

HOUSE BILL 565

C4, C3

5lr2702
CF SB 461

By: **Delegates Bromwell and Kipke**

Introduced and read first time: February 11, 2015

Assigned to: Health and Government Operations

Committee Report: Favorable

House action: Adopted

Read second time: March 15, 2015

CHAPTER _____

1 AN ACT concerning

2 **Insurance – Surplus Lines – Disability Insurance**

3 FOR the purpose of authorizing the use of surplus lines insurance for certain disability
4 insurance coverage under certain circumstances; providing for the application of
5 certain provisions to certain disability insurance; providing that the procurement of
6 certain disability insurance through surplus lines insurance is subject to certain
7 requirements; providing for the application of this Act; and generally relating to
8 surplus lines insurance and disability insurance.

9 BY repealing and reenacting, with amendments,
10 Article – Insurance
11 Section 3–302
12 Annotated Code of Maryland
13 (2011 Replacement Volume and 2014 Supplement)

14 BY adding to,
15 Article – Insurance
16 Section 3–306.2
17 Annotated Code of Maryland
18 (2011 Replacement Volume and 2014 Supplement)

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

21 **Article – Insurance**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 3–302.

2 (a) This subtitle does not apply to:

3 (1) life insurance;

4 (2) health insurance, **EXCEPT AS PROVIDED IN SUBSECTION (C) OF**
5 **THIS SECTION;**

6 (3) annuities;

7 (4) reinsurance;

8 (5) wet marine and transportation insurance, except as provided in
9 subsection (b) of this section;

10 (6) insurance on a subject that is located, resident, or to be performed
11 wholly outside the State;

12 (7) insurance on vehicles or aircraft owned and principally garaged outside
13 the State;

14 (8) insurance on property or operation of railroads engaged in interstate
15 commerce;

16 (9) insurance:

17 (i) on aircraft owned or operated by aircraft manufacturers or
18 operated in scheduled interstate flight;

19 (ii) on cargo of the aircraft described in subitem (i) of this item; or

20 (iii) against liability arising out of the ownership, maintenance, or
21 use of the aircraft described in subitem (i) of this item, other than workers' compensation
22 or employer's liability; or

23 (10) medical stop-loss insurance, as defined in § 15–129 of this article.

24 (b) This subtitle applies to wet marine and transportation insurance on:

25 (1) a pleasure craft under 60 feet in length that is owned and used for
26 pleasure and not for business, hire, or other commercial use;

27 (2) fishing vessels under 50 gross tons that are not part of a fleet of 3 or
28 more vessels; and

1 (3) charter or head boats under 50 gross tons that are not part of a fleet of
2 3 or more vessels.

3 **(C) SUBJECT TO § 3-306.2 OF THIS SUBTITLE, THIS SUBTITLE APPLIES TO**
4 **DISABILITY INSURANCE THAT:**

5 **(1) PROVIDES FOR LOST INCOME, REVENUE, OR PROCEEDS IN THE**
6 **EVENT THAT AN ILLNESS, ACCIDENT, OR INJURY RESULTS IN A DISABILITY THAT**
7 **IMPAIRS AN INSURED'S ABILITY TO WORK OR OTHERWISE GENERATE INCOME,**
8 **REVENUE, OR PROCEEDS THAT THE INSURANCE IS INTENDED TO REPLACE; AND**

9 **(2) DOES NOT INCLUDE PAYMENT FOR MEDICAL EXPENSES,**
10 **DISMEMBERMENT, OR ACCIDENTAL DEATH.**

11 **3-306.2.**

12 **(A) DISABILITY INSURANCE UNDER § 3-302(C) OF THIS SUBTITLE MAY BE**
13 **PROCURED FROM A NONADMITTED INSURER IF THE COVERAGE PROCURED IS IN**
14 **EXCESS OF COVERAGE AVAILABLE FROM, OR IS NOT AVAILABLE FROM, AN**
15 **ADMITTED INSURER THAT WRITES THAT PARTICULAR KIND AND CLASS OF**
16 **INSURANCE IN THE STATE.**

17 **(B) PROCUREMENT OF DISABILITY INSURANCE UNDER THIS SECTION FROM**
18 **A NONADMITTED INSURER IS SUBJECT TO:**

19 **(1) THE DILIGENT SEARCH REQUIREMENTS OF §§ 3-306 AND 3-306.1**
20 **OF THIS SUBTITLE; AND**

21 **(2) ALL OTHER REQUIREMENTS OF THIS SUBTITLE.**

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
23 policies and contracts of surplus lines insurance for disability insurance issued, delivered,
24 or renewed in the State on or after October 1, 2015.

25 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 2015.