

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 27 (Delegate Arnick)

Economic Matters

Vehicle Laws - Required Security - Minimum Requirements

This bill increases the minimum mandatory liability coverage in a motor vehicle insurance policy:

- from \$20,000 to \$40,000 for bodily injury for any one person;
- from \$40,000 to \$80,000 for bodily injury for more than one person; and
- from \$10,000 to \$15,000 for property damage.

Fiscal Summary

State Effect: General fund revenues could increase by \$938,800 in FY 1999; future year revenues are adjusted for growth. Expenditures would not be affected because the Maryland Insurance Administration (MIA) could handle any increased activity with existing resources.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$938,800	\$967,000	\$996,000	\$1,025,900	\$1,056,700
GF Expenditures	0	0	0	0	0
Net Effect	\$938,800	\$967,000	\$996,000	\$1,025,900	\$1,056,700

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

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

Small Business Effect: Potential minimal impact on small businesses.

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 under current law. However, it is estimated that 20% of all private passenger auto insurance policies are written in an amount equal only to the minimum liability coverage. Insureds with minimum liability coverage thus will need to purchase additional coverage to meet the mandatory liability limit established by this bill. As a result, their insurance premiums will increase by an estimated 5% according to MIA.

Based on the estimates provided above, the State would collect \$236,079 in additional premium taxes from private passenger auto insurers in fiscal 1999. The State would also collect \$702,720 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 \$938,799 in fiscal 1999, not including the additional filing fees. Future year revenue projections reflect 3% growth.

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

Territory	20/40/10	40/80/15	% Change
Baltimore City	\$1,183	\$1,599	35.2
Baltimore Inner	\$992	\$1,323	33.4
Montgomery County Outer	\$601	\$769	28.0
Prince George's County Outer	\$645	\$840	30.2
Baltimore Outer	\$886	\$1,173	32.4
Montgomery County Inner	\$715	\$929	29.9

Prince George's County Inner	\$769	\$1,019	32.5
Lower Eastern Shore	\$457	\$590	29.1
Remainder	\$562	\$727	29.4

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. Legislative Services assumes 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. Legislative Services assumes that most businesses purchase liability coverage in excess of the State's mandatory liability limit. Therefore, any impact on small businesses would be minimal.

Information Source(s): Maryland Insurance Administration, Maryland Automobile Insurance Fund, Motor Vehicle Administration, Department of Legislative Services

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