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THE SENATE OF MARYLAND
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Testimony in Support of SB0102 - Insurance Pooling - Public Entity - Definition

Madame Chair, Mr. Vice Chair, and fellow members of the Senate Finance Committee:

SB0102 clarifies language in the code that would explicitly allow “resilience authorities” established by counties and municipalities to enter into insurance pooling.

Background

In 2020, the Maryland General Assembly enacted SB0457/HB0539, enabling legislation that allows local governments to establish “resilience authorities.” Resilience authorities may issue and sell State and local tax-exempt bonds for resilience infrastructure projects and other related financing purposes. In 2021, the Anne Arundel County Council enacted legislation pursuant to the state law to create the Resilience Authority of Annapolis and Anne Arundel County.

Under state law, “public entities” may enter into insurance pooling to spread their risk and reduce their costs of coverage. Rather than paying premiums to buy insurance from an insurance company, local governments contribute those premiums into a jointly owned fund. The money in that fund is used to pay for the members’ claims, losses and expenses. Currently, there is uncertainty as to whether resilience authorities qualify as a “public entity” qualified to participate in insurance pooling.

Existing Law

Public entities are authorized to pool together for the purpose of purchasing casualty insurance, property insurance, health insurance, or to self-insure against casualty, property, or health risks. “Public entity” means a:

- political subdivision of the State;
- unit of the State or a local government; or
- nonprofit or nonstock corporation that receives 50% or more of its budget from the State or local government and is a tax exempt under specified federal law.

Solution

SB0102 would explicitly authorize a resilience authority to pool together with other public entities, including other resilience authorities, to purchase casualty insurance, property insurance, or health insurance or to self-insure against casualty, property, or health risks.

The bill effectuates this explicit authority by including “resilience authority” into the definition of “public entity.”

Per the Fiscal Note, SB0102 would not directly affect State government operations or finances. For local governments, expenditures would decrease to the extent that the insurance pooling authorized by the bill takes place and results in decreased premium costs for resilience authorities. Revenues are not affected.

For these reasons, I respectfully request a favorable report on SB0102.