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BULLETIN 07-04

Date: January 22, 2007

To: Life Insurers, Health Insurers, and Nonprofit Health Service Plans

Re: Changes to the Required Notice Regarding Coverage Limitations and Exclusions under the Life and Health Insurance Guaranty Corporation

The purpose of this bulletin is to notify insurers writing life insurance, health insurance, or annuity products in Maryland of changes to the notice required to be provided to policyholders regarding the coverage limitations and exclusions under the Life and Health Insurance Guaranty Corporation.

COMAR 31.04.14.03 sets forth the text of the notice required to be provided to a policyholder, if the policyholder's life insurance, health insurance, or annuity contract exceeds, at the time of delivery, the limitations imposed under Insurance Article, §9-407(j), Annotated Code of Maryland. The notice is also required when the life insurance, health insurance or annuity contract is not subject to coverage under Insurance Article, §9-403, Annotated Code of Maryland.

The text of the notice is being amended to replace obsolete references to "agent" with the term "insurance producer." A copy of the text of the amended notice was published in Volume 33, Issue 22, of the Maryland Register, dated October 27, 2006. The amended regulations were finalized in Volume 34, Issue 1 of the Maryland Register, dated January 5, 2007, with an effective date of May 1, 2007. For your convenience, a copy of the text as published in the Maryland Register is attached.

Insurers may begin to use the new notice text immediately, and are required to begin using the new notice text by May 1, 2007.

Any questions about this bulletin should be directed to the Life/Health Section of the Maryland Insurance Administration, at (410) 468-2170.

R. Steven Orr
Insurance Commissioner

By: _____
Howard Max
Associate Commissioner
Life and Health Section

controlling [broker] *insurance producer* and a controlled authorized insurer that issues policies covered by the Property and Casualty Insurance Guaranty Corporation.

.03 Terms of Contract.

A. The terms of the contract required under this regulation between a controlling [broker] *insurance producer* and a controlled insurer within [a broker] *an insurance-producer-controlled holding company system* shall comply with §B of this regulation.

B. The contract required under this regulation shall provide at a minimum that:

(1) The controlled insurer may:

(a) Terminate the contract for cause upon written notice to the controlling [broker] *insurance producer*; and

(b) Suspend immediately the authority of the controlling [broker] *insurance producer* to write business during the pendency of any dispute regarding the termination;

(2) The controlled insurer shall provide the controlling [broker] *insurance producer* with its written underwriting and rate standards, rules and procedures, manuals, and conditions for accepting or rejecting rates;

(3) The controlling [broker] *insurance producer* shall:

(a) Provide accounts to the controlled insurer detailing all material transactions, including information necessary to support all commissions, charges, and other fees received by or owed to the controlling [broker] *insurance producer*;

(b) Hold in a fiduciary capacity all funds collected for the account of the controlled insurer in one or more appropriately identified bank accounts in banks that are members of the Federal Reserve System in compliance with:

(i) (text unchanged)

(ii) The requirements of the domiciliary jurisdiction of the controlling [broker] *insurance producer*, if the controlling [broker] *insurance producer* does not engage in business as [a broker] *an insurance producer* in this State and is not required to hold a [certificate of qualification] *license* in the State;

(c) — (d) (text unchanged)

(4) The controlling [broker] *insurance producer* may not assign the contract in whole or in part;

(5) Subject to §B(6) of this regulation, the rates, terms, and purposes of commissions, charges, and other fees of the controlling [broker] *insurance producer* shall be stated;

(6) The rates of the commissions, charges, and other fees may not be greater than the rates charged for placing comparable business with the controlled insurer by [a broker] *an insurance producer* other than the controlling [broker] *insurance producer*;

(7) The written underwriting and rates standards, rules and procedures, manuals, and conditions shall be the same as those applicable to comparable business placed with the controlled insurer by [a broker] *an insurance producer* other than the controlling [broker] *insurance producer*;

(8) If the contract provides for a sharing of the controlled insurer's profits by the controlling [broker] *insurance producer*, subject to §B(9) of this regulation, the profits may not be paid until at least:

(a) — (b) (text unchanged)

(9) (text unchanged)

(10) The controlled insurer shall establish a limit on the writing of the controlling [broker] *insurance producer* in relation to the insurer's surplus and total writing;

(11) In regard to the limit provided for in §B(10) of this regulation, the controlled insurer:

(a) (text unchanged)

(b) Shall notify the controlling [broker] *insurance producer* when the applicable limit is approached; and

(c) May not accept business from the controlling [broker] *insurance producer* if the limit is reached;

(12) In regard to the limit provided for in §B(10) of this regulation, the controlling [broker] *insurance producer* may not place business with the controlled insurer, if it has been notified by the controlled insurer that the limit has been reached.

R. STEVEN ORR
Insurance Commissioner

Subtitle 04 INSURERS

31.04.14 Life and Health Insurance Guaranty Corporation Coverage — Notice Requirements

Authority: Insurance Article, §§2-109 and 9-414,
Annotated Code of Maryland

Notice of Proposed Action

[06-308-P]

The Insurance Commissioner proposes to amend Regulation .03 under COMAR 31.04.14 **Life and Health Insurance Guaranty Corporation Coverage — Notice Requirements**.

Statement of Purpose

The purpose of this action is to replace obsolete references to "agent" with references to "insurance producer", pursuant to the Regulatory Review and Evaluation.

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 Nicole Musgrave-Burdette, Regulations Director, Maryland Insurance Administration, 525 St. Paul Place, Baltimore, MD 21202, or call 410-468-2011, or email to nmusgrave-burdette@mdinsurance.state.md.us, or fax to 410-468-2020. Comments will be accepted through November 27, 2006. A public hearing has not been scheduled.

.03 Required Notice.

A. An insurer or [agent] *insurance producer* may not deliver a life insurance policy, a health insurance policy, or an annuity contract which at the time of delivery exceeds the limitations imposed under Insurance Article, §9-407(j), Annotated Code of Maryland, or which is not subject to coverage under Insurance Article, §9-403, Annotated Code of Maryland, unless the insurer or [agent] *insurance producer*

before or at the time of delivery provides the policyholder or contract holder the notice described in §B of this regulation. This chapter does not prohibit an insurer or [agent] *insurance producer* from delivering the notice to policyholders who have full protection afforded by the corporation.

B. The notice required in §A of this regulation shall be in at least 12-point type and shall read as follows:

NOTICE CONCERNING COVERAGE LIMITATIONS AND EXCLUSIONS UNDER THE LIFE AND HEALTH INSURANCE GUARANTY CORPORATION SUB-TITLE

First Paragraph (text unchanged)

The Maryland Life and Health Insurance Guaranty Corporation may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions, and require continued residency in Maryland. You should not rely on coverage by the Maryland Life and Health Insurance Guaranty Corporation in selecting an insurance company or in selecting an insurance policy.

Coverage is **NOT** provided for your policy or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as a variable contract sold by prospectus.

Insurance companies or their [agent] *insurance producers* are required by law to give or send you this notice. However, insurance companies and their [agent] *insurance producers* are prohibited by law from using the existence of the guaranty corporation to induce you to purchase any kind of insurance policy.

The Maryland Life and Health Insurance Guaranty Corporation
9199 Reisterstown Road
P. O. Box 671 — Suite 216C
Owings Mills, Maryland 21117 (410) 998-3907

The state law that provides for this safety-net coverage is called the Life and Health Insurance Guaranty Corporation.

The Corporation is not a department or unit of the State of Maryland and the liabilities or debts of the Life and Health Insurance Guaranty Corporation are not liabilities or debts of the State of Maryland.

Following is a brief summary of this law's coverages, exclusions, and limits. This summary does not cover all provisions of the law; nor does it in any way change anyone's rights or obligations under the law or the rights or obligations of the guaranty corporation.

COVERAGE (text unchanged)

EXCLUSIONS FROM COVERAGE (text unchanged)

LIMITS ON AMOUNT OF COVERAGE (text unchanged)

R. STEVEN ORR
Insurance Commissioner

Subtitle 04 INSURERS

31.04.15 Antifraud Plans

Authority: Insurance Article, §§2-109 and 27-803, Annotated Code of Maryland

Notice of Proposed Action

[06-307-P]

The Insurance Commissioner proposes to amend Regulations .04 — .06 under **COMAR 31.04.15 Antifraud Plans**.

Statement of Purpose

The purpose of this action is to repeal an obsolete date reference, replace obsolete references to "agent" and "broker" with references to "insurance producer", and clarify that the reporting of fraud-related data to the Maryland Insurance Administration is limited to data regarding Maryland, pursuant to the Regulatory Review and Evaluation.

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 Nicole Musgrave-Burdette, Regulations Director, Maryland Insurance Administration, 525 St. Paul Place, Baltimore, MD 21202, or call 410-468-2011, or email to nmusgrave-burdette@mdinsurance.state.md.us, or fax to 410-468-2020. Comments will be accepted through November 27, 2006. A public hearing has not been scheduled.

.04 Procedures and Requirements.

A. Antifraud Plan

(1) (text unchanged)

(2) An insurer shall submit its antifraud plan by October 1, 1996.]

[(3)] (2) — [(4)] (3) (text unchanged)

B. Contents of Antifraud Plan. An antifraud plan shall:

(1) — (2) (text unchanged)

(3) Apply to but not be limited to:

(a) — (b) (text unchanged)

(c) [Agent] *Insurance producer* fraud,

[(d) Broker fraud.]

[(e)] (d) — [(f)] (e) (text unchanged)

C. — D. (text unchanged)

.05 Plan Components.

A. Education/Training.

(1) (text unchanged)

(2) Training in the recognition and referral of suspicious claims shall be:

(a) Required of new and existing claims personnel, underwriters, auditors, [agents] *insurance producers*, and consumer service personnel; and

(b) Offered to independent [agents] *insurance producers* who have appointments with the company.