

**MSAR # 1690**  
**FISCAL YEAR 2015 ANNUAL REPORT**  
**OF THE**  
**MARYLAND INSURANCE ADMINISTRATION**  
**TO THE**  
**MARYLAND GENERAL ASSEMBLY**  
**PURSUANT TO § 2-110 OF THE**  
**MARYLAND INSURANCE ARTICLE**



**Al Redmer, Jr.**  
**Commissioner**

December 14, 2015

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## A. INTRODUCTION

Section 2-110(a) of the Insurance Article of the Annotated Code of Maryland requires the Insurance Commissioner to file an annual report about the previous fiscal year. This report covers fiscal year (“FY”) 2015 (July 1, 2014 through June 30, 2015). The statute lists ten (10) discrete items that must be included in the annual report and this submission is organized to correspond with the statute.

Al Redmer, Jr. was appointed by Governor Larry Hogan to serve as Maryland’s Insurance Commissioner, effective February 27, 2015, for a term ending May 31, 2019. The Maryland Insurance Administration (“the MIA” or “the Administration”) is an independent State agency that regulates Maryland’s insurance industry and protects consumers by monitoring and enforcing insurers’ and insurance professionals’ compliance with State law. Through the diligence of a highly professional staff of financial analysts, accountants, lawyers, law enforcement officers, actuaries, and others, the MIA works to facilitate a strong insurance marketplace where consumers are well informed and treated fairly. Staff members are subject matter experts who serve as a resource for lawmakers, consumers, and other public and private entities.

The MIA is charged with a range of responsibilities including the licensure of insurance companies and insurance producers (brokers/agents) operating in Maryland, the conduct of financial examinations of companies to monitor financial solvency, and the review and approval of rates and contract forms. The Administration investigates reports of consumer fraud and consumer complaints about life, health, automobile, homeowners, and/or property insurance. Insurance companies are subject to market conduct examinations to monitor compliance with Maryland law. The MIA has a unit dedicated to consumer education and outreach, which participates in hundreds of events and reaches thousands of individual consumers annually.

The MIA does not receive money from the State’s General Fund. The Administration is a specially funded state agency supported entirely through fees and assessments on the insurance industry. In lieu of a state income tax on insurance company profits, the MIA collects a 2 percent tax on premiums. Up to 60 percent of the MIA’s annual appropriation is funded by assessments on the insurance industry, with the remainder coming from fees. By law, these funds may not revert to the General Fund. Two separate funds support activities of the MIA: the Insurance Regulation Fund, which supports the administrative and regulatory activities of the MIA; and the Health Care Regulatory Fund, which funds the costs of complaint investigations about payment denials involving medical necessity.

The MIA contributed \$331,633,824 million in revenue to the General Fund in FY 2015, \$158.5 million to the Maryland Health Care Rate Stabilization Fund, and in excess of \$29 million to the State’s Insurance Regulation Fund. Additionally, the MIA received a three-year, \$4.0 million federal grant under Cycle II of the Patient Protection and Affordable Care Act (“ACA”) on September 20, 2011. These funds continue to be used to implement provisions of ACA and enhance the rate review process for health insurers operating in Maryland.

**B. SECTION 2-110(A)(1)-(10) INFORMATION**

**1. Maryland Authorized Insurers and Summary Financial Statements**

Section 2-110(a)(1) requires the submission of “a list of the authorized insurers transacting insurance business in the State, with any summary of their financial statement that the Commissioner considers appropriate.” This information is found in Appendix 1.

**2. Closed Insurers**

Section 2-110(a)(2) requires that the Commissioner report annually the “name of each insurer whose business was closed during the year, the cause of the closure, and the amount of assets and liabilities of the insurer that is ascertainable.” That information is contained in the following table except that, at the time the certificate of authority is relinquished, the assets and liabilities of these insurers are not ascertainable.

<b>Relinquished Certificate of Authority 7/1/14 – 6/30/15</b>			
<b>Company Name</b>	<b>NAIC #</b>	<b>Effective</b>	<b>Action Taken</b>
Acacia Life Insurance Company	60038	7/1/14	Merged into Ameritas Life Insurance Company
AF&L Insurance Company	35963	7/1/14	Company did not renew
American Pioneer Life Insurance Company	60763	6/30/15	Merged into Constitution Life Insurance Company
Balboa Life Insurance Company	68160	12/31/14	Merged into Securian Life Insurance Company
Commonwealth Mutual Insurance Company of America	31240	7/1/14	Company did not renew
Fidelity Fire & Casualty Company	10897	4/1/15	Merged into First Protective Insurance Company
Financial Guaranty Insurance Company	12815	6/1/15	Voluntarily withdrew from Maryland
Genworth Home Equity Insurance Company	41432	7/1/14	Merged into Genworth Residential Mortgage Ins. Corporation
Genworth Residential Mortgage Assurance Corp.	18759	10/1/14	Merged into Genworth Mortgage Insurance Corporation
Legal Mutual Liability Insurance Society of Maryland	29955	7/1/14	Company did not renew
Mega Life and Health Insurance Company	97055	12/30/14	Merged into Mid-West National Life Ins. Co. of Tennessee
Meridian Citizens Mutual Insurance Company	10502	7/2/14	Merged into State Automobile Mutual Insurance Company
MetLife Investors USA Insurance Company	61050	11/14/14	Merged into MetLife Insurance Company USA
MetLife Investors Insurance Company	93513	11/14/14	Merged into MetLife Insurance Company USA
NIPPONKOA Insurance Company, Ltd.	27073	9/1/14	Merged into Sompo Japan Insurance Company of America
Regis Insurance Company	37052	7/1/14	Company did not renew
Sears Life Insurance Company	69914	1/1/15	Merged into American Health and Life Insurance Company
Union Central Life Insurance Company	80837	7/1/14	Merged into Ameritas Life Insurance Company

Western Reserve Life Assurance Co. of Ohio	91413	10/1/14	Merged into Transamerica Premier Life Insurance Company
York Insurance Company	24325	12/31/14	Merged into Providence Washington Insurance Company

### 3. Delinquent Insurers

Section 2-110(a)(3) asks for “the name of each insurer against whom delinquency or similar proceedings were initiated, a concise statement of facts about each delinquency or similar proceeding, and the status of each proceeding.” TrustStar Insurance Company executed a Consent Order on July, 14, 2014, to stop writing any new or renewal insurance business. The reason for the execution of the Consent Order was that the assets of the insurer were not sufficient for carrying on its business; continued operation without regulatory intervention would have been hazardous to its policyholders, creditors, and the public. Commonwealth Mutual Insurance Company of America entered into a Consent Order to stop writing any new or renewal business in Fiscal Year 2014. Commonwealth Mutual Insurance Company and TrustStar Insurance Company are currently operating as run-off companies under the supervision of the MIA.

### 4. Rulings and Decisions

Section 2-110(a)(4) requests “a list of the rulings and decisions made in cases before the Administration during the year.” This list is found in Appendix 2.

### 5. Fees, Taxes, Administrative Fines, and Penalties

Section 2-110(a)(5) provides that the Administration’s report must include, “a statement of all fees, taxes, and administrative fines and penalties received by the Commissioner and deposited into the General Fund of the State.” As is shown in the following table, contributions to the General Fund for FY 2015 totaled \$331,633,824.

#### GENERAL FUND CONTRIBUTIONS FY 2015

Premium Taxes	\$324,891,868
Retaliatory Taxes	\$4,168,964
Fines	\$2,572,992
<b>TOTAL</b>	<b>\$331,633,824</b>

In addition to contributions to the General Fund, the Administration collected in excess of \$29 million in Special Fund revenue.

#### SPECIAL FUND REVENUE FY 2015

Agent / Broker Licensing Fees	\$5,381,697
Rate & Form Filing Fees	\$3,184,964
Insurance Company Examination Fees	\$2,511,943

Insurance Fraud Prevention Fees	\$2,168,555
Assessments	\$14,707,317
Miscellaneous Income <sup>1</sup>	\$418,201
Company Licensing Fees	\$1,120,683
Office of People's Counsel Transfer <sup>2</sup>	\$0
<b>TOTAL</b>	<b>\$29,492,871</b>

## 6. Complaint Data

Section 2-110(a)(6) requires “the ratio of complaints filed during the calendar year against each insurer for each major line of insurance written by the insurer and a summary of the resolution of the complaints.” This information is found in Appendix 3.

In FY 2015, the Administration received a total of 23,392 formal complaints.

<b>Unit</b>	<b>Total Complaints</b>
Life and Health	4, 173
Appeals and Grievance	930
Property and Casualty The MIA received 10,615 complaints from policyholders disputing a notice of premium increase issued by State Farm Fire and Casualty.	17,001
Producer Enforcement	1,295
<b>TOTAL</b>	<b>23,399</b>

The Rapid Response Program provides informal dispute resolution between consumers and certain property and casualty insurers. The process is designed to address issues that can be resolved without the filing of a formal complaint. The Rapid Response Program received 1,335 inquiries, primarily regarding automobile, homeowners, and liability insurance. Of this total, 846 were resolved through the Rapid Response program and 489 could not be resolved and were referred to the appropriate complaint unit for resolution.

## 7. Recommendations for Statutory Changes

Section 2-110(a)(7) asks for “recommendations of the Commissioner about changes in the law affecting insurance and about matters affecting the Administration.” The Commissioner’s recommendations for such changes included several bills that were enacted by the General Assembly: 1) a bill to establish fees for newly created certified reinsurers and clarifying the fees for accredited reinsurers which were previously known as accepted reinsurers; 2) a bill to make technical corrections to clarify that supplemental benefits contained in riders are still required to comply with the cash value requirements that would apply if the benefit were in the contract; 3) a bill to clarify the scope of the definition of a motor club, to require a motor club to file with the Insurance Commissioner the fees to be charged to members of the club with the

<sup>1</sup> Miscellaneous income is revenue that does not fit into one of the MIA’s set fee or assessment accounts such as income from Public Information Act requests or funds returned to the MIA from the State Comptroller under Maryland’s Abandoned Property Act.

<sup>2</sup> The fund balance is adequate to finance operations for FY 2015.

initial motor club license application and with each renewal to include the fees in the service contract with motor club members; and 4) a bill to revise the laws pertaining to health insurance to conform Maryland law to the ACA and establish the framework for the selection of the State Benchmark plan for 2017 by the Insurance Commissioner in consultation with the Maryland Health Benefit Exchange.

A summary report of the insurance legislation passed in 2015 by the General Assembly and signed into law by Governor Larry Hogan can be found on the MIA website at: <http://insurance.maryland.gov/Insurer/Documents/bulletins/bulletin-15-20-summary-of-legislation.pdf>.

## 8. Fraud Division

Section 2-110(a)(8) asks for information about the operation of the Fraud Division, including:

- (i) the number of complaints received that relate to insurance fraud, the nature of the complaints, and the resolution of the complaints;
- (ii) the number of complaints and cases referred to a State's Attorney and the resolution of the complaints or cases;
- (iii) the number of complaints and cases referred to the Office of the Attorney General and the resolution of the complaints or cases;
- (iv) the number of calls made to the insurance fraud hot line;
- (v) the number of complaints received from persons regulated by the Commissioner;
- (vi) the number of cases received from the Workers' Compensation Commission under § 9-310.2 of the Labor and Employment Article and the resolution of the cases;
- (vii) the total number of cases, by type of insurance fraud; and
- (viii) the number and percentage of cases that result in the imposition of civil or criminal penalties.

This information is set forth in the following table. In FY 2009, complaints more than doubled from the prior year, from 1,300 to 2,810. Thereafter, they steadily increased each year at the rate of 10 to 20%. During FY 2010, the total number of complaints reached 3,448. In FY 2011, the total number of complaints again increased to 3,657. In FY 2012, the number of complaints increased to 4,157. This number increased yet again in FY 13, to 4,638. In FY 2014, the number decreased slightly to 4,441 and decreased again in FY 2015 to 4,275.

### STATISTICAL DATA – FY 2015<sup>3</sup>

#### I. COMPLAINTS, NATURE OF COMPLAINTS, AND RESOLUTION

A.	Total number of complaints received in FY 2015	4275
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<sup>3</sup> The data contained in this table represent *all* case-related activity in FY 2015 and is not limited to activity on those cases *received/referred* in FY 2015. For this reason, the number of received cases within a particular category will not equal the number of cases resolved/referred in that same category, for example.

B.	Form of complaints	
	Written complaints	4097
	Tips	177
C.	Resolution of complaints in FY 2015	
	Closed at initial screening	3335
	Closed after initial investigation	378
	Opened for investigation by the Fraud Division	217
	Referred to other MIA divisions	44
	Referred to other law enforcement	184
	Assist other Law Enforcement with investigation	43
	Referred to insurer for review	74
II.	CASES AND RESOLUTION OF CASES REFERRED TO:	
	LOCAL STATE’S ATTORNEYS (Criminal Prosecution)	
	Cases referred for prosecution	70
	Investigations closed by filing charges	29
	Individuals charged	29
	Prosecutions declined	16
	Still under prosecution review	25
	Cases adjudicated	27
	Penalties Imposed	27
	INSURANCE COMMISSIONER (Civil Sanctions)	
	Cases referred for Civil Order	27
	Investigations closed by filing Civil Order	27
	Individuals sanctioned	29
	Sanction declined	0
	Still under AG review	0
	Cases adjudicated	27
	Penalties Imposed	29
III.	CASES AND RESOLUTION OF CASES REFERRED TO THE OFFICE OF THE ATTORNEY GENERAL (OAG)	
	Cases referred	32
	Opened for investigation by OAG	28
	Returned to Fraud Division/recommended closure	11
	Still under prosecution review	41
	Investigations closed by filing charges	3
	Individuals charged	3
	Convictions	7
IV.	CALLS RECEIVED ON THE FRAUD HOTLINE	85
V.	COMPLAINTS RECEIVED FROM REGULATED PERSONS	4023

VI. COMPLAINTS RECEIVED FROM THE WORKERS' COMPENSATION COMMISSION

Cases referred	1
Closed at initial screening	1
Opened for investigation	0
Referred for prosecution review	0
Referred to insurance carrier	1

VII. CASES BY INSURANCE FRAUD TYPE

Producer (agent/broker)	31
Health insurance claim fraud	50
False application	352
Auto 182	Disability 28
Health 10	Homeowners 15
W/C 3	P&C Other 9
Life 79	Producer 26
Property/Casualty claims fraud – automobile related	2436
Property/Casualty claims fraud – other	275
Workers' Compensation (claimant)	128
Disability claim fraud	48
Life Insurance claim fraud	26
Commercial claim fraud	245
No Fraud Alleged	506

VIII. NUMBER AND PERCENTAGE OF CASES WITH CIVIL OR CRIMINAL PENALTIES

A. Civil penalties	29	100%
B. Criminal penalties	27	93%

**9. Staffing and Salaries**

Section 2-110(a)(9) requires “a list of all staff positions, classifications, and salaries in the Administration as of the end of the preceding calendar year.” See Appendix 4 for a listing of the Administration’s staff positions and corresponding salaries.

**10. Other Relevant Information**

Section 2-110(a)(10) requests any other relevant information that the Commissioner considers proper.

**a. Form and Rate Review Pursuant to the Affordable Care Act (ACA)**

During FY 2015, the MIA continued to dedicate significant staff resources to the contract form and premium rate review of health and dental insurance policies that were filed by carriers to comply with the new requirements of the ACA. Carriers were required to revise contracts for health benefit plans sold in the individual and small employer markets, including student health benefit plans sold to colleges and universities and revise premium rates to comply with ACA requirements. The ACA also required amendments to large group health benefit plans and to individual and group fixed indemnity plans.

The first ACA form filings were filed with the MIA in 2013. While a count of the health filings may include forms other than health benefit plans and dental plans filed for compliance with the ACA, the vast majority of the health filings received in FY 2015 were due to ACA requirements. The total number of health forms (which includes forms submitted by insurers, nonprofit health service plans, HMOs, and dental plan organizations) received in FY 2015 was 7,280. While this number is lower than the number of forms received in FY 2013 (7,550) and FY 2014 (7,823), it exceeds by more than 1,000 the number of forms that were filed for the year preceding the ACA FY 2012 (6,227).

During FY 2015, the staff of the Office of the Chief Actuary reviewed or modified 2,015 premium rate filings for all carriers who intended to sell individual or small group medical and dental benefit plans on and off of the Maryland Health Benefit Exchange (MHBE). The office also initiated review of the 2016 premium rate filings for plans to be sold on and off of the MHBE.

#### **b. Consumer Education and Advocacy**

The Consumer Education and Advocacy Unit (CEAU) is responsible for providing consumers with information about their insurance policies and assisting them in gaining a better understanding of their rights and obligations under those policies. The statutory framework for the CEAU is contained in §§2-301 through 2-305 of the Insurance Article. The CEAU also facilitates the resolution of consumer disputes with certain property and casualty insurers through the Rapid Response Program.

During FY 2015, CEAU participated in 735 fairs, tradeshow, and other events throughout the State. Staff provided educational materials to consumers on various insurance issues, including automobile, homeowners, health, and life insurance. Brochures on various insurance topics also are distributed to State, local, and community, organizations that are able to share this information with consumers. Responding to emergencies and disasters is also one of CEAU's key responsibilities.

#### **c. Compliance and Enforcement**

The Compliance and Enforcement Unit's primary mission is to protect consumers from deceptive marketing, unfair claim settlement practices, underwriting and premium rating abuses, and misrepresentation of insurance coverage. The Unit enforces regulatory compliance by companies and insurance producers with applicable state laws and regulations. The Unit also oversees the licensing of insurance producers.

In FY 2015, the Unit’s activities resulted in the return of more than \$411,000<sup>4</sup> to Maryland consumers, as well as the assessment of approximately \$2.5 million in administrative penalties against insurers, producers and other regulated entities, to be deposited into the General Fund. In addition, the Unit was responsible for returning \$107,523 to the Maryland Affordable Housing Trust (MAHT) through its investigation of the practices of title insurance producers in the State.

Within the Compliance and Enforcement Unit, the Market Conduct Section conducts company examinations focused on business practices. Regulated entities reimburse the MIA for expenses incurred in performing these examinations. In FY 2015, regulated entities reimbursed the Administration approximately \$1.1 million in examination fees and expenses.

The Market Analysis Section establishes and meets State objectives for integration of market data analysis, market conduct, and interstate collaborative efforts into a cohesive oversight program of the insurance market.

The Producer Licensing Section issues licenses and registrations to qualified resident and nonresident insurance professionals, including corporations, partnerships, and limited liability companies. In FY 2015, 18,231 resident licenses/registrations and 62,162 non-resident licenses/registrations were issued or renewed for producers, public adjusters, insurance advisers, motor vehicle rental companies, motor club representatives, surplus lines producers, viatical settlement providers/brokers, third party administrators, self-storage producers and portable electronic vendors. The total licensee population is 169,893.

The Producer Enforcement Section focuses on complaints about individual producers of property, casualty, life and health insurance, as well as bail bondsmen, public adjusters, and title agents. In support of the Producer Licensing Unit, Producer Enforcement reviewed approximately 5,874 producer license applications. Additionally, the Section completed and closed approximately 1,295 investigations of the activities of insurance producers conducting business in Maryland.

**FY 2015 SUMMARY**

<b>Unit</b>	<b>Fines Assessed</b>	<b>Restitution</b>
Market Conduct	\$2,284,227	\$279,058
Enforcement	\$192,400	\$132,400
<b>TOTAL</b>	<b>\$2,476,627</b>	<b>\$411,459</b>
	<b>Fees</b>	<b>Expenses</b>
Market Conduct	\$1,051,897	\$83,369

Copies of orders, consent orders, and market conduct examination reports issued by the Compliance and Enforcement Unit are available at [www.insurance.maryland.gov](http://www.insurance.maryland.gov)

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<sup>4</sup> Includes the \$107,523 returned to the Maryland Affordable Housing Trust.