

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 530  
Finance

(Senator Middleton)

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**Motor Vehicle Insurance - Accident Prevention Courses - Discount for Seniors**

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This bill requires an insurer, for motor vehicle personal injury and property damage coverage, to provide a reduction in premium rates to an insured who is at least 55 years of age and has successfully completed, within the last two years, a course in accident prevention that meets specified criteria. The bill authorizes classroom instruction for such a course to be taken online. The bill does not apply to an insured who attends an accident prevention course under a court order or as required by the Motor Vehicle Administration (MVA) for a violation of the State's motor vehicle laws. The Maryland Insurance Commissioner is required to adopt regulations to carry out the bill.

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**Fiscal Summary**

**State Effect:** Special fund revenues would increase minimally from the \$125 filing fee in FY 2008 to the extent that automobile insurers file forms, rates, or rules because of the bill. Enforcement of the bill could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA). General fund revenue would decrease to the extent automobile insurance premium revenues decrease because of the bill.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** Generally, automobile insurance rates may not be excessive, inadequate, or unfairly discriminatory. An insurer may establish its own rating system based on these principles. Rates must be filed with the Maryland Insurance Commissioner before they

may be used. The Commissioner may investigate and determine whether rates are excessive, inadequate, or unfairly discriminatory.

An insurer may, at its option, provide a reduction in rates based on actuarial justification to an insured who is at least 55 years old and within the last two years has successfully completed an MVA approved accident prevention course that includes specified classroom instruction or practice driving and for which the insured has received a certificate of completion.

**State Revenues:** Revenues to the Insurance Regulation Fund would increase in fiscal 2008 by \$125 for each form and each rate or rule filed with MIA. The number of filings cannot be accurately predicted. *For illustrative purposes only*, if 100 insurers made two filings each because of the bill, revenues would increase by \$25,000.

General fund revenues would decrease from the 2% insurance premium tax to the extent insurers are required to lower rates for policyholders age 55 and older. Any such decrease would be offset to the extent insurers might raise rates across the board to offset lost premium revenues. The overall effect on premium tax revenue cannot be accurately estimated, but it is assumed to be negligible.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 976 of 2006, was withdrawn before receiving a hearing. Similar bills were also introduced during the 1994, 1993, 1992, and 1990 sessions. SB 702 of 1994 passed the Senate but received an unfavorable report from the House Economic Matters Committee. SB 14 of 1993, SB 540 of 1992, and SB 799 of 1990 received unfavorable reports from the Senate Finance Committee.

**Cross File:** HB 547 (Delegate Love) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 19, 2007  
ncs/ljm

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