

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 456

(Senator Pugh)

Finance

Economic Matters

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**Insurance - Definition of Premium - Inclusion of Motor Vehicle Driving Record  
Report and Accident History Report Fees**

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This bill expands the definition of “premium” for the purposes of Insurance Law to include (1) a driving record report fee and (2) an accident history report fee.

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**Fiscal Summary**

**State Effect:** Minimal increase in Maryland Insurance Administration (MIA) special fund revenue from \$125 rate and form filing fees in FY 2015. Review of filings can be handled with existing budgeted resources. General fund revenues may increase minimally from the State insurance premium tax as discussed below.

**Maryland Automobile Insurance Fund (MAIF) Effect:** Because it is currently MAIF’s practice to bill these fees through premiums to insureds, expenditures and revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law/Background:** With regards to Insurance Law, “premium” includes a membership fee, policy fee, survey fee, inspection fee, service fee, or other similar fee in consideration for an insurance contract. “Premium” also includes an assessment, but it does not include an assessment made under any State law that provides for insolvency protection or insurance availability or assessments of members or subscribers of mutual or reciprocal insurers as described in § 9-225 of the Insurance Article.

Generally, a person may not willfully collect a premium or charge for insurance that is different than the applicable premium or charge of that kind of insurance under the classifications and rates filed with and approved by the Commissioner or set by the insurer. A premium finance company may not charge an insured or a prospective insured any fee for the expense that the premium finance company incurs in obtaining a Comprehensive Loss Underwriting Exchange (CLUE) automobile report if the producer has already charged the insured or prospective insured for obtaining the report.

Among the factors insurers use to decide whether to underwrite a risk, cancel, or refuse to renew coverage is information contained in a CLUE report. CLUE reports are most often used for homeowner's or automobile insurance. A CLUE report may include information such as the insured's name and birth date, the insured's current and previous addresses, the claims history of the individual or the property/vehicle, dates of claims, policy and claims numbers, and the property address of a home. Accident history reports for motor vehicles are a type of CLUE report.

Unless subject to other specified taxes under Insurance Law, MIA imposes a 2% tax on premiums derived from or reasonably attributable to insurance business in the State. Premiums that are not taxed include premiums for annuities, premiums on policies covering weekly disability benefits, and credits allowed on premiums under policies of industrial insurance because of payments made to the home office or a branch office of the insurer.

**State Revenues:** MAIF advises that it is current standard industry practice for many insurers in the State to include these fees in the premiums charged to an insured; however, the number of insurers in the State that do *not* currently follow this practice is unknown. As such, general fund revenues from the premium tax *may* increase annually starting in fiscal 2015 to the extent that automobile insurers that have not considered these fees as premiums must now do so. Any increase in general fund revenues as a result of the bill cannot be reliably estimated at this time but is expected to be minimal. It is likely that the net effect on general fund revenues is a minimal increase.

The Motor Vehicle Administration (MVA) reports that it collects approximately \$20 million in driving record report fees on an annual basis. *For illustrative purposes only*, if all but \$1 million of MVA's \$20 million in annual revenue from this type of fee were already billed as a premium, general fund revenues would increase by \$20,000 (2% of \$1 million) annually as a result of the bill. This bill does not account for any further impact due to accident history reports.

## 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

**Fiscal Note History:** First Reader - February 16, 2014  
mc/ljm Revised - Senate Third Reader - March 17, 2014

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