

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 974 (Delegate McComas)
Economic Matters

Motor Vehicle Liability Insurance - Daylight Driving Discount for Seniors

This bill authorizes motor vehicle liability insurers in the State to offer a discount to drivers who are at least 75 years old and agree to limit operation of a motor vehicle to daylight hours. The insurer may retract the discount from a driver who is (1) involved as the driver in an accident that occurs outside daylight hours without a satisfactory explanation or (2) found to be driving outside daylight hours on a regular basis. The driver may then be required to repay the amount of the discount for the full policy period. This discount may be offered in addition to other discounts the insurer offers.

The bill applies to all private passenger motor vehicle insurance policies issued, delivered, or renewed in the State on or after the bill's October 1, 2015 effective date.

Fiscal Summary

State Effect: To the extent insurers in the State choose to offer the discount specified in the bill, Maryland Insurance Administration special fund revenues increase minimally in FY 2016 due to \$125 rate and form filings fees.

Maryland Automobile Insurance Fund (MAIF) Effect: While the bill does not require MAIF to offer the daylight driving discount, if MAIF chooses to do so, nonbudgeted expenditures increase by \$31,100 in FY 2016 due to programming costs to include the discount process in MAIF's existing systems and rate and form filling fees. Revenues decrease correspondingly; however, this may be offset by a decrease in expenditures, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The security required must provide at least the payment of claims:

- for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons;
- for property of others damaged or destroyed in an accident of up to \$15,000;
- unless waived, for personal injury protection of \$2,500 per person; and
- for uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

For motor vehicle personal injury and property damage coverage, an insurer may provide a rate discount to an insured who is at least 55 years old and, among other things, has completed a Maryland Vehicle Administration-approved course in accident prevention. Additionally, private passenger motor vehicle insurers in the State are required to offer a discount to any individual who has gone three continuous years under the insurer's policy without (1) incurring a moving violation; (2) incurring no more than one point; and (3) with no chargeable traffic accident.

Background: Motor vehicle liability insurers offer a variety of discounts to drivers based on characteristics that correlate with safer driving or fewer accidents. Examples include (1) good driver discounts for drivers with a history free of accident claims; (2) good student discounts for student drivers with decent grades or who have just graduated; (3) auto club membership discounts for drivers who belong to an organization that provides roadside assistance; (4) professional organization discounts for drivers who belong to certain professional groups; (5) low-risk occupation discounts for drivers in professions that statistically have a lower risk of accident; and (6) low-mileage discounts for drivers whose mileage is below a certain level. Insurers may also offer discounts based on safety equipment installed in the motor vehicle (such as anti-lock brakes and airbags) or having multiple vehicles under the same insurance policy.

MAIF Fiscal Effect: MAIF advises that including such a discount in its existing computer systems would require a one-time programming cost of \$31,000 in fiscal 2016. If MAIF chooses to offer the discount, nonbudgeted revenues decrease based on the discount it decides to offer, as well as how many of its policyholders agree to the terms of the discount. However, the decrease in revenues may be offset to the extent that the discount restrictions result in fewer overall accidents for these policyholders.

MAIF advises that about 1% (400) of its policyholders are at least 75 years old. *For illustrative purposes*, based on MAIF's average annual premium of \$1,900, if MAIF were to choose to offer a 5% discount for the bill's discount program, a policyholder who chooses the discount policy would save \$95. If all 400 policyholders signed up for the discount, MAIF revenues would decrease by \$38,000.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Maryland Automobile Insurance Fund, DMV.org, Department of Legislative Services

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