

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 603 (Delegate Frank)  
Economic Matters

Referred to Finance

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Private Passenger Motor Vehicle Insurance Policies -  
Coverage for Rental Cars

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This amended bill extends collision or any comprehensive coverage included in a person's private passenger motor vehicle insurance policy to any passenger car rented by that person for a period of 30 days or less. Under current insurance law, the extension of coverage of the rental car only applies to collision coverage.

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Fiscal Summary

**State Effect:** Indeterminate increase in general fund revenues in FY 1998 only due to one-time filing fees collected by the Maryland Insurance Administration. Expenditures would not be affected.

**Local Effect:** None.

**Maryland Automobile Insurance Fund (MAIF):** Indeterminate increase in claim payouts by MAIF as discussed below.

**Small Business Effect:** Potential meaningful effect on small businesses as discussed below.

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Fiscal Analysis

**State Revenues:** General fund revenues could increase by an indeterminate amount since insurance companies would be subject to \$100 rate and form filing fees collected by the Maryland Insurance Administration. The number of insurers who will file new rates and forms as a result of the bill cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

**Maryland Automobile Insurance Fund (MAIF):** MAIF's claim payouts would increase to

the extent that there are any additional claims made as a result of the bill. Vehicle theft claims average \$15,000 each and other comprehensive claims average \$2,000 each. For illustrative purposes, 15 additional vehicle thefts and 36 additional other comprehensive claims would result in an increase in MAIF's claim payouts of \$297,000.

**Small Business Effect:** This bill would shift comprehensive coverage for rental cars from the rental car company to the insurance policy of the person who rents the vehicle. Automobile insurance premiums are based in part on the exposure of the insured. Thus, if the exposure of rental car companies decreases, rental car companies that purchase insurance could realize reduced premiums. Those rental car companies that are self-insured could realize savings from reduced liability. Of the approximately 60 passenger rental car units in the State, 87% are small businesses. However, only about 26% of passenger rental car company employees work for small businesses and only about 24% of wages paid to passenger rental car company employees are paid to employees who work for small businesses.

An individual's coverage under their private passenger automobile policy would be enhanced by this bill. While this would reduce the need to purchase a collision damage waiver offered by rental car companies, private passenger automobile policyholders would likely realize increased premiums as a result of the additional coverage.

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

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