
By: Chairman, Economic Matters Committee (Departmental - Insurance Administration, Maryland)

Introduced and read first time: January 15, 1997

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Fraud Prevention Fee - Payment**

3 FOR the purpose of clarifying the types of persons to which the Fraud Prevention Fee is
4 applicable; altering the times and method of payment of the Fraud Prevention Fee;
5 and generally relating to the implementation, payment, and scope of the Fraud
6 Prevention Fee.

7 BY repealing and reenacting, with amendments,
8 Article 48A - Insurance Code
9 Section 33A, 640A, and 640B
10 Annotated Code of Maryland
11 (1994 Replacement Volume and 1996 Supplement)

12 BY repealing
13 Article 48A - Insurance Code
14 Section 640C
15 Annotated Code of Maryland
16 (1994 Replacement Volume and 1996 Supplement)

17 BY adding to
18 Article 48A - Insurance Code
19 Section 353(a)(12) and 640C
20 Annotated Code of Maryland
21 (1994 Replacement Volume and 1996 Supplement)

22 BY adding to
23 Article - Health - General
24 Section 19-706(n)
25 Annotated Code of Maryland
26 (1996 Replacement Volume and 1996 Supplement)

27 BY repealing and reenacting, with amendments,
28 Article - Insurance

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1 Section 2-114(c)
2 Annotated Code of Maryland
3 (1995 Volume and 1996 Supplement)
4 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995, as
5 amended by Chapter 60 of the Acts of the General Assembly of 1996)

6 BY repealing and reenacting, with amendments,
7 Article - Insurance
8 Section 6-201(a) and 6-202(a)
9 Annotated Code of Maryland
10 (1995 Volume and 1996 Supplement)
11 (As enacted by Chapter 36 and Chapter 352 of the Acts of the General Assembly of
12 1995)

13 BY repealing
14 Article - Insurance
15 Section 6-203
16 Annotated Code of Maryland
17 (1995 Volume and 1996 Supplement)
18 (As enacted by Chapter 36 and Chapter 352 of the Acts of the General Assembly of
19 1995)

20 BY adding to
21 Article - Insurance
22 Section 6-203
23 Annotated Code of Maryland
24 (1995 Volume and 1996 Supplement)
25 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

26 BY repealing and reenacting, with amendments,
27 Article - Insurance
28 Section 8-403(b)(1)
29 Annotated Code of Maryland
30 (1995 Volume and 1996 Supplement)
31 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

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

34 **Article 48A - Insurance Code**

35 33A.

36 (a) All money received under §§ 33(i), 41(1), (2), (3), (4) and (16), and 194 of this
37 article shall be general funds of the State, except that money for travel expenses and
38 living expense allowance received pursuant to § 33(i) of this article shall be held in a

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1 special revolving fund by the Comptroller for the sole purpose of the payment of the costs
2 of examinations of insurance companies.

3 (b) The following moneys may not be considered general funds of the State and
4 shall be deposited in the Insurance Fraud Division Fund:

5 (1) Revenue derived from the [annual] fraud prevention fee under § 640B
6 of this article; and

7 (2) Income from investments that the State Treasurer makes for the
8 Insurance Fraud Division Fund.

9 353.

10 (a) In addition to the provisions contained in this subtitle, other subtitles and
11 provisions of this article and of the Corporations and Associations Article and the Estates
12 and Trusts Article shall apply to fraternal benefit societies, to the extent applicable and
13 not in conflict with the express provisions of this subtitle and the reasonable implications
14 thereof, as follows:

15 (12) SECTIONS 640A THROUGH 640C.

16 640A.

17 (a) The Commissioner shall collect an [annual] fraud prevention fee as provided
18 in this subtitle.

19 (b) The fraud prevention fee is in addition to any fees, penalties, charges, or
20 premium taxes imposed under this article.

21 640B.

22 (a) [(1) The fraud prevention fee is due and payable on or before October 1 of
23 each year.

24 (2)] The Commissioner shall collect the fraud prevention fee.

25 (b) The total amount of the fraud prevention fee collected by the Commissioner
26 shall be deposited in the Insurance Fraud Division Fund for the sole purpose of funding
27 the activities of the Insurance Fraud Division.

28 [640C.

29 The fraud prevention fee shall be:

30 (1) For each insurer or other entity authorized to operate in the State under
31 this article:

32 (i) In 1995, \$750; and

33 (ii) In 1996, and thereafter, \$1,000; and

34 (2) \$10 for each agent licensed by the Commissioner.]

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1 640C.

2 (A) FOR EACH INSURER, HEALTH MAINTENANCE ORGANIZATION,
3 NONPROFIT HEALTH SERVICE PLAN REGULATED UNDER SUBTITLE 20 OF THIS
4 ARTICLE, FRATERNAL BENEFIT SOCIETY, OR OTHER ENTITY OPERATING IN THE
5 STATE UNDER THE REGULATORY JURISDICTION OF THE COMMISSIONER, THE
6 FRAUD PREVENTION FEE SHALL BE:

7 (1) \$1,000;

8 (2) DUE ON OR BEFORE JUNE 30 OF EACH YEAR; AND

9 (3) IF APPLICABLE, PAYABLE WITH THE RENEWAL OF THE CERTIFICATE
10 OF AUTHORITY.

11 (B) FOR EACH AGENT, BROKER, PUBLIC ADJUSTER, INSURANCE ADVISOR,
12 FRATERNAL BENEFIT AGENT, OR THIRD PARTY ADMINISTRATOR QUALIFIED,
13 LICENSED, OR REGISTERED BY THE COMMISSIONER, THE FRAUD PREVENTION FEE
14 SHALL BE:

15 (1) \$20;

16 (2) DUE ON OR BEFORE JUNE 30 OF EVERY OTHER YEAR; AND

17 (3) IF APPLICABLE, PAYABLE WITH THE CERTIFICATE OF
18 QUALIFICATION, LICENSE, OR REGISTRATION RENEWAL FEE.

19 (C) ANY PERSON THAT HAS MORE THAN ONE OF THE CERTIFICATES OF
20 QUALIFICATION, LICENSES, OR REGISTRATIONS LISTED UNDER SUBSECTION (B) OF
21 THIS SECTION SHALL ONLY PAY THE \$20 FRAUD PREVENTION FEE ONCE PER
22 RENEWAL PERIOD.

23 **Article - Health - General**

24 19-706.

25 (N) THE PROVISIONS OF ARTICLE 48A, §§ 640A THROUGH 640C SHALL APPLY
26 TO HEALTH MAINTENANCE ORGANIZATIONS.

27 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
28 read as follows:

29 **Article - Insurance**

30 2-114.

31 (c) The following moneys may not be considered general funds of the State and
32 shall be deposited in the Insurance Fraud Division Fund:

33 (1) revenue derived from the [annual] fraud prevention fee under [§
34 X-XXX [48A § 640B]] TITLE 6, SUBTITLE 2 of this article; and

35 (2) income from investments that the State Treasurer makes for the
36 Insurance Fraud Division Fund.

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1 6-201.

2 (a) The Commissioner shall collect [an annual] A fraud prevention fee as
3 provided in this subtitle.

4 6-202.

5 (a) [(1) The fraud prevention fee is due and payable on or before October 1 of
6 each year.

7 (2)] The Commissioner shall collect the fraud prevention fee.

8 [6-203.

9 The fraud prevention fee shall be:

10 (1) for each insurer or other entity authorized to operate in the State under
11 this article:

12 (i) in 1995, \$750; and

13 (ii) in 1996, and thereafter, \$1,000; and

14 (2) \$10 for each agent licensed by the Commissioner.]

15 6-203.

16 (A) FOR EACH INSURER, HEALTH MAINTENANCE ORGANIZATION,
17 NONPROFIT HEALTH SERVICE PLAN, FRATERNAL BENEFIT SOCIETY, OR OTHER
18 ENTITY OPERATING IN THE STATE UNDER THE REGULATORY JURISDICTION OF THE
19 COMMISSIONER, THE FRAUD PREVENTION FEE SHALL BE:

20 (1) \$1,000;

21 (2) DUE ON OR BEFORE JUNE 30 OF EACH YEAR; AND

22 (3) IF APPLICABLE, PAYABLE WITH THE CERTIFICATE OF AUTHORITY
23 OR LICENSE RENEWAL FEE.

24 (B) FOR EACH AGENT, BROKER, PUBLIC ADJUSTER, INSURANCE ADVISER,
25 FRATERNAL BENEFIT SOCIETY AGENT, OR THIRD PARTY ADMINISTRATOR
26 QUALIFIED, LICENSED, OR REGISTERED BY THE COMMISSIONER, THE FRAUD
27 PREVENTION FEE SHALL BE:

28 (1) \$20;

29 (2) DUE ON OR BEFORE JUNE 30 OF EVERY OTHER YEAR; AND

30 (3) IF APPLICABLE, PAYABLE WITH THE CERTIFICATE OF
31 QUALIFICATION, LICENSE, OR REGISTRATION RENEWAL FEE.

32 (C) ANY PERSON THAT HAS MORE THAN ONE OF THE CERTIFICATES OF
33 QUALIFICATION, LICENSES , OR REGISTRATIONS LISTED IN SUBSECTION (B) OF THIS
34 SECTION SHALL PAY THE \$20 FRAUD PREVENTION FEE ONLY ONCE PER RENEWAL
35 PERIOD.

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1 8-403.

2 (b) (1) In addition to the provisions of this subtitle, the following provisions of
 3 this article apply to societies to the extent not in conflict with the express provisions and
 4 reasonable implications of this subtitle:

5 (i) Title 1 of this article ("Definitions; General Provisions");

6 (ii) Title 2, Subtitle 1 of this article ("Organization of Administration;
 7 General Powers and Duties of Commissioner"), including § 2-112 of this article ("Fees");

8 (iii) Title 2, Subtitle 2 of this article ("Enforcement");

9 (iv) § 3-117 of this article ("Loans to and guarantees of obligations of
 10 directors and officers");

11 (v) § 3-127 of this article ("Sale of securities");

12 (vi) § 4-102(b) of this article ("Name of insurer");

13 (vii) § 4-113(a)(7), (8), and (9) of this article ("Mandatory grounds");

14 (viii) § 4-203 of this article ("Representing or helping unauthorized
 15 insurer prohibited");

16 (ix) § 4-204 of this article ("Advertisement of unauthorized insurers");

17 (x) § 5-103 of this article ("Liabilities");

18 (xi) § 5-201 of this article ("Reserve requirements for life insurer,
 19 nonprofit health service plan, and fraternal benefit society");

20 (XII) TITLE 6, SUBTITLE 2 OF THIS ARTICLE;

21 [(xii)] (XIII) Title 9, Subtitle 2 of this article ("Conservation,
 22 Rehabilitation, and Liquidation of Insurers");

23 [(xiii)] (XIV) § 10-120 of this article ("Temporary certificates");

24 [(xiv)] (XV) Title 14, Subtitle X of this article (48A, §§ 468B through
 25 468GB; "Medicare Supplement Act");

26 [(xv)] (XVI) Title XX of this article (48A, Subtitle 15; "Unfair Trade
 27 Practices"); and

28 [(xvi)] (XVII) § XX-XXX of this article (48A, § 12; "General penalty").

29 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act
 30 shall take effect June 1, 1997.

31 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act
 32 shall take effect October 1, 1997.