

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 442 (Chairman, Economic Matters Committee)

(Departmental - Maryland Insurance Administration)

Economic Matters

Referred to Finance

Insurance Regulation - Reports, Penalties, and Third Party Administrators

This enrolled departmental bill authorizes the Insurance Commissioner to combine two statutorily required annual reports and eliminates the Maryland Insurance Administration's regulation of third party administrators who only administer workers' compensation benefits. These provisions of the bill become effective June 1, 1996.

In addition, the bill requires the Insurance Commissioner to send an insurer holding a certificate of authority an application for renewal two months prior to the expiration date of the certificate. Insurers must mail the completed certificate of authority renewal applications and annual continuation fees by June 30. An insurer that fails to renew its certificate of authority before June 30 is subject to specified penalties and the commissioner may order the insurer to cease and desist from engaging in the business of insurance in this State. The Maryland Insurance Administration must report to the Senate Finance Committee and the House Economic Matters Committee by October 1, 1997 on the number of insurers that have failed to renew a certificate of authority in a timely manner and any action that was taken by the administration against such insurers. These provisions of the bill become effective on October 1, 1996.

Fiscal Summary

State Effect: FY 1997 revenues and expenditures would not be affected. Potential minimal increase in future year revenues due to the bill's monetary penalty provisions.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that the bill has minimal or no impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

State Revenues: There are 1,465 insurers and HMO's licensed to do business in the State. The bill provides that each insurer must file a certificate of renewal and pay a renewal continuation fee on or before June 30. Due to the October 1, 1996 effective date of this provision, the bill would not impact June 1996 renewals or fiscal 1997 revenues.

In future years, an insurer that fails to renew its certificate of authority before June 30 is subject to a daily fine of \$500 for each day from July 1 through July 10; \$1,000 for each day from July 11 through July 31; and \$5,000 for each day after July 31. In addition, an insurer may be subject to additional fines if the insurer failed to renew its certificate of authority before June 30 in the previous year. As a result, general fund revenues could increase by an indeterminate amount in fiscal 1998 and thereafter. Any increase in revenues is assumed to be minimal because the penalties provided by this bill would encourage insurers to renew their certificates of authority before June 30.

Information Source(s): Maryland Insurance Administration, Department of Fiscal Services

Fiscal Note History: First Reader - February 12, 1996
ncs Revised - House Third Reader - March 18, 1996
Revised - Enrolled Bill - April 22, 1996

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