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KATHLEEN A. BIRrane  
Commissioner

GREGORY M. DERWART  
Deputy Commissioner

## MEMORANDUM

**DATE:** February 7, 2022

**TO:** Subcommittee Chairs Senator McCray and Delegate Korman, and the Department of Legislative Services

**FROM:** Kathleen A. Birrane, Commissioner

**RE:** D80Z01 – Maryland Insurance Administration – Posting of Testimony – Operating

**Maryland Insurance Administration  
Fiscal Year 2023 Operating Budget  
Response to Department of Legislative Services Analysis**

**Senate Budget and Taxation Committee  
Public Safety, Transportation and Environment Subcommittee  
Senator Cory McCray, Chair  
Hearing Date: February 24, 2022**

**House Appropriations Committee  
Transportation and the Environment Subcommittee  
Delegate Marc Korman, Chair  
Hearing Date: February 9, 2022**

Thank you for the opportunity to provide a written response to your analysis of the Maryland Insurance Administration's FY23 budget submission. Our review of your draft confirms that we find no factual errors with the data and contents of your report.

To better equip the subcommittees for our upcoming hearings, we provide the following updates.

## **Technology Enhancements**

Aside from personnel expenses, which are being proposed for all State employees, the largest change in this year's budget centers around improvements and enhancements to our cybersecurity and technology infrastructure.

Our Insurance Tracking System (ITS) project is a major initiative to replace our legacy enterprise system. We are in the beginning stages of this three-year project.

Additionally, new budget items under Contractual Services include:

- Enterprise network switch replacement
- Server replacements
- Cybersecurity upgrades, including supply chain monitoring, threat intelligence software, supplemental cybersecurity training, and cloud-based security monitoring tools.

Note that "Copier machines for various units" is a sub-object code the MIA uses for IT equipment upgrades (including those listed above). We are not upgrading our multifunction copiers at this time.

## **Health Care Regulatory Fund (HCRF)**

The HCRF deficit balance was acknowledged in our responses to the March 2021 audit findings and recommendations. In consultation with our legal counsel, we identified a plan for recoupment, which the OLA audit team determined to be satisfactory. The result of the first year of the HCRF recoupment plan resulted in a decrease of the deficit balance from approximately \$1.4 million as of June 30, 2020 to approximately \$1.0 million as of June 30, 2021. The MIA'S plan of recoupment aims to eliminate the deficient balance in the HRCF by fiscal year 2025.

## **Rate Stabilization Fund (RSF)**

The MIA has historically retained a balance in the RSF to fund premium tax refunds to companies that overestimated and overpaid their premium tax and are entitled to a refund. Those refunds represented overpayment to the RSF. This practice was acknowledged in our responses to your March 2021 audit findings and recommendations. As of June 30, 2021, and in anticipation of the repeal of the RSF on July 1, 2021, the MIA transferred \$208,623,626.20, to the MDH and retained a balance to address potential refunds. The amount of funds currently retained equal \$3,358,440.41 as of December 21, 2021.

Pursuant to §6-109(b) of the Insurance Article, the Commissioner has up to three years to audit premium tax returns. It is the recommendation of our legal counsel, as well as the legal counsel of the Office of the Comptroller, that the MIA retain this balance for this three-year period.