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Date: January 23, 2025

Bill # / Title: Senate Bill 228 - Limited Line Credit Insurance - Qualification of Applicants

Committee: Senate Finance Committee

Position: Support

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support for Senate Bill 228, which is a Departmental bill.

Senate Bill 228 would amend §§ 10-104 and 10-105 of the Insurance Article in three ways. First, it would remove the requirement that the Insurance Commissioner approve a program of instruction for applicants for a limited lines credit insurance license. Second, it would require that such a program provide a comprehensive and accurate description of the relevant limited lines credit insurance product. Finally, it would require a limited lines credit insurer that administers a program of instruction to retain records pertaining to the program for at least five years.

Section 10-101(f) of the Insurance Article provides that limited line credit insurance includes any of the following: credit life insurance; credit health insurance; credit property insurance; credit unemployment insurance; credit involuntary unemployment benefit insurance; mortgage life insurance; mortgage guaranty insurance; mortgage disability insurance; or guaranteed automobile protection (GAP) insurance. This section further provides that limited line credit insurance includes any other form of insurance that: (i) is offered in connection with an extension of credit; (ii) is limited to partially or wholly extinguishing that credit obligation; and (iii) the Commissioner determines should be designated a form of limited line credit insurance.

Section 10-103 of the Insurance Article requires that a person obtain a license in the kind or subdivision of insurance for which the person intends to act as an insurance producer before acting as an insurance producer in the State.

Requirements to qualify for a license to act as a limited line credit insurance producer are set forth in §§ 10-104 and 10-105 of the Insurance Article. In relevant part, these sections require that an applicant successfully complete a program of instruction that is: (1) provided by an insurer that sells, solicits, or negotiates limited line credit insurance; and (2) approved by the Commissioner.

Pursuant to the current statutory requirements, a limited line credit insurer must submit its program of instruction with the MIA for approval. However, the law does not set forth approval criteria, leaving a great deal of uncertainty. In the event that the MIA denied a program of instruction filed by a limited lines credit insurer and the insurer challenged the denial in a hearing, it seems unlikely that the MIA would prevail.

The expertise with regard to limited lines credit insurance products lies with the insurers that sell them. This is why a prospective limited lines credit insurance producer must complete an instructional program administered by a limited lines credit insurer to qualify for licensure. The educational needs of prospective producers would be better served by establishing a clear statutory standard for limited lines credit insurance instructional programs, as opposed to subjecting these programs to an unclear prior approval process. Further, requiring limited lines credit insurers to retain records pertaining to their instructional programs for a minimum period would preserve the MIA's ability to review these instructional programs in the course of a market conduct examination.

For the reasons set forth above, the MIA urges a favorable committee report on Senate Bill 228 and thanks the Committee for the opportunity to share its support.