

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 73 (Senator Stone)
 Finance

Motor Vehicle Insurance - Personal Injury Protection Coverage - Minimum Benefits

This bill increases, from \$2,500 to \$3,500, the medical, hospital, and disability benefits that motor vehicle liability insurers must provide under personal injury protection (PIP) coverage.

Fiscal Summary

State Effect: General fund revenues could increase by \$764,600 in FY 2004 from increased premium taxes. Future years reflect 3% annual increases in premium taxes collected. Special fund revenues could increase by \$50,000 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	\$764,600	\$787,500	\$811,100	\$835,500	\$860,500
SF Revenue	50,000	0	0	0	0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$814,600	\$787,500	\$811,100	\$835,500	\$860,500

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

Maryland Automobile Insurance Fund (MAIF): Total increased premium revenues for MAIF to cover the cost of increased PIP coverage would be approximately \$6 million annually.

Local Effect: Minimal increase in expenditures to local governments that carry the minimum required PIP coverage.

Small Business Effect: Minimal.

Analysis

Current Law: Unless waived, under PIP coverage, insurers are required to pay medical, hospital, and disability benefits for the individuals injured in a motor vehicle accident. The minimum medical, hospital, and disability benefit under PIP is \$2,500 for payment of all reasonable and necessary expenses that arise from a motor vehicle accident and are incurred within three years after the accident for specified services and lost income. If specified requirements are met, a primary insured may waive PIP coverage for himself or herself.

State Revenues: General fund revenues could increase by approximately \$764,600 in fiscal 2004 from the 2% premium tax assessed by MIA. It is estimated that approximately 70% of all personal automobile insureds carry the minimum PIP benefit and that the \$1,000 increase in PIP limits may cause a 25% increase in PIP rates.

Special fund revenues for MIA could increase by \$50,000 in fiscal 2004 from insurers paying the \$125 rate and form filing fee to comply with the increased PIP minimum coverage. MIA estimates that approximately 100 independent personal motor vehicle insurers, 100 independent commercial motor vehicle insurers, and several rating bureaus would file revised forms, rates, and rules. The required fee must accompany each form and each rate/rule filed.

MAIF: MAIF estimates that an increase in PIP loss payments and loss expenses would cause MAIF to increase its PIP rates by 17%, assuming that bodily injury and uninsured motorist premiums would each increase by 5%. To cover the cost of PIP loss payments and loss expenses, total premium revenues for MAIF to cover the cost of increased PIP coverage would be approximately \$6 million annually.

The average MAIF premium cost is \$1,226 for mandatory coverages. Thus, MAIF would increase premiums by an average of \$62 per policy statewide. MAIF advises that the increases would be higher in Baltimore City (\$102) and in Prince George's County (\$65).

Additional Information

Prior Introductions: An identical bill, SB 139, was introduced in the 2002 session and received an unfavorable report from the Senate Finance Committee. A substantially

similar bill, HB 916, was introduced in the 2001 session and 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 31, 2003
ncs/jr

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