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**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
HOUSE ECONOMIC MATTERS COMMITTEE**

MARCH 24, 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, which was passed unanimously by the Senate.

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 was established at a time when records were maintained in paper form at corporate offices. Data is now stored on electronic systems that are accessible remotely. Hence, the on-site review requirement is outdated and is not necessary to assure thorough, complete, compliant reviews.

Removal of this requirement will not impact the ability of insurers to conduct statutory mandated reviews. During the COVID-19 State of Emergency, the Maryland Insurance Administration (MIA) suspended on-site agent review requirements imposed on insurers and allowed 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, insurers were able to effectively conduct remote virtual reviews of their agents while meeting all statutory requirements. That is because the data that insurers are required to review are stored on electronic systems. What is important for the review to be complete and thorough is access to those systems and persons familiar with them and their operations. 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. Such access is achieved virtually and mandating a visit to a particular physical location is no longer necessary.

SB 188, if enacted, will remove an outdated requirement that adds no value to the completeness of mandatory annual reviews of managing general agents. In doing so, the bill will improve logistics, reduce waste, protect public health via social distancing when that is a concern, and eliminate unnecessary travel requirements. This change would also align with industry and regulatory practices in the conduct of audits and reviews.

The MIA thanks the Committee for its consideration of SB 188, and urges the Committee to give it a favorable report.