

Preliminary Evaluation of the Maryland Insurance Administration

Recommendations: **Waive from full evaluation**

Require a follow-up report concerning premium tax collections due 18 months after the Maryland Insurance Administration’s (MIA) new premium tax system becomes operational

Require a follow-up report concerning property and casualty form filing timeliness due October 1, 2017

Remove MIA from Sunset Review requirement

Date Established: 1993 (as an independent unit of State government)

Most Recent Prior Evaluation: Preliminary Evaluation, 2010

Extended evaluation date by six years to July 1, 2018
(Chapter 418 of 2011)

Staff: 277.25 full-time equivalent positions

Regulatory Activities: Regulates all aspects of the insurance industry, including companies, producers, and products

Authorizing Statute: Section 2-101, Insurance Article

Evaluation Completed by: Richard Duncan and Judi Markoya Department of Legislative Services, 2016

The Maryland Insurance Administration

Regulation of the insurance industry in Maryland began in 1872 with the creation of the Insurance Department within the Office of the Comptroller. Since then, the agency has undergone a number of structural changes, MIA was created in 1993 as an independent unit of State government, and nonsubstantive revisions to the Annotated Code in 1995, 1996, and 1997 resulted in the establishment of the Insurance Article, under which MIA currently operates.

The Maryland Insurance Commissioner heads the agency and is appointed by the Governor with the advice and consent of the Senate. The role of the Commissioner and MIA is to regulate the insurance industry in Maryland. MIA's regulatory role extends to all aspects of the industry, including oversight over insurance companies, insurance producers, and other entities and insurance professionals engaged in the business of insurance, as well as the products offered, with the ultimate goal of protecting Maryland consumers.

To carry out its responsibilities, MIA develops policies, procedures, and regulations and implements laws that govern the industry. Specifically, the agency:

- performs actuarial evaluations, financial audits, financial examinations, and market conduct examinations to ensure the solvency of insurance companies and compliance with State insurance laws;
- determines eligibility for and issues certificates of authority to insurance companies and licenses, certificates, and registrations to insurance producers and other insurance professionals;
- reviews rates, policy and contract forms, manuals, and endorsements;
- resolves consumer complaints about their insurance coverage; and
- investigates allegations of insurance fraud.

Legislative Changes Since the 2010 Sunset Evaluation

Since MIA's last sunset evaluation in 2010, numerous legislative changes have affected the insurance industry, the Commissioner, and MIA. About half of the legislative changes made since the 2010 sunset review relate to health insurance. **Exhibit 1.1** details the major changes made, many of which relate to implementation of the federal Patient Protection and Affordable Care Act (ACA). A more comprehensive listing of significant legislative changes to health insurance laws can be found in **Appendix 1**.

Exhibit 1.1
Major Legislative Changes Since the 2010 Sunset Evaluation
Health

<u>Year</u>	<u>Chapter</u>	<u>Change</u>
2011	1/2	Establish the Maryland Health Benefit Exchange (Exchange), including its governance, structure, and funding, and the Maryland Health Benefit Exchange Fund.
	3/4	Alter State insurance laws to conform to federal requirements under ACA and the Mental Health Parity and Addiction Equity Act of 2008. Authorize the Commissioner to enforce specific requirements of ACA.
2012	152	Expands the operating structure of the Exchange by authorizing it to contract with health insurance carriers, establishing the Small Business Health Options Program (SHOP Exchange) and the Individual Exchange, and establishing navigator programs for the SHOP and Individual exchanges. Establishes a process for selecting the benchmark plan that serves as the standard for the essential health benefits for health benefit plans offered in the individual and small group markets.
	513/514	Prohibit health insurance carriers from charging a premium rate or changing the premium rate charged without approval from the Commissioner. Establish the factors the Commissioner must consider when reviewing a rate filing.
2013	159	Expands Medicaid eligibility, establishes a dedicated funding stream for the Exchange, provides for the transition of enrollees in the Maryland Health Insurance Plan into the Exchange, and establishes a State Reinsurance Program and continuity-of-care policies.
	368	Continues implementation of ACA, including establishing (1) licensing fees for SHOP Exchange navigators; (2) additional insurance reforms, including prohibitions on discrimination based on health status and annual monetary caps on coverage; and (3) new open and special enrollment periods for the individual and small group markets.
2014	23	Continues implementation of ACA, including providing that guaranteed availability of coverage provisions under ACA apply in all insurance markets in the State, repealing restrictions that conflict with guaranteed issue requirements, expanding the qualifying events that trigger open enrollment periods in the Individual and SHOP exchanges, and establishing fees for a SHOP Exchange enrollment permit.

	316/317	Establish requirements for step therapy or first-fail protocols imposed by health insurance carriers.
	422	Prohibits health insurance carriers from imposing a copayment or coinsurance requirement on a covered “specialty drug” that exceeds \$150 for up to a 30-day supply and requires the limit to be increased annually to reflect medical care inflation.
2015	363	Continues implementation of ACA, including requiring the Commissioner, in consultation with the Exchange, to select a benchmark plan for 2017, expanding the circumstances under which special enrollment periods must be provided in the individual and small group markets, and establishing requirements for renewing and modifying coverage under individual and small employer health plans. Amends the State’s mental health parity law to conform to the federal Mental Health Parity and Addiction Equity Act of 2008.
	482/483	Expand health insurance coverage of in vitro fertilization to same-sex married couples if specified conditions are met.
	494	Increases, for medical stop-loss insurance issued or delivered in the State, the limit above which stop-loss insurance protection becomes available to the insured. Requires MIA to conduct a study of the use of medical stop-loss insurance in self-funded employer health plans.
2016	122	Continues implementation of ACA, including repealing obsolete provisions of law relating to preexisting condition exclusions and creditable coverage, adding court orders and other events to the list of events that trigger a special enrollment period for health benefit plans in the SHOP Exchange, and establishing the effective date of coverage for individuals enrolled during specified enrollment periods.
	309	Requires the Commissioner, by December 31, 2017, to adopt regulations establishing criteria to evaluate the network adequacy of health benefit plans. Requires health insurance carriers that use provider panels to file, by July 1, 2018, and annually thereafter, a network access plan with the Commissioner for review, establishes requirements for network directories, and requires carriers to demonstrate the accuracy of network directory information on request of the Commissioner.

436/437 Effective January 1, 2018, prohibit health insurance carriers from applying copayment or coinsurance requirements for a prescription contraceptive drug or device that is approved by the U.S. Food and Drug Administration (FDA), and require carriers to provide coverage for (1) certain off-formulary prescription contraceptives; (2) male sterilization with no cost-sharing requirements; and (3) FDA-approved over-the-counter contraceptive drugs.

Source: Laws of Maryland

Exhibit 1.2 details major nonhealth-related insurance legislation enacted since 2010. **Appendix 2** provides a more comprehensive list of the changes to nonhealth-related insurance laws, which include laws governing property, casualty, title, surplus lines, long-term care, and life insurance.

Exhibit 1.2
Major Legislative Changes Since the 2010 Sunset Evaluation
Property and Casualty and Nonhealth-related

<u>Year</u>	<u>Chapter</u>	<u>Change</u>
2011	514/515	Prohibits a person from preparing or issuing, or requiring an insurer or insurance producer to prepare or issue or a policyholder to provide, a certificate of insurance that contains false or misleading information relating to the insurance policy referenced in the certificate.
	520/521	Amends the Maryland Surplus Lines Insurance Law to comply with the federal Nonadmitted and Reinsurance Reform Act of 2010.
2012	171	Requires an insurer that issues, delivers, or renews a life insurance policy or annuity contract in Maryland to perform, at least semiannually, a good-faith comparison of the insurer's in-force life insurance policies, annuity contracts, and retained asset accounts against the most recent Death Master File maintained by the Social Security Administration or a comparable database or service and, if there is a match, make a good-faith effort to confirm the death of the insured, annuitant, or account holder and locate any beneficiaries.
	626/627	Authorizes an insurer to rescind a policy or binder of personal automobile insurance if the initial premium payment for the policy or binder is made by an invalid check or other remittance and establish requirements for rescinding a policy or binder.

2013	115	Revises the Maryland Insurance Acquisitions Disclosure and Control Act to conform to the National Association of Insurance Commissioners (NAIC) model.
	321	Revises State laws governing reinsurance for consistency with 2011 amendments to the NAIC Model Law on Credit for Reinsurance.
2014	15	Authorizes the Commissioner to issue a limited lines license to an individual or business entity that sells travel insurance, instead of to an individual who sells transportation tickets of a common carrier. Authorizes specified travel retailers to offer and disseminate travel insurance on behalf of and under the license of a limited lines travel insurance producer.
	174	Authorizes an owner of a self-service storage facility and the owner's designated responsible producer to obtain a self-service storage producer limited lines license.
2015	367	Revises Maryland's standard valuation law to require that reserves for life insurance policies, accident and health insurance contracts, and deposit-type contracts be valued using a principle-based reserving method that is established by a valuation manual adopted by NAIC and establishes the operative date of the valuation manual.
2016	425/426	Exempts a qualified applicant for a motor vehicle liability insurance policy from the requirement to obtain personal injury protection (PIP) coverage if the applicant meets specified requirements.
	499	Establishes that information an insurer files with the Commissioner and identifies as proprietary rate-related information constitutes a trade secret and confidential commercial information that generally must be kept secret by the Commissioner and is not subject to subpoena.

Source: Laws of Maryland

MIA Comprises Eight Major Units

As shown in **Exhibit 2**, MIA comprises eight major units under the Commissioner, as well as the Office of the Commissioner, the Administration Division, and the Office of the Attorney General. The Administration Division provides centralized administrative services that support programs within MIA and is responsible for the collection of premium and retaliatory taxes.

Consumer Education and Advocacy Unit

The Consumer Education and Advocacy Unit (CEAU) is responsible for providing information to consumers about what is covered under their insurance policies and assisting them in gaining a better understanding of their rights and responsibilities under those policies. CEAU also operates a Rapid Response Program that helps consumers resolve property and casualty claims without having to file a formal complaint. In fiscal 2016, Rapid Response Program staff opened 1,474 cases and closed 1,435 cases.

Compliance and Enforcement Section

The Compliance and Enforcement Section (CAE) provides regulatory oversight of the insurance industry through a comprehensive program of market conduct examinations, insurance producer investigations, and market data analysis. CAE also is responsible for issuing licenses, certificates, and registrations to qualified resident and nonresident insurance professionals. In fiscal 2015, CAE's activities resulted in the return of more than \$411,000 to Maryland consumers and the Maryland Affordable Housing Trust, as well as the payment of approximately \$2.5 million to the general fund due to administrative penalties assessed against insurance companies, insurance producers, and other regulated entities and individuals.

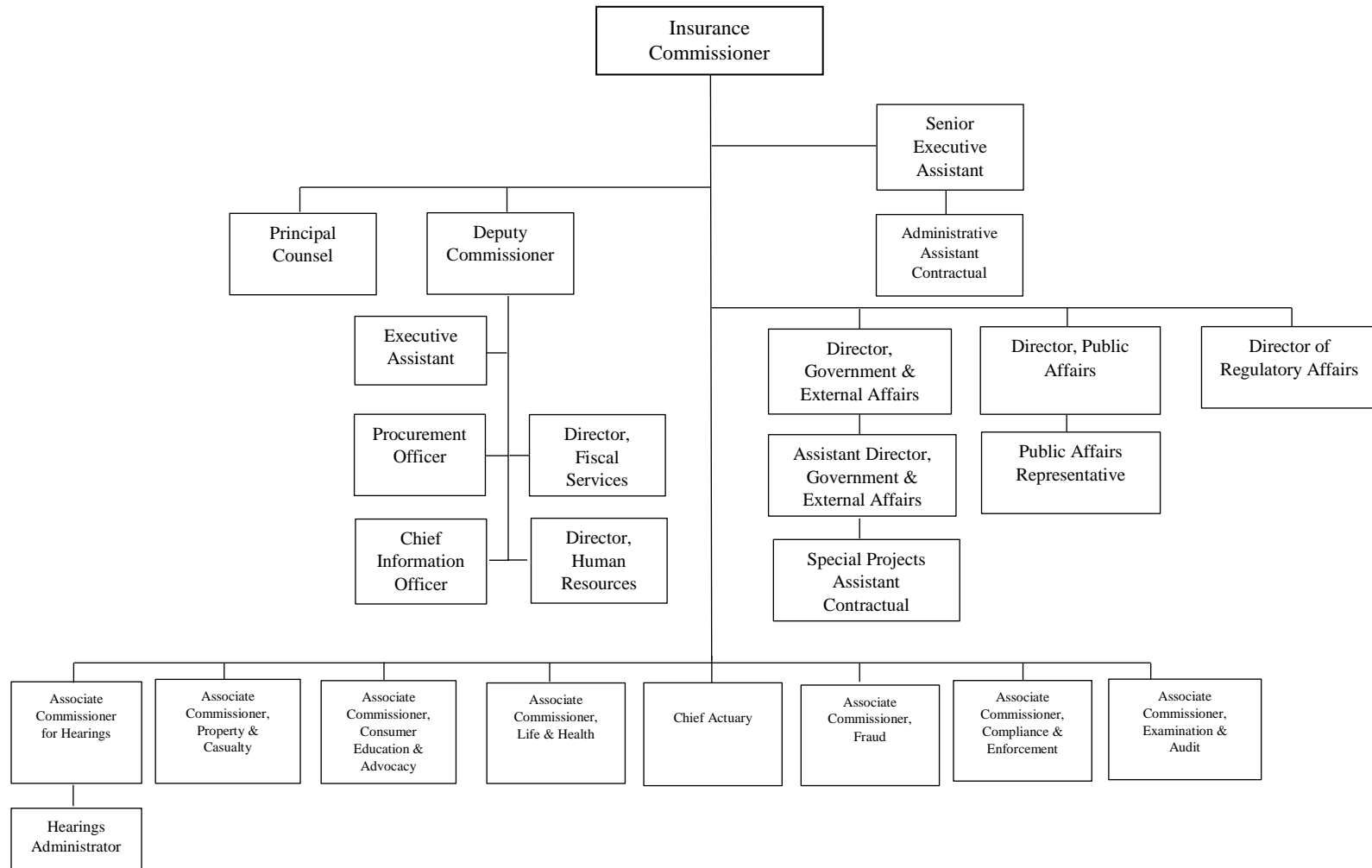
Insurance Fraud Division

The Insurance Fraud Division is responsible for investigating complaints relating to alleged insurance fraud committed by insurance companies, insurance producers, consumers, and the general public. Cases involving criminal fraud are referred to a State's Attorney or the Office of the Attorney General (OAG) for prosecution, while civil fraud violations are resolved within the division. The division also operates a toll-free insurance fraud hot line and, in cooperation with OAG and the Department of State Police, conducts public outreach and awareness programs on the cost of insurance fraud.

Examination and Auditing Section

The Examination and Auditing Section oversees the financial regulation of domestic and foreign insurance companies that hold a certificate of authority to conduct the business of insurance in the State. These companies generated premium revenues from Maryland consumers totaling approximately \$37.5 billion in fiscal 2016. The section conducts financial oversight through periodic on-site examinations and ongoing financial analyses of 64 insurance companies that are domiciled in Maryland. The goal is to detect potential issues and take appropriate action to prevent the need to initiate rehabilitation or liquidation proceedings. The costs of all examinations are borne by the insurance company being examined. This section collects surplus lines taxes, reviews applications from companies applying to become authorized to write insurance in the State, and monitors the financial condition of foreign insurance companies that hold a certificate of authority.

Exhibit 2 Maryland Insurance Administration Organizational Chart



Source: Maryland Insurance Administration

Life and Health Section

The Life and Health Section reviews policies and contracts written by insurers, health maintenance organizations (HMOs), nonprofit health service plans, and dental plan organizations to determine compliance with statutory law and regulations and investigates life and health insurance complaints filed by consumers and health care providers. The section also reviews applications for certification as a private review agent (PRA) or as a medical director of an HMO.

Property and Casualty Section

The Property and Casualty Section oversees the regulation of insurance companies that sell property, casualty, surety, mortgage guaranty, or title insurance. These insurers are required by law to file with the Commissioner all policy forms, endorsements, rates, rating plans, rating rules, and amendments to these items. The Rates and Forms Review Unit reviews these filings to determine their compliance with statutory law and regulations, while the Property and Casualty Complaints Unit is primarily responsible for investigating consumer complaints relating to property and casualty insurance, including automobile, homeowner's, and commercial insurance.

Office of the Chief Actuary

The Office of the Chief Actuary is responsible for valuing and certifying, on an annual basis, the reserves held by life insurance companies domiciled in Maryland, reviewing rate requests and supporting data for compliance with State insurance laws governing health insurance, and tracking and analyzing various industry trends. The office also participates with the Examination and Auditing Section in the periodic examination of Maryland-domiciled life insurance companies.

Hearings Unit

The Hearings Unit determines the final outcome of all hearings held in accordance with Section 2-210 of the Insurance Article, which allows a person who is aggrieved by an act, a failure to act, a report, a regulation, or an order of the Commissioner to request a hearing. Section 2-210 hearings are requested by an aggrieved party as a result of a final determination by CAE, the Property and Casualty Section, the Life and Health Section, the Examination and Auditing Section, or the Fraud Division. The unit also hears appeals from an adverse decision of MIA relating to a claim that an insurance company failed to act in good faith with regard to a first-party claim under a property and casualty or disability insurance policy.

MIA's Regulatory Activity Is Broad in Scope

For many boards and commissions, regulatory activities generally are limited to the issuance and renewal of a single or small number of occupational licenses or certificates and the oversight of those licensed or certified; however, MIA's regulatory activity is much broader in scope because the insurance industry is regulated at a level similar to that of public utilities and

banking institutions. MIA primarily regulates companies that offer insurance products, but its responsibilities encompass regulation of all other aspects of the insurance industry, including insurance producers and other insurance professionals, products sold, policy and contract forms and rates, and insurance fraud.

Insurance Companies and Insurance-related Occupations

Every company offering insurance products for sale in Maryland must have a certificate of authority issued by the Commissioner. To obtain an original certificate, an insurance company must provide specified financial and company information, as well as information about company officers and directors, to MIA for review. The Examination and Auditing Section monitors the financial condition of all companies holding certificates of authority through an ongoing financial analysis process and takes action to suspend or revoke the certificate of any company that no longer meets the financial standards to hold a certificate. Insurers domiciled in Maryland, HMOs, and nonprofit health service plans are subject to examination at least every five years to verify their financial condition. The Commissioner may initiate a delinquency proceeding to liquidate, rehabilitate, reorganize, or conserve a company that does not meet applicable financial requirements.

MIA also regulates all individuals and entities that provide insurance products and services in the State. Regulatory activities include issuing licenses to insurance producers, public adjusters, and advisers, issuing certificates to PRAs and HMO medical directors, and registering third-party administrators (TPAs). The activities also include examining the accounts, records, and transactions of those licensed, certified, or registered and taking appropriate disciplinary action for violations of State insurance laws.

Exhibit 3 shows the primary types of new and renewed certificates of authority, licenses, certificates, and registrations for fiscal 2012 through 2015. A schedule of the fees for obtaining certificates of authority for insurance companies and licenses, certificates, and registrations for insurance professionals is shown in **Appendix 3**. With the exception of a one-year drop and subsequent rebound in the number of insurance producer licenses issued and renewed in fiscal 2013, licensing, certification, and registration activity has been relatively stable over the past four years.

MIA advises that the drop in insurance producer licenses issued and renewed in fiscal 2013 is attributable to the implementation in 2013 of a staggered renewal system under which a license expires on the last day of the month in which the holder was born instead of on a set date. This change reduced the number of renewal applications that needed to be processed by June 30, 2013, since staggering spread renewal dates out from July 31, 2013, through June 30, 2014, to correspond to the birth month of licensees. As shown in Exhibit 3, the number of insurance producer licenses for fiscal 2014 and 2015 have stabilized since the staggering process was implemented.

Exhibit 3
Certification, Licensing, and Registration Activity for Companies and
Insurance Professionals
Fiscal 2012-2015

Certificates of Authority	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
HMO	13	13	13	13
Life and Health	461	446	444	440
Dental	14	14	13	13
Property and Casualty	901	904	924	918
Title	20	20	19	21
 Licenses				
Insurance Producer	71,609	59,901	75,908	82,743*
Adviser	253	282	294	313
Public Adjuster	254	307	347	430
 Certificates				
Private Review Agent	48	47	49	44
Medical Director	65	63	95	71
 Registrations				
Third-party Administrator	283	298	318	344

* Of the total licensed insurance producers in fiscal 2015, 62,843 are nonresident producers licensed in Maryland.
Source: Maryland Insurance Administration

Insurance Professional Licensing, Certification, and Registration

Insurance Producers

Any person who sells, solicits, or negotiates insurance contracts (including contract renewals) in Maryland for compensation must obtain an insurance producer license. Additionally, a person in the bail bonds business must also have a license for property and casualty insurance. Applicants for a license must meet the qualifications established for the license, including study or experience requirements, and generally must pass an examination. Licenses may not be issued to a person who has committed certain prohibited acts in any state.

Licenses are valid for two years and may be renewed. Since October 1, 2009, all resident licensees holding a major line of authority, with the exception of title insurance, must complete 24 hours of continuing education before their licenses may be renewed. Title insurance producers have a 16-hour requirement. If, prior to October 1, 2008, a resident licensee has held a license for 25 or more consecutive years, the continuing education requirement is 8 hours per renewal period. Of the required hours of continuing education, at least 3 hours must relate directly to ethics.

Continuing education requirements do not apply to insurance producers who hold only a limited lines license. A person who is not a resident of this State may obtain a nonresident license to act as an insurance producer in Maryland if the person is licensed and in good standing in the person's home state and meets other specified requirements.

Advisers

A person who receives compensation for examining insurance products and giving advice or information about the products must obtain an adviser license. To receive a license, an applicant must pass an examination and be a member of certain industry organizations or complete a course of study approved by the Commissioner. A nonresident applicant who is licensed or certified as an insurance adviser in the applicant's home state and passes an examination to the satisfaction of the Commissioner also may receive a license. Both resident and nonresident applicants must file a bond with the Commissioner. An adviser's license is valid for two years and may be renewed.

Public Adjusters

A public adjuster is a person who receives compensation from an insured for investigating, appraising, or evaluating the insured's first-party insurance claim for losses or damages under contracts that insure real or personal property. A person must obtain a license before acting as a public adjuster in Maryland. To receive a license, an individual applicant must pass an examination given by the Commissioner, unless the individual was licensed in the State on June 30, 1985. A business entity applicant must employ one or more individual licensed public adjusters. A license expires every two years and may be renewed. Individual license holders must complete 24 hours of continuing education to renew a license, 3 hours of which must relate directly to ethics. A nonresident individual license holder may be deemed to have met the continuing education requirements under certain circumstances.

Private Review Agents and Medical Directors

PRAs and medical directors oversee the allocation and utilization of health care services provided to consumers. PRAs conduct reviews of the health care services given, or to be given, to a patient or group of patients by a hospital or other health care provider to ensure that they are allocated in an appropriate and efficient manner. Medical directors, who must be physicians employed by or under contract with an HMO, are responsible for establishing and maintaining policies and procedures at the HMO for quality assurance and utilization management; ensuring compliance with the HMO's quality assurance and utilization management policies and procedures; and overseeing utilization review decisions of PRAs employed by or under contract with the HMO.

A PRA must be granted a certificate of registration to conduct utilization review in the State. A certificate expires after two years and may be renewed. An applicant for a certificate must submit various documents to the Commissioner, including a utilization review plan and a copy of its internal grievance process. A physician must be certified before acting as a medical director.

Third-party Administrators

A TPA is a person who acts for an insurer or plan sponsor to manage the assets of a plan established, maintained, or contributed to by an employer or employee organization, and to adjust, pay, or settle benefit claims under the plan. A person must register with the Commissioner before acting as a TPA in the State. An applicant for registration must present evidence that the applicant has not been convicted of certain crimes, meet any applicable examination requirements, and post a bond. A registration is valid for two years and may be renewed.

Other Insurance Professionals

MIA also regulates a number of other insurance professionals, including pharmacy benefits managers, managing general agents, motor club representatives, mechanical repair contract obligors, discount drug plan and discount medical plan organizations, viatical settlement brokers, surplus lines brokers, and bail bondsmen. These persons must be licensed or certified by or registered with the Commissioner and their activities are subject to regulation by MIA.

All Financial Examinations of Domestic Companies Conducted on Time

MIA is required to conduct financial examinations of insurance companies domiciled in Maryland at least once every five years. In conducting its financial examinations, MIA's goal is to complete 85% of the examinations within the amount of staff time budgeted since timely completion results in earlier detection of companies exhibiting financial distress. MIA indicates that 100% of the examinations were conducted within the budgeted staff time from fiscal 2011 through 2015.

Review and Approval of Insurance Rates and Forms Are Generally Timely

In addition to determining which insurance companies may offer insurance and who is authorized to solicit and sell insurance to consumers, MIA regulates the insurance products offered and sold. Every insurance policy and contract form is reviewed by MIA staff to ensure that all legal requirements for that type of policy or contract have been met. MIA also reviews and approves rates for all insurance products, other than life insurance, offered in the State. For health insurance, insurance companies must have proposed rates reviewed before they may be charged to consumers, while for property and casualty insurance, a competitive rating system is in effect under which insurance companies may use a rate as soon as it is filed with MIA. The Commissioner, however, may disapprove a rate being used if it does not comply with applicable rate-making principles.

Exhibit 4 shows the rate and form filings for life and health and property and casualty insurance for fiscal 2011 through 2015. Rate and form filings are largely dictated by insurer response to market conditions, including offering new products, making changes to existing products, or adjusting the rates for products offered. Statutory changes, including those necessary to comply with ACA, also result in additional form and rate filings. MIA indicates that, other than

increases or decreases related to statutory changes, it has no way to predict the number of form or rate filings in a given year.

Exhibit 4
Rate and Form Filing Statistics – Managing for Results Standards
Fiscal 2011-2015

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Life and Health					
Rate Filings*	631	732	636	531	541
Form Filings	14,843	13,848	14,667	11,821	11,248
% of Form Filings Reviewed within 60 Days	100%	99.9%	99.2%	92.5%	96.4%
Property and Casualty					
Rate Filings	1,779	1,532	1,466	1,432	1,469
Form Filings	32,720	22,590	19,469	23,181	25,775
% of Form Filings Reviewed within 30 Days	91.0%	52.5%	6.7%	16.5%	42.0%

* Rate filings for Life and Health renewals are reviewed by the Office of the Chief Actuary; rate filings for new products are reviewed by either the Office of the Chief Actuary or the Life and Health Section, depending on the type of product.

Source: Maryland Insurance Administration: Managing for Results statistics

Property and Casualty Form Review – A Lapse in Timeliness

Since fiscal 2012, many property and casualty form filings have not been reviewed in a timely manner. In fiscal 2013, only 1,300 (6.7%) of a total 19,469 form filings were reviewed within 30 days, which is the standard set by the Department of Budget and Management's Managing for Results performance measurement system. Both MIA and representatives from the insurance industry believe that the lapse in timeliness is partially due to an increase in complexity as technology used in the insurance industry has improved in the last few years. However, because MIA has had significant turnover in its property and casualty Rates and Forms Review Unit over the last few years (including a vacancy in the associate commissioner position for property and casualty for an extended period of time), the precise reason for this lapse in timeliness is not readily apparent. MIA advises that it recognizes the issue and is currently working to improve form review timeliness. Industry representatives also expressed confidence that the issue would be resolved in the near future. Exhibit 4 shows that timeliness has improved significantly from fiscal 2013 to 2015, but still lags behind performance in fiscal 2011 and 2012.

Review Related to the Affordable Care Act

While implementation of ACA has created a number of challenges for MIA staff in reviewing health insurance forms and rates (see discussion below under “Workload Impact of ACA on MIA”), staff has been able to conduct these reviews in a timely manner, as shown in Exhibit 4. Industry representatives did express concerns about MIA’s form review and objection process in that MIA requires that forms use verbatim language contained in regulations instead of allowing the use of more consumer-friendly wording (MIA disagrees with this characterization of its practices), and sometimes revisits previously approved form language even though no change in the law has occurred that would necessitate revision of the form. The representatives also noted, however, that MIA continues to improve its form review and objection process and has been responsive to industry concerns.

Federal Health Care Reform and MIA

Federal health care reform, which began in 2010 with the enactment of ACA, has made significant changes to the health insurance industry in Maryland and nationwide. The significance of these changes for MIA could not be assessed as part of the 2010 sunset evaluation since implementation of ACA was only beginning at the time it was conducted. Legislation was needed to address key decisions, including whether to establish one or more exchanges; the governance, functions, and operation of the exchange or exchanges; required benefits; participation by small businesses; and financing. Beginning in 2011, the State enacted numerous laws implementing ACA. Since then, the nature of MIA’s involvement in Maryland’s insurance exchange, and the impact of ACA on MIA, have become more clearly defined.

The Maryland Health Benefit Exchange

Chapters 1 and 2 of 2011 established the Maryland Health Benefit Exchange as a public corporation and an independent unit of State government. The purpose of the Exchange is to assist individuals and small employers shop for and purchase affordable health insurance that provides certain essential health care benefits. The Exchange consists of two divisions, the Individual Exchange, which serves the individual health insurance market, and the SHOP Exchange, which serves the small employer health insurance market. The Exchange is governed by a board of trustees, and an executive director, appointed by the board, is in charge of the Exchange’s operations. The laws also created the Maryland Health Benefit Exchange Fund, the revenues of which are used to fund the Exchange. Numerous legislative changes, as detailed in Exhibit 1.1, have occurred since 2011 to conform the structure and operations of the Exchange to changes in federal law.

MIA Lacks Direct Authority over the Exchange, but Maintains a Role in Its Operation

Oversight Activities

While many of the Exchange's everyday operations are conducted independently of MIA, and the Exchange generally is not subject to Maryland's insurance laws, there are several areas in which MIA and the Exchange interact. The Commissioner is a member of the Exchange's board of trustees, must be consulted about or approve the adoption of certain regulations by the Exchange, may suspend or revoke certificates issued to Individual Exchange navigators by the Exchange, and may impose penalties on Individual Exchange navigators. The Individual Exchange navigator program, under which connector entities are authorized by the Individual Exchange to provide consumer assistance services, is administered by the Individual Exchange but is subject to the regulatory authority of the Commissioner. Under that authority, the Commissioner may suspend or revoke a connector entity's authorization and require the submission of corrective plans to address problems in the Individual Exchange navigator certification process or the connector entity authorization process. While the Exchange issues enrollment permits to employees of the Consolidated Services Center (CSC) assisting the Individual Exchange, the Commissioner is authorized to discipline and impose penalties on those employees. Training programs established by the Exchange for Individual Exchange navigators, insurance producers selling qualified plans on the Individual Exchange, and CSC employees assisting the Individual Exchange must be approved by the Commissioner. Although the Individual Exchange authorizes insurance producers to sell qualified plans, an insurance producer must be licensed by the Commissioner to sell health insurance to qualify for authorization.

Qualified Plans

MIA also plays a role in the certification and content of qualified health plans. To be certified by the Exchange, a health benefit plan must obtain prior approval of premium rates and contract language from the Commissioner and provide, in addition to the essential health benefits required under ACA, any other benefits required by the Commissioner under applicable State law. Certification requirements include complying with fair marketing standards developed jointly by the Commissioner and the Exchange. The Commissioner, in consultation with the Exchange, must select the State benchmark plan that serves as the standard for the essential health benefits to be offered by qualified plans inside the Exchange and by certain health benefit plans outside the Exchange, and may exclude certain health care services, benefits, coverage, or reimbursement required under State law.

Consumer Questions and Complaints

One area in which MIA and the Exchange frequently interact is responding to consumer questions and complaints. The Exchange's call centers refer consumer complaints to MIA that relate to insurance producers, insurance companies, or other matters within MIA's jurisdiction, while questions and complaints relating to plan coverage, enrollment, eligibility for federal tax credits, and similar issues are to be resolved by call center staff. According to MIA, call center staff shortages have resulted in consumers contacting MIA about Exchange-related matters when

they are unable to get through to call center staff. Although MIA has a contact at the Exchange to follow up on these questions and complaints, the volume has made it difficult to get timely responses from the contact. MIA notes that statute does not give MIA the authority to require the Exchange to provide timely or meaningful responses to their inquiries.

Workload Impact of ACA on MIA

While MIA has several new duties with regard to the Exchange as discussed above, enactment of ACA has not substantially altered MIA's basic responsibilities as the State's insurance regulator, including overseeing insurance companies, insurance producers, and insurance products and ensuring that State insurance laws conform to federal requirements. According to MIA, however, staff workloads have been affected in a number of areas.

Increased Complexity for Filings

Staff needed to review rate filings for health benefit plans has increased from 5 before ACA to 11 in the first year after its enactment (and currently is at 8) for several reasons. Frequent changes in federal requirements have increased the number of rate and form filings that staff must review, and much more information is required to be included in each filing. Staff notes that a checklist used to review forms for individual health benefit plans has increased from 12 to 31 pages in length due to additional federal requirements, and that similar checklists apply to the review of small employer health benefit plans. The application under ACA of the federal Mental Health Parity and Addiction Act (MHPAEA) to the individual and small group markets also has increased form review time. Staff must review documentation submitted for each benefit design to ensure that it meets MHPAEA requirements. This documentation is very complex and can take several days to review.

More Stringent Timelines to Review Filings May Necessitate Additional Staff

Rate and form filing deadlines also have changed so that the vast majority of filings are received within a 90-day period instead of throughout the year. This has created a logjam for reviewing filings since rates must be provided to the Exchange by specified deadlines so they can be loaded into the Exchange's system before plan enrollment begins. Because of the complexity of the work involved in rate and form filing review, the hiring of contractual employees during these crunch times is not a viable option, and staff must work many extra hours in order to meet Exchange deadlines. MIA notes that a federal grant, which provides 100% of the funding needed to maintain the current number of positions for rate review, has been extended for an additional year through September 30, 2017, but that future funding is not guaranteed. Loss of this grant would have a substantial negative effect on the ability of staff to perform this function unless MIA is authorized to hire additional staff.

New Network Adequacy Laws Necessitate Additional Staff

Another increase in MIA's workload results from the establishment under ACA of a national standard for determining, for health benefit plans offered through an exchange, whether an insurance company's network of providers is adequate to provide consumers with meaningful

access to care. States are given significant latitude to determine compliance with federal requirements and to enforce state-specific rules. Chapter 309 of 2016, enacted in response to establishment of the federal standard, requires the Commissioner by December 31, 2017, to adopt regulations that establish criteria to evaluate the network sufficiency of health benefit plans offered on the Exchange, and the network adequacy standards for dental services. Insurers, nonprofit health service plans, and HMOs (collectively, carriers) that use a provider panel must file a network access plan with the Commissioner for review for health benefit plans offered through the Exchange. Based on the regulations adopted, the Commissioner must review each network access plan, which must be submitted to MIA by July 1, 2018, and annually thereafter.

Chapter 309 also established requirements for updating information and making available network directories that carriers must maintain, and required a carrier to demonstrate the accuracy of network directory information on request of the Commissioner. The Act also transferred oversight of network adequacy for HMOs and exclusive provider organizations (EPOs) from the Department of Health and Mental Hygiene (DHMH) to MIA, making MIA the sole regulator of network access standards for all health benefit plans. MIA advises that, while the required regulations can be drafted using existing staff, five additional staff positions (two in fiscal 2017 and three in fiscal 2019) are needed to review network adequacy plans, monitor and enforce compliance with the Act's network directory requirements, and review and enforce the network adequacy of HMOs and EPOs, work previously done by DHMH. Since staffing levels from fiscal 2011 through 2015 have declined, as discussed below in "Staffing Levels Have Decreased but Are Generally Adequate," it is unclear whether those positions will be funded.

MIA Financial History

Special Funds Support Regulation of the Insurance Industry

A large portion of MIA's funding comes from assessments on insurers. The primary operations assessment accrues to the Insurance Regulation Fund. MIA also collects fees for various certificates, licenses, and services. Statute caps the total assessment at 60% of MIA's budget. Each insurer pays a share based on the amount of premiums it writes as a percent of total premiums written, with a minimum charge of \$300 per insurer. Fees collected and assessment revenue are generally held in the Insurance Regulation Fund. MIA is required to maintain the fund at 105% of its approved annual budget. If the amount of revenues collected exceeds 105%, the excess amount is carried forward and reduces the size of the subsequent year's assessment.

A second assessment finances the Appeals and Grievances Unit of MIA and the Health, Education and Advocacy Unit of OAG. This assessment is paid by health insurers only and the revenues are placed in the Health Care Regulatory Fund. MIA also collects a third assessment for the Office of People's Counsel in OAG. That assessment is paid by companies with medical malpractice and homeowner's insurance premiums and is directly transferred to OAG.

The fiscal history of MIA for fiscal 2011 through 2017 is shown in **Exhibit 5**. Special fund revenues have been sufficient to cover expenditures and maintain the 5% reserve required by statute.

Exhibit 5
Fiscal History of Maryland Insurance Administration Special Funds
Fiscal 2011-2017
(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues							
Opening Fund Balance	\$3.0	\$3.8	\$4.2	\$3.6	\$3.5	\$3.6	\$5.7
Producer Licensing Fees	5.3	4.7	4.5	4.3	5.3	5.3	4.5
Rate and Form Filing Fees	3.0	2.7	3.1	2.7	3.2	3.1	3.0
Insurer Examination Fees	2.1	2.1	2.2	2.5	2.4	2.2	2.4
Fraud Prevention Fees	1.4	1.3	1.2	1.0	2.2	2.1	2.2
Insurance Regulation Fund Assessments	11.0	12.6	12.4	14.0	13.5	15.8	15.3
Healthcare Regulatory Fund Assessments	1.4	1.7	1.4	1.4	1.2	1.5	1.5
Miscellaneous Income	0.0	0.0	0.0	0.7	0.5	0.7	0.6
Company Licensing Fees	1.6	1.9	1.7	1.7	1.1	1.2	1.2
Office of People's Counsel Transfers	0.6	0.6	0.5	0.6	0.0	0.6	0.6
Transfers Out	(0.6)	(0.6)	(0.9)	(0.6)	0.0	(0.6)	(0.6)
Total	\$28.8	\$30.8	\$30.4	\$31.8	\$32.9	\$35.5	\$36.4
Expenditures	\$25.0	\$26.7	\$26.8	\$28.3	\$29.4	\$29.8	\$33.1
End of Year Fund Balance²	\$3.8	\$4.2	\$3.6	\$3.5	\$3.6	\$5.7	\$3.3

Notes:

¹ Totals may not sum due to rounding.

² Reflects combined balance of the Insurance Regulation Fund and Healthcare Regulatory Fund.

Source: Maryland Insurance Administration

MIA Collects Taxes and Penalties for the General Fund

In addition to the special fund revenues and expenditures listed above, MIA collects general fund revenues derived from premium and retaliatory taxes and all penalties and fines assessed by MIA for violations of insurance laws. Except for nonprofit health service plans, nonprofit HMOs, and fraternal benefit societies, insurance companies are subject to a 2% premium tax for all new and renewal gross premiums that are derived from or reasonably attributable to insurance business in the State, while unauthorized insurers, such as those that offer surplus insurance lines that cannot be obtained in the State, are subject to a 3% premium tax. Additionally, foreign insurers may be subject to retaliatory taxes under specified circumstances. Total collected general fund revenues can be seen in **Exhibit 6**.

Exhibit 6
General Fund Premium Tax, Retaliatory Tax, and Fine Revenues
Fiscal 2011-2015
(\$ in Millions)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Premium Tax	\$284.4	\$299.5	\$299.7	\$330.3	\$324.9
Retaliatory Tax	0.5	3.9	3.6	4.6	4.2
Penalties and Fines	3.5	4.4	5.7	2.7	2.6
Total	\$288.4	\$307.8	\$309.0	\$337.6	\$331.6

Note: Totals may not sum due to rounding.

Source: Maryland Insurance Administration: Annual Reports FY 2011-2016; Department of Legislative Services

Audit Finds Numerous Problems with Premium Tax Collections

In November 2014, the Office of Legislative Audits (OLA) released an audit report that included numerous findings related to MIA's collection of premium taxes. For example, OLA found that (1) adequate controls over audits of premium tax filings were not established, resulting in numerous errors, including duplicate account credits; (2) the procedures in place did not ensure payments were received on time, and MIA did not always charge late fees and interest on past due payments; (3) adequate internal controls over premium tax refunds were not in place; and (4) MIA did not reconcile its records of premium tax revenues with the corresponding State accounting records. OLA also found that, among other issues, the procurement of MIA's electronic premium tax system did not comply with State procurement law. As a result, MIA chose to discontinue using the system.

In two follow-up reports released in February 2016 and March 2016, OLA found that MIA has implemented policies and procedures to address most of the November 2014 findings related to premium taxes. Specifically, MIA now requires all financial transactions related to premium taxes to be reconciled with State accounting records in a timely manner and has implemented a manual check logging process in its mail room. Although OLA has done no follow-up since March 2016, MIA seems to have addressed every finding related to premium tax collections.

New Online Premium Tax Collection System Is Currently Being Developed

MIA is currently in the process of procuring a new online premium tax system so that staff no longer has to administer the collection and auditing process manually. MIA advises that the system is designed with the audit findings in mind in an effort to ensure that there are no repeat findings related to premium tax collections in future OLA audit reports. During an interview with MIA staff, the possibility of reassigning premium tax collections to a State agency more directly involved in revenue collection was discussed as an alternative. MIA staff advised that, after the audit, MIA had considered shifting the responsibility to another State agency but had determined that the benefits of having a single regulator for the insurance industry outweighed any potential benefits from such a transition.

Investigating Insurance Fraud – Strategies and Challenges

Insurance fraud has a far-reaching effect on consumers and the national economy, in large part due to the massive size of the insurance industry. The Federal Bureau of Investigation estimates that the thousands of insurance companies in the United States collect nearly \$1 trillion in premiums each year and lose approximately \$40 billion due to insurance fraud. These losses are then passed on to consumers through increased premiums.

During its investigations of insurance fraud cases, MIA's Insurance Fraud Division makes a determination about whether to pursue a criminal or civil case based on numerous factors such as the alleged offender's criminal history and intent, as well as the position of authority he or she holds. Criminal cases are referred to a State's Attorney or OAG for prosecution, while civil fraud sanctions are imposed by MIA. Reports of insurance fraud come from a variety of sources, including law enforcement agencies, prosecutors, other divisions of MIA, other State agencies, and the public, although most referrals come from insurance companies. Civil and criminal penalties imposed by MIA or the courts accrue to the general fund.

Exhibit 7 shows the number, disposition, and timeliness of the resolution of insurance fraud cases opened from fiscal 2011 through 2015. Over that time period, MIA regularly succeeded in meeting its goal of resolving at least 80% of its open cases within 180 days.

Exhibit 7
Fraud Investigation Statistics
Fiscal 2011-2015

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Cases Opened	959	769	641	711	850
Total Cases Closed	781	621	580	637	714
Within 180 Days	(81.4%)	(80.8%)	(90.5%)	(89.6%)	(84.0%)
Criminal Prosecution Referrals (% of Opened Cases)	75.0%	89.0%	80.0%	45.0%	60.0%

Source: Maryland Insurance Administration: Managing for Results statistics

Recent Legislation Assists MIA in Combating Insurance Fraud

Before enactment of Chapters 588 and 589 of 2011, MIA was able to pursue only criminal charges in fraud cases. MIA advises that one of the major difficulties it faces in combating insurance fraud is that the general public, and often times prosecuting attorneys to whom MIA refers its criminal cases, consider insurance fraud a victimless crime. As a result, these cases are given a low priority compared to other cases a prosecutor may have pending and fewer violators are charged. Chapters 588 and 589, therefore, authorized MIA to investigate allegations of civil fraud and impose administrative penalties of up to \$25,000 for each violation and order restitution. In fiscal 2013, \$87,000 in civil penalties were collected, while \$70,500 and \$225,740 were collected in fiscal 2014 and 2015, respectively. Less than \$3,000 in criminal penalties were collected in each of those years.

To further assist MIA in combating insurance fraud, Chapter 26 of 2014 authorized a criminal prosecution for insurance fraud to take place in any jurisdiction where certain aspects of the alleged insurance fraud took place. Chapter 26 allows prosecution to take place in any jurisdiction in which, among other things, any element of the alleged insurance fraud took place or the defendant resides. Additionally, Chapter 26 authorizes a criminal or civil fraud action for all related violations to be joined in the same action, simplifying the prosecution process for MIA.

Complaints Related to Automobile Insurance Are Most Common

MIA is the point of contact for complaints related to both life and health and property and casualty insurance. It investigates both consumer complaints and complaints from insurance companies and insurance professionals. In addition to taking action on individual complaints, if a business habit or practice of an insurance company is discovered during the complaint investigation, the matter is referred to the Market Conduct Unit of MIA's Compliance and Enforcement Section, where it is investigated and may lead to a market conduct examination. If

the complaint involves a self-insurer or is not within MIA’s scope of authority, the complainant is notified and the complaint case is closed.

As can be seen in **Exhibit 8**, the total number of complaints received by MIA, as well as MIA’s timeliness in resolving those complaints, has remained relatively stable from year to year, with the exception of fiscal 2015 and 2016. In those years, an unprecedented number of complaints were filed by consumers against the automobile insurer State Farm (property and casualty). The influx of these complaints was triggered by State Farm’s implementation of a rate filing that called for premium increases for not-at-fault claims in addition to at-fault claims. MIA recognized the situation in the first few weeks of October 2014 and immediately began interactions with State Farm to resolve multiple issues. The Property and Casualty Rates and Forms Unit, the Compliance and Enforcement Unit, the Consumer Education and Advocacy Unit, the Management Information Systems Unit, and MIA’s senior management team all made extensive contributions to this effort, and OAG provided legal guidance throughout the process. While the work is not expected to be completed until mid-fall of this year, MIA’s efforts have thus far resulted in premium relief in the form of refunds or credits (plus interest) being issued by State Farm in more than 14,000 cases. Additionally, MIA succeeded in having State Farm remove not-at-fault claims from its premium increase calculations as of December 1, 2016. The decline in the percentage of complaints resolved within 90 days during fiscal 2015 and 2016 is directly attributable to this unprecedented volume.

With respect to property and casualty complaints, from fiscal 2014 through 2016, 33,046 of a total 41,084 (80.4%) complaints came from consumers protesting automobile insurance premiums and surcharges. As complaints are resolved, MIA assigns one or more disposition codes to each complaint. The top three disposition codes assigned to these complaints were (1) carrier reversed itself during the investigation (15,370); (2) refund paid (13,290); and (3) company position substantiated (8,811). For the other types of property and casualty complaints, the most common dispositions were the company position being substantiated (2,625), followed by settlement of the claim in question (1,263).

With respect to life and health complaints, from fiscal 2014 through 2016, there were a total of 10,801 complaints. The top three disposition codes assigned to these complaints were (1) no jurisdiction (3,548); (2) company position substantiated (1,837); and (3) compromised settlement/resolution (1,109).

Exhibit 8
Complaint Statistics by Unit
Fiscal 2011-2016

Number	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016³</u>
Life and Health ¹	4,268	3,647	3,272	3,766	4,173	4,134
Appeals and Grievances	791	785	789	877	930	1,168
Property and Casualty	7,492	6,887	7,390	6,906	17,001	17,177
Producer Enforcement	918	1,699	660	1,556	1,295	-
Total	13,469	13,018	12,111	13,105	23,399	-

Timeliness of Resolutions ²

Life and Health ¹ (% resolved in 60 days)	84.1%	93.2%	89.6%	92.6%	90.1%	86.0%
Property and Casualty (% resolved in 90 days)	82.0%	78.0%	93.0%	76.7%	55.9%	26.2%

Notes:

¹ Life and Health complaint statistics includes both medical necessity and nonmedical necessity complaints.

² Resolution timeliness is based on the standard set by the Department of Budget and Management's Managing for Results performance measurement system.

³ Fiscal 2016 data for property/casualty is an estimate; data for producer enforcement is not yet available.

Source: Maryland Insurance Administration

Staffing Levels Have Decreased but Are Generally Adequate

As seen in **Exhibit 9**, the total number of MIA staff has declined from 290.65 full-time equivalent regular and contractual positions in fiscal 2011 to 277.25 in fiscal 2015, or approximately 5%. MIA advises that the agency has lost a number of positions during that time period due to budget cuts, and that several employees have left the agency for better paying jobs with the federal government. In addition, as of December 3, 2015, there were 28.00 vacant positions.

Despite the turnover and loss of positions, MIA generally has carried out its regulatory duties, including those related to implementing ACA, in a timely and effective manner. MIA's ability to continue functioning at current levels will depend in part on continuation of the federal grant that funds the additional positions needed to review health insurance rates, and the funding of additional positions necessary to carry out MIA's new responsibilities relating to network adequacy standards. (See discussion under "Workload Impact of ACA on MIA.")

Exhibit 9
Regular and Contractual Staff (Full-time Equivalent)
Fiscal 2011-2015

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Regular	277.00	266.00	266.00	266.00	265.00
Contractual	13.65	16.80	17.85	18.05	12.25
Total	290.65	282.80	283.85	284.05	277.25

Source: Maryland Insurance Administration: Annual Reports Fiscal 2011-2016

Administration Maintains National Accreditation

NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators in each state, the District of Columbia, and the five U.S. territories. The NAIC Accreditation Program is a voluntary program among state insurance regulators that emphasizes the importance of adequate solvency laws, the use of effective and efficient financial analysis and examination procedures, and appropriate organizational and personnel practices. Accreditation is given to a state insurance department once it has demonstrated that it has met and continues to meet various legal, financial, and organizational standards, including having adequate staffing and resources to maintain effective regulatory oversight. MIA achieved accredited status in September 1994 and has maintained its accreditation since that time. Maryland-based insurance companies benefit from MIA's accredited status as it allows other states to be confident that MIA's financial and solvency examinations are adequate.

Conclusions and Recommendations

Based on Department of Legislative Services (DLS) observations, MIA is fulfilling its statutory duties to regulate the insurance industry. For example, MIA (1) completed 100% of its required examinations of insurance companies within the amount of staff time budgeted and met its goal of resolving at least 80% of its open insurance fraud cases within 180 days from fiscal 2011 through 2015; (2) has fulfilled its duties related to implementation of ACA; (3) handled an unprecedented number of complaints in fiscal 2015 and 2016; and (4) maintained its accreditation with NAIC. **Therefore, DLS recommends that the Legislative Policy Committee waive MIA from full evaluation.**

However, through its review of MIA operations, DLS also found two matters that require additional attention. Specifically, (1) a recent OLA audit found numerous issues with MIA's collection of premium tax revenues and (2) the timeliness of property and casualty form review has decreased in recent years. These issues do not warrant a full evaluation because both MIA and representatives from the insurance industry have expressed confidence that they are known and currently being addressed. **Therefore, DLS also recommends that MIA submit two follow-up reports to the Senate Finance Committee, the House Economic Matters Committee, and DLS regarding (1) the status of its online premium tax collections (due 18 months after MIA's new premium tax system becomes operational) and (2) the timeliness of property and casualty form filing review (due October 1, 2017).**

Furthermore, DLS recommends that MIA be removed from the list of governmental units subject to the sunset evaluation process through the Maryland Program Evaluation Act. MIA is subject to full annual budget analyses that examine many of the same issues covered by sunset evaluation. In addition, no other unit of State government that is comparable to MIA in size and scope of regulatory authority is subject to the Maryland Program Evaluation Act; MIA is the only State agency subject to the Act.

Policy Issues for Consideration

ACA Staffing Requirements

As discussed in the section titled “Workload Impact of ACA on MIA,” the number of MIA staff needed to review and approve health insurance rates increased from 5 before ACA to 11 in the first year after its enactment, and currently is at 8. This increase was necessitated by an increase in the number and complexity of filings under ACA. A federal grant funds 100% of the additional positions needed to review rate filings, but unless renewed, it will terminate September 30, 2017. Without this grant, MIA staff will not be able to perform its rate review and approval function in a timely manner. Additional staff positions (two in fiscal 2017 and three in fiscal 2018) also are needed to fully implement network adequacy plan requirements phasing in under ACA. **MIA will need additional staff if the federal grant that funds additional positions needed for rate review is not renewed and to fulfill MIA’s duties related to network adequacy requirements. Staffing needs could also be affected with changes to ACA at the federal level.**

Considerations for Future MIA Staffing

In interviews with DLS staff, both MIA and insurance industry representatives discussed the changing nature of the insurance market due to technological advances. For example, telematics devices are now able to track how well a person drives in real time, new and complex algorithms are being used to more accurately determine premium rates for individual policyholders, and self-driving cars are close to becoming a reality. **Even though MIA’s current staff generally is able to handle the existing workload, these advances in technology are likely to increase and complicate that workload, thus requiring additional and more highly qualified staff in future years.**

Premium Tax Collections

As discussed under “Audit Finds Numerous Problems with Premium Tax Collections,” the most recent OLA audit outlined numerous findings related to MIA’s collection of premium taxes. Since that time, MIA seems to have addressed all of the issues raised by OLA, and MIA advises that its new online premium tax system will further improve the administration process. **If MIA faces challenges with its premium tax collection duties in future years, the responsibility for premium tax collections could be reassigned to another unit of State government more directly involved in revenue collection.** For example, the principal duty of the Office of the Comptroller is to collect taxes, and it may be able to handle the additional collection duties at little to no additional cost.

Appendix 1. Legislative Changes Since the 2010 Preliminary Sunset Review – Health

2011

Chapters 1/2 (SB 182/HB 166): Maryland Health Benefit Exchange Act of 2011

Chapters 3/4 (SB 183/HB 170): Health Insurance – Conformity with Federal Law

Chapter 11 (SB 56): Health Insurance – Evaluation of Quality of Care and Performance of Health Benefit Plans

Chapter 13 (SB 59): Insurance – Company Action Level Events – Health Insurers

Chapter 85 (SB 705): Health Insurance – Dental Provider Contracts – Prohibited Provision

Chapter 104 (HB 156): Health Insurance – Small Group Market – Self-Employed Individuals – Sunset Extension

Chapter 155 (HB 1085): Disability Insurance Policies – Discretionary Clauses – Prohibition

Chapters 242/243 (SB 514/HB 450): Maryland Community Health Resources Commission – Health Care Reform – Implementation

Chapters 300/301 (SB 850/HB 1178): Licensed Insurance Producers – Information on State Health Programs

Chapters 425/426 (SB 154/HB 83): Health Insurance – Ambulance Service Providers – Direct Reimbursement

Chapters 524/525 (SB 701/HB 888): Health Insurance – Prescription Eye Drops – Refills

Chapters 526/527 (SB 702/HB 452): Health Insurance – Coverage of Hearing Aids

Chapters 528/529 (SB 710/HB 444): Health Insurance – Provider Panels – Notice of Receipt of Application

Chapters 568/569 (SB 974/HB 1338): Health Insurance – Pharmacy Benefits Managers – Claims

2011 Special Session

None

2012

Chapters 4/5 (SB 179/HB 243): Kathleen A. Mathias Chemotherapy Parity Act of 2012

Chapter 27 (SB 121): Senior Prescription Drug Assistance Program – Sunset Extension

Chapter 152 (HB 443): Maryland Health Benefit Exchange Act of 2012

Chapter 195 (SB 227): Maryland Health Care Commission – Assessment of Fees and Maryland Trauma Physician Services Fund – Revisions

Chapters 293/294 (SB 744/HB 1055): Health Insurance – Habilitative Services – Required Coverage, Workgroup, and Technical Advisory Group

Chapters 318/319 (SB 903/HB 838): Health Insurance – Pharmacy Benefits Managers – Audits and Reimbursement of Pharmacies or Pharmacists

Chapters 513/514 (SB 456/HB 465): Health Insurance – Health Benefit Plan Premium Rate Review

Chapters 579/580 (SB 781/HB 1149): Health Insurance – Coverage for Services Delivered Through Telemedicine

Chapters 622/623 (SB 928/HB 982): Health Insurance – Fees for Administrative Services Provided by Insurance Producers – Authorized

Chapter 720 (HB 1356): Health Insurance – Dental Preventive Care – Coverage

2012 Special Session 1

None

2012 Special Session 2

None

2013

Chapter 106 (HB 360): Health Insurance – Repeal of Obsolete Provisions of Law

Chapter 159 (HB 228): Maryland Health Progress Act of 2013

Chapter 208 (SB 224): State Employee and Retiree Health and Welfare Benefits Program – Wellness Program

Chapters 288/289 (SB 581/HB 1216): Health Insurance – Federal Mental Health Parity and Addiction Equity Act – Notice and Authorization Forms

Chapters 290/291 (SB 582/HB 1252): Health Insurance – Federal Mental Health Parity and Addiction Equity Act – Utilization Review Criteria and Standards

Chapter 318 (SB 769): Health Benefit Plans – Proposed Rate Increases – Notice to Insureds

Chapter 368 (HB 361): Health Insurance – Conformity with and Implementation of Federal Patient Protection and Affordable Care Act

Chapter 394 (HB 955): Task Force to Study Temporary Disability Insurance Programs and the Process for Assisting Individuals with Disabilities at Local Departments of Social Services

Chapters 575/576 (SB 904/HB 1160): Health Insurance – Vision Services – Provider Contracts

2014

Chapter 1 (SB 134): Maryland Health Insurance Plan – Access for Bridge Eligible Individuals

Chapter 23 (SB 96): Health Insurance – Conformity With and Implementation of the Federal Patient Protection and Affordable Care Act

Chapter 25 (SB 98): Health Insurance – Medicare Marketing Rules

Chapters 67/68 (SB 641/HB 625): Kathleen A. Mathias Oral Chemotherapy Improvement Act of 2014

Chapter 72 (SB 790): Health Insurance – Communications Between Carriers and Enrollees – Conformity With the Health Insurance Portability and Accountability Act (HIPAA)

Chapter 84 (HB 106): Senior Prescription Drug Assistance Program – Sunset Extension

Chapter 163 (SB 416): Health Maintenance Organizations – Payments to Nonparticipating Providers – Repeal of Termination Date

Chapter 204 (SB 884): Health Insurance – Incentives for Health Care Practitioners

Chapters 316/317 (SB 622/HB 1233): Health Insurance – Step Therapy or Fail-First Protocol

Chapter 355 (SB 893): Health Insurance – Insurance Laws That Apply to Health Maintenance Organizations – Consolidation and Clarification

Chapter 363 (SB 952): Pharmacy Benefits Managers – Pharmacy Contracts – Maximum Allowable Cost Pricing

Chapter 422 (HB 761): Health Insurance – Specialty Drugs

Chapter 449 (HB 1235): Community Integrated Medical Home Program

Chapter 610 (HB 693): Health Insurance – Essential Health Benefits – Pediatric Dental Benefits

Chapter 614 (HB 779): Maryland Health Care Commission – Health Care Provider – Carrier Workgroup

2015

Chapter 23 (SB 241): Health Insurance – Coverage for Ostomy Equipment and Supplies – Required

Chapter 35 (SB 450): Health Insurance – Expense Reimbursement Claims Forms – Methods for Submission

Chapter 79 (HB 230): Health Insurance – Assignment of Benefits and Reimbursement of Nonpreferred Providers – Repeal of Termination Date

Chapter 96 (HB 565): Insurance – Surplus Lines – Disability Insurance

Chapter 108 (HB 859): Nonprofit Health Service Plans – Hearing and Order – Impact of Law or Regulatory Action by Another State

Chapter 274 (HB 759): Health Insurance – Small Employer Health Benefit Plan Premium Subsidy Program – Repeal

Chapter 363 (SB 556): Health Insurance – Selection of State Benchmark Plan and Required Conformity With Federal Law

Chapter 367 (SB 573): Insurance – Standard Valuation Law and Reserve and Nonforfeiture Requirements

Chapter 372 (SB 606): Health Insurance – Abuse-Deterrent Opioid Analgesic Drug Products – Coverage

Chapter 434 (HB 562): Health Insurance – Ambulance Service Providers – Direct Reimbursement – Repeal of Termination Date

Chapters 482/483 (SB 416/HB 838): Health Insurance – Coverage for Infertility Services

Chapter 494 (HB 552): Health Insurance – Medical Stop-Loss Insurance – Small Employers

2016

Chapters 54/55 (SB 212/HB 124): Health Insurance – Large Employers – Disclosure of Aggregate Incurred Claims

Chapter 84 (HB 60): Insurance – Certificate of Qualification, Licensing, and Registration – Electronic Means

Chapter 109 (HB 639): Health Insurance – Provider Claims – Payment by Credit Card or Electronic Funds Transfer Payment Method

Chapter 121 (HB 798): Health Insurance – Reporting Requirements – Repeal

Chapter 122 (HB 801): Health Insurance – Required Conformity With Federal Law

Chapters 207/208 (SB 436/HB 554): Insurance – Surplus Lines – Short-Term Medical Insurance

Chapter 305 (HB 1247): Insurance – Self-Funded Student Health Plans

Chapter 309 (HB 1318): Health Benefit Plans – Network Access Standards and Provider Network Directories

Chapter 321 (HB 489): Termination of Maryland Health Insurance Plan, Transfer of Senior Prescription Drug Assistance Program, and Funding for State Reinsurance Program

Chapters 325/326 (SB 1/HB 11): Health Insurance – In Vitro Fertilization – Use of Spouse's Sperm – Exception

Chapter 371 (SB 297): Health Insurance – Habilitative Services – Period of Time for Coverage

Chapters 436/437 (SB 848/HB 1005): Health Insurance – Contraceptive Equity Act

Chapter 445 (SB 887): Health Insurance – Consumer Health Claim Filing Fairness Act

Chapter 510 (HB 1385): Public Health – Advance Directives – Procedures, Information Sheet, and Use of Electronic Advance Directive

Appendix 2. Legislative Changes Since the 2010 Preliminary Sunset Review – Nonhealth

2011

Chapters 8/9 (SB 44/HB 226): Qualified State Long-Term Care Insurance Partnership Program – Reporting

Chapter 38 (SB 217): Life Insurance and Annuities – Retained Asset Accounts – Beneficiaries’ Bill of Rights

Chapters 41/42 (SB 255/HB 496): Life Insurance – Definition and Permitted Riders and Provisions

Chapter 89 (SB 885): Motor Vehicle Insurers – Standards for Cancellation or Refusal of Insurance – Driving While Impaired by Alcohol

Chapter 154 (HB 1082): Homeowner’s Insurance – Model Information – People’s Insurance Counsel

Chapters 259/260 (SB 571/HB 763): Insurance – Delivery of Notices by Electronic Means – Authorized

Chapter 312 (SB 993): Maryland Automobile Insurance Fund – Employee Compensation

Chapter 418 (SB 88): Maryland Insurance Administration – Program Evaluation

Chapters 445/446 (SB 317/HB 647): Homeowner’s Insurance – Victims of Crimes of Violence – Discrimination Prohibited

Chapters 514/515 (SB 656/HB 982): Property and Casualty Insurance – Certificates of Insurance and Certificate of Insurance Forms

Chapters 520/521 (SB 694/HB 959): Insurance – Surplus Lines

2011 Special Session

None

2012

Chapter 120 (HB 301): Insurance Fraud – Applications for Insurance and Claim Forms – Required Disclosure Statement

Chapter 171 (SB 77): Life Insurance and Annuities – Unfair Claim Settlement Practices – Failure to Search Death Master File

Chapter 196 (SB 230): Insurance – Maryland Health Care Provider Rate Stabilization Fund

Chapters 243/244 (SB 489/HB 742): Bail Bondsmen – Acceptance of Installment Contracts

Chapter 253 (SB 531): Property and Casualty Insurance – Underwriting Period – Discovery of Material Risk Factor

Chapters 268/269 (SB 604/HB 715): Motor Vehicle Insurance – Uninsured Motorist Coverage – Effect of Consent to Offer of Settlement

Chapters 299/300 (SB 764/HB 885): Fraudulent Insurance Acts – Individual Sureties – Contracts of Surety Insurance

Chapter 336 (SB 1006): Maryland Automobile Insurance Fund – Fund Producers – Commissions

Chapter 460 (SB 82): Maryland Automobile Insurance Fund – Claims for Bodily Injury or Death – Payment Limitation

Chapters 472/473 (SB 256/HB 876): Property and Casualty Insurance – Commercial Policies – Notices of Premium Increases

Chapters 479/480 (SB 297/HB 463): Property and Casualty Insurance – Certificates of Insurance and Certificate of Insurance Forms

Chapters 588/589 (SB 811/HB 1094): Insurance – Fraud Violations – Fines and Administrative Penalties

Chapters 590/591 (SB 812/HB 1097): Insurance – Suspected Fraud – Liability for Reporting or for Furnishing or Receiving Information

Chapters 601/602 (SB 861/HB 1093): Portable Electronics Insurance

Chapters 626/627 (SB 938/HB 1059): Personal Automobile Insurance – Rescission of Policy or Binder – Authorized

Chapters 633/634 (SB 1003/HB 1340): Life and Health Insurance Guaranty Corporation Act – Revisions

Chapter 683 (HB 866): Title Insurance – Closing or Settlement Protection Practices – Study

Chapter 699 (HB 1068): Homeowner’s Insurance – Limitation on Number of Claims Made – Notice

2012 Special Session 1

None

2012 Special Session 2

None

2013

Chapters 73/74 (SB 749/HB 1132): Maryland Automobile Insurance Fund – Operational Changes

Chapter 111 (HB 392): Motor Vehicle Liability Insurance – Personal Injury Protection Coverage – Prohibition on Premium Increase

Chapter 115 (HB 431): Insurance – Maryland Insurance Acquisitions Disclosure and Control Act – Revisions

Chapters 269/270 (SB 446/HB 342): Homeowner’s or Renter’s Insurance and Private Passenger Motor Vehicle Insurance – Bundling Requirement – Prohibited

Chapter 311 (SB 736): Insurance – Fraudulent Insurance Acts – Compensation for Deductible

Chapter 321 (SB 777): Insurance – Ceding Insurers and Reinsurance

Chapter 334 (SB 930): Property and Casualty Insurance – Premium Payments – Acceptance on Installment Payment Basis and Premium Finance Agreements

Chapter 377 (HB 537): Insurance Producers – Continuing Education – Online Courses

Chapter 383 (HB 695): Homeowner’s Insurance – Anti-Concurrent Causation Clause – Notice and Study

Chapter 385 (HB 724): Insurance – Risk Based Capital Standards – Fraternal Benefit Societies and Life Insurers

Chapter 406 (HB 1203): Homeowner’s or Renter’s Insurance – Policy Exclusions for Specific Breeds or Mixed Breeds of Dogs – Notices

Chapter 407 (HB 1205): Study of Captive Insurers

Chapter 525 (SB 682): Portable Electronics Insurance – Compensation of Employees of Vendor, Disclosures to Customers, and Study

2014

Chapter 4 (SB 16): Chesapeake Employers’ Insurance Company – Issuance, Renewal, and Cancellation of Policies – Authority

Chapter 9 (SB 53): Maryland Automobile Insurance Fund – Installment Payment Plan – Clarification

Chapter 15 (SB 79): Limited Lines – Travel Insurance

Chapter 24 (SB 97): Insurance – Public Adjusters – Prohibited Inducements

Chapter 26 (SB 99): Insurance – Fraud Violations – Civil and Criminal Actions

Chapter 27 (SB 100): Insurance – Premiums and Charges – Review of Administrative Expenses

Chapter 41 (SB 153): Motor Vehicle Insurance – Task Force to Study Methods to Reduce the Rate of Uninsured Drivers

Chapter 169 (SB 456): Insurance – Definition of Premium – Inclusion of Motor Vehicle Driving Record Report and Accident History Report Fees

Chapter 172 (SB 479): Chesapeake Employers’ Insurance Company – Board Structure

Chapter 174 (SB 490): Limited Lines Insurance Licenses – Self-Service Storage Producers

Chapters 318/319 (SB 624/HB 679): Insurance – Title Insurers – Title Insurance Commitment and Binders

Chapters 350/351 (SB 881/HB 1082): Title Insurers – Statutory or Unearned Premium Reserves

Chapter 354 (SB 886): Legal Mutual Liability Insurance Society of Maryland – Conservatorship and Transfer

Chapter 364 (SB 977): Property and Casualty Insurance – Notices – Use of First-Class Mail Tracking Methods

Chapter 366 (SB 999): Insurance – Reinsurance – Certification of Reinsurers

2015

Chapter 16 (SB 142): Property and Casualty Insurance – Premium Finance Companies – Assignment of Rights and Obligations – Repeal of Termination Date

Chapter 25 (SB 325): Life Insurers – Reserve Investments – Loans Secured by Real Estate

Chapter 36 (SB 465): Chesapeake Employers’ Insurance Company

Chapter 39 (SB 553): Motor Clubs – Scope of Law – Fees

Chapter 40 (SB 555): Life Insurance – Cash Surrender Values – Supplemental Benefits

Chapter 51 (SB 770): Insurance – Motor Vehicle Rental Companies – Limited Lines License to Sell Insurance

Chapter 88 (HB 358): Workers’ Compensation Insurance – Cancellation and Nonrenewal – Notice

Chapter 96 (HB 565): Insurance – Surplus Lines – Disability Insurance

Chapter 208 (SB 910): Motor Vehicle Insurance – Entry-Level Commercial Truck Driver’s License Holders – Study

Chapter 248 (HB 440): Howard County – Insurance – Certificates of Guarantee for County Bond Requirements Ho. Co. 8-15

Chapter 325 (SB 145): Civil Actions – Disclosure of Information – Repeal of Certification Requirement

Chapter 362 (SB 554): Insurance – Reinsurers – Fees

Chapter 367 (SB 573): Insurance – Standard Valuation Law and Reserve and Nonforfeiture Requirements

2016

Chapter 56 (SB 240): Maryland Insurance Commissioner – Responsibility for Holding Hearings – Delegation

Chapter 73 (SB 541): Portable Electronics Insurance – Required Notices – Method of Mailing

Chapter 84 (HB 60): Insurance – Certificate of Qualification, Licensing, and Registration – Electronic Means

Chapter 123 (HB 803): Life Insurance – Freedom to Travel Act

Chapter 137 (HB 1408): Property and Casualty Insurance – Commercial Policies and Workers' Compensation Insurance Policies – Notices of Premium Increases

Chapter 155 (SB 75): Insurance – Public Adjusters – Licensing

Chapters 207/208 (SB 436/HB 554): Insurance – Surplus Lines – Short-Term Medical Insurance

Chapters 209/210 (SB 450/HB 1487): Health Care Provider Malpractice Insurance – Scope of Coverage

Chapter 394 (SB 505): Workers' Compensation Insurance – Premium Discount – Alcohol- and Drug-Free Workplace Program

Chapters 401/402 (SB 544/HB 720): Motor Vehicle Insurance – Insurance Identification Card – Carrying Proof of Coverage – Uninsured Motorist Education and Enforcement Fund

Chapters 425/426 (SB 784/HB 900): Motor Vehicle Insurance – Personal Injury Protection – Rejection of Coverage

Chapters 446/447 (SB 888/HB 912): Motor Vehicle Insurance – Program to Incentivize and Enable Uninsured Vehicle Owners to Be Insured

Chapter 488 (HB 501): Motor Vehicle Insurance – Volunteer Drivers

Chapter 491 (HB 557): Homeowner's Insurance – Underwriting Standards – Deductibles

Chapter 499 (HB 958): Insurance – Rate Filings – Trade Secrets

Chapters 693/694 (SB 750/HB 919): Portable Electronics Insurance – Compensation of Vendor Employees – Repeal of Sunset and Reporting Requirement

Chapter 729 (HB 990): Civil Actions – Liability of Disability Insurer – Failure to Act in Good Faith

Appendix 3. Schedule of Fees for Certificate and Licenses

<u>Fee Name</u>	<u>Description</u>	<u>Rate or Amount of Fee(s)</u>	<u>Date Fee(s) First Authorized</u>	<u>Date and Amount of Last Change</u>
Application for initial certificate of authority	This is an application for the certificate that allows an entity to engage in the insurance business in MD.	\$1,000	1970	In 1993 changed from \$25
Initial certificate of authority	This is the fee for the certificate that allows an entity to engage in the insurance business in MD.	\$200	1962	
Annual renewal of certificate of authority for foreign and domestic insurers with home office in Maryland	This certificate allows entities to engage in the insurance business in MD.	\$500	1922	
Annual renewal of certificate of authority for domestic insurers with office outside MD, (except for those with home office outside MD before 1929), <u>with premiums written in most recent calendar year not greater than \$500,000</u>	This certificate allows entities to engage in the insurance business in MD. Renaissance Reinsurance (formerly Platinum) and Assured Guaranty Corp. are the only two domestic insurers with offices outside the State of Maryland.	\$2,500	1922	In 1993 amount was changed from \$500
Annual renewal of certificate of authority for domestic insurers with office outside MD, (except for those with home office outside MD before 1929), <u>with premiums written in most recent calendar year not greater than \$1,000,000</u>	This certificate allows entities to engage in the insurance business in MD.	\$5,000	1922	In 1993 amount was changed from \$1,000

<u>Fee Name</u>	<u>Description</u>	<u>Rate or Amount of Fee(s)</u>	<u>Date Fee(s) First Authorized</u>	<u>Date and Amount of Last Change</u>
Annual renewal of certificate of authority for domestic insurers with office outside MD, (except for those with home office outside MD before 1929), <u>with premiums written in most recent calendar year not greater than \$2,000,000</u>	This certificate allows entities to engage in the insurance business in MD.	\$7,000	1922	In 1993 amount was changed from \$2,000
Annual renewal of certificate of authority for domestic insurers with office outside MD, (except for those with home office outside MD before 1929), <u>with premiums written in most recent calendar year not greater than \$5,000,000</u>	This certificate allows entities to engage in the insurance business in MD.	\$9,000	1922	In 1993 amount was changed from \$3,000
Annual renewal of certificate of authority for domestic insurers with office outside MD, (except for those with home office outside MD before 1929), <u>with premiums written in most recent calendar year greater than \$5,000,000</u>	This certificate allows entities to engage in the insurance business in MD.	\$11,000	1922	In 1993 amount was changed from \$3,500
Reinstatement of Certificate of Authority	Companies that had certification, but had a break in coverage in MD.	\$500	1922	In 1993 changed from \$10
Articles of incorporation	Domestic and foreign, exclusive of fees paid to SDAT.	\$25	1922	1957
Amendments of articles of incorporation	Domestic and foreign, exclusive of fees paid to SDAT.	\$10	1922	1957
Filing of bylaws or amendments to bylaws	Changes made to bylaws of company are filed.	\$10	1922	pre-1957

<u>Fee Name</u>	<u>Description</u>	<u>Rate or Amount of Fee(s)</u>	<u>Date Fee(s) First Authorized</u>	<u>Date and Amount of Last Change</u>
Certificates of qualification: application fee	This is the application fee necessary in order to receive a certificate of qualification.	\$25	1922	In 2001 changed from \$15
Certificates of qualification: original managing general agents	This is the certification that a managing general agent for an insurance business is qualified.	\$30	1991	1991
Certificates of qualification: annual renewal managing general agents	This is the renewal certification that a managing general agent for an insurance business is qualified.	\$30	1991	1991
Surplus line broker's certificate of qualification, original	This certificate is for brokers who sell insurance for unique risks. The insurers are not licensed in MD.	\$100	1963	
Surplus line broker's certificate of qualification, initial certificate over one year from renewal	This is the renewal fee after one year for brokers who sell insurance for unique risks. The insurers are not licensed in MD.	\$100	1963	
Surplus line broker's certificate of qualification, biennial renewal	This is the renewal fee after two years for brokers who sell insurance for unique risks. The insurers are not licensed in MD.	\$200	1963	1984
Public Adjuster's License: original within one year of renewal	This is license fee for an insurance adjuster who investigates, appraises, evaluates, and helps adjust claims for losses or damages for real and personal property.	\$25	1963	
Public Adjuster's License: original over one year from renewal	This is a renewal license fee for an insurance adjuster who investigates, appraises, evaluates, and helps adjust claims for losses or damages for real and personal property.	\$50	1963	Changed from \$20 in 1984

<u>Fee Name</u>	<u>Description</u>	<u>Rate or Amount of Fee(s)</u>	<u>Date Fee(s) First Authorized</u>	<u>Date and Amount of Last Change</u>
Public Adjuster's License: biennial renewal	This is a renewal license fee for an insurance adjuster who investigates, appraises, evaluates, and helps adjust claims for losses or damages for real and personal property.	\$50	1963	n/a
Adviser's license: original within one year of renewal	Someone who is paid to advise or provide information about insurance must be licensed in MD.	\$100	1963	n/a
Adviser's license: original over one year from renewal	Someone who is paid to advise or provide information about insurance must be licensed in MD.	\$200	1963	Changed from \$20 in 1984
Adviser's license: biennial renewal	Someone who is paid to advise or provide information about insurance must be licensed in MD.	\$200	1984	n/a
Filing of annual statement by unauthorized insurer applying for approval to become an accredited insurer, a certified reinsurer, or a surplus lines carrier	An annual statement must be filed and reviewed if an un authorized insurer wants to apply for approval to become an insurer, reinsurer, or surplus lines carrier in MD.	\$1,000	1929	Changed from \$100 in 1992
Temporary certificate and appointment of agents	This would allow someone to work temporarily as an insurance agent in MD.	\$27	1929	Changed from \$25 in 2002
Temporary certificate and appointment of brokers	This would allow someone to work temporarily as an insurance broker in MD.	\$27	1929	Changed from \$40 in 2002
Insurance Fraud Prevention Fee	This is an annual fee that most insurers in MD must pay by 6/30 each year. There is a small list of entities that do not pay the fee.	\$1,000	1996	n/a

<u>Fee Name</u>	<u>Description</u>	<u>Rate or Amount of Fee(s)</u>	<u>Date Fee(s) First Authorized</u>	<u>Date and Amount of Last Change</u>
Service of Process	This is the fee for serving a person or entity with legal paperwork.	\$15	1929	n/a
Commissioners Certificate Under Seal	Acknowledgement that a document has been certified by the Commissioner.	\$5		Changed from \$2 in 1992
Mechanical Repair Contract Obligor	Annual Registration Fee.	\$25	2015	n/a
Filing fees, including forms and rates filings	These are the fees that are paid by entities in order to have insurance approved for sale in MD. MIA must review the rates being charged and the coverage being promised to ensure adherence to statute.	\$125		
Domestic risk retention group fee for submission of plan of operation or feasibility study	If an domestic risk retention group wants to operate in MD, it must submit a plan of operation or feasibility study to MIA.	\$50		
Domestic risk retention group fee for certification of authority	This fee pays for certification for a company to work in MD.	\$200		
Domestic risk retention group fee for annual statement submission	The company must submit an annual statement for review by MIA.	\$25		
Domestic risk retention group fee for annual continuation of certificate of authority	Renewal of the certification.	\$25		
Foreign risk retention groups fee for submission of plan of operation or feasibility study	If an foreign risk retention group wants to operate in MD, it must submit a plan of operation or feasibility study to MIA.	\$50		
Foreign risk retention group annual statement filing fee	The company must submit an annual statement for review by MIA.	\$25		

<u>Fee Name</u>	<u>Description</u>	<u>Rate or Amount of Fee(s)</u>	<u>Date Fee(s) First Authorized</u>	<u>Date and Amount of Last Change</u>
Purchasing groups shall pay to the Commissioner a nonrefundable registration fee of \$100 upon submission of intent to do business in Maryland	A purchasing group means a group that has as a purpose, the purchase of liability insurance on a group basis, purchases liability insurance only for its group members and only to cover the similar or related liability exposure of the group members. The group is comprised of members engaged in business or activities that are similar or related.	\$100		

MD: Maryland

SDAT: State Department of Assessments and Taxation

MIA: Maryland Insurance Administration

Appendix 4.
Written Comments of the
Maryland Insurance Administration

The Maryland Insurance Administration reviewed a draft of this preliminary evaluation and provided these written comments.

LARRY HOGAN
Governor

BOYD K. RUTHERFORD
Lt. Governor



AL REDMER, JR.
Commissioner

NANCY GRODIN
Deputy Commissioner

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2090 Fax: 410-468-2020
1-800-492-6116 410-468-2000
TTY: 1-800-735-2258
www.insurance.maryland.gov

November 22, 2016

*Via Email and
Regular Mail*

Michael C. Rubenstein
Principal Policy Analyst
Department of Legislative Services
Office of Policy Analysis
90 State Circle
Annapolis, Maryland 21401

Re: Preliminary Evaluation Draft Report of the Maryland Insurance
Administration; Response

Dear Mr. Rubenstein:

On behalf of the Maryland Insurance Administration (MIA), thank you for the Preliminary Evaluation Draft Report (Report) submitted for our review. Attached please find Exhibit A which is a list of comments and suggested edits to the Report. The MIA agrees with the recommendation that, with the exception of the on-line premium tax collection system and the timeliness of the Property & Casualty Unit form filing review, it be waived from a full evaluation and removed from the Sunset Review requirement.

I also want to thank Judi Markoya and Richard Duncan for meeting with our staff and for their diligence, time and attention to this Report. If you have any questions please contact me at nancy.grodin@maryland.gov or 410.468.2002.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Grodin".

Nancy Grodin
Deputy Insurance Commissioner

Enclosure

Cc: Judi Markoya
Richard Duncan

EXHIBIT A

1. **Page 4, 309** – Requires the Commissioner by *December 31, 2017* to promulgate regulations.
2. **Page 5, 2012, Exhibit 1.2:** Ch. 171 concerns an Life bill - Need to expand the title of Exhibit 1.2 to *Property & Casualty and Nonhealth-related*
3. **Page 6, 2015:** Same as above comment for Ch. 367
4. **Page 6, 2016:** Chapters 425/426 – instead of “Exempts an applicant...” it should read “*Exempts a qualified applicant ...*”
5. **Page 7, Paragraph 1, Consumer Education and Advocacy Unit:** The case numbers for the Rapid Response program are not reported in the MFR, but are contained in the Annual Report. Would you like the Rapid Response case numbers?
6. **Page 7, Paragraph 4, Examination & Audit Section.** Amend to read as follows: “*The Examination and Auditing section oversees the financial regulation of domestic and foreign insurance companies that are authorized to conduct the business of insurance in the State. These companies generated premium revenues from Maryland consumers totaling approximately \$37.5 billion in fiscal 2016. The section conducts financial oversight through periodic on-site examinations and ongoing financial analyses on 64 insurance companies that are domiciled in Maryland. The goal is to detect potential issues and take appropriate action to prevent the need to initiate rehabilitation or liquidation proceedings. The costs of all examinations are borne by the insurance company being examined. This section also oversees organizations that are issued special permits to issue charitable gift annuities and collects surplus lines taxes. In addition, this section reviews applications from companies applying to become authorized to write the business of insurance in the State and monitors the financial condition of foreign insurance companies that hold a Certificate of Authority.*”
7. **Page 9 under Life & Health Section:** “oversees policies and contracts written by insurers,” should be changed to read “*reviews policies and contracts written by insurers, health maintenance organizations (HMOs), nonprofit health service plans, and dental plan organizations to determine compliance with statutory law and regulations, and investigates life and health*”
8. **Page 9 under Hearings Unit:** the reference to Bad Faith should be changed to “*failure to act in good faith.*”
9. **Page 11, Exhibit 3,** is a reason you are not including companies like surplus lines insurers or risk retention groups? We have them if you want to include them.

- 10. Page 13, Paragraph 2, Other Insurance Professionals** - Incorporate the following language following the word “including”: “...*managing general agents, discount drug and medical plans, mechanical repair contract obligors,...*”
- 11. Page 15, Review Related to ACA** – The current statement seems to imply that the MIA’s standard policy is to require verbatim language and this is not accurate. The MIA does not require carriers to use verbatim language from the regulations unless the statute or regulation requires verbatim language, which does occur occasionally. The MIA has always permitted carriers to use alternative language, as long as the language fully complies with the requirements of the law. All of the form reviewers are instructed on this during training and during ongoing quality reviews.
- 12. Page 17, An Increased Complexity for Filings** – As written this section indicates that the staff needed to review health insurance forms and rates increased from 5 before the ACA to 11 after its enactment. Where did this information come from? Is it possible that you were counting actuarial positions as well? If so, this is more than the staff for form review issues.

Detail on staffing levels:

Pre-ACA Staffing Levels – (The supervisors in both units review forms when necessary. The total # of form reviewers was either 8 or 10 depending on whether you count the supervisors.

HMO Unit - 1 Supervisor, 3 FTEs, 2 Contractual
Health Unit – 1 Supervisor, 4 FTEs

Initial Post-ACA Staffing Levels – (For the 1st year post0ACA, the total # of form reviewers was either 10 or 12. The 2 additional contractual employees may have been funded at least partly with federal grants.

HMO Unit – 1 Supervisor, 3 FTEs, 3 Contractuals
Health Unit – 1 Supervisor, 4 FTEs

Current Staffing Levels – Currently the total # of form reviewers is either 8 or 10, depending on whether you want to count supervisors. The additional FTE we now have was a PIN that was transferred from the Life and Annuity Unit to the Managed Care Unit. I do not believe that there are any federal funding related to current staffing.

HMO Unit – 1 Supervisor, 4 FTEs
Health Unit – 1 Supervisor, 4 FTEs

- 13. Page 18 – MIA Financial History. Line 2: Suggest:** “*MIA’s funding comes from assessments on insurers. The primary operations assessment is for the Insurance Regulation Fund.*”
- 14. Page 18 – Line 5: Suggest:** “*These fees are held in the Insurance Regulation fund. A second assessment finances the Appeals and Grievances Unit of the MIA and the Health,*

Education and Advocacy Unit of the Maryland Attorney General's Office. This assessment is paid by health insurers only and the revenues are placed in the Health Care Regulatory Fund. MIA also conducts a third assessment for the Office of People's Counsel in the Attorney General's Office. That assessment is paid by companies with medical malpractice and homeowner insurance premiums. The monies are transferred directly to the Attorney General's Office."

15. **Page 18:** Next to last paragraph is missing a word: "Fees collected and assessment revenue are generally held in the Insurance Regulation fund; However, *fees* paid by health insurers"
16. **Page 20 – last sentence of the first paragraph:** the MIA chose to discontinue using the system.
17. **Page 20, New System is Expected to Resolve Remaining Issues** – Which OLA findings have not been addressed? Which issues is the procurement of an on-line premium tax system expected to resolve? The collection and audit of premium taxes is currently being accomplished manually.
18. **Page 21, paragraph 2, second sentence** – this sentence seems to imply that criminal fraud cases are not investigated by the MIA. Criminal (as well as civil cases) are investigated by the MIA before being referred to the State's Attorney office. We recommend that this be removed and replaced with the following: "*Criminal fraud cases are referred to the State's Attorney or Office of the Attorney General for prosecution, while civil fraud sanctions are imposed by the MIA.*"
19. **Page 23, penultimate paragraph:** the Associate Commissioner L&H and Associate Commissioner P&C were still on staff at this time.
20. **FY 2016 Exhibit 8:** Final numbers are as follow: *4,134 in L&H; 1,168 in Appeals & Grievance.*
21. **Page 24, first sentence** – Not sure which positions, other than those in the OCA, you are referring to that are funded by federal grants.
22. **Page 25, first full paragraph** – We suggest inserting "on-line" after "the status of *its on-line* premium tax collections ..."
23. **Page 25, ACA Staffing Requirements** – same comment at on page 17.
24. **Page 40, Final line-** Delete item "Filing of Annual Statement of Insurer" as it is no longer in the law.
25. **Page 41, Lines 1 and 2-** Delete items "Certificates of Qualification" and "Certificates of Qualification: biennial renewal" as these were deleted from the law.

26. **Page 42, Final Line** - Amend column 1 to read: *“Filing of Annual statement by unauthorized insurer applying for approval to become an accredited insurer, a certified reinsurer, or surplus lines carrier.”*
27. **Page 43, Line 5-** Add the following language to column 2: *“Acknowledgement that a document has been certified by the Commissioner.”*
28. **Page 43, Additional line-** Add the following language to columns 1-5 respectively: *“Mechanical Repair Contract Obligor”, “Annual Registration Fee”, “\$25”, “2015”, and “n/a”.*
29. **Page 43, Additional line (potential).** *Determine if “SHOP” fees as disclosed on the attached excerpt (Annotated Code 2-112.pdf) were purposefully omitted from the original document, or if they should be listed. Add or omit accordingly.*

Annotated Code, Insurance Article
Section 2-112 (a)(6)(iv) etc.
(excerpt)

(iv) SHOP Exchange navigator license:

1. fee for initial license\$54
2. biennial renewal fee\$54
3. fee for reinstatement of license\$100

(v) SHOP Exchange enrollment permit:

1. fee for initial permit\$54
2. biennial renewal fee\$54
3. fee for reinstatement of permit\$100

(vi) application fee\$25

(7) fee for each insurance vending machine license, for each machine, every second year\$50

(8) fees for filing the annual statement by an unauthorized insurer applying for approval to become an accredited reinsurer, a certified reinsurer, or a surplus lines carrier\$1,000

(9) fees for required filings, including form and rate filings, under Title 11, Subtitles 2 through 4, Title 26, §§ 12–203, 13–110, 14–126, and 27–613 of this article, and § 15–311.2 of the Transportation Article\$125

(10) service of legal process fee under §§ 3–318(d), 3–319(d), and 4–107 of this article and § 19–708(b)(12) of the Health – General Article\$15

(11) annual fee for registration of an obligor under § 15–311.2 of the Transportation Article\$25

(b) A court may award reimbursement of a service of process fee imposed under subsection (a)(10) of this section to a prevailing plaintiff in any proceeding against an insurer, surplus lines broker, or health maintenance organization.