

Department of Legislative Services

Maryland General Assembly

2007 Session

FISCAL AND POLICY NOTE

House Bill 1425

(Chair, Economic Matters Committee) (By Request –
Departmental – Insurance Administration, Maryland)

Economic Matters

Finance

Insurance Producers - Use of Trade Name

This departmental bill prohibits a licensed insurance producer from using any name other than the name in which the license is issued or a trade name filed with the Maryland Insurance Commissioner to engage in any activity for which a license is required. The bill also requires licensees to file name changes with the Commissioner. Under the bill a trade name means a name, symbol, word, or combination thereof that a person uses to identify its business, occupation, or self in a business capacity and to distinguish itself from another business, occupation, or person.

Fiscal Summary

State Effect: Special fund expenditures related to licensee searches by the Maryland Insurance Administration (MIA) would decrease by approximately \$600 in FY 2008 and \$800 annually thereafter. Revenues would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	(600)	(800)	(800)	(800)	(800)
Net Effect	\$600	\$800	\$800	\$800	\$800

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

Current Law: Generally, a person must obtain an insurance producer license in the kind or subdivision of insurance for which the person intends to act as an insurance producer. If acting for an insurer, the person is also required to obtain an appointment from the insurer.

An insurance producer license entitles its holder to act as an insurance producer for the kind or subdivision of insurance or combination of kinds or subdivisions of insurance specified in the license.

If an applicant for a license is an individual, the applicant must submit a uniform application and declare that the statements made in the application are true. If the applicant is a business entity, the applicant must submit a uniform business entity application and must also file any trade name to be used by the applicant, the applicant's business address, and the name and residence address of each individual who holds a license and does business under the trade name. Trade name is not defined.

To change, add to, or delete from a license, the insurance producer must file the change, addition, or deletion with the Insurance Commissioner in the form required by the Commissioner. A licensee must file a change in legal name or address within 30 days after the change. Failure to do so is a willful violation of the Insurance Article and subjects a licensee to suspension, revocation, or refusal to renew a license after a hearing.

Background: MIA advises that it has incurred problems determining the identity of some individuals who hold themselves out as insurance producers but use a name other than that specified on their producer licenses.

State Expenditures: MIA advises that insurance producers occasionally use names that are not the same as the names registered in the licensing system, whether trade names or nicknames. During investigations, the variations can cause confusion, and MIA must contract with an outside vendor to perform searches on name variations to verify a licensee's status. Each search costs \$8, and MIA contracts for approximately 100 of these searches during the course of a year. Based on this, expenditures from the Insurance Regulation Fund would decrease by approximately \$600 in fiscal 2008 and approximately \$800 annually thereafter. Expenditures would not be otherwise affected as the MIA database already has a field to accommodate trade names.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 16, 2007
ncs/ljm

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