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February 19, 2020

To: The Honorable Delores G. Kelley  
Chair, Finance Committee

From: Karen S. Straughn, Consumer Protection Division  
Patricia F. O'Connor, Health Education and Advocacy Unit

Re: Senate Bill 556 (Insurance - Product and Service Offerings): Oppose

The Office of the Attorney General's Consumer Protection Division and Health Education and Advocacy Unit (HEAU) oppose Senate Bill 556 submitted by Senator Pamela Beidle. The bill would alter sections in the Insurance Article that prohibit insurers from providing inducements for the purchase of many types of insurance. Providing items conditioned upon a purchase is a practice that is generally prohibited in consumer transactions under the Consumer Protection Act for good cause: the practice makes it more difficult to make a reasoned decision about the transaction. Instead, consumers are lured into purchases that may not in their best interests through the prospect of the "gift" that the seller is offering. We believe the same principle applies to the purchase of insurance, and urge the Committee to preserve the Insurance Article's current prohibitions.

This bill would apply to the sale and purchase of property and casualty lines, as well as health and life insurance (including long term care), and to annuities. Proponents contend that property and casualty insurers want to be able to sell or provide, at a discount, products like sprinkler systems or doorbell security camera systems to mitigate risk of loss. However, consumers should make a decision to insure their homes with the homeowners' policies that are best for them, not because a company offered them a "free" Ring doorbell.

With respect to health insurance, proponents contend that companies wish to offer wellness plans; but current law provides for that, *see* p. 4, l. 10-23, without this bill's risk of increasing costs for consumers ("AN INSURER MAY INCLUDE AN OFFER OR PROVISION OF PRODUCTS OR SERVICES UNDER THIS SUBSECTION IN AN APPLICABLE CONTRACT OR FORM OR RATE FILING," p. 3, l. 8-10).

For these reasons, we ask the Finance Committee for an unfavorable report.

cc: The Honorable Pamela Beidle  
Members, Finance Committee