

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1343 (Delegate Barve)
Economic Matters

Insurance - Surplus Lines Insurance

The bill alters the standards for the required diligent search that must be made before surplus lines insurance may be purchased by providing that a diligent search is deemed to be completed if: (1) the insured or broker or agent obtains declination of a risk from three authorized insurers that are writing the particular kind and class of insurance in this State; and (2) the declinations are included in the required affidavit. In addition, an agent must obtain a declination from each insurer for which the agent has been appointed that the agent knows, or should know, is actually writing on a broad basis the particular kind and class of insurance sought. Under current law, a diligent search must be made among the authorized insurers that are writing the particular kind and class of insurance in the State. The bill specifies that a diligent search may not be required for any coverage on a list of eligible surplus lines coverages compiled by the Insurance Commissioner. The bill combines two currently required reports from surplus line insurers.

The bill authorizes the Insurance Commissioner to adopt regulations that, among other things, permit a commercial insurer to waive the diligent search requirement for the procurement of a surplus lines insurance policy with an annual premium of not less than \$5,000 issued by an insurer with a financial rating of "A" or better and provide for the periodic review of information concerning the availability and affordability of insurance from authorized insurers in the State.

Fiscal Summary

State Effect: General fund expenditures would increase by \$38,300 in FY 1999; out-year estimates reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	38,281	47,902	49,588	51,335	53,144
Net Effect	(\$38,281)	(\$47,902)	(\$49,588)	(\$51,335)	(\$53,144)

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

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Expenditures: General fund expenditures could increase by an estimated \$38,281 in fiscal 1999, which accounts for the bill's October 1, 1998 effective date. This estimate reflects the cost of hiring one MIA Technician to review and analyze the semiannual statements filed by the State's 26 surplus lines brokers and the other information collected concerning the availability and affordability of insurance from authorized insurers in the State. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

Salaries and Fringe Benefits	\$35,021
Other Operating Expenses	<u>3,260</u>
Total FY 1999 State Expenditures	\$38,281

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

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

Fiscal Note History: First Reader - March 10, 1998
lc Revised - House Third Reader - April 2, 1998
Revised - Enrolled Bill - April 28, 1998

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