

Department of Legislative Services  
Maryland General Assembly  
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 907  
Finance

(Senators Astle and Klausmeier)

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Transportation - Required Security - Rental Vehicles

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This bill extends to rental vehicles that are not used as replacement vehicles the application of existing requirements regarding required security coverage of replacement vehicles and the disclosure of this coverage to individuals who are loaned replacement vehicles.

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Fiscal Summary

**State Effect:** The bill pertains primarily to private-sector activities; however, special fund revenues may increase negligibly in FY 2013 only for the Maryland Insurance Administration (MIA) to the extent that the bill results in the collection of any additional \$125 rate form and filing fees associated with the revision of rental vehicle company insurance policies. The review of any rate filings can be handled within existing MIA resources.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful beneficial impact on small business vehicle rental companies to the extent the bill results in a reduction in the cost of maintaining required security for rental vehicles. Potential meaningful impact on small business providers of insurance policies and other forms of required security for rental vehicles.

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Analysis

**Current Law:** A “replacement vehicle” is defined as a vehicle that is loaned by an auto repair facility or a dealer, or that an individual rents temporarily, to use while a vehicle

owned by the individual is not in use because of breakdown, repair, service, damage, or some other reason described in the individual's insurance policy.

The owner of a replacement vehicle may satisfy the requirement to maintain required security under the Maryland Vehicle Law by maintaining required security that is secondary to any other valid and collectible coverage of the owner's vehicle, which meets the minimum required levels, while it is used as a replacement vehicle. If the owner of a replacement vehicle provides this secondary coverage, the agreement to be signed by the individual to whom the replacement vehicle is loaned must contain on the face of the agreement, in at least 10-point bold type, information that the coverage on the vehicle being serviced or repaired is primary coverage for the replacement vehicle and the coverage maintained by the owner on the replacement vehicle is secondary.

Each insurer that issues, sells, or delivers a motor vehicle insurance policy in the State must offer collision coverage for damage to insured motor vehicles. This coverage must provide insurance if the motor vehicle accident occurs in a state, Canada, or Mexico. Chapter 441 of 2010 increased, beginning January 1, 2011, the minimum security required on a motor vehicle liability insurance policy for bodily injury or death of a single individual from \$20,000 to \$30,000, and for more than one individual from \$40,000 to \$60,000. The sales tax on short-term rental vehicles is 11.5% for passenger vehicles generally and 8% on rental trucks.

**Small Business Effect:** Potential meaningful beneficial impact on small business vehicle rental companies to the extent the bill results in a reduction in the cost of maintaining required security for rental vehicles. Similarly, small business providers of required security may be meaningfully impacted to the extent the bill results in changes in existing coverage of rental vehicles. However, MIA has previously advised that it does not anticipate that the bill will result in any material change in business practices for vehicle rental companies.

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### **Additional Information**

**Prior Introductions:** HB 1058 of 2011 received a hearing in the House Economic Matters Committee, but no further action was taken. Although not designated as a cross file, SB 711 of 2011 was identical; it received a hearing in the Senate Finance Committee, but no further action was taken.

**Cross File:** HB 356 (Delegate Braveboy) - Economic Matters.

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

**Fiscal Note History:** First Reader - February 28, 2012  
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