

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 135 (Senator Amoss)
Finance

Motor Vehicle Liability Insurance - Minimum Required Security

This bill increases the minimum mandatory liability limits for motor vehicle insurance as follows:

- The minimum coverage for a bodily injury or death claim involving one person is increased from \$20,000 to \$25,000;
- The minimum coverage for a bodily injury or death claim involving more than one person is increased from \$40,000 to \$50,000; and
- The minimum coverage for property damage is increased from \$10,000 to \$15,000.

In addition, the bill alters the maximum benefits payable by the Maryland Automobile Insurance Fund to reflect these increased minimum security requirements.

Fiscal Summary

State Effect: General fund revenues would increase by about \$553,400 in FY 1997. Future year revenue projections are adjusted for inflation. Expenditures would not be affected because the Maryland Insurance Administration could handle any increased activity with existing resources.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$553,400	\$528,800	\$544,700	\$561,000	\$577,800
GF Expenditures	0	0	0	0	0
Net Effect	\$553,400	\$528,800	\$544,700	\$561,000	\$577,800

Local Effect: Local expenditures could increase by a minimal amount as discussed below. Revenues would not be affected.

Fiscal Analysis

State Revenues: The bill will impact approximately 200 commercial automobile insurers who will need to submit rate filings with the Insurance Commissioner and pay a \$100 fee. The bill will impact about 100 personal automobile insurers who will need to submit filings to revise their rates, rules, and uninsured motorist waiver forms and pay a \$100 rate filing fee and a \$100 form filing fee. As a result, general fund revenues will increase by about \$40,000 in fiscal 1997.

In addition, the State will collect additional premium taxes. Almost all commercial automobile insurance policies provide liability coverage in excess of the minimum required by law. However, it is estimated that only 20% of all private passenger automobile insurance policies are written in an amount equal to the minimum liability coverage allowed by law. Insures with minimum liability coverage thus will need to purchase additional insurance to meet the mandatory liability limits established by this bill. As a result, their insurance premiums will increase by an estimated 5%.

Based on the estimates provided above, the State will collect about \$213,400 in additional premium taxes from private passenger automobile insurers in fiscal 1997. The State will also collect about \$300,000 in additional premium taxes for policies written by the Maryland Automobile Insurance Fund (MAIF).

In sum, general fund revenues will increase by about \$553,400 in fiscal 1997 which includes the additional filing fees and premium taxes. Future year revenue projections reflect an increase in premium taxes only and include 3% growth for inflation.

Maryland Automobile Insurance Fund:

MAIF's rates for automobile insurance would increase as to reflect the increased mandatory liability limits established by this bill. MAIF estimates that its premiums would increase as demonstrated on the following table:

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Territory	Premium	Dollar Increase	Percentage Increase
01 Baltimore City	\$1,634	\$135	9.0%
02 5 Miles Baltimore	\$1,341	\$111	9.0%
08 Montgomery Co. Outer	\$722	\$59	8.9%
09 Prince George's Outer	\$782	\$66	9.2%
10 Baltimore Outer	\$1,164	\$97	9.1%
11 Montgomery Co. Inner	\$887	\$73	9.0%
12 Prince George's Inner	\$959	\$80	9.1%
13 Eastern Shore	\$576	\$45	8.5%
14 Remainder	\$703	\$57	8.8%
Statewide			9.0%

Local Expenditures: Local expenditures could increase for those counties and municipalities that purchase automobile insurance in an amount equal to the minimum liability coverage allowed by law. These local governments would need to purchase additional insurance to comply with the revised mandatory liability limits established by this bill. As a result, their automobile insurance premiums would increase by about 5%. However, DFS estimates that most counties and municipalities are self-insured or purchase liability coverage in excess of the State's mandatory liability limit. Therefore, the impact on local expenditures would be minimal.

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

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