

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 60 (Chair, Economic Matters Committee)(By Request -
 Departmental - Maryland Insurance Administration)

Economic Matters

Finance

Insurance - Certificate of Qualification, Licensing, and Registration - Electronic Means

This departmental bill makes a series of administrative, technical, and conforming changes to the certificate and license renewal process for specified individuals in the insurance industry to allow the process to be carried out electronically instead of by paper mail. The bill also changes the expiration dates of specified certificates and licenses to conform to existing practices for other certificates and licenses.

The bill takes effect January 1, 2017.

Fiscal Summary

State Effect: Maryland Insurance Administration (MIA) special fund revenues decrease by \$67,300 in FY 2017 and increase by the same amount in FY 2018 due to the bill’s staggering of license expiration dates and delayed implementation; this pattern continues in future years, as discussed below. Application of existing penalty provisions does not materially affect general fund revenues. MIA special fund expenditures are not materially affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	(\$67,300)	\$67,300	(\$67,300)	\$67,300	(\$67,300)
Expenditure	0	0	0	0	0
Net Effect	(\$67,300)	\$67,300	(\$67,300)	\$67,300	(\$67,300)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill makes changes to the license, certificate, and registration renewal process for (1) surplus lines broker certification; (2) insurance adviser licensure; (3) insurance producer licensure; (4) motor club licensure; and (5) motor club representative registration. Under the bill, the procedures that govern renewal are changed in the following manner:

- For surplus lines brokers, insurance advisers, insurance producers, motor clubs, and motor club representatives, a renewal notice may be sent electronically if MIA has an appropriate email address on record. The notice must include the process for renewal of the certificate, license, or registration.
- For surplus lines brokers and insurance advisers, the certificate or license expires on the last day of the month in which the certificate or license holder was born instead of June 30.
- For surplus lines brokers, insurance advisers, motor clubs, and motor club representatives, the bill authorizes renewal applications to be filed in an electronic format that the Commissioner approves.
- Additionally, for surplus lines brokers and insurance advisers, the bill establishes rules and procedures for MIA to accept these applications electronically and authorizes the Commissioner to adopt regulations to implement these requirements. These requirements include when an application is considered on time and are substantively similar to those for insurance producers under current law.
- Finally, the bill requires any insurance producer to file his or her email address with MIA. Any change to the email address must be reported within 30 days of the change, and anyone who fails to report the change is subject to existing insurance law penalties.

Current Law:

Certificate and License General Information

To act as a surplus lines broker in the State, a person must generally obtain a certificate from MIA. An applicant for the certificate must qualify as an insurance producer for property insurance and casualty insurance and be deemed competent and trustworthy. The certificate fee is \$100 initially and \$200 every two years for renewal. Current law states that a certificate expires every two years on June 30; however, MIA advises that the certificate fee is currently collected at the same time as the holder's underlying insurance producer license instead. That license expires every two years on the last day of the license holder's birth month.

To act as an insurance adviser or insurance producer in the State, a person must generally obtain a license from MIA. The initial license fee for an adviser is \$100 if the license is issued within one year of the June 30 renewal date and \$200 if it is issued beyond one year from the renewal date. The adviser license expires every two years on June 30 of odd-numbered years, and the renewal fee is \$200. The license fee for a producer is \$54 initially and \$54 every two years for renewal. Each producer license expires every two years on the last day of the month in which the holder of the license was born. Renewal applications may be submitted electronically.

Notice and Submission of Renewal Applications

For insurance producers, if an application for license renewal is submitted electronically, it is considered to have been done so in a timely manner if the application (1) is submitted on or before the expiration date of the license; (2) is addressed properly or otherwise directed properly to the information system used by MIA; (3) is in a form capable of being processed by such a system; and (4) enters an information processing system outside the control of the sender or person that sent the application on behalf of the sender.

MIA Punitive Measures

Under insurance law, the Commissioner may suspend, revoke, or refuse to renew or reinstate a license after notice and opportunity for a hearing if an applicant or holder of a license commits numerous specified acts. Violations include (1) willfully violating the Insurance Article or another law related to insurance; (2) intentionally misrepresenting or concealing the facts when applying for a license; and (3) fraudulent or dishonest business practices. Instead of or in addition to suspending or revoking the license, the Commissioner may impose a penalty of between \$100 and \$500 for each violation.

Fraud Prevention Fees

Each insurance producer, public adjuster, insurance adviser, or third-party administrator that is qualified, licensed, or registered by the Commissioner must pay a \$15 fraud prevention fee that is due on or before June 30 of each year and, if applicable, payable with the certificate, license, or renewal fee.

Background: MIA advises that, currently, it is required to mail paper copy reminders for all its license, certificate, and registration renewals. Under the bill, these notifications can be sent out electronically, modernizing the practice, and renewal applications may likewise be submitted electronically. Furthermore, by spreading the expiration dates based on an individual's birth month, MIA is likely to see efficiencies with staff and quicker processing of applications after its employees are initially trained in the new expiration date system.

State Revenues: Although the bill alters the expiration date and corresponding renewal fee collection date for surplus lines broker certificates and insurance adviser licenses, MIA advises that it already collects surplus lines broker certificate fees in the manner required by the bill. To obtain a surplus lines broker certificate, a person must also have an insurance producer license; therefore, MIA collects the certificate fee at the same time as the license fee. Thus, the bill's only revenue impact comes from changing the expiration date for insurance adviser licenses.

MIA advises that 313 active insurance adviser licenses are issued. Therefore, MIA receives \$62,600 in special fund revenues every two years from licensees (313 licenses × \$200 renewal fee) and \$4,695 in special fund revenues from fraud prevention fees paid with the license renewals (313 license × \$15 fraud fee). MIA further advises that it plans to implement the bill in the same manner as it did when other license expiration dates were changed. Thus, rather than shorten the two-year license for approximately one-half of existing insurance adviser licensees beginning on January 1, 2017, concurrent with the bill's effective date, MIA intends to extend the current expiration date (June 30, 2017) of each insurance adviser license out to the following birth month of the licensee. This means that a licensee will have additional time (between 1 and 12 additional months) before his or her license expires.

Although the bill changes the expiration date for insurance adviser licenses, the bill does not alter the collection date for the fraud prevention fee, which must be paid on June 30 of every other year; however, this fee must also be collected at the same time as the license fee. Under the bill, it is unclear whether MIA is required to continue to collect this fee on or before June 30 of every other year, or if the fee must be paid with the license renewal fee after the expiration dates are staggered by the bill. Nevertheless, this analysis assumes that MIA also staggers collection of the fraud prevention fee so that it continues to be paid at the same time as the license renewal fee. Otherwise, licensees would be required to send

in two payments to MIA over the course of a single year, and any staff efficiencies gained from staggering expiration dates would be lost.

Thus, \$67,295 in fee revenues that were previously meant to be collected in fiscal 2017 under current law are instead collected in fiscal 2018 as the expiration dates and corresponding fee collections are shifted. This pattern continues in future years as fee revenues that would be collected in fiscal 2019 under current law are instead collected throughout fiscal 2020 under the bill, and so forth.

Any penalties assessed against an insurance producer for failure to timely file a change of email address do not materially affect general fund revenues.

State Expenditures: MIA special fund expenditures decrease negligibly due to no longer being required to mail out as many paper notices to certificate holders, licensees, and registrants. MIA may also realize staff efficiencies due to the bill's changes to authorize electronic renewal and modification of expiration dates (since corresponding renewal applications can be processed over the course of the year rather than all at once).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2016
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

**TITLE OF BILL: Insurance—Certificate of Qualification, Licensing, and
Registration— Electronic Means**

BILL NUMBER: HB 60

**PREPARED BY:
(Dept./Agency) Maryland Insurance Administration**

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS