

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 162

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

Economic Matters

Finance

**Medical Professional Liability Insurance Policies - Mandated Deductible Levels -
Limitation**

This departmental bill exempts a medical malpractice insurer from the requirement to offer additional medical professional liability policies with specified deductibles if the insurer's basic policy has an annual premium that is less than \$5,000.

Fiscal Summary

State Effect: Minimal special fund revenue decrease for the Maryland Insurance Administration (MIA) beginning in FY 2020. Expenditures are not materially affected.

Local Effect: None.

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.

Analysis

Bill Summary/Current Law: Under current law, a medical professional liability malpractice insurer (medical malpractice insurer) must offer, at a minimum and in addition to its basic policy, policies with deductibles of \$25,000, \$50,000, and \$100,000. Under the bill, an insurer is not required to offer additional policies with these deductibles if its basic policy has an annual premium of less than \$5,000.

Background: MIA advises that the additional policies with specified deductibles required to be offered by medical malpractice insurers are impracticable for policies with annual premiums of less than \$5,000, either due to the low premium charged or the inability of an insured to pay such a large deductible when a claim occurs. MIA further advises that very few of these policies have a deductible at all. As such, the bill creates an exception so that insurers do not have to file additional policies, which creates additional administrative work for both insurers and MIA, when the policies are unnecessary or are rarely purchased.

State Revenues: Each insurer in the State must generally file with the Insurance 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; MIA charges a fee of \$125 per filing. If an insurer chooses to stop offering some of its medical malpractice policies as a result of the bill, the associated rate and form filings become unnecessary, resulting in fewer filings and a corresponding reduction, albeit minimal, in special fund revenues for MIA beginning in fiscal 2020.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 28, 2019
an/jc Third Reader - February 20, 2019

Analysis by: Richard L. Duncan

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Medical Professional Liability Insurance Policies – Mandated Deductible Levels - Limitation

BILL NUMBER: HB0162

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

To the extent an insurer selling medical professional liability insurance qualifies as a small business, the insurer would no longer have to file additional policies with the mandated deductible amount, potentially saving administrative costs.