

**APCIA\_FAV\_SB556**

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Position: FAV

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**Testimony of American Property Casualty Insurance Association (APCIA)  
Senate Finance Committee  
SB 556 Insurance- Products and Service Offerings  
February 19, 2020**

Letter of Support

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to provide written comments in support of Senate Bill 556. APCIA is the primary national trade association for home, auto, and business insurers. Representing nearly 60 percent of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions – protecting families, communities, and businesses in the U.S. and across the globe. As insurers seek to provide more value-added services to their customers in the form of technology to reduce risk and provide enhancements there is a need to address how state anti-rebating and inducement laws apply.

Anti-rebating laws, however, originally well intended are a cause of concern, a potential hindrance to socially beneficial innovation. These laws were introduced more than 100 years ago, after the use of rebates threatened the solvency of life insurance companies and raised questions around unfair discriminatory practices. Senate Bill 556 will update the current insurance law regarding anti-rebating to permit an insurer from offering at no charge or at a discounted price products or services that educate or assess or prevent risk of loss or mitigate losses. The bill also permits offering such services that have a nexus to the product or enhance the value of certain life and health products.

The marketplace is demanding simpler and more innovation insurance solutions, including the combination of insurance products with non-insurance products and services in a single offering. These logical, complementary insurance/technological product combinations allow insurers to better tailor products and to address emerging risks to the benefit of consumers. It is critically important to all that state laws and regulations keep pace with these innovative and consumer friendly innovations.

Maryland will join other states that are addressing this issue. Several states have either proposed or taken action to address “value-added” products or services either by legislation, regulation or bulletin.

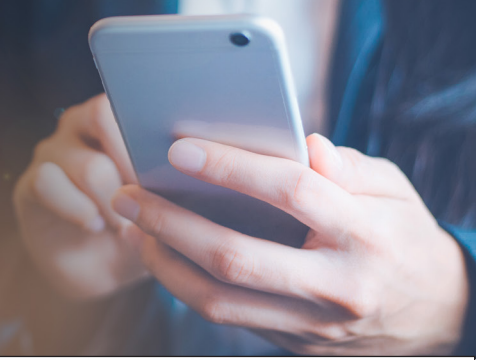
Legislation: AZ, FL, KY, ME, NH, OR, SC, UT, PA    \*CA anti-rebating laws were repealed in 1987.

Regulation: AL, NJ

Bulletin or Circular Letter: ID, IL, IN, IA, LA, ME, ND, NY, OH, OK, WV

For these reasons, APCIA urges the Committee to provide a favorable report on Senate Bill 556.

# Support Modernizing Insurance Rebating Laws



Insurance rebating laws, often crafted in the early 1900s, have fallen behind the times and are now stopping consumers from being offered innovative products and services that are designed to prevent property damage. Simple modifications to existing rebating laws will allow insurers to offer at a discount or for free, products and services that can help consumers learn about, assess, monitor, control or otherwise mitigate their risk of loss.

## EXAMPLES OF INNOVATIONS THAT OFFER RISK MITIGATION SERVICES



### ENHANCE HOME SECURITY

Portable, wireless home security systems make homes safer and reduce burglaries.



### SMART FLOOD DETECTOR

Water leak sensors alert homeowners of potential issues that could cause costly water damage.



### PREVENT FROZEN PIPES

Wireless monitor systems report dangerous conditions that could produce property damage.

Updated Rebating Laws could help Consumers Save Money and Reduce Property Losses

# **LATE - ChesapeakeEmployersIns\_FAV\_SB556**

Uploaded by: Klemans, Pillar

Position: FAV



February 19, 2020

Senate Finance Committee

Testimony of Chesapeake Employers' on SB 556 – Support

SB 556 proposes to allow carriers, including Property and Casualty insurers, to offer products or services to their policyholders for the purpose of educating a person regarding or to assess, monitor, control or prevent, risk of loss to persons. Additionally, this bill would allow the offering of products or services that have a nexus to or enhance the value of certain insured benefits. The requirements associated with these offerings are that they have a nexus to the risk the carrier is insuring against and that the product or service is made available to all similarly situated policyholders.

Under current law, carriers are prohibited from offering, promising or giving any valuable consideration, other than educational, promotional materials or articles of merchandise, valued under \$50. This monetary restriction likely prohibits almost any new technologies due to the low value on the allowable limit.

As technology continues to change and develop in every facet of our lives, insurance will too. This bill will allow carriers to stay in step with innovations in their respective industries. Carriers offering and/or providing the use of telematics and wearables, as well as, any other safety innovations in the workers' compensation field would now be allowable under this bill.

For the foregoing reasons, Chesapeake Employers' supports SB 556.

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**Beidle\_FAV\_SB556**

Uploaded by: Senator Beidle, Senator Beidle

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PAMELA G. BEIDLE  
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Anne Arundel County

Finance Committee

Vice Chair

Executive Nominations Committee



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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

February 19, 2020

**SB 556**  
**Insurance - Product and Service Offerings**

Chairman Kelley and Members of the Finance Committee;

**Anti-rebating laws, however originally well intended, were introduced more than 100 years ago.** These laws address concerns related to the giving or offering by the insurance producer, of any rebate or other valuable consideration to the prospective insured as an inducement to purchase insurance or any renewal of coverage.

As a general matter, an insurer or insurance producer may not provide or offer to provide an insured or potential insured with any special benefit or discount, including any rebate from the premium, or any service or other incentive in conjunction with the sale of insurance, that is not specified in the policy or contract for insurance.

With Senate Bill 556 insurers are seeking to provide more value-added services to their customers in the form of technology and services to reduce risk and provide additional benefits to their policyholders with clarifying language that these benefits are permitted.

The innovative programs/services often leverage the use of IoT (internet of things) connected devices, e.g. monitors, sensors, communication, telematics, biometric wearables to assist policyholders to mitigate risk, and in the process prevent deaths, injuries and financial loss. It is therefore critically important that we find a way forward so as not to lose this historic opportunity to better serve the public by mitigating risk and preventing loss. Examples of such devices are sprinkler detection devices, doorbell ring devices, and telematic devices for commercial auto accounts. Value-added services for life insurers include grief counseling or bereavement resources for beneficiaries of life insurance policies. For health insurers, they could add additional wellness programs for beneficiaries.

I respectfully request a favorable report on SB556.

# **MIA\_FWA\_SB556**

Uploaded by: Paddy, Michael

Position: FWA



LARRY HOGAN  
Governor

BOYD K. RUTHERFORD  
Lt. Governor



# Maryland

INSURANCE ADMINISTRATION

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**TESTIMONY OF  
THE  
MARYLAND INSURANCE ADMINISTRATION  
BEFORE THE  
SENATE FINANCE COMMITTEE**

**FEBRUARY 19, 2020**

**SENATE BILL 556 – INSURANCE - PRODUCT AND SERVICE OFFERINGS**

**POSITION: SUPPORT WITH AMENDMENTS**

Thank you for the opportunity to provide written comments regarding Senate Bill 556. Senate Bill 556 amends §27-209 and 27-212 of the Insurance Article to allow insurers to offer or provide products and services at no charge or at a discounted price to policyholders as long as the product or service is associated with the risks insured against by the policy. As drafted, these products or services will not be considered rebates as long as they are directly tied to the risks insured against by the associated policy.

This past summer the National Association of Insurance Commissioners (NAIC) Innovation and Technology Task Force began discussions on updating NAIC Model Law 880 – “Unfair Trade Practices Act” to allow insurers to offer or provide products and services at no charge or at a discounted price to policyholders as long as the product or service is associated with the risks insured against by the policy. This discussion reflects the need to update statutes across the country to accommodate advancements in loss management and mitigation technologies in a manner that does not weaken existing consumer protections. The Maryland Insurance Administration (MIA) is an active member on this task force and has participated throughout the summer and fall NAIC meetings on how best to approach this issue. While the NAIC process is in its early days, regulators generally wish to allow insurers to provide appropriate loss mitigation products and services for free or at a discount in a non-discriminatory manner, while industry seeks the ability to implement programs of this sort without cumbersome filing requirements.

While the MIA is generally supportive of these concepts, as drafted we strongly believe Senate Bill 556 needs additional language to protect Maryland consumers from unfair

discrimination in the manner by which insurers offer such products and services. The amendments provided will ensure that insurers do not utilize programs of this nature as an improper inducement to purchase a policy and do not offer these programs in a discriminatory fashion. Senate Bill 556 with these amendments will provide the Insurance Commissioner with the enforcement tools needed to protect Maryland's insurance buying public while allowing insurers to efficiently bring to market products and services that will benefit consumers and help control loss costs.

The Maryland Insurance Administration supports Senate Bill 556 with the additional amendments and urges the Committee to give Senate Bill 556 with the amendments a favorable report.

BY: Maryland Insurance Administration

**AMENDMENTS TO SENATE BILL 556**  
(First Reading File Bill)

**AMENDMENT NO. 1**

On page 3, in lines 8, 15 replace “INSURER” with “**INSURER, A NONPROFIT HEALTH SERVICE PLAN, OR A HEALTH MAINTENANCE ORGANIZATION**”

*Rationale: This change makes the language consistent with (C)(1) of the subtitle.*

**AMENDMENT NO. 2**

On page 2, strike lines 32 and 33 and insert “**THAT ARE SUBSTANTIALLY RELATED TO THE INSURANCE PROVIDED UNDER THE POLICY OR ENHANCES THE HEALTH OF THE INSURED OR THE BENEFICIARY.**”

On page 3, on Line 2, strike “HAS A NEXUS” and insert “**SUBSTANTIALLY RELATED**”

*Rationale: The Insurance Article does not use the term “nexus.” The term “substantially related” is more appropriate and is consistent with what is already in the Insurance Article.*

**AMENDMENT NO. 3**

On page 3, strike lines 11 through 14 and insert:

**(3) (I) IF THE OFFER OR PROVISION OF SPECIFIC PRODUCTS OR SERVICES IN THIS SUBSECTION IS INCLUDED IN ANY POLICY OF INSURANCE, HEALTH MAINTENANCE ORGANIZATION CONTRACT, A NONPROFIT HEALTH SERVICE PLAN OR ANNUITY CONTRACT, THE PRODUCTS OR SERVICES MAY NOT BE DISCONTINUED DURING THE TERM OF THE CONTRACT UNLESS:**

**1. DISCONTINUATION OF THE PRODUCT OR SERVICE IS REQUESTED BY THE POLICYHOLDER; OR**

**2. AS A RESULT OF A UNIFORM MODIFICATION, AS DEFINED IN SECTIONS 15-1212, 15-1309, AND 15-1409 OF THIS ARTICLE.**

**(II) NOTHING IN THIS SECTION PROHIBITS A CARRIER FROM TERMINATING A CONTRACT AS OTHERWISE PERMITTED UNDER THIS ARTICLE.**

*Rationale: This makes clear that an insurer is responsible for continuing to offer products or services except for in limited circumstances.*

#### **AMENDMENT NO. 4**

On page 3, after line 17, insert “**(D) THE COMMISSIONER MAY DETERMINE BY REGULATION THE PRODUCTS OR SERVICES THAT ARE SUBSTANTIALLY RELATED TO A POLICY OF HEALTH INSURANCE, A POLICY OF LIFE INSURANCE, A HEALTH MAINTENANCE ORGANIZATION CONTRACT, AND AN ANNUITY CONTRACT.**”

*Rationale: This gives the MIA the regulatory authority it needs to keep up with what products or services are appropriate and which ones are not as technology continues to change the market place.*

#### **AMENDMENT NO. 5**

On page 6, after line 29, insert “**(4) THE OFFER OR PROVISION OF PRODUCTS OR SERVICES IS AVAILABLE TO ALL POLICYHOLDERS THAT HAVE PURCHASED THE OFFER IN A NONDISCRIMINATORY MANNER.**”

*Rationale: This makes clear that any property and casualty insurer that offers a product or service must do so in a non-discriminatory manner.*

**Attorney General\_UNF\_SB0556**

Uploaded by: O'Connor, Patricia

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**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

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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