

Article - Insurance

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§8-306.

(a) The bond required for an administrator under this subtitle must:

(1) provide protection to the plans, for which the administrator acts as an administrator, against loss because of acts of fraud or dishonesty on the part of the administrator, directly or through connivance with others; and

(2) be issued by an authorized corporate surety insurer that is an acceptable surety on federal bonds under authority granted by the Secretary of the Treasury.

(b) (1) Subject to this section, the amount of the bond shall be determined at the time an application for registration or renewal of registration is filed.

(2) To determine the amount of the bond:

(i) the average amount of money that the administrator and any predecessor of the administrator handled at any one time during the immediately preceding calendar year shall be considered; and

(ii) the average amount of money that the administrator expects to handle at any one time during the current calendar year shall be considered.

(3) The amount of the bond:

(i) may not be less than 10% of the average amount of money that the administrator expects to handle at any one time for all the plans that the administrator expects to administer during the coming year; and

(ii) subject to paragraph (4) of this subsection, may not be less than \$5,000 or more than \$500,000.

(4) After a hearing held under Title 2 of this article, the Commissioner may set the amount of the bond to exceed \$500,000, up to 10% of the average amount of money that the administrator expects to handle at any one time for all the plans that the administrator expects to administer during the coming year.

(c) Subject to approval by the Commissioner, the bond may be an individual bond or a blanket bond that covers a group or class.

(d) (1) An applicant need not file evidence of a bond as a condition of registration or renewal of registration if:

(i) the applicant only administers plans under which benefits are

paid only from the general assets of an employee organization or of an employer; or

(ii) the applicant:

1. is a corporation organized and doing business under the laws of the United States or a state;

2. is authorized under the laws of the United States or a state to exercise trust powers or to engage in business as an insurer;

3. is subject to supervision or examination by a federal or State authority; and

4. at all times has a combined capital and surplus that exceeds \$1,000,000 or any greater amount set by regulation of the Commissioner.

(2) The Commissioner may waive the requirement for an applicant to file evidence of a bond as a condition of registration or renewal of registration if the Commissioner finds that:

(i) other arrangements, including providing letters of credit or similar instruments, would be adequate to protect the interests of plan participants and beneficiaries; or

(ii) the overall financial condition of the applicant would be adequate to protect the interests of plan participants and beneficiaries.

(e) Notwithstanding any other provision of the Code, an applicant that complies with this section and is registered as an administrator under this subtitle is not subject to any other bonding requirement imposed by the law of the State for the same activities that required the applicant to be registered and bonded under this subtitle.

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