

SENATE BILL 695

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

Committee Report: Favorable
Senate action: Adopted
Read second time: March 6, 2001

CHAPTER _____

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[:]

1 (i)] that derives at least 90% of its gross written premium from the
2 business of financial guaranty insurance AND FINANCIAL GUARANTY
3 REINSURANCE]; and

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

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

10 (2) A financial guaranty reinsurance company or financial guaranty
11 insurance company that became domiciled in the State on or before December 31,
12 1993, is not required to have an office in the State.

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

16 (i) its general ledger accounting records; and

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

18 1. real property lawfully owned by the insurer and located
19 outside of the State, personal property appurtenant to the real property, or mortgages
20 on the real property;

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

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

26 4. securities held for safekeeping by a bank or other
27 institution that:

28 A. is approved by the Commissioner;

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

31 C. has a custodial agreement with the insurer approved by
32 the Commissioner.

33 (2) A financial guaranty reinsurance company or financial guaranty
34 insurance company that became domiciled in the State on or before December 31,
35 1993, and that does not have its home or executive office in the State:

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

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

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

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

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

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

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