

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1589 (Chair, Economic Matters Committee)
(By Request – Departmental – Insurance Administration, Maryland)
Economic Matters Finance

Insurance Producers - Licensing Requirements

This departmental bill authorizes the Commissioner of Financial Regulation to waive specified requirements for insurance producer license applicants under specified conditions and alters a number of provisions relating to insurance producer licensing. In particular, it increases continuing education requirements for some licensees and staggers renewal based on the licenses' birth month.

The bill's provisions relating to license renewals take effect January 1, 2009, and the bill's provisions relating to continuing education requirements apply to licenses renewed on or after October 1, 2009. The rest of the bill's provisions take effect October 1, 2008.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill authorizes the commissioner to waive current education or experience requirements for insurance producer license applicants (other than life and

health insurance) if the applicant has been conferred the designation of Accredited Adviser in Insurance (AAI) or Associate in Risk Management (ARM).

The bill authorizes the commissioner to waive the current course requirement for life insurance producer applicants for an applicant who has been conferred the Chartered Life Underwriter (C.L.U.) designation by the American College of Life Underwriters and is a member in good standing of the American Society of Chartered Life Underwriters. The same requirement may also be waived if the applicant has been conferred the designation of Fellow of the Society of Actuaries; Certified Employee Benefit Specialist (C.E.B.S.); Chartered Financial Consultant (ChFC); Certified Insurance Counselor (CIC); Certified Financial Planner (CFP); Fellow, Life Management Institute (FLMI); or Life Underwriter Training Council Fellow (LUTCF).

The bill authorizes the commissioner to waive the current course requirement for health insurance producer applicants for an applicant who has been conferred the designation of Registered Health Underwriter (RHU); C.E.B.S.; Registered Employee Benefit Consultant (REBC); or Health Insurance Associate (HIA).

The bill repeals the authority of the commissioner to waive the examination requirement for life insurance producer applicants who have been conferred the C.L.U. designation by the American College of Life Underwriters and are members in good standing of this society; or have been conferred the designation of Fellow of the Society of Actuaries.

The bill raises the maximum number of hours of continuing education that the commissioner may require of an insurance producer as a condition of license renewal to 24 hours per renewal period. However, existing requirements are maintained for certain licensees. The commissioner may not require more than 16 hours if the individual holds a title insurance producer license. If an insurance producer has held a license for 25 or more consecutive years as of the effective date of the bill, the commissioner may not require more than 8 hours. Nonetheless, for all licensees, at least 3 hours of the required continuing education per renewal period have to relate directly to ethics.

Renewed licenses are required by the bill to have an expiration date that is the last day of the month in which the holder of the license was born. The bill also authorizes MIA to issue renewal licenses for between 12 and 36 months in order to transition the expiration dates of insurance producer licenses from the current anniversary date to the last day of the month in which the holder of the license was born.

Current Law: An applicant for an insurance producer license must successfully complete a course of study approved by the commissioner. For life and health insurance lines, this includes 60 hours of study. For property and casualty lines, this includes

96 hours of study. Most applicants must also successfully complete an examination given by the commissioner.

The commissioner may require the holder of an insurance producer license to receive 16 hours of continuing education during the two-year renewal period if the holder has held a license for less than 25 consecutive years. If the holder has held a license for 25 or more consecutive years, the commissioner may require the holder to receive 8 hours of continuing education during the renewal period.

Applicants for a resident insurance producer license must submit an application form; pay the applicable fee; and submit specified information, including information required by the commissioner to determine the professional competence, good character, and trustworthiness of the applicant.

Unless an insurance producer licensee renews the license for an additional two-year period, licenses expire every other year on the anniversary date of issuance.

Background: Chapter 731 of 2001 incorporated provisions of the Model Producer Licensing Act adopted 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). 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.

As part of its efforts to comply with Gramm-Leach-Bliley, NAIC established a goal of uniform educational requirements for resident insurance producer licenses. This bill reflects a number of provisions in the NAIC model law.

Additional Information

Prior Introductions: A similar bill, SB 67 of 2006, passed the Senate but received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 19, 2008
mll/ljm

Analysis by: Alexander M. Rzasa

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