

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor



Maryland

INSURANCE ADMINISTRATION

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202

Direct Dial: 410-468-2471 Fax: 410-468-2020

Email: kathleen.birrane@maryland.gov

www.insurance.maryland.gov

KATHLEEN A. BIRrane
Commissioner

GREGORY M. DERWART
Deputy Commissioner

TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
SENATE FINANCE COMMITTEE

JANUARY 19, 2022

SENATE BILL 188 – INSURANCE - MANAGING GENERAL AGENTS - REVIEW REQUIREMENTS

POSITION: SUPPORT

Thank you for the opportunity to provide written comments regarding Senate Bill 188.

SB 188 amends §8-210 of the Insurance Article to remove the requirement that statutorily mandated reviews of managing general agents be conducted by an insurer on-site, in person, at the managing general agent's principal place of business. This requirement is outdated and is not necessary to assure thorough, complete, compliant reviews.

During the COVID-19 State of Emergency, the Maryland Insurance Administration (MIA) suspended on-site agent review requirements for title insurers and allowed title insurers to conduct statutorily mandated reviews virtually and remotely, provided that the insurer submitted a plan that demonstrated that the virtual remote review was designed to assure that all statutory requirements were met. As expected, given available technologies and the evolution of remote auditing techniques, the MIA found that title insurers were able to effectively conduct remote virtual reviews of their agents while meeting all statutory requirements. Indeed, the MIA believes that virtual and remote reviews are superior to on-site reviews and, regardless of the on-site component, reviews necessarily include virtual and remote aspects. What is important for the review to be complete and thorough is access to systems and information. This access is not achieved by visiting a particular physical space, but requires access to electronically stored data and individuals who are typically in more than one location.

Based on the success of suspending the on-site element of the agent review requirements for title insurers, the MIA has determined that the on-site element of the agent review

requirement is also unnecessary for insurers conducting reviews of their managing general agents' underwriting and claims processing operations and should be eliminated. Currently, to fully comply with §8-210(c), insurers are required to conduct on-site reviews of their managing general agents at least twice a year. SB 188, if enacted, improves logistics, reduces waste, protects public health via social distancing, and eliminates unnecessary travel requirements. This change would also align with industry and regulatory practices in the conduct of audits and reviews.

The MIA supports SB 188, and urges the Committee to give it a favorable report.