

**Department of Legislative Services**  
Maryland General Assembly  
2010 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 305

(Delegate Davis, *et al.*)

Economic Matters

Finance

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**Insurance - Domestic Reinsurers**

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This bill requires certain domestic reinsurers to pay an annual assessment fee contributed to the Insurance Regulation Fund.

The bill takes effect June 1, 2010.

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**Fiscal Summary**

**State Effect:** Insurance Regulation Fund revenues within the Maryland Insurance Administration (MIA) increase by approximately \$31,400 in FY 2011 and annually thereafter based on the premiums for the prior calendar year. Any additional expenditures can be handled with the existing budgeted resources of MIA.

| (in dollars) | FY 2011  | FY 2012  | FY 2013  | FY 2014  | FY 2015  |
|--------------|----------|----------|----------|----------|----------|
| SF Revenue   | \$31,400 | \$31,400 | \$31,400 | \$31,400 | \$31,400 |
| Expenditure  | 0        | 0        | 0        | 0        | 0        |
| Net Effect   | \$31,400 | \$31,400 | \$31,400 | \$31,400 | \$31,400 |

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

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

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The bill defines a “domestic reinsurer” as an authorized reinsurer that (1) operates solely as a reinsurer; (2) does not have any gross direct written premium; and (3) is domiciled in the State. Under the bill, a domestic reinsurer that became domiciled

in the State on or before December 31, 1995, is not required to have an office in the State. However, such a domestic reinsurer must keep all of its assets in the State and make its general ledger available to the Commissioner upon request. Such a reinsurer must also pay an assessment that equals the average fee paid by the 100 property and casualty insurers with the highest gross direct written premium in the prior year.

**Current Law:** The domestic reinsurers under the bill do not currently pay annual assessment fees, as only life, health, and property and casualty insurers are subject to the annual assessment fees. Except as otherwise specified, a domestic insurer may not move its home or executive office out of State without notifying the Insurance Commissioner and receiving approval.

**Background:** MIA advises that the bill only applies to one domestic reinsurer. The bill amends existing law to permit this company to maintain its home office out of State, while providing economic benefit to the State in the form of an annual assessment fee. The reinsurer subject to the provisions of the bill will pay an annual assessment fee of approximately \$31,400 into the Insurance Regulation Fund. Similar provisions apply to financial guaranty reinsurance companies and financial guaranty insurance companies domiciled in Maryland before December 31, 1993. Those companies are required to maintain certain assets in the State and make their general ledgers available to the Insurance Commissioner within two business days.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** SB 547 (Senator Pugh, *et al.*) - Finance.

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

**Fiscal Note History:** First Reader - February 19, 2010  
ncs/ljm Revised - House Third Reader - March 18, 2010

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