

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 252

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

Economic Matters

Finance

**Insurance - Holding Companies - Group Capital Calculation and Liquidity
Stress Test**

This departmental bill alters Maryland insurance law to reflect revisions made to the National Association of Insurance Commissioners (NAIC) Model Act #440 “Insurance Holding Company System Regulatory Act” and Model Act #450 “Insurance Holding Company System Model Regulation with Reporting Forms and Instructions.” The bill generally requires insurers to participate in a Group Capital Calculation (GCC) and Liquidity Stress Test (LST) and establishes related processes and requirements.

Fiscal Summary

State Effect: The bill’s requirements can likely be handled using existing budgeted resources. Revenues are not materially affected.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (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

Bill Summary: Generally, the bill:

- establishes relevant definitions, including the scope of data to be used when MIA determines whether an insurer is required to perform the LST;
- specifies that data, information, and materials collected by MIA for the GCC or LST is (1) recognized as being proprietary and to contain trade secrets; (2) confidential and private; (3) not subject to the Public Information Act; (4) not subject to subpoena; and (5) not subject to discovery or admissible in evidence in any private civil action;
- enumerates how the data, information, and materials collected by MIA for the GCC or LST may and may not be used;
- specifies that certain information must be disclosed for the purposes of the GCC and LST, even if it is not considered material;
- requires the Commissioner to maintain the confidentiality of the GCC, GCC-related information, LST results, and LST-related information, as specified;
- explicitly authorizes the Commissioner to share GCC and LST documents and information to assist in the performance of the Commissioner's duties, but specifies the processes that must be followed and agreements that must be entered into to ensure confidentiality of the documents and information;
- enumerates various other requirements related to the sharing of GCC and LST documents and information, including that the sharing of information by the Commissioner may not constitute a delegation of regulatory authority or rulemaking;
- requires each insurer subject to registration in the State to concurrently file with its registration statement an annual GCC and establishes related exemptions, requirements, and processes; and
- requires each insurer subject to registration in the State and that is required to perform an LST to file the results of a specific year's LST concurrently with its registration statement and establishes related exemptions, requirements, and processes.

Current Law/Background: As the primary regulator of the insurance industry in the State, MIA performs actuarial evaluations, financial audits, financial examinations, and market conduct examinations to ensure that insurers remain financially solvent and comply with State laws. MIA participates in the activities of NAIC, a national standard-setting and regulatory support organization. MIA achieved voluntary NAIC accreditation in September 1994. NAIC regularly develops and revises model acts concerning new and existing insurance issues and encourages its member regulators to adopt the legislation.

The bill implements revisions to NAIC Model Acts #440 and #450, specifically by implementing the GCC and LST. The GCC provides regulators with an additional analytical tool for conducting group-wide supervision and assists regulators in understanding the financial condition of noninsurance entities within the holding company system. The LST is a tool intended to help assess the impacts on the broader financial market of aggregate asset sales by large life insurers under a liquidity stress event.

MIA advises that adoption of these model acts will become an NAIC accreditation standard beginning January 1, 2026. Thus, the bill ensures that MIA has an effective framework to supervise insurance groups operating in the State and continue to maintain its NAIC accreditation.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced in the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 23, 2024
km/jc Third Reader - March 14, 2024
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Holding Companies – Group Capital Calculation and Liquidity
Stress Test

BILL NUMBER: HB 252

PREPARED BY: Jamie Sexton

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

There is no economic impact on small businesses associated with this proposal.