

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 938
Finance

(Senator Gladden)

Insurance Pilot Programs

This bill authorizes an insurer to conduct a pilot program in the State, subject to the prior approval of the Maryland Insurance Commissioner.

Fiscal Summary

State Effect: General fund revenues could decrease significantly from the 2% insurance premium tax to the extent insurers institute pilot programs under the bill. General fund revenues would recover to the extent pilot programs under the bill end without renewing. General and special fund revenues would increase to the extent pilot programs are converted to new lines of insurance. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The Commissioner may only approve a pilot program for a specified period of time. An insurer seeking approval must file specified information about the program with the Commissioner.

The Commissioner must approve the rates and forms to be used prior to their use. The approval may place restrictions on the insureds who may participate in the program. The Commissioner's approval of rates and forms for the program are subject to change. Except for the restrictions on discrimination in underwriting, an approved pilot program is exempt from the legal and regulatory requirements for insurance products.

Before an insurer conducts a pilot program, the insurer must notify potential participants of the program's purpose and any limitations on an insured's rights under the program. Before the end of the program, the insurer must file to extend the pilot, withdraw it, or convert it to a formal line of insurance. An insurer must file specified information with each of these filings.

Current Law: New insurance products, including any product with a restricted application like a pilot program, are subject to the same approval, legal, and regulatory schemes as other insurance products.

State Revenues: It is unclear how many pilot programs would be instituted under the bill. The bill exempts a pilot program from the requirements imposed under the Insurance Article, which include the requirements to pay filing fees and the premium tax. Although the bill does not establish a limit, it does specify that a pilot program must have a limited duration. General fund revenues from the 2% premium tax would decrease to the extent insurers institute pilot programs and open them to insureds under the bill. Depending on the size and duration of a pilot program, the loss of revenue could be significant. General fund revenues would recover to the extent pilot programs either end or are converted to new lines of insurance.

Special fund revenues for the Insurance Regulation Fund would be unaffected by any filings for pilot programs under the bill because the bill exempts them from filing fees. However, special fund revenues would increase by \$125 for each filing if a pilot program is converted to a permanent line of insurance.

Additional Information

Prior Introductions: None.

Cross File: HB 1573 (Delegate Doory) – Rules and Executive Nominations.

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

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