Title 31
MARYLAND INSURANCE ADMINISTRATION
Subtitle 03 INSURANCE PRODUCERS AND OTHER INSURANCE PROFESSIONALS

31.03.13 Producer Registers and Documentation of Appointments

Authority: Insurance Article, §§2-109(a)(1), 10-103(c), and 10-118(j), Annotated Code of Maryland

Notice of Proposed Action
[18-167-P]

The Insurance Commissioner proposes to amend Regulation .02 under COMAR 31.03.13 Producer Registers and Documentation of Appointments.

Statement of Purpose
The purpose of this action is to amend COMAR 31.03.13.02 Producer Registers and Documentation of Appointments. The Maryland Insurance Administration no longer uses prefixes on insurance producer licenses and has not used them since approximately 2009 when a new state based systems licensing database was implemented. Therefore, Regulation .02B(1)(b) being repealed as it currently requires an insurer to add the prefix to the Maryland license number of the insurance producer to their producer register.

Comparison to Federal Standards
There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact
The proposed action has no economic impact.

Economic Impact on Small Businesses
The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities
The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment
Comments may be sent to Tyler Hoblitzell, Legislative and Regulatory Analyst, Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, MD 21202, or call 410-468-2488, or email to insureceregreview.mia@maryland.gov, or fax to 410-468-2020. Comments will be accepted through August 6, 2018. A public hearing has not been scheduled.

.02 Producer Register.
A. (text unchanged)
B. Form and Content.
   (1) Within 30 days after appointing an insurance producer, an insurer shall add the following information to the insurer's producer register:
   (a) (text unchanged)
   (b) The prefix to the Maryland license number of the insurance producer;
   (c) (d) — (b) (g) (text unchanged)
   (2) — (4) (text unchanged)

ALFRED W. REDMER, JR.
Insurance Commissioner

Subtitle 05 ASSETS, LIABILITIES, RESERVES, AND INVESTMENTS OF INSURERS

31.05.11 Annual Financial Reporting

Authority: Insurance Article, §§2-109(a)(1), 2-205, 4-116, 14-118, 14-121, 14-413, 15-605, [and] 24-211, and 24-394; Labor and Employment Article, §10-125; Annotated Code of Maryland

Notice of Proposed Action
[18-164-P]

The Insurance Commissioner proposes to amend Regulations .02, .08, and .13, adopt new Regulation .14, recodify existing Regulations .14, .15, and .17 to be Regulations .15, .16, and .18, respectively, and amend and recodify existing Regulation .16 to be Regulation .17 under COMAR 31.05.11 Annual Financial Reporting.

Statement of Purpose
The purpose of this action is to align COMAR 31.05.11 with changes to the National Association of Insurance Commissioner’s (NAIC) Model Regulation #205 Annual Financial Reporting that were adopted in 2014. The amendments are required for the continued NAIC accreditation of the Maryland Insurance Administration and will make COMAR consistent with the current NAIC Model. Additional changes are being made to correct numbering and cross-references rendered incorrect by the amendments.

Comparison to Federal Standards
There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact
The proposed action has no economic impact.

Economic Impact on Small Businesses
The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities
The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment
Comments may be sent to Tyler Hoblitzell, Legislative and Regulatory Analyst, Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, MD 21202, or call 410-468-2488, or email to insureceregreview.mia@maryland.gov, or fax to 410-468-2020. Comments will be accepted through August 6, 2018. A public hearing has not been scheduled.
.02 Definitions.
   A. (text unchanged)
   B. Terms Defined.
      (1) — (2) (text unchanged)
      (3) Audit Committee.
         (a) “Audit committee” means a committee, or equivalent body, established by the board of directors of an entity for the purpose of overseeing the:
            (i) Accounting and financial reporting processes of an insurer or group of insurers; and
            (ii) Internal audit function of an insurer or group of insurers; and
         [iii] [Audits] External audits of financial statements of the insurer or group of insurers.
         (b) — (c) (text unchanged)
         (4) — (8) (text unchanged)
         (9) “Internal audit function” means a person or persons that provide independent, objective, and reasonable assurance designed to add value and improve an organization’s operations and accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and control and governance processes.
         (9) [10] — [15] [16] (text unchanged)

.08 Scope of Audit and Report of Independent Certified Public Accountant.
   A. — B. (text unchanged)
   C. To the extent required by AU 319, for those insurers required to file a Management’s Report of Internal Control over Financial Reporting pursuant to Regulation .15 .16 of this chapter, the independent certified public accountant shall consider, as that term is defined in Statement on Auditing Standards (SAS) No. 102, Defining Professional Requirements in Statements on Auditing Standards or its replacement, the most recently available report in planning and performing the audit of the statutory financial statements.
   D. (text unchanged)

.13 Requirements for Audit Committees.
   A. — B. (text unchanged)
   C. The audit committee of an insurer or group of insurers shall be responsible for:
      (1) Overseeing the insurer’s internal audit function; and
      (2) Granting the person or persons performing the function suitable authority and resources to fulfill their responsibilities if required by Regulation .14 of this chapter.
   [C] D. (text unchanged)
   [D] E. A member of the audit committee shall be a member of the board of directors of the insurer or a member of the board of directors of an entity elected pursuant to §8H §1 of this regulation and Regulation .02B(3) of this chapter.
   [K] L. Audit Committee Reports.
      (1) (text unchanged)
      (2) If an insurer is a member of an insurance holding company system, the reports required by §8K(1)) §L(1) of this regulation may be provided to the audit committee on an aggregate basis for insurers in the holding company system, provided that any substantial differences among insurers in the system are identified to the audit committee.
      [L] (M.) — [N.] (O.) (text unchanged)

.14 Internal Audit Function Requirements.
   A. An insurer is exempt from the requirements of this section if:
      (1) The insurer has annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, less than $500,000,000; and
      (2) The insurer is a member of a group of insurers and the group has annual direct written and unaffiliated assumed premium, including international direct and assumed premium but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, less than $1,000,000,000.
   B. Function.
      (1) The insurer or group of insurers shall establish an internal audit function providing independent, objective, and reasonable assurance to the audit committee and insurer management regarding the insurers’:
         (a) Governance;
         (b) Risk management; and
         (c) Internal controls.
      (2) The reasonable assurance shall be provided by performing general and specific audits, reviews, and tests and by employing other techniques deemed necessary to:
         (a) Protect assets;
         (b) Evaluate control effectiveness and efficiency; and
         (c) Evaluate compliance with policies and regulations.
    C. Independence.
      (1) In order to ensure that internal auditors remain objective, the internal audit function shall be organizationally independent.
      (2) The internal audit function may not defer ultimate judgement on audit matters to others and shall appoint an individual to head the internal audit function who will have direct and unrestricted access to the board of directors.
      (3) Organizational independence does not preclude dual-reporting relationships.
   D. Reporting.
      (1) The head of the internal audit function shall report to the audit committee on:
         (a) The periodic audit plan;
         (b) Factors that may adversely impact the internal audit function’s independence or effectiveness;
         (c) Material findings from completed audits; and
         (d) The appropriateness of corrective actions implemented by management as a result of audit findings.
      (2) The reporting shall be done regularly, but on no less than an annual basis.
   E. Additional Requirements. If an insurer is a member of an insurance holding company system or included in a group of insurers, the insurer may satisfy the internal audit function requirements set forth in this regulation at the:
      (1) Ultimate controlling parent level;
      (2) Intermediate holding company level; or
      (3) Individual legal entity level.

.16 .17 Exemptions and Effective Dates.
   A. — K. (text unchanged)
   L. Reporting Requirements.
      (1) The requirements of Regulation .15 .16 of this chapter are effective beginning with the reporting period ending December 31, 2010, and each year thereafter.
      (2) — (3) (text unchanged)
   M. The requirements of Regulation .14 of this chapter are effective as of January 1, 2019, If an insurer or group of insurers that are exempt from Regulation .14 of this chapter no longer qualifies for that exemption, it shall have one year after the year the threshold is exceeded to comply with the requirements of this chapter.

ALFRED W. REDMER, JR.
Insurance Commissioner