
By: Senator Bromwell

Introduced and read first time: February 22, 1996

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Injured Workers' Insurance Fund - Chesapeake Mutual Insurance Company -Property**
3 **and Casualty Insurance**

4 FOR the purpose of changing the name of the Injured Workers' Insurance Fund to the
5 Chesapeake Mutual Insurance Company; establishing the Company as a nonprofit
6 independent public corporation; providing that the Company is organized as a
7 domestic mutual insurance company; authorizing the Company to establish
8 subsidiaries to issue certain property and casualty insurance; providing that the
9 Company is not subject to certain laws, regulations, or executive orders; requiring
10 that the certain subsidiaries of the Company be subject to certain laws; providing
11 that the Company and its subsidiaries are not departments, units, agencies, or
12 instrumentalities of the State for any purpose; establishing that the moneys of the
13 Company or its subsidiaries are not part of the General Fund of the State;
14 establishing that the debts, claims, obligations, and liabilities of the Company are
15 not debts of the State or pledges of the credit of the State; providing for the
16 membership, voting, and compensation of the Board of Directors of the Company;
17 authorizing subsidiaries of the Company to provide property insurance and casualty
18 insurance to certain employers; authorizing the Company to pay certain benefits
19 under a compensation law of another state only under certain circumstances;
20 eliminating provisions authorizing the referral of certain debts to the Attorney
21 General for collection; providing that employees of the Company are State
22 personnel under certain circumstances; providing for continuing membership of
23 certain employees of the Company or its subsidiaries in the Employees' Retirement
24 System of the State of Maryland or the Pension System for Employees of the State
25 of Maryland and for continuing participation in the State Employee and Retiree
26 Health and Welfare Benefits Program, including certain health benefits on
27 retirement; requiring the Company and its subsidiaries to make certain payments
28 for retirement and health benefits in a certain manner and subject to certain
29 penalties; clarifying that the State income tax does not apply to the income of the
30 Company and its subsidiaries; clarifying that certain property is not subject to
31 certain property taxes; making technical changes; and generally relating to the
32 Injured Workers' Insurance Fund, the Chesapeake Mutual Insurance Company,
33 and the provision by the Company and its subsidiaries of certain lines of insurance.

34 BY repealing and reenacting, with amendments,
35 Article 48A - Insurance Code

2

1 Section 233(a)(3) and 242(b)
2 Annotated Code of Maryland
3 (1994 Replacement Volume and 1995 Supplement)

4 BY repealing and reenacting, with amendments,

5 Article 65 - Militia
6 Section 16(a)
7 Annotated Code of Maryland
8 (1995 Replacement Volume)

9 BY repealing and reenacting, with amendments,

10 Article - Labor and Employment
11 Section 9-310.1, 9-313, 9-316(a)(3), 9-402, 9-404(e)(2) and (j)(2) and (3),
12 9-405(b)(2) and (f)(3) and (4), 9-407, 9-689(c), 10-101, 10-104, 10-105,
13 10-106, 10-109, 10-110, 10-112, 10-113, 10-114, 10-117, 10-120 through
14 10-123, inclusive, 10-127, 10-130(a), 10-131 through 10-133, inclusive, and
15 10-135 through 10-138, inclusive, and 10-141
16 Annotated Code of Maryland
17 (1991 Volume and 1995 Supplement)

18 BY repealing

19 Article - Labor and Employment
20 Section 10-118, 10-119, 10-124, 10-125, and 10-126
21 Annotated Code of Maryland
22 (1991 Volume and 1995 Supplement)

23 BY adding to

24 Article - Labor and Employment
25 Section 10-124 and 10-125
26 Annotated Code of Maryland
27 (1991 Volume and 1995 Supplement)

28 BY repealing and reenacting, without amendments,

29 Article - Labor and Employment
30 Section 10-134
31 Annotated Code of Maryland
32 (1991 Volume and 1995 Supplement)

33 BY repealing and reenacting, with amendments,

34 Article - State Government
35 Section 5-102(b), 10-102(b), 10-203(a)(3)(iv), 10-302(a)(5), and 12-101(2)
36 Annotated Code of Maryland
37 (1995 Replacement Volume)

38 BY adding to

3

1 Article - State Personnel and Pensions
2 Section 8-115, 21-307(i), 21-310.1, 22-201(a)(10), and 23-201(a)(14)
3 Annotated Code of Maryland
4 (1994 Volume and 1995 Supplement)

5 BY repealing and reenacting, with amendments,
6 Article - State Personnel and Pensions
7 Section 9-501(b)(1), 22-201(a)(8) and (9), and 23-201(a)(12) and (13)
8 Annotated Code of Maryland
9 (1994 Volume and 1995 Supplement)

10 BY repealing and reenacting, with amendments,
11 Article - Tax - General
12 Section 10-104
13 Annotated Code of Maryland
14 (1988 Volume and 1995 Supplement)

15 BY adding to
16 Article - Tax - Property
17 Section 7-238
18 Annotated Code of Maryland
19 (1994 Replacement Volume and 1995 Supplement)

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

22 **Article 48A - Insurance Code**

23 233.

24 (a) (3) (i) "Insurer" has the meaning stated in § 3 of this article.

25 (ii) "Insurer" includes:

26 1. A corporation operating a nonprofit health serviceplan
27 under Subtitle 20 of this article;

28 2. A dental plan organization as defined in § 581(c) of this
29 article;

30 3. A surplus line insurer;

31 4. The Maryland Automobile Insurance Fund;

32 5. The State of Maryland when a claim has been filed against
33 the State under Title 12 of the State Government Article;

34 6. The Mass Transit Administration when acting as a
35 self-insurer pursuant to § 7-703 of the Transportation Article;

4

1 7. The [Injured Workers' Insurance Fund] CHESAPEAKE
2 MUTUAL INSURANCE COMPANY AND ITS SUBSIDIARIES;

3 8. A health maintenance organization as defined in Title 19,
4 Subtitle 7 of the Health - General Article;

5 9. The State of Maryland when a claim has been filed against
6 the State pursuant to Title 8, Subtitle 1 of the State Personnel and Pensions Article;

7 10. The State of Maryland when a claim has been filed against
8 the State pursuant to Title 9 of the Labor and Employment Article; and

9 11. A third party administrator as defined under Subtitle 54 of
10 this article.

11 (iii) "Insurer" also includes any agent, employee, or representative of
12 an insurer as defined in subparagraph (i) or (ii) of this paragraph.

13 242.

14 (b) This section does not apply to:

15 (1) Reinsurance, other than joint reinsurance to the extent stated in
16 subsection (m) of this section;

17 (2) Insurance of vessels or craft, their cargoes, marine protection and
18 indemnity, or other risks commonly insured under marine, as distinguished from inland
19 marine, insurance policies;

20 (3) Insurance against loss of or damage to aircraft including their
21 accessories and equipment, or against liability other than workers' compensation,
22 employer's liability arising out of the ownership, maintenance, or use of aircraft;

23 (4) Title insurance; or

24 (5) [The Maryland Injured Workers' Insurance Fund] EXCEPT AS
25 PROVIDED IN § 10-105(B)(2) OF THE LABOR AND EMPLOYMENT ARTICLE, THE
26 CHESAPEAKE MUTUAL INSURANCE COMPANY.

27 If any kind of insurance, subdivision or combination thereof, or type of coverage,
28 subject to this section, is also subject to regulation by another rate regulatory section of
29 the statutes of this State, an insurer to which both sections are otherwise applicable shall
30 file with the Commissioner a designation as to which rate regulatory section is applicable
31 to it with respect to such kind of insurance, subdivision or combination thereof, or type of
32 coverage.

33 **Article 65 - Militia**

34 16.

35 (a) The Adjutant General shall take out and thereafter maintain a policy or
36 policies of insurance with the [Injured Workers' Insurance Fund] CHESAPEAKE
37 MUTUAL INSURANCE COMPANY or with any stock corporation or mutual association
38 authorized to transact the business of workers' compensation insurance in this State, to

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1 secure compensation under the Workers' Compensation Act, to all officers and enlisted
 2 men of the organized militia of the State of Maryland. However, if and so long as
 3 provision equal to or better than that given under the terms of this article is made by the
 4 federal government for an officer or enlisted man or employee of the Military
 5 Department of Maryland injured in the course of employment, such officer, enlisted man
 6 or employee is not entitled to the benefits of this section. Should any benefits provided by
 7 the federal government be less than those provided by the Maryland Workers'
 8 Compensation Act, the State and its insurer shall furnish the additional benefit in order
 9 to make up the difference between the benefit provided by the federal government and
 10 the similar benefit required by the Maryland Workers' Compensation Act. Such insurance
 11 shall cover only those incidents occurring after July 1, 1979 on State active duty. State
 12 active duty is defined as that period of time for which an employee is ordered to active
 13 military duty in the organized militia of the State of Maryland by order of the Governor
 14 for service in time of civil disorder, natural disaster, labor disorders, or activities requiring
 15 support of the State militia.

16 **Article - Labor and Employment**

17 9-310.1.

18 (a) In any administrative action before the Commission, if it is established by a
 19 preponderance of the evidence that a person has knowingly obtained benefits under this
 20 title to which the person is not entitled, the Commission shall order the person to
 21 reimburse the insurer, self-insured employer, the [Injured Workers' Insurance Fund]
 22 CHESAPEAKE MUTUAL INSURANCE COMPANY, the Uninsured Employers' Fund, or the
 23 Subsequent Injury Fund for the amount of all benefits that the person knowingly obtained
 24 and to which the person is not entitled.

25 (b) An order of reimbursement required under subsection (a) of this section shall
 26 include interest on the amount ordered to be reimbursed at a rate of 1.5% per month
 27 from the date the Commission notifies the person of the amount to be reimbursed.

28 9-313.

29 (a) The Commission may require an insurer, including the [Injured Workers'
 30 Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY, or a self-insurer to
 31 submit a report or analysis that the Commission considers useful to increase public
 32 understanding of the purpose, administrative procedures, costs, coverage, or effectiveness
 33 of workers' compensation in the State.

34 (b) (1) Each insurer, including the [Injured Workers' Insurance Fund]
 35 CHESAPEAKE MUTUAL INSURANCE COMPANY, and each self-insurer, that provides
 36 workers' compensation insurance in the State, shall submit a quarterly case payment
 37 report to the Commission:

38 (i) on the printed forms or computer tapes provided to the insurer or
 39 self-insurer by the Commission, including a specially designated printed form or
 40 computer tape for the last case payment report for each covered employee; and

41 (ii) that includes all information required by the Commission or an
 42 explanation of why any required information is omitted from the report.

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1 (2) An insurer or a self-insurer who is required to submit a report under
2 paragraph (1) of this subsection shall submit the report within 40 days after the date on
3 which the Commission mails the printed forms or computer tapes to the insurer or
4 self-insurer.

5 (c) The Commission may assess a fine not exceeding \$1,000 against an insurer,
6 including the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE
7 COMPANY, or a self-insurer if the insurer or self-insurer:

8 (1) fails to timely file a report under subsection (b) of this section; or

9 (2) files a report under subsection (b) of this section that includes
10 inaccurate or insufficient information.

11 (d) If the Commission determines that, after due diligence an insurer, including
12 the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE
13 COMPANY, or a self-insurer is unable to timely submit the report required under
14 subsection (b) of this section, the Commission may:

15 (1) waive the fine specified under subsection (c) of this section; and

16 (2) grant the insurer or self-insurer the additional time that may be
17 necessary.

18 9-316.

19 (a) (3) "Insurer" means:

20 (i) a stock corporation or mutual association that is authorized under
21 Article 48A of the Code to provide workers' compensation insurance in the [State;

22 (ii) the Injured Workers' Insurance Fund] STATE, INCLUDING THE
23 CHESAPEAKE MUTUAL INSURANCE COMPANY; or

24 [(iii)] (II) a self-insurance group authorized under § 9-402(a)(4) of this
25 title.

26 9-402.

27 (a) Subject to subsections (b) through (f) of this section, each employer shall
28 secure compensation for covered employees of the employer by:

29 (1) maintaining insurance with the [Injured Workers' Insurance Fund]
30 CHESAPEAKE MUTUAL INSURANCE COMPANY;

31 (2) maintaining insurance with an authorized insurer;

32 (3) participating in a governmental self-insurance group that meets the
33 requirements of § 9-404 of this subtitle;

34 (4) participating in a self-insurance group of private employers that meets
35 the requirements of Article 48A, Subtitle 44 of the Code;

36 (5) maintaining self-insurance for an individual employer in accordance
37 with § 9-405 of this subtitle; or

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1 (6) having a county board of education secure compensation under §
2 8-401.1(c) of the Education Article.

3 (b) The State shall secure compensation for jurors by maintaining insurance with
4 the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY
5 and paying into the [Fund] COMPANY the premiums set by the Board of the[Fund]
6 COMPANY as necessary to provide compensation for jurors.

7 (c) The Adjutant General shall secure compensation for officers and enlisted
8 members of the organized militia of the State by maintaining insurance with the [Injured
9 Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY or an
10 authorized insurer.

11 (d) A licensed owner or trainer of a racehorse who is considered an employer
12 under § 9-212 of this title is in compliance with the requirements of this subtitle if the
13 owner or trainer is in compliance with the requirements of § 11-906 of the Business
14 Regulation Article.

15 (e) The Secretary of Human Resources shall secure compensation for recipient
16 of public assistance who is a covered employee under § 9-224 of this title by maintaining
17 insurance with the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL
18 INSURANCE COMPANY and paying into the [Fund] COMPANY the premiums set by the
19 Board of the [Fund] COMPANY as necessary to provide compensation for those
20 individuals.

21 (f) Anne Arundel, Kent, and Prince George's Counties shall secure compensation
22 for members of a volunteer fire company or volunteer rescue squad by maintaining
23 insurance with the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL
24 INSURANCE COMPANY or an authorized insurer.

25 9-404.

26 (e) (2) On application and subject to paragraph (3) of this subsection, the
27 Commission shall return security that a governmental self-insurance group has deposited
28 under this subsection if:

29 (i) the members of the governmental self-insurance group cease to be
30 subject to this title or secure compensation through an authorized insurer or the [Injured
31 Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY; and

32 (ii) the governmental self-insurance group has not been liable on a
33 claim for compensation during the 5 years immediately after the day on which the event
34 described in item (i) of this paragraph occurred.

35 (j) (2) Whenever the Commission revokes approval for a governmental
36 self-insurance group to self-insure under this section, the members of the governmental
37 self-insurance group immediately shall secure compensation through an authorized
38 insurer or the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE
39 COMPANY.

40 (3) If a member of a governmental self-insurance group fails to secure
41 compensation as required by paragraph (2) of this subsection, the Commission shall order

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1 the member of the governmental self-insurance group to secure compensation through
2 the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE
3 COMPANY.

4 9-405.

5 (b) (2) On application and subject to paragraph (3) of this subsection, the
6 Commission shall return security that an employer has deposited under this subsection if
7 the employer:

8 (i) ceases to be subject to this title or secures compensation through
9 an authorized insurer or the [Injured Workers' Insurance Fund] CHESAPEAKE
10 MUTUAL INSURANCE COMPANY; and

11 (ii) has not been liable on a claim for compensation during the 5 years
12 immediately after the day on which the event described in item (i) of this paragraph
13 occurred.

14 (f) (3) Whenever the Commission revokes approval for an employer to
15 self-insure under this section, the employer immediately shall secure compensation
16 through an authorized insurer or the [Injured Workers' Insurance Fund] CHESAPEAKE
17 MUTUAL INSURANCE COMPANY.

18 (4) If an employer fails to secure compensation as required by paragraph (3)
19 of this subsection, the Commission shall order the employer to secure compensation
20 through the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE
21 COMPANY.

22 9-407.

23 (a) If an employer fails to secure compensation for the covered employees of the
24 employer as required by § 9-402 of this subtitle, the Commission shall order the employer
25 to maintain insurance with the [Injured Workers' Insurance Fund] CHESAPEAKE
26 MUTUAL INSURANCE COMPANY by paying to the [State Treasurer, for the benefit and
27 use of the Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE
28 COMPANY, the premiums required for the employer to become insured with the [Injured
29 Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY.

30 (b) If an employer fails to comply with an order to insure with the [Injured
31 Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY passed
32 under subsection (a) of this section or under § 9-404(j) or § 9-405(f) of this subtitle
33 within 10 days after the Commission passes the order, the employer is liable to the State
34 for a penalty equal to the premiums for 6 months of insurance with the [Injured Workers'
35 Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY.

36 (c) The Commission may collect any unpaid amount under subsections (a) and (b)
37 of this section in the same manner and with the same effect as provided for collections by
38 the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY
39 under § 10-133(c) of this article.

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1 9-689.

2 (c) If there are no dependents, the employer, its insurer, or the [Injured
3 Workers' Insurance Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY, as
4 appropriate, shall pay the expenses of the last sickness and burial of the covered
5 employee.

6 10-101.

7 (a) In this subtitle the following words have the meanings indicated.

8 (b) "Board" means the Board for the [Injured Workers' Insurance Fund]
9 CHESAPEAKE MUTUAL INSURANCE COMPANY.

10 (c) ["Fund"] "COMPANY" means the [Injured Workers' Insurance Fund]
11 CHESAPEAKE MUTUAL INSURANCE COMPANY.

12 (d) "Policyholder" means an employer who holds a policy of insurance under this
13 subtitle.

14 (e) [(1)] "Wage" means all earnings that are due to an employee for employment,
15 AS SET FORTH IN § 9-602 OF THIS ARTICLE.

16 [(2) "Wage" includes:

17 (i) a bonus;

18 (ii) overtime pay;

19 (iii) a share of profits; and

20 (iv) if, at the time of hiring, an employer and employee set a dollar
21 value for board or a similar advantage, the advantage.]

22 10-104.

23 (A) (1) There is [an Injured Workers' Insurance Fund] A CHESAPEAKE
24 MUTUAL INSURANCE COMPANY.

25 (2) THE COMPANY IS ESTABLISHED AS A NONPROFIT INDEPENDENT
26 PUBLIC CORPORATION.

27 (3) THE COMPANY IS ORGANIZED AS A DOMESTIC MUTUAL INSURER.

28 (B) THE COMPANY SHALL SUCCEED TO THE PROPERTY, ASSETS, AND
29 LIABILITIES OF THE INJURED WORKERS' INSURANCE FUND.

30 (C) (1) SUBJECT TO THE PROVISIONS OF THIS TITLE, THE COMPANY MAY
31 ESTABLISH SUBSIDIARIES TO ISSUE PROPERTY INSURANCE AND CASUALTY
32 INSURANCE POLICIES.

33 (2) THE SUBSIDIARIES MAY NOT ISSUE LIFE INSURANCE POLICIES OR
34 INSURANCE POLICIES COVERING HEALTH AND HOSPITALIZATION COSTS.

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1 (3) MOTOR VEHICLE INSURANCE POLICIES ISSUED BY A SUBSIDIARY
2 MAY NOT INSURE MOTOR VEHICLES THAT ARE NOT USED FOR COMMERCIAL
3 PURPOSES.

4 (D) THE COMPANY AND ITS SUBSIDIARIES ARE SUBJECT ONLY TO THOSE
5 SECTIONS OF ARTICLE 48A OF THE CODE SPECIFICALLY ENUMERATED IN THIS
6 TITLE.

7 (E) EXCEPT AS OTHERWISE PROVIDED BY LAW, THE COMPANY HAS THE
8 POWERS, PRIVILEGES, AND IMMUNITIES OF A MUTUAL INSURER.

9 (F) THE COMPANY SHALL CONTINUE TO INSURE AGAINST LIABILITY UNDER
10 TITLE 9 OF THIS ARTICLE ANY EMPLOYER WHO COMPLETES THE APPLICATION
11 PROCESS ESTABLISHED UNDER § 10-131 OF THIS TITLE.

12 10-105.

13 (a) [The Fund is independent of all State units.

14 (b) (1) Except as provided in paragraph (2) of this subsection and elsewhere in
15 this subtitle, the Fund is not subject to any law, including § 6-106 of the State
16 Government Article, that affects governmental units.

17 (2) The Fund is subject to:

18 (i) Title 10, Subtitle 5 of the State Government Article;

19 (ii) Title 10, Subtitle 6, Part III of the State Government Article;

20 (iii) Title 12 of the State Government Article;

21 (iv) the Maryland Public Ethics Law; and

22 (v) Title 3, Subtitle 3 of the State Personnel and Pensions Article.

23 (3) Paragraph (1) of this subsection does not affect the exemption from
24 property tax under § 7-210 of the Tax - Property Article] THE COMPANY IS NOT
25 SUBJECT TO:

26 (1) ANY LAW, REGULATION, OR EXECUTIVE ORDER THAT AFFECTS
27 GOVERNMENTAL UNITS;

28 (2) TITLE 6, SUBTITLE 5 OF THE CORPORATIONS AND ASSOCIATIONS
29 ARTICLE; OR

30 (3) ANY PROVISION OF ARTICLE 48A OF THE CODE THAT AFFECTS
31 MUTUAL INSURERS.

32 (B) (1) NOTWITHSTANDING SUBSECTION (A) OF THIS SECTION, THE
33 COMPANY, AND SUBSIDIARIES OF THE COMPANY THAT PROVIDE PROPERTY
34 INSURANCE OR CASUALTY INSURANCE, ARE SUBJECT TO ARTICLE 48A, § 233 OF THE
35 CODE.

36 (2) SUBSIDIARIES OF THE COMPANY THAT PROVIDE PROPERTY
37 INSURANCE OR CASUALTY INSURANCE ARE SUBJECT TO:

11

1 (I) ARTICLE 48A, SUBTITLES 2, 3, 16, 17, 28, AND 47 OF THE CODE;
2 AND

3 (II) ARTICLE 48A, §§ 230A, 234A, 240AA, 240C, AND 240C-1 OF THE
4 CODE.

5 (C) (1) THE COMPANY AND ITS SUBSIDIARIES ARE NOT AND MAY NOT BE
6 DEEMED DEPARTMENTS, UNITS, AGENCIES, OR INSTRUMENTALITIES OF THE STATE
7 FOR ANY PURPOSE.

8 (2) ALL DEBTS, CLAIMS, OBLIGATIONS, AND LIABILITIES OF THE
9 COMPANY OR ITS SUBSIDIARIES, WHENEVER INCURRED, SHALL BE THE DEBTS,
10 CLAIMS, OBLIGATIONS, AND LIABILITIES OF THE COMPANY OR ITS SUBSIDIARIES
11 ONLY AND NOT OF THE STATE OR THE STATE'S AGENCIES, INSTRUMENTALITIES,
12 OFFICERS, OR EMPLOYEES.

13 (D) (1) THE MONEYS OF THE COMPANY OR ITS SUBSIDIARIES ARE NOT
14 PART OF THE GENERAL FUND OF THE STATE.

15 (2) THE STATE MAY NOT BUDGET FOR OR PROVIDE GENERAL FUND
16 APPROPRIATIONS TO THE COMPANY OR ITS SUBSIDIARIES.

17 (3) THE DEBTS, CLAIMS, OBLIGATIONS, AND LIABILITIES OF THE
18 COMPANY OR ITS SUBSIDIARIES ARE NOT DEBTS OF THE STATE OR PLEDGES OF THE
19 CREDIT OF THE STATE.

20 (E) AFTER REASONABLE NOTICE TO THE COMPANY, POLICYHOLDERS OF THE
21 COMPANY MAY INSPECT DURING BUSINESS HOURS THE BOOKS AND RECORDS OF
22 THE COMPANY THAT ARE NOT OTHERWISE PRIVILEGED OR CONFIDENTIAL.

23 10-106.

24 [Beginning with calendar year 1994, the] THE calendar year is the fiscal year of the
25 [Fund] COMPANY.

26 10-109.

27 There is a Board for the [Injured Workers' Insurance Fund] CHESAPEAKE
28 MUTUAL INSURANCE COMPANY.

29 10-110.

30 (a) (1) The Board consists of [7 members] 11 MEMBERS, 10 OF WHOM ARE
31 appointed by the Governor with the advice and consent of the Senate.

32 (2) THE PRESIDENT OF THE COMPANY IS AN EX-OFFICIO MEMBER OF
33 THE BOARD.

34 (b) Each APPOINTED member shall be a [citizen of the State] POLICYHOLDER
35 OF THE COMPANY.

36 (c) Before taking office, each appointee to the Board shall take the oath required
37 by Article I, § 9 of the Maryland Constitution.

38 (d) (1) The term of [a] AN APPOINTED member is 5 years.

12

1 (2) [The terms of members are staggered as required by the terms provided
2 for members of the Board on October 1, 1991.

3 (3) At the end of a term, [a] AN APPOINTED member continues to serve
4 until a successor is appointed and qualifies.

5 (3) THE GOVERNOR SHALL APPOINT A NEW MEMBER TO FILL THE
6 VACANCY OF AN APPOINTED POSITION ON THE BOARD.

7 (4) A member who is appointed after a term has begun serves only for the
8 rest of the term and until a successor is appointed and qualifies.

9 (e) The Governor may remove [a] AN APPOINTED member for incompetence or
10 misconduct.

11 10-112.

12 (a) The Board may not act on any matter unless at least [4] A MAJORITY OF
13 THE members concur.

14 (b) Each member of the Board shall devote the time needed to carry out the
15 duties of office.

16 (c) The Board shall determine the times and places of its meetings.

17 (d) (1) Each member of the Board is entitled to:

18 (i) the salary provided in the budget of the Board; and

19 (ii) reimbursement for expenses [under the Standard State Travel
20 Regulations,] as provided in the budget of the Board.

21 (2) Each member of the Board shall be paid [semimonthly] EVERY TWO
22 WEEKS, OR AS OTHERWISE DETERMINED BY THE BOARD.

23 10-113.

24 (a) The Board:

25 (1) shall appoint a president and an executive vice president of the [Fund]
26 COMPANY; AND

27 (2) [shall appoint or employ attorneys to advise and represent the Fund in
28 all legal matters and, where necessary, to sue or defend suits in the name of the Fund;
29 and

30 (3) may employ other staff.

31 (b) (1) Except as provided in paragraph (2) of this subsection, employees of the
32 [Fund] COMPANY are NOT CLASSIFIED OR unclassified EMPLOYEES.

33 (2) A classified employee of the [Fund] COMPANY hired before July 1,
34 1990 in a nonprofessional or nontechnical position [shall] MAY remain a member of the
35 classified service as long as the employee remains in a nonprofessional or nontechnical
36 position with the [Fund] COMPANY.

13

1 (c) [(1)] The Board shall set compensation for its employees [who are in the
2 unclassified service].

3 [(2) To the extent practicable, the Board shall set the compensation in
4 accordance with the State pay plan.]

5 (d) (1) This subsection does not apply to the layoff of an employee because of
6 lack of work.

7 (2) An [unclassified] employee of the [Fund] COMPANY may not be
8 permanently removed unless:

9 (i) [written charges are filed;

10 (ii) the employee has an opportunity for a hearing in accordance with
11 Title 10, Subtitle 2 of the State Government Article; and

12 (iii)] there is cause for removal; AND

13 (II) THE REMOVAL IS IN COMPLIANCE WITH ALL APPLICABLE
14 FEDERAL AND STATE LAWS AND WITH PROCEDURES ESTABLISHED BY THE BOARD
15 FOR THE REMOVAL OF EMPLOYEES.

16 10-114.

17 [(a)] The Board may adopt:

18 (1) any regulation to carry out this subtitle; AND

19 (2) BY-LAWS, NOT INCONSISTENT WITH THIS TITLE, FOR THE CONDUCT
20 OF THE COMPANY'S BUSINESS.

21 [(b) (1) The Board shall have a plan to promote the services of the Fund to
22 employers in the State.

23 (2) As part of the plan, the Board may prepare a pamphlet about the fund
24 and provide copies to each county for distribution to businesses with personal property
25 tax bills.]

26 10-117.

27 The Board:

28 (1) shall use the [Fund] COMPANY to insure employers against liability
29 under Title 9 of this article; and

30 (2) may use the [Fund] COMPANY:

31 (i) to provide employer's liability insurance; and

32 (ii) on behalf of [a policyholder] AN EMPLOYER INSURED UNDER
33 PARAGRAPH (1) OF THIS SECTION, to pay benefits equal to benefits allowed under:

34 1. a compensation law of another state IF THE CLAIMANT FOR
35 THOSE BENEFITS WAS HIRED IN MARYLAND AND WORKING FOR THE EMPLOYER IN
36 ANOTHER STATE ON A TEMPORARY, CASUAL, OR OCCASIONAL BASIS; or

14

1 2. a federal compensation law.

2 [10-118.

3 (a) The Fund shall consist of:

4 (1) premiums for insurance that the Fund issues;

5 (2) income from investments that the State Treasurer makes for the Fund
6 under § 10-122 of this subtitle;

7 (3) interests on deposits or investments of money from the Fund; and

8 (4) the money that the Attorney General collects under § 10-133(c) of this
9 subtitle on debts.

10 (b) The Fund shall include each security or other property that is acquired with
11 money of the Fund.

12 (c) The Board shall use the Fund to pay all of the expenses under this subtitle,
13 including losses on insurance that the Fund issues.]

14 [10-119.

15 (a) The State Treasurer is custodian of the Fund.

16 (b) The State Treasurer shall keep the Fund separate from State money.]

17 10-120.

18 [(a)] The Board shall administer the [Fund.] COMPANY AND

19 [(b) (1) The Board shall] prepare capital and operating budgets for the [Fund]
20 COMPANY.

21 [(2) For information only, the Board shall submit the budgets to the Senate
22 Budget and Taxation Committee and the House Appropriations Committee.

23 (c) The Board shall issue receipts for money that the Fund receives.]

24 10-121.

25 The Board shall keep:

26 (1) a catastrophe surplus sufficient to cover catastrophic hazards for which
27 the [Fund] COMPANY writes coverage; and

28 (2) reserves sufficient to:

29 (i) meet anticipated losses of the [Fund] COMPANY; and

30 (ii) carry to maturity policies that the [Fund] COMPANY issues.

31 10-122.

32 (a) If, at any time, the amount of money in the [Fund] COMPANY exceeds the
33 amount that the Board considers necessary for immediate use, the [StateTreasurer]

34 BOARD shall[:

15

1 (1) invest the excess in any investment authorized under Article 48A, §§ 97
2 through 107 of the Code for insurance companies[; or

3 (2) deposit the excess in accordance with the laws that govern deposit of
4 State money].

5 (b) If the Board considers it expedient or necessary to use money invested under
6 subsection (a)[(1)] of this section, the [State Treasurer] BOARD shall collect, sell, or
7 otherwise realize an investment.

8 10-123.

9 If the Board determines that the financial condition of the [Fund] COMPANY
10 warrants a dividend declaration, the Board may declare for policyholders a dividend in
11 the form of a cash refund or a credit.

12 [10-124.

13 The State Treasurer shall disburse money from the Fund only on a voucher that is
14 signed by:

15 (1) the Chairman or Vice Chairman of the Board; and

16 (2) the President of the Fund.]

17 10-124.

18 THE BOARD, AS IT CONSIDERS APPROPRIATE, SHALL ARRANGE FOR
19 INSURANCE COVERAGE FOR THE COMPANY, INCLUDING:

20 (1) FIDUCIARY BONDS ON OFFICERS AND EMPLOYEES;

21 (2) COVERAGE FOR ERRORS AND OMISSIONS OF BOARD MEMBERS,
22 OFFICERS, AND EMPLOYEES; AND

23 (3) COVERAGE FOR TORT LIABILITY.

24 [10-125.

25 (a) (1) The Legislative Auditor shall conduct:

26 (i) a fiscal audit of the accounts and transactions of the Fund each
27 year;

28 (ii) a compliance audit of the accounts and transactions of the Fund
29 every 2 years; and

30 (iii) a statutory audit of the Fund at least every 3 years in a manner
31 recognized and required by the Legislative Auditor.

32 (2) As part of the statutory audit, the Legislative Auditor shall perform a
33 market conduct survey about the operations of the Fund, including a review of:

34 (i) the average caseload of the Fund's attorneys;

35 (ii) the average length of time to process a claim;

16

1 (iii) each complaint submitted during the calendar year before the
2 survey, the nature of the complaint, and the resolution of the complaint;

3 (iv) the percentage of claims contested before the Workers'
4 Compensation Commission; and

5 (v) whether the Fund unfairly discriminates or allows unfair
6 discrimination between individuals of the same class and essentially the same hazard
7 level:

8 1. in the terms or conditions of an insurance policy;

9 2. in premiums charged; or

10 3. except as provided under the Fund's experience modification
11 and premium discount plan, in any other manner.

12 (3) As soon as possible, the Legislative Auditor shall submit the results of:

13 (i) each audit to the Governor and, subject to § 2-1312 of the State
14 Government Article, to the Legislative Policy Committee; and

15 (ii) the market conduct survey to the Legislative Policy Committee.

16 (b) The Fund shall pay for:

17 (1) the fiscal portion of the postaudit examination;

18 (2) the market conduct survey; and

19 (3) the statutory audit.]

20 10-125.

21 (A) THE BOARD SHALL PROVIDE FOR AUDITS OF THE COMPANY BY AN
22 INDEPENDENT ACCOUNTING FIRM, INCLUDING:

23 (1) AN ANNUAL FINANCIAL AUDIT TO EXAMINE WHETHER THE
24 COMPANY'S FINANCIAL STATEMENTS FAIRLY DEPICT ITS FINANCIAL POSITION AND
25 THE RESULT OF ITS OPERATIONS AND CASH FLOWS AS OF THE CLOSE OF THE
26 COMPANY'S FISCAL YEAR; AND

27 (2) AT LEAST EVERY 3 YEARS, AN AUDIT PREPARED IN ACCORDANCE
28 WITH STATUTORY ACCOUNTING PRINCIPLES OF THE COMPANY'S FINANCIAL
29 STATEMENTS.

30 (B) THE COMPANY SHALL SEND COPIES OF THE AUDITS REQUIRED UNDER
31 SUBSECTION (A) OF THIS SECTION TO THE GOVERNOR, THE INSURANCE
32 COMMISSIONER, AND THE DIRECTOR OF THE DEPARTMENT OF FISCAL SERVICES.

33 (C) NO MORE FREQUENTLY THAN ONCE EVERY 3 YEARS, THE INSURANCE
34 COMMISSIONER MAY CONDUCT A MARKET CONDUCT SURVEY OF THE COMPANY.

17

1 [10-126.

2 (a) Within 90 days after the close of each fiscal year, the Board shall submit to the
3 Governor an annual report that includes a detailed statement of:

- 4 (1) the condition and expenses of the Fund in detail;
- 5 (2) growth of the Fund;
- 6 (3) changes in earned premiums of the Fund;
- 7 (4) changes in the number of policyholders of the Fund;
- 8 (5) the degree of the Fund's personnel flexibility;
- 9 (6) trends in the overall market share; and
- 10 (7) trends in the premium to expense ratio.

11 (b) (1) On or before October 1 of each year, the Fund shall submit to the
12 Governor:

13 (i) a copy of each policy form that the Fund will use during the next
14 calendar year;

15 (ii) the schedule of premium rates that the Fund will charge for the
16 next calendar year;

17 (iii) information about provision for claim payment, as defined in
18 Article 48A, § 244A(g) of the Code, for each class for which the Fund writes coverage;
19 and

20 (iv) other information that the Governor requests about premium
21 rates, including classes, financial information, and losses.

22 (2) (i) Information required under paragraph (1)(ii) through (iv) of this
23 subsection shall be submitted on the form that the Governor requires.

24 (ii) The form shall conform as closely as possible to the form that a
25 rating organization uses to comply with Article 48A, §§ 244G and 244Y of the Code.]

26 10-127.

27 If the [General Assembly repeals this subtitle] COMPANY IS DISSOLVED, money
28 in the [Fund] COMPANY, AFTER COMPLIANCE WITH ALL APPLICABLE LAWS OF
29 DISSOLUTION, at the time of [repeal] DISSOLUTION shall be distributed:

30 (1) as the General Assembly provides; or

31 (2) if the General Assembly does not provide for distribution, as justice
32 requires[, with due regard for existing obligations for compensation].

18

1 10-130.

2 (a) [The] FOR PURPOSES OF LIABILITY INSURANCE UNDER TITLE 9 OF THIS
3 ARTICLE, THE Board shall adopt, by regulation, a schedule of premium rates, as provided
4 in this section.

5 10-131.

6 An employer shall apply for insurance under this subtitle in accordance with the
7 [regulations of] PROCEDURES ESTABLISHED BY the Board.

8 10-132.

9 [Each] FOR PURPOSES OF LIABILITY INSURANCE UNDER TITLE 9 OF THIS
10 ARTICLE, EACH employer who applies and is eligible for insurance under this subtitle
11 shall be assigned, after consideration of the number of employees and the relative hazards
12 of the various types of work performed in the enterprise of the employer:

13 (1) to the class that includes the work; or

14 (2) if more than 1 class clearly applies to the work, to each applicable class.

15 10-133.

16 (a) The Board shall adopt regulations that provide procedures and standards for
17 the payment of premiums.

18 (b) (1) Subject to paragraph (2) of this subsection, the Board, the President of
19 the [Fund] COMPANY, or the Executive Vice President of the [Fund] COMPANY may:

20 (i) cancel the insurance of a policyholder who fails to pay a premium
21 due to the [Fund] COMPANY; and

22 (ii) [refer to the Attorney General, for] PURSUE collection[,] OF the
23 debt of any policyholder whose insurance is being cancelled under this paragraph.

24 (2) At least 30 days before the date set for cancellation of insurance under
25 this subsection, the Board shall:

26 (i) serve on the policyholder, by personal service or by certified or
27 registered mail sent to the last known resident address of the policyholder, a notice of
28 intention to cancel insurance; and

29 (ii) submit a copy of the notice to the Workers' Compensation
30 Commission.

31 (3) Notice under this subsection may be given:

32 (i) for a policyholder that is a corporation, to an official or other agent
33 of the corporation on whom legal process may be served; and

34 (ii) for a policyholder that is a partnership, to any partner.

35 (4) Notice under this subsection shall state the date on which the
36 cancellation is to become effective.

19

1 (5) Whenever COLLECTION OF a debt is [referred] PURSUED under this
2 subsection [for collection], the insurance may not be reinstated until the debt is paid in
3 full.

4 [(c) (1) Whenever a debt is referred under this section for collection, the Board,
5 the President of the Fund, or the Executive Vice President of the Fund shall provide the
6 Attorney General with:

- 7 (i) the name of the policyholder;
- 8 (ii) each known business or resident address of the policyholder; and
- 9 (iii) a statement of the amount that the policyholder owes to the Fund.

10 (2) The Attorney General may sue, in the name of the Fund, to collect the
11 debt.

12 (d) If the President of the Fund considers settlement to be in the best interest of
13 the Fund, a debt that is referred under this section for collection maybe settled.]

14 10-134.

15 The Board shall issue a certificate of insurance.

16 10-135.

17 (a) The Board may:

- 18 (1) adopt requirements for uniform payroll; and
- 19 (2) require each policyholder to conform to the requirements.

20 (b) In accordance with the requirements that the Board adopts, each policyholder
21 shall submit a report on wages or other documentation to the Board at intervals that the
22 Board sets.

23 (c) The Board or its authorized employee may inspect at any time the payroll of a
24 policyholder.

25 (d) (1) Subject to paragraph (2) of this subsection, the Board, the President of
26 the [Fund] COMPANY, or the Executive Vice President of the [Fund] COMPANY may
27 cancel the insurance of a policyholder who:

- 28 (i) fails to comply with subsection (b) of this section; or
- 29 (ii) refuses to allow an inspection authorized under subsection (c) of
30 this section.

31 (2) At least 30 days before the date set for cancellation of insurance under
32 this subsection, the Board shall:

- 33 (i) serve on the policyholder, by personal service or by certified or
34 registered mail sent to the last known resident address of the policyholder, a notice of
35 intention to cancel insurance; and

20

1 (ii) submit a copy of the notice to the Workers' Compensation
2 Commission.

3 (3) Notice under this subsection may be given:

4 (i) for a policyholder that is a corporation, to an official or other agent
5 of the corporation on whom legal process may be served; and

6 (ii) for a policyholder that is a partnership, to any partner.

7 (4) Notice under this subsection shall state the date on which the
8 cancellation is to become effective.

9 10-136.

10 A policyholder may cancel a policy under this subtitle, if the policyholder:

11 (1) gives the [Fund] COMPANY written notice; and

12 (2) promptly pays all premiums owed to the [Fund] COMPANY.

13 10-137.

14 If the Board considers an account to be uncollectible, the account may be charged
15 from the books of the [Fund] COMPANY.

16 10-138.

17 (a) Subject to subsection (b) of this section, the President of the [Fund]
18 COMPANY may settle a claim that the [Fund] COMPANY has against a governmental
19 unit or person who is alleged to be liable for an accident for which the [Fund]
20 COMPANY pays compensation.

21 (b) The President may settle a claim under this section only if:

22 (1) the Workers' Compensation Commission consents; and

23 (2) for a settlement that will prejudice any right of an injured employee, the
24 employee consents.

25 10-141.

26 (a) An employer may not with fraudulent intent misrepresent to the Board the
27 wages on which a premium under this subtitle is based.

28 (b) A person who violates any provision of this section is guilty of a misdemeanor
29 and on conviction is subject to a fine not exceeding [\$1,000] \$10,000 or imprisonment not
30 exceeding 90 days or both.

31 **Article - State Government**

32 5-102.

33 (b) The surety bond under this section shall:

34 (1) run to the State;

21

- 1 (2) be in the amount that the Governor approves;
- 2 (3) be with a surety company that is authorized to do business in the State;
- 3 and
- 4 (4) include provisions that secure the money of:
 - 5 (i) [the Injured Workers' Insurance Fund;
 - 6 (ii)] the Subsequent Injury Fund; and
 - 7 [(iii)] (II) the Unemployment Insurance Administration Fund.

8 10-102.

- 9 (b) This subtitle does not apply to:
 - 10 (1) a unit in the Legislative Branch of the State government;
 - 11 (2) a unit in the Judicial Branch of the State government;
 - 12 (3) the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL
 - 13 INSURANCE COMPANY;
 - 14 (4) a board of license commissioners; or
 - 15 (5) the Forvm for Rural Maryland.

16 10-203.

- 17 (a) This subtitle does not apply to:
 - 18 (3) the following agencies of the Executive Branch of the Stategovernment:
 - 19 (iv) the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL
 - 20 INSURANCE COMPANY;

21 10-302.

- 22 (a) This subtitle does not apply to:
 - 23 (5) the [Injured Workers' Insurance Fund] CHESAPEAKE MUTUAL
 - 24 INSURANCE COMPANY;

25 12-101.

26 In this subtitle, unless the context clearly requires otherwise, "State personnel"
27 means:

- 28 (2) an employee or official of the:
 - 29 (i) Maryland Transportation Authority;
 - 30 (ii) [Injured Workers' Insurance Fund;
 - 31 (iii)] Maryland Stadium Authority;

[(iv)] (III) Maryland Environmental Service;

22

1 [(v)] (IV) overseas programs of the University College of the University
2 of Maryland System; and

3 [(vi)] (V) Maryland Economic Development Corporation;

4 **Article - State Personnel and Pensions**

5 8-115.

6 (A) THIS SECTION APPLIES TO EMPLOYEES OF THE CHESAPEAKE MUTUAL
7 INSURANCE COMPANY AND ITS SUBSIDIARIES.

8 (B) SUBJECT TO THE REGULATIONS ADOPTED UNDER § 8-103 OF THIS
9 SUBTITLE, AN EMPLOYEE OR, WHILE RECEIVING AN ALLOWANCE UNDER THE
10 EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF MARYLAND OR THE
11 EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND, AN EMPLOYEE'S
12 SURVIVING SPOUSE:

13 (1) MAY ENROLL AND PARTICIPATE IN THE HEALTH INSURANCE OR
14 OTHER BENEFIT OPTIONS ESTABLISHED UNDER THE PROGRAM; AND

15 (2) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, IS
16 SUBJECT TO THE SAME TERMS AND CONDITIONS AS THOSE PROVIDED UNDER § 8-107
17 OF THIS SUBTITLE.

18 (C) WHILE RECEIVING AN ALLOWANCE UNDER THE EMPLOYEES'
19 RETIREMENT SYSTEM OF THE STATE OF MARYLAND OR THE EMPLOYEES' PENSION
20 SYSTEM OF THE STATE OF MARYLAND, A FORMER EMPLOYEE OR A FORMER
21 EMPLOYEE'S SURVIVING SPOUSE OR DEPENDENT CHILD:

22 (1) MAY ENROLL AND PARTICIPATE IN THE HEALTH INSURANCE
23 BENEFIT OPTIONS ESTABLISHED UNDER THE PROGRAM; AND

24 (2) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, IS
25 SUBJECT TO THE SAME TERMS AND CONDITIONS AS THOSE PROVIDED UNDER § 8-108
26 OF THIS SUBTITLE, WITH THE EMPLOYEE'S SERVICE WITH THE INJURED WORKERS'
27 INSURANCE FUND, THE CHESAPEAKE MUTUAL INSURANCE COMPANY, AND
28 SUBSIDIARIES OF THE CHESAPEAKE MUTUAL INSURANCE COMPANY BEING
29 INCLUDED AS PART OF THE EMPLOYEE'S STATE SERVICE.

30 (D) FOR EACH PARTICIPANT UNDER THIS SECTION, THE CHESAPEAKE
31 MUTUAL INSURANCE COMPANY AND ITS SUBSIDIARIES SHALL PAY TO THE STATE
32 AN EMPLOYER SHARE OF THE COST OF THE PROGRAM BASED ON THE STATE
33 SUBSIDY ALLOWED UNDER THIS SUBTITLE.

34 9-501.

35 (b) This subtitle does not apply to:

36 (1) unclassified service employees of the [Injured Workers' Insurance
37 Fund] CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS SUBSIDIARIES;

23

1 21-307.

2 (I) FOR AN EMPLOYEE OF THE CHESAPEAKE MUTUAL INSURANCE COMPANY
3 OR ITS SUBSIDIARIES WHO IS A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM
4 OR THE PENSION SYSTEM FOR EMPLOYEES, THE CHESAPEAKE MUTUAL INSURANCE
5 COMPANY OR ITS SUBSIDIARIES SHALL PAY TO THE BOARD OF TRUSTEES THE
6 EMPLOYER CONTRIBUTIONS OTHERWISE REQUIRED TO BE MADE BY THE STATE ON
7 BEHALF OF THE MEMBER.

8 21-310.1.

9 (A) EACH YEAR, THE BOARD OF TRUSTEES SHALL CERTIFY TO THE
10 CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS SUBSIDIARIES THE STATE'S
11 NORMAL CONTRIBUTION RATE AND THE STATE'S ACCRUED LIABILITY
12 CONTRIBUTION RATE AND THE AMOUNTS PAYABLE UNDER § 21-307(I) OF THIS
13 SUBTITLE.

14 (B) (1) THE CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS
15 SUBSIDIARIES SHALL PAY TO THE BOARD OF TRUSTEES THE AMOUNT OF THE
16 CHARGES CERTIFIED TO THE CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS
17 SUBSIDIARIES BY THE BOARD OF TRUSTEES UNDER SUBSECTION (A) OF THIS
18 SECTION.

19 (2) WITHIN 30 DAYS AFTER RECEIVING THE CERTIFICATION BY THE
20 BOARD OF TRUSTEES, THE CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS
21 SUBSIDIARIES SHALL PAY THAT AMOUNT TO THE BOARD OF TRUSTEES.

22 (3) IF THE CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS
23 SUBSIDIARIES DO NOT PAY THE AMOUNTS CERTIFIED UNDER THIS SECTION WITHIN
24 THE TIME REQUIRED, THEY ARE LIABLE FOR:

25 (I) A PENALTY OF 10% OF THE AMOUNT DUE; AND

26 (II) INTEREST ON DELINQUENT AMOUNTS AT 10% A YEAR UNTIL
27 PAYMENT.

28 (4) THE SECRETARY OF THE BOARD OF TRUSTEES MAY ALLOW A
29 GRACE PERIOD FOR PAYMENT OF THE AMOUNTS CERTIFIED UNDER THIS SECTION
30 NOT TO EXCEED 10 CALENDAR DAYS.

31 (5) ON NOTIFICATION BY THE SECRETARY OF THE BOARD OF
32 TRUSTEES THAT A DELINQUENCY EXISTS, THE STATE COMPTROLLER IMMEDIATELY
33 SHALL EXERCISE THE RIGHT OF SETOFF AGAINST ANY MONEY DUE OR COMING
34 DUE TO THE CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS SUBSIDIARIES.

35 (C) ON RECEIPT OF THE PAYMENTS FROM THE CHESAPEAKE MUTUAL
36 INSURANCE COMPANY AND ITS SUBSIDIARIES, THE BOARD OF TRUSTEES SHALL
37 CREDIT THESE AMOUNTS TO THE ACCUMULATION FUND OF THE APPROPRIATE
38 STATE SYSTEM.

24

1 22-201.

2 (a) Except as provided in subsection (b) of this section, §§ 22-202 through 22-204
3 of this subtitle apply only to:

4 (8) an employee of Dorchester County who is not a member of the county's
5 general pension and retirement program and who is a member of the Employees'
6 Retirement System; [and]

7 (9) a court reporter for the Circuit Court for Charles County who is a
8 member of the Employees' Retirement System on July 1, 1994; AND

9 (10) AN EMPLOYEE OF THE CHESAPEAKE MUTUAL INSURANCE
10 COMPANY OR ITS SUBSIDIARIES WHO IS A MEMBER OF THE EMPLOYEES'
11 RETIREMENT SYSTEM ON JUNE 30, 1996.

12 23-201.

13 (a) Except as provided in subsection (b) of this section, §§ 23-202 through 23-205
14 of this subtitle apply only to:

15 (12) an employee of the Baltimore City Community College who is not a
16 clerical or professional employee; [and]

17 (13) a court reporter for the Circuit Court for Charles County who is a
18 member of the Employees' Pension System on July 1, 1994, or transfers from the
19 Employees' Retirement System on or after July 1, 1994; AND

20 (14) AN EMPLOYEE OF THE INJURED WORKERS' INSURANCE FUND, THE
21 CHESAPEAKE MUTUAL INSURANCE COMPANY, OR A SUBSIDIARY OF THE
22 CHESAPEAKE MUTUAL INSURANCE COMPANY WHO IS A MEMBER OF THE
23 EMPLOYEES' PENSION SYSTEM ON JUNE 30, 1996, OR TRANSFERS FROM THE
24 EMPLOYEES' RETIREMENT SYSTEM ON OR AFTER JULY 1, 1996.

25 **Article - Tax - General**

26 10-104.

27 The income tax does not apply to the income of:

28 (1) a common trust fund, as defined in § 3-501(b) of the Financial
29 Institutions Article;

30 (2) except as provided in §§ 10-101(c-1)(3) and 10-304(2) of this title, an
31 organization that is exempt from taxation under § 408(e)(1) or § 501 of the Internal
32 Revenue Code;

33 (3) a financial institution that is subject to the financial institution franchise
34 tax;

35 (4) an insurance company, within the meaning of Article 48A of the Code;

36 (5) except as provided in § 10-102.1 of this subtitle, a partnership, as
37 defined in § 761 of the Internal Revenue Code;

25

1 (6) except as provided in § 10-102.1 of this subtitle and § 10-304(3) of this
2 title, an S corporation;

3 (7) except as provided in § 10-304(4) of this title, an investment conduit or
4 a special exempt entity; [or]

5 (8) except as provided in § 10-102.1 of this subtitle, a limited liability
6 company as defined under Title 4A of the Corporations and Associations Article to the
7 extent that the company is taxable as a partnership, as defined in § 761 of the Internal
8 Revenue Code; OR

9 (9) THE CHESAPEAKE MUTUAL INSURANCE COMPANY AND ITS
10 SUBSIDIARIES.

11 **Article - Tax - Property**

12 7-238.

13 PROPERTY IS NOT SUBJECT TO PROPERTY TAX IF THE PROPERTY:

14 (1) IS OWNED BY THE CHESAPEAKE MUTUAL INSURANCE COMPANY;
15 AND

16 (2) IS NECESSARY FOR AND ACTUALLY USED EXCLUSIVELY FOR THE
17 PURPOSES OF THE CHESAPEAKE MUTUAL INSURANCE COMPANY, AS DESCRIBED IN §
18 10-117 OF THE LABOR AND EMPLOYMENT ARTICLE.

19 SECTION 2. AND BE IT FURTHER ENACTED, That:

20 (a) Notwithstanding the provisions of § 10-110(d)(1) of the Labor and
21 Employment Article, by September 1, 1996, the Governor shall appoint three additional
22 members to the Board, one member to a 3-year term, one member to a 4-year term, and
23 one member to a 5-year term. All subsequent terms of members of the Board, and their
24 successors, holding these positions shall be 5 years; and

25 (b) Notwithstanding the provisions of § 10-110(b) of the Labor and Employment
26 Article, a current member of the Board may serve the remainder of the member's 5-year
27 term. All subsequent terms of current members of the Board, and their successors, shall
28 be subject to the requirements of § 10-110(b) of the Labor and Employment Article.

29 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 July 1, 1996.