

Department of Legislative Services  
Maryland General Assembly  
2003 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 632

(Senator Astle)

Finance

Economic Matters

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Insurance - Offers of Educational or Promotional Materials or Articles of  
Merchandise

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This bill prohibits, for insurance other than life insurance, health insurance, or annuities, a person from knowingly offering, promising, or giving any valuable consideration not specified in the policy, except for educational materials, promotional materials, or articles of merchandise that cost less than \$10, regardless of whether a policy is purchased. The bill also repeals the provision that adjusts for inflation the cost of educational materials, promotional materials, or articles of merchandise an insurer may offer for life insurance, health insurance, or an annuity.

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Fiscal Summary

**State Effect:** The bill would not materially affect the finances or operations of the Maryland Insurance Administration.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** For insurance other than life insurance, health insurance, or annuities, generally, an insurer, an insurer's employee or representative, or an insurance producer may not pay, allow, give, or offer to pay, allow, or give as an inducement to insurance or after insurance has become effective: (1) a rebate, discount, abatement, credit, or reduction of the premium stated in the policy; (2) a special favor or advantage in the

dividends of other benefits to accrue on the policy; or (3) any valuable consideration or other inducement not specified in the policy. An insured or an insured's employee may not knowingly receive or attempt to receive one of the prohibited inducements.

In addition to the above mentioned prohibited inducements, for life insurance, health insurance, or an annuity, generally, a person may not: (1) offer paid employment or a contract for services of any kind; (2) knowingly give, sell, purchase, offer or agree to give, sell, or purchase, or allow as inducement to the insurance or annuity or in connection with the insurance or annuity, regardless of whether specified in the policy or contract, an agreement that promises returns and profits, or securities, of an insurer or other business entity, or dividends or profits accrued or to accrue on securities; or (3) offer, promise, or give any valuable consideration not specified in the contract, except for educational materials, promotional materials, or articles of merchandise that cost less than \$10 (adjusted for inflation), regardless of whether a policy is purchased.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 711 (Delegate Harrison) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 19, 2003  
ncs/jr Revised - Senate Third Reader - March 21, 2003

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