance after an accident or arrest.		$100-$500 fine.	Driver's license suspension and registration suspension: until proof of coverage is provided.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Massachusetts	BI & PD Liability, UM 20/40/5 PIP (required) – NF – $8,000 (monetary threshold) File an9999d Use	2012: 3.9% 2009: 4.5% 2004: 6.0%	At registration.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: maximum $500 fine. Subsequent offense: $500-$5,000 fine.	Driver's license suspension: 60 days for 1st offense and 1 year for subsequent offense. Possible jail time of up to 1 year.
Michigan	BI & PD Liability 20/40/10 PIP (required) – NF – no cap; unlimited medical benefits (verbal threshold $4,000) File and Use	2012: 21.0% 2009: 19.5% 2004: 17.0%	At registration.	Insurer must notify department of motor vehicles of cancellation/nonrenewal.	No Pay/No Play Plan	$200-$500 fine.	Driver's license suspension: 30 days or until proof of coverage is provided. Possible jail time of up to 1 year.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Minnesota	BI & PD Liability, UM, UIM 30/60/10 PIP (required) – NF - $40,000 ($20,000 lost income and replacement svc and funeral; $20,000 medical)(monetary threshold) File and Use	2012: 10.8% 2009: 13.0% 2004: 10.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must verify randomly selected insurance policies upon request.		1st offense: $200-$1,000 fine. Subsequent offense (within 10 years): $200-$3,000 fine.	Driver's license suspension and registration suspension: until proof of coverage is provided. Possible jail time of up to 90 days.
Mississippi	BI & PD Liability 25/50/25 PIP (optional) – tort Prior Approval	2012: 22.9% 2009: 28.0% 2004: 26.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		$500 fine.	Driver's license suspension: 1 year or until proof of coverage is provided.
Missouri	BI & PD Liability, UM 25/50/10 PIP (optional) – tort Use and File	2012: 13.5% 2009: 13.7% 2004: 12.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: maximum $300 fine plus possible $20 reinstatement fee. 2nd offense (within 2 years: maximum $300 fine plus possible $200 reinstatement fee. Subsequent offense: maximum $300 fine plus possible $400 reinstatement fee.	Driver's license suspension: for 1st offense, until reinstatement fee is paid and existence of coverage is proved; for 2nd offense (within 2 years), 90 days; and for subsequent offense, minimum 1 year. Possible jail time of up to 15 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Montana	BI & PD Liability 25/50/10 PIP (optional) – tort File and Use	2012: 14.1% 2009: 11.4% 2004: 12.0%	At time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		1st offense: $250 – $500 fine. 2nd offense: $350 fine. Subsequent offense: $500 fine.	Driver's license suspension: for 4th and subsequent offense, until proof of insurance is provided. Registration suspension: up to 90 days for 2nd offense and up to 180 days for 3rd and subsequent offense. Possible jail time of between 10 days and 6 months.
Nebraska	BI & PD Liability 25/50/25 PIP (optional) – tort File and Use	2012: 6.7% 2009: 7.8% 2004: 8.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify FR or insurance after an accident or arrest.		$50 reinstatement fee.	Driver's license suspension: until offender has filed an SR-22 and paid the reinstatement fee.
Nevada	BI & PD Liability 15/30/10 PIP (optional) – tort (had NF until 2003) Prior Approval	2012: 12.2% 2009: 13.2% 2004: 17.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $250-$1,250 in fines and reinstatement fees. 2nd offense: $500-$1,500 in fines and reinstatement fees. Subsequent offense: $750-$1,750 in fines and reinstatement fees.	Driver's license suspension: for 3rd and subsequent offense minimum 30 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
New Hampshire	FR only, UM 25/50/25 PIP – add-on (required to be offered but optional)- can reject all File and Use	2012: 9.3% 2009: 10.9% 2004: 9.0%	After accident.	None.			If uninsured driver caused an accident, suspension of driver's license and registration until proof of financial responsibility is provided.
New Jersey	Standard: BI & PD Liability, UM 15/30/5 PIP – CHOICE (required) – NF – $15,000 (verbal threshold) Basic: 15/30/5 (No BI but up to $10,000 option; $5,000 in PD liability; $15,000 per person, per accident [up to $250,000 for significant injury]; no UM, collision, or comprehensive) Prior Approval	2012: 10.3% 2009: 11.2% 2004: 9.0%	At time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).	No Pay/No Play Plan; Sends random check letters; Offers basic policy; special auto insurance policy for drivers eligible for Federal Medicaid (Dollar-A-Day policy).	1st offense: $300-$1,000 fine. Subsequent offense: maximum $5,000 fine. $50 driver's license restoration fee.	Allow 30 days to either show proof or surrender tags, if no response, then suspension of driver's license and registration. Driver's license suspension: 1 year for 1st offense and 2 years (at the discretion of state officials) for subsequent offense. Community service: possible service time for 1st offense and up to 30 days for subsequent offense. Possible jail time of up to 14 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
New Mexico	BI & PD Liability 25/50/10 PIP (optional) – tort File and Use	2012: 21.6% 2009: 25.7% 2004: 24.0%	At registration.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify randomly selected insurance policies upon request; insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		Maximum $300 fine.	
New York	BI & PD Liability, UM 25/50/10 PIP (required) – NF $50,000 (verbal threshold) (also, 50/100 wrongful death coverage) Prior Approval	2012: 5.3% 2009: 5.4% 2004: 7.0%	At registration; at time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law); effective late 2000, issues bar-coded insurance cards.		$150-$1,500 fine plus $750 civil fine. $8 per day for 1st 30 days; $10 per day for 31-60 days; $12 per day for 61-90 days. $100 driver's license restoration fee.	Driver's license suspension: if lapse is longer than 91 days and plates are not surrendered. Registration suspension: during a lapse lasting less than 90 days, there is the option of paying a fine in place of surrendering plates. Possible jail time of up to 15 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
North Carolina	BI & PD Liability, UM, UIM 30/60/25 PIP (optional) – tort UM and UIM insurance not mandatory until January 1, 2009 Prior Approval	2012: 9.1% 2009: 13.5% 2004: 8.0%	None.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		1st offense: $50 fine plus $50 restoration fee. 2nd offense (within 3 years): $100 fine plus $50 restoration fee. Subsequent offense (within 3 years): $150 fine plus $50 restoration fee.	Registration suspension: until proof of coverage is provided.
North Dakota	BI & PD Liability, UM 25/50/25 PIP (required) – NF – $30,000 (monetary threshold) Prior Approval	2012: 5.9% 2009: 9.1% 2004: 9.0%	After accident (proof may be by electronic means).	Insurer must verify randomly selected insurance policies upon request.	No Pay/No Play Plan	1st offense: minimum $150 fine plus $100 in license fees. Subsequent offense (within 3 years): minimum $300 fine plus $100 in license fees and $20 to reclaim impounded license.	Driver's license suspension: until proof of coverage is provided and fees are paid.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Ohio	BI & PD Liability 12.5/25/7.5; increased in 2013 to 25/50/25 PIP (optional) – tort File and Use	2012: 13.5% 2009: 15.7% 2004: 15.0%	At time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal (high-risk drivers only); insurer must verify randomly selected insurance policies upon request.		1st offense: $100 reinstatement fee plus $50 compliance fee. 2nd offense: 300 reinstatement fee plus $50 compliance fee. Subsequent offense: $600 reinstatement fee plus $50 compliance fee.	Driver's license suspension: 90 days for 1st offense, 1 year for 2nd offense, and 2 years for subsequent offense. Registration suspension: until all fines and fees are paid and coverage is in place.
Oklahoma	BI & PD Liability 25/50/25 PIP (optional) – tort Use and File	2012: 25.9% 2009: 23.9% 2004: 15.0%	At registration; at time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law); has been testing a single online electronic insurance verification system (required to be implemented by July 1, 2008).	No Pay/No Play Plan	Maximum $250 fine and $275 license reinstatement fee plus applicable towing and storage fees from impoundment of vehicle.	Driver's license suspension: until fine is paid and coverage is in place. Possible jail time of up to 30 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Oregon	BI & PD Liability, UM 25/50/20 PIP – add-on (required to be offered with min, $15,000 – mandatory) File and Use	2012: 9.0% 2009: 10.4% 2004: 12.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify randomly selected insurance policies upon request.	No Pay/No Play Plan	$130-$1,000 fine	Required to file proof of insurance with department of motor vehicles for 3 years.
Pennsylvania	BI & PD Liability 15/30/5 PIP – CHOICE (required) – NF – $5,000 (verbal threshold) Prior Approval	2012: 6.5% 2009: 6.6% 2004: 10.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		$300 fine plus $50 vehicle restoration fee and $50 driver's license restoration fee	Confiscation of plates Driver's license suspension and registration suspension: up to 3 months and must provide proof of coverage.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Rhode Island	BI & PD Liability, UM 25/50/25 (instead of policy limits, policyholder can satisfy with a combined single-limit policy) PIP (optional) – tort File and Use	2012: 17.0% 2009: 17.6% 2004: 14.0%	At time of accident or probable cause (proof may be by electronic means).	Insurer must verify randomly selected insurance policies upon request.		1st offense: $100 - $500 fine and $30-$50 reinstatement fee. 2nd offense: $500 fine plus $30-$50 reinstatement fee. Subsequent offense: $1,000 fine plus $30-$50 reinstatement fee.	Driver's license suspension and registration suspension: for 1st offense, 3 months; for 2nd offense, 6 months; and for subsequent offense, 1 year. Must prove coverage before reinstatement.
South Carolina	BI & PD Liability, UM 25/50/25 PIP – add-on (required to be offered but optional) – can reject all Flexible	2012: 7.7% 2009: 10.7% 2004: 10.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		$550 license reinstatement fee	Driver's license suspension: until fine is paid and SR-22 is filed
South Dakota	BI & PD Liability, UM 25/50/25 PIP – add-on (required to be offered but optional) – can reject all File and Use	2012: 7.8% 2009: 8.6% 2004: 9.0%	At time of accident; at all times in vehicle (proof may be by electronic means)	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		$500 fine	Driver's license suspension: 30 days to 1 year. Must provide proof of coverage before reinstatement. Possible jail time of up to 30 days.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Tennessee	BI & PD Liability 25/50/15 (instead of policy limits, policyholder can satisfy with a combined single-limit policy) PIP (optional) – tort Prior Approval	2012: 20.1% 2009: 23.9% 2004: 21.0%	At all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		Maximum $100 fine plus $65 restoration fee.	Driver's license suspension: until proof of coverage is provided and offender has passed a license exam. Registration suspension: until offender has had license reinstated.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Texas	BI & PD Liability 25/50/25; increased to 30/60/25 on January 1, 2011 PIP – add-on (required to be offered with min, $2,500 but optional – can reject all File and Use	2012: 13.3% 2009: 14.9% 2004: 16.0% (Texas estimates a rate of 20.0%)	At registration; at time of accident; at all times in vehicle (proof of insurance card) (proof may be by electronic means). Dallas City Council passed an ordinance in 2009 that requires drivers stopped for a traffic violation to show proof of insurance; failure means a towed vehicle. Law already existed for uninsured motorists involved in a traffic accident.	Insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law); SB 1670 of 2005 TexasSure (utilizes an electronic database system for checking driver's insurance status).		1st offense: $175-$350 fine plus $250 annual surcharge for 3 years. Subsequent offense: $350-$1,000 fine plus $250 annual surcharge for 3 years plus $15 per day vehicle impound fee for up to 180 days.	Impoundment of vehicle. Driver's license suspension and registration suspension: for 2nd and subsequent offenses, until coverage is in place and SR-22 is filed.

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Utah	BI & PD Liability 25/50/15 (instead of policy limits, policyholder can satisfy with a combined single-limit policy); increased to 25/65/15 on January 1, 2009 PIP (required) – NF – $3,000 (monetary threshold) Use and File	2012: 5.8% 2009: 8.2% 2004: 9.0%	At time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law); effective March 2008, launched a pilot program to utilize an electronic database system for checking driver's insurance status (if identified as uninsured for 3 months, notice sent allowing 15 days to provide proof; second notice allows 15 days).		1st offense: $400-$1,000 fine. Subsequent offense (within 3 years): $1,000 fine. Court may waive up to $300 from the fine if owner purchases coverage after the initial charge but before sentencing.	Driver's license suspension: until owner can provide proof of coverage.
Vermont	BI & PD Liability, UM, UIM 25/50/10 PIP (optional) – tort Use and File	2012: 8.5% 2009: 7.1% 2004: 6.0%	At time of accident; at all times in vehicle.	Insurer must verify randomly selected insurance policies upon request.		$250-$500 fine.	

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Virginia	BI & PD Liability 25/50/20 PIP – add-on (required to be offered but optional) – can reject all File and Use	2012: 10.1% 2009: 10.8% 2004: 10.0%	None.	Insurer must notify department of motor vehicles of cancellation/nonrenewal; insurer must verify FR or insurance after an accident or arrest; insurer must verify randomly selected insurance policies upon request insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law).		$500 fine plus $500 uninsured motorist fee.	File proof of insurance for a period of 3 years. Driver's license suspension and registration suspension: until fines are paid and coverage is in place. Possible jail time.
Washington	BI & PD Liability 25/50/10 PIP – add-on (required to be offered with min, $10,000 but optional) – can reject all Prior Approval	2012: 16.1% 2009: 16.1% 2004: 18.0%	None. Insurance ID card may be by electronic means.	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		Minimum $450 fine.	

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
West Virginia	BI & PD Liability, UM 20/40/10 PIP (optional) – tort Prior Approval	2012: 8.4% 2009: 10.8% 2004: 10.0%	At registration; at time of accident; at all times in vehicle.	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		$200-$500 fine plus reinstatement fees.	Driver's license suspension: for 1st offense, 30 days (but suspension and reinstatement fees may be waived if coverage is bought and fine of $200 is paid before effective suspension date); for 2nd offense (within 5 years), 30 days; and for subsequent offense (within 5 years), 90 days. Registration suspension: until proof of insurance is provided. Possible jail time of 15 days to 1 year.
Wisconsin	FR only, UM 25/50/10 PIP – add-on (required to be offered but optional) – can reject all Use and File	2012: 11.7% 2009: 14.6% 2004: 14.0%	At all times in vehicle (proof may be by electronic means).	Insurer must notify department of motor vehicles of cancellation/nonrenewal.		Maximum $500 fine plus $10 fine for not having proof of coverage.	

State	Insurance Required/ Minimum Coverage** (BI per person/BI per accident/PD) Type of Rate Regulation	Uninsured Motorist Rate*	Proof of Insurance Required	Insurer Verification of Insurance	Other Programs	Fine Penalties if Found Without Insurance	Other Penalties*** if Found Without Insurance
Wyoming	BI & PD Liability 25/50/20 PIP (optional) – tort Deregulated (Competitive)	2012: 8.7% 2009: 8.1% 2004: 11.0%	At registration; at time of accident; at all times in vehicle (proof may be by electronic means).	Insurer must verify randomly selected insurance policies upon request insurers must submit entire list of insurance in effect, which may be compared with registrations at a state agency (computer data law); has been testing a single online electronic insurance verification system (required to be implemented by July 1, 2008).		Maximum $750 fine.	Possible jail time of up to 30 days.

*Uninsured motorist rates estimated by Insurance Resource Council (IRC) in 2004 (2006 Edition study) and in 2009 (2011 Edition Study) – 13.8% in 2009 countrywide
2012 uninsured motorist rates estimated by the Insurance Information Institute (using IRC data) in 2014 – 12.6% in 2012 countrywide

**The policy provides a maximum of $__(amount depends on the state) liability for bodily injury or death, per person, per accident; a maximum of $__(amount depends on the state) total bodily injury or death to all persons; and a maximum of $__(amount depends on the state) liability for damage to the personal property of others.

***Approximately 22 states suspend the driver's license of the uninsured; approximately 12 states impose jail time to those not in compliance.

Proof of Insurance: Forms vary by state, including insurance policy, binder, certificate of self-insurance, surety bonds, certificate of deposit, or insurance identification card.

BI Liability: Bodily injury liability
PD Liability: Property damage liability
UM: uninsured motorist
PD: Physical damage
PIP: Personal injury protection

FR: Financial responsibility only; not compulsory
UIM: under insured motorist
NF: No fault
Add-on: Can add PIP

Prepared by: Department of Legislative Services

Source: Insurance Resource Council (IRC), Insurance Information Institute (III), Articles on the Internet; individual state web sites, AAA Mid-Atlantic, Consumer Federation of America (What Works: A Review of Auto Insurance Rate Regulation in America and How Best Practices Save Billions of Dollars (November 2013), National Conference of State Legislatures (NCSL)

Appendix 4. Education Ad Hoc Group Suggestions

Education Ad Hoc Group
Recap of November 17, 2015 Meeting

Current and Proposed Education Efforts

MIA

- MIA has several publications on its website. The documents are relevant and beneficial for those who have insurance. There is a robust competitive automobile insurance market.
    - Lynn Dickerson and Nancy Egan suggested that MIA review MIA's documents and make recommendations for publications that target those who do *not* have insurance. Perhaps a publication titled "Are you uninsured?"
- MIA has a YouTube video on its website which is hard to find. This video explains the various coverages and is relevant and beneficial for those who have insurance.
    - Greg Taylor suggested that MIA allow producers to put this video on the producers' websites.
    - MIA needs to consult with its assistant attorney general about allowing this to happen.

Producers

- To get drivers who do *not* have insurance into the market, Greg Taylor targets his advertisements based on demographics (zip code) from Facebook. He markets to all in those zip codes.

MVA

- Administrator Nizer presented the following changes:
    - Update Driver Education Curriculum to include specific information on insurance obligations and the ramifications of not having insurance – *Implement February 1, 2016.*
    - Add Questions to Driver Education Final Exam and Unit Quizzes – *To be completed with curriculum re-write in February 2017.*

- Update Driver Manual with additional information regarding insurance requirements and the ramifications of not having insurance – *Next Revision Spring 2016.*

- Registration renewal email notices will contain the following information: REMEMBER: IT IS AGAINST THE LAW TO DRIVE UNINSURED! Failure to maintain continuous coverage on the above listed vehicles can result in a penalty of $2,500 per vehicle per year. Click here for more information. *The renewal notices were e-mailed starting the week of November 9, 2015.*

- The group discussed adding "AUTOMOBILE" so consumers understand the type of insurance.

- Also, the group discussed adding something relating to "CONTINUOUS COVERAGE".

- Senator Middleton asked MVA to have the advocates look at the renewal language to make sure it is on point.

- Marceline White suggested that written materials should be based on the 8th grade level. She can review the language and also have the Maryland Alliance for the Poor review it.

- Administrative Nizer sent the redraft to Marceline White on November 24.

- Update MVA website with additional information and also include links to MIA website, including Consumer Guide to Auto Insurance. – *To be completed December 2015.*

- Add the same information about insurance to the paper registration renewal notices. *Implementation date is TBD due to programming changes.*

  - Information will be added to the Motor Vehicle Network (TV screens in the MVA branch offices) on insurance requirements and directing people to the website for additional information. Three separate spots will be added: coverage requirements, turning in your plates, and penalties for failing to have/maintain insurance – *Implement December 2015*.

  - Social media (Facebook and Twitter) will be used to post messages about insurance requirements – *Implement November 2015 and ongoing.*

- Administrator Nizer suggested looking into the following:

  - Signs in buses and at bus stops (billboards) to educate.

Insurance as Part of the Financial Literacy Curriculum

- Schools are offering insurance education as part of the Financial Literacy Curriculum.
- There is also a pilot online class in Charles County – 30 students.
- The group was asked to determine whether having a brief presentation on the specifics of the program by the Department of Education to the full task force would be beneficial.
    - Tami Burt emailed the group documents regarding the financial literacy curriculum and asked for response by December 2, 2015. Several of the group responded that it would be beneficial to have the briefing on December 16, 2015.

Targeted Audience for Education Efforts

- "Working Poor."
- Insureds in the "substandard market."
- The uninsureds who receive letters about fines from MVA – but their identities are not public information
- There are two groups to target: (1) those who have not obtained insurance at all; and (2) those who obtain insurance but do not keep it.

What to Educate About – First and Second Priority

- The group decided that the first priority is to educate the public about the financial responsibility law (insurance requirement) "Car insurance – you need it – it's the law." Part of this is the consequences (fines and penalties) of being uninsured.
- The group decided that the second priority is that MAIF is the insurer of last resort. Consumers can get insurance from many places but if they cannot get it from those, they can get it from MAIF.

Non-regulatory Changes and No-cost Changes

- Many of the changes can be done without regulations or cost.
- Has there been a cost-benefit analysis (economic study) on impact of the State spending $ on ads?

- Lynn suggested that he will ask the National Association of Insurance Commissioners.
- DLS staff will ask National Conference of State Legislators (NCSL) and motor vehicle associations. Waiting on American Insurance Association (AIAD)
- Property Casualty Insurers Association (PICCA) has indicated that there is no way to calculate costs that they know of.

Regulatory Changes and Cost Changes

- Need to explore.
- In regulations, add MAIF's website, in addition to MAIF's address, to be given to an insured who is cancelled by an insurer.

Coordinated Campaign to Get Out the Education Message

- Insurers could educate.
  - Need a coalition of insurers to get out the education message.
  - Insurers could promote - "by the way, insurance is required".
  - See the following youtube video (commercial advertisement)

    https://www.youtube.com/watch?v=EzQD2Sip8uk from an insurer called "Good2Go" – also, see their website www.good2go.com/state-coverage.html.
- Develop a catchy phrase that is repeated by insurers, government units, and others (public sector and private sector effort) in a coordinated campaign – "Auto Insurance…Can't Drive Without It."
  - Do any other states have a public-private partnership for education of auto insurance?
  - DLS staff will ask (NCSL) and motor vehicle associations. (Waiting on AIAD); PICCA has indicated that there are no public/private partnerships that they know of). (NCSL) not aware of any.
  - Marceline White will ask around whether there are states doing anything with educating (most are looking at affordability issues).

- There are several states that have education campaigns (per NCSL)
- Insurance Information Institute (III) – suggests www.investprogram.org

- Administration – five top State agencies: (1) Department of Labor, Licensing and Regulations (workforce development – EARN); (2) Department of Education; (3) Public Service Commission (4).Department of Human Resources (Social Services); (5).Maryland Department of Transportation.

- Community Colleges.

- Local – Maryland Associations of Counties, Maryland Municipal League, and Letters to County Executives.

- Community Development organizations.

- Court Appointed Special Advocates, and other nonprofits (for new entrants into the country, ethnic groups).

Other Possible Efforts

- Senator Middleton asked MVA, MIA, and MAIF to think about education efforts and get back to the group.

Enable

- There was a brief discussion of the problem that some consumers could be offered insurance from a non-MAIF insurer but the cost is too high (and higher than MAIF's cost) for the consumers to afford.

- The use of telematics is a big reason for the cost of insurance increasing for those who already cannot afford insurance.

- There are certain reasons why insurers would not insure an applicant (specified in their underwriting guidelines).

- If a policy is cancelled or nonrenewed from an insurer other than MAIF, the consumer policyholder is told to contact MAIF if the consumer is unable to get insurance. However, MAIF is unaware that that consumer's policy has been cancelled or nonrenewed and that it may be contacting MAIF. (MAIF cannot reach out to that consumer since MAIF does not know who they are.)

    - The name of the person that has been cancelled becomes an MVA case.

    - Could there be a website to go to find the names of the uninsured – these could be targeted.

    - MVA has a list by county. MVA provided on November 24, 2015 a list by zip code of the percentage of cases considered uninsured for fiscal 2015.

Appendix 5. Issues and Options Discussed at December 16, 2015 Meeting

Issues and Options
Meeting – December 16, 2015

Educate (Increase Public Awareness)

What marketing programs target uninsured drivers

- MAIF.
- Others?

What to educate consumers about

- Which ones are a priority?
- The financial responsibility law (insurance requirement).
- Where to shop for insurance (there are many insurance companies).
- The types of coverages (some mandated and some optional).
- The role of producers, different types of producers (independent, exclusive, and direct), and that insurers pay producers.
- Where to find information about auto insurance (*e.g.*, MIA's and MVA's websites).
- Ways to lower premium costs (discounts related to safe and amount of driving, policy (multiple types of insurance), lifestyle, and affiliation; raise the deductible, drop optional coverages (*e.g.,* towing), comparison shop, waive PIP).
- The consequences (fines and penalties) of being uninsured or presenting a false or otherwise invalid evidence of insurance.
- The 2-turn down rule before getting insurance through MAIF.
- MAIF, as insurer of last resort, will insure despite prior driving history (*e.g.,* accidents and violations).
- How to be a good driver.
- Payment options, including MAIF installment plan and premium finance company installment plans.
- Insurers, producers, and insurance products that are regulated by MIA.

How and where to educate consumers

- On mass media.
- In pamphlets at MVA by MIA, MAIF, and other insurers.
- Through public announcement on free TV.
- Through public announcements at MVA (make it free for MAIF to educate).
- On MVA registration form that asks for the name of the applicant's insurer, mention the consequences of being uninsured or presenting a false or otherwise invalid evidence of insurance.
- In different languages.
- Use of social media as a tool to reach younger uninsured drivers.
- Websites (MIA, MVA, MAIF) – link to each other websites – coordinate.

  MIA: Publications – Consumer Guide to Auto Insurance, A Comparison Guide to Rates, Tips on Shopping for Automobile Insurance, A Consumer Guide to Auto Insurance for Teen and Young Adult Drivers, Shopping for Automobile Insurance, and Understanding Your Automobile Insurance Declarations Page.

  MIA: Consumer Advisories and Links – Will I Need to Pay a Penalty if I Do Not Have Automobile Insurance Coverage? Can My Automobile Insurance Company Cancel My Policy If I Am Late Paying My Premium? How Can I save Money On My Automobile Insurance Policy? What Factors Could Impact My Automobile Insurance Rates? Why Has My Automobile Insurance Premium Increased? Use of Your Credit History for Auto Insurance, and Keep Auto Repair From Being a Wrenching Experience.

  MIA: Youtube videos – There are several videos – one about insurance coverages, one about discounts, and another one.

  MVA: Insurance Requirements for Maryland Vehicles, Certification of Insurance (FR-19), Penalties for Uninsured, and Types of Required Insurance.

  MAIF: "We insure the uninsured," Minimum Coverage Requirements, Optional Coverages, and About Insurance.

- In print, make easily readable and understandable; font; formatting; color paper – draw eye.
- For comparisons, make more readable.

When to educate consumers

- At the time of initial driver's license.
- As a financial responsibility component to driver's education courses (there is classroom work and a test at the end) and for learner's permit (test).
- MVA regulates all the schools that provide drivers education in Maryland (all drivers education are private). MVA sets the curriculum and, therefore, has the authority to add insurance into it. Perhaps an insurance question could be added to the driver's education test. MVA is evaluating.
- At registration of a motor vehicle.
- At emission inspection of a motor vehicle.
- Schools as a component of the new financial literacy curriculum – Grades 3 to 12.
- Higher education (universities, community colleges).

Which consumers need aggressive outreach

- Determine (need to conduct a study?) who are generally the uninsured (includes commercial drivers).
- New drivers.
- Low income.
- Undocumented immigrants issued a "second tier" driver's license.
- MVA to work with MAIF and other insurers to figure out a way to contact uninsured motorists.
- Insureds who are at risk of cancellation or nonrenewal by an insurer and also at the time of cancellation or nonrenewal by an insurer.

Who can be part of educating consumers

- MVA: What is MVA doing now? Website.
- Producers – (including both selling in the substandard and standard market).
- MAIF.
- Insurers – can they educate, as well as sell – advertisements.
- MIA: What is MIA doing now? Website.
- Lenders/lienholders.
- Car dealers (new and used) – Maryland Auto Dealers Association. What are they doing now?
- Schools as a component of the new financial literacy curriculum. As part of the financial literacy curriculum, auto insurance is included – grades 3 to 12. Also, a pilot program in Charles County for an online course (full year – 9th grade) just began – $250,000 race to the top grant (30 students).
- Consumer associations Maryland Consumer Rights Coalition (MCRC), Job Opportunities Task Force (JOTF). What are they doing now? Pamphlets?
- Trade associations and non-profits.

Who can help figure out what is the best way to reach uninsured so they can be educated

- MCRC.
- JOTF.
- Court Appointed Special Advocates, DHR, Catholic Charities, Department of Human Resources
- Other groups that support low income.
- Poll consumers about how they can be best reached/educated.

How to pay for educating consumers

- Require some of the uninsured motorist penalty funds go toward education.
- Use some of premium tax.

Enable (Make Insurance More Affordable and Available and Other Incentives to Being Insured)

Lower cost of insurance – direct costs

- Implement insurance plan with lower required coverages for low-income individuals.
- Lower the overall mandatory limits for individuals under 24.
- Lower the overall mandatory limits for all.
- Implement usage-based insurance (pay-as-you-drive).
- Eliminate PIP, make PIP optional, or expand PIP waiver.
- Make UM coverages optional (including UM for property damage).
- Encourage insurers to provide safety (good behavior) discounts.
- Improve MAIF's installment plan.
- Subsidize MAIF policy costs with UM penalty fines.
- Prohibit use of certain rating factors, including credit history (rate a risk), marital status, employment/occupation, and education level.

Lower cost of insurance – indirect costs

- Reduce fees paid by insurers (*e.g*., filing fees).
- Encourage a competitive insurance market.
- Remove prior approval on MAIF rate filing.
- Reduce cost of repairing vehicles.

Making insurance more available

- Remove two turn down rule for MAIF.
- Alter two turn down rule for MAIF requirement (*e.g.*, based on affordability, meaning MAIF rate is cheaper and driver cannot afford higher priced non-MAIF insurer rate; or based on period of time without insurance; *e.g.*, policy has lapsed for over 6 months).

- Implement a temporary motorist liability plan (Oklahoma: automatic temporary insurance for owners whose vehicle license plates have been seized for uninsured violation – owner must pay for insurance to get plates back).

Incentives that reduce the cost of insurance

- Require carriers to offer a discount for those who have been continuously insured for two to three years (reward good behavior).
- Allow MAIF to provide a credit if a policy remains enforce for a year.

Enforce (Deterrents to Being Uninsured)

Fines/penalties and enforcement

- Alter/increase fines and penalties for being uninsured (make it so that not buying insurance is more costly than buying insurance).
- Hold law enforcement harmless for towing costs if a vehicle is towed from the side of the road.
- Set a minimum, non-waivable penalty.
- Increase enforcement efforts.

Alternative form of penalty

- Implement "No Pay, No Play" law.

Proof of insurance

- Require insurance verification (FR-19) at time of initial registration at MVA (either a form provided by the consumer from the insurer or through use of a real time verification system).
- Require insurance verification at time of registration renewal.
- Require a consumer who has been uninsured in the past to have his/her vehicle registered more often than every two years (*e.g.*, every six months); the sticker on the tag identifies when the registration is expired.
- Require a driver to carry evidence of insurance on the motor vehicle the driver is driving.
- Require proof of payment of an insurance policy by consumer, DHR, or federal funds for low income who buy a vehicle for discounted amount or discounted loan (*e.g.*, Vehicles for Change, Ways to Work, *etc*.).

Verification system

- Enhance MVA insurance verification system to be more “real time.”
- Use license plate readers at toll booths to identify uninsured motorists.
- Require Maryland State Police to verify insurance at traffic stops and accidents (implementation of a police-insurance verification system that links a license plate database to a central insurers’ data base).

Payment of insurance after caught uninsured

- Allow part of a fine on an uninsured motorist to go toward paying for insurance for that uninsured motorist.
- Require uninsured motorist who is a victim of an accident to pay for insurance of his/her own vehicle prior to receiving award of non-economic damages (pain and suffering) resulting from the accident.

Appendix 6. Education Efforts: Other States

Initiatives States Implemented to Educate and Bring Awareness to Uninsured Driving

California Department of Insurance (CDI)

- California's Low Cost Automobile (CLCA) Insurance program is a state-sponsored program designed to provide income-eligible, good drivers with liability insurance at affordable rates.

- Through the CLCA, CDI utilizes an aggressive advertising and outreach campaign including a robust social media campaign, creative advertising techniques (such as gas pump topper advertisements), various collateral pieces (from automobile documents to tip cards), and collaborative and inventive events with CLCA producers.

- Specifically, CLCA focuses on: (1) paid advertising and media; (2) digital media engagement; (3) media relations; and (4) partnership outreach. Funding for CLCA is provided by a $0.05 special purpose assessment on each vehicle insured in the state. For FY 2012-2013, CLCA expended a total of $88,575 on consumer education and outreach

- Information regarding CLCA's expenditures and detailed consumer education and outreach campaign plans may be found here: http://www.insurance.ca.gov/01-consumers/105-type/95-guides/01-auto/lca/upload/2014-CLCA-Report-to-Legislature-Rev-03-06-14.pdf

Alabama Department of Revenue ("DOR")

- Alabama's DOR is the state agency responsible for administering the Mandatory Liability Insurance (MLI) law which was established to effectively enforce minimum motor vehicle liability insurance requirements.

- In 2011, the state legislature passed an Act that required DOR to create an Online Insurance Verification System (OIVS) to be used to verify a registrant's compliance with the MLI law.

- OIVS allows requesting parties to go directly to the insurance companies for a real-time response to insurance inquiries that contain standard request information.

- To bring awareness to the implementation of the OIVS system, DOR created posters, flyers, billboards, radio ads, and television ads to educate the public. The campaign provided necessary information about OIVS and encouraged registrants to obtain insurance prior to the implementation of OIVS.

- In particular, the creation of the "Be Sure to Insure" website also provided information about the MLI requirements and OIVS functionality. A revised ad campaign began in March 2015 and will run to January 1, 2016 that further educates registrants regarding the MLI law and the importance of presenting evidence of insurance to officials and law enforcement.

- More information regarding Alabama's OIVS outreach may be found at: http://revenue.alabama.gov/motorvehicle/pdf/Alabama_OIVS_annual_report.pdf

- In October 2012, the Broward Sheriff's Office in addition to officers in Palm Beach and Miami-Dade partnered with insurance agents as part of a one-day campaign to bring awareness to uninsured driving.

- The main goals of the campaign were to target uninsured drivers while also catching individuals with fake insurance cards. Agents from approximately 20 insurance companies sat with laptops inside a sheriff's substation where troopers and deputies would call in to verify insurance information.

- Before 5:00 pm, there were about 160 calls made to the operations center with 10 people cited for expired insurance and 3 arrested for allegations of phony insurance cards.

Motor Insurers' Bureau (MIB) – United Kingdom (UK)

- As a means to stop the growing number of uninsured drivers in the UK, MIB formed a campaign and released "Gone in Seconds," a video that highlights how quickly a car can be picked up by police Automatic Number Plate Recognition ("ANPR") cameras and seized.

- Additionally, MIB's uninsured motorist campaign includes storyboards, outdoor posters, Twitter teasers, and a micro-site. MIB also hosts and maintains a Facebook page where the agency frequently posts information regarding uninsured driving and its consequences.

Source: National Conference of State Legislatures (NCSL): Erica Vincent, Intern, Transportation Program

Appendix 7. Comments From Independent Insurance Agents of Maryland, Inc.

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December 11, 2015

Task Force to Study Uninsured Motorists in Maryland

Dear Chairmen Middleton and Frick, and Members of the Task Force to Study Uninsured Motorists in Maryland:

The Independent Insurance Agents of Maryland, Inc. ("IIAM") appreciates the opportunity to provide these comments to the Task Force. The IIAM, a state trade association, is the oldest trade association of independent agents in Maryland. We are part of a national network of more than a quarter of a million agents, brokers and employees. IIAM, part of IIABA, represents independent insurance agents and brokers who present consumers with a choice of policy options from a variety of different insurance companies. These small, medium and large businesses offer all lines of insurance – property/casualty, life, health, employee benefit plans and retirement products. In fact, our members sell 80% of the commercial property/casualty market and a sizeable portion of the homeowner's market. IIAM represents over 200 of these businesses in the state.

In addition to our oral comments provided to the Task Force at the November 3rd meeting, we have provided below our written comments on the various subjects being discussed. We are happy to elaborate or answer any questions the Task Force may have.

Educate (Increase Public Awareness)
What to educate consumers about

- Where to shop for insurance (there are many insurance companies).

IIAM believes this would also be a good opportunity to educate insurance consumers on the fact that there are also multiple distributions systems and the difference between those systems. The illustration below helps demonstrated the various systems.

Distribution System	Compensation	Status with Insurer
Independent Agent	Commission	Independent Contractor

Exclusive Agent	Commission	Independent Contractor-salary during training
Direct Writing Agent	Commission possible or salary plus bonus	Employee

- The types of coverages (some mandated and some optional)

  IIAM agrees that the types of coverages should be made known to the consumer but would like to add that to educate them, they should also understand the reasons behind the 'mandatory' nature of certain coverages.

- The role of producers and that insurers pay producers-

  Our comments above regarding the distribution models also cover compensation.

- Ways to lower premium costs (discounts related to safe and amount of driving, policy (multiple types of insurance), lifestyle, and affiliation; raise the deductible, drop optional coverages (i.e., towing), comparison shop, waive PIP).

  IIAM believes that it is also especially important here, if you are attempting to provide the consumer with ways to save money, to also point out the consequences if they do increase their deductible, drop optional coverages and/or waive PIP...they could be saving pennies and the consequences could be increased pocket expense in the event of an accident, etc.

- The 2-turn down rule before getting insurance through MAIF-

  IIAM thinks that the reasons for this rule should be explained.

<u>How and Where to educate consumers</u>

- In pamphlets at MVA by MIA, MAIF, and other insurers-

  The trade associations for producers and carriers are a good conduit for disseminating educational materials to consumers.

- Use of social media as a tool to reach younger uninsured drivers

IIAM thinks this is a key factor to get the word out to the younger drivers. IIAM has an excellent website for young drivers to learn not only about automobile insurance, but all types of insurance. Go to www.investprogram.org.

Which consumers need aggressive outreach

- Undocumented immigrants issued a "second tier" driver's license-

  We are not certain what a 'second tier' license is. We are aware that at the time of registration a person must demonstrate that they have insurance. Also, it isn't uncommon for someone to purchase insurance, obtain the ID card or CERT and then drop or not pay for future installments. The MVA, as well as the insurer should have the contact information, address, email or something that may be used to contact and subsequently fine the uninsured driver.

Who can be a part of educating consumers

- MVA
- Producers
  The producer trade associations should be included as described above.

- Schools as a component of the new financial education curriculum. Again, IIAM also recommends looking at www.investprogram.org/students.

How to pay for educating consumers

- Require some of the uninsured motorist penalty funds go toward education.

Enable (Make Insurance More Affordable and Available and Other Incentives to Being Insured)
Lower cost of insurance – Direct Costs:

- Implement insurance plan with lower required coverages for low-income individuals

  We would think that this idea only applies to 1st party coverages. It wouldn't be prudent to have lower FR laws, etc., for the low income. We could understand 1st party, but any mandatory 3rd party coverages or limits should not be reduced for low income.

- Lower the overall mandatory limits for individuals under 24-

  IIAM would be strongly opposed to this idea. Maryland's mandatory FR limits are 30,000/60,000 BI and 15,000 for PD. It is rare that claims fall below these limits. If a young adult (for example, 22 years old) has an accident and bodily injury to those in the other vehicle exceed to 30,000 per person/60,000 per accident, the young adult would be required to pay the additional. The Maryland Legislature debated for years to increase the mandatory FP and eventually found that it was necessary.

- Lower the overall mandatory limits for all-

  Please see our comments above.

- Make UM coverages optional

  IIAM feels that this would not be prudent. One of the concerns of this task force is the increased number of uninsured drivers in the state. Making UM optional would push some people to save a few pennies on their insurance and could cause a catastrophic loss if their coverage isn't adequate and there is a UM loss. We feel that the legislature views UM as important in light of the move to increase the limits.

- Subsidize MAIF policy costs with UM penalty fines-

  We think this idea merits more discussion. If we understand it correctly, someone would get fined for being uninsured and then get a policy discount getting insurance with MAIF. These concepts seem to be in conflict with one another.

Lower cost of insurance – Indirect Costs

- Encourage a competitive insurance market-

  It is our members' experience that Maryland is a competitive Marketplace.

- Remove prior approval on MAIF rate filing-

  By removing prior approval, MAIF can make across the board rate changes to be more competitive. If they wish to become a full credentialed insurer, they would have to follow the rules of a standard carrier, one being prior rate approval. Again, the discussion is whether we wish to 'depopulate MAIF'. It appears that the goal here is to 'populate' MAIF.

Making Insurance More Available

- Remove 2 turn down rule for MAIF-Wouldn't be insurer of last resort.

  In years past, the goal has been to depopulate MAIF. The reason for the two turn down rule is that MAIF is the insurer of last resort. This is where the DUI's, multi-accident, rehabilitating driver is placed for rehabilitation. This is similar to the 3 declination rule for the E&S market. If the insured can be placed with a standard carrier, we don't see the need to place them in the residual market. This would allow drivers to go directly to MAIF. In addition, prior approval would allow MAIF to decrease rates and pick up market share.

- Implement a temporary motorist liability plan (Oklahoma: automatic temporary insurance for owners whose vehicle license plates have been seized for uninsured violation – owner must pay for insurance to get plates back)-

Who will write this temporary insurance? MAIF?

Incentives that reduce the cost of insurance

- Allow MAIF to provide a credit if a policy remains enforce for a year.-

  IIAM believes this is a good idea.

Enforce (Deterrents to Being Uninsured)

Fines and Penalties

- Alter fines and penalties for being uninsured (make it so that not buying insurance is more costly than buying insurance)-

  IIAM feels that this is a great idea.

Proof of Insurance

- Require insurance verification (FR-19) at time of initial registration at MVA (either a form provided by the consumer from the insurer or through use of a real time verification system)-

  IIAM believes that real time verification is the only way to go.

- Require a consumer who has been uninsured in the past to have his/her vehicle registered more often than every 2 years (i.e., every 6 months); the sticker on the tag identifies when the registration is expired-

  IIAM believes that this approach could be a deterrent to driving without insurance and may work in some, but not all, circumstances.

Verification System

- Enhance MVA insurance verification system to be more **"real time"**

  IIAM agrees as stated above.

- Use license plate readers at toll booths to identify uninsured motorists-

  If the technology exists, IIAM believes this could work.

Payment of insurance after caught uninsured

- Allow part of a fine on an uninsured motorist to go toward paying for insurance for that uninsured motorist-

  This approach does not seem to be a deterrent to driving without insurance. In fact, it could be viewed as a reward for bad behavior.

In addition to the ideas brought forth above, we feel that some other cost drivers are worth examining.

It is our understanding that more than 60% of the accidents in Baltimore City are litigated. Perhaps there should be some mention of tort reform and steps taken to introduce legislation that would fine attorneys and litigants that bring frivolous claims. Perhaps a loser pays system would be worth discussing.

Finally, there is hardly a line of insurance that is not affected by rampant fraud, both hard and soft fraud. Personal Automobile is probably one of the most prevalent. Carriers find it easier to 'settle than to defend' may save some money in one specific situation. This, however, just increases the line of litigants waiting for their 'soft tissue' settlement. The total cost of insurance fraud (non-health insurance) is estimated to be more than $40 billion per year. That means Insurance Fraud costs the average U.S. family between $400 and $700 per year in the form of increased premiums.(source: FBI https://www.fbi.gov/stats-services/publications/insurance-fraud).

Again, we thank you for the opportunity to provide these comments.

Sincerely,

Brett S. Lininger, Esq.

B1691030:23191-1

Appendix 8. 2016 Legislation and Associated Fiscal Notes

Chapter 401
Chapter 402

(Senate Bill 544)
(House Bill 720)

AN ACT concerning

Motor Vehicle Insurance – Insurance Identification Card – Carrying Proof of Coverage – Uninsured Motorist Education and Enforcement Fund

FOR the purpose of requiring a certain insurer to provide a certain insurance identification card to certain insureds at certain times; providing that an insurance identification card may be produced in a certain electronic format; providing that the insurance identification card shall be valid for only a certain period except under certain circumstances; requiring a certain operator to be in possession of or carry in the motor vehicle at certain times certain evidence of required security; providing that a certain identification insurance card is a form of evidence of a certain required security; allowing a certain evidence of required security to be produced in a certain electronic format; providing for a certain fine; establishing the Uninsured Motorist Education and Enforcement Fund as a special, nonlapsing fund; providing that a certain fine may ~~not~~ be waived and shall be deposited into the Fund; specifying the purpose of the Fund; requiring the Motor Vehicle Administration to administer the Fund; providing that the Fund consists of certain revenues, interest, and other money; specifying the uses of the Fund; authorizing the Administration to delay the imposition of a certain fine for a certain period of time for a certain purpose; authorizing the Administration to adopt regulations; exempting the Fund from a certain provision of law requiring interest on State money in special funds to accrue to the General Fund of the State; authorizing the Administration to accept funding or another form of support from the Uninsured Claim and Judgment Fund of the Maryland Automobile Insurance Fund for a certain purpose; defining certain terms; and generally relating to carrying proof of coverage, educating operators of motor vehicles about and enforcing the Maryland Vehicle Law, and motor vehicle insurance.

BY adding to
Article – Insurance
Section 19–503.1
Annotated Code of Maryland
(2011 Replacement Volume and 2015 Supplement)

BY repealing and reenacting, without amendments,
Article – State Finance and Procurement
Section 6–226(a)(2)(i)
Annotated Code of Maryland
(2015 Replacement Volume)

BY repealing and reenacting, with amendments,
Article – State Finance and Procurement

Section 6–226(a)(2)(ii)84. and 85.
Annotated Code of Maryland
(2015 Replacement Volume)

BY adding to
Article – State Finance and Procurement
Section 6–226(a)(2)(ii)86.
Annotated Code of Maryland
(2015 Replacement Volume)

BY adding to
Article – Transportation
Section 17–104.2
Annotated Code of Maryland
(2012 Replacement Volume and 2015 Supplement)

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

Article – Insurance

19–503.1.

(A) IN THIS SECTION, "INSURANCE IDENTIFICATION CARD" MEANS A CARD ISSUED BY OR ON BEHALF OF AN INSURER, IN A FORM THAT THE COMMISSIONER PRESCRIBES OR APPROVES, AS AN INDICATION THAT THE INSURER HAS ISSUED A MOTOR VEHICLE LIABILITY INSURANCE POLICY MEETING THE REQUIREMENTS OF THIS SUBTITLE.

(B) (1) AN INSURER THAT ISSUES, SELLS, OR DELIVERS A MOTOR VEHICLE LIABILITY INSURANCE POLICY IN THE STATE SHALL PROVIDE TO AN INSURED AT THE TIME THE MOTOR VEHICLE LIABILITY INSURANCE POLICY IS INITIALLY ISSUED AND AT EACH RENEWAL AN INSURANCE IDENTIFICATION CARD THAT INDICATES:

(I) THE FIRST NAMED INSURED ON THE MOTOR VEHICLE LIABILITY INSURANCE POLICY;

(II) THE MOTOR VEHICLE COVERED UNDER THE MOTOR VEHICLE LIABILITY INSURANCE POLICY; AND

(III) THE PERIOD FOR WHICH COVERAGE UNDER THE MOTOR VEHICLE LIABILITY INSURANCE POLICY IS IN EFFECT~~; AND~~

~~(IV) ANY OTHER INFORMATION THE COMMISSIONER REQUIRES~~.

(2) (I) IF AN INSURED AND AN INSURER BOTH CONSENT, AN INSURANCE IDENTIFICATION CARD MAY BE PRODUCED IN ELECTRONIC FORMAT.

(II) ACCEPTABLE ELECTRONIC FORMATS INCLUDE DISPLAY OF ELECTRONIC IMAGES ON A CELLULAR PHONE OR ANY OTHER TYPE OF PORTABLE ELECTRONIC DEVICE.

(3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, AN INSURANCE IDENTIFICATION CARD SHALL BE VALID ONLY FOR THE PERIOD FOR WHICH MOTOR VEHICLE LIABILITY INSURANCE COVERAGE HAS BEEN PAID BY THE INSURED.

(II) IF THE INSURED IS ON AN INSURER–SPONSORED PAYMENT ~~PLAY~~ PLAN OR HAS FINANCED PREMIUMS THROUGH A PREMIUM FINANCE COMPANY, THE INSURANCE IDENTIFICATION CARD MAY BE ISSUED FOR PERIODS OF 6 MONTHS EVEN IF THE PAYMENT BY THE INSURED IS FOR A PERIOD OF LESS THAN 6 MONTHS.

Article – State Finance and Procurement

6–226.

(a) (2) (i) Notwithstanding any other provision of law, and unless inconsistent with a federal law, grant agreement, or other federal requirement or with the terms of a gift or settlement agreement, net interest on all State money allocated by the State Treasurer under this section to special funds or accounts, and otherwise entitled to receive interest earnings, as accounted for by the Comptroller, shall accrue to the General Fund of the State.

(ii) The provisions of subparagraph (i) of this paragraph do not apply to the following funds:

84. the Economic Development Marketing Fund; **[**and**]**

85. the Military Personnel and Veteran–Owned Small Business No–Interest Loan Fund; **AND**

86. THE UNINSURED MOTORIST EDUCATION AND ENFORCEMENT FUND.

Article – Transportation

17–104.2.

(A) IN THIS SECTION, "FUND" MEANS THE UNINSURED MOTORIST EDUCATION AND ENFORCEMENT FUND.

(B) THE OPERATOR OF A MOTOR VEHICLE THAT IS REQUIRED TO BE REGISTERED IN THIS STATE SHALL:

(1) BE IN POSSESSION OF, OR CARRY IN THE MOTOR VEHICLE, EVIDENCE OF THE REQUIRED SECURITY FOR THE MOTOR VEHICLE, WHEN OPERATING THE MOTOR VEHICLE ON A HIGHWAY IN THE STATE; AND

(2) PRESENT EVIDENCE OF THE REQUIRED SECURITY ON THE REQUEST OF A LAW ENFORCEMENT OFFICER.

(C) (1) AN INSURANCE IDENTIFICATION CARD ISSUED BY OR ON BEHALF OF A MOTOR VEHICLE INSURER UNDER § 19–504.1 OF THE INSURANCE ARTICLE IS A FORM OF EVIDENCE OF THE REQUIRED SECURITY FOR THE MOTOR VEHICLE.

(2) EVIDENCE OF THE REQUIRED SECURITY MAY BE PRODUCED IN ELECTRONIC FORMAT, INCLUDING DISPLAY OF ELECTRONIC IMAGES ON A CELLULAR PHONE OR ANY OTHER TYPE OF PORTABLE ELECTRONIC DEVICE.

(D) (1) A PERSON WHO VIOLATES SUBSECTION (B) OF THIS SECTION IS SUBJECT TO A FINE OF $50.

(2) THE FINE UNDER PARAGRAPH (1) OF THIS SUBSECTION:

(I) ~~EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION, MAY NOT~~ MAY BE WAIVED; AND

(II) SHALL BE DEPOSITED IN THE FUND.

(E) (1) THERE IS AN UNINSURED MOTORIST EDUCATION AND ENFORCEMENT FUND.

(2) THE PURPOSE OF THE FUND IS TO PROVIDE FUNDING FOR THE EDUCATION OF OPERATORS ABOUT, AND THE ENFORCEMENT OF, SECURITY REQUIREMENTS FOR MOTOR VEHICLES UNDER THE MARYLAND VEHICLE LAW.

(3) THE ADMINISTRATION SHALL ADMINISTER THE FUND.

(4) (I) THE FUND IS A SPECIAL, NONLAPSING REVOLVING FUND THAT IS NOT SUBJECT TO § 7–302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

(II) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

(5) THE FUND CONSISTS OF:

(I) REVENUES DEPOSITED TO THE FUND UNDER SUBSECTION (D) OF THIS SECTION;

(II) INTEREST EARNINGS OF THE FUND; AND

(III) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE BENEFIT OF THE FUND.

(6) MONEY IN THE FUND SHALL BE USED FOR:

(I) THE ADMINISTRATION OF THE FUND; AND

(II) THE EDUCATION OF OPERATORS OF MOTOR VEHICLES ABOUT, AND THE ENFORCEMENT OF, SECURITY REQUIREMENTS FOR MOTOR VEHICLES UNDER THE MARYLAND VEHICLE LAW.

(F) THE ADMINISTRATION MAY ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That the Administration may delay the imposition of a fine under this Act to allow a period of time that the Administration determines is sufficient for the education of operators of motor vehicles about the requirement to carry evidence of required security under § 17–104.2(b) of the Transportation Article, as enacted by Section 1 of this Act.

SECTION 3. AND BE IT FURTHER ENACTED, That the Motor Vehicle Administration may accept funding for the Uninsured Motorist Education and Enforcement Fund established under § 17–104.2 of the Transportation Article, as enacted by Section 1 of this Act, or another form of support from the Uninsured Claim and Judgment Fund of the Maryland Automobile Insurance Fund to assist in educating operators of motor vehicles about the requirement to carry evidence of required security under § 17–104.2(b) of the Transportation Article, as enacted by Section 1 of this Act.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2016.

Approved by the Governor, May 10, 2016.

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 544 (Senator Middleton, *et al.*)

Finance Economic Matters

Motor Vehicle Insurance - Insurance Identification Card - Carrying Proof of Coverage - Uninsured Motorist Education and Enforcement Fund

This bill requires the driver of a motor vehicle to carry evidence of required security (generally, proof of insurance) while operating the vehicle. A person who violates this requirement is subject to a fine of $50, which may be waived but, if collected, must be deposited into the Uninsured Motorist Education and Enforcement Fund (UMEEF) established by the bill. The bill also authorizes UMEEF to accept funding from the Maryland Automobile Insurance Fund's (MAIF) Uninsured Claim and Judgement Fund (UCJF) and any other source.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund (TTF) revenues increase, likely significantly, from the collection of additional uninsured motorist fines; this increase may diminish over time to the extent that the bill lowers the number of uninsured motorists in the State, as discussed below. Enforcement of the bill can be handled with existing resources. Special fund revenues for UMEEF increase from fines collected under the bill and transfers from UCJF; expenditures increase correspondingly to administer the fund and for the other purposes specified by the bill. The bill is not expected to materially affect the District Court's caseload; however, general fund expenditures for the District Court increase minimally in FY 2017 for programming costs associated with the new penalty.

Maryland Automobile Insurance Fund (MAIF) Effect: Assuming that enforcement of the requirement to maintain required security results in an increase in lapsed security penalties, additional drivers may apply to MAIF for policy coverage. MAIF expenditures increase to the extent that MAIF transfers funds from its UCJF to UMEEF.

Local Effect: The bill is not anticipated to materially affect local operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: An insurer must provide the required evidence of security to an insured in the form of an insurance identification card, or in an electronic format if other conditions are met. The evidence must be presented at the request of a law enforcement officer. The insurance card provided by an insurer is only valid for the period in which an insured has paid for coverage unless the insured is on an insurer-sponsored payment plan or has financed premiums. In this situation, the insurance card may be valid for six months even if an insured's payment is for a period of less than six months.

UMEEF is administered by the Motor Vehicle Administration (MVA) and its revenues must be used to administer the fund and educate drivers about and enforce the security requirements for motor vehicles under the Maryland Vehicle Law.

Current Law/Background:

Required Securities

Although the owner of any motor vehicle that is required to be registered in Maryland must maintain required security for the vehicle during the registration period, there is no requirement that proof of insurance be carried by the driver of a motor vehicle while operating a vehicle. However, Chapters 210 and 211 of 2012 established the requirement for the operator of a *moped or motor scooter* to carry proof of insurance while operating the vehicle. Chapters 210 and 211 did not specify whether or not the proof of insurance should be in paper or electronic format.

MVA may not issue or transfer the registration of a motor vehicle unless the owner or prospective owner of the vehicle provides satisfactory evidence to MVA that the required security is in effect. If the required security for a vehicle lapses at any time, the registration of that vehicle is suspended automatically as of the date of the lapse, effective within 60 days after notification to MVA. The registration remains suspended until the vehicle owner submits evidence of replaced security on a designated MVA form, certified by the insurance provider, along with the uninsured motorist penalty fee.

Uninsured Motorist Penalties

If the required security for a vehicle lapses, MVA may assess the owner of the vehicle a penalty of $150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of $7 for each day, but the

total fine may not exceed $2,500 annually, not including the additional misdemeanor penalty of up to $500, which may be prepaid with a fine of $290. Operating a vehicle without adequate security is a misdemeanor penalty of $500, which may not be prepaid, and results in the imposition of five points on the driver's record. As shown in **Exhibit 1**, since 1975, over one million citations have been issued to uninsured motorists, with a total of about $1.3 billion in fines. Of that amount, only $446.3 million (33.9%) has been collected.

Uninsured Motorist Task Force

Chapter 41 of 2014 established the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers. The task force must study and make recommendations regarding (1) the rate of uninsured drivers in the State and other states and the ways in which the rate is calculated by MVA and other entities; (2) the deterrents and incentives that are used in the State and in other states, or that could be used in the State, to reduce the rate of uninsured drivers; and (3) methods to lower the cost of insurance as a way to reduce the rate of uninsured drivers and promote economic and job opportunities associated with vehicle ownership.

During the 2014 and 2015 interims, the task force worked with MAIF, MVA, the Maryland Insurance Administration (MIA), and others to identify and implement many low-cost strategies to educate the public about the requirement for and benefits of automobile insurance. For example, the websites of both MVA and MIA have been updated with additional information about the State's compulsory automobile insurance laws. Furthermore, the task force researched the required security laws of other states and learned that 37 other states require a motorist to carry proof of required security in the vehicle at all times. In order to focus more on how best to enable individuals to purchase automobile insurance, and increase enforcement when they do not, the task force has requested an extension for its final report, which was originally due December 31, 2015.

MAIF's Uninsured Division

MAIF's Uninsured Division is available to qualified Maryland citizens involved in accidents with an uninsured vehicle. To be eligible, Maryland residents must have no other form of collectible insurance. For example, a pedestrian, struck by an uninsured vehicle, who does not own a vehicle and has no other collectible household coverage would be eligible to collect from the Uninsured Division. The Uninsured Division is funded through uninsured motorist penalty fines. UCJF is used to pay for claims to MAIF's Uninsured Division.

Exhibit 1
Status of Motor Vehicle Administration Uninsured Motorist Penalty Accounts Sent to the Central Collections Unit
Fiscal 1975-2015, as of November 16, 2015

Year	# of Accounts	Amount Owed	Collected	Remaining Balance	% Collected	Year	# of Accounts	Amount Owed	Collected	Remaining Balance	% Collected
1975	2	$2,144	$71	$2,073	3.3%	1996	1,044	$933,084	$241,017	$692,088	25.8%
1976	10	3,677	982	2,695	26.7%	1997	2,839	3,548,881	960,042	2,588,851	27.1%
1977	2	376	97	286	25.9%	1998	1,837	1,964,103	523,800	1,440,303	26.7%
1978	5	2,631	97	2,534	3.7%	1999	1,515	2,025,302	694,271	1,331,031	34.3%
1979	1	1,056	0	1,056	0.0%	2000	5,231	9,268,207	3,676,105	5,592,349	39.7%
1980	17	12,877	2,291	12,227	17.8%	2001	28,482	46,250,277	9,549,380	36,701,520	20.6%
1981	1	396	0	396	0.0%	2002	51,586	96,010,465	17,697,464	78,314,856	18.4%
1982	4	5,465	860	4,605	15.7%	2003	42,617	76,708,611	16,893,997	59,817,210	22.0%
1983	3	736	0	736	0.0%	2004	37,069	71,332,606	17,256,069	54,076,660	24.2%
1984	33	7,531	788	6,778	10.5%	2005	36,206	68,336,596	19,085,412	49,254,981	27.9%
1985	41	10,628	2,034	8,594	19.1%	2006	41,142	73,527,350	22,154,945	51,374,641	30.1%
1986	1	1,925	0	1,925	0.0%	2007	49,623	96,761,115	26,587,676	70,178,288	27.5%
1987	121	46,626	1,765	44,891	3.8%	2008	72,213	106,244,201	36,067,944	70,178,293	33.9%
1988	5	143,484	0	143,484	0.0%	2009	78,689	94,457,280	42,318,224	52,144,623	44.8%
1989	410	108,754	19,320	89,435	17.8%	2010	125,117	111,586,978	53,583,206	58,012,315	48.0%
1990	481	178,137	23,622	154,515	13.3%	2011	140,545	101,118,101	49,397,696	51,726,485	48.9%
1991	904	324,613	45,022	279,591	13.9%	2012	133,116	95,165,374	44,554,619	50,611,410	46.8%
1992	655	500,615	83,614	417,001	16.7%	2013	129,293	91,534,647	40,233,756	51,303,769	44.0%
1993	1045	414,635	83,805	330,830	20.2%	2014	134,647	90,765,737	33,580,707	57,185,773	37.0%
1994	674	356,511	70,763	285,748	19.8%	2015	107,275	77,245,735	10,732,323	66,513,413	13.9%
1995	717	485,798	126,907	358,890	26.1%	**Total**	**1,225,218**	**$1,317,393,268**	**$446,250,691**	**$871,187,148**	**33.9%**

Notes: Of the 1.2 million penalty accounts, some are for the same individual for different vehicles or the same vehicle at different times. The Motor Vehicle Administration (MVA) retains 100% of the penalty fine collected by the Central Collection Unit (CCU). CCU adds an additional 17% to the fine, which it retains (the 17% is not included in this chart). The amount collected does not include fine revenues collected by MVA prior to the account being sent to CCU.

Source: Motor Vehicle Administration; Department of Legislative Services

State Fiscal Effect:

Uninsured Motorist Penalty Revenues

A portion of the fines collected under the escalating penalty structure for lapsed security is retained in MVA (30%); the rest (70%) is directed from the Maryland Department of Transportation under a specified allocation formula to the Department of State Police's (DSP) Vehicle Theft Prevention Fund, the School Bus Safety Enforcement Fund, MAIF, and the general fund. The 30% allocated to MVA (1) must be used to enforce vehicle insurance law and (2) may be used to provide funding for contracts with independent agents to assist in the recovery of "evidences" of registration (this amount may not exceed $1 million in any fiscal year).

Because the maximum revenues that other funds receive from the fines are capped and they already receive their full allocations, any increase in penalty revenues under the bill only results in an increase in revenues for TTF (the 30% retained in MVA) and the general fund (the remainder from the 70%).

Even so, a reliable estimate of the increase in TTF and general fund revenues cannot be made due to considerable uncertainty regarding the effect of the bill on the enforcement of violations for driving without required security or allowing required security to lapse during a vehicle's registration period. However, *for illustrative purposes only*, if the bill enhances the ability of law enforcement to discover uninsured motorist violations and results in a 10% increase in *collected* penalty revenues, TTF revenues may increase by about $1.0 million and general fund revenues may increase by about $2.3 million in fiscal 2017. This estimate is based on (1) an expected average of $44.3 million in uninsured driver penalties collected each year (based on data from fiscal 2010 through 2014); (2) $4.4 million in additional revenues collected as a result of the bill; and (3) nine months of revenues instead of a full year due to the bill's October 1, 2016 effective date.

The actual increase in TTF and general fund revenues may vary significantly, particularly to the extent that the bill enhances enforcement of uninsured driving violations to a greater or lesser extent than described above, which assumes a 10% increase in fine revenues. For example, if fine revenues were to increase by 25%, then TTF revenues would increase by $2.5 million and general fund revenues would increase by $5.8 million in fiscal 2017.

Even though the bill is expected to increase TTF and general fund revenues in the manner described above, the revenue increase may diminish over time due to enhanced compliance – to the extent that the bill lowers the total number of uninsured motorists in the State. As discussed in the following section, UMEEF is expected to spend a significant amount of money each year to educate drivers about and enforce the State's required security laws; its projects are likely to encourage many motorists in the State to purchase motor vehicle

insurance when they otherwise may not have. This lowers the total number of motorists who can be cited for driving without required security or allowing the required security to lapse during a vehicle's registration period and, thus, the uninsured motorist penalty revenues that would have been collected from those motorists.

Uninsured Motorist Education and Enforcement Fund

The bill establishes UMEEF and requires the $50 fine for failing to carry *evidence* of required security while operating a vehicle to be deposited into the fund. Although the number of violations that occur in any given year, any waivers of the fine, and, therefore, the amount of revenue that the fund collects cannot be reliably estimated, historic data on the number of violations for failing to carry and present a vehicle's registration is available and may be instructive.

DSP advises that, in the four-year period from calendar 2012 through 2015, there were 166,981 citations issued for failure to display a registration card, which averages to about 41,745 citations per year. This total includes citations issued by local law enforcement agencies that use the same ticketing system as DSP, although not all of them do. *For illustrative purposes only*, assuming that the number of violations for failing to carry evidence of required security is similar, there could be as much as $2.1 million collected for UMEEF each year. Revenues further increase from citations issued by other local law enforcement agencies as well. Revenues also increase if MAIF transfers funds from its UCJF to UMEEF.

The bill authorizes UMEEF monies to be used for administrative purposes; while MVA does not expect to need additional staff, it may use the fund to cover operational expenses such as supplies and travel costs for existing staff. For the purposes of this analysis, it is assumed that the money collected in UMEEF in any given fiscal year is spent in the same fiscal year – a small portion related to administration, with most funding used to educate drivers about and enforce the security requirements for motor vehicles under the Maryland Vehicle Law.

In addition, the Judiciary advises that the requirement to deposit the $50 fine in UMEEF necessitates changes to its cash register systems, likely costing approximately $6,000. Thus, general fund expenditures increase accordingly in fiscal 2017 only.

Additional Information

Prior Introductions: HB 717 of 2015, a bill containing similar provisions, was referred to interim study by the House Environment and Transportation Committee.

Cross File: HB 720 (Delegate Kramer) - Economic Matters.

Information Source(s): Department of State Police, Maryland Department of Transportation, Maryland Insurance Administration, Judiciary (Administrative Office of the Courts), Maryland Automobile Insurance Fund, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2016
min/ljm Revised - Senate Third Reader/Correction - March 25, 2016

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Chapter 425
Chapter 426

(Senate Bill 784)
(House Bill 900)

AN ACT concerning

Motor Vehicle Insurance – Personal Injury Protection – ~~Optional~~ Rejection of Coverage

FOR the purpose of ~~requiring certain insurers to offer, instead of provide, certain motor vehicle liability insurance coverage for certain medical, hospital, and disability benefits; authorizing a certain first named insured to exclude from certain coverage benefits for certain individuals; providing that an exclusion from certain benefits constitutes an exclusion from all benefits described in certain provisions of law; authorizing certain individuals to recover certain benefits under certain circumstances; requiring an insurer to provide a certain notice to a certain first named insured; prohibiting an insurer from refusing to underwrite a certain person under certain circumstances; providing that an insurer is subject to certain penalties for a certain violation; repealing a requirement that a certain first named insured make a waiver of certain benefits under certain circumstances; repealing certain provisions of law relating to a certain waiver, including what the waiver constitutes, who is bound by the waiver, who may recover benefits if there is a waiver, when the waiver is effective, and how the waiver is made; repealing a requirement that a certain security provide certain personal injury protection benefits under certain circumstances~~ providing that, under certain circumstances, a first named insured under a certain policy of motor vehicle liability insurance is not required to obtain coverage for certain medical, hospital, and disability benefits that must be provided by certain insurers; requiring the Maryland Automobile Insurance Fund to offer a certain first named insured at a certain time the option to reject coverage for certain benefits under certain circumstances; authorizing an insurer other than the Fund to offer a certain first named insured at a certain time the option to reject coverage for certain benefits under certain circumstances; requiring a certain first named insured, at the time of application for a certain policy, to make a certain election; requiring the election to be made on a certain form; authorizing the form to be part of the insurance contract; requiring the form to contain a certain explanation in a certain manner; providing that a certain rejection of coverage for certain benefits is effective until a certain time except under certain circumstances; requiring, on renewal of a certain policy, that a certain insurer provide certain coverage under certain circumstances; altering a certain minimum security requirement; requiring the Maryland Insurance Commissioner to consult with certain insurers, insurance producers, and certain other persons in developing a certain form; requiring the Fund and certain insurers to annually report certain information to the Maryland Insurance Administration; requiring the Administration to compile certain information and, on or before a certain date, report certain findings and recommendations to certain committees of the General Assembly; making conforming changes; providing for the application of this Act; and generally relating

to ~~optional~~ personal injury protection coverage under policies of motor vehicle liability insurance.

BY repealing and reenacting, with amendments,
Article – Insurance
Section 19–505
Annotated Code of Maryland
(2011 Replacement Volume and 2015 Supplement)

BY ~~repealing~~ repealing and reenacting, without amendments,
Article – Insurance
Section 19–506
Annotated Code of Maryland
(2011 Replacement Volume and 2015 Supplement)

BY adding to
Article – Insurance
Section 19–506.1
Annotated Code of Maryland
(2011 Replacement Volume and 2015 Supplement)

BY repealing and reenacting, with amendments,
Article – Transportation
Section 17–103
Annotated Code of Maryland
(2012 Replacement Volume and 2015 Supplement)

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

Article – Insurance

19–505.

(a) ~~(1)~~ ~~[~~Unless waived in accordance with § 19–506 of this subtitle **OR REJECTED IN ACCORDANCE WITH § 19–506.1 OF THIS SUBTITLE**, each~~]~~ ~~EACH~~ insurer that issues, sells, or delivers a motor vehicle liability insurance policy in the State shall ~~[~~provide~~]~~ ~~OFFER~~ coverage for the medical, hospital, and disability benefits described in this section.

~~(2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE COVERAGE UNDER THIS SECTION SHALL PROVIDE BENEFITS~~ for each of the following individuals:

~~[~~(1)~~]~~ ~~(II)~~ except for individuals specifically excluded under § 27–609 of this article:

~~[~~(i)~~]~~ ~~1.~~ the first named insured, and any family member of the first named insured who resides in the first named insured's household, who is injured in any motor vehicle accident, including an accident that involves an uninsured motor vehicle or a motor vehicle the identity of which cannot be ascertained; and

~~[~~(ii)~~]~~ ~~2.~~ any other individual who is injured in a motor vehicle accident while using the insured motor vehicle with the express or implied permission of the named insured;

~~[~~(2)~~]~~ ~~(III)~~ an individual who is injured in a motor vehicle accident while occupying the insured motor vehicle as a guest or passenger; and

~~[~~(3)~~]~~ ~~(III)~~ an individual who is injured in a motor vehicle accident that involves the insured motor vehicle:

~~[~~(i)~~]~~ ~~1.~~ as a pedestrian; or

~~[~~(ii)~~]~~ ~~2.~~ while in, on, or alighting from a vehicle that is operated by animal or muscular power.

~~(3) (I) SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH, THE FIRST NAMED INSURED MAY EXCLUDE FROM THE COVERAGE DESCRIBED IN THIS SECTION BENEFITS FOR:~~

~~1. EACH NAMED INSURED;~~

~~2. EACH LISTED DRIVER; AND~~

~~3. EACH MEMBER OF THE FIRST NAMED INSURED'S FAMILY RESIDING IN THE FIRST NAMED INSURED'S HOUSEHOLD WHO IS AT LEAST 16 YEARS OLD.~~

~~(II) AN EXCLUSION FROM BENEFITS UNDER THIS PARAGRAPH CONSTITUTES AN EXCLUSION FROM ALL OF THE BENEFITS DESCRIBED IN THIS SECTION, WHETHER PROVIDED UNDER:~~

~~1. THE FIRST NAMED INSURED'S POLICY;~~

~~2. ANY OTHER MOTOR VEHICLE LIABILITY INSURANCE POLICY ISSUED IN THE STATE; OR~~

~~3. ANOTHER FORM OF SECURITY USED IN PLACE OF A MOTOR VEHICLE LIABILITY INSURANCE POLICY AS AUTHORIZED UNDER § 17–103 OF THE TRANSPORTATION ARTICLE.~~

~~(III) AN INDIVIDUAL LISTED IN SUBPARAGRAPH (I)2 OR 3 OF THIS PARAGRAPH MAY RECOVER THE BENEFITS DESCRIBED IN THIS SECTION UNDER ANOTHER MOTOR VEHICLE LIABILITY INSURANCE POLICY IF THAT INDIVIDUAL:~~

~~1. IS THE FIRST NAMED INSURED UNDER THE OTHER POLICY;~~

~~2. HAS NOT EXCLUDED THE BENEFITS DESCRIBED IN THIS SECTION UNDER THE OTHER POLICY; AND~~

~~3. IS NOT A NAMED INSURED UNDER ANY OTHER MOTOR VEHICLE LIABILITY INSURANCE POLICY UNDER WHICH AN EXCLUSION OF THE BENEFITS DESCRIBED IN THIS SECTION IS IN EFFECT.~~

~~(IV) AN INSURER SHALL PROVIDE THE FIRST NAMED INSURED WRITTEN NOTICE OF THE NATURE, EXTENT, AND COST OF THE COVERAGE THAT WOULD BE PROVIDED UNDER THE POLICY IF NOT EXCLUDED BY THE FIRST NAMED INSURED UNDER THIS PARAGRAPH.~~

(b) (1) In this subsection, "income" means:

(i) wages, salaries, tips, commissions, professional fees, and other earnings from work or employment;

(ii) earnings from a business or farm owned individually, jointly, or in partnership; and

(iii) to the extent earnings are paid or payable in property or services instead of in cash, the reasonable value of the property or services.

(2) The minimum medical, hospital, and disability benefits provided by an insurer under this section shall include up to $2,500 for:

(i) payment of all reasonable and necessary expenses that arise from a motor vehicle accident and that are incurred within 3 years after the accident for necessary prosthetic devices and ambulance, dental, funeral, hospital, medical, professional nursing, surgical, and X–ray services;

(ii) payment of benefits for 85% of income lost:

1. within 3 years after, and resulting from, a motor vehicle accident; and

2. by an injured individual who was earning or producing income when the accident occurred; and

(iii) payments made in reimbursement of reasonable and necessary expenses incurred within 3 years after a motor vehicle accident for essential services ordinarily performed for the care and maintenance of the family or family household by an individual who was injured in the accident and not earning or producing income when the accident occurred.

(3) As a condition of providing loss of income benefits under this subsection, an insurer may require the injured individual to furnish the insurer with reasonable medical proof of the injury causing loss of income.

(c) (1) An insurer may exclude from the coverage described in this section benefits for:

(i) an individual, otherwise insured under the policy, who:

1. intentionally causes the motor vehicle accident resulting in the injury for which benefits are claimed;

2. is a nonresident of the State and is injured as a pedestrian in a motor vehicle accident that occurs outside of the State;

3. is injured in a motor vehicle accident while operating or voluntarily riding in a motor vehicle that the individual knows is stolen; or

4. is injured in a motor vehicle accident while committing a felony or while violating § 21–904 of the Transportation Article; or

(ii) the named insured or a family member of the named insured who resides in the named insured's household for an injury that occurs while the named insured or family member is occupying an uninsured motor vehicle owned by:

1. the named insured; or

2. an immediate family member of the named insured who resides in the named insured's household.

(2) In the case of motorcycles, mopeds, or motor scooters, an insurer may:

(i) exclude the economic loss benefits described in this section; or

(ii) offer the economic loss benefits with deductibles, options, or specific exclusions.

~~(D) (1) AN INSURER MAY NOT REFUSE TO UNDERWRITE A PERSON BECAUSE THE PERSON REFUSES TO MAKE AN EXCLUSION OF COVERAGE UNDER SUBSECTION (A)(3) OF THIS SECTION.~~

~~(2) AN INSURER THAT VIOLATES THIS SUBSECTION IS SUBJECT TO THE PENALTIES PROVIDED BY §§ 4–113 AND 4–114 OF THIS ARTICLE.~~

~~[~~19–506.

(a) (1) If the first named insured does not wish to obtain the benefits described in § 19–505 of this subtitle, the first named insured shall make an affirmative written waiver of those benefits.

(2) If the first named insured does not make an affirmative written waiver under this section, the insurer shall provide the coverage described in § 19–505 of this subtitle.

(b) (1) A waiver made under this section constitutes a waiver of all the benefits described in § 19–505 of this subtitle, whether provided under:

(i) the first named insured's policy;

(ii) any other motor vehicle liability insurance policy issued in the State; or

(iii) another form of security used in place of a motor vehicle liability insurance policy as authorized under § 17–103 of the Transportation Article.

(2) Subject to paragraph (3) of this subsection, a waiver made under this section is binding on the following individuals covered by the policy:

(i) each named insured;

(ii) each listed driver; and

(iii) each member of the first named insured's family residing in the first named insured's household who is at least 16 years old.

(3) An individual listed in paragraph (2)(ii) or (iii) of this subsection may recover the benefits described in § 19–505 of this subtitle under another motor vehicle liability insurance policy if that individual:

(i) is the first named insured under the other policy;

(ii) has not waived the benefits described in § 19–505 of this subtitle under the other policy; and

(iii) is not a named insured under any other motor vehicle liability insurance policy under which a waiver of the benefits described in § 19–505 of this subtitle is in effect.

(c) A waiver made under this section is not effective unless, prior to the waiver, the insurer gives the first named insured written notice of the nature, extent, and cost of the coverage described in § 19–505 of this subtitle.

(d) (1) A waiver made under this section shall be made on the form that the Commissioner requires.

(2) The form may be part of the insurance contract.

(3) The form shall clearly and concisely explain in 10 point boldface type:

(i) the nature, extent, and cost of the coverage that would be provided under the policy if not waived by the first named insured;

(ii) each effect of a waiver as stated in subsection (b) of this section;

(iii) that a failure of the first named insured to make a waiver requires an insurer to provide the coverage described in § 19–505 of this subtitle;

(iv) that an insurer may not refuse to underwrite a person because the person refuses to waive the coverage described in § 19–505 of this subtitle; and

(v) that a waiver made under this section must be an affirmative written waiver.

(e) A waiver made under this section by a person that is insured continuously by the Maryland Automobile Insurance Fund or the insurer is effective until the waiver is withdrawn in writing.

(f) (1) An insurer may not refuse to underwrite a person because the person refuses to waive the coverage described in § 19–505 of this subtitle.

(2) An insurer that violates this subsection is subject to the penalties provided by §§ 4–113 and 4–114 of this article.~~]~~

19–506.1.

(A) (1) NOTWITHSTANDING §§ 19–505 AND 19–506 OF THIS SUBTITLE, A FIRST NAMED INSURED IS NOT REQUIRED TO OBTAIN COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE UNDER A MOTOR VEHICLE LIABILITY INSURANCE POLICY THAT:

(I) PROVIDES COVERAGE THAT DOES NOT EXCEED THE MINIMUM LIABILITY COVERAGE SPECIFIED IN § 17–103(B) OF THE TRANSPORTATION ARTICLE; AND

(II) 1. SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IS ISSUED, SOLD, OR DELIVERED BY THE MARYLAND AUTOMOBILE INSURANCE FUND; OR

2. SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, IS ISSUED, SOLD, OR DELIVERED BY AN INSURER OTHER THAN THE MARYLAND AUTOMOBILE INSURANCE FUND.

(2) THE MARYLAND AUTOMOBILE INSURANCE FUND SHALL OFFER A FIRST NAMED INSURED, AT THE TIME OF APPLICATION FOR A POLICY DESCRIBED IN PARAGRAPH (1)(I) OF THIS SUBSECTION, THE OPTION TO REJECT COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IF, PRIOR TO THE APPLICATION, THE APPLICANT HAS NOT BEEN INSURED CONTINUOUSLY BY THE MARYLAND AUTOMOBILE INSURANCE FUND FOR AT LEAST 1 YEAR.

(3) AN INSURER OTHER THAN THE MARYLAND AUTOMOBILE INSURANCE FUND MAY OFFER A FIRST NAMED INSURED, AT THE TIME OF APPLICATION FOR A POLICY DESCRIBED IN PARAGRAPH (1)(I) OF THIS SUBSECTION, THE OPTION TO REJECT COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IF:

(I) PRIOR TO THE APPLICATION, THE APPLICANT WAS INSURED BY AN INSURER OTHER THAN THE MARYLAND AUTOMOBILE INSURANCE FUND; AND

(II) THE INSURER UNDER THE PRIOR POLICY CANCELED THE POLICY BEFORE THE END OF THE POLICY'S TERM.

(B) AT THE TIME OF APPLICATION FOR A POLICY DESCRIBED IN SUBSECTION (A)(1)(I) OF THIS SECTION, THE FIRST NAMED INSURED SHALL ELECT IN WRITING TO:

(1) OBTAIN COVERAGE FOR THE BENEFITS DESCRIBED IN § 19–505 OF THIS SUBTITLE;

(2) WAIVE COVERAGE FOR THE BENEFITS DESCRIBED IN § 19–505 OF THIS SUBTITLE IN ACCORDANCE WITH § 19–506 OF THIS SUBTITLE; OR

(3) REJECT COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IN ACCORDANCE WITH THIS SECTION.

(C) (1) THE ELECTION UNDER SUBSECTION (B) OF THIS SECTION SHALL BE MADE ON THE FORM THAT THE COMMISSIONER REQUIRES.

(2) THE FORM MAY BE PART OF THE INSURANCE CONTRACT.

(3) THE FORM SHALL CLEARLY AND CONCISELY EXPLAIN IN 10 POINT BOLDFACE TYPE:

(I) THAT THE FIRST NAMED INSURED MUST ELECT IN WRITING TO:

1. OBTAIN COVERAGE FOR THE BENEFITS DESCRIBED IN § 19–505 OF THIS SUBTITLE;

2. WAIVE COVERAGE FOR THE BENEFITS DESCRIBED IN § 19–505 OF THIS SUBTITLE IN ACCORDANCE WITH § 19–506 OF THIS SUBTITLE; OR

3. REJECT COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IN ACCORDANCE WITH THIS SECTION;

(II) THE NATURE, EXTENT, AND COST OF COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IF NOT REJECTED BY THE FIRST NAMED INSURED;

(III) THAT THE ELECTION TO REJECT COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IN ACCORDANCE WITH THIS SECTION IS EFFECTIVE UNTIL THE END OF THE POLICY'S TERM UNLESS THE FIRST NAMED INSURED:

1. WITHDRAWS THE REJECTION IN WRITING;

2. OBTAINS A MOTOR VEHICLE LIABILITY INSURANCE POLICY FOR THE INSURED MOTOR VEHICLE FROM ANOTHER INSURER; OR

3. INCREASES ANY COVERAGE UNDER THE POLICY TO AN AMOUNT THAT EXCEEDS THE MINIMUM LIABILITY COVERAGE SPECIFIED IN § 17–103(B) OF THE TRANSPORTATION ARTICLE; AND

(IV) THAT ON RENEWAL OF THE POLICY, UNLESS THE FIRST NAMED INSURED NOTIFIES THE INSURER IN WRITING THAT THE FIRST NAMED INSURED WISHES TO OBTAIN COVERAGE FOR THE BENEFITS DESCRIBED IN § 19–505 OF THIS SUBTITLE, THE INSURER SHALL PROVIDE THE COVERAGE DESCRIBED IN § 19–506 OF THIS SUBTITLE.

(D) (1) A REJECTION OF COVERAGE FOR THE BENEFITS DESCRIBED IN §§ 19–505 AND 19–506 OF THIS SUBTITLE IN ACCORDANCE WITH THIS SECTION IS EFFECTIVE UNTIL THE END OF THE POLICY'S TERM UNLESS THE FIRST NAMED INSURED:

(I) WITHDRAWS THE REJECTION IN WRITING;

(II) OBTAINS A MOTOR VEHICLE LIABILITY INSURANCE POLICY FOR THE INSURED MOTOR VEHICLE FROM ANOTHER INSURER; OR

(III) INCREASES ANY COVERAGE UNDER THE POLICY TO AN AMOUNT THAT EXCEEDS THE MINIMUM LIABILITY COVERAGE SPECIFIED IN § 17–103(B) OF THE TRANSPORTATION ARTICLE.

(2) ON RENEWAL OF THE POLICY, UNLESS THE FIRST NAMED INSURED NOTIFIES THE INSURER IN WRITING THAT THE FIRST NAMED INSURED WISHES TO OBTAIN COVERAGE FOR THE BENEFITS DESCRIBED IN § 19–505 OF THIS SUBTITLE, THE INSURER SHALL PROVIDE THE COVERAGE DESCRIBED IN § 19–506 OF THIS SUBTITLE.

Article – Transportation

17–103.

(a) (1) Except as provided in paragraph (2) of this subsection, the form of security required under this subtitle is a vehicle liability insurance policy written by an insurer authorized to write these policies in this State.

(2) The Administration may accept another form of security in place of a vehicle liability insurance policy if it finds that the other form of security adequately provides the benefits required by subsection (b) of this section.

(3) The Administration shall, by regulation, assess each self–insurer an annual sum which may not exceed $750, and which shall be used for actuarial studies and audits to determine financial solvency.

(b) The security required under this subtitle shall provide for at least:

(1) The payment of claims for bodily injury or death arising from an accident of up to $30,000 for any one person and up to $60,000 for any two or more persons, in addition to interest and costs;

(2) The payment of claims for property of others damaged or destroyed in an accident of up to $15,000, in addition to interest and costs;

(3) ~~[~~Unless waived **UNDER § 19–506 OF THE INSURANCE ARTICLE OR REJECTED UNDER § 19–506.1 OF THE INSURANCE ARTICLE**, the benefits described under § 19–505 of the Insurance Article as to basic required primary coverage;

(4)~~]~~ The benefits required under § 19–509 of the Insurance Article as to required additional coverage; and

~~[~~(5)~~]~~ ~~(4)~~ For vehicles subject to the provisions of § 25–111.1 of this article, the security requirements adopted under 49 C.F.R., Part 387.

SECTION 2. AND BE IT FURTHER ENACTED, That the Maryland Insurance Commissioner shall consult with insurers, insurance producers, and any other person that the Commissioner determines is appropriate in developing the form required under § 19–506.1(c) of the Insurance Article, as enacted by Section 1 of this Act, including use of the form by written and electronic means.

SECTION 3. AND BE IT FURTHER ENACTED, That:

(a) The Maryland Automobile Insurance Fund and other insurers that offer first named insureds the option to elect to reject coverage for the benefits described in §§ 19–505 and 19–506 of the Insurance Article in accordance with § 19–506.1 of the Insurance Article, as enacted by Section 1 of this Act, shall report to the Maryland Insurance Administration, on an annual basis as determined by the Maryland Insurance Commissioner, for policies subject to this Act that are issued, sold, or delivered beginning on the effective date of this Act through October 31, 2019, on:

(1) the number of first named insureds who were eligible to make an election under § 19–506.1(b) of the Insurance Article, as enacted by Section 1 of this Act;

(2) the number of first named insureds who elected to obtain coverage for the benefits described in §§ 19–505 and 19–506 of the Insurance Article, and the number of first named insureds who elected to reject those benefits, under § 19–506.1(b) of the Insurance Article, as enacted by Section 1 of this Act; and

(3) any other related information that the Commissioner requires.

(b) The Maryland Insurance Administration shall:

(1) compile the information received from the Maryland Automobile Insurance Fund and other insurers under subsection (a) of this section; and

(2) on or before December 1, 2019, report to the Senate Finance Committee and the House Economic Matters Committee, in accordance with § 2–1246 of the State Government Article, its findings and any recommendations.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall apply to all motor vehicle liability insurance policies subject to this Act that are issued, sold, or delivered in the State on or after October 1, 2016.

SECTION ~~2.~~ 5. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2016.

Approved by the Governor, May 10, 2016.

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 784 (Senator Middleton, *et al.*)

Finance Economic Matters

Motor Vehicle Insurance - Personal Injury Protection - Rejection of Coverage

This bill exempts an *applicant* for a motor vehicle liability insurance policy from being required to obtain coverage for medical, hospital, and disability benefits – known as personal injury protection (PIP) benefits – that must otherwise be provided (full PIP) or waived (limited PIP). However, to be eligible for the exemption, such an applicant has to meet specified conditions, and the insurance policy being obtained cannot provide coverage in excess of the minimum liability coverage required by State law. The Maryland Automobile Insurance Fund (MAIF) *must* offer the option to reject PIP coverage to an eligible applicant while other insurers *may* do so. The bill also specifies the process by which an applicant may reject PIP coverage and requires an insurer, at the time of renewal, to upgrade such a policy to provide limited PIP coverage, unless the insured chooses to upgrade to full PIP coverage instead. MAIF and other insurers that offer the option to reject coverage must annually report specified information to the Maryland Insurance Administration (MIA) each year through 2019, and MIA must compile the information and submit its findings and recommendations to specified committees of the General Assembly by December 1, 2019.

The bill applies to all affected policies of motor vehicle liability insurance issued, sold, delivered, or renewed in the State on or after the bill's October 1, 2016 effective date.

Fiscal Summary

State Effect: Minimal increase in MIA special fund revenues in FY 2017 due to $125 rate and form filings; the volume of the filings that must be reviewed may necessitate additional contractual support for that year only. MIA can handle the bill's reporting requirements using existing resources. General fund revenues may be affected, as discussed below.

Maryland Automobile Insurance Fund Effect: MAIF nonbudgeted revenues decrease to the extent the bill results in fewer new insureds obtaining full PIP or limited PIP

coverage; however, this impact is expected to be minimal due to the narrow scope of who can reject PIP coverage. Nonbudgeted expenditures decrease correspondingly due to the decreased liability associated with providing PIP coverage to fewer new insureds.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: MAIF must offer a first named insured, at the time of application, the option to reject PIP coverage only if he or she has not been insured continuously by MAIF for at least one full year prior to the application. Other insurers may offer a first named insured, at the time of application, the option to reject PIP coverage only if his or her prior insurance policy (1) was not a MAIF policy and (2) was canceled by the insurer before the end of the policy's term. An eligible applicant must choose, in writing and on the form the Insurance Commissioner requires, whether to obtain full PIP coverage, limited PIP coverage (via the existing waiver process), or no PIP coverage (via the rejection process in the bill). The form must describe the costs and benefits of each option in a specified manner. The Commissioner must consult with insurers, insurance producers, and other appropriate parties to develop the form.

An applicant's rejection of PIP coverage is effective until the end of the policy's term, at which point it is upgraded, unless the insured withdraws the rejection in writing, obtains a policy from another insurer, or increases the policy's liability coverage above the required minimum.

MAIF and other motor vehicle liability insurers that offer insureds the option to reject PIP coverage must annually report to MIA on (1) the number of applicants eligible to reject PIP coverage; (2) the number of insureds who chose to obtain full PIP coverage and limited PIP coverage and the number who chose to reject PIP coverage; and (3) any other related information the Commissioner requires.

Current Law: Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The security required must provide at least the payment of claims:

- for bodily injury or death arising from an accident of up to $30,000 for any one person and up to $60,000 for any two or more persons;
- for property of others damaged or destroyed in an accident of up to $15,000;
- unless waived, for PIP of $2,500 per person; and

- for uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

PIP is a no-fault coverage that provides a minimum limit of $2,500 coverage for payment of reasonable and necessary medical, hospital, and disability expenses that arise from an accident, 85% of lost income, and reimbursement for essential services for care and maintenance of the family or family household. If the first named insured waives PIP, the waiver (1) constitutes a waiver under the first named insured's policy or any other motor vehicle liability insurance policy in the State and (2) is binding on each named insured, each listed driver, and each member of the first named insured's family who is age 16 or older and resides in the first named insured's household. PIP coverage cannot be waived or excluded for others that may be involved in an accident with the insured, such as a member of the first named insured's family who is younger than 16 or a pedestrian.

A person may not recover benefits related to the required securities for motor vehicle liability insurance from more than one motor vehicle liability insurance policy or insurer on a duplicative or supplemental basis.

Background: PIP coverage varies from state to state. Currently 23 states plus the District of Columbia have laws that allow insureds to obtain compensation for motor vehicle accidents from their own insurer. Of these states, 9 states have true no-fault systems, 3 states have a choice of a no-fault auto insurance policy or a traditional tort liability insurance policy, and 11 states (including Maryland) allow or mandate PIP coverage to be added onto a traditional tort motor vehicle liability insurance policy. Of the 11 "add-on" states, 2 states mandate PIP coverage. Maryland is the only state that mandates either full PIP or limited PIP coverage. The District of Columbia allows an insured to choose between a no-fault or tort liability insurance policy. The remaining states have traditional tort motor vehicle liability systems.

MAIF Fiscal Effect: Nonbudgeted revenues decrease in fiscal 2017 and subsequent years to the extent that MAIF applicants choose not to obtain PIP coverage. MAIF reports that any new such policyholders initially save money under the bill; for example, annual PIP premiums for a Baltimore City resident are $527 for full PIP and $213 for limited PIP. The total impact on MAIF finances is expected to be minimal due to the narrow scope of who can choose to reject PIP coverage under the bill and the requirement that such a policy be upgraded to either full or limited PIP at the time of renewal. However, the precise impact cannot be reliably estimated because the number of eligible applicants is unknown. Additionally, MAIF advises that it may increase bodily injury coverage rates to partially offset the lost PIP revenue depending on how many applicants reject PIP coverage under the bill.

State Revenues: Although the bill does not change the coverage that an insured receives when choosing to obtain full PIP or limited PIP, the bill may result in motor vehicle liability insurance applicants choosing to reject PIP coverage in order to initially lower their premiums. Therefore, general fund revenues decrease due to the 2% tax collected on premiums paid in the State. The total general fund impact is expected to be minimal due to the narrow scope of who can choose to reject PIP coverage under the bill and the requirement that such a policy be upgraded to either full or limited PIP at the time of renewal. However, the precise impact cannot be reliably estimated because the number of eligible applicants is unknown.

Additional Information

Prior Introductions: None.

Cross File: HB 900 (Delegate Frick) - Economic Matters.

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

Fiscal Note History: First Reader - February 28, 2016
kb/ljm Revised - Senate Third Reader/Updated Information - April 5, 2016

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Chapter 446
Chapter 447

(Senate Bill 888)
(House Bill 912)

AN ACT concerning

Motor Vehicle Insurance – Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured

FOR the purpose of establishing in the Motor Vehicle Administration the Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured; specifying the purpose of the Program; specifying the Program period; specifying the eligibility requirements for vehicle owners participating in the Program; requiring the Administration to notify certain vehicle owners in a certain manner; requiring a certain notice to include certain information; requiring the Administration to waive a portion of certain delinquent uninsured vehicle penalties of certain vehicle owners; specifying the conditions under which a portion of certain delinquent uninsured vehicle penalties may be waived; requiring a certain vehicle owner to pay a certain amount owed under a certain circumstance; requiring a vehicle owner to purchase and maintain a certain required security under a certain circumstance; allowing the Administration to adopt certain regulations; requiring the Administration to coordinate with the Maryland Insurance Administration to publicize the Program; requiring the Administration to make a certain report within a certain period of time; allowing the Administration to accept certain funding or other form of support from the Uninsured Claim and Judgment Fund of the Maryland Automobile Insurance Fund for a certain purpose; defining certain terms; and generally relating to the establishment of the Program, uninsured vehicle penalties, and motor vehicle insurance.

BY adding to
Article – Transportation
Section 17–111
Annotated Code of Maryland
(2012 Replacement Volume and 2015 Supplement)

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

Article – Transportation

17–111.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) "CENTRAL COLLECTION UNIT FEE" MEANS THE FEE THE CENTRAL COLLECTION UNIT IN THE DEPARTMENT OF BUDGET AND MANAGEMENT IS AUTHORIZED UNDER § 3–304 OF THE STATE FINANCE AND PROCUREMENT ARTICLE TO ASSESS ON DEBTS OR CLAIMS COLLECTED.

(3) "PROGRAM" MEANS THE PROGRAM TO INCENTIVIZE AND ENABLE UNINSURED VEHICLE OWNERS TO BE INSURED.

(4) "PROGRAM PERIOD" MEANS THE PERIOD DURING WHICH VEHICLE OWNERS MAY HAVE A PORTION OF DELINQUENT UNINSURED VEHICLE PENALTIES WAIVED UNDER THE PROGRAM.

(5) "UNINSURED VEHICLE PENALTY" MEANS THE FINE THE ADMINISTRATION MAY ASSESS A VEHICLE OWNER UNDER § 17–106 OF THIS SUBTITLE FOR A LAPSE OF THE REQUIRED SECURITY ON A VEHICLE DURING A REGISTRATION YEAR.

(B) (1) THERE IS A PROGRAM TO INCENTIVIZE AND ENABLE UNINSURED VEHICLE OWNERS TO BE INSURED IN THE ADMINISTRATION.

(2) THE PURPOSE OF THE PROGRAM IS TO REDUCE THE NUMBER OF UNINSURED VEHICLES IN THE STATE BY INCENTIVIZING AND ENABLING UNINSURED VEHICLE OWNERS WITH DELINQUENT UNINSURED VEHICLE PENALTIES TO BE INSURED.

(C) (1) UNDER THE PROGRAM, THE ADMINISTRATION SHALL:

(I) WAIVE A PORTION OF DELINQUENT UNINSURED VEHICLE PENALTIES ON VEHICLE OWNERS; AND

(II) AS A CONDITION OF WAIVING A PORTION OF DELINQUENT UNINSURED VEHICLE PENALTIES ON VEHICLE OWNERS, REQUIRE VEHICLE OWNERS TO PURCHASE AND MAINTAIN THE REQUIRED SECURITY ON THEIR VEHICLES.

(2) THE PROGRAM PERIOD SHALL:

(I) BE UP TO 90 CALENDAR DAYS; AND

(II) BEGIN NO EARLIER THAN JANUARY 1, 2017, AND END NO LATER THAN DECEMBER 31, 2017.

(D) A VEHICLE OWNER IS ELIGIBLE TO PARTICIPATE IN THE PROGRAM IF THE VEHICLE OWNER:

(1) IS A RESIDENT OF THE STATE;

(2) DOES NOT HAVE THE REQUIRED SECURITY ON A VEHICLE;

(3) HAS DELINQUENT UNINSURED VEHICLE PENALTIES THAT BECAME DELINQUENT BEFORE JANUARY 1, 2014; AND

(4) HAS NOT BEEN ISSUED A JUDGMENT BY THE CENTRAL COLLECTION UNIT.

(E) (1) THE ADMINISTRATION SHALL NOTIFY VEHICLE OWNERS WHO MAY BE ELIGIBLE TO PARTICIPATE IN THE PROGRAM AT THEIR LAST KNOWN ADDRESS.

(2) THE NOTIFICATION TO A VEHICLE OWNER SHALL INCLUDE:

(I) THE ADMINISTRATION'S WEB SITE ADDRESS AND THE MARYLAND INSURANCE ADMINISTRATION'S WEB SITE ADDRESS, WHERE THE OWNER MAY FIND CONTACT INFORMATION FOR INSURERS THAT WRITE MOTOR VEHICLE LIABILITY INSURANCE IN THE STATE AND OTHER INFORMATION ABOUT MOTOR VEHICLE INSURANCE; AND

(II) THE TOTAL DELINQUENT UNINSURED VEHICLE PENALTIES THAT THE OWNER OWES AND THE AMOUNT OF THE PENALTIES THAT MAY BE WAIVED UNDER THE PROGRAM.

(F) (1) IN ACCORDANCE WITH PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, THE ADMINISTRATION SHALL WAIVE ~~60%~~ 80% OF A VEHICLE OWNER'S DELINQUENT UNINSURED VEHICLE PENALTIES THAT BECAME DELINQUENT BEFORE JANUARY 1, 2014.

(2) (I) AS A CONDITION OF WAIVING A PORTION OF A VEHICLE OWNER'S DELINQUENT UNINSURED VEHICLE PENALTIES UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE ADMINISTRATION SHALL REQUIRE THE VEHICLE OWNER TO PAY THE BALANCE OF THE DELINQUENT UNINSURED VEHICLE PENALTIES OWED AFTER SUBTRACTING THE WAIVED AMOUNT UNDER PARAGRAPH (1) OF THIS SUBSECTION.

(II) IF A CLAIM AGAINST A VEHICLE OWNER HAS BEEN SENT TO THE CENTRAL COLLECTION UNIT, IN ADDITION TO THE BALANCE OWED UNDER

SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE VEHICLE OWNER SHALL PAY A CENTRAL COLLECTION UNIT FEE CALCULATED AS A PERCENTAGE OF THE AMOUNT OF THE BALANCE OWED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

(III) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, THE ADMINISTRATION SHALL REQUIRE A VEHICLE OWNER TO PAY THE BALANCE OWED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH AND ANY CENTRAL COLLECTION UNIT FEE OWED UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH BEFORE THE END OF THE PROGRAM PERIOD.

2. THE ADMINISTRATION MAY ALLOW AN OWNER TO PAY THE BALANCE OWED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH AND ANY CENTRAL COLLECTION UNIT FEE OWED UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH USING A MONTHLY INSTALLMENT PAYMENT PLAN THAT EXTENDS PAYMENTS BEYOND THE END OF THE PROGRAM PERIOD IF THE TERMS OF THE MONTHLY INSTALLMENT PAYMENT PLAN REQUIRE:

A. THE FIRST PAYMENT TO BE DUE ON ENTRY INTO THE PROGRAM; AND

B. THE REMAINING BALANCE OWED TO BE PAID WITHIN 6 MONTHS AFTER ENTRY INTO THE PROGRAM.

(3) (I) AS A CONDITION OF WAIVING A PORTION OF DELINQUENT UNINSURED VEHICLE PENALTIES ON A VEHICLE OWNER UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE ADMINISTRATION SHALL REQUIRE THE VEHICLE OWNER TO PURCHASE AND MAINTAIN THE REQUIRED SECURITY ON THE VEHICLE FOR THE PERIOD OF TIME SPECIFIED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH.

(II) 1. EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, THE ADMINISTRATION SHALL REQUIRE THE REQUIRED SECURITY ON THE VEHICLE TO BE MAINTAINED FOR A PERIOD OF AT LEAST 6 MONTHS.

2. THE ADMINISTRATION MAY REQUIRE THAT THE REQUIRED SECURITY ON THE VEHICLE BE MAINTAINED FOR A PERIOD OF AT LEAST 1 YEAR IF THE WAIVER AMOUNT UNDER PARAGRAPH (1) OF THIS SUBSECTION EXCEEDS $3,000.

(G) THE ADMINISTRATION MAY ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That the Maryland Vehicle Administration shall:

(1) coordinate with the Maryland Insurance Administration to publicize the Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured established under § 17–111 of the Transportation Article as enacted under Section 1 of this Act, including notifying motor vehicle liability insurers and producers about the Program; and

(2) within 60 days of the end of the Program period, report to the Governor and, in accordance with § 2–1246 of the State Government Article, the General Assembly on:

(i) the results of the Program; and

(ii) any recommendations to implement another program aimed at reducing the number of uninsured motorists.

SECTION 3. AND BE IT FURTHER ENACTED, That the Maryland Vehicle Administration may accept funding or another form of support from the Uninsured Claim and Judgment Fund of the Maryland Automobile Insurance Fund to assist with the Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured established under § 17–111 of the Transportation Article as enacted under Section 1 of this Act.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2016.

Approved by the Governor, May 10, 2016.

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 888 (Senator Middleton, *et al.*)

Finance Economic Matters

Motor Vehicle Insurance - Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured

This bill establishes the Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured, which must be administered by the Motor Vehicle Administration (MVA).

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) and general fund revenues increase significantly in FY 2017 and 2018 – to the extent the State collects penalty revenues, including the 17% assessment by the Central Collection Unit (CCU), which it would otherwise not have collected, as discussed below. General fund revenues further increase due to the 2% premium tax. TTF expenditures increase by as much as $600,000 in FY 2017 for administration of the program. Future years reflect the elimination of contractual positions and one-time costs, as well as additional one-time system maintenance expenses. These expenditures may be partially offset to the extent that the Maryland Automobile Insurance Fund (MAIF) uses its Uninsured Claim and Judgment Fund (UCJF) to assist MVA with administration of the program; the expenditures are expected to be fully offset by TTF revenues collected through the program. The Maryland Insurance Administration (MIA) and CCU can handle the bill's requirements using existing budgeted resources.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	-	-	-	-	-
SF Revenue	-	-	$0	$0	$0
NonBud Rev.	-	-	-	-	-
SF Expenditure	$600,000	$197,400	$0	$0	$0
NonBud Exp.	-	-	-	-	-
Net Effect	-	-	-	-	-

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Maryland Automobile Insurance Fund Effect: Assuming the bill is successful in enabling uninsured motorists to purchase automobile insurance, additional drivers may apply to MAIF for policy coverage. MAIF expenditures increase to the extent that MAIF uses its UCJF to offset MVA's administrative costs. Assuming most motorists who participate in the program maintain coverage beyond the required six-month or one-year period under the bill, MAIF revenues and expenditures increase in the out-years as well.

Local Effect: The bill is not anticipated to materially affect local operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The purpose of the program established by the bill is to reduce the number of uninsured vehicles in the State by incentivizing and enabling uninsured vehicle owners with delinquent uninsured vehicle penalties to be insured. Under the program, MVA must (1) waive 80% of a vehicle owner's delinquent uninsured vehicle penalties that became delinquent before January 1, 2014, and (2) require those vehicle owners to purchase and maintain the required security for their vehicles. The program period during which MVA may waive a vehicle owner's delinquent uninsured vehicle penalties must last up to 90 calendar days and begin on or after January 1, 2017, and end by December 31, 2017.

A vehicle owner is eligible to participate in the program if he or she is (1) a resident of the State; (2) does not have the required security on a vehicle; (3) has delinquent uninsured vehicle penalties that became delinquent before January 1, 2014; and (4) has not been issued a judgment by the Department of Budget and Management's CCU.

As a condition of waiving 80% of a program participant's delinquent uninsured vehicle penalties, a participant must pay the remaining 20% owed before the end of the program period. If the account has been sent to CCU, the participant must also pay any fee owed to CCU, calculated using the remaining 20% owed and not the original uninsured vehicle penalty. MVA may allow these penalties to be paid using a monthly installment payment plan that extends beyond the end of the program period if (1) the first payment is due when a participant enters the program and (2) the remaining balance is paid within six months after the participant enters the program. Additionally, as a condition of waiving 80% of a participant's penalties, MVA must require the participant to maintain the required security on the vehicle for a period of at least six months; however, MVA may require the required security to be maintained for at least one year if the penalty waived for a participant exceeds $3,000.

MVA must (1) coordinate with MIA to publicize the program in a specified manner and (2) notify eligible vehicle owners of the program in a specified manner. MVA is authorized to accept funding from MAIF's UCJF to assist with administration of the program. MVA may adopt regulations to carry out the bill's requirements. Within 60 days after the end of the program period, MVA must report to the Governor and General Assembly on the results of the program and any recommendations to implement another program aimed at reducing the number of uninsured motorists.

Current Law/Background:

Required Securities

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The security required must provide at least the payment of claims:

- for bodily injury or death arising from an accident of up to $30,000 for any one person and up to $60,000 for any two or more persons;
- for property of others damaged or destroyed in an accident of up to $15,000;
- unless waived, for personal injury protection of $2,500 per person; and
- for uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

Uninsured Motorist Penalties

If the required security for a vehicle lapses, MVA may assess the owner of the vehicle a penalty of $150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of $7 for each day, but the total fine may not exceed $2,500 annually, not including the additional misdemeanor penalty of up to $500, which may be prepaid with a fine of $290. Operating a vehicle without adequate security is a misdemeanor penalty of $500, which may not be prepaid, and results in the imposition of five points on the driver's record. As shown in **Exhibit 1**, since 1975, more than 1 million citations have been issued to uninsured motorists, with a total of about $1.3 billion in fines. Of that amount, only $446.3 million (33.9%) has been collected.

Exhibit 1
Status of Motor Vehicle Administration Uninsured Motorist Penalty Accounts Sent to the Central Collection Unit
Fiscal 1975-2014

Year	# of Accounts	Amount Owed	Collected	Remaining Balance	% Collected	Year	# of Accounts	Amount Owed	Collected	Remaining Balance	% Collected
1975	2	$2,144	$71	$2,073	3.3%	1996	1,044	$933,084	$241,017	$692,088	25.8%
1976	10	3,677	982	2,695	26.7%	1997	2,839	3,548,881	960,042	2,588,851	27.1%
1977	2	376	97	286	25.9%	1998	1,837	1,964,103	523,800	1,440,303	26.7%
1978	5	2,631	97	2,534	3.7%	1999	1,515	2,025,302	694,271	1,331,031	34.3%
1979	1	1,056	0	1,056	0.0%	2000	5,231	9,268,207	3,676,105	5,592,349	39.7%
1980	17	12,877	2,291	12,227	17.8%	2001	28,482	46,250,277	9,549,380	36,701,520	20.6%
1981	1	396	0	396	0.0%	2002	51,586	96,010,465	17,697,464	78,314,856	18.4%
1982	4	5,465	860	4,605	15.7%	2003	42,617	76,708,611	16,893,997	59,817,210	22.0%
1983	3	736	0	736	0.0%	2004	37,069	71,332,606	17,256,069	54,076,660	24.2%
1984	33	7,531	788	6,778	10.5%	2005	36,206	68,336,596	19,085,412	49,254,981	27.9%
1985	41	10,628	2,034	8,594	19.1%	2006	41,142	73,527,350	22,154,945	51,374,641	30.1%
1986	1	1,925	0	1,925	0.0%	2007	49,623	96,761,115	26,587,676	70,178,288	27.5%
1987	121	46,626	1,765	44,891	3.8%	2008	72,213	106,244,201	36,067,944	70,178,293	33.9%
1988	5	143,484	0	143,484	0.0%	2009	78,689	94,457,280	42,318,224	52,144,623	44.8%
1989	410	108,754	19,320	89,435	17.8%	2010	125,117	111,586,978	53,583,206	58,012,315	48.0%
1990	481	178,137	23,622	154,515	13.3%	2011	140,545	101,118,101	49,397,696	51,726,485	48.9%
1991	904	324,613	45,022	279,591	13.9%	2012	133,116	95,165,374	44,554,619	50,611,410	46.8%
1992	655	500,615	83,614	417,001	16.7%	2013	129,293	91,534,647	40,233,756	51,303,769	44.0%
1993	1045	414,635	83,805	330,830	20.2%	2014	134,647	90,765,737	33,580,707	57,185,773	37.0%
1994	674	356,511	70,763	285,748	19.8%	2015	107,275	77,245,735	10,732,323	66,513,413	13.9%
1995	717	485,798	126,907	358,890	26.1%	**Total**	**1,225,218**	**$1,317,393,268**	**$446,250,691**	**$871,187,148**	**33.9%**

Notes: Of the 1.2 million penalty accounts, some are for the same individual for different vehicles or the same vehicle at different times. The Motor Vehicle Administration (MVA) retains 100% of the penalty fine collected by the Central Collection Unit (CCU). CCU adds an additional 17% to the fine, which it retains (the 17% is not included in this chart). The amount collected does not include fine revenues collected by MVA prior to the account being sent to CCU.

Source: Motor Vehicle Administration; Department of Legislative Services

Uninsured Motorist Coverage

Uninsured motorist coverage pays for injury and damages caused by an uninsured or hit-and-run driver. This coverage reimburses the policyholder, members of the policyholder's family, or designated driver for an accident caused by the uninsured motorist. This coverage generally pays for medical bills and wage loss; pain, suffering, and disfigurement; emotional distress; and loss of future earning capacity. Uninsured motorist coverage may also include property damage as long as the insured's coverage is at least equal to the required coverage under MAIF's Uninsured Division and minimum coverage levels specified in Title 17 of the Transportation Article.

If an insured's liability coverage under his or her private passenger motor vehicle liability insurance exceeds the amount required by State law, the insured may choose to partially waive the required uninsured motorist coverage; this must be done on a written form that is approved by the Commissioner and include specified information about the nature, extent, benefit, and cost of the level of uninsured motorist coverage being waived. The waiver allows any uninsured motorist coverage to meet the minimum required insurance for liability coverage; otherwise, uninsured motorist coverage must equal the liability coverage of the policy.

Uninsured Motorist Task Force

Chapter 41 of 2014 established the Task Force to Study Methods to Reduce the Rate of Uninsured Drivers. The task force must study and make recommendations regarding (1) the rate of uninsured drivers in the State and other states and the ways in which the rate is calculated by MVA and other entities; (2) the deterrents and incentives that are used in the State and in other states, or that could be used in the State, to reduce the rate of uninsured drivers; and (3) methods to lower the cost of insurance as a way to reduce the rate of uninsured drivers and promote economic and job opportunities associated with vehicle ownership.

During the 2014 and 2015 interims, the task force worked with MAIF, MVA, MIA, and others to identify and implement many low-cost strategies to educate the public about the requirement for and benefits of automobile insurance. For example, the websites of both MVA and MIA have been updated with additional information about the State's compulsory automobile insurance laws. Furthermore, MVA is in the process (and, in some cases, implementation is complete) of (1) modifying its online renewal web page, paper, and registration renewal notices and (2) updating the driver education curriculum to include more information related to the automobile insurance laws. Furthermore, the task force learned that the State's new financial literacy curriculum used in grades 3 through 12 contains substantive materials related to purchasing the mandatory automobile insurance.

In order to focus more on how best to enable individuals to purchase automobile insurance, and increase enforcement when they do not, the task force has requested an extension for its final report, which was originally due December 31, 2015.

MAIF's Uninsured Division

MAIF's Uninsured Division is available to qualified Maryland citizens involved in accidents with an uninsured vehicle. To be eligible, Maryland residents must have no other form of collectible insurance. For example, a pedestrian, struck by an uninsured vehicle, who does not own a vehicle and has no other collectible household coverage would be eligible to collect from the Uninsured Division. The Uninsured Division is funded through uninsured motorist penalty fines. UCJF pays claims for MAIF's Uninsured Division.

State Revenues:

Uninsured Motorist Penalty Revenue Distribution

A portion of the fines collected under the escalating penalty structure for lapsed security is retained in MVA (30%); the rest (70%) is directed from the Maryland Department of Transportation under a specified allocation formula to the Department of State Police's Vehicle Theft Prevention Fund, the School Bus Safety Enforcement Fund, MAIF, and the general fund. The 30% allocated to MVA (1) must be used to enforce vehicle insurance law and (2) may be used to provide funding for contracts with independent agents to assist in the recovery of evidences of registration (this amount may not exceed $1.0 million in any fiscal year).

Because the maximum revenues that other funds receive from the fines are capped and they already receive their full allocations, any change in the penalty revenues under the bill only results in a change to the revenues for TTF (the 30% retained in MVA) and the general fund (the remainder from the 70%).

Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured

MVA advises that it is likely to begin the program period on January 1, 2017. Therefore, most of the one-time revenue realized due to the program is collected in fiscal 2017; however, it is expected that many participants will choose to finance their payments, resulting in some revenue being collected in fiscal 2018. Additionally, to the extent that MVA begins the program period on a slightly later date, a larger share of the revenue may be collected in fiscal 2018.

CCU estimates that approximately 122,845 unique debtors are eligible for the program. Among these individuals, there are 416,613 accounts with a total outstanding balance of

$766.9 million. CCU advises that very little is currently being collected on most of these debts; the only payments it generally receives are State tax interceptions and other offsets payments. Therefore, even though the bill lowers the total amount of revenue the State is *owed* from uninsured motorist penalties, to the extent that the bill results in uninsured motorist penalty revenues being *collected* when they otherwise would not have been, TTF and general fund revenues increase significantly. Even so, a reliable estimate of the increase in TTF and general fund revenues cannot be made due to considerable uncertainty regarding participation in the program. However, *for illustrative purposes only,* if 5% more of the outstanding penalty revenues are collected through the program when they otherwise would not have been, TTF revenues may increase by $26.8 million and general fund revenues may increase by $11.5 million while the program is in effect in fiscal 2017 and 2018.

Department of Budget and Management – Central Collection Unit

Similar to the effect described above for uninsured motorist penalty revenues, the bill is expected to further increase general fund revenues through the 17% assessment CCU charges in addition to any actual debt for the accounts it must investigate and recover. Using the above example that 5% more of the outstanding penalty revenues may be collected as a result of the program, *for illustrative purposes only*, general fund revenues further increase by $6.5 million in fiscal 2017 and 2018 as a result of the bill.

Premium Tax

Automobile liability insurance policies are subject to a 2% premium tax administered by MIA. General fund revenues further increase beginning in fiscal 2017 from the premium tax to the extent that the program is successful at lowering the number of uninsured motorists in the State by enabling those motorists to purchase automobile liability insurance. Assuming most motorists who participate in the program maintain coverage beyond the required six-month or one-year period under the bill, general fund revenues increase in the out-years as well.

State Expenditures:

Motor Vehicle Administration

This estimate is based on the following facts and assumption:

- MVA advises that it is likely to begin the program period on January 1, 2017, and this estimate assumes that is the case. If MVA decides to begin the program period on a later date, the total TTF expenditures remain unchanged; however, a larger portion of the expenditures may take place in fiscal 2018.

- Participation in the program will be relatively high. To the extent that participation is lower, TTF expenditures decrease as fewer staff are required to assist in the administration of the program.
- Many participants in the program will choose to finance their required payments. To the extent that this is not the case, TTF expenditures may decrease as contractual staff would not be needed for as long a period of time to assist in tracking participant payments.
- Many participants in the program will be required to keep the required security for one year due to the amount of their outstanding penalties. To the extent that fewer participants must meet this requirement, TTF expenditures decrease as contractual staff would not be needed for as long a period of time to ensure participants maintain the required security.

TTF expenditures increase by as much as $600,044 in fiscal 2017 to hire eight contractual customer agents to verify applications for the program, assist in taking phone calls, make account adjustments, track participant information, and perform other administrative duties; four of the positions begin October 1, 2016, and terminate May 31, 2018; the other four positions begin December 1, 2016, and terminate November 30, 2017. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate also includes one-time costs in fiscal 2017 of (1) $58,900 for postage and other supplies needed to mail the required notices to eligible motorists and (2) $350,000 for programming expenses to update MVA's computer systems to administer and monitor the program. Future years reflect the elimination of one-time costs and contractual positions, as well as additional maintenance costs for MVA's new computer systems.

Contractual Positions	8.0
Salaries and Fringe Benefits	$191,194
Supplies and Postage	58,850
Programming Expenses	350,000
Total FY 2017 State Expenditures	**$600,044**

TTF expenditures may be partially offset to the extent that MAIF uses its UCJF to assist in the administration of the program; however, any such impact cannot be reliably estimated at this time. TTF expenditures are expected to be fully offset by TTF revenues collected through the program.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

Central Collection Unit

CCU advises that, under the bill, it is responsible for assisting in the administration of the program. Specifically, CCU representatives are likely to be required to assist MVA representatives in explaining, calculating, and monitoring any payment plans established under the bill. CCU must also process the adjustments to the waived portions of participants' debt and develop a legal document to use if a debtor breaches the requirements of the program. Even so, CCU advises that, due to the short duration of the program, it does not anticipate needing any additional staff to handle these increased responsibilities.

Additional Information

Prior Introductions: None.

Cross File: HB 912 (Delegate Frick) - Economic Matters.

Information Source(s): Maryland Department of Transportation, Department of Budget and Management, Maryland Insurance Administration, Comptroller's Office, Maryland Automobile Insurance Fund, Department of Legislative Services

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Appendix 9. List of Publications

Publications

Consumer Federation of America

- *High Price of Mandatory Auto Insurance in Predominately African American Communities*, November 2015, by Tom Feltner, Director of Financial Services; and Douglas Heller, Consumer Advocate

- *What Works: A Review of Auto Insurance Rate Regulation in America and How Best Practices Save Billions of Dollars*, November 2013, by J. Robert Hunter, Director of Insurance; Tom Feltner, Director of Financial Services; and Douglas Heller, Consulting Insurance Expert

- *The Use of Credit Scores by Auto Insurers: Adverse Impacts on Low- and Moderate-Income Drivers*, December 2013, by Stephen Brobeck, Executive Director; J. Robert Hunter, Director of Insurance; and Tom Feltner, Director of Financial Services

- *The High Price of Mandatory Auto Insurance for Lower Income Households: Premium Price Data for 50 Urban Regions*, September 2014, by Tom Feltner, Director of Financial Services; Stephen Brobeck, Executive Director; and J. Robert Hunter, Director of Insurance

- *State Automobile Insurance Regulation: A National Quality Assessment and In-Depth Review of California's Uniquely Effective Regulatory System*, April 2008, by J. Robert Hunter, Director of Insurance

- *Uninsured Drivers: A Societal Dilemma in Need of a Solution*, March 2014, by Stephen Brobeck, Executive Director; Michael Best, Policy/Research Advocate; and Tom Feltner, Director of Financial Services

Insurance Information Institute

- *The Insurance Fact Book*, 2015

Insurance Research Council

- *Potential Effects of No Pay, No Play Laws*, November 2012

- *Auto Insurance Affordability*, November 2013

- *Uninsured Motorists*, 2014 Edition, August 2014; and 2011 Edition, April 2011

Federal Insurance Office, U.S. Department of the Treasury

- *Annual Report on the Insurance Industry* (Completed pursuant to Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act), September 2014

Federal Trade Commission

- *Credit-Based Insurance Scores: Impacts on Consumers of Automobile Insurance: A Report to Congress by the Federal Trade Commission*, July 2007

National Association of Insurance Commissioners

- *The Potential Effects of No Pay, No Play Laws*, 2013, by Patrick Schmid, Ph.D.

Maryland Agencies

- Maryland Insurance Administration, *Auto Insurance, A Comparison Guide to Rates, As of February 2016*
- Maryland Insurance Administration, *A Consumer Guide to Auto Insurance*
- Maryland Insurance Administration, *A Consumer Guide to Auto Insurance for Teen and Young Adult Drivers*
- Maryland Insurance Administration, *2014 Report on the Effect of Competitive Rating on the Insurance Markets in Maryland*, MSAR#995, October 15, 2014
- Maryland Insurance Administration, *2015 Report on the Use of Territory as a Rating Factor in Establishing Private Passenger Automobile Insurance Rates*, MSAR#5892, June 2015
- Maryland Insurance Administration, *Final Report of the Automobile Insurance Task Force to Study Rates in Urban Areas*, April 2006
- Maryland State Department of Education, *Implementation of Personal Financial Literacy Education, 3rd Annual Update*, Fall 2014, http://www.marylandpublicschools.org/fle/
- *Uninsured Motorist Coverage in Maryland*, 21 U. Balt. Law Rev. 171 (1992) by Andrew Janquitto
- Maryland General Assembly, *Report of the Task Force on Maryland Automobile Insurance*, December 1984

- Maryland General Assembly, *Report of the Special Committee on No-Fault Insurance MD Y3, IN 56: 2/C/ 1972*, January 31, 1972

Other States Agencies

- California Department of Insurance, *Report to the Legislature and Consumer Education and Outreach Plan, California's Low Cost Auto Insurance*, 2013 by Chris Shultz, Deputy Commissioner, Community Programs; Melanie Ramil, Chief, External Affairs; Linda Yarber, Bureau Chief, Consumer Education and Outreach; Barry Nelson, Supervisor, Consumer Education and Outreach; and Durriya Syed, Community Programs Coordinator

- State of Alabama, Department of Revenue, *Online Insurance Verification System, Annual Report*, January 31, 2015

- Committee on Banking and Insurance, *Florida's Motor Vehicle No-Fault Law*, Report Number 2006-12 (prepared for the Florida Senate), November 2005

- Arkansas Insurance Department, *Report to the Legislative Council and the Senate and House Committees on Insurance and Commerce of the Arkansas General Assembly, (as required by Act 1452 of 2003): Use and Impact of Credit in Personal Lines Insurance Premiums Pursuant to Ark. Code Ann. Section 23-67-415*, by Dan Honey, Deputy Commissioner, Compliance Arkansas Insurance Department, June 1, 2012

- Insurance Division of Iowa, *The Use of Credit-Based Insurance Scoring in Iowa*, (prepared for Commissioner Susan E. Voss, Insurance Division of Iowa) 2011, by Angel N. Robinson, Consumer Advocate, Iowa Insurance Division

- Michigan Office of Financial and Insurance Services, *The Use of Credit Scoring in Automobile and Homeowners Insurance*, (a report to the Governor, the Legislature, and the People of Michigan) December 2002, by Frank M. Fitzgerald, Commissioner, Office of Financial and Insurance Services

- Missouri Department of Insurance, *Insurance-Based Credit Scores: Impact on Minority and Low Income Populations in Missouri*, January 2004, by Brent Kabler, Ph.D., Research Supervisor, Statistics Section

- State of Washington, Office of the Insurance Commissioner, *A Report to the Legislature: Effect of Credit Scoring on Auto Insurance Underwriting and Pricing*, January 2003, by Washington State University, Social and Economic Sciences, Research Center, Dave Pavelchek, PRR Inc., Bruce Brown

- California Department of Insurance, *California's Low Cost Auto-Insurance Program: Understanding Program Components, Data Management, and Purchasing Decisions*,

(prepared for the California Department of Insurance) March 2014, David C. Barker, Ph.D., Director, Institute for Social Research; Cristina Larsen, Ph.D., Research Analyst, Institute for Social Research; Allison Musvosvi, Graduate Research Analyst, Institute for Social Research; Paul Bianchi, Graduate Research Analyst, Institute for Social Research (California State University, Sacramento)

- Georgetown University Law Center, Scholarship@Georgetownlaw, *Do Credit-Based Insurance Scores Proxy for Income in Predicting Auto Claim Risk?* 2015, by Darcy Steeg Morris, U.S. Census Burea; Daniel Schwarcz, University of Minnesota – Twin Cities; and Joshua C. Teitelbau, Georgetown University Law Center (http://scholarship.law.georgetown.edu/facpub/1521; http://ssrn.com/abstract=2685304