

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1102
Economic Matters

(Delegate Barve)

Insurance - Examination Requirements - Accredited Entities

This bill requires the Maryland Insurance Commissioner, in determining whether to conduct an examination of an authorized insurer, an insurer's management company, an insurer's subsidiary, a rating organization, or a health maintenance organization (HMO), to: (1) determine whether the entity is accredited by a nationally recognized accrediting organization as meeting standards that are the same or substantially similar to the statutory and regulatory standards to be examined; and (2) give priority in scheduling and conducting examinations to those entities that are not accredited by a nationally recognized accrediting organization.

Fiscal Summary

State Effect: Assuming that altering the priority in scheduling and conducting examinations of insurers would not alter the frequency or the time required to conduct insurer examinations, the bill's requirements could be handled with the existing resources of the Maryland Insurance Administration (MIA).

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Whenever the Commissioner considers it advisable, the Commissioner is required to examine the affairs, transactions, accounts, records, and assets of each authorized insurer, insurer's management company, insurer's subsidiary, rating

organization, or HMO. The Commissioner must examine each domestic insurer and HMO at least once every five years. The Commissioner must also examine an insurer or HMO that applies for an original certificate of authority and a rating organization that applies for an original license. Instead of conducting an examination, the Commissioner may accept a full report, certified by the insurance regulatory authority of another state, of the most recent examination of a foreign insurer or HMO, alien insurer or HMO, or out-of-state rating organization. Generally, examinations must be done at the entity's home office, place of business, or place where records are kept. Entities being examined must pay the Commissioner's costs related to the examination.

State Fiscal Effect: MIA advises that there are approximately 800 insurers authorized to operate in the State. It is likely that fewer than half of them are accredited. Of those accredited, all are either life or health insurers. The bill neither increases nor decreases the five-year period during which the Commissioner must examine each domestic insurer. Instead, the bill alters the weight that the Commissioner must give to factors in determining whether to examine one insurer over another. Further, it is assumed that the bill would not increase the length, or the complexity, of any given examination. Based on this, MIA should be able to handle the bill's requirements with existing budgeted resources. MIA, however, advises that the bill would require five additional examiners at a total cost in fiscal 2005 of \$213,800 to maintain the current five-year frequency by which each domestic insurer must be examined.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 22, 2004
ncs/ljm

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510