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Governor

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Lt. Governor



MARIE GRANT
Commissioner

JOY Y. HATCHETTE
Deputy Commissioner

MARY KWEI
Associate Commissioner
Market Regulation and Professional Licensing

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2113
1-800-492-6116 TTY: 1-800-735-2258
www.insurance.maryland.gov

Date: January 29, 2026

Bill # / Title: House Bill 277 - Insurance - Third Party Administrators - Enforcement

Committee: House Health Committee

Position: Support

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support for House Bill 277, which is a Departmental bill.

House Bill 277 amends §§ 8-309(a) and 8-320(c) of the Insurance Article in order to allow the Maryland Insurance Administration (MIA) to, among other things, hold Third Party Administrators (TPAs) accountable for helping unauthorized insurers sell insurance products in the State. The bill authorizes denial, suspension, or revocation of a TPA registration if a TPA has violated the Insurance Article or another law of the State relating to Insurance, or knowingly fails to comply with a regulation adopted by or an order of the Commissioner. The bill also authorizes a civil penalty of not more than \$10,000 per violation of the Insurance Article committed by a TPA - currently, TPAs are subject to violations of the TPA subtitle only.

A TPA is a person or business entity that, to the extent that the TPA is acting for an insurer or plan sponsor, has: 1) control over custody of premiums, contributions, or any other money on behalf of a health plan or with respect to a life insurer, for any period of time; or 2) has discretionary authority over the adjustment, payment, or settlement of benefit claims under a health plan or on behalf of a life insurer over the investment of a plan's or life insurer's assets. Generally, TPAs are required to register with the MIA.

Over the past several years, the MIA has become increasingly aware of entities offering unauthorized health insurance in Maryland, typically with the assistance of TPAs. The MIA has been taking an aggressive approach to protect consumers by limiting the actions of unauthorized insurers, specifically health plans, in the State. These unauthorized insurers use TPAs to process claims and perform additional administrative functions. Under current law, the registration of a TPA can only be suspended or revoked based on a violation of the TPA subtitle itself and cannot be revoked based on violations outside of that subtitle. House Bill 277 closes this gap in the MIA's enforcement authority, and in so doing, strengthens the ability of the MIA to protect consumers in two ways.

The bill would expand the ability of the Commissioner to deny, refuse to renew, revoke, or suspend the registration of a TPA for a violation of any provision of the Insurance Article or any other law relating to insurance that the TPA violates. The bill would not impact actions of the TPA relating to self-insured plans. Additionally, the bill would allow the Commissioner to impose a civil penalty up to \$10,000 for each violation of statute committed by a TPA.

Current law addresses revoking a TPA registration for conviction of a felony, but there may be an action that the MIA would want to stop prior to a conviction. For example, a TPA would not be subject to unfair claims settlement practices. So, a TPA could be using an Artificial Intelligence (AI) product that is biased in order to make claim determinations, and using it for multiple health plans. In order to stop this, however, under current law, the MIA would have to take action against each carrier utilizing the TPA in question, and demonstrate a violation individually, instead of investigating and penalizing the TPA which enables conduct that violates the Insurance Article.

House Bill 277 allows the MIA to better protect consumers by holding TPA's directly accountable for violations of the Insurance Article, and in so doing, enhances the MIA's ability to protect consumers and defend the integrity of the market for health insurance in Maryland. Holding a TPA responsible for violations it commits outside of Title 8, subtitle 3 is consistent with the obligations imposed on both insurers and insurance producers. See §§ 4-113(b)(1) and (2) and 10-126(a)(1).

For the reasons set forth above, the MIA urges a favorable committee report on House Bill 277 and thanks the Committee for the opportunity to share its support.