

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 72 (Senator Stone)
 Finance

Motor Vehicle Liability Insurance - Minimum Required Security and Maximum Payments from MAIF - Claims for Bodily Injury or Death

This bill increases the maximum amount payable from the Maryland Automobile Insurance Fund (MAIF) uninsured division for bodily injury or death: (1) for a single individual from \$20,000 to \$25,000; and (2) for more than one individual, from \$40,000 to \$50,000. The bill also increases the minimum security required for a motor vehicle liability insurance policy for bodily injury or death: (1) for a single individual from \$20,000 to \$25,000; and (2) for more than one individual, from \$40,000 to \$50,000.

Fiscal Summary

State Effect: General fund revenues could increase by \$80,800 in FY 2004 from increased premium taxes. Future years reflect 3% annual increases in premium taxes collected. Special fund revenues could increase by \$37,500 in FY 2004 from rate and form filing fees. No effect on expenditures because any increase in workload could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA).

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	\$80,800	\$83,200	\$85,700	\$88,300	\$91,000
SF Revenue	37,500	0	0	0	0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$118,300	\$83,200	\$85,700	\$88,300	\$91,000

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

MAIF: Potential significant increase in claims payments.

Local Effect: Minimal increase in motor vehicle liability insurance costs for local governments that purchase liability insurance at the minimum level.

Small Business Effect: Minimal.

Analysis

Current Law: The maximum amount payable from MAIF's uninsured division for bodily injury or death is \$20,000 for a single individual and \$40,000 for more than one individual. For property damages, the maximum is \$15,000.

The minimum security required for a motor vehicle liability insurance policy for bodily injury or death is \$20,000 for a single individual and \$40,000 for more than one individual. The minimum security required for property damage is \$15,000, in addition to interest and costs.

State Revenues: Special fund revenues for MIA could increase by \$37,500 in fiscal 2004 from insurers paying the \$125 rate filing fee and \$125 form filing fee to comply with the increased bodily injury rates minimum coverage. MIA estimates that approximately 100 independent personal motor vehicle insurers would file revised forms and revised rates/rules. MIA further estimates that 100 independent commercial motor vehicle insurers would file revised rates and rules. The required fee must accompany each form and each rate/rule filed.

General fund revenues could increase by approximately \$80,800 in fiscal 2004 from the 2% insurance premium tax. It is estimated that approximately 20% of nonMAIF personal automobile insureds carry the minimum bodily injury benefit and that the increases in bodily injury limits may cause a 2% increase in liability insurance rates for insureds that carry the minimum bodily injury benefit. The estimate further assumes that MAIF's premiums would increase as discussed below.

MAIF: MAIF estimates that the bill would affect approximately 98% of its insureds. MAIF further estimates that an increase in the mandatory bodily injury liability limit would result in an increase of \$4 million in bodily injury premium charges in fiscal 2004, a 2.9% increase.

Additional Information

Prior Introductions: An identical bill, SB 141, was introduced in the 2002 session and received an unfavorable report from the Senate Finance Committee. A similar bill, HB 18, was introduced in the 1998 session. HB 18 would have increased the maximum amount payable from MAIF's uninsured division. It received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - January 28, 2003
ncs/jr

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510