

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 156 (Senator Astle)
Finance

Insurance - Elimination of the Pollution Exclusion for Residential and Commercial Property

This bill provides that residential or commercial property insurance policies issued or renewed after October 1, 1996 may not exclude coverage for bodily injury or property damage resulting from pollutants or waste products discharged from heating, ventilation, air-conditioning, or refrigeration (HVACR) systems. In addition, property insurance policies must cover losses, costs, or expenses resulting from a government directive or request that the insured clean up pollutants or waste products associated with HVACR systems.

Fiscal Summary

State Effect: General fund revenues would increase by more than \$10,000 in FY 1997. Future year revenues would also increase by an indeterminate amount due to additional premium taxes collected. Expenditures would not be affected because the Maryland Insurance Administration could handle the additional rating activity with existing resources.

Local Effect: None.

Fiscal Analysis

State Revenues: There are about 50 insurers writing residential and commercial property insurance in the State. It is anticipated that each insurer will file a revised rating schedule and a form related to pollution exclusions with the Insurance Commissioner and pay the required \$200 fee. As a result, general fund revenues will increase by \$10,000 in fiscal 1997.

In addition, premiums for residential and commercial property insurance will increase to reflect the added risk of protecting an insured against losses related to pollutant damage from HVACR systems. Therefore, the State will collect additional premium taxes in

proportion to the increase in rates charged for property insurance. Any increase in revenue resulting from additional premium taxes cannot be reliably determined at this time.

Information Source(s): Maryland Insurance Administration

Fiscal Note History: First Reader - February 15, 1996

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