

MARYLAND REGISTER

**Proposed Action on Regulations**

<b>Transmittal Sheet</b>  <b>PROPOSED OR REPROPOSED</b>  <b>Actions on Regulations</b>	<b>Date Filed with AELR Committee</b>	<b>TO BE COMPLETED BY DSD</b>
	12/02/2015	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

**1. Desired date of publication in Maryland Register: 1/8/2016**

**2. COMAR Codification**

**Title Subtitle Chapter Regulation**

31 03 06 09

31 03 07 04

**3. Name of Promulgating Authority**

Maryland Insurance Administration

**4. Name of Regulations Coordinator**

Catherine E Grason

**Telephone Number**

410-468-2201

**Mailing Address**

200 St. Paul Place, Suite 2700

**City State Zip Code**

Baltimore MD 21202

**Email**

Catherine.Grason@maryland.gov

**5. Name of Person to Call About this Document**

Catherine Grason

**Telephone No.**

410-468-2201

**Email Address**

catherine.grason@maryland.gov

**6. Check applicable items:**

- New Regulations
  - Amendments to Existing Regulations
    - Date when existing text was downloaded from COMAR online: 11/16/15.
  - Repeal of Existing Regulations
    - Recodification
    - Incorporation by Reference of Documents Requiring DSD Approval
    - Reproposal of Substantively Different Text:
      - : Md. R
      - (vol.) (issue) (page nos) (date)
- Under Maryland Register docket no.: --P.

**7. Is there emergency text which is identical to this proposal:**

- Yes  No

**8. Incorporation by Reference**

Check if applicable: Incorporation by Reference (IBR) approval form(s) attached and 18 copies of documents proposed for incorporation submitted to DSD. (Submit 18 paper copies of IBR document to DSD and one copy to AELR.)

**9. Public Body - Open Meeting**

- OPTIONAL - If promulgating authority is a public body, check to include a sentence in the Notice of Proposed Action that proposed action was considered at an open meeting held pursuant to State Government Article, §10-506(c), Annotated Code of Maryland.
- OPTIONAL - If promulgating authority is a public body, check to include a paragraph that final action will be considered at an open meeting.

**10. Children's Environmental Health and Protection**

Check if the system should send a copy of the proposal to the Children's Environmental Health and Protection Advisory Council.

**11. Certificate of Authorized Officer**

I certify that the attached document is in compliance with the Administrative Procedure Act. I also certify that the attached text has been approved for legality by J. Van Dorsey, Assistant Attorney General, (telephone #410-468-2023) on 11-30-15. A written copy of the approval is on file at this agency.

**Name of Authorized Officer**

Alfred W. Redmer, Jr.

**Title**

Insurance Commissioner

**Telephone No.**

410-468-2090

**Date**

12-2-15

**Title 31**  
**MARYLAND INSURANCE ADMINISTRATION**  
**Subtitle 03 INSURANCE PRODUCERS AND OTHER INSURANCE**  
**PROFESSIONALS**

**31.03.06 Surplus Lines**

**Subtitle 03 INSURANCE PRODUCERS AND OTHER INSURANCE**  
**PROFESSIONALS**

**31.03.07 Installment Vendors Doing Business In Maryland (Such as Auto Dealers, Boat Dealers, Appliance Dealers, Loan Companies)**

Authority: See attached.

**Notice of Proposed Action**

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The Insurance Commissioner proposes to amend Regulation .09 under COMAR 31.03.06 Surplus Lines and to repeal Regulation .04 under COMAR 31.03.07 Installment Vendors Doing Business In Maryland (Such as Auto Dealers, Boat Dealers, Appliance Dealers, Loan Companies).

**Statement of Purpose**

The purpose of this action is to (1) Amend the consumer disclosure regarding surplus lines insurance in Regulation .09B of COMAR 31.03.06 to advise consumers that surplus lines insurance products are not covered by the Maryland Life and Health Insurance Guaranty Corporation; and  
(2) Repeal Regulation .04 of COMAR 31.03.07, as recommended in the Maryland Insurance Administration's Regulatory Review and Evaluation Act Report for this Chapter. This regulation, which was last amended in 2006, advises that the Maryland Insurance Administration "will, in the near future, inspect installment vendors" operations to determine whether or not the referenced provisions of the Insurance Article, Annotated Code of Maryland, are being observed and carried out." This regulation is no longer necessary.

**Comparison to Federal Standards**

There is no corresponding federal standard to this proposed action.

**Estimate of Economic Impact**

The proposed action has no economic impact.

**Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

### **Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

### **Opportunity for Public Comment**

Comments may be sent to Catherine Grason, Director of Regulatory Affairs, Maryland Insurance Administration, 200 St. Paul Place, Ste. 2700, Baltimore, MD 21202, or call 410-468-2201, or email to [insuranceregreview.mia@maryland.gov](mailto:insuranceregreview.mia@maryland.gov), or fax to 410-468-2020. Comments will be accepted through February 8, 2016. A public hearing has not been scheduled.

### **Economic Impact Statement Part C**

A. Fiscal Year in which regulations will become effective: FY 16

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

No

C. If 'yes', state whether general, special (exact name), or federal funds will be used:

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

No additional funds are required for implementation of these regulations.

E. If these regulations have no economic impact under Part A, indicate reason briefly:

These regulations amend an existing regulatory notice and appeal an obsolete regulatory provision. These changes will not require agency funding.

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

The amendments to the existing regulatory notice may have a nominal compliance cost for insurance companies; however, insurance companies are not considered small businesses in Maryland.

G. Small Business Worksheet:

Attached Document:

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## **Title 31 MARYLAND INSURANCE ADMINISTRATION**

### **Subtitle 03 INSURANCE PRODUCERS AND OTHER INSURANCE PROFESSIONALS**

## Chapter 06 Surplus Lines

Authority: Insurance Article, §§2-109, 3-304, 3-306, 3-307, 3-311—3-313, and 3-325(c), Annotated Code of Maryland

### .09 Disclosure Form.

A. (text unchanged)

B. Form.

#### DISCLOSURE REGARDING SURPLUS LINES INSURANCE.

Please Read the Following Carefully Before Purchasing Insurance From a Surplus Lines Insurer.

This policy is issued by a surplus lines insurer that has been approved by the Maryland Insurance Administration to issue insurance policies in the surplus lines insurance market. Surplus lines insurers are not under the jurisdiction of the Maryland Insurance Administration and do not possess a certificate of authority to transact insurance business in the State of Maryland. Because surplus lines insurers are not under the jurisdiction of the Maryland Insurance Administration, your ability to seek assistance from the State if you have a problem with your insurance company is limited.

[The] Property and Casualty Insurance Guaranty Corporation *and Maryland Life and Health Insurance Guaranty Corporation* [provide a fund] *provide funds* that [permits] *permit certain* claimants or policyholders to receive payment of covered claims if their insurance company becomes insolvent (i.e., bankrupt) and is unable to pay the claims. However, [this fund does] *these funds do* not apply to surplus lines insurers. If a surplus lines insurer becomes insolvent (i.e. bankrupt), any claim that you have against the surplus lines insurer will not be covered by the [fund] *funds* administered by Property and Casualty Insurance Guaranty Corporation *and Maryland Life and Health Insurance Guaranty Corporation*.

If you have any questions regarding this disclosure or surplus lines insurance, please contact the Maryland Insurance Administration at 410-468-2340.

C.-D. (text unchanged)