

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 816

(Senator A. Washington)

Finance

Motor Vehicle Insurance - Rate Filings - Trade Secrets and Factors Used to Establish Rates

This bill prohibits a private passenger motor vehicle insurer that uses territory to rate an insurance policy from using more than five territories. The bill also repeals the ability of property and casualty insurers to identify that part of a rate filing includes proprietary rate-related information that must be kept confidential. **The bill applies to all policies of motor vehicle insurance offered, issued, or delivered in the State on or after January 1, 2024.**

Fiscal Summary

State Effect: Minimal special fund revenue increase for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee in FY 2024 only. MIA review of additional filings may necessitate contractual support in FY 2024 only.

Maryland Automobile Insurance Fund Effect: Although the bill limits the number of territories that may be used by a private passenger motor vehicle insurer, it is not expected to change the total amount of premiums collected by the Maryland Automobile Insurance Fund (MAIF) or any corresponding premium tax revenue attributable to MAIF policies. The bill's requirements can be handled with existing resources.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law:

Private Passenger Automobile Insurance – Rating

Under current law, a private passenger automobile insurer in the State is authorized to use territory as a rating factor (generally, the applicant's or insured's zip code, county, or city of residence) only if the insurer submits a statement to the Insurance Commissioner certifying that (1) the territories used by the insurer have been reviewed within the previous three years and (2) the use of the territories is actuarially justified.

Under the bill, a private passenger motor vehicle insurer that uses territory as a rating factor may not use more than five territories. The insurer must also submit a statement to the Commissioner certifying that it did not use more than five territories.

Filing of Proprietary Rate-related Information by Property and Casualty Insurers

Under current law, the information a property and casualty insurer files with the Commissioner is generally open to public inspection as soon as it is filed; however, an insurer may identify the information it files as "proprietary rate-related information" (defined as a rating model, including the formulas, algorithms, analyses, and specific weights given to variables used in the model). If identified in this way, the information (1) constitutes a trade secret and confidential commercial information; (2) must generally be kept confidential by the Commissioner; and (3) is not subject to subpoena, as specified. The Commissioner may determine that some or all of the material that an insurer files is not proprietary rate-related information and, if so, must follow specified procedures. Proprietary rate-related information may only be disclosed under specified circumstances.

Under the bill, all authorizations and procedures related to proprietary rate-related information are repealed. As a result, each filing and any supporting information is open to public inspection as soon as it is filed.

MAIF Fiscal Effect: MAIF advises that, while the bill is not expected to affect its total revenue because premium rates are established to cover overall risk, the bill's prohibition on the use of more than five territories would alter rates for policy holders. Specifically, a preliminary estimate of the bill's effect on MAIF premium rates by region is illustrated in **Exhibit 1**. MAIF anticipates an average increase of 4.9% for 53% of its policy holders and an average decrease of 4.6% for the other 47% of its policy holders. Other insurers in the State may have a similar experience.

Exhibit 1
Estimated Effect on Maryland Automobile Insurance Fund Premium Rates
By Region

<u>Region</u>	<u>% Average Change in Premiums</u>
Baltimore Metropolitan Area	(3.4%)
Northeastern Maryland	2.6%
Eastern Shore	5.8%
Southern Maryland and Anne Arundel County	0.1%
Western Maryland	1.9%
Montgomery and Howard Counties	0.5%
Prince George's County	0.4%

Source: Maryland Automobile Insurance Fund

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 57 of 2022.

Designated Cross File: HB 314 (Delegate Washington) - Economic Matters.

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

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rh/jc

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