

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE

House Bill 560 (Delegate Workman)
 Economic Matters

Motor Vehicle Insurance - Rate Reduction - Defensive Driving Course

This bill provides that an insurer must provide a rate reduction of not less than 5% for motor vehicle personal injury, property damage, and collision insurance to an insured who is 55 years of age and has completed the National Safety Council’s Defensive Driving Course or an equivalent course approved by the Motor Vehicle Administration. The rate reduction must be in effect for three years after the insured successfully completes the driving course and must be renewed if the insured successfully completes another such course within six months before the end of that three-year period.

The bill specifies circumstances under which an insurer may deny or cancel the rate reduction and specifies that an insurer is not required to provide an additional rate reduction if an insured completes a subsequent defensive driving course, during the period for which the rate reduction is in effect.

Fiscal Summary

State Effect: FY 1997 general fund revenues would increase by \$20,000 due to one-time fees collected by the Maryland Insurance Administration and decrease by \$19,500 due to a reduction in insurance premium taxes collected. In sum, general fund revenues would increase by \$500 in FY 1997. Future year revenues reflect a decrease in premium taxes collected adjusted to reflect growth.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$500	(\$20,100)	(\$20,700)	(\$21,300)	(\$22,000)
GF Expenditures	0	0	0	0	0
Net Effect	\$500	(\$20,100)	(\$20,700)	(\$21,300)	(\$22,000)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

State Revenues: Approximately 100 private passenger automobile insurers will submit revised rate and form filings with the Insurance Commission and pay the required \$100 rate filing fee and \$100 form filing fee. As a result, general fund revenue will increase by about \$20,000 in fiscal 1997. This is a one-time increase and will not occur in future years.

Approximately 775,000 of Maryland's drivers are over 55 years of age. It is estimated that 10% of these drivers will successfully complete a course in accident prevention and become eligible for the premium discounts provided by this bill. Assuming insurers offer a 5% reduction in premiums, net written premiums for motor vehicle personal injury, property damage, and collision coverage will decrease by \$975,000 in fiscal 1997. Based on these estimates the State will collect \$19,500 less in premium taxes in fiscal 1997.

The net effect on general fund revenues will be an increase of \$500 in fiscal 1997 which represents an increase of \$20,000 in filing fees and a decrease of \$19,500 in premium taxes. Revenue projections in the out-years reflect a decrease in premium taxes adjusted to reflect a 3% growth.

Information Source(s): Maryland Insurance Administration

Fiscal Note History: First Reader - February 19, 1996

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