



Draft Regulation: 31.03.13

1 message

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To: "InsuranceRegReview.mia@maryland.gov" <InsuranceRegReview.mia@maryland.gov>

Dear Director of Regulatory Affairs;

I am writing regarding the Draft Regulation pertaining to 31.03.13.02 Producer Register and 31.03.13.04 Documentation of Appointment in my capacity as president of The Security Title Guarantee Corporation of Baltimore, Maryland's only domestic title insurance underwriter, founded in 1952 in Baltimore City.

In general, while we are certain the proposed regulation is well-intended and may address some minor difficulties examiners for the MIA may experience in matching its records to those of insurers, the proposal will be costly to implement and serves no significant purpose that we can identify such as to justify the time, programming and resources that must be devoted toward meeting the requirements of the draft regulation, as detailed below:

31.03.13.02 Producer Register

Our producer register serves two purposes: First, it satisfies our need to track individuals and business entities authorized to represent our company, as well as the license and license expiration date of those authorized producers; and, second, to maintain a producer register in accordance with the existing regulation. The regulation, as currently written, meets both purposes using a single register. The draft regulation, on the other hand, will require us to maintain two similar, yet distinct, registers, one to track those individuals and business entities authorized to represent us and another simply to comply with the proposed new requirements. This will double our time in maintaining this information and lead to greater potential for error to exist within one or both of the registers.

If adopted as drafted, this subsection the proposed regulation will negatively impact our operations in the following ways:

1. If a business entity has recently moved and is no longer at the address shown on their license, we cannot enter that incorrect address into our database because we need to know and track the correct, current address so that our audit staff and State Managers know where to go to meet with the producers in their offices and so that we know where to send correspondence and legal notices. The proposed regulation will require us to maintain two sets of producer lists for business entities, one of which serves no value or purpose to our business operations. We estimate the cost for creating this new database to be between \$10,000 and \$15,000.
2. We have no need to track an individual's home address as shown on their license. We conduct business with them and, therefore, track their business address at the agency where they are employed and under contract with our company. To satisfy the proposed requirement to enter the home address as shown on their license, we will need to create another set of databases, and, for the many hundreds of existing appointed producers, locate the copy of their license in our records and enter this information into this new database, all for no valid business purpose. In addition, this requirement will potentially increase the risk of loss due to stolen NPI. So that we may annually run credit information on owners and any producer with authority to access the agency's trust accounts, our database contains the individual's social security number (in encrypted format). By adding their home address, should our systems ever be breached and the encryption technology disabled, not only will the hackers have a full name and social security but they will also have the individual's home address, while serving no valid business purpose. We estimate the cost to satisfy this proposed requirement to be in excess of \$50,000 to implement securely. The annual cost to update and maintain this second register of individual producers is unknown but not insignificant.
3. In creating this new register of individual producers, we may enter invalid data for producers already appointed by our company because their home address may have changed since the date they provided us with a copy of their then current license. To ensure we have the most current information as reflected in the MIA's records, we will have to obtain a current copy of each producer's license. We estimate this will cost us not less than an additional \$5,000.
4. It is not unusual for our contracts to reference an individual producer's name slightly differently than may be shown on their producer license. Using my own name as an example, a producer license may reflect my name as "Theodore C. Rogers" yet our contract may reflect my name as "Theodore Clemens Rogers." Both versions are valid and are "tied" by use of the producer license number in our current register so that we both know that Theodore Clemens Rogers is the same individual who is licensed in your records as Theodore C. Rogers. However, we need to know how the name appears in our contract, not on your license. Should we be required to meet the requirements of the draft regulation, we will have to compare the name as shown on every single individual producer's license against the name as reflected in our contract. We must then either create and maintain a separate register to reflect the individual's name as shown on their license, while still keeping our existing register showing the name as reflected in our contract, or we must revise virtually every contract we have in the State of Maryland to revise the producer names to match exactly the name as shown on their license, despite, the fact that, for legal purposes, they are one and the same individual. In either case, we estimate the cost to be at least \$20,000 simply to satisfy this portion of the proposed regulation with absolutely no value derived by our company.

31.03.13.04 Documentation of Appointment

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As with the proposed draft regulation pertaining to 31.03.13.02, this subsection of the proposed regulation will be very costly to implement and serves no valid business purpose. The written documentation of appointment which, in our case, are "certificates of appointment," are issued once, at the time of the initial appointment. They have already been issued by us for many hundreds of licensed individuals and business entities. The proposed draft regulation will require us to reissue a new certificate to every producer already on our producer register. In doing so:

1. For individual producers, we will have to ensure the certificates issued match exactly the name and address as shown on the license as issued by the MIA. The new certificates can only be issued once we have revised our contracts to ensure the name contained in our contract matches exactly the name on the license because our appointment is for the individual as named in our contract, not the individual as named on the license. The cost to issue a new certificate to all existing individual producers will exceed \$10,000.
2. An individual producer's home address is only valid for as long as the individual continues to reside at that address. Are we expected to review each license as it is renewed to verify the home address is unchanged and to issue a new certificate if a change is found to have occurred? If so, the cost to maintain current certificates will exceed \$7,500 annually due to the time required to compare the existing information against the new information and issue new certificates as necessary.
3. The same problems noted for individual producers are reiterated for business entity licensees, except that we will also have to add the Federal ID Number. Our certificates currently reference the license number. We can think of no valid reason to add a Federal ID Number when the license number is, itself, unique to each business entity. The cost to add this unnecessary bit of information is estimated to exceed \$10,000 as we will need to pull that information from our database for each entity, enter it onto each new certificate and then verify that the information was correctly transposed before the certificate can be signed by an officer and issued.

Instead of placing this new, burdensome record keeping requirement onto the shoulders of insurers who receive absolutely no benefit from doing so, we strongly recommend the MIA return the responsibility for tracking individual and business entity appointments to the place where it correctly belongs, within the MIA itself. By maintaining a centralized database of all appointments and terminations of appointment, not only will the MIA be able to ensure the integrity of that information but it will provide an invaluable service to insurers doing business in this state and to those they serve. Under the current process, when we investigate the worthiness of a producer to represent our company, we are "blind" as to other insurers that producer may currently represent or, more importantly, may have represented in the past. In many other states, we are able to view a producer's appointment history as maintained in the regulator's database, allowing us to independently verify the individuals experience and past business dealings. Without this information, we cannot be certain we completed a full background investigation of the individual's or business entity's past leaving our company, and the general public, at risk of loss.

For the reasons outlined above, we urge you to not pursue adoption of the proposed draft regulations.

Thank you,

Theodore C. Rogers, President

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"Ethics is an art won by training and habit. We do not act ethically because we have honor or integrity, but rather we have those because we have acted ethically. We are what we repeatedly do. Ethical behavior, then, is not an act but a habit." Aristotle (paraphrased)

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