

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 46

(Chairman, Finance Committee)

(Departmental – Insurance Administration, Maryland)

Finance

Economic Matters

Insurance - Risk Based Capital Standards for Insurers - Exemption

This departmental bill authorizes the Maryland Insurance Commissioner to exempt from the risk based capital (RBC) standards a domestic health insurer that: (1) writes direct business only in Maryland, assumes no reinsurance exceeding 5% of direct premiums written, and writes direct annual premiums for comprehensive medical business of \$2,000,000 or less; or (2) covers fewer than 2,000 lives if the health insurer is a nonprofit dental services coverage provider or a dental plan organization.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: All insurers must comply with prescribed RBC standards. The commissioner may exempt from the RBC standards domestic property and casualty insurers that: (1) write direct business only in Maryland; (2) write direct annual premiums of \$2,000,000 or less; and (3) assume no reinsurance exceeding 5% of direct premiums written.

Background: Chapter 331 of 2000 (HB 92) applied RBC standards that previously applied to life insurers and property and casualty insurers to health insurers, nonprofit health service plans, health maintenance organizations (HMOs), dental plan organizations, and provider-sponsored organizations.

MIA advises that no HMOs would currently qualify for the exemption. MIA further advises that four or five dental plan organizations may qualify for the exemption. These organizations would incur lower operating costs because they would not have to meet RBC standards and file RBC reports. MIA advises that health insurers with a small market presence are adequately protected by the minimum surplus requirement.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader – January 18, 2001
ef/jr

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510