

**Maryland General Assembly
Department of Legislative Services**

**Proposed Regulation
Maryland Insurance Administration
(DLS Control No. 20-018)**

Overview and Legal and Fiscal Impact

This regulation amends existing provisions on variable life insurance policies by clarifying qualifications for variable life insurance producers.

The regulation presents no legal issues of concern.

There is no fiscal impact on State or local agencies.

Regulation of COMAR Affected

Maryland Insurance Administration:

Life Insurance and Annuities: Variable Life Insurance: COMAR 31.09.02.11

Legal Analysis

Background

Variable life insurance is a form of whole life insurance that accumulates cash value on a tax-deferred basis. Variable life insurance operates similarly to a mutual fund because the insured pays premiums that go into a separate investment account owned by the insured. The variable life insurance policy yields a death benefit to the insured: while there is a minimum guaranteed death benefit, part of the death benefit is variable and depends on the performance of the insured's investment accounts. Variable life policies are securities and are subject to federal securities laws as well as state insurance regulation.

The Maryland Insurance Administration advises that although the Maryland Securities Commission does not consider variable insurance products to be securities, the federal government does consider these products to be securities and requires the individual producers to register with the Financial Industry Regulatory Authority (FINRA).

Summary of Regulation

The regulation clarifies that, in addition to being qualified in accordance with §§ 10-105 and 10-109 of the Insurance Article and being licensed by the Maryland Insurance Commissioner,

a variable life insurance producer is required to have life and variable lines of authority to solicit, sell, or act or aid in any manner in the negotiation of a variable life insurance policy.

Legal Issues

The regulation presents no legal issues of concern.

Statutory Authority and Legislative Intent

The administration cites §§ 2-109 and 16-601 through 16-603 of the Insurance Article as statutory authority for the regulation. Section 2-109 authorizes the Maryland Insurance Commissioner to adopt regulations to carry out the Insurance Article. Sections 16-601 through 16-603 comprise the article's complete subtitle on variable life insurance and annuities.

This authority is correct and complete. The regulation complies with the legislative intent of the law.

Fiscal Analysis

There is no fiscal impact on State or local agencies.

Agency Estimate of Projected Fiscal Impact

The administration advises that the regulation has no impact on State or local governments. The Department of Legislative Services concurs.

Impact on Budget

There is no impact on the State operating or capital budget.

Agency Estimate of Projected Small Business Impact

The administration advises that the regulation has minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs.

Contact Information

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