

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 277

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

Health

Insurance – Third Party Administrators – Enforcement

This departmental bill authorizes the Insurance Commissioner to impose a civil penalty of up to \$10,000 for each violation of the *entire* Insurance Article by a third-party administrator (TPA), instead of only for a violation of the provisions of law that directly govern TPAs. Additionally, the bill authorizes the Commissioner to deny a TPA registration to an applicant or refuse to renew, suspend, or revoke a TPA registration if the applicant or registrant has (1) violated the Insurance Article or any other State law related to insurance or (2) knowingly fails to comply with a regulation or order of the Commissioner.

Fiscal Summary

State Effect: The bill's imposition of new and existing penalties is not anticipated to have a material impact on State revenues. MIA can handle the bill's requirements using existing budgeted resources.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: The Maryland Insurance Administration (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

Current Law: MIA and the Insurance Commissioner's statutory and regulatory duties include, among other things, certifying insurers to operate in the State, reviewing and

approving the rates and forms used by insurers, and licensing and certifying insurance professionals. MIA and the Commissioner have broad authority to enforce the requirements and prohibitions that apply to insurers and insurance professionals. For example, depending on the type of violation and following the administrative processes required by Insurance Law and regulations, the Commissioner is authorized to issue orders directing insurers or insurance professionals to take certain actions, impose administrative penalties, and suspend or revoke certifications and/or licenses.

MIA and the Insurance Commissioner regulate and have enforcement authority over TPAs. An “administrator” is a person that acts for an insurer or plan sponsor and has (1) control over or custody of premiums, contributions, or any other money related to a plan for any period of time or (2) discretionary authority over the adjustment, payment, or settlement of benefit claims under a plan or over the investment of a plan’s assets.

To act as a TPA, an applicant must register with the Insurance Commissioner and meet other specified requirements. The application fee is \$250 and the renewal fee is \$65 every two years. Failure to register as a TPA is subject to a civil penalty of up to \$1,000 per day. A TPA must maintain adequate books and records about each plan it administers. When the TPA ceases to administer a plan, it must either (1) give the information to its successor or the sponsor or (2) retain the information and provide access to the sponsor for three years.

The Commissioner is authorized to deny a TPA registration to an applicant or refuse to renew, suspend, or revoke the TPA registration of a registrant or a registrant if the applicant or registrant:

- makes a material misstatement in an application for registration;
- fraudulently or deceptively obtains or attempts to obtain a registration for the applicant or registrant or for another;
- has been convicted of a felony or of a misdemeanor involving moral turpitude;
- in connection with the administration of a plan or with activities on behalf of a life insurer, commits fraud or engages in illegal or dishonest activities; or
- violates any of the provisions of law that directly govern TPAs or a related regulation.

In addition to any other enforcement action taken by the Commissioner, the Commissioner may impose a civil penalty of no more than \$10,000 for each violation of the provisions of law that directly govern TPAs.

Background: MIA advises that the bill is necessary to close significant enforcement gaps that exist within the regulatory framework for TPAs under current law. Specifically, MIA

advises that it cannot currently penalize TPAs for violations of the of the Insurance Article outside of the subtitle that directly governs TPAs. For example, MIA advises that under current law it would be unable to revoke the registration of a TPA for using a biased artificial intelligence system to make claim determinations, even though that practice would be considered an unfair trade practice, because such practices are not regulated under the TPA subtitle of the Insurance Article.

MIA advises that the bill addresses these enforcement gaps and ensures that the penalties in the Insurance Article align with the potential violations that a TPA might commit.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 139 (Chair, Finance Committee)(By Request - Departmental - Maryland Insurance Administration) - Finance.

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

Fiscal Note History: First Reader - January 23, 2026
sj/rld

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance - Third Party Administrators – Enforcement

BILL NUMBER: HB 277

PREPARED BY: Jamie N. Sexton

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

N/A.