

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1784 (Delegate Cullison)  
Health and Government Operations

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**Life Insurance - Sale by Telephone**

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This bill allows an insurance producer to sell a replacement life insurance policy over the telephone without obtaining the signature of the applicant on a notice that discusses the benefits and drawbacks of a replacement policy, as discussed below. The bill applies to all policies of life insurance sold by telephone on or after October 1, 2018.

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**Fiscal Summary**

**State Effect:** Although the bill may result in additional complaints to the Maryland Insurance Administration (MIA) related to the sale of replacement life insurance policies, it is not expected to materially affect State operations or finances.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary/Current Law:** An insurance producer is a person licensed by MIA to sell insurance in the State on behalf of an insurer. A producer can be a captive agent, only selling insurance for one insurer, or an independent agent, able to sell insurance for more than one insurer. An individual applying for the license must be of good character and trustworthy and meet any education requirements specified by law and set by the Commissioner.

Maryland regulations establish requirements for insurance producers that sell life insurance policies. If the insurance producer is selling a life insurance policy to an applicant that

already has a life insurance policy or annuity contract, the insurance producer must present and, unless declined, read to the applicant a notice that discusses the benefits and drawbacks of replacing an existing life insurance policy. The notice must then be signed by both the applicant and the insurance producer attesting that the notice has been (1) read aloud by the insurance producer or that the applicant did not wish the notice to be read aloud and (2) left with the applicant.

The bill allows this signature requirement to be met for a replacement life insurance policy that is sold solely by telephone if (1) within seven calendar days after the date of the sale, the required notice is sent to the insured by a first-class mail tracking method; (2) the life insurer notifies the insured that the insured may surrender the life insurance policy within 30 days after the date the policy is delivered; (3) the face amount of the life insurance policy does not exceed \$100,000; (4) the license number assigned to the insurance producer by the Commissioner was disclosed during the telephone call; and (5) the life insurer maintains a recording of the telephone call for as long as the life insurance policy remains in force, plus five years.

The bill does not apply to an individual annuity contract; group annuity contract; credit life insurance; group life insurance; a life insurance policy issued in connection with a pension and welfare plan, as specified; or variable life insurance, as specified.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 14, 2018  
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