

SENATE BILL 679

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C4

1999 Regular Session
(9r1472)

ENROLLED BILL
-- Finance/Economic Matters --

Introduced by **Senator Teitelbaum**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

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 authorizing the Insurance Commissioner to establish by~~
7 ~~regulation certain limits on the risk retained by an insurer for a subject of~~
8 ~~financial guaranty insurance; providing for the application of this Act; and~~
9 generally relating to limitation of 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

1 Article - Insurance
 2 Section 5-1005
 3 Annotated Code of Maryland
 4 (1997 Volume and 1998 Supplement)

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

7 **Article - Insurance**

8 5-1003.

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

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

16 (i) the last sworn statement of the insurer on file with the
 17 Commissioner; or

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

19 (b) In determining the amount of risk retained by an insurer, a deduction shall
 20 be made for reinsurance ceded by the insurer for which credit is allowed under §
 21 5-904 of this title.

22 5-1005.

23 ~~AN INSURER MAY NOT RETAIN A RISK ON ANY ONE SUBJECT OF FINANCIAL~~
 24 ~~GUARANTY INSURANCE RELATING TO A MUNICIPAL BOND IF THE AVERAGE ANNUAL~~
 25 ~~DEBT SERVICE EXCEEDS 10% OF THE INSURER'S CAPITAL AND SURPLUS TO~~
 26 ~~POLICYHOLDERS THE COMMISSIONER MAY ESTABLISH BY REGULATION LIMITS ON~~
 27 ~~THE RISK RETAINED BY AN INSURER FOR A SUBJECT OF FINANCIAL GUARANTY~~
 28 ~~INSURANCE, INCLUDING REQUIREMENTS FOR CONTINGENCY RESERVES USED IN~~
 29 ~~DETERMINING COMPLIANCE WITH THE APPLICABLE RISK LIMITS.~~

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

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

