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**By: The Speaker (Department of Legislative Reference)**

Introduced and read first time: January 29, 1996

Assigned to: Economic Matters

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Committee Report: Favorable

House action: Adopted

Read second time: February 20, 1996

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CHAPTER \_\_\_\_

1 AN ACT concerning

2 **Insurance Article - Corrections**

3 FOR the purpose of correcting certain errors and omissions in the Insurance Article;  
4 providing for the future codification of this Act; and generally relating to the  
5 Insurance Article.

6 BY repealing and reenacting, with amendments,

7 Article - Insurance

8 Section 1-101(e)(1), (ee)(3)(i), and (oo)(2), 2-105(c) and (d)(1), 2-112(a)(19),

9 2-114, 2-206(1), 2-208, 2-209(a) and (g)(1), 3-301, 3-325(d), 4-210(c)(1),

10 5-306(f)(6), 5-309(b)(1), 5-607(d)(1), 5-608(k), 5-801, 7-804, 8-106(a), and

11 8-445(b)(3)(ii)1.

12 Annotated Code of Maryland

13 (1995 Volume)

14 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

15 BY repealing and reenacting, with amendments,

16 Article - Insurance

17 Section 1-203(a)(2)(i) and (c)

18 Annotated Code of Maryland

19 (1995 Volume)

20 (As enacted by Chapters 36 and 443 of the Acts of the General Assembly of 1995)

21 BY repealing and reenacting, without amendments,

22 Article - Insurance

23 Section 10-123

24 Annotated Code of Maryland

2  
1 (1995 Volume)  
2 (As enacted by Chapters 36 and 475 of the Acts of the General Assembly of 1995)

3 BY repealing and reenacting, without amendments,  
4 Article - Insurance  
5 Section 1-101(s), (t), (u)(1)(i) and 10-124(a)  
6 Annotated Code of Maryland  
7 (1995 Volume)  
8 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

9 BY repealing and reenacting, without amendments,  
10 Article - Insurance  
11 Section 10-125(a)(1)  
12 Annotated Code of Maryland  
13 (1995 Volume)  
14 (As enacted by Chapter 635 of the Acts of the General Assembly of 1995)

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

17 **Article - Insurance**

18 1-101.

19 (e) (1) "Annuity" means an agreement to make periodic payments for which the  
20 making or continuance of all or some of a series of the [payment,] PAYMENTS, or the  
21 amount of a payment, depends on the continuance of a human life.

22 DRAFTER'S NOTE:  
23 %Error: Grammatical error in § 1-101(e)(1) of the Insurance Article.  
24 Occurred: Ch. 36, Acts of 1995.

25 (s) "Industrial life insurance" means life insurance provided by an individual  
26 policy with the term "industrial" printed on the policy as part of the brief description  
27 required by § 15-213 [48A, § 399] of this article, and under which premiums are payable  
28 monthly or more frequently, if the face amount of the insurance provided by the policy  
29 does not exceed \$1,000.

30 (t) "Insurance" means a contract to indemnify or to pay or provide aspecified or  
31 determinable amount of money or benefit on the occurrence of a determinable  
32 contingency.

33 (u) (1) "Insurance business" includes transaction of:

34 (i) all matters pertaining to an insurance contract, either before or  
35 after it takes effect; and

36 DRAFTER'S NOTE:  
37 %Error: Defined terms not in correct alphabetical order in § 1-101 of the

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1 Insurance Article.  
2 Occurred: Ch. 36, Acts of 1995. Correction by the Michie Company in the  
3 1995 Insurance Volume is validated by this Act.

4 (ee) (3) "Premium" does not include:

5 (i) an assessment as described in [§ 9-XXX [Art. 48A, § 163]] §  
6 9-225 of this article; or

7 DRAFTER'S NOTE:

8 %Error: Incomplete cross-reference in § 1-101(ee)(3)(i) of the Insurance  
9 Article.  
10 Occurred: Ch. 36, Acts of 1995.

11 (oo) "Surplus lines insurance" means the full amount or kind of insurance needed  
12 to protect the interest of the insured that:

13 (2) for the particular kind and class of insurance to provide coverage against  
14 liability of persons described in [§ XX-XXX of this article [Art. 48A, § 551(c)(1), (2),  
15 and (3)]] § 24-206(1) OF THIS ARTICLE, cannot be obtained from three or more  
16 authorized insurers that write that kind and class of insurance on a broad basis.

17 DRAFTER'S NOTE:

18 %Error: Incomplete cross-reference in § 1-101(oo)(2) of the Insurance  
19 Article.  
20 Occurred: Ch. 36, Acts of 1995.

21 1-203.

22 (a) (2) "Certificate of guarantee" means an instrument that is issued:

23 (i) by a nonprofit association of contractors, or its wholly owned  
24 subsidiary that is approved to operate by Calvert County, Charles County, [St. Mary's  
25 County,] Prince George's County, [or] Montgomery County , OR ST. MARY'SCOUNTY,  
26 as appropriate; and

27 (c) Calvert County, Charles County, [ St. Mary's County,] MontgomeryCounty,  
28 [and] Prince George's County, AND ST. MARY'S COUNTY:

29 (1) may honor certificates of guarantee; but

30 (2) are not required under this article to honor certificates of guarantee.

31 DRAFTER'S NOTE:

32 %Error: Counties listed in incorrect alphabetical order in § 1-203(a)(2)(i) and  
33 (c) of the Insurance Article.  
34 Occurred: Ch. 443, § 2, Acts of 1995.

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1 2-105.

2 (c) The compensation of unclassified personnel shall be determined by the  
3 Commissioner [and] AND, if possible, in accordance with the State pay plan.

4 (d) (1) At least 45 days before the effective date of the change, the  
5 Commissioner shall submit to the Secretary each change to salary plans that [involve]  
6 INVOLVES increases or decreases in salary ranges other than those associated with  
7 routine reclassifications and promotions or general salary increases approved by the  
8 General Assembly.

9 DRAFTER'S NOTE:

10 %Error: In § 2-105 of the Insurance Article, omitted comma in subsection (c)  
11 and grammatical error in subsection (d)(1).  
12 Occurred: Ch. 36, Acts of 1995.

13 2-112.

14 (a) Fees for the following certificates, licenses, and services shall be collected in  
15 advance by the Commissioner, and shall be paid by the appropriate persons to the  
16 Commissioner:

17 (19) service of legal process fee under [ §§ X-XXX and X-XXX of this  
18 article [48A §§ 57 and 197]] §§ 3-318(B), 3-319(D), AND 4-107 OF THIS ARTICLE.....\$15

19 DRAFTER'S NOTE:

20 %Error: Incomplete cross-reference in § 2-112(a)(19) of the Insurance  
21 Article.  
22 Occurred: Ch. 36, Acts of 1995.

23 2-114.

24 (a) Except as provided in [subsection (b)] SUBSECTIONS (B) AND (C) of this  
25 section, the Commissioner shall pay all money collected under this article into the  
26 General Fund of the State.

27 (b) The Commissioner shall pay all money collected for travel expenses and living  
28 expense allowance under § 2-208(1) of this article into a special revolving fund held by  
29 the Comptroller for the sole purpose of paying the costs of examinations of insurers.

30 (C) THE FOLLOWING MONEYS MAY NOT BE CONSIDERED GENERAL FUNDS  
31 OF THE STATE AND SHALL BE DEPOSITED IN THE INSURANCE FRAUD DIVISION  
32 FUND:

33 (1) REVENUE DERIVED FROM THE ANNUAL FRAUD PREVENTION FEE  
34 UNDER § X-XXX [48A § 640B] OF THIS ARTICLE; AND

35 (2) INCOME FROM INVESTMENTS THAT THE STATE TREASURER MAKES  
36 FOR THE INSURANCE FRAUD DIVISION FUND.

37 DRAFTER'S NOTE:

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1 Error: Provision inadvertently omitted from § 2-114 of the Insurance  
2 Article.  
3 Occurred: Ch. 352, § 3, Acts of 1995.

4 2-206.

5 When advisable to determine compliance with this article, the Commissioner may  
6 examine the accounts, records, documents, and transactions that relate to the insurance  
7 affairs or proposed insurance affairs of:

8 (1) an [insurance] agent, broker, surplus lines broker, generalagent,  
9 adjuster, public adjuster, or adviser;

10 DRAFTER'S NOTE:

11 %Error: Incorrect use of defined term in § 2-206(1) of the Insurance Article.  
12 Occurred: Ch. 36, Acts of 1995.

13 2-208.

14 The expense incurred in an examination made under § 2-205 of this subtitle, §  
15 2-206 of this subtitle for surplus lines brokers and insurance holding corporations, or [ §  
16 XX-XXX [48A § 486B]] § 23-207 of this article for premium finance companies shall be  
17 paid by the person examined in the following manner:

18 (1) the person examined shall pay to the Commissioner the travel expenses,  
19 a living expense allowance, and a per diem as compensation for examiners, actuaries, and  
20 typists:

21 (i) to the extent incurred for the examination; and

22 (ii) at reasonable rates set by the Commissioner;

23 (2) the Commissioner may present a detailed account of expensesincurred  
24 to the person examined periodically during the examination or at the end of the  
25 examination, as the Commissioner considers proper; and

26 (3) a person may not pay and an examiner may not accept any compensation  
27 for an examination in addition to the compensation under paragraph (1) of this section.

28 DRAFTER'S NOTE:

29 %Error: Incomplete cross-reference in § 2-208 of the Insurance Article.  
30 Occurred: Ch. 36, Acts of 1995.

31 2-209.

32 (a) The Commissioner or an examiner shall make a complete report of each  
33 examination made under § 2-205 of this subtitle and[§ XX-XXX [48A § 486B]] § 23-207  
34 of this article.

35 (g) (1) Subject to paragraph (2) of this subsection, the Commissioner may  
36 disclose a preliminary examination report, examination report, investigation report, or

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1 any other matter related to an examination made under § 2-205 or § 2-206 of this subtitle  
2 or [§ XX-XXX of this article [48A § 486B]] § 23-207 OF THIS ARTICLE to the insurance  
3 regulatory agency of another state or to a federal, State, local, or other law enforcement  
4 agency.

5 DRAFTER'S NOTE:

6 %Error: In § 2-209 of the Insurance Article, incomplete cross-references in  
7 subsections (a) and (g)(1).  
8 Occurred: Ch. 36, Acts of 1995.

9 3-301.

10 ["Qualified] IN THIS SUBTITLE, "QUALIFIED surplus lines broker" means a  
11 person that has obtained a certificate of qualification from the Commissioner to act as a  
12 surplus lines broker under this subtitle.

13 DRAFTER'S NOTE:

14 %Error: Omitted introductory language in § 3-301 of the Insurance Article.  
15 Occurred: Ch. 36, Acts of 1995.

16 3-325.

17 (d) With respect to a penalty that has become final, a surplus linesbroker is  
18 subject to the provisions of Title 6, SUBTITLE 1 of this article relating to penalties,  
19 interest, audits, assessments, limitations, appeals, and refunds.

20 DRAFTER'S NOTE:

21 %Error: Incorrect cross-reference in § 3-325(d) of the Insurance Article.  
22 Occurred: As a result of Ch. 352, § 10, Acts of 1995.

23 4-210.

24 (c) The report shall:

25 (1) be in writing; [and ]

26 DRAFTER'S NOTE:

27 %Error: Extraneous conjunction in § 4-210(c)(1) of the Insurance Article.  
28 Occurred: Ch. 36, Acts of 1995.

29 5-306.

30 (f) (6) Except as provided in paragraph (4) of this [section,] SUBSECTION, the  
31 reference interest rate is the 12-month Moody's corporate bond yield average for any  
32 other annuity or guaranteed interest contract that:

33 (i) has a cash settlement option, is valued on an issue year basis, and  
34 has a guarantee duration of 10 years or less;

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1 (ii) does not have a cash settlement option; or

2 (iii) has a cash settlement option and is valued on a change in fund  
3 basis.

4 DRAFTER'S NOTE:

5 %Error: Incorrect internal reference in § 5-306(f)(6) of the Insurance Article.  
6 Occurred: Ch. 36, Acts of 1995.

7 5-309.

8 (b) An insurer's aggregate reserves for all life insurance policies may not be less  
9 than the aggregate reserves calculated in accordance with:

10 (1) the methods set forth in §§ 5-307, 5-308, 5-311, and 5-312 OF THIS  
11 SUBTITLE; and

12 DRAFTER'S NOTE:

13 %Error: Stylistic error in § 5-309(b)(1) of the Insurance Article.  
14 Occurred: Ch. 36, Acts of 1995.

15 5-607.

16 (d) (1) After satisfying the minimum investment requirements of subsection (a)  
17 of this [subsection,] SECTION, an insurer shall invest, or otherwise acquire or loan on,  
18 additional funds to bring its investments up to an amount not less than 50% of the  
19 aggregate amount of its unearned premium and loss reserves, in cash or the classes of  
20 reserve investments authorized under § 5-608 of this subtitle.

21 DRAFTER'S NOTE:

22 %Error: Incorrect internal reference in § 5-607(d)(1) of the Insurance Article.  
23 Occurred: Ch. 36, Acts of 1995.

24 5-608.

25 (k) The reserve investments of an insurer may include purchase-money mortgages  
26 or like securities received by the insurer on the sale or exchange of real property acquired  
27 under subsection (n) of this [subsection] SECTION.

28 DRAFTER'S NOTE:

29 %Error: Incorrect internal reference in § 5-608(k) of the Insurance Article.  
30 Occurred: Ch. 36, Acts of 1995.

31 5-801.

32 ["Trusteed] IN THIS SUBTITLE, "TRUSTEED assets" means assets deposited in  
33 trust by an alien insurer in accordance with this subtitle.

34 DRAFTER'S NOTE:

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1 Error: Omitted introductory language in § 5-801 of the Insurance Article.  
2 Occurred: Ch. 36, Acts of 1995.

3 7-804.

4 If the Commissioner finds that a violation of this title impairs the financial condition  
5 of a domestic insurer so as to threaten insolvency or make the further transaction of  
6 business hazardous to policyholders, creditors, shareholders, or the public, the  
7 Commissioner may institute proceedings in accordance with Title 9, Subtitle 2 of this  
8 article [(Subtitle 10 of Art. 48A)] to take possession of the domestic insurer's property  
9 and conduct its business.

10 DRAFTER'S NOTE:

11 %Error: Extraneous cross-reference in § 7-804 of the Insurance Article.  
12 Occurred: Ch. 36, Acts of 1995.

13 8-106.

14 (a) ["Reinsurance] IN THIS SECTION, "REINSURANCE intermediary" means a  
15 person that acts as a broker in:

16 (1) soliciting, negotiating, or procuring a reinsurance contract or binder for  
17 a ceding insurer; or

18 (2) accepting a reinsurance contract or binder for an assuming insurer.

19 DRAFTER'S NOTE:

20 %Error: Omitted introductory language in § 8-106(a) of the Insurance Article.  
21 Occurred: Ch. 36, Acts of 1995.

22 8-445.

23 (b) (3) (ii) 1. Except as provided in sub-subparagraph [(2)] 2 of this  
24 paragraph, the net level annual premium to be used in the calculation in this paragraph  
25 equals a fraction:

26 A. the numerator of which is the present value, at the date of  
27 issue, of the guaranteed benefits provided for after the first certificate year; and

28 B. the denominator of which is the present value, at the date of  
29 issue, of an annuity of one per year payable on the first and each subsequent anniversary  
30 of the certificate on which a premium falls due.

31 DRAFTER'S NOTE:

32 %Error: Extraneous parentheses in § 8-445(b)(3)(ii)1 of the Insurance  
33 Article.  
34 Occurred: Ch. 36, Acts of 1995.

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1 10-123.

2 On application, the Commissioner shall issue to an individual qualified in  
3 accordance with this subtitle a certificate of qualification limited to the business of selling  
4 motor vehicle insurance coverages only, including bodily injury liability, property damage  
5 liability, and automobile physical damage.

6 10-124.

7 (a) Without regard to the education, experience, or examination requirements of  
8 this subtitle, the Commissioner may issue a special restricted certificate of qualification to  
9 an individual who is employed by a health maintenance organization solely to solicit  
10 membership in the health maintenance organization under a contract:

11 (1) between the health maintenance organization and the Department of  
12 Health and Mental Hygiene; and

13 (2) in accordance with which the Department of Health and Mental  
14 Hygiene obtains prepaid comprehensive health care services for recipients of medical  
15 assistance under § 15-105 of the Health - General Article.

16 10-125.

17 (a) (1) In this section the following words have the meanings indicated.

18 DRAFTER'S NOTE:

19 %Error: Obsolete and extraneous section numbers of the Insurance Article.  
20 Occurred: Ch. 36, Ch. 475, § 2, and Ch. 635, Acts of 1995. Correction by the  
21 Michie Company in the 1995 Insurance Volume is validated by this Act.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 October 1, 1997.