

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1017
Economic Matters

(Delegate Davis)

Finance

Task Force to Study Maryland Insurance of Last Resort Programs

This emergency bill establishes the Task Force to Study Maryland Insurance of Last Resort Programs. The Department of Legislative Services is required to provide staff for the task force, which must report its preliminary findings to specified committees of the General Assembly by December 1, 2012, and its final findings and recommendations (including any proposed legislation) by December 1, 2013.

The bill terminates May 31, 2014.

Fiscal Summary

State Effect: The bill's requirements can be handled with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force consists of three members of the Senate of Maryland; three members of the House of Delegates; the Commissioner of the Maryland Insurance Administration (or the Commissioner's designee); and representatives of the property and casualty insurance industry, the private passenger automobile insurance industry, the Injured Workers' Insurance Fund (IWIF), the Maryland Automobile Insurance Fund (MAIF), the Property and Casualty Insurance Guaranty Corporation (PCIGC), the

Maryland Health Insurance Plan (MHIP), the Joint Insurance Association (JIA), the Consumer Protection Division of the Office of the Attorney General, the Maryland Consumer Rights Coalition, the Insurance Agents and Brokers of Maryland, and the public. A member of the task force may not receive compensation for serving on the task force but is entitled to reimbursement for expenses.

The task force must study and make recommendations regarding:

- potential benefits to the State from the affiliation of one or more of the State-created insurers of last resort;
- potential legal and corporate structures for such an affiliation, including whether the affiliation should be accomplished through a holding company structure;
- the extent to which the affiliation would support or impair each entity in performing its statutory duties;
- whether each entity should retain a separate existence with its own board of directors or governing committees;
- the extent to which an affiliation would affect the State's ability to regulate the entities in terms of solvency, rates, and market conduct;
- the extent to which an affiliation would affect the financial condition of any of the entities and whether safeguards are necessary to protect policyholders and other stakeholders;
- whether or not each entity should be financially independent and the extent of each entity's responsibility, if any, for the debts and liabilities of the other entities;
- the tax status of the affiliated entity and the effect of the affiliation on the tax status of each entity with respect to federal, State, and local taxation;
- whether JIA should become an authorized insurer with a broader mandate;
- whether MAIF should be converted into a statutorily created, private, nonprofit, nonstock insurer for automobile and other forms of insurance;
- whether and under what circumstances any subsidiaries should be permitted to issue dividends; and
- any other relevant issues or considerations identified by the task force.

Current Law/Background:

MAIF: MAIF is an independent State agency that provides, through its Insured Division, automobile liability insurance to State residents who are unable to obtain policies in the private insurance market. MAIF's Uninsured Division compensates qualifying individuals who file accident-related claims against unidentified, disappearing, or unavailable and uninsured vehicles.

IWIF: IWIF is an independent State entity that guarantees the availability of workers' compensation insurance in the State and serves as the workers' compensation insurer of last resort. IWIF also operates as a third-party administrator in the State and is subject to State insurance law provisions related to such entities.

MHIP: MHIP is an independent State entity that was established to lower uncompensated care costs by providing access to affordable, comprehensive health benefits for medically uninsurable residents. MHIP has a State and a federal component: MHIP State is a high-risk health insurance pool that is funded with enrollee premiums and an annual uncompensated care assessment on hospital rates, whereas MHIP Federal is a high-risk health insurance pool that was established under the federal Patient Protection and Affordable Care Act and is funded by premiums from enrollees and federal funds.

JIA: JIA provides insurance coverage on properties located within Maryland to individuals and businesses that are unable to obtain essential property insurance through the competitive property and casualty insurance marketplace. JIA is composed of all licensed property insurance carriers in Maryland and is not an agency or instrumentality of the State.

PCIGC: PCIGC is a statutorily created, nonprofit corporation that handles claims and litigation arising out of insolvent property and casualty insurance companies. The corporation is composed of all State-licensed direct writers of property and casual insurance.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 745 (Senator Middleton – Finance) is not identical.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2012
mlm/ljm Revised - House Third Reader - April 7, 2012
Revised - Enrolled Bill - April 18, 2012

Analysis by: Jennifer A. Ellick

Direct Inquiries to:
(410) 946-5510
(301) 970-5510