

# SENATE BILL 8

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9lr0408

(PRE-FILED)

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By: **Senator Haines**

Requested: July 10, 2008

Introduced and read first time: January 14, 2009

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 10, 2009

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Insurance – Unfair and Deceptive Practices – Limit on Offer, Promise, or Gift**  
3 **of Valuable Consideration Not Specified in a Contract or Policy**

4 FOR the purpose of altering the limit on the value of certain items that an insurer  
5 may offer, promise, or give that is not specified in ~~a certain contract~~ certain  
6 contracts or policies; and generally relating to insurance and unfair and  
7 deceptive practices.

8 BY repealing and reenacting, without amendments,  
9 Article – Insurance  
10 Section 27–201  
11 Annotated Code of Maryland  
12 (2006 Replacement Volume and 2008 Supplement)

13 BY repealing and reenacting, with amendments,  
14 Article – Insurance  
15 Section 27–209 and 27–212  
16 Annotated Code of Maryland  
17 (2006 Replacement Volume and 2008 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article – Insurance**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 27-201.

2 The commission of an act prohibited under this subtitle is defined as an unfair  
3 method of competition and an unfair and deceptive act or practice in the business of  
4 insurance.

5 27-209.

6 Except as otherwise expressly provided by law, a person may not knowingly:

7 (1) allow, make, or offer to make a contract of life insurance or health  
8 insurance or an annuity contract or an agreement as to the contract other than as  
9 plainly expressed in the contract;

10 (2) pay, allow, give, or offer to pay, allow, or give directly or indirectly  
11 as an inducement to the insurance or annuity:

12 (i) a rebate of premiums payable on the contract;

13 (ii) a special favor or advantage in the dividends or other  
14 benefits under the contract;

15 (iii) paid employment or a contract for services of any kind; or

16 (iv) any valuable consideration or other inducement not specified  
17 in the contract;

18 (3) directly or indirectly give, sell, purchase, offer or agree to give, sell,  
19 or purchase, or allow as inducement to the insurance or annuity or in connection with  
20 the insurance or annuity, regardless of whether specified in the policy or contract, an  
21 agreement that promises returns and profits, or stocks, bonds, or other securities, or a  
22 present or contingent interest in or measured by stocks, bonds, or other securities, of  
23 an insurer or other corporation, association, or partnership, or dividends or profits  
24 accrued or to accrue on stocks, bonds, or other securities; or

25 (4) offer, promise, or give any valuable consideration not specified in  
26 the contract, except for educational materials, promotional materials, or articles of  
27 merchandise that cost ~~less than~~ **[\$10] NO MORE THAN \$25**, regardless of whether a  
28 policy is purchased.

29 27-212.

30 (a) This section does not apply to life insurance, health insurance, and  
31 annuities.

32 (b) Except to the extent provided for in an applicable filing with the  
33 Commissioner as provided by law, an insurer, employee or representative of an

1 insurer or insurance producer may not pay, allow, give, or offer to pay, allow, or give  
2 directly or indirectly as an inducement to insurance or after insurance has become  
3 effective:

4 (1) a rebate, discount, abatement, credit, or reduction of the premium  
5 stated in the policy;

6 (2) a special favor or advantage in the dividends or other benefits to  
7 accrue on the policy; or

8 (3) any valuable consideration or other inducement not specified in the  
9 policy.

10 (c) An insured named in a policy or an employee of the insured may not  
11 knowingly receive or accept directly or indirectly a rebate, discount, abatement, credit,  
12 reduction of premium, special favor, advantage, valuable consideration, or inducement  
13 described in subsection (b) of this section.

14 (d) Except as otherwise provided by law, a person may not knowingly offer,  
15 promise, or give any valuable consideration not specified in the policy, except for  
16 educational materials, promotional materials, or articles of merchandise that cost [less  
17 than \$10] **NO MORE THAN \$25**, regardless of whether a policy is purchased.

18 (e) (1) An insurer may not make or allow unfair discrimination between  
19 insureds or properties having like insuring or risk characteristics in:

20 (i) the premium or rates charged for insurance;

21 (ii) the dividends or other benefits payable on the insurance; or

22 (iii) any of the other terms or conditions of the insurance.

23 (2) Notwithstanding any other provision of this section, an insurer  
24 may not make or allow a differential in ratings, premium payments, or dividends for a  
25 reason based on the sex, physical handicap, or disability of an applicant or  
26 policyholder unless there is actuarial justification for the differential.

27 (f) This section does not prohibit an insurer from:

28 (1) paying commissions or other compensation to licensed insurance  
29 producers; or

30 (2) allowing or returning to its participating policyholders, members,  
31 or subscribers lawful dividends, savings, or unabsorbed premium deposits.

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
33 October 1, 2009.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.