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**TESTIMONY OF  
AL REDMER, JR.  
INSURANCE COMMISSIONER  
BEFORE THE  
HEALTH AND HUMAN SERVICES SUBCOMMITTEE  
OF THE  
SENATE BUDGET AND TAXATION COMMITTEE  
FEBRUARY 22, 2019  
AND THE  
TRANSPORTATION AND THE ENVIRONMENT SUBCOMMITTEE  
OF THE  
HOUSE APPROPRIATIONS COMMITTEE  
FEBRUARY 25, 2019**

Thank you, Subcommittee Chair and Members, for the opportunity to appear before you today. I am Al Redmer, Jr., Maryland's Insurance Commissioner. With me today are Paula Keen, Chief Information Officer, Phil Ermer, Executive Director of Premium Tax and Company Licensing, and Godwin Ehirim, Director of Fiscal Services. Also with me today are Nancy Grodin, Deputy Commissioner, and Spencer Harris, Assistant Director of Fiscal Services.

I would like to thank Sierra Boney of the Department of Legislative Services for her analysis of the Maryland Insurance Administration's (MIA) FY 2020 budget. I would also like to thank Nick Napolitano of the Department of Budget and Management for his assistance in developing the Administration's FY 2020 budget.

The Maryland Insurance Administration is an independent unit of State government organized in accordance with Title 2, Subtitle 1 of the Insurance Article. The MIA is responsible for enforcing the laws governing the business of insurance within the State. The agency promulgates regulations to carry out the Insurance Article and issues bulletins and other guidance for the insurance industry and consumers of insurance products in the State. The MIA does not receive any money from the State's General Fund. The Administration is a specially funded state agency supported entirely through fees and assessments on the insurance industry.

We have been asked to comment on the reason for the shift in premium tax allocations between the General Fund and the Rate Stabilization Fund (RSF). Premium tax payments are deposited into the state's bank account. By law, the Insurance Administration must then transfer the premium taxes collected from managed care organizations (MCO) and health maintenance

organizations (HMO) to the RSF. The premium tax collected from all other carriers is transferred to the General Fund. As noted, the amount of premium tax allocated to the RSF has declined since fiscal year 2015 while the amount of premium tax deposited into the General Fund has increased during the same time frame.

In fiscal years 2016 and 2017, the increase in the premium tax transferred to the General Fund was most likely the result of a stronger economy and an increase in the number of authorized insurance carriers doing business in Maryland and the lines of business offered in Maryland. In fiscal years 2016 and 2017, the decline in the premium tax transferred to the RSF was most likely the result of fewer HMOs and MCOs collecting premiums subject to the state's premium tax and, more importantly, the refunds due to the MCOs and HMOs as a result of overpayments.

At the end of fiscal year 2018, the MIA noted that the premium tax allocated to the RSF had decreased. The MIA contracts with OptIns, an online premium tax filing and collection system. The MCO/HMO premium tax payments were properly collected and deposited into the State's bank account, but did not contain the specific coding required by the State's accounting system to separate HMO/MCO payments from the payments collected from other carriers. This separation of payments is critical to the MIA's ability to allocate the appropriate amount of premium tax to the RSF and the General Fund. OptIns has corrected its coding process going forward for fiscal year 2019. Currently, the MIA is undertaking a detailed and thorough review of the premium tax payments collected in fiscal year 2018 to ensure that all HMO/MCO payments were properly allocated to the RSF.

Thank you again for the opportunity to appear before you today. I am happy to address any questions you may have.