

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 95

(Senator Ellis)

Finance

Property and Casualty Insurance - Parametric Insurance - Regulation

This bill establishes a regulatory framework that allows insurers to provide “parametric insurance” products in the State, including various responsibilities for the Maryland Insurance Administration (MIA) and requirements for insurers who offer parametric insurance products. The bill authorizes MIA to establish a related pilot program for parametric insurance products and requires MIA to adopt regulations regarding the implementation of parametric insurance products by January 1, 2027. The bill also requires MIA to report to the General Assembly on the progress of implementing the bill by no later than December 1 of each year, beginning December 1, 2027. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special fund expenditures for MIA increase by \$218,006 in FY 2027 for additional staff; future years reflect annualization, inflation, and elimination of one-time costs. Minimal increase in special fund revenues for MIA in FY 2027 only from rate and form filing fees. General fund revenues may be affected, as discussed below; however, this potential impact is not shown below. This analysis does not include potential costs for additional staff that may be needed by MIA in future fiscal years, as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	-	\$0	\$0	\$0	\$0
SF Expenditure	\$218,000	\$259,500	\$271,400	\$283,600	\$296,000
Net Effect	(-)	(\$259,500)	(\$271,400)	(\$283,600)	(\$296,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

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

Small Business Effect: None.

Analysis

Bill Summary:

Definitions and Applicability

“Basic risk” means the risk that a parametric benefit does not equal the policyholder’s actual loss. “Fallback mechanism” means a data source used to track or collect information related to natural disasters; this includes satellite imagery and radar data. “Independent data source” means a specified governmental or third-party agency, sensor network, or scientific instrument used to confirm trigger events.

“Low-income household” means a household with an income that does not exceed 50% of the area median income for a household of the same size. “Moderate-income household” means a household with an income that does not exceed 80% of the area median income for a household of the same size.

“Parametric insurance” means a policy that pays a predetermined benefit when a specified, objectively measurably trigger event occurs, regardless of actual loss.

“Trigger event” means a natural disaster including, among other things, an earthquake or a flood. This does not include a cyber-related event. To qualify as a trigger event, the event must be measurable through objective criteria and verifiable by an independent source. To measure a trigger event, an insurer may use a proprietary index or fallback mechanism. If using a proprietary index, the insurer must provide access to audit reports.

The bill’s requirements and authorizations apply only with respect to parametric insurance policies or certificates that are issued to a resident of the State or sold, negotiated, or offered in the State. Regarding trigger events, an insurer is not required to disclose proprietary information or trade secrets under applicable law.

Pilot Program

The bill authorizes MIA to establish a pilot program in the State to:

- provide participating insurers with additional opportunities to provide parametric insurance products;
- serve a public need;
- protect vulnerable populations; and
- advance policy goals in the State.

MIA may expedite the review process for any public or community-based pilot programs, and MIA may authorize an insurer to offer products for low- or moderate-income households, small businesses, local governmental units, or public entities. MIA must require each participating insurer to report to them regarding the results of the pilot program by December 1 of each year.

Required Filings by Insurers

An insurer that issues parametric insurance products in the State may not adopt an underwriting standard of the policy in the case of a trigger event unless the insurer has filed the standard with MIA. The filing must be made at least 60 days prior to when the insurer proposes to implement the standards. The insurer must include, among other things, (1) a copy of the underwriting standard the insurer intends to implement, (2) the date on which the insurer intends to implement the underwriting standard, and (3) the contract terms. Any underwriting standard adopted must comply with all applicable laws.

An insurer that offers parametric insurance products in the State must also file with MIA, all rates, supplementary rate information, policy forms, modifications of rates, and endorsements that the insurer proposes to use. The insurer must clearly state the applicable effective dates of the rates and the character and extent of the coverage being considered.

Notice Requirements for Insurers

At the time of application, and annually to policyholders, each insurer that offers parametric insurance in the State must provide the applicant or policyholder with a written notice summarizing the coverages and exclusions under the policies issued by the insurer. An offer to provide parametric insurance must also include an explanation, written in clear and specific terms of specified terms, methodologies, risks, and processes related to the policy.

Further, insurers must provide individual or small business policyholders, at the time of application or renewal, with a one-page fact sheet written in clear, concise language and including specified information about the insurer, describing the basic risk under the policy. The fact sheet must be sent either electronically to the insureds last known email address or via first class mail to the insureds last known physical address.

Reporting Requirements for Insurers

On or before December 1 each year, each insurer that offers parametric insurance must report the following information to MIA:

- the number of policies issued;
- premiums;

- triggering events;
- provided benefits;
- information on any disputes; and
- basic risk incidents.

Current Law: MIA and the Insurance Commissioner's statutory and regulatory duties include, among other things, certifying insurers to operate in the State, reviewing and approving the rates and forms used by insurers, and licensing and certifying insurance professionals. MIA and the Commissioner have broad authority to enforce the requirements and prohibitions that apply to insurers and insurance professionals. For example, depending on the type of violation and following the administrative processes required by Insurance Law and regulations, the Commissioner is authorized to issue orders directing insurers or insurance professionals to take certain actions, impose administrative penalties, and suspend or revoke certifications and/or licenses.

Insurance Law includes guidelines and instructions related to the manner in which insurers calculate and apply their premium rates to ensure such rates do not become excessive, inadequate, or unfairly discriminatory. With limited exception, rates must generally be filed with MIA prior to being used.

The Insurance Article expressly prohibits certain insurer practices and activities as unfair trade practices. One such practice is that, with respect to any type of insurance, an insurer may not cancel or refuse to provide or renew coverage for a reason based wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder or for any arbitrary, capricious, or unfairly discriminatory reason.

State Revenues: Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund. Depending on the number and extent to which parametric insurance policies are issued in the State under the bill's authorization, premium taxes could be affected. Any such impact, however, cannot be reliably estimated without actual experience under the bill and is not included in this analysis.

State Expenditures: While the bill does not require MIA to establish a pilot program, this analysis assumes MIA will do so. Moreover, because the bill does not terminate, this analysis assumes that insurers that choose to offer parametric insurance continue to do so beyond the pilot program established by MIA.

Therefore, special fund expenditures increase by \$218,006 in fiscal 2027, which assumes a 90-day start-up delay from the bill's July 1, 2026, effective date. This estimate reflects the cost of hiring one Director and one Senior Analyst to draft new regulations, meet with stakeholders (insurance providers and community members), implement and oversee the pilot program, and draft the annual reports required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$199,724
Operating Expenses	<u>18,282</u>
Total FY 2027 State Expenditures	\$218,006

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

MIA advises that additional staff may be needed in future fiscal years to assist with oversight and enforcement activities for insurers that choose to issue parametric insurance products under the bill. However, any such impact depends on how many insurers ultimately offer parametric insurance products, which cannot be reliably predicted at this time. Therefore, any such impact is not included in this analysis.

Additional Information

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

Designated Cross File: None.

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

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