



Testimony of
American Property Casualty Insurance Association (APCIA)
House Ways and Means Committee
House Bill 846 – Transportation Access and Revenue Act
February 18, 2025

Letter of Opposition

The American Property Casualty Insurance Association (APCIA) is a national trade organization whose members write approximately 66.9% of the private passenger auto insurance and 82.4% of the commercial auto insurance in the Maryland market. APCIA appreciates the opportunity to provide written comments in opposition to House Bill 846 which will increase claim costs and result in the consumer paying higher premiums.

House Bill 846 would expand the current State sales and use tax law by imposing tax on select “transportation-related services”, including automotive repair and towing services that are routinely paid by auto insurers following a policyholders claim. Currently, there are 30 property casualty insurance companies domiciled in Maryland and 33 property casualty insurance companies are headquartered here in Maryland.

The new sales tax would make Maryland less competitive and less attractive since insurers’ cost of doing business will be higher. For example, claims costs will increase because repairs to vehicles would be subject to the new 6% sales tax. In 2023, the average cost of a collision repair in Maryland was \$3,923, with an average cost of \$1,525 attributable to labor. Subjecting these labor costs to Maryland’s sales tax, as proposed here, would add an average of \$91.50 per repair. Over the most recent 12-month period, there have been over 390,000 auto insurance claims for automotive repair in Maryland, meaning the proposed sales tax changes could have added an estimated \$35 million in additional private passenger auto insurance loss costs. Additionally, since scanning and diagnostic operations are billed as labor hours, and those costs are growing rapidly as vehicles become more sophisticated, the burden created by this new sales tax will only increase in the future.

The national trend of skyrocketing claims costs and expenses brought Maryland just slightly less than the countrywide average the last two years, with claims costs and expenses of \$1.11 and \$1.03 per dollar of premium collected respectively in 2022 and 2023. House Bill 846 would certainly add significant cost pressures on auto insurance loss costs and on the premiums paid by Maryland drivers, as well as what maintenance and repair costs paid out of pocket by vehicle owners. In the end, it is the consumer who will be paying the additional cost in higher premiums. Higher costs of claims necessarily result in higher premiums for Maryland drivers, which can lead to more uninsured drivers on the road.

For these reasons, the APCIA urges the Committee to provide an unfavorable report on House Bill 846.

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