

SENATOR DELORES G. KELLEY
Legislative District 10
Baltimore County

—
Chair
Finance Committee

—
Executive Nominations Committee
Rules Committee
Legislative Policy Committee



Miller Senate Office Building
11 Bladen Street, Suite 3 East
Annapolis, Maryland 21401
410-841-3606 · 301-858-3606
800-492-7122 Ext. 3606
Fax 410-841-3399 · 301-858-3399
Delores.Kelley@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

TESTIMONY OF SENATOR DELORES G. KELLEY
REGARDING SENATE BILL 149-INSURANCE- APPLICATION OF THE PREMIUM
TAX-COUNTINUED EXCLUSION OF THE AUTOMOBILE INSURANCE FUND

BEFORE THE SENATE FINANCE COMMITTEE

ON JANUARY 27, 2021

Senate Finance Colleagues:

Senate Bill 149 is a straightforward Bill which does one thing: it removes the Sunset provision for the Maryland Automobile Insurance Fund (MAIF) premium tax exemption and continues the Legislature's grant of an exemption.

As you know, MAIF is the residual insurer and can only insure drivers who have been rejected or cancelled by the private market. To ensure MAIF's solvency, the Legislature has provided an assessment mechanism whereby private insurers would be assessed if their surplus falls below the assessment trigger. These assessments are ultimately paid by approximately 4 million

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Maryland drivers and for this reason the Legislature has consistently tried to avoid an assessment.

There has not been an assessment for over 30 years. In 2017, we were concerned that an assessment would be required in the next few years and the Legislature enacted SB 910, Chapter 509 (2017), which exempts MAIF from the 2% premium tax. Some insurers were concerned that this exemption would allow MAIF to unfairly subsidize rates, so the Legislature made the exemption subject to a June 30, 2022 Sunset. The 2017 bill also required the Maryland Insurance Administration to report on this issue to the Senate Finance Committee and House Economic Matters Committee to ensure the exemption was meeting the legislative purpose of increasing surplus and not subsidizing rates. This exemption is achieving its purpose.

This Bill only does one thing. It makes the MAIF premium tax exemption permanent to assist with avoiding an assessment on Maryland drivers. I urge your favorable report of SB 149.