

Department of Fiscal Services  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 480 (Senator Bromwell)  
Finance

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**Maryland Automobile Insurance Fund - Assessment Limits**

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This bill alters the circumstances under which the Maryland Automobile Insurance Fund (MAIF) must impose an assessment on auto insurance companies by specifying that the total surplus, rather than just the private passenger auto surplus, is used to determine when a private passenger auto assessment is required. Under current law, a private passenger auto assessment is required when the private passenger auto surplus falls below 25% of the average of net direct written private passenger auto premiums for the last three years. The bill does not alter the calculation of the commercial auto assessment limit.

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**Fiscal Summary**

**State Effect:** None. The bill would not directly affect governmental operations or finances.

**Local Effect:** None.

**Maryland Automobile Insurance Fund (MAIF):** MAIF would forego up to \$27 million in private passenger auto assessments as discussed below.

**Small Business Effect:** None. The bill would not directly affect small businesses.

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**Fiscal Analysis**

**Background:** Under MAIF's enabling legislation, the imposition of an assessment on auto insurers was required whenever MAIF had an operating loss. Chapter 139 of 1995, enacted in response to extraordinary growth in MAIF's total surplus, provides instead that surplus may be used to fund an operating loss if the preceding year-end surplus is greater than or equal to 25% of the average of the direct written premiums for the three immediately preceding years. The assessment limits must be calculated separately for MAIF's private passenger auto

(PPA) insurance and commercial auto (CA) insurance lines.

**Maryland Automobile Insurance Fund (MAIF):** Under current law, an assessment is not required unless MAIF's *PPA* surplus (\$70 million at the end of 1996) falls below 25% of MAIF's average net direct written PPA premiums for the last three years (\$44 million at the end of 1996). Under the bill, an assessment would not be required unless MAIF's *total* surplus (\$97 million at the end of 1996) fell below 25% of MAIF's average net direct written PPA premiums for the last three years (\$44 million). Thus, the bill would delay the need for a PPA assessment, and based on 1996 figures, MAIF would forego assessments of up to \$27 million.

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**Information Source(s):** Maryland Automobile Insurance Fund, Maryland Insurance Administration, Department of Fiscal Services

**Fiscal Note History:** First Reader - February 21, 1997

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