
By: Chairman, Economic Matters Committee (Departmental - Insurance Administration, Maryland)

Introduced and read first time: February 2, 1996

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 28, 1996

CHAPTER ____

1 AN ACT concerning

2 **Contractual Services - Examination and Licensing**

3 FOR the purpose of allowing the Insurance Commissioner to privatize certain services of
4 the Maryland Insurance Administration; clarifying the procedure whereby the
5 Insurance Commissioner administers and charges for examinations for certain
6 persons; repealing certain examination fees; repealing certain fees;clarifying the
7 manner in which contractual fees are set and collected; providing for the collection
8 of certain fees by certain persons; requiring certain reports to be submitted at
9 certain times by the Insurance Administration; providing for the termination of this
10 Act; providing for the future codification of certain provisions of this Act; and
11 generally relating to fees charged and services provided by the Maryland Insurance
12 Administration.

13 BY adding to

14 Article 48A - Insurance Code
15 Section 17(9)
16 Annotated Code of Maryland
17 (1994 Replacement Volume and 1995 Supplement)

18 BY repealing

19 Article 48A - Insurance Code
20 Section 41(10) and (15)
21 Annotated Code of Maryland
22 (1994 Replacement Volume and 1995 Supplement)

23 BY repealing and reenacting, with amendments,

2

1 Article 48A - Insurance Code
2 Section 169, 176(g), 177(2), 181(g), and 182(f)
3 Annotated Code of Maryland
4 (1994 Replacement Volume and 1995 Supplement)

5 BY repealing and reenacting, without amendments,

6 Article 48A - Insurance Code
7 Section 181(d) and 182(g)
8 Annotated Code of Maryland
9 (1994 Replacement Volume and 1995 Supplement)

10 BY adding to

11 Article - Insurance
12 Section 2-104(j)
13 Annotated Code of Maryland
14 (1995 Volume)
15 (As enacted by Chapters 36 and 352 of the Acts of the General Assembly of 1995)

16 BY repealing

17 Article - Insurance
18 Section 2-112(a)(10) and (15) and 10-108(c)
19 Annotated Code of Maryland
20 (1995 Volume)
21 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

22 BY repealing and reenacting, with amendments,

23 Article - Insurance
24 Section 10-107(c), 10-118(a), 10-204(c), and 10-404(c)
25 Annotated Code of Maryland
26 (1995 Volume)
27 (As enacted by Chapters 36 and 635 of the Acts of the General Assembly of 1995)

28 BY repealing and reenacting, without amendments,

29 Article - Insurance
30 Section 10-205, 10-211(c)(1), (2), and (3), and 10-405(a)
31 Annotated Code of Maryland
32 (1995 Volume)
33 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

34 BY renumbering

35 Article 48A - Insurance Code
36 Section 41(11), (12), (13), (14), (16), (17), (18), (19), (20), and (21), respectively
37 to be Section 41(10), (11), (12), (13), (14), (15), (16), (17), (18), and (19),
38 respectively

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1 Annotated Code of Maryland
2 (1994 Replacement Volume and 1995 Supplement)

3 BY renumbering

4 Article - Insurance
5 Section 2-112(a)(11), (12), (13), (14), (16), (17), (18), (19), (20), and (21),
6 respectively
7 to be Section 2-112(a)(10), (11), (12), (13), (14), (15), (16), (17), (18), and (19),
8 respectively
9 Annotated Code of Maryland
10 (1995 Volume)
11 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article 48A - Insurance Code**

15 17.

16 (9) (I) SUBJECT TO APPROVAL BY THE BOARD OF PUBLIC WORKS UNDER
17 THE STATE FINANCE AND PROCUREMENT LAW, THE COMMISSIONER MAY
18 CONTRACT FOR THE PERFORMANCE OF LICENSING SERVICES UNDER THIS ARTICLE.

19 (II) 1. THE COMMISSIONER MAY REQUIRE DIRECT PAYMENT TO THE
20 CONTRACTOR OF THE ADMINISTRATIVE CHARGES TO COVER THE COST OF
21 PROVIDING THE LICENSING SERVICES.

22 2. THE DIRECT PAYMENT REQUIREMENT MAY APPLY TO:

23 A. ANY PERSON WHO IS AN APPLICANT FOR A CERTIFICATE
24 OF AUTHORITY OR A CERTIFICATE OF QUALIFICATION ISSUED BY THE
25 COMMISSIONER; OR

26 B. ANY INSURER, HEALTH MAINTENANCE ORGANIZATION,
27 NONPROFIT HEALTH SERVICE PLAN, FRATERNAL BENEFIT SOCIETY, THE
28 MARYLAND AUTOMOBILE INSURANCE FUND, OR OTHER ENTITY OPERATING IN
29 THIS STATE UNDER A CERTIFICATE OF AUTHORITY ISSUED BY THE COMMISSIONER.

30 (III) THE COMMISSIONER SHALL SET OUT IN THE CONTRACT THE
31 AMOUNT OF ANY ADMINISTRATIVE CHARGE REQUIRED UNDER THIS PARAGRAPH
32 AND THE MANNER IN WHICH IT WILL BE COLLECTED.

33 (IV) THE COMMISSIONER SHALL LIMIT THE ADMINISTRATIVE CHARGE
34 TO THE COST TO THE CONTRACTOR OF PROVIDING THE SERVICE AS SET OUT IN THE
35 CONTRACT.

36 (V) THE COMMISSIONER MAY REQUIRE THE CONTRACTOR TO COLLECT
37 ANY FEES SPECIFIED IN THIS ARTICLE AND REMIT THEM TO THE STATE GENERAL
38 FUND AS PROVIDED IN THE CONTRACT.

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1 41.

2 The Commissioner shall collect in advance, and the persons so served shall pay the
3 following fees to the Commissioner:

4 [(10) Trade name:

5 (i) Original filing\$ 25.00

6 (ii) Each amendment \$ 5.00]

7 [(15) Commissioner's certificate under seal \$ 5.00]

8 169.

9 (a) All insurers doing business in this State shall on the appointment or
10 termination of any agent, immediately file a [written] notice of appointment or
11 termination [with] IN THE MANNER SPECIFIED BY the Commissioner and the reasons
12 for termination. Any disclosure to the Commissioner under this subsection shall be
13 considered a privileged communication and may not be used in evidence in any court
14 action or proceeding other than an appeal from action of the Commissioner.

15 (b) All [such] appointments and terminations shall be accompanied by the
16 [appropriate fees in the respective amounts stated, when required by the applicable
17 provisions of this article] FEE SET OUT UNDER § 41(5) OF THIS ARTICLE.

18 [(c) The appointment and appointment fee provisions of this section do not apply
19 to agents who are licensed with an insurer on June 30, 1985.]

20 176.

21 (g) An applicant for any examination specified in this subtitle OR SUBTITLE 12 OF
22 THIS ARTICLE shall [file the application fee specified in § 41 of this article] PAY THE
23 FEE REQUIRED UNDER THIS ARTICLE IN THE MANNER SPECIFIED BY THE
24 COMMISSIONER.

25 177.

26 Individual applicants for certificate of qualification as to kinds of insurance other
27 than life and health insurance and annuities shall be required to comply with the
28 requirements of this section, as follows:

29 (2) The Commissioner shall require such applicant to satisfactorily pass a
30 written examination relating to the specific kind or kinds of insurance or subdivisions of
31 them for which he desires to receive a certificate for the purpose of determining his
32 competence with regard thereto. Such examination shall be given by the Commissioner at
33 least once every 30 days at such times and places as the Commissioner may determine.
34 [The applicant shall pay to the Commissioner a fee of \$15 for each examination.] An
35 applicant failing to attain a passing grade after 3 trials shall be required to wait 3 months
36 from the date of his last previous trial before applying again, and failing to pass after 6
37 times, shall be required to wait 1 year from the date of his last previous trial before
38 applying again. Any person who has taken and failed to pass an examination is not
39 entitled to take any further examination until 14 days after the date of the last
40 examination which that person failed.

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1 181.

2 (d) The fee prescribed in § 41 shall be paid to the Commissioner by the applicant
3 for such public adjuster's license at the time the application is made, and biennially for
4 the renewal thereof. If the applicant be a corporation, partnership or association, such fee
5 shall be paid for each individual specified in the license.

6 (g) The Commissioner shall in order to determine the competency of such
7 applicant for a license to act as a public adjuster require such applicant to submit to a
8 written examination [for which a \$15 fee shall be charged].

9 182.

10 (f) The Commissioner shall, in order to determine the trustworthiness and
11 competency to act as an insurance adviser of each individual applicant, other than an
12 applicant who is a member in good standing of one of the actuarial organizations or
13 professional societies specified in subsection (d), require every such individual to take
14 and pass, to the satisfaction of the Commissioner, a personal written examination. [An
15 examination fee of \$15 shall be charged.] The Commissioner shall satisfy himself as to
16 the trustworthiness of each individual applicant for such license who shall be a member in
17 good standing of one of the actuarial organizations or professional societies specified in
18 subsection (d). In the case of application for renewal license, such examination shall not
19 be required, unless the Commissioner determines that an examination is advisable in
20 order to determine the trustworthiness or competency of such individual.

21 (g) At the time of application for every such license and for every annual renewal
22 thereof, there shall be paid to the Commissioner by each individual applicant, other than
23 an applicant to whom a license is issued because of his membership, in good standing, of
24 one of the actuarial organizations specified in subsection (d) of this section, the fee
25 prescribed in § 41; provided, however, that if such applicant is a nonresident licensed as
26 an insurance adviser in the state of his residence the fee for such license and renewals
27 thereof shall be the same as the fees payable in the applicant's state of residence, but such
28 licensed adviser shall not advise as to life and health insurance.

29 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
30 read as follows:

31 **Article - Insurance**

32 2-104.

33 (J) (1) SUBJECT TO APPROVAL BY THE BOARD OF PUBLIC WORKS UNDER
34 THE STATE FINANCE AND PROCUREMENT ARTICLE, THE COMMISSIONER MAY
35 ENTER INTO CONTRACTS FOR PERFORMANCE OF LICENSING SERVICES UNDER THIS
36 ARTICLE WITH PERSONS THAT ARE NOT GOVERNMENTAL ENTITIES.

37 (2) A CONTRACT AUTHORIZED UNDER THIS SUBSECTION:

38 (I) SHALL SPECIFY THE AMOUNT OF ANY ADMINISTRATIVE
39 CHARGE REQUIRED UNDER THIS SUBSECTION AND THE MANNER IN WHICH THE
40 CHARGE WILL BE COLLECTED;

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1 (II) SHALL LIMIT THE ADMINISTRATIVE CHARGE TO THE COST TO
2 THE CONTRACTOR OF PROVIDING THE SERVICE SPECIFIED BY THE CONTRACT; AND

3 (III) MAY REQUIRE THE CONTRACTOR TO COLLECT ANY FEES
4 REQUIRED UNDER THIS ARTICLE AND REMIT THEM TO THE GENERAL FUND OF THE
5 STATE.

6 (3) THE COMMISSIONER MAY REQUIRE AN AMOUNT EQUIVALENT TO
7 THE ADMINISTRATIVE COST OF PROVIDING LICENSING SERVICES TO BE PAID
8 DIRECTLY TO A CONTRACTOR BY ANY PERSON WHO IS AN APPLICANT FOR A
9 CERTIFICATE OF AUTHORITY OR CERTIFICATE OF QUALIFICATION ISSUED BY THE
10 COMMISSIONER OR ANY INSURER, HEALTH MAINTENANCE ORGANIZATION,
11 NONPROFIT HEALTH SERVICE PLAN, FRATERNAL BENEFIT SOCIETY, THE
12 MARYLAND AUTOMOBILE INSURANCE FUND, OR OTHER ENTITY OPERATING IN
13 THIS STATE UNDER A CERTIFICATE OF AUTHORITY ISSUED BY THE COMMISSIONER.

14 2-112.

15 (a) Fees for the following certificates, licenses, and services shall be collected in
16 advance by the Commissioner, and shall be paid by the appropriate persons to the
17 Commissioner:

18 [(10) fees for filing trade names with the Commissioner:

19 (i) initial filing.....\$25

20 (ii) each amendment.....\$5]

21 [(15) fees for certification by the Commissioner under seal...
22 .5\$]

22 10-107.

23 (c) An applicant for an examination specified in this subtitle OR TITLE 10,
24 SUBTITLE 2 OR SUBTITLE 4 OF THIS ARTICLE shall pay the [application feerequired by
25 § 2-112 of this article] FEE REQUIRED UNDER THIS ARTICLE IN THE MANNER
26 SPECIFIED BY THE COMMISSIONER.

27 10-108.

28 [(c) An applicant shall pay to the Commissioner a fee of \$15 for each
29 examination.]

30 10-118.

31 (a) (1) When an insurer doing business in the State makes or terminates an
32 appointment, the insurer immediately shall[:

33 (i)] file [with the Commissioner written] notice of the appointment or
34 termination and the reasons for the termination IN THE MANNER SPECIFIEDBY THE
35 COMMISSIONER.]; and

36 (ii)] (2) [pay to the Commissioner] EACH NOTICE OF
37 APPOINTMENT AND TERMINATION SHALL BE ACCOMPANIED BY the applicable fee
38 required by § 2-112 of this article.

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1 [(2)] (3) A disclosure to the Commissioner relative to the termination and
2 date and cause of the termination is a privileged communication and maynot be used as
3 evidence in a court proceeding other than an appeal from an action of the Commissioner.

4 [(3) The appointment and appointment fee provisions of this subsection do
5 not apply to agents with an appointment from an insurer on June 30, 1985.]

6 10-204.

7 (c) (1) Except as otherwise provided in this subsection, an applicant must pass
8 a personal written examination given by the Commissioner under this subtitle in order to
9 determine the trustworthiness and competency of the applicant to act asan adviser.

10 (2) (i) The examination requirement of paragraph (1) of this subsection
11 does not apply to an applicant who is a member in good standing of an actuarial
12 organization or professional society listed in subsection (d) of this section.

13 (ii) The Commissioner shall determine the trustworthiness of each
14 applicant for a license who is a member in good standing of an actuarial organization or
15 professional society listed in subsection (d) of this section.

16 [(3) The examination fee is \$15.]

17 10-205.

18 An applicant for a license shall:

19 (1) file with the Commissioner an application on the form that the
20 Commissioner provides; and

21 (2) except for an applicant who is a member in good standing of an actuarial
22 organization listed in § 10-204(d) of this subtitle, pay to the Commissioner:

23 (i) the fee required by § 2-112 of this article, if the applicant is a
24 resident of this State; or

25 (ii) the fee that the state where the applicant resides charges a
26 resident of this State for a license to act as an adviser in that state, if the applicant is not
27 a resident of this State.

28 10-211.

29 (c) Before a license expires, the licensee periodically may renew itfor an
30 additional 2-year term, if the licensee:

31 (1) otherwise is entitled to a license;

32 (2) files with the Commissioner a renewal application on the form that the
33 Commissioner provides;

34 (3) except for an applicant who is a member in good standing of an actuarial
35 organization listed in § 10-204(d) of this subtitle, pays to the Commissioner:

36 (i) the renewal fee required by § 2-112 of this article, if the applicant
37 is a resident of this State; or

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1 (ii) the same fee that the state where the applicant resides charges a
2 resident of this State for renewal of a license to act as an adviser in that state, if the
3 applicant is not a resident of this State;

4 10-404.

5 (c) (1) Except as otherwise provided in this subsection, an applicant must pass
6 a written examination given by the Commissioner under this subtitle in order to
7 determine the competency of the applicant to act as a public adjuster.

8 (2) The examination requirement of paragraph (1) of this subsection does
9 not apply to an individual who was licensed as a public adjuster in the State on June 30,
10 1985.

11 [(3) The examination fee is \$15.]

12 10-405.

13 (a) (1) An applicant for an initial license shall:

14 (i) file with the Commissioner an application on the form that the
15 Commissioner provides; and

16 (ii) pay to the Commissioner the fee required by § 2-112 of this article.

17 (2) If the applicant is a partnership, association, or corporation, the fee shall
18 be paid for each individual specified in the license.

19 SECTION 3. AND BE IT FURTHER ENACTED, That Section(s) 41(11), (12),
20 (13), (14), (16), (17), (18), (19), (20), and (21), respectively, of Article 48A - Insurance
21 Code of the Annotated Code of Maryland be renumbered to be Section(s) 41(10), (11),
22 (12), (13), (14), (15), (16), (17), (18), and (19), respectively.

23 SECTION 4. AND BE IT FURTHER ENACTED, That Section(s) 2-112(a)(11),
24 (12), (13), (14), (16), (17), (18), (19), (20), and (21), respectively, of Article - Insurance of
25 the Annotated Code of Maryland (as enacted by Chapter 36 of the Acts of the General
26 Assembly of 1995) be renumbered to be Section(s) 2-112(a)(10), (11), (12), (13), (14),
27 (15), (16), (17), (18), and (19), respectively.

28 SECTION 5. AND BE IT FURTHER ENACTED, That the direct payment
29 requirement under Article 48A, § 17 and § 2-104 of the Insurance Article, as provided
30 under this Act, applies to the Maryland Automobile Insurance Fund on the basis of its
31 qualified producers to require the Maryland Automobile Insurance Fund to participate in
32 any contract the Insurance Commissioner may enter into in accordance with this Act in
33 the same manner that insurers will participate in the contract.

34 SECTION 6. AND BE IT FURTHER ENACTED, That on or before September
35 30, 1998, the Maryland Insurance Administration shall submit a report to the House
36 Economic Matters Committee and the Senate Finance Committee. The report shall
37 include the following information: (1) an analysis of the cost savings derived from
38 implementation of this Act; (2) any appropriate reductions in fees charged to insurers
39 commensurate with the savings to the General Fund derived from outsourcing
40 examination and licensing functions of the Administration under this Act; and (3) a

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1 review of the impact on agents of outsourcing examination and licensing functions,
2 including whether insurers charge to agents appointment or other fees that are required
3 by statute to be paid by insurers. A supplementary report shall be submitted to the
4 Committees on or before September 30, 2000.

5 SECTION 7. AND BE IT FURTHER ENACTED, That this Act shall be effective
6 until December 31, 2001 and, at the end of December 31, 2001, with no further action
7 required by the General Assembly, this Act shall be abrogated and of no further force
8 and effect.

9 SECTION ~~5~~ 8. AND BE IT FURTHER ENACTED, That Sections 1 and 3 of this
10 Act shall take effect January 1, 1997.

11 SECTION ~~6~~ 9. AND BE IT FURTHER ENACTED, That Sections 2 and 4 of this
12 Act shall take effect October 1, 1997.