

Article - Insurance

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§5-1004.

(a) A surety insurer may execute transportation or warehousing bonds for federal internal revenue taxes in a net amount not exceeding 20% of the surety insurer's surplus to policyholders, determined under § 5-1003(a)(2) of this subtitle.

(b) The net amount of exposure on any one surety risk shall be deemed within the 10% limit established by § 5-1003(a)(1) of this subtitle if the surety insurer is protected in excess of that amount:

(1) by authorized reinsurance;

(2) by the cosuretyship of another surety insurer authorized to engage in the surety insurance business in the State;

(3) by a deposit of property with the surety insurer in pledge or a conveyance of property to the surety insurer in trust for the protection of the surety insurer;

(4) by a conveyance or mortgage of property for the protection of the surety insurer; or

(5) if a suretyship or guaranty obligation was made on behalf of or on account of a fiduciary holding property in a trust capacity, by a deposit or other disposition of a part of the property held in trust that prohibits the sale, mortgage, or other disposition of the property without the consent of the surety insurer or a court order or decree.

(c) In determining the net amount of exposure on any one surety risk:

(1) when the amount of a suretyship obligation exceeds the actual amount of the judgment that is being appealed and that is secured by a bond, or exceeds the amount of the subject matter in controversy, or exceeds the amount of the estate held by the fiduciary for the performance of whose duties a bond is conditioned, the actual amount of the judgment, the subject matter in controversy, or the estate not subject to the supervision or control of the surety insurer shall be used as the basis for determining whether the risk exceeds the 10% limit established by § 5-1003(a)(1) of this subtitle; and

(2) when the amount of a suretyship obligation required for the performance of a contract exceeds the contract price, the contract price shall be used as the basis for determining whether the risk exceeds the 10% limit established by § 5-1003(a)(1) of this subtitle.

(d) In addition to any other limitation contained in this article, a surety insurer

may not be exposed at any one time to risks on suretyship obligations that guaranty the deposits of a single financial institution in an aggregate net amount exceeding 10% of the surety insurer's surplus to policyholders, determined under § 5-1003(a)(2) of this subtitle, unless the surety insurer is protected in excess of that amount as provided in subsection (b) of this section.

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