

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 799
Finance

(Senator Pugh)

**Insurance - Life Insurance Policies and Annuity Contracts - Exemption From
State Insurance Laws**

This bill exempts an individual life insurance policy or individual annuity contract from the entire Insurance Article when the policy or contract is delivered or issued for delivery in Maryland if (1) the application is made in a state other than Maryland; (2) the applicant has contacts with the state in which the application for the policy or contract is made other than making the application in that state; and (3) the applicant acknowledges in writing that the policy or contract might not include some of the benefits required for a policy or contract subject to Maryland's laws.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: General fund revenues decrease minimally beginning in FY 2016 due to the insurance policies and contracts specified by the bill no longer being subject to the 2% premium tax collected on insurance policies issued in the State. Expenditures are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: The Maryland Insurance Administration (MIA) is the agency responsible for oversight and regulation of the insurance industry in the State. Insurance Law requires insurers to have certificates of authority issued by the

Insurance Commissioner and comply with formation, financial, and other business standards in order to engage in the insurance business within Maryland. For example, insurers must maintain adequate levels of assets, capital, surplus, and reserves to ensure their ability to meet obligations to policyholders and their compliance with the law. Insurers are also prohibited from engaging in unfair or deceptive methods of pricing or marketing insurance policies and must provide notices with specified information to current and prospective policyholders under certain circumstances.

An insurer's rates, policies, and forms must be filed with MIA along with policy endorsements and any modifications that an insurer proposes to use; however, for life insurance policies, only the forms and policies must be filed. Even though life insurance and annuity rates and actuarial memoranda are not required to be filed prior to approval, they are reviewed by the Insurance Commissioner to determine that nonforfeiture benefits are in compliance with any applicable regulations.

Title 6 of the Insurance Article imposes a 2% tax on premiums derived from or reasonably attributable to insurance business in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 29, 2016
mel/ljm

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