

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1286 (Delegates Frank and Morhaim)

Economic Matters

Insurance - Property and Casualty Insurance Guaranty Corporation - Cap

This bill increases from \$300,000 to \$750,000 the maximum amount of “covered claims” that the Property and Casualty Insurance Guaranty Corporation is required to pay except as to surety bonds. The bill increases from \$300,000 to \$700,000 the maximum amount of covered claims that the corporation is required to pay as to surety bonds.

Fiscal Summary

State Effect: Potential indeterminate increase in premium tax revenues. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Effect: The Property and Casualty Insurance Guaranty Corporation is a nonprofit, non-stock corporation established to protect Maryland residents who are claimants or policyholders of an insurer which has become insolvent. Funds are derived from an assessment against insurers licensed to write property casualty insurance in the State. Since its inception in 1971, there have been 45 insolvencies in the State. Because the corporation is not a State agency and is exempt from insurance fees and taxes, the effect of the bill on the corporation would not directly affect State operations or finances. However, a significant increase in claims payouts could require the corporation to charge additional assessments on insurers. To the extent that insurers would in turn increase premiums, State premium tax revenues would increase. Any increase depends largely on future insolvencies and the amount of covered claims, which cannot be reliably estimated at this time.

Small Business Effect: In the event of an insolvency, small businesses with covered claims greater than \$300,000 would benefit from the increase in the caps to \$700,000 and \$750,000.

On the other hand, any increase in premiums could increase costs for affected small businesses.

Information Source(s): Maryland Insurance Administration, Property and Casualty Insurance Guaranty Corporation, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 1998

lc

Analysis by: Sarah Dickerson

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710