

**Department of Legislative Services**  
 Maryland General Assembly  
 2016 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 75

(Chair, Finance Committee)(By Request - Departmental -  
 Maryland Insurance Administration)

Finance

Economic Matters

**Insurance - Public Adjusters - Licensing**

This departmental bill alters the license and renewal process for public adjusters in the State to conform more closely to the standards set by the National Association of Insurance Commissioners (NAIC) and makes a series of technical and conforming changes.

The bill takes effect January 1, 2017.

**Fiscal Summary**

**State Effect:** Maryland Insurance Administration (MIA) special fund revenues decrease by \$39,800 in FY 2017 and increase by the same amount in FY 2018 due to the bill’s staggering of license expiration dates and delayed implementation; this pattern continues in future years, as discussed below. MIA special fund expenditures are not materially affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	(\$39,800)	\$39,800	(\$39,800)	\$39,800	(\$39,800)
Expenditure	0	0	0	0	0
Net Effect	(\$39,800)	\$39,800	(\$39,800)	\$39,800	(\$39,800)

*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). The Department of Legislative Services concurs with this assessment.

## Analysis

**Bill Summary/Current Law:** The bill makes several changes to the public adjuster application and renewal process.

- Under current law, an individual applicant for a public adjuster license must have been employed by one of a number of insurance industry-related entities for at least one year prior to applying for a license. Under the bill, this requirement is repealed.
- The current expiration date for an individual or business entity public adjuster license is every two years on June 30 of odd-numbered years (all licenses expire at the same time). For an individual license holder, the bill moves the license renewal date to every two years on the last day of the individual's birth month. For a business entity license holder, the license renewal date is every other year on the date stated on the license.
- Under the bill, the Insurance Commissioner must require an individual public adjuster to receive continuing education as a condition for renewing or reinstating a license. An individual public adjuster must complete 24 credit hours of approved continuing education for each two-year license period, of which three hours must directly relate to ethics; this requirement does not apply to an applicant who has not been licensed for one full year before the end of a continuing education period. The Commissioner has broad authority to waive this requirement. Additionally, the bill establishes rules for nonresident individual license holders to meet the continuing education requirement.
- Under current law, the Commissioner must mail an individual license holder a notice at least one month before his or her license expires; this notice must contain a renewal application form and specified information. Under the bill, the notice may be sent by email if specified requirements are met. Furthermore, the bill authorizes renewal applications to be completed in an electronic format that is approved by the Commissioner, and it establishes requirements for the electronic submission of applications.
- Finally, the bill repeals obsolete language that requires an individual applicant to pay an application fee in addition to a license fee for a public adjuster license. This change codifies an existing practice as MIA only charges a license fee.

## ***Public Adjusters***

Under current law, a “public adjuster” is a person that solicits business or represents itself to the public as an adjuster of first-party insurance claims for losses or damages that arise under contracts of insurance that insure the personal or real property of an insured. A public adjuster receives compensation from the insured, directly or indirectly, for adjusting losses, investigating, appraising, evaluating, or otherwise giving advice or help to an insured in the adjustment of claims. The definition does not include a person that investigates, adjusts, or appraises claims that cover a motor vehicle insurance policy. To act as a public adjuster in the State, a person must obtain a license from MIA.

In order to obtain a public adjuster license, an individual applicant must have been employed by an insurer, adjuster, insurance producer, public adjuster, or MIA for a period that totals at least one year during the five-year period immediately preceding the application. An applicant must also pass a written examination, pay an application fee, and then pay the license fee if he or she passes the examination. A license expires every two years on June 30, unless it is renewed for another two-year term. At least one month before the license expires, MIA must mail the holder a renewal application form and a specified notice with instructions for renewal. The license fee is \$50 at the time of application and the renewal fee is \$50 every two years on June 30.

For up to one year after the expiration date of a license, the holder of the expired license may file with MIA to have his or her license reinstated by filing the appropriate application and paying a reinstatement fee.

## ***Fraud Prevention Fee***

Each insurance producer, public adjuster, insurance adviser, or third-party administrator that is qualified, licensed, or registered by the Commissioner must pay a \$15 fraud prevention fee that is due on or before June 30 of each year and, if applicable, payable with the certificate, license, or renewal fee.

**Background:** NAIC has adopted the Model Act for Public Adjusters (NAIC Model No. 228). MIA advises that the bill conforms State law more closely to this model legislation by removing the one year of experience necessary to obtain a public adjuster license and instead replacing it with a continuing education requirement of 24 credit hours per two-year license period for each licensee. Adding continuing education requirements makes public adjuster licensing consistent with other forms of insurance professionals and demonstrates competency in place of the experience requirement. Furthermore, MIA advises that sending out notifications of renewal electronically instead of by paper mail modernizes the practice and saves on the costs of mailing renewal notices.

**State Revenues:** MIA advises that there are 639 active public adjuster licenses issued, 613 of which are for individual public adjusters. This estimate assumes that the expiration date for licensed businesses remains unchanged from June 30 as the bill does not specify a required expiration date for these licenses. Therefore, MIA receives \$30,650 in special fund revenues every two years from individual licensees (613 licenses x \$50 renewal fee) and \$9,195 in special fund revenues from fraud prevention fees paid with the license renewals (613 license x \$15 fraud fee). MIA further advises that it plans to implement the bill in the same manner as it did when other license expiration dates were changed. Thus, rather than shorten the two-year license for approximately one-half of existing individual public adjuster licensees beginning on January 1, 2017, concurrent with the bill's effective date, MIA intends to extend the current expiration date (June 30, 2017) of each public adjuster license out to the following birth month of the licensee. This means that a licensee will have *additional* time (between 1 and 12 additional months) before his or her license expires.

Although the bill changes the expiration date for public adjuster licenses, the bill does not alter the collection date for the fraud prevention fee, which must be paid on June 30 of every other year; however, this fee must also be collected at the same time as the license fee. Under the bill, it is unclear whether MIA is required to continue to collect this fee on or before June 30 of every other year, or if the fee must be paid with the license renewal fee after the expiration dates are staggered by the bill. Nevertheless, this analysis assumes that MIA also staggers collection of the fraud prevention fee so that it continues to be paid at the same time as the license renewal fee. Otherwise, licensees would be required to send in two payments to MIA over the course of a single year, and any staff efficiencies gained from staggering expiration dates would be lost.

Thus, \$39,845 in fee revenues that were previously meant to be collected in fiscal 2017 under current law are instead collected in fiscal 2018 as the expiration dates and corresponding fee collections are shifted. This pattern continues in future years as fee revenues that would be collected in fiscal 2019 under current law are instead collected throughout fiscal 2020 under the bill, and so forth.

**State Expenditures:** MIA special fund expenditures decrease negligibly due to no longer being required to mail out as many paper notices to licensees. MIA may also realize staff efficiencies due to the bill's changes to certificate and license expiration dates as corresponding renewal applications can be processed over the course of the year rather than all at once.

---

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 13, 2016  
md/ljm

---

Analysis by: Richard L. Duncan

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

**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

**TITLE OF BILL:**    Insurance — Public Adjuster — Licensing

**BILL NUMBER:**    SB 75

**PREPARED BY:**    Nancy Egan  
**(Dept./Agency)**    Maryland Insurance Administration

**PART A. ECONOMIC IMPACT RATING**

This agency estimates that the proposed bill:

  X   WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESS

OR

       WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESSES

**PART B. ECONOMIC IMPACT ANALYSIS**