

# LBDP Guest Hour: Maryland Insurance Administration

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## SUMMARY KEYWORDS

Life insurance, term life, whole life, cash value, underwriting process, Maryland regulations, insurable interest, policy locator, financial advisor, accidental death, unlicensed agents, consumer protection, policy disputes, Maryland Insurance Administration, beneficiary payout.

## SPEAKERS

Patti Dorn, Speaker 1, Speaker 2, Ashley Biggs, Maryland State Library Agency LBDP, Announcer

### **Maryland State Library Agency LBDP** 00:01

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### **Ashley Biggs** 00:21

Hey, everyone. Thanks so much for joining us again for another LBDP Guest hour. As always, I'm your host, Ashley Biggs, marketing and outreach librarian for the Maryland State Library for the Blind and Print Disabled. And today, I'm very excited to introduce Patty Dorn from the Maryland Insurance Administration. For those who don't know, the Maryland Insurance Administration is a Maryland state agency that regulates the business of insurance in the state of Maryland. They license the insurance companies Agents Brokers that do business here in Maryland, and they make sure those companies are following all of Maryland's laws, any federal laws that are applicable. And they make sure the insurance companies stay solvent, meaning that they have enough money to actually pay claims when they happen. Patty was so kind when I reached out to the insurance administration, saying, Hey, look, you know, we've got a life insurance month coming up, and would somebody from your agency be interested in talking to Mike about this? And she was like, I'll do it. And we got to have a nice little conversation. She's going to answer some basic questions about life insurance and how those kind of things work, and hopefully that will give everyone an idea of how to plan for their future. So Patty, welcome, thanks,

### **Patti Dorn** 01:53

Ashley, happy to be here.

### **Ashley Biggs** 01:55

Oh so exciting to see and hear from you again. I know how important life insurance is definitely, you know, I when I was way back when in undergrad, I was actually a life and health broker for Prudential. Oh, okay, alright. So I got to learn, I got to learn all the cool terminology. But this was in Delaware, back in the early aughts. I should say two aughts, because, you know, if you say odds, people go, Oh, 1900 I'm like, there. There are still outstanding questions, though it's not always Yeah, you can't, you can't just go and Google and get a straight answer.

**Patti Dorn** 02:37

Yeah, it can be complicated and it can be a challenge. It can be.

**Ashley Biggs** 02:42

So I guess my first big question are, what are the key differences between term life insurance and whole life insurance, and how do people figure out what's the best option for them?

**Patti Dorn** 02:55

Yeah, no, that's a that's that's a good one. So a whole life insurance policy generally provides coverage for the lifetime of the person with premiums that never increase. Whole life. With term life, there's usually a level premium, so like the same premium for a certain period of time. So you generally buy a term life policy in increments of five years, 10 years, 20 years, etc, and then in that period of time there is no increase Term Life policies, they provide coverage for a term, those terms, 510, 2030, years, while Whole Life coverage is for life. Another difference, whole life insurance generally has a cash value, and term life insurance policies do not generate cash values. So to take a step back, whole life is considered a permanent life insurance product. So whole life is a subcategory of the permanent life insurance products. It's one of many designs of permanent life insurance. You might have heard of something like you've probably heard of universal life insurance. You know your stuff, there's other examples of permanent life insurance. So I feel like another way to think about the question is, just because whole life is a subset of permanent life insurance. What's the difference between Term Life and permanent life? When you're shopping for life insurance, it's important to understand what you're buying. It's important to understand these differences. So anybody who's approaching the table looking to purchase the life insurance policy should understand the difference between permanent life and term again. Term is a term five years, 10 years, 20 years, etc, and you generally have a level premium during the term, no cash value. You're not generating a cash value. Think of it like your auto insurance or your renter's insurance. You're paying. Paying for the insurance only if you don't die during the term. There's no cash value, and the policy just ends, just like you'd think of again, of your auto insurance or your homeowners insurance. You're not expecting to get a cash value out of that or anything at the end. Permanent life insurance policies generate cash value you've saved, or you've invested part of your premium. That is literally part of the design of the product. But it doesn't necessarily mean that permanent life insurance is a better deal. People love the idea that they're saving the money and they're gonna get something out of it, but you're paying for that savings component in your premiums. That savings components not not coming for free. So a person with the same health profile, someone in the same condition, health wise and age, will generally pay more in premiums for permanent life insurance for the same death benefit, and they're paying extra for the permanency of the product and the savings component of the product. You know that the decision to purchase a term policy versus Whole Life permanent policy is yours, is, you know, an individual decision depending on a lot of

variables, your financial situation, your insurance needs, and the Maryland Insurance administration always suggests, especially if you don't have a comfortable understanding of this, to seek a financial advisor who considers your financial needs in this process.

**Ashley Biggs 06:38**

That makes total sense, because I remember back in the days, way back when, you know, understanding, when I was learning about cash value in policies and things like that, it was, it seemed like a great deal, right? But the premiums would skyrocket at certain point, right? So, yeah, I totally understand where it may not be financially advisable for someone who just needs the just needs the coverage, not the additional,

**Patti Dorn 07:13**

yeah, and because it's more expensive, you know, if you're a person who's buying life insurance because you have kids at home and you need a million dollars, you may a whole life insurance policy might not realistically even be an option for you, right? The savings component of it is going to make that premium more than is realistic. And you're going to be looking at a term policy, you know? So, so those things, those things matter, and just depends on your need, and it depends on what you're buying, the health insurance for, or life insurance.

**Ashley Biggs 07:46**

Yeah, exactly this kind of brings up the question and the idea of misconceptions about life insurance, especially because you said, you know, you mentioned yourself, you got to take a step back and look at permanent versus term, and I think we all kind of get caught up in the terminology, but there's, there's misconceptions about life insurance. So what are some common misconceptions, and how do I address them? Or how do people address them?

**Patti Dorn 08:17**

Okay, well, we're addressing one now, and that's the common misconception that most life insurance products are similar. That's definitely not true. And as we discussed in the term in the previous question, and as we just discussed, another misconception is that everyone needs life insurance. Some people get that message. I mean, of course, we know plenty of people that should have life insurance that didn't get the message that they should, but those people aren't probably listening to us right now, some people think they always need it. Your need for life insurance varies with your age and your financial responsibility, and for a lot of people, a point can come in your life where life insurance may not be necessary. It might be entirely optional. You might be free of that expense. Another misconception which we've discussed a little, that the permanent products are better because they have that cash value and that permanency. Again, that makes sense for some, but not for others. It depends. Yeah, yeah. I wish I could give you an easy answer, but we can't.

**Ashley Biggs 09:23**

But you're right. People get hammered into the idea that they absolutely have to have a life insurance. I mean, come on, we see those commercials aimed at people in their their 60s, 70s and 80s. Exactly right. Are your is your family protected? We themselves may have the everything's set up financially anyway to cover, right? Is and things like that, absolutely, yeah, and they might be stretching

themselves to purchase a product that they don't even need exactly, exactly, you know, let's talk a little bit about that, that, let's say someone does buy a product, and. And, you know, there's a whole process that goes into it from the ground up, and it's usually called underwriting. And the underwriting process has tons of different outcomes, you know, it's not, it's not just, it's, you know, it's a fun little game. How does that work? And what factors kind of influence the rates people pay.

**Patti Dorn** 10:22

Yeah. So with the underwriting process, the insurance company is assessing your risk to determine, essentially, if, if you're eligible for coverage, and if you are eligible for coverage, what premium are they going to charge you? So Usually this involves you answering questions, you're going to answer questions about your health and your lifestyle, and this might include a medical exam. You may have to allow the insurance company access to your medical records as well the variables that the insurance company is looking at. It's going to include your age, gender, your health, your lifestyle, whether or not you smoke, it could even include things such as your driving record and family medical history. So essentially, they're getting information from you. They are assessing your risk. I mean, it's, it's a little dark, but

**Ashley Biggs** 11:25

They don't go on the internet and play with the death calculator, right? It's, it's an actual process.

**Patti Dorn** 11:32

It's very much. It's very it's, yes, yeah, yeah. They're not just googling. They're they're gonna look into your situation, and again, they're going to decide, are we do we want to insure this person? And if we do want to ensure this person, what premium are we going to charge them?

**Ashley Biggs** 11:46

And that makes sense. I mean, they're taking on some risk.

**Patti Dorn** 11:50

Sure.

**Ashley Biggs** 11:51

You know, depending on what kind of policy they're buying, persons buying, of course, changes the risk type. Are there specific Maryland regulations or consumer protection that residents should know about when they're going through the underwriting process, when they're when they are purchasing life insurance.

**Patti Dorn** 12:28

Maryland does have a we have a few laws that are related to life insurance, and I'll cover a couple of them. First, only a person with an insurable interest can purchase a life insurance policy on another in the state of Maryland. So you know which is there are actually states in which a stranger can purchase a policy on your life. But thankfully, Maryland is not one of them. No, no, no, life insurance gambling for us, so you need to have an insurable interest. Someone with an insurable interest is usually someone that will suffer a financial loss. Should you pass away? They have an insurable interest on your life.

Another Maryland law is that after two years, a policy becomes incontestable. So that means the insurer can't contest it for any reason, except if you don't pay your premium, so you got to pay your premiums. That's another law and another one selling. Anyone selling your life insurance in the state of Maryland, they need to have a license with the Maryland Insurance administration. They have to be a licensed broker agent. They get their license from us. You can look up and make sure that they are currently licensed with us, and just know that they have to take exams, they have to meet continuing education requirements, and they have to know your stuff. So if they're licensed by the state of Maryland, you can be assured that they've passed exams or taking continuing education, and they should be quite familiar with all of these life insurance products that they're talking to you about.

**Ashley Biggs 14:12**

I got my license in Delaware when I was selling insurance, and in Maryland, I had to submit proof that I had a license in another state. I had to submit proof of my exams and all that good stuff. I remember it was not an easy process to get a reciprocal license in Maryland. Yeah, yeah, that's a good thing. No, no, it's a great thing. It's an added great thing. I think back to when insurance wasn't regulated, and people would go door to door selling insurance, and it would literally be just somebody coming up to your door saying, Hey, I'm selling life insurance on behalf of XYZ company. Are you interested? And they would fill out a little. Book and give you a couple pieces of paper if you, if you agreed, and you would start sending in your premiums. But if, for some reason, that information didn't make it to where it was supposed to be, you passed away, there was no proof that you that you had insurance. And, you know, I, I remember that being a big stink in New York because of people coming into the country in the 1940s and 50s, buying life insurance and the companies, it wasn't regulated very well. So I, I, I appreciate the regulation,

**Patti Dorn 15:36**

and I heard those stories as well the Jordan or life insurance sales people, you know, a lot of people in the city still talk about that. They remember their parents and their grandparents paying for their life insurance like that. Mm, hmm, yeah. And, you know, I think that in some ways, that really taught the next generation that life insurance is important as well.

**Ashley Biggs 15:57**

Oh, I absolutely agree. But now that it's so you know that we have so many better ways of tracking and making sure the information gets to where it's supposed to be, it's gets harder and harder to contest that you actually had the policy. You know, no, absolutely. Yeah. Um, well, that brings me to my next question, because, as I just said, there, there were times where insurance companies didn't have nobody had proof that you bought the policy, other than a couple of, you know, canceled checks, and that's if you got your checks back. How can policyholders ensure that their beneficiaries receive payout with out complications? I mean, not to say that there isn't ever going to be complications, but sometimes, how you know? How do you cut through that red tape?

**Patti Dorn 16:46**

Yeah, no, great question, and it's a lot about record keeping, and that's on the part of the policy holder. So straight up, insurers have billions of dollars in unpaid claims, because no one has stepped forward for policies, even after the insurance company looks for beneficiaries, because they are required to do

their due diligence and try to find the beneficiaries. So it's important policyholders keep updated records. The lifetime of an insurance policy can definitely be a long time. So eventually someone else is going to need to access this information, and they need to know where it is, and it needs to remain updated, and that is the easiest way to get on your way. You know, a smooth sailing if all else fails with regards to your beneficiaries. The Maryland Insurance administration, we help beneficiaries locate missing life insurance policies through the national life insurance policy locator tool. So there is a tool out there, they will do their due diligence and try to track down policies. So you do have a backup, but it's good to just make sure that you keep your ducks in a row with regards to the paperwork for your life insurance policies for the sake of your beneficiaries home. That's why you purchased the policy.

**Ashley Biggs** 18:34

Yeah, definitely always good practice to keep everything up to date. Let's just be honest.

**Patti Dorn** 18:41

And let's be honest, it's not always easy.

**Ashley Biggs** 18:44

No, it's not. It's not.

**Patti Dorn** 18:46

I mean, some days that paperwork can overwhelm us, but there's always, you know, there's always that corner your desk where, if you have to read it, if you need to file it, and if it today is not the day. Do you have a little corner your desk where, every 30 days you get to it, just don't throw the trash.

**Ashley Biggs** 19:08

You know, when we're going through our policy and we get our our packet from the insurance company, you're right. It's a lot of information to keep track of but consumers really do need to look look it over. And I'm sure there's very fine print when trying to review that policy, especially as they're updating their information. So what should consumers look for in that fine print when reviewing their policy?

**Patti Dorn** 19:40

Well, you definitely need to read it, make sure you're reading it and make sure you're understanding your policy. And even before this, don't ever purchase a life insurance policy that you don't understand. They usually do not cover deaths from natural or medical causes, so accidental death, or if they do cover it for medical and natural causes, it's a small amount of money compared to the accident part. So just make sure that you understand what you're buying. I wouldn't I'm not discouraging anyone from these accidental death policies. Know what you're purchasing and understand what it pays out for different reasons, read the fine print. I'm sorry.

**Ashley Biggs** 23:11

I'm just thinking of a story I was told about those accidental death policies, about a gentleman that I know who went on a tour of Europe. And while he was there, the tour company offered him an accidental death policy. It's a company based in the US, but while he was touring, they were like, do

you want this accidental in case you die? I guess during the through an accident on the tour, which, and it was like, he goes. It was like \$300 for this policy that guaranteed, if I died, I would, you know, my family would get \$10,000 it seems like a good I'm like, What are your chances of having an accident? You know? You know,

**Patti Dorn** 23:58

yeah, yeah, yeah. And that's kind of a high premium for the, you know, low pay, too. So those are things to consider,

**Ashley Biggs** 24:11

well, you know, and that that actually brings me to my next thought, because, again, they're supposed to be regulated and licensed agents and companies. And here is a tour company going, hey, buy this life insurance from us, right? So there are risks to making purchases of life insurance from unlicensed agents or companies. What are those risks? And how can a consumer verify legitimacy?

**Patti Dorn** 24:44

So the risk is that you purchase an unlicensed product, and the Maryland Insurance administration would not have jurisdiction over enforcing that the company pay out. I. 1-800-492-6116 to talk directly to somebody from my agency.

**Ashley Biggs** 25:32

Okay, so let's, let's double back on this idea of borrowing against the cash value you have mentioned that in how to make things smooth for your for your beneficiaries, and one of the things you said was, you know, if you borrow against your cash value, pay it back or otherwise, they don't get that money. How does that really work? And under what circumstances might someone actually borrow against their life insurance?

**Patti Dorn** 26:04

So yeah, as we discussed earlier, most of these permanent life insurance policies, which includes the Whole Life policies, contain a cash value component. So you're building that cash value with each one of those payments that you make to the insurance company. hold your policy in the way in which it's designed, the way you want the death benefit to be paid out, etc, you need to pay back the loan. And you're you're paying it back with interest. Unpaid loans can reduce the death benefit, or even cause the policy to lap. So you know, if your death benefit is \$20,000 but you were owing the insurance company you owe to pay back your loan that could potentially reduce that death benefit for your beneficiaries, with regards to when, why someone would borrow against their cash value for the most part, that that decision would be on, you know, yourself and your need to do so

**Ashley Biggs** 27:30

probably another step in talking to a financial advisor if you're going to borrow against your cash value.

**Patti Dorn** 27:36

I agree.



**Ashley Biggs 27:37**

You know, just throwing that one out there. You know, all of this sounds great. The idea of health insurance sounds absolutely great. Not health insurance, life insurance sounds absolutely great, but it is an industry that is constantly on the change, on the move. And, you know, there are recent changes in economics and technology that, have, you know, impacted this industry. How have the life insurance industry adapted to those economic changes and tech changes? I mean, are we hitting that agent? We're hitting that agent AI, right, right?

**Patti Dorn 28:23**

Yeah, it's improving. It's improving their information on their end, and they're trying to make it as easy for consumers to apply as possible on our end too. Because, you know, we sort of, you're starting to demand it more. Fewer and fewer of us are willing to. We're not going to be too happy if we get, you know, a 10 page application in the mail these days, although I did legitimately get one when I increased my life insurance amount. But you know, in this particular situation, they're still doing that. But a lot of these companies are going to make it so much easier. You can put an app on your phone, you can access information that you may have already downloaded on your phone. You're going to give them permission to access information that they can access electronically. And so it can just be a lot easier. There's a there's a concept of accelerated underwriting. And so you give them a little bit of information, and they're able to get this done a lot faster than they have in the past. We can just access so much more information electronically now without, you know, always turning to the old fashioned snail mail and requesting, etc. So it's, yeah, yeah. Definitely makes things quicker. It

**Ashley Biggs 29:44**

does, it does, I, you know, but there's, of course, there's always that, that concern, because it does move a little fast. Sometimes I agree

**Patti Dorn 29:53**

again, it, you know, back to checking and making sure that the entities that you're working. With our legitimate by reaching out to us. I think that'll give you a peace of mind. It won't give everyone a peace of mind. And there's always going to be people that are like, no, no, thanks on the app, and that's okay. I mean, absolutely, if you want to do it the old fashioned way, because that's what works for your your peace of mind, you know, definitely talk to the insurance company. You know about snail mailing, for example, an application, because that's what you're comfortable with.

**Speaker 1 30:28**

Yeah, and you know the

**Ashley Biggs 30:32**

it's just funny, I've had the same car insurance company for 10 years, and I've had the same life insurance policy for 10 years, and I when my daughter was born, I went to go increase it, and they sent me a mountain of paperwork in the mail. I was like, yeah, look at all this stuff I don't like. Can't I just go online and fill out a form? But, okay, so the big thing is, the Maryland Insurance administration is, is here to help. That's what I really want people to walk away with, you know, maybe some tidbits about these, these, like, you know, life, life insurance, things that are great, but, you know, I've had a chance



to explore your website and the resources there. I know that you and others have done trainings that are recorded, informational sessions that are available online. Overall, what resources does the Maryland Insurance administration provide to help Marylanders navigate these options and end resolve disputes, because I'm sure there's someone somewhere that got the short end of the stick,

**Patti Dorn** 31:48

absolutely sure, yes, and you can always file a complaint with us. You go to insurance, insurance.maryland.gov, if you want to talk to one of us, Maryland Insurance administration employee, about life insurance options, you can ask for the consumer education and advocacy unit. So I'm the Associate Commissioner of the consumer education and advocacy unit and my team can talk to you about life insurance options. I think it's important to say that we can educate you on your life insurance options, but we are not licensed agents, and we cannot give you personalized insurance advice.

**Ashley Biggs** 32:57

That is very true, but I had the ability to go on your website and kind of read that it's fairness and about making sure that everyone is treated fairly and that all the laws are followed. So that's really important. And the consumer advocacy group, I think is probably their best resource to get additional information before making financial decisions, besides talking to a financial planner.

**Patti Dorn** 33:31

Yeah, and we have webinars available too. We have on the state of Maryland YouTube page. We've contributed videos on shorter videos on life insurance, as well as entire webinars on the topic.

**Speaker 2** 33:44

I'm

**Ashley Biggs** 33:44

I'm just going to give your phone number one more time. So let me just make sure that I because I have it pulled up. Here it is, 1-800-492-6116, and that website is insurance.maryland.gov. I want to thank you for for being my insurance PAL and answering some of these questions and introducing your agency to to individuals who may not know that you are a well kept secret. You know, I'm a state we're a state agency. We understand being a well kept secret. It's just like, really all the all the education we do. I want to thank you for being here and being part of our outreach to the community. Because of the involvement of MIA, a lot of the policies that people do have and have good experiences with are shaped by what your your organization is able to help with, and that as someone who is will be a beneficiary of someone's insurance one day, and as someone who has a policy to make sure that she. Something for her children. I appreciate the work you do, and thank you so much.

**Patti Dorn** 35:09

Thank you, Ashley. I very much appreciate that. It's been a lot of fun talking to you.

**Ashley Biggs** 35:14

All right. Well, guys, this is the end of LBPD Guest hour. Please join us again next month. For those who don't know, we do record a month in advance. So I hope you know on my dreary spring day, by

the time you're hearing this, it's a nice, beautiful spring day, may your may be filled with flowers, as they say, April showers bring many flowers, Alright, ladies and gentlemen, you have yourself an excellent day, and I'll be in touch soon.

**Announcer** 35:45

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