

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 701 (Delegate Taylor, *et al.*)
 Economic Matters

Maryland Insurance Commissioner - Elected Position

This bill makes the Maryland Insurance Commissioner an elected position, with elections beginning at the 2006 general election.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: Special fund expenditures by the Maryland Insurance Administration (MIA) would decrease by approximately \$3,300 in FY 2007 as a result of moving the Commissioner from the Executive Pay Plan to the bill’s established salary for an elected Commissioner. Future year projections reflect annualization and inflation. Any costs associated with adding a statewide elected official to the ballot could be handled with the existing resources of the Maryland State Board of Elections. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	0	(3,300)	(12,700)	(19,100)	(25,700)
Net Effect	\$0	\$3,300	\$12,700	\$19,100	\$25,700

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An elected Commissioner begins serving January 9, 2007. Until then, the Commissioner continues to be appointed by the Governor and serves at the Governor's pleasure. The bill establishes a four-year term for the elected Commissioner, with a term beginning the second Wednesday of January after the Commissioner's election and until a successor is elected and qualifies.

Beginning with the term of the first elected Commissioner, the bill repeals provisions granting the Governor oversight over the Commissioner, requiring the Commissioner to advise the Governor on insurance matters, and placing the Commissioner in the Executive Pay Plan. The bill establishes an annual salary for the Commissioner and gives the Board of Public Works, rather than the Governor, the authority to remove the Commissioner for malfeasance, incompetence, or failure to carry out the duties of the office in the proper manner.

Current Law: The Commissioner is appointed by the Governor with the advice and consent of the Senate and serves a four-year term. The Commissioner is directly responsible to the Governor and must counsel and advise the Governor on all matters assigned to MIA. The Governor may remove the Commissioner for malfeasance, incompetence, or failure to carry out the duties of the office in the proper manner. The Commissioner is responsible for MIA's operation and must exercise MIA's powers and perform MIA's duties. The Commissioner is in the executive services of the State Personnel Management System and is entitled to compensation under the Executive Pay Plan. The Commissioner's selection of a seal, the appointment of a Deputy Commissioner, and the appointment of the Associate Commissioner of the Fraud Division are subject to the Governor's approval.

Background: According to the National Association of Insurance Commissioners, 11 states have elected insurance commissioners: California, Delaware, Georgia, Kansas, Louisiana, Mississippi, Montana, North Carolina, North Dakota, Oklahoma, and Washington. In Florida, some areas of insurance law are regulated by an elected official and others are regulated by an appointed official. The rest of the insurance commissioners are appointed, either by the state's governor or by some other official or body.

State Expenditures: The bill establishes a salary for the Commissioner of \$133,538. The salary for the Commissioner in the Governor's fiscal 2006 allowance is \$134,290. It is assumed that salaries under the Executive Pay Plan would increase by 4.36% annually and that the Commissioner's salary in fiscal 2007 under the Executive Pay Plan would be \$140,145. The elected Commissioner would begin serving just over midway through

fiscal 2007. Based on this, expenditures from the Insurance Regulation Fund to pay for the Commissioner's salary would decrease by approximately \$3,304 in fiscal 2007.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 17, 2005
mp/ljm

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