

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 96

(Chair, Finance Committee)(By Request - Departmental -
 Maryland Insurance Administration)

Finance

Economic Matters

**Insurance - Third Party Administrators - Term and Reinstatement of
 Registration**

This departmental bill allows for staggering of expiration dates for third party administrator (TPA) registrations with the Maryland Insurance Administration (MIA). Specifically, registrations expire two years after the date of issuance, rather than every other June 30, but an application for renewal of a registration is considered timely if it postmarked on or before the new expiration date. The bill also authorizes a TPA to renew a lapsed registration within one year after the expiration date (instead of within three months), establishes a \$100 reinstatement fee, and repeals the existing tiered reinstatement fee schedule.

Fiscal Summary

State Effect: The timing for receipt of special fund revenues may change. Under one set of assumptions, special fund revenues decrease by \$8,700 in odd-numbered fiscal years beginning in FY 2021 and increase by an equivalent amount in even-numbered fiscal years. Altering the reinstatement fee likely has a negligible impact on revenues (not reflected below). MIA likely experiences operational efficiencies, but expenditures are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	(\$8,700)	\$8,700	(\$8,700)	\$8,700	(\$8,700)
Expenditure	0	0	0	0	0
Net Effect	(\$8,700)	\$8,700	(\$8,700)	\$8,700	(\$8,700)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: An “administrator” is a person that acts for an insurer or plan sponsor and has (1) control over or custody of premiums, contributions, or any other money related to a plan or (2) discretionary authority over the adjustment, payment, or settlement of benefit claims under a plan or over the investment of a plan’s assets.

To act as a TPA, an applicant must register with the Insurance Commissioner and meet other specified requirements. The application fee is \$250. A registration expires at the end of every other June 30 (in odd-numbered years) unless renewed. Before the registration expires, the TPA must file a renewal application with the Commissioner, pay the \$50 renewal fee, and meet other specified requirements to renew.

If a TPA’s registration expires, the registration may be reinstated if done so by September 30 (three months after the June 30 renewal date). In addition to the \$50 renewal fee, an applicant for reinstatement must pay (1) \$25 if reinstated in July; (2) \$50 if reinstated in August; and (3) \$75 if reinstated in September. The Commissioner may limit the reinstatement fee to the amount of the renewal fee in cases where the reinstatement applicant did not make timely renewal because of temporary incapacity, hospitalization, or other hardship. A TPA that does not renew or reinstate the registration within that three-month period must reapply and pay the initial \$250 in order to re-register.

Background: MIA advises that the current TPA registration cycle creates an administrative burden on its licensing unit every other year. Allowing for a staggering of these registrations simultaneously eases this burden and simplifies the renewal and reinstatement process for TPAs. MIA advises that there are 349 registered TPAs. Further, it makes the process for TPA reinstatement consistent with that for producer license reinstatement.

State Revenues: Under the current TPA renewal schedule, MIA receives an estimated \$17,450 (349 TPAs x \$50) in special fund revenues in odd-numbered fiscal years as TPAs generally renew their registrations by the June 30 renewal date. Under the bill, registrations may be staggered and more evenly distributed throughout both even-numbered and odd-numbered fiscal years. For example, if one-half of registrations remain on the current schedule and the other half shift to the following year, MIA special fund revenues decrease by approximately \$8,725 in odd-numbered fiscal years and increase by approximately \$8,725 in even-numbered fiscal years.

Although this estimate assumes an even distribution of renewals between fiscal years, the actual distribution will likely vary considerably, at least initially, with most continuing to renew in odd-numbered fiscal years. Over time, the distribution will become more balanced. Further, the estimate does not include any revenue impact from altering the

reinstatement fee schedule, which is likely negligible as TPAs rarely require reinstatement. For any TPAs that miss the current three-month window, the longer reinstatement period may negate the need for any TPAs to re-register.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 21, 2020
mr/jc Third Reader - March 11, 2020
Revised - Amendment(s) - March 11, 2020

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Third Party Administrators - Term and Renewal of Licenses

BILL NUMBER: Senate Bill 96

PREPARED BY:
(Dept./Agency) Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There is no fiscal impact on small business associated with this proposal.