

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 492
Economic Matters

(Delegate Smigiel, *et al.*)

**Motor Vehicle Liability Insurance - Personal Injury Protection Coverage -
Minimum Benefits**

This bill increases from \$2,500 to \$50,000, the medical, hospital, and disability benefits that motor vehicle liability insurers must provide under personal injury protection (PIP) coverage.

Fiscal Summary

State Effect: General fund revenues increase, potentially significantly, beginning in FY 2011 from increased premium taxes. Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2011 only. Expenditures are not affected, as review of form filings and any potential increase in consumer complaints can be handled with the existing budgeted resources of MIA.

Maryland Automobile Insurance Fund (MAIF) Effect: MAIF estimates a \$40.0 million increase in insurance premiums for PIP coverage on an annualized basis, with a corresponding \$799,939 increase in expenditures for premium taxes. This estimate assumes, however, that no MAIF insureds choose to waive PIP coverage due to the higher premium costs.

Local Effect: Minimal increase in expenditures for local governments that carry the minimum PIP coverage.

Small Business Effect: Potential minimal.

Analysis

Current Law: Unless waived, PIP coverage insurers are required to pay medical, hospital, and disability benefits for the individuals injured in a motor vehicle accident. The minimum medical, hospital, and disability benefit under PIP is \$2,500 for payment of all reasonable and necessary expenses that arise from a motor vehicle accident and are incurred within three years after the accident for specified services and lost income. If specified requirements are met, a primary insured may waive PIP coverage for himself or herself. A waiver of PIP coverage by the primary insured is binding on each named insured, each listed driver, and each member of the primary insured's family over the age of 16 and living in the household.

State Revenues: To the extent the minimum PIP coverage increases, premium taxes assessed by MIA may increase significantly. However, any impact on general fund revenues cannot be accurately quantified as the percent of insureds carrying the minimum PIP benefit is unknown at this time. Moreover, because the statute allows an insured to waive PIP or purchase limited PIP coverage, such an increase in the mandatory minimum coverage requirements may result in consumers dropping PIP coverage with a corresponding decrease in premium tax revenues.

MAIF Effect: MAIF advises that insurance premiums increase by \$30.0 million in fiscal 2011, due to the bill's October 1, 2010 effective date, and by almost \$40.0 million annually thereafter. Likewise, MAIF expenditures for premium taxes increase by approximately \$600,000 in fiscal 2011 and \$800,000 annually thereafter. MAIF estimates the following projected premium increase for PIP coverage of a 30-year-old adult, with zero points on the driving record:

<u>Territory</u>	<u>\$2,500 PIP</u>	<u>\$50,000 PIP</u>
01 Baltimore City	\$485	\$1,904
02 Inner Baltimore County	285	1,104
08 Outer Montgomery County	167	632
09 Outer Prince George's County	171	648
10 Outer Baltimore County	238	916
11 Inner Montgomery County	229	880
12 Inner Prince George's County	205	784
13 Eastern Shore	113	416
14 Remainder of State	152	572

This estimate assumes all current MAIF insureds with PIP coverage maintain the coverage, with higher premiums. It does not account for any corresponding increase in

premiums for bodily injury, property damage, and uninsured motorist coverage due to higher claims payouts.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mlm/ljm

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