

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 15

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

Economic Matters

**Insurance - Charitable Gift Annuities - Special Permit Holders - Required
Financial Statements**

This departmental bill requires the holder of a special permit, which allows specified nonprofit entities to accept annuity payments from donors, to submit audited fiscal year-end financial statements to the Insurance Commissioner each year instead of submitting an annual report. The financial statements must be audited by a certified public accountant and presented using generally accepted accounting principles (GAAP). The financial statements must be treated as confidential and are not available for public inspection. The due date for the financial statements is 180 days after the end of the special permit holder's fiscal year. During the application process for a special permit, the Commissioner may waive the requirement for financial statements and instead require other documents or information.

The bill also makes a technical correction by clarifying that special permit holders must maintain specified "assets," instead of "admitted assets."

Fiscal Summary

State Effect: The Maryland Insurance Administration (MIA) can handle the bill's requirements using existing budgeted resources. Revenues are not affected.

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

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: The Insurance Commissioner is authorized to issue a special permit to an educational or religious organization, hospital, or community foundation that allows the entity to make or issue agreements for annuity payments with donors. To be eligible for a permit, an entity must have been (1) active in Maryland for at least 10 years and (2) granted exemption from federal income taxation as a nonprofit under the Internal Revenue Code. The permit may be issued to a community foundation that has existed for at least 5 years if that entity maintains a specified level of admitted assets. The permit is in effect only as long as the permit holder retains its federal income taxation exemption; it may be revoked or suspended by the Commissioner if specified conditions are met. Unless otherwise specified, a special permit holder is exempt from the provisions of the Insurance Article that govern the issuance of annuities.

Each permit holder must submit an annual report to the Commissioner within 90 days after the end of its fiscal year. The report is confidential and not available for public inspection. Each permit holder must also have and maintain admitted assets at least equal to adequate reserves on its outstanding agreements for annuity payments with donors as indicated by its annual report.

Background: MIA advises that requiring year-end audited financial statements instead of annual reports provides better protection to consumers by confirming that these organizations and foundations will be able to fulfill their obligations under charitable gift annuity contracts. MIA further advises that most of its 464 current special permit holders are already complying with the bill's requirements. It estimates that fewer than 10 will not be able to provide financial statements; however, under the bill, those entities can petition for a waiver from the requirement.

Additionally, MIA advises that annual reports and, under the bill, financial statements are prepared on a GAAP basis, where there are no "admitted assets." Therefore, the bill simply makes a technical correction by changing references to "admitted assets" to "assets."

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History:
kb/ljm

First Reader - January 10, 2017
Third Reader - March 21, 2017
Revised - Amendment(s) - March 21, 2017
Enrolled - May 4, 2017
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Charitable Gift Annuities

BILL NUMBER: SB 15

PREPARED BY:
(Dept./Agency) Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS