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Governor

ANTHONY G. BROWN
Lt. Governor



RALPH S. TYLER
Commissioner

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April 14, 2008

The Honorable Thomas V. "Mike" Miller, Jr.
President of the Senate
H-107 State House
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker of the House of Delegates
State House
Annapolis, Maryland 21401-1991

RE: Report on SB 460 (2004, ch. 127)

Dear President Miller and Speaker Busch:

The 2004 General Assembly enacted Senate Bill 460, Private Passenger Motor Vehicle Liability Insurance – Coverage for Claims of Family Members. The bill created Section 19-504.1 of the Insurance Article which requires private passenger motor vehicle liability insurance policies with liability limits greater than the amounts required by Section 17-103 of the Transportation Article to offer the first named insured coverage for claims made by a family member in the same amount as the liability coverage for claims made by a non-family member under the policy.

Section 2 of this bill required that the Maryland Insurance Administration ("MIA") study the impact on private passenger motor vehicle liability insurance rates as a result of requiring insurers to make this offer. This mandatory offer became applicable to all policies or binders that were issued, delivered or renewed on or after January 1, 2005. This report was due to you on January 10, 2008.

In order to obtain the necessary information, the MIA issued a Bulletin on February 4, 2008 to all property and casualty insurers writing private passenger liability insurance in the State to determine what impact this mandatory offer has had on rates. A copy of Bulletin 08-04 is attached hereto. Having received the responses to this data call and having had an

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opportunity to review and analyze same, the MIA is now in a position to report back to the General Assembly on the impact of this legislation on rates.

For the majority of Maryland consumers, there has been no increase in rates and for others, the increase has been minimal. The data call revealed the following information:

- 66% of the insurers writing private passenger motor vehicle liability insurance advised that they automatically increased the liability coverage for claims of family members to the same level as the liability coverage for claims of non-family members at no additional charge.
- 33% of the insurers writing private passenger motor vehicle liability insurance advised that they imposed an additional charge for this coverage. The average charge imposed by this group of insurers was 3% of the bodily injury coverage of the policy's premium.
- Less than 1% of the insurers writing private passenger motor vehicle liability insurance advised that they were not impacted by this legislation since they wrote the minimum liability limits required by State law.

When asked about the increase in claims made as a result of this mandatory offering, 31% of the insurers writing private passenger motor vehicle liability insurance advised that they had received liability claims from family members. However, it should be noted that most insurers did not have a different claim code to enable them to distinguish between family and non-family member claims.

In conclusion, it appears that by enacting SB 460 (2004, ch. 127), there has been a minimal increase, if any, upon private passenger motor vehicle liability insurance rates for Maryland consumers.

Very truly yours,

Signature on original

P. Randi Johnson

PRJ/kos
Enclosures

cc: The Honorable Thomas M. Middleton, Chairman, Senate Finance Committee
The Honorable Dereck E. Davis, Chairman, House Economic Matters Committee
Tamela D. Burt, Committee Staff, Senate Finance
Tinna M. Quigley, Esquire, Committee Counsel, House Economic Matters
Sarah T. Albert, Library and Information Services, Department of Legislative Services (5 copies)

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Ralph S. Tyler, Commissioner

Beth Sammis, Deputy Commissioner

Kimberly Y. Robinson, Director of Government Relations

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BULLETIN 08-04

**To: Property and Casualty Insurers Writing Private Passenger Auto
and All Interested Parties**

Re: §19-504.1 – Coverage for Claims of Family Members – Request for Data

Date: February 4, 2008

This bulletin applies to Property and Casualty insurers writing the following types of policies:

- Private Passenger Automobiles (PPA) motor vehicle liability insurance policies where the liability limits for non-family members exceed the statutory minimums as set forth in §17-103 of the Transportation Article of the Maryland Annotated Code.

Please answer the following questions to enable the Maryland Insurance Administration to determine what impact the mandatory offering of liability limits for coverage for claims made by a family member in the same amount as the liability coverage for the claims made by a nonfamily member have had upon motor vehicle liability insurance rates in Maryland.

Please note that the company received this bulletin because positive premium is shown on Lines 19.1, 19.2 and 21.1 of the Annual Statement for Maryland. If the company does not write PPA policies as defined above, please briefly explain what type of policies reflect this premium.

1) Does your company write PPA policies as defined above?

If the answer is NO, please state so and submit your response electronically. No further action is required. If your answer is YES, please proceed to the next question.

2) Following the enactment of SB 460 during the 2004 Legislative Session which became effective October 1, 2004 and applied to all private passenger motor vehicle liability insurance

policies and binders issued, delivered or renewed in the State on or after January 1, 2005, did your company automatically increase the liability coverage for family members to match the liability limits for non-family members at no additional charge?

If the answer is YES, please state so and submit your response electronically. No further action is required. If the answer is NO, please proceed to the next question.

3) If your company charged for increasing the liability coverage for family members to match the liability limits for non-family members, please explain how that cost was calculated, what percentage of the overall premium this coverage represents and identify the filing, by company and MIA tracking numbers, made with the Administration that reflects that additional cost.

4) Has your company received claims (whether open or closed) that were made by family members seeking this increased coverage? If so, please provide the number of claims for calendar year 2005, 2006 and 2007.

If the answer is NO, please submit your response electronically and no further action is required. If the answer is YES, please proceed to the next question.

5) What percentage of PPA claims that have been received are subject to the provisions of §19-504.1 (please round to 3 decimal places)? Please separate by 2005, 2006 and 2007.

6) Please quantify the impact (as a percent – round to 3 decimal places) on total claim amounts as a result of §19-504.1? Please separate by 2005, 2006 and 2007.

7) Has the claim activity been such that your company is planning to make a rate filing as regards this particular issue ONLY (either to base rates or to family member increased limits factors)? (YES or NO)

8) Has claim activity been such that a filing will only be considered with other claim activity in addition to §19-504.1 claim activity? (YES or NO)?

A NO implies that §19-504.1 activity is not considered at all.

All responses to this Bulletin and questions regarding same should be directed to:

Linas Glemza, P&C Actuary
Maryland Insurance Administration
Phone: (410) 468-2044
Email: lglemza@mdinsurance.state.md.us

Please respond no later than March 12, 2008.

Ralph S. Tyler, Insurance Commissioner

Signature on original

By:

P. Randi Johnson, Associate Commissioner
Property & Casualty

Bulletin 08-04 Reporting Instructions

In addition to the eight questions, please provide;

- 1) For all companies with group, include NAIC Group Code, NAIC Company Code and Company name. Please list this information prior to the answers to the eight questions.
- 2) Everything needs to be provided in one file. Preferred formats are WORD or EXCEL, or a PDF document.
- 3) Please include contact information within your submission. At a minimum, please include the following: 1) Name 2) Phone Number and 3) an email address.