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**Date:** January 24, 2024

**Bill # / Title:** Senate Bill 229 - Insurance - Penalties - Unauthorized Insurers, Insurance Producers, and Public Adjusters

**Committee:** Senate Finance Committee

**Position:** Support

The Maryland Insurance Administration (MIA) appreciates the opportunity to share its support of Senate Bill 229, which is a Departmental bill.

Senate Bill 229 would increase the maximum civil penalty that can be assessed against (i) an insurance producer or public adjuster for violations of the Insurance article, and (ii) an unlicensed person engaged in the business of insurance in the State in violation of the State's licensing requirements. In both instances, the minimum penalty will remain the same.

Currently, insurance producers and public adjusters who violate the obligations or standards imposed by the insurance article are currently subject to a minimum penalty of \$100 and a maximum penalty of \$500 per violation. Md. Ann. Code, Ins. §§10-126 and 10-410.<sup>1</sup> The maximum penalty amount has not been changed since 1963 and is no longer sufficient to serve as a deterrent. SB 229 proposes to increase the maximum penalty from \$500 to \$5,000, a maximum that is consistent with the maximum penalties for violations by this category of licensees in adjacent states: Washington DC (\$5,000), West Virginia (\$5,000), Virginia (\$5,000), Pennsylvania (\$10,000), and Delaware (\$20,000).

With certain statutory exceptions, persons engaged in the business of insurance in the State are required to be licensed. Currently, a person who operates in violation of licensing laws is subject to a minimum penalty of \$1,000 and a maximum penalty of \$50,000 per violation. §4-212. The maximum penalty amount has not been changed since 1987 and is no longer sufficient to serve as a deterrent. Additionally, the maximum penalty is out of sync with the maximum penalty of \$135,000 that can be imposed on an actual licensee of the MIA. SB 229 proposes to increase the maximum penalty from \$50,000 to \$125,000. There have been instances where the Insurance Commissioner was limited in the penalty that was able to be assessed against an unauthorized insurance operation due to the cap currently in statute. To ensure appropriate deterrence of unlicensed (and often fraudulent) actors, the MIA proposes that the penalty cap be raised to \$125,000.

In both instances, SB 229 only proposes increases to the maximum penalty. The minimum penalty remains the same. There are times when it is appropriate to impose only a *de minimis* penalty, and that option is preserved in SB 229.

For these reasons, the MIA urges a favorable committee report on Senate Bill 229 and thanks the Committee for the opportunity to share its support.

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<sup>1</sup> Unless otherwise indicated, all citations are to the Insurance Article.