

SENATE BILL 472

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C4

2002 Regular Session
(2r1455)

ENROLLED BILL
-- Finance/Economic Matters --

Introduced by **Chairman, Finance Committee**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

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 altering the contents of the a certain annual report; establishing a~~
12 ~~certain date on which a certain annual report is due; repealing certain fees;~~
13 ~~creating a certain exemption; altering the classification of certain revenue;~~
14 ~~altering a certain definition definitions; altering the contents of a certain fund;~~
15 ~~requiring that certain revenue be used in a certain way; clarifying that certain~~
16 ~~provisions relating to fraudulent insurance acts apply to health maintenance~~
17 ~~organizations; requiring the Insurance Administration to collect, on a quarterly~~

1 ~~basis, certain fees and distribute a certain amount of money to a certain~~
 2 ~~administrative account at certain times; requiring certain revenue deposited in~~
 3 ~~a certain fund to be carried forward in the fund; requiring a certain assessment~~
 4 ~~fee to be adjusted in a certain manner; requiring certain money to be deposited~~
 5 ~~into a certain fund to be used for a certain purpose; requiring the Commissioner~~
 6 ~~of the Insurance Administration to establish certain fees in regulation; requiring~~
 7 ~~the Insurance Commissioner to transfer certain money at certain times to the~~
 8 ~~Department for certain purposes; altering the amount of certain fees; altering a~~
 9 ~~certain evaluation requirement; providing for the transfer of the Insurance~~
 10 ~~Fraud Division and its personnel, expenses, records, equipment, assets, and~~
 11 ~~liabilities from the Insurance Administration to the Department; requiring the~~
 12 ~~Insurance Administration to report to certain committees on or before a certain~~
 13 ~~date; specifying the contents of a certain report; defining certain terms; and~~
 14 ~~generally relating to the statutory and regulatory authority of the Maryland~~
 15 ~~Insurance Administration.~~

16 BY repealing

17 Article - Insurance

18 Section 2-112(a)(11), 2-208, 2-401 through 2-406, and 2-408 and the subtitle

19 "Subtitle 4. Insurance Fraud Division" 2-105(e) and 2-406

20 Annotated Code of Maryland

21 (1997 Volume and 2001 Supplement)

22 BY adding to

23 Article - Health - General

24 Section 19-706(w)

25 Annotated Code of Maryland

26 (2000 Replacement Volume and 2001 Supplement)

27 BY repealing and reenacting, with amendments,

28 Article - Insurance

29 Section 2-110, 2-112(a), 2-114, 2-501(b), (e), (h), and (l), 2-503, and 2-505(c)

30 Annotated Code of Maryland

31 (1997 Volume and 2001 Supplement)

32 BY adding to

33 Article - Insurance

34 Section 6-107(d)

35 Annotated Code of Maryland

36 (1997 Volume and 2001 Supplement)

37 BY renumbering

38 ~~Article - Insurance~~

39 ~~Section 6-204~~

40 ~~to be Section 6-205~~

1 Annotated Code of Maryland
2 (~~1997 Volume and 2001 Supplement~~)

3 ~~BY repealing and reenacting, with amendments,~~
4 ~~Article 88B—Department of State Police~~
5 ~~Section 13~~
6 ~~Annotated Code of Maryland~~
7 (~~1998 Replacement Volume and 2001 Supplement~~)

8 ~~BY adding to~~
9 ~~Article 88B—Department of State Police~~
10 ~~Section 87 through 92, inclusive, to be under the new subtitle "Insurance Fraud~~
11 ~~Division"~~
12 ~~Annotated Code of Maryland~~
13 (~~1998 Replacement Volume and 2001 Supplement~~)

14 ~~BY repealing and reenacting, with amendments,~~
15 ~~Article Insurance~~
16 ~~Section 2-110, 2-114, 2-501(b), 2-503, 2-505, 6-202, 6-203, 20-502(e), and~~
17 ~~27-801(b)~~
18 ~~Annotated Code of Maryland~~
19 (~~1997 Volume and 2001 Supplement~~)

20 ~~BY adding to~~
21 ~~Article Insurance~~
22 ~~Section 6-107(d) and 6-204~~
23 ~~Annotated Code of Maryland~~
24 (~~1997 Volume and 2001 Supplement~~)

25 ~~BY repealing and reenacting, with amendments,~~
26 ~~Article - State Government~~
27 ~~Section 8-403(b)(34)~~
28 ~~Annotated Code of Maryland~~
29 (~~1999 Replacement Volume and 2001 Supplement~~)

30 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
31 MARYLAND, That Section(s) ~~2-401 through 2-406, inclusive, and 2-408 and the~~
32 ~~subtitle "Subtitle 4. Insurance Fraud Division" 2-105(e) and 2-406~~ of Article -
33 Insurance of the Annotated Code of Maryland be repealed.

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

1 SECTION ~~3.~~ 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
2 read as follows:

3 **Article 88B—Department of State Police**

4 ~~13.~~

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

12 **INSURANCE FRAUD DIVISION**

13 ~~87.~~

14 (A) ~~IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS~~
15 ~~INDICATED.~~

16 (B) ~~"FRAUD DIVISION" MEANS THE INSURANCE FRAUD DIVISION IN THE~~
17 ~~DEPARTMENT.~~

18 (C) ~~"INSURANCE FRAUD" MEANS:~~

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

20 (2) ~~THEFT, AS SET OUT UNDER ARTICLE 27, §§ 340 THROUGH 342 OF THE~~
21 ~~CODE;~~

22 (I) ~~FROM A PERSON REGULATED UNDER THE INSURANCE~~
23 ~~ARTICLE; OR~~

24 (II) ~~BY A PERSON REGULATED UNDER THE INSURANCE ARTICLE OR~~
25 ~~AN OFFICER, DIRECTOR, AGENT, OR EMPLOYEE OF A PERSON REGULATED UNDER~~
26 ~~THE INSURANCE ARTICLE; OR~~

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

30 ~~88.~~

31 ~~THERE IS AN INSURANCE FRAUD DIVISION IN THE DEPARTMENT.~~

32 ~~89.~~

33 (A) ~~THE HEAD OF THE FRAUD DIVISION IS THE MANAGER.~~

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

3 (2) ~~THE MANAGER IS AN EMPLOYEE OF THE DEPARTMENT.~~

4 (3) ~~THE MANAGER REPORTS DIRECTLY TO AND IS UNDER THE DIRECT~~
5 ~~SUPERVISION OF THE SECRETARY.~~

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

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

11 90.

12 ~~THE FRAUD DIVISION:~~

13 (1) ~~HAS THE AUTHORITY TO INVESTIGATE EACH PERSON SUSPECTED OF~~
14 ~~ENGAGING IN INSURANCE FRAUD;~~

15 (2) ~~IF APPROPRIATE AFTER AN INVESTIGATION:~~

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

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

22 (III) ~~SHALL NOTIFY THE APPROPRIATE PROFESSIONAL LICENSING~~
23 ~~BOARD OF EVIDENCE OF GROSS OVERUTILIZATION OF HEALTH CARE SERVICES;~~

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

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

32 (5) ~~SHALL OPERATE OR PROVIDE FOR A TOLL-FREE INSURANCE FRAUD~~
33 ~~HOT LINE TO RECEIVE AND RECORD INFORMATION ABOUT ALLEGED ACTS OF~~
34 ~~INSURANCE FRAUD; AND~~

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

5 (A) ~~THE ACTIVITIES OF THE FRAUD DIVISION SHALL BE FUNDED BY THE~~
6 ~~INSURANCE FRAUD DIVISION FUND ESTABLISHED UNDER § 6-204 OF THE~~
7 ~~INSURANCE ARTICLE.~~

8 (B) (1) ~~ALL COSTS AND EXPENSES OF THE FRAUD DIVISION SHALL BE~~
9 ~~INCLUDED IN THE STATE BUDGET.~~

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

12 (I) ~~IN ACCORDANCE WITH AN APPROPRIATION APPROVED BY THE~~
13 ~~GENERAL ASSEMBLY IN THE ANNUAL STATE BUDGET; OR~~

14 (II) ~~BY THE BUDGET AMENDMENT PROCEDURE PROVIDED FOR IN §~~
15 ~~7-109 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.~~

16 ~~92.~~

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

21 (B) ~~THE REPORT SHALL INCLUDE:~~

22 (1) ~~THE NUMBER OF COMPLAINTS RECEIVED THAT RELATE TO~~
23 ~~INSURANCE FRAUD, THE NATURE OF THE COMPLAINTS, AND THE RESOLUTION OF~~
24 ~~THE COMPLAINTS;~~

25 (2) ~~THE NUMBER OF COMPLAINTS AND CASES REFERRED TO A STATE'S~~
26 ~~ATTORNEY AND THE RESOLUTION OF THE COMPLAINTS OR CASES;~~

27 (3) ~~THE NUMBER OF COMPLAINTS AND CASES REFERRED TO THE~~
28 ~~OFFICE OF THE ATTORNEY GENERAL AND THE RESOLUTION OF THE COMPLAINTS OR~~
29 ~~CASES;~~

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

31 (5) ~~THE NUMBER OF COMPLAINTS RECEIVED FROM PERSONS~~
32 ~~REGULATED BY THE SECRETARY;~~

33 (6) ~~THE TOTAL NUMBER OF CASES, BY TYPE, OF INSURANCE FRAUD;~~
34 ~~AND~~

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

3 (III) THE NUMBER OF COMPLAINTS AND CASES REFERRED TO THE
4 OFFICE OF THE ATTORNEY GENERAL AND THE RESOLUTION OF THE COMPLAINTS OR
5 CASES;

6 (IV) THE NUMBER OF CALLS MADE TO THE INSURANCE FRAUD HOT
7 LINE;

8 (V) THE NUMBER OF COMPLAINTS RECEIVED FROM PERSONS
9 REGULATED BY THE COMMISSIONER;

10 (VI) THE TOTAL NUMBER OF CASES, BY TYPE OF INSURANCE
11 FRAUD; AND

12 (VII) THE NUMBER AND PERCENTAGE OF CASES THAT RESULT IN
13 THE IMPOSITION OF CIVIL OR CRIMINAL PENALTIES;

14 (9) A LIST OF ALL STAFF POSITIONS, CLASSIFICATIONS, AND SALARIES
15 IN THE ADMINISTRATION AS OF THE END OF THE PRECEDING CALENDAR YEAR; AND

16 ~~(8)~~ (10) any other relevant information that the Commissioner
17 considers proper.

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

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

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

27 2-112.

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

31 ~~[(11) fees for form and rate filings under Title 11, Subtitles 2 and 4 and §§~~
32 ~~12-203, 13-110, and 14-126 of this article.....\$125]~~

33 (1) fees for certificates of authority:

34 (i) application fee for initial certificate of authority, including filing
35 the application, articles of incorporation and other charter documents, except as
36 provided in item (2) of this subsection, bylaws, financial statement, examination

1 report, power of attorney to the Commissioner, and all other documents and filings in
2 connection with the application \$1,000

3 (ii) fee for initial certificate of authority..... \$200

4 (iii) fee for annual renewal of certificate of authority for all foreign
5 insurers and for domestic insurers with their home or executive office in the
6 State..... \$500

7 (iv) fee for annual renewal of certificate of authority for domestic
8 insurers with their home or executive office outside the State, except those domestic
9 insurers that had their home or executive office outside the State before January 1,
10 1929:

11 1. with premiums written in the most recent calendar year
12 not exceeding \$500,000..... \$2,500

13 2. with premiums written in the most recent calendar year
14 not exceeding \$1,000,000..... \$5,000

15 3. with premiums written in the most recent calendar year
16 not exceeding \$2,000,000..... \$7,000

17 4. with premiums written in the most recent calendar year
18 not exceeding \$5,000,000..... \$9,000

19 5. with premiums written in the most recent calendar year of
20 more than \$5,000,000..... \$11,000

21 (v) reinstatement of certificate of authority..... \$500

22 (2) fees for articles of incorporation of a domestic insurer or foreign
23 insurer, exclusive of fees required to be paid to the Department of Assessments and
24 Taxation:

25 (i) fee for filing the articles of incorporation with the Commissioner
26 for approval..... \$25

27 (ii) fee for amendment of the articles of incorporation..... \$10

28 (3) fees for filing bylaws or amendments to bylaws with the
29 Commissioner \$10

30 (4) fees for certificates of qualification:

31 (i) application fee..... \$25

32 (ii) managing general agent certificate of qualification:

33 1. fee for initial certificate..... \$30

1 2. annual renewal fee \$30

2 (iii) surplus lines broker certificate of qualification:

3 1. fee for initial certificate within 1 year of renewal. \$100

4 2. fee for initial certificate over 1 year from renewal \$100

5 3. biennial renewal fee \$200

6 [(5)] fees for appointments:

7 (i) fee for filing notice of each initial appointment \$15

8 (ii) fee for filing notice of each termination \$51

9 [(6)] (5) fee for temporary insurance producer licenses and
10 appointments..... \$27

11 [(7)] (6) fee for approval by the Commissioner of continuing education
12 courses..... \$50

13 [(8)] (7) fees for licenses:

14 (i) public adjuster license:

15 1. fee for initial license within 1 year of renewal \$25

16 2. fee for initial license over 1 year from renewal \$50

17 3. biennial renewal fee..... \$50

18 (ii) adviser license:

19 1. fee for initial license within 1 year of renewal \$100

20 2. fee for initial license over 1 year from renewal \$200

21 3. biennial renewal fee..... \$200

22 (iii) insurance producer license:

23 1. fee for initial license \$54

24 2. biennial renewal fee \$54

25 (iv) application fee \$25

26 [(9)] (8) fee for each insurance vending machine license, for each
27 machine, every second year \$50

11.....

1 ~~[(10)]~~ (9) fees for filing the annual statement by an unauthorized
2 insurer applying for approval to become an accepted insurer or applying for approval
3 to become an accepted reinsurer or surplus lines carrier or both \$1,000

4 ~~[(11)]~~ (10) fees for form and rate filings under Title 11, Subtitles 2 and 4
5 and §§ 12-203, 13-110, and 14-126 of this article \$125

6 ~~[(12)]~~ (11) service of legal process fee under §§ 3-318(b), 3-319(d), and
7 4-107 of this article \$15

8 2-114.

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

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

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

14 (3) all penalties imposed by the Commissioner, including the following
15 penalties imposed under:

16 (i) §§ 4-113(d), 4-212, 10-126(c), 11-232, 14-140, 23-208, 23-506,
17 26-502, 27-305, and 27-408 of this article; and

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

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

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

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

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

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

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

32 ~~{(6)}~~ (4) income from investments that the State Treasurer makes for
33 the Insurance Regulation Fund.

1 ~~2-208.~~

2 The expense incurred in an examination made under § 2-205 of this subtitle, §
3 2-206 of this subtitle for surplus lines brokers and insurance holding corporations, §
4 23-207 of this article for premium finance companies, or § 15-10B-19 of this article
5 for private review agents shall be paid by the person examined in the following
6 manner:

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

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

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

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

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

18 2-501.

19 (b) "Assessment" means an assessment that, SUBJECT TO § 2-505(C)(3) OF THIS
20 SUBTITLE,[:

21 (1)] equals ~~60% OF~~ the approved Administration's APPROVED annual
22 budget appropriation ~~less the fees collected~~ under this article[: and

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

25 (e) "Health insurer assessment portion" means [45%] 42.5% 40% of the
26 assessment.

27 (h) "Life insurer assessment portion" means 27.5% 26% of the assessment.

28 (l) "Property and casualty insurer assessment portion" means [27.5%] 30%
29 34% of the assessment.

30 2-503.

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

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

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

3 (2) due and payable to the Commissioner on or before ~~July 1 of~~ A DATE
4 DETERMINED BY THE COMMISSIONER each year ~~AND QUARTERLY THEREAFTER.~~

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

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

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

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

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

19 ~~(F) AN INSURER MAY ELECT TO PAY ITS ENTIRE ANNUAL ASSESSMENT ON OR~~
20 ~~BEFORE JULY 1.~~

21 2-505.

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

23 ~~(1) all revenue received through the imposition and collection of the~~
24 ~~assessment fee under this subtitle;~~

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

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

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

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

33 ~~[(6)] (4) income from investments that the State Treasurer makes for~~
34 ~~the Fund.~~

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

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

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

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

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

12 ~~(3) (i) 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 exceeds 110 PERCENT OF the actual appropriations for the Administration, the
 15 excess amount shall be carried forward within the Fund for the purpose of reducing
 16 the assessment fee imposed by the Administration for the following fiscal year.~~

17 (3) (1) 1. SUBJECT TO SUB-SUBPARAGRAPH 2 OF THIS
 18 SUBPARAGRAPH, IF, IN ANY FISCAL YEAR, THE AMOUNT OF REVENUE COLLECTED BY
 19 THE COMMISSIONER AND DEPOSITED INTO THE FUND EXCEEDS 105% OF THE
 20 ACTUAL APPROPRIATIONS FOR THE ADMINISTRATION, THE EXCESS AMOUNT SHALL
 21 BE CARRIED FORWARD WITHIN THE FUND.

22 2. THE ASSESSMENT FEE IMPOSED UNDER THIS SUBTITLE
 23 SHALL BE ADJUSTED TO MAINTAIN THE FUND AT A LEVEL THAT DOES NOT EXCEED
 24 105% OF THE ADMINISTRATION'S APPROVED ANNUAL BUDGET.

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

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

32 ~~(2) The State Treasurer shall deposit payments received from the~~
 33 ~~Commissioner into the Fund.~~

34 ~~(e) (1) The Fund is a continuing, nonlapsing fund and is not subject to §~~
 35 ~~7-302 of the State Finance and Procurement Article, and may not be deemed a part of~~
 36 ~~the General Fund of the State.~~

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

- 1 (i) the General Fund of the State; or
 2 (ii) a special fund of the State, unless otherwise provided by law.

3 6-107.

4 (D) FROM THE INSURANCE PREMIUM TAX REVENUE, THE ADMINISTRATION
 5 SHALL DISTRIBUTE EACH QUARTER THE AMOUNT NECESSARY TO ADMINISTER THE
 6 INSURANCE PREMIUM TAX LAWS IN THE PREVIOUS QUARTER TO AN
 7 ADMINISTRATIVE ACCOUNT.

8 ~~6-202.~~

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

10 (b) ~~The total amount of the fraud prevention fee collected by the~~
 11 ~~Commissioner shall be deposited in the [Insurance Regulation Fund as provided in §~~
 12 ~~2-505 of this article] INSURANCE FRAUD DIVISION FUND FOR THE SOLE PURPOSE OF~~
 13 ~~FUNDING THE ACTIVITIES OF THE INSURANCE FRAUD DIVISION IN THE~~
 14 ~~DEPARTMENT OF STATE POLICE ESTABLISHED UNDER ARTICLE 88B, § 87 OF THE~~
 15 ~~CODE.~~

16 ~~6-203.~~

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

21 (2) ~~THE COMMISSIONER SHALL ANNUALLY TRANSFER THE AMOUNT OF~~
 22 ~~INSURANCE FRAUD PREVENTION FEES COLLECTED TO THE DEPARTMENT OF STATE~~
 23 ~~POLICE TO BE USED FOR THE SOLE PURPOSE OF FUNDING THE ACTIVITIES OF THE~~
 24 ~~INSURANCE FRAUD DIVISION.~~

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

30 (1) ~~[\$1,000;~~

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

32 [(3)] (2) ~~if applicable, payable with the certificate of authority or license~~
 33 ~~renewal fee.~~

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

1 (1) ~~[\$15;~~

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

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

5 ~~[(c)]~~ (D) ~~Any person that has more than one of the certificates of qualification,~~
6 ~~licenses, or registrations listed in subsection [(b)] (C) of this section shall pay the~~
7 ~~[\$15] fraud prevention fee only once per renewal period.~~

8 ~~6-204.~~

9 (A) ~~THERE IS AN INSURANCE FRAUD DIVISION FUND.~~

10 (B) ~~THE PURPOSE OF THE FUND IS TO PAY ALL COSTS AND EXPENSES~~
11 ~~INCURRED BY THE DEPARTMENT OF STATE POLICE RELATED TO THE OPERATION OF~~
12 ~~THE FRAUD DIVISION.~~

13 (C) ~~THE FUND SHALL CONSIST OF:~~

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

16 (2) ~~INCOME FROM INVESTMENTS THE STATE TREASURER MAKES FOR~~
17 ~~THE FUND.~~

18 (D) (1) ~~ALL COSTS AND EXPENSES OF THE FRAUD DIVISION SHALL BE~~
19 ~~INCLUDED IN THE STATE BUDGET.~~

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

22 (1) ~~IN ACCORDANCE WITH AN APPROPRIATION APPROVED BY THE~~
23 ~~GENERAL ASSEMBLY IN THE ANNUAL STATE BUDGET; OR~~

24 (II) ~~BY THE BUDGET AMENDMENT PROCEDURE PROVIDED FOR IN §~~
25 ~~7-109 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.~~

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

27 (2) ~~THE FUND SHALL BE INVESTED AND REINVESTED IN THE SAME~~
28 ~~MANNER AS STATE FUNDS.~~

29 (3) ~~THE STATE TREASURER SHALL DEPOSIT PAYMENTS RECEIVED FROM~~
30 ~~THE COMMISSIONER INTO THE FUND.~~

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

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

2 (I) ~~THE GENERAL FUND OF THE STATE; OR~~

3 (II) ~~A SPECIAL FUND OF THE STATE.~~

4 ~~20-502.~~

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

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

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

11 2. ~~the amount that the person would have received after the~~
12 ~~Fund returns to a Fund producer, or any other person other than the person who fails~~
13 ~~to meet the requirements of subsection (b) of this section, any gross unearned~~
14 ~~premiums that are due under the policy.~~

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

20 ~~27-801.~~

21 (b) ~~"Fraud division" means the Insurance Fraud Division in the~~
22 ~~[Administration] DEPARTMENT OF STATE POLICE.~~

23 **Article - State Government**

24 ~~8-403.~~

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

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

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

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

3 ~~(2) all operating expenses appropriated to the Insurance Fraud Division in the~~
4 ~~fiscal 2003 budget bill; and~~

5 ~~(3) all records, equipment, assets, and liabilities of the Insurance Fraud~~
6 ~~Division.~~

7 SECTION ~~5~~ 3. AND BE IT FURTHER ENACTED, That the Maryland
8 Insurance Administration shall report to the Senate Finance Committee and the
9 House Economic Matters Committee on or before October 1, 2002, in accordance with
10 § 2-1246 of the State Government Article, on the implementation of the
11 recommendations of the Department of Legislative Services contained in the sunset
12 evaluation report dated October 2001. This report shall include:

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

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

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

20 SECTION ~~6~~ 4. AND BE IT FURTHER ENACTED, That this Act shall take
21 effect July 1, 2002.