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By: **Chairman, Economic Matters Committee**  
Introduced and read first time: January 30, 2002  
Assigned to: Economic Matters

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A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Insurance Administration - Program Evaluation**

3 FOR the purpose of extending to a certain date the evaluation of the Maryland  
4 Insurance Administration under the provisions of the Maryland Program  
5 Evaluation Act; transferring the Insurance Fraud Division from the  
6 Administration to the Department of State Police; requiring the Department to  
7 administer certain laws; providing for the management of the Insurance Fraud  
8 Division; specifying the duties of the Insurance Fraud Division; establishing a  
9 fund to cover the costs and expenses of the Insurance Fraud Division;  
10 establishing an annual reporting requirement for the Insurance Fraud Division;  
11 specifying the contents of the annual report; establishing a certain date on  
12 which a certain annual report is due; repealing certain fees; creating a certain  
13 exemption; altering the classification of certain revenue; altering a certain  
14 definition; altering the contents of a certain fund; requiring that certain revenue  
15 be used in a certain way; requiring the Insurance Administration to collect, on a  
16 quarterly basis, certain fees and distribute a certain amount of money to a  
17 certain administrative account; requiring certain money to be deposited into a  
18 certain fund to be used for a certain purpose; requiring the Commissioner of the  
19 Insurance Administration to establish certain fees in regulation; requiring the  
20 Insurance Commissioner to transfer certain money at certain times to the  
21 Department for certain purposes; altering the amount of certain fees; altering a  
22 certain evaluation requirement; providing for the transfer of the Insurance  
23 Fraud Division and its personnel, expenses, records, equipment, assets, and  
24 liabilities from the Insurance Administration to the Department; requiring the  
25 Insurance Administration to report to certain committees on or before a certain  
26 date; specifying the contents of a certain report; defining certain terms; and  
27 generally relating to the statutory and regulatory authority of the Maryland  
28 Insurance Administration.

29 BY repealing

30 Article - Insurance  
31 Section 2-112(a)(11), 2-208, 2-401 through 2-406, and 2-408 and the subtitle  
32 "Subtitle 4. Insurance Fraud Division"  
33 Annotated Code of Maryland  
34 (1997 Volume and 2001 Supplement)

- 1 BY renumbering  
2 Article - Insurance  
3 Section 6-204  
4 to be Section 6-205  
5 Annotated Code of Maryland  
6 (1997 Volume and 2001 Supplement)
- 7 BY repealing and reenacting, with amendments,  
8 Article 88B - Department of State Police  
9 Section 13  
10 Annotated Code of Maryland  
11 (1998 Replacement Volume and 2001 Supplement)
- 12 BY adding to  
13 Article 88B - Department of State Police  
14 Section 87 through 92, inclusive, to be under the new subtitle "Insurance Fraud  
15 Division"  
16 Annotated Code of Maryland  
17 (1998 Replacement Volume and 2001 Supplement)
- 18 BY repealing and reenacting, with amendments,  
19 Article - Insurance  
20 Section 2-110, 2-114, 2-501(b), 2-503, 2-505, 6-202, 6-203, 20-502(e), and  
21 27-801(b)  
22 Annotated Code of Maryland  
23 (1997 Volume and 2001 Supplement)
- 24 BY adding to  
25 Article - Insurance  
26 Section 6-107(d) and 6-204  
27 Annotated Code of Maryland  
28 (1997 Volume and 2001 Supplement)
- 29 BY repealing and reenacting, with amendments,  
30 Article - State Government  
31 Section 8-403(b)(34)  
32 Annotated Code of Maryland  
33 (1999 Replacement Volume and 2001 Supplement)
- 34 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
35 MARYLAND, That Section(s) 2-401 through 2-406, inclusive, and 2-408 and the  
36 subtitle "Subtitle 4. Insurance Fraud Division" of Article - Insurance of the Annotated  
37 Code of Maryland be repealed.

1 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 6-204 of  
2 Article - Insurance of the Annotated Code of Maryland be renumbered to be  
3 Section(s) 6-205.

4 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
5 read as follows:

6 **Article 88B - Department of State Police**

7 13.

8 The Department shall administer the laws relating to the sales of pistols and  
9 revolvers, the licensing and supervision of private detective agencies and certification  
10 of private detectives and security guards, the registration of eavesdropping or  
11 wiretapping devices, THE INVESTIGATION AND PROSECUTION OF INSURANCE  
12 FRAUD, and the inspection of certain classes of motor vehicles as provided elsewhere  
13 in this Code. The Department shall perform such other duties as may be assigned  
14 from time to time by the General Assembly.

15 **INSURANCE FRAUD DIVISION**

16 87.

17 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
18 INDICATED.

19 (B) "FRAUD DIVISION" MEANS THE INSURANCE FRAUD DIVISION IN THE  
20 DEPARTMENT.

21 (C) "INSURANCE FRAUD" MEANS:

22 (1) A VIOLATION OF TITLE 27, SUBTITLE 4 OF THE INSURANCE ARTICLE;

23 (2) THEFT, AS SET OUT UNDER ARTICLE 27, §§ 340 THROUGH 342 OF THE  
24 CODE:

25 (I) FROM A PERSON REGULATED UNDER THE INSURANCE  
26 ARTICLE; OR

27 (II) BY A PERSON REGULATED UNDER THE INSURANCE ARTICLE OR  
28 AN OFFICER, DIRECTOR, AGENT, OR EMPLOYEE OF A PERSON REGULATED UNDER  
29 THE INSURANCE ARTICLE; OR

30 (3) ANY OTHER FRAUDULENT ACTIVITY SET OUT UNDER ARTICLE 27 OF  
31 THE CODE THAT IS COMMITTED BY OR AGAINST A PERSON REGULATED UNDER THE  
32 INSURANCE ARTICLE.

33 88.

34 THERE IS AN INSURANCE FRAUD DIVISION IN THE DEPARTMENT.

1 89.

2 (A) THE HEAD OF THE FRAUD DIVISION IS THE MANAGER.

3 (B) (1) THE MANAGER OF THE FRAUD DIVISION SHALL BE APPOINTED BY  
4 THE SECRETARY WITH THE APPROVAL OF THE GOVERNOR.

5 (2) THE MANAGER IS AN EMPLOYEE OF THE DEPARTMENT.

6 (3) THE MANAGER REPORTS DIRECTLY TO AND IS UNDER THE DIRECT  
7 SUPERVISION OF THE SECRETARY.

8 (C) THE MANAGER OF THE FRAUD DIVISION IS UNCLASSIFIED AND IS  
9 ENTITLED TO ANNUAL COMPENSATION AS PROVIDED IN THE STATE BUDGET.

10 (D) THE MANAGER OF THE FRAUD DIVISION IS RESPONSIBLE FOR THE  
11 OPERATION OF THE FRAUD DIVISION AND THE EXERCISE OF ALL AUTHORITY  
12 GRANTED TO THE FRAUD DIVISION UNDER THIS SUBTITLE.

13 90.

14 THE FRAUD DIVISION:

15 (1) HAS THE AUTHORITY TO INVESTIGATE EACH PERSON SUSPECTED OF  
16 ENGAGING IN INSURANCE FRAUD;

17 (2) IF APPROPRIATE AFTER AN INVESTIGATION:

18 (I) SHALL REFER SUSPECTED CASES OF INSURANCE FRAUD TO  
19 THE OFFICE OF THE ATTORNEY GENERAL OR APPROPRIATE LOCAL STATE'S  
20 ATTORNEY TO PROSECUTE THE PERSON CRIMINALLY FOR INSURANCE FRAUD;

21 (II) SHALL NOTIFY THE APPROPRIATE PROFESSIONAL LICENSING  
22 BOARD OR DISCIPLINARY BODY OF EVIDENCE OF INSURANCE FRAUD THAT  
23 INVOLVES PROFESSIONALS; AND

24 (III) SHALL NOTIFY THE APPROPRIATE PROFESSIONAL LICENSING  
25 BOARD OF EVIDENCE OF GROSS OVERUTILIZATION OF HEALTH CARE SERVICES;

26 (3) SHALL COMPILE AND ABSTRACT INFORMATION THAT INCLUDES THE  
27 NUMBER OF CONFIRMED ACTS OF INSURANCE FRAUD AND THE TYPE OF ACTS OF  
28 INSURANCE FRAUD;

29 (4) IN EXERCISING ITS AUTHORITY UNDER THIS SUBTITLE, SHALL  
30 COOPERATE WITH THE MARYLAND INSURANCE ADMINISTRATION, OFFICE OF THE  
31 ATTORNEY GENERAL, LOCAL STATE'S ATTORNEY IN THE JURISDICTION IN WHICH  
32 THE ALLEGED ACTS OF INSURANCE FRAUD TOOK PLACE, AND APPROPRIATE  
33 FEDERAL AND LOCAL LAW ENFORCEMENT AUTHORITIES;

1 (5) SHALL OPERATE OR PROVIDE FOR A TOLL-FREE INSURANCE FRAUD  
2 HOT LINE TO RECEIVE AND RECORD INFORMATION ABOUT ALLEGED ACTS OF  
3 INSURANCE FRAUD; AND

4 (6) IN COOPERATION WITH THE OFFICE OF THE ATTORNEY GENERAL  
5 AND MARYLAND INSURANCE ADMINISTRATION, SHALL CONDUCT PUBLIC OUTREACH  
6 AND AWARENESS PROGRAMS ON THE COSTS OF INSURANCE FRAUD TO THE PUBLIC.  
7 91.

8 (A) THE ACTIVITIES OF THE FRAUD DIVISION SHALL BE FUNDED BY THE  
9 INSURANCE FRAUD DIVISION FUND ESTABLISHED UNDER § 6-204 OF THE  
10 INSURANCE ARTICLE.

11 (B) (1) ALL COSTS AND EXPENSES OF THE FRAUD DIVISION SHALL BE  
12 INCLUDED IN THE STATE BUDGET.

13 (2) EXPENDITURES FROM THE FUND TO COVER COSTS AND EXPENSES  
14 OF THE FRAUD DIVISION MAY ONLY BE MADE:

15 (I) IN ACCORDANCE WITH AN APPROPRIATION APPROVED BY THE  
16 GENERAL ASSEMBLY IN THE ANNUAL STATE BUDGET; OR

17 (II) BY THE BUDGET AMENDMENT PROCEDURE PROVIDED FOR IN §  
18 7-109 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

19 92.

20 (A) ON OR BEFORE JANUARY 1 OF EACH YEAR THE FRAUD DIVISION SHALL  
21 REPORT TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE GOVERNMENT  
22 ARTICLE, THE GENERAL ASSEMBLY ON THE OPERATION OF THE FRAUD DIVISION  
23 AND ON COMPLAINTS AND CASES FILED IN THE PREVIOUS FISCAL YEAR.

24 (B) THE REPORT SHALL INCLUDE:

25 (1) THE NUMBER OF COMPLAINTS RECEIVED THAT RELATE TO  
26 INSURANCE FRAUD, THE NATURE OF THE COMPLAINTS, AND THE RESOLUTION OF  
27 THE COMPLAINTS;

28 (2) THE NUMBER OF COMPLAINTS AND CASES REFERRED TO A STATE'S  
29 ATTORNEY AND THE RESOLUTION OF THE COMPLAINTS OR CASES;

30 (3) THE NUMBER OF COMPLAINTS AND CASES REFERRED TO THE  
31 OFFICE OF THE ATTORNEY GENERAL AND THE RESOLUTION OF THE COMPLAINTS OR  
32 CASES;

33 (4) THE NUMBER OF CALLS MADE TO THE INSURANCE FRAUD HOT LINE;

34 (5) THE NUMBER OF COMPLAINTS RECEIVED FROM PERSONS  
35 REGULATED BY THE SECRETARY;

1 (6) THE TOTAL NUMBER OF CASES, BY TYPE, OF INSURANCE FRAUD;  
2 AND

3 (7) THE NUMBER AND PERCENTAGE OF CASES THAT RESULT IN THE  
4 IMPOSITION OF CIVIL OR CRIMINAL PENALTIES.

5 **Article - Insurance**

6 2-110.

7 (a) [As early in each fiscal year as is reasonably possible] NO LATER THAN  
8 DECEMBER 31 OF EACH YEAR, the Commissioner shall prepare an annual report  
9 about the previous fiscal year that includes:

10 (1) a list of the authorized insurers transacting insurance business in the  
11 State, with any summary of their financial statements that the Commissioner  
12 considers appropriate;

13 (2) the name of each insurer whose business was closed during the year,  
14 the cause of the closure, and the amount of assets and liabilities of the insurer that is  
15 ascertainable;

16 (3) the name of each insurer against whom delinquency or similar  
17 proceedings were initiated, a concise statement of facts about each delinquency or  
18 similar proceeding, and the status of each proceeding;

19 (4) a list of the rulings and decisions made in cases before the  
20 Administration during the year;

21 (5) a statement of all fees, taxes, and administrative fines and penalties  
22 received by the Commissioner and deposited into the General Fund of the State;

23 (6) the ratio of complaints filed during the calendar year against each  
24 insurer for each major line of insurance written by the insurer and a summary of the  
25 resolution of the complaints;

26 (7) recommendations of the Commissioner about changes in the laws  
27 affecting insurance and about matters affecting the Administration; and

28 (8) any other relevant information that the Commissioner considers  
29 proper.

30 (b) (1) At least once every 5 years after December 1, 1995, the  
31 Commissioner shall prepare a report recommending any changes that the  
32 Commissioner considers appropriate under §§ 4-104 and 4-105 of this article.

33 (2) When required, the report described in paragraph (1) of this  
34 subsection may be prepared with the annual report required by subsection (a) of this  
35 section.

1 (c) Reports required under subsection (a) or (b) of this section shall be  
2 submitted to the Governor and, subject to § 2-1246 of the State Government Article,  
3 the General Assembly.

4 2-112.

5 (a) Fees for the following certificates, licenses, and services shall be collected  
6 in advance by the Commissioner, and shall be paid by the appropriate persons to the  
7 Commissioner:

8 [(11) fees for form and rate filings under Title 11, Subtitles 2 and 4 and §§  
9 12-203, 13-110, and 14-126 of this article.....\$125]

10 2-114.

11 (a) The following moneys shall be considered general funds of the State:

12 (1) [all] EXCEPT AS PROVIDED UNDER § 6-107 OF THIS ARTICLE, revenue  
13 received under Title 6, Subtitle 1 of this article;

14 (2) all revenue received under §§ 3-324, 4-209, 6-303, and 6-304 of this  
15 article; and

16 (3) all penalties imposed by the Commissioner, including the following  
17 penalties imposed under:

18 (i) §§ 4-113(d), 4-212, 10-126(c), 11-232, 14-140, 23-208, 23-506,  
19 26-502, 27-305, and 27-408 of this article; and

20 (ii) § 19-730 of the Health - General Article.

21 (b) The following moneys may not be considered general funds of the State  
22 and shall be deposited into the Insurance Regulation Fund established under Subtitle  
23 5 of this title:

24 (1) all revenue received through the imposition and collection of the  
25 assessment fee under Subtitle 5 of this title;

26 (2) all revenue received through the imposition and collection of the fees  
27 set forth in § 2-112 of this title;

28 (3) [all revenue received through the imposition and collection of the  
29 fraud prevention fee under Title 6, Subtitle 2 of this article;

30 (4) all revenue received through the collection of examination expenses  
31 under § 2-208 of this title;

32 (5)] except as provided under subsection (a) of this section, all other fees  
33 received through the imposition and collection of fees set forth in this article; and

1 [(6)] (4) income from investments that the State Treasurer makes for  
2 the Insurance Regulation Fund.

3 [2-208.

4 The expense incurred in an examination made under § 2-205 of this subtitle, §  
5 2-206 of this subtitle for surplus lines brokers and insurance holding corporations, §  
6 23-207 of this article for premium finance companies, or § 15-10B-19 of this article  
7 for private review agents shall be paid by the person examined in the following  
8 manner:

9 (1) the person examined shall pay to the Commissioner the travel  
10 expenses, a living expense allowance, and a per diem as compensation for examiners,  
11 actuaries, and typists:

12 (i) to the extent incurred for the examination; and

13 (ii) at reasonable rates set by the Commissioner;

14 (2) the Commissioner may present a detailed account of expenses  
15 incurred to the person examined periodically during the examination or at the end of  
16 the examination, as the Commissioner considers proper; and

17 (3) a person may not pay and an examiner may not accept any  
18 compensation for an examination in addition to the compensation under paragraph  
19 (1) of this section.]

20 2-501.

21 (b) "Assessment" means an assessment that[:

22 (1)] equals the approved Administration's annual budget appropriation  
23 less the fees collected under this article[; and

24 (2) does not exceed 40% of the Administration's approved budget  
25 appropriation].

26 2-503.

27 (a) [Beginning on April 1, 1999, the] EXCEPT AS PROVIDED UNDER  
28 SUBSECTION (F) OF THIS SECTION, THE Commissioner shall collect the annual  
29 assessment fee ON A QUARTERLY BASIS from each insurer as calculated in § 2-502 of  
30 this subtitle.

31 (b) The QUARTERLY assessment fee collected under this section is:

32 (1) in addition to any penalties or premium tax imposed under this  
33 article; and

34 (2) due and payable to the Commissioner on or before July 1 of each year  
35 AND QUARTERLY THEREAFTER.



1 (c) (1) Failure by an insurer to pay the assessment fee on or before [July 1  
2 of each year] A DUE DATE shall subject the insurer to the provisions of §§ 4-113 and  
3 4-114 of this article.

4 (2) In addition to paragraph (1) of this subsection, an assessment fee not  
5 paid on or before [July 1] A DUE DATE may be subject to a penalty of 5% and interest  
6 at the rate determined under § 13-701(b)(1) of the Tax - General Article from July 1  
7 until payment is made to the Commissioner.

8 (3) If an additional amount is found to be due after the assessment fee  
9 has been paid to the Commissioner, the additional amount is subject to interest at 6%  
10 from [July 1] THE DUE DATE until payment is made to the Commissioner.

11 (d) The total amount of the assessment fee collected by the Commissioner  
12 shall be deposited in the Fund.

13 (e) This section does not affect any requirement otherwise established by law  
14 for the payment of premium taxes by an insurer.

15 (F) AN INSURER MAY ELECT TO PAY ITS ENTIRE ANNUAL ASSESSMENT ON OR  
16 BEFORE JULY 1.

17 2-505.

18 (a) There is an Insurance Regulation Fund that consists of:

19 (1) all revenue received through the imposition and collection of the  
20 assessment fee under this subtitle;

21 (2) all revenue received through the imposition and collection of the fees  
22 set forth in § 2-112 of this title;

23 (3) [all revenue received through the imposition and collection of the  
24 fraud prevention fee under Title 6, Subtitle 2 of this article;

25 (4) all revenue received through the collection of examination expenses  
26 under § 2-208 of this title;

27 (5) except as provided in § 2-114(a) of this title, all other fees received  
28 through the imposition and collection of fees set forth in this article; and

29 [(6)] (4) income from investments that the State Treasurer makes for  
30 the Fund.

31 (b) The purpose of the Fund is to pay all the costs and expenses incurred by  
32 the Administration that are related to its responsibilities to regulate the insurance  
33 activities of all insurers that engage in the insurance business in this State.

34 (c) (1) All the costs and expenses of the Administration shall be included in  
35 the State budget.

1 (2) Any expenditures from the Fund to cover costs and expenses of the  
2 Administration may only be made:

3 (i) with an appropriation from the Fund approved by the General  
4 Assembly in the annual State budget; or

5 (ii) by the budget amendment procedure provided for in § 7-209 of  
6 the State Finance and Procurement Article.

7 (3) (i) If, in any given fiscal year, the amount of [the assessment fee]  
8 revenue collected by the Commissioner [under this subtitle] and deposited into the  
9 Fund exceeds 110 PERCENT OF the actual appropriations for the Administration, the  
10 excess amount shall be carried forward within the Fund for the purpose of reducing  
11 the assessment fee imposed by the Administration for the following fiscal year.

12 (ii) If, in any given fiscal year, the amount of [the assessment fee]  
13 revenue collected by the Commissioner [under this subtitle] and deposited into the  
14 Fund is insufficient to cover the expenditures of the Administration because of an  
15 unforeseen emergency and expenditures are made in accordance with the budget  
16 amendment procedure provided for in § 7-209 of the State Finance and Procurement  
17 Article, an additional assessment for the expenditures may be made.

18 (d) (1) The State Treasurer is the custodian of the Fund.

19 (2) The State Treasurer shall deposit payments received from the  
20 Commissioner into the Fund.

21 (e) (1) The Fund is a continuing, nonlapsing fund and is not subject to §  
22 7-302 of the State Finance and Procurement Article, and may not be deemed a part of  
23 the General Fund of the State.

24 (2) No part of the Fund may revert or be credited to:

25 (i) the General Fund of the State; or

26 (ii) a special fund of the State, unless otherwise provided by law.

27 6-107.

28 (D) FROM THE INSURANCE PREMIUM TAX REVENUE, THE ADMINISTRATION  
29 SHALL DISTRIBUTE EACH QUARTER THE AMOUNT NECESSARY TO ADMINISTER THE  
30 INSURANCE PREMIUM TAX LAWS IN THE PREVIOUS QUARTER TO AN  
31 ADMINISTRATIVE ACCOUNT.

32 6-202.

33 (a) The Commissioner shall collect the fraud prevention fee.

34 (b) The total amount of the fraud prevention fee collected by the  
35 Commissioner shall be deposited in the [Insurance Regulation Fund as provided in §  
36 2-505 of this article] INSURANCE FRAUD DIVISION FUND FOR THE SOLE PURPOSE OF

1 FUNDING THE ACTIVITIES OF THE INSURANCE FRAUD DIVISION IN THE  
2 DEPARTMENT OF STATE POLICE ESTABLISHED UNDER ARTICLE 88B, § 87 OF THE  
3 CODE.

4 6-203.

5 (a) (1) THE COMMISSIONER SHALL ESTABLISH, BY REGULATION, TIERED  
6 FRAUD PREVENTION FEES IN AN AMOUNT SUFFICIENT TO FUND THE ACTIVITIES OF  
7 THE INSURANCE FRAUD DIVISION IN THE DEPARTMENT OF STATE POLICE  
8 ESTABLISHED UNDER ARTICLE 88B, § 87 OF THE CODE.

9 (2) THE COMMISSIONER SHALL ANNUALLY TRANSFER THE AMOUNT OF  
10 INSURANCE FRAUD PREVENTION FEES COLLECTED TO THE DEPARTMENT OF STATE  
11 POLICE TO BE USED FOR THE SOLE PURPOSE OF FUNDING THE ACTIVITIES OF THE  
12 INSURANCE FRAUD DIVISION.

13 (B) For each insurer, health maintenance organization, nonprofit health  
14 service plan, fraternal benefit society, or any entity operating in the State under the  
15 regulatory jurisdiction of the Commissioner other than a premium finance company, a  
16 fraternal benefit society that collected less than \$75,000 in premiums in the  
17 preceding calendar year, or a motor club, the fraud prevention fee shall be:

18 (1) [\$1,000;

19 (2)] due on or before June 30 of each year; and

20 [(3)] (2) if applicable, payable with the certificate of authority or license  
21 renewal fee.

22 [(b)] (C) For each insurance producer, public adjuster, insurance adviser, or  
23 third party administrator qualified, licensed, or registered by the Commissioner, the  
24 fraud prevention fee shall be:

25 (1) [\$15;

26 (2)] due on or before June 30 of every other year; and

27 [(3)] (2) if applicable, payable with the certificate of qualification,  
28 license, or registration renewal fee.

29 [(c)] (D) Any person that has more than one of the certificates of qualification,  
30 licenses, or registrations listed in subsection [(b)] (C) of this section shall pay the  
31 [\$15] fraud prevention fee only once per renewal period.

32 6-204.

33 (A) THERE IS AN INSURANCE FRAUD DIVISION FUND.

34 (B) THE PURPOSE OF THE FUND IS TO PAY ALL COSTS AND EXPENSES  
35 INCURRED BY THE DEPARTMENT OF STATE POLICE RELATED TO THE OPERATION OF  
36 THE FRAUD DIVISION.

1 (C) THE FUND SHALL CONSIST OF:

2 (1) THE FEES COLLECTED AND DEPOSITED IN THE FUND BY THE  
3 COMMISSIONER UNDER § 6-202 OF THIS ARTICLE; AND

4 (2) INCOME FROM INVESTMENTS THE STATE TREASURER MAKES FOR  
5 THE FUND.

6 (D) (1) ALL COSTS AND EXPENSES OF THE FRAUD DIVISION SHALL BE  
7 INCLUDED IN THE STATE BUDGET.

8 (2) EXPENDITURES FROM THE FUND TO COVER COSTS AND EXPENSES  
9 OF THE FRAUD DIVISION MAY ONLY BE MADE:

10 (I) IN ACCORDANCE WITH AN APPROPRIATION APPROVED BY THE  
11 GENERAL ASSEMBLY IN THE ANNUAL STATE BUDGET; OR

12 (II) BY THE BUDGET AMENDMENT PROCEDURE PROVIDED FOR IN §  
13 7-109 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

14 (E) (1) THE STATE TREASURER IS THE CUSTODIAN OF THE FUND.

15 (2) THE FUND SHALL BE INVESTED AND REINVESTED IN THE SAME  
16 MANNER AS STATE FUNDS.

17 (3) THE STATE TREASURER SHALL DEPOSIT PAYMENTS RECEIVED FROM  
18 THE COMMISSIONER INTO THE FUND.

19 (F) (1) THE FUND IS A CONTINUING, NONLAPSING FUND AND IS NOT  
20 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE, AND MAY  
21 NOT BE DEEMED A PART OF THE GENERAL FUND.

22 (2) NO PART OF THE FUND MAY REVERT OR BE CREDITED TO:

23 (I) THE GENERAL FUND OF THE STATE; OR

24 (II) A SPECIAL FUND OF THE STATE.

25 20-502.

26 (e) (1) If a prospective insured fails to qualify under this section, any policy  
27 issued is void and a commission may not be paid by the Fund to a fund producer.

28 (2) (i) Subject to the provisions of subparagraph (ii) of this paragraph,  
29 if a person fails to meet the requirements of subsection (b) of this section, the Fund  
30 may charge and collect the greater of:

31 1. a policy processing fee to cover its expenses; or

32 2. the amount that the person would have received after the  
33 Fund returns to a Fund producer, or any other person other than the person who fails

1 to meet the requirements of subsection (b) of this section, any gross unearned  
2 premiums that are due under the policy.

3 (ii) Prior to charging and collecting a policy processing fee or the  
4 amount allowed under subparagraph (i) of this paragraph, the Fund shall refer to the  
5 Insurance Fraud Division in the [Administration] DEPARTMENT OF STATE POLICE  
6 for investigation and possible prosecution of the person who fails to meet the  
7 requirements of subsection (b) of this section.

8 27-801.

9 (b) "Fraud division" means the Insurance Fraud Division in the  
10 [Administration] DEPARTMENT OF STATE POLICE.

## 11 Article - State Government

12 8-403.

13 (b) Except as otherwise provided in subsection (a) of this section, on or before  
14 the evaluation date for the following governmental activities or units, an evaluation  
15 shall be made of the following governmental activities or units and the statutes and  
16 regulations that relate to the governmental activities or units:

17 (34) Insurance [Commissioner and] Administration (§§ 2-101 and 2-103  
18 of the Insurance Article: July 1, [2002] 2012);

19 SECTION 4. AND BE IT FURTHER ENACTED, That on July 1, 2002, the  
20 Insurance Fraud Division shall be transferred from the Maryland Insurance  
21 Administration to the Department of State Police along with:

22 (1) all authorized regular positions, full-time equivalent contractual  
23 positions, and incumbent personnel in the Insurance Fraud Division;

24 (2) all operating expenses appropriated to the Insurance Fraud Division in the  
25 fiscal 2003 budget bill; and

26 (3) all records, equipment, assets, and liabilities of the Insurance Fraud  
27 Division.

28 SECTION 5. AND BE IT FURTHER ENACTED, That the Maryland Insurance  
29 Administration shall report to the Senate Finance Committee and the House  
30 Economic Matters Committee on or before October 1, 2002, in accordance with §  
31 2-1246 of the State Government Article, on the implementation of the  
32 recommendations of the Department of Legislative Services contained in the sunset  
33 evaluation report dated October 2001. This report shall include:

34 (1) a summary of efforts by the Administration to enhance communication  
35 with licensees, to address staff vacancies in the Insurance Fraud Division, to attract  
36 and retain skilled staff, and to address issues related to its physical plant;

1 (2) recommendations for consolidating statutorily required reports into the  
2 annual report; and

3 (3) identification of statutory reporting requirements that are outdated or  
4 unnecessary.

5 SECTION 6. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 July 1, 2002.