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

Introduced and read first time: January 27, 1997

Rule 32(e) suspended

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Regulation - Advisory Committees and Corrections**

3 FOR the purpose of authorizing the Insurance Commissioner to create certain advisory  
4 committees to assist and advise the Commissioner in discharging the duties imposed  
5 on the Commissioner under the Insurance Article; correcting an error in the  
6 Maryland Insurance Acquisitions Disclosure and Control Act relating to the types  
7 of transactions involving guarantees that must be approved by the Commissioner;  
8 and generally relating to insurance advisory committees and the Maryland  
9 Insurance Acquisitions Disclosure and Control Act.

10 BY repealing and reenacting, with amendments,

11 Article - Insurance  
12 Section 2-104  
13 Annotated Code of Maryland  
14 (1995 Volume and 1996 Supplement)  
15 (As enacted by Chapter 36 and Chapter 352 of the Acts of the General Assembly of  
16 1995, as amended by Section 2 of Chapter 271 of the Acts of the General  
17 Assembly of 1996)

18 BY repealing and reenacting, without amendments,

19 Article - Insurance  
20 Section 7-703(b), (c), and (d)  
21 Annotated Code of Maryland  
22 (1995 Volume and 1996 Supplement)  
23 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

24 BY repealing and reenacting, with amendments,

25 Article - Insurance  
26 Section 7-703(e)  
27 Annotated Code of Maryland  
28 (1995 Volume and 1996 Supplement)  
29 (As enacted by Chapter 36 of the Acts of the General Assembly of 1995)

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

3 **Article - Insurance**

4 2-104.

5 (a) (1) Subject to the approval of the Governor, the Commissioner shall appoint  
6 a Deputy Commissioner.

7 (2) The Deputy Commissioner is in the unclassified service of the State  
8 Personnel Management System and is entitled to compensation in accordance with the  
9 State budget.

10 (3) The Deputy Commissioner shall be covered by a surety bond in the form  
11 and amount required by law.

12 (4) The Deputy Commissioner shall exercise the powers and perform the  
13 duties vested by law in the Commissioner:

14 (i) if the office of the Commissioner is vacant; or

15 (ii) if for any reason the Commissioner is absent or unable to exercise  
16 the powers and perform the duties of office.

17 (b) The Commissioner may appoint employees to head divisions or sections  
18 established under § 2-102 of this subtitle or for any special purpose that the  
19 Commissioner designates.

20 (c) (1) The Commissioner shall appoint an actuary.

21 (2) The Commissioner may appoint assistant actuaries.

22 (3) The actuary and assistant actuaries shall:

23 (i) perform the actuarial duties of the Administration;

24 (ii) examine or help to examine insurers; and

25 (iii) perform any other duties that the Commissioner assigns.

26 (d) (1) The Commissioner shall appoint a chief examiner.

27 (2) The Commissioner may appoint assistant examiners.

28 (3) The chief examiner and assistant examiners shall examine or help to  
29 examine insurers and other persons subject to examination under this article.

30 (e) (1) The Commissioner shall appoint an auditor and examiner for the  
31 Administration.

32 (2) The auditor and examiner shall:

33 (i) examine and audit the annual statements of all authorized  
34 insurers;

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1 (ii) examine and audit the books, accounts, and affairs of the  
2 Administration; and

3 (iii) perform any other auditing that the Commissioner directs.

4 (f) (1) The Commissioner may appoint investigators, accountants, and  
5 statisticians.

6 (2) As directed by the Commissioner, the investigators shall investigate, in  
7 the State, violations or alleged violations of this article, including § X-XXX of this article.

8 (g) (1) The Administration shall be represented by the Office of the Attorney  
9 General.

10 (2) The Administration shall have:

11 (i) a principal counsel who is an assistant attorney general; and

12 (ii) other assistant attorneys general, including assistant attorneys  
13 general specifically assigned to the Fraud Division, as provided by the State budget.

14 (3) The Commissioner may employ on a full-time basis other attorneys at  
15 law as the Commissioner considers necessary.

16 (h) The Commissioner may appoint any other assistants and clerks that are  
17 necessary to help the Commissioner in performing the duties of the Commissioner under  
18 this article.

19 (i) The Commissioner may procure, on a fee or part-time basis or both, actuarial,  
20 legal, technical, or other professional services.

21 (j) (1) Subject to approval by the Board of Public Works under the State  
22 Finance and Procurement Article, the Commissioner may enter into contracts for  
23 performance of licensing services under this article with persons that are not  
24 governmental entities.

25 (2) A contract authorized under this subsection:

26 (i) shall specify the amount of any administrative charge required  
27 under this subsection and the manner in which the charge will be collected;

28 (ii) shall limit the administrative charge to the cost to the contractor of  
29 providing the service specified by the contract; and

30 (iii) may require the contractor to collect any fees required under this  
31 article and remit them to the General Fund of the State.

32 (3) The Commissioner may require an amount equivalent to the  
33 administrative cost of providing licensing services to be paid directly to a contractor by  
34 any person who is an applicant for a certificate of authority or certificate of qualification  
35 issued by the Commissioner or any insurer, health maintenance organization, nonprofit  
36 health service plan, fraternal benefit society, the Maryland Automobile Insurance Fund,  
37 or other entity operating in this State under a certificate of authority issued by the  
38 Commissioner.

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1 (K) THE COMMISSIONER MAY CREATE ANY APPROPRIATE ADVISORY  
2 COMMITTEE TO ASSIST AND ADVISE THE COMMISSIONER IN DISCHARGING THE  
3 DUTIES IMPOSED ON THE COMMISSIONER UNDER THIS ARTICLE.

4 7-703.

5 (b) Before a domestic insurer and another member of the same insurance holding  
6 company system enter into any of the transactions specified in subsection (e) of this  
7 section, the domestic insurer shall notify the Commissioner in writing of its intention to  
8 enter into the transaction.

9 (c) The insurer shall notify the Commissioner under subsection (b) of this section:

10 (1) at least 30 days before the transaction is to be entered into; or

11 (2) if the Commissioner allows a shorter notice period, within the time that  
12 the Commissioner sets.

13 (d) A domestic insurer and another member of the same insurance holding  
14 company system may enter into a transaction under this section only if, within the notice  
15 period under subsection (c) of this section, the Commissioner does not disapprove the  
16 transaction.

17 (e) The following transactions are subject to subsections (b), (c), and (d) of this  
18 section:

19 (1) a sale, purchase, exchange, loan, extension of credit, [ guarantee,] or  
20 investment, if, as of the December 31 immediately preceding the transaction, the amount  
21 of the transaction equals or exceeds:

22 (i) with respect to a life insurer, 3% of the insurer's admitted assets;  
23 and

24 (ii) with respect to an insurer other than a life insurer, the lesser of 3%  
25 of the insurer's admitted assets and 25% of surplus as regards policyholders;

26 (2) a loan or extension of credit by an insurer to a person that is not an  
27 affiliate if:

28 (i) the parties have an agreement or understanding that the proceeds  
29 of the transaction, as a whole or in substantial part, are to be used to make loans or  
30 extensions of credit to purchase assets of or to make investments in an affiliate of the  
31 insurer; and

32 (ii) as of the December 31 immediately preceding the transaction, the  
33 amount of the transaction equals or exceeds:

34 1. with respect to a life insurer, 3% of the insurer's admitted  
35 assets; and

36 2. with respect to an insurer other than a life insurer, the lesser  
37 of 3% of the insurer's admitted assets and 25% of surplus as regards policyholders;

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1                   (3) a reinsurance agreement, or a modification to a reinsurance agreement,  
2 including an agreement that requires as consideration the transfer of assets from an  
3 insurer to a person that is not its affiliate, if:

4                   (i) the parties have an agreement or understanding that part of the  
5 insurer's assets will be transferred to an affiliate of the insurer; and

6                   (ii) as of the December 31 immediately preceding the transaction, the  
7 amount of the reinsurance premium or change in the insurer's liabilities equals or exceeds  
8 5% of the insurer's surplus as regards policyholders;

9                   (4) a management agreement, service contract, GUARANTEE, or  
10 cost-sharing arrangement; and

11                   (5) a material transaction that the Commissioner determines may adversely  
12 affect the interests of the insurer's policyholders.

13           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
14 October 1, 1997.