

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6711**

**BILL NUMBER: SB 386**

**NOTE PREPARED: Jan 5, 2004**

**BILL AMENDED:**

**SUBJECT:** Motor Vehicle Insurance.

**FIRST AUTHOR:** Sen. Hume

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill increases the (1) minimum amounts of financial responsibility required for motor vehicles; (2) amount that must be credited upon a judgment for certain damages arising from a motor vehicle accident for the judgment to be considered satisfied; and (3) policy minimums for underinsured motor vehicle insurance. The bill also requires an insurer that issues or delivers a motor vehicle policy to offer medical expense payment coverage.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** The bill requires an insurer that issues or delivers a motor vehicle policy to offer medical expense payment coverage. If an insurer does not offer medical expense payment coverage and this omission is brought to the attention of the Commissioner of the Department of Insurance (DOI), the insurer could be subject to a hearing with the Commissioner of Insurance. The DOI should be able to handle any additional expenses associated with additional hearings given its current budget and resources.

**Explanation of State Revenues:** As a result of the hearing, the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

IC 9-25-8-2 provides that a person who knowingly operates or permits the operation of a motor vehicle on a public highway commits a Class A infraction unless financial responsibility is in effect. However, the offense is a Class C misdemeanor if the person knowingly or intentionally violates the law and has a prior unrelated conviction or judgment.

The above proposal raises the minimum amounts of financial responsibility that would be required. If additional court cases occur as a result of the increase, revenue to the state General Fund may increase if infraction judgments and court fees are collected. The maximum judgment for a Class A infraction is \$10,000, which is deposited in the state General Fund. If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed. 70% of the court fee would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court.

If a person is found guilty of a Class C misdemeanor, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class C misdemeanor is \$500. Criminal fines are deposited in the Common School Fund.

**Explanation of Local Expenditures:** The proposal could increase expenditures for local units if they purchase motor vehicle insurance. It is not known if or to what extent they purchase such insurance.

A Class C misdemeanor is punishable by up to 60 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

**Explanation of Local Revenues:** If additional court actions are filed and a judgment is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$70 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

**State Agencies Affected:** Department of Insurance.

**Local Agencies Affected:** Local units that purchase motor vehicle insurance; trial courts, local law enforcement agencies.

**Information Sources:** Denny Costerison, School Boards Association.

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.