
By: **Chairman, Finance Committee**
Introduced and read first time: February 1, 2002
Assigned to: Finance

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.