

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1085 (Delegate Hurson)
Economic Matters

**Motor Vehicle Liability Insurance - Minimum Liability Coverage -
Property Damage**

This bill increases, from \$10,000 to \$20,000, the minimum mandatory liability coverage for property damage in a motor vehicle insurance policy. The bill does not affect minimum coverage required for bodily injury.

Fiscal Summary

State Effect: General fund revenues could increase by \$190,500 in FY 1998; future year revenues 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 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$190,500	\$196,200	\$202,100	\$208,100	\$214,400
GF Expenditures	0	0	0	0	0
Net Effect	\$190,500	\$196,200	\$202,100	\$208,100	\$214,400

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

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

Small Business Effect: Potential minimal impact on small businesses as discussed below.

Fiscal Analysis

State Revenues: The State would collect additional premium taxes. Almost all commercial automobile insurance policies provide liability coverage in excess of the minimum required by current law. However, it is estimated that 20% of all private passenger automobile insurance policies are written in an amount equal only to the minimum liability coverage. Insurers with minimum liability coverage thus will need to purchase additional insurance to

meet the mandatory liability limit established by this bill. As a result, their insurance premiums will increase by an estimated 2%.

Based on the estimates provided above, the State would collect about \$90,676 in additional premium taxes from private passenger automobile insurers in fiscal 1998. The State would also collect about \$99,800 in additional premium taxes for policies written by the Maryland Automobile Insurance Fund (MAIF).

In addition, general fund revenues could increase since auto insurance companies would be subject to rate and form filing fees. Each insurer that revises its rates and amends its insurance policy must submit the proposed change(s) to the Insurance Administration and pay a \$100 rate and form filing fee. The number of insurers who will file new rates and forms as a result of the bill's requirements cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time.

In sum, general fund revenues would increase by about \$190,476 in fiscal 1998, not including the additional filing fees. Future year revenue projections reflect 3% growth for inflation.

Maryland Automobile Insurance Fund (MAIF): MAIF's rates for automobile insurance would increase to reflect the increased mandatory liability limits for property damage (PD) coverage established by this bill. MAIF estimates that its premiums would increase as demonstrated in the following table:

Territory	PD Premium	PD Increase	PD Change
Baltimore City	\$302	\$44	14.6%
Baltimore Inner	\$295	\$42	14.2%
Montgomery County Outer	\$256	\$37	14.5%
Prince George's County Outer	\$241	\$34	14.1%
Baltimore Outer	\$287	\$41	14.3%
Montgomery County Inner	\$271	\$39	14.4%
Prince George's County Inner	\$243	\$35	14.4%
Lower Eastern Shore	\$175	\$24	13.7%
Remainder	\$218	\$31	14.2%
Statewide			14.3%

Local Expenditures: Local expenditures could increase for those counties and municipalities that purchase automobile insurance only 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 2%. 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.

Small Business Effect: Small businesses that purchase auto insurance in an amount equal to the minimum liability coverage allowed by current law would experience an increase in auto insurance premiums of about 2%. However, DFS assumes that most businesses purchase liability coverage in excess of the State's mandatory liability limit. Therefore, the impact on small businesses would be minimal.

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

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