

SENATE BILL 598

Unofficial Copy
C4

2000 Regular Session
0lr2390
CF 0lr2620

By: **Senator Dorman**
Introduced and read first time: February 4, 2000
Assigned to: Finance

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 20, 2000

CHAPTER _____

1 AN ACT concerning

2 **Insurance Rating Law - Exempt Commercial Policyholders**

3 FOR the purpose of exempting from certain form filing requirements under prior
4 approval insurance rating law insurers that issue policies to certain commercial
5 policyholders; requiring a certain commercial policyholder to certify to the
6 insurer issuing coverage and the Insurance Commissioner that it meets certain
7 criteria for exemption; specifying the contents of the certification; authorizing
8 the Insurance Commissioner to require by regulation certain information about
9 policies written for certain commercial policyholders; providing that an
10 independent insurance professional may be compensated for certain services
11 only by certain persons; requiring an insurer to file with the Insurance
12 Commissioner any forms and endorsements issued to an exempt commercial
13 policyholder under certain circumstances; providing that, except for a certain
14 exemption, forms and endorsements issued to exempt commercial policyholders
15 shall be subject to certain State insurance laws; providing that the Insurance
16 Commissioner, by regulation, may authorize an exempt commercial policyholder
17 to procure insurance from an unauthorized insurer under certain
18 circumstances; defining a certain term; and generally relating to exempting
19 insurers issuing coverage to commercial policyholders from certain
20 requirements under prior approval insurance rating law.

21 BY repealing and reenacting, with amendments,
22 Article - Insurance
23 Section 11-206
24 Annotated Code of Maryland
25 (1997 Volume and 1999 Supplement)

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 11-206.

5 (a) (1) Except as otherwise provided in this section, each insurer shall file
6 with the Commissioner all rates, supplementary rate information, policy forms, and
7 endorsements and all modifications of rates, supplementary rate information, policy
8 forms, and endorsements that the insurer proposes to use.

9 (2) Each filing shall state its proposed effective date and shall indicate
10 the character and extent of the coverage contemplated.

11 (b) (1) (i) If a filing is not accompanied by the information on which the
12 insurer supports the filing and the Commissioner does not have sufficient
13 information to determine whether the filing meets the requirements of this subtitle,
14 the Commissioner shall require the insurer to provide supporting information for the
15 filing within 60 days.

16 (ii) If the Commissioner requires the filer to provide supporting
17 information, the waiting period under subsection (g) of this section begins on the date
18 the supporting information is provided.

19 (2) The information provided in support of a filing may include:

20 (i) the judgment of the filer;

21 (ii) the filer's interpretation of any statistical data relied on;

22 (iii) the experience of other filers; and

23 (iv) any other relevant factors.

24 (c) Each filing shall include the experience of the filer.

25 (d) A filing and any supporting information shall be open to public inspection
26 as soon as filed.

27 (e) An insurer may satisfy its obligation to make filings by:

28 (1) being a member of or subscriber to a licensed rating organization that
29 makes filings; and

30 (2) authorizing the Commissioner to accept filings on its behalf from the
31 rating organization.

32 (f) The Commissioner shall review each filing as soon as reasonably possible
33 after it is made to determine whether it meets the requirements of this subtitle.

1 (g) (1) (i) Except as provided in subsections (h) and (i) of this section, a
2 filing may not take effect until 30 working days after it is filed with the
3 Commissioner.

4 (ii) By written notice to the filer during the initial 30-day waiting
5 period that the Commissioner needs additional time for consideration of the filing, the
6 Commissioner may extend the waiting period for an additional period not exceeding
7 30 working days.

8 (2) On written application by the filer, the Commissioner may authorize
9 a filing that the Commissioner has reviewed to become effective before the expiration
10 of the waiting period or any extension of the waiting period or at a later date.

11 (3) A filing is deemed approved unless disapproved by the Commissioner
12 during the waiting period or any extension of the waiting period.

13 (4) A filing may be withdrawn or amended by the filer at any time before
14 approval.

15 (5) After approval or disapproval of a filing, the withdrawal or
16 amendment of the filing is subject to the approval of the Commissioner in accordance
17 with this section.

18 (h) (1) Inland marine risks that by general custom of the business are not
19 written according to manual rates or rating plans need not be filed.

20 (2) Notwithstanding paragraph (1) of this subsection, specific inland
21 marine rates on risks specially rated by a rating organization shall be filed, become
22 effective when filed, and remain effective until the Commissioner finds the filing does
23 not meet the requirements of this subtitle.

24 (i) A special filing with respect to a surety or guarantee bond required by law,
25 by court, by executive order, or by order, rule, or regulation of a public body, not
26 covered by a previous filing shall become effective when filed and remain effective
27 until the Commissioner finds that the filing does not meet the requirements of this
28 subtitle.

29 (J) (1) IN THIS SUBSECTION, "EXEMPT COMMERCIAL POLICYHOLDER"
30 MEANS A PERSON THAT:

31 (I) PAYS ANNUAL AGGREGATE ~~COUNTRYWIDE~~ PROPERTY AND
32 CASUALTY PREMIUMS FOR COMMERCIAL INSURANCE POLICIES ISSUED IN THE
33 STATE DURING THE CURRENT OR THE IMMEDIATELY PRECEDING CALENDAR YEAR
34 OF \$50,000 OR MORE; AND

35 (II) MEETS ANY TWO OF THE FOLLOWING CRITERIA:

36 1. GENERATES ANNUAL REVENUES OR SALES IN EXCESS OF
37 \$10,000,000;

1 2. POSSESSES A NET WORTH IN EXCESS OF \$5,000,000;

2 3. EMPLOYS AT LEAST 25 FULL-TIME EMPLOYEES;

3 4. IS A NONPROFIT ORGANIZATION OR PUBLIC BODY WITH
4 AN ANNUAL BUDGET OF AT LEAST ~~\$25,000,000~~ \$10,000,000;

5 5. IS A MUNICIPAL CORPORATION WITH A POPULATION OF
6 AT LEAST 15,000; OR

7 6. RETAINS, EMPLOYS, OR UTILIZES AN INDEPENDENT
8 INSURANCE ~~ADVISOR~~ PROFESSIONAL WHO:

9 A. ~~IS QUALIFIED BY EXPERIENCE, EDUCATION, OR TRAINING~~
10 ~~TO ASSESS THE INSURANCE PURCHASER'S NEEDS AND TO ANALYZE THE POLICY OF~~
11 ~~INSURANCE ON BEHALF OF THE INSURANCE PURCHASER; AND~~

12 B. ~~MAY BE A LICENSED AGENT OR BROKER PROVIDES~~
13 ~~SKILLED SERVICES IN LOSS PREVENTION, LOSS REDUCTION, OR RISK AND~~
14 ~~INSURANCE COVERAGE ANALYSIS AND THE PURCHASE OF INSURANCE, AND WHO~~
15 ~~POSSESSES AT LEAST ONE OF THE FOLLOWING CREDENTIALS:~~

16 A. A BACHELOR'S OR HIGHER DEGREE IN RISK
17 MANAGEMENT ISSUED BY AN ACCREDITED COLLEGE OR UNIVERSITY;

18 B. DESIGNATION AS A CHARTERED PROPERTY AND
19 CASUALTY UNDERWRITER (CPCU) ISSUED BY THE AMERICAN INSTITUTE FOR
20 CPCU/INSURANCE INSTITUTE OF AMERICA;

21 C. DESIGNATION AS AN ASSOCIATE IN RISK MANAGEMENT
22 (ARM) ISSUED BY THE AMERICAN INSTITUTE FOR CPCU/INSURANCE INSTITUTE OF
23 AMERICA; OR

24 D. A CERTIFICATE OF QUALIFICATION TO SERVE AS A
25 BROKER OR A LICENSE TO SERVE AS AN ADVISER UNDER THIS ARTICLE.

26 (2) THE FILING REQUIREMENTS OF THIS SECTION DO NOT APPLY TO
27 POLICY FORMS AND ENDORSEMENTS AND TO MODIFICATIONS OF POLICY FORMS
28 AND ENDORSEMENTS ISSUED TO AN EXEMPT COMMERCIAL POLICYHOLDER.

29 (3) (I) AN EXEMPT COMMERCIAL POLICYHOLDER MUST CERTIFY IN
30 WRITING, ON A FORM APPROVED BY THE COMMISSIONER, TO THE INSURER ISSUING
31 COVERAGE AND THE COMMISSIONER THAT IT MEETS THE CRITERIA NECESSARY FOR
32 EXEMPTION FROM FORM FILING REQUIREMENTS.

33 (II) THE CERTIFICATION MUST INCLUDE:

34 1. SPECIFIC REFERENCE TO THE OPTIONAL CRITERIA THAT
35 THE INSURED HAS SATISFIED TO QUALIFY AS AN EXEMPT COMMERCIAL
36 POLICYHOLDER;

1 2. INFORMATION REQUIRED BY THE COMMISSIONER FOR
2 THE PURPOSE OF DETERMINING THE ANNUAL AGGREGATE PREMIUMS OF THE
3 INSURED FOR PURPOSES OF PARAGRAPH (1)(I) OF THIS SUBSECTION; AND

4 3. AN ACKNOWLEDGMENT BY THE INSURED THAT THE
5 POLICY FORM, ENDORSEMENT, OR MODIFICATION INTENDED FOR USE HAS NOT
6 BEEN FILED WITH THE COMMISSIONER.

7 (III) IF AN INSURED RETAINS, EMPLOYS, OR UTILIZES AN
8 INDEPENDENT INSURANCE PROFESSIONAL, AND USES THIS CRITERION TO QUALIFY
9 AS AN EXEMPT COMMERCIAL POLICYHOLDER, THE CERTIFICATION SHALL IDENTIFY
10 THE INDEPENDENT INSURANCE PROFESSIONAL BY NAME, PROFESSIONAL
11 DESIGNATION, BUSINESS ADDRESS, AND BUSINESS TELEPHONE NUMBER.

12 (4) THIS SUBSECTION DOES NOT APPLY TO THE FILING OF WORKERS'
13 COMPENSATION INSURANCE POLICY FORMS.

14 (5) THE COMMISSIONER MAY REQUIRE, BY REGULATION, THAT
15 INSURERS PROVIDE INFORMATION TO THE ADMINISTRATION ON THE NUMBER AND
16 TYPES OF POLICIES WRITTEN FOR EXEMPT COMMERCIAL POLICYHOLDERS UNDER
17 THIS SUBSECTION.

18 (6) AN INDEPENDENT INSURANCE PROFESSIONAL MAY BE
19 COMPENSATED, FOR SERVICES RENDERED TO AN EXEMPT COMMERCIAL
20 POLICYHOLDER, ONLY BY THE EXEMPT COMMERCIAL POLICYHOLDER.

21 (7) ON WRITTEN REQUEST OF THE COMMISSIONER, AN INSURER SHALL
22 FILE WITH THE COMMISSIONER ANY FORMS AND ENDORSEMENTS ISSUED TO AN
23 EXEMPT COMMERCIAL POLICYHOLDER.

24 (8) EXCEPT FOR THE EXEMPTION FROM FORM FILING REQUIREMENTS
25 UNDER THIS SECTION, FORMS AND ENDORSEMENTS ISSUED TO EXEMPT
26 COMMERCIAL POLICYHOLDERS SHALL BE SUBJECT TO ALL APPLICABLE PROVISIONS
27 OF THIS ARTICLE.

28 SECTION 2. AND BE IT FURTHER ENACTED, That the Insurance
29 Commissioner, by regulation, may authorize an exempt commercial policyholder, as
30 defined in § 11-206(j) of the Insurance Article, as enacted by Section 1 of this Act, to
31 procure insurance from an unauthorized insurer in accordance with § 3-306 of the
32 Insurance Article."

33 SECTION ~~2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
34 effect October 1, 2000.

