

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 246 (Chairman, Economic Matters Committee)
(By Request – Departmental – Insurance Administration, Maryland)
Economic Matters Finance

Insurance - Temporary Insurance Producer Licenses - Specified Types of Insurance

This departmental bill repeals provisions authorizing the Maryland Insurance Commissioner to issue a temporary license to act as an insurance producer in specified lines of insurance.

Fiscal Summary

State Effect: Special fund expenditures could increase minimally in FY 2007 to reprogram the licensing computer system of the Maryland Insurance Administration (MIA). Special fund revenues could decrease or increase minimally to the extent MIA issues fewer temporary insurance producer licenses because of the bill.

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

Current Law: Generally, the Commissioner must waive application requirements and issue an insurance producer license to an insurance producer licensed in another state if that state issues insurance producer licenses to Maryland residents on the same basis.

The Commissioner may issue a temporary license to act as an insurance producer for property insurance, casualty insurance, or a subdivision of property or casualty insurance to an individual who has been licensed in another state for at least one year in the three

years immediately preceding the application date. The Commissioner may issue a temporary license to act as insurance producer for life insurance or health insurance to an individual who intends to: (1) become an insurance producer; and (2) take the required examination within 90 days after the temporary license is issued. These temporary licenses expire no later than 90 days after their effective dates.

The Commissioner may also issue a temporary license to act as an insurance producer to specified individuals, if they are otherwise qualified, to carry on a business of a deceased or disabled insurance producer under specified circumstances.

Background: Chapter 731 of 2001 incorporated provisions of the Model Producer Licensing Act adopted by the National Association of Insurance Commissioners into Maryland's agent and broker licensing provisions, as required by the federal Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley). Specifically, Chapter 731 changed references to "insurance agents" and "insurance brokers" to "insurance producers" in the licensing laws. Chapter 731 also provides for reciprocity for nonresident insurance producers wishing to obtain a Maryland license to comply with Gramm-Leach-Bliley.

MIA advises that the reciprocal licensing authorized under Chapter 731 render temporary licenses in the property and casualty lines unnecessary.

State Revenues: Many persons who now apply for a temporary license would be required to apply for a regular license because of the bill. The licensing fee for a temporary insurance producer license is \$27. The fee for a regular license is \$54 for a two-year license. Revenues from the regular insurance producer licenses should offset any loss in revenue from temporary licenses. MIA issued 1,123 temporary licenses in fiscal 2005. It is unknown how many of those would have been affected by the bill since MIA may still issue temporary licenses to some individuals for the purpose of winding down or disposing of an insurance producer business.

State Expenditures: MIA would be required to reprogram its licensing computer system to accommodate the change. If the reprogramming would be performed by an outside contractor, MIA estimates that the hourly rate would be \$105. If the reprogramming required four days, the cost would be \$3,360. The Department of Legislative Services advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting MIA.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/ljm

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