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**By: Delegate Frank**

Introduced and read first time: February 5, 1997

Assigned to: Economic Matters

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Committee Report: Favorable

House action: Adopted

Read second time: March 13, 1997

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CHAPTER \_\_\_\_

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

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1 (1995 Volume and 1996 Supplement)  
2 (As enacted by Chapter \_\_\_\_\_ (H.B. 11) of the Acts of the General Assembly of 1997  
3 and Section 1 of this Act)

4 BY repealing and reenacting, with amendments,  
5 Article - Insurance  
6 Section 5-102(a), 5-605(a), 10-106, 10-128(d), and 10-210  
7 Annotated Code of Maryland  
8 (1995 Volume and 1996 Supplement)  
9 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

10 BY repealing and reenacting, with amendments,  
11 Article - Insurance  
12 Section 9-301(h)  
13 Annotated Code of Maryland  
14 (1995 Volume and 1996 Supplement)  
15 (As enacted by Chapter 11 of the Acts of the General Assembly of 1996)

16 BY repealing and reenacting, with amendments,  
17 Article - Insurance  
18 Section 10-103(d) and 10-114  
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 239 of the Acts of the General Assembly of 1996)

23 BY repealing and reenacting, with amendments,  
24 Article - Insurance  
25 Section 10-112(d), 10-121(d)(1), and 10-126(b)  
26 Annotated Code of Maryland  
27 (1995 Volume and 1996 Supplement)  
28 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995, as  
29 amended by Chapter 635 of the Acts of the General Assembly of 1995, as  
30 amended by Chapters 206 and 239 of the Acts of the General Assembly of  
31 1996)

32 BY repealing and reenacting, with amendments,  
33 Article - Insurance  
34 Section 10-125(a)(3) and (d)  
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, as  
38 amended by Chapter 635 of the Acts of the General Assembly of 1995, as  
39 amended by Chapter 239 of the Acts of the General Assembly of 1996)

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1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
2 MARYLAND, That Section(s) 1-101(k) through (rr), respectively, of Article - Insurance  
3 of the Annotated Code of Maryland (as enacted by Chapter \_\_\_\_\_ (H.B. 11) of the Acts of  
4 the General Assembly of 1997) be renumbered to be Section(s) 1-101(l) through (ss),  
5 respectively.

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

8 **Article - Insurance**

9 1-101.

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

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

15 5-102.

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

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

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

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

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

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

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

34 5-605.

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

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

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

4 (3) the capital stock of the insurer;

5 (4) stocks, bonds, or other securities issued by a corporation, other than an  
6 insurer, if a majority of the stock having voting powers of the issuing corporation is owned  
7 directly or indirectly by or for the benefit of one or more officers or directors of the  
8 insurer; or

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

11 9-301.

12 (h) "Resident" means:

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

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

16 10-103.

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

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

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

26 10-106.

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

29 10-112.

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

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1 10-114.

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

7 10-121.

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

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

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

15 2. a letter of credit.

16 10-125.

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

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

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

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

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

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

32 10-126.

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

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1 (1) violated any provision of this subtitle;

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

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

6 10-128.

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

9 (i) is a qualified agent;

10 (ii) is a resident of this State;

11 (iii) is compensated by commissions on policies subject to this section;  
12 and

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

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

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

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

20 10-210.

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

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

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

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