

Department of Legislative Services  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 164 (Senator Trotter)

Finance

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**Life Insurance - Public Entities - Authority to Pool**

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This bill authorizes “public entities” to pool together to purchase life insurance or to self-insure against life risks. A public entity is defined as a political subdivision of the State, a unit of State or local government, or a nonprofit or nonstock corporation that: (1) receives 50% or more of its annual operating budget from the State or a local government; and (2) is exempt from federal taxation as a nonprofit. Under current law, public entities may pool together to purchase property and casualty insurance or health insurance or to self insure against property, casualty, or health risks.

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**Fiscal Summary**

**State Effect:** Assuming any life insurance pool formed as a result of the bill would not be administered by a State agency, there would be no effect on State expenditures. Revenues and expenditures for the State Employees Health Benefits Program could decrease by a minimal amount if public entities that currently participate as satellite accounts withdraw.

**Local Effect:** Potential minimal decrease in expenditures. Revenues would not be affected.

**Small Business Effect:** Potential minimal effect on small businesses.

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**Fiscal Analysis**

**State Effect:** Assuming any life insurance pool formed as a result of the bill would not be administered by a State agency, there would be no effect on State expenditures. However, if a State agency would be responsible for administering such a pool, an indeterminate number of additional employees may be needed. The number of entities or enrollees that might be involved in such a pool cannot be reliably estimated at this time.

Some of the public entities that would qualify to pool together to purchase life insurance or to self-insure under the bill currently participate in the State Employees Health Benefits Program as satellite accounts. This participation allows them to take advantage of the group

rates for life insurance as well as for health insurance. There are about 29 satellite accounts with 1,700 contracts covered in the State's program. To recoup the administrative costs, the State charges an administrative fee, which is 2% of the annual premium costs for enrolled members. As a result of this bill, some of the existing satellite accounts may withdraw from the State's plan. However, any such withdrawal would have a minimal impact on the State's program.

**Local Expenditures:** Counties and municipalities that choose to pool with other entities to purchase life insurance or to self-insure against life risks could realize a minimal decrease in administrative costs in providing life insurance to their employees.

**Small Business Effect:** A small business that would qualify under the bill as a nonprofit or a nonstock corporation and that would choose to pool with other entities could realize a minimal decrease in administrative costs in providing life insurance to its employees.

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**Information Source(s):** Department of Budget and Management; Maryland Insurance Administration; Baltimore City; Allegany, Prince George's, Montgomery, and Talbot counties

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