

SENATE BILL 695

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2001 Regular Session  
1r2027  
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By: **Senator Astle**  
Introduced and read first time: February 2, 2001  
Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Financial Guaranty Insurance Companies - Definition and Home Office**  
3 **Requirement**

4 FOR the purpose of altering the definition of a "financial guaranty insurance  
5 company" to allow certain financial guaranty insurance companies to have a  
6 home or executive office outside the State under certain circumstances; and  
7 generally relating to financial guaranty insurance companies.

8 BY repealing and reenacting, with amendments,  
9 Article - Insurance  
10 Section 4-115  
11 Annotated Code of Maryland  
12 (1997 Volume and 2000 Supplement)

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

15 **Article - Insurance**

16 4-115.

17 (a) (1) In this section the following words have the meanings indicated.

18 (2) "Financial guaranty reinsurance company" means an insurer that  
19 derives at least 90% of its gross written premium from the business of financial  
20 guaranty reinsurance.

21 (3) "Financial guaranty insurance company" means an insurer[:

22 (i)] that derives at least 90% of its gross written premium from the  
23 business of financial guaranty insurance AND FINANCIAL GUARANTY  
24 REINSURANCE[; and

25 (ii) the claims-paying ability of which is rated in the highest  
26 possible category by at least one nationally recognized statistical rating  
27 organization].

1 (b) (1) Except as provided in paragraph (2) of this subsection, a domestic  
2 insurer may not move its home or executive office out of the State without notice to  
3 and approval by the Commissioner.

4 (2) A financial guaranty reinsurance company or financial guaranty  
5 insurance company that became domiciled in the State on or before December 31,  
6 1993, is not required to have an office in the State.

7 (c) (1) A domestic insurer, including a reciprocal insurer, fraternal benefit  
8 society, or nonprofit health service plan, with its home or executive office in the State  
9 shall keep in the State:

10 (i) its general ledger accounting records; and

11 (ii) subject to subsection (d) of this section, all of its assets except:

12 1. real property lawfully owned by the insurer and located  
13 outside of the State, personal property appurtenant to the real property, or mortgages  
14 on the real property;

15 2. property of the insurer that is customary and necessary to  
16 the operation of the insurer's branch offices outside of the State;

17 3. securities deposited in a jurisdiction outside of the State as  
18 a condition of authority to transact business in that jurisdiction or securities  
19 deposited in connection with obtaining surety bonds; and

20 4. securities held for safekeeping by a bank or other  
21 institution that:

22 A. is approved by the Commissioner;

23 B. is located in the United States or Canada, or in any  
24 jurisdiction in which the insurer is licensed to do business; and

25 C. has a custodial agreement with the insurer approved by  
26 the Commissioner.

27 (2) A financial guaranty reinsurance company or financial guaranty  
28 insurance company that became domiciled in the State on or before December 31,  
29 1993, and that does not have its home or executive office in the State:

30 (i) shall keep in the State its entire assets as required by  
31 paragraph (1)(ii) of this subsection; and

32 (ii) may keep its general ledger accounting records outside the  
33 State if it makes those records available in the State to the Commissioner within 2  
34 business days after being requested to do so by the Commissioner.

1 (d) Unless approved by the Commissioner, a domestic insurer may not keep  
2 more than 15% of the domestic insurer's admitted assets outside of the State under  
3 this section.

4 (e) This section does not prohibit the holding of funds or transmission of  
5 securities outside of the State to:

6 (1) secure or record title to the securities; or

7 (2) sell, lend, buy, redeem, or exchange the securities or alter the  
8 provisions of the securities.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 July 1, 2001.