

KATHLEEN M. DUMAIS
Legislative District 15
Montgomery County

Vice Chair
Economic Matters Committee

Chair
Property and Casualty Insurance
Subcommittee

House Chair
Joint Committee on Legislative Ethics



The Maryland House of Delegates
6 Bladen Street, Room 231
Annapolis, Maryland 21401
410-841-3052 · 301-858-3052
800-492-7122 Ext. 3052
Fax 410-841-3219 · 301-858-3219
Kathleen.Dumais@house.state.md.us

The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

January 26, 2021

Testimony in Support of House Bill 457 – Insurance —Continued Exclusion of Maryland Automobile Insurance Fund

Good afternoon Mr. Chairman and members of the committee. Thank you for the opportunity to speak to you on behalf of **House Bill 457 – Insurance —Continued Exclusion of Maryland Automobile Insurance Fund**. In 2018 Chapter 509, laws of Maryland 2017, went into effect and exempted the Maryland Auto Insurance Fund (MAIF) from the premium tax until June 30, 2022. The purpose of this legislation is to make the exemption permanent.

Had a premium tax exemption not been put in place, MAIF's unstable surplus may have led to an assessment that, had it occurred, would have resulted in a surcharge on Maryland drivers. The law was enacted with a 2022 Sunset to ensure that the premium tax exemption was used to stabilize the surplus rather than subsidize or decrease rates. The statute required the Insurance Commissioner to report to the legislature. The Commissioner reported on December 1, 2019 that the exemption did not subsidize rates, and without it MAIF's surplus would have been \$1.8 million closer to the assessment trigger. This indicates that the exemption is working. Making the exemption permanent will enable MAIF to continue its mission as the insurer for Maryland drivers who have been turned down or cancelled by other insurers.

MAIF's Executive Director Al Redmer and Senior Manager of Governmental Relations Sandra Dodson are with me today to provide a deeper analysis of this measure and answer the Committee's questions.

I am submitting a technical amendment for the Committee's consideration. The amendment will explicitly add MAIF to Insurance Article Section 6-101(b) as an entity exempt from the premium tax. I respectfully request a favorable report for House Bill 457.

BY: Delegate Dumais
(To be offered in the Economic Matters Committee)

AMENDMENTS TO HOUSE BILL 457
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 6, after “tax;” insert “making conforming changes;”; and after line 12, insert:

“BY repealing and reenacting, with amendments,
Article – Insurance
Section 6-101(b)
Annotated Code of Maryland
(2017 Replacement Volume and 2020 Supplement)”.

AMENDMENT NO. 2

On page 2, after line 6, insert:

“(b) The following persons are not subject to taxation under this subtitle:

(1) a nonprofit health service plan corporation that meets the requirements established under §§ 14–106 and 14–107 of this article;

(2) a fraternal benefit society;

(3) a surplus lines broker, who is subject to taxation in accordance with Title 3, Subtitle 3 of this article;

(4) an unauthorized insurer, who is subject to taxation in accordance with Title 4, Subtitle 2 of this article; [or]

(5) a nonprofit health maintenance organization authorized by Title 19, Subtitle 7 of the Health – General Article that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code; OR

(6) THE MARYLAND AUTOMOBILE INSURANCE FUND.”