

SENATE BILL 15

C4

7lr0063

(PRE-FILED)

By: **Chair, Finance Committee (By Request – Departmental – Maryland Insurance Administration)**

Requested: September 23, 2016

Introduced and read first time: January 11, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Charitable Gift Annuities – Special Permit Holders – Required**
3 **Financial Statements**

4 FOR the purpose of requiring a holder of a special permit needed to make agreements with
5 donors for annuity payments to certain entities to submit to the Maryland Insurance
6 Commissioner a certain financial statement instead of an annual report; requiring
7 the financial statement to be prepared by a certain individual and presented in a
8 certain manner; authorizing the Commissioner to waive the requirement to submit
9 the financial statement under certain circumstances; making clarifying and
10 conforming changes; and generally relating to special permit holders and charitable
11 gift annuities.

12 BY repealing and reenacting, with amendments,
13 Article – Insurance
14 Section 16–114
15 Annotated Code of Maryland
16 (2011 Replacement Volume and 2016 Supplement)

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

19 **Article – Insurance**

20 16–114.

21 (a) In this section, “community foundation” means a nonprofit organization that
22 is:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (1) formed to receive contributions and distribute money to meet cultural,
2 educational, charitable, environmental, civic, or other similar needs of a community; and

3 (2) governed by a board of private citizens who reside in the community.

4 (b) An educational or religious organization, hospital, or community foundation
5 may not make or issue in the State agreements for annuity payments with donors until it
6 has obtained from the Commissioner a special permit issued in accordance with this
7 section.

8 (c) (1) On application, the Commissioner may issue a special permit to make
9 agreements for annuity payments with donors to an educational or religious organization
10 not conducted for profit and engaged in bona fide educational or religious activities, to a
11 hospital in the State, or to a community foundation if the educational or religious
12 organization, hospital, or community foundation:

13 (i) except as provided in paragraph (2) of this subsection, has been
14 in active operation in the State for at least 10 years before issuance of the special permit;
15 and

16 (ii) has been granted exemption from federal income taxation under
17 § 501 of the Internal Revenue Code.

18 (2) The Commissioner may issue a special permit to a community
19 foundation that has been in existence for at least 5 years but less than 10 years if the
20 community foundation maintains [admitted] assets in an amount up to 100% of the
21 contributions made to the community foundation, as determined by the Commissioner.

22 (d) (1) Each special permit holder shall have and maintain [admitted] assets
23 at least equal to adequate reserves on its outstanding agreements for annuity payments
24 with donors as indicated by its [annual report] **CERTIFIED AUDITED FISCAL YEAR-END**
25 **FINANCIAL STATEMENT**.

26 (2) In determining the reserves of a special permit holder on outstanding
27 agreements for annuity payments with donors, a deduction shall be made for all or part of
28 an annuity risk that is reinsured by an authorized life insurer.

29 (3) (I) **[A] SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION, A**
30 **special permit holder shall submit [an annual report] ANNUALLY A CERTIFIED AUDITED**
31 **FISCAL YEAR-END FINANCIAL STATEMENT** to the Commissioner within 90 days after
32 the end of the special permit holder's fiscal year.

33 (II) **THE FINANCIAL STATEMENT REQUIRED UNDER**
34 **SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL BE:**

1 **1. PREPARED BY A CERTIFIED PUBLIC ACCOUNTANT;**
2 **AND**

3 **2. PRESENTED IN CONFORMITY WITH GENERALLY**
4 **ACCEPTED ACCOUNTING PRINCIPLES.**

5 (4) The [annual reports] **CERTIFIED AUDITED FISCAL YEAR-END**
6 **FINANCIAL STATEMENT** shall be treated as confidential by the Commissioner and [are]
7 **IS** not available for public inspection.

8 **(5) ON APPLICATION BY THE SPECIAL PERMIT HOLDER, THE**
9 **COMMISSIONER:**

10 **(I) MAY WAIVE THE REQUIREMENT OF A CERTIFIED AUDITED**
11 **FISCAL YEAR-END FINANCIAL STATEMENT; AND**

12 **(II) MAY REQUIRE INSTEAD ADDITIONAL DOCUMENTS OR**
13 **INFORMATION THAT THE COMMISSIONER CONSIDERS NECESSARY.**

14 (e) A special permit issued under this section authorizes the special permit holder
15 to receive gifts of money or other property conditional on, or in consideration of, the special
16 permit holder's agreement to pay an annuity to the donor or the donor's nominee and to
17 make and carry out agreements for annuity payments with donors.

18 (f) A special permit is in effect only as long as the special permit holder is exempt
19 from federal income taxation under § 501 of the Internal Revenue Code.

20 (g) (1) If the Commissioner finds, after notice and hearing, that a special
21 permit holder has failed to comply with the requirements of this section or is not exempt
22 from federal income taxation under § 501 of the Internal Revenue Code, the Commissioner
23 may:

24 (i) revoke or suspend the special permit; or

25 (ii) order the special permit holder to stop making new agreements
26 for annuity payments with donors until the requirements have been satisfied.

27 (2) In case of revocation or suspension, outstanding agreements for annuity
28 payments with donors shall remain in force.

29 (3) The action of the Commissioner under this subsection is subject to
30 judicial review under § 2-215 of this article.

31 (h) (1) Except as otherwise provided in this section, a special permit holder is
32 exempt from the provisions of this article with respect to issuing annuities.

1 (2) Special permit holders are not subject to a law enacted after June 1,
2 1957, unless they are expressly designated in the law.

3 (i) (1) Other than by agreements for annuity payments with donors, an
4 educational or religious organization, hospital, or community foundation may agree to:

5 (i) accept conditional donations; and

6 (ii) pay to the donor or the donor's nominee a specified return
7 established with reference to the actual net earnings of the particular donation or with
8 reference to the actual or estimated earnings of a specified fund of the donee organization.

9 (2) An educational or religious organization, hospital, or community
10 foundation that accepts conditional donations and pays a specified return to donors under
11 paragraph (1) of this subsection is exempt from this section and all other provisions of this
12 article with respect to issuing annuities.

13 (3) Educational or religious organizations, hospitals, or community
14 foundations that accept conditional donations and pay specified returns to donors under
15 this subsection are not subject to any law enacted after June 1, 1957, unless they are
16 expressly designated in the law.

17 (j) Notwithstanding the absence of express power in the charter of a domestic
18 educational, religious, or hospital corporation or community foundation, the corporation or
19 community foundation may make the agreements for annuity payments with donors or
20 other agreements with respect to conditional donations that are expressly allowed by this
21 section.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 October 1, 2017.