



TESTIMONY IN SUPPORT OF SENATE BILL 373

Date: February 10, 2021

Position: Favorable

Bill Number: Senate Bill 373

Bill Title: **Vehicle Laws – Suspension of Driver’s License or Vehicle Registration – Unpaid Judgments**

Senate Bill 373 restores Maryland Automobile Insurance Fund’s (MAIF) ability to request the Motor Vehicle Administration to suspend a driver’s license or vehicle registration for an unpaid judgment. This ability encourages at-fault drivers to pay for the damages they caused while driving uninsured. Without this ability, MAIF will collect on fewer judgements and will have to be rely more on funding from the State and from MAIF policyholders. For this reason, MAIF supports SB 373.

MAIF’s Interest in SB 373

MAIF operates both as an insurer (Insured Division) and as the successor to the Unsatisfied Claims and Judgement Fund (Uninsured Division). In both capacities, MAIF relies on recoveries from uninsured motorists who were at-fault in motor vehicle accidents.

In the Insured Division, MAIF pays claims to its policyholders under uninsured motorist coverage for damages incurred in an accident with an uninsured motorist. This is standard in the insurance industry and MAIF’s process is the same.

In the Uninsured Division, MAIF, using State funds, pays claims to Maryland residents involved in automobile accidents when no other collectible insurance is available. Most of these cases involve either a pedestrian or a passenger. The claims are funded by the State through a portion of uninsured motorist penalty fines collected by the MVA under *Transportation Art. §17-106*. Once a claim is paid, recovery efforts are expected against the at-fault, uninsured motorist. *Insurance Art. §20-608*.

The concept is that the at-fault driver, rather than the State or MAIF policyholders, should be responsible for the loss. The funds collected are separately accounted for and are used to pay claims and expenses of the respective divisions. *Insurance Art. §20-301(c)(2)(iii)*. If collections by either division are reduced, additional funding from the State (Uninsured Division) or the policyholders (Insured Division) would be required.

SB 373

SB 373 would restore the ability of MAIF to initiate the suspension of a driver's license or registration when the uninsured motorist fails to either pay the judgement or enter a payment plan. This ability was withdrawn with the passage of HB 280, Ch.149 (2020). That bill primarily addressed license suspension based on failure to pay fines and fees but also covered judgements. SB 373 would leave most of Ch.149 intact and would, going forward, allow suspensions only based on the failure to pay a judgement.

While some uninsured motorists voluntarily enter a payment plan or pay in full once a judgement is issued, the more typical case is that the uninsured motorist ignores the process until advised their license or registration may be suspended. A potential suspension is the only leverage in the typical case to encourage the uninsured motorist to enter into a payment plan, often \$100 a month or less. Maryland Auto's payment plans are very flexible as we believe any recovery is positive and payment plans are the most productive. Without a potential suspension, MAIF believes that payment plans will be much harder to achieve and recoveries will be substantially reduced.

MAIF does rely on these recoveries to fund operations. The Insured Division typically had approximately 350 current payment plans that generated on average \$55,000 per month. The Uninsured Division average of 230 payment plans generated on average \$30,000 per month. These payment plans have dropped considerably from a combined number of 580 to 459 in January 2021 and the amount recovered has dropped to \$53,000 from \$85,000. MAIF believes that these recoveries will continue to drop each month as fewer and fewer individuals will be inclined to continue current plans or enter new payment plans.

Amendment

The amendment would make it clear that MAIF is covered by the bill

Conclusion

Accordingly, MAIF urges the Senate Judicial Proceeding to issue a favorable report on Senate Bill 373, as amended.

For Information: Sandra Dodson – Government Relations – 667-210-5182