

# SENATE BILL 59

C3, C4

8lr0024

(PRE-FILED)

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

Requested: September 19, 2017

Introduced and read first time: January 10, 2018

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: January 19, 2018

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Insurance – Antifraud Plan Requirement – Application**

3 FOR the purpose of limiting the application of certain provisions of law relating to antifraud  
4 plans to authorized insurers that ~~issue or deliver~~ have in force policies or certificates  
5 of insurance in the State; and generally relating to antifraud plans.

6 BY repealing and reenacting, with amendments,

7 Article – Insurance

8 Section 27–803

9 Annotated Code of Maryland

10 (2017 Replacement Volume)

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

13 **Article – Insurance**

14 27–803.

15 (a) (1) Each authorized insurer ~~THAT ISSUES OR DELIVERS~~ HAS IN FORCE  
16 POLICIES OR CERTIFICATES OF INSURANCE IN THE STATE shall institute and maintain  
17 an insurance antifraud plan.

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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           (2) Within 30 days after instituting or modifying an antifraud plan, the  
2 authorized insurer shall notify the Commissioner in writing.

3           (b) Each antifraud plan shall establish specific procedures to:

4           (1) prevent insurance fraud, including:

5                   (i) internal fraud that involves the authorized insurer's employees  
6 or insurance producers;

7                   (ii) fraud that results from misrepresentations on insurance  
8 applications; and

9                   (iii) claims fraud;

10           (2) report insurance fraud to appropriate law enforcement authorities;

11           (3) cooperate with the prosecution of insurance fraud cases; and

12           (4) report fraud-related data to the Commissioner and Fraud Division.

13           (c) (1) Each authorized insurer ~~THAT ISSUES OR DELIVERS~~ HAS IN FORCE  
14 POLICIES OR CERTIFICATES OF INSURANCE IN THE STATE shall file its antifraud plan  
15 with the Commissioner.

16           (2) The Commissioner may review each antifraud plan to determine  
17 whether it complies with the requirements of this section.

18           (3) An antifraud plan is deemed approved unless disapproved by the  
19 Commissioner within 30 days after the date of filing.

20           (d) (1) If the Commissioner finds that an antifraud plan does not comply with  
21 the requirements of this section, the Commissioner shall disapprove the antifraud plan and  
22 send a notice of disapproval, including the reasons for disapproval, to the authorized  
23 insurer.

24           (2) If the Commissioner disapproves an antifraud plan, the authorized  
25 insurer shall submit a new antifraud plan to the Commissioner within 60 days after the  
26 date of disapproval.

27           (e) During an examination under § 2-205 of this article, the Commissioner shall  
28 examine the authorized insurer's procedures to determine whether the authorized insurer  
29 is complying with its antifraud plan.

30           (f) The Commissioner may withhold from public inspection any part of an  
31 antifraud plan for as long as the Commissioner considers the withholding to be in the public  
32 interest.

1 (g) (1) As part of an antifraud plan, an authorized insurer may require in  
2 writing that an individual who is receiving benefits under a disability insurance policy must  
3 affirm on a periodic basis that the individual:

4 (i) remains entitled to the benefits; and

5 (ii) has had no change in the condition entitling the individual to the  
6 benefits.

7 (2) An authorized insurer that requires the affirmation permitted under  
8 paragraph (1) of this subsection shall disclose to the individual who is receiving benefits  
9 that if the individual knowingly and willfully provides false information or knowingly and  
10 willfully fails to provide material information in connection with the individual's eligibility  
11 or continued eligibility for benefits under a disability insurance policy, the individual is  
12 guilty of a crime and may be subject to a fine and imprisonment.

13 (h) The Commissioner shall adopt regulations that establish minimum standards  
14 for antifraud plans required to be filed under this section.

15 (i) It is a violation of this subtitle if the Commissioner finds that an authorized  
16 insurer ~~THAT ISSUES OR DELIVERS~~ HAS IN FORCE POLICIES OR CERTIFICATES OF  
17 INSURANCE IN THE STATE has failed to:

18 (1) file an antifraud plan;

19 (2) file a revised antifraud plan after disapproval by the Commissioner of  
20 the initial antifraud plan; or

21 (3) comply with the antifraud plan filed by the authorized insurer.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 October 1, 2018.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.