

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 200 (Chairman, Economic Matters Committee)
 (By Request – Departmental – Insurance Administration, Maryland)

Economic Matters Finance

Insurance - Regulation of Insurance Producers

This departmental bill requires an insurer to maintain a register of appointed producers who sell, solicit, or negotiate insurance contracts for the insurer. The bill repeals the \$50 fee for approval of a continuing education course by the Maryland Insurance Commissioner and makes review of continuing education courses by the Commissioner optional.

The provisions relating to insurance producer registers are effective January 1, 2004. The provisions relating to continuing education are effective October 1, 2003.

Fiscal Summary

State Effect: Reduction in special fund revenues to the Maryland Insurance Administration (MIA) of approximately \$60,000 annually beginning in FY 2004. Expenditures would not be affected.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)

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 will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill makes optional the appointment of advisory panels to assist the Commissioner in reviewing continuing education courses, examinations, and other matters relating to the education and qualification of insurance producers.

Within 30 days after an insurer appoints an insurance producer, the insurer must include in the insurer's producer register the producer's name and license number, the date of the appointment, and any other information required by the Commissioner. An insurer must send written documentation of the appointment to the insurance producer. In turn, the insurance producer must maintain documentation of the appointment and a list of the insurers that have appointed the producer.

An insurance producer may not act on behalf of an insurer unless the producer is listed in the insurer's register. An insurer must open its register to inspection and examination by the Commissioner and may maintain the register electronically.

An insurer may initially accept an application for life insurance, health insurance, or an annuity from an insurance producer who is not appointed and not listed in the insurer's register if, within 30 days after accepting the application, the insurer rejects the application or appoints and lists the producer in the register.

Within 30 days after an insurance producer's appointment, employment, or other insurance business relationship with an insurer is terminated, the insurer must enter the effective date of the termination in the insurer's register. An insurer or the insurer's authorized representative must notify the Commissioner of an appointment's termination when the termination is a result of the belief that the producer has engaged in one of the acts for which the Commissioner may deny, suspend, revoke, or refuse to renew or reinstate a license. If an insurance producer's appointment is terminated because the producer failed to renew the producer's license and the license is reinstated, an insurer may reappoint the producer retroactive to the date the license expired.

Current Law: The fee for the Commissioner's approval of a continuing education course is \$50. The Commissioner must appoint advisory boards for life and health insurance, and for property and casualty insurance, to assist in reviewing continuing education courses, examinations, and other matters relating to the education and qualification of insurance producers. Each board must have eight members experienced in its respective classification of insurance. The Commissioner must review all continuing education courses submitted for approval and must approve or disapprove a course after receiving the recommendation of the appropriate advisory board.

Within 30 days after accepting an application for life insurance, health insurance, or an annuity from an insurance producer who does not have an appointment with the insurer,

the insurer must reject the application or notify the Commissioner that the producer has been appointed.

When an insurer makes or terminates an appointment, the insurer must immediately file notice of the appointment or termination and the reasons for the termination. Within 30 days after an insurer terminates a producer's appointment, employment, contract, or similar authority, the insurer must notify the Commissioner of the termination. The notification must state whether the termination was for a reason for which the Commissioner may deny, suspend, revoke, or refuse to renew or reinstate a license. Upon written request of the Commissioner, an insurer must provide additional information, documents, records, or other data relating to: (1) the termination of an insurance producer's relationship with the insurer; or (2) the producer's activities if the termination was for one of the acts for which the Commissioner may deny, suspend, revoke, or refuse to renew or reinstate a license. The Commissioner may deny, suspend, revoke, or refuse to renew or reinstate a license for willful violation of the State's insurance laws or violation of one of the State's laws governing honesty of insurance producers.

Within 15 days after notifying the Commissioner of the termination of an insurance producer's relationship with an insurer, the insurer must mail a copy of the notice to the producer. If the producer is terminated for violation of the State's insurance laws, the notice must be sent by certified mail, return receipt requested, postage prepaid, or by overnight delivery. The producer may file written comments regarding the substance of the notice with the Commissioner within 30 days after receiving the notice. If comments are filed, the producer must also send a copy to the reporting insurer. If the Commissioner receives comments, the Commissioner must make the comments part of the file and include the comments with copies of a report about the producer.

Background: By practice, the Insurance Commissioner maintains a registry of licensed insurance producers.

State Fiscal Effect: MIA currently receives approximately \$60,000 annually in fees from the approval of continuing education courses. These special fund revenues would be discontinued under the bill beginning in fiscal 2004. MIA intends to use the services of a contractor to approve continuing education courses. The personnel currently assigned to approval of continuing education courses would be reassigned to MIA's new duties related to bringing producer licensing in-house. Producer licensing has been done by a contractor.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/jr

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510