

**Maryland General Assembly
Department of Legislative Services**

**Proposed Regulation
Maryland Insurance Administration
(DLS Control No. 20-093)**

Overview and Legal and Fiscal Impact

The regulation requires a managing general agent to maintain and obtain a certain fidelity bond and a certain errors and omissions policy for the protection of the insurer and policyholder.

The regulation presents no legal issue of concern.

There is minimal or no fiscal impact on State or local agencies.

Regulation of COMAR Affected

Maryland Insurance Administration:

Insurance Producers and Other Insurance Professionals: Managing General Agents:
COMAR 31.03.19.01

Legal Analysis

Background

A managing general agent (MGA) is a specialized type of insurance agent or broker that is vested with underwriting authority from an insurer. MGAs perform certain functions typically handled by insurers, such as binding coverage, underwriting and pricing, settling claims, and appointing retail agents within specified areas. Under § 8-202 of the Insurance Article, a person must obtain a certificate of qualification before the person acts as an MGA in Maryland.

Summary of Regulation

The regulation requires an MGA to maintain and obtain a fidelity bond for the protection of the insurer and policyholder equal to or greater than 10% of the maximum annual premium volume as stated in the underwriting guidelines in the contract required by statute, but no less than \$100,000.00. An MGA must also obtain and maintain an errors and omissions policy for the protection of the insurer and policyholder with limits of at least \$1,000,000.

In addition, the regulation requires an MGA to provide evidence of bond and errors and omissions coverage on the initial or renewal application.

Legal Issues

The regulation presents no legal issue of concern.

Statutory Authority and Legislative Intent

The administration cites §§ 8-201(c), 8-207, and 8-209 of the Insurance Article as authority for the regulation. More specifically, § 8-201(c) defines an MGA as a person who manages all or part of the insurance business of an insurer and meets other specified criteria. Section 8-207 authorizes the Maryland Insurance Commissioner, by regulation, to require an MGA to maintain a bond or other security in an amount set by the commissioner to protect the insurer and policyholders and to maintain an errors and omissions policy issued by an authorized insurer.

Section 8-209 prohibits a managing general agent from engaging in certain conduct. The section also authorizes an MGA to bind facultative reinsurance contracts under obligatory facultative agreements if the contract with the insurer contains reinsurance underwriting guidelines for reinsurance both assumed and ceded, including a list of reinsurers with which the automatic agreements are in effect, the coverages and amounts or percentages that may be reinsured; and commission schedules.

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

Fiscal Analysis

There is minimal or no fiscal impact on State or local agencies.

Agency Estimate of Projected Fiscal Impact

The administration advises that the regulation has minimal or 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.

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