

SB 725 Products FAV 03012023 FINAL .pdf

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Testimony of
American Property Casualty Insurance Association (APCIA)
Senate Finance Committee
Senate Bill 752- Insurance - Product and Service Offerings
March 1, 2023

The American Property Casualty Insurance Association (APCIA) is the primary national trade organization representing nearly 60 percent of the U.S. property casualty insurance market. APCIA appreciates the opportunity to provide written comments in support of Senate Bill 752. As insurers seek to provide more value-added services to their customers in the form of technology to reduce risk and provide enhancements there is a need to address how state anti-rebating and inducement laws apply.

Anti-rebating laws, however, originally well intended are a cause of concern, a potential hindrance to socially beneficial innovation. These laws were introduced more than 100 years ago, after the use of rebates threatened the solvency of life insurance companies and raised questions around unfair discriminatory practices. Senate Bill 752 will update the current insurance law regarding anti-rebating to permit an insurer from offering at no charge or at a discounted price products or services that educate or assess or prevent risk of loss or mitigate losses.

The marketplace is demanding simpler and more innovation insurance solutions, including the combination of insurance products with non-insurance products and services in a single offering. These logical, complementary insurance/technological product combinations allow insurers to better tailor products and to address emerging risks to the benefit of consumers. It is critically important to all that state laws and regulations keep pace with these innovative and consumer friendly innovations.

The innovative programs/services often leverage the use of IoT (internet of things) connected devices, e.g. monitors, sensors, communication, telematics, biometric wearables to assist policyholders to mitigate risk, and in the process prevent deaths, injuries and financial loss. It is therefore critically important that we find a way forward so as not to lose this historic opportunity to better serve the public by mitigating risk and preventing loss. This benefits the consumer and the insurer. The consumer receives greater protection and lessens their losses and with those reductions in claims helps the insurer keep claim costs down. These type of products and services must be offered to all policyholders and is voluntary if they wish to participate.

The allowance of insurers to provide services or products that are substantially related to the insurance coverage provided under the policy will allow for consumers to be provided mitigation products such as water monitoring devices, fire and carbon monoxide detectors, safety monitoring services, as well as service that mitigate loss to fire or water, which are amongst the most common and costly of property losses.

Loss reduction goods and services provided to protect property may be directed at reducing the common forms of losses such as:

- Burglary, theft, and vandalism. Surveillance systems, alarms, warning signs, and central station monitoring systems can be used to prevent such losses.
- Fire, including wildfire or those started by electrical system failures, fire safety equipment, which can be provided as a direct product or maintained by an inspection service.

- Wildfire mitigation services, including brush clearing and ongoing property and facility maintenance can help protect buildings and facilities reducing economic losses to communities as well as reducing strains on fire response services during wildfire events.
- Wind and hail damage can be reduced through roofing assessments, damage vulnerability assessments.

Providing the allowance of insurers to provide mitigation services or products also helps to reduce the community wide vulnerability to losses of significant loss events, as well and helps to insulate business from individual losses. The benefits of this expansion, and future efforts directed at rebate reform, are an important step towards protecting individuals and the economy from the shocks of sudden and significant losses. The proposed change to the statutory provisions is a positive step forward in utilizing loss mitigation advancements to reduce the number and size of losses to home and property owners. Insurers are able and willing to provide these protective services and products directly to policyholders.

For all these reasons, APCIA respectfully requests a favorable report on Senate Bill 752.

SB0725 - MIA - Support with Amendments - FINAL.pdf

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KATHLEEN A. BIRRANE
Commissioner

TAMMY R. J. LONGAN
Acting Deputy Commissioner

Date: March 1, 2023

Bill # / Title: Senate Bill 725 - Insurance - Product and Service Offerings

Committee: Senate Finance Committee

Position: Support with Amendment

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support with amendment for Senate Bill 725 (SB 725), which is a Departmental bill.

Senate Bill 725 will allow companies to provide consumers with no cost, value-based services not specifically identified in the insurance contract, without violating the current anti-inducement and anti-rebating laws found in § 27-209 (L&H) and § 27-212 (P&C) of the Insurance Article. Insurers often seek to offer products and services to consumers that, while not insurance, are related to the insurance product being offered. Under existing law, these products and services can only be lawfully offered if they are specified in the insurance contract. This can disadvantage consumers, particularly those who purchase long duration products, such as life insurance and annuities. And it is costly for insurers, who must file amendments to their forms to add a value-based service. SB 725 updates and modernizes Maryland's anti-rebating statutes by allowing insurers to offer certain value-added services outside of the insurance contract.

This bill amends § 27-209 and § 27-212 of the Insurance Article to clarify that the statutory prohibition on rebates and inducements does not apply to the offering of products and services by an insurer in conjunction with a policy, as long as the products or services are intended to educate persons about, assess, monitor, control, or prevent risk of loss to the person. The products or services must be substantially related to the insurance or offered to enhance the health of the insured. The offer must be available to all policyholders that have purchased the insurance policy or annuity contract and the law prohibits carriers from increasing the premium or denying a claim on the grounds that the policyholder accepted, rejected, used, or failed to use the product or service. Under SB 725, these services are still permitted to be included in a form or rate filing, but if they are included in the filing, the carrier is generally prohibited from discontinuing the product or service during the term of the contract, unless the policyholder consents in writing. The bill authorizes the MIA to adopt regulations to identify the types of products or services that are permitted to be offered.

SB 725 will have a positive impact on both the industry and consumers. In recent years the industry has increasingly sought to offer various non-insurance products and services to policyholders that will assist the consumer by preventing or reducing the risk of loss under the policy (e.g. wearable medical devices and wireless property monitors). Under SB 725 insurers and third-party vendors are authorized to offer or provide products and services at no charge or discounted pricing to policyholders, as long as the product and/or service is "associated with the risks insured against by the policy." Enabling products/services to be offered outside of the contract unburdens insurers by eliminating the requirement for insurers to submit a new form filing for MIA review and approval each time a value-added service or product is enhanced or upgraded, or a new value-added service or product is available.

Senate Bill 725 conforms with national standards determined by the National Association of Insurance Commissioners (NAIC) which revised the model anti-rebating and anti-inducement act to allow insurers to make these offers without cumbersome filing requirements. The MIA agrees that updating Maryland law to align with the NAIC model is mutually beneficial to the industry and consumers. Policyholders will benefit from reducing their individual risks and / or enhancing their well-being, while insurers will benefit over time from reduced loss costs, which will act as a stabilizing force for rates.

The MIA is proposing the attached amendments to SB 725 to expressly include “financial planning” services within the scope of permitted value-based services permitted. This more closely tracks the NAIC Model, expressly allowing a life insurer or annuity company to offer such products or services as long as they are substantially related to the insurance provided and primarily designed to enhance financial wellness. The amended language would give the MIA discretion to determine whether the insurance or annuity contract includes a financial protection component, and if determined that it does, the MIA must consider a financial wellness service to be substantially related to the insurance. Additionally, the Commissioner would be able to propose regulations where these financial services shall be in line with the life or annuity contract. The amendments set general parameters that authorize the MIA to include detailed guidance and limitations through regulation while maintaining the bill’s intent. Life insurers expressed concern to the MIA that the absence of this language from the bill would have prohibited them from offering these products and services outside of the contract. This amendment confirms that they will be permitted to do so, subject to the conditions in the bill.

Thank you for the opportunity to provide this written testimony in support with amendments of Senate Bill 725. The MIA is available to provide additional information and assistance to the Committee.

Amendment to SB0725

On Page 4, line 1, after “(5)” insert **(I)**

On Page 4, below line 3 insert:

(II) PRODUCTS OR SERVICES PRIMARILY DESIGNED TO ENHANCE FINANCIAL WELLNESS THROUGH ITEMS SUCH AS EDUCATION OR FINANCIAL PLANNING SERVICES WILL BE PERMITTED IF THE COMMISSIONER DETERMINES THAT THE PRODUCT OR SERVICE INCLUDES AN ENHANCEMENT TO THE FINANCIAL PROTECTION COMPONENT OF THE INSURANCE OR ANNUITY.

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