

SENATE BILL 679

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C4

1999 Regular Session  
9r1472  
CF 9r1473

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By: **Senator Teitelbaum**

Introduced and read first time: February 15, 1999

Assigned to: Rules

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A BILL ENTITLED

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; and generally relating to  
7 limitation of risk for insurance.

8 BY repealing and reenacting, with amendments,  
9 Article - Insurance  
10 Section 5-1003  
11 Annotated Code of Maryland  
12 (1997 Volume and 1998 Supplement)

13 BY adding to  
14 Article - Insurance  
15 Section 5-1005  
16 Annotated Code of Maryland  
17 (1997 Volume and 1998 Supplement)

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

20 **Article - Insurance**

21 5-1003.

22 (a) (1) Subject to [§ 5-1004] §§ 5-1004 AND 5-1005 of this subtitle, an insurer  
23 may not retain a risk on any one subject of insurance, whether located or to be  
24 performed in the State or outside of the State, in an amount exceeding 10% of the  
25 insurer's surplus to policyholders.

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

1 (i) the last sworn statement of the insurer on file with the  
2 Commissioner; or

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

4 (b) In determining the amount of risk retained by an insurer, a deduction shall  
5 be made for reinsurance ceded by the insurer for which credit is allowed under §  
6 5-904 of this title.

7 5-1005.

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

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

14 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
15 July 1, 1999.