

**Department of Legislative Services**

Maryland General Assembly

2007 Session

**FISCAL AND POLICY NOTE**

House Bill 1121

(Delegate Krysiak)

Economic Matters

---

**Maryland Automobile Insurance Fund - Fund Producers - Commissions and Expenses**

---

This bill allows the Maryland Automobile Insurance Fund (MAIF) to pay a higher commission to its insurance producers for private passenger auto insurance by modifying the commission from a flat 10% of the total premium to a rate determined by MAIF's executive director, with a minimum of 10%. The bill also increases the maximum amount that a MAIF insurance producer may charge for a driving record required to be presented with the application from \$10 plus \$1 more than the actual charge imposed by the Motor Vehicle Administration (MVA) to \$20 plus \$1 more than the MVA's actual charge.

---

**Fiscal Summary**

**State Effect:** Special fund revenues could increase by \$250 if MAIF makes two filings with the Maryland Insurance Administration (MIA). Expenditures would not be affected.

**MAIF:** Because the bill authorizes MAIF's executive director to set the commission rate, any increase in commissions paid would be tied to some sort of administrative savings for MAIF. Therefore, it is assumed that any changes in MAIF's operations would not materially affect MAIF's finances.

**Local Effect:** None.

**Small Business Effect:** Minimal.

---

## Analysis

**Current Law:** Generally, MAIF must pay to one of its insurance producers a commission of 10% of the total premium for private passenger auto insurance. For any other insurance issued by MAIF, the commission rate is determined by MAIF's executive director, but may not exceed 10% of the total premium.

A MAIF insurance producer may charge and collect, as actual expenses incurred in placing automobile insurance with MAIF, a maximum charge of \$10 plus \$1 more than the actual amount charged by the MVA for a driving record required to be presented with the application, unless otherwise provide by MAIF. Alternatively, the insurance producer may charge the amount allowed by statute for an accident activity report.

**State Revenues:** MIA anticipates that MAIF would make two filings subject to the \$125 filing fee under the bill.

**MAIF:** The bill authorizes MAIF to pay a higher commission for private passenger auto insurance policies. MAIF advises that it would likely tie any increased commission on these policies to a practice that could lower MAIF's administrative costs. For example, MAIF could pay an increased commission for policies processed electronically instead of on paper, which would offer administrative savings.

---

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 6, 2007  
ncs/ljm

---

Analysis by: T. Ryan Wilson

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