

HOUSE BILL 919

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1999 Regular Session
9r1473
CF 9r1472

By: **Delegates Barve and Gordon**

Introduced and read first time: February 12, 1999

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 25, 1999

CHAPTER _____

1 AN ACT concerning

2 **Financial Guaranty Insurance - Risk Limits**

3 FOR the purpose of ~~prohibiting an insurer from retaining a risk on any one subject of~~
4 ~~financial guaranty insurance relating to a municipal bond if the average annual~~
5 ~~debt service exceeds a certain percentage of the insurer's capital and surplus to~~
6 ~~policyholders; providing for the application of this Act authorizing the Insurance~~
7 Commissioner to establish by regulation certain risk limits on the issuance of a
8 subject of financial guaranty insurance; and generally relating to limitation of
9 risk for insurance.

10 BY repealing and reenacting, with amendments,

11 Article - Insurance

12 Section 5-1003

13 Annotated Code of Maryland

14 (1997 Volume and 1998 Supplement)

15 BY adding to

16 Article - Insurance

17 Section 5-1005

18 Annotated Code of Maryland

19 (1997 Volume and 1998 Supplement)

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

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

1

Article - Insurance

2 5-1003.

3 (a) (1) Subject to [~~§ 5-1004~~] ~~§§ 5-1004 AND 5-1005~~ of this subtitle AND
4 EXCEPT AS PROVIDED UNDER § 5-1005 OF THIS SUBTITLE, an insurer may not retain
5 a risk on any one subject of insurance, whether located or to be performed in the State
6 or outside of the State, in an amount exceeding 10% of the insurer's surplus to
7 policyholders.

8 (2) An insurer's surplus to policyholders shall be determined at the time
9 a risk is assumed from the more recent of:

10 (i) the last sworn statement of the insurer on file with the
11 Commissioner; or

12 (ii) the last examination report of the insurer.

13 (b) In determining the amount of risk retained by an insurer, a deduction shall
14 be made for reinsurance ceded by the insurer for which credit is allowed under §
15 5-904 of this title.

16 5-1005.

17 ~~AN INSURER MAY NOT RETAIN A RISK ON ANY ONE SUBJECT OF FINANCIAL~~
18 ~~GUARANTY INSURANCE RELATING TO A MUNICIPAL BOND IF THE AVERAGE ANNUAL~~
19 ~~DEBT SERVICE EXCEEDS 10% OF THE INSURER'S CAPITAL AND SURPLUS TO~~
20 ~~POLICYHOLDERS.~~

21 THE COMMISSIONER MAY ESTABLISH BY REGULATION LIMITS ON THE RISK
22 RETAINED BY AN INSURER FOR A SUBJECT OF FINANCIAL GUARANTY INSURANCE,
23 INCLUDING REQUIREMENTS FOR CONTINGENCY RESERVES USED IN DETERMINING
24 COMPLIANCE WITH THE APPLICABLE RISK LIMITS.

25 ~~SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all~~
26 ~~policies in effect or issued on or after July 1, 1999.~~

27 ~~SECTION 3. 2.~~ AND BE IT FURTHER ENACTED, That this Act shall take
28 effect July 1, 1999.