

HOUSE BILL 812

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2002 Regular Session
2lr2579
CF 2lr2580

By: **Delegate Donoghue**

Introduced and read first time: February 7, 2002

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 18, 2002

CHAPTER _____

1 AN ACT concerning

2 **Motor Clubs - Required Security - Letters of Credit**

3 FOR the purpose of authorizing an applicant for a license to provide motor club
4 service, in addition to other types of security, to deposit a certain letter of credit
5 in a certain amount as the security required for the license; providing for the
6 conditions of, liability under, and cancellation of the letters of credit; authorizing
7 the Insurance Commissioner to adopt certain regulations relating to letters of
8 credit; authorizing a motor club licensed by the Commissioner to substitute one
9 type of required security under certain circumstances for another type of
10 required security; and generally relating to letters of credit and required
11 security for motor clubs.

12 BY repealing and reenacting, with amendments,
13 Article - Insurance
14 Section 26-204
15 Annotated Code of Maryland
16 (1997 Volume and 2001 Supplement)

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

19 **Article - Insurance**

20 26-204.

21 (a) An applicant for a license shall deposit with the Treasurer, who shall
22 maintain in trust:

1 (1) registered United States government bonds with a market value at
2 all times not less than \$100,000 or, in the discretion of the Commissioner, a lower
3 amount not less than \$15,000; [or]

4 (2) a corporate surety bond in the form that the Commissioner requires
5 in a penal sum not less than \$100,000 or, in the discretion of the Commissioner, a
6 lower amount not less than \$15,000; OR

7 (3) A LETTER OF CREDIT IN THE FORM THAT THE COMMISSIONER
8 REQUIRES IN AN AMOUNT NOT LESS THAN \$100,000 OR, IN THE DISCRETION OF THE
9 COMMISSIONER, A LOWER AMOUNT NOT LESS THAN \$15,000.

10 (b) (1) The bond OR LETTER OF CREDIT described under subsection (a)(2) OR
11 (3) of this section shall be:

12 (i) in favor of the State for the members of the applicant that
13 reside in the State;

14 (ii) issued by a surety insurer OR BANK authorized to do business in
15 the State; and

16 (iii) conditioned on the faithful performance by the applicant of its
17 obligations under this title, including payment of any fines, fees, or penalties imposed
18 on it or restitution ordered under this title.

19 (2) The total liability of the surety insurer under the bond may not
20 exceed the penal sum of the bond.

21 (3) THE TOTAL LIABILITY OF THE BANK UNDER THE LETTER OF CREDIT
22 MAY NOT EXCEED THE AMOUNT OF THE LETTER OF CREDIT.

23 [(3)] (4) (i) The surety insurer OR BANK may cancel the bond OR
24 LETTER OF CREDIT after notifying the Commissioner at least 30 days before the
25 effective date of the cancellation.

26 (ii) [The] NEITHER THE surety insurer NOR THE BANK is [not]
27 liable for any breach of condition that occurs after the effective date of the
28 cancellation.

29 [(4)] (5) The Commissioner may adopt regulations that specify
30 conditions for surety bonds AND LETTERS OF CREDIT required by this section and
31 provide methods for THEIR termination [of the bonds].

32 (c) (1) The security required by subsection (a) of this section shall be
33 maintained as long as the licensee has any outstanding liability or obligation in the
34 State.

35 (2) SUBJECT TO APPROVAL BY THE COMMISSIONER, THE LICENSEE MAY
36 SUBSTITUTE ANY TYPE OF SECURITY REQUIRED BY SUBSECTION (A) OF THIS

1 SECTION FOR ANY OTHER TYPE OF SECURITY REQUIRED BY SUBSECTION (A) OF THIS
2 SECTION.

3 [(2)] (3) On proof satisfactory to the Commissioner that the licensee has
4 stopped doing business and that all of the licensee's liabilities and obligations have
5 been satisfied, the Commissioner shall authorize the Treasurer to return the security
6 to the licensee.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2002.