

STATE FARM INSURANCE COMPANIES

SB902/HB1129 (Wildlife – Protections and Highway Crossings)

Position: Opposed

State Farm is the second largest writer of private passenger automobile insurance in Maryland, with 886,000 policies in force. There are 433 State Farm agents across Maryland, all of whom are independent small business owners with over 2,000 employees in the State. State Farm pays approximately \$30 million in premium taxes to the State each year, and it gives hundreds of thousands of dollars back to Maryland each year in charitable giving.

State Farm opposes SB902/HB1129 (Wildlife – Protections and Highway Crossings) because it is funded through a \$10 annual wildlife-vehicle collision mitigation fee on insured motor vehicles in the State, which would be required to be collected by insurers and remitted to the State. According to the Fiscal Note, this fee would generate approximately \$51 million for the Fund annually.

State Farm does not have a system in place to assess and bill for the fee, so this bill would impose a significant programming expense. The Fiscal Note shows that the programming expense for the Maryland Automobile Insurance Fund alone would be over \$700,000, and MAIF represents only about 1% of the total market, indicating that overall this bill would impose nearly \$70 million in programming costs industry-wide. The fee also represents a significant added cost to the cost of automobile insurance, exacerbating rising automobile insurance costs currently being experienced due to inflation and other factors.

Policy periods do not align with calendar years, so this creates additional complexity and resulting implementation costs with the collection of an “annual fee.” Further, the bill appears to require insurers to verify whether a new insured had already paid the fee for that year if they switch insurers mid-year. It is unclear how an insurer could verify this information and this burden would represent an additional and ongoing expense of the bill. Further, if the bill is interpreted to require a refund if an insured cancels before the end of the policy period, this would add to the implementation costs of the bill.

Additionally, only law-abiding citizens who carry automobile insurance would pay the fee, allowing the estimated 14% of drivers who are able to drive uninsured to benefit from their violation of Maryland law.

If this program is to be adopted and funded through a fee on the driving public, it should be funded with a broad based fee directly collected by State through an existing mechanism such as vehicle registrations.