

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 725 (Senator McFadden)

Finance

Automobile Insurance Rates - Geographic Area

This bill prohibits an insurer from using rates for private passenger automobile insurance based on geographic rating territories smaller than a region consisting of at least two counties.

Fiscal Summary

State Effect: Potential \$25,000 special fund increase in FY 2001 from rate and form filing fees collected by the Maryland Insurance Administration (MIA). Any workload increase could be handled with existing resources.

Maryland Automobile Insurance Fund (MAIF): Minimal. It is expected that MAIF's rate revenues would remain constant. MAIF would lower rates in some geographic areas and raise rates in others.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: On or before July 1 of each year, each insurer and MAIF are required to file data with MIA about the geographic distribution of private passenger premiums written for the preceding calendar year.

State Revenues: MIA estimates that approximately 200 private passenger automobile insurers would make rate filings and pay the \$125 filing fee in order to adjust their

geographic rating territories. Total premium values paid to automobile insurers from these changes should remain constant as increases in some areas are offset by decreases in others; thus, insurance premium tax revenues should not be materially affected.

Maryland Automobile Insurance Fund (MAIF): In setting its rates, MAIF currently uses geographic areas smaller than two counties in Baltimore City and in Baltimore, Anne Arundel, Howard, Montgomery, and Prince George’s counties. In those jurisdictions, MAIF’s rates would increase in Baltimore County and in parts of Anne Arundel, Howard, Montgomery, and Prince George’s counties. MAIF’s rates would decrease in Baltimore City, and parts of Anne Arundel, Howard, Montgomery, and Prince George’s counties. These changes are reflected in the chart below.

<u>Jurisdiction</u>	<u>Premium Change</u>	<u>Percentage of Policyholders Affected by Bill</u>
Baltimore City	(\$40)	100.0%
Baltimore County	\$125	73.3%
	\$285	26.7%
Anne Arundel County	(\$529)	4.2%
	(\$364)	16.4%
	\$132	79.4%
Howard County	(\$366)	5.2%
	\$138	94.8%
Montgomery County	(\$44)	36.7%
	\$125	25.9%
	\$217	37.4%
Prince George’s County	(\$31)	63.5%
	\$125	24.1%
	\$198	12.4%

MAIF expects that its rate revenues from these jurisdictions will remain constant as increases in some areas are offset by decreases in others. Rates would remain unchanged in other jurisdictions.

Additional Information

Prior Introductions: None.

Cross File: HB 723 (Delegate Marriott) - Economic Matters.

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

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mld/jr

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