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

Introduced and read first time: January 15, 1997

Assigned to: Economic Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 12, 1997

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CHAPTER \_\_\_\_

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

2

1 Article - Health - General  
2 Section 19-706(n)  
3 Annotated Code of Maryland  
4 (1996 Replacement Volume and 1996 Supplement)

5 BY repealing and reenacting, with amendments,

6 Article - Insurance  
7 Section 2-114(c)  
8 Annotated Code of Maryland  
9 (1995 Volume and 1996 Supplement)  
10 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995, as  
11 amended by Chapter 60 of the Acts of the General Assembly of 1996)

12 BY repealing and reenacting, with amendments,

13 Article - Insurance  
14 Section 6-201(a) and 6-202(a)  
15 Annotated Code of Maryland  
16 (1995 Volume and 1996 Supplement)  
17 (As enacted by Chapter 36 and Chapter 352 of the Acts of the General Assembly of  
18 1995)

19 BY repealing

20 Article - Insurance  
21 Section 6-203  
22 Annotated Code of Maryland  
23 (1995 Volume and 1996 Supplement)  
24 (As enacted by Chapter 36 and Chapter 352 of the Acts of the General Assembly of  
25 1995)

26 BY adding to

27 Article - Insurance  
28 Section 6-203  
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 BY repealing and reenacting, with amendments,

33 Article - Insurance  
34 Section 8-403(b)(1)  
35 Annotated Code of Maryland  
36 (1995 Volume and 1996 Supplement)  
37 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

38 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

39 MARYLAND, That the Laws of Maryland read as follows:

3

1           **Article 48A - Insurance Code**

2 33A.

3           (a) All money received under §§ 33(i), 41(1), (2), (3), (4) and (16), and 194 of this  
4 article shall be general funds of the State, except that money for travel expenses and  
5 living expense allowance received pursuant to § 33(i) of this article shall be held in a  
6 special revolving fund by the Comptroller for the sole purpose of the payment of the costs  
7 of examinations of insurance companies.

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

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

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

14 353.

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

20                   (12) SECTIONS 640A THROUGH 640C.

21 640A.

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

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

26 640B.

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

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

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

33 [640C.

34           The fraud prevention fee shall be:

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

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

4

1 (ii) In 1996, and thereafter, \$1,000; and  
2 (2) \$10 for each agent licensed by the Commissioner.]

3 640C.

4 (A) FOR EACH INSURER, HEALTH MAINTENANCE ORGANIZATION,  
5 NONPROFIT HEALTH SERVICE PLAN REGULATED UNDER SUBTITLE 20 OF THIS  
6 ARTICLE, FRATERNAL BENEFIT SOCIETY, OR ~~OTHER~~ ANY ENTITY OPERATING IN  
7 THE STATE UNDER THE REGULATORY JURISDICTION OF THE COMMISSIONER  
8 OTHER THAN A PREMIUM FINANCE COMPANY OR MOTOR CLUB, THE FRAUD  
9 PREVENTION FEE SHALL BE:

- 10 (1) \$1,000;  
11 (2) DUE ON OR BEFORE JUNE 30 OF EACH YEAR; AND  
12 (3) IF APPLICABLE, PAYABLE WITH THE RENEWAL OF THE CERTIFICATE  
13 OF AUTHORITY.

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

- 18 (1) ~~\$20~~ \$15;  
19 (2) DUE ON OR BEFORE JUNE 30 OF EVERY OTHER YEAR; AND  
20 (3) IF APPLICABLE, PAYABLE WITH THE CERTIFICATE OF  
21 QUALIFICATION, LICENSE, OR REGISTRATION RENEWAL FEE.

22 (C) ANY PERSON THAT HAS MORE THAN ONE OF THE CERTIFICATES OF  
23 QUALIFICATION, LICENSES, OR REGISTRATIONS LISTED UNDER SUBSECTION (B) OF  
24 THIS SECTION SHALL ONLY PAY THE ~~\$20~~ \$15 FRAUD PREVENTION FEE ONCE PER  
25 RENEWAL PERIOD.

26 **Article - Health - General**

27 19-706.

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

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

32 **Article - Insurance**

33 2-114.

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

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

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

3 6-201.

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

6 6-202.

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

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

10 [6-203.

11 The fraud prevention fee shall be:

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

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

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

16 (2) \$10 for each agent licensed by the Commissioner.]

17 6-203.

18 (A) FOR EACH INSURER, HEALTH MAINTENANCE ORGANIZATION,  
19 NONPROFIT HEALTH SERVICE PLAN, FRATERNAL BENEFIT SOCIETY, OR ~~OTHER ANY~~  
20 ENTITY OPERATING IN THE STATE UNDER THE REGULATORY JURISDICTION OF THE  
21 COMMISSIONER OTHER THAN A PREMIUM FINANCE COMPANY OR MOTOR CLUB,  
22 THE FRAUD PREVENTION FEE SHALL BE:

23 (1) \$1,000;

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

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

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

31 (1) ~~\$20~~ \$15;

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

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

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1 (C) ANY PERSON THAT HAS MORE THAN ONE OF THE CERTIFICATES OF  
 2 QUALIFICATION, LICENSES, OR REGISTRATIONS LISTED IN SUBSECTION (B) OF THIS  
 3 SECTION SHALL PAY THE ~~\$20~~ \$15 FRAUD PREVENTION FEE ONLY ONCE PER  
 4 RENEWAL PERIOD.

5 8-403.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 [(xiv)] (XV) Title 14, Subtitle X of this article (48A, §§ 468B through  
 29 468GB; "Medicare Supplement Act");

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

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

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

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