

HOUSE BILL 1456  
EMERGENCY BILL

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C4

2002 Regular Session  
2lr3050

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By: **Delegate Gordon**

Rules suspended

Introduced and read first time: March 23, 2002

Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Certificate of Authority - Penalties**

3 FOR the purpose of altering the penalties for an insurer who fails to renew its  
4 certificate of authority by a certain date; authorizing the Insurance  
5 Commissioner to determine the amount of certain penalties or forfeitures;  
6 requiring the Commissioner to consider certain factors in making that  
7 determination; making this Act an emergency measure; and generally relating  
8 to insurers and certificates of authority.

9 BY repealing and reenacting, with amendments,

10 Article - Insurance

11 Section 4-112

12 Annotated Code of Maryland

13 (1997 Volume and 2001 Supplement)

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

16 **Article - Insurance**

17 4-112.

18 (a) A certificate of authority expires on the first June 30 after its effective date  
19 unless it is renewed as provided in this section.

20 (b) At least 2 months before a certificate of authority expires, the  
21 Commissioner shall mail to the holder of the certificate of authority, at the last known  
22 address of the holder:

23 (1) a renewal application form; and

24 (2) a notice that states:

25 (i) the date on which the current certificate of authority expires;

1 (ii) the date by which the Commissioner must receive the renewal  
2 application for the renewal to be issued and mailed before the certificate of authority  
3 expires; and

4 (iii) the amount of the renewal fee.

5 (c) Before a certificate of authority expires, the holder of the certificate of  
6 authority may renew it for an additional 1-year term, if the holder:

7 (1) otherwise is entitled to a certificate of authority;

8 (2) files with the Commissioner a renewal application on the form that  
9 the Commissioner provides; and

10 (3) pays to the Commissioner the appropriate renewal fee required by §  
11 2-112 of this article.

12 (d) (1) The Commissioner shall renew the certificate of authority of each  
13 holder who meets the requirements of this subtitle.

14 (2) If a certificate holder pays the applicable renewal fee before the  
15 certificate of authority expires, the certificate of authority remains in effect until the  
16 Commissioner renews or refuses to renew the certificate of authority.

17 (e) (1) An insurer shall mail a renewal application and the applicable  
18 renewal fee on or before June 30. An insurer that fails to renew its certificate of  
19 authority on or before June 30 [shall] MAY forfeit:

20 (i) \$500 for each day from July 1 through July 10;

21 (ii) \$1,000 for each day from July 11 through July 31; and

22 (iii) \$5,000 for each day after July 31.

23 (2) In addition to the provisions imposed under paragraph (1) of this  
24 subsection, an insurer that fails to renew its certificate of authority on or before June  
25 30 in the previous year shall:

26 (i) renew its certificate of authority on or before June 1 of the  
27 current year; and

28 (ii) forfeit \$3,000 if the insurer fails to renew its certificate of  
29 authority on or before June 30 in the current year.

30 (3) In addition to the monetary penalties imposed under this subsection,  
31 on July 1 of each year, for each insurer that fails to file its renewal application and  
32 continuation fee on or before June 30, the Commissioner may:

33 (i) order that the insurer cease and desist from engaging further  
34 from the writing of insurance in this State in accordance with § 4-114 of this article;  
35 or

1 (ii) issue an order to require the insurer to show cause why it  
2 should be allowed to continue to engage in the insurance business in the State.

3 (F) IN DETERMINING THE AMOUNT OF ANY FINANCIAL PENALTY OR  
4 FORFEITURE TO BE IMPOSED UNDER THIS SECTION, THE COMMISSIONER:

5 (1) SHALL CONSIDER THE FOLLOWING FACTORS:

6 (I) THE SERIOUSNESS OF THE VIOLATION;

7 (II) THE GOOD FAITH OF THE VIOLATOR;

8 (III) THE VIOLATOR'S HISTORY OF PREVIOUS VIOLATIONS;

9 (IV) THE DELETERIOUS EFFECT OF THE VIOLATION ON THE PUBLIC  
10 AND THE INSURANCE INDUSTRY; AND

11 (V) THE ASSETS OF THE VIOLATOR; AND

12 (2) MAY DETERMINE THE APPROPRIATE AMOUNT OF THE PENALTY OR  
13 FORFEITURE.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency  
15 measure, is necessary for the immediate preservation of the public health or safety,  
16 has been passed by a ye and nay vote supported by three-fifths of all the members  
17 elected to each of the two Houses of the General Assembly, and shall take effect from  
18 the date it is enacted.