

SENATE BILL 679

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1999 Regular Session
9r1472
CF 9r1473

By: **Senator Teitelbaum**
Introduced and read first time: February 15, 1999
Assigned to: Rules
Re-referred to: Finance, February 22, 1999

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 29, 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~~ 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
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, an insurer
4 may not retain a risk on any one subject of insurance, whether located or to be
5 performed in the State or outside of the State, in an amount exceeding 10% of the
6 insurer's surplus to policyholders.

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

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

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

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

15 5-1005.

16 ~~AN INSURER MAY NOT RETAIN A RISK ON ANY ONE SUBJECT OF FINANCIAL~~
17 ~~GUARANTY INSURANCE RELATING TO A MUNICIPAL BOND IF THE AVERAGE ANNUAL~~
18 ~~DEBT SERVICE EXCEEDS 10% OF THE INSURER'S CAPITAL AND SURPLUS TO~~
19 ~~POLICYHOLDERS THE COMMISSIONER MAY ESTABLISH BY REGULATION LIMITS ON~~
20 ~~THE RISK RETAINED BY AN INSURER FOR A SUBJECT OF FINANCIAL GUARANTY~~
21 ~~INSURANCE, INCLUDING REQUIREMENTS FOR CONTINGENCY RESERVES USED IN~~
22 ~~DETERMINING COMPLIANCE WITH THE APPLICABLE RISK LIMITS.~~

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

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