Testimony of

American Property Casualty Insurance Association (APCIA)

Senate Education, Energy, & Environment Committee

Senate Bill 902 Wildlife-Protections and Highway Crossings

February 27, 2024

Unfavorable

The American Property Casualty Insurance Association (APCIA) is the primary national trade organization representing nearly 67.1 percent of the Maryland property casualty insurance market. APCIA appreciates the opportunity to provide written testimony in opposition to Senate Bill 902.

The bill requires the Dept. of Natural Resources (DNR) with the State Highway Administration to identify certain species intersect with the state highways and ascertain key locations where they are crossing. The bill also requires the DNR to estimate the cost to determine the Maryland deer population. Protecting endangered species is an important cause, to be sure, but this bill would create a new $10 "Wildlife–Vehicle Collision Mitigation Fee" on all auto insurance policies. The purpose of the fee is to fund a program to protect endangered species that live near state highways.

Protecting endangered species is an important cause, to be sure, but it should not be insurers' and policyholders' responsibility to fund this. If more funding is needed for wildlife protection, that money should come from the state's general fund – not insurers and policyholders.

Maryland auto insurance is already subject to a number of taxes, assessments, and fees. Insurers must pay a gross 2% premium tax for all Maryland auto policies. Additionally, Maryland subjects auto insurers to an additional assessment up to 3% under its Automobile Insurance Fund assessment, as well as another assessment up to 2% for the Property and Casualty Insurance Guaranty Corporation. Maryland also has a $1000 annual Insurance Fraud Prevention fee for all insurers.

Maryland also already subjects insurers to a disproportionate tax burden compared to other industries. For example, Maryland collected over $682 million of insurance taxes in FY 2023 (see page 15, here: https://marylandtaxes.gov/reports/static-files/revenue/closeout/FY2023_Closeout.pdf). By way of comparison, the corporate income tax raised $1.8 billion in the same year. This means that the insurance industry alone paid over 37% of the amount of income taxes paid by all other corporations combined. Maryland should spread this tax burden more fairly and not further increase costs to insurers and their consumers.

Further, creating this fee could increase the retaliatory tax consequences for Maryland-domiciled insurers doing business in other states. Maryland-domiciled insurers have to pay retaliatory taxes in states that impose lower taxes on insurers than Maryland. Retaliatory taxes are imposed on out-of-state insurers to equalize the tax burden between the retaliating state and the insurer's home state. As such, if Maryland creates this new fee on insurers, Maryland-domiciled insurers will have increased retaliatory tax liability in other states. Therefore, this new fee would have the public policy effect of penalizing Maryland insurers doing business outside the state.

In addition, on a practical note, it is also not clear how the fee would be collected by the insurance companies and submitted.

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For all these reasons, APCIA respectively requests an unfavorable report on Senate Bill 902.

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