

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 165
Finance

(Senator Kelley)

Economic Matters

Insurance - Industry Automobile Insurance Association - Board of Directors

This bill changes the nominating entity for certain members of the board of directors of the Industry Automobile Insurance Association (IAIA) and makes conforming changes. Specifically, the American Insurance Administration (AIA) is no longer required to nominate two members and the American Property Casualty Insurance Association (APCIA) must nominate four members instead of two.

Fiscal Summary

State Effect: None.

Maryland Automobile Insurance Fund (MAIF) Effect: None.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private insurance market. As the insurer of last resort, MAIF is not in direct competition with the private insurance industry because a customer must generally have been turned down by other insurers (and meet other requirements) in order to obtain a policy with MAIF.

Like other insurers, MAIF is primarily funded through premiums on the insurance policies it issues; however, MAIF is authorized to issue an assessment paid by other motor vehicle insurers in the State in a specified manner if it experiences a significant operating loss (as defined by State law) and meets other specified conditions. This is to ensure MAIF's continued viability as the insurer of last resort. IAIA is responsible for working with the Insurance Commissioner to calculate and administer any such assessment if it occurs. MAIF had not issued an assessment since 1989.

Background: APCIA is one of the largest national trade associations for home, auto, and business insurers; it represents about 60% of the nation's property and casualty insurance market. MAIF advises that AIA and APCIA recently merged into a single organization. The bill, therefore, corrects the now obsolete nomination process for the board of directors of IAIA.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 117 (Delegate Dumais) - Economic Matters.

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

Fiscal Note History: First Reader - January 21, 2020
mm/jc Third Reader - March 14, 2020
Revised - Amendment(s) - March 14, 2020

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