

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 8

(Senator Haines)

Finance

Health and Government Operations

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

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This bill increases the limit from \$10 to \$25 on the value of educational materials, promotional items, or merchandise an insurer may give to a person that is not specified in an annuity contract or an insurance contract or policy.

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**Fiscal Summary**

**State Effect:** The bill does not directly affect State finances or operations.

**Local Effect:** The bill does not directly affect local finances or operations.

**Small Business Effect:** None.

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**Analysis**

**Current Law/Background:** A person may not directly or indirectly give inducements to a life insurance contract, health insurance contract, or annuity contract, including:

- a rebate of insurance premiums;
- a favor or advantage relating to dividends or benefits;
- paid employment or a contract for services; and
- any valuable consideration or other inducement not specified in the contract.

Educational materials, promotional items, or merchandise that cost less than \$10, regardless of whether an insurance policy or annuity is purchased, are excluded. Similar provisions limit offers of consideration in other types of insurance policies.

Certain activities, however, are excluded from the definition of rebates (or discrimination) including:

- paying policyholders a bonus or abating premiums out of the accumulated surplus from nonparticipating insurance;
- allowing policyholders a savings in collection expense;
- readjusting the rate of premium for a group policy at the end of any policy year based on loss or expense experience;
- reducing the premium rate for large policies, if the reduction does not exceed savings in issuance and reasonable administrative expenses;
- issuing life or health insurance policies or annuity contracts on a salary savings or similar payroll deduction plan; and
- increasing benefits to policyholders who maintain their policies continuously in force.

Insurance industry practices that constitute unfair methods of competition or deceptive acts include misrepresentations about policies; false advertisements; false statements about insurers or their financial conditions; coercion, tie-in sales, and intimidation; inducements to insurance contracts; unfair discrimination; and improper rebates, premiums, and charges.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 30, 2009  
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