

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Senate Bill 576

Chairman FIN (Dept)

(Departmental – Insurance Administration, Maryland)

Finance

Economic Matters

Insurance Producer Licensing Act

This departmental bill incorporates provisions of the Model Producer Licensing Act developed by the National Association of Insurance Commissioners (NAIC) into Maryland's agent and broker licensing provisions, as required by the federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley).

The bill is effective July 2, 2001.

Fiscal Summary

State Effect: Special fund revenues for the Maryland Insurance Administration (MIA) would increase by approximately \$51,600 annually beginning in FY 2003, assuming 1% industry growth and attrition. This accounts for the bill's effective date and renewal requirements for current licensees. Expenditures would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$0	\$51,600	\$51,600	\$51,600	\$51,600
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	\$51,600	\$51,600	\$51,600	\$51,600

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

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.

Analysis

Bill Summary: MIA will no longer issue separate licenses to agents and brokers. Instead, MIA will issue an “insurance producer” license to each person who sells, solicits, or negotiates insurance contracts. An insurance producer would pay a \$54 biennial licensing fee.

The bill provides for reciprocity for nonresident insurance producers wishing to obtain a Maryland license. A nonresident applicant is entitled to obtain a nonresident insurance producer license if: (1) the applicant is a licensed insurance producer in the applicant’s home state; (2) the applicant submits an application to MIA and pays the required fee; and (3) the applicant’s home state issues nonresident insurance producer licenses to Maryland residents on the same basis. The bill repeals other provisions that impede reciprocity and uniformity of state licensing laws, including the \$10,000 bond requirement for most insurance brokers. However, producers who write policies for the Maryland Automobile Insurance Fund (MAIF) are still required to post a \$10,000 bond payable to MAIF.

The bill repeals the sunset to MIA’s legal authority to contract with an outside agent to perform MIA’s licensing services. The bill also contains provisions to facilitate the transition from agent/broker licensing to producer licensing, including a provision stating that agent and broker certificate holders on the bill’s effective date may act as insurance producers for the remainder of their certificates.

Current Law: The State’s licensing laws provide for agents, certain specialized agents, and brokers. Agents pay a biennial licensing fee of \$50. Brokers pay \$80 for a biennial license. Agents solicit, procure, negotiate, or make insurance contracts on behalf of insurers. Brokers solicit, procure, or negotiate insurance contracts or their renewal or continuance for insureds and prospective insureds, but not for an insurer or agent. Insurance brokers must file a \$10,000 bond with MIA.

MIA’s legal authority to contract with an outside agent to perform MIA’s licensing services sunsets December 31, 2001. The authority was granted in Chapter 271 of 1996.

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.

While Gramm-Leach-Bliley affirms state authority to regulate insurance activities, the authority is limited by some of Gramm-Leach-Bliley’s provisions. Specifically, Gramm-

Leach-Bliley gives states until November 12, 2002 to establish either uniform insurance agent/broker licensing laws or a system of reciprocity under which each state recognizes agent/broker licenses granted in other states. If a majority of states (29) fails to meet the deadline, Gramm-Leach-Bliley preempts certain aspects of state regulation over insurance agents and brokers. A national licensing scheme would then go into effect, administered by the National Association of Registered Agents and Brokers.

NAIC developed the Model Producer Licensing Act to comply with both Gramm-Leach-Bliley's reciprocity and uniform licensing requirements. According to NAIC, the Model Act had been adopted in four states (Kentucky, Missouri, New Hampshire, and North Carolina) prior to the 2001 legislative season. The NAIC model was scheduled to be introduced in 31 states, including Maryland, during their current legislative sessions.

State Revenues: Approximately 6,800 licensees pay the current biennial broker licensing fee of \$80, and approximately 70,000 pay the \$50 biennial licensing fee applicable to agents. Current licensees are required to renew their licenses by June 30, 2001. The bill's producer licensing fee represents a \$26 reduction for currently licensed brokers and a \$4 increase for currently licensed agents, respectively, for their biennial licensing fees. This represents an increase of \$103,200 over the biennial licensing cycle. Assuming MIA moves to staggered licensing beginning with the current licensing cycle, Insurance Regulation Fund revenues would increase by \$51,600 annually.

Additional Information

Prior Introductions: None.

Cross File: HB 898 (Chairman, Economic Matters Committee) – Economic Matters.

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

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