

Comments will be accepted through February 19, 2019. A public hearing has not been scheduled.

.11 Qualification of [Agents] Producers for the Sale of Variable Life Insurance.

A. Qualification to Sell Variable Life Insurance.

(1) A person may not sell or offer for sale in this State any variable life insurance policy unless the person is [an agent] a producer and has filed with the Commissioner, in a form satisfactory to the Commissioner, evidence that the person holds [any] a license [or authorization] and other authorizations which may be required by any federal or State securities law for the solicitation, [or] sale, or negotiation of variable life insurance [by any federal or state securities law].

(2) A person may not solicit, sell, [take applications for,] or act or aid in any manner in the negotiation of a variable life insurance policy unless [he] such person has been so qualified [for the sale of life insurance and annuities in accordance with the provisions of Insurance Article, Title 10, Subtitle 1, Annotated Code of Maryland, including passing the written examination required under] in accordance with the provisions of Insurance Article, §§10-105 and 10-109, Annotated Code of Maryland, and is [specifically] licensed by the Commissioner to act as [agent or broker in regard to variable life insurance] a producer of life insurance policies.

B. Reports of Disciplinary Actions and Criminal Prosecution. A person qualified in this State under this regulation to [sell or offer to sell] act as a producer of variable life insurance policies shall [immediately] report to the Commissioner in accordance with Insurance Article, §§10-126(f) and (g), Annotated Code of Maryland:

(1) Suspension or revocation of [his agent's] a producer license in any other state or territory of the United States;

(2) Imposition of disciplinary sanction, including suspension or expulsion from [membership,] membership; [suspension,] suspension or revocation [of] or denial of [registration,] registration imposed upon [him] the producer by any national securities [exchange,] exchange or national securities [association,] association or any federal, state, or territorial agency with jurisdiction over securities or variable life insurance;

(3) Judgment or injunction entered against [him] the producer on the basis of conduct deemed to have involved fraud, deceit, misrepresentation, or violation of any insurance or securities law or regulation[.]; or

(4) Criminal prosecution as described under Insurance Article, §10-126(g), Annotated Code of Maryland.

C. Refusal to Qualify [Agent] Producer to Sell Variable Life [Insurance;] Insurance —Suspension, Revocation, or Nonrenewal of Qualification. The Commissioner may reject an application or suspend, [or] revoke, or refuse to renew [any agent's] a producer's qualification under this regulation to solicit, sell or [offer to sell] negotiate variable life insurance policies upon any ground that would bar the applicant or [agent] producer from being licensed to solicit, sell, or negotiate [other] life insurance [contracts] policies in this State. The rules governing [a proceeding] proceedings relating to the rejection of a producer's application, suspension or revocation of [an agent's] a producer's license or refusal to renew a producer's license shall also govern [the proceeding for suspension or revocation of an agent's qualification to sell or offer to sell variable life insurance] proceedings under this regulation.

ALFRED W. REDMER, JR.
Insurance Commissioner

Subtitle 09 LIFE INSURANCE AND ANNUITIES

31.09.04 Contracts on a Variable Basis

Authority: Insurance Article, §§2-109, 8-442(d), and 16-601—16-603, Annotated Code of Maryland

Notice of Proposed Action

[19-006-P]

The Insurance Commissioner proposes to amend Regulation .03 under COMAR 31.09.04 Contracts on a Variable Basis.

Statement of Purpose

The purpose of this action is to amend Regulation .03 under COMAR 31.09.04 Contracts on a Variable Basis. These changes are being proposed to:

(1) Change all references from “agent” to “producer” in accordance with other COMAR regulations;

(2) Remove the reference to passing a written examination from Regulation .03A(2) because the passing of an examination is no longer required for a variable line of authority;

(3) Amend the language in Regulation .03A(1) to clarify that an insurance producer must hold a license and other authorizations required by either federal or state securities laws to sell variable annuity contracts. Currently, the Maryland Securities Commission does not consider variable insurance products to be securities. However, the federal government considers variable products to be securities. In order to sell securities, a person needs to register with the Financial Industry Regulatory Authority (FINRA). This agency issues a central record depository (CRD) number to individuals. An individual requires an active CRD number and registration to sell securities through a licensed broker. Currently, many insurance producers are registering with FINRA and then their registration is terminated for various reasons, and the Maryland Insurance Administration is not always aware and therefore does not revoke the producer's ability to sell variable products as necessary. The change to this regulation makes it clear that a producer must maintain his or her license and other authorizations as required by both state and federal securities laws;

(4) Change references from variable annuity “insurance” to variable annuity “contracts” to match the regulatory lead-in;

(5) Clarify the language of several portions of the regulation; and

(6) Change the reporting requirements under Regulation .11B so that a producer must report all disciplinary actions or criminal prosecutions in accordance with Insurance Article, §§10-126(f) and (g), Annotated Code of Maryland.

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

I. Summary of Economic Impact. The cost to insurance producers may increase slightly if they are required to maintain their license to sell variable products. The cost is expected to be minimal.

II. Types of Economic Impact.	Revenue (R+/R-)	Magnitude
	Expenditure (E+/E-)	
A. On issuing agency:	NONE	
B. On other State agencies:	NONE	
C. On local governments:	NONE	

	Benefit (+) Cost (-)	Magnitude
D. On regulated industries or trade groups:		
Cost	(+)	Minimal
E. On other industries or trade groups:	NONE	
F. Direct and indirect effects on public:	NONE	

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

D. The cost to insurance producers may increase slightly if they are required to maintain their license to sell variable products. However, the cost should be minimal.

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 Lisa Larson, Regulations Manager, Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, MD 21202, or call 410-468-2007, or email to insuranceregreview.mia@maryland.gov, or fax to 410-468-2020. Comments will be accepted through February 19, 2019. A public hearing has not been scheduled.

.03 Qualifications of [Agents and Brokers] Producers.

A. Qualification to Sell Variable Annuity Contracts.

(1) A person may not sell or offer for sale in this State any variable annuity contract unless the person is [an agent or broker] *a producer* and has filed with the Commissioner, in a form satisfactory to the Commissioner, evidence that the person holds [any] *a license [or authorization] and other authorizations* which may be required by any federal or State securities law for the solicitation, [or] sale or negotiation of variable annuities [by any federal or State securities law].

(2) A person may not in this State solicit, sell, [take applications for,] or act or aid in any manner in the negotiation of any variable contract [on a variable basis] unless [he] *such person* has been so qualified [for the sale of life insurance and annuities in accordance with the provisions of Insurance Article, Title 10, Subtitle 1, Annotated Code of Maryland, including passing the written examination required under] *in accordance with the provisions of* Insurance Article, §§10-105 and 10-109, Annotated Code of Maryland, and is [specifically] licensed by the Commissioner to act as [agent or broker in regard to the sale of contracts on a variable basis] *a producer of life insurance and annuity contracts*.

B. Reports of Disciplinary Actions and Criminal Prosecution. A person qualified in this State under this regulation to [sell or offer to sell] *act as a producer of variable annuity [insurance] contracts* shall [immediately] report to the Commissioner *in accordance with Insurance Article, §§10-126(f) and (g), Annotated Code of Maryland:*

(1) Suspension or revocation of [the person's agent's] *a producer* license in any other state or territory of the United States;

(2) Imposition of disciplinary sanction, including suspension or expulsion from [membership,] *membership*; [suspension,] *suspension* or revocation [of] or denial of registration imposed upon the [person] *producer* by any national securities [exchange,] *exchange* or national securities [association,] *association* or any federal, state, or territorial

agency with jurisdiction over securities or variable annuity [insurance] *contracts*;

(3) Judgment or injunction entered against the [person] *producer* on the basis of conduct deemed to have involved fraud, deceit, misrepresentation or violation of any insurance or securities law or regulation[.]; *or*

(4) *Criminal prosecution as defined in Insurance Article §10-126(g), Annotated Code of Maryland.*

C. Refusal to Qualify [Agent] *Producer* to Sell Variable Annuity [Insurance] *Contracts*—Suspension, Revocation, or Nonrenewal of Qualification. The Commissioner may reject an application or suspend, revoke, or refuse to renew a [agent's] *producer's* qualification under this regulation to *solicit, sell or [offer to sell] negotiate* variable annuity [insurance] *contracts* upon any ground that would bar the applicant or [agent] *producer* from being licensed to *solicit, sell, or negotiate* [other] life insurance [contracts] *policies* in this State. The rules governing [a proceeding] *proceedings* relating to the *rejection of a producer's application, suspension or revocation of [an agent's] a producer's license or refusal to renew a producer's license* shall also govern [proceeding for suspension or revocation of an agent's qualification to sell or offer to sell variable annuity insurance] *proceedings under this regulation*.

ALFRED W. REDMER, JR.
Insurance Commissioner

Notice of Proposed Action

[19-003-P]

The Insurance Commissioner proposes to:

(1) Amend Regulation .04 under COMAR 31.10.25 **Required Standard Provisions for Individual Nonprofit Health Service Plan Contracts**;

(2) Amend Regulation .05 under COMAR 31.10.28 **Individual Health Insurance Contracts — Standard Provisions and Exclusions**; and

(3) Amend Regulation .05 under COMAR 31.12.07 **Required Standard Provisions**.

Statement of Purpose

The purpose of this action is to amend the standards for premium due dates under health insurance policies, nonprofit health service plan contracts, and health maintenance organization contracts to avoid a conflict with new regulations proposed by the Maryland Health Benefit Exchange.

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 Lisa Larson, Regulations Manager, Maryland Insurance Administration, 200 Saint Paul Place, Suite 2700, Baltimore, MD 21202, or call 410-468-2007, or email to insuranceregreview.mia@maryland.gov, or fax to 410-468-2020. Comments will be accepted through February 19, 2019. A public hearing has not been scheduled.