

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 90
Finance

(Senator Brochin, *et al.*)

Motor Vehicle Liability Insurance - Rate Making

This bill prohibits an insurer, under an automobile liability insurance policy, from using an accident in which the insured was not at fault to determine whether to place the insured in a classification with a higher premium.

Fiscal Summary

State Effect: Special fund revenues would increase in FY 2006 from filing fees. General fund revenues could increase minimally from the 2% premium tax. Assuming relatively few complaints are received because of the bill, any increase in workload could be handled with the existing resources of the Maryland Insurance Administration (MIA).

Maryland Automobile Insurance Fund (MAIF): Because MAIF's rating system only surcharges policies for at-fault accidents, MAIF would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: For an automobile liability insurance policy, an insurer may not place an insured in a classification with a higher premium for a period of more than three years because of a specific claim or the insured's driving record. In order to determine whether to place an insured in a classification with a higher premium, an insurer may only review the previous three-year period either before a policy's renewal or, for a new policy, before the application date or effective date.

For private passenger motor vehicle insurance, an insurer may not cancel or refuse to renew coverage based on an insured's claims history in which two or fewer of the claims within the preceding three-year period were for not-at-fault accidents or losses. No provision specifically restricts a motor vehicle liability insurer from: (1) canceling or not renewing a commercial motor vehicle insured's policy for not-at-fault claims; or (2) placing any insured in a higher rate classification based on not-at-fault claims in the insured's claims history.

State Revenues: Many commercial motor vehicle insurers use experience rating as a means of modifying a premium. Experience rating takes into account all claims payments (at-fault and not-at-fault) as well as other factors to determine whether to modify a policy's premium. Private passenger motor vehicle insurers that use not-at-fault accidents as a factor to determine premium rates would also be required to change their rating policies. Insurers that change their rates because of the bill would have to file the revised rates with MIA and pay the \$125 filing fee. The number of insurers that would be affected cannot be accurately estimated. Revenues for the Insurance Regulation Fund would increase in fiscal 2006 by \$125 for each rate filed.

General fund revenues from the 2% premium tax would increase to the extent that motor vehicle insurers raise their rates because of the bill. Any such increase cannot be accurately estimated but is assumed to be minimal.

Additional Information

Prior Introductions: An identical bill, SB 205, was introduced during the 2004 legislative session and received an unfavorable report from the Senate Finance Committee. Its cross file, HB 132, 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

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Analysis by: T. Ryan Wilson

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

