

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 362 (Chairman, Economic Matters Committee)
(Departmental – Insurance Administration, Maryland)

Economic Matters

Finance

Maryland Insurance Administration - Adoption of Regulations

This departmental bill requires the Maryland Insurance Commissioner to adopt regulations governing the privacy of consumer financial and health information as required by the federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley). The regulations must be consistent with the model privacy regulation adopted by the National Association of Insurance Commissioners (NAIC). The bill also requires the commissioner to establish criteria and a process to allow an individual who is otherwise prohibited from engaging in or participating in the insurance business under the federal Violent Crime Control and Law Enforcement Act of 1994 to obtain written consent from the commissioner to engage in or participate in the insurance business.

Regulations adopted under the bill may not take effect until January 1, 2002.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: The Maryland Insurance Administration (MIA) could adopt, implement, and enforce the regulations with existing budgeted resources.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: The Insurance Commissioner may adopt regulations to: (1) carry out Maryland's insurance laws; (2) establish, maintain, and administer required reserves; and (3) regulate the solicitation by a domestic stock insurer or other person of proxies, consents, and authorizations.

Background: Gramm-Leach-Bliley breaks down barriers among the banking, insurance, and securities industries by authorizing affiliations through a new type of financial services entity known as a "financial holding company" (FHC). FHCs are bank holding companies with affiliates, such as insurers, that engage in a variety of non-banking activities. Gramm-Leach-Bliley also specifies that consumers' nonpublic financial information may be shared with affiliates in an FHC but not with third parties, unless specified conditions are met and disclosures are made. Privacy requirements are imposed on "financial institutions," which may include insurance companies. Customer privacy policies must be disclosed to customers annually. As federal regulators adopt regulations to implement the privacy requirements, state insurance regulators are required to enforce the regulations as they apply to insurers. NAIC has developed a model regulation on privacy for state insurance commissioners to comply with the requirements of Gramm-Leach-Bliley.

The federal Violent Crime Control and Law Enforcement Act of 1994 prohibits specified fraud or breach of trust crimes by persons engaging in the insurance business. For an individual who has been convicted of one of the fraud or breach of trust crimes, the Act requires that the individual obtain written consent from the state insurance commissioner where the individual is seeking licensure as an insurance agent or broker.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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