

HOUSE BILL 1456
EMERGENCY BILL

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2002 Regular Session
2lr3050

By: **Delegate Gordon**

Rules suspended

Introduced and read first time: March 23, 2002

Assigned to: Rules and Executive Nominations

Re-referred to: Economic Matters, March 25, 2002

Committee Report: Favorable

House action: Adopted

Read second time: March 28, 2002

CHAPTER _____

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.

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

4 (1) a renewal application form; and

5 (2) a notice that states:

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

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

10 (iii) the amount of the renewal fee.

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

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

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

16 (3) pays to the Commissioner the appropriate renewal fee required by §
17 2-112 of this article.

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

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

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

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

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

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

29 (2) In addition to the provisions imposed under paragraph (1) of this
30 subsection, an insurer that fails to renew its certificate of authority on or before June
31 30 in the previous year shall:

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

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

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

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

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

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

13 (1) SHALL CONSIDER THE FOLLOWING FACTORS:

14 (I) THE SERIOUSNESS OF THE VIOLATION;

15 (II) THE GOOD FAITH OF THE VIOLATOR;

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

17 (IV) THE DELETERIOUS EFFECT OF THE VIOLATION ON THE PUBLIC
18 AND THE INSURANCE INDUSTRY; AND

19 (V) THE ASSETS OF THE VIOLATOR; AND

20 (2) MAY DETERMINE THE APPROPRIATE AMOUNT OF THE PENALTY OR
21 FORFEITURE.

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