

Department of Fiscal Services  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 191 (Senator Della, *et al.*)  
Finance

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**Insurance - Competitive Rating - Excessive Rates - Refunds of Premiums**

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This bill authorizes the Maryland Insurance Commissioner to order an insurer to refund the excessive portion of premiums collected if the Commissioner disapproves a rate. The Commissioner may order the refund of premiums collected for a period up to a year prior to the effective date of the disapproval. In addition, if a refund is ordered the Commissioner may order the insurer to pay interest at a rate set by the Commissioner.

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**Fiscal Summary**

**State Effect:** Potential indeterminate decrease in insurance premium tax revenues. The bill's requirements can be handled by the Maryland Insurance Administration with existing resources.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful impact on small businesses as discussed below.

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**Fiscal Analysis**

**State Revenues:** Any premium refunds ordered as a result of the bill would result in a decrease in revenues from the 2% premium tax that the State collects. Since this is enabling legislation, any decrease in revenues would depend on whether the Insurance Commissioner opts to order a refund when a rate is disapproved.

It is noted that there may be an indirect effect from insurers setting rates lower than they otherwise would have in order to avoid the possibility of a refund order. If rates decrease, revenues from the 2% premium tax would also decrease.

**Small Business Effect:** The number of policies and the amount of premiums that might be affected by the bill cannot be determined at this time. To the extent that small insurance

agencies and small premium finance companies would have to handle any refunds, the expense could be a burden on limited resources and personnel. In addition, refunds of premiums may result in a loss of commission income, which is based on premiums charged, for agents and brokers.

To the extent that policyholders receive refunds or that there is an indirect effect from insurers setting rates lower than they otherwise would have, policyholders, including small businesses and consumers, would benefit from lower rates.

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

**Fiscal Note History:** First Reader - February 5, 1997

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