

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Bill 546

(Senator Miller, *et al.*)

Finance

Economic Matters

Insurance - People's Insurance Counsel

This bill requires the Governor to appoint the People’s Insurance Counsel with the advice and consent of the Senate. The People’s Insurance Counsel represents the interests of insurance consumers in Maryland.

Fiscal Summary

State Effect: Special fund expenditures and revenues could each increase by \$1.98 million in FY 2005. Future year estimates reflect annualization and assume the Office of the People’s Insurance Counsel sets carrier assessments in an amount to offset expenditures.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$1.98	\$1.25	\$1.27	\$1.30	\$1.32
SF Expenditure	1.98	1.25	1.27	1.30	1.32
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The People’s Insurance Counsel must have been admitted to practice law in the State, must have knowledge and expertise in the insurance business, and may not hold an official relation to or have any pecuniary interest in an insurer.

The State budget must provide sufficient money for the Office of People's Insurance Counsel to hire necessary staff. The bill establishes a special fund for the People's Insurance Counsel. The Insurance Commissioner must collect an annual assessment from each health insurer, life insurer, and property and casualty insurer for the costs and expenses incurred by the Office of People's Insurance Counsel and deposit into the People's Insurance Counsel Fund.

The Office of the People's Insurance Counsel (People's Insurance Counsel) must evaluate each matter pending before the Insurance Commissioner to determine if the interests of insurance consumers are affected. If insurance consumers are affected, the People's Insurance Counsel must appear before the Commissioner and courts on behalf of insurance consumers in each matter or proceeding over which the Commissioner has original jurisdiction. The People's Insurance Counsel must review any proposed rate increase of 10% or more filed with the Commissioner by a health insurer, life insurer, or property and casualty insurer. If the People's Insurance Counsel finds the proposed rate increase to be excessive or otherwise adverse to the interest of insurance consumers, the People's Insurance Counsel must appear before the Commissioner on behalf of insurance consumers in any hearing on the rate filing. The People's Insurance Counsel may conduct investigations as necessary and request the Commissioner to initiate proceedings to protect the interests of insurance consumers.

The People's Insurance Counsel may appear before any federal or State unit to protect the interests of insurance consumers.

The People's Insurance Counsel may recommend to the General Assembly legislation on any matter that would promote the interests of insurance consumers. By January 1 each year, the People's Insurance Counsel must report to the Governor and the General Assembly on its activities during the prior fiscal year.

The Governor must process a budget amendment for \$1 million special funds for the purpose of establishing and operating the Office of the People's Insurance Counsel.

Current Law: The Insurance Article includes for a variety of consumer protection provisions, including rate review. The Maryland Insurance Administration (MIA) reviews premium rate filings for all lines of insurance sold in Maryland to determine whether they meet certain "reasonableness" standards before MIA approves them.

The Consumer Protection Division within the Office of the Attorney General provides mediation services to consumers to help resolve complaints against businesses and health

insurance carriers. The division also brings law enforcement actions against businesses that harm large numbers of Maryland consumers through unfair and deceptive practices.

Background: The Office of People's Counsel performs a similar function to the proposed People's Insurance Counsel. The Office of People's Counsel evaluates all matters pending before the Public Service Commission (PSC) to determine if the interests of residential users of public utilities are affected. It appears before the Public Service Commission, various federal agencies, and the courts on behalf of consumers in all matters or proceedings over which PSC has original jurisdiction and in other matters in which the Office of People's Counsel deems their interest to be involved. The proposed fiscal 2005 budget allowance for the Office of People's Counsel is \$2.58 million and provides for 18 permanent staff and one contractual staff.

State Expenditures: Office of the People's Insurance Counsel special fund expenditures and revenues could each increase by an estimated \$1,976,215 in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. Since the Office of the People's Insurance Counsel is expected to perform very similar functions to the Office of the People's Counsel, this estimate assumes salaries and operating costs are similar. This estimate reflects the cost of hiring 18 positions to staff the Office of the People's Insurance Counsel and perform the functions specified by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

State Revenues: Office of the People's Insurance Counsel special fund revenues could increase by \$1,976,215 in fiscal 2005. The bill requires the Governor to process a budget amendment for \$1 million for the purpose of establishing and operating the Office of People's Insurance Counsel. However, since projected expenditures are \$1.98 million, it is assumed the Office of the People's Insurance Counsel will request a budget amendment for \$1.98 million to cover administrative costs. Future year estimates assume the Office of the People's Insurance Counsel would set assessments against carriers in an amount to offset expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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