

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 833

(Delegate Menes, *et al.*)

Economic Matters

Finance

Insurance - Fraud Prevention Fee - Vehicle Theft Prevention Fund

This bill increases the fraud prevention fee collected by the Maryland Insurance Commissioner from \$1,000 to \$1,500. The bill requires that one-third of the revenue collected from the fraud prevention fee be deposited in the Vehicle Theft Prevention Fund for the sole purpose of assisting local jurisdictions in preventing vehicle theft, with the remaining two-thirds continuing to go to the Insurance Regulation Fund. The bill also authorizes the Governor to transfer one-third of the money from the fraud prevention fee to the Vehicle Theft Prevention Fund.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Special fund revenues for the Vehicle Theft Prevention Fund would increase by approximately \$991,500 annually beginning in FY 2006, offset by a decrease in special fund revenues for the Insurance Regulation Fund of approximately \$151,500.

| (in dollars) | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| GF Revenue | - | - | - | - | - |
| SF Revenue | 840,000 | 840,000 | 840,000 | 840,000 | 840,000 |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | \$840,000 | \$840,000 | \$840,000 | \$840,000 | \$840,000 |

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

Local Effect: Local governments could see an increase in grants for vehicle theft prevention programs.

Small Business Effect: None.

Analysis

Current Law: All insurers and insurance professionals are required to pay a fraud prevention fee. The annual fee is \$1,000 for an insurer and \$15 each for specified insurance professionals, paid at the time of renewal. The fee must be paid by June 30 of each year. Money from the fraud prevention fee is deposited in the Insurance Regulation Fund, which pays for the operations of the Maryland Insurance Administration. The Vehicle Theft Prevention Fund is a special fund established to pay for the operating and program costs of the Vehicle Theft Prevention Council in the Department of State Police. The council may make grants from the fund for motor vehicle theft intervention programs. The fund receives \$2 million annually from penalties imposed for lapsed motor vehicle insurance under a formula, money received by the council or fund from any other source, and investment earnings.

State Revenues: The bill dedicates \$500 of the fraud prevention fee paid by insurers to the Vehicle Theft Prevention Fund. There are approximately 1,680 insurers that currently pay the fee. Special fund revenues from insurers to the Vehicle Theft Prevention Fund would increase by \$840,000 in fiscal 2006.

There are approximately 30,300 insurance professionals who are subject to the fraud prevention fee, including insurance producers, public adjusters, insurance advisers, and third-party administrators. The bill would dedicate \$5 from the \$15 fee that these professionals pay to the Vehicle Theft Prevention Fund. Thus, special fund revenues to the Vehicle Theft Prevention Fund would increase by \$151,500 in fiscal 2006, with revenues to the Insurance Regulation Fund decreasing by an equivalent amount. The total amount dedicated to the Vehicle Theft Prevention Fund under the bill in fiscal 2006 would be \$991,500. This money would then be available for grants to local governments to prevent vehicle theft.

Additional Information

Prior Introductions: None.

Cross File: SB 817 (Senator Giannetti) – Finance.

Information Source(s): Department of State Police, Maryland Insurance Administration, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2005
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