

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 882 (Delegates Malone and DeBoy)
Economic Matters

Office of the Attorney General - People's Insurance Counsel Division - Funding

This bill repeals the People's Insurance Counsel Fund established under Chapter 5 of the 2004 Special Session to pay the costs of the People's Insurance Counsel Division in the Office of the Attorney General. Instead, the bill alters the purpose of the Insurance Regulation Fund to include paying the costs of and incurred by the People's Insurance Counsel Division.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund revenues could increase minimally from the 2% premium tax to the extent insurers other than homeowner's and medical professional liability insurers raise rates to cover their costs for the assessment under the bill. Expenditures would not be affected.

Local Effect: Expenditures could increase minimally to the extent insurers increase the rates of local governments under the bill.

Small Business Effect: Potential minimal.

Analysis

Current Law: Chapter 5 of the 2004 Special Session established the People's Insurance Counsel, appointed by the Attorney General with the advice and consent of the Senate, in the Office of the Attorney General. The People's Insurance Counsel Division may appear before the Insurance Commissioner or in court to represent the interests of

homeowner's insurance and medical professional liability insurance consumers in the State and must review any proposed rate increase of 10% or more for these insurance consumers. The division has the rights of counsel to a party in a proceeding. Chapter 5 established a special fund, funded by an assessment on insurers that sell homeowner's or medical professional liability insurance, pursuant to a specified formula, to pay the expenses of the division.

The purpose of the Insurance Regulation Fund is to pay the costs and expenses of the Maryland Insurance Administration (MIA) to regulate the insurance industry. It is funded by an annual assessment on all insurers, pursuant to a specified formula, in addition to filing fee revenues. The assessment is required to make up 60% of MIA's budget.

In addition to the annual assessment for the Insurance Regulation Fund, MIA must assess an additional amount on health insurers for the Health Care Regulatory Fund, which pays for the cost of regulating the appeals and grievance process that health insurers must implement. Health insurers must also pay an assessment to the Maryland Health Care Commission to fund its operations.

State Fiscal Effect: The People's Insurance Counsel Division has not yet begun operations and no assessment has yet been made. It was estimated that the annual operating costs would have been somewhat less than \$1.25 million.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Office of the Attorney General, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2005
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