

Department of Legislative Services  
 Maryland General Assembly  
 1999 Session

FISCAL NOTE  
 Revised

Senate Bill 511 (Senator Astle)

Finance

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**Motor Vehicle Rental Companies - Authority to Sell or Offer Insurance to Renters**

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This bill establishes regulatory authority over the sale of insurance products by motor vehicle rental companies. The bill requires a motor vehicle rental company to qualify for and hold a special restricted certificate of qualification issued by the Maryland Insurance Commissioner before the company or any salaried or hourly employee may sell or offer insurance to a renter in connection with and incidental to a rental agreement. Penalty provisions are provided for rental companies that violate any provisions of the bill.

The bill is effective and applicable to insurance policies offered or sold, and to acts of motor vehicle rental companies and their employees occurring on or after January 1, 2000. The bill also extends the termination of Chapter 746 of 1998 from May 31, 1999 until December 31, 1999.

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**Fiscal Summary**

**State Effect:** Special fund revenues could increase by \$5,000 in FY 2000. Future year revenues reflect biennial renewal fees and annual form filing fees. Potential minimal increase in general fund revenues due to the bill's penalty provisions. Any workload increase could be handled with existing resources.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	\$5,000	\$2,500	\$5,000	\$2,500	\$5,000
SF Expenditures	\$0	\$0	\$0	\$0	\$0
Net Effect	\$5,000	\$2,500	\$5,000	\$2,500	\$5,000

Note: SF = special funds

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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## Fiscal Analysis

**Bill Summary:** In order to obtain a certificate of qualification: (1) the policies offered to renters must be filed with and approved by the Insurance Commissioner; (2) the rental company must hold an appointment with each insurer the company intends to represent; (3) the rental company must make certain disclosures to the renter before the completion of the transaction; and (4) the company must provide certain training approved by the Insurance Commissioner, for any employee who offers, sells, or solicits insurance coverage.

The special restricted certificate of qualification authorizes the rental company to sell insurance policies that are in excess of the coverages required of the rental car company and are travel or motor vehicle related and in which the rental period does not exceed 30 days. A policy issued by a rental company is primary to any other valid and collectible coverage except for the coverages required by the motor vehicle rental company on the rental vehicle under § 17-103(B) of the Transportation Article.

Under certain circumstances, the Commissioner may suspend, revoke, or refuse to renew a special restricted certificate of qualification. The Commissioner may also impose a penalty of not less than \$100 but not more than \$2,500 and/or restitution to any person who has suffered financial injury.

The bill requires the Insurance Commissioner to report to the Senate Finance Committee and the House Economic Matters Committee by February 15, 2002 on the types of employee compensation and incentive packages used by motor vehicle rental companies, during the two years following enactment of the bill.

**Background:** Chapter 746 of 1998 will terminate on May 31, 1999. This Act authorized motor vehicle rental companies to offer for sale certain insurance policies under certain circumstances. The company was required to have the policies approved by the Insurance Commissioner, train employees, and provide disclosures approved by the Commissioner to each renter. The Act also required the Commissioner to conduct a study of current industry practices and other states' regulation of rental car companies. A report was presented to the General Assembly in November 1998. This bill is a result of the recommendations of that study.

**State Revenues:** Special fund revenues could increase for the Maryland Insurance Administration from two sources. First, the \$50 biennial certificate of qualification fee required by the bill could result in a biennial increase in revenue of \$2,500. It is estimated

that there are 50 rental car companies operating in Maryland that sell or will sell insurance products. Second, special fund revenues could increase \$2,500 annually due to rental companies' policies being subject to \$125 rate and form filing fees. It is estimated that the administration will receive an average of 20 rate and form filings annually.

In addition, general fund revenues could increase minimally under the bill's monetary penalty provisions.

**State Expenditures:** Any workload increase could be handled with existing resources. Although there would be a minimal, one-time cost related to changing licensing programs, the licensing process is performed by an outside contractor. The contractor's fees are paid by the insurers that employ agents.

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**Information Source(s):** Maryland Insurance Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 1999  
nncsjr Revised - Senate Third Reader - April 1, 1999

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