

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 533 (Chairman, Economic Matters Committee)
(By Request – Departmental – Insurance Administration, Maryland)
Economic Matters Finance

Insurance - Impaired Insurers

This departmental bill alters the definition of an impaired insurer.

Fiscal Summary

State Effect: None. The changes are stylistic and corrective in nature.

Local Effect: None.

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

Analysis

Bill Summary: A stock insurer is considered an impaired insurer if its assets, less all liabilities and required reserves, do not equal or exceed the capital stock and surplus required for authority to engage in insurance business as a stock insurer.

The bill includes a dental plan organization with mutual insurers to determine whether the dental plan organization is an impaired insurer. A mutual insurer, reciprocal insurer, dental plan organization, or nonprofit health services plan whose assets, less liabilities and required reserves, do not equal or exceed the minimum surplus required for authority to engage in insurance business.

Current Law: A stock insurer is considered an impaired insurer if its assets, together with total issued and outstanding capital stock and minimum surplus, do not equal or exceed all liabilities and required reserves.

A mutual insurer, reciprocal insurer, or nonprofit health service plan is considered an impaired insurer if its assets, together with the minimum surplus required for authority to engage in insurance business, do not equal or exceed all liabilities and required reserves.

As determined by the Maryland Insurance Commissioner, an insurer is an impaired insurer if it does not have the financial ability to pay an obligation within 30 days after the obligation becomes due.

Background: The change in the definition of “impaired insurer” reflects the term’s use in the insurance industry.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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