

Department of Legislative Services  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 876  
Finance

(Senator Middleton)

Economic Matters

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**Insurance - Commercial Lines - Exemptions From Filings**

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This bill makes an “exempt commercial policyholder” exempt from the rate-filing requirements that generally apply to insurance policies in the State and makes a series of conforming changes related to the exemption’s applicability to (1) workers’ compensation insurance and (2) other requirements of Insurance Law. The bill also alters the eligibility requirements for a person to be considered an exempt commercial policyholder and repeals the requirement that an exempt policyholder certify its status to the Insurance Commissioner.

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**Fiscal Summary**

**State Effect:** Minimal special fund revenue decrease for the Maryland Insurance Administration (MIA) from the \$125 rate and form filing fee. Expenditures are not affected.

**Local Effect:** Any municipal corporation or local public body that qualifies as an exempt commercial policyholder is not materially affected.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Bill Summary/Current Law:** Generally, under current law, each insurer in the State must file with the Commissioner all rates, supplementary rate information, policy forms, and endorsements as well as all modifications of rates, supplementary rate information, policy forms, and endorsements that the insurer proposes to use. An insurer is not required to file its policy forms and endorsements but is still required to file its rates and supplementary

rate information for an insurance policy that is issued to an exempt commercial policyholder. An “exempt commercial policyholder” means a person that pays at least \$25,000 in premiums for commercial insurance policies in the State and meets any two of the following criteria. Specifically, the policyholder must:

- generate annual revenues or sales in excess of \$10.0 million;
- possess a net worth in excess of \$5.0 million;
- employ at least 25 full-time employees;
- be a nonprofit organization or public body with an annual budget of at least \$10.0 million; or
- be a municipal corporation with a population of at least 15,000.

The bill makes it so both the rate- and form-filing requirements that generally apply to insurance policies do not apply to an exempt commercial policyholder. Additionally, three of the aforementioned eligibility criteria are changed so that the policyholder need only (1) generate annual revenues or sales in excess of \$5.0 million, instead of \$10.0 million; (2) possess a net worth in excess of \$2.5 million, instead of \$5.0 million; or (3) be a nonprofit organization or public body with an annual budget of at least \$5.0 million, instead of \$10.0 million.

Under current law, an exempt commercial policyholder must certify in writing to the insurer issuing coverage and the Commissioner that it meets the criteria for exemption. The bill only requires the certification to be made to the insurer.

**Background:** MIA advises that only a small number of commercial policies in the State fall under the current law exemption and that only a small number are likely to be exempt under the bill as well. Therefore, the bill’s rate filing exemption is expected to occur infrequently. Commercial insurance is a type of property and casualty insurance that insures against loss arising from the business pursuits of the insured entity.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1127 (Delegate Jameson) - Economic Matters.

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

**Fiscal Note History:** First Reader - February 23, 2018  
md/jc Third Reader - March 14, 2018

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