

SENATE BILL 598

Unofficial Copy  
C4

2002 Regular Session  
(2lr2580)

**ENROLLED BILL**  
-- Finance/Economic Matters --

Introduced by **Senator Astle**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
President.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Motor Clubs - Required Security - Letters of Credit**

3 FOR the purpose of authorizing an applicant for a license to provide motor club  
4 service, in addition to other types of security, to deposit a certain letter of credit  
5 in a certain amount as the security required for the license; providing for the  
6 conditions of, liability under, and cancellation of the letters of credit; authorizing  
7 the Insurance Commissioner to adopt certain regulations relating to letters of  
8 credit; authorizing a motor club licensed by the Commissioner to substitute one  
9 type of required security under certain circumstances for another type of  
10 required security; and generally relating to letters of credit and required  
11 security for motor clubs.

12 BY repealing and reenacting, with amendments,  
13 Article - Insurance  
14 Section 26-204  
15 Annotated Code of Maryland  
16 (1997 Volume and 2001 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Insurance**

4 26-204.

5 (a) An applicant for a license shall deposit with the Treasurer, who shall  
6 maintain in trust:

7 (1) registered United States government bonds with a market value at  
8 all times not less than \$100,000 or, in the discretion of the Commissioner, a lower  
9 amount not less than \$15,000; [or]

10 (2) a corporate surety bond in the form that the Commissioner requires  
11 in a penal sum not less than \$100,000 or, in the discretion of the Commissioner, a  
12 lower amount not less than \$15,000; OR

13 (3) A LETTER OF CREDIT IN THE FORM THAT THE COMMISSIONER  
14 REQUIRES IN AN AMOUNT NOT LESS THAN \$100,000 OR, IN THE DISCRETION OF THE  
15 COMMISSIONER, A LOWER AMOUNT NOT LESS THAN \$15,000.

16 (b) (1) The bond OR LETTER OF CREDIT described under subsection (a)(2) OR  
17 (3) of this section shall be:

18 (i) in favor of the State for the members of the applicant that  
19 reside in the State;

20 (ii) issued by a surety insurer OR BANK authorized to do business in  
21 the State; and

22 (iii) conditioned on the faithful performance by the applicant of its  
23 obligations under this title, including payment of any fines, fees, or penalties imposed  
24 on it or restitution ordered under this title.

25 (2) The total liability of the surety insurer under the bond may not  
26 exceed the penal sum of the bond.

27 (3) THE TOTAL LIABILITY OF THE BANK UNDER THE LETTER OF CREDIT  
28 MAY NOT EXCEED THE AMOUNT OF THE LETTER OF CREDIT.

29 [(3)] (4) (i) The surety insurer OR BANK may cancel the bond OR  
30 LETTER OF CREDIT after notifying the Commissioner at least 30 days before the  
31 effective date of the cancellation.

32 (ii) [The] NEITHER THE surety insurer NOR THE BANK is [not]  
33 liable for any breach of condition that occurs after the effective date of the  
34 cancellation.

1            [(4)]    (5)        The Commissioner may adopt regulations that specify  
2 conditions for surety bonds AND LETTERS OF CREDIT required by this section and  
3 provide methods for THEIR termination [of the bonds].

4        (c)        (1)        The security required by subsection (a) of this section shall be  
5 maintained as long as the licensee has any outstanding liability or obligation in the  
6 State.

7            (2)        SUBJECT TO APPROVAL BY THE COMMISSIONER, THE LICENSEE MAY  
8 SUBSTITUTE ANY TYPE OF SECURITY REQUIRED BY SUBSECTION (A) OF THIS  
9 SECTION FOR ANY OTHER TYPE OF SECURITY REQUIRED BY SUBSECTION (A) OF THIS  
10 SECTION.

11           [(2)]    (3)        On proof satisfactory to the Commissioner that the licensee has  
12 stopped doing business and that all of the licensee's liabilities and obligations have  
13 been satisfied, the Commissioner shall authorize the Treasurer to return the security  
14 to the licensee.

15        SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 October 1, 2002.