

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1390 (Delegates Sossi and Frank)
Rules and Executive Nominations

Life and Health Insurance Guaranty Corporation - Maximum Liability

This bill increases the limits for which the Life and Health Insurance Guaranty Corporation would be liable in the event of an insolvency of an insurer.

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: None.

Analysis

Bill Summary/Current Law: Currently, the maximum liability of the corporation is limited by the express terms of the covered policy or contract, in the event an insurer becomes impaired or insolvent. However, the corporation's liability cannot exceed, with respect to any one life, \$300,000 in life insurance death benefits, but no more than \$100,000 in net cash surrender/withdrawal values; \$300,000 in health insurance benefits, including net cash surrender/withdrawal values; and \$100,000 in present value of annuity benefits, including net cash surrender/withdrawal values.

The bill increases the corporation's maximum liability for life insurance death benefits from \$300,000 to \$500,000; the health insurance benefit limit from \$300,000 to \$500,000; and present value of annuity benefit limit from \$100,000 to \$250,000.

Background: The bill affords greater protection to an insured in the event an insurer becomes insolvent. The Maryland Insurance Administration (MIA) advises that, if one insurer becomes insolvent, the remaining insurers would be assessed to pay the claims up to the higher limits proposed under the bill. However, MIA believes that the risk would be limited, as the corporation generally sells blocks of business in order to minimize the impact of insolvency.

The Life and Health Insurance Guaranty Corporation is a statutory entity created by the Life and Health Insurance Guaranty Corporation Act of 1970. The corporation comprises all insurers licensed to sell life insurance, accident insurance, health insurance, and individual annuities in the State. Under the Act, the corporation provides limited protection to State residents holding insurance policies or annuities issued by the corporation's member insurers in the event an insurer becomes insolvent. The corporation is governed by a board of directors and operates under the supervision of the Maryland Insurance Commissioner.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - April 13, 2009
mcp/ljm

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