

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 7 (Delegate Burns)
Economic Matters

Automobile Insurance - Rates - Use of Territory as Factor

This bill prohibits an insurer that uses territory as a factor in establishing automobile insurance rates from defining a territory by zip code if the zip code extends into two or more counties.

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 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).

Maryland Automobile Insurance Administration (MAIF): Expenditures for MAIF would increase minimally in FY 2008 to implement changes to its rating territories.

Local Effect: Any changes to rating territories are not anticipated to affect the overall cost of insurance to local governments.

Small Business Effect: Minimal.

Analysis

Current Law: An insurer that uses territory as a factor in establishing automobile insurance must submit a statement to the Maryland Insurance Commissioner certifying that: (1) the territories used have been reviewed within the previous three years; and (2) use of the territories is actuarially justified.

By July 1 of each year, the Commissioner must report to the General Assembly about the use of territory as a factor in establishing private passenger automobile insurance rates by insurers and MAIF. The report must provide information on: (1) the number of insurers actively providing private passenger automobile insurance coverage in Maryland; and (2) the number of insurers that use territory to establish private passenger automobile insurance rates.

Background: The first report from the Commissioner about the use of territory in determining rates will be due on July 1, 2007, because the reporting requirement was adopted under Chapter 410 of 2006. By regulation, MIA is requiring automobile insurers that use territory as a rating factor to file a certification statement by June 1, 2007, upon completion of each required review of ratings, and contemporaneously with each rate filing that includes a modification of territorial rating factors.

MAIF: MAIF has nine rating territories in the State, and at least some of MAIF's territories would be revised because of the bill. To do so, MAIF would incur approximately \$2,500 in costs to reprint and distribute its manuals to insurance producers. Any reprogramming of MAIF's computers because of the bill could be handled with existing personnel.

State Revenues: Revenues to the Insurance Regulation Fund would increase in fiscal 2008 by \$125 for each rate and each 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.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Maryland Automobile Insurance Fund, Somerset County, Montgomery County, Prince George's County, Frederick County, Department of Legislative Services

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