
By: Delegate Frank

Introduced and read first time: February 5, 1997

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Article - Use of Term "Business Entity"**

3 FOR the purpose of adding to the Insurance Article the defined term "business entity" to
4 include corporations, partnerships, and limited liability companies; amending
5 certain provisions of the Insurance Article to use the term "business entity"; and
6 generally relating to terminology used in the Insurance Article.

7 BY renumbering

8 Article - Insurance

9 Section 1-101(k) through (rr), respectively

10 to be Section 1-101(l) through (ss), respectively

11 Annotated Code of Maryland

12 (1995 Volume and 1996 Supplement)

13 (As enacted by Chapter _____ (H.B.11) of the Acts of the General Assembly of 1997)

14 BY adding to

15 Article - Insurance

16 Section 1-101(k)

17 Annotated Code of Maryland

18 (1995 Volume and 1996 Supplement)

19 (As enacted by Chapter _____ (H.B.11) of the Acts of the General Assembly of 1997)

20 BY repealing and reenacting, with amendments,

21 Article - Insurance

22 Section 1-101(cc)

23 Annotated Code of Maryland

24 (1995 Volume and 1996 Supplement)

25 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of 1997

26 and Section 1 of this Act)

27 BY repealing and reenacting, with amendments,

28 Article - Insurance

29 Section 5-102(a), 5-605(a), 10-106, 10-128(d), and 10-210

30 Annotated Code of Maryland

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1 (1995 Volume and 1996 Supplement)
2 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

3 BY repealing and reenacting, with amendments,
4 Article - Insurance
5 Section 9-301(h)
6 Annotated Code of Maryland
7 (1995 Volume and 1996 Supplement)
8 (As enacted by Chapter 11 of the Acts of the General Assembly of 1996)

9 BY repealing and reenacting, with amendments,
10 Article - Insurance
11 Section 10-103(d) and 10-114
12 Annotated Code of Maryland
13 (1995 Volume and 1996 Supplement)
14 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995, as
15 amended by Chapter 239 of the Acts of the General Assembly of 1996)

16 BY repealing and reenacting, with amendments,
17 Article - Insurance
18 Section 10-112(d), 10-121(d)(1), and 10-126(b)
19 Annotated Code of Maryland
20 (1995 Volume and 1996 Supplement)
21 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995, as
22 amended by Chapter 635 of the Acts of the General Assembly of 1995, as
23 amended by Chapters 206 and 239 of the Acts of the General Assembly of
24 1996)

25 BY repealing and reenacting, with amendments,
26 Article - Insurance
27 Section 10-125(a)(3) and (d)
28 Annotated Code of Maryland
29 (1995 Volume and 1996 Supplement)
30 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995, as
31 amended by Chapter 635 of the Acts of the General Assembly of 1995, as
32 amended by Chapter 239 of the Acts of the General Assembly of 1996)

33 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
34 MARYLAND, That Section(s) 1-101(k) through (rr), respectively, of Article - Insurance
35 of the Annotated Code of Maryland (as enacted by Chapter _____ (H.B. 11) of the Acts of
36 the General Assembly of 1997) be renumbered to be Section(s) 1-101(l) through (ss),
37 respectively.

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

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1 **Article - Insurance**

2 1-101.

3 (K) "BUSINESS ENTITY" INCLUDES A CORPORATION, PARTNERSHIP, AND
4 LIMITED LIABILITY COMPANY.

5 (cc) "Person" means an individual, receiver, trustee, guardian, personal
6 representative, fiduciary, representative of any kind, partnership, firm, association,
7 corporation, BUSINESS ENTITY, or other entity.

8 5-102.

9 (a) Notwithstanding § 5-101 of this subtitle, in determining the financial
10 condition of an insurer, the following expressly are not allowed as admitted assets:

11 (1) good will, organizational expenses, trade names, and other similar
12 intangible assets;

13 (2) except for policy loans, a secured or unsecured advance to an officer of
14 the insurer;

15 (3) an advance given only on personal security to an employee or agent of
16 the insurer or to another person;

17 (4) stock of the insurer owned by it, any material interest in the stock of the
18 insurer, any loan that is secured by the stock of the insurer, or any material proportionate
19 interest in the stock of the insurer acquired or held through the insurer's ownership of an
20 interest in another [firm, corporation, or business unit] BUSINESS ENTITY;

21 (5) except for data processing and accounting systems allowed as admitted
22 assets under § 5-101(a)(10) of this subtitle, fixtures, furniture, furnishings, libraries, safes,
23 stationery, supplies, and vehicles; and

24 (6) the amount, if any, by which the aggregate book value of investments
25 carried in the ledger assets of the insurer exceeds the aggregate value of those
26 investments as determined under this article.

27 5-605.

28 (a) In addition to investments otherwise excluded under this article, an insurer
29 may not directly or indirectly invest in or lend its funds on security of:

30 (1) obligations, stock, or other securities of a [corporation, association, or
31 other business unit] BUSINESS ENTITY that is insolvent at the time of the acquisition or
32 loan, except securities eligible for investment under § 5-608 of this subtitle;

33 (2) a mortgage or deed of trust, or real property or an interest in real
34 property, that does not come within the class of investments specified in § 5-608 (j), (k),
35 (l), and (m) of this subtitle;

36 (3) the capital stock of the insurer;

37 (4) stocks, bonds, or other securities issued by a corporation, other than an
38 insurer, if a majority of the stock having voting powers of the issuing corporation is owned

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1 directly or indirectly by or for the benefit of one or more officers or directors of the
2 insurer; or

3 (5) an investment that the Commissioner finds is against public policy or
4 designed to evade a prohibition of this section.

5 9-301.

6 (h) "Resident" means:

7 (1) an individual domiciled in the State; or

8 (2) a [corporation or entity] BUSINESS ENTITY whose principal place of
9 business is in the State.

10 10-103.

11 (d) Before a [limited liability company, partnership, or corporation] BUSINESS
12 ENTITY may accept in its own name compensation for acting as an agent or broker in the
13 State, the [limited liability company, partnership, or corporation] BUSINESS ENTITY
14 must obtain:

15 (1) a certificate of qualification in the kind or subdivision of insurance for
16 which the [limited liability company, partnership, or corporation] BUSINESS ENTITY
17 intends to act as an agent or broker; and

18 (2) an appointment for the kind or subdivision of insurance for which it
19 intends to act as agent.

20 10-106.

21 To qualify for a certificate of qualification as an agent or broker, a [partnership or
22 corporation] BUSINESS ENTITY must be primarily engaged in the insurance business.

23 10-112.

24 (d) In addition to any other information required on the application, an applicant
25 that is a [limited liability company, partnership, or corporation] BUSINESS ENTITY must
26 provide the name and address of each agent or broker employed by the [limited liability
27 company, partnership, or corporation] BUSINESS ENTITY, each individual who has direct
28 control over its fiscal management, and each owner, member, or manager of the [limited
29 liability company, partnership, or corporation] BUSINESS ENTITY and each director of
30 the corporation.

31 10-114.

32 Agents or brokers may conduct insurance business as a [limited liability company,
33 partnership, or corporation] BUSINESS ENTITY if each individual who solicits,
34 negotiates, or accepts insurance business from the public holds a certificate of
35 qualification in the kind or subdivision of insurance for which the individual acts as agent
36 or broker and, if applicable, an appointment from an insurer.

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1 10-121.

2 (d) (1) In addition to meeting any of the applicable requirements for a
3 certificate of qualification to act as an agent or broker under this subtitle, a sole
4 proprietor[, a limited liability company, a partnership, or a corporate] OR BUSINESS
5 ENTITY applicant for a certificate of qualification as a title insurance agent or title
6 insurance broker shall file with the Commissioner:

7 (i) a blanket fidelity bond covering appropriate employees; and

8 (ii) 1. a blanket surety bond; or

9 2. a letter of credit.

10 10-125.

11 (a) (3) (i) "Title agency" means a business formed for the primary purpose of
12 soliciting, procuring, or negotiating title insurance contracts and providing settlement
13 services.

14 (ii) "Title agency" includes a sole proprietor[, partnership, or
15 corporation] OR BUSINESS ENTITY.

16 (d) Notwithstanding any other provision of this subtitle:

17 (1) the bonding requirements of this subtitle relating to title insurance
18 agents and title insurance brokers do not apply to law firms and individual attorneys
19 practicing law in law firms;

20 (2) the [limited liability company, corporate, and partnership] BUSINESS
21 ENTITY requirements of this subtitle relating to title insurance agents and title insurance
22 brokers do not apply to law firms; and

23 (3) the education, experience, and examination requirements of this subtitle
24 relating to title insurance agents and title insurance brokers do not apply to individual
25 attorneys or law firms.

26 10-126.

27 (b) Subject to the hearing provisions of Title 2 of this article, the Commissioner
28 may suspend, revoke, deny, deny renewal, refuse to renew, or refuse to grant an
29 application for the certificate of qualification of a [limited liability company,
30 partnership, or corporation] BUSINESS ENTITY if an individual who has direct control
31 over its fiscal management or an agent, broker, director, officer, partner, member,
32 manager, owner, or employee of the [limited liability company, partnership, or
33 corporation] BUSINESS ENTITY has:

34 (1) violated any provision of this subtitle;

35 (2) been convicted of a felony, a crime of moral turpitude, or any criminal
36 offense involving dishonesty or breach of trust; or

37 (3) had any professional license suspended or revoked for a fraudulent or
38 dishonest practice.

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1 10-128.

2 (d) (1) A person may not sign or countersign a policy or endorsement subject to
3 this section unless the person:

4 (i) is a qualified agent;

5 (ii) is a resident of this State;

6 (iii) is compensated by commissions on policies subject to this section;
7 and

8 (iv) is not an employee or officer of the insurer issuing the policy.

9 (2) This section does not prevent an agent from:

10 (i) delegating the duty of signing or countersigning to employees of
11 the agent that are not also employees of lending institutions; or

12 (ii) directing the payment of commissions on policies subject to this
13 section to a [corporation or partnership] BUSINESS ENTITY insurance agency or
14 otherwise.

15 10-210.

16 A licensee may conduct an insurance advisory business as a sole proprietorship[,
17 partnership, association, or corporation] OR BUSINESS ENTITY if:

18 (1) each individual who acts as an adviser is licensed under this subtitle; and

19 (2) the trade name of the business is registered with the Commissioner.

20 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 October 1, 1997.